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Venture Capital Market Study 2023

April 2024

BVA BELGIAN VENTURE CAPITAL & PRIVATE EQUITY ASSOCIATION

Content

Introduction

We are delighted to introduce this first publication of PwC's and BVA's Belgian Venture Capital Market Study, exploring the venture capital investments landscape.

Venture capital plays a vital role in fuelling innovation, driving economic growth and transforming industries. It is the lifeblood that empowers visionary entrepreneurs to turn their ideas into reality, propelling society forward.

Throughout the growth of a company, startups raise different rounds of venture capital. However, the terms of these rounds are carried forward to the next round and can be detrimental to the growth and prosperity of the venture and its founders. All stakeholders, therefore, can benefit from having a comprehensive understanding of the venture capital landscape and practices, whether they be an investor, entrepreneur, policymaker or enthusiast.

This survey was designed to reveal the common market practices within the ecosystem, and to throw light on the current investment climate and investor sentiment. The fact that 35 of the 67 investment managers we contacted completed the survey confirms the high level of interest and the demand for transparency and clear benchmarking data.

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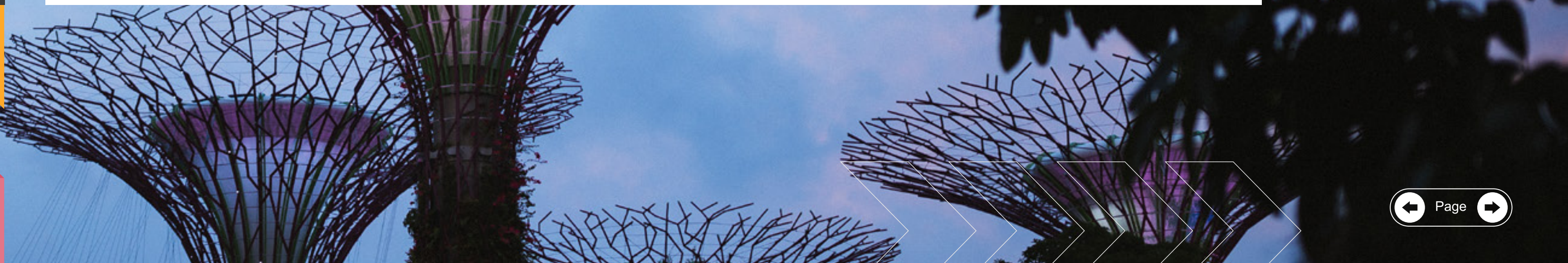

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Introduction

We extend our warm thanks to all those who have contributed to the survey, by completing the questionnaires, providing interviews, analysing the data or producing the report. We hope that it will serve as a catalyst for meaningful discussions, inspire innovative thinking, and ultimately contribute to the growth and success of the venture capital ecosystem.

Jan Alexander
Secretary General, BVA

BVA BELGIAN VENTURE CAPITAL & PRIVATE EQUITY ASSOCIATION

Elise Carton
Senior Manager Venture Deals, PwC

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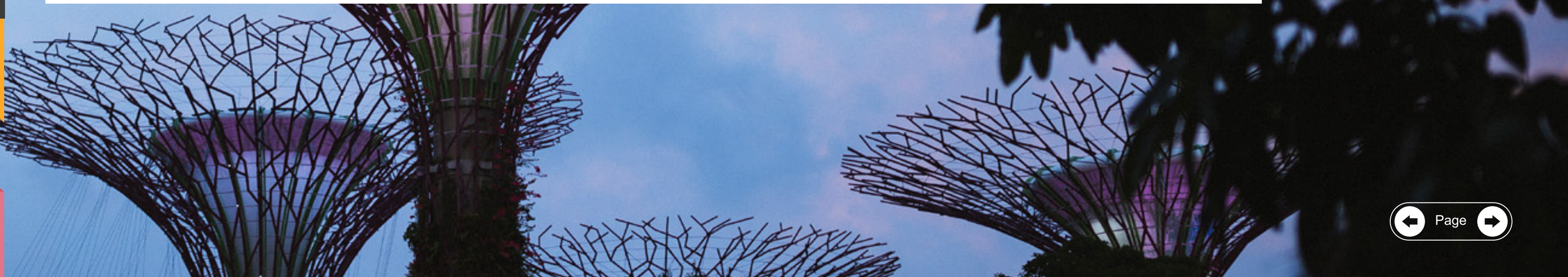

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Executive summary

This report presents the findings of a comprehensive survey conducted on the Belgian venture capital market by the Belgian Venture Capital & Private Equity Association (BVA) and PwC Belgium. The survey aimed to provide insights into the current state of the Belgian venture capital (VC) and corporate VC (CVC) market in 2023.

The survey employed **mixed methods**: primary data collected through a survey combined with structured interviews with venture capitalists (VCs) to receive additional insights. Secondary data was also gathered from Pitchbook, to capture the general VC market activity by Belgian and European VCs.

The survey was sent to Belgian VCs investing in Belgium and abroad. One person per VC fund was contacted. In total, 67 VCs were contacted, of which 35 filled in the survey. The 60 questions were designed to gather information on investment strategy, valuation and returns and legal terms, as well as the respondent's perspective on the VC market for 2023 and 2024 regarding deal flow and valuation. Boris Bogaert from Pitchdrive, Katrin Geyskens from Capricorn Partners, Arne Hautekiet from Astanor Ventures and Lucas Stoops from 6 Degrees Capital were interviewed to get their personal insights and perspectives on the results.

The survey revealed several **key findings** that shed light on the current state of the Belgian VC market, notably:

- VC investments have decreased in the past year in Europe and Belgium, both in deal value and number of deals.
- The decrease in Belgium was less significant compared to the decrease in Europe.

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Content

Executive summary

- Valuations have decreased in the past year compared to the historical high valuations of 2020 and 2021; many VCs stated that valuations have stabilised and they don't expect them to further decrease in the coming year.
- The importance of the management team throughout the different stages of the company: VCs consider it as the most important factor for the valuation across all stages.
- Early stage VCs expect stronger liquidation preferences: most early stage VCs always implement a liquidation preference, and the participating liquidation seems to be more common in early stage rounds than in the later stage.

While the survey provides valuable insights, it is important to acknowledge its **limitations**:

- The sample size of the survey may not fully represent the entire VC ecosystem in Belgium.
- The reliance on self-reported data from stakeholders may introduce biases.
- The survey was only sent to one person per fund, which could result in smaller funds having the same weight in the results as larger funds.

Nonetheless, the survey can serve as a valuable resource for stakeholders seeking to understand and navigate the Belgian VC landscape.
By repeating and extending the survey in the coming years, we hope to follow the market trends and allow further comparisons.

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Market overview

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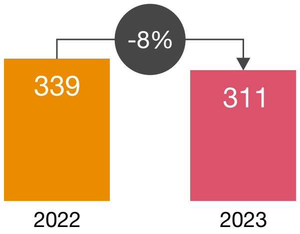
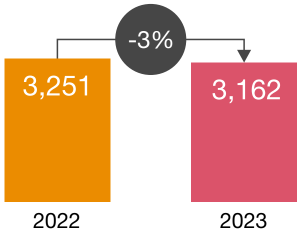
Evolution of the VC landscape in Belgium

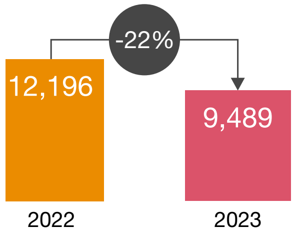
VC deal volume in deals that Belgian VCs were involved in



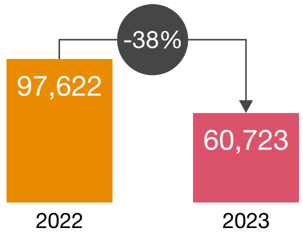
VC deal value in €m in deals that Belgian VCs were involved in



VC deal volume in deals that European VCs were involved in



VC deal value in €m in deals that European VCs were involved in



Source: Pitchbook Data, Inc., 25th January 2024

Summary

Showing deal volume and value in deals that Belgian VCs were involved in. Note that investment amounts of non-Belgian VCs in those deals are included in the deal value, and that the included deals are not limited to investments in Belgian companies.

In terms of deal volume, Belgian VCs were slightly less active in 2023 compared to 2022, with a decrease of 8%.

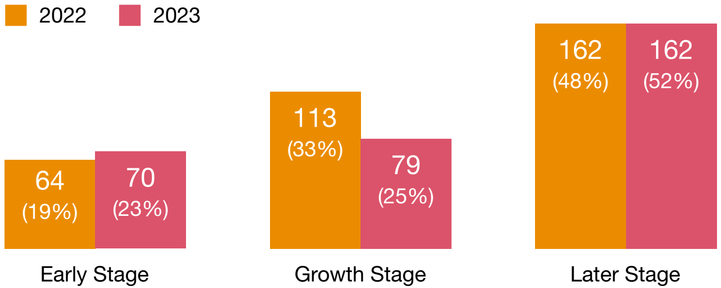
The total known deal value of deals where a Belgian VC was involved also slightly decreased.

The VC deal volume in deals in which European VCs were involved dropped by more than 22% from 2022 to 2023, with the deal value dropping by approximately 38% in the same time span, showing significantly less activity than Belgian VCs. European VCs were also active in lower-value deals: from 2022 to 2023, the deal value dropped more than deal volume.

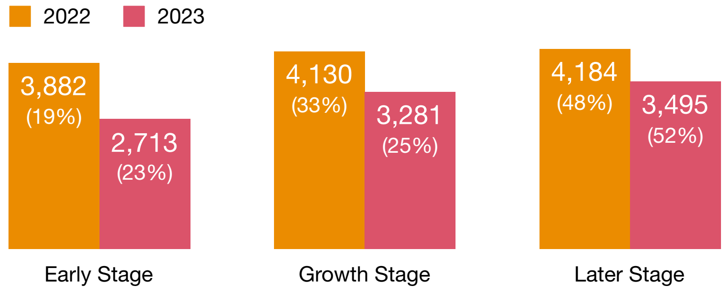
Belgian VCs were active in fewer deals but the deals they were involved in, had a higher deal value. Overall, Belgian VCs seem to be less hesitant to invest than their European peers.

Comparison of VC deals per stage

Number of deals that Belgian VCs were involved in, per stage



Number of deals that European VCs were involved in, per stage



Source: Pitchbook Data, Inc., 25th January 2024. Note (1): Early Stage includes Seed Round investments. Growth Stage includes Series A and B. Later Stage includes VC investments in companies that are at least five years old or those that have raised a Series C round.

Summary

In deals that Belgian investors were involved in in 2022 and 2023, Belgian VCs were most active in later stage deals in both years.

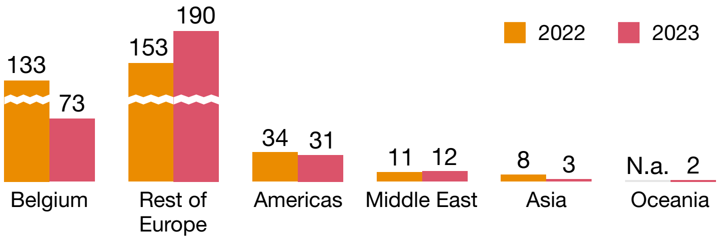
Growth stage investments were impacted the most by the slowdown in VC funding: Belgian VCs were involved in 79 deals in 2023, compared to 113 deals in 2022.

European VCs were involved in fewer deals in 2023 than in 2022, with the largest drop in seed stage deals. In both 2022 and 2023, European VCs were involved in later stage deals the most and early stage deals the least.

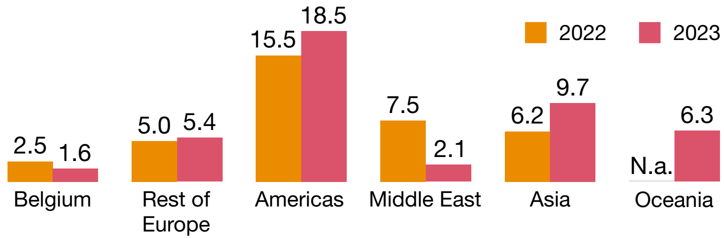
> *"What we saw is that many later stage investors starting investing in earlier stage companies. So the increase in the early stage might rather be explained by an increase in VC initiatives then an increase in deal flow. We saw more a decrease still due to the pandemic where people were more hesitant to start their own business."*
>
> – Boris Bogaert, Pitchdrive

Comparison of VC deals per target region

Number of deals that Belgian VCs were involved in, per region



Median size (€m) of deals that Belgian VCs were involved in, per region



Source: Pitchbook Data, Inc., 25th January 2024

Summary

Belgian VCs expanded their geographic investment horizon, executing fewer deals locally, but increasing their involvement in deals in the rest of Europe.

The number of deals that Belgian VCs were involved in dropped drastically in Belgium, while the median deal size in Belgium also fell.

While the number of deals per region is highest in Belgium and the rest of Europe, the median deal size is higher in the other regions.

The median deal size increased in Europe, the Americas and Asia in 2023 compared to 2022, while the Middle East saw a sharp reduction.

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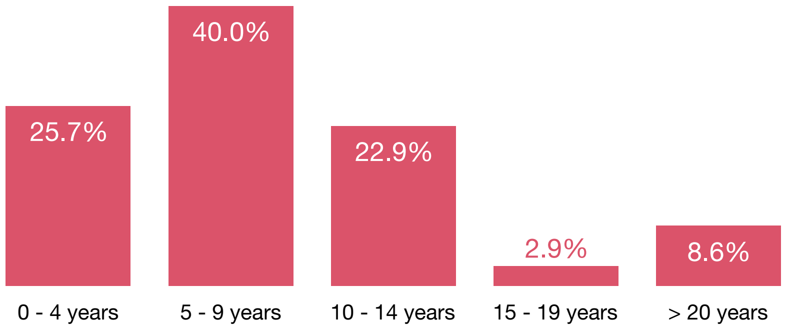
Survey sample overview

Content

Years of experience in the (C)VC industry

Personal years of experience

35 total responses



Summary

The majority of the investment managers in the VCs surveyed have 5-9 years' personal experience. Around a quarter of managers have 0-4 or 10–14 years' experience. A minority have 15-19 or more than 20 years' experience.

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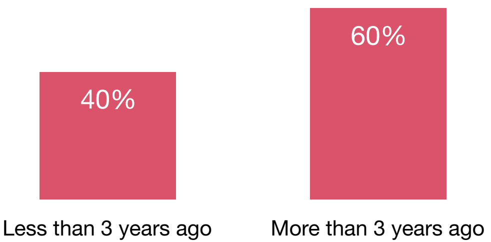
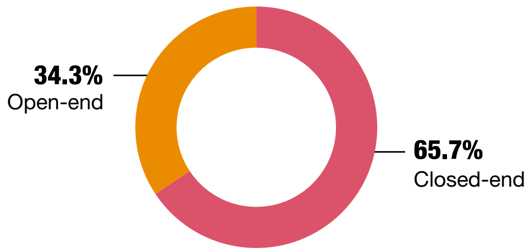
Launch time and type of the latest fund

When the VC launched their latest fund
35 total responses



Closed-end vs open-end funds
35 total responses



Summary

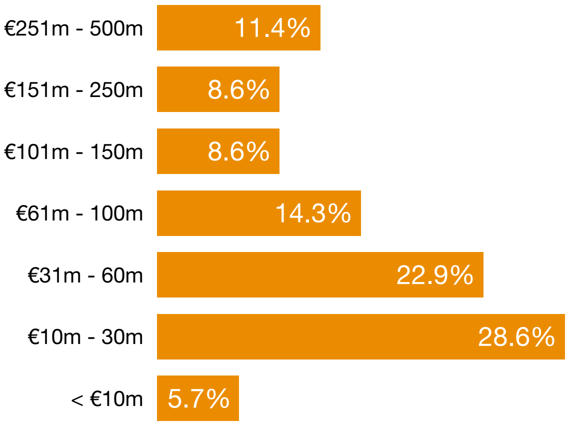
Most investment managers that participated in this survey are active at funds that were launched in the last 3 years.

Results show a significant preference for setting up funds in a closed-end structure, compared to evergreen.

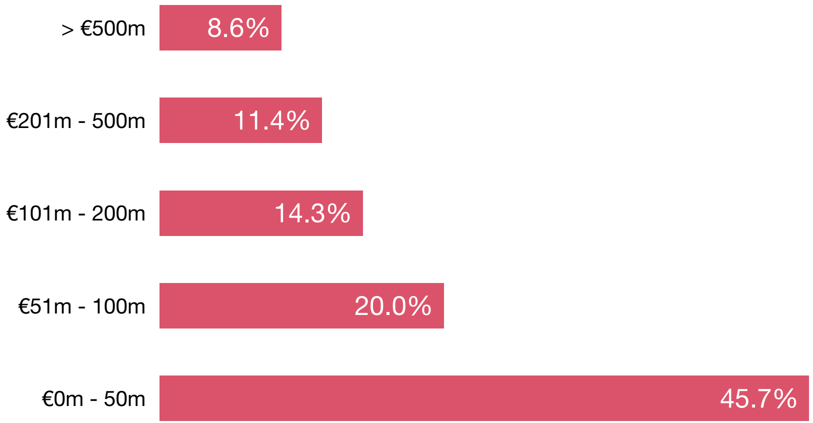
Content

Size of the fund

The size of the VC's latest fund
35 total responses



The VC's fund's Total Assets under Management
35 total responses



Summary

The majority of the funds have raised between €10m and €60m. More than a quarter of the funds raised more than €100m.

Almost half of surveyed VCs had less than €50m of assets under management at the time of the survey. This should be considered in light of the total fund sizes: most were below €60m.

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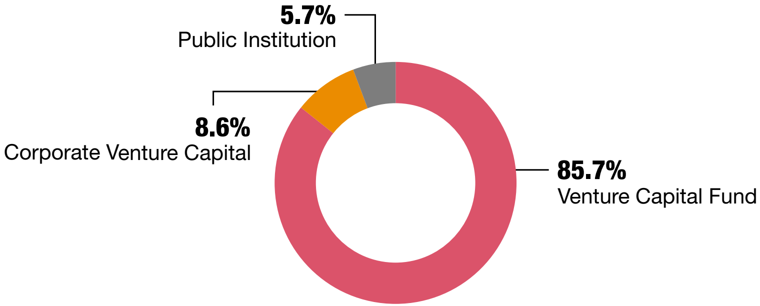
Types of venture capitalist in the survey

Types of VCs
35 total responses



Summary

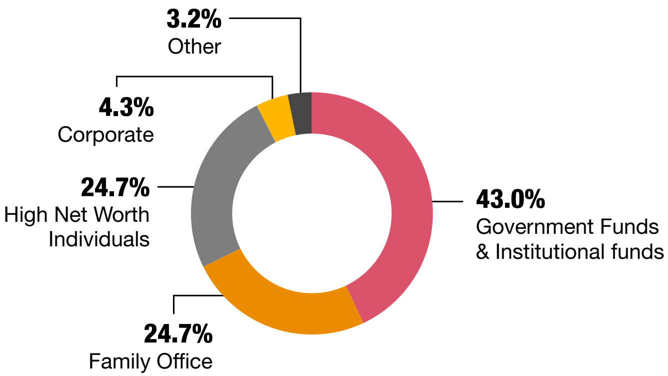
The overwhelming majority of the surveyed VCs are venture capital funds, with small minorities of corporate venture capital and public institutions.

Content

Sources of funding

Sources of funding for VCs' funds

35 total responses



Summary

Half of the investments in VC funds come from private wealth, balanced between money invested through family offices (25%) or from high-net-worth individuals (25%).

43% comes from government and institutional capital, making these an important pillar in the Belgian VC landscape.

A small minority (7%) comes from corporates and other sources.

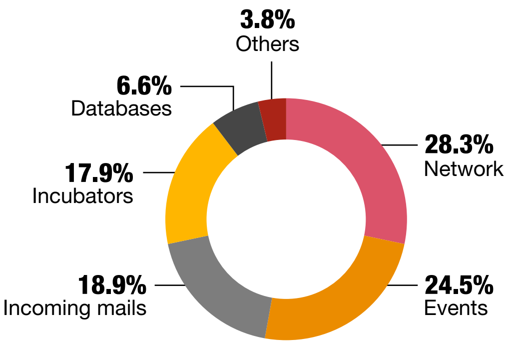
Content

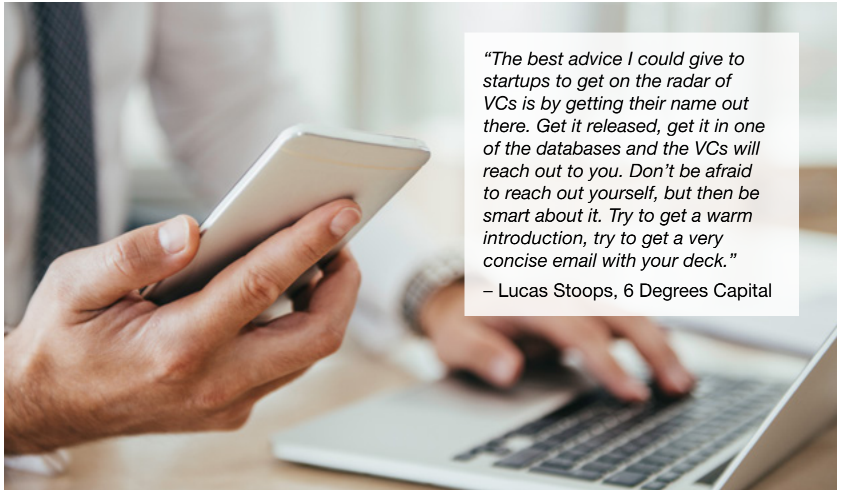
Investment strategy

- Where is deal flow coming from?
- Investment scope
- Typical ticket size of the fund per deal
- Comparison of initial vs follow-up investments
- Fund's average investment holding period
- Number of deals closed per year
- Comparison of industry investment focuses
- Comparison of investment placement in B2B vs B2C business models
- Type of investment instrument used to finance portfolio companies
- Expected target participation stake at initial investment

Where is deal flow coming from?

Sources of deal flow
35 total responses





"The best advice I could give to startups to get on the radar of VCs is by getting their name out there. Get it released, get it in one of the databases and the VCs will reach out to you. Don't be afraid to reach out yourself, but then be smart about it. Try to get a warm introduction, try to get a very concise email with your deck."

– Lucas Stoops, 6 Degrees Capital

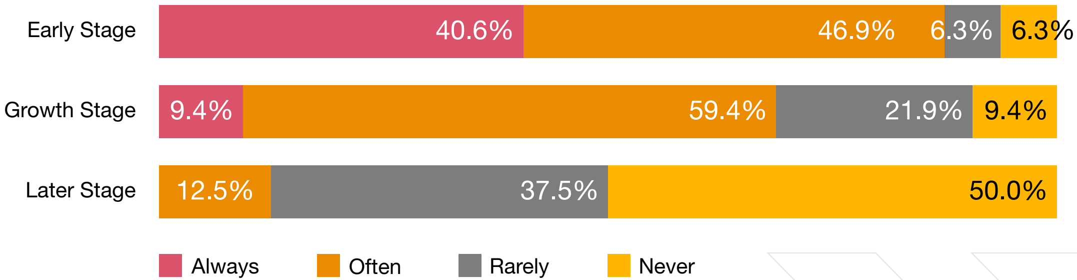
Insights

Own network (28%) and events (24%) make up for the majority of deal flow leads, in addition to leads through incubators (18%) and searching through databases (7%). Clearly, most VCs prefer to hunt for deal flow themselves, rather than relying on inbound mails (19%).

Entrepreneurs should carefully consider how to get on VCs' radars well ahead of their fundraising, as only a small proportion of investments are made following a cold email reach-out when there is need for growth capital.

Investment scope

Investment scope of interviewed VCs: maturity
32 total responses



Note (1): Early Stage includes start-ups in the Idea and Seed phases. Growth Stage includes Series A and Series B start-ups. Later Stage represents startups later than Series B.

Summary

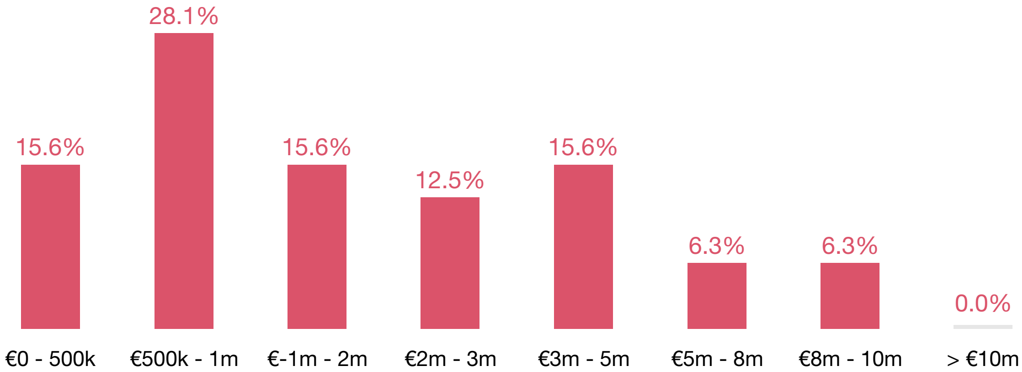
The VCs that responded to our survey show a clear preference for early stage investing (87.5% invest always or often in idea and seed phases), while most still have a strong appetite for growth stage investing (68.8% invest always or often in Series A and B). Later stage investments are less in scope of our survey audience, with 87.5% indicating that they rarely or never invest in rounds beyond Series B.

It is important to note that the survey results obtained do not fully reflect the market data shown. This discrepancy suggests that the later stage VC segment of the population may have been inadvertently excluded from the survey, resulting in a missing population in the survey result.

Content

Typical ticket size of the fund per deal

Typical ticket size
32 total responses



Insights

Almost half the surveyed VCs indicated a typical ticket size below €1m (43.7%), which can be linked to the strong preference for early stage deals in the previous slide.

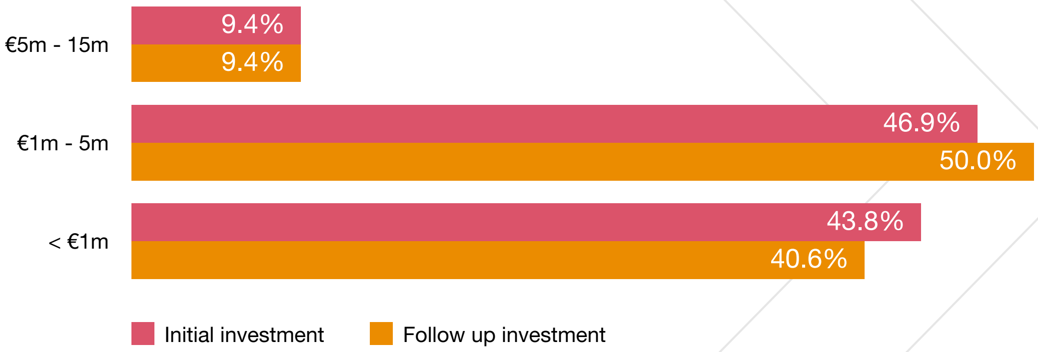
Ticket sizes between €1m and €5m, representing 43.7% of the respondents' typical ticket, would be expected in a growth phase investment round.

Only 12.6% of respondents indicated that they would invest in tickets of €5m or more, which in turn reconciles with only 12.5% of respondents indicating that they often invest in later stage rounds.

Content

Comparison of initial vs follow-up investments

Average size of an initial and follow-up investment
32 total responses



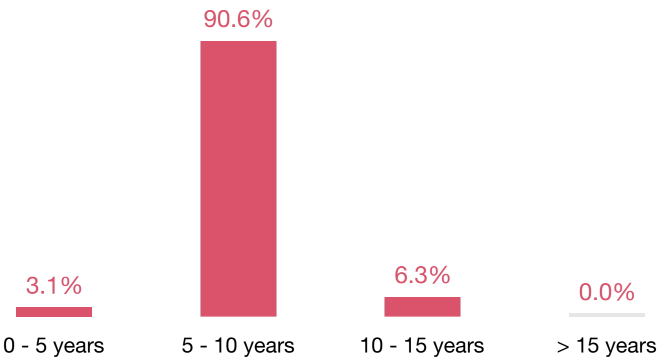
Summary

The data suggest that initial investments are roughly equal in size to the follow-up investment.

Content

Fund’s average investment holding period

VC’s average investment holding period
32 total responses



“Of course, everybody is in favour of ‘patient capital’, but it isn’t the fundamental VC mindset. Typically in a fund with 10 to 15 portfolio companies, you’ll have 2-3 fast exits – could be positive ones or failures. Half of the portfolio will exit in 4-6 years and the majority still within the 10-year duration of a traditional VC fund. Then there are maybe 2 or 3 companies that didn’t do super well, but by giving them an additional couple of years to grow to a next inflection point, you’ll be able to realize a better exit.”

– Katrin Geyskens, Capricorn Partners

Insights

As shown earlier, 66% of VCs surveyed prefer to set up funds in a closed-end structure. 9 out of 10 of surveyed VCs have an average investment holding period of 5-10 years: this has been the typical closed-end horizon view for many years.

Although 5-10 years is a significant time for traditional SaaS companies, it might not be enough for innovative hardware and research-intense companies. We believe that there is a large space for ‘patient’ capital to fill in Belgium.

Content

Number of deals closed per year

Number of deals closed by VC funds per year
32 total responses

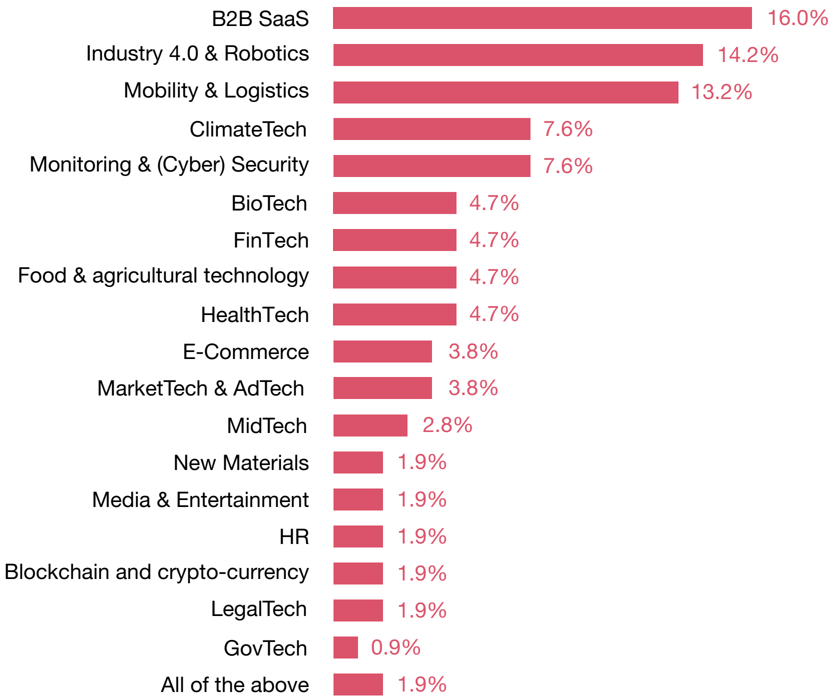
Summary

An overwhelming majority of the surveyed VCs close 3 or 4 deals per year, with roughly half closing 1or 2, or 5 or 6 deals per year. A minority of the surveyed VCs closed 7-10 or more deals per year.

Content

Comparison of industry investment focuses

VCs' industry investment focuses
32 total responses



Summary

B2B SaaS (16.0%) is clearly a top focus for surveyed VCs, in addition to Industry 4.0 & Robotics (14.2%), and Mobility & Logistics (13.2%).

Focus on LegalTech (1.9%), Blockchain & Cryptocurrency (1.9%) and GovTech (0.9%) is rather limited; these can be considered smaller niche topics.

Media & Entertainment (1.9%), HR (1.9%) and New Materials (1.9%) are also not in the focus scope of many VCs.

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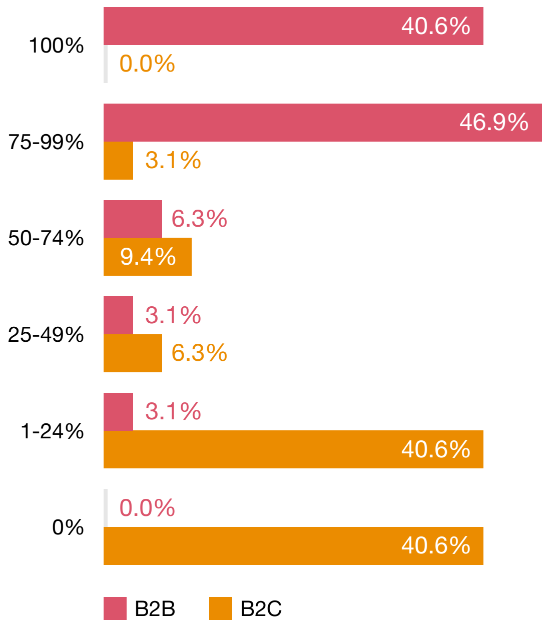
Comparison of investment placement in B2B vs B2C business models

Investments in B2B and B2C business models (in %)
32 total responses



"B2C is very marketing driven and it is often difficult to compete with the large marketing budgets of the big companies, which makes the competitive landscape very tough. But success stories like Loop or Moonbird could give the Belgian B2C ecosystem a boost."
– Katrin Geyskens, Capricorn Partners

Insights

B2B business models seem to predominate over B2C business models. More than half of the surveyed VCs place (nearly) all their investments in B2B business models. Most VCs place almost none of their fund investments in B2C models.

In our experience, B2C models often struggle to fit within a VC strategy due to a scattered consumer market in Belgium, lack of VC knowledge and experience in B2C, and lower scalability. Successful B2C startups turn to other sources of funding, such as business angels, corporates or crowdfunding.

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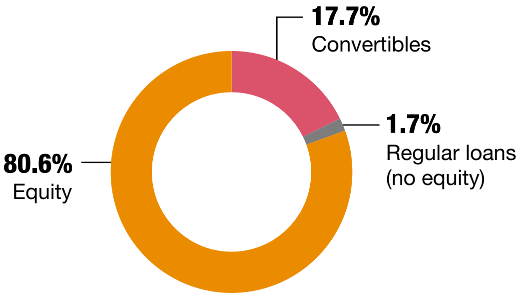
Type of investment instrument used to finance portfolio companies

Average use of investment instruments
32 total responses



Summary

The surveyed VCs were asked to identify the types of investment instruments they use to finance portfolio companies.

Among the surveyed VCs, all reported using equity as the primary investment instrument, for 81% of all financing.

Only 18% of financing is provided through convertible loans.

Regular loans (without any conversion trigger) are rarely used. Only 2% of financing was provided through regular debt.

"Although we generally invest in equity, we definitely see benefits in investing through convertible loans in some cases. Investing with a convertible loan can be a lean and efficient way to provide a company runway without having to put a price on the company at that time. Additionally, it can be a way of pre-empting a potential lead ticket in a future equity round."

– Arne Hautekiet, Astanor Ventures

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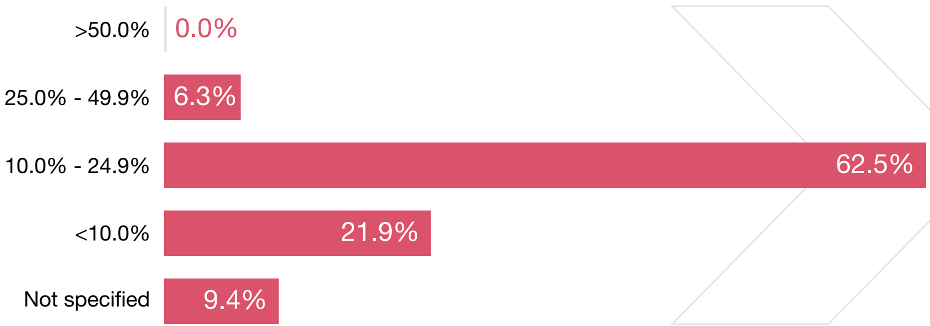
Expected target participation stake at initial investment

Expected target participation stake at initial investment
32 total responses



Summary

For most (62.5%) of the surveyed VCs, the expected target participation stake at initial investment is between 10% and 25%. Over a fifth of surveyed VCs (21.9%) accept a participation stake of less than 10%, and only a small minority (6.3%) has an expected target participation stake of 25–49.9%. None of the VCs expect to have majority ownership in their portfolio companies.

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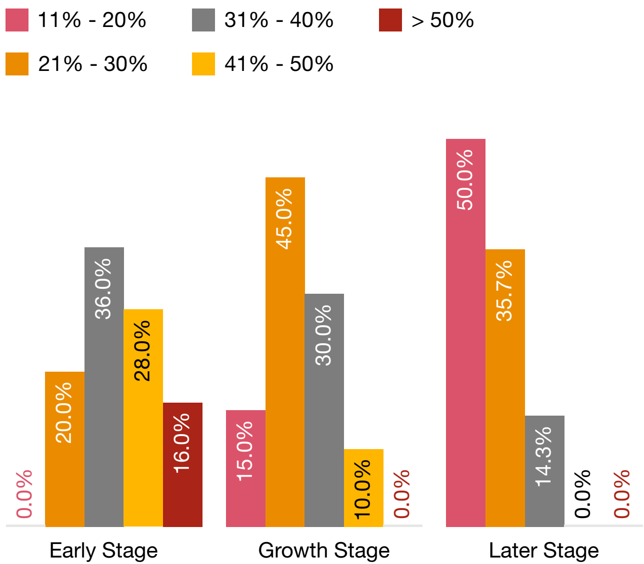
Valuation and returns

Content

Average expected IRR for a single target portfolio company per stage

Expected IRR per individual portfolio company

25 responses for Early Stage
20 responses for Growth Stage
14 responses for Later Stage



Summary

The surveyed VCs were asked what they consider the average expected internal rate of return (IRR) for a single target portfolio company.

Early stage: VCs expect the largest IRRs (reflecting the substantial risks related to early stage investing). Expectations start at 20%, with over 80% of investors looking for an IRR above 30% and 16% even expecting returns above 50%.

Growth stage: expectations vary significantly —ranging from 11-50%. Most investors (75%) look for a return of 20-40%.

Later stage: half the surveyed VCs expect an IRR of 11-20%, with none of them expecting more than 40%.

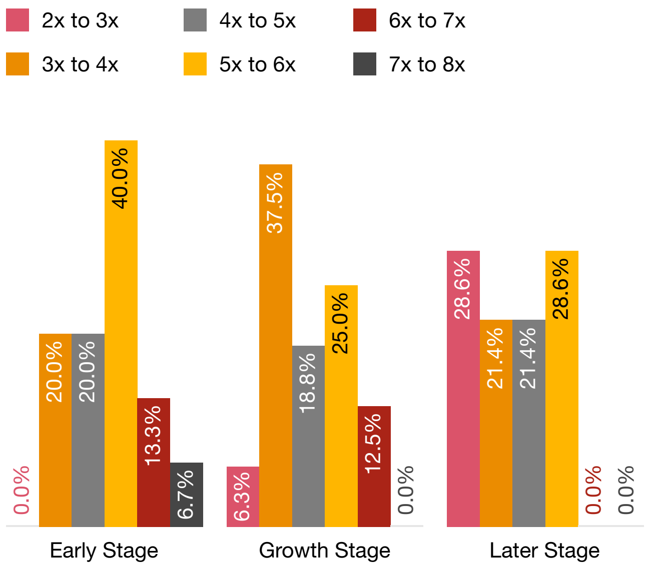
Investors clearly seek a healthy risk-reward balance. Early stage investors look for higher returns, as the chances of portfolio companies generating zero returns are significant; top performers need to make up for those losses. Later stage investors look for solid bets and can't afford as many failures in their portfolio.

Content

Average expected money multiple for a single target portfolio company per stage

Expected money multiple per individual portfolio company in…

15 responses for Early Stage
16 responses for Growth Stage
14 responses for Later Stage



Summary

The surveyed VCs were asked what they consider the average expected money multiple (MM) for a single target portfolio company.

Early stage: the average expected MM is between 5x and 6x. 40% expect MMs of 3-5x, 40% expect 5-6x and 20% expect multiples as high as 6-8x.

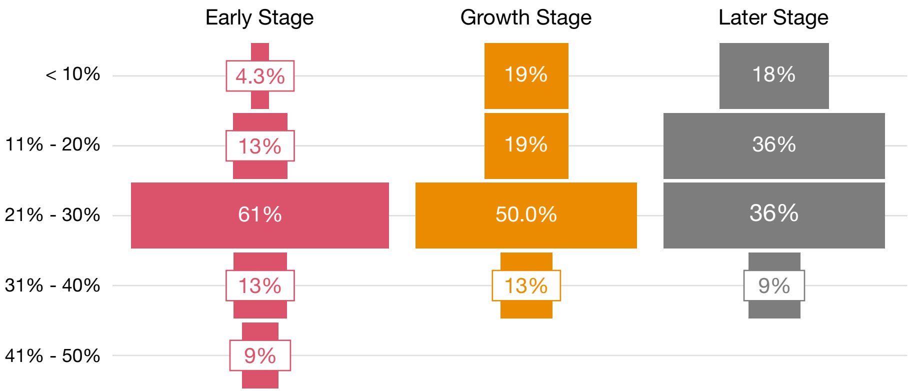
Growth stage: 37.5% VCs expected MMs of 3-4x, while another 37.5% seek a return of 5-7x.

Later stage companies: expectations are distributed fairly evenly across the 2x to 6x range.

Content

Average IRR of VCs' funds

23 responses for Early Stage
16 responses for Growth Stage
11 responses for Later Stage



Summary

The surveyed VCs were asked about the average IRR for their fund.

Early stage: IRR outperforms that of growth stage and later stage investors. Most (83%) report a return of over 20%; 61% report a 20%-30% return.

Growth stage: half the VCs report a 20%-30% IRR, with some outliers (13%) reaching returns above that.

Later stage: most investors (73%) report an IRR of 11-30%.

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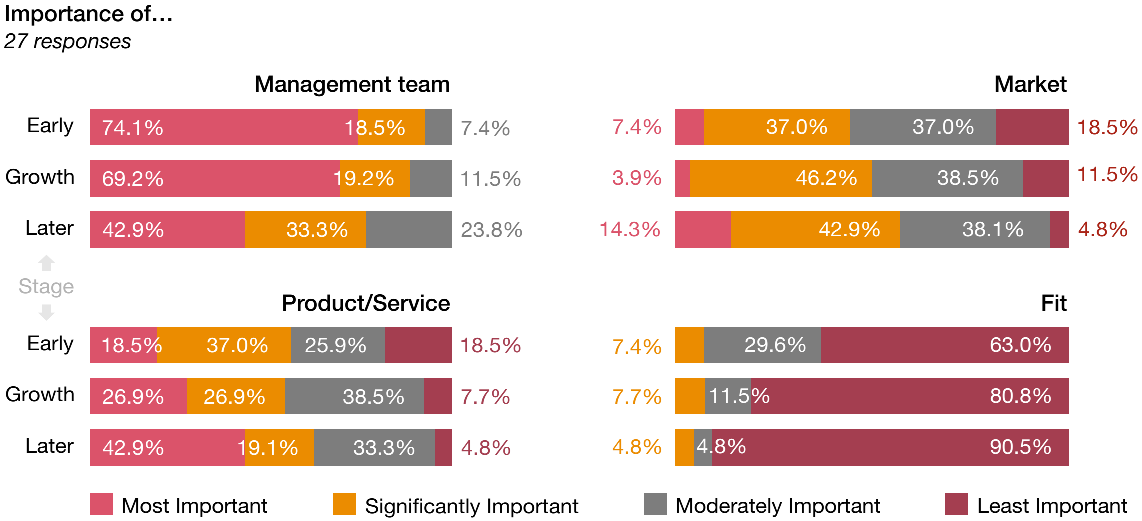
Importance of key factors for the valuation of portfolio companies



Strong leadership capabilities, expertise and experience always trump strong products or big markets that don't have a convincing management team. Founders must put significant thought into building their executive teams and make sure the strength of their team is demonstrated as early as possible in conversations with VCs.

"You want to find exceptional founders, both in early and in later stages. Yet the later the stage, the more we look at the entire team, rather than only the founders. At some point, you can't run a good business with just 3 people."

– Lucas Stoops, 6 Degrees Capital

Insights

The surveyed VCs were asked how important key factors - Management Team, Market, Product/Service and Fit - were to their investment decision and valuation of the company (e.g., synergies with the rest of the portfolio, leadership style similar to the VC, …).

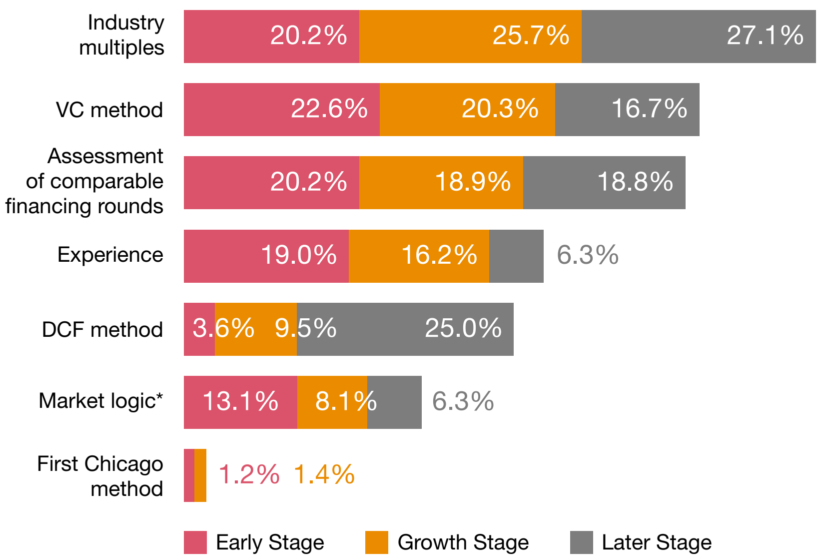
Surprisingly, the levels of importance are roughly similar regardless of the maturity stage. All indicated that the quality of the team mattered most, although its importance is clearly higher in an early stage environment.

Team is followed by Product/ Service, which is increasingly important with maturity. Market is significantly to moderately important for most VCs across maturity phases. Fit is considered the least important factor.

Content

Valuation methods used this year by the fund

Valuation methods used
27 responses for Early Stage
26 responses for Growth Stage
26 responses for Later Stage



** Market logic:*
investment volume/% of ownership; scoring/rating; liquidation value; book value

"We mainly valuate early stage companies by using our experience and market logic. We don't believe you can make extensive valuation exercises for those companies. They will still pivot so multiples don't really make sense. We mainly look at dilution of founders and how much they raise to come up with a sound valuation."

– Boris Bogaert, Pitchdrive

Insights

Respondents were asked about their preferred valuation methods (multiple answers possible).

Overall, industry multiples are considered the preferred method of valuing a company for growth stage (25.7%) and later stage (27.1%) companies

The VC method is preferred in early stage deals (22.6%).

The DCF method is mainly popular in later stage deals (25%).

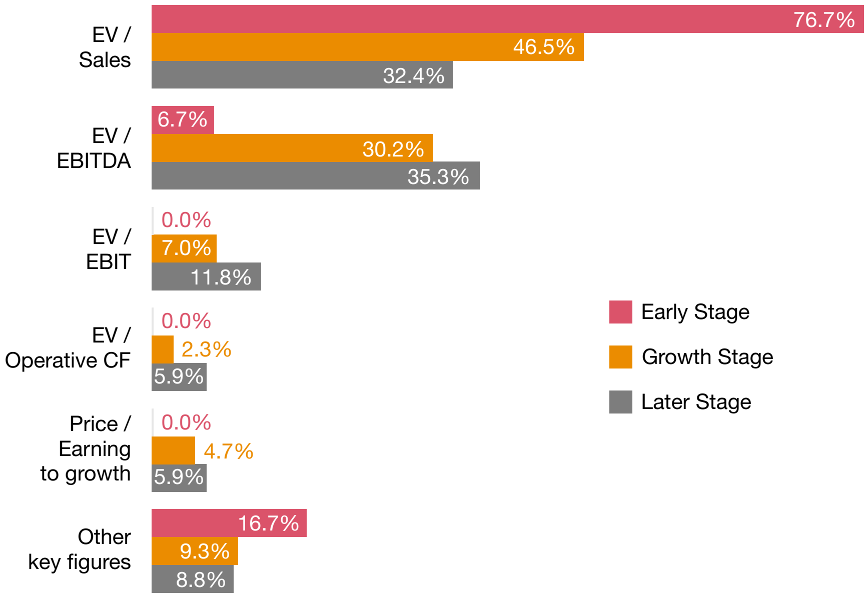
Market logic and experience are preferred by a minority of the investors across all maturities, with a stronger preference by early stage investors.

With most VCs across stages looking at multiples, founders should proactively collect relevant data on multiples to put forward in negotiations.

Content

Most commonly applied multiples

Multiples applied per stage
30 responses for Early Stage
43 responses for Growth Stage
34 responses for Later Stage



EV: Enterprise value. EV/EBITDA: EV compared to earnings before interest, taxes, depreciation and amortisation. EV/CFO: EV compared to cash flow from operations.

Summary

VCs were asked what types of multiples they've used the most in their valuations.

The most commonly applied multiple in early (77%) and growth stages (47%) is EV/Sales. It's also a frequently used multiple in the later stage (32%).

EV/EBITDA is slightly more popular in later stage (35%) and also frequently used in the growth stage (30%). The lack of positive EBITDA in the early stage makes it virtually irrelevant.

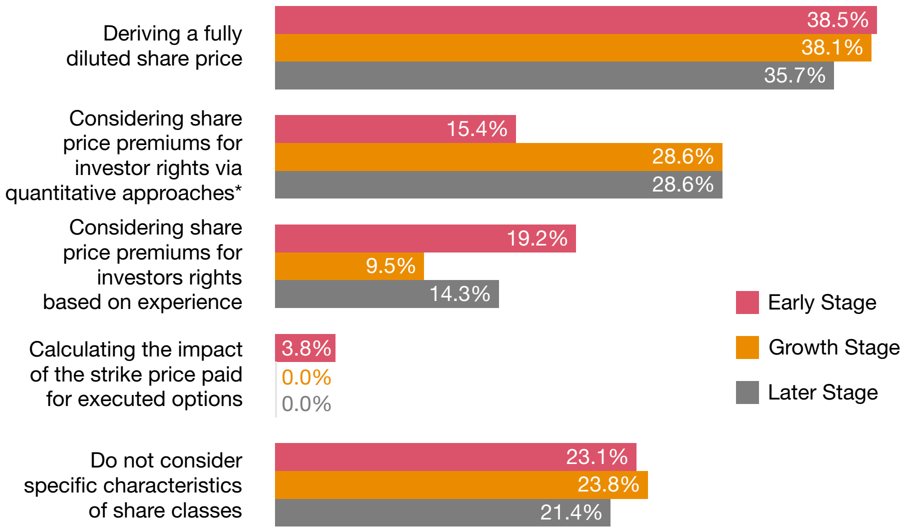
Some growth stage (7%) and later stage (12%) VCs prefer to look at EV/EBIT.

In the early stage, 17% of investors reported looking at other key figures rather than multiples.

Content

Characteristics considered during the valuation process

Characteristics of acquired share class considered, per stage
26 responses for Early Stage
21 responses for Growth Stage
14 responses for Later Stage



** Quantitative approaches, e.g. option pricing method, waterfall analysis or Monte Carlo simulation*

Summary

VCs were asked how they consider specific characteristics of the acquired share class (e.g., liquidation preferences, anti-dilution clauses) in the valuation process.

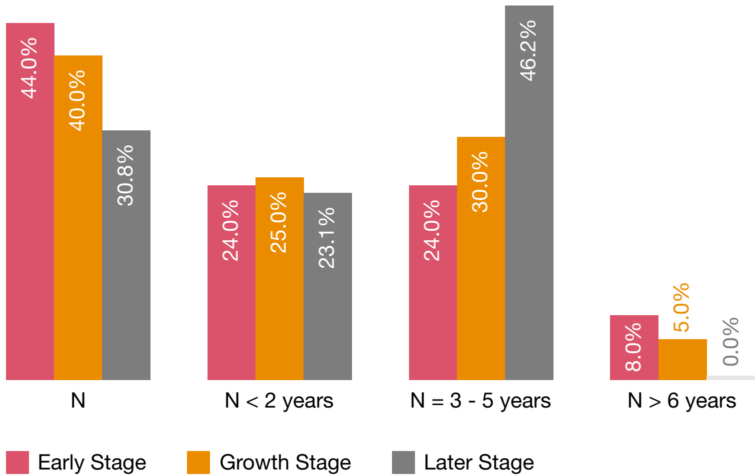
Deriving a fully diluted share price is most frequently considered, in all stages.

In growth and later stages, quantified approaches such as a waterfall analysis and the option pricing method are considered more than in the early stage.

Content

Range of years used as a basis to apply the multiples

Years used, per stage
25 responses for Early Stage
20 responses for Growth Stage
13 responses for Later Stage



Summary

Respondents were asked what year would preferably be the reference year to apply multiples on.

For early stage companies, most of the surveyed VCs apply multiples to the current year (44%). Some of the VCs apply the multiples to 1-2 years (24%) or 3-5 years (24%).

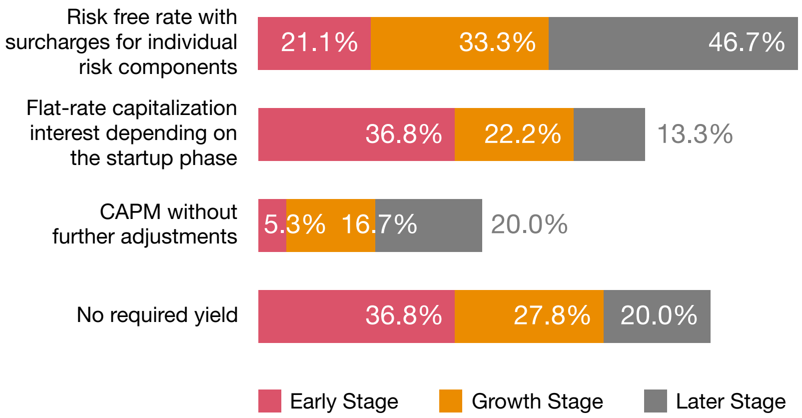
For growth stage companies, the multiples are most commonly applied to the current year (40%). However, most VCs in growth stage apply multiples to a future year, 1-2 years (25%) or 3-5 years (30%).

Not surprisingly, later stage VCs are less likely to look further than 5 years into the future when applying multiples, with 31% applying them to the current year. However, a fair share of them consider future years, mainly 1-2 years from now (23%) and 3-5 years from now (46%).

Content

Determination of the discount rate

Determination per stage
29 responses for Early Stage
30 responses for Growth Stage
31 responses for Later Stage



CAPM: capital asset pricing model

Summary

The VCs were asked how they determine the discount rate for target investments.

Early stage: 36.8% of the surveyed VCs have no required yield. An equal number determine the rate using a flat-rate capitalisation interest depending on the startup phase.

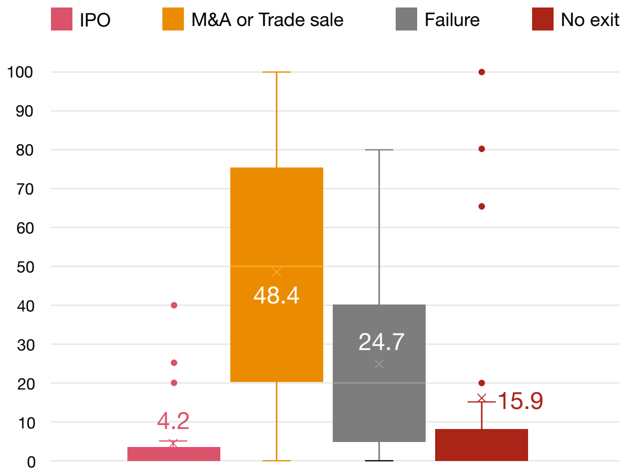
Growth stage: the risk-free rate with surcharges for individual risk components is the most-used method (33.3%), while 27.8% have no required yield.

Later stage: the clearly preferred method is the risk-free rate with surcharges for individual risk components (46.7%)

Content

Outcomes of exits of the portfolio companies

Exit outcomes
29 responses



"The IPO window is in general quite closed. I think we need a couple of bangers like Stripe or a couple of others that are rumored to go to market. But everything except a couple of billion will remain M&A market and it's twofold because if you are too large, you have a lot less buyers. But if you get too big, you have all these M&A rules of becoming too dominant and so forth. So many companies are trapped a bit in the middle."

– Lukas Stoops, 6 Degrees Capital

Summary

Respondents were asked to identify the different outcomes they have experienced when exiting the portfolio companies they have invested in.

The most common liquidity event is an M&A or a trade sale, which happens in around 48% of cases.

25% of investments result in failure.

An IPO is quite rare: only 4% of investments resulted in an IPO.

Around 16% of investments neither fail nor deliver any type of liquidity.

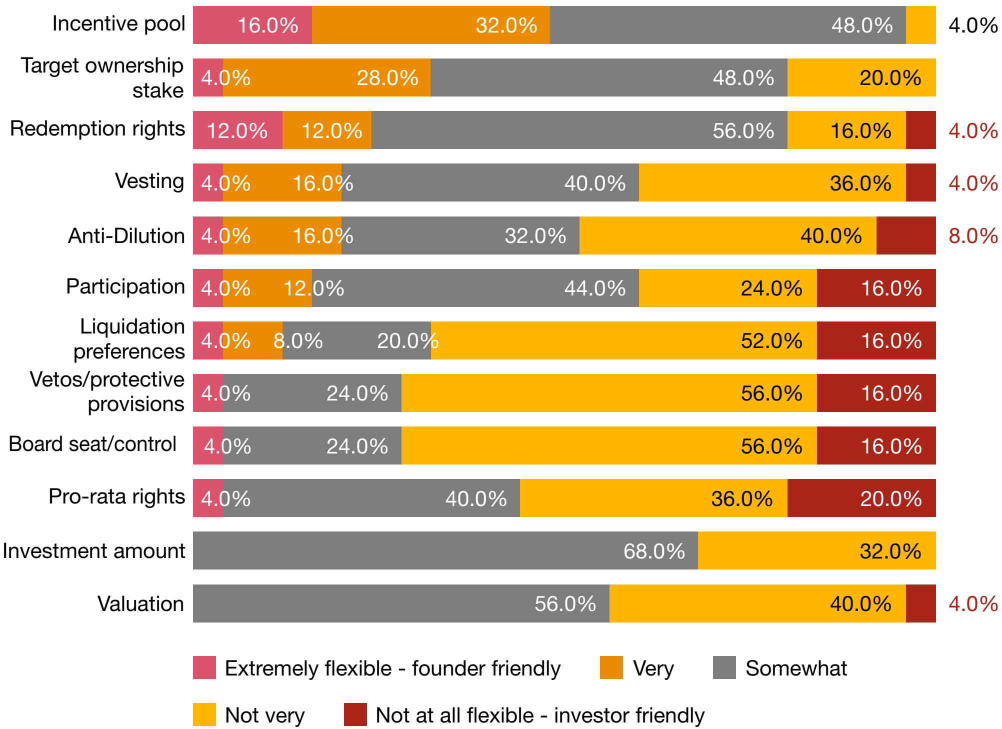
Content

Legal terms

Content

Flexibility in term sheet items for new investments

% of funds flexible in ...
25 responses



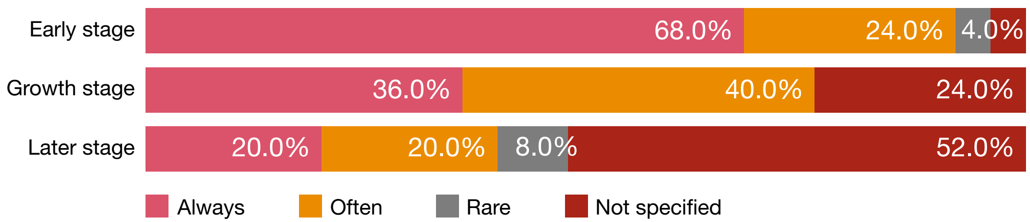
Summary

Most of the surveyed VCs indicated that there is quite some flexibility on incentive pools, ownership stake and redemption rights, while often offering little wiggle room on pro-rata rights, valuation and investment amount.

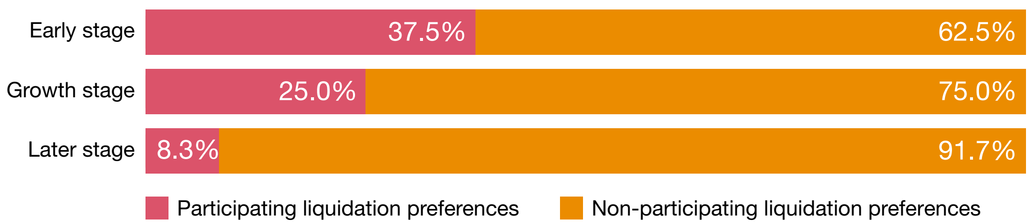
Content

Liquidation preferences in new portfolio investments per stage

How often do funds agree on liquidation preferences
25 responses



Types of liquidation preferences agreement
24 responses for early stage, 20 responses for growth stage and 12 responses for later stage



"These results around liquidation preference at an early stage are very strange to us as it should be the other way around. It shows that there is still a gap in early stage funding in Belgium compared with the UK and the US. They have a more entrepreneurial mindset without heavy terms in the term sheet at early stage to get people started. It's more common that VCs in a later stage request liquidation preferences to cover risks as the amounts are also much higher."

– Boris Bogaert, Pitchdrive

Summary

A liquidation preference dictates the payout order in case of a liquidation event.

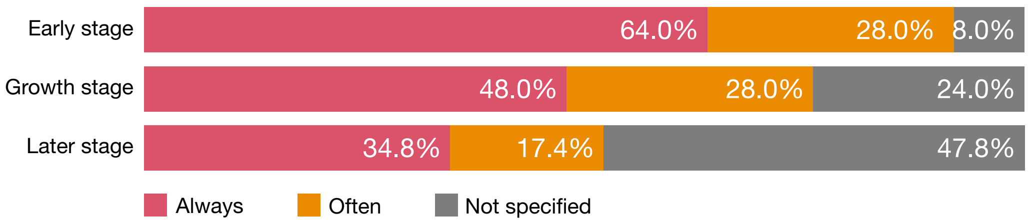
Liquidation preferences are very popular amongst the surveyed VCs. Across all stages, we see that liquidation preferences are often implemented.

Surveyed VCs responded that the more founder-friendly preference, non-participating liquidation, is most common.

Content

Priority of last agreed liquidation preference

How often are agreed liquidation preferences senior to previous preferences
25 responses for early stage
25 responses for growth stage
23 responses for later stage



Summary

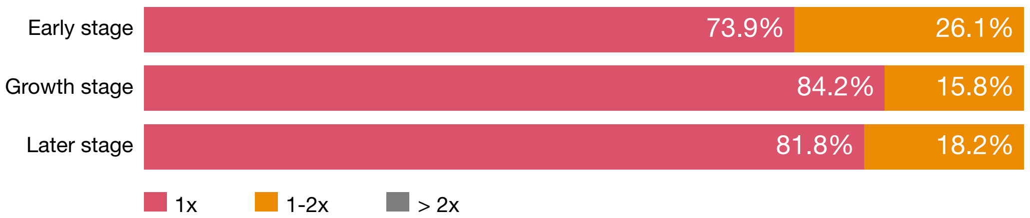
The results suggest that all agreed liquidation preferences are senior to previous preferences, meaning that the last agreed preference is given priority.

Content

Average multiple and interest rate applied to liquidation preferences per stage

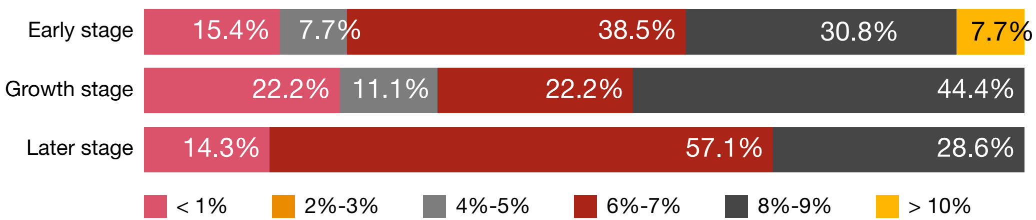
Average liquidation preference multiple

23 responses for early stage, 19 responses for growth stage and 11 responses for later stage



Average interest rate

13 responses for early stage, 9 responses for growth stage and 7 responses for later stage



Summary

Across all phases, most of the surveyed VCs expect a 1x liquidation preference. However, 16-26% of VCs in each stage expect a liquidation preference above that.

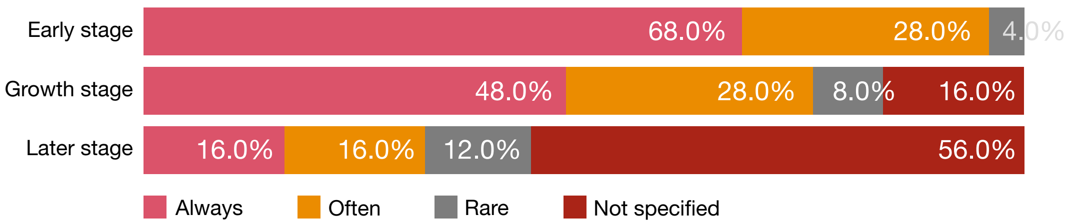
None of the VCs expect a liquidation preference above 2x.

For each stage, only 14-22% of investors do not (or barely) apply an interest rate to their liquidation preference. Moreover, across all stages, a strong majority expects an interest rate above 6%.

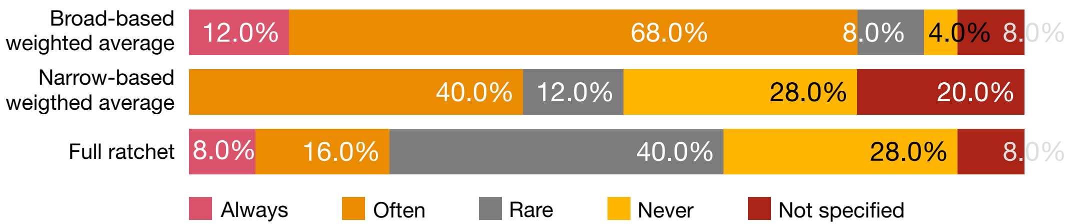
Content

Anti-dilution clauses in new portfolio investments in different stages

How often do funds negotiate anti-dilution clauses?
25 responses



Which types of anti-dilution are most commonly used?
25 responses



Summary

Anti-dilution clauses allow investors the right to maintain their ownership percentages if new shares are issued. Dilution refers to a shareholder's ownership decreasing because of new shares being issued.

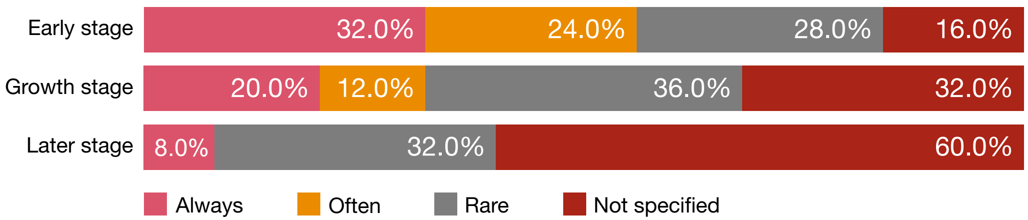
In early and growth stages, a vast majority (96% and 76% respectively) of surveyed VCs reported frequently negotiating anti-dilution clauses. For the later stage investors that answered that they negotiate anti-dilution, 72% reported frequently negotiating anti-dilution clauses.

Broad-based weighted average is the most common type of anti-dilution used (80%) versus less than 40% of narrow-based and full ratchet types of anti-dilution.

Content

Enforcement frequency of anti-dilution clauses per stage

How often is anti-dilution enforced?
25 responses



Summary

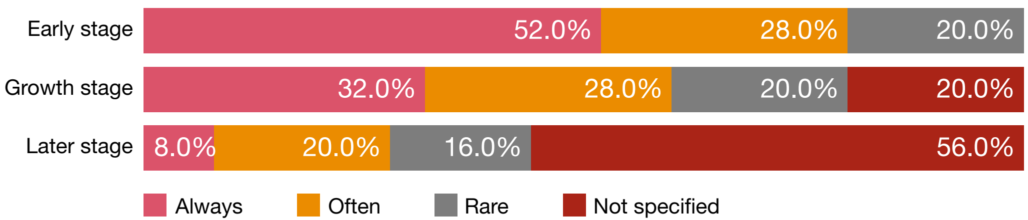
Of the surveyed VCs, over 50% always or often fully enforce their rights under anti-dilution clauses in early stage.

The frequency decreases to 41% for growth stage and 20% for later stage, excluding those that did not specify.

Content

Vesting clauses against founders in new portfolio investments per stage

How often do funds negotiate vesting clauses?
25 responses



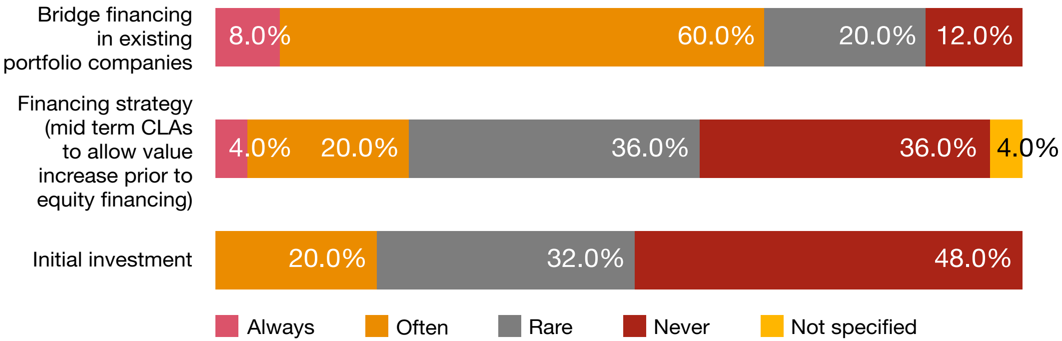
Summary

Vesting clauses refer to the terms and conditions that govern how the shares of founders, key employees or other stakeholders will be distributed or 'earned back' over time.

Vesting clauses against founders seem to be quite standard market practice in the early and growth stages, with most surveyed investors negotiating them 'always' or 'often' in their deals.

Investing through convertible loans

In which situations do funds finance companies through convertible loans?
25 responses



Summary

Convertible loans agreements (CLAs) are quite popular when it comes to providing bridge financing to portfolio companies, with 68% of surveyed VCs indicating they have provided CLAs in such cases ‘always’ or ‘often‘.

However, CLAs are apparently not the most common way of financing a first investment: 80% of surveyed VCs report having rarely or never done so.

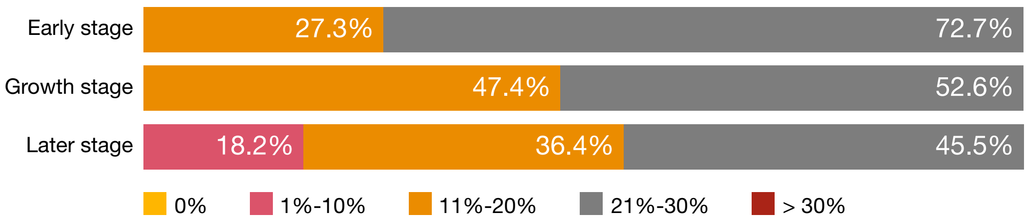
“We found convertibles a good idea as bridge financing when the next equity round is almost closed and almost certain to happen, but then for small amount in the round. In general, we prefer to bite the bullet, have the valuation discussions and use equity.”

– Katrin Gesykens, Capricorn

Content

Average discount agreed on convertible loans per stage

Average discount of convertible loans
22 responses for early stage
19 responses for growth stage
11 responses for later stage



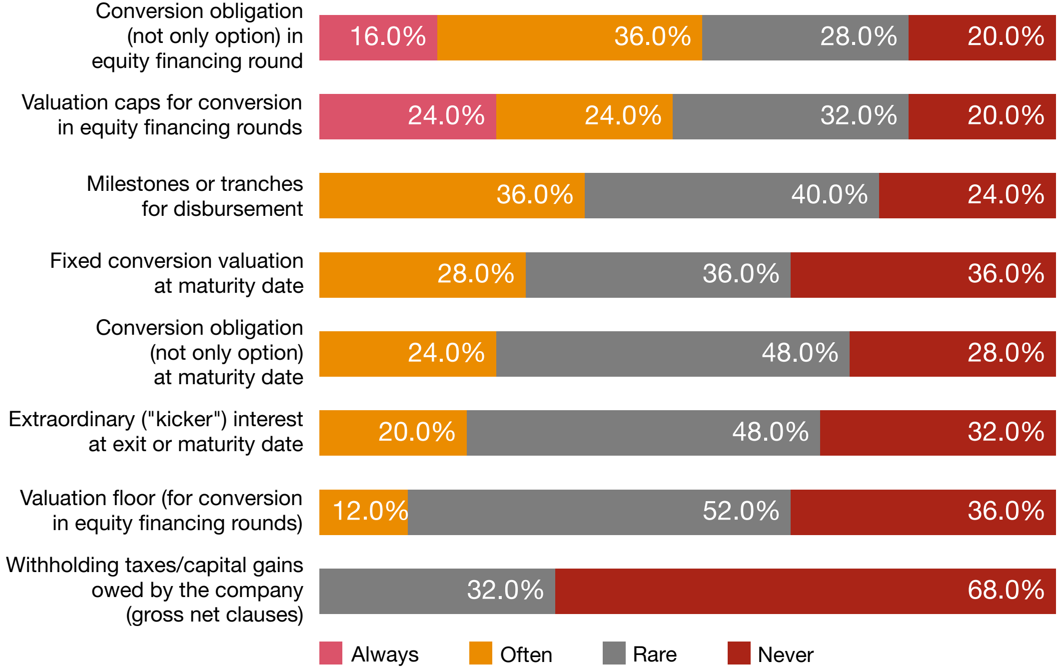
Summary

The typical discount applied to convertible loans ranges from 10–30%, with early stage CLAs being more on the higher side of that range, and gradually decreasing by stage.

In later stages, some investors (18%) accept discounts below 10%.

Additional conversion terms in convertible loans

How often do funds providing a CLA agree to ...
25 responses



Summary

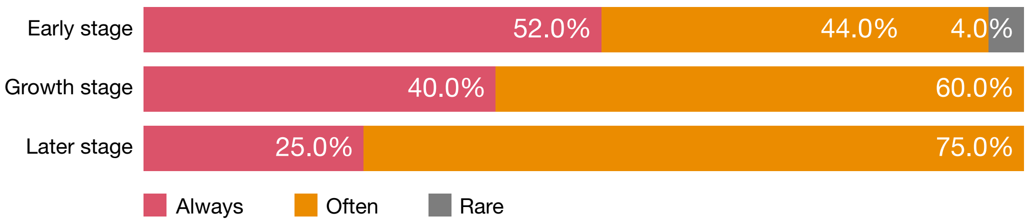
Valuation caps and conversion obligation in equity financing rounds are the most common conversion terms, followed by milestones for disbursement and fixed conversion at maturity.

Putting a floor value on conversion terms is not a common practice.

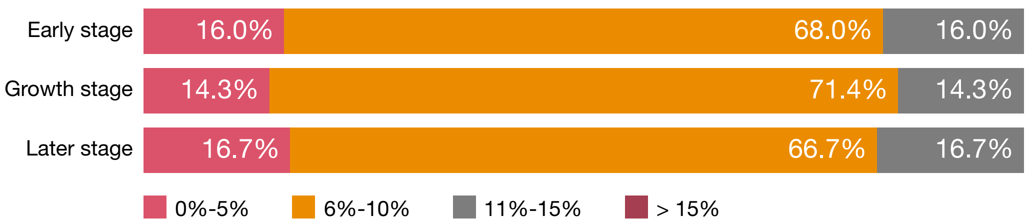
Almost none of the surveyed VCs agrees on withholding taxes/capital gains owed by the company as an additional conversion term.

Implementation of ESOP[1] pools in new investments per stage

How often do deals include ESOP pools?
25 responses for early stage, 20 responses for growth stage and 11 responses for later stage



Expected pool size per portfolio company …
25 responses for early stage, 21 responses for growth stage and 12 responses for later stage



"Stock option pools are to key to stimulate the entrepreneurial mindset of employees. Many successful startups in Belgium offered last years option stock to its employees at an early stage. This revolutionised the startup scene in cities like Ghent (cfr. Netlog Mafia where more than 20 other ventures direct and indirect originated from – Xpenditure/Rydoo, Showpad, Realo Engagor, ...). Companies without or with limited stock options are risking to quickly turn into a scale-up without a 'conquering the world' mindset."

– Boris Bogaert, Pitchdrive

Summary

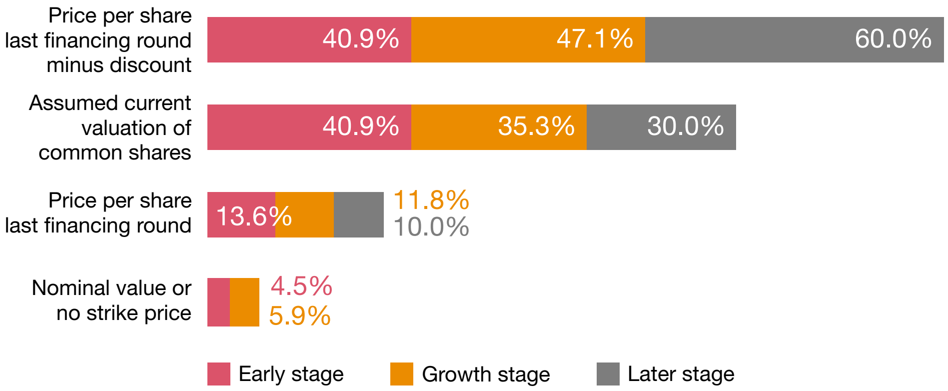
Incentivisation of key personnel through ESOP pools is very common: almost all surveyed VCs reported 'always' or 'often' in all phases.

The typical pool size of the surveyed VCs' funds is 6–10%, with a minority of funds agreeing to a slightly higher or lower stake. None of the surveyed VCs agreed to a pool size higher than 15%.

Content

ESOP strike price considerations per stage

ESOP strike prices are typically based on ...
22 responses for early stage
17 responses for growth stage
10 responses for later stage



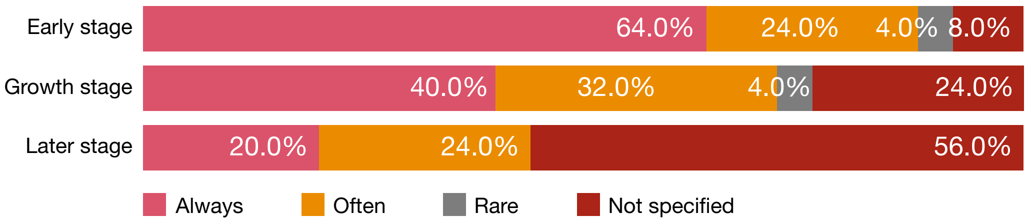
Summary

Typically, the strike price of stock option plans is based on the price per share in the last funding round minus a discount, or on the assumed valuation of common shares.

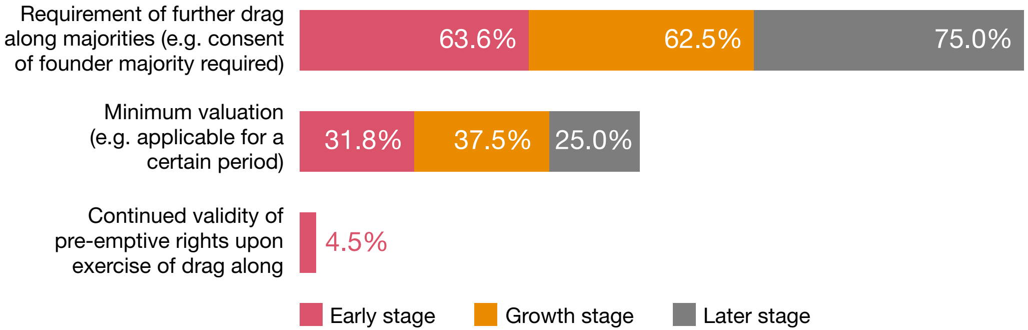
Content

Drag-along rights in new portfolio investments in different stages

How often do funds agree to drag-along rights?
25 responses



What limitations do funds agree to concerning drag-along rights?
22 responses for early stage, 16 responses for growth stage and 8 responses for later stage



Summary

A drag-along clause enables a majority shareholder to force a minority shareholder to join in the sale of a company.

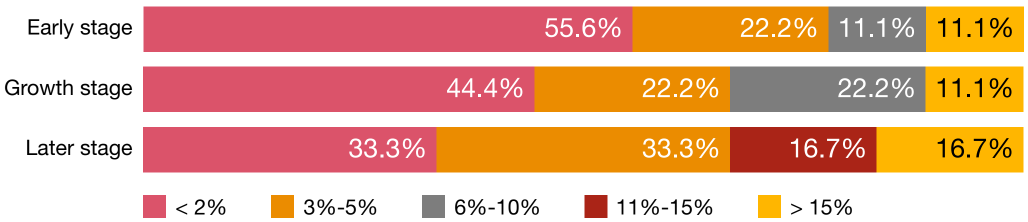
Across all stages, drag-along rights are present in most of the surveyed VCs' deals.

Commonly-accepted limitations to the drag-along rights include majority requirements and, to a lesser extent, minimum valuation.

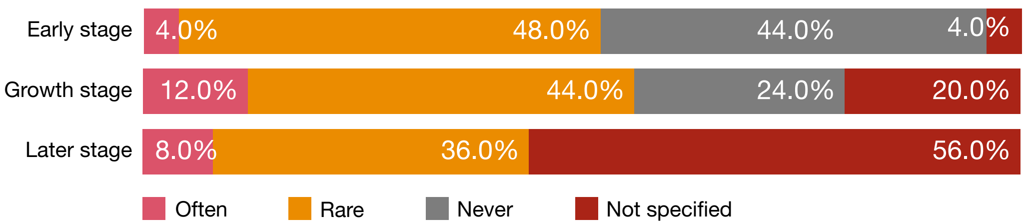
Content

Founder share lock-up and secondary trading in a portfolio company per stage

Average % of shares funds agree to be excepted from the lock-up
9 responses for early stage, 9 responses for growth stage and 6 responses for later stage



Are funds willing to acquire existing shares through a secondary trade?
25 responses



Summary

Later stage VCs allow higher percentages of shares to be excepted from the lock-up compared to early and growth stage VCs, which could be explained by the founders' growing liquidity need over the lifespan of a venture.

In most cases, founders' liquidity potential is limited to a maximum of 5% of the shares.

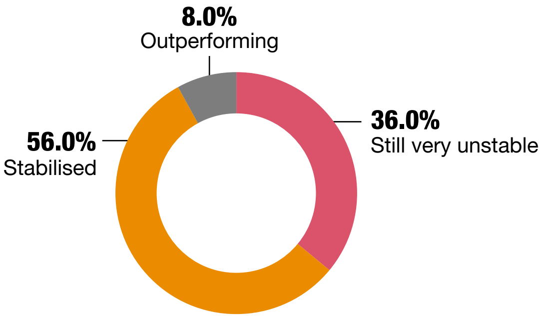
In general, funds are not very willing to acquire existing shares in a secondary trade.

Content

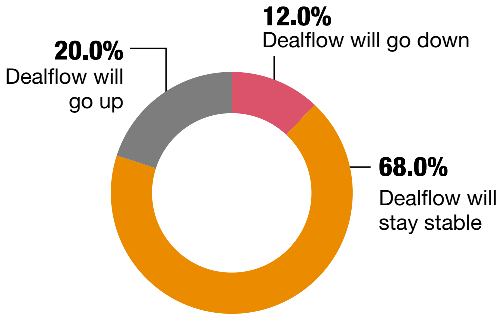
Investment landscape outlook

Deal flow: past and future outlook

Deal flow in the past years
25 responses



Deal flow in the next 12 months
25 responses



Summary

More than half of the surveyed VCs reported that the number of opportunities they receive has stabilised in 2023, compared to a volatile period in 2020–2022. However, more than a third considers that deal flow in 2023 is still, comparably, very unstable. A minority stated that deal flow overperformed in 2023.

When asked about their expectations for 2024, most VCs stated that they believe deal flow will stay stable, while 20% expect that deal flow will go up.

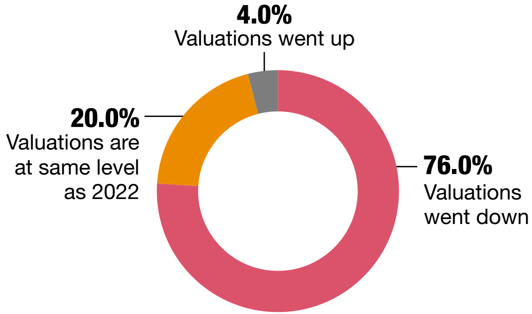
"Deal flow is picking up again and it's clear that founders are past the phase where they were looking at internal investors first, before speaking to new investors. More and more people feel comfortable to go out and raise a priced equity rounds again making our weekly investment team meetings longer and more interesting than they used to be the last year."

– Arne Hautekiet, Astanor Ventures

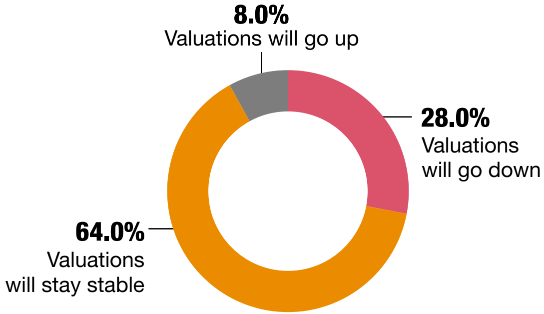
Content

Valuations: past and future outlook

Valuations in the past 12 months
25 responses



Valuations in the next 12 months
25 responses



Summary

The majority (76%) of the surveyed VCs stated that valuations went down in 2023 compared to 2022, with 20% stating that they stayed at the same level, and a small minority stating valuations went up in 2023.

As for VCs' expectations on the future of valuations in 2024, 64% believe that the valuations will stay stable; almost a third predict that valuations will go down and a small minority expect they will go up.

> *"As a joke people say, a flat round is the new up, but that's fine. I can live with flat rounds. I'm not too worried about it. If it is still at a reasonable price and the founders still have enough shares, it's okay. We focus on the long term. If the business performs well, we will figure it out.*
>
> – Lucas Stoops, 6 Degrees Capital

Content

Appendix

Content

Abbreviations

Abbreviation	Definition
(C)VC	(Corporate) Venture Capital
TMT	Technology, Media, and Telecom
LOHAS	Lifestyles of Health and Sustainability
AI & ML	Artificial Intelligence & Machine Learning
SaaS	Software as a Service
HR	Human Resources
B2B / B2C	Business to Business / Business to Client
IRR	Internal Rate of Return
DCF	Discounted Cash Flows

Abbreviation	Definition
EV	Enterprise Value
EBITDA	Earnings Before Interest, Taxes, Depreciation & Amortization
EBIT	Earnings Before Interest & Taxes
Operating CF	Operating Cash Flow
CAPM	Capital Asset Pricing Model
CLA	Convertible Loan Agreement
ESOP	Employee Stock Option Plan

Content

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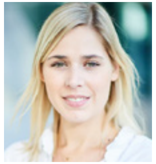

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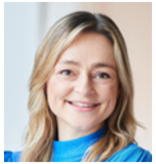

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