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Tech in Vienna

These startups are having a ball



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Tech in Vienna

These startups are having a ball

Something extraordinary is happening in Europe's coffeehouse capital. Many of the same qualities that have turned Vienna into a top-rated place to live have also fostered its growing reputation as a top spot to launch a startup. This report explores the factors that are increasingly turning the city into the obvious home base for successful internationally minded businesses, top talent and a vibrant venture capital ecosystem. And momentum is building for even better days ahead: here's what the experts say will help pave the road to glory.

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Bigger, faster, stronger?

Vienna opts for stable, exciting and sustainable

Vienna is an internationally successful startup hub. Only a few years ago, this assertion may have prompted outsiders to shake their heads in disbelief. Spurred on by this scepticism, the city rose to the challenge and, in the past few years, has harnessed its intuition and embraced the new. Now Vienna is in the top ranks of European startup cities.

The city's most potent ingredient? The remarkably close-knit cohesion within its system. In Vienna, players in the otherwise highly competitive startup scene agree that cooperation can help advance economic development, mutually benefit all participants and serve as an accelerator of innovation. As a result, newcomers will find a warm and friendly welcome. International startups establishing themselves here can count on the support of the local community and be confident of finding their place in the ecosystem.

Vienna — perhaps befitting the European capital of traditional coffeehouse culture — knows the perfect brew is often a blend. First, the city is stable and has high quality infrastructure — from the reliable and cheap public transport system, to the mountain spring water that flows from every water pipe. Second, Vienna offers high social standards and opportunities for individuals and families who choose to live and work here. To name just one example, all children in Vienna are entitled to free preschooling.

At the same time, the city has seen rapid investment in key sectors such as life sciences, creative industries, additive technologies and sustainability. Vienna is stable, resilient and reliable — virtues that, in light of recent global upheavals, are seen by many entrepreneurs as prerequisites for their business.



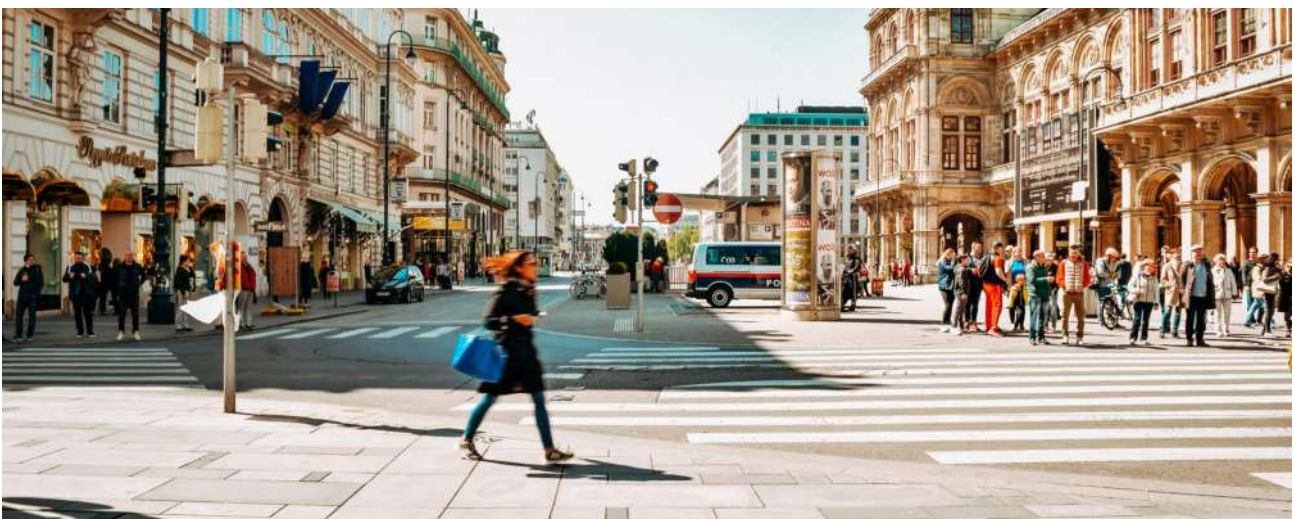
Peter Hanke
*Executive City Councillor of
Finance, Business, Labour,
International Affairs and
Vienna Public Utilities*

Vienna is also proud of its unique status as the city with the world's highest quality of life, per the annual Global Liveability Index, which we attribute to a long tradition of innovation for the benefit of residents, who live comfortably and affordably. The city's modern-day is rooted in visionary ideas put forward in the last century, ideas that are more relevant today than ever. These include social housing, which provides affordable living spaces, the preservation and expansion of a green belt that surrounds Vienna, supporting biodiversity and clean air, and offering its residents opportunities for outdoor recreation. For the past 150 years, Vienna has sourced its water from natural springs high up in the mountains, which ensures an exceptional quality of drinking water for a city of over a million inhabitants.

We will continue to work on the best solutions for the city's residents — but changing times and challenges demand new technologies. Enter startups and other innovative businesses. Climate change, global digitalisation and rapid growth are transforming our way of life at a breathtaking pace — and we count on urban innovations from technologists and entrepreneurs to keep our city fit for the future.

Here in Vienna, we support and promote entrepreneurial courage and smart solutions that have the potential to take Europe and the rest of the world by storm. One common indicator of a startup hub's success is its number of unicorns. The Viennese startup firmament is now illuminated by four such stars, and the list of soonicorns is long and growing longer. We are proud of them! But Vienna's future depends on a broader base, on the many exciting, well-capitalised and sustainable companies of all sizes that make the city productive and vibrant today — and will keep us this way in the future.

Vienna has plenty of plans in the works — and our ecosystem still has space for many more startups with spirit.



Introduction

Vienna tech calling



It's known as the city of music, made famous by the masterpieces of Mozart, Beethoven, Haydn and Schönberg. But in the past few years, Vienna is starting to make a name for itself as Europe's fastest-growing tech ecosystem.

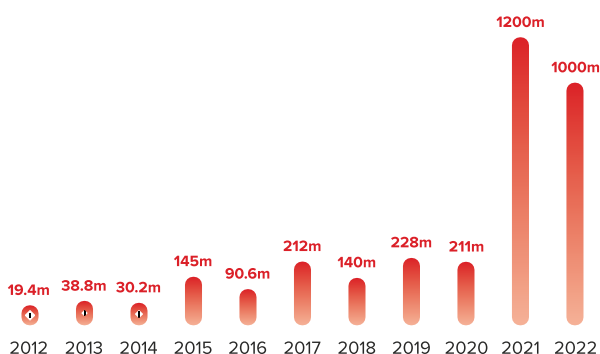
It wasn't always this way. Until recently, entrepreneurship has perhaps been hindered by high levels of bureaucracy, good employee benefits, and an aversion to risk that some say is just the Austrian way. But startup success now clearly stems from a combination of winning factors unique to the city.

For much of the past decade, Vienna has been crowned as the best place to live in the world, winning top marks for stability, healthcare, culture, environment and infrastructure.¹ Living costs are low, the public transport system is efficient and the beauty of the architecture is undeniable.

With around two million inhabitants, Vienna is the second largest city in the German language area, and a popular hub for students from all over the world. The universities are known for their world-leading research in areas such as deep learning, biotech and medicine, and there are generous public grants for innovators in a range of sectors. As a small market, Austria has long been viewed by founders as a testing ground for expansion across the German-speaking region. Now these entrepreneurs are looking beyond DACH (Germany, Austria and Switzerland), to the rest of the world.

Hot streak

Total VC funding in the Austrian capital (€)



Source: Dealroom

According to the latest Austrian Startup Monitor, more than 3,300 startups have been founded in Austria since 2011.² Around half of those are in Vienna itself. It's the seventh fastest-growing tech community in Europe, the 15th most trusted among 64 startup hubs and has more women founders than any of the other large cities.³ As a whole, Austria's startup ecosystem grew three times as much in the first half of 2022 as it did over the same period in 2021, and made it into the top 10 of European countries by VC investment, just behind Ireland and Finland.⁴

“It's the kind of momentum that we saw in Berlin five years ago, or in London 10 years ago.”

Oliver Holle, cofounder of Speedinvest

Back in 2015, one large exit provided a starting gun for the rest of the city, when the online marketplace Shpock was acquired by Norwegian publishing company Schibsted for an undisclosed sum. Six years later, edtech company GoStudent and cryptocurrency exchange Bitpanda both became high-profile unicorns. In 2023, there are a number of other “soonicorn” waiting in the wings.

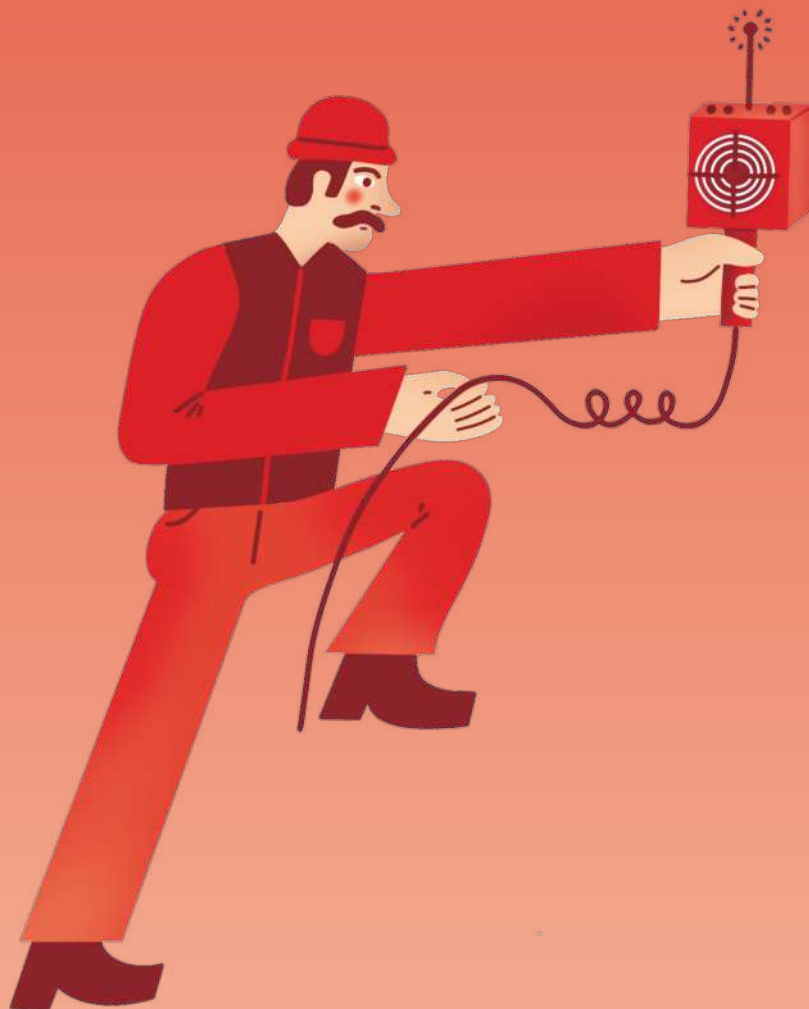
Vienna is starting to believe it has potential, says Oliver Holle, founder of Speedinvest, one of Europe's and Austria's most active VCs. “It's exactly the kind of momentum that we saw in Berlin five years ago, or in London 10 years ago. We have so many more international VCs coming to Vienna now and that's very positive. The product development and technical expertise is 100% here, there's no question.”

“I remember 10 years ago, when there was a ranking of countries with respect to venture capital and deeptech, Austria was often at the bottom of European countries,” famed Austrian entrepreneur and venture capitalist, Hermann Hauser, says. “Now we have unicorns! So we're no schmucks anymore. The first important step was culture change. Universities now believe part of their job is to help technology transfer into industry and not just write technical papers. And there's a belief that you can do this in Vienna now as well.”

Chapter I

New maestros pick up the baton

Why foreign founders are
choosing the city



When Tamara Gerbert and Florian Lerchbammer-Kreith met in Berlin last year, it was not a given that they'd launch their neurotech startup, Brightmind.AI, in Vienna. While Lerchbammer-Kreith is originally from Austria, he'd been working as a management consultant in New York and had no plans to return. Gerbert is a Swiss citizen who grew up in Germany, and studied neuroscience and AI in California and London. Plus, they knew the target market for their personalised brain stimulation solutions would predominantly be in the US. Nevertheless, both became convinced that it was the right move.

"It was actually a very rational decision to move to Vienna," Lerchbammer-Kreith says. "The public grants and the low living costs are great. But there's also a lot of life science understanding and neuroscience companies that have been willing to help. Plus, Austria's willingness to support really challenging research has made it a very attractive place for startups like ours."

"It's been a very friendly place to start off," Gerbert says, adding that they've been able to sit down with world-leading professors and work with local universities on clinical trials and hackathons, as well as with international institutions and experts.

“It was actually a very rational decision to move to Vienna. The public grants and the low living costs are great.”

Florian Lerchbammer-Kreith, cofounder and CEO of Brightmind.AI

Fast-forward a year, and Brightmind.AI has built an international team, with employees from the US, Denmark, Germany, Ireland, France and Italy. It received its first term sheet for more than €500k in the first month of establishing the company, followed by a further €800k from the Austrian government a few months later. "You wouldn't get that big of a non-dilutive grant at this early stage anywhere else," Lerchbammer-Kreith says.



NURTURING TECH TRANSFER

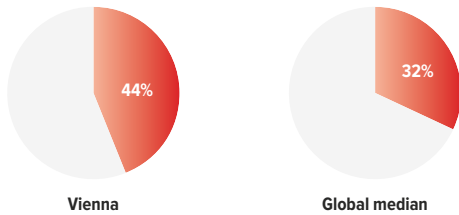
Talk to any entrepreneur about Vienna and it's inevitable they will mention the generous public grants. Since it's a city and federal region, startups in Vienna have access to dozens of city, regional and federal grants, as well as European initiatives. In Vienna, there's funding available from the Vienna Business Agency and INiTS, an incubator. Then there are the two main national agencies — the Austrian Wirtschaftsservice (AWS) and the Austrian Research Promotion Agency (FFG) — which distribute millions in non-repayable grants, guarantees and subsidised loans to startups every year. In Vienna specifically, one innovation fund offers up to €200k per project, with an additional €5,000 if one of the founders is female.⁵

"We still have one of the most generous public grants systems for non-dilutive grants in Europe," Oliver Holle from Speedinvest says. "It's not that difficult to get the first €100k or even €1.5m to get going."

But it's also the talent pool that's proving attractive to startups: it's incredibly international and educated. Vienna is the fastest-growing major city in Europe, and almost half (42.6%) of its residents are of foreign origin.^{6,7} Austrian students and nationals of all EU and European Economic Area member countries do not pay tuition fees at public universities; this draws thousands of students to the city every year. Around a quarter of the city's population is under 25 and approximately 10% of the city are students attending one of Vienna's 20 universities.⁸ Almost half (43%) of 25- to 64-year-old adults in the city have tertiary education.

Vienna has more foreign-born founders than most cities

Based on analysis of >4,000 founders in Europe



Source: Startup Heatmap Europe

Universities are also fuelling innovation and academic spinouts from universities in the country now number around 90 per year.⁹ According to the 2022 Austrian Startup Monitor, one in four of the country's most innovative startups are now founded by people with a migrant background.¹⁰ Most come from other European countries — predominantly Germany — but 16% come from countries outside Europe.

Case in point: Madeline Lancaster moved from the US to Vienna after completing a PhD in biomedical sciences in San Diego. She interviewed all over Europe but was drawn to a postdoctoral position at the Institute of Molecular Biotechnology (IMBA) in Vienna, working alongside Jürgen Knoblich, now the director of IMBA. The pair went on to found ahead bio in 2019, after developing a new way of doing neuroscience by establishing cerebral organoids. Their technology provides an opportunity for pharmaceutical companies to develop more effective drugs and treatments for neural conditions such as epilepsy. The team, led by CEO Oliver Szolar, has since raised €4.5m in seed funding rounds. Lancaster and Knoblich are still on the scientific advisory board.

Austria has accelerated the advancement of its research and development (R&D) activity significantly in recent decades. The country's research spend, which was 1.53% of GDP in 1994, rose to 3.26% in 2022, giving Austria one of the strongest upswings in R&D in Europe. There are 65 research facilities carrying out non-university research, and an attractive 14% R&D tax grant for companies of all sizes.¹¹

Lancaster says she's seen the impact of that funding in her field. "Vienna has turned into a really exciting

organoid and stem cell hub," she adds. "We got this going with brain organoids, but now there's cardiac, early embryo models, intestinal organoids specialisms. In terms of talent, it's a great place to be."

INTERNATIONALLY MINDED DIASPORA

Of course, talent also goes the other way. Austrian David Mayer-Heinisch, who founded the fintech Fruits, says beyond academic excellence, Vienna also benefits from an internationally minded diaspora who are often looking for opportunities to come home, given Vienna's high quality of life and favourable living costs. Around 580k Austrians live abroad — Germany, Switzerland, the UK and the US are the most popular destinations.¹²

Mayer-Heinisch worked for a hedge fund in Germany and studied for an MBA in Madrid before returning to Vienna in 2020. Fruits is an online wealth manager aiming to make investing more accessible for everyone. It's raised €4.5m so far and built a team of 20. "With a small country like Austria, a lot of people go abroad to Germany, the US, the UK or elsewhere in Europe to study or work, and then at some point they come back," Mayer-Heinisch says. "So you benefit from talent which has experience in these top-notch markets."

There's also less competition in Vienna, fellow fintech entrepreneur Franz Salzmann says. He started Helu, a financial management platform for SMEs, after spending time in Oxford, Zurich and Berlin. Before founding the company, he became a partner at Speedinvest, where he kept a strong focus on Berlin. "I saw how companies in Berlin went bust because the fight for talent was so fierce," he says. "People got LinkedIn requests every second day, they were job-hopping all the time, there was no retention, it was just crazy. Being in Berlin was more of a disadvantage than an advantage."

As well as drawing expats home, Vienna's affordable cost of living can help talent retention, Speedinvest's Oliver Holle, says. "You see people move to London, stay for a couple of years and move away because it's really hard. If you want to build a company where you work with a team of experienced people you can retain for a long period of time, that's much more sustainable in Vienna. Many of them stay because it's nice to live here and it's nice to raise families here."



AT THE VERGE OF EAST AND WEST

The physical location of Vienna itself is a bonus. It certainly has had its benefits for online marketplace *refurbed*, which has scaled significantly since it launched in 2017. The startup was founded by two Austrians and a German but Schima Labitsch, *refurbed*'s chief strategy officer, says the visibility they gained in Vienna was much more significant than it would have been elsewhere. "The startup space was not very crowded so we were able to establish ourselves as a local hero brand and get good publicity and good access to talent," she says. "That would have been much harder in Berlin or London."

Today, *refurbed*'s team numbers around 300, many of whom are located in Austria but also in Germany, Sweden and Ireland. The marketplace is live in Sweden, Ireland, Denmark, the Netherlands and Italy as well as Germany and Austria, and in 2021, it raised €45.4m in a Series B round.¹³ "Vienna is also in the heart of Europe," Labitsch adds about *refurbed*'s growth plans. "As a talent magnet, it's in a really good position. There are good travel connections, and you can access new markets really quickly. We also hire remote people who we ask to come to the office four times a year, so it's a good destination geographically."

There's also a rich talent pool within the wider central and eastern European (CEE) region that's easy to take advantage of from Vienna. Tamás Petrovics, cofounder and CEO of the health tech XUND, who is originally from Hungary, established a tech hub in Budapest before he

even opened an office in Vienna. "We were still working out of my living room in Vienna when we opened the office in Budapest. But we'd decided we were going to establish our development team in Hungary," he says. "Vienna is at the verge of eastern and western Europe. And this creates a lot of opportunities because you have countries like the Czech Republic, Slovakia and Hungary close by with a young and talented — but comparatively cheap — labour force."

"At the same time, Austrian companies tend to have a high reputation globally," he adds. "So it's the best of both worlds to start the company in Vienna but still draw from the pool of resources and the opportunities which the central European region provides."

That's exactly what *Bitpanda* did too. Austria's second unicorn — software company *Tricentis* being the first — was founded in Vienna in 2014 by Eric Demuth, Paul Klanschek and Christian Trummer. It's now a leading European cryptocurrency trading platform that raised a \$263m funding round at a \$4.1bn valuation in 2021. But deputy CEO Lukas Enzersdorfer-Konrad says the founding team initially struggled to find the tech talent they needed locally.

“We got a lot of software developers and other tech enthusiasts relocating to Vienna.”

Lukas Enzersdorfer-Konrad, deputy CEO of Bitpanda

"We got a lot of software developers and other tech enthusiasts relocating to Vienna," he says. "The downside of the city is there isn't a lot of tech talent. There's a lot of software knowledge but not from the scaleup industry. We brought a lot of tech enthusiasts from different countries in CEE." As the company has scaled, so too has its international presence. Today, *Bitpanda* has 700 employees, with 300 of these based in Vienna. There's also a software development hub in Bucharest and other offices in Amsterdam, London and Barcelona, as well as smaller hubs in Germany and Italy to service the local markets.

Vienna: crushing it on liveability

The city regularly takes the top spot for ease of living

- 1 Vienna
- 2 Copenhagen
- 3 Zurich
- 4 Calgary
- 5 Vancouver

Source: Economist Intelligence Unit's Global Liveability Index 2022

ENCOURAGING MORE MIGRATION

One of the biggest challenges Eva Arh, partner at 3VC, hears from Viennese startups is the hefty bureaucracy around hiring talent from outside the EU. The VC fund invests in promising European tech startups with global ambitions and, in 2022, launched its second fund worth €150m.¹⁴ "There's definitely a bottleneck," Arh adds. "It took one startup a year to hire a developer from the Philippines. That's harming the competitive landscape."

According to the Migrant Integration Policy Index, few other countries make it as difficult for immigrants to acquire citizenship as Austria.¹⁵ The country also doesn't allow dual citizenship, unlike neighbouring countries Germany, Switzerland and Italy. Applicants for the requisite Red-White-Red Card must usually have a certain level of qualifications, professional experience and German/English language skills.¹⁶ Founders may have to prove they couldn't find anyone else in Europe to do the same job. There's also a Red-White-Red Card available for startup founders who are generally in the technology sector and have secured an investment of at least €30k.¹⁷

But there are changes afoot. In October 2022, legal reforms were announced to make the application process for a Red-White-Red Card faster, reducing the minimum gross salary to €44.4 (from €66.6) and removing the pre-requisite of a monthly gross salary of at least €2,551.¹⁸ IT specialists can now also be hired if they have at least three years of professional experience, and they do not necessarily need an IT degree.



Holle, from Speedinvest, says such changes are welcome but believes there's still too few international entrepreneurs moving to the city. "If I look at the founders we invest in, they're all Austrian. And that's a big negative for me. We still don't have enough people coming to Vienna from Prague, Hungary or elsewhere in eastern Europe to found companies. The best talent from these markets goes to London and Berlin."

And while it's reassuring to see the university spinouts starting to take shape, he hopes to see more collaboration in the future. "There is a lot of top, top scientific talent sitting in Vienna. Next to it, you have an ecosystem of startups and founders that is now starting to be really top notch. And I'm really looking forward to when these two worlds start to collaborate more. That hasn't happened so much in the past, but they are now both of a critical size. We've seen it work well in Cambridge and Oxford in the UK, and I'm very hopeful that will start to happen in Vienna too."

Chapter II

The wiener takes it all

A closer look at Vienna's emerging tech niches



What are startups in Vienna best known for? Some recognisable niches are emerging, from medtech and pharma to edtech. And of particular note: sustainability. Of the 3,300 startups founded in Austria since 2011, around a third are described as a green startup and 16% are social startups.

SUSTAINABLE STARTUPS

The prominence of sustainable startups may stem from the city itself. Almost 10 years ago, the Vienna City Council announced its intention to combat the causes of climate change and deal with its consequences in its Smart City Wien framework.¹⁹ Its mission is to ensure a high quality of life for everyone in Vienna through social and technical innovation in all areas, while maximising conservation of resources. More recent updates have included the integration of climate neutrality by 2040, as determined by the national government, as well as specific goals in the areas of mobility, buildings, energy supply, zero waste and the circular economy.

Today, Vienna is home to s::can, which is creating smarter water systems, Circular Analytics, which is disrupting recycling systems, and Green4Cities, a group designing solutions for more sustainable urban development.

On the food side, Revo Foods is making use of 3D printing technology to produce sustainable alternatives to seafood. The UN estimates that 70% of all fish species are overfished but by using plant-based proteins Revo Foods has been able to recreate the texture, taste and nutritional profile of salmon and tuna. "Vienna is known for some startup types, but food was not necessarily one of them when we started about three years ago," Robin Simsa, cofounder and CEO of Revo Foods says. "That ecosystem is building."

The startup has raised €5m so far and won this year's pan-European EIT Food prize for innovative and impactful agrifood companies.²⁰ The company's products are available in more than 14 countries, including Italy, Portugal, Romania, Spain, the UK and Czech Republic. "It's important to look out into the world and not only stay focused on your own country," Simsa says. "Only one month after we started, we had already

started selling in Spain and then Germany. We want to move fast and move dynamically."

One of the organisations contributing to the growing ecosystem of sustainable startups is Impact Hub, a global network of entrepreneurs, investors, corporates and NGOs that just happens to be headquartered in Vienna. It offers customised accelerator programmes, mentorship, co-working space, and recently launched the Climate Lab. It's an initiative run in partnership with bodies such as the Vienna Business Agency, the City of Vienna and Wien Energie — the country's largest regional energy provider — as well as other companies related to utility providers and corporate partners, to help startups create and scale new solutions.

"It's not like an app that people can just download and test," says Alexis Eremia, cofounder and managing director of Impact Hub, about the many sustainable solutions being brought to life. "The main challenge when it comes to climate innovation is linked to the fact that people need to prototype in collaboration with public institutions, big utility companies and developers. You're looking into things that need approval, that have regulations. It's a much more complex innovation that's needed. And for that, you need an ecosystem."



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SUPPORT FOR WOMEN FOUNDERS

That supportive ecosystem is something Nina Wöss is building in Vienna for female entrepreneurs. After working for Speedinvest for eight years, Wöss was struck by the obvious gap that exists Europe-wide. “Gender diversity is a huge, huge pain point of the whole ecosystem,” she says. Her community Female Founders, which Wöss cofounded in 2016, is now the fastest-growing community on the continent. Their channels reach 70k people every week all over Europe, and have a particularly strong following in Germany and the UK.

It’s having an impact. Today, 22% of Vienna’s company founders are women, which is above the European average of 13.5%. Wöss has noticed a real change in the number and type of businesses being founded by women in the city. “Nowadays when the startup programme is looking for participants, there are more than 300 applicants per batch. It’s great to see the quality and quantity improving and that measures over the past six or seven years are working.” But there’s still some way to go — women founders secured just 1.1% of all VC investment in Europe in 2021, and only 8% went to mixed gendered teams.²¹

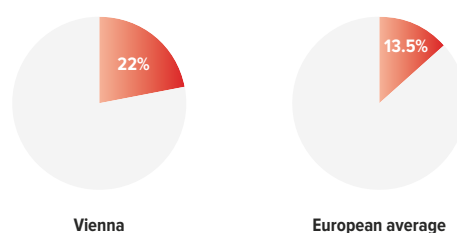
“There’s an issue with women being over-mentored but underfunded.”

Nina Wöss, cofounder of Female Founders

To tackle this gap, Wöss and her cofounder Lisa-Marie Fassel launched Fund F, a new €20m VC fund to support pre-seed and seed investments for startups in gender-diverse teams. “I’m convinced that organisations like us are very necessary, especially on the investment side,” Wöss adds. “There’s an issue with women being over-mentored but underfunded.” Fund F is looking at startups with gender-diverse teams on a Pan-European level, focusing on health tech, climate tech, education, HR and fintech. They hope to announce their first investments later in 2023 and are holding a flagship event in Vienna in October 2023.²²

Women founders stand out in Vienna

The city has more female entrepreneurs than the European average



Source: Female Founders

The benefits of Vienna, Eremia adds, is that its size still provides accessibility, and these micro-ecosystems can flourish. “It’s pretty small and concentrated, so it’s easy to make the right connections, find potential mentors and partners. That doesn’t necessarily mean just because you had a meeting with somebody that things will work out, but at least you had access to talk to them.” And she’s found the authorities open to collaboration, which is helping to shift the dial. “They’re not just open but very willing, they’re driving it in a sense. That engagement with the public sector is unprecedented and quite unique for Vienna.”

PARTNERING WITH PUBLIC BODIES

That engagement also helped Bitpanda. Back when the startup was founded in 2014, there was no cryptocurrency regulation or legislation in place anywhere across Europe. “The Austrian authorities were open to sitting down and discussing matters, especially the financial market authority,” says deputy CEO Lukas Enzersdorfer-Konrad. “That gave us clarity and security to build, because otherwise we would have been in a space that could change at any time. We had a very good collaborative relationship and didn’t launch anything without discussing it with them first.”

This kind of approach is very different to somewhere like London, where fintechs tend to be built on a mentality of asking for forgiveness, not permission, he adds. But “in Austria it’s the other way around. To push innovation in a more risk-averse, conservative country, you need to be very aligned with the authorities.”

Austria has benefitted too, becoming a European leader in the cryptocurrency market. In 2022, it became the first country on the continent to change how crypto assets were taxed.²³ All realised gains can be taxed as income at a fixed rate of 27.5% at the time of the trade, similar to other income from capital assets such as stocks and bonds. That simplifies the whole process for users, Enzersdorfer-Konrad says, adding: "It's quite normal for equities and securities, but no one had done that yet for crypto. Austria is pioneering that from a customer perspective."

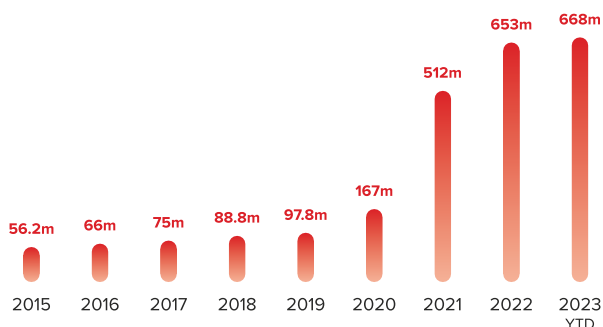
“To push innovation in a more risk-averse, conservative country, you need to be very aligned with the authorities.”

Lukas Enzersdorfer-Konrad, deputy CEO of Bitpanda

Bitpanda has also developed a white label SaaS solution that it's offering directly to fintechs such as N26 in Berlin, Lydia in France and Plum, a fintech in the UK. In Austria, the 96-year-old Austrian bank Raiffeisenlandesbank NÖ-Wien recently announced it will partner with Bitpanda to become one of the first major EU banks to offer cryptocurrency assets to its customers.²⁴ Austrian banks "are more open" compared to a decade ago, Enzersdorfer-Konrad adds.

Getting SaaSier

12x growth in enterprise software fundraising in Vienna since 2015 (€)



Note: Total amounts raised by 71 Vienna HQ-ed startups

Source: Dealroom

A HOTBED FOR HQS

Vienna may not be considered a traditional financial centre, but it is an attractive location for multinational headquarters. According to a study by the Vienna University of Economics and Business (WU), Vienna is home to 90 HQs operating in the financial and insurance sectors, including AXA, Zurich Insurance, Allianz Partners and AIG.²⁵ One third of all HQs are international, with German and eastern European subsidiaries the most prevalent.

It also has a prevalent group of biotech, pharmaceutical and medical technology companies, including Merck, Pfizer, Eli Lilly and GE Healthcare. In 2020, MSD, a Merck company, acquired Themis, a Vienna-based startup specialising in vaccines and immunomodulation therapies for infectious diseases and cancer.²⁶ And the German pharmaceutical giant Boehringer Ingelheim is building a climate-neutral biopharmaceutical production facility in Bruck an der Leitha, just outside Vienna.²⁷ It's the company's second major investment in the area since it opened a €700m plant in Vienna in 2021.

Tamás Petrovics, cofounder and CEO of healthtech XUND, says the city's size and expertise in medtech and pharma has definitely helped it scale. XUND creates software that uses artificial intelligence to analyse millions of medical publications and databases, and provide an informed assessment on the possible cause of symptoms. "Medtech made in Austria is a highly valued asset globally. We worked very closely with the Technical University of Vienna in the first two years to build the fundamentals of our AI technology. And given the size of the ecosystem, people know each other, and you can start working with these world-renowned institutions relatively fast if you're working on something interesting."

XUND has also cofounded a group of Austrian digital health companies called Health Pioneers to help drive a new generation of medtech startups forward. "We have around 30 members and my cofounder is one of the chairs of the group. So the ecosystem itself is organising and creating grassroots movements from the bottom up. We want to have a stronger voice, influence some political decision-making and speed up digitalisation in the healthcare system."



WORLD-RENOWNED EXPERTISE

The ability to impress internationally is also helping Vienna's startup ecosystem to flourish. While traditionally, Austria has been considered a small test market before businesses push into Germany, Viennese startups are now gaining global appeal. A special edition of the Austrian Startup Monitor in 2021 found that Austria ranks seventh worldwide in terms of exports per capita.²⁸

GoStudent is one of those companies that achieved global traction quickly. The tutoring marketplace and digital learning platform, which became another Viennese unicorn in 2021, now has a presence in over 15 countries, and has more than 1,500 employees and over 23k tutors. With a €3bn valuation, GoStudent is now Europe's highest-valued edtech company.

Founder and CEO Felix Ohswald says its early international expansion was partly down to the founding team wanting to prove the model worked beyond the German-speaking world. The platform went live in 2016 in the DACH region, with a focus on Germany and Austria. Then it opened an office in Lyon, followed by Madrid.

"We heard from a lot of people, 'you're DACH-based. It's nice to see that it works there but we're not sure if it can work elsewhere'. So we said 'let's push into France'," Ohswald says. "If you're only in the DACH region, people are always sceptical that you [will] expand to other markets. You need to develop this mindset of scaling outside of your home country quite quickly to build a large business."

Others are looking internationally from day one. Around 75% of Viennese companies export their products and services and 42% consider themselves "born global".²⁹ Country-wide, the Austrian Startup Monitor has seen a 40% increase in export sales in 2022, compared to the year before. More than a third (35%) of Austrian startups generate more than 50% of their revenue from exports, and one in five generates at least 90% of its revenue from international markets.

That's certainly been the case for Lithoz, which specialises in high-quality ceramic 3D printing, and supplies the medical and industrial sectors with ceramic additive manufacturing technology and materials for bone replacements, dental implants and highly technical components. While the two founders met and had their breakthrough at the Vienna University of Technology (TUW) in 2010, they knew they'd have to look beyond Austria to build a successful business. Within a few years, they were already supplying customers in China and the US. Today, their biggest customer produces more than two million parts per year using their technology, and they're considered the world market leader, in terms of innovation and quality, in the field of high-performance ceramic 3D printing.

"For us, the market is worldwide. We have hardly any domestic revenue," cofounder Johannes Homa says. "We started in Europe but by 2015, we were already going over two oceans to Asia and to the US. In 2017, we founded Lithoz America." Overall the company employs 150 people, with eight based in the US and one in China.



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Back in 2011, when the pair founded the company, it wasn't common to launch a startup in Vienna. Homa puts the business success down to the support they had from the local ecosystem — initiatives such as the INiTS business incubator, established by the University of Vienna, Technical University Vienna and the Vienna Business Agency in 2002 to encourage technology transfer from the labs into industry. Since its launch, INiTS has been named one of the world's best university business incubators, mentoring 300 startups that have registered 900 patents.

"It was very helpful because otherwise you finish university and you have no idea about founding a company. They did a really good job of supporting us and giving us advice," Homa says. There was also a startup centre run by the private air-traffic control company Frequentis, which gave the team some space to work from. "It was a storage room that looked like a garage but it was somewhere to start."

WANTED: SPACE TO GROW

Beyond having the right contacts, finding appropriate space can still be something of a challenge for some startups in Vienna. Robin Simsa at Revo Foods says he was struck by the difference, compared to somewhere like Sweden, where he spent time at university. "They had more hubs where you could rent space for 10 people and just move in. We have our own laboratories

now but hardly any startup can do that in the beginning. Even when we wanted space for just three or four people, it was really hard to find something here. We had to improvise a lot. Not everyone manages with only an office desk and a laptop."

Arkeon, one of the first companies in the world to turn CO₂ into food using the technology of gas fermentation to create protein, has also found this challenging. "It took us more than 10 months to find the proper space to build our R&D facility," says Arkeon's cofounder and CEO, Gregor Tegl. "We are incredibly fortunate to be able to use the labs at the University of Vienna, but we're growing, and we can't just occupy the entire department. Startups need easy access to labs, especially at the beginning when R&D is so important. Those aren't spaces you're going to keep forever, and probably not something you want to build out yourself. Having suitable infrastructure available so you can take the next step is crucial, and would allow the entire sector to really flourish."

“Commissioning times when it comes to large-scale biomanufacturing in Vienna are very different to the US.”

Gregor Tegl, cofounder and CEO of Arkeon

He's looking to the US to scope out alternatives — the biotech scene in San Francisco, for example, is also strong. "Commissioning times when it comes to large-scale biomanufacturing in Vienna are very different to the US," Tegl adds. "Having a commissioning time of 18 months here compared to three or four months there is tremendous. It definitely makes us think about where our future build-outs will be located. We have to be efficient."

On the other hand, Franz Salzmann says he's come around to some of the bureaucracy he initially felt frustrated by when setting up the fintech Helu. "I've come to the conclusion it's better to have a regulated environment. It leads to no conflict over company registers or shareholdings and exit strategies that are really clear. I think that's a good place to be."



ARKEON

Chapter III

Does Vienna lack big VC players?

It's not easy for startups to land big cheques in the Austrian capital



Austrian Katharina Unger founded her insect-farming technology startup Livin Farms in Hong Kong, with manufacturing sourced in Shenzhen in southern China. She spent seven years building the company in Asia but eventually moved everything to Vienna. One of the biggest reasons, she says, was the availability of public grants. “The funding scheme is very good,” she says. “If you’re an R&D-heavy startup, you will find way more support in Austria because it’s a small market. And you can just call the funding agencies and talk to them. They’re very forthcoming; you feel like they’re trying to help you. In Asia, grants are for only tiny amounts and there’s huge bureaucracy.”

Since the move, the business has now pivoted from customer-facing sales to selling insect-rearing factories and young larvae to other companies. Livin now sells insect-rearing factories and young larvae. Unger’s been able to tap into a strong talent pool developed with expertise at the local universities, unlock more funding and build a 1,500-square-metre demonstration facility “that simply would have been way too expensive in Hong Kong”.

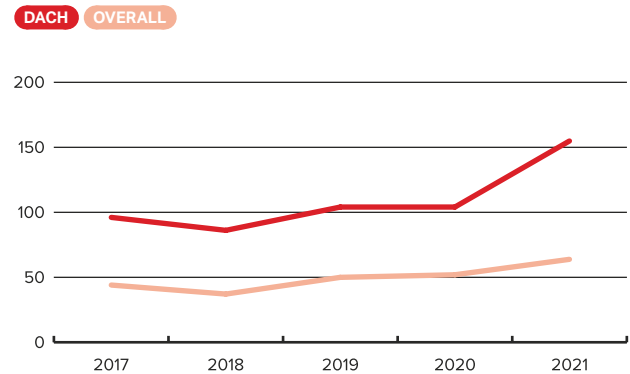
In terms of funding, it’s a mixture: “We have a VC on board, we have private investment and we have national grants as well. We actually secured a national grant before we got private investors on board. I would do it that way again because already having money secured gave us a good intro for talking to investors. It gave us a bit more time to get everything settled and aligned.”



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VC firepower growing in DACH

Median fund sizes (\$m) at final closing in German-speaking Europe are 2x size of other regions



Source: State of European Tech 2022

WHAT CAME FIRST — THE VCS OR ENTREPRENEURS?

Today, the venture capitalist scene in Vienna is well established, with a number of players offering backing to startups, particularly at Seed and Series A. VC funding in Vienna was €211m in 2020 and grew to €990m by 2022.³⁰ But it wasn’t always so. Entrepreneur and venture capitalist Hermann Hauser remembers speaking to Austrian business leaders 20 years ago, after selling two companies for more than \$10bn each (known as a decacorn). He’d since moved to Cambridge in the UK and was asked to talk about the benefits of VC funding at a Vienna conference.

The response wasn’t positive. “All these hands went up and someone said ‘now do I understand this correctly: you want to take part of my company, and then you want to be on my board telling me what to do’. It was so alien to them,” Hauser says. “They didn’t understand what venture capital is and what it can do for companies, even after I told them I had a line of people outside my office in Cambridge who think this is a good thing. So the first important step was culture change.”

Speedinvest is one of the longest-standing funds, dating back to 2011. It’s funded unicorns such as GoStudent and Bitpanda, as well as soonicorns refurbished and Adverity. In December 2022, Speedinvest announced it had raised €500m in new capital, bringing

its total Assets Under Management (AUM) to more than €1bn.³¹ As well as Vienna, it now also has offices in Berlin, London, Munich and Paris, and focuses on six verticals — deeptech, fintech, health, marketplaces and consumer industrial tech, and Software as a Service (SaaS).

“Vienna has a very active, very connected business angel ecosystem but it’s still quite small.”

Johannes Braith, founder and CEO of Storebox

When it was first founded, Speedinvest CEO Oliver Holle says the VC ecosystem in the whole of continental Europe was extremely underdeveloped. Back at home in Vienna, it was even worse. “There was a small batch of VCs that were all roughly between €20-30m in AUM. All of them failed. Performance was terrible. They had very little entrepreneurial experience, were only focused on Austria and mostly collected government money to reinvest. The number of startups was very small. There were zero repeat entrepreneurs, they were all super young first-time founders. It’s definitely a much broader and diverse financing universe today.”

SUPPORT FROM WITHIN AUSTRIA

According to the latest Austrian Startup Monitor, 56% of the country’s startups have raised external equity and 26% have raised more than €500k. In Vienna, almost a third (32%) of startups have raised more than €500k and 59% have already raised venture capital. More of that is coming from Austria itself, which is positive. In the first six months of 2021, for example, the EY Start-up Investment Barometer found that 70% of investors in pre-seed financing rounds and 56% for seed and early-stage financing came from Austria.³²

As well as an improving VC landscape, there’s also a burgeoning angel investment scene. Back when Speedinvest was founded, there was one business angel — Hansi Hansmann. He was the founder of the Austrian Angels Investors Association in 2012, which



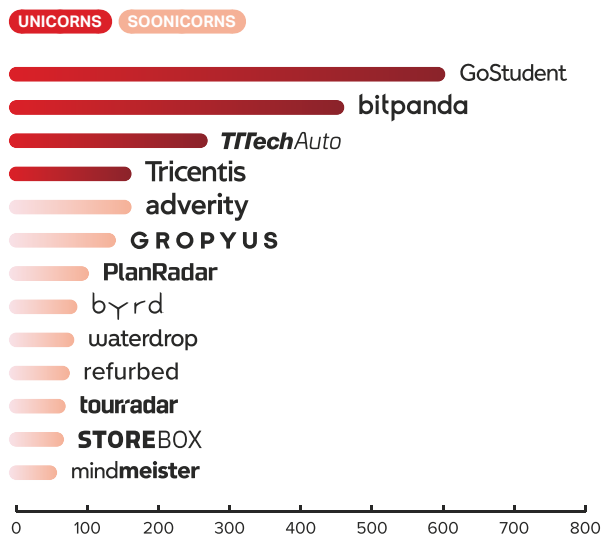
helped build out the angel ecosystem in Vienna. Today, the non-profit association has more than 250 members from all over Austria and aims to connect people who want to invest in startups, as well as educate them on how to invest.

Johannes Braith, founder and CEO of Storebox is on its advisory board. He started angel investing two years ago, supporting startups as varied as Coinpanion, shopstory and Rebel Meat. “Now Vienna has a very active, very connected business angel ecosystem but it’s still quite small,” he says.

The amounts offered are also falling. “Typically a pre-seed angel ticket was €100k in Austria. Now with this economic downturn, it’s decreased to €50k or less. It’s really hard to raise a certain amount of money, and most of the money deployed is still coming from 20 to 50 angels. There’s a huge concentration.” Austria has wealth, he adds, it’s just that high-net-worth individuals would rather put their money elsewhere. “We have a lot of ultra-rich people. But they only invest in real estate. There are no real tax incentives for them to invest in startups.”

Vienna's unicorns and soonicorns

Total €ms raised by the city's biggest startups



Source: Dealroom

LOOKING TO THE WORLD

While a lot of Viennese startups find early backing within Austria, there comes a point when most will have to look abroad for investment. Nina Wöss, who is the chair of the Austrian Private Equity & Venture Capital Organisation (AVCO) alongside running Female Founders, estimates around 90% of the VC money invested in Austria in the first half of 2021 came from international investors and funds.³³

Braith and his cofounders actually set up a second office in Berlin in the hope of attracting German venture capital. Storebox is the first fully digitalised self-storage warehouse and logistics network in Europe; it also works with retailers such as Ikea and couriers such as DPD to offer last-mile micro hubs and click-and-collect services. After a few pints in the pub back in 2018, the cofounders played rock, paper, scissors to decide which of them would relocate to Berlin. CCO Ferdinand Dietrich lost.

Their instincts were right that the move would help attract investors — the company raised €5m for its Series A shortly afterwards — but ironically it was in Austria that the Berlin office gave the company bragging rights. “People said ‘wow, ok you’re that international, you have an office in Berlin’. In Berlin itself, we were a

very small player.” The company now has 250 locations in Europe, including Belgium, Luxembourg, Switzerland, Germany and Austria, but runs everything remotely from Vienna, with only around 10 people remaining in the Berlin office. “We learned that it is really hard to have two headquarters,” Braith adds. In 2021, Storebox raised €52m, with money coming from Switzerland, Germany, the UK and the US.³⁴

Online marketplace refurbed had a similar trajectory. Chief strategy officer Schima Labitsch says the company benefited from a local grant from the Vienna Business Agency but very quickly had to look internationally for funds. “Within a year, the founders had already approached international investors. Those initial grants are amazing but you need a lot more money to scale a marketplace.” Its most recent €45.4m Series B round was led by the Finnish VC Evli Growth Partners and the US-based Almaz Capital.³⁵

CHALLENGES LIMITING GROWTH

Christoph Kanneberger, founding partner at APEX Ventures, has seen anxiety about later-stage funding have an impact on where entrepreneurs decide to set up in the first place. That’s particularly true for a sector like deeptech, which is heavily reliant on external financing. “Those startups don’t make revenue in the beginning and have a long way to be subsidised by investors. You can get the first €1m-2m in Vienna but then you’ll probably have to look elsewhere. Some of our founders don’t even consider setting up shop here because they’re afraid of not being able to raise capital. We’re not lacking enough ideas and new startups. We just need to find ways to financially support our startups so they can stay and grow in Vienna.”

At XUND, Tamás Petrovics thinks there’s still something of a mindset problem limiting the funds available at home. The startup raised €6m in 2022, in one of Austria’s largest ever seed rounds, co-led by MMC Ventures and MassMutual Ventures. “If you talked to Austrian investors five years ago, they would have told you, ‘let’s build a company and let’s sell it for €50m, and that’s going to be an amazing success’. Now they might talk about selling it for €200m or €300m. But when I talk to investors in the US, they say ‘any exit below a billion is going to be a failure’. That’s just not how people in Central Europe and Vienna think.”

He thinks it's a shame that Viennese companies have to look internationally when they reach a certain size. "It means the biggest part of the value creation in the company will be funded by money coming from the US or the UK. And it might mean that companies in the later stages pull out of Austria and go to Delaware, or London or Dublin, where there's easier access to capital, less bureaucracy and bigger markets to be captured. I think that's a big problem for the Austrian market. You can get started but it's very hard to get big." And without scaleups staying in Vienna, the ecosystem is less likely to benefit from the expertise and second-generation founders that start their own ventures, as ex-employees from Bitpanda and GoStudent are starting to do.

There have also been some national-level policy decisions that have the potential to limit a Viennese startup's success, Petrovics adds. The acquisition of shares by non-EU/EEA investors are subject to regulatory scrutiny under the Austrian Foreign Direct Investment Screening Act (ICA), which was tightened in 2020.^{36,37} "In Austria, every medical device manufacturer is by definition considered critical infrastructure. That meant that because we brought in capital from the UK and US, we had to apply for permission to the Ministry for Digital and Economic Affairs, in order to do the investment. That's ridiculous for a company of our size."

Braith from Storebox is also concerned about the impact that will have on the desirability of Austrian startups. "The main problem is that a lot of venture capital knows that there is more or less a risk that it could happen and that's why they don't focus on Austria. They'd rather go to Germany, which doesn't have this regulation."

THE RIGHT TRAJECTORY

Access to later-stage capital isn't just an Austrian problem. It's well known that Europe has had a significant venture capital funding gap at Series B and beyond, compared with the US. But there are signs this is now narrowing. According to Goldman Sachs, Europe's digital startup ecosystem has grown twice as fast as the US over the past seven years, thanks in part to public funding support.³⁸ And for the first time in 2021, European venture capital was found to give better returns than American VC.³⁹

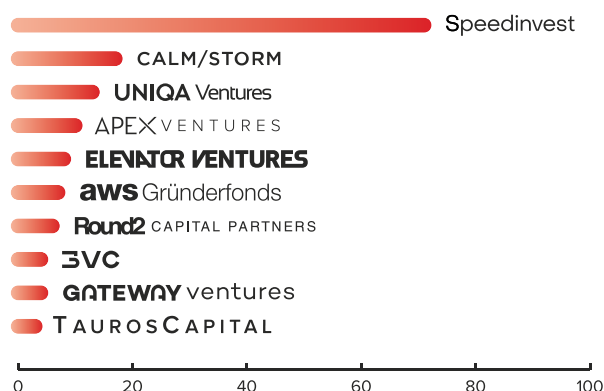
"That's a great achievement and shows things are getting better," Hauser says. "Europe actually produces more startups than the US. We don't have a startup problem, we have a scaleup problem. The \$50m to \$200m are still much harder to do here than in the US. It still has four times as much venture capital per capita than Europe."

Franz Salzmann, founder of Helu, who has spent years working on the other side of the desk, is also seeing progress and believes Austria is on the right trajectory. "In Germany, it was the same 10 years ago; you didn't have Series A round funds. Now you do. The market has moved. We have companies in Europe that are raising excellent B, C, D rounds with capital from all over the world. In many ways, it doesn't matter where you're based or where the startup is from. These funds are looking for global champions everywhere, whether they're in Austria, the Czech Republic, Berlin or Tokyo."

When Vienna got its first unicorns, Hauser says he wasn't surprised. "It was a surprise to everyone. But it wasn't to me. I know that Austria produces very good research, very highly qualified people. It was just a matter of time. And now people can believe that this works in Austria as well. We're catching up with the rest of Europe and I'm feeling really quite optimistic. Maybe we'll eventually produce a decacorn."

Does Vienna lack big VC players?

Ranking of most active VC firms in previous 12 months by number of funding rounds



Source: Dealroom

in vienna
today

Conclusion

Vibrant Vienna?

Can the city create
more success stories?



With momentum growing in Vienna, how can the city maximise its strengths to create a tech ecosystem that will encourage innovation, attract entrepreneurs and investors from all over the world, and support startups to scale beyond Series A?

Experts acknowledge that Viennese success stories such as Bitpanda and GoStudent are putting inspiration, money and experience back into the ecosystem. Ex-employees from those companies are also launching startups of their own. “That’s what we’ve all been hoping for,” Eva Arh from 3VC says. “And the founders of these companies are starting to invest and provide knowledge to their investees, so that will help as well. The ecosystem isn’t yet where other mature ecosystems are but it’s definitely going in the right direction. My hope is that we have more founders coming out of these companies, so startups are being built by people who’ve seen and experienced scale.”

And while there are pockets of excellence building around research and development — particularly in medtech, sustainability and impact, and 3D printing — there’s a need to ensure the infrastructure is available to assist startups as they grow. Universities must be realistic about intellectual property (IP) transfer, open to collaboration and willing to provide mentorship where necessary. Industry giants need to be ready to partner, and to nurture innovation at a startup stage within the city.

“The VC ecosystem is still very young, very hungry and anything but saturated.”

Oliver Holle, cofounder of Speedinvest

In the most recent Austrian Startup Monitor, survey respondents were asked about their priorities for change at a national policy level. Almost two thirds (61%) said tax relief, especially on non-wage labour costs, was their top priority. Half want better incentive systems for private venture capital financing, and 46% want better opportunities for employee participation in a company’s success, i.e. stock options.



“A critical part of the whole ecosystem of global technology companies is that you incentivise people to take the risk to join startups in exchange for share options,” Hermann Hauser, from Amadeus Capital Partners, says. “That’s so you benefit from the growth of the company that you contribute to, not as a founder, but as an employee. That’s true all over the world. But to try and implement a fair, sensible share-option scheme with the legal structure as it is in Austria is near impossible. It’s probably one of the most important things that needs fixing.”

At Speedinvest, Oliver Holle says the fund hasn’t been as active in Vienna over the past few years as it had been initially but that’s starting to change. “We haven’t felt it’s quite the right time. Now it’s perfect timing,” he says, adding that he has no concerns about the city becoming saturated. “I would argue the more established startup hubs are at more risk of being saturated. The Vienna founder ecosystem has just started to taste what global success could look like, and there are many, many founders here who want more of that. Also the VC ecosystem is still very young, very hungry and anything but saturated, as they all know they need to be active across Europe.

“So I’m very bullish. We have a good chunk of scaleups operating on a global scale, and have the same ambitions and cultural DNA as any other top-level scaleup around the world. That’s a wonderful breeding ground for the next generation of startups.”

8 experts weigh in on Vienna's future

What trends and evolutions are Vienna's brightest founders and investors keeping a close eye on? We ask for their thoughts, hopes and predictions for the future of the city's startup ecosystem.



Stability for startups

"The ecosystem will pick up pace, but we need regulatory change to boost the speed and increase the quality of startups. Over the past decade, the government department responsible for startups has changed three times. We need stability."

Johannes Braith, cofounder and CEO, Storebox



University cooperation

"Where Vienna could emerge quite strongly is in biotech. There are some very accomplished professors and academic research hubs. But where we still struggle is with IP licensing agreements. I'm aware of a few cases where companies lost up to a year or didn't get proper funding because they couldn't settle an issue with the university. Sometimes expectations are so high that every future investor will say, 'I cannot invest if you have these conditions with the university'."

Eva Arh, partner, 3VC

A hub for public-sector innovation



“Vienna could become the place for innovation in collaboration with public utilities and infrastructure. The state is very authentically involved and there are a lot of grants. We’re also observing a higher percentage of people with a migration background and women starting businesses in the impact sector. They are sure signs that something is going right.”

Alexis Eremia, managing director, Impact Hub

Women scaling up



“There’s a lot of private money in Austria going into very conservative asset classes. It would be great to see some of that going into VC to contribute to the country’s growth. I’m also interested to see how many women founding teams will progress to the later stages. I’m very happy there’s good representation in the early stage but if we look at scaleups, there’s only two or three women I can think of. And I hope that’s going to change over the next few years.”

Nina Wöss, cofounder, Female Founders

Do more on talent



“We need to attract more talent to the city by opening up more long-term residential permits and visas. It’s been a long, hard road, which is getting better. But there’s a need to attract great talent to build great companies. And that’s definitely something Austria needs to work on.”

Lukas Enzersdorfer-Konrad, deputy CEO, Bitpanda

Discovering deeptech



“I think that the ingredients are there for Vienna to prosper as a startup ecosystem. We will outperform and grow faster than many, many other places in Europe. One of the areas in which I hope to see more progress is deeptech. We have strong computer science departments in Vienna and that’s one of the big missed opportunities in my view. The link between entrepreneurship and science in this respect is very limited.”

Oliver Holle, cofounder, CEO and managing partner, Speedinvest

Tax breaks not more grants



“The taxes are not very friendly for scaleups in Austria. There are no substantial tax incentives for them to be here. It’s really hard to grow. There’s so much bureaucracy. And that’s tricky for startups that have to run efficiently, lean and fast. Grant money is great at the start, but not a long-term solution. What’s needed are tax incentives to lower the cost base, so that business can scale on its own sustainably.”

Schima Labitsch, chief strategy officer, refurbished

Competing for entrepreneurs



“Vienna has the potential to create a vibrant startup scene and there has been a lot of good work, but it can’t stop here. You need to attract more cool startups, and investors and mentors to help. The universities are doing a lot but graduates still defect to Berlin. Austria needs to make it attractive for them to stay here, perhaps with tax breaks or entrepreneurship grants for individuals. Other cities like Amsterdam, Berlin and London are also making a lot of effort to attract these people too.”

Florian Lerchhammer-Kreith, cofounder and CEO, Brightmind.AI

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- Assistance with finding a location
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- An introduction to our extensive business network and contacts for all the relevant service offices of the City of Vienna
- Information about funding options; we provide in-depth assistance with applying for Vienna Business Agency funding offers
- Direct access to Vienna's startup system and top contacts
- Free coaching and workshops are part of the services offered by the Vienna Business Agency. All are open to people planning to start a business in Vienna
- Our annual Vienna Startup Package and the Discover Vienna programmes offer international startups the opportunity to get to know Vienna and its start-up ecosystem for a few weeks, no strings attached.

Our experts are start-up enthusiasts who know the scene inside out and are delighted and eager to share their expertise with you.

The unique start-up festival ViennaUP was launched in cooperation with Vienna's start-up ecosystem. For details, go to viennabusinessagency.at and viennaup.com.



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