



Venture Pulse

Q4 2023

Global analysis of venture funding

January 17, 2024



Welcome message

Welcome to the Q4'23 edition of Venture Pulse — KPMG Private Enterprise's quarterly report highlighting the key trends, opportunities, and challenges facing the VC market globally and in key jurisdictions around the world.

2023 was a very challenging year for the VC market globally, as a number of factors combined to drive up uncertainty and investor caution, including geopolitical conflicts and tensions, high interest rates and levels of inflation, ongoing concerns about valuations, and the incredibly dry exit environment. Both global VC investment and the number of VC deals dropped significantly year-over-year, with all regions experiencing major declines.

Despite nine VC rounds over \$1 billion — including \$2 billion raises by China-based Changxin Xinqiao and US-based Anthropic — Q4'23 was the weakest quarter of global VC investment in 2023. While VC investment declined in the Americas quarter-over-quarter, the region still accounted for half of the global total in Q4'23. Both the Asia-Pacific region and Europe saw sharp quarter-over-quarter declines of over 20 percent.

Artificial intelligence (AI) was the clear winner in an otherwise relatively lacklustre quarter of VC investment, continuing a trend that has built significantly over the course of 2023. AI-focused startups accounted for several of the top ten largest deals globally; the US attracted the largest share of

this investment, although Singapore, Germany, Israel, and China each attracted \$100 million+ mega-deals in the space. Cleantech also continued to attract investor attention, in addition to health and biotech.

Heading into Q1'24, global VC investment is expected to remain subdued given the degree of uncertainty in the market both geopolitically and economically. While the IPO market is not expected to see any type of reopening until at least the second half of 2024, M&A activity could start to see a rebound as opportunistic buyers take advantage of bargains. This could, in turn, start to bring more liquidity back into the market.

In this quarter's edition of Venture Pulse, we examine these and a number of other interesting global and regional trends, including:

- The ongoing surge of investment into AI
- The intensifying focus on profitability
- The growing prominence of down rounds
- The significant slowdown in the time to complete deals
- The lack of exit opportunities across regions

We believe you find this edition of Venture Pulse insightful. If you would like to discuss any of the trends or results in more detail, please contact a KPMG advisor in your area.



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#Q4VC

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Global

- VC investment declines slightly to \$74.9 billion across 7,572 deals
- Down rounds persist — increasing as a percentage of all deals
- B2B and Healthcare remain resilient
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- US companies raise 6 of the top 10 deals globally



US

- VC deal value falls slightly to \$37.5 billion across 2,879 deals
- Down rounds climb towards pre-2018 levels
- Corporate VC investment continues to pull back
- Exit activity slow as IPOs remain on hold
- Surprising surge in first-time fundraisers to close the year

Americas

- VC-backed companies reach \$40.1 billion across 3,225 deals
- Early-stage deals remain resilient
- Canada sees slight rebound, reaching \$1.4 billion invested in Q4
- AI, cleantech and healthtech investment robust
- 8 of top 10 deals in the Americas come from California



Asia

- VC investment reaches only \$18.8 billion across 2,390 deals
- Valuations plunge — particularly for late-stage deals
- Early-stage activity remains resilient
- Investment in Japan rises for the 4th consecutive quarter
- Chinese companies raise 7 of largest 10 deals in Asia

Europe

- Investment remains cool in Europe — with \$13.8 billion invested across 1,750 deals
- Down rounds tick up to highest levels since pandemic
- First-time financing volume returns to pre-boom levels
- Capital remains concentrated on mid-sized funds
- AI, Ecommerce and Fintech dominate top 10 deals

**Globally, in Q4'23
VC-backed companies
raised \$74.9B across
7,572 deals**

Annual global VC investment drops to five-year low in Q4'23

2023 was a particularly difficult year for VC investment globally given the significant economic challenges, geopolitical tensions and conflicts, and ongoing concerns related to the valuations of VC-backed companies. Both annual global VC investment and the total number of VC deals globally fell to levels not seen since 2019 as VC investors continued to show an abundance of caution with respect to their dealmaking activities.

Down rounds coming out of the shadows

Over the course of 2023, startups in many regions of the world worked hard to avoid down rounds including undertaking significant cost-cutting measures, conducting inside rounds, or by obtaining bridge financing in order to extend their financial runway. Much of this activity, initially, occurred under the radar as companies focused on raising add-ons to existing rounds. During Q4'23, this trend shifted somewhat, with more companies announcing actual down rounds at lower valuations. This trend will likely continue until the exit market properly reopens. In addition to down rounds, Q4'23 also saw more companies shutting down — a trend that will also continue as companies fail to attract fresh investment.

Startups adjusting growth plans to focus on profitability

Over the course of 2023, economic conditions and increasing pressure from investors had startups adjusting their growth plans and turning their attention to strengthening their paths to profitability. In Q4'23, VC investors continued to pressure companies within their portfolios to become more efficient and to adjust their business plans to focus more intensely on achieving profitability.

There has also been increasing recognition over the last few quarters that some startups simply cannot survive in the current environment. Many sectors that saw rapid acceleration under pandemic conditions have been decimated by the rapid shift in economic conditions, including high levels of inflation and rapidly rising interest rates. Companies focused on last mile delivery and buy-now-pay-later offerings have been particularly hard hit. Already, some companies, including unicorns, have disappeared — with more likely to become extinct as they fail to attract new funding.

Investors continue to flock to AI-focused solutions

AI continued to be a bright spot for the VC market globally, with VC investors around the world keenly interested in AI-focused companies. During Q4'23, two companies raised \$1 billion plus funding rounds, including US-based Anthropic (\$2 billion) and Metropolis (\$1.7 billion). Generative AI solutions were red hot, with growing interest particularly from corporates.

AI-solutions related to autonomous vehicles slowed down somewhat during Q4'23 as investors began to really understand the level of capital contribution and capital spend required to make and create a true autonomous vehicle. This has led to some consolidation in the autonomous vehicle space, in addition to partnerships between autonomous vehicle manufacturers and AI-mobility platforms. As these partnerships continue to be solidified, it will likely become very difficult for other players to break into the space unless they have significant capital or a very unique solution. Autonomous solutions for niche areas — like agtech — however, continued to attract VC investment.

Additional IPOs fail to materialize in Q4'23

In Q3'23, three major startups listed in the US, including UK-based Arm and US-based Klaviyo and Instacart. While there was strong hope that these IPOs would kickstart a new, if measured, march of IPO exits, additional IPOs failed to materialize in Q4'23. This has likely eroded the likelihood of a major recovery in the IPO markets before the second half of 2024. Although a number of mature startups in the US have prioritized their IPO readiness so that they will be well-positioned to IPO when the time comes. The IPO exits that did occur in Q3'23 could help drive more attention to the M&A space, providing more certainty around valuations. This could help improve alignment between the valuation expectations of buyers and sellers and, in turn, lead to an upswing in M&A deals.

Annual global VC investment drops to five-year low in Q4'23, cont'd.

Cleantech remains a high priority globally

Globally, cleantech continued to see a significant amount of interest from VC investors, with real momentum towards supporting all manner of companies focused on different aspects of the ESG space. While electric vehicles continued to see large deals, particularly in the Asia-Pacific region, investors in all regions have shown interest in everything from small scale nuclear fission technologies and decarbonization technologies to biodegradable packaging solutions and alternative meat products. Given the work that is required for countries to meet their net-zero targets, cleantech will likely continue to be a resilient area of investment, with investment levels increasing over time.

Defense-tech gaining traction among global VC investors

Given current geopolitical tensions, the ongoing conflict between Russia and the Ukraine, and the resurgence of conflict in the Middle East during Q4'23, defense-tech has grown on the radar of investors looking for ways to leverage innovative technologies for both defense and attack purposes. While the defense budgets of many countries have historically focused on hardware — including, more recently, drone technologies — there has been growing interest in software, automation, and AI-powered solutions able to enhance defense capabilities or better protect people in conflict situations.

Trends to watch for in Q1'24

Looking forward to Q1'24, VC investment globally is expected to remain relatively depressed given the ongoing conflicts in the Ukraine and the Middle East, the stubbornly high inflation and interest rates, and the expectation of three major elections during 2024, including the European Union parliamentary election, the US presidential election, and the UK general election.

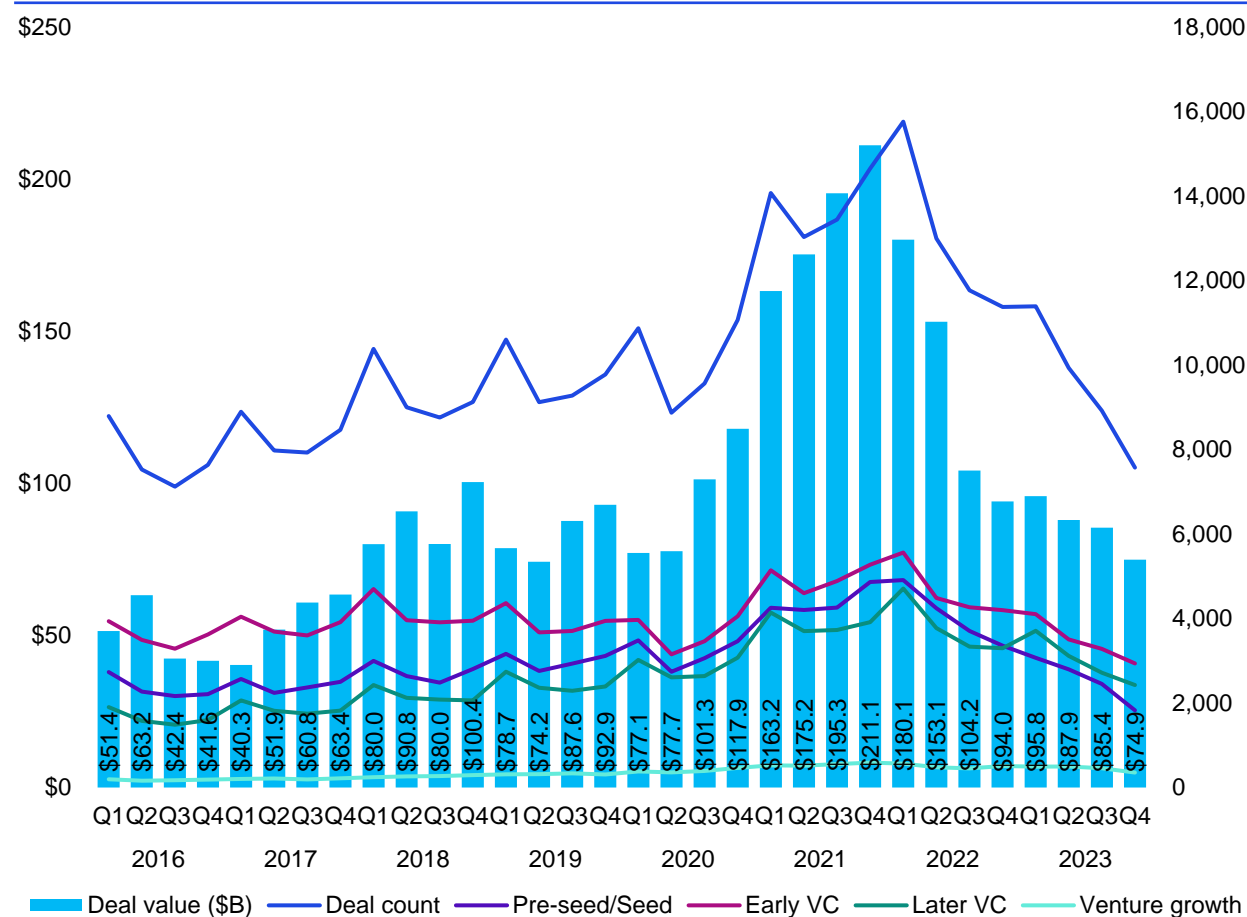
Given how uncertainty has saturated the VC market globally over the past eighteen months, however, any signs of stability could lead to a sudden shift in investor sentiment. Interest rates in particular will be a key factor to watch.

AI will likely remain the biggest ticket for VC investors globally, followed by cleantech. Healthtech is also expected to remain attractive to VC investors across the Americas, the Asia-Pacific, and Europe.

VC activity slows to a new plateau

Global venture financing

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Venture financing activity is down by a significant degree from the peaks of 2021. However, as the full slew of quarterly data from 2023 reveals, the downturn in VC invested has moderated while the tally of completed transactions remains consistently downbeat, but with a slower pace of decline in the past couple quarters. What does this portend for 2024? It is likeliest that:

- Venture activity has moderated and could even enter a plateau of sorts in terms of capital invested and completed deals, barring a significant economic softening in 2024 — that remains the key fear of executives and investors, which is contributing to the slowdown in dealmaking
- Geopolitical tensions, any actual eventual slowdown in economic growth, and the cost of capital still persisting at current levels will all continue to exert discipline on dealmakers and founders alike, which means the types of metrics seen in 2021 are unlikely to return
- The maturation of the venture asset class and record level of dry powder will still serve to underpin a healthy level of investment

“ AI deals will not completely reverse the drop in VC investment that has been seen in 2023 but will definitely help mitigate some of the challenges. What I am most looking forward to is the impact that AI will have on non-AI companies as they prioritize cost and profitability. I sense it will be helpful but it could be game-changing. ”

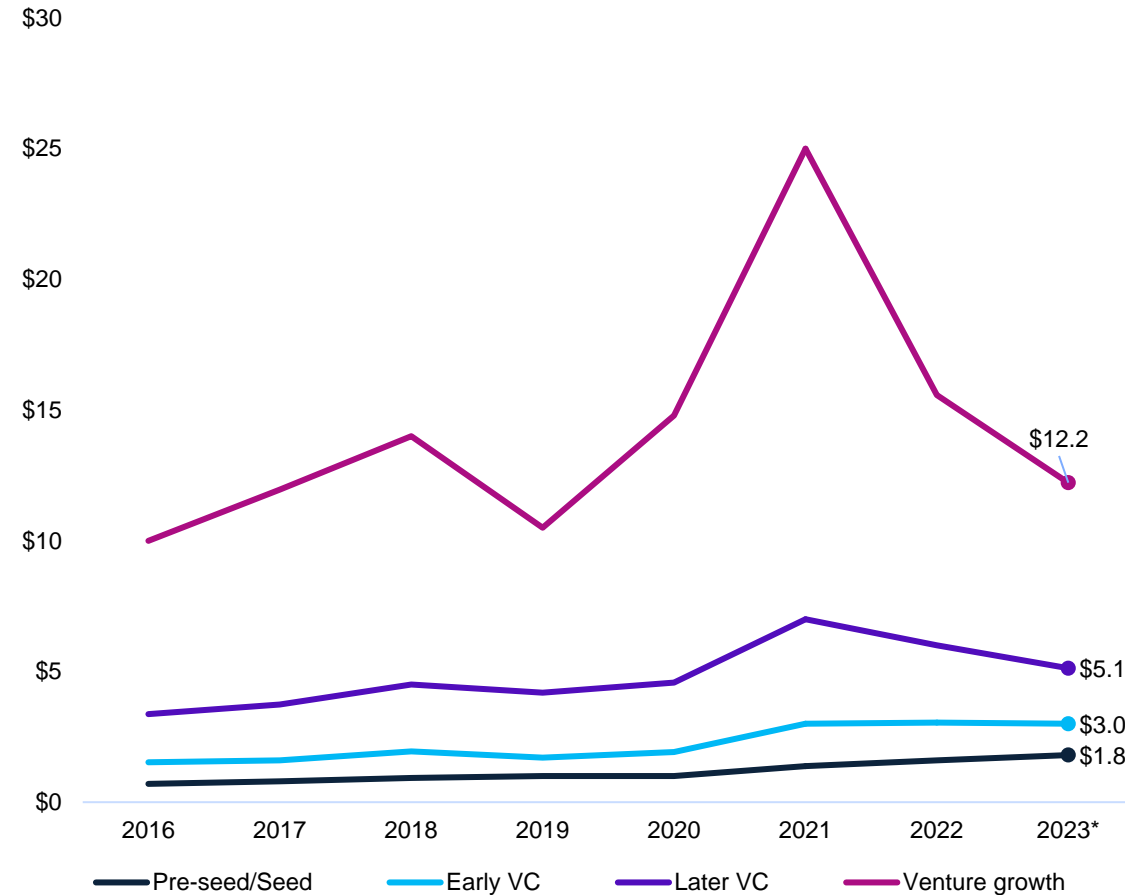


Conor Moore
Global Head, KPMG Private Enterprise,
KPMG International & Partner
KPMG in the US

Financing metrics are subsiding back to pre-boom levels

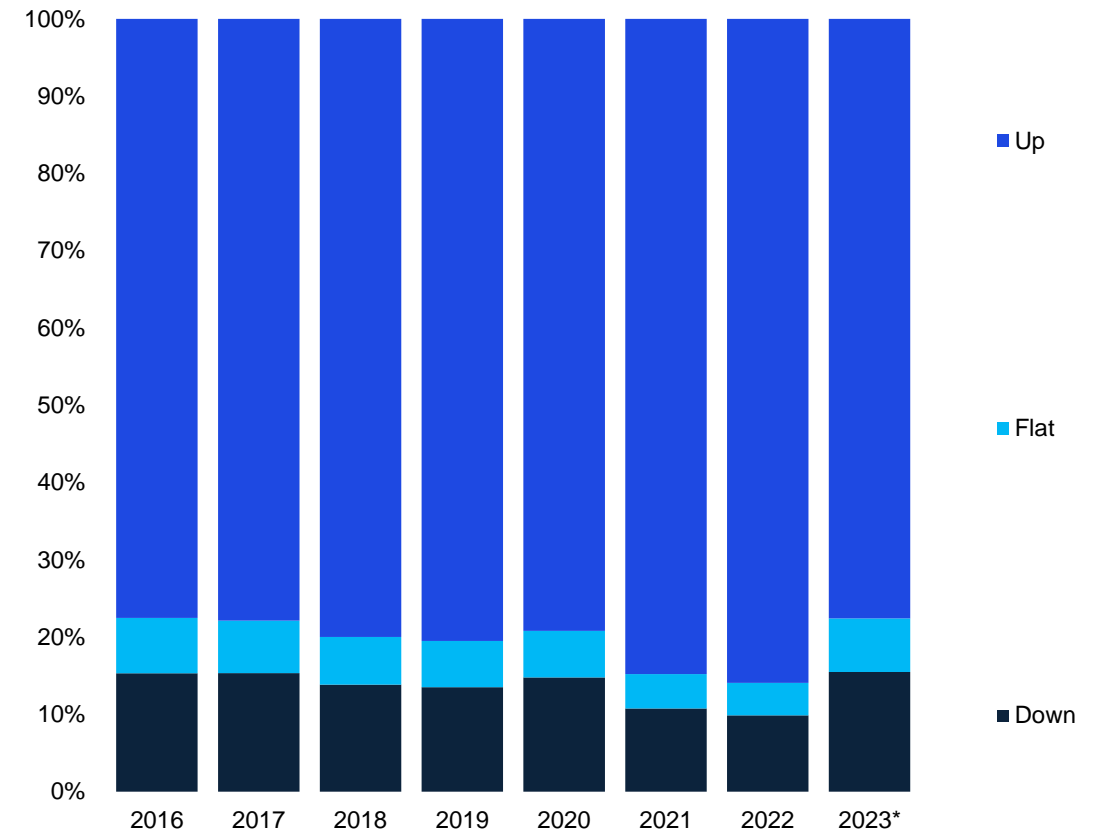
Global median deal size (\$M) by stage

2016–2023*



Global up, flat or down rounds

2016–2023*

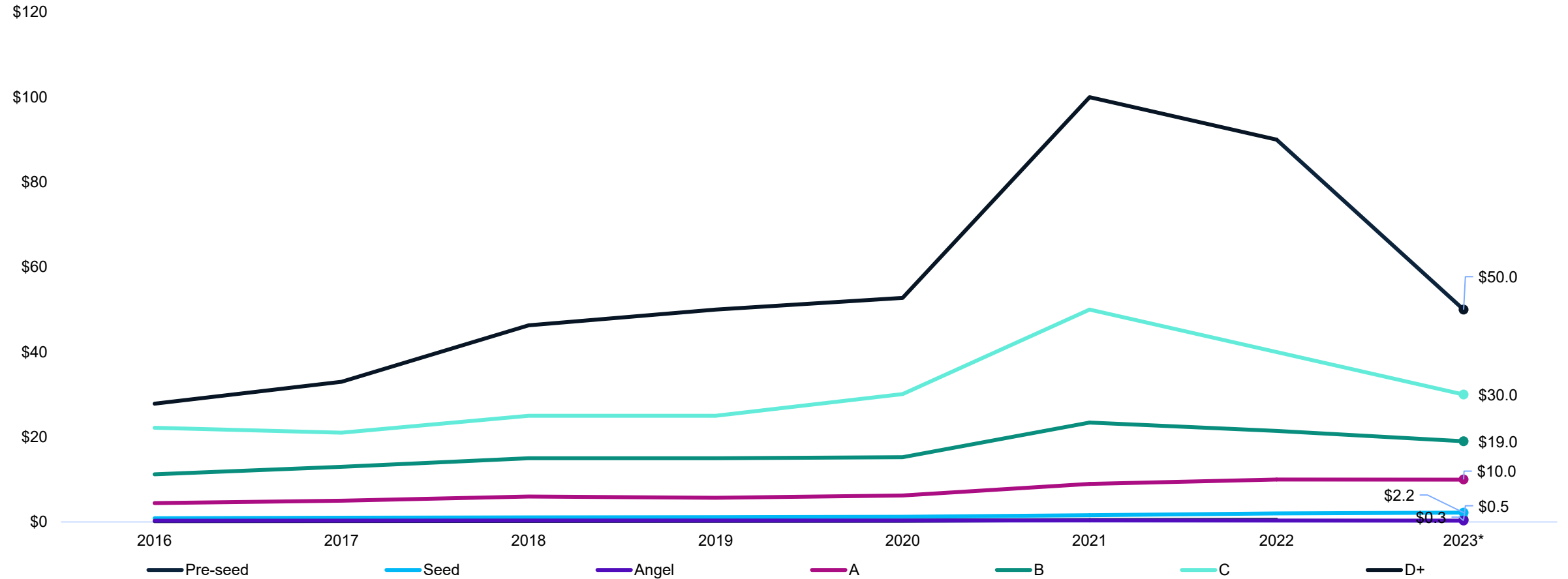


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Most series see healthy levels persist

Global median deal size (\$M) by series

2016–2023*



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

A decline is finally showing up, but only in modest terms for most series

Global median pre-money valuation (\$M) by series

2016–2023*

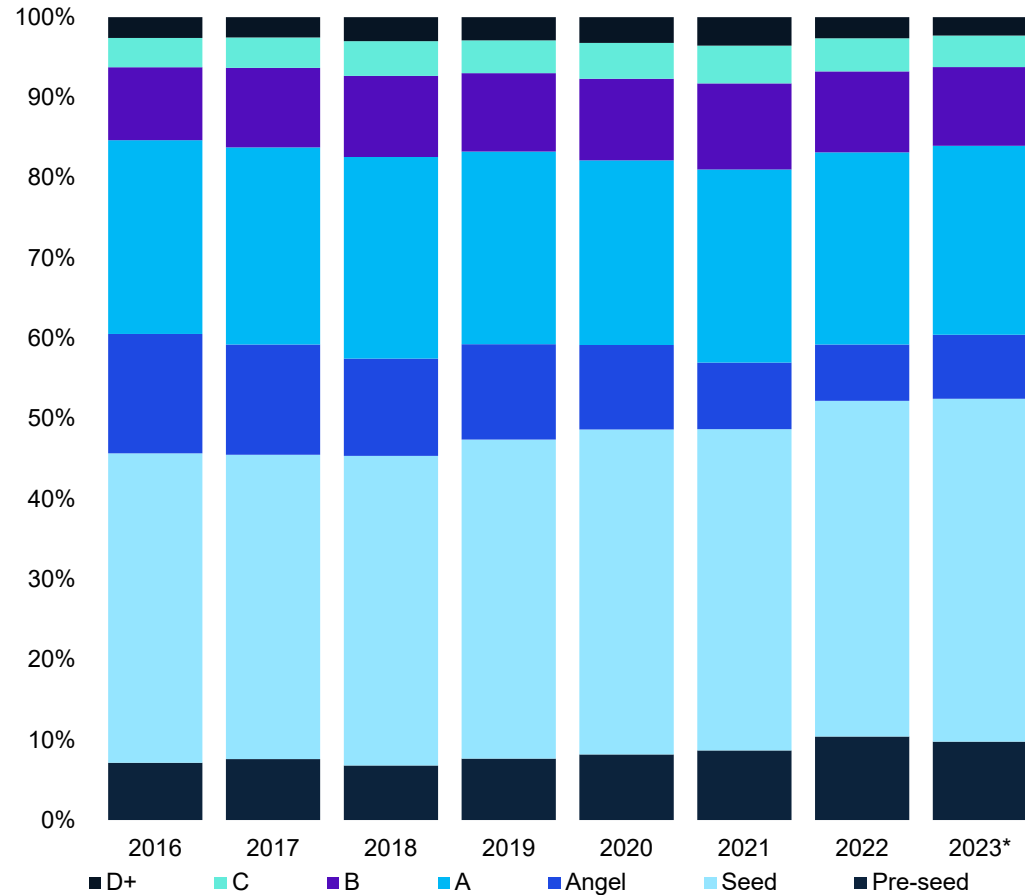


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Proportions of VC invested are normalizing or retreating

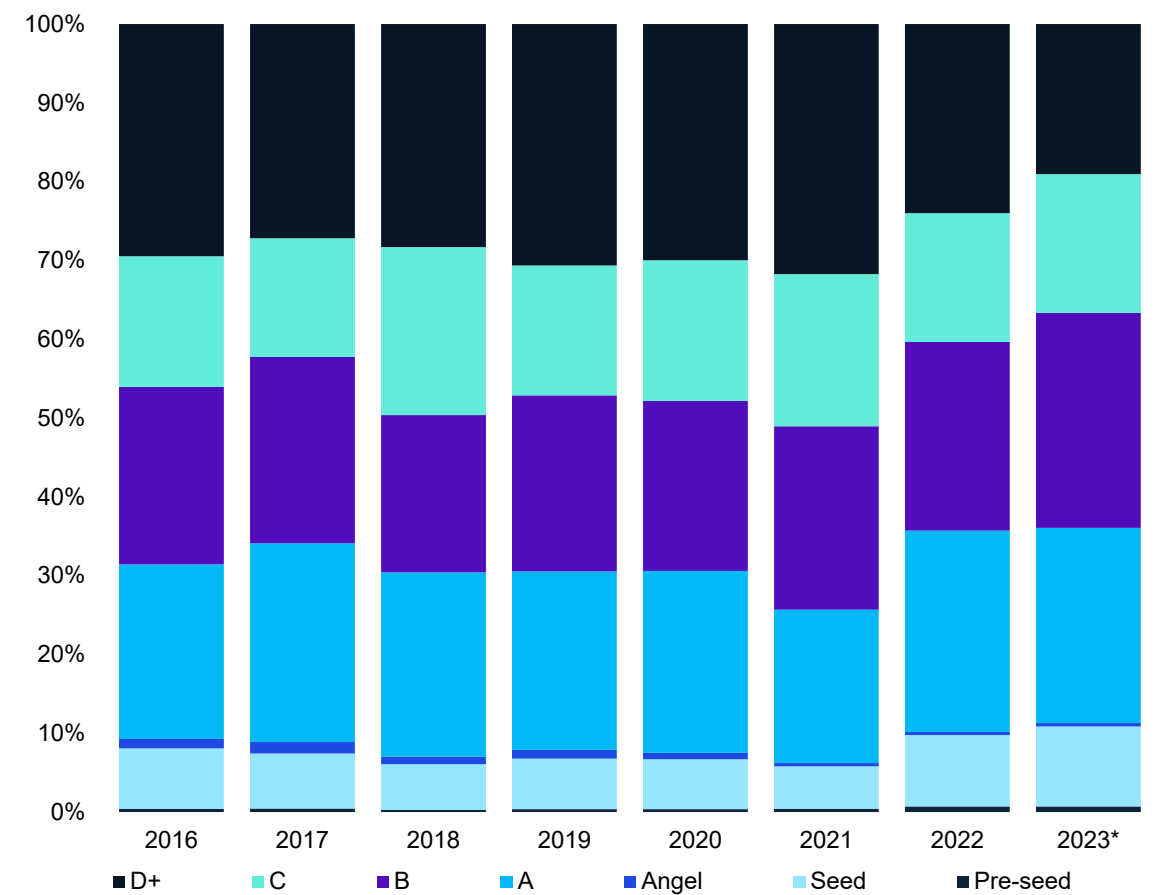
Global deal share by series

2016–2023*, number of closed deals



Global deal share by series

2016–2023*, VC invested (\$B)

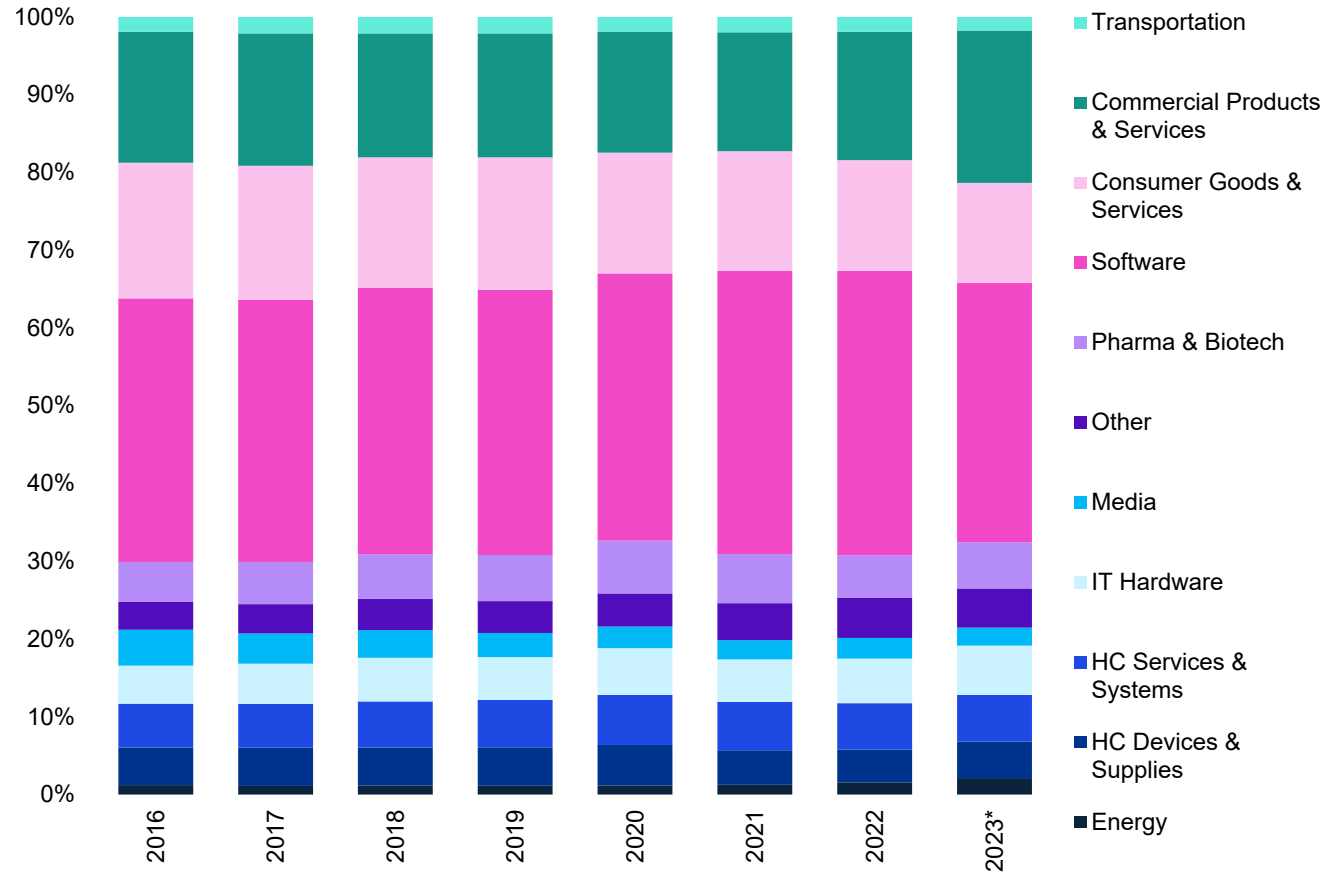


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

B2B & healthcare remain resilient

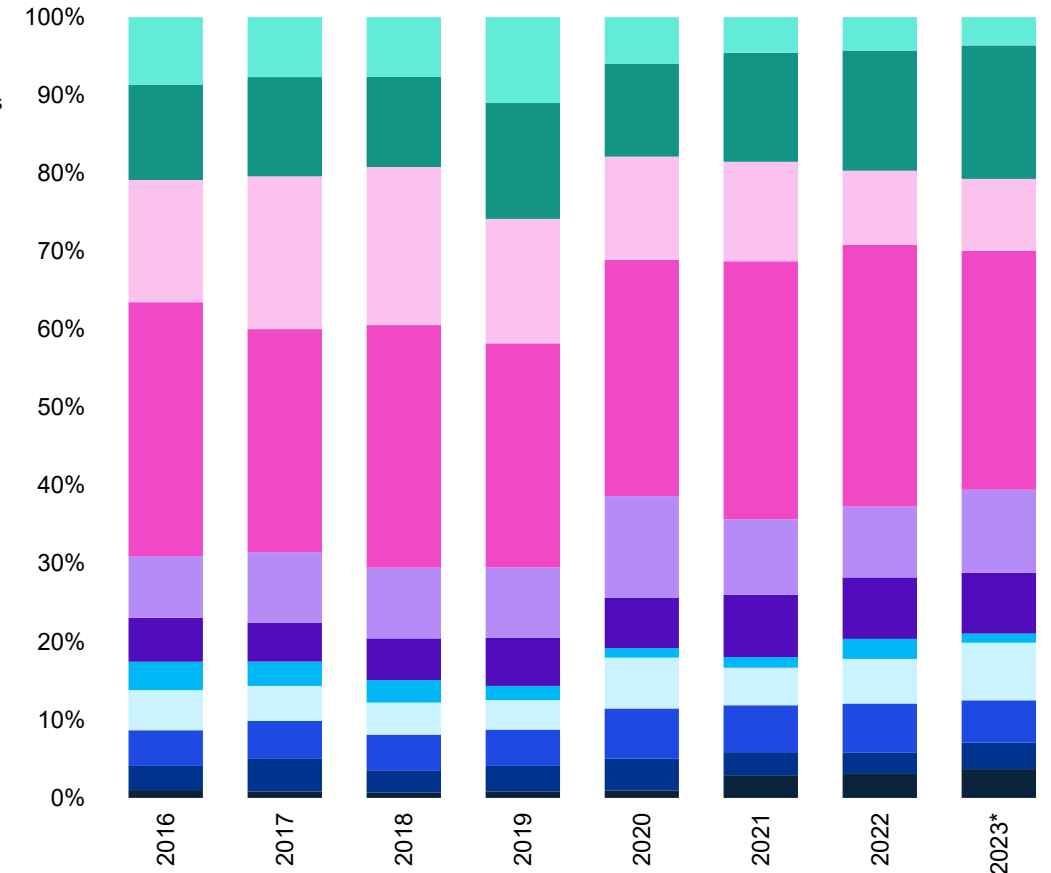
Global financing trends to VC-backed companies by sector

2016–2023*, number of closed deals



Global financing trends to VC-backed companies by sector

2016–2023*, VC invested (\$B)

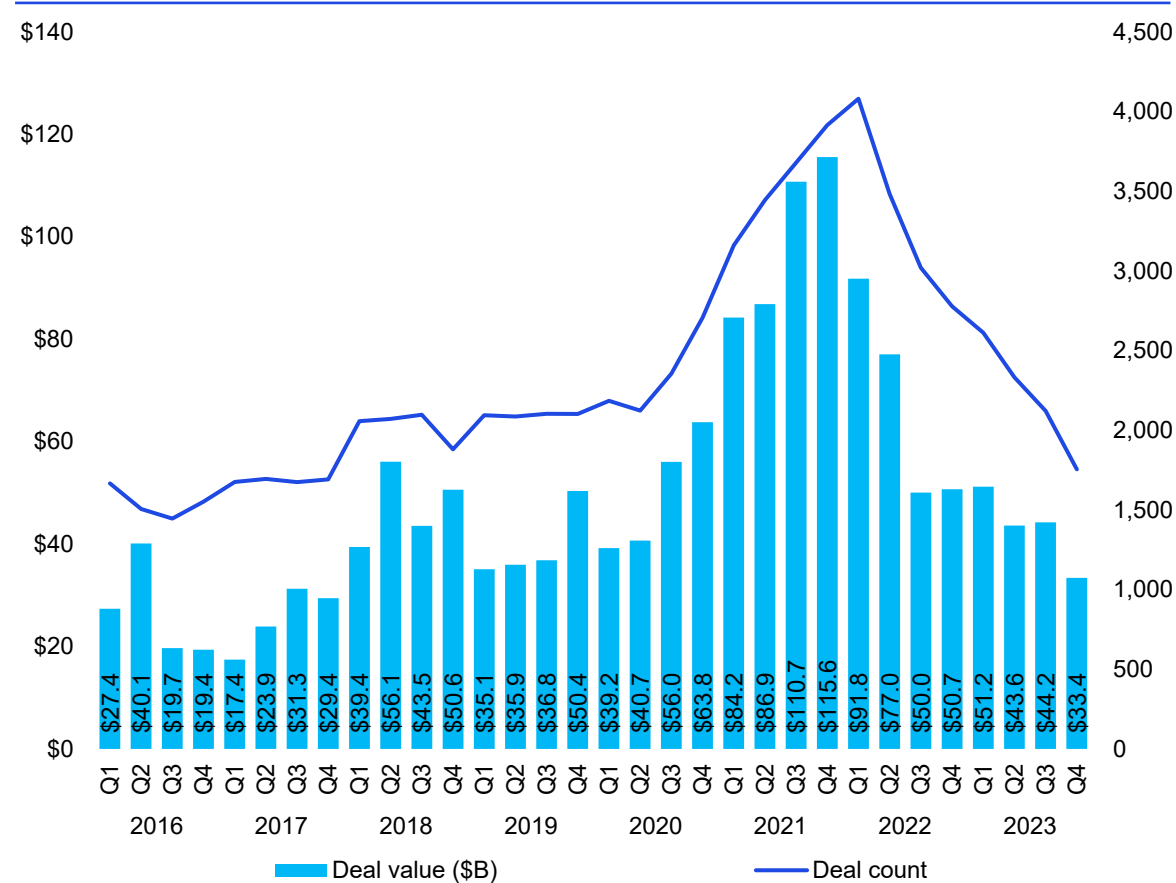


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Corporates remain quiet first-time financings stay healthy

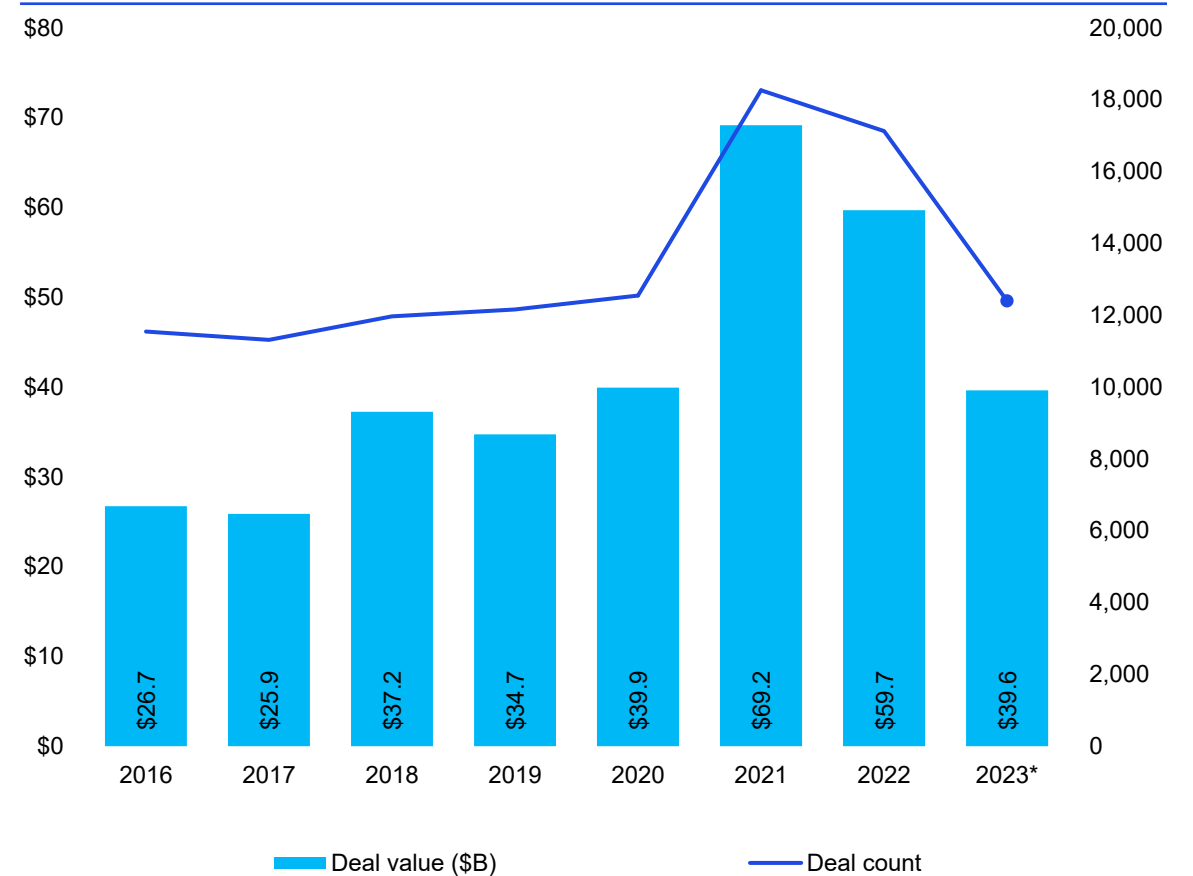
Corporate VC participation in global venture deals

2016–Q4'23



Global first-time venture financings of companies

2016–2023*



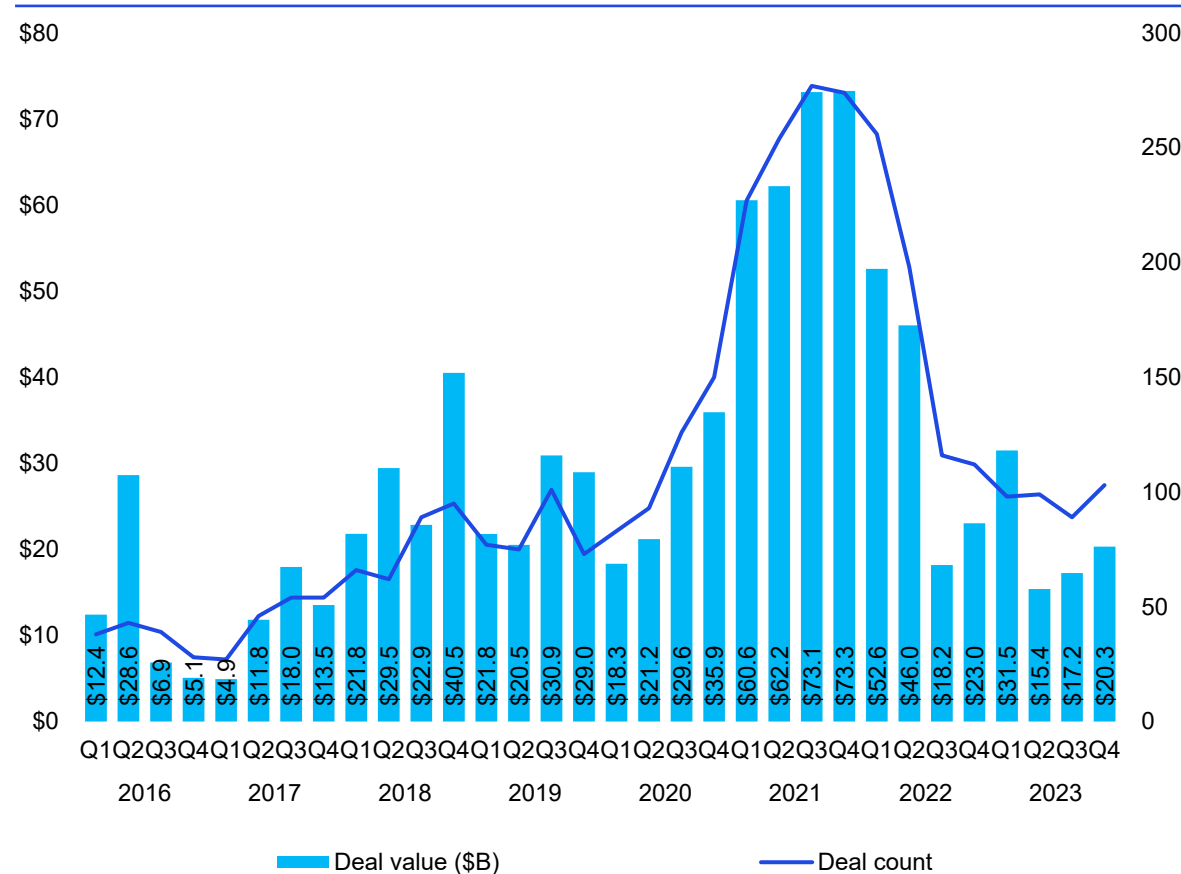
Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Note: The capital invested is the sum of all the round values in which corporate venture capital investors participated, not the amount that corporate venture capital arms invested themselves. Likewise, deal count is the number of rounds in which corporate venture firms participated.

Exits saw a slight rise at year end, back to longer-running averages

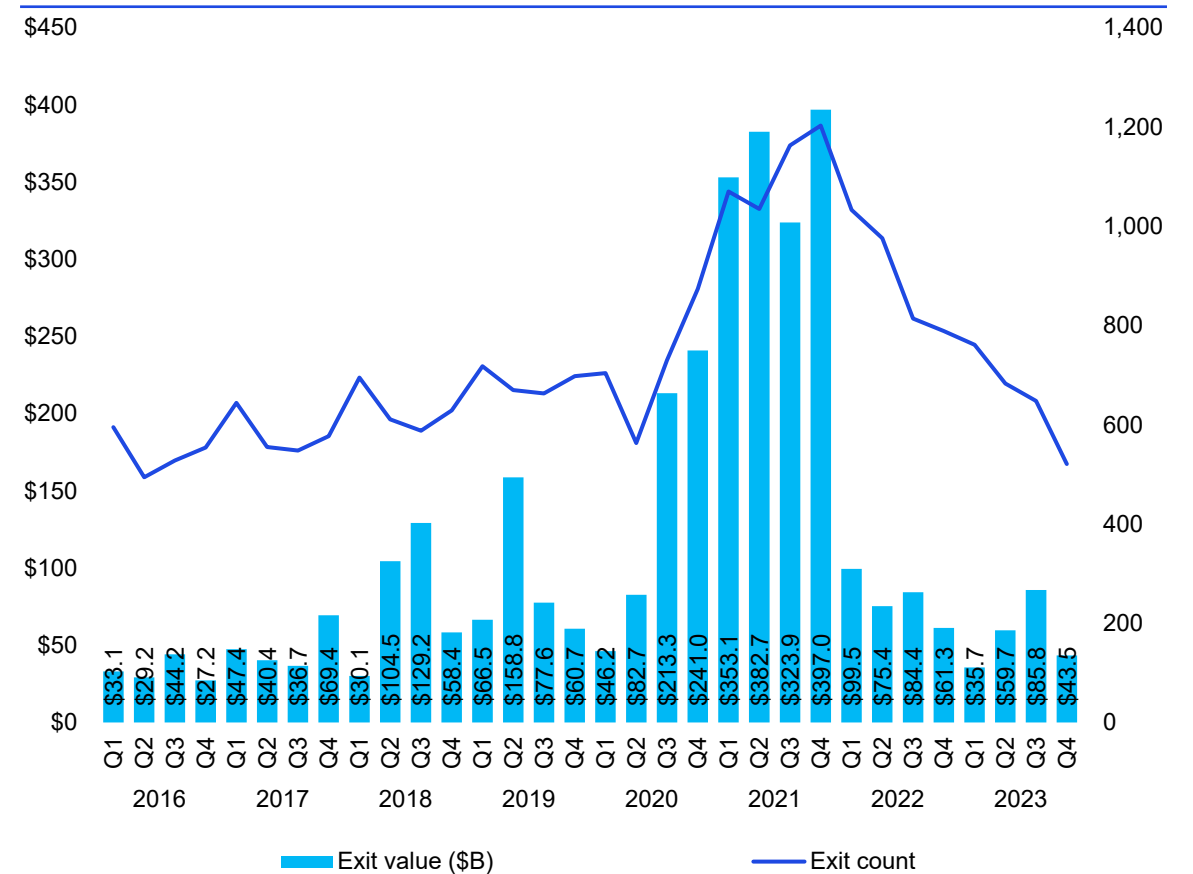
Global unicorn rounds

2016–Q4'23



Global venture-backed exit activity

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

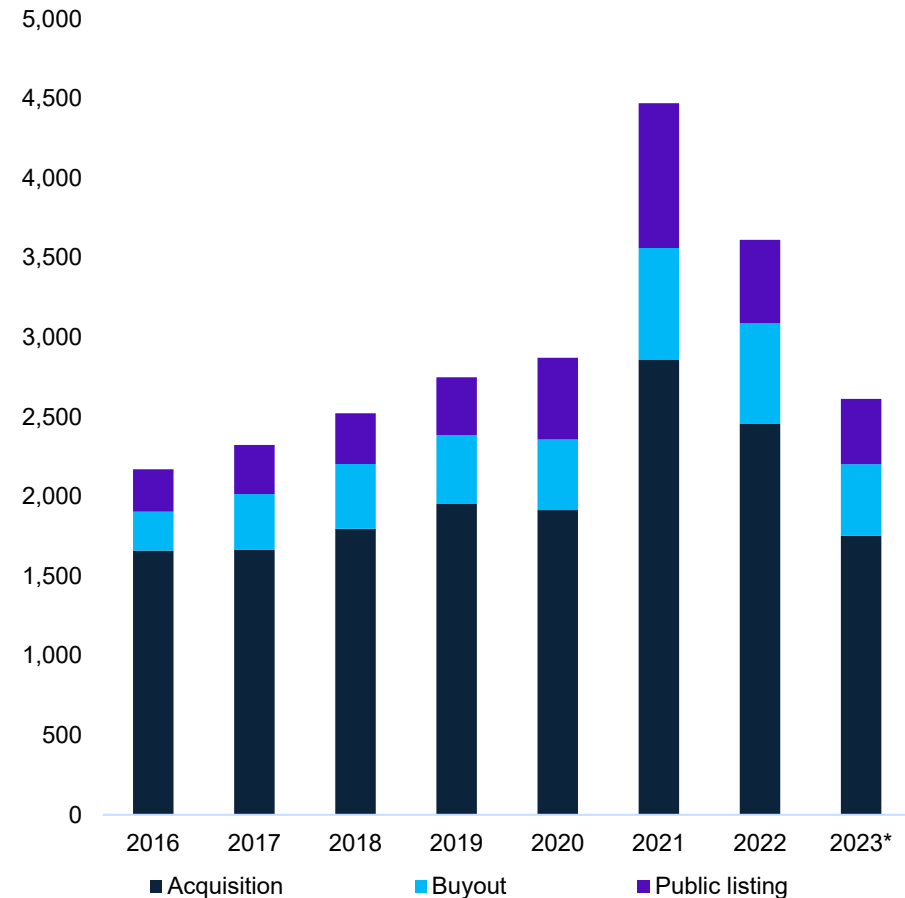
Note: PitchBook defines a unicorn venture financing as a VC round that generates a post-money valuation of \$1 billion or more. These are not necessarily first-time unicorn financing rounds, but also include further rounds raised by existing unicorns that maintain at least that valuation of \$1 billion or more.

Note: Exit value for initial public offerings is based on pre-IPO valuation, not the size of the offering itself.

M&A remains most common route, buyouts remain in play

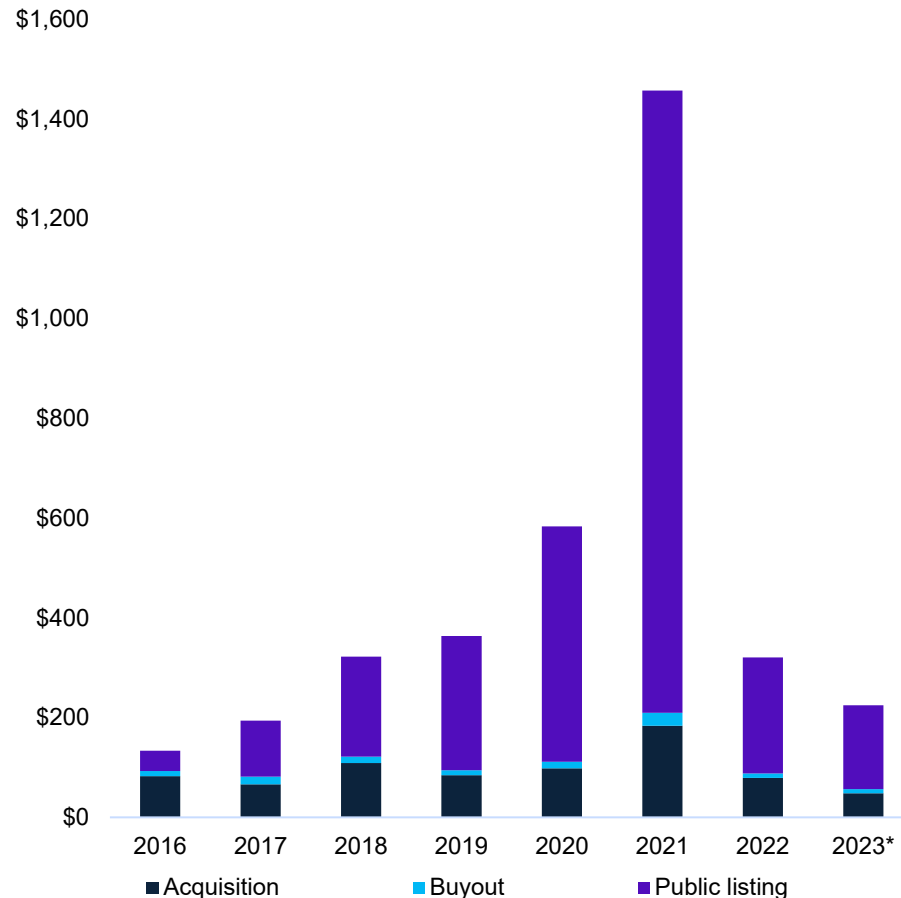
Global venture-backed exit activity (#) by type

2016–2023*



Global venture-backed exit activity (\$B) by type

2016–2023*



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ In 2024, there’s likely going to be growing pressure from VC funds for startups to get out there. We’re going to start seeing more startups getting ready for IPOs, and some testing the IPO waters. Any full reopening, however, is not necessarily going to be quick, particularly because of upcoming US and UK elections. 2025 is more likely when we’ll really start to see the markets opening up again. ”

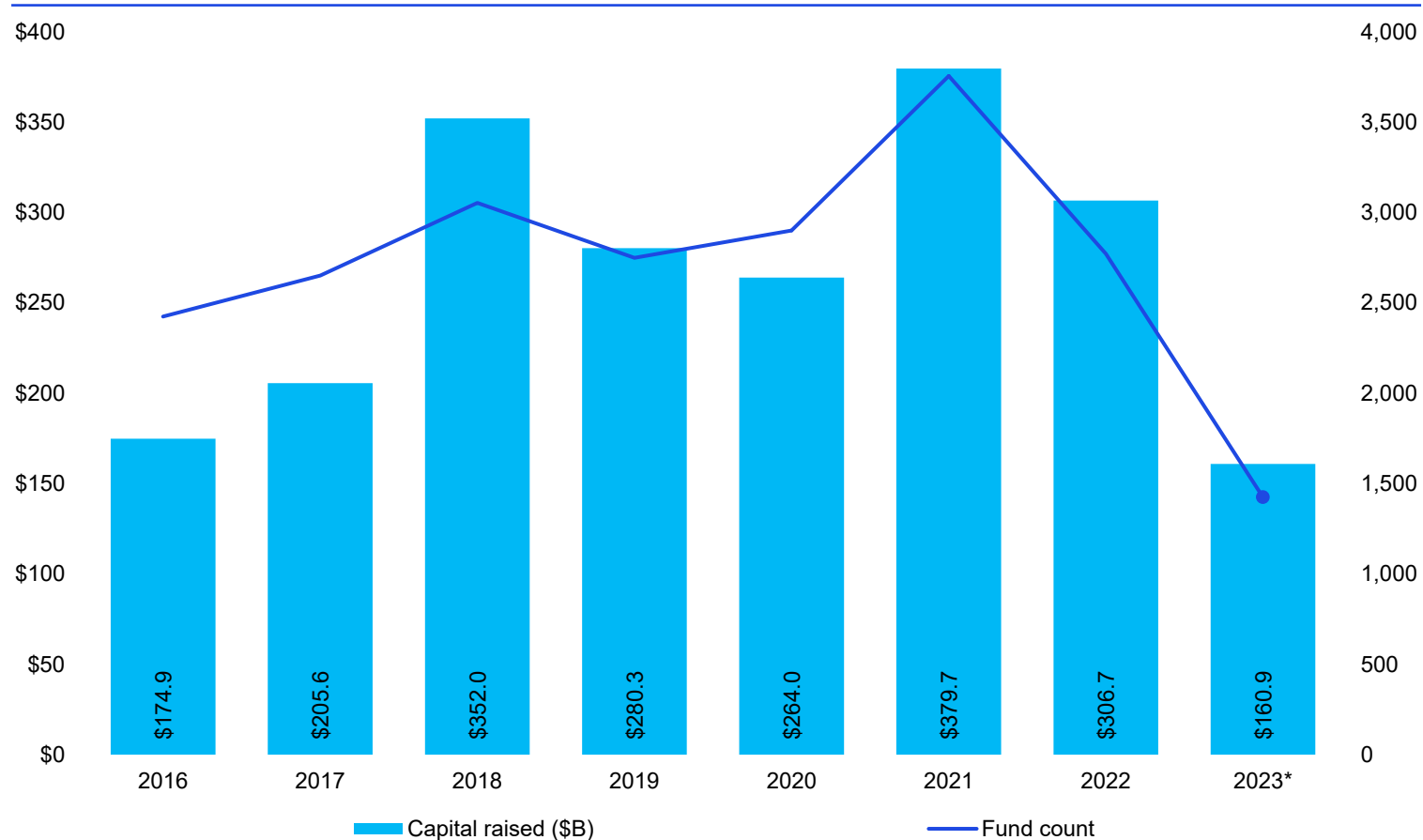


Francois Chadwick
Partner
KPMG Private Enterprise
KPMG in the US

LPs take a breather

Global venture fundraising

2016–2023*



The denominator effect of the 2010s has transformed into the numerator effect of the early 2020s, wherein equities' decline has led to the need to rightsize private market allocations at the portfolio level among institutional managers. However, public equities then climbed to rally and finish 2023 strong. That still left the year with a much lower total of fundraising, overall, as allocators digested lower liquidity levels from most alternative investments holdings. After a down year, however, the firms that stayed active with record fundraising tallies in 2021 and 2022 may eventually return to market, so 2024 remains marked with considerable uncertainty.

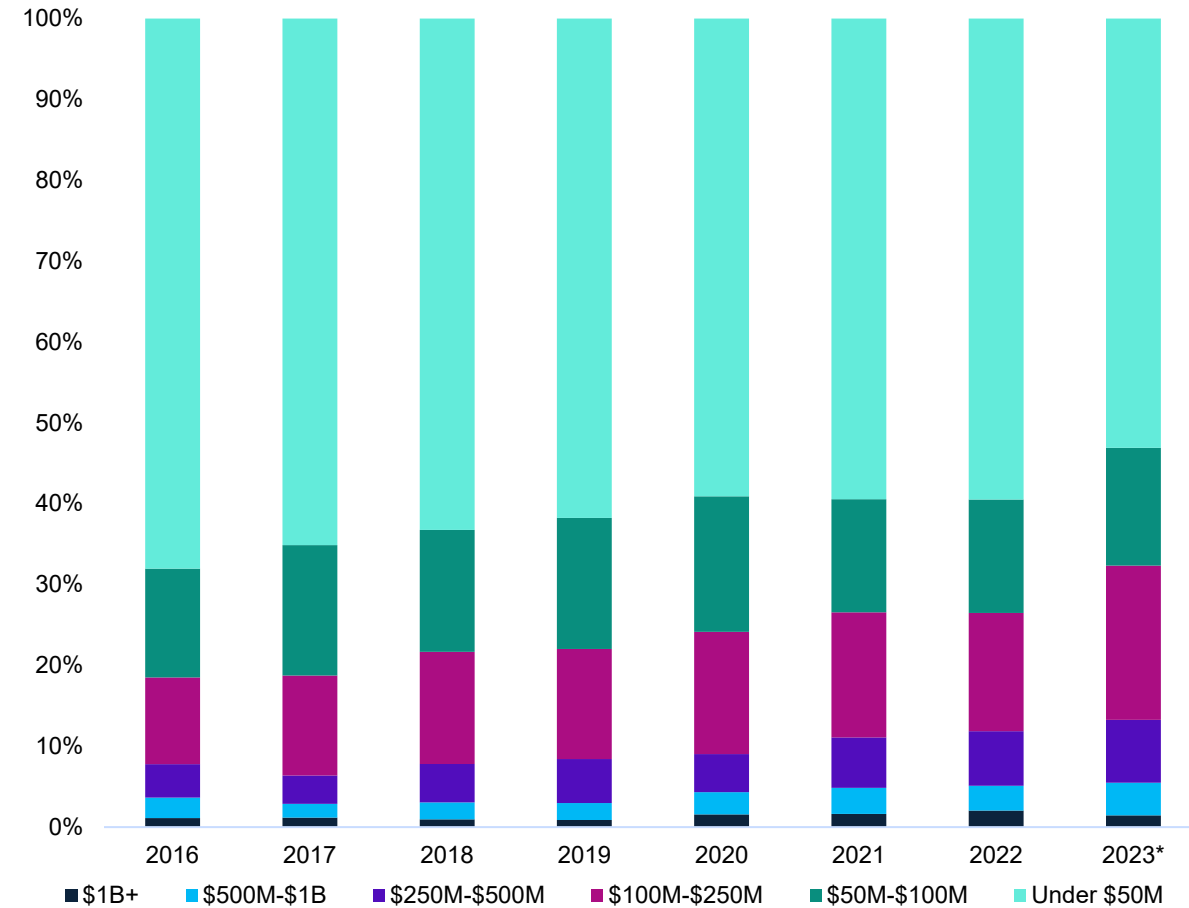
2023 saw a year-end rally but still finished with very low tallies relative to the previous five years, at **nearly \$161 billion committed to the asset class, primarily due to market volatility and lack of liquidity.**

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Longer fundraising timelines mean smaller funds close more often

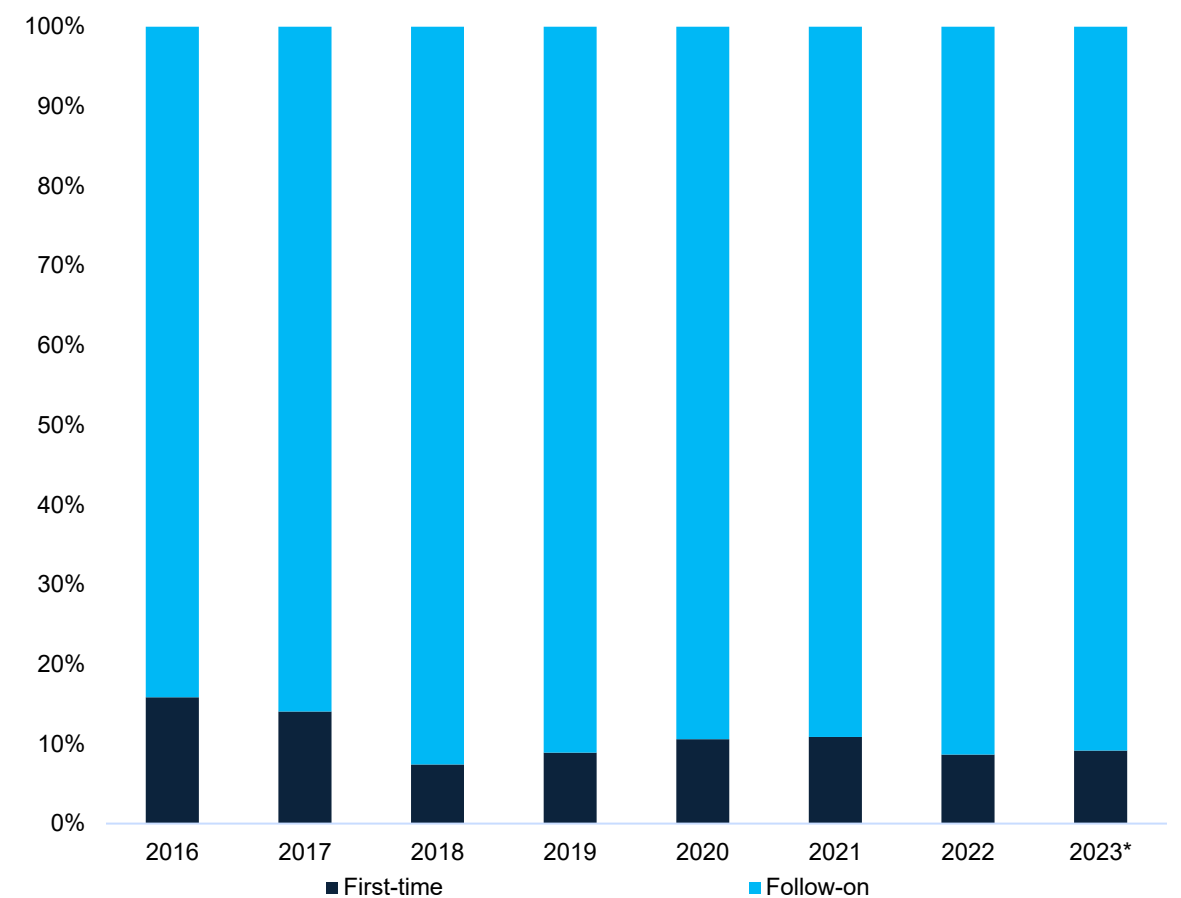
Global venture fundraising (#) by size

2016–2023*



Global first-time vs. follow-on venture funds (#)

2016–2023*



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

A diversity of sectors signify key interest in AI, healthtech, fintech & defense

Top 10 global financings in Q4'23



1. **Changxin Xinqiao** — \$2B, Anhui, China — Semiconductors — *Early-stage VC*
2. **Anthropic** — \$2B, San Francisco, US — AI & ML — *Late-stage VC*
3. **Metropolis** — \$1.7B, Los Angeles, US — AI & ML — *Series C*
4. **Lazada** — \$1.5B, Singapore — E-commerce — *Late-stage VC*
5. **Commure** — \$1.3B, San Francisco, US — Healthtech — *Late-stage VC*
6. **JUUL** — \$1.3B, Washington D.C., US — Consumer — *Late-stage VC*
7. **Generate** — \$1.06B, San Francisco, US — Fintech — *Late-stage VC*
8. **Relativity** — \$1.05B, Long Beach, US — Aerospace & defense — *Series F*
9. **DAZN** — \$1B, London, UK — Communications — *Late-stage VC*
10. **Tabby** — \$950M, Dubai, UAE — Fintech — *Series D*

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

**In Q4'23, US VC-backed
companies raised
\$37.5B across
2,879 deals**

Interest in AI helps check decline in US-based VC investment

VC investment in the US declined significantly in Q4'23, driven by geopolitical concerns, the relatively weak post-IPO performance of companies that tested the IPO waters in Q3'23, and significant economic headwinds.

AI sees red-hot interest from VC investors in the US

AI continued to attract an enormous degree of attention from VC investors in the US during Q4'23, with investment flooding into companies operating in the space. Investments in AI were vast and varied, spanning a wide cross section of industries and service offerings. The AI space attracted many of the largest deals in the US during Q4'23, including a \$2 billion raise by generative AI and large language model developer Anthropic, a \$1.7 billion raise by AI-powered parking platform Metropolis, a \$684 million raise by AI-powered data analytics platform Databricks, and a \$323 million raise by neurotech company Neuralink.

Flat and down rounds becoming the norm

During Q4'23, the prevalence of flat and down rounds continued to grow in the US, with numerous companies required to take cuts to their valuations in exchange for fresh funding. In the current market, a number of startups that raised flat rounds considered it a positive achievement. Flat is absolutely the new "UP".

VC firms facing pressure from LPs

As much as VC investors in the US continued to put a significant amount of pressure on companies within their portfolio to conserve cash, extend the value of every dollar, and right-size their business during Q4'23, VC funds also came under pressure from their LPs to provide returns given institutional commitments. This pressure could push funds to begin deploying their dry powder, although any deployment of capital will likely be combined with serious discussions around planned exit strategies.

IPO market remains shuttered despite Q3'23 IPOs

There was some hope that the three major IPOs that occurred during Q3'23 — including US-based companies Instacart and Klaviyo, in addition to UK-based Arm — would lead to additional companies making IPO exits in Q4'23. The IPO and post-IPO performance of these companies, however, was not enough to start even a trickle of additional IPO activity. This result is casting a significant pall on expectations of a recovery in the IPO market during the first half of 2024; despite companies working to improve their IPO readiness and the possibility of one or two major IPO exits, it is possible that any significant reopening of the US IPO market will likely occur in the latter half of 2024.

The Q3'23 IPOs, however, did provide an indicator for private company valuations; this contributed to a growing alignment between the expectations of founders and investors during Q4'23 as to the true valuation of private companies. This could foster additional deal making heading into Q1'24.

Bay Area shows the most resilience compared to other US startup hubs

On a regional level, the Bay Area showed the most resilience in 2023 with respect to VC investment, compared to 2022. While VC investment in the Bay Region increased from \$33.7 billion to \$41.4 billion year-over-year, other areas fared poorly. Hardest hit were Seattle and Denver which both dropped over 65 percent year over year followed by New York (50 percent decline), Philadelphia (37 percent decline) and Boston (13 percent decline).

The resilience of the Bay Area likely reflects a number of trends, including the significant investment in AI-focused companies — many of which are based in the Bay Area — and the presence of a number of highly valued private companies that had to put their IPOs on hold during 2023 and so raised large mega-deals to help bridge the gap.

Interest in AI helps check decline in US-based VC investment, cont'd.

VC firms using rollover funds in order to extend the life of VC funds

Given the incredibly dry exit environment, a number of VC funds began to consider or introduce rollover funds during Q4'23 in order to carry over their investments from aging funds in order to extend the runway needed to bring companies within their portfolio to successful exits. These rollover funds are being used as a means to give some LPs an opportunity to exit because of the length of time the funds have been invested in certain companies. While relatively new for VC firms, rollover funds have been used quite regularly in the PE market.

Trends to watch for in Q1'24

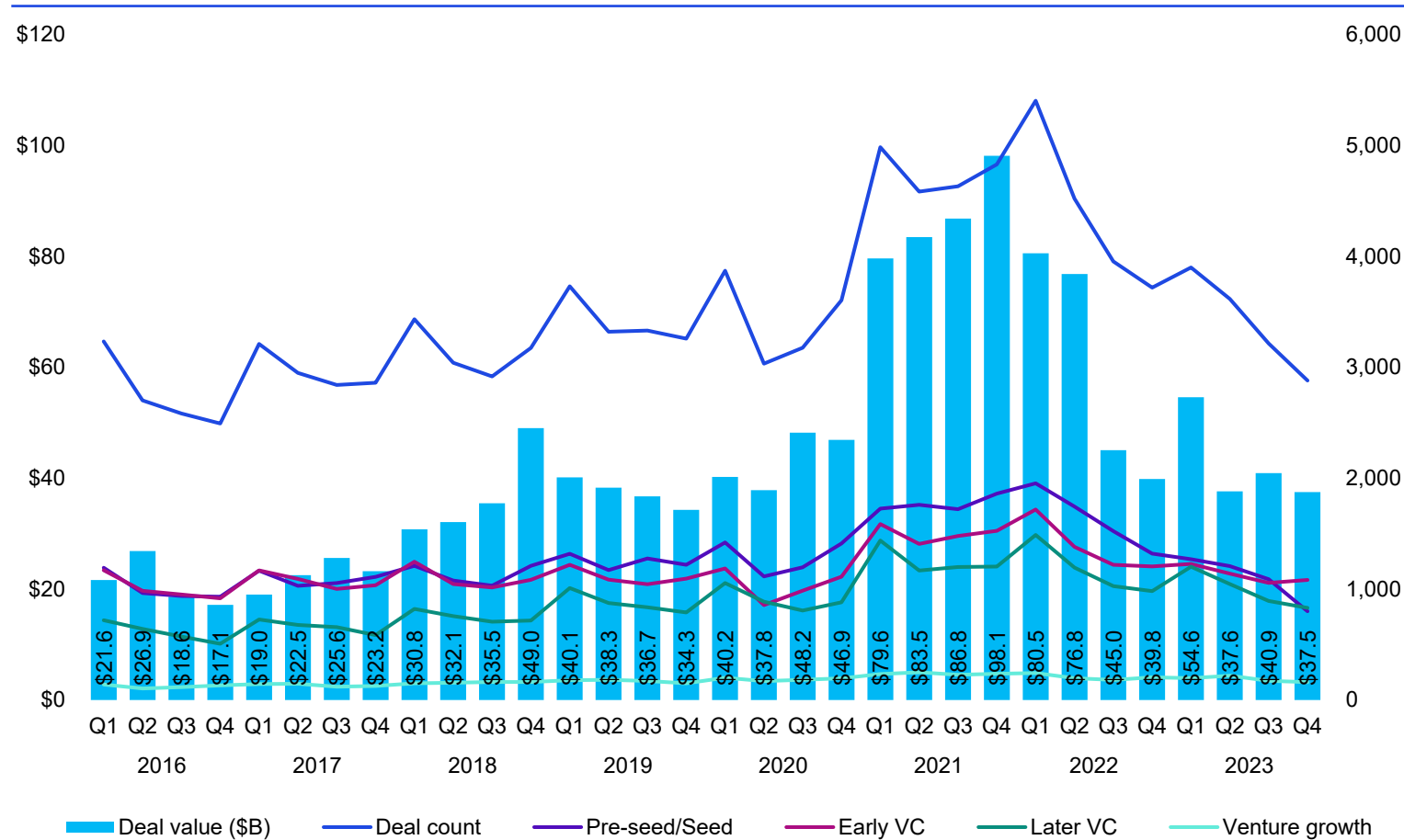
VC investment in the US is expected to remain subdued heading into Q1'24 as investors continue to conduct a significant amount of due diligence on deal opportunities, and prioritize investments in companies with robust unit economics and sustainable business models given the current business climate.

AI will likely remain a key exception, with VC investors in the US expected to continue to pour money into the space during Q1'24. Longer term, VC investment will likely begin to focus more on companies with true AI offerings as opposed to companies providing AI wrappers to existing technologies or solutions. Solutions focused on the enterprise AI space will likely also increasingly attract attention as businesses across industries look to integrate AI into their operations in order to enhance their human workforce and drive efficiencies.

Financing activity looks set to even out

Venture financing in the US

2016–Q4'23



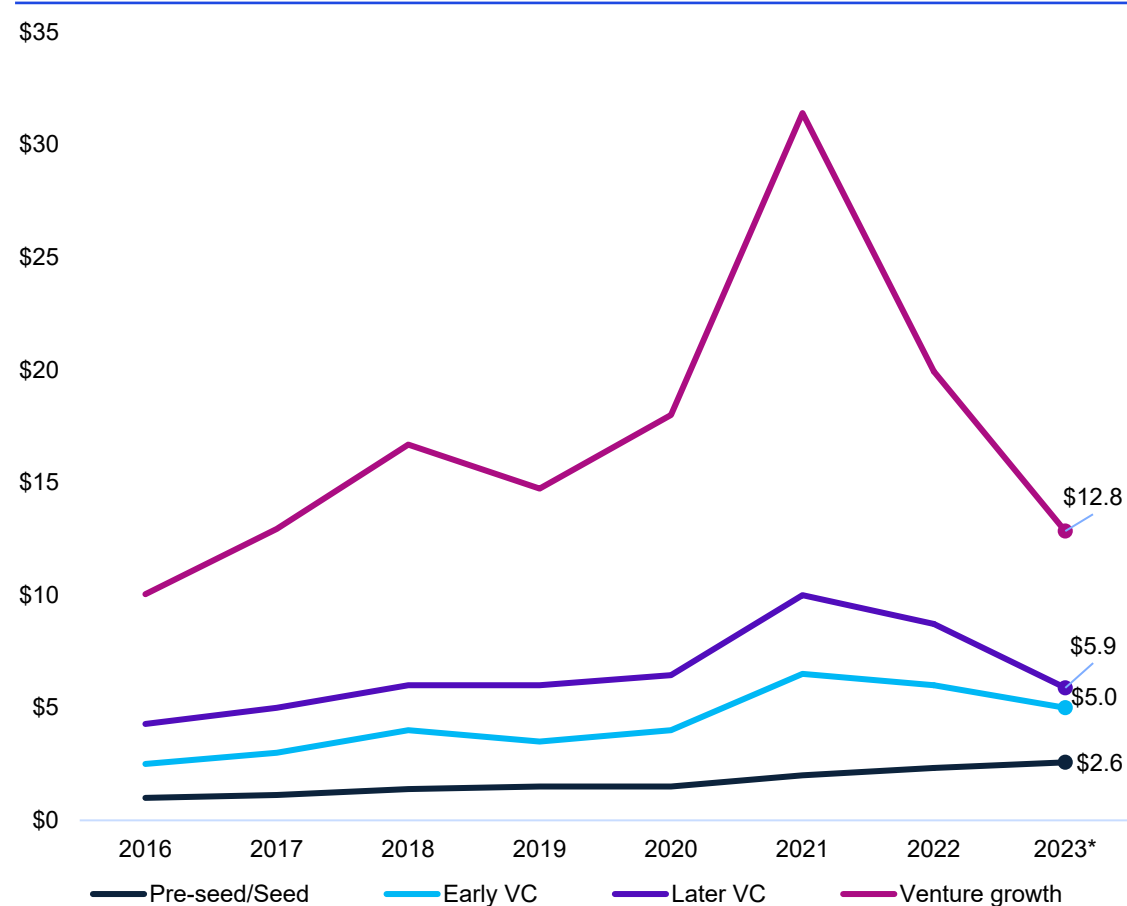
With several quarters recording relatively similar tallies of VC invested, it is now likely that the venture ecosystem in the US has achieved an uneasy balance. However, deal counts remain somewhat variable, which suggests that the balance still is tilted toward concerns around sluggish economic growth, the degree to which current interest rate levels may still exert pain on certain pockets of the economy that will eventually ripple across the entire nation, and concerns around liquidity pressures. This state of affairs is likely to persist throughout all of 2024, barring any significant shock such as an economic slowdown or market crash or geopolitical incident. Healthy levels of dry powder will underpin financing metrics, as seen in the subsequent pages of this edition of Venture Pulse, but liquidity concerns are increasingly pressing for dealmakers after one of the biggest venture investing sprees in history.

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Down rounds climbing toward pre-2018 levels

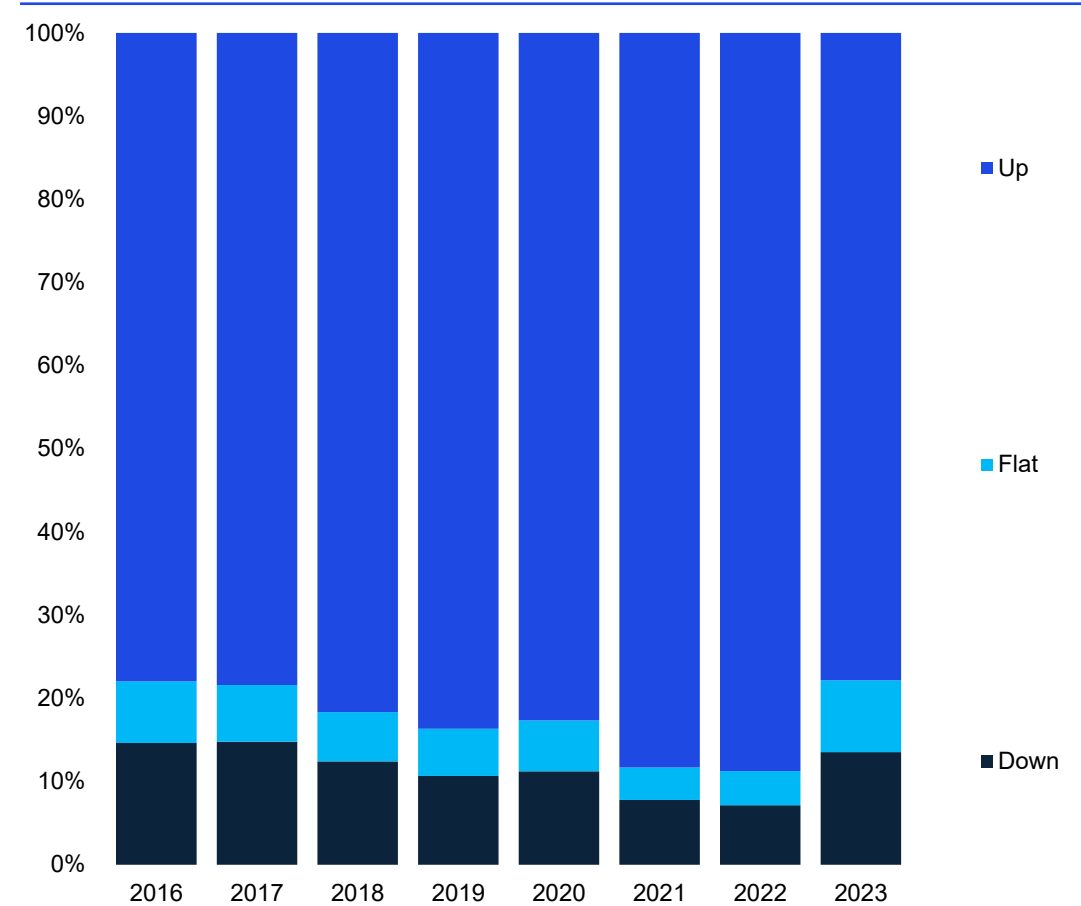
Median deal size (\$M) by stage in the US

2016–2023*



Up, flat or down rounds in the US

2016–2023*

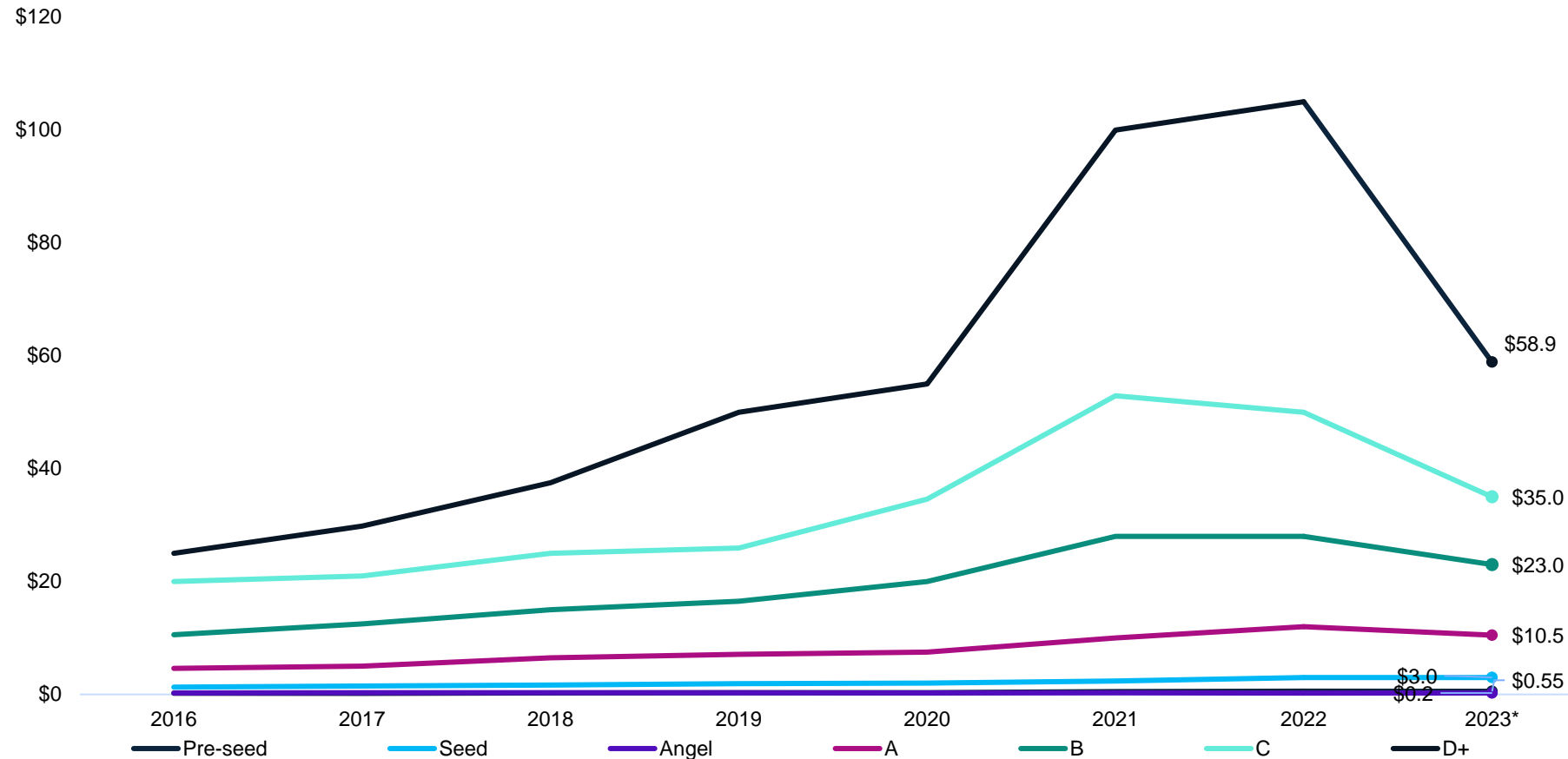


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The most inflationary stages have corrected

Median deal size (\$M) by series in the US

2016–2023*



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Note: Figures rounded in some cases for legibility.

“ The cautionary tone seen across the investment market has a trickle-down effect. The LPs writing checks to the VC funds are being more selective in who they’re investing in — which is making it more difficult for funds that can’t demonstrate a winning track record. Fundraising by existing VC funds is also taking longer, particularly compared to how quickly funds were able to raise in 2021 and 2022. These factors, combined with the macroeconomic uncertainty, ongoing concerns about valuations, and the lack of exits are contributing to the slowdown in deals as VC investors put significantly more emphasis on profitability and due diligence. ”

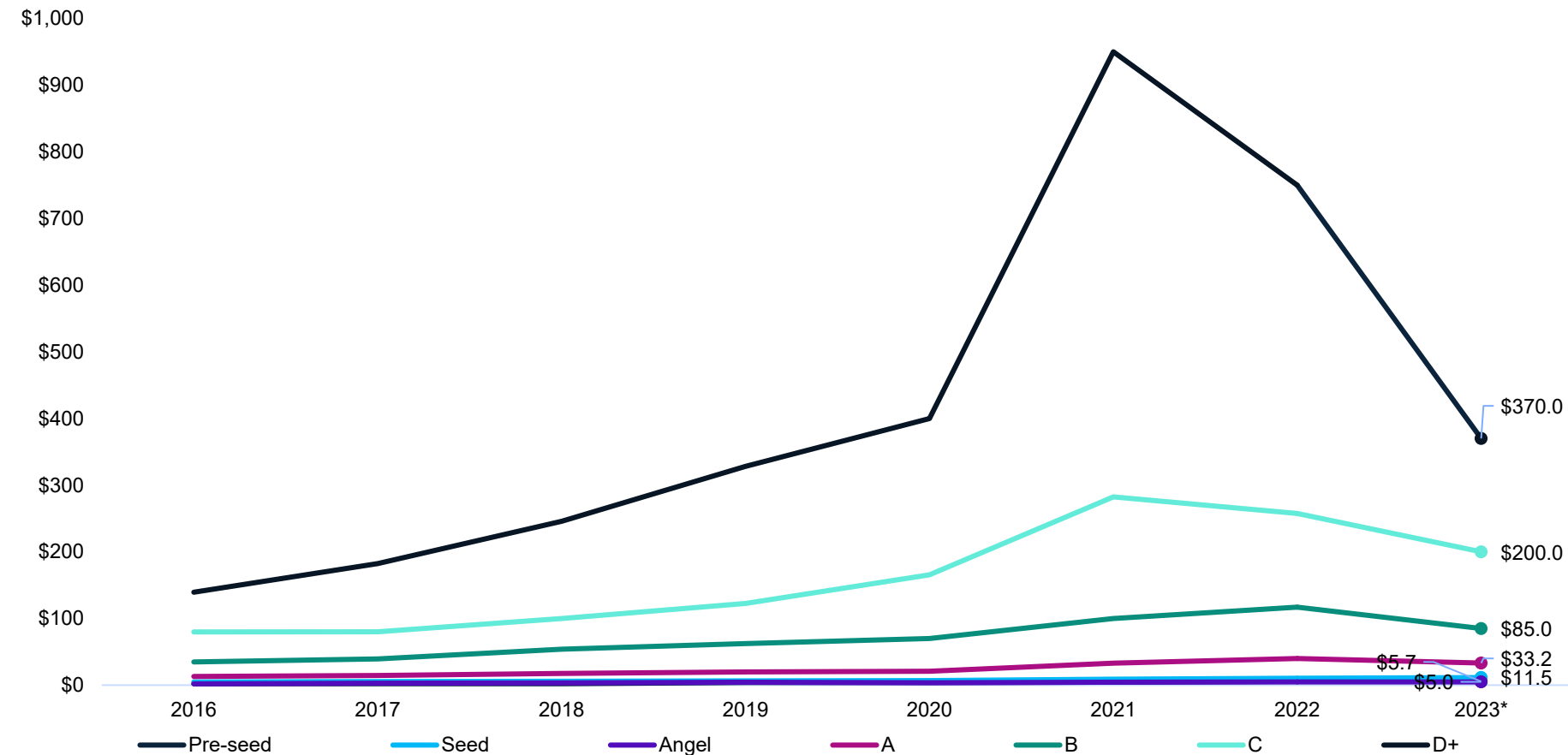


Jules Walker
Managing Director
Business Development
KPMG in the US

Valuations even out or subside across most series

Median pre-money valuation (\$M) by series in the US

2016–2023*



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Note: Figures rounded in some cases for legibility.

“ There’s still a lot of pent-up energy in the system right now, and still a lot of money to deploy. In the small and mid cap market, there’s a lot more potential to get deals done — especially if they’re strategic bolt-ons to existing investments and platforms. Where there are hubs of good technology innovation; we’re seeing hotspots in the US, Canada, the UK, and even Brazil, there are some real opportunities opening-up. Founders are seeking to exit and investors are finding some exciting rollup opportunities. ”

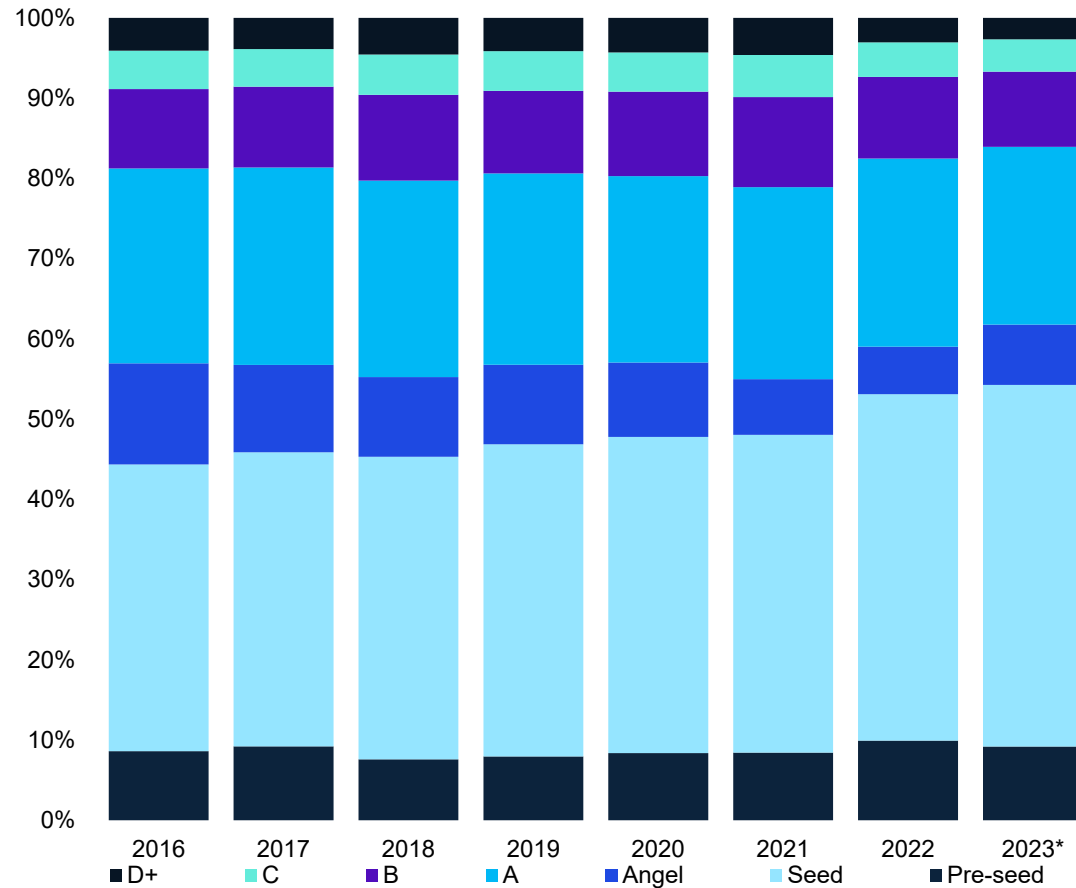


Sam Lush
Director, Private Equity
Group
KPMG in the US

Proportionally, smaller, less expensive financings return

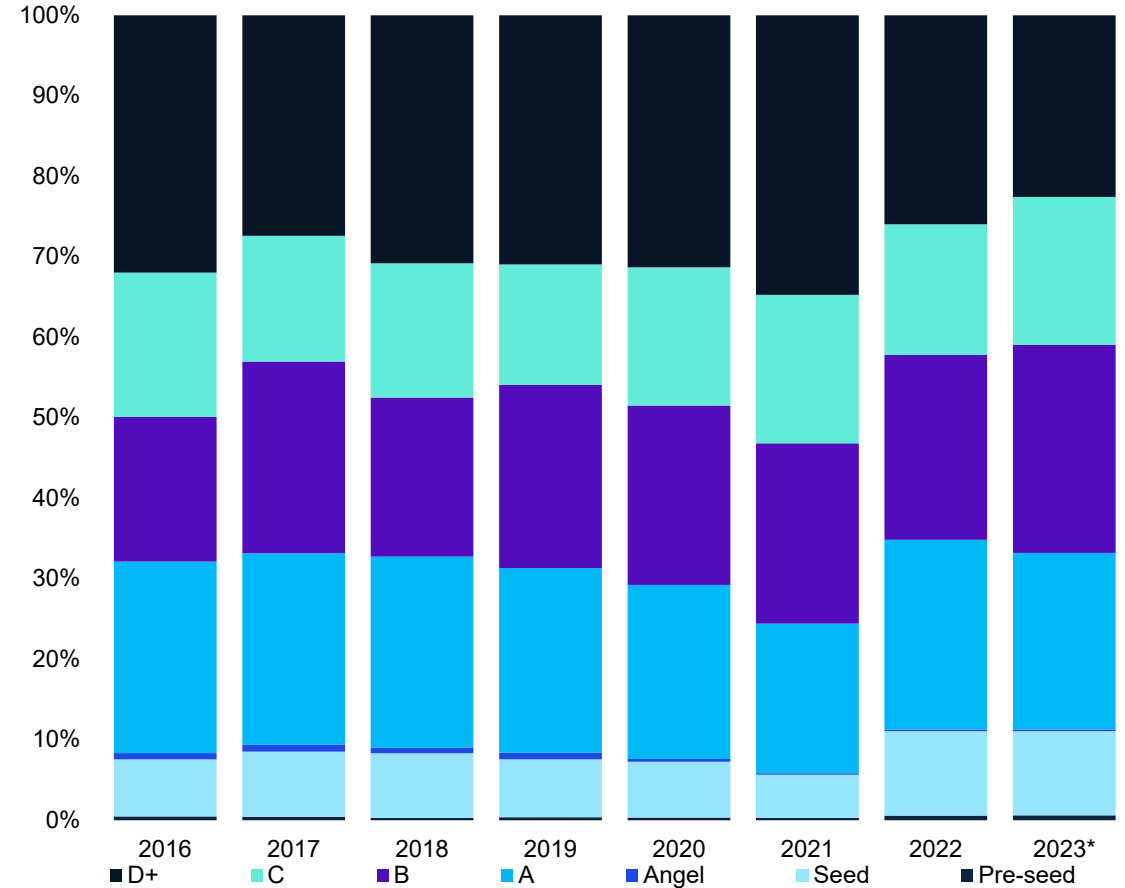
Deal share by series in the US

2016–2023*, number of closed deals



Deal share by series in the US

2016–2023*, VC invested (\$B)

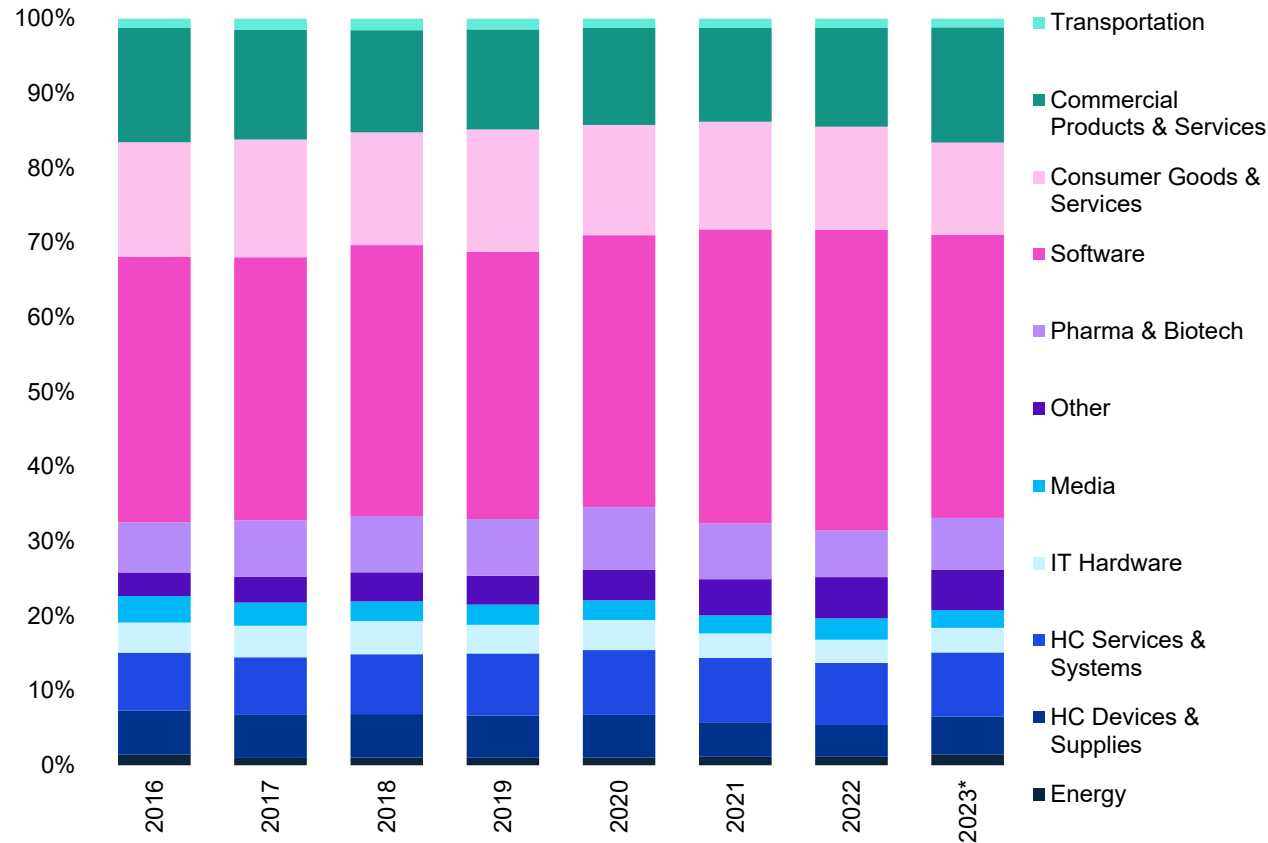


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Perceived recession-resilient areas continue to draw investment

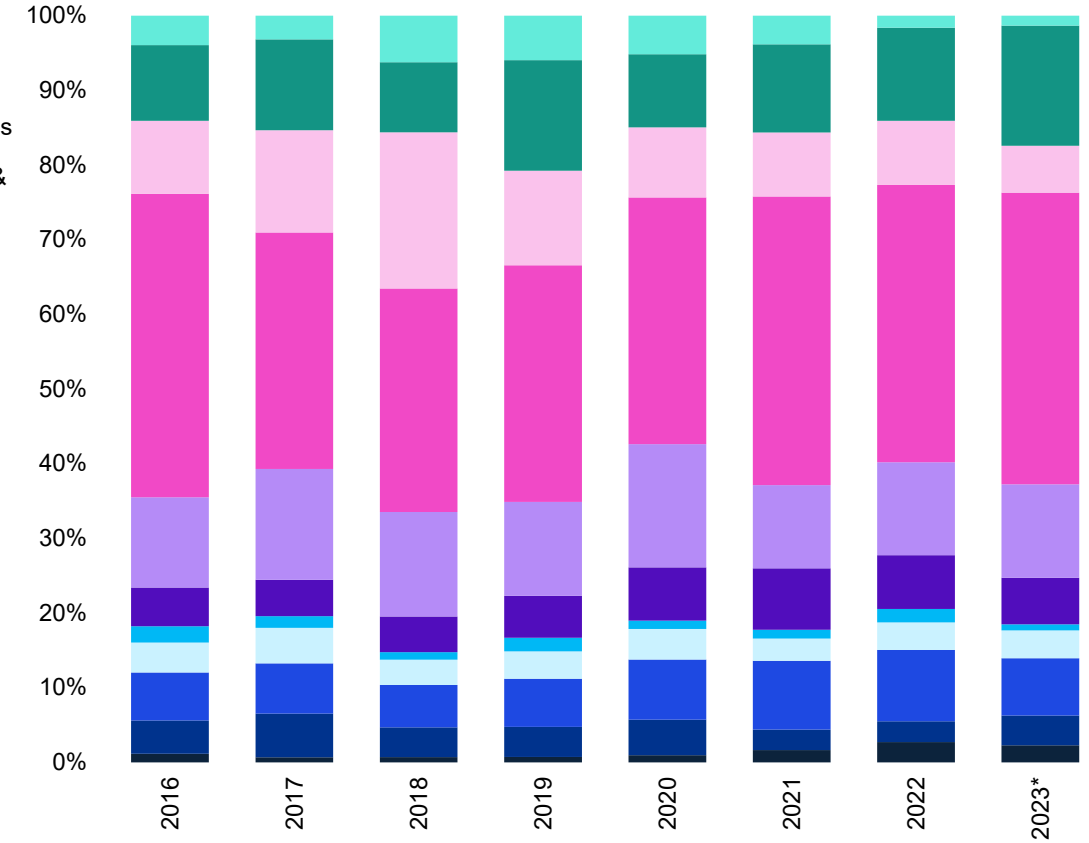
Venture financing by sector in the US

2016–2023*, number of closed deals



Venture financing by sector in the US

2016–2023*, VC invested (\$B)

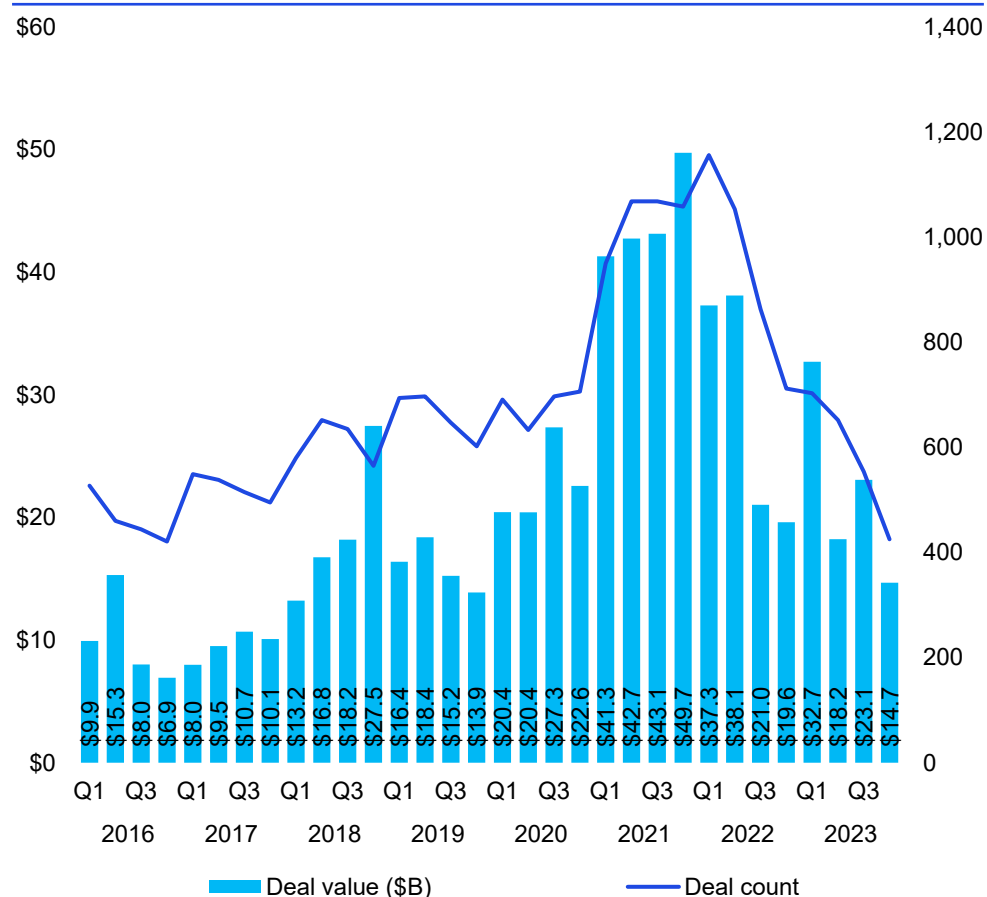


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Even as corporates pull back, first-time rounds exhibit health

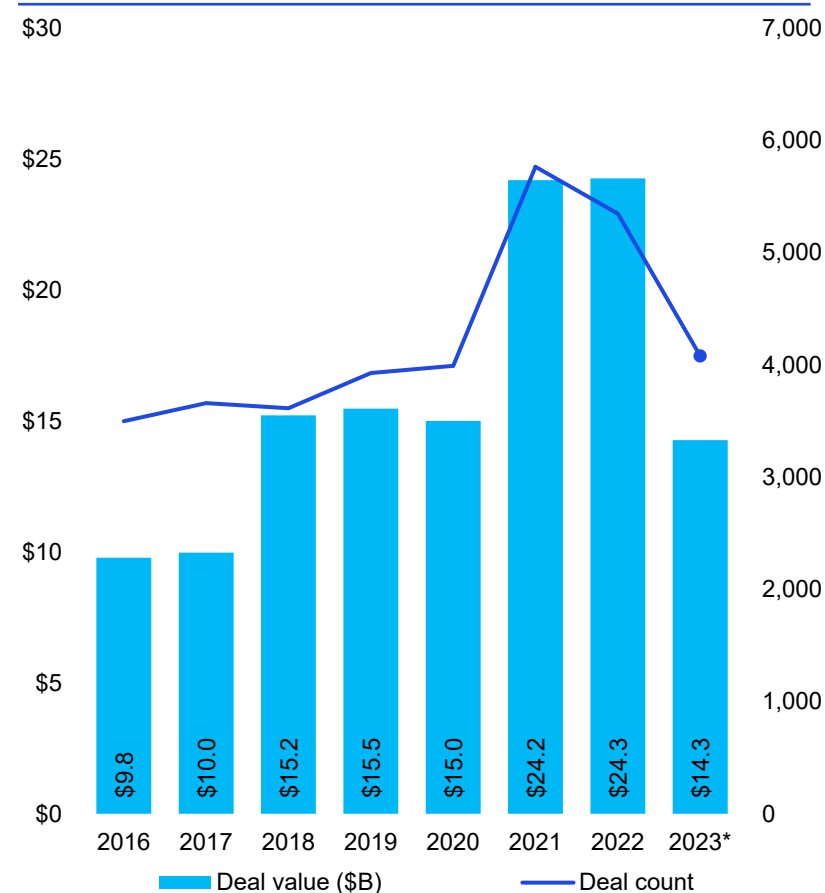
Corporate participation in venture deals in the US

2016–Q4'23



First-time venture financings of companies in the US

2016–2023*



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ Venture firms are following a risk management strategy right now, selectively deploying capital while waiting for improved macroeconomic conditions. Despite some recent stabilization, no one feels great about the IPO market, interest rates and regulatory scrutiny are weighing on M&A, and many are still orientating themselves to this market compared to 2020 and 2021. This has really driven a 'wait and see' approach for startups, with many looking to ride things out as long as they can and fundraise only when forced. ”

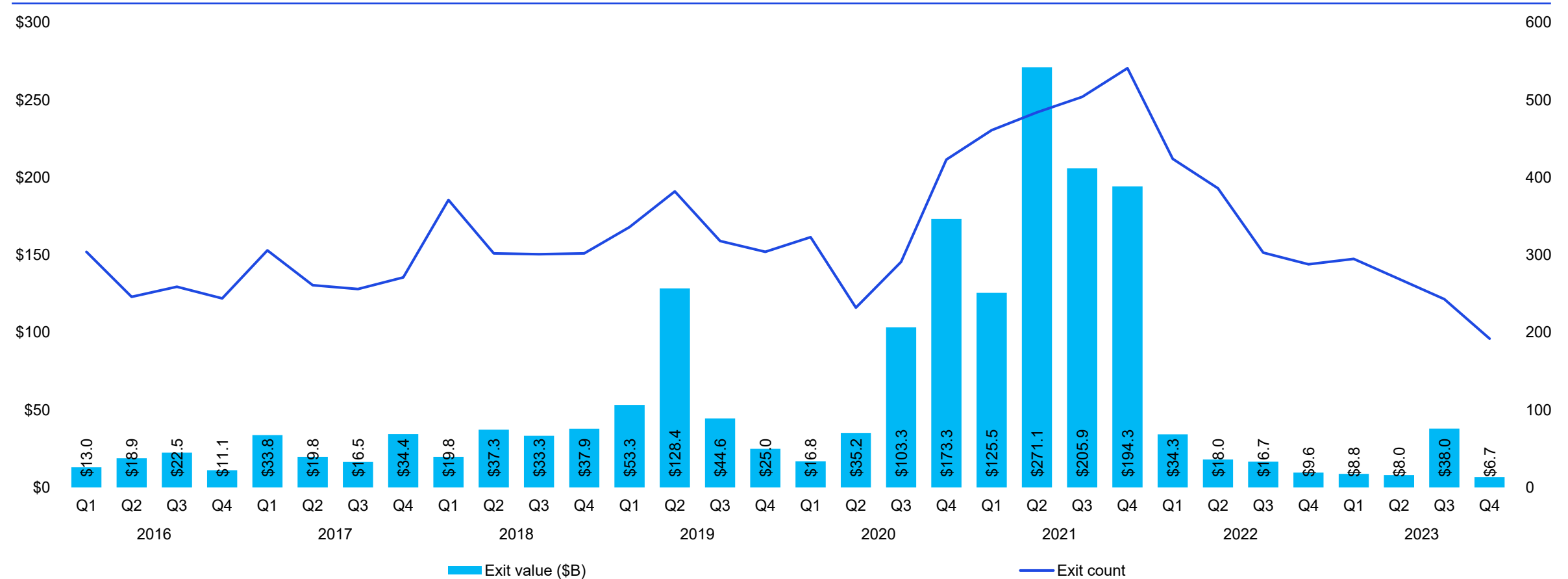


Scott Burger
Partner
KPMG in the US

The persisting liquidity crunch is growing pressing

Venture-backed exit activity in the US

2016–Q4'23

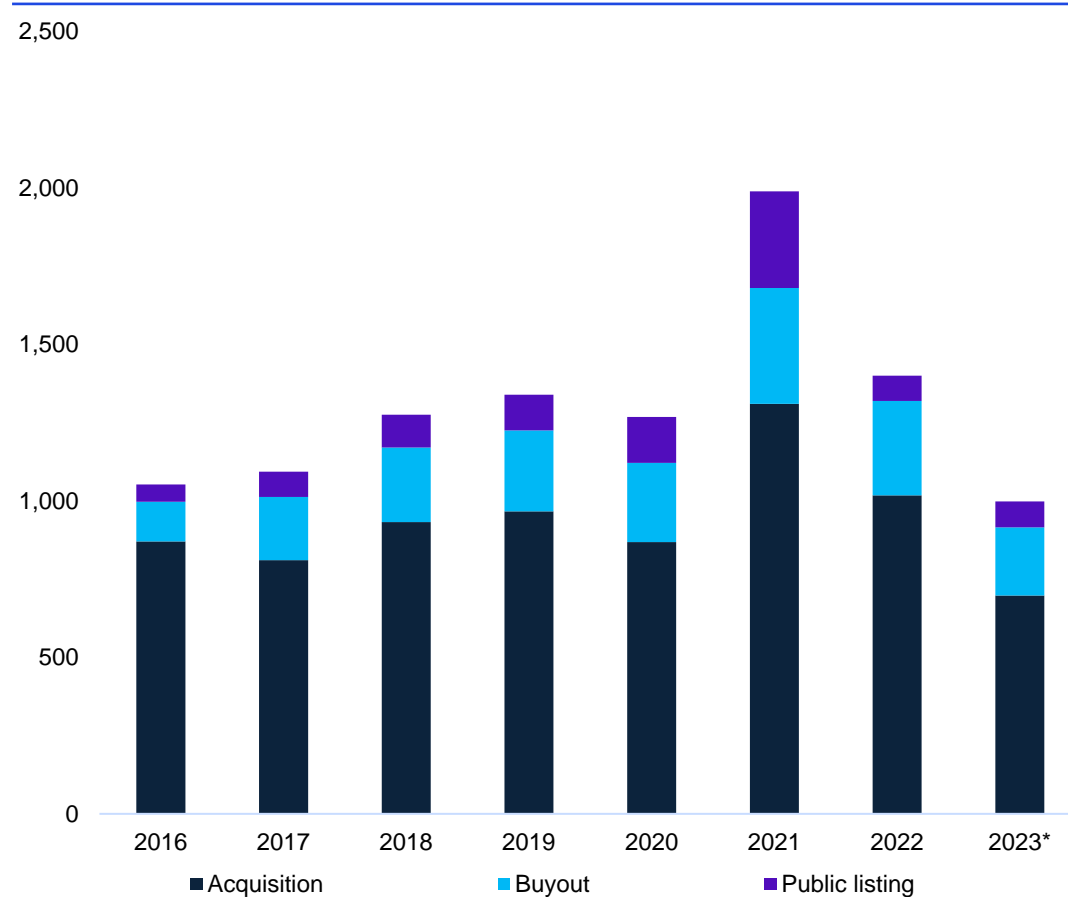


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Hopes of an IPO resurgence bloom after lackluster year

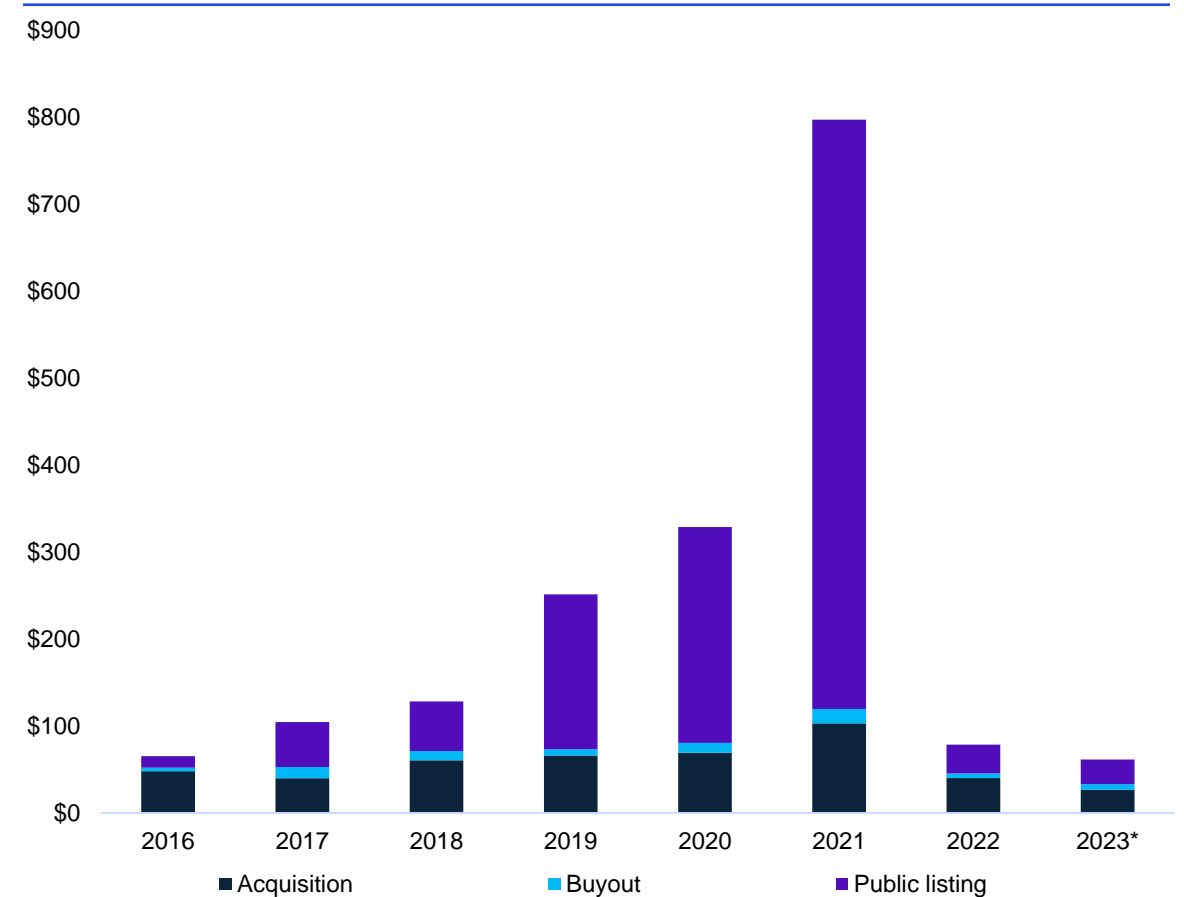
Venture-backed exit activity (#) by type in the US

2016–2023*



Venture-backed exit activity (\$B) by type in the US

2016–2023*

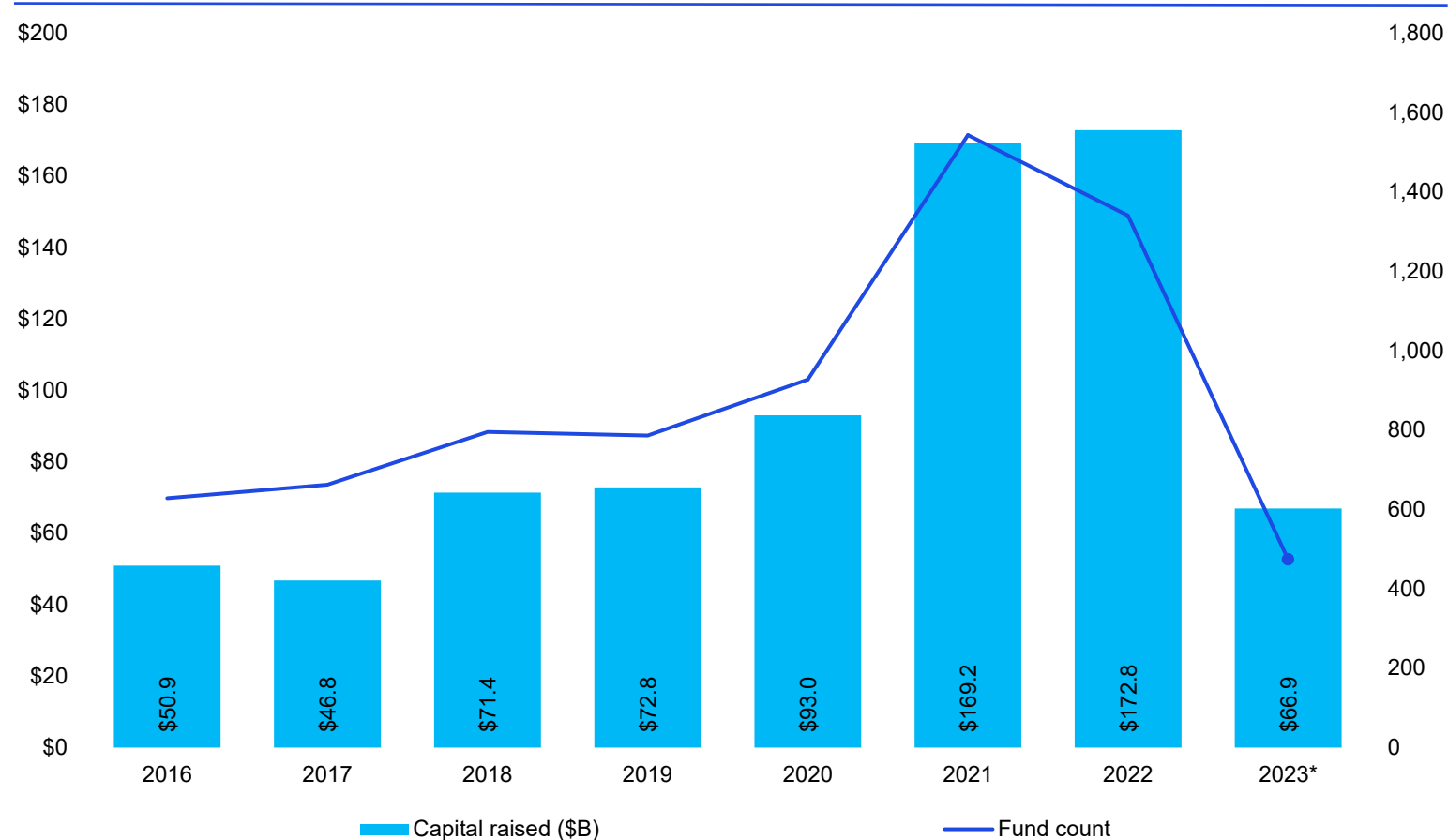


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Fundraising remains muted in the wake of record highs

US venture fundraising

2016–2023*



The sheer decline in fundraising activity speaks to multiple factors, especially for US fund managers: 1) LPs' rebalancing of portfolios; 2) concerns around the viability of venture fund performance against equities and other private asset classes; 3) satiated market demand given the degree of commitments from 2021 and 2022. That last factor is still the primary question for 2024, given that equities rallied to close the year. Allocators may think that fund managers still have plenty of capital to deploy, so it is possible 2024 also remains sluggish in fundraising, particularly in the US.

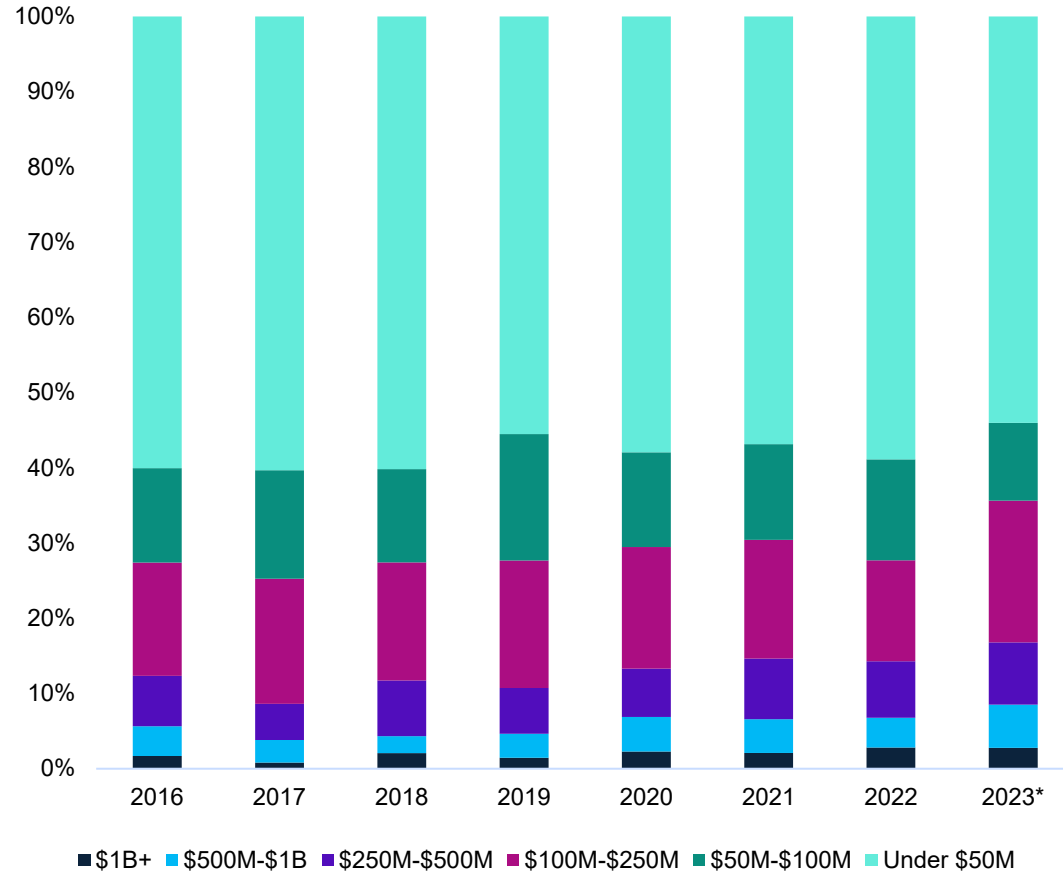
... as fundraising volume has slowed drastically, **2023 continues to see slowed commitments in aggregate at a third of \$100 billion.**

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

A slightly higher proportion of mid-sized funds closed in 2023

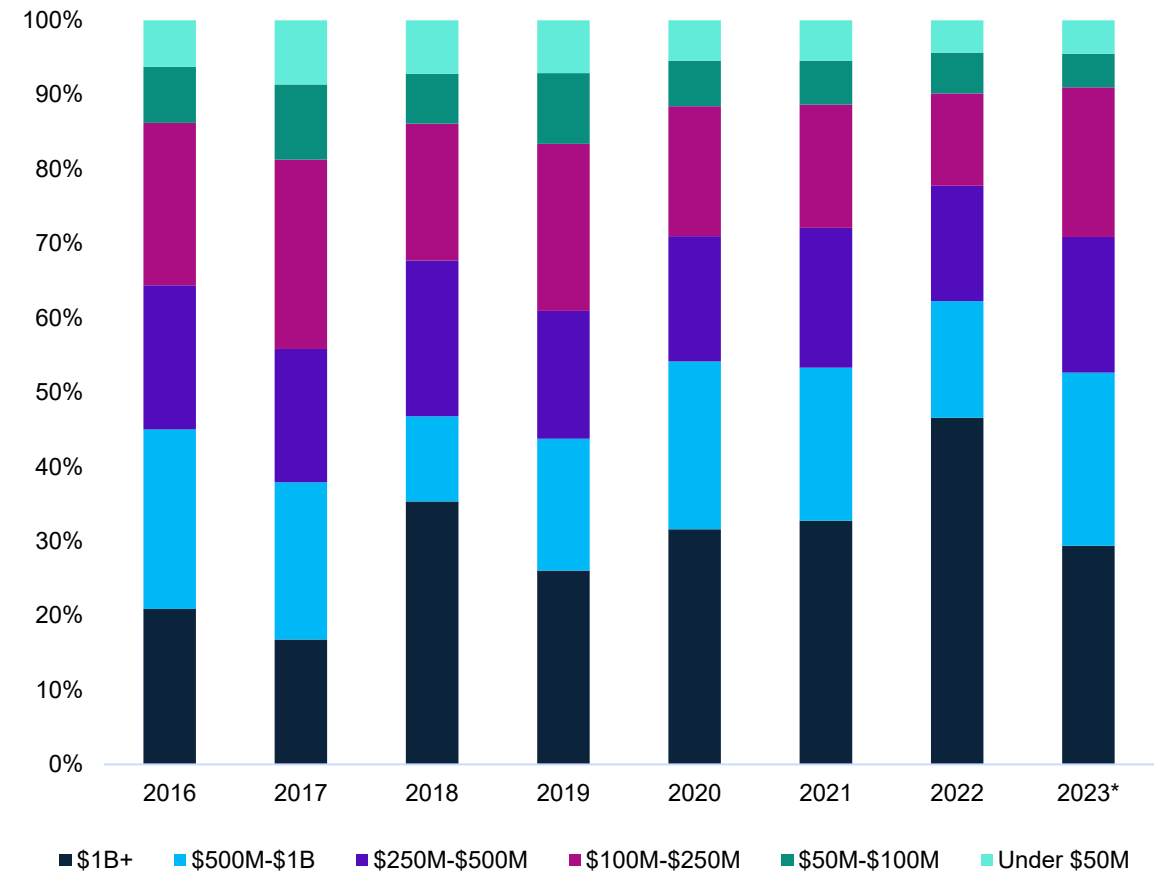
Venture fundraising (#) by size in the US

2016–2023*



Venture fundraising (\$B) by size in the US

2016–2023*

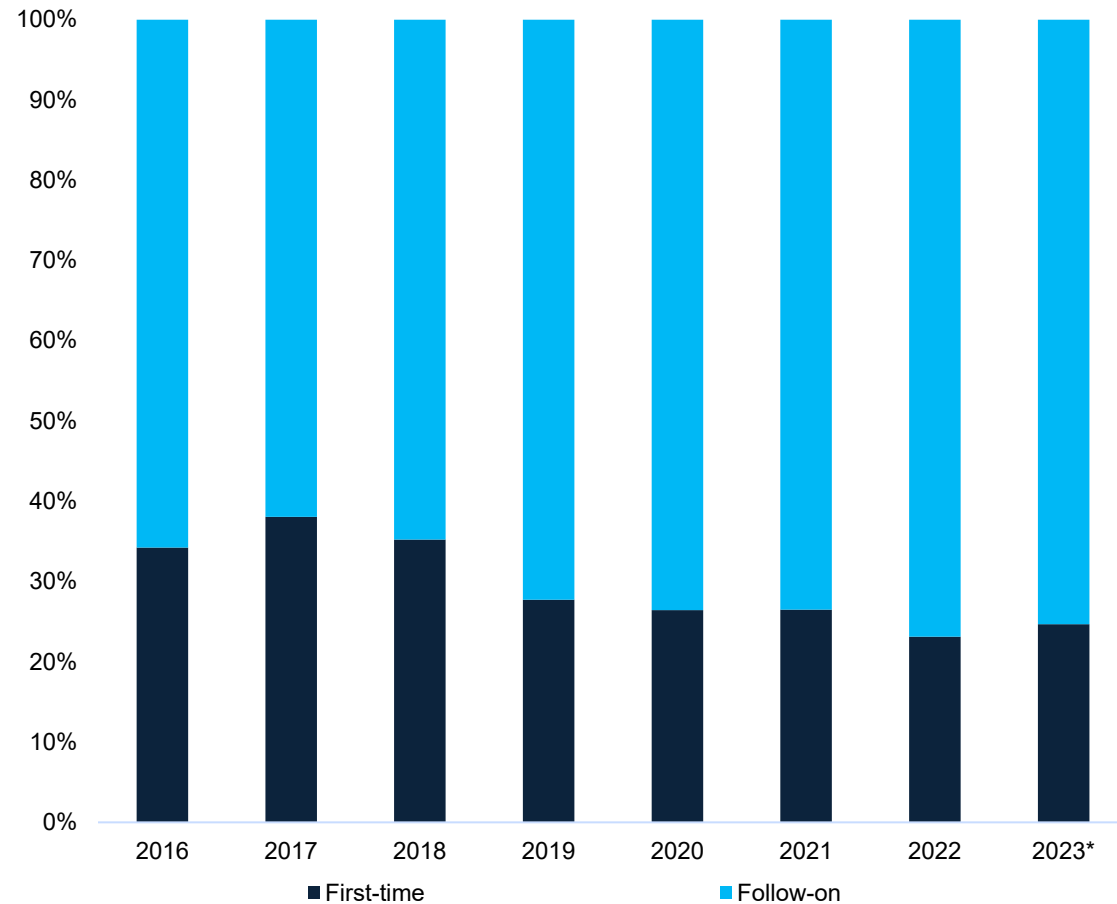


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

An unexpected surge in first-time fundraisers to close the year

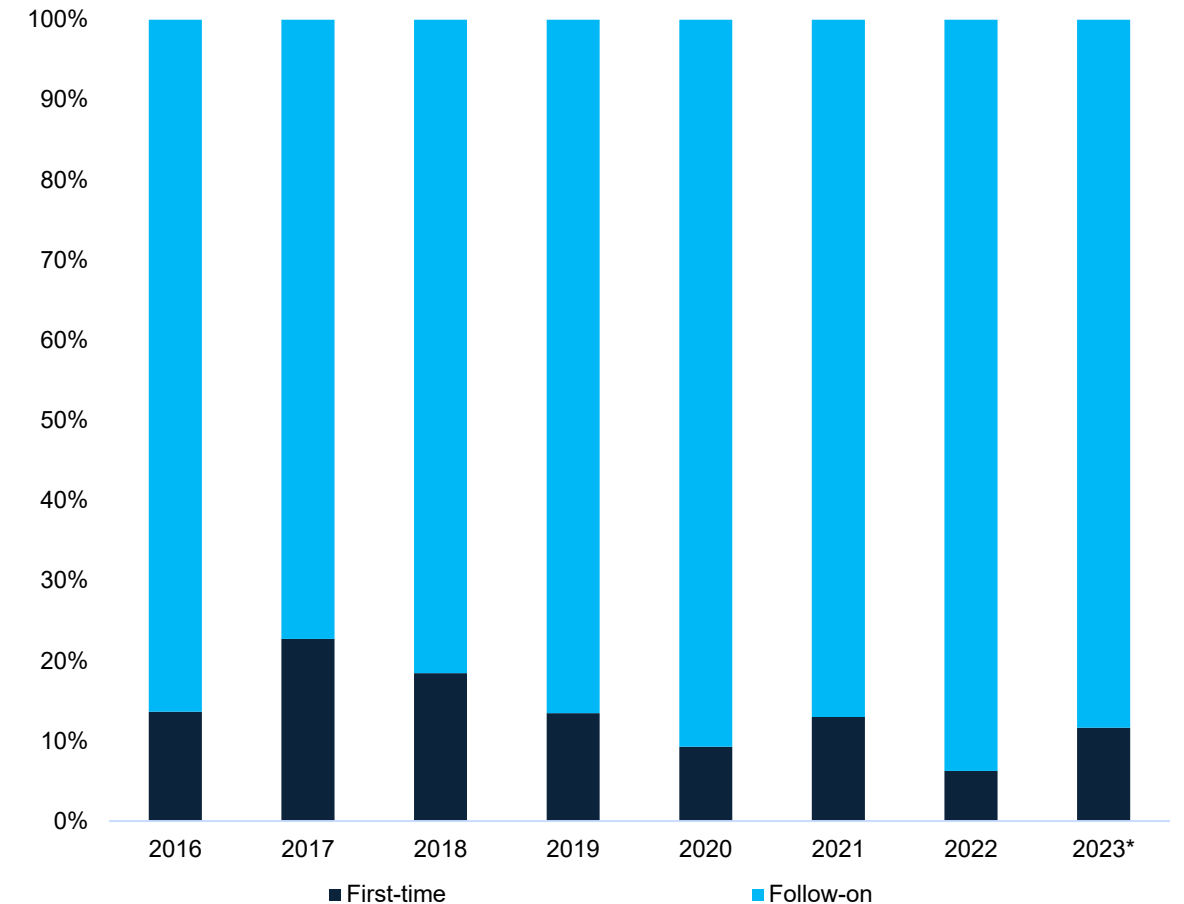
First-time vs. follow-on funds (#) in the US

2016–2023*



First-time vs. follow-on funds (\$B) in the US

2016–2023*



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

**In Q4'23, VC-backed
companies in the
Americas raised
\$40.1B across
3,225 deals**

Due diligence remains priority as Q4'23 investment sinks to 14-quarter low in the Americas

VC investment in the Americas fell to a four-year low in 2023, while the number of VC deals in the region dropped to a five year low, as investors became increasingly selective with their investments given the ongoing barrage of challenges.

Caution permeates VC market in the Americas, emerging managers seeing the most fallout

VC investors in the Americas remained incredibly cautious in Q4'23, conducting significantly more due diligence on potential deals — driven by a number of factors, including the high profile failures of certain VC backed companies over the last twelve months, ongoing concerns about private company valuations, and the lack of exit opportunities. VC investors have also ratcheted up their focus on profitability, looking for safer bets and startups with business models that are resilient in the current economic environment. These factors combined to help slow deal speed considerably during Q4'23.

LPs also became more particular about the VC funds they invested in during Q4'23, with more focus directed to highly proven fund managers. This has led both to longer fundraising cycles in general and to first time funds finding it more difficult to fundraise in particular. With more investment options at their fingertips, some LPs have also started to rethink their investment allocations.

Cleantech and alternative energy remain attractive to investors across the Americas

Cleantech continued to climb on the radar of VC investors in the Americas during Q4'23, with investors showing some interest in a diverse range of solutions, from more biodegradable packaging solutions to plant-based seafood and other meat alternatives. Alternative energy also continued to attract attention during the quarter, as evidenced by the \$182 million raise by Canada-based geothermal development company Eavor.

US continues to attract lion's share of VC investment in the Americas

The US saw the largest slide in VC investment in the Americas during Q4'23, although it continued to account for the largest share of investment. Outside of the US, Canada and Brazil remained more robust during the quarter, while Mexico saw a much steeper drop in VC investment during Q4'23. Despite an 8 percent drop in VC investment between Q3'23 and Q4'23, the US attracted six \$1 billion+ mega-deals, including a \$2 billion raise by AI and LLM focused company Anthropic, a \$1.7 billion raise by AI-powered parking platform Metropolis, a \$1.3 billion raise by health system development platform Commure, a nearly \$1.3 billion raise by e-cigarette manufacturer Juul, a \$1 billion raise by energy infrastructure provider Generate and a \$1 billion raise by space-tech company Relativity.

Canada sees strong VC investment quarter-over-quarter

VC investment in Canada was relatively strong quarter-over-quarter, rising from \$976 million in Q3'23 to over \$1.4 billion in Q4'23. Energy and cleantech continued to be one of the hottest areas of investment in the country, led by a \$182 million raise by geothermal-focused alternative energy company Eavor and a \$54 million raise by carbon removal company Deep Sky.

Quantum computing company Photonic also raised a significant round (\$100 million) during Q4'23. Government funding programs for startups in areas like deeptech and AI continued to be strong, which will likely contribute to the long-term development of the space.

Optimism still strong in Canada as VC investors look for investments with the right fit

Despite challenging market conditions, there continued to be a lot of optimism in Canada's VC market during Q4'23, given the significant amount of funding available. Despite a considerable slowdown in VC deal speed, VC investors have remained active in the country, if more choosy in their investment approach — looking carefully for startups that have the right fit for the current time.

Due diligence remains priority as Q4'23 investment sinks to 14-quarter low in the Americas, cont'd.

VC investment in Brazil remains subdued as the number of VC deals declines sharply

Despite a nearly 20 percent drop in the number of VC deals between Q3'23 and Q4'23, VC investment in Brazil dipped only marginally thanks to a \$197 million raise by B2B enablement company QI Tech. Given the significant decline in VC deals activity, a number of startups in Brazil have found it impossible to raise additional funding forcing some to shut down entirely. Fintech continued to be the primary focus of VC investors in Brazil, with investors increasingly pressuring companies to start showing profitability.

While CVC investment declined in Brazil during Q4'23, the drivers of corporate investment in the country remained unchanged — with many corporates looking at VC investment as an opportunity to invest in technologies that could improve their core business or provide adjacent or disruptive opportunities for their organizations in the future. This will likely keep CVC investment more resilient amidst the current economic factors compared to other forms of VC investment.

Open banking in Brazil well positioned for long-term investment growth

While VC investment in Brazil may be somewhat muted at the moment, the country continues to be well positioned for growth long term given its large unbanked population, instant payment platforms, and the government's ongoing focus on encouraging open banking and open finance. This could, over time, lead to more opportunities for fintechs and other organizations able to meet the wide range of needs of Brazil's diverse population.

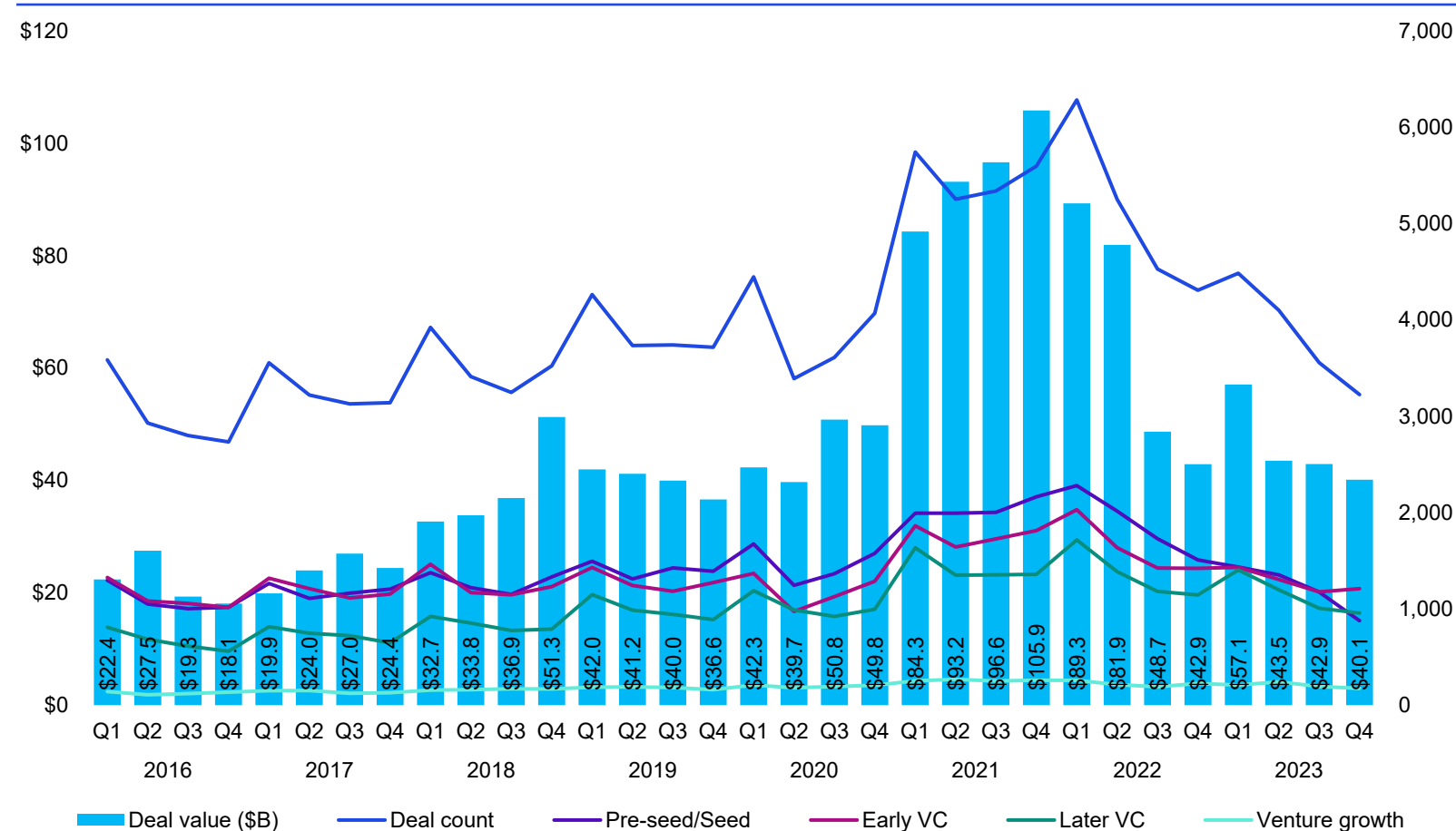
Trends to watch for in Q1'24

VC investment in the Americas is expected to remain soft in Q1'24, although the AI space will likely continue to see very robust deal activity and funding. The number of down rounds is likely to keep creeping up in the region until the IPO window properly opens — which is now not expected before the second half of 2024. There will likely also be a growing number of companies unable to raise funds as VC investors focus on companies with clear paths to profitability and those with sustainable business models able to thrive in the current economic environment.

Is dealmaking evening out or merely pausing? The former seems likelier

Venture financing in the Americas

2016–Q4'23



Venture dealmaking has finally exhibited signs of evening out in the Americas, modulated the most by the US but benefiting from variable dealmaking across Latin America and Canada in particular. That said, as deal counts still remain more sluggish than VC invested, it is possible that there is further to fall as corrections occur in formerly overheated pockets especially among struggling unicorns.

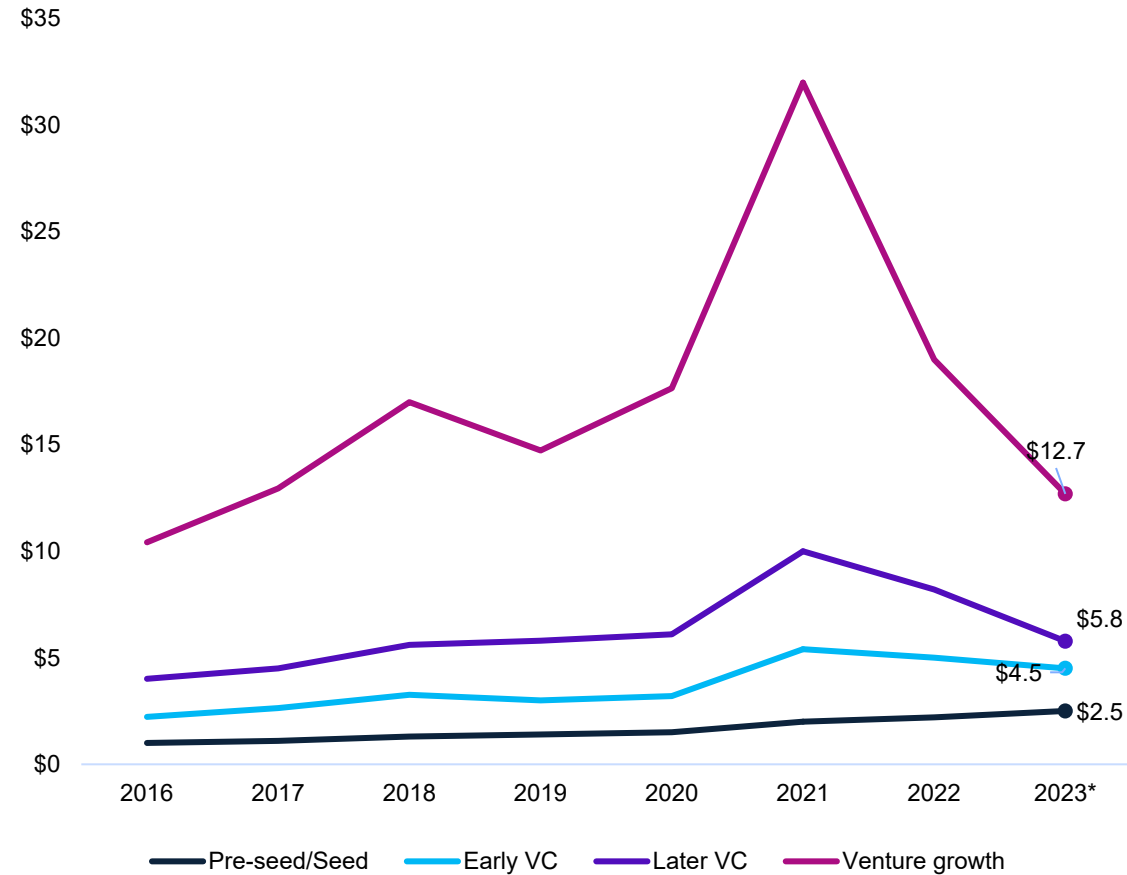
... dealmaking may have begun to even out; 2022 took the brunt of the plunge in financing activity, and now figures are steadying around pre-2021 levels.

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Down & flat rounds see decisive surge

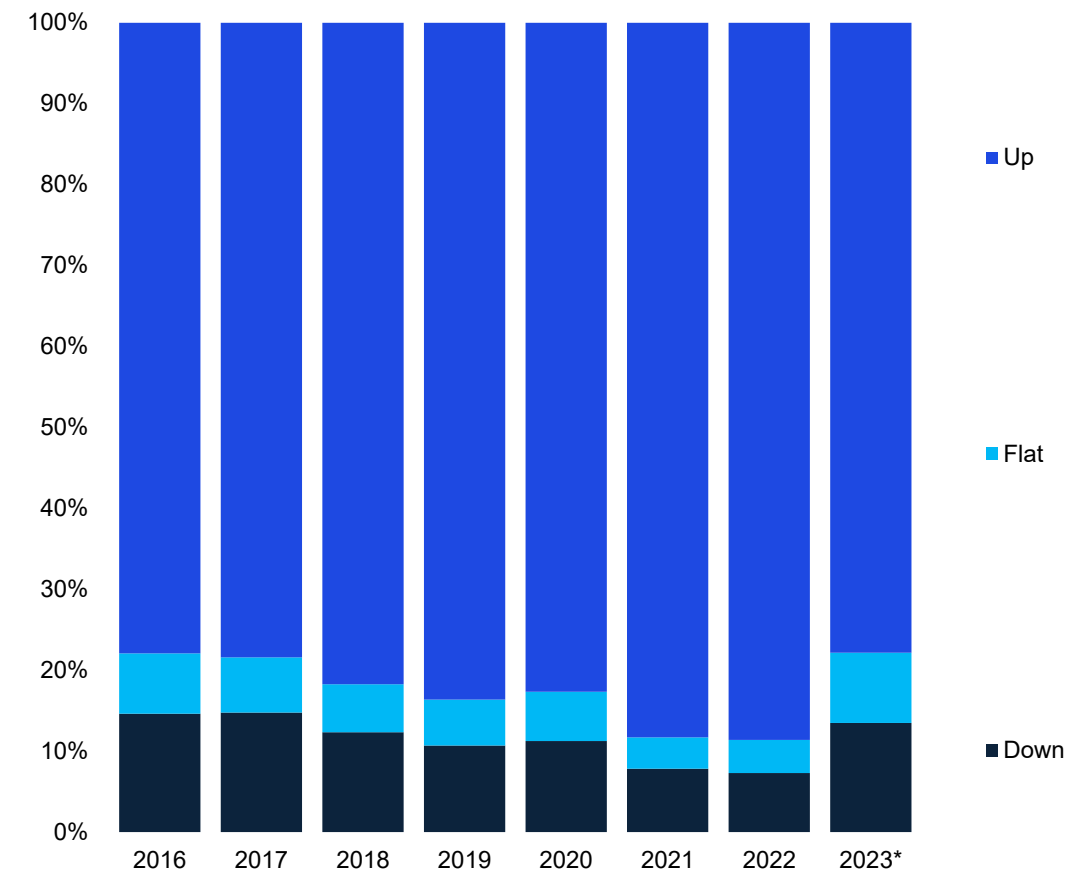
Median deal size (\$M) by stage in the Americas

2016–2023*



Up, flat or down rounds in the Americas

2016–2023*

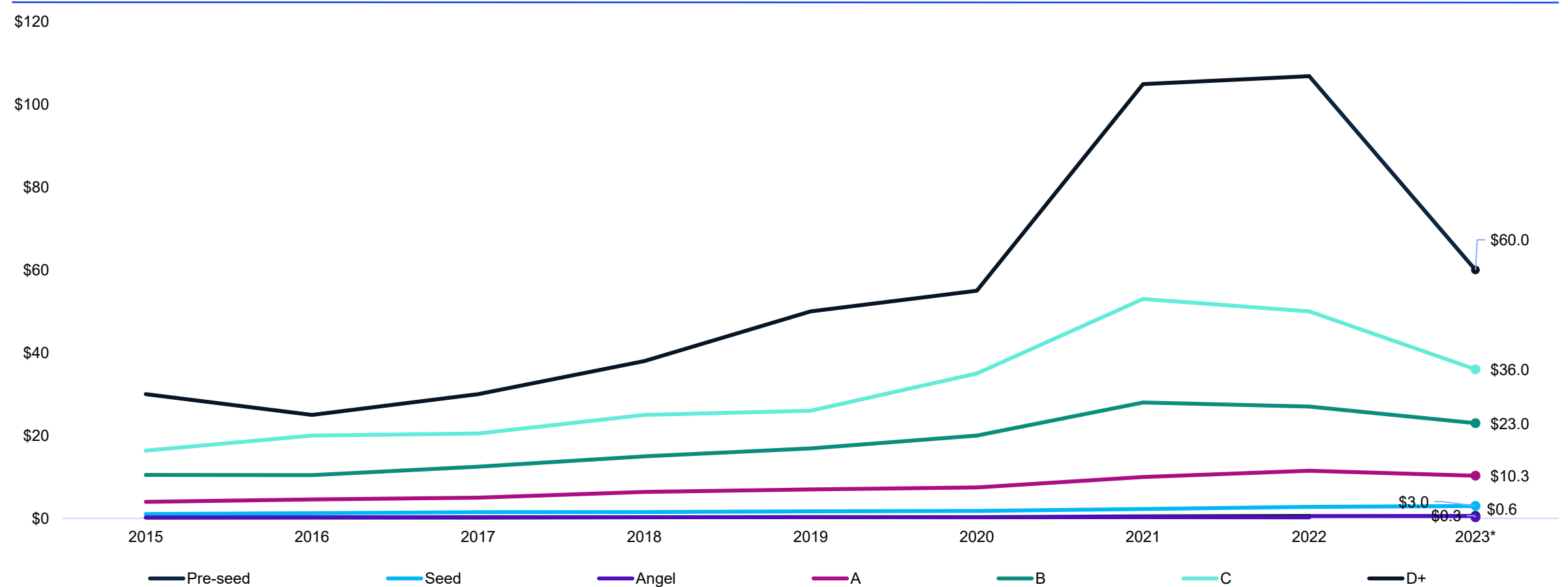


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Financing metrics continue to subside at some stages

Median deal size (\$M) by series in the Americas

2016–2023*

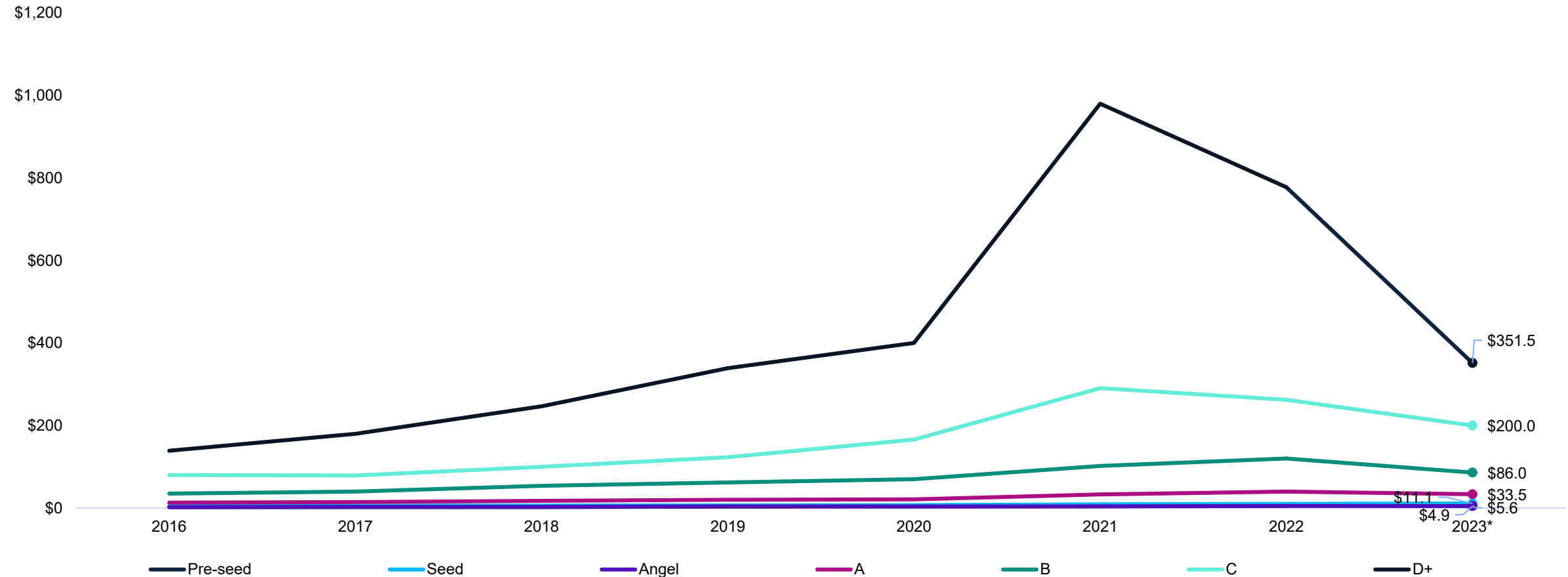


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Valuations decline at the priciest levels as growth challenges persist

Median pre-money valuation (\$M) by series in the Americas

2016–2023*

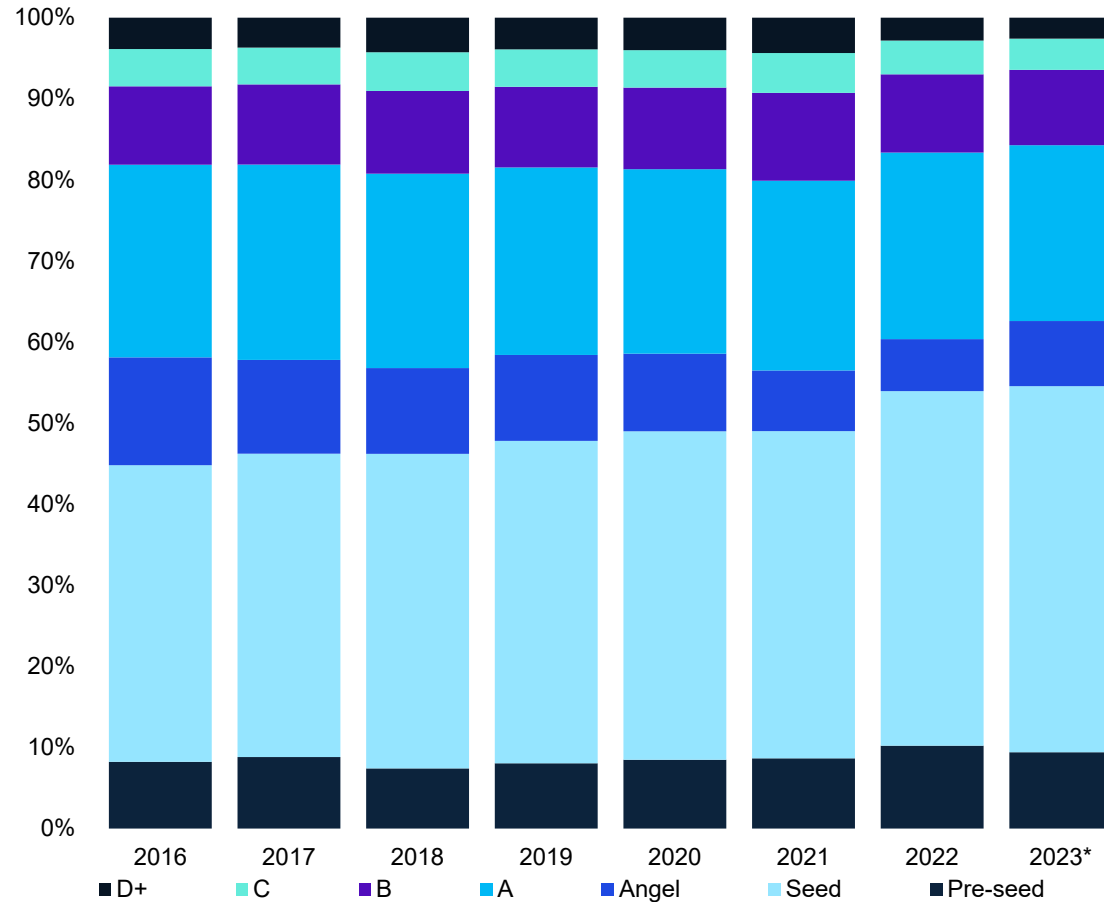


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024
The angel figure for 2023 YTD is based on a non-normative sample.

Less-expensive series see proportional recovery

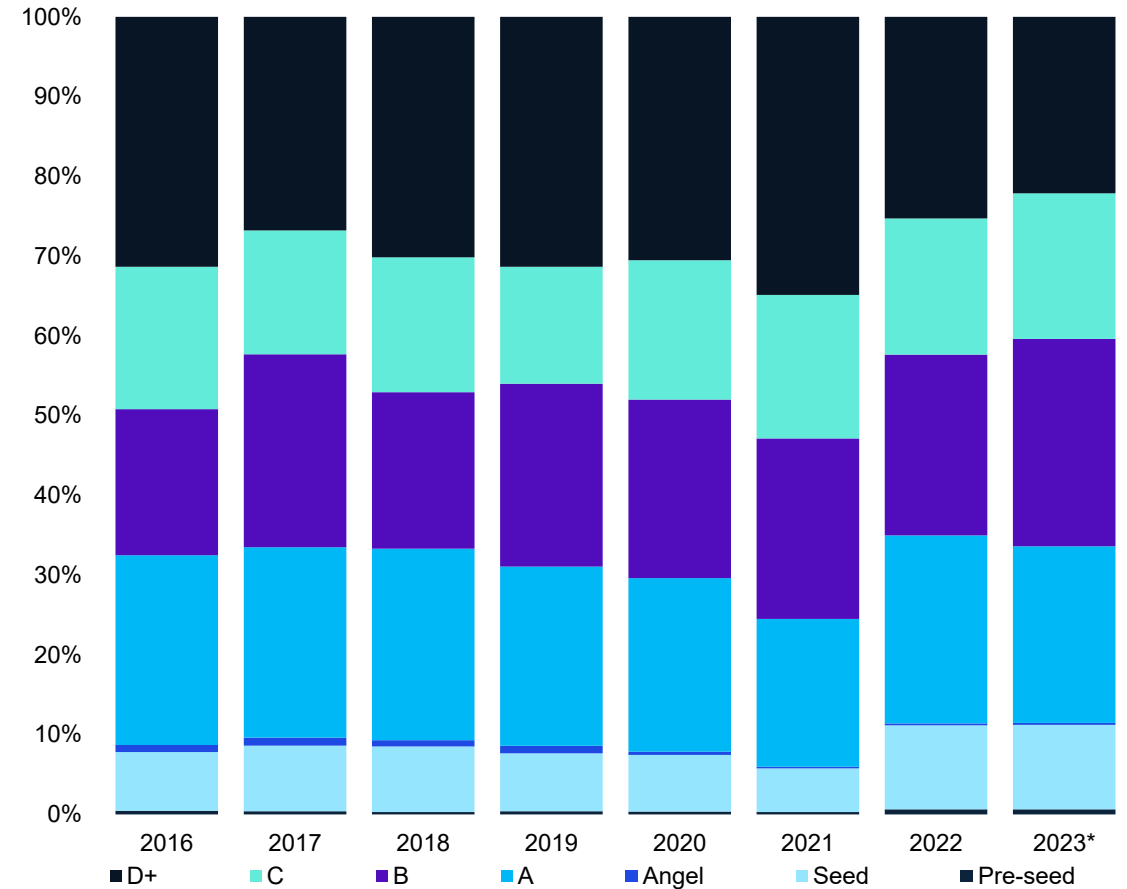
Deal share by series in the Americas

2016–2023*, number of closed deals



Deal share by series in the Americas

2016–2023*, VC invested (\$B)

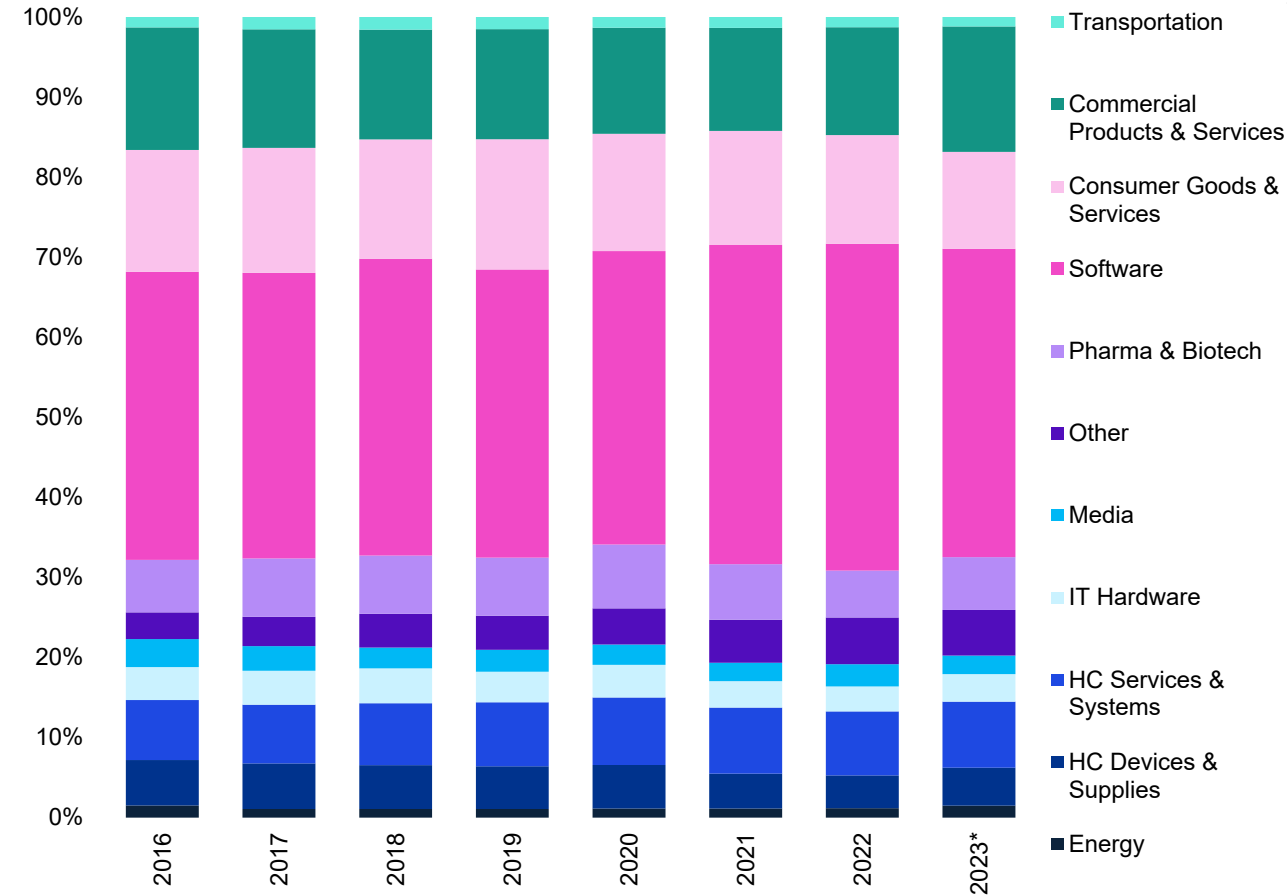


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

B2B, healthcare & key software segments enjoy strong inflows

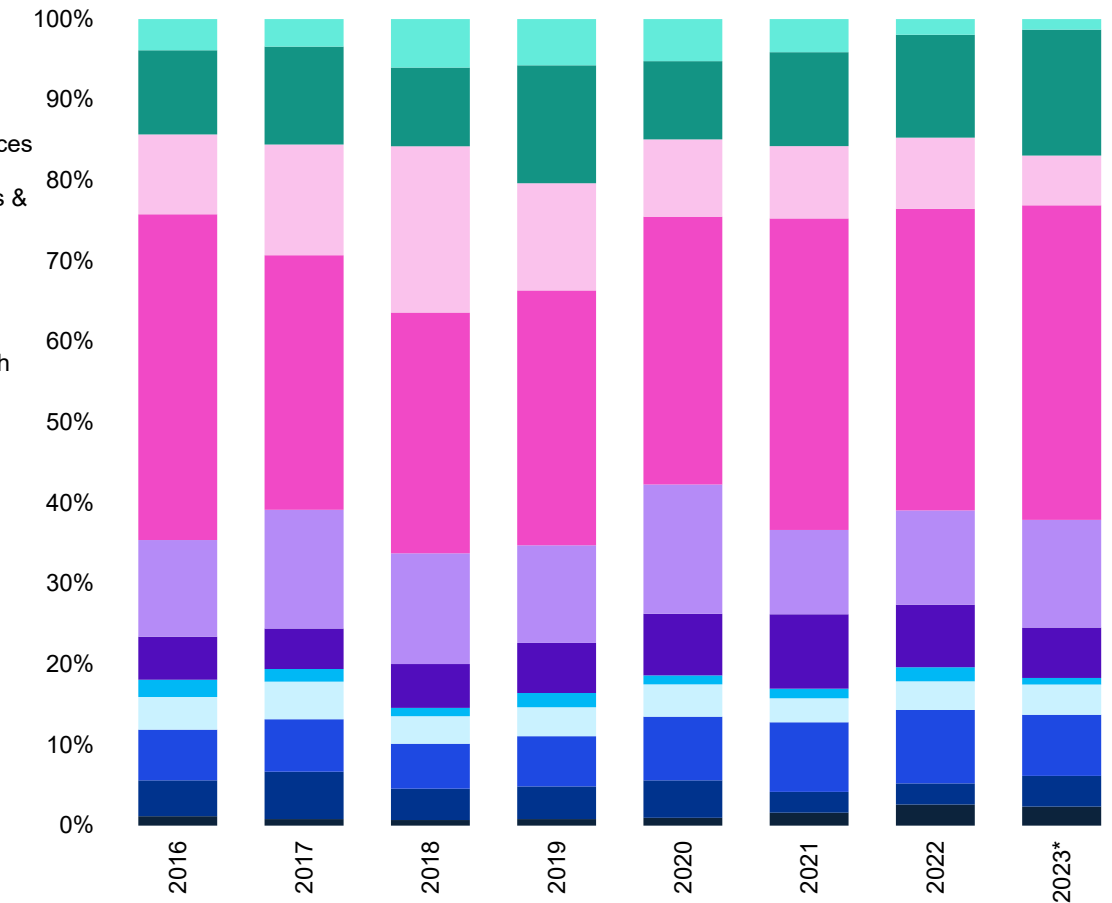
Venture financing of VC-backed companies by sector in the Americas

2016–2023*, # of closed deals



Venture financing of VC-backed companies by sector in the Americas

2016–2023*, VC invested (\$B)

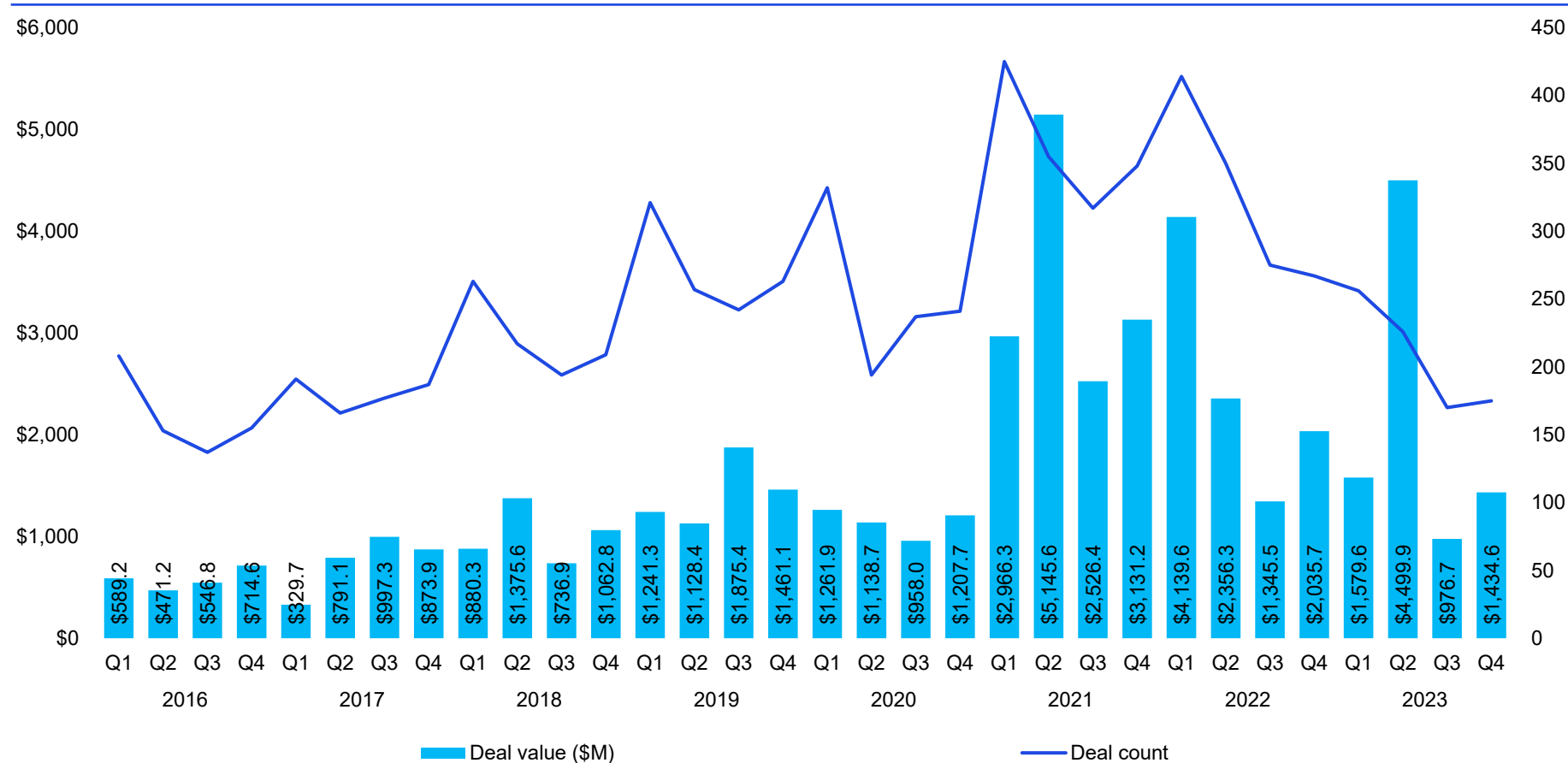


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Q4 tally of VC invested closes 2023 on a positive note

Venture financing in Canada

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ While we’re still seeing a significant pause in terms of VC investment currently, the expectation for the next six-to-twelve months is more positive. Hopefully an interest rate drop or two, combined with a lot of dry powder that will need to be spent, will lead to VC activity picking up in Canada — if not right away in 2024, then over the next few quarters. ”

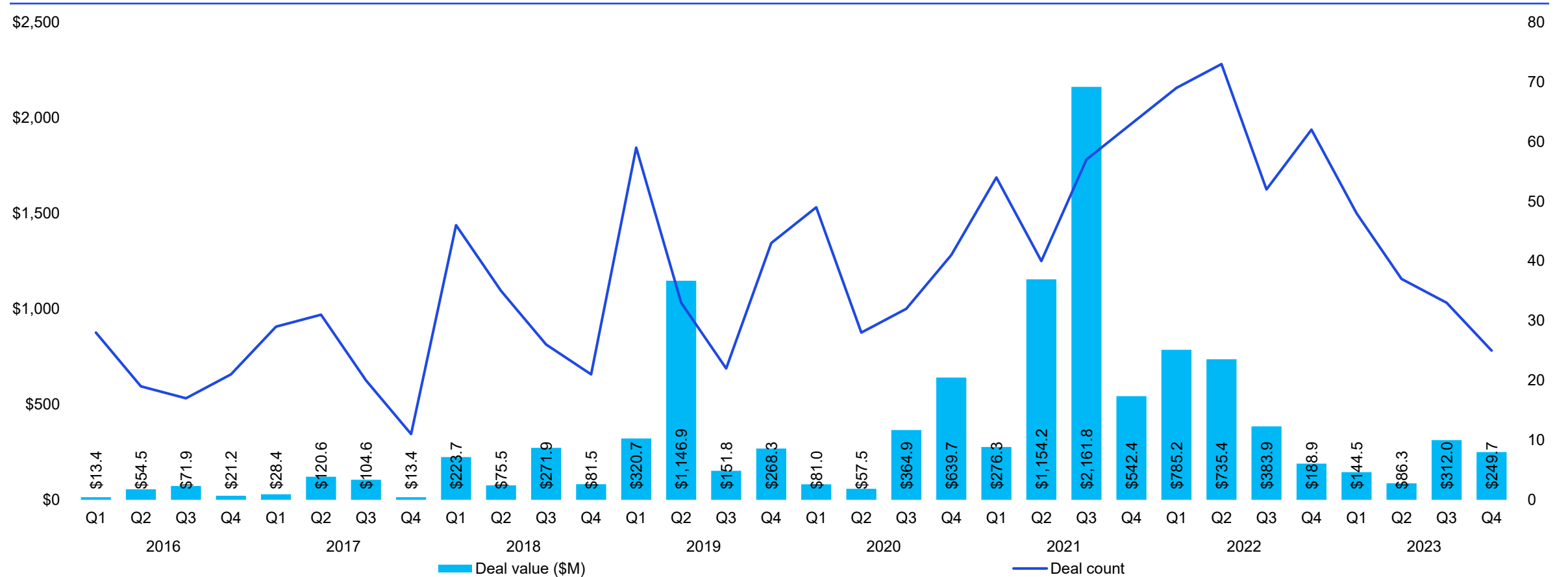


Ryan Forster
Partner
KPMG in Canada

VC activity remains muted to close out 2023

Venture financing in Mexico

2016–Q4'23

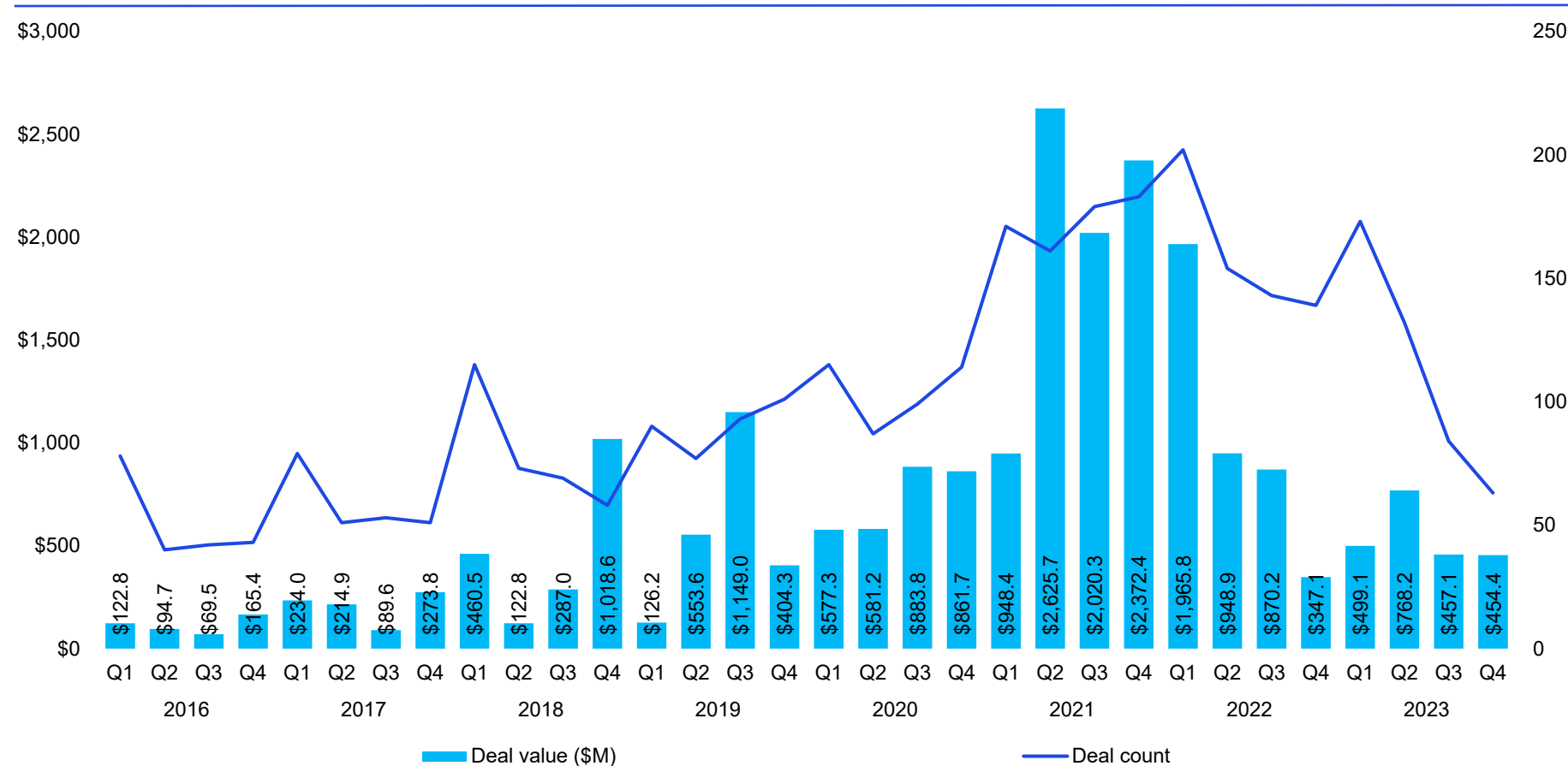


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Q4 sees similar tallies as much of 2023, suggesting similar plateaus

Venture financing in Brazil

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

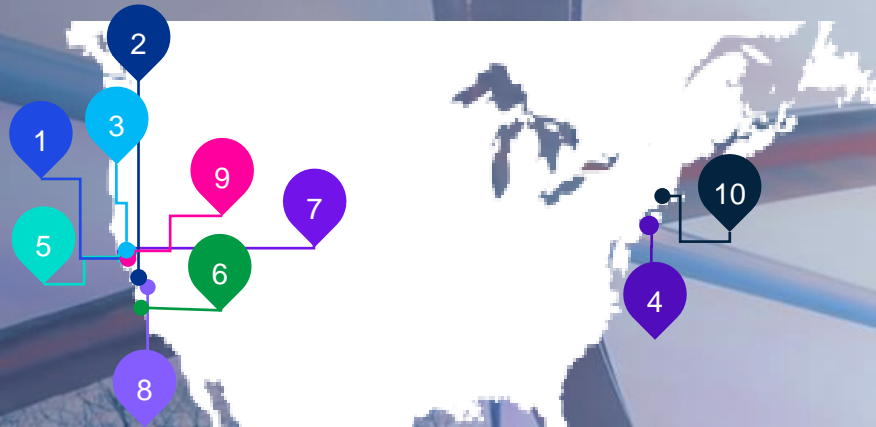
“ While VC investments in Brazil have been soft in 2023, the long-term potential remains very strong, given the funds raised in the last two years, with capital to be allocated in the country and the maturity of established scaleups requiring additional capital to grow faster. Heading into 2024, we are likely to see more companies looking to take advantage of open finance, the instant payments platform, and AI to implement specialized and tailored services to customers, in ways that bring costs down and make them more accessible. ”



Daniel Malandrin
Partner, Venture Capital & Corporate
Ventures
KPMG in Brazil

AI, cleantech & healthtech proliferate in Q4

Top 10 financings in Q4'23 in Americas



1. **Anthropic** — \$2B, San Francisco, US — AI & ML — *Late-stage VC*
2. **Metropolis** — \$1.7B, Los Angeles, US — AI & ML — *Series C*
3. **Commure** — \$1.3B, San Francisco, US — Healthtech — *Late-stage VC*
4. **JUUL** — \$1.3B, Washington D.C., US — Consumer — *Late-stage VC*
5. **Generate** — \$1.06B, San Francisco, US — Fintech — *Late-stage VC*
6. **Relativity** — \$1.05B, Long Beach, US — Aerospace & defense — *Series F*
7. **Databricks** — \$684.6M, San Francisco, US — Business software — *Series I*
8. **Shield AI** — \$500M, San Diego, US — AI & ML — *Series F*
9. **Hinge Health** — \$400M, San Francisco, US — Healthtech — *Late-stage VC*
10. **Ramp** — \$339M, New York, US — Fintech — *Series E*

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023.
Data provided by PitchBook, January 17, 2024

**In Q4'23, European
VC-backed companies
raised \$13.8B across
1,750 deals**

VC investment in Europe falls over 20 percent in Q4'23

VC investment in Europe fell significantly quarter-over-quarter as VC investors — particularly from the US — pulled back from making major investments in the region. Global macroeconomic conditions, the ongoing conflict in the Ukraine, and a resurgence in conflict in the middle east, likely all contributed to the pullback. While total VC investment in Europe for 2023 was down dramatically compared to the outlier years seen in 2021 and 2022, it remained on par with the level of investment seen in 2020 — and well ahead of investment in all prior years.

Slowdown in deal count, deal speed, and fundraising as investors consider other options

The VC market in Europe saw market activity slow down during Q4'23 — in terms of deal count, the pace at which VC deals in the region were completed, and in terms of the pace of fundraising activity by VC funds. The slowdown in fundraising was particularly notable, with even proven fund managers looking to raise additional funds often taking several months longer to raise capital than in recent years.

With other investment options at their fingertips, tourist investors turned their attention away from the VC markets during 2023, while more traditional LPs showed increasing prudence with respect to their investments into VC funds. While many VC funds in Europe continue to have capital available to them, the slowdown in fundraising has likely eroded their confidence in making new investments, particularly at later deal stages.

Interest in AI soars; energy and ESG remain attractive to VC investors in Europe

AI attracted strong investment in Europe during Q4'23, accounting for a number of the largest deals of the quarter, including a \$486 million raise by Germany-based large language model focused company Aleph Alpha, a \$434 million raise by Mistral AI in France and a \$208 million raise by Israel-based enterprise AI systems company, AI21 Labs.

In addition to AI, the energy and ESG space continued to see good momentum during Q4'23, with investments ranging from seed deals to those with larger ticket sizes — such as Sweden-based battery manufacturer Northvolt's \$145 million raise and Estonia-based energy storage company Skeleton Technologies' \$114 million raise. Given the commitment to net zero targets and the need to rapidly scale funding in order to address the energy transition, the sector is likely to remain on the radar of investors for the foreseeable future.

Lack of stability causing challenges in VC investment in the UK

VC investment in the UK fell significantly between Q3'23 and Q4'23 amidst a continued flurry of geopolitical and macroeconomic challenges. The lack of stability, which is not expected to end soon given an expected UK general election in 2024, has eroded the confidence of VC investors that a recovery is forthcoming. This has led many VC investors to hold onto their cash and to focus any investments on companies with proven market traction and recurring revenue. Over the course of 2023, and particularly in Q4'23, startups had to be particularly strong in order to attract investment.

While a number of startups in the UK continued to prepare for future IPOs, the exit market remained shuttered in Q4'23, along with the M&A environment. It is expected that any reopening of the IPO market will require more economic and geopolitical stability than currently exists.

VC investment in Germany holds steady in Q4'23

While VC investment dropped across much of Europe in Q4'23, VC investment in Germany held steady quarter-over-quarter, primarily due to a \$486 million raise by AI firm Aleph Alpha. VC investors in Germany remained very conservative with their investments given the tough macroeconomic circumstances and the fact that the IPO window remained firmly shuttered.

During Q4'23, there was a wave of layoffs as startups continued to feel pressure from their investors to bury their growth plans and focus on profitability. Many startups also continued to prioritize obtaining alternative sources of funding, such as convertible bridge loans, in order to avoid down rounds. Germany also began to see insolvencies among startups unable to attract fresh funding. Sectors like last mile grocery delivery and buy-now-pay-later were among the hardest hit, with a number of companies struggling.

VC investment in Europe falls over 20 percent in Q4'23, cont'd.

VC investment in Nordics remains quiet amid pullback in later stage deals

VC investment in the Nordics region continued to be subdued in Q4'23. While early-stage funding remained relatively stable, funding for later stage deals remained very dry, with Sweden-based battery manufacturer Northvolt's \$145 million raise accounting for the largest deal of the quarter. Cleantech and biotech attracted some of the largest tickets in the Nordics during the quarter; in addition to Northvolt, Sweden-based green heating company Aira raised \$90 million, while Denmark-based NMD Pharma — a developer of novel treatments for neuromuscular diseases — raised over \$79 million.

Ireland sees quiet quarter of VC investment, but could start 2024 with a bang

VC investment in Ireland was quiet in Q4'23, although a number of companies attracted solid funding rounds, including EV charging company Easy Go, drug discovery company Shorla Oncology, and AI-focused pathology software company Deciphex. VC investment in Ireland could start 2024 very strongly, however; during Q4'23, Softbank announced plans to acquire a 51 percent stake in Ireland-based connected vehicle software firm Cubic Telecom for approximately \$510 million.

Trends to watch for in Q1'24

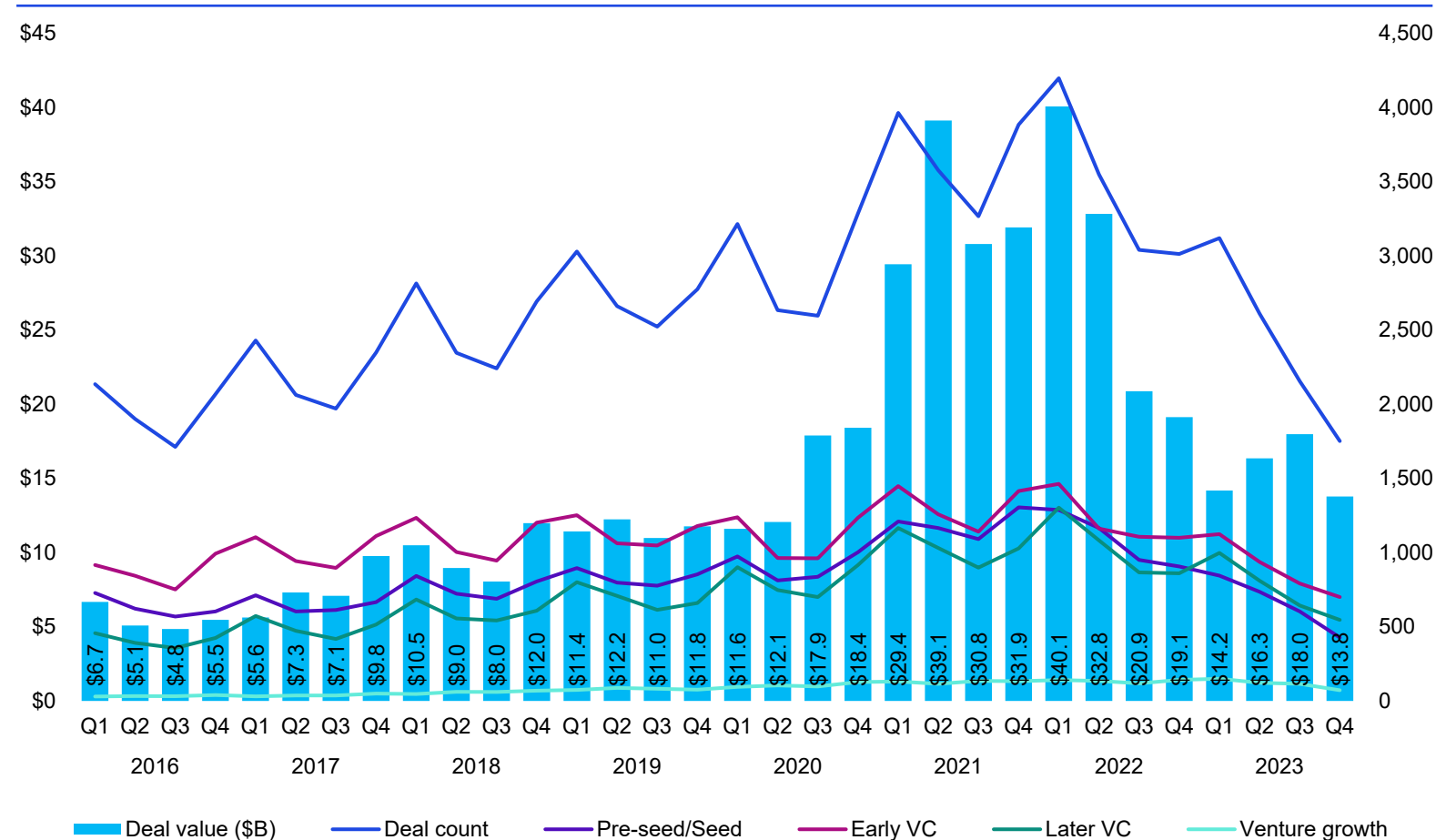
Given the current headwinds, including the ongoing conflicts in Europe and the Middle East, the continued lack of exit opportunities for VC-backed companies, and uncertainties related to a number of elections planned or anticipated to occur in 2024, VC investment in the region is expected to remain relatively soft heading into Q1'24. VC investors will likely continue to focus on ensuring companies have a strong path to profitability so that they are better positioned to return capital to their LPs. While more companies will likely fail in Q1'24, this will likely drive attention to quality companies able to contribute to a healthy ecosystem long-term.

Collaboration is expected to be top of mind for many participants in the VC market in 2024, particularly between CVCs existing VCs, and accelerator programs looking to make headway on their strategic objectives while also managing their costs more effectively. The number of joint CVC funds could also rise as large CVCs look to bolster their ability to invest capital by working in tandem with others.

2023 levels end up comparing favorable to longer-running averages

Venture financing in Europe

2016–Q4'23



Although venture financing tallies do tick up somewhat once more undisclosed data is uncovered, at this point, the decline in activity throughout most of 2023 still indicates considerable hesitation on the part of dealmakers. However, VC invested tallies have remained healthy, especially compared to most of pre-2021 levels. This sets up 2024 to be a year of a potential plateau.

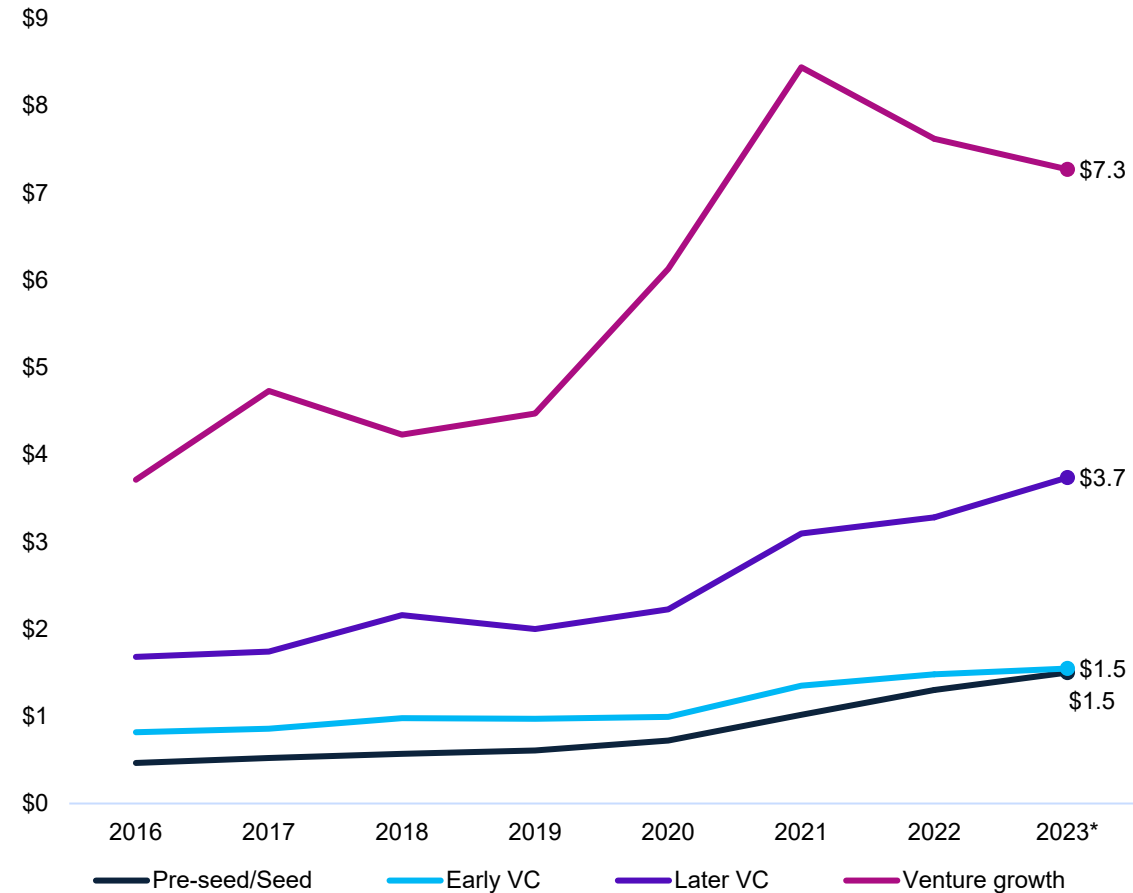
... after sustained volatility, it could be that **European startup ecosystems are beginning to see priced-in dealmaking levels...**

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Down rounds tick up to highest level since the onset of the pandemic

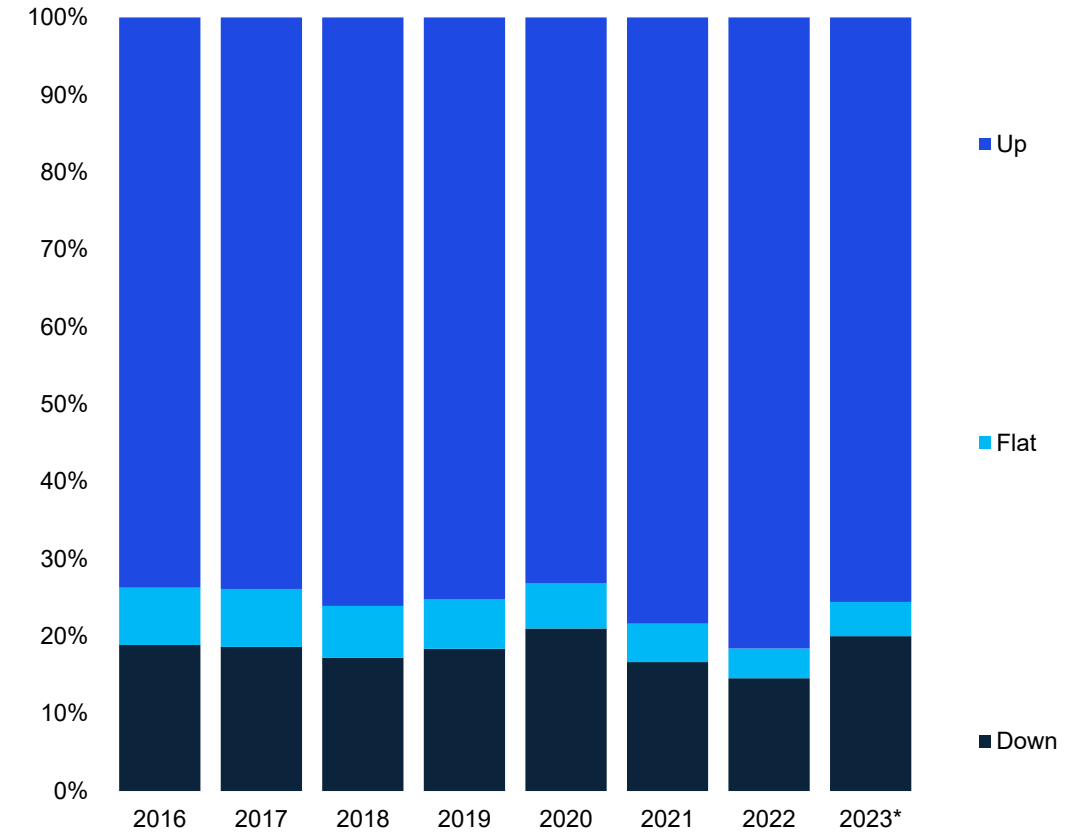
Median deal size (\$M) by stage in Europe

2016–2023*



Up, flat or down rounds in Europe

2016–2023*

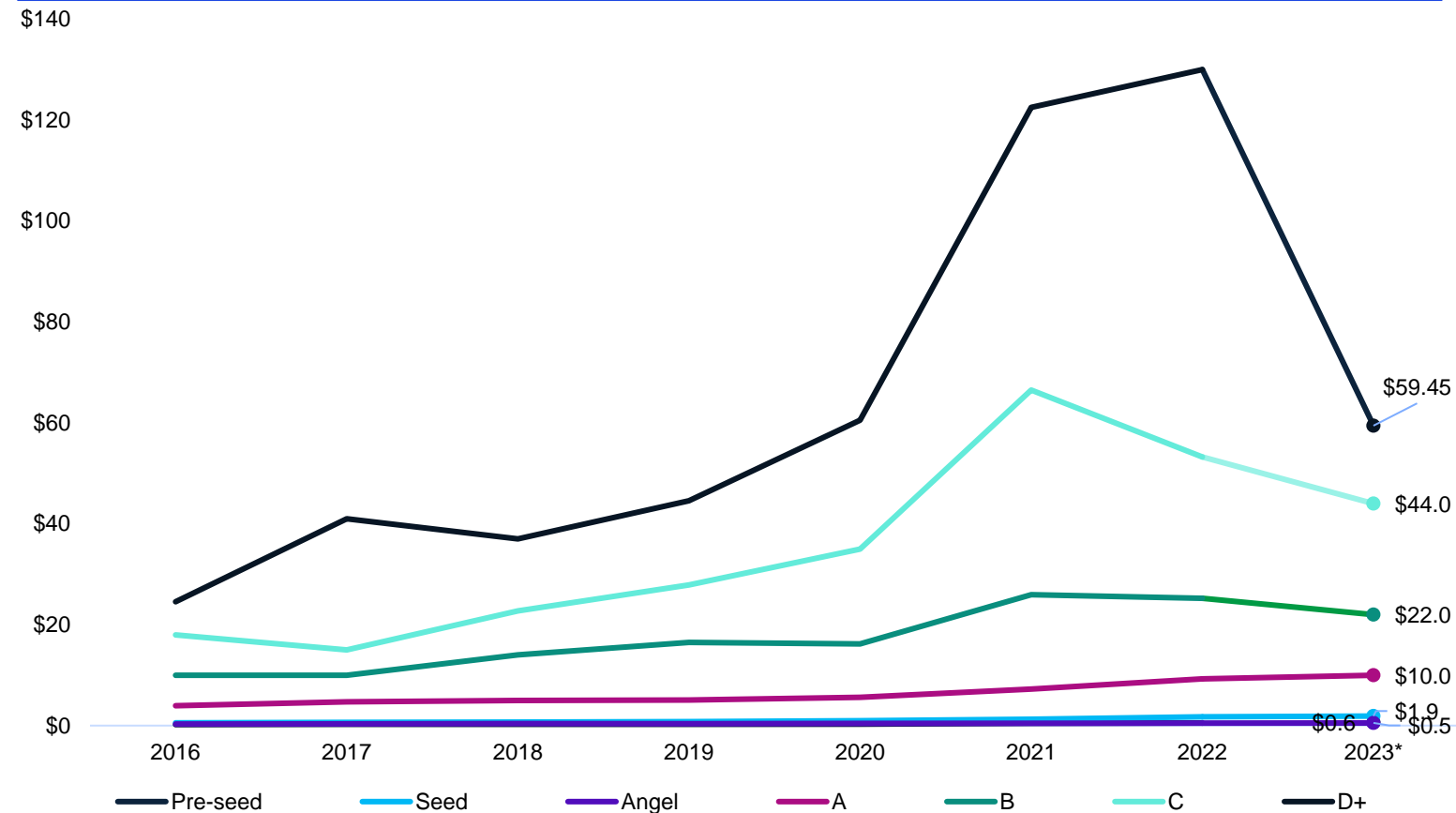


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Financing metrics continue to suggest a normalization

Median deal size (\$M) by series in Europe

2016–2023*



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ Venture capital is shifting from a 'growth at all costs' model to prioritizing tech companies with robust unit economics. This new focus on strong gross margins and effective customer acquisition strategies underscores a balanced approach in risk management and value creation, favoring sustainable growth and financial stability over rapid cash burn and scale. ”



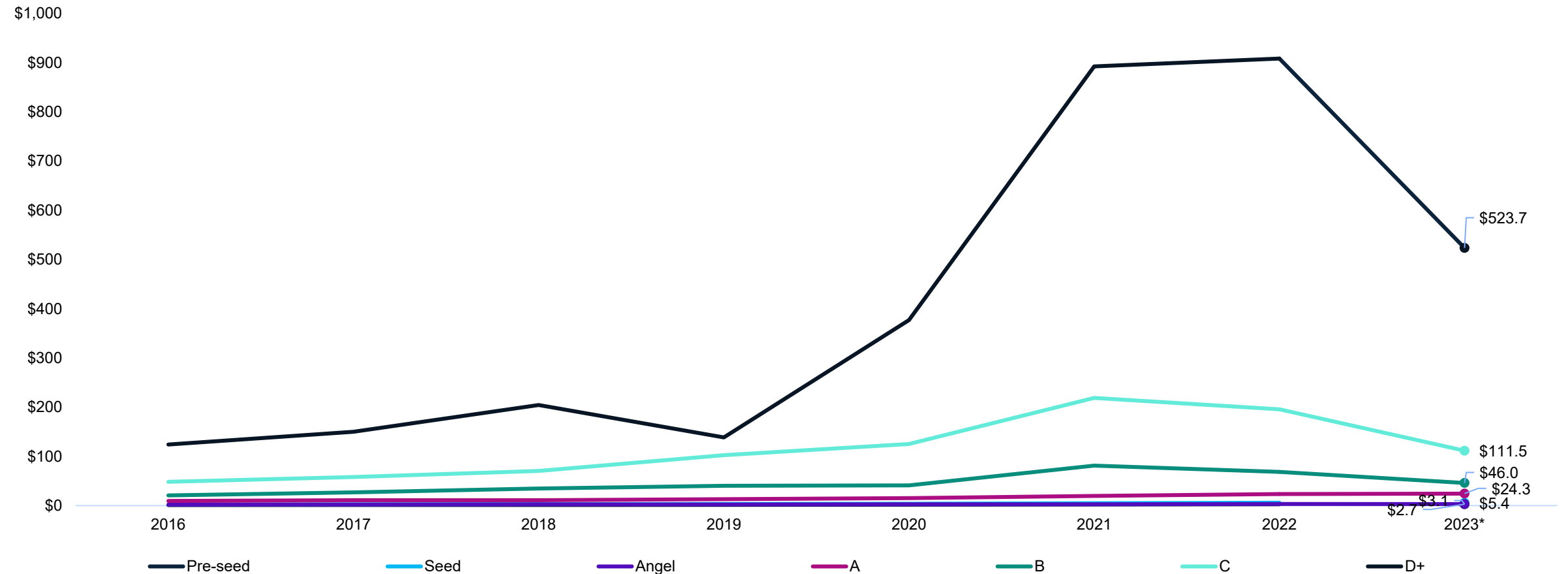
Patrick Molyneux

Associate Partner, Head of Products and Partnerships
KPMG Acceleris
KPMG in the UK

Valuations normalize in line with deal sizes

Median pre-money valuation (\$M) by series in Europe

2016–2023*

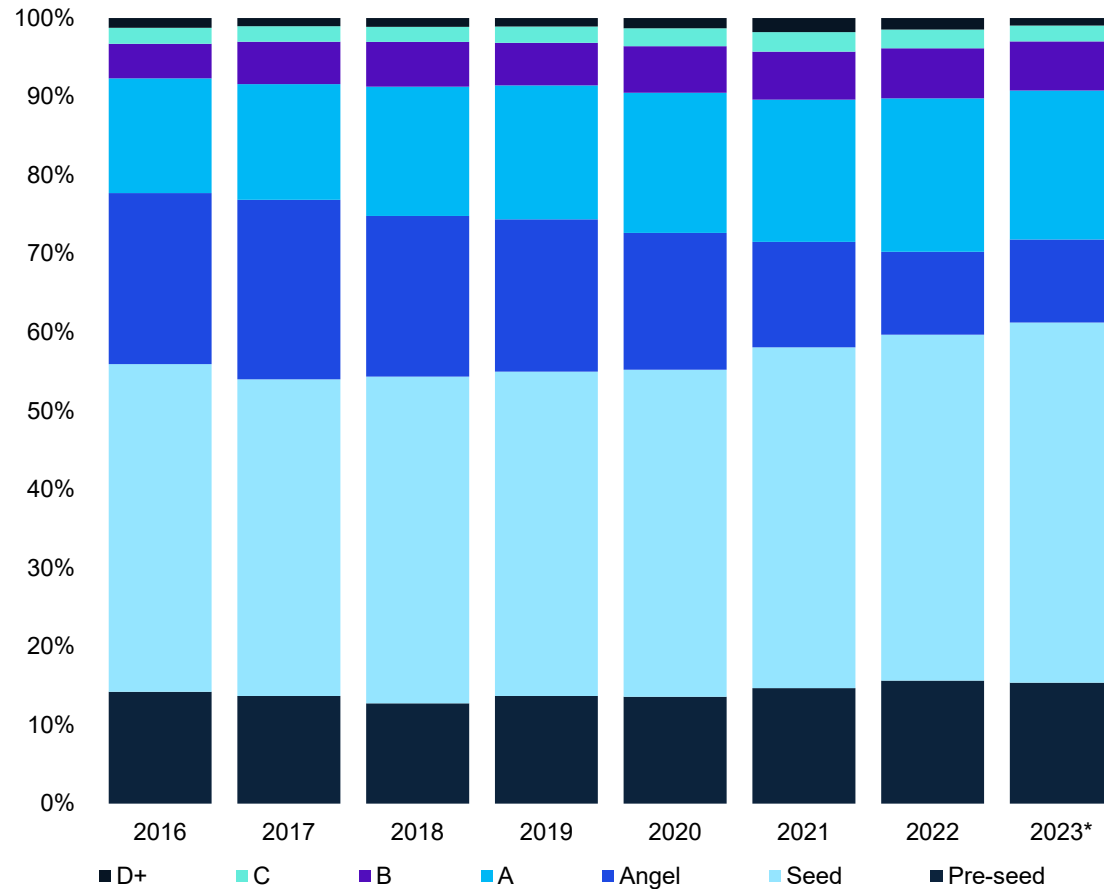


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024
The figures for Series D or later valuations in 2023 to date are based on non-normative sample sizes.

Less-expensive series see gains in proportions

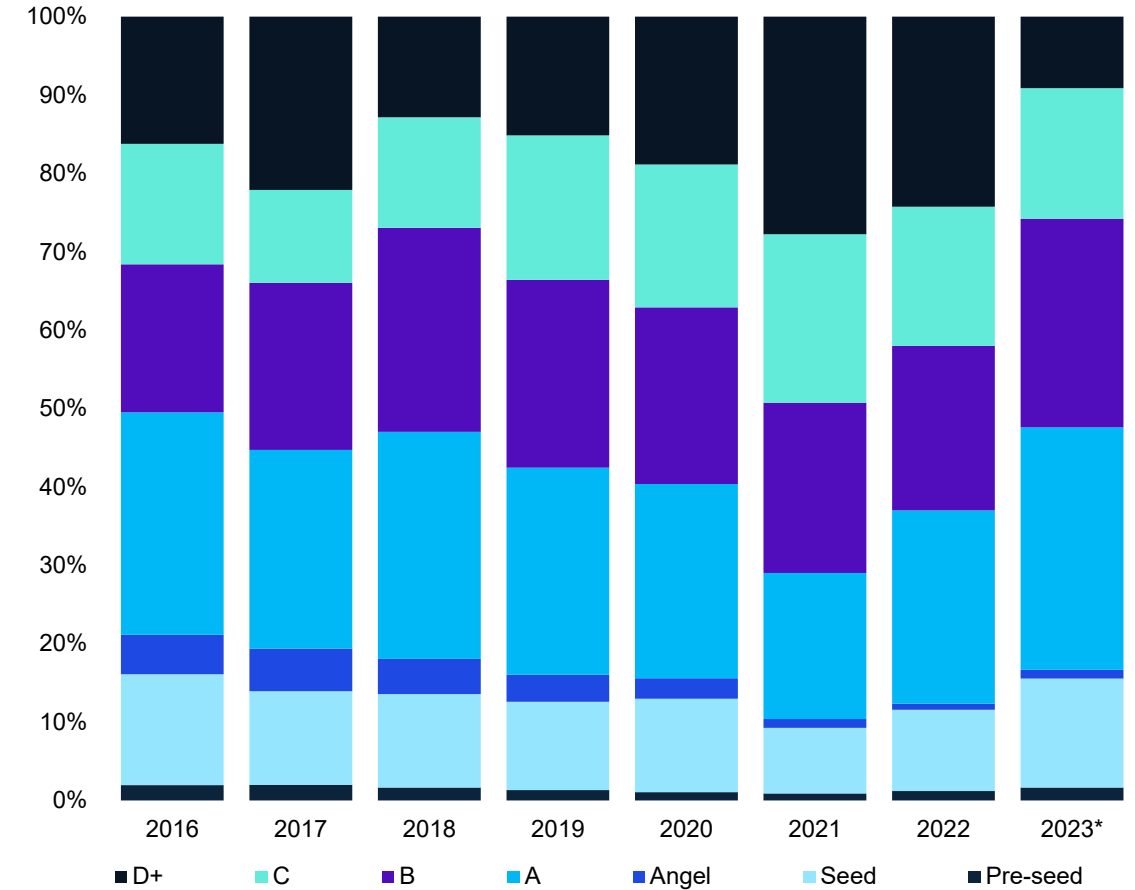
Deal share by series in Europe

2016–2023*, number of closed deals



Deal share by series in Europe

2016–2023*, VC invested (\$B)

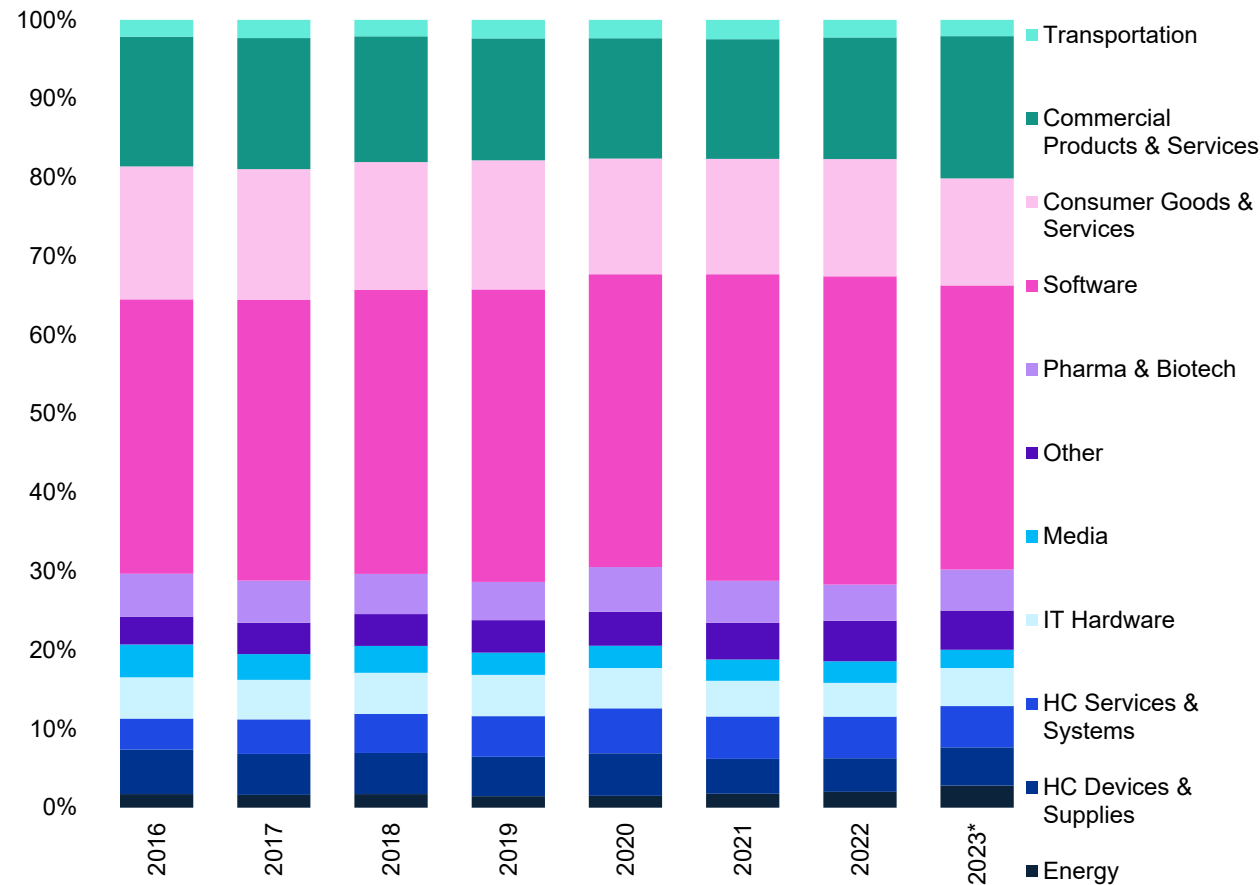


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Enterprise & healthcare-related offerings remain most resilient

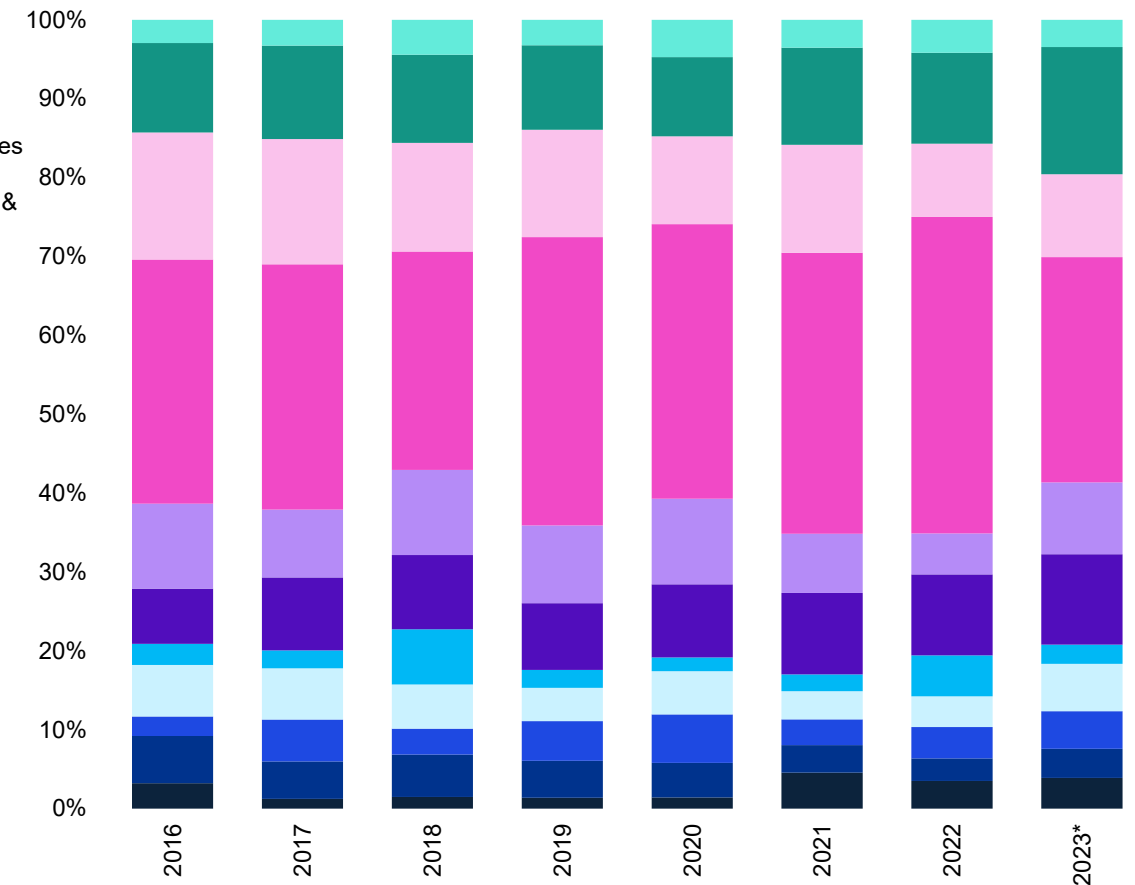
European venture financings by sector

2016–2023*, number of closed deals



European venture financings by sector

2016–2023*, VC invested (\$B)

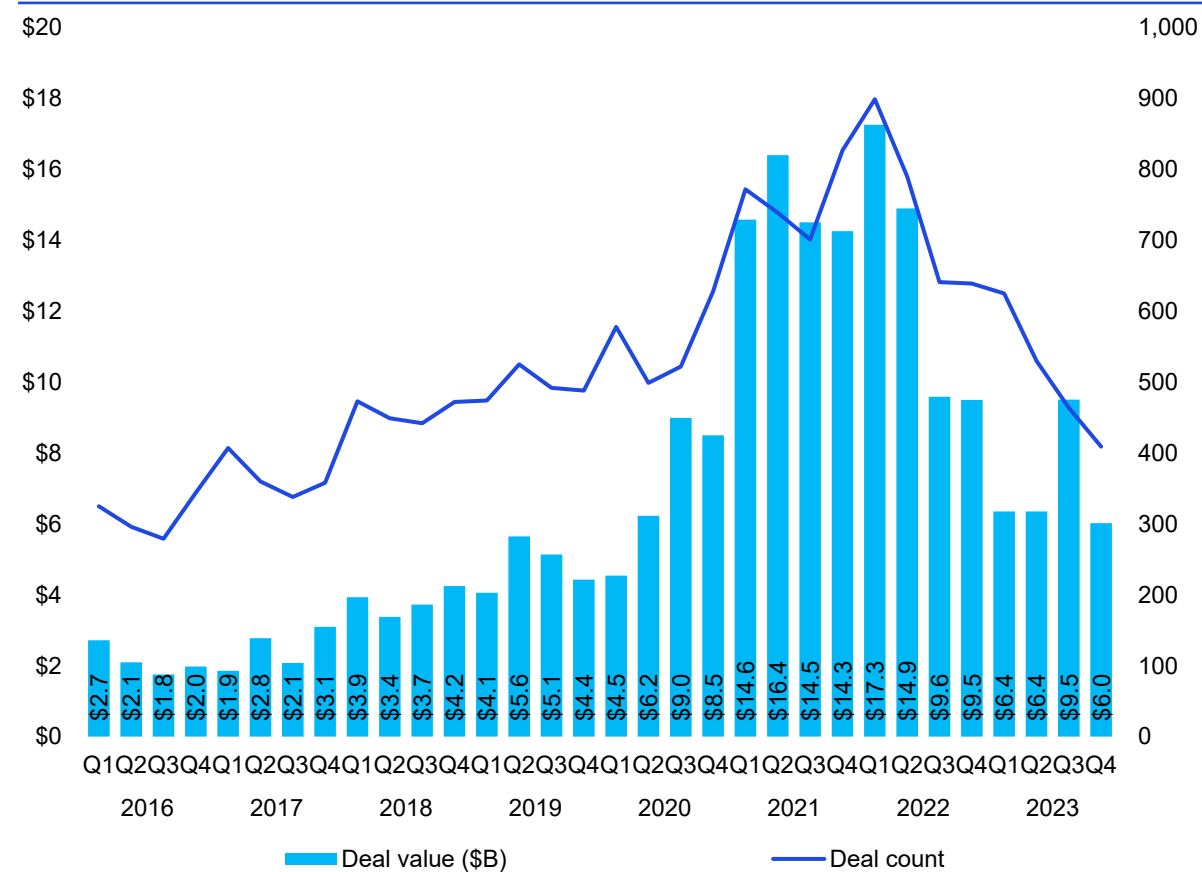


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

First-time financing volume returns to pre-boom levels

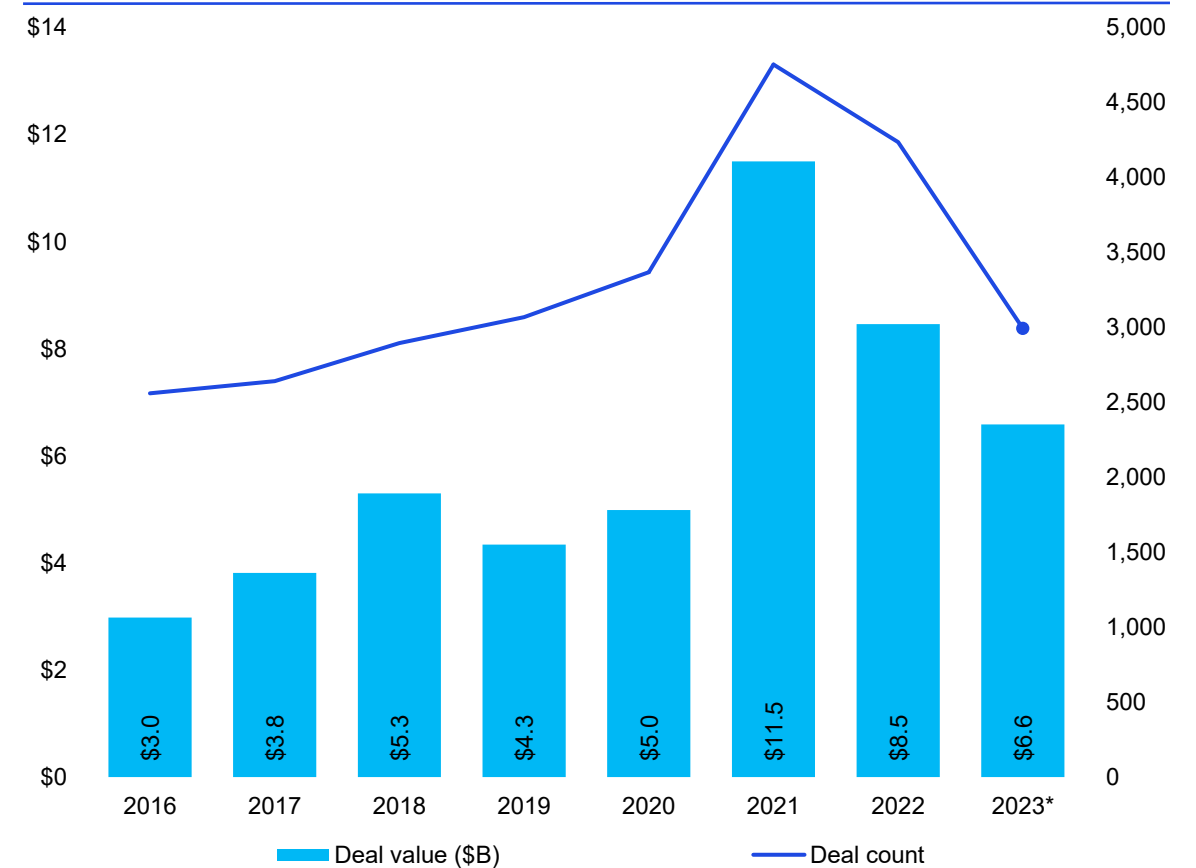
Corporate VC participation in venture deals in Europe

2016–Q4'23



First-time venture financings of companies in Europe

2016–2023*

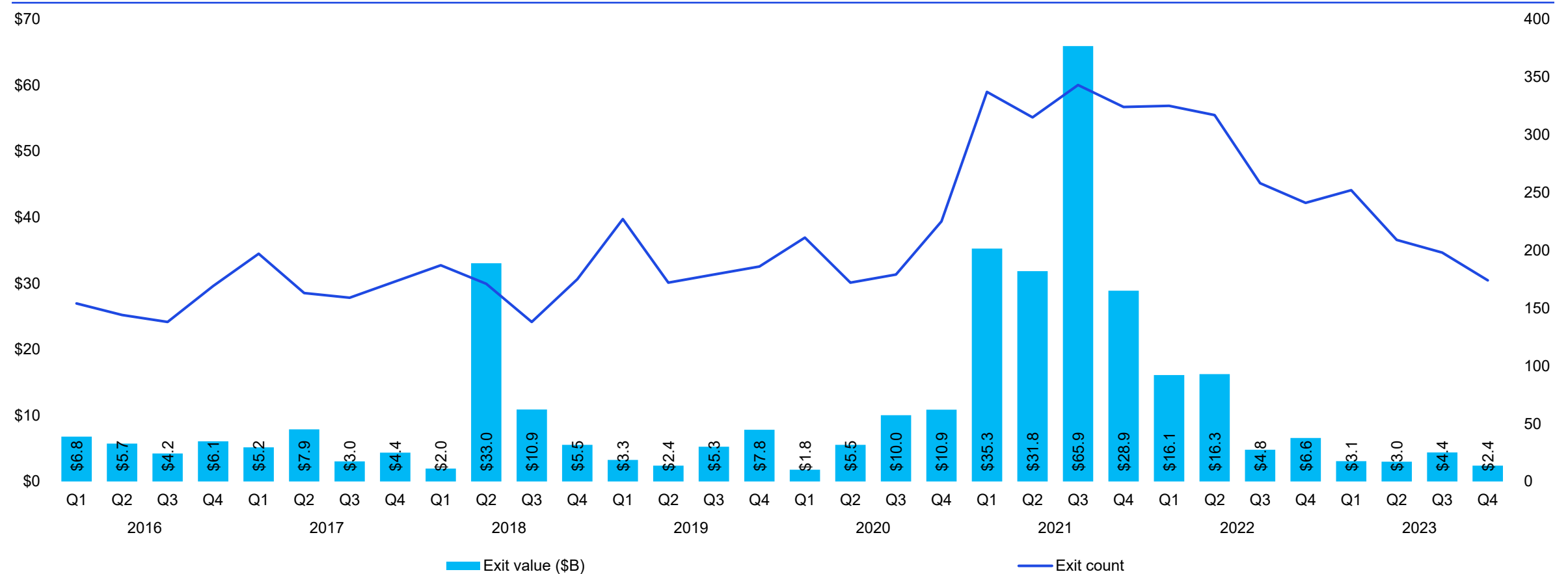


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Exits remain stalled, as liquidity crunch prolongs

Venture-backed exit activity in Europe

2016–Q4'23

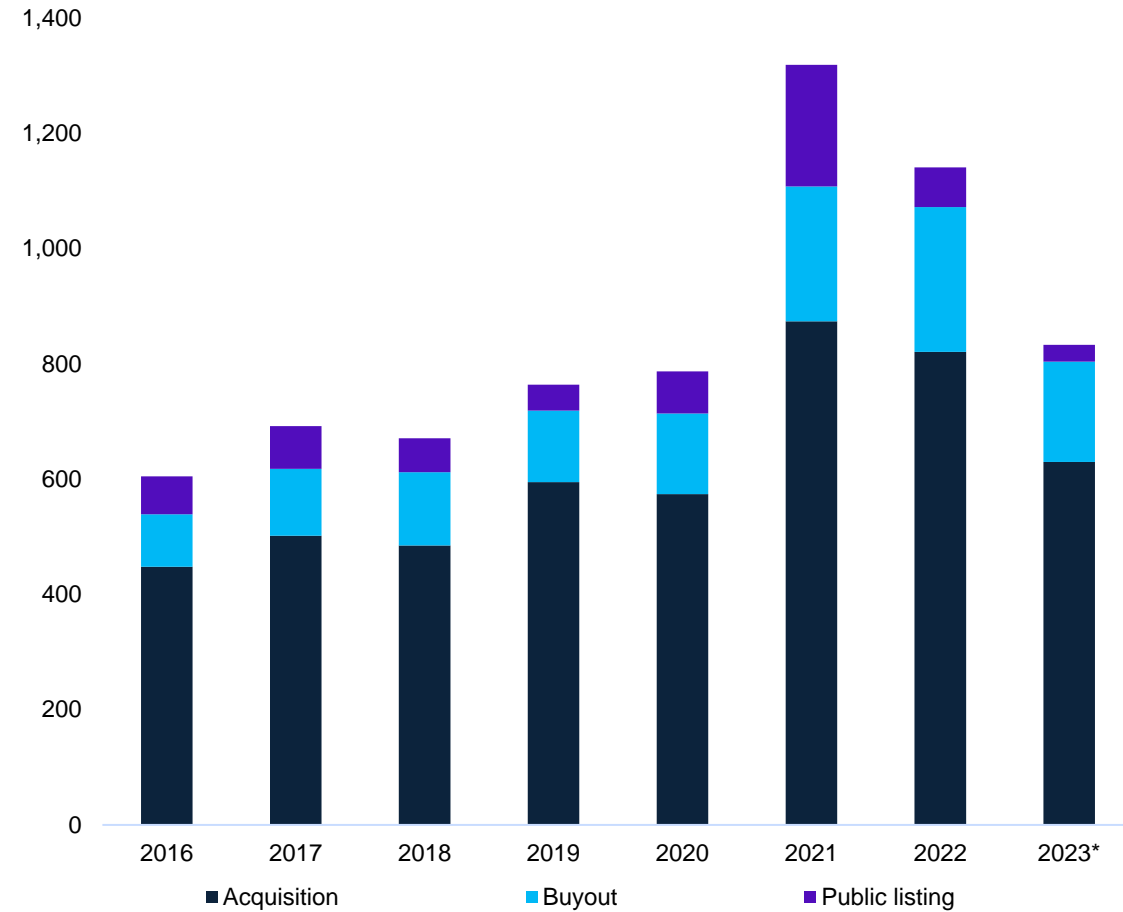


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

M&A remains primary avenue as exits overall remain moribund

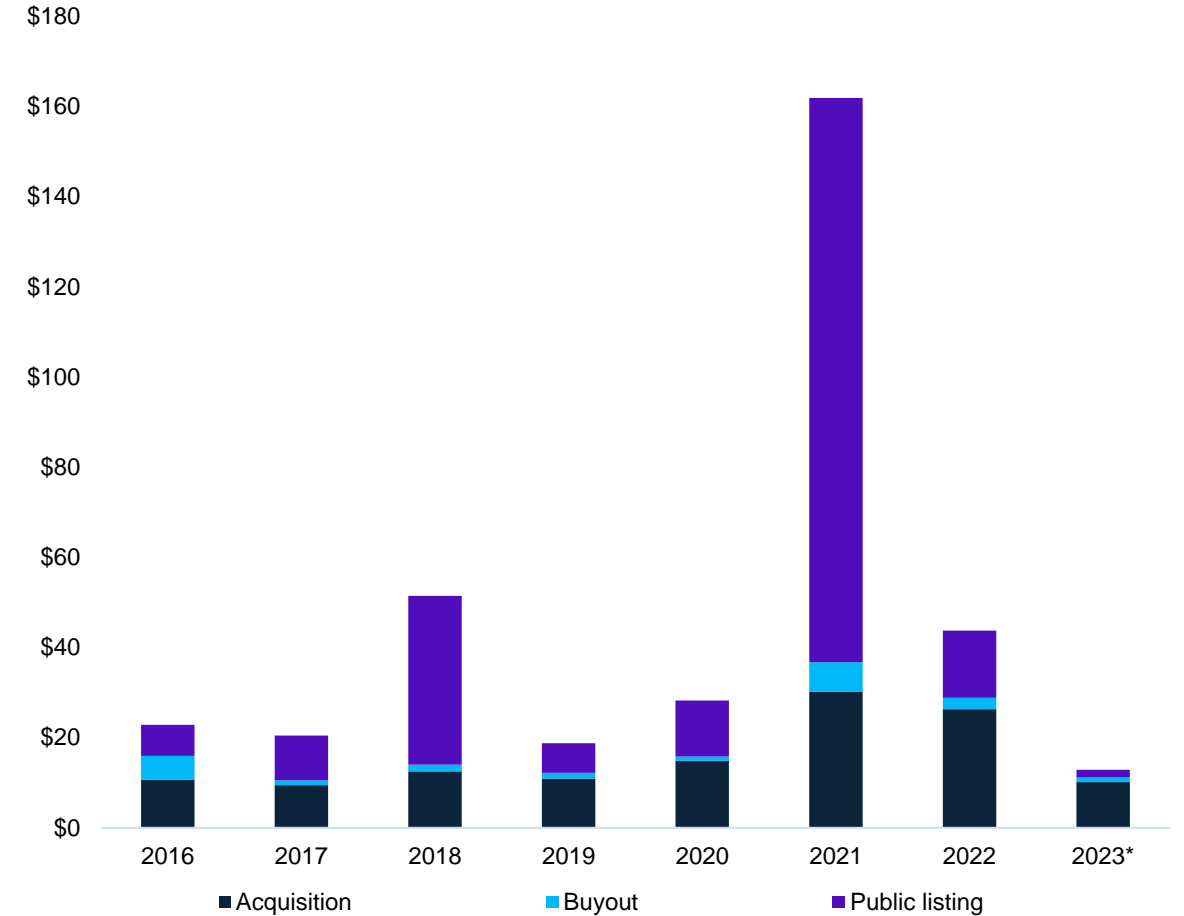
Venture-backed exit activity (#) by type in Europe

2016–2023*



Venture-backed exit activity (\$B) by type in Europe

2016–2023*

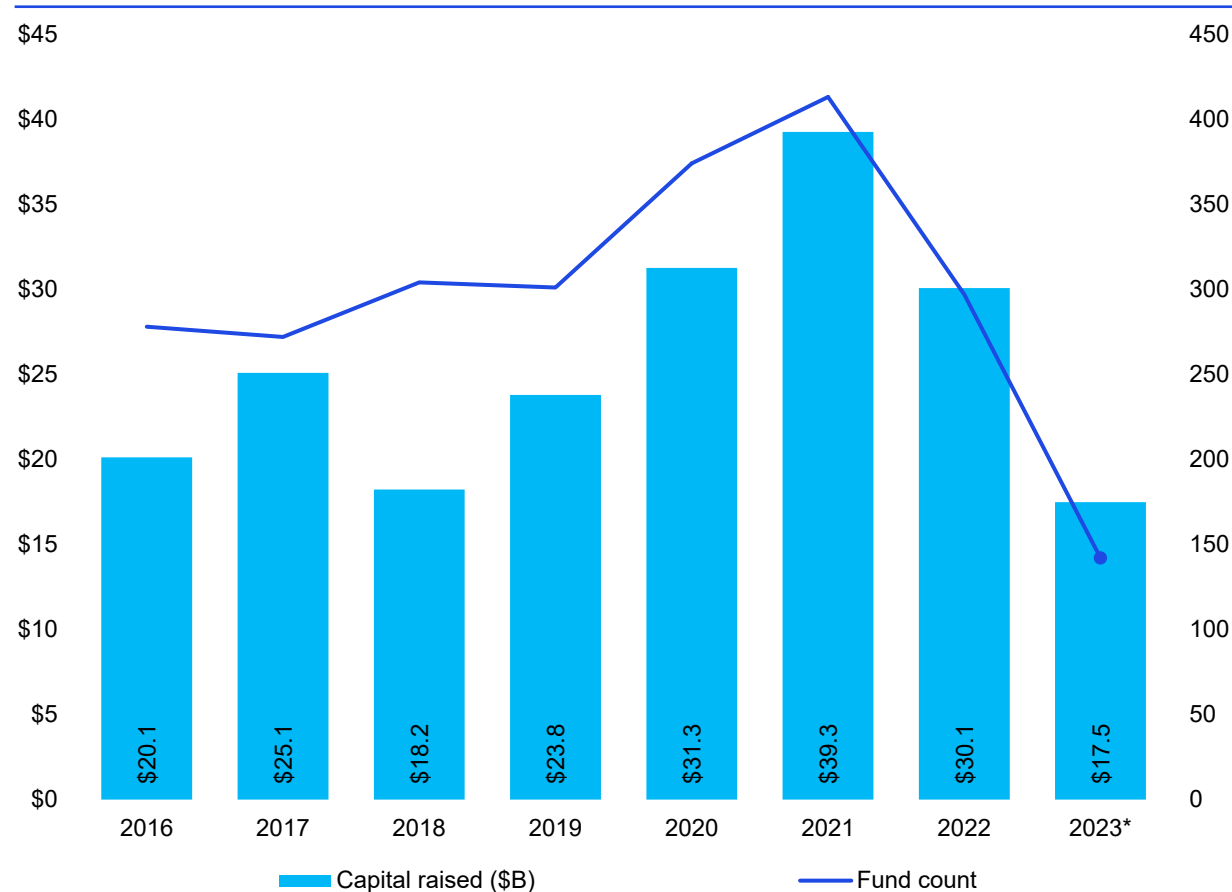


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Fundraising finally takes a blow, but not as badly as first feared

European venture fundraising

2016–2023*



After a record-breaking stretch for capital committed, the slowdown has finally hit the European continent, with the pace of commitments slowing but fortunately to a tally in VC raised similar to 2018 or 2016. The concentration in larger vehicles is striking, but a testament to the ability of only the most experienced and largest firms to close in the current market.

... at **\$17.5 billion**, 2023 finished with a relatively healthy tally of VC raised, even though across a far smaller figure for fund closures.

“The amount of funding for ESG and the energy transition needs to climb extremely rapidly if countries are going to meet their net-zero targets. It’s an area under intense scrutiny and pressure — and there are a lot of emerging companies focused on a wide range of different aspects of ESG — from electric vehicles and energy storage to alternative energy and carbon reduction technologies. ESG investing particularly in relation to energy transition will remain a resilient area of investment in 2024 and beyond. In truth, it should see an increasing amount of funding over time.”



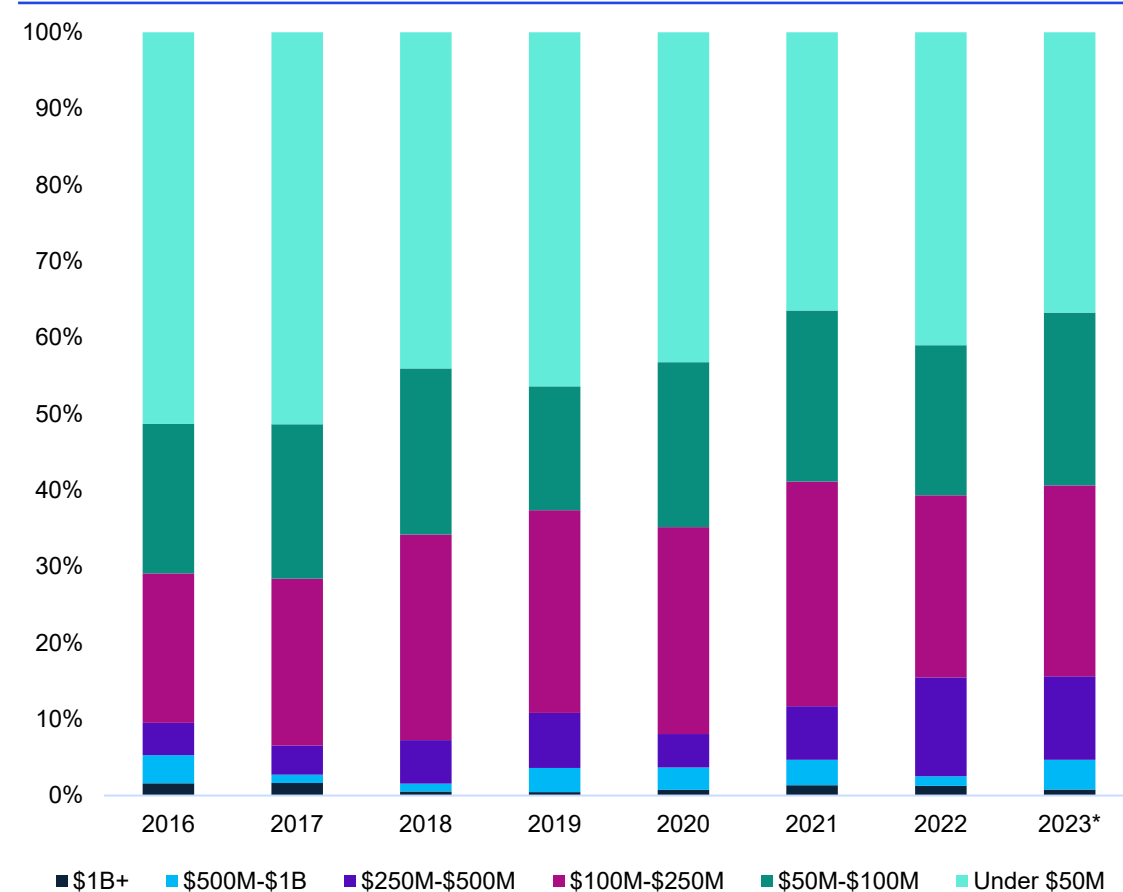
Robert Baxter
Head of Corporate Finance
KPMG in the UK

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Capital ultimately concentrated in mid-sized funds

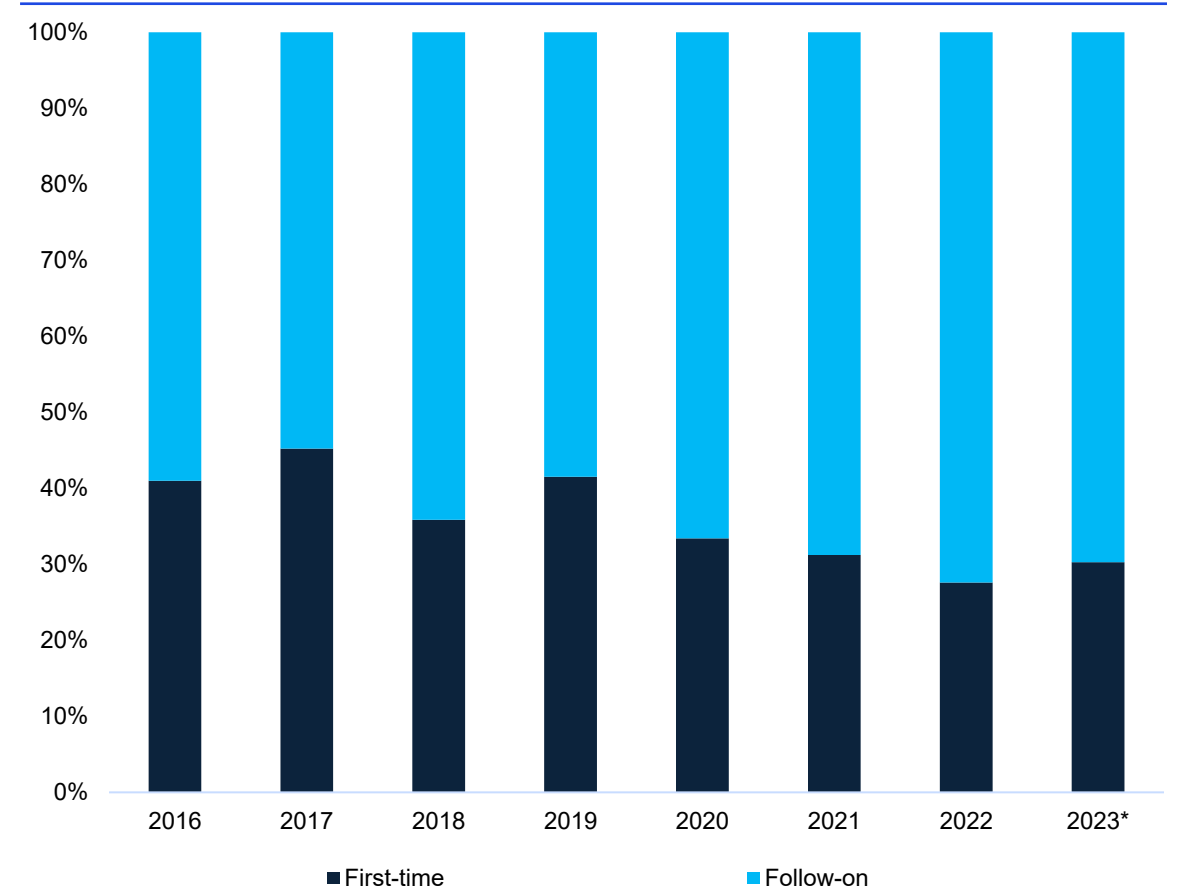
Venture fundraising (#) by size in Europe

2016–2023*



First-time vs. follow-on venture funds (#) in Europe

2016–2023*

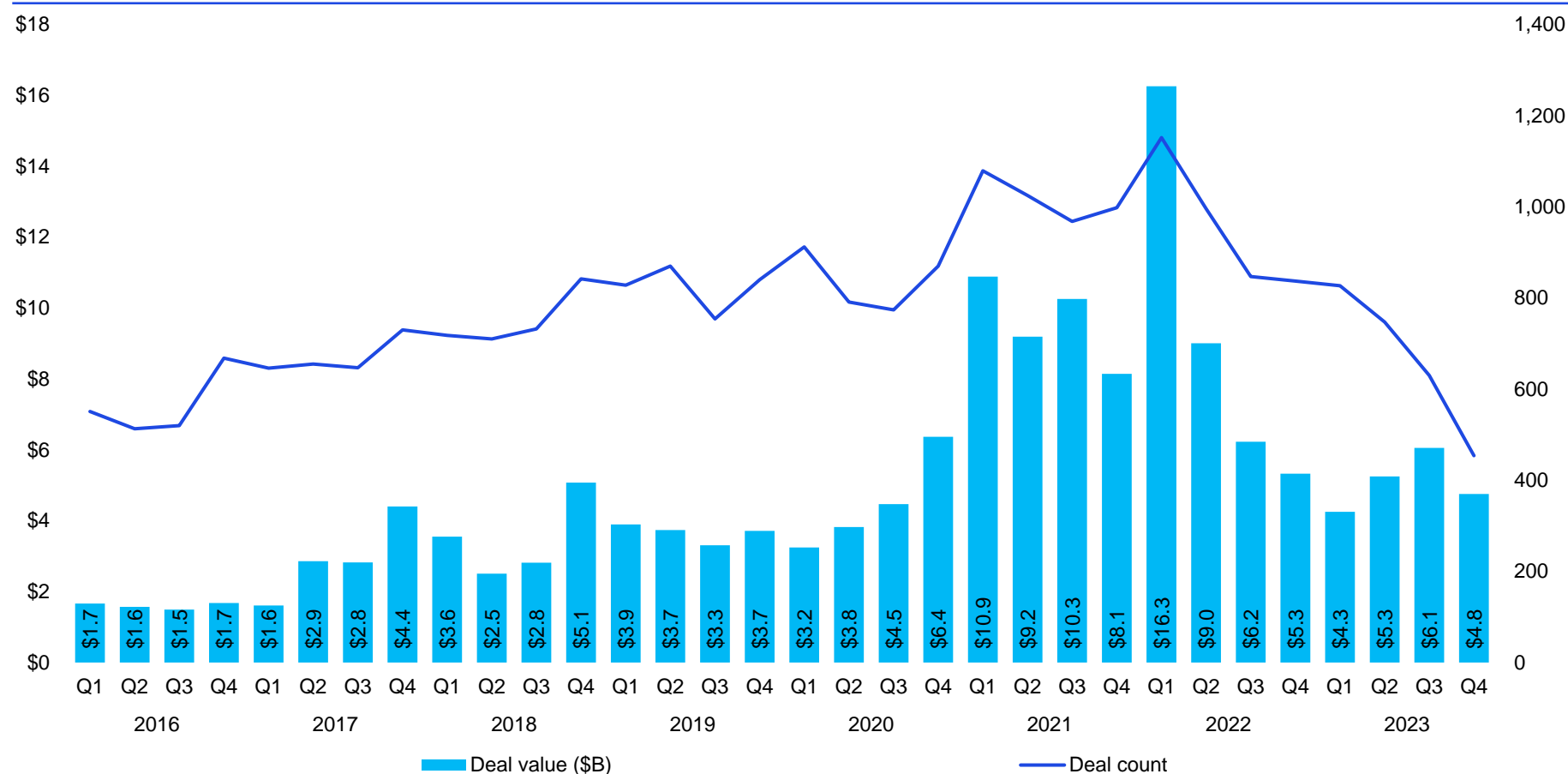


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

The UK sees a bit of evening out in VC invested

Venture financing in the United Kingdom

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ There's a real craving for normalcy and a period of stability as the world moves into 2024. There's an element of closing deals that doesn't require ultra low interest rates and a Raging Bull market. More economic and political stability would allow the industry to clear some of the backlog of transactions and clear the way for new opportunities to shine through. ”

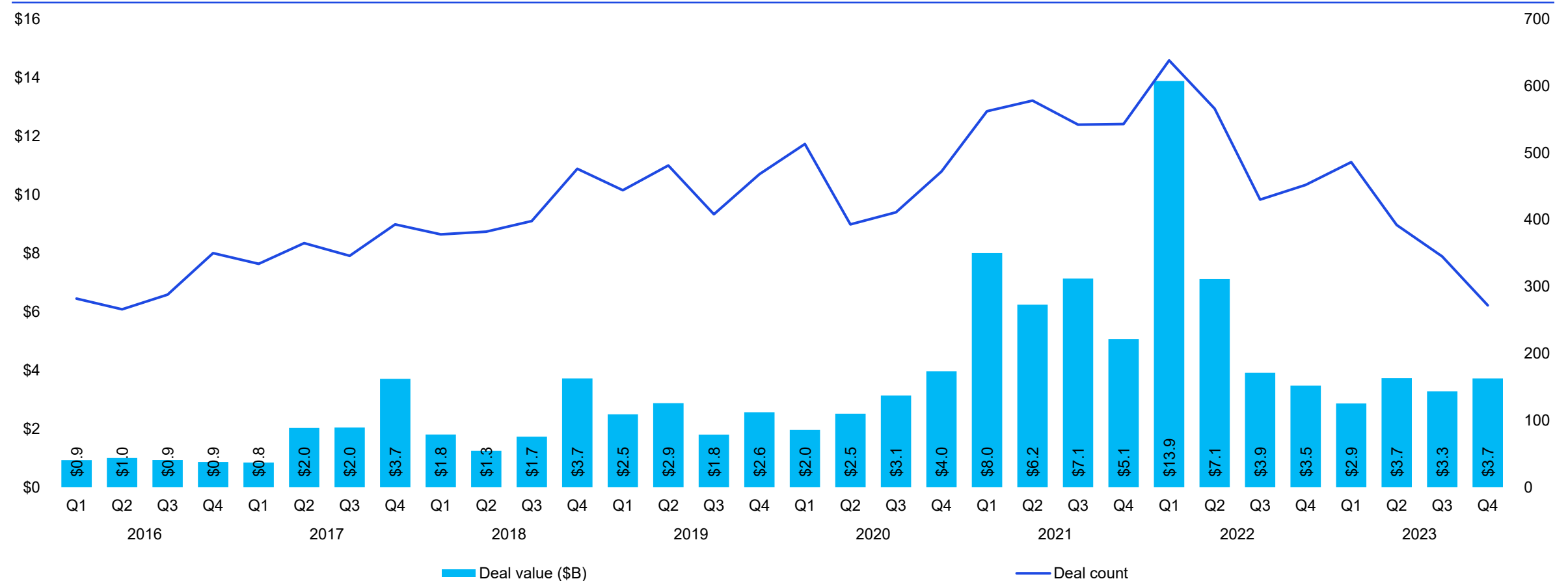


Nicole Lowe
UK Head of Emerging Giants
KPMG in the UK

London sees tallies back to pre-2019 level in terms of volume

Venture financing in London

2016–Q4'23

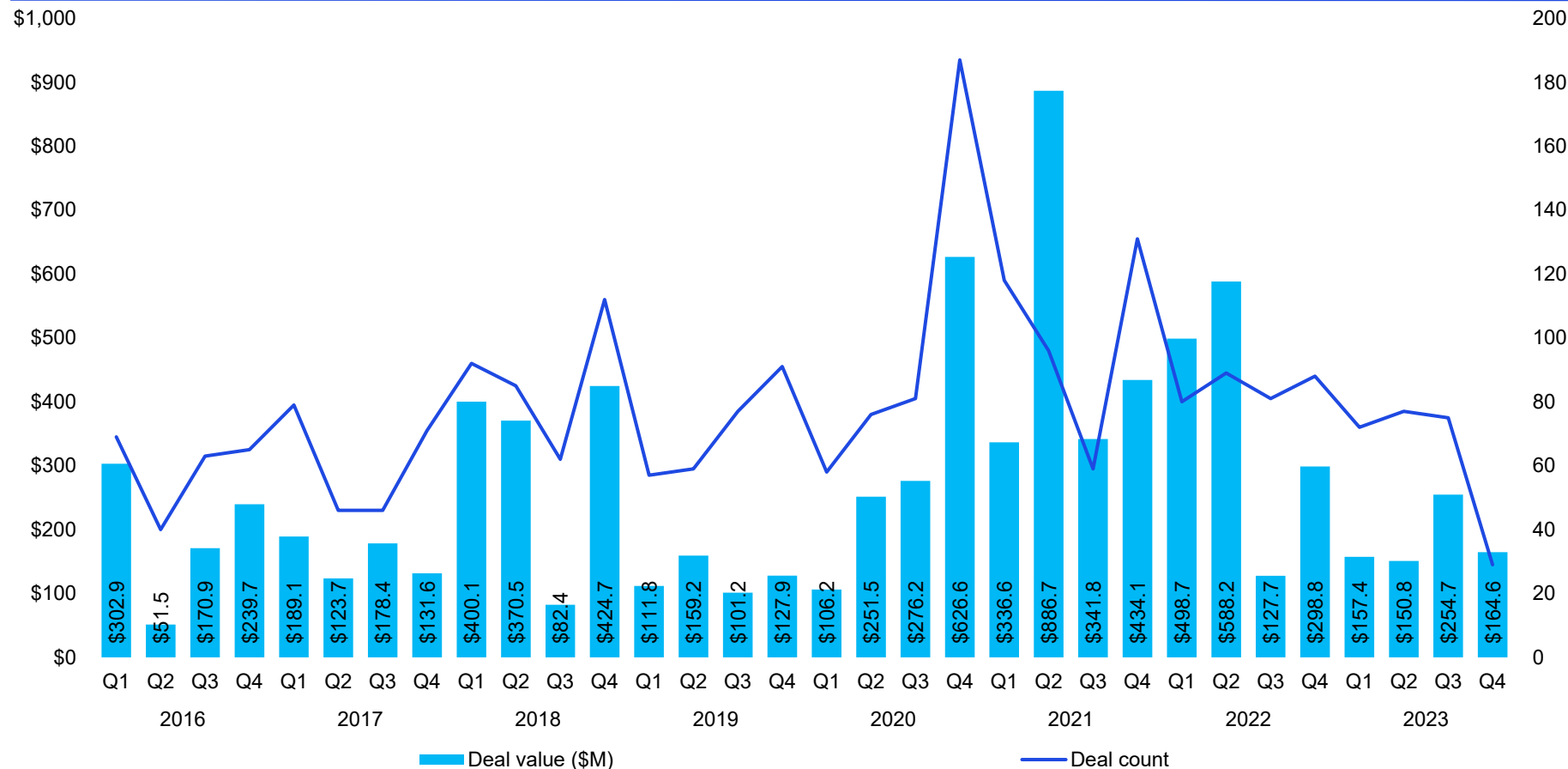


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Ireland sees a respectable VC tally

Venture financing in Ireland

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ In spite of the significant challenges faced across the globe, VC investment in Ireland was reasonable in 2023. Investors are still willing to back innovative companies with market leading technology and market opportunities. Investors are also willing to invest in key sectors including AI, cleantech & life sciences. ”



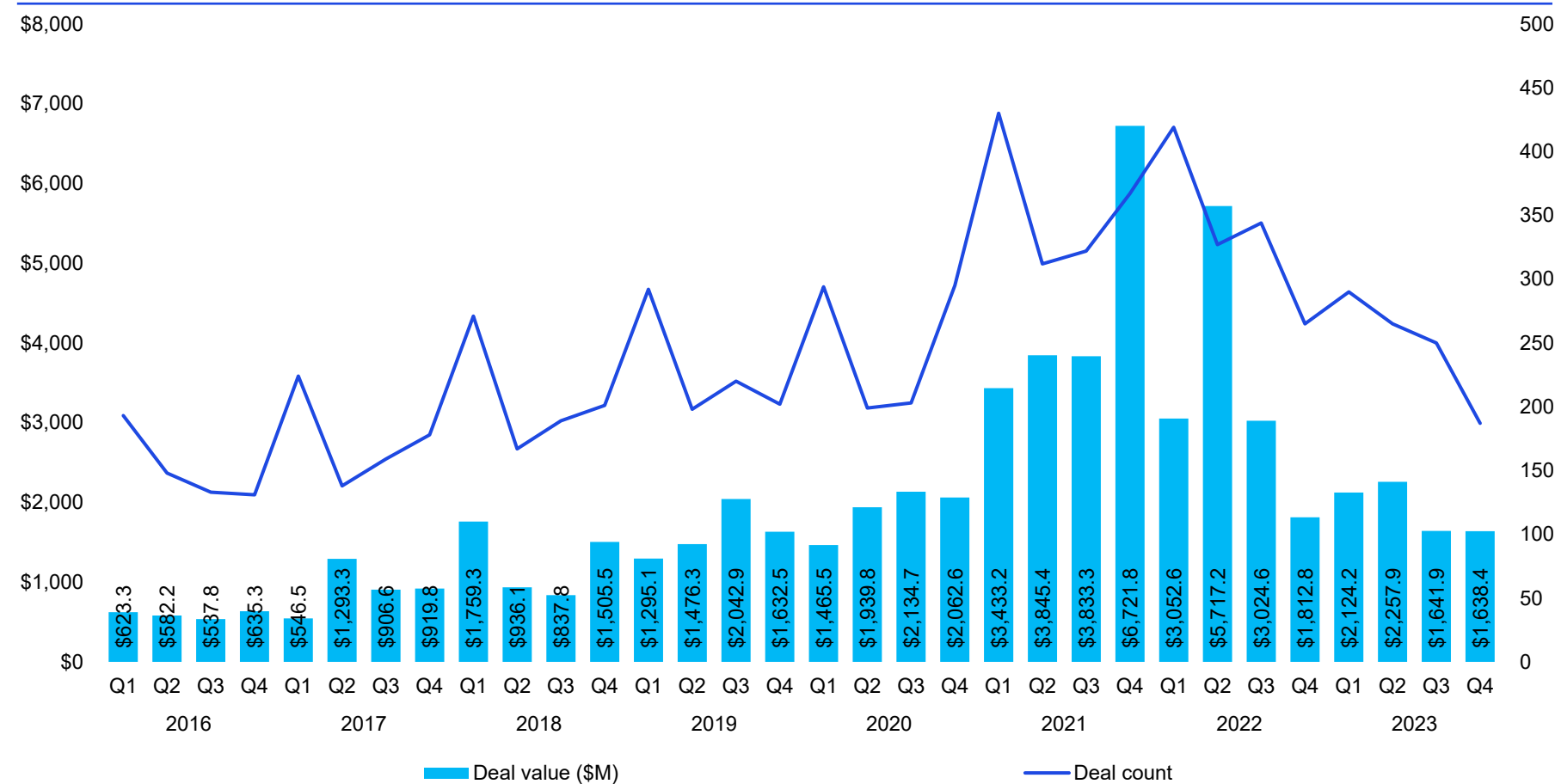
Anna Scally

Partner, Head of Technology & Media
KPMG in Ireland

VC invested evens out in Germany as a potential plateau looms

Venture financing in Germany

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ VC investors in Germany are really pushing their bigger scale ups to reshape their business plans again and again in order to improve efficiencies as much as possible and to maximize profitability. There’s not much appetite at all among VC investors to add additional D+ rounds. Those large deals are really in hibernation right now. ”

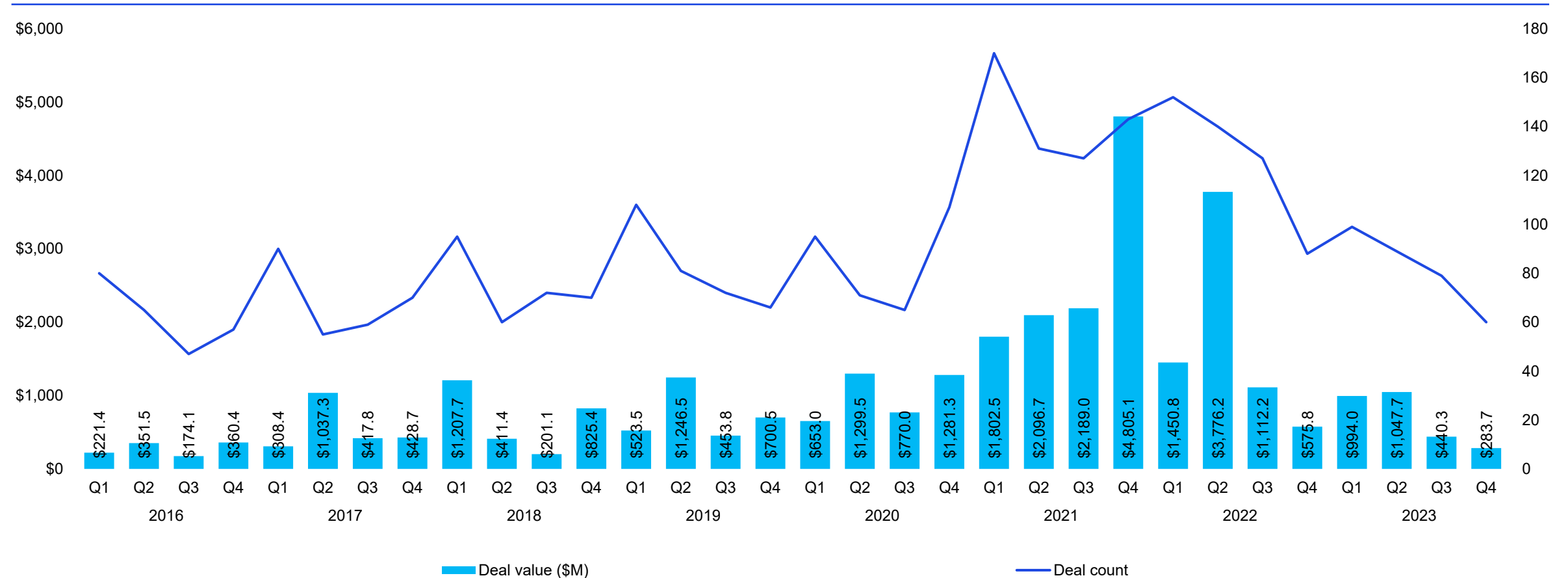


Tim Dümichen
Partner
KPMG in Germany

The Berlin venture ecosystem sees sluggish end to the year

Venture financing in Berlin

2016–Q4'23

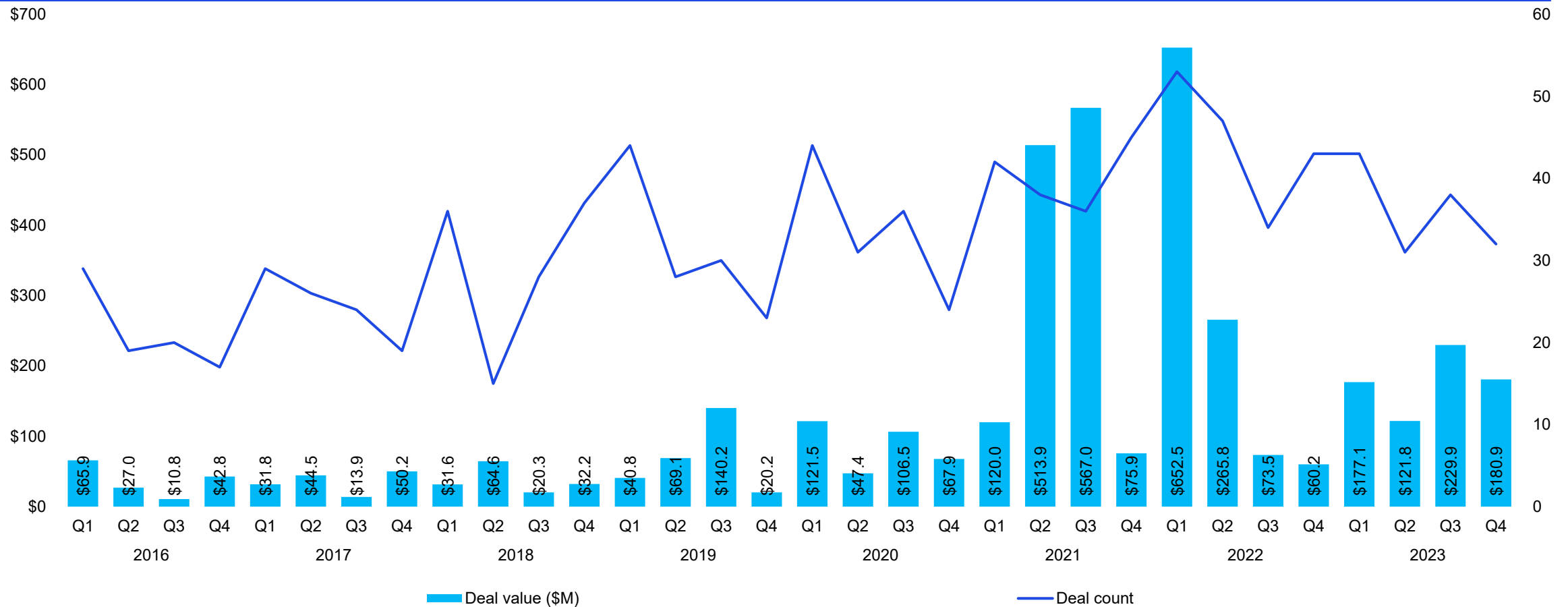


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Austrian venture financing levels remain more robust, all in all

Venture financing in Austria

2016–Q4'23

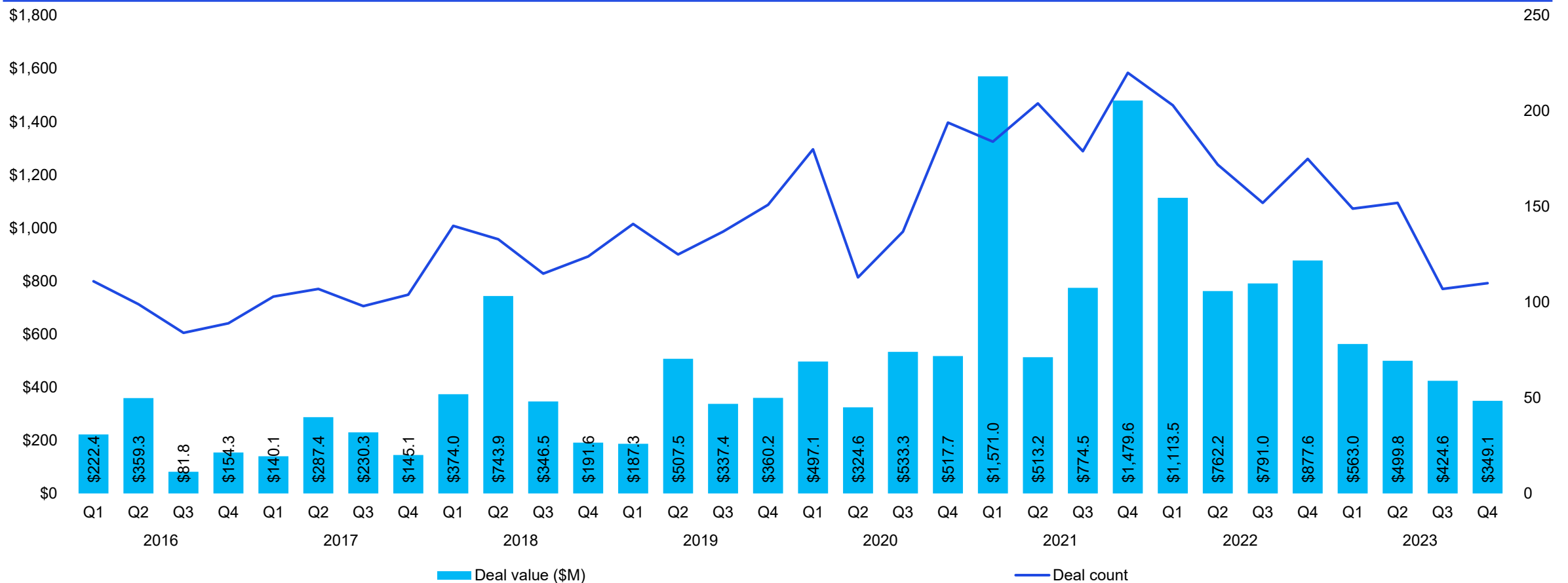


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Dealmaking moderates across Spain, sliding somewhat to close 2023

Venture financing in Spain

2016–Q4'23

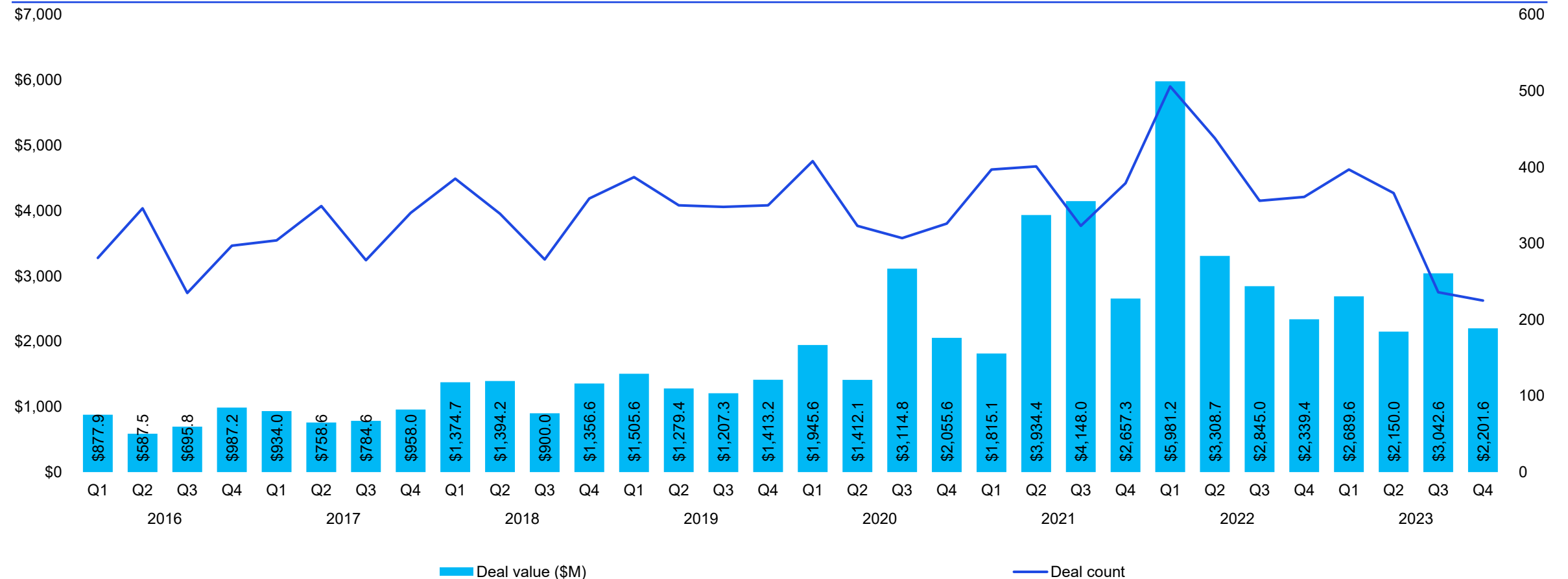


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Dealmaking enters VC invested plateau even as volume drops

Venture financing in France

2016–Q4'23

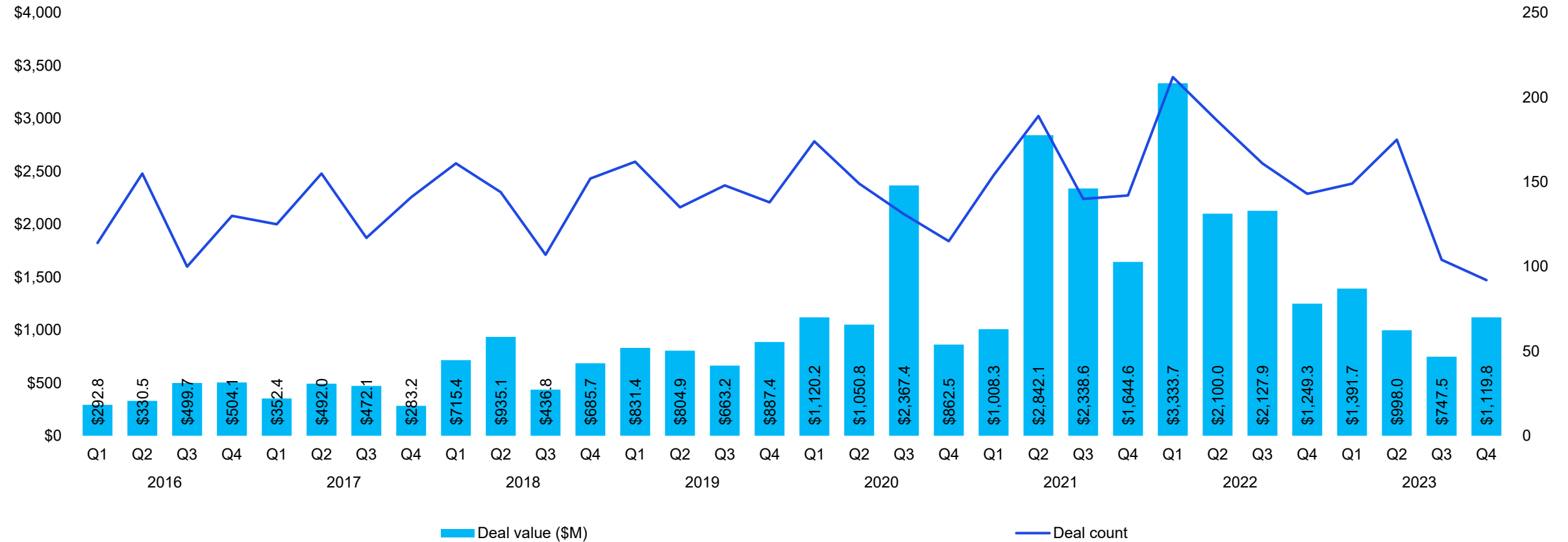


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

A slow end to the year for the Paris ecosystem

Venture financing in Paris

2016–Q4'23

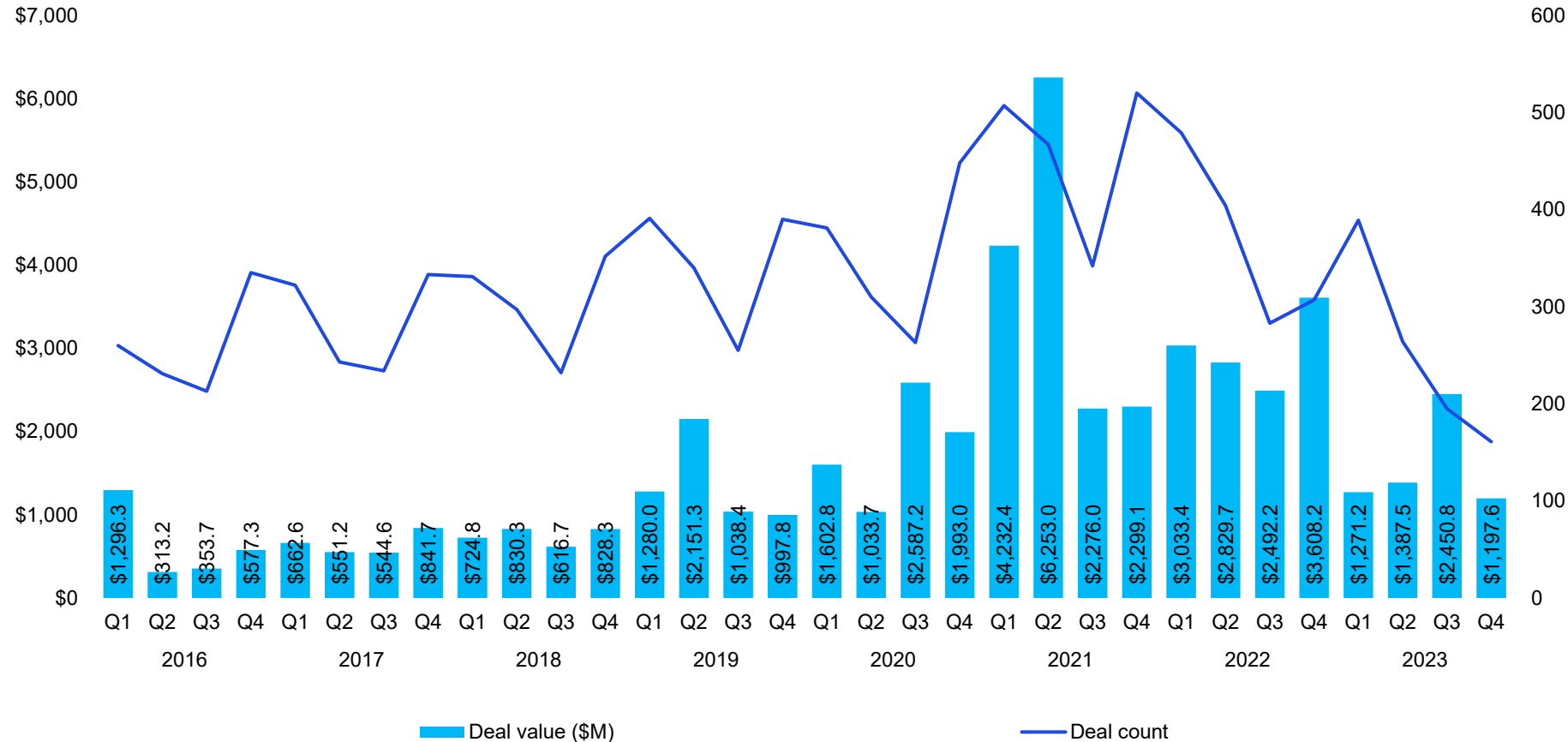


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

2023 closes with a healthy tally of VC invested

Venture financing in the Nordics

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ Early-stage funding in the Nordics has continued relatively stable despite the major drop off in funding for later-stage deals. We’re seeing new companies especially focused on deep tech more and more all the time — including as spin-offs from universities and government research organizations. It will be interesting to see how these companies move forward and how quickly they are able to evolve in coming years due to in many cases being rather capital intensive and given the current scarcity of later-stage funding. ”



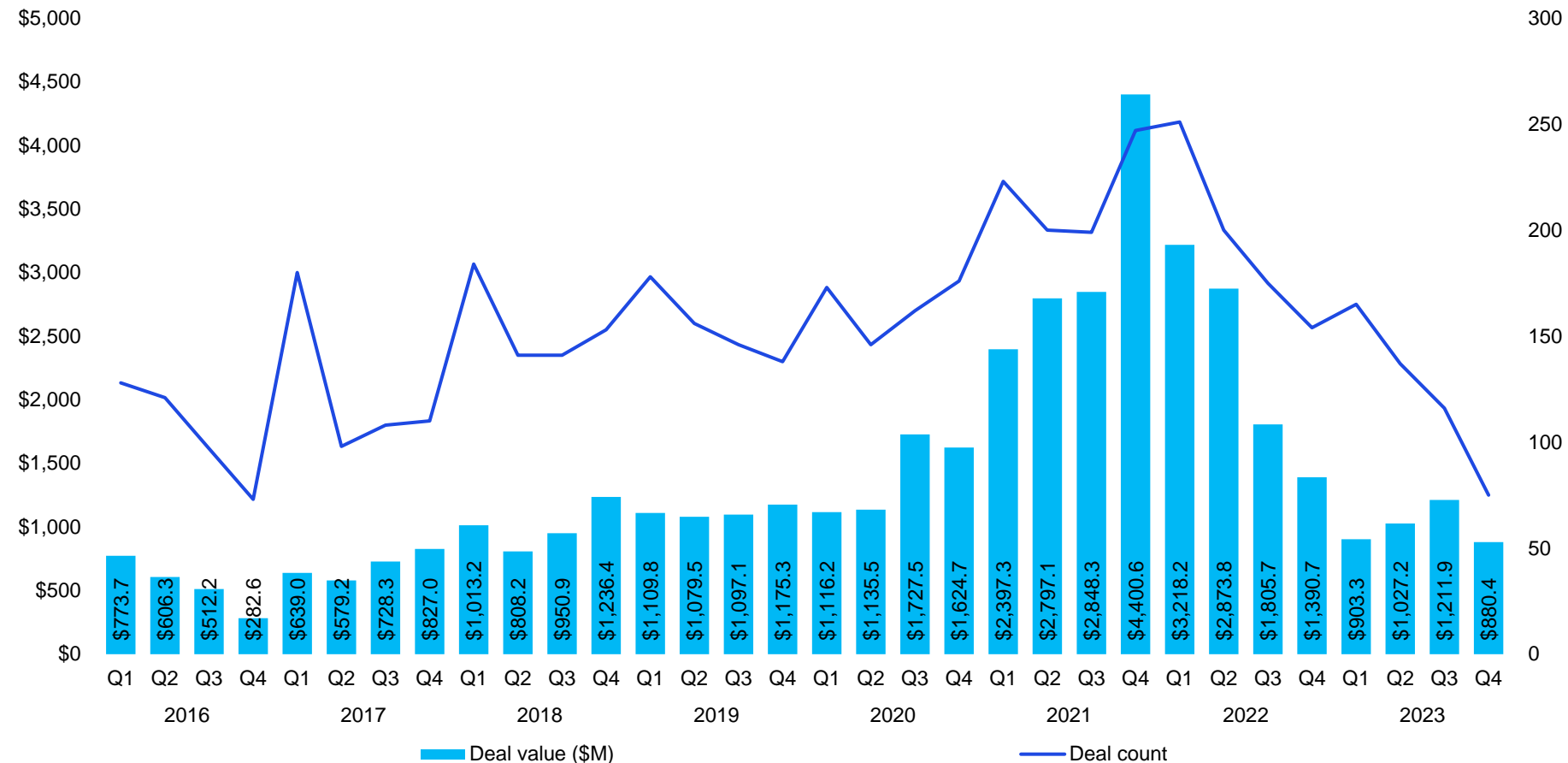
Jussi Paski

Head of Startup & Venture Services
KPMG in Finland

Israel sees activity moderate much like elsewhere

Venture financing in Israel

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

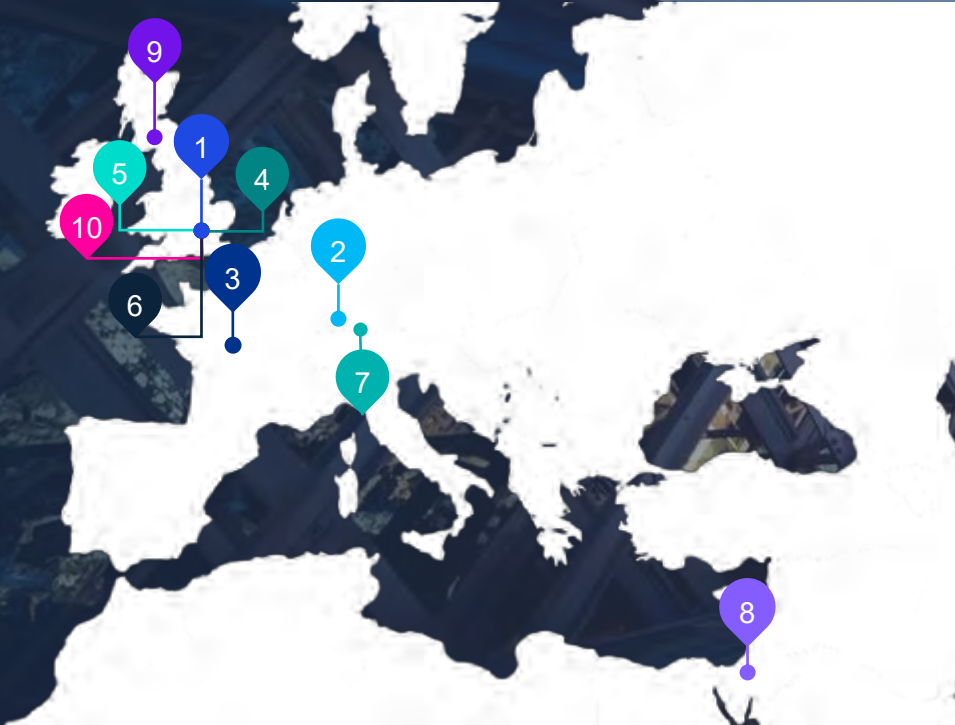
“ While the war in the region has affected Israeli tech companies, the ecosystem has maintained business continuity within the challenging circumstances. By mid of the quarter, 65 Israeli tech companies had raised \$1.20B. The share of seed funding rounds has decreased, a reflection of the increase in ratio of deals by foreign investors. In addition, seven acquisitions took place, the Israeli tech ecosystem’s campaign “Israel Tech Delivers, No Matter What” is a testament to the resilience of the Israeli tech ecosystem now and in the future. ”



Dina Pasca-Raz
Head of Technology,
Head of International Tax
KPMG in Israel

Fintech predominates to close off 2023

Top 10 financings in Q4'23 in Europe



1. **DAZN** — \$1B, London, UK — Communications — *Late-stage VC*
2. **Aleph Alpha** — \$486.2M, Heidelberg, Germany — AI & ML — *Series B*
3. **Mistral AI** — \$434.5M, Paris, France — AI & ML — *Series A*
4. **Butternut Box** — \$345M, London, UK — E-commerce — *Series E*
5. **Updraft** — \$343M, London, UK — Fintech — *Late-stage VC*
6. **SumUp** — \$306.6M, London, UK — Fintech — *Late-stage VC*
7. **Scalable Capital** — \$227.9M, Munich, Germany — Fintech — *Series E*
8. **AI21 Labs** — \$208M, Tel Aviv, Israel — AI & ML — *Series C*
9. **Castore** — \$179.7M, Manchester, UK — E-commerce — *Late-stage VC*
10. **Urbanic** — \$150M, London, UK — E-commerce — *Series C*

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

**In Q4'23, VC-backed
companies in the Asia
region raised \$18.8B
across 2,390 deals**

VC investment in Asia Pacific region falls to seven-year low

Both VC investment and the total number of VC deals in the Asia-Pacific region pulled back significantly during 2023, amidst rising interest rates and other economic challenges, geopolitical tensions, and concerns about liquidity and the lack of exits. Q4'23 was particularly quiet for VC investment in the region, despite two \$1 billion-plus funding rounds — one by China-based semiconductor manufacturer Changxin Xinqiao and the other by Singapore-based, ecommerce company Lazada.

VC investment in China drops to seven-year low, although key sectors continue to be attractive

VC investment in China hit a seven-year low during 2023. Despite the softness in the market, priority sectors continued to attract large funding rounds in Q4'23, including semiconductors (Changxin Xinqiao — \$2 billion), cleantech (HuaSun Energy — \$274 million), and AI and autonomous driving (Didi Autonomous Driving \$149 million). Sector-specific applications of AI also garnered some interest during Q4'23, although most companies focused on these kinds of offerings are still very early-stage.

CVC investment in Japan remains solid, while other jurisdictions see major declines

Compared to other jurisdictions in the Asia-Pacific region, Japan saw solid CVC investment during 2023, with CVC investors participating in for over \$3.7 billion of the country's total VC investment during the year — only slightly off the CVC investment seen in 2022. Japanese corporates continued to embrace using startups to help drive their innovation agenda, particularly in areas like decarbonization and automation. By comparison, CVC investment in India was very weak during 2023 — dropping approximately 65 percent year-over-year — while Australia and China both saw declines of more than 50 percent.

China and Hong Kong collaboration on data sharing positive sign for the future

While VC investment has been very quiet in both China and Hong Kong, recent developments could help make cross border solutions more viable — and so more attractive — to VC investors. During 2023, China and Hong Kong announced a new pilot program focused on the enabling easier cross-border data sharing; the initial pilot project will focus on information-sharing within the banking and healthcare sectors between Hong Kong and the Greater Bay Area¹.

¹ <https://www.scmp.com/news/hong-kong/hong-kong-economy/article/3244906/hong-kong-mainland-china-launch-scheme-make-sharing-personal-data-easier-greater-bay-area-first>

China-based EV companies focused on growth

The electric vehicle sector in China has seen a significant amount of activity over the last eighteen months. Many of these companies — particularly EV OEMs — are now looking to grow both regionally and internationally. While Southeast Asia has been a major target of these growth efforts, with companies offering a number of ecosystem activities (e.g., charging, leasing), Europe and Mexico have also seen targeted activities by China-based EV companies as well.

IPO activity in Hong Kong dries up compared to 2022

After a strong 2022, IPO activity in Hong Kong dried up considerably over the course of 2023 as the IPO cycle of companies lengthened considerably compared to more recent year amid concerns over liquidity and new registration rules in China for companies looking to list overseas, including in Hong Kong. Concerns about valuations likely also contributed to the slowdown, particularly given a number of down rounds that occurred in Hong Kong over the course of the year.

Japan has strong year of VC investment relative to other jurisdictions

VC investors continued to show robust interest in Japan's evolving startup ecosystem during 2023, with an increasingly diverse range of startups attracting investment; during Q4'23, space technology firm Astroscale, alternative meat company DAIZ, and B2B invoicing and billing firm LayerX attracted some of the largest deals of the quarter.

While VC investment fell year-over-year, the country performed very well relative to other jurisdictions that saw much larger declines. Japan's stock market hit a thirty-three year high during the year, while the valuations of Japanese VC-backed backed companies held relatively steady. The Japanese government continued to be quite supportive of the developing VC ecosystem; under a government program to support startups, there has been increasing investment from LPs into the VC market, including private-public joint funds. Japan also gained increasing attention from international investors looking to obtain stakes in promising startups at more reasonable prices than elsewhere in the world.

VC investment in Asia Pacific region falls to seven-year low, cont'd.

Hong Kong continues to focus on supporting fintech growth

In Hong Kong, Fintech continued to be a key focus for the government throughout 2023. In August, the Hong Kong Monetary Authority (HKMA) released a Fintech Promotion Roadmap aimed at smoothing the path towards greater digitalization across the industry. The roadmap outlined key activities to be undertaken over the next year focused on key areas (i.e., wealthtech, insurtech, greentech), and key technologies (i.e., AI and blockchain)². The HKMA followed the release of the roadmap with a competition focused on green fintechs — the winners of which were announced at an HKMA-sponsored Green and Sustainable Banking Conference in December³.

Despite softness, still optimism in India VC market

Within India, macroeconomic factors remained quite positive; the economy continued to grow, GDP growth remained strong, and stock markets were at an all time high. Despite the general sense of positivity in the market, however, VC investment remained quite dry in Q4'23. VC investors continued to take a pause in light of the challenging global VC investment environment, taking far more time to consider deals and to make investments. The fervor that drove the VC market in recent years has entirely died out, replaced by a much more cautious investment approach. Heading into 2024, all eyes will be on interest rates, with the expectation that any easing will likely help open up investments again.

Trends to watch for in Q1'24

VC investment in the Asia-Pacific region is expected to remain quite soft heading into Q1'24, although there will likely continue to be solid investments in areas like artificial intelligence, deeptech, cleantech, and alternative energy.

VC investment in Japan will likely remain more resilient than other jurisdictions during Q1'24 as the ecosystem continues to evolve and grow. VC investors in Japan are expected to be particularly focused on both ESG solutions and deeptech solutions focused on sectors like spacetechnology, biotech, and automated driving. Interest in fintech is also expected to grow in Japan, particularly related to the development of retail products for general consumption.

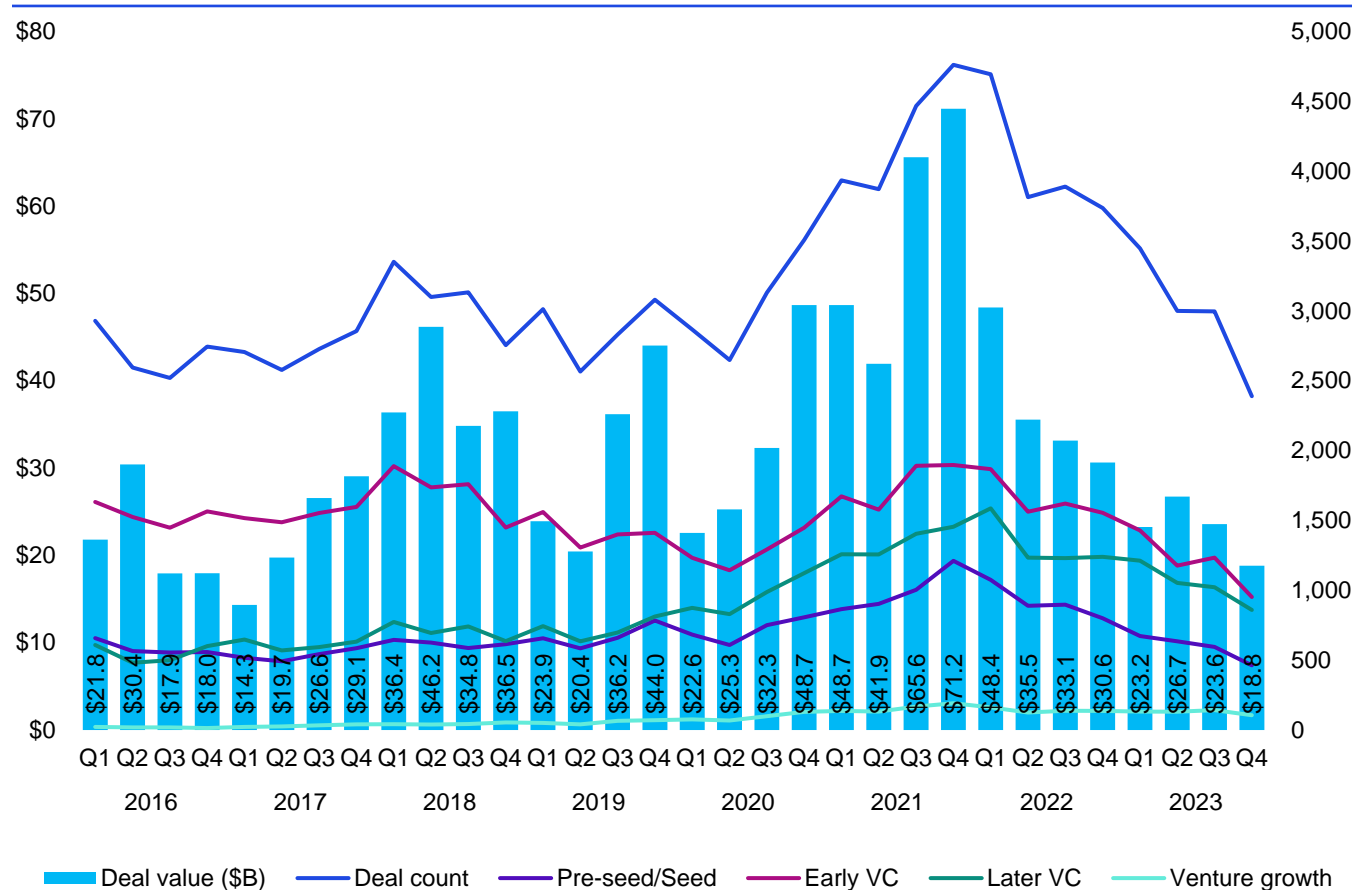
² <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2023/08/20230825-3/>

³ <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2023/12/20231211-4/>

2023 concludes on down quarter, but a plateau could be in the offing

Venture financing in Asia

2016–Q4'23



2023 concluded on a down note, recording the lowest quarterly tally of VC invested since early 2017. However, deal counts could tick up to a level closer to 3,000 once undisclosed activity is finally unearthed. That would then put the region on pace to see trends similar to the rest of the world — dealmaking is certainly muted relative to the peaks observed in 2021, but is entering a new plateau. It remains to be seen if this holds out in 2024, as foreign capital participation is declining and domestic sources of capital will have to remain quite active.

“ While there’s still liquidity in the VC market, there’s a lot of cash sitting on the sidelines looking to wait the current global and macroeconomic uncertainties out. There are still good deals to be had here in Asia, VC investors are becoming a lot more selective with their money rather than chasing potential deals like they may have done in the past. This likely isn’t going to change much heading into Q1’24. ”



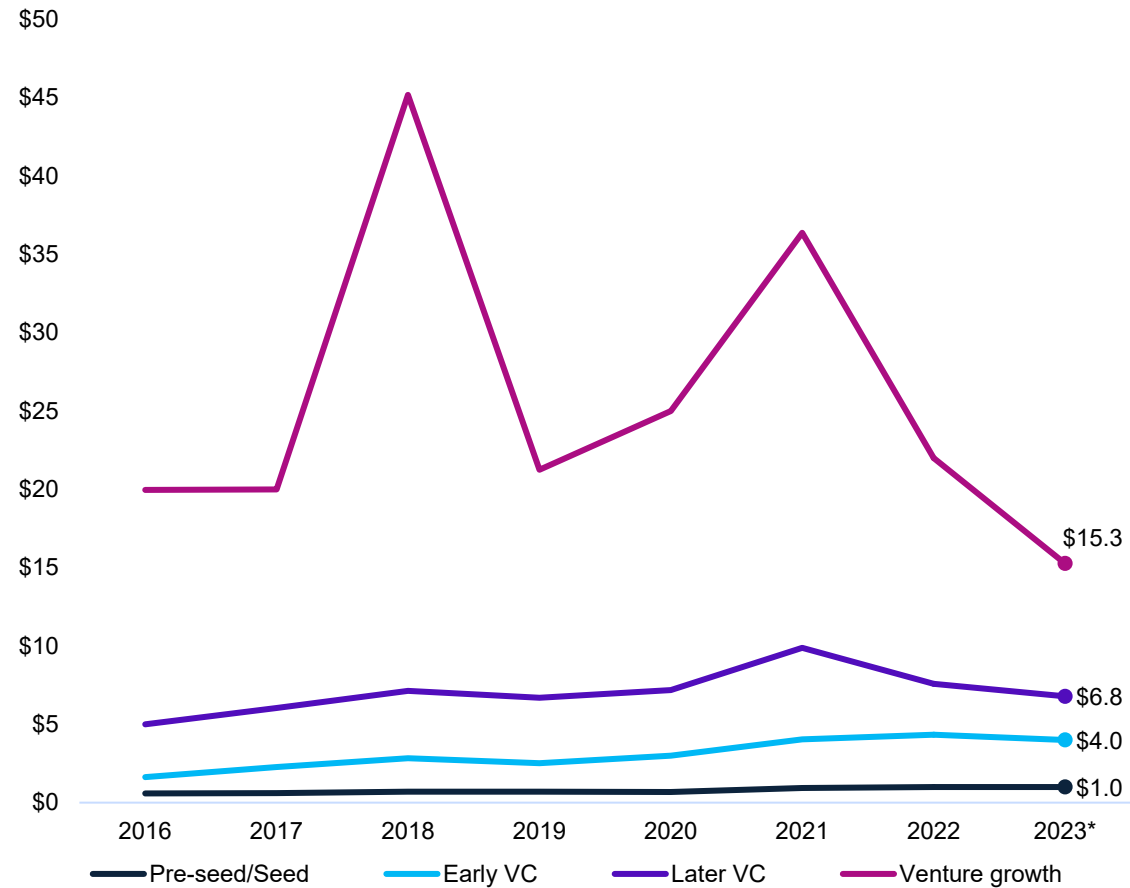
Egidio Zarrella
Partner, Clients and Innovation
KPMG China

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Down rounds hit highest mark in years

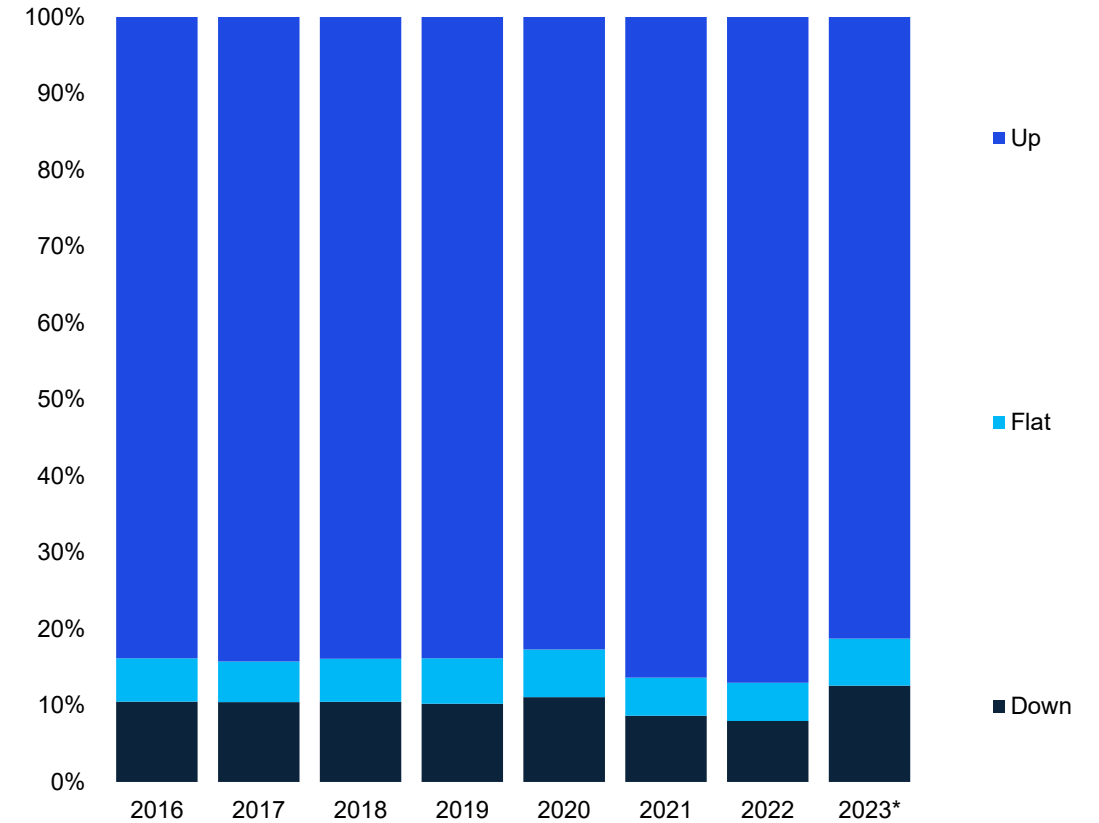
Median deal size (\$M) by stage in Asia

2016–2023*



Up, flat or down rounds in Asia

2016–2023*

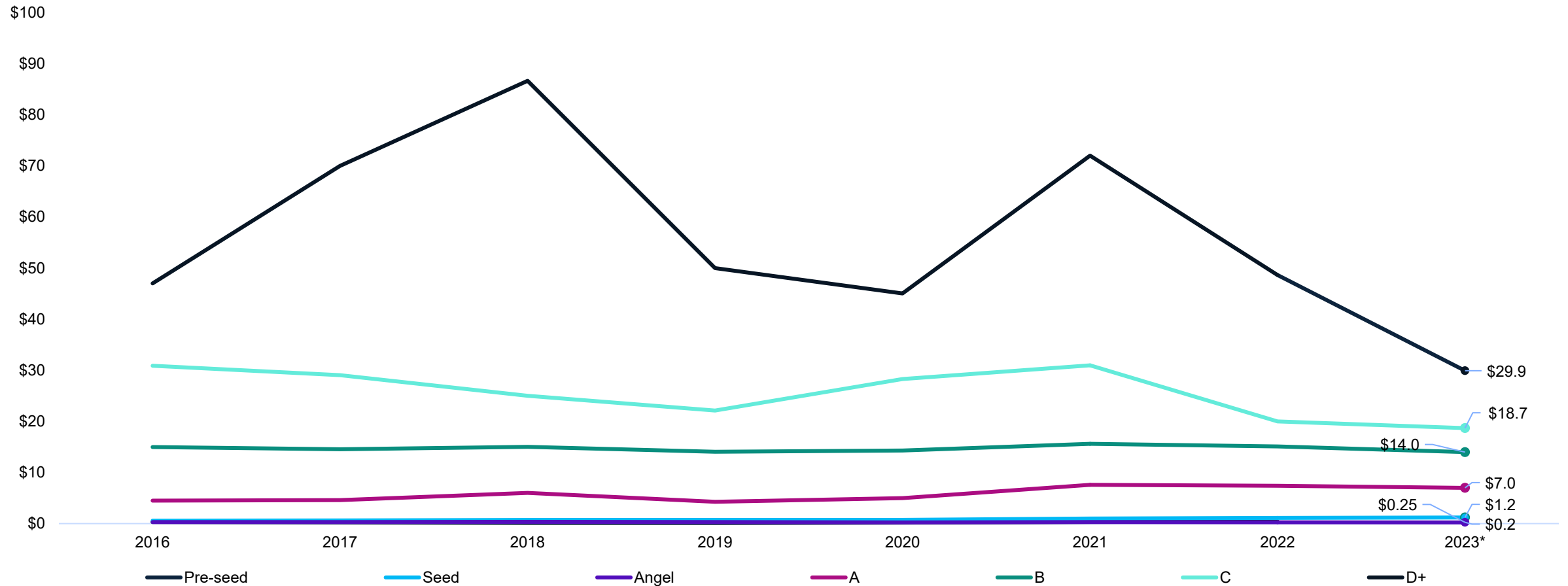


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

The latest stages are seeing unprecedented slides

Median deal size (\$M) by series in Asia

2016–2023*



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024
The pre-seed figures for 2016 and 2017 are based on non-normative sample sizes.

Valuations plunge at the latest, most expensive stage

Median pre-money valuation (\$M) by series in Asia

2016–2023*

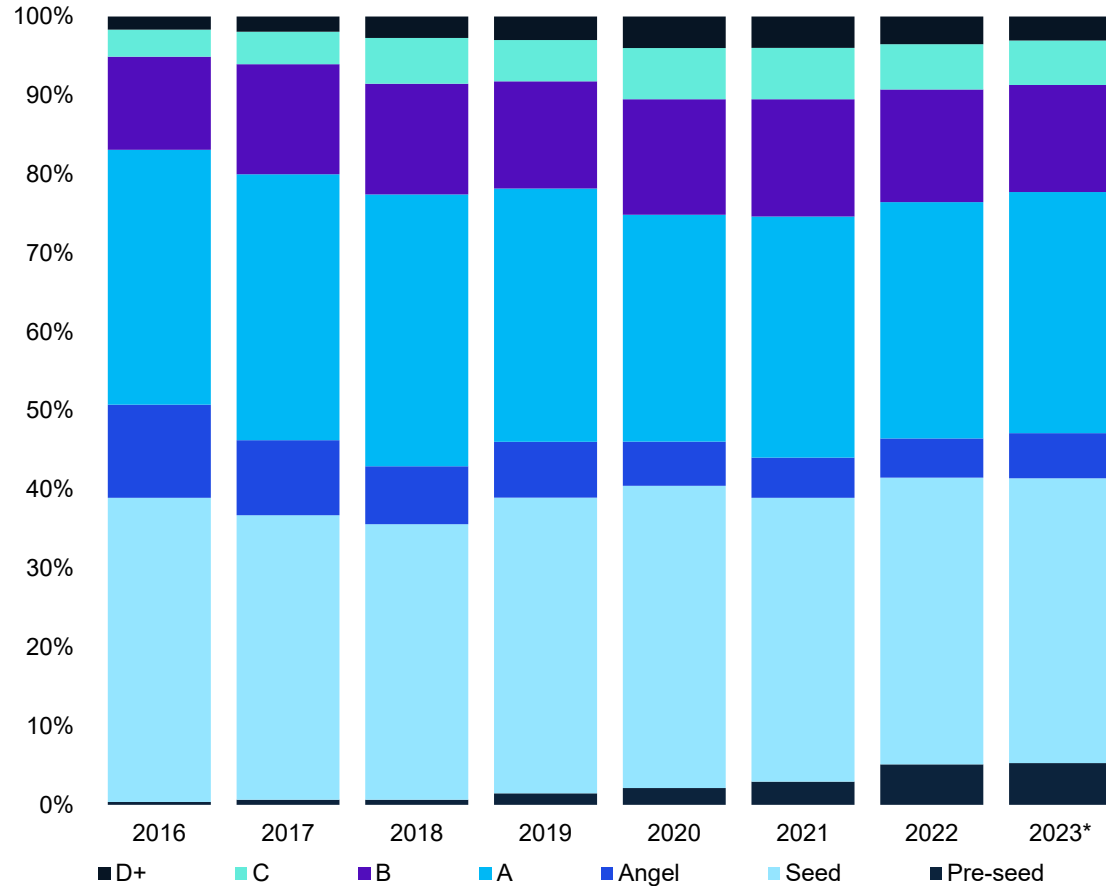


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Earlier-stage activity remains resilient

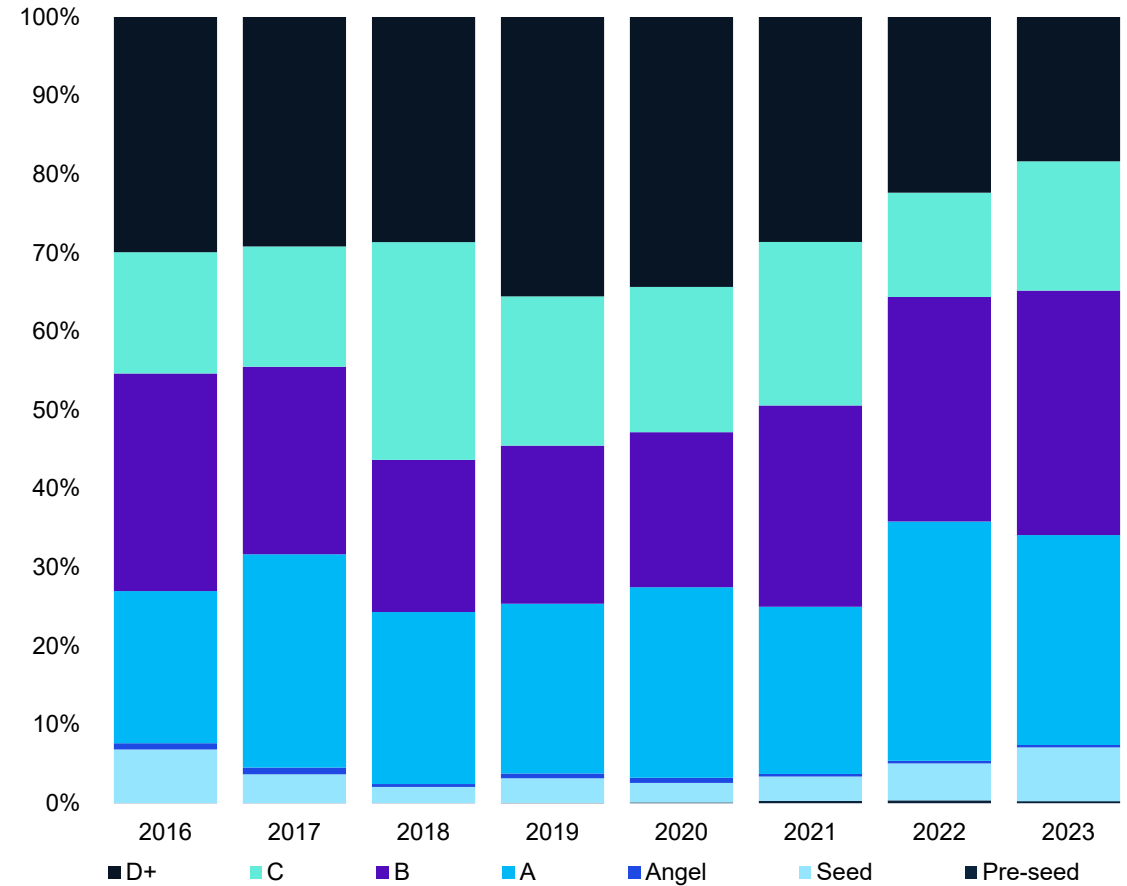
Deal share by series in Asia

2016–2023*, number of closed deals



Deal share by series in Asia

2016–2023*, VC invested (\$B)

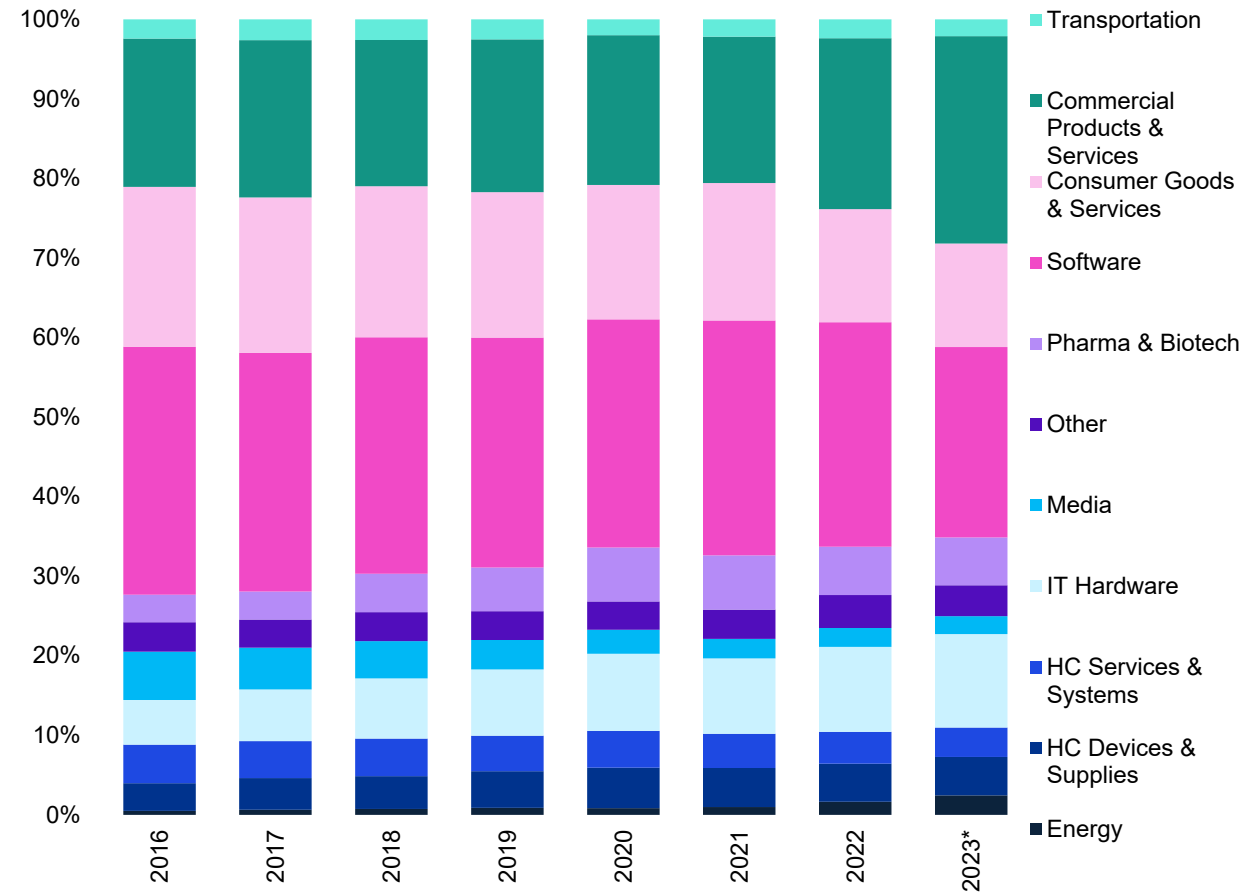


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

VC invested increasingly flows to IT hardware, healthcare & enterprise

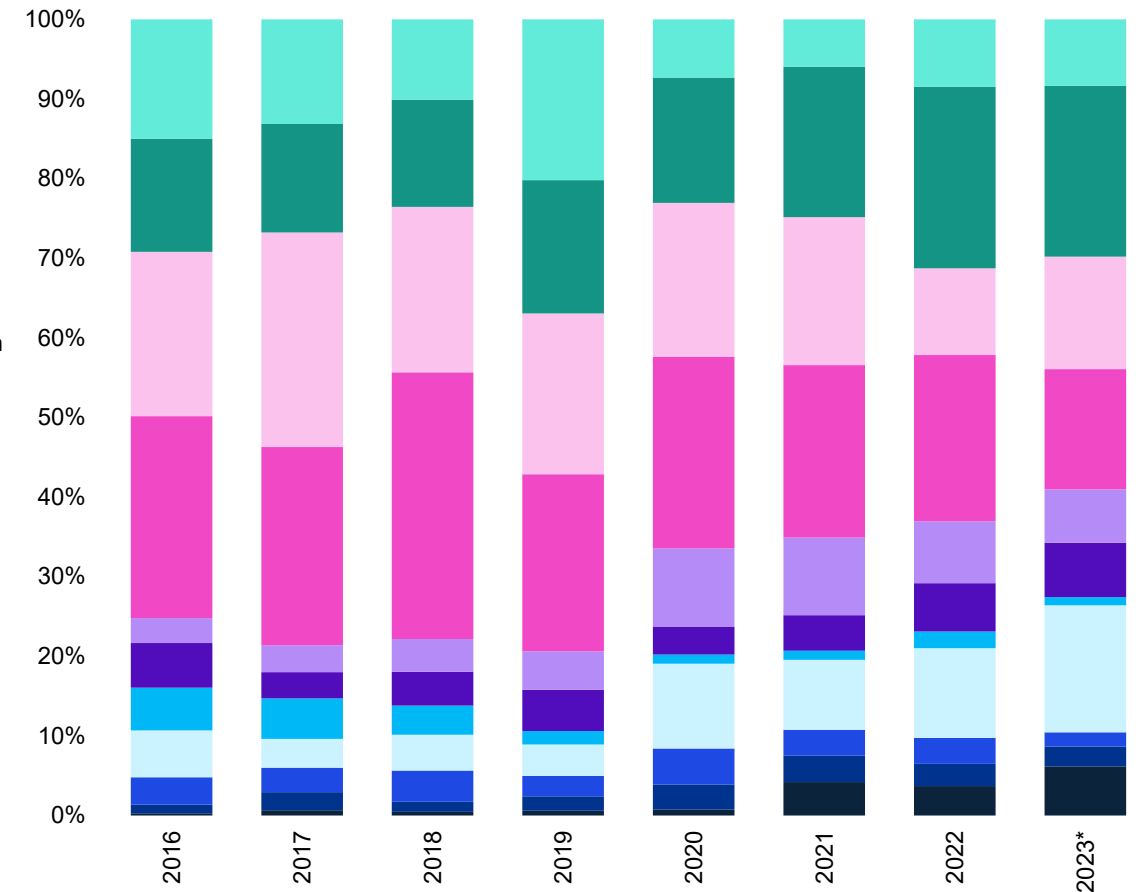
Asia venture financings by sector

2016–2023*, number of closed deals



Asia venture financings by sector

2016–2023*, VC invested (\$B)

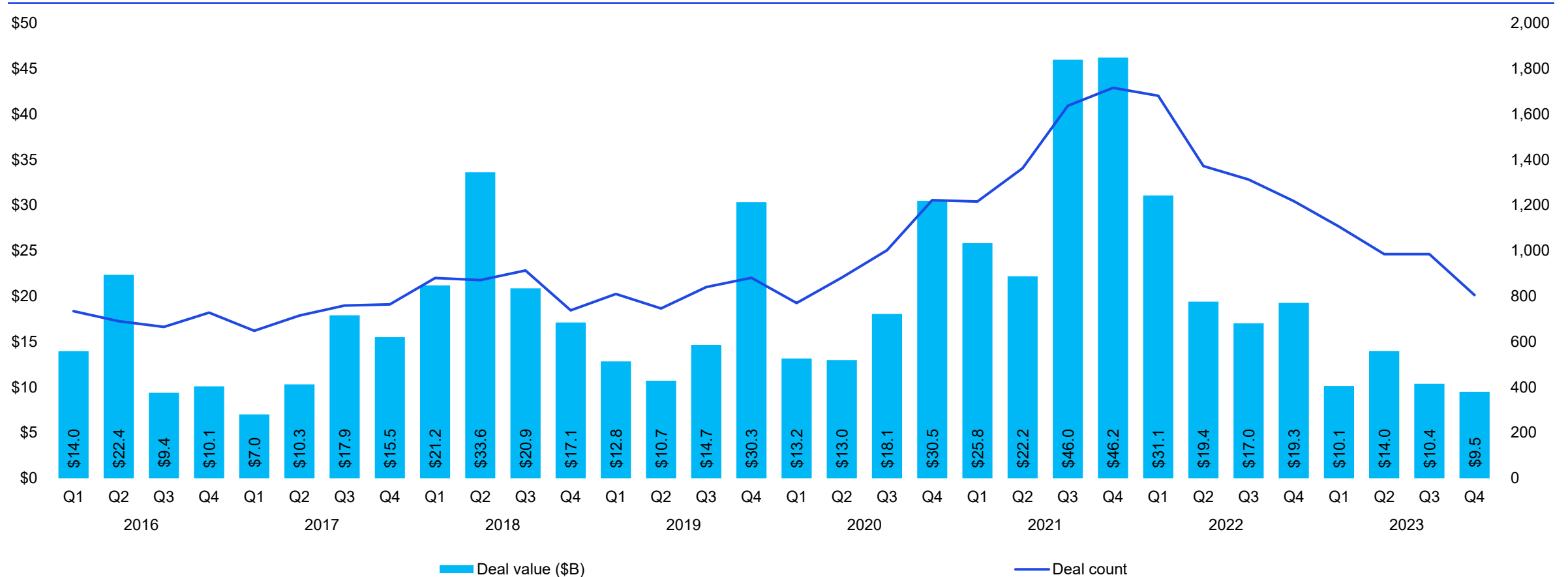


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Corporates pull back in line with the general market

Corporate participation in venture deals in Asia

2016–Q4'23

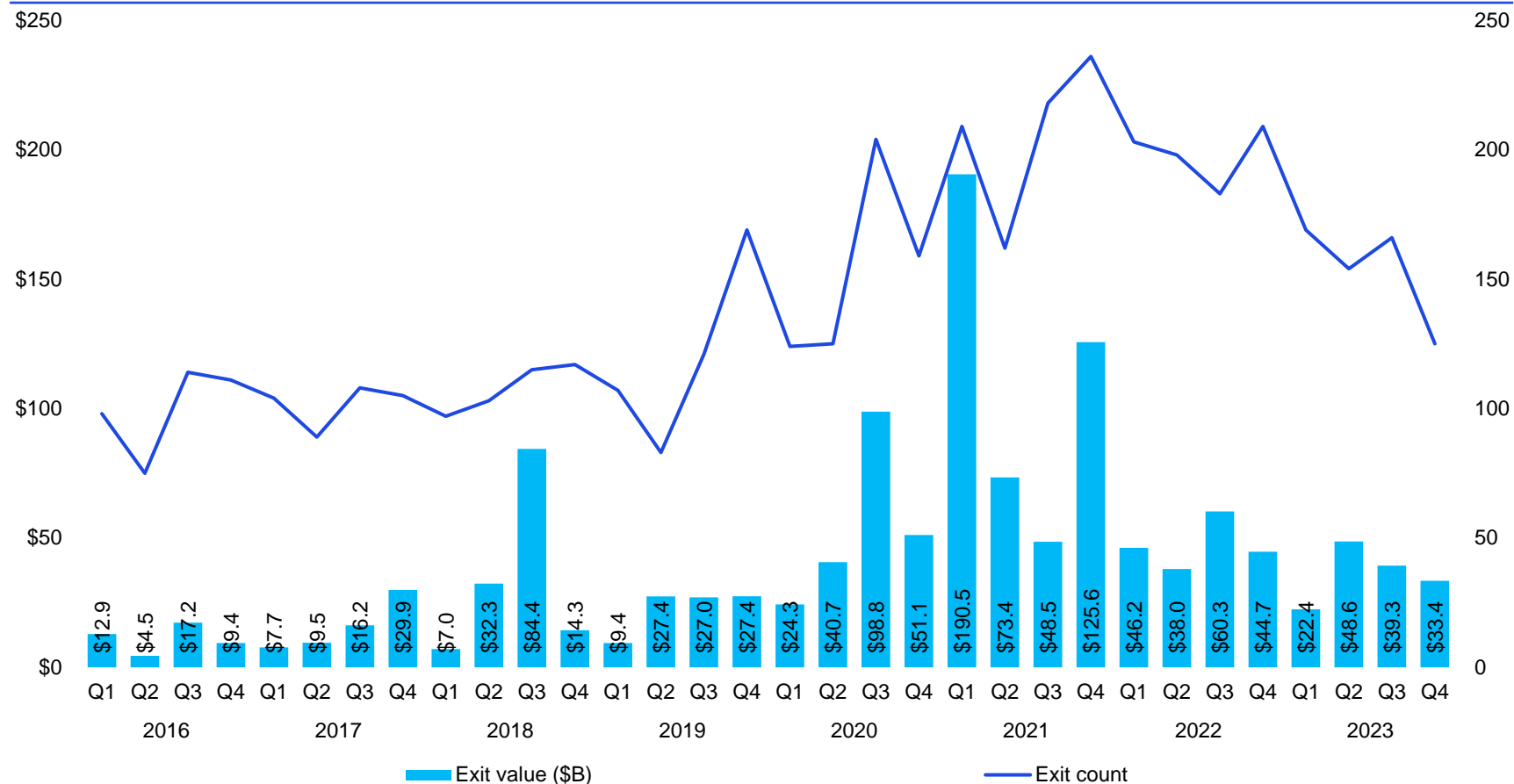


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Exit activity remains subdued

Venture-backed exit activity in Asia

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ The Hong Kong Monetary Authority is very committed to driving fintech adoption across the banking securities and insurance sectors. There’s a strong push to see banks fully digitizing their operations by 2025, tech and greentech using AI and blockchain technologies. These should all help strengthen activity in the VC market over time. The new data sharing pilot between Hong Kong and China could also be beneficial long-term. ”

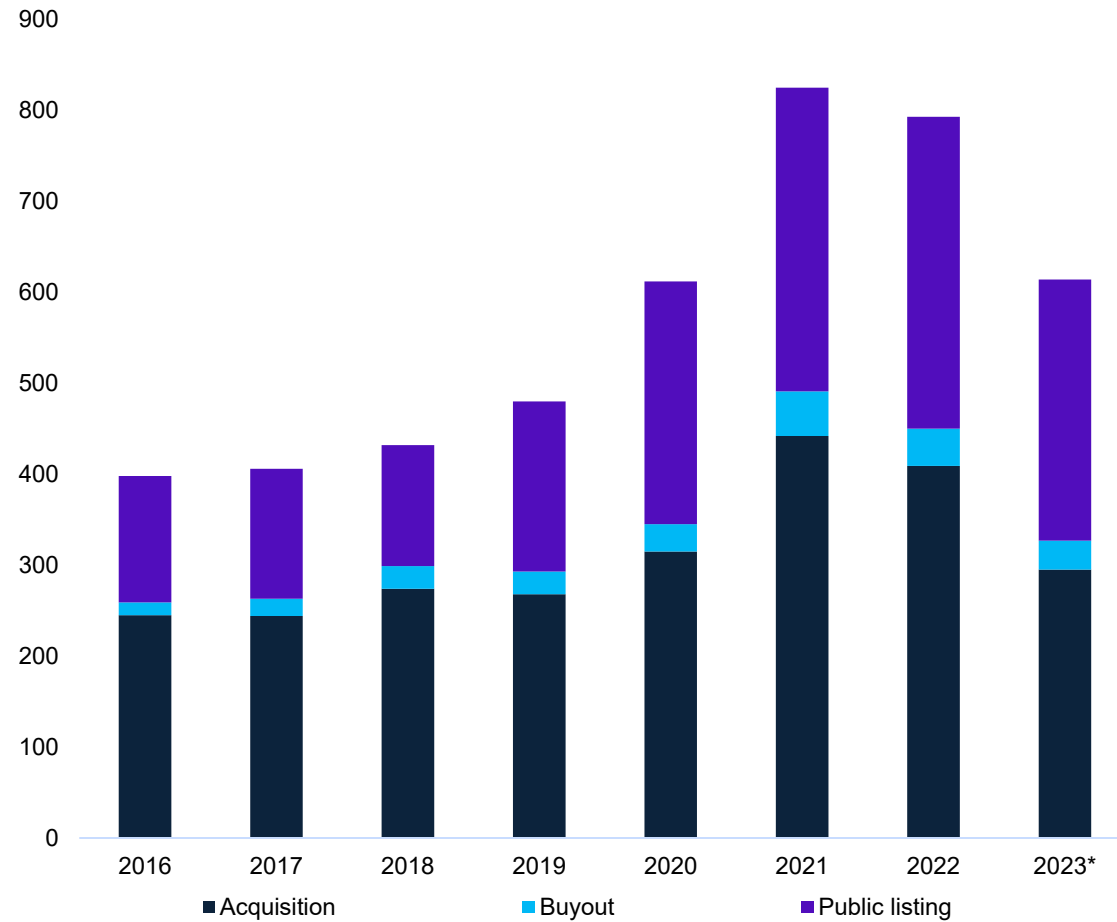


Irene Chu
Partner & Head of New Economy and Life Sciences, Hong Kong (SAR)
KPMG China

IPOs propelled the bulk of exit value

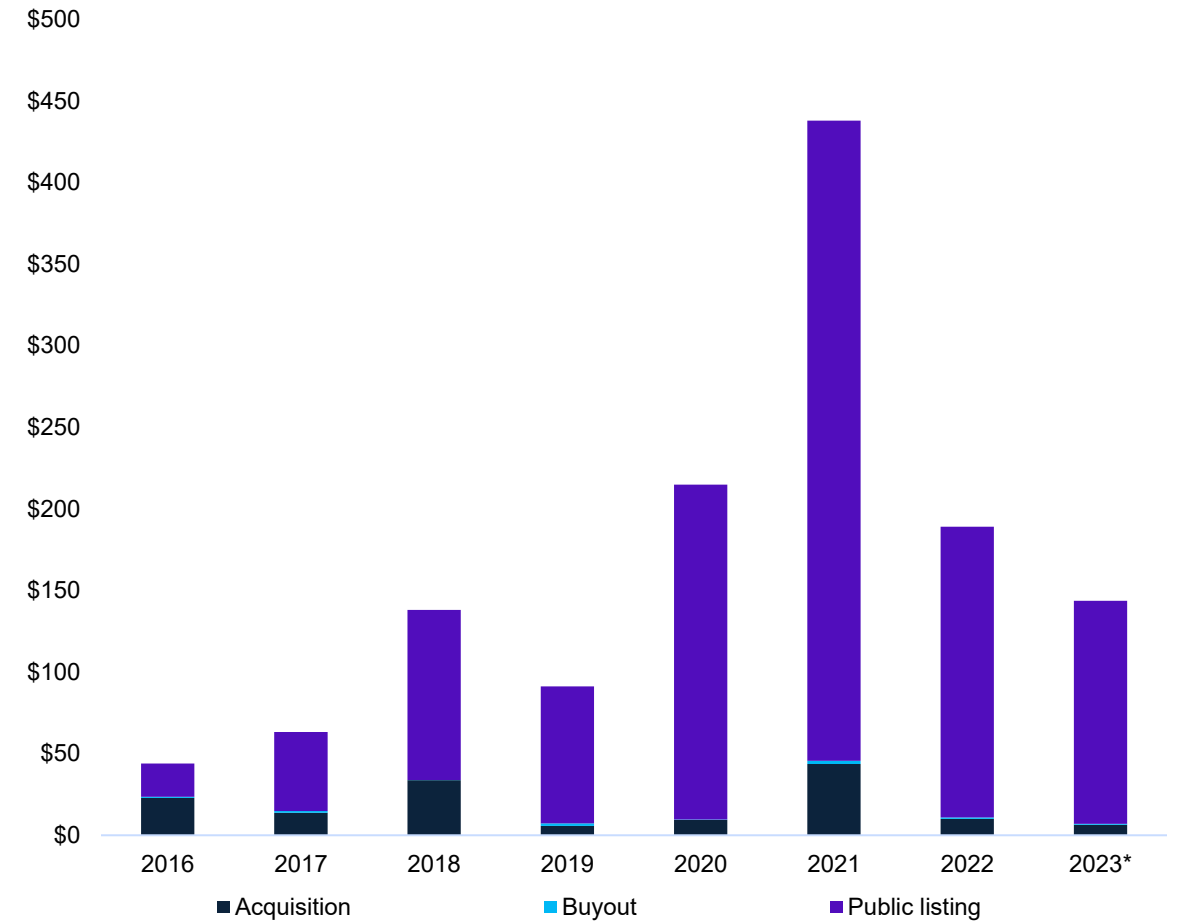
Venture-backed exit activity (#) by type in Asia

2016–2023*



Venture-backed exit activity (\$B) by type in Asia

2016–2023*

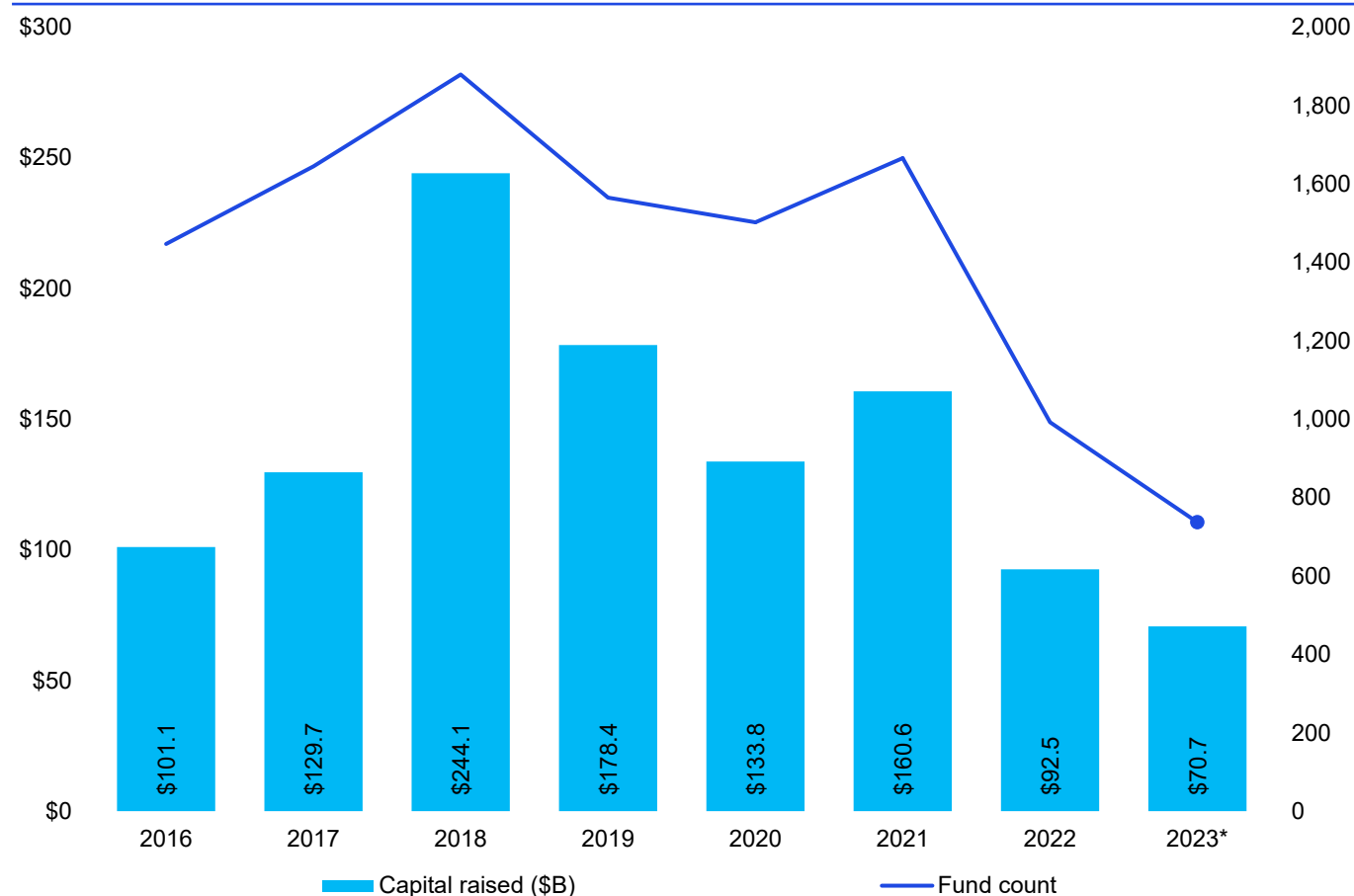


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

2023 sees over \$70 billion raised, but still much less than recent years

Venture fundraising in Asia

2016–2023*



Ultimately, the decline in the domestic venture fundraising cycle can be attributed to many factors, e.g., the competition from state-sponsored investment funds, the role of foreign capital that, however, may now be drying up, and others. However, what that now means is that there could be a gap in the sheer mass of funds available for investment in startup ecosystems across the entire region. This could reverse, as foreign investors retreat due to intensifying geopolitical tensions, and firms spot an opportunity to form venture funds within the region.

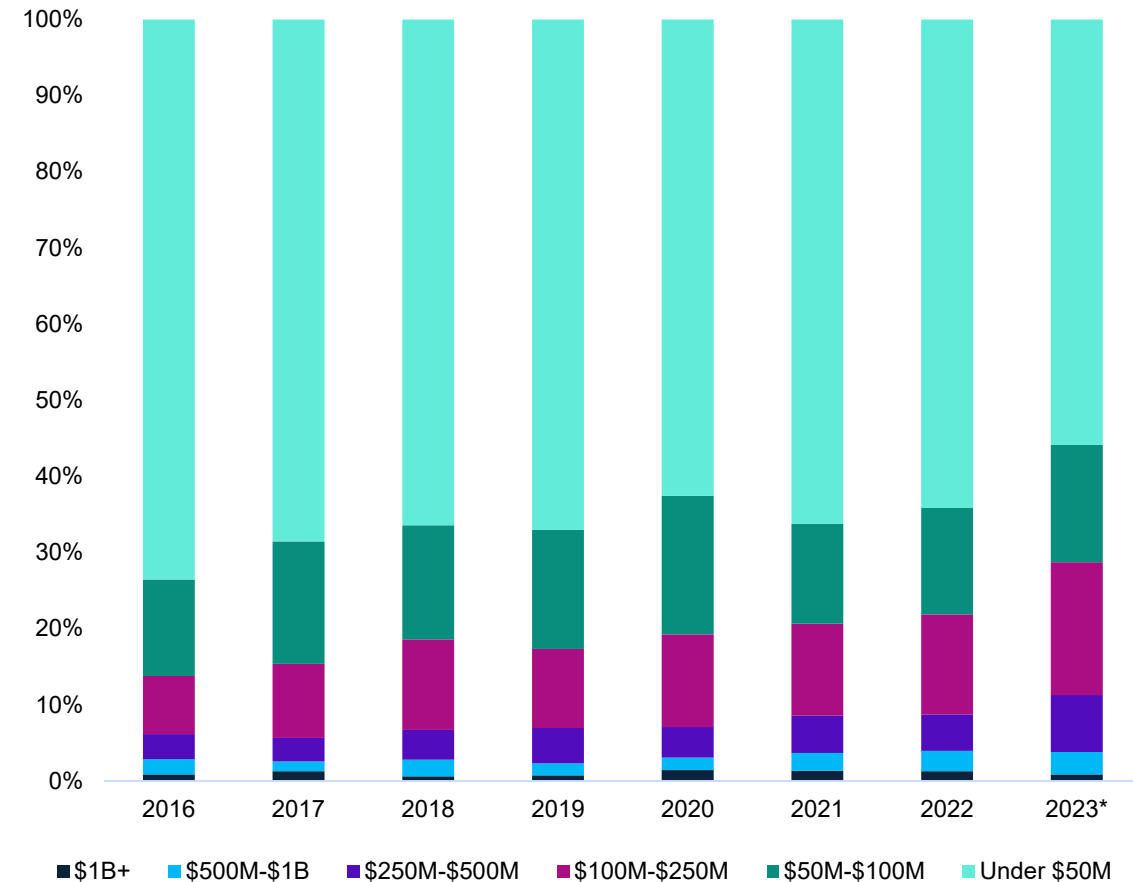
The fundraising cycle concluded 2023 on a muted note, seeing tallies lower than in many years, **but now it remains to be seen how this affects startup financing down the line...**

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

Midsized to small funds account for bulk of closings

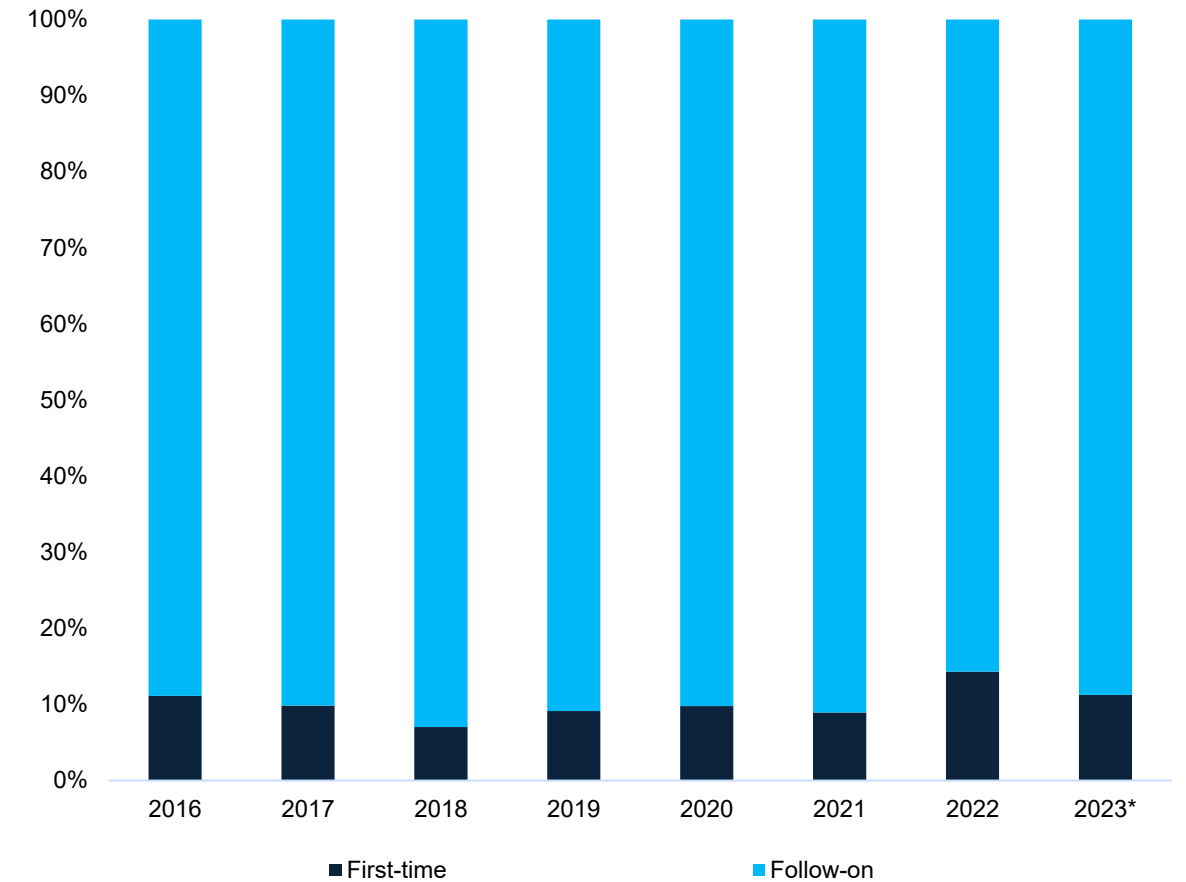
Venture fundraising (#) by size in Asia

2016–2023*



First-time vs. follow-on venture funds (#) in Asia

2016–2023*

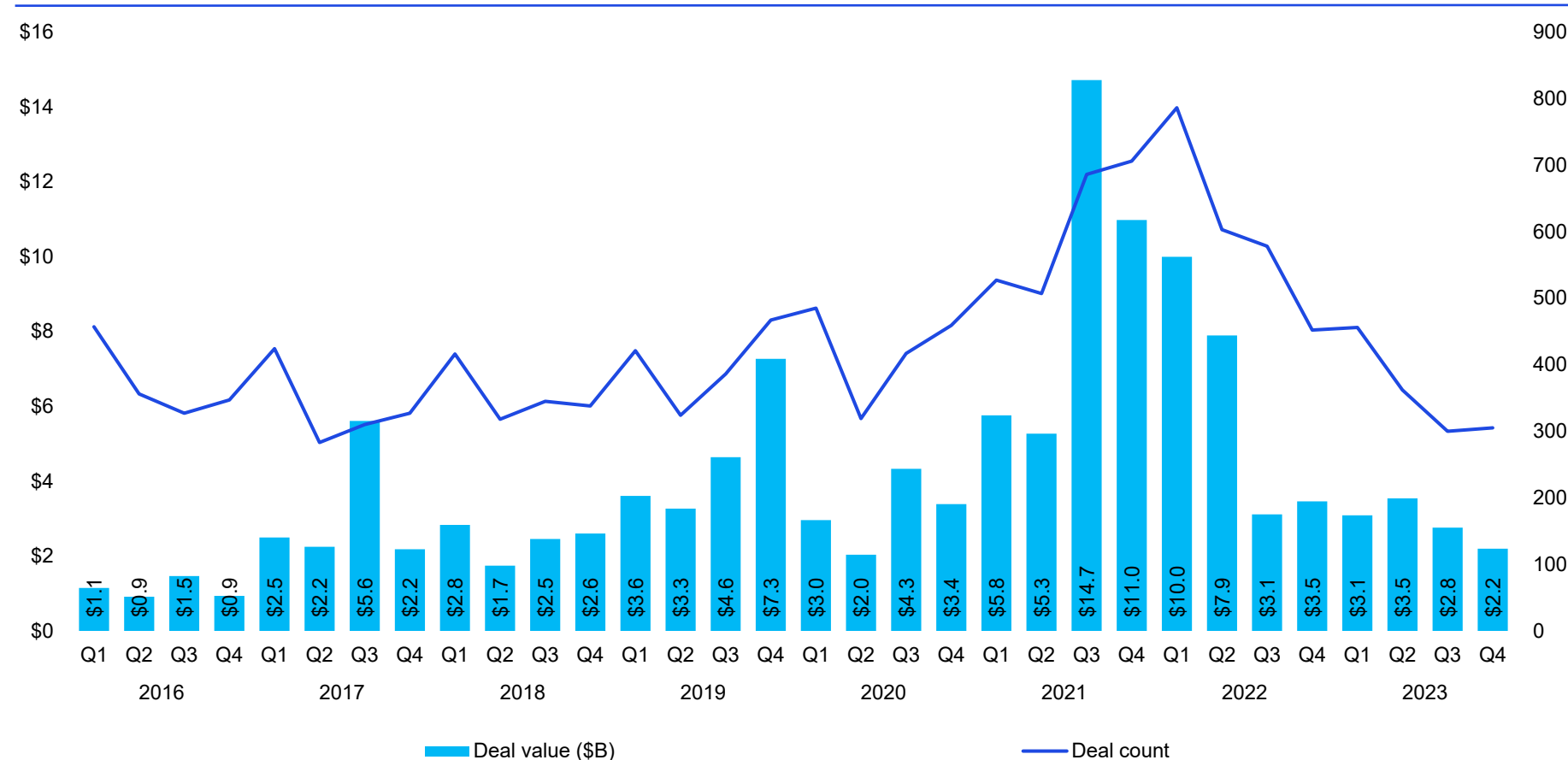


Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

India sees decline in volume, but a plateau beckons

Venture financing in India

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ Indian economy is quite strong — capital markets at an all time high, favorable demographics, strong GDP and a stable and active central government. However, the VC investments in the last few quarters have been muted as compared to quarters before. This is not an indication of slow down but the post COVID euphoria dying down where there was excess money supply in the system. With expected easing of interest rates, I am very confident that there will be a strong bounce back in the VC investments in the country.”



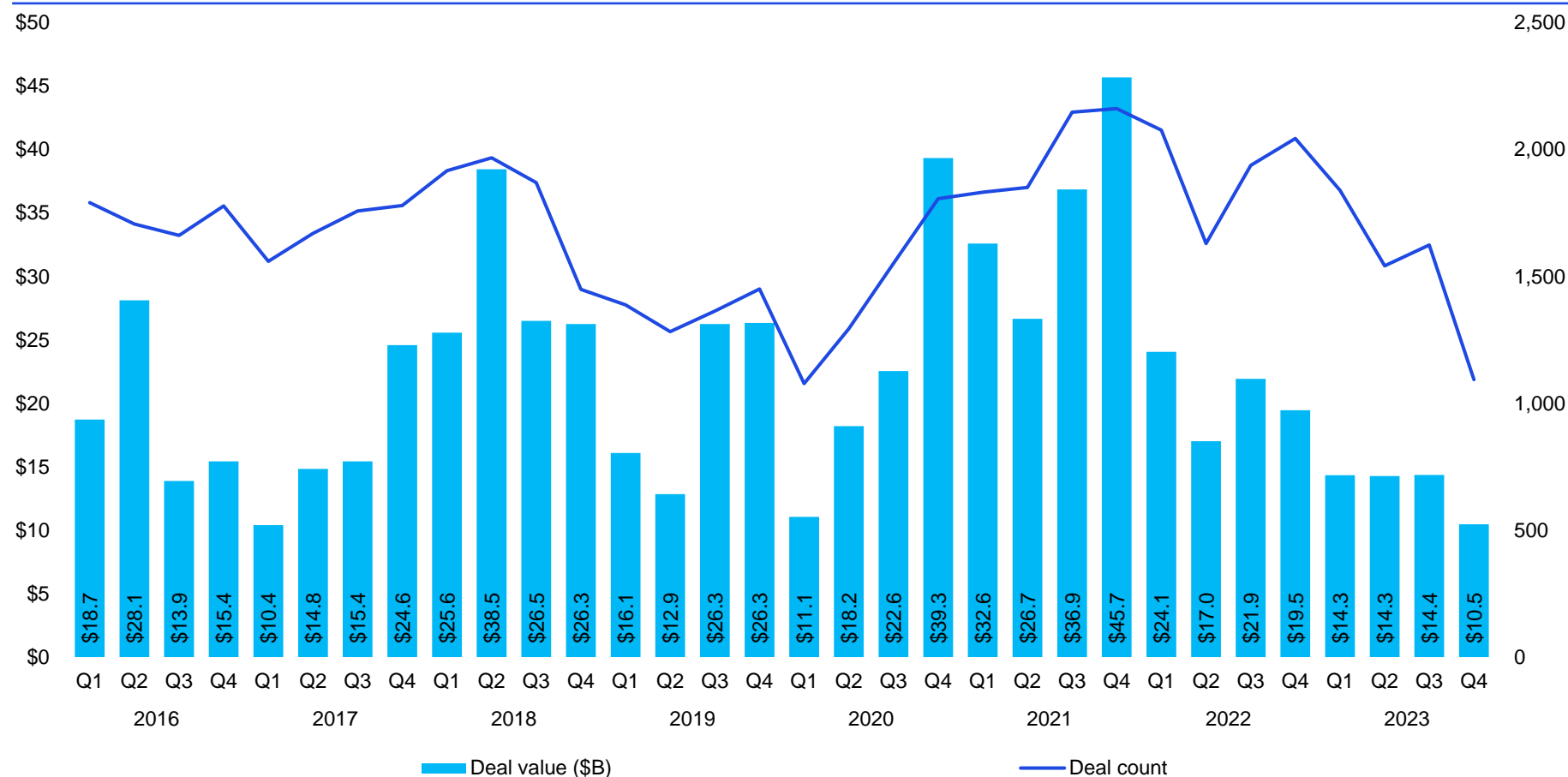
Nitish Poddar

Partner and National Leader,
Private Equity
KPMG in India

VC activity subsides into relatively healthy new norm

Venture financing in China

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ China is a strong leader in the Electric Vehicles space, which has made it one of the most resilient sectors of VC investment here. A number of big OEMs are working to expand their business in a lot of different places — including Southeast Asia. Given some of these markets are relatively small, these companies are really focused on providing integrated offerings — providing everything from charging and leasing to sales in an effort to really develop the EV ecosystem in different markets. ”

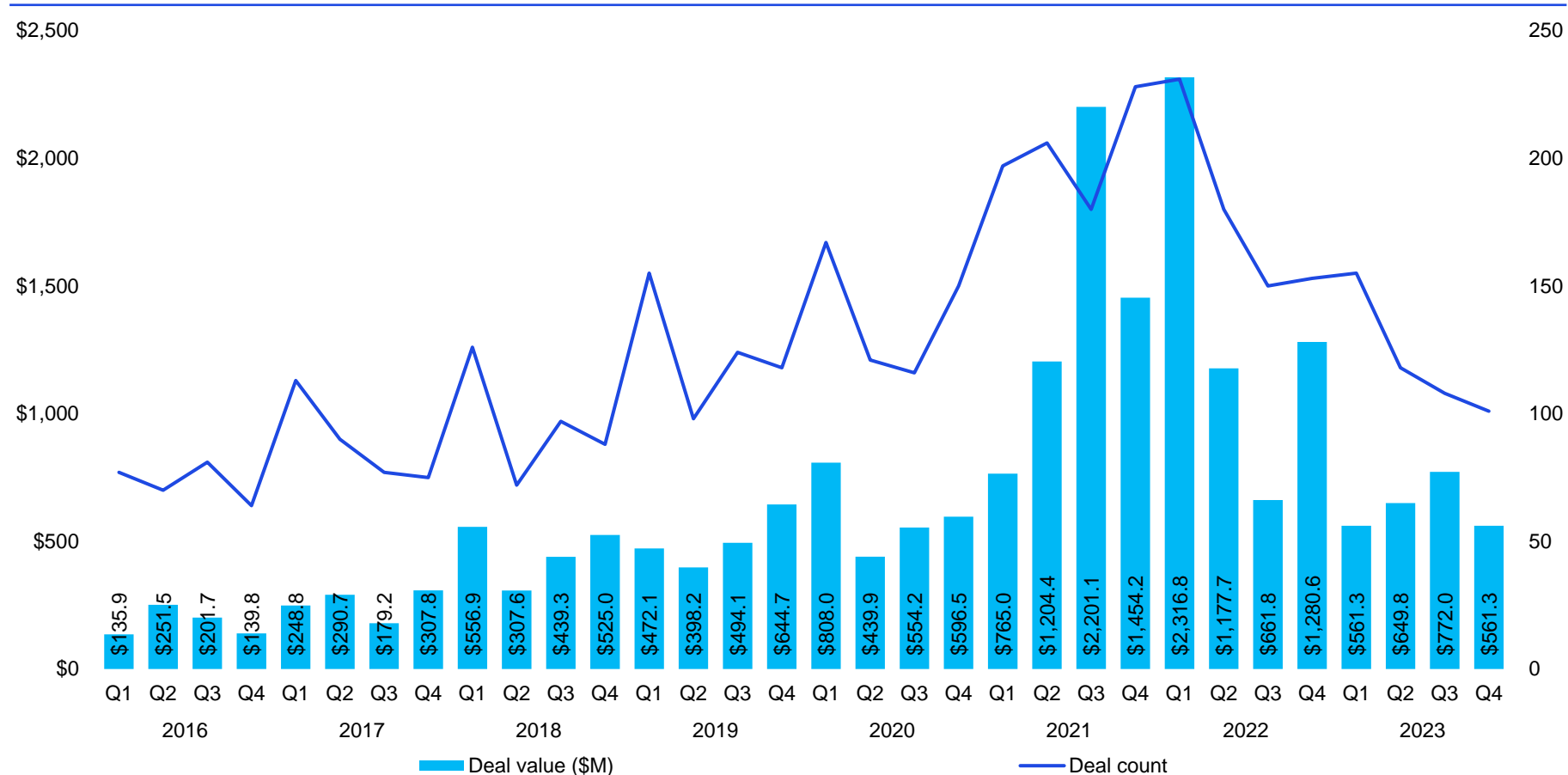


Zoe Shi
Partner
KPMG China

Dealmaking remains subdued yet not too sluggish

Venture financing in Australia

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ In line with the global drop in venture capital, Australian startup investment remained relatively constrained in the last four months of 2023. With Australian VCs predicting a tough year for startups ahead, expect to see a renewed focus on pathways to profitability amongst Australia ventures. In the current environment, founders will look to safeguard their growth prospects, and best prepare for any future shifts in capital availability. ”



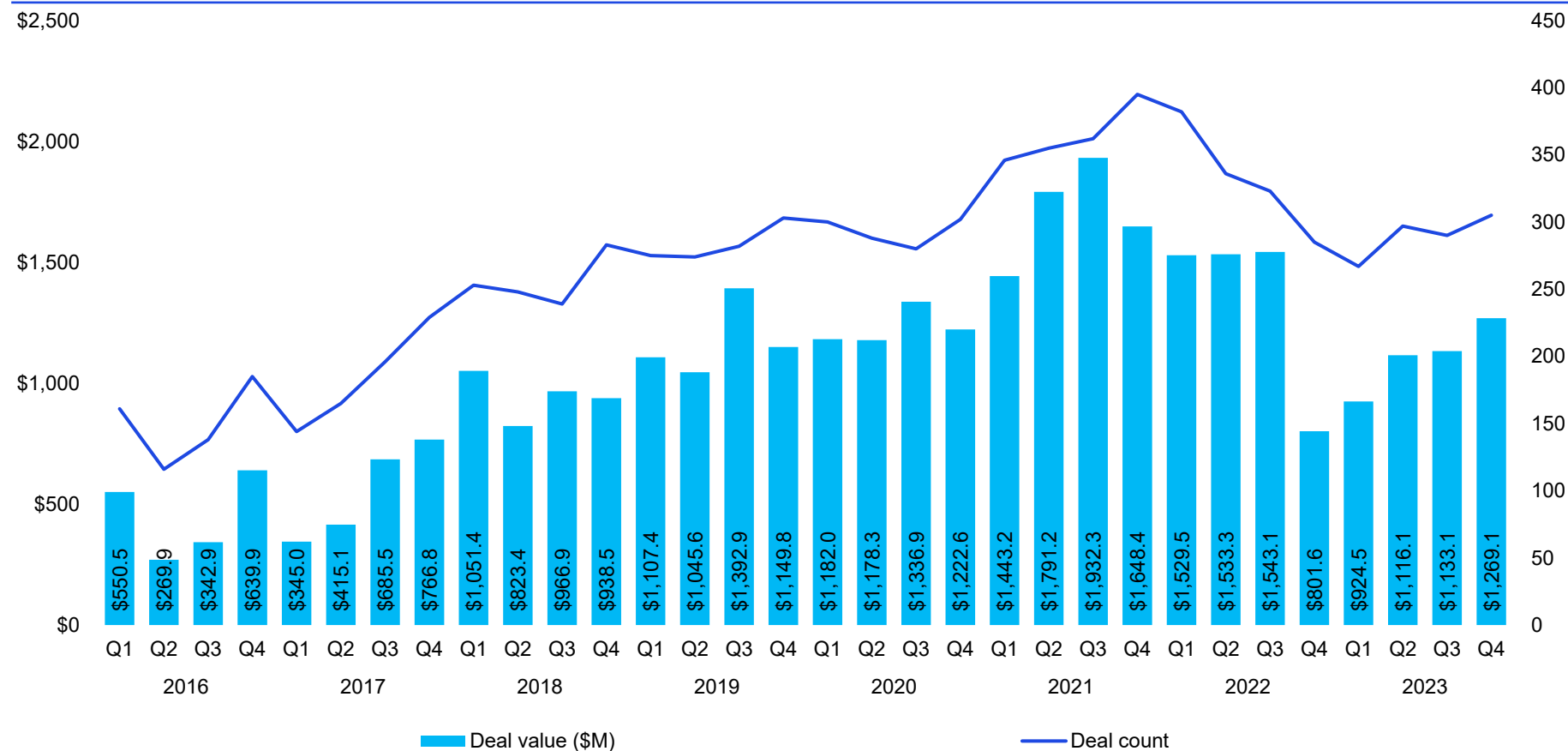
Amanda Price

Partner & Head of KPMG
High Growth Ventures
KPMG in Australia

In an outlier, Japan sees dealmaking rise yet again

Venture financing in Japan

2016–Q4'23



Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

“ The government of Japan has been very supportive of the development of a startup ecosystem in Japan — which is one of the reasons the ecosystem has evolved and grown so quickly in recent years. Currently, the government is in the process of changing the law to make it easier for foreign investors to make investments in Japan because it recognizes that this capital will be needed for Japan’s startups to reach their full potential. ”



Hiroshi Abe
Executive Board Member,
Partner
KPMG in Japan

A slew of different sectors garners top deals in Q4 2023

Top 10 financings in Q4'23 in Asia-Pacific

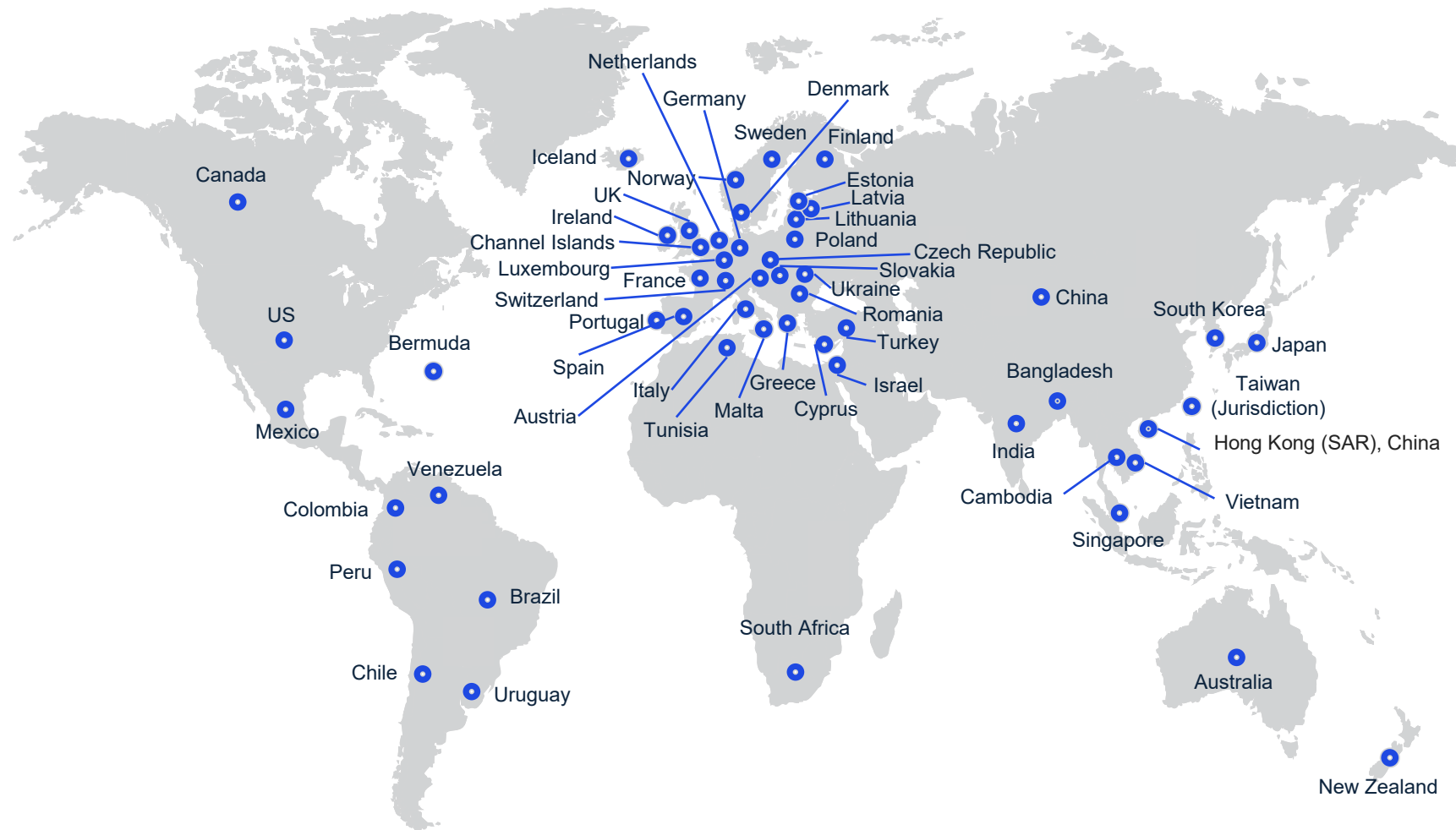


1. **Changxin Xinqiao** — \$2B, Anhui, China — Semiconductors — *Early-stage VC*
2. **Lazada** — \$1.5B, Singapore — E-commerce — *Late-stage VC*
3. **PharmEasy** — \$420.6M, Mumbai, India — Specialty retail — *Late-stage VC*
4. **Baichuan Group** — \$300M, Tangshan, China — B2B — *Series A*
5. **Biren Technology** — \$280M, Shanghai, China — Semiconductors — *Early-stage VC*
6. **HuaSun Energy** — \$274.6M, Xuancheng, China — Cleantech — *Series C*
7. **Hubei Xingji Meizu Technology** — \$274.6M, Wuhan, China — Electronics — *Series A*
8. **BMC Mobility** — \$227.6M, Anseong, South Korea — Industrials — *Series B*
9. **Klook Travel** — \$340M, Shenzhen, China — Application software — *Series E1*
10. **Synlight Crystal** — \$210M, Baoding, China — Semiconductors — *Series F*

Source: Venture Pulse, Q4'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of December 31, 2023. Data provided by PitchBook, January 17, 2024

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From seed to speed, we're here throughout your journey



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Partner, Head of Private Equity & Telecom, Media and Technology
KPMG in Belgium

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KPMG Private Enterprise's global network for emerging giants has extensive knowledge and experience working with the startup ecosystem. Whether you are looking to establish your operations, raise capital, expand abroad, or simply comply with regulatory requirements — [we can help](#). From seed to speed, we're here throughout your journey.

About the report

Acknowledgements

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- **Zoe Shi**, Partner, KPMG China

About the report

Methodology

KPMG uses PitchBook as the provider of venture data for the Venture Pulse report

Please note that the MESA and Africa regions are NOT broken out in this report. Accordingly, if you add up the Americas, Asia-Pacific and Europe regional totals, they will not match the global total, as the global total considers those other regions. Those specific regions were not highlighted in this report due to a paucity of datasets and verifiable trends.

In addition, particularly within the European region, the Venture Pulse does not contain any transactions that are tracked as private equity growth by PitchBook. As such rounds are often conflated with late-stage venture capital in media coverage, there can be confusion regarding specific rounds of financing. The key difference is that PitchBook defines a PE growth round as a financial investment occurring when a PE investor acquires a minority stake in a privately held corporation. Thus, if the investor is classified as PE by PitchBook, and it is the sole participant in the recipient company's financing, then such a round will usually be classified as PE growth, and not included in the Venture Pulse datasets. However, as of the Q4 2022 edition, a new stage for venture that was invented by PitchBook to account for growth at late-stage VC will be included, defined as venture growth. That same edition saw some minor updates to the wording of the methodology on this page.

Also, if a company is tagged with any PitchBook vertical, excepting manufacturing and infrastructure, it is kept. Otherwise, the following industries are excluded from growth equity financing calculations: buildings and property, thrifts and mortgage finance, real estate investment trusts, and oil & gas equipment, utilities, exploration, production and refining. Lastly, the company in question must not have had an M&A event, buyout, or IPO completed prior to the round in question.

Fundraising

PitchBook defines VC funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional VC firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identifying as growthstage vehicles are classified as PE funds and are not included in this report. A fund's location is determined by the country in which the fund's investment team is based; if that information is not explicitly known, the HQ country of the fund's general partner is used. Only funds based in the United States that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close.

Deals

PitchBook includes equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, VC firms, corporate venture firms, corporate investors, and institutions, among others. Investments received as part of an accelerator program are not included; however, if the accelerator continues to invest in follow-on rounds, those further financings are included. All financings are of companies headquartered in the US, with any reference to "ecosystem" defined as the combined statistical area (CSA). PitchBook includes deals that include partial debt and equity.

- **Angel/seed:** PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and we cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than \$500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.
- **Early-stage:** Rounds are generally classified as Series A or B (which we typically aggregate together as early-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.
- **Late-stage:** Rounds are generally classified as Series C or D or later (which we typically aggregate together as late-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.
- **Growth:** Financings tagged as Series E or later or deals involving companies that are at least seven years old and have raised at least six VC rounds will be included in this category, as of the Q4 2022 edition of Venture Pulse released in January 2023.
- **Corporate:** Corporate rounds of funding for currently venture-backed startups that meet the criteria for other PitchBook venture financings are included in the Venture Pulse as of March 2018.
- **Corporate venture capital:** Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity investments off balance sheets or whatever other non-CVC method is employed.

Exits

PitchBook includes the first majority liquidity event for holders of equity securities of venture-backed companies. This includes events where there is a public market for the shares (IPO) or the acquisition of majority of the equity by another entity (corporate or financial acquisition). This does not include secondary sales, further sales after the initial liquidity event, or bankruptcies. M&A value is based on reported or disclosed figures, with no estimation used to assess the value of transactions for which the actual deal size is unknown. IPO value is based on the premoney valuation of the company at its IPO price. One slight methodology update is the categorical change from "IPO" to "public listings" to accommodate the different ways we track VC-backed companies' transitions to the public markets. To give readers a fuller picture of the companies that go public, this updated grouping includes IPOs, direct listings, and reverse mergers via SPACs.

In the edition of the KPMG Venture Pulse covering Q1 2019 and all ensuing, PitchBook's methodology regarding aggregate exit values changed. Instead of utilizing the size of an IPO as the exit value, the prevaluation of an IPO, based upon ordinary shares outstanding, was utilized. This has led to a significant change in aggregate exit values in all subsequent editions yet is more reflective of how the industry views the true size of an exit via public markets. In the edition of the KPMG Venture Pulse covering Q1 2021 and all ensuing, the IPO exit type was updated to include all types of public listings, including special purpose acquisition companies (SPACs) and other reverse mergers.



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