



DEAL FLOW 6.0

European Venture Capital
Deal Term Review 2025-26



Deal Term Review 2025-26
European Venture Capital



Europe’s Tech Horizon: Data-Driven Insights for Strategic Deal-Making

Europe’s tech ecosystem is entering a pivotal era. From AI and DeepTech startups to fast-growing startups, Europe is fostering innovation at a record pace that is reshaping venture capital. Investors and founders alike are navigating not only evolving deal terms but also a complex mix of emerging sectors, regulatory change, and global competition. In this environment, smart, data-driven insights are no longer optional – they are essential.

Orrick’s Deal Flow 6.0 delivers that insight. Built on Europe’s **most extensive dataset of venture financing transactions**, our annual report analyzes deal term trends, benchmarks them against international markets, and places them in the context of broader ecosystem developments. The result is **actionable intelligence that empowers startups and investors to make strategic decisions with confidence, seize emerging opportunities, and negotiate efficiently.**

For over a decade, Orrick has been Europe’s leading venture capital law firm (*PitchBook*), consistently closing more deals than any other firm. This activity provides **unparalleled insight into market dynamics**, allowing Deal Flow 6.0 to highlight prevailing trends while also identifying **emerging patterns that could shape the next phase of growth**. Our cross-border team of tech company lawyers from the UK, Germany, Italy, France, and the U.S. work closely with innovators at [Orrick Labs](#) to ensure our analysis is both practical and forward-looking.

This edition examines six years of European venture capital deals, analyzing **over 100 decision factors** and more than **10,000 data points**. By combining deep data analysis with commercial insight, Deal Flow 6.0 equips clients to focus on what matters most – **driving innovation, scaling businesses, and shaping the future of Europe’s tech ecosystem.**

We hope this report inspires confidence, illuminates trends, and helps investors and founders alike turn insight into action. **The future of European tech is bright** – and Deal Flow 6.0 is your guide to navigating it successfully.

On behalf of Team Orrick,

Jamie Moore

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A Word from the Dealmakers

"Orrick's Deal Flow report is a go-to resource for understanding where the venture market is actually landing. At AlbionVC, we see it as a tool to help us sharpen our investment judgment by grounding structuring and pricing decisions in real, current market data. It also can provide a practical benchmark for valuations, terms and syndicate dynamics, helping some of our companies raise capital more efficiently and with greater confidence in shifting market conditions."



Ed Lascelles
Partner at AlbionVC

"Deal Flow is a crucial navigational guide for founders. It offers a comprehensive, insightful, and data-driven exploration of early-stage investing in Europe and confirms many of the realities we are experiencing in the market. The report sheds light on the current investment climate, evolving deal terms, and alternative financing options for startups.

It demonstrates the power of data-driven insights in empowering founders to make informed decisions and position their startups for future challenges and opportunities."



Baris Ozaydinli,
CEO of Scooch

"As specialist insurance brokers to the same founders, CFOs, GCs and investors Orrick advises, Deal Flow gives us the data-driven market intelligence to stay ahead of deal structures and deliver advice with complete understanding of the latest deal terms."



Kit Lewin
Partnerships Director
at Capsule Insurance

"In today's fast-paced business environment, data and insights are crucial for companies to stay ahead of the curve. They provide a competitive edge by enabling informed decision-making, identifying new opportunities, and driving innovation. Companies in the ecosystem that leverage data and insights effectively are well-positioned to thrive and succeed. We are grateful for the unique insights provided by a one-of-a-kind report such as Deal Flow and look forward to further iterations."



Furqan Alamgir
CEO of Connexin

"As an investor, staying on top of market trends and deal terms is essential for strategic decision-making. Orrick's Deal Flow report provides a unique perspective on the European VC landscape, turning complex data into actionable insights. This enables us to identify opportunities and anticipate market shifts, allowing us to confidently support founders dedicated to social impact, thereby fostering innovation and growth that is changing the world for the better."



Kirsten Connell
Partner at Octopus Ventures

European Tech Deal Terms: Five Things We Learned in 2025

2025 was the year Europe started rebuilding. AI, ClimateTech, DeepTech, better governance, and renewed M&A activity provided stability. Valuations and deal volumes showed signs of normalizing, but the market remained disciplined and efficient, with founder-investor alignment structurally stronger than it has been in years.

To understand the factors driving these shifts in the landscape and their effect on deal terms, Orrick used in-house technologies to analyze over 400 venture capital and growth equity investments completed by our clients in Europe last year.

Here are five key things we learned:

1. The Market Has Stabilized — But at a Lower Baseline

After two years of volatility and muted activity in 2024, **2025 marked the first year of true stabilization:**

- ▶ Deal volume fell but soon began a slow recovery. While the bulk of activity remained concentrated at the earlier stages—with Pre-Seed/Seed accounting for just under half of all VC financing volume—Series C rounds stood out as the largest contributor by value, representing over 34% of total VC financings.
- ▶ Valuations stopped compressing but did not revert to 2021 peaks.
- ▶ Late-stage rounds remained constrained but no longer in freefall.

Key lesson: The European market has found a *new normal*: disciplined pricing, fewer megadeals, and more pragmatic investor expectations.

2. AI Remains Dominant — Especially Applied, Vertical, and Infrastructure AI

AI is the primary engine of European VC activity. In 2025, we closed 170 AI financings across Europe, valued at \$6.25B. The DeepTech sector—including AI and ML—represented 35% of all venture financings and CLNs, making it the single largest sector.

This dominance was driven by:

- ▶ Enterprise adoption of LLMs and agent frameworks.
- ▶ Strong rounds in model-adjacent infrastructure (data orchestration, vector DBs, chips).
- ▶ Verticalized AI (healthcare, legal, manufacturing, FinTech) receiving major checks.
- ▶ UK, France, and Germany emerging as distinct AI clusters.

We analyzed over
400
Venture Financing Deals
in 2025
totaling
\$10.1B+
Across Europe

Ranked
#1 
PitchBook
FY 2025
VC Law Firm in Europe
For 10 years in a row

Completing significantly more deals
than any other law firm in Europe.

Team Orrick significantly increased
its market share and remains at the
forefront of the evolution of the
market.

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3. Investors Shifted Back to Fundamentals: Profitability, Efficiency, and Governance

2025 saw a **return to disciplined investing**. The data bears this out with 77% of deals featuring a 1x non-participating liquidation preference (with less than 1% carrying a participating preference) and 79% of deals including broad-based weighted average anti-dilution protection. 56% of investment documents contained ESG provisions. Specific features included:

- ▶ Heightened focus on revenue quality and path to profitability.
- ▶ Fewer “growth at all costs” deals.
- ▶ Increased use of **structured terms** (discounts, tranching rounds, milestone-based investments).
- ▶ Heavier diligence on data governance, ML-ops, and security.
- ▶ Adoption of **AI-related warranties** driven by early EU AI Act implementation and further updates to the UK Private Capital model form documents.

Key lesson: Governance, compliance, and business-model defensibility matter again — and are increasingly decisive in term-sheet negotiations.

4. ClimateTech, DeepTech, and Industrial Software Are Europe’s Other Bright Spots

Beyond AI, the healthiest verticals in 2025 were:

- ▶ **Climate and Energy Transition** (battery tech, carbon removal, grid orchestration) accounted for 10% of financings.
- ▶ **Industrial Software** (manufacturing automation, IoT, supply-chain optimization).
- ▶ **Blockchain & FinTech** accounted for 18% of financings in 2025, up from 16% in 2024 (and 12% in 2023).
- ▶ **SaaS & Platforms** represented 17% of financings in 2025, continuing a decline from 21% in 2024 and 31% in 2023.

These categories benefitted from both VC and **significant non-dilutive public capital** (EU, UK Innovation, BPI France, etc.), which cushioned them from a broader market reset. The **Health** sector also contributed meaningfully at 10% of financings (\$281.6M in aggregate deal value across UK transactions).

Key lesson: Europe’s strengths in the above sectors are now structural advantages, not cyclical ones.

5. The Exit Market Is Still Challenged — But Secondaries and M&A Are Rebounding

2025 did *not* deliver a widespread IPO reopening, but we have seen several green shoots of renewed M&A activity:

- ▶ **Tech M&A is up sharply** with M&A, secondary, and reorganization transactions totalling **\$570.5M** across 17 deals in the UK alone (private equity and corporate acquirers returning).
- ▶ **Secondary transactions are becoming mainstream.** 21% of equity financing deals included a secondary sale component in 2025 as funds sought liquidity. The appetite for secondaries was concentrated at the growth stage: **37.5%** of both Series A and Series B rounds, and **36.4%** of Series C rounds, included a secondary sale component, compared with just **4%** at Pre-Seed/Seed.
- ▶ Early-stage LP sentiment has improved, but late-stage fundraising remains tough.
- ▶ Dual-track IPO processes re-emerged, even if most postponed listings to 2026 and beyond.

Key lesson: Liquidity is returning, but slowly — and not through IPOs yet. Secondary markets and strategic buyers are doing the heavy lifting.

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Broader Market Trends

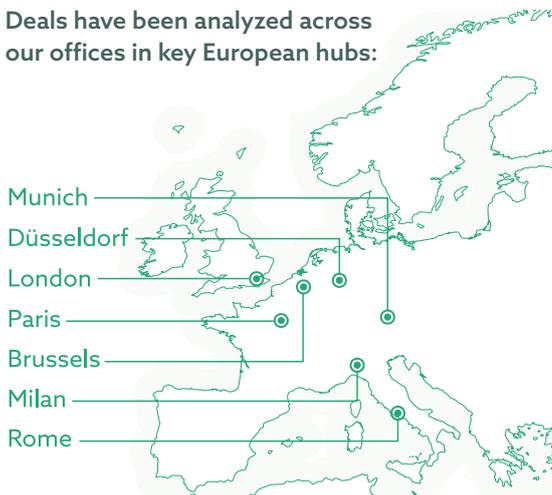
In 2025, European technology moved decisively beyond the post-correction reset and into a more mature, structurally resilient phase.

Across the region, talent, capital, and conviction remained Europe's defining strengths. Europe is now producing more investable companies, and more globally relevant innovations than ever before—even as capital conditions remain selective. Europe's tech workforce has surpassed 4.6M people and continues to grow faster than in the U.S. Over the past decade, the number of \$1B+ companies in Europe has tripled, with the region consistently generating globally competitive leaders in software, FinTech, Health, ClimateTech, and AI.

Many of our findings on broader market trends align with the *State of European Tech*, the most comprehensive data-driven analysis of Europe's tech sector. We are proud to partner with Atomico on their report and to support their continued leadership in shaping a shared, evidence-based narrative for European tech.

We hope Deal Flow 6.0 offers founders, investors, and ecosystem leaders a practical insight on how these broader trends are translating into real-world deal activity and decision-making. Together with the *State of European Tech*, it serves as a benchmark for where Europe stands today—and a signal of what is required to ensure that the next generation of global technology leaders can start, scale, and stay in Europe.

Deals have been analyzed across our offices in key European hubs:



Behind the Numbers

Orrick Labs

Led by Jamie Moore, our Orrick Labs team, with input from certain attorneys, designed and utilized a proprietary tool, the Deal Flow Dashboard, to automate the collection of European deal data. This has produced real time, unique, and data-driven insights into some of the most diverse and innovative high-growth companies and investors. It also allows us to compare current market trends against the rich data we have collected over the past six years and beyond. Orrick's Deal Flow Dashboard was recognized at the 2024 *Financial Times Innovative Lawyers Europe Awards*.

GenAI Adjacent Practice

Orrick has a robust GenAI toolkit that combines proprietary technology and leading third-party solutions, including:

- ▶ Our in-house GenAI platform that transforms the way our teams handle legal documents, predict case outcomes, and streamline routine tasks.
- ▶ 35+ custom-built GenAI solutions developed in-house by Orrick Labs and Orrick Analytics.
- ▶ A number of GenAI legaltech solutions for project management, deal dashboards, data extraction, summarization, analysis, and more.

This tech-first approach allows us to offer quicker, more accurate legal insights and frees up our lawyers to focus on high-level strategic work. Our combination of proprietary and licensed tools automates and streamlines the compilation of reports like Deal Flow, enabling us to process large volumes of data with greater accuracy and efficiency. Our work in collaborative AI technology supports real-time teamwork, helping us deliver data-driven insights and set new standards for innovation and client value in legal services.



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This report includes a comprehensive deal term glossary to help you navigate the expanding world of tech and venture. Whether you're decoding jargon, simplifying paperwork, or exploring legal and business resources, our glossary is here to support your growth. Please refer to pages 44 to 48 for the sector color key used throughout this report, definitions and further information.

Key Insights

View from the Market

- ▶ 2025 was a year of contrasts for the European tech ecosystem. While total **deal value rebounded** from 2024's figures, annual **deal volume fell**, with capital being concentrated across fewer but larger, later-stage rounds.
- ▶ While the number of venture deals dropped by **21.6%**, startups across the continent raised **\$63.7B** in 2025, up **16%** year-on-year. Larger, later-stage deals compensated for lower deal counts, with Series D+ rounds soaring in value by 45%. This illustrates investor selectivity and a clear preference towards proven profitability and scale.¹
- ▶ **Extensions to funding rounds are on the rise** as founders look to bolster their runway and early investors seek liquidity. Mirroring previous years, VCs are writing fewer but bigger checks at the Seed and Series A stages.² Read our [spotlight section](#) for more on the rise of extension rounds.
- ▶ **Venture debt** continued to prove invaluable for later-stage companies, with deal value reaching a respectable \$22.6B – a slight step down from 2024's record year – and median check sizes rising.³
- ▶ Signalling the ecosystem's maturity and resilience, Europe minted over **30 unicorns** (companies valued at \$1B+) in 2025, doubling 2024's tally.⁴ This resurgence highlights Europe's growing ability to produce **globally competitive, high-value tech companies**.⁵
- ▶ The market saw a significant, AI-driven resurgence in **"megarounds"**. The top 10 deals in 2025 alone accounted for a significant share of total invested capital, with Revolut's \$3B round leading the way. This concentration is mirrored in the U.S., but Europe's capital remains more evenly distributed across sectors and companies.
- ▶ **AI took centre stage** in 2025, capturing more than 35% of all European deal value.⁶ The AI revolution continues to fuel growth, innovation, and scalability across sectors.
- ▶ Europe is also diversifying away from its traditional predominance in **FinTech**, with the likes of infrastructure and energy gaining ground. 2025 saw **DeepTech** attract **32%** of funding, while **ClimateTech** secured **16%** of VC dollars.

Over

\$63.7B

Investment in European Tech
in 2025

AI Captured

Over

35%

of Deal Value in Europe



30+

New Tech Unicorns
Minted in Europe

↗ **2x**



1. PitchBook 2025 Annual European Venture Report

2. 2025 State of European Tech Report

3. PitchBook 2025 Annual European Venture Report

4. PitchBook's Unicorn Companies Tracker

5. 2025 State of European Tech Report

6. PitchBook 2025 Annual European Venture Report EY Venture Capital Barometer in France 2025, 13 January 2026

Key Insights

A View from Orrick

In 2025, Orrick represented nearly one-sixth of all European venture capital invested, counseling startups in raising over **\$10B** through **400+** venture financing deals.

With teams on the ground in the **UK, Germany, France** and **Italy**, Orrick is deeply embedded in the region’s leading startup ecosystems.

Here are key insights from our teams across Europe.

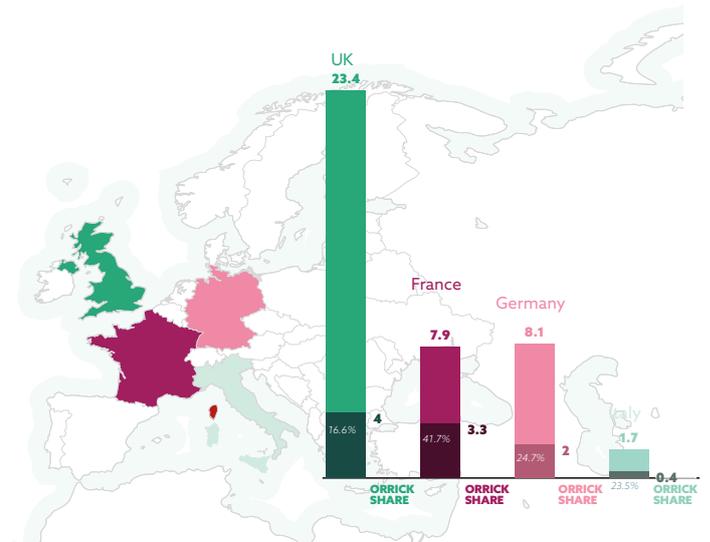
A Word from...

The UK

- ▶ The European venture market stabilized in 2025, with **deal volumes returning to a predictable cadence** after two years of correction. While activity remains below the exceptional highs of 2021–22, the market has recalibrated to a more sustainable baseline. Investor discipline, improved frameworks for pricing risk, and stronger governance expectations have contributed to a healthier, more measured ecosystem for early- and growth-stage companies.
- ▶ London continued to lead the region, supported by **strong AI-driven investment activity** and a recovery in cross-border capital flows into the UK. The city benefited from robust fundraising within applied-AI and AI-infrastructure companies, as well as **renewed interest from U.S. investors** seeking exposure to European technical talent and comparatively rational valuations.
- ▶ Europe’s **founder pipeline continued to deepen**, with accelerators, universities, and successful startups generating **a steady stream of first-time and repeat founders**. The rise of **AI, ClimateTech** and **DeepTech** entrepreneurship has broadened the talent base, with experienced operators spinning out of leading companies and attracting early institutional capital. The result is **a maturing ecosystem with higher technical ambition** and greater confidence in building globally competitive companies.
- ▶ **Early-stage financing remained resilient** in 2025, supported by abundant Pre-Seed and Seed capital, though diligence expectations tightened materially. In contrast, later-stage companies continued to face a more selective capital environment, with growth funds deploying cautiously and prioritizing clear evidence of scalability and path-to-profitability. This dynamic pushed many late-stage businesses to focus on operational efficiency, extend runways, and increasingly explore alternative sources of funding.

Total capital raised in Europe and Orrick’s share of deals*

Total Capital Raised in Europe in 2025 | **\$63.7B**
 Orrick Total Aggregate European Deal Value* | **\$10.1B** (*inclusive of regions outside of the four key markets listed below)



*Europe totals based on 2025 Dealroom data accessed 27 January 2025. Orrick results are representative of data received by our European offices located in the UK (London), France (Paris), Germany (Düsseldorf and Munich) and Italy (Milan and Rome).

Over **400**

VC Deals completed across Europe in 2025

Completing significantly more deals than any other law firm in Europe for 10 years in a row.

Key Insights

- ▶ Whilst the capital markets have yet to reopen, we have seen substantial **green shoots in M&A activity** with a number of late-stage businesses making strategic acquisitions, private equity buyers coming out in force, a number of acquirers and companies finding new homes in both European and American buyers.
- ▶ Steady transactional activity in 2025 culminated in a **surge of activity in the 4th quarter**, which put the turbulence felt due to macropolitical change firmly in the rear-view mirror.
- ▶ The perennial attractiveness of the UK, as well as the reliance of the City of London, has meant that London remains a key market globally for the tech ecosystem.

France

- ▶ **€7.39B was raised in 2025**, following two years of decline (€8.3B in 2023 and €6.9B in 2024).⁷ This evolution reflects a return to more sustainable market dynamics, with greater discipline in capital allocation and a renewed focus on fundamentals. The landmark €1.7B round raised by Mistral AI (the largest venture capital transaction ever completed in France and the second largest in Europe in 2025 after Revolut (€2.6B, UK)), stands out as a **powerful signal of Europe's ability to build world-class, sovereign technology champions**. Now France's first decacorn, with an estimated valuation of €11.7B, Mistral AI alone accounted for approximately 25% of total capital raised in France, highlighting the country's capacity to support large-scale ambitions in strategic technologies, particularly artificial intelligence.
- ▶ **Artificial intelligence once again dominated the market**, representing 43% of all capital raised in 2025, confirming France's strong positioning across the AI value chain. **DeepTech** also played a central role and continues to represent a strategic pillar for France. Notable examples include Alice & Bob, a leading player in fault-tolerant quantum computing, and Loft Orbital, a space infrastructures developer, both of which illustrate France's ability to scale highly complex, research-intensive technologies.
- ▶ **Defense and security technologies** emerged as one of the fastest-growing verticals, with investments up 25% year-on-year. The emergence of Harmattan as Europe's first defense-focused unicorn positions the sector as the second most dynamic in Europe after AI, driven by geopolitical tensions and renewed sovereignty priorities.
- ▶ **GreenTech** and **Life Sciences** remained key pillars of the French ecosystem, with more than €1B raised by GreenTech companies (e.g. Waat, or Gravithy) and €975M invested in **Life Sciences** (e.g. Adcytherix or Nabla), at the French market level, reflecting sustained investor appetite for technologies addressing climate transition, healthcare innovation, and societal challenges.
- ▶ More broadly, the ecosystem appears to be at the end of a cycle, following the exuberance of 2021–2022. While the environment is now tougher and more polarized, it is also more mature: less deal volume, higher expectations, and a **stronger focus on genuine value creation**.
- ▶ Finally, geopolitical tensions and evolving trade dynamics have accelerated a positive reassessment of Europe's strategic priorities. This environment is fostering stronger European technological capabilities, increased coordination around strategic assets, and a renewed emphasis on economic sovereignty.

7. EY Venture Capital Barometer in France 2025, 13 January 2026

Key Insights

Germany

- ▶ The German VC market **rebounded in the first two quarters** of 2025. While the second half of the year didn't see similar momentum, overall deal count stabilized and total deal volume increased. We are inching towards a long-term growth trajectory but have developed less dynamically than other countries, notably the U.S. but also the UK. In addition, the overall activity numbers deserve scrutiny, and upon closer look, two clear patterns emerged:
 - (1) a notable **resilience in early-stage deal activity**; and
 - (2) a concentration of growth capital into fewer, larger later-stage rounds. **The growth stage remains challenging** for many startups, especially those lacking a compelling AI narrative.
- ▶ In the AI sector, we observed a sustained **shift toward startups aiming to own the workflow layer** and manage the entire risk stack within verticals such as digital health and manufacturing. Investors are increasingly favoring companies that can demonstrate end-to-end solutions for complex tasks rather than point products.
- ▶ **DeepTech** is no longer just a euphemism for “great technology that’s always ten years away.” Sectors like defense, space, and nuclear fusion have moved from the margins to the mainstream, with tangible commercial traction and strong investor appetite.
- ▶ Across all sectors, **headline legal deal terms remained relatively stable** compared to 2024. However, we noted a trend toward more **founder-friendly governance provisions** in competitive transactions, particularly in defense and AI growth-stage deals. This includes increased founder control over board composition and protective provisions.
- ▶ We also saw an **uptick in the use of genuine SAFE structures** in Germany, though **convertible loans still dominate** the scene.

Italy

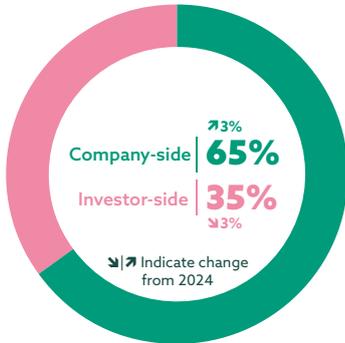
- ▶ Italy's venture capital ecosystem in 2025 demonstrates resilience and gradual growth, though the pace remains moderate compared to previous peaks. Total equity investments in Italian startups reached almost **€1.5B**, up over 32% on 2024 (€1.1B), but still well below the 2022 record (€2.1B).⁸
- ▶ The Italian ecosystem is stable, but with investment flows increasingly concentrated in a few high-profile cases. The absence of significant exits and large late-stage rounds continues to hinder system regeneration and scalability.
- ▶ VC funds, corporates, and governmental investors maintained a key role, while international investments grew by 8%. However, **capital remains polarized** around a handful of champions, such as Bending Spoons.
- ▶ **DeepTech** is a sector in ferment, with notable rounds, but the trend is too isolated to drive the entire ecosystem. AI investments are still below EU and U.S. averages but are expected to grow, reflecting AI's strategic importance.
- ▶ **Corporate Venture Capital (CVC) investments rebounded in 2025**, totaling €177M (+13% vs. 2024). Only 3.4% of innovative companies received CVC from corporates with at least 50 employees, but these startups showed superior median revenues and growth.
- ▶ **The innovation ecosystem** remains divided, with the North—especially the “Quadrilatero” (Milan, Monza-Brianza, Lodi, Pavia)—acting as a hub for investment and performance. The South and Islands host 47% of innovative firms but attract only 32% of corporate investors.
- ▶ Key barriers include limited exit opportunities, fragmented regulation, low risk appetite, and cultural misalignment between corporates and startups. The lack of large domestic funds and institutional investors (e.g., pension funds) further restricts growth.

8. EY Venture Capital Barometer in Italy 2025, 15 January 2026

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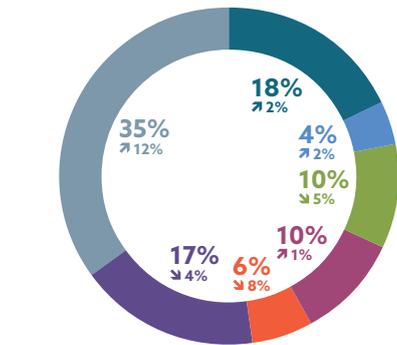
Key Insights

Total Deals



Venture financings and Convertible Loan Notes (CLNs) combined

Total Sectors



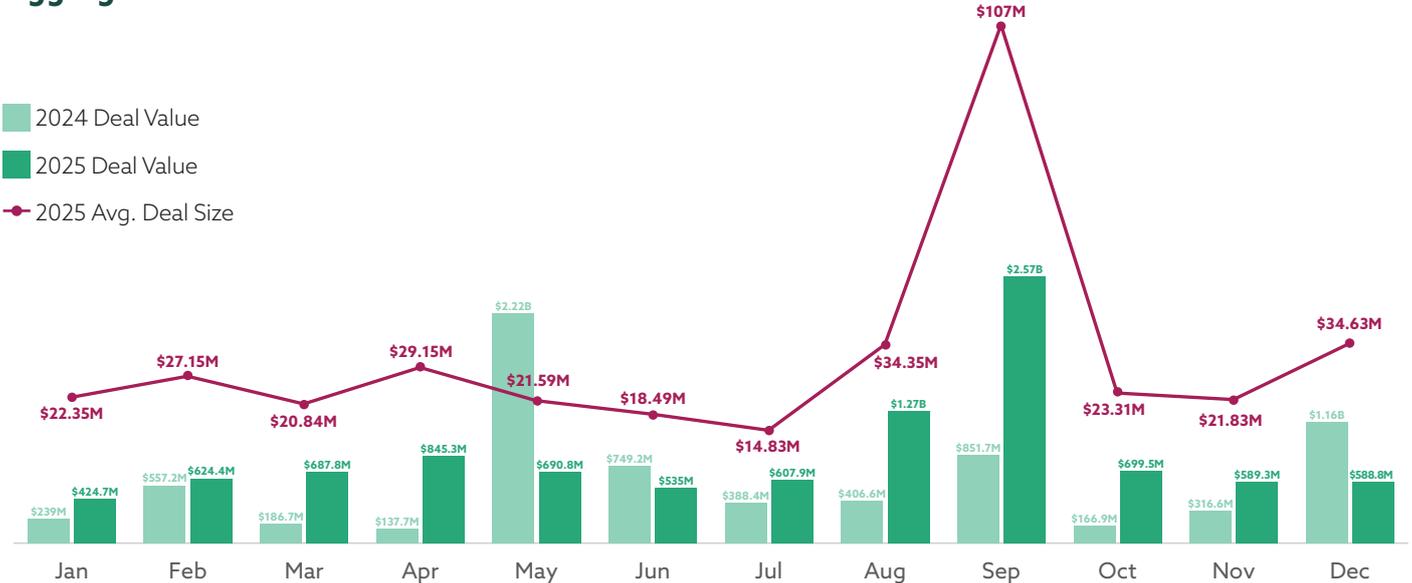
Legend:
 ● Blockchain & FinTech
 ● Cyber, Data & Privacy
 ● Energy & Infrastructure
 ● Health
 ● Marketplaces
 ● SaaS & Platforms
 ● DeepTech

Venture financings and Convertible Loan Notes (CLNs) combined

Transaction Overview

- ▶ Company-side mandates rebounded strongly in 2025, climbing to **65%** of our VC financing portfolio – a notable recovery from 2024 and a return to the highs of 2023.
- ▶ Our 2025 deal flow reflected shifting priorities in the innovation economy. **DeepTech** dominated at **35%**, while **Blockchain & FinTech** commanded **18%** and **SaaS & Platforms** **17%** of transactions. Together, these three sectors accounted for nearly **three-quarters** of our deals.
- ▶ While the broader European venture capital market continued to stabilize in 2025, our deal flow reflected a healthy spread of activity across financing stages.
- ▶ Series C rounds accounted for the largest share of aggregate deal value at \$3.5B (representing over **34%** of total VC financing value) followed by Series B at \$1.7B (**17%**) and Series A at \$1.4B (**14%**). Pre-Seed and Seed rounds remained highly active by volume, comprising just over a third of all VC financings with an aggregate value of \$694M, whilst later-stage financings (Series D and beyond) accounted for **15%** of deals with an aggregate value of \$1.5B. Deal values painted a picture of **cautious optimism**.
- ▶ Average company-side round sizes held steady, but Series A financings saw their average ticket climb **14%**, a sign that **investor appetite for early-stage companies is sharpening**. On the investor side, average deal sizes jumped up **9%** on 2024, reflecting **the return of larger institutional deployments to the market**.
- ▶ The secondary market remained a prominent feature of our 2025 deal flow. Roughly **21%** of equity financings included a secondary component – virtually unchanged from the prior year, suggesting that **liquidity remains a structural priority rather than a passing trend**. This was particularly evident at the Series A and Series B stages, where **over a third** of transactions featured secondary elements, a sign that partial liquidity has become a normalized feature of the private markets landscape.

Aggregate Deal Value 2025



With dealmaking practices continually adapting to technological disruption, it's impossible to ignore the rapid developments shaping transactional activity within the AI sector. The following spotlight examines several key trends that are redefining deal structures, investor priorities, and the broader operational environment for AI-driven businesses.

Acqui-hires over acquisitions

Over the past year, the AI sector has seen significant consolidation, with major LLM providers and BigTech players increasingly acquiring or “acqui-hiring” smaller AI and AI-adjacent companies. This trend is driven in part by the established players’ desire to “look under the hood” at smaller players’ proprietary talent and technology, and in part by the smaller companies’ need for compute power and infrastructure that only the largest players can readily provide. Acqui-hire deals, which typically focus on acquiring key personnel and core technology rather than entire businesses, offer an appealing exit strategy for startups. These acqui-hire transactions tend to be simpler than traditional M&A deals, as they typically focus on lifting out key personnel and core technology rather than acquiring the full business. Founders looking to partner with LLM providers or BigTech should remain open to unconventional partnership structures and, where possible, to maintain LLM-agnostic architectures that preserve optionality.

Major multinational interest

There has been a notable uptick in AI investment and adoption by major multinationals (MNCs), particularly those under pressure to improve operational efficiency and reduce workforce expenditure. These MNCs are dedicating substantial resources to AI-powered tools that can give them a market advantage and streamline internal functions such as HR, payroll, legal, and project management. However, founders and service providers should be prepared for more complex deal cycles and more rigorous due diligence processes when engaging with these larger counterparties. MNCs often come to the table with rigid, organization-wide terms and increasingly common “AI addendums” that can be difficult to negotiate and may not align well with the realities of AI service delivery. Securing movement on these points frequently requires escalation to senior internal stakeholders.

Strategic agility in the market

A striking feature of the current AI landscape is the rapid pace at which companies pivot their core technology application or target markets. Many businesses are shifting from consumer-focused models to B2B integrations, and in some cases, pivot to entirely unrelated use cases when they identify more profitable or scalable opportunities. This nimbleness reflects both the flexibility of the underlying technology and the intense competition to achieve product-market fit. Companies should be continuously seeking new growth opportunities and be prepared to adapt, productize, or differentiate their offerings as needed.

Regulators still playing catch-up

The regulatory and legal environment for AI remains unsettled. Recent decisions in the English courts have begun to clarify how copyright infringement claims against generative AI will be handled, though key questions around primary infringement remain unresolved and appeals are ongoing. In Europe, courts have similarly started to weigh in, with at least one ruling finding that LLMs infringed copyright by reproducibly containing protected content. Meanwhile, some of the more aggressive regulatory measures under the EU AI Act appear to be facing delays, with proposed reforms potentially pushing back the implementation of high-risk system rules beyond 2026, although member states remain divided on the path forward. In the UK, the long-anticipated AI Bill looks increasingly unlikely to materialize in the near term, with final reports and economic impact assessments from recent consultations expected in early 2026. Alongside these developments, we are seeing a rise in high-value content licensing deals between rights holders and AI developers, a trend that may continue to shape the commercial and legal landscape for some time.



Contributing Partner
Faraaz Samadi
Technology Transactions
London

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Spotlight on Extension Rounds

Reflecting broader shifts in the growth-stage funding environment, we have seen a notable increase in the use of extension rounds and bridge financing among later-stage companies. The following spotlight explores how this approach is enabling businesses to maintain momentum while preserving existing deal structures and governance frameworks.

Last year, we observed a notable shift in financing strategies among certain later-stage companies. Series A through to Series C companies turned to extension rounds and bridge financing with existing investors rather than pursuing a fresh new series of financing. This trend appears to be reflective of the pragmatic response of **companies seeking to maintain existing deal and governance structures while continuing to fund their growth.**

Contrary to common expectations that an extension round results in flat or declining valuations, we saw that companies executing extension rounds demonstrated impressive valuation growth. We observed valuation increases ranging from **47% to 186%** between primary rounds and their extensions, with timeframes as short as three months between financings. One notable Series B company achieved a 47% valuation uplift in just three months, while a Series C company **more than doubled its valuation** over a 17-month period. These increases suggest that companies with strong operational metrics can still command premium valuations from existing, and new, investors while executing simpler deal-making strategies.

Our analysis of extension financings revealed some compelling trends. Companies increasingly structured these rounds as formal extensions of existing series rather than standalone bridge rounds, **allowing them to maintain existing terms and avoid lengthy negotiations** and investor roadshows. For one biotechnology company, we advised on a complex tranching structure that tied additional capital deployment to specific operational milestones, a mechanism that **provided investors with enhanced oversight, while providing predictable access to growth capital to the company.** This financing included pay-to-play mechanics, with automatic conversion of preferred shares (issued on initial completion) to ordinary shares for non-participating investors.

We saw **existing investors willing to commit significantly larger amounts than in traditional follow-on scenarios.**

Some extension rounds combined primary investment with a secondary transaction, providing growth capital and liquidity for early stakeholders.

The deal terms largely mirrored existing terms, with investors maintaining their liquidation preferences and anti-dilution protections (with new shares ranking *pari passu* with previous shares in the same series), or new investors simply aligning with the existing regimes. Board composition also remained largely unchanged in extension rounds, though we saw an **increased use of observer rights for investors.** However, in some instances we found that an extension round provided an **opportunity for companies and investors to clean up historic provisions** in their investment documents that were prohibitive to operations, such as removing a board member or rebalancing consent matters to reflect a company's maturity.

Extension financing has emerged as a **smart capital strategy** that reflects a shift in how companies approach fundraising. Rather than undertaking lengthy, resource-intensive processes to court new investors and negotiate fresh terms, companies are recognizing the value of deepening relationships with their existing investors who already understand their business model and growth trajectory and, in some cases, bringing on new investors who are willing to align with the existing regime and, at times, occasionally improve governance regimes.

This approach allows teams to focus their energy on growing their business, rather than spending time explaining their vision to new audiences. However, **the success of this strategy depends critically on existing investors having sufficient reserves for follow-on investments.** Where existing funds lack capacity, companies can still benefit from this streamlined approach by bringing in new investors on existing terms, avoiding the complexity of renegotiating deal structures while accessing fresh capital sources.



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Spotlight on European Tech M&A and Liquidity Trends

After a prolonged period of subdued activity, the conditions for dealmaking in European tech have improved materially. Interest rates have eased, the valuation gap between buyers and sellers has narrowed, and strategic appetite, particularly from U.S. acquirers targeting European AI capability, has returned with some conviction. Against that backdrop, the nature of M&A itself is evolving: in the structures being deployed, the assets being targeted, and the liquidity options available to those who have built significant value in private markets. What follows is our assessment of the four trends we believe are defining the moment.

The M&A market has rebounded – and technology is at the centre of it

Global M&A staged a significant recovery in 2025, with deal value reaching approximately \$4.9 trillion – **the second-highest total on record**.⁹ The rebound was not, however, broadly distributed: well-capitalized buyers drove activity while the **mid-market remained relatively subdued**,¹⁰ and deal-making was concentrated in sectors where conviction was strongest.

Technology led all sectors by deal value, with the heat concentrated in AI, AI infrastructure, and cybersecurity. Thoma Bravo's \$5.3B take-private of UK AI cybersecurity leader Darktrace was among the more notable transactions, reflecting a broader race to own the enabling layer of the next technology cycle.

For European founders and investors, **the macro conditions are favorable**. Rate cuts on both sides of the Atlantic have narrowed the valuation gap between buyers and sellers that suppressed deal flow through 2023 and much of 2024. Sentiment entering 2026 appears the strongest it has been since the peak of 2021,¹¹ **and many dealmakers expect activity to increase**.¹² Of course, opportunities will remain greatest for those at the intersection of frontier technologies and the infrastructure required to run them.

European AI talent is firmly in the crosshairs of global capital

Europe punches above its weight in AI. The continent produces roughly 30% more AI researchers per capita than the United States,¹³ underpinned by world-class research universities and a pipeline of DeepTech and applied-AI companies that have been building steadily for over a decade. That foundation is now attracting serious attention from global acquirers—and the pace of inbound dealmaking accelerated markedly in 2025.

U.S. strategic buyers were particularly active, drawn by the combination of genuine capability and attractive valuations, relative to U.S. markets. Transactions spanned cybersecurity, agentic AI and frontier model development, with several deals reaching a scale that would have seemed unlikely for European targets just a few years ago. At the same time, government-level commitment to the sector, through the **EU's InvestAI initiative**, **France's national AI investment plan**, and the **UK's AI Opportunities Action Plan**, is structuring Europe's competitive position for the decade ahead.

A distinct deal archetype has also emerged, driven by regulatory constraints and the battle for AI talent: the *acqui-hire*. The largest technology companies have opted for targeted hiring and model licence arrangements rather than conventional M&A. This is a pattern worth watching as consolidation continues.

Rollups are redrawing the boundary between venture and private equity

Add-ons accounted for approximately two-thirds of European buyouts in 2025,¹⁴ but **a materially different variant is gaining traction**: VC-backed platforms that acquire fragmented, legacy services businesses and deploy software and AI to transform their unit economics from the inside. The targets are not technology companies. They are professional services firms, property managers, accountants, logistics operators—businesses with stable revenues and structural inefficiencies that AI in particular is now capable of addressing at scale. The ambition is not incremental margin improvement, but category transformation.

Some of the most prominent venture firms on both sides of the Atlantic have committed significant capital to this strategy, and early results in terms of margin expansion and revenue growth have been encouraging. The model is beginning to arrive in Europe, with early activity visible in the UK and Germany. General Catalyst, one of the most prominent proponents of the rollup strategy, has earmarked significant capital specifically for European markets. For investors, the structural question is perhaps the most interesting one: as venture firms deploy private equity mechanics, and private equity firms respond by integrating AI more aggressively into their own value creation playbooks, the boundary between the two is becoming harder to define.

9. Bain & Company, *Global M&A Report 2026*

10. PwC, *Global M&A Industry Trends: 2026 Outlook*

11. Bain & Company, *Global M&A Report 2026*

12. BCG, *M&A Outlook 2026*

13. *Europe's AI Workforce: Mapping the Talent Behind the Code*, interface EU/EIT DeepTech Talent Initiative

14. PitchBook, *European PE Breakdown, 2025*

15. Jefferies, *2025 Global Secondary Market Review*

The liquidity reckoning is making secondaries a primary portfolio tool

For later-stage ventures, **Europe's exit environment remains under strain**. IPO markets have not recovered to the levels many expected, and the backlog of mature, well-valued private companies seeking liquidity continues to grow. For LPs, the pressure to demonstrate returns is reshaping how GPs think about portfolio management.

Secondary transactions have become the primary response.

Global secondary volume reached record levels in 2025 (\$240B, up 48% from 2024),¹⁵ and the trend is particularly pronounced in European venture, where Orrick's own data shows that nearly a third of rounds in 2025 included a secondary component, with founders accessing liquidity earlier in their company's lifecycle than has historically been the case. Italy's Bending Spoons exemplified the trend, completing a \$710M round in late 2025 at an \$11B valuation, the majority of which comprised secondary sales by shareholders.

The shift is significant. Secondaries were once a niche instrument, deployed selectively. **They are becoming a standard feature of how private markets operate.** For founders, that represents a meaningful expansion of options. For investors, it represents both an opportunity and a new set of portfolio management disciplines to master.



Contributing Senior Associate

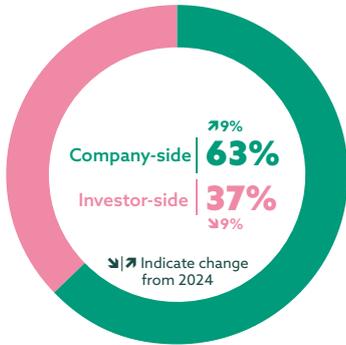
Patrick Driscoll

Technology Companies Group
London

1 Deal Term Review 2025-26

Venture Financings (excludes convertibles)

This data looks at our closed European venture financings raised by and on behalf of startups and high-growth companies.



Venture financings only (excludes convertible financings)

Aggregate Deal Value: Company vs. Investor



Company vs. Investor

- ▶ In 2025, we observed a promising rise in company-side mandates across the European venture market, as market confidence rebounded and stability returned. Company-side mandates accounted for **63%** of our portfolio, marking a **9%** increase from 2024.
- ▶ The continued prevalence of our company-side mandates is indicative of:
 - **the enduring appeal of convertibles and similar instruments**, such as SAFEs, ASAs, and convertible loan notes which remained popular tools across our European platform, with **convertible debt financings, SAFEs, and ASAs** accounting for over **30%** of all financing transactions in 2025, as founders continued to favor flexibility over fixed valuations;
 - **bridge financing gave way to more structured alternatives**, while traditional bridge rounds (short-term financings raised to bridge a gap between priced rounds), which are often on investor-friendly terms, fell sharply from **29%** of equity financings in 2024 to just **4%** in 2025, round extensions on existing terms remained a constructive feature of the market. The near-disappearance of distressed bridge activity points to improved capitalization and renewed founder confidence, with companies increasingly able to secure full priced rounds or, where additional runway is needed, to negotiate extensions with existing investors on more balanced terms; and
 - **early-stage financings remaining robust**, Seed and Series A financings continued to dominate our portfolio, representing just under half of all VC financing deals in 2025, a significant uptick from the 2024 figures, while later-stage activity also expanded, particularly at Series B+ level where we saw a nearly **50%** increase in instructions.
- ▶ Despite the recent years of market volatility and uncertainty, we anticipate that investors will adopt a more optimistic stance as we move through 2026, leading to increased deployment as market confidence consolidates.

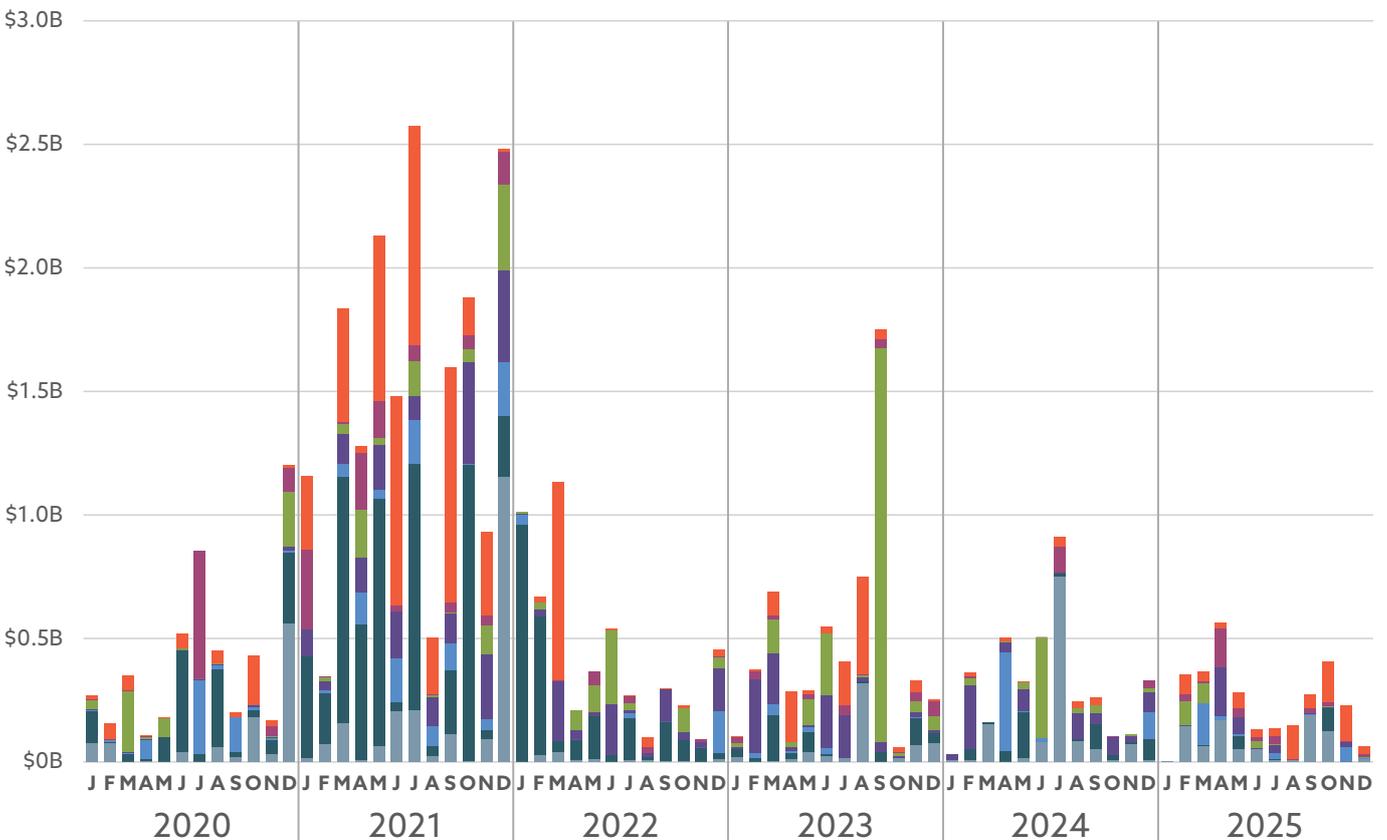
1 Deal Term Review 2025–26

Venture Financings (excludes convertibles)

Aggregate Deal Size and Volume

- ▶ Monthly deal flow showed notable seasonality with activity spiking sharply in March (up **400%** year-on-year and **92%** compared to February) and again in October (up **62%** year-on-year and **110%** compared to September) as investors looked to deploy capital ahead of mid-year and year-end reporting cycles. Deal values followed a similar pattern: April saw a **95%** increase as Q1 transactions closed, while October jumped **38%** compared to September as investors positioned for a strong year-end.
- ▶ Average deal values rose across all growth stages: Series A up **34%**, Series B up **6%**, and Series C surging **70%**. Investors are paying up for quality, and the return of larger growth-stage financings signals renewed confidence in the market.
- ▶ **DeepTech** (including AI) surged to become our leading sector, representing **37%** of venture financings in 2025 (up from **20%** in 2024). **Blockchain & FinTech** held steady at **18%**, while **SaaS & Platforms** softened slightly to **17%** (down from **23%** in 2024). Together, these three sectors accounted for nearly **three-quarters** of our venture deals.

Aggregate Deal Value: Five-Year Look Back



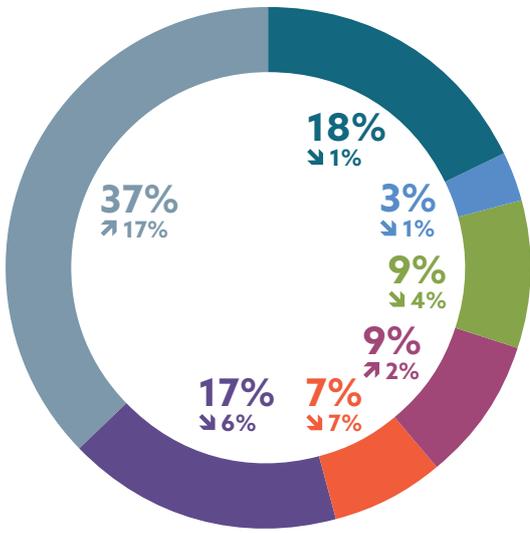
- Blockchain & FinTech
- Cyber, Data & Privacy
- Energy & Infrastructure
- Health
- Marketplaces
- SaaS & Platforms
- DeepTech

* Representative weighting of transactions—not reflective of actual number of transactions completed.

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Deal Term Review 2025–26

Venture Financings (excludes convertibles)



- Blockchain & FinTech
- Cyber, Data & Privacy
- Energy & Infrastructure
- Health
- Marketplaces
- SaaS & Platforms
- DeepTech

Venture financings only (excludes convertible financings)

Sectors

DeepTech: A defining feature of 2025 was the sharp increase in exposure to breakthrough technologies. DeepTech significantly increased its share of our financings to **37%** in 2025 (up 17%), outpacing SaaS to take the top spot and underscoring its central role in the current investment cycle. This surge aligns with investment patterns observed across the European venture ecosystem, where DeepTech—particularly AI, machine learning, and advanced compute technologies—has taken a larger slice of VC funding, capturing record capital flows, and reshaping investor priorities.

SaaS & Platforms: By contrast, the share of financings allocated to SaaS & Platforms declined to **17%**, representing a 6% decrease from 2024. While software remains a foundational pillar of European venture investment, the decrease reflects a broader market rotation away from undifferentiated or growth-at-all-costs SaaS models toward businesses with deeper technological moats and clearer AI leverage.

Blockchain & FinTech: Following a period of recovery in 2024, activity across Blockchain and FinTech stabilized in 2025, with the sector representing **18%** of our portfolio, down 1% year-on-year. This modest decline is consistent with broader European trends, where FinTech remains one of the continent's most established venture sectors but is increasingly characterized by selective capital deployment and longer holding periods.

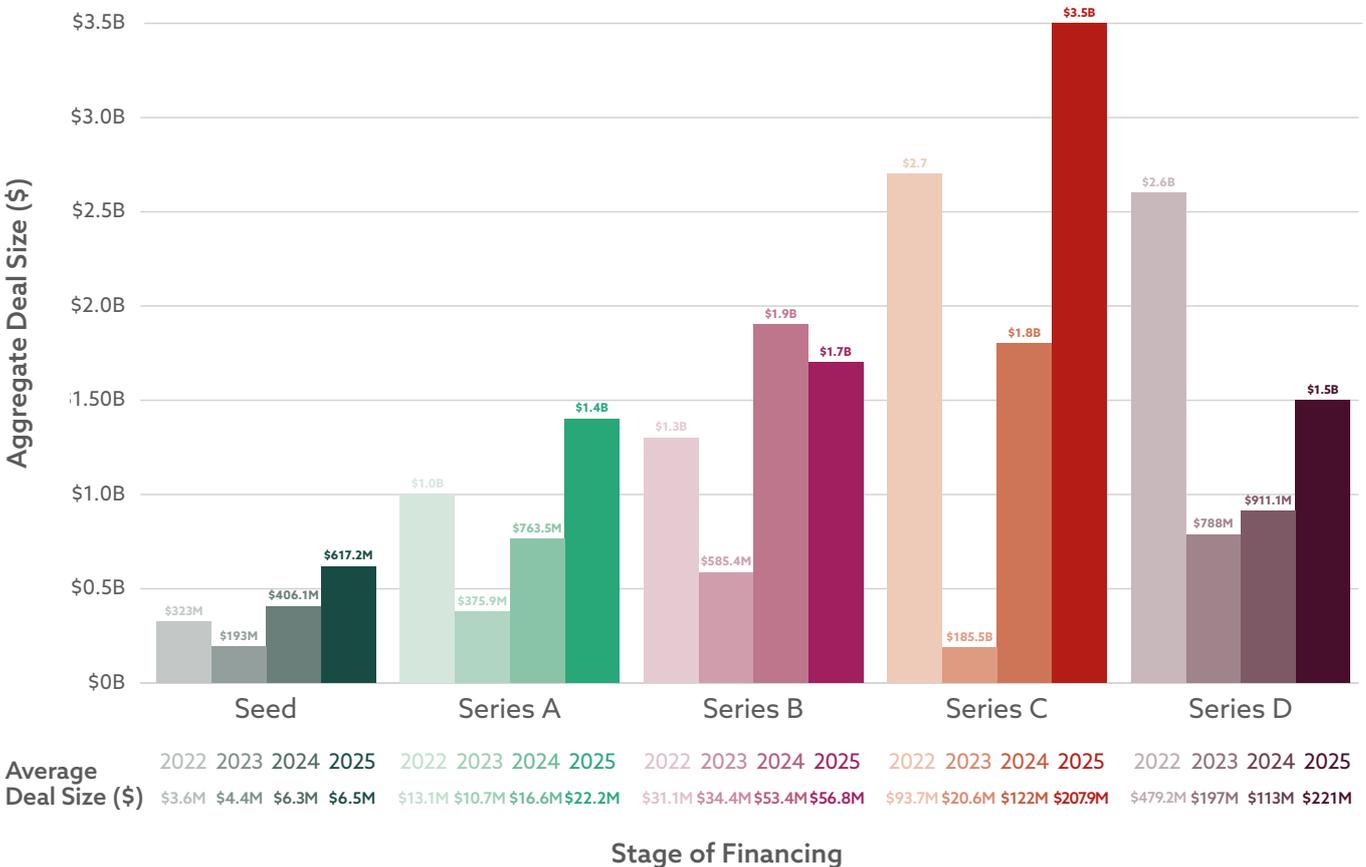
Health: Against a more cautious funding backdrop, health-focused investments increased their share of activity to **9%**, a 2% rise from 2024. This growth aligns with broader European VC data showing renewed momentum across health tech and life sciences, particularly in areas where AI and data analytics are improving clinical efficiency, diagnostics, and drug discovery.

1 Deal Term Review 2025-26

Venture Financings (excludes convertibles)

Rounds by Aggregate Deal Value

- ▶ Following the Series A surge in 2024, the market rebalanced in 2025 as capital shifted decisively towards growth-stage rounds. **Series C** emerged as the dominant stage, with aggregate deal value reaching **\$3.5B**, comfortably the largest concentration of capital across all stages. **Series B** followed with **\$1.7B**, as investors demonstrated renewed appetite for scaling capital after recent years of restraint.
- ▶ **Seed** rounds totalled **\$617.2M**, a strong foundation that bodes well for Series A activity in 2026 and beyond.

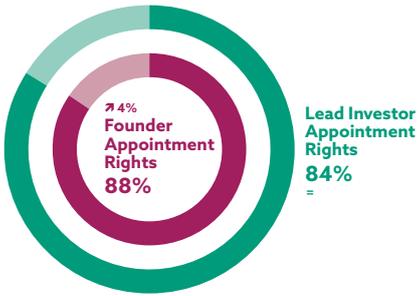


1 Deal Term Review 2025-26

Venture Financings (excludes convertibles)

This section looks at the specific deal terms across venture financings, including rights, preferences, and protections for companies, founders, and investors.

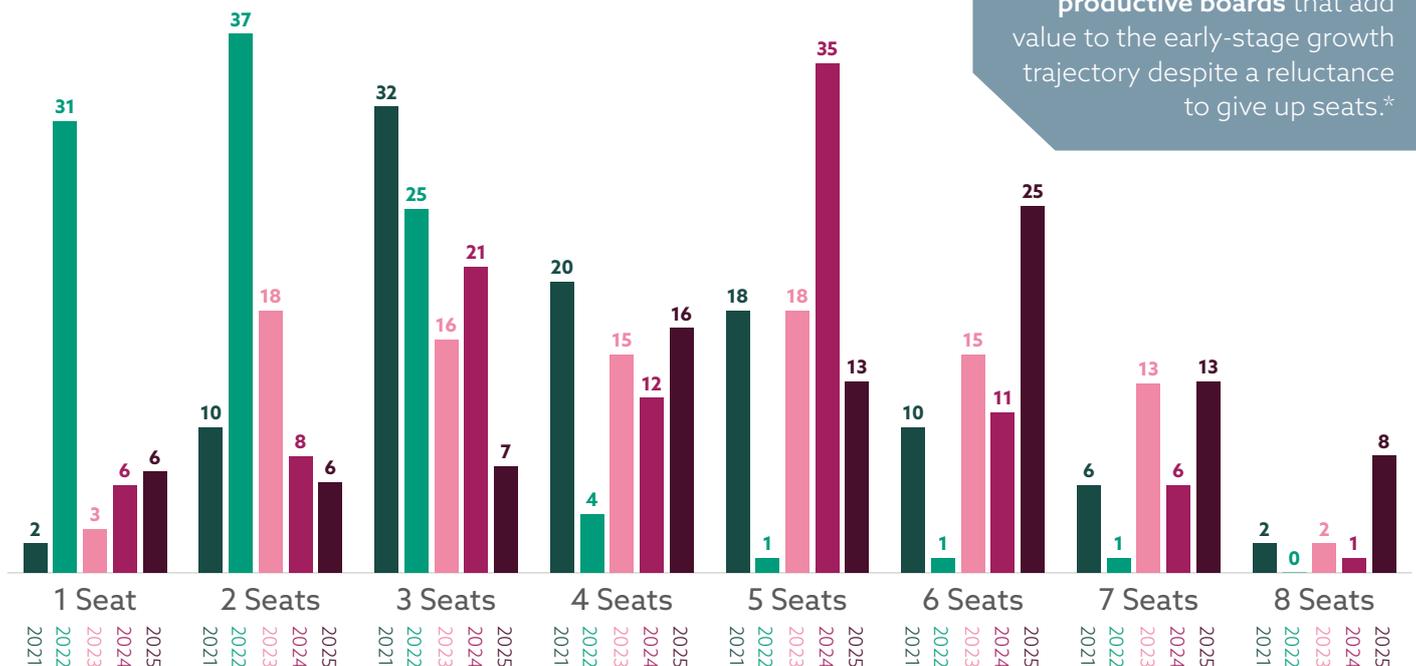
Board Rights



% of deals including Founder and/or Lead Investor board appointment rights.

- ▶ In 2025, founders continued to secure an average of two board seats, consistent with prior years and reflecting the **enduring importance of founder representation in boardroom decision-making**. This held true across financing stages, underscoring that investors continue to value founder input as companies scale.
- ▶ Investor appetite for board observer seats softened slightly, with **53% of deals including observer rights** (down from **56%** in 2024). This modest decline may signal a market recalibration, as investors balance oversight ambitions against founder pushback on crowded boards.
- ▶ Investors seeking **both a director appointment and an observer right** also fell to **46%** of deals (down from **53%** in 2024), suggesting that founders are increasingly successful in resisting dual-appointment structures, particularly at earlier stages.
- ▶ On the whole, investors remained vigilant in protecting their governance position, lead investor board appointment rights held steady at **84%**, and later-stage rounds continued to see investors push for additional seats as new capital enters the cap table.

Number of Board Seats



In the UK, companies remain focused on keeping **nimble and productive boards** that add value to the early-stage growth trajectory despite a reluctance to give up seats.*

* Diving into this European data, we note that unlike UK Boards, in Continental Europe the concept of a Board tends to refer to an advisory (purely supervisory) body, which tends to be bigger, usually 3-5 voting members up until Series B and potentially even bigger beyond with the founders often losing the majority on the advisory board around that time as well. In the UK, advisory boards are unusual, so references to the "Board" are to a governing (decision-making) Board, which Founders are keen to keep nimble.

1 Deal Term Review 2025-26

Venture Financings (excludes convertibles)

Preferences, Protections, and Rights

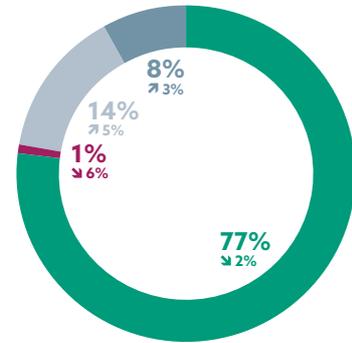
Liquidation Preferences

- ▶ The **1x non-participating liquidation preference** remained the market standard in 2025, featuring in **77%** of financings, broadly in line with 2024 (79%). This consistency underscores that investor-friendly alternatives trialled during more volatile years have largely fallen away as the market matures and returns to a new norm.
- ▶ Notably, **participating liquidation preferences** virtually disappeared in 2025, dropping from 7% to just **1%** of transactions as stability returned to the market.
- ▶ As early-stage deal flow increased, so too did the percentage of financing rounds with **no liquidation preference** (typically being those earlier-stage rounds) rising from **9%** to **14%**.
- ▶ Of the transactions that did have a liquidation preference (being 86% of all transactions), **virtually none** included a participating liquidation preference, while **8%** featured alternative constructs—up 3% from 2024, suggesting pockets of bespoke structuring in more complex deals.

Anti-Dilution Price Protection

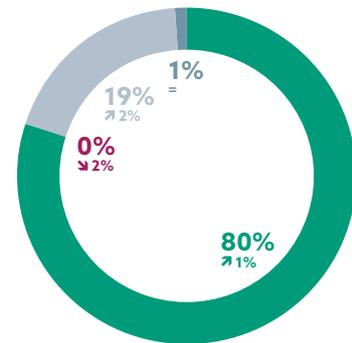
- ▶ **Broad-based weighted average anti-dilution protection**, remained the near-universal standard in 2025, appearing in **80%** of all financings.
- ▶ **Full ratchet provisions disappeared entirely** from our 2025 deal flow, down from **2%** in 2024.
- ▶ **Financings with no anti-dilution protection** edged up slightly to **19%** (from 17% in 2024), driven by the uptick in Seed activity where such protections are less customary and later-stage financings where anti-dilution protection falls away as a result of the maturity of the companies involved.
- ▶ **Almost all** transactions which included any anti-dilution protection in 2025 still used the **traditional broad-based weighted average**; the narrow-based variant and other structures remained marginal at best.

Liquidation Preferences



1x Non-participating
1x Participating
None
Other

Anti-Dilution Protection

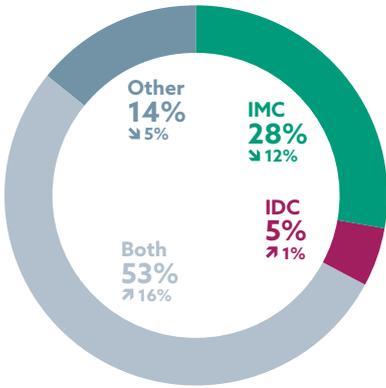


Broad-based Weighted Average
Full Ratchet
None
Other

1 Deal Term Review 2025-26

Venture Financings (excludes convertibles)

Rights

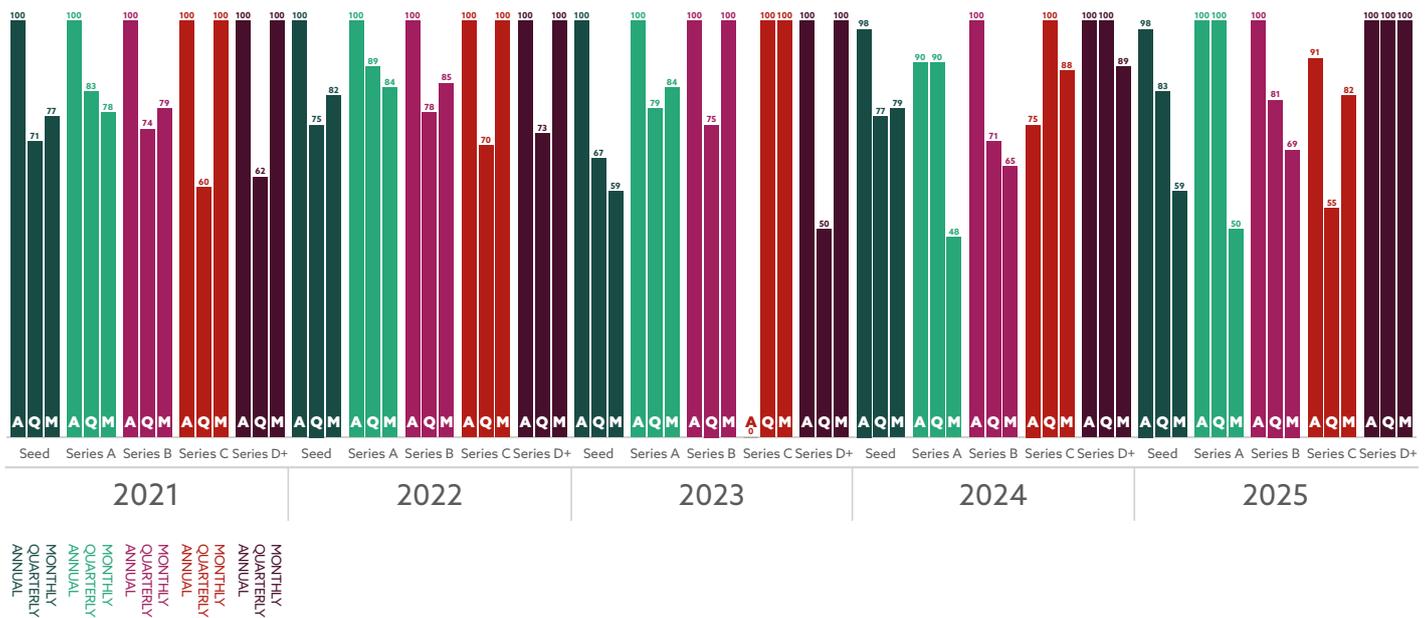


Rights

- ▶ Overall, **92%** of deals included **consent rights** (virtually unchanged from 2024 (91%)) and of those transactions that had a consent regime: investor majority consent (IMC) only (**28%**), investor director consent (IDC) only (**5%**), both (**53%**) and other (**14%**).
- ▶ The shift towards combined IMC and IDC structures (up from 37% in 2024) suggests investors are seeking multiple layers of governance protection.
- ▶ **Drag-along provisions** held steady, appearing in **93%** of European deals. Thresholds remained elevated: over half of transactions required **50%+** approval, with nearly a quarter set at **75% or above**. Founders clawed back some ground at Seed stage, with **43% of early-stage deals including a founder veto**, up from 30% in 2024.

Information Rights

% of total deals in each round



- ▶ Information rights remained a staple across our 2025 deal flow. Annual reporting featured in virtually all transactions, while quarterly and monthly reporting appeared in the majority of deals. As expected, reporting frequency increased with company maturity: monthly information rights featured in 100% of Series D+ deals but just 59% at Seed stage, a sensible calibration that balances investor oversight with founder bandwidth.

1 Deal Term Review 2025–26

Venture Financings (excludes convertibles)

ESG

- ▶ ESG provisions continued their upward trajectory in 2025, now featuring in **56%** of transactions, up from **39%** in 2024 and **31%** in 2023. This increase reflects the growing expectation among European institutional investors that portfolio companies track and report on ESG metrics, whether driven by fund mandates or regulatory requirements.
- ▶ Adoption scaled with company maturity: **75%** of Series D+ deals and **70%** of Series C deals included ESG provisions, compared to **51%** at Seed stage.
- ▶ The continued strength of the **ClimateTech** sector (which represented **10%** of our venture financings) has further accelerated this trend, as climate-focused and impact-conscious funds bring ESG expectations as standard.

Option Pool

- ▶ After dipping below **40%** in 2023, the proportion of financings featuring an option pool top-up has climbed steadily, reaching **57%** in 2024 and **65%** in 2025. This three-year recovery underscores a renewed emphasis on talent acquisition as market sentiment has improved, with companies at every stage once again prioritising team growth in their fundraising plans.
- ▶ Where a top-up is agreed, it is overwhelmingly carved out of the pre-money valuation, **82%** of the time in 2025, up marginally from **79%** the prior year. The practice, which shields incoming investors from bearing the dilutive cost of the expanded pool, is now so well established that it functions as a default market position.
- ▶ In 2025, **67%** of transactions settled on an **unallocated option pool** of **5–10%** post-completion. The dominance of the **5–10%** bracket has held steady since 2022, when the outsized pools of the 2021 boom gave way to more measured equity budgets. That said, the small but meaningful share of pools above **10%** hints at a growing appetite among some companies, particularly at later-stages, to reserve deeper equity capacity for future hires.
- ▶ Looking at the stage-level breakdown, later-round companies were the most likely to include a top-up in 2025. Nearly **73%** of Series C rounds and **69%** of Series B rounds featured one, outpacing Pre-Seed and Seed (**66%**) and Series A (**58%**). The picture that emerges is one of growth-stage founders investing confidently in their teams, a marked departure from the belt-tightening that defined the 2023 cycle.

Warranties

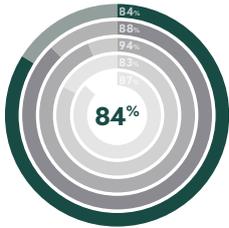
- ▶ In the **UK**, the market was unchanged on **founder-backed warranties in 2025**, with just **29%** of deals including them (unchanged from 2024). Despite the updated UK Private Capital model forms advocating for company-only warranties (with proper disclosure), investors continued to push for founder backing in a meaningful minority of deals, particularly at Pre-Seed/Seed level where we saw founder-backed warranties in **39%** of deals.
- ▶ **Germany** told a different story. Founder-backed warranties featured in **84%**. The cultural divide between the two markets remains stark, though adoption dropped at Series C (**25%**) as institutional investors with more standardized processes entered the cap table.
- ▶ Our view remains unchanged: the rationale for founder-backed warranties is largely flawed and runs counter to established best practice. A robust disclosure process, properly conducted, should give investors the comfort they need without requiring founders to assume personal liability.

1 Deal Term Review 2025-26 Venture Financings (excludes convertibles)

Five-Year Look Back

Seed

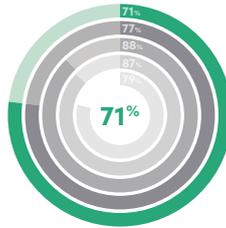
LIQUIDATION PREFERENCES



10% did not have a liquidation preference, of those that did have a preference, 2% 1x participating preference, and 84% 1x non-participating.

Series A

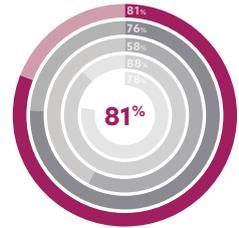
LIQUIDATION PREFERENCES



17% did not have a liquidation preference, of those that did have a preference, 71% 1x non-participating.

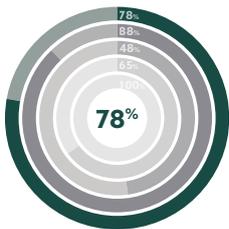
Series B

LIQUIDATION PREFERENCES



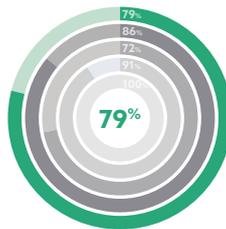
13% did not have a liquidation preference, of those that did have a preference, 81% 1x non-participating.

ANTI-DILUTION PROTECTIONS



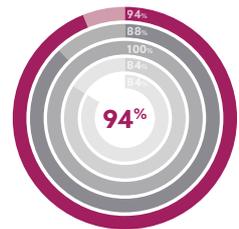
22% had no anti-dilution (AD) protection, 78% broad-based AD protection.

ANTI-DILUTION PROTECTIONS



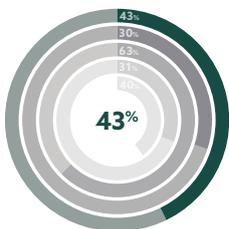
17% had no AD protection, 79% broad-based AD protection, and 4% included narrow-based anti-dilution protection.

ANTI-DILUTION PROTECTIONS



6% had no AD protection, 94% included broad-based anti-dilution protection.

DRAG-ALONG RIGHTS



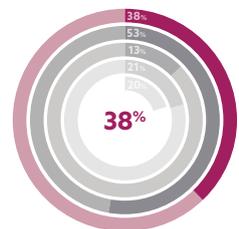
43% of deals where the drag-along threshold includes a founder veto.

DRAG-ALONG RIGHTS



50% of deals where the drag-along threshold includes a founder veto.

DRAG-ALONG RIGHTS



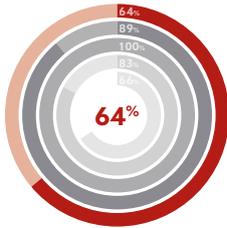
38% of deals where the drag-along threshold includes a founder veto.

1 Deal Term Review 2025-26 Venture Financings (excludes convertibles)

Five-Year Look Back

Series C

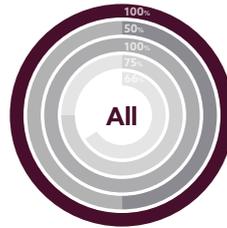
LIQUIDATION PREFERENCES



27% did not have a liquidation preference, of those that did have a preference, 64% 1x non-participating.

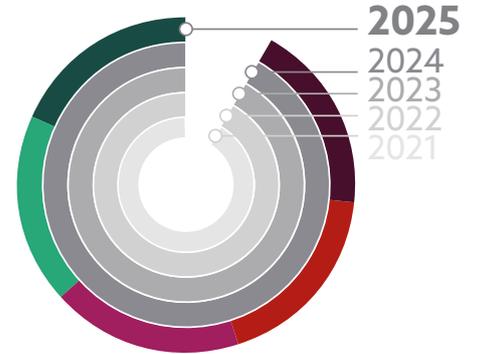
Series D and Beyond

LIQUIDATION PREFERENCES

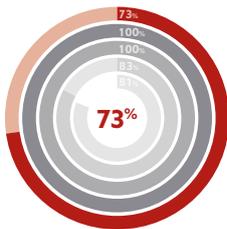


At Series D and beyond, the 1x non-participating structure held firm as the market standard, featuring in 100% of deals, albeit from a small sample size at the latest stages.

Key

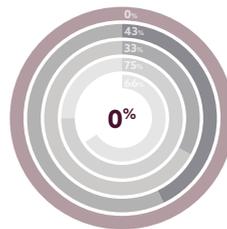


ANTI-DILUTION PROTECTIONS



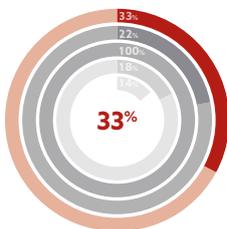
18% had no anti-dilution protection, 73% included broad-based AD protection, and 9% included other anti-dilution protection.

ANTI-DILUTION PROTECTIONS



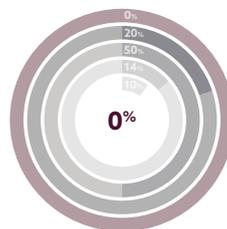
As expected, anti-dilution protection fell away in Series D+ transactions marking the respective maturity of the companies involved.

DRAG-ALONG RIGHTS



33% of deals where the drag-along threshold includes a founder veto.

DRAG-ALONG RIGHTS



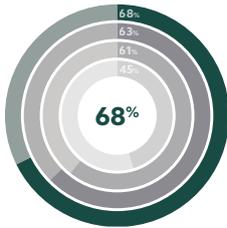
Founder veto rights predictably declined at later stages. At Series D and beyond, limited deal flow makes it difficult to draw firm conclusions, though the absence of founder vetoes in our sample is consistent with the general expectation that founder protections dilute as cap tables mature.

1 Deal Term Review 2025–26 Venture Financings (excludes convertibles)

Four-Year Look Back

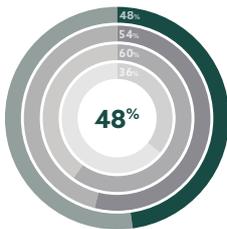
Seed

BOARD OF DIRECTORS



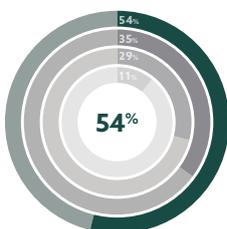
Board structures remained lean at Seed stage, with **68%** of deals featuring between **2 and 5** members.

OBSERVER RIGHTS



48% of lead investors secured an observer right at Seed stage—a slight dip from **54%** in 2024. Where observer rights were granted, they sat alongside a director appointment right in **40%** of transactions, with almost all deals featuring between **1 and 4** observers.

ESG



ESG provisions reached a tipping point at Seed stage in 2025, featuring in **54%** of deals—up sharply from **35%** in 2024 and just **11%** in 2022. This surge reflects the growing expectation that ESG commitments are baked in from day one, rather than bolted on at later stages.

Series A

BOARD OF DIRECTORS



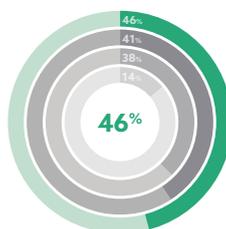
Boards began to expand at Series A, ranging from **1 to 8** seats, with over **62%** of deals settling between **4 and 8** members.

OBSERVER RIGHTS



Observer rights featured in **50%** of Series A deals, with **46%** of transactions granting investors both a director seat and observer rights. As institutional investors enter the cap table, the desire for visibility beyond formal board participation becomes more pronounced.

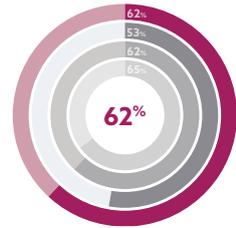
ESG



46% of Series A deals included ESG undertakings—a modest uptick from **41%** in 2024. Steady year-on-year growth suggests ESG is becoming embedded in standard institutional due diligence.

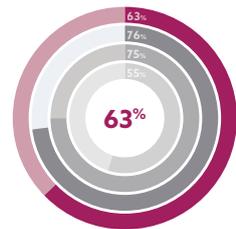
Series B

BOARD OF DIRECTORS



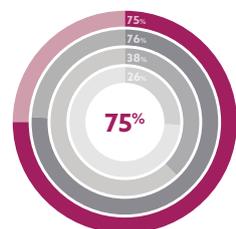
Series B saw the widest range in board composition, spanning **1 to 11** seats, though over **62%** of deals clustered between **4 and 6** members.

OBSERVER RIGHTS



At Series B, observer rights climbed to **63%** of deals, sitting alongside director appointment rights in **56%** of transactions. This uptick reflects the growing complexity of investor syndicates at growth stage, with earlier-round investors often transitioning to observer status as new leads take board seats.

ESG



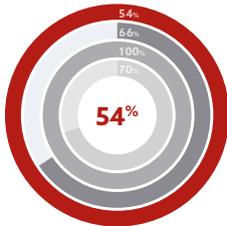
Series B remained the high-water mark for ESG adoption, with **75%** of deals including ESG provisions—virtually unchanged from **76%** in 2024. At this stage, institutional investors with formal ESG mandates dominate, making such undertakings a near-standard feature of growth-stage term sheets.

1 Deal Term Review 2025-26 Venture Financings (excludes convertibles)

Four-Year Look Back

Series C

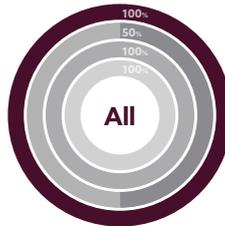
BOARD OF DIRECTORS



Boards continued to grow at Series C, with over **54%** of deals featuring more than **5** members.

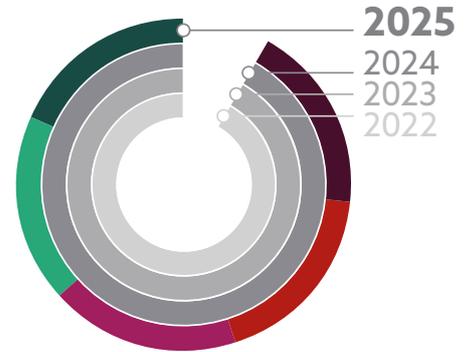
Series D and Beyond

BOARD OF DIRECTORS

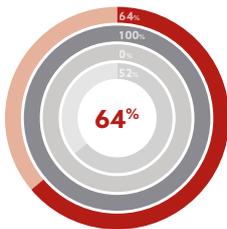


At Series D and beyond, **100%** of deals featured boards of **5** members, reflecting the later-stage maturity of these companies and the presence of multiple institutional investors.

Key

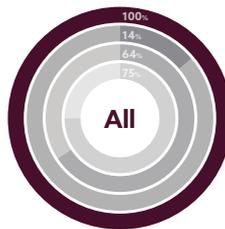


OBSERVER RIGHTS



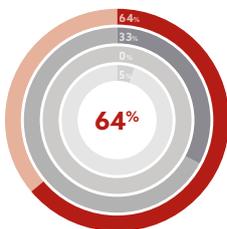
64% of Series C deals included observer rights, with **55%** granting both director and observer appointments. As cap tables mature and governance structures formalize, observers provide a mechanism for investors to maintain visibility without further expanding an already sizeable board.

OBSERVER RIGHTS



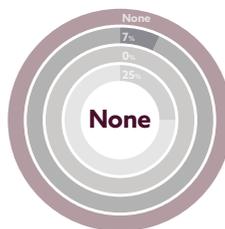
100% of lead investors had an observer right, such right sitting alongside director appointment rights in all transactions.

ESG



ESG provisions featured in **64%** of Series C deals—nearly double the **33%** recorded in 2024. This sharp rebound suggests that later-stage investors are increasingly aligning with the ESG expectations set at earlier rounds, ensuring consistency across the cap table as companies approach exit readiness.

ESG



None of the Series D+ deals included ESG provisions, reflecting the fact that ESG frameworks are often already embedded in company operations by this stage, reducing the need for specific contractual undertakings.

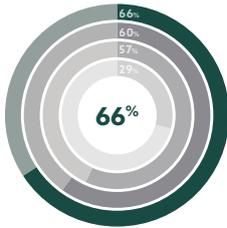
1 Deal Term Review 2025–26

Venture Financings (excludes convertibles)

Four-Year Look Back

Seed

OPTION POOL



66% of these deals had a top-up to the option pool as part of the transaction, continuing a steady upward trend as the market recognizes the importance of ensuring adequate equity headroom from the earliest stages.

Series A

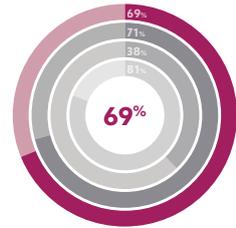
OPTION POOL



58% of Series A deals included an option pool top-up—a dip from **73%** in 2024. This moderation may reflect the larger pools already established at Seed stage, reducing the need for further expansion.

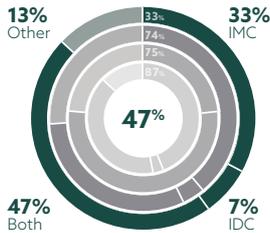
Series B

OPTION POOL



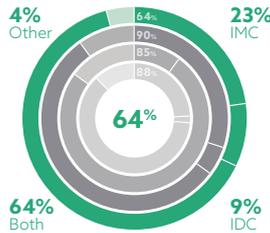
69% of these deals had a top-up to the option pool as part of the transaction, broadly in line with 2024 as companies at this stage in the life cycle are typically scaling teams significantly.

CONSENT RIGHTS



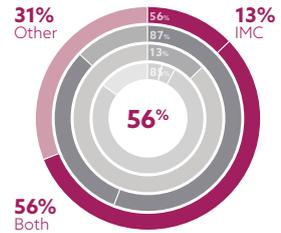
47% of deals included both IMC and IDC, with **33%** featuring IMC only. The preference for dual consent structures even at the earliest stages suggests investors are prioritizing layered governance protections from the outset.

CONSENT RIGHTS



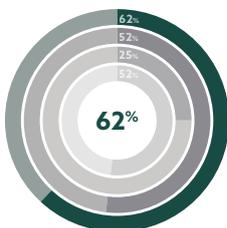
Dual consent structures peaked at Series A, with **64%** of deals including both IMC and IDC—up from **55%** in 2024. Just **23%** relied on IMC only, as institutional investors increasingly seek board-level as well as shareholder-level oversight.

CONSENT RIGHTS



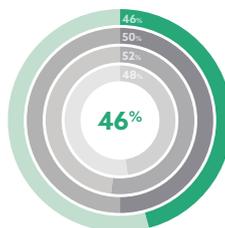
56% of deals featured both IMC and IDC, while **31%** included alternative structures—the highest proportion of bespoke arrangements across all stages, reflecting the complexity of cap tables at this point in a company's growth.

WARRANTIES



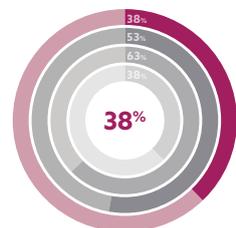
Founders stood behind the warranties in **62%** of deals, the highest rate across all stages. At the earliest stages, where company track records are limited and disclosure is necessarily thin, investors often seek the additional comfort of founder backing.

WARRANTIES



Founders stood behind the warranties in **46%** of deals, as companies mature and disclosure processes become more robust, the case for company-only warranties strengthens, though a significant minority of investors continue to require founder support.

WARRANTIES



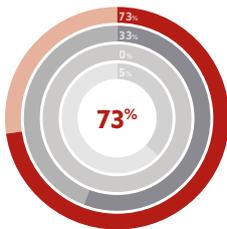
Founders stood behind the warranties in **38%** of deals, by this stage, institutional investors with standardized processes are more comfortable relying on comprehensive disclosure and company-only warranty packages.

1 Deal Term Review 2025-26 Venture Financings (excludes convertibles)

Four-Year Look Back

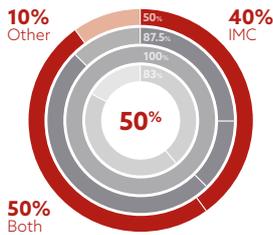
Series C

OPTION POOL



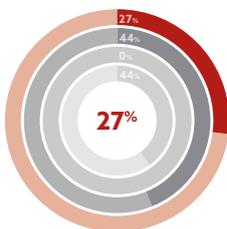
73% of these deals had a top-up to the option pool as part of the transaction, as companies gear up for potential exits, ensuring sufficient equity capacity for executive hires, retention schemes, and pre-IPO grants become a priority for both founders and investors.

CONSENT RIGHTS



Consent structures were more evenly split at Series C: **50%** dual consent, **40%** IMC only. The higher reliance on IMC alone may reflect investors' comfort with board representation secured through other mechanisms at later stages.

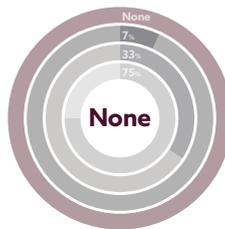
WARRANTIES



Founders stood behind the warranties in **27%** of deals, reflecting the growing market practice in later-stage deals.

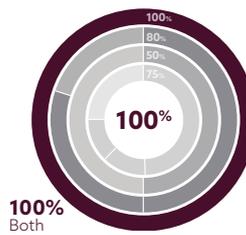
Series D and Beyond

OPTION POOL



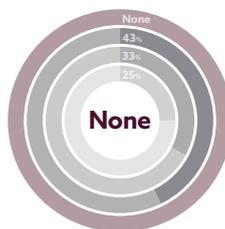
None of the Series D+ deals included an option pool top up. By Series D, pools are often already sized to accommodate exit-related grants, reducing the need for further expansion. Alternatively, later-stage investors may prefer to address equity incentives through separate compensation arrangements rather than cap table adjustments.

CONSENT RIGHTS



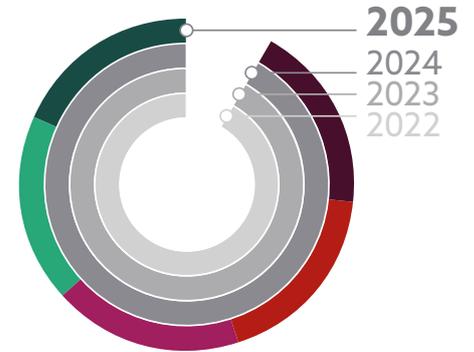
100% of deals included both IMC and IDC. This is consistent with expectations at Series D+, where complex cap tables, multiple investor classes, and proximity to exit make layered governance protections the norm.

WARRANTIES



As expected, founders did not stand behind the warranties in any Series D+ deals.

Key



2 Deal Term Review 2025-26

Venture Debt

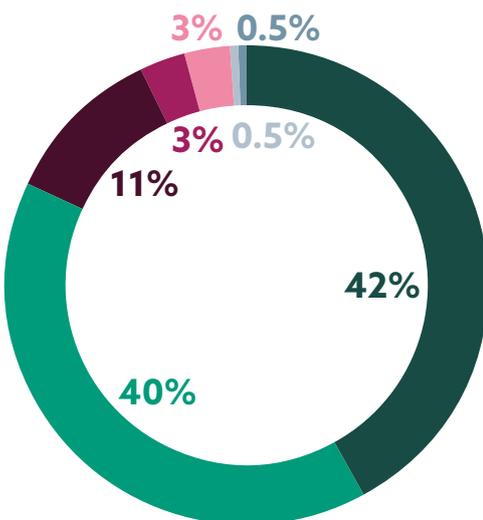
This data looks at our closed 2025 venture debt financings. As a quick reminder, venture debt will not typically rely on the revenue of the business or the working capital assets of the borrower, but instead is traditionally aligned with the equity of the borrower and relies on equity capital to fund the continued growth of the company and to service debt repayments.

Trends

- ▶ Orrick’s cross-border venture debt practice has seen a **significant increase in the volume, size, and value of venture debt deals** in 2025, following a recovery in the venture debt market in 2024 which followed a dip in the venture debt market in 2023. In 2025, Orrick advised on venture debt matters with an aggregate value of €718M.
- ▶ In 2025, we also saw **increased competition between lenders**, with new funds and banks breaking into the European market, including venture debt funds from the U.S. taking a leap across the pond as well as more traditional European banks dipping their toes into venture debt. This increased competition has also led borrowers to shop around and refinance existing venture debt in place in order to benefit from more advantageous terms. We predict this trend to continue in 2026.

By Sector

Leading sectors accessing venture debt in 2025 on which Orrick advised included aviation, advanced manufacturing, AI, energy, and financial services and FinTech.



- Aviation
- Advanced Manufacturing
- Artificial Intelligence
- Energy
- Financial Services and FinTech
- Social Media
- Logistics

Key Takeaways

- ▶ **Interest Rates.** There were no dramatic changes in pricing, as global and UK interest rates held steady between **10-13%** per annum. Interest rates on fixed-rate loans tended to be on the mid-high end of the expected spectrum. We have seen floating rate loans with a floor on loans, but the majority remain fixed-rate loans. Monthly interest periods remain the norm.
- ▶ **Fees.** Although a regular feature in venture debt financings, borrowers have heavily negotiated the arrangement, prepayment and end of loan fees. Although lenders have retained these concepts, we have seen a wider variation of fees applicable and with prepayment being ratcheted down over the life of the loan.
- ▶ **Board Observer Rights.** Board observer rights are now not unusual in the venture debt market. We have witnessed a number of borrowers rejecting this request at first instance, and in certain instances, borrowers have negotiated that board observer rights fall away when certain KPIs/milestones are met. This remained a heavily negotiated feature in venture debt.
- ▶ **Delayed Draw Loans.** We have seen an increase in delayed draw loans which are accessible by the borrower subject to certain extension conditions being met, generally linked to the financial performance of the borrower (e.g. debt to outstanding annual recurring revenue). Separately, we have also seen an increase in the extension of the interest-only period subject to certain conditions being met which are also linked to the financial performance of the borrower.

“Venture debt penetration in 2026 continues on a strong upward trajectory, even as equity markets recover unevenly. Deals getting done alongside equity rounds for strategic expansion use cases with DeepTech initiatives taking center stage. B2B enterprise software proving resilient despite negative press.”



Ross Ahlgren
Managing Director at
BlackRock Growth Debt

2 Deal Term Review 2025–26 Venture Debt

- ▶ **Minimum Cash Covenants.** Lenders are increasingly monitoring loans through minimum cash covenant and minimum cash runways, with a corresponding requirement to raise equity should the minimum cash covenant be breached. Venture debt providers also continue to remain very focused on any cash leakage outside of the security and guarantee net. However, a large majority of loans do not have any financial covenant.
- ▶ **Warrants.** Warrants continue to be a preferred approach among lenders, offering potential equity upside through participation in successful exits. Their complexity, nevertheless, means they can take time to negotiate: there is not yet a standardized form of warrant instrument, and lenders have developed their own individual approaches to warrant terms. The area that receives particular focus is, understandably, the determination of the “strike price”—the threshold above which lenders capture exit returns. The strike price would typically have been anchored to a proximate equity financing round, but lenders are increasingly looking to agree provisions for adjusting and repricing the strike price to lower amounts to maximize potential returns across various scenarios.



Contributing Partner

Mae Morter

Banking & Finance
London

“2025 was a strong year for debt funding in Europe, as companies took longer to exit and macro uncertainty increased steadily through the year. 2026 started similarly but the macro uncertainty has amped up in recent weeks. Most of this is not relevant to venture lenders. Even those BDCs whose stock prices have suffered in recent months are still investing in venture debt, and European closed end funds like us at Claret, and our core competitors, continue to lend actively.”



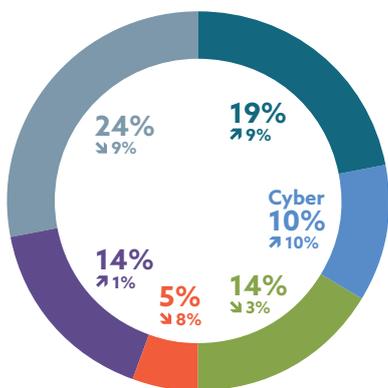
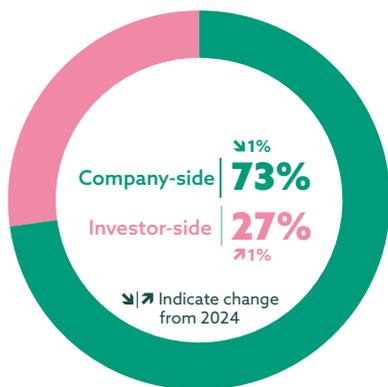
David Bateman

Managing Partner at
Claret Capital Partners

3 Deal Term Review 2025-26

SAFEs, ASAs, and Convertible Debt

Convertible securities such as SAFEs, ASAs, and CLNs remained prevalent throughout 2025. They became increasingly common as a result of market uncertainty throughout 2022 and 2023. However (as referenced in our spotlight section) they have now found an increased utility in the world of extensions. With valuations being steadier and companies being required to demonstrate more sustainable growth before their next priced round, we saw companies use alternative forms of convertible instruments to provide short-term capital as they continued to scale.



- Blockchain & FinTech
- Cyber, Data & Privacy
- Energy & Infrastructure
- Health
- Marketplaces
- SaaS & Platforms
- DeepTech

Aggregate Number of Convertible Financing Deals

- ▶ In 2022 and again in 2023, we saw a **notable increase in the number of convertible financings** from 2021. While convertible financings in 2022 represented **17%** of the financing rounds in our portfolio, this percentage increased further (to **23%**) in 2023 and a small increase again (to **33%**) in 2024. In 2025, convertible financings settled at **c. 30%** of financing rounds across our portfolio, structured as simple agreements for future equity (SAFEs), advance subscription agreements (ASAs) and conventional convertible loan notes (CLNs).
- ▶ The continued prevalence of convertible instruments reflects:
 - the **ongoing difficulty in establishing valuations** for private companies in a changing economic and political global environment;
 - the **reluctance of VCs to deploy capital in financing new ventures** (rather than existing portfolio companies); and
 - convertible financings are quicker and cheaper to execute as compared to priced rounds, resulting in **faster access to capital for companies in a time of need**.
- ▶ Although we have seen the market begin to stabilize in 2025, some founders have stayed reluctant to agree to lower valuations for their businesses. As convertible financings bypass the need for fixed valuations, their **“popularity” has grown amongst founders and investors**, who have used this form of financing as a **bridge to their next equity financing round**. We have seen investors get more savvy with the valuation debate however—whilst valuation caps are quite common in the world of SAFEs and convertible loan notes, we are starting to see more and more of these being incorporated into ASA rounds of financing. With a degree of optimism, we hope this reflects predictions of higher valuations to follow.
- ▶ Whilst interest rates in traditional convertible debt remained relatively unchanged, we saw a more regular introduction of interest rates to ASA rounds of financing, representing approximately **35%** of ASA rounds closed.
- ▶ The increase in the proportion of convertible financings, coupled with the increase in the number of extension financing rounds by existing investors was a hallmark of the 2024 funding landscape, particularly for later-stage companies where new capital was not as readily available as for early-stage Series Seed companies, and this trend continued throughout 2025.

▶ This data looks at our closed 2025 financing rounds undertaken by startups and high-growth companies using alternative forms of convertible instruments. For the purposes of this section, we have grouped data relating to simple agreements for future equity (SAFEs), advance subscription agreements (ASAs), and conventional convertible loan notes (CLNs).

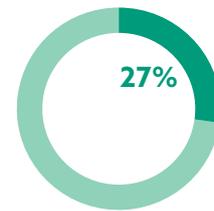
3 Deal Term Review 2025-26

SAFEs, ASAs, and Convertible Debt

Investor Protections

- ▶ 2025 also saw investors requesting rights, such as **pre-emption**, for the period prior to conversion, which would typically only be afforded to actual shareholders (**27%** of all convertible financings), as investors sought out some of the protections/rights they would have received as shareholders in a priced round given the increased use by founders of this form of financing. This remained mostly in the context of SAFE financings (as is more traditional in the U.S., following the Y Combinator standard forms), giving the investor the right to participate in the company's next equity financing round; however, we did see these concepts start to creep into ASA rounds of financing.
- ▶ The number of convertible financings that required **consent rights** stayed largely consistent at **15%**. Commonly thought of as an equity right, it makes sense that in a market of more company-friendly terms, convertible investors have not traditionally obtained consent rights on their convertible investment. This might also reflect that, when more existing investors utilize convertible instruments in the context of extensions, they already have access to a sufficient consent regime through their existing holding. Much the same can be said for **information rights**; **41%** of deals in convertible instruments saw investors requiring detailed oversight of company performance.
- ▶ **Less than 10% of deals** involved lenders getting **board appointment rights** (down from **19%** in 2024). This is reflective of **companies continuing to maintain nimble boards** to enable them to adapt and scale prior to larger rounds of financing.
- ▶ We continued to see big **discounts** being given on convertible financings, ranging between **10%-46%**, with the upper end being a noticeable uplift from prior years. On average, we found that discounts in ASAs are finally starting to be lower than the highs set from aggressive debt investments made in prior years.

Pre-emption Rights



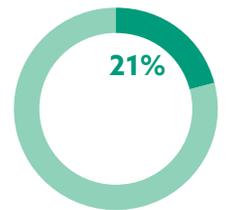
Director/Observer Appointment Rights



Interest Rates



Exit Premium



Consent Rights



Information Rights



4 Deal Term Review 2025–26

Employee Incentives in the UK: Market Analysis and Transatlantic Comparison

This report analyzes key trends in employee incentive structures across the UK venture capital and private equity ecosystem, drawing on recent deal activity and comparing UK practices with those in the U.S. It focuses on five areas: leaver provisions, option exercisability timing, performance conditions, vesting schedules, and growth share participation above the hurdle.

Our analysis is based on a review of **share option agreements**, growth share subscription agreements, articles of association, and related incentive documentation from recent London office transactions.

Leaver Provisions: Is the UK Shifting Towards a U.S. Approach?

Overview

A key question is whether UK leaver provisions are moving toward the U.S. model in incentives documents, where a “bad leaver” is increasingly defined narrowly as gross misconduct grounds only, and a “good leaver” covers anything else. This shift would be more favorable to employees and may reflect increased competition for talent.

UK Market Analysis

UK leaver definitions generally remain substantially more nuanced and employer-protective than the typical U.S. approach.

The majority of schemes in our sample (around **70%**) define “good leaver” narrowly with specific limited grounds, and “bad leaver” is the residual category capturing anyone who is not a good leaver. Only **18%** define “bad leaver” narrowly as strictly serious misconduct grounds, with good leaver as the residual category.

In structures where good leaver is positively defined (rather than being the residual category), companies consistently recognize a narrow set of circumstances as qualifying grounds, such as death, disability, and injury. **Redundancy features in roughly two-thirds** of structures. Notably, wrongful or **unfair dismissal** appears in only **one quarter** of schemes as a qualifying good leaver ground, suggesting that companies remain cautious about creating automatic good leaver status based on employment tribunal outcomes. The **inclusion of board discretion is almost always present**, providing companies with the flexibility to address unanticipated circumstances while preserving the default position.

Option Exercisability: Vesting vs. Exit-only

Overview

A major incentives scheme design choice is whether options can be exercised upon vesting (the typical U.S. approach) or only upon an exit event (a structure that has been common in UK VC-backed companies). Is the rise of secondary transactions in the UK market influencing a shift away from exit-only structures?

UK Market Analysis

Our analysis reveals **three distinct approaches to option exercisability timing**:

1. Some schemes in our sample followed the U.S. approach, allowing options to be **exercised once they vest** according to the vesting schedule, without any requirement that an exit event occur.
2. The **most common approach** is to permit options to become **exercisable both on vesting and on exit**—giving option holders flexibility to exercise once options vest according to the vesting schedule, while also providing for exercise rights upon exit events such as a change of control, IPO, or sale.
3. Only around **15%** of schemes required options to be exercised **only on exit**, indicating a trend towards greater flexibility in option exercisability.

4 Deal Term Review 2025–26

Employee Incentives in the UK: Market Analysis and Transatlantic Comparison

Performance Conditions on Options

Overview

Performance conditions on options represent a significant point of divergence between UK and U.S. practice. In the U.S., performance conditions on employee stock options are relatively rare, with time-based vesting being the norm. In the UK, particularly in VC-backed companies, performance conditions are at times more commonly applied.

UK Market Analysis

Performance conditions remain a meaningful feature of UK option grants, though they are far from universal, with the majority of UK option schemes in our sample using pure time-based vesting.

Where performance conditions are used, our data reveals that they typically fall into **three categories**:

1. **Personal performance conditions** which tie vesting to individual KPIs or performance reviews.
2. **Company performance conditions** which tie vesting to financial metrics such as EBITDA, revenue growth, or other corporate targets.
3. **Ratchet-based vesting** which ties option vesting to investor returns, typically measured by MOIC (Multiple on Invested Capital).

A key feature across schemes with performance conditions is the retention of board discretion to amend or waive performance conditions immediately prior to an exit event, ensuring that employees are not penalized by timing factors outside their control.

Vesting Schedules: Standards and Variations

Overview

The standard U.S. vesting structure of a four-year period, with **25%** vesting after a one-year cliff and monthly vesting thereafter, has long been the dominant model for venture-backed companies in the U.S. Historically, UK practice diverged from this model: annual vesting was more common, five-year schedules were typical, and performance-based vesting tied to investor returns was far more prevalent. The question for 2026 is whether UK practice has shifted towards the U.S. model, and what factors are driving that convergence.

UK Market Analysis

Our data confirms that the dominant vesting structure—appearing in approximately **70%** of our sample—is now the U.S.-style four-year vesting schedule with a one-year cliff. Under this structure, **25%** of the options or shares vest on the first anniversary of the vesting commencement date (the “cliff”), with the remaining **75%** vesting in equal monthly installments over the following 36 months. This structure has become the de facto standard for UK venture-backed technology companies. Five-year vesting schedules appear in approximately **15%** of schemes, typically backloaded towards the later years of service to retain management until exit.

Growth Shares: Participation Above the Hurdle

Overview

Growth shares are a distinctive feature of UK incentive structures, offering employees participation in value above a specified hurdle (typically set at or above the current company valuation). A key question is how growth shares participate above that hurdle, whether *pari passu* with ordinary shares, at a different ratio, or with multiple hurdles (ratchets).

UK Market Analysis

Pari passu participation above the hurdle is the **most common approach**, appearing in around **half of growth share structures** in our sample. Multiple hurdle (**ratchet**) structures are the **next most common approach**, where shares only participate in distributions to the extent that the company’s value exceeds the hurdles, and the participation percentage increases as each threshold is achieved. Fixed percentage pool structures are rarer, though we have seen examples of these in our data. This is a useful construct where investors wish to cap management’s participation at a defined percentage of overall returns while still providing meaningful incentive.



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5 Deal Term Review 2025-26 A View from Across the Pond



A Word from the U.S.

2025 highlighted substantial growth in deal value and an overall increase in the volume of venture financing, exit, and IPO market activity, creating positive momentum and optimism heading into 2026 for VC-backed companies, and expectations for continuing interest rate cuts that will help catalyze more investment activity:

- ▶ **AI startups** continued to **drive up deal sizes, valuations, and M&A exits** in 2025, accounting for approximately **65%** of deal value in the U.S. The trend looks to continue into 2026, although the sustainability of the increasingly high valuations being ascribed to new entrants in the market may be tested.
- ▶ **Megadeals** and **later-stage company financings** contributed to **record valuations in each quarter of 2025**, although **deal value concentration** remains a concern in light of data indicating that half of the total 2025 deal value flowed to 0.05% of deals.
- ▶ Despite overall **increases in investment activity** and **increased liquidity opportunities, down-round financing** and **recapitalization** trends from 2023 and 2024 continued into 2025.
- ▶ There was a **surge in secondary transaction activities**, which reached record levels. This trend is attributed to several factors, including broader market adoption of secondaries platforms and increased demand for liquidity opportunities for stakeholders in VC-backed companies that have seen limited exit activity over the past three years.
- ▶ 2025 featured an **increased number of IPOs**, although the overall count remains low relative to 2021 levels and with down-round IPOs becoming more normalized.
- ▶ **Exits increased in 2025**, largely driven by private M&A transactions with strategic acquirors (including VC-backed companies) acquiring startups for talent and tech. Despite the improvement in exit count and exit value, **liquidity gaps remain**, which continue to compound fundraising challenges for U.S. venture funds.
- ▶ Similar to recent years, many **early-stage companies continued to rely on Simple Agreements for Future Equity (SAFE) financings** and convertible note financings in lieu of priced rounds with set valuations. The standard form of Y Combinator “Post-Money” SAFE continues to be the market standard for SAFE financings.
- ▶ Similar to prior recent years, the number of **early-stage deals** (Pre-Seed to Series B) significantly **outnumbered** the number of financings for more **mature companies** (Series C to Series F+).



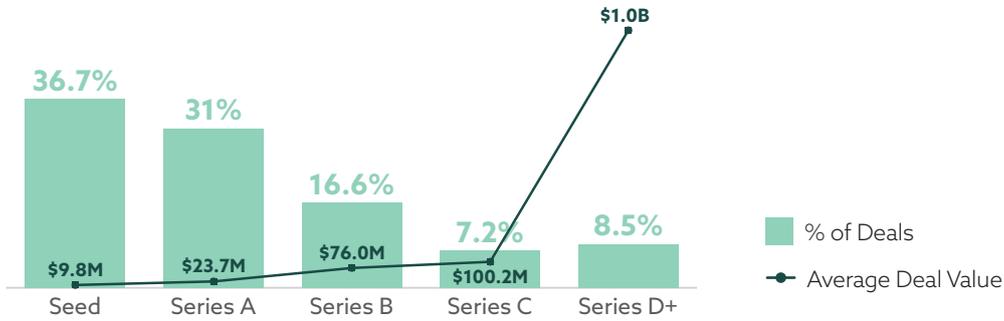
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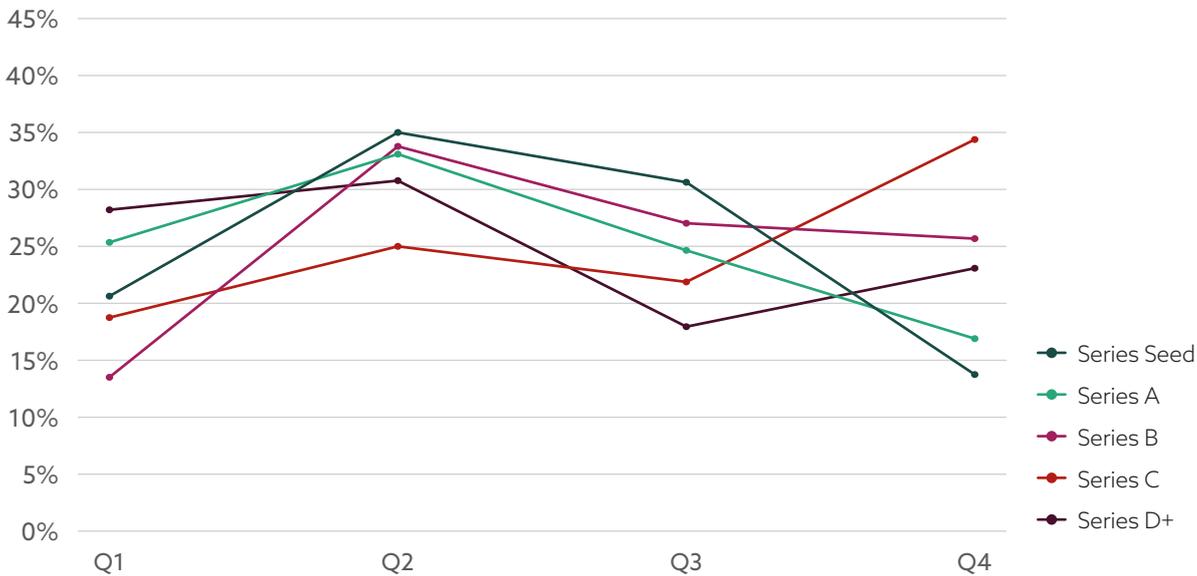
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5 Deal Term Review 2025-26 A View from Across the Pond

Average Deal Value of our 2025 U.S. Venture Financings by Series



2025 U.S. Venture Deal Activity by Series and Quarter



Predictions

- ▶ Expectations for **continued interest rate cuts** in the U.S. and other economic signals in the U.S. forecast an **increase in private financing deal count across all stages for technology companies** in 2026, with early-stage financing activity expected to continue to rebound.
- ▶ We predict **continued growth** of liquidity opportunities for investors, with **more IPOs and other exits** expected in 2026 relative to 2025.
- ▶ We expect **AI companies** to continue to **drive growth in venture market activity in 2026**.
- ▶ The U.S. government continues to signal the potential for new tariffs, which may create more uncertainty in global markets and crosswinds for investment activity into VC-backed companies, particularly those with international supply chains. Other macro drivers, including **increasing certainty around regulatory and enforcement priorities** and the persistence of world-class innovation ecosystems, will help offset tariff-related concerns.
- ▶ The impact of the **upcoming U.S. midterm elections in November** and the potential additional federal government shutdowns in the U.S. may create additional difficulties for business forecasting and investment.

6 Deal Term Review 2025–26 Predictions for 2026



UK

- ▶ Strong transactional appetite in the first half of 2026 is expected to continue, with an **increase in the number of U.S.-based investors** looking to deploy capital in key European markets, spurring **more funding rounds alongside an uptick in M&A activity**.
- ▶ After two years of elevated secondary activity, **the secondary market is expected to remain active but become more selective** in 2026. Investors have regained conviction in European growth trajectories—particularly across **AI, DeepTech, and ClimateTech**—reducing the pressure to sell positions at discount. Instead, secondaries are predicted to concentrate around liquidity solutions for older vintages, GP-led continuation vehicles, and targeted shareholder restructurings rather than broad-based portfolio clean-ups.
- ▶ The early-stage funding environment is set to remain healthy in 2026, but **later-stage capital will continue to be deployed cautiously**, reinforcing a bifurcated market. Companies without clear efficiency metrics, revenue quality, or scalable AI-enabled workflows may struggle to raise meaningful growth rounds. As a result, M&A activity and consolidation are expected to accelerate, driven by corporates seeking strategic technology assets, private equity firms hunting platform add-ons, and well-capitalized startups acquiring weaker competitors. For founders, this environment increases the likelihood of strategic exits earlier in the company lifecycle.
- ▶ Fundraising dynamics will continue to become more streamlined and data-driven in 2026, with **greater standardization across terms, diligence processes, and investor expectations**. Increasing maturity across the ecosystem—combined with better tooling, richer data visibility, and more sophisticated advisors—will reduce friction in both early and growth-stage raises. In a market that is increasingly global, founders who work with teams capable of navigating U.S., UK, and EU capital markets simultaneously will be best positioned to secure optimal terms and close rounds efficiently.



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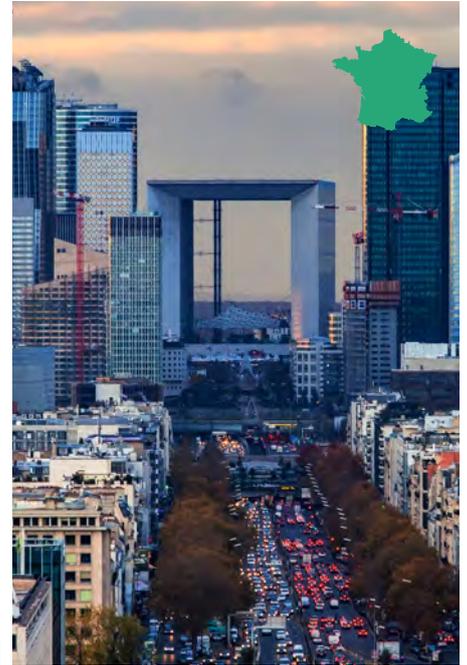
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France

- ▶ **A correction of the AI bubble** is widely viewed as a likely global scenario within the next two years, with direct implications for valuations in France. At the same time, AI is also expected to be the source of the next generation of French champions. Investment flows should remain strong in AI, quantum technologies, space, and industrial tech, reinforcing France's positioning in high-value, strategic segments. This momentum is underpinned by France's exceptional engineering talent pool, supported by globally recognized institutions such as École Polytechnique, ENS, CentraleSupélec, INRIA, and CNRS, which continue to feed the ecosystem with top-tier technical expertise.
- ▶ There is a growing **recognition of Europe's technological dependence**, driving the need to strengthen the internal market, rethink public procurement and competition rules, and address issues of economic sovereignty, particularly in **AI** and **DeepTech**. Geopolitical tensions, especially with the U.S., have accelerated a "sovereignty awakening." The objective is the development of a resilient, autonomous, and sustainable European tech economy, anchored in European value chains and supported by the emergence of European champions through consolidation.
- ▶ **One of the key challenges for 2026 will remain the exit environment**, with limited activity in both corporate M&A and IPO markets. A major liquidity event (€3B+) is widely anticipated, potentially involving companies such as Dataiku or Ledger, which would send a strong signal to both founders and investors and help re-energize exit pathways across the market. In response, **the French ecosystem is becoming increasingly proactive**. Initiatives such as "Je choisis la French Tech", launched by the French government, illustrate a clear ambition to accelerate exit pathways for startups, notably by strengthening connections with large corporate players and encouraging strategic acquisitions within Europe.
- ▶ **2026 is set to be a pivotal year for French Tech**. The ecosystem is moving beyond the era of easy money and rapid scaling toward a more robust, strategically aligned, and sovereign growth model.



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- ▶ If the **EU Inc. initiative** is prioritized and not watered down (the cautionary tales of the Societas Europaea Privata and resistance from German notaries and unions loom large), it could become a genuine catalyst for European startup scaling and help close the gap with the U.S. and the UK.
- ▶ For 2026, we anticipate more early-stage deals for startups tackling legacy industries built by “high-context founders”. In a world where AI has commoditized writing code, domain expertise, access to proprietary or continuously improving data as well as unique distribution advantages will win deals.
- ▶ As the AI arms race in the U.S. intensifies, we expect 2026 to bring **waves of consolidation and market exits**. This will likely drive a **surge in AI-focused M&A activity** in Germany, as global players seek to acquire both talent and access to valuable industry-specific data. The acquisition of Berlin-based Langfuse by ClickHouse in January 2026 is a harbinger of this trend. German AI talent remains relatively affordable, making German startups attractive targets.
- ▶ We anticipate a consolidation in the German early-stage investor landscape, with fewer but larger Seed funds dominating. Rising Seed valuations and longer timelines to liquidity will increase pressure on smaller funds, and many will struggle to raise new capital in the face of prolonged exit droughts and LP caution. Unless market conditions improve, we may see **early-stage funding gaps** emerge in 2026 and beyond, potentially challenging the next generation of German founders.



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6 Deal Term Review 2025–26 Predictions for 2026

Italy

- ▶ Total venture capital investment in Italy is projected to reach between **€1.4B** and **€1.7B** in 2026, driven by **rising interest from both domestic and international investors**.
- ▶ In 2026, **ongoing regulatory modernization**—including the proposed European “**28th Regime**”—is expected to simplify investment processes, provide tax incentives, and reduce legal fragmentation. These reforms are designed to remove barriers, foster investor confidence, and unlock greater deal flow across the Italian ecosystem.
- ▶ Investment activity will focus on high-growth segments such as **AI**, **SaaS**, **Life Sciences**, and **Smart Cities**, propelled by advancing technology and increasing demand for sustainable urban solutions.
- ▶ **Ecosystem development will remain a strategic priority**, with Italian tech organizations intensifying efforts to improve access to capital, mentorship, and collaboration. Active lobbying for policy changes and partnerships with government, industry, and international partners aim to create a more dynamic and supportive environment for startups.
- ▶ **Internationalization will be a key theme in 2026**, as Italy looks to attract a more diverse investor base and showcase local innovation at global forums—enhancing its competitive position in Europe.



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Sector Color Key

Sector Color Key Used Throughout This Report

- ▶ **Blockchain & FinTech** includes BaaS, Blockchain, Crypto, Digital Currency, InsurTech, and NFTs.
- ▶ **Cyber, Data & Privacy** includes Big Data, Compliance, Cybersecurity, Data Analytics, Data Centers, Data Privacy, IoT, and Risk Management.
- ▶ **DeepTech** includes AI & ML, AR, Communications, Image Recognition Technology, IT, QuantumTech, Semiconductors, SpaceTech, and VoiceTech.
- ▶ **Energy & Infrastructure** includes AgTech, Aviation, CleanTech, ClimateTech, Electric Vehicles, Mobility, Renewable Energy, Sustainability, Telecoms, TransportTech, and Utilities.
- ▶ **Health** includes Biopharmaceutical, BioTech, HealthTech, Life Sciences, and MedTech.
- ▶ **Marketplaces** includes E-Commerce, Fashion, Food & Drink, FoodTech, Media, Manufacturing, PetTech, and Retail.
- ▶ **SaaS & Platforms** includes Cloud-based Solutions, EdTech, Enterprise Software, Gaming, HR, MarTech, Online Hosting Platforms, PropTech, Real Estate, and Software.

Glossary

Anti-Dilution Protection	Provisions that protect investors from dilution in the event of future financing rounds at a lower valuation, often through mechanisms like weighted average or full ratchet.
ASA	An agreement where investors provide funds to a company in exchange for the right to receive shares in a future equity financing round.
Board	The group of individuals elected to represent shareholders and oversee the activities and direction of a company, including making major decisions and setting policies.
Board Rights	Rights granted to investors to appoint its own members to the company's board of directors, typically to ensure their interests are represented.
Bridge Round	A short-term financing round used to provide additional capital to a company between larger funding rounds, often through a convertible note or equity (often at the previous round's valuation).
Cap Table (Capitalization Table)	A detailed spreadsheet that outlines the ownership structure of a company as at a position in time, including the number of shares, class of shares, and the percentage ownership of each shareholder on both an issued and fully diluted basis.
Clawback	A provision that allows investors to claim back some or all of their investment under certain conditions.
Cliff	A period of time (typically 12 months) where, if a founder and/or employee subject to leaver provisions departs, then vesting will not apply such that they lose all of the shares subject to the leaver provisions.
Convertible	A type of financing instrument, such as a convertible note, that can be converted into equity at a later date, often in a future equity financing round.
Dilution	The reduction in ownership percentage of existing shareholders due to the issuance of new shares, often a concern for founders and early investors.
Down-round	A financing round in which the company raises capital at a lower valuation than in the previous round.
Drag-Along	A provision that allows majority shareholders to force minority shareholders to join in the sale of the company, ensuring that the sale can proceed smoothly.
Dry Powder	The amount of capital that venture capital firms or institutional investors have available to invest but have not yet deployed. It is often used to describe the financial capacity of investors to make new investments.
ESG	Criteria used to evaluate a company's commitment to sustainable and ethical practices, which is becoming increasingly important to investors and regulatory bodies.

Glossary

Exit Multiple	A measure of the return on investment, calculated by dividing the exit value (such as the sale price or IPO valuation) by the initial investment amount.
Floating Valuation	A valuation mechanism where the valuation of the company is not fixed but is determined based on certain criteria or milestones, often used to avoid down-rounds.
Follow-on	Additional investments made by existing investors in subsequent financing rounds, often to support the continued growth and development of the portfolio company it has invested in.
Founder Veto	A right that allows the founders to block certain decisions, even if they are approved by the majority of the board or shareholders. This is often included to protect the founders' vision and control over the company.
Information Rights	Rights granted to investors to receive regular updates on the company's financial status, business operations, and other key metrics, typically on an annual, monthly, and/or quarterly basis.
Internal Round	A financing round where the capital is raised primarily from existing investors rather than new investors.
Investor Director	A board member appointed by the lead investor or investor majority, typically to represent the interests of the investors in the portfolio company.
Investor Majority	A majority of the investors, often defined as those holding more than 50% of the shares or voting rights held by investors, who can make decisions on behalf of all investors.
IPO	The process of offering shares of a private company to the public in a new share issuance, allowing the company to raise capital from public investors.
Lead Investor	The primary investor in a financing round who often sets the terms of the investment and takes a more active role in the company, including board or observer representation.
Leaver Provisions	The provisions/mechanism by which some or all of the shares held by the founders and/or employees of the company are put "at risk" of clawback in the event they depart from the company in certain scenarios.
Liquidation Preference	The right of investors to receive their investment back (with a predetermined multiple) before other shareholders in the event of a liquidation, a sale, or the dissolution of the company.
Liquidity Event	An event that allows investors to convert their equity into cash, such as an IPO, an acquisition, or the sale of the company.
Milestone-based Conversion	A feature in convertible securities where the conversion into equity is triggered by the company achieving specific milestones, such as revenue targets or product development goals.

Glossary

Non-Qualified Financing	A financing event that does not meet the criteria of a qualified financing, often resulting in different conversion terms for convertible securities.
Observer	An individual appointed by investors to attend board meetings and receive board materials without having voting rights, providing oversight and insights.
Observer Rights	Rights granted to investors to appoint observers to the company's board, allowing them to monitor board activities without voting power.
Option Pool	A reserve of company shares set aside for future issuance of options to employees, advisors, and board members as part of their compensation and benefits.
Option Pool Top-up	An increase in the number of shares reserved for future issuance of options to employees, advisors, and board members typically to attract and retain talent without causing dilution to existing shareholders.
Pari Passu	A Latin term meaning "on equal footing," used to indicate that new shares issued in a financing round rank equally in all respects (including as to liquidation preferences and other economic rights) with existing shares of the same class or series, ensuring no preference is afforded to one holder over another by virtue of the timing of their investment.
Portfolio Company	A company that has received investment from a venture capital firm and/or institutional investor is part of the firm's or investor's investment portfolio.
Pre-Seed	The earliest stage of funding, typically provided to help a company develop its initial product and business model before seeking larger investments.
Protective Provisions	Specific rights granted to investors that require their approval for certain significant actions by the company, such as issuing new shares, selling the company, or changing the business plan. These rights are often included in a schedule to the investment agreements.
Qualified Financing	A future equity financing round that meets specific criteria set out in convertible notes, triggering the conversion of those securities into equity.
Redemption Premium	An additional amount paid to investors upon the redemption of their investment, often used as an incentive for providing capital in convertible debt agreements.
SAFE	A financing agreement that provides the investor with the right to purchase equity in the company at a future date, typically during the next equity financing round.

Glossary

Secondary	A transaction where existing shareholders sell their shares to new investors, providing liquidity to the sellers without raising new capital for the company. It is also a way for the company to restructure its cap table.
Seed	The initial round of funding (after Pre-Seed) used to support early-stage business activities before scaling operations.
Series A	The first significant round (after Seed) of venture capital financing, typically used to optimize product offerings and expand the user base.
Series B	The second round of financing (after Series A), often used to scale the business, expand market reach, and improve operational infrastructure.
Series C	The third round of financing (after Series B), typically used to prepare the company for an initial public offering (IPO) or to expand into new markets.
Series D	A later stage of financing (after Series C), often used to further scale the business, enhance market penetration, or support acquisitions.
Series D+	Any subsequent rounds of financing beyond Series D, used to continue scaling the business or preparing for an exit event.
Tag-Along	A provision that allows minority shareholders to join in the sale of shares by majority shareholders, ensuring they can participate in any liquidity event.
Valuation Cap	A ceiling on the valuation at which convertible securities (like SAFEs or convertible notes) will convert into equity. It protects early investors by ensuring they receive a favorable conversion rate if the company's valuation increases significantly.
Venture Debt	A type of debt financing provided to venture-backed companies, typically used to extend the runway between equity financing rounds.
Vesting	Where an agreed proportion of founder and/or employee shares (determined by a vesting schedule and the circumstances under which such founder and/or employee departs) become "safe" from clawback under the leaver provisions.
Warranties	Representations, promises, and assurances provided by the founders or the company regarding the state and general health of the business, often included in investment agreements to protect investors.

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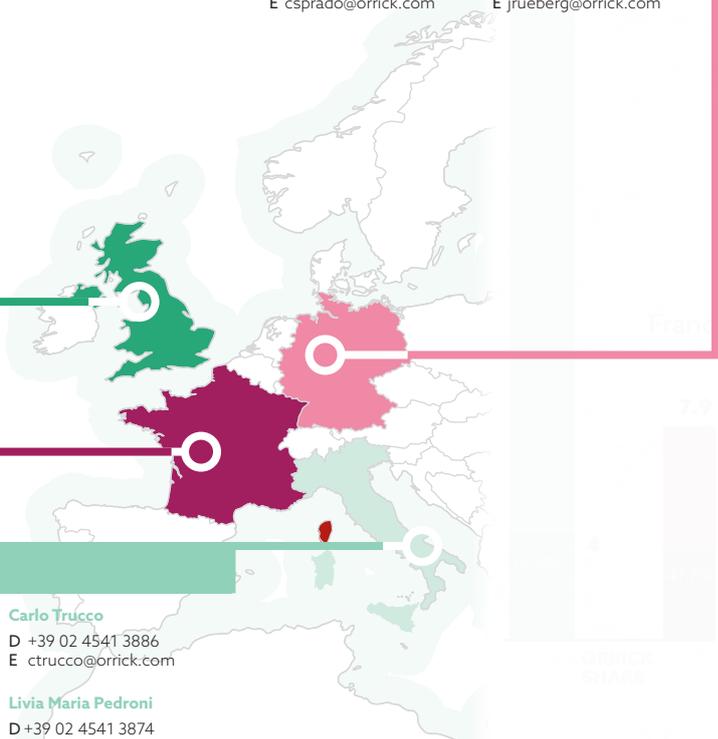
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We represent innovative companies and investors at all stages:

Over **5,000** high-growth tech companies globally

100+ unicorns

13 of the **25 largest public tech companies**

400+ investors in the tech ecosystem

In 2024 and 2025, we advised on **2,000+ VC financings** globally, valued at **\$120+B** for companies based in **60+ countries**.

Orrick is committed to helping tech companies innovate and succeed, offering commercial and legal insights for companies at all stages. Ranked No. 1 in Europe for venture capital by *PitchBook* for the past ten years, Orrick supports venture-backed companies, active funds, and public tech firms globally. Our focus spans four key sectors: Technology & Innovation, Energy & Infrastructure, Finance, and Life Sciences & HealthTech. With a presence in 25+ global markets, we specialize in high-value external growth transactions, flips, mergers and acquisitions, IPOs, direct listings, SPACs, and cross-border exits. We are innovating in service delivery, earning 120+ *Financial Times* Innovation awards for our client advice and the way we operate. We're focused on GenAI-adjacent practice, leveraging better data and processes, and partnering with our clients and the LegalTech community.

About Orrick

Market Leaders

Ten years at No.1 in European Venture Capital

For the tenth year in a row, Orrick is the No. 1 legal advisor to the European venture capital ecosystem, according to *PitchBook*. We are grateful to our clients for a decade of innovation together.

Over this past decade, 4 of Europe's 5 largest VC funds and 1,200+ venture-backed companies—including 20 unicorns—turned to us for their legal counsel. We've advised on 3,000+ VC deals in Europe, raising US\$94.2B, split evenly between company and investor side.



Tools & Resources

Orrick's Founder Series

Orrick's Founder Series is an essential resource for entrepreneurs in the UK and Italy who are navigating the complexities of starting and scaling a technology company. Founded by Jamie Moore, developed by members of Orrick's market-leading European venture capital practice—and supported by other practice specialists, this series offers a comprehensive guide to the key considerations at each stage of a company's lifecycle.

To complement its written guidance, Orrick's London technology team launched the Conversation Series in 2025, a curated collection of expert-led videos offering clear, actionable advice. Covering crucial topics such as company formation, financing, intellectual property, shareholder disputes, compliance and antitrust considerations, founder fallouts, and exit strategies, both series are packed with expert insights and practical tips. It helps both first-time founders and seasoned entrepreneurs make informed decisions and avoid common pitfalls, serving as a go-to resource for building a successful tech business.



Read our UK Founders Series publications:
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Watch our Conversation Series videos here:
www.orrick.com/en/Insights/UK-Founder-Series-The-Conversation-Series

Tools & Resources

European Startup Health Check

Is your startup prepared for its next stage of growth? Orrick's European Startup Health Check provides an objective assessment of your company's readiness, helping you identify the strengths, risks, and operational gaps that matter most as you scale.

With AI now a core element of modern business models, the Health Check includes a dedicated review of artificial intelligence practices—ensuring your use of AI is responsible, compliant, and commercially robust. The tool evaluates AI deployment, data governance, licensing arrangements, contractual frameworks, and internal risk-management processes, giving you clarity on where improvement or reinforcement may be needed.

Upon completion, you will receive a detailed report outlining priority areas for development and practical next steps. You will also be connected with members of Orrick's Technology Companies Group, who can support you in navigating the legal, commercial, and strategic challenges of your company's next phase of growth.



For more, go to:
www.orrick.com/eu-healthcheck

GenAI Policy Builder for Startups

A GenAI policy provides a structured framework for the responsible use of this technology at your company. It is essential for every startup to have one—it's valued by customers, investors, and employees alike.

Use this tool to efficiently generate a GenAI policy that is tailored to your business and aligned with today's best practices and regulatory requirements.

Complete a brief questionnaire about your company and use of AI—and the tool generates a GenAI policy tailored for your business.

A screenshot of the "GenAI Policy Builder for Startups" web application. The interface is clean and modern, with a dark header containing the "orrick" logo and navigation links for STAGES, REGIONS, FORMS, RESOURCES, INSIGHTS, FEATURED, and ABOUT. The main content area is divided into several sections: "Company Information" with a "Company Name" field; "AI Governance Details" with fields for "AI Governance Committee Name", "Location of Approved Generative AI Tools", and "Generative AI Intake Request Form"; and "Other Policies and Procedures" with a "Number of Additional Policies and Procedures" field. Each field has a small text box providing instructions. At the bottom, there are "Previous" and "Submit & Download Document" buttons.

Get started here:
www.orrick.com/GenAI-Policy-Builder

The Orrick Legal Ninja Series

The Orrick Legal Ninja Series (OLNS) is Orrick’s signature content platform for the German entrepreneurship ecosystem. The series delivers clear, practical insights into emerging legal trends and offers deep dives into topics that matter most to German startups and their investors—from ESOPs and university IP spin-outs to venture financings and M&A in the German tech sector.

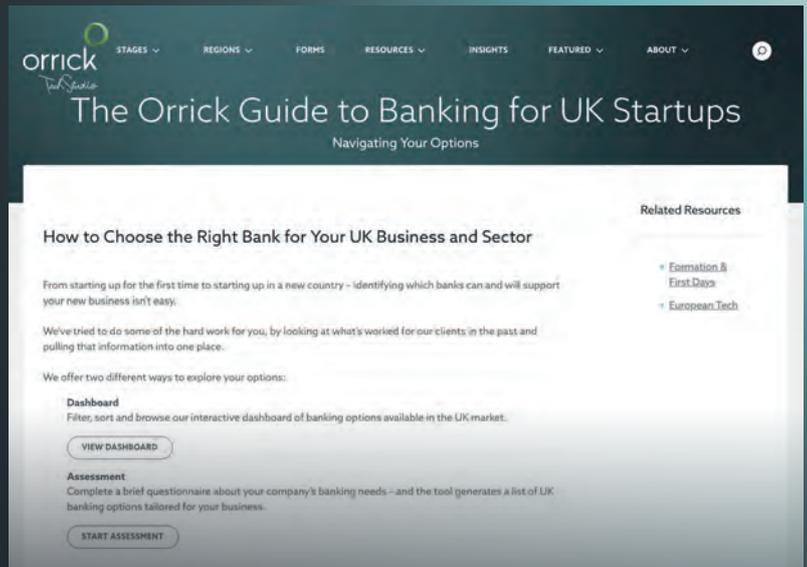
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