

techleap.nl

The State of Dutch Tech

2020



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The State of Dutch Tech
2020 report

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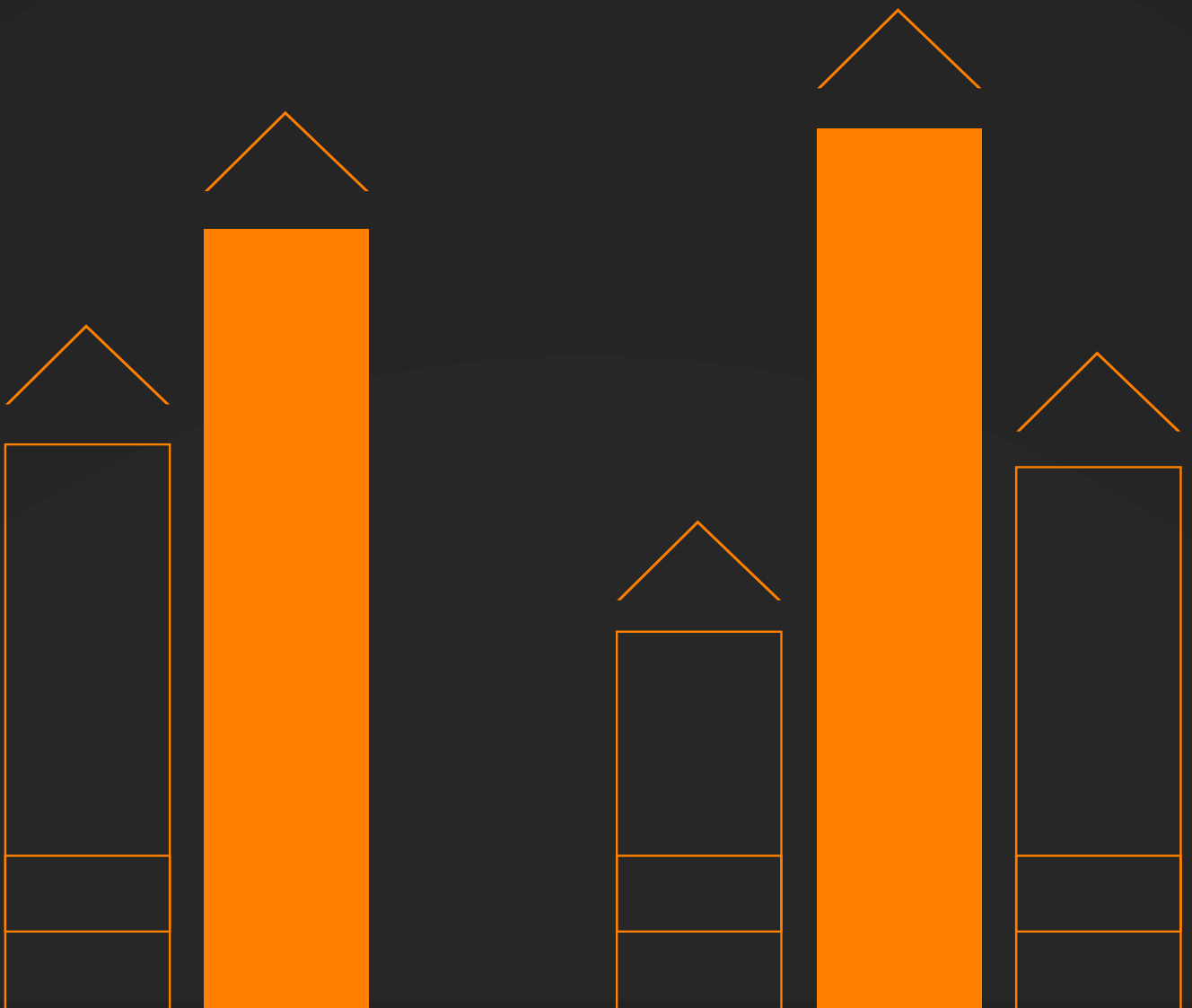
Introduction

The State of Dutch Tech 2020 report provides a data-driven overview of the Dutch tech landscape in 2020: where the Netherlands stood in relation to other European ecosystems, the challenges we've been facing as well as the future direction we need to take in 2021.

This report is segmented in 3 core sections:

- **Chapter 1** introduces us to the importance of tech startups for the economy and briefly touches upon the progress the Dutch ecosystem has reached so far;
- **Chapter 2** elaborates on what 2020 has brought to the Dutch tech in terms of new startups being founded and the overall investment raised within the ecosystem;
- **Chapter 3** looks at how the Netherlands compares to other European ecosystems on a variety of levels and discusses the current challenges to be addressed;

Why are tech startups so important and where does the Netherlands stand?



The world's leading companies 20 years ago are completely different from today's tech giants. Times are changing and technology is moving faster than it has ever done before.

Most markets are being challenged by fast-growing companies. The car industry is dominated by Neo and Tesla, whereas the cargo sector is defined by Flexport, the same way the entertainment industry is led by Netflix and Youtube. However, innovation is not limited to these industries only - technology and startups are reinventing every aspect of our lives and are addressing some of the world's biggest challenges and driving global transitions in energy, food, logistics, retail, mobility. They apply cutting-edge technologies like Artificial Intelligence, Virtual Reality, and Quantum computing.

Overview of fast-growing companies in 1999;



Source:

<https://ercouncil.org/2019/top-ten-companies-by-market-cap-over-20-years/>

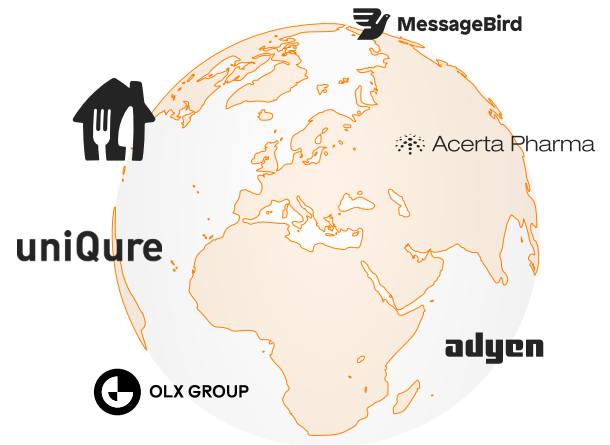
Overview of fast-growing companies in 2020;



Giants of the Dutch tech ecosystem, HQ in the Netherlands, founded after 2000

The Netherlands has seen a new wave of companies that are now competing on a global scale, such as Takeaway.com, Adyen, MessageBird, to name a few.

We consider startups an integral part of the future of our success as a country - they create more jobs, are more productive, grow faster and inject flexibility and resilience into the labour market.



Source:
Dealroom

8% ↑

With 8% annual growth in the Netherlands, startup jobs are growing faster than any other individual sector. While many sectors have frozen hiring or contracted headcount in 2020, the number of startup jobs available is still growing, with openings being up 4% year-on-year in Q2 of 2020, which is more than in any other sector (Startup Employment Report 2020, 2020).

When talking about tech, startups, and innovation - we refer to the new economy and our ability to keep up. To play big in tech means staying competitive, remaining relevant, creating the jobs of the future. It also means staying in control of our data, our values, creating opportunities for future generations in the Netherlands and in Europe.



The Dutch tech ecosystem in 2020

2020



The positive news is that the Netherlands continues to catch up with the larger ecosystems that surround it - with our Startup Genome ranking continuing to be one of the fastest rising in Europe and the world at large (see graph below)

How has the Dutch startup ecosystem progressed in 2020? And how has it performed compared to its European neighbours?

Evolution of the Dutch Startup Ecosystem Ranking: 2018-2020.

Source: Dealroom

Since 2018, the Netherlands has moved from spot #19 to #12 in 2020 and has proven itself as one of the world's leading startup hubs, as shown in the Global Startup Ecosystem Report 2020 by Startup Genome.

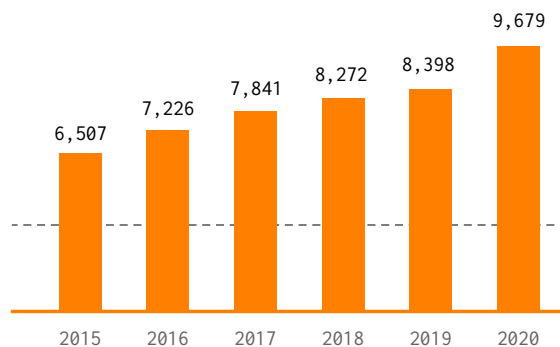


2.1

The number of active tech ventures throughout 2020

Throughout the COVID-19 crisis the number of tech startups continued to grow at a steady pace of 6%. As of 2020, the number is about 10.000 active tech ventures in the Netherlands.

Number of startups in the Netherlands from 2015 to 2020



This total number can be broken down into roughly

8700

pre-seed

1000

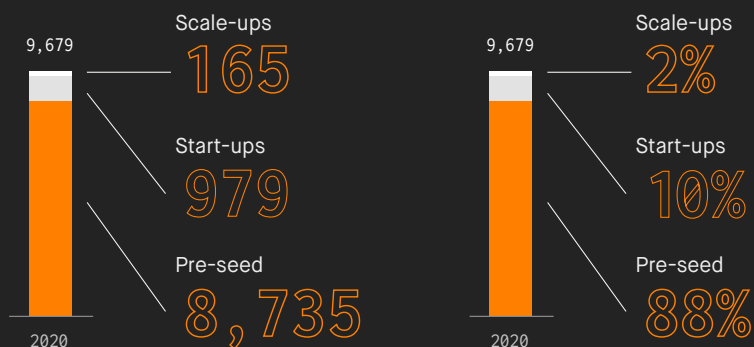
startups

200

scaleups

Number of startups in the Netherlands segmented by growth stage, 2020

Source: Dealroom



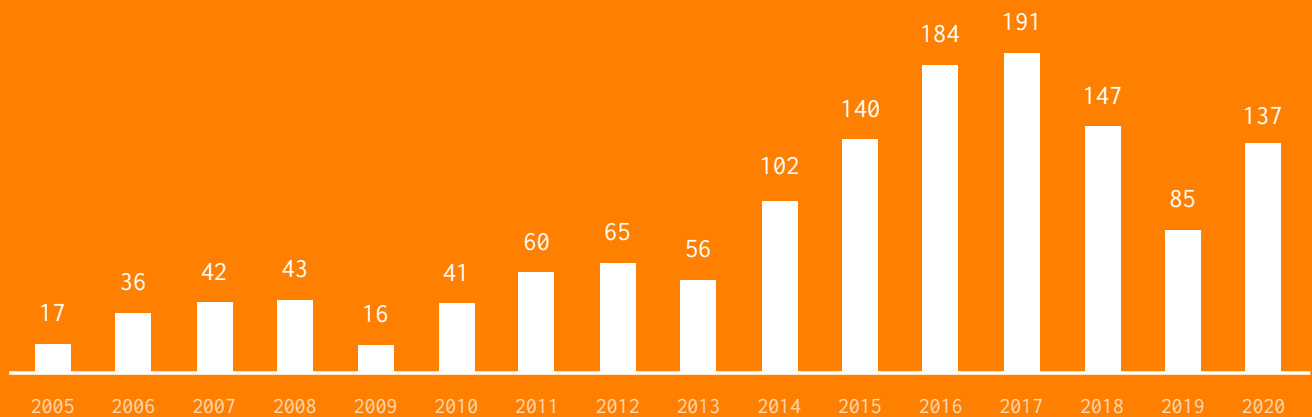
By looking at this data, we identify one of our immediate challenges - the **ratio of companies that get to the scaleup phase** is consistently too low, at **less than 2%**.

The positive news however is that we have a large pool of potential solutions that are ripe for scaling. So far the Dutch startup ecosystem has created 17 unicorns – companies with a valuation of a minimum of \$1Bn.

The production of unicorns is indicative of a successful ecosystem due to the economic and technological relevance they bring to a country. It's important to mention that not all exits can be unicorns. From 2005 we have witnessed a steady rise in exits with 137 in 2020, mostly by acquisition.

Number of Dutch companies' exits from 2015 to 2020.

Source: Dealroom



Overview of all Giants of the Dutch Tech Ecosystem (as of 2020)

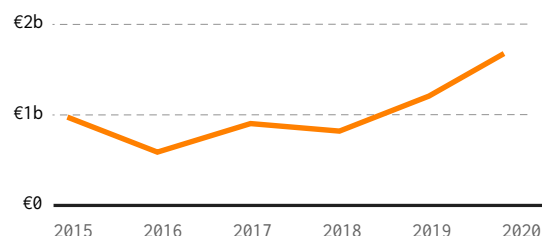


2.2

2020 as a record year for investments in the Dutch ecosystem

Even with the ongoing pandemic, **2020 was another record year for investment in the Dutch startup ecosystem - with over €1.8 billion raised**, compared to €1.2 billion in 2019.

Investment (€) in Dutch startup ecosystem from 2015 to 2020



Source: Dealroom

NL Investment in 2020 by funding type

	Range	(€M)	Rounds	size (€M)
Seed	€1M - €4M	107	58	€ 1,8
Series A	€4M-€15M	335	41	€ 8,2
Series B	€15M-€40M	469	20	€ 23,5
Series C	€40M-€100M	386	5	€ 77,2
Megarounds	€100M-€250M	536	3	€ 178,7
Megarounds+	€250M+			

Source: Dealroom

In terms of investment types, VC is by far the leading form of capital, bringing in €1.2B out of €1.8B invested in 2020.

Corporate Venture Fund follows next with a significantly lower volume of investment - around €310M.

NL Investment in 2020 by investment type

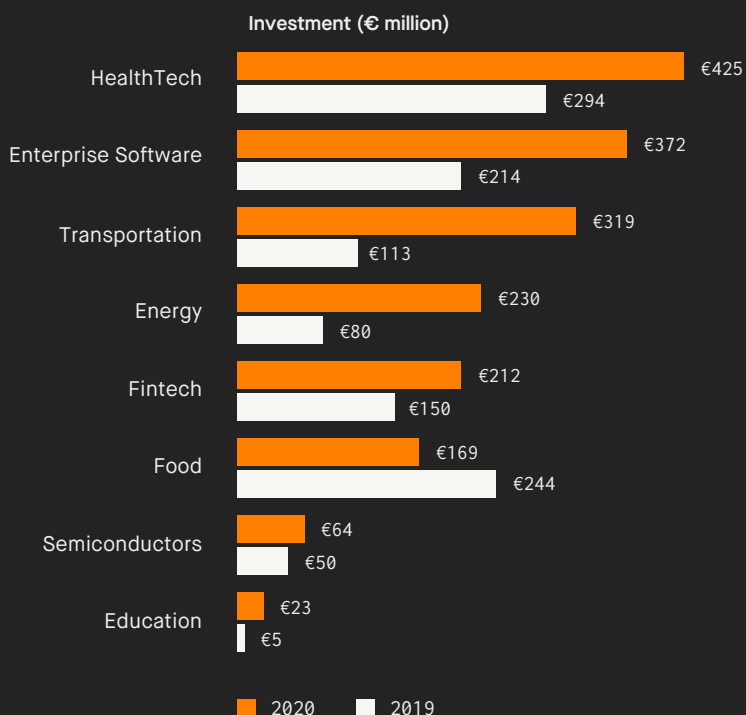
	Volume (€M)	Rounds	Avg. Deal size (€M)
Angel	70,8	16	€ 4,4
Accelerator	195	21	€ 9,3
Corporate Venture Fund	310	20	€ 15,5
Venture Capital	1.200	149	€ 8,1

Source: Dealroom

Investments cover all economic sectors, but Healthtech & Enterprise Software have attracted by far the most capital, doubling the volume compared to previous years. Other strong sectors are Fintech, Transportation, and Food, driven by emerging large scale transitions.

2020 vs 2019 Investment across economic sectors (€ million)

Source: Dealroom



As we know funding drives growth and employment - thus it's interesting to look at the company maturity versus the number of employees.

The tech sector has created over 100.000 jobs divided over pre-seed with 43.000, startups with around 39.000 and scaleups with 20.000.

- **Pre-seed**
(<€100k funding): 43,430 = ~43k
- **Start-ups**
(€100k- €10M funding): 39,040 = ~39k
- **Scale-ups**
(>€10M funding): 20,000
- **Total NL**
(# of employees): 102,470 = ~102k

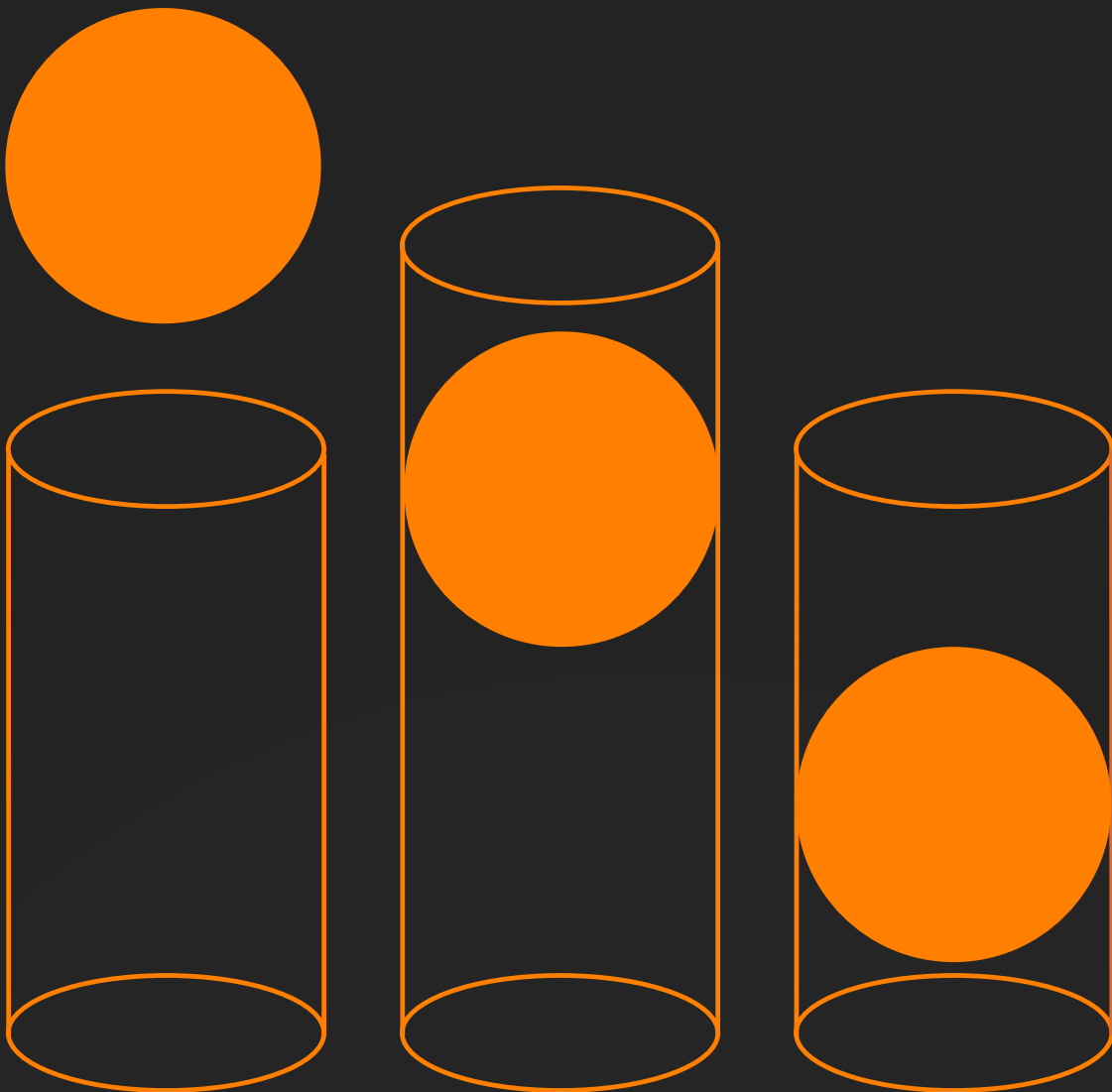
As a result, 2% of the total companies created nearly 20% of the jobs. Therefore, it is crucial to increase this number to boost future employment

Number of employees across NL tech sector



Source: Dealroom

How does the Netherlands compare to other ecosystems in 2020?



3.1

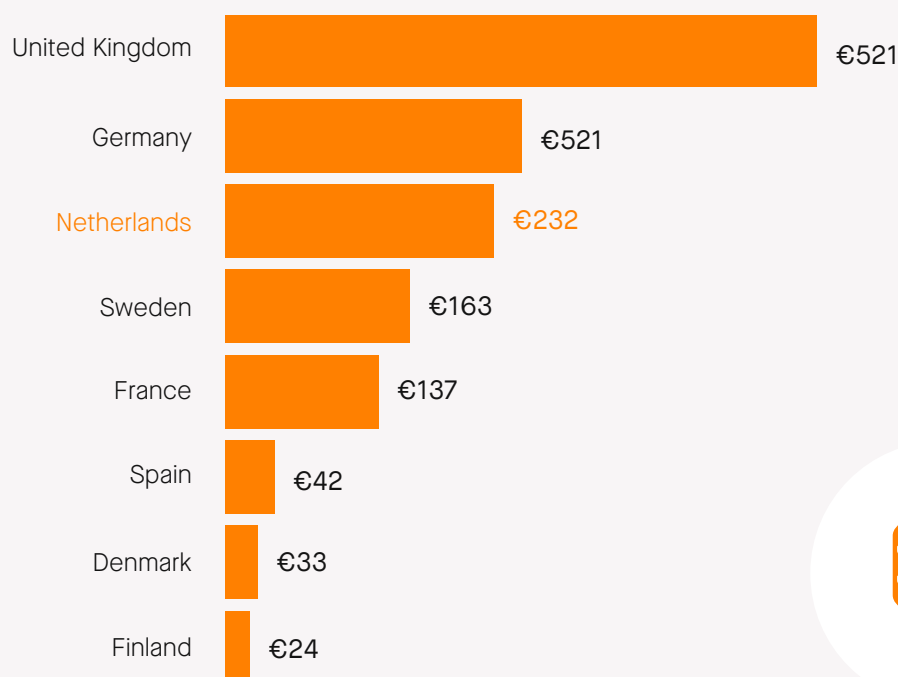
How do we compare to others: combined ecosystem value in 2020

Now that we've seen the basis of our tech ecosystem let's look at how it compares to Europe and the world at large.

We rank #3 in Europe for combined ecosystem value at €232 billion euro, outperformed only by the UK and Germany. A big part of this valuation comes from Takeaway.com, Booking, and Adyen - being among the most prominent Dutch giants to be born from the European tech ecosystem.

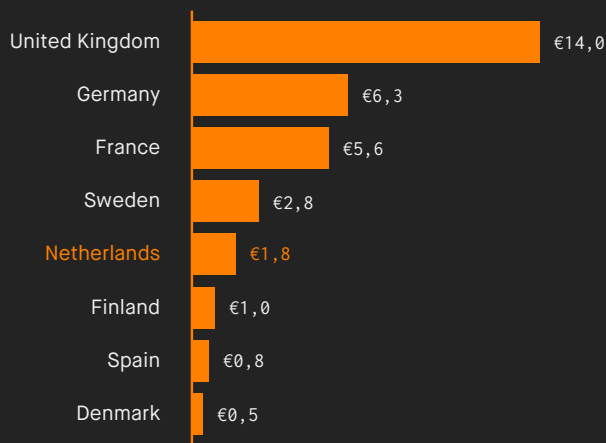
Number of startups in the Netherlands segmented by growth stage, 2020

Source: Dealroom



Investment (€B) in 2020

Source: Dealroom



What is even more concerning is that the Netherlands lags behind in Deep Tech investments. Deep Tech companies have a particularly profound impact on and tend to develop a more long-lasting value for segments of the economy, such as smart cities, robotics, energy efficiency, etc.

3.2

How do we compare to others: Startup investment in 2020

Although it was a record year for startup investment in the Netherlands, we still cannot compete with the larger ecosystems. The UK as #1 saw startups raise a staggering €14B, and even on a per capita basis we see that the Netherlands is behind the likes of Sweden and Finland.

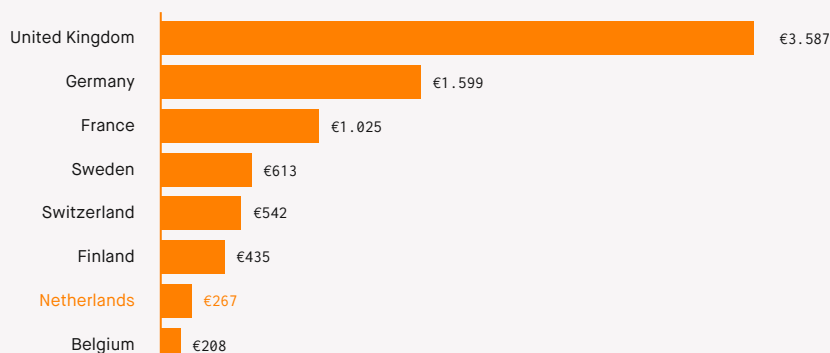
Investment per capita in 2020



Source: Dealroom

DeepTech Investment (€M) in 2020

Source: Dealroom



Although we have a high number of startups (#9879) when comparing to other countries and even more impressive numbers when looking at the number of startups per 1,000 inhabitants (ranking #2 after Denmark), the data tells us that they are not raising enough money.

of startups per 1000 inhabitants

Source: Dealroom

1. Denmark

0,66

4. Sweden

0,54

2. Netherlands

0,58

5. United Kingdom

0,51

3. Finland

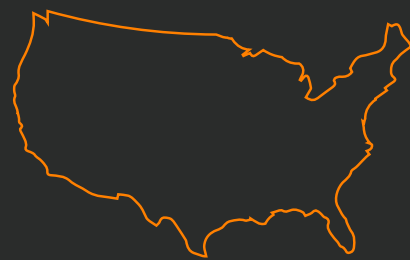
0,57

Though Europe is catching up as a continent, we are still far from catching up with the US & China. We know from the 2020 Atomico State of European Tech report that Europe accounts for around ¼ of the total GDP yet its share in VC globally is just 13%. More specifically we see that US tech still attracts more than 50% of VC money globally.

The key indicator that explains this massive difference in the investment volume is the startup to scale up conversion ratio. In the Netherlands the number of companies that go from being a startup (€100,000 to €10M in investment) to a scaleup (€10M+ in investment) is 16%, while in the US this



16%



51%

Source: Dealroom

Important to note is that the average startup to scaleup conversion rate doesn't tell the whole story about the Dutch startup ecosystem. We continue to gain ground in sectors such as HealthTech with 25% conversion & Fintech with 26% - showing we have emerging industries we can continue to strengthen.

We clearly see that for the ecosystem to continue to grow, more capital is needed & ticket size must be increased to stay competitive.

This difference is further compounded when you look at the average deal size - with the Netherlands at €5.9M, Europe at €7.5M & US at €23.4M.

Source: Dealroom



€23.4M



€5.9M



€7.5M

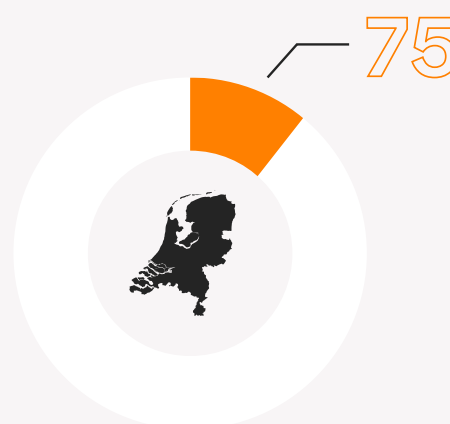
3.1

How do we compare to others: Funding sources

The Netherlands has 75 Dutch LPs that have committed capital to VC funds. This is only 12% of all active LPs in the Netherlands.

Active LPs in the Netherlands 2020

Source: Pitchbook

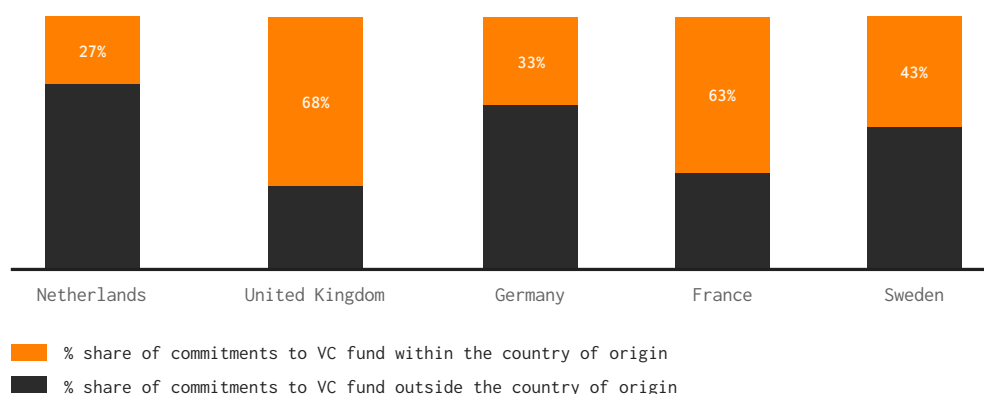


In comparison, the UK has 1000 LPs that committed capital to VC, which is approximately 18% of their total active LPs. This explains why they are the most funded ecosystem in Europe.

Further to this point, only **27%** of the commitments to VC from Dutch LPs are to VC funds inside of the Netherlands, whereas in France and the UK the number is over **60%** nationally. This way, we see their focus on keeping funds raised in the country of origin. Subsequently, the challenge we face is attracting more investors and keeping investments within the Netherlands.

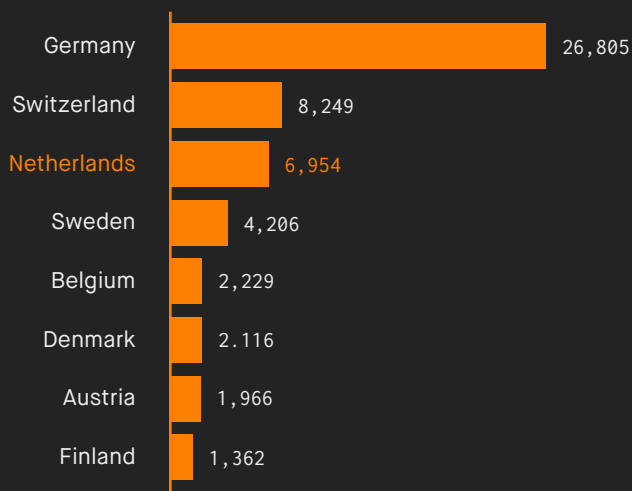
Commitments to VC funds in the same country (% share)

Source: Pitchbook



European patent application in 2019

Source: European Patent Office (EPO)



When zooming into deep tech, we see that the Netherlands raised only €267M in 2020 for this sector, thus sitting at #7 in Europe. This is about only 25% of what French deep tech companies raised in 2020. Nevertheless, there are no doubts about the future potential.

Dutch companies applied for nearly 7000 patents in 2019, sitting only behind deep tech leaders - Switzerland & Germany respectively.

3.4

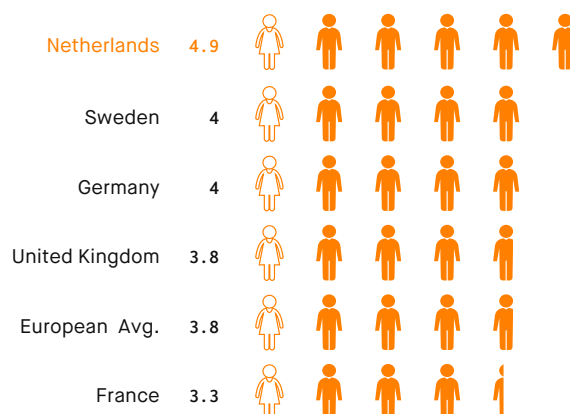
How do we compare to others: Diversity in the tech sector

Beyond capital, lack of diversity in the tech sector remains a big challenge.

The Netherlands has the highest number of male employees to one female employee when compared across Europe, especially when looking at tech jobs such as software engineers, product owners, growth hackers.

Male to female ratio: tech jobs 2020

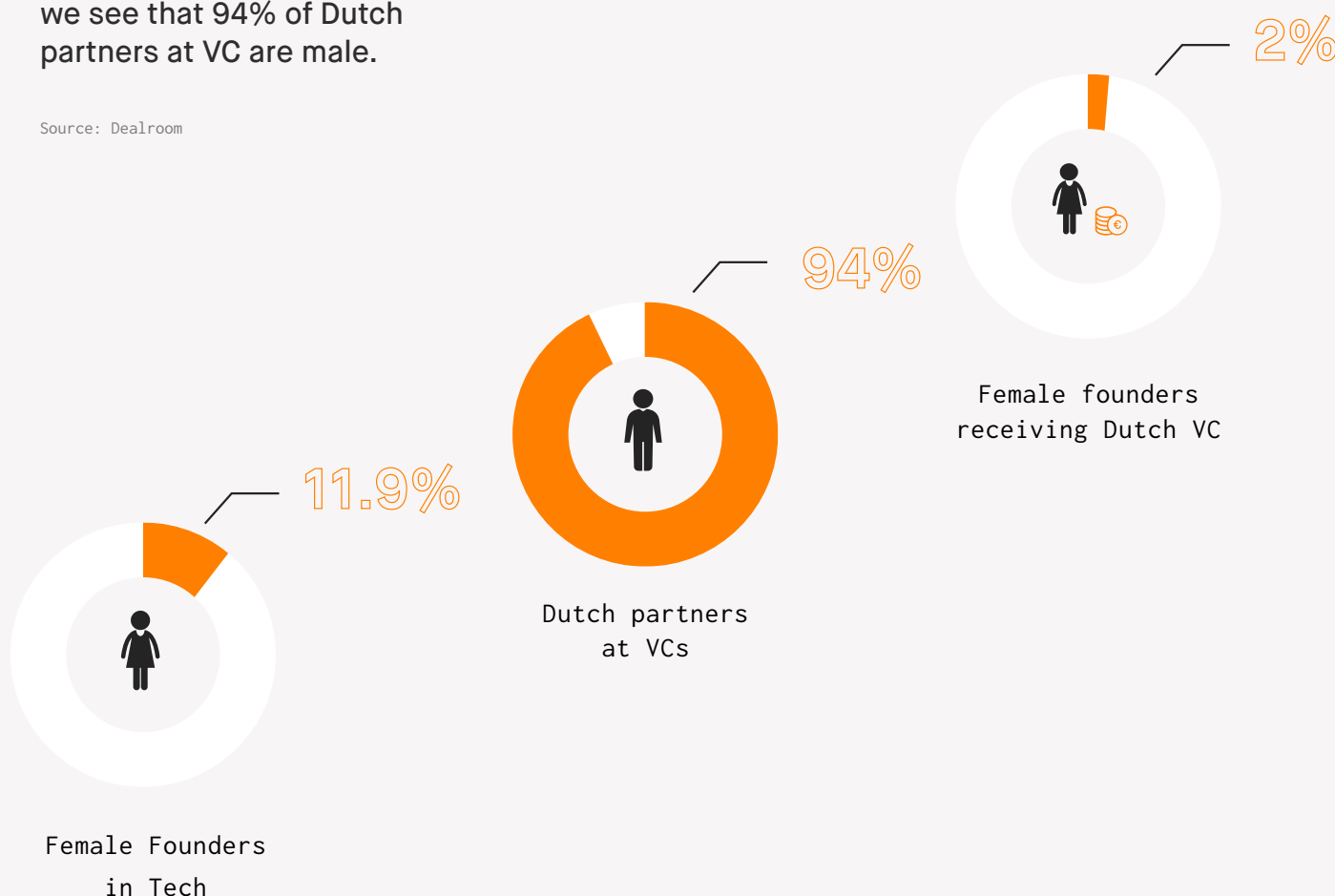
Source: Dealroom



Moreover, we see only 11.9% of founders are female, who are receiving a meager 2% of all Dutch VC capital invested in the Netherlands. This comes at no surprise when we see that 94% of Dutch partners at VC are male.

Source: Dealroom

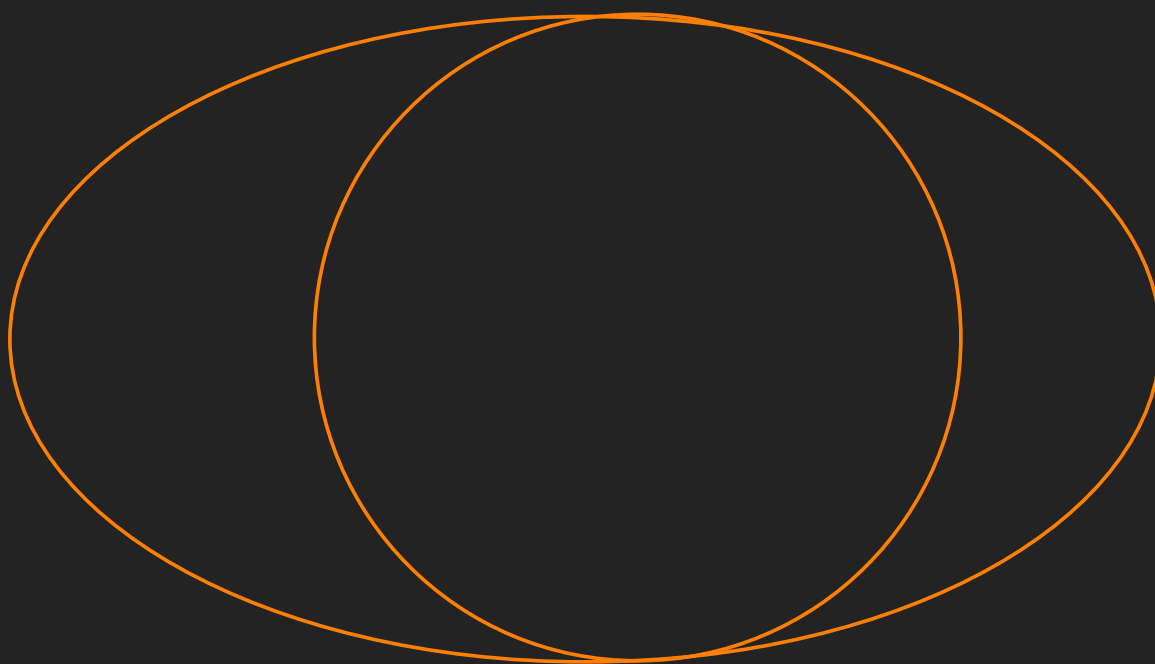
This also means we are leaving out a huge portion of the population and not utilising all the talent that the Netherlands has to offer. If we want to further compete on a European level, this needs to change.



The Dutch startup ecosystem has its challenges, but most importantly we have huge opportunities. We are full of startups across all sectors with deep concentrations in Enterprise Software, Fintech, Healthtech. We have a slow but building position in IP development in key enabling technologies. However, tech companies are starving for investments, they lack diversity, are strained for talent, slow to expand internationally while technology is mostly locked up in our universities and in large companies.

3.5 Understanding the bigger picture

Looking forward and Action Plan for 2021



We at Techleap.nl believe it's time to act. To better understand how Techleap.nl will contribute towards a stronger, more connected ecosystem by the means of its projects and initiatives, please check our [2021 Action Plan](#).

The COVID-19 pandemic showed us how technology is not only a “nice-to-have” but essential for keeping our lives, communities, and businesses moving forward.

2020 has demonstrated the power of deeptech: whether that is the first mRNA vaccine created or OpenAI releasing a language model using deep learning to produce human-like text. 2021 is expected to produce many more of such breakthroughs. The questions worth addressing to ourselves are: Where does the Netherlands want to be? Do we want to be the creators or the consumers of deeptech? Do we want to lead or are we happy to follow? Are we going to be part of the solution or do we stick to the problem?

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