

Forbes

Google Ventures' Impact On The European Tech Ecosystem: Supercharged And Ready To Go

GUEST POST WRITTEN BY

Massimiliano Magrini

Cofounder of [United Ventures](#). He previously managed Google Italy, Google Spain, and Portugal and founded [Annapurna Ventures](#).



Big news hit our newsfeeds this Summer - Google Ventures had landed in London armed with \$100 million to deploy across the continent. Backed by an all-star team of partners including Eze Vidra, Tom Hulme, Peter Read, Avid Lanzadeh and temporarily, MG Siegler, their arrival triggered a wave of heightened anticipation across the European [tech](#) ecosystem with the majority relishing the impact this could have on the region - and they are right to be positive.

First and foremost, Google Ventures' arrival out of the U.S. signals to the rest of the world what we've known for a while - [Europe](#) is home to a matured pool of entrepreneurs with brilliant ideas; entrepreneurs who are set to play key roles in the future of our global economy.

The venture capitalist arm of Google has essentially arrived in London and hoisted a flag bearing the words - Europe Is Coming of Age. It is a striking validation.

Their London flag is also an (indirect) invitation for others to follow suit. We will enjoy a trend of U.S. players leaping across the pond, opening up silicon valley to the continent. At the beginning of the summer I met with Justin Kan of [Y Combinator](#) (YC) and our conversation confirmed this increasing openness to European startups. Indeed, he was very quick to denounce the widely-held myth that Silicon Valley was insular - far from it. YC had received such a significant intake of impressive entrepreneurs from Europe over the past few years that they had even decided to set up a [European Startup School](#) in London this very summer.

This opening up between the U.S. and the continent will not only service to boost the European tech scene with wider opportunities, resources and expertise, but more specifically, it will

necessitate an important role as bridge makers for VCs like ourselves. VCs need to take it upon themselves to connect the talent from both sides of the Atlantic, encourage them to work together and benefit from some of Europe's top class incubators - as well as companies such as Google Ventures and Y Combinator.

Zooming in on the activities of Google Ventures in the U.S. since 2009 we can also expect (if results go according to plan) that they will up their investment arsenal as time progresses. In 2009, their U.S. fund was \$100 million, in 2011 - \$200 million and in 2012, \$300 million. This trend suggests increased opportunities for growth in Europe over time too. Google has deep pockets and moves fast. The backgrounds of their partners - all European Angel investors or former VCs with strong connections and respect within the European tech ecosystem also arms them well for slick execution.

[Analysis](#) also shows that Google Ventures invests early and stays for the long run. 50% of their initial investments are sub \$1 million and 60% are below \$2.5 million. They then tend to double down in future rounds. This could mean particularly good news at early stage as there's still a gap between local, smaller seed funds and larger funds who usually invest post-Series A.

Co-investment opportunities in Europe are likely to increase too (if Google Ventures U.S. counterparts are anything to go by). Stateside, they have co-invested with other VCs 90% of the time - with a particularly strong affinity towards First Round Capital (25 co-investments) and Kleiner Perkins Caufield & Byers (22 co-investments). Co-investment with European VCs could really bolster their positions, feed the current trend for bigger rounds in Europe and consequently increase the probability of success for selected startups.

According to data from Dow Jones VentureSource, European startups have raised more than \$2.8 billion from VC's in the second quarter of 2014. That's a 42% increase over the first quarter, a 49% increase over the previous year's second and the highest quarterly total since 2001. The amount may be dwarfed by the capital invested in the U.S. but the trend is nevertheless upwards and with companies such as [Delivery Hero](#) having recently raised \$350 million (the third-largest venture round ever recorded for a Europe-based company) we can reasonably expect more of the same with VC's going all-in on companies with a strong chance of winning their markets.

And necessary to support the above, we can expect the flow of capital into VC funds to significantly increase. Indeed, as I write this, news has just landed that [DN Capital have raised \\$200m for their third European fund](#), a figure well ahead of their target and according to their founder and managing partner, Nenad Marovac, they were "significantly oversubscribed." In the era that features Google Venture's, VC funds in Europe will swell and the rounds will too.

It is also interesting to note the IPO landscape to which Google Ventures have arrived. Where once the IPO exit route for startups was all but closed to European startups, there have been 152 exits in Q1 2014 and some mountainous exits including King Digital's valuation at \$7B, [Vodafone](#)'s acquisition of Grupo Corporativo Ono for \$10B and [Rakuten](#)'s \$900M for Viber. With the likes of Zalando, MobileEye and Spotify also loitering on the horizon, Google Venture's flag stands well-justified against an increasingly attractive landscape. (Also of interest

is that of the exits in 2014 Q1, [Google Inc. dominated play with the most acquisitions](#). By boosting the European tech ecosystem with their venture capital arm they are effectively firing up the ecosystem to produce more attractive options to eventually acquire. Well-played.)

With this surge of confidence and capital-flow into Europe, it will be an exciting time to help facilitate extraordinary cross-Atlantic connections, scaling new companies onto the global platform and driving the European tech ecosystem onto higher levels of maturation.