

Business

KfW Capital is set to make its first direct investments in German tech companies

- KfW Capital receives €850 million budget for new program
- Market failure seen in financing growth companies

By [Stephan Kahl](#)
April 23, 2025

The KfW-Investment subsidiary KfW Capital is about to invest directly in German technology companies in sectors such as artificial intelligence and climate technology for the first time. Previously, it had invested its funds in venture capital funds active in these areas. The new program is intended to help prevent companies from relocating to countries like the USA.

“We expect to start the program in the first half of this year,” said Jörg Goschin, the head of KfW Capital, in an interview with Bloomberg. He previously worked for investors such as Cerberus and Blackstone “Whether and how quickly we invest will depend on the number and quality of available opportunities.”

A total of 850 million euros is available for new direct investments until 2030. The capital will flow exclusively into German technology companies at an advanced stage of development. The program is part of the Future Fund launched by Germany.

The goal is to prevent “technology companies from relocating, for example to the US, because they can only obtain the necessary financing there,” explains Goschin. “It’s about offering them a German or European alternative so they can scale their innovations and their technology here using domestic capital.”

While there is often sufficient capital available in this country during the start-up phase of companies, when smaller sums are often required, it becomes significantly more difficult later on when high double-digit or triple-digit million amounts are involved for further growth, for example,



850 million euros are available for direct investments. Photo: Bloomberg

for international expansion or the construction of production facilities.

During this growth phase, there is often insufficient private capital available, “so this is a classic market failure,” Goschin said. Venture capital funds are often not large enough to handle such volumes. And those that are able to do so often do not come from Europe.

KfW Capital’s direct investments are structured as co-investments. This means that if a promising company from the portfolio of a venture capital fund in which KfW Capital is invested completes a financing round, the fund manager can invite KfW Capital to participate in this

financing round as a co-investor.

“We will then make our investment decision based on our own review,” said Goschin. The amounts for direct co-investments could be well into the double-digit million range.

Goschin announced that he intends to strengthen the KfW Capital team in light of this, “particularly with new colleagues who have experience with direct investments.”

Beyond direct investments, money will also continue to flow into venture capital funds. According to Goschin, this year’s investment is expected to reach approximately another EUR 400 million through KfW Capital’s own programs alone.

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