



Venture Pulse Q1 2019

Global analysis of
venture funding

11 April 2019



Welcome message



Welcome to the Q1'19 edition of KPMG Enterprise's *Venture Pulse*, a quarterly report discussing the key trends, opportunities, and challenges facing the venture capital market globally and in key jurisdictions around the world.

After a record-shattering level of VC investment in 2018, the VC market globally got off to a relatively weak start in Q1'19, particularly in China. The US continued to see very strong VC investment, including a \$5 billion investment from SoftBank into The We Company (formerly WeWork) and a \$1 billion raise by freight logistics company Flexport.

A shortage of \$1 billion+ megadeals likely contributed to the decline in VC investment in Asia quarter over quarter. In Europe, meanwhile, VC investment remained relatively steady in Q1'19 despite Brexit challenges in the UK. Strong activity in other European markets likely helped buoy investment numbers in the region.

Late-stage deals continued to attract the bulk of VC investments globally as economic uncertainties around the globe continued to resonate across a number of markets. While the US public market rebounded in January following the fluctuations seen at the end of 2018, other uncertainties remained high on the radar of investors globally, including trade wars between the US and China, Brexit, and a weakening Chinese economy.

Following a record year of Unicorn IPO exits in 2018, 2019 is looking to extend the trend with a number of highly anticipated companies already moving toward the gate. Ride-hailing company Lyft made the first big wave of 2019. Additional planned exits are setting the stage for an exciting second quarter, while others are also contemplating exits. The performance of these companies could have significant ramifications on the IPO market through the remainder of the year.

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

- The evolution of blockchain and its growing value across industries
- The strength and diversity of Europe's VC market
- The rise of digital banks, including their global expansion plans
- The increasing importance of emerging economies to VC investment

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

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VC investment globally drops back to earth in Q1'19

VC investment globally decreased quarter over quarter as numerous economic uncertainties caused some VC investors to pull back, at least in the short term. The rapid approach of the Brexit deadline and the resulting deadline extension, a perceived economic slowdown in China and heightening trade wars between the US and other regions all caused some concern to VC investors.



US continues to drive VC investment

The US continued to drive a significant amount of VC investment in Q1'19. The public markets rebounded nicely following the fluctuations at the end of 2018, proving that the economy in the US remains strong. There was a lot of liquidity in the market and no significant signs of US based VC investors preparing for a downturn. The increase in IPO activity in the US, if sustained, could also help inject new capital into the earlier deal stages in the near future.



Diversity key to VC market buoyancy in Europe

In Europe, the diversity of VC investments across individual jurisdictions helped to maintain the robustness of the VC market despite local uncertainties like Brexit in the UK. The region saw an exciting mix of \$100 million+ megadeals during Q1'19, including challenger bank N26 in Germany, electric vehicle charging technology company Ovo Energy in the UK, biotech company Arvelle Therapeutics in Switzerland and farming startup Ynsect in France.



Southeast Asia an exception as Asia-based VC investment slows

VC investment in Asia was down quarter-over-quarter, primarily driven by slower activity than usual in China, where only Chehaoduo Group raised a \$1 billion+ funding round. Southeast Asia was one of the bright spots in the region, with Singapore Based companies Grab and Zilingo raising \$4.5 billion and \$226 million respectively. Thailand-based Lalamove also raised \$300 million during the quarter. India also saw some solid VC activity in Q1'19, including a \$413 million raise by Delhivery and a \$300 raise by ride-hailing platform Ola.



IPO market ramping up for big Q2'19

Despite some turbulence late in 2018, stock exchanges in the US, Europe and Asia have performed strongly during Q1'19. Chinese equities, in particular, have been experiencing a bullish market, even with heightening concerns over a trade war with the US and lower GDP forecasts.

The IPO market globally also gained strength in Q1'19 as numerous companies filed plans to IPO, or began to discuss their options. Ride-hailing company Lyft was first out the gate in the US, although other unicorns are expected to be close behind.

In Canada, Lightspeed held one of the largest tech IPOs in TSX history in Q1'19, showing that the US is not the only viable location for a successful IPO exit. While the IPO markets in other regions of the world were quieter during Q1'19, should the lineup of IPOs in the US be successful in Q2 and Q3'19, more mature companies in other jurisdictions might rethink their own available exit strategies.

VC investment globally takes a hit in Q1'19, cont'd.



Another large crop of unicorns birthed in Q1'19

Q1'19 saw the birth of 23 new unicorn companies globally across a wide range of verticals. The US accounted for the most unicorn births, including Nuro and Aurora in the automotive space, Flexport in logistics and Health Catalyst and 10x Genomics in health and biotech. China also saw several new unicorns, including Danke Apartment, Horizon Robotics, logistics company Yimidada, and 360 Enterprise Security Group. The unicorn club of Q1'19 reached well beyond the US and China, however; new unicorns also included Australia-based Airwallex, India-based Delhivery, France-based Doctolib, and Germany's N26.

Of the unicorns birthed in Q1'19, fintech companies accounted for four, including Airwallex, Marqeta, Chime and N26. The growing number of fintech unicorns highlights the rapid maturation of the fintech sector, both in the US and globally.

With a large crop of mature unicorns expected to exit in 2019, VC investors are now beginning to look for the next crop of unicorns. Whereas many unicorns to-date have succeeded based on digitizing existing business models, it is expected that future unicorns will be driven by entirely new business models or offerings that merge different industries into something new.



Digital banks gaining ground across all regions as more mature companies eye expansion

Digital banking was a big winner of VC investment globally, with Chime in the US raising \$200 million, Germany-based N26 raising \$300 million and UK banks Oak North and Starling Bank raising \$440 million and just under \$100 million respectively.

A number of these digital and challenger banks are now well-established in their home markets and are now eyeing opportunities to grow both regionally and internationally. The US is a big target of many of the European challenger banks, with the likes of Revolut, N26 and Oak North looking at expanding into the North American market.



Emerging markets coming into the spotlight

As developed markets begin to see saturation in the more established areas of VC investment, such as payments and lending, ride-hailing, bike sharing, and food delivery, VC investors and corporates have begun looking to less mature markets for new opportunities. In 2018, VC investment in developing countries was well above \$8 billion, substantially more than the year previous. It is expected that 2019 will see an increase to the amount of VC funding being deployed in developing markets.

Latin America is well positioned to see strong increase in investment in the coming quarters, driven in part by a SoftBank's Q1'19 announcement of the launch of a \$5 billion fund focused on Latin American startups. This investment could spur other VC funds to increase their presence in Latin America.

Fintech is expected to continue to be one of the most attractive areas of investment in emerging markets, particularly in countries with high populations who are underbanked and unbanked.



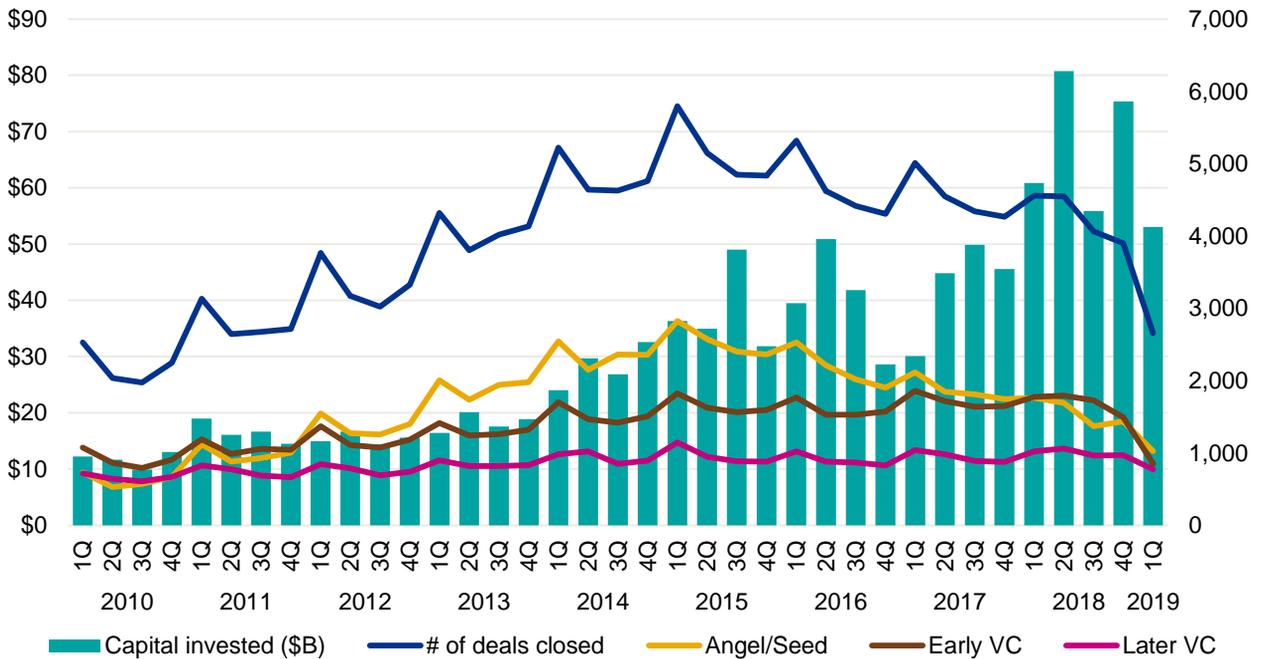
Trends to watch for globally

Artificial intelligence is poised to be the hottest investment trend globally through the remainder of 2019. The applicability of AI is almost limitless from an industry perspective, with solutions ranging from healthcare and financial services to retail and manufacturing.

Fintech is also well positioned for growth, particularly as more established fintechs in individual regions begin to stretch their wings and expand globally. This could result in some M&A activity as fintechs look to consolidate their market positions and win market share.

A gentle moderation

Global venture financing 2012–Q1'19



Source: Venture Pulse, Q1'19. Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019. Note: Refer to the Methodology section on page 101 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

For some time now, it has been clear that a new normal has been established in the global venture ecosystem, characterized by several attributes, primarily unprecedented access to sources of private capital and extended private tenures. Thus, the decline in VC invested between the final quarter of 2018 and the first quarter of 2019 should be viewed against the new normal, and the relatively brief period of activity and thus, it is clear that it is still a remarkably healthy quarter, especially when the usual mild increase in volume and deal value will occur given time lags by the next edition of this report series. Most of the focus this year is on ensuring liquidity in private markets is feasible, with a spate of notable IPOs by unicorns, being the primary occupier of headlines.

“Venture capital investors continued to pour increasingly large sums into late stage investments during the first quarter of 2019 — with global median pre-money valuations reaching a record \$560 million. On the flip side, the number of first-time investments continued to fall this quarter, accounting for only 589 deals. The continued focus on later stages, may well spell longer terms trouble for early stage startups — the hotbed of future growth.”

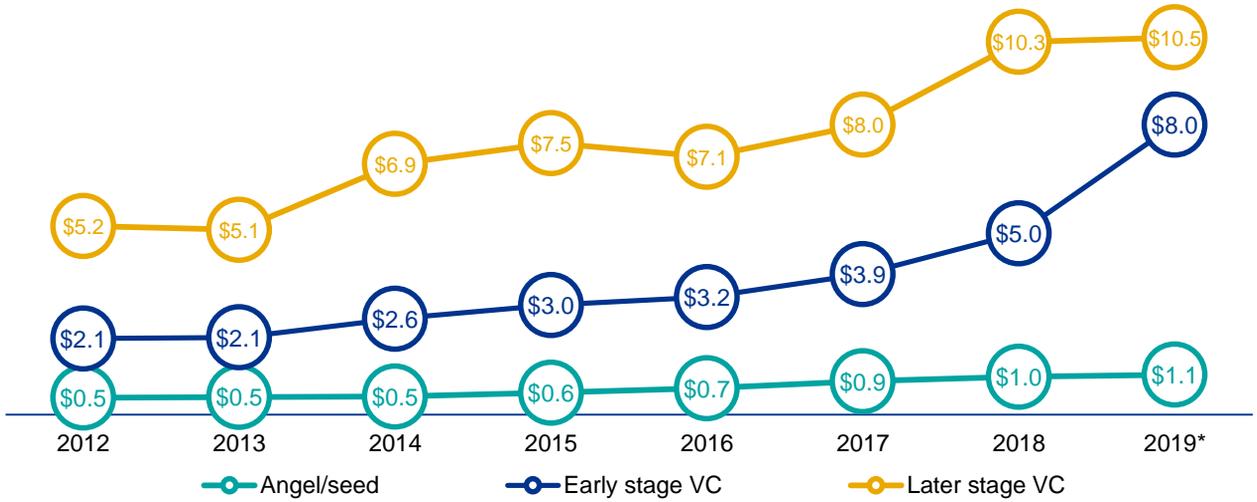


Arik Speier

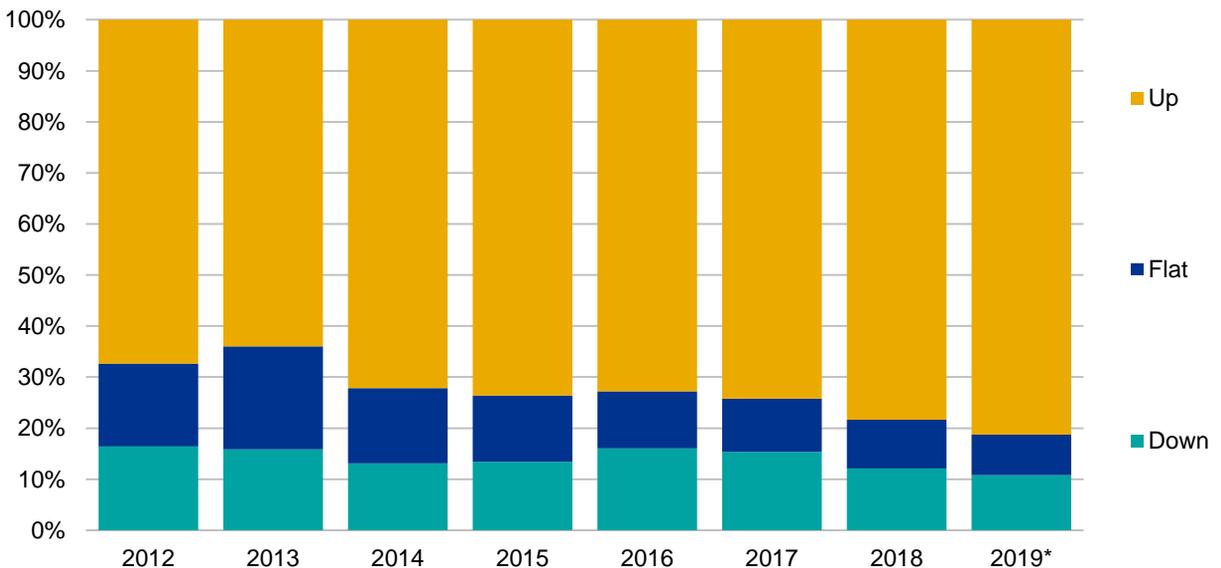
Co-Leader, KPMG Enterprise Innovative Startups Network, KPMG International and Partner, Head of Technology, **KPMG in Israel**

Medians notch new highs at every stage

Global median deal size (\$M) by stage
2012–2019*



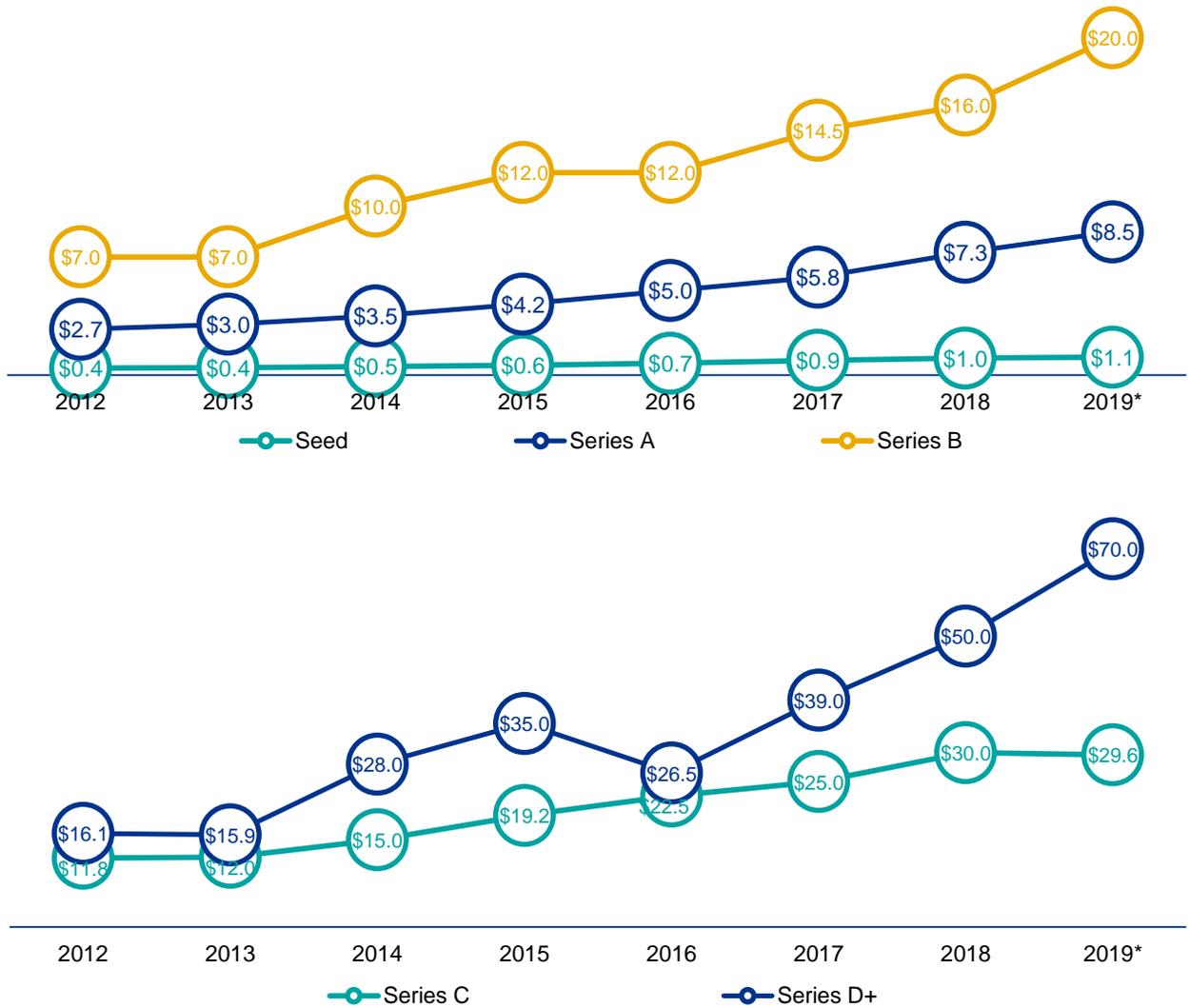
Global up, flat or down rounds
2012 — 2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Record sums in early 2019

Global median deal size (\$M) by series
2012–2019*

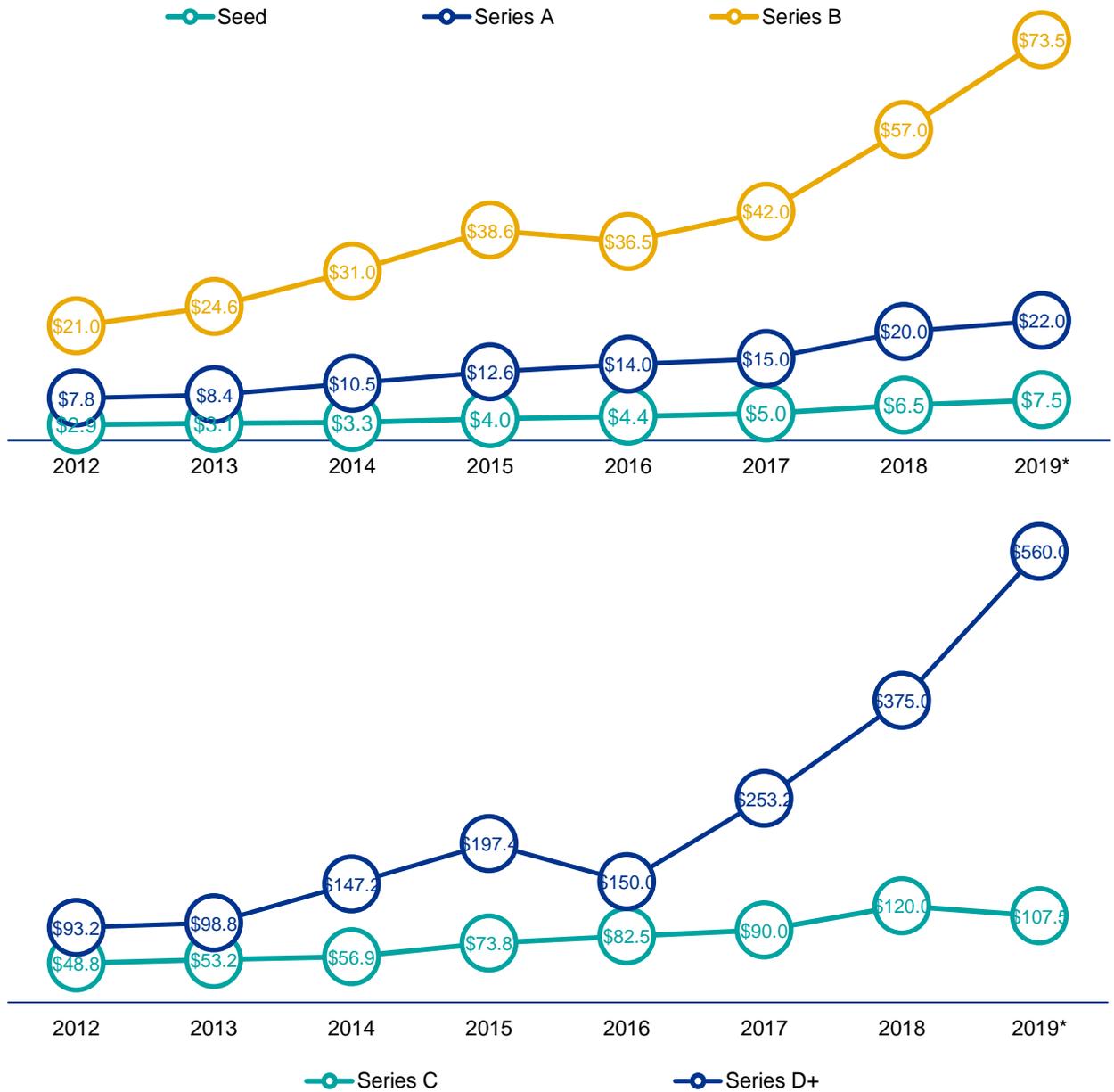


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

2018 ended with new records for median deal sizes at the more granular level of series, and then the first quarter of 2019 handily broke nearly all. The median Series D or later tally surged even higher, signifying that there was no end in sight to the late-stage superabundance of capital.

No sign of softening

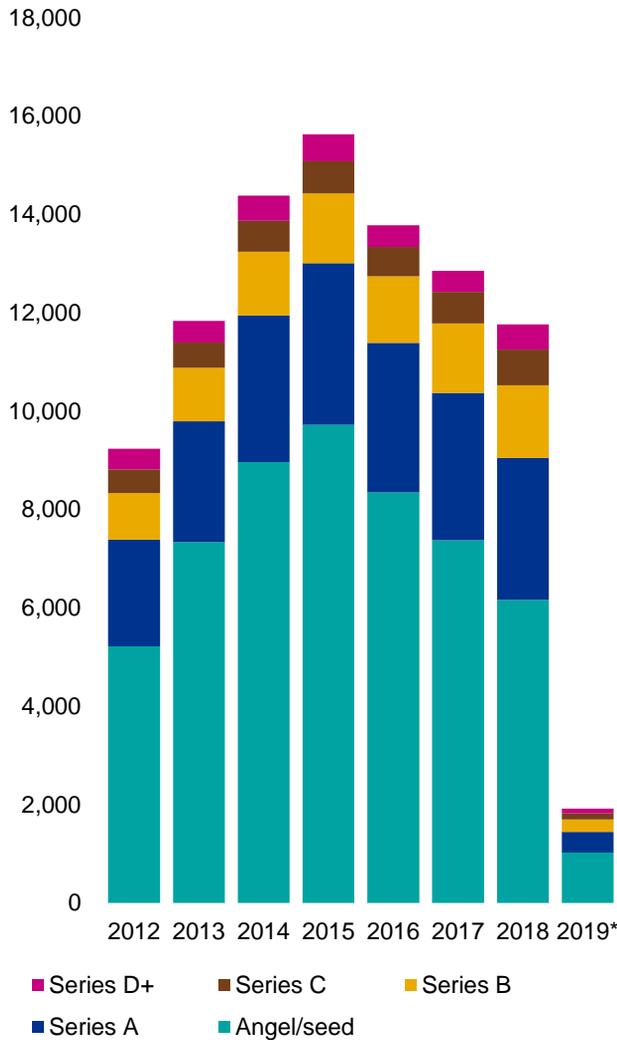
Global median pre-money valuation (\$M) by series
2012–2019*



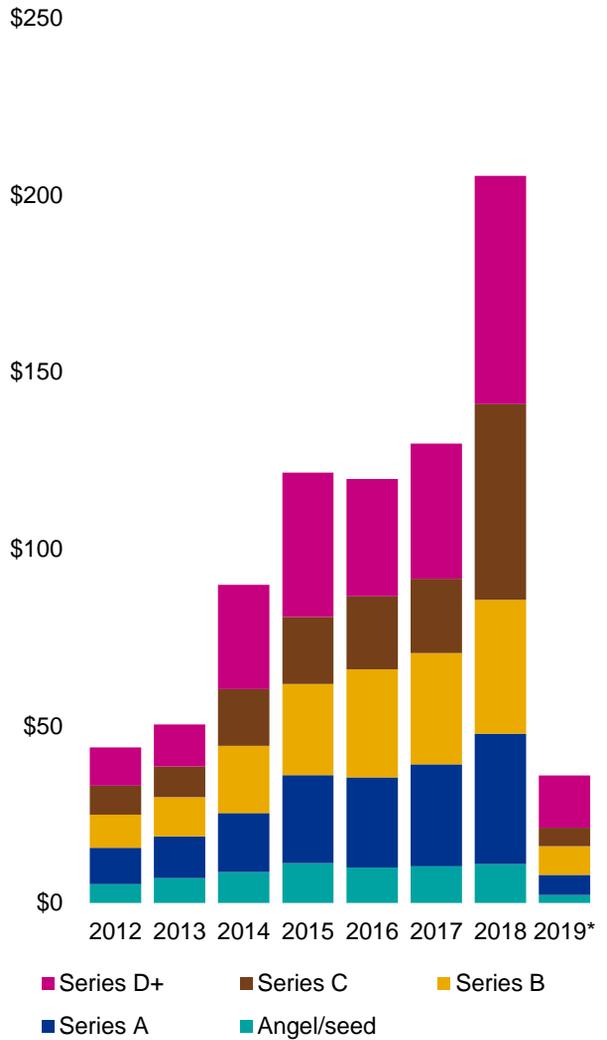
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Series B & D hold steady

Global deal share by series
2012–2019*, number of closed deals



Global deal share by series
2012–2019*, VC invested (\$B)

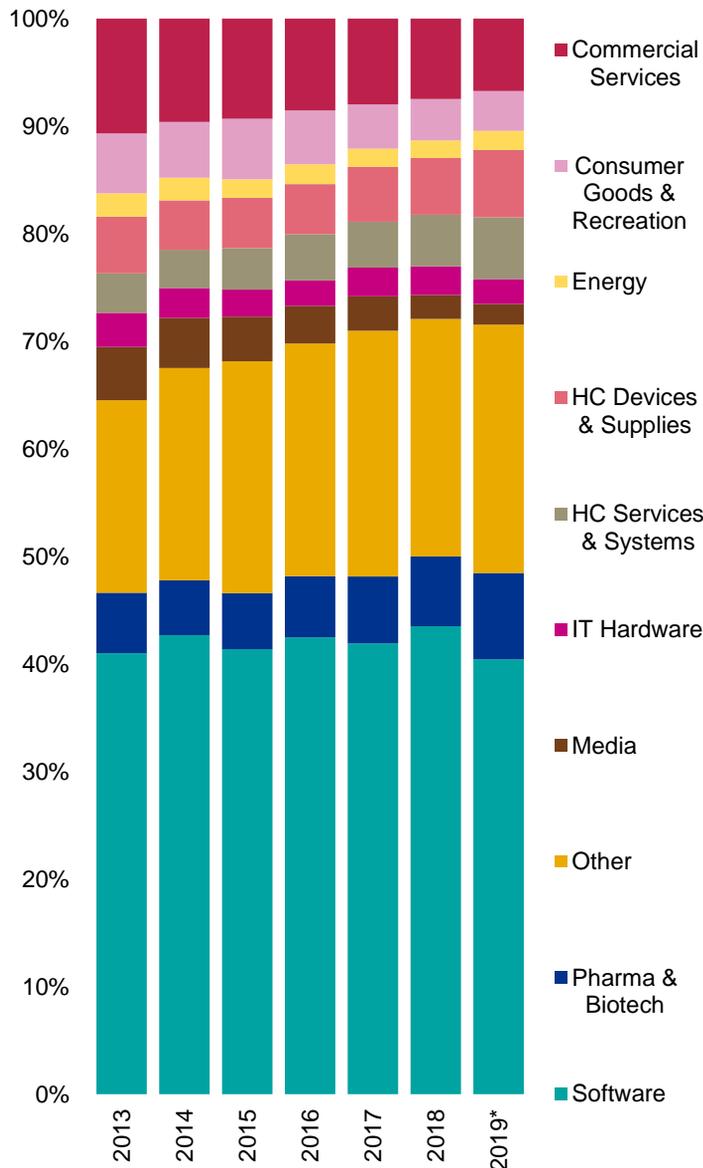


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

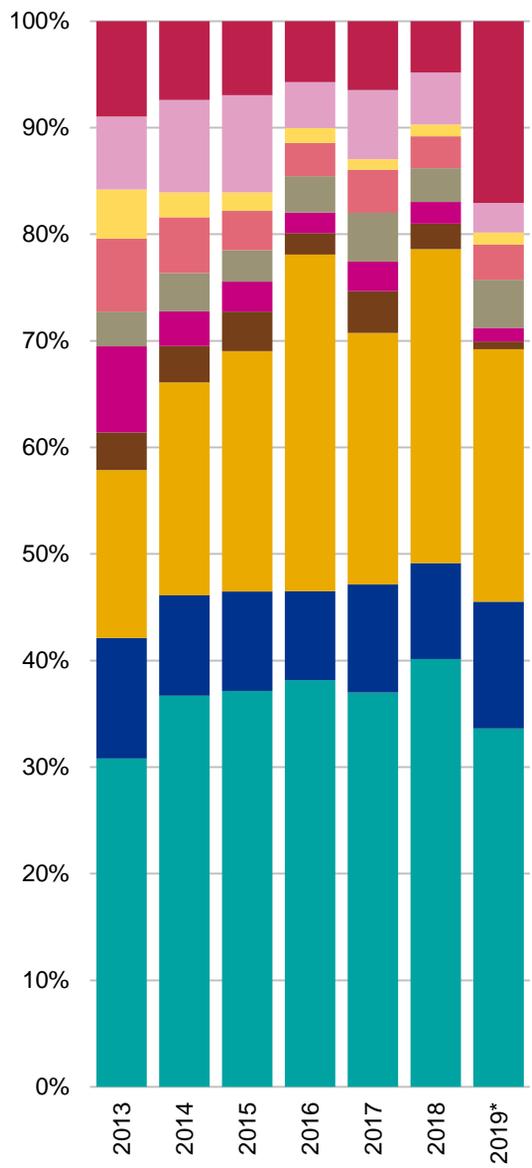
It's dangerous to try and interpret too much from series-specific flows of capital, but it is intriguing that the relative proportion of capital invested in Series C has diminished more than that of Series B or C. Perhaps there is a decrease in the mid-late-stage population of venture-backed companies that are raising at that particular series.

Healthcare grows slightly

Global financing trends to VC-backed companies by sector
2013–2019*, number of closed deals



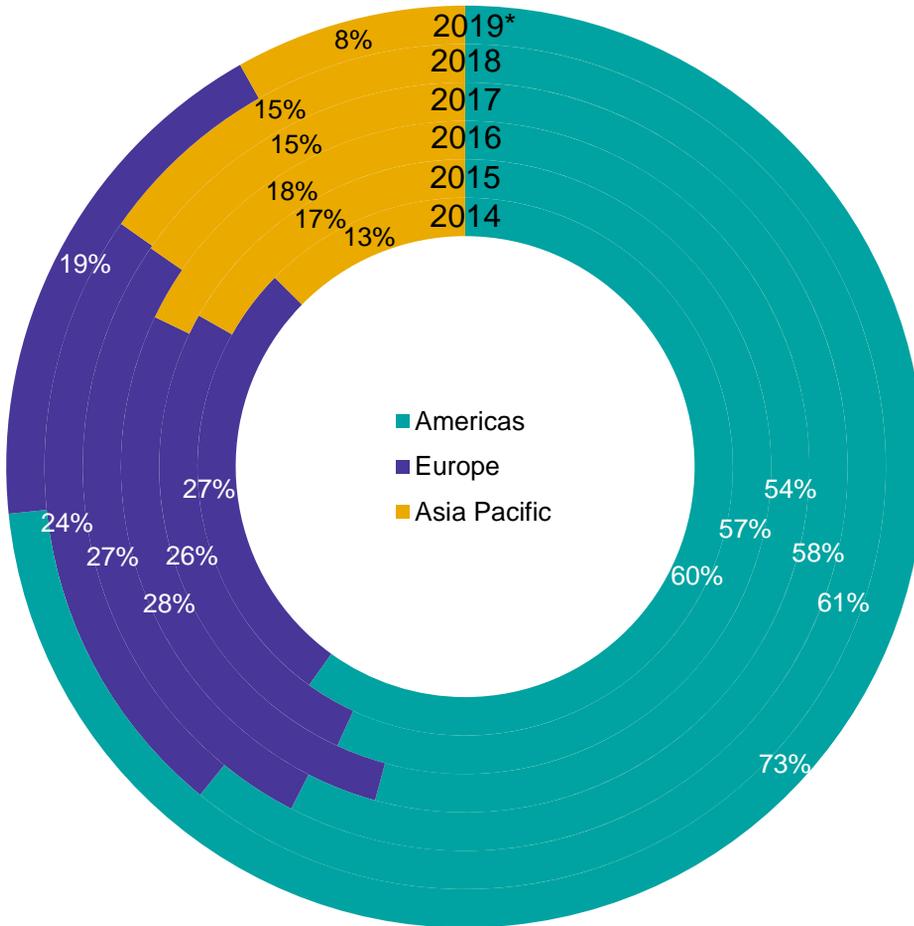
Global financing trends to VC-backed companies by sector
2013–2019*, VC invested (\$B)



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Caution as Asia pulls back

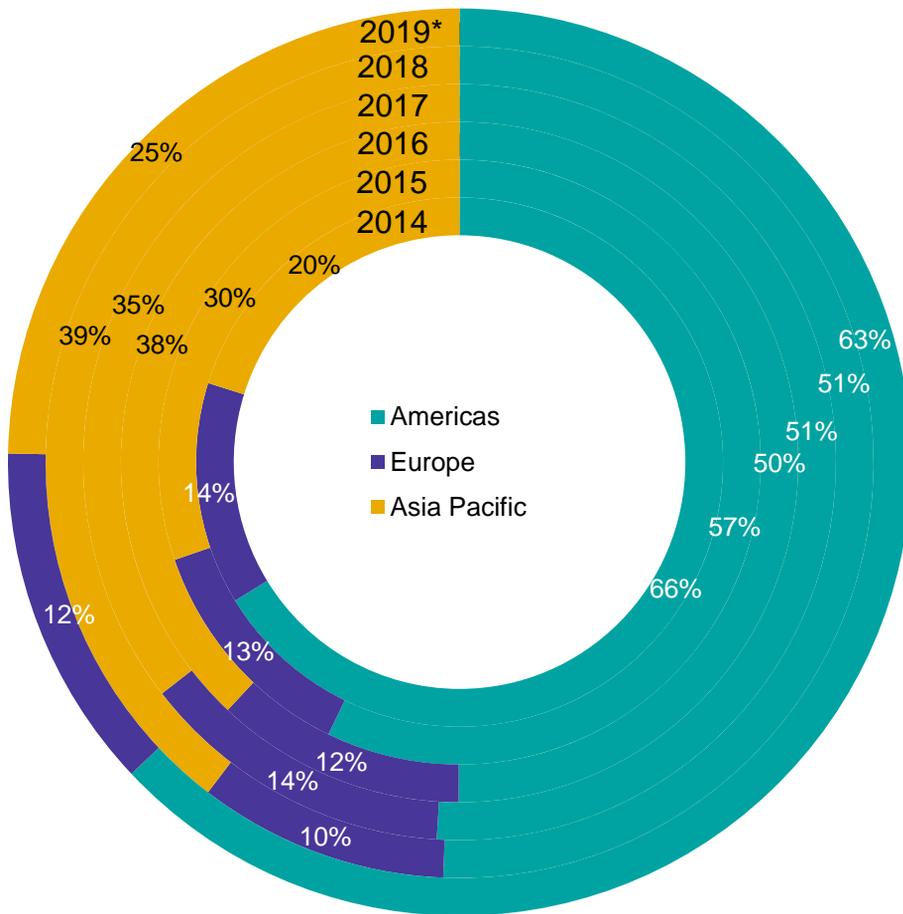
Financing of VC-backed companies by region 2013–2019*, number of closed deals



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Americas take top once more

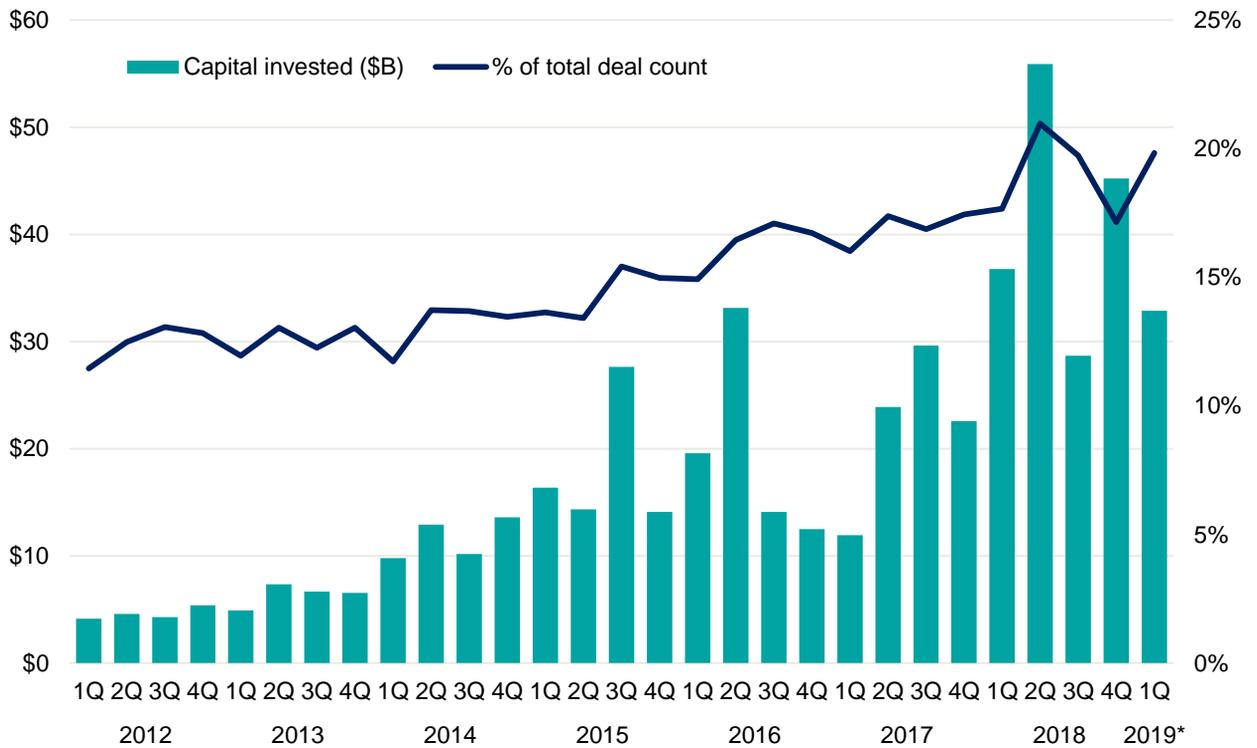
Financing of VC-backed companies by region 2013–2019*, VC invested (\$B)



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

A return to historically normal levels

Corporate VC participation in global venture deals 2012–Q1'19



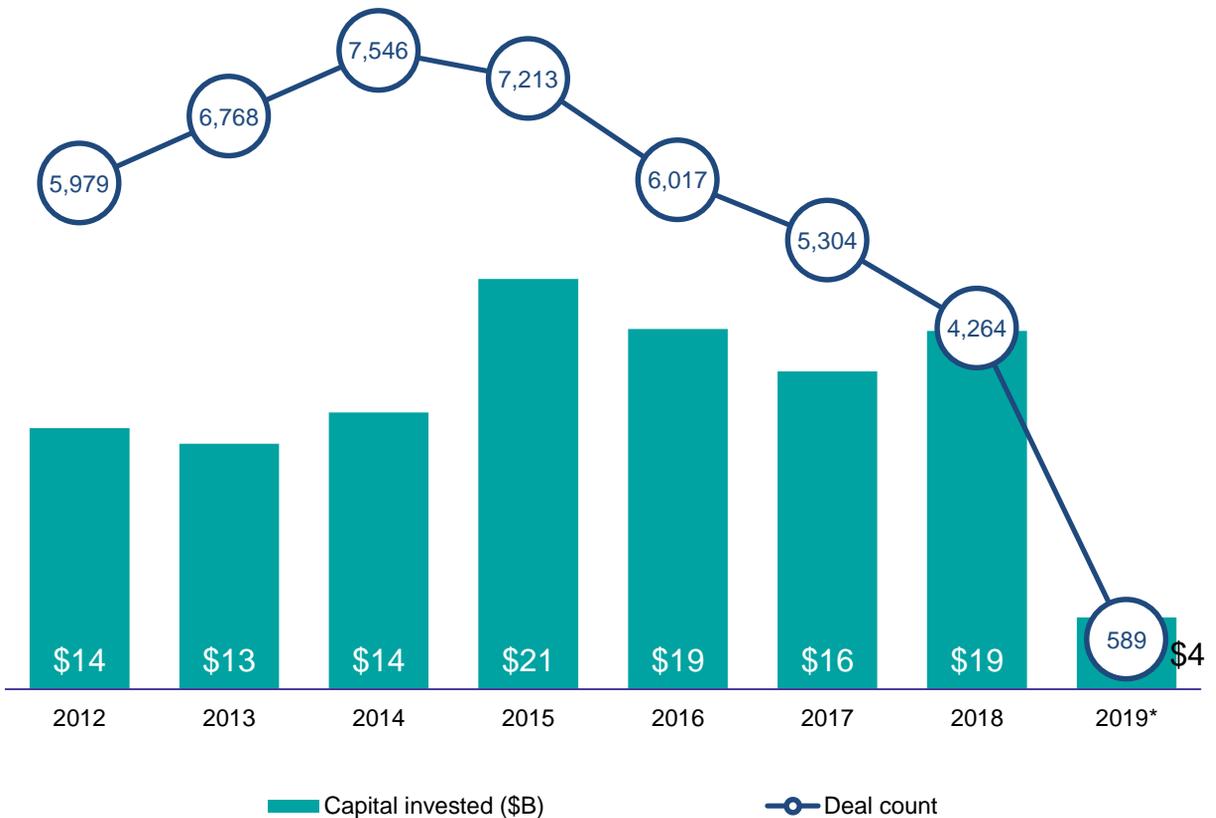
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

A surprising decline in the rate of corporate venture participation in the final quarter of 2018 has now reversed, as is to be expected given the longer-term trend in the industry of more corporations and their investment arms, whether old or new, participating in the startup ecosystem.

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, the percentage of deals is calculated by taking the number of rounds in which corporate venture firms participated over total deals.

First-timers off to a slow start

Global first-time venture financings of companies 2012–2019*

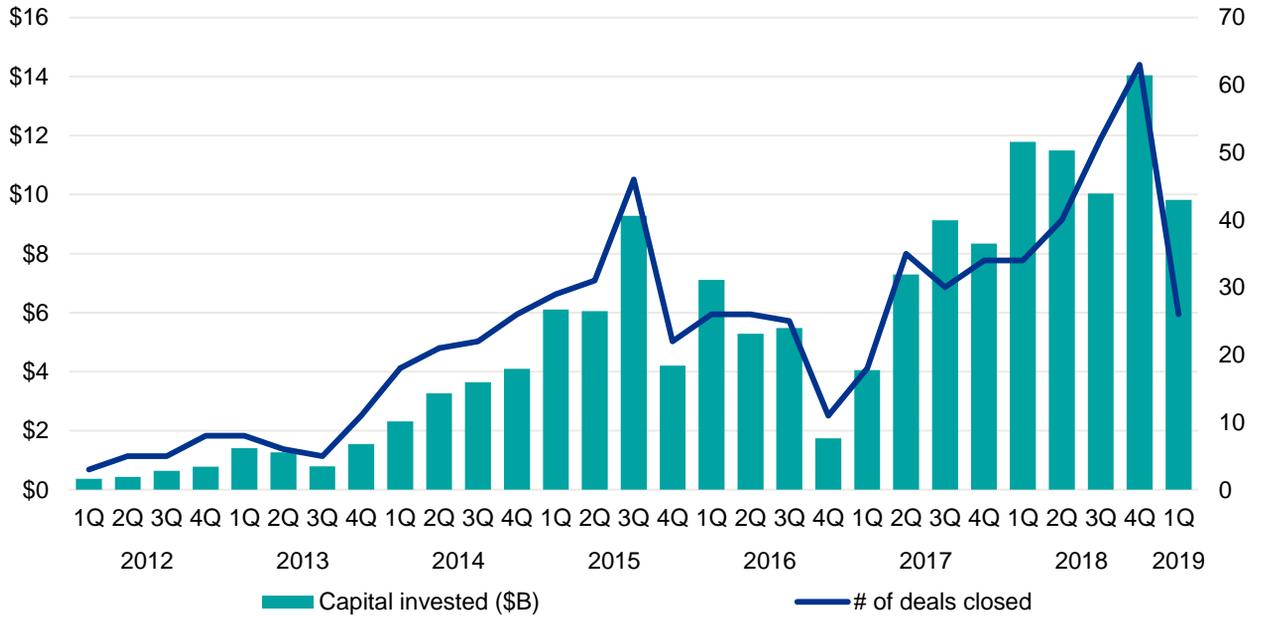


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Once again, it is important to note that first-time financing data will likely be lagged somewhat and thus, there is likely to be a slow start to any year. However, the longer-term trend is unmistakable at the global level and is due more to a combination of several factors, primarily; one, the decline in pure volume of brand-new startups in general across the US in particular; two, the proliferation of alternative means of financing as opposed to venture capital; and three, the surge in private capital abundance, which has led to higher costs for investors even at the earliest stages and more focus upon later stages of companies' development.

Unicorns experience a lull

Global unicorn rounds 2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

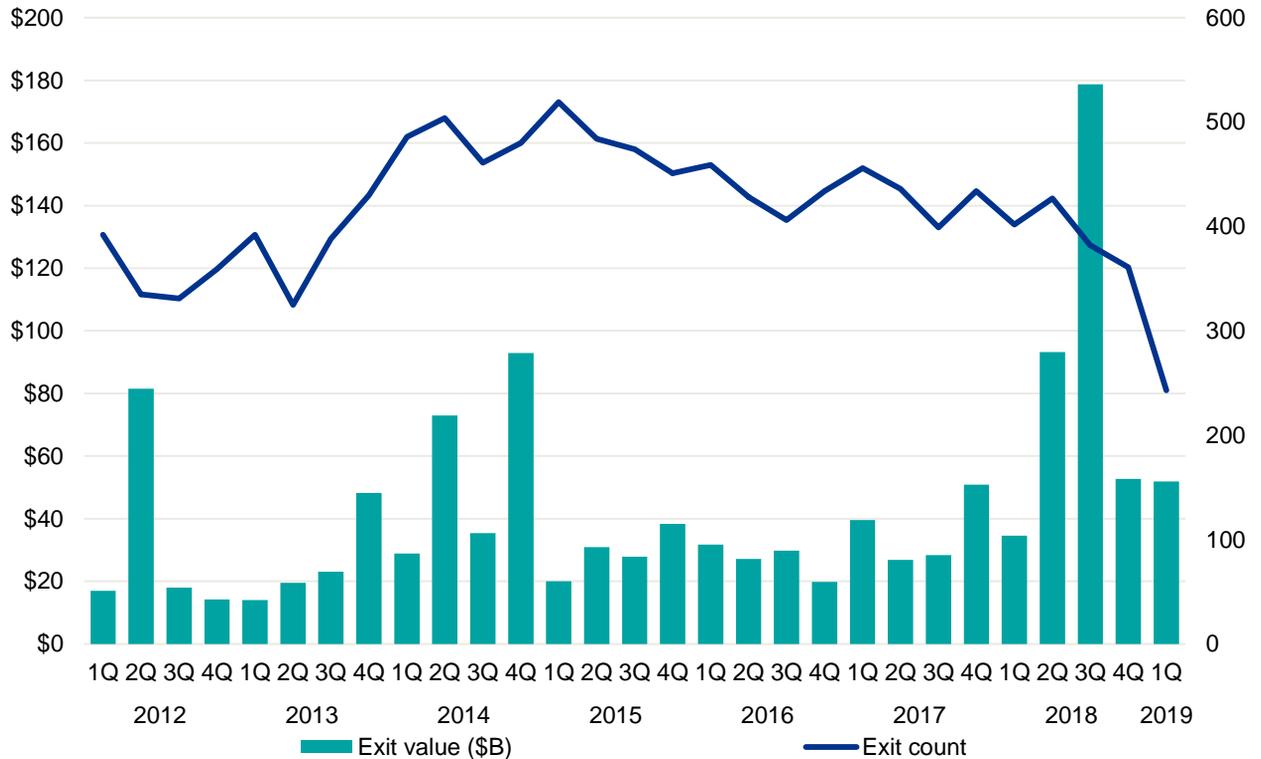
Note: PitchBook defines a unicorn venture financing as a VC round that generates a post-money valuation of \$1 billion or more. These are not necessarily first-time unicorn financing rounds, but also include further rounds raised by existing unicorns that maintain at least that valuation of \$1 billion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

After a blockbuster quarter, and indeed year, it could well be the case the backers of unicorns are taking a bit of a breather. It is probably only lightly linked to the fact that public markets may render a significant verdict on multiple of the most vaunted unicorns this year, although that verdict should not be underrated.

Poised for unicorns' potential

Global venture-backed exit activity

2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

An important change in Venture Pulse methodology must be noted once again, given the significant trend differences. Although exit volume remains largely the same, the shift in exit values is due to the fact that PitchBook now utilizes IPO pre-valuations in the stead of IPO offering sizes. That will likely prove especially important in light of the potential listings for unicorns this year — Lyft's sizable debut already yielded an impact upon even global figures, even if its trading performance has been shaky since.

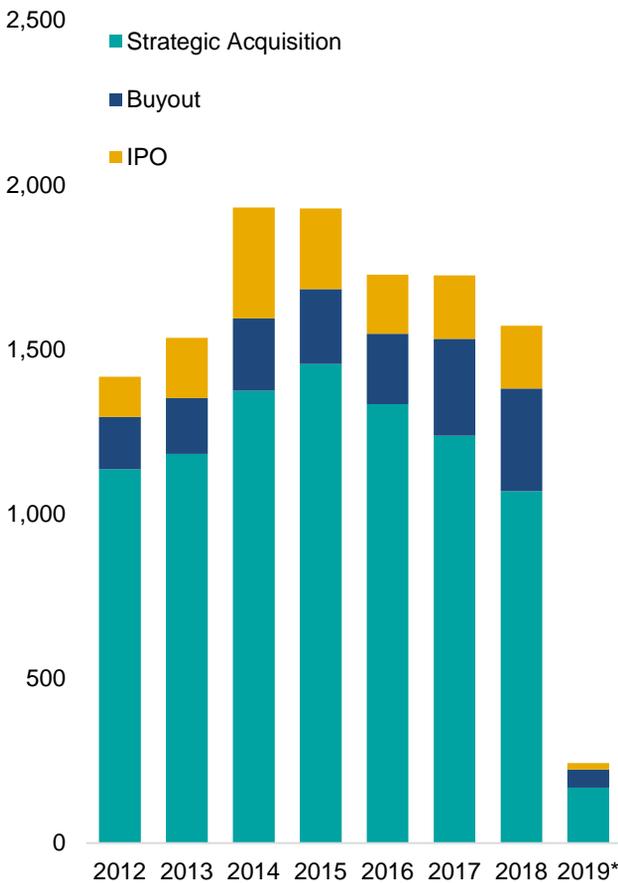
"After a prolonged lull in IPO activity among VC-backed companies, we finally started to see big players go public last year. This trend has not only continued but accelerated in the early months of 2019 — with a number of Unicorns publicly announcing their plans to IPO. Many of these companies have gotten so large that private rounds, even in today's market, are becoming increasingly challenging and Lyft's recent IPO success combined with the continued strength of public markets is likely to further feed the momentum."



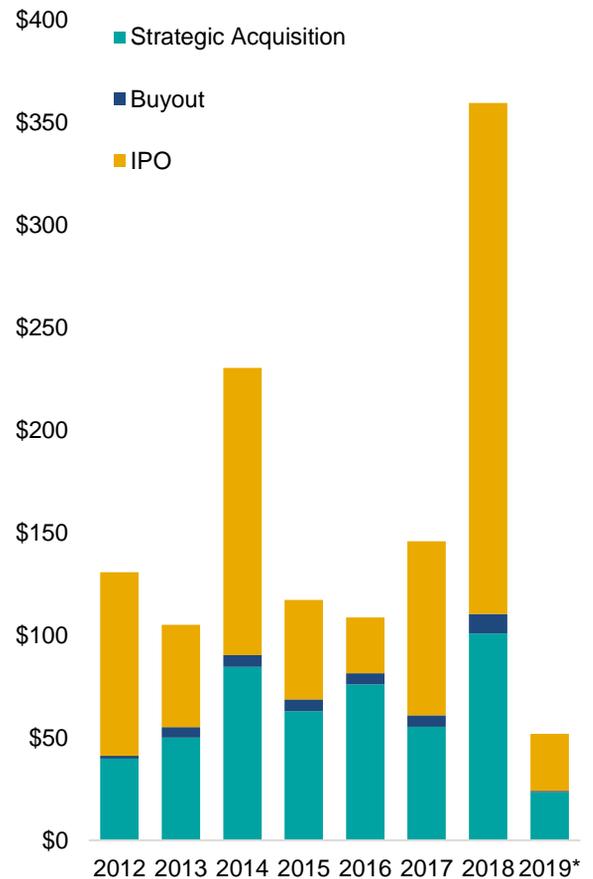
Jonathan Lavender
Global Chairman, KPMG Enterprise, KPMG International

Will IPOs beat M&A for value?

Global venture-backed exit activity (#) by type
2012–2019*



Global venture-backed exit activity (\$B) by type
2012–2019*

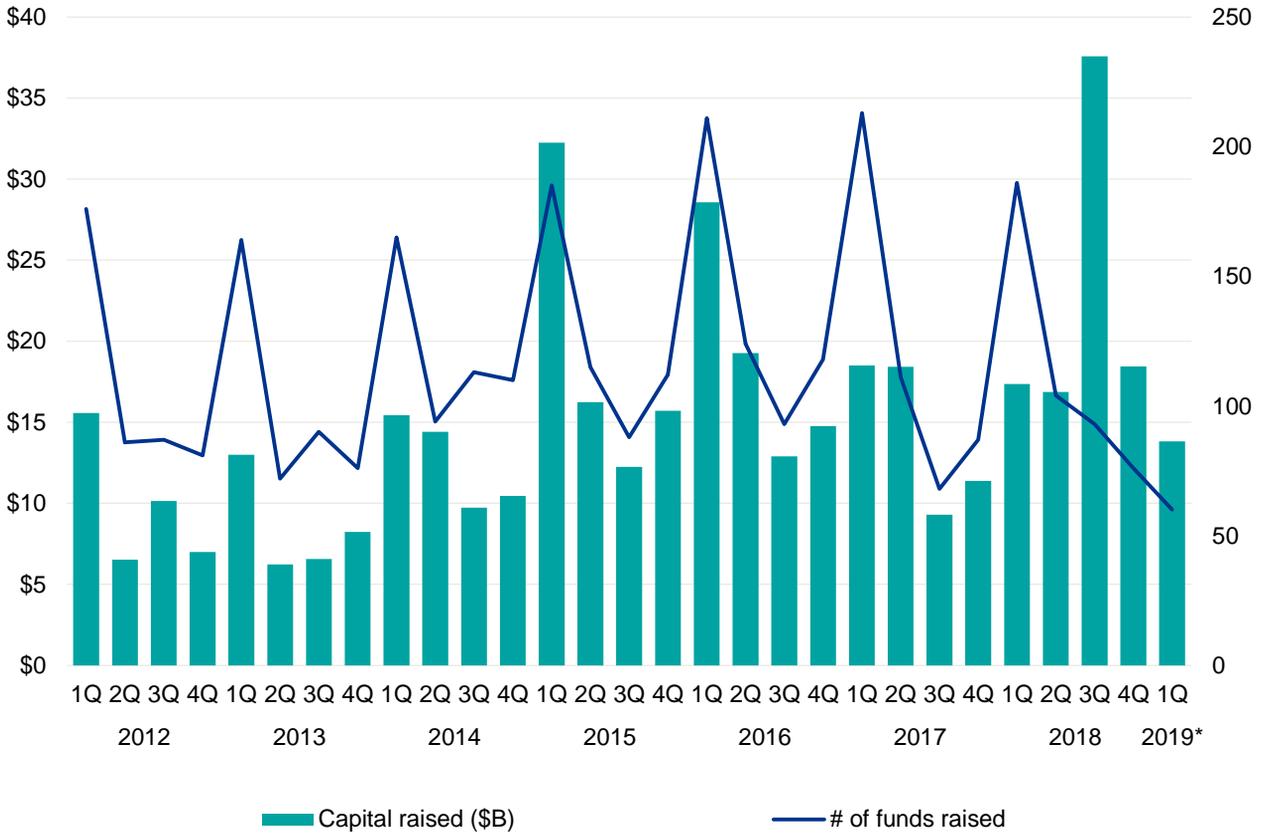


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

For sheer volume, M&A has always been the predominant exit route for venture-backed companies, as is to be expected given industry and startup fundamentals. However, this year poses an intriguing hypothetical: Could the value of IPOs beat out M&A? It is unlikely but possible given the anticipated size of some listings.

Fundraising stays cyclical

Global venture fundraising 2012–2019*

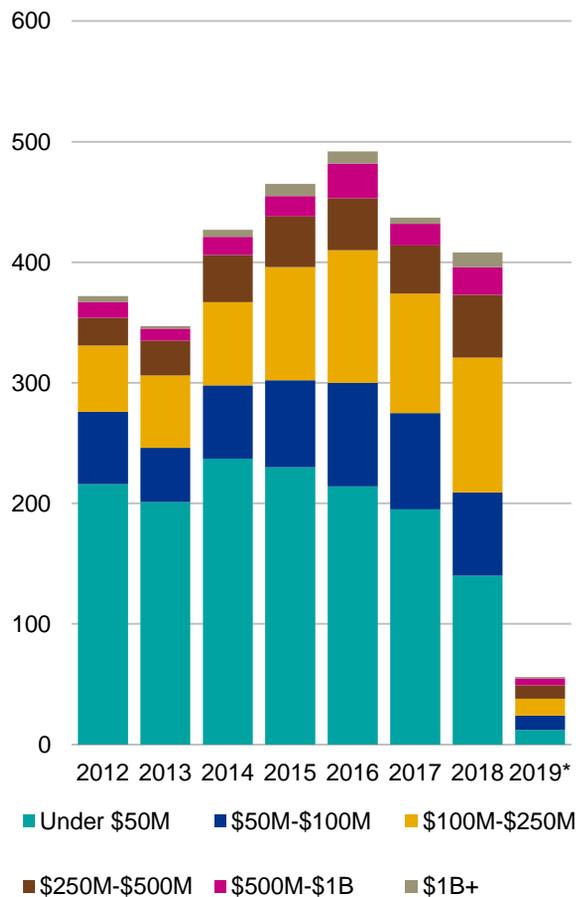


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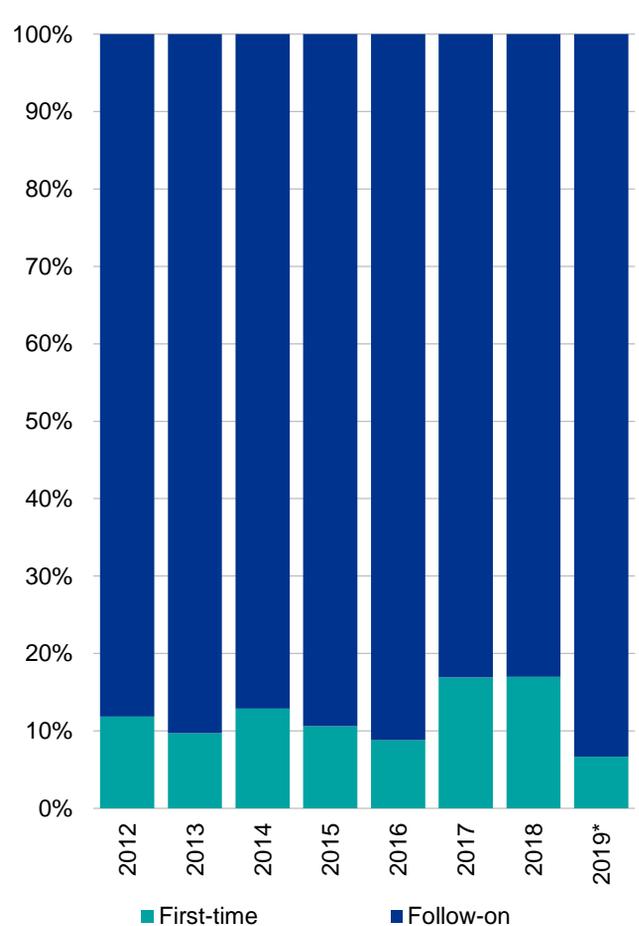
Returning to the yearly depiction of fundraising activity by quarter, as PitchBook is shifting away from quarterly fundraising values given their cyclical skew, it is clear that as is often common in Q1 the overall volume of funds closing is lower relative to prior quarters. Some lag is at play here, but, it is also the case of timing, as many fundraisers seek to close by year end or kick off processes in Q1 that then close past the end of March. Having said that, a hefty sum has already been raked in, signifying plenty of appetite still given the corresponding tally of funds.

After rebound, first-timers see relative decline

Global venture fundraising (#) by size 2012–2019*



Global first-time vs. follow-on venture funds (#) 2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The comeback in first-time fundraising volume kicked off in 2017 continued throughout 2018 in impressive fashion — yet has now had a very slow start. That is probably due to aforementioned cyclicity, as follow-on fundraisers are able to close processes at faster rates usually given established relationships and strategic directions.

Blockchain technology underpinning significant innovation agenda

In 2018, blockchain related companies raised more than \$5 billion in VC investment globally — up from \$1 billion the previous year. It is expected that interest in blockchain will only continue to grow as the applicability of blockchain technologies continues to expand well beyond its cryptocurrency starting point.



Moving well beyond cryptocurrencies

Blockchain has long been recognized as the technology underpinning Bitcoin and other cryptocurrencies, however, VC investor interest in such offerings has declined over the past 12 months.

VC investors today are far more interested in blockchain's ability to drive new business models. While in previous years, investors were willing to provide support to companies experimenting with blockchain capabilities, they are now honing in on companies using blockchain to develop solutions expected to offer real commercialized value to clients. For example, VC-backed company Citizens' Reserve is working to tokenize assets as part of a global supply chain so that different products can be easily traced globally.

While the idea of using blockchain to manage supply chain is not a new concept, the appetite of investors is now at the point where they see increasing value in the potential to use blockchain to disrupt core business models.



Four key areas of future blockchain investment

Despite the amount of hype that has permeated the VC market, blockchain investment is still very much in its infancy. Over the next five years, the technology is expected to explode in terms of both its applicability and the number of solutions available in production capacities. This is expected to drive increasing investment in the space. Four key areas likely to see an uptick in VC investment and interest include:

Enterprise solutions: Enterprise services are functions such as supply chain management and logistics whereby blockchain based solutions can manage, track, and record the movement of any number of products globally. This type of solution is expected to be the main focus of many blockchain offerings given the significant market potential within the B2B market. While supply chain management may be the main focus of new blockchain innovation, all aspects of the enterprise will be impacted. For example, blockchain solutions to improve performance in front office tasks, such as sales and customer enablement, middle office roles such as procurement and regulatory operations, and back office functions, such as intercompany transactions and asset management, will also experience a growth in VC investment.

Internet of Things: Over the past two years, IoT technologies have proliferated across many aspects of consumers' lives. Looking forward, blockchain could be used as a means to connect trusted IoT partners with data transmitted from such devices. As more complex and sensitive devices get connected, such as medical monitoring equipment, blockchain can be a way to ensure privacy and security of sensitive information. Over the past two years, IoT technologies have proliferated across many aspects of consumers' lives. Looking forward, blockchain could be used as a means to connect trusted IoT partners with data transmitted from such devices. As more complex and sensitive devices get connected, such as medical monitoring equipment, blockchain can be a way to ensure privacy and security of sensitive information. More than connecting and monitoring IoT devices, blockchain technologies ensure the integrity of the information coming from sensors creating a level of trust that was not possible before.

Blockchain technology underpinning significant innovation agenda, cont'd.

Loyalty programs: Similar to managing assets, blockchain can be used to enable loyalty programs and the management of customer retention programs by giving companies insights into consumer behaviours across a multichannel ecosystem. Equally impactful, because of its decentralized nature, blockchain puts customers in control of their loyalty program, creating a level of consumer trust and ownership that is new to the customer experience.

Identity management: Managing people, assets, and products can be complicated without a means to oversee the flow of an individual's (i.e. patients, customers) identities and information across a distributed network. In the future, blockchain solutions could be used to manage this data and dial it back to the individual level, which is why VC investors have turned their attention to blockchain-based digital advertising solutions. For example, Basic Attention Token (BAT) connects publishers, advertisers and users on its Ethereum blockchain-based platform. The technology captures and tokenizes the time users spend viewing an ad and sells this information to retailers.



Global reach of blockchain investment

Both investors and governments and investors are interested in the evolution of blockchain and its ability to drive new value. Singapore has been particularly supportive of blockchain technologies; in Q1'19, the Monetary Authority of Singapore (MAS) announced the successful completion of a multi-year blockchain-based proof-of-concept project for inter-bank payments. It is now expected to shift its focus to improving investment trading and settlements and facilitating cross-border payments¹.

China has also moved to get in front of blockchain usage. During Q1'19, the Cyberspace Administration of China announced a set of regulations for cryptocurrency and blockchain in the country. The new regulations outline a broad range of requirements from business registration to data collection. They also set out penalties for non-compliance². These new regulations put China well ahead of many other countries looking to define a regulatory framework for blockchain.

In the US, the Congressional Blockchain Caucus is looking into how blockchain can improve government services. Individual states are also promoting the use of blockchain technology. Delaware was the first state to pass legislation supporting the use of blockchain. Wyoming recently launched the Crypto Cowboy initiative and Ohio launched Innovate Ohio to modernize government and reduce spending.



Trends to watch for in blockchain

The scope and potential of blockchain-based technologies is expected to grow, along with related VC investments. Emerging economies will be one area to watch given the ability of blockchain to facilitate small transactions such as micropayments and microloans. While large blockchain consortia have been instrumental in driving experimentation with blockchain, in the future the trend will likely shift toward the development of private networks able to use a common blockchain. For example, the use of blockchain to enhance vertical integration of companies in a supply chain.

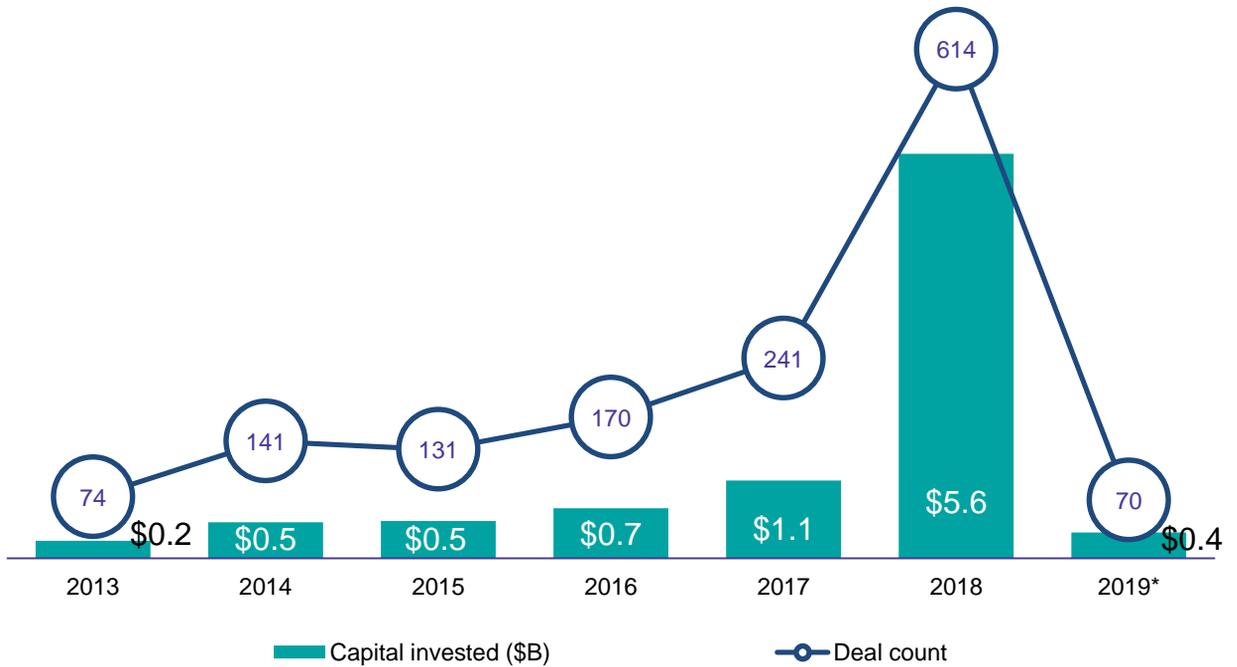
This is particularly evident in food supply where blockchain is being used by companies such as Walmart to improve traceability and food safety. The giant retailer has required its leafy green growers to join its blockchain. Leafy greens are vulnerable to pathogens and by requiring growers to become part of its private blockchain, Walmart will be able to quickly address any potential outbreaks and better protect the public.

¹<https://www.techinasia.com/singapores-central-bank-ready-blockchain-interbank-payments>

²<https://ci.covesting.io/news/cryptocurrency-news/chinese-internet-regulator-bring-new-laws-february-2019>

Committed investors stay keen

Global venture activity in blockchain/cryptocurrency 2013–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019

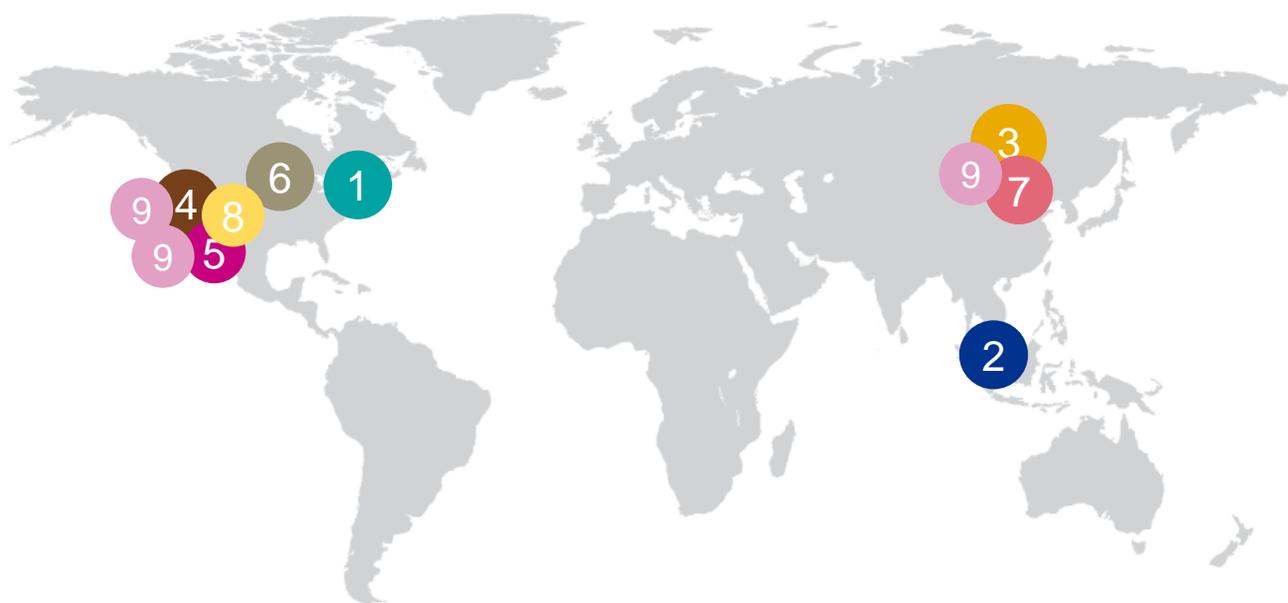
Although volume is down relative to prior highs, VC invested in blockchain and cryptocurrency startups remains on pace to match last year, based on the admittedly weak data point of Q1's tally. That said, the matching pace of dollars' flow coupled with financing volume does indicate a robust investment landscape, as the crypto mania of 2017 has not dissuaded serious investors that are looking to discover the truly feasible applications of blockchain solutions in various use cases. Many have not yet been proven out fully, but there remain intriguing potential in especially contract closures and other back-office process automation, particularly those with necessity of transparency. Increasing technical development of computing power and building of code ecosystem will likely prove key.

"Over the last twelve months, there has been a significant decline in any kind of VC interest in anything that is a crypto asset or anything that is a cryptocurrency...but the appetite to use blockchain to disrupt core business models for global trade, global supply chain, global finance, mortgages, energy, and many other areas are growing — and they are growing fast."



Arun Ghosh
Principal, National Blockchain Leader, **KPMG in the US**

Fewer mega-deals in Q1



Top 10 global financings in Q1'19

- | | |
|---|--|
| <p>1 The We Company — \$5,000M, New York
Commercial services
<i>Corporate</i></p> | <p>6 Rivian — \$700M, Plymouth
Transportation
<i>Corporate</i></p> |
| <p>2 Grab — \$4,500M, Singapore
Automotive
<i>Series H</i></p> | <p>7 Horizon Robotics — \$600M, Beijing
Application software
<i>Series B</i></p> |
| <p>3 Chehaoduo — \$1,500M, Beijing
Platform software
<i>Late-stage VC</i></p> | <p>8 Aurora (Automotive) — \$530M, Palo Alto
Automotive
<i>Series B</i></p> |
| <p>4 Flexport — \$1,000M, San Francisco
Logistics
<i>Late-stage VC</i></p> | <p>9 Clover Health — \$500M, San Francisco
Healthcare
<i>Series E</i></p> |
| <p>5 Nuro — \$940M, Mountain View
Transportation
<i>Early-stage VC</i></p> | <p>9 Danke Apartment — \$500M, Beijing
Platform software
<i>Series C</i></p> |
| | <p>9 SpaceX — \$500M, Hawthorne
Aerospace & defense
<i>Series J</i></p> |

Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

***In Q1'19 US
VC-backed
companies raised***

\$32.6B

across

1,853 deals



VC market in the US very positive as Unicorn IPOs loom

The Venture Capital market in the US saw strong activity in Q1'19, buoyed by the stabilization and rebound of the public markets, the positive performance of tech companies that exited through IPOs in 2018 and by the increasing interest in IPO exits from a number of mature, US-based unicorns.



US quarterly VC funding highest ever outside of outlier Q4'18

While the number of VC deals in the US declined quarter-over-quarter, VC investment in the US remained very high, with Q1'19 investment coming second only to Q4'18, which was lifted by Juul's \$12.8 billion funding round. The largest deals during Q1'19 included a \$5 billion raise by shared-space provider The We Company (formerly WeWork) and a \$1 billion raise by freight logistics company Flexport and earning the company coveted unicorn status.



Lyft IPO a signal of activity to come

Ride-hailing company Lyft hosted a successful IPO on the Nasdaq in late March, raising over \$2 billion. The company was just the first in a line of large unicorns expected to exit over the next few months.

Lyft's largest competitor — Uber — is expected to file publicly in April for what is projected to be the largest IPO of the year in the US. Despite its IPO plans, Uber continued its expansion efforts. During Q1'19, Uber bought Middle-East based ride-hailing service Careem for \$3.1 billion.

The eyes of VC investors will be glued to the performance of these unicorn companies over the next few months. Should early indications be positive, other mature unicorns may also follow in their footsteps.



Established verticals see majority of funding as new verticals crop up

VC investors in the US continued to invest in a number of more established verticals during Q1'19, including food-delivery, healthtech and transportation. The latter accounted for several diverse, yet significant investments, with electric vehicle company Rivian attracting \$700 million, autonomous driving company Aurora attracting \$530 million, and electric scooter and bike sharing company Lime raising \$310 million.

While many of the US's largest VC investments went into proven companies in established verticals, the \$1 billion raise by logistics company Flexport highlights the increasing importance being placed on logistics by VC investors.



Both large funds and small funds gathering interest

Mega-funds continued to gain a significant amount of attention in the VC space, with SoftBank's Vision Fund participating in many \$1 billion+ deals over the past two years, including the \$1 billion raise by Flexport in Q1'19. While the need for large funds continues to resonate in the US, there has also been some strong activity on the other end of the fund size spectrum. For example, in Q1'19, Kleiner Perkins closed a \$600 million fund focused on early-stage and boutique investments, while Future Ventures closed a \$200 million fund focused on space exploration and AI. A number of other smaller funds also closed during the quarter.

VC market in the US very positive as Unicorn IPOs loom, cont'd.



Growth and innovation occurring beyond Silicon Valley

While many VC funds remain focused on Silicon Valley and the West Coast, there has been a growing boom of investment in other parts of the US in recent years. In 2018, while 39.5% of VC deals occurred on the West Coast, 20.1% occurred in the Mid-Atlantic, 9.5% in New England, and 9% in the Great Lakes Region. These numbers reflect the growing innovation hubs appearing in cities such as, New York, Boston and others — a trend continuing into 2019. In Q1'19, New York and New Jersey both attracted big deals, such as The We Company's \$5 billion raise, the Clover Health's \$500 million raise, and Knock's \$400 million raise.

Among companies headquartered in Silicon Valley, there has also been a shift toward scaling outside of the Valley in order to access or attract talent and better manage labor, and space costs. Late in 2018, for example, Slack announced a new Denver Office, while other companies have set up offices in Arizona, Salt Lake City and beyond. This trend is only expected to continue as companies look to balance a presence in the Valley with the need to scale and grow efficiently.



Digital banking space heating up in US

The digital banking space in the US continued to gain traction in Q1'19 as Chime raised \$200 million in a round that won it unicorn status. A number of European challenger banks also voiced plans to enter the US in Q1'19, including UK-based Revolut, and Starling Bank. Germany's N26 also raised funds in Q1'19, in part to fund a US expansion, while Israel's Bank Leumi is reportedly talking to potential partners about launching its digital Pepper offering in the US.



Maturing fintech sector continues to see M&A

During Q1'19, FIS announced plans to acquire Worldpay in a \$34 billion deal. Given the maturity of the payments space, it is expected that the sector will continue to see M&A activity as companies look to achieve scale and consolidate market share.



Trends to watch in the US

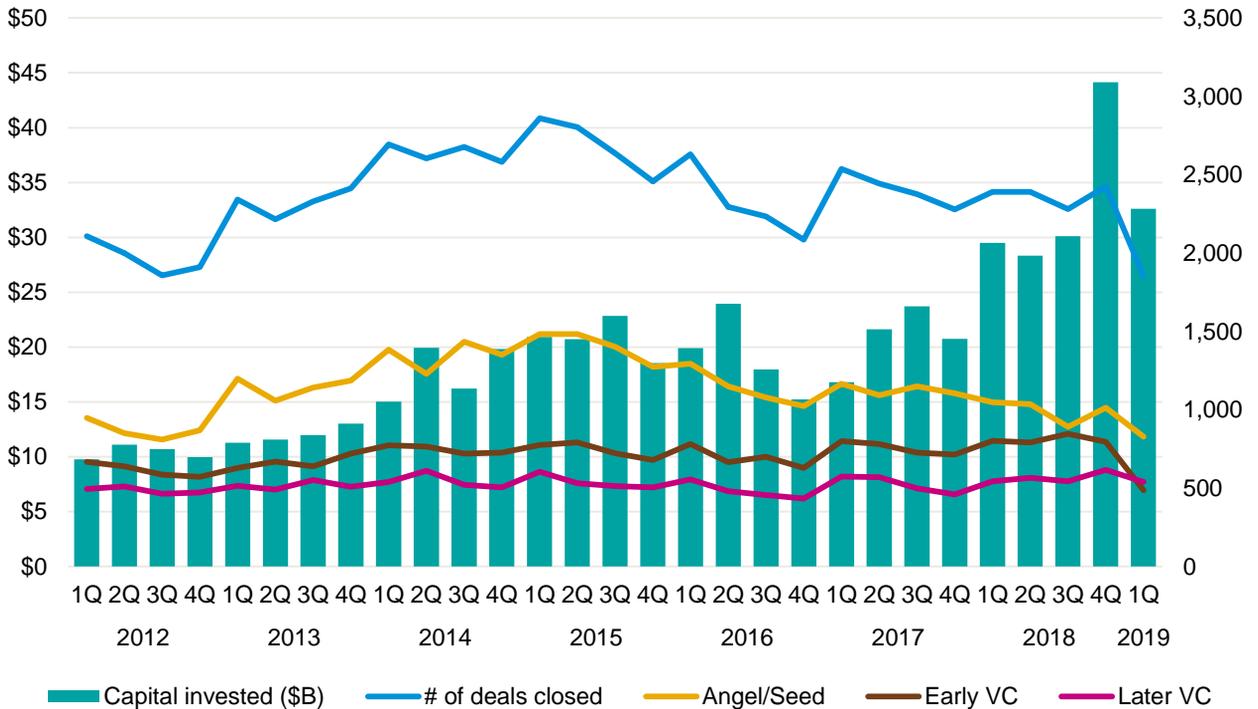
The US VC market is well-positioned for further growth over the next few quarters. As mature unicorns exit, other companies will begin to take their places, marking the next evolution of the unicorn progression. It is expected that this next class of unicorns could be quite different from those seen today, with more representation from companies focused on AI and data analytics.

Looking forward, fintech, healthtech, and biotech are expected to remain very strong areas of VC investment, in addition to health-focused insurtech.

2019 starts off strong

Venture financing in the US

2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

Without the impact of the mammoth Juul financing, Q4 2018 would still have been a record, but Q1 2019 turned in a remarkably strong performance, amassing over \$30 billion and easily reaching the second-highest quarterly record of the decade. Investor appetite even for large financings has not slackened yet by any means.

“Since 2014 the number of active US unicorns has more than doubled to over 160 as private capital is readily available allowing companies to stay private longer. After waiting for years, we finally saw some unicorns choosing to go public in late 2018. We anticipate this trend will continue well into 2019 — spurred by recent high profile offerings such as Lyft, and the ongoing strength of the public markets.”



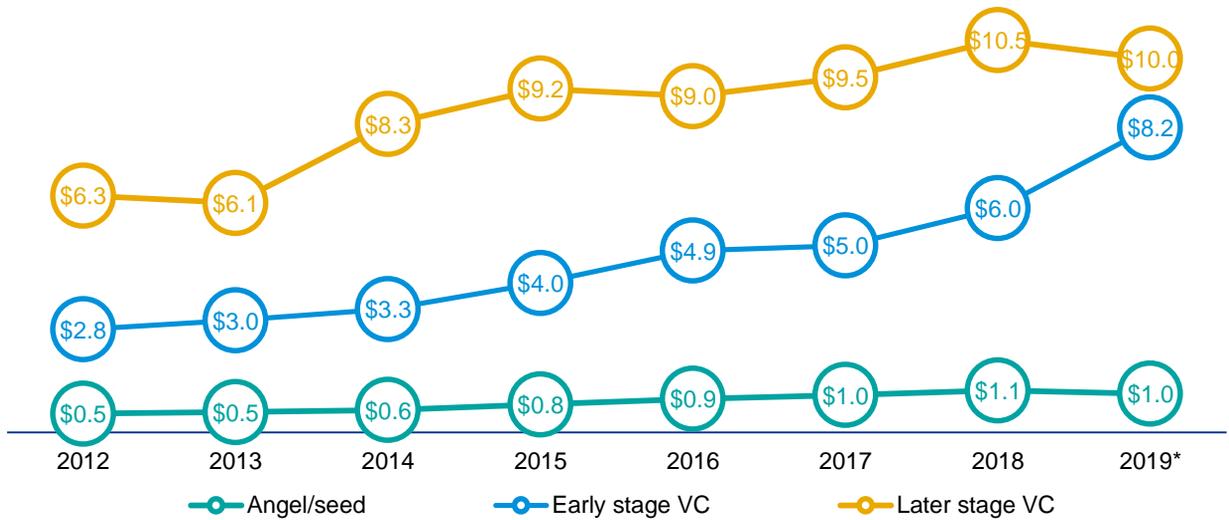
Brian Hughes

Co-Leader, KPMG Enterprise Innovative Startups Network, KPMG International and National Co-Lead Partner, KPMG Venture Capital Practice, **KPMG in the US**

The late stage evens out

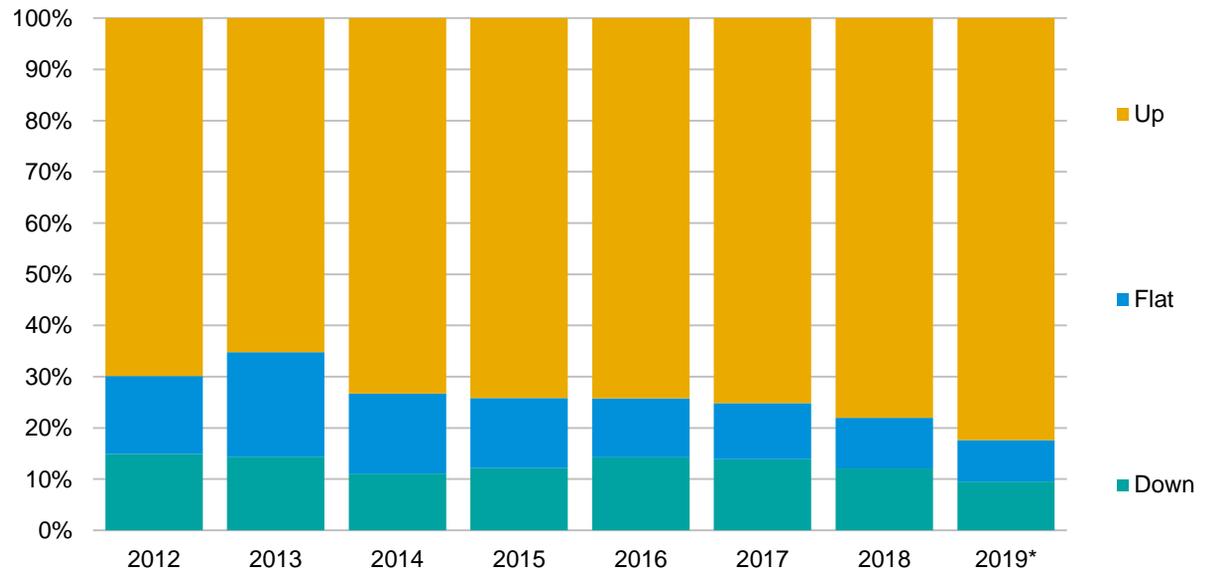
Median deal size (\$M) by stage in the US

2012–2019*



Up, flat or down rounds in the US

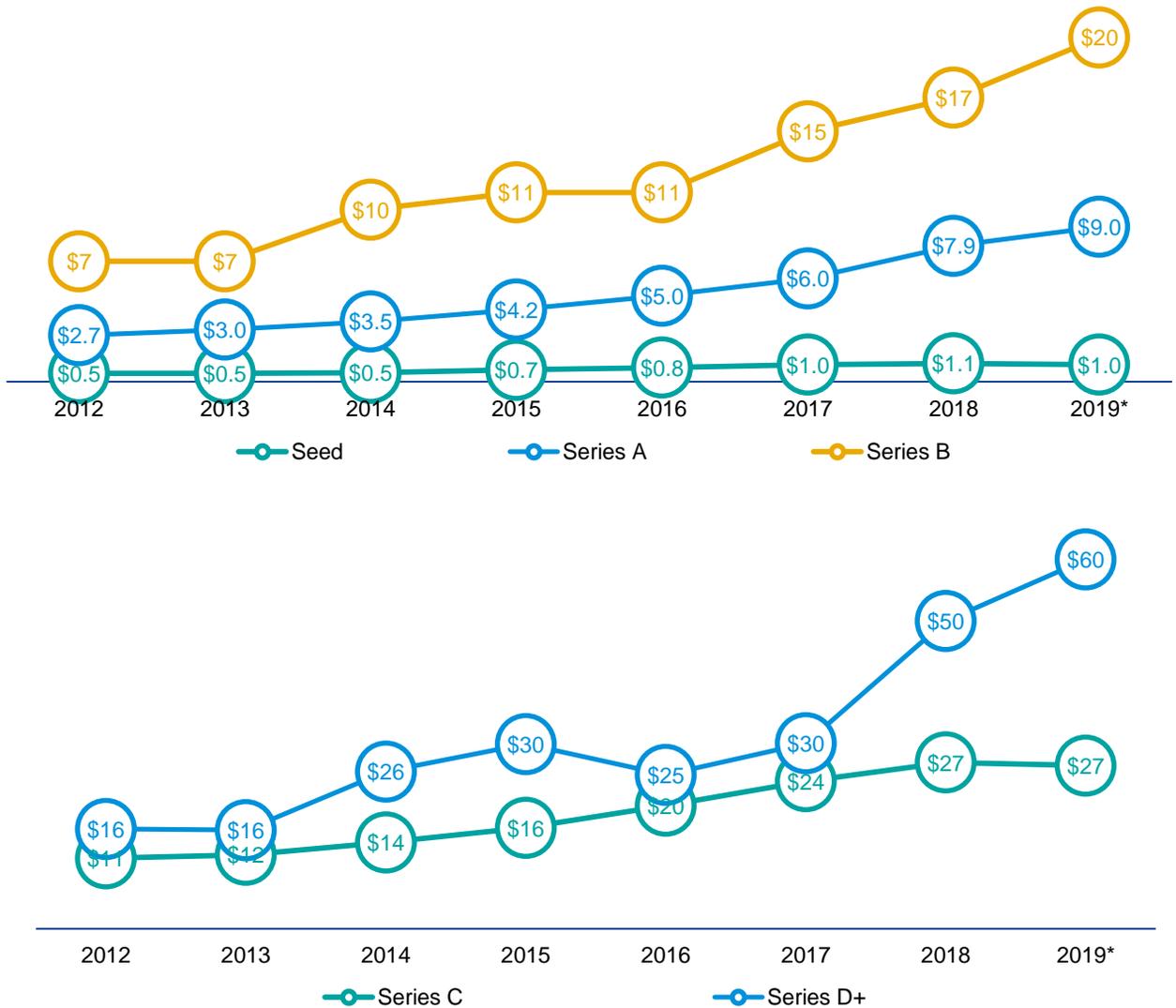
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Series C & D diverge further

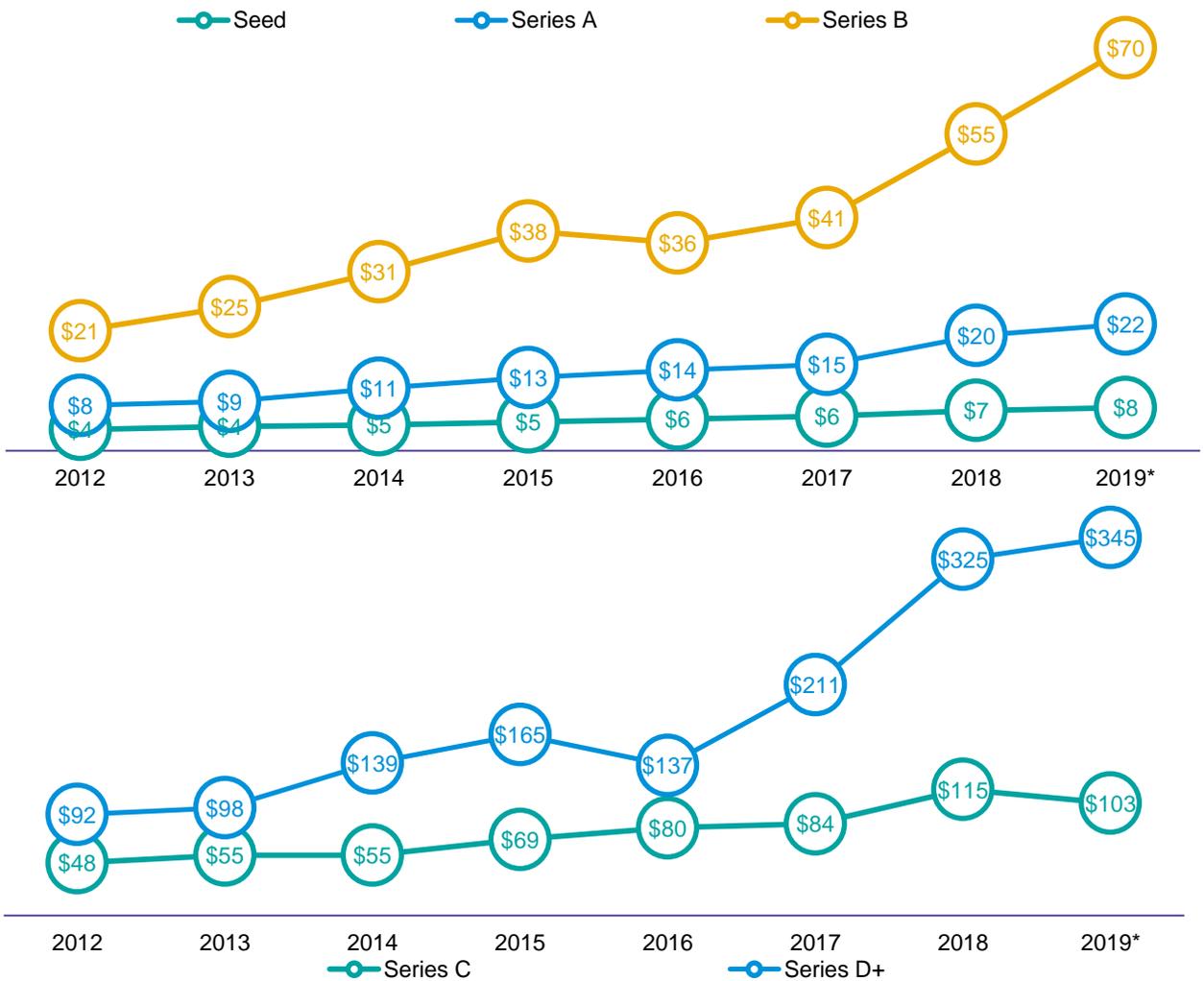
Median deal size (\$M) by series in the US
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.
Note: Figures rounded in some cases for legibility.

Valuations stay inflated

Median pre-money valuation (\$M) by series in the US
2012–2019*



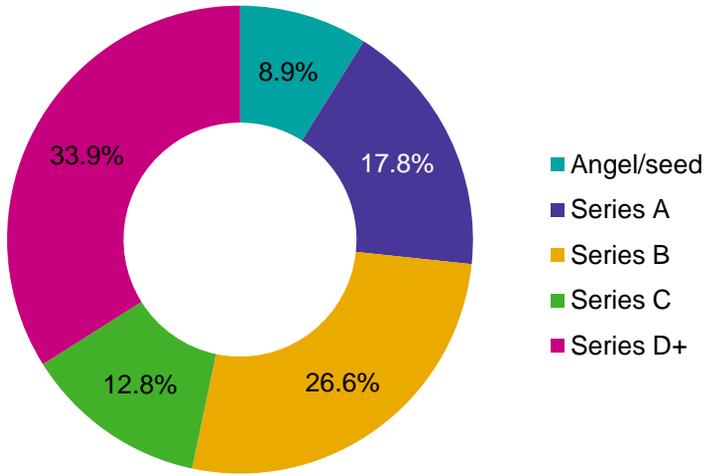
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Note: Figures rounded in some cases for legibility.

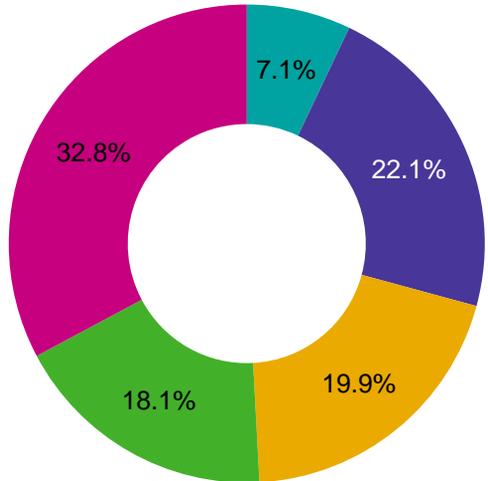
Although it is growing dangerously close to beating a dead horse, it is clear that private valuations remain at near unprecedented highs, similar, if not eclipsing those seen in the dot-com mania. The superabundance of private capital has resulted in remarkable growth at all stages, with Q1 2019 notching even greater highs. There appears to be no stopping the rate of valuation growth, especially at the late stage.

Slight gain in angel & seed

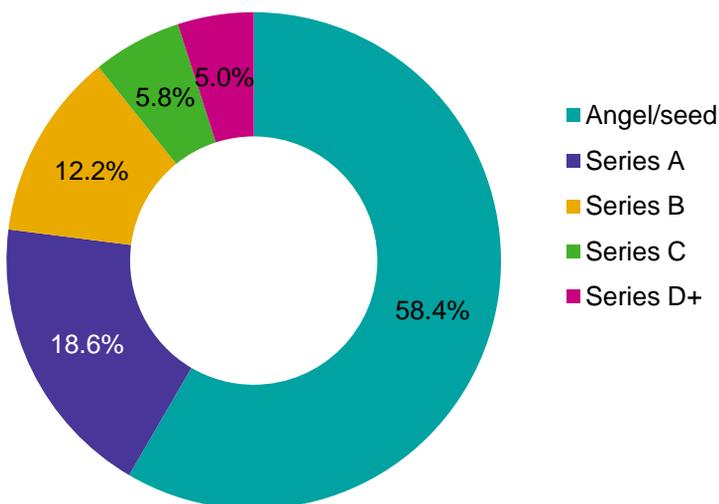
Deal share by series in the US
2019*, VC invested (\$B)



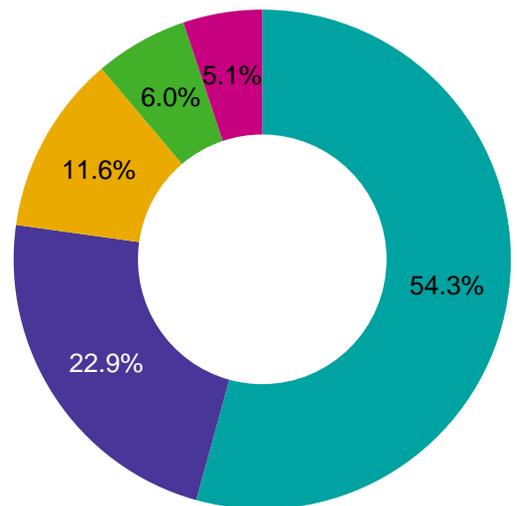
Deal share by series in the US
2018, VC invested (\$B)



Deal share by series in the US
2019*, number of closed deals



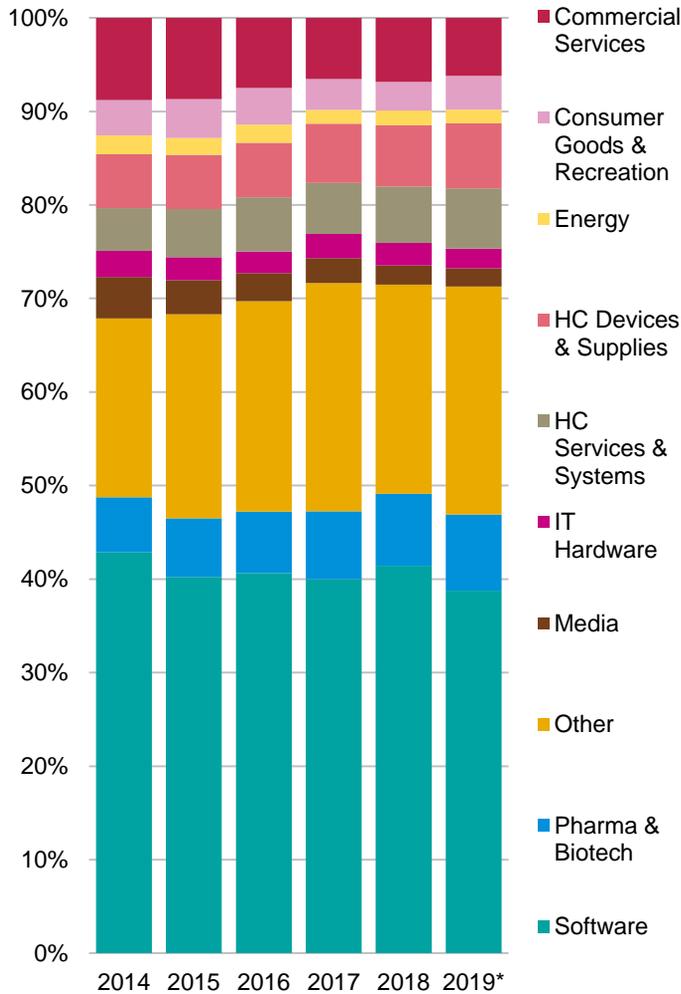
Deal share by series in the US
2018, number of closed deals



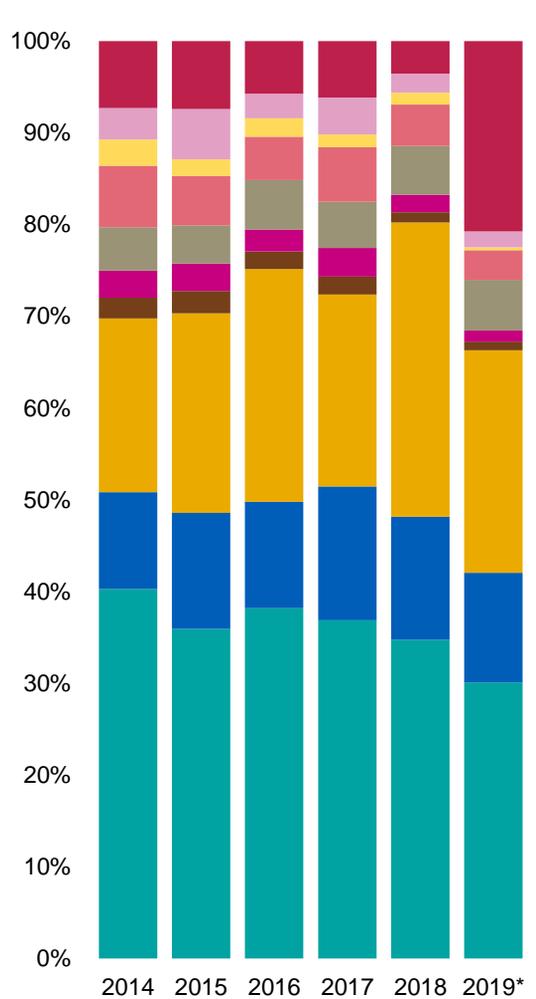
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Healthcare stays resilient

Venture financing by sector in the US
2014–2019*, number of closed deals



Venture financing by sector in the US
2014–2019*, VC invested (\$B)

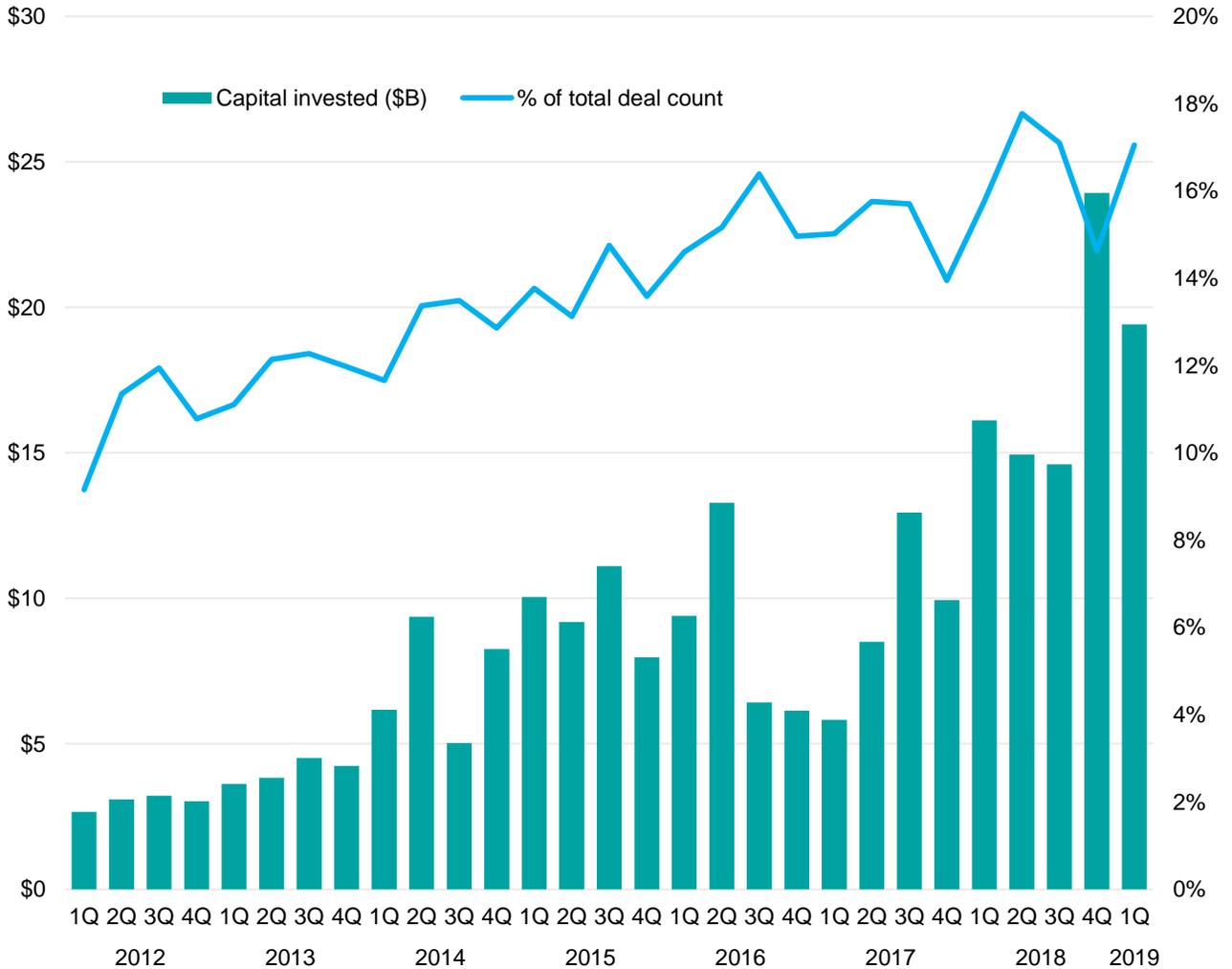


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

As software horizontalizes and stays as the primary plurality among all sectors, the various healthcare sectors also remain fairly resilient, given their specific drivers and positive growth trajectories from a macro perspective.

CVC rebounds to normalcy

Corporate participation in venture deals in the US 2012–Q1'19

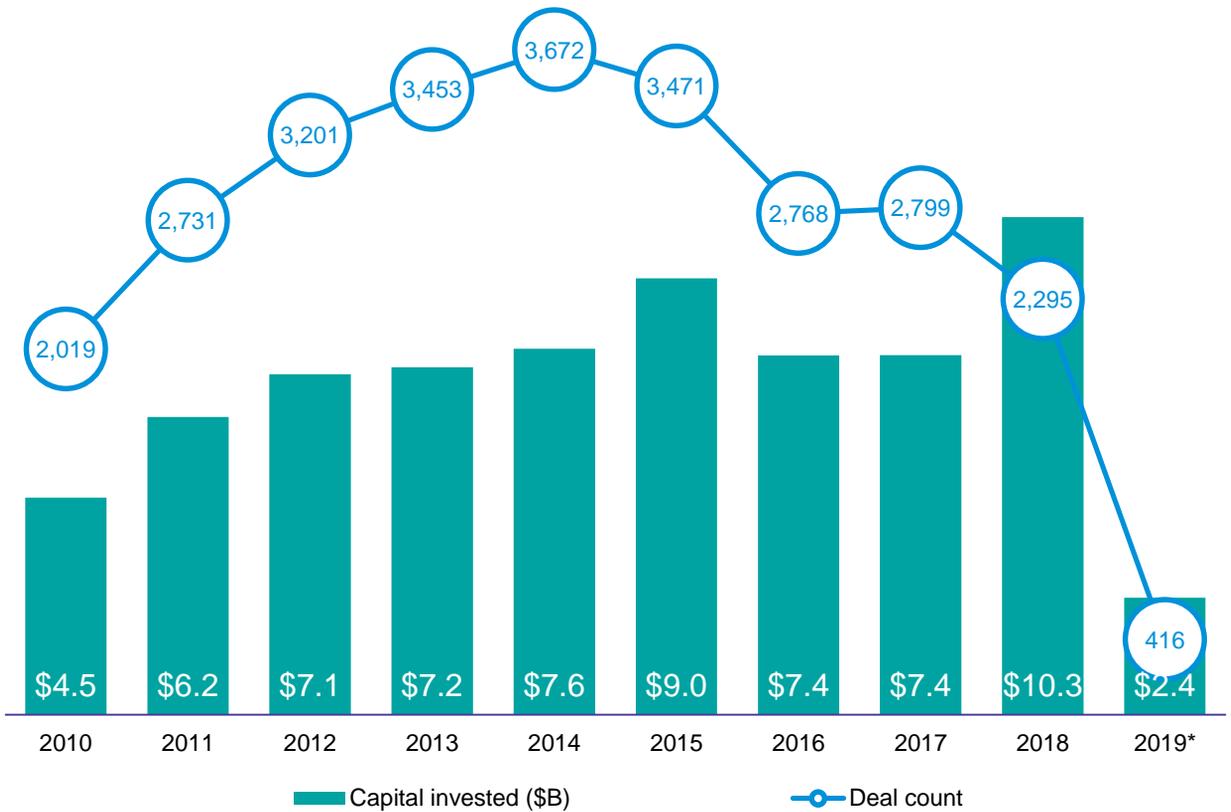


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

After an atypical and unexpected decline in participation rate, the longer-term trend of corporations and corporate venture arms' elevated participation returned to normal levels, reflecting the evolution of the venture landscape as it grows more institutionalized and also more diverse in the population of investors at play even within the US.

Innovation & financing cycles at later innings

First-time venture financings of companies in the US 2012–2019*



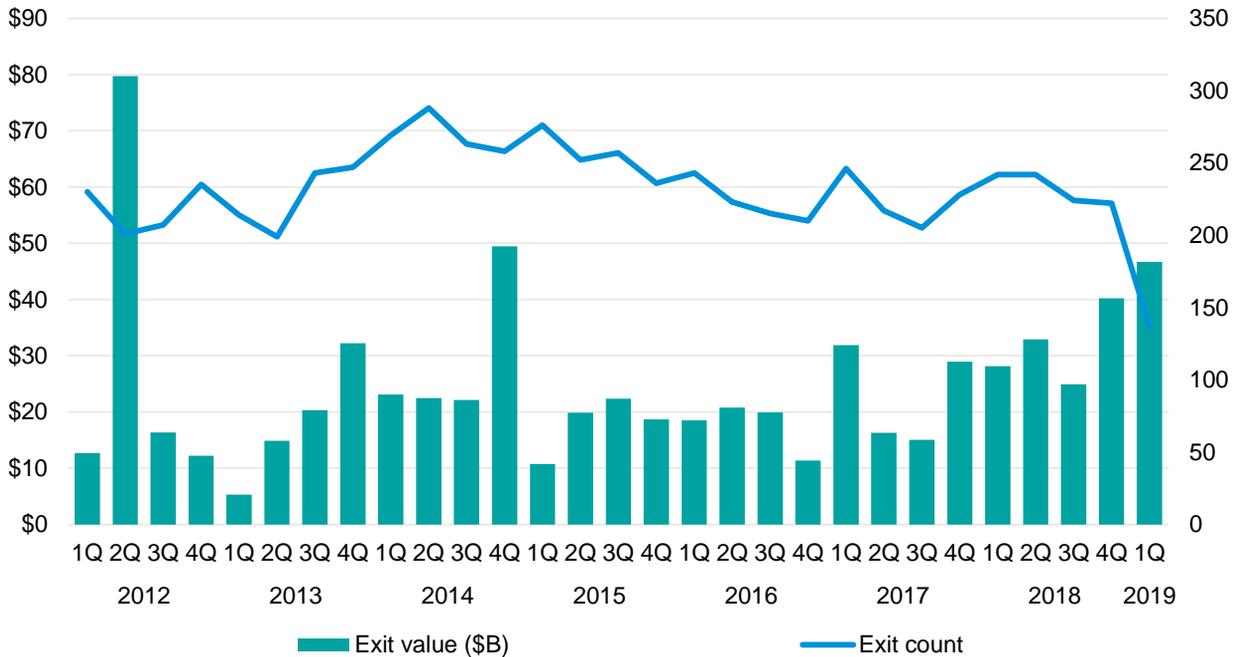
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The pace of first-time financing volume remains slow in the US, but the longer-term rate of decline does appear to have diminished somewhat, in a promising move. Having said that, the \$2.4 billion invested across first-time financings in Q1 does put 2019 on pace to come in close to the \$10.3 billion invested last year. Resulting primarily from the abundance of capital available for even fledgling startups, both these trends suggest the innovation cycle is resetting somewhat as newer cross-sectors emerge and capital concentrates on safer prospects.

Exits on pace to match 2018 in historic value

Venture-backed exit activity in the US

2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

2018 enjoyed a significant boost from IPOs in terms of exit value plus the usual suspect of mega-M&A event and 2019 may shape up similarly, with the bulk of exit value in Q1 2019 derived from one listing; Lyft's. That may augur what is to come for the rest of the year, as the most noted US unicorns prepare to finally list at what could be historic valuations.

“The story in the US continues to be very positive. The 2018 IPOs generally performed very well and the pre-public companies that have completed financings recently have all been at higher valuations. This then should encourage greater investment at all points on the investment spectrum, from seed to late-stage. If the unicorn IPOs on tap for the coming month or two go well, the VC market could see very strong results in Q2 and the remainder of 2019.”

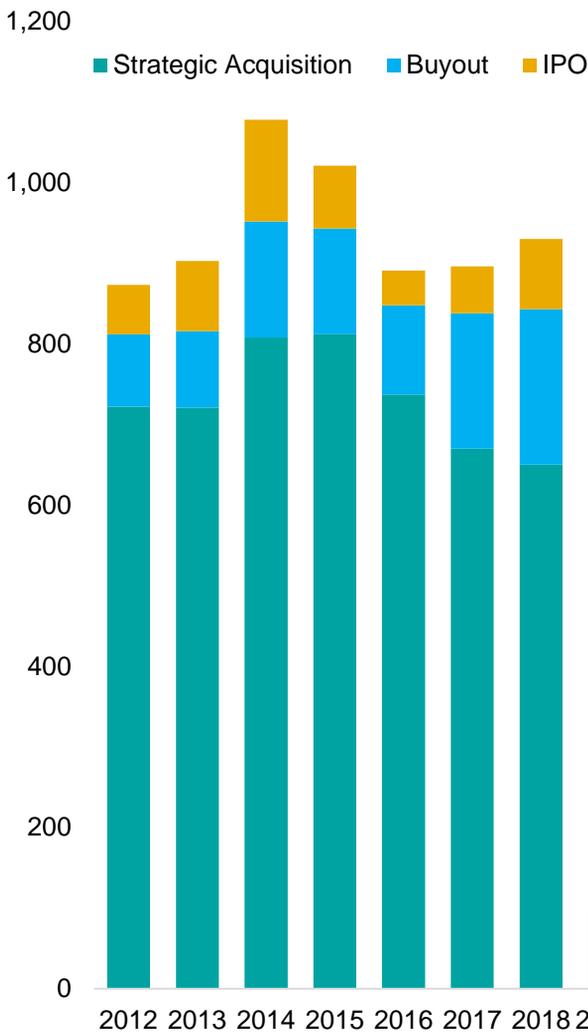


Conor Moore
National Co-Lead Partner, KPMG Venture Capital Practice, **KPMG in the US**

2019 could be the year of IPOs

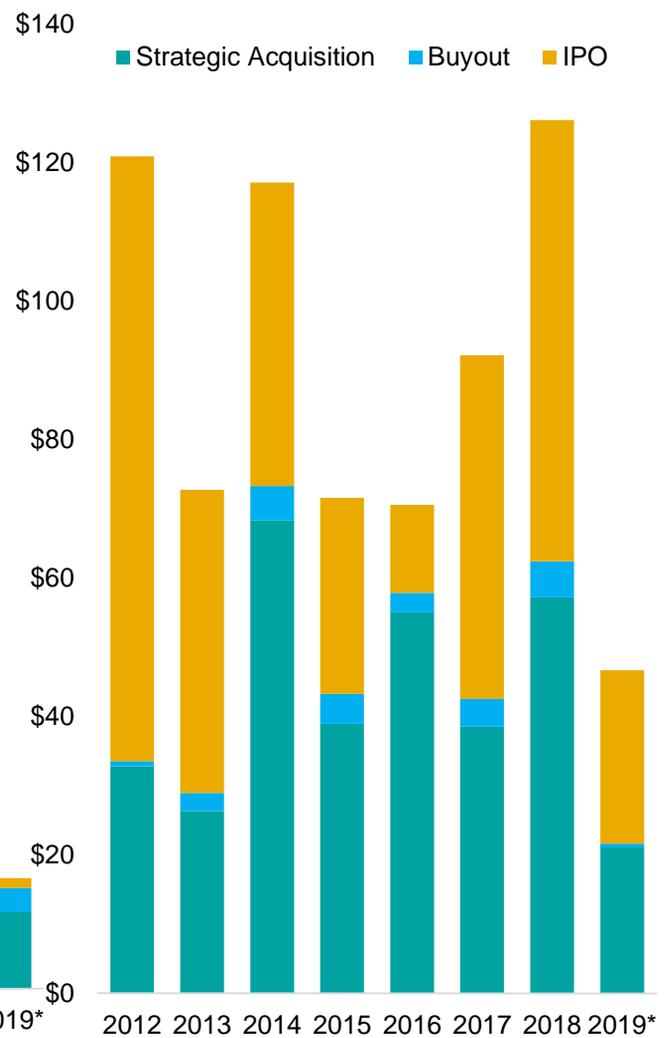
Venture-backed exit activity (#) by type in the US

2012–2019*



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

2012–2019*



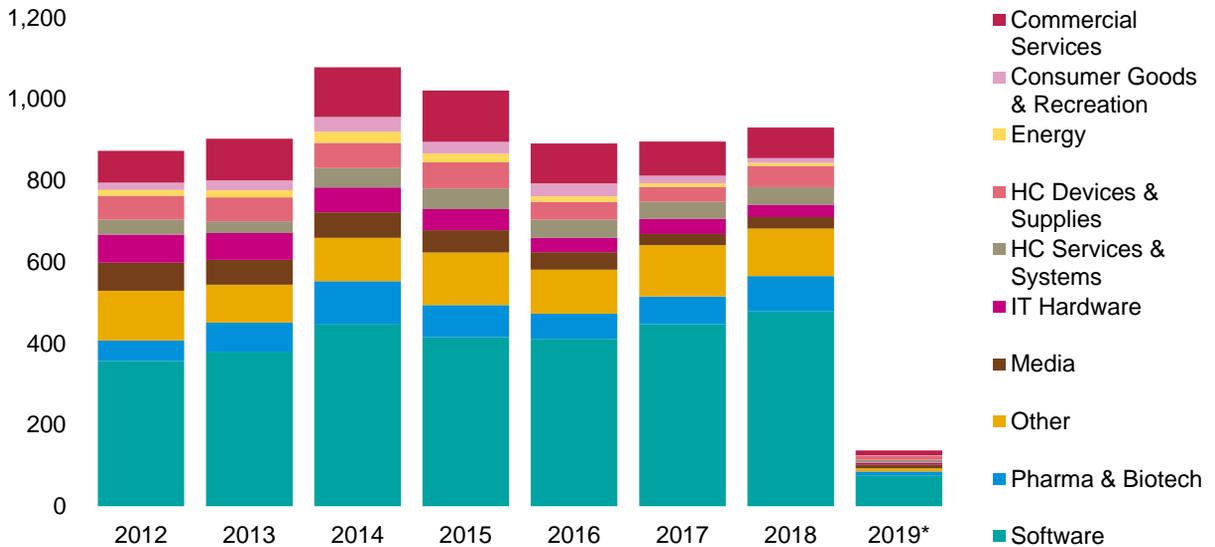
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Given the methodology shift incorporated in the prior edition of the Venture Pulse, IPOs remain a key driver of value in the venture landscape. This year may be even more of an outlier than ever before due to unicorn listings. M&A will likely remain the primary driver of volume, however.

Cross-sector drives exit value

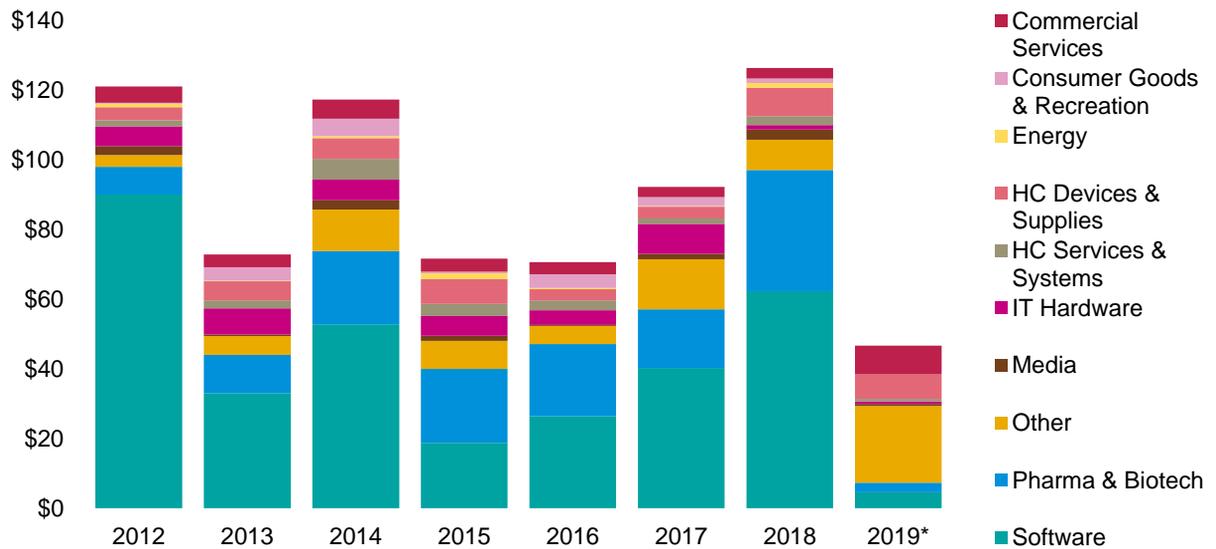
Venture-backed exit activity (#) by sector in the US

2012–2019*



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

2012–2019*

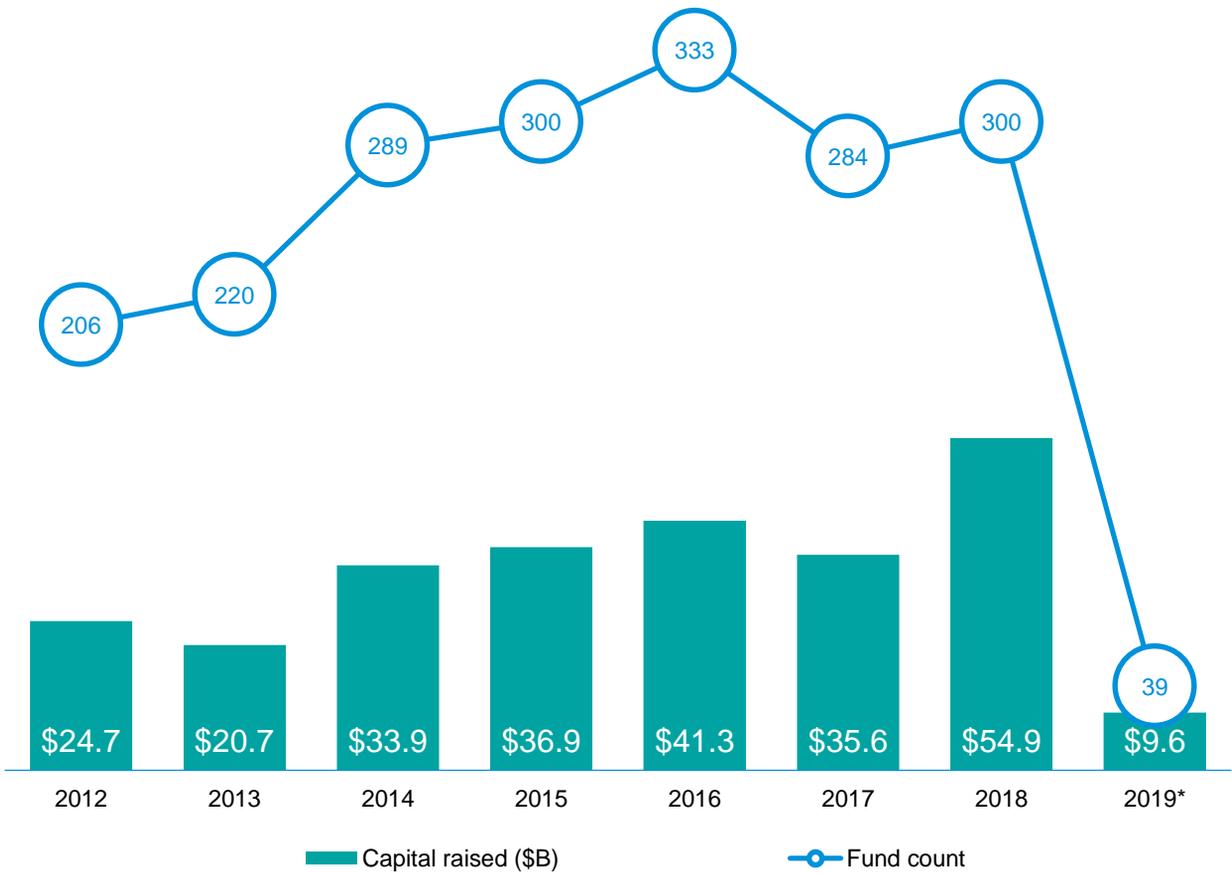


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

After record half, a cooling

US venture fundraising

2012–2019*



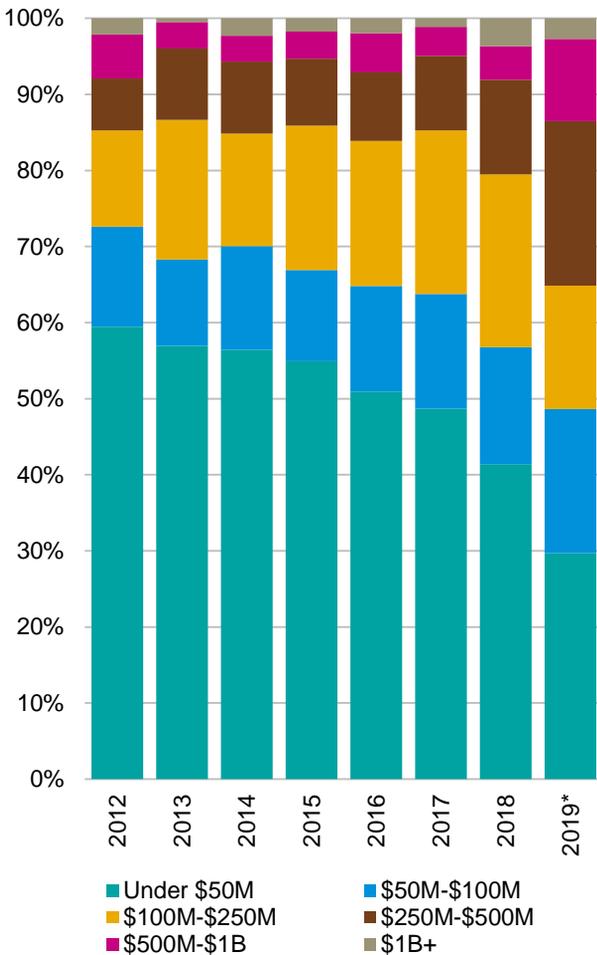
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

With the back half of 2018 marked by outlier totals of sums raised, due to mega-funds' incidence at the hands of the top venture firms, it was to be expected that the first quarter of 2019 would see a slowing in volume as well as VC invested, especially as processes kick off and yet do not necessarily close in the first quarter of the year. Overall, the quarterly total was well within historical norms.

First-time funds take a breather

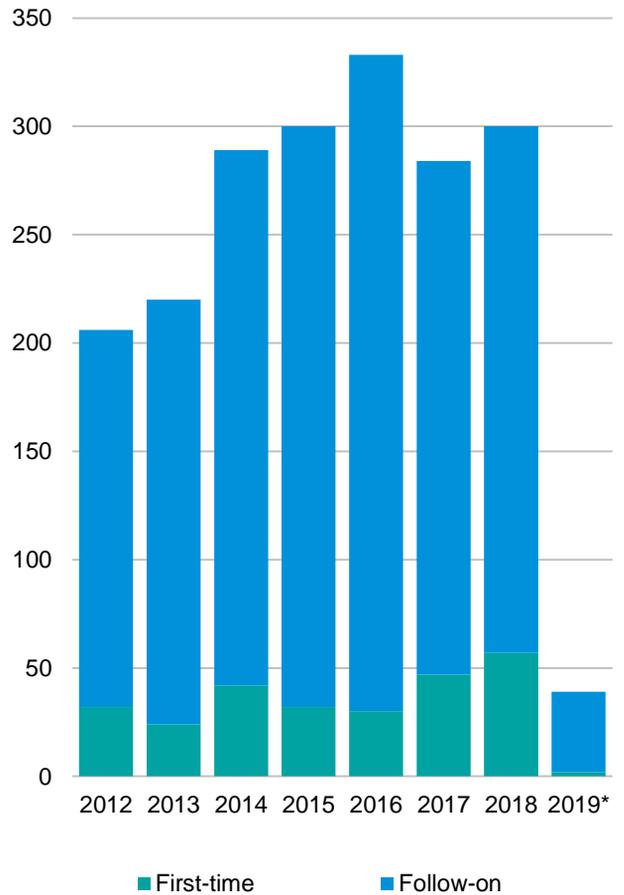
Venture fundraising (#) by size in the US

2012–2019*



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

2012–2019*

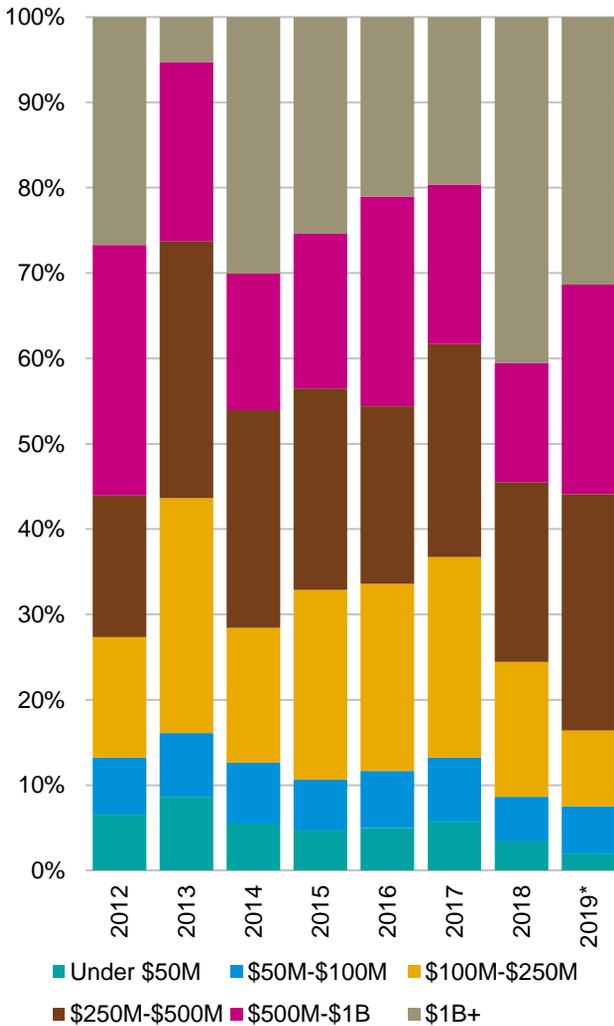


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

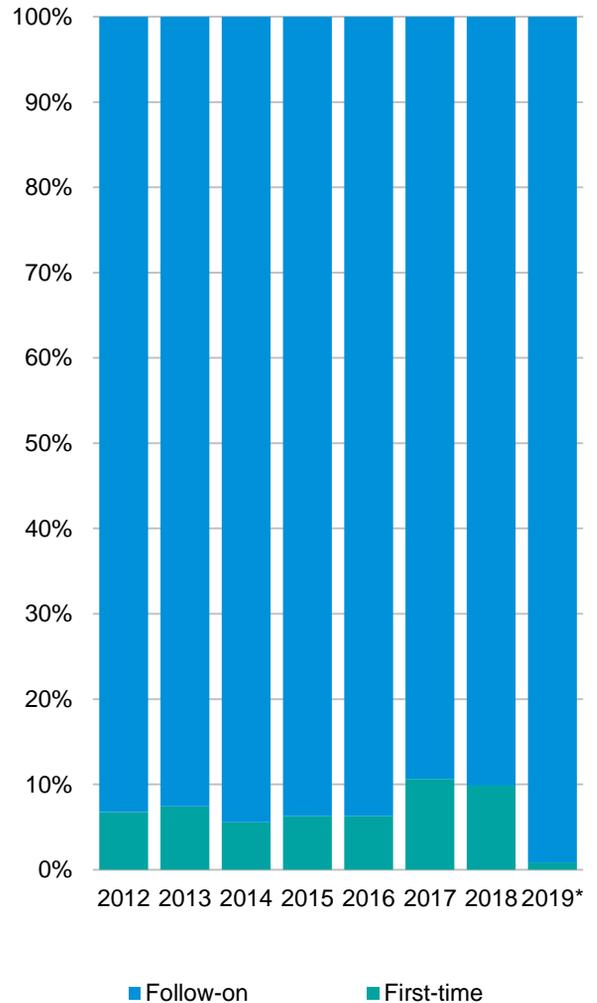
First-time funds finished 2018 at a historically high proportion in volume and thus as is to be expected in any trend, reversion to the mean was likely, especially with just a quarter's worth of data aggregated. There is no clear indication that first-time fundraising will decline significantly beyond the assumption that most appetite in the market for new manager allocations has been sated.

Follow-on fundraisers have an easier time

Venture fundraising (\$B) by size in the US
2012–2019*



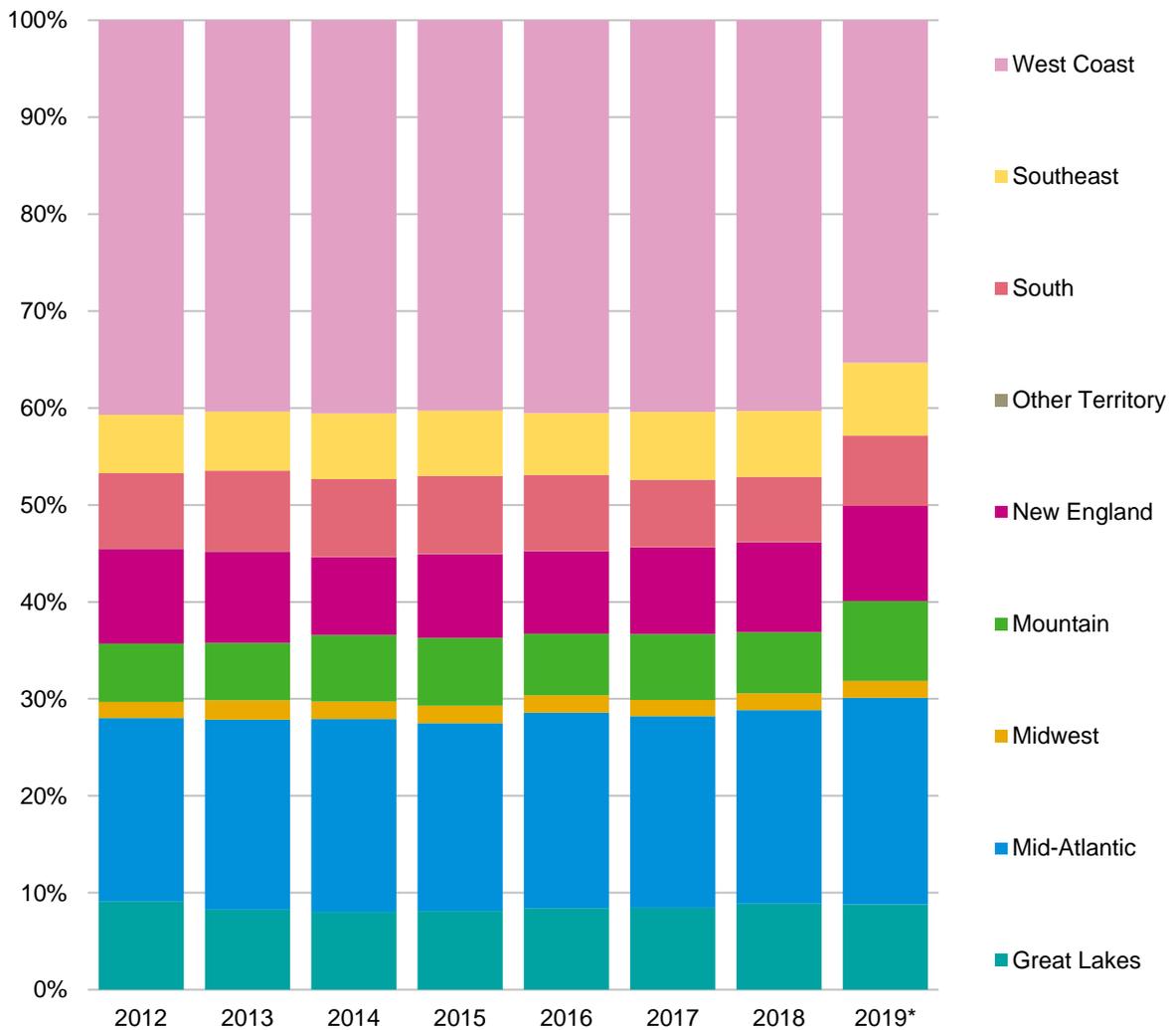
First-time vs. follow-on funds (\$B) in the US
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

2019 starts strong for emerging hubs

US venture activity (#) by US region 2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

***In Q1'19 VC-backed
companies in the
Americas raised***

\$33.3B

across

1,934 deals



VC investment in Americas strong following record-setting Q4'18

Following a record-shattering Q4'18, the Americas continued to attract a very significant amount of VC investment. The US accounted for the vast majority of investment in Q4'19, although interest in Canada and Brazil remained strong.



US megadeals drive VC in the Americas

The US accounted for the top 10 deals in the Americas during Q4'19, led by the \$5 billion raise by The We Company, the \$1 billion raise by Flexport and a number of other \$100 million+ megadeals. In Canada, Turnstone Biologics' \$42 million raise showcased the ongoing strength of biotech and life sciences investments in the country, while platform-based offerings also saw some nice sized deals, including a \$40 million raise by asset maintenance and management platform Fiix and a \$30 million raise connected car platform company Moj.io.



Successful IPO exits in Americas during Q1'19 bode well for future

After significant fluctuations to end 2018, the US public markets stabilized during Q1'19. This renewed positivity meant the IPO predictions made late in 2018 started to materialize. Following an IPO filing in Q4'18, Lyft, an on-demand ride-hailing service, began trading on the Nasdaq at the end of March. The first day of trading was positive, with stocks trading above its IPO price. With companies expected to issue an IPOs in Q2, there will likely be a lot of eyes on the IPO markets in the coming months. Should these unicorns achieve strong results, other late stage companies will likely follow in quick pursuit.

In Canada, small business focused POS and e-commerce provider Lightspeed raised \$240 million in its IPO on the TSX in March, making it one of the exchange's 10 largest tech IPOs in history. At the end of the first day of trading, Lightspeed's stock price was up more than 18%.



\$5 billion SoftBank Innovation Fund driving attention to Latin America

During Q1'19, Japan-based SoftBank announced the launch of a \$5 billion fund focused on technology startups in Latin America. The new fund, the largest of its kind focused on the region, is expected to drive significant interest over the next year. The move by SoftBank will likely, also, spur other global VC funds to increase their attention on Latin America, a region that is seen to hold a lot of untapped potential, both as an innovation hub and as an underserved market.



Canada sees strong number of mid-sized deals to start Q1'19

Canada attracted numerous moderate sized deals in Q1'19, highlighting the country's dynamic and varied VC market. With established innovation hubs in Vancouver, Toronto, Waterloo, Ottawa and Montreal, Canadian companies and regions continued to attract attention. In Q1'19, Silicon Valley Bank announced plans to open a Canadian headquarters in Toronto. Artificial intelligence continued to be a hot area of VC investment, crossing numerous verticals. Heathtech, biotech and automotive also continued to gain traction.



After second-largest quarter of VC investment ever, Brazil investment quieter in Q1'19

Following a strong Q4'18, Brazil got off to a quieter start in Q1'19. Despite the election of a new president several months ago and the hope that the election would help kick-start the economy, Brazil has seen little sustained improvement. While the Ibovespa Stock Exchange got off to a positive start in January, it dropped almost 8% in March, while the real tumbled 5.5%.

VC investment in Americas strong following record-setting Q4'18, cont'd.

During Q1'19, moderate sized deals characterized the VC market in Brazil, with companies such as online accounting software company Contabilizei attracting \$20 million, low-cost specialty health care and diagnostics provider Dr. Consulta raising \$19.5 million and mobile device management company Mosyle raising \$16 million.

Despite the quiet quarter of VC investment and increasing investor concerns related to the economy, Brazil continues to be a target for VC investors and corporates. The country is also starting to come onto the radar of companies looking to expand into new regions or to access less saturated markets. In Q1'19, for example, Germany-based challenger bank N26 announced plans to expand into Brazil.



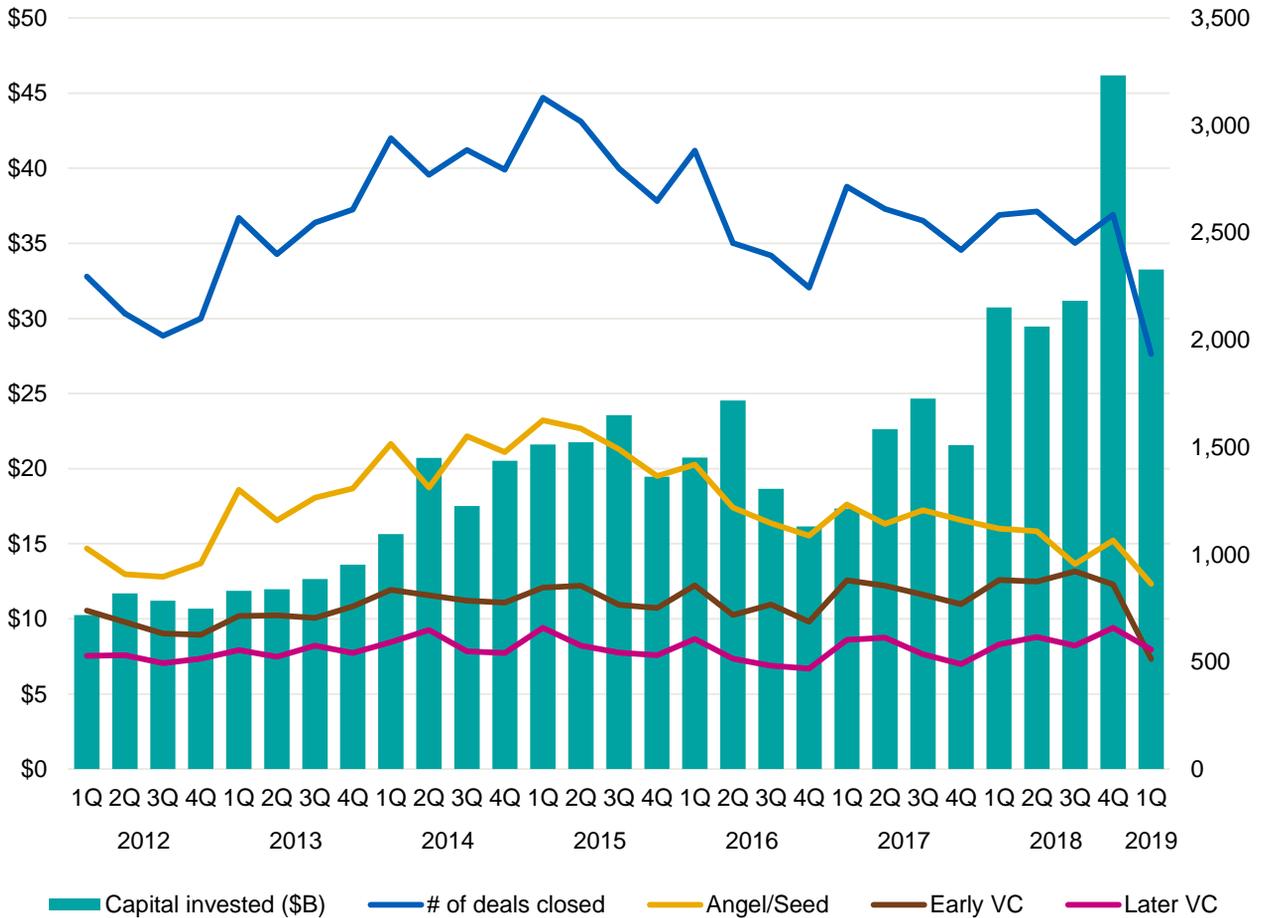
Trends to watch for in the Americas

The future looks positive for ongoing VC investment across the Americas, with the SoftBank fund announcement likely to spur interest in Latin America over the coming quarters. The performance of unicorn IPOs will be particularly important to watch heading into Q2'19, as the results could spur further exit activity.

The 2019 Collision Conference will be held in Toronto, Canada in May. The conference is expected to inject a significant amount of energy into the country's VC space during Q2'19.

A near-record tally

Venture financing in the Americas 2012–Q1'19



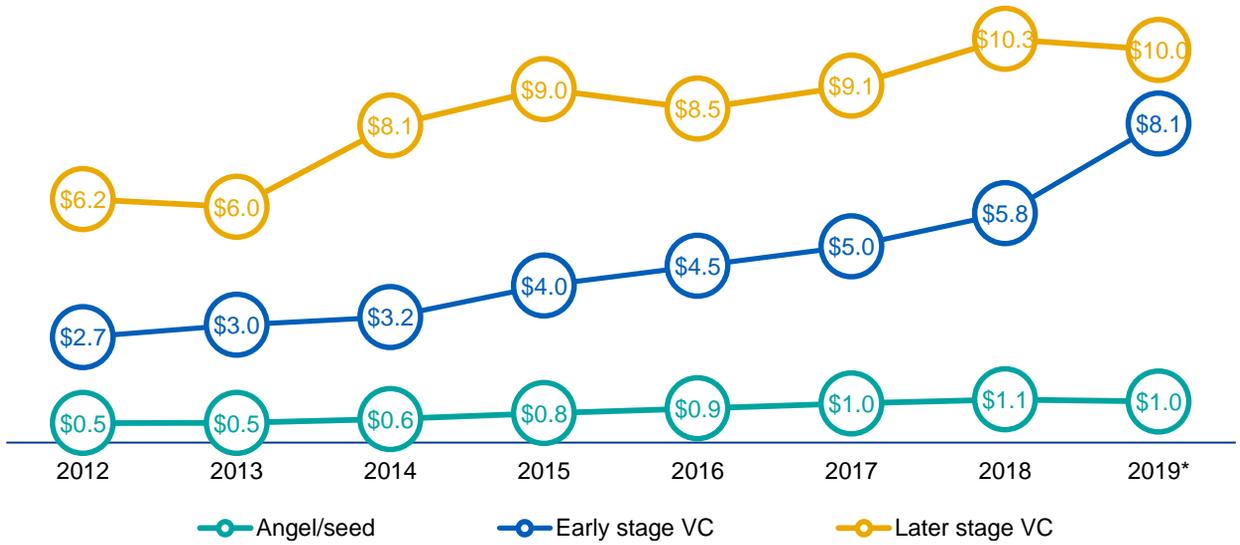
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

Volume has evened out across nearly all stages by and large across the most developed startup and venture ecosystem, regionally speaking. And, were it not for the record-setting \$12.8 billion Juul financing last quarter, Q1 2019 would have seen a record tally of VC invested. The late-stage boom and capital largesse of investors in the Americas is likely far from over.

Sentiment stays positive

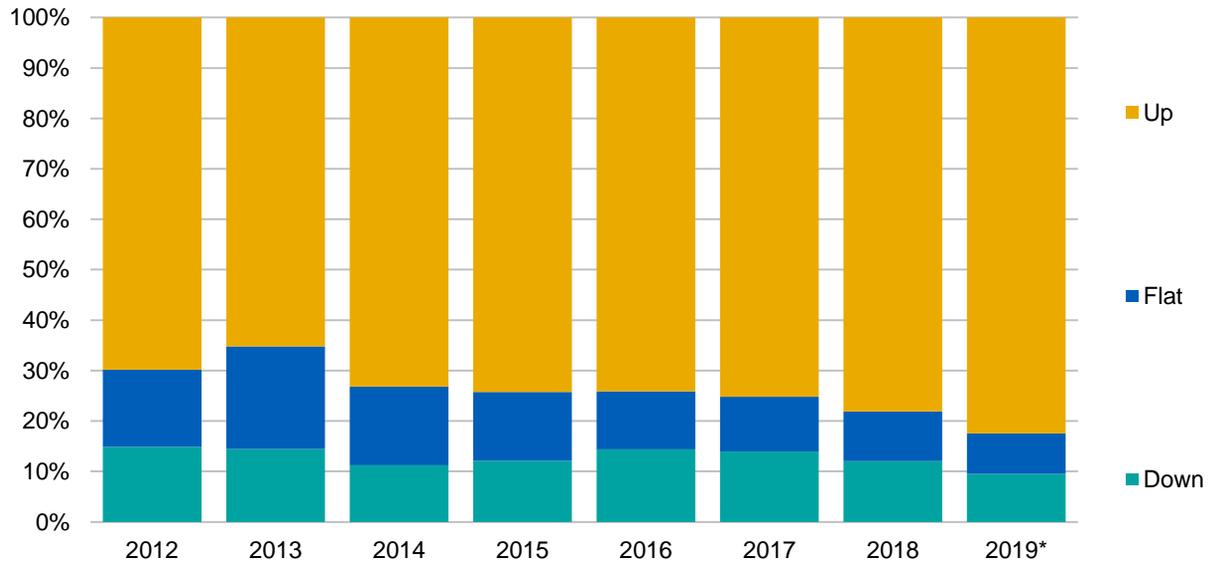
Median deal size (\$M) by stage in the Americas

2012–2019*



Up, flat or down rounds in the Americas

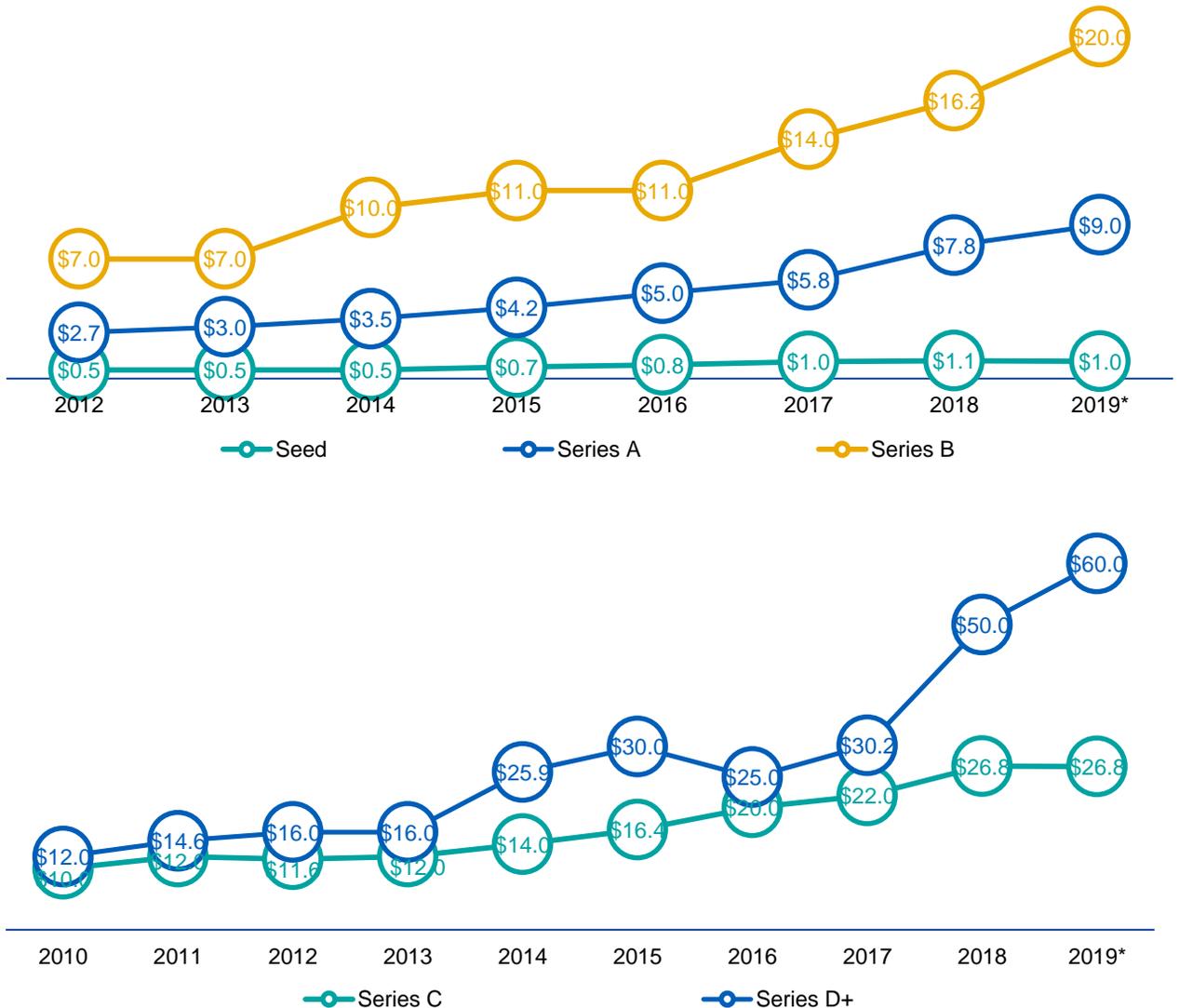
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Late-stage spreads widen

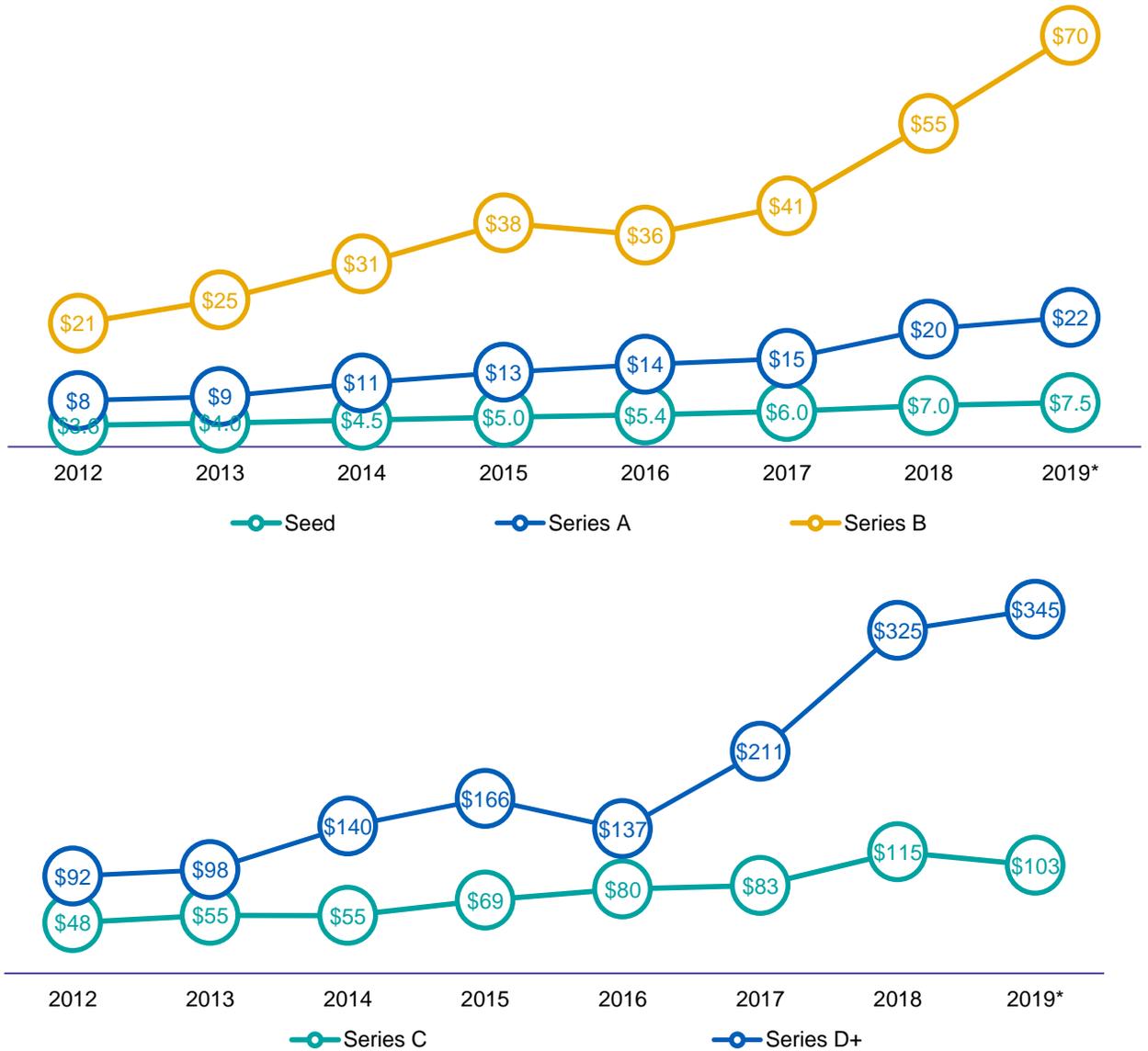
Median deal size (\$M) by series in the Americas
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Record highs persist

Median pre-money valuation (\$M) by series in the Americas
2012–2019*

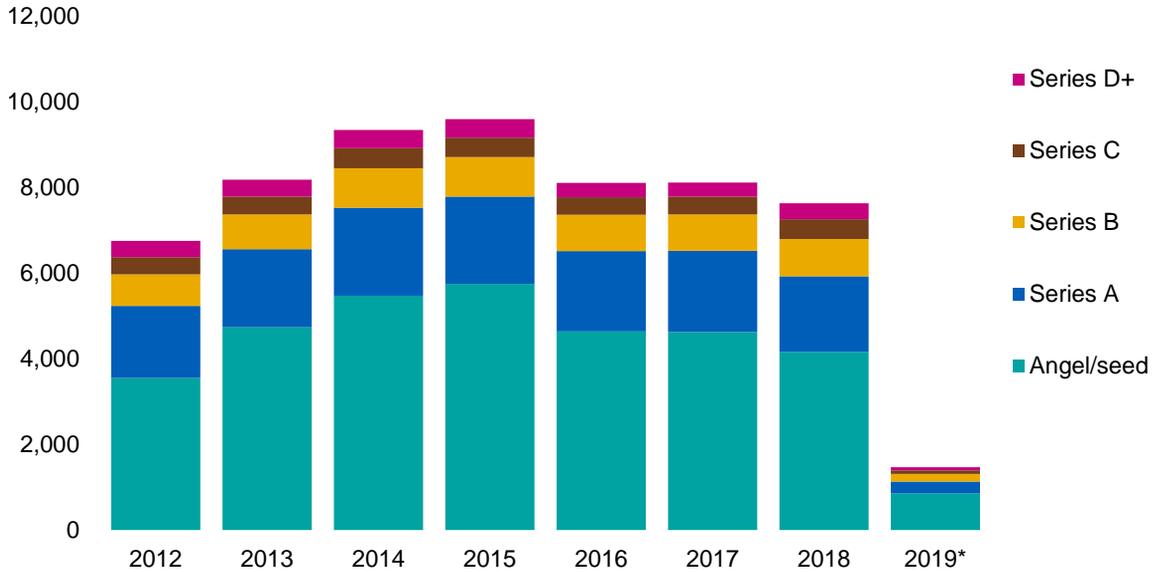


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Angel & seed stay resilient

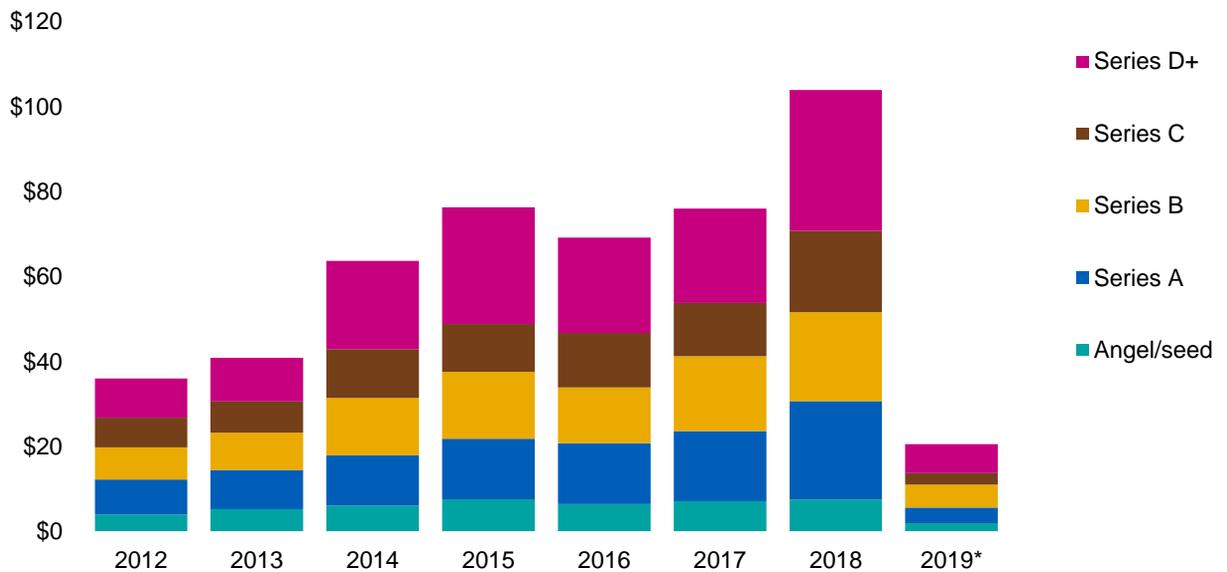
Deal share by series in the Americas

2012–2019*, number of closed deals



Deal share by series in the Americas

2012–2019*, VC invested (\$B)

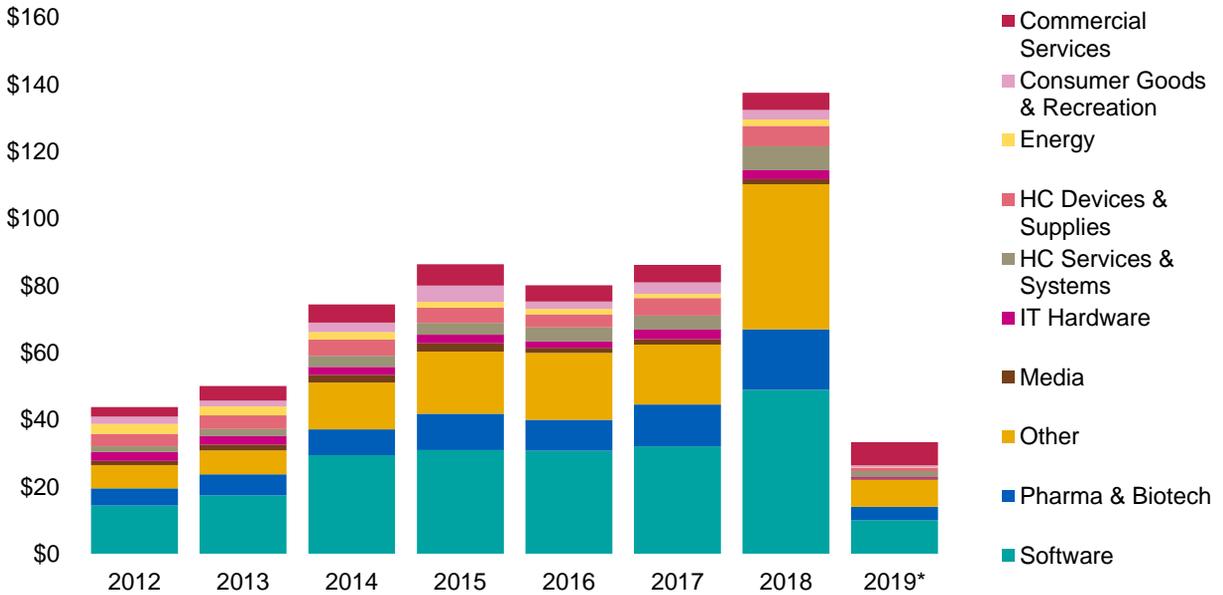


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Software & healthcare persist

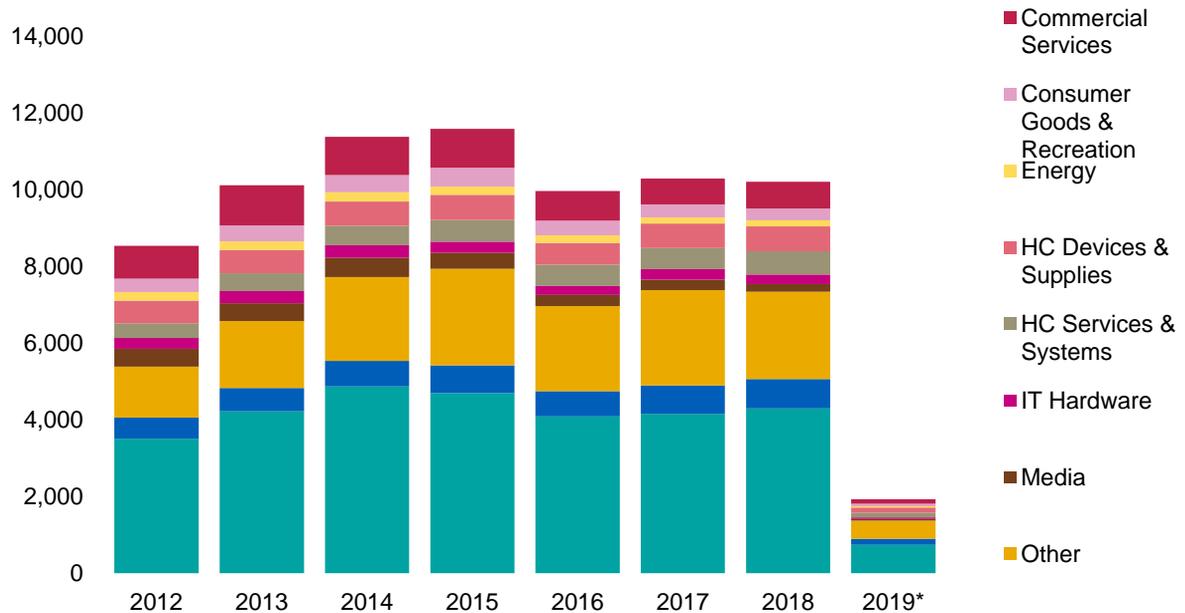
Venture financing of VC-backed companies by sector in the Americas

2012–2019*, VC invested (\$B)



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

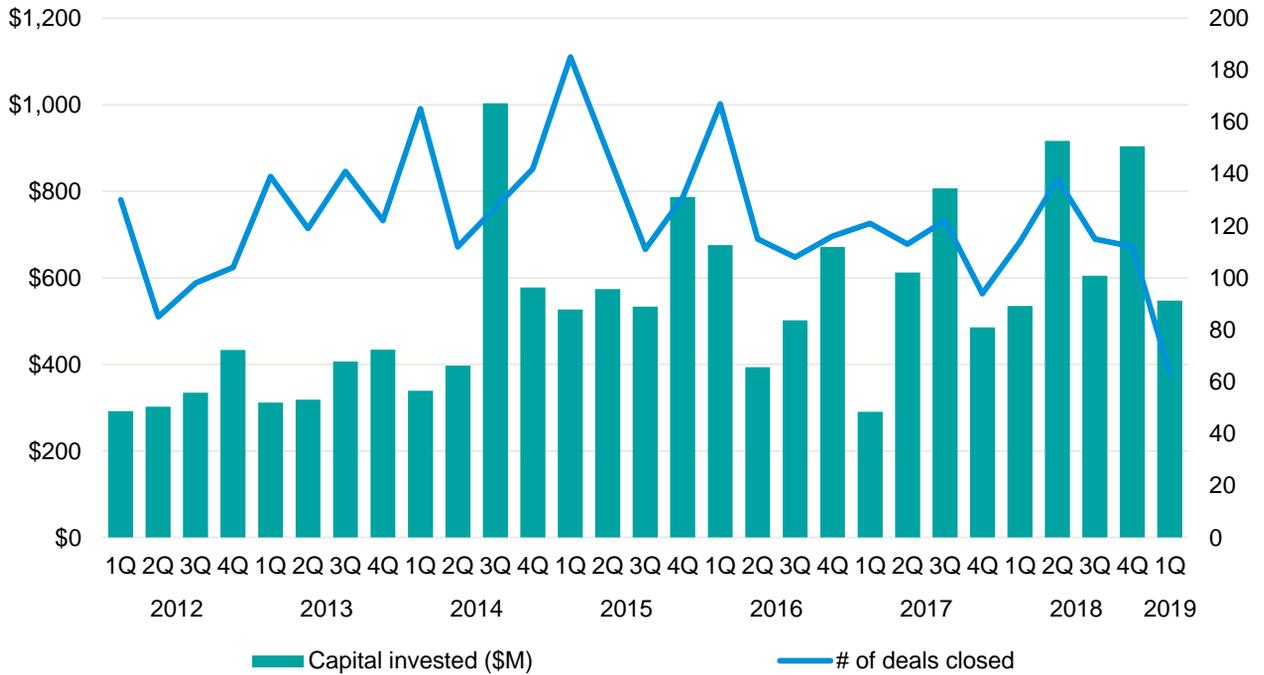
2012–2019*, # of closed deals



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

A historically healthy start to 2019

Venture financing in Canada 2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The dip in Q1 2019 should not be read overmuch into, as the tally of VC invested was quite healthy and there is likely a minor data lag in effect as is typical in private markets' coverage. The growing sector diversity of the Canadian startup ecosystem is more important to note, as notable deals for the quarter included the \$68 million funding of Carbon Engineering and the \$42.1 million Series C raise of Turnstone Biologics.

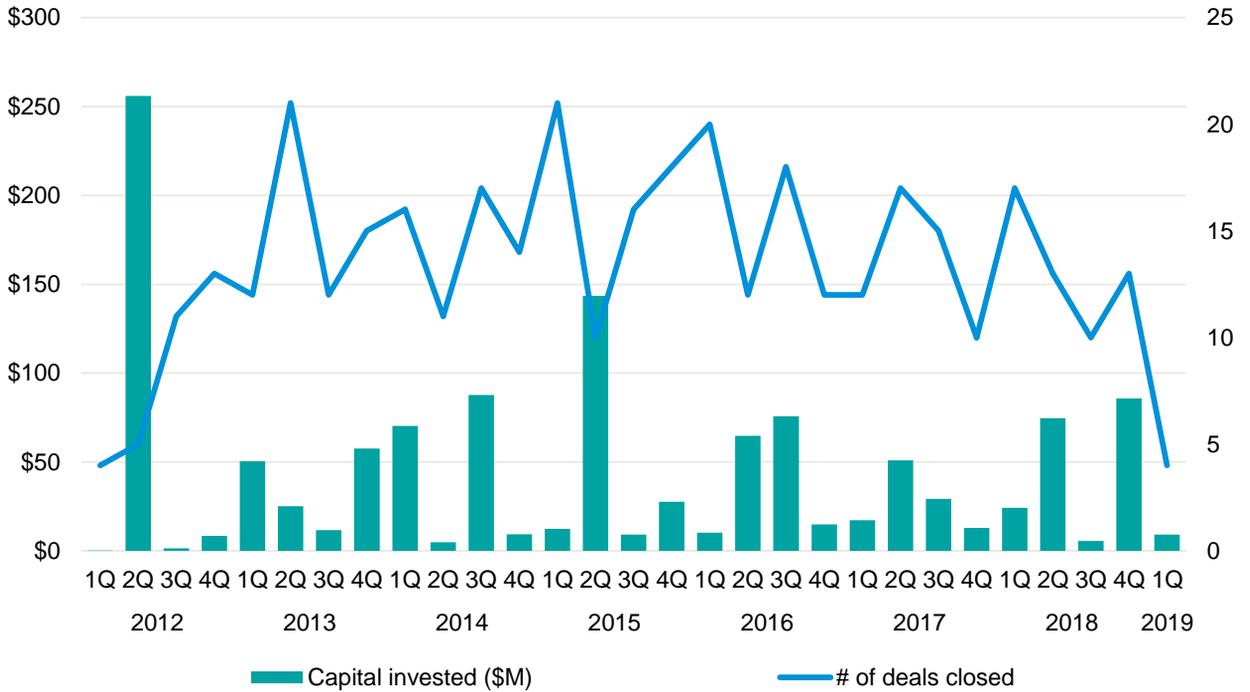
“Collision is going to be pretty exciting for Toronto. The city is poised to come alive with so many people and so many companies from around the world. It’s going to shine a spotlight on Canadian startups and companies that are past the startup stage. There’s also expected to be a ton of investors, a ton of larger conglomerates, and representatives from a wide range of industries. It will likely be the place to be in Q2’19.”



Sunil Mistry
Partner, KPMG Enterprise, Technology, Media and Telecommunications,
KPMG in Canada

After a robust Q4, a downturn to start the year

Venture financing in Mexico 2012–Q1'19

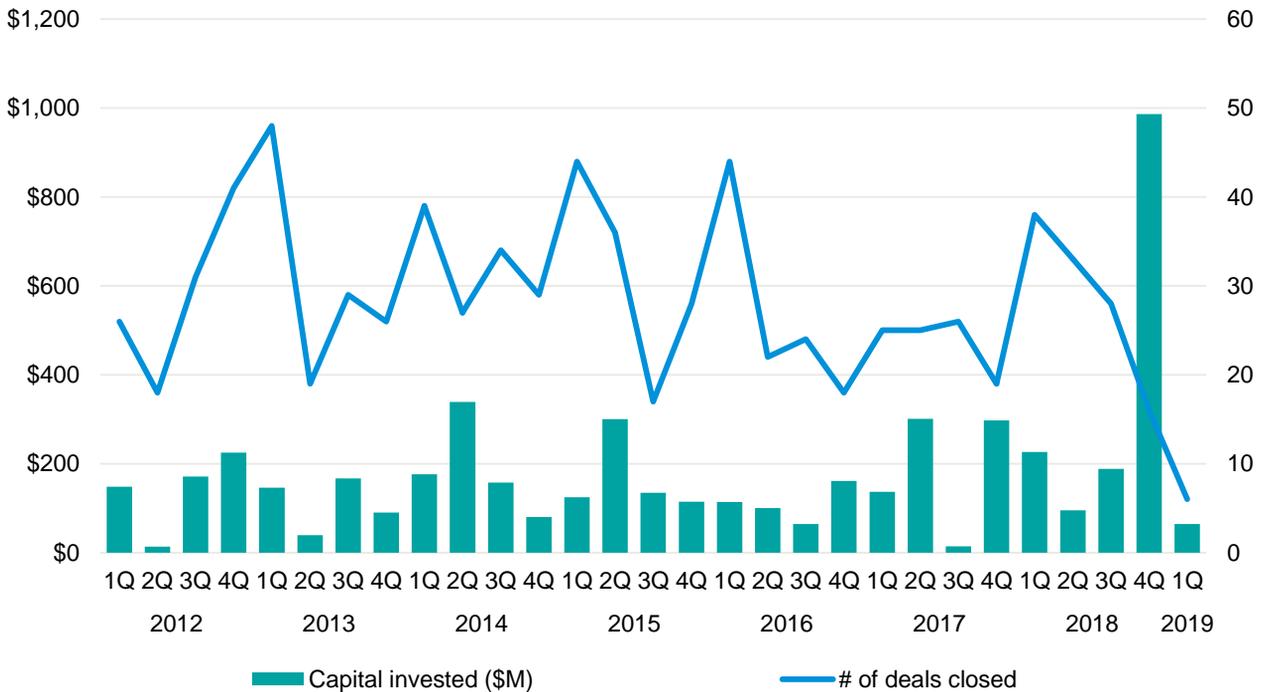


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The Mexican venture ecosystem is nascent and consequently prone to significant skew, particularly in regard to VC invested; Q1 2019 turned out to be more down than up, consequently, by both measures, however, in the wake of a robust Q4 2018.

After a high note, investors take a pause

Venture financing in Brazil 2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Q4 2018 observed several very large deals that skewed VC invested to a new high for the Brazilian venture ecosystem; a repetition would have been hard to pull off. Hence the decline in volume and VC invested overall, both quarterly aberrations more than anything else.

“Brazilian venture capital activity decelerated in Q1'19, following a record setting quarter at the end of last year which included the largest ever single venture capital investment in Latin America — a \$500 million investment in iFood. Nonetheless, there were a number of mid-sized investments this quarter in companies such as Contabilizei, Dr. Consulta and Mosyle. SoftBank’s announcement that it will be launching a \$5 billion fund directed at Latin American startups is an encouraging sign of continued foreign interest and investment in the tech ecosystems throughout South America.”



Raphael Vianna
Director,
KPMG Enterprise in Brazil

Traditional hubs of VC activity still dominate rankings



Top 10 financings in Q1'19 in Americas

- | | |
|---|--|
| <p>1 The We Company — \$5,000M, New York
Commercial services
<i>Corporate</i></p> | <p>6 Clover Health — \$500M, San Francisco
Healthcare
<i>Series E</i></p> |
| <p>2 Flexport — \$1,000M, San Francisco
Logistics
<i>Late-stage VC</i></p> | <p>6 SpaceX — \$500M, Hawthorne
Aerospace & defense
<i>Series J</i></p> |
| <p>3 Nuro — \$940M, Mountain View
Transportation
<i>Early-stage VC</i></p> | <p>8 Knock (Real Estate) — \$400M, New York
Real estate services
<i>Series B</i></p> |
| <p>4 Rivian — \$700M, Plymouth
Transportation
<i>Corporate</i></p> | <p>8 DoorDash — \$400M, San Francisco
Application software
<i>Series F</i></p> |
| <p>5 Aurora (Automotive) — \$530M, Palo Alto
Automotive
<i>Series B</i></p> | <p>10 Lime — \$310M, San Mateo
Automotive
<i>Series D</i></p> |

Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

***In Q1'19 European
VC-backed
companies raised***

\$6.5B

across

487 deals



VC market in Europe continues to diversify and attract investors

Geopolitical uncertainty continued to permeate Europe during Q1'19, led by the ongoing challenges associated with Brexit in the UK. Despite the heightening level of uncertainty, many countries within Europe saw significant interest from VC investors. This diversity has helped keep overall VC investment in Europe with strong companies from more than six countries in the region drew \$100 million+ megadeals during Q1'19, including Finland, France, Switzerland, Israel, Germany and the UK.



Digital banks in Europe see very strong investment in Q1'19

Digital banks received a significant amount of attention from investors in Europe during Q1'19, with Germany-based N26 raising \$300 million and UK-based Starling Bank raising almost \$100 million. Part of the attractiveness of digital banks has been their flexibility, the evolution of their business model and, in some cases, their ability to package and sell their technologies to more traditional banks in a white label form.



UK VC investment slows amid ongoing market uncertainty

VC investment in the UK slowed somewhat in Q1'19 amid ongoing Brexit uncertainty, with the most significant funds going to late-stage companies, including fintechs. Iwoca and Starling Bank. Corporate VC investment in the UK remained steady. During Q1'19, Mitsubishi Corporation invested over \$281 million in UK-based Ovo Energy, a company focused on electric vehicle charging and energy storage. Fintech, biotech, and healthtech continued to drive a significant amount of the VC investment in the UK, highlighting the resilience of these industries and the strength of London's innovation ecosystem. On the technology front, AI was particularly hot in the UK, a trend expected to continue for the foreseeable future.

During Q1'19, more than £280 million in funding was awarded to Metro Bank, Starling Bank and ClearBank as part of the Capability and Innovation Fund, an EU-mandated package to boost competition in the UK's business banking sector.



Germany sees solid VC investment to start year

Germany continued to attract VC investors across a wide mix of industries, with companies in pharmaceuticals, fintech, transportation and others raising large funding rounds. Fintech was particularly hot in Germany this quarter, with challenger bank N26 raising \$300 million to help fuel its international expansion and financial services marketplace platform Raisin raising \$116 million. Germany also saw increasing interest in companies offering B2B solutions, such as software platforms focused on business optimization and digitization.



VC investment in the Nordic region gaining momentum

While VC investment in the Nordic region softened somewhat in Q1'19, the region remained a growing area of interest to VC investors in Europe and internationally. Stockholm has evolved into a leading fintech hub, spawning a number of successful unicorns, including iZettle and Klarna. In recent years, Helsinki has also gained momentum particularly in the gaming space with companies like Supercell, Rovio and Small Giant Games. In Q1'19, Finland also saw the region's largest deal: a \$200 million raise by retail planning solution Relx.

VC market in Europe continues to diversify and attract investors, cont'd.

Fintech is seen as the hottest area of investment in the Nordic region, driven in part by open banking, PSD2 and other regulatory changes. In addition to the evolution of fintech startups like Blink, Think and payments unicorn Klarna, the region has also seen traditional corporates getting into the fintech space. Nordea and SEB, for example, have established their own VC investment arms



France continues to build strong innovation ecosystem

In 1Q'19, France set a new record with nearly \$1 billion invested. Remarkably, Doctolib, the online booking platform for doctors, reached unicorn status with \$175 million fundraising. The Agritech Ynsect received \$125 million to pursue transforming farmed insects into animal nutrition in France and to develop a factory in North America.

Fintech attracted significant investments during 1Q'19 with a \$46 million raise by Alan innovative Life and Health Insurance and a \$60 million raise by Shift Technology, a SaaS platform helping insurers detect fraudulent claims. Mobility and parking also generated significant interest from investors, in particular with Virtuo (\$20 million), Onepark (\$17 million) and Zenpark (\$11 million).



Israel's VC market very strong in Q1'19

Israel continued to see a lot of activity in the innovative technology space in Q1'19, including the acquisition of computer networking company Mellanox by NVIDIA for \$6.7 billion and a \$110 million raise by networking firm Drivenets. Israel remains a hotbed of VC investment related to cybersecurity, although Q1'19 also saw nice sized investments in a range of other areas including a \$50 million raise by cannabis inhaler company Syqe Medical and a \$39 million raise by healthcare-focused predictive analytics company EarlySense.



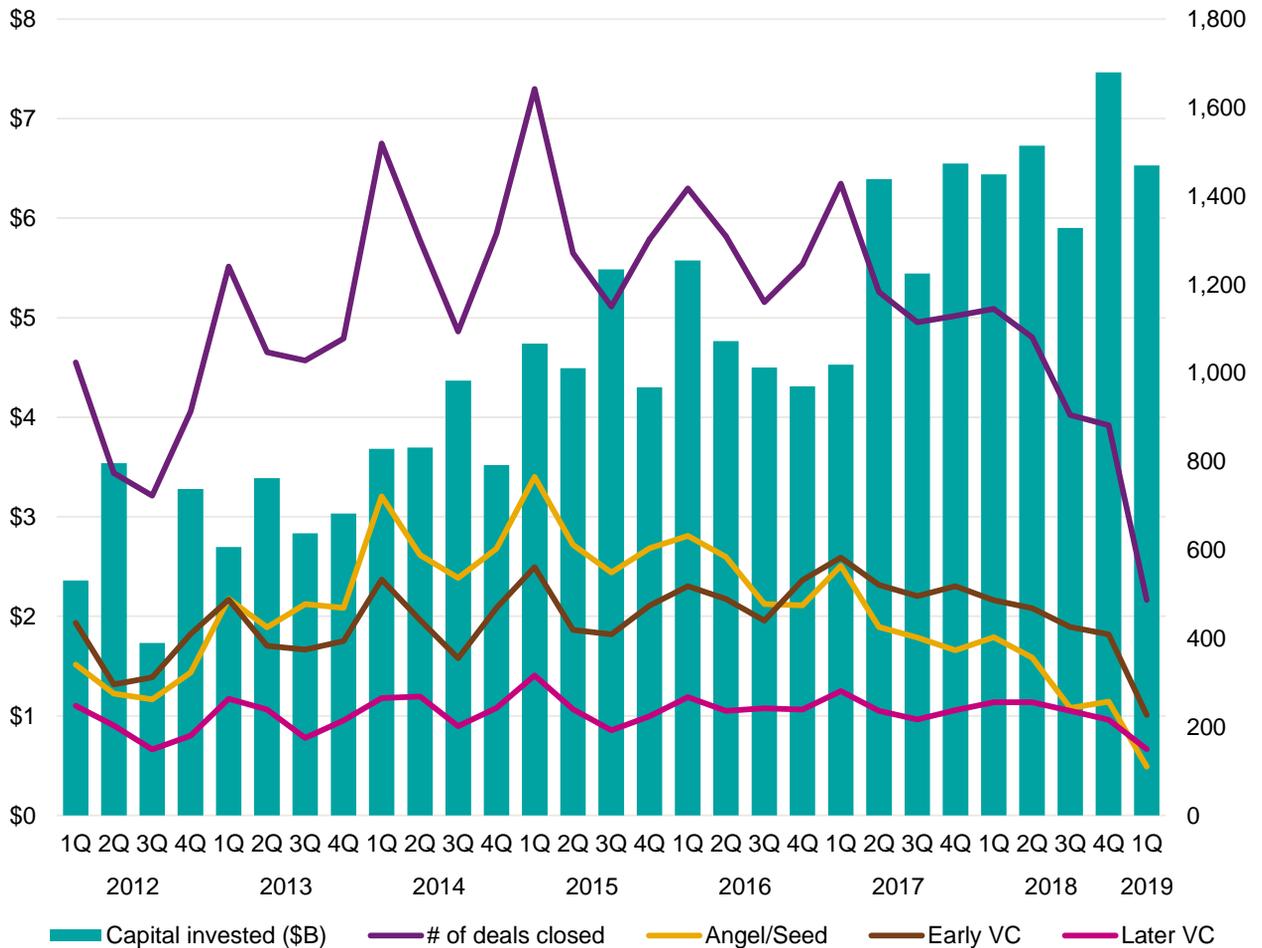
Trends to watch for in Europe

The ongoing uncertainty around Brexit will continue to be of concern for VC investors in Europe, in addition to the potential for a trade war between the US and Europe, particularly in the automotive space. Increasing trade concerns could, however, provide a catalyst for traditional automotive companies in Europe to focus on innovation and alternative revenue streams over the next few quarters.

Artificial intelligence is expected to remain a very hot area of investment throughout much of Europe, in addition to life sciences, biotech and fintech. Looking forward, Europe is also expected to see an increase in partnerships in the financial services sector. There could also be some M&A in the space as successful companies look to grow and gain more market share.

After record close to 2018, Q1 2019 starts strong

Venture financing in Europe 2012–Q1'19



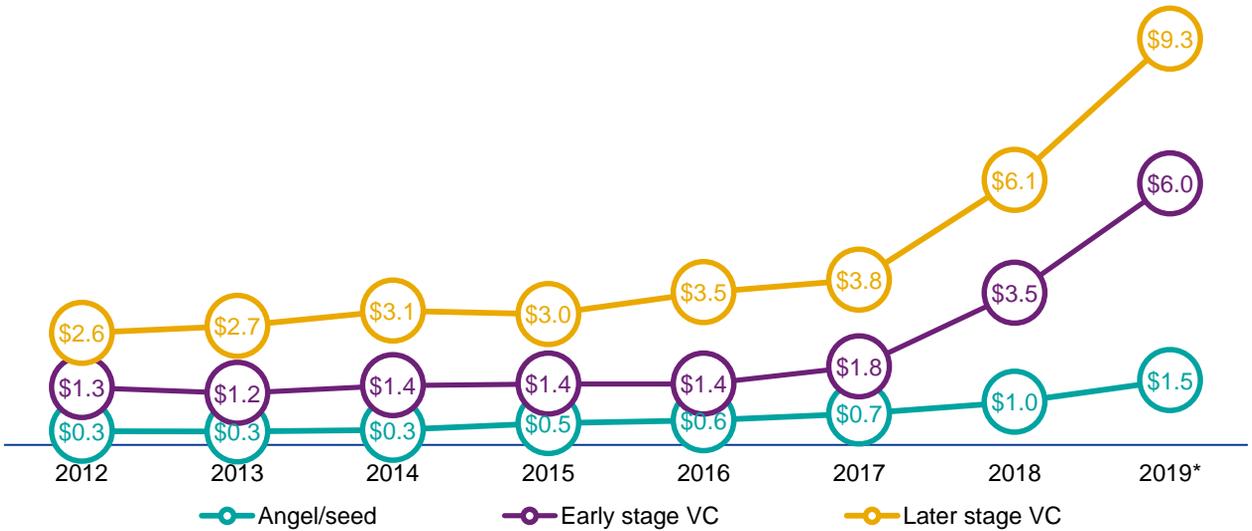
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

The ongoing decline in completed financing volume, on a quarterly basis, may have evened out somewhat in Europe as seen from the most recent tally for the final quarter of 2018. Primarily, due to private markets' deal flow tracking data lags. VC invested highs still suggest investor confidence remains robust, if a tad cautious still, and cross-border activity is also helping bolster overall deal flow.

New highs across all stages persist into 2019

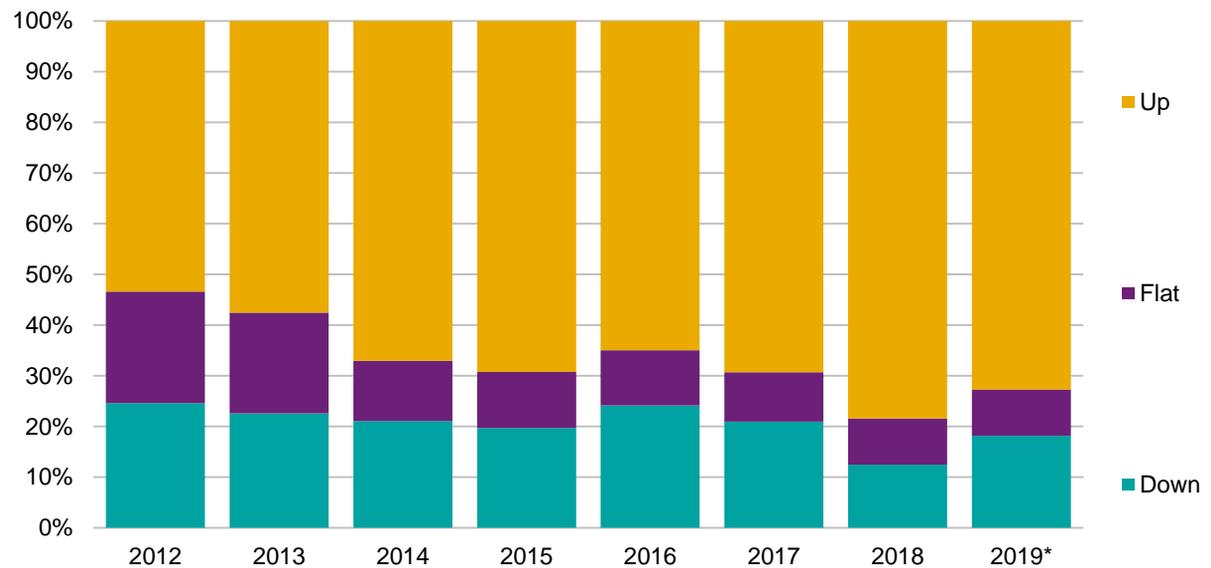
Median deal size (\$M) by stage in Europe

2012–2019*



Up, flat or down rounds in Europe

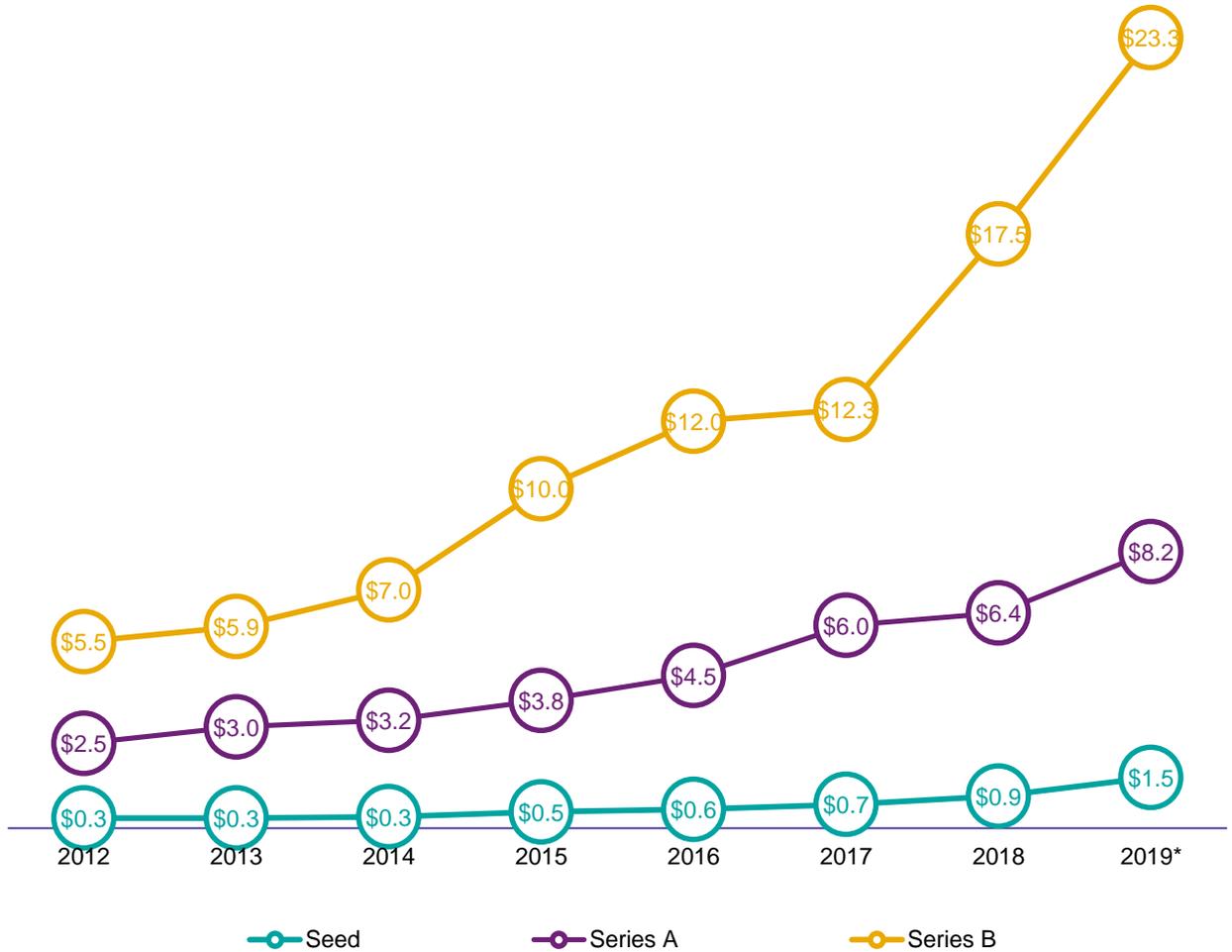
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The early stage inflates

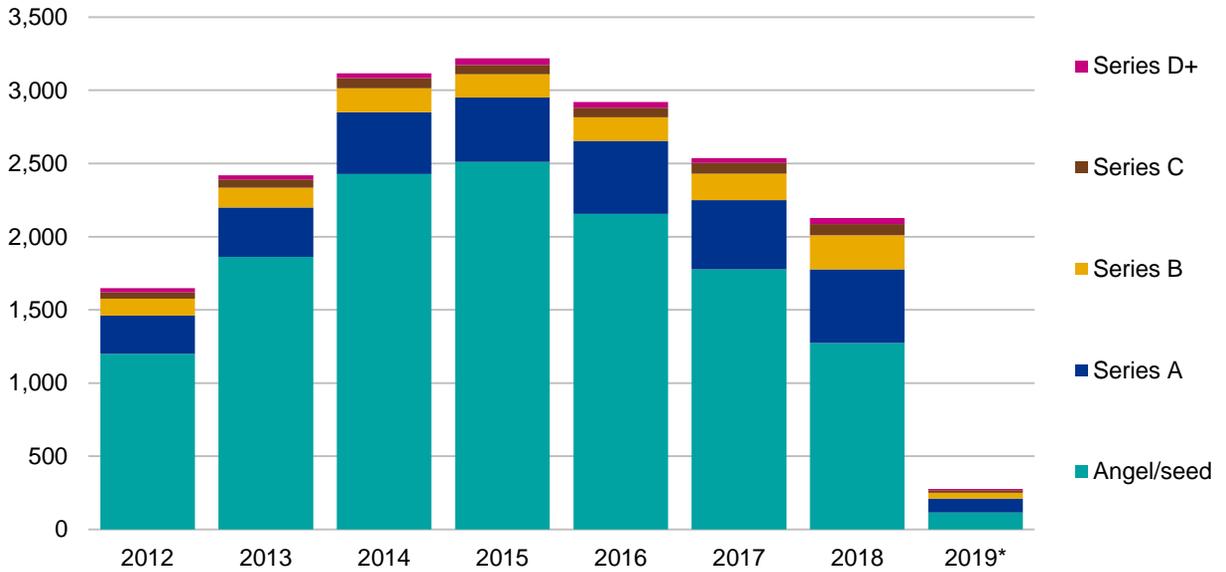
Median deal size (\$M) by early-stage series in Europe
2012–2019*



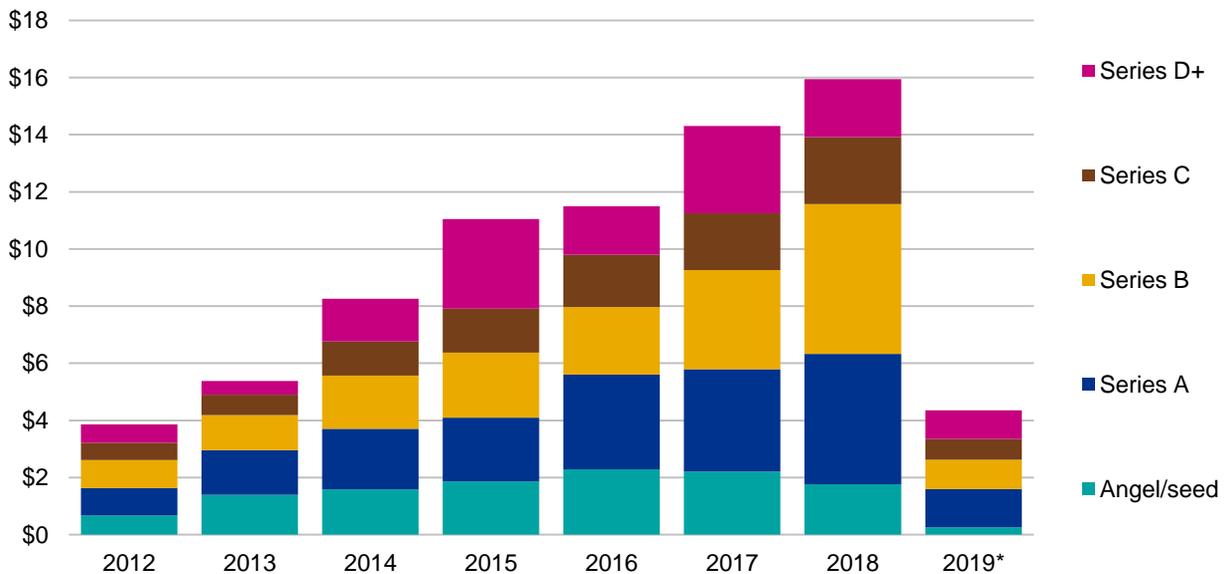
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Proportions hold steady

Deal share by series in Europe
2012–2019*, number of closed deals



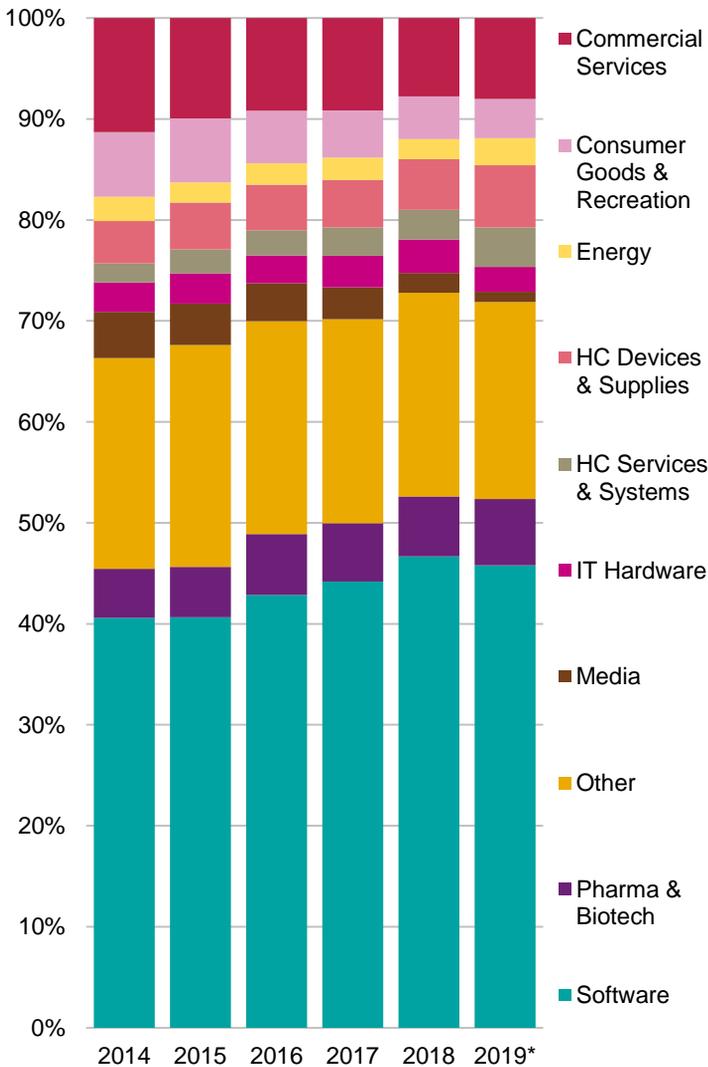
Deal share by series in Europe
2012–2019*, VC invested (\$B)



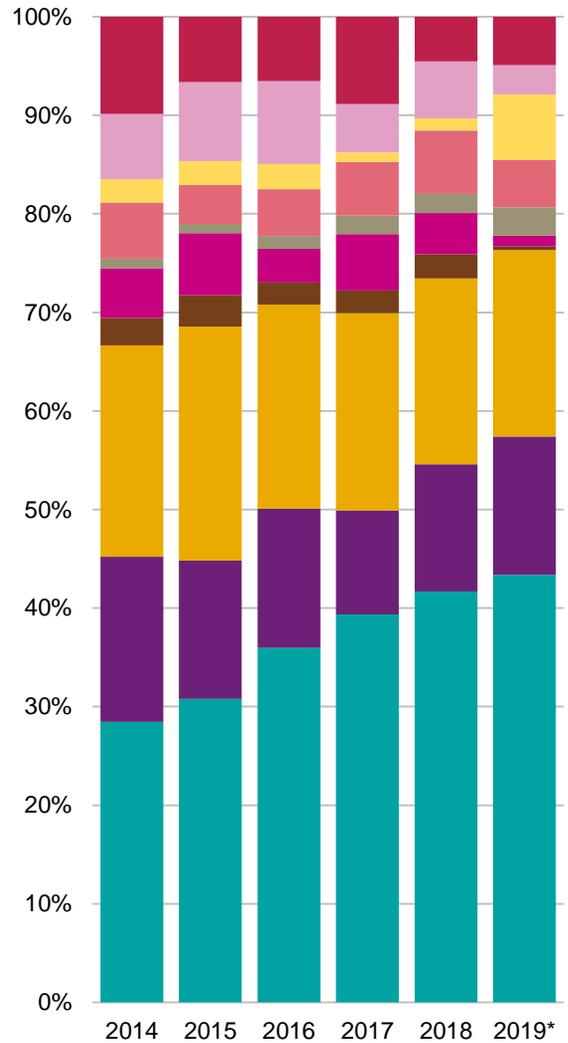
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Software is most lucrative

European venture financings by sector
2014–2019*, number of closed deals



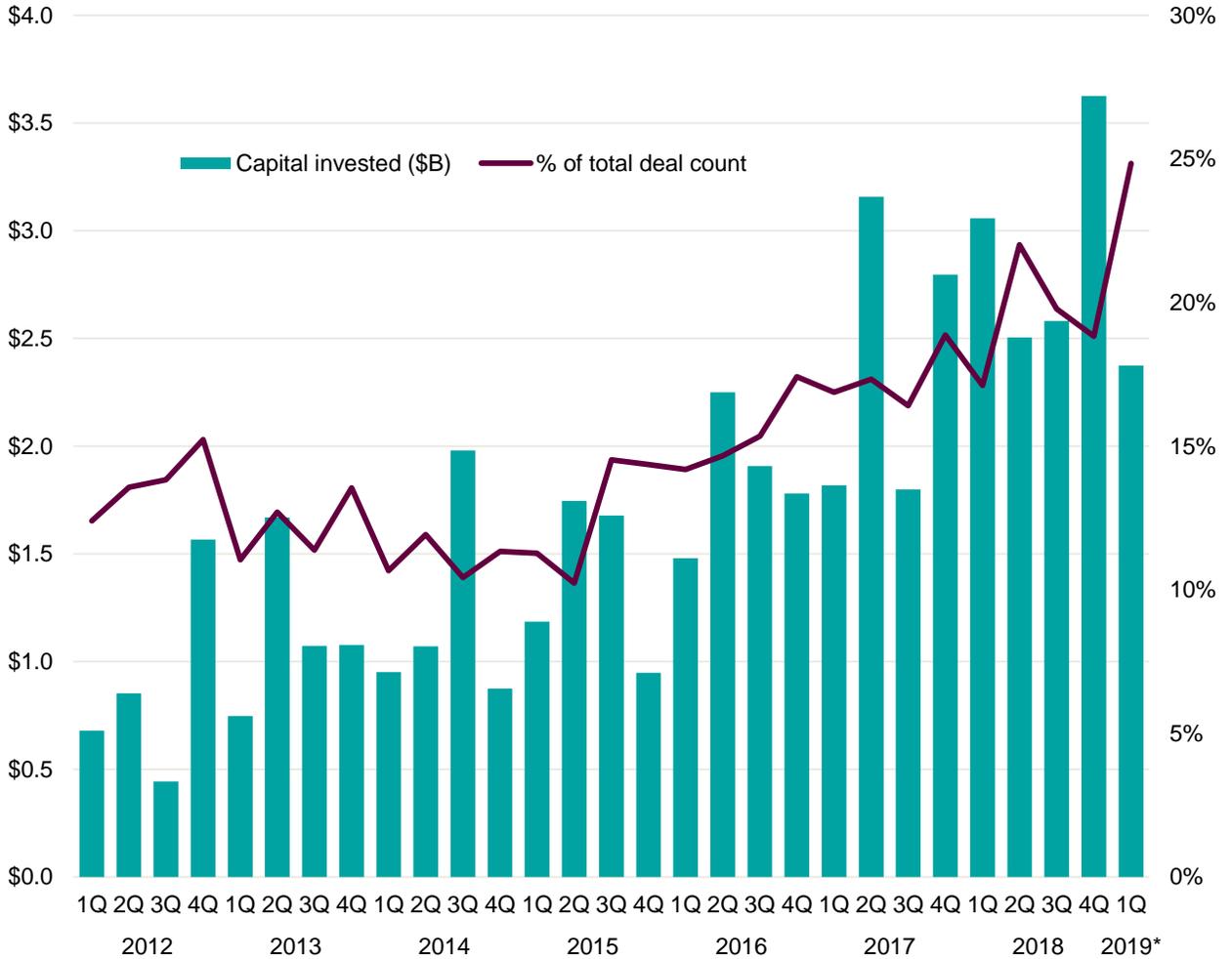
European venture financings by sector
2014–2019*, VC invested (\$B)



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

CVCs soar to new high

Corporate VC participation in venture deals in Europe 2012–Q1'19

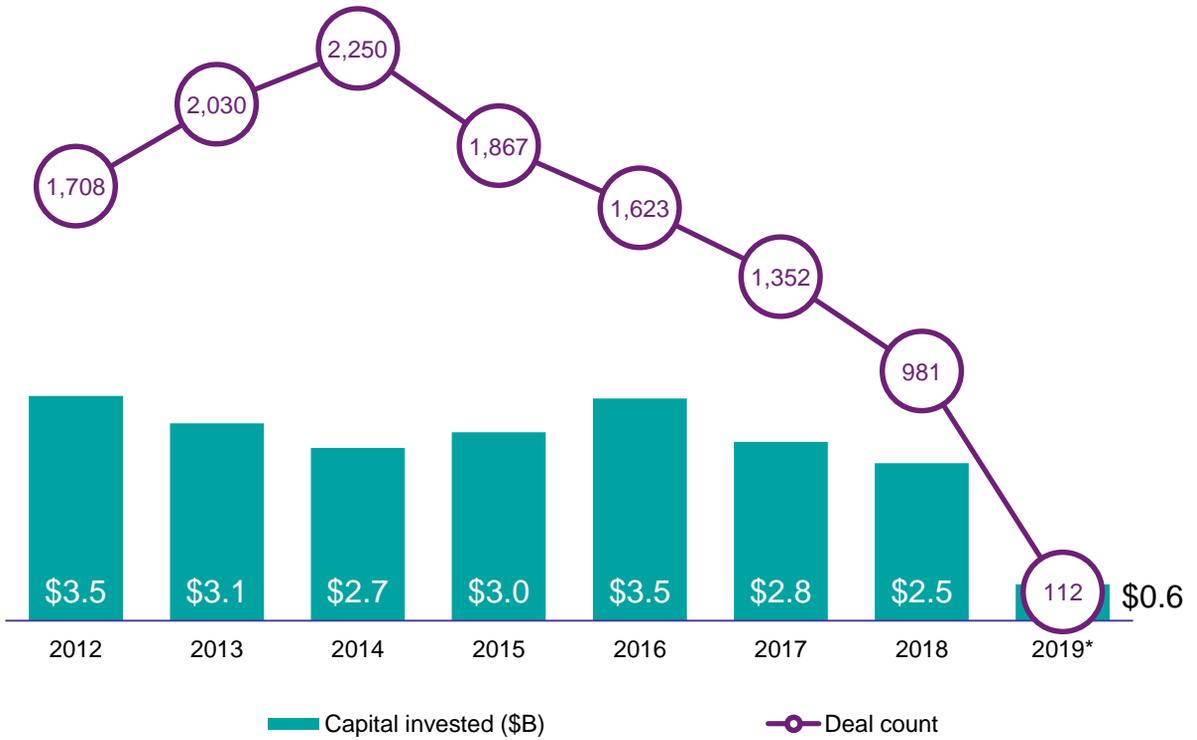


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

The rebound observed globally for CVCs hit an even higher mark in Q1 2019 for their participation in Europe-based deals, as the percentage closes in on a quarter of all volume. That remarkable figure is only eclipsed in one other region — Asia-Pacific.

First-time funding volume stays low

First-time venture financings of companies in Europe 2012–2019*

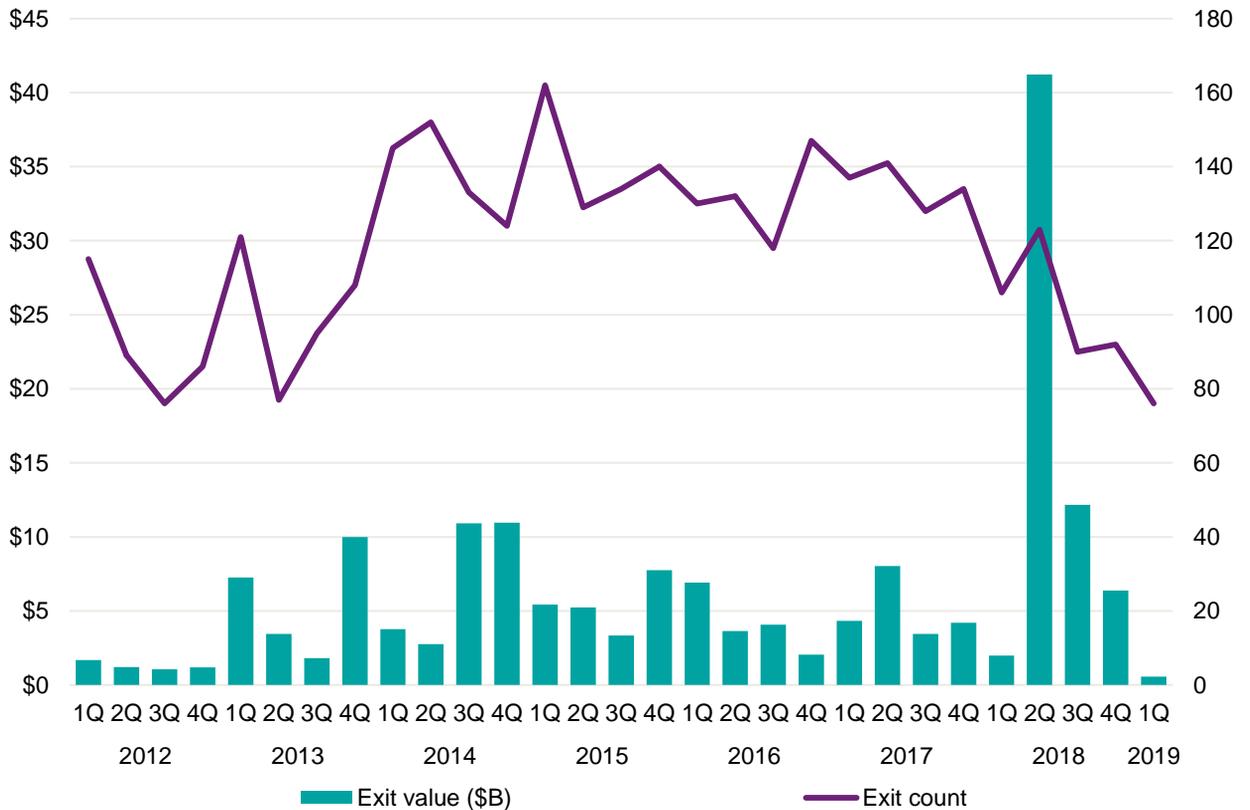


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Once again, it must be noted that new business creation is notoriously difficult to track and, moreover, historical lags affect not only venture financing tracking, but also such figures (as, frankly, lagging affects all private financial and economic data). Moreover, new businesses in many European nations likely seek alternatives to venture funding initially. All that being said, the overall trend of significant decline in first-time financing still holds into 2019's first quarter. Over \$500 million invested in the 112 first-time rounds thus far in 2019, however, is a more promising note.

2019 sees slow start

Venture-backed exit activity in Europe 2012–Q1'19



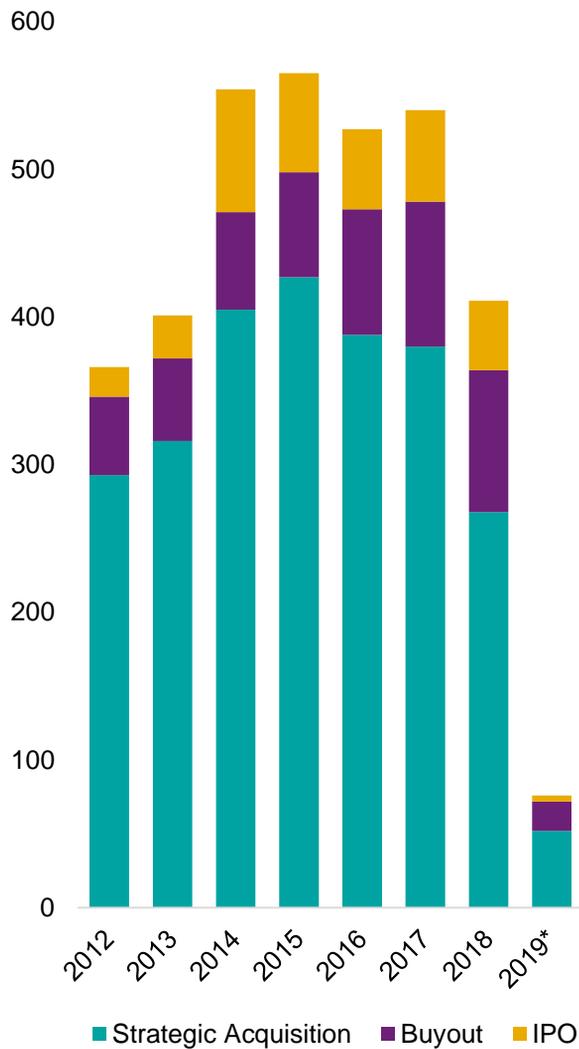
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

Last year, outlier IPOs by Spotify and Adyen pushed total exit value quite high for the continent on the whole. 2019 has yet to see any such matching exits, and thus, the cycle turned in a very low quarter overall. Given the rate of late-stage venture funding, however, there may be some blockbuster exits eventually.

M&A will remain key to European exit values

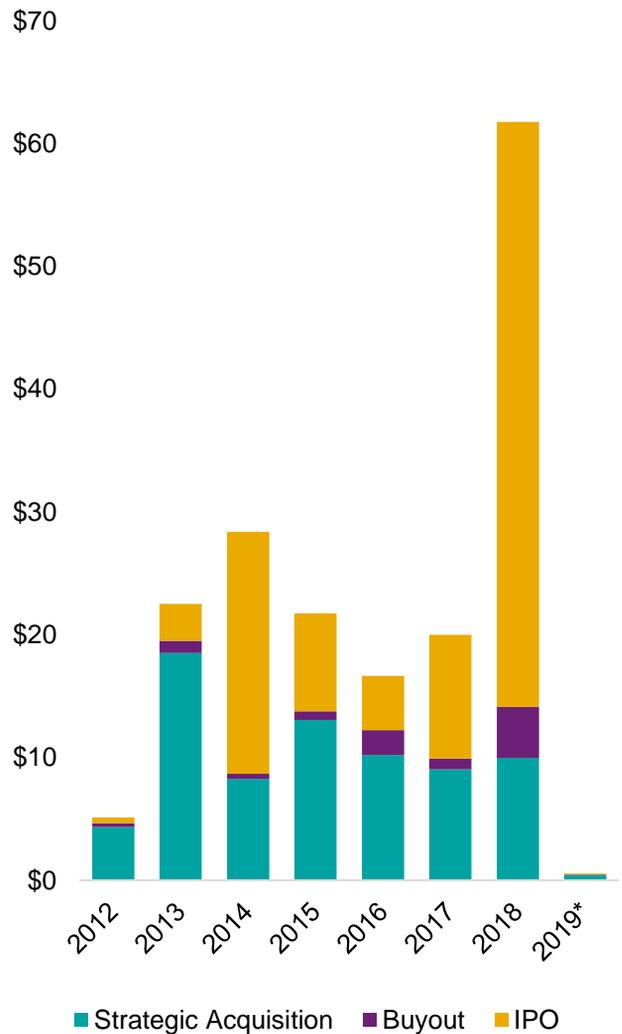
Venture-backed exit activity (#) by type in Europe

2012–2019*



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

2012–2019*

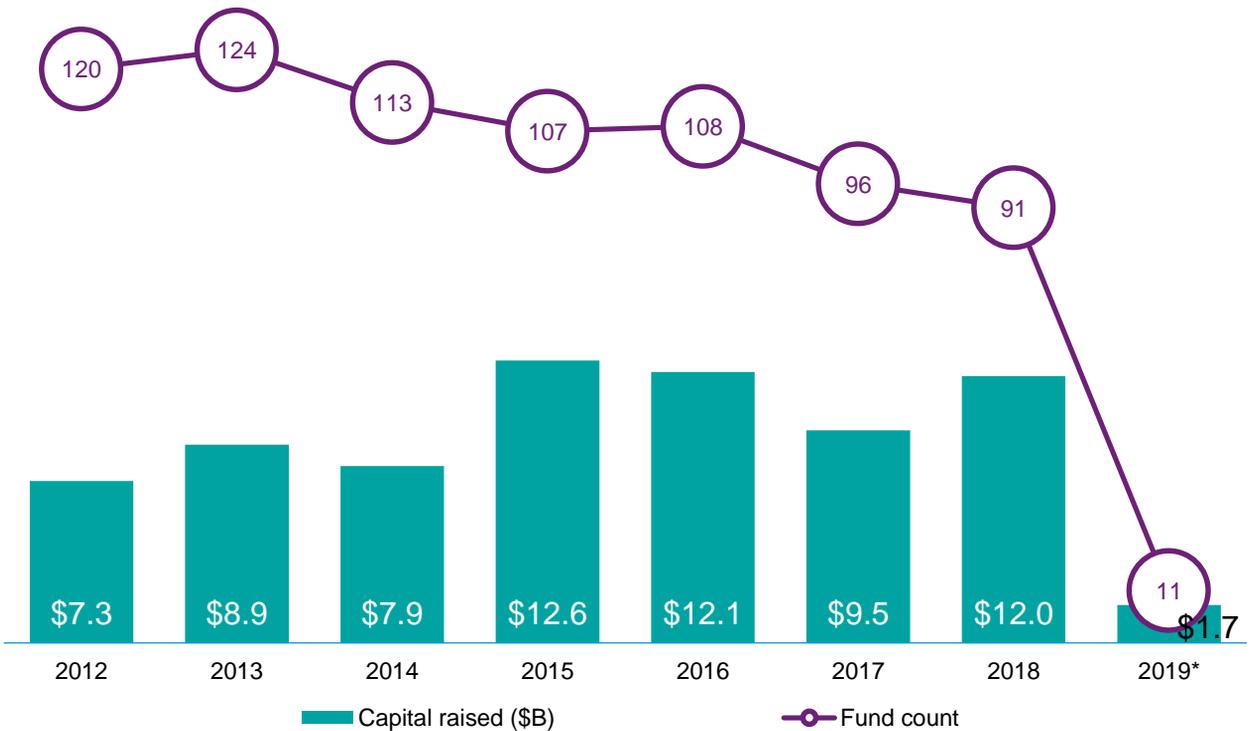


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Fundraising chugs along at subdued pace

European venture fundraising

2012–2019*



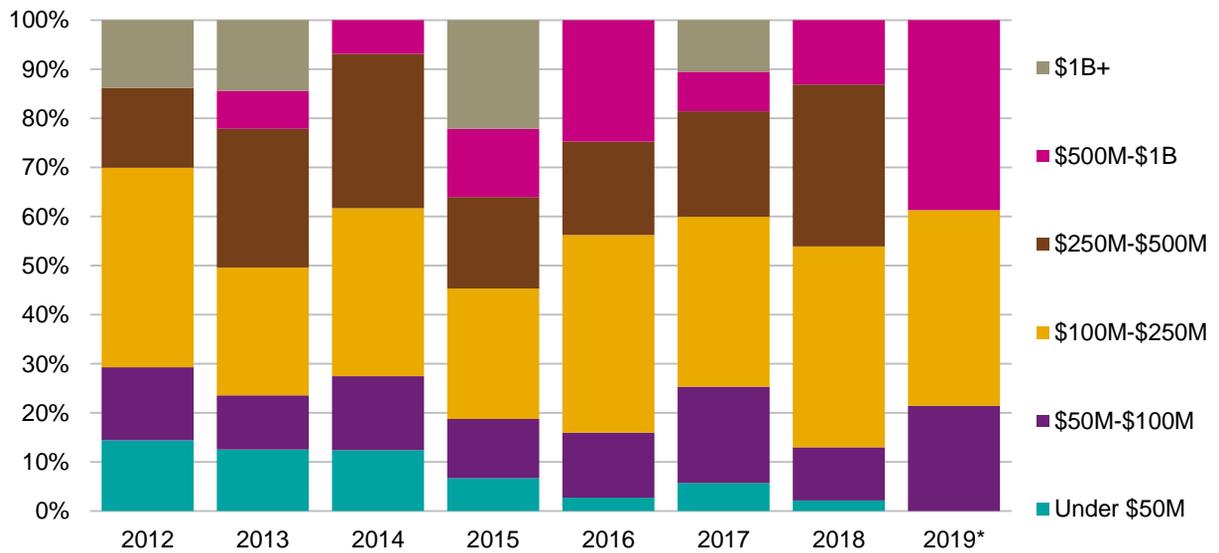
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The European fundraising scene still sees relatively subdued volume, although quarterly values by, and large, have stayed close to historical averages. Outside investors' continued participation will remain critical given overall funding rates.

Subdued fundraising volume doesn't provide any evidence of trends as of yet

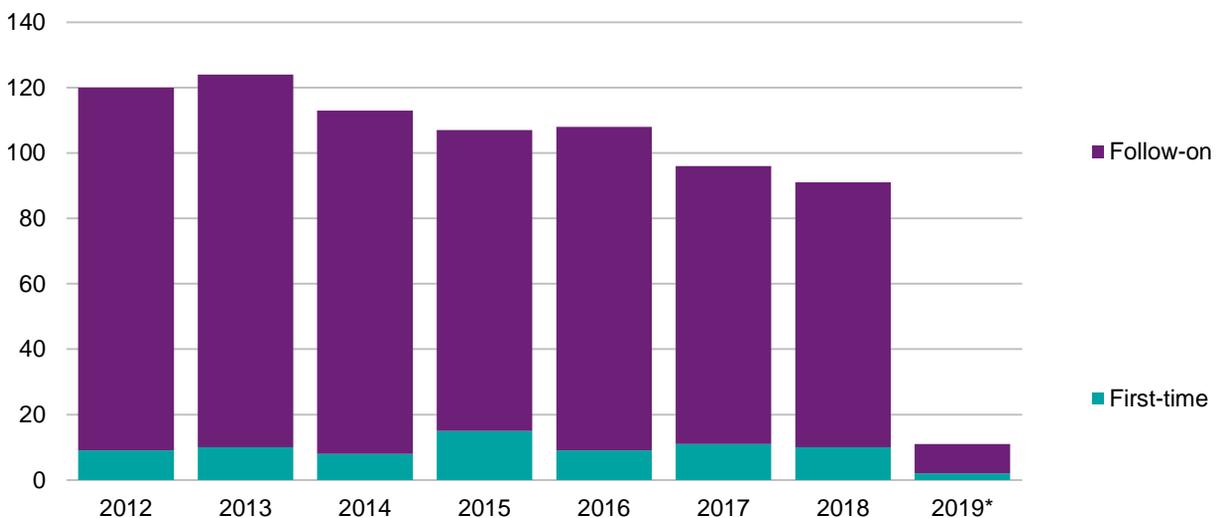
Venture fundraising (#) by size in Europe

2012–2019*



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

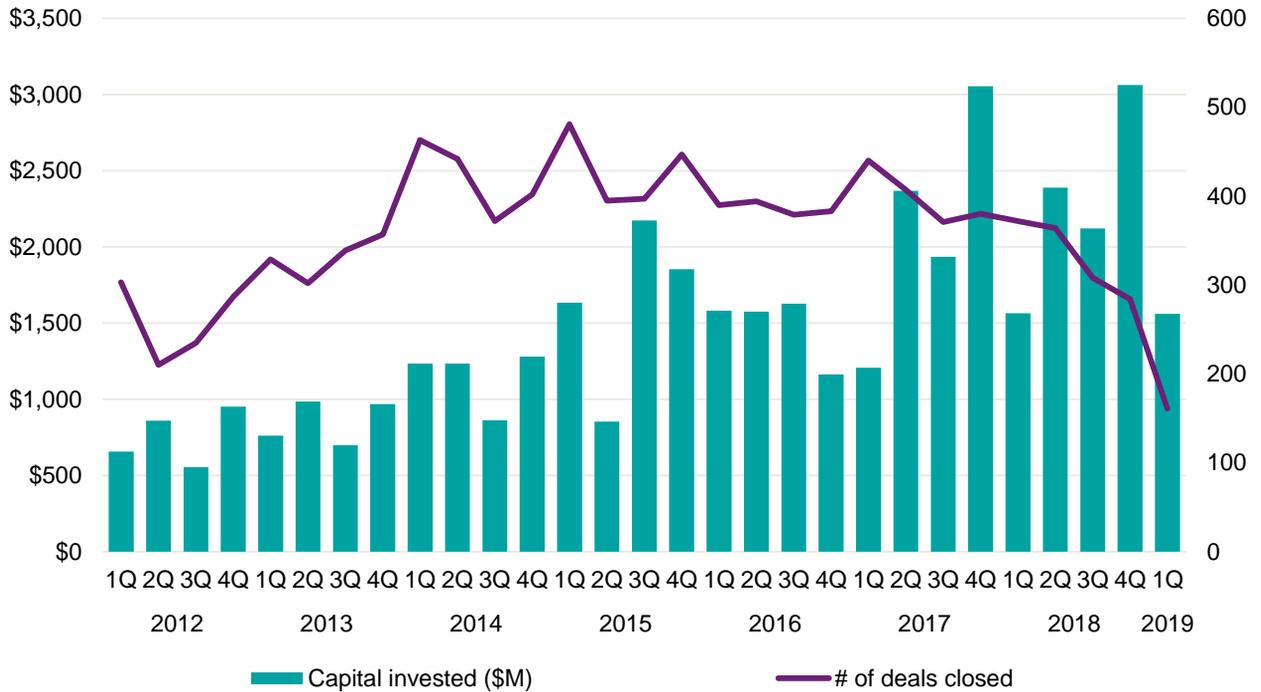
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Volume remains subdued

Venture financing in the United Kingdom 2012–Q1'19

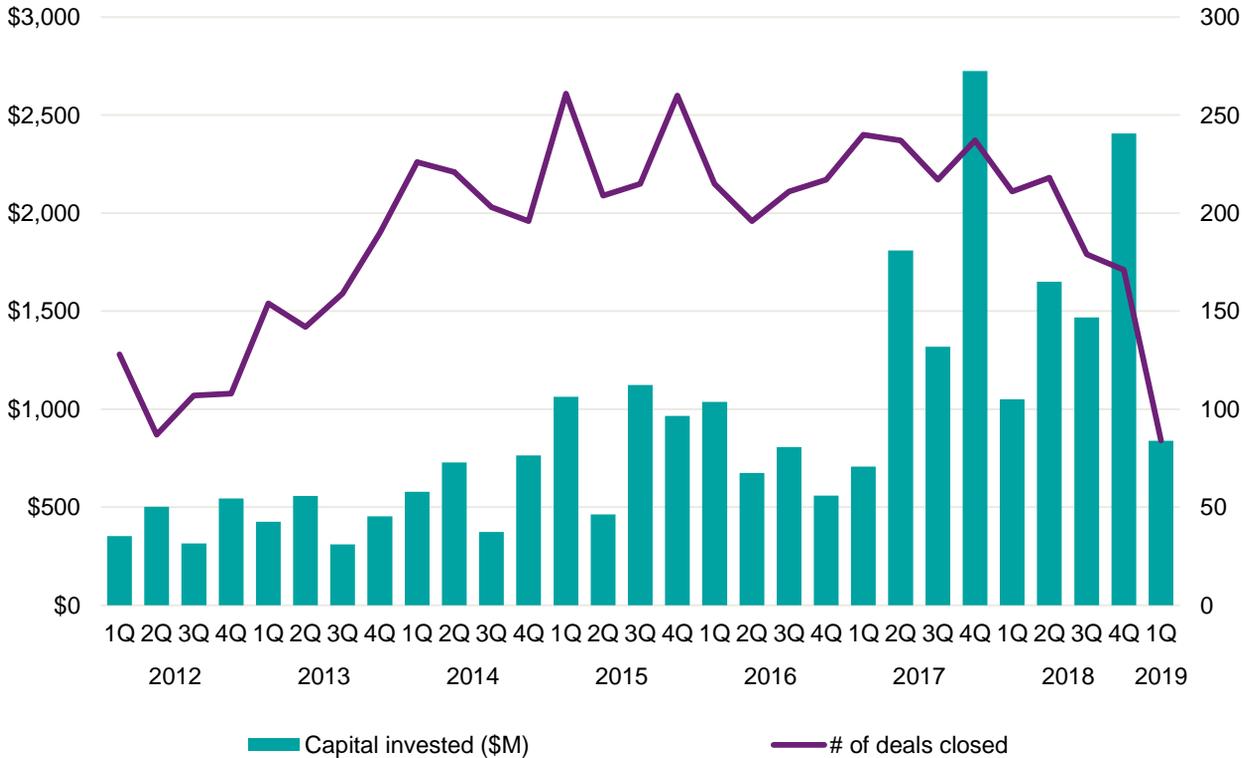


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The ongoing question marks around Brexit are doubtless exerting somewhat of an impact on investor sentiment, but so are competitive and costly processes, as is evident from the still-healthy total of VC invested. Prominent deals for the quarter are diverse on a sector basis, reflecting some of the strengths of the UK startup ecosystem; Ovo Energy raked in \$281.6 million in February 2019 while GoCardless closed on \$75.5 million of Series E funding as well, to name two.

Slow start to 2019 belies overall trends

Venture financing in London 2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

London is not going to lose its status as a global financial center and concentration of traditional private investment managers overnight, no matter what happens with Brexit. The more material implications thus far for the startup ecosystem have been primarily related to talent access, on an anecdotal basis. That said, there may be more subdued deal flow going forward should major financial services companies in particular relocate and knock-on effects begin to proliferate.

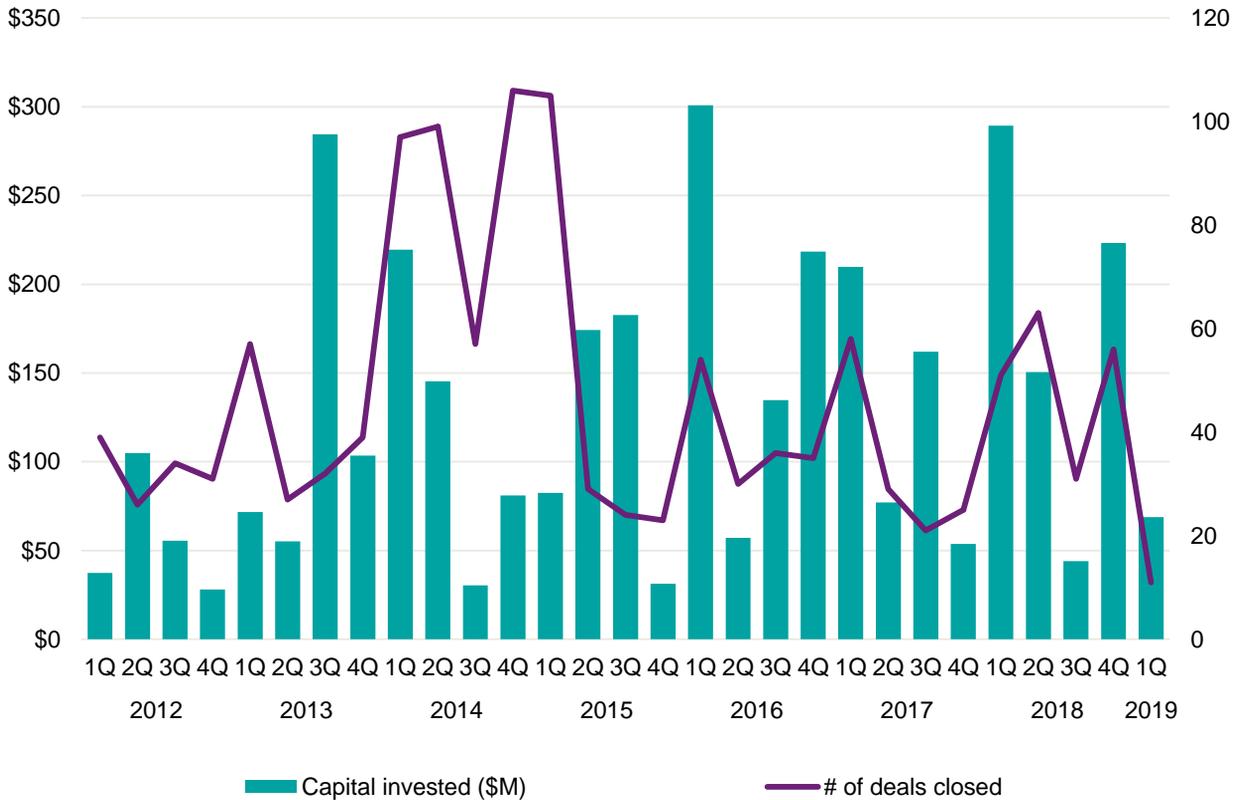
“The traditional strengths of the UK, AI, Biotech and Fintech, will continue to drive deals out of the traditional hubs on London, Oxford and Cambridge. However with valuations rising, and in many cases being out of reach for all but the top tier of VC firms, we expect to see more funds look across the UK in 2019 for deal flow.”



Tim Kay
Director, Innovative Startups, KPMG in the UK

A historically typical reversion

Venture financing in Ireland 2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The Irish venture ecosystem continues to see significant skewed quarterly results — the jump between Q4 2018 and the first quarter of 2019 is not dissimilar to what’s been seen before. The largest deal was that of Atlantic Therapeutics, a \$32.6 million Series B funding.

“Q1 2019 is down significantly on a very strong Q4 2018. However the pattern of venture investing in Ireland can be quite volatile quarter to quarter and can be heavily influenced by one or two large fundraisings. Expectations are that the numbers will rebound significantly in Q2 2019.”

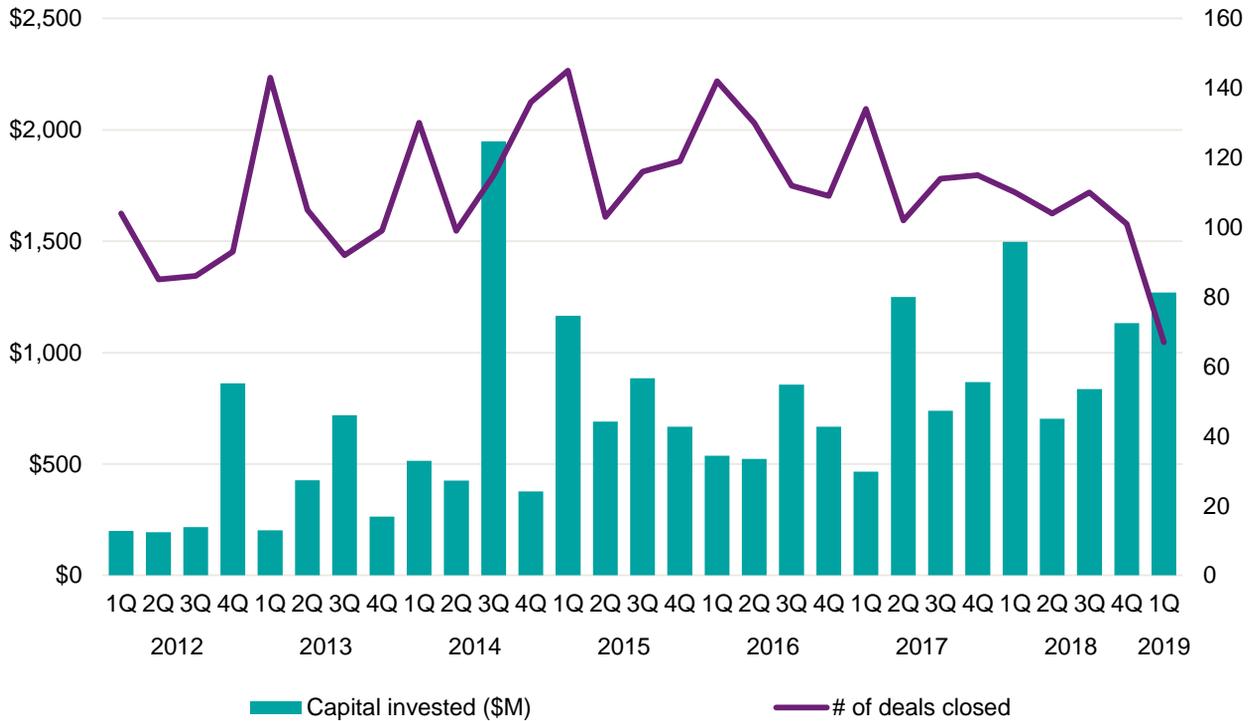


Anna Scally
Partner, Head of Technology and Media and Fintech Lead,
KPMG in Ireland

Quarterly volume dips down to start 2019

Venture financing in Germany

2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The Germany venture scene has had such a steady run of quarterly volume, one quarter's atypical decline is more due to data lag than anything else. VC invested remained healthy, thanks in large part to some hefty financings, like the \$300 million financing of N26, a mobile bank provider.

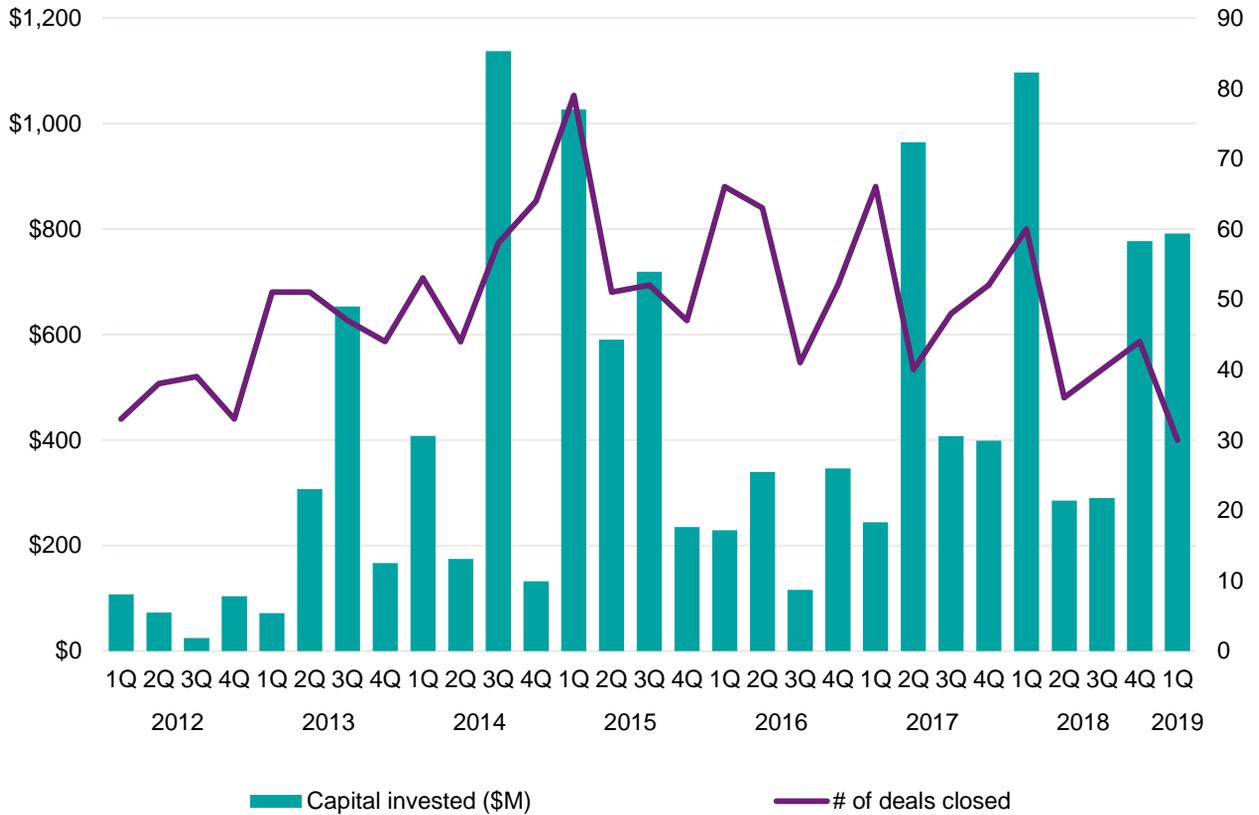
"While a trade war will be challenging — especially for the OEMs in Germany — it could on the other hand accelerate the need for companies into looking beyond their current business models to examine what should come next. In all this turmoil that could be a positive for companies as it has the potential to catalyze new developments."



Tim Dümichen
Partner,
KPMG in Germany

Berlin sees greater concentration of capital

Venture financing in Berlin 2012–Q1'19



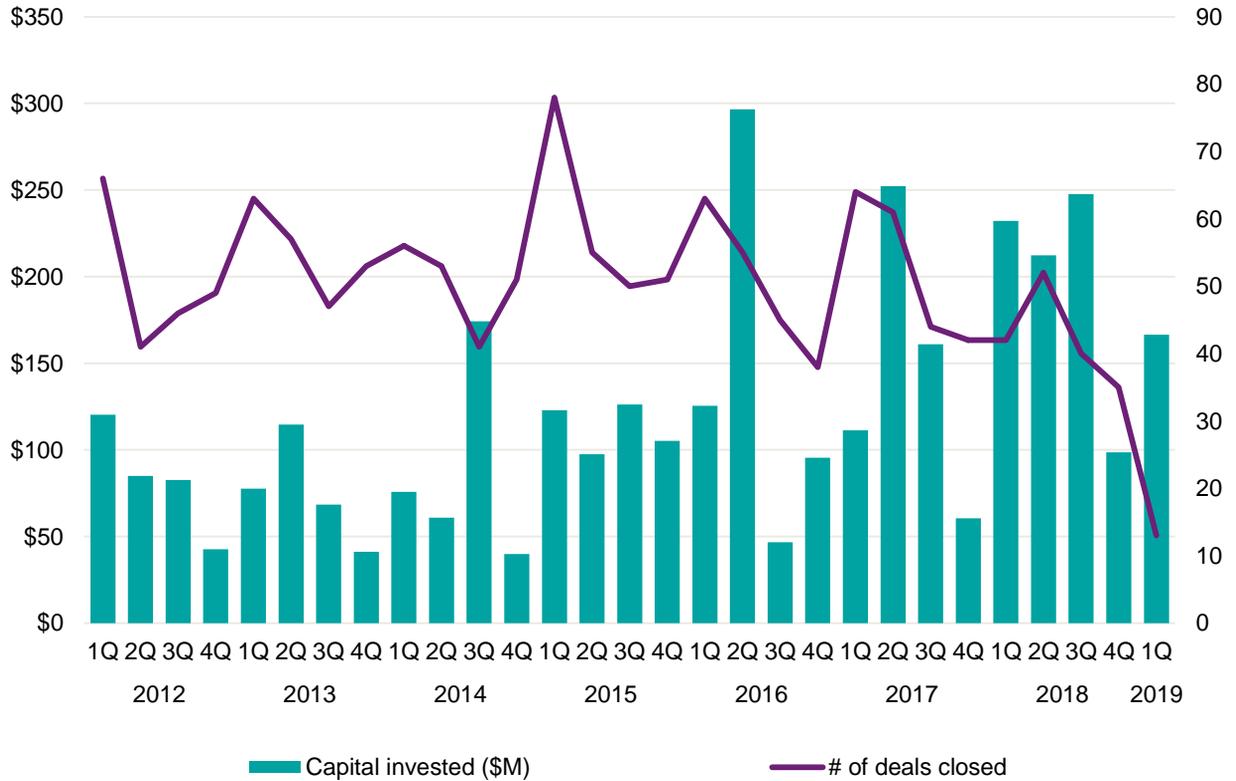
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The Berlin ecosystem saw a steady persistence in the flow of dollars invested, even as volume dipped lower, primarily due to one mega-deal, the \$300 million funding of mobile bank N26; it is interesting to note that Germany also sees more proliferation of deals across other major cities, which differs somewhat from most other major countries.

Despite drop in volume, VC invested rebounds

Venture financing in Spain

2012–Q1'19

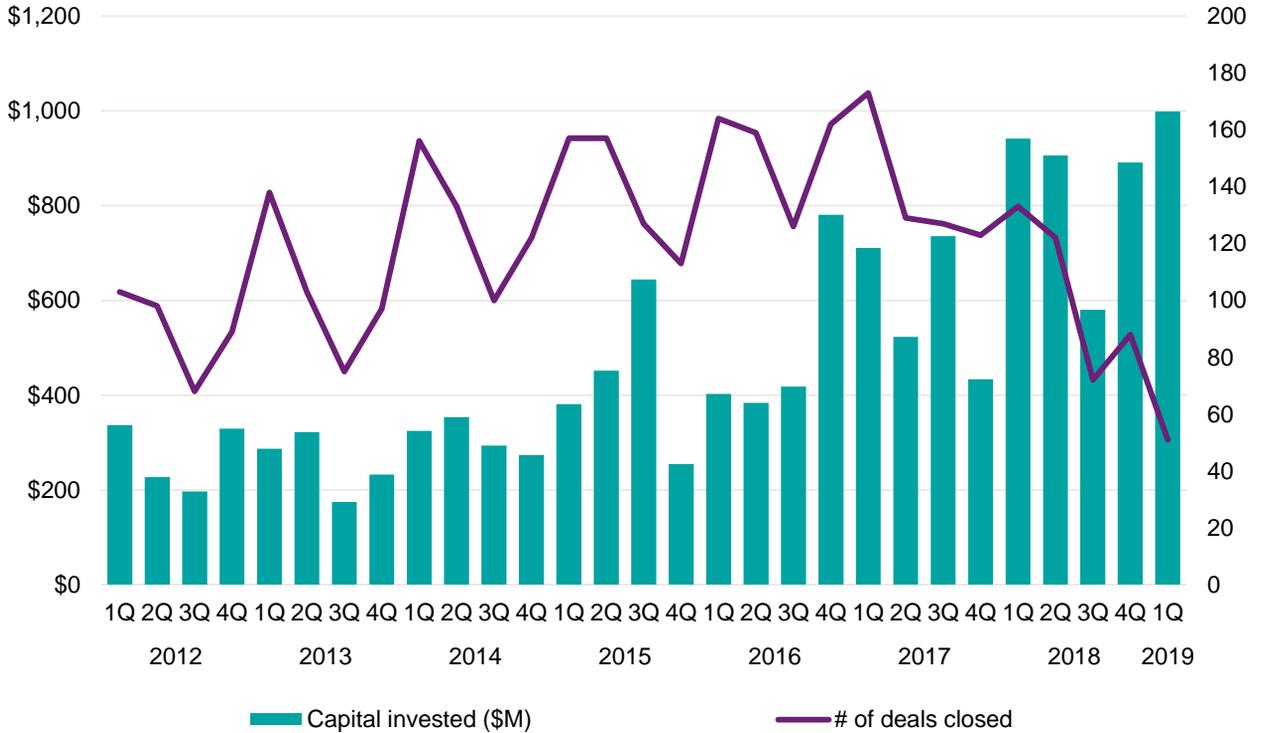


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

As remarked last quarter in the prior edition of the Venture Pulse, the Spanish ecosystem sees some quarterly disparities in volume in particular. However, capital invested remained robust heading into 2019, with notable financings propelling that total forward, including the \$75 million Series B funding of Pagantis and the \$30 million Series B raise by Badi.

A record quarter for French VC

Venture financing in France 2012–Q1'19



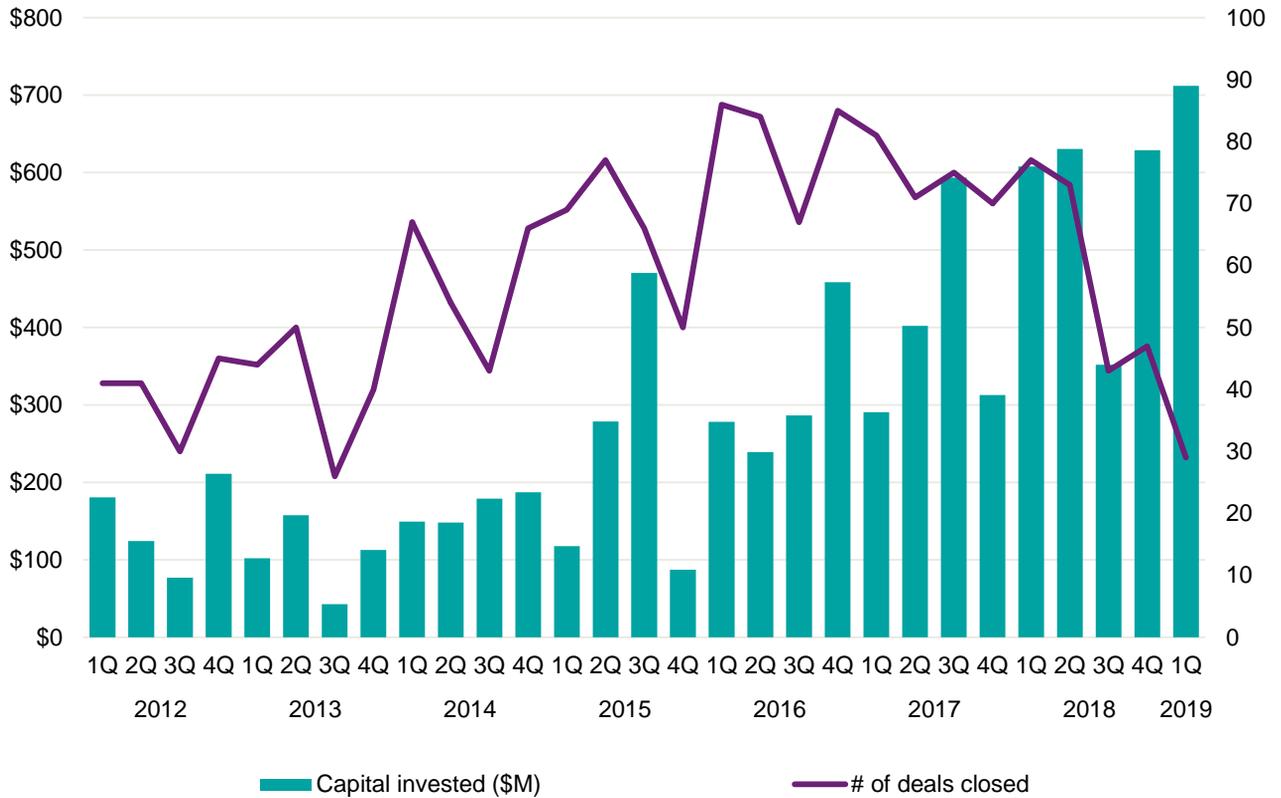
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

After a blockbuster half in 2018, there was a tad of a downturn for a quarter in VC invested for the French venture ecosystem, but 2019 has seen a new record notched at just about \$1 billion invested. A bevy of sector-diverse large fundings in Q1 helped boost that total, notably the \$174.8 million funding of Doctolib plus the \$128.2 million funding of insect protein maker Ynsect.

Paris hosts record quarter for French VC

Venture financing in Paris

2012–Q1'19



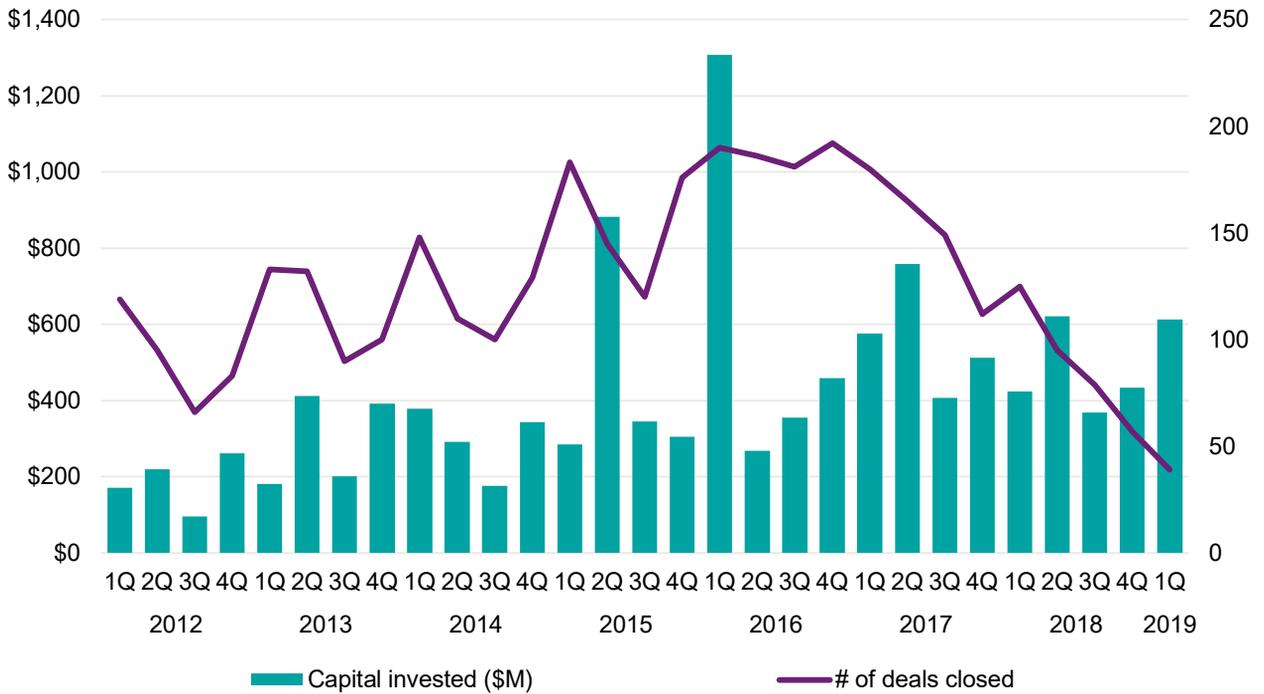
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Most of the money in French VC still flows to Paris, although the concentration of volume has dispersed at times in the past. However, thanks to some hefty rounds, Paris hosted the record concentration of capital in Q1 2019, more than in the past decade at the very least.

Volume and VC invested diverge in Q1 2019

Venture financing in the Nordics

2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

For some time now, despite lowering transactional volume, the Nordics have seen a steady flow of VC invested, primarily due to the graduation to maturity of a crop of startups that are able to keep raking in significant sums. Notable financings include the \$64.1 million Series C funding of Aprea Therapeutics, as well as the \$200 million late-stage round of RELEX, which is based in Helsinki.

“The Nordics is attractive market to invest, with a stable economy, good availability of public funding, government support and high level of education. Fintech and gaming sectors lead the way but as the innovation ecosystems mature other sectors will also arise in to spotlight. There is a lot of liquidity in the market and deals on the pipeline, which bodes well heading into Q2'19.”



Jussi Paski
Head of Startup Services, KPMG Finland

Q1 sees remarkable diversity



Top 10 financings in Q1'19 in Europe

- | | |
|--|--|
| <p>1 N26 — \$300M, Berlin
Financial software
<i>Series D</i></p> | <p>6 Arvelle Therapeutics — \$180M, Basel
Biotechnology
<i>Series A</i></p> |
| <p>2 Ovo Energy — \$281.6M, Bristol
Energy services
<i>Corporate</i></p> | <p>7 Doctolib — \$174.8M, Paris
Platform software
<i>Late-stage VC</i></p> |
| <p>3 BioNTech — \$211.5M, Mainz
Biotechnology
<i>Corporate</i></p> | <p>8 Innoviz Technologies — \$132M, Rosh Ha' Ayin
Transportation
<i>Series C</i></p> |
| <p>4 RELEX — \$200M, Helsinki
Business software
<i>Late-stage VC</i></p> | <p>9 Ynsect — \$128.2M, Evry
Agriculture
<i>Series C</i></p> |
| <p>5 Iwoca — \$195.6M, London
Financial services
<i>Series D</i></p> | <p>10 Wefox — \$125M, Berlin
Financial software
<i>Series B</i></p> |

Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

***In Q1'19 VC-backed
companies in the Asia
region raised***

\$13.1B

across

218 deals



Asia VC investment falls in Q1'19 following a massive 2018

VC investment in Asia got off to a weak start in Q1'19, although Southeast Asia bucked the trend somewhat, thanks to a \$4.5 billion raise by Singapore-based ride-hailing platform Grab. After seeing numerous \$1 billion plus deals in 2018, China saw only one deal above \$1 billion: a \$1.5 billion raise by automotive trading platform Chehaoduo Group.



Relatively slow start to 2019 in China as investors become more cautious

Despite the big raise by Chehaoduo Group, VC investment in China dropped overall in Q1'19 as VC investors grew somewhat more cautious. This can be attributed in part to the carry-over of concerns from Q4'18, such as the ongoing trade situation between the US and China and the continued adjustments in the Chinese economy. A number of VC investors in China are also sitting on portfolio companies waiting for the right opportunity to exit. Some concern over how quickly they can turn a profit on investments may also be causing some VC investors to hold back.



Positive growth in India as automotive services companies gain ground

While India did not see any \$1 billion+ rounds this quarter, the country attracted several \$100 million+ deals, including a \$413-million round by e-commerce-focused logistics company Delhivery, led by the SoftBank Vision Fund — an investment which lifted the company to unicorn status. SoftBank was particularly active in India in Q1'19, also making a \$60 million investment in online grocery company Grofers and a \$149 million in baby clothing e-tailer FirstCry.

Automotive services companies were a big hit with investors in Q1'19, led by ride-hailing company Ola, which received \$300 million from Kia and Hyundai as part of a plan to develop electric vehicles. Automobile marketplace platforms also continued to receive attention, a trend expected to continue for the next several quarters. During Q1'19, one car trading platform, CarDecho, raised \$110 million in a Series A round.



New initiative bodes well for future investment in Hong Kong

It was a solid first quarter for VC activity in Hong Kong. Despite some uncertainties in the market, the Hong Kong Stock Exchange performed quite well in the first t3 months of the year. Hong Kong continued to attract attention from both investors and companies interested in using it as a base for regional growth.

In the first quarter of the year, the Hong Kong Monetary Authority handed out three new virtual banking licenses in its quest to keep up with other jurisdictions in Asia as it relates to promoting competition and the disruption of the banking industry³.

³. <https://www.scmp.com/business/companies/article/3003496/hong-kong-hands-out-virtual-bank-licences-city-catches-china>

Asia VC investment falls in Q1'19 following a massive 2018, cont'd.



Southeast Asia growing hot in eyes of VC investors

2018 was a significant year for VC investment in Southeast Asia, with more than \$7.8 billion invested across 327 deals. While the bulk of that investment went to a small number of companies, including Grab and Go-Jek, the numbers highlight the growing appetite of VC investors for Southeast Asia.

Already in 2019, the region has seen some strong activity. In addition to Grab's \$4.5 billion deal, Thailand-based on-demand delivery platform Lalamove raised \$300 million, while Singapore-based beauty marketplace Zilingo in Singapore raised \$226 million. Mobile payment technologies and platform businesses continued to be the most attractive to investors given the high demand for mobile payments and other app-based financial services in the region.



AI and Healthtech big drivers of investment in China

Artificial intelligence, automation and facial recognition technologies continued to see strong investment in China during Q1'19, driven in part, by the demand for more robust big data analytics. From an industry perspective, life sciences, pharmaceuticals and healthtech gained traction among investors as the government moved forward with healthcare reforms.

The central government recently announced plans to better manage drug prices, accelerate approval of overseas drug and improve patient access to different drugs and therapies. Diagnostic services also gained momentum in China, with investors keenly interested in solutions focused on early detection of diseases and precision medicine⁴.



Trends to watch for in Asia

Given the potential slowdown in China, it is expected that VC investors may become more cautious, focusing investments on those companies with strong business models and paths to commercialization. AI will likely continue to be hot technology in China, in addition to healthtech and diagnostic services related offerings.

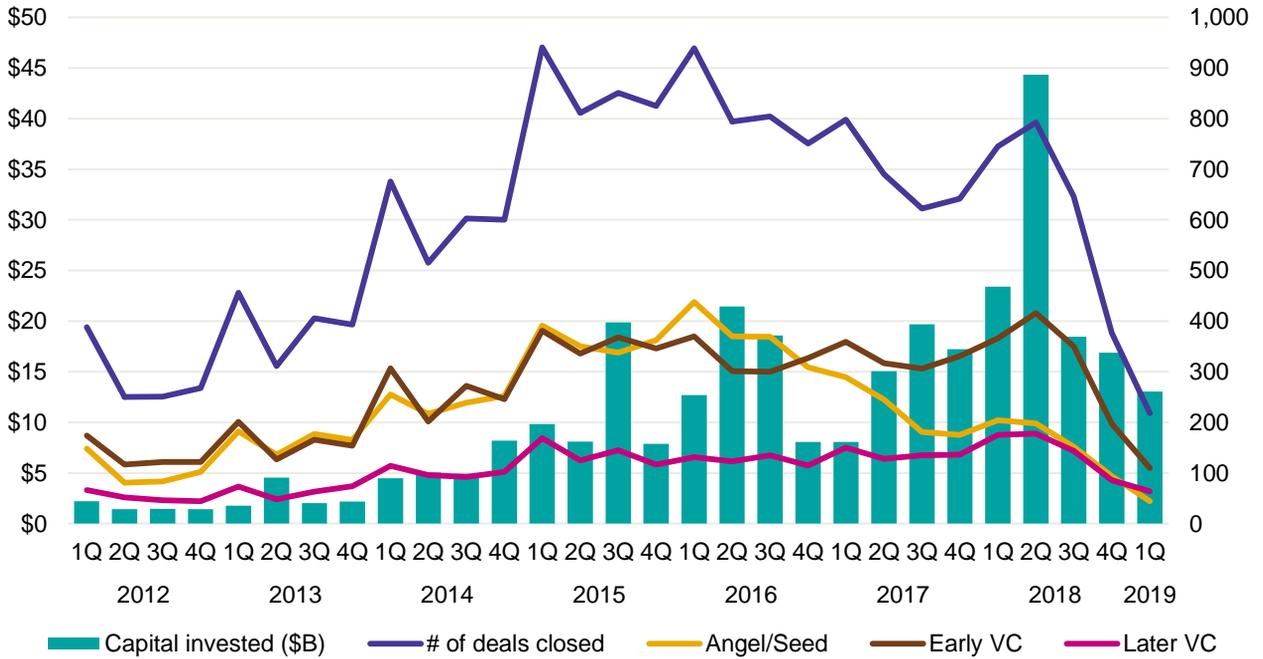
In India, VC investors might be somewhat cautious in Q2'19 in advance of the country's national elections. This caution is expected to be short-lived, however, with a number of investment areas expected to be hot through the end of the year, including automotive trading platforms. VC investment in EdTech is also poised to see substantial growth in the near future.

⁴ <https://www.spglobal.com/marketintelligence/en/news-insights/trending/clvpfmy8cngzwsado7x5jq2>

After a historic year, a slow start to 2019

Venture financing in Asia

2012–Q1'19

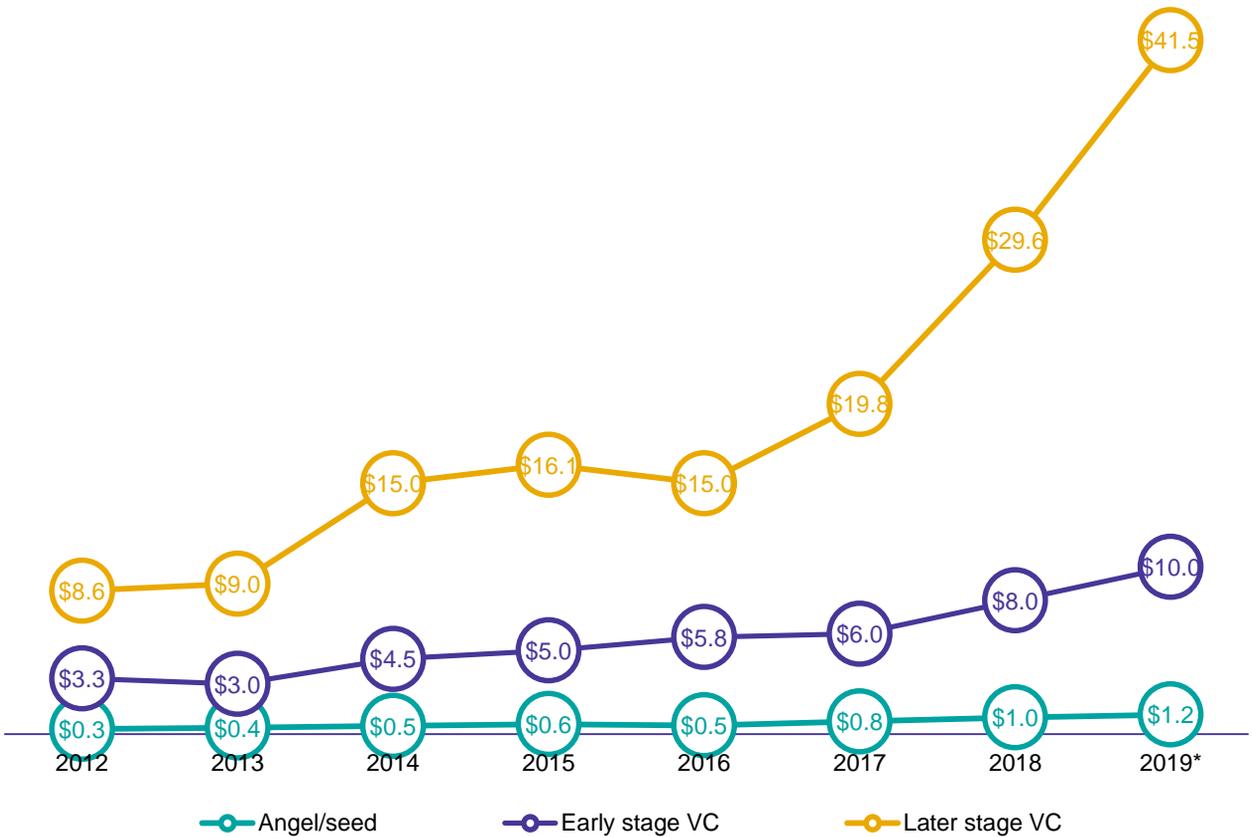


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

2018 was characterized largely by even more mega-deals than anyone could have expected at the start of the year and, thus, on the whole, remains historic for the region. 2019 however, is much slower at the start, to a degree that can't be explained for data lags, so it may be more of a return to historically typical levels.

Late-stage metric soars even further in 2019

Median deal size (\$M) by stage in Asia
2012–2019*



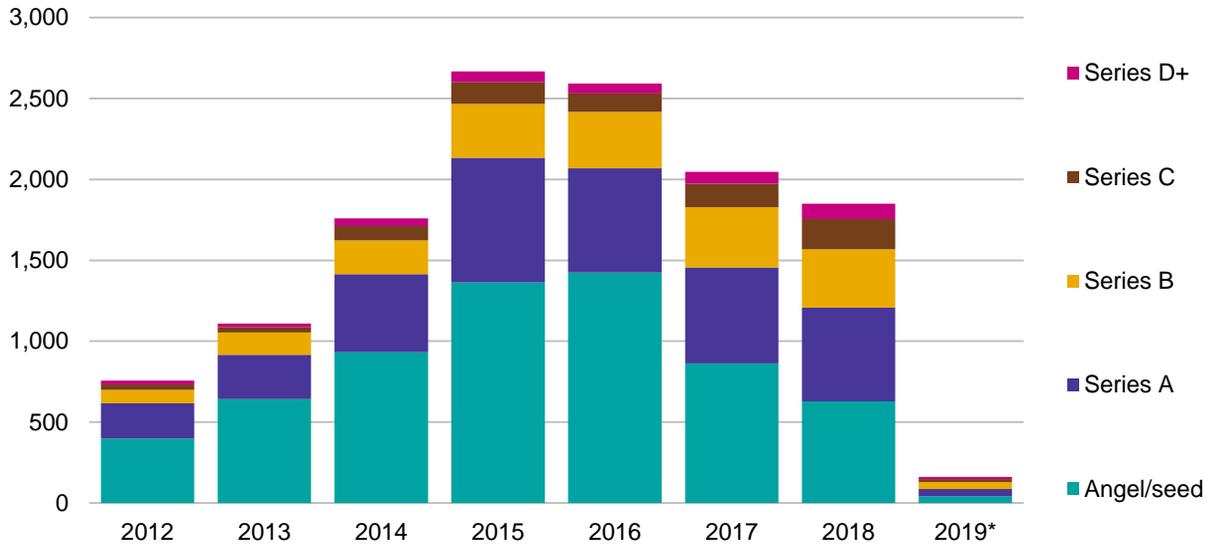
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Even if volume has contracted significantly across the region, the deals that are still able to close are being done at historically high valuations, testifying to persistently abundant global capital flooding into key Asian startups, even if at a more cautious rate.

Series C suffers only relative slump in Q1 2019

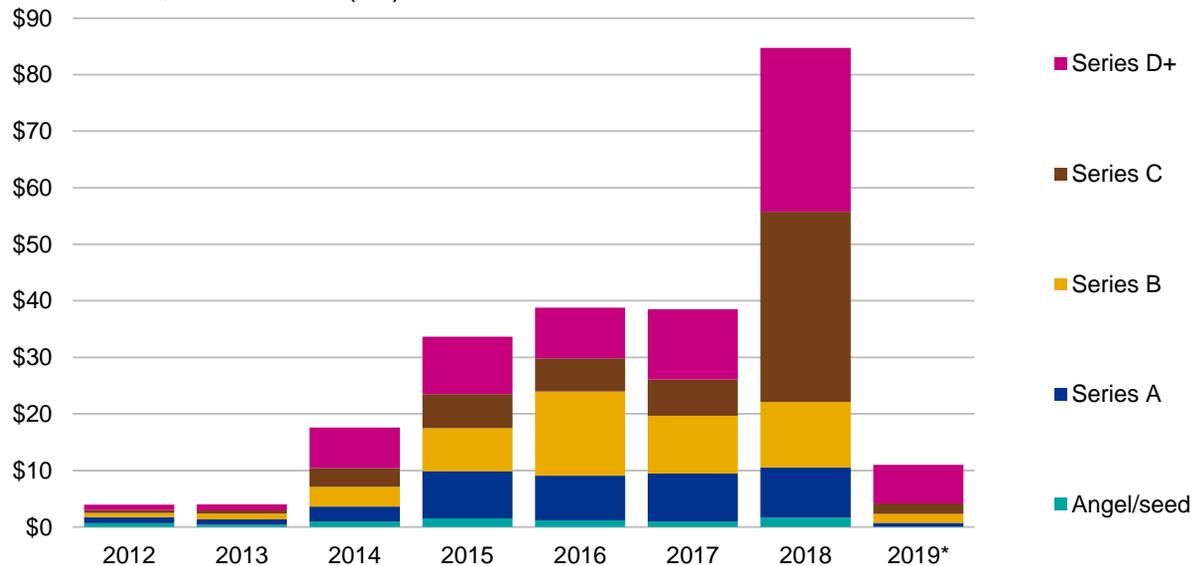
Deal share by series in Asia

2012–2019*, number of closed deals



Deal share by series in Asia

2012–2019*, VC invested (\$B)

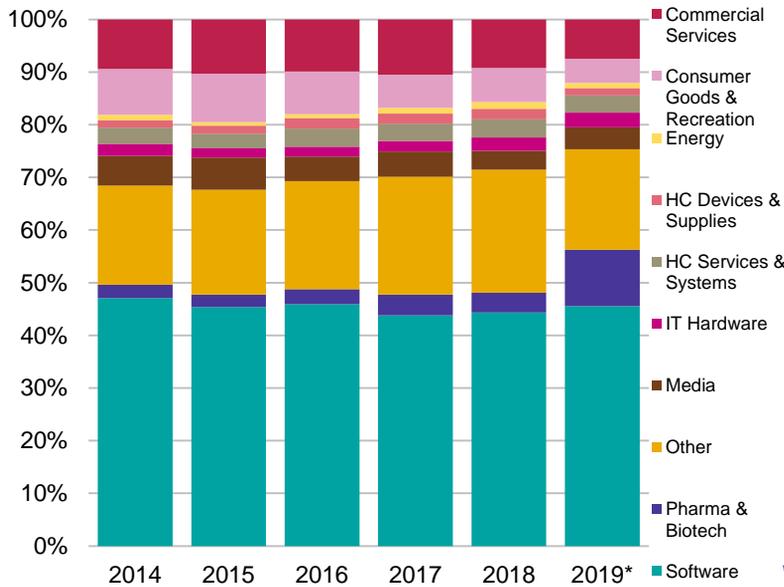


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Pharma & biotech boom in Q1

Asia venture financings by sector

2014–2019*, number of closed deals



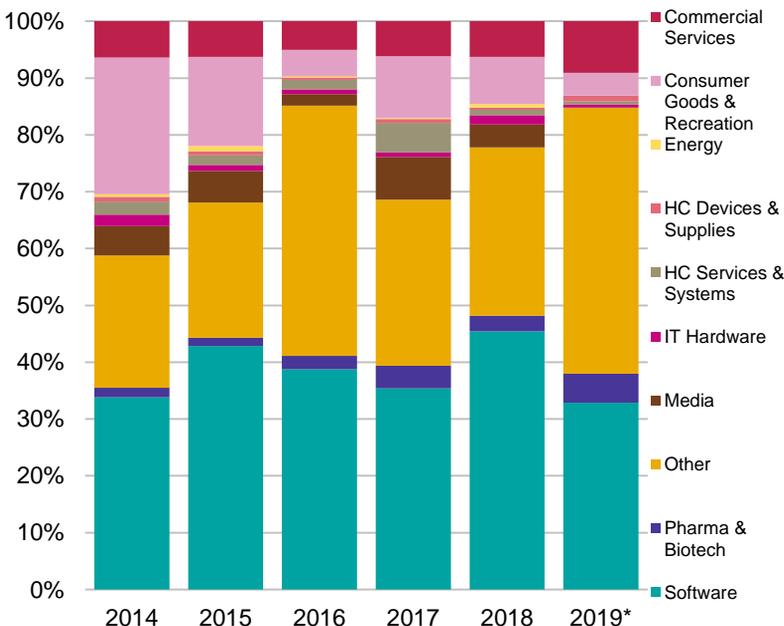
“There is strong momentum in China for technologies focused on early detection and precision treatment for illnesses like cancer and diabetes. Companies have an immense amount of data available for analysis — and are using it to create very innovative solutions. Given the immense need for more effective health solutions, companies in this space are well-positioned to attract large investments.”



Irene Chu
Partner, Head of New Economy and Life Science, Hong Kong Region, KPMG China

Asia venture financings by sector

2014–2019*, VC invested (\$B)

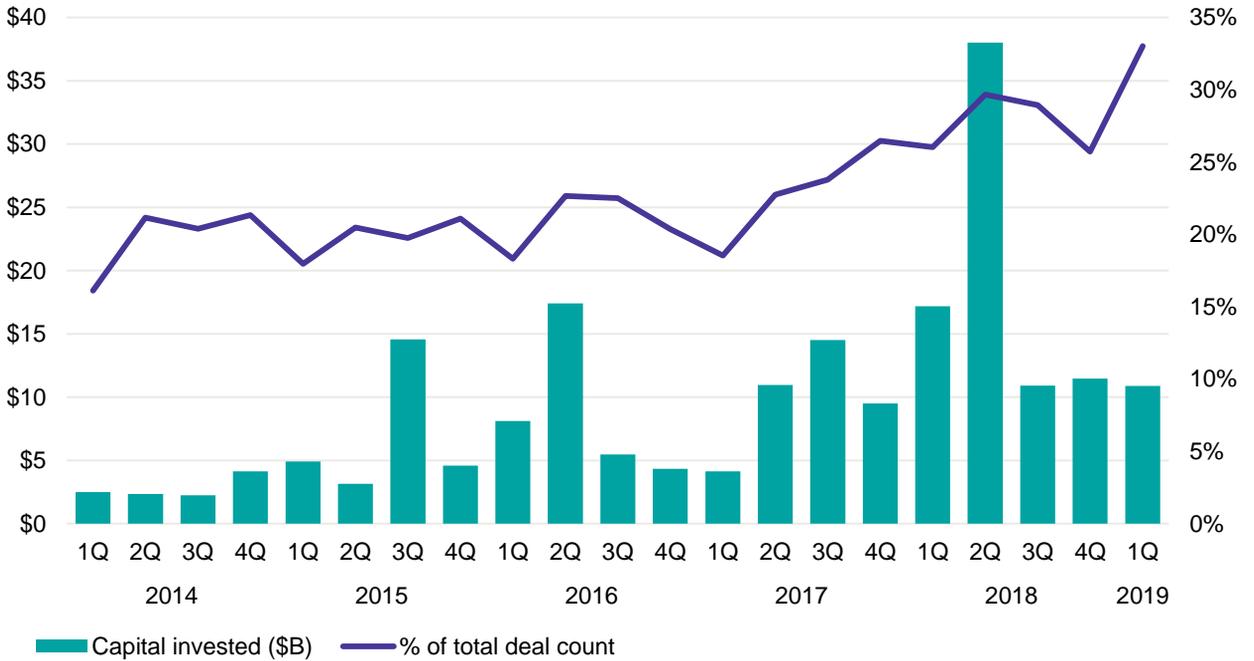


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

CVCs pile in at highest rate

Corporate participation in venture deals in Asia

2014–Q1'19

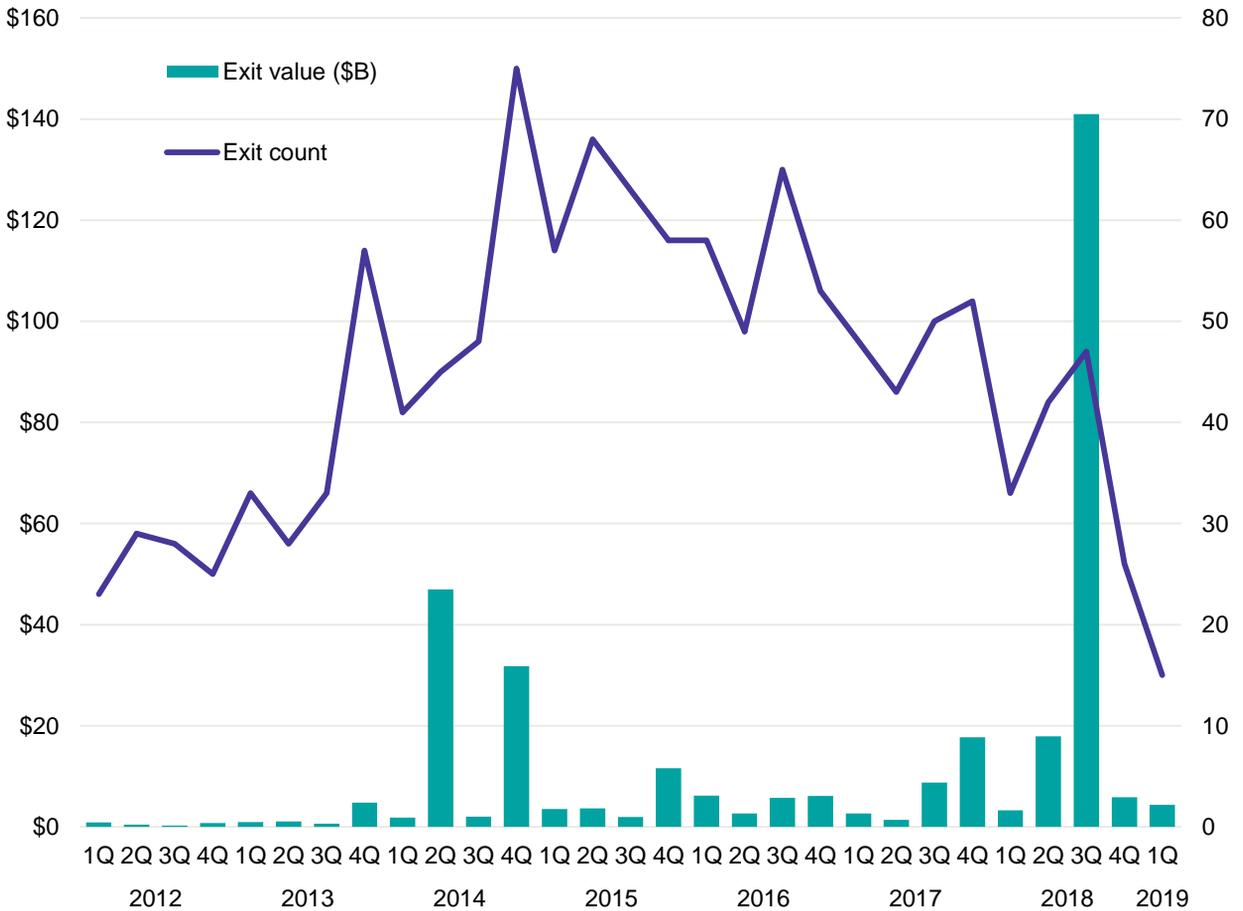


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

The participation of corporate players in the Asia-Pacific venture ecosystem is integral, given its own unique evolution as opposed to Silicon Valley's or really any other venture ecosystem. Accordingly, the continually record-setting tallies of the rate of corporate participation is to be expected, as corporations will likely also remain more active at a continuous rate given their particular set of financial and strategic incentives.

Exit cycle resets to start 2019

Venture-backed exit activity in Asia 2012–Q1'19



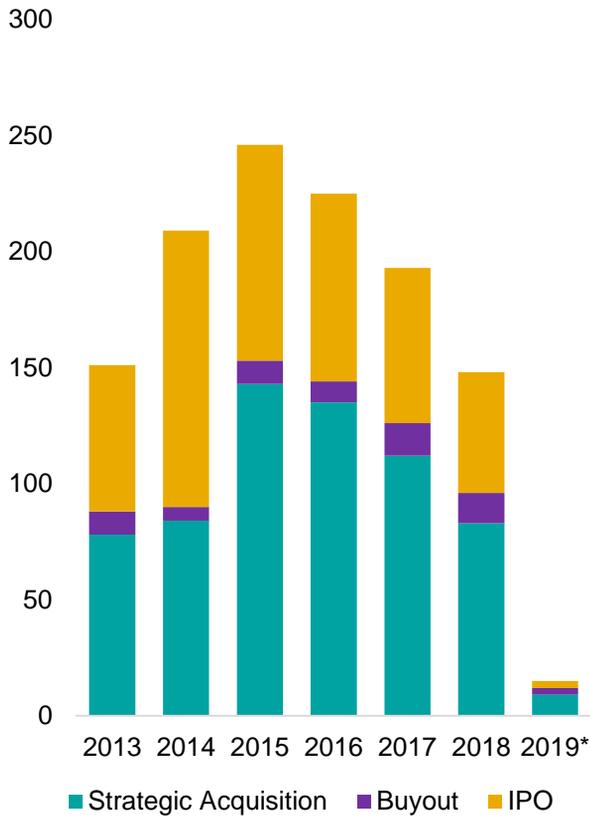
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

The exit cycle is likely resetting in the Asia-Pacific scene, waiting for the raft of current mature late-stage-funded companies to prepare to go public, after a crop did so last year.

IPOs predominate in value to start the year

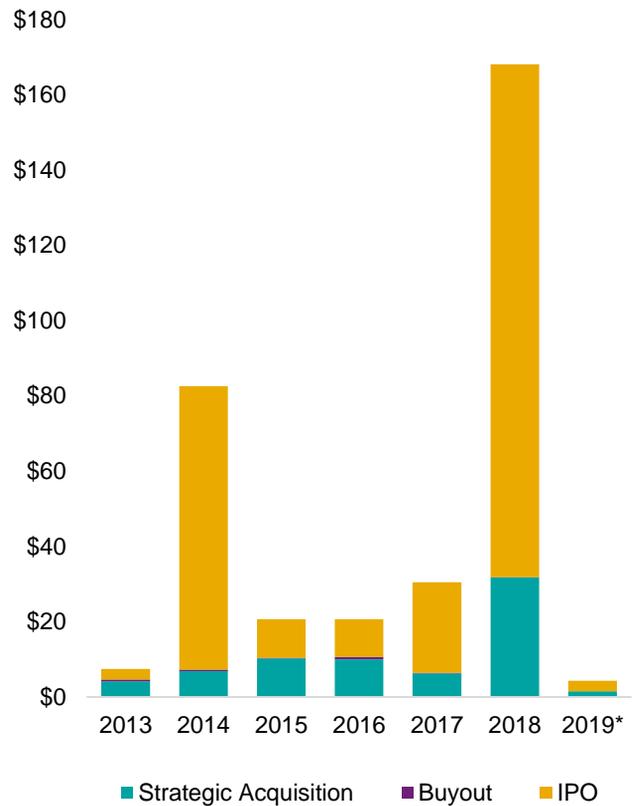
Venture-backed exit activity (#) by type in Asia

2013–2019*



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

2013–2019*

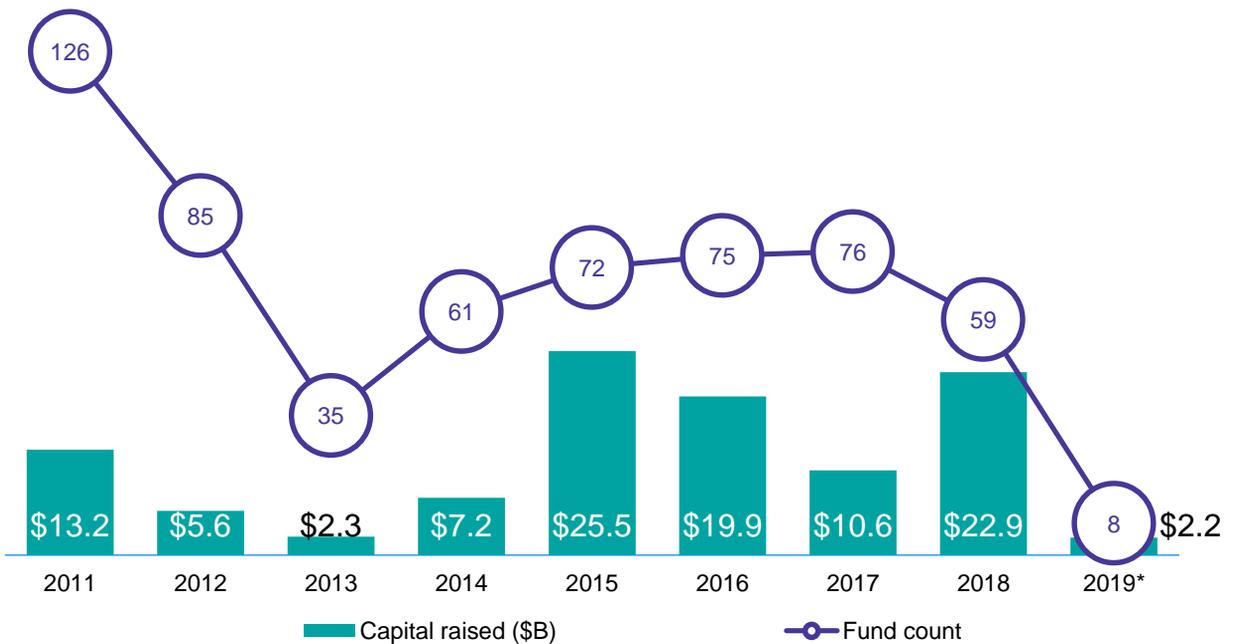


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Fundraising slows to a lower trickle to kick off 2019

Venture fundraising in Asia

2011–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

In any nascent venture ecosystem, fundraising is likely to be even choppier than is normal when seen on a quarterly basis. However, traditional venture fundraising is off to quite a slow start in the Asia-Pacific region. It remains to be seen if this is more of a quarterly anomaly or whether the cycle is slowing as traditional funds look to gauge whether the late-stage largesse of past years is proving out.

“In recent quarters, VC firms in China have increasingly worked together in order to make big investments in late stage companies — collaborating with each other to invest in top tier companies in particular industries rather than competing with each other for specific deals.”

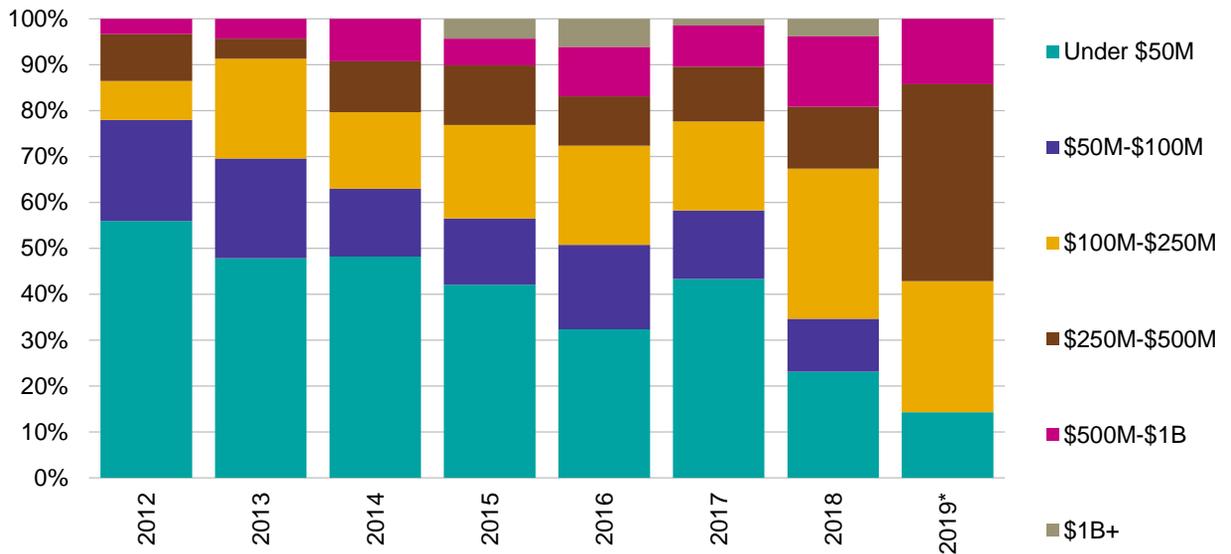


Egidio Zarrella
Head of Clients and Innovation Partner,
KPMG China

Fundraising shifts larger, in response to market trends

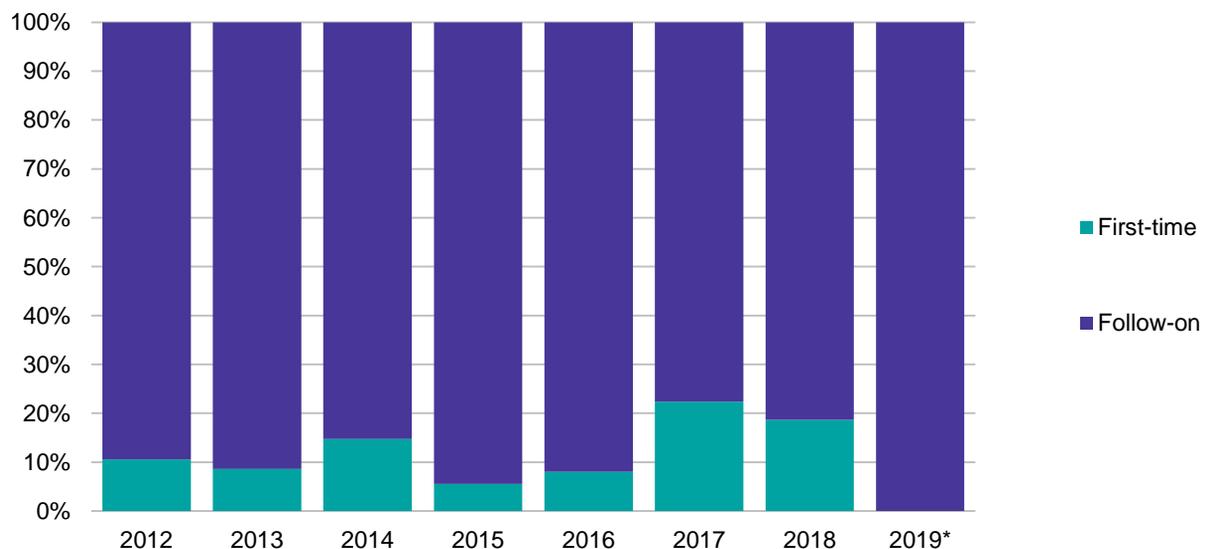
Venture fundraising (#) by size in Asia

2012–2019*



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

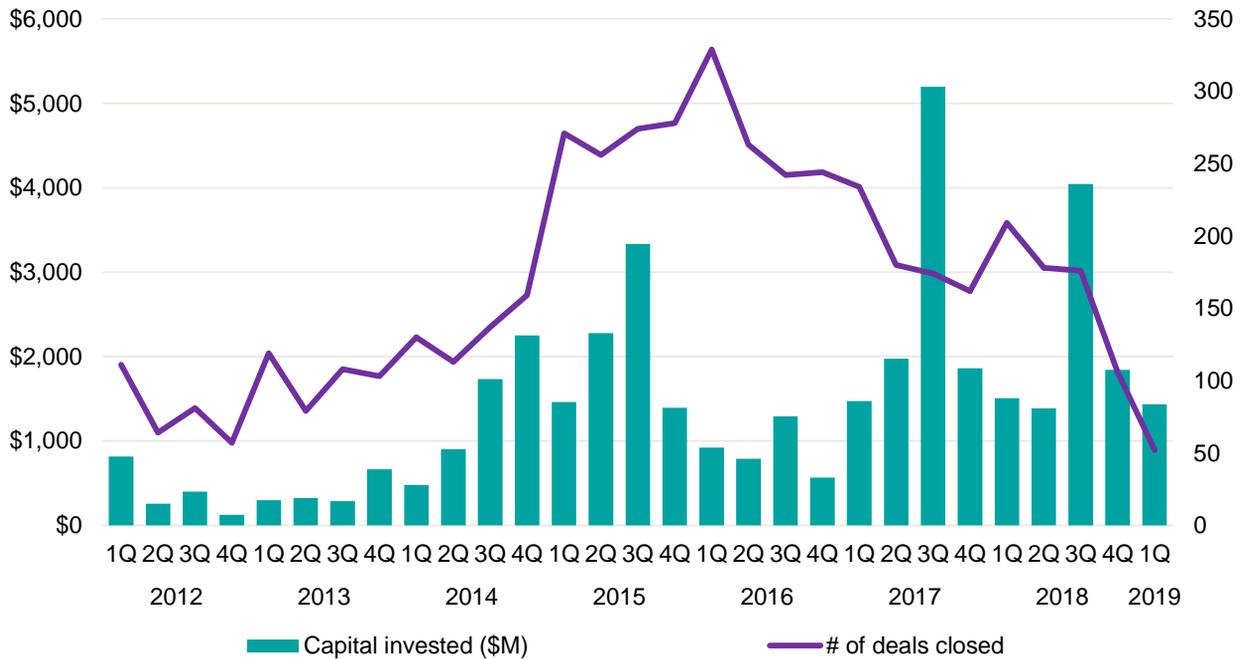
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

A slow start to 2019

Venture financing in India 2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The downturn in the final quarter of 2018 carried over into 2019's first quarter, as much of the Asia-Pacific region saw sluggish investment activity. That may be due more to temporal aberrations than any key underlying factors; additional data will have to be observed in other quarters to render a verdict.

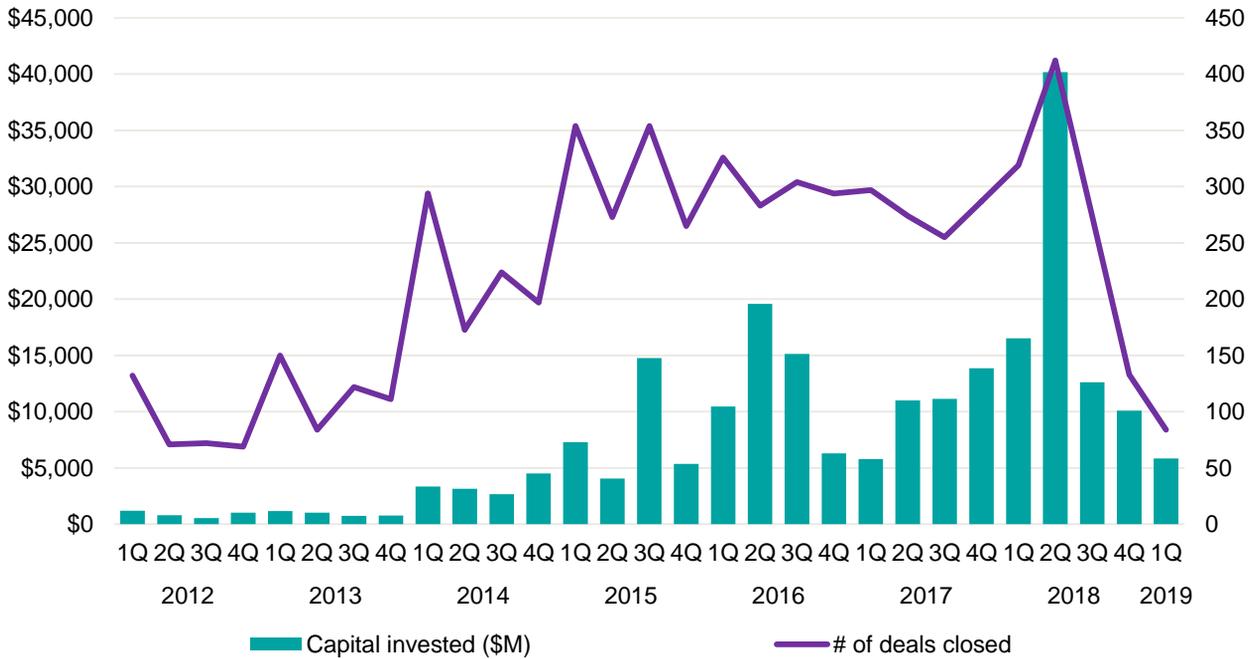
“Edtech has the potential to become a truly breakout sector in India. The sector has evolved from companies simply offering online digital classes to providing access to both online and offline tutorial offerings, to now offering even more innovative options. With no clear leader in the space, many companies are competing to develop content and raise funding rounds. It is anyone’s game — which will make the next few quarters very critical.”



Nitish Poddar
Partner and National Leader, Private Equity
KPMG in India

2019 starts off in muted fashion

Venture financing in China 2012–Q1'19

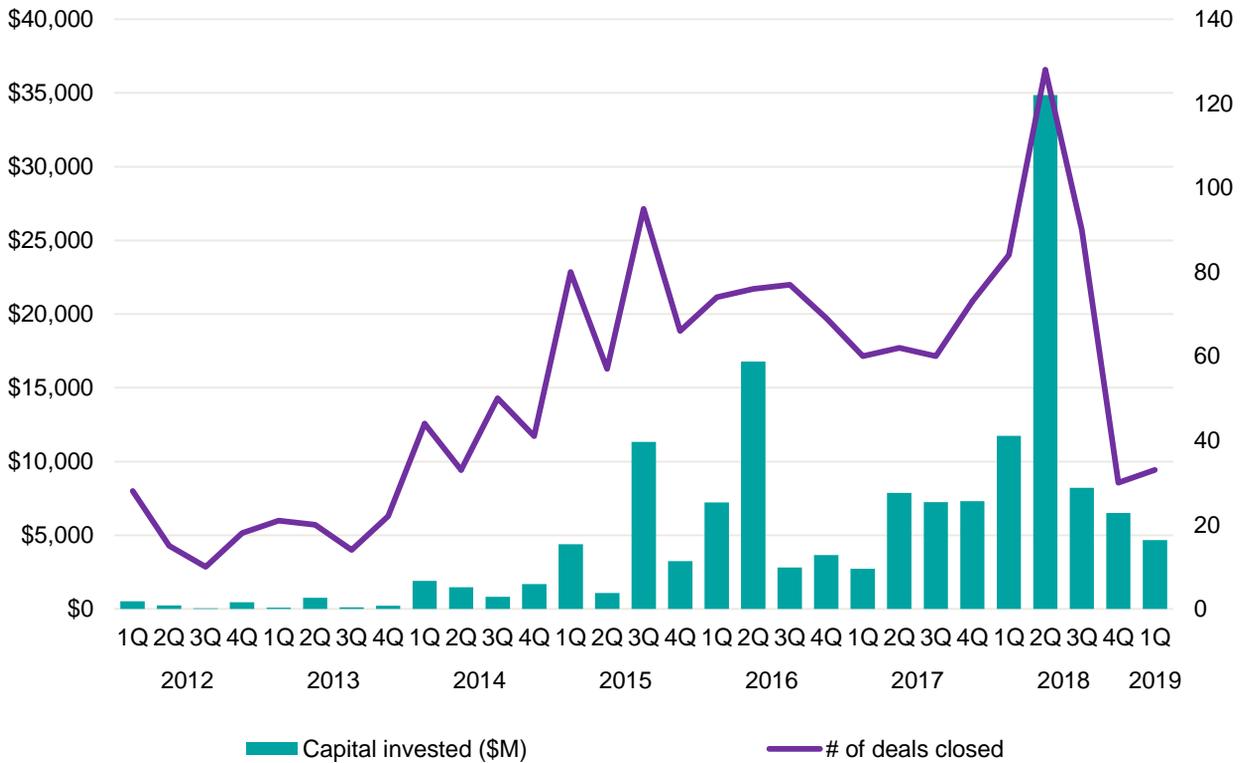


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The back-to-back muted quarters, after such a high-flying stretch of VC invested and volume, is now more telling for the Chinese venture ecosystem. What is likely occurring is a retrenching by domestic investors as those capable of global investment keep active abroad, given that China is facing a period of more sluggish economic growth (relatively speaking) and some policy uncertainty. It's not that the startup ecosystem is faltering, but rather that investors are biding their time somewhat amid a time of question marks for economic and political futures.

CVCs' pause is contributing to the slowdown

Venture financing in China with corporate venture participation 2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

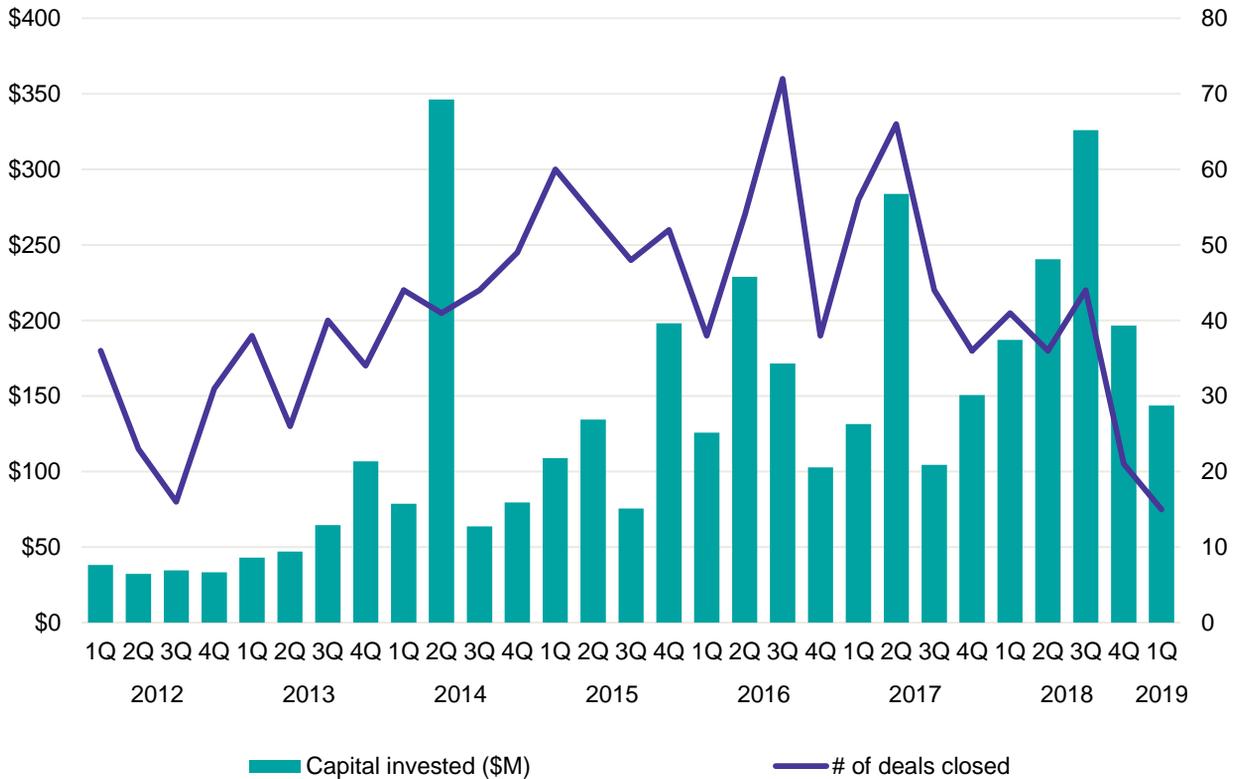
"AI, Autotech and Healthcare continue to attract sizable investments. The big platform companies in China continue to invest in a variety of companies, in particular companies in traditional sectors with large traffic and user bases. But like traditional VCs, the pace of their investments is starting to slow down as well. They are also placing more emphasis on post-investment management, aiming to use technology to improve the efficiency of portfolio companies with technology."



Philip Ng
Partner, Head of Technology, **KPMG China**

Healthy VC invested amid downturn in volume

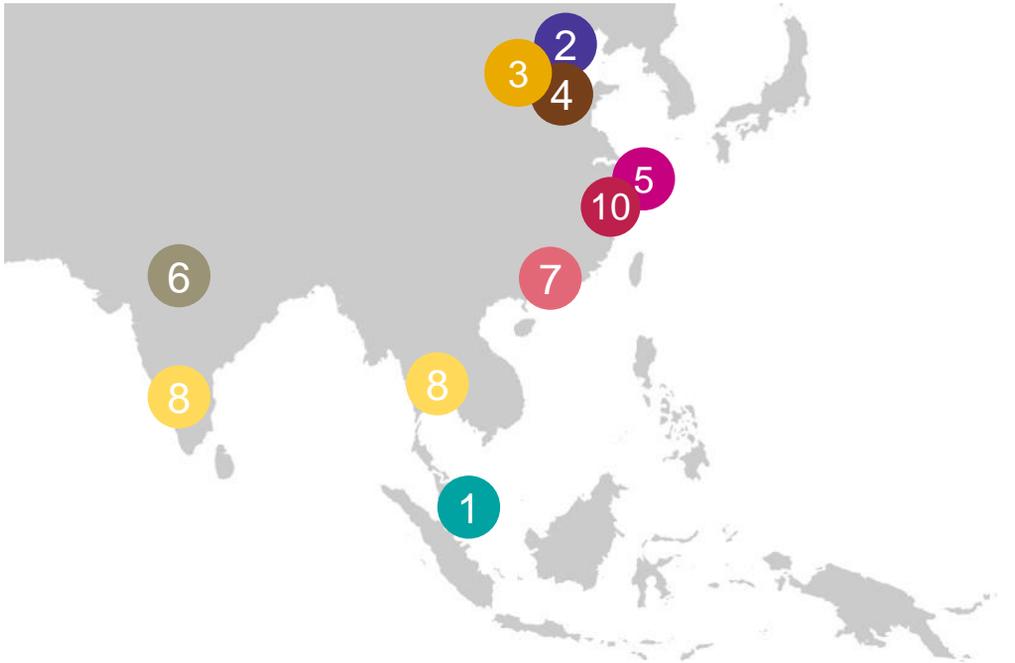
Venture financing in Australia 2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

After such strong growth in VC invested throughout 2017 and 2018, by and large, a reversion was to be expected, and Q1 2019 turned in a historically healthy sum of VC invested, nearing \$150 million. Airwallex's \$100 million Series C funding was key in propping up that healthy total.

Q1 sees geographic diversity



Top 10 financings in Q1'19 in Asia-Pacific

- | | |
|--|---|
| <p>1 Grab — \$4,500M, Singapore
Automotive
<i>Series H</i></p> | <p>6 Delhivery — \$413M, Gurgaon
Logistics
<i>Series F</i></p> |
| <p>2 Chehaoduo — \$1,500M, Beijing
Platform software
<i>Late-stage VC</i></p> | <p>7 JUSDA — \$355.8M, Shenzhen
Logistics
<i>Late-stage VC</i></p> |
| <p>3 Horizon Robotics — \$600M, Beijing
Application software
<i>Series B</i></p> | <p>8 Lalamove — \$300M, Bangkok
Platform software
<i>Series D</i></p> |
| <p>4 Danke Apartment — \$500M, Beijing
Platform software
<i>Series C</i></p> | <p>8 Ola — \$300M, Bengaluru
Transportation
<i>Series J</i></p> |
| <p>5 Weltmeister — \$446M, Shanghai
Automotive
<i>Series C</i></p> | <p>10 Yimidida — \$266.15M, Shanghai
Logistics
<i>Series D</i></p> |

Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

KPMG Enterprise Innovative Startup Network. From seed to speed, we're here throughout your journey



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Tim Dümichen, Partner, KPMG in Germany

Tim Kay, Director, Innovative Startups, KPMG in the UK

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 takes into account 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.

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 venture capital funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional venture capital firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identified as growth-stage 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 is domiciled, if that information is not explicitly known, the HQ country of the fund's general partner is used. Only funds based in the US 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, venture capital firms, corporate venture firms and corporate investors. 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. The impact of initial coin offerings on early-stage venture financing as of yet remains indefinite. Furthermore, as classification and characterization of ICOs, particularly given their security concerns, remains crucial to render accurately, we have not detailed such activity in this publication until a sufficiently robust methodology and underlying store of datasets have been reached.

Angel/seed: PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and it 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. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

Methodology, cont'd.

Early-stage: Rounds are generally classified as Series A or B (which PitchBook typically aggregates 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 PitchBook typically aggregates 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.

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 actually 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 the 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.

In this edition of the KPMG Venture Pulse, covering Q1 2019, PitchBook's methodology regarding aggregate exit values changed. Instead of utilizing the size of an IPO as the exit value, instead the prevaluation of an IPO, based upon ordinary shares outstanding, was utilized. This has led to a significant change in aggregate exit values, yet is more reflective of how the industry views the true size of an exit via public markets.

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