The European Healthcare Startup Ecosystem

Insights on the geographical distribution and role of accelerators, universities, and research centers.

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The European healthcare entrepreneurial scene is on the rise. In the last six years, the volume of investments in healthcare companies grew more than **4x**, from € 2,6 B in 2013 to **€ 11,7 B** in 2018[1]. While it is expected this number will keep on increasing in the next years, Europe remains fragmented with significant differences among countries. In my recent work at nina capital, I focused my research on understanding differences as measured by the following, two geographical indicators: (a) distribution of companies that raised at least a Series A; and, (b) distribution of entities generating companies -our dealflow!- ripe for seed-stage investment (which in our definition include: accelerators and universities / research centers). Of the latter, I zoomed-in on the most successful entities, the ones that generate dealflow of the highest quality, defined simply as a supply of companies that go on to raise at least a Series A[2].

The intent was to answer a question important to us: where are the entities generating dealflow for seed-stage investment in Europe that we MUST know?

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[1] Measured as investments in European healthcare startups including pharma, biotech, medical devices, digital health. Source: Dealroom.
[2] Considering the death rate between Seed and Series A, crossing the chasm between these two rounds of funding is an important indicator of success indeed!

Before we dive in, definitions are important and they are:
- health tech startups: include startups developing medical devices, digital health solutions
- healthcare startups: include health tech startups, startups in the pharma and biotech subsector, and some pure healthcare services startups (but only five emerged in the latter category)

We did not include in our analysis: startups that provide healthcare insurance policies, and laboratories.

Spotlight on the United Kingdom, Germany and France
but the Nordic Countries punch above their weight

We identified **seven** most exciting healthcare entrepreneurial ecosystems in Europe by looking at the location of startups that fundraised at least a Series A in the last 10 years. The UK, Germany, the Nordic Countries (Sweden, Norway, Finland & Denmark), Benelux, France, Switzerland, and Spain are leading the healthcare scene, but there is heterogeneity in these countries.
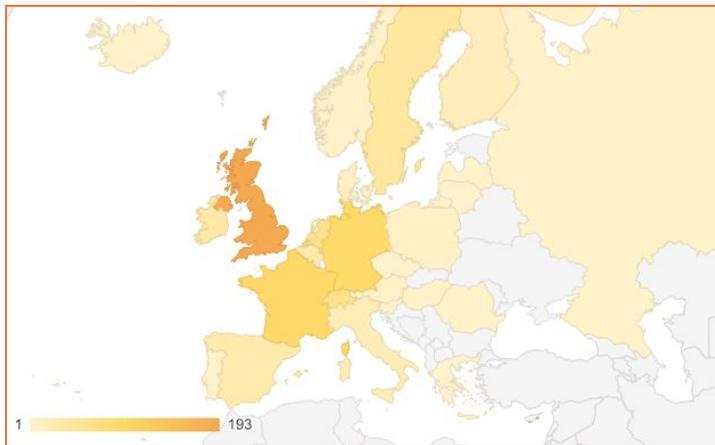

Fig. 1: Distribution of Healthcare startups in Europe that raised at least a Series A (2009-2019), 728 observations. Source: Nina Capital (Internal Research on Dealroom's data)

When we look for healthcare companies which develop *technology* solutions specifically (health tech startups), we find that their distribution follows a similar pattern as that of healthcare companies. No significant differences are found between the two heatmaps, with the United Kingdom, Germany and France as the top-performing countries, both broadly in healthcare and specifically in health tech innovation.

Highlighting how relevant investments in this sub-sector are in Europe, data shows that out of the healthcare database, **63%** of companies are related to **health tech**.
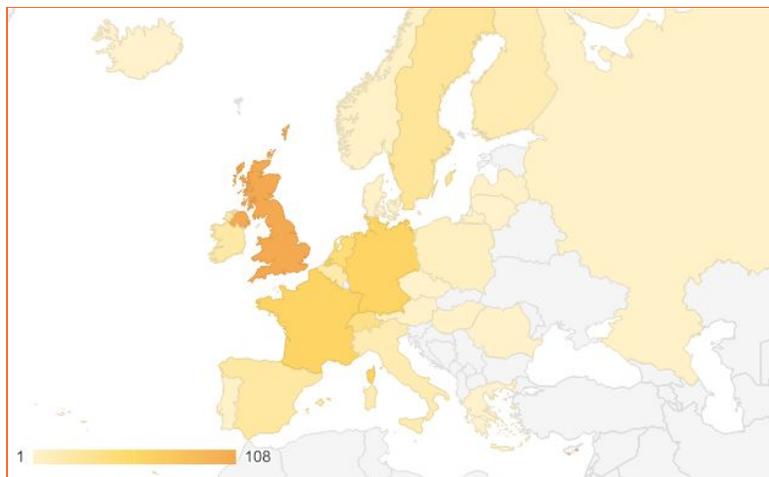

Fig. 2: Distribution of Health Tech startups in Europe that raised at least a Series A (2009-2019), 460 obs. Source: Nina Capital (Internal Research on Dealroom's data)

Spotlight on Accelerators

In the last few years, there has been a significant increase in the number of accelerators supporting startups. In Europe there are **162** accelerators that offer acceleration programs also or exclusively for healthcare companies (broadly including, pharma, biotech, medical devices and digital health):

Breakdown:
- 76 accelerators accepting healthcare startups, and open to startups in other industries (we call these generalist accelerators)
- 48 accelerators accepting healthcare startups, <u>only</u> (we call these generalist healthcare accelerators, accepting companies from pharma to biotech to medical devices to digital health)
- 24 accelerators accepting health tech startups, only (health tech accelerators, including medical devices and digital health)
- 6 accelerators accepting digital health startups, only
- 8 accelerators accepting pharma & biotech startups, only

The United Kingdom is leading the European scene with more than 20 accelerators (including all types of accelerators); it is the home to more than 1 every 10 accelerators in Europe, followed by Germany (17 accelerators), Spain (15) and Italy (15).

Italy is a particular case. Despite the high number of accelerators, it has a fairly underdeveloped startup market, and it lacks centralized public data on health tech startups making it especially challenging and laborious to find all startups that raised a Series A in the past decade.

France has 12 accelerators, a lower number than Italy's, however companies that enter their programs manage to fundraise a higher amount of capital in aggregate, regardless of stage. Further, companies that enter accelerator programs in France disproportionately go on to raise Series A capital (and beyond), whereas companies that enter accelerator programs in Italy tend to raise Seed capital but find it much more difficult to raise follow-on rounds. I believe France's relatively high number of venture capital funds (which was the scope of a separate research activity at nina capital) must play a role in the maturity of its healthcare market.
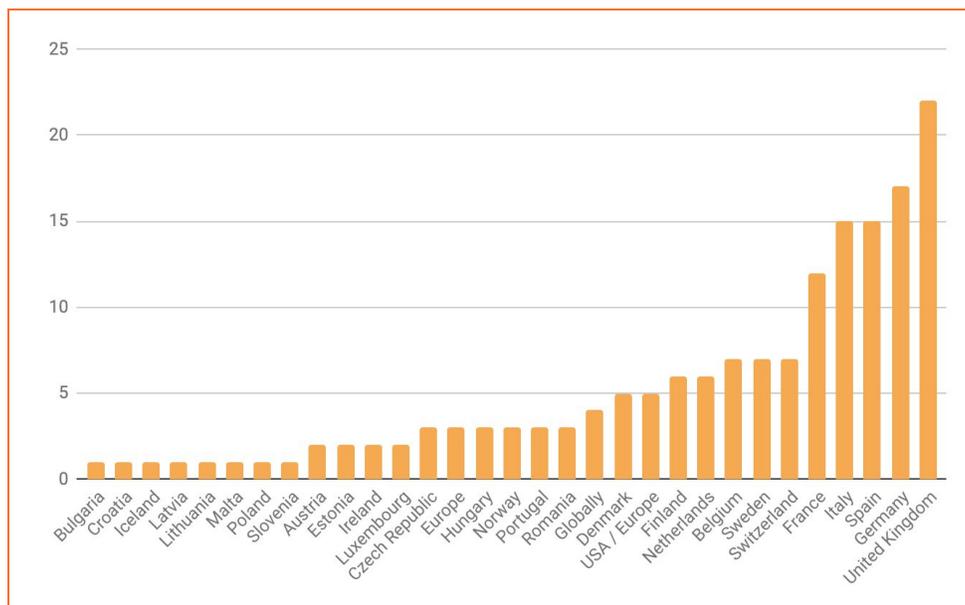

Fig. 3: Distribution of accelerators dealing with Healthcare, HealthTech, Digital Health, Pharma & Biotech Startups in Europe, 162 obs. Source: Nina Capital (Internal Research)
*USA / Europe: accelerators based in the US and active in Europe

At nina capital we invest in need-driven companies, and we were particularly curious to find like-minded accelerators. The research shows that very few accelerators mention a need-driven innovation process, such as Biodesign, in their programs. These are mostly health innovation programs run by Universities (e.g. Oxford Biodesign). We strongly believe that the deep understanding of a need is crucial in healthcare where a variety of stakeholders are considered and where success hinges on aligning the incentives created for these many beneficiaries; so, we were somewhat surprised by this finding.

I further developed my analysis by taking into account the amount of funding of the one most well funded startup in each accelerator's portfolio of alumni startups, and filtered for all accelerators whose most well funded startup has raised at least five million USD. After this step, 30 accelerators emerged.
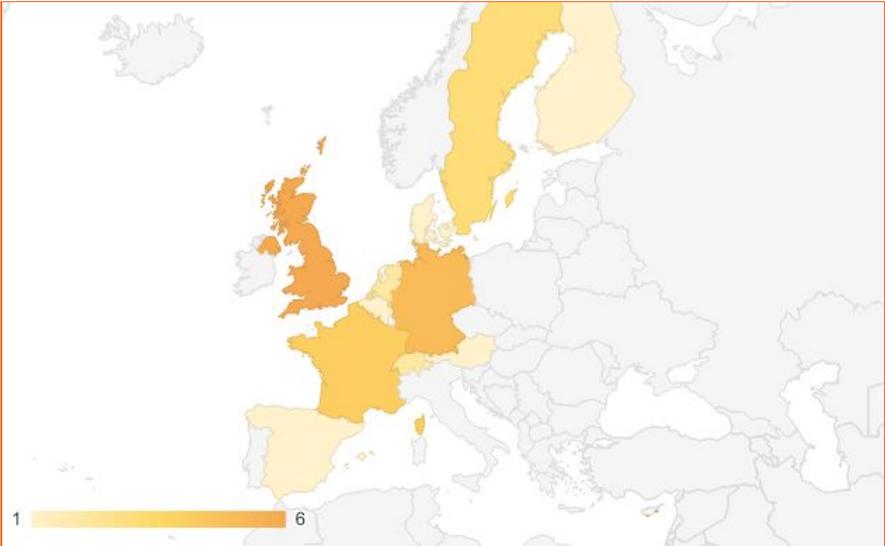

Fig 4: Distribution of the best accelerators in Europe, 30 obs. *Source: Nina Capital (Internal Research)*

The UK (6), Germany (4) and France (4) have the highest number of well-performing accelerators. The combined total (4) of the best accelerators in Denmark and Sweden makes the Nordic Countries another extremely interesting area to look at. Italy is not represented on the map, despite its high number of accelerators. It appears that Italy has great potential and significant acceleration resources deployed; however, it also has work to do in order to extract more value from these efforts in order to boost its own entrepreneurial ecosystem.

Spotlight on Universities & Research Centers

Accelerators are not the only place where successful companies are born. We combed our database of health tech companies that raised **at least a Series A** in the last 10 years (2009 - 2019), to find out which universities or research centers these companies were spun-off. (Moreover, I carried out some integrative research as described in appendix.)

Distribution of Universities / Research Centers in Europe with successful HealthTech spin-off,
Source: Nina Capital (Internal Research)
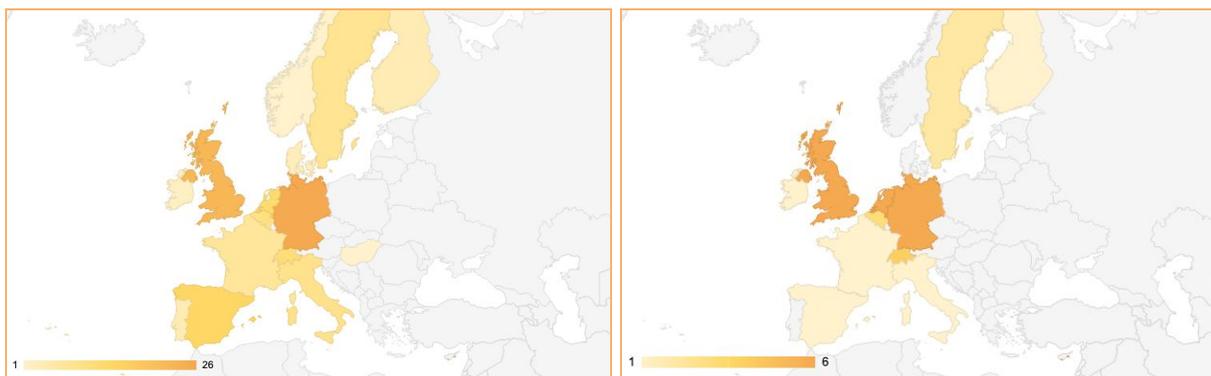
Quantitative Analysis (Fig. 5), 132 obs.   *Qualitative Analysis (Fig. 6), 32 obs.*

As shown in Fig. 5, we found that Germany (26), the UK (22) and Spain (14) have the highest number of universities with at least one health tech spin-off that managed to go on and raise Series A funding (we call this a "successful" spin-off). By mapping only the universities with **at least four** successful **spin-offs** (Fig. 6), the total number of universities drops significantly, from **132** to **32**.

The qualitative layer highlights that Germany (6), UK (6) including its "Golden Triangle[3]", the Netherlands (6) and Switzerland (4) are leading the translational effort in health tech in Europe.

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[3] The golden triangle is an unofficial grouping of research universities located in the cities of Cambridge, London and Oxford in the southeast of England.

Final Remarks

While this analysis of the healthcare scene in Europe cannot be fully exhaustive, it gives a snapshot of the hottest place where healthcare including health tech and digital health innovation is carried out with success.

In addition to accelerators and universities, we feel compelled to recognize that associations representing health tech clusters, hospitals, and venture builders (of which very few are active in Europe) all play a role in shaping the healthcare startup ecosystem of Europe. In our internal research, we found some of them to be especially prolific; however, they were not included in the scope of this analysis, and our findings are not described in this article.

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Appendix: Methodology

- Compiled and analyzed a database of accelerators
- Combed through each accelerator website to compile a database of their portfolio companies, both current and "alumni"
  - then, researched funding data for each company
- Compiled and analyzed a database of 729 healthcare startups that raised at least a Series A in the last 10 years (2009 - present)
  - then, cross-referenced it with the previous database

Sources:
- Dealroom
- Crunchbase
- CB Insights
- F6s

Integrative research:
- Searched for keywords on Linkedin, Twitter, and Facebook:
  - health tech incubator/accelerator
  - medtech incubator/accelerator
  - digital health incubator/accelerator
- Searched for keywords on Google:
  - name startup + spinoff university;
  - name startup + accelerator;
  - (best) (medtech) accelerators in Europe
  - universities with known spinoff(s)
  - (medtech) spinoff + university name as found in:
    - lists of Europe's most innovative universities (e.g. Rankings from Reuters).
    - reports of health tech clusters, including names of local universities.