Venture capital investments by investee company

Key findings

1. 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.

2. 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.

3. 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


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

Percentage, 2016, or latest available year

- Seed
- Start-up/other early stage
- Later stage venture

![Graph showing venture capital-backed companies by development stage](http://dx.doi.org/10.1787/888933564804)

Figure 7.4. **Average venture capital investments per company**

Million US dollars

![Graph showing average venture capital investments per company](http://dx.doi.org/10.1787/888933564823)

Figure 7.5. **Venture capital-backed companies rate**

Per 1000 employer enterprise births

![Graph showing venture capital-backed companies rate](http://dx.doi.org/10.1787/888933564842)
### Table 7.2. Number of venture capital-backed companies

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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/10.1787/888933565089)

[StatLink](http://dx.doi.org/10.1787/888933564861)
Figure 7.7. **Venture capital investments, Europe**

Trend-cycle, 2010 = 100

Figure 7.8. **Venture capital investments, United States**

Trend-cycle, 2010 = 100