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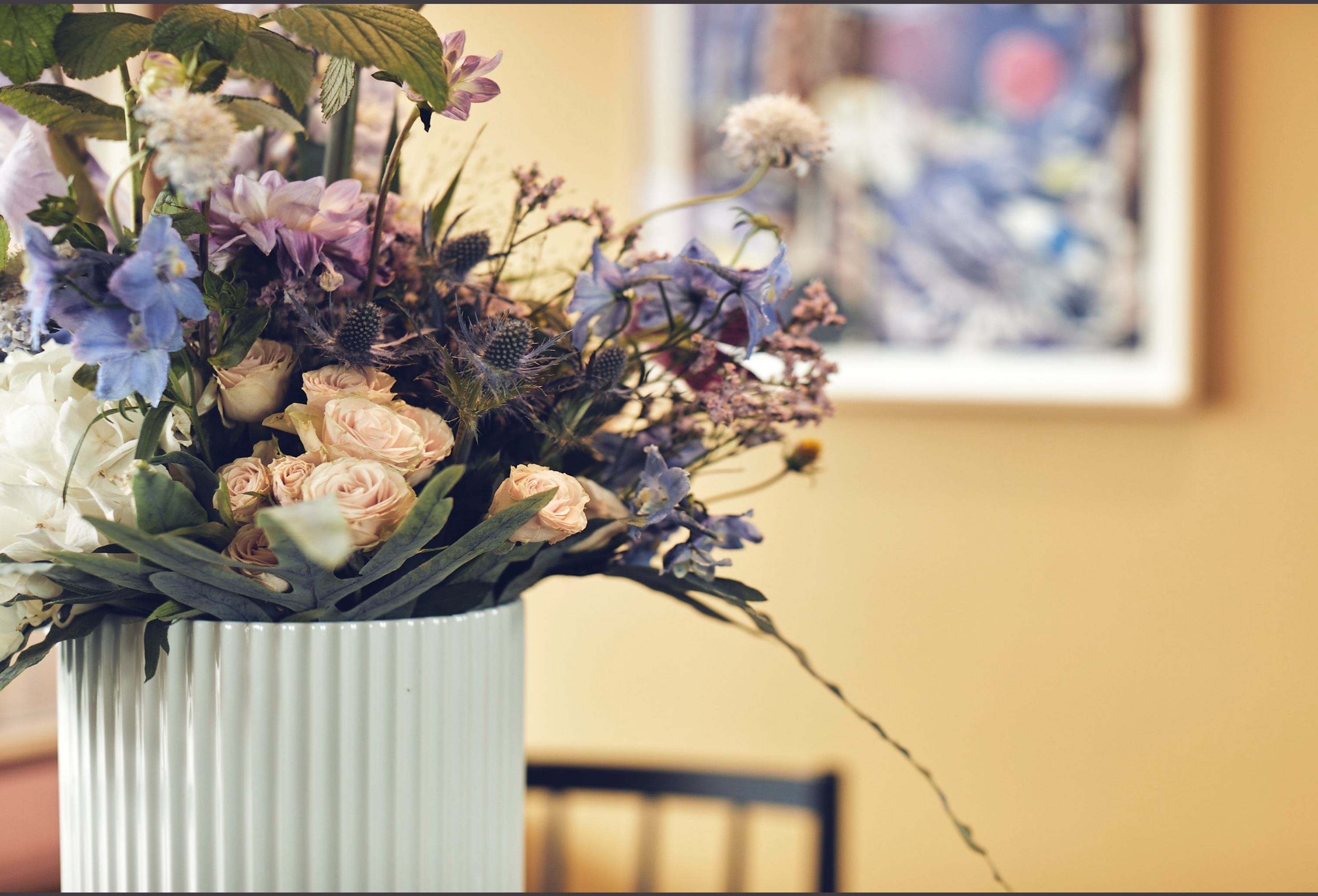
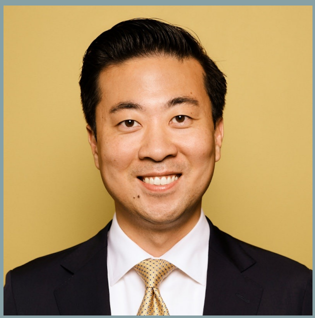


Chambers Venture Capital 2025 Global Practice Guide

14 May 2025

About

Moalem Weitemeyer is a leading corporate M&A law firm in Denmark and the Nordics, known for providing exceptional legal advice and maintaining an uncompromising commitment to client availability. M&A is at the core of the firm's business. Moalem Weitemeyer's attorneys advise on the most complex and high-profile transactions in Scandinavia, covering all aspects of corporate and securities law. The firm also has a top-tier disputes practice, combining technical expertise with commercial awareness to consistently deliver outstanding results, both in and out of court. Moalem Weitemeyer maintains close and well-developed relationships with leading law firms across key jurisdictions – including Scandinavia, Germany, the UK and Asia, as well as top firms on Wall Street and in Palo Alto – ensuring seamless cross-border legal support.



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Poul Guo has over ten years of experience in venture capital, private equity, corporate M&A and management incentive programmes. He leads Moalem Weitemeyer's venture capital team and serves as the head of the firm's China Desk practice. Poul is a member of the Association for Chinese Lawyers in Europe (ACLE) and actively participates in events throughout the year to promote and strengthen Chinese-European relations. He was recently recognised as a Next Generation Partner by Chambers' Fintech Guide 2025 for his expertise in early-stage and venture capital investments in fintech companies.

Martin Søndergaard has extensive experience in venture capital, private equity, corporate M&A and private M&A. He is deeply engaged in the Danish start-up and venture capital ecosystem, and plays a pivotal role in Moalem Weitemeyer's initiatives in this space alongside partners Jakob Skafte-Pedersen and Poul Guo. Martin has provided strategic advice on numerous investments, representing both founders and investors, including national and international investors.

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Patricia Rasch is actively engaged in the Danish venture capital ecosystem, advising both founders and investors across early-stage and growth-stage investments. She plays a key role in Moalem Weitemeyer's work with start-ups and venture funds alongside Jakob Skafte-Pedersen and Poul Guo, and regularly advises on capital raisings, convertible instruments, incentive structures (ESOPs), shareholder matters, and exits. Patricia also supports early-stage founders pro bono through the Innofounder programme (supported by Innovationsfonden) and the Copenhagen School of Entrepreneurship. She combines legal expertise with a strong commercial understanding in her work with both Danish and international clients.

Jonas Miller Rasmussen primarily advises on public and private M&A, venture capital and private equity. He holds a Master's Degree in Business Administration and Commercial Law from Copenhagen Business School, and has gained international experience from the London School of Economics and Università Bocconi.

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Introduction

Denmark's venture capital (VC) ecosystem demonstrated resilience and growth in 2024, driven by legislative reforms, increased investment activity, and a focus on technology and innovation. The market saw fluctuations in investment volumes, with a strong first half followed by a downturn in Q3. The AI and fintech sectors led the way, while green VC reached record levels. Government initiatives and regulatory changes further strengthened Denmark's position as an attractive investment hub, despite global economic uncertainties.

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Strong Start with Increased Investment Rounds

In the first quarter of 2024, the Danish venture market experienced a rise in the number of investments but a decline in the total amount invested. Approximately DKK 1.8 billion (EUR 241 million) was invested across 36 investment rounds. This represents a 24% increase in the number of investments compared to the fourth quarter of 2023, but a 21% decrease in the total amount invested. The average amount invested per round fell by approximately 35%, reflecting a higher proportion of investments in the earlier venture stages.

A significant driver of activity in Q1 was the DKK 600 million (EUR 80 million) investment in the mobility company Monta, which accounted for one third of the total amount invested. Other major investments included Lunar (fintech), Formalize (SaaS/enterprise solutions) and Orbis Medicines (biotech), which collectively raised DKK 400 million (EUR 53 million). These investments highlight the continued interest in fintech, SaaS solutions and biotechnology.

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AI Sector Rapid Expansion

In the first quarter of 2024, the AI sector in Denmark experienced a significant surge in investment activity, reaching a historic high. AI-based companies attracted a total of DKK 150 million (EUR 20 million) across six investment rounds, comprising 17% of all investment rounds in the Danish VC market during this period. This notable increase underscores the growing importance and potential of AI in driving innovation and economic growth.

The largest investment in the AI sector during Q1 2024 was DKK 72 million (EUR 10 million) in Go Autonomous, a company specialising in SaaS/platform software. This substantial investment reflects the increasing demand for AI-driven solutions that enhance efficiency, automation and decision-making processes across industries. Go Autonomous' focus on developing advanced AI technologies positions it as a key player in the evolving AI landscape.

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Despite the significant capital directed towards AI-based companies, the majority of these investments were skewed towards early-stage rounds. This trend reflects the nascent stage of many AI start-ups, which are still in the process of developing and refining their technologies. As a result, the total share of Danish VC allocated to AI companies was relatively lower compared to other sectors. However, the focus on early-stage investments signals strong belief in the long-term potential of AI technologies and their ability to disrupt traditional business models.

In the second quarter of 2024, the Danish venture market recorded total investments of DKK 2.6 billion (EUR 349 million) across 30 rounds. This represents a 26% increase in total investment compared to Q1, despite a 19% decline in the number of deals. The average investment size rose by nearly 55%, signaling a preference for later-stage investments requiring larger capital infusions.

AI investments in Q2 reached DKK 511 million (EUR 68 million) across seven rounds. The largest AI investments were in GetWhy, which raised DKK 237 million (EUR 32 million), and Reshape Biotech, which secured DKK 139 million (EUR 169 million), together comprising over 70% of total AI capital. AI accounted for 14% of total VC and 19% of Q2's investment rounds, demonstrating growing confidence in AI applications across a range of industries.

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Fintech

In the second quarter of 2024, the fintech sector emerged as the dominant force in the Danish VC market, attracting a substantial DKK 1.3 billion (EUR 175 million) across six investment rounds. This significant influx of capital underscores the growing importance and influence of fintech in the broader financial services landscape. Two major investments were pivotal in driving the sector's dominance during this period.

- Ageras, a company specialising in financial services and accounting solutions, secured a remarkable DKK 612 million (EUR 82 million). This investment highlights the increasing demand for innovative financial management tools and services that streamline business operations and enhance financial transparency.
- Flatpay, a company focused on providing automated payment solutions, raised DKK 335 million (EUR 45 million), reflecting the rising need for efficient and secure payment processing systems in the digital economy.

These two investments alone accounted for a substantial portion of the total VC directed towards fintech, comprising 37% of the total VC investment in Q2 2024. Fintech's dominance is further emphasised by its share of total VC in the quarter.

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The sector accounted for 50% of all VC investments during this period, highlighting its critical role in driving financial services innovation. This significant share indicates strong investor confidence in the potential of fintech companies to revolutionise traditional banking and financial services through digital banking solutions, automated payment systems and other technological advancements.

The substantial investments in fintech during Q2 2024 reflect the sector's increasing role in financial services innovation. Companies such as Ageras and Flatpay are at the forefront of developing solutions that enhance the efficiency, security and accessibility of financial services.

Digital banking platforms are becoming more prevalent, offering consumers and businesses convenient and user-friendly alternatives to traditional banking methods. Automated payment solutions are also gaining traction, providing faster and more secure transaction processing – an essential feature in the rapidly evolving digital economy.

The dominance of the fintech sector in Q2 2024, marked by significant investments in companies such as Ageras and Flatpay, underscores the sector's pivotal role in shaping the future of financial services. With fintech accounting for 50% of all VC investments during this period, it is clear that the sector is driving substantial innovation in digital banking, financial management and automated payment solutions.

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Q3 Slowdown Despite Stable Deal Count

In the third quarter of 2024, the Danish VC market experienced a significant downturn, with total invested capital amounting to DKK 1.2 billion (EUR 161 million), representing a 50% decline compared to the DKK 2.6 billion (EUR 348 million) invested in the second quarter. Despite this sharp decrease in capital, the number of investment rounds remained steady at approximately 30. The average investment size decreased by nearly 50%, indicating a higher proportion of bridge rounds and a notable reduction in late-stage and growth-stage funding, which fell by more than 50%.

The primary investment drivers in Q3 2024 were life science companies Again and Cerebriu, and cleantech company Stiesdal. These three companies collectively raised over 40% of the total invested capital. Specifically, Again secured DKK 223 million (EUR 30 million), Cerebriu raised DKK 126 million (EUR 17 million) and Stiesdal obtained DKK 201 million (EUR 27 million).

These significant investments highlight the continued interest in and support for the life sciences and cleantech sectors within the Danish VC market. The life sciences sector, with companies such as Again and Cerebriu, attracted substantial investment due to the growing demand for advanced medical technologies and treatments. The cleantech sector, represented by Stiesdal, also received considerable investment, reflecting the ongoing commitment to sustainable and environmentally friendly technologies.

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Strong Rebound in Danish VC Investments – Q4 2024 Marks a Return to Growth

The Danish VC market experienced a notable recovery in the fourth quarter of 2024, with investment levels increasing significantly compared to the previous quarter. Total investments reached DKK 2.7 billion (EUR 364 million) across 31 financing rounds, largely propelled by a few high-value transactions, including Adcendo (biotech), Antag Therapeutics (biotech) and Keepit (enterprise solutions). These three deals alone accounted for over DKK 1.8 billion (EUR 250 million) of the total deployed capital.

While quarter-on-quarter fluctuations in venture funding are common, the sharp 111% increase in Q4 followed a subdued Q3, signaling a return to more typical investment activity rather than an outright acceleration. Deal volume expanded by a moderate 7%, and investment levels remained approximately 20% above those recorded in Q4 2023.

Denmark's performance stood out in a global context. While investment volumes increased across key international markets, the number of deals declined in the United States, Europe and globally. Denmark, in contrast, experienced simultaneous growth in both capital deployment and transaction count, demonstrating relative resilience in an otherwise uncertain economic climate.

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Green VC Investments

Green VC investments in Denmark reached a record high in the first three quarters of 2024, surpassing the previous record set in 2022. The total amount of VC allocated to green businesses was DKK 1.7 billion (EUR 228 million), representing a 26% increase compared to 2023. The number of investment rounds for green ventures reached 85% of last year's total. Consequently, the share of Danish VC investments directed towards green companies increased, accounting for 29% of invested capital and 26% of investment rounds – up from 16% and 24%, respectively, in 2023. This growth reflects the increasing importance of and focus on sustainable and environmentally friendly business models within the Danish VC market.

In the fourth quarter of 2024, the Danish green technology sector experienced a significant boost, with VC investments reaching record levels. The total investment volume in green tech companies amounted to DKK 2 billion (EUR 266 million) across 32 funding rounds, marking a 40% increase in investment volumes and a 10% rise in deal count compared to the previous year. This growth reflects the sector's continued expansion, driven by an increasing investor focus on sustainability.

Despite the strong investment momentum, the sector faces challenges due to rising capital costs and long commercialisation timelines, which make scaling green technologies more difficult. Additionally, high-profile failures of venture-backed companies have heightened investor caution, leading to a more selective approach to green investments. As a result, while the sector shows promising growth, uncertainty around future investment levels remains due to macroeconomic pressures and shifting investor priorities.

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Exit Opportunities

Danish IPO activity has seen a notable decline in recent years. After peaking in 2021 with a record high of 26 IPOs, the number of listings dropped significantly, with only three companies listed in 2023. This downward trend continued into 2024, with no IPOs completed in the first half of the year.

The decline forms part of a broader trend across Nordic markets, driven by increased stock market volatility and reduced investor confidence, making the environment less favourable for IPOs. Despite the Danish stock market performing well in the first half of 2024, companies have been hesitant to pursue listings, partly due to continued investor caution and a preference for low-risk alternatives such as government bonds.

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Match Loans

Match loans, offered by the Export and Investment Fund of Denmark (EIFO), are a financial instrument designed to support early-stage start-ups in Denmark by matching investments from private investors on a one-to-one basis. This means that, for every krone invested by a private investor, EIFO provides an additional krone, effectively doubling the capital available to the start-up.

The loans range from a minimum of DKK 500,000 to a maximum of DKK 3 million, and are structured with a six-year term, including an initial three-year interest-only period. Match loans are particularly attractive to companies as they provide substantial funding without diluting the founders' equity, thereby preserving their control and ownership.

Additionally, these loans enable start-ups to leverage private investments, share risk with investors, and establish a solid financial foundation to scale their businesses. The structured support from EIFO, combined with the expertise and networks of private investors, enhances the potential for start-ups to achieve their growth and innovation objectives.

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Foreign Direct Investment (FDI) Screening

Over the past year, enforcement of Denmark's FDI screening framework has intensified, with authorities conducting more in-depth reviews – particularly for investments linked to Chinese or non-EU/EEA investors. Despite this heightened scrutiny, only one case to date has resulted in the Minister for Industry, Business and Financial Affairs blocking an investment. The investment was subsequently approved.

Policy Reforms Improving the Investment Climate

Legislative reforms have played a crucial role in shaping Denmark’s VC market. Amendments to the Danish Companies Act, effective from 1 January 2025, have simplified capital-raising for private limited companies (in Danish: anpartsselskab), allowing them to offer shares to the public under certain conditions. This change, previously limited to public limited companies (in Danish: aktieselskab), has created new financing opportunities for start-ups.

Additionally, the minimum capital requirement for private limited companies was reduced from DKK 40,000 to DKK 20,000 as of 27 February 2025, thereby lowering entry barriers for entrepreneurs. The approval of equity crowdfunding platforms has further diversified the sources of investment, broadening access to capital for early-stage businesses.

The new Danish legislation thereby enhances access to financing for Danish limited liability companies by allowing them to offer equity shares to the public through equity crowdfunding. For companies operating within the venture market, this provides an opportunity to reach a broader pool of investors.

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Government Initiatives Fuelling Growth

One of the most impactful government measures supporting the growth of the Danish VC market is the elimination of dividend taxes on unlisted shares, introduced in July 2024. This policy has made investments in start-ups and early-stage companies significantly more attractive to investors. By removing the tax burden on dividends from unlisted shares, the Danish government has incentivised early-stage funding, providing start-ups with the critical growth capital they need to scale their operations and innovate. This measure not only enhances potential returns for investors but also fosters a more dynamic and supportive investment environment for emerging companies.

In alignment with Denmark's sustainability agenda, the government has allocated DKK 2 billion to EIFO, specifically to boost green technology investments. This substantial funding underscores the government's commitment to fostering environmental innovation and supporting the development of green technologies.

By channeling significant financial resources into the green sector, the Danish government aims to strengthen the country's position as a leader in environmental innovation. This initiative not only attracts VC to green start-ups but also promotes the development of sustainable solutions that address global environmental challenges.

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Challenges and Future Outlook

One of the primary challenges facing the Danish VC market is global economic uncertainty and market volatility, both of which significantly affect investor confidence and the availability of funding. Economic fluctuations and geopolitical tensions can lead to more cautious investment behaviour, reducing the flow of capital into the venture market. This uncertainty makes it more difficult for start-ups to secure the funding needed to scale operations and innovate.

Another challenge is the intense competition for top talent and resources among start-ups. As the number of start-ups increases, so too does the demand for skilled professionals, particularly in specialised fields such as technology and life sciences. Additionally, the limited availability of resources – such as office space and advanced research facilities – can further strain the growth potential of emerging companies.

Despite these challenges, Denmark's emphasis on health tech and green innovation provides a robust foundation for sustained growth in the VC market. With the implementation of several government initiatives and policy reforms aimed at fostering innovation and supporting start-ups in these sectors, the future appears bright.

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Health tech, in particular, has seen significant investment activity, with companies such as Again and Cerebriu raising substantial capital in recent quarters. These investments reflect the growing demand for innovative healthcare solutions that can improve patient outcomes and reduce healthcare costs. Denmark's strong healthcare infrastructure and the collaborative ecosystem between academia, industry and government create an ideal environment for health tech start-ups to thrive.

Similarly, green innovation has gained considerable traction, with green VC investments reaching record highs. In the first three quarters of 2024, green businesses in Denmark attracted DKK 1.7 billion in VC – a 26% increase compared to the previous year. This growth is driven by the global shift towards sustainability and the increasing importance of environmentally friendly business models. Danish companies such as Stiesdal, which focus on cleantech solutions, are at the forefront of this movement, attracting significant investment and reinforcing Denmark's reputation as a leader in green innovation.

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The Danish VC market's experience in 2024 served as a microcosm of the broader challenges faced by start-ups and investors during periods of economic and geopolitical uncertainty. The significant decline in invested capital – despite a stable number of investment rounds – highlights the cautious approach adopted by investors under such conditions.

For start-ups, this environment can be particularly challenging. Securing funding becomes more difficult as investors grow increasingly risk-averse, preferring to allocate capital to safer, more established ventures or sectors perceived as more resilient. This can stifle innovation and growth, as early-stage companies struggle to access the financial support required to develop products, scale operations and bring new technologies to market. Initiatives such as Match loans have played a valuable role in strengthening early-stage start-ups by providing crucial non-dilutive funding and bridging the gap in an otherwise risk-averse investment climate.

However, the continued investment in the life sciences and cleantech sectors during Q3 2024 demonstrates that even in uncertain times there are areas of the market capable of attracting significant capital. These sectors are often viewed as having strong long-term growth potential and the capacity to address critical global challenges, such as healthcare advancements and environmental sustainability. Investors may consider these sectors more resilient to economic fluctuations and geopolitical tensions, making them attractive options for capital allocation.

At the same time, the decline in exit opportunities – particularly through IPOs – has made it more difficult for investors to realise returns, resulting in a growing reliance on M&A activity and secondary sales. Additionally, increased FDI screening has introduced further regulatory complexity for foreign investors, especially those from non-EU/EEA countries, potentially impacting the inflow of international VC.

The Danish government's proactive measures, such as the elimination of dividend taxes on unlisted shares and the allocation of substantial funds to green technology investments, continue to play a crucial role in supporting the VC market. These initiatives help foster a more favourable investment climate, encouraging both domestic and international investors to fund innovative start-ups. By reducing bureaucratic hurdles and introducing targeted tax incentives, the government further enhances Denmark's attractiveness as a destination for VC.

In Q4 2024, the Danish VC market showed strong signs of recovery, with a notable increase in both investment levels and deal volume. This growth, largely driven by a few large transactions, underscores that despite broader challenges Denmark remains a resilient and attractive market for investors.

In conclusion, while economic fluctuations and geopolitical tensions posed significant challenges to the VC market in 2024, the strong rebound in Q4 – combined with a strategic focus on resilient sectors and supportive government policies – helped mitigate these impacts. By continuing to support high-potential industries and maintaining a conducive investment environment, Denmark is well positioned to sustain its leadership in innovation and VC, driving long-term growth and technological advancement.

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Trends

VC Market

Notable transactions related to venture capital (VC) during the past 12 months include the following:

- *Flatpay*, founded in 2022 by serial founders Sander Janca-Jensen, Rasmus Busk, Rasmus Hellmund Carlsen and Peter Lüth, is a Danish payment solutions provider for SMEs. Flatpay raised EUR 45 million in a Series B funding round led by Dawn Capital, with participation from existing investor Seed Capital and other investors.
- *Adcendo*, a biotech company focused on the development of first-in-class ADCs for the treatment of cancers, closed an oversubscribed EUR 128 million Series B financing round led by TCGX.
- *Orbis Medicines*, a Denmark-based company involved in oral macrocycle drug discovery, announced the close of a EUR 90 million Series A funding round led by New Enterprise Associated, bringing the total amount raised by the company to EUR 116 million.

Key Trends

Over the past 12 months, the Danish VC market has adapted to global economic uncertainty, leading to several key trends.

Investment selectivity has intensified, with VCs prioritising start-ups that demonstrate clear paths to profitability and proven business models, particularly in sectors such as cleantech, health tech and AI. Downrounds have become more common as valuations adjust, and there is an increased emphasis on profitability and cash flow rather than rapid growth. Due diligence processes have also become more rigorous, extending negotiation timelines.

Deal terms have evolved, in response to the subdued global VC market. Valuations are more conservative, resulting in lower dilution for founders, while convertible notes are being used more frequently to provide flexibility. Investors are also incorporating milestone-based funding structures to ensure that capital is deployed efficiently. Exit provisions, including stronger liquidation preferences, have gained importance, and VCs are securing greater governance rights, such as board seats or observer rights, to maintain oversight.

Additionally, ESG considerations remain a significant factor in investment decisions, with a growing focus on sustainability, particularly in clean energy and the circular economy.

Overall, while the Danish VC market mirrors global trends of increased caution, it remains resilient, emphasising sustainable growth, profitability and clear value propositions in an increasingly selective funding environment.

Key Industries

Between February 2024 and February 2025, Denmark's VC activity was primarily driven by the technology, life sciences and renewable energy sectors. The technology sector – particularly fintech and enterprise software – attracted substantial investment, reflecting increasing digitalisation and financial innovation.

Life sciences, with a strong focus on biotechnology and health tech, continued to benefit from Denmark's position as a hub for medical research and innovation. According to the Export and Investment Fund of Denmark, more than 60% of total Danish VC in 2023 was invested in the life sciences sector. Meanwhile, the renewable energy sector – especially wind energy and cleantech – experienced heightened VC interest, aligning with the country's commitment to sustainability and green transition initiatives.

A distinction can be made between industries that experienced VC-backed exits and those that saw an increase in financing rounds. The technology sector, particularly fintech and software companies, accounted for a higher share of VC-backed exits, predominantly through M&A. In contrast, deep tech and renewable energy start-ups underwent multiple financing rounds, reflecting their capital-intensive nature and extended development timelines. This trend was further reinforced by the European Investment Fund's commitment to PSV Hafnium, Denmark's first venture fund dedicated to deep tech, underscoring the sector's need for sustained funding.

Overall, Denmark's VC landscape over the past year has followed a clear pattern: technology firms are more likely to achieve VC-backed exits, whereas deep tech and renewable energy companies continue to attract successive funding rounds to support long-term growth and commercialisation.

Venture Capital Funds

Fund Structure

In Denmark, VC funds are typically structured as limited partnerships (Kommanditselskab – K/S), where the general partner (GP) manages the fund, and limited partners (LPs) provide capital while maintaining limited liability. The GP is usually a private limited company (ApS or A/S) to minimise liability exposure.

Decision-making is governed by the limited partnership agreement (LPA), which defines capital commitments, governance and profit distribution. The GP has discretionary authority over investment decisions, often with oversight from an investment committee, which may include LP representatives.

Market-standard corporate documentation includes:

- *an LPA* – defines fund structure, governance, investor rights and capital calls;
- *subscription agreements* – regulate capital commitments and LP obligations;
- *an Investment Committee Charter* – establishes decision-making authority on investments;
- *management agreements* – outline roles, fees and responsibilities of fund managers; and
- *side letters* – address specific investor rights and bespoke terms.

Fund Economics

Fund principals typically participate in the economics of the fund through:

• management fees – usually ranging from 1.5% to 2.5% of committed capital, covering operational expenses; and
• carry or carried interest – standard market practice sets this at 20%, contingent on surpassing a predetermined hurdle rate (often 8%).

Fund Regulation

Danish VC funds are subject to the Alternative Investment Fund Managers Directive (AIFMD) and must comply with licensing, reporting and investor protection requirements. However, VC funds operating exclusively for professional investors may benefit from lighter regulatory obligations.
Funds structured as limited partnerships are not subject to direct corporate taxation, as profits and losses pass through to investors. Additionally, certain government-backed VC initiatives may have extra reporting obligations.

Particularities

Denmark's VC ecosystem comprises a diverse mix of impact funds, fund-of-funds and government-backed VC initiatives. The Export and Investment Fund of Denmark (EIFO) and the European Investment Fund (EIF) play significant roles in supporting early-stage investments, often co-investing alongside private funds.

Given the extended holding periods in VC, fund strategies have adapted to accommodate this trend, including through:

- secondary market transactions – enabling LPs to exit positions before fund maturity;
- continuation funds – providing extended capital support to late-stage portfolio companies; and
- hybrid fund structures – combining VC with growth equity strategies.

Investments in Venture Capital Portfolio Companies

Due Diligence

VC fund investors in Denmark generally adopt a risk-weighted approach to due diligence, focusing their in-depth analysis on business-critical areas while addressing other customary topics through management discussions and targeted confirmatory inquiries. The level of scrutiny varies based on factors such as the company's industry, growth stage and regulatory exposure, ensuring a due diligence process that is proportionate to the associated risks.

Key areas of focus typically include ownership structure, intellectual property (IP) rights, key commercial contracts, and employment terms for key personnel. Investors assess the company's shareholding and capital structure, including any warrants, stock options or convertible instruments that could impact dilution and governance.

IP ownership and protections are particularly crucial for tech-driven companies, ensuring that patents, trademarks and proprietary technology are properly assigned to the company and are free from third-party claims. Likewise, a review of material commercial agreements helps evaluate long-term revenue stability, dependencies on key customers or suppliers, and contractual risks. On the employment side, investors typically scrutinise non-compete, non-solicitation, confidentiality and IP assignment clauses to ensure that founders, key employees and technical talent remain committed and aligned with the company's growth.

Process

The timeline for a new financing round in a growth-stage company with new anchor investors can vary significantly based on transaction complexity, the number of stakeholders involved, and due diligence requirements. Generally, the process takes between two and six months, covering key phases such as preparatory work, investor negotiations, due diligence, legal documentation and closing. The introduction of a new anchor investor often adds complexity, as they may require extensive due diligence, negotiate key terms and influence the investment round's structure.

A single financing round involves multiple parties with differing interests, including existing investors, new investors, the company, and sometimes key management. Existing investors typically aim to protect their pro rata rights, maintain governance influence and secure exit pathways, while new investors – particularly anchor investors – often push for preferred terms, board representation or enhanced protections. Balancing these interests requires careful structuring of the investment agreements.

The choice of legal counsel depends on transaction dynamics. In some cases, all investors engage joint counsel to streamline negotiations, particularly when their interests align. However, in more complex rounds – especially those involving significant governance changes or investor protections – existing and new investors may retain separate counsel to negotiate terms independently. The company typically appoints its own legal advisers to safeguard its interests.

Decision-making mechanisms in a financing round depend on shareholder agreements and company by-laws. Majority requirements are often sufficient to approve new financings, particularly when structured within an agreed framework. However, financings rarely proceed strictly in line with the mechanics contemplated in the shareholders' agreement, requiring amendments to complete the round. Shareholders' agreements often specify that amendments require a certain approval threshold, such as shareholders representing 90% of the equity.

Investment Structure

In Denmark, early-stage financings often involve alternative equity instruments beyond common stock, particularly when investors seek downside protection, preferential returns or greater influence over corporate governance. The most commonly used instruments include preferred shares and convertible notes, each offering distinct rights and features that align with market standards.

Preferred Shares

Preferred shares are the most common alternative to common stock in VC financings, typically offering liquidation preferences, ensuring that investors recover their investment – often at 1x their original contribution – before common shareholders receive any proceeds in an exit or liquidation. These shares frequently include anti-dilution protections, usually structured as a broad-based weighted average adjustment, though full ratchet provisions may be negotiated in investor-favourable deals.

Voting rights attached to preferred shares are often equivalent to those of common stock, but investors typically negotiate veto rights over key corporate decisions, such as the issuance of new shares, amendments to governing documents, and significant M&A transactions. Additionally, preferred shareholders often secure board representation or, at a minimum, observer rights to maintain influence over strategic decisions.

Convertible Notes

Convertible notes are widely used in early-stage financings, particularly when valuation uncertainty makes equity pricing challenging. These instruments typically include:

- a discount (10%–25%) to the next financing round;
- a valuation cap to protect investors from excessive dilution if the start-up raises capital at a high valuation; and
- an interest rate (typically 3%–8%), though interest is often accrued and converted into equity rather than paid in cash.

The maturity date usually triggers automatic conversion at the next qualifying round, though some notes grant investors the option to request repayment if conversion does not occur within the agreed timeframe. Additionally, most favoured nation (MFN) clauses are often included to ensure that investors receive the most favourable terms granted to any subsequent investors.

Documentation

A financing round in a Danish growth company typically involves a structured set of key legal documents to ensure clarity on investment terms, governance rights and post-closing obligations. The core documentation generally includes:

- an investment agreement;
- a shareholders' agreement;
- updated corporate governance documents; and
- ancillary documents related to share issuance and regulatory compliance.

While Denmark does not have a fully standardised set of VC investment templates similar to the NVCA (USA) or BVCA (UK) models, market practice often aligns with internationally recognised VC standards, particularly in deals involving institutional investors.

Investment Agreement

The investment agreement is the central document that sets out the terms of the investment, purchase price, conditions precedent, and representations and warranties given by the company – and, in some cases, by founders. It also includes closing mechanics, specifying the process for share issuance and fund transfers. The agreement typically outlines investor protections, such as warranties on financials, IP ownership, and compliance, often subject to liability limitations and disclosure carve-outs.

Shareholders' Agreement

The shareholders' agreement governs the post-investment relationship among shareholders, defining corporate governance rights, share transfer restrictions, exit provisions and investor protections. Standard provisions include:

- tag-along and drag-along rights;
- rights of first refusal;
- anti-dilution protection; and
- consent requirements for key business decisions.

Institutional investors often negotiate for board representation and veto rights over certain strategic decisions.

Articles of Association

A financing round also requires corporate documentation, including amended articles of association (in Danish: vedtægter) to reflect new share classes or investor rights. If new preferred shares are issued, the articles will specify liquidation preferences, voting rights and dividend structures. Additionally, cap table updates and shareholder resolutions formalising the issuance of new shares are required.

Ancillary Documents and Regulatory Compliance

Additional documents typically include:

- investor rights agreements;
- regulatory filings to ensure compliance with Danish corporate law; and
- know-your-customer/anti-money laundering (KYC/AML) documentation, particularly for institutional investors subject to regulatory oversight.

Market Practice and Standardisation

While Denmark does not have a set of mandatory VC templates, market practice frequently draws inspiration from Nordic model documents and internationally recognised frameworks, particularly in deals involving cross-border investors. Legal counsel typically tailors agreements to align with Danish corporate law, local investor expectations and company-specific considerations.

Investor Safeguards

In Denmark, VC investors secure various protections in downside scenarios, such as liquidation, to prioritise their returns over founders, employees and other stakeholders. Liquidation preferences ensure that investors recover their capital – often with a predefined return – before distributions to common shareholders.

While non-participating preferences remain the market standard, recent conditions have led to a growing prevalence of participating preferences, which allow investors to reclaim their initial investment and then participate in the remaining proceeds.

Anti-dilution provisions are also common, with broad-based weighted average adjustments being the preferred mechanism to prevent ownership dilution in downrounds, typically excluding shares issued under employee incentive plans.

Additionally, investors usually secure pre-emption rights, allowing them to maintain their stake by subscribing to new equity issuances before external investors. Depending on the deal dynamics, investors may also receive "super pre-emption" and right-of-first-refusal rights, ensuring that only the investor and holders of preferential shares can exercise these rights.

Corporate Governance

In addition to exercising influence through their ownership rights by voting at the general meeting, a VC investor would typically secure additional rights in a shareholders' agreement to influence the management and affairs of the venture.

Board Representation and Decision-Making

VC investors often secure seats on the company's board of directors, allowing them to participate directly in strategic decision-making. Board representation ensures that investors can oversee management actions and contribute to the company's long-term direction.

Approval Rights (Reserved Matters)

Investors may require approval rights over certain major corporate decisions, ensuring that their interests are protected. These reserved matters typically include:

- amendments to the company's governing documents;
- issuing new shares or financial instruments;
- changes to the capital structure;
- modifications to business operations;
- taking on debt;
- mergers or demergers;
- acquisitions or disposals of assets;
- dividend distributions;
- signing significant contracts;
- making substantial investments; and
- appointing or removing key executives.

Information Rights

Investors customarily obtain information rights, granting access to financial statements, budgets and strategic plans. Regular reporting obligations and the right to inspect company records allow investors to monitor performance and ensure that management aligns with agreed-upon objectives.

Contractual Protection

In a Danish start-up or growth company financing round, the representations and warranties typically cover the following areas:

- legal status and corporate power;
- no conflict;
- issued shares/equity instruments;
- financial statements and, in some cases, management accounts;
- position since the accounts date;
- real property and other assets;
- IP rights (IPR) and IT;
- GDPR compliance;
- material agreements;
- related party transactions;
- employees and pension;
- insurance;
- tax matters;
- regulatory compliance;
- no insolvency;
- litigation; and
- disclosed information.

According to Danish market standards, the maturity of the company influences the extent of representations and warranties – the more mature the company, the more extensive the warranties. Notably, similar to M&A transactions, the representation and warranty catalogue in Denmark is generally less extensive and comprehensive than in jurisdictions such as the USA.

Recourse and Founder Liability

In pre-seed and early seed rounds, it is customary for the founder team to bear personal liability, subject to a claim hierarchy where investors must:

- firstly, seek recourse against the company; and
- secondly, seek recourse against the founders' holding companies.

Additionally, founders' personal liability is typically capped at one year's net salary.

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Subsidy Programmes

In Denmark, several government and quasi-government initiatives are designed to incentivise equity financing in growth companies.

The EIFO provides capital through loans or equity investments to support companies' development plans. Additionally, the Danish Growth Fund invests in private funds, which in turn invest in companies, and also directly provides equity investments in start-ups with significant growth potential.

Tax Treatment

In Denmark, the tax treatment of VC investments generally follows standard corporate tax rules but includes key distinctions aimed at encouraging investment.

Participation Exemption for Corporate Investors

Corporate investors benefit from the participation exemption, which makes capital gains and dividends on qualifying shares tax-free.

Tax Incentives for Start-Ups

Start-ups can take advantage of R&D tax deductions and equity incentives under Section 7P, which allow for tax deferral on employee share schemes. These incentives support VC investment, innovation and talent attraction in early-stage companies. The deduction rates for R&D expenses are set at:

- 108% in 2025;
- 114% in 2026;
- 116% in 2027; and
- 120% in 2028.

Tax-Free Dividends on Unlisted Portfolio Shares

Recent regulatory changes have abolished taxation on dividends from unlisted portfolio shares (where a company owns less than 10%). Previously, these dividends were subject to a 15.4% tax (calculated as 22% of 70%).

This change eliminates the disparity between capital gains and dividend taxation on such shares. As a result, companies receiving dividends from unlisted portfolio shares are no longer subject to the 15.4% tax, aligning dividend and capital gains taxation.

Government Endorsement

The Danish government has launched substantial initiatives to increase equity financing activity. In May 2024, the government introduced 41 new initiatives aimed at improving business framework conditions and fostering talent development. These initiatives are part of a broader strategy to enhance the investment climate and support start-ups and innovative companies.

Employment Incentives

General

In Denmark, the long-term commitment of founders and key employees is typically secured through the following.

- *Vesting agreements* – equity ownership is earned over time, ensuring alignment with the company's sustained success. If a founder leaves prematurely, vesting provisions may limit their ability to retain their full share allocation, protecting other stakeholders.
- *Employee equity incentive plans (ESOPs)* – many venture-backed companies implement ESOPs, allowing founders and key employees to acquire a greater stake in the company. These plans may be structured as stock options or share purchase schemes, with vesting tied to time-based schedules or performance milestones (KPIs).

Securities

To incentivise founders and employees, Danish companies typically use equity-based instruments such as warrants and stock options, granting rights to acquire shares in the future, contingent on specific conditions or timeframes.

Standard terms include:

- (reverse) vesting – rights are earned over a set period; and
- exercisability – defines when and how options/warrants can be exercised, usually aligning with an exit event.

Implementing these plans early ensures flexibility for future investors.

Taxation of Instruments

Denmark offers favourable tax treatment under Section 7P of the Danish Tax Assessment Act. If certain conditions are met (e.g, compensation not exceeding 10%–20% of an employee's annual salary), taxation is deferred until the sale of shares, at which point gains are taxed as capital income (up to 50%). This provides a significant advantage over standard income taxation.

Implementation

When implementing an investment round, it is common to establish an employee incentive programme concurrently with a new investment round. This ensures that a portion of equity is allocated before new investments, managing dilution effects.

The size and structure of these programmes are key negotiation points in VC financings and are typically documented in the investment agreement or shareholders' agreement. However, implementation is often delegated to the (new) board of directors post-closing, with minimal direct impact on the VC investment process itself.

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Investor Exit Rights

VC shareholders' agreements in Denmark typically include exit provisions governing liquidity events such as trade sales or IPOs.

Common clauses include:

- *tag-along rights* – allow minority shareholders to sell under the same terms as majority shareholders; and
- *drag-along rights* – enable majority shareholders to force minority shareholders to sell on agreed terms.

Exit triggers are often tied to:

- achieving specific financial milestones;
- reaching a predetermined investment horizon; and
- receiving qualifying acquisition offers.

Transfer restrictions typically include:

- rights of first refusal – existing shareholders have the first option to purchase shares before external investors; and
- lock-in periods – restricting share sales within a set timeframe to ensure stability.

IPO Exits

The Danish initial public offering (IPO) market has fluctuated significantly. After a peak in 2021, activity slowed, with only three IPOs in 2023 and none in 2024. This has shifted investor preferences towards trade sales as a more reliable exit strategy.

Recent legislative changes allow companies to opt for realisation-based taxation for up to seven years after an IPO, meaning taxes are paid only upon the actual sale of shares, rather than on unrealised mark-to-market gains, which previously applied to companies holding less than 10% ownership in listed companies. This provides a liquidity advantage for founders and early investors, especially those subject to IPO lock-ups.

The realisation-based taxation option applies to IPOs taking place between 1 January 2015 and 31 December 2024 and is available to "original shareholders" – defined as shareholders who have held shares in the company for at least 30 days prior to the IPO.

For past income years, shareholders may request a reopening of their tax return to claim a refund of previously paid tax, provided the company has an overall capital gain on the shares. Such requests must be submitted no later than 1 July 2025.

Going forward, investors in companies listed within the past seven years, as well as newly listed companies, will have the option to apply realisation-based taxation.

This change provides a significant liquidity advantage, as companies and investors are not required to pay tax on unrealised gains. As stated, it is particularly beneficial for founders and early investors, who are often subject to IPO lock-up periods, restricting their ability to sell shares immediately after listing.

Pre-IPO Liquidity

IPOs remain relatively uncommon for start-ups in Denmark, primarily due to stringent regulatory requirements and the high costs associated with public listings. When companies do pursue an IPO, they typically consider Nasdaq Copenhagen or other European exchanges, depending on company size, industry focus and investor interest. The timeline for an IPO is shaped by factors such as the company's growth trajectory, market conditions and regulatory preparedness.

Pre-IPO Liquidity Considerations

There is a growing recognition of the need for pre-IPO liquidity, enabling early investors and employees to realise returns before a formal exit event. However, creating a structured secondary market presents challenges, including:

- regulatory compliance;
- valuation complexities; and
- potential impacts on company control and confidentiality.

To navigate these challenges, company-facilitated tender offers can serve as a strategic solution. This approach allows the company to repurchase shares or facilitate sales to approved investors, providing liquidity while maintaining oversight and stability in the shareholder base.

Regulation

Securities Offerings

VC transactions in Denmark are primarily governed by the Danish Companies Act and the Danish Capital Markets Act, ensuring shareholder protection and market efficiency.

For larger transactions involving multiple investors or employees, compliance with the Danish Alternative Investment Fund Managers Act (the "AIFM Act") may be required. Unlike some jurisdictions, Denmark does not provide a private placement exemption under AIFM rules, meaning prior regulatory approval is needed to market such funds.

Denmark maintains an open policy for foreign VC investments, though the Danish Investment Screening Act (DISA) requires pre-approval for investments in critical sectors such as:

- defence and IT security;
- critical infrastructure (e.g, energy, telecoms); and
- financial agreements with national security implications.

Restrictions

Foreign VC investors generally face few restrictions in Denmark. However, the Danish foreign direct investment (FDI) screening framework has been increasingly enforced over the past year, particularly concerning Chinese and non-EU/EEA investors.

FDI approval is required for investments where non-EU/EEA investors acquire 10% or more of voting rights in companies operating in sensitive sectors. Despite the increased scrutiny, only one investment has ever been prohibited by the Minister for Industry, Business and Financial Affairs.

Sector-Specific Regulations

Certain industries impose additional restrictions on foreign investors:

- financial institutions (e.g, banks, payment service providers) require approval from the Danish Financial Supervisory Authority (Finanstilsynet); and
- energy and infrastructure – foreign ownership of critical infrastructure is subject to restrictions.

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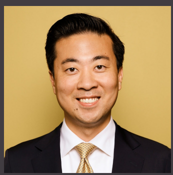

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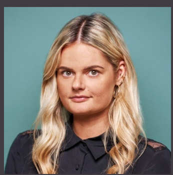

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