



VC Funding in Finland

Quality over Quantity

HELSING BUSINESS GROUP LTD

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VC Funding in Finland 2025: Quality Over Quantity

The idea of a Finnish “funding winter” falls apart when examined closely because it views a global liquidity correction as a failure within the domestic ecosystem. The decline from €1.6B in 2022 to €869M in 2023 was mainly caused by the disappearance of foreign-led megadeals, rather than a drop in founder quality, reduced early-stage activity, or structural issues. Early-stage funding stayed steady, domestic venture capitalists increased their market share, and public capital acted counter-cyclically to keep the pipeline flowing—behaviour that does not match a systemic downturn. What some called a “winter” was merely the visible sign of foreign growth investors withdrawing from Europe as a whole. In contrast, Finland’s internal factors, such as company formation, sector strength, and domestic investor presence, continued to perform well. The data shows a correction in capital volume, not a decline in the ecosystem’s vitality.

Executive summary

The dominant narrative surrounding Finland’s venture capital market since 2023 has been one of contraction, fragility, and declining investor confidence. Headlines framed the period following the 2021–2022 peak as a “funding winter,”ⁱ marked by a dramatic fall in total capital deployed, from over €1.6 billion in 2022 to €855 million in 2023.ⁱⁱ This interpretation gained traction quickly because total capital is intuitive, attention-grabbing, and simple to compare across years. However, it is also the least informative indicator of ecosystem health, and its prominence created a misleading picture of structural weakness that is not supported by underlying data.

Although aggregate funding decreased, early-stage stability remained steady. FVCA data indicate that the number of Finnish companies raising pre-seed and seed capital remained essentially unchanged throughout the correction period. If Finland had truly entered a systemic downturn, early-stage company formation would have significantly declined. Instead, company creation and early experimentation stayed at historically normal levels. The fall in total euro volume was almost entirely due to the disappearance of late-stage megadeals, rather than a decline in ecosystem fundamentals.

This distinction is crucial because Finland’s peaks and troughs are mainly driven by foreign capital flows, which follow cycles and react to global liquidity conditions rather than local opportunities. Foreign investors drove the 2021–2022 spike through several large rounds, then quickly withdrew in 2023 as global growth equity shrank. Domestic VCs, on the other hand, showed resilience, increasing their participation rates and investing €226 million in H1 2025, their strongest performance in years. Public funding, primarily through Business Finland and European

innovation programmes, operated counter-cyclically and provided stability precisely when private foreign capital declined.

Sector-level analysis further challenges the idea of a “funding winter.” The contraction was not consistent: areas such as deep tech, health data, industrial technologies, and energy systems continued to attract significant investment because of Finland’s structural strengths in research infrastructure and regulatory clarity. The steepest declines occurred in the ICT and SaaS sectors, most affected by global multiple compression. The outcome is an ecosystem shifting towards strategic realignment rather than decline, with the focus moving to high-competency, defensible technologies.

The reframe is clear: Finland did not face a funding winter. Instead, it underwent a period of liquidity normalisation and sectoral reconfiguration. The ecosystem’s core strengths, such as early-stage density, domestic investor maturity, and public capital discipline, remained resilient throughout the adjustment. The volatility in total capital was driven by foreign investor behaviour, not a collapse in ecosystem fundamentals.

This analysis also strengthens the outlook for the next cycle. With €400 million deployed in H1 2025 and full-year projections exceeding €1.5 billion, driven by large-scale rounds from Oura and IQM, Finland is entering a renewal phase supported by globally competitive sectors. The interplay between domestic funds, EU-aligned capital, and emerging foreign re-engagement will accelerate capital velocity through 2026.

The Finnish VC ecosystem is not shrinking; it is maturing. The correction eliminated excesses, enhanced discipline, and clarified Finland’s genuine competitive advantages. The next cycle will be driven not by total capital volume but by capital composition, sectoral specialisation, and

the growing strategic importance of domestic investors.

Key findings

- The 2023 drop in funding was not a “funding winter” but a statistical illusion created by the disappearance of a handful of oversized 2021–2022 rounds. Early-stage activity barely moved, proving the ecosystem was stable while the headline figures misled everyone.
- Domestic VCs became the real price-setters precisely when foreign investors withdrew—contradicting the belief that Finland relies on international capital to function. Their €226M deployment in H1 2025 shows that local funds are no longer passive participants but active cycle-shapers.
- Public capital is not a safety net—it is now the most reliable counter-cyclical force in Finland’s entire funding architecture. The €74M deployed in H1 2025 reveals that public investment is increasingly acting as the system’s default stabiliser, not its emergency backup.
- Foreign capital never defined Finland’s ecosystem but distorted it. The apparent boom-and-bust cycle is simply the footprint of foreign liquidity surges, not a reflection of Finnish startup quality or demand.
- The “SaaS slowdown” narrative is a distraction from the real shift: Finland’s competitive frontier has moved decisively toward deep tech, industrial technologies, and regulated health data. These sectors continued raising capital even at the cycle’s bottom, proving the ecosystem’s strength lies in science and infrastructure, not in software multiples.

- H1 2025’s €400M deployment, and the projected €1.5B+ full-year trajectory, show that Finland’s recovery is not cyclical but structural. The rebound is driven by globally competitive companies such as Oura and IQM, suggesting the ecosystem is entering a new power-law phase rather than reverting to its prior state.

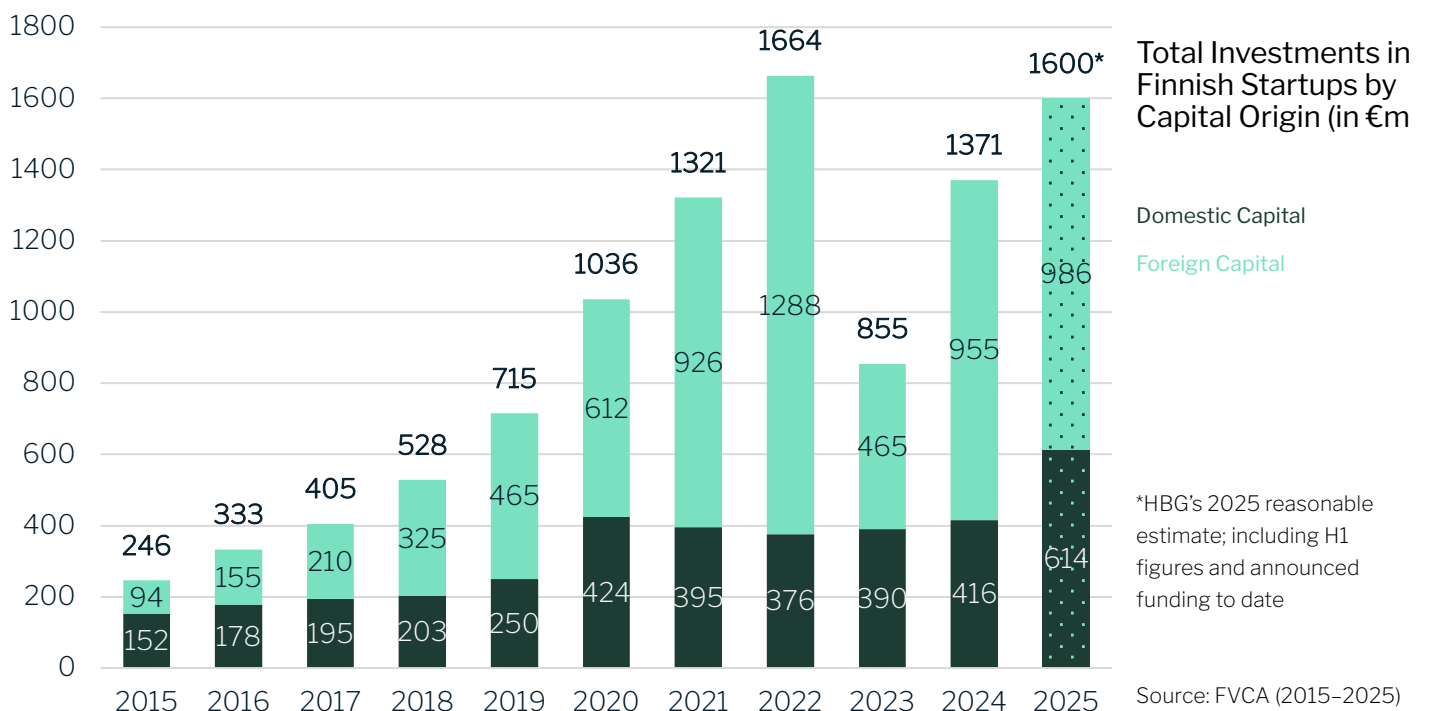
The misdiagnosis

The industry over-relied on aggregate funding volume, a lagging and misleading indicator

Throughout 2023–2024, the predominant narrative in Finnish startup circles framed the decline in total VC funding as evidence of systemic weakness. Industry stakeholders often pointed to the drop from €1.6B in 2022 to €869M in 2023 as proof of a “funding winter.” However, this comparison ignores that late-stage megadeals accounted for a disproportionate share of earlier totals. When capital-heavy rounds disappear, aggregate volume inevitably collapses without necessarily indicating deterioration in fundamentals.

The assumption emerged because total capital is a convenient metric: it is easy to report, intuitively understandable, and visually dramatic. Yet it is structurally biased toward outliers and distorts ecosystem health when cycles shift. Early-stage stability, deal count, and company formation data rarely enter public discourse, even though they better reflect ecosystem resilience. As a result, the market misinterpreted a normalisation as a downturn.

This misdiagnosis created a feedback loop within the ecosystem. Media reporting amplified the narrative, founders internalised it, and



policymakers reacted to optics rather than underlying indicators.ⁱⁱⁱ The result was a strategic overcorrection, with some actors unnecessarily delaying initiatives. In reality, the evidence did not support the severity of the narrative being propagated.

Outsized reliance on foreign investors created exaggerated peaks and perceived collapses.

Foreign investors were responsible for the majority of Finland's late-stage capital flows during 2021-2022, with several rounds exceeding €100-€200 million. This generated a capital profile that appeared exceptionally strong during liquidity-rich years but was inherently unsustainable. When global growth equity sources retracted in 2023, Finland seemed to "collapse" only because the previous years had been inflated by external liquidity. The ecosystem's own underlying torque had not materially changed.

The issue is not the presence of foreign capital but its volatility. Foreign funds quickly adjust their exposure in response to global macro cycles, interest rates, US growth, equity movements, and public market valuations. Domestic VCs don't show this volatility, making them a more reliable indicator of genuine ecosystem health. However, because foreign capital dominates the headlines, fluctuations are often misunderstood as local structural problems.

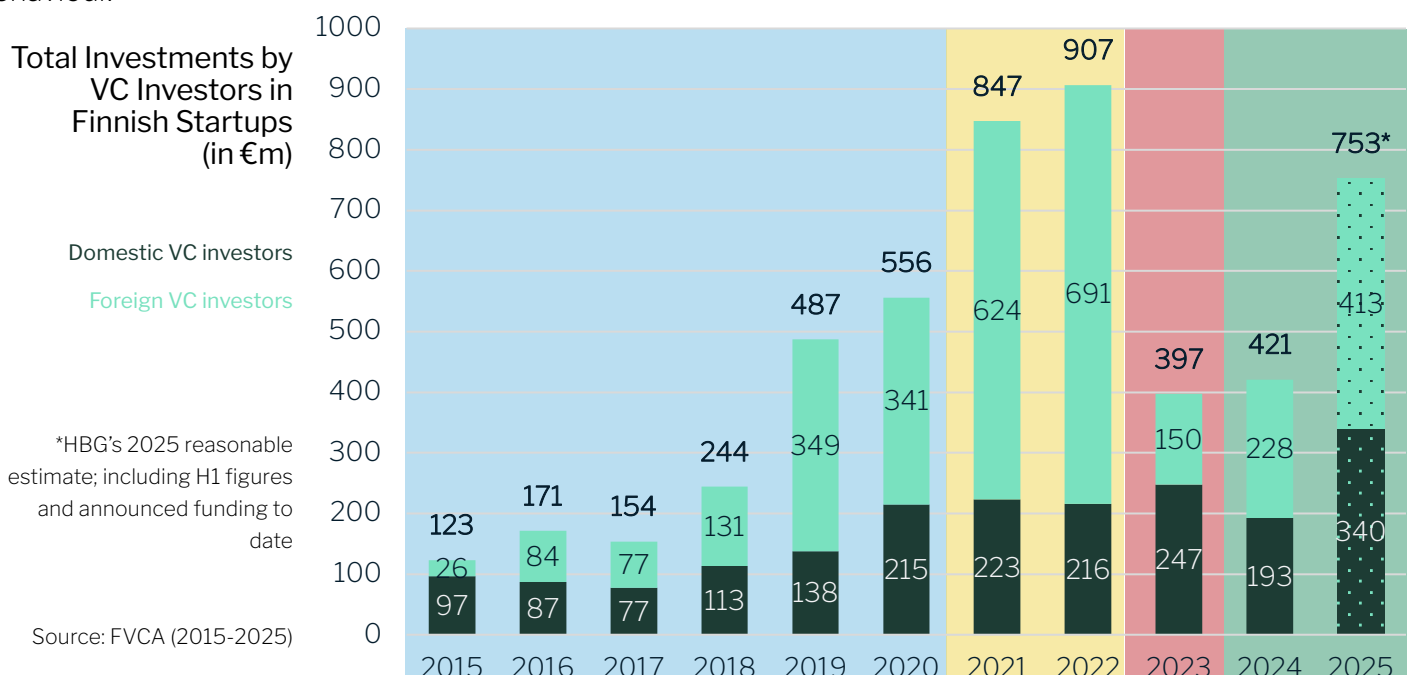
This illusion of visibility led to two misleading conclusions in the Finnish market. First, that Finland had become reliant on foreign capital for growth, when in reality, foreign capital only amplified peaks. Second, the withdrawal of foreign growth investors represented a systemic failure when it was simply a global repricing. These misconceptions shaped expectations about future cycles in ways unsupported by historical behaviour.

Stakeholders mistook macro-driven liquidity normalisation for structural decline.

Following global interest rate hikes and public market corrections, liquidity contracted across all European VC markets. Finland was no exception, but the contraction was international rather than domestic in origin. This distinction matters because domestic early-stage activity remained stable despite macro tightening. Yet many stakeholders treated the liquidity shift as a Finland-specific problem rather than a Europe-wide adjustment.

The narrative shortcut arises from a common cognitive bias: attributing macro-outcomes to micro causes. Stakeholders saw lower capital deployment and assumed weaker companies, poorer pipelines, or declining founder ambition. In reality, early-stage deal flow and founder formation remained robust by historical standards. The issue was not ecosystem deterioration but the recalibration of valuation expectations.

This improper linkage obscured the ecosystem's resilience. Finland continued to generate high-quality deep tech, health tech, and industrial innovation throughout the correction. Public funding mechanisms acted counter-cyclically, reinforcing stability exactly when private capital retreated. The evidence shows that liquidity contraction was an exogenous shock, but the strength of the ecosystem was endogenous and intact.



The evidence

The data contradicts the dominant narrative and reveals a far more resilient, structurally stronger ecosystem.

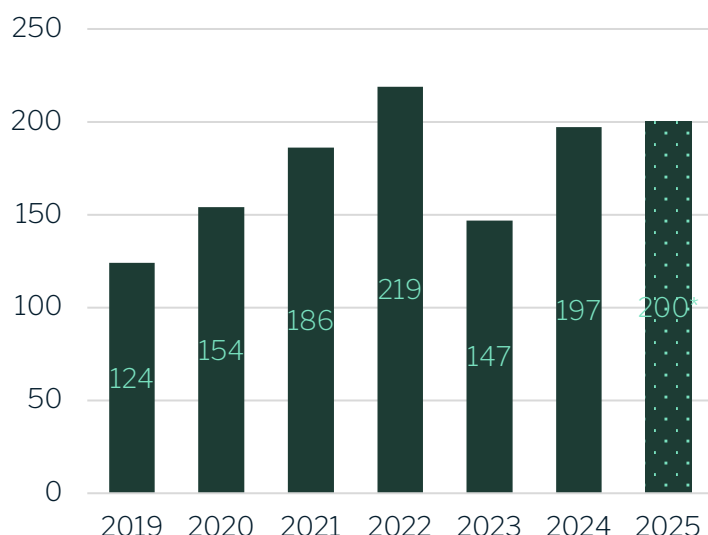
FVCA data shows that the number of Finnish companies raising pre-seed and seed funding remained broadly stable between 2019 and 2024, even during the sharpest macro tightening. This stability is crucial because early-stage deal flow is the strongest predictor of future ecosystem vitality. If Finland had truly entered a systemic downturn, early-stage formation would have weakened materially. Instead, the data shows a steady pipeline of new ventures absorbing capital at historically normal rates.

This pattern indicates that founder creation and early product-market experimentation were not significantly affected by macro liquidity conditions. The assumption that founders retreated en masse is therefore unsupported. What changed was not entrepreneurial activity but the valuation environment and the speed at which companies progressed to growth rounds. These adjustments reflect global repricing rather than local structural erosion.

Early-stage resilience also demonstrates the importance of Finland's public funding architecture. Business Finland and regional innovation agencies continued to provide grants, loans, and co-investments throughout the correction. By stabilising the earliest layers of the funnel, public actors ensured that the ecosystem remained productive even when late-stage global capital withdrew. This is one of the Finnish market's most strategically valuable characteristics.

Domestic VCs expanded their role precisely when foreign capital contracted, validating their strategic importance.

Domestic VC firms invested €226 million in H1 2025, their strongest performance in several



years, and materially higher than many expected given macro constraints. This demonstrates that local funds have reached a level of maturity and capital depth that allows them to act counter-cyclically. In contrast to foreign investors, who adjust their exposure to global liquidity cycles, domestic funds allocate based on local opportunity sets. This behaviour anchors Finland's ecosystem during periods of volatility.

Domestic VCs also showed increased participation in follow-on rounds, a category previously dominated by foreign growth investors.^{iv} This shift in behaviour suggests greater conviction and a willingness to support portfolio companies through more disciplined growth stages. In a repricing cycle, such support is strategically critical because it prevents premature failures and maintains talent density. This stabilising effect is absent in markets where local VCs are structurally undercapitalised.

The data further indicates that domestic funds have become more selective, focusing capital on high-competency teams and defensible technology rather than momentum-based growth. This selectivity contributes to a healthier long-term ecosystem by aligning capital with sustainable unit economics. It also increases the relative competitiveness of domestic investors, who now play a more influential role in price-setting. When they return, foreign investors will face a more structured and disciplined domestic landscape.

Some sectors contracted sharply while others accelerated, revealing asymmetric ecosystem strength.

The aggregate decline in 2023 masked profound differences between sectors. Deep tech, health data, quantum, and industrial technologies continued to attract significant investment, driven by Finland's structural advantages in R&D infrastructure. ICT, SaaS, and consumer-facing sectors experienced sharper contractions, primarily because these industries had benefited

disproportionately from inflated valuations in 2021–2022. The correction, therefore, reflects sectoral normalisation rather than system-wide weakness.

Finland's industrial and scientific sectors benefited from counter-cyclical public investment and strategic European programmes such as Horizon Europe. These

Total Seed and Early Venture by VC Investors in Finnish Startups (in €m)

*HBG's 2025 reasonable estimate; including H1 figures and announced funding up-to-date

Source: FVCA (2015–2025)

funding mechanisms shielded industry-adjacent companies from the worst effects of the liquidity contraction. In contrast, SaaS companies' valuations were closely tied to global revenue multiples and grew more slowly in follow-on rounds. This divergence emphasises the importance of sector mix when interpreting ecosystem health.

This asymmetry reveals an important strategic insight: Finland's competitive advantage increasingly lies in science-driven and regulation-enabled sectors rather than in generalist software. The correction hastened this realignment by emphasising which business models are resilient under tighter capital conditions. For policymakers and investors, this suggests that future cycles will be characterised not by overall capital flows but by the relative strength of Finland's specialised domains. The next three years are likely to further intensify this divergence.

The reframe

Finland's VC cycle is not a boom-bust phenomenon, but a three-layer capital architecture with asymmetric behaviours and different strategic implications.

The data clearly shows that Finland's apparent volatility is driven not by the amount of available capital, but by its composition. Foreign investors cause significant year-to-year fluctuations, while domestic and public actors provide structural stability. Viewing total funding as a meaningful measure obscures these dynamics and can lead to incorrect conclusions about the ecosystem's strength. The Finnish market becomes predictable only when capital sources are broken down.

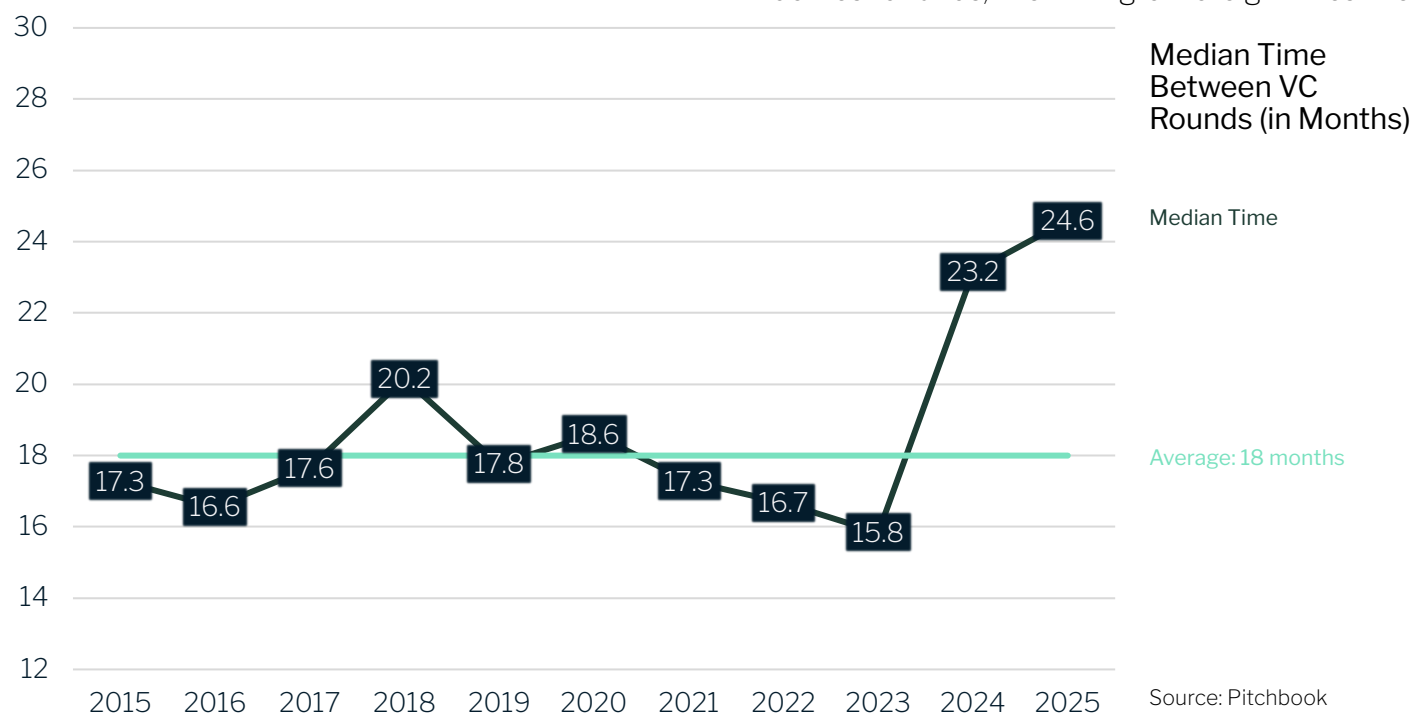
This reframe is supported by the behaviour of capital flows across cycles. In 2021–2022, foreign growth funds drove the spike in total capital, pushing Finland's figures to historic highs. When these investors withdrew in 2023, the decline appeared dramatic, even though domestic and early-stage activity remained stable. This clearly shows that the cycle's amplitude is driven by foreign capital, not a local economic signal.

Understanding capital composition also improves forecasting. If foreign capital returns in 2026 onwards, Finland will again exhibit outsized gains; if it does not, domestic strength still ensures a stable baseline. This means Finland's ecosystem is not dependent on foreign capital for survival, only for expansion speed. Reframing the cycle through capital composition eliminates much of the perceived risk embedded in headline figures.

The pace at which capital moves through the ecosystem has a larger impact than the absolute availability of funds.

The Finnish ecosystem does not lack capital; it undergoes episodic shifts in the speed at which capital moves through the system. From 2015 to 2022, the median time between funding rounds stayed consistently in the 16–20-month range, even amid the liquidity surge of 2021–2022. The brief acceleration in 2023, when the average round interval shortened to 15.8 months, reflected rapid early-stage investment rather than increased market enthusiasm. The real slowdown only appeared in 2024–2025, when intervals extended to 23–25 months as investors raised milestone hurdles and adopted a more cautious approach to capital deployment.

Capital velocity is influenced by three interconnected drivers: the recycling speed of domestic funds, the timing of foreign investment



cycles, and the responsiveness of public co-investment frameworks. In 2023, recycling slowed as exits remained limited and many funds prioritised portfolio support; however, public capital partly offset the deceleration by maintaining investment in early-stage rounds. Foreign investors re-entered cautiously, contributing less to velocity but adding stability to late-stage financing. This interaction prevented a rupture in the funding pipeline despite the overall decrease in capital volume, demonstrating why volume-based diagnostics often misrepresent ecosystem health.

A velocity-based perspective reshapes how founders and investors should interpret market behaviour between 2023 and 2025. The extension of round intervals during 2024–2025 demands sharper prioritisation, more disciplined milestone sequencing, and increased capital efficiency, which, in turn, enhances company quality and resilience. For investors, slower velocity presents opportunities to enter deals at more rational valuations, conduct more thorough due diligence, and allocate capital with clearer insights into technical and commercial progress. As velocity normalises in late 2025 and into 2026, the ecosystem is set for measured, sustainable growth rather than a repeat of the speculative acceleration seen in 2021–2022.

Foreign investors amplify cycles but do not define the underlying structural trajectory.

Foreign capital behaves as a volatility engine, magnifying peaks and troughs without altering the underlying direction of the Finnish ecosystem. In years of global abundance, it elevates Finland's totals far beyond what domestic actors could produce alone. In years of tight global liquidity, it disappears rapidly, compressing headline numbers. However, early-stage formation, domestic investor participation, and public investment remain remarkably stable across these shifts.

This dynamic explains why Finland's year-to-year funding profile appears more turbulent than its fundamentals would suggest. The underlying ecosystem is stable and increasingly specialised, but foreign capital introduces episodic surges or contractions. Such movement is structurally external and occurs regardless of domestic founder quality, sector strength, or policy conditions. Recognising this separation prevents overreacting to global fluctuations that have minimal long-term impact on Finland's endogenous capabilities.

Strategically, this implies that Finland should treat foreign capital as an accelerant rather than a pillar. The ecosystem can scale rapidly when global liquidity conditions align, but it must remain resilient when they do not. Domestic funds and

public programmes create predictability; foreign funds create speed. The next cycle will reward actors who understand that speed without stability is noise, while stability without speed is opportunity waiting for the right moment.

HBG's perspective

The strategic implications of Finland's capital architecture extend far beyond the current cycle. The next three years will reward actors who adapt their behaviour to the new equilibrium of disciplined capital, sectoral asymmetry, and velocity-driven scaling.

For Founders: Strategy Must Shift from Valuation Maximisation to Capital Efficiency

Founders entering the 2026–2027 cycle must recognise that the funding landscape no longer rewards momentum-based scaling. With capital velocity recovering but not yet matching 2021–2022 liquidity, companies must structure milestones to demonstrate efficiency rather than expansion. This shift requires tighter control of burn, sharper prioritisation of technical inflexion points, and deliberate sequencing of customer acquisition. Founders who internalise these constraints can secure funding on favourable terms without overexposing themselves to late-stage volatility.

Finland's most substantial advantage lies in the quality of its founders across deep tech, regulated industries, and industrial technologies. These founders should anchor early scaling strategies around domestic and EU-aligned capital, treating foreign investors as optional accelerators rather than structural necessities. This reduces exposure to global liquidity swings and improves the predictability of multi-stage financing. The companies that outperform will be those that treat capital as a strategic resource, not a commodity.

The most successful founders will also adopt a layered fundraising strategy. Early rounds should be structured for domestic participation, mid-stage rounds should leverage thematic European funds, and late-stage rounds should be opportunistic rather than expected. This sequencing reduces dependency risk and positions companies to accelerate when foreign growth funds re-enter. In a more disciplined cycle, founders with controlled expectations and structured funding pathways will outperform founders chasing aggressive valuations.

For Investors: Alpha Will Come from Thematic Conviction, Not Cycle Timing

The correction fundamentally changed the investor landscape. Domestic VCs that developed thematic conviction during the downturn, especially in quantum, advanced materials, energy

systems, and health data, are now structurally better positioned. The scarcity of foreign capital requires more thorough due diligence, stronger syndicate cooperation, and a higher alignment with long-term strategic plans. Investors who commit early to these areas will gain outsized returns as global liquidity re-expands.

The Finnish market now rewards investors capable of underwriting companies without relying on foreign participation to validate pricing. This requires stronger internal capabilities: technical diligence frameworks, sector-specific benchmarking tools, and enhanced risk-modelling across regulatory-heavy industries. By building these competencies, domestic funds can lead rounds confidently, set valuations, and reduce their dependence on foreign momentum investors. In effect, strategic depth replaces cycle timing as the primary determinant of alpha.

As exit markets reopen in 2026–2027, investors with specialised portfolios will benefit disproportionately. European corporates are increasingly acquisitive in climate, energy, and scientific technologies, producing earlier and more frequent liquidity events. Funds that positioned themselves in these sectors during the correction will unlock faster recycling, higher DPI, and more predictable fundraising cycles. The next decade of Finnish VC performance will hinge on thematic foresight rather than valuation opportunism.

For Policymakers and Corporate Leaders: Stability Is Finland's Strategic Asset, and It Must Be Leveraged, Not Assumed

Policymakers must recognise that Finland's stability, public co-investment, predictable

regulatory frameworks, and extensive research infrastructure are now key global differentiators. During the adjustment process, these stabilisers prevented pipeline fragmentation and maintained early-stage momentum. However, sustaining this advantage requires aligning funding incentives with the sectors in which Finland is globally competitive: quantum technologies, green transition infrastructure, health data, and industrial automation. Stability without direction risks diluting its competitive impact.

Corporate leaders are increasingly vital in ecosystem development. In a cycle where late-stage foreign capital remains volatile, Finnish corporates can shape market maturity by adopting early procurement programmes, establishing joint R&D pipelines, and offering structured commercialisation pathways for deep-tech companies. This approach reduces reliance on foreign growth funding and accelerates research-driven companies' achievement of product-market fit. Strategic collaboration between corporates and startups will become a key element of national competitiveness.

Finally, Finland must focus on improving capital velocity rather than simply increasing capital volume. Policy interventions should aim to shorten round cycles, accelerate grant disbursement, and reduce friction in EU-level funding acquisition. Faster capital turnover increases both founder resilience and investor recycling, compounding the ecosystem's structural strengths. If Finland leverages stability with speed, it will outperform European peers in the next investment cycle.

ⁱ As witnessed in Tech.eu, *Finnish VCs raised well in 2023 as startups struggled*; Helsinki Times, *Finnish startups face funding dip, but domestic venture capital flourishes amid economic uncertainty*; and in broader EU context, Pitchbook, *PitchBook European VC Valuations Report 2023, the year of correction*; KPMG, *Venture Pulse Q4 2023*

ⁱⁱ Finnish Venture Capital Association (FVCA), *Startup Funding Venture Capital in Finland H1/2025*

ⁱⁱⁱ Despite total funding rising sharply (€869M in 2023, to €1.4B in 2024 per FVCA data), over 50% of founders still cite "lack of funding" as their top growth barrier—up ~10pp since Q3/2023; Finnish Startup Community, *Lack of funding remains the biggest challenge for Finnish startups amid a softening labour market*; Helsinki Times, *Startup funding in Finland climbs as Europe stalls*

^{iv} Deals such as Bob W, Onego Bio, Enifer and others clearly demonstrate the correlation.

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Kirill is the Managing Director at HELSING Business Group. He oversees the Group's legal, financial and strategic mandates and leads the development of its integrated advisory platform.

Before establishing HBG in 2025, Kirill worked in private equity research and consulting, supporting transaction and strategic initiatives across multiple sectors and jurisdictions.

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For more information, please contact us at **contact@helsingbg.fi** or visit: **www.helsingbg.fi/**

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