

## EU-Inc. The venture capital and private equity perspective

### Executive Summary

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Europe's private equity and venture capital (PE/VC) ecosystem has reached scale, with deep venture, growth and buyout markets operating increasingly across borders. However, following its fundraising and investments peaks, it is now recovering unevenly across stages.

Most notably, the transition from early-stage funding to growth-stage scaling remains Europe's weakest link, narrowing the pipeline precisely where companies require larger, longer-term capital to industrialise, scale cross-border and compete globally.

As the PE/VC ecosystem has matured and expanded across borders, fragmentation has become a binding constraint, reflecting a market that is operating faster than the regulatory framework is adapting. This limits Europe's ability to turn innovation and investment into sustained competitiveness, diverting private capital elsewhere.

While it does not resolve all structural challenges facing European companies – most notably in taxation and labour law – the EU-Inc. proposal provides a practical, immediate solution by reducing fragmentation, not to expand the market, but to enable Europe's existing ecosystem to function more efficiently.

However, as EU-Inc. enters legislative negotiations, there is a real risk that key elements are diluted or re-nationalised, or that incentives are limited to a narrow subset of companies, which would materially reduce the proposal's economic value. At the same time, delays in delivering a usable framework impose daily economic costs, drain political momentum, and lock in the very inefficiencies EU-Inc. is meant to remove.

**The objective should be to protect the proposal's core, not redesign it**, including: a coherent EU-wide incentive framework (employee stock ownership and efficient liquidation), a modern use of notaries, digital-by-default processes, the once-only principle, fast, low-cost formation, and a flexible, investment-ready capital framework aligned with global market practice.

Extensive reliance on national law, or the introduction of additional national requirements should be avoided. If not, legal risk, transaction costs, forum shopping, and relocation to non-European countries will persist. **EU-Inc. must remain European in substance.**

Speed is equally critical. Delays in adopting EU-Inc. risk locking in cross-border investment inefficiencies and diverting mobile capital elsewhere. **The proposal should be advanced and adopted swiftly, complemented by a focused review six months after implementation.**

**EU-Inc. should be understood as a necessary first step**, a demonstration that meaningful integration at company level is possible, **strengthening the case for deeper reforms under ongoing initiatives**, such as the Savings and Investment Union, **and any potential future ones**, such as broader reforms in taxation and labour law.

**Simplified and efficient insolvency under EU-Inc. should apply wherever failure entails meaningful value destruction**, which show significant economic impact in growth and buyout transactions, **not only to a narrow subset of early-stage startups.**

## **In more detail**

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The EU-Inc. proposal's direction of travel is a major and welcome step forward. By introducing a cross-border European company framework, EU-Inc. represents a pragmatic response to long-standing sources of legal and administrative fragmentation.

From the private equity and venture capital (PE/VC) perspective, the proposal affects the environment in which portfolio companies are created, scaled and exited. In this sense, EU-Inc. has the potential to shape the legal, operational and incentive framework within which European companies grow, but also get financed.

At the same time, the effectiveness of EU-Inc. will depend on how the proposal evolves through the legislative process and how it is implemented in practice. Questions around scope, uniformity, incentives, and timing will be decisive in determining whether the framework delivers its full potential.

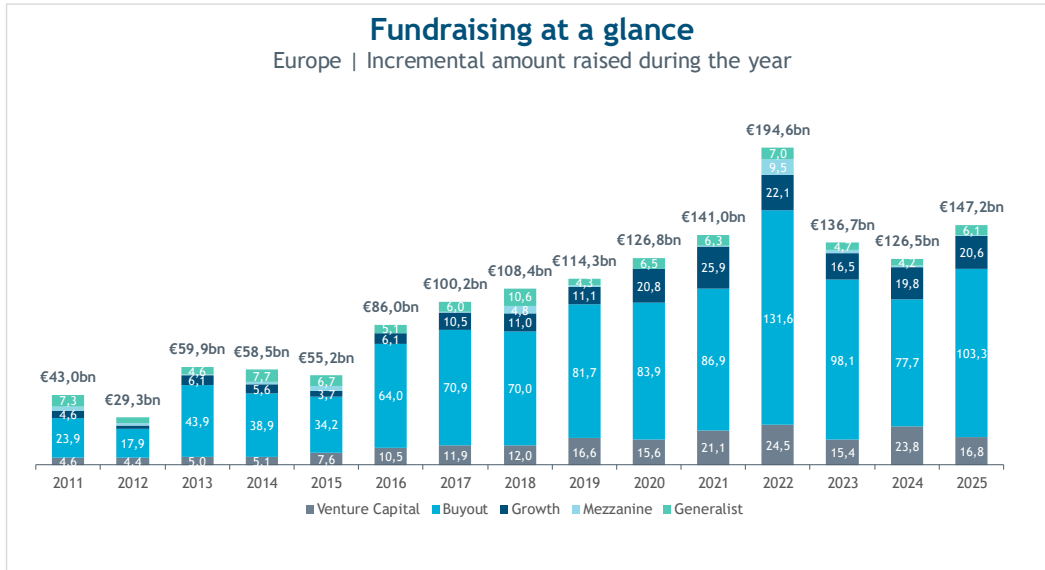
**At Invest Europe**, the association representing Europe's PE/VC and infrastructure investment firms, as well as their investors, **we are committed to supporting an EU-Inc. framework that enables Europe's companies and, by extension, the private capital ecosystem, to operate more efficiently and to contribute more effectively to Europe's long-term competitiveness.**

This paper sets out the economic case for the EU-Inc. proposal and puts forward recommendations to deliver substance and speed through a truly European EU-Inc., while designing an attractive incentive framework across the full company lifecycle, by:

- preserving the core features of the proposal, avoiding re-nationalisation, and making speed a competitive advantage,
  - recognising that restructuring and failure occur at all stages, not only in innovative startups, and
  - strengthening the case for deeper Single Market reforms, building on EU-Inc. as a credible first step.
- ***Substance and speed: delivering a European EU-Inc.***

Europe faces a well-documented competitiveness challenge. Over the past decade, the European private capital ecosystem has reached critical mass, with deep and active markets across venture, growth and buyout stages. Following the peaks in fundraising and investment reached around 2021 and 2022, the market is now recovering, but unevenly across segments.

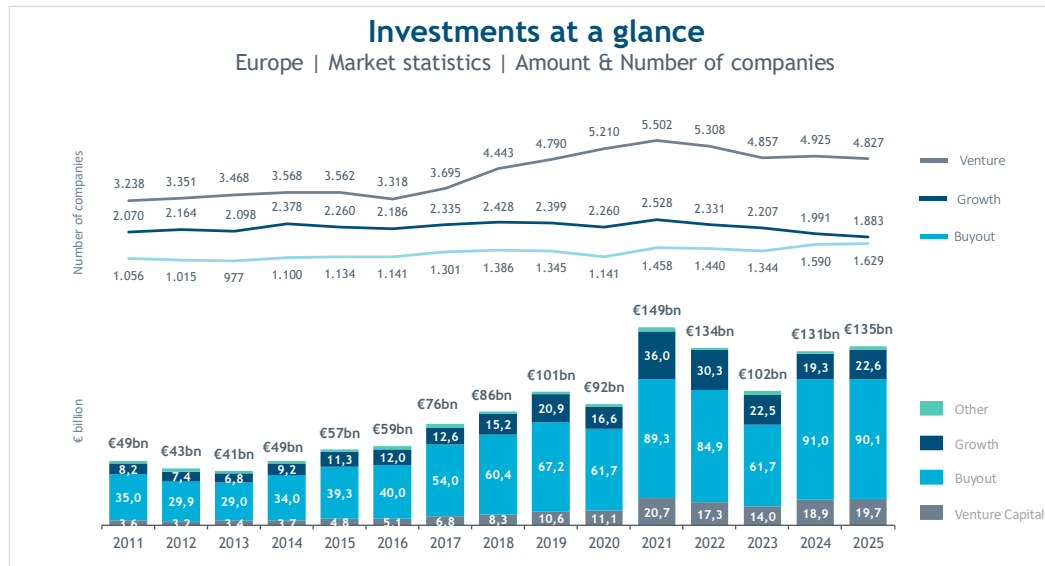
Concerning fundraising, across stages, recovery has been partial rather than uniform, still not expanding smoothly in breadth. Growth fundraising remains below its 2021 peak (by 20.5%), although it's now recovering. This is even more so for VC, where fundraising has been very volatile since its peak in 2022, remaining down 31.4% (or by 20.4% since 2021).



Source: Invest Europe / European Data Cooperative (EDC)<sup>1</sup>

The private capital ecosystem also continues to invest into a large number of young companies, and overall capital volumes remain significant. However, when looking at the trend of number of VC-backed companies, this has been declining since its peak in 2021 (by 12.3%). At the same time, VC investment amounts remain slightly below its peak in 2021 (by 4.9%).

In addition, when those companies reach the point where they need larger, longer-term pools of capital to scale, industrialise and compete across borders, the pipeline narrows sharply. Growth-stage investment is proportionally thinner and reaches fewer companies. The number of growth-backed companies has been declining since its peak in 2021 (by 25.5%). Equally, growth investment amounts remain substantially below its peak in 2021 (by 37.2%), despite the recovery beginning in 2025.



Source: Invest Europe / European Data Cooperative (EDC)<sup>2</sup>

<sup>1</sup> Invest Europe (2026), *Investing in Europe: Private Equity activity 2025*, Invest Europe, published 7 May 2026.

<sup>2</sup> Ibid.

In a mature ecosystem, fragmentation matters more: inefficiencies that were more tolerable at smaller scale become binding limits on growth. Startups and scaleups continue to operate in a Single Market fragmented along national legal lines, increasing costs, complexity and uncertainty, particularly for cross-border growth and investment.

Key features and incentives like those proposed within the EU-Inc. proposal are among the most immediate and actionable barriers to deeper integration. In this context, the proposal's value does not lie in expanding the market further, but in enabling the existing ecosystem to function more efficiently.

As the proposal passes through negotiations, there is a real risk that the elements that give EU-Inc. its potential are weakened or removed. At this stage of market development, dilution matters substantially. Weakening the proposal would materially reduce its value for companies competing globally and for investors seeking scalable European opportunities.

**The objective should not be to redesign the EU-Inc. proposal, but to protect its core.** Certain features should be maintained if the framework is to address the structural constraints now facing Europe's scaling ecosystem, including:

- **the coherent incentive framework**, notably the EU-wide employee stock ownership regime, alongside fast-track solvent liquidation and simplified insolvent winding-up,
- **the modern use of notaries**;
- **digital-by-default processes** across the company lifecycle,
- **the once-only principle** and **EU-level templates**, preventing renewed administrative fragmentation,
- **fast-track and low-cost formation**, in both timelines and fees, and
- **the flexible, investment-ready capital framework**, including bespoke share classes, non-par value shares, a minimum capital of zero, and internationally recognised instruments such as SAFEs and KISS.

Preserving these elements is essential if EU-Inc. is to turn Europe's capital depth into sustained competitiveness, rather than allowing structural fragmentation to cap the ecosystem's next phase of growth.

The risk of re-nationalisation is also central. Extensive reliance on national law, or amendments that introduce additional national requirements, would undermine the core rationale of the EU-Inc. initiative.

In addition to increasing legal risk, transaction costs and complexity, divergent implementation and practical experiences of EU-Inc. companies across Member States, particularly in cross-border operations and disputes, will lead companies and investors to engage in forum shopping, reducing the benefits of a European corporate form.

For instance, as currently drafted, admission to a regulated market remains subject to Member State choice. This differentiated treatment is legitimate, but it also demonstrates how quickly divergence in regulatory experience can emerge once national discretion is introduced. In practice, this means that two companies adopting the same EU-Inc. legal form may face materially different scaling and exit options depending on their Member State of registration. For companies and investors, this reintroduces jurisdiction-driven decision-making, affecting where companies incorporate and how investors structure transactions. This is precisely what a European corporate form should be intended to avoid.

More fundamentally, the alternative to a European EU-Inc. regime is not simply the continued use of national corporate forms, but the loss of Europe’s most mobile and fast-scaling companies to jurisdictions outside the EU, primarily the United States. For high-growth European companies, the choice is often binary: operating in the current fragmented framework, or relocation to more efficient ecosystems.

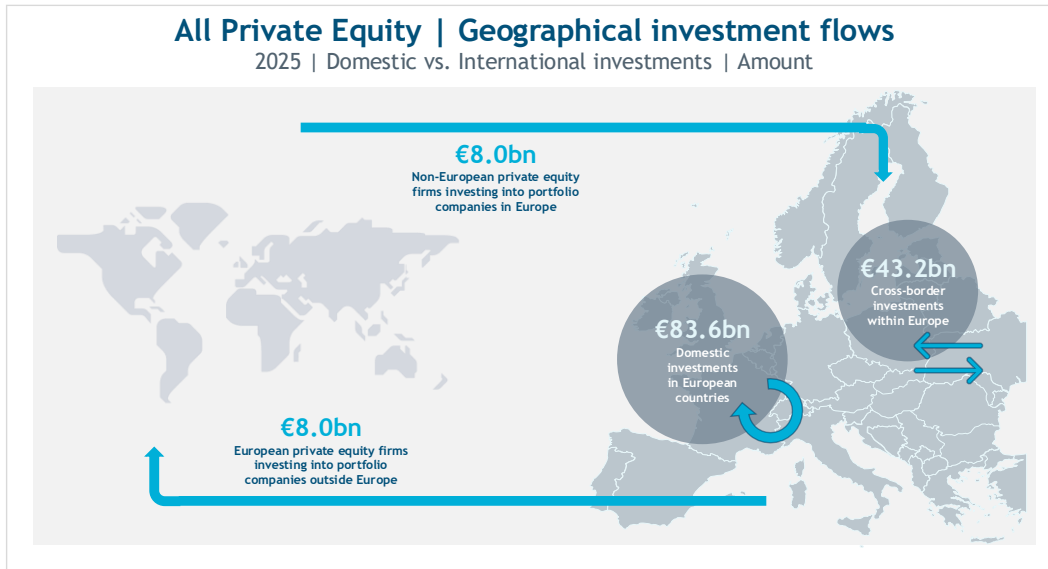
If similar discretions were extended more broadly across the EU-Inc. framework, the result would be a fragmented regime. This carries a permanent cost: once companies, and therefore, talent and capital, relocate and scale outside Europe, they are rarely regained.

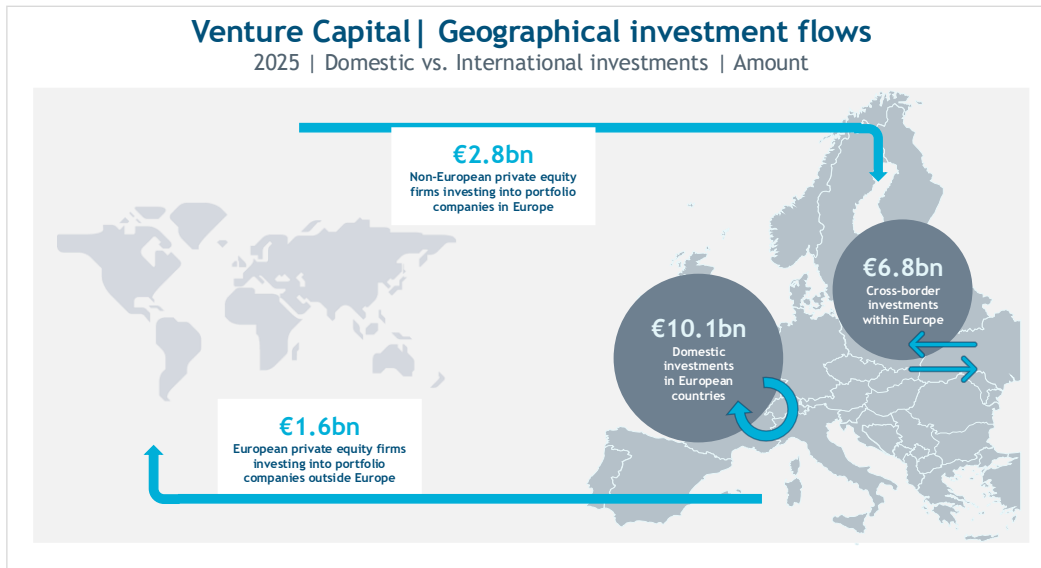
**For EU-Inc. to deliver value in practice, it must remain European in substance, not merely in form. National law should apply only where strictly necessary, and amendments that recreate fragmentation through additional national requirements should be avoided.**

The value of EU-Inc. lies precisely in its uniformity, predictability, and consistency of experience across Member States. Undermining these features would weaken both the economic and political rationale of the initiative, while also reducing Europe’s ability to retain its next generation of global companies.

At the same time, speed is of the essence, because the cost of delayed structural reform is incurred daily.

The European private capital market is already operating at scale and increasingly across borders, faster than the regulatory framework is adapting. Cross-border investment within Europe (i.e., from Germany to France) is already reflects a market in which capital, companies and investors routinely operate across national boundaries.





Source: Invest Europe / European Data Cooperative (EDC)<sup>3</sup>

According to Invest Europe’s data, in 2025, €134.8 billion have been invested within Europe (including €83.6 billion in domestic investments in European countries, €43.2 billion in cross-border investments within Europe, and €8 billion from non-European private equity firms investing into portfolio companies in Europe – compared to €77 billion, €40.8 billion, and €8.4 billion respectively in 2024, €64.6 billion, €28.5 billion, and €6.7 billion in 2023, and €80.2 billion, €38.8 billion, and €10.7 billion in 2022),<sup>4</sup> meaning that cross border investments within Europe represent 32% of all investments within the continent in 2025 (compared to 32.3% in 2024, 28.6% in 2023, 29.9% in 2022) demonstrating that cross-border activity has become more prominent over the past two to three years.

For VC specifically, the figures tell a slightly different story, with €19.7 billion invested within Europe in 2025 (including €10.1 billion in domestic investments in European countries, €6.8 billion in cross-border investments within Europe, and €2.8 billion from non-European private equity firms investing into portfolio companies in Europe – compared to €9.1 billion, €5.4 billion, and €3.1 billion respectively in 2024, €7.6 billion, €3.6 billion and €1.8 billion in 2023, and €9.4 billion, €6.6 billion, and €2.2 billion respectively in 2022), meaning that cross border investments within Europe represent 34.5% of VC investments within the continent in 2025 (compared to 30.7% in 2024, 27.7 % in 2023 and 36.3% in 2022), recovering over time.<sup>5</sup>

This gradual increase in cross-border capital deployment is a sign of a more fluid and competitive landscape, which creates a window of opportunity for Europe to better channel capital at scale, without postponing benefits, and locking in inefficiencies. However, such windows are inherently time sensitive.

Prolonged negotiations in pursuit of a theoretically “complete” solution risk draining political momentum, diluting ambition, and perpetuating the status quo. In a context where capital is increasingly mobile, delays carry a real cost: diverting investment elsewhere. **The EU-Inc. proposal should be advanced and adopted swiftly.**

<sup>3</sup> Invest Europe (2026), *Investing in Europe: Private Equity activity 2025*, Invest Europe, published 7 May 2026.

<sup>4</sup> Invest Europe (2026), *Investing in Europe: Private Equity activity 2025*, Invest Europe, published 7 May 2026; Invest Europe (2025), *Investing in Europe: Private Equity activity 2024*, Invest Europe, published 8 May 2025; Invest Europe (2024), *Investing in Europe: Private Equity activity 2023*, Invest Europe, published 10 May 2024; Invest Europe (2023), *Investing in Europe: Private Equity activity 2022*, Invest Europe, published 3 May 2023.

<sup>5</sup> Ibid.

**EU-Inc. could also be complemented by a focused review six months after implementation, which would support consistent application, allowing first users to flag practical frictions.**

- **Designing the right current and future incentives, across the full company lifecycle**

The EU-Inc. proposal does not, and cannot, address all structural barriers faced by European companies and investors. In fact, key areas such as taxation and general employment law remain largely, if not completely, outside its scope.

These areas remain national, continuing to undermine the effectiveness of cross-border operations and investments, reducing the practical reach of incentive schemes and shrinking the effective talent pool available to growing companies.<sup>6</sup>

This does not diminish the value of the initiative. On the contrary, EU-Inc. sends an important signal: that Europe is capable of moving decisively with immediate impact.

In this sense, beyond the individual measures it contains, EU-Inc. should be understood not as an endpoint, but as a necessary first step. If used effectively, **progress on EU-Inc. (including corporate law integration, insolvency, and stock options) sends a broader signal about Europe’s capacity to consolidate its Single Market.** Demonstrating that meaningful integration is possible at company level strengthens the case for longer-term reforms to further unlock private capital flows where fragmentation continues to weigh on Europe’s competitiveness.

This means **supporting more ambitious ongoing initiatives** – such as the Savings and Investment Union (SIU) – **and creating the conditions for progress in areas that remain largely untouched** – including taxation and labour mobility.

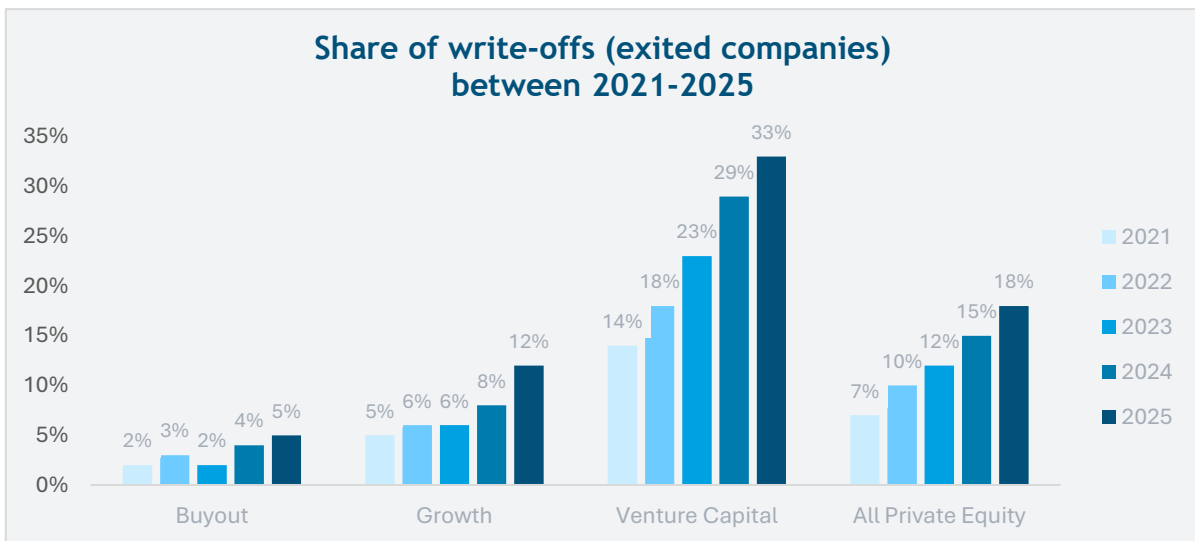
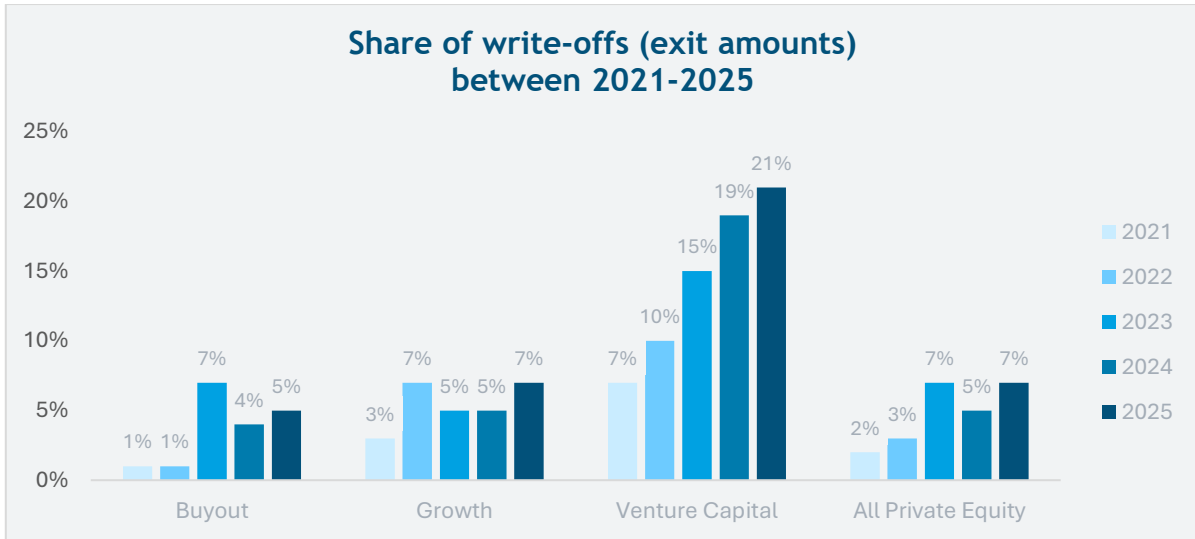
Concerning what is in the proposal, failure (including write-offs<sup>7</sup>) is a normal, measurable part of the European ecosystem, making the efficiency of insolvency procedures a systemic issue rather than a marginal one.

According to Invest Europe’s data on divestment market statistics at cost in the EU27 – meaning the total amount divested is equal to the total amount invested before, according to the country of portfolio company regardless of the location of the private equity firm – over the past five years, between 2021 and 2025, across all PE, write-offs exit amounts have increased by 250%, from 2% in 2021 to 7% in 2025 of all exits. Additionally, the share of companies exited through write-offs has increased constantly and substantially, by 157% over the same period, from 7% in 2021 to 18% in 2025 of exited companies.<sup>8</sup>

<sup>6</sup> Please see [Invest Europe’s position on Tax obstacles for cross-border remote employees](#) for more information.

<sup>7</sup> Write-offs occur the value of the investment is eliminated and the return to investors is zero or negative.

<sup>8</sup> Invest Europe (2026), *Investing in Europe: Private Equity activity 2025*, Invest Europe, published 7 May 2026; Invest Europe (2025), *Investing in Europe: Private Equity activity 2024*, Invest Europe, published 8 May 2025; Invest Europe (2024), *Investing in Europe: Private Equity activity 2023*, Invest Europe, published 10 May 2024; Invest Europe (2023), *Investing in Europe: Private Equity activity 2022*, Invest Europe, published 3 May 2023; Invest Europe (2021), *Investing in Europe: Private Equity activity 2021*, Invest Europe, published 1 May 2022.



Source: Invest Europe / European Data Cooperative (EDC)<sup>9</sup>

The pattern is, of course, most pronounced in VC, where write-offs account for a substantially higher share of exits. In 2025, VC write-offs represented 21% of VC exit amounts, an increase of 200% compared to 2021, and 33% of VC exited companies, an increase of 136% compared to 2021.

Compared to VC, the shares in growth and buyout strategies' exits of write-offs are lower but still meaningful (respectively 7% of exit amounts and 12% of exited companies in growth in 2025, as well as 5% of exit amounts and 5% of exited companies in buyout). This confirms that efficient failure mechanisms are particularly important for early-stage innovation ecosystems.

However, write-offs are not confined to VC. Losses occur across all private capital strategies, and the economic magnitude of failures in growth and buyout transactions is significant. While fewer in number, buyout and growth write-offs involve substantially larger absolute amounts and higher losses per case, implying greater implications for value preservation, employment, and capital reallocation.

If the objective of simplified insolvency is solely to address the highest frequency of failures, a narrow focus on venture-backed startups may appear sufficient. If, however, the objective includes reducing deadweight loss, accelerating the redeployment of capital and talent, preserving viable

<sup>9</sup> Invest Europe (2026), *Investing in Europe: Private Equity activity 2025*, Invest Europe, published 7 May 2026.

economic value, and limiting spill-over effects on jobs and supply chains, then excluding growth-stage and later-stage companies becomes economically inconsistent.

Slow, costly, or unpredictable insolvency procedures lock capital and talent into unproductive processes, discourage entrepreneurial risk-taking, and delay recovery across the ecosystem. **A simplified and efficient insolvency framework under EU-Inc. should therefore apply wherever failure occurs and value destruction is meaningful, not to a narrowly defined subset of “innovative startups”.**

- **Conclusion**

To deliver, EU-Inc. must remain European in substance, simple in practice, fast in implementation, and attractive to all stakeholders.

The objective should not be to redesign the proposal, but to protect and implement it effectively, while using it as a first step that sends a broader signal on Europe’s ability to deliver meaningful integration.

For more information, please reach out to [publicaffairs@investeurope.eu](mailto:publicaffairs@investeurope.eu)