



Fast growth : Evolution of the Romanian Tech Startups ecosystem

Venture Capital and startups in Romania

December 2019

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After years of constant growth, 2019 set a new milestone in the development of the Romanian Tech startups ecosystem. It is growing up and attracting investor's interest.

Funding of Romanian startups became more sustainable and diversified. The pipeline of the local and international ventures is no longer driven by a few small-sized companies in e-commerce and marketplaces, rather it shows a balanced mix of innovative ideas in FinTech, Biometrics, Blockchain, Robotic Process Automation and HR related solutions. Bucharest is the main hub in Romania, driven by its strong digital workforce and diversity.

Top funding is driven by international investors with only a few local Romanian funds able to participate in Series A+ rounds. Among the local VC funds investing in the ecosystem, we increasingly see more international players scouting the Romanian tech market for investments opportunities. Due to the lack of local growth VC funds, most of the early stages startups are looking to join external incubators and accelerators programs.

In terms of M&A, corporates remain the most relevant exit channel for startups founders and their VC investors. Romanian ventures are sold in rather early stages, whereby the buyers' headquarters are outside Romania. Besides the missing experience of an international IPO, the local stock exchange market has never been seen as a relevant exit channel for the Romanian tech startups, despite favorable macroeconomic conditions.

Empowered by the success of UiPath, the first Romanian unicorn, the local tech startups ecosystem is experiencing a radical transformation. We see double-digit growth in the ecosystem indicators: number of startups, new accelerators, capital raising rounds, total funding amount.

Our Global survey of over 506 business reveals that, relative to other regions of the world, Western Europe is now considered more attractive than 10 years ago. Moreover, Eastern Europe is considered the second-most attractive region for investments in the world. In this positive investment context, Romania should take advantage of its second largest economy in Central-Eastern Europe and its long tradition in IT education to increase its potential in the region.



Florin Vasiliță

Partner, Leader of Transaction Advisory Services of EY Romania
EY CESA Capital & Debt Advisory Leader



Executive Summary

Trends

The Romanian tech startup ecosystem is rapidly growing with innovative ideas in the area of FinTech, Biometrics, HR/Recruitment, Marketing and Analytics related solutions.

Funding

Including UiPath, the ecosystem accounts in 2019 for an accumulated funding of \$613m+, which is +50% more than previous year. Excluding UiPath from the total amount the trend is similar, due to the increased number of seed rounds over \$1m.

Investors

Still underserved by global funding players, the local tech startup ecosystem has developed with the involvement of EU funded VC funds and the local community of investors and entrepreneurs.

Ecosystem

Empowered by the success of UiPath and EU funded VCs, the ecosystem became more active than previous year. We expect the foundation built this year to create the ground for the next Series A and more seed rounds, at the beginning of 2020.



Dashboard 2019

December 2019 - Based on publicly available information

1500+

Startups & Scaleups,
Business Angels,
VCs & PEs.

100+

Active investors
network

\$1bn

All time investments
in the ecosystem

\$680k

Average Investment
per Round
(w/o UiPath)

Trending
Business
models

Enterprise Software,
Fintech, Security
and Recruitment

Outlook
for future
trends

AI as key disruptive
technology in all industry
sectors

Outlook
for growth

We expect
seed funded startups with +\$1m
to start closing Series A funding

New
funding

We expect existing funds to raise
additional capital and additional
EU funded PEs & VCs to be lunched
on the Romanian market

Trends



Trending industry sectors are now accelerated by ML/AI technology

Enterprise Software	FinTech	Recruitment
<p>Enterprise Software startups have been traditionally the best funded sector within the local ecosystem. Software applications for web development and recently RPA solutions succeeds to attract local and international funding or exits via cross-border transactions with key international players. UiPath is the first Romanian unicorn currently valued for \$7.0b active in the area of Robotic Process Automation solutions.</p>	<p>Fintech startups have been evolving by offering a disruptive set of services and solutions. Most active startups with their solutions can be mapped in the following categories : Payments & wallets, Lending, Personal Finance, Investment & Wealth, InsurTech, Financial Infrastructure. Another category , different from the ones mentioned before, provides different cross-functional enablers, for the existing financial services.</p>	<p>Lack of workforce and skills have been an increasing problem in Europe, not only in Romania. Startups tackling diverse segments of the recruiting process, acting either as a platform or offering selected services, continued to be in the public spotlight. Recruiting platforms engaging in specific occupational fields such as medical and IT, received significant funding in the last years and the trend continued during 2019.</p>

Security	Marketing
<p>Security is the most mature sector of the Romanian tech market. While Romanian AntiVirus (RAV) sold to Microsoft in 2003, Bitdefender, the second antivirus solutions provider, has now the second biggest valuation of a Romanian Tech business after UiPath. New startups are tackling Biometrics and Cloud security solutions.</p>	<p>Marketing is the sector with the highest growth rate due the disruption in online sales channels. Adopting a growth mindset has become an essential element of the marketing teams. In this context, startups provide more agile marketing execution models with focus on customer experience, an essential ingredient for online growth.</p>

Artificial Intelligence

Machine Learning (ML)/Artificial Intelligence (AI) remains the driving force behind more and more startups, aiming to facilitate innovations or optimize processes.

Startups are providing innovative digital ideas and business models

Selected startups with ongoing investments

Enterprise Software	FinTech	Recruitment
<ul style="list-style-type: none">• UiPath• DocProcess• RoboSelf• SWAZM• Questo• Blugento	<ul style="list-style-type: none">• FintechOS• SymphoPay• FINQware• Beez• Instant Factoring• Smart Bill• AlphaBlock	<ul style="list-style-type: none">• SmartDreamers• Happy Recruiter• MEDIJobs• Undelucram• Jobful

Security	Marketing
<ul style="list-style-type: none">• TypingDNA• Cyscale• SecurifAI• Pentest-Tools.com	<ul style="list-style-type: none">• InnerTrends• MorphL



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AI will change society –
but we must also ask what
is changing in society that
makes AI necessary?

Nigel Duffy

EY Global Artificial Intelligence Leader

Funding



Half of the investment rounds in 2019 are between \$100k and \$2m

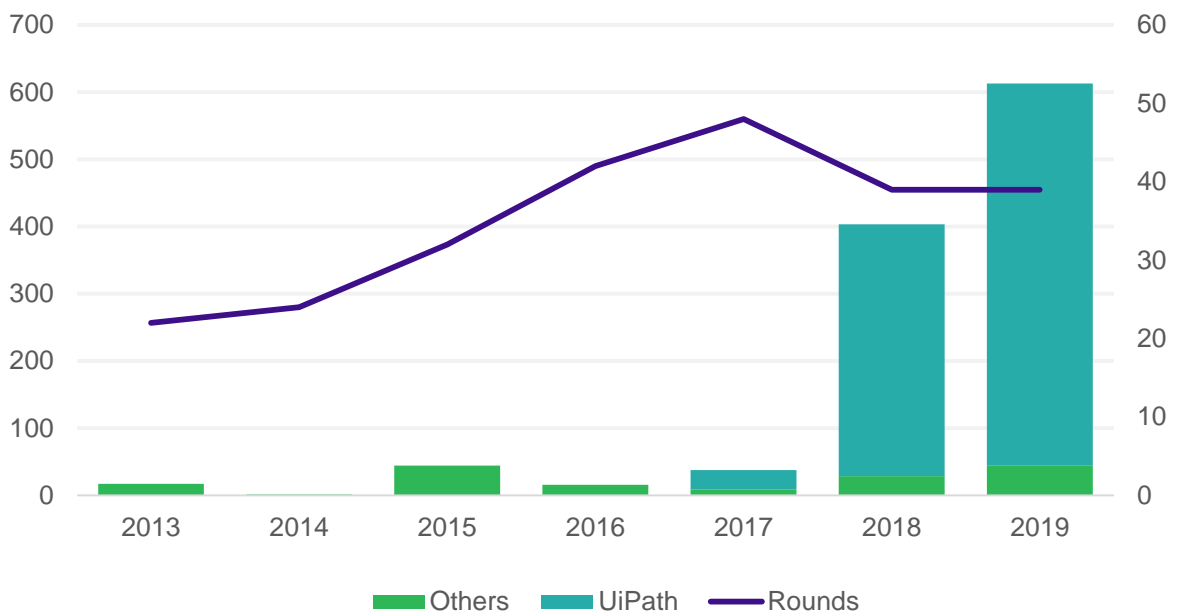
	Business Name	Amount	Date	Estimated market value of the company
1	UiPath	\$568m	April	\$ 7Bn
2	FintechOS	\$15.3m	May/December	\$56m - \$84m
3	Elrond	\$1.9m	July	\$8m - \$11m
4	TypingDNA	\$1.5m	January	\$6m - \$9m
5	Postis	€1.3m	May	\$6m - \$8m
6	AlphaBlock	€1.3m	February	\$15m
7	Frisbo	€1.3m	November	\$6m
9	Blugento	€1.0m	July	\$4m - \$6m
10	Happy Recruiter	€1.0m	April	\$4m - \$6m
11	MEDIJobs	\$900k	August	\$4m - \$5m
12	BunnyShell	€750k	September	\$3m - \$5m
13	SymphoPay	€650k	March	\$3m - \$4m
14	SWAZM	€500k	May	\$2m - \$3m
15	BookVitals	€500k	July	\$2m - \$3m
16	Instant Factoring	€500k	November	\$6m - \$9m
17	Digitail	€320k	April/August	€400k - €600k
18	Undelucram	€300k	July	\$1m - \$2m
19	Beez	€250k	June	\$1m - \$2m
20	FINQware	€200k	July	€800k - €1m
21	Roboself	€200k	September	€800k - €1m
22	Nifty Learning	€110k	October	€440k - €660m
23	Ialoc	€100k	January	€400k - €600k
24	Medicai	€80k	January	€400k - €600k
25	Jobful	€100k	June	€400k - €600k
25	Questo	N/A	February	€1.5m

Transactions over 80k | November 2019

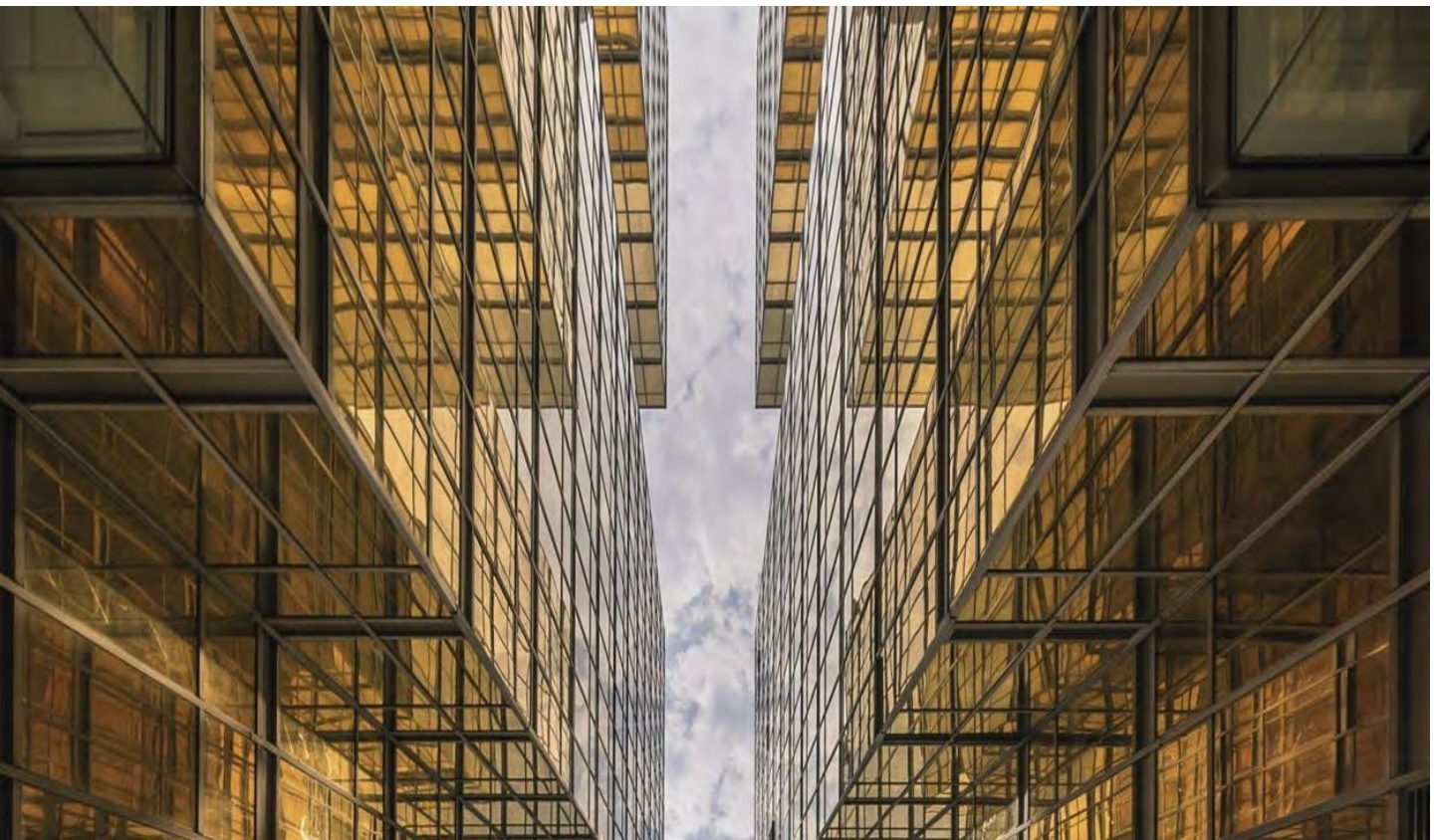
Source: Crunchbase, Megamarket, Press Releases

UiPath accounts for 92.5% of total funding

Funding volumes 2019 vs. 2018



Source: Crunchbase, Press Releases, November 2019 - Based on publicly available information



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