WE BELIEVE THAT ENTREPRENEURSHIP IS ONE OF THE BEST WAYS TO CHANGE THE WORLD FAST AND AT SCALE.

Entrepreneurs are problem-solvers that accelerate the progress of humankind. That’s why we’ll create, help and inspire founders to change the world for the better.
STARTUPS ACROSS THE GLOBE ARE FACING AN UNPRECEDENTED SITUATION AS A RESULT OF THE COVID-19 PANDEMIC AND RESULTING FINANCIAL CALAMITY.

To shed light on these uncertain times, Slush distributed two surveys on how startups and investors have been affected by the pandemic. Altogether, 264 startups and 143 investors took the survey. Through the granularity of the data, we hope to give founders and operators some context around the hardships that they are facing.
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COVID-19’S EFFECT ON FUNDRAISING PLANS FOR 2020

35% of all startups, and 43% of those that were planning to raise have downscaled or abandoned plans for 2020.
EFFECT ON 2020 FUNDRAISING BY FUNDING RAISED TO DATE

Plans are being downscaled across the stages. According our data, rounds beyond seed seem to be affected more.

KEY TAKEAWAY

N 260
First-time founders are more likely to have downscaled fundraising plans, hinting at an increasing importance of existing networks.
Fundraising seems to be a struggle in a lot of capital-intensive industries. Health, Nutrition & Wellbeing and Marketing & Comms are the only verticals where the net effect on fundraising has been expansionary.
THE CURRENT RUNWAY OF STARTUPS

Concerningly, 49% of startups have 6 months or less of runway.
While there are companies with short runways across stages, those with 5–10 employees seem worst placed to weather the storm.
41% of startups have seen their runway affected negatively, compared to 40% who have seen no change, and 19% whose runway has increased.
It seems that downscaled fundraising plans are driven by urgency; startups that are about to run out of cash are having to raise smaller rounds than expected.
The pandemic is having a material impact on employees. 40% of startups have slowed down or halted recruiting efforts. 17% have laid off or terminated staff.

**KEY TAKEAWAY**

The pandemic is having a material impact on employees. 40% of startups have slowed down or halted recruiting efforts. 17% have laid off or terminated staff.
The effect on recruiting is very similar across the stages. Larger companies are somewhat more likely to have made cuts; likely owing to their heavier cost structure to begin with.
EFFECT OF REMOTE WORK ON THE WELLBEING OF EMPLOYEES

30% of startups have seen a decrease in their team’s wellbeing as a result of switching over to remote work. That compares to just 7% of startups that have experienced an improvement.

<table>
<thead>
<tr>
<th>Decrease</th>
<th>Improvement</th>
<th>No significant change</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>10%</td>
<td>60%</td>
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NOTE: Only those startups that were working from a common office to start with and have moved to remote work included.
Experiences in terms of productivity are somewhat more varied; 35% have experienced a decrease in productivity, while 14% have seen an increase.

Only those startups that were working from a common office to start with and have moved to remote work included.
EFFECTS OF REMOTE WORK BY FOUNDER EXPERIENCE

First-time founder

Repeat founder

Wellbeing of employees

Productivity of employees

Notes:
Only those startups that were working from a common office to start with and have moved to remote work included.

Key takeaway:
Repeat founders seem to be better equipped to navigate their companies amid remote work.
EFFECT OF REMOTE WORK ON PRODUCTIVITY BY COMPANY SIZE

KEY TAKEAWAY

More mature companies are somewhat more likely to have found ways to uphold or increase their teams’ productivity after switching to remote work.

Notes:
Only those startups that were working from a common office to start with and have moved to remote work included.
In terms of wellbeing, the effects are more spread out between different company sizes. It seems that very early companies, and, on the other hand, the most mature companies are struggling the most.
EFFECT ON COMPONENTS OF SALES

COVID-19 has had a material impact on sales; only 8% of startups report no change. Customer acquisition has been affected the most, with existing customer relationships remaining fairly unaffected.

Notes
Pre-revenue startups excluded. Respondents could indicate multiple options.

Key takeaway
COVID-19 has had a material impact on sales; only 8% of startups report no change. Customer acquisition has been affected the most, with existing customer relationships remaining fairly unaffected.
B2B startups have been hit significantly harder than consumer startups. Notably, 35% of B2C companies reported only positive effects to the various components of sales.

Pre-revenue startups excluded. B2G and C2C omitted due to small sample size. ‘Purely positive’ means that startups indicated positive change across all components of sales that they reported having been affected.

**KEY TAKEAWAY**

B2B startups have been hit significantly harder than consumer startups. Notably, 35% of B2C companies reported only positive effects to the various components of sales.
While the sample size is small, this evidences how startups that are selling direct-to-consumer among their mix of distribution channels have been much better prepared to tackle the pandemic.
Sales have been affected very differently across industries. Two verticals seem to have experienced a net positive effect; Gaming and Financial & Insurance.
CHANGES THAT STARTUPS ARE MAKING TO THEIR PRODUCT MIX

STARTUP SENTIMENT

Only 41% of startups are keeping their focus totally unchanged. In general, startups are tackling the pandemic head-on, choosing to expand into new activities over cutting existing ones.

KEY TAKEAWAY

Respondents could indicate multiple options.

0% 10% 20% 30% 40% 50%

% of startup respondents

- We’ve totally changed our direction
- Expanding into new side activities
- Expanding into new core activities
- Interrupting certain side activities or the development of such
- Interrupting certain core activities or the development of such
- Continuing as planned

N 260

Notes

Respondents could indicate multiple options.
Unsurprisingly, smaller companies have been more nimble to refocus. Notably, 45% of companies with 5–10 employees have undertaken new activities without making cuts to existing ones.

'Just expansionary' means that startups are expanding into new activities without cutting existing ones.
NATURE OF REFOCUS BY INDUSTRY

The extent and nature of startups' refocusing activities vary heavily between industries. Notably, verticals that have been in high demand during social distancing have seen overwhelmingly expansionary pivots – Education; Health, Nutrition & Wellbeing; Mixed Reality; Transportation & Mobility; Consumer Internet.

KEY TAKEAWAY

The extent and nature of startups’ refocusing activities vary heavily between industries. Notably, verticals that have been in high demand during social distancing have seen overwhelmingly expansionary pivots – Education; Health, Nutrition & Wellbeing; Mixed Reality; Transportation & Mobility; Consumer Internet.
Our data offers some confirmation for the intuitive finding that the changing focus of startups is driven by necessity; industries with a negative effect on sales have generally seen a largely share of startups pivot.
INVESTOR SENTIMENT
COVID-19’S EFFECT ON INVESTING ACTIVITIES

INVESTOR SENTIMENT

Angels are expecting more negative implications to their investing activities.

KEY TAKEAWAY

% of VC investor respondents % of Angel investor respondents

NOTES

PE, VC and corporate investors bundled into VC category.
EFFECT ON VALUATIONS DURING 2020

Almost half of the investors are expecting a 20-30% decrease in valuations.

Key Takeaway:

- >50% decrease
- 40-50% decrease
- 30-40% decrease
- 20-30% decrease
- 10-20% decrease
- 5-10% decrease
- <5% decrease
- Unable to say

Notes:
The question asked respondents to consider their primary investment region. Over 70% invest in the Nordics & Baltics.
DECREASE IN VC-BACKED EXITS IN 2020 VS. 2019

Inventor Sentiment

KEY TAKEAWAY

Venture-backed exits are going to see a heavy drop; one fifth of respondents expect a 50% decrease in 2020 compared to 2019.

NOTES

The question asked respondents to consider their primary investment region. Over 70% invest in the Nordics & Baltics.
50% of investors don’t think deal volumes will normalize within the next 12 months.
EFFECT ON FOCUS BETWEEN NEW AND FOLLOW-ON INVESTMENTS

46% of the respondents have shifted their focus towards their existing portfolio.

KEY TAKEAWAY

Investors that chose not to disclose excluded.
Hardware investors have shifted their focus more towards follow-on investments.

Investors that chose not to disclose excluded.
One fifth of investors have seen over 50% of their portfolio companies make layoffs. This number is higher than that of our startups respondents, probably owing to the later stage of the average investors portfolio.
COVID-19 hasn’t had a significant effect on the stage focus of investors.
SHIFTING FOCUS TOWARDS INDUSTRIES BENEFITING FROM CRISIS

KEY TAKEAWAY

Health & Wellbeing, Education and E-Commerce & Marketplaces are the top gainers.
3 SURVEY RESPONDENTS
STARTUP SURVEY - DESCRIPTIVE STATISTICS (1/2)

**Investor Sentiment**

**Where is your company located?**

- **Nordics & Baltics**: 61%
- **DACH**: 8%
- **Asia**: 7%
- **UK & Ireland**: 6%
- **France & Benelux**: 5%
- **North America**: 5%
- **CEE**: 4%
- **Southern Europe**: 3%
- **Africa**: 1%

**When was your company founded?**

- **2013 or earlier**: 14%
- **2014**: 4%
- **2015**: 11%
- **2016**: 17%
- **2017**: 19%
- **2018**: 17%
- **2019**: 16%
- **2020**: 3%
**STARTUP SURVEY - DESCRIPTIVE STATISTICS (2/2)**

### What is your primary business model?

- **B2B**: 70%
- **B2C**: 25%
- **C2C**: 3%
- **B2G**: 2%

### How many people does your company employ?

- 1–4: 35%
- 5–10: 31%
- 11–20: 17%
- 20–50: 13%
- 50–250: 4%

### How much funding has your company raised to date?

- None: 17%
- <50k: 9%
- 50–100k: 9%
- 100–250k: 12%
- 250–500k: 12%
- 500k–1M: 8%
- 1M–2M: 10%
- 2M–5M: 10%
- 5M–10M: 4%
- 10M+: 5%
- N/A: 3%
INVESTOR SURVEY - DESCRIPTIVE STATISTICS (1/2)

**INVESTOR SENTIMENT**

**VCs**

- **Nordics & Baltics**: 56%
- **DACH**: 10%
- **Asia**: 9%
- **France & Benelux**: 6%
- **UK & Ireland**: 8%
- **CEE**: 5%
- **Rest of the World**: 7%

- **Nordics & Baltics**: 71%
- **DACH**: 37%
- **UK & Ireland**: 35%
- **France & Benelux**: 30%
- **North America**: 25%
- **CEE**: 24%
- **Southern Europe**: 22%
- **Asia**: 12%
- **South America**: 4%

**NOTES**

- VCs include 61 VC investors, 18 CVC investors, 3 Corporate M&A investors, 7 Family offices, 1 PE investor and 6 other institutional investors.
Investing in software, hardware or both?

- Both: 56%
- Software: 42%
- Hardware: 2%

Sector-specific or industry-agnostic?

- Sector-specific: 53%
- Industry-agnostic: 47%

At which stages do you invest?

- Angel/pre-seed: 51%
- Seed: 87%
- Series A: 61%
- Series B: 31%
- Later stages: 21%
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