



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,
KPMG International

Conor Moore

Co-Leader,
KPMG Private Enterprise Emerging
Giants Network,
KPMG International and Partner,
KPMG in the US

Kevin Smith

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

***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

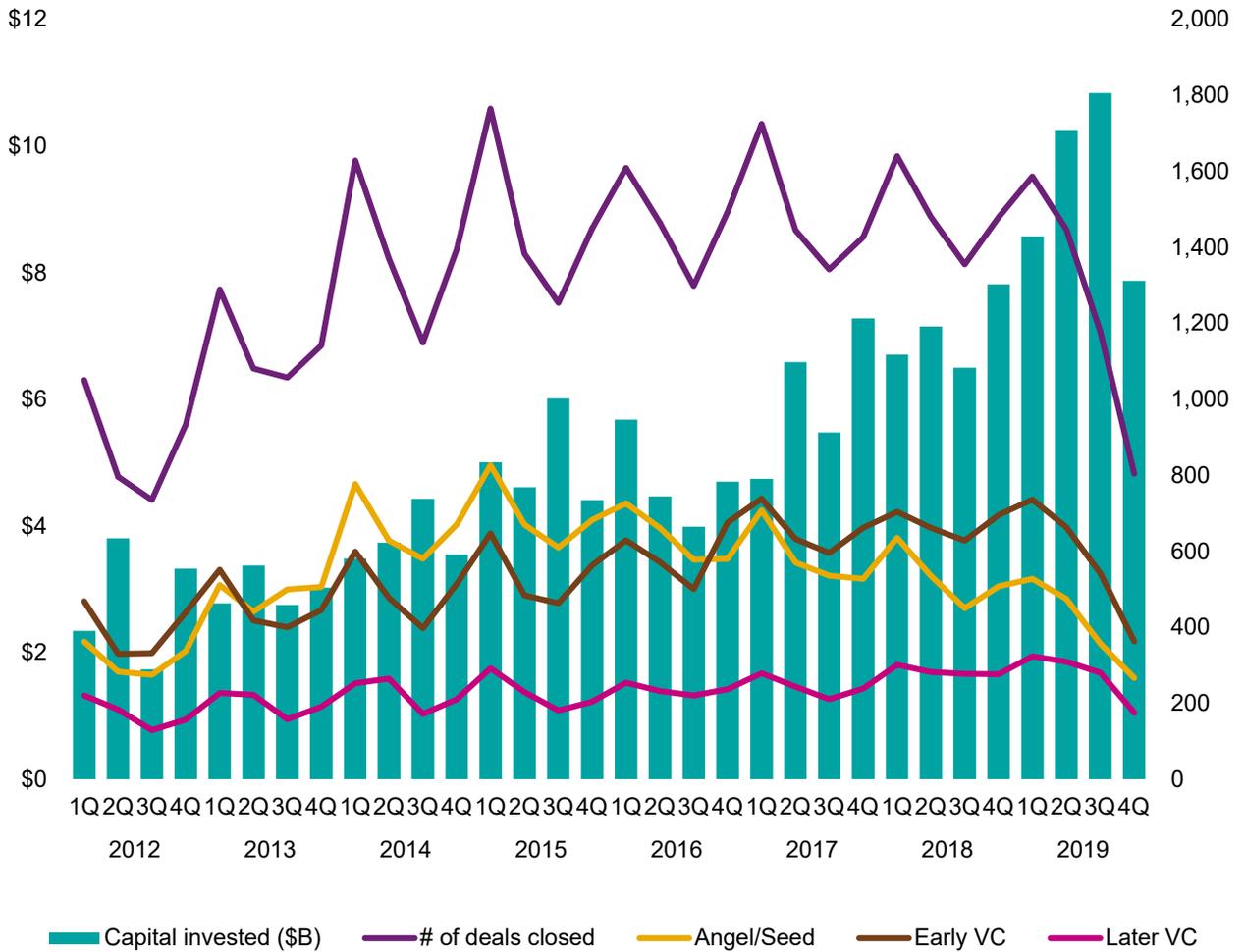
VC investment across Europe is expected to remain strong well into 2020, while exits will likely come primarily from M&A rather than IPOs as per historic trends.

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

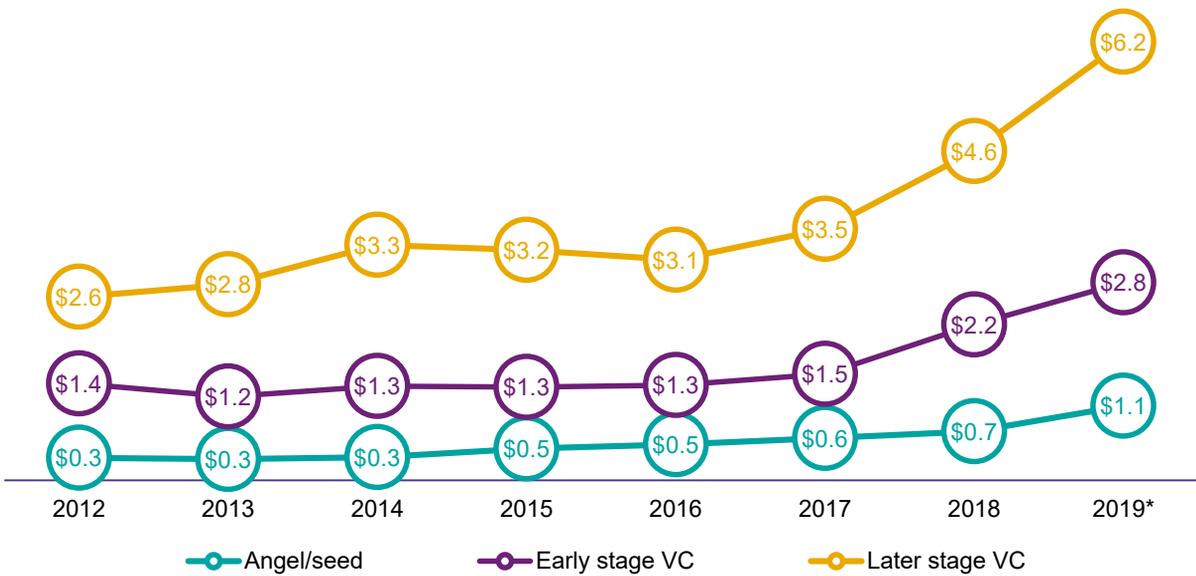


Source: Venture Pulse, Q4'19. Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20. Note: Refer to the Methodology section on page 30 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

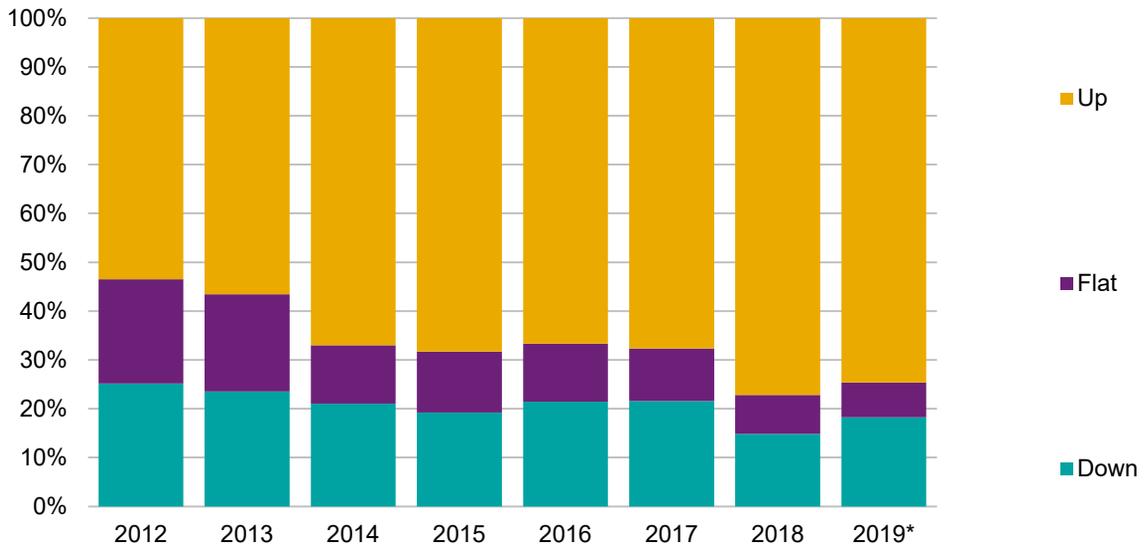
Venture volume will likely tick back upward after additional datasets that aren't currently available are able to be researched; that should not overshadow just how much VC flowed into the European startup ecosystem, even if mega-deals helped skew figures significantly. Close to \$39 billion was invested 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*

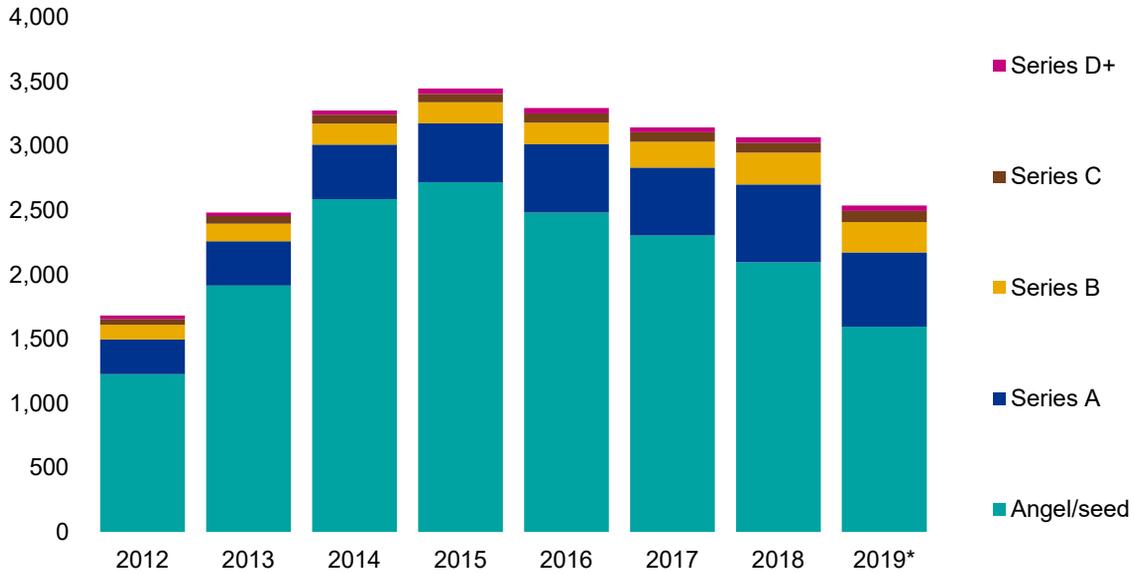


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

late-stage booms in 2019

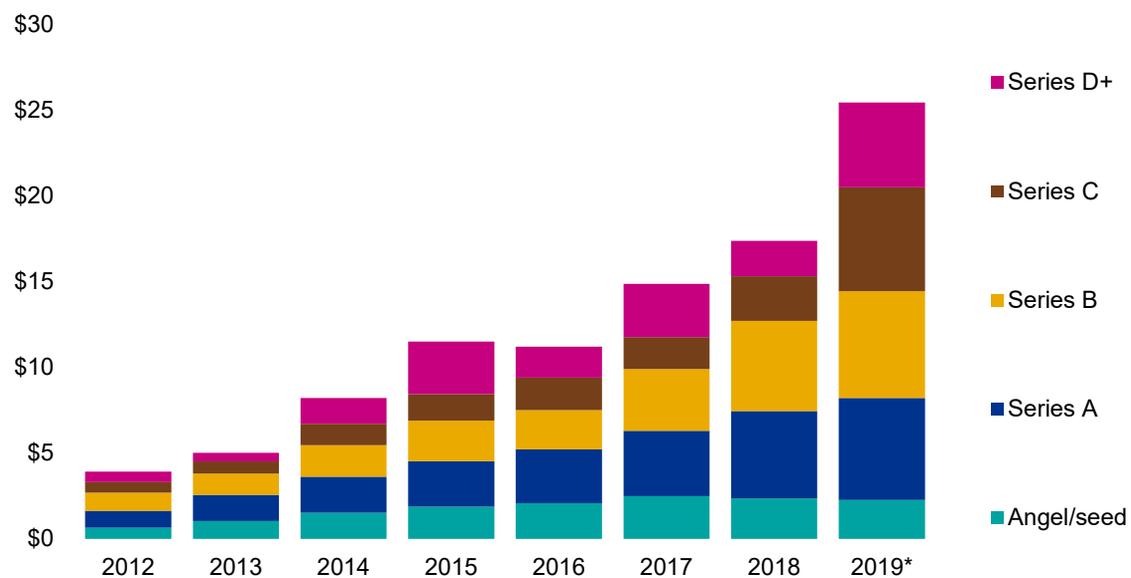
Deal share by series in Europe

2012–2019*, number of closed deals



Deal share by series in Europe

2012–2019*, VC invested (\$B)

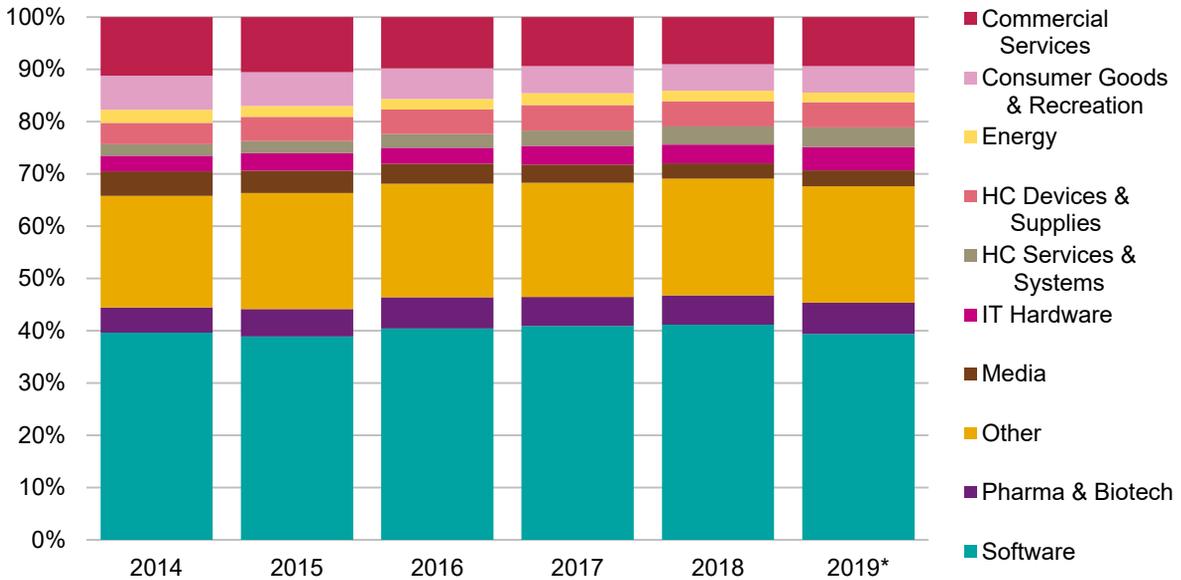


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Software still dominates

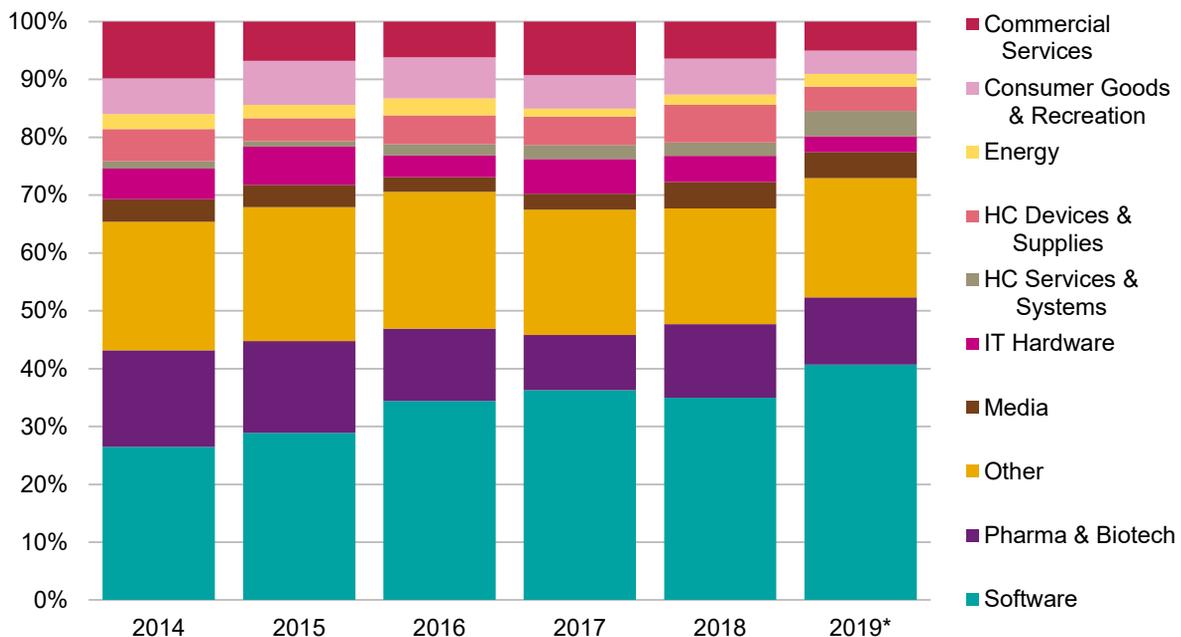
European venture financings by sector

2014–2019*, number of closed deals



European venture financings by sector

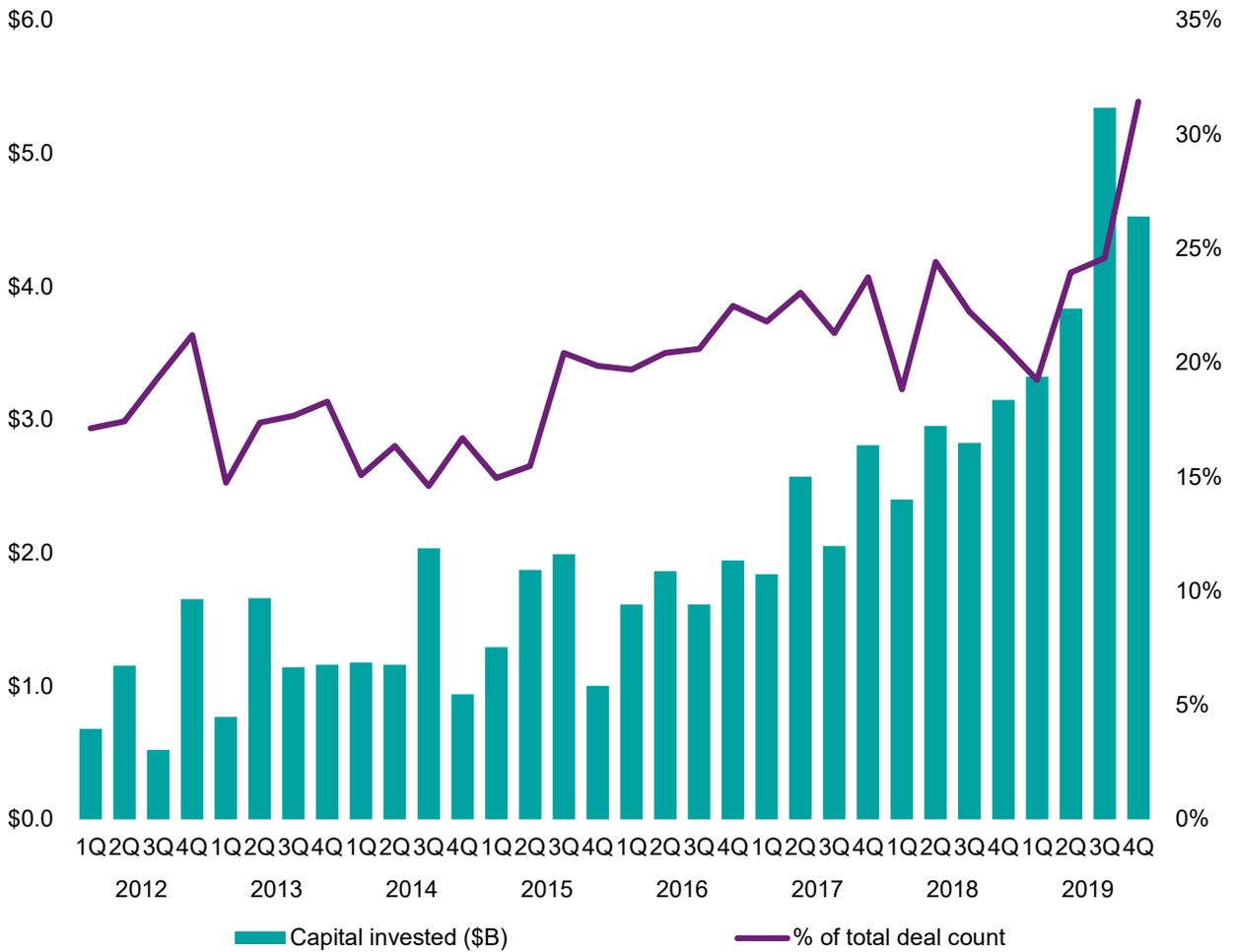
2014–2019*, VC invested (\$B)



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

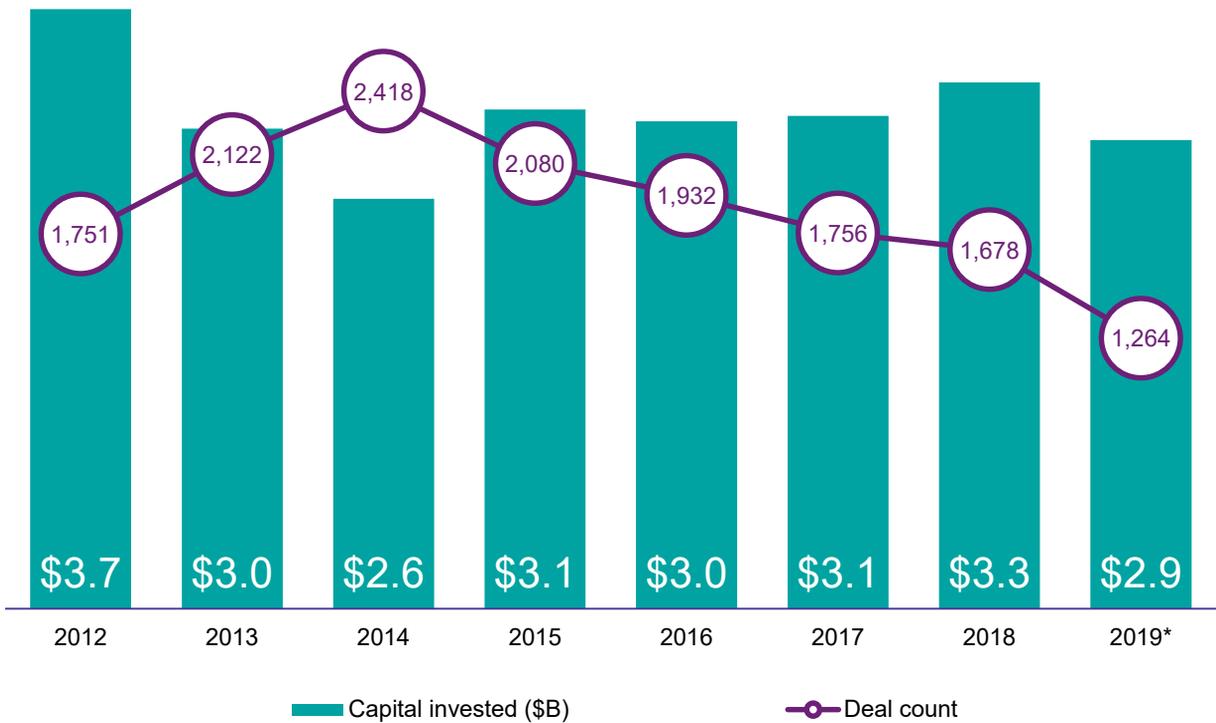


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

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



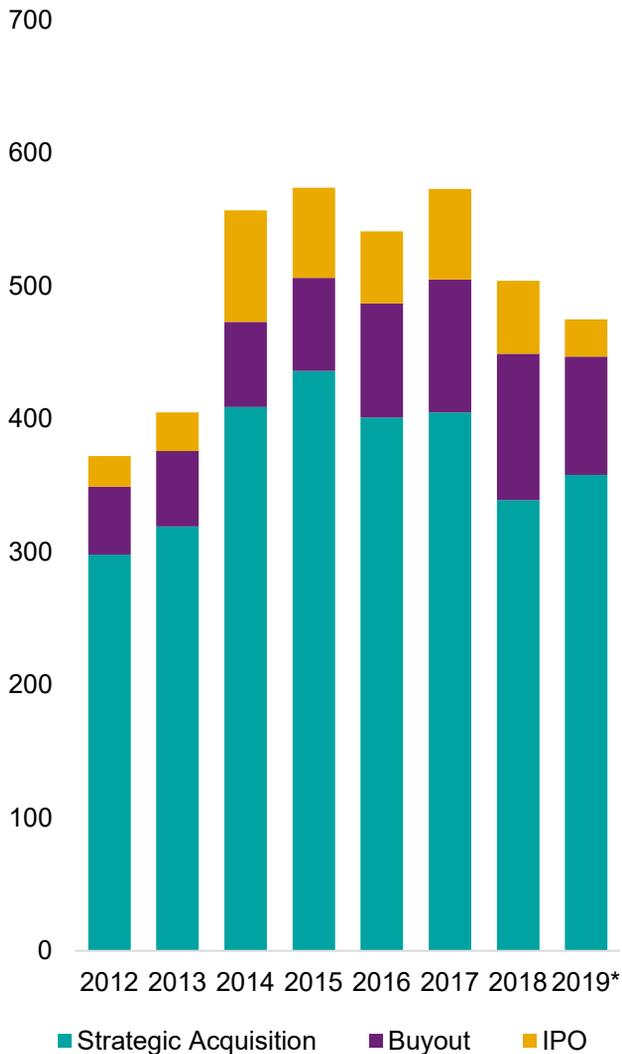
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/15/20.

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

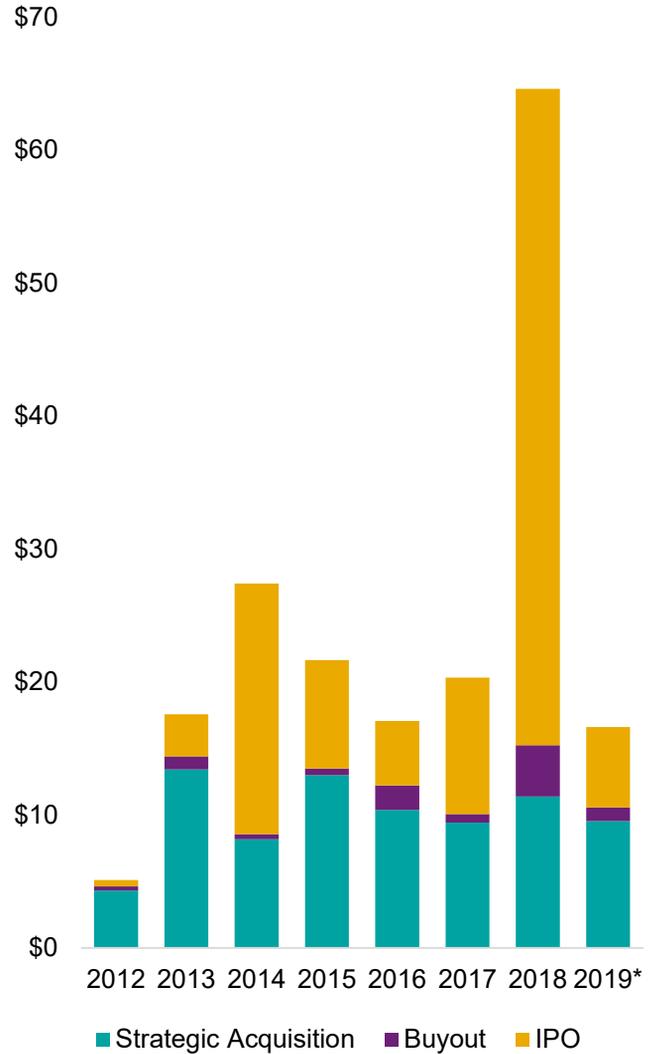
Venture-backed exit activity (#) by type in Europe

2012–2019*



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

2012–2019*

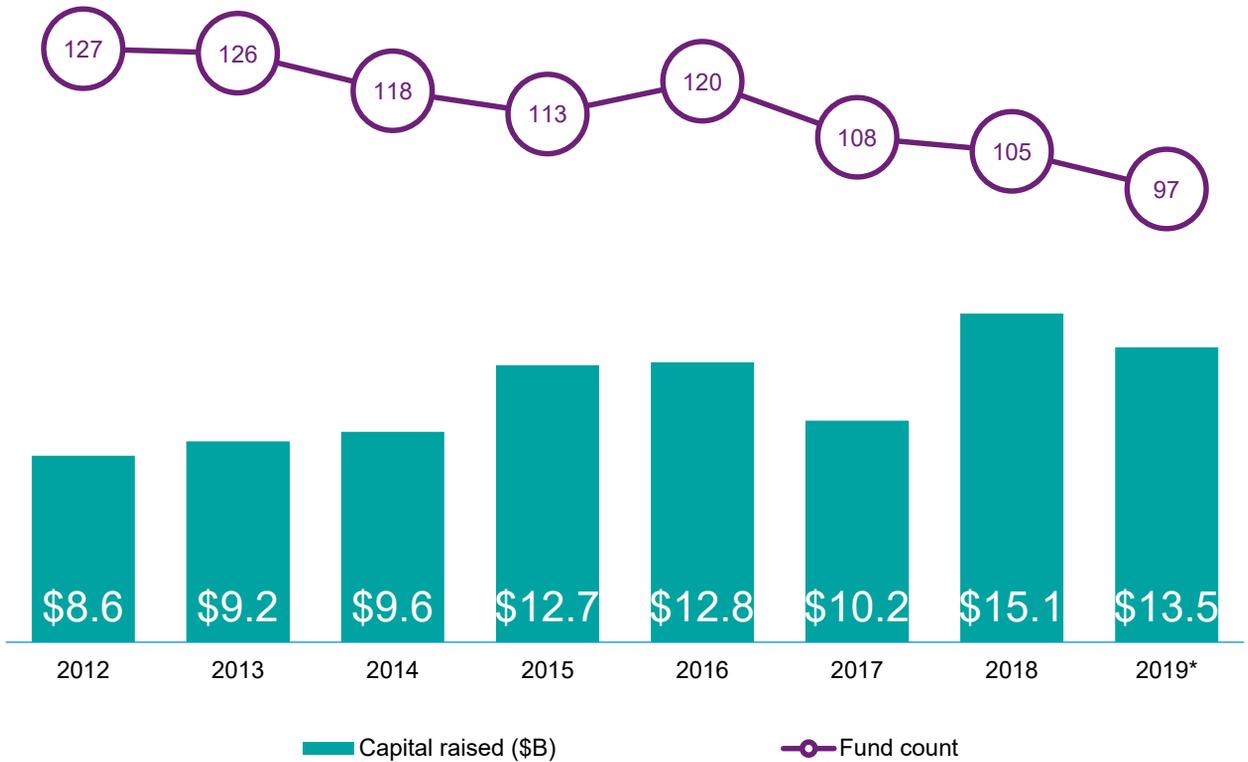


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

Fundraising moderates

European venture fundraising

2012–2019*



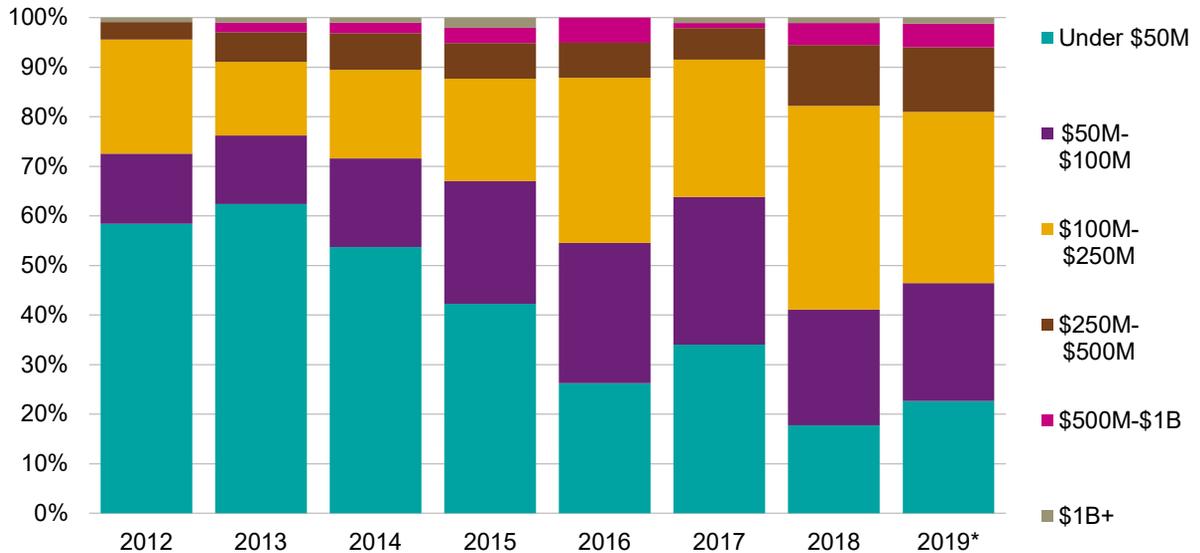
Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

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

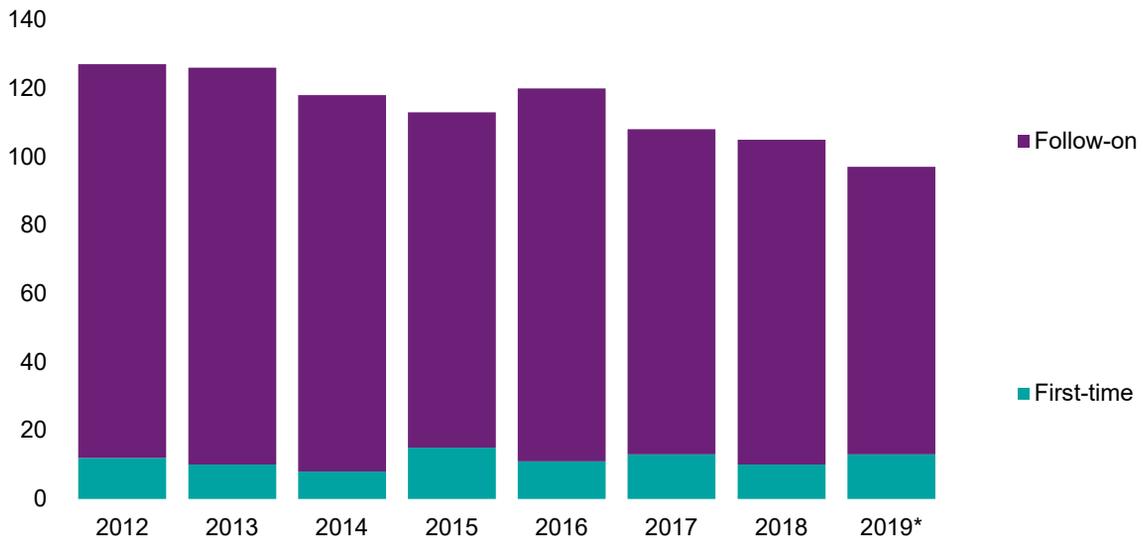
Venture fundraising (#) by size in Europe

2012–2019*



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

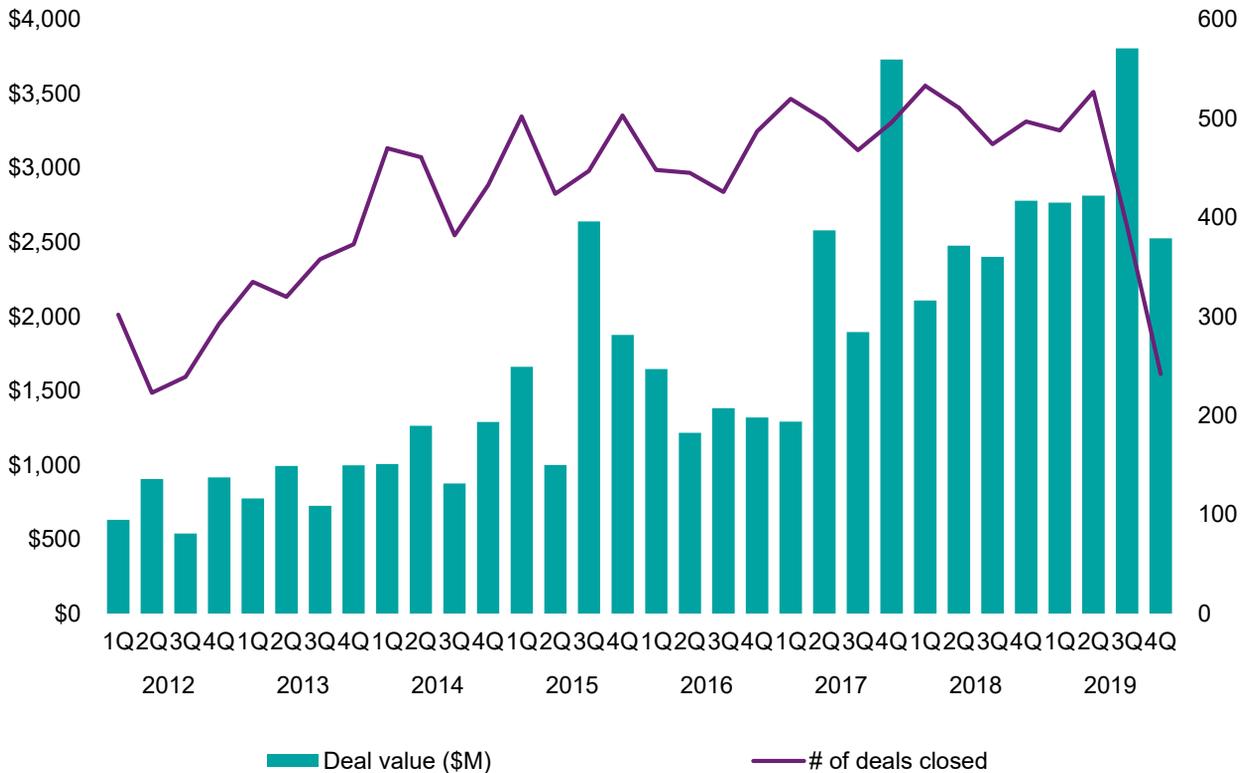
2012–2019*



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

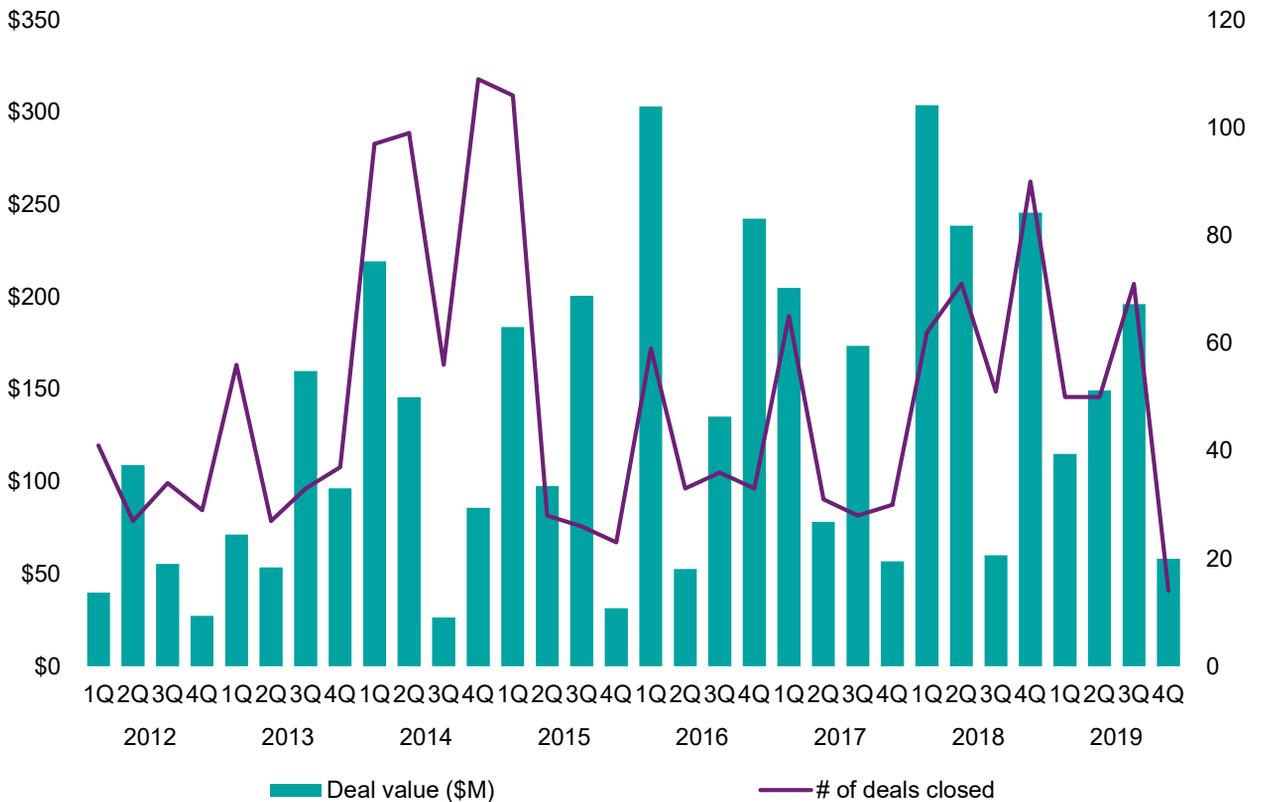


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

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

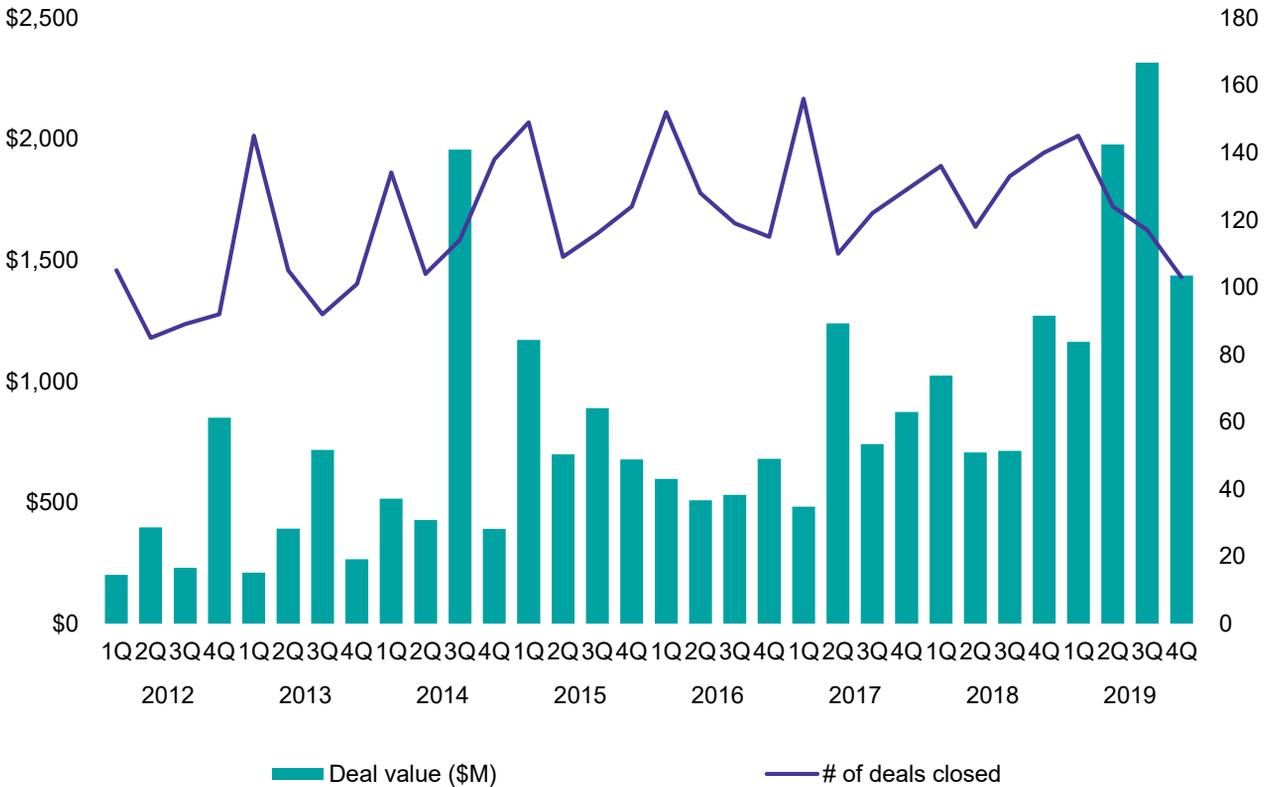


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

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

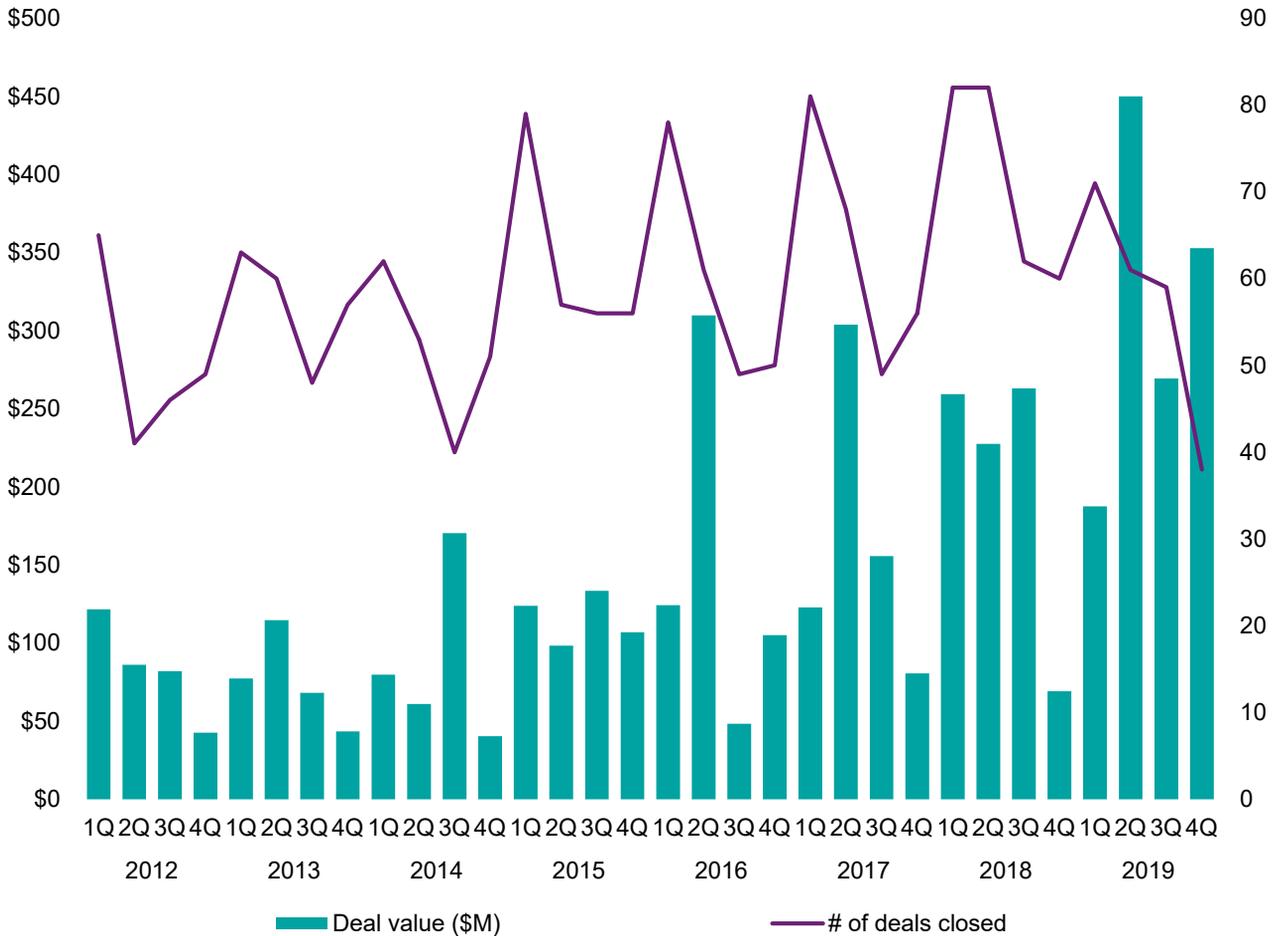


Source: Venture Pulse, Q4'19, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/19. Data provided by PitchBook, 1/15/20.

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.

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



Contact us:

Conor Moore

Co-Leader, KPMG Private Enterprise Emerging Giants Network

E: conormoore@kpmg.com

Kevin Smith

Co-Leader, KPMG Private Enterprise Emerging Giants Network

E: kevin.smith@kpmg.co.uk

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About KPMG Private Enterprise

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

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

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

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

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

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

Egidio Zarrella, Head of Clients and Innovation Partner, KPMG China

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

Lindsay Hull, Director, KPMG Private Enterprise Global Innovative Startups Network, KPMG in the US

Melany Eli, Director, Marketing and Communications, KPMG Private Enterprise, KPMG International

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

Philip Ng, Head of Technology, KPMG China

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

Tim Dümichen, Partner, KPMG in Germany

Tim Kay, Director, KPMG in the UK

Methodology

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

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

In addition, particularly within the European region, the Venture Pulse does not contain any transactions that are tracked as private equity growth by PitchBook. As such rounds are often conflated with late-stage venture capital in media coverage, there can be confusion regarding specific rounds of financing. The key difference is that PitchBook defines a PE growth round as a financial investment occurring when a PE investor acquires a minority stake in a privately held corporation. Thus, if the investor is classified as PE by PitchBook, and it is the sole participant in the recipient company's financing, then such a round will usually be classified as PE growth, and not included in the Venture Pulse datasets.

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

Fundraising

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

Deals

PitchBook includes equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms and corporate investors. Investments received as part of an accelerator program are not included, however, if the accelerator continues to invest in follow-on rounds, those further financings are included. All financings are of companies headquartered in the US. The impact of initial coin offerings on early-stage venture financing as of yet remains indefinite. Furthermore, as classification and characterization of ICOs, particularly given their security concerns, remains crucial to render accurately, we have not detailed such activity in this publication until a sufficiently robust methodology and underlying store of datasets have been reached.

Angel/seed: PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and it cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

Methodology, cont'd.

Early-stage: Rounds are generally classified as Series A or B (which PitchBook typically aggregates together as early-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors and more.

Late-stage: Rounds are generally classified as Series C or D or later (which PitchBook typically aggregates together as late-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Corporate: Corporate rounds of funding for currently venture-backed startups that meet the criteria for other PitchBook venture financings are included in the Venture Pulse as of March 2018.

Corporate venture capital: Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity investments off balance sheets or whatever other non-CVC method actually employed.

Exits

PitchBook includes the first majority liquidity event for holders of equity securities of venture-backed companies. This includes events where there is a public market for the shares (IPO) or the acquisition of the majority of the equity by another entity (corporate or financial acquisition). This does not include secondary sales, further sales after the initial liquidity event, or bankruptcies. M&A value is based on reported or disclosed figures, with no estimation used to assess the value of transactions for which the actual deal size is unknown.

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

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