

PRESS RELEASE

The war in Ukraine has permanently changed the startup environment, the interest in investment temporarily dropped by 37%

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The war is impacting on both Czech and global startups. Interest in investing has dropped by 37% since the conflict began. In February alone, the volume of investments dropped by almost a third. According to experts from the investment ecosystem Soulmates Ventures, there will be a recovery over time, but the market will change. The big opportunities will be in those sectors that have emerged as new opportunities to address current need issues, with sectors focused on sustainability and self-sufficiency in particular gaining in attractiveness.

In 2021, funding for startups from Venture Capital (VC) funds in Europe reached a record \$116 billion. However, rising inflation and the war in Ukraine has brought a change in this positive trend in recent months. "This year has also seen a reduction in investment activity in the markets, which in turn is reflected in the situation on the startup scene," comments Soulmates Ventures partner Václav Gregor.

The number of investment rounds in the world has fallen

The number of investment rounds in particular has fallen sharply. Before the attack, there were 1,284 rounds published, which works out to an average of 80 rounds announced per business day. Within just 4 days from the outbreak of war this number dropped by half, according to Crunchbase The Crunchbase server also reports that 154 startups around the world have announced seed, early-stage or late-stage venture investments since the day the invasion of Ukraine began. In total, these investments have reached \$3.65 billion. This means that, on average, \$912 million was invested in 39 rounds per business day. "This is not a small number, but compared to previous results, these appear rather insignificant. For example, in the first 23 days of February, companies reported \$30.68 billion in early to late-stage funding globally," Gregor explains.

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The impact on European startups was greater than elsewhere in the world

There has been a decline in the European scene. 33 days after the invasion of Ukraine began, European startups announced a total of 170 funding rounds (across seed to late-stage funding), raising a total of \$3.2 billion according to a March report by Crunchbase. However, this is a drop of 37% compared to the previous weeks' results. In fact, in a similar time span before the invasion, European startups reported 255 funding rounds resulting in \$5.1 billion.

The opportunity is in sustainable industries

In Europe overall, it is currently challenging to raise capital for pre-seed and seed-stage startups. Of course, the slowdown in funding announcements in recent days does not necessarily mean that startups are not raising capital. It could just mean that they have made a decision that now is not the best time to announce new rounds, or alternatively they have agreed with investors to defer investment," Gregor explains.

According to Soulmates Ventures, a complete freeze on investment rounds in the Czech Republic is not expected. "In our country, the situation will not be affected that much. It is possible that there will be a suspension and even termination of some agreed investments. Primarily, it will only be a situation where the investor or startup has its primary activities related to Ukraine or Russia," Gregor concludes.

About Soulmates Ventures

Soulmates Ventures is an investment ecosystem comprised of an accelerator, incubator and investment fund focused on sustainable, green and technology innovation for a sustainable future. Through strategic partnerships, Soulmates Ventures moves green technology innovation projects from the proven MVP stage to a growing and scalable business that is poised for growth in the global marketplace or for entry by a large investor if required. It focuses on the areas of air, water, energy, food & agriculture, mobility, circular economy, education and health. The company is managed by Hynek Sochor and Václav Gregor.

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