

# From Startup to Scaleup

Status on the Danish capital markets for startups and SMEs, September 2024



# A word from the authors

Welcome to the latest edition of From Startup to Scaleup, which provides an overview of the Danish capital markets over the past 18 months, covering 2023 and the first half of 2024. This report offers a comprehensive analysis of key trends across various financing segments and examines how these developments are impacting Danish startups and SMEs' access to risk capital.

The period under review has been characterized by shifting macroeconomic conditions that have significantly influenced the Danish capital markets. Throughout 2023, heightened inflationary pressures and rising interest rates increased the cost of capital, while geopolitical instability and economic uncertainty further dampened investor confidence across most market segments. However, recent developments suggest a cautiously optimistic outlook for Danish startups and SMEs. In the first half of 2024, inflation has stabilized, and interest rates are anticipated to gradually decline, lowering financial costs and fostering a more favorable economic environment. This shift could help restore investor confidence and potentially enhance access to growth capital for Danish startups and SMEs.

The findings in this report highlight both the challenges and opportunities that lie ahead, hopefully providing valuable insights for entrepreneurs and investors as they navigate this evolving landscape.

Happy reading!

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# Key Takeaways

## 1.

### Macroeconomic background

- Central banks around the world continually raised interest rates throughout 2023 in order to stabilize inflationary pressures. Denmark followed suit, effectively increasing financial costs for startups and SMEs and leading some investors to pursue lower-risk investment alternatives.
- With inflation projected to stabilize around 2.5 percent in the Euro Area and the United States in 2024, interest rates have recently stabilized and are anticipated to decrease in the coming years.
- The outlook for decreasing interest rates in Denmark, along with improved economic growth prospects, is likely to boost investor confidence and enhance Danish startups and SME's access to growth capital.

## 2.

### Early-stage capital

- Over the past five years, there has been a steady increase in the volume of state-backed grants issued to Danish startups and SMEs.
- Despite a slowdown in the Danish crowdfunding activity in 2023, the market has grown significantly over the past decade – a recent political agreement could provide a boost to equity-crowdfunding.
- Investments from Danish Business Angels decreased in 2023 – investors navigate a shifting investment landscape amidst changing market conditions.

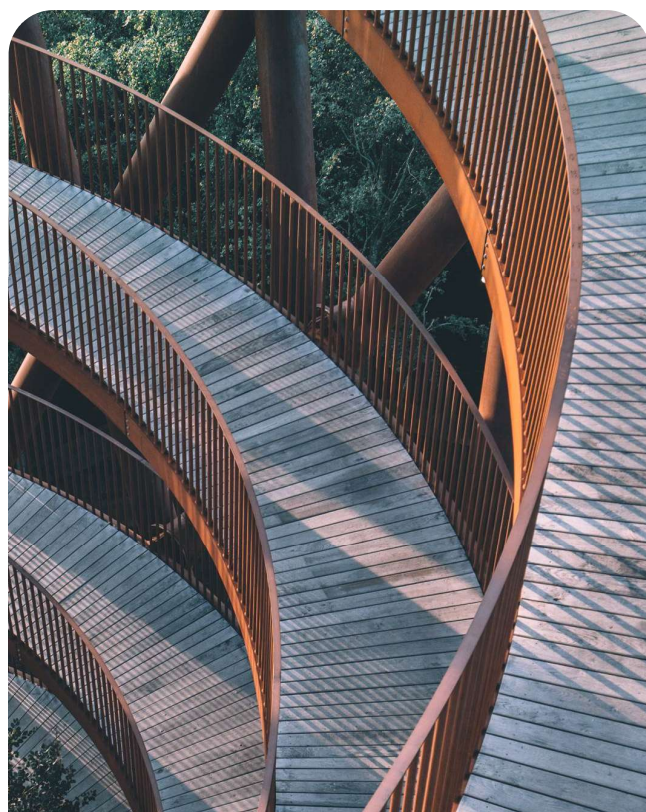


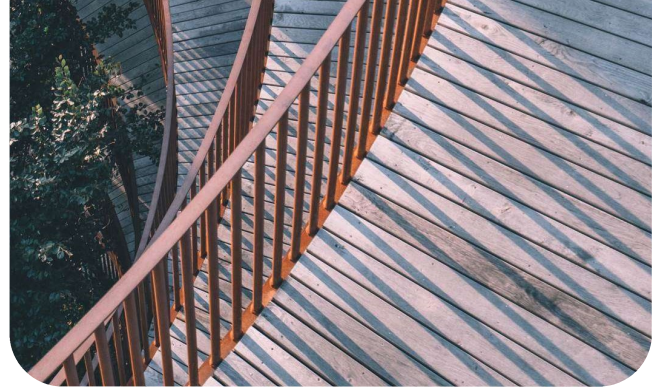
### 3. Venture capital

- Despite global declines, the Danish venture capital market grew by 24 percent in 2023, making it the fourth largest in Europe relative to GDP. The positive momentum continued into 2024, signaling rising investor confidence.
- Due to geopolitical instability and economic uncertainty in 2022-23, venture capital funds increasingly focused on investment opportunities in domestic markets – however, the trend reversed in the first half of 2024, where the Danish market saw an increased presence from international investors. This development could signal growth potential for large investment rounds going forward.
- Danish Life Science and Fintech companies attracted most venture capital funding in the past 18 months, while SaaS and Cleantech saw high volumes of early-stage rounds.
- Green venture investments have steadily increased since 2019, with 2024 on track for record levels, signaling that startups with green business models may be at an advantage for attracting venture capital in the current market.

### 4. Buyout capital

- Buyout deal activity in Denmark has decreased over the past 18 months, reflecting trends on the broader European and American market. This decline was largely attributed to rising interest rates, which led to fewer large transactions and exits.
- There has been a notable increase in the share of buyouts undertaken as add-on investments – this shift in investment strategy indicates a growing focus among private equity firms on scaling existing portfolio companies as opposed to building new portfolios.
- Danish scaleups have increasingly relied on foreign buyout capital, with the share of investments by foreign investors rising in recent years. In line with developments in Danish venture capital, the share of foreign investments decreased in 2023, but has since increased again in the first half of 2024.





## 5.

### Debt financing

- Corporate lending growth in Denmark peaked in mid-2022 but has since slowed down significantly due to rising interest rates and tightened credit standards, which made it harder for SMEs to secure debt financing.
- EIFO's loan volumes decreased in 2023, mirroring trends in the broader corporate lending market, as rising financial costs led Danish SMEs to delay investments. This trend has continued in the first half of 2024.
- Danish SME's slowed demand for debt financing has effectively led to a decline in the volume of SME guarantees issued by EIFO in 2023 and the first half of 2024.

## 7.

### Initial public offering

- The Danish IPO activity, which peaked in 2021, has slowed significantly in recent years, with only three companies listed in 2023 and no IPOs in the first half of 2024.
- This decline is part of a broader trend across Nordic markets, driven by increased stock market volatility and decreased investor confidence, making the environment less favorable for IPOs.
- Recent Danish tax reforms aim to create a more favorable environment for IPOs, potentially encouraging more startups and SMEs to consider going public in the future.

## 6.

### Export financing

- Despite significant growth in Danish exports, which was mainly driven by a few large pharmaceutical enterprises such as Novo Nordisk, most exporting sectors experienced an easing of demand.
- In effect, the demand for EIFO's export financing for SMEs decreased slightly in 2023, with this trend continuing into the first half of 2024.
- Danish companies in the Machines, motors, and turbines sector, particularly those supplying the wind industry, have historically shown the highest demand for export financing from EIFO.

01

# Macroeconomic background



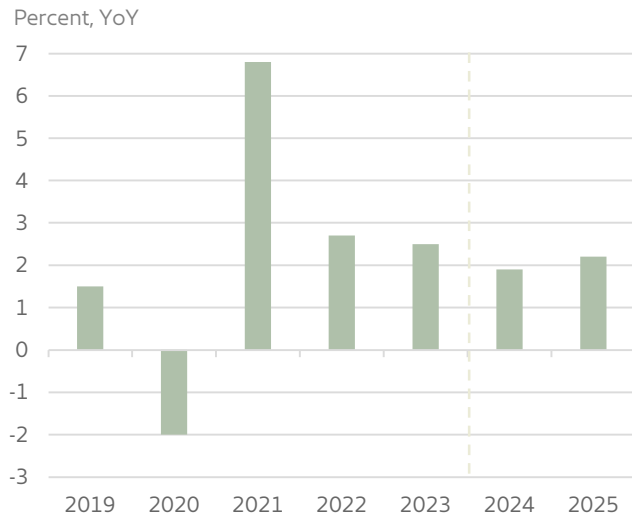
## Prospects of 1.9 percent growth in the Danish economy in 2024

The macroeconomic development during the past few years has indeed been affected by the war in Ukraine, global value chain disruptions and high inflation rates primarily driven by soaring energy prices and shortage of supply. This caused central banks to raise interest rates, while financial institutions tightened loan terms and credit standards, and overall uncertainty increased.

Consequently, the development caused a decrease in real GDP growth, both internationally and in Denmark, during the past two years; Danish real GDP growth decreased to 2.7 percent in 2022 and 2.5 percent in 2023 and is expected to conclude at 1.9 percent in 2024, primarily driven by the pharmaceutical and raw materials industries, cf. Chart 1.1

Chart 1.1

### Real GDP growth



Source: Danish Ministry of Economic Affairs, Economic Survey August 2024.  
 Note: Vertical line indicates a transition to forecast.

## Inflation is expected to remain at around 2 percent throughout 2024

The increase in the inflation rate during 2021 and 2022 was initially caused by a combination of changed consumption patterns after the COVID-19 pandemic and global supply chain disruptions limiting the supply of goods.

This was further exacerbated by soaring energy prices caused by Russia's invasion of Ukraine as well as political compensation schemes for personal costs and loss of income related to the pandemic and compensation for increased energy prices, resulting in inflation rates above 10 percent during 2022, cf. Chart 1.2.

High inflation rates often entail higher production costs for companies, affecting margins negatively, which inhibits growth and the company's ability to access financing. The company might transfer increased costs to its customers, but this might in turn affect demand negatively.

Chart 1.2

### Consumer Price Index



Source: OECD, Eurostat, and Danish Ministry of Economic Affairs, Economic Survey August 2024.  
 Note: Prognosis for USA and the Euro Area is based on quarterly data from OECD Economic Outlook.

Inflation rates started to decline in the second half of 2022, as central bank increased monetary policy rates, and has remained at a steady plateau at around 2-2.5 percent in the Euro Area and USA since fall of 2023. In Denmark, inflation rates declined to around 0.5 percent in fall of 2023, but recent real wage increases have put upwards pressure on inflation resulting in inflation rates in Denmark reaching around 2 percent in June of 2024. The inflation rates are expected to remain at that level throughout the year.

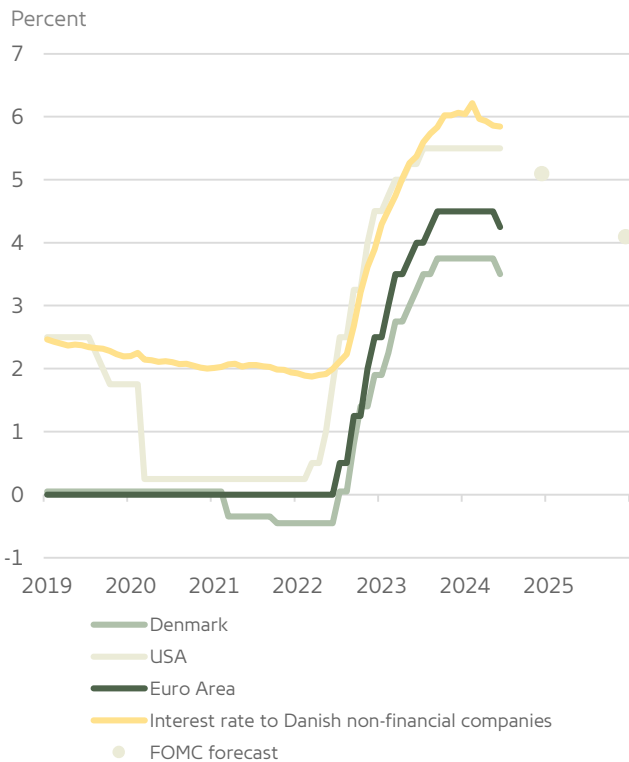


### Monetary policy rates have started to decline

As the inflation rate stabilized around 2.5 percent in the Euro Area in late 2023 and early 2024, the European Central Bank was able to cut interest rates by 0.25 percentage points in May 2024, cf. Chart 1.3. The Danish central bank followed promptly, while the American market is yet to see interest rates decline.

Chart 1.3

#### Development in leading monetary policy interest rates



Source: Danmarks Nationalbank, ECB, Federal Reserve.  
 Note: Leading monetary policy interest rates: Danmarks Nationalbank, Lending Rate and effective interest rate to non-financial companies. United States Federal Reserve, Federal Funds Target Rate. ECB, Main Refinancing Operations Rate, Effective Rate. Forecast for 2024 is based on Federal Open Market Committee's (FOMC) "projected appropriate monetary policy", June 2024.

Interest rates are, however, expected to decline in the US over the coming years and expected to continue declining in the Euro Area and Denmark. The Federal Open Market Committee (FOMC) project American interest rates to decrease by 0.4 percentage points during 2024 and another 1.0 during 2025.

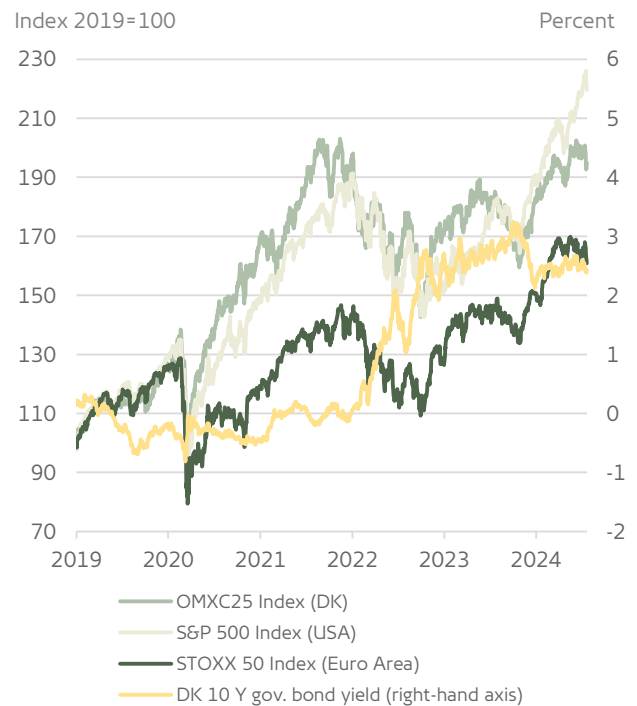
With interest rates around 4 percentage points higher than the level before 2022 in the Euro Area and Denmark, financial costs remain high, challenging companies' ability to raise or access the needed capital for continued growth. However, as interest rates are expected to decline over the coming period, we expect to see an improvement in capital access for SMEs.

### Leading global stock markets had a strong start to 2024

The leading global stock markets were highly affected by the rising consumer prices and interest rates during 2021 and 2022, causing the S&P500 and STOXX50 indices to decline by roughly 25 percent from their peaks in late 2021 to their low points in fall 2022, cf. Chart 1.4. The Danish OMX C25 index declined by almost 30 percent during the same period.

Chart 1.4

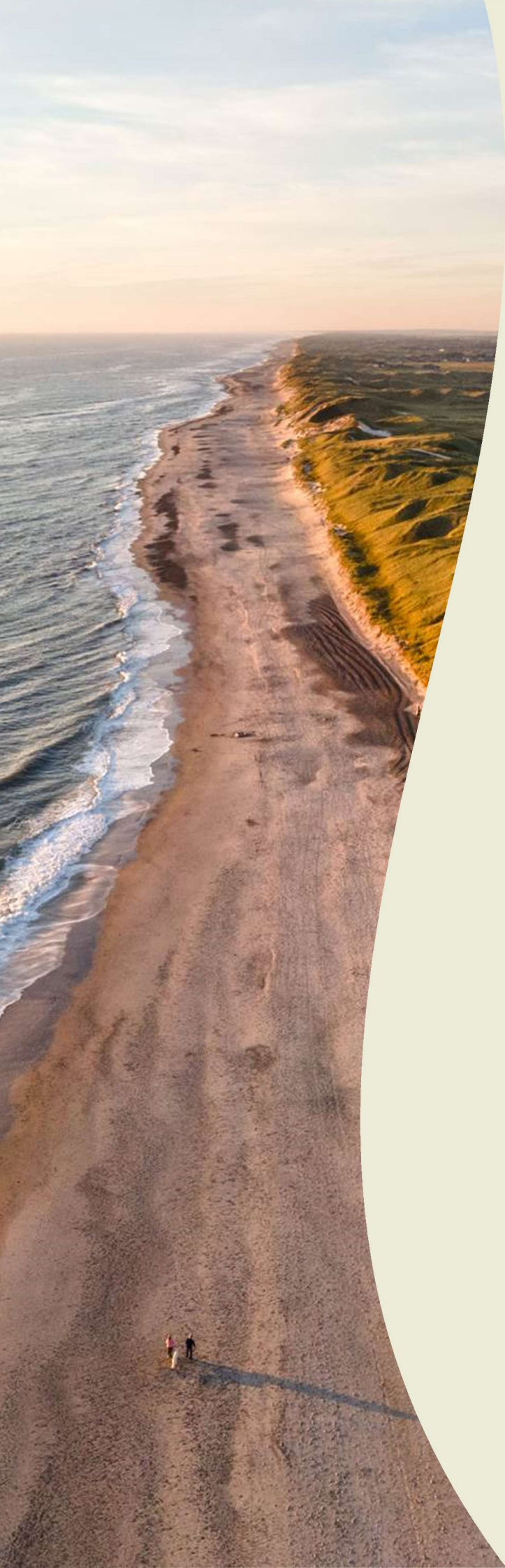
#### Financial Market Development



Source: Nasdaq OMX Nordic, S&P Global, STOXX, Macrobond.

As inflation rates started to decline, financial markets initially reacted positively, even though central banks continued to increase interest rates. However, as interest rate reductions continued to remain absent during 2023, the markets witnessed increased uncertainty and corrections.

This changed in 2024, primarily due to renewed expectations of interest rate reductions and better than expected economic growth in both the Euro Area and the US.



# 02

## Early-stage capital

For many entrepreneurs, the funding journey begins with grants from public and private schemes. These grants can serve as catalysts, enabling companies to turn their ideas into businesses, achieve 'proof of concept' or 'proof of business,' which are often prerequisites for attracting investors in the future.

Private investors also play a crucial role in the early stages of a startup's development. Entrepreneurs can seek funding through the crowdfunding market, where capital is raised from a large number of people, or from Business Angels, who provide capital in exchange for equity in the company. Additionally, several venture funds are active in the very early stages.

EIFO is actively engaged in supporting startups with risk capital as part of its 'Early Stage' initiative. This initiative includes offering start-up loans to Danish startups, collaborating with Danish Business Angels, and providing BA-matching loans, where EIFO matches investments from selected Business Angels with an equivalent loan. Additionally, EIFO also co-invests with private investors through convertible loans.

## Increasing volumes of state-backed grants issued to Danish startups and SMEs in recent years

Grants are a non-dilutive form of capital that, unlike loans or equity financing, do not require repayment or ownership stakes. Grants are issued by government bodies, foundations, and corporates with the purpose of providing financial support to projects or businesses that align with the entity's mission.

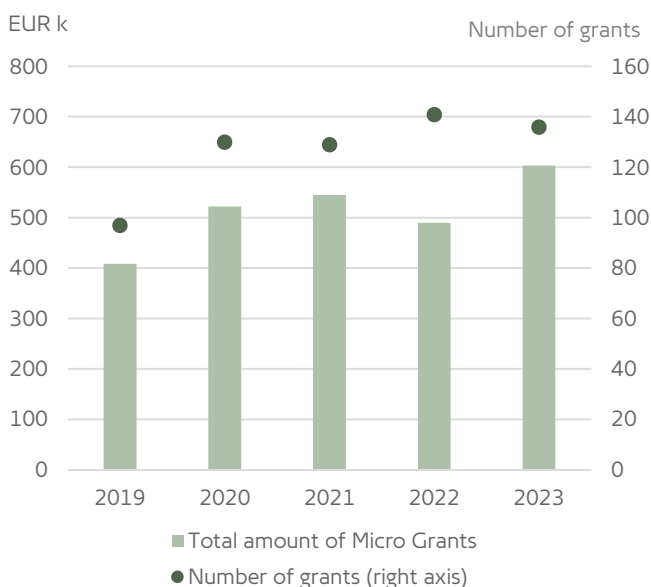
Grants can provide entrepreneurs and early-stage startups with essential seed funding for e.g. product development or demonstration facilities, allowing entrepreneurs to validate and refine their business models without any immediate financial pressure. In addition, receiving a grant may enhance a startup's credibility, since they are often awarded through competitive processes, where startups must demonstrate the potential impact and viability of their business ideas. Through the validation of a startup's business model or technology, having received a grant may additionally serve as a springboard for raising private capital in later stages e.g. through Business Angels or venture capital.

In Denmark, two bodies that provide state-backed grants to support the early-stage startup and SME ecosystem is the Danish Foundation for Entrepreneurship, which is focused on supporting entrepreneurship among students, and Innovation Fund Denmark, which is focused on innovative startups and SMEs.

### The Danish Foundation for Entrepreneurship

The Danish Foundation for Entrepreneurship supports entrepreneurship in the Danish education system in various ways. Among other initiatives, the foundation awards grants of up to EUR 6,700 to entrepreneurs in youth education, higher education and to recent graduates through the Micro Grant and Kickstart Micro Grant programs.

Chart 2.1  
Micro Grants through The Danish Foundation for Entrepreneurship



Source: Danish Foundation for Entrepreneurship.

The purpose of the Micro Grant initiative is to strengthen growth and employment in Denmark through supporting young entrepreneurs that are driven by solving major global challenges.

Since the launch of these programs in 2011, a total of 1,011 Micro Grants amounting to around EUR 4.2 million have been awarded up to and including 2023. In 2023 alone, students with entrepreneurial ambitions received 136 Micro Grants totaling EUR 600 thousand, cf. Chart 2.1.

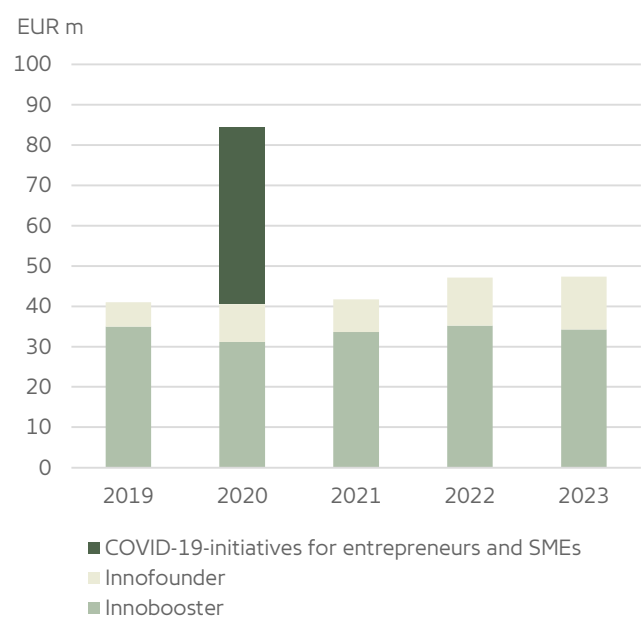
In addition, all applicants receive feedback from the Evaluation Committee, which includes successful entrepreneurs and investors, aiding in the improvement of their proposals.

### Innovation Fund Denmark

Innovation Fund Denmark (IFD) provide finance to Danish entrepreneurs and SMEs with the aim of turning promising innovative ideas into new solutions that have the potential to help solve some of society's challenges.

In 2023, IFD issued a total of EUR 47.3 million in grants through their Innobooster and Innofounder programs, which was at the same level as in 2022 and roughly 13 percent higher than the level in 2021, cf. Chart 2.2. Furthermore, IFD played a central role in providing extraordinary support for Danish startups and SMEs during the COVID-19 pandemic, where EUR 43.8 million was channeled to Danish startups and SMEs through COVID-19 additions to the Innobooster program.

Chart 2.2  
Grants through Innovation Funds Denmark



Source: Innovation Fund Denmark, annual report 2023.

### Significant growth in the Danish crowdfunding market over the past decade – new political agreement could boost equity crowdfunding

Crowdfunding is a financing method where businesses leverage online marketplaces to raise capital from a large number of investors. There are several forms of crowdfunding, distinguished by the nature of the financing obtained: loan-based crowdfunding, equity-based, reward-based, donation-based, or real-estate crowdfunding.

Crowdfunding may offer numerous benefits for businesses seeking financing and is especially suited for early-stage startups and small businesses that may struggle to secure traditional financing. Through crowdfunding platforms, these startups can access a large and diverse pool of potential investors who are willing to contribute smaller amounts of capital. This method allows startups to bypass traditional financing hurdles and obtain funding directly from interested backers, facilitating early-stage growth and development without the need for extensive collateral or established credit histories. Furthermore, successfully raising funds through crowdfunding can serve as proof of market demand and validation of the business idea.

There has been significant growth in the Danish crowdfunding market over the past 10 years, with crowdfunding becoming a much more widespread and accessible source of financing for early-stage companies.

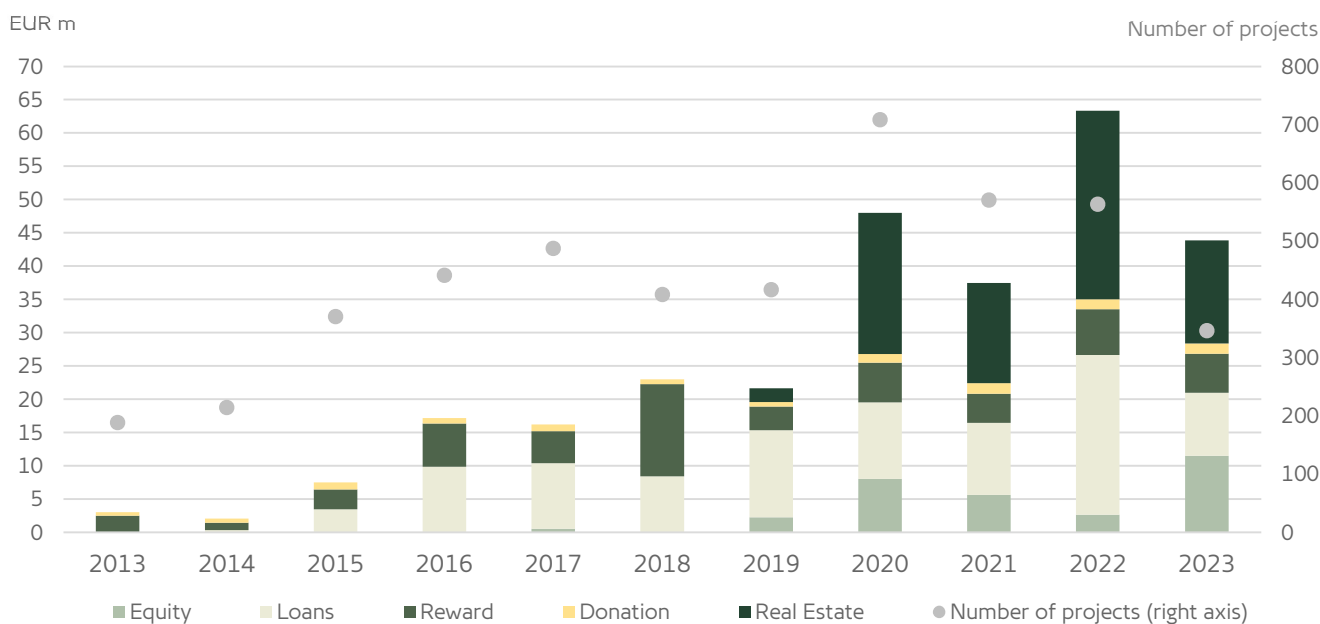
In 2023, however, the overall market saw a decline from the record high level of 2022, cf. Chart 2.3. Total activity dropped to EUR 43.9 million across 347 projects, down 31 percent from 2022 in volume and 38 percent in number of funded crowdfunding projects. The downturn in 2023 was mainly driven by declining activity in loan and real-estate crowdfunding, while there was an increase in the amount of capital raised through equity crowdfunding.

In November 2021, new EU regulations came into effect, introducing a series of requirements for crowdfunding platforms. One of the requirements was to obtain approval from national regulators to facilitate new loans. In Denmark, a two-year transition period was granted so that companies could adjust their operations and seek approval from the Danish Financial Supervisory Authority (Finanstilsynet). Since November 2023, companies have only been able to facilitate new loans if they have obtained approval, which may have impacted the loan-crowdfunding activity towards the end of 2023.

A recent political agreement, as part of the Danish Entrepreneurial Act, aims to remove existing restrictions on private limited companies (ApS) from selling ownership stakes to the Danish public. This change may encourage more entrepreneurs to seek growth capital via equity crowdfunding, potentially stimulating the Danish crowdfunding activity in the years to come.

Chart 2.3

#### Danish crowdfunding activity 2013-2023



Source: EIFO, Dansk crowdfunding – tendenser fra 2023.  
 Note: Loans related "Real Estate" were first included in 2019, with a single platform contributing data to this category. Since 2020, the number of platforms within "Real Estate" has increased by 2-3, which explains the significant rise from 2019 to 2020.

### Danish Business Angels navigate a shifting investment landscape amidst changing market conditions

A Business Angel (BA) is a private individual who invests directly in unlisted companies in their early stages, thereby becoming a co-owner of the business. These investments benefit young startups not only by providing capital for the company's growth journey, but also by offering access to business experience, as Business Angels typically have a history as founders themselves and have active involvement in the company.

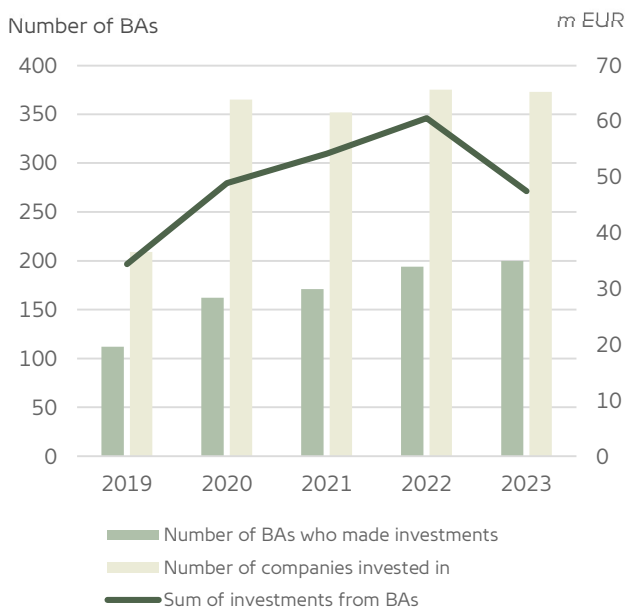
In a recent analysis of the Danish Business Angel landscape, EIFO has estimated that approximately 2,300 Business Angels have invested in Danish companies between the years of 2019 and 2023. This group of Business Angels have invested in more than 4,700 companies over the past 15 years, collectively employing nearly 60,000 people.

DanBAN, or Danish Business Angels Network, is a network of private investors in Denmark. According to DanBAN's annual members survey for 2023, 200 of its members made new investments that year, corresponding to 65 percent of the member base, cf. Chart 2.4. The active investors collectively allocated nearly EUR 48 million to 373 startups, which was, however, a reduction in the invested capital of 22 percent compared to 2022, while the number of startups that received funds stayed at roughly the same level. As a result, the average investment per company fell to EUR 100 thousand, a reduction of 38 percent compared to 2022, while the average investment per active BA fell to EUR 200 thousand, corresponding to a 35-percent decrease year-on-year, cf. Chart 2.5.

The downturn in investment activity from DanBAN investors in 2023 can be attributed to several factors. As interest rates have risen in 2022-23, investors were able to obtain a risk-free return on capital placed in banks, and it became more feasible for investors to seek other low-risk investment alternatives such as government bonds, in effect shifting their capital away from high-risk investments in Danish startups.

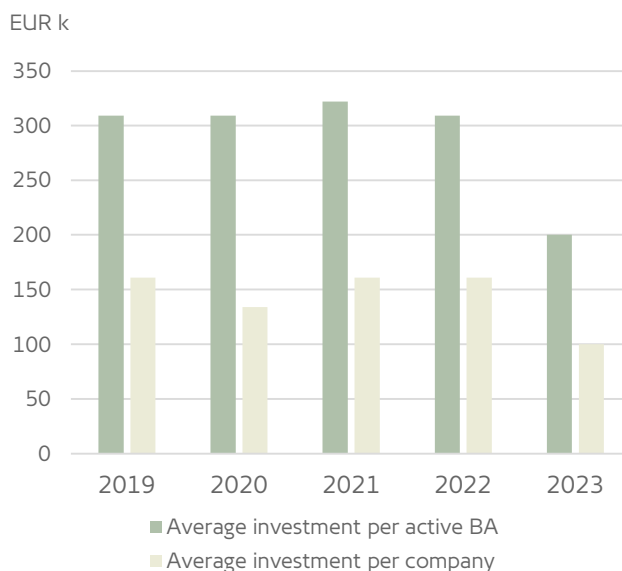
Additionally, Danish startups were slow to adjust their valuations to the new market conditions, creating a gap between founder and investor expectations. This mismatch, combined with increased investor caution due to economic uncertainty, made it harder to reach agreeable terms, further contributing to the decline in investment activity.

Chart 2.4  
Investment activity by DanBAN members 2019-2023



Source: DanBAN Annual Member Survey 2023.

Chart 2.5  
Average investment size by DanBAN members 2019-2023



Source: DanBAN Annual Member Survey 2023.

## Box I

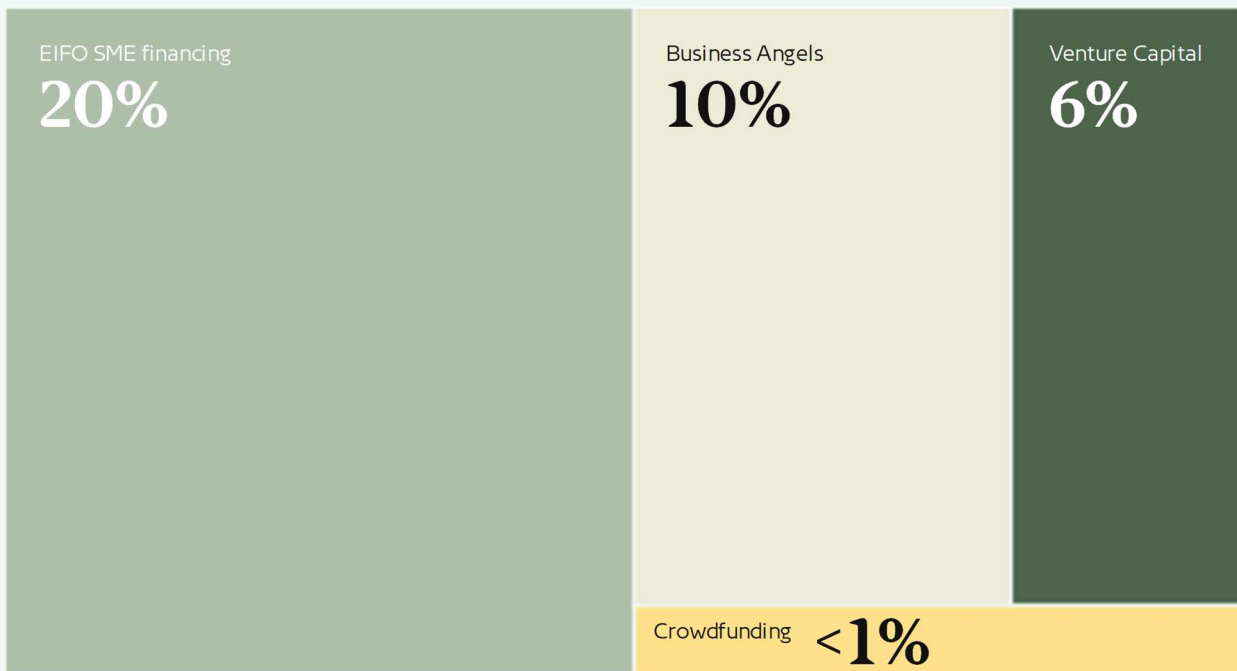
### Pathway to early Early-stage capital for startups and SMEs backed by Innovation Fund Denmark

For many Danish businesses, the financing journey starts with a grant from Innovation Fund Denmark (IFD). As the business case evolves, some of these companies will subsequently be able to secure additional risk capital from various private and/or public sources. In this box, we take a closer look at this financing trajectory.

Between 2018 to 2023, nearly 3,000 startups and SMEs were awarded a grant from IFD under their Innobooster, Industrial Researcher and Grand Solutions programs. More than 1/4 of these companies have later secured additional risk capital via one or multiple of the sources of hard capital listed below.

Chart 2.6

#### Share of companies funded by IFD between 2018-2023 that have subsequently raised additional risk capital



Source: Innovation Fund Denmark and EIFO (Business Angels i Danmark – status 2023 & Dansk crowdfunding – tendenser fra 2023).

Note: Due to a limited data on crowdfunding recipients, the share of companies that raised additional capital via crowdfunding may be higher than illustrated.

Cf. Chart 2.6, 20 percent of the IFD-backed companies have progressed to raising additional early-stage capital from EIFO – either through loans, guarantees, equity and/or venture debt. In addition, 10 percent of the IFD-backed companies later received an equity investment from a Business Angel, while 6 percent raised venture capital from a VC-fund. Finally, less than 1 percent of the companies raised capital through crowdfunding.

The IFD grants issued in the period were primarily centered around startups and SMEs operating in the industries: ICT, Manufacturing, Wholesale and retail trade, and Professional, scientific and technical activities. Notably, companies within the ICT industry were particularly successful in subsequently attracting funding via one or more of the four sources of hard capital.

# 03

## Venture capital

Venture capital is often a good fit for SMEs with a high growth potential and a scalable business model. SMEs that are eligible for venture capital investments have often already raised some kind of early financing, including grants, business angel investments, etc., and are beginning to generate revenue.

Venture investments are primarily made through venture funds, which include both traditional independent venture capital funds and corporate venture capital (CVC) funds. These funds can either be sector-agnostic generalists or highly specialized, focusing on specific sectors like Life Sciences, Quantum technologies, or SaaS.

Venture investments are categorized by both their size and the maturity of the receiving company. The stages include pre-seed, seed, early-stage, late-stage, and growth. Investments in the earliest stages from pre-seed to seed are typically targeting small startups and they often entail significantly higher risk and have a longer time-horizon than investments within late-stage and growth, where companies are larger and well established.

Venture capital can be particularly attractive for growth companies, as investors often bring not only capital but also valuable expertise and skills, which can significantly benefit the company's management and strategy.

EIFO's activities in the venture market encompass investments across all stages, from pre-seed through growth. These activities include both indirect investments as a limited partner in established venture funds and direct venture investments.

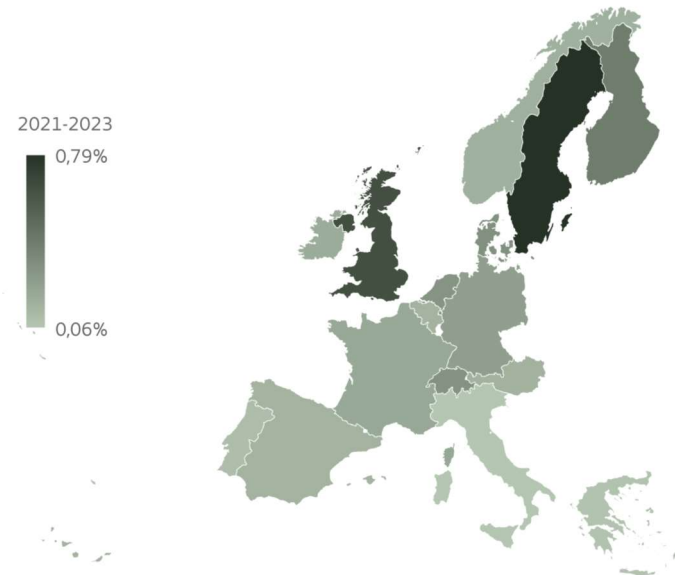


## The Danish venture capital market is the fourth largest in Europe relative to GDP

The global venture capital market has seen a decline in investment activity since the record highs of 2021. In 2023, global venture investments totaled approximately EUR 326 billion – 35 percent lower than in 2022. The United States led the market, accounting for 49 percent of the total invested capital, followed by Asia with 29 percent, Europe with 19 percent, and the rest of the world with 4 percent. Global investment activity, measured by the number of venture capital investments, dropped by 27 percent from 2022 to 2023, while in Europe, the decline was even steeper at 30 percent. Despite these global downturns, the Danish venture capital market defied the trend in 2023. Venture capital allocated to Danish companies increased by 24 percent from 2022 to 2023, accompanied by a 9 percent rise in the number of transactions.

Chart 3.1

### Venture capital investments relative to GDP by country, 2021-23



Source: PitchBook, OECDstat.

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Venture capital investments in Denmark amounted to EUR 3.6 billion from 2021 to 2023, corresponding to 0.32 percent of Danish GDP, making Denmark the fourth largest venture capital market in Europe measured relative to GDP, only surpassed by Sweden with 0.76 percent, the UK with 0.64 percent, and Finland with 0.41 percent, cf. Chart 3.1.



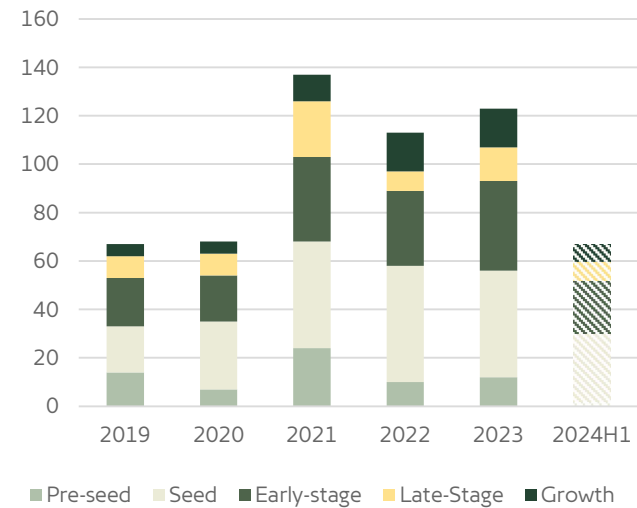
### The positive momentum on the Danish venture capital market in 2023 continued into 2024, signaling rising investor confidence

After a decline in venture market activity in 2022, the number of venture investments in Denmark increased by 9 percent in 2023, cf. Chart 3.2. This growth was driven primarily by early-stage and late-stage venture investments, while activity in the pre-seed, seed, and growth stages remained largely unchanged. This development suggests that investors were increasingly focusing on more mature companies and investments with shorter time horizons. With the rise in the number of transactions, 2023 settled just shy of the record year 2021 with a total of 123 investments.

Chart 3.2

#### Venture capital investments in Danish companies by venture stage

Number of investments



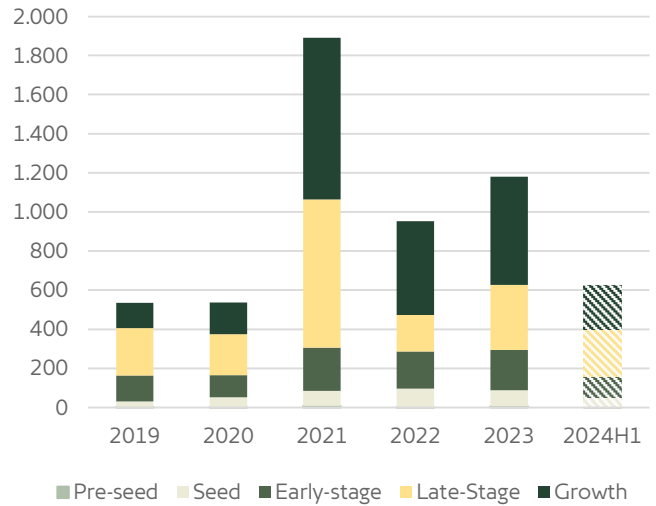
Source: EIFO.

In 2023, the total venture capital invested in Denmark reached EUR 1.2 billion, marking a 24 percent increase compared to 2022, cf. Chart 3.3. This growth was primarily driven by investments in the late-stage and growth segments, while capital allocated to pre-seed, seed, and early-stage ventures remained largely unchanged since 2021. Despite this substantial increase, total invested venture capital was still 38 percent below the levels of 2021.

Chart 3.3

#### Venture capital invested in Danish companies by venture stage

EUR m



Source: EIFO.

The overall market activity in the first half of 2024 suggests a positive trend for the year – if the level of activity persists throughout the second half of the year, the total number of investments and the amount of venture capital allocated to Danish startups and scaleups are expected to surpass 2023 levels, signaling an increased investor confidence.

Although the number of pre-seed investments declined in the first half of 2024, there was an overall increase in the share of investments in the earliest venture stages – pre-seed, seed, and early-stage – compared to 2023. This shift also contributed to a slight decrease in the average investment size in the first half of 2024. Since investments in these earlier stages typically carry more risk and have longer time horizons, these developments could also signal a rise in investor confidence and an increased risk appetite among investors on the Danish venture capital market.



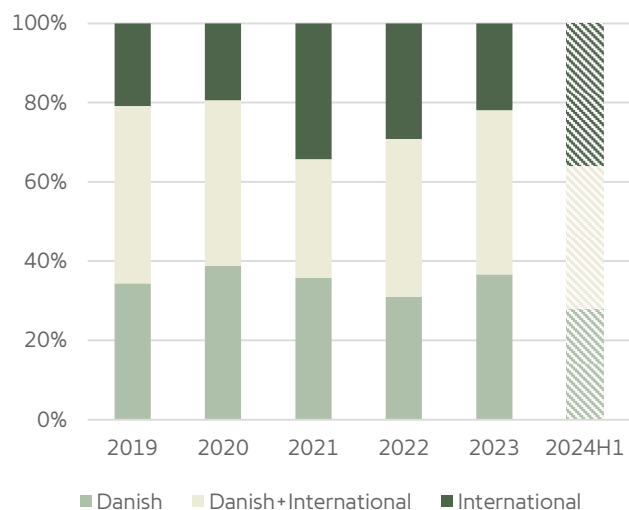
*The Danish venture capital market grew by 24 percent in 2023, with investments in Danish startups and SMEs totaling EUR 1.2 billion. The investment activity in the first half of 2024 suggests a positive trend for the year.*

### Increased presence of international investors on the Danish venture capital market in the first half of 2024 – could signal growth potential for large investment rounds going forward

Most venture capital investments are conducted through syndicates of investors, where multiple venture funds collaborate to finance a company. While smaller investment rounds, especially in early venture stages, may involve a single investor, larger rounds typically attract multiple investors. Larger investment rounds often draw capital from international investors, who typically have greater disposable capital for venture investments compared to most Danish venture investors.

Chart 3.4

#### Share of investment rounds by Danish, International and mixed investor syndicates



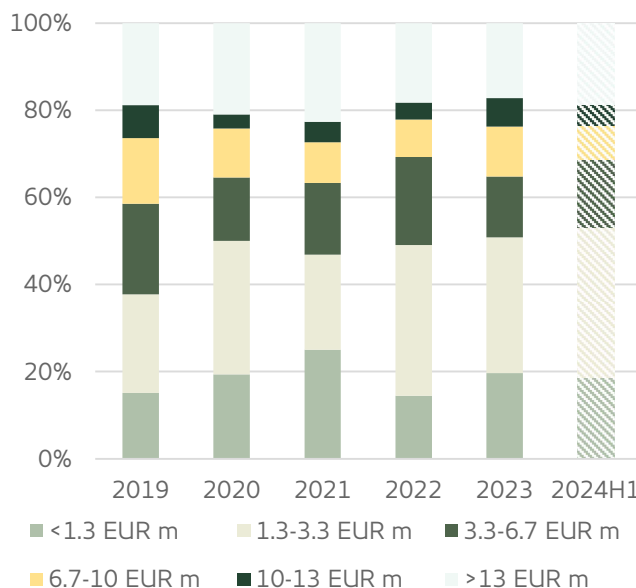
Source: EIFO.

From 2021 to 2023, the share of investments involving exclusively foreign investors declined, cf. Chart 3.4. This reflects the fact that the years 2022 and 2023 were marked by global geopolitical turmoil, disruptions in global value chains, rising interest rates, and elevated uncertainty, prompting investors to retreat from foreign markets and focus on domestic opportunities. However, this trend shifted in the first half of 2024, with the share of international investors increasing to a record high of 36 percent. This renewed interest from international investors could be linked to the strong Danish market performance in 2023. Additionally, improved macroeconomic conditions may have contributed to an improved investment environment, with international investors being keener to pursue investment opportunities in foreign markets

During the same period, from 2021 to 2023, the share of large venture investments – above EUR 13 million – declined from 23 percent to 17 percent, cf. Chart 3.5. This reduction in large funding rounds correlates with the decreased participation of international investors. However, as international investor activity picked up in the first half of 2024, the share of large investments also saw a slight increase, rising to 19 percent of total investments.

Chart 3.5

#### Number of venture investments in Danish companies by investment size



Source: EIFO.

These developments suggest that the renewed presence of international investors in the Danish market could positively impact Danish companies' ability to secure venture capital going forward, particularly in the later venture stages where funding needs are typically more substantial.



*Geopolitical instability in 2022-23 led venture capital funds to increasingly focus on investment opportunities in domestic markets. However, in Denmark, the trend has somewhat reversed in the first half of 2024, which could signal growth potential for large investment rounds going forward.*

### Danish Life Science and Fintech companies attracted most venture capital funding, while SaaS and Cleantech saw high volumes of early-stage rounds

The Life Science sector, which includes both Biotech, Medtech, and Healthtech, along with the Fintech industry, have continued to dominate the Danish venture capital market in terms of total capital invested since the beginning of 2023, cf. Chart 3.6.

A few large investment rounds in the Life Science industry, among others Hemab who raised EUR 125 million, NMD Pharma who raised EUR 75 million, and Corti who raised EUR 55 million, greatly contributed to securing Biotech as the largest vertical in the Danish market during the last year and a half, with total investments of approximately EUR 556 million across 29 investment rounds.

In the first half of 2024, Fintech emerged as the largest industry in the Danish market, raising roughly EUR 267 million across 15 investment rounds, accounting for more than 40 percent of the total invested capital. This strong performance was driven largely by significant rounds from companies such as Ageras, Flatpay, Lunar, and Anyday, raising EUR 213 million in total.

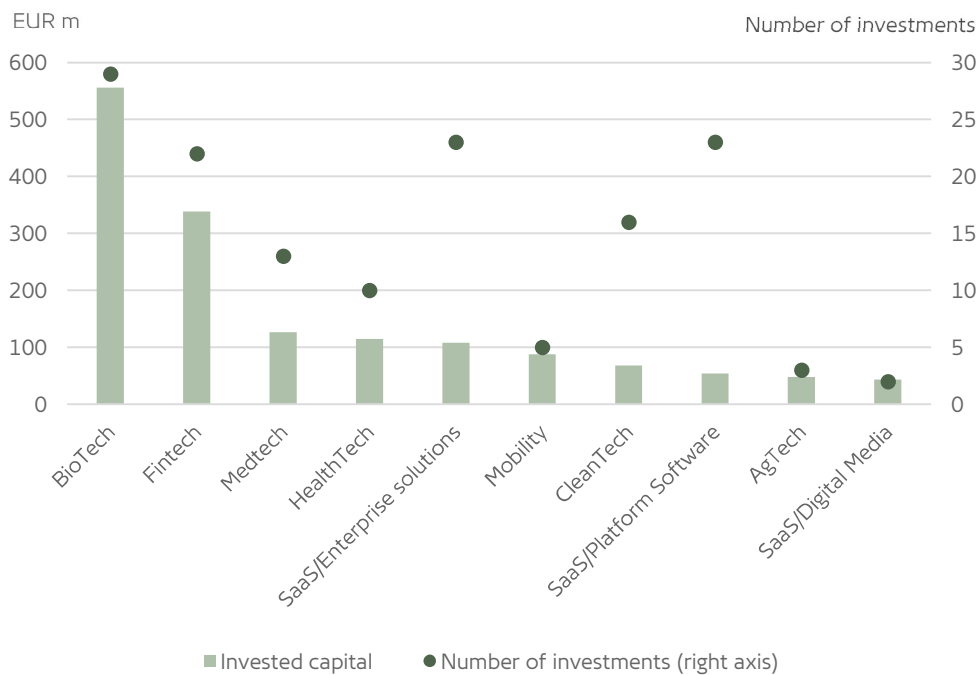
The SaaS verticals, including Enterprise Solutions and Platform Software, as well as the Cleantech sector also accounted for a notable number of investment rounds during the last year and a half. However, the total capital raised in these sectors remained relatively low, as most rounds were conducted at the earliest venture stages or as bridge rounds.



*Venture capital investments in the Danish Life Science industry totaled just shy of EUR 800 million during 2023 and the first half of 2024.*

Chart 3.6

#### Venture investments by top 10 verticals, 2023-2024H1



The Life Science industry consists of three main sectors: Biotech, Healthtech, and Medtech. Biotech involves using biological processes to develop products and technologies. Healthtech focuses on technology that enhances healthcare services. Medtech is dedicated to developing medical devices for diagnosis and treatment. The Fintech industry centers on technology-driven innovations that improve financial services.

Source: EIFO.

### Steady growth in green venture investments since 2019 – 2024 on track for record levels

The Danish market for green venture capital investments has shown consistent growth since 2019, both in the number of investment rounds and the capital invested in green startups and SMEs.

Despite a slight decline in volume in 2023, where total venture capital allocated to green businesses dropped by 19 percent from the 2022 level, the overall trend remained positive, with a 26 percent increase in the number of investments from 2022 to 2023, cf. Chart 3.7.

This positive momentum carried into the first half of 2024, where the amount of venture capital allocated to green businesses had already reached 80 percent of the 2023 level, and the number of investment rounds was at 60 percent of last year’s total. If this momentum is sustained throughout the second half of the year, 2024 is set to close at a record high level.

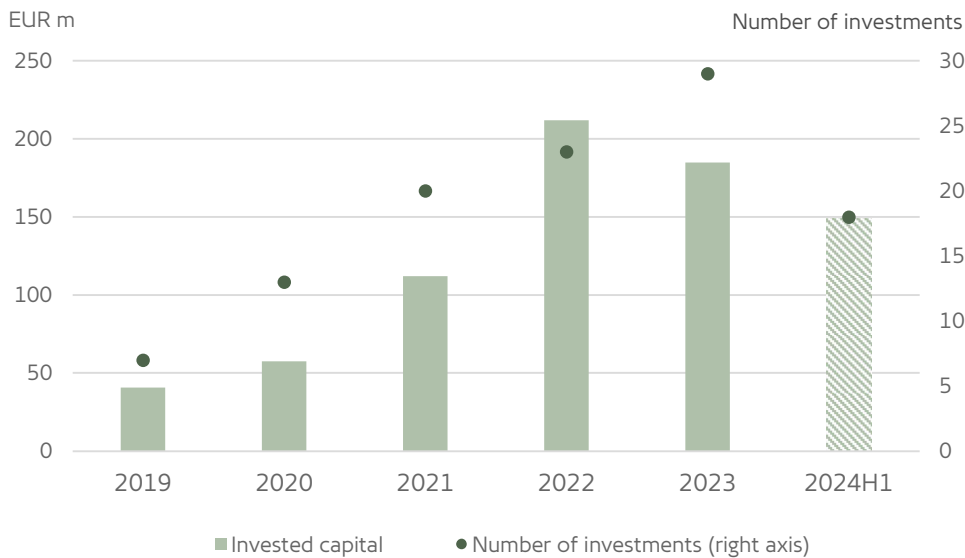
These developments highlight the increasing importance of green investments to venture capital investors, who are keen on adding green assets to their portfolios, suggesting that companies with green business models may be at an advantage for attracting venture capital in the current market.



*Green venture investments have steadily increased since 2019, with 2024 on track for record levels, signaling that startups with green business models may be at an advantage for attracting venture capital in the current market.*

Chart 3.7

#### Green venture investments in Danish companies



Green venture investments include both direct and indirect green companies. Direct green companies provide products or services that have an immediate positive impact on the environment. Indirect green companies offer products or services that enable other businesses to reduce their environmental footprint.

Source: EIFO.



# 04

## Buyout capital

Buyout capital refers to the funds used by private equity firms to carry out buyout investments, or buyouts, which generally involves the acquisition of a majority or controlling stake in target companies. As with venture capital, the goal is to improve the company's performance and profitability over the investment horizon, eventually selling the company at a higher value. Buyout targets are typically more mature companies that are profitable and have debt capacity, and therefore buyout investments typically do not entail product risk, as opposed to venture capital.

When building portfolios of buyout investments, private equity firms primarily raise capital from institutional investors, which is used in combination with bank debt to acquire target companies in often leveraged transactions. The investment horizon generally spans 3 to 7 years, culminating in an exit, usually through sale to another private equity firm or an IPO. Private equity firms receive fees for managing investments, while the investors realize potential returns on investment at the time of exit.

Buyouts play a central role in the Danish entrepreneurial and SME ecosystem, providing an exit strategy for earlier investors looking to sell their portfolio companies. Investments are typically targeted at medium-sized and larger unlisted SMEs that are well-established and have significant growth potential. Private equity firms often collaborate closely with existing owners and management, bringing in know-how and industry expertise from prior investments. In addition to the replacement capital injected at the time of the takeover, private equity firms often inject growth capital, enabling successful businesses to reach their full growth potential through focused active ownership.

Moreover, private equity firms usually have access to more favorable loan financing from banks and can offer guarantees for its portfolio companies' credit lines. This may improve access to loans and other banking products that might otherwise be challenging for the companies to obtain – hence broadening the palette of financing possibilities.

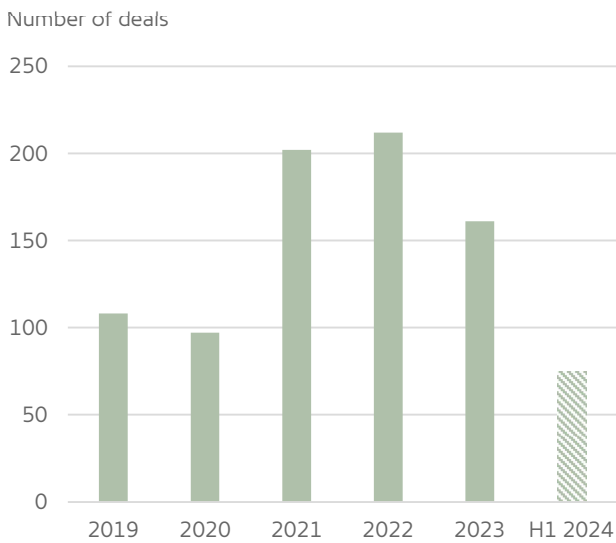
Finally, through so called buy and build strategies, private equity firms can enhance its portfolio companies' capabilities, market reach, or product lines through add-on investments, where the investor acquires additional companies in order to integrate them into existing portfolio companies, referred to as platform investments, ultimately enhancing its value.

### Decline in buyout deal activity amid rising interest rates and market adjustments

Over the past one and a half years, buyout deal activity in Denmark has declined from the record highs of 2021 and 2022, cf. Chart 4.1. Year-on-year, activity fell by 24 percent from 2022 to 2023, and with 75 completed buyout transactions in the first half of 2024, the investment level is on track to finish just below that of 2023, assuming the same rate of activity continues in the second half of 2024.<sup>1</sup>

Chart 4.1

#### Buyout investments in Danish companies



Source: PitchBook.

The trend in Danish deal activity aligns with the broader European and American markets, where year-on-year activity levels decreased by 10 percent and 18 percent, respectively, from 2022 to 2023.

The wider decline in buyout deal activity should be viewed in connection with the steep increase in interest rate levels across the Euro Area and the United States in 2022 and the first half of 2023, which significantly increased the cost of debt financing. This may have limited the ability for private equity firms to leverage transactions, effectively putting negative pressure on market valuations – potentially leading funds to postpone large investments and exits, ultimately causing an overall decline in market activity, especially for larger transactions.

This development is reflected in a 40 percent decline in the number of exits from 2022 to 2023, and a continued low level in the first half of 2024, cf. Chart 4.2. Furthermore, the share of buyout transactions undertaken as add-on investments has been increasing in recent years and reached a record high level of 66 percent in 2023, with add-ons typically being smaller transactions that require less capital, cf. Chart 4.3. This increase in add-on

investments may further indicate a growing focus among private equity firms on scaling existing platform investments as opposed to building new portfolios.

Chart 4.2

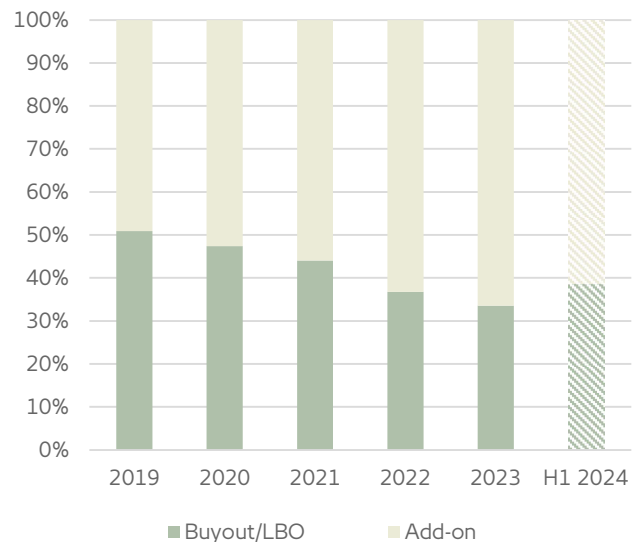
#### Private equity-backed exits of Danish companies



Source: PitchBook.

Chart 4.3

#### Share of buyout investments in Danish companies by investment type



Source: PitchBook.

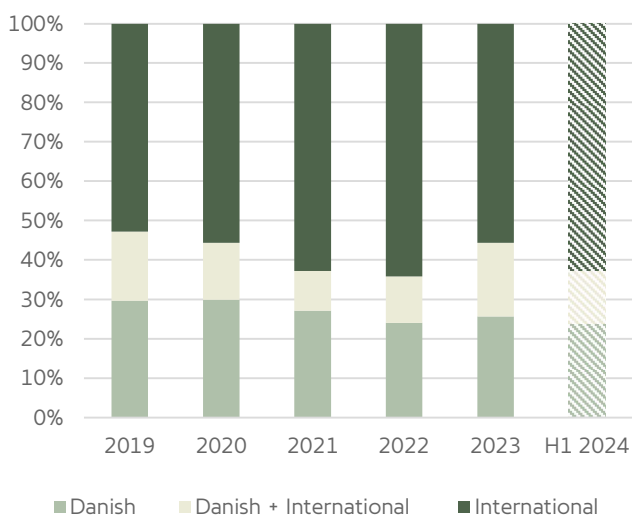
<sup>1</sup> As opposed to venture capital deals, deal sizes in buyout transactions are typically not disclosed. For this reason, the statistics presented in the following sections are solely based on the number of completed buyout deals.

### Danish scaleups have become increasingly dependent on buyout capital from foreign investors in recent years

From 2019 to 2022, the share of Danish buyout investments completed solely by foreign investors steadily increased, reaching a record high of 64 percent in 2022, cf. Chart 4.4. Consequently, the share of investments by Danish investors, whether acting alone or in syndicates with foreign investors, decreased, signaling a growing reliance on international buyout capital within the Danish market.

Chart 4.4

#### Buyouts in Danish companies by share of investments from Danish investors, international investors, and syndicates of the two



Source: PitchBook.

However, in line with developments on the Danish venture capital market, this trend reversed in 2023, with the share of investments completed solely by foreign private equity firms decreasing by 8 percentage points from 2022 to 2023. This decline was likely linked to geopolitical instability, high interest rates, and general economic uncertainty, which prompted investors to focus more on their domestic markets and become more hesitant about initiating new buyouts in foreign markets.

In the first half of 2024, the trend reverted to the pattern seen before 2023, with the share of investments by foreign investors increasing to 63 percent, a rise of 7 percentage points, indicating that foreign investors have once again turned their attention to the Danish market for new buyouts. The developments in the first half of 2024 were, once again, in line with developments on the Danish venture capital market, with this resurgence suggesting a renewed confidence among international investors in the stability and potential of the Danish buyout and venture capital landscape.



*Buyout deal activity in Denmark has slowed over the past 18 months, reflecting a broader trend in Europe and the U.S. The decline was largely attributed to rising interest rates, which led to fewer large transactions and exits, as private equity firms increasingly focused on scaling existing portfolio companies through add-on investments. Additionally, Danish scaleups have increasingly relied on foreign buyout capital, with the share of investments by foreign investors rising in recent years.*



# 05

## Debt financing

Debt financing is a critical component at every growth stage of SMEs, serving either as a primary source of capital or as a supplement to equity investments, for example from Business Angels, venture capital funds or private equity firms. An optimal financing structure often consists of a combination of both debt and equity.

Debt financing can take various forms, with traditional bank loans being one of the most common. These loans typically require positive cash flows or other forms of security, making them suitable for startups and SMEs that have begun generating steady revenue. Recently, alternative forms of debt, such as crowdlending and venture debt, have become more accessible, enabling earlier-stage startups to secure financing earlier in their growth cycles.

As the demand for debt financing increases, credit standards tend to tighten, with heightened requirements for financial performance. Over the past two and a half years, credit institutions have consistently raised their credit standards, in effect making it more challenging for SMEs to obtain debt financing. This tightening of standards particularly impacts startups and smaller SMEs seeking growth capital, as they often lack the historical track record, cash flow, or solidity required by commercial lenders.

EIFO provides debt financing solutions to Danish SMEs across various industries and growth stages. Through loans and guarantees, EIFO helps companies access traditional bank financing that might otherwise be unavailable to them.



### Signs of easing in bank lending after period of negative credit growth and tightened credit standards

The growth in corporate lending volumes reached its peak in mid-2022, with a year-on-year increase of over 25 percent. However, lending growth has since slowed, dipping below zero in August 2023 before recovering slightly to reach zero growth in April and May of 2024, cf. Chart 5.1.

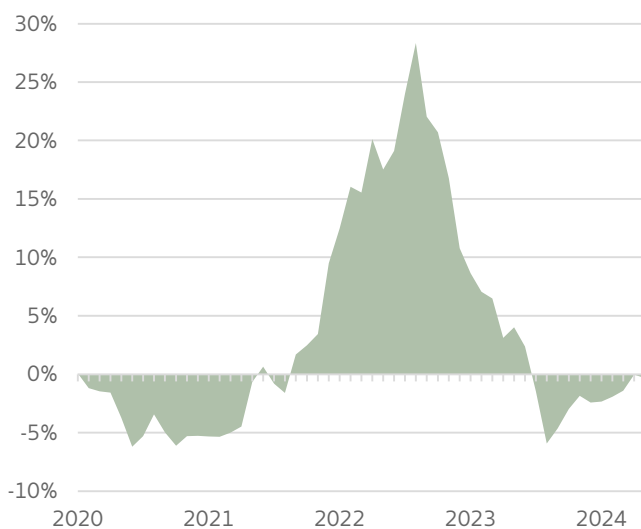
The decline in lending demand since mid-2022 can be attributed to several factors. Rising inflation put downward pressure on profitability, thereby reducing overall creditworthiness among borrowers. At the same time, increasing interest rates made debt financing more expensive, leading to higher default rates and causing the overall demand for debt financing to decline. Moreover, geopolitical instability caused companies to become more cautious, opting to delay or scale back new investments, which further suppressed the demand for debt financing. Finally, in response to heightened uncertainty and rising interest rates, credit institutions tightened their credit standards, further contributing to the slowdown in year-on-year lending growth.

The modest easing in lending since August 2023 probably reflects the declining inflation rates and gradual improvement in macroeconomic expectations throughout the first half of 2024. This growing confidence is underscored by the Danish credit institution's expectations that credit standards will remain unchanged during the third quarter of 2024, cf. Chart 5.2.



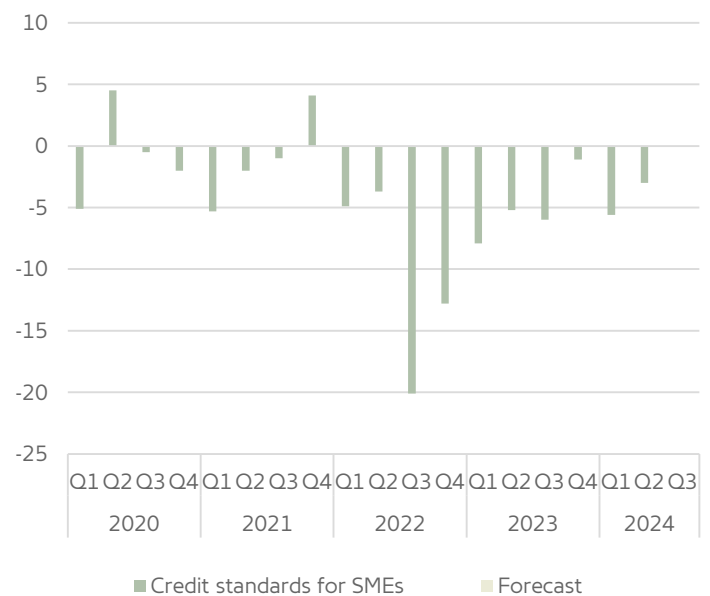
*Corporate lending growth in Denmark peaked in mid-2022 but has since slowed down significantly due to rising interest rates and tightened credit standards, which made it harder for SMEs to secure debt financing.*

Chart 5.1  
Year-on-year growth in corporate lending from Danish credit institutions



Source: Danmarks Nationalbank.  
Note: Year-on-year development in national loan issuance from credit institutions to Danish non-financial companies.

Chart 5.2  
Credit institutions' credit standards for SMEs

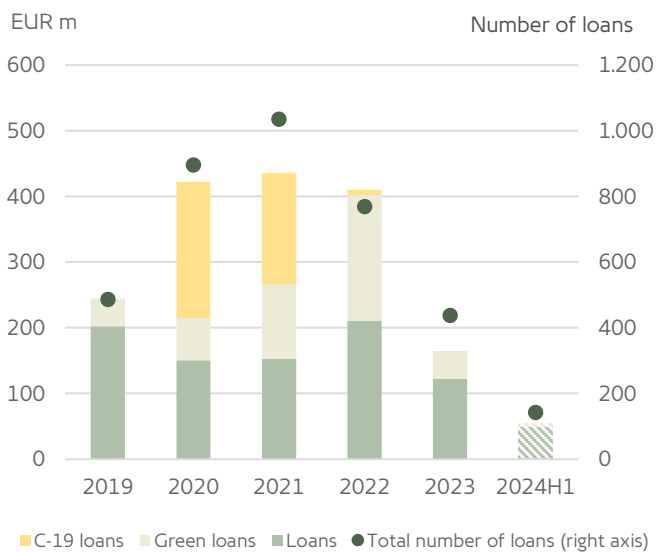


Source: Danmarks Nationalbank.  
Note: Negative (positive) values indicate a tightening (easing) of credit standards.

**In line with developments on the overall Danish corporate lending market, the demand for debt financing and guarantees from EIFO declined in 2023 and the first half of 2024**

The trends in EIFO's lending activity have closely mirrored the overall Danish corporate lending market. EIFO's total lending volume dropped by nearly 60 percent from 2022 to 2023, while the number of loans issued fell by 43 percent, cf. Chart 5.3.

Chart 5.3  
**EIFO's total lending volume by product type**

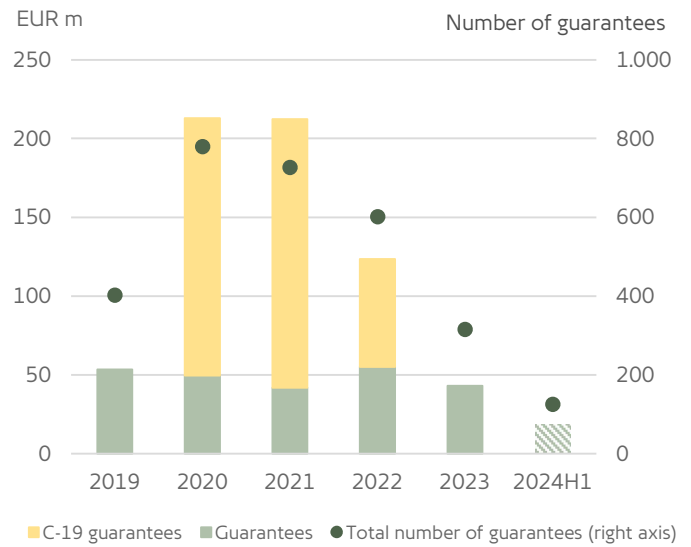


Source: EIFO.

The decline in EIFO's lending activity should be viewed in light of 2022 being characterized by an exceptional high lending activity from EIFO (disregarding the COVID-19 pandemic related lending), but structural changes may also be in place. The heightened activity level in 2022 may have been attributed to Danish credit institutions tightening their credit standards for SMEs, which restricted the access to conventional bank loans, and lead to a heightened demand for debt financing from EIFO. Additionally, interest rates were relatively low during the first half of 2022, keeping financial costs down compared to the following year and a half.

There was a notable increase in EIFO's issuance of green loans in 2022, comprising nearly half of the total lending volume that year. However, since then, green lending has decreased both measured by volume and number of issued loans, accounting for only 10 percent of total volume in the first half of 2024. As interest rates and financial costs have risen, companies may have postponed or canceled costly green investments, opting instead to secure general-purpose financing to maintain operations. Additionally, the sharp increase in energy prices toward the end of 2021 and into 2022 likely drove higher demand for green loans to finance energy transition projects - with energy prices stabilizing towards the end of 2022, companies may have decided to delay these investments.

Chart 5.4  
**EIFO's total SME guarantee volume**



Source: EIFO.

With the introduction of a political aid scheme designed to support Danish SMEs through lockdown-related income and revenue losses, there was a surge in the total volume and number of guarantees issued by EIFO in 2020, cf. Chart 5.4. However, EIFO's normal guarantee volume remained relatively stable at around EUR 50 million in the years between 2019 to 2022.

Over the past year and a half there has been a slight decrease in the demand for SME guarantees from EIFO, with 2023 ending at EUR 43 million across 316 issuances, corresponding to a 20 percent decline in volume of guarantees from the 2022 level when excluding C-19 guarantees. The trend continued into the first half of 2024, with a total volume of EUR 19 million across 126 guarantees issued, corresponding to 45 percent of the guaranteed volume and 40 percent of the number of issuances in 2023. As the demand for EIFO's guarantees is highly dependent on the overall demand for corporate lending, this decrease in activity is to a large extent influenced by rising interest rates and higher financial costs lowering the general demand for debt financing among Danish SMEs.



*EIFO's loan volumes decreased in 2023, mirroring trends in the broader corporate lending market. At the same time, the slowed demand for corporate lending effectively led to a decline in the volume of SME guarantees from EIFO. These trends have continued in the first half of 2024.*

# 06

## Export financing

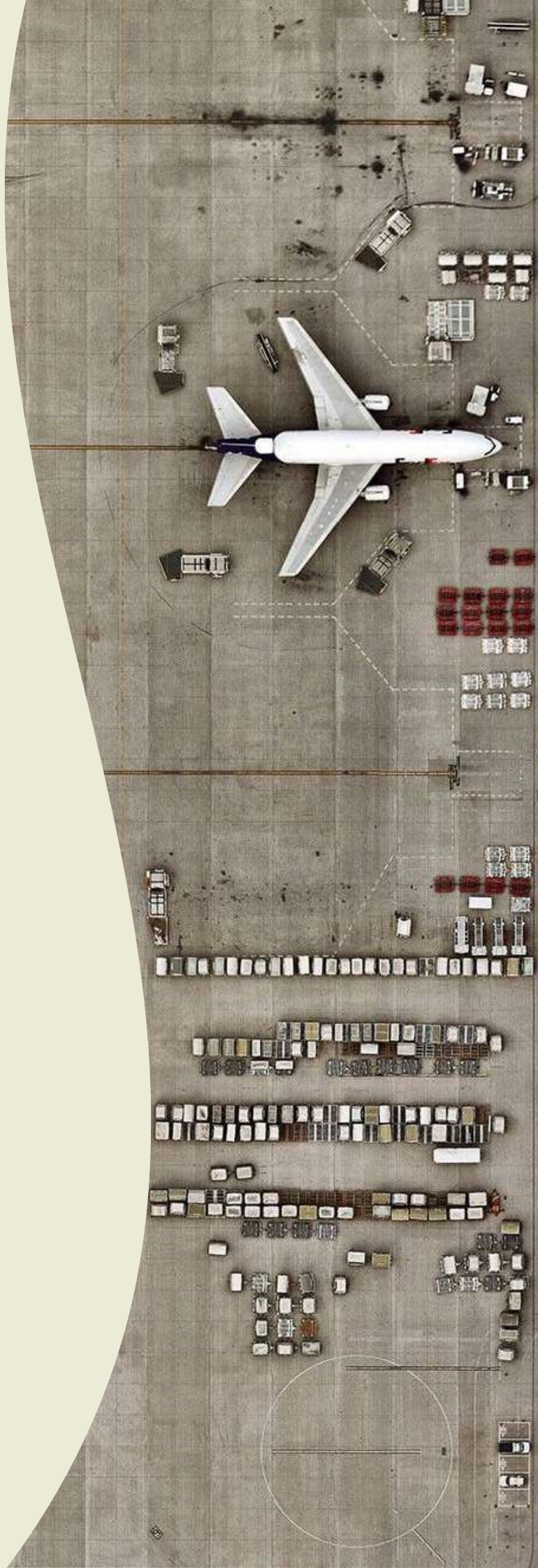
Danish companies export goods and services for approximately EUR 150 billion yearly, with medicine, shipping and food being the dominating categories, and USA, Germany, and Sweden as the largest export markets. Total Danish exports are attributable to only 6 percent of Danish companies, most of those being large enterprises.

Export credit agencies play an important part for exports in many nations as they facilitate and promote international exports by its domestic companies by means of various financial solutions and services, both for domestic exporters and foreign buyers.

EIFO offers several different export financing solutions either for Danish companies with export activities, or for Danish companies' foreign customers, all of which aim to secure export orders for Danish companies, thereby providing a competitive advantage compared to foreign competitors.

EIFO's product offerings consist of four main products: guarantees, buyer financing, reinsurance, and letters of credit. Danish SMEs use EIFO's export guarantees to secure liquidity from banks for various export-related purposes, for example for financing new facility investments to ramp up production capacities, or to ensure sufficient capital to deliver on specific export contracts. Buyer financing is used to secure liquidity for the Danish exporters' foreign off-takers, ensuring that they have sufficient liquidity to enter the contract. The insurance products protect the exporter from various types of risks including failure to deliver on contracts, customers failing to pay on time, and various losses caused by political instability and regulation on foreign markets. Credit letters are essentially an insurance product for the foreign buyer and cover the payment for the Danish exporter in the event that the buyer can't pay the contract themselves.

Export and international scaling beyond Danish borders can be essential for Danish SMEs' continued growth and development. EIFO is committed to supporting Danish SMEs currently exporting to foreign markets, as well as supporting SMEs with a potential for international scaling and export. In addition to providing access to export financing, EIFO's value proposition also includes export-related advisory and networking – both nationally and internationally.



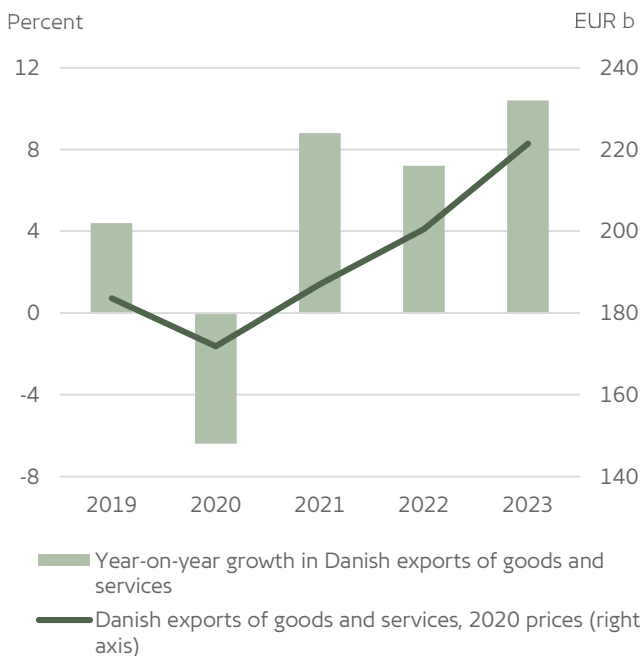
### Danish exports increased by more than 10 percent in 2023 – the highest growth rate since year 2000

Denmark is a small open economy with a high dependency on international trade. Most of Denmark’s exports are exported to USA and our neighboring markets in Germany and Sweden.

World trade in 2020 was severely affected by the COVID-19 pandemic, which caused a decrease in Danish exports of more than 6 percent, cf. Chart 6.1 Since then, Danish exports have increased markedly, with growth rates of 8.8 percent and 7.2 percent in 2021 and 2022 respectively, and 2023 witnessed an export growth of 10.4 percent – a record high since the year 2000.

Chart 6.1

#### Danish export of goods and services



Source: Statistics Denmark.

The development has especially been related to exports of services and goods produced by large enterprises within the pharmaceutical sector such as Novo Nordisk. Most other exporting sectors in Denmark experienced an easing of demand on the export markets, mainly driven by weakened purchasing power and the high interest rates. This was particularly pronounced for the remaining industrial sectors, but it has been a barrier to SME’s entrance on export markets in general.

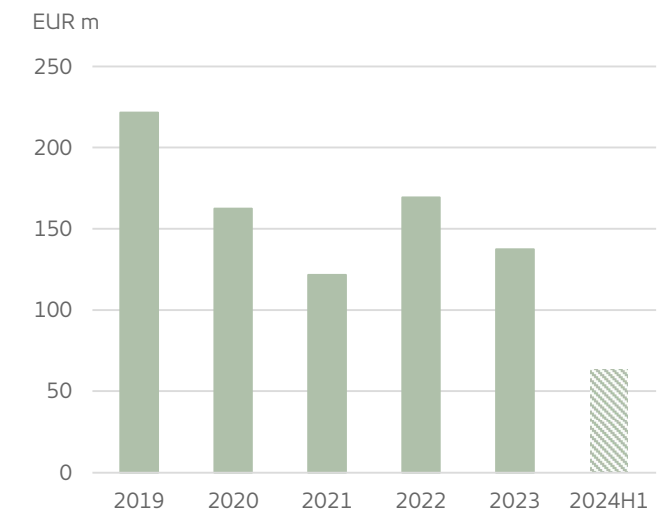
### Demand for EIFO’s export financing to SMEs eased in 2023

In 2023, EIFO’s export financing for Danish SMEs amounted to EUR 137 million, corresponding to a decrease in the financing demand of 19 percent compared to 2022, cf. Chart 6.2. The easing of demand continued into the first half of 2024.

The majority of EIFO’s export financing to SME’s goes to companies within industrial sectors affected by weak export demand, which is part of the reason for the decrease in overall activity.

Chart 6.2

#### EIFO’s export financing for Danish SMEs



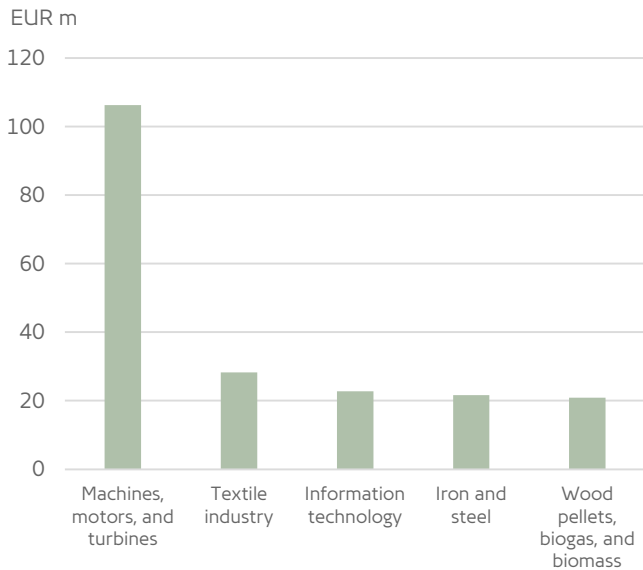
Source: EIFO.

The machines, motors, and turbines sector has by far received the largest amount of export financing from EIFO to SMEs during the period from 2021 to the first half of 2024, cf. Chart 6.3. This sector includes suppliers for the onshore and offshore wind sector as well as robotics and agricultural machines among others.



*Despite significant growth in Danish exports, which was mainly driven by a few large pharmaceutical enterprises such as Novo Nordisk, most exporting sectors experienced an easing of demand. In effect, the demand for EIFO’s export financing for SMEs decreased slightly in 2023, with this trend continuing into the first half of 2024.*

Chart 6.3

**EIFO's export financing to Danish SMEs across top 5 sectors, 2021-2024H1**

Source: EIFO.

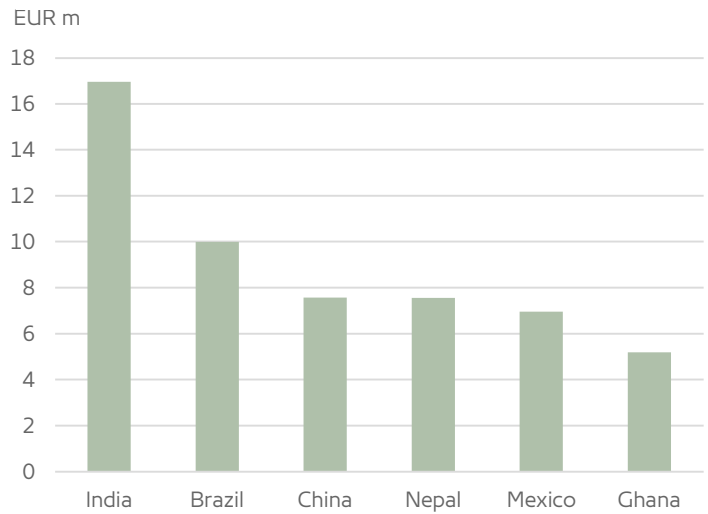
Onshore and offshore wind is one of the largest exporting sectors in Denmark, which is part of the reason that machines, motors, and turbines receive such a large proportion of EIFO's total export financing for SMEs.

**India, Brazil, and China constitute the largest export markets for EIFO's customers**

During the period from 2021 to the first half of 2024, Danish SMEs have used export financing from EIFO in export of goods and services to 47 different countries on 6 continents. The largest markets by monetary value of EIFO's financing are India, Brazil, China, and Nepal, cf. Chart 6.4.

Given that EIFO's export financing, besides providing liquidity, allows Danish SMEs to mitigate various risks involved with trading with international buyers, the figures above to some extent reflect on which markets Danish exporters had the largest need for mitigating risk or sharing the risk with EIFO in the given period.

Chart 6.4

**Export markets for EIFO's SME export financing, 2021-2024H1**

Source: EIFO.  
Note: Excluding countries within the Danish Commonwealth.



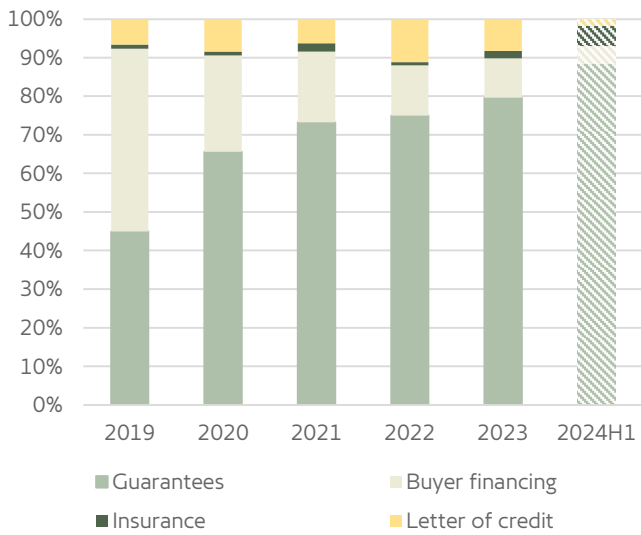
*Danish companies in the Machines, motors, and turbines sector, particularly those supplying the wind industry, have historically shown the highest demand for export financing from EIFO.*

### Export guarantees account for almost 80 percent of EIFO's total export financing

Guarantees and buyer financing have accounted for the majority of EIFO's export financing for SMEs during the period from 2019 to 2023, cf. Chart 6.5. In 2023, export guarantees - which are used for financing Danish exporters - accounted for EUR 109 million corresponding to 80 percent of EIFO's total export financing for SMEs. During the first half of 2024, the share of export guarantees increased even further to almost 90 percent of EIFO's export financing during the period.

Chart 6.5

#### Proportional share of EIFO's export financing for Danish SMEs by product type



Source: EIFO.



# 06

## Initial Public Offering

An Initial Public Offering (IPO) is the process through which a private company offers shares to the public for the first time, allowing it to raise capital from public investors. This marks the company's transition from a private entity to a publicly traded one, with its shares listed on a stock exchange.

An IPO serves as an exit opportunity for both venture capital and buyout funds, while also providing a channel for raising capital to support a company's further growth.

The Nasdaq stock exchange in Copenhagen includes both mature and established companies, traded on the Main Market (Large, Mid, and Small Cap), and smaller, often younger, growth companies, traded on First North. Companies on the Main Market are generally stable in both operation and potential, whereas companies on First North involve higher risk but offer the potential for greater returns.

Additionally, the Spotlight exchange offers an alternative to First North, featuring companies that are also characterized as relatively young growth ventures.



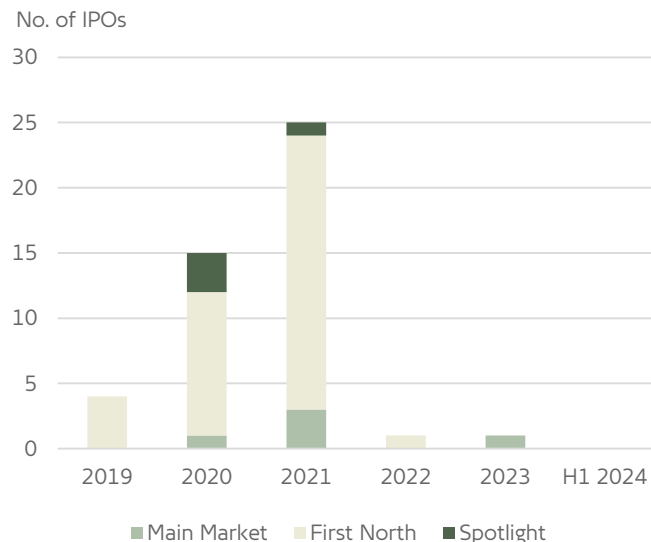
## Increased stock market volatility and changes in investor confidence played a central role in the slowdown in Danish IPO activity from the highs of 2021

The Danish market saw a steady increase in IPO activity from 2019 to 2021, with a record high of 25 IPOs in 2021, cf. Chart 7.1. At the same time, a growing share of the companies being listed were on the Danish growth market exchange First North, accounting for 84 percent of IPOs in 2021.

This trend broke in 2022, where the number of IPOs plunged to only one the First North exchange. The activity remained low in 2023, with one IPO being completed on the Main Market exchange. However, recently the Danish IPO activity has come to a complete halt, with no listings being completed during the first half of 2024.

Chart 7.1

### Number of Danish IPOs across stock exchanges



Source: Nasdaq OMX Nordic, Spotlight Stock Exchange, FBV.  
Note: Data for IPOs on Spotlight is based on currently listed companies.

The developments on the Danish stock market and changes in investor confidence play a central role in understanding the changes in IPO activity over the period. The stock market climate has significant influence on a company's appetite for initiating an IPO. During stock market upturns, companies are more inclined to go public because higher stock prices create a favorable environment for raising capital, ensuring they can secure more funds from investors. Additionally, strong market performance boosts investor confidence, making it easier to attract interest and achieve a successful IPO. Conversely, during downturns, market volatility and declining stock prices deter companies from initiating IPOs due to the increased risk of undervaluation and lower capital inflow, as investors tend to seek safer assets.

Chart 7.2

### OMX C25 Index 2019-2024H1



Source: Nasdaq OMX Nordic via Macrobond.

During the period of very low or negative interest rates, investors increasingly turned to the stock markets, which contributed to a rise in the Danish stock market index, OMXC25, of more than 60 percent from the beginning of 2020 to the peak in November 2021, cf. Chart 7.2. This created an attractive environment for IPOs in 2021 and is a central part of the explanations for the record high number of IPOs that year.

With the onset of the war in Ukraine, there was, however, a sharp downturn in the stock market at the end of 2021, prompting investors to seek safer assets. This resulted in a roughly 30 percent decline in stock prices from November 2021 to October 2022. Investor uncertainty and market volatility remained high during the rest of the year and continued into 2023, which contributed to a larger number of companies refraining from going public.

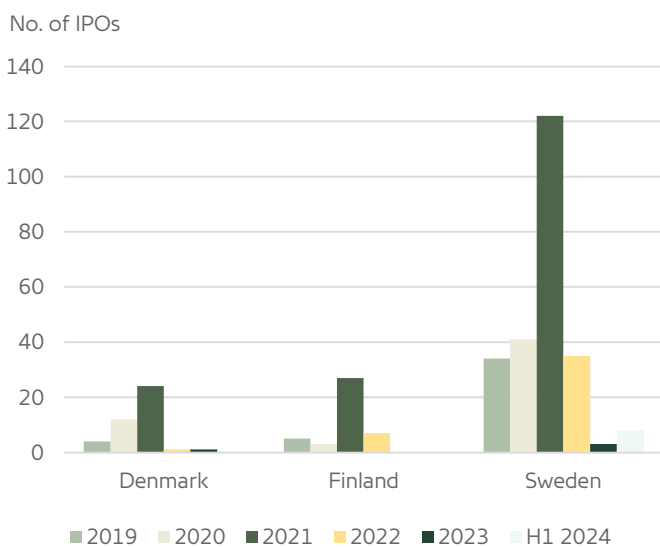
Although the Danish stock market has performed well in the first half of 2024, with an increase of 7 percent by the end of June, companies are still holding back from launching IPOs. This hesitation can be partly attributed to continued investor caution as well as an increased preference for low-risk alternatives, such as government bonds, with returns having increased to an attractive level due to the recent rise in interest rates.



### The slowed IPO activity in recent years has been a wider Nordic phenomenon

Looking at the development in IPO activity across the Nordic markets, it is evident that the slowdown in IPO activity in recent years is not just a Danish phenomenon. The number of IPOs on the Swedish Nasdaq exchange was reduced by 70 percent from 2021 to 2022, which was followed by another 90 percent decrease the year after, cf. Chart 7.3. A similar development took place in Finland with the number of IPOs decreasing by 75 percent from 2021 to 2022 before coming to a complete halt in 2023.

Chart 7.3  
IPOs on Nasdaq Nordic stock exchanges



Source: Nasdaq OMX Nordic, FBV.  
Note: The figures reflect IPOs on the Nasdaq OMX Main Market and First North exchanges across Denmark, Finland and Sweden, excluding IPOs on the Icelandic exchanges. The figures would be higher if also accounting for IPOs on other Nordic stock exchanges, e.g. Spotlight.

These developments in the IPO activity in Sweden and Finland can to some extent, as in Denmark, be contributed to a decrease in the central stock market indices during most of 2022, as well as higher market uncertainty and increased volatility, ultimately deeming the timing for IPOs to be relatively unfavorable.

The Danish market has long constituted only a small share of Nordic IPOs. This is partly because Danish regulation traditionally favors IPOs of larger, established companies, whereas in countries like Sweden, it is more common for startups and SMEs to go public as an alternative to, for example, raising venture capital. This difference reflects, among other things, differences in tax legislation across the Nordics, making it less favorable for younger companies to pursue an IPO on the Danish market, which ultimately results in fewer IPOs in Denmark compared to some other Nordic countries.

However, recent changes in tax legislation in Denmark aim to address concerns faced by entrepreneurs and create a more favorable environment for IPOs, which could potentially encourage more Danish startups and SMEs to consider going public. Key

changes include the ability for entrepreneurs to opt for realization-based taxation for up to seven years post-IPO, rather than being taxed on unrealized gains, reducing the immediate tax burden and risk associated with stock market fluctuations. Additionally, the progressive tax threshold for stock gains has been raised, and the rules for issuing employee shares have been simplified, making it more advantageous and less risky for companies to offer stock options to employees.



*The Danish IPO activity, which peaked in 2021, has slowed significantly in recent years, with only one company completing an IPO in 2023 and no completed IPOs in the first half of 2024. This decline is part of a broader trend across Nordic markets, driven by increased stock market volatility and decreased investor confidence, making the environment less favorable for*



**Thank you for reading!**

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