

In this first editorial of 2021 we take stock of Nordic VC investment trends for 2020, both in comparison to Europe in general and to the pre-COVID year 2019. Let us start with the European perspective:

Despite the pandemic, European tech startups raised a record USD 41 billion in funding from global venture capital firms in 2020, up from USD 16 billion in 2016. That's an annual growth rate of 30% over a five year period. However, there is a marked difference between Europe's "leading and lagging countries", as shown in the [just released Atomico report 2020](#), providing the most comprehensive data-driven analysis of the European tech scene.

The New Nordic countries and UK/Ireland are at the absolute front in terms of Cumulative capital invested per capita (2016-2020): Sweden ranked # 1 with USD 910 per capita, Finland # 4 (USD 609), Estonia # 6 (USD 493), Denmark # 9 (278 USD) and Norway # 12 (USD 208). In comparison, the average level for the 30 European countries covered by Atomica was USD 172 per capita.

A similar – and perhaps related – pattern emerges when counting the Number of start-ups per capita by country. Here, Estonia shines as the European startup capital with 865 startups per million inhabitants, Denmark ranks # 3 (573), Finland # 4 (525), Sweden # 6 (429) and Norway # 11 (283). The corresponding European average is 190 startups per million inhabitants.

Judging by the general investment patterns, the European startup ecosystem is maturing rapidly. From 2016-20 the median Seed round increased from USD 0.7 million to USD 1.2 million while the median Series A round increased from USD 3.9 million to USD 6.6 million. According to Atomico, this indicates that "leading Seed funds have raised larger and larger amounts... leading US VCs are building a foothold in Europe by participating at Seed...and (European) founders are building the firepower to compete on the global stage".

In addition, the EU has taken measures to boost the European funding landscape by [launching a USD 218 million fund](#) to provide direct equity investments into European startups in 2021. So far 177 startups are being evaluated.

Turning to the Nordic comparison, our friends at Nordic9 recently published an excellent analysis of the Nordic investor trends 2017-20 (though not including Estonia). Unsurprisingly, many of the European trends towards greater ecosystem maturity are prevalent in the Nordics.

Also in the Nordics we see increased VC activity, with investments nearly doubling from USD 2.8 billion in 2017 to USD 5.2 billion in 2020, while the number of investment rounds have fallen from 1198 to 751. Funding sizes are increasing, Seed-level investments are becoming increasingly institutionalized while private VC's are looking for larger rounds. This is also reflected in the growing number of Nordic Series A investment rounds (from USD 1-5 million), covering nearly a third of all rounds in 2020.

One defining feature of the Nordic investor ecosystem, according to Atomico, is the high prevalence of pension funds. In fact, Nordic VCs raise a greater share of their funds from pension funds than from any other LP type, including government agencies.

According to Nordic9, Nordic investors are increasingly focused on sector specific themes and increasingly evaluate startups based on their fundamentals (i.e. team and technology, rather than marketing and distribution).

Looking at the preferred verticals for investors in the Nordics in 2020, we at Innovation Lab Asia were happy to see that Healthtech and Fintech topped the list – the very same verticals that we selected for our first two sector reports (Nordic Healthtech was released before Christmas, and Fintech will be published mid-February).


Healthtech investments increased from USD 342 million to USD 695 million from 2017-20 while Fintech increased from USD 340 million to USD 1.2 billion. The third sector experiencing rapid growth was "Marketplaces" with investments rising from USD 121 million to USD 424 million. Perhaps we should make a report on this too!

On a concluding note, it is safe to say that Nordic startup ecosystem is maturing rapidly: The companies are generally more consolidated, have a greater international focus and attract more attention from international investors. Furthermore, Nordic investors have larger funds and are more specialized.


On a global level, the Nordics may still be considered fringe by some international investors, at least compared to the famous ecosystems around Silicon Valley, Boston/New York, London, and Tel Aviv. But that may be an advantage for Japanese investors, as this increases the chances of a "good deal", simply because Nordic startups are more likely to be undervalued compared to startups in the more hyped ecosystem.

For further information on the main Nordic investors in the respective verticals, feel free to contact us.


SHORT NEWS FROM THE NORDICS

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DK

Legal tech start-up [Contractbook](#) raised [EUR 7.7 million](#) in their Series A investment round led by Bessemer Venture Partners to bolster its contract management solution.
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DK

[Neurons](#), consumer neuroscience company, raised [EUR 2 million](#) from local investors to open a neuromarketing lab and sales office in the US.
- 


SE

[VOI Technology](#) recently secured funding of [EUR 160 million](#), and also won the 2020 [Nordic Choice Award](#) for "Startup of the Year".
- 


SE

[Sinch](#), a cloud-computing service, acquired [EUR 320 million](#) in a directed share issue from SoftBank. SoftBank now owns 10.1 percent of Sinch.
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NO/
EE

[Kahoot!](#) acquired the Estonian start-up [Drops](#) after raising [EUR 175 million](#) from SoftBank.
- 

NO

Drone start-up company [Nordic Unmanned](#) raised [EUR 9.6 million](#).
- 

FI

[Virta Health](#), diabetes start-up company, raised [EUR 53 million](#) from investors including Sequoia Capital Global Equities.

INTERVIEW WITH RAINMAKING

What does your organisation do and in what markets and fields do you operate?
We are an innovation firm. We do three things: intrapreneurship; helping corporates engage with startups; and we run Venture Building programs to link startups with big companies. Our main offices are in Copenhagen, London and Singapore. We also operate in the East Coast US, Mexico, Japan, South East Asia and Africa.

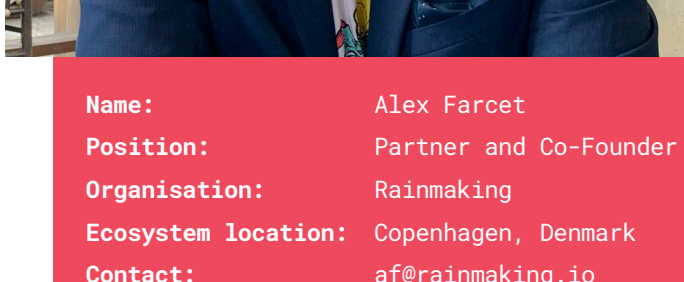
We have been working on a range of sectors. Now we are focused on the "impact" sector, which are solutions that help achieve the SDGs, sustainability and shaping circular economies. Our mission is to apply our insights of innovative processes and investor perspective to the impact agenda, i.e. not only we help companies make profit, but help them achieve their sustainability goals.

You have set up an entity in Japan. Could you tell us a little bit about that?
We initiated Startupbootcamp Scale Osaka, which is an accelerator program taking place in Osaka. We have Hankyu, JT, SMBC, Dentsu, Yomiuri Shimbun, SAKURA internet, and JR-West Innovations as partners.

Japan is the world's 3rd biggest economy; however this market was being neglected by international startups. This motivated us to start this program to give startups access to that very significant market, concurrently helping large corporate partners access international innovation. As Tokyo is already a saturated market, we found an opportunity to do something meaningful in Osaka, which is a fantastic city with great prospects ahead in becoming an international techhub.

What are the main barriers for getting Japanese companies to invest into Nordic startups?
Japanese investors tend to focus on the US and The South East Asian markets. The problem is that the Nordics are simply not on the radar for many Japanese stakeholders yet. However, the Nordic ecosystem is building a reputation as an icon for innovation, and investors are paying more and more attention to the Nordic region. I think it's a fantastic trend. I hope that more local Nordic startups will participate in our accelerator program, as it is a great entry point into the Japanese market.

What type of Japanese stakeholders and companies would you like to reach out to?
We are definitely interested in assisting businesses that have great impacts on SDGs and sustainability, heavy manufacturing, consumer goods, to improve industries with big carbon footprints.



Name:

Position:

Organisation:

Ecosystem location:

Contact:

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BULLETIN BOARD

- EVENT

22 January Innovation Lab Asia and Trusted Inc. welcomes you to our 2021 kick-off event, [Cross Border Innovation: Collaboration Opportunities With Nordic Healthtech Startups](#), focusing on open innovation, collaboration with Nordic startups, showcasing of successful Nordic startups and more. The event is held at the CIC venue in Tokyo (in Japanese only) and is free of charge (physical attendance requires sign-up).
- JOB OPENING

The Danish scale-up QUEUE-IT is expanding their efforts to the Japanese market and looking for a [Solutions Architect – Multilingual English/ Japanese, Business Development Associate \(Native Japanese / support for relocation to Denmark\)](#) and [Business Development Representative \(part-time\)](#). QUEUE-IT develops website traffic management solutions to cope with website crashes by directing visitors to a virtual room until access can be facilitated. For more information reach out to [Haruka Kato](#).
- ACCELERATOR

[Plug and Play Japan Accelerator Program](#). The Japanese branch of the global VC / accelerator headquartered in Silicon Valley. Calling for all startups to participate in the Summer / Fall 2021 Batch. The application closes on 19th February.

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For more information:



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