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## Investments in AI startups rise to USD 4.7 billion in Europe in 2019

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- **Total investments more than double since 2018**
- **Europe's leading countries are France (USD 1.3 billion) and the UK (USD 1.2 billion)**
- **AI ecosystem in Europe much more fragmented than in China or the US**
- **Brexit adds complexity**

**Munich, February 2020:** Within the European AI ecosystem, the UK recorded the most new startups in 2019. In terms of investments made, France is in pole position with USD 1.3 billion, followed by the UK (USD 1.2 billion), Israel (USD 902 million) and Germany (USD 510 million). The total volume of investments in the European AI ecosystem rose by around 50 percent over 2018 figures. This is one of the findings of the study entitled "The road to AI – Investment dynamics in the European ecosystem" published by Roland Berger in collaboration with France Digitale, Europe's biggest association for startups, which unites 1,400 digital startups and more than 100 investors. The study encompasses 28 European Union Member States (including the UK) plus Norway, Switzerland and Israel.

"Many of the developments are very positive – they show that Europe's AI ecosystem is still experiencing strong growth," says Jochen Ditsche, Partner at Roland Berger. "But compared to China and the US, Europe's AI ecosystem is too fragmented and suffers from a lack of integration." He goes on to say that Brexit could exacerbate these problems.

## **Chinese investors underrepresented**

France, the UK, Israel and Germany accounted for a good 80 percent of investments in the period 2009 through 2019. American investors are well represented among the top five sources of overseas funding in each of the countries: Last year US investors accounted for 17.5 percent of foreign funds in the UK, 14 percent in Germany and 7.5 percent in France. Chinese investors, on the other hand, are barely present at all. Europe's AI ecosystems still depend strongly on domestic investors.

"The funding of AI startups only really began to pick up pace in 2014," explains Emmanuel Touboul, Managing Director of Roland Berger Tech Ventures in Paris. "Since then, annual growth rates have been in excess of 50 percent." In concrete terms, a mere USD 528 million of funding was invested in AI startups across all of the countries in 2014 – not much more than was invested in Germany alone in 2019.

## **Europe is overly fragmented**

In spite of the strong growth in Europe, there is still a lack of coordination between the individual countries across the continent. For example, a European patchwork of approaches has emerged out of all the different interpretations surrounding the General Data Protection Regulation. "Europe cannot be allowed to continue to get lost in details," says Emmanuel Touboul, sounding a warning note. "We need a strategy that safeguards the free flow of data, creates synergies between countries and balances out the nations' different strengths and weaknesses with regard to patents, infrastructure, investment capacity and skills shortages."

The UK plays a key role in Europe's AI ecosystem. In a country-by-country comparison, the UK spends the most on research and development and files the most patents. "Brexit could hinder access to data even more and endanger Europe's innovation and dynamism across the entire continent," cautions Jochen Ditsche. "That is why we need to make sure there is a comprehensive and forward-looking framework in place between the EU and the UK so that digital entrepreneurs and investors can continue to operate in a growth environment."

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