



Private Enterprise

Venture Pulse Q4 2020

**Global analysis of
venture funding**

January 20, 2021



Welcome message



Welcome to the Q4'20 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.

2020 was a year of tremendous change. While the global pandemic severely impacted countless industries — from travel and sports to hospitality and live entertainment — it also acted as a catalyst for technology transformation and innovation as startups capitalized on accelerating digital trends and corporates worked to rapidly advance their digital strategies in order to survive and effectively meet the shifting needs of their customers.

The VC market globally showed incredible resilience in 2020, defying early expectations of a potential dip due to COVID-19. While the total number of VC deals globally dropped sharply in 2020, total global VC investment grew year-over-year as VC investors focused primarily on late-stage deals and on supporting companies within their existing portfolios. VC investment in the earliest deal stages dropped off in most jurisdictions, a multi-quarter trend that could affect the pipeline for deals over the longer term.

During Q4'20, VC investment was very strong in all regions of the world. After a lacklustre first half of the year, VC investment in Asia continued to rebound, particularly in China where truck-hailing company Manbang Group raised \$1.7 billion and edtechs Zuoyebang and Yuanfudao raised \$1.6 billion and \$1 billion respectively. Both the Americas and Europe also saw strong levels of VC investment in Q4'20, helping to propel them to new annual record highs. VC investment during the quarter continued to focus on sectors that have seen high demand given the ongoing pandemic, including logistics and mobility, healthcare and biotech, fintech, edtech, and gaming.

With barely a pause for the US presidential election in November, the stream of high-profile unicorn exits continued in Q4'20 with the successful US-based IPOs of Airbnb and DoorDash. Hong Kong also continued to see very strong IPO activity during the quarter, despite the sudden cancellation of Ant Financial's IPO a few days prior to its expected double-listing.

Low interest rates in many jurisdictions combined with large amounts of dry powder are expected to keep VC investment robust heading into Q1'20. IPO activity is also expected to remain very strong, both in the US and Asia.

In this quarter's edition of Venture Pulse, we examine both annual and Q4'20 VC market results, in addition to delving into a number of global and regional trends, including:

- The increasing focus on mega funds
- The strengthening focus on domestic investment in China
- The surge in IPO activity by unicorn companies
- The expanding focus on healthtech beyond COVID-19 related solutions

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

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Head of KPMG Private Enterprise in EMA, Global Co-Leader — Emerging Giants, KPMG Private Enterprise Partner, KPMG in the UK



Private Enterprise

***In Q4'20 VC-backed
companies in the Asia
region raised***

\$25.2B

across

1,398 deals



Asia continues to see strong rebound in VC investment

VC investment in Asia continued to rebound in Q4'20, driven primarily by a continued surge in investment in China, where VC investment rose to an eight-quarter high. Chinese companies accounted for five of the top ten largest VC funding rounds globally during the quarter, including a \$1.7 billion raise by truck-hailing company Manbang Group, a \$1.6 billion raise by edtech provider Zuoyebang, a \$1 billion raise by home tutoring app, Yuanfudao, a \$907 million raise by e-commerce company Yunwang Wandian, and a \$736 million raise by electric vehicle maker Enovate motors.



IPO activity in Asia remains strong

IPO activity was very strong in Hong Kong and Shanghai during Q4'20, despite the sudden cancellation of Ant Financial's IPO two days before listing. Given ongoing tensions with the US and concerns about the potential de-listing in the U.S. of a number of China-based companies, many looking to exit are setting their sights on regional exchanges. Healthcare and biotech were big winners in the IPO market in Asia during the quarter. In December, JD Health raised \$3.5 billion in its IPO on the Hong Kong Stock Exchange (SEHK) — the largest healthcare IPO ever seen in Asia. The company's stock rose 72 percent in first day trading¹. The SEHK also hosted one of the world's largest biotech IPOs of the year when China-based biotech RemeGen raised \$515 million in October².

The SEKH was not the only exchange to see significant activity in Asia. The Shanghai Stock Exchange's Star Market, introduced in 2019 to help innovative companies leverage public markets, saw its 200th listing in December 2020³. The Shenzhen Stock Exchange's ChiNext market also saw increased activity and interest from China-based startups following changes to its listing rules in Q3'20.



Edtech driving major interest across Asia

During 2020, edtech attracted a significant amount of attention and VC investment in Asia, including a \$1.6 billion raise by China-based Zuoyebang, a \$1 billion raise by China-based Yuanfudao, and an \$87 million raise by UnAcademy in India during Q4'20. Yuanfudao's raise made it the most valuable private edtech company in the world at \$15.5 billion⁴, surpassing India-based Byju's, which was valued at \$11 billion in September⁵. Over the next few quarters, edtech will likely continue to be a hot area of investment in Asia, with India potentially starting to see some consolidation in the space.

¹ <https://www.cnbc.com/2020/12/02/jd-health-raises-3point48-billion-in-hong-kongs-biggest-ipo-in-2020-.html>

² <https://pharmaboardroom.com/articles/china-2020s-biggest-biotech-ipo-in-profile/>

³ <https://www.cnbc.com/2020/12/07/chinas-shanghai-star-market-tech-stock-board-gains-200th-ipo.html>

⁴ <https://techcrunch.com/2020/10/22/chinese-live-tutoring-app-yuanfudao-is-now-worth-15-5-billion/>

⁵ <https://www.financialexpress.com/industry/sme/byjus-valuation-crosses-11-billion-mark-as-it-adds-new-investors-in-ongoing-500-million-round/2089517/>

Asia continues to see strong rebound in VC investment, cont'd.



Domestic focus fueling VC market in China

VC investment in China was very strong in Q4'20 as VC investors focused heavily on domestic opportunities. The ongoing trade tensions between China and the US have heightened concerns about supply chain availability, which has led to an increase in domestic investments targeted at support technologies required for innovative solutions, such as chipsets and chipset architecture. Mature technology companies in China have also enhanced their focus on domestic and regional opportunities, both in terms of their expansion efforts and exit plans.



Pandemic spurring hot sectors in India

VC investment in India continued to focus primarily on sectors considered to be beneficiaries of the pandemic. During Q4'20, for example, home delivery, marketplace platforms, and ecommerce were the hottest areas of investment, attracting the majority of India's funding rounds of \$100 million or more, including a \$200 million raise by marketplace platform Cars24, a \$660 million raise by food delivery company Zomato.



Fintech investment in Asia relatively quiet in Q4'20

Fintech-focused VC investment in Asia was relatively quiet in Q4'20. During Q4'20, the Monetary Authority of Singapore issued its first four digital banking licenses, including two full licenses — to a consortium including Grab and Singtel and to e-commerce giant Sea Limited, and two wholesale licenses — to Ant Group and a consortium including Greenland Financial Holdings, Beijing Co-operative Equity Investment Fund Management, and Linklogis Hong Kong⁶. It is expected that the new digital banks will become active in 2022. Heading into 2021, Malaysia is expected to follow suit with its own digital banking licenses. Activity from Hong Kong's digital bank license holders continued to be very cautious in Q4'20 amid the ongoing pandemic.



Biotech attracts big deals in China

Biotech continued to gain traction among VC investors in China, with a number of companies raising \$100 million+ funding rounds in Q4'20, including LianBio — which raised \$310 million to support its efforts to expand access to novel therapeutics in the region, and RecBio — which raised \$224 million to support its development of genetically engineered vaccines, including a COVID-19 vaccine, an HPV vaccine, and others.



Trends to watch for in Asia

VC investment in Asia is expected to continue to rebound heading into Q1'21. Health and biotech are expected to remain very hot areas of investment, in addition to edtech, logistics, and marketplace platforms. IPO activity is also expected to remain strong in Asia, particularly with respect to secondary listings by China-based companies already listed in the US.

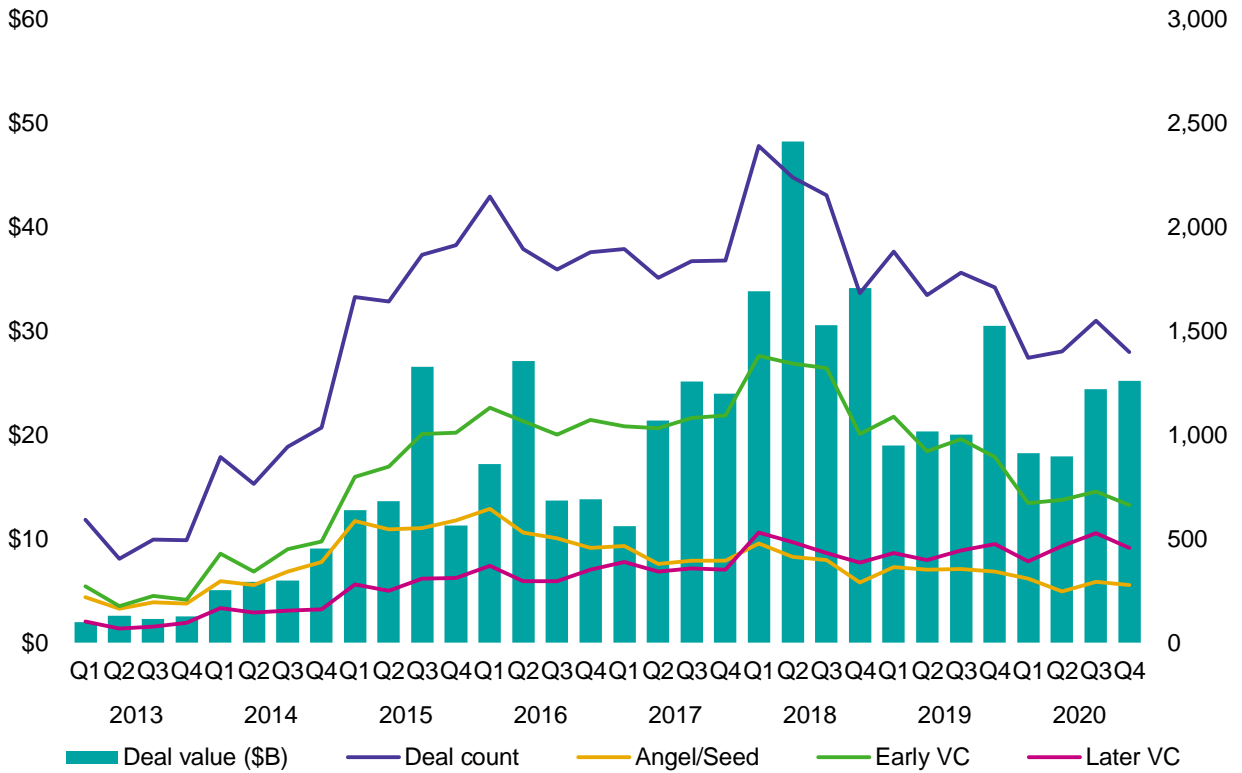
While big VC funds are expected to continue to attract capital more readily than smaller funds in Asia, in 2021, there is also expected to be increasing fundraising activity focused on niche sectors — such as sustainability or inclusive finance.

⁶ <https://www.straitstimes.com/business/banking/mas-awards-digital-full-bank-licences-to-grab-singtel-and-sea-ant-gets-digital>

A modest recovery to end 2020

Venture financing in Asia

2013–Q4'20



Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/20/2021.

As it was first hit, the Asia-Pacific ecosystem saw the impact of the pandemic on venture activity ahead of any other. This explains the initial dip in the beginning of 2020, followed by an evening out of financing volume at a subdued level relative to prior highs. However, VC invested came back on the strength of several mega-deals to close out the second half of the year.

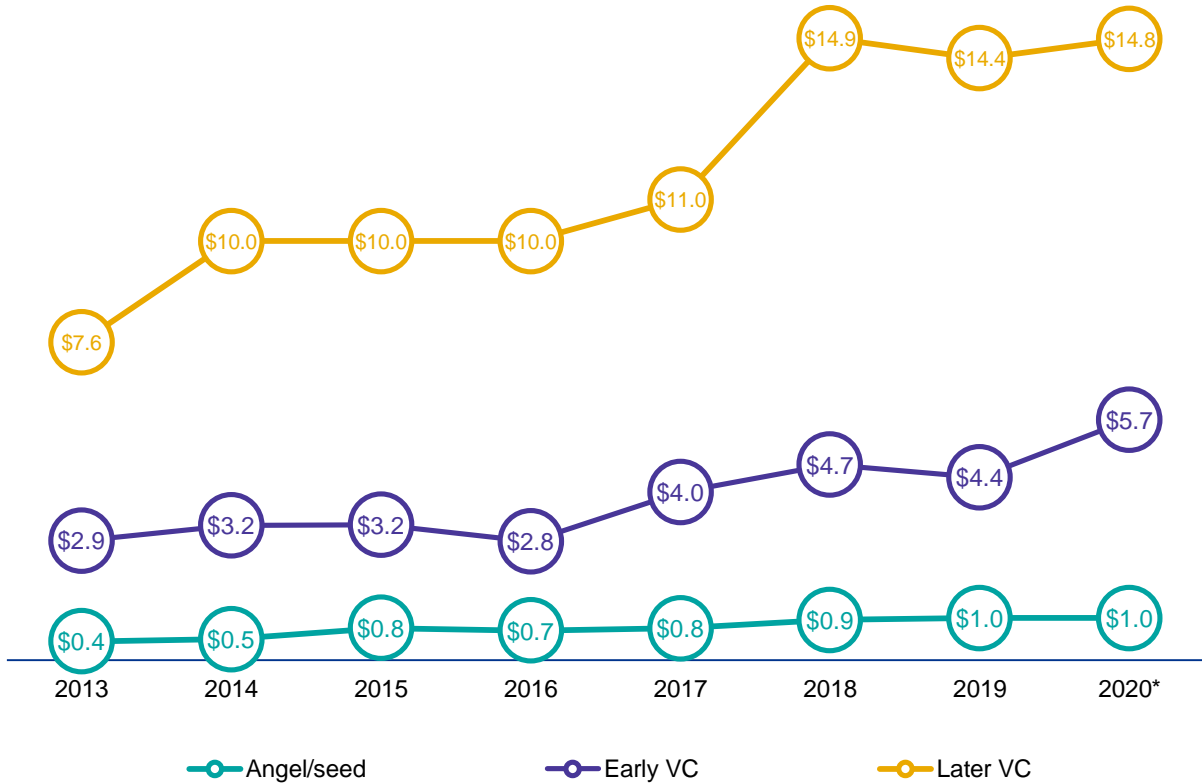
“Looking ahead to Q1'21, the outlook for VC investment in China is quite optimistic given the increasing focus on domestic investment and growth. Hot sectors will likely continue to be things like transportation and logistics, automotive, edtech, and health and biotech. We may also start to see increasing investments in different green technologies — not only in China, but across Asia.”



Egidio Zarrella
Partner, Clients and Innovation
KPMG China

Figures hold largely steady

Median deal size (\$M) by stage in Asia
2013–2020*



Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Figures evened out to close the year, or even experienced substantial upticks, as funding volumes held steady and the supplies of available capital remained relatively robust. In addition, multiple local venture ecosystems have continued to grow or become even more important to their domestic economies, and thus have enjoyed support from respective governments.

“Over the past few quarters, a number of innovation ecosystems in the Middle East have emerged, particularly in Abu Dhabi and Dubai. More startups are popping up, more VCs are investing in those startups, and ecosystem support structures are also evolving. While funding rounds to date has been quite small, they are growing — with fintech, energy, and SaaS models attracting the most attention.”

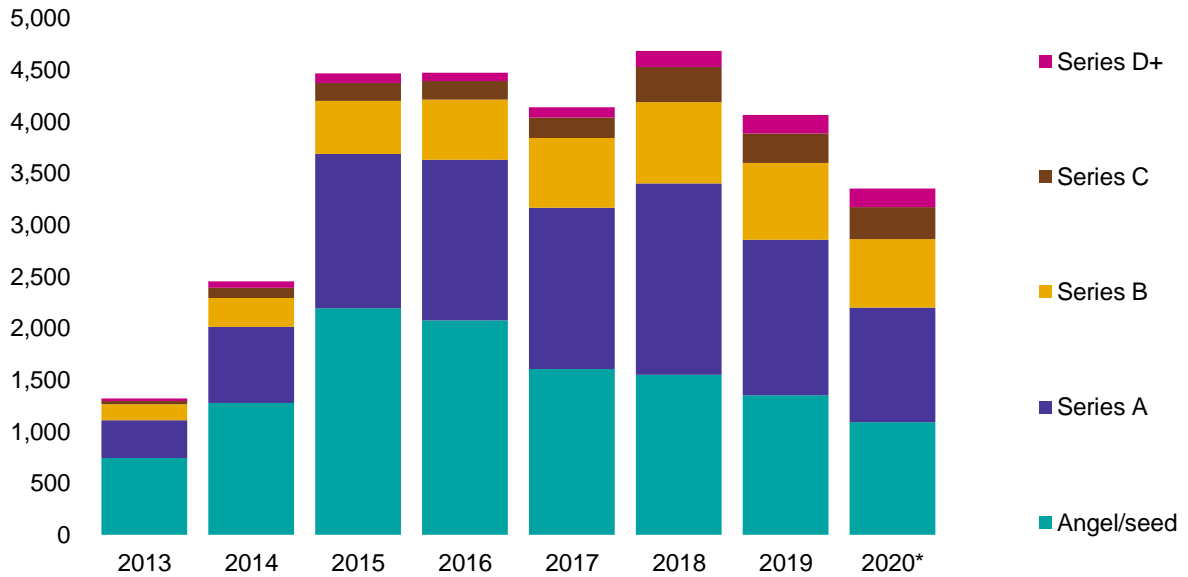


Anshul Gupta
Partner, Head Corporate Finance,
KPMG United Arab Emirates

Capital concentrated at the late-stage

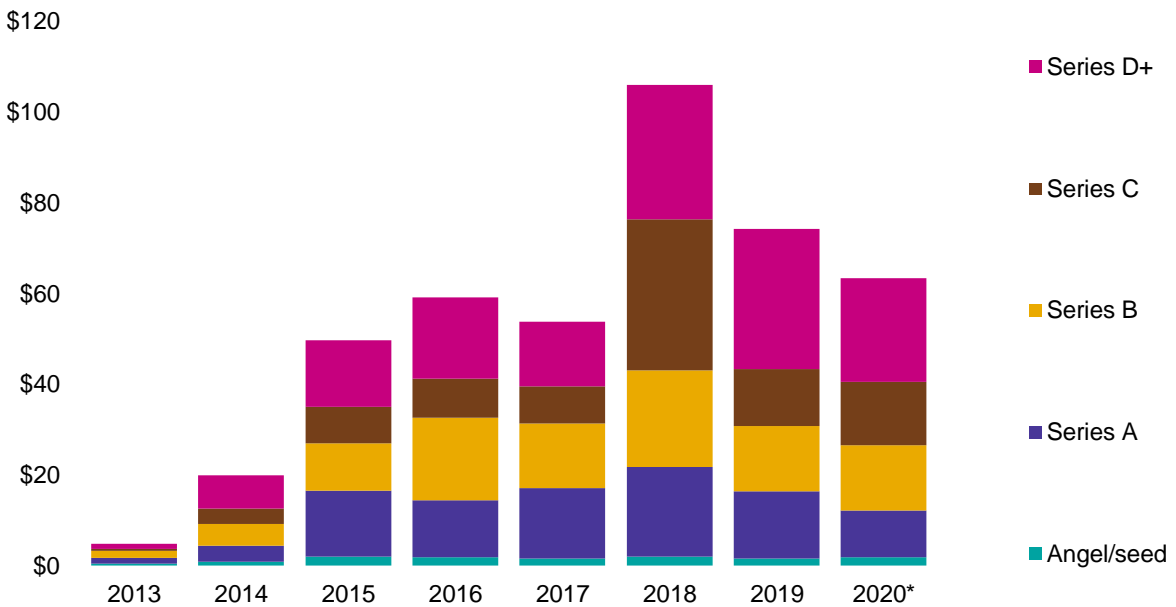
Deal share by series in Asia

2013–2020*, number of closed deals



Deal share by series in Asia

2013–2020*, VC invested (\$B)

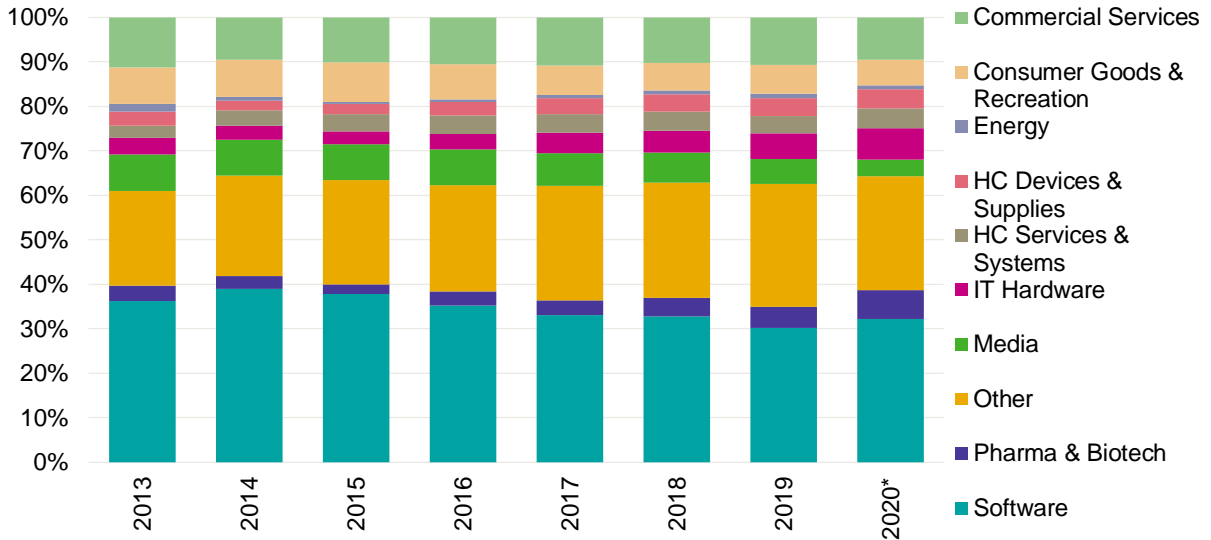


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

VC invested in biotech sets record

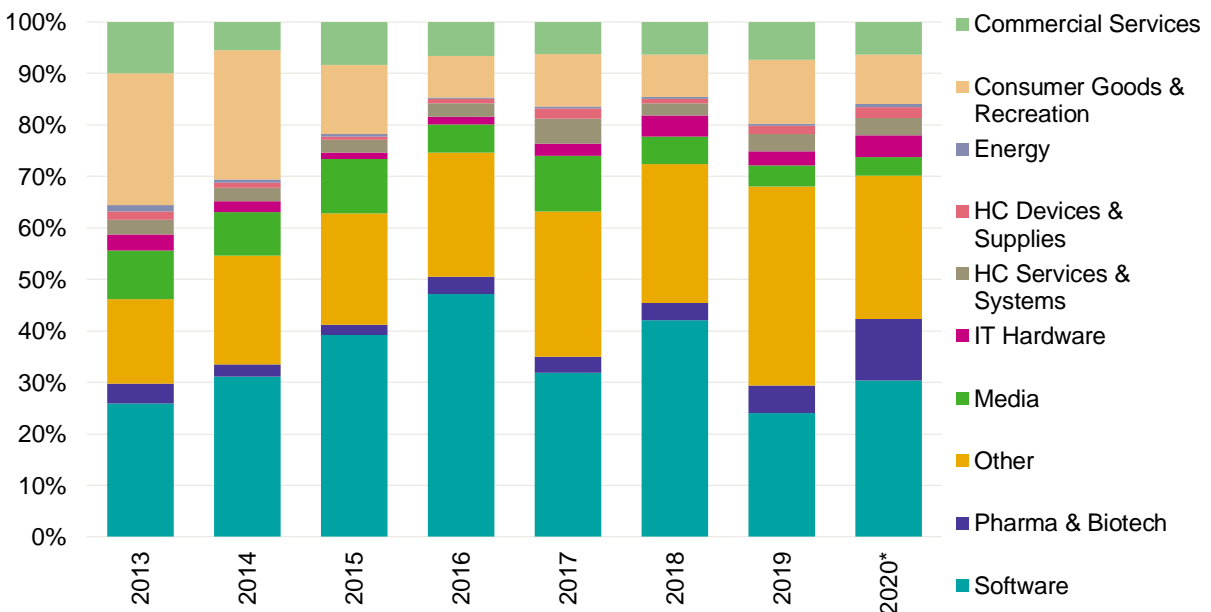
Asia venture financings by sector

2013–2020*, number of closed deals



Asia venture financings by sector

2013–2020*, VC invested (\$B)

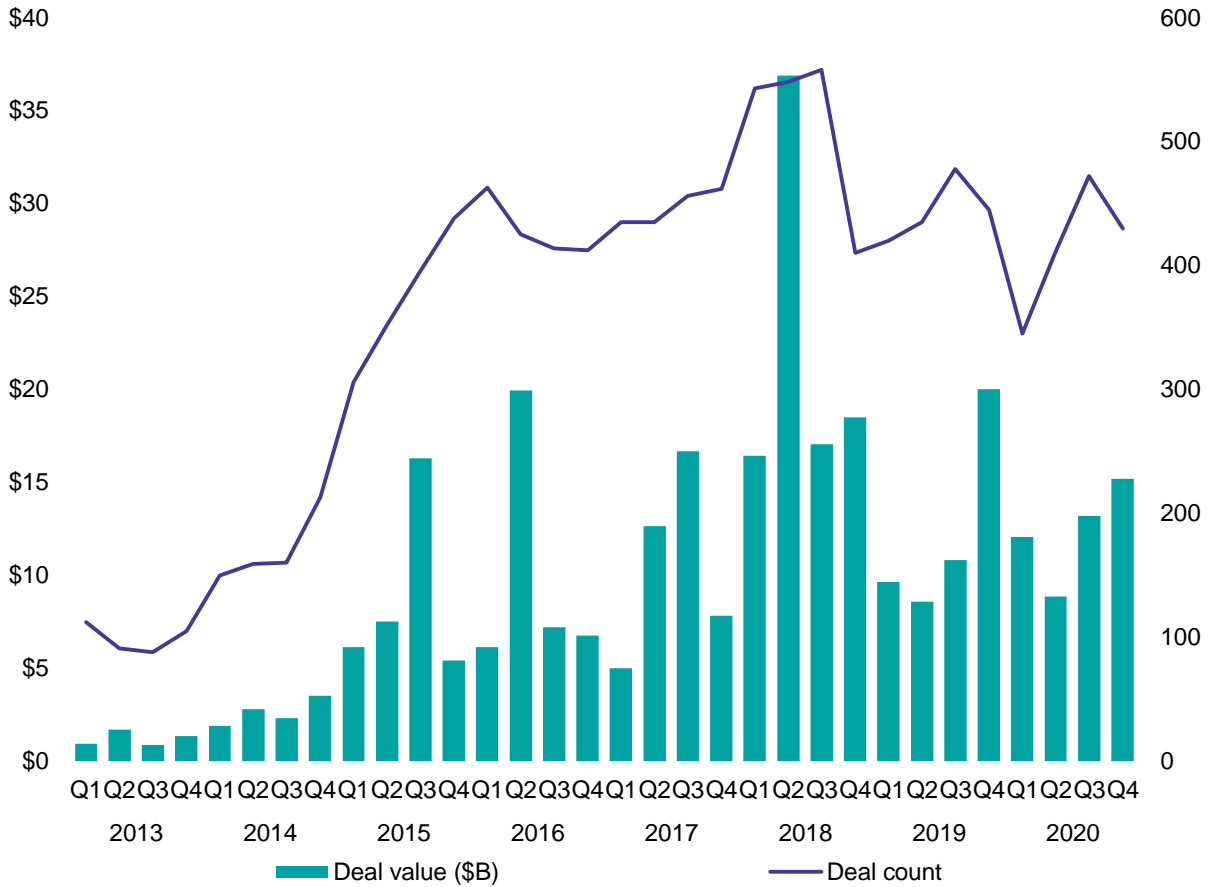


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Corporates rebound after slowdown in Q1

Corporate participation in venture deals in Asia

2013–Q4'20



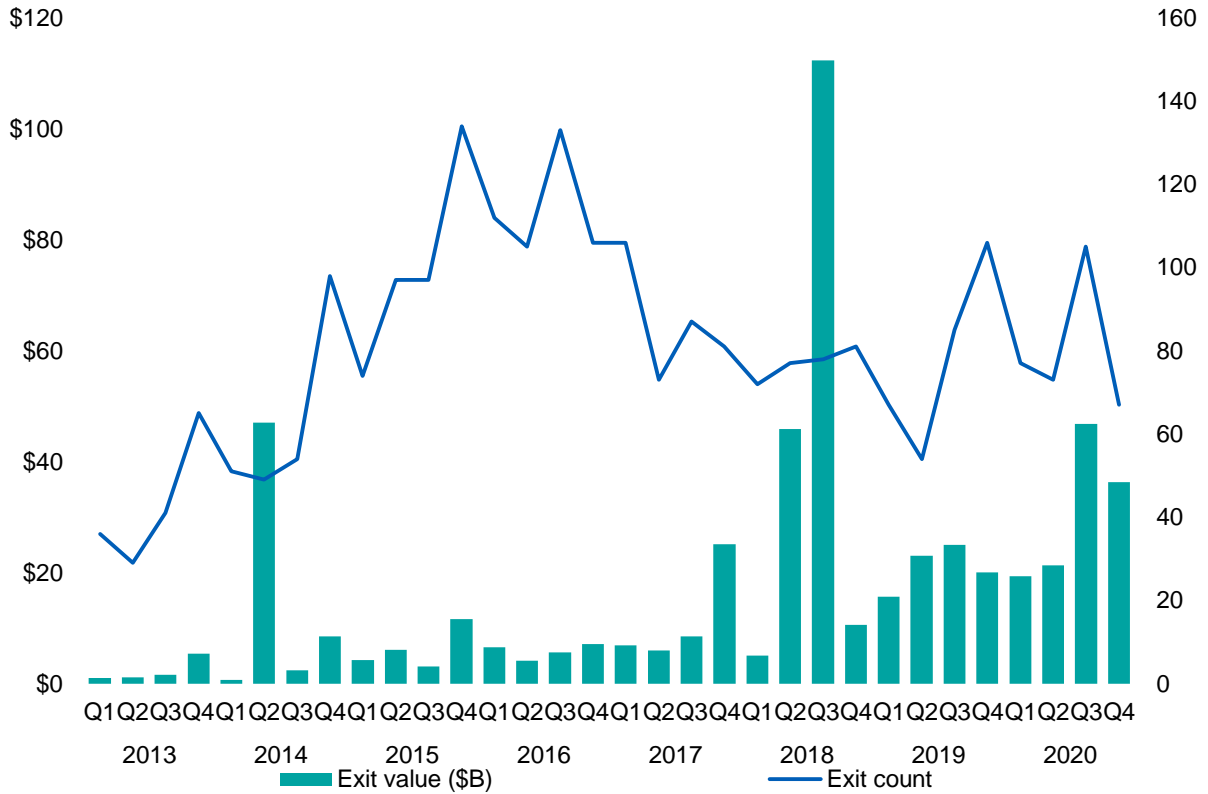
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/20/2021.

Corporations and their venture arms have been a mainstay of the Asia venture ecosystem for years; the initial dip in 2020 was unsurprising given the massive shock of the COVID-19 pandemic, but the rebound was to be expected based on the longer-term drivers of CVC's and their corporate counterparts' interests in exposure to domestic venture ecosystems.

IPOs lead exits to close year on high note

Venture-backed exit activity in Asia

2013–Q4'20



Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/20/2021.

A surge of tech IPOs across exchanges in Asia contributed to volume significantly when looking at annual tallies, speaking to the burgeoning of the Hong Kong and other tech exchanges in the region.

“On the investment front, healthcare continues to be a very strong area of investment in mainland China and Hong Kong. Many companies are attracting investments, from diagnostics and medical equipment to biotech companies focused on vaccine development and therapeutics. IPOs in this space were also strong in Hong Kong — a trend we expect to continue well into 2021 given the solid deals pipeline.”



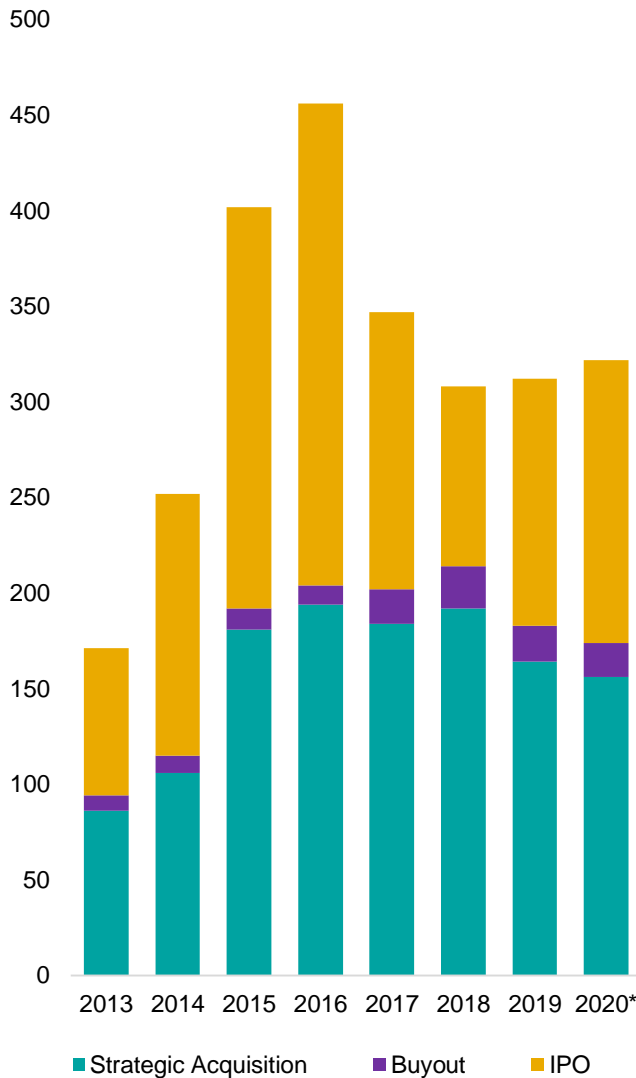
Irene Chu

Partner, Head of New Economy and Life Sciences, Hong Kong Region,
KPMG China

IPOs primarily power near-record exit value

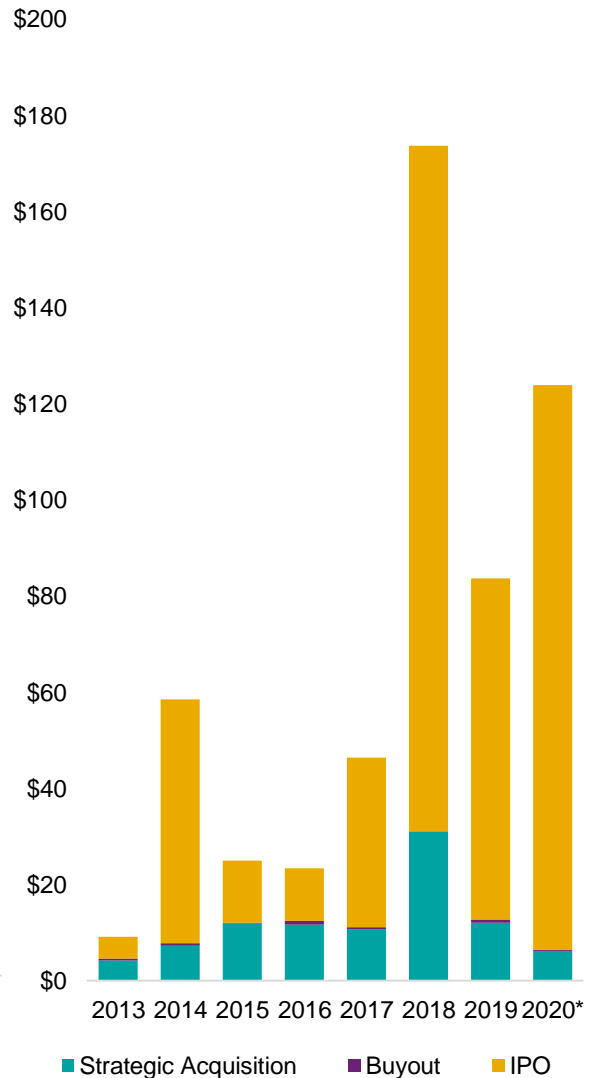
Venture-backed exit activity (#) by type in Asia

2013–2020*



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

2013–2020*

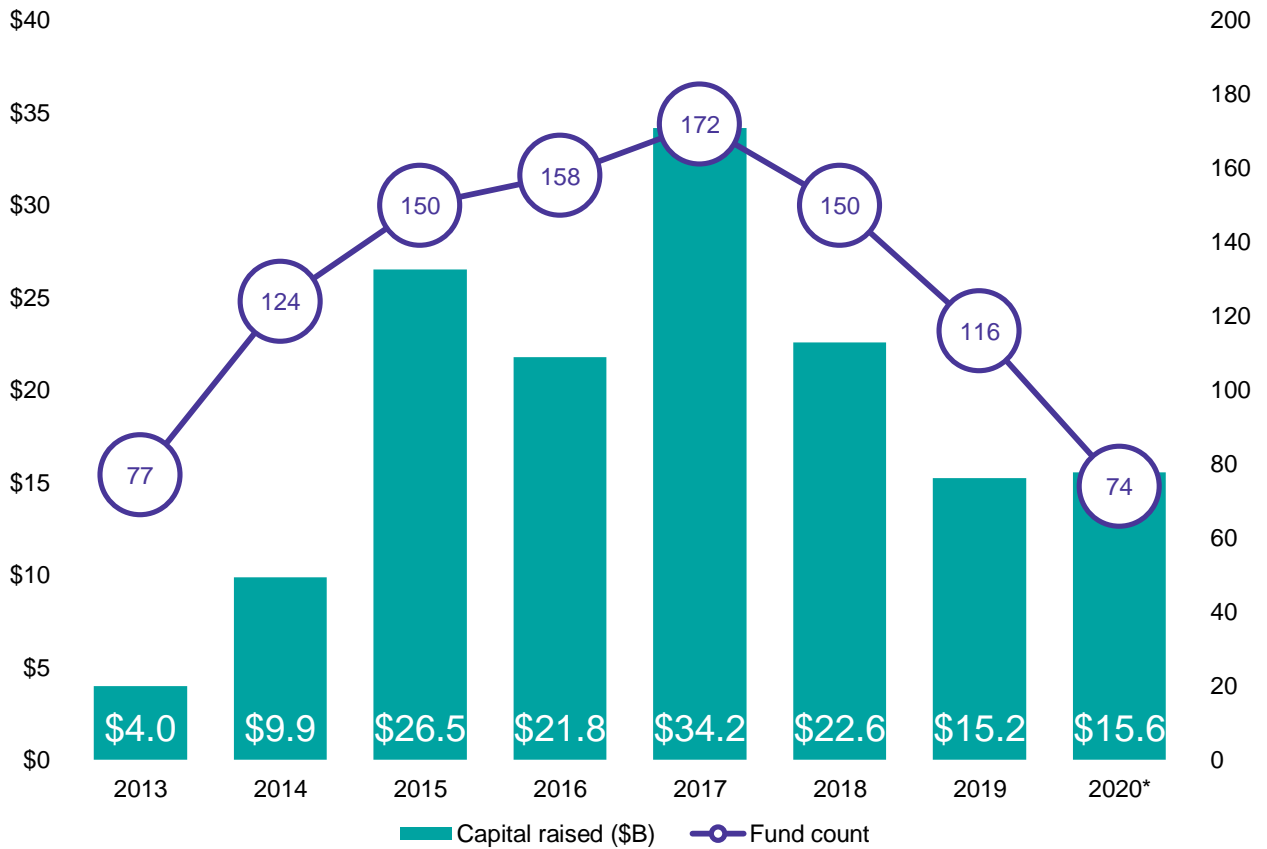


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Funds raised even out even as volume slides

Venture fundraising in Asia

2013–2020*



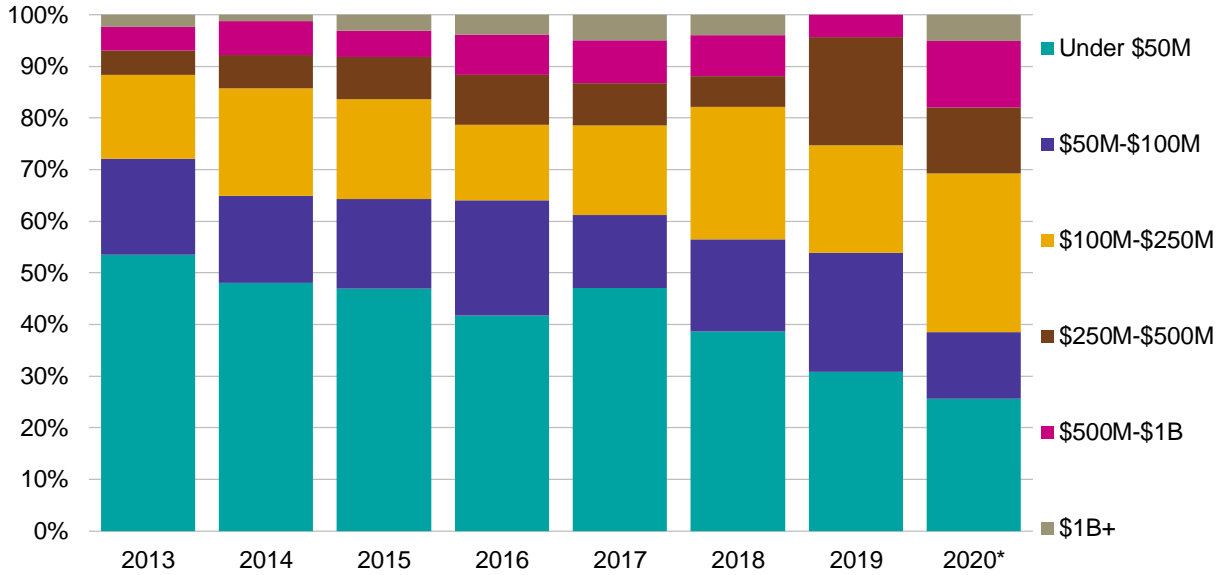
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

After a 2017 peak, it is clear the region has been in a significant decline for domestic fundraising. Promisingly, VC invested remained strong even with 2019 when final numbers were tabulated, even though volume slid considerably. This suggests that a cohort of venture firms have been able to successfully close larger vehicles due to their investing track record.

First-time funds hit new high in promising sign

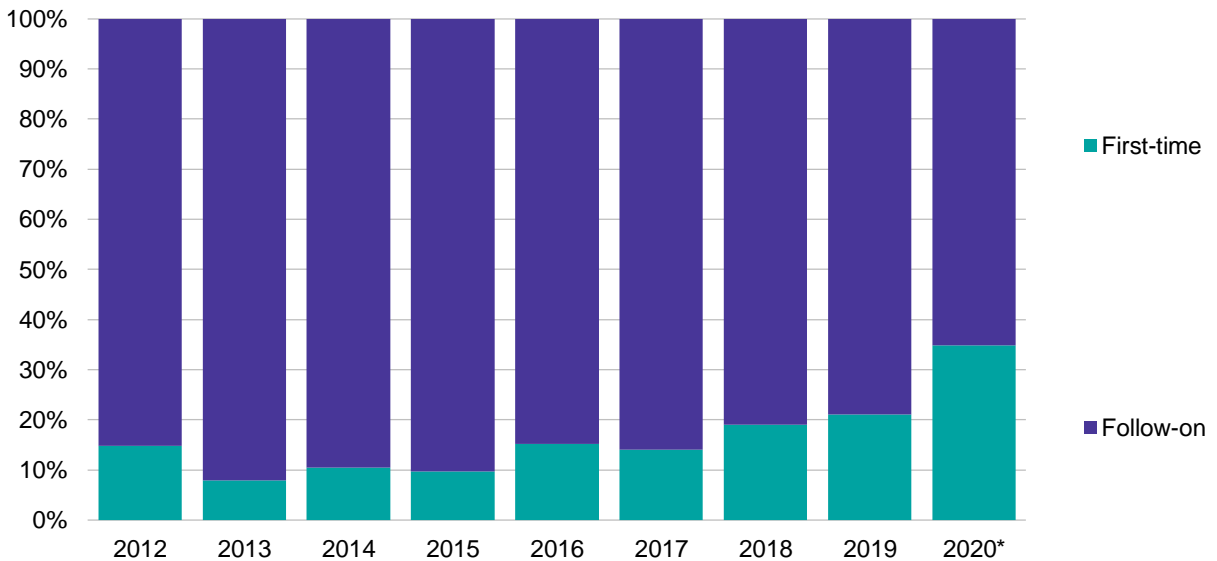
Venture fundraising (#) by size in Asia

2013–2020*



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

2013–2020*

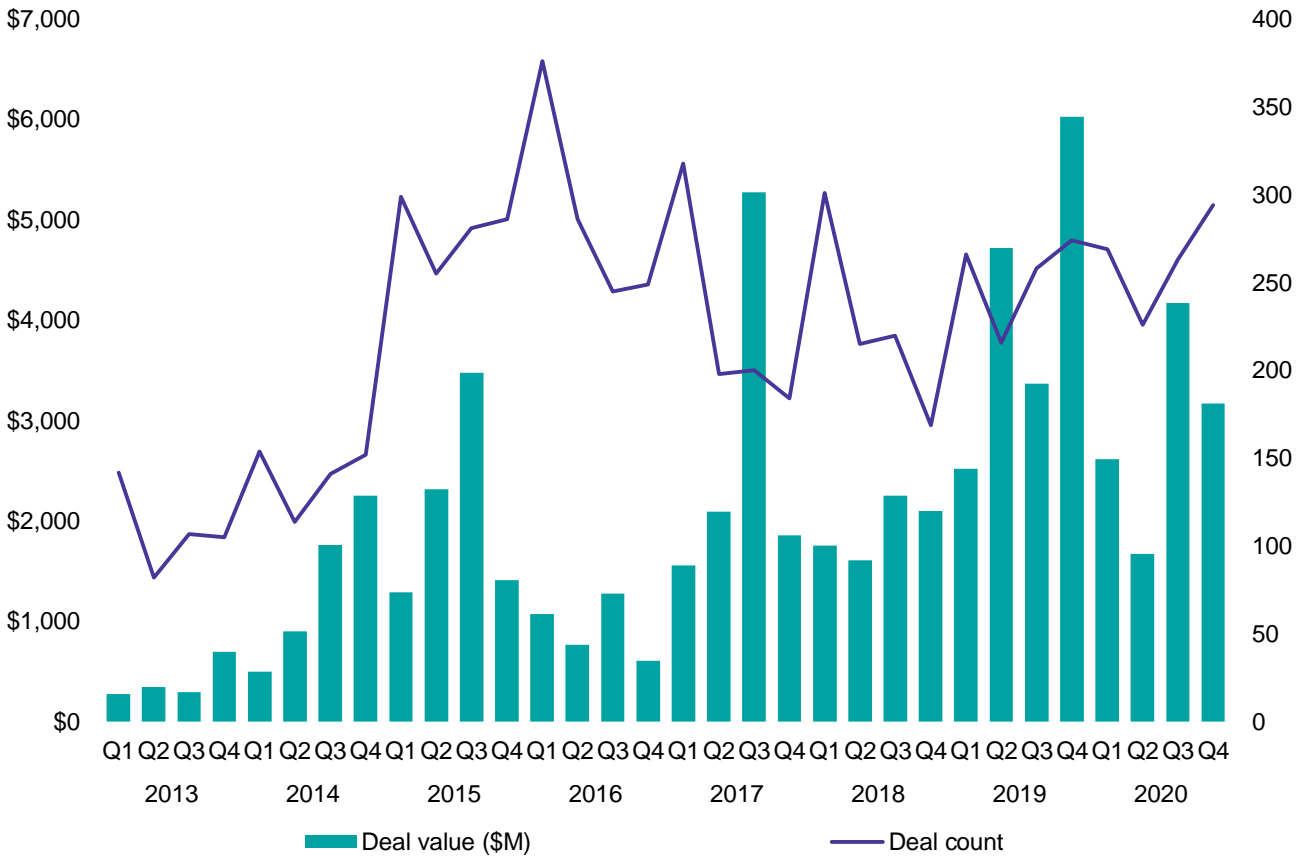


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

India is boosted by existing unicorns

Venture financing in India

2013–Q4'20



Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

After steadily rising throughout 2019, India saw a record quarter to close off the year. 2020 has been a mixed bag since but ended on a high note in terms of recovered volume, and also thanks to mega-deals saw significant rebounds in VC invested to close the back half of the year.

“There have been a number of sectors that have really benefited from the pandemic here in India. Interest in staples delivery — fresh food, groceries, and the like — has grown quite significantly in recent months, in addition to online retail and gaming. That has driven a lot of investment. Then there’s edtech. It’s been an attractive area for VC investors for a couple of years now — but in 2020, that interest skyrocketed and so did the investments.”

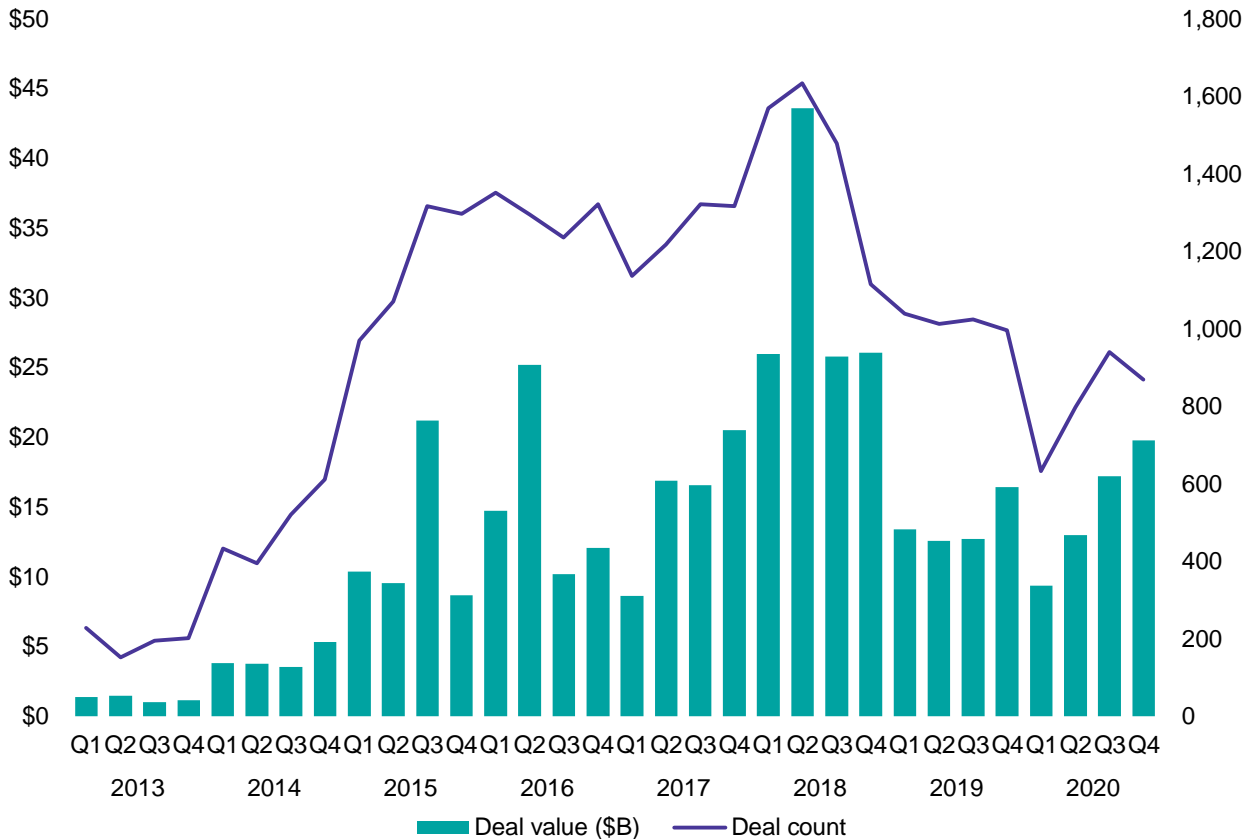


Nitish Poddar
Partner and National Leader, Private Equity
KPMG in India

China sees slight resurgence

Venture financing in China

2013–Q4'20



Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

China is now positioned as one of the first country or jurisdiction to begin the steady economic recovery. In tandem, its VC invested tallies recovered significantly quarter over quarter, while its financing volume evened out.

“Given some geopolitical tensions, many VC investors and corporates in China focused on making domestic and regional investments during Q4'20. There is also an increasing focus on improving the sustainability of the supply chain in technology and related sectors — investments towards the development of underlying deep-tech areas like chipsets, sensors, 5G, AI and databases etc. It is expected that, over time, these investments will help fuel ongoing innovation in the country.”

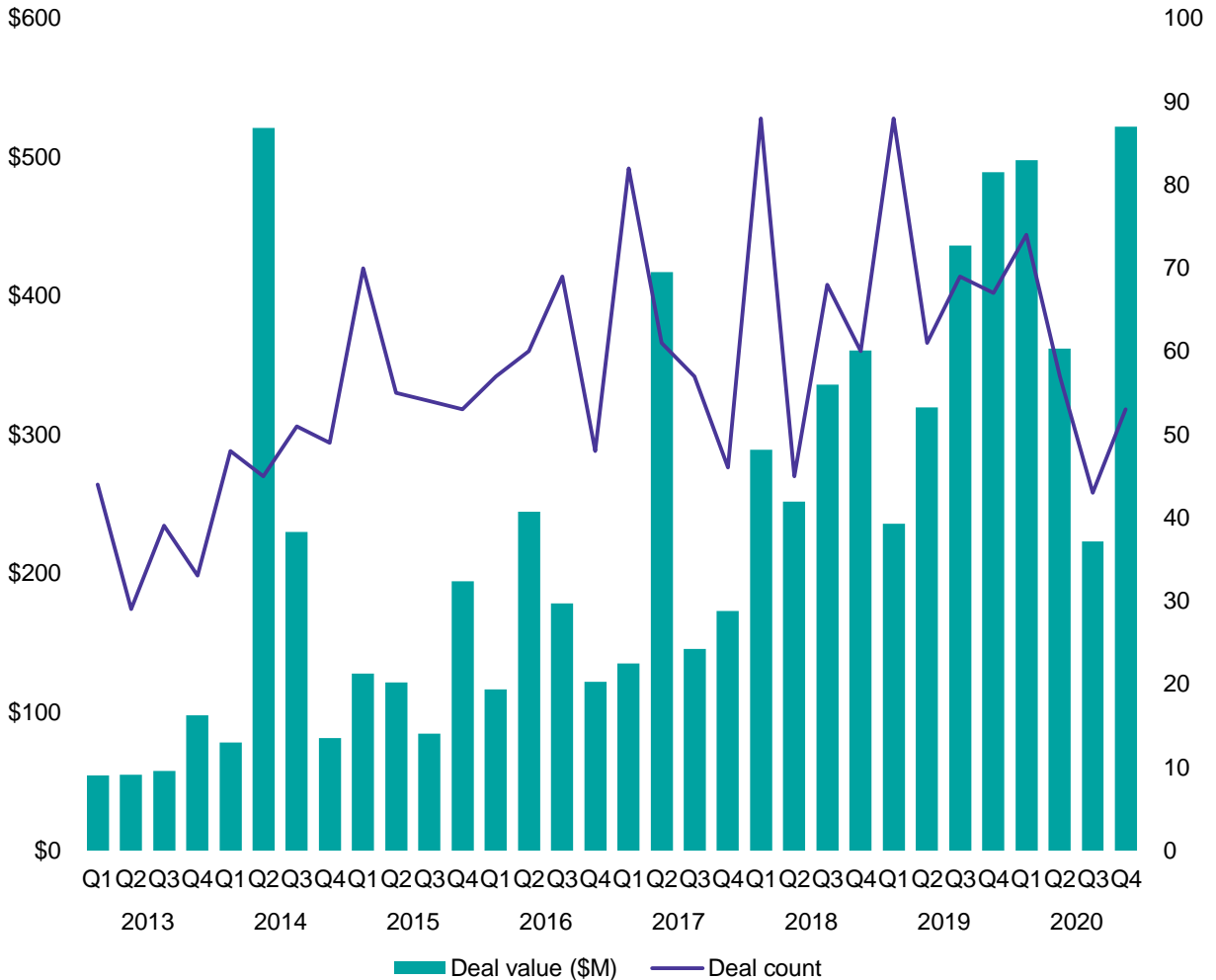


Philip Ng
Partner, Head of Technology
KPMG China

Australia notches near-record VC invested

Venture financing in Australia

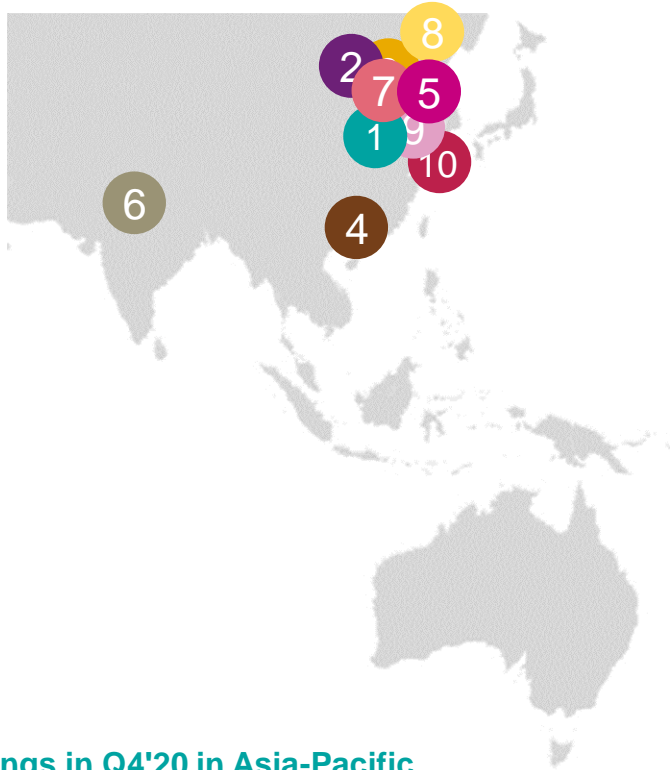
2013–Q4'20



Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Despite the ongoing ripple effects of the COVID-19 pandemic, investors are still eager to fund the best prospects, and accordingly have continued to ply select Australian companies, particularly the larger and more mature ones, with VC.

Digitization of commerce predominates



Top 10 financings in Q4'20 in Asia-Pacific

- | | | | |
|---|--|----|--|
| 1 | Manbang Group — \$1.7B, Nanjing
Logistics
Early-stage VC | 6 | Zomato — \$660M, Gurugram
Foodtech
Late-stage VC |
| 2 | Zuoyebang — \$1.6B, Beijing
Educational software
Series E1 | 7 | Dmall — \$400M, Beijing
Internet retail
Series C |
| 3 | Yuanfudao — \$1B, Beijing
Educational software
Series G | 8 | ZhangGuanWeiXing — \$372.2M, Changchun
Space technology
Late-stage VC |
| 4 | Yunwang Wandian — \$907.1M, Shenzhen
Internet retail
Series A | 9 | Zhenkunhang — \$315M, Shanghai
Industrial supplies & parts
Series E |
| 5 | Enovate Motors — \$735.85M, Shanghai
Automotive
Series B | 10 | LianBio — \$310M, Shanghai
Biotechnology
Early-stage VC |

Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/20/2021.

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

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

Tim Dümichen, Partner, KPMG in Germany

Methodology

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

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

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

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 identifying 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 United States that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close. Mega-funds are classified as those of \$500 million or more in size for the following fund categories: venture and secondaries.

Deals

PitchBook includes minority equity investments, as well as investments combined of both equity and debt, 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, as well as from nontraditional investors such as hedge funds, mutual funds or private equity funds. 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.

Methodology, cont'd.

Angel/seed: PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and we cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than \$500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

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

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

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

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

Exits

PitchBook includes the first full liquidity event (i.e., M&A, buyout, IPO) for holders of equity securities of venture-backed companies. This does not include direct secondary sales, further share sales following an IPO, 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. Unless otherwise noted, IPO sizes are based on the pre-money valuation of the company at the time of the transaction.

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

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Private Enterprise

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