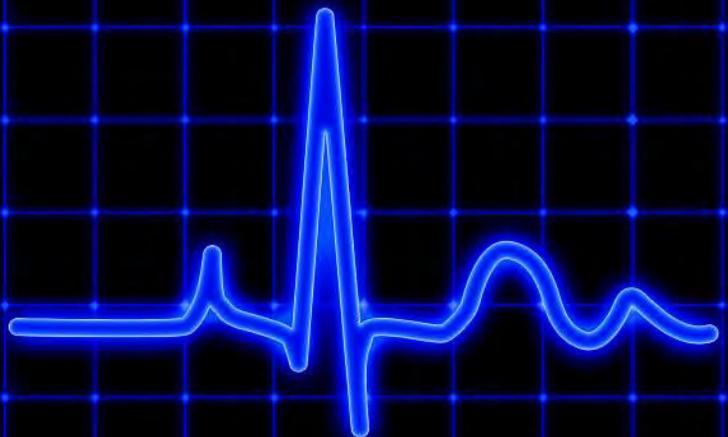




Venture Pulse Q4 2019

Global analysis of
venture funding

15 January, 2020



Welcome message



Welcome to the Q4'19 edition of *Venture Pulse* — KPMG Private Enterprise's quarterly report highlighting the key issues, trends, and opportunities facing the VC market globally and in key jurisdictions around the world.

VC investment globally remained steady in Q4'19 despite a number of market challenges ranging from the ongoing trade tensions between the US and China, the *uncertainty* leading up to the December general election in Britain, and the continued weakness of China's economy. While significantly lower than the record-setting level of VC investment seen in 2018, total annual VC investment globally remained higher than every other year on record.

Despite a small decline in VC funding year-over-year, the US continued to dominate the VC market globally, accounting for more than half of the VC investment seen during 2019. After breaking 2018's record annual high of VC investment at the end of Q3'19, Europe continued to see solid levels of investment to finish off the year. Asia remained the primary weak spot in the VC market globally, with a massive year-over-year decline in VC investment and a smaller decline in the number of VC deals.

At a sector level, VC investment worldwide continued to diversify. Fintech continued to be one of the hottest areas of investment, in addition to autotech, biotech, mobility and logistics, and food delivery. At a technology level, artificial intelligence, automation, deeptech, and B2B solutions all received significant interest from VC investors.

Heading into 2020, the VC market is expected to remain relatively steady in Q1'20, with areas such as AI, biotech, and fintech remaining very hot. Despite some mixed results, the IPO market could see an uptick as companies look to exit in advance of the US Presidential election. The election is likely to drive some uncertainty — particularly in the second half of the year.

In this quarter's edition of *Venture Pulse*, we examine both annual and Q4'19 VC market results, in addition to delving into a number of global and regional trends, including:

- The increasing focus of investors on the unit economics of consumer-focused businesses
- The growing diversity of unicorns
- The strength and increasing maturity of Europe's VC market
- The heightening focus of VC investors on Latin America

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 Private Enterprise adviser in your area.

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Unless otherwise noted, all currencies reflected throughout this document are US Dollar

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Jonathan Lavender

Global Chairman,
KPMG Private Enterprise,
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Conor Moore

Co-Leader,
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Giants Network,
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KPMG in the US

Kevin Smith

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Giants Network,
KPMG International and EMA Head
of KPMG Private Enterprise

***Globally, in Q4'19
VC-backed
companies raised***

\$63.1B

across

4,289 deals



Global VC funding remains high in 2019 despite market tensions

Despite a decline in the number of deals, VC investment globally remained strong in Q4'19. While 2019's total VC investment fell sharply compared to 2018's record-shattering \$301.5 billion, VC investment remained significantly higher than all previous years.



VC investment in the Americas and US remains strong despite small dip compared to 2018

The US continued to lead the globe in terms of VC investment during 2019. Despite a small dip year-over-year, both the total number of VC deals and the total amount of investment remained very robust. The broadening of the VC market outside of Silicon Valley helped propel this increasingly diverse US market, with a number of cities attracting large VC investments during Q4'19.

VC investment across the Americas was also strong, with Brazil, in particular, seeing a significant amount of VC funding, two new unicorn births (Wildlife Studios, EBANX), and growing interest from VC investors during Q4'19.



Banner year for VC investment in Europe

For the third straight year, Europe set a new annual record for VC investment. After a record quarter of investment in Q3'19, VC investment remained robust in Q4'19. Countries across Europe saw large investments. In addition to the UK, Germany, and Israel — the Netherlands, France, and Lithuania all attracted at least one \$100 million+ deal. The increasing deal sizes speak to the growing maturity of the VC market across the region.



VC investment in Asia remains weak, despite two \$1 billion mega-deals

VC investment in Asia remained relatively weak in Q4'19, despite \$1 billion funding rounds to Beike in China and PayTM in India. Compared to 2018 results, VC investment in Asia dropped more than 42 percent, in part due to the lack of massive mega-deals in China throughout 2019. Despite some political uncertainty in Hong Kong, the Hong Kong Stock Exchange (HKSE) showed some buoyancy, lifted by the secondary listing of Alibaba in November, a move that raised \$11 billion in the HKSE's largest listing since 2010¹.



Fintech continues to be a hot area of investment in all regions of the world

Fintech was one of the hottest sectors of investment globally in Q4'19, led by India-based PayTM's \$1 billion raise. Digital bank Chime led fintech investment in the US with a \$500 million Series E funding round in December, while Brazil-based cross-border payments company EBANX achieved unicorn status in October. In Europe, three of the top ten deals in Q4'19 were fintech related Rapyd (\$104m), and Israel-based CreditStacks (\$110m). China-based WTOIP International also raised \$224 million in Q4'19.

Outside of fintech, VC investments were highly diversified in many regions of the world. In Asia, top deals touched a myriad of sectors, such as real estate, fintech, automotive, construction, training, and biotech. In the Americas and the US, VC investment was widespread across sectors, from food delivery to B2B services, and from fintech to logistics. In Europe, the largest investments were strongly fintech focused, although B2B companies also gained significant traction from investors.

¹ <https://www.marketwatch.com/story/alibaba-shares-jump-8-in-debut-on-hong-kong-stock-exchange-2019-11-26>

Global VC funding remains high in 2019 despite market tensions, cont'd.



Five-year decline in first time financings

Since reaching a peak of 8,088 in 2014, the number of first-time venture financings globally has dropped for five years — reaching a low of 5,878 in 2019. While recent declines partly reflect the tendency of VC investors to focus on later stage deals over earlier stage deals, the decline in first-time financings likely also reflects the broadening opportunities to access capital available to startups. For example, family offices have become an increasing source of capital for startups in both Europe and Asia.



VC investors cautious, focusing on unit economics and profitability

In the wake of several disappointing IPO results for large consumer-focused technology companies, VC investors have grown more cautious with their funding, increasing their scrutiny of corporate business models and expected profitability. In the case of customer-focused businesses, VC investors are focusing more intently on unit economics, the ability of a company to make a profit at the individual transaction level.

Following on Uber splitting out its financial reporting for five of its business segments, VC investors are beginning to ask for the same level of transparency from other companies with multiple revenue streams. This is likely to enhance the ability of VC investors to determine whether companies can compete with others in specific areas. Companies unable to provide such a level of detail may find it difficult to attract funding in the future or to conduct a strong IPO.



Record number of unicorn births in 2019

Although the number of new VC-backed unicorns, companies valued at \$1 billion and above — dropped quarter-over-quarter from 35 in Q3'19 to 22 in Q4'19, the year saw a record number of unicorn births, with 110 new unicorns created globally in 2019. The US accounted for more than two thirds of these unicorns, with 71 in total and 15 in Q4'19 including Ripple, Bright Health, Duolingo, Scopely, and Next Insurance.

Unicorn births were not limited to key VC markets like the US, UK, Germany, China, and India. Europe, saw companies from a growing number of countries gaining unicorn status, including Israel (Lightricks), Lithuania (Vinted), Luxemburg (OCsiAI), France (Meero, Doctolib), Spain (Glovo), Sweden (Northvolt), and Switzerland (Numbrs, Acronis). Overall, Europe set a new record, with 18 new unicorns in 2019 compared to 10 in 2018 and only 3 in 2017.

Brazil showcased its growing importance in the Americas with a record 4 unicorn births in 2019, including QuintoAndar, Loggi, EBANX, and Wildlife Studios. Canada also saw 2 new unicorns (Coveo, Nuvei), both in Q4'19.



IPO exits continuing despite mixed results

IPO exits remained strong throughout 2019, particularly in the US. More than thirteen unicorns in the US issued IPOs during the year, including ride-sharing competitors Uber and Lyft, both of which had less than stellar IPO and post-IPO results².

Despite mixed results, there continued to be a significant amount of pressure to exit from VC investors and other stakeholders during 2019. While startups continued the trend of staying private longer, there has been a large surge of mature companies ready and able to exit. VC investors in a number of these companies have also reached their 10-year fund horizons; this has increased their desire to bring return to their investors.

² <https://www.wsj.com/articles/a-decade-of-unicorns-ends-with-a-little-less-magic-11576630801>

Global VC funding remains high in 2019 despite market tensions, cont'd.

The desire to allow early employees to cash out and gain benefit from their equity awards has also lit a fire beneath companies considering exit options. Companies have also begun to consider direct listing options as a means to create liquidity. Following on Spotify's direct listing in 2018, unicorn company Slack issued a direct listing in 2019. Other mature startups could follow suit in 2019.



Corporate VC investment still robust

Globally, corporate VC investment remained quite strong in all jurisdictions, a trend not expected to relent anytime soon, barring a significant market correction. Companies across every sector are seeing a need for digital transformation, are looking to diversify their business model, and are looking to obtain the learnings offered by different startups as a mechanism to drive their own capabilities forward. Corporate VC investment is expected to continue across a number of areas, including adjacent investments as a means to broaden service or product offerings. For example, Paypal's acquisition of online coupon company Honey Science for approximately \$4 billion in November is expected to extend Paypal's reach beyond its core payments function³.



Trends to watch for globally

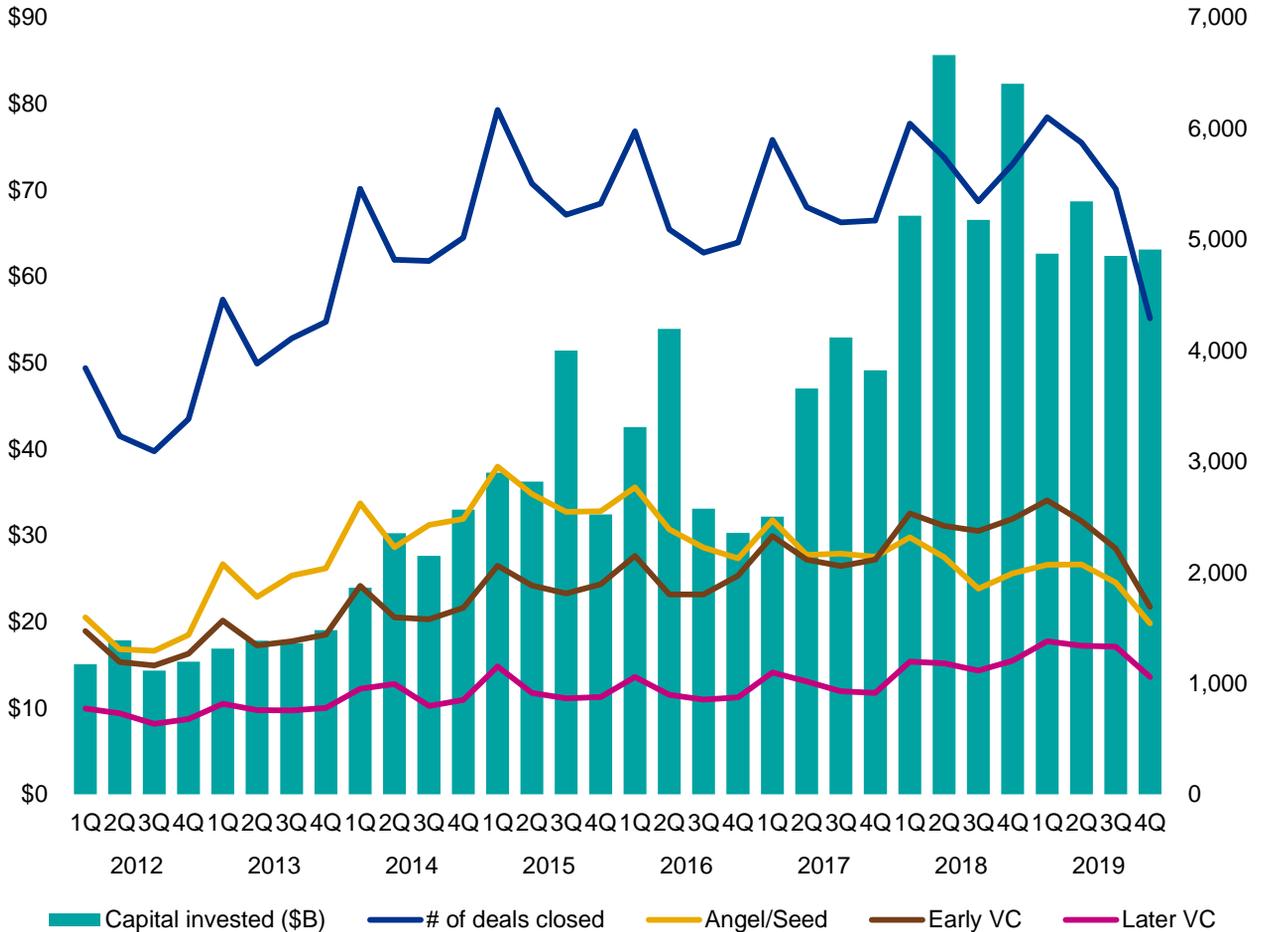
Looking ahead to 2020, political and economic uncertainty is expected to remain fairly high in several regions as a result of ongoing Brexit concerns, the continued US-China trade war, and more localized challenges in a number of jurisdictions. The November 2020 presidential election in the US could also cause some pullback toward mid-year as investors wait out the election cycle, although the election could also drive an uptick in early year IPOs from companies interested in exiting prior to the election. Fintech, AI, biotech, and B2B services are expected to remain hot areas of VC investment.

Over the next few quarters, there is also expected to be an increase in interest from VC investors for collaborative economy platforms based around specialized industries, such as RigUp, which provides a platform for recruitment and talent management for oil rigs.

³ <https://finance.yahoo.com/news/paypal-acquires-honey-science-boosts-130801177.html>

2019 finishes strong

Global venture financing 2012–Q4'19



Source: Venture Pulse, Q4'19. Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20. Note: Refer to the Methodology section on page 97 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

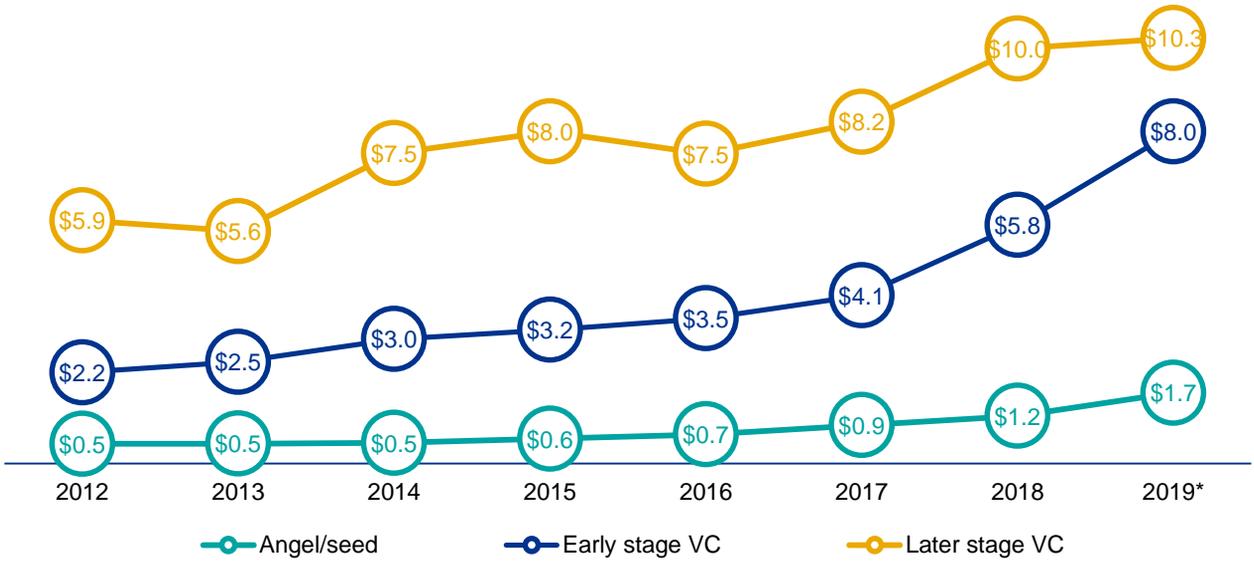
“Globally, I don’t think we’ve come close to the potential for AI as of yet. There is definitely growing interest from VC investors across most of the world for AI solutions and for different elements within AI, such as machine learning. While 2020 could be a slower year than 2019 due to a number of global and regional economic and political factors, AI is likely to continue to be high on the radar of investors.”



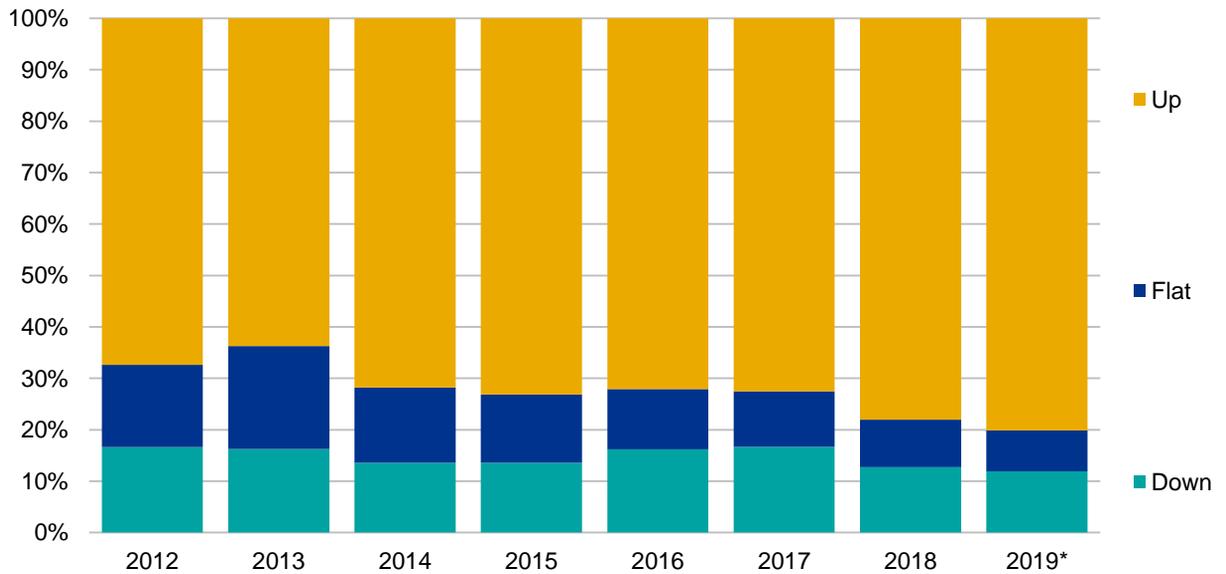
Jonathan Lavender
Global Chairman, **KPMG Private Enterprise**
KPMG International

Optimism remains intact

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



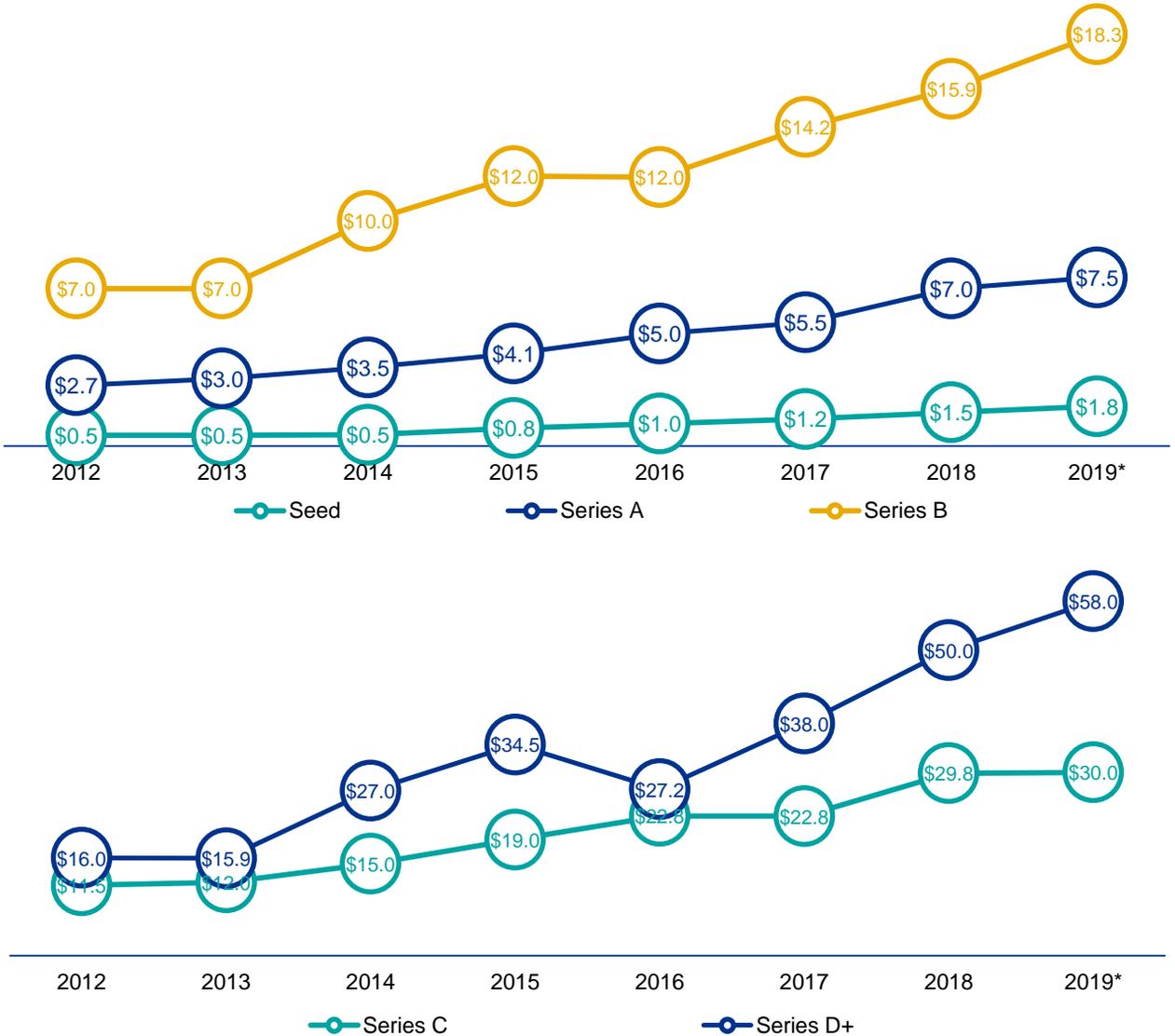
Global up, flat or down rounds
2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

New highs across the board

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

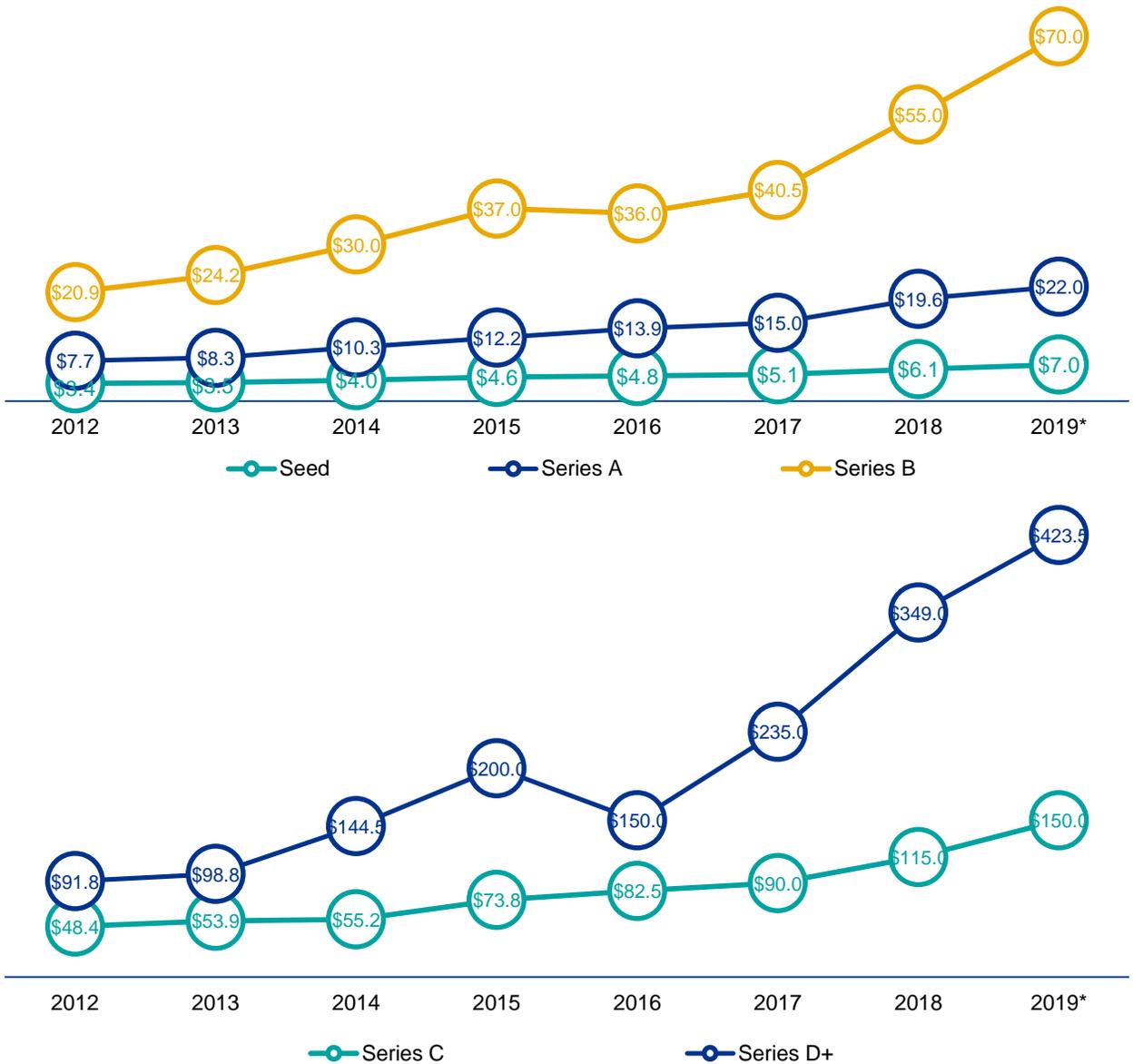


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

The conversation around venture financing sizes and valuations has changed irrevocably due to a radical reshaping of the ecosystem's size and inflows of capital. With capital commitments flooding into multiple venture funds for several years straight, it'll take some time for the investment cycle to play out any subsiding in fund sizes. Consequently, medians ended 2019 on a high note, notching records across every single series.

Valuations hit new highs

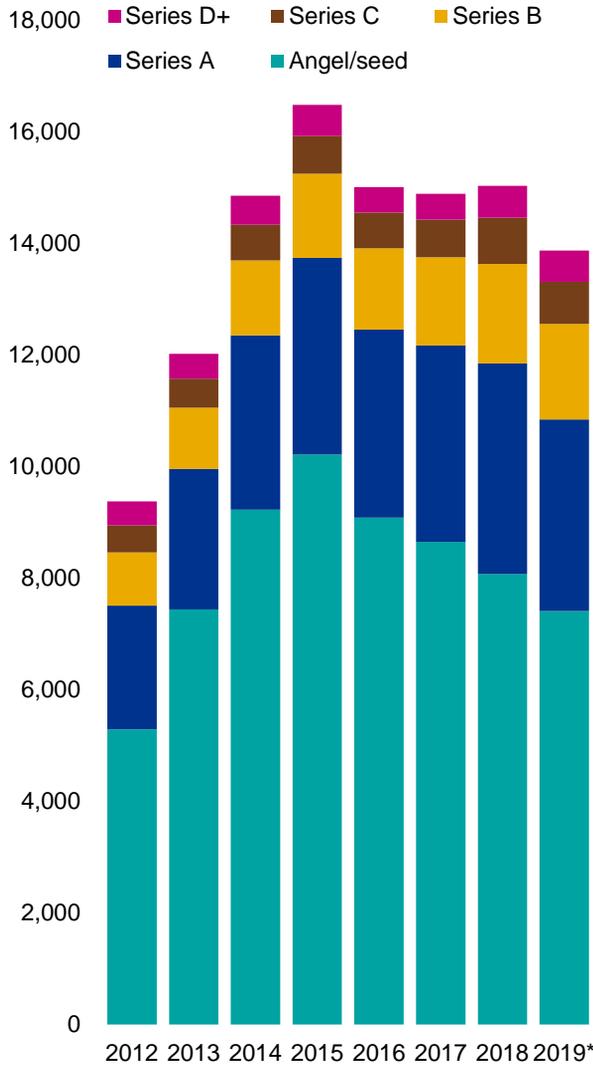
Global median pre-money valuation (\$M) by series
2012–2019*



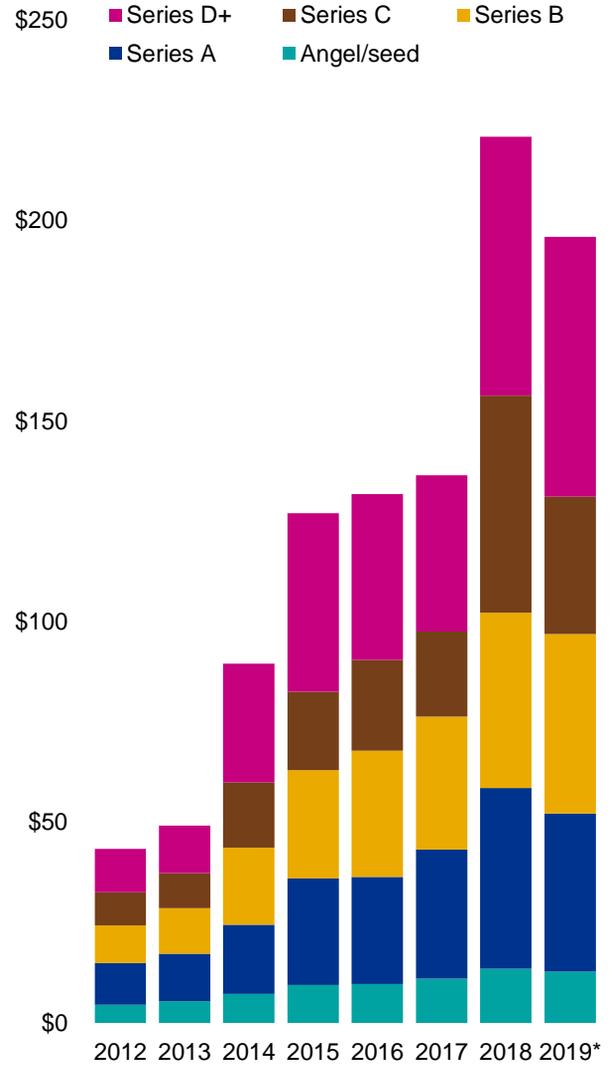
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

VC leans toward late-stage

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



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

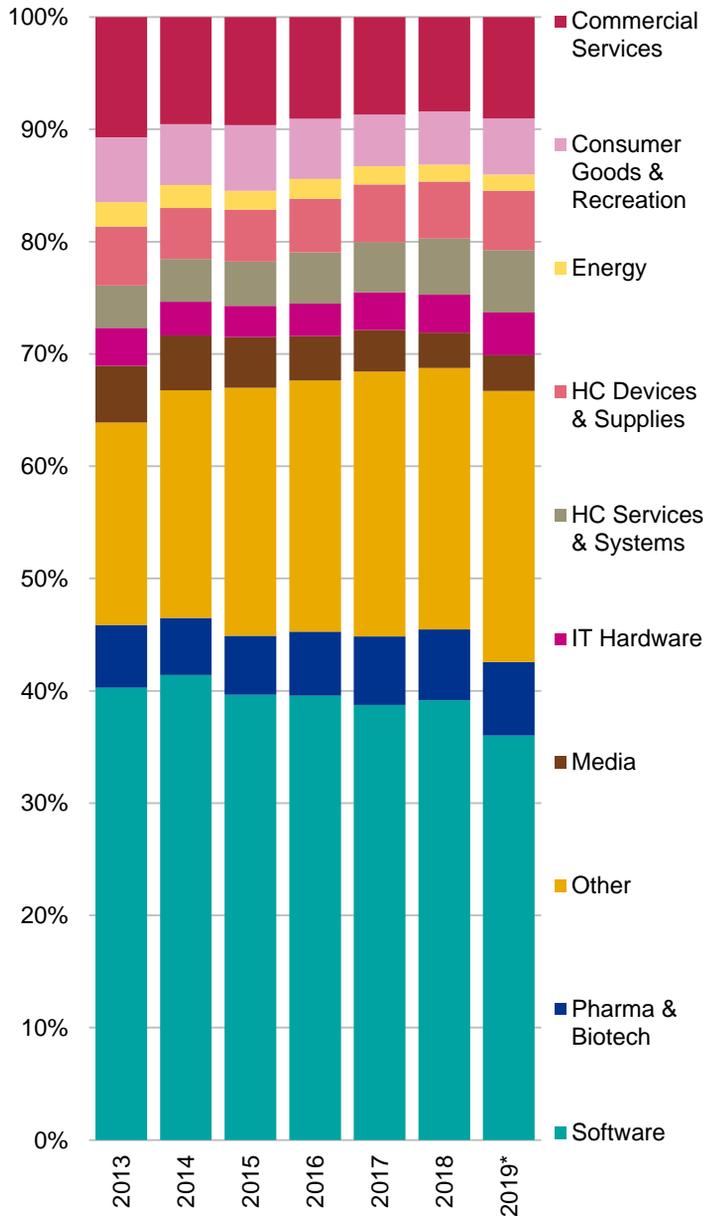


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

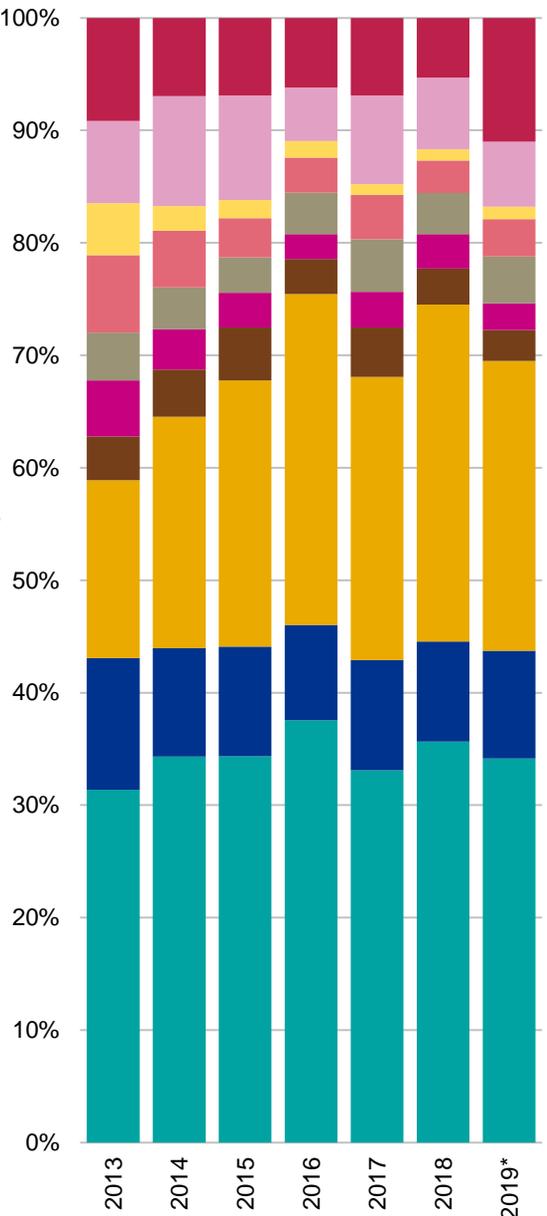
It's too early to say, but 2019 could mark a high tide in terms of how much money is still concentrated in the existing and brand-new unicorn population, as companies such as SpaceX or the We Company rake in mid-alphabet-denominated venture rounds in the hundreds of millions. Given how returns on many now-public unicorns have not been as stellar as hoped for, a rebalancing could kick off in 2020.

Healthcare impresses

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



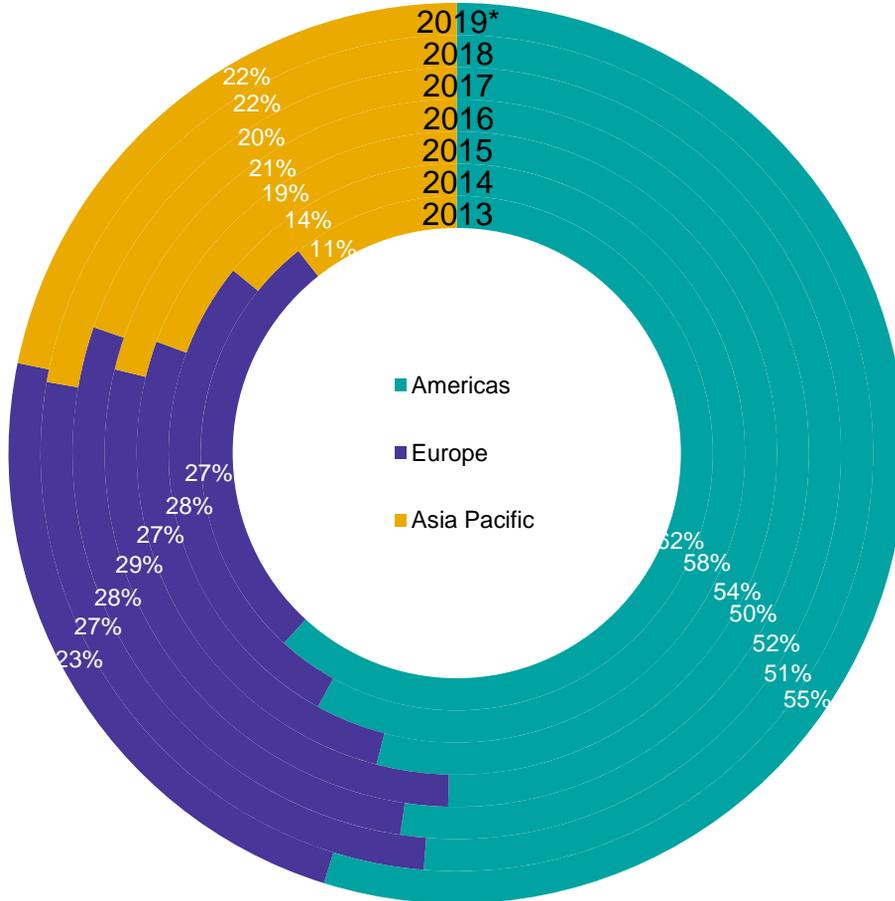
Global financing trends to VC-backed companies by sector
2013–2019*, VC invested (\$B)



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

APAC holds steady

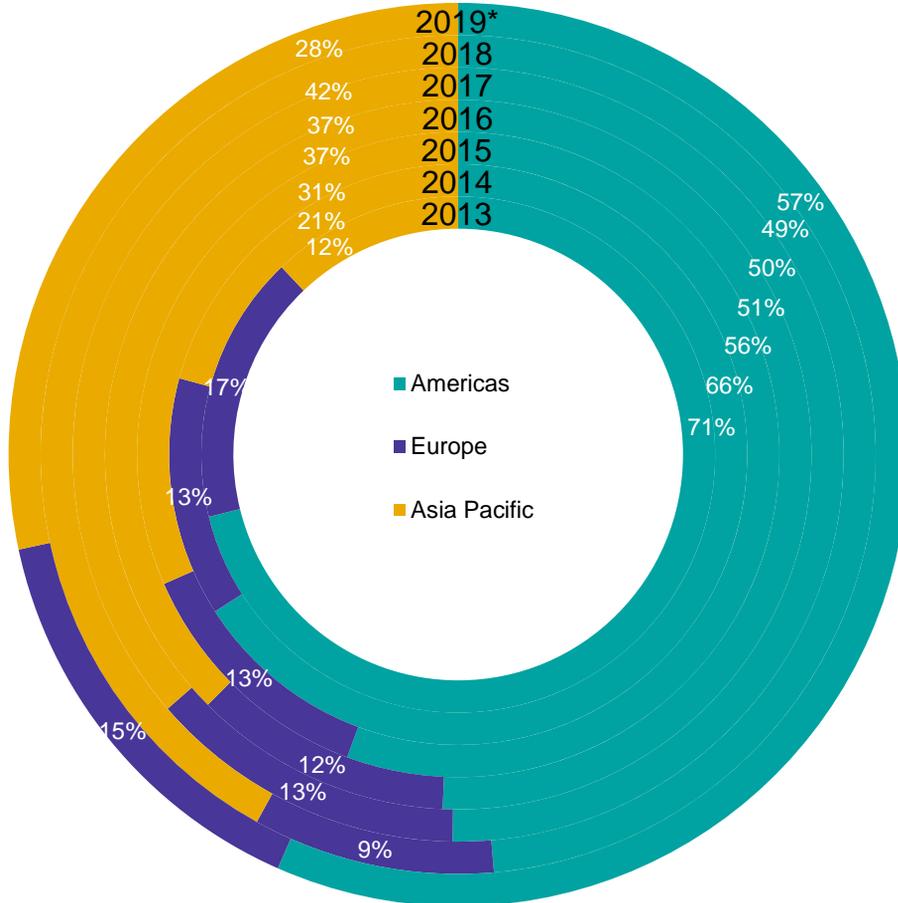
Financing of VC-backed companies by region 2013–2019*, number of closed deals



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Europe resurges

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



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

“It’s been a smashing year for VC investment in Europe. Given the broad range of economic challenges — whether Brexit, Germany’s economic challenges, or other local issues — it’s pretty clear that Europe has been very resilient. VC investment reached a significant new annual high, with increasing average deal sizes and much broader investment across the region.”

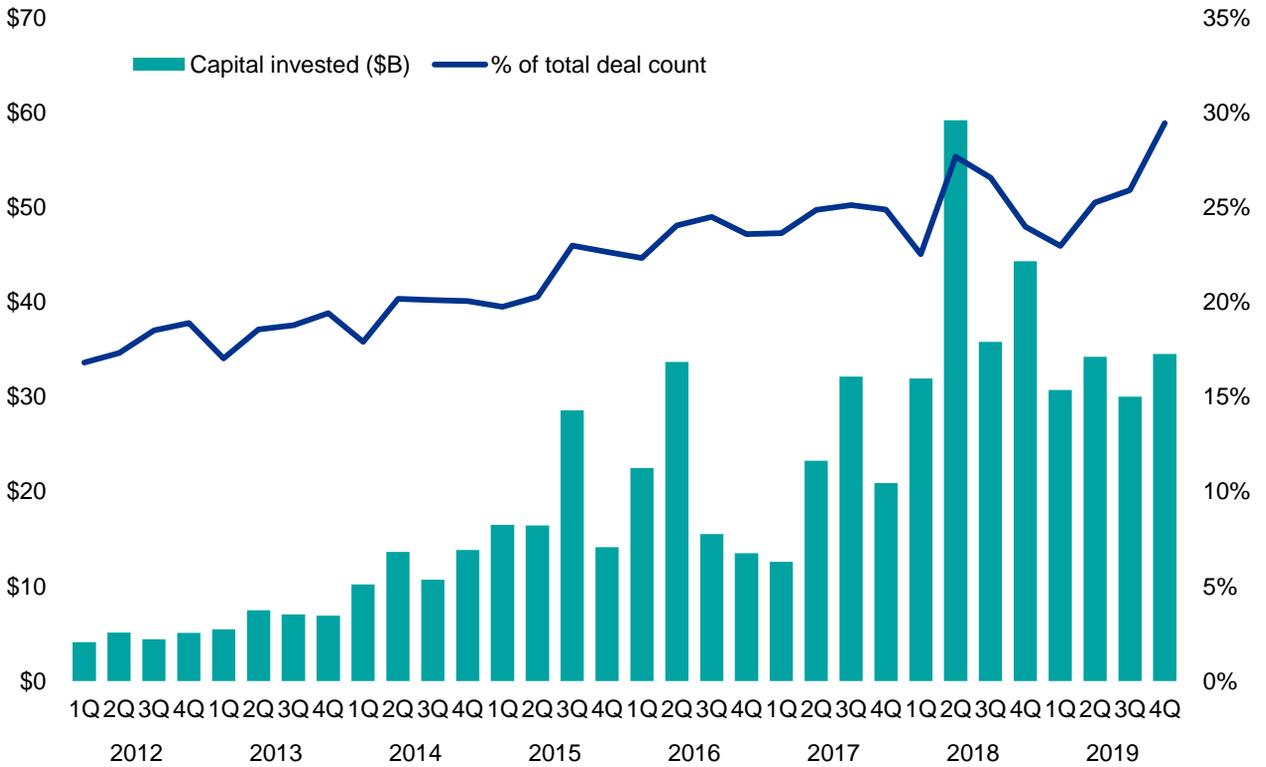


Kevin Smith

Co-Leader, KPMG Private Enterprise Emerging Giants Network, **KPMG International** and EMA Head of **KPMG Private Enterprise**

CVC reaches new heights

Corporate VC participation in global venture deals 2012–Q4'19



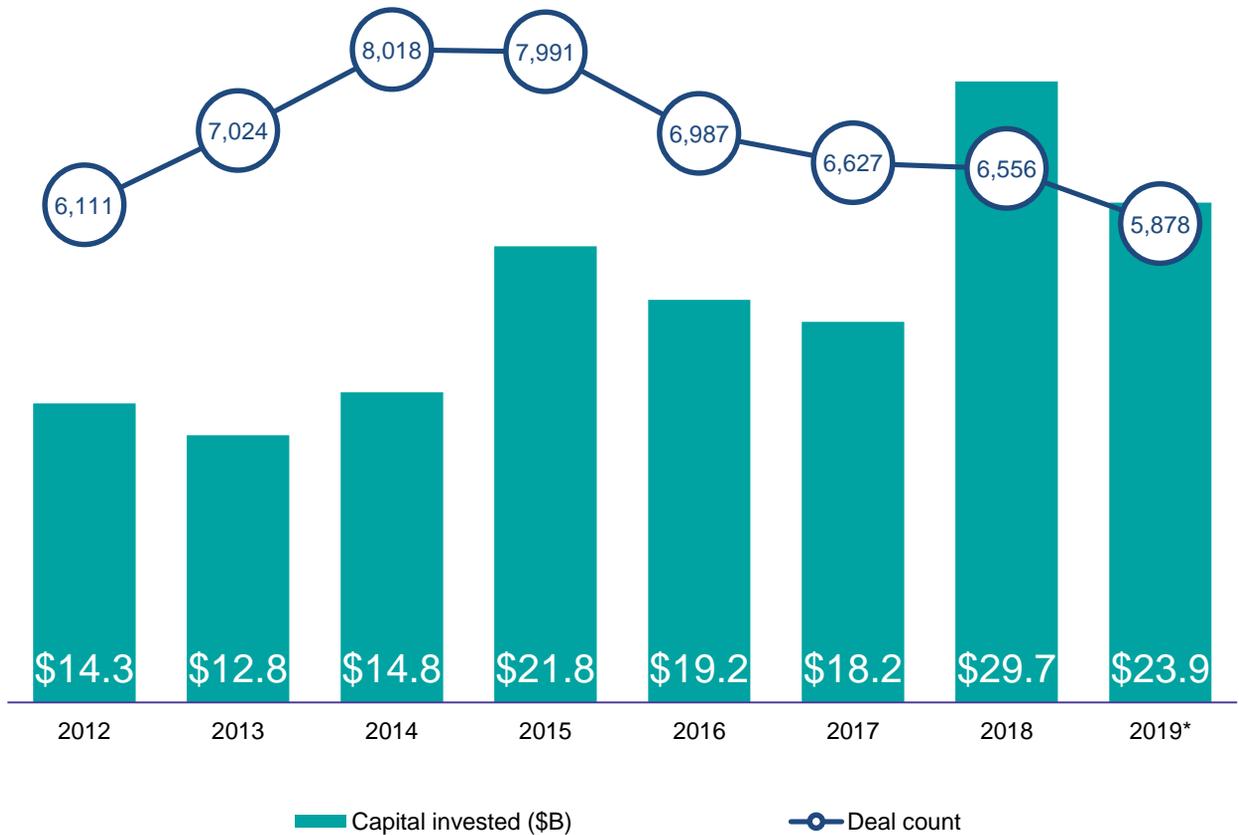
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

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.

After the puzzling dip in the first quarter of 2019, corporate participation climbed back to surpass prior historical highs, hitting a staggering near 30 percent in the final quarter of the year. Moreover, aggregate deal values stayed roughly steady throughout the entire year, hovering around \$30 billion per quarter.

First-time VC stays robust

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



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

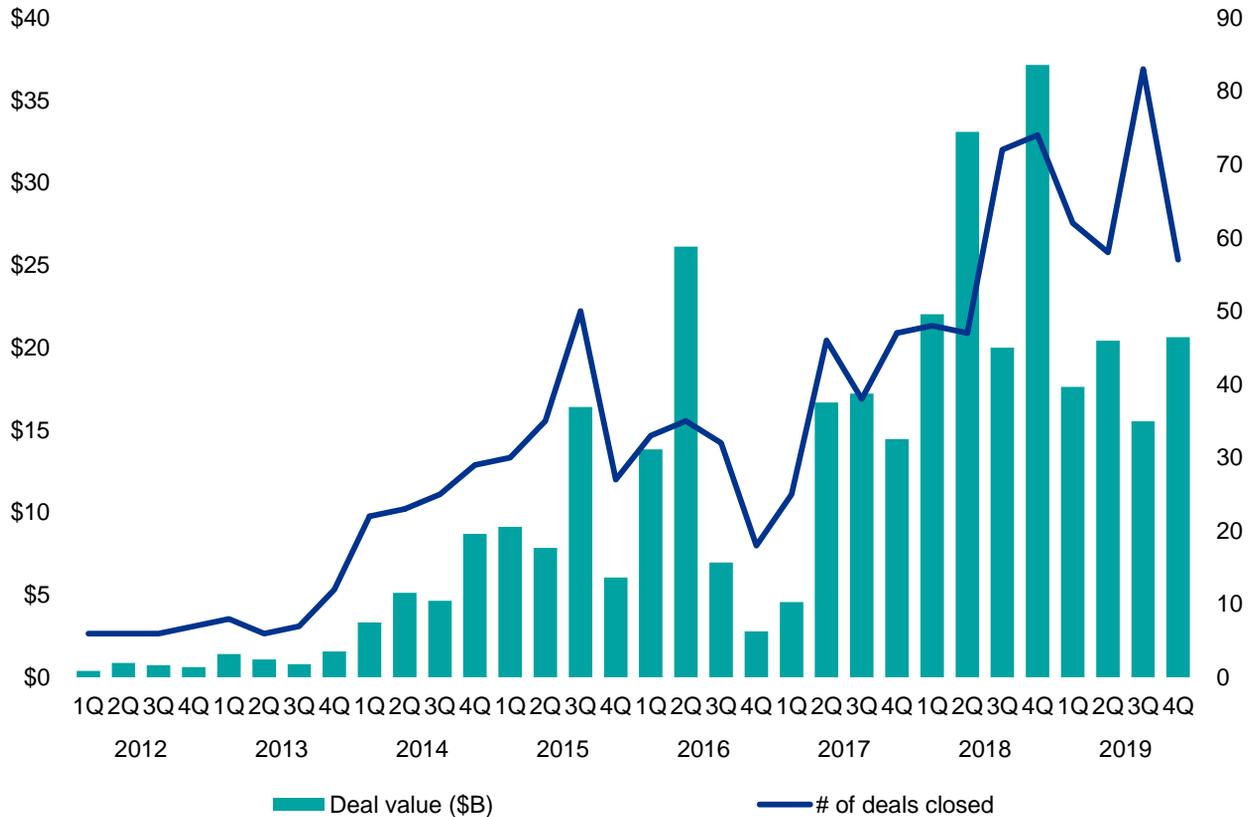
“Looking into 2020, there is likely going to be a lot more scrutiny on the unit economics of startups in the future, with investors looking for companies to really prove the profitability of individual transactions. In order to get funding or hold a successful exit, companies will need to be very transparent around all aspects of their business model and have their financial house in order.”



David Pessah
Senior Director, KPMG Innovation Labs
KPMG in the US

Unicorns end year down

Global unicorn rounds 2012–Q4'19



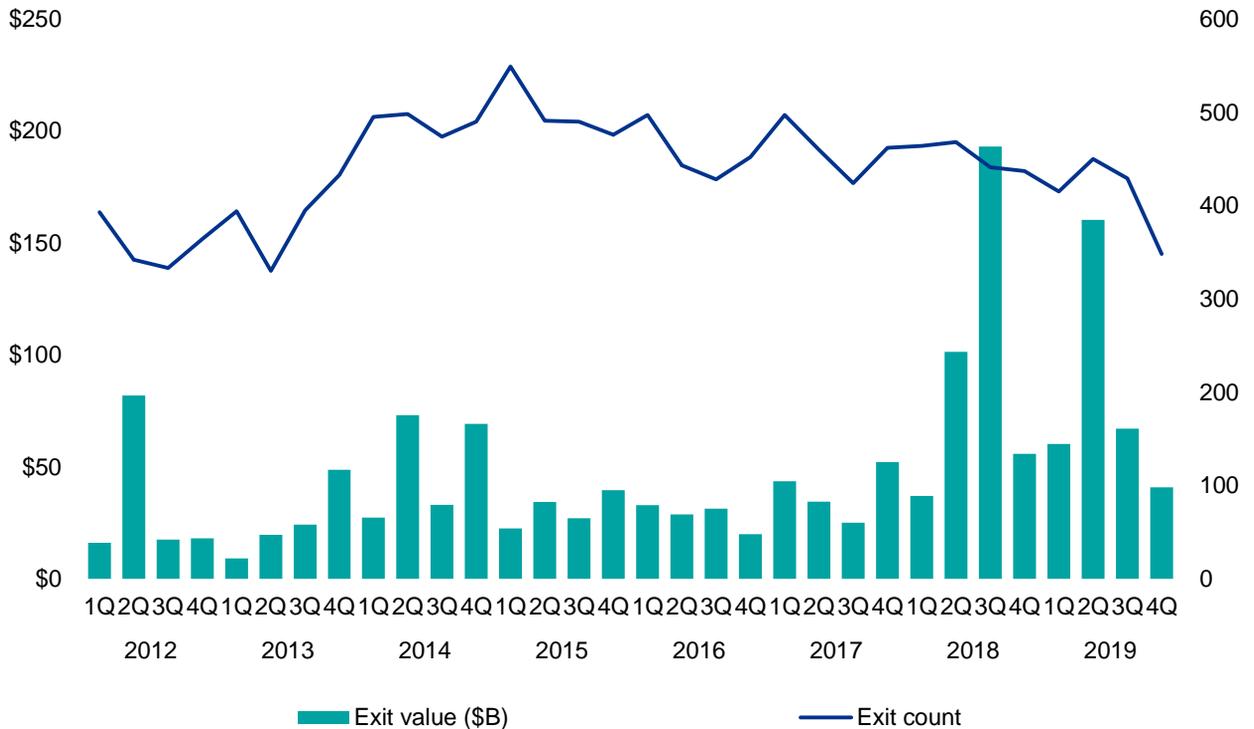
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

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 downturn in volume, and the record quarters of Q2 and Q4 2018, 2019 was relatively quieter until Q3 saw multiple unicorns close well over 70 rounds of funding. Another steep downturn followed, however, potentially driven by sentiment shifts as negative headlines around the We Company and unicorns' public markets' performance swirled. But thus far, even if fewer are able to, those that can raise are still commanding large sums. Additional time and evidence to see if those bets will pay off is required before we'll see a significant shift in investor behavior.

A return to normalcy

Global venture-backed exit activity 2012–Q4'19

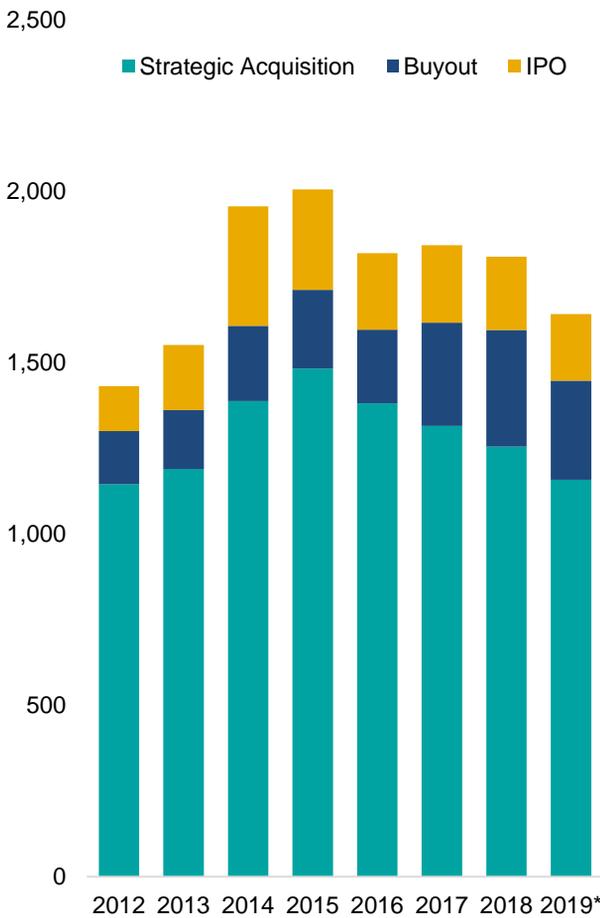


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

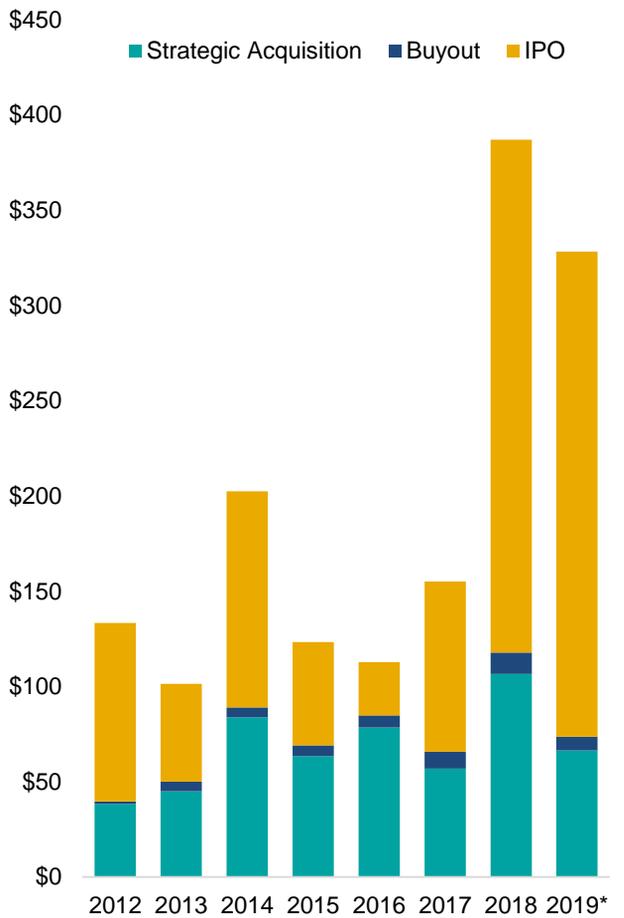
An important change in Venture Pulse methodology must be noted one last time, given the significant trend differences. Although exit volume remains largely the same, the shift in exit values is due to the fact that PitchBook now utilizes IPO pre-valuations in the stead of IPO offering sizes. That is one of the drivers of how much more liquidity was achieved in the past two years; unicorns are now finally going public and reaping hefty valuations. That said, many are not as high as they once were earlier in the year, given difficulties in posting positive numbers that suggest a clearer pathway to profitability. Accordingly, without additional unicorns going public, exit values declined to a level more in line with historical tallies.

Unicorn IPOs at near-highs

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



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

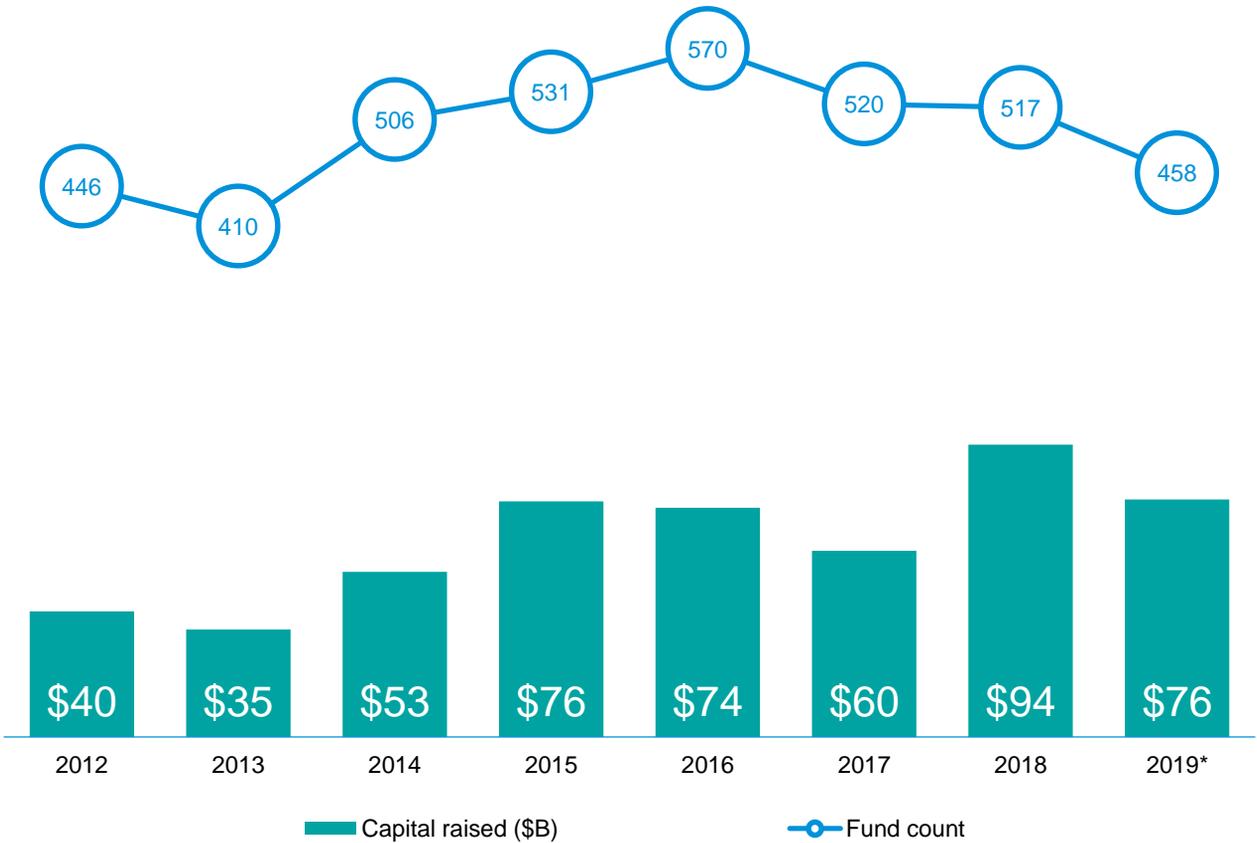


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

At nearly \$255 billion, the total exit value achieved by VC-backed startups going public in 2019 fell shy of the record haul in 2018 of \$269.3 billion. However, volume was reasonably strong, if not as hefty as in 2014 and 2015, which boded well for a time for the venture ecosystem on the whole. Some concerning signs remain for investors and companies, namely the volatility in market prices some unicorns have experienced to date. That said, it will take additional time to render a complete verdict on their performance; in the meantime, investors and those businesses looking to go public are remaining more cautious and diligent.

Fundraising moderates

Global venture fundraising 2012–2019*

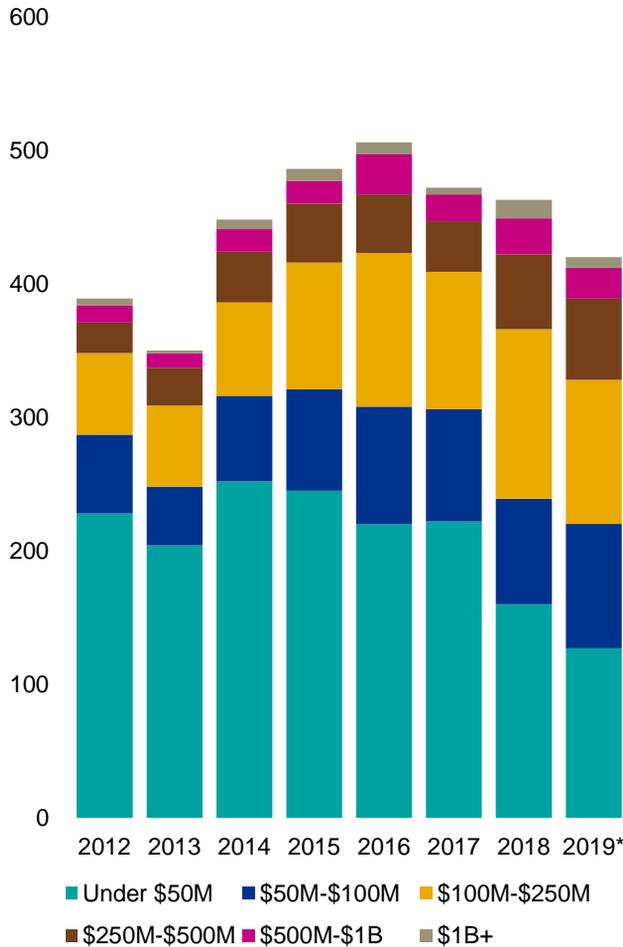


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

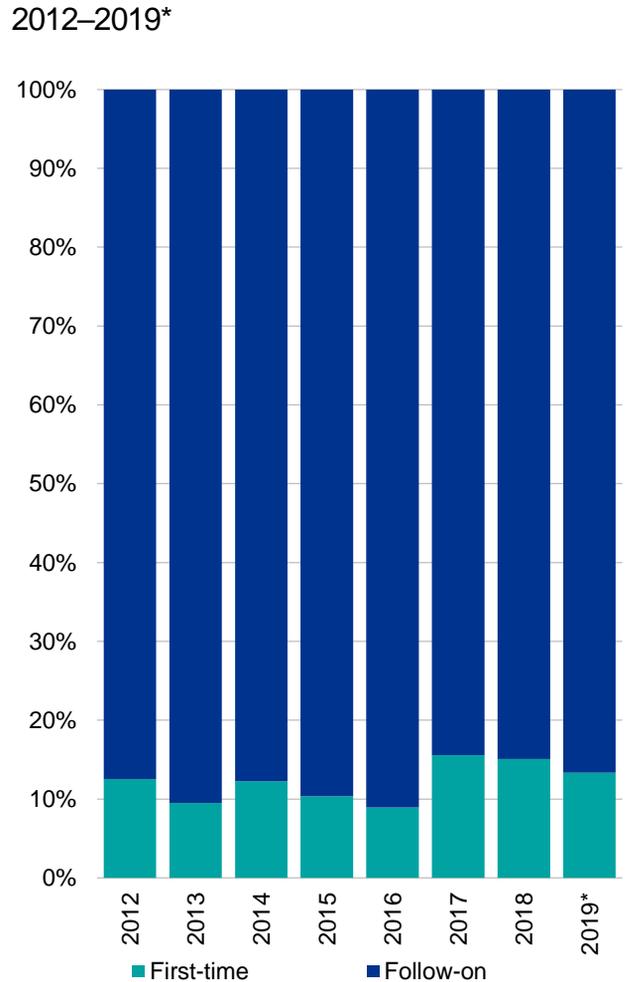
2019 recorded just over 450 closed venture funds for a hefty \$76.4 billion in committed capital. Those are historically healthy tallies, although the lowest annual total of closed funds since 2013. Fund sizes have tilted larger, largely in response to the reshaped economics of the entire global venture cycle in the past decade, as a matter of course. More importantly, what these larger funds and the massive \$230 billion that has been pledged to VC funds in the past three years alone signify is that there is plenty of fuel for the investing cycle to continue spinning onward for the foreseeable future.

First-time funds stay steady in volume

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



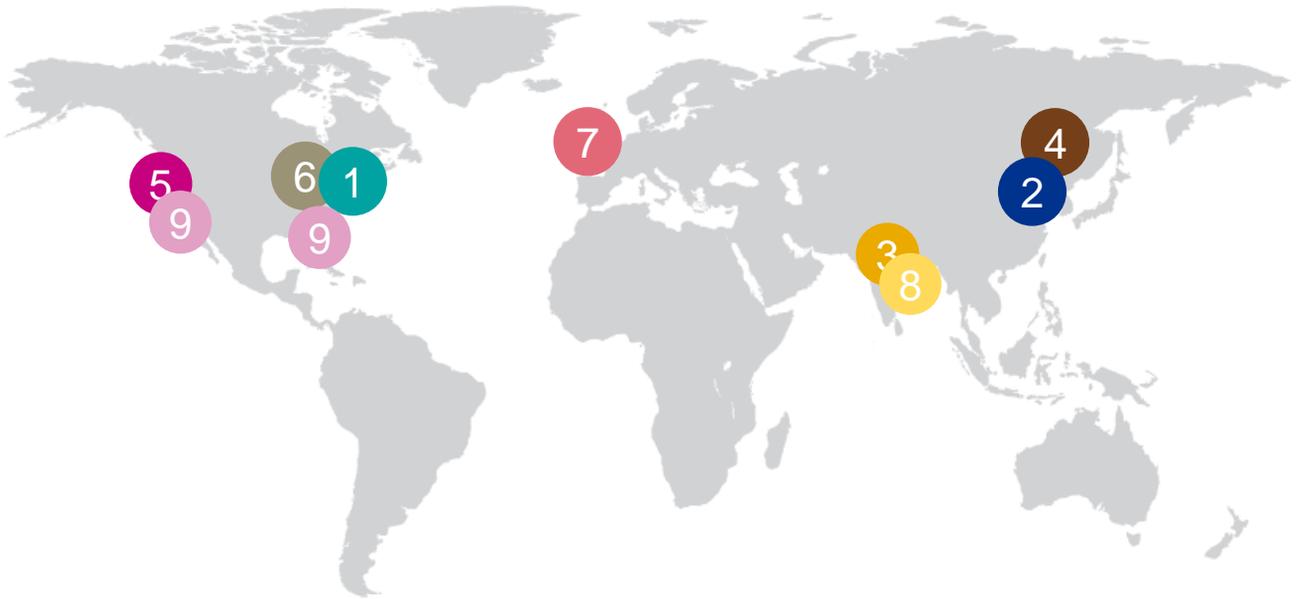
Global first-time vs. follow-on venture funds (#) 2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Although not at the levels seen before, first-time funds did account for at least over 10 percent of all global venture fundraising in 2019. Such a trend is important as first-time funds typically are smaller and target earlier stages, enabling a more even supply of capital to flow across smaller ecosystems and thereby invigorating the entire VC stack and supply of companies, rather than leading to over-concentration of capital in only fewer and larger businesses.

Q4 sees diverse spread



Top 10 global financings in Q4'19

- | | |
|--|--|
| <p>1 The We Company — \$6.55B, New York
Real estate technology
<i>Corporate</i></p> | <p>6 Bright Health — \$635M, Minneapolis
Life & health insurance
<i>Series D</i></p> |
| <p>2 Tenglong Holding Group — \$3.7B, Beijing
Systems & information management
<i>Series A</i></p> | <p>7 Deliveroo — \$575M, London
Restaurant technology
<i>Series G</i></p> |
| <p>3 Paytm — \$1.7B, Noida, India
Financial software
<i>Series G</i></p> | <p>8 Udaan — \$500M, Bangalore
Business software
<i>Series D</i></p> |
| <p>4 Beike (Real Estate) — \$1B, Beijing
Real estate technology
<i>Late-stage VC</i></p> | <p>9 Magic Leap — \$500M, Plantation, FL
Virtual reality
<i>Series E</i></p> |
| <p>5 DoorDash — \$700M, San Francisco
Restaurant technology
<i>Series G</i></p> | <p>9 Chime (Financial Software) — \$500M, San Francisco
Financial software
<i>Series E</i></p> |

Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/2020.

***In Q4'19 US
VC-backed
companies raised***

\$34.2B

across

2,215 deals



US sees strong Venture Capital investment to finish the year

VC investment in the US remained strong in Q4'19, bringing a positive end to the country's second best year of VC investment ever next to 2018. Despite the resonating impact of the WeWork debacle and some loss of confidence with respect to unicorn IPOs, there continued to be a ton of dry powder in the market which helped fuel deal-making.



Diversity of VC investments helping spur US VC market

VC investment in the US was robust across many different sectors and technology verticals. Fintech, food delivery, B2B services, automation and RPA: these and a number of other areas all attracted significant investments in Q4'19. Continuing a longer-term trend, food delivery continued to attract large investments, with DoorDash raising \$700 million in Q4'19. Fintech also remained very hot with Chime raising \$500 million during the quarter, Robinhood raising \$373 million, and Next insurance raising \$250 million.

The geographic diversity of VC investments in the US also continued to expand well beyond Silicon Valley in Q4'19, with companies from New York, Seattle, Portland, and Austin attracting large.



Investors increasing scrutiny of potential deals

In Q4'19, VC investors in the US remained focused on late-stage deals and on companies with strong and well-proven business models. Given recent IPO results and the fallout from WeWork's failed IPO, VC investors confidence has degraded somewhat. As a result, they are only expected to increase their scrutiny of potential deals, becoming more circumspect with where they invest, conducting more due diligence, and looking at the unit economics related to customer-focused companies — such as food delivery or ride-hailing companies.



Fintech opportunities expanding scope, continue to attract investments

Fintech investment in the US continued to be strong in Q4'19 — a trend expected to continue for the foreseeable future. The fintech industry as a whole is very large, with growing opportunities for investment on both the customer-facing side and on the enterprise side. One area of particular interest in 2019 has been on the middleware layer of banking processes, whereby startups are providing banks with opportunities to expand their service offerings while banks are providing startups with opportunities to grow much faster than they would on their own.



US sees more unicorn births than ever before

The US saw 71 new unicorns during 2019, including 15 in Q4'19 — including Vroom, Dataiku, You and Mr. Jones, Guild Education, and Bright Health. New unicorns have cropped up in many regions. While Silicon Valley continued to drive the majority of new unicorns, other cities like Austin, Pittsburgh, Denver, Buffalo, Portland, and Raleigh, also saw companies attain unicorn status this quarter.

The growing diversity of locations able to grow unicorns speaks to the growing diversity of US startup hubs and the work many cities are undertaking in order to build up their innovation and startup ecosystems.

US sees strong Venture Capital investment to finish the year, cont'd.



Corporate VC investment continues apace

Corporate VC investment in the US continued to be relatively strong, with corporates both investing domestically and globally in order to expand their product or services offerings, extend their reach, or improve their internal or customer-facing operations.

There has also been an increasing trend of corporates investing in or purchasing companies in adjacent areas in order to expand the services they can provide to their customers. This is true of both traditional corporates and mature startups alike. For example, in Q4'19, PayPal acquired Honey Science — an online coupon company for \$4 billion. It is expected that this acquisition will allow PayPal to take advantage of Honey Science's data analytics tools and offerings to provide more value to their clients.



IPO activity remains strong in US despite mixed results

Unicorn companies that issued IPOs in 2019 have had very mixed results. Despite this fact, there continued to be a significant push towards exits right to the end of 2019 — a trend expected to last into the early part of 2020. This push likely reflects the continued backlog of mature companies that have remained private, the desire of VC funds to give return to their investors, and the increasing pressure on companies to give their employees with shares some liquidity. With a US presidential election looming in November 2020, it is expected that companies will either move to exit within Q1 or Q2'20 or hold back until after the election.

On the IPO front, the mixed results seen by unicorn companies to date have significantly increased the attention companies are getting from a due diligence perspective, with investors honing in on companies' business models, paths to profitability, and unit economics. Companies that want to issue IPOs will likely spend more time getting their financial house in order prior to IPO filing in order to enhance their chances of success.



Rise in collaborative productivity platforms

Over the last quarter, collaborative economy platforms gained some steam, particularly as they relate to specialized industry offerings. For example, Austin-based RigUp, a talent management platform focused on the energy industry, raised \$300 million in Q4'19. It is expected that this investment will likely raise interest in other niche productivity and workforce management platforms focused on other complex or niche industries.



Trends to watch for in the US

Heading into 2020, VC investment is expected to remain hot in areas related to fintech, artificial intelligence, and RPA. Corporate VC investment is also expected to remain robust, with a continued focus on adjacency investments in addition to other strategic investments. VC investor interest in consumer-focused companies could drop off somewhat until there is more certainty around whether the unit economics of businesses such as Uber, Lyft, and food delivery companies can be profitable.

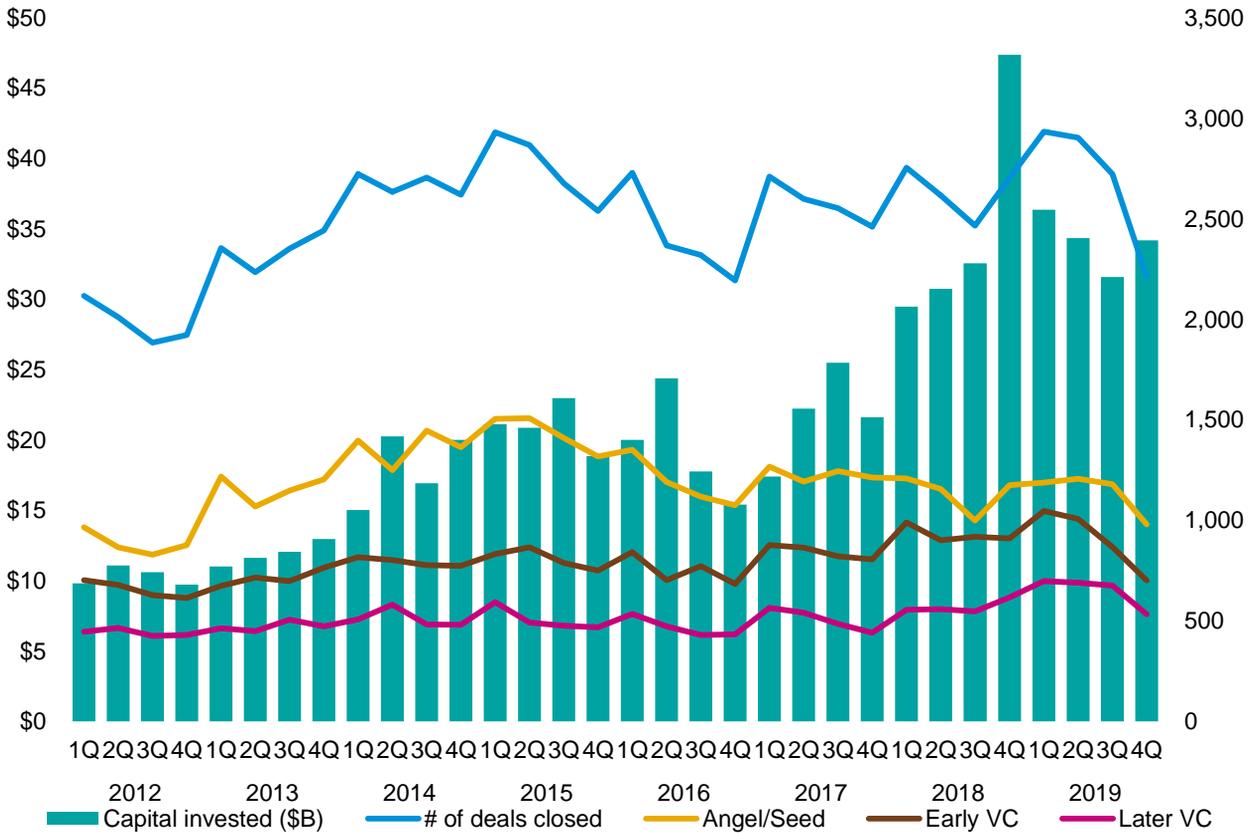
With the number of first-time venture financings continuing to drop, the US could see an uptick in venture investments by family offices. With less confidence yet still a significant amount of dry powder at their fingertips, traditional VC investors are expected to remain focused on late-stage and follow-on deals.

In Q1'20, it is expected that companies, particularly unicorns, looking to issue IPOs will spend more time pre-IPO on improving their financial positions, putting their operations in order, and ensuring their unit economics are attractive. Despite market challenges, IPOs could see an uptick to start the year as companies look to exit prior to the US presidential election.

2019 closes upward

Venture financing in the US

2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

The final quarter of 2019 saw a rally in aggregate venture invested, ending the year on a higher note despite a precipitous plunge in deal volume recorded at the start of the year. Granted, that volume may creep up somewhat given lags in private markets data collection, but the more important note is just how robust 2019 was overall for the US venture ecosystem. Both dollars invested and activity were remarkably strong, nearly at record highs.

“The continued investment in fintech is particularly interesting. The ongoing increase in disposable income of the millennial generation is generating significant demand for the services of these companies. This is driving more and more investment regardless of the multiple regulatory barriers that may need to be overcome”



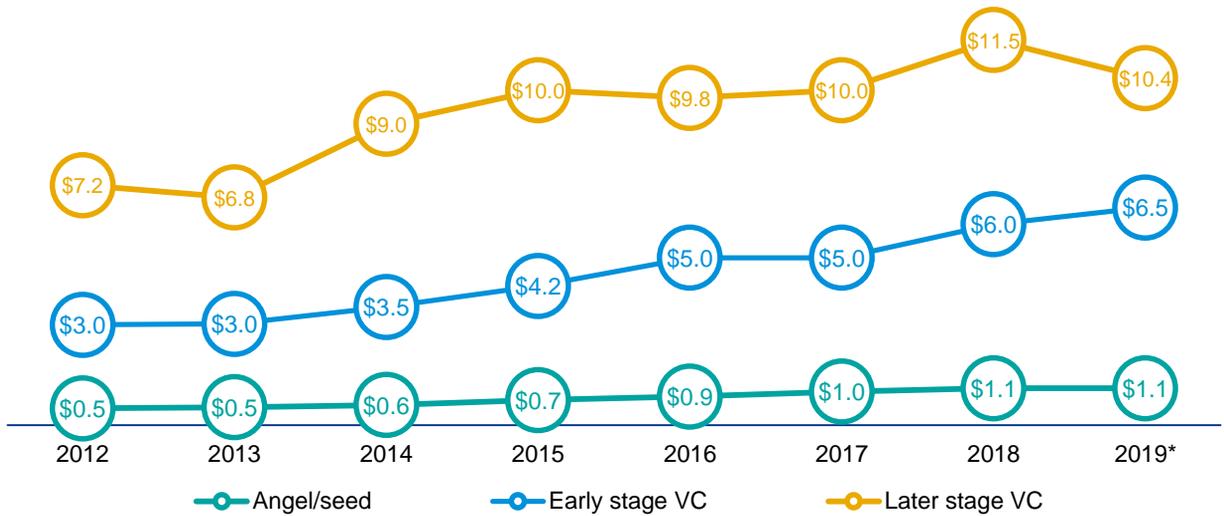
Conor Moore

Co-Leader, KPMG Private Enterprise Emerging Giants Network, KPMG International and National Co-Lead Partner, KPMG Venture Capital Practice, KPMG in the US

The late-stage finally slides

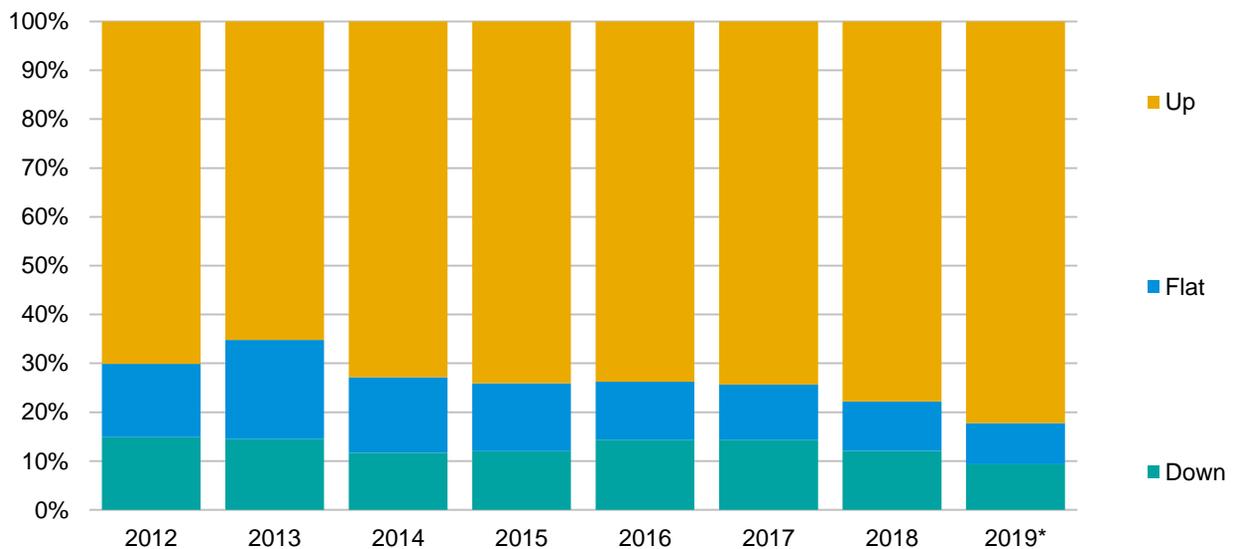
Median deal size (\$M) by stage in the US

2012–2019*



Up, flat or down rounds in the US

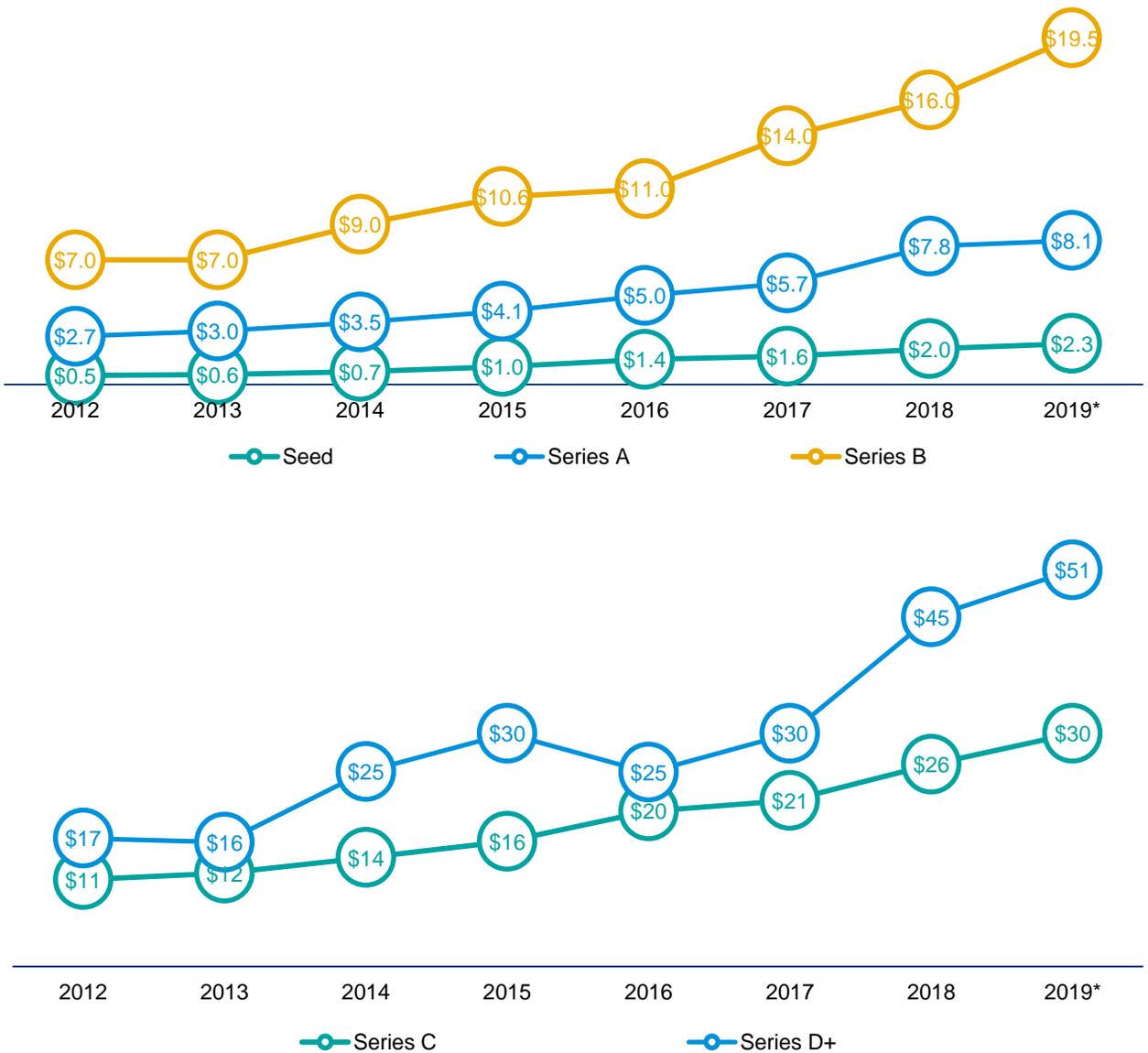
2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

2019 sees record highs

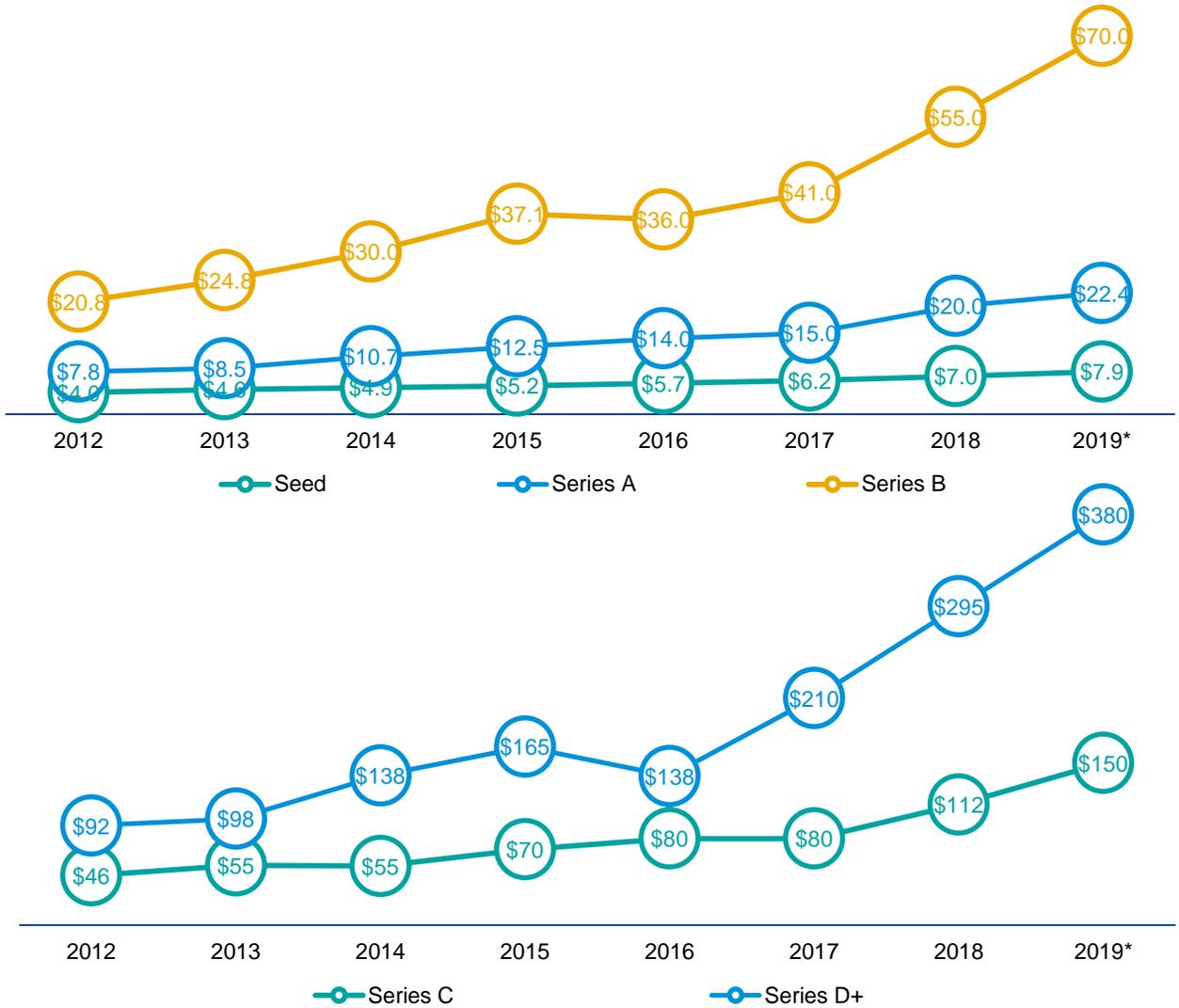
Median deal size (\$M) by series in the US
2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.
Note: Figures rounded in some cases for legibility.

Record valuations abound

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

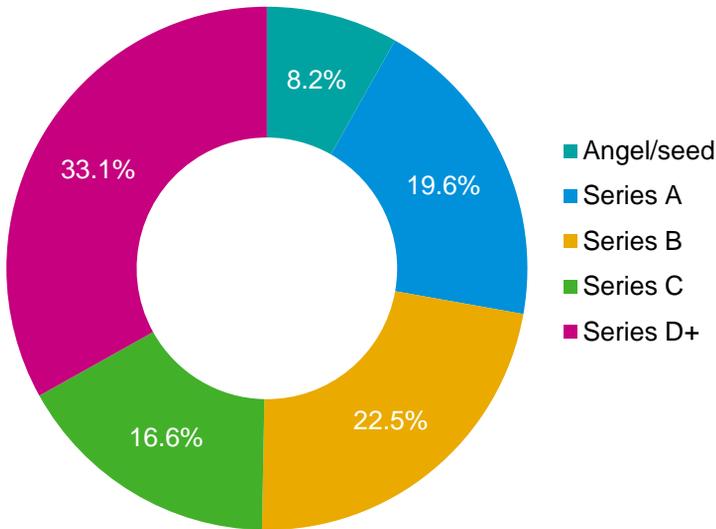


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.
Note: Figures rounded in some cases for legibility.

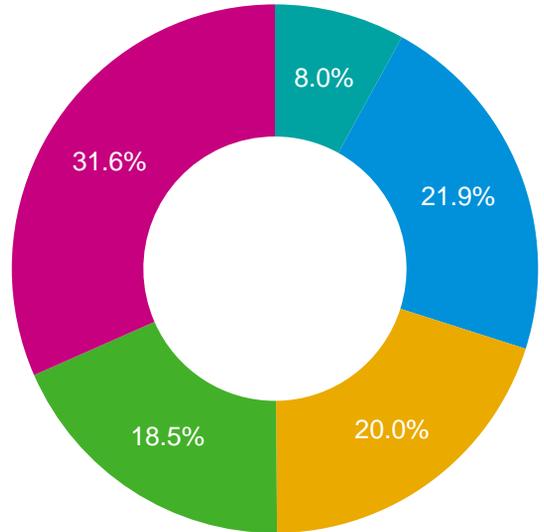
Private valuations remain at near-unprecedented highs, similar to, if not eclipsing, those seen in the dot-com mania, across the entire US as 2019 wound down. The profundity of available capital will likely continue to prop up valuations to, if not the records seen this year, at least equally strong or historically robust levels for some time to come. Again, it's important to note that many of these valuations are rooted in vastly increased addressable market sizes and finally realized technologies plus use cases, and are more valid than some may deem.

Angel & seed rise slightly

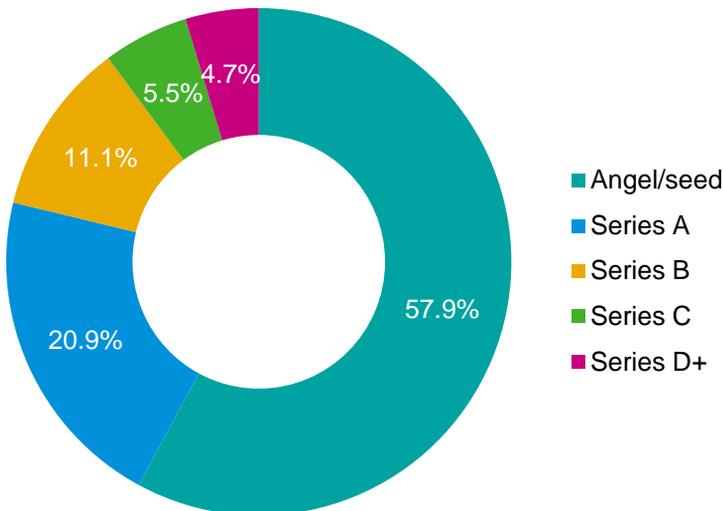
Deal share by series in the US
2019*, VC invested (\$B)



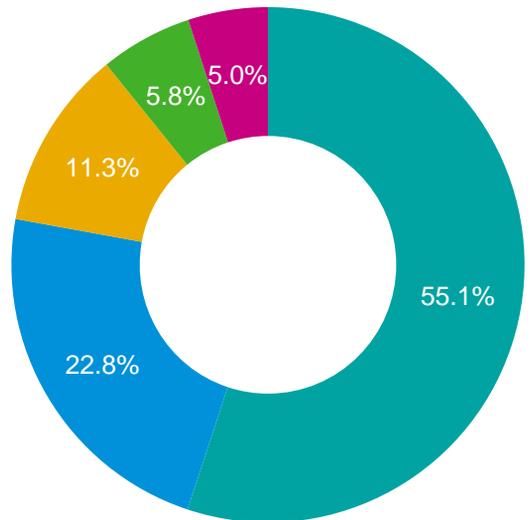
Deal share by series in the US
2018, VC invested (\$B)



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



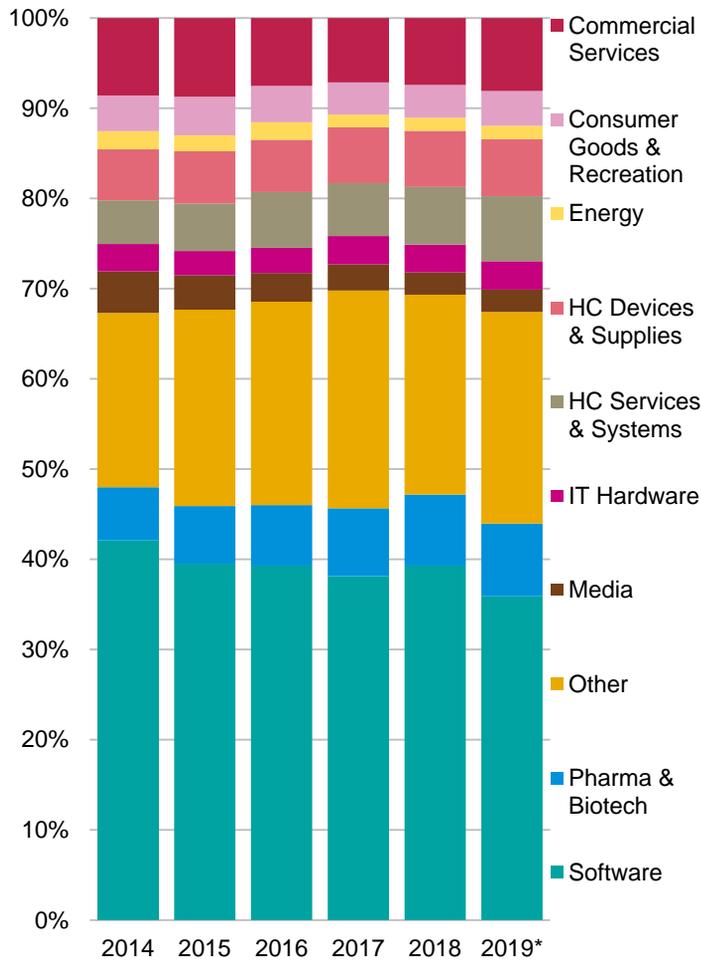
Deal share by series in the US
2018, number of closed deals



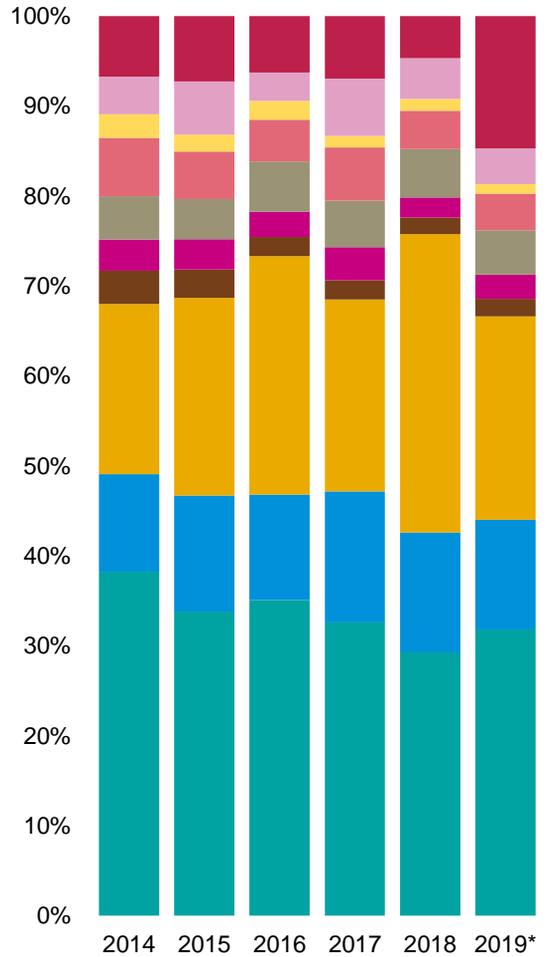
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Record volume in healthcare

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)

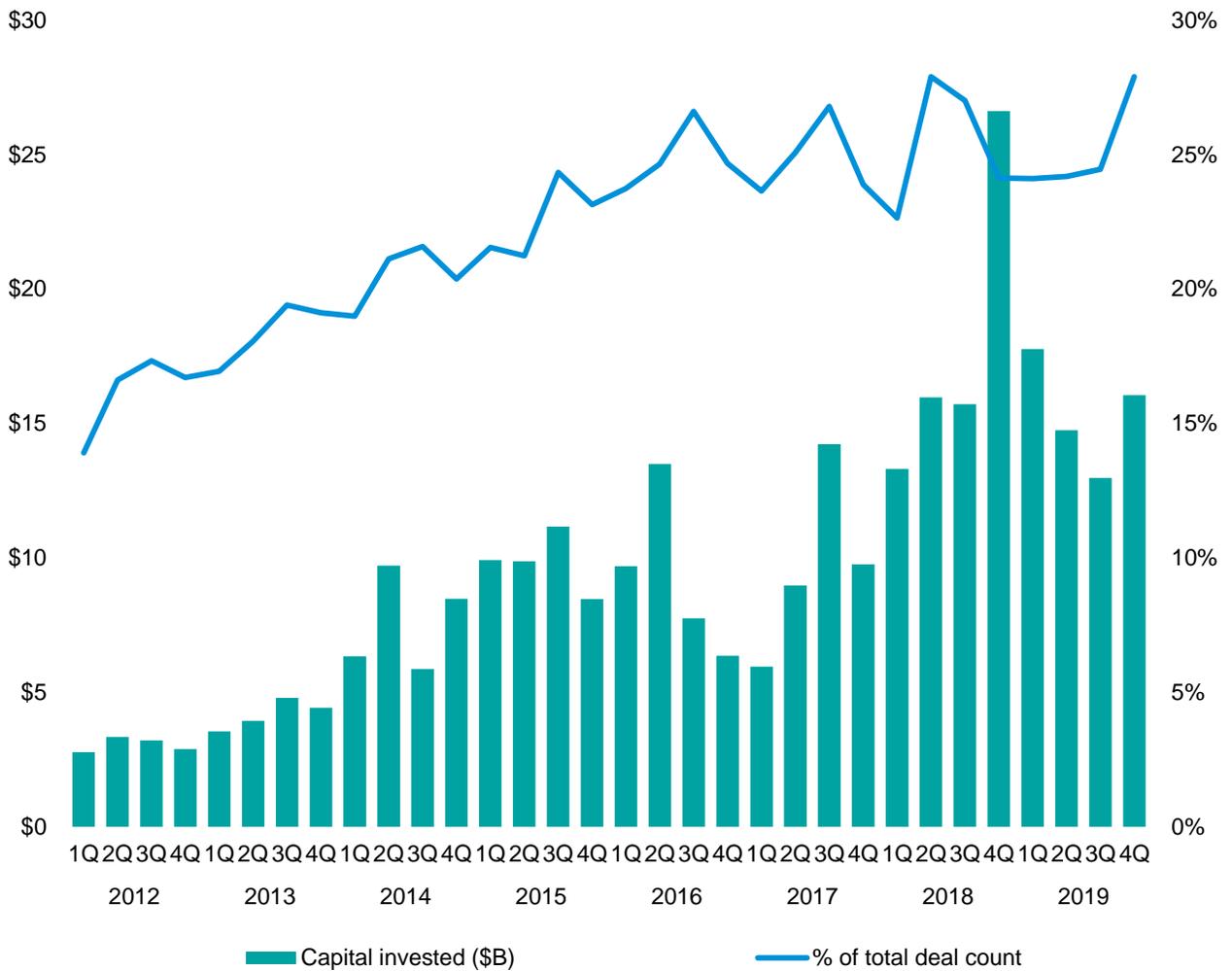


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Boosted by significantly strong macro drivers, healthcare services, systems, devices and supplies recorded record levels of investment volume in 2019, closing out the decade strong.

CVC surges at year end

Corporate participation in venture deals in the US 2012–Q4'19

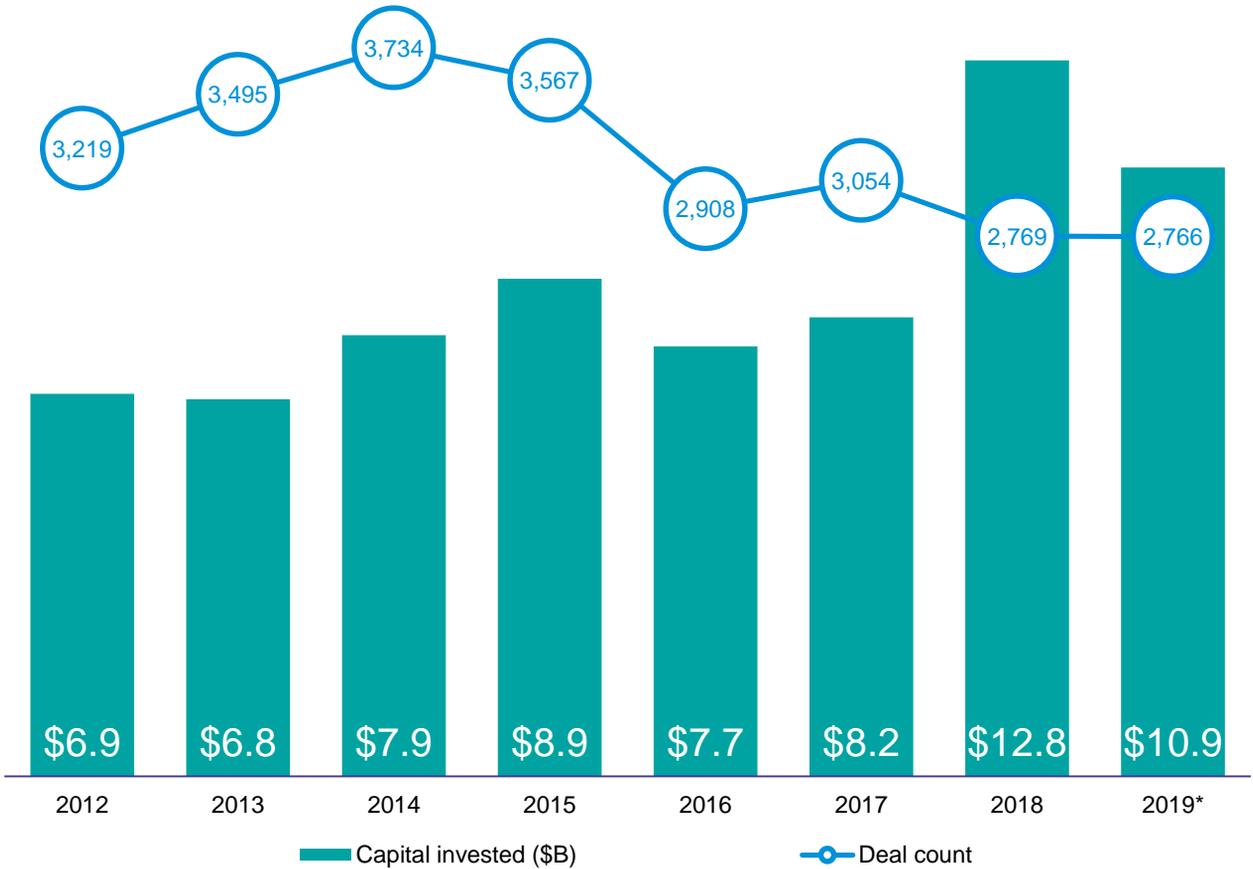


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

Finishing 2019 strong after logging a plateau for four quarters in participation rates, corporate players remain an integral part of the current venture ecosystem, arguably even more so than in the past. Although the classic models of CVC have not changed much over the past decade, as more and more companies have engaged, future strong participation appears likely.

Second-highest tally ever

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

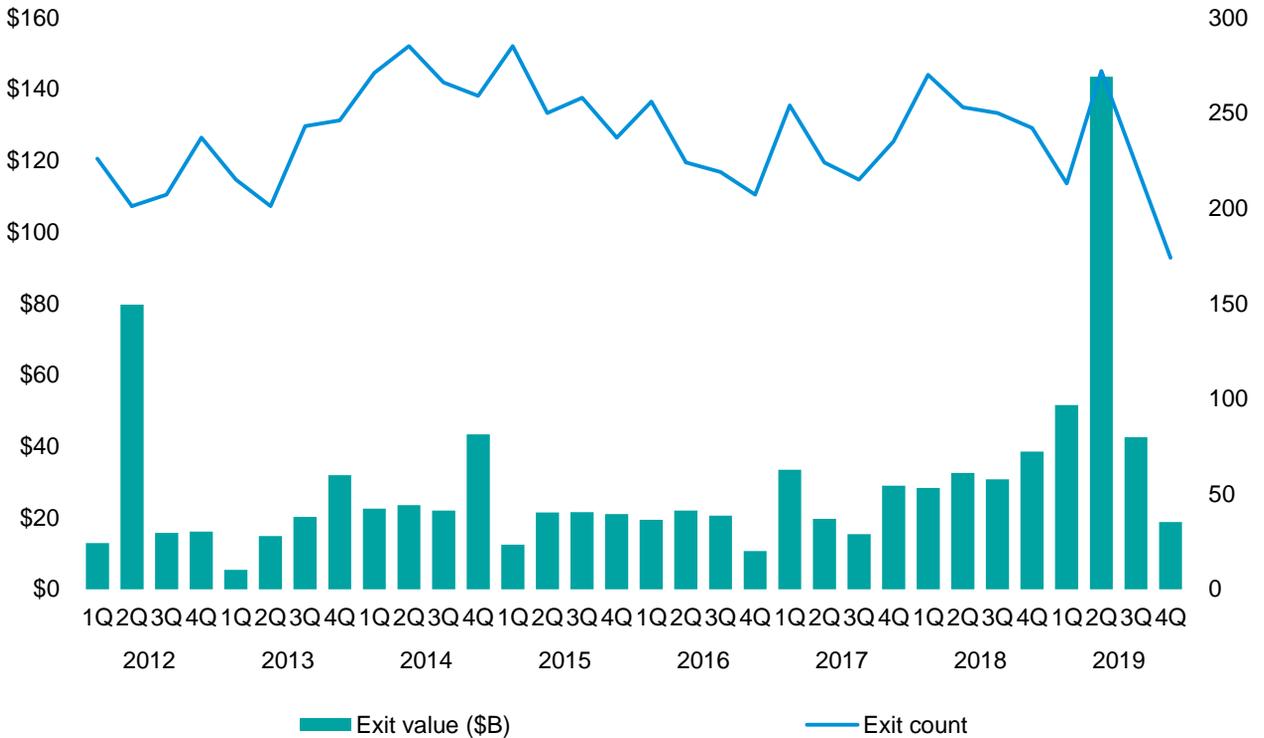


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

First-time funding finished 2019 strong at no less than \$10.9 billion invested across a remarkably consistent 2,766 transactions. If anything, that number may rise slightly as additional data is collected. Although even the first-time funding climate has doubtless been heated up by the surpluses of capital pouring into the entire VC ecosystem, it's worth noting that given advances in foundational technologies, not only is it arguably cheaper to start companies than ever before, but with enough funding businesses, can expand more rapidly than seen in the past. Thus, a new paradigm has emerged in the first-time financing ecosystem wherein those that can successfully raise not only have access to more capital than before but also are looking to raise more to successfully scale and compete in the current market environment.

Exits nosedive

Venture-backed exit activity in the US 2012–Q4'19



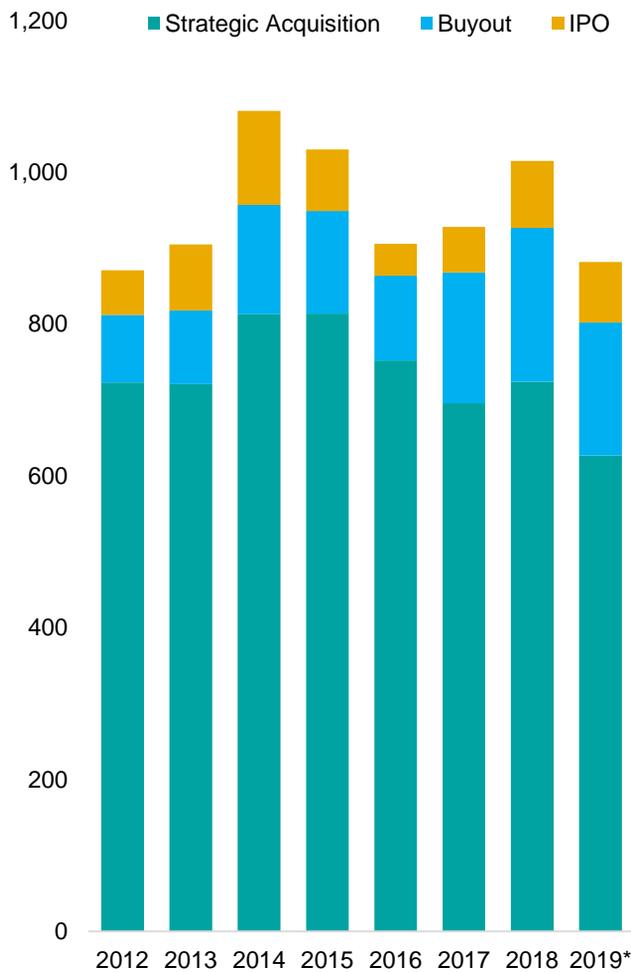
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

After peaking in value and volume in the second quarter of 2019, thanks to Uber's IPO among others, the US saw a sharp decline in exits unmatched on a quarterly basis in the past eight years. It is hard not to attribute this in part to the volatility and difficulties experienced by the most richly valued unicorns as they continued to trade in much more transparent and unforgiving public markets.

2019 sees record IPO value

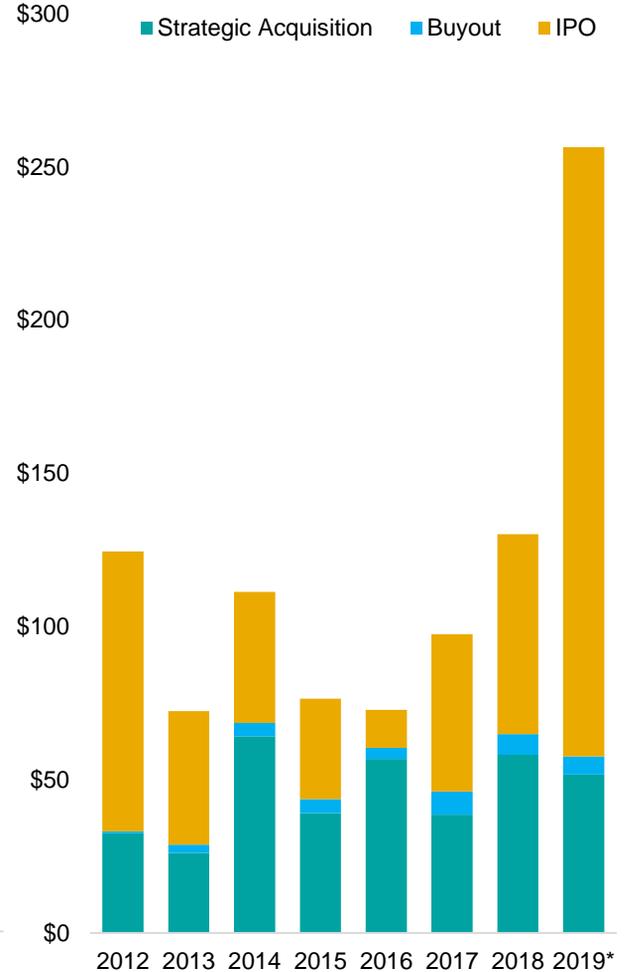
Venture-backed exit activity (#) by type in the US

2012–2019*



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

2012–2019*

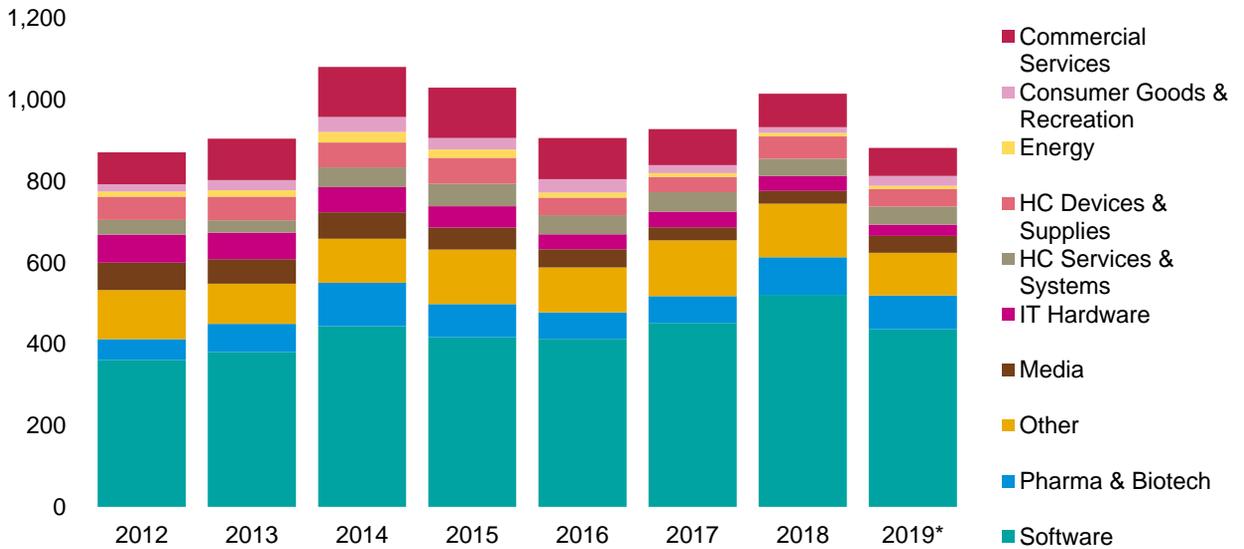


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

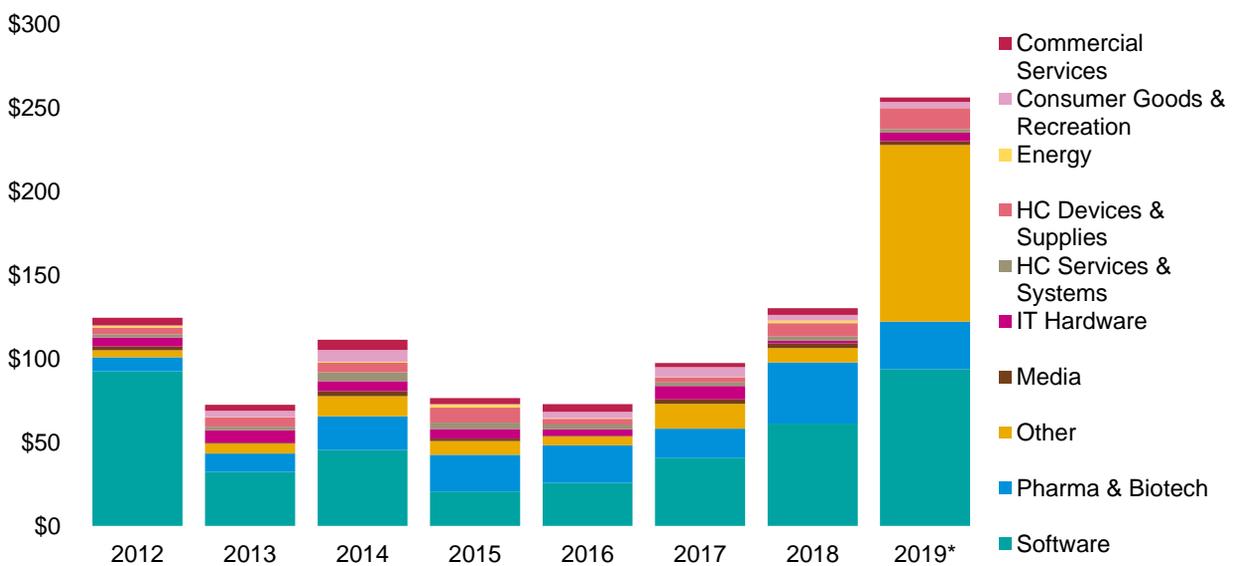
The bevy of unicorns that went public in 2019, whatever their later troubles, propelled exit values via that route to a new high for the decade, even outstripping Facebook's debut in 2012. It's worth noting that even one year isn't necessarily enough to render a verdict on all but the most troubled unicorns' business performance. Consequently although this year is likely to remain an outlier, should some exhibit a turnaround, more may follow suit eventually.

Software and other remain key

Venture-backed exit activity (#) by sector in the US 2012–2019*



Venture-backed exit activity (\$B) by sector in the US 2012–2019*

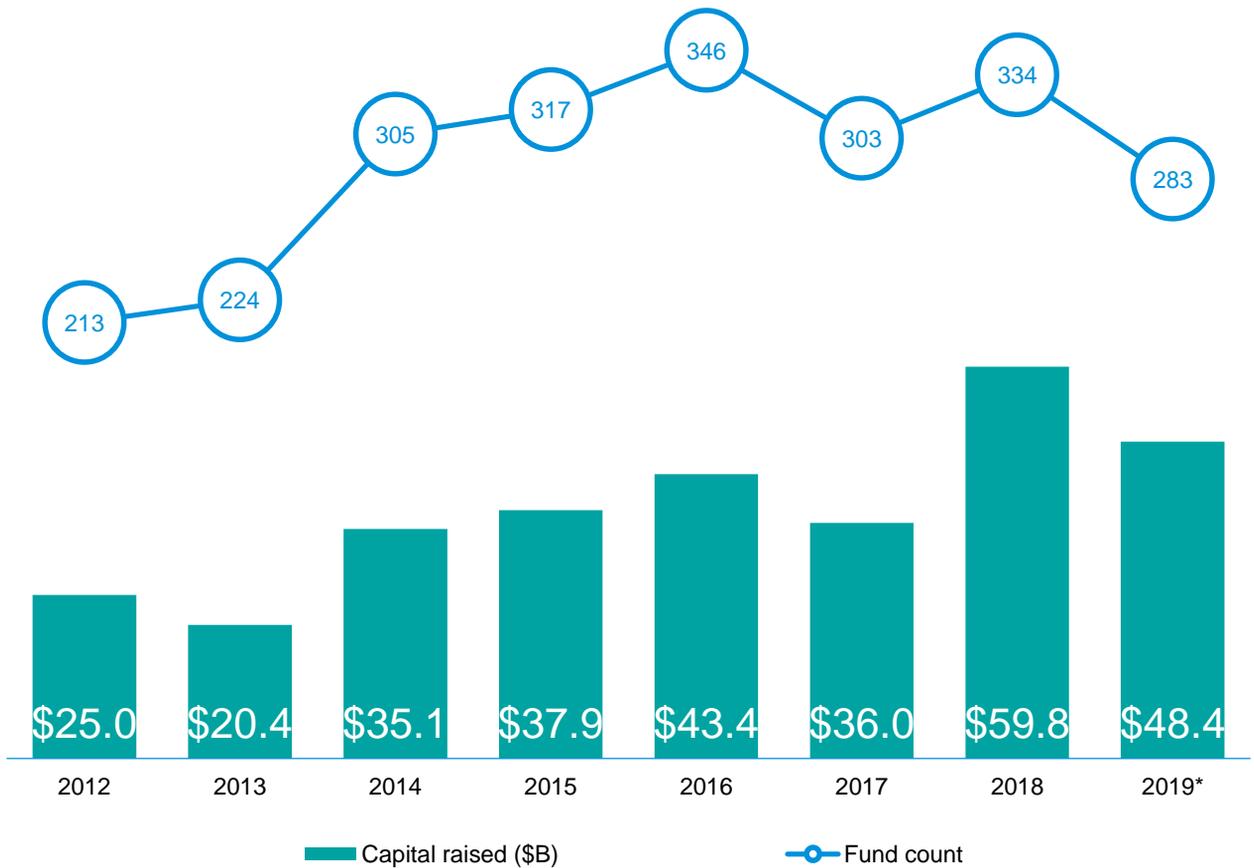


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

A more moderate year

US venture fundraising

2012–2019*



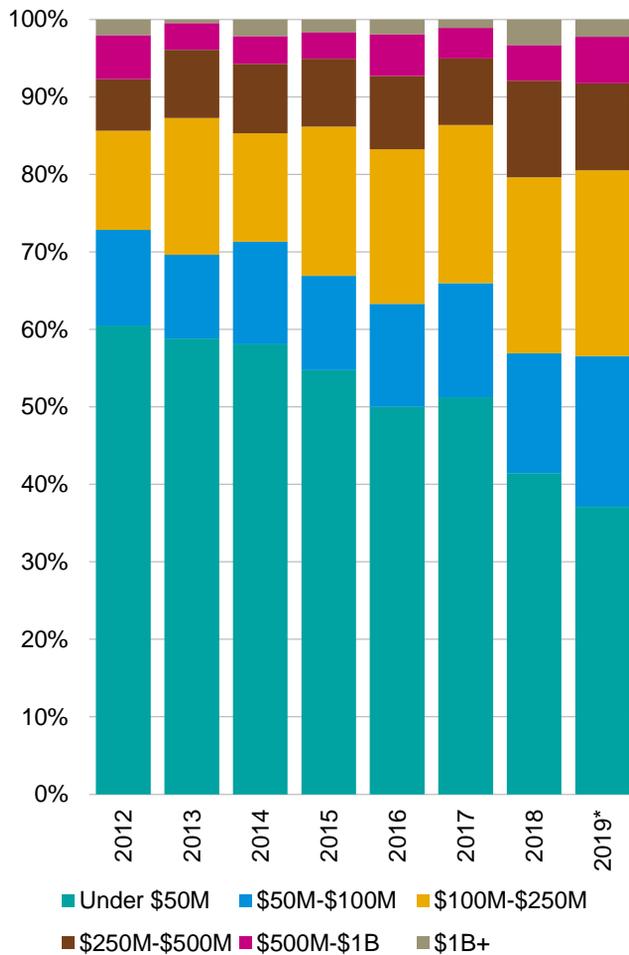
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

After a record haul in terms of dollars committed and a near-record high in volume in 2018, 2019's numbers seem more down than they actually are. Compared to the full decade, the \$48.4 billion committed was remarkably high, and volume wasn't too far off the 300+ funds closed in 2017. That said, given just how much capital has flowed into fund managers' coffers over the past four years in the US, the fundraising cycle could moderate somewhat as limited partners hit their target allocations to alternative investments in general.

Proportions hold steady

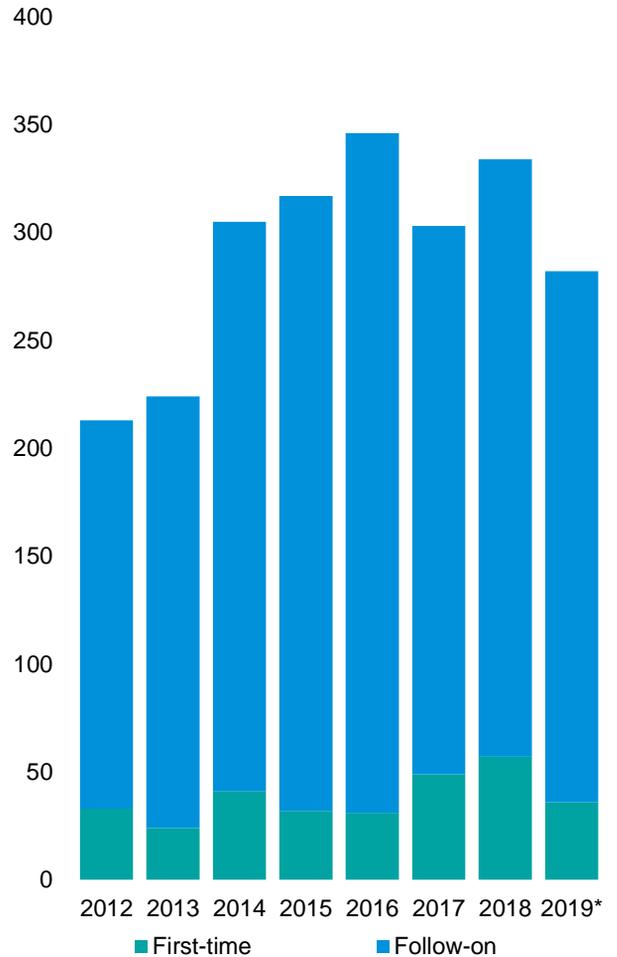
Venture fundraising (#) by size in the US

2012–2019*



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

2012–2019*



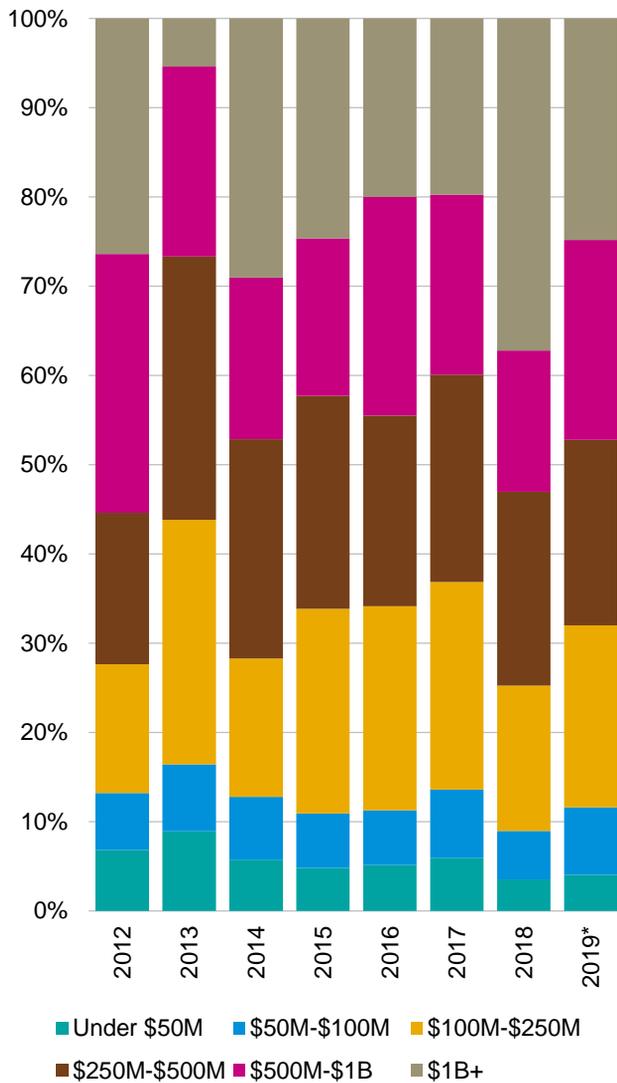
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

After tilting high-inexorably to favor larger fundraises over the past eight years, 2019 recorded proportions of volume by fund size ranges that held relatively steady to 2018. Taking this consistency with a grain of salt, it could well be a sign of market equalization as supply-and-demand dynamics even out among both allocators to VC and VC fund managers successfully targeting a given niche in the capital stack.

First-timers stay robust

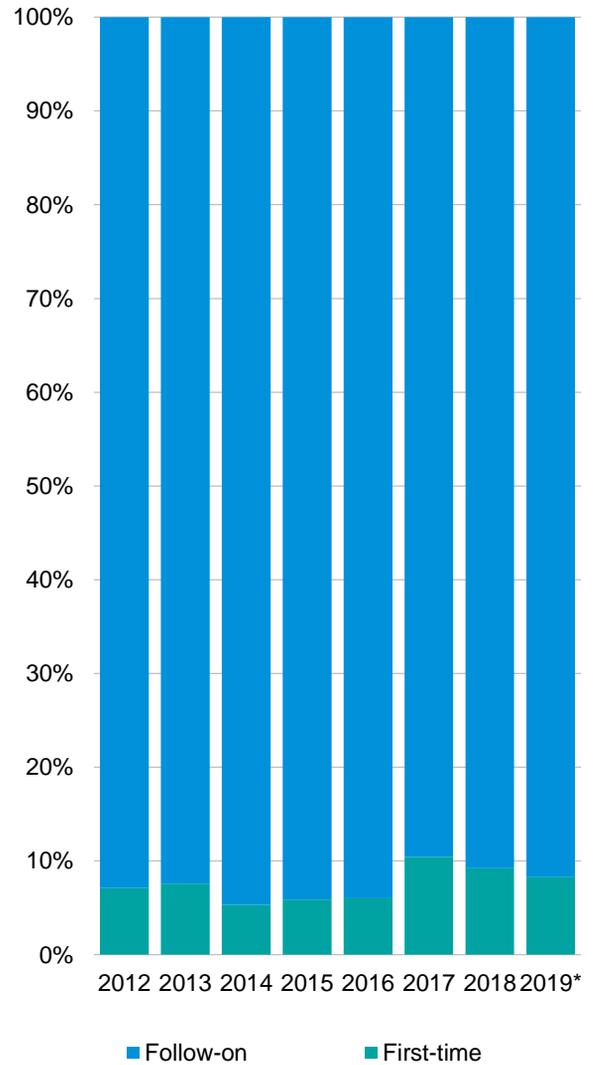
Venture fundraising (\$B) by size in the US

2012–2019*



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

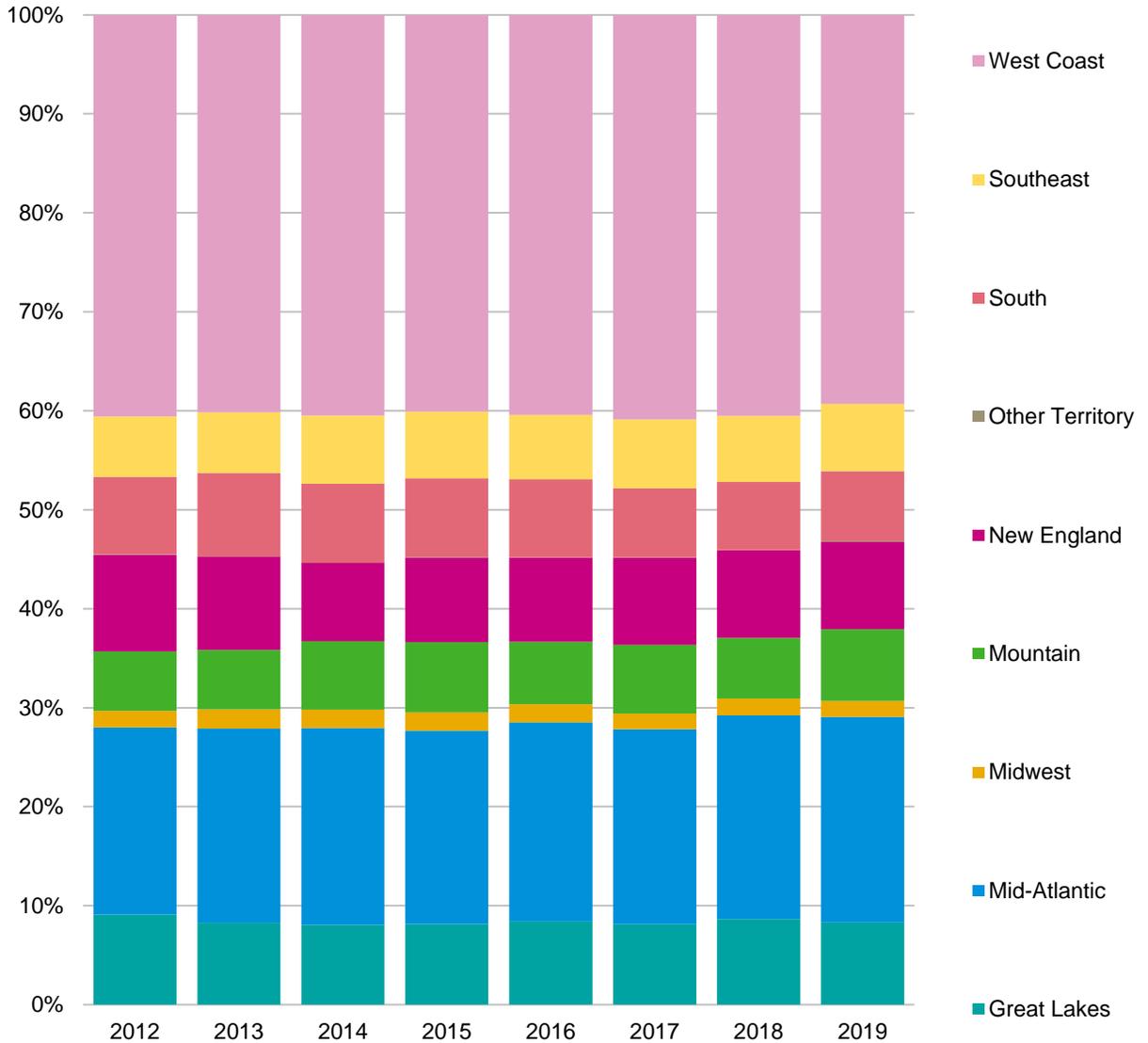
2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Emerging hubs finish strong

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



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/2020.

***In Q4'19 VC-backed
companies in the
Americas raised***

\$36.2B

across

2,400 deals



VC investment in the Americas remains high as Brazil and Canada attract robust investments

The Americas experienced another strong quarter of VC investment to round out the year. While much of this investment was driven out of the US, both Brazil and Canada both saw significant deals during Q4'19, a continuation of the strong VC market activity seen in both countries during Q3'19.



Fintech remains hot as US VC market continues to show strength

The US continued account for the vast majority of VC investment in the Americas, in part due to its well-established market, but also due to the growing diversity of startup ecosystems across the country. During Q4'19, the US saw large deals in almost every region of the country — from the more traditional locations such as Silicon Valley and New York to growing startup hubs like Portland, Oregon and Austin, Texas.

Fintech remained very hot during Q4'19, with digital bank Chime raising \$500 million. The growing breadth of the fintech market in the US was readily apparent this quarter, with wealthtech company Robinhood raising \$373 million and insurtech Next Insurance raising \$250 million. During Q4'19, PayPal also acquired Honey Science for approximately \$4 billion in order to expand beyond its current scope of business. Honey Science is an automatic online coupon provider that also offers a rewards program and a mobile shopping assistant¹.



Canada sees a robust quarter of VC investment

The VC market in Canada was very robust quarter over quarter, with a number of significant deals in Q4'19, including a \$200 million raise by Toronto-based password management company 1Password, a \$227 million raise by Quebec City-based AI business Coveo². The Coveo funding round highlights the strength of Canada's AI innovation ecosystem, which has spread well beyond Canada's traditional innovation hubs of Toronto, Vancouver, Montreal, and Waterloo. At a sector level, fintech continued to be a dominant area of interest for Canadian investors both from an investment perspective and from an M&A perspective, is due in part to the strength of Canada's banking and financial services sectors.



Brazil experiences another big quarter of VC investment in Q4'19 to end record year

A strengthening economy in Brazil, combined with ongoing government reforms and low, (for Brazil), interest rates, and increasing interest from global VC investors helped propel the country to a record high level of VC investment in 2019. Throughout the year, Brazil's startup ecosystem continued to mature, with more mature startups beginning to make their own investments in and acquisitions of other startups. In Q4'19, fintech investment was particularly strong in Brazil, with sizable deals by EBANX, VTEX (\$140 million) and Neon (\$94 million) in Q4'19. Brazil also saw increasing startup activity and interest from VC investors in a number of other sectors, including transportation and logistics, health, education, and agtech.

Fintech was also a top priority for VC investors in other areas of Latin America in Q4'19. For example, in Argentina, Ualá raised \$150 million in a deal led by Asia-based Tencent and Softbank. The Ualá investment highlights the increasing importance being given to Latin America by Asia investors³.

¹ <https://www.bloomberg.com/press-releases/2019-11-20/paypal-to-acquire-honey>

² <https://betakit.com/montreal-nuvei-raises-358-million-cad-reaches-2-65-billion-cad-valuation/>

³ <https://techcrunch.com/2019/11/25/argentine-fintech-uala-raises-150m-led-by-tencent-and-softbank/>

VC investment in the Americas remains high as Brazil and Canada attract robust investments, cont'd.



Unicorn births across the Americas highlights strength of VC market outside of US

The continued focus on late-stage deals in the US no doubt contributed to the 71 new unicorns birthed there in 2019. Q4'19 saw 15 new US unicorns, including grammar-checking website Grammarly, AI company Faire, cybersecurity firm Riskified, and fintechs Next Insurance and Figure Technologies. In the Americas more broadly, both Brazil and Canada saw 2 new unicorns; in Brazil, fintech EBANX and mobile gaming company Wildlife Studios reached unicorn status, while in Canada, AI company Coveo and payments company Nuvei became unicorns in Q4'19.



Family offices playing key investment role

In Canada, family offices have played an increasing role in the VC market, particularly with respect to early-stage deals between approximately \$1 and \$5 million. The makeup of family offices has evolved in Canada in recent years, coming less out of traditional sectors such as manufacturing or oil and gas, and more from high growth company founders interested in investing without opening up a full VC or PE firm. With the number of first-time financings dropping in the US, it could also see an increase in VC market participation by family offices in the future.



Trends to watch for in the Americas

Despite some macroeconomic concerns, VC investment in the Americas is expected to remain strong in Q1'20 given the significant amount of dry powder in the market.

While IPO results have been mixed, there will likely continue to be a number of IPOs in the US during Q1'20 as companies look to exit prior to the US presidential election. Profitability is expected to be a significant factor in the success of companies that IPO in 2020. As a result, VC investors will likely be putting more emphasis on due diligence, profitability, and unit economics in the future.

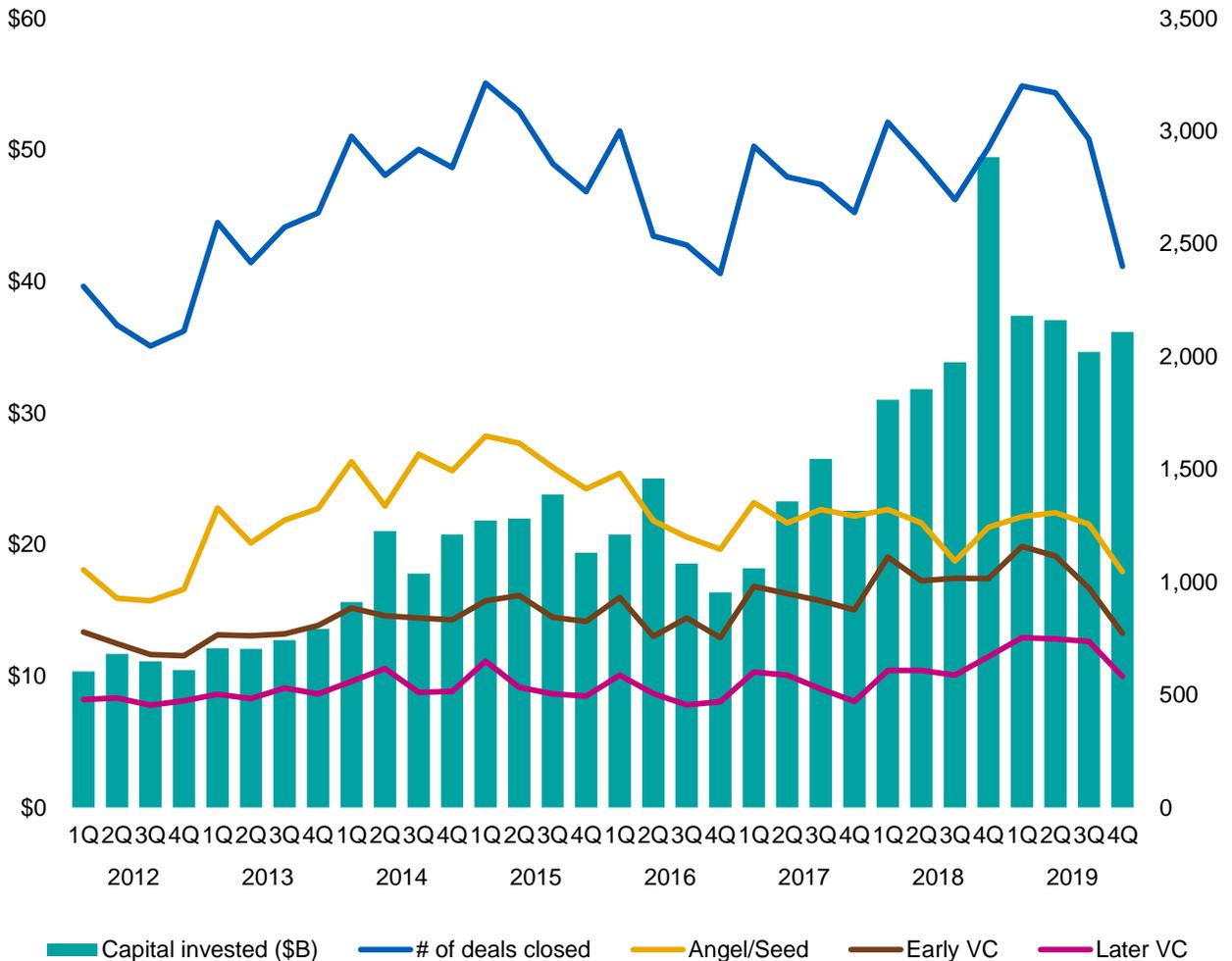
Despite some concerns about a slowdown, VC investment in Canada is expected to be strong in Q1'20, particularly related to fintech and AI. Fintech is also expected to remain hot in Latin America. Brazil's government recently passed a bill focused on infrastructure improvements⁴. This could spur additional VC investment in the country related to infrastructure, transportation, and logistics.

⁴ <https://www.infrastructurereportcard.org/senate-panel-moves-on-surface-transportation-bill/>

VC invested holds strong

Venture financing in the Americas

2012–Q4'19



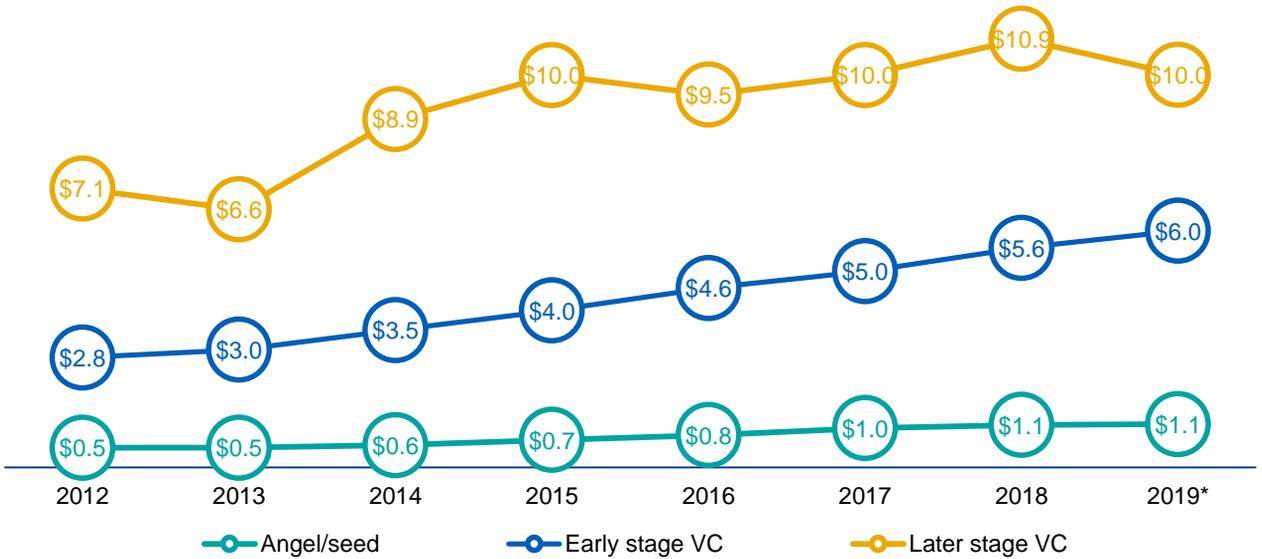
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

Over time, the dip between the third and fourth quarters of 2019 in terms of volume will likely soften beyond its current precipitous slope, primarily due to lags in private markets data collection. More interestingly, although obviously skewed by strong US figures, invested capital has stayed remarkably resilient at a very high level for roughly six quarters now.

Optimism still present

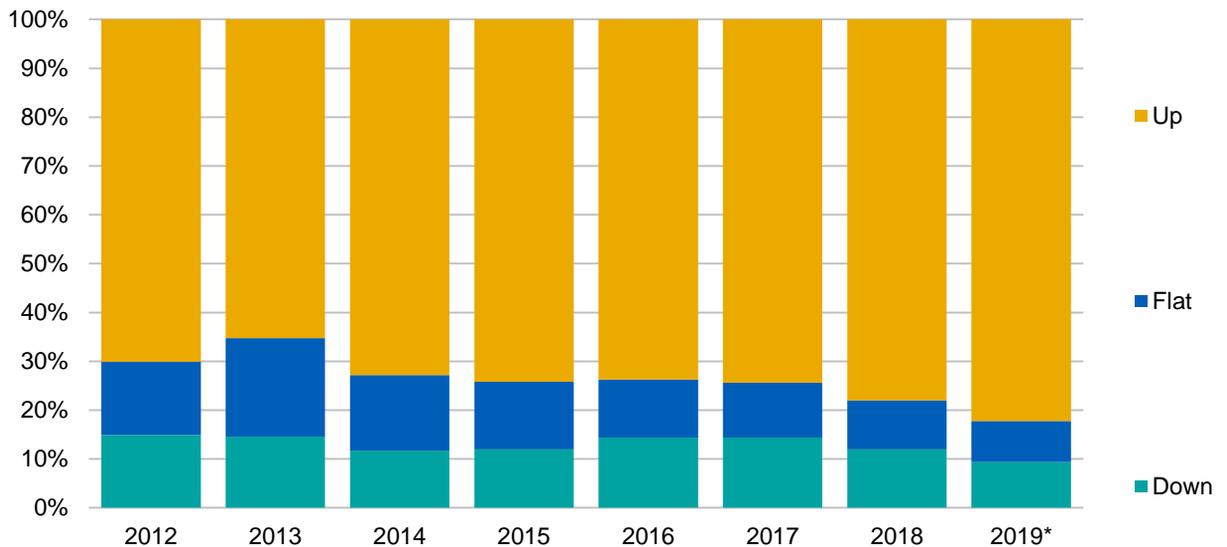
Median deal size (\$M) by stage in the Americas

2012–2019*



Up, flat or down rounds in the Americas

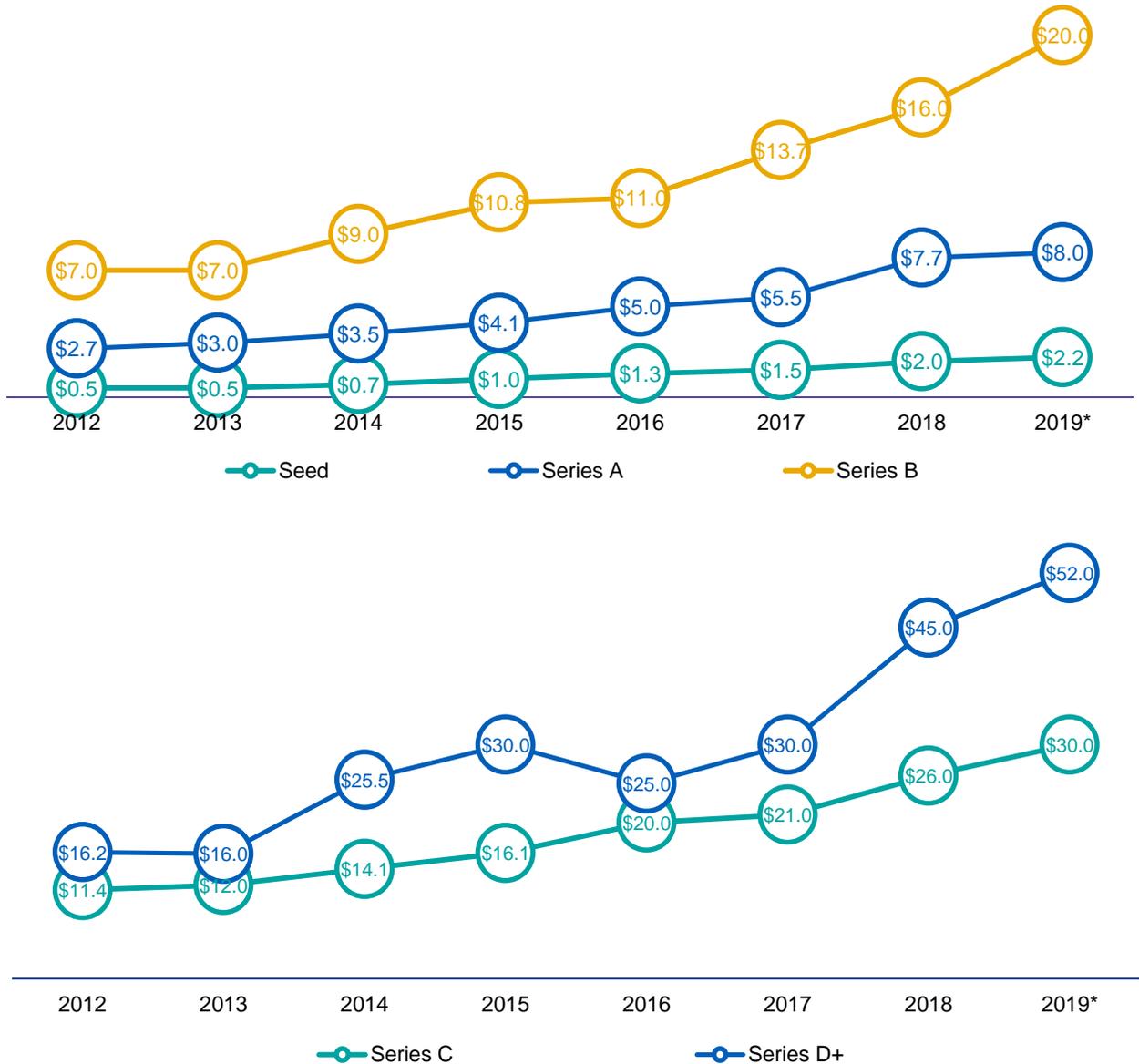
2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

2019 sees highs proliferate

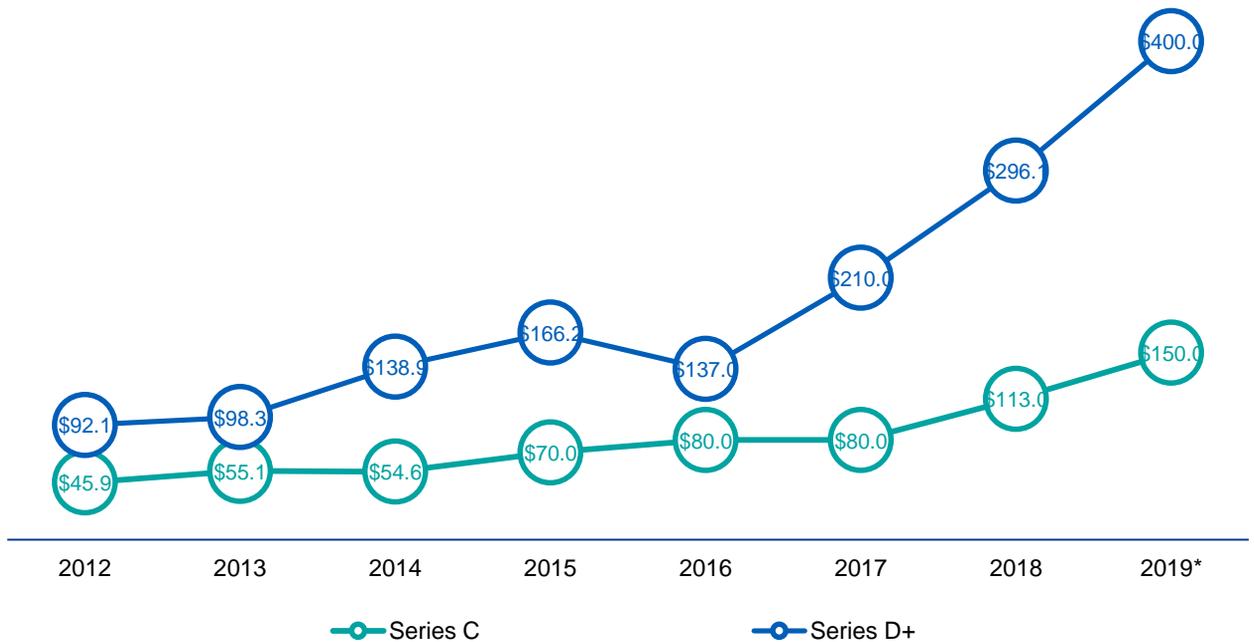
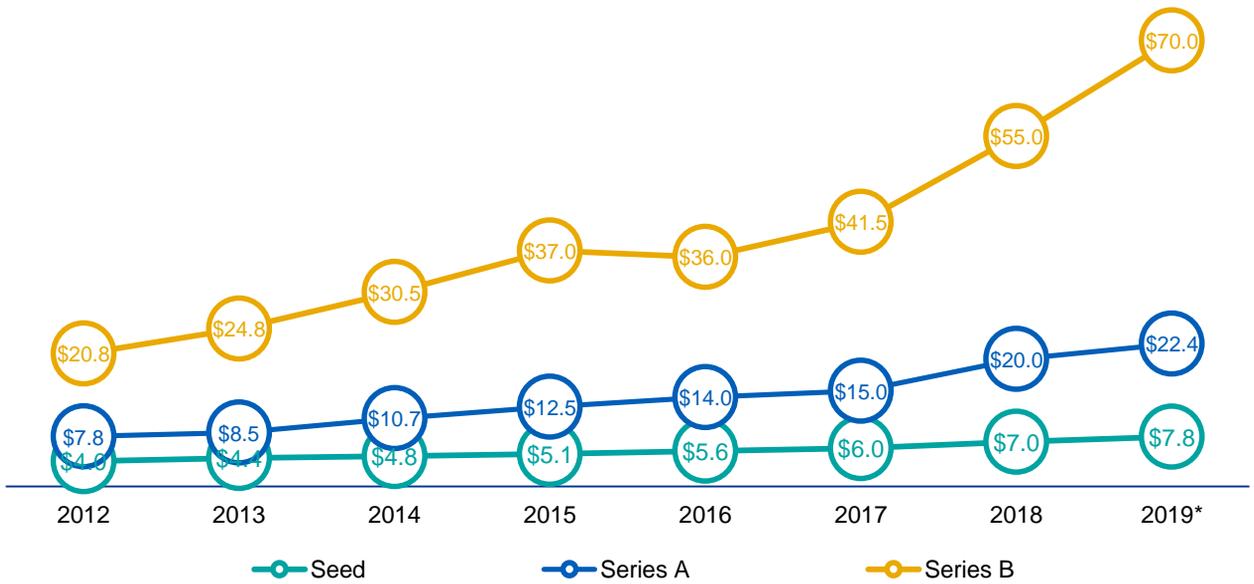
Median deal size (\$M) by series in the Americas
2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Valuations soar further

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

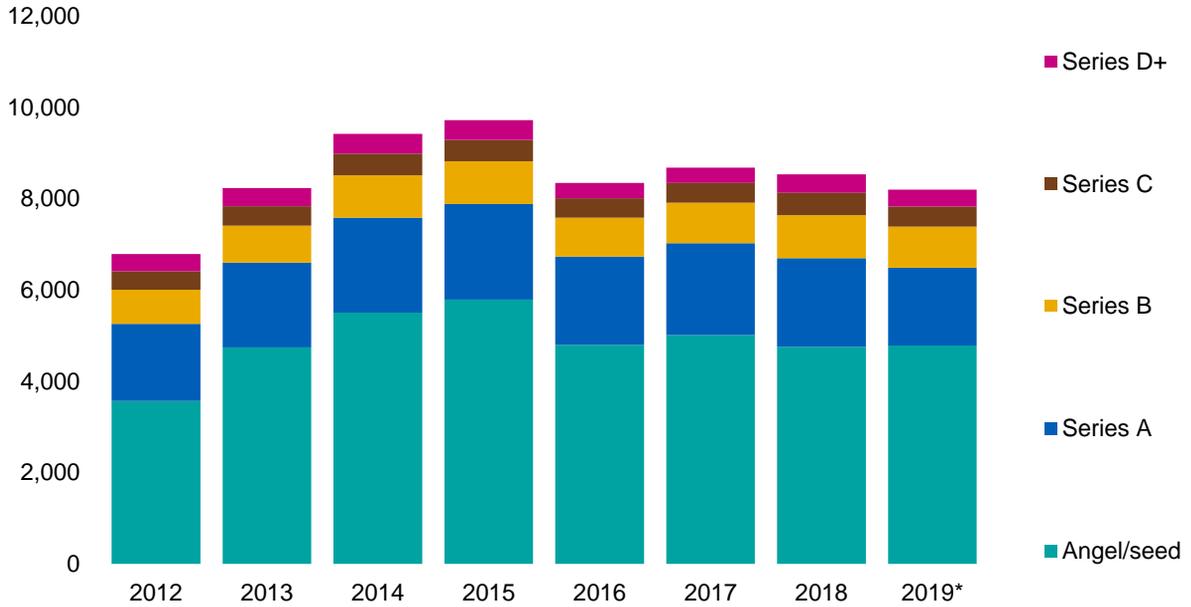


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Shares stay steady

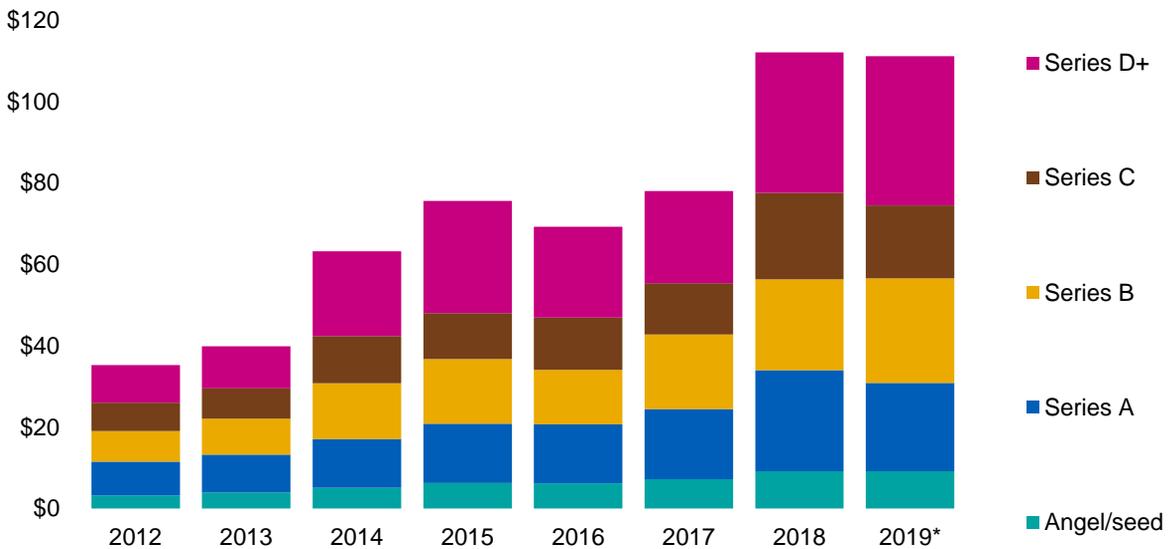
Deal share by series in the Americas

2012–2019*, number of closed deals



Deal share by series in the Americas

2012–2019*, VC invested (\$B)

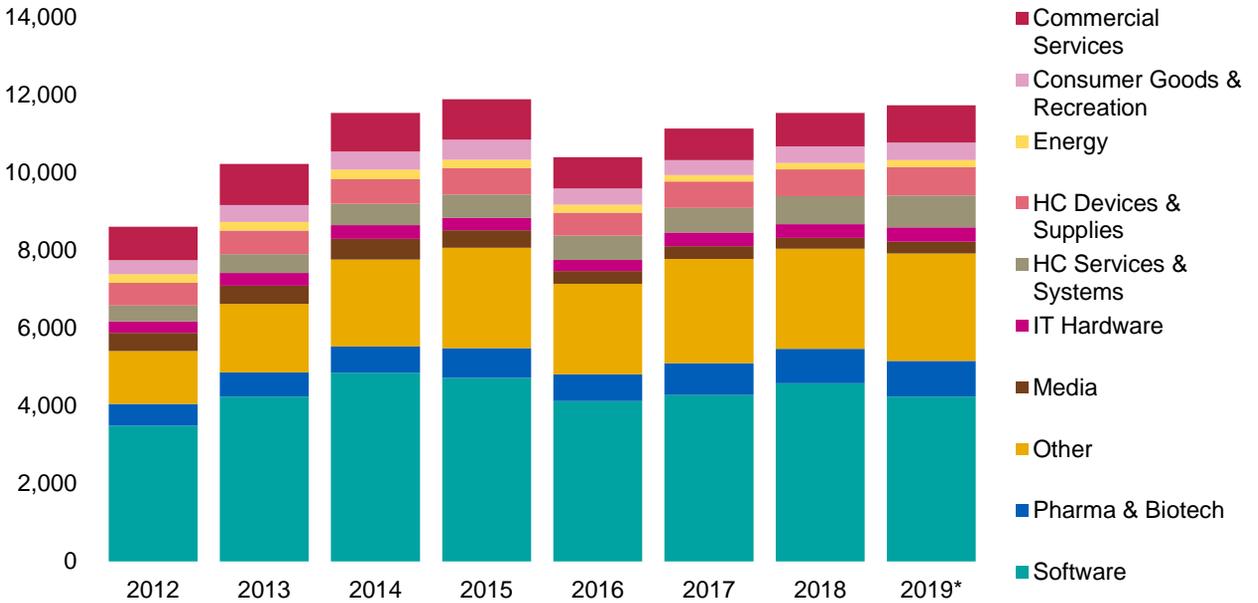


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

B2B & healthcare surge

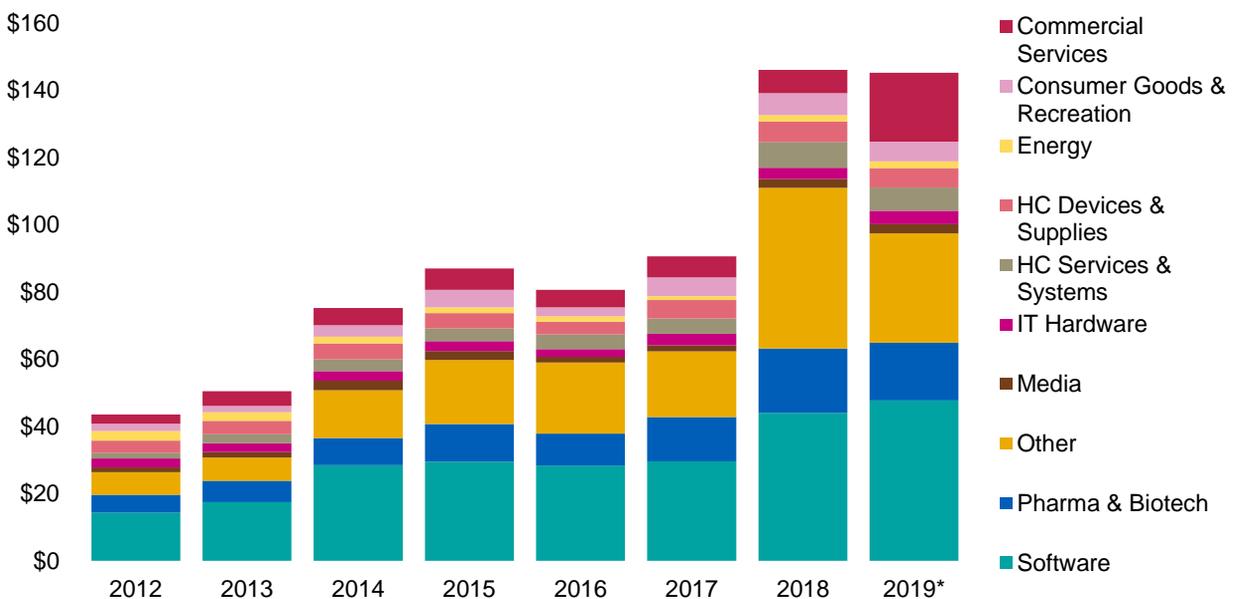
Venture financing of VC-backed companies by sector in the Americas

2012–2019*, # of closed deals



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

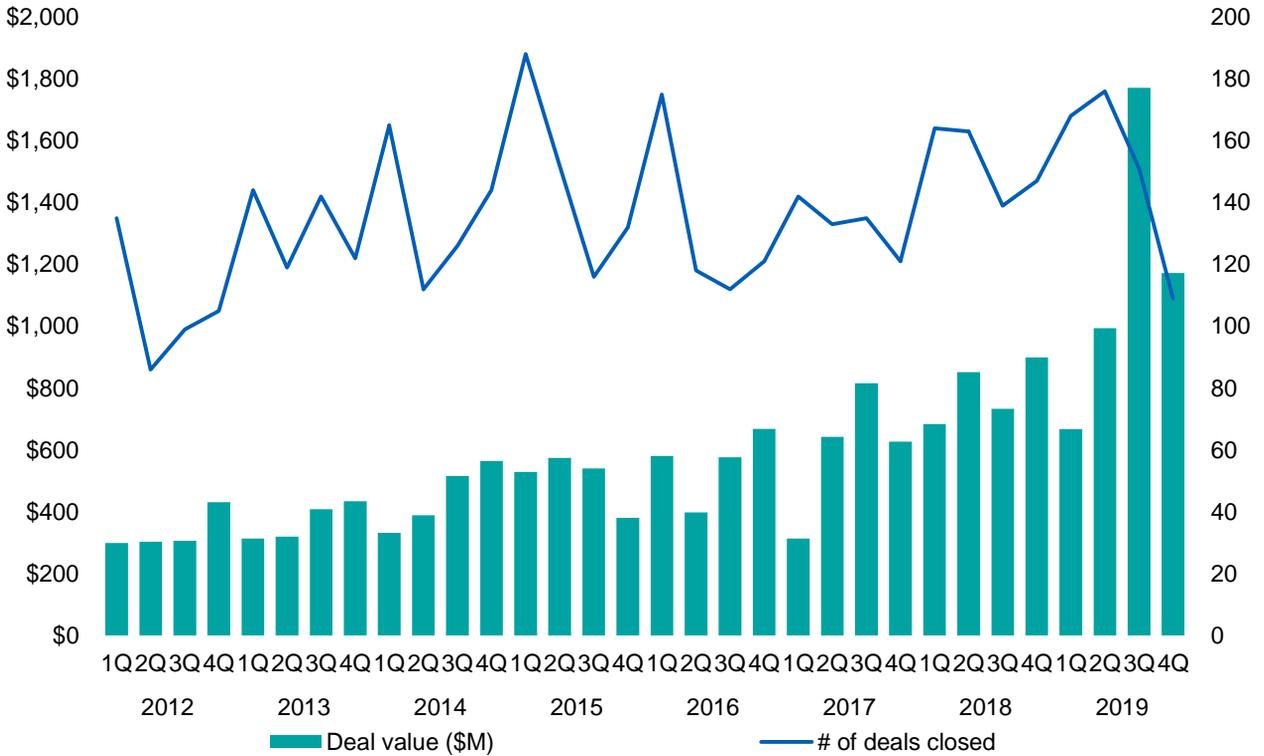
2012–2019*, VC invested (\$B)



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

2019 ends on high note

Venture financing in Canada 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

After one of the highest quarters on record for volume in the middle of 2019, Canada logged its most lucrative quarter yet for its domestic startup ecosystem. Although both metrics experienced a drop in the final quarter of 2019, the sum of VC invested still surpassed \$1 billion, leaving 2019 with a record sum of VC invested overall. Canada's burgeoning ecosystem has only benefited from the sky-high valuations in the US, as well as the increasing incidence of foreign and tourist investor interest; that trend looks set to continue into 2020.

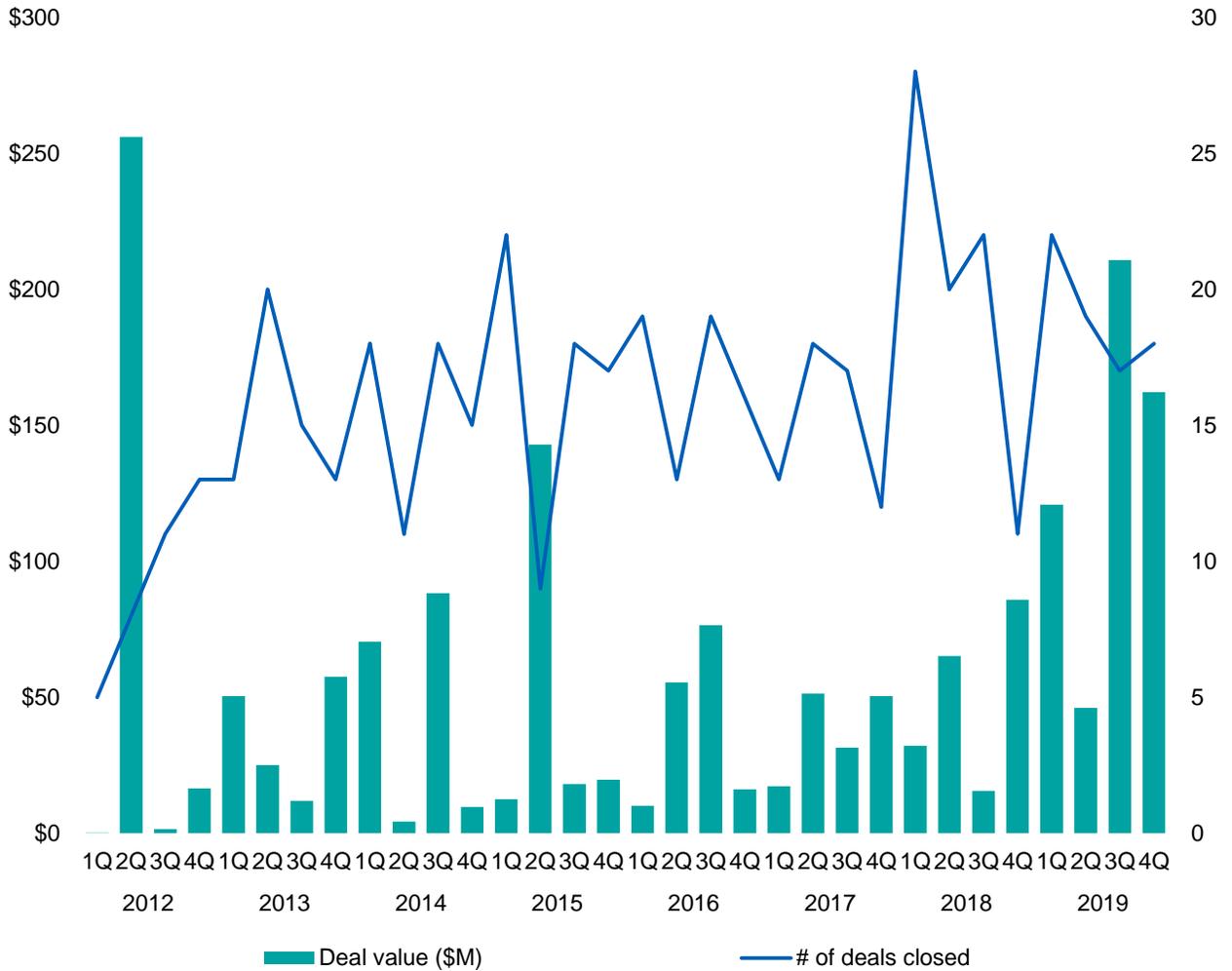
"Looking across Canada, you can see a number of high-growth companies particularly in the AI space, but also in other areas such as fintech and biotech. The opportunities are there, and many of the VCs, PEs, and family offices already have their next fund monetized. They're going to want — need — to invest. Despite some consternation about a potential slowdown, this suggests Canadian VC investment levels will remain pretty solid at least into the first couple of quarters in 2020."



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

Another strong quarter

Venture financing in Mexico 2012–Q4'19

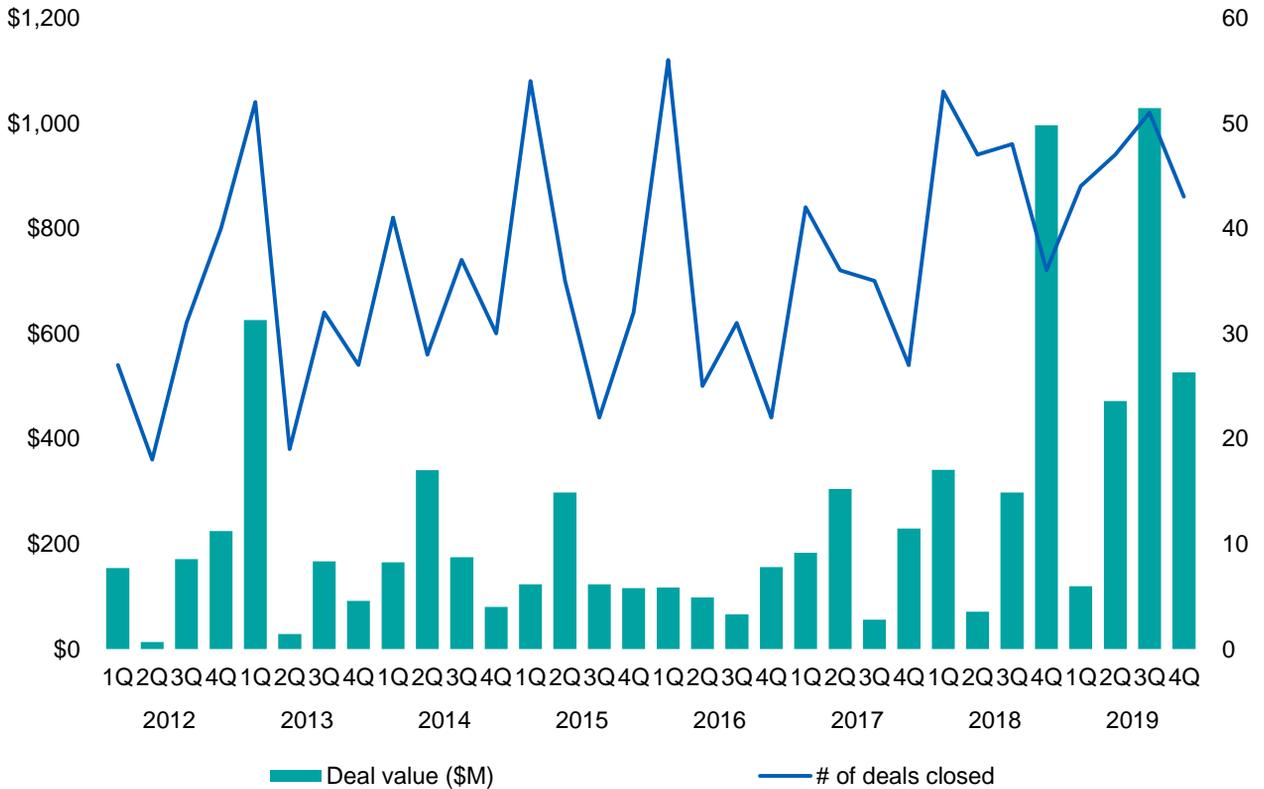


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

As noted before, the nascency of the Mexican venture ecosystem will result in significant variability across quarters. However, it's rare that Mexico experiences two strong quarters back to back to close 2019 with robust levels of both volume and VC invested overall. It's too early to say if this trend will hold but at minimum it ends the year on a positive note as investors assess the Mexican startup ecosystem with more sanguinity than before.

Robust figures at year's end

Venture financing in Brazil 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Much like how Ant Financial singlehandedly skewed figures for China in past years, Nubank ended up skewing Brazilian figures throughout the year. However, besides from Nubank, Brazil still saw significant funding flows to close 2019 out on a relatively robust note, especially compared to past historical levels.

“During 2019, Brazil saw strong growth with an increasing number of deals, larger deals, and a number of new VC funds created. Fintech was particularly hot in 2019 and a number of companies close to obtaining unicorn status. 2020 is looking very bright for the VC market, with areas like healthtech, education, and agtech well positioned to attract investor attention.”



Raphael Vianna
Director,
KPMG Private Enterprise in
Brazil

Top financings cluster on the coasts



Top 10 financings in Q4'19 in Americas

- | | |
|--|---|
| <p>1 The We Company — \$6.55B, New York
Real estate technology
<i>Corporate</i></p> | <p>6 Convoy — \$400M, Seattle
Logistics
<i>Series D</i></p> |
| <p>2 DoorDash — \$700M, San Francisco
Restaurant technology
<i>Series G</i></p> | <p>6 Databricks — \$400M, San Francisco
Database software
<i>Series F</i></p> |
| <p>3 Bright Health — \$635M, Minneapolis
Life & health insurance
<i>Series D</i></p> | <p>8 Automattic — \$380.7M, San Francisco
Publishing
<i>Series D</i></p> |
| <p>4 Magic Leap — \$500M, Plantation, FL
Virtual reality
<i>Series E</i></p> | <p>9 Robinhood — \$373M, Menlo Park
Brokerage
<i>Series E</i></p> |
| <p>4 Chime (Financial Software) — \$500M, San Francisco
Financial software
<i>Series E</i></p> | <p>10 Vacasa — \$319M, Portland
Real estate services
<i>Series C</i></p> |

Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

In Q4'19 European VC-backed companies raised

\$7.9B

across

804 deals



European VC investment reaches massive annual record high

With a solid Q4'19, Europe cemented its incredible record-breaking year of VC investment. The strength and resilience of Europe's VC market is particularly notable given a number of challenges plaguing the region, including the ongoing Brexit uncertainty, a Q4'19 general election in the UK, economic challenges in Germany and other localized issues in different European jurisdictions.



Growing maturity of VC market across Europe driving investor interest

The VC market across Europe continued to grow and expand throughout Q4'19, led by a \$575 million raise by Deliveroo, a \$284 million raise by Germany-based business productivity company Celonis, and a \$277 million raise by Netherlands-based online retailer Picnic. The breadth and diversity of Europe's VC market and growing innovation ecosystems continued to be on display this quarter, with six countries accounting for the top ten deals in the region.

Average deal sizes increased across much of Europe throughout the year, with startups in maturing jurisdictions like Lithuania (Vinted) and France (Algolia) able to attract \$100 million+ megarounds. As ecosystems have evolved and companies have attracted later rounds of investment, the VC market has also become increasingly attractive to a broader array of global investors.



Family offices playing bigger role in early-stage investments

VC investors in Europe, similar to their counterparts globally, have increased their due diligence over the past few quarters, focusing their investments on companies with well-established business models and clear paths to profitability. This has led to a significant decline in early and seed stage deals over the course of the year. While this is not an immediate cause for concern, if the decline continues, it could cause challenges in a couple of years as VC investors exit current investments and look for their next big bets.

While early-stage deals have declined in Europe, one strong component of the European innovation ecosystem could be helping to offset the impact. In Europe, family offices are becoming a very important part of the VC market, due in part to their ability to provide patient capital. Given their strategic interest and patience, family offices have also been somewhat less affected by some of the market issues causing uncertainty in the region.



The UK sees a record year of VC investment

VC investment in the UK took a breather in Q4'19, although total VC investment for the year remained robust as a whole, a major testament to the strength of the UK's VC market and innovation ecosystem. Despite the uncertainty that plagued the UK for the entire year, including Brexit and a general election in Q4'19, the country saw continued interest from VC investors, particularly in the financial services, biotech, and healthcare spaces.

While UK investors were more cautious with respect to making deals, as evidenced by the decline in deal numbers in the country, they appeared more than willing to make big bets, particularly in late-stage companies.

European VC investment reaches massive annual record high, cont'd.



France sees banner year of VC investment

A strong Q4'19 helped France set a massive record for annual VC investment in 2019. A \$110 million Series C raise by search company Algolia accounted for the top VC deal in France this quarter — highlighting the growing maturing of the VC market and the ability of maturing French companies to attract larger funding rounds.

The startup ecosystem in France continued to grow and broaden, with mid-sized deals in a number of sectors including automotive, entertainment and publishing, fintech, and business productivity. Healthtech and biotech were particularly strong areas of VC investment in France during Q4'19, accounting for half of the country's top VC deals this quarter, including rounds by ImCheck Therapeutics, TISSIUM, Hoppen, Diabeloop, Biolog-ID and Acticor Biotech.



Celonis raise keeps eyes focused on Germany

Despite some economic challenges, Germany saw a solid quarter of VC investment in Q4'19, led by a \$284 million raise by business productivity platform company Celonis. This helped to propel the country to a record annual high for VC investment in 2019. B2B continued to be a growing area of investment in the country, in addition to fintech and automotive. Insurtech also grew in the eyes of VC investors in Germany. During Q4'19, health insurance company Ottonova raised \$66 million.



VC investment in Israel remains strong to end 2019.

Israel saw strong VC investment in Q4'19, ending 2019 on a very positive note. The country accounted for three of the largest deals in Europe during the quarter: a \$165 million raise by Riskified, a \$110 million raise by CreditStacks, and a \$109 million raise by Vayyar Imaging. Key areas of VC investment this quarter included a broad range of software solutions, AI, data analytics, and customer-focused technologies such as delivery logistics.

Israel continued to see strong interest from investors globally, both in terms of VC investment and in terms of M&A. Valuations of companies in Israel, particularly in the deep technology space, are seen as very attractive.



Trends to watch for in Europe

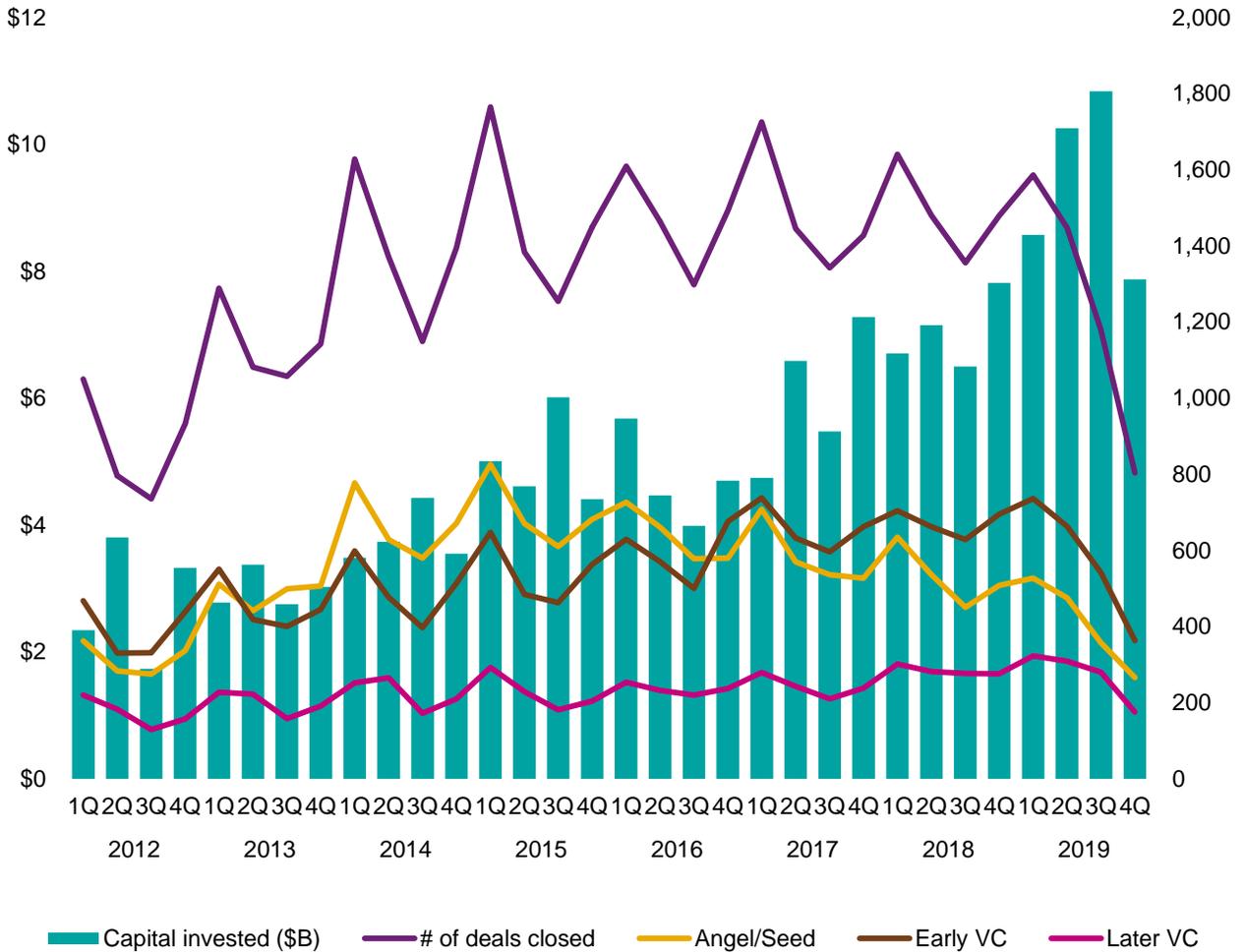
VC investment across Europe is expected to remain strong well into 2020, while exits will likely come primarily from M&A rather than IPOs as per historic trends.

The large amount of dry powder UK investors have in their pockets suggests that there could be a significant amount of capital deployed quickly in the country should there more certainty in early 2020, regardless of the actual Brexit outcome, it remains to be seen if early-stage deals make a comeback in 2020.

VC investment in France is only expected to grow heading into 2020, with health and biotech continuing to be hot in the eyes of VC investors. VC investment is also expected to remain very strong in Israel in 2020. Over the next year, Japan is expected to become a significant source of Israel-based investment, with a number of Japanese corporates looking to set up their R&D offices in the country.

A record for VC invested

Venture financing in Europe 2012–Q4'19



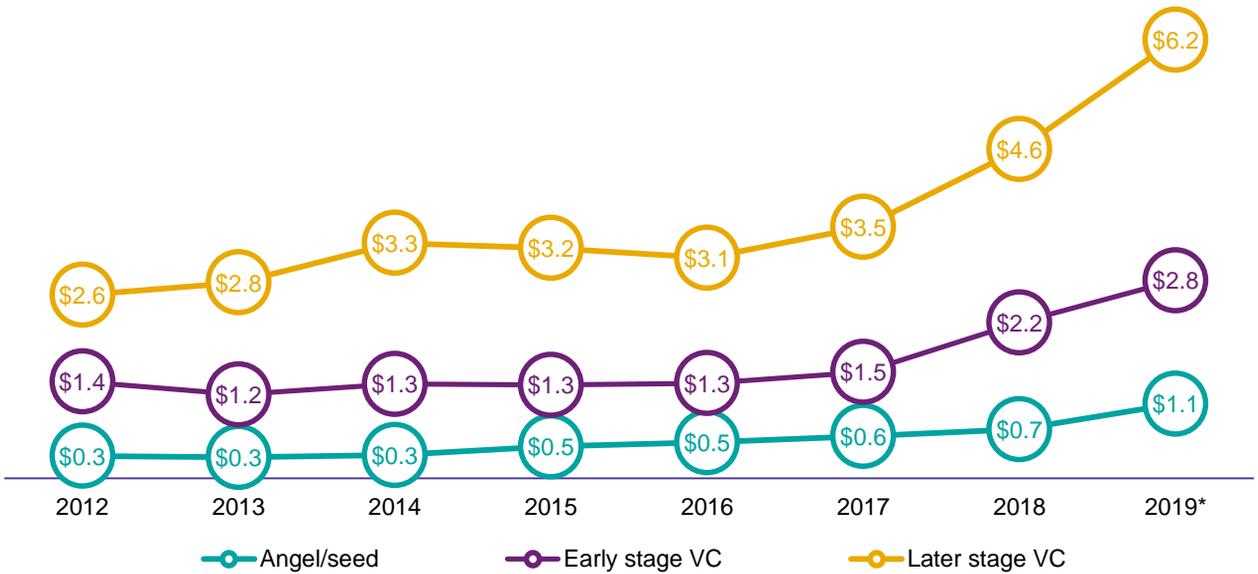
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

Venture volume will likely tick back upward after additional datasets that aren't currently available are able to be researched; that should not overshadow just how much VC flowed into the European startup ecosystem, even if mega-deals helped skew figures significantly. Close to \$39 billion was invested throughout all of 2019, testifying to the maturity of key European startup ecosystems and their ability to nurture companies to significant scale.

Down rounds ticked upward

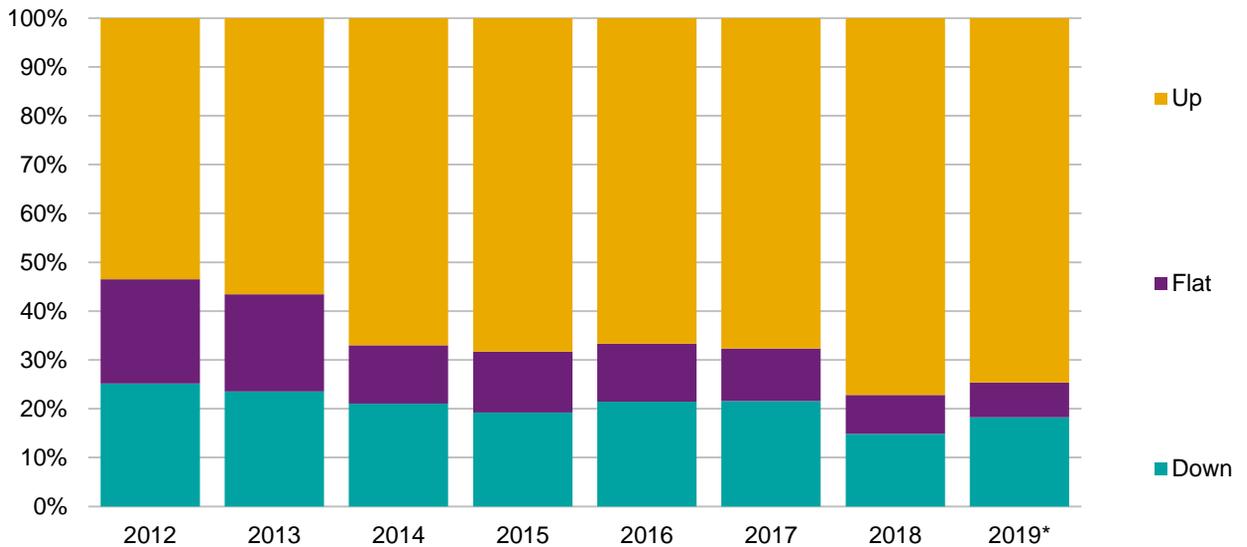
Median deal size (\$M) by stage in Europe

2012–2019*



Up, flat or down rounds in Europe

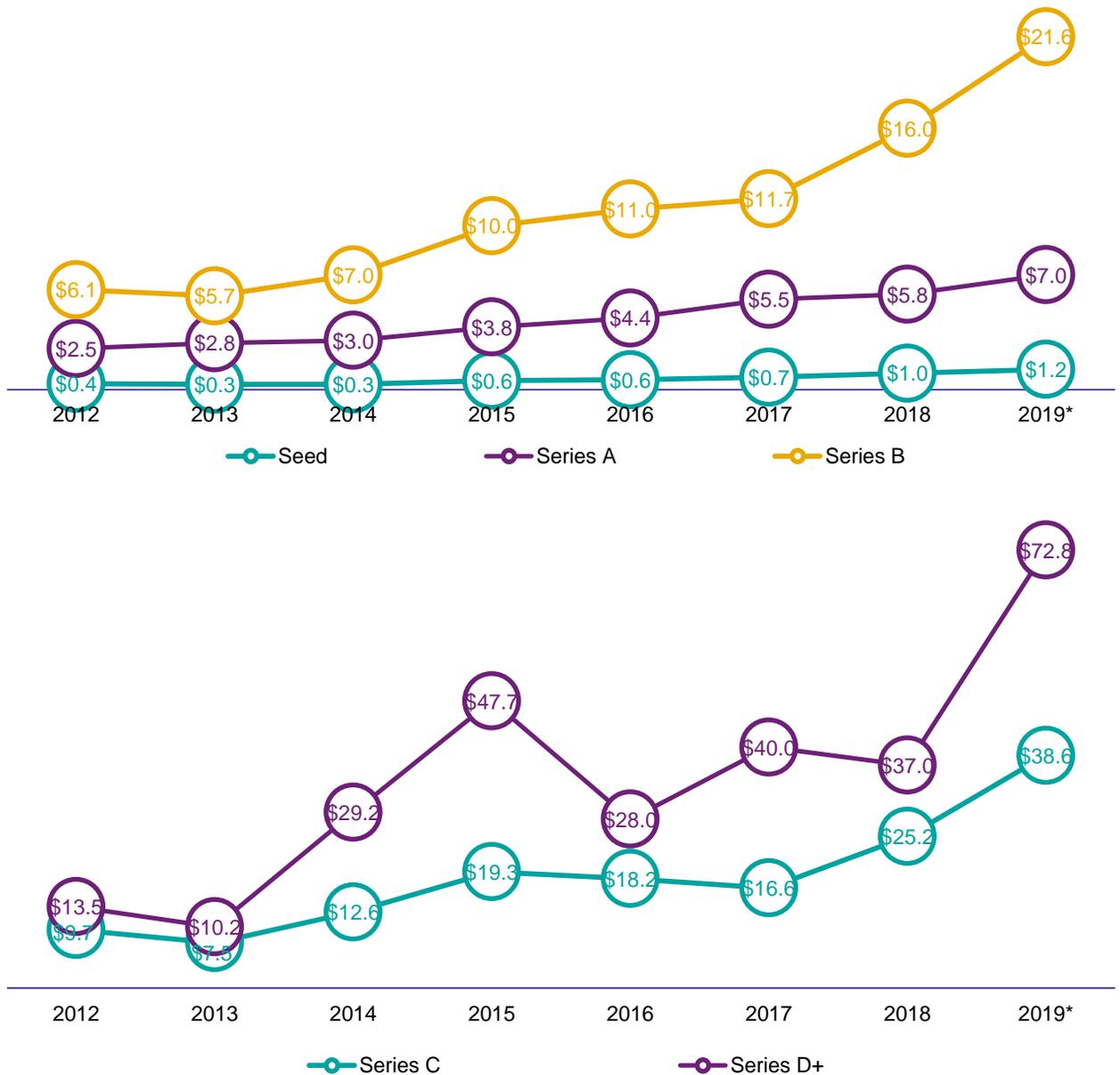
2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Huge jump at Series D+

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

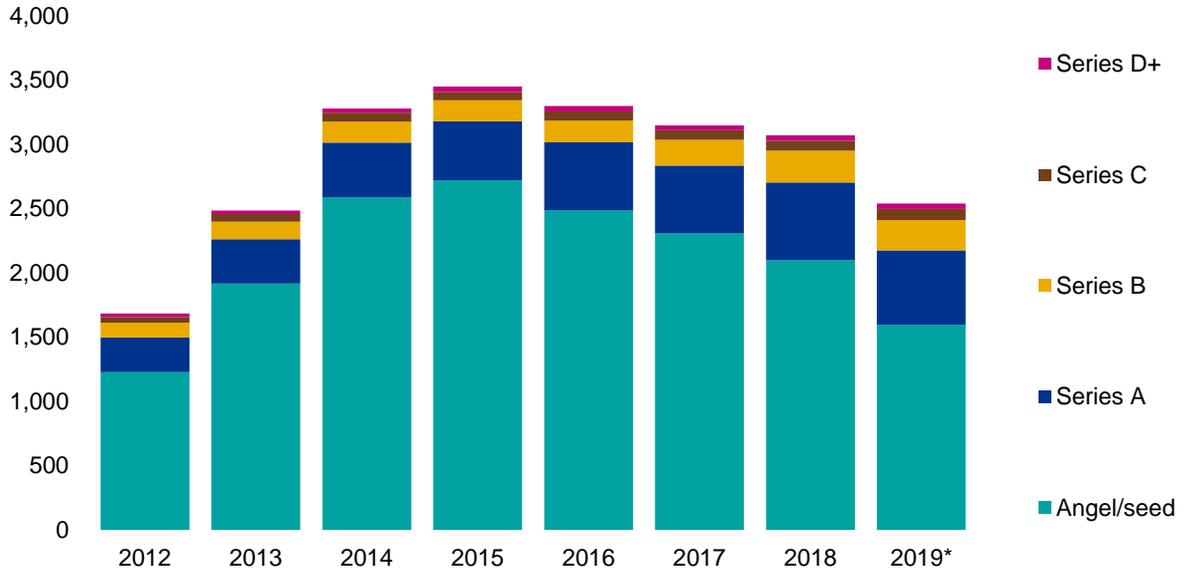


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

late-stage booms in 2019

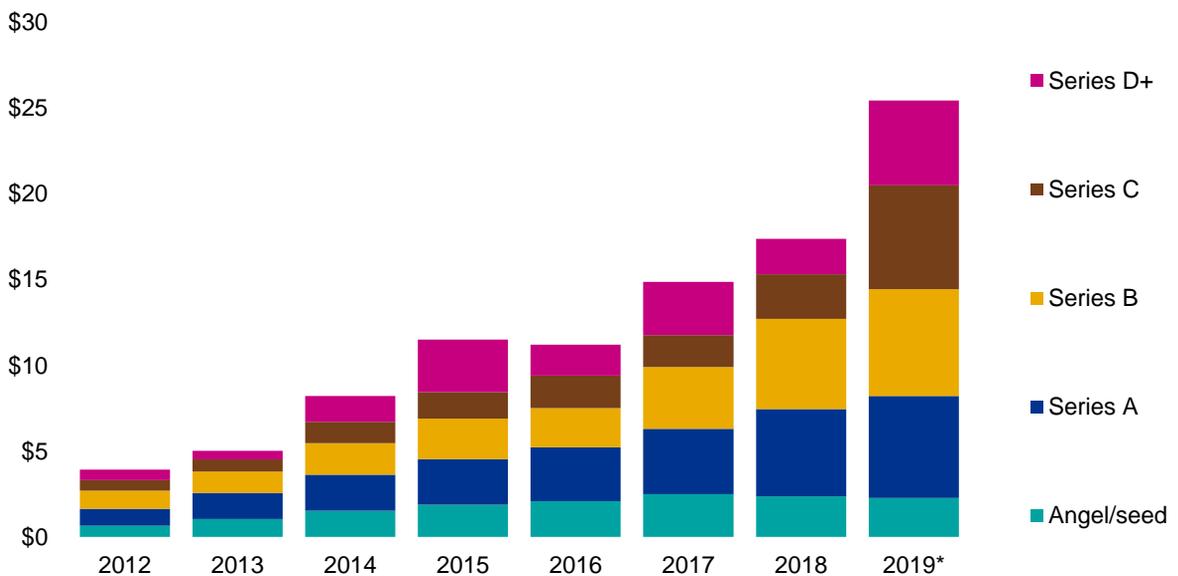
Deal share by series in Europe

2012–2019*, number of closed deals



Deal share by series in Europe

2012–2019*, VC invested (\$B)

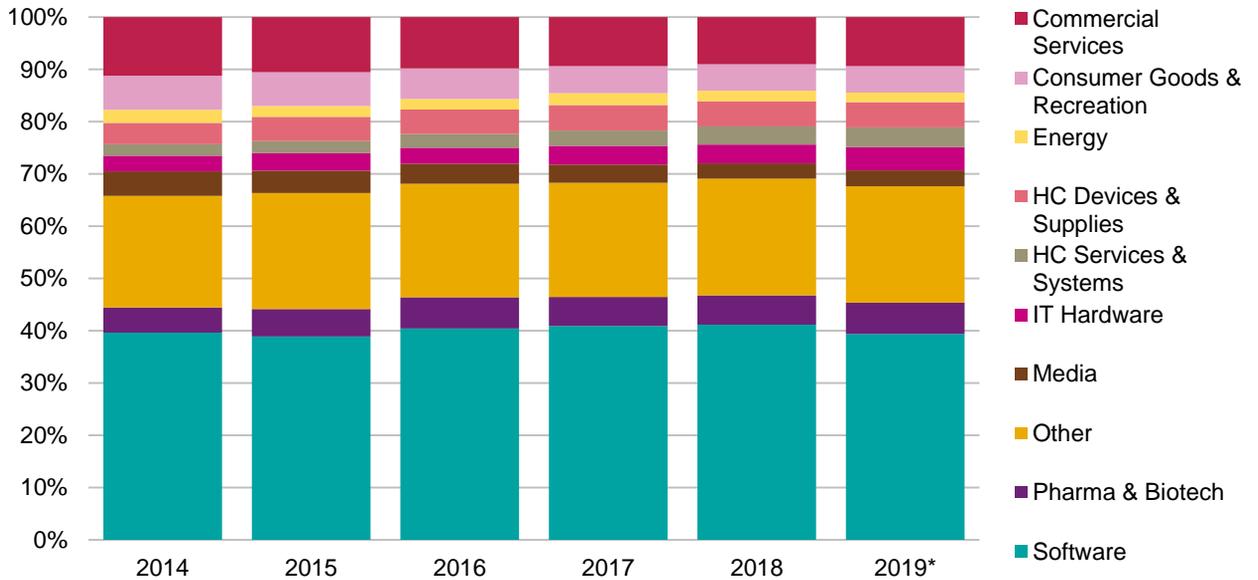


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Software still dominates

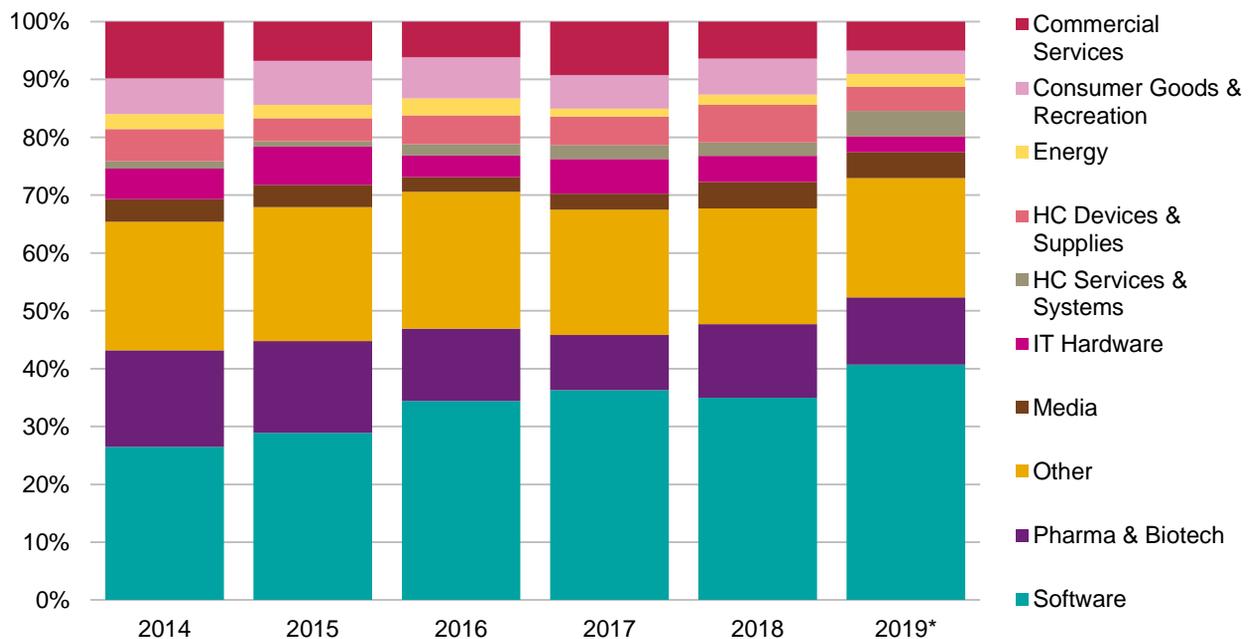
European venture financings by sector

2014–2019*, number of closed deals



European venture financings by sector

2014–2019*, VC invested (\$B)



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

CVC leaps to new high

Corporate VC participation in venture deals in Europe 2012–Q4'19

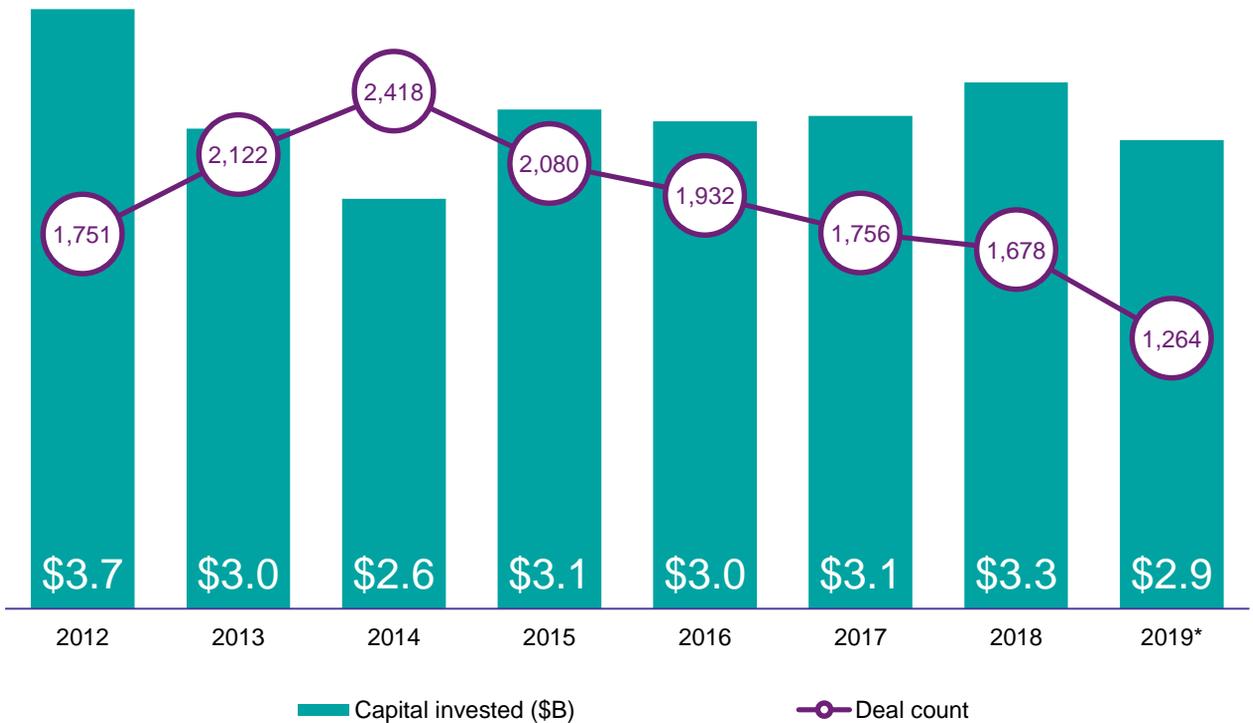


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

The rise in quarterly VC invested tallies with corporate participation was almost steeply linear throughout last year, relentlessly climbing in both participation percentages and also in associated deal values. As many European ecosystems are less mature than in the US, corporates are playing a correspondingly larger role.

First-time sinks to new low

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



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Once again a caveat must be noted: 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). Apart from alternative financing also affecting aggregate tallies, it's interesting to see how relatively robust VC invested in first-time financings has been even as volume declines. It appears although investors are funding fewer companies by far, when they are convinced they are committed to large sums.

2019 sees gradual slide

Venture-backed exit activity in Europe

2012–Q4'19



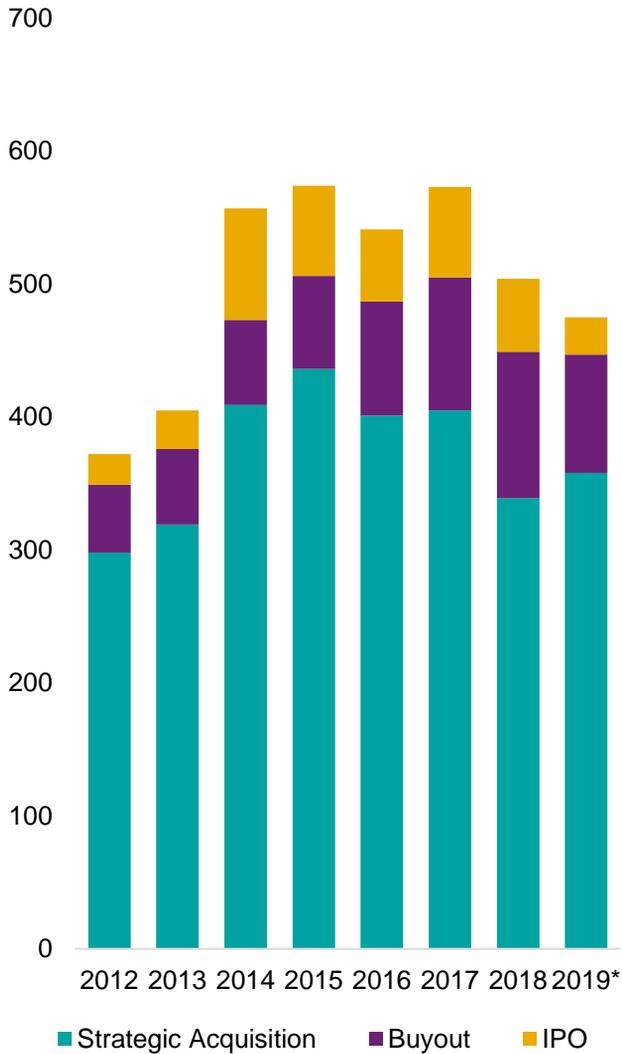
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

Granted, exit values rose steadily throughout the year, however, volume slowly slid throughout to close the year at one of the lower quarterly tallies recorded yet this decade. It's difficult to ascertain as of now if this is driven primarily by a cooling M&A cycle or a drop in the number of listings and active interest on the part of PE acquirers. Time will tell.

M&A rises slightly

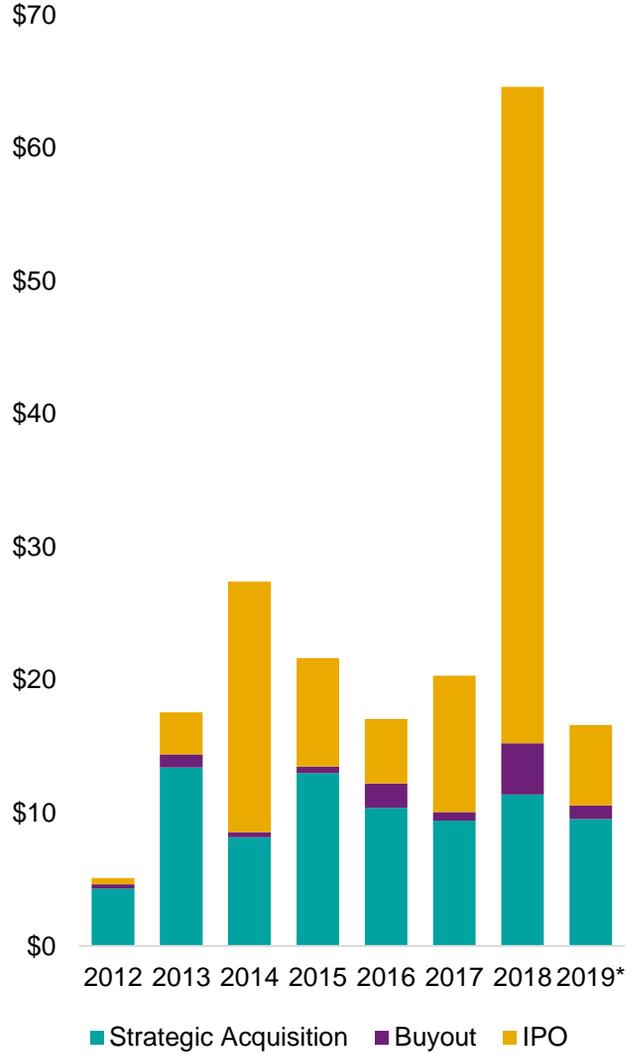
Venture-backed exit activity (#) by type in Europe

2012–2019*



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

2012–2019*

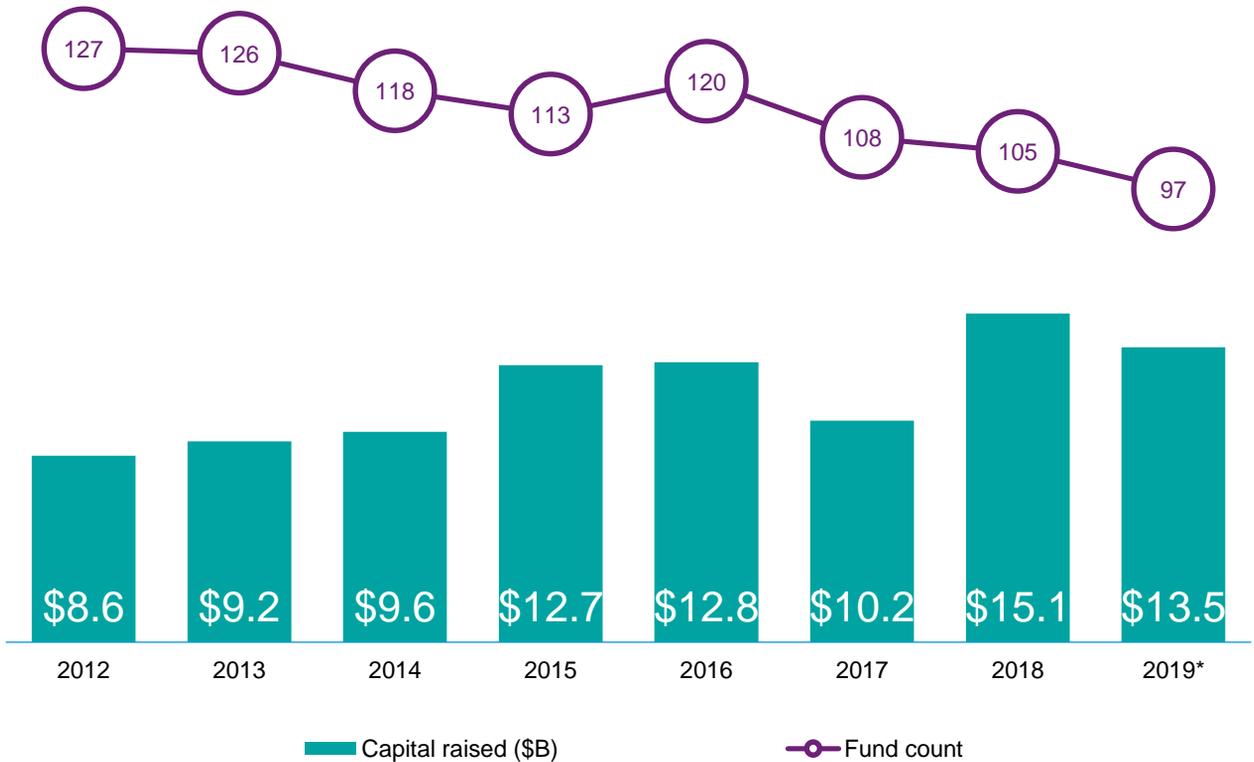


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Fundraising moderates

European venture fundraising

2012–2019*



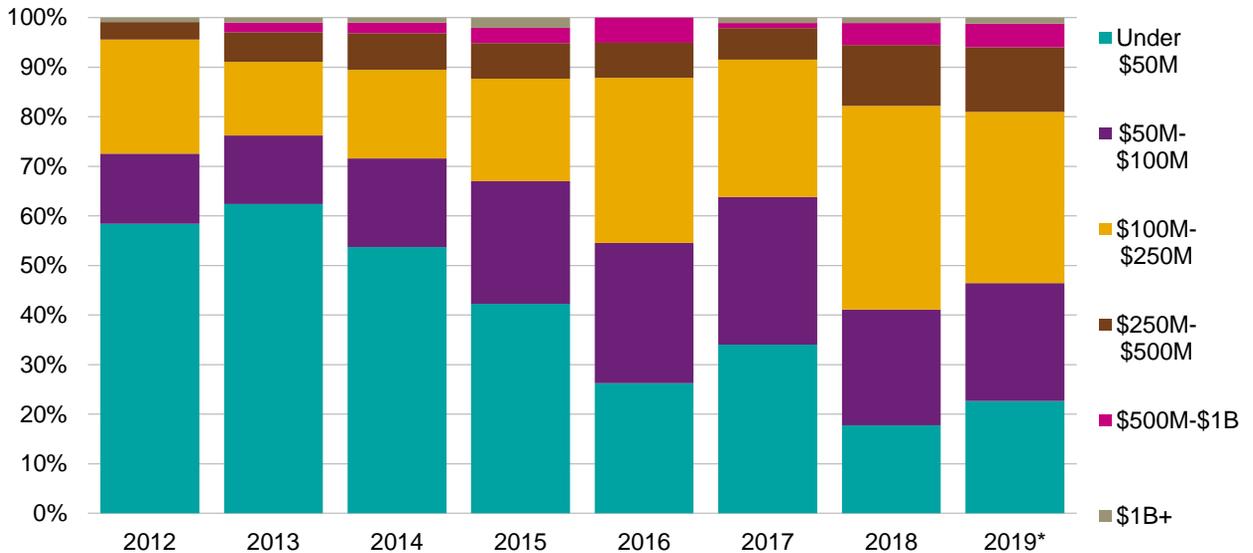
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

The European fundraising scene is dominated by a smaller population of successful firms, which is why the continent still records very strong VC raised tallies even while the volume of fundraising slowly slides year over year. It's worth noting the decline is remarkably gradual, with barely double-digit decreases per year. This is likely due to the ongoing influence and participation by corporates as well as foreign investors in helping supply significant portions of capital invested across the continent.

Smaller funds make slight comeback

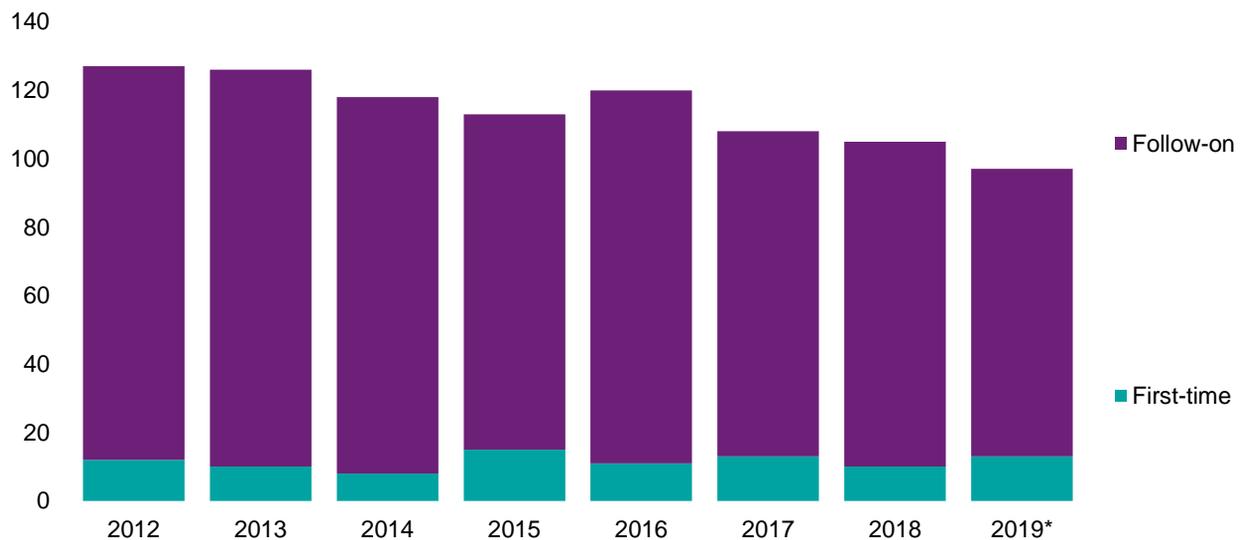
Venture fundraising (#) by size in Europe

2012–2019*



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

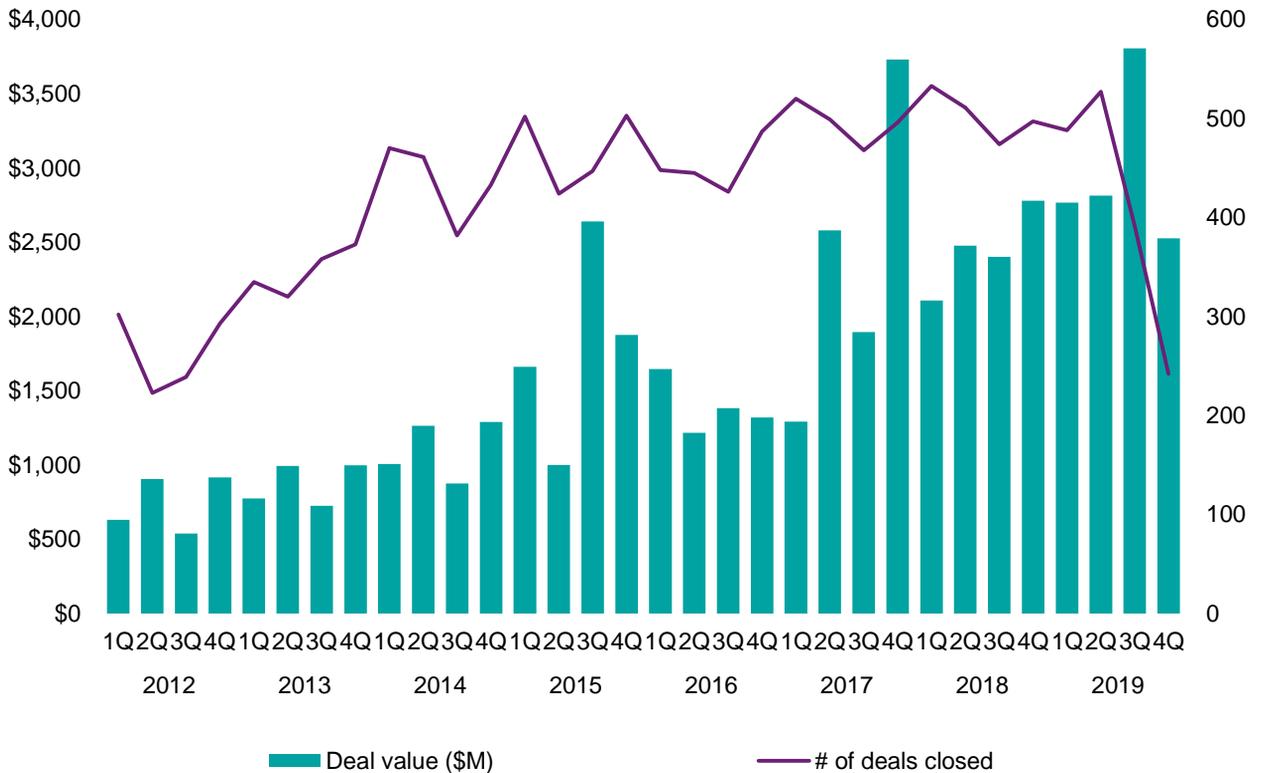
2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Record close to 2019

Venture financing in the United Kingdom 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

“With the European technology ecosystem being dominated by enterprise and B2B success stories it is maybe no wonder they have been immune to both economic headwinds and investor desires for later stage deals. Technologies making enterprise processes more efficient, reducing risk or enhancing value from customers continue to be sought after by investors.”



Tim Kay
Director,
KPMG in the UK

London sees bifurcation

Venture financing in London 2012–Q4'19

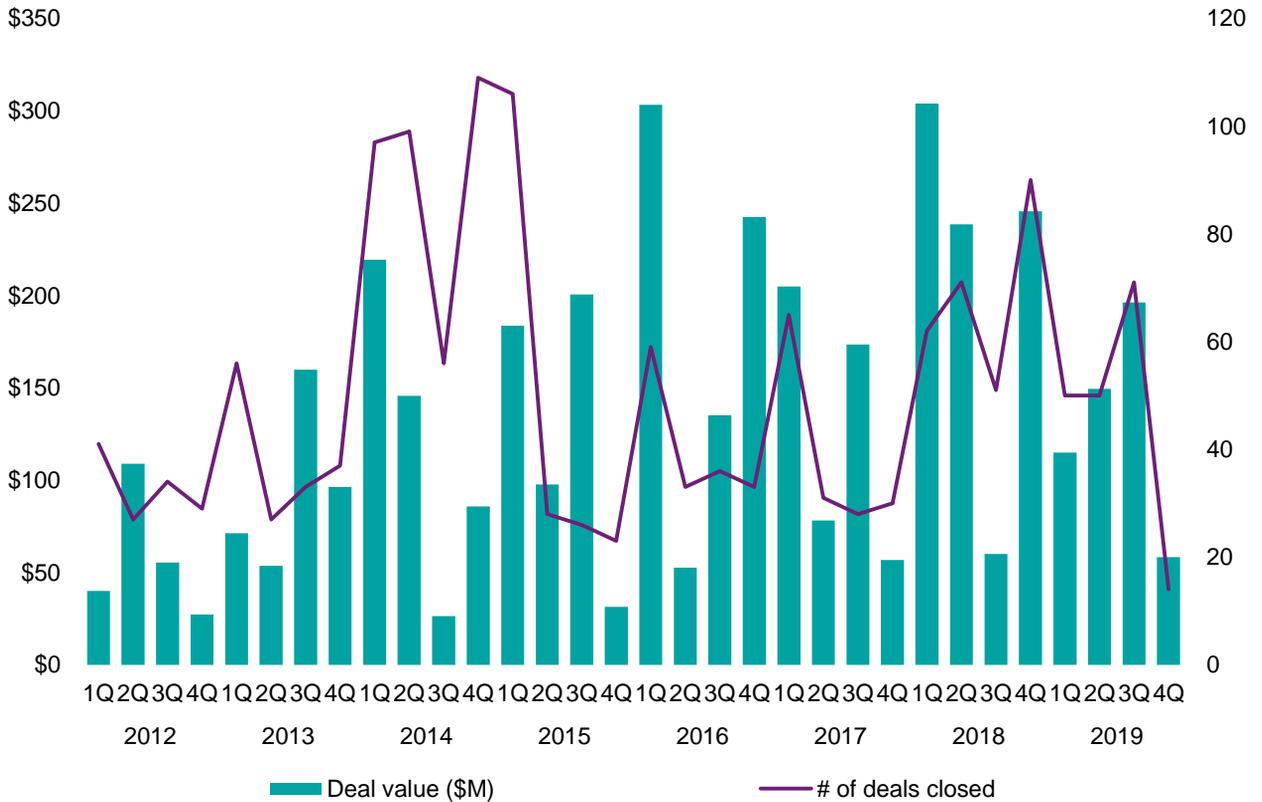


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

With final resolution of Brexit impending, the London startup ecosystem will have more concrete answers soon as to how trade and other negotiations may impact capital and talent flows, not to mention the sales of goods and services. That said, in the interim, late-stage London-based companies are still more than capable of raking in gargantuan sums, capping 2019 off with a near-record tally boosted by mega-deals like that of Deliveroo's \$575 million Series G round.

A drop to end 2019

Venture financing in Ireland 2012–Q4'19

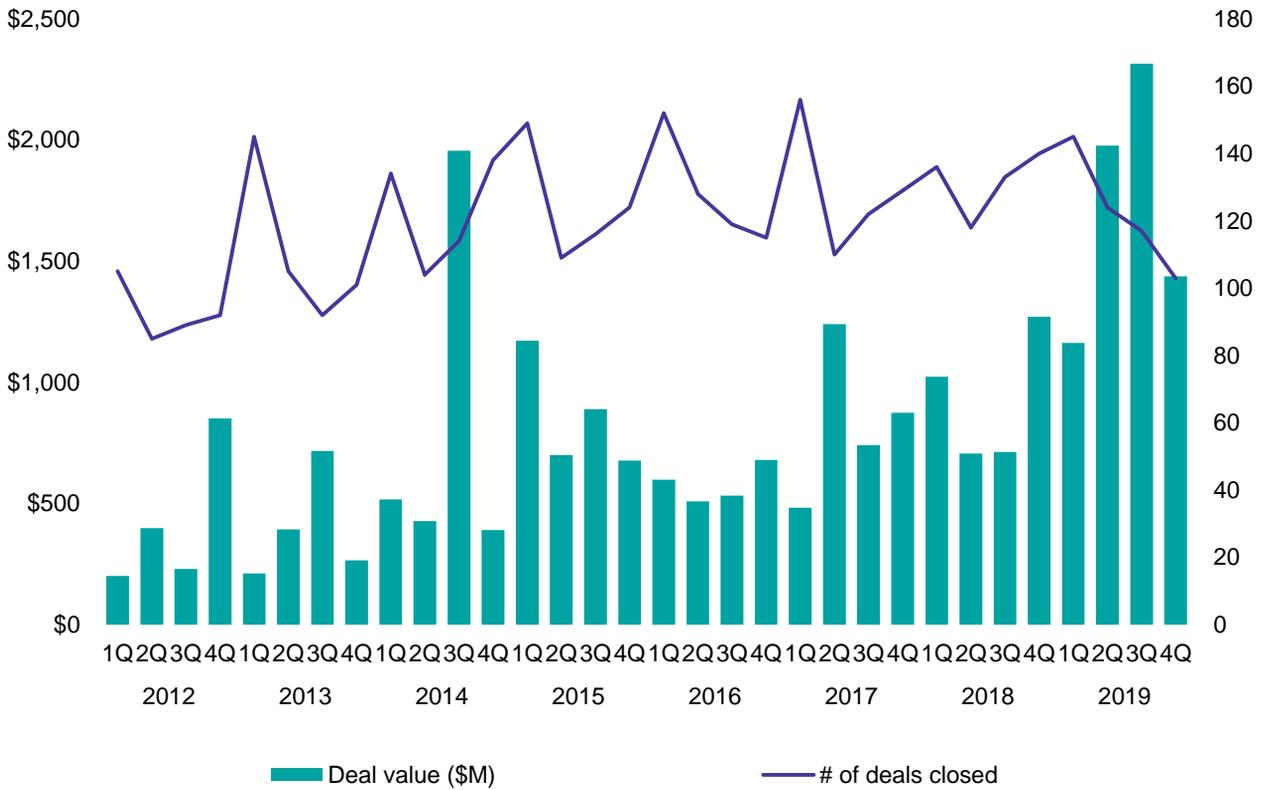


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

The Irish venture ecosystem continues to see significant skewed quarterly results, with a surprising drop on which to end the year. That said, 2019 still ended up as one of the more robust years on record, with large financings such as those of Atlantic Therapeutics or Fenergo testifying to the country's growing startup ecosystem.

A return to normalcy

Venture financing in Germany 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Reversion to the mean is a common phenomenon in any cycle, and German venture financing trends were hardly any exception. After record quarters in terms of venture invested in the middle of 2019, the final quarter of 2019 registered a historically robust tally of capital invested even as volume fell once more.

Berlin sees back-half slide

Venture financing in Berlin 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Given other German cities boast blossoming startup ecosystems, and historically there has been more proliferation geographically for venture capital flows across the entire nation than other countries typically experience, a shift back to more normal levels after the record second quarter last year was to be expected for Berlin.

Spain enjoys strong finish

Venture financing in Spain 2012–Q4'19

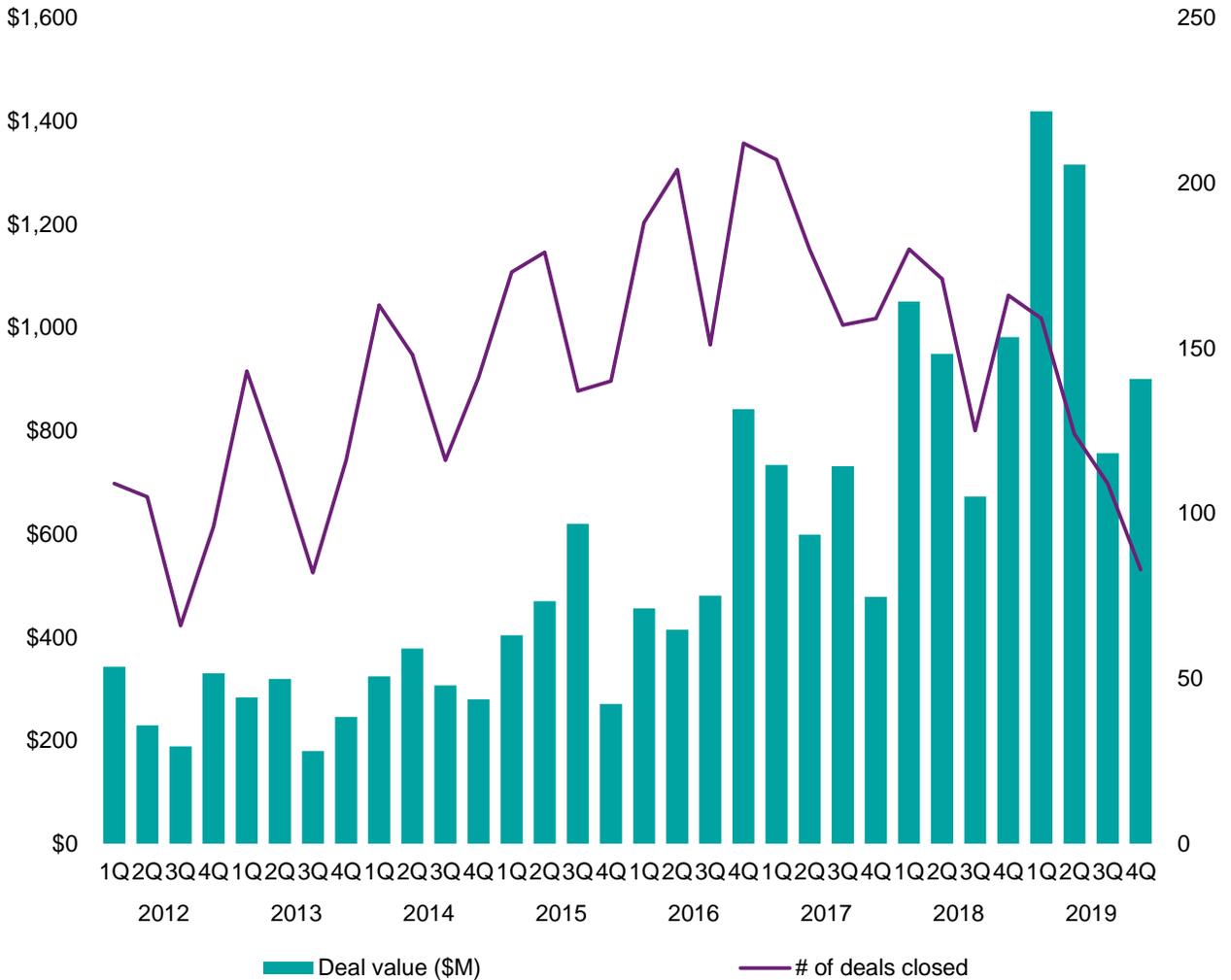


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Despite quarterly vagaries in volume, Spain saw one of the more robust stretches in VC invested throughout last year, thanks in large part to several prominent companies raising large rounds. Glovo stood out amidst all others, however, raking in not one but two financings in quick succession last year that were close to \$170 million apiece.

All in all, a record year

Venture financing in France 2012–Q4'19

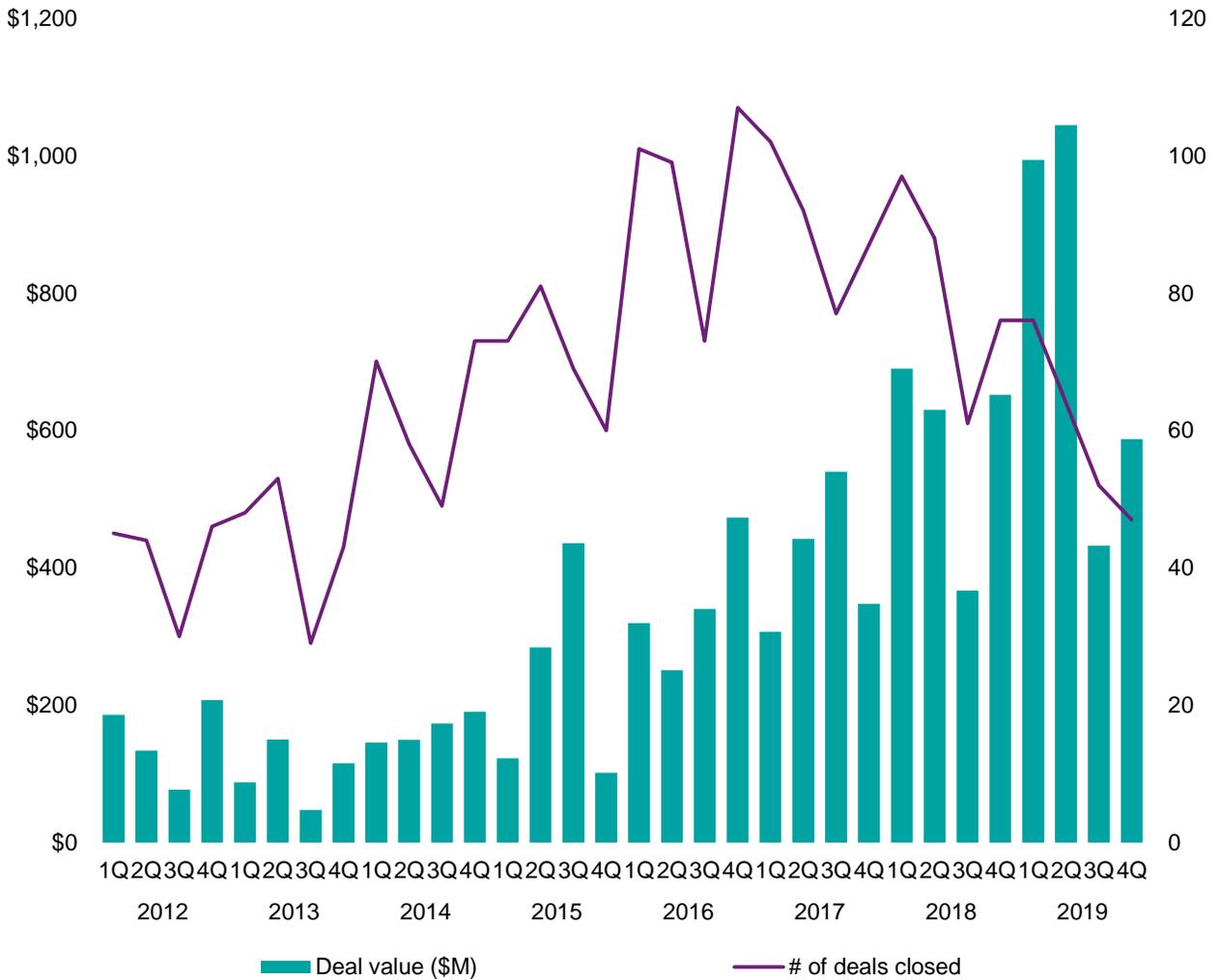


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

France saw such a blockbuster first half of 2019 in terms of VC invested that it still, despite a slide in the back half, registered a record sum of VC invested last year. The decline in volume is more troubling, as any data lags wouldn't cause such a slide to that degree. However, what'll really matter is how that trend continues in 2020, as the French ecosystem isn't necessarily mature enough that it can't experience an off year.

A resurgence in Q4

Venture financing in Paris 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Paris is as much the center of the French venture ecosystem as New York is the center of the New York state ecosystem. What affects the Parisian venture ecosystem accordingly will be reflected in national totals, and although hearteningly there was a surge to close the year in terms of VC invested, the overall slide in volume registered at the national level.

A steep drop in 2019

Venture financing in the Nordics 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

The Nordics venture ecosystem turned in some intriguing results for 2019. Mega-rounds still occurred (e.g. Klarna's huge round in the middle of the year) but volume overall plunged precipitously, after a clear peak to start the year. It is likely that this is more of a temporary phenomenon driven by quirks in supply and demand, as there are still hotbeds of entrepreneurial activity across the region.

A diverse array for Q4



Top 10 financings in Q4'19 in Europe

- | | |
|--|--|
| <p>1 Deliveroo — \$575M, London
Restaurant technology
<i>Series G</i></p> | <p>6 Riskified — \$165M, Tel Aviv
Network management software
<i>Series E</i></p> |
| <p>2 Celonis — \$284.4M, Munich
Business software
<i>Series C</i></p> | <p>7 Vinted — \$141.6M, Vilnius, Lithuania
Information services
<i>Late-stage VC</i></p> |
| <p>3 Picnic — \$276.7M, Amsterdam
Internet retail
<i>Late-stage VC</i></p> | <p>8 Snyk — \$1.25B, London
Network management software
<i>Series C</i></p> |
| <p>4 Wefox — \$235M, Berlin
Financial software
<i>Series B</i></p> | <p>9 CreditStacks — \$110M, Tel Aviv
Financial services
<i>Early-stage VC</i></p> |
| <p>5 Glovo — \$166.1M, Barcelona
Application software
<i>Series E</i></p> | <p>10 Vayyar Imaging — \$109M, Yehud
Semiconductors
<i>Series D</i></p> |

Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

***In Q4'19 VC-backed
companies in the Asia
region raised***

\$18.7B

across

1,021 deals



Q4'19 Venture Capital investment in Asia remains quiet

The VC market in Asia remained soft in Q4'19. Despite two \$1 billion deals in the final quarter of the year, the region's total annual VC investment in 2019 was less than the \$126 billion seen in 2018. While there were challenges for Asia's VC market this year, some positive outcomes emerged, including the market self-correcting before it became too big of a bubble.



VC investment in China remains relatively quiet

China's VC investment was relatively steady quarter-over-quarter, led by a Q4'19 \$1 billion raise by online housing platform Beike. Despite this large funding round, China's total VC funding in 2019 remained subdued, far below the level of investment seen in 2018, due in part to the ongoing short-supply of mega-deals, the continued slowdown in China's economy, and the protracted US-China trade tensions that has stretched across much of the year. After Beike's raise, the largest deals in China during Q4'19 included a \$400 million raise by automotive company Xpeng and a \$224 million raise by fintech WTOIP international.

With access to capital and the ability to raise new funds shrinking outside of tier one VC firms, the VC investment cycle in China is also lengthening, with deals taking much longer to get done as VC investors conduct more due diligence and fully scrutinize their investments. In Q4'19, B2B companies were of particular interest to VC investors in China, with interest spanning across sectors such as finech and logistics to companies focused on cloud-based technologies. Alibaba has been particularly active in the B2B cloud space, while Baidu and Tencent have started to make their own inroads. Outside of the BAT companies, Huawei has also focused on cloud-based technologies quite aggressively.



VC market in India ends 2019 on a high note

VC investment in India was quite strong in Q4'19, ending the year on a high note with a number of large mega-deals, including a \$1 billion funding round by PayTM and a \$500 million round by business productivity company Udaan. Consumer-focused technologies were a critical focus for VC investors in India; in addition to PayTM, online pharmacy company PharmEasy raised \$220 million, while home furnishings company Urban Ladder raised \$148 million.

Fintech continued to be one of India's strongest sectors of VC investment in Q4'19, a trend expected to continue for the foreseeable future given the country's significant rural and unbanked population and the complexities and challenges associated with building a traditional financial services company in the country.

Foreign investors remained quite active and interested in making investments in India. During Q4'19, Silicon Valley-based Accel closed funding for a \$550 million fund, it's sixth India-focused VC fund. India has also seen an increase in VC investments by Japan's trading houses.



Hong Kong continues to see interest from VC investors

Hong Kong continued to see some interest from VC investors during Q4'19, led by a \$180 million raise by data center construction and engineering company Chayora. The life sciences sector remains a key area of attention for VC investors in Hong Kong. While companies looking to attract funding in the future might need to lower their expectations in terms of the amounts they will be able to raise, those with strong teams, unique technologies, and clear profitability potential will likely be able to raise funds.

Q4'19 Venture Capital investment in Asia remains quiet, cont'd.



IPO market in Hong Kong remains strong, buoyed by Alibaba secondary listing

While there was some political uncertainty in Hong Kong, the Hong Kong Stock Exchange continued to show buoyancy in Q4'19, led by the secondary listing of Alibaba in November. Alibaba's Hong Kong listing raised more than \$11 billion, eclipsed Uber's \$8 billion IPO as the second largest of the year after Saudi Aramco's \$25.6 billion IPO,; the listing was the HKSE's biggest debut since 2010¹.

China's stock market also was very active in 2019 following the launch of the registration-based listing platform, the STAR Market, by the Shanghai Stock Exchange in July, the approvals process for IPOs has been significantly streamlined to to promote and encourage deep tech companies in particular to be listed. At the same time China-based technology companies considering IPOs in the mainland, Hong Kong, and elsewhere have learned their lesson from the mixed results experienced globally by the unicorn exits seen in 2019. Some potential exits are being delayed as companies look to address challenges associated with their business models and seek to provide clarity as to their projected path to profitability.



VC investors in Asia turning attention away from cash-burning companies

In the wake of the challenges experienced by WeWork, there has been a very clear shift in the focus of VC investors across most of Asia during Q4'19, with investors moving away from companies that need to burn significant capital in order to drive traffic or increase their user base and focusing their attention on startups with stronger business models and innovation offerings. In particular, China is seeing less interest in platform companies and increasing investor interest in companies focused on deep technology, 5G, B2B services, and artificial intelligence. India has also experienced the same shift, with India-based investors focusing more on ensuring that any companies they invest in have a strong path to profitability.



Trends to watch for in Asia

Looking forward, VC investment in Asia is expected to remain relatively steady compared to 2019, with VC investors focused firmly on companies able to grow sustainably.

In China, B2B services are expected to grow, particularly in areas such as financial services. VC investors in China are expected to continue to prioritize late-stage deals with a focus on companies with strong business fundamentals. One area that might buck this trend is deep technology innovation, which is seen as a very hot area of investment in China; it is well positioned to attract significant funding rounds even at early-stage deal levels in 2020.

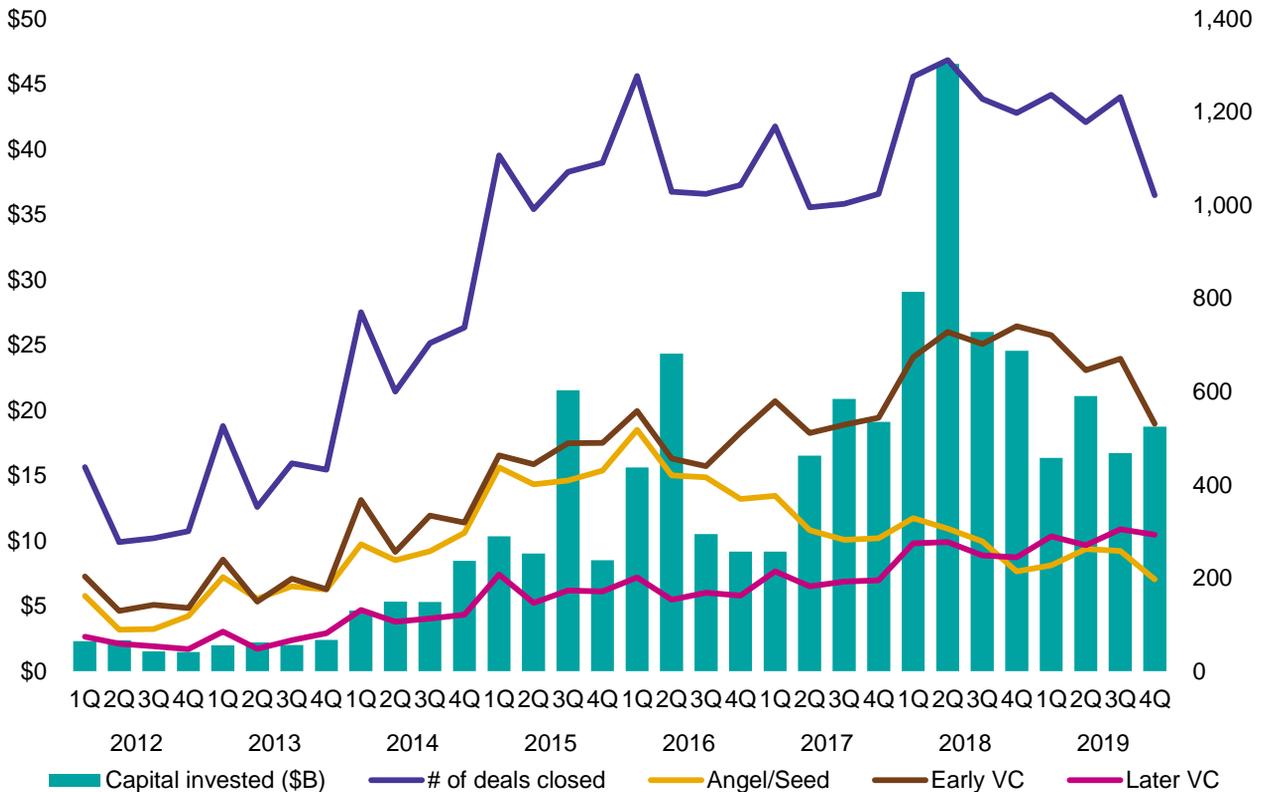
Heading into 2020, companies in India looking to attract attention from VC investors are expected to put more emphasis on reducing their cash flow and providing clear paths to profitability. Investors are likely to focus their investments on companies with strong and sustainable global growth models. Logistics, education, and ecommerce are all expected to remain hot areas of growth.

¹ <https://www.marketwatch.com/story/alibaba-shares-jump-8-in-debut-on-hong-kong-stock-exchange-2019-11-26>

2019 ends strong overall

Venture financing in Asia

2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

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, in turn, still saw some large financings that helped buoy overall VC invested for each quarter, and even a slightly downturn—bearing in mind data lags—at the close of the year didn't prevent last year from ending up robust overall.

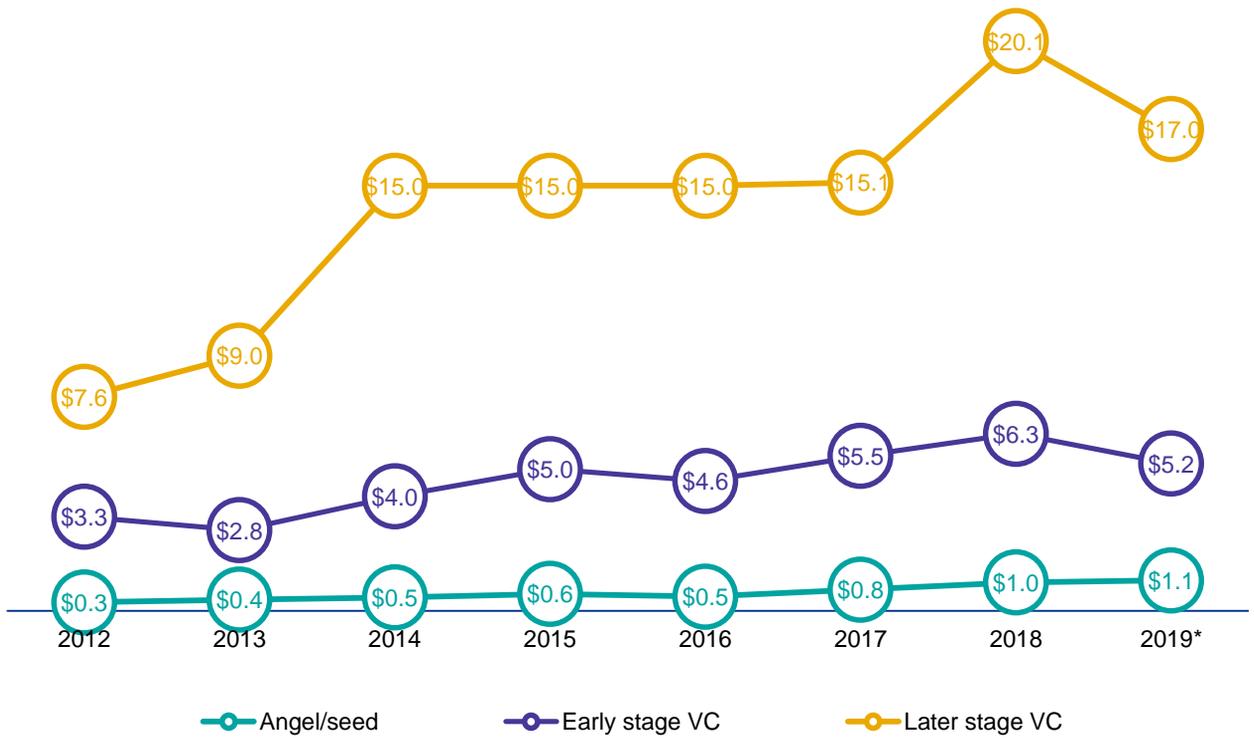
“Over the next few months, the word that will characterize the VC market the most will likely be ‘caution’. There’s still a lot of uncertainty in the market, from the US-China trade war, to the upcoming US presidential election and the global ramifications of Brexit. Both companies and VC investors are getting quite fatigued with some of this uncertainty and that could easily impact short-term investment decisions.”



Egidio Zarrella
Head of Clients and Innovation Partner,
KPMG China

A moderation in 2019

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



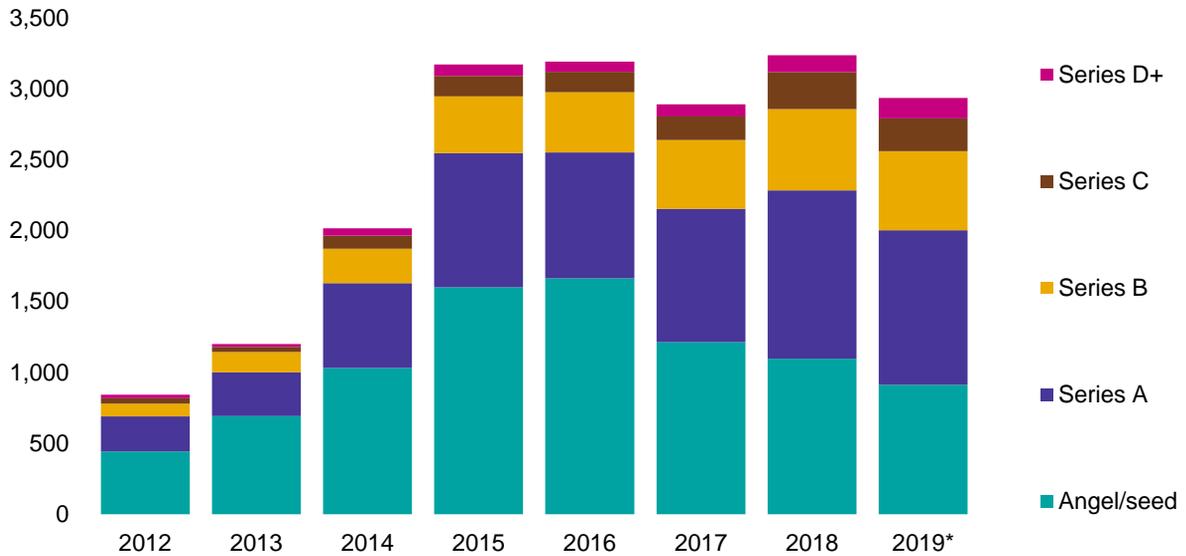
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

As volume recovered throughout 2019 by and large, it was interesting to note that the median late-stage financing size plus early-stage tallies finally cooled somewhat, although still remaining relatively high. As opposed to other regional or countrywide ecosystems, the Asia-Pacific region normalized faster after overheating.

Angel & seed decline

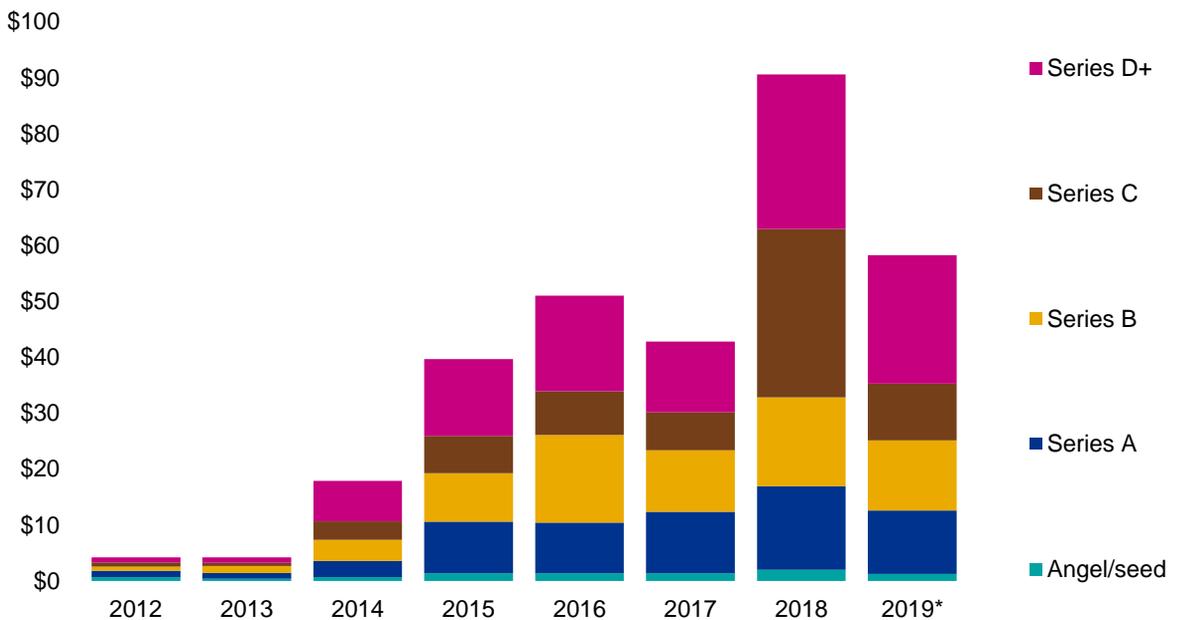
Deal share by series in Asia

2012–2019*, number of closed deals



Deal share by series in Asia

2012–2019*, VC invested (\$B)

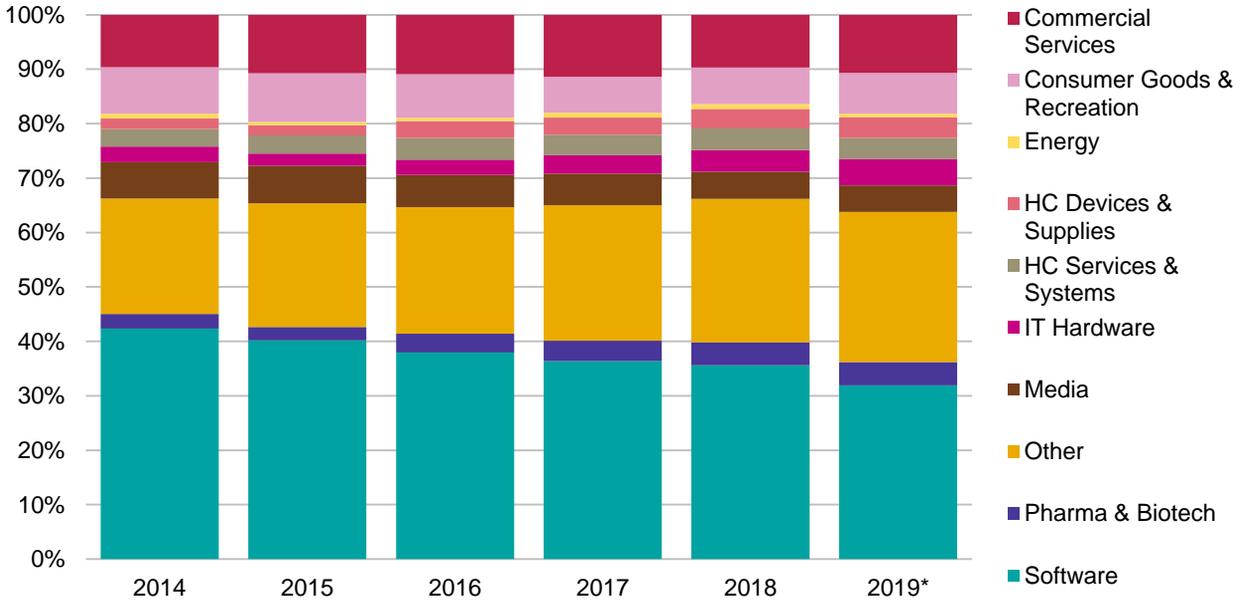


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Non-software surges

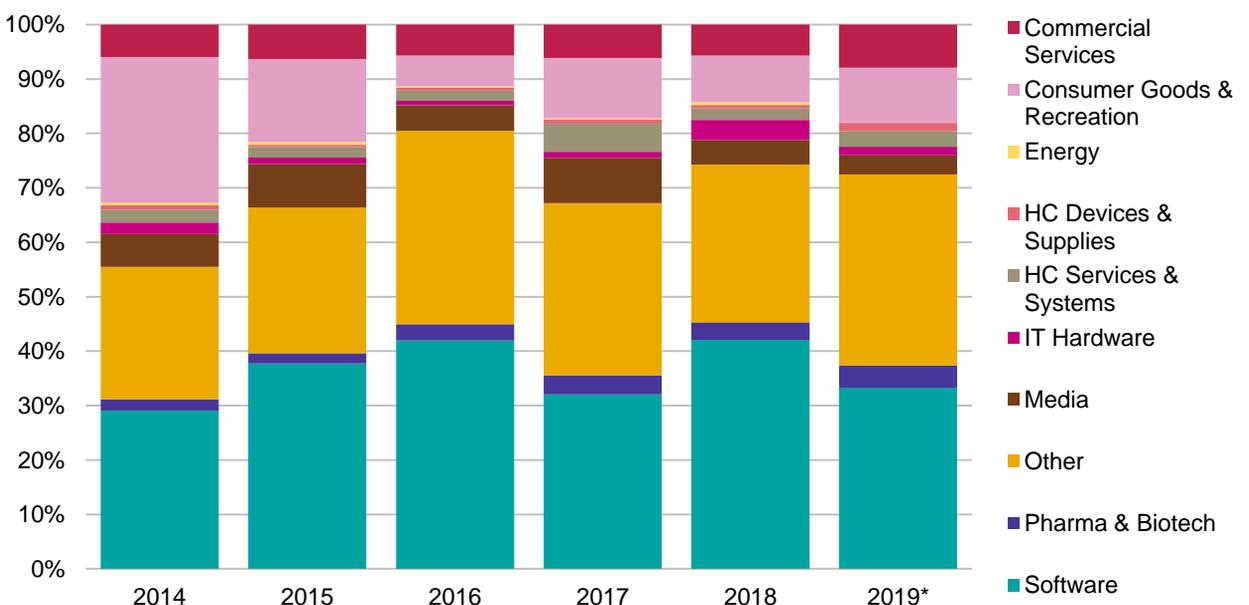
Asia venture financings by sector

2014–2019*, number of closed deals



Asia venture financings by sector

2014–2019*, VC invested (\$B)

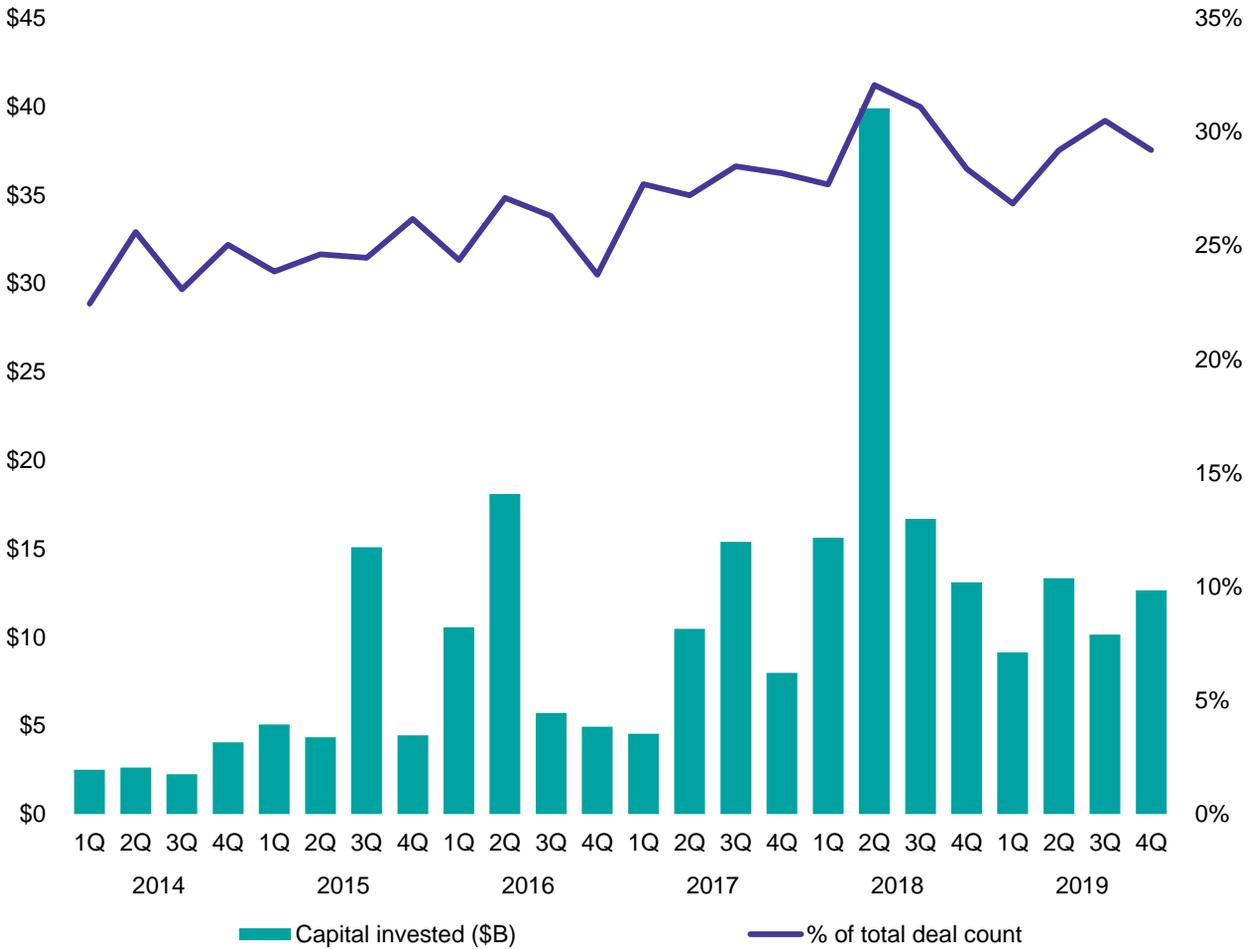


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Corporates stay steady

Corporate participation in venture deals in Asia

2014–Q4'19

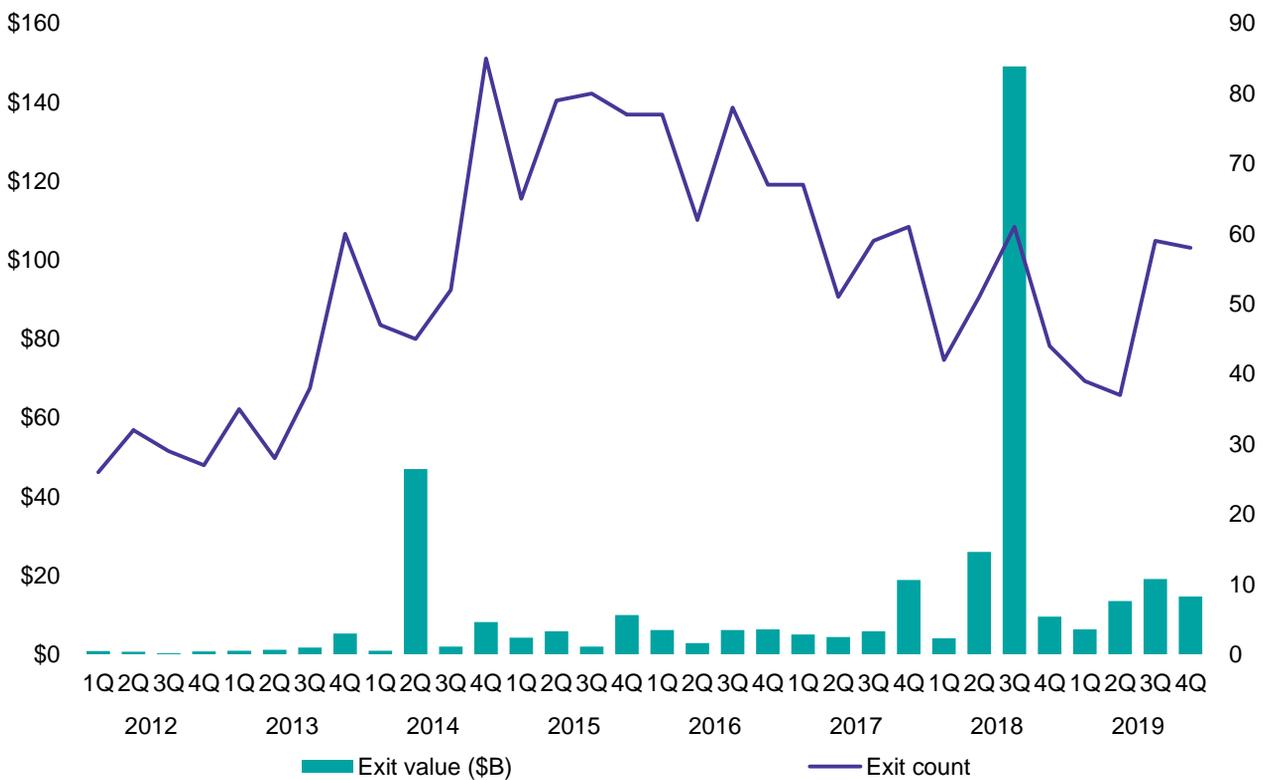


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

The participation of corporate players in the Asia-Pacific venture ecosystem is integral, and thus their return to relatively historically elevated levels of participation in the bulk of 2019 after an initial dip helped volume and associated deal values recover.

Exits surge to end 2019

Venture-backed exit activity in Asia 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

For a time the slow exit cycle seemed to indicate the investment cycle would go quiet with a disappointing or delayed return of capital. However, 2019 closed with a strong resurgence in exit volume, as values returned to historical averages.

“Hong Kong and mainland China IPO bourses secured the top positions in terms of total funds raised in 2019 driven by China’s capital market reform in Q3 and Alibaba’s mega secondary listing in Hong Kong raising \$12.9 billion in Q4. While IPO sizes in general were down besides the mega transactions, they reflected much of the trends seen elsewhere in the world. While deal sizes may have fallen somewhat over the course of the year, TMT as well as health/life sciences continued to be a strong focus of VC investors in China.”

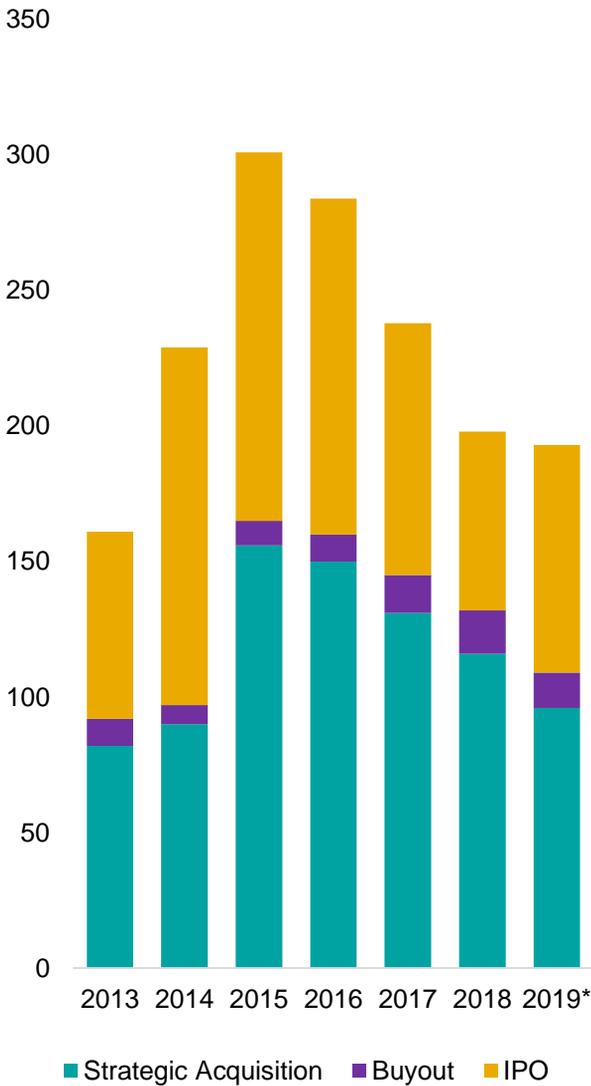


Irene Chu
Partner, Head of New Economy and Life Science, Hong Kong Region,
KPMG China

IPOs grow the most

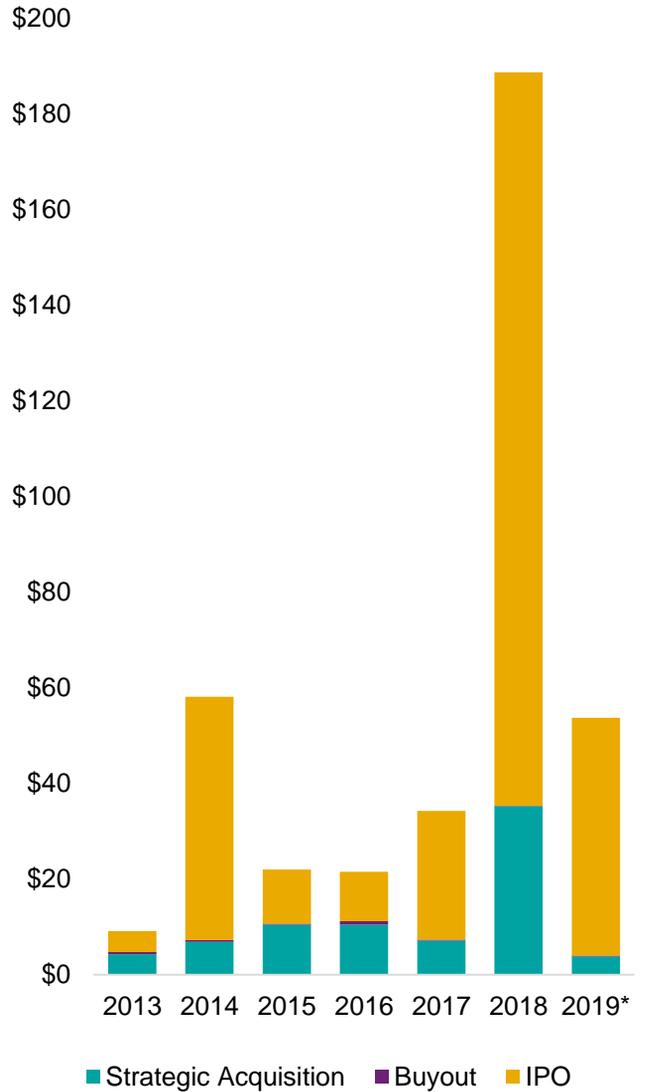
Venture-backed exit activity (#) by type in Asia

2013–2019*



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

2013–2019*

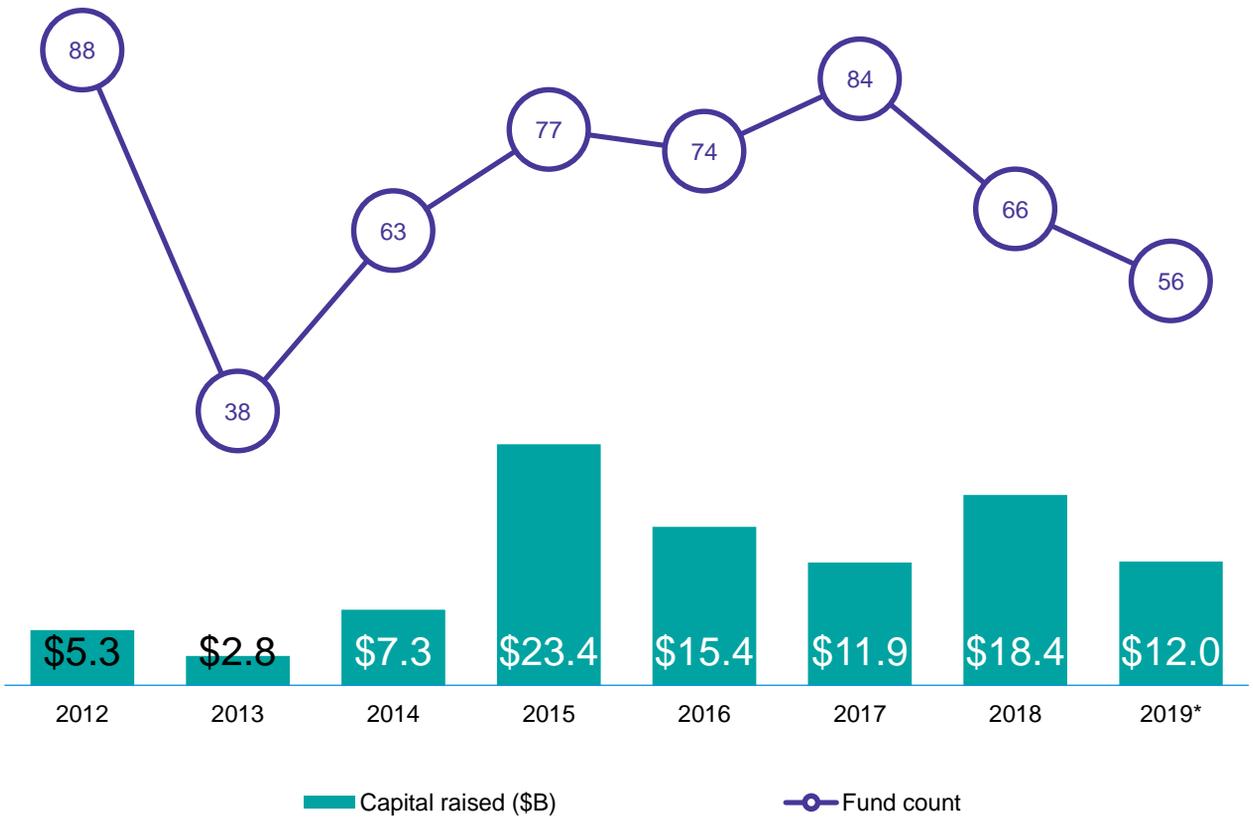


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Fundraising takes a breather

Venture fundraising in Asia

2012–2019*



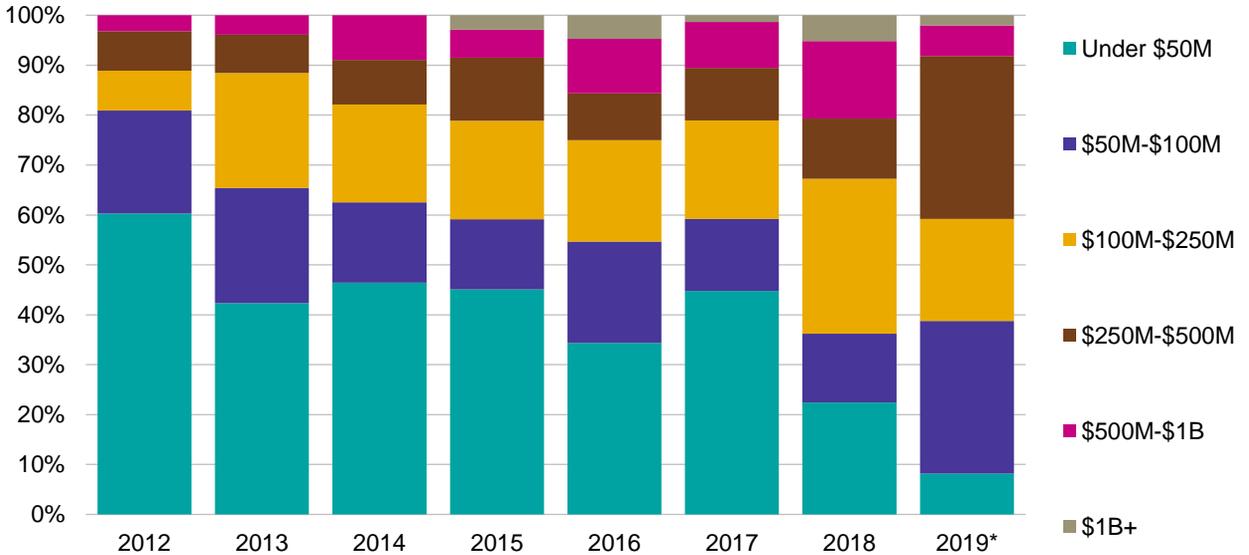
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Fundraising is quite choppy on a quarterly basis for even established ecosystems, it's worth emphasizing once more. Although volume has trended down for two years in a row now, there has still been a hefty flow of capital into fund managers' coffers, just over \$30 billion in fact in the past two years alone. This should hopefully help bolster investing for the next year.

Midrange funds surge in 2019 volume

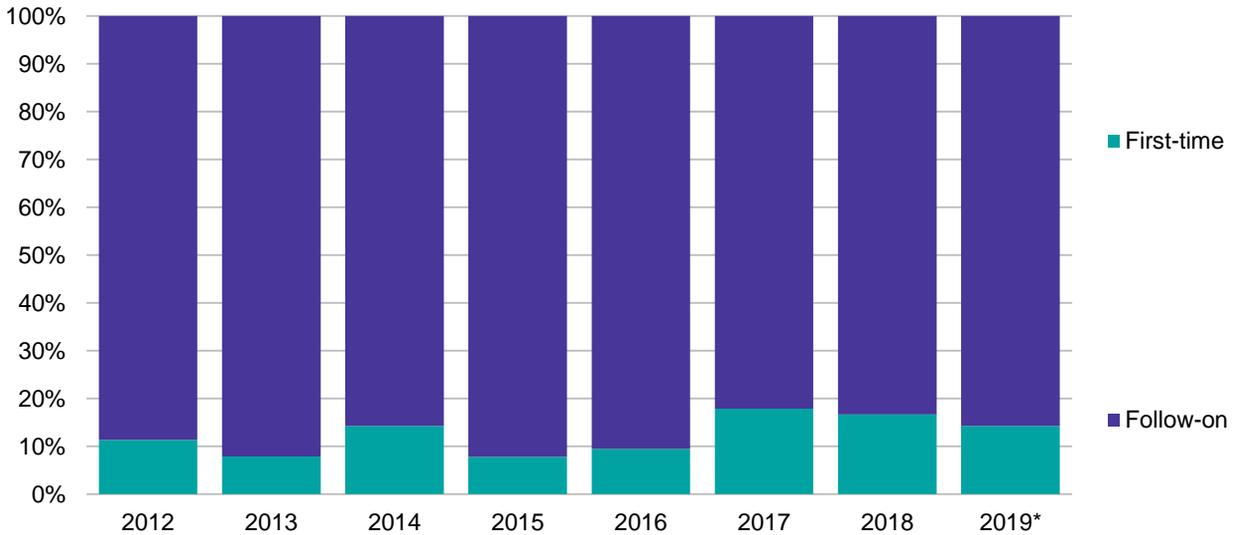
Venture fundraising (#) by size in Asia

2012–2019*



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

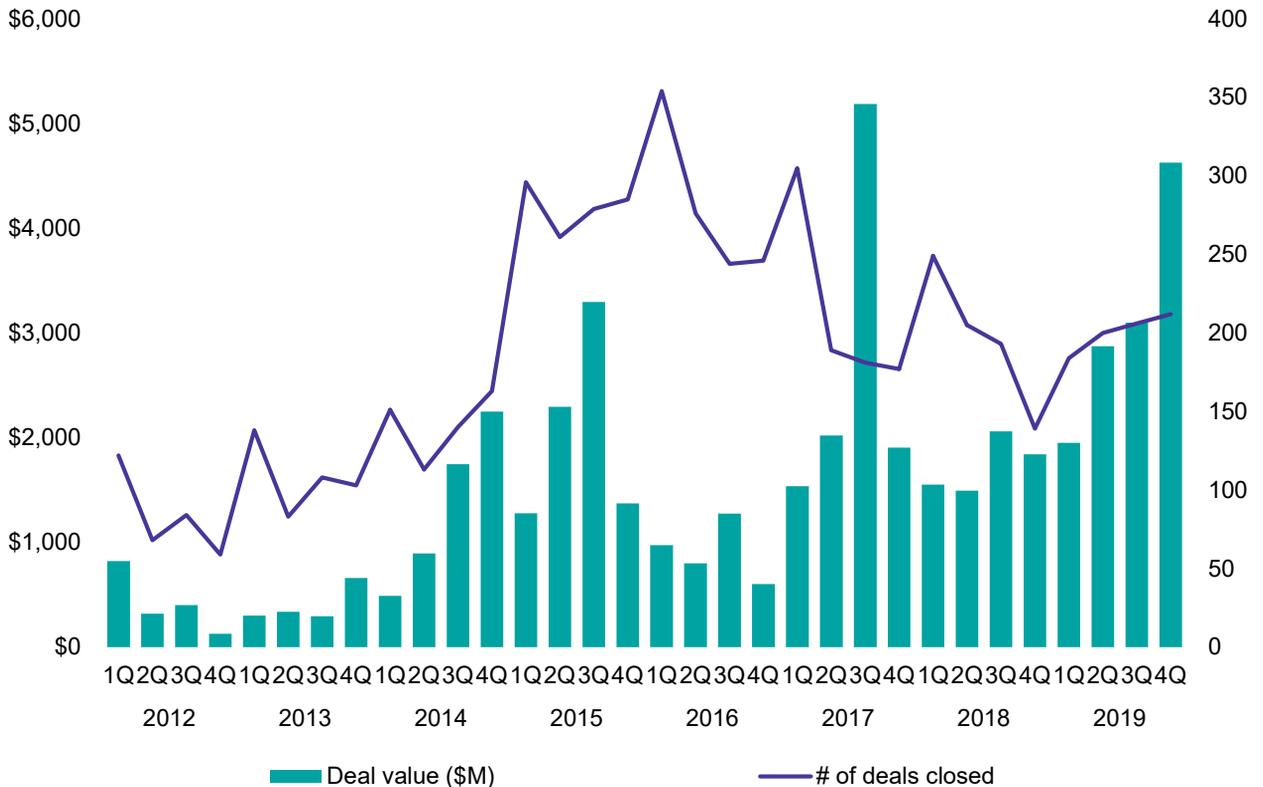
2012–2019*



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Q4 2019 sees spike

Venture financing in India 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

After steadily rising throughout 2019, India finally experienced another near-record quarter in terms of overall VC invested, resulting in a record year in terms of dollars invested overall. The maturation of the Indian venture ecosystem is clear, especially as companies such as OYO Rooms and Paytm both raised \$1 billion+ rounds to boost that total last year.

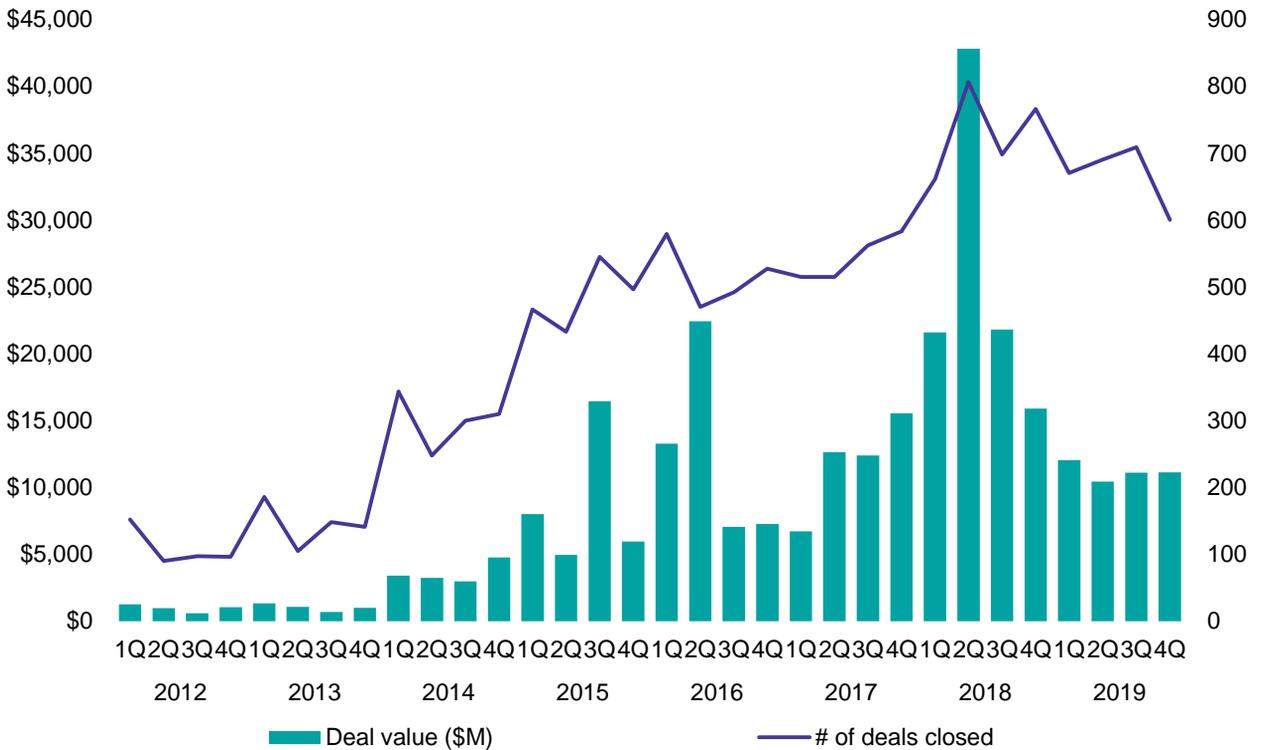
“VC investment in India was relatively mixed during 2019. While VC investment started off soft, the last two quarters have seen a number of excellent deals. This activity is very encouraging and suggests a growing positivity heading into Q1'20. Further, of late, there is a growing interest in the space from Japan's trading houses, who are betting on the India consumption story.”



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

China evens out

Venture financing in China 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

China followed an extraordinary 2018 with a robust number of deals closed and strong deal value in 2019. Mega-deals contributed to investment, and the year brought in a steady volume, hovering close to \$10 billion each quarter.

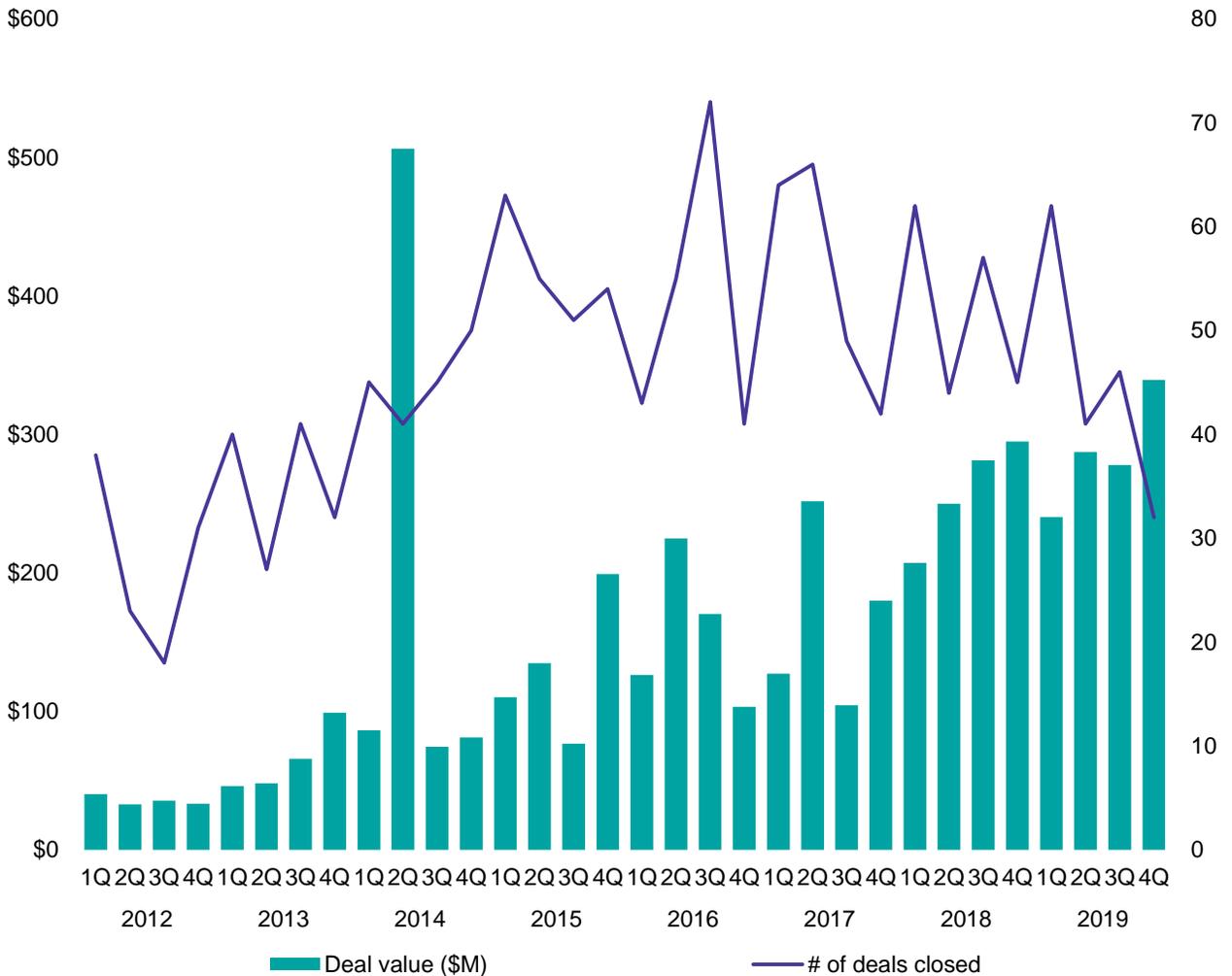
"Both Chinese companies and VC investors in China are beginning to look globally to achieve growth, particularly in areas where local market have shown signs of maturity and market saturation. Southeast Asia and Europe were two prominent areas where China-based investors set their sights in 2019 — a trend expected to continue heading into Q1'20. Investment appetite has also changed from burning money to acquire market to deep tech innovation in China."



Philip Ng
Partner, Head of Technology
KPMG China

Second-highest tally ever

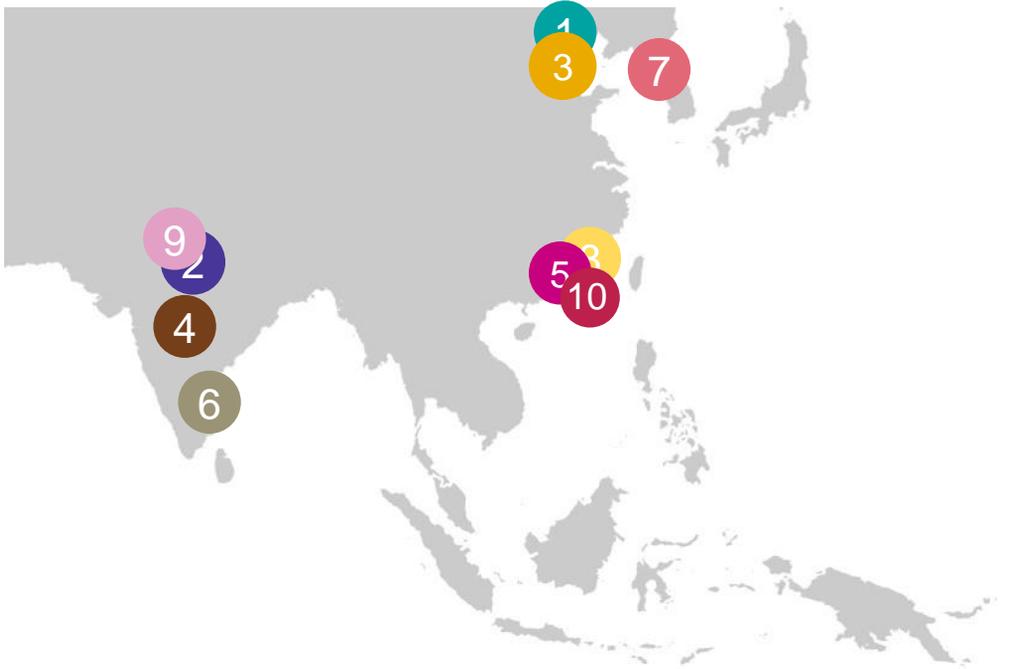
Venture financing in Australia 2012–Q4'19



Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Even given its considerable volatility on a quarterly basis, Australia has seen a remarkably consistent rise in quarterly tallies of VC invested since roughly the start of 2017, culminating in the final quarter of 2019 seeing capital invested surge well past \$300 million. That resulted in 2019 logging a record sum of VC invested, thanks in no small part to large if not record rounds such as those of Canva, Culture Amp or Airwallex.

China, India dominate again



Top 10 financings in Q4'19 in Asia-Pacific

- | | |
|--|---|
| <p>1 Tenglong Holding Group — \$3.7B, Beijing
Systems & information management
<i>Series A</i></p> | <p>6 Kaleidofin — \$360M, Chennai, India
Financial software
<i>Series A</i></p> |
| <p>2 Paytm — \$1.7B, Noida, India
Financial software
<i>Series G</i></p> | <p>7 Wemakeprice — \$314M, Seoul
Internet retail
<i>Late-stage VC</i></p> |
| <p>3 Beike (Real Estate) — \$1B, Beijing
Real estate technology
<i>Late-stage VC</i></p> | <p>8 Baibu — \$300M, Guangzhou
Application software
<i>Series D</i></p> |
| <p>4 Udaan — \$500M, Bangalore
Business software
<i>Series D</i></p> | <p>9 Lenskart.com — \$275M, Delhi
Accessories
<i>Series G</i></p> |
| <p>5 Xpeng — \$400M, Guangzhou
Automotive
<i>Series C</i></p> | <p>10 WTOIP International — \$224.8M, Guangzhou
Financial software
<i>Late-stage VC</i></p> |

Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

KPMG Private Enterprise Emerging Giants Network. From seed to speed, we're here throughout your journey



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About KPMG Private Enterprise

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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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