



**EdTech funding in Europe  
2014-2018**

## PURPOSE OF THIS REPORT

We're proud to share our EdTech Funding in Europe report for 2014-2018, in which we've analysed new key dimensions to provide you with a concrete view of the EdTech funding scene.

After analysing the trends and speaking with hundreds of people from the EU EdTech ecosystem, from founders to academics, HR managers to teachers, we took a risky bet (👉) by making a few predictions for 2019 and for the long-term. To make this bet a bit more exciting, we'll be assessing these predictions next year in order to see if we're on track (or not!).

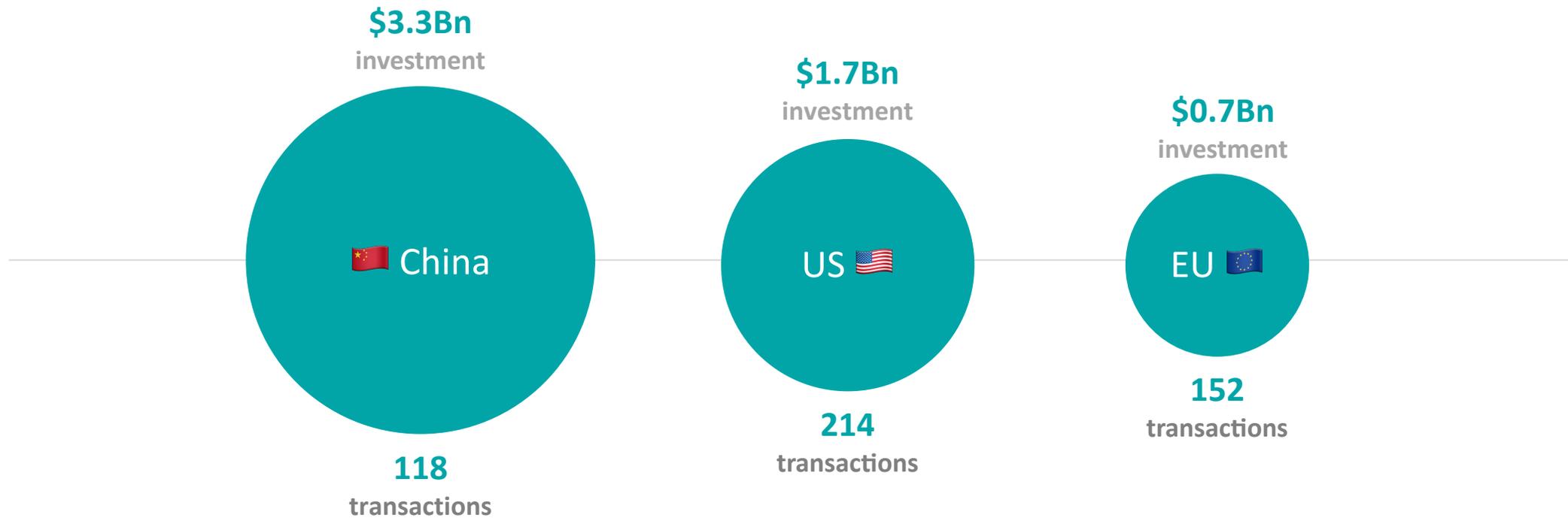
We hope you enjoy diving into our insight.

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We'd love to receive your feedback on this report and to connect with EdTech players, so please reach out ([info@brighteyevc.com](mailto:info@brighteyevc.com)) to chat and share your insights.

## General overview: 2018 EdTech investments in key markets

Figures include all types of financing rounds: early & later stage VC, growth, private equity, grants and debt financing deals.



Key 2018 investments in each geography:

🇺🇸 2U Inc. \$330M (Post-IPO equity), Dreambox \$130M, MasterClass \$80M, Trilogy \$50M, CommonBond \$50M, Degreed \$42M, Lambda School \$30M

🇪🇺 OpenClassrooms \$60M, Klaxoon \$50M, Future Finance \$50M, Blippar \$37M, Kahoot! \$32M, DataCamp \$25M, Blinkist \$19M

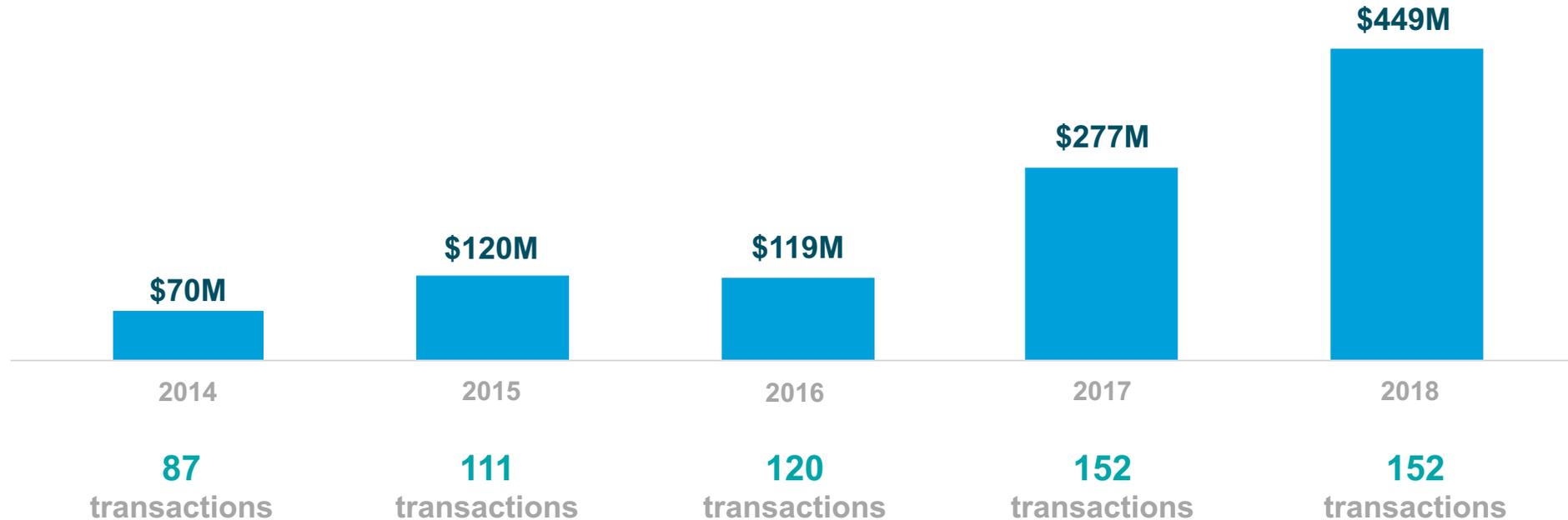
🇨🇳 VIPKid \$500M, Zuoyebang, \$350M, Aixuetang \$340M, 17zuoye \$250M

**Global trend -- China goes big:** Average transaction size in China (\$28M) was 2X US (\$13M) and 9X Europe (\$3M) in 2018.

Sources: Crunchbase, 2019 and Pitchbook, 2019

# #1: EdTech VC investment in Europe continues to grow

Figures exclude growth, private equity, grants and debt financing deals.



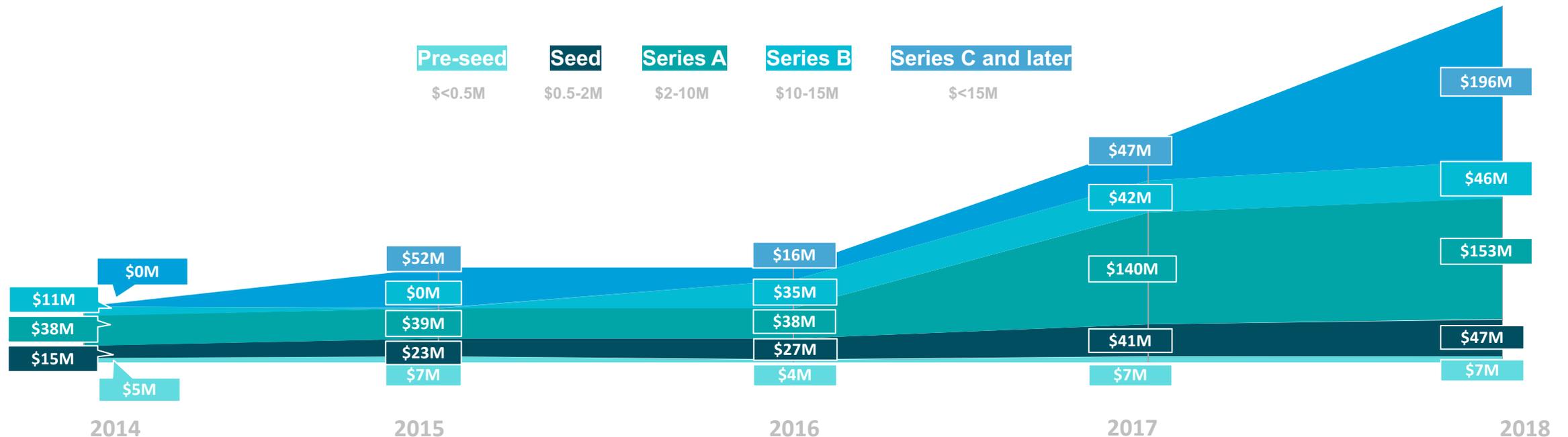
**\$1 billion invested in EU EdTech companies from 2014 to 2018.** EdTech investment reached a record high of \$450M in 2018 across 152 transactions, and financing was up 62% from 2017. This was a significant step up for a young industry, as average transaction size grew from \$1.8M to \$3M.

**The number and size of deals both grew significantly since 2014.** Though the EU is still behind China and the US in terms of EdTech investment volume (and venture capital investment in general), Europe is the only region where EdTech deal volumes have grown, nearly doubling from 87 to 152 since 2014, even as transaction size increased by 3.7X increase over the same period. By contrast, transaction volume has dropped by 30% in the US over the same time frame, while seeing a 2.2X increase in transaction size.

**Transaction size increase reflects overall trends in VC** as both the size of European funds and the exit value of the most valuable transactions have increased, the average size of transactions has increased 2.7X across the European venture capital sector over the last 5 years. European funds are now looking to put more capital to work per deal in the hopes of achieving outside returns, even as, outside of EdTech, deal volume has fallen by a third since 2014.

## #2: EdTech investment expansion is happening particularly at Series A and later

Figures exclude growth, private equity, grants and debt financing deals.

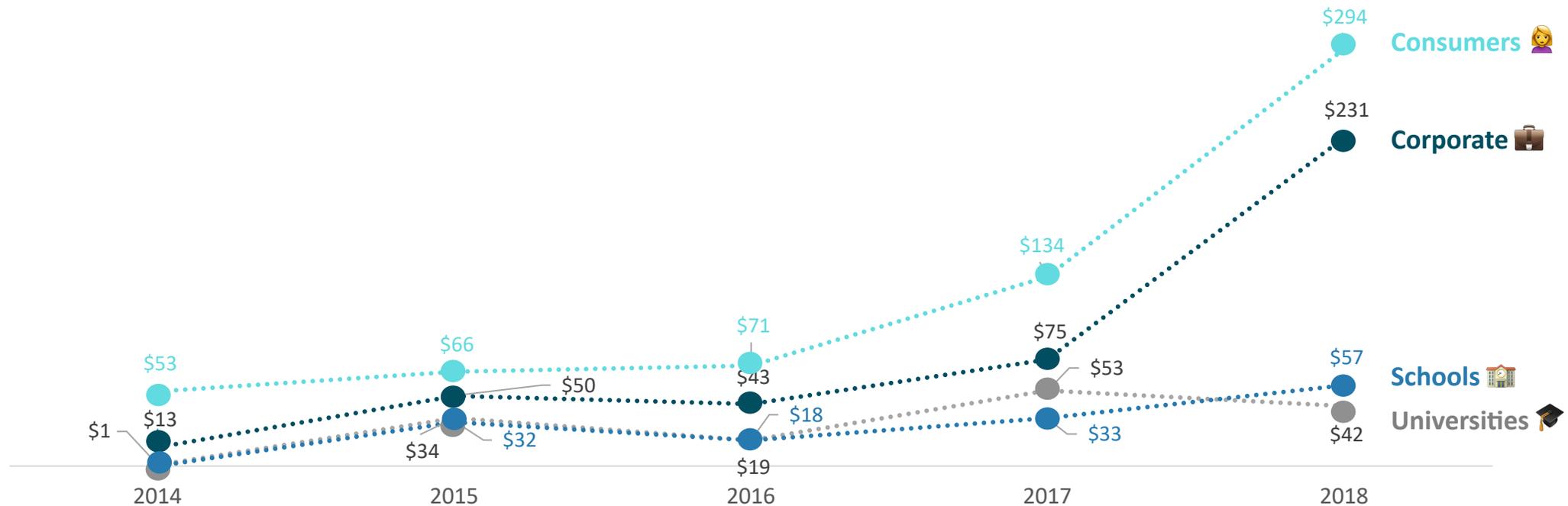


**Investors are placing more bets at Series A and beyond.** Whereas seed and pre-seed investment has more than doubled since 2014, Series A and later stage funding has increased 8X (2014: ~\$50M vs. 2018: \$396M). These later stage investments come as the market matures, and companies are looking to expand not just in the EU, but globally. For instance, OpenClassrooms (France) closed a Series B financing of \$60M in 2018, targeting further international expansion, particularly in Africa and the US; DataCamp (Belgium) raised a \$25M Series B last year in order to strengthen its global presence (US and EU) and offerings; Blinkist (Germany) raised \$18M to continue growing on a global scale, making their list of publications available in more languages.

**EdTech companies in Europe tend to raise smaller Seed and Series A rounds, compared to other venture sectors.** According to [Dealroom](#), the median round sizes of Seed (\$1-4M round) and Series A (\$4-\$15M round) in Europe across all venture sectors in 2018 were:

- Seed across all venture sectors: \$1.7M vs. EdTech: \$1.2M (30% smaller)
- Series A across venture sectors: \$6.6M vs. EdTech: \$6M (10% smaller)

### #3: EU EdTech funding is dominated by consumer and corporate-facing companies



**Consumer and corporate-facing EdTech companies dominated EU funding activity\***. Combined, these two segments accounted for 78% of all investments made to EdTech companies across the EU since 2014. Only 10% of total EU investment went to **school**-facing and 12% to **university**-facing companies over the same period. Investors may be wary of investing in companies serving **schools** and **universities** because sales cycles can be lengthy and digital penetration in primary and secondary schools is still limited.

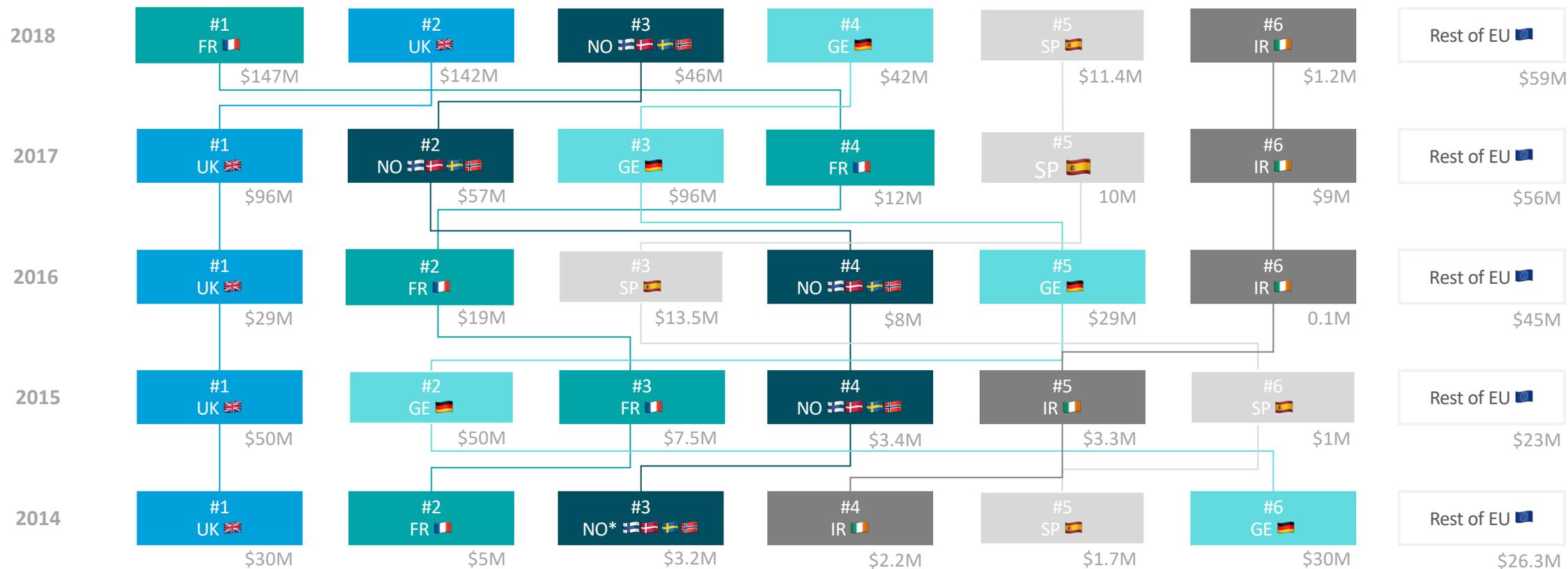
**In contrast, US EdTech investment is ⅔ school and university oriented\*\***. Higher digital penetration in schools (92% of US primary and secondary school classrooms have broadband access) as well as a larger and more privately financed university market have led to more opportunities for EdTech in schools and universities across the US. As digital penetration in schools and post secondary financing options expand in Europe, we expect EdTech investments in the EU to become more school and university oriented.

Notes: \*For the sake of simplicity, figures exclude deals that are pre-seed (<\$0.5M), growth, private equity, grants and debt financing deals. There are some overlaps between categories as some companies are targeting two or more different customer segments.

\*\*US sector distribution as measured by [EdSurge 2019](#), some school and university oriented EdTech may derive revenue from consumers, creating overlap with the consumer category.

Sources: Crunchbase, 2019 and Pitchbook, 2019, [Education Superhighway 2018](#), [EdSurge 2019](#)

## #4: The UK is the historic EdTech leader but it was ousted by a new contender in 2018

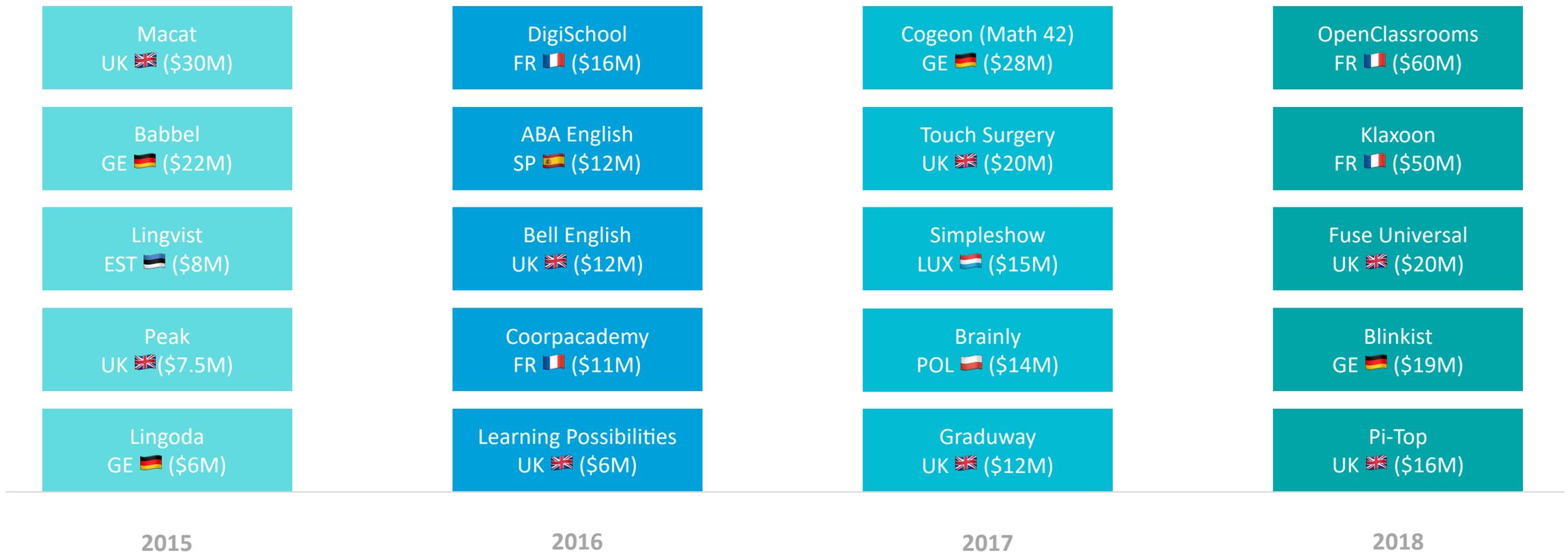


Historically and reputationally, the **UK** and the **Nordics** have been strong regions in terms of EdTech investment. However, three new players have emerged over the last 5 years: **Germany**, **France** and to some extent **Spain**. Between 2014 and 2018, these three countries have seen an increase in EdTech investments of 135%, 133% and 60% respectively. Surprisingly, **France** surpassed the historical leader, the **UK**, for the very first time last year (2018) with all-time record investments of \$147M.

Some top performing countries, such as the **UK** and the **Nordics**, have high broadband and device penetration both at home and school providing fertile ground to test and deploy educational solutions over time. In the rest of Europe, most EdTech funding is geared at bridging the divide between the 21st century skills required by the labour market and the skills being provided by traditional academic institutions. [OpenClassrooms](#), the French start-up which provides online degrees in software development, data science and other in-demand skills led the pack this year, raising \$60M from US PE fund General Atlantic and, alongside corporate mobile education tool [Klaxoon](#), helped France take the lead in fundraising in 2018.

## #5: Top 5 EU companies with most funding by year

Figures *include* VC, PE & M&A activities



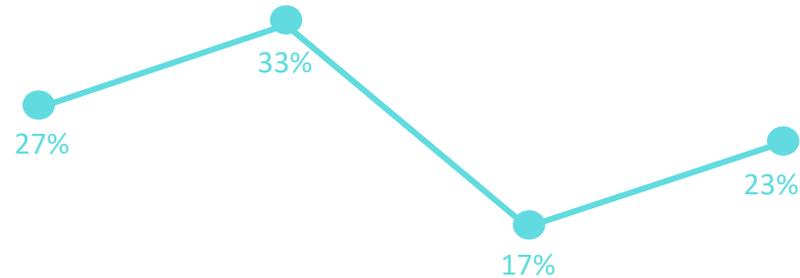
**Each year the top 5 EU EdTech deals account for ~40% of the year's total EdTech funding.** Over the last 4 years, the total investment funding in the top 5 deals have increased by 124% (2015: \$74M vs. 2018: \$165M), showing that (1) EU companies are now able to raise much larger rounds and (2) the EdTech industry is becoming more mature as investors are willing to place larger bets.

**On average, the top 5 EdTech companies tend to raise large rounds less frequently than their peers in the US.** In EU, each company in the top 5 is completely different from the previous year, whereas in the US, start-ups have been raising large rounds more frequently (e.g. Littlebits, Duolingo, Altschool, Edmodo).

## #6: Time intervals between rounds of financing

### From Seed to Series A

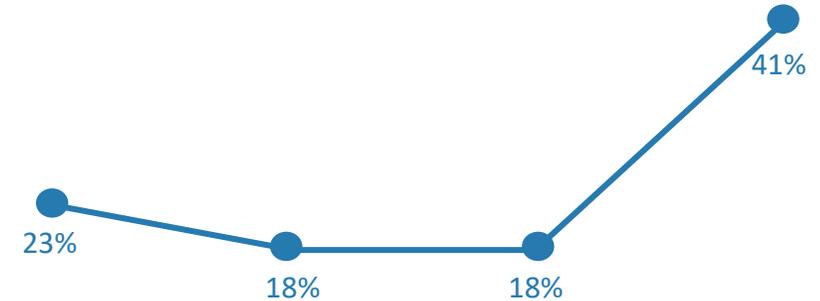
Median month time between Seed and Series: **20 months**



>15 months    15-20 months    20-25 months    25+ months

### From Series A to Series B

Median month time between Series A and Series B: **23 months**



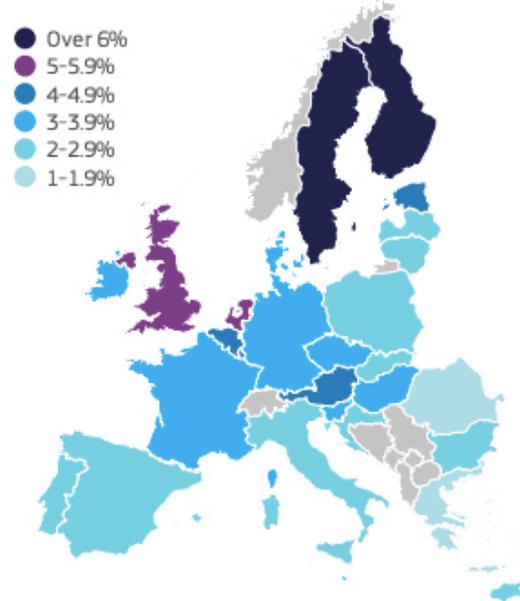
<15 months    15-20 months    20-25 months    25+ months

**20 months is the median time from Seed to Series A\***. According to [Dealroom](#), this number is slightly above the median time for EU start-ups (across sectors), which is 18 months. Not surprisingly, US start-ups (across sectors) raise faster financing rounds with a time interval of 15 months (median month time) between their Seed and Series A round per [Crunchbase](#). Conventional wisdom generally advises entrepreneurs to raise seed rounds that provide 18 months of runway. Needless to say running out of cash is highly ranked on the leading causes of start-up failure, so these figures might lead us to think that EdTech entrepreneurs tend to burn less cash and/or focus on becoming cash efficient earlier than founders in other venture sectors.

**Getting to Series B takes longer (23 months) than getting to Series A (20 months)**. This is 7 months longer than the 16 months median time in the US to get from Series B to Series A and reflects, in part, the large number of growth stage funds in the US relative to Europe. Indeed 2 of the 5 largest rounds in European EdTech (Open Classrooms and Blinkist) were led by US funds (General Atlantic and Insight Ventures, respectively), reflecting another growing trend -- over 20% of all VC investment in EU start-ups came from US venture capital funds in 2018.

## #7 Key Growth Drivers: Digital penetration in schools & demand for 21st century skills are growing

ICT specialists in the workforce



### The untapped potential



Today, **40%** of companies have difficulties finding ICT specialists



There will be **500,000 unfilled vacancies** for ICT professionals **by 2020**

**Digital access in schools is growing.** The European Commission has launched several initiatives that aim to [improve broadband access](#), especially [at school](#), and [France](#) and [Germany](#) initiated deep educational transformations in 2016 (including equipping schools with faster broadband, learning platforms and devices). More generally, [broadband access in Europe has grown quickly](#) over the last few years, unlocking access to online education. These factors can partly explain why Germany, France and the whole EU have been growing a lot in terms of EdTech investments.

**Meanwhile, the skills gap is real:** In 2017, the EC said 9 out of 10 jobs would soon require digital skills while at the same time, 169 million Europeans between 16 and 74 years – 44% – do not have basic digital skills. As the pace of innovation increases so does the skills gap and the need for scalable solutions to address this need.

We believe that these two large scale trends are spurring demand for education technology and creating a significant long term increase in the willingness to pay for solutions that leverage technology to help people learn.

# Long-term trends

We are taking a stab at making some long-term predictions about what the next few years would hold for the EdTech space in Europe. We will evaluate these trends next year in order to see if we are on track.

## Long-term prediction #1: 🏠 Growing gap between expectations of students/employers and what traditional academic institutions deliver

The demand for digital and technical skills (i.e. data science, digital marketing, programming, etc.) is at an all time high and yet there is a large disparity between the supply of qualified people and the demand. In addition, the experience of sitting in a classroom and learning in a passive fashion is in stark contrast to the interactive nature of learning/socializing online. These disparities create growing opportunities for new companies to build disruptive direct to consumer offerings as well as solutions that allow traditional institutions to adapt and respond to today's job market. We have seen very interesting EU players tackling this issue in different ways. Some like [OpenClassrooms](#), [WhiteHat](#), [Le Wagon](#) and [Ironhack](#) are providing tailored online and/or in-person solutions delivering 21st century skills. Others like [Aula](#) and [Klaxoon](#) are looking to help more traditional learning institutions and/or corporates improve the experience of learning. Both are fertile avenues for building EdTech solutions for the foreseeable future.

## Long-term prediction #2: 🧑 Consumer- and 🏢 corporate-facing companies will continue to garner majority of dollars, but become less dominant in the long run

Consumer- and corporate-facing companies will continue to garner majority of dollars, but become less dominant in the long term. These companies have shown stronger growth than other types of EdTech companies in the EU over the last few years and it is very likely that this trend will remain stable as the rollout of digital technologies in classrooms in Europe is uneven and lengthy. Moreover, lifelong learning and on the job training are increasingly necessary as the pace of innovation increases. Within this bucket, solution providers will focus on hard skills training in the short term (<3 years), e.g. [Pluralsight](#) and [Degreed](#) who are already established players in this field. HR directors are increasingly metrics driven and solutions that can demonstrate skills acquisition, employee engagement and retention can charge a premium. Over the long term, as digital penetration in schools increases and universities become more labour-market focused, there will be more opportunities to fund technology in these domains.

## Long-term prediction #3: 📶 The 5G network and the European Commission 🇪🇺 are building a robust foundation for EdTech companies

The 5G network and the European Commission are building a robust foundation for EdTech companies. 5G and large EU initiatives (i.e. educational transformations, mobile broadband access, digital skills training among others) are critical pieces of the puzzle that will enable people in general to access higher quality content at a faster pace. For instance in the K12 space, thanks to faster networks and educational initiatives that empower teachers, it might be easier to build smart classrooms, in which physical devices will be able to monitor, analyse data and provide feedback in real time. These types of working environments will enable students to increase their engagement in the learning process, particularly in STEM subjects (e.g. coding, robotics, etc.). These mega initiatives are expected to be the glue that makes a lot of different components stick together and open education to a larger percentage of the population. This is already happening and some companies are already surfing on that wave.

# Predictions for 2019

Same story here - These are the shorter term predictions about what 2019 would hold for the EdTech space in Europe that we will certainly assess next year in order to see how we are doing.

## **Prediction #1: 💰 More financing options for post-secondary and lifelong learning**

The premium that the labour market places on digital and language skills (30-100% salary increases) is large relative to the amount of time it takes to acquire these skills (3-12 months). As individuals and corporations both look to take advantage of this premium, we will see more student financing options being rolled out by either government or private players. Brexit will certainly help to support that trend as tuition fees for non British students are likely to rise.

## **Prediction #2: 🇺🇸 A new crop of US players will enter the EU market to scale disruptive lifelong learning solutions**

Even as EU companies like OpenClassrooms and DataCamp take aim at the US market, American companies in lifelong learning (e.g. [Lambda School](#) which [raised \\$30M](#) from GGV Capital this month) will look to expand their footprint in the EU where youth unemployment remains high and willingness to pay is greater than in most other regions outside the US.

## **Prediction #3: 🤝 At least 5 EU EdTech transactions larger than \$20M**

The number of EdTech deals will remain in the same ballpark (150-170 deals) for 2019 but the average size of investment will continue to grow as more investors are see the education technology sector as a good way to put their capital to work. We will see an average VC transaction size grow to between \$3.5M and \$4M from (\$3M in 2018).

## **Prediction #4: 🇫🇷 France and the UK 🇬🇧 combined will exceed \$350M in EdTech investments**

The UK and France are building strong EdTech ecosystems and are currently gaining momentum. There are a lots of companies, especially in the UK (e.g. Memrise, Busuu, Touch Surgery, Fuse Universal), that could potentially raise large rounds (>\$20M) this year. Even if there are currently a lot of uncertainties around the future relationship of the UK and the EU, we believe that the UK will keep leveraging its reputation and market conditions to allow EdTech players to continue to grow and raise money.



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