

Europe's "Sputnik Moment" in AI - And Why Europeans Have to Win the U.S. Market

Why building U.S. revenue early helps support venture outcomes.

Executive Summary

Europe has the opportunity to generate a "Sputnik moment" in artificial intelligence, recalling that pivotal moment from 1957 when the Soviet Union shocked the U.S. The continent boasts top academic institutions, global AI talent, and a growing cohort of high-value startups.

However, despite this intellectual capital and technological promise, Europe continues to lag the United States in commercial outcomes - by a factor of more than 4:1 when looking at unicorns created since 2016.¹

For founders, investors and policymakers, understanding the structural dynamics between innovation and market scale is crucial.

European founders can increase their chances of delivering venture scale outcomes by

1. moving to the U.S. as early as possible, once financially and personally feasible,
2. tailoring products for the market,
3. building early commercial traction with early local reference customers,
4. raising money from a U.S. venture firm, and
5. building relationships with other technology companies in the U.S. and being on the radar of the larger U.S. companies well ahead of exit outcomes.

This whitepaper explores the growing strength of Europe's AI ecosystem - and outlines why the U.S. remains the most strategic market for commercialization, capital, and exits.

Winning the U.S. doesn't make you less European, and increases the chances of building a unicorn.

Europe's "Sputnik Moment" in AI

Europe has emerged as a foundational hub for artificial intelligence research and innovation. Europe is home to some of the world's top AI institutions - University of Cambridge, University of Oxford, ETH Zurich, Technical University of Munich, Imperial College London, and University of Edinburgh, among others.

¹ [Pitchbook Unicorn companies list & tracker](#)

Major tech players have made Europe a strategic base for AI research. DeepMind (Google) operates out of London, Meta's FAIR lab is based in Paris, and Apple's AI center is rooted in Zurich.

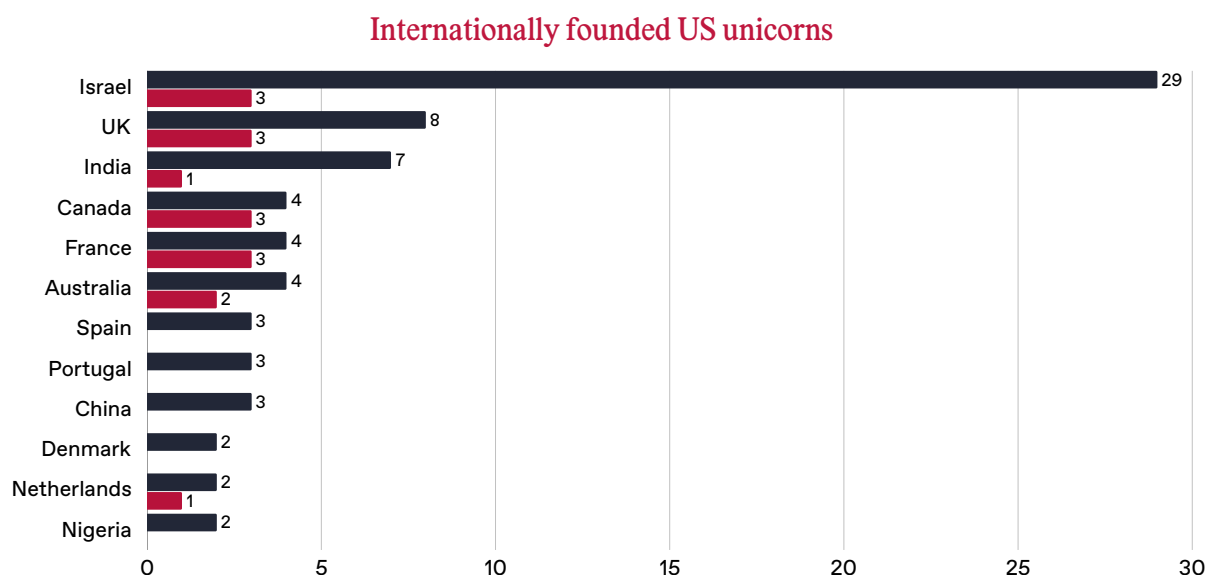
Europe has already spawned several generational AI startups, including Aleph Alpha, DeepMind, ElevenLabs, Helsing, Hugging Face, Isomorphic Labs, Lovable, Mistral, Poolside, Stability AI, Synthesia, Wayve, and more. Not to mention, a large number of the foundational team from OpenAI spawned from Europe - including Wojciech Zaremba (Poland), Andrej Karpathy (Slovakia), and Durk Kingma (Netherlands).

This is a pivotal moment: European institutions and innovators are shaping the frontier of AI. However, turning intellectual breakthroughs into commercial success continues to hinge on a critical factor - winning in the U.S. market.

Why the U.S. Remains Central to Commercialization

With \$18.8 trillion in household final consumption expenditure (HFCE) in 2023, the U.S. is nearly double that of the EU and almost triple the size of China.² For technology companies building global platforms, product-led growth, or enterprise sales channels, the U.S. remains the single most important battleground.

Relocating to the U.S. has historically boosted the chances of a startup achieving unicorn status. Startups relocating to the U.S. from Israel were 9x more likely to become unicorns (1997–2021), India 6.5x more likely, UK 2.5x, Netherlands 2x, France 1.3x and Spain, Portugal, Denmark did not have any unicorns that stayed domestic.³



² https://en.wikipedia.org/wiki/List_of_largest_consumer_markets

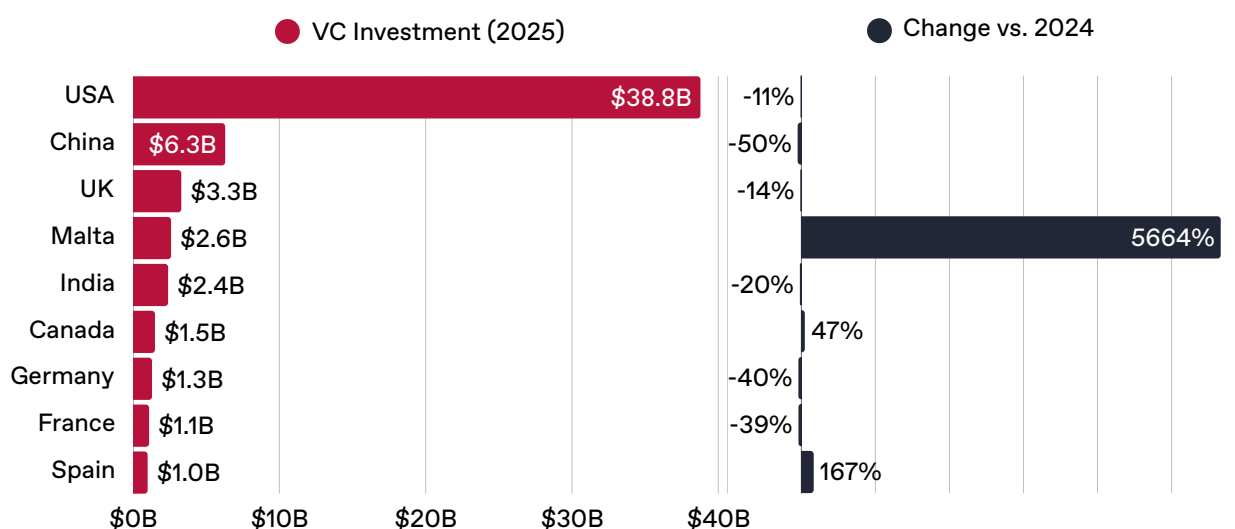
³ [Ilya Strebulaev: Moving to the US could be a startup's best move](#)

This trend reflects access to larger markets, deeper capital pools, and more sophisticated exit opportunities.

Why the U.S. Matters When Raising Capital

Simply said, there is more capital available in the U.S. and based on Sifted's latest Transatlantic Founder Survey found it is twice as challenging for European founders, compared to their U.S. counterparts, to raise, 53% to 30%, respectively.⁴ The U.S. attracts 6x more VC funding than the next-largest market.

In 2025 thus far, VC funding in the US is \$38.7B while China follows with \$6.5B and the UK \$3.8B. Altogether, Europe totals more than \$9.0B, elaborating the importance of aggregating resources.⁵

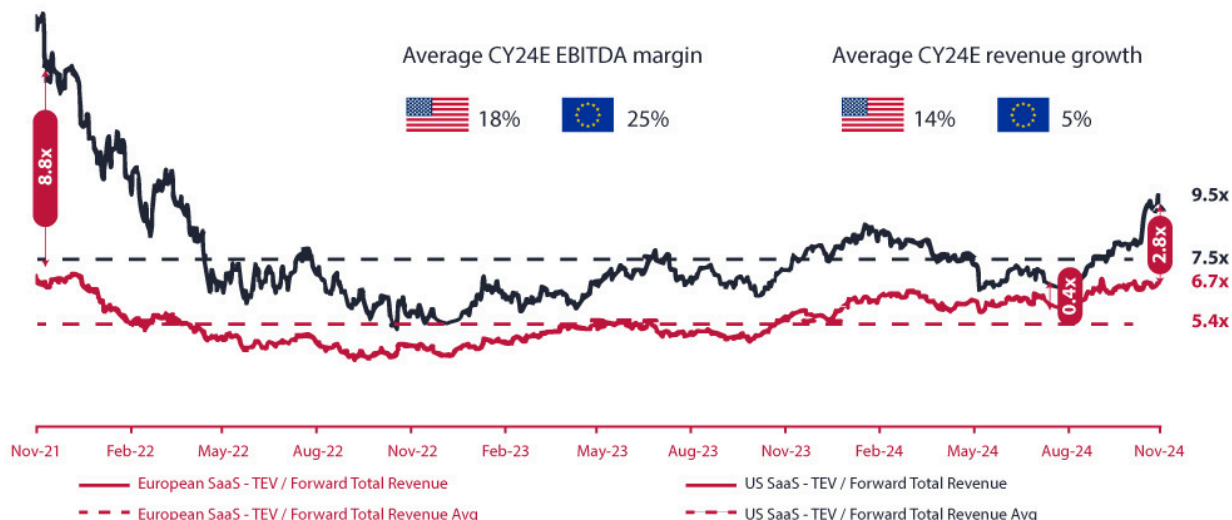


Further, companies in the U.S. attain higher valuations and round sizes. U.S. SaaS companies command 20%-40% valuation premiums over their European peers (9.5x vs 6.7x EV/Revenue multiples).⁶ The gap has widened post-2023.

⁴ [Sifted AVP 2025 Transatlantic Founder Index](#)

⁵ <https://dealroom.co/guides/global>

⁶ <https://www.gpbullhound.com/articles/european-saas-survey-2024/>

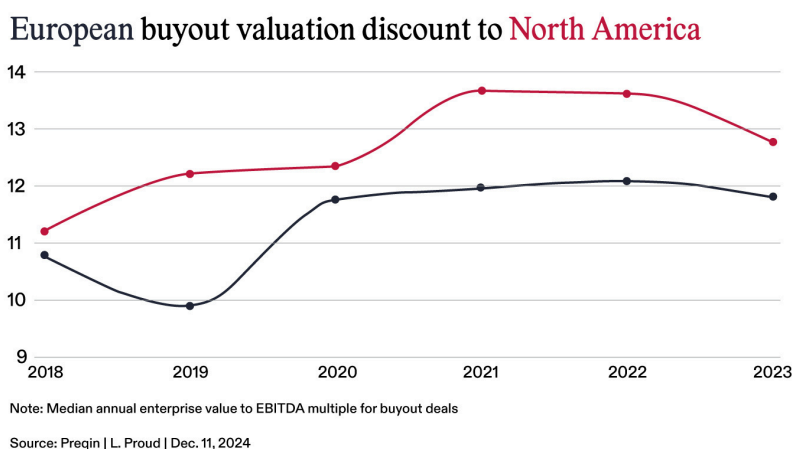


For founders, this translates into larger rounds, higher valuations, and better terms.

Why the U.S. Leads in Exit Opportunities

Looking at M&A activity, in 2024 U.S. M&A value was \$1.24T while Europe totaled \$524B, up 25% from 2023, but still dwarfed by U.S. activity.⁷ The U.S. leads in both volume and value of strategic acquisitions, especially by Big Tech. European founders under-index their U.S. counterparts almost 2:1 when considering future acquisition or IPO plans and can benefit from being more proactive thinking ahead here.⁸

The US has public market advantages as well. Looking at valuation premiums, U.S. companies consistently trade at ~40% higher multiples than European peers (S&P 500 vs. STOXX 600).⁹



The U.S. has deeper capital markets with the largest base of institutional and retail investors. IPOs raise more capital, attract more liquidity, and enable easier follow-ons in the U.S. Global visibility is higher with U.S.-listed companies receiving more analyst coverage, institutional

⁷ [S&P Global M&A by the Numbers: 2024 in Review](#)

⁸ [Sifted AVP 2025 Transatlantic Founder Index](#)

⁹ <https://www.reuters.com/breakingviews/buyout-barons-europe-bargain-hunt-will-intensify-2024-12-11/>

research, and international media attention - resulting in better price discovery and investor engagement.

Companies are increasingly opting to delist from European exchanges to list in the U.S., capitalizing on valuation arbitrage and better investor access.¹⁰

The Power Law of U.S. Outcomes

A recent DST Global study of \$5B+ exits from 2012–2024 showed 97 companies reached \$5B+ valuations with only nine headquartered in Europe.¹¹

Outliersuccess - thecornerstoneofventurereturns - isdisproportionately American. Founders with global ambitions benefit from winning the U.S market.

Case Studies from the Hoxton Ventures Portfolio

While headquartered in the UK, 35% of Darktrace's revenue comes from the U.S. - more than all of Europe combined (26%).¹² The U.S. is a critical revenue driver, even without HQ relocation.

In October last year we saw Hoxton portfolio company Darktrace acquired by Thoma Bravo, recalling memories of Softbank's successful relisting of Arm on the Nasdaq. When Arm was originally taken off the LSE in 2016, it was valued at £24.3 billion (approximately \$32B at the time). In its first day of trading on the Nasdaq in 2023, Arm rose to a valuation over \$65B. Today, Arm is valued at over \$143B, further illustrating this disparity of fortunes.

In the case of Deliveroo, they were founded in 2013, the same year as DoorDash. Deliveroo focused on Europe and Asia while DoorDash focused exclusively on the U.S. Today, Deliveroo has a \$3.6B market cap and DoorDash \$92.8B (as of June 15, 2025), illustrating the asymmetry of winning the U.S. market.

Looking at the broader Hoxton portfolio, nearly 80% of revenue-generating companies reported earning some portion of their revenue from the U.S. in 2024. And in 2024, more than one-third of total revenue generated by our portfolio companies came from the U.S. market - amounting to over \$100 million.

Cutting the data further, among Hoxton portfolio companies generating \$5M or more in annual revenue and operating in the U.S., greater than 50% of their 2024 revenue was derived from the

¹⁰ <https://www.ft.com/content/10466229-1e25-4e1d-aa03-52b329f84753>

¹¹ [Series A Rounds of \\$5bn+ cos](#)

¹² <https://www.fitchratings.com/site/pr/10275113>

U.S. market - further reinforcing the importance of setting sights abroad early. Another contingent of Hoxton portfolio companies are already well into their U.S. expansion, such as Avantia Law, Really Clever, Rensair, Skin Analytics and more.

The strategic decision to scale in the U.S. leads to asymmetric returns.

Conclusion: Build in Europe, Scale in America

Europe has the academic depth, research pedigree, and entrepreneurial talent to lead the next wave of AI innovation. But building a great company isn't the same as scaling one.

Relocating - or at the very least, commercializing aggressively in the U.S. - is no longer optional for European AI startups. It's the surest path to outlier success.

To win globally, founders must go where the growth is - and in 2025, that's still the United States.

This is not a bad thing for the ecosystem. Taking Israel as an example, during the period since 1997 that they produced 29 unicorns that had moved to the U.S., they experienced more than 5x GDP growth.¹³

This dynamic is not Europe vs. America and it is not zero-sum. Today, Europe has a competitive advantage in AI talent and a large commercial opportunity exists to capitalize on it by winning in the U.S.

¹³ [World Bank](#)