



Growth Equity Update

July 2024 – Edition 28

- **Venture capital firm fundraising – improving conditions:** Pitchbook data suggests the VC industry has raised \$80.5bn from LPs in H1 2024, on track for \$161bn for the full year 2024, which would be the lowest amount raised since the \$119bn of 2015. Q2 VC funding was though US\$50.1bn, up 65% on Q1's \$30.4bn and in July there have already been notable raises by Index Ventures (\$2.3bn) and Flagship Pioneering (\$3.6bn).
- **Deal making picks up:** The R&Co Deal Monitor shows H1 2024 European VC deal value to be up c36% yoy at \$17.7bn. Initial findings from Pitchbook suggest the Q2 US VC deal total of \$55.6bn was up 57% yoy and was the highest quarterly total for two years.
- **Enthusiasm for Artificial Intelligence boosting venture markets:** The booming interest in the potential of AI is providing a fillip to the venture capital market overall. AI and related businesses took four of the top six US venture deals in H1 2024 - Vantage Data Centres (\$9.2bn), xAI (\$6bn), CoreWeave (\$1.1bn), Scale AI (\$1bn). The largest European deal in H1 was in AI, Wayve's \$1.05bn.
- **Softbank - Back on Offense:** Expressing its shift from defense to offense SoftBank CEO Masayoshi Son observed at the company's June AGM that it will '*look for our next big bet, without fear of whether it'll be a hit or miss*' and that Softbank's past investments in Alibaba and Arm Holdings will look like '*a warm up for my great dream to realize artificial superintelligence.*'
- **Closing in on US rate cuts:** After June's 3% inflation the market is pricing c100% certainty of a 25bps September rate cut and another 25bps cut by year end, potentially boosting H2 sentiment.
- **'Life must be lived forwards, but can only be understood backwards.'** Soren Kierkegaard: At the year's half way stage we review the progress of our predictions for venture capital in 2024.

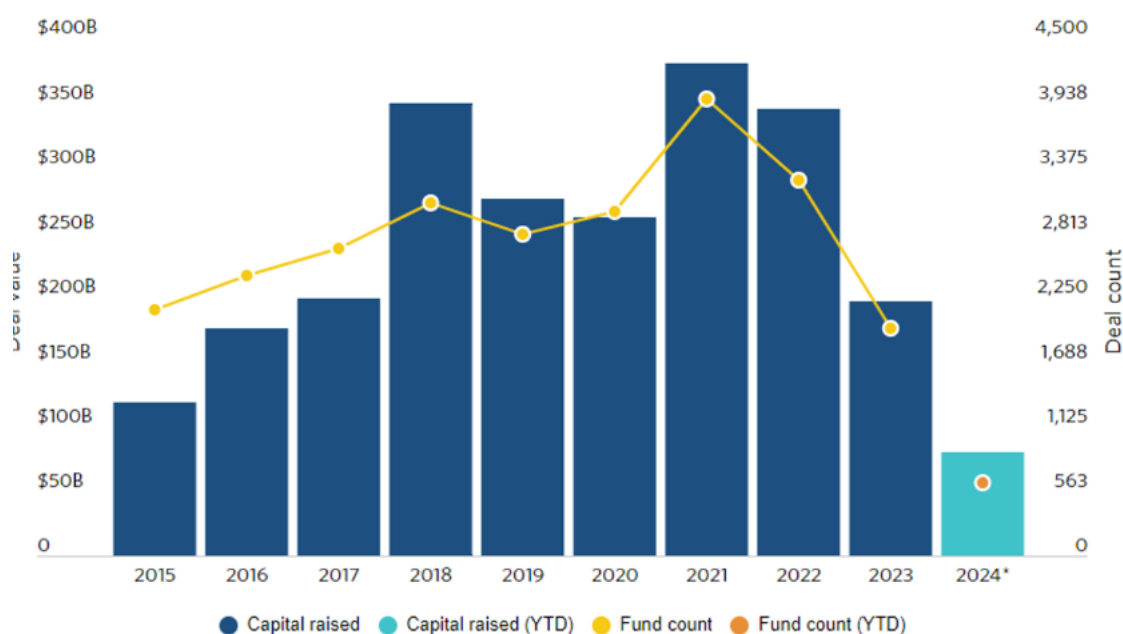
VC firm fundraising – onto the front foot

VC fundraising – a stronger Q2 and a good start to July

The statistics for global venture capital firm fundraising continue to look relatively downbeat. Recent Pitchbook data suggests that globally the industry has raised \$80.5bn from LPs in H1 2024 with a fund count of 632. Ostensibly this puts the industry on track to raise \$161bn for the full year 2024, which compares with \$196bn in 2023 and the peak of \$380bn in 2021. A total of \$161bn would be the lowest amount raised since the \$119bn of 2015.

Average fund size has risen substantially, with the relatively few new investment vehicles suggesting that funds are being concentrated with larger players.

Global VC Fundraising activity – Capital raised and fund count



Source: Pitchbook Q2 2024 Global Venture First Look – As of 30 June 2024

Tone firming up: This apparently downbeat message appears, however, to belie an underlying pick up in market conditions. The mood amongst VC funds, and their fundraising, appears to have picked up in the last few months, bolstered by the surge in interest and appetite for AI related investments. After a particularly poor Q1 global fundraising had been on track to reach just \$121bn in 2024. By the end of Q2 it is on track for \$161bn, a sharp pick up. Q2 VC funding was US\$50.1bn, up 65% on Q1's \$30.4bn

A flurry of recent fund raising announcements: Recent announcements by big venture funds suggest conditions in the market are improving. In early July Index Ventures announced that it had raised \$2.3bn for a new fund, with \$800m to be devoted to early stage venture funds and \$1.5bn to growth and late stage companies. The fund size compares favourably with its predecessors – at the peak of the market in 2021 Index raised \$900m for Index Ventures XI and \$2bn for an associated growth fund, Index Ventures Growth VI. Index reports few problems in raising the funds. San Francisco based partner Nina Achadjian commented:

“We’re in a really fortunate situation where our funds were raised in a few weeks from existing LPs mainly, and we’re really oversubscribed.”

The firm observed that the smaller size of growth rounds compared to 2021 meant it did not have to raise at the same scale as 2021 to access a similar level of opportunity. Unsurprisingly Index, which was an early investor in Mistral and ScaleAI, is enthusiastic about the potential for AI. Speaking of the platform shift created by the arrival of AI Hannah Seal, an Index partner commented:

“We’re just beginning to see where AI can make a difference. That’s why this is so timely because this is the point at which we really see AI, especially in the application layer, starting to come to fruition.”

In April Andreessen Horowitz raised a \$7.2bn fund with \$3.75bn to be devoted to growth equity and late stage businesses and a dedicated \$2.25bn to be devoted towards AI. Of this latter figure \$1.25bn is to be targeted at companies that build AI infrastructure and \$1bn towards companies developing AI applications. The balance of the funds will be targeted at Games (\$600m) and American Dynamism (also \$600m), the latter targeting ‘founders and companies that support the national interest’ in areas like aerospace, defence, education and housing. The fund size, which was initially targeted at \$6.9bn, exceeded expectations.

Also in April Norwest Venture Partners raised its 17th fund at \$3bn, the same size of raise as its previous fund at the height of the market in December 2021. The company will focus on enterprise software, consumer and healthcare. In May TCV raised \$3bn for its 12th fund, described at the time as the largest technology focused venture fund to close in 2024. TCV observes that a better valuation environment in technology and less competition makes VC investing more attractive:

“Technology investing is always competitive. That being said, the irrational behaviour we saw really ratchet up in 2021 has gone. We saw hedge funds and venture capitalists try their hand at growth investing and they are largely gone.”
John Doran – TCV General Partner

Kleiner Perkins, an early investor in Google, Amazon and DoorDash as well as more recent AI investments like Harvey (legal AI), Together AI (cloud platform) and Glean (enterprise software) announced at the end of June a \$2bn raise. The funds will be split \$1.2bn for its latest opportunity vehicle KP Select III, to back high inflection investments, and \$825m for KP21, the firm’s largest flagship early-stage fund to date. The firm is convinced of the opportunities presented by AI. Announcing the funds the Kleiner Perkins team commented:

“We believe that we are on the brink of remarkable technology shifts that will transform industries, amplify the power of human ingenuity, and generate significant economic growth. Artificial intelligence has emerged as a fundamental technology that’s catalyzing this transformation and, much like electricity, it’s poised to impact every aspect of our lives – from personal experiences and healthcare, to how we work and how companies are built across all industries. With these new funds, our team’s focus on enterprise software, consumer, healthcare, fintech and hardtech, remains the same. Each domain will be accelerated tremendously by AI.”

In early July Flagship Pioneering, a specialist life sciences venture capital company raised \$3.6 billion in new funding ‘to support the creation and development of an estimated 25 breakthrough companies in human health, sustainability, and artificial intelligence.’

In May Accel raised a \$650m fund in Europe with a focus on cybersecurity, enterprise software and AI. Meanwhile press reports suggest that General Catalyst is close to raising around \$6bn which would be its largest fund to date, exceeding the \$4.6bn Fund XI which closed in 2022.

SoftBank - Fearlessly looking for its next big bet: This new phase of optimism is perhaps best expressed by the swing in mood at Softbank which, after the sharp fall in VC markets from their November 2021 peak, spent most of 2022 wedded to its policy of ‘defense.’ New and follow on investments in the SVF1+2 funds were just \$3.1bn in 2022 (and \$2.2bn of that was in Q1), down 93% from the \$44.3bn of FY21.

Having stabilised the business in FY22 Softbank then looked to a greater balance between ‘Defense and Offense’ in 2023. At mid-year 2023 CFO Yoshimitsu Goto observed that ‘Even though we see signs of improvement in the last three months, we can’t simply restart investments’ albeit he also noted that:

“Since we founded our company, we wanted to make people happy through the information revolution and since we founded Vision Fund, what was our vision? AI. [The] AI revolution has always been a part of our vision, and from that perspective, we want to identify and invest in opportunities and a lot of things are evolving now, especially visible recently is Generative AI, which has been growing exponentially.”

Mirroring the AI inspired upswing in market mood Softbank has entered in 2024 in a new phase of optimism around AI investment. SoftBank led the \$1.05bn raise by autonomous driving business Wayve, the largest European AI deal to date, at the end of May.

In June 2024, at the company’s AGM, CEO Masayoshi Son observed that Softbank’s past investments in the likes of Alibaba and Arm Holdings would look like ‘a warm up for my great dream to realize artificial superintelligence.’ He highlighted AI, semiconductors, autonomous driving, data centres and robotics as key areas for potential investment.

The company rejected an alternate proposal from Elliott Management that it should instead launch a \$15bn buyback with Softbank CFO Yoshimitsu Goto stressing instead that new AI investments are a preferred route. ‘We believe this is a time when new investment activity should be taking place that will be the basis for the future growth of SoftBank Group. From now on, we want to step up investments in AI companies.’

Expressing his new mood of confidence and the now total shift from defense Masayoshi Son told its AGM that SoftBank will ‘look for our next big bet, without fear of whether it’ll be a hit or miss’ outlining that that ‘This is what I was born to do, to realise ASI -artificial superintelligence’ – technology smarter than humans.

Growth Equity Markets at the 2024 half way point

“Life must be lived forwards, but can only be understood backwards.” – Soren Kierkegaard

In the January Growth Equity Update we made ten predictions for the Growth Equity market in 2024. At this half way stage of the year we review them.

Put briefly three characteristics have come to the fore in H1 2024.

The levels of VC investment have picked up: Our Deal Monitor shows that in European VC the total amounts raised for VC backed companies each month exceeded the equivalent 2023 month. In total our Deal Monitor shows H1 2024 deal value to be up c36% yoy. Initial findings from Pitchbook suggest that the Q2 US VC fundraising total of an estimated \$55.6bn was up 57% yoy and represented the highest quarterly total for two years.

Artificial Intelligence has surged: The leading category for US raises in H1 2024 has been Artificial Intelligence with three \$1bn plus raises and a strong flow of smaller raises. Associated areas – the picks and shovels of the AI gold rush – categories like data centres to power AI and semiconductors have also seen a sharp upturn in fundraising. Europe’s largest raise in H1 was for the AI powered autonomous vehicle software company, Wayve.

Corner turned – a new mood of relative optimism: There is no doubt that raising money for a new VC fund remains tough, that getting funded as a VC company is still an arduous process outside the hot area of AI and the level of exits remains modest. Nevertheless there is a distinct upturn in mood and a shift in sentiment in the VC world – a sense that a corner has been turned and that things get better from here, symbolised perhaps by the return of Softbank onto the offensive. Atomico captured this shift in mood recently saying *‘We haven’t fully washed through the overhang from the peak years but the green shoots are all around us. We are moving beyond the recovery phase and back into a period of growth.’*

So a review of how our ten predictions for VC in 2024 are playing out so far:

Artificial intelligence gathers pace: Yes. Perhaps not the boldest of predictions but one that is right so far. We anticipated that investment would widen well beyond LLM providers. LLM providers have attracted the largest deals (xAI in the US, Mistral in Europe) but with a widening of funding to pick up smaller AI apps based businesses - the likes of RobinAI, Photoroom and Luminance in Europe and Alphasense, Hebbia and Suni in the US.

Momentum behind ClimateTech projects: *Yes and no.* A geographical split here. Perhaps reflecting the partial backlash against the green lobby in the US, the level of VC funding for climate firms has faltered in the US, falling to the sixth largest category in terms of funds raised in H1 2024. By contrast ClimateTech remained the biggest fundraising category in Europe in H1 with four \$200m+ deals – H2GreenSteel, Sunfire, Enviria and Electra- despite these often being pre revenue /pre profit businesses with heavy capital investment required to scale projects.

Funding rounds are slower: Yes. The ‘hot’ market conditions of 2020-22 saw a pressured environment and rapid decision making. Outside of AI, where competitive tension to invest remains high, the environment appears much less pressured. For companies it means funding rounds are more onerous and take longer than they did in the recent past. As TCV founder Jay Hoag commented recently:

“The world has come our way. In 2021, a hedge fund would have a Zoom call and commit to an India deal in the morning, a China deal at lunch and a US deal in the evening. There was no diligence. That’s gone.”

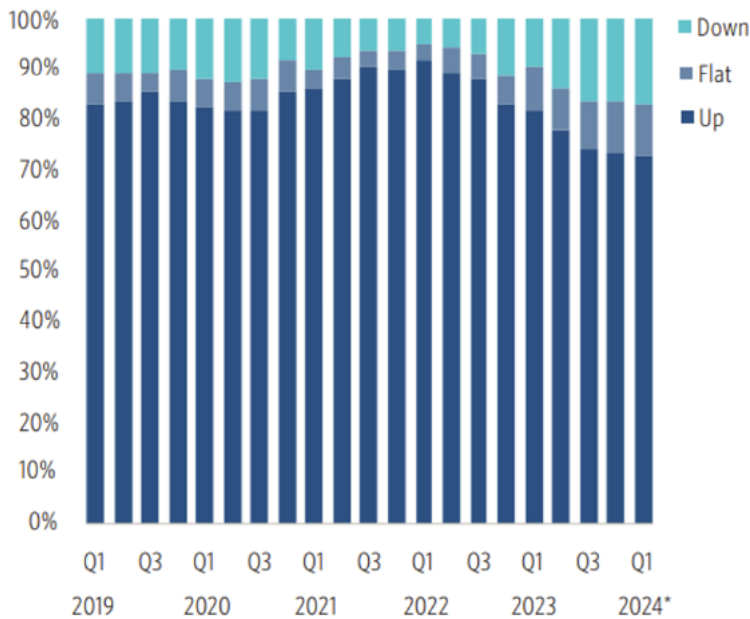
Focus on corporate governance: Yes. A difficult one to demonstrate. Perhaps one way to express this is that recent years have been characterised by high profile governance issues. 2022 saw the collapse of FTX and 2023 saw Binance fined \$4.3bn with its founder stepping down. 2023 also saw the demise of Silicon Valley Bank and the issues over control and corporate governance structures at Open AI. As yet 2024 has been free from such major negative governance shocks – expressive perhaps of a more circumspect investment environment.

Company casualties mount: *Maybe not.* The economy is faring better than expected in 2024, interest rates have peaked and funding has resurged – all potentially offering a lifeline to hard pressed companies. In the US, according to S&P Global Market Intelligence, 34 private equity and venture capital US portfolio companies filed for bankruptcy in the first four months of the year. That is close to the number for the whole year in 2021 and 2022. In 2023 there were a record 103 bankruptcies, meaning this year’s run rate is flat at a high level rather than accelerating.

More down rounds: Yes. Again often a difficult metric to measure as companies avoid rounds when they might have preferred to do them, or raise internal rounds, or keep private the terms of the deals they do. We can reference data from Pitchbook for Q1 2024 in the US. This suggests that the percentage of flat and down rounds in the US has risen steadily since Q1 2022 and reached 27% in Q1 2024, the highest level in a decade. Linked to this has been the rise of more aggressive deal terms with market observers reporting that deal terms designed to protect investors from downside risk or to offer more upside through mechanisms such as liquidation preferences, participating preferred shares and cumulative dividends are now much more common.

Share of VC deals by up, flat, or down rounds by quarter

Q1 2024 saw the proportion of flat and down rounds at its highest point in a decade



Source : Pitchbook, Geography US; As of March 31 2024

Venture capital firms under pressure as well: *Yes, but signs of relief.* At the start of the year we anticipated a tough time both for fundraising and exits by VCs. Fundraising for VC investors is tough – the Q1 global figure put VC managers on track to raise \$121bn in 2024, down from the peak of \$555bn in 2021 and \$188bn in 2023. Q2 though appears to have seen an upturn in sentiment and some substantial new funds being raised. Q2 VC funding was US\$50.1bn, up 65% on Q1's \$30.4bn.

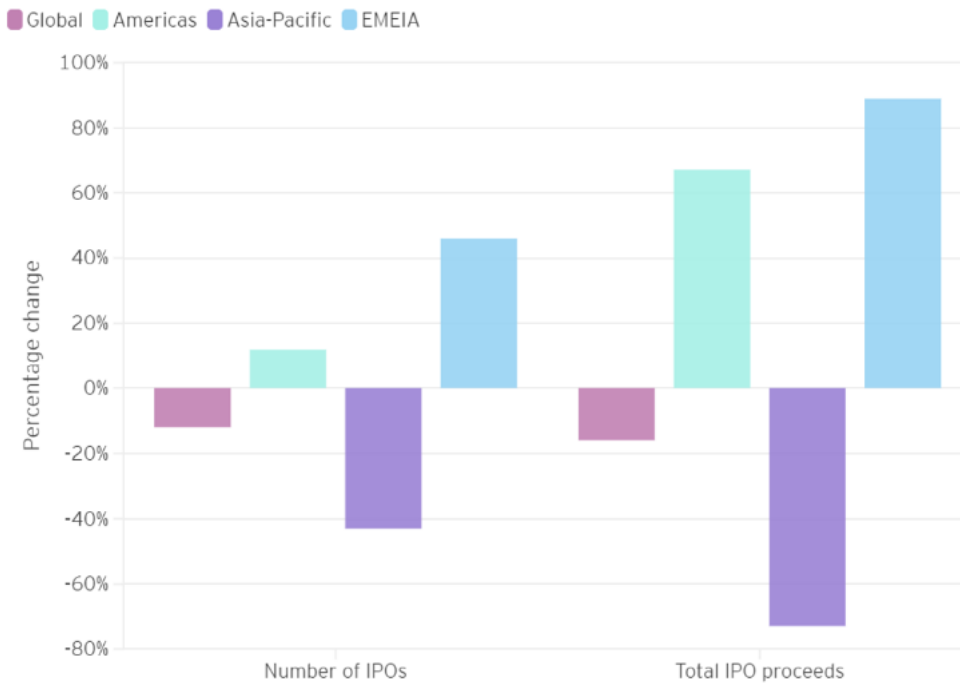
The IPO environment to improve: *Yes, but not out of the woods.* A fragile recovery for IPOs in H1 2024 with the environment overall probably stronger in Europe than in the US.

In the Americas, there were 86 IPOs in H1 2024 (source EY) raising \$17.8bn, up 12% and 67% yoy respectively. As the chart shows EMEIA (Europe, Middle East, India and Africa) saw a c50%/85% yoy growth in the volume and value of IPO deals led by a surge in European listings and a strong market in India. London saw eight new listings in H1 2024 raising £514m down 13% on H1 2023.

The market remains fragile. Despite its H1 recovery the European IPO market ran out of steam in mid-June with the pulling of the planned luxury goods IPO, Golden Goose, despite initially being described by its bookrunners as multiple times oversubscribed. It suffered the twin effects of modest long only demand and the uncertainty caused by sudden calling of French elections. With summer now underway the test will be to see whether the European IPO market resumes its revival post summer in September.

IPO activity by geography - yoy change %

H1 2024 % change versus H1 2023

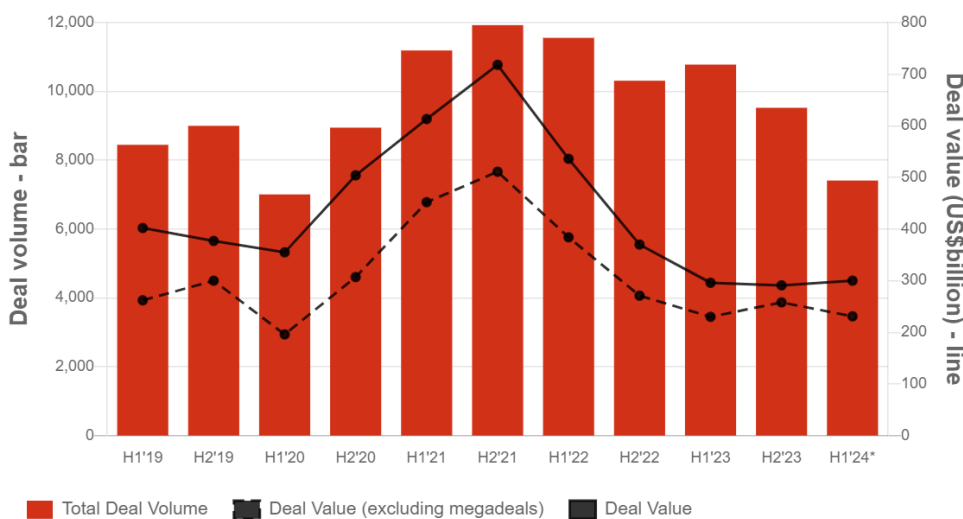


Source: EY

M&A revival? Partial. The adaptation to the new normal of higher interest rates plus the hopes – at some point in H2 - of US interest rate cuts, have meant a patchy revival in the M&A market. According to PWC the value of global M&A deals was up 5% yoy in H1 2024 at \$1,320bn versus \$1,253bn in H1 2023.

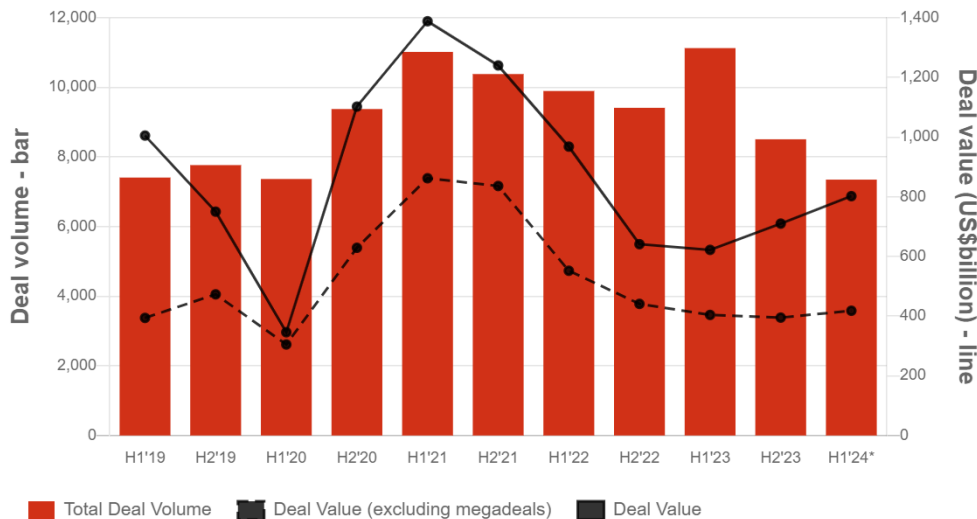
Deal volumes in the Americas fell 34% yoy but a series of large transactions in energy and technology meant values increased 29% yoy. In EMEA deal volumes fell 31% yoy but the presence of eight ‘megadeals’ compared to nine in the whole of 2023 meant values rose marginally, by 1% yoy. The continued prospect of interest rate cuts should encourage the market further going into H2.

Deal volumes and values, 2019-H1'24 - Europe



Source: PWC

Deal volumes and values, 2019-H1'24 - US



Source : PWC

How will the end of 2024 look? Mixed bag: We anticipated

(i) *US interest rates could be 75bps lower* according to Fed officials with another 100bps of reduction in prospect for 2025. The current market view is for two interest rate cuts, each of 25bps, this year.

(ii) *Venture Capital companies will be two years into the focus on profits and growth*, more and more will be turning the corner to demonstrate that profitability is there and looking for funding for renewed growth. The funding has picked up and typically is focused on VC companies that are either profitable or on a visible path to early profitability.

(iii) *Public investors may have made some good money on reasonably priced IPOs*. This has happened with the crop of IPOs in H1 2024, in both the US and Europe, having generally performed strongly.

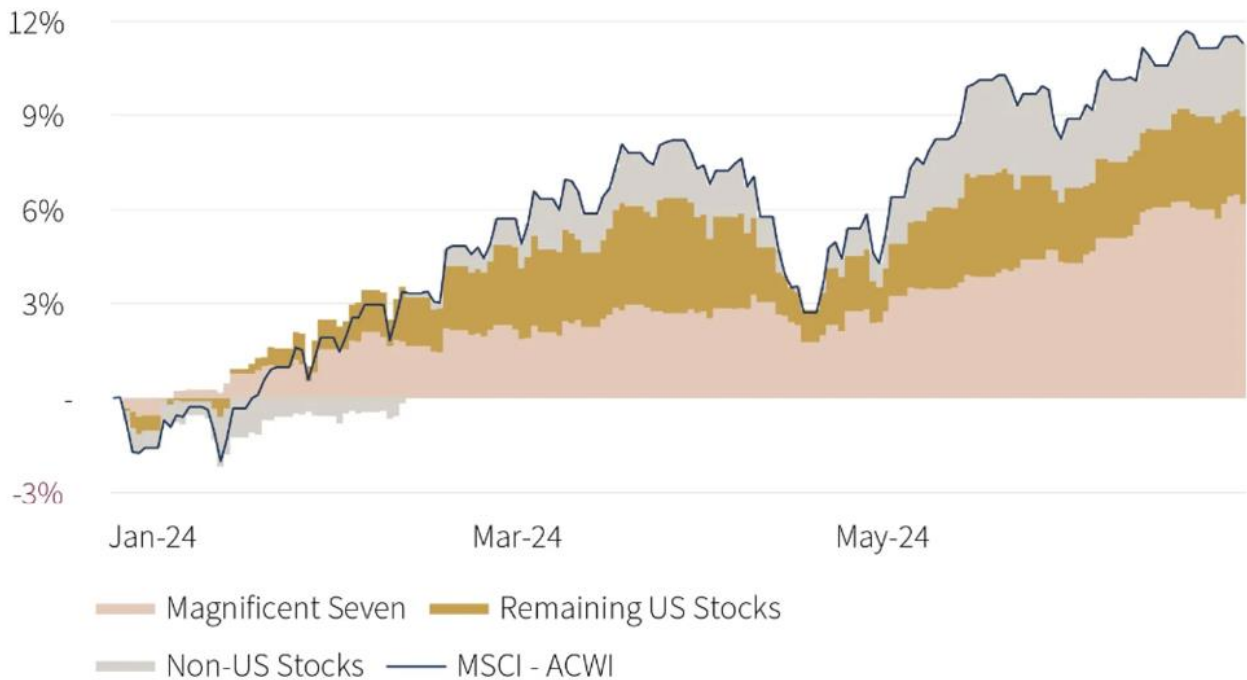
(iv) *Global economic growth may have slowed modestly in 2024 before reaccelerating in 2025*. This looks pretty much on track. At the start of the year we were looking at global GDP growth of 2.7% in 2023 slowing to 2.6% in 2024 and then improving in 2025. The latest KPMG forecasts suggest 2.5% growth in 2024 and a bounce back to 2.7% in 2025.

Public markets – Decent H1

Though commentators remain concerned by its narrow nature, the advance of public markets continued in the first half. To the 28th June the MSCI Global index was up 11.3%. The US led the way, up 14.6% with the Magnificent Seven stocks up 36%, NASDAQ up 20% and the S&P 500 up 15%. In Europe the STOXX 600 was up 7% and the FTSE 100 up 6%.

The outsize contribution of the Magnificent Seven to the global market advance is indicated in the chart.

Global stock market contribution – YTD (% points, USD)



Source: Rothschild & Co; Bloomberg

Once again Wall Street strategists have been racing to upgrade their year-end forecasts. The S&P500 index reached 5,460 on June 28 up from 4,742 at the start of the year. The Exhibit shows Wall Street strategists' start-of-the-year forecasts for the level of the S&P 500 at end 2024. Of the 20 strategists surveyed only 12 saw the index showing any sort of advance in 2024. Of these 11 predicted an advance of less than 10% with just one looking for double digits, Yardeni Research, with an advance of 13%. The average predicted advance was 2%.

Of course these are year-end targets and they may yet come true. The strategists though have, in general, decided to hedge their bets.

By June 28th the S&P 500 had, at 5,460, exceeded all of the Wall Street strategists' initial targets for the full year. There has been a flurry of upgrading in the last few weeks with the median forecast now rising to 5,500, a 13% increase on the median start year target, albeit offering just 1% upside from the S&P 500 close at the half year.

The highest year end forecast is now that of Evercore whose 6,000 target offers 10% upside from current S&P 500 levels. There are a couple of forecasts (RBC and Ned Davis) that have been raised to 5,700 (+4%) and a clutch (BMO, Citigroup, Goldman Sachs , UBS) now pitched at 5,600, or 3% upside to the end of the year. The lowest forecast remains that of JP Morgan at 4,200, downside of 23% to the end of the year. A recent shake up in the global equity strategy team at JPM may presage a change in approach.

S&P 500 – The evolution of Wall Street strategists’ 2024 year end targets

S&P 500 Start year	4770
S&P 500 June 28	5460

	Start of year		End June		Increase in
	Target	Implied upside %	Target	Implied upside %	Target ytd %
Yardeni Research	5,400	13	5400	-1	0
Fundstrat	5,200	9	5200	-5	0
Oppenheimer	5,200	9	5500	1	6
BMO	5,100	7	5600	3	10
Citigroup	5,100	7	5600	3	10
Deutsche Bank	5,100	7	5500	1	8
Goldman Sachs	5,100	7	5600	3	10
Bank of America	5,000	5	5400	-1	8
RBC Capital Markets	5,000	5	5700	4	14
Ned Davis Research	4,900	3	5700	4	16
UBS	4,850	2	5600	3	15
Barclays	4,800	1	5300	-3	10
Evercore ISI	4,750	-0.4	6000	10	26
Societe Generale	4,750	-0.4	5500	1	16
Stifel	4,650	-3	4750	-13	2
Wells Fargo	4,625	-3	5535	1	20
Scotiabank	4,600	-4	4600	-16	0
Morgan Stanley	4,500	-6	5400	-1	20
Cantor Fitzgerald	4,400	-8	4400	-19	0
JP Morgan	4,200	-12	4200	-23	0
Average	4861	2	5324	-2	10
Median	4875	2	5500	1	13

Source: FT, Bloomberg ANR data, news stories
Targets are generally for year end 2024

Meanwhile hopes of US interest rate cuts appear to be rebounding. US inflation in May came in at 3.3% slightly better than the expected 3.4% and the second month in a row that inflation beat expectations. This was followed by non-farm payroll numbers in early July that suggested the US unemployment rate increased from 4% to 4.1%, its highest level since November 2021, despite job creation of 206,000 being ahead of consensus forecasts of 190,000.

The combination of the inflation and payrolls data was already enough to spark debate about a slowdown in the economy and whether the Fed’s tightening of interest rates has gone on for too long. Then on July 11 the June inflation figure was announced, coming in at 3%. This was better than market predictions of 3.1% and was the lowest monthly inflation number since June 2023. Core CPI, ex food and energy, also beat expectations of 3.4%, coming in at 3.3%.

Fed Chair Jay Powell was cautious in his testimony to the US Senate Banking Committee observing that the April and May inflation numbers *‘have shown further modest progress’* (since reinforced by the June figure) and that the labour market is *‘not a source of broad inflationary pressure for the economy now.’* He highlighted the Fed’s challenge, avoiding the inflation risk of lowering rates prematurely against the risk of undermining growth by keeping rates high for too long. *‘We’re very much balancing those two risks, and that’s really the essence of what we’re thinking about these days.’*

The next Fed meeting is at the end of July. Despite the June inflation number the market does not expect a rate cut at that meeting. Instead it now gives an almost 100% certainty to a 25bps rate cut in September with the expectation of a further 25bps interest rate cut before the year-end.

European rate cuts have preceded those of the US. On June 6 the ECB lowered interest rates for the first time in five years, cutting the core interest rate by 25bps to 3.75%. There had been a 450bps rise between July 2022 and September 2023.

The inflation figures immediately preceding the cut were slightly against trend, higher than expected at 2.6% (April 2.4%) and so the market anticipated that a cut would be made without committing to further future reductions. This duly came about with the ECB indicating that it was *'not pre-committing to a particular rate path'* with ECB president Christine Lagarde saying that further rate cuts will *'depend on the data that we receive.'*

The head of the Dutch central bank Klaas Knot observed in an interview that a further rate cut is unlikely in July while indicating that *'The next meeting that will truly be open again will be in September.'* The market has pencilled in two more interest rate cuts by the end of the year which would take rates down to 3.25% and then a further two rate cuts by the end of 2025.

In the UK, albeit down from 3.2% in March, April's inflation figure at 2.3% was deemed relatively disappointing with forecasters having anticipated 2.1%. The May figure then hit the Bank of England's target of 2% for the first time since July 2021, helped by lower energy prices. Services inflation though remains high at 5.7% while core inflation, ex food and energy, was at 3.5% in May after 3.9% in April. With energy prices set to rebound the Bank of England expects inflation to rise to 2.6% by the end of the year.

There remains caution around cutting interest rates. Jonathan Haskel, professor of economics at Imperial College and an external member of the MPC observed in early July:

"There are considerable encouraging signs, most notably from normalising inflation expectations and a temporary return of headline inflation to target in May 2024. However, the wage-price system in the UK has been subject to a sequence of enormous shocks over recent years. The playing out of those shocks through the economy, and the continued tight and impaired labour market, means that inflation will remain above target for quite some time. I would rather hold rates until there is more certainty that underlying inflationary pressures have subsided sustainably."

At present markets are anticipating one 25bps UK rate cut by the end of the year.

IPOs – Muted recovery

In June there were two US IPOs that raised more than \$400m. These brought the number of such deals to fifteen ytd and, in raising \$1.38bn, the ytd total value of such deals to \$11.9bn. This compares with nine IPOs raising over \$400m during the whole of 2023 with an aggregate value of \$14.1bn.

Of the two June IPOs, Tempus AI, which raised \$411m, is now down over 20%. The other, Waystar Holding Company which raised \$968m, is flat post IPO.

The overall performance of the 2024 cohort remains positive. All but two saw a gain on the first day with the weighted day one advance being 15%. Six of the fifteen IPOs are now trading at below their flotation price but the overall advance of the group is still a weighted 26%.

The IPO window is open. There is a steady flow rather than a flood of IPOs and sponsors still need to be cautious in terms of investor selectivity and pricing discipline. Nevertheless, the IPO market is building an attractive record that suggests it is worth the while of investors to participate. Meanwhile, there is little chance of a shortage of supply with, according to Pitchbook data, the backlog of venture-capital-backed firms waiting for an opportunity to go public standing at around 220 companies.

Rothschild & Co strategist Kevin Gardiner summarises the current key drivers of the market in this graphic:

Major interest rates now starting to fall



GROWTH
Positive

Resilience intact Momentum in the biggest economies – the US and China – extended through the first half of the year, while European growth rates seem to have bottomed. Forward-looking business surveys suggest growth can continue into the second half. We still doubt that all the damage done by higher interest rates can have surfaced, but a major downturn still seems neither necessary nor likely



INFLATION
Positive

Disinflation now in the "last mile" Most of the decline in inflation is now behind us: core rates in the US, eurozone and UK are in the 2-4% range in which we think they will likely stick for a while. The good news is that this outcome has been delivered without a big economic setback, and is close enough to targets to allow central banks to cut policy rates – which they have now started to do



POLICY
Neutral

Rates can now fall – a little After 2021, central banks belatedly realised their credibility was at stake, and acted decisively to raise policy rates in 2022 and 2023. Inflation has now fallen far enough to allow the big three to begin to cut them: the ECB began in June, the Bank of England seems ready to cut after the election, and the Fed seems likely to cut in the autumn. With unemployment staying low, however, there is still no need for rates to fall fast – or far



GEOPOLITICS
Negative

Geopolitical risk is even more evident Grim conflicts continue in Ukraine and in the Middle East, China persists with its intimidation of Taiwan, and now Russia and North Korea seem to be aligning. As if all this weren't enough, a fractious French election is underway as we write, the UK is poised for a change in government, and the US presidential campaign is flirting with farce. However, as we note often: what troubles us as citizens does not always affect impersonal capital markets – and this may be the case even now. The business cycle usually matters most



VALUATIONS
Neutral

Valuations are full but not excessive Global stocks have reached further new highs, but earnings expectations are also drifting higher and valuations are not outlandish. Meanwhile, government bond markets have stabilised at what we might think of as fair value (while also looking potentially more useful as diversifiers). Corporate bonds do however look expensive, with spreads close to post-global financial crisis lows



MARKET DYNAMICS
Neutral

Volatility has faded further Financial risk must still be elevated after the sharp normalisation of interest rates. Big banks' balance sheets look well capitalised, but there will be many idiosyncratic risks, and plenty of potential casualties such as regional US banks, commercial real estate, and private markets. Yet after a brief flurry in April, volatility has fallen back markedly. This feels a little premature, and some rebound would be unsurprising

Source: Rothschild & Co

Source: Rothschild & Co

Venture Capital – the biggest raises in H1 2024

Our Deal Monitor shows that each month of H1 2024 saw the total amount raised for European VC backed companies exceed that of the equivalent 2023 month. In total our Deal Monitor indicates H1 2024 fundraising to be up c36% yoy at \$17.7bn. Initial findings from Pitchbook suggest that the Q2 US VC fundraising total of an estimated \$55.6bn was up 57% yoy and represented the highest quarterly total for two years.

H1 2024 saw 49 European raises of \$100m plus versus 32 in H1 2023. There were 45 raises of \$100m-\$499m (vs 32 in H1 2023), three of \$500m plus (versus zero) and one of \$1bn (versus zero).

These top 49 raises produced just short of \$10bn with the top industry categories being Climate Tech (\$3bn), AI (\$2.3bn), Software (\$1bn) and Online Grocery at \$0.8bn.

Of the five largest deals in Europe in H1 two, Wayve and Mistral, are in AI; one is a marketplace operator, Travelport; there's a ClimateTech business, the German Sunfire; and a fintech, UK neobank, Monzo.

Top European VC raises by value H1 2024

Country	Date	Company	Stage	Amount	Valuation	Sector	Investors	What it does
UK	May-24	Wayve	Series C	1050		AI	Softbank,Nvidia, Microsoft	AI based autonomous driving system
France	Jun-24	Mistral	Funding	640	6,000	AI - Software	General Catalyst	LLM provider
UK	Jan-24	Travelport	Funding	570		Marketplace	Elliott Investment Management, Davidson Kempner, Can	Travelport - travel bookings for travel suppliers
Germany	Mar-24	Sunfire	Series E	550		Climate Tech	LGT Private Banking, GIC, Ahren Innovation Capital, Ca	electrolyzer manufacturer,
UK	Mar-24	Monzo	Equity	430	\$5bn (vs \$4.5bn)	Fintech	CapitalG,(Alphabet), Google Ventures,HSG (HongShan)	Neo bank
Netherlands	Jan-24	Picnic	Funding	389		Online grocery	Bill & Melinda Gates, Edeka	Eco friendly online supermarket
France	Jan-24	Electra	Equity	335		ClimateTech	PG&M	EV charging stations
Sweden	Jan-24	H2 Green Steel	Equity	330	+3.9bn debt	ClimateTech	Microsoft Climate Innovation Fund, Mubea Siemens Fina	hydrogen-powered steel plant
Germany	May-24	DeepL	Funding	300	2,000	AI	Index Ventures	language AI platform for translation and writing
Germany	Jan-24	Everphone	Series D	297	part debt	Telecomms	Capnor and Calista	platform for corporate smartphones and tablets,
Germany	Jun-24	Black Semiconductor	Series A	276		Semiconductors	German ministry of economic affairs , North Rhine-West	Next gen graphene semiconductors
Turkey	Jun-24	Getir	Funding	250		Online grocery platform	Mubadala	Online grocery platform
France	May-24	H	Seed	220		AI	Accel, Amazon, Bpifrance	AI foundational models
Germany	Mar-24	Envria	Equity	200		Climate Tech	Blackrock	photovoltaic energy solutions
Czechia	Jun-24	Rohik	Funding	170		Online grocery platform	EBRD, Sofina,	Online grocery platform
Sweden	Jan-24	Aira	Series B	160		Climate Tech	Altor, Kinnevik and Temasek,	clean energy-tech solutions
Italy	Feb-24	Bending Spoons	Equity	155	2,550	Software/	Durable Capital Partners	Mobile apps - Meetup, EverNote
Belgium	Apr-24	Tree Energy Solutions	Series C	152		Climate Tech	Azimut Group, Fortescue, E.ON	Production of electric natural gas - e-NG
France	Apr-24	Pigment	Series D	145		Software	ICONIQ Growth, Sandberg Bernthal	business planning platform
Germany	Mar-24	Turbulis	Series B2	139		Biotech	EQT Life Sciences and Nextech Invest Ltd,	Cancer therapies
UK	Mar-24	Flagstone	Equity	138		Fintech	Estancia Capital Partners	cash deposit platform,
Estonia	Mar-24	Eleport	Funding	130		Climate Tech	Investors	EV Infrastructure developer
Germany	Jan-24	Ineratec	SeriesB	129		ClimateTech	Piva Capital, Planet A Ventures, MPC,	e-Fuels made from recycled CO2 and renewable energy.
Ireland	Feb-24	Mainstay Medical	Equity	125		Healthcare	Glide Healthcare and Viking Global	ReActiv6 implantable device for low back pain
UK	May-24	Pheon Therapeutics	Series B	120		Biotech	TCGX , BVF Partners	Antibody-Drug Conjugate (ADC) specialist
Israel	Apr-24	Hailo	Series C+	120		Semiconductors	Zisapel family, Gil Agmon, Delek Motors,	Chipmaker of edge AI processors,
Switzerland	Jun-24	Skycell	Series D	116		Software	Tybourne Capital Management	software solution for pharma supply chain
Germany	May-24	Clover	Seed	114		ClimateTech	Lowercarbon Capital, 9900 Capital, QED,	software financing, energy management for renewables value chain
UK	Jun-24	PortSwigger	Funding	112		Cybersecurity	BrightonPark Capital	web application security,
Croatia	Feb-24	Project 3 Mobility	Series A	110		Autonomous vehicles	TASARU Mobility, Kia, Rimac Group	Autonomous vehicle, infrastructure
Germany	Jan-24	FINN	Series C	110		Software	Planet First Partners, HV Capital, Korelya Capital, UVC	car subscription provider
UK	Apr-24	Skyports	Series C	110		Drones	ACS, Groupe ADP	Vertiports - take-off landing infrastructure for air taxis
UK	Jan-24	Build A Rocket Boy	Series D	110		Games	RedBird Capital Partners, Galaxy Interactive, NetEase G	independent game developer and publisher,
Switzerland	May-24	Six Peaks Bio	Funding	110		Healthcare	Versant Ventures, AstraZeneca,	therapies for healthy weight loss
Italy	Feb-24	Medical Microinstruments,	Series C	110		Robotics	Fidelity Management & Research	Robotics tech for surgeons
Netherlands	Mar-24	Mews	Funding	110	1,200	Software - Hospitality	Kinnevik,Revaia, Goldman Sachs Alternatives	system to streamline operations for hoteliers
France	May-24	Stonal	Investment	110		Software/REITs	Aeron	Building data management platform
Italy	Jan-24	D-Orbit	Series C	110		Space Logistics	Marubeni Corp, Avantgarde, CDP VC, Seraphim Space	ION Satellite Carrier vehicle
Sweden	Jan-24	Visit Group	Growth furx	110		Travel software	PSG,	collaborative commerce software to in-destination experience vendors
Germany	Jun-24	Cognigy	Series C	108		AI software	Eurazeo	AI first customer service automation
Sweden	Feb-24	Heart Aerospace	Series B	107		Aerospace	Sagitta Ventures, Air Canada,	Hybrid electric plane technology
Germany	Apr-24	Flink	Consumer	106		Grocery delivery	REWE, DoorDash	Grocery delivery
Germany	Mar-24	Solaris	Funding	105		Fintech	SBI Group	embedded finance platform
Spain	Jan-24	TravelPerk	Series D+	104		Travel	Kinnevik and Felix Capital.	business travel management platform
Germany	Apr-24	zilar	Funding	100		Climate Tech	BNP Paribas	digital platform for residential solar
Sweden	May-24	Syre	Series A	100		ClimateTech	TPG Rise Climate	textile-to-textile recycling at hyperscale,
Germany	Mar-24	Razor Group	Series D	100		Ecommerce	PreSight Capital	eCommerce aggregator
Norway	Jan-24	1X	Series B	100		Robotics	EQT Ventures	AI humanoid robotics
Netherlands	Feb-24	Data Snipper	Series B	100	1,000	Software	Index Ventures	Automation for audit and finance

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Source : Rothschild & Co

In the US we monitor deals of \$100m and above. We counted 157 such deals in H1 2024 with funds raised of just over \$50bn. The Exhibit outlines all the H1 deals of \$250m or more. The 35 such raises were for a total of just over \$33bn.

The booming interest in the potential of Artificial Intelligence is providing a fillip to the venture capital market overall. The top end of the list is dominated even more so than in Europe by AI and related deals, taking four of the top six places.

The largest single deal was the \$9.2bn of funding arranged for Vantage Data Centres by DigitalBridge Group and Silverlake. A recent report by Morgan Stanley estimated that global Gen AI related demand for power will expand rapidly to hit 224 TWh by 2027, equivalent to Spain's total 2022 power consumption.

In May Elon Musk's xAI raised \$6bn in a deal valuing the company at \$18bn. The business was started in July 2023. In November 2023 it launched Grok-1, an AI LLM. The Series B round was supported by investors including Valor Equity Partners, Vy Capital, Andreessen Horowitz, Sequoia Capital, Fidelity Management & Research Company, Prince Alwaleed Bin Talal and Kingdom Holding, amongst others.

In May AI cloud infrastructure business CoreWeave raised \$1.1bn in a funding round led by Coatue, with participation from Magnetar Capital, Altimeter Capital, FMR, and Lykos Global Management. The round valued the company at \$19bn. Scale AI which helps companies classify, prepare and test data for AI model training. raised a \$1bn Series F led by Accel and Y Combinator valuing the business at \$13.8bn.

Outside of AI, Generate Capital which works with developers to finance and operate sustainable infrastructure projects, raised \$1.5bn from the California State Teachers' Retirement System in January and the video game and software developer Epic Games raised \$1.5bn from Disney in February.

Top 35 US VC raises by value H1 2024

Country	Date	Company	Stage	Amount \$m	Valuation \$m	Sector	Investors	What it does
US	Jun-24	Vantage Data Centers	Equity	9,200		DataCentres	DigitalBridge Group and SilverLake	Data centres
US	May-24	xAI	Funding	6,000	18,000	AI	Kingdom Holding, Valor Equity Partners, Vy Capital, az16, Sequoia	large language models
US	Jan-24	Generate Capital	Funding	1,500		ClimateTech	California State Teachers' Retirement System.	sustainable resource infrastructure
US	Feb-24	Epic Games	Equity	1,500	22,500	Gaming	Disney	Games developer - Fortnite
US	May-24	CoreWeave	Funding	1,100	19,000	AI	Coatue, Magnetar	AI cloud infrastructure
US	May-24	Scale AI	Series F	1,000	13,800	AI	Accel, Y Combinator	data foundry for AI
US	Apr-24	Xaira Therapeutics	Funding	1,000		Biotech	Arch Venture, Foresite capital	Drug discovery platform
US	May-24	Wiz	Funding	1,000	12,000	Cybersecurity	Andreessen Horowitz, Lightspeed	Cloud security
US	Jun-24	Cruise	Funding	850		Autonomous driving	General Motors	Autonomous driving
US	Feb-24	Radiology Partners	Growth Equity	720		Healthcare	Existing and new investors	Radiology practice network
US	Mar-24	Wonder	Funding	700		Food Delivery	NEA, GV, Accel, Bain Capital	Delivery food hall concept
US	Feb-24	Figure	Series B	675	2,675	AI/Robotics	Microsoft, OpenAI Startup Fund, NVIDIA,	Humanoid robots
US	Jun-24	AlphaSense	Funding	650	4,000	AI	Viking Global, BDT, MSD	Market intelligence platform
US	Apr-24	PsiQuantum	Funding	620		Quantum Computing	Australia and Queensland governments	Quantum Computing
US	Jan-24	Recurrent Energy	Equity	500		Energy	BlackRock	solar and energy storage
US	Apr-24	Buyers Edge Platform	Equity	425		Software	General Atlantic	procurement solutions for the foodservice industry
US	Mar-24	Mirador Therapeutics	Funding	400		Biotech	Arch Venture Partners	immune-mediated inflammatory and fibrotic diseases.
US	Jun-24	Sila Nanotech	Series G	375		CleanTech	Sutter Hill Ventures, T Rowe	next-generation battery materials
US	Jun-24	Formation Bio	Series D	372		Biotech	a16z	techplatforms, processes for drug development
US	Jun-24	CData Software	Funding	350		Data management	Warburg Pincus, Accel	data connectivity solutions
US	Feb-24	Lambda	Series C	320	1,500	Software	US Innovative Technology Fund	GPU Cloud computing services
US	May-24	Uniquity Bio	Funding	300		Biotech	Blackstone Life Sciences	Immune-mediated diseases.
US	Apr-24	Cybera	Series C	300	1,400	Cybersecurity	Coatue	Data security
US	Apr-24	Encino Energy	Equity	300		Energy	Canada Pension plan	private oil and natural gas producer
US	Jan-24	Quantinuum	Funding	300	5,000	Quantum	JPMorgan Chase, Mitsui	Quantum Computing
US	Apr-24	Metsera	Funding	290		Biotech	ARCH Venture Partners	obesity and metabolic diseases
US	Jan-24	Flexport	Equity	260		Logistics	Shopify	Global logistics tech platform
US	Mar-24	Alumis	Series C	259		Biotech	Foresite Capital, Samsara BioCapital, venBio Partners	Plaque psoriasis
US	Feb-24	Freemove	Funding	254		Biotech	Roche	Cancer blood tests
US	Apr-24	Perplexity	Series C	250	2,500	AI	NEA and IVP	generative AI-based search engine
US	Feb-24	Cinq Music	Funding	250		Music	GoDigital Media Group	Music label and distribution
US	May-24	Sikich	Minority	250		Professional services	Bain Capital	techsolutions to deliver digital strategies
US	Apr-24	Rivos	Series A-3	250		Semiconductors/AI	Matrix Capital Management,	RISC-V CPUs and Data Parallel Accelerator for LLMs
US	Mar-24	Applied Intuition	Series E	250	6,000	Software	Lux Capital	Gen AI for automotive industry
US	May-24	Vercel	Series E	250	3,250	Software	Accel	frontend cloud platform
Total				33,020				

Source : Rothschild & Co

June keeps up the pace

June was a solid month for European venture capital raises. Our Deal Monitor recorded c\$2.9bn of venture raises in the month down from \$3.4bn in May. The total is up 4% against the June 2023 total and was 42% down versus June 2022 (which, however, was the last big month of 2022). The ytd total for European raises is \$17.7bn, up 36% yoy.

Europe - \$2.9bn of VC raises in June

Country	Date	Company	Stage	Amount \$m	Valuation \$m	Sector	Investors	What it does
France	Jun-24	Mistral	Funding	640	6,000	AI - Software	General Catalyst	LLM provider
Germany	Jun-24	Black Semiconductor	Series A	276		Semiconductors	German ministry of economic affairs , North R	Next gen graphene semiconductors
Turkey	Jun-24	Getir	Funding	250		Online grocery platform	Mubadala	Online grocery platform
Czechia	Jun-24	Rohlik	Funding	170		Online grocery platform	EBRD, Sofina,	Online grocery platform
Switzerland	Jun-24	Skycell	Series D	116		Software	Tybourne Capital Management	software solution for pharma supply chain
UK	Jun-24	PortSwigger	Funding	112		Cybersecurity	BrightonPark Capital	web application security,
Germany	Jun-24	Cognigy	Series C	108		AI software	Eurazeo	AI first customer service automation
Netherlands	Jun-24	iOncura	Series B	88		Biotech	Syncona, European Innovation Council Fund	biopharmal combating hard-to-treat cancers
UK	Jun-24	Stability AI	Funding	80		AI	Coatue Management, Lightspeed	AI models to generate audio and video
Austria	Jun-24	Storyblok	Series C	80		Software	Brighton Park Capital	Content management software
UK	Jun-24	Finbourne	Series B	70		Fintech	Highland Europe, AVP	Investment data platform
Switzerland	Jun-24	Neustark	Funding	69		ClimateTech	Decarbonization Partners, Blume Equity,	carbon removal provider
Netherlands	Jun-24	Axelera AI	Series B	68		AI	Invest-NL ,European Innovation Council Fund,	AI hardware acceleration for gen AI/computer vision inference
Austria	Jun-24	Prewave AI	Series B	67		ClimateTech / Data	Hedosophia,	AI-enabled sustainability, risk and compliance platform,
Ireland	Jun-24	Accounts IQ	Series C	65		Software	Axiom Equity	Accounting platform
France	Jun-24	UroMems	Series C	47		Healthcare	Crédit Mutuel Innovation	implantable mechatronics technology,
UK	Jun-24	Energy Park	Funding	44		ClimateTech	Zouk Capital	EV charging solution for apartment buildings
UK	Jun-24	PQ Shield	Series B	37		Software	Addition	Post quantum security solution
UK	Jun-24	Echion Technologies	Series B	36		ClimateTech	CBMM, BGF	niobium-based, fast-charging battery materials,
Switzerland	Jun-24	M*Olabs	Series A	35		Crypto	Bain Capital Switzerland	M*O core protocol
Ireland	Jun-24	XOCEAN	Series B	33		Data	VentureWave Capital	Ocean data provider
France	Jun-24	Adcytherix	Seed	33		Biotech	Pureos Bioventures, RA Capital Management,	novel antibody drug conjugates
UK	Jun-24	CuspAI	Seed	30		AI - Software	Hoxton Ventures	AI driven search engine for new materials
Spain	Jun-24	Tinybird	Series B	30		Software	Balderton	Real time data platform for dat and engineering teams
UK	Jun-24	Hive Technologies	Series A	30		Software- Logistics	Earlybird VC, Tiger Global	Ecommerce warehouse management systems
Denmark	Jun-24	Tendred	Series A	30		Software	A.P. Moller Holding, Quadri Ventures	digital transformation for heavy equipment management
Germany	Jun-24	LiveEO	Series B	28		Climate Tech/Data	NordicNinja, DeepTech & Climate Fonds (DT	raw satellite data into automated actionable insights
France	Jun-24	YesWeHack	Series C	28		Cybersecurity	Wendel	Vulnerability management
France	Jun-24	Maternup	Series A	28		ClimateTech	Eurazeo	Low carbon cement plants
Switzerland	Jun-24	Neural Concept	Series B	27		Software	Forestay Capital, D. E. Shaw group	D Deep Learning for product engineering teams
Sweden	Jun-24	Moleculent	Series A	26		HealthTech	Arch Venture Partners, Eir Ventures	Functional biology platform
UK	Jun-24	THIS	Series C	25		Consumer	Planet First partners	Plant based food brand
Belgium	Jun-24	Gonilla	Series B	25		Software	Headline	Real time data/analytics for energy companies
UK	Jun-24	iCOMAT	Funding	23		Materials	8VC, NATO Innovation Fund.	Advanced composite manufacturing
France	Jun-24	Gireve	Funding	22		ClimateTech	Partech, Groupe EDF	B2B platform for EV charging
Netherlands	Jun-24	Innatera	Series A	21		Semiconductors	Innavest and InvestNL,	ultra-low power neuromorphic processors,
UK	Jun-24	SurrealDB	Series A	20		Software	FirstMark	Multi model database
Sweden	Jun-24	Spiideo	Funding	20		Video production	Cipio Partners	AI automated sports video solutions
Total				2,937				

Source: Rothschild & Co

The biggest deal in Europe in June was, once again, for an AI business, this time the \$640m raised by French LLM business, Mistral. The deal, split \$500m in equity and \$140m in debt, was led by General Catalyst and valued the year old company at \$6bn. It was supported by existing investors including Lightspeed, Andreessen Horowitz, Bpifrance, BNP Paribas, Nvidia, Salesforce, Samsung and IBM.

Mistral argues that it is building its LLMs at much lower cost than its US counterparts although it opted to take in extra funding due to investor demand and in order to scale up more quickly. Co-founder Arthur Mensch commented:

“It remains a capital-intensive market. The more computing capacity we have, the more people we can get into our team . . . to break the barriers of artificial intelligence.”

Biggest US VC raises in June (\$100m and above) – \$14.7bn raised

Country	Date	Company	Stage	Amount \$m	Valuation \$m	Sector	Investors	What it does
US	Jun-24	Vantage Data Centers	Equity	9,200		DataCentres	DigitalBridge Group and SilverLake	Data centres
US	Jun-24	Cruise	Funding	850		Autonomous driving	General Motors	Autonomous driving
US	Jun-24	AlphaSense	Funding	650	4,000	AI	Viking Global, BDT, MSD	Market intelligence platform
US	Jun-24	Sila Nanotech	Series G	375		CleanTech	Sutter Hill Ventures, T Rowe	next-generation battery materials
US	Jun-24	Formation Bio	Series D	372		Biotech	a16z	techplatforms, processes for drug development
US	Jun-24	CData Software	Funding	350		Data management	Warburg Pincus, Accel	data connectivity solutions
US	Jun-24	Creatio	Funding	200		CRM	Sapphire Ventures	Customer relationship management
US	Jun-24	Foodsmart	Funding	200		Healthcare	The Rise Fund	Telenutrition and food benefits management platform
US	Jun-24	Marea Therapeutics	Series B	190		Biotech	Third Rock Ventures, Sofinnova	medicines for cardiometabolic diseases
US	Jun-24	Santa Ana Bio	Series A/B	168		Biotech	Versant Ventures, TPG Life Science	precision immunology company
US	Jun-24	Sidecar Health	Series D	165		Healthcare	Koch Disruptive Tech	health insurance company
US	Jun-24	Huntress	Series D	150		Cybersecurity	Kleiner Perkins, Meritech Capital,	cybersecurity for small businesses
US	Jun-24	Insightec	Funding	150		Healthcare	FMR, Nexus Neurotech	focused ultrasound to improve patient care
US	Jun-24	EvolutionaryScale	Seed	142		Biotech	Lux Capital, Amazon Web Services	large language model for creating novel proteins
US	Jun-24	Talkiatly	Series C	130		Healthcare	Andreessen Horowitz (a16z)	in-network psychiatric care provider
US	Jun-24	BillionToOne	Series D	130	1,000	Biotech	Premji Invest	precision diagnostics
US	Jun-24	BrightMachines	Series C	126		Software/Robotics	BlackRock, NVIDIA, Microsoft,	intelligent, software-defined manufacturing
US	Jun-24	Sempenis	Funding	125		Cybersecurity	JP Morgan and Hercules Capital.	identity-driven cyber resilience,
US	Jun-24	Santa Ana Bio	Series A/B	125		Biotech	GV	precision immunology company
US	Jun-24	Etched.ai	Funding	120		Semiconductor	Primary Venture Partners, Positive Sum	Developing Sohu ASIC chip
US	Jun-24	Princeton Medspa Partners	Financing	120		Consumer	BC Partners	medical aesthetics market
US	Jun-24	Enveda Biosciences	Series B2	119		Biotech	Premji Invest, Lingotto Investment Fund	natural product drug discovery
US	Jun-24	Bright Machines	Series C	106		Software	BlackRock/NVIDIA	Software defined manufacturing
US	Jun-24	Vecna Robotics	Series C	100		Robotics	Tiger Global, Proficio Partners	flexible material handling automation solutions
US	Jun-24	Alzheon	Series E	100		Biotech	Alerce Medical Technology Partners	Alzheimer's and neurodegenerative disorders
US	Jun-24	Hebbia	Series B	100		AI	Andreessen Horowitz	Gen AI to search large documents
US	Jun-24	LanzaJet	Funding	100		CleanTech	MUFG	Sustainable aviation fuel
US	Jun-24	Xcimer Energy	Series A	100		Energy	Hedosophia	laser-driven inertial fusion
Total				14,763				

Source: Rothschild & Co, Crunchbase

Our views on the state of the venture capital markets

















The combination of global inflation, rising interest rates, and increased geopolitical risk substantially impacted the venture capital market in 2022 and 2023. As we reach the half way point of 2024 adaptation to the ‘new normal’, the refocusing of venture backed companies to achieve a better balance of growth, profitability and cash flow and the prospect of H2 interest rate cuts have led to increased optimism and enthusiasm for growth equity. Our summary of the outlook is:

- The deterioration in the interest rate, inflation and macro-economic environment has had a sharp impact on valuations in private markets. The scale of the fall in the Refinitiv VC index in 2022 was much more substantial than the 33% fall on NASDAQ. This was reflected in some big valuation reductions in some high-profile VC rounds in 2023.
- There is substantial interest in venture capital to fund artificial intelligence, both the foundation LLM models, the applications of AI and industries (data centres, semiconductors) supporting the development of AI.
- Best-in-class companies, addressing critical requirements, continue to attract support. There are still hotspots for investment most notably in Artificial Intelligence and Climate Tech. Certain investors remain very active in the space with substantial funds to deploy.
- The speed of the investment process has slowed considerably. The level of diligence on new deals has stepped up.
- 2023 saw more downrounds, albeit the substantial fund raising of 2021 and the ability of companies to eke out existing resources has limited the number of these. These continue into 2024.
- There is substantial dry powder in the VC industry. This though appears to be prioritised to support existing rather than new investments.
- It seems likely that the more difficult conditions for fundraising, and the lack of a clear path in some cases to early cash positive status, will mean a flurry of venture capital backed businesses looking to sell or merge their businesses.
- Valuation priorities have shifted with investors having moved away from an emphasis on revenue growth and revenue multiple emphasis. There is a sharp focus instead on profitability (or a rapid path to it), on positive free cash flow and an emphasis on DCF and comparative based multiples.

Read the previous editions: [May 2022](#), [June 2022](#), [June 2022 \(2\)](#), [July 2022](#), [August 2022](#), [Sep 2022](#), [October 2022](#), [November 2022](#), [December 2022](#), [January 2023](#), [February 2023](#), [March 2023](#), [April 2023](#), [May 2023](#), [June 2023](#), [July 2023](#), [August 2023](#), [September 2023](#), [October 2023](#), [November 2023](#), [December 2023](#), [January 2024](#), [February 2024](#), [March 2024](#), [April 2024](#), [May 2024](#), [June 2024](#)

Rothschild & Co: Selected recent deals in Growth Equity and Private Capital

A selection of recent deals on which we have advised.

 <p>Castore: £145m equity funding</p> <ul style="list-style-type: none"> Sole adviser to Castore, the premium sportswear brand and end-to-end retailing platform for global sports teams on its first institutional funding round The £145m equity investment was led by The Raine Group and valued Castore at £800m pre-money (£945m post) Rothschild & Co Debt Advisory also upsized Castore's RCF by £25m to a total of £100m 	 <p>Skyroot: \$51m Series B</p> <ul style="list-style-type: none"> Sole adviser on its Series B raise of INR 4,030m (US\$51m) from GIC Private Limited and LK Advisers Looking to 'uberize' space for small satellite operators, Skyroot will use its differentiated solid propulsion technology to offer on-demand, affordable launch vehicles. It plans its first orbital launch by early 2023 	 <p>YuLife: c \$120m+ Series C</p> <ul style="list-style-type: none"> Adviser to YuLife on its investment by T Rowe Price T Rowe Price's first ever private investment in European FinTech The Series C extension valued YuLife at c.\$800m, a 3x uplift from its valuation at its Series B announced in July 2021 	 <p>Carsome: US\$290m Series E</p> <ul style="list-style-type: none"> US\$290m Series E fundraise led by SeaTown Holdings International and 65 Equity Partners Holdings The funding round brought Carsome's valuation to US\$1.69bn, cementing its position as Malaysia's first and largest tech unicorn Follows US\$170m Series D2 round in Sept 2021, on which we also advised
 <p>FL Entertainment: €7.2bn combination with Pegasus Entrepreneurs and simultaneous c€550m equity raising</p> <ul style="list-style-type: none"> FL Entertainment is composed of Banijay, largest independent content producer globally, and BetClic Everest Group, Europe's fastest-growing sports betting platform. Pegasus is an Amsterdam-listed SPAC Largest ever European SPAC business combination an PIPE raising 	 <p>Insight Partners: strategic investment in Precisely</p> <ul style="list-style-type: none"> Led investment in a recap of Precisely Software Incorporated, in an investor group that will also include Partners Group, Clearlake Capital, TA Associates, and Centerbridge Partners Precisely is a leading data integrity and infrastructure software company 	 <p>Kpler: Minority stake Acquisition</p> <ul style="list-style-type: none"> Adviser to Five Arrows Growth Capital and Insight Partners on joint acquisition of a minority stake in Kpler Holding S.A. from its founders Consisted of acquisition of c.30% of secondary share capital of Kpler plus primary investment of €20m Kpler is a leading SaaS provider of data and analytics to energy markets 	 <p>Harmay: US\$90m Series D</p> <ul style="list-style-type: none"> Advised Harmay on its US\$90m Series D equity financing from a group of leading Chinese and global growth equity /venture capital funds Harmay is a premium beauty retailer Raise was led by QY Capital (an entity related to Alibaba New Retail Fund) plus existing investors
 <p>SEBA Bank: CHF110m raise</p> <ul style="list-style-type: none"> Advised on fundraising co-led by a consortium of new investors specialised in blockchain and fintech including Altive, Ordway Selections and Summer Capital DeFi Technologies, leader in decentralized finance, and Alameda Research, a global cryptocurrency quantitative trading firm, also participated 	 <p>First Digital Bank: US\$120m capital raise</p> <ul style="list-style-type: none"> Advised on capital raise through a syndicate of investors including Tencent, SBI Investment Co, Julius Baer, and West Coast Equity Partners First bank to receive a banking license in Israel for over 42 years and first neobank in Israel 	 <p>Fibrus: £270m seven-year debt package</p> <ul style="list-style-type: none"> Advised on package comprising a £200m capex facility, £20m revolving facility and up to £50m uncommitted accordion facility Fibrus is an alternative provider of full fibre network infrastructure and broadband in rural UK Highly active in European fibre infrastructure: our 7th debt financing mandate in UK fibre in last 3 years 	 <p>Marwyn Acquisition Company II: £500m equity raise</p> <ul style="list-style-type: none"> Advised Marwyn Acquisition Company II on the launch of its equity raise, by way of a 12-month placing programme The company will seek to raise up to £500m during the next twelve months from equity investors in a structure which is distinct from the typical 'SPAC' structure
 <p>Azerion: €1,300m enterprise value combination with EFIC1</p> <ul style="list-style-type: none"> Advised on combination with European FinTech IPO Company 1 B.V - a SPAC that raised c.€382m through IPO on Euronext Amsterdam in 2021 Azerion provides solutions to automate purchase and sale of digital advertising inventory Landmark transaction - one of the largest de-SPAC transactions across Europe to date 	 <p>Gousto: £240m primary and secondary rounds</p> <ul style="list-style-type: none"> £70m primary financing for food delivery company Gousto with Softbank Vision Fund 2 in Jan '22 In Feb '22 secondary component of £170m from institutional investors including SoftBank, Grosvenor Food & AgTech, Railpen and Fidelity Valued Gousto at £1.2bn on a pre-money basis 	 <p>GreenWay: €85m Series C</p> <ul style="list-style-type: none"> Advised Greenway Infrastructure on its €85m Series C fundraise Led by a consortium of infrastructure funds including Generation Capital and Helios Energy Investments. The transaction is the first known investment by an infrastructure fund in an EV charging network in Central and Eastern Europe 	 <p>Diabeloop: €37m Series C</p> <ul style="list-style-type: none"> Advised on its €37m Series C capital raise Following extensive investor outreach, LBO France was chosen to lead the raise jointly with existing investors including Supernova Invest, AGIR à dom., CEMAG INVEST and Odyssee VenturesA Diabeloop provides automated insulin delivery system and handset facilitating diabetes management

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