

NETHERLANDS



Law and Practice

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Stibbe

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1. Trends

1.1 VC Market

General Development of the Dutch Venture Capital Industry

After reaching a peak in 2021, venture capital (VC) investments in the Netherlands somewhat slowed down in 2022 and 2023. Although VC investments in the Netherlands in 2024 amounted to approximately EUR2 billion, making them comparable to the year before, the investment levels remain lower than those in the peak year 2021. This is consistent with the global trend, where VC investments are down, mainly driven by high interest rates and the slacking IPO and exit environment.

However, 2024 was a record-breaking year for Dutch venture capital fundraising. New VC funds raised over EUR3 billion in aggregate, which is mainly due to the incorporation of certain larger funds such as Forbion's Growth Opportunities Fund III, Innovation Industries Fund III and Forbion Ventures Fund VII.

The uncertainty stemming from rising trade tariffs and geopolitical tensions is expected to also affect the Dutch VC industry. However, the authors expect the Dutch VC market will continue to be active, especially given the declining interest rates (with the ECB lowering interest

to 2.25% in April 2025), the steady level of dry powder in the Dutch VC market and the Dutch government's increased sense of urgency about becoming less dependent on foreign countries and investing more in defence, dual-use technologies and deep tech.

See the Dutch [Trends and Developments](#) chapter in this guide for an overview of the most noteworthy VC transactions in the Dutch VC market in 2024 and Q1 2025.

Unless explicitly referred to a later date, the cut-off date for this article was 1 April 2025. In this chapter of the guide, both growth investments and venture capital investments are referred to as VC investments. Unless otherwise indicated, the statistics in this chapter of the guide are from the Dutch Association for Participation Companies (Nederlandse Vereniging voor Participatiemaatschappijen or NVP), as made available prior to 6 May 2025.

1.2 Key Trends

See the Dutch [Trends and Developments](#) chapter in this guide.

1.3 Key Industries

See the Dutch [Trends and Developments](#) chapter in this guide.

2. Venture Capital Funds

2.1 Fund Structure

Fund Structure

The most common legal forms used by Dutch VC funds are the Dutch co-operative with excluded liability (*coöperatie, UA*) and the Dutch limited partnership (*commanditaire vennootschap*).

Co-operative

A co-operative is a special type of association, and, as a legal entity, can hold the legal title to the fund's assets. The co-operative does not have capital divided into shares. Instead, the investors participate in the co-operative as members holding membership rights. Each investor would generally be entitled to a pro rata part of the co-operative's profits, though there is considerable flexibility in the allocation of profits.

Limited partnership

A limited partnership is a contractual arrangement between the investors (as limited partners) and the VC fund manager (as general partner). The limited partnership itself is not a legal entity, and thus cannot hold the legal title to the assets of the VC fund. The VC fund's assets are therefore either held by the general partner or by a foundation specifically established for that purpose, which holds assets for the risk and account of the investors.

Until 2025, the classification of a limited partnership as opaque or as tax-transparent was determined on the basis of the so-called “*consent requirement*”, pursuant to which a limited partnership was (only) treated as tax-transparent if the admission and substitution of partners required the prior consent of all (limited and general) partners. If that was not the case, the limited partnership was classified as opaque. As of 1 January 2025, new Dutch entity classification

rules apply pursuant to which a limited partnership is, in principle, by default treated as tax-transparent for Dutch tax purposes (see 4.2 **Tax Treatment** for a discussion of the consequences thereof). In certain situations a limited partnership may, however, still be treated as opaque for Dutch tax purposes (despite the default classification as tax-transparent), but for VC funds taking the form of a limited partnership these situations are generally less likely to apply.

The private limited liability company (*besloten vennootschap*) is also used by VC funds, though less frequently.

Main Benefits of a Co-Operative and Tax-Transparent Limited Partnership

The main benefits to using a co-operative or tax-transparent limited partnership are that such legal forms provide for great flexibility in terms of creating tailor-made fund arrangements (mainly because a co-operative and a limited partnership are not subject to the various strict, mandatory Dutch corporate law provisions). If properly structured, they provide for “*tax-neutral*” fund entity, in the sense that they generally do not create an additional layer of Dutch taxation between the investors in the VC fund and the underlying portfolio companies.

A private limited liability company can also be a suitable fund entity from a Dutch tax perspective, but in certain circumstances may (compared to a co-operative) create a potential layer of Dutch taxation between (part of) the investors and the underlying portfolio investments (ie, in which case it would not produce a tax-neutral result).

Parties Involved and the Decision-Making Process

Regardless of the VC fund's legal form, organisation and governance will generally look similar in each VC fund. The investors in the fund will be the limited partners, members or shareholders of the fund, and the fund will be managed by the managers who organise themselves through a separate vehicle (that is, the manager of the fund). There is also the management company, which consists of the employees responsible for the allocation of capital and for managing investments.

The fund manager controls the VC fund, makes investment decisions and represents the fund, provided that detailed arrangements are included in the fund documentation to also give a certain level of control and oversight to the limited partners (eg, through reserved matters, though also by pre-agreeing to detailed investment guidelines).

Legal Documentation Needed for Setting Up the Fund

The documentation needed for the establishment of a VC fund typically consists of the following.

Fund agreement, members' agreement or limited partnership agreement (LPA)

This is the key agreement, setting out the terms and conditions of the VC fund.

Subscription agreement

The agreement pursuant to which the investors subscribe to the fund and oblige themselves to contribute capital.

Management or services agreement

The agreement between the fund manager/fund and the management company in relation to the

fund, pursuant to which the managers commit to provide management services to the fund against the payment of a management fee (see also **2.2 Fund Economics** regarding the management fee).

Side letters

Larger investors in funds, in particular, may require additional investor rights, which are typically set out in "*side letters*". Such rights may include additional approval rights, co-investment rights and "*most favoured nation*" clause.

Deed of incorporation

The notarial deed of incorporation, together with its articles of association, is required for a co-operative and for a private limited liability company, but not for a limited partnership, which can be established without the involvement of a Dutch civil law notary.

2.2 Fund Economics The Management Fee

For managing the fund, the management company receives a management fee pursuant to a management or services agreement (see **2.1 Fund Structure**), which is used to pay certain costs incurred on its behalf (eg, personnel).

During the investment period (ie, the stage in the life of a VC fund where the fund manager invests the investors' capital), the management fee typically amounts to 1.5% to 2% of the committed capital per year. Following the investment period (ie, when the VC aims to exit its investments), the management fee generally amounts to such percentage of the unrealised investments (possibly subject to a step down).

Carried Interest

The fund managers participate in the fund's economics through so-called carried interest. Car-

ried interest refers to a share of profits that the fund manager receives as a performance fee, calculated as a percentage – typically around 20% – of the fund's profits after returning the investors' capital, increased with "*hurdle amount*". This serves as an incentive for fund managers to generate positive returns for their investors. The hurdle amount is a minimum return that investors must receive, and is calculated as a percentage of the capital that investors have invested in the fund (eg, 6% to 8%). For a discussion of the Dutch tax regime applicable to carried interest (the so-called lucrative interest regime) and certain developments relating thereto, see **5.3 Taxation of Instruments**.

General Partner Commitment

To ensure that the fund managers also have "*skin in the game*", and to create stronger alignment of interests between the fund managers and the investors, the fund managers are generally required to invest in the fund themselves on the same terms as the other investors (eg, 1% to 3% of the total committed capital).

Claw-Back Provisions in Fund Agreements

The final amounts to which the fund managers and the other investors are entitled can only be established after the fund has been dissolved and all investments have been disposed of. However, since proceeds will be distributed during the term of the fund, fund agreements will provide for so-called claw-back arrangements, which require the fund manager and each investor to restore funds to the fund, if and to the extent that it has received distributions in excess of the amounts it would have received if no distributions had been made until the dissolution of the fund.

2.3 Fund Regulation

Regulatory Aspects of VC Funds

A VC fund will, for regulatory purposes, typically qualify as an "*alternative investment fund*" (*alternatieve beleggingsinstelling*). This definition stems from the EU's Alternative Investment Fund Managers Directive (AIFMD) as implemented in the Netherlands by the Financial Supervision Act (*Wet op het financieel toezicht*, or *Wft*).

Managers of alternative investment funds (AIFMs) are regulated by the Netherlands Authority for the Financial Markets (AFM).

If an investment vehicle qualifies as an alternative investment fund, it falls within the scope of the AIFMD. Under the AIFMD, a licence requirement applies to an AIFM, but small AIFMs only require a registration in accordance with the *de minimis* exemption in the AIFMD (often referred to as the "*AIFMD-light regime*").

There are two categories within the AIFMD-light regime. In each case, a registration with the AFM is required. Please note that, unlike for a fully fledged AIFM licence, the registration cannot be passported to other EU member states.

Offering exclusively to professional investors

If an AIFM offers units or shares in an alternative investment fund to professional investors, and manages (one or more) alternative investment funds whose total assets under management are less than or equal to EUR100 million or are less than or equal to EUR500 million (in the case of an AIFM managing alternative investment funds that do not use leverage and that are closed-ended for the first five years), the AIFM is exempt from the licensing regime but is required to register under the registration regime.

Offering to non-professional investors

Additional requirements apply if an AIFM offers units to non-professional investors exclusively, or to both professional and non-professional investors, and manages (one or more) alternative investment funds whose total assets under management:

- are less than or equal to EUR100 million; or
- are less than or equal to EUR500 million, in the case of a manager managing funds that do not use leverage and that are closed-ended for the first five years.

To fall under the registration regime, these managed units can only:

- be offered to fewer than 150 persons; and/or
- be acquired for an equivalent value of at least EUR100,000 per participant, or have a nominal value per right of at least EUR100,000.

If these requirements are met, the AIFM is exempt from the licensing regime but is required to register under the registration regime.

2.4 Particularities

See the Dutch [Trends and Developments](#) chapter in this guide.

3. Investments in Venture Capital Portfolio Companies

3.1 Due Diligence

Due diligence is an essential element prior to committing to any investment, and this is also the case for VC investments. There is, however, a difference between the due diligence investigation typically conducted in a mature company's buy-out transaction compared to such investigation into a start-up or growth company.

The due diligence conducted by VC funds is generally less extensive. An obvious reason for this is that young and growing companies generally have a smaller workforce and less complexity compared to mature companies with a long history. In other words: there is less to investigate. Depending on the type of business, diligence typically focuses on key value drivers for the venture (eg, on intellectual property, permits/licences or certain material commercial agreements).

Another relevant element in the due diligence phase is that the investor will invest in the company and – unless there is also a secondary element – the founder and other shareholders of the company will not yet take their money off the table. Although this does not remove the need for proper due diligence, it does provide comfort to new investors.

In 2020 and 2021, the VC market was booming, and investors were eager to allocate their money and anxious to not miss out on the next unicorn in town. This led to a highly competitive market that drove extremely short due diligence timelines (sometimes even a week or less). Also, presumably due to high interest rates, the uncertainty in the global economy and the geopolitical landscape since 2022, this investment climate became less competitive, and investors have been able to take somewhat more time in conducting proper diligence of their potential targets.

3.2 Process

See 3.1 Due Diligence.

3.3 Investment Structure

Different Types of Equity

Ordinary shares and preference shares

The share capital of a Dutch limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) (practically always the legal form of portfolio companies in the Netherlands) consists of ordinary shares/common stock. These ordinary shares are typically held in any event by the company's founder(s), and sometimes also by employees under an employee incentive plan.

When the first early-stage investors make their investment, they generally require that they have a preference over these ordinary shares. For this purpose, they will be issued cumulative preference shares. This means that, in the case of a liquidation/exit event, they are the first to retrieve their investment, typically also with a certain return percentage. Only after the preference shares have received such amounts will the holders of ordinary shares receive proceeds.

Liquidation preference: participating versus non-participating

Preference shares arrangements may consist of “participating” or “non-participating” preference arrangements, as follows.

Participating

When the participating liquidation preference is agreed, the proceeds of the liquidation will be distributed among the holders of ordinary shares and the holders of preference shares, after the liquidation preference has been paid to the investors holding the preference shares. A participating liquidation preference can be subject to a cap, meaning that the investor is only entitled to the liquidation proceeds up to a certain amount.

Non-participating

When the non-participating liquidation preference is agreed, the proceeds of the liquidation will be distributed among only the holders of ordinary shares after the liquidation preference has been paid to the investors holding the preference shares.

In addition, preference shares are usually convertible into ordinary shares. This is because if the company is performing well, and a non-participating liquidation preference or a participating liquidation preference with a cap has been agreed, holders of ordinary shares may be entitled to a greater share of the liquidation proceeds than holders of preference shares. In this context, the investor will prefer to convert its preference shares into ordinary shares, as it is more economically attractive to do so.

(Convertible) shareholder loans

Some VC funds invest not through equity but through (convertible) shareholder loans. The interest payable on the loan is typically not paid each year, but is added to the principal amount. Subsequently, in the event of liquidation, the entire outstanding amount should be paid to the investor. In this way, a comparable result is achieved to when the fund had invested in preference shares.

In the past, these shareholder loans were mainly used by UK and US investors. Such loans were typically tax-driven: in short, the (accrued) interest payable on such debt would generally be offset against taxable income of the portfolio company, aiming to reduce the corporate income tax payable by such portfolio company. Today, the tax reasons that traditionally drove choosing this type of financing have largely disappeared, mainly due to the fact that the deductibility of interest on both related-party debt and third-

party debt has been restricted at both the EU and national level.

There may, however, still be reasons for using a (convertible) shareholder loan – for instance, in order to remain below certain equity thresholds, to avoid regulatory clearances having to be obtained prior to closing an investment round. Regulatory clearances tend to be time-consuming and costly, while start-ups and growth companies prefer to obtain investments as soon as possible. Working with a convertible loan may be a good solution: the company is able to obtain the funds it desires (and the shareholder/lender the economics it desires), while closing is not delayed.

Depository receipts for shares issued by “STAK”

A typical feature in Dutch VC or private equity structures is a so-called STAK. This is a foundation that holds shares in a company and issues depository receipts for such underlying shares. Through this structure, legal ownership and economic benefit of the shares is separated. The voting rights on the shares are exercised by the board of the STAK, but the dividends and liquidation proceeds will be passed on to the holders of the depository receipt-holders. If structured properly, a STAK is treated as “transparent” for Dutch tax purposes.

This feature is commonly used in employee participation plans for the obvious reason that investors may wish to incentivise employees through participation in the company, but may not wish to give them a seat at the shareholders’ table. In addition, it keeps the cap table clean, as only the STAK (and not the individual employees) is a shareholder. The board of the STAK is therefore also typically appointed by the portfolio company’s main investor.

The use of a STAK may also prove useful in start-ups and growth companies, as initial capital is often provided by a relatively large group of “friends and family” and angel investors. Such a large group of shareholders can lead to inefficiencies on a day-to-day basis and also to potential delays when setting up new investment rounds – for instance, because each shareholder will have to agree to the amended shareholders’ agreement that will be entered into as part of a new investment round.

Whether a STAK is the appropriate feature for dealing with a large shareholder base should be assessed on a case-by-case basis, as it also means that the diverse shareholder base will have to operate through one vehicle (which requires a certain level of alignment between such shareholders).

3.4 Documentation

Key Documents

The key documents in an investment round vary depending on the structure of the investment. If the investment round consists solely of a VC fund investing in a company, key documents will include the following.

Term sheet

This non-binding document (except typically for exclusivity and cost arrangements, if applicable) will set out the key terms and conditions on which the parties are willing to further negotiate the terms of the investment.

Investment agreement

This agreement sets out the terms of the investment, such as the subscription price and the legal structure of the investment, and may be combined with “sale and purchase” element if there is also a secondary as part of the investment rounds.

Shareholders' agreement

This agreement contains the agreements between the various shareholders and the company. These arrangements typically include:

- certain information rights of the shareholders regarding the company;
- drag- and tag-along rights; and
- clauses regarding anti-dilution protection.

Given that in the Netherlands shares are issued and transferred by having a notarial deed executed in front of a civil law notary, notarial documentation is required (eg, deed of issue, deed of transfer, notary letter for funds flow at closing, power of attorney, etc).

The Use of Legal Templates in the Netherlands

Although certain organisations, such as Capital Waters, have taken the initiative of standardising VC documentation, the use of industry-wide legal templates is not as widespread in the Netherlands compared to the USA or UK, where, respectively, the models of the National Venture Capital Association or the British Venture Capital Association are often used.

3.5 Investor Safeguards Downside Scenario Protection

General

In a downside scenario, the main protection for VC funds will be through the preference shares they hold, which entitle them to liquidation proceeds before the ordinary shareholders receive any proceeds. In addition, VC funds tend to require protection against so-called down rounds, and from being dragged into an exit transaction against a valuation below the valuation at which they invested in the company.

Down-round or anti-dilution protection

VC funds typically invest in companies that have not yet (fully) matured, and the valuation for such companies may be less robust compared to matured companies that have a proven track record. For this reason and others, VC funds generally require protection for down rounds, which are investment rounds subsequent to the VC fund's investment round, at a lower valuation than used in the previous round. If no protection is provided for the VC, such down round will dilute the VC fund disproportionately.

In Dutch VC transactions, down-round protection is provided for by agreeing that the VC fund has the right to acquire additional shares against nominal value. This can be achieved, eg, by applying any of the following methods.

Full ratchet

The investor will be entitled to acquire such number of shares as they would have held had they made their investment against the lower valuation. This formula can be quite unsubtle, as it does not take into account the size of the down round.

Weighted average

Adjustments to the number of shares issued to existing investors will be made depending on the size of the down round. The following most-common types can be distinguished:

- broad-based weighted average formula – this assumes that all shares are included in the average (including options, convertibles, warrants, etc); and
- narrow-based weighted average formula – this assumes that only the outstanding shares are included in the average.

The broad-based weighted average formula is the most commonly used form of anti-dilution protection in the Netherlands. The down-round protection is sometimes subject to “*pay to play*” condition, meaning that the investor only has the benefit of the protection if it participates in the new funding round.

Drag-along protection

VC funds may seek protection not only against down rounds but also against being dragged into an exit at a lower valuation than that at which the VC fund invested in the company.

Shareholders’ agreements typically provide for the right that shareholders representing a certain percentage of the shares (for instance, more than 50% or a qualified majority) can require the other shareholders (on a pro rata basis) to co-sell their shares to a third party. The reasoning here is that, if a majority of the share capital agrees to an exit, the minority should not be able to block such an exit. In addition, VC funds require an exit horizon in view of their fund conditions, and therefore a drag-along right may even be agreed at a lower percentage.

However, if investors have invested in the company at different valuation levels, the late investors will generally wish to avoid early-stage investors dragging them into an exit at a valuation below the valuation at which they had invested.

In practice, conditions are seen being attached to the exercise of these drag-along rights, in particular regarding the use of a qualified majority before a drag-along right can be exercised and/or a minimum valuation level for a certain period of time before the drag-along right can be exercised.

3.6 Corporate Governance

Two-Tier Board Versus One-Tier Board

Each Dutch limited liability company has a management board that is responsible for (among other things) managing the company’s day-to-day business and strategy, and for representing the company before third parties.

In addition to a management board, a company may have a supervisory board that supervises and advises the management board. This is not required (unless the so-called large company regime, or other specific regulatory requirements, apply). It is also possible to have a one-tier board with the management board consisting of both executive and non-executive directors. It is uncommon for start-ups to have a supervisory or one-tier board, though when a company matures this may become appropriate.

Given the strong presence of foreign investors in the Netherlands (in particular from the US) and their familiarity with one-tier boards, such investors often show a preference for one-tier board set-ups.

Board Representative

If a supervisory board or a one-tier board is present, it is common for VC funds to require one or more seats on a supervisory board, or a non-executive director on a one-tier board. Through these board positions, the VC fund is in a position to closely monitor the company and supervise the management board members, although the statutory rights for such supervisory directors are limited under Dutch law (most notably, information rights and the right to suspend the managing directors). Specific rights (eg, approval rights) are typically agreed upon in a shareholders’ agreement (and sometimes also in the articles of association).

It should be noted that a director has the fiduciary duty to act in the best interest of the company (this also applies if it has been appointed upon the nomination of a VC fund). Therefore, VC investors may prefer to obtain influence as shareholder rather than through a director nominated by the VC investor.

Typical approval rights for non-executive or supervisory directors relate to business matters (eg, entering into agreements above a certain threshold, hiring/firing key employees or approving the budget/business plan). The approvals generally require a simple majority, though certain more material matters (eg, material M&A or divestments, and approving/amending the business plan and budget) may require a qualified majority.

In addition to appointing a representative on the board, it is also not uncommon for a VC fund to have the right to appoint one or more observers. The concept of an observer is not recognised under Dutch law. Therefore, the scope and powers of an observer are typically outlined in the shareholders' agreement. In the authors' experience, observer rights are generally limited to having the right to receive board materials and to attend board meetings.

Shareholder Rights

As shareholders, VC funds will have statutory rights attached to their shares (eg, voting rights, the right to attend a shareholders' meeting and – depending on their stake – the right to call a shareholders' meeting).

Other than for certain limited exceptions, in Dutch limited liability companies, resolutions of the general meeting (eg, issuing shares, excluding pre-emption rights, amending the articles of association, and appointing and dismissing

management board members) are adopted by a simple majority. This means that a minority shareholder is not able to block such resolutions.

Shareholders' agreements will typically provide for investor protection beyond the protection provided for under Dutch law, in terms of topics and required majorities. There is no one-size-fits-all approach. Each transaction, VC fund and cap table requires its own tailored protection, though in any event key points of attention include:

- the issuance of shares;
- excluding pre-emption rights;
- specific approval rights on business matters;
- related-party transactions; and
- board composition.

It should be noted that the level of control shareholders are able to exercise over the company through contractual arrangements may also impact the necessity of certain regulatory approvals.

3.7 Contractual Protection Warranties

In VC investment rounds, warranties are primarily given by the company, which in a primary transaction will be the party that receives the investment. If there is (also) a secondary element, the selling shareholders will give warranties.

However, a selling shareholder is typically reluctant to provide detailed business and tax warranties in relation to a business in which it has only been a minority investor for a certain period of time. It is therefore not uncommon for selling shareholders to provide only fundamental warranties (unless the entire transaction solely consists of a secondary transaction, in which case the investor/purchaser may in turn not be comfortable with such approach).

The company receiving an investment in a primary transaction will usually give business and tax warranties. These are usually less extensive than in a full buy-out scenario, though the level of detail also depends to a large extent on the bargaining power of the parties involved.

Recourse

In the case of a warranty breach that has been given by the company, the investor will have a claim against the company. Although additional security on recourse may be appropriate in certain situations, escrow or personal guarantee arrangements are uncommon in such transactions. Also, the use of W&I insurance is not common in VC investments.

When making a damages claim against the company for a warranty breach, the investor should also be compensated for the loss that such damages claim imposes on its own stake in the company (ie, the damages amount must be grossed up). Damages in the Netherlands are usually paid in cash, though it is also possible (and sometimes agreed on) to pay damages in the form of shares.

4. Government Inducements

4.1 Subsidy Programmes

See the Dutch [Trends and Developments](#) chapter in this guide.

4.2 Tax Treatment

Dutch tax treatment of an investment in a portfolio company predominantly depends on whether the VC fund is opaque (eg, a co-operative or a private limited liability company) or tax-transparent (eg, a tax-transparent limited partnership) for Dutch tax purposes, as discussed further below. It should be noted that the Netherlands does

not have a special tax regime for income and/or gains derived from investments in growth or start/scale-up companies. Therefore, Dutch tax treatment of such investments is, in principle, equal to the Dutch tax treatment of investments made in other types of companies.

Co-Operative and Private Limited Liability Company

A Dutch (tax-resident) VC fund that takes the form of a co-operative or private limited liability company (or another legal form that is opaque for Dutch tax purposes) is, in principle, subject to Dutch corporate income tax on its worldwide profits at a 25.8% rate (a reduced rate of 19% applies to the first EUR200,000 of taxable profits).

However, any income and/or gains derived from an investment in a portfolio company by such co-operative or private limited liability company is generally exempt from Dutch corporate income tax, due to the application of the Dutch participation exemption, provided that (in short) the investment represents an interest of 5% or more in (the nominal capital of) the portfolio company and that certain other conditions are met. In principle, any losses incurred in respect of an investment in a portfolio also fall under the participation exemption (ie, are non-deductible for Dutch corporate income tax purposes), unless certain conditions are met, in which case (part of) such losses may nevertheless be deductible for Dutch corporate income tax purposes.

Tax-Transparent Limited Partnership

A VC fund in the form of a tax-transparent limited partnership (or another legal form that is treated as transparent from a Dutch tax perspective) is not subject to Dutch corporate income tax. This means that any income and/or gains derived from an investment in a portfolio company are,

in principle, not taxed at fund level. Instead, the investment in the underlying portfolio company – and any income and/or gains arising therefrom – are, for Dutch tax purposes, attributed to the investors on a pro rata basis, and are taxed accordingly. In this respect, it should be noted that, in principle, a foreign investor that invests in a Dutch-based, tax-transparent VC fund would – from a Dutch domestic perspective – be regarded as having a deemed Dutch taxable presence, to which the investments in the underlying portfolio companies are attributed.

4.3 Government Endorsement

See the Dutch [Trends and Developments](#) chapter in this guide.

5. Employment Incentives

5.1 General

A customary feature in start-ups and growth companies is an employee incentive plan. In short, this is a plan under which employees can participate in the company and profit from its future growth. This is an important feature for incentivising employees to grow the business, and is equally important for attracting talented people (especially since not all start-ups and growth companies are able to offer salaries similar to those with whom they compete for competent personnel).

It should be noted that there may be regulatory constraints to granting employee incentives. A 20% bonus cap applies to Dutch financial institutions, for example, which significantly limits the room for granting employee incentives.

Vesting

To ensure that employees are also inclined to stay at the company and to actually contribute

to its success, it is customary for an employee's entitlement to participation to be subject to vesting. An annual vesting of 20% is not uncommon, until 100% is vested at the fifth anniversary of the start of the employment. However, this varies per company.

Leaver Arrangements

To further ensure that employees remain involved with the company and do not leave the company after their package has fully vested, leaver arrangements typically apply. Depending on the reason for leaving the company, the employee may qualify as “good leaver” or “bad leaver” (sometimes there is also a third category, the “neutral leaver” or “intermediate leaver”). The consequences of each qualification vary per plan, but “good leaver” typically remains entitled to its vested participation rights, and “bad leaver” forfeits all its participation rights. “neutral leaver” may, for instance, forfeit only a certain percentage of its vested participation rights. In order to protect and stabilise the control and ownership structure of the company, leaver arrangements generally provide for a call option that grants investors or the company the right to purchase the vested participation rights upon a leaver event for the leaver price.

Commonly Used Incentive Plan Structures

The following structures for incentive plans are commonly used in the Netherlands.

Equity plans

Actual shares may be issued in relation to the management incentive plan. To ensure that the employees have the benefit of the economic rights but not of the voting and other rights, these shares are typically issued to a STAK (see also [3.3 Investment Structure](#)), which in its turn issues depositary receipts for the shares it holds to the participating employees. The board of the

STAK is typically composed of representatives of the investor and sometimes also a representative of the employees, with only specific rights protecting the economic interest of the employees.

Cash-based incentives (including SAR plans)

Cash-based incentives (such as performance bonuses), which become payable upon certain milestones, provide for an efficient way to incentivise employees without a structural impact and/or dilutive effects. Another cash-based incentive that provides an alternative to shares could be the issuance of “*stock appreciation rights*” (SARs) pursuant to a SAR plan. These SARs give the participant a right to a share of the company’s value increase (whereby the payment to which the participant is entitled is determined by reference to the increase of the share price over a certain reference value). SARs are typically due and payable at the time a certain trigger event occurs, such as an exit.

Option-based plans

An alternative to the issuance of shares may be the use of an option-based employee incentive plan. Such plan typically provides participants with the option to purchase (depository receipts of) shares at a fixed price.

Management equity plans

Typically, these incentives take the form of ratchet shares or subordinated ordinary shares (typically referred to as “*sweet equity*”), which provide for a leveraged return after a certain preferred return is realised (in which case, a relatively large portion of (the remaining) profits is typically allocated to the ordinary shares).

5.2 Securities

See 5.1 General.

5.3 Taxation of Instruments

General

When structuring an incentive pool, a key point from a Dutch tax perspective is typically the moment at which the taxable event for Dutch wage tax purposes occurs. In situations involving growth or start/scale-up companies of which the share value can exponentially increase over time, it is generally preferable to have the taxable event occur as early as possible (when the value may still be relatively low, compared to the value at a later stage). Other key points are:

- the Dutch tax treatment of the pay-out under an incentive for the recipient thereof; and
- any tax benefit available to the company issuing the incentive, such as the deductibility for corporate income tax purposes of the costs associated with the incentive.

Tax Considerations Applicable to Commonly Used Incentives

Equity plans

For equity plans, in principle the taxable event occurs at the moment the shares or depository receipts corresponding to the shares are unconditionally granted. Whether an unconditional granting of shares or depository receipts gives rise to the levy of Dutch wage tax depends on whether the fair market value exceeds the price paid by the employee for such shares or depository receipts. If the fair market value exceeds the price paid by the employee, the excess is taxed as a benefit from employment at the progressive Dutch personal income tax rates, ranging up to 49.5% (maximum rate for 2025).

If an equity plan is subject to vesting, it is usually important to consider the structuring of the vesting mechanism. The reason for this is that, if an equity plan is subject to time- or performance-based vesting, for Dutch tax purposes each

vested portion is generally regarded as being received – and therefore as potentially taxable as a benefit from employment – at the time of vesting. If the value of the shares increases over time, then the later the time of vesting, the higher the potential taxable employment benefit. Therefore, the vesting mechanism is typically structured such that the entire equity incentive entitlement is unconditionally granted at the outset, in combination with a cancellation mechanism, which provides that, upon an employee becoming a leaver, they would forfeit the unvested portion of their employee participation.

Cash-based incentives

The taxable event in respect of cash bonuses or payments made as part of a SAR plan occurs at the moment the entitlement to the cash bonus or SAR payment becomes unconditional. Although typically cash-based incentives are beneficial in the sense that they enable incentivising employees without structural impact and/or dilutive effects, the downside is that these are typically taxed as ordinary income against progressive Dutch personal income tax rates, ranging up to 49.5% (maximum rate for 2025). However, it should be noted that such cash bonuses or SAR payments may, under certain circumstances, be deductible for Dutch corporate income tax purposes in the hands of the company, which may potentially reduce the corporate tax burden.

Option-based plans

For stock options, in principle the taxable event occurs at the moment the shares become “tradeable”, which – in short – is the case if the employee is able to sell the shares to another person (and is not or is no longer contractually restricted from doing so). However, an employee may also elect to have the taxable moment occur at the moment the option is exercised (for this, a written request should be made in a timely

fashion to the employer). The taxable amount is determined based on the difference between the fair market value of the shares once becoming tradeable (or, if taxation at exercise is chosen, the fair market value of the shares at exercise) and the purchase price or exercise price paid by the employee, which is taxed as ordinary income against progressive Dutch personal income tax rates, ranging up to 49.5% (maximum rate for 2025).

In April 2025, the Dutch government announced that it envisages the introduction of a more beneficial tax regime for stock options granted to employees of certain qualifying start-ups and scale-ups. This beneficial tax regime would comprise of a lower effective tax rate (equal to 65% of the regular personal income tax rates, ranging up to 49.5% (maximum rate for 2025)) and a deferral of taxation to the moment the shares acquired upon the exercise of the stock options are sold. It is envisaged that this new regime will apply as of 2027.

Management equity incentives

For typical management incentives such as ratchet shares or subordinated ordinary shares (“sweet equity”), there are typically two relevant distinguishing events from a Dutch tax perspective:

- the moment of the (unconditional) grant/purchase; and
- the moment income and/or gains are derived therefrom.

As for the moment of granting, it is decisive whether the ratchet shares or sweet shares can be considered to have value at the time of the (unconditional) grant and, if so, what such (fair market) value is. Any difference between such

value and the price paid by the recipient may give rise to a taxable employment benefit.

Any income and/or gains subsequently derived after the moment of grant/purchase generally fall under the lucrative interest regime. Under this regime, any income and/or gains derived from lucrative instruments are, in principle, subject to Dutch personal income tax at progressive rates, up to 49.5% (maximum rate for 2025). However, if the lucrative instruments are held through a personal holding company, any income and/or gains derived therefrom may be taxed under the Dutch substantial interest regime at a 31% rate (a step-up rate of 24.5% applies to the first EUR67,804 of taxable income), provided that certain conditions are met (the “*structuring option*”).

It is noted that this structuring option is under scrutiny by the Dutch parliament and the Dutch Ministry of Finance is currently exploring certain potential amendments to the (structuring option laid down in) the lucrative interest regime. In March and April of 2025, the Dutch Ministry of Finance conducted a public internet consultation in which two potential alternatives have been explored, pursuant to which – in short – income and/or gains from lucrative interests would: (i) be taxed solely at the progressive rates of up to 49.5% (in other words, the structuring option would be abolished); or (ii) could, in principle, still be taxed under the Dutch substantial interest regime (in other words, the structuring option would remain available), but at an effective tax rate that is higher than the existing 31% headline rate for regular income from a substantial interest. The results from the internet consultation are currently being examined by the Dutch Ministry of Finance and it is expected that these will be discussed in the Dutch parliament – but it is not yet clear when such discussions will take place.

5.4 Implementation

The steps required to implement a participation plan largely depend on the specific characteristics of the plan. Contractual participation plans, such as SARs, typically involve minimal implementation steps beyond obtaining the necessary corporate approvals and resolutions.

Equity-based plans, however, generally require more extensive implementation. Under Dutch law, the issuance and transfer of shares require notarial intervention, meaning that notarial deeds must be drafted and executed before a civil-law notary. If employees or managers participate in the company’s equity through a STAK (see 3.3 **Investment Structure**), additional steps are required, including the incorporation of the STAK, the issuance or transfer of shares to the STAK, and the subsequent issuance of depositary receipts by the STAK to the participating managers and/or employees corresponding to such shares issued/transferred to the STAK.

Specifically for management incentive plans (MIPs), which are often seen in a private equity context, the following applies: as negotiating long-form documentation for MIPs before signing the transaction documentation is often not feasible from a timing perspective, investors and management generally aim to agree on a commitment letter plus term sheet prior to or at signing the transaction. Often, the period following signing is used to negotiate the long-form documentation and to commence a tax ruling process with the Dutch tax authorities seeking to confirm the Dutch tax treatment of the managers’ investment (see 5.3 **Taxation of Instruments** for a description of certain relevant Dutch tax considerations in this respect). Once the tax ruling is obtained (if applicable), the MIP can be implemented through the execution of the relevant notarial documentation. As the tax

ruling process with the Dutch tax authorities can potentially be lengthy (typically the duration of such process ranges from a couple of months up to a year), the implementation of the MIP usually takes place after the completion of the investment round.

6. Exits

6.1 Investor Exit Rights

Transfer- and exit-related provisions in shareholders' agreements typically include:

- a lock-up period;
- a right of first refusal (ROFR) and/or right of first offer (ROFO);
- drag-along rights; and
- tag-along rights.

During the lock-up period, the shareholders are not allowed to transfer their shares. This creates stability for the portfolio company and the cap table, and also avoids the risk that, shortly after an investment by one shareholder at a certain valuation, other shareholders may transfer shares to third parties at a lower valuation. The duration of the lock-up period depends on each situation, though a two- or three-year lock-up period is not uncommon.

After the lock-up, shareholders are typically allowed to transfer their shares to third parties, though subject to a ROFR and/or ROFO. This allows the other shareholders to acquire the shares at the price offered by a third party (ROFR), or to make an initial offer and set the price for any third parties to exceed (ROFO).

In addition, shareholders' agreements provide for a drag-along right by one or more shareholders together selling, for instance, more than

50% of the company's shares, forcing the other shareholders to co-sell their pro rata portion. In order to allow minority shareholders to profit from an exit sale by other shareholders, a tag-along right typically applies if a drag-along right remains unexercised.

6.2 IPO Exits

Most companies in the Netherlands that elect to pursue an IPO – in the form of a listing on the regulated market of Euronext Amsterdam – are relatively mature companies. However, Euronext Amsterdam is also considered to be an attractive listing platform for start-ups and growth companies, providing access to an international and sophisticated investor base, deep and diverse liquidity and good trading infrastructure.

Due to the challenging deal climate, IPO activity has slowed down over the past few years. However, there are various examples of Dutch IPOs by growth companies. Their listings enabled them to tap the capital markets and secure equity funding to accelerate their growth. Examples include:

- Basic-Fit, an operator of fitness clubs, which is listed on Euronext Amsterdam and has successfully closed multiple new equity raises since its IPO;
- Adyen, a financial technology platform, which is listed on Euronext Amsterdam;
- NX Filtration, a provider of direct nanofiltration technology, which is listed on Euronext Amsterdam;
- Avantium, a developer of renewable and circular polymer materials, which is listed on Euronext Amsterdam and Euronext Brussels and has successfully closed multiple equity raises since its IPO;
- Ebusco, a developer of zero-emission buses, which is listed on Euronext Amsterdam; and

- Onward Medical, a medical technology company, which is listed on Euronext Amsterdam and Euronext Brussels, and which recently completed a successful equity raise.

IPO Timeline

IPOs in the Netherlands generally take four to six months to complete. The main factors in this timeline include:

- the prospectus approval process with the Dutch securities regulator, the AFM; and
- the process of preparing the organisation for life as a listed company in respect of, for instance, its corporate governance, financial reporting and controls, as well as attracting new board members.

The right timing for an IPO also depends on the state of the global and local equity markets; a sufficiently favourable IPO window is often limited and difficult to predict with certainty.

The core disclosure document in an IPO is the prospectus, which must be approved by the regulator before publication. The requirements for an IPO prospectus are based on the EU's Prospectus Regulation, which harmonises the prospectus requirements across the EU. Dutch law does not impose any additional substantive requirements on the IPO prospectus. The prospectus must contain all information necessary to enable investors to make an informed investment decision, and should therefore include information on:

- the company's assets and liabilities, financial position, profits and losses, as well as its prospects; and
- the rights and obligations attached to the offered shares.

The prospectus should also include audited financials for the preceding three years, prepared in accordance with International Financial Reporting Standards (IFRS). In 2026, the required reporting period will be reduced to two years.

6.3 Pre-IPO Liquidity

In the Netherlands, there is no multilateral trading facility (MTF) with simplified listing and reporting requirements, which would allow early-stage investors to sell their shares and achieve liquidity pre-IPO/exit. Instead, pre-IPO liquidity is usually created by allowing early-stage investors to sell (part of) their shares to a third party, typically as part of an investment round where a new investor enters the cap table.

7. Regulation

7.1 Securities Offerings

In principle, the offering of (equity) securities, such as shares, to a large group of recipients constitutes an offering of securities to the public, which requires the publication of an approved prospectus pursuant to the EU's Prospectus Regulation. This also applies to the offering of (equity) securities to the public by private companies.

However, there are various exemptions to this prospectus requirement. For example, no prospectus is required if:

- the offering of securities is only addressed to qualified investors (ie, institutional investors);
- the offering of securities is only addressed to fewer than 150 natural or legal persons per EU member state;
- the total consideration for the offered securities is less than EUR5 million; or

- the securities are only offered to existing or former directors or employees of the company, provided that the company makes a document available to them containing relevant information on the securities offering.

7.2 Restrictions

In addition to merger clearances (which are typically less relevant when a non-controlling stake is acquired in a VC transaction), the Dutch Security Screening Act and the required clearances for obtaining a stake in financial institutions are the most notable regulatory clearances when obtaining a (minority) stake in a Dutch company.

The Dutch Security Screening Act

The Dutch Security Screening Act (*Wet veiligheidstoets investeringen, fusies en overnames*, or the “Vifo Act”) entered into force on 1 June 2023. The Vifo Act contains an obligation for notification to the Bureau for Verification of Investments (*Bureau Toetsing Investerings*, or BTI) for transactions relating to target companies active in certain sensitive sectors. A notification obligation may occur when a person acquires:

- control over a company that is active in the field of sensitive technology, that is considered “vital provider” or that operates a business campus in the Netherlands; or
- significant influence in a company that is active in the field of highly sensitive technology.

Following notification, the BTI will assess whether the transaction may proceed. A standstill obligation applies during the assessment. The BTI may approve the transaction with or without conditions, or, as a last resort, may prohibit it. In the case of non-EU acquirers, the EU cooperation mechanism is also triggered – in such case, other EU member states will be informed through the European Commission about the transaction, and will be provided with the opportunity to raise comments. It typically takes two to nine months to obtain approval from the BTI.

Clearances for Financial Institutions

The AFM and the Dutch Central Bank (*De Nederlandsche Bank*, or DNB) are the competent financial regulatory authorities in the Netherlands. Investments in the Dutch financial sector or in entities regulated by the AFM or DNB may trigger notification or approval requirements. Most notably, if a person seeks to acquire a direct or indirect interest of 10% or more in certain financial institutions (eg, banks, insurers, payment institutions, crypto-asset service providers and investment firms), a declaration of no objection will be required from the DNB, which typically takes between four and nine months to obtain.

Trends and Developments

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Stibbe is a full-service, leading, independent and international law firm, with its main offices in Amsterdam, Brussels and Luxembourg and a branch office in London. Stibbe's corporate group acts on a wide variety of matters, including strategic and private equity transactions, public M&A, takeover defences, governance and venture capital transactions. Recent notable venture capital transactions the firm has ad-

vised on include the following: advising Insight Venture Partners on the acquisition of a minority stake in DataSnipper; advising Picnic on several funding rounds; advising TCV on several funding rounds involving Mollie; advising Mambu on its EQT Growth-led Series E funding round; and advising JP Morgan Growth on its investment in Eye Security.

Authors



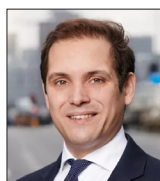
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General Observations

In 2024, venture capital (VC) investments in the Netherlands amounted to approximately EUR2.0 billion and therefore 2024 currently ranks as the fourth best year ever for VC investment in the country. The number of VC investments declined from 866 in 2023 to 743 in 2024. Additionally, start-ups struggled to secure funding beyond the seed phase. Combined with the absence of mega-investment rounds, this resulted in total investments falling short of the years 2021, 2022 and 2023, which saw EUR4.4 billion, EUR2.7 billion and EUR2.2 billion in VC investments, respectively.

Although these figures indicate a downward trend, the difference between 2023 and 2024 is relatively limited. Whether this trend will continue remains to be seen, but Q1 2025 figures (as published by Golden Egg Check) show a relatively stable continued VC environment with approximately EUR458 million in VC investments.

Unless explicitly referring to a later date, the cut-off date for this chapter of the guide was 1 April 2025. Both growth investments and venture capital investments are referred to as VC investments. Unless otherwise indicated, the statistics in this chapter of the guide are from the Dutch Association for Participation Companies (*Nederlandse Vereniging voor Participatiemaatschap-*

pijen, or NVP), as made available prior to 6 May 2025.

Most Noteworthy VC Transactions in 2024 and Q1 2025

Although the number of major investment rounds were scarce in 2024 and Q1 2025, a number of significant investment rounds took place at Dutch start-ups and scale-ups, such as the following.

- Picnic – online supermarket Picnic raised EUR355 million from its current shareholders. Among the investors was the German supermarket chain Edeka and the founder of Microsoft, Bill Gates. Picnic is using the capital to expand its activities in Germany and France by building new distribution centres, hiring more personnel and acquiring more delivery vans.
- Datasnipper – software company Datasnipper became the first unicorn since 2022, after a USD100 million investment by Index Ventures. The founders of Datasnipper had already sold a minority stake to Insight Ventures in 2022.
- Mews – cloud-based hospitality management platform Mews received a USD110 million investment from its existing investors, including Goldman Sachs Asset Management and Kinnevik. At that time, Mews was valued at

USD1.2 billion, giving it unicorn status. In March 2025, Mews received another USD75 million investment from Tiger Global. Mews' hospitality management platform is designed to streamline operations for hotels, hostels, serviced apartments, and other accommodation providers. Its core offering is the Mews Hospitality Cloud, an all-in-one property management system (PMS) that automates tasks and enhances the guest experience.

- **Axelera AI** – the Eindhoven-based AI chip start-up Axelera AI secured USD68 million in funding to fuel its ambitious growth plans. Key investors include Innovation Industries, Invest-NL and Verve Ventures, with new investors, such as the European Innovation Council and a Samsung Electronics investment fund, also joining the cap table.
- **Nearfield Instruments** – Dutch Chip inspector Nearfield Instruments secured EUR135 million in a Series C investment round. Walden Catalyst and Temasek led the funding round, with participation from Innovation Industries, Invest-NL and ING.
- **Cradle** – biotech company Cradle, a leader in AI-powered protein engineering, secured USD73 million in a Series B funding. The investment round was led by IVP, with participation from existing investors Index Ventures and Kindred Capital.
- **Citryll** – biotech company Citryll raised EUR85 million in a Series B investment round. The fundraise was co-led by Johnson & Johnson Innovation, Forbion and Novartis Venture Fund, with the participation of Pureos Bioventures, alongside existing investors.
- **Leyden Labs** – the Leiden-based biotech company Leyden Labs has secured USD70 million in a new funding round. The round was led by Polaris Partners and the Singaporean state investor Temasek.

Exits

The Dutch VC exit market has been slow in 2024 and Q1 2025. As valuations dropped due to the declining deal climate, the exit market has become more challenging. VC investors who acquired stakes in start-ups and scale-ups during peak valuation periods are now facing lower-than-expected returns. Therefore, these VC investors have been holding off exits, waiting for the deal climate to become more favourable.

Despite this slowdown, there have been some notable exits. For example, the shares in the Amsterdam-based biotech company Calypso Biotech have been acquired by Novartis for around USD425 million. Part of the purchase price will be payable after reaching certain milestones. Sellers include M Ventures, Johnson & Johnson Innovation and Gilde Healthcare.

Leading Industries in Dutch VC Market

Traditionally, the largest share of venture capital investments in the Netherlands has been directed towards the ICT, biotech and healthcare sectors. However, recent developments in the Dutch tech landscape have highlighted significant advancements in the climate tech and AI sectors. A notable example of the focus on climate tech is Carbon Equity's fundraising of EUR100 million for the Climate Tech Portfolio Fund II in March 2024. In terms of AI investments, the USD73 million investment in Cradle and the USD68 million investment in Axelera AI are worth mentioning. According to data from Dealroom, a comparison of investments in (sub) sectors in the Netherlands and other European countries shows a higher level of investment in energy and fintech start-ups in the Netherlands.

Venture Capital Fundraising

Contrary to the global trend of declining VC fundraising in recent years, Dutch VC funds had a

record year in 2024, raising over EUR3 billion. The most notable funds raised include the following.

- **Forbion Growth Opportunities III** (EUR1.2 billion) – focuses on later-stage European and North American biopharma companies developing novel therapies for high medical-need areas.
- **Forbion Ventures Fund VII** (EUR890 million) – aims to build a portfolio of innovative biotech companies focused on therapeutics, including both established firms and new ventures co-founded by Forbion.
- **Innovation Industries Fund III** (EUR500 million) – invests in deep-tech companies across the Benelux and Germany. Investors include pension funds such as PME, PMT and ABP, as well as banks like ABN AMRO and Rabobank, alongside public investors such as Invest-NL and the European Investment Fund.
- **SET Fund IV** (EUR200 million) – targets European start-ups developing digital-first, data-driven solutions to accelerate the mass-market adoption of renewable energy technologies.
- **Infinity Recycling Circular Plastics Fund I** (EUR175 million) – aims to make 10–14 investments in companies working with waste valorisation technologies that convert end-of-life plastic waste into virgin grade commodities.

These fundraisings highlight strong investor interest in the biopharma, deep-tech and climate-tech sectors in the Netherlands. Additionally, the continued involvement of public investors, such as the European Investment Fund and Invest-NL, remains a positive factor in supporting VC fund growth.

Outlook for 2025

Between 2020 and 2022, the abundance of private capital fuelled a peak in VC activity, creating a founder-friendly market with peak valuations. However, geopolitical instability and rising interest rates from 2022 onwards led to a market cool-down. As a result, the valuations of innovative start-ups and scale-ups, which had skyrocketed during the peak years, have returned to “normal” levels. Over the past few years, VC investors have been holding off on exits, waiting for a more favourable deal climate, which in turn has impacted the level of investment rounds.

Despite this and the current volatile macroeconomic and geopolitical environment, Q1 2025 has shown a stable continuation of the level of VC investment activity. The authors expect the Dutch VC market to remain active throughout 2025, mainly driven by declining interest rates (with the ECB lowering interest to 2.25% in April 2025), high levels of dry powder, and continued support from Dutch and European backed VC funds (also in view of the increased sense of urgency of becoming less dependent on foreign countries and investing more in defence, dual-use technologies and deep tech).

Dutch Government’s Involvement in the VC Industry

The Dutch government remains an active player in the Dutch VC arena. According to data from Dealroom, out of the ten most active VC funds, five are government backed funds. The Dutch government recognises that VC investments are essential in boosting the energy transition, the healthcare sector and digitalisation. Since recently, this also applies to boosting the defence industry (see the paragraph on VC Investments in the Defence Industry for more information on this specific topic). Therefore, the Dutch government stimulates VC investment by means

of multiple initiatives. Below is an overview of some of the most notable government initiatives related to VC and recent related developments.

Additional financing allocation for Invest-NL

Invest-NL is a private company financed by public resources and with the Dutch Ministry of Finance as its sole shareholder. Invest-NL provides capital investments of between EUR5 million and EUR50 million. At a maximum, Invest-NL's funding covers up to 50% of the total required financing of a start-up or growth company. In addition, the activities of the company requesting funding should be in line with the focus areas of Invest-NL. These focus areas include:

- deep tech;
- bio-based and circular economy;
- carbon-neutral economy; and
- life sciences and health.

Invest-NL was founded in 2020, and has since completed around 135 investments, with total investment amounts of over EUR1 billion. The Dutch government announced in 2024 that Invest-NL shall receive EUR900 million in additional financing until 2029.

Regional development corporations

There are nine regional development corporations, with the Dutch provinces of the relevant region as shareholder. The purpose of these companies is to invest in and strengthen the regional economy. Figures show that approximately EUR220 million has been invested in 2024 by VC investors with the Dutch government as sole shareholder. These VC investors include, most notably, Invest-NL and the regional development corporations.

Phasing-out of the National Growth Fund

The National Growth Fund is an initiative of the Dutch Ministry of Economic Affairs and Climate and of the Ministry of Finance, which managed the fund on behalf of the government. Through this fund, the government invests over EUR11 billion in projects that contribute to the sustainable earning capacity of the Netherlands. Recently, the newly formed Dutch administration announced that the National Growth Fund will be phased out in the coming years.

Extension of the Innovation Credit, Early-Stage Financing and Seed Capital schemes

The following schemes have been extended by the Dutch government.

- The Innovation Credit (*Innovatiekrediet*, or IK) is a scheme intended for companies engaged in the development of clinical and technical development projects. Over the past 15 years, IK has supported more than EUR1.9 billion in private R&D projects through loans. The scheme has co-financed ASML, Near-field Instruments and many other innovative companies.
- The Early-Stage Financing scheme (*Vroege fase financiering*, or VFF) was established in 2014 with the goal of supporting early-stage companies, specifically during the proof-of-concept phase. The VFF focuses on three main target groups: SMEs; innovative start-ups; and academic or college start-ups. The VFF supports companies through an interest-bearing loan, which amounts to 7.71% per 1 January 2025.
- Established in 2005, the Seed Capital scheme aims to strengthen the VC and business angel fund landscape in the Netherlands by providing loans to investment funds. Private investors contribute expertise and capital to start-ups, and the government doubles

their contribution in the form of an interest-free loan with a maximum term of 12 years. The investment per company is between EUR100,000 and EUR5 million.

In October 2024, the Dutch government extended the terms of the IK, the VFF and the Seed Capital schemes until 1 January 2030.

Dutch Investment Bank

In April 2025, a group of leading Dutch entrepreneurs and scientists called on the Dutch government, in an open letter, to centralise the various funding/financing channels into a central government investment vehicle, the Dutch investment bank. According to the authors of the letter, one Dutch investment bank would save overhead costs and provide clarity and scale. According to the authors of this letter, due to the lack of a central investment vehicle, the Dutch government often opts for subsidies, while in certain situations a loan or an equity investment would be the better option. The Minister of Economic Affairs has indicated that the government is working on consolidating the various public investment initiatives in the Netherlands and will announce further steps before the summer of 2025.

Activity of Foreign VC Funds in the Netherlands

Foreign VC funds invest significantly in Dutch companies. Figures show that, in investment rounds, the amount of money invested in Dutch companies by foreign VC funds is comparable to that invested by Dutch VC funds. In 2024, VC investments from foreign investors amounted to approximately EUR906 million and VC investments from domestic investors amounted to approximately EUR987 million. Foreign VC investors, however, primarily participate in large

investment rounds, while smaller investment rounds are mainly driven by Dutch VC investors.

VC Investments in the Defence Industry

In recent years, geopolitical changes have led EU countries to significantly increase their defence spending. The Dutch government acknowledges the urgency of establishing an independent defence industry, as evidenced by the 16.3% increase in defence-related spending since 2020. Private investors have also shown growing interest in the defence sector. According to data from Dealroom, VC investments in the European deep-tech defence, security and resilience start-ups increased from EUR1.1 billion in 2019 to EUR5.2 billion in 2024.

An example of a Dutch VC fund focusing on defence-related investments is the European Defence and Security Tech Fund from Keen Venture Partners, which aims to raise EUR125 million for investing in defence-related start-ups. Another notable investor in Dutch defence-related start-ups is the SecFund. This fund is a co-operation between the Ministry of Defence, the Ministry of Economic Affairs and the above-mentioned Regional Development Corporations. The SecFund provides investments of between EUR150,000 and EUR5 million per company and accounting for not more than 50% of the total investment need for the development of dual-use technology.

Despite the growing interest from investors in defence-related investments, certain bottlenecks remain present. A PwC report prepared on behalf of the Dutch Ministry of Defence identified the following issues in this regard.

- ESG policies – investments in the defence industry may conflict with ESG policies adopted by (VC) investors. Many funds

include provisions that prohibit investments in the defence industry, in particular if raised prior to the war in Ukraine.

- Uncertain business cases – businesses in the defence industry typically have a limited customer base, primarily concentrated among governments. The demand is uncertain and heavily influenced by the geopolitical climate, leading to volatile valuations that can negatively affect (VC) investors' exit opportunities.
- Reputational risks – (VC) investors may be concerned of reputational risks, particularly if geopolitical tensions decrease and the public opinion on defence-related investments shifts, leaving the (VC) investors with a substantial defence portfolio.
- Limited availability of larger tickets – to scale up early-stage companies in the defence industry, larger amounts of venture capital are typically required. Obtaining such large-sized tickets from Dutch and European investors is often still challenging.

The Dutch government acknowledges that it has an important role in ensuring a structural demand and, where possible, in removing bottlenecks for investments in the defence industry. The authors expect the Dutch VC market to continuously focus on defence-related investments over the course of 2025.

Continuous Focus on ESG

Over the last couple of years, the government, society and companies have increased their focus on environmental, social and governance (ESG) aspects. The number of VC funds focusing on impact investment and climate tech has grown. Successful examples of such funds in the Netherlands are Carbon Equity, Infinity Recycling and SET ventures. ESG-related regulation applicable to VC funds has also increased. This began in 2021 with the entry into force of the

EU's Sustainable Finance Disclosure Regulation (SFDR). The SFDR requires managers of VC funds to:

- integrate sustainability risks into their investment decision-making processes, and to be transparent with respect to products that target sustainable investment; and
- update product documentation, including prospectuses, websites and ad hoc marketing materials.

In May 2024, the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) emphasised that it will continue to monitor SFDR compliance by financial market participants, signalling tighter enforcement against non-compliant entities and highlighting a new phase of supervisory attention for accurate SFDR disclosures.

Amendments to the AIFMD

The EU Second Alternative Investment Fund Managers Directive (AIFMD 2.0) entered into force on 15 April 2024, with a local transposition deadline set for 16 April 2026, and it will impact EU funds and their managers. AIFMD 2.0 will introduce a range of stricter requirements that necessitate significant adjustments in the compliance and operational procedures of alternative investment funds and their managers. Areas such as loan origination, risk management and liquidity management will become subject to increased scrutiny, with the aim of compelling alternative investment funds, including EU VC funds, to enhance their internal frameworks and practices to meet the new standards. While these changes may initially pose operational challenges, they are designed to promote greater financial stability, enhance investor protection and mitigate systemic risks within the industry.

ELTIF 2.0

The recent major update to the EU's regulation for long-term investment funds (ELTIFs) also impacts EU VC funds. ELTIF 2.0, which came into force on 10 January 2024, provides alternative investment institutions – including VC funds – with access to new fundraising avenues, greater investment flexibility and a broader investor base, including retail investors across the EU. By extending the scope of eligible investments and taking away certain regulatory constraints, ELTIF 2.0 facilitates a more efficient flow of capital into the VC system. This influx of capital can stimulate innovation, support the growth of start-ups and scale-ups, and enhance the competitiveness of the European economy on a global scale. The ability for VC funds to form fund-of-funds structures and improved cross-border marketing rules further amplifies these opportunities, fostering a more integrated and robust investment environment.

The Netherlands as Fintech Hub

The Netherlands has the EU's second-largest fintech industry, and is third in terms of VC funding in the EU. Banking and other financial services are shifting faster than ever, from brick-and-mortar buildings to online, AI and blockchain. Since the COVID-19 pandemic, fintechs have been on a steep upward trajectory. The Netherlands is recognised as a global front-runner in fintech, in particular payments (with companies such as Adyen, Bird, Bottonic, Bunq and Sentilia), and VC funds investing in the Netherlands continue to be active in the fintech sector, following earlier successful capital rounds by companies such as Mollie, Mambu, Finom, PayU and BUX.