



**Houlihan
Lokey**

Portfolio Valuation and Fund Advisory Snapshot
**European Venture Debt
Market Update**

June 2026

Introduction

Houlihan Lokey is pleased to present its European Venture Debt Market Update as of June 2026.

We hope you find this update informative and that it serves as a valuable resource for staying abreast of the market. If there is additional content you would find useful for future updates, don't hesitate to call or email us with your suggestions.

We look forward to staying in touch with you.

Contact us

Please reach out to us to discuss this market update or to explore how we can serve your business needs.



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2001–2025 Global M&A
Fairness Advisory Rankings

	Advisor	Deals
1	Houlihan Lokey	1,170
2	Duff & Phelps, A Kroll Business	1,069
3	JP Morgan	1,034
4	UBS	769
5	Morgan Stanley	716

Source: LSEG.
Announced or completed transactions.

Our Service Offerings



Mergers and
Acquisitions



Transaction
Opinions



Corporate Valuation



Capital Solutions



Direct Placements



Equity Placements



Secondary Liquidity
Solutions



Fund
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Portfolio
Valuation



Illiquid Asset
Valuation



Venture Debt Market Activity Cools Down in 2025 After Record Levels of 2024

The European venture debt market showed resilience in a challenging year marked by reduced total deal value and transaction volumes, partly reflecting the absence of key market participants.

The European venture debt market remained resilient in 2025, despite a decline in both total deal value and transaction volumes, following the record high in deal value achieved in 2024. In 2025, European venture debt activity moderated from the prior year's peak, with deal count declining to 656 transactions and total deal value falling by c. 30.7% to €20.1 billion.

The slowdown partly reflected a more selective funding environment, continued macroeconomic uncertainty and the absence of several large-scale market participants that had supported volumes in previous years. In particular, the bankruptcy of battery producer Northvolt, which had played a significant role in driving venture debt activity in 2024, weighed on overall market momentum. Despite the decline, total deal value remained above historical pre-2021 levels, highlighting the continued relevance of venture debt as a flexible and non-dilutive source of financing for growth companies. The market was supported by several sizeable transactions, including United Petfood Producers (€1.4 billion, Belgium), Flix (€1.1 billion, Germany), and FINN (€1.0 billion, Germany), demonstrating sustained lender appetite for high-quality assets with strong growth prospects. Overall, while 2025 marked a return to normal levels after the exceptional levels of deal value in 2024, the market continued to show resilience and remained an important funding alternative for European private companies.

Jack Diamond
Co-Founder and
General Partner
at Atempo
Growth

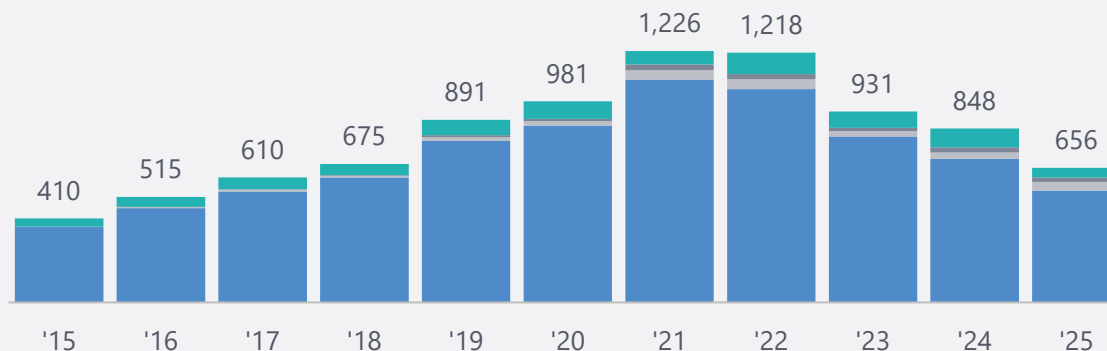
“ We have been observing a marked increase in investor appetite for data centre infrastructure and AI-enabled businesses. Demand is being driven by a combination of factors: evolving business models and pricing structures requiring more flexible capital solutions, significant infrastructure investment requirements, and a growing need for M&A financing as consolidation accelerates across the sector. ”

Source: PitchBook.
(1) Data as of 7 May 2026.

Figure 1: Venture Debt Transactions in Europe⁽¹⁾

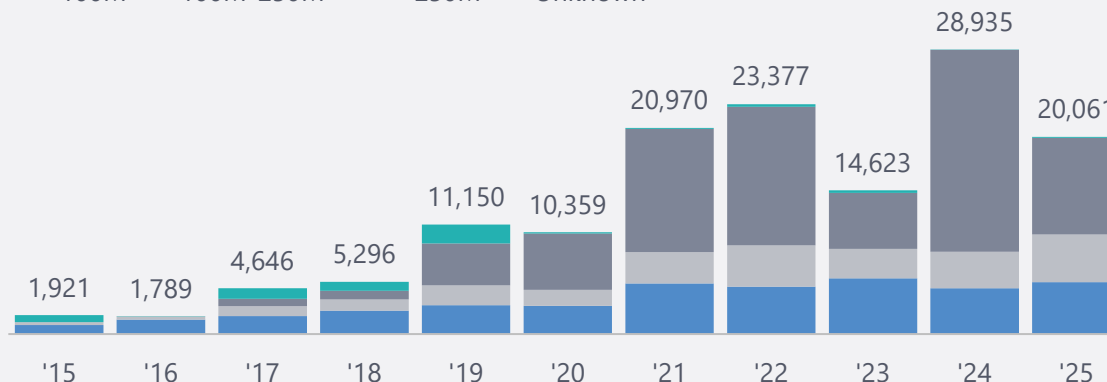
Number of Deals

■ <100M ■ 100M-250M ■ >=250M ■ Unknown



Total Deal Value (in €M)

■ <100M ■ 100M-250M ■ >=250M ■ Unknown



U.K. and Germany Dominate Venture Debt in Europe’s Tech-Led Landscape

Activity was concentrated in Europe’s largest economies and in technology sectors, reflecting the alignment of lending activity with economic scale and tech-driven growth trends.

The market exhibited a considerable degree of concentration in 2025, with the United Kingdom leading in both transaction volume and deployed capital (41% and 34% of total, respectively), followed by Germany, Belgium, and France as the next most significant markets. Beyond these leading countries, activity tapered off materially, with smaller markets contributing more limited volumes.

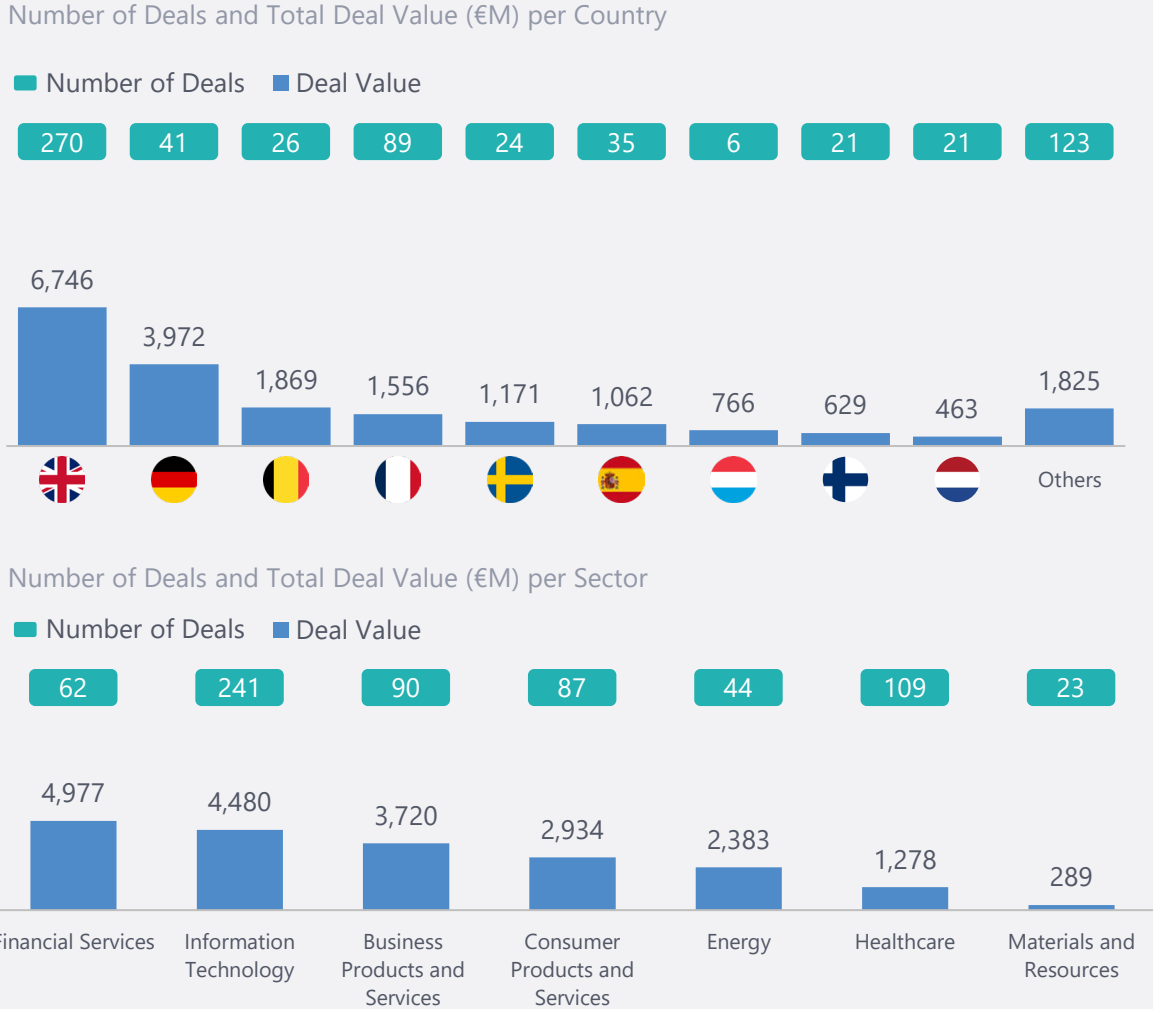
Moreover, the sector distribution showed a clear skew towards financial services and information technology-driven industries, with IT firms standing out as the dominant segment in deal volume (37%). This reflects the growing strength of tech ecosystems across Europe, further accelerated by sustained investor focus on AI-driven businesses and digital infrastructure. On an average deal size basis, capital intensity varied meaningfully across sectors: Financial services exhibited the largest average ticket size (c. €80 million per deal), followed by energy (c. €54 million), and business products and services (c. €41 million), highlighting the capital requirements of balance-sheet-driven and asset-heavy business models. Overall, data suggests that while venture debt remains broadly applicable across industries, it is most heavily concentrated in technology-led sectors, where scalability, recurring revenue models, and strong equity backing make companies particularly well suited to non-dilutive financing.

David Bateman
Managing Partner at Claret Capital

“ While core LLM development remains equity-funded and data centres largely rely on traditional or infrastructure debt, we are seeing strong venture debt demand from AI-native software companies. Vertically focused, AI-enhanced applications have become well-established users of venture debt, and we are actively increasing our funding in this space. ”

Source: PitchBook.
 (1) Data as of 7 May 2026. Totals may not sum due to rounding.

Figure 2: Venture Debt Transactions by Country and Sector⁽¹⁾



Trends of the Venture Debt Market in Europe

The convergence of diminished fundraising capacity and sharpening geopolitical risks has driven investors towards a more guarded and rigorous selection process.

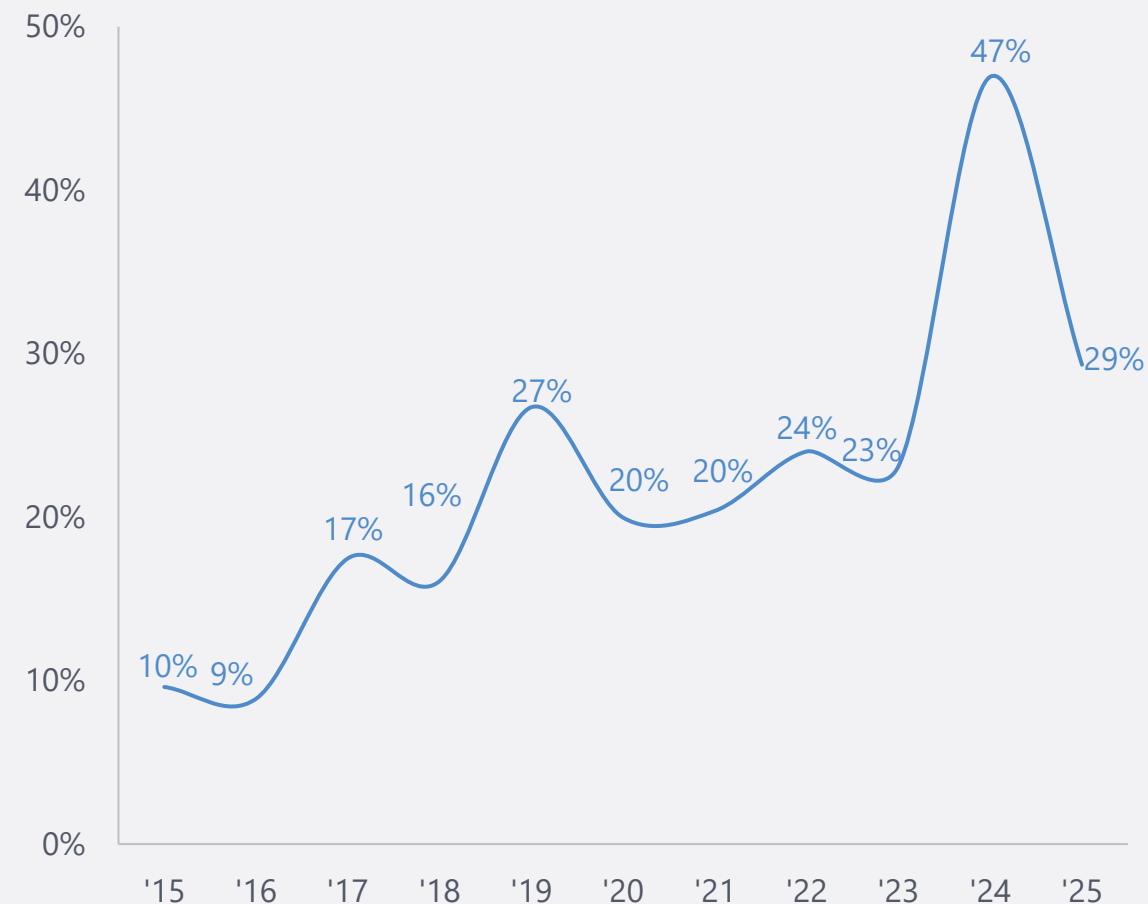
The slowdown in venture debt activity in 2025 was aligned with broader global private markets trends, as fundraising remained challenging and investors continued to prioritise liquidity and capital preservation. Policy uncertainty, geopolitical risks, and a slower normalisation in European borrowing costs contributed to a more selective funding environment for growth companies.

In 2025, venture debt represented c. 29% of total European venture capital deal value, down from the 2024 peak of c. 47%, when more accommodative conditions had pushed debt to nearly half of total deal value. The decline, therefore, reflects normalisation after an exceptional year rather than a structural shift in the role of venture debt. Despite the pullback, penetration remained well above historical levels, underlining its continued relevance as a flexible, non-dilutive financing tool for startups seeking to extend runway and manage valuation pressure.

Looking ahead to 2026, venture debt is expected to remain relatively resilient but constrained within a still cautious funding backdrop. While tighter financing conditions are likely to limit supply, weaker venture capital (VC) fundraising should also dampen overall demand, with VC activity expected to adjust more sharply than debt. As a result, venture debt penetration could remain comparatively supported, although total volumes are unlikely to return to 2024 highs and should instead stabilise around levels seen in the 2020–2023 period (and 2025), reflecting a more balanced market environment.

Source: PitchBook.

Figure 3: European Venture Debt Deal Value Relative to the Venture Capital Market



Trends of the Venture Debt Market in Europe (cont.)

Late-stage VC and venture growth now command the bulk of Europe’s venture debt activity, suggesting a maturation of the market.

The distribution of venture debt activity indicates a maturing European market, with a clear shift towards later-stage VC and venture growth companies. Compared with 2015–2017, deal activity has become significantly more concentrated in later stages. Venture growth now accounts for 28% of deals, and when combined with later-stage VC, it represents 55% of total deals in 2023–2025, up from 16% and 38%, respectively, in 2015–2017. While the number of transactions has increased, total deal value has only shifted modestly towards later-stage financing.

This evolution reflects a market increasingly shaped by lender selectivity and stricter underwriting requirements, which favour businesses with established revenues, stronger balance sheets, and reputable VC backers. At the same time, later-stage companies have shown a growing preference for non-dilutive financing, using venture debt to extend runway, finance growth initiatives, or delay equity raises amid more cautious valuation environments. In addition, a growing focus on larger transactions has driven an increase in average deal sizes. Median deal values for transactions have risen, suggesting that while overall deal volumes may have declined, capital deployment per transaction has increased.

For 2026, the European venture debt market will likely sustain its “flight to quality,” with capital concentrated in larger, later-stage companies. While geopolitical tensions and fluctuating interest rates present macroeconomic headwinds, the rapid expansion of AI and data centres offers significant potential for new venture debt deployment to support capital-intensive growth.

David Bateman
Managing Partner
at Claret Capital

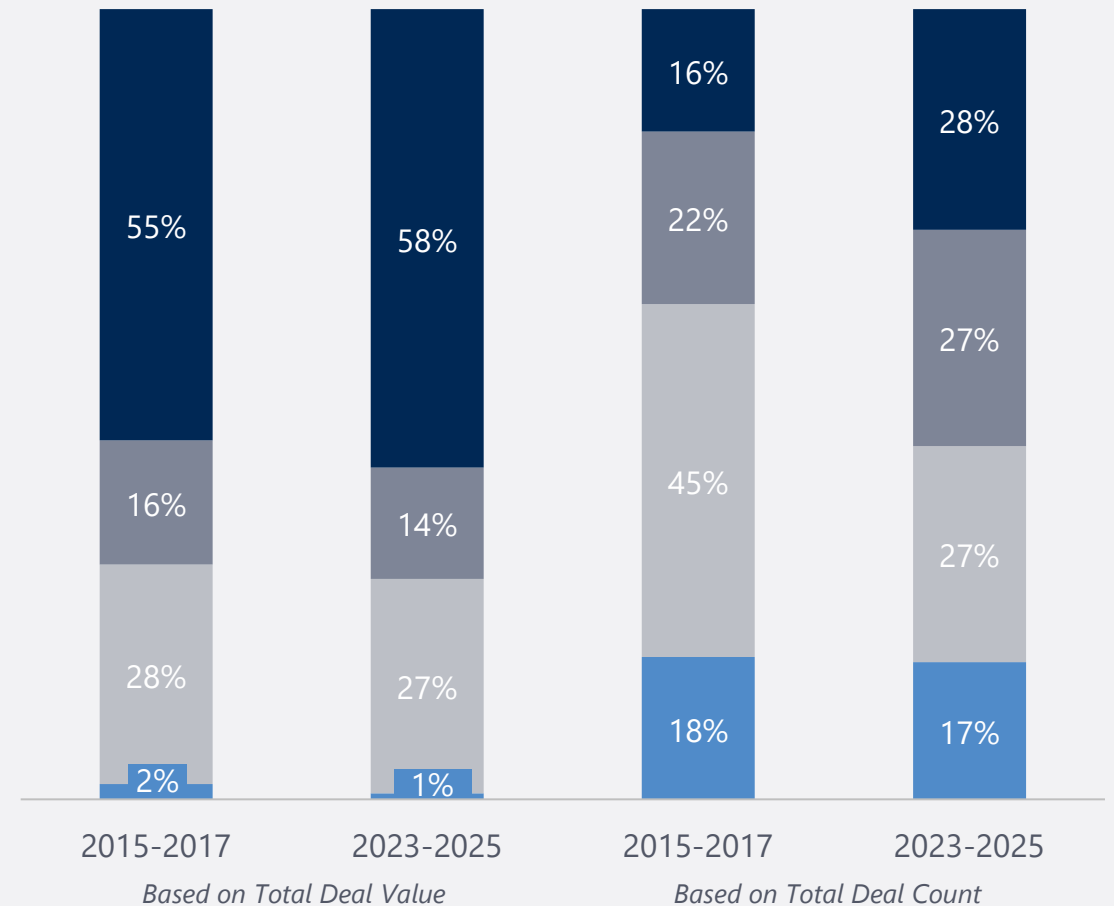
“ Outside of defence, deals are getting done in spite of geopolitics, but within defence and dual-use, they are getting done because of them. Escalating tensions in Iran are driving capital toward defence and deep tech at the expense of traditional segments, notably boosting Ukrainian defence businesses reincorporating in the EU. ”

Source: PitchBook.

(1) Totals may not sum to 100% due to rounding.











Figure 4: Share of Venture Debt Deals by Growth Phase ⁽¹⁾

■ Pre-Seed/Seed ■ Early-Stage VC ■ Later-Stage VC ■ Venture Growth



Selected Venture Debt Transactions

A robust pipeline of landmark transactions was registered in 2025, with momentum continuing into early 2026 amid disciplined but active lending markets in Europe.

Date	Borrower	Country	Lenders	Deal Size (in €M)	Sector	Growth Phase
Mar-26	Mistral AI		BNP Paribas, Bpifrance, Crédit Agricole, HSBC, La Banque Postale, MUFG, Natixis	717	IT	Early VC
Feb-26	Nscale		ABN AMRO, DNB, Nordea Bank, SEB, Export Finance Norway	1,206	IT	Venture Growth
Jan-26	Salary Finance		Blue Owl, J.P. Morgan	529	Financial Services	Venture Growth
Dec-25	Elvy		Scayl (Funding Platform)	500	Energy	Early VC
Nov-25	Vivion		Bank of America, Citi, Goldman Sachs	758	Financial Services	Venture Growth
Aug-25	Job&Talent		Undisclosed	556	Business Products and Services (B2B)	Venture Growth
May-25	Flix		Undisclosed	1,064	Consumer Products and Services (B2C)	Venture Growth
Feb-25	Capital on Tap		Blue Owl, BNP Paribas, Citi	898	IT	Venture Growth
Feb-25	FINN		Citi, Jefferies	1,000	Consumer Products and Services (B2C)	Later VC
Feb-25	United Petfood Producers		BNP, ING, J.P. Morgan, Rabobank	1,425	Business Products and Services (B2B)	Venture Growth
Jan-25	Bees & Bears		Undisclosed	500	Financial Services	Early VC

Source: PitchBook.

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Houlihan Lokey, Inc. (NYSE:HLI) is a leading global investment bank recognized for delivering independent strategic and financial advice to corporations, financial sponsors, and governments.

Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.



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CORPORATE FINANCE

2025 M&A Advisory Rankings
All Global Transactions

Advisor	Deals
1 Houlihan Lokey	458
2 Goldman Sachs & Co	441
3 Rothschild & Co	400
4 JP Morgan	364
5 Morgan Stanley	357

Source: LSEG.
Excludes accounting firms and brokers.

FINANCIAL RESTRUCTURING

2025 Global Distressed Debt &
Bankruptcy Restructuring Rankings

Advisor	Deals
1 Houlihan Lokey	83
2 PJT Partners Inc	55
3 Lazard	50
4 Rothschild & Co	44
5 Evercore Inc	33

Source: LSEG.

FINANCIAL AND VALUATION ADVISORY

2001–2025 Global M&A
Fairness Advisory Rankings

Advisor	Deals
1 Houlihan Lokey	1,170
2 Duff & Phelps, A Kroll Business	1,069
3 JP Morgan	1,034
4 UBS	769
5 Morgan Stanley	716

Source: LSEG.
Announced or completed transactions.

No. 1
Global M&A Advisor

No. 1
Global Restructuring Advisor

No. 1
Global M&A Fairness Opinion
Advisor Over the Past 25 Years

Leading
Capital Solutions Group

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Transactions Completed Valued at
More Than **\$4 Trillion** Collectively

2,500+
Annual Valuation Engagements

Corporate Finance →

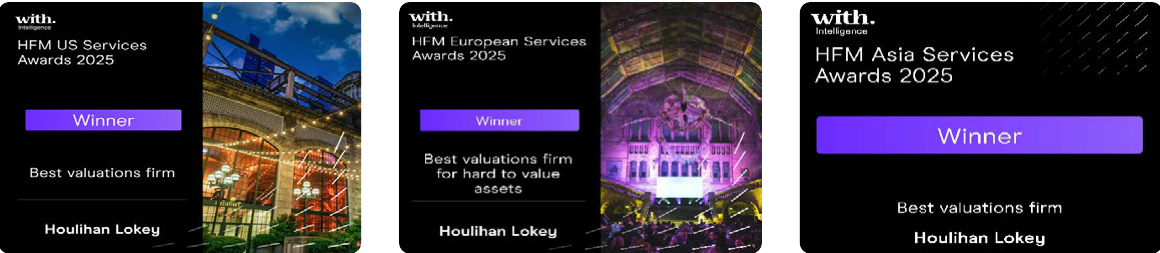
Financial Restructuring →

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Valuation Advisory →

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Best-in-Class Independent Valuation Practice

2025 Awards Received



The HFM Services Awards recognise hedge fund service providers that have demonstrated exceptional client service, innovative product development, and strong and sustainable business growth over the prior 12 months.

Houlihan Lokey has now won these awards in all three geographic regions for the past six consecutive years!

United States

Europe

Asia

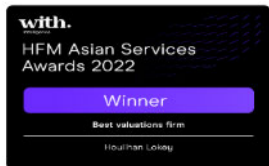
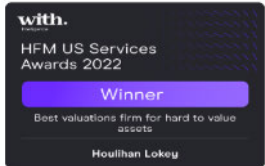
2024



2023



2022



2021



2020



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