

Venture capital investments by investee company

Key findings

- Only a small number of companies are backed by venture capital, and typically represent tiny percentages of total enterprise births in a given year. In most OECD countries, venture capital-backed companies represented less than 1% of enterprise births in 2016.
- In 2016, the average investment per company exceeded USD 5 million in Canada, Ireland, Israel and the United States, while in the four major Euro area economies, France, Germany, Italy and Spain, it ranged between one and two USD million.
- Between 2007 and 2016 the share of venture capital investments in companies employing less than 20 employees increased from 30% to 40 % in Europe.

Relevance

Venture capital is a form of equity financing particularly important for young companies with innovation and growth potential but untested business models and no track record; it replaces or complements traditional bank finance. The development of the venture capital industry is considered an important framework condition to stimulate innovative entrepreneurship.

Definitions

Venture capital-backed companies (portfolio companies or investee companies) are new or young enterprises that are (partially or totally) financed by venture capital.

Venture capital-backed companies by development stage refers to the percentage share of venture-capital backed companies according to their development stage as harmonised by OECD (Pre-seed/Seed; Start-up/Other early stage; Later stage venture. See Table C.2, Annex C).

The *average venture capital investment per company* is the ratio between the total venture capital investments in a country and the number of venture capital-backed companies in the country.

The *venture capital-backed companies rate* is computed as the number of enterprises that received venture capital over 1000 employer enterprise births.

The *trend-cycle* reflects the combined long-term (trend) and medium-to-long-term (cycle) movements in the original series (see <http://stats.oecd.org/glossary/detail.asp?ID=6693>).

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Comparability

There are no standard international definitions of either venture capital or venture capital investments by

development stage. In addition the methodology for data collection differs across countries.

Data on venture capital are drawn mainly from national or regional venture capital associations that produce them, in some cases with the support of research market companies, except for Australia, where the Australian Bureau of Statistics collects and publishes statistics on venture capital.

The statistics presented correspond to the aggregation of investment data according to the location of the portfolio companies, regardless of the location of the private equity firms. Exceptions are Australia, Japan, and Korea where data refer to the location of the investing venture capital firms.

Data for Israel refer only to venture capital-backed high-tech companies. Data for the United States include also venture capital investments done by other investors alongside venture capital firms, but exclude investment deals that are 100% financed by corporations, and/or business angels; also, data refer to the number of deals instead of the number of investee companies. Data for Australia, Japan and New Zealand refer to the fiscal year. Data for Europe includes only venture capital investments (seed, start-up and later stage) by formal fund managers including private equity funds making direct private equity investments, mezzanine private equity funds, co-investment funds or rescue/turnaround funds; investments by business angels, incubators, infrastructure funds, real estate funds, distress debt funds, primary funds-of-funds or secondary funds-of-funds are excluded; the investment amount only captures the equity amount that is invested by formal fund managers and not the value of the entire financing round. Growth capital or buyout investments in current or formerly venture capital-backed companies are also not included.

In the *OECD Entrepreneurship Financing Database* venture capital is made up of the sum of *early stage* (including pre-seed, seed, start-up and other early stage) and *later stage* venture capital. As there are no harmonised definitions of venture capital stages across venture capital associations and other data providers, original data have been re-aggregated to fit the OECD classification of venture capital by stages. Korea, New Zealand, the Russian Federation and South Africa do not provide breakdowns of venture capital by stage that would allow meaningful international comparisons.

Annex C presents the list of data sources by country; Table C.2 shows the correspondences between original data and OECD harmonised data for venture capital investments by stage.

Source

OECD Entrepreneurship Financing Database.

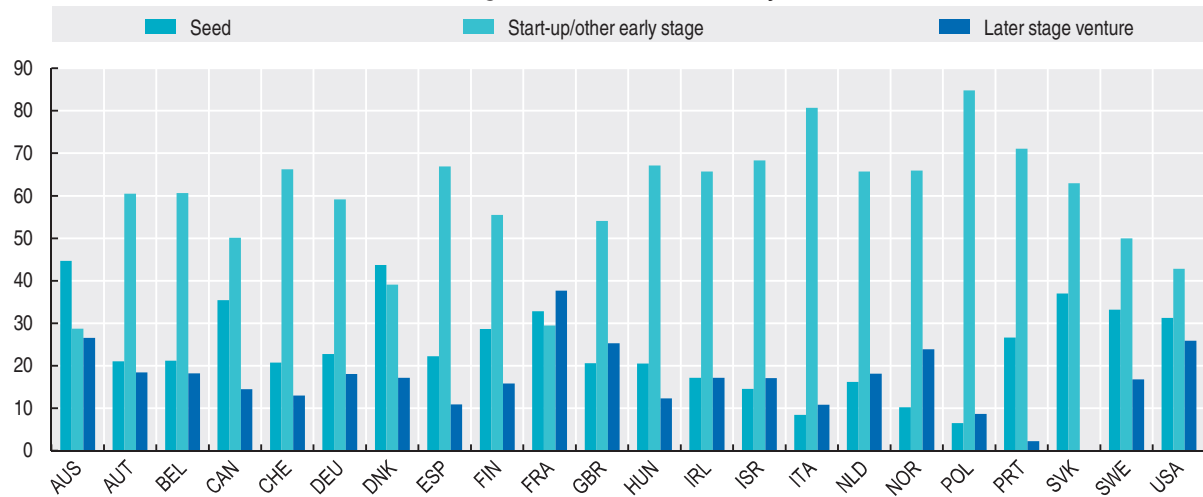
Further reading

OECD (2017), *Financing SMEs and Entrepreneurs 2017: An OECD Scoreboard*, OECD Publishing, Paris. http://dx.doi.org/10.1787/fjn_sme_ent-2017-en.

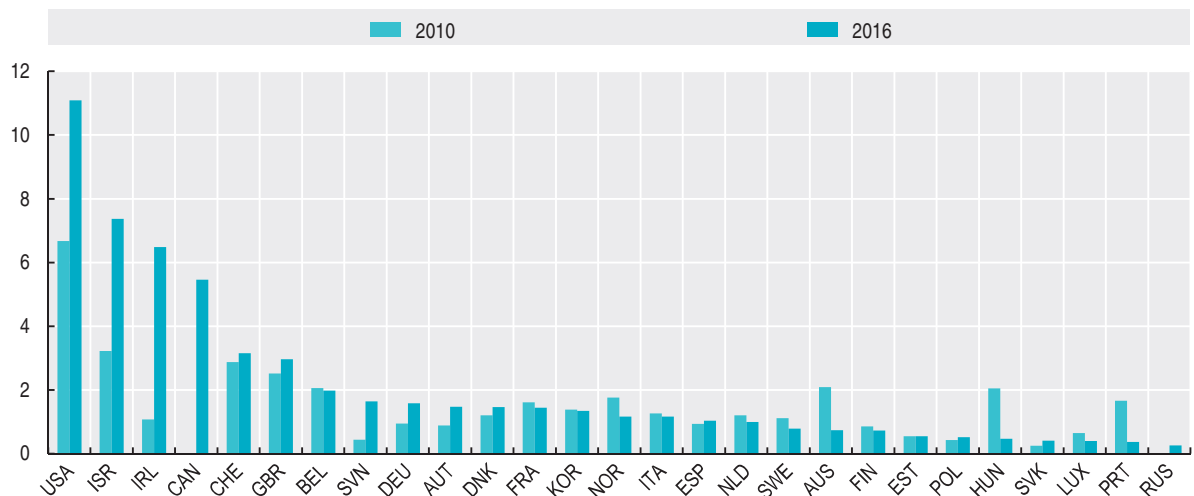
OECD (2015), *New Approaches to SME and Entrepreneurship Financing: Broadening the Range of Instruments*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264240957-en>.

Figure 7.3. **Venture capital-backed companies by development stage**

Percentage, 2016, or latest available year

StatLink <http://dx.doi.org/10.1787/888933564804>Figure 7.4. **Average venture capital investments per company**

Million US dollars

StatLink <http://dx.doi.org/10.1787/888933564823>Figure 7.5. **Venture capital-backed companies rate**

Per 1000 employer enterprise births

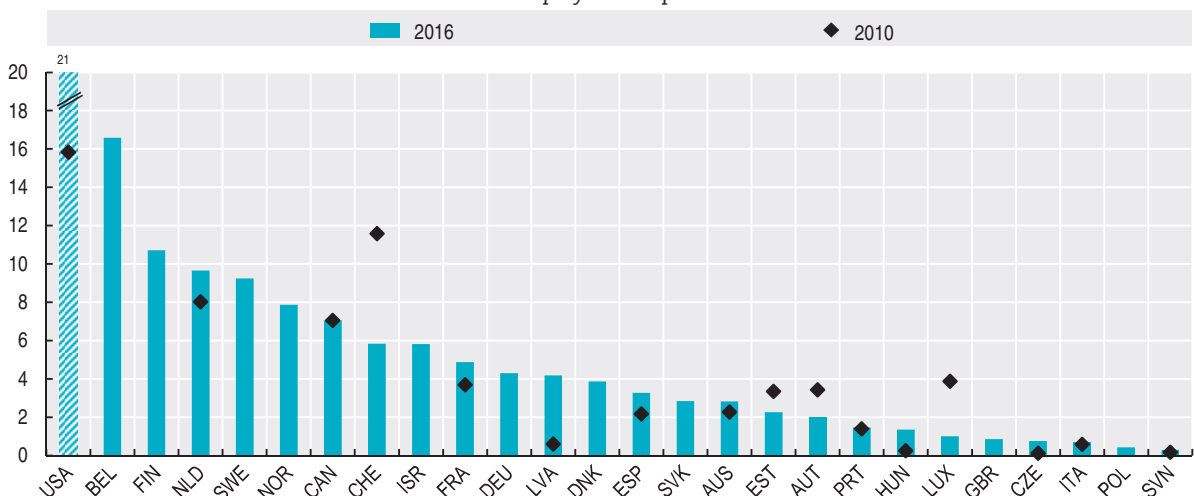
StatLink <http://dx.doi.org/10.1787/888933564842>

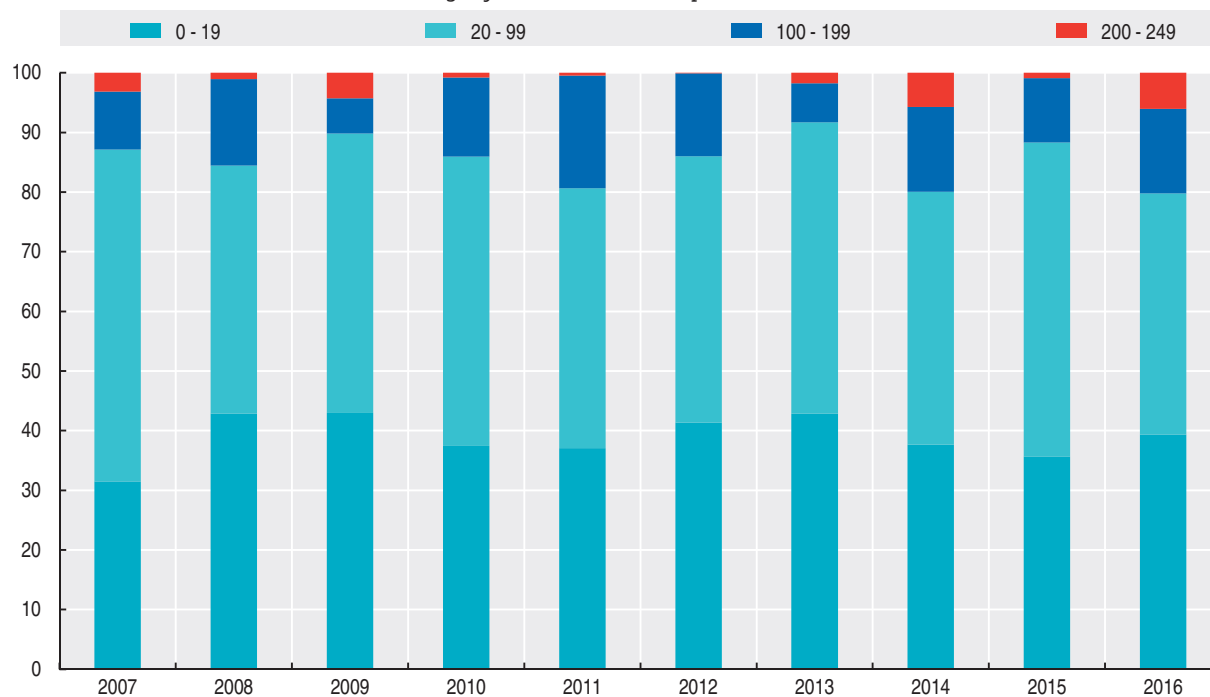
Table 7.2. Number of venture capital-backed companies

Country	2010	2016	Country	2010	2016
Greece	2	0	Italy	77	83
Luxembourg	7	2	Norway	131	88
Slovenia	1	2	Israel (2014)	274	158
Czech Republic	3	9	Finland	159	164
Estonia	15	13	Netherlands	169	204
Latvia	4	23	Australia	176	226
Slovak Republic	11	27	United Kingdom	383	257
Ireland	57	35	Sweden	329	262
Austria	65	38	Spain	258	432
Portugal	44	45	Canada	344	435
Poland	12	46	France	452	621
Denmark	74	64	Germany	991	663
Belgium	49	66	Korea	382	902
Hungary	11	73	United States	4311	6009
Switzerland	87	77			

StatLink  <http://dx.doi.org/10.1787/888933565089>

Figure 7.6. Trends of venture capital investments, by size of venture-backed company, Europe

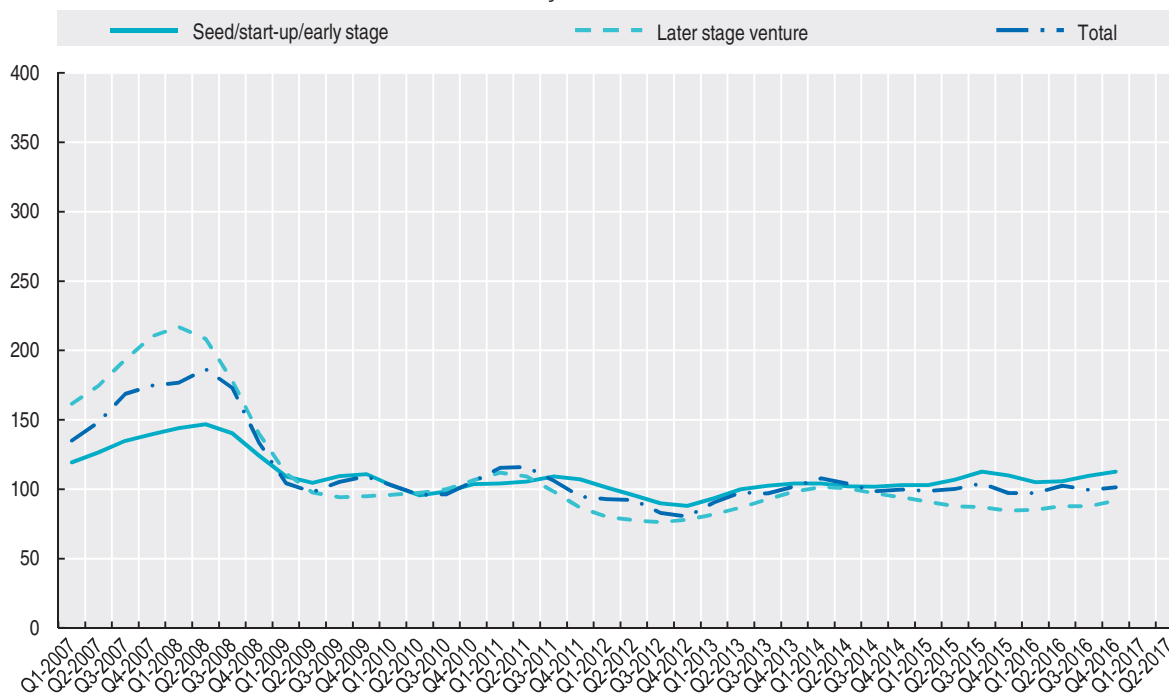
Percentage of all SME venture-capital investments



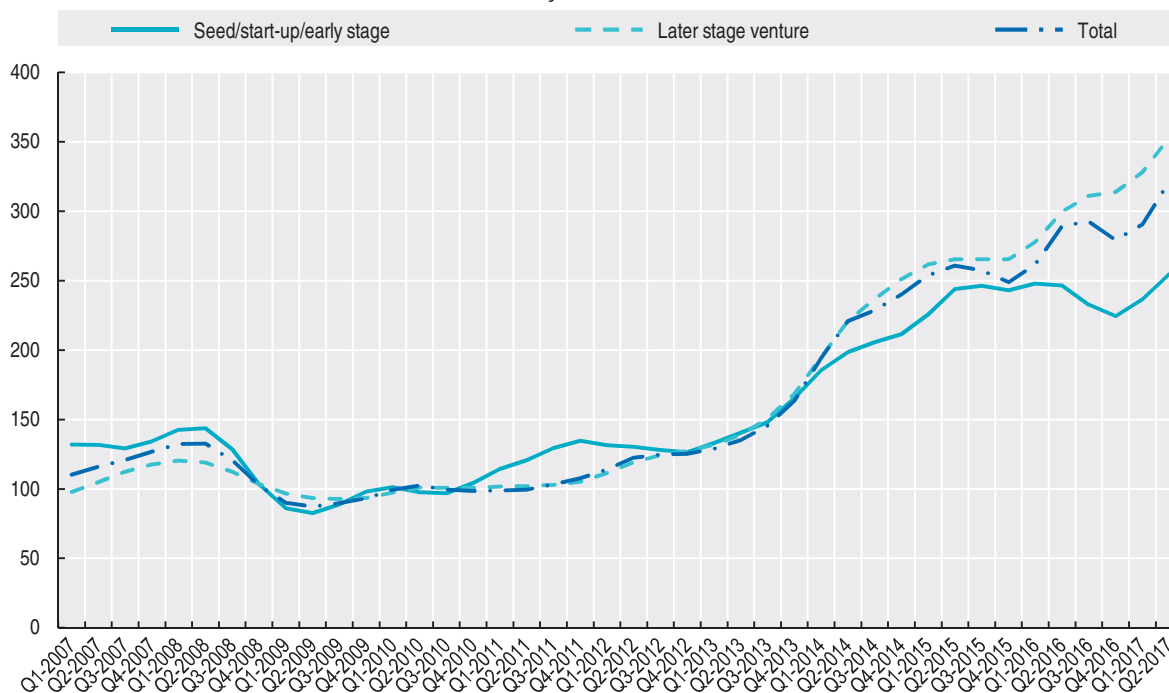
StatLink  <http://dx.doi.org/10.1787/888933564861>

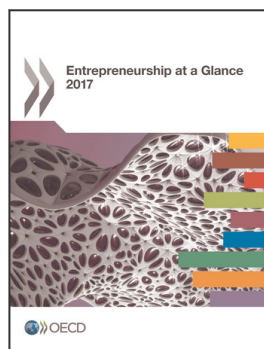
Figure 7.7. **Venture capital investments, Europe**

Trend-cycle, 2010 = 100

StatLink  <http://dx.doi.org/10.1787/888933564880>Figure 7.8. **Venture capital investments, United States**

Trend-cycle, 2010 = 100

StatLink  <http://dx.doi.org/10.1787/888933564899>



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