

Last year's showers bring 2024 flowers: Notion Capital releases Cloud Challengers 2024 Report and Cloud Challengers 100

Notion Capital has recently released their Cloud Challengers 2024 Report, along with the third annual Cloud Challengers 100 (CC100) list.

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"How you fall doesn't matter. It's how you land." - Mathieu Kassovitz

Whether a fall is physical or figurative, the way you land is the most important factor, as it will determine the success of your rise.

But unlike a Japanese dojo, life doesn't provide you with a tatami mat to alleviate your fall. It is solely up to you to make the best out of challenging times.

Hard work, resilience and time are the three best friends of an entrepreneur, as they will give them the strength to carry on and keep walking, no matter how deep you fall.

After the disillusion of 2023, it seems that 2024 carries hope and promises for entrepreneurs.

Notion Capital's recent Cloud Challengers 100 shows that the majority of

top Cloud startup founders are already seeing improved appetite from VCs to allocate capital in 2024, despite a sharp fall in overall European business software investment last year.. The report is proof that after the rain cloud always comes a bright sun.

A Renewed Appetite

Of the startups in *Notion Capital's CC100* list, 55% of founders surveyed said VC appetite to allocate capital has increased compared to 6-12 months ago.

Meanwhile, 62% believe 2024 will be better than 2023, reflecting a sense of underlying opportunity across the top segment of startups in the face of a broader market decline.

Notion Capital's *Cloud Challengers 2024* report tracks the European business software early-stage market annually.

Ambiguous past years

The prolonged downturn in European tech startup investment as a whole grew steeper last year, with a 39% drop to £61.53B in 2023, compared to a 19% drop in the previous 12 months.

Business software startups were resilient against this in 2022, enjoying a 7.4% uptick to more than £31.75B. But 2023 saw investment in the sector fall by 59% to £17.26B.

However, exits were strong, at £39.8B across 780 deals, compared to £16.35bn across 828 exits the previous year. Notable acquisitions included *Webhelp* (France, £3.8B), and *Reward Gateway* (UK, £1.2B).

Business software also marginally increased its share of value in the

European ecosystem, rising to £950B from £870B last year, with European tech in aggregate staying at the same value at £2.94T.

But down markets also bring opportunity. The Cloud sector is still growing by more than 20% a year globally, and it is expected to have 70% market share of a trillion-dollar market by 2027, showing there is still significant headroom for the best startups – such as the Cloud Challengers 100 to take advantage of.

New Sectors and New Tools

The most common sectors for this year's startups were sustainability, developer tools/ infrastructure, and fintech. On sustainability, especially, that represents a shift in focus from *last year's report*, and reflects the growing emphasis on this field globally.

Artificial intelligence's presence only continued to grow. Of the CC100 companies, 61% have built GenAI features into their products indicating a strong trend towards leveraging this new platform.

"Congratulations to every company that made it onto the list.", says Jos White, General Partner of Notion Capital.

"The founders we interviewed are generally optimistic about the year to come, one that will be laced with AI driven innovation, a flight to quality and efficiency, and a doubling down on culture management - steadying the ship after a few years of rockiness." adds Jos White.

Other key findings include:

- The majority of companies in the top 100 are from the UK (26%), France (24%) and Germany (23%).
 - Tier One investors are clustered around fintech, sustainability, and sales and marketing support firms.
 - Fintech companies in the top 100 have the most Tier One investors each with an average of three, followed by marketplaces with an average just over two.
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