The tech world on its road to recovery: Accel 2023 Euroscape report shines a bright light on today's market

The tech ecosystem may be on the road to recovery following a global reset, according to data from Accel's 2023 Euroscape report, an in-depth report on key SaaS trends and list of 100 standout European and Israeli SaaS companies.

Temps de lecture : minute

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> "*I'm wearing dark glasses today because I'm seeing the future and it's looking very bright*" - *David Lynch*

Even after the darkest of times, light will always resurge. After the heaviest of rains, a rainbow will always appear. At the bottom of this rainbow might be a treasure, overflowing with wealth, gold and hope.

Even though the past couple decades have been affected by tough economical crisis, maybe too numerous to mention, we have never ceased to hope and work towards a better future. After every crisis, there has been builders, visionaries, rising the world from the ashes of its former glory and establishing the foundations of a better future.

Accel's 2023 Euroscape report provides us with the proof that ambition isn't vain. The dreamers of today will be the heroes of tomorrow.

On the road to recovery

With the *NASDAQ* returning to 82% of its all time high in less than two years, the outlook is looking brighter than following the 2000 financial crisis when it took around 14 years to hit the same milestone. Silver linings are also appearing in the cloud landscape as the Euroscape Index is up 29% year-to-date and multiples are reverting to 10 year pre-covid averages. On the private side, both cloud financing and unicorn creation have converged to pre-covid levels. However, while figures have returned to those seen in 2019, today's market is in a very different place as Gen AI is fuelling innovation, funding and new unicorn creation.

AI as a fuel

At the end of Q3 2023, fuelled by the potential of AI, tech giants added £1.97T of market cap over the last 12 months. In addition, powering the AI boom has propelled chip maker *Nvidia* into the $1T (£0.8T) club and made it a household name alongside Apple, Microsoft, Alphabet and Amazon.

While companies are now more focused on profitability, the shift has not been as fast as expected as the number of public SaaS companies in the Accel Euroscape Index that meet the rule of 40 has now halved.

Silver linings in cloud landscape

When the *Accel 2022 Euroscape* was unveiled in October 2022, a global cloud reset was underway. While innovation continued to emerge across Europe and Israel's cloud ecosystem, the figures were far from positive:

- £1.3T of market capitalisation had been lost in the global Euroscape Cloud Index.
- Average forward revenue multiples had plunged from 17x in 2021 to

6x in 2022.
- Cloud funding in Europe, Israel and the US was down 42%.

As the covid years have been digested, today’s picture is starting to look brighter as:

- The global Euroscape Cloud Index is up 29% YTD.
- Euroscape public multiples are reverting to the 10 year pre-covid average.
- Cloud/SaaS private financing has converged to pre-covid levels in Europe and Israel and the US.
- Europe and Israel maintain their relative strength against the US ecosystem, with total European and Israeli VC funding in SaaS/Cloud in 2023 YTD at more than half of that in the US.

> *“As our data shows, Europe and Israel are well positioned to take advantage of the rise of AI with multiple research and talent hubs across the region, and exciting AI startups emerging across multiple categories. We’re very excited by what the next decade will bring to the cloud ecosystem and look forward to partnering with the next generation of cloud entrepreneurs.” said Philippe Botteri, Partner at Accel.*

M&A's rule

While 2021 saw a cloud IPO frenzy, with 46 happening over the course of the year, the market froze in 2022 and *Klaviyo* is the only cloud IPO since 2021 to date - a potential indicator the market is thawing.

In contrast, the strategic M&A market has remained robust, with the aggregate strategic M&A value for large deals increasing from £25.3B in 2022 to £46.7B in 2023 to date. This number is expected to hit £54.2B by the end of the year.

Buyout activity continues to remain healthy with the aggregate take private enterprise value for large deals currently at £33.7B in 2023 and expected to hit £45.3B before the end of the year.

Exciting opportunities ahead

Over the last 12 months' return to reality, GenAI has been the trend to watch. It is transforming the software paradigm and unleashing previously unimaginable opportunities, with Euroscape 2023's data highlighting the fact it has driven a new wave of innovation:

- 60% of new unicorns created over the last 12 months are GenAI native.
- Around 45% of Europe and Israel's new unicorns are GenAI native, including AI21 Labs, Stability and Synthesia.
- Approximately 75% of the US' new unicorns are GenAI native.

While the largest non-GenAI rounds in Europe and Israel are on a par with the largest funding rounds in the US, the US is leagues ahead when it comes to GenAI funding. The £11.6B invested in the US' seven largest GenAI deals towers over Europe and Israel's £0.74B. However, Europe's GenAI talent pool shines through. The EU talent is producing 50% more AI journal publications than the US, with similar citation rate.

Cybersecurity also continues to be a key trend, with the five fastest growing Euroscape companies dominated by cybersecurity: SentinelOne,CrowdStrike, Zscaler. With cloud exploitation growing by 95% in 2022 and key challenges securing human and machine identities as well as the software supply chain, this looks set to continue.

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