



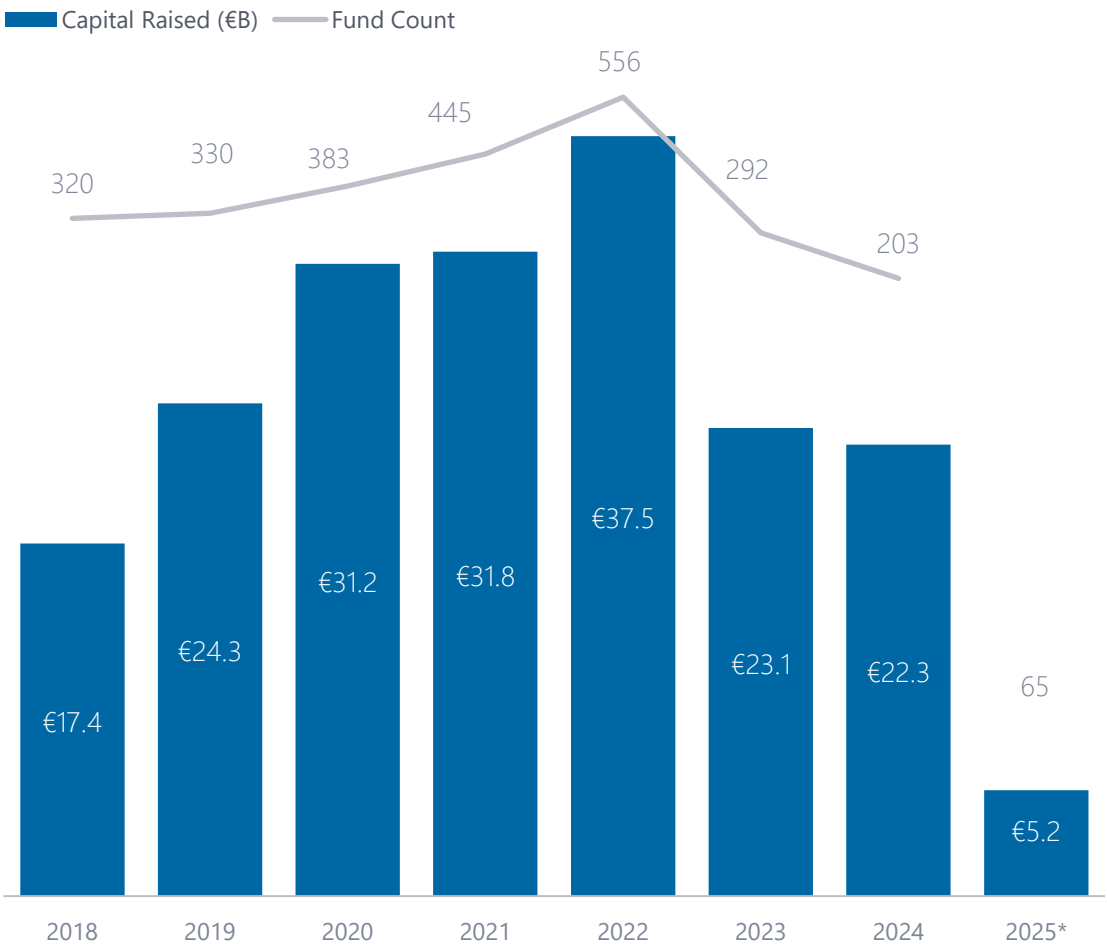
Houlihan
Lokey

Portfolio Valuation and Fund Advisory Services
Growth Equity Valuation
European Snapshot
Market Update—Fall 2025

Introduction

Houlihan Lokey is pleased to present a summary of its European growth equity observations and valuation insights based on real-time market data.

European VC Fundraising Activity



Source: PitchBook.
*As of 30 June 2025.

Suppressed Deal Volume Amidst Lingering Economic Uncertainty

Deal Value Remains Resilient

Liquidity Remains a Critical Concern

Distributions to Investors Remain Constrained

Fundraising Under Significant Pressure

AI Investments Continue to Dominate



Funding and Valuation Environment

Fall 2025

- Amidst persistent geopolitical tensions, macroeconomic uncertainty, and volatility across public markets performance, the European VC exit environment remains subdued across both IPOs and M&A transactions. Exit value in 1H 2025 reached €26.8 billion, implying a projected 12.3% year-over-year decline for FY 2025. Whilst FinTech exits have shown resilience, nearly matching their full-year 2024 value, overall exit momentum has slowed, with acquisitions continuing to dominate, accounting for more than 70% of exit volume.
- Despite this, venture deal activity in Europe has held up relatively well in value terms, whilst deal value has declined slightly. The first half of 2025 saw €29.2 billion in deal value, down 6.2% year-over-year, with Q2 registering a 13% quarter-over-quarter decrease. This suggests a 5.3% annual decline if current trends persist. Investors have adopted a cautious stance, influenced by diverging central bank policies and inflationary pressures stemming from tariffs. Public equity markets have recovered modestly, with the STOXX Europe 600 up 6.7% YTD, slightly outperforming the S&P 500 (up 5.5% YTD), as of 30 June 2025.
- Valuation trends across European venture capital continued to climb in 1H 2025, even as deal value remained relatively flat. Median pre-money valuations increased across nearly all series, with Series E+ valuations more than doubling to €1.2 billion, driven by unicorn rounds from companies like TravelPerk and Quantexa. Early-stage valuations also rose, with pre-seed/seed medians up 5.8% year-over-year to €5.2 million, whilst deal sizes in that stage jumped by one-third to €1.7 million.
- Regionally, Southern Europe and Israel outperformed, whilst the U.K. and Ireland followed broader market dynamics, with the region's 1H 2025 deal value of €9.7 billion pacing below 2024's full-year total. France and Benelux showed less resilience, with 1H 2025 activity decreasing 25.8% year-over-year.
- In Europe, more than 80% of deal value in 1H 2025 came from deals above €10 million, whilst smaller deals between €1 million and €5 million still represented the largest share of deal count, at 37.5%. Early-stage activity showed the most resilience, with €7.8 billion in deal value, implying a low single-digit year-over-year decline.
- Fundraising, however, remains under significant pressure. Only €5.2 billion was raised across 65 VC funds in 1H 2025, on pace for a 53.1% decline year-over-year. The median fund size fell to €50 million, the smallest since 2019, with emerging managers capturing 65.1% of capital raised. The median time to close significantly decreased, sitting at 17.4 months in 1H 2025, compared to 21.6 months in 2024. Notably, the capital invested in startups during 1H 2025 was 5.6x the fundraising total for European funds, underscoring a growing liquidity gap. LPs are increasingly turning to secondary transactions and continuation vehicles to meet distribution needs.
- Venture debt activity remained strong in 1H 2025, with €9.2 billion in deal value, still above pre-2021 levels. Venture-growth companies accounted for more than 65% of venture debt value and half of all transactions in the first half of 2025.
- AI remains the dominant vertical, accounting for 34.5% of European VC deal value in 1H 2025, amounting to €10.1 billion, although still trailing its 59.8% share in the U.S. The SaaS sector ranked second, with 1H 2025 performance on track to be 7.9% lower YoY for the full-year total. FinTech and life sciences rank next and continue to show resilience, currently on track to finish above or in line with their full-year deal values in 2024. Sectors such as oncology, mobility tech, and e-commerce declined in deal value rankings.
- The aerospace and defence sector emerged as a standout, with €1.5 billion invested in 1H 2025, already surpassing 2024's full-year total. This surge reflects Europe's remilitarisation efforts and its push for strategic autonomy, exemplified by Germany's rise to become the world's fourth-largest defence spender and the EU's €800 billion ReArm Europe initiative. Startups like Helsing, backed by Saab, have secured major contracts and raised more than €1 billion, highlighting the growing public-private collaboration.
- In the absence of robust IPO activity, secondary transactions and strategic acquisitions have become key liquidity mechanisms. Notable exits in Q2 included Google's \$32 billion acquisition of Wiz and DNEG/Brahma's \$1.4 billion acquisition of U.K.-based Metaphysic. These deals offered some relief to LPs but are not indicative of a broader recovery in the European VC market.

Geopolitical tensions, wider macroeconomic uncertainty, inflationary pressures from tariffs, and uncertain market outlooks are prompting fund managers, investors, and portfolio companies to adopt a wait-and-see approach until market conditions stabilise.

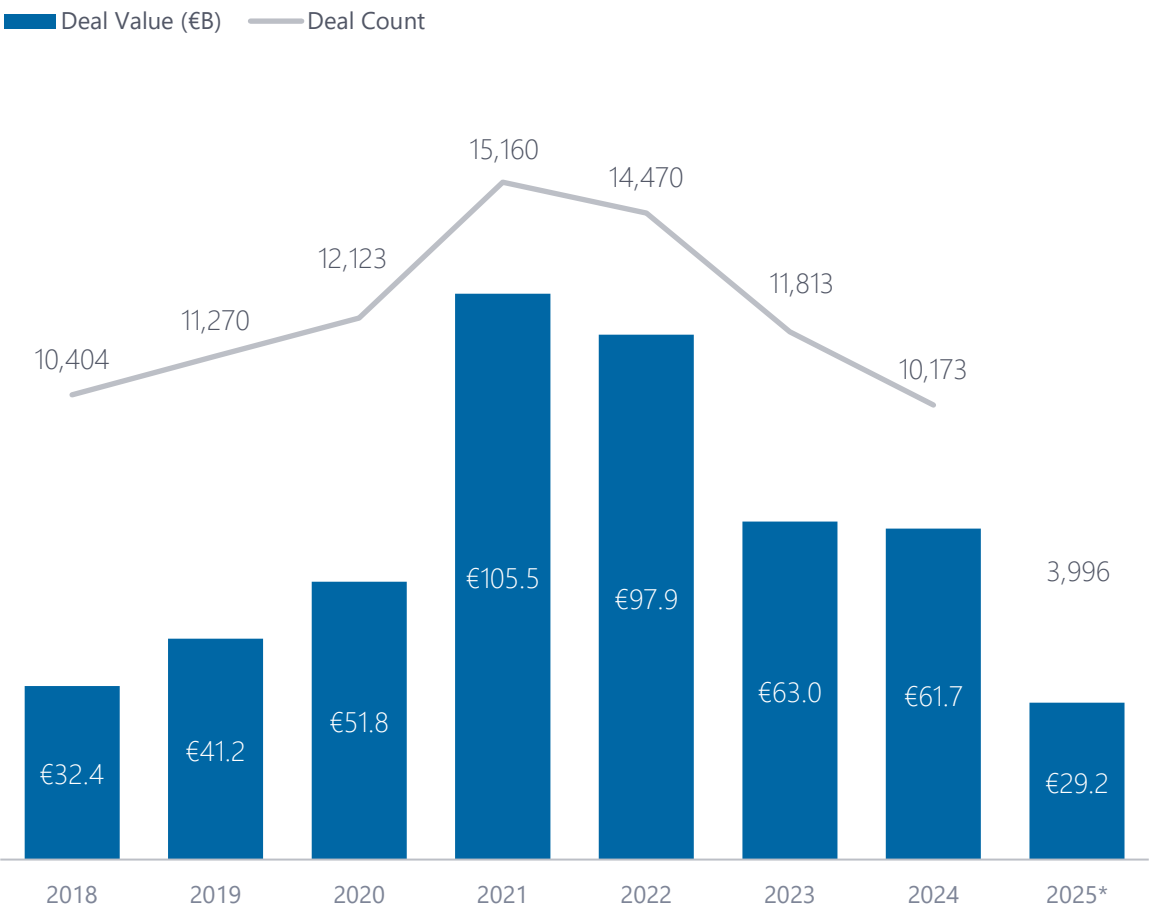
Source: PitchBook as of 30 June 2025.



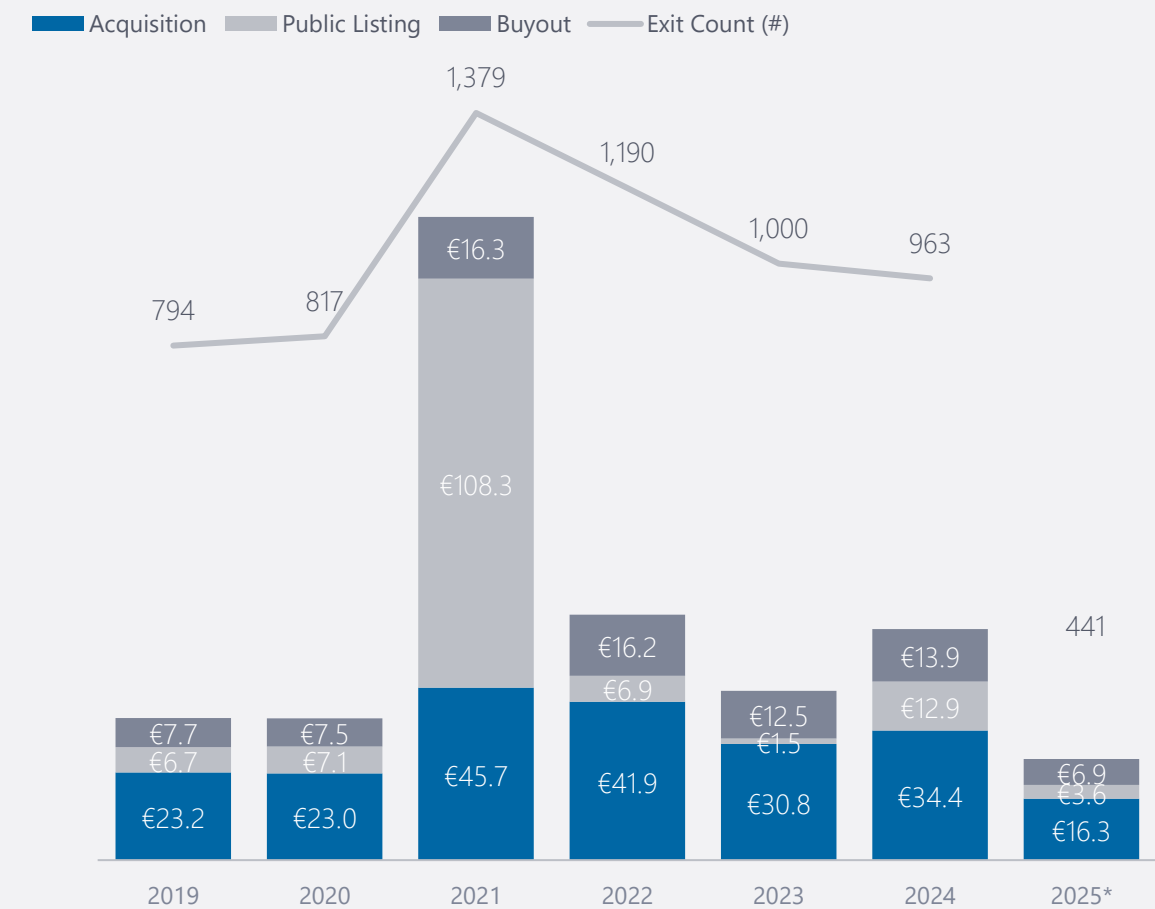
Funding and Valuation Environment

Fall 2025 (cont.)

European VC Deal Value and Count



European VC Exit Value by Type (€B)



Source: PitchBook.
*As of 30 June 2025.



The Race for AI

Valuation Considerations

A Closer Look at the AI Magnificent Five (Mag 5)⁽¹⁾



The digital gold rush is on, as companies ingest existing data and synthetic data to build, train, and improve AI models for global use and agency. This, however, requires an insatiable need for high-performance computing power (both energy and infrastructure) and has thus driven unprecedented increases in capital expenditures. The data centre has replaced the computer for this next major technology platform shift.



2025 kicked off a material ramp-up in data centre investment, particularly among the Mag 5. At the beginning of this year, the Mag 5 were expected to spend an astonishing \$262.7 billion in capex for 2025. As of August 2025, that aggregate forecast has been revised upward by 36.4% to \$358.4 billion. A commonly referenced metric to validate this spend (and return on investment) is return on invested capital (ROIC). As shown below, all companies report an LTM ROIC well above their respective WACCs, creating superior shareholder value.

Company (Mag 5)	CY 2025 Capital Expenditure Forecast (\$M)				ROIC>WACC=Shareholder Value ⬆	
	Beg. Year	Current	Increase in Forecast		LTM Reported ROIC ⁽²⁾	Current WACC
			\$	%		
Alphabet Inc.	\$58,114.5	\$85,000.0	\$26,885.5	46.30%	25.9%	10.3%
Amazon.com, Inc.	\$85,000.0	\$118,359.0	\$33,359.0	39.20%	15.5%	11.7%
Meta Platforms, Inc.	\$50,823.6	\$69,719.9	\$18,896.3	37.20%	28.8%	11.6%
Microsoft Corp.	\$65,497.0	\$79,278.0	\$13,781.0	27.00%	24.4%	10.4%
NVIDIA Corp.	\$3,252.0	\$6,003.2	\$2,751.2	84.60%	81.1%	16.4%
TOTAL	\$262,687.1	\$358,360.1	\$95,673.0	36.40%		

Source: S&P Capital IQ.
Notes: Market data as of 31 August 2025. Figures are denoted in USD.
Definitions: EBIT refers to earnings before interest and taxes; LFQ refers to the latest fiscal quarter; LTM refers to the latest 12 months; ROIC refers to return on invested capital; WACC refers to weighted average cost of capital.
(1) Excluded commonly known “Magnificent Seven” constituents Tesla, Inc., and Apple, Inc., for purposes of the analysis.
(2) ROIC = [LTM EBIT x (1-26%)] / [Mean LFQ & LFQ-4: (Total Equity + Debt)]. Debt does not include operating leases.

From 2025 to 2030, companies are forecasted to invest upward of \$7 trillion in capital expenditures on data centre infrastructure globally to provide the computing power needed to meet the chasing demand for AI.

More than 40% of the spending will be in the U.S. (~\$2.7 trillion), according to McKinsey.

Sources: McKinsey, “The Data Centre Balance: How U.S. States Can Navigate the Opportunities and Challenges”; The Watson School of International and Public Affairs.

The Race for AI

Valuation Considerations (cont.)

Generative AI Useful Valuation and Benchmarking Metrics

It is helpful to assess and analyse:

Further up the technology stack, generative AI companies are raising funding rounds at unprecedented valuations in very short periods of time. This makes it imperative to utilise relevant valuation metrics for benchmarking purposes.

- Growth in various metrics over a period.
- Benchmark to other companies and standards.

Revenue	ARR	Revenue	ARPU
User	MAU	ACPU	Prompts/User
Efficiency	ARR/FTE	Gross Margin	Burn and Capex
Valuation	EV/ARR	EV/Rev.	EV/MAU

(\$M) Closed	Target	Post-Money Valuation	Valuation Step-Up (vs. Previous)	Estimated ARR ⁽¹⁾	Implied ARR Multiple	ARR/FTE
Rumored	Perplexity AI, Inc.	\$18,000.0	2.0x	\$150.0	120.00x	\$0.607
Rumored	OpenAI, LLC	\$500,000.0	1.7x	\$12,000.0	41.67x	\$4.513
Rumored	X.AI LLC	\$170,000.0	3.8x	\$500.0	340.00x	\$0.417
Rumored	Anthropic PBC	\$170,000.0	2.8x	\$5,000.0	34.00x	\$2.500
Rumored	Databricks, Inc.	\$100,000.0	1.6x	\$3,700.0	27.03x	\$0.370
8/14/25	Cohere Inc.	\$6,811.8	1.2x	\$100.0	68.12x	\$0.200
6/16/25	Helsing GmbH	\$13,906.6	2.6x	NA	NA	NA
6/12/25	Scale AI, Inc.	\$29,000.0	2.1x	\$1,435.0	20.21x	\$1.196
8/4/25	OpenAI, LLC	\$300,000.0	1.9x	\$12,000.0	25.00x	\$4.513
6/17/25	Applied Intuition, Inc.	\$15,000.0	2.5x	\$415.0	36.14x	\$0.830
4/11/25	Safe Superintelligence Inc.	\$32,000.0	6.4x	NA	NA	NA
3/14/25	Anthropic PBC	\$61,750.0	5.2x	\$1,000.0	61.75x	NMF
12/5/24	X.AI LLC	\$45,000.0	1.9x	\$100.0	450.00x	NMF
10/21/24	Pony.ai, Inc.	\$10,000.0	1.2x	\$75.0	133.28x	\$0.051

Sources: S&P Capital IQ, publicly available data as of 31 August 2025.
 (1) Certain figures were prorated based on publicly reported calendar year estimates.

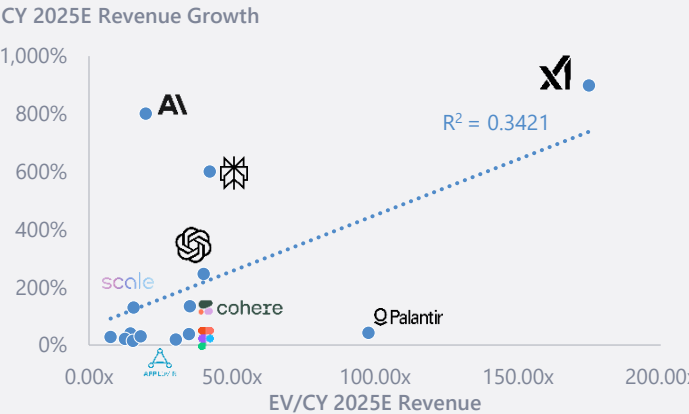
How do private generative AI companies stack up against other high-growth public software companies?

Definitions: ARR refers to annual recurring revenue; ACPU refers to average cost per user; ARPU refers to average revenue per user; Burn refers to cash burn; CY refers to calendar year; E refers to estimated; EV refers to enterprise value; FTE refers to full-time equivalent; LTM refers to the latest 12 months; MAU refers to monthly active user.

Company	'25E Rev./FTE (\$M)	EV/'25E Rev.	'25E Rev Growth
NVIDIA Corp.	\$5.710	20.50x	57.53%
OpenAI, LLC	\$4.513	39.37x	243.24%
AppLovin Corp.	\$3.591	29.84x	18.05%
Meta Platforms, Inc.	\$2.585	9.55x	19.36%
Anthropic PBC	\$2.500	18.89x	800.00%
Alphabet Inc.	\$2.106	6.40x	12.60%
Microsoft Corp.	\$1.306	12.68x	13.77%
Scale AI, Inc.	\$1.196	14.50x	129.89%
Palantir Technologies Inc.	\$0.996	95.64x	44.80%
Figma, Inc.	\$0.616	33.73x	35.31%
Perplexity AI, Inc.	\$0.607	41.16x	594.18%
Snowflake Inc.	\$0.587	17.03x	26.81%
Klaviyo, Inc.	\$0.493	7.32x	28.10%
monday.com Ltd.	\$0.489	7.06x	26.24%
Amazon.com, Inc.	\$0.455	3.47x	11.09%
Samsara Inc.	\$0.444	12.80x	24.32%
X.AI LLC	\$0.417	170.00x	900.00%
GitLab Inc.	\$0.396	7.32x	23.73%
Zscaler, Inc.	\$0.394	14.24x	19.68%
Rubrik, Inc.	\$0.370	14.23x	33.64%
Cohere Inc.	\$0.200	34.06x	135.29%
Top Quartile	\$2.106	33.73x	129.89%
Median	\$0.607	14.50x	28.10%

Multiples vs. Growth

- Private generative AI companies exhibit solid business efficiency, reflected by top-quartile revenue/FTE ratios compared to high-growth public software companies, including the Mag 5.
- As presented in the chart on the right, the revenue growth for notable generative AI companies is far superior, and valuation multiples are in line with those of other high-growth public software companies.



Sources: S&P Capital IQ, publicly available data as of 31 August 2025.
 Notes: Certain figures were prorated based on publicly reported calendar year estimates. ARR was used as a proxy for revenue for certain private companies. Post-money valuations were used as a proxy for enterprise value.

European Venture Debt

June 2025 Market Update

In the current environment, being creative with capital solutions is key to the survival of portfolio companies. That is why venture debt has emerged as an essential financing tool for high-growth companies, offering flexible, minimally dilutive capital that can fuel rapid expansion.

We recently published a paper that explores activity and key trends for the European venture debt market in 2024. This paper details how significant shifts in the startup financing landscape have unfolded in recent years.



JUNE 2025

European
Venture
Debt

 [View Publication Here](#)

The Yield Illusion

Navigating Fair Value in Structured Investments

Structured investments provide companies with flexible financing solutions that minimise equity dilution and have become increasingly prevalent in venture lending, growth-stage financings, and special situations.

Their growing popularity reflects broader market dynamics, including founders’ desire to retain control, investors’ preference for downside protection and yield, more predictable capital deployment pacing, and LP appeal in structures with clearer exit timing.

This paper explores how fair value measurements for structured investments can incorporate structurally informed yield reassessment that reflects both credit and noncredit components, market participant assumptions, and exit price. We examine calibration techniques and data-driven valuation practices that can help to avoid distorted fair values and arrive at more accurate pricing over time.



MAY 2025

Navigating
Structured
Investments

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Houlihan Lokey's Growth Equity Expertise

Houlihan Lokey has a successful track record and robust experience in assisting its clients—including private equity, venture capital, hedge fund, sovereign wealth fund, and family office—with ongoing portfolio valuation work and fund-related transactions.



We have deep valuation expertise in investment, NAV reporting, and fund-related transaction matters.



We advise boards of directors and valuation committees as they navigate audit review, regulatory challenges, and new fund formations, including valuation policy and procedures.



We value large portfolios of highly structured, venture-backed “unicorn” investments for various investors across the globe.



Our industry-leading Fund Opinions practice provides valuation and fairness opinions to many financial sponsors annually in connection with cross-fund, spin-out, and other conflict-of-interest transactions.



Our Capital Solutions Group has substantive private placement experience in structuring and raising capital with leading industry participants in growth and structured equity.



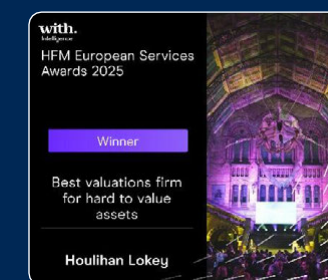
Our valuation practice has deep technical expertise and a market presence across various industries and asset classes. This is further enhanced with access to the firm's dedicated industry groups, which provide an unmatched level of expertise and transaction experience to inform the valuation process.



It is critical to engage advisors early when starting the IPO process. Our Accounting, Financial Reporting, and Public Equity teams advise portfolio companies on the best practices for going public, managing the IPO timeline, navigating auditor review, and crafting the equity story.

Awards

Houlihan Lokey's Portfolio Valuation and Fund Advisory Services practice has been recognised as “Best Valuations Firm” at this year's HFM U.S. Services Awards, marking the sixth consecutive win from HFM in all geographies within the same year (Europe, Asia, and the U.S.).



Highlight

17th Annual Alternative Asset Valuation Symposium

We are pleased to share the success of the 17th annual Alternative Asset Valuation Symposium held in New York on 7 November 2024. With more than 600 attendees, the day featured compelling keynote interviews with Marc Lasry and Paul Ryan, along with highly successful panels and a vibrant post-event networking reception. We invite you to contact us if you have questions regarding our capabilities or would like to follow up on topics covered at the event. We look forward to hearing from you.

Watch Our Video



Request Access to the Symposium Recordings



600+

Symposium Attendees

2

Enlightening Keynote Interviews

3

Packed Panel Sessions

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