July 2025

Market Demand for and Supply of Scaling Finance in Ireland

Final Report

SQW

Contents

Contact:

Rebecca Pates

Tel: +44 (0)161 4752105

Email: rpates@sqw.co.uk

Approved by:

Osman Anwar

Director

Date: 11/07/25

SQW

Executive Summary

Context

1. Start-up and scaling firms are key drivers of growth, dynamism and innovation of an economy. **Ireland has developed a vibrant ecosystem for start-ups, ranking 16th out of 100 countries in the Global Startup Ecosystem Index (2025)**. Similarly, Ireland is fourth in Europe for the number of start-ups per capita, behind Estonia, Iceland and Luxembourg (State of European Tech Report, 2024). However, **Irish start-ups encounter challenges on their scaling journey**. This is not unique to Ireland. The European Union (EU) Startup and Scaleup Strategy (2025) highlights that start-ups in Europe often encounter **two "valleys of death"**: the first when *"innovations fail to become marketable products"*, and the second which is more pronounced, when **firms *"struggle to scale"*** – only 8% of global scale-ups were based in Europe over the period 2008-2021 (EU Strategy, 2025).

2. In common with the rest of Europe, **a major reason why Irish firms find it hard to grow is due to the challenges in accessing appropriate scaling finance**. Access to funding continues to be the number one concern for start-up firms according to research by Scale Ireland (2025 State of Start-ups Survey): 80% of founders and CEOs surveyed (out of 235) found it *"difficult or very difficult to attract capital"* – the fourth consecutive year that funding has been identified as the top concern.

3. According to the Department of Enterprise, Trade and Employment (DETE) Finance for Scale-ups Working Group Report (2023) this is partly due to the *"lack of investors willing to invest at the required level of risk and size of deal. This can often result in founders exiting early and hampers companies' ability to scale in larger numbers… overreliance on international finance, controlled by international funds, leads to the locus of control of scale-ups leaving Ireland and Europe too early for local economies to benefit."*

4. The DETE (2023) Working Group Report explored whether there was a scale-up financing gap in Ireland, its characteristics, and what could be done to bridge the gap. The Report made three recommendations to increase the size and quality of the scale-up ecosystem in Ireland:

- **State Funding**: Ensure that scaling finance is available by introducing and promoting a suite of Government-backed scaling instruments
- **Private Funding**: Investigate options for pension fund and institutional investor participation in scaling equity funds and encourage corporate venturing in Ireland
- **Tax Incentives**: Review the State's tax model and design instruments that incentivise investment into scaling companies.

5. The Report identified a gap for Irish scaling firms but did not quantify this difference. However, SQW's (2024) Review of State Support for Equity Investment in Ireland for DETE, revealed a **perceived equity gap at later stage for scale-up firms, this was most acute at the €3m to €10m investment range**, and to a lesser extent at seed and early stages (i.e. sub-€3m).

Study objectives and approach

6. In this context, SQW, supported by Middlesex University in London and the Oxford Innovation WorkIQ in Dublin, conducted research to **define and quantify the market gap for Irish firms seeking equity capital to scale up their enterprises**. The focus was on equity finance – venture capital (VC) and private equity (PE) – covering deal sizes from **€2m to €50m** for innovative firms in their late-stage growth phase.

7. The study gathered evidence through an **e-survey of 'potential scale-up firms'** in Ireland (166 responses); and **interviews with fund managers, stakeholders and Irish firms**. Across these interviews, feedback was obtained from **nearly 60 individuals**. The fieldwork was supported by analysis of private market data from PitchBook relating to potential scale-up firms in Ireland, investment funds, and fund managers (these data are not comprehensive).

8. The equity gap (defined as the sum of 'unmet' and 'discouraged' demand) for scaling firms in Ireland was modelled using 'Monte Carlo' simulations: a statistical technique that helps to address the uncertainty associated with firm e-survey responses and the modest sample size. Monte Carlo simulated the likely equity needs and outcomes of fundraising at the firm level for an assumed population of potential scale-ups in Ireland (1,000 companies).

9. The study received helpful input from the DETE Finance for Scaling Working Group, including through a workshop to discuss the emerging findings.

Potential Scale-up Firms: (i) Headquartered in Ireland; (ii) 10 to 249 employees; (iii) at least one instance of minimum 10% per annum growth in employees and/or revenue between January 2020 and December 2024; and (iv) accessed external investment, specifically VC, PE, and/or debt finance. *(This working definition was produced in discussion with DETE and the Finance for Scaling Working Group – firms were identified in PitchBook).*

Early Stage Venture Capital: Series A to series B round that occurred within five years of the company's founding date. The deal is also early stage VC if no series is associated with the deal and the deal happened within five years of the company's founding date (PitchBook, 2025).

Later Stage Venture Capital: This includes later stage VC and venture growth deals. A later stage VC deal is defined as a series C to series D round, or a round that occurs more than five years after the company's founding date. A venture growth deal is defined as a series E+ round, or a round founded more than seven years ago with six or more VC deals (PitchBook, 2025).

Key findings

Overview of the level and nature of investment for scaling firms in Ireland

10. In 2024, the total amount of investment (equity and debt) in Irish firms was **c. €94bn** (PitchBook, 2025). VC and PE represented around **€904.7m (1%) and €14.5bn (15%)** of this total investment, respectively. Taking a decade long perspective, **later stage VC investment from 2015 to 2024 accounted for around half of all VC in Ireland. This was less compared to Europe as a whole** (6 percentage points below the European average).

11. Furthermore, both VC and PE investment in Ireland have grown since 2015, by 44% for VC and 14% for PE. However, **this growth has been slower than in Europe**, where VC and PE investments grew by 197% and 31%, respectively. Also, **Irish firms secured smaller average deal sizes compared to the European average**: between 2015 and 2024, the largest difference was in later stage VC, where the mean Irish deal size was c. €8m compared to the European mean of c. €12m.

12. PitchBook analysis of the **'success funnel' for scaling firms in Ireland and Europe** that received their first round of VC investment between 2015 and 2019 highlights the following:

- **the overall shape of Ireland's success funnel is similar to the European average**, which demonstrates that attrition through the financing rounds is a Europe-wide issue
- **the rate of acquisitions, buyouts and Initial Public Offerings (IPOs) in Ireland was similar to the European average** across most financing rounds
- **Irish firms were less likely to progress from round 6 to round 7** compared to the European average (37% compared to 43%, respectively)
- **the size of deals secured by Irish firms was lower than their European counterparts from rounds 4 onwards**, and this difference is larger by rounds 6 and 7, for example:
  - ➢ Irish deals at round 5 were two-thirds the size of the European average, and at round 6 they were about half the value.

13. The above findings suggest under-capitalisation at later rounds that would typically fund scaling *(limited data for rounds 6 and 7 means the results should be treated with caution)*.

Demand and supply-side perspectives

14. According to PitchBook (2025), **there are nearly 900 firms that meet the criteria for a 'potential scale-up firm' in Ireland** (see definition in box above). Three quarters of these firms have already accessed some late stage finance. **Most of the firms are in emerging and high technology sectors**, e.g. Software as a Service (SaaS), artificial intelligence (AI), machine learning, fintech and, to a lesser extent, 'traditional' sectors such as manufacturing.

15. There was consensus across the firms, stakeholders and fund managers consulted that **demand for later stage scaling finance has increased in Ireland, including for larger deal sizes**. Consultees emphasised that the Irish market remains relatively small, and so growth in demand should be viewed in that context.

16. The firm e-survey found 96% of respondents had wanted to scale-up over the last three years and the majority of these firms had considered seeking external finance to do so (86% or 136). **Equity was the most common type of external finance considered for scaling** (71% or 113). Scaling firms typically approached investors based in Ireland *and* overseas. VC was the most common source of equity considered by firms, followed by business angels.

17. **The quality of demand was generally perceived to be good by stakeholder and fund manager consultees**. However, there were some issues, including the perceived level of ambition amongst firms, financial acumen, the lack of appropriate teams/capabilities in place to scale, and undercapitalisation at earlier stages which has led to sub-optimal growth.

18. **The growth in the demand for equity to scale is expected to continue over the next 3-5 years** (i.e. 2028-2030). Nearly all respondents to the firm e-survey plan to scale-up their business (96% or 155). The majority of these firms will seek equity to scale-up (81% or 126) and plan to approach VC and PE providers, government equity schemes and (to a lesser extent) business angels or other third parties. The amount of equity finance demanded by firms to scale-up in the next three to five years varies widely, but the responses indicate **strong demand for equity investments between €3m-5m, €5m-€10m *and* over €10m**.

19. **PitchBook data identifies 113 funds that provided scaling equity finance to Irish firms between 2020 and 2024**, i.e. the fund made at least one late stage VC or PE investment into an Irish company of between €2m and €50m in this period. Most funds were VC, although few were explicitly focused on later stage deals: **a relatively small number of funds (23 out of 113) based in Ireland actively invested in later stage scaling firms**. For many VCs, the focus was on earlier stage investment with some follow-on at later stage.

20. **Irish funds are smaller in size compared to their European counterparts**: the average fund size in Ireland is just under €70m and **Irish VC funds are even smaller at €60m on average**. According to stakeholder consultees, an optimal fund size to execute a scaling strategy is in the region of €200m-€300m+. **Many funds have limited 'dry powder' and are coming to the end of their funding cycle** which suggests fundraising going forward could be a challenge – influencing the ability of funds to undertake follow-on investments.

21. **There were 470 investors involved in late stage deals (€2m-€50m) into Irish firms during 2020-2024**. The majority of them are headquartered in Europe and North America (40% and 36%, respectively). For 377 investors where data are available in PitchBook, early stage VC and seed rounds are the most commonly preferred investment types (53% and 49%, respectively), followed by later stage VC (43%). By far the top preferred industry among investors in the sample is software (42% of funds).

22. **According to stakeholder consultees, the supply of equity finance for scaling is limited**. There is a particular issue in relation to the **size of the funds available, which are seen as too small to serve scaling companies, as well as investors being too risk averse**.

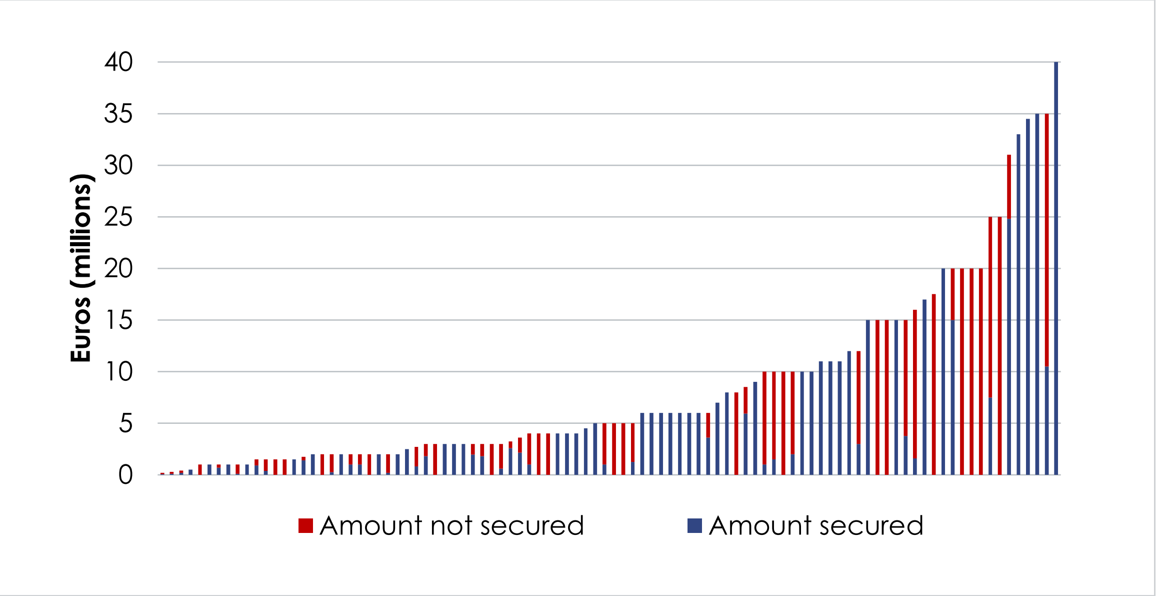
Gaps and barriers in the market

23. **The e-survey of Irish scaling firms found <u>unmet demand</u> for equity finance to scale,** i.e. firms that considered equity but were unable to secure the full amount or secured some but less than they needed. There was also evidence of **<u>discouraged demand</u>** from firms that needed but did not apply for equity to scale, albeit this was to a lesser extent. The issue of unmet and discouraged demand for equity finance for scaling is expected to continue in the future.

24. **We conclude that there is an equity gap(s) for scaling firms in Ireland – and that this is most acute for deals in the €5m-€10m range** (whilst recognising gaps exist below €5m and above €10m). The gap is most acute from Series A and especially Series B+, for capital and R&D intensive sectors, and firms requiring patient capital investment. **The gap is primarily driven by supply side factors, especially the small size of funds** (see below for detail).

25. The figure below presents the amount of equity required by firm e-survey respondents to scale in the last three years and then how much of this was secured (blue) and not secured (red). Firms that failed to secure sufficient equity to scale in the survey were typically in sectors such as AI, medtech, digital, agritech, biotech, deeptech and fintech.

Figure 1: Firm e-survey - for firms looking to scale over the last three years and applied for equity, how much of the amount required was secured?



Source: SQW analysis of firm e-survey. n=96 who were able to quantify; excludes one large outlier that secured the full amount required

26. **We estimate the scaling finance gap in Ireland to be c. €1.1bn over the next three to five years i.e. 2028-2030** (with a 95% confidence interval of €0.8bn to €1.4bn). This is based on Monte Carlo modelling of the gap using an estimated population of 1,000 potential scale-up firms. This estimate was based on the number of potential scaling firms in Ireland that were identified in PitchBook (nearly 900), but increased to reflect possible missing data. The gap is the sum of unmet and discouraged demand (accounting for 80% and 20% of the total gap, respectively). The estimate of the gap relates to demand amongst **'investable' scale-up firms i.e. firms which have a high chance to survive and succeed if they receive investment** (assumed to be 25%). The above estimate of the gap is broadly in line with the views of several fund managers and is perhaps on the conservative side given the growing uncertainty in the supply of capital over the next few years (partly due to global economic and political instability).

Table 1: Breakdown of equity gap estimate

Metric	Definition	Estimate
Gap	**Overall gap: sum of unmet and discouraged demand**	€1.1bn
Unmet demand	Viable propositions that seek equity finance but secure less than they need (or none)	€0.9bn
Discouraged demand	Viable propositions that want to scale and consider equity, but the finance is not sought/applied for	€0.2bn

Source: SQW

27. **The scaling finance gap is primarily driven by supply side issues, in particular the small size of funds**. This limits the quantum of later stage capital available and ability to write the size of cheque required for scaling. Many of the fund managers consulted had found fundraising a challenge. **The main problem was the lack of Irish private institutional capital**. Further supply side issues include:

- **perceived cultural issues** relating to Irish investors' risk aversion, limited sectoral expertise, unfavourable investment terms and the pace of decision making – perhaps reflecting 'thin' local markets and lack of choice.
- **undercapitalisation at earlier stages** i.e. firms growing more slowly and then struggling to meet the metrics that VCs expect to see when making later stage investments (e.g. due to not being able to invest, recruit the capabilities/skills and make the international connections required to scale).

28. **There are issues on the demand side that are leading to unmet demand**. For example, the tendency amongst firms to ask for less finance than needed in practice to scale. This is in part due to the perceived lack of capital available and the anticipated challenges in securing finance. There are also issues relating to the capabilities/skills of firms to scale as well as **negative perceptions of equity that contribute to discouraged demand** (e.g. unfavourable terms).

Future State intervention

29. **We conclude that there is a need for future government intervention to improve the supply of scaling finance**. Any future intervention should consider the points below.

- The need for larger fund(s) in the range of €200m-€300m+ to execute scaling strategies, which should aim to both **increase the quantum of scaling finance <u>and</u> the size of deals** (notably to €5m-€10m+).
- The need to crowd in and match private investment, including **private institutional finance** (especially from pension funds).
- The need for **long term patient capital** (i.e. longer than the typical 10 year LP model) given the types of sectors where demand is strong and the gap is most acute.
- Whether the fund(s) is **sector agnostic or focuses on strategically important sectors** and/or those where the scaling finance gap is most acute.
- **Emphasis on the profitability of funds and the ability to demonstrate financial returns** over time, including returns to the State and recycling.
- The importance of **long-term State commitment**, with rapid set-up and staggered deployment to avoid peaks and troughs in supply.
- The **close integration between supply side interventions and wider business support** to address challenges on the demand side e.g. financial and management skills.

30. Finally, a longer term perspective by the State to develop a well-functioning equity ecosystem would be desirable rather than solely plugging funding gap(s) which may change over time.

1. Introduction

Context

1.1 There is general recognition that innovative Irish start-up firms with the potential to scale-up encounter several challenges in their growth journey to become global players. A major reason for this is that Irish firms can find it difficult to access appropriate scaling finance – this is in common with the rest of Europe. According to the Department of Enterprise, Trade and Employment (DETE) Finance for Scale-ups Working Group Report (2023):[1]

"The root cause is lack of investors willing to invest at the required level of risk and size of deal. This can often result in founders exiting early and hampers companies' ability to scale in larger numbers. International finance is an important part of the ecosystem, and is to be encouraged, but overreliance on international finance, controlled by international funds, leads to the locus of control of scale-ups leaving Ireland and Europe too early for local economies to benefit."

1.2 The DETE (2023) Working Group Report sought to establish whether there was a scale-up financing gap in Ireland, the characteristics of this gap, and what the Irish Government and its agencies could do to bridge the gap. The Report made three key recommendations to increase the size and quality of the scale-up ecosystem in Ireland:

- **State Funding**: Ensure that scaling finance is available by introducing and promoting a suite of Government-backed scaling instruments
- **Private Funding**: Investigate options for pension fund and institutional investor participation in scaling equity funds and encourage corporate venturing in Ireland
- **Tax Incentives**: Review the State's tax model and design instruments that incentivise investment into scaling companies.

1.3 The Report referred to a gap for scaling firms in Ireland but did not explicitly quantify this. However, SQW's (2024) Review of State Support for Equity Investment in Ireland for DETE, based on consultation evidence from fund managers and stakeholders, revealed a **perceived under-supply/gap at later stage for scale-up firms, in particular at the €3m-€10m investment range** – and to some extent at seed and early stages (sub-€3m).[2]

---

[1] DETE (2023) The Use of Finance as a Catalyst to Develop a Scaling Ecosystem
[2] Scaling firms were not interviewed as part of SQW's (2024) Report.

Study aims and scope

1.4 In this context, DETE commissioned SQW, in collaboration with Middlesex University and Oxford Innovation's WorkIQ, to undertake a study on the market for scale-up finance in Ireland. The purpose was to **define and quantify the market supply gap for firms seeking equity capital for their growth/expansion**, focusing on innovative companies in their late-stage growth phase. The scope was therefore based on the first recommendation of the DETE (2023) Working Group Report as identified above (i.e. State Funding). The focus was on equity finance – venture capital (VC) and private equity (PE)[3] – covering deal sizes from €2m to €50m.[4]

1.5 The study considered both supply side and demand side features of the market in order assess the gap. The research questions are summarised in Table 1-1 below.

Table 1-1: Study research questions

No.	Research question
Demand side	
RQ1a	What is the scale of demand from enterprises who have, or are likely to be, seeking equity capital for their growth and expansion, specifically focusing on innovative companies in their late-stage growth phase?
RQ1b	What type and source (Irish or overseas) of finance is typically used (or will be) for scaling and why?
RQ2	To what extent are investor exits to trade sales or premature failures occurring from enterprises with the potential to scale-up if additional equity had been available?
RQ3	Which sectors are most affected by the scale-up equity market gaps?
RQ4	What are the consequences of the lack of availability of equity for scale-up investments, including for the Irish economy?[5]
RQ5	Are there transaction costs or barriers for enterprises seeking equity capital for their growth and expansion? If so, what are these?
Supply side	
RQ6	How many and what size funds could potentially supply equity for scaling investments (late stage deals) currently operating in Ireland?

[3] It is important to highlight that other forms of finance (including debt) were considered from the perspective of their role in the funding landscape alongside equity.
[4] In this study, €2m-€50m deal sizes were used to define 'finance for scaling'.
[5] The original research question was "to what extent is employment and value-added being lost to the Irish economy due to the lack of availability of equity for scale-up investments?", however as agreed with DETE, it was not possible to quantify impacts on employment and value-added.

No.	Research question
RQ7	Who are the current investors and sources of investments into the relevant funds?
RQ8	What are the transaction costs for investors making investment into scaling funds?

Source: SQW

1.6 The study findings are expected to inform the development of a business case for a new Irish scaling fund. However, the design of the fund itself is not within the scope of this study.

Study approach

1.7 The study has been delivered over three phases: (i) inception and scoping; (ii) fieldwork; and (iii) analysis and reporting, as shown in Figure 1-1. Across these phases, we adopted mixed methods (qualitative and quantitative) to collect and analyse the evidence. The study methods included the following elements:

- **Literature review** – relating to the equity finance ecosystem in Ireland, focusing on scaling.
- **PitchBook data scoping** – undertaken to inform a long list of fund manager consultees and Irish firms for the e-survey.
- **Project plan** – containing refined research questions, detailed methodology and initial findings from PitchBook data scoping.
- **E-survey of Irish firms** – this included both scale-up and *potential* scale-up firms. The survey sample came from two key sources:
  - SQW analysis of PitchBook data identified a sample of 884 'potential scale-up firms', as defined for this study,[6] 656 of these had valid email addresses to be contacted on
  - stakeholder bodies including Tech Ireland, Scale Ireland, and Enterprise Ireland distributed the survey to their existing business networks
  - the survey received a total of 166 responses, of which 93 responses (56%) were from firms in the PitchBook sample (response rate of 14%)
  - characteristics of the survey respondents, including growth rate, business stage, and size are included in Annex C.
- **58 in-depth qualitative interviews, including**:

[6] This includes companies which are headquartered in Ireland, have already secured some form of investment (VC, PE, or debt), have 10-249 employees and have had a least one instance of 10% per annum growth in turnover or employment over the past 5 years.

- **24 follow-on firm interviews** – these were purposively sampled from the survey respondents to gain a representative sample in terms of sector, stage and a range of experiences in seeking/securing scaling finance (i.e. viable met demand, unmet demand and discouraged seekers).[7]
- **15 interviews with fund managers** – these were undertaken to explore supply side issues. Fund managers were identified through: analysis of PitchBook data (based on funds active in later-stage deals in Ireland over the past five years), existing networks of the research consortium, and recommendations from other fund manager consultees. Of the 15 fund managers consulted, nine were Irish, four were in the UK, and two were in other parts of Europe.
- **19 stakeholder interviews**[8] – exploring cross-cutting themes related to both supply side and demand side issues.

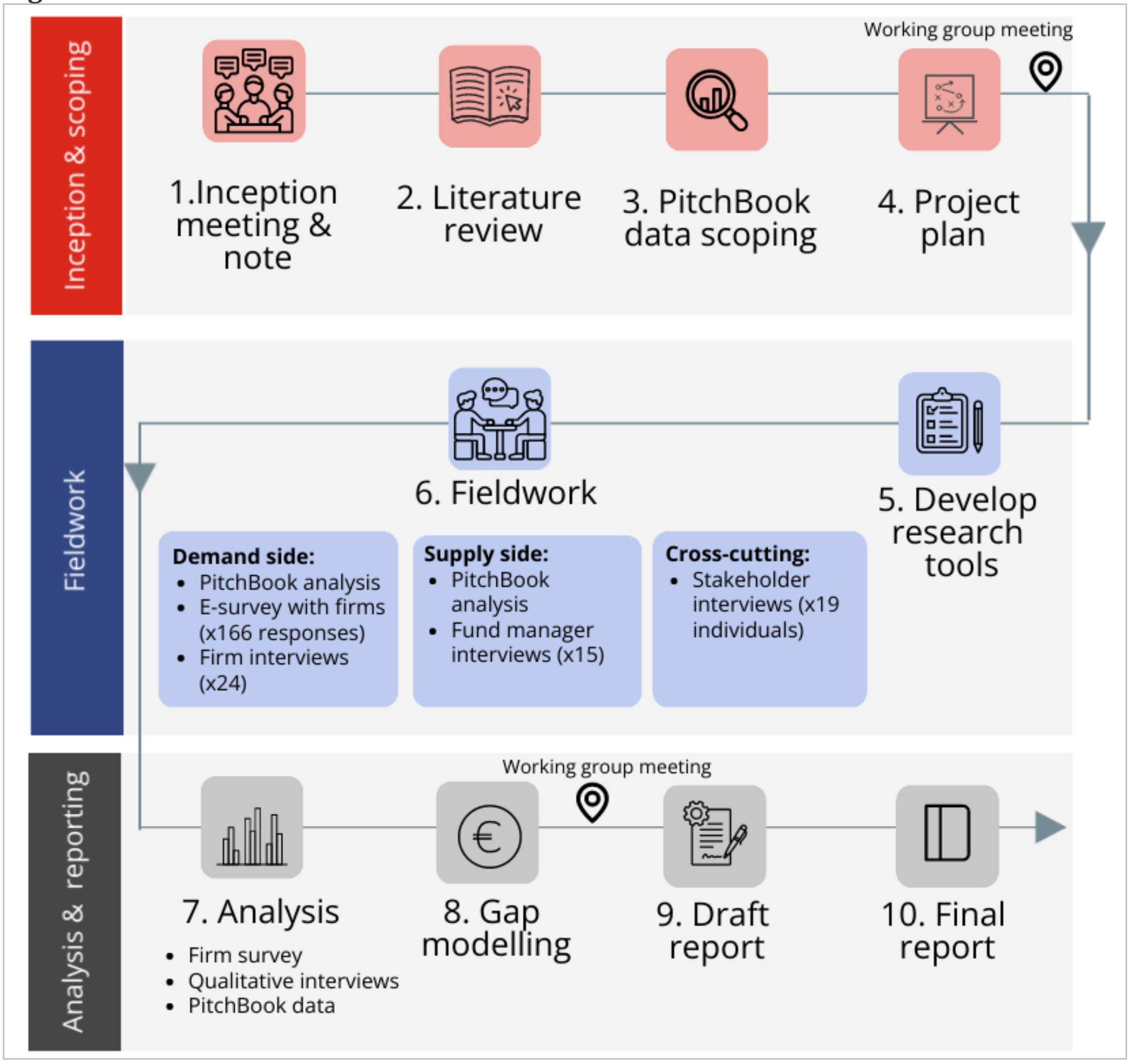
- **Analysis** – including qualitative analysis of the stakeholder, fund manager, and firm interviews, alongside survey analysis. Alongside this, analysis of PitchBook data was undertaken to provide an overview of the scale-up investment landscape in Ireland.

- **Gap modelling** – Monte Carlo simulation informed by data from several sources including qualitative interviews, survey feedback and PitchBook.

1.8 In addition, the process was overseen by DETE's Finance for Scaling Working Group, who were presented with the study plan at the end of the inception and scoping phase, and took part in a workshop to discuss the emerging findings during the analysis and reporting phase.

[7] Of the 24 firms interviewed: 14 were categorised as unmet demand having secured only some, or none, of the required equity; seven were viable met demand, having secured the full amount intended; and three were discouraged seekers, in that they had considered but not applied for equity finance to scale-up.
[8] We interviewed 19 individuals from 16 stakeholder organisations.

Figure 1-1: Evaluation methods overview



Source: SQW

Report structure

1.9 The remainder of the report is structured as follows:

- **Section 2** provides an overview of the equity investment context in Ireland
- **Section 3** sets out the demand for scaling finance in Ireland, including the scale and nature of demand
- **Section 4** presents evidence on the supply of scaling finance in Ireland, including an overview of the key funds and investors in the Irish market
- **Section 5** assesses the gaps and barriers to accessing scaling finance, including quantifying the gap and considers its driving factors

- **Section 6** presents our findings in relation to the need for State support, including key challenges associated with this
- **Section 7** presents the overall study conclusions.

1.10 Finally, there are three supporting appendices: detailed methodology; PitchBook definitions and analysis; additional survey data.

2. Equity investment in Ireland

Key findings

- **In 2024, total investment into Irish companies was €94.2bn.** The VC investment market, at €904.7m, represented c.1% of the total figure, while PE deals made up c.€14.5bn, or 15% of the total.
- **The values of both VC and PE investment in Ireland have grown since 2015**, by 44% for VC and 14% for PE. However, this growth has been slower than in Europe, where the values of VC and PE investment grew by 197% and 31%, respectively.
- **Within VC, later stage VC was underrepresented in Ireland.** Between 2015 to 2024, later stage VC deals accounted for 50% of the total value of VC investment, compared to 56% in Europe.
- **Despite comparable performance in early funding rounds, Irish firms were less likely to progress past round 6.** As shown by a success funnel of companies raising their first VC investment between 2015 and 2019, only 44% of companies that raised round 6 either raised round 7 or exited, as compared to 50% in Europe.
- **Average deal sizes in Ireland were also smaller than the European average.** Between 2015 and 2024, the largest difference could be seen in later stage VC, where the mean Irish deal size was c. €8m and the European mean was c. €12m (c. €4m difference).

2.1 This section provides an overview of the level and nature of investment for scaling firms in Ireland over the last decade (i.e. since 2015). It focusses on equity investment, in particular at later stages. This covers both VC and PE. The purpose is to provide context, highlighting where there are potential issues in the Irish market.

2.2 The analysis in this section is based on investment data from PitchBook. It is worth highlighting that these data are not comprehensive, there are incomplete data on deal sizes (and some information is undisclosed publicly). Therefore, the numbers presented are an underestimate of the scale of investment across all geographies.

Total investment

2.3 According to PitchBook, **the total amount of all investment (equity and debt) in Ireland[9] in 2024 was €94.2bn, which has grown from €93.7bn in 2016.**[10] In the same year, the total amount of **VC equity investment in Ireland was €904.7m** (of which €571.3m was classified

[9] i.e. Companies with a HQ in Ireland.

[10] 2016 is used as a comparison for total investment because the 2015 total is an outlier, at €308.6bn of total investment. This is due to a higher value of corporate/strategic M&A in that year.

as later stage VC), **with a further €14.5bn of PE**. This means that VC and PE represented around 1% and 15% of total investment in 2024, respectively. The remaining investment (84%) into Irish companies over the last decade was from corporate/strategic mergers and acquisitions (M&A), debt, and other investments (see Annex B for deal type definitions and classifications).

2.4 Over the period 2015 to 2024, later stage VC investment accounted for around half of all VC into Ireland, **but later stage VC investment was under-represented compared to Europe as a whole**. As illustrated below, later stage VC accounted for 50% of VC investment into Ireland between 2015 and 2024, which was 6pp below the European average. However, the gap has narrowed slightly to 5pp over more recent years (i.e. 2020-2024). Conversely, there has been a skew towards early stage VC investment.

Table 2-1: VC investment by stage (a) over the last decade and (b) over the last five years, comparing Ireland to Europe

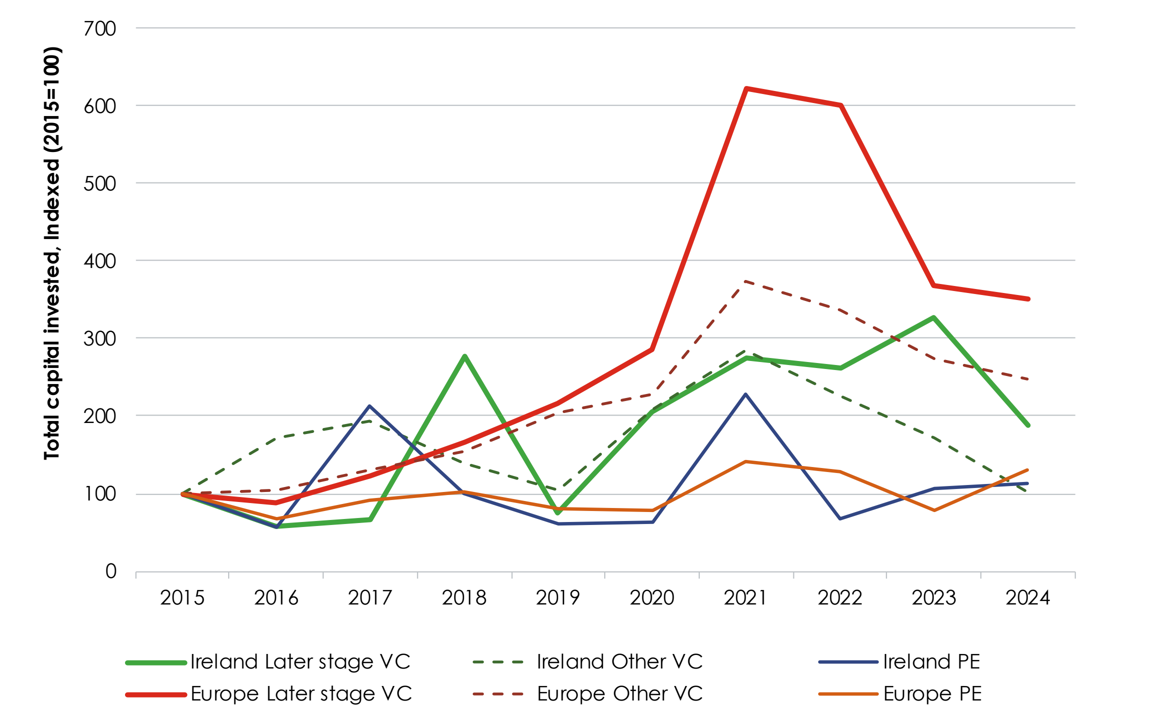
VC stage	(a) Investment by stage, 2015-2024			(b) Investment by stage, 2020-2024		
	Ireland	Europe	PP diff.	Ireland	Europe	PP diff.
Pre/ Accelerator/ Incubator	2%	2%	0pp	2%	2%	0pp
Angel	1%	2%	0pp	1%	1%	0pp
Seed	7%	7%	-1pp	7%	8%	-1pp
Early stage VC	34%	26%	8pp	30%	25%	6pp
Later stage VC	**50%**	**56%**	**-6pp**	**54%**	**59%**	**-5pp**
Other	6%	7%	-2pp	5%	6%	-1pp
All	100%	100%		100%	100%	
Total VC investment (€m)	**€11,114m**	**€ 538,956m**		**€7,048m**	**€ 391,126m**	

"PP diff." refers to percentage point difference, which in some cases have been rounded.
The 'Other' category is made up of the following VC stages: equity for service, grants, restart angel, restart early stage VC, restart later stage VC.[11]
Source; SQW analysis of PitchBook data

[11] The 'restart' round type indicates that a company experience a significant down round with existing investors being significantly diluted. The early stage or later stage component indicates when a venture capital firm invests and the down round is in either the early or later stage of the company, respectively

2.5 **Over the last decade, the amount of VC investment into Irish firms has increased, but growth was considerably slower than for Europe as a whole**. As illustrated below, the difference for later stage VC[12] has been particularly pronounced: during Covid-19 and the recovery period, Irish firms did not experience the spike in investment observed across Europe, and the amount of later stage VC investment has fallen sharply since 2023. Overall, later stage VC investment into Ireland nearly doubled between 2015 and 2024, whereas across Europe it increased over three-fold. 'Other VC' investment in Ireland was on an upward trajectory to 2021, but then fell back to 2015 levels, whereas across Europe as a whole 'other VC' investment had more than doubled by 2024. Trends in PE investment in Ireland and Europe were much more similar: the value of investment fluctuated (with some peaks for Ireland in 2017 and 2021) but returned close to 2015 levels in 2024.

Figure 2-1: VC and PE investment in Ireland and Europe, indexed to 2015=100[13]



Source: PitchBook. Note: 'Other VC' comprises Pre/Accelerator/Incubator, Seed, Angel, Early stage VC and the 'Other' category (made up of equity for service, grants, restart angel, restart early stage VC, restart later stage VC).
Source: SQW analysis of PitchBook data.

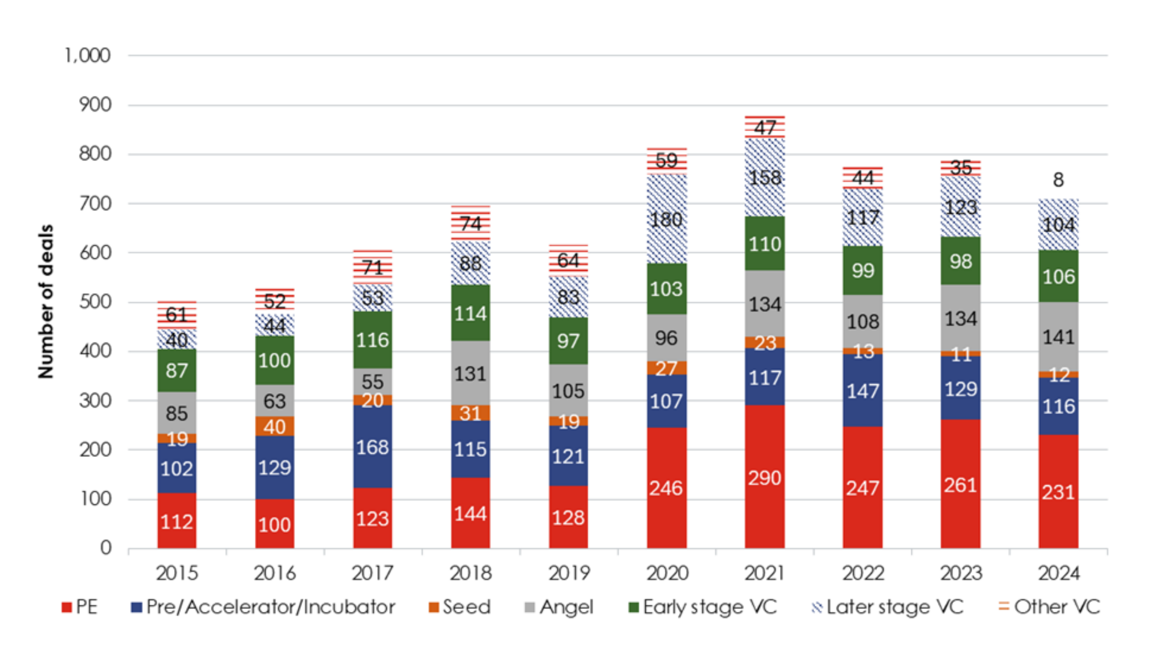
[12] PitchBook's definition of late stage is as follows: *This deal type includes Later Stage VC and Venture Growth deals. A Later Stage VC deal is defined as a series C to series D round, or a round that occurs more than five years after the company's founding date. A Venture Growth deal is defined as a series E+ round, or a round founded more than seven years ago with six or more VC deals.* (PitchBook, 2025)

[13] Indexing numbers enables standardised comparison against a base year. In this case, it allows for analysis of trends across categories with different sizes of investment, from 2015 to 2024.

Deals

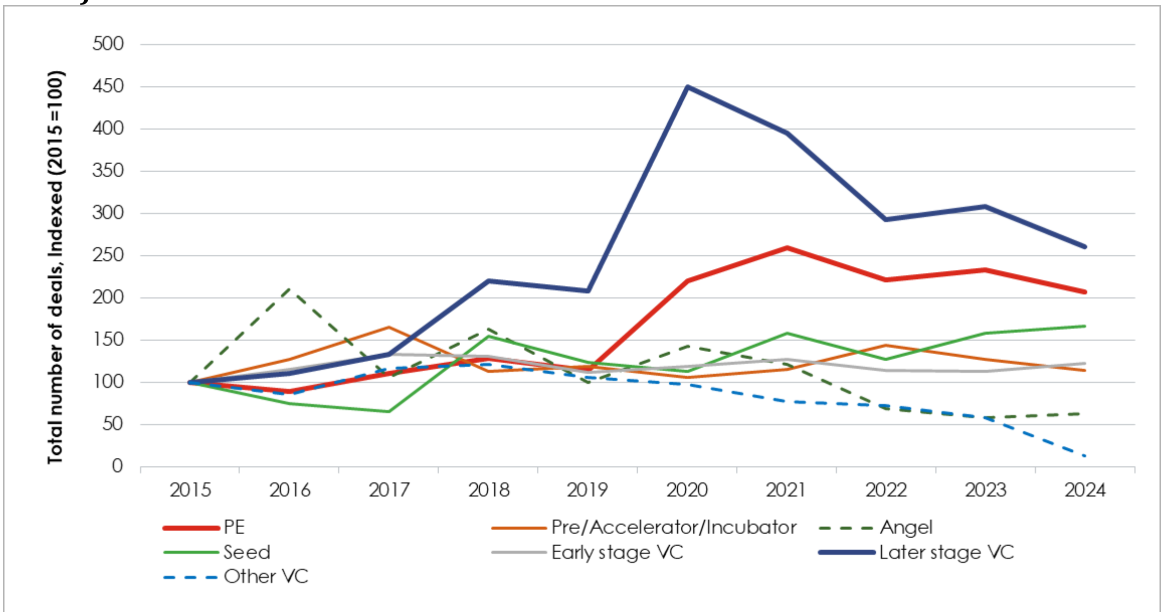
2.6 **The number of VC and PE deals in Ireland increased from 2015 to 2020/21, followed by a decline through to 2024**. As illustrated below, trends have been more nuanced by stage of VC investment. Specifically for later stage VC, the number of later stage deals peaked in 2020 – whilst the number of deals have fallen since then, they have more than doubled over the last decade.

Figure 2-2: Number of PE and VC deals, 2015-2024 in Ireland



Source: SQW analysis of PitchBook data

Figure 2-33: Number of VC and PE deals in Ireland between 2015-2024, Indexed (2015 = 100)



Source: SQW analysis of PitchBook data

2.7 In terms of deal size, there were three key issues in Ireland:

1. **Seed and early stage VC deals were typically smaller in Ireland (until recently for early stage VC)**
2. **The size of later stage VC deals has decreased in recent years in Ireland (and Europe)**
3. **Later stage VC deals have been considerably smaller in Ireland than the European average over the last decade, although this gap has narrowed over the last five years.**

2.8 As illustrated below, the average size of later stage VC deals in Ireland was €8.1m between 2015 and 2024, which was 66% of the European average over the same period. Furthermore, the average size of later stage VC deals in Ireland has fallen in more recent years to €6.5m, although this trend was observed across Europe as a whole and the gap has narrowed (Ireland's average deal size was 73% of the European average between 2020 and 2024). The analysis also shows average deal sizes at seed and early stage VC were lower in Ireland than the European average over the last decade, although in recent years progress has been made to narrow the gap at seed and eliminate it at early stage VC.

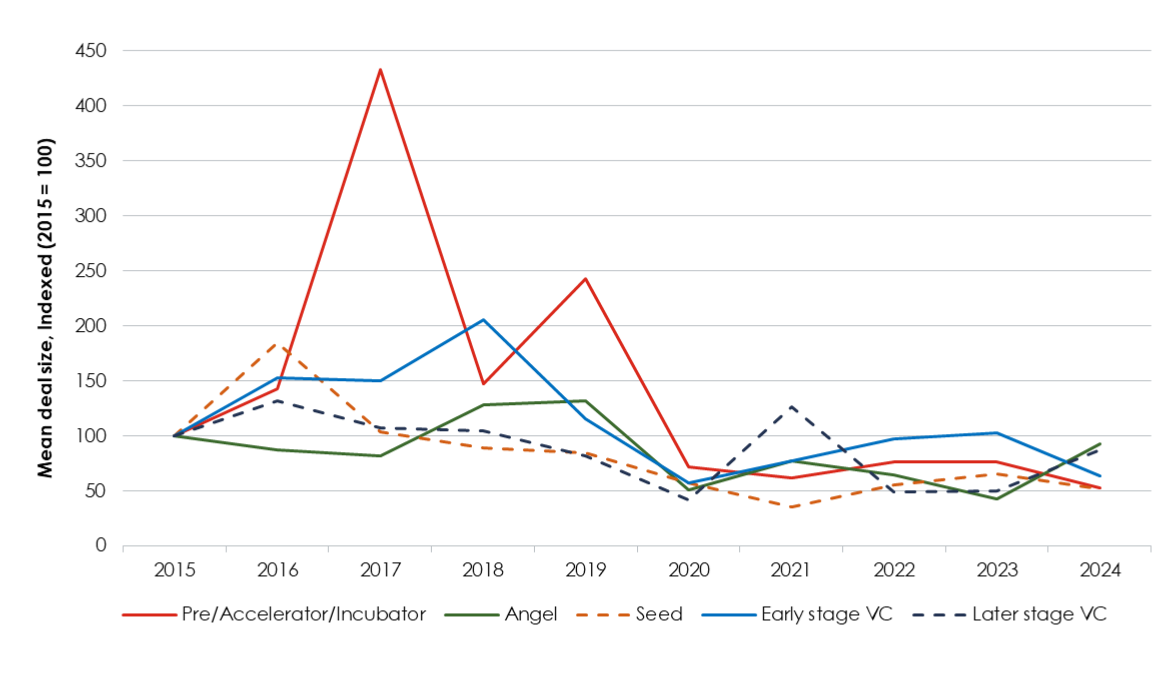
Table 2-2: Average (mean) VC deal size (€m) in Ireland and Europe, 2015-2024 and 2020-2024

VC stage	2015 – 2024			2020 - 2024		
	Ireland	Europe	Difference	Ireland	Europe	Difference
Pre/Accelerator /Incubator	0.3	0.5	-0.2	0.1	0.2	-0.1
Angel	0.9	0.8	0.1	0.7	0.7	0.0
Seed	1.0	1.6	-0.6	0.6	1.1	-0.4
Early stage VC	5.5	5.8	-0.3	3.9	3.7	0.2
Later stage VC	**8.1**	**12.3**	**-4.2**	**6.5**	**8.9**	**-2.4**

Source: SQW analysis of PitchBook data. Note: it is not possible to calculate weighted means for PE deals because means are calculated by sub-category, i.e. Buyout/LBO; Growth/Expansion; PIPE, etc. separately. Taking an average of these categories would not reflect the average for PE as a whole, as there are more deals in some categories than others. Note that the difference between Ireland and Europe has been calculated to one decimal place.

2.9 The graphic below confirms that, **whilst the number of late stage VC deals has increased over the last decade, the average deal size has remained relatively static.**

Figure 2-44: Average (mean) deal size in Ireland, Indexed (2015 = 100)



Source: SQW

Success funnel

2.10 PitchBook have analysed the 'success funnel' for firms in Ireland with 10 to 249 employees who received their first round of VC investment between 2015 and 2019 and compared this to Europe as a benchmark. The purpose of this analysis was to track the extent to which equity-backed companies in Ireland progress through financing rounds, and how this compares to progress across Europe as a whole.

2.11 **The overall shape of Ireland's success funnel is similar to the European average**, which demonstrates that attrition through the financing rounds is a Europe-wide issue. In fact, Irish firms were more likely to progress to round 6 (although, as discussed below, qualitative findings suggest these are more likely be earlier stage and bridging rounds). PitchBook's underlying data suggests that healthcare technology systems/services, pharmaceuticals and biotechnology[14] firms were most likely to progress through the funding rounds.

2.12 The analysis also suggests that **the rate of acquisitions, buyouts and IPOs in Ireland was similar to the European average** across most financing rounds, and a similar proportion or fewer Irish firms went out of business at each round. However, there are two key differences:

[14] For example, healthcare services, healthcare technology systems, pharmaceuticals and biotechnology.

- **Irish firms were less likely to progress from round 6 to round 7** compared to the European average (37% compared to 43% respectively).
- The size of deals secured by Irish firms was lower than their European counterparts at rounds 4 onwards, and this difference was substantial by rounds 6 and 7. For example, Irish deals at round 5 were two-thirds the size of the European average, and at round 6 they were about half the value (further data is provided in Annex B).

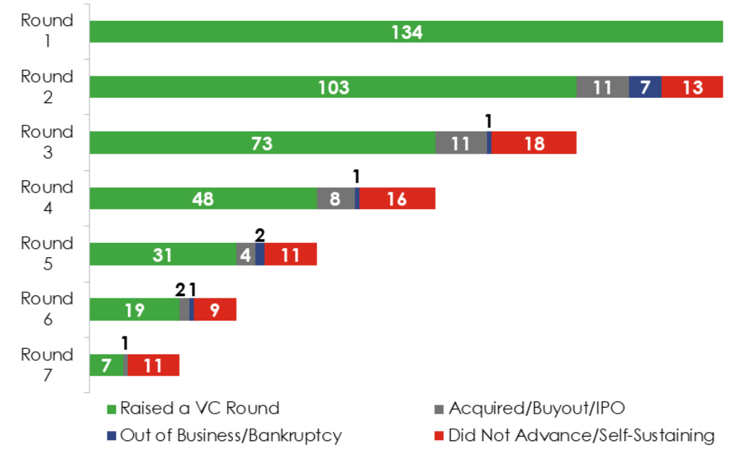
2.13 This suggests under-capitalisation when it comes to later rounds that would typically fund scaling. *Note, data in rounds 6 and 7 is based on few observations so should be treated with caution.*

Figure 2-55: Success funnel for Irish companies that had their first VC investment between 2013-2015, and European comparison

Irish firms with 10 to 249 employees that had their first VC investment between 2015 and 2019

n=134 companies in 'starting cohort' at round 1. Note: red cells=Irish value is below European benchmark; green cells=Irish value is above European benchmark; no colour=Irish value matches European benchmark or is within 2pp. 'Overall fundraising funnel' is the proportion of the 'starting cohort' raising funding or acquired/buyout/IPO at each round.

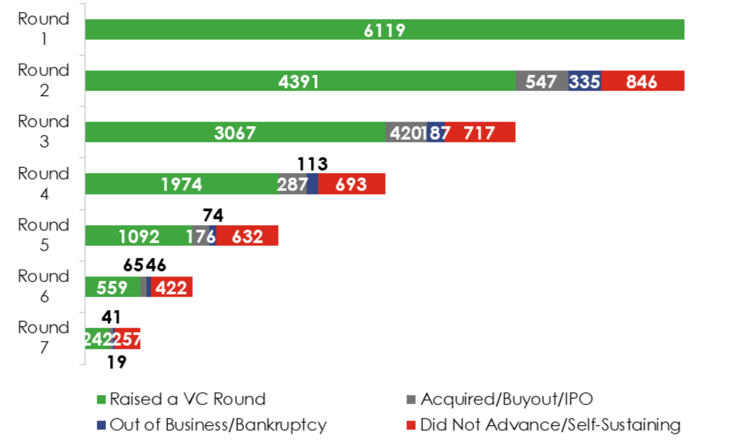
	% raised VC at subsequent Round	% acquired/ buyout/IPO	% advancers to subsequent round (i.e. raised VC or acquired/buyout/IPO)	% out of business/ bankruptcy	% did not advance/ self-sustaining	Overall fundraising funnel
Round 2	77%	8%	**85%**	5%	10%	**77%**
Round 3	71%	11%	**82%**	1%	17%	**54%**
Round 4	66%	11%	**77%**	1%	22%	**36%**
Round 5	65%	8%	**73%**	4%	23%	**23%**
Round 6	61%	6%	**68%**	3%	29%	**14%**
Round 7	37%	5%	**42%**	0%	58%	**5%**



European firms with 10 to 249 employees that had their first VC investment between 2015 and 2019

n=6,119 companies in 'starting cohort' at round 1.

	% raised VC at subsequent Round	% acquired/ buyout/IPO	% advancers to subsequent round (i.e. raised VC or acquired/buyout/IPO)	% out of business/ bankruptcy	% did not advance/ self-sustaining	Overall fundraising funnel
Round 2	72%	9%	81%	5%	14%	72%
Round 3	70%	10%	79%	4%	16%	50%
Round 4	64%	9%	74%	4%	23%	32%
Round 5	55%	9%	64%	4%	32%	18%
Round 6	51%	6%	57%	4%	39%	9%
Round 7	43%	7%	51%	3%	46%	4%



Source: PitchBook

3. Demand for equity finance for scaling

Key findings

- **Just under 900 firms in Ireland have been identified in PitchBook as 'potential scale-up firms'**. A large proportion of these firms were in Software or key emerging technologies that cut across industries, and are relatively small in scale.
- **Demand for later stage scaling finance has increased in Ireland, including for larger deal sizes.** Scaling firms typically approach investors in Ireland *and* overseas. VC investment was the most common source of equity considered by firms, but firms also relied on business angels and family/friends.
- **The quality of demand was generally perceived to be good** by stakeholder and fund manager consultees, although there were some issues, including the perceived level of ambition, financial acumen, the lack of appropriate teams/capabilities in place to scale, and undercapitalisation at earlier stages which has led to sub-optimal growth.
- **Looking forward, the growth in the demand for equity to scale is expected to continue over the next 3-5 years.** There is strong demand for equity investments between €3m-5m, €5m-10m and over €10m, and firms are more likely to focus on securing overseas investment only in future.

3.1 This section provides an overview of demand for scaling equity finance in Ireland, drawing on an analysis of PitchBook data, and feedback from the firm e-survey and interviews and wider fund manager and stakeholder consultations.

The scale and nature of demand from 'potential scale-up' firms

3.2 As set out in Section 1, the study sought to identify the scale and nature of 'potential scale-up' firms in Ireland. A working definition of 'potential scale-up' firms was produced in discussion with DETE and the Scaling Working Group. PitchBook data was then analysed to identify these firms and their characteristics. Whilst this was very high level and indicative, it signals the potential scale of demand and type of firms that have, or may in future, seek equity capital for their growth and expansion.

> *'Potential scale-up firms' are those who: (i) are headquartered in Ireland; (ii) have a minimum of 10 and maximum of 249 employees; (iii) have had at least one instance of minimum 10% per annum growth in employees AND/OR revenue between 1 January 2020 and 31 December 2024; and (iv) have accessed some external investment, specifially any stage of VC, PE, or debt finance, in their past.*

3.3 According to PitchBook, **884 firms meet the criteria above for a 'potential scale-up firm'.**[15] Of these, 75% have already accessed some late stage finance[16] and 25% have not as yet. Key characteristics of these firms are as follows (see Annex B for further details):

- Software firms account for a large share of the 'potential scale-up firms' who have not yet secured late stage finance (47%) suggesting **demand from software firms is likely to continue going forward.**
- The majority of 'potential scale-up firms' are classified by PitchBook as operating in at least one 'vertical',[17] many of which are technology-related, e.g. Software as a Service (SaaS), AI and machine learning. **Firms that have not accessed late stage finance to date tend to operate in more emerging, perhaps more advanced technology areas.**[18] That said, there are also some more 'traditional' sectors in the 'potential scale-up firm' cohort that may require scaling finance in future, including in manufacturing.
- 'Potential scale-up firms' span the whole 10 to 249 employee range, but **most firms are towards the smaller end of the size range**.[19] A quarter of the cohort have 10-19 employees (27%) and over three-fifths have under 50 employees (61%). The analysis also shows the average size of firms that have *not* accessed late stage finance is less than half that of firms who have accessed late stage finance. Whilst this may reflect their stage of development, it suggests that many firms seeking scaling finance in future are likely to be relatively limited in terms of resources/capacity to scale and seek finance to recruit (this is corroborated by primary evidence in Section 5).

Wider evidence on demand

3.4 There was consensus across the firms, stakeholders and fund managers consulted that **demand for later stage scaling finance has increased in Ireland, including for larger deal sizes.**

3.5 In the firm e-survey, 96% of respondents had wanted to scale-up their business[20] over the last three years and the majority of these firms had considered seeking external finance to do so (136 or 86%). Equity was the most common type of external finance considered for scaling,

[15] As at 30 January 2025.
[16] i.e. they have been involved in any later stage VC, private equity, debt, corporate/strategic M&A, or IPO/liquidity deal.
[17] 'Verticals' are curated by PitchBook to cut across and do not fit neatly within industries and focus key emerging technologies (informed by market trends and research). Verticals are often used to describe a group of companies that focus on a shared niche or specialised market spanning multiple industries. Unlike industry classifications, not every company is tagged with a vertical.
[18] Notably fintech, SaaS and AI.
[19] Employee count is based on the number of employees in a firm's most recent financial statement.
[20] A broad definition was used in the survey of "rapid growth in employment and/or turnover".

reported by 71% (113), but venture debt and loans were also considered (albeit to a lesser extent and sometimes alongside equity).[21] Of the 113 respondents who considered equity to scale:

- Most went on to apply for it (103 or 91%), suggesting they know where to find it.
- The majority of those who applied for equity approached investors in Ireland *and* overseas (68%), although over a quarter said they only approached Irish investors (27%). A minority considered overseas investors only (5%).
- VC investment was the most common source of equity, but firms also used business angels and family/friends to source equity for scaling (including firms that were at growth and scale-up stages)
  - qualitative feedback from the firm consultations suggests that angel investors were willing to invest in slightly riskier propositions, based on *"idea and founder belief".*
  - this may reflect earlier stage scaling investments, although the survey also found a relatively large proportion of firms looking to scale in future were considering angel investment to do so (40%), albeit alongside other sources including VC and PE, as discussed below.
- Angel investment may also be preferred in cases where the firm has pre-existing networks in the angel community and/or the potential investor can bring value in terms of experience or sector expertise. However, bootstrapping and the reliance on angels raises questions about the scale of finance that firms are likely to secure and whether this is sufficient for scaling.[22]
- Equity was needed to fund a wide range of scaling activities, including R&D, staff recruitment, working capital (especially where firms were pre-revenue), marketing, developing new/improved products or services, and exporting (see Annex C for further details).

3.6 **The fund managers and stakeholders consulted have also observed an increase in demand for scaling finance**, although a slight decline in recent years.[23] Consultees suggested growth has been driven, in part, by the increased supply of earlier stage finance which creates a wider pipeline of propositions for the next stage of financing and the maturation of certain sectors in Ireland (e.g. life sciences), with those firms now seeking scaling finance. Consultees

---

[21] Of the businesses wanting to scale in the last three years, 47% considered and/or applied for venture debt and 48% considered and/or applied for loans.
[22] Bootstrapping refers to the process of starting and growing a business using small amounts of finance (typically from personal savings or close family and friends), rather than relying on external funding sources.
[23] This was seen as a response to over-valuations in 2020-21 and rising interest rates.

also noted increasing demand for larger deals, but also growing demand for bridging rounds (generally considered a sign of difficult market conditions or poor firm performance). That said, consultees emphasised that the Irish market remains relatively small, and so growth in demand should be viewed in that context.

3.7 **The quality of demand was generally perceived to be good** by consultees, although there were some issues. These included the level of ambition, financial acumen, the lack of appropriate teams/capabilities in place to scale, and undercapitalisation at earlier stages which has led to sub-optimal growth (this is discussed further below). One consultee suggested that the increase in capital at earlier stages has meant some firms that "really should not have got funding" were funded, and this may naturally lead to greater rates of attrition when it comes to scaling finance.

3.8 According to the fund managers consulted, the main reasons for rejecting propositions are: (i) the lack of alignment with their investment strategy, which was the most commonly cited issue, (ii) insufficient market potential or limited export potential, (iii) capabilities and ambition, (iv) the caps table, and firms who have given up a large proportion of ownership at early stages, (v) valuations that are perceived to be unrealistic, and (vi) insufficient evidence of prior growth. Some of these issues are also identified as drivers of the gap in Section 5.

> *"Education is needed about giving away less equity at early stages"*
>
> *"[We are] only considering top tier companies in terms of growth rates, trajectory and ability to grow"*
>
> Fund manager consultees

3.9 **Looking forward, the growth in the demand for equity to scale is expected to continue.** Over the next three to five years, almost all respondents in the firm e-survey plan to scale-up their business (96% or 155). Moreover, the planned rate of growth is high: 87% expect employment to increase by 10% or more per annum; and 94% expect turnover to increase by 10% or more per annum. The large majority of these firms will seek equity to scale-up (81% or 126) and plan to approach:

- VC and PE providers, government equity schemes and (to a lesser extent) business angels or other third parties.
- A mix of existing *and* new investors (80%). Follow-up interviews with firms highlighted the need to bring in new investors with "deeper pockets" for scaling investment rounds, including investors who can provide €10m *and* sufficient capital to follow on in subsequent rounds.

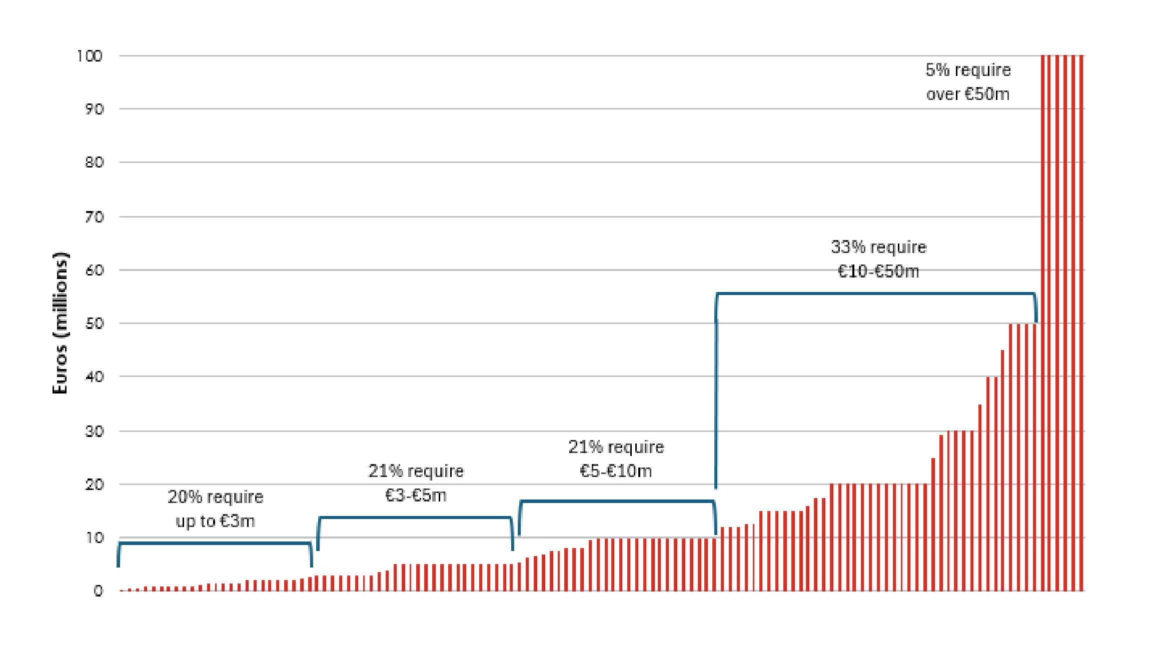
- A mix of Irish and overseas investors (64%). Interestingly, in future, a much higher proportion of firms said they would approach only overseas investors to source equity to scale (21%) than in the past (see above). The main focus will be on the US, UK and Europe, partly because of the wider benefits associated with investors in these countries in addition to the finance (e.g. access to markets, wider networks). Fund managers did not consider sourcing capital from international sources as a failure: as noted by one consultee "*there are few local ecosystems that can support Series B/growth stage fund alone in terms of volume and competition with global capital*".

> *"To properly scale the businesses we would need to find a large EU or US VC who would provide sufficient capital and runway for us to get on with scaling the business"*
>
> Firm e-survey respondent

3.10 As above, firms will be seeking equity to fund a range of investments, notably recruitment, R&D, working capital, marketing, exporting and developing new or improved products.

3.11 The amount of equity finance needed by these firms to scale-up in the next three to five years varies widely, as illustrated below, but suggests strong demand for equity investments between €3m-5m, €5m-10m *and* over €10m.

Figure 3-1: Amount of equity finance required to scale-up in the next 3-5 years



Source: SQW analysis of firm e-survey
n=89
Note: excludes two outliers over €10m (€250m and €300m)

4. Supply of equity finance for scaling

Key findings

- Over recent years there has been a **relatively small number of funds based in Ireland that actively invested in later stage scaling firms** (23 out of 113). For many VCs, the focus was on earlier stage investment with some follow-on at later stage.
- **Irish funds are smaller in size than their European counterparts**, and most are too small to execute scaling strategies. Many funds are coming to the end of their funding cycle, with limited dry powder.[24]
- **The majority of investors are headquartered in Europe and North America**, with a focus on early stage VC and seed investments, followed by later stage VC (43%), and the most common investment preference by far is for software.
- **Most fund managers consulted have found it difficult to raise funds.** Funds are typically reliant on public investment and multiple family offices, angels and high-net-worth individuals (HNWIs). Around half of these have secured institutional investment (from overseas).

4.1 This section provides an overview of the scale and nature of the supply of scaling finance in Ireland. It first considers the overall supply of VC and PE to all Irish firms, before examining the funds and investors supplying finance to Irish scaling firms. It draws primarily on PitchBook analysis, with additional input from the in-depth consultations and the firm e-survey.

Supply side context

Funds

4.2 **According to PitchBook, 113 funds provided scaling equity finance to Irish firms in recent years**, i.e. the fund made at least one late stage VC or PE investment into an Irish company of between €2m and €50m during 2020 and 2024. Table 4-1 below presents PitchBook data on funds supplying later stage scaling finance (VC and PE) to Irish firms between 2020 and 2024. We highlight the points below from our review of these data.

[24] For VC and PE firms, "dry powder refers to the amount of committed, but unallocated capital a firm has on hand. In other words, it's an unspent cash reserve that's waiting to be invested". See: https://pitchbook.com/blog/what-is-dry-powder

- **Most funds are VC, although few are explicitly focused on later stage deals** (according to PitchBook's analysis of fund type).[25] Only 4% are classified as 'venture capital – later stage'.[26] Funds are more likely to be 'venture – general'[27] (33%) or 'venture capital – early stage' (29%). This suggests that, although there are some funds explicitly focussed on later stage VC deals, the majority focus on all venture capital or early stage specifically. A higher proportion of Irish funds are specifically 'venture – early stage' (39%), rather than 'venture – general' (26%). This aligns with the qualitative feedback from fund managers which also indicated that Irish funds often focus on earlier stage VC equity and later stage deals are follow-on investments into their existing portfolio, rather than late stage investment being their primary focus. A limited number of funds are PE (27) and only 26 funds are classified under either the buyout or growth/expansion categories.

- **There are few funds based in Ireland actively investing in later stage VC or PE**. Of the 113 funds, only one fifth (23) were based in Ireland and the remainder were overseas (funds from the US and UK account for 50%[28]).

- **Irish funds are much smaller in size than their overseas counterparts**. The majority of funds that have made scaling investments in Ireland are <€250m. However, in Ireland, the average fund size is just under €70m. Irish VC funds are even smaller at €60m on average. Stakeholder consultees suggested that an optimal fund size to execute a scaling strategy is in the region of €200m-€300m+, and Irish funds are substantially below this benchmark (particularly given these funds also invest at earlier stages, and so the fund's capital is not dedicated to scaling).

- **The dry powder available in these funds is limited**. For the 91 funds where data are available, many have no or almost no dry power (43% of funds). Most of these funds have a vintage between 2015 and 2021, and most are closed (i.e. no longer fundraising). Furthermore, 12 of the 23 Irish funds in the table below have less than 10% of dry powder remaining. If many funds are coming to end of their cycle, fundraising going forward could be a challenge. This will also impact upon the ability of funds to follow-on.

---

[25] PitchBook categorises funds into types based on the reported deals the funds will focus on. If this information is not available, researchers refer to the investor's stated preferences or investment behaviour to determine the most likely fund type.
[26] According to PitchBook, 'Venture – later stage' refers to: *"A venture capital fund that focuses specifically on later financing rounds. This may include Series C, Series D, or other later rounds."*
[27] According to PitchBook, 'Venture – General' refers to: *"Funds that invest in new companies with high growth rates regardless of round type or company maturity. This fund type may be used if the fund does not provide information about whether it focuses on early stage or later stage deals."*
[28] The remaining overseas funds are based in France, Netherlands, Germany, Luxembourg, Belgium, Italy, Japan, Singapore and China.

- **The number of deals by Irish funds into Irish firms is relatively small in absolute terms** (54 deals over five years). Irish funds accounted for around 20% of all late stage deals into Irish firms over this period.

Investors

4.3 **There have been 470 investors involved in late stage deals in Irish firms of €2m-€50m between 2020 and 2024 in Ireland**, although only 462 were in business at the time of analysis. Key details are outlined below, with further information provided in Annex B.

- **The majority of these investors were headquartered in Europe and North America** (40% and 36%, respectively), although investors also came from Asia, South America, Oceania, Africa, and the Middle East.
- In terms of investment type preferences, the most common was VC deals. Out of the 377 investors where data were available, **early stage VC and seed round were the most commonly preferred investment types** (53% and 49%, respectively), followed by later stage VC (43%).[29]
- **By far the top preferred industry among investors in the sample was software** (42% of funds). Beyond this, preferences spanned a range of industries, including health, e.g. healthcare, pharmaceuticals, biotechnology, financial services, business products and services, and healthcare devices, supplies and technology systems. Of the 377 investors who expressed any industry preference, almost four-fifths expressed an interest in more than one industry (78%).

[29] Note, investors can have more than one investment type preference

Table 4-1: Overview of funds supplying later stage scaling finance (VC and PE) to Irish firms between 2020 and 2024

		All funds (Irish and overseas*)			Overseas funds only			Irish funds only		
Metric		All funds	VC only	PE only	All funds	VC only	PE only	All funds	VC only	PE only
No. of funds		**113**	74	27	**90**	57	22	**23**	17	5
Fund size[30]	Mean	**€622.8m**	€166.6m	€1,811.1m	**€648.8m**	€188.1m	€1,676.1m	**€533.0m**[31]	€104.7m	€2,486.3m
	Median	**€137.2m**	€94.3m	€632.3m	**€189.3m**	€113.8m	€811.2m	**€69.2m**	€60.0m	€155.0m
Dry powder[32]		**€6.0bn across 89 funds**	€1.6bn across 61 funds	€4.1bn across 23 funds	**€5.1bn across 68 funds**	€1.4bn across 45 funds	€3.5bn across 19 funds	**€910.6m across 21 funds**	€287.9m across 16 funds	€622.5m across 4 funds
Status (% closed)		**81%**	88%	78%	**78%**	86%	73%	**96%**	94%	100%
No. late stage investments in Ireland		**171**	118	38	**110**	67	30	**61**	51	8

**As at Fund location based on the city and country where the fund management team is located. This is not necessarily the same as the investor's (or limited partner's) primary headquarters, as they could be managing the fund from an office in another location. Data as at February 2025. Source: SQW analysis of PitchBook data*

[30] Data available for 98 funds.
[31] ISIF is a significant outlier, at €9.5bn; the next largest fund is €600m. Excluding ISIF, the mean fund size for Irish funds is €105.6m.
[32] Data available for 91 funds.

Wider evidence on supply

4.4 According to stakeholder consultees, the supply of early stage equity is now relatively strong, with a *"good and vibrant financial ecosystem in Ireland for early stage"*. However, the supply of equity finance for scaling is significantly more limited. There is a particular issue in relation to the size of the funds available, which are seen as too small to serve scaling companies, as well as investors being too risk averse (discussed further below). That said, the supply of PE is considered relatively well developed, albeit for high growth potential firms that are already profitable.

4.5 For the fund managers consulted, their funds were commonly reliant on sources of capital such as Enterprise Ireland, European Investment Fund (EIF), Allied Irish Banks and National Treasury Management Agency (NTMA)/Ireland Strategic Investment Fund (ISIF), with contributions also coming from multiple family offices, angels and HNWIs. Just under half had secured institutional investment, primarily from overseas insurance and pension funds. Most (nine out of 15) fund managers highlighted challenges around raising funds, mainly due to the lack of private institutional capital in this asset class (this is discussed in detail in Section 5).

5. Gaps and barriers to accessing scaling finance

Key findings

- **There is evidence of unmet demand for equity finance to scale**, including firms who consider equity but do not secure any or the full amount required and (to a lesser extent) discouraged demand from firms that need but do not apply for equity to scale. This issue is expected to continue.
- **The gap(s) are most acute for deals in the €5m-€10m range** (there is also evidence of gaps below €5m and above €10m), from Series A and especially Series B+, for capital and research intensive sectors, and for firms requiring patient capital.
- **The Irish scaling finance gap is estimated to be c. €1.1bn over the next three to five years** (i.e. 2028-2030), with a 95% confidence interval of €0.8bn to €1.4bn.
- **The gap is primarily driven by the limited number and small size of funds in Ireland.** The latter is constrained by the lack of private institutional capital. Other supply side issues include undercapitalisation at earlier stages and wider cultural issues (notably risk aversion, sectoral expertise, investment terms and the pace of decision making).
- **There are also issues on the demand side**, including the tendency for firms to ask for less than needed in practice to scale, financial acumen and literacy, levels of ambition and capabilities to scale. There is also evidence of negative perceptions of equity across firms which is leading to discouraged demand.
- **Transaction costs are generally not perceived to be a major barrier** to supply or demand for equity finance for scaling.
- **The issues above hinder the pace and scale of firm growth** and, to a lesser extent, lead to sub-optimal exits.

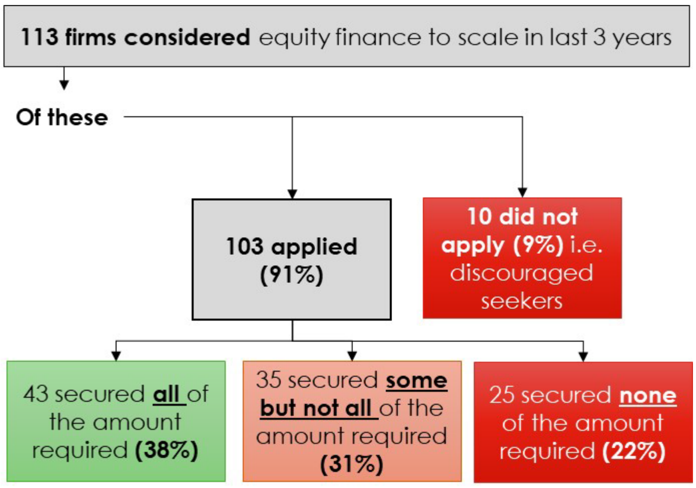
5.1 This section presents evidence of unmet (and discouraged) demand for equity finance to scale-up, the estimated scale of the 'gap', and the causes and consequences for Ireland. It draws on feedback from firms, fund managers and stakeholders, and includes the results of a detailed modelling exercise to quantify the gap using Monte Carlo analysis.[33]

[33] Monte Carlo models use repeated sampling from statistical distributions of its parameters to analyse phenomena with substantial degrees of uncertainty. For example, in this particular case, we simulated likely equity needs and outcome of fundraising at the firm level for the assumed population of potential scale-ups (c. 1000 companies).

Is there a gap in equity finance for Irish firms looking to scale?

5.2 **Our review found evidence of unmet demand, including: (i) firms not securing any equity finance, and (ii) firms securing some equity but less than they need**. There was also evidence of 'discouraged demand', albeit to a lesser extent (i.e. firms consider equity to scale but do not apply). For example, as illustrated in Figure 5-1, around 60% of firms in the e-survey who considered equity finance to scale in the last three years encountered these issues. These findings were corroborated by the stakeholders consulted, where all but one consultee identified a gap. Views were more mixed amongst fund managers, some of whom argued that "*good firms get finance*" and if firms are successful in getting finance they will generally get the full amount, whereas others said firms often struggle to secure the full amount required (especially where this was heavily reliant on follow-on investment from earlier stage investors).

Figure 5-1: Firm e-survey findings on success in securing equity to scale



Source: SQW analysis of firm e-survey (n=166)

5.3 In the firm follow-up interviews, many of the firms that did not secure the full amount required from equity investors did go on to secure some other investment, although in many cases this was less than needed and more expensive, which had inhibited the scale of investment and growth. Examples included public R&D grants (such as European Institute of Innovation and Technology funding,[34] Horizon[35] and the Disruptive Technologies Innovation

[34] https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe/european-institute-innovation-and-technology-eit_en
[35] https://research-and-innovation.ec.europa.eu/funding/funding-opportunities/funding-programmes-and-open-calls/horizon-europe_en

Fund[36]), investment from personal sources, family and friends or bridging rounds from existing investors. Whilst grants enabled the continuation of R&D activities, many firms lacked finance to invest in other key aspects of scaling (e.g sales and marketing). A small number had accessed venture debt, but several firms noted the limited access to appropriate debt finance for scaling in Ireland. Wider issues relating to the supply of debt finance were corroborated by stakeholders, who reported *"very little traditional banking in Ireland, especially at scaling"*.

5.4 **The issue of unmet demand for equity finance for scaling is expected to continue**. In the firm e-survey, half of respondents who require equity to scale were confident they would secure the full amount of finance needed (50%), mainly because of existing investors who are able to follow-on, their strong networks of global investors (or promising discussions with US and European investors), confidence in the quality of their product and recent strong performance (although there may be some optimism bias in these findings). However, 29% anticipate securing some but not all of the finance required, and the remainder (21%) were uncertain.

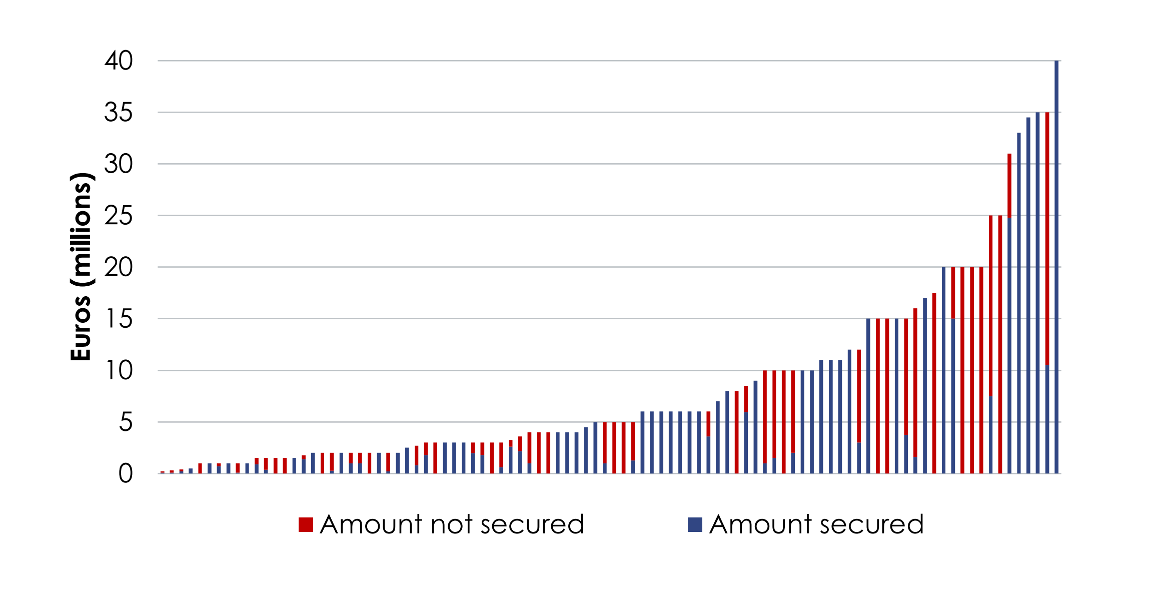
Where is the gap for scaling finance most acute?

5.5 **The firm e-survey indicates gap(s) across a range of deal sizes, including €5m-€10m *and* €10m-€25m**. This is illustrated in Figure 5-2, which shows the amount of equity required by firm e-survey respondents to scale in the last three years and then how much of this was secured (blue) and the shortfall (red). This is discussed further in paragraph 5.21 and additional data is provided in Annex C. Firms who failed to secure sufficient equity to scale in the survey were typically in sectors such as AI, medtech, digital, agritech, biotech, deeptech and fintech.

> *"The amount we are looking for [Series A deal over €5m] is too big for Irish investors but too small for US investors"*
>
> Firm consultee

[36] https://enterprise.gov.ie/en/what-we-do/innovation-research-development/disruptive-technologies-innovation-fund/

Figure 5-2: Firm e-survey - for firms looking to scale over the last three years and applied for equity, how much of the amount required was secured?



Source: SQW analysis of firm e-survey. n=96 who were able to quantify; excludes one large outlier that secured the full amount required

5.6 Most stakeholders and fund managers indicated that there was unmet demand for deals between €3m and €10m, but **particularly in the €5m-€10m range**, which was seen as too large for Irish VCs and too small for international investors (unless they already had a substantial Irish portfolio). Consultees also identified gaps in the €10m-€25m range, notably in key sectors (see below). Even though this was typically where international capital comes in, Irish firms may struggle to compete.

5.7 **Firms, stakeholders and fund managers argued the gap for scaling finance is most acute from Series A and especially Series B+ and for capital- and research-intensive sectors**. This is especially for those requiring substantial investment pre-revenue (e.g. deeptech, climate/greentech, life sciences, medtech, disruptive technologies, fintech, biotech and digital hardware). However, there was acknowledgement that this is a global issue and not unique to Ireland. More innovation-focused sectors such as these are typically associated with a 'J curve'[37] with high cash needs early in the venture, whilst services-oriented businesses that are more labour intensive are more self-reliant for funding through reinvestment of profits.

[37] J-curve refers to where initial negative investment returns are followed by significant gains over time.

5.8 **There is also a lack of patient capital**, including sizable investments, for reasonably early stage firms which require investments with 10+ year horizons because of long timescales to revenue generation.[38] Consultees suggested this is, in part, driven by the pressure for VCs in Ireland to recycle capital quickly (especially in a context where there are few LPs and limited capital available). Wider literature suggests that generalist funds often lean towards software investments (which the data suggests is common in Ireland) for faster returns and fewer 'deep pocket' investments. Ideally, patient capital takes a 15+ year horizon.[39] At present, funds lack the investment capability to accommodate such long horizons for returns without major syndication. Linking funds to international investment collaborations may be a partial solution to this issue.

> *"Patient capital is an issue. The market here is designed for funds that can recycle capital by the next fund and there's a thin LP base – so they can only reinvest in new funds if they get returns from the last one"*
>
> Stakeholder consultee

How big is the gap?

Modelling the gap

Approach

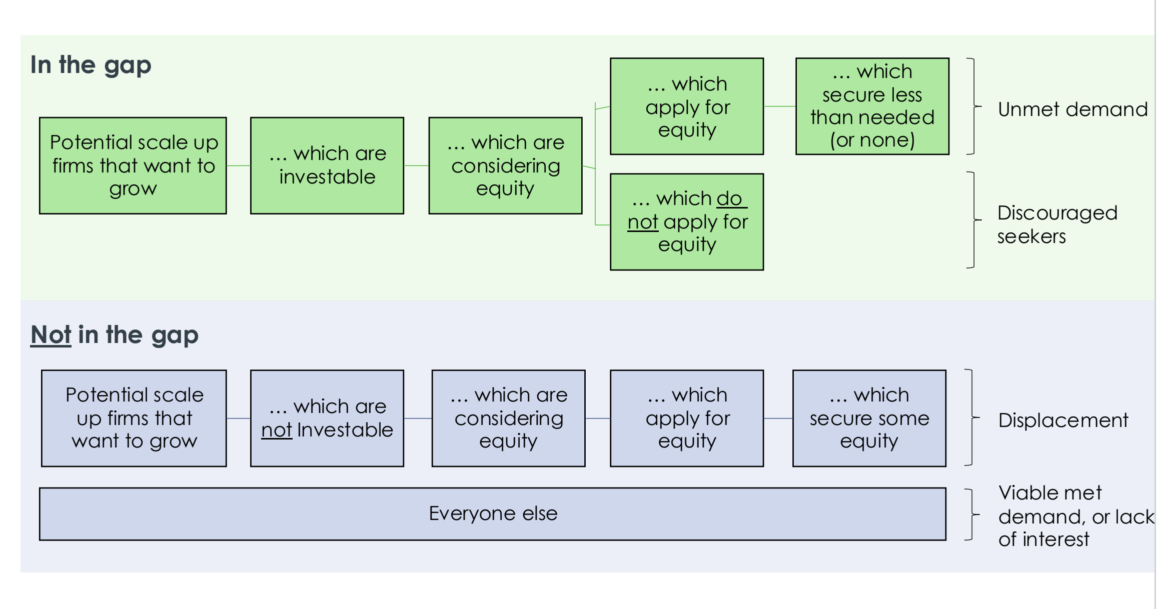
5.9 In modelling the gap for scaling finance in Ireland, we considered the period **over the next three to five years**, i.e. from 2025 to 2028-30. Given that data underpinning the model were collected in 2025, all estimates are reported in 2025 Euro values.[40]

5.10 For the purpose of modelling, the gap for scaling finance was conceptualised as the **sum of unmet *and* discouraged demand.** As outlined in Figure 5-3, firms qualify as 'unmet demand' if they are investable (described further below), apply for equity, and they either (i) do not secure any equity or (ii) do not secure the full amount needed. Investable firms which consider but ultimately do not apply for finance are labelled as 'discouraged seekers.'

---

[38] UK research has consistently pointed to the need to access more pension funds investment and direct it to earlier patient investing gaps. See for example the evaluations of Enterprise Capital Fund and British Patient Capital (see here)
[39] See for example the UK Innovation Fund which had a longer period of 12-15 years and a focus on health and low carbon R&D sectors. See here.
[40] Future needs are not adjusted for inflation. At the time of the actual funding request/bid the nominal value may be higher but have the same purchasing power.

Figure 5-3: The gap for scaling finance



Source: SQW

5.11 **The modelling of the equity gap used an estimated population of 1,000 potential scale-up firms.** This estimate was based on the number of potential scaling firms in Ireland that were identified in PitchBook (884), but increased slightly to reflect possible missing data (in particular data on firm employment and turnover).[41]

5.12 Our approach was to **'scale up' the results of the firm e-survey to these 1,000 companies**, with key parameters informed by the firm and fund manager consultations. Specifically, to understand firms' future plans, we used answers from the forward-looking part of the e-survey, which asked about equity needs to support scaling over the next three to five years. Answers to questions from the backward-looking part of the e-survey were then used to determine expected fundraising outcomes, or the amount of equity finance, if any, that firms will be able to secure. Finally, we considered fund manager consultations to further refine our parametrisation of expected fundraising outcomes and to form expectations about the proportion of potential scale-up firms which are **'investable'**, i.e. which have a high chance to survive and succeed if they receive investment.

5.13 **We used Monte Carlo simulation modelling to address the modest sample size and uncertainty of firm e-survey responses.** This technique, which relies on repeated sampling from statistical distributions of model parameters, enables a systematic and transparent

[41] In the scoping phase of the study, we defined a potential scale-up firm based on its employing between 10 to 249 employees. Importantly, PitchBook does not have data for employment for every company on the platform; therefore, any company for which employment data is missing will not have been included in our search. Similarly, if a company did have an instance 10% p.a. growth in employment or turnover, but PitchBook did not have data for these metrics, the company would not have been included in our search.

treatment of uncertainties in these parameters. For example, in this case, we simulated the model 10,000 times to estimate the likely equity needs and fundraising outcomes for each company from the assumed population of potential scale-up firms. Each simulation run yielded a slightly different estimate of the scaling finance gap. The average gap across the simulations reflects our expectation about its size, whereas the spread of values at the relative frequencies with which we were obtaining them provide an insight into our level of confidence in the estimate.

Key parameters

5.14 There are three key parameters which influence the model estimates:

1. The proportion of firms which are 'investable'

2. Firms' equity needs

3. Firms' fundraising outcomes.

5.15 These are discussed individually below.

Proportion of investable propositions

5.16 **We used a value of 25% for 'investable' propositions in our baseline model.**[42] This was based on fund managers' feedback about the percentage of propositions reviewed which were considered to be investable.[43] A total of eight estimates were given, ranging from 5% to 33%, with a median value of c. 18%. The proportion of investable propositions for the modelling was increased to reflect:

- a potentially higher quality of our pre-screened population of scale-up firms[44]
- fund managers' sensitivity to risk, which was identified in firm consultations.

---

[42] It is worth highlighting that there was limited evidence to inform the 'investable' parameter.
[43] A paper by Oakey, R. (2010) Funding innovation and growth in UK new technology-based firms, made the observation that private VC fund the most fundable, but there are always other firms which are fundable, just not attractive enough – hence the need for public investment to tip the balance – the parameters we have here which stretch the purely private sector view are defensible in terms of the 'unfunded yet fundable' supported in some public sector programmes. See: https://www.tandfonline.com/doi/10.1080/1369106032000097049
[44] As detailed in Section 2, our definition of a potential scale-up firm includes key size and growth metrics, e.g. having a minimum of 10, maximum of 249 employees; and at least one instance of minimum 10% per annum growth in employees. Therefore, because these firms have demonstrated growth potential, they can be seen as relatively 'high quality.' It is likely that fund managers have reviewed a wider range of propositions, including firms which do not have this demonstrated growth potential.

5.17 As a robustness check, we also conducted simulation using the values of 20% and 30%. The results of those simulations are reported in Annex A.

Equity needs of potential scale-up companies

5.18 We determined parameters to generate a **distribution of potential scale-up firms' equity needs** in each Monte Carlo simulation of the model. For the modelling purposes we split the equity requirements into following bands: up to €3m; €3m to €5m; €5m to €10m; €10m to €20m; €20m to €30m; €30m to €40m; €40m to €50m.

5.19 We allocated a certain proportion of the scaleup population to each of the bands. We had two additional considerations for making the modelled distribution realistic: (i) firms are likely to 'work in round numbers', i.e. seek out investments of e.g. €15m rather than €13.5m; and (ii) firms are likely to underestimate their funding needs – this was a strong message that came through in both firm and fund manager consultations. An example of the modelled distribution of equity needs (from one of the simulation runs) and its comparison with the distribution based on the e-survey can be found in Annex A.

Likely outcomes of fundraising

5.20 Finally, we drew on the e-survey responses to model **fundraising outcomes** for potential scale-up firms, by 'need band'. This step drew on firms' experience as was reflected in the backward-looking part of the e-survey, and fund managers' feedback about their decision making process.

5.21 Our analysis of the evidence revealed two important patterns that had to be reflected in the model (as evident from e.g. Figure 5-2Figure 5-). First, companies asking for smaller deals (up to €10m) were relatively more likely to secure at least some funding than companies seeking larger sums. At the same time, those companies were less likely to secure the full amount needed.

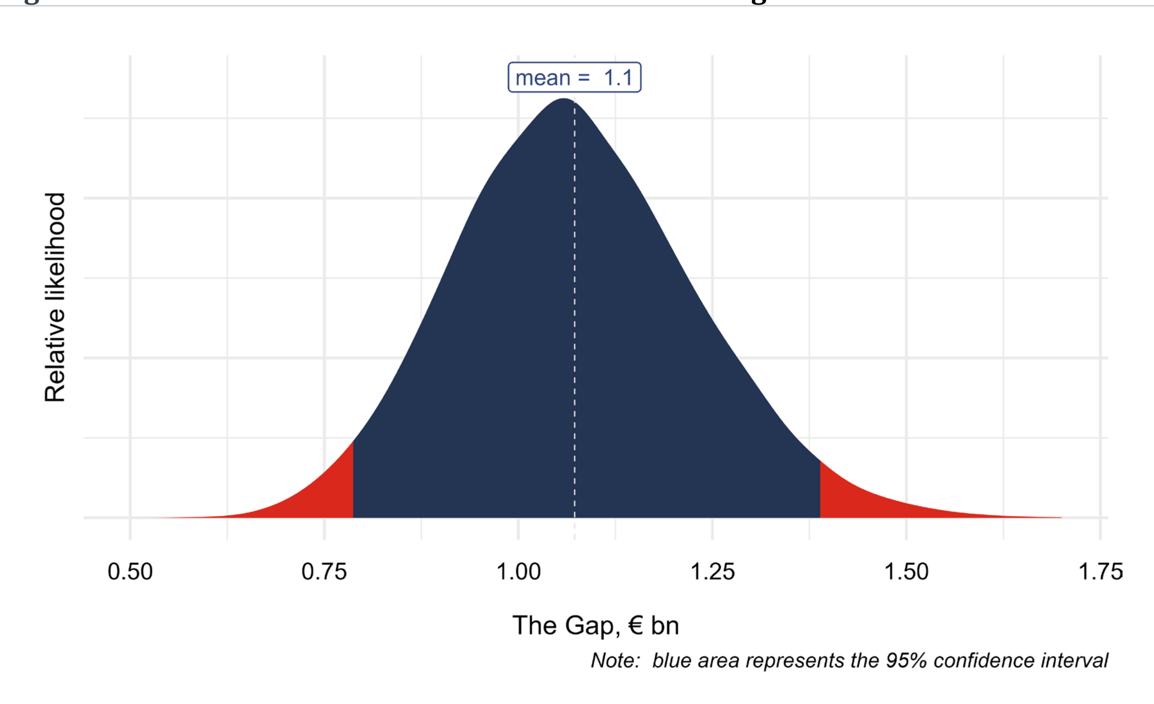
5.22 These patterns are likely a reflection of the fact that at later stages, when the capital requirements for scaling up are higher, there is more information available that can help fund managers to make their decisions – these selections are more likely to be 'all or nothing' depending on the companies' prospects. At the lower end of the spectrum, there is more uncertainty about the future outcomes of the investment decisions and there is a case for trying to buy into the share of potential high success for relatively small investment. At the same time, this pattern also means that the funds may be distributed too thin, not allowing the companies to realise their full potential as quickly, which was also suggested by several fund managers as a structural problem in the market. The specific probabilities that were used in the model to represent the chances to secure equity (the full required amount or some of it) are presented in Annex A.

Results

5.23 We estimate, based on 10,000 simulations of our model, that the **Irish scaling finance gap is expected to be c. €1.1bn over the next three to five years (i.e. 2028-2030),** with a 95% confidence interval of between €0.8bn and €1.4bn. This is shown as the mean in Figure 5-4, which presents the output from the Monte Carlo model: a distribution of gap estimates obtained via simulations. Table 5-1 summarises key characteristics of the distribution. Table 5-2 indicates that the gap is comprised of 80% unmet demand and 20% discouraged demand.

5.24 Our result is broadly in line with the opinion of several interviewed fund managers, who estimated the domestic gap in Ireland to be between €1bn and €2bn. It is towards the lower end of the range they provided, however we note that they also indicated the growing uncertainty in the supply of capital over the next few years (partly due to global economic and political instability). In this context, and considering our model was in part informed by a backward-looking e-survey, the estimate we obtained may be considered conservative.

Figure 5-4: The distribution of estimates obtained through Monte Carlo simulations



Source: SQW

Table 5-1: Key characteristics of the distribution

Indicator	Value (€bn)
Mean value	1.1
95% confidence interval	0.8 – 1.4
Most common value (Mode)	1.1
Minimum value	0.6
Maximum value	1.7

Source: SQW

Table 5-2: Breakdown of gap estimate

Metric	Definition	Estimate
Gap	**Overall gap: sum of unmet and discouraged demand**	€1.1bn
Unmet demand	Viable propositions that seek equity finance but secure less than they need (or none)	€0.9bn
Discouraged demand	Viable propositions that want to scale and consider equity, but the finance is not sought/applied for	€0.2bn

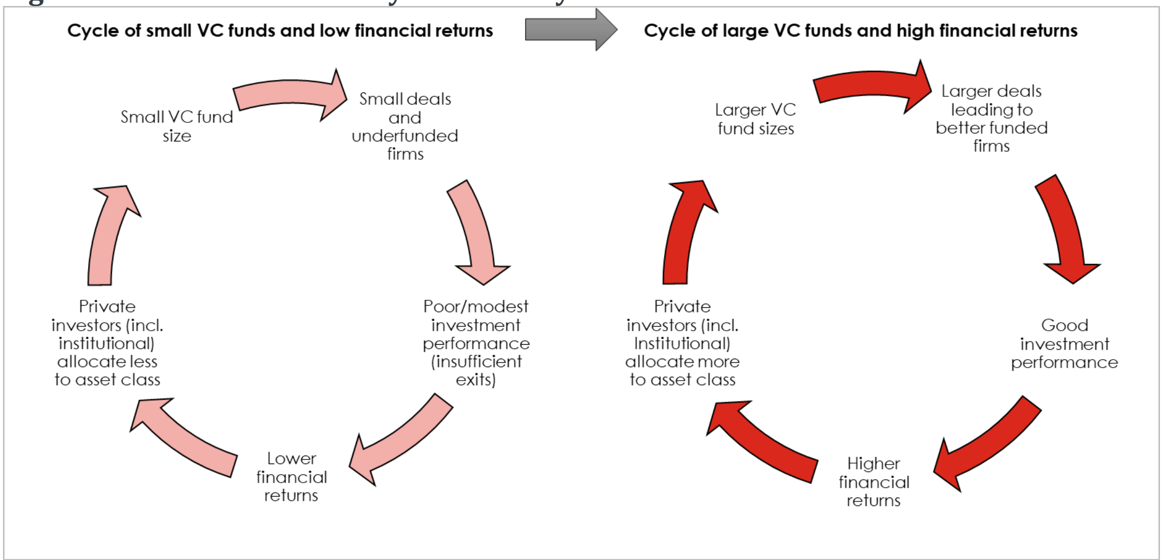
Source: SQW

What is driving the gap?

5.25 In the design of any future State intervention to help address the scaling gaps identified above, it is important to focus on underlying causes rather than symptoms of unmet and discouraged demand.

5.26 The diagram below presents the investment cycle *in theory*. On the left, there is a 'vicious cycle' whereby small fund sizes and a limited pool of Limited Partners (LPs) lead to the underfunding of scale-up companies (i.e. limited ability to follow-on, smaller deals, etc). The underfunding of firms hinders growth, which in turn leads to under-performance and fewer/quicker exits. As a result, financial returns at the fund level are not maximised for private investors (risk-reward ratio is less attractive). Smaller fund size and lower returns impact on the attractiveness of this asset class to large institutional investors. This creates a sub-optimal investment cycle, and ultimately the lack of scale-up firms impacts on the longer-term growth of the economy. The aim should be to move from the cycle on the left to the 'virtuous cycle' on the right, whereby larger VC funds enable more optimal funding of scale-ups, who then generate better returns which attracts more private investment into the funds.

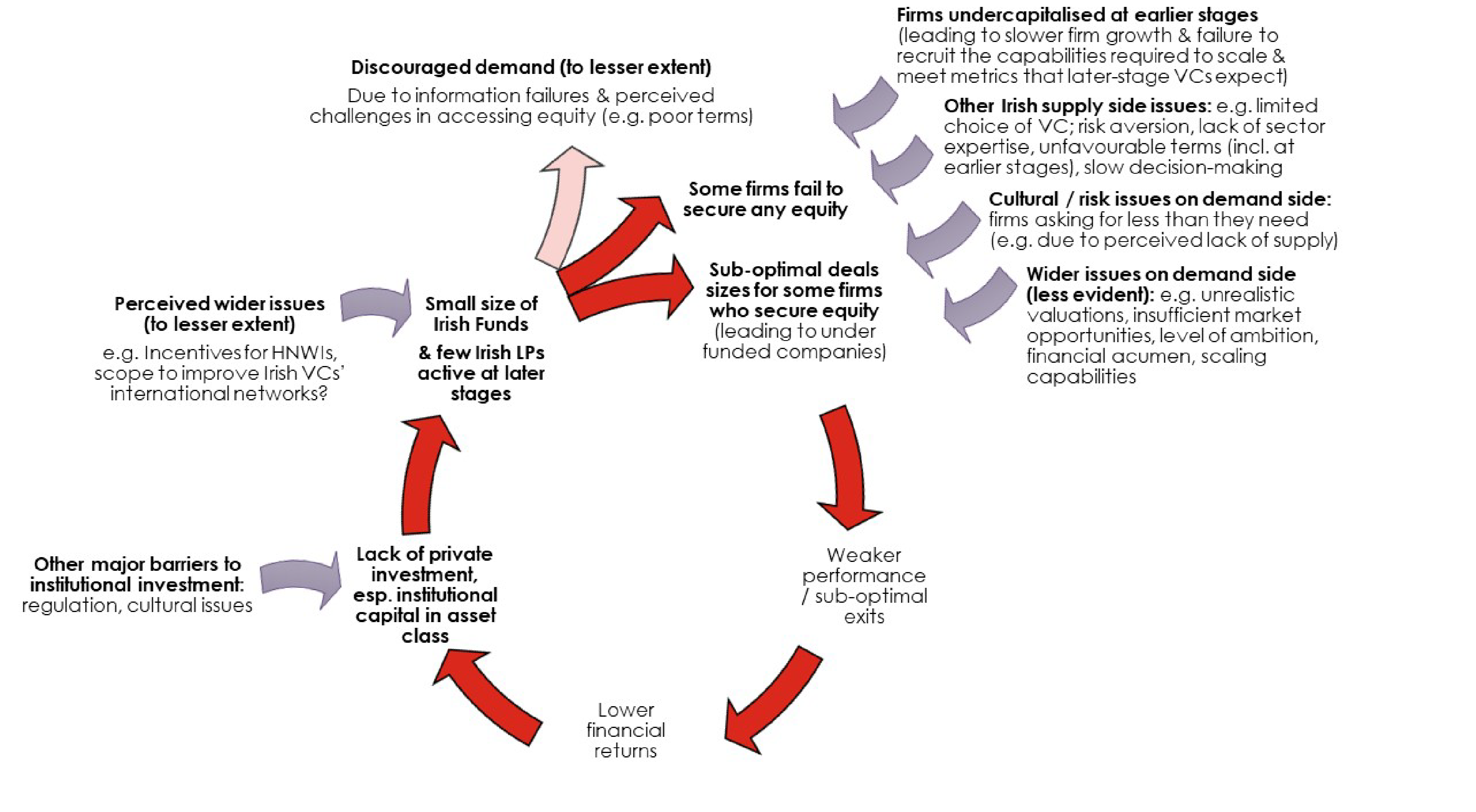
Figure 5-5: The Investment Cycle in theory



Source: SQW

5.27 Figure 5-6 presents the investment cycle *in practice*, based on the evidence gathered for this study on the underlying issues in Ireland specifically. This highlights the main 'pinch points' that are hindering the investment cycle from working effectively in Ireland and challenges some of the assumptions in the investment cycle (notably in terms of institutional capital). The paragraphs that follow provide further explanation of the issues identified.

Figure 5-6: The Investment Cycle in practice



Source: SQW

Drivers of discouraged demand

5.28 As noted above, the firm e-survey points to a minority of firms who consider but do not apply for equity for scaling. **The most common reasons relate to information failures and perceived challenges in accessing equity** such as unfavourable investment terms or the potentially long time it can take to secure investment. Firms also expressed concerns about the loss of control, were not convinced of the benefits of equity, or lacked the skills to apply (see Annex C). Interestingly, only one respondent was unsure where to find external finance, so co-ordination failure does not appear to be a major barrier. Drivers of discouraged demand were explored further in the follow-up interviews with firms, which highlighted how prior negative experiences of raising equity finance had dissuaded some firms from trying again and the perception that "*the local [finance] ecosystem does not support ambition or high growth firms well*". Stakeholders also noted the risk that the undersupply of finance leads to discouraged firms who think it will be too difficult to raise investment (or firms that exit early).

5.29 In the firm e-survey, we also found a minority of respondents had not considered accessing external finance even though they had planned to scale (23 respondents, 14%) or considered external finance but not equity (23). Whilst some firms already had sufficient internal or external finance to scale, others **did not consider external finance or equity because they believed it would be too difficult to secure.** Whilst these firms do not form part of the 'discouraged demand' cohort as defined above (because they did not consider equity), their feedback corroborates wider issues around the negative perceptions around the supply of equity finance in Ireland. This included the perception that it would take too long to secure, the terms would be unfavourable, concern about reduced control and/or that external finance is too risky or costly. As illustrated by the adjacent quote, in one case this was based on past experience of trying to secure finance from Irish sources. As above, only four respondents were unsure where to find external finance.

> *"Previous experience informed me that I would be wasting my time talking to Irish banks or so-called investors"*
>
> Firm e-survey respondent

Drivers of unmet demand

5.30 **On balance, the evidence indicates that the drivers of unmet demand are predominantly on the supply side, mainly due to the limited number of small funds in Ireland, alongside other supply side issues related to undercapitalisation at the earlier stage and wider cultural issues.**

Supply side

Number and scale of funds

5.31 As illustrated by the analysis of PitchBook data in Section 4, there are a limited number of small-scale funds in Ireland that have made later stage investments. This is particularly the case for VC funds, many of which primarily focus on earlier stage investments and do some follow-on investments at later stage.

> *"There are not many Irish fund managers, and not many are of sufficient size that can make a sizeable contribution to a scaling firm. Perhaps three or four fund managers in Ireland can really do this"*
>
> Stakeholder consultee

5.32 The 'thin' supply was recognised by the firms and stakeholders consulted, who commented on the "squeezed middle" (i.e. between very small and large funds) and as a consequence, the inability of funds to follow-on or write the larger cheques required for scaling. Stakeholders argued that funds need to be in the region of €200m-€300m+ (with feedback varying from €150m to €500m) in order to execute a scaling strategy and fund the scale of later stage deals required to do so. PitchBook data suggests only two of the Irish VC funds investing at later stage were at this scale.

> *"The cause of the issue is mainly on the supply side, because of a very small and shrinking LP base and lack of pension fund involvement. Funds still find it difficult to raise. State aid rules mean a minimum of 30% of funds must come from private capital which keeps the funds unnaturally small. The funds are investing less and so the returns are poorer, which impacts on their track record for future fundraising, which again makes it harder to raise."*
>
> Stakeholder consultee

5.33 As a result of this 'thin' supply, firms looking to scale have a limited choice of investors in Ireland. Feedback suggests the lack of competition between Irish VCs is leading to some undesirable consequences. A number of the firms taking part in follow-up interviews perceived Irish investors to be *"playing games"* and "*sitting on the sidelines … waiting for somebody else to take the lead"*, and said it is *"rare for Irish VCs to bid against each other"*. As a consequence, firms argued *"it's an investor's market rather than a fundraiser's market"* and the lack of choice *"gives power to the VCs"*, which is perceived to lead to unfavourable terms (see below). The adjacent quote suggests some fund managers also acknowledge this issue.

> *"It's a buyer's market. Larger scale equity firms have got lots of opportunities"*
>
> Fund manager consultee

5.34 If fund sizes were larger, there remains a word of caution regarding the scale of demand in Ireland and the ongoing importance of internationalisation for funds (i.e. also investing overseas, which is particularly important for specialist and patient capital investing). Larger funds that invest internationally are therefore a positive in terms of improving the supply of scaling finance. Five out of the 15 fund managers consulted indicated a larger fund would enable them to invest in more viable propositions (although the scale of potential additional investment varied considerably), whereas other fund managers said it would enable them to do larger deals. In part, this is likely to reflect the investment strategy of many existing funds, and the emphasis on earlier stages. Increased capital may also reduce the pressure for short-term investment horizons and recycling of funds.

> *"When we set up the company we raised €3m, a competitor in the US set up at the same time and raised €250m (that's not a typo) in their seed. We need to get real in Ireland if we want to compete globally"*
>
> Firm e-survey respondent

5.35 **The major issue constraining the size of funds is the lack of private institutional capital** (notably Irish pension funds), which is driven by the lack of appetite for this asset class and regulatory barriers in Ireland. Almost all fund managers and stakeholders raised this as the most important issue, which limits the size of funds and deals. Furthermore, the large majority of fund managers said fundraising had been a challenge and that the lack of private institutional capital was the key driver for this, particularly given State Aid rules and since changes in the classification of EU funding and regulation (e.g. banks and insurance companies in Ireland now have higher reserve capital requirements). They argued Ireland lacks the support/incentives for institutional capital to invest in VC funds. Without tackling this aspect of the ecosystem, stakeholder and fund manager consultees argued that Ireland will continue to have a supply side problem. Consultees noted other places have addressed this issue, such as the Nordic countries (with US capital) including Denmark,[45] France (attracting pension funds and insurance companies), the Netherlands, and the Mansion House Agreement in the UK.[46] Stakeholders also noted the lack of investor tax incentives hinder investment into this asset class,

> *"The real issue is the lack of private institutional capital – pensions, banks etc – that's the sticking point. They have been regulated off the pitch"*
>
> Fund manager consultee

[45] For example, Vaekstfonden (Danish State Investment Fund) and Vaekstkapital (Danish fund of funds) invests risk capital from pension funds in Denmark into new and small firms. https://danskeprivateequity.com/danskvaekstkapital

[46] The Mansion House Compact (2023) is a voluntary, industry-led initiative aimed at improving financial outcomes for Defined Contribution (DC) pension savers by increasing pension investment into unlisted equity. Building on the Mansion House Compact, the Mansion House Accord was signed in May 2025. This involves 17 major pension providers which manage around 90% of active savers' defined contribution pensions. The Accord aims to unlock up to £50 billion for UK businesses and infrastructure projects by 2030 by committing signatories to invest 10% of their workplace portfolios in assets that boost the economy (such as infrastructure, property and private equity) by 2030. Investments will support UK growth sectors, including clean energy infrastructure and innovative small businesses.

including those for HNWIs. As noted above, several stakeholders and some firms mentioned that Irish EIIS was less incentivised than UK EIS, particularly relating to capital gains tax.

Other supply side issues

5.36 **Scaling firms are undercapitalised at earlier stages in Ireland.** This leads to slower firm growth, hindering their ability to recruit the capabilities/skills and make the international connections required to scale and meet the performance metrics that VCs expect to see when making later stage investments. Almost all firms in our follow-up interviews agreed that this is a widespread issue, describing how the *"dependency on unpredictable small injections"* restricts their ability to scale, meet KPIs and achieve the traction required for larger investment.[47] As illustrated by the quotes, firms stated that they cannot compete for investment with better capitalised firms overseas (who have secured larger deals at earlier stages), spend more time fundraising instead of focusing their efforts growing the business, and cannot plan and invest for the long term because of such short funding runways.

> *"[We have] never been able to secure enough investment to be able to plan more than 4-6 months in advance. Nearly impossible in the space we're in because the timelines are very long. I spend every hour of every day fundraising instead of growing the business and advancing the technology"*
>
> Firm consultee

> *"Current seed funding is spread too thin across companies and the good ones with strong growth potential and international focus are not getting enough. Overall the supply of seed has improved a lot but there is an issue in that the best companies are still not getting enough"*
>
> Fund manager consultee

5.37 There was also consistent feedback from the fund managers consulteed that firms are not meeting the metrics in order to secure finance for scaling. In their view, this is driven by a combination of factors, including undercapitalisation at earlier stages, the quality of the proposition (see below) and a recent raising of the bar in terms of metrics (due to the global decline in capital, which means investors are more selective). Two stakeholders argued that undercapitalisation at earlier stages means firms are considered *"not good enough"* to secure later stage investments, but this reflects the issues above rather than the potential of their proposition. They also noted how meeting 'classic' metrics is even more challenging for firms in sectors such as climate tech.[48]

[47] This 'drip-feed' effect of a poorly performing finance escalator is also reported in wider literature, e.g. North et al (2013) available here
[48] Wider literature also highlights issues associated with the ability of investors to assess environmental impacts, e.g. Bergset (2015 and 2017) available here

5.38 **Lower risk appetite amongst investors** was also consistently raised as an issue constraining the supply of scaling finance. To some extent, this was considered a general issue for this asset class, with nuances depending on the sectors/technologies involved (as outlined above) and the stage of firm (i.e. pre-revenue). The lack of investment risk appetite (and sector expertise below) is also well documented in academic literature. However, there was strong feedback from stakeholders and firms that **Irish investors were more risk averse** than elsewhere (and increasingly so). Multiple firms responding to the e-survey and in follow-up interviews argued that Irish VCs *"are more conservative"*, *"too generalist and not ambitious enough"* and *"very circumspect"* with regard to risk (and so apply more conditions), and have a tendency to *"play it safe"*. Three stakeholders also raised concerns regarding the appetite of Irish VCs for risk, describing VCs as *"conservative"* and *"very risk averse"*. One fund manager also agreed that Irish investors were risk averse. Whilst assessments of risk may be entirely valid in some cases and may reflect the fact that funds are small and resources are limited, continuous and excessively negative feedback to firms could lead to further discouraged demand (especially where compounded by a firm's lack of fundraising experience and knowledge).

> *"[Irish investors are] only looking for exponential return and the majority did not have the scale of equity required"*
>
> Firm e-survey respondent

> *"[Irish VCs] are looking purely at the numbers like an accountant, not an investor"*
>
> Firm consultee

5.39 A minority of e-survey respondents **cited wider market conditions as a barrier to securing the full amount of equity required**, noting the general slowdown in investment, limited capacity from investors, and firms finding themselves pitching to a limited audience. Wider issues relating to the current administration in the US and the associated uncertainty were also noted. Wider concerns relating to the supply of scaling equity in Ireland were as follows:

- **Unfavourable terms placed on investments by Irish VCs** (including at earlier and later stages). This was attributed by consultees to the lack of competition and choice in Ireland, and Irish VCs' perceptions of risk (as above). In some instances, this has reportedly led to investors taking large shareholdings which then makes it more difficult to secure follow-on investment. These views were not only based on the direct experience of firms consulted, but were also reported amongst their peer groups with a prevailing view that *"Irish VCs won't give you a good deal"*.

> *"Existing Irish based investors have taken too much equity leaving the founders with a lower than desirable shareholding meaning the company is not attractive to follow-on international investors"*
>
> Firm e-survey respondent

- **The generalist approach taken by Irish VCs.** At the point of scaling, firms are increasingly seeking investors with relevant sector expertise and networks. However, in the e-survey, firms had found Irish VCs lacked sufficient understanding of their sector/technology specialisms – and respondents felt that led to greater risk aversion and/or greater conditions attached to investments. Funds becoming generalist because the market is thin is a common problem.

- **Slow decision-making by VCs**, in part due to the lack of competition between Irish VCs. This adds to the problem of long search times. Firms have observed a *"lack of urgency"* amongst Irish investors compared to their US counterparts, and the pace of closing deals was too slow to *"keep investors interested"*. The firm e-survey also explored views on the timeliness of securing equity in future in general. Most firms said they will require finance quickly (within a year) but many expect it to take longer to secure. Overall, of those considering equity to scale in future, roughly one-third did not believe it would be timely, one third were uncertain if equity could be secured in a timely way, and one third thought equity could be secured when needed.

5.40 As a result of the issues above, some firms consulted had been advised by their existing investors to *"go straight to the UK or US"* for scaling, where VCs were perceived to have better sectoral knowledge (and therefore better able to assess risk, alongside providing relevant expertise and networks), make quicker and more transparent decisions, and offer *"more professionalised structures"* and *"better"* deals. The UK's EIS scheme was also considered more effective than the Irish equivalent.

Demand side

5.41 On the demand side, a key issue raised by firms, fund managers and wider stakeholders was **the tendency for firms to ask for less than needed in practice to scale**. Not only do firms get less than they ask for, but they ask for less than they need, which compounds the undercapitalisation issue above. In part, this is due to under-estimating the amount of finance it will take to scale, and because developing new products or entering new markets is rarely a linear and predictable process. However, it also appears to be driven by the perceived lack of supply and firms' assumption that they will not be able to secure larger deals.

> *"Firms are often not looking for enough. That is a reaction to the lack of funding available. Firms scale back their ambition and cut their cloth to meet the measure"*
>
> Stakeholder consultee

5.42 **There were also some wider issues on the demand side**, although these were less prominent than the issues above. These included:

- financial acumen and literacy amongst firms, including their knowledge and understanding of equity, ability to pitch for investment and present realistic valuations. This is a concern where scale-ups already have investors and strengthening these capabilities would typically be a crucial part of their role

- level of ambition amongst firms (although, as discussed above, this may be a response to the lack of supply in some cases)
- insufficient market opportunities associated with the proposition
- the lack of scaling capabilities/skills within firms (although again, as noted above, this could be due to undercapitalisation at earlier stages in some cases).

Transaction costs

5.43 **Transaction costs were generally not perceived to be a major barrier to supply or demand for equity finance for scaling**.

5.44 On the supply side, the majority of fund managers consulted did not consider transaction costs to be prohibitive for fund managers and investors. Indeed, over half of fund managers reported that transaction costs were relatively less expensive in Ireland compared to other countries, whilst a further three thought they were on par. A minority (three) thought that costs in Ireland were more expensive than elsewhere. The overall scale of transaction costs reported varied from 0.025% to 7% of the deal value. Feedback suggests that the costs do not scale in proportion to the deal size; so as the deal size increases the transaction costs decrease as a proportion of the deal. Tying in with this, a small minority of fund managers suggested that transaction costs are more of an issue at very early funding stages.[49] Legal fees and due diligence are the main transaction costs associated with managing funds and investing in scaling firms in Ireland.

5.45 On the demand side, nearly all firms surveyed who had secured equity had incurred transaction costs (91%), but only 14% of those said it would discourage them from seeking equity in future. This was corroborated in follow-up interviews with firms, where only two firms (out of 24) raised issues with transaction costs. In their view the main issue was in fact the opportunity cost associated with the process of trying to secure investment, and how that time could have been spent on other aspects of business or product development. No firms raised issues with tangible transaction costs in the consultations.

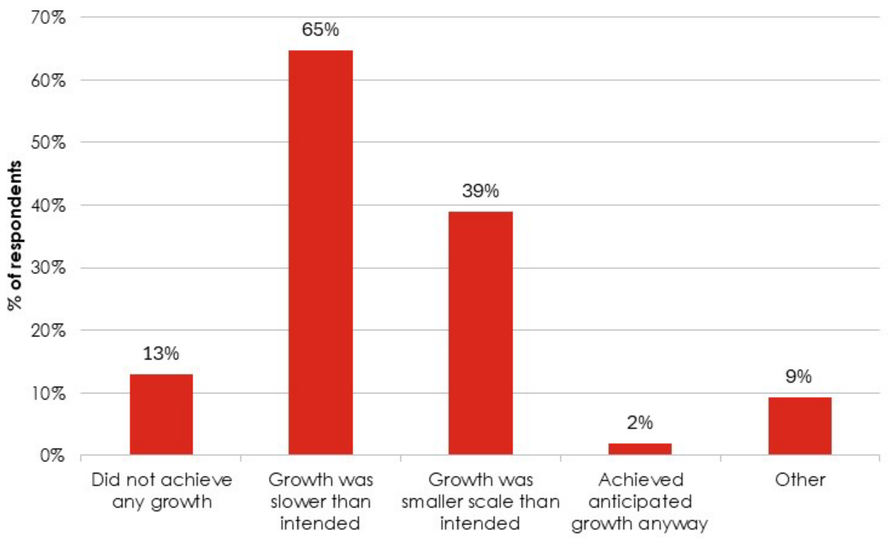
[49] This accords with finance escalator theory that small deals are prohibitively expensive for due diligence and costs come down with scale of investment, e.g. North et al (2013).

What are the consequences of the gap?

5.46 **The issues above hinder the pace and scale of firm growth**, and potential loss of market primacy in some cases.[50]

5.47 In the e-survey, firms who received only some or none of the equity required to scale were asked about the implications for growth. As illustrated in Figure 5-77, two-thirds of respondents said growth was slower and two-fifths said growth was smaller in scale than intended (even though some had found alternative sources of finance). For a minority, no growth had been achieved at all. In the follow-up firm interviews, views varied on the extent of the impact on growth from "*it is like operating with a handbrake*" through to "*all or nothing*". Firms described how the lack of finance had led to reduced spending on marketing and commercial activities, slowed expansion into overseas markets, reduced capacity to undertake regulatory testing, scaling down of teams, and ultimately meant more time had been spent seeking alternative sources of funding instead of developing the product or growing the business.

Figure 5-77: Implications for growth of securing some or none of the equity required



Source: SQW analysis of firm e-survey (n=54). Note: slower and smaller scale growth categories are not mutually exclusive

[50] It was not possible to quantify the scale of foregone employment and GVA because we could not collect any reliable estimates about how much slower would the companies' growth would be or how much lower would their steady state would be, both of which are likely to vary substantially not only across sectors but also over time. (It was therefore agreed with DETE that quantification of forgone employment and GVA was not required for this study).

5.48 Looking forward, surveyed firms were also asked about the likelihood of securing the finance needed to scale in future. For those who expect to encounter issues (n=37), this is likely to result in slower and smaller-scale growth, in part because firms lack the capacity to scale, as illustrated in the adjacent quote. However, only five respondents expect this will lead to premature trade sales (14%) and only one expected to go out of business (3%). In the follow-up interviews a minority of firms were *"actively considering"* not scaling and exiting sooner than planned because of the anticipated difficulties in securing the next round of investment.

> *"We will take longer to get to market as we had reduced funds to hire the required headcount to scale"*
>
> Firm e-survey respondent

5.49 The stakeholder and fund managers consulted agreed that gaps in scaling finance lead to sub-optimal growth for the Irish economy. There were concerns amongst stakeholders about *"stifled entrepreneurship"* whereby, if entrepreneurs have found it hard to raise capital in their first business, they are less likely to become a repeat entrepreneur (with implications for the 'recycling' of capital and entrepreneurial talent). Six stakeholders also noted the issue of sub-optimal exits, which was partly attributed to assumed challenges in securing investment (linked to the undersupply of capital) and therefore the push for founders to exit as soon as possible. Views were also mixed regarding the impact on trade sales to foreign buyers. Five consultees thought there would be fewer trade sales to foreign buyers if more capital was available in Ireland, whereas three thought there would be limited effect; they argued this is an inevitable consequence of developing an international scale-up (and given the attractiveness of the US market, beyond the availability of finance). The key question is whether firms can be scaled and retained for longer in Ireland, with more optimal exits and returns for Irish founders and investors to reinvest.

> *"Some trade sales happen because founders are conditioned to be less confident that the money is going to be there at the next round and so the temptation to exit is stronger ... no doubt that this happens in the Irish market"*
>
> Fund manager consultee

6. State intervention

Key findings

- Overall, the fund manager and stakeholder feedback suggests that **further government supply side intervention is required to improve access to scale-up finance in Ireland**, provided the following is considered:
  - enabling fund(s) sizes of **€200m to €300m (public and private)**
  - focusing on deal sizes from **€5m to €10m** (can stretch higher)
  - **long term patient capital** (i.e. longer than the typical 10 year LP model)
  - **attracting private institutional finance**, in particular from pension funds
  - **demonstrating financial returns** i.e. profitability is a key objective.
- In addition, any supply side intervention needs to be integrated with wider business support, e.g. financial/management skills.
- There were mixed views on whether the new fund should be sector agnostic or focused on specific 'strategic' sectors that require 'deep pockets' e.g. R&D intensive and deeptech sectors.
- A minority of fund managers did not think that a new equity fund was the solution and focused on the broader issue of the need to attract private instutional capital.

6.1 This section presents the consultation feedback from fund managers and stakeholders on whether there is a need for further government intervention to improve access to scale-up finance in Ireland. It also presents views on a potential new Irish equity fund currently being considered by the Irish Government to help address the market gap for scaling firms.

Is there a need for further government intervention?

6.2 **There was general agreement amongst fund managers and stakeholders interviewed that there was a need for further government intervention to improve access to scale-up finance in Ireland**. The table below presents some of the supply side perspectives, highlighting the need for further public investment that would help to attract private investment including institutional funding (e.g. from pension funds).[51]

[51] In this context, it is worth highlighting that larger investments can be achieved through international funding linkages and blockbuster returns. See: Owen, R., Mason, C (2019) Emerging trends in government venture capital policies in smaller peripheral economies: Lessons from Finland, New Zealand, and Estonia: https://onlinelibrary.wiley.com/doi/abs/10.1002/jsc.2248?msockid=0c81eb5d84cc64370f4afb1f853765ea

Table 6-1: Consultation feedback – Fund managers and stakeholders

Supply side perspectives
"The Irish State is very strong at front end/early stage – that part of the escalator works. After that, it needs more State intervention to pull in private investment. State capital should be used to "fertilise" funds to help VCs to pull in EU and private capital."
"There is a need to leverage in new forms of capital – especially pensions and HNWIs...Providing capital for larger funds is ok, as long as the right conditionality is in place – they must raise other capital, be active and have a presence in Ireland."
"The State is really helpful – couldn't do without it. But we need measures to crowd in private institutional capital – that would be the game changer."
"The key issue is enticing private institutional investment into this asset class [VC]. The WIN [Growth and Innovation Capital[52]] initiative in Germany by KFW has worked well in this respect."
"The State should look at UK's Mansion House agreement – can we make that happen in Ireland? The UK is a couple of cycles ahead of Ireland in this respect. Fund managers want to be able to raise more and faster. The key bottleneck is the lack of private institutional capital, especially as govt funds need match."
"Because of the European State Aid rules there needs to be more private capital from institutional investors if the public sector supply is going to increase."
"Government needs to focus on underlying issues of capital sources – there is very little pension money or institutional investment."
"If this is happening (i.e. the new fund) then there is a need to address the issues around the lack of institutional capital available otherwise it is like building half a house."

Source: Fund manager and stakeholder consultations

6.3 The above supply side views were complemented by some demand side perspectives from stakeholders which suggested taking a wider ecosystem approach to the issue. This included, for example, support to developing networks – helping to connect Irish firms with international investors at scale-up stage;[53] developing new programmes e.g. accelerators, incubators; investment readiness; and other education/skills programmes relating to access to finance.

[52] https://www.kfw.de/Presse-Newsroom/Aktuelles/WIN-Inititiave/2024-09-26-Joint-commitment-WIN-initiative-EN.pdf

[53] It is important to have good connections between Irish VCs and their international counterparts e.g. in UK and US to work on syndication at scale-up stage.

Table 6-2: Consultation feedback – Stakeholders

Demand side perspectives
"Irish Government could do a lot more ecosystem connection work with international investors and market development opportunities."
"External capital and networks with the US and China are even more important for Deeptech."
"Investment no. Intervention yes, in education and networks."
"Increased equity funding within the Irish market will only be successful if this is supported by appropriate investment readiness programmes to ensure a suitable pipeline of investable firms."
"An interesting catalyst could be to develop improved pipeline accelerator and incubator programmes drawing in experts like Y Combinator and Station F. This could help to untap some of the Irish university IP ripe for commercialisation and also attract high quality international follow-on investment into scale-ups."

Source: Stakeholder consultations

Key features of a new Irish equity fund for scaling firms

6.4 **The consultation evidence suggests that any State intervention for scaling firms in Ireland should enable fund sizes of €200m-€300m (public and private)[54] that focus on deals in the range of €5m-€10m** i.e. where the gap is perceived to be most acute. There is a need to increase deal sizes rather than just improve the supply of finance (to avoid spreading the money thinly). The fund would need to crowd in private investment, including equity from international sources.

6.5 **The provision of longer-term patient capital – attracting institutional investment, particularly pension funding, was a key theme**. Patient capital provides longer term, larger scale investment to support innovation focused firms to access more of the finance they need to scale-up. Patient capital goes beyond the typical 10 year Limited Partner model and is suited for the long term investment horizon for certain sectors, reflecting the often long pathways in the innovation and commercialisation process for firms (e.g., 10-15 years, especially in deep tech and R&D intensive sectors). A few consultees suggested that any new (patient) fund should come in after the Seed and Venture Capital (SVC) fund which makes investments of up to c. €6m and before the ISIF which makes investments of €10m+, whilst recognising that there is likely to be some overlap between these funds (could stretch higher for some sectors e.g. medtech). One fund manager acknowledged that having a *"dedicated fund for series A and series B would be a genuinely hard commercial challenge because of the size of the Irish market"*.

[54] It is worth highlighting that a few stakeholders suggested a fund size of more than €300m.

6.6 Given the above, **it is important that any new intervention has the ability to recycle funds and demonstrate financial returns – the fund should be aimed at profitability with returns to the State**.

6.7 **There were mixed views on whether the fund should be sector agnostic or focus on strategic sectors important for the Irish economy** (and where Ireland has the track record/capabilities or could develop them). Three fund managers thought that a sector focused fund would be more appropriate given that issues are very different across sectors, including financing requirements, and this was backed up by one stakeholder. Key sectors identified as needing 'deep' investment included: deeptech, medtech, biotech, life sciences, disruptive technologies, artificial intelligence, fintech, and hardware.[55] Conversely, one stakeholder reflected that the fund should be "*kept as wide as possible*".

> *"A long term scaling finance (e.g. 20+ years) commitment will be needed to support a critical mass of scaling companies in strategic sectors. Such a fund should make equity co-investments with private sector investors in growth stage R&D-intensive companies operating in breakthrough tech sectors such as quantum computing, climate tech and healthcare"*
>
> Fund manager consultee

6.8 A few stakeholders suggested that the most appropriate structure for a new fund may be a 'Fund of Funds'. This would improve institutional investment. A substantial Fund of Funds has advantages of scale and attraction to institutional investors. It would leverage private investment into the umbrella fund and provide scale to the underlying private funds. It could invest in specialist underlying funds and avoid 'thin markets'[56] and have a beyond Ireland remit – requiring core investment proportion within Ireland.[57] Given the relatively small market in Ireland, one stakeholder reflected that the fund would need to allow *"leeway for investors to invest outside of Ireland"*. In order to ensure a focus on Irish firms, the government should, in the view of one stakeholder, *"make fund managers put people on the ground in Ireland so it is genuinely getting the effort and focus"* and "*ask them to invest a multiple of the DETE funding in Ireland*".

6.9 One stakeholder suggested that to incentivise private investors the new fund should have an *'asymmetric structure'* as in the EU Tech Champions[58] scheme so that public and private capital is treated differently – public returns come after private in order to help crowd in pension investment. It is worth pointing out that this suggestion seems different from the EU *pari*

[55] If any future intervention adopts a sectoral focus then it would need to be aligned with the Irish Government's industrial/sector strategy.
[56] Thin markets refers to limited numbers of investors and quality scale-up firms contracting with each other.
[57] This model which was used for UK Innovation Investment Fund (UKIIF) and several UK Enterprise Capital Funds (ECFs) e.g. Notion Capital invest beyond prescribed geographical boundaries.
[58] https://www.eib.org/en/events/european-tech-champions-initiative

passu tradition. Another stakeholder indicated that the Irish Government act as a guarantor and could adopt a structure whereby the government offers bonds to pension funds to guarantee their returns.

6.10 Whatever the structure and scope of a future fund, it will be important to ensure the investment process is proportionate, timely, and not burdensome in terms of administration. This includes: non-restrictive financial terms for recipient firms (notwithstanding State Aid rules) which do not hinder follow-on investment; only necessary data are collated from firms; a fast decision-making process for making investments; and the administration for exits is not bureaucratic.

6.11 Consultees also identified key challenges for any new fund. These included: the long time it can take time (2-3 years) for a new fund to be operational and make investments; the timing of capital being released to avoid peaks and troughs;[59] multiple funds in Ireland nearing the end of their funding cycle; the need for more/stronger Irish VC international networks; tax incentives; and wider demand-side issues, e.g. talent, regulatory barriers, financial and management skills, and awareness/perceptions of equity amongst firms. The feedback highlighted the need to change investor culture[60] and behaviours, in particular risk aversion, sectoral expertise, investment terms and the pace of decision making.

6.12 It is worth highlighting that a minority of fund managers thought that a new fund was not the solution (see below).

Table 6-3: Consultation feedback – fund managers

"If there is more public capital available to go into larger funds you will have a big issue if the current (State Aid) ratios still apply…it is like someone saying they will give you money to build half a house. But you can't live in it because there is no roof."
"Would be wary of having State led later stage financing. Any move to bring more private capital in needs to be sustainable. There is a risk that there are funds and then fund managers try to raise a second round but can't because the government policy has changed. If the government is going to support this, then there needs to be a balance of private capital that comes in alongside it so that the funds are sustainable."
"A plea to DETE – don't do a call for scaling capital, as it creates peaks and troughs in the market. It is not a long term enough approach, and doesn't seem to recycle."
"Any company that hits its metrics is capable of raising Series A round in our outside of Ireland."

Source: Fund manager consultations

[59] i.e. at certain times in the year rather than a rolling call for funding.
[60] According to Josh Lerner (2010), Harvard Business School, the change in investor culture will come if overseas investors are hired – they will bring the skills into the domestic market.

7. Conclusions

Demand for, and supply of, equity finance for scaling in Ireland

7.1 **Overall, the demand for equity finance (VC and PE) amongst scaling firms has increased in Ireland over the last decade. This includes for larger deal sizes. The growth in the demand for equity to scale is expected to continue over the next 3-5 years.** The demand includes firms operating in a range of emerging and high technology sectors. Many are relatively small in scale, with potential implications for their capabilities to grow at the point of seeking finance and financing needs (e.g. recruitment). The quality of demand is generally perceived as good, although there are some issues, including the level of ambition and financial acumen amongst firms.

7.2 The supply of equity finance for scaling (later stage VC and PE) has increased over the last decade. However, **the pace of growth has lagged behind the European average. Later stage VC remains under-represented in Ireland and the average deal sizes are smaller than the European average** (for example, later stage VC deals in Ireland were €6.5m on average between 2020-2024 compared to €8.9m across Europe).

7.3 **Ireland is home to a limited number of funds that have been actively investing in later stage over recent years** (23 out of 113, according to PitchBook). Many of these funds typically focus on earlier stage investments and do some follow-on at later stages. Very few focus primarily at late stage. **Most Irish funds are too small to execute scaling strategies,** with an average of €60m for VC funds. Most fund managers consulted have found it difficult to raise funds. Funds are typically reliant on public investment and multiple family offices, angels and high-net-worth individuals (HNWIs), with some capital from institutional investors overseas. Many funds are coming to the end of their funding cycle, with limited dry powder.

7.4 **Scaling firms typically approach investors in Ireland *and* overseas,** with a growing focus on the latter as they progress through their scaling journey. Some firms rely on business angels and family/friends for scaling finance, alongside VC, but there is a risk that bootstrapping with small amounts will be insufficient to scale at pace.

The scale and nature of the scaling equity finance gap in Ireland

7.5 **The survey of Irish scaling firms found that there was <u>unmet demand</u> for equity finance to scale,** i.e. firms that considered equity but were unable to secure the full amount or secured some but less than they needed. We also found evidence of **<u>discouraged demand</u>** from firms that needed but did not apply for equity to scale, albeit this was to a lesser extent. The survey also found that both unmet and discouraged demand would continue to be an issue in future.

7.6 **We conclude that there is an equity gap(s) for scaling firms in Ireland – and that this is most acute for deals in the €5m-€10m range** (whilst recognising gaps exist below €5m and above €10m). The gap is most acute from Series A and especially Series B+, for capital and R&D intensive sectors , and firms requiring patient capital investment.

7.7 **We estimate the scaling finance gap in Ireland to be c. €1.1bn over the next three to five years i.e. 2028-2030** (with a 95% confidence interval of €0.8bn to €1.4bn). This is based on modelling of the gap using an estimated population of 1,000 potential scale-up firms. The gap is the sum of unmet and discouraged demand. This relates to demand amongst 'investable' scale-up firms i.e. which have a high chance to survive and succeed if they receive investment. The above estimate of the gap was informed by the recent experience of firms characterised by a relatively turbulent investment period. If the supply of capital is more constrained going forward, then this estimate of the gap could be considered conservative.

7.8 **The scaling finance gap is primarily driven by supply side issues, in particular the small size of funds**. This limits the quantum of later stage capital available and ability to write the size of cheque required for scaling. Many of the fund managers consulted had found fundraising a challenge. The main problem was the lack of Irish private institutional capital investing in this asset class, in part due to their appetite but also due to regulatory barriers. Further supply side issues include:

- **perceived cultural issues** – this relates to Irish investors' risk aversion, limited sectoral expertise, unfavourable investment terms and the pace of decision making. In part, this may reflect thin local markets and lack of choice.
- **undercapitalisation at earlier stages** – this means firms grow more slowly and then struggle to meet the metrics that VCs expect to see when making later stage investments (e.g. due to not being able to invest, recruit the capabilities/skills and make the international connections required to scale). This is compounded by a 'high bar' for scaling investment in recent years.

7.9 **There are issues on the demand side that are leading to unmet demand**. There is a tendency amongst firms to ask for less than needed in practice to scale, in part due to the perceived lack of capital available and the anticipated challenges in securing finance, which compounds the issues of undercapitalisation above. There are also issues relating to the lack of financial acumen and literacy of scaling firms, levels of ambition and their capabilities/skills to scale.

7.10 **There are negative perceptions of equity amongst scaling firms which are contributing to discouraged demand**. This includes the anticipated difficulties in securing finance, unfavourable terms and slow processes. Transaction costs (e.g. legal and due diligence) are generally not considered a major barrier to the demand for or supply of equity finance for scaling.

7.11 The gap in scaling finance is **impacting upon the pace and scale of growth in firms**, loss of market primacy and, to a lesser extent, leads to sub-optimal exits. Views were mixed on the impact this has on trade sales to foreign buyers, but the key question was whether firms can be scaled and retained in Ireland for longer, with more optimal exits, returns and recycling within Ireland. There is some evidence of the scaling finance gap leading to premature failures, but a greater emphasis appears to be on firms plateauing or experiencing slower/small-scale growth.

Future State intervention

7.12 The evidence gathered for this study confirms that **further government intervention to improve the supply of scaling finance is required**. Any future intervention should consider the following points:

- Fund(s) of €200m-€300m+ are required to execute scaling strategies, which should aim to both **increase the quantum of scaling finance and the size of deals** (notably to €5m-€10m+). Spreading (more) capital (more) thinly will not address the issue. The behaviours and attitudes of fund managers who deploy the capital will also be critical.
- The provision of State funding will need to crowd in and be matched by private investment. **Unlocking private institutional finance is critical**, especially from pension funds. This is a key risk to the success of any future State-backed scaling fund(s) and essential to encourage long-term, sustainable ecosystem-level change.
- Whether the approach is **sector agnostic or focuses on strategically important sectors** and/or those where the scaling finance gap is most acute. Views from consultees were mixed on this. This would need to balance the scale of the Irish market, the importance of investing internationally (and attracting international investment and fund manager talent/expertise) and the sectoral expertise required by firms during scaling.
- The need for some allocation for **long term patient capital** (i.e. longer than the typical 10 year LP model) given the types of sectors where demand is strong and the gap is most acute.
- The **ability to demonstrate financial returns** over time. Profitability should be a key objective, including returns to the State and recycling. Furthermore, financial performance should be communicated externally to help shift the attitudes and behaviours of other private investors towards this asset class.
- The importance of **long-term State commitment**, with rapid set up and staggered deployment (to avoid peaks and troughs in supply).

- The **close integration between supply side interventions and wider business support** to address challenges on the demand side e.g. financial/management skills.

7.13 In moving forward, it is important that any State intervention takes a long term perspective to develop a well-functioning equity ecosystem rather than solely plugging funding gap(s) which might change over time.

Annex A: Detailed methodology

A.1 This section presents further detail on the methodology used to quantify the gap and the results of our sensitivity analysis. The following evidence sources informed our model:

Figure A-1: Evidence underpinning model parameters

Evidence	Model parameters
Forward looking part of the firm e-survey: amount needed to enable scaling over the next 35 years	Proportion of potential scale up firms that want to scale Percent that want external finance Percent that will consider equity finance Distribution of scaling finance needed (i.e. how many firms are likely to need how much equity)
Backward looking part of the firm e-survey: experience in raising equity finance in the last 3 years	Proportion of firms that apply for equity finance Probability of getting all, some, or none of amount needed Average amount received by firms who receive some of amount needed
Fund manager consultations experience reviewing firm propositions	Proportion of potential scale up firms that are investable

Model parameters

A.2 Below we present the specific values of the parameters we used in the Monte Carlo model.

Table A-1: Parameters related to firms' future plans

Parameter	Value	Description
Number of scale-up firms	1,000	PitchBook analysis identified 884 potential scale-up firms in Ireland.[61] This number was rounded up to reflect potential gaps in PitchBook data.
Proportion that want to scale	97%	Based on firm e-survey question: *"Over the next 3-5 years, do you plan to scale-up your business?"*
Proportion that want external finance	90%	Based on firm e-survey question: "*Will you need external finance to scale-up the business over the next 3-5 years?*"

[61] A potential scale-up firm is one which: has accessed any VC (all stages), Private Equity, or Debt finance; has a minimum of 10, maximum of 249 employees; and has had at least one instance of minimum 10% per annum growth in employees AND/OR revenue between 1 January 2020 and 31 December 2024

Proportion that are considering equity	80%	Based on firm e-survey question: "*What type of external finance are you likely to seek to scale-up?*" Equity = "Yes"
Proportion that will apply for equity	65%	Estimated based on firm e-survey question: "*Which of the following types of external finance did you consider/apply for?*" Equity = "Considered but did not apply"

Source: SQW

Table A-2: Parameters related to firms' future needs

Parameter	Value	Description
Investable	• 25% (baseline) • 20%	Based on fund manager consultation question: "*Of the propositions you see each year from Irish firms, roughly what proportion of those are investible propositions?*" Modelled as alternative scenarios.
Funding bands	• Up to €3m • €3m to €5m • €5m to €10m • €10m to €20m • €20m to €30m • €30m to €40m • €40m to €50m	Reflects groupings of external finance need.
Proportion of firms in funding bands	• **Up to €3m**: 15% • **€3m to €5m**: 15% • **€5m to €10m:** 21% • **€10m to €20m:** 32% • **€20m to €30m:** 7% • **€30m to €40m:** 3% • **€40m to €50m:** 7%	Based on firm e-survey question: "*Roughly how much equity finance will you need to scale-up your business over the next 3-5 years?*"
Variation in percentage of firms in bands	5%	Due to small sample size, this accounts for potential variation
Proportion on 'spikes' in each band	• **Up to €3m:** 50% • **€3m to €5m:** 90% • **€5m to €10m:** 50% • **€10m to €20m:** 25% • **€20m to €30m:** 50% • **€30m to €40m:** 50% • **€40m to €50m:** 50%	The distribution accounts for the fact that firms often report needs in 'round numbers.' Based on e-firm survey question above.

Source: SQW

A.3 Table summarises the likelihoods of potential scale-up firms to secure the equity (some, none or the full amount needed) as was used in the model.

Table A-3: **Fundraising outcomes by need band**

Need band	% receiving full amount needed	% receiving partial amount needed	% receiving nothing
Up to €3m	50%	40%	10%
€3m to €5m	50%	40%	10%
€5m to €10m	50%	40%	10%
€10m to €20m	45%	10%	45%
€20m to €30m	55%	15%	30%
€30m to €40m	70%	10%	20%
€40m to €50m	80%	10%	10%

Source: SQW

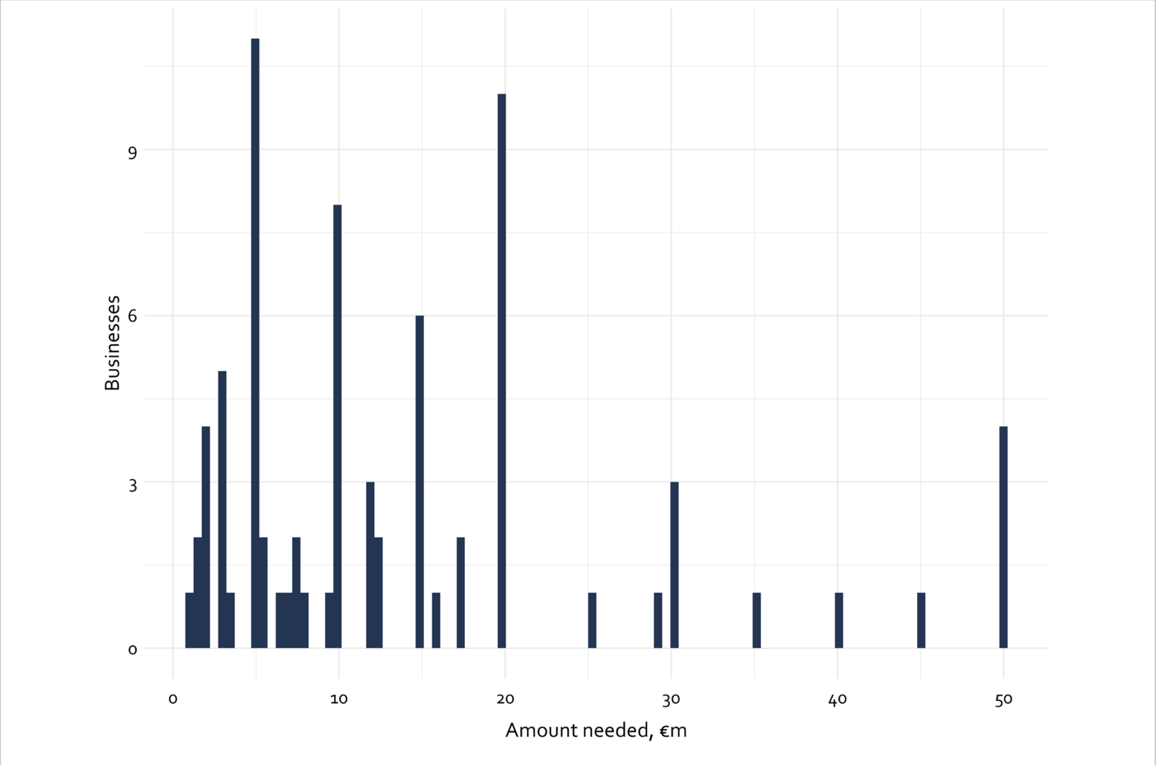
Table A-4: Parameters related to expected outcomes

Parameter	Value	Description
Proportion of firms receiving full funding by band	• **Up to €3m:** 50% • **€3m to €5m:** 50% • **€5m to €10m:** 50% • **€10m to €20m:** 45% • **€20m to €30m:** 55% • **€30m to €40m:** 70% • **€40m to €50m:** 80%	Based on firm e-survey question: "*Did you secure the full amount of equity finance needed to scale-up your business?*"
Proportion of firms receiving no funding by band	• **Up to €3m:** 10% • **€3m to €5m:** 10% • **€5m to €10m:** 10% • **€10m to €20m:** 45% • **€20m to €30m:** 30% • **€30m to €40m:** 20% • **€40m to €50m:** 10%	Based on firm e-survey question: "*Were you successful in securing any equity finance to scale-up the business?*"
For firms receiving partial funding, proportion of needed amount received	• **Up to €3m:** 50% • **€3m to €5m:** 90% • **€5m to €10m:** 50% • **€10m to €20m:** 25% • **€20m to €30m:** 50% • **€30m to €40m:** 50% • **€40m to €50m:** 50%	Based on firm e-survey question: "*What proportion of the amount required were you able to secure?*"
Interpretation of discouraged	The difference between expected demand and how much would have been met had the company sought the finance	An alternative assumption would be that the full amount of discouraged need is part of the Gap.

Source: SQW

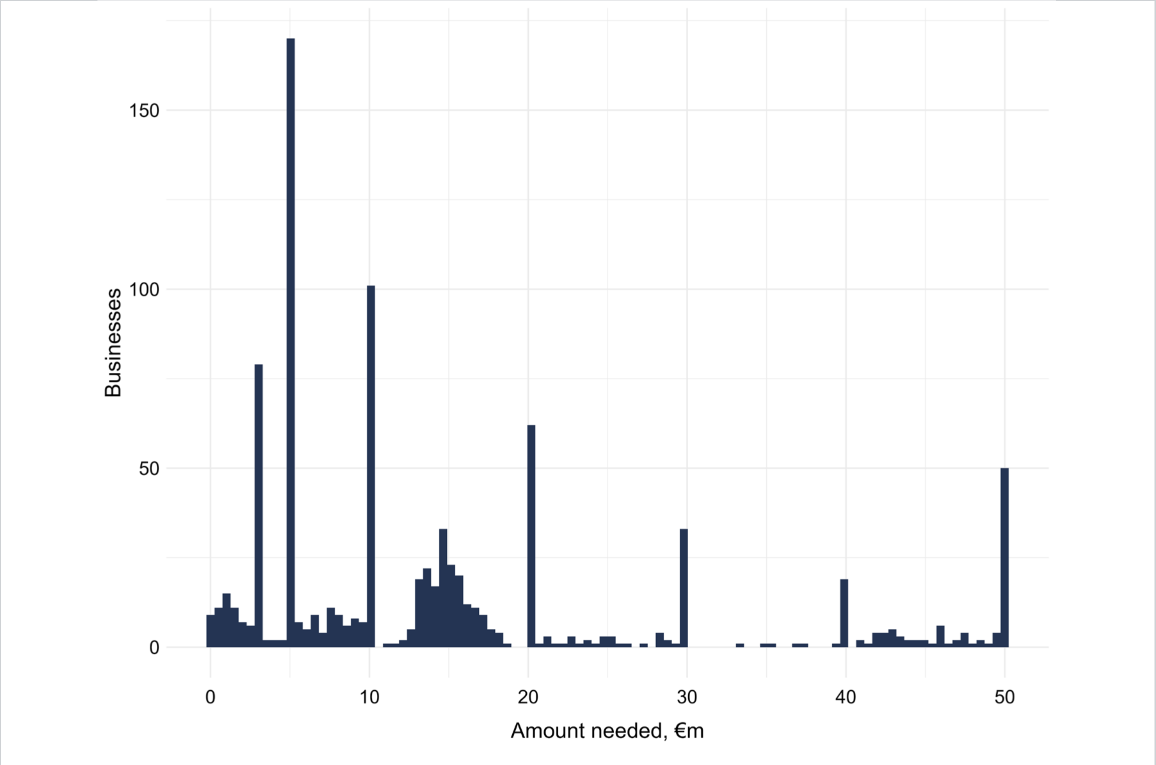
A.4 Figure A-2 and Figure A-3 show a comparison between the distribution of equity needs of modelled companies in one of the 10,000 simulation runs against the distribution we saw in the survey.

Figure A-2: Distribution of equity needs, firm e-survey



Source: SQW

Figure A-3: Example simulated distribution of equity needs, Monte Carlo model

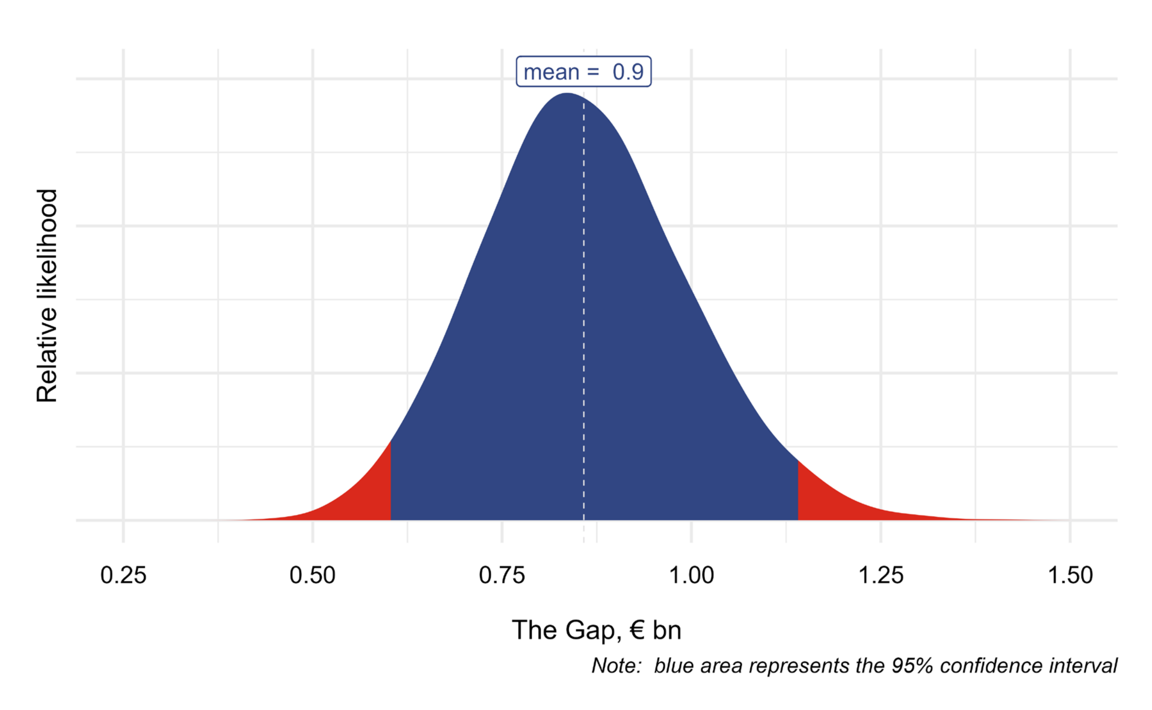


Source: SQW

Results with alternative proportions of investable propositions

A.5 This section shows the results of Monte Carlo simulations which we obtained when we used alternative values for the proportion of investable propositions: 0.2 and 0.3 (compared to the baseline value of 0.25).

Figure A-4: Results using investable parameter of 0.2



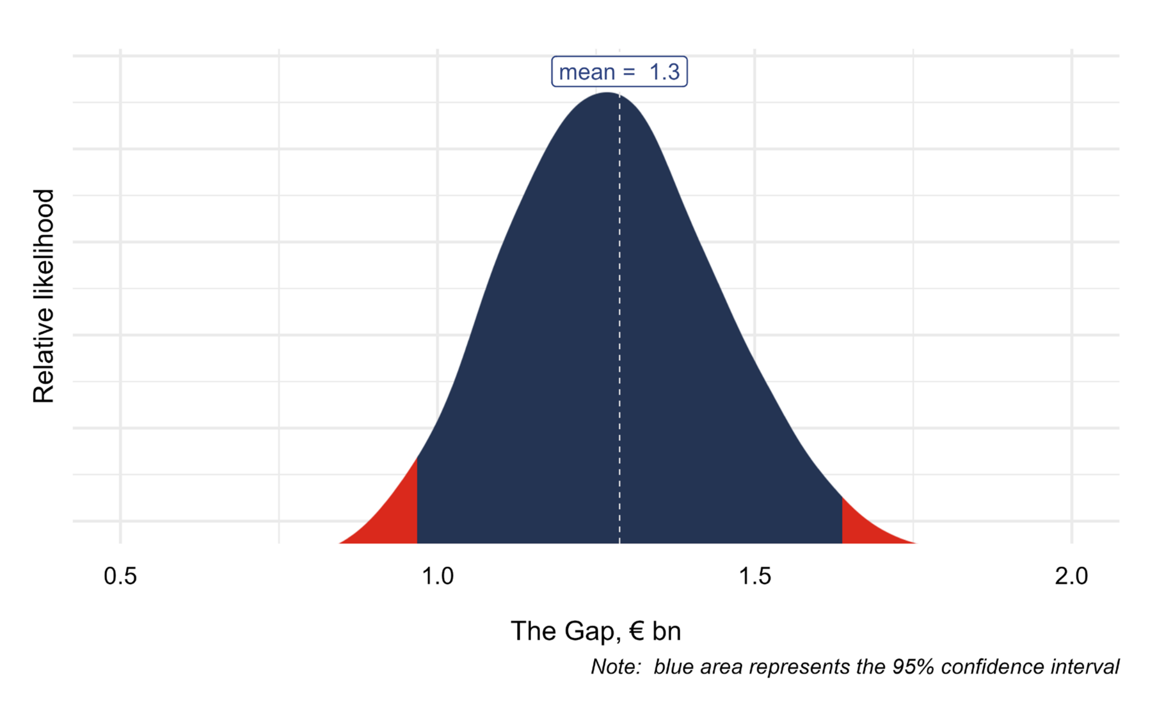
Source: SQW

Table A-5: Key characteristics of distribution with investable parameter of 0.2

Indicator	Value (€bn)
Mean value	0.9
95% confidence interval	0.6 – 1.1
Most common value (Mode)	0.8
Minimum value	0.4
Maximum value	1.5

Source: SQW

Figure A-5: Results using investable parameter of 0.3



Source: SQW

Table A-6: Key characteristics of distribution with investable parameter of 0.3

Indicator	Value (€bn)
Mean value	1.3
95% confidence interval	0.9 – 1.6
Most common value (Mode)	1.3
Minimum value	0.7
Maximum value	2.0

Source: SQW

A.6 We note that even though the difference between the mean estimates of the low and high scenarios are substantial in absolute terms (€400m), all estimates lie within each other's 95% confidence intervals, indicating that the results are robust to a sensible variation in the parameter that represents the proportion of investable propositions (which is inherently uncertain and likely to vary over time).

Annex B: PitchBook analysis

Table B-1: Deal type definitions based on PitchBook

Type of finance	Deal type	Definition
VC	Pre/Accelerator/Incubator	Product crowdfunding: When financing is received from a crowdfunding platform through which individuals have provided non-equity funding in exchange for companies’ products, generally before they have been released to the market. Equity crowdfunding: When financing is received from a crowdfunding platform where individuals provide venture or growth funding through the purchase of the target company's equities. Accelerator/incubator: Accelerator/Incubator refers to an event in which a company joins a program that variably provides funding, office space, technological development and/or mentorship, often in exchange for equity in the company.
VC	Angel	When a high net-worth individual provides capital to a company in its early stage in exchange for a minority stake.The investment must come directly from the individual's own funds and not from any other source.
VC	Seed	When any type of investor provides the initial financing for a new enterprise that is in the earliest stages of development. PitchBook will only designate an equity raise as seed financing when it is explicitly referenced as a seed deal in sources or when undisclosed investors invest in a company under a set of predetermined circumstances.
VC	Early stage VC	An Early Stage VC deal is defined as a series A to series B round that occurred within five years of the company's founding date. We also categorize the deal as Early Stage VC if no series is associated with the deal and the deal happened within five years of the company's founding date.
VC	Later stage VC	This deal type includes Later Stage VC and Venture Growth deals. A Later Stage VC deal is defined as a series C to series D round, or a round that occurs more than five years after the company's founding date. A Venture Growth deal is defined as a series E+ round, or a round founded more than seven years ago with six or more VC deals. Read the Introducing Venture Growth Analyst Note for details on how this new VC stage was developed.

Type of finance	Deal type	Definition
VC	Restart angel	The restart round type indicates that a company experiences a significant down round with existing investors being significantly diluted. Angel represents that the primary investor in the round was an Individual.
VC	Restart Early/Later Stage VC	The restart round type indicates that a company experiences a significant down round with existing investors being significantly diluted. The early stage or later stage component indicates when a venture capital firm invests and the down round is in either the early or later stage of the company, respectively.
VC	Equity for Service	When services are provided in exchange for equity, warrants, or options.
VC	Grants	When a company receives financing that will not give the provider an economic interest or right in the assets or future cash flows of the company.
PE	Buyout/Leveraged buyout (LBO)	Purchase of at least a controlling percentage of a company's capital stock, on a fully diluted basis, by a private equity (PE) firm to take over its assets and operations. A leveraged buyout (LBO) involves borrowing money to finance a portion of the purchase price.
PE	Management Buyout	When the existing managers of a company purchase a controlling interest in a company from existing shareholders with the help of a private equity firm.
PE	Management Buy-In	When a new/outside manager or management team and a private equity firm together purchase a controlling interest in a company and replace the existing management team. This type of action can occur due to a company appearing undervalued or having a poor management team.
PE	Add-on	When a company that is backed by a PE firm acquires another company in the same line of business. It is also called a type of buyout transaction where a company (add-on platform) that is backed by an investment firm (add-on sponsor) acquires another company in the same line of business.
PE	Secondary Buyout	When a private equity firm or group of private equity firms sell a controlling interest in a portfolio company to another private equity firm or group of private equity firms.
PE	Public to Private	On LBO deals, this indicates a group of investors that includes a private equity firm took a publicly-traded enterprise private. On an M&A deal, this indicates

Type of finance	Deal type	Definition
		that a corporation or group of corporations took a publicly-traded enterprise private.
PE	Privatisation	When a government-owned entity is bought out by a private equity firm.
PE	Corporate Divestiture (Private Equity)	When a corporation sells off its wholly-owned business unit or subsidiary to a buyer that is a private equity firm. A 100% stake in the business unit or subsidiary must be sold in order for the transaction to be considered a full corporate divestiture. This selection includes only Buyout-related corporate divestiture deals, if you are looking for all instances of corporate divestiture select Corporate divesture within the Additional Options section.
PE	Growth/Expansion	When a private equity firm makes a non-control, equity investment in a company. Cash is received by the company and not the selling shareholders.
PE	Private investment in public equity (PIPE)	When a private investor (such as a private equity firm) makes a non-control equity investment in a publicly-traded enterprise through the acquisition of securities issued directly by the company.
PE	Investor Buyout by Mgt.	When the management team acquires ownership of their company from its current owners/investors.
PE	GP Stakes	When a limited partner (LP) or general partner (GP) makes a direct minority equity investment into another GP.
Corp/ Strategic M&A	Merger/ Acquisition	When a corporation acquires at least a controlling percentage of a company's capital stock in another corporation. This deal type is often called a strategic investment.
Corp/ Strategic M&A	Merger of Equals	When two or more firms of similar size come together to form a single new company. The original companies must all cease to exist after the transaction, and the surviving entity is the newly created company.
Corp/ Strategic M&A	Reverse Merger	When a public company is acquired by a private company, allowing the private company to bypass the usually lengthy and complex process of going public. For example, Company A acquires Company B and after the acquisition, Company A dissolves.
Corp/ Strategic M&A	Corporate	When a corporation injects capital into a private company in exchange for newly issued shares of that private company.

Type of finance	Deal type	Definition
Corp/ Strategic M&A	Restart - Corporate	The Restart round type is used when a company experiences a significant down round with existing investors being significantly diluted. Corporate indicates that the primary investor in the round was an operating company.
IPO/Liquidity	IPO	An investment that is open for the general public or retail investors after the company has complied with the registration requirements of new securities laid down by the SEC.
IPO/Liquidity	Secondary Offering	The issuance of new stock for public sale from a company that has already made its initial public offering (IPO). Note that this deal type is labeled as Secondary Offering in screeners, Public Investment 2nd Offering in search results, and 2PO on company profiles.
IPO/Liquidity	Share Repurchase	Management repurchases shares from shareholders, often in an attempt to bolster share price by reducing supply.
IPO/Liquidity	Dividend	A dividend paid by the company.
IPO/Liquidity	Bankruptcy: Liquidation	A bankruptcy proceeding in which a company stops all operations and goes completely out of business. A trustee is appointed to liquidate (sell) the company's assets, and the money is used to pay off debt.
IPO/Liquidity	Bankruptcy: Admin/Reorg	When a company runs out of money in the United States, it declares bankruptcy. The firm's creditors must come together and work with each other to figure out what to do. A judge presides over the process. Usually, certain investors lose ownership of the company.
IPO/Liquidity	Debt Conversion	A lender converting existing debt into an equity stake in the company.
IPO/Liquidity	Debtor-In-Possession	Supports the debtor-in-possession (DIP) loans made to bankrupt entities. This is debt financing provided to a company that has filed for bankruptcy and is undergoing reorganisation.
IPO/Liquidity	Exit Financing	A transaction that supports the refinancing of existing debt, usually with the aim of providing a borrower with the capital needed to emerge from bankruptcy.
IPO/Liquidity	Out of Business	When a company ends all business operations.

Type of finance	Deal type	Definition
Debt	All General Debt	Debt – General: A company taking on new debt or a new loan from a lender that will not replace an existing loan. Convertible Debt: Convertible debt is an alternate form of raising capital that doesn't require startups to issue new equity at the time of issuance. Debt Repayment: A company paying off old debt or an existing loan. Mezzanine: A transaction that involves subordinated debt in conjunction with a small, minority equity stake. The equity portion of a mezzanine round is typically, but not necessarily limited to, preferred stock or equity options. To search for deals of this type, filter by the Deal Type column on the Deals search results tab.
Debt	Refinancing	A company taking on new debt to pay off an existing debt issue. This section is labeled Refinancing in screeners, and Debt Refinancing on company profiles and in search results.
Debt	Recapitalisation	Leveraged recapitalisation: Leveraged Recapitalisation is best thought of as a debt recapitalisation as opposed to an equity recapitalisation, which uses the Recapitalisation deal type. It is used when the company states that it was recapitalized, and only debt was raised. In a leveraged recapitalisation, no equity or change of control occurs and no distribution is paid, which is done in a dividend recapitalisation. Other recapitalisation: Restructuring a company's debt and equity mixture, most often with the aim of making a company's capital structure more stable. Essentially, the process involves the exchange of one form of financing for another. It is used as a defense against a hostile takeover.
Debt	Acquisition Financing (Debt)	The issuer is using borrowed funds to finance the acquisition of another company or business.
Debt	General Corporate Purpose	A debt deal that supports general operations and other business-as-usual purposes.
Debt	Capital Spending	A transaction that supports the financing of capital expenditures, which are typically large, long-term investments in property, plant, and equipment, or other fixed assets.

Type of finance	Deal type	Definition
Debt	Project Financing	A transaction that supports the financing of specific projects, often in the energy, infrastructure, or real estate sectors.
Debt	Working Capital	Debt that supports financing of the company's ongoing operations and short-term funding needs.
Other	Acquisition Financing	Funding to acquire or merge with another business. It is the means of providing capital to acquire control of a company by stock purchase, stock exchange, cash, or any combination thereof.
Other	Asset acquisition	Used when the target of the deal is an asset and not an operating company. Common types of assets are buildings, property, energy generation assets, brands, or even liquidated company remains.
Other	Asset Divestiture (Corp)	This label is used when a company or investor sells an asset to any other type of buyer. Common types of assets are buildings, property, energy generation assets, brands, or even liquidated company remains.
Other	Corporate Divestiture (Other)	When a corporation sells off its wholly-owned business unit or subsidiary to another company or institutional investor. A 100% stake in the business unit or subsidiary must be sold in order for the transaction to be considered a full corporate divestiture. This deal type includes all instances of corporate divestiture deals.
Other	Secondary Transaction - Open Market	A transaction in which the holders of stock sell their shares on a publicly traded exchange or a private secondary purchase marketplace. A private secondary purchase marketplace is a system that facilitates the sale of shares between a current shareholder and another organization looking to purchase shares in a pre-IPO company.
Other	Secondary Transaction - Private	An investment where one investor buys a minority equity interest in a target company directly from another investor. This deal type happens in both the public and private markets, though it primarily involves private companies.
Other	Spin-Off	A spin-off is a type of corporate realignment where a division of a business forms an independent business.

Type of finance	Deal type	Definition
Other	University Spin-Out	Companies that originated specifically from a university (for example, student projects becoming independent companies). A company is considered to be a university spin-out when the company was set up to utilize intellectual property developed by a university or research institution and when at least one of the following is also true: 1. The institution owns intellectual property licensed to the company. 2. The institution owns shares in the company. 3. Or, the institution has the right to purchase shares in the company at a later date.

Source: PitchBook

Table B-2: Mean deal size for Irish and European success funnels

Round	Ireland		Europe		Difference	
	Mean size (€m)	Deals based on	Mean size (€m)	Deals based on	Absolute difference (€m)	Irish as a percent of European
Round 1	€ 2.3	107	€ 2.9	4,836	-€ 0.6	79%
Round 2	€ 7.2	79	€ 5.6	3,674	€ 1.6	129%
Round 3	€ 9.9	51	€ 9.7	2,634	€ 0.1	101%
Round 4	€ 14.6	34	€ 18.7	1,639	-€ 4.0	78%
Round 5	€ 16.4	23	€ 24.8	878	-€ 8.5	66%
Round 6	€ 18.0	11	€ 35.6	443	-€ 17.6	51%
Round 7	€ 36.4	7	€ 47.8	194	-€ 11.4	76%

Please note that all calculations are based on unrounded figures.
Source: SQW analysis of PitchBook data

Table B-3: Top ten industry groups among potential scale-up firms

	Not accessed late stage finance n = 219		Accessed late stage finance n = 665		Total n = 884	
Industry	Count	%	Count	%	Count	%
Software	103	47%	180	27%	283	32%
Commercial Services	19	9%	107	16%	126	14%

	Not accessed late stage finance n = 219		Accessed late stage finance n = 665		Total n = 884	
Industry	**Count**	**%**	**Count**	**%**	**Count**	**%**
Commercial Products	8	4%	61	9%	69	8%
Healthcare Devices and Supplies	8	4%	41	6%	49	6%
Consumer Non-Durables	12	5%	32	5%	44	5%
Pharmaceuticals and Biotechnology	5	2%	23	3%	28	3%
Services (Non-Financial)	11	5%	16	2%	27	3%
Healthcare Technology Systems	7	3%	19	3%	26	3%
IT Services	4	2%	20	3%	24	3%
Other Financial Services	5	2%	15	2%	20	2%

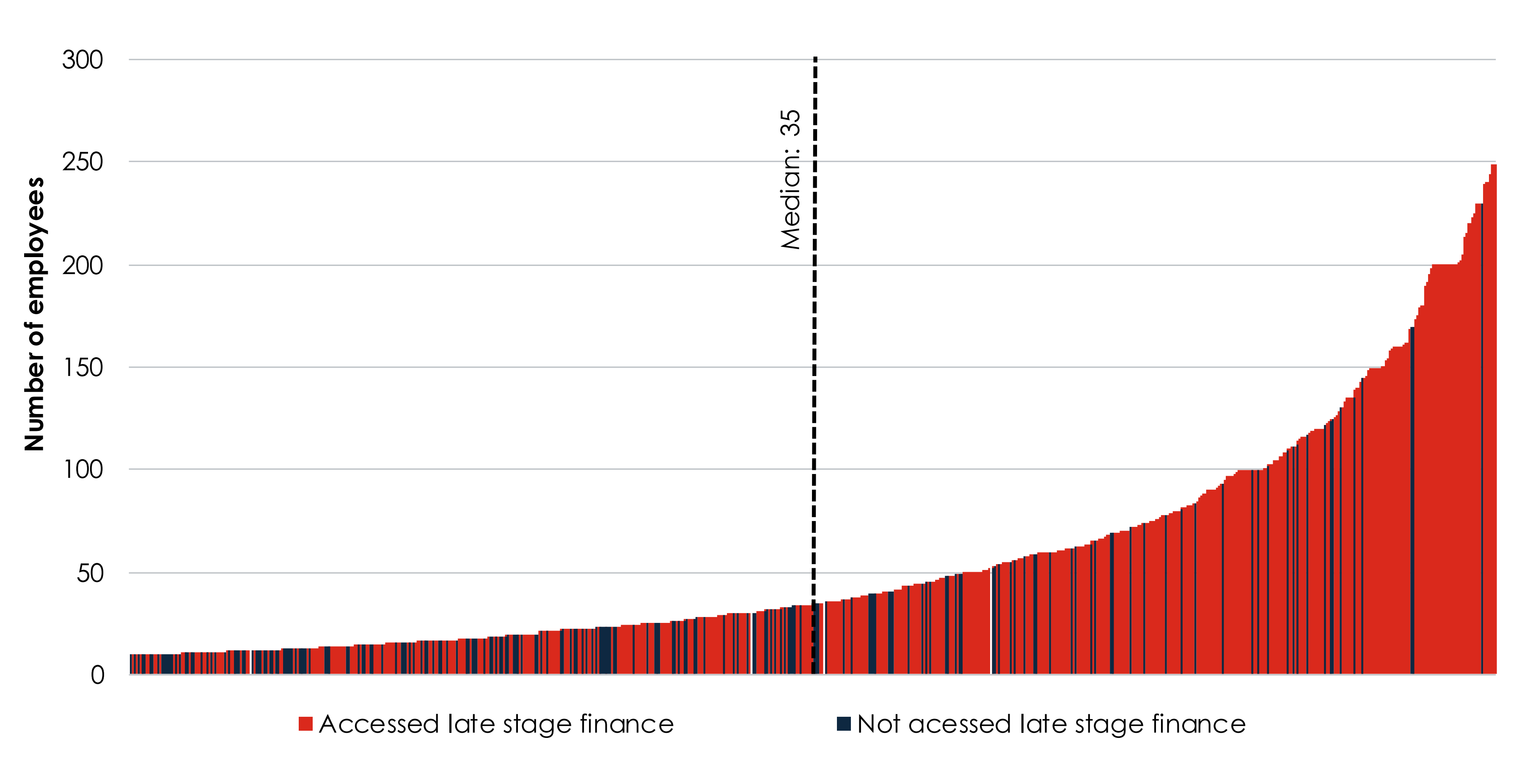
Based on data for 884 potential scale-up firms; 219 have not accessed late stage finance and 665 have accessed late stage finance.
Source: SQW analysis of PitchBook data

Table B-4: Potential scale-up firms classified under a 'vertical'

Sample	Count	Proportion
Not accessed late stage finance	196	89%
Accessed late stage finance	484	73%
All potential scal- up firms	**680**	**77%**

Based on data for 884 potential scale-up firms; 219 have not accessed late stage finance and 665 have accessed late stage finance.
Source: SQW analysis of PitchBook data

Figure B-1: Distribution of potential scale-up firms' employee count



Based on data for 884 potential scale-up firms; 219 have not accessed late stage finance and 665 have accessed late stage finance.
Source: SQW analysis of PitchBook data

Table B-5: Headquarter location of potential scale-up firms, locations with five or more firms

Location	Count	%
Dublin	516	58%
Cork	68	8%
Galway	54	6%
Limerick	19	2%
Dundalk	11	1%
Waterford	11	1%
Kilkenny	6	1%
Shannon	6	1%
Tralee	7	1%
Wicklow	6	1%
Carlow	5	1%
Drogheda	5	1%
Maynooth	5	1%

Based on data for all 884 potential scale-up firms.
Source: SQW analysis of PitchBook data

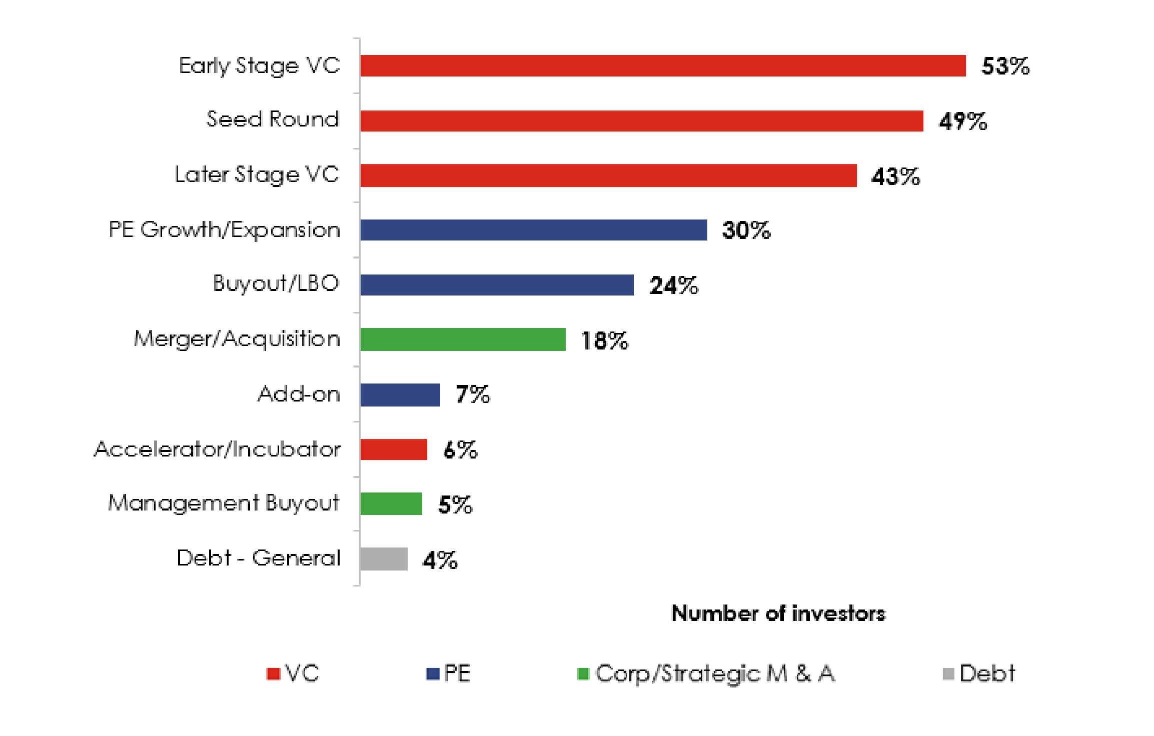
Supply of scaling finance

Table B-6: Total investments and investments meeting search criteria by in-scope investors

Measure	Total investments	Total exits	Investments meeting search criteria	Exits meeting search criteria
Minimum	1	1	1	1
Median	37	17	1	1
Mean	193	72	2	2
Maximum	2,974	1,177	61	17
Total	89,161	26,153	752	56

Based on data for 462 investors.
Source: SQW analysis of PitchBook data

Figure B-2: Top preferred investment types among in-scope investors



Based on data for 377 investors.
Source: SQW analysis of PitchBook data.

Table B-7: Deal size range and average, by deal type

Deal type	Minimum (€m)	Maximum (€m)	Mean (€m)
Later Stage VC	€ 2.0	€ 48.5	€ 10.8
Buyout/LBO	€ 2.0	€ 50.0	€ 15.6
PE Growth/Expansion	€ 2.0	€ 50.0	€ 13.2
Private investment in public equity (PIPE)	€ 3.0	€ 40.9	€ 20.1
Total	**€ 2.0**	**€ 50.0**	**€ 12.2**

Based on data for 280 deals.
Source: SQW analysis of PitchBook data

Annex C: Firm e-survey data

Survey respondent characteristics

Table C-1: Business size (FTE)

Number of employees	Number	Percentage
Less than 10	51	31%
Between 11 and 50	81	49%
Between 51 and 100	22	13%
Over 100	12	7%
Total	**166**	**100%**

Source: SQW survey analysis n=166

Table C-2: Business stage

Stage	Number	Percentage
Pre-seed stage	13	8%
Seed stage	14	8%
Early-stage	27	16%
Growth stage	41	25%
Scale-up stage	55	33%
Other	16	10%
Total	**166**	**100%**

Source: SQW survey analysis n=166

Table C-3: Sector

Sector	Number	Percentage
Digital Technologies	38	23%
MedTech	23	14%
FinTech	16	10%
Artificial intelligence	15	9%
Deep Tech	11	7%

Sector	Number	Percentage
AgriTech	7	4%
BioTech	6	4%
Life Sciences	5	3%
Environmental	4	2%
EdTech	3	2%
Other	37	23%
Total	**166**	**100%**

Source: SQW survey analysis
n=166

E-survey data

Table C-4: Reasons for seeking equity finance

Reason	Count	Percentage
Investment in research and development (R&D)	62	55%
Staff recruitment	56	50%
Working capital	46	41%
Marketing	33	29%
Develop new or significantly improved goods or services	30	27%
To start or increase exporting	22	19%
Investment in new technology/IT	19	17%
Acquisition of capital equipment or vehicles	10	9%
Acquisition	10	9%
Improve business processes	4	4%
Buying, renting, leasing or improving buildings or land	2	2%
Restructure the business	1	1%

Source: SQW survey analysis.
n =113.
NOTE: respondents can choose more than one option

Table C-5: Where equity finance has been secured from

Source	Count	Percentage
Venture Capitalist/VC	48	62%
Business Angel	41	53%
Government equity (including Enterprise Ireland and Ireland Strategic Investment Fund)	28	36%
A member of family or a friend	15	19%
Private equity	14	18%
Other third-party organisation/ another business	8	10%
Within your organisation	8	10%
A crowd funding platform	3	4%
Public equity (e.g. issue of shares on public market / IPO)	3	4%

Source: SQW survey analysis.
n = 78.
NOTE: respondents can choose more than one option.

Table C-6: Where businesses expect to gain external finance in the future

Source	Count	Percentage
Venture Capitalist/VC	91	72%
Private equity	65	52%
Government equity (including Enterprise Ireland and Ireland Strategic Investment Fund)	64	51%
Business Angel	51	40%
Other third-party organisation/ another business	41	33%
Within your organisation	10	8%
A crowd funding platform	9	7%
Public equity (e.g. issue of shares on public market / IPO)	8	6%
A member of family or a friend	5	4%
Don’t know	2	2%

Source: SQW survey analysis.
n = 126.
NOTE: respondents can choose more than one option.

Table C-7: Purpose of equity finance

Purpose	Count	Percentage
Staff recruitment	64	51%
Investment in Research and Development (R&D)	55	44%
Working capital	50	40%
Marketing	42	33%
To start or increase exporting	40	32%
Develop new or significantly improved goods or services	36	29%
Investment in new technology/IT	16	13%
Acquisition	14	11%
Acquisition of capital equipment or vehicles	11	9%
Buying, renting, leasing or improving buildings or land	7	6%
Improve business processes	5	4%
Restructure the business	1	1%

Source: SQW survey analysis.
n = 126
NOTE: respondents can choose more than one option.

Table C-8: Percentage of total businesses securing full, partial or no equity finance to scale, by amount sought

	Secured full equity finance	Secured partial equity finance	Secured no equity finance
Up to €3m	10%	12%	5%
Between €3 and 5m	7%	8%	4%
Between €5 and 10m	11%	4%	3%
Between €3 and 10m	*18%*	*12%*	*7%*
Between €10 and 20m	9%	7%	7%
Over €20m	6%	3%	1%
Total	**44%**	**35%**	**21%**

Source: SQW survey analysis.
n = 97

Table C-9: Percentage of total businesses securing full, partial or no equity finance to scale, by amount sought

	Secured full equity finance	Secured partial equity finance	Secured no equity finance	N
Up to €3m	37%	44%	19%	27
Between €3 and 5m	37%	42%	21%	19
Between €5 and 10m	61%	22%	17%	18
Between €10 and 20m	39%	30%	30%	23
Over €20m	60%	30%	10%	10
All respondents	**44%**	**35%**	**21%**	**97**

Source: SQW survey analysis.
n = by row

SQW

Contact

For more information:

Osman Anwar
Director, SQW
T: 0131 225 4007
E: oanwar@sqw.co.uk

9 Coates Crescent
Edinburgh
EH3 7AL

www.sqw.co.uk

About us

SQW Group

SQW and Oxford Innovation are part of SQW Group.
www.sqwgroup.com

SQW

SQW is a leading provider of research, analysis and advice on sustainable economic and social development for public, private and voluntary sector organisations across the UK and internationally. Core services include appraisal, economic impact assessment, and evaluation; demand assessment, feasibility and business planning; economic, social and environmental research and analysis; organisation and partnership development; policy development, strategy, and action planning.
www.sqw.co.uk

Oxford Innovation

Oxford Innovation is one of the UK's leading providers of services to support innovation systems and help local economies thrive. It manages incubation spaces and innovation centres (OI Space); it delivers programmes of advice and other business support (OI Advice); and it helps to finance ambitious and innovative businesses (OI Finance). Its services are delivered to local authorities, central government departments, arms-length bodies and private sector clients.
www.oxin.co.uk