



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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Private Enterprise

***In Q4'20 European
VC-backed
companies raised***

\$14.3B

across

1,192 deals



Annual VC investment in Europe shatters previous high

VC investment in Europe rose to a record \$49 billion in 2020, soaring past 2019's previous high of \$42 billion despite a significant drop in deal volume. Q4'20 was also very robust in Europe, driven in part by a strong rebound in UK investment; the UK accounted for six of the region's top deals during the quarter, including LumiraDx (\$389 million), Molo (\$343 million), Cazoo (\$310 million), One Trust (\$300 million), Graphcore (\$222 million), and Trinny London (\$192 million).

Others in Europe also attracted \$100 million+ rounds, including France (Ynsect's \$372million round — closed in Q42020 but spread in several rounds, started from Q12019), Germany (TIER Mobility — \$248 million), the Netherlands (MessageBird: \$200 million), Ireland (Amarenco — \$190 million), and Israel (Cato Networks: \$130 million). While the number of VC deals in Europe dropped for the third straight quarter, the average size of deals continued to increase.



Numerous European jurisdictions see record levels of VC investment in 2020

The surge to a record level of VC investment in Europe during 2020 was driven by record-breaking levels of annual VC investment in numerous jurisdictions, including the UK (\$15.3 billion), Germany (\$7.1 billion), France (\$6.3 billion), the Nordic region (\$5.7 billion), and Israel (\$5 billion).

While mature innovation centers like the UK, Germany, and Israel attracted many of the largest deals in Q4'20, the growing size of VC deals in locations like France are a testament to the rapid growth of other innovation ecosystems. France saw particular success in the agriculture and foodtech space during Q4'20, with Ynsect raising \$372 million and aquaculture company InnovaFeed raising \$165 million.



Early stage companies finding it difficult to attract investment

In 2020, the amount of funding dedicated to first-time financings in Europe was weak as investors focused on their existing portfolio companies and proven bets. VC investors were likely also hesitant about making completely new investments without the opportunity to meet founders face to face. While there continued to be fierce competition for the best deals, it was very difficult for most companies looking to raise Seed and Series A funding rounds to attract investments without making major compromises. In recent months, a number of startups pulled back on funding rounds given concerns over valuations and access to potential funds — instead looking to shorter-term interim funding to keep them afloat and push their need for larger raises down the road.



VC investment in mobility speeds along

The mobility space was very attractive area to VC investors in Europe during Q4'20, as evidenced by the \$248 million raise by Germany's TIER Mobility and the \$160 million raise by Sweden-based Voi¹. The importance of personal mobility has increased throughout Europe during the pandemic as consumers looked for alternative transportation options. The entire mobility space will likely continue to be of interest well into 2021.

¹<https://techcrunch.com/2020/12/01/voi-the-european-micro-mobility-rental-company-raises-160m-additional-equity-and-debt-funding/>

Annual VC investment in Europe shatters previous high, cont'd.



UK moving to review IPO rules to support tech exits

In November, the UK government announced plans to review the rules around IPOs in order to make the UK more appealing to tech companies in a post-Brexit world. While IPO activity in the UK has slowed in 2020 due to the pandemic, it is expected to pick up somewhat over the next year as companies like Deliveroo consider exits.



Health and biotech gains ground in Germany

VC investment in Germany remained very strong in Q4'20, with health and biotech generating an increasing amount of interest given BioNTech's involvement with one of the first approved COVID-19 vaccines. Interest in the space has expanded quite significantly, extending into areas like physician communications, telemedicine, and edtech for physicians. During Q4'20, ATAI Life Sciences raised \$125 million for its work on innovative mental health treatments. Fintech also continued to gain steam as consumers increasingly embraced online offerings due to pandemic lockdowns.



Nordics region continues to see large deals as ecosystem matures

Q4'20 saw a significant level of VC investment in the Nordic region, including the \$160 million raise by Voi, a \$115 million round by digital lender Lendify, and a \$103 million round by open banking platform Tink. Corporate investment was also high, particularly in the fintech space. Many of the region's biggest banks have been actively investing in open banking applications — applications they are now bringing to market. SaaS and healthtech also continued to attract interest from VC investors in the region.



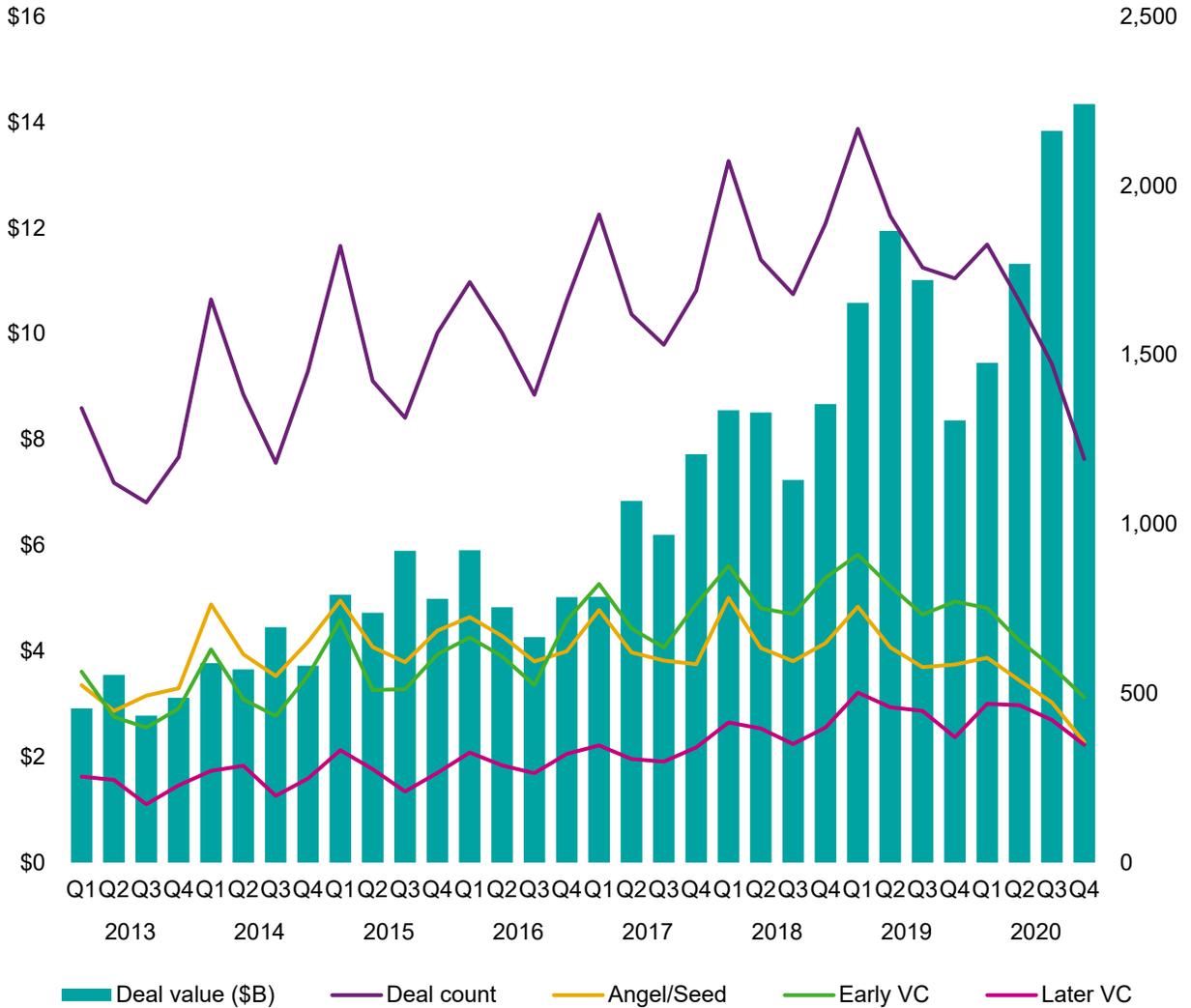
Trends to watch for in Europe

VC investment in Europe is expected to remain strong heading into Q1'21, particularly in areas like fintech, healthtech, edtech, and SaaS solutions. Cybersecurity is also expected to be a hot area of investment given the rapid acceleration of digital strategies and changing consumer behaviors. One area expected to grow on the radar of VC investors is foodtech given the increasing emphasis being put on the sustainability of the food supply and food sources across the region.

² <https://techcrunch.com/2020/12/11/swedens-tink-raises-103m-as-its-open-banking-platform-grows-to-3400-banks-and-250m-customers/>

Back-to-back record quarters

Venture financing in Europe 2013–Q4'20



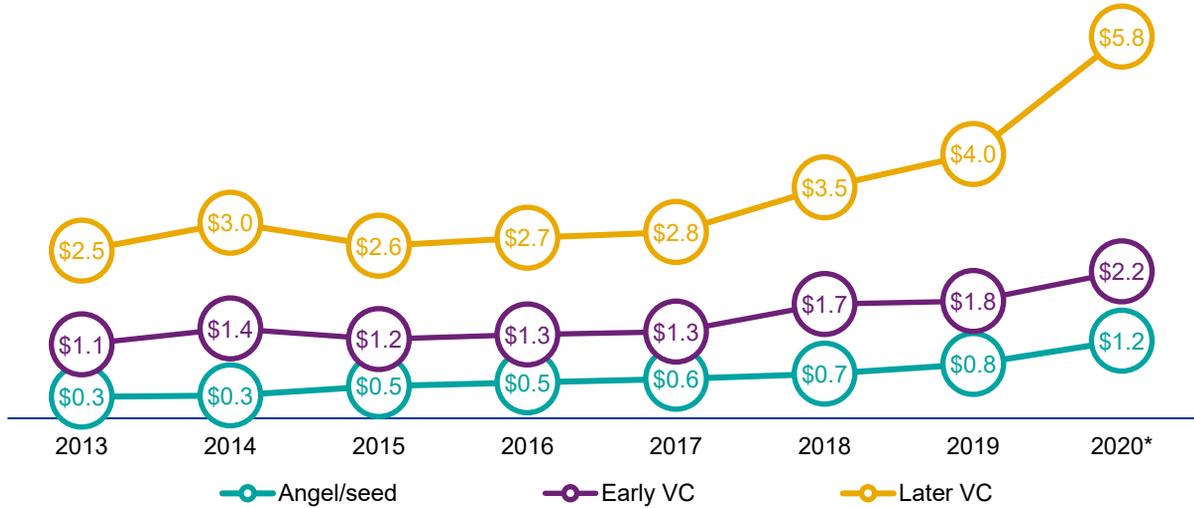
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/20/2021.

As must be reiterated, especially in a complex venture ecosystem like Europe, private markets data can experience lags primarily in volume, especially at the angel or seed stages that can remain undisclosed until later dates for a variety of reasons. That said, the sheer resilience of the late-stage European ecosystem is well evidenced by the record back half of 2020 in terms of VC invested.

Late-stage rises by largest amount ever

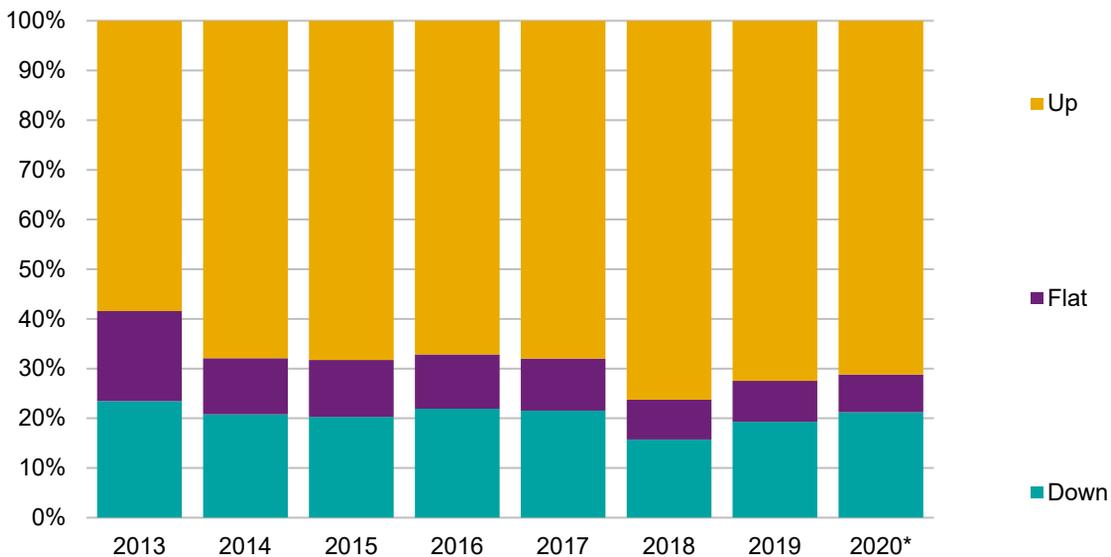
Median deal size (\$M) by stage in Europe

2013–2020*



Up, flat or down rounds in Europe

2013–2020*

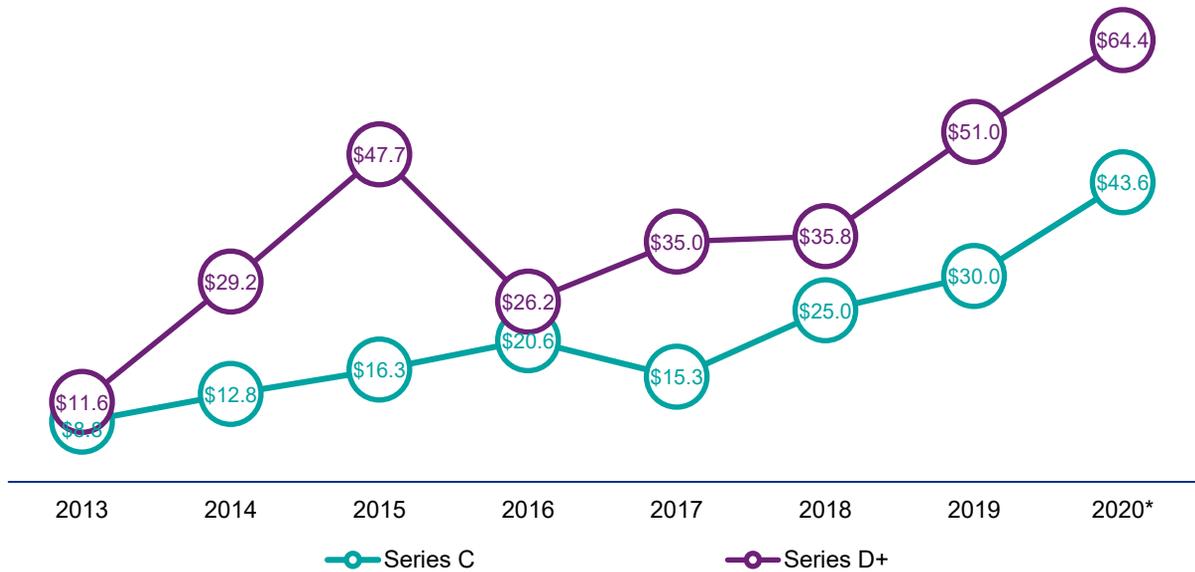
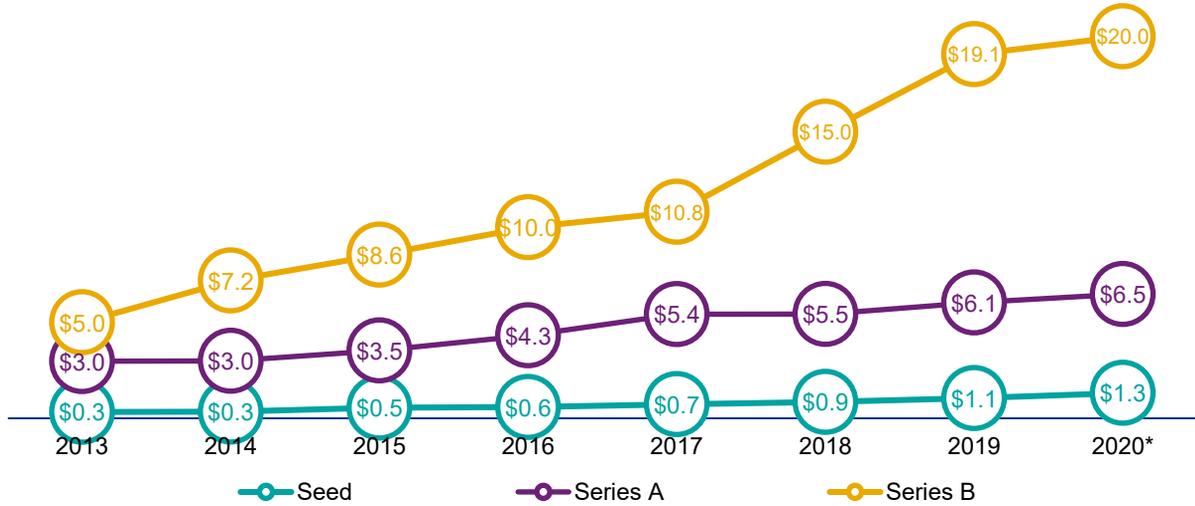


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

The late-stage caps another year of growth

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

2013–2020*

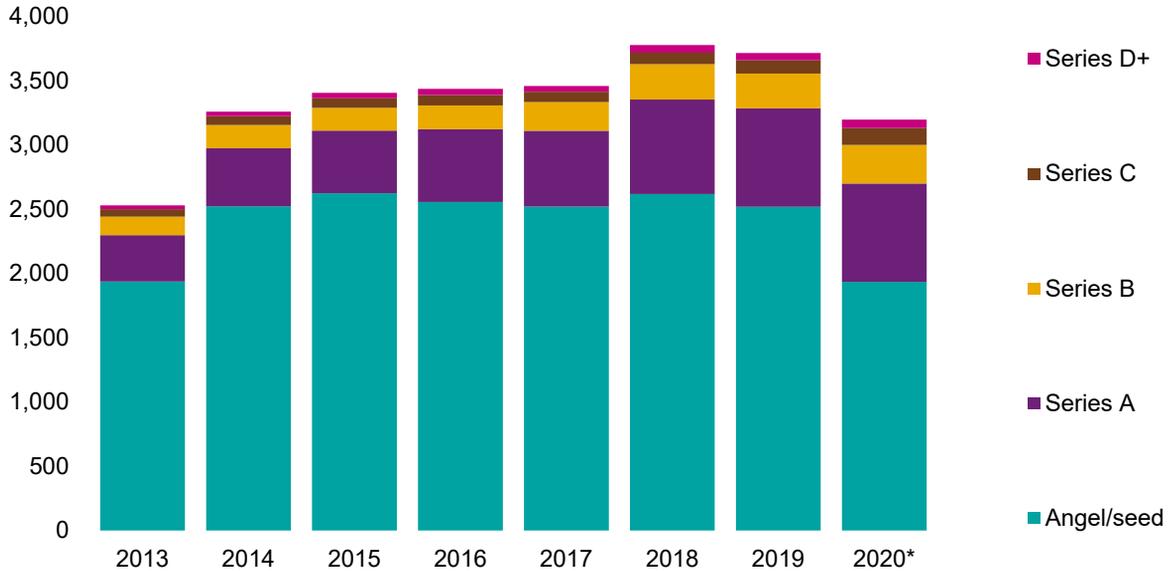


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20; the sample size for the Series D+ value in 2013 is based on a sample size of n = 25. Data provided by PitchBook, 1/20/21.

Angel & seed contract sharply to 2013 level

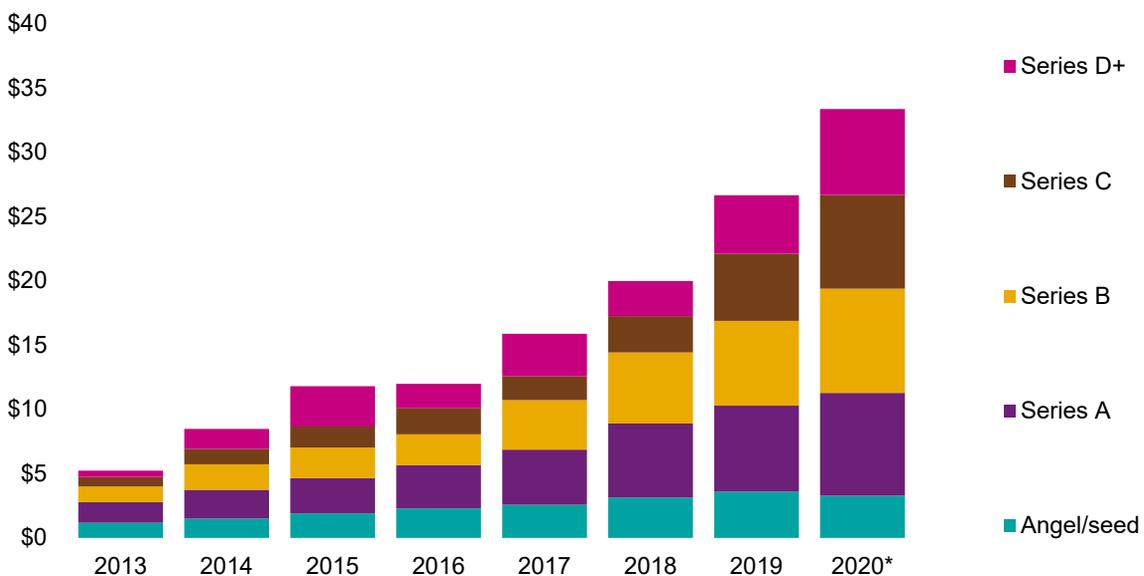
Deal share by series in Europe

2013–2020*, number of closed deals



Deal share by series in Europe

2013–2020*, VC invested (\$B)

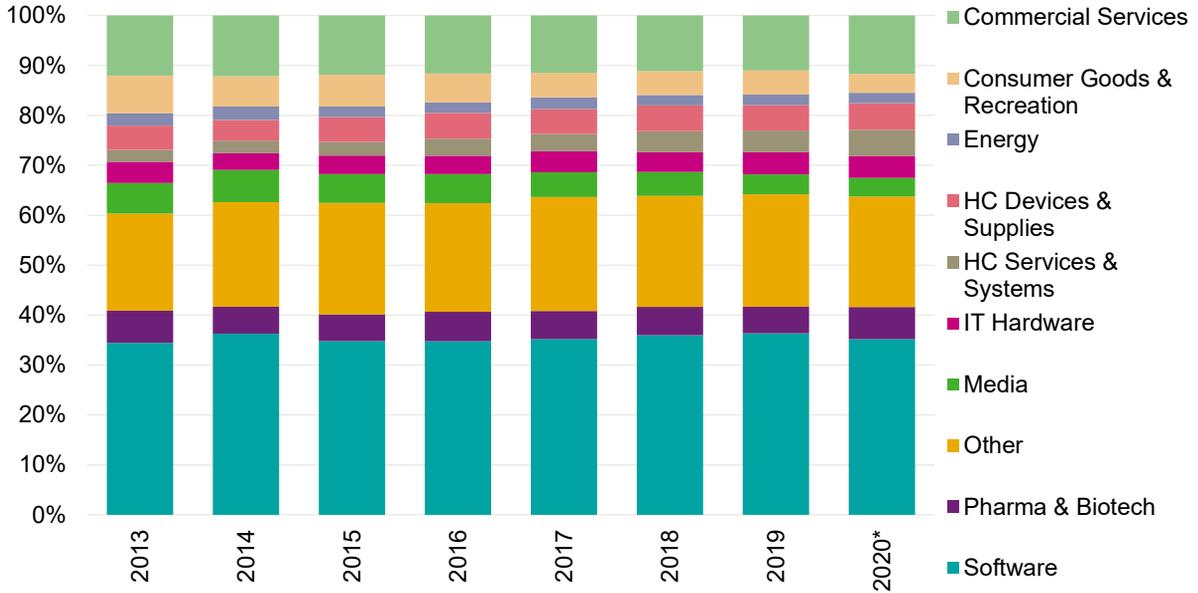


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Healthcare notches new high, marginally

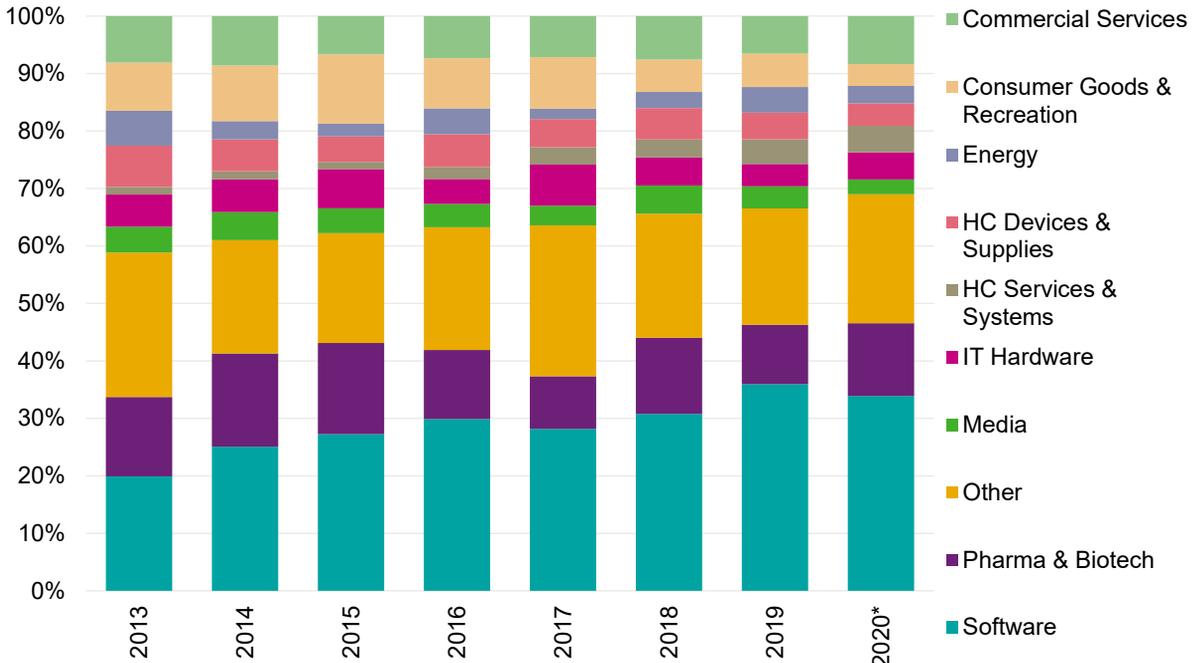
European venture financings by sector

2013–2020*, number of closed deals



European venture financings by sector

2013–2020*, VC invested (\$B)

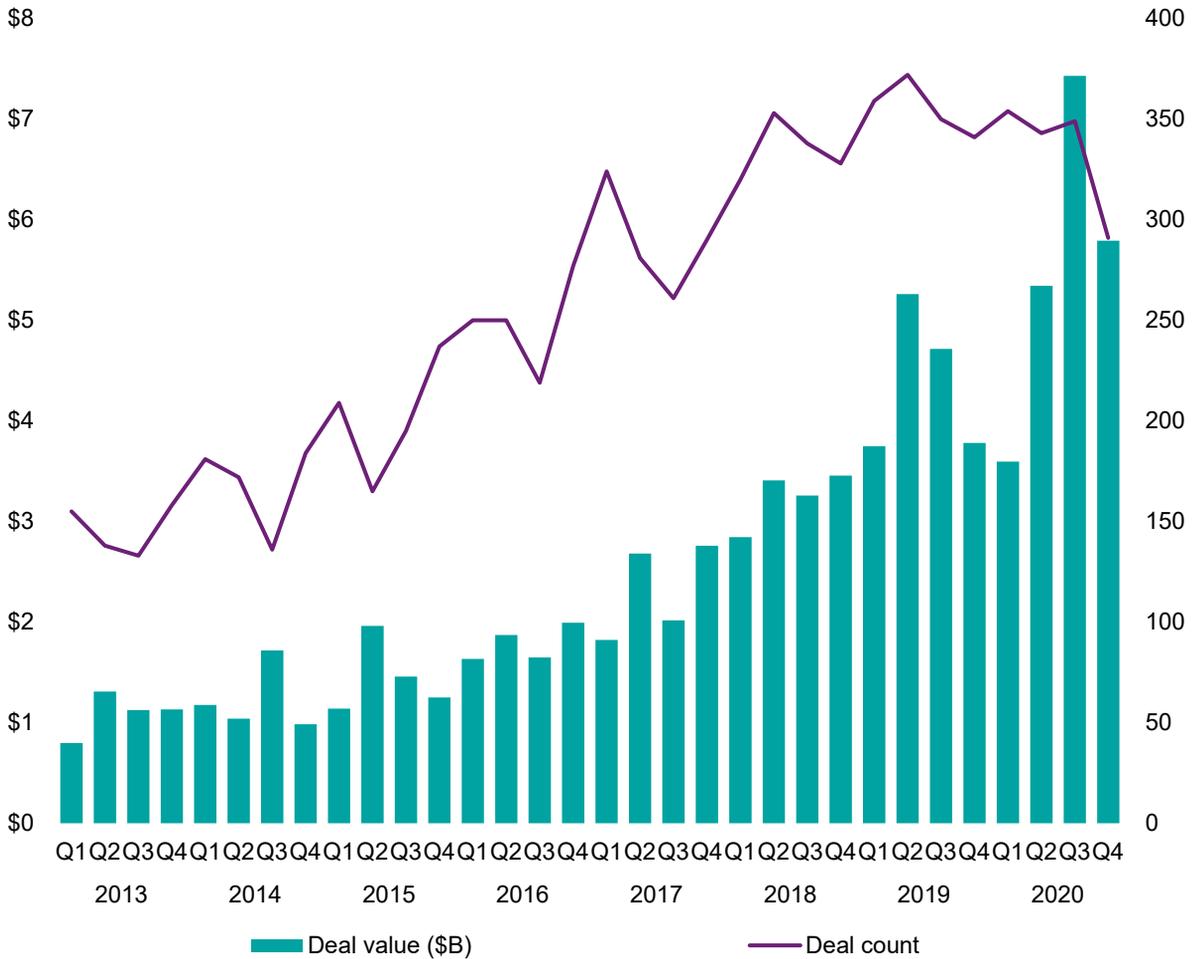


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

CVCs log another banner year, by and large

Corporate VC participation in venture deals in Europe

2013–Q4'20



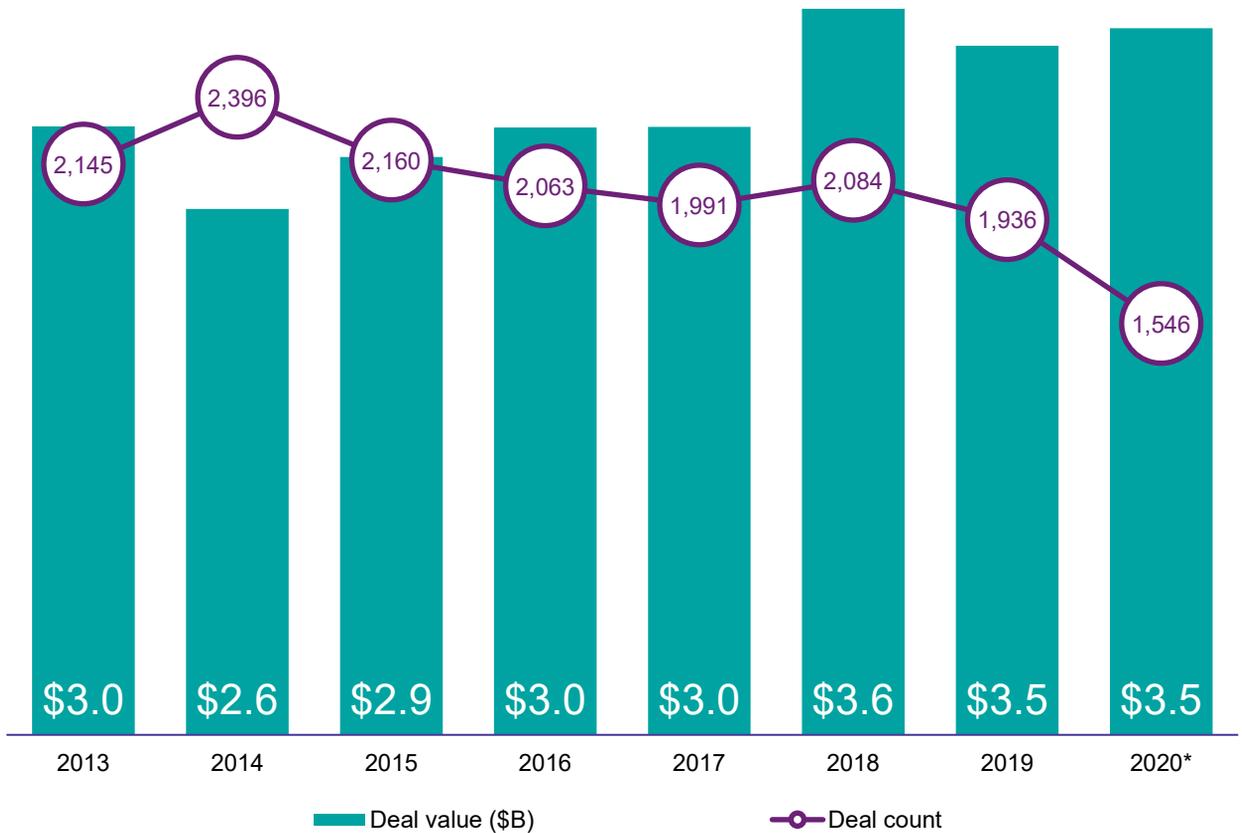
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/20/2021.

The rise in quarterly VC invested tallies with corporate participation has been one of the decade's more consistent trends across the European venture ecosystem, a testament to the growing perception that more direct exposure, both financial and strategic, to innovation earlier in its cycle is an imperative for extant corporations. The drop in Q4 is likely a temporal aberration more than anything else.

First-time funding closes 2020 in robust fashion

First-time venture financings of companies in Europe

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.

Once again, a caveat must be noted: In a complex environment such as Europe, first-time fundings may take longer to be ascertained and confirmed. However, in good news for the health of the overall European entrepreneurial pipeline, even though VC volume of completed financings fell once again year over year, VC invested tallies stayed quite strong, in fact, the second-highest year on record. Albeit cautious, European and foreign investors are willing to fund the best prospects with significant sums.

A promising back half of 2020 for exits

Venture-backed exit activity in Europe

2013–Q4'20



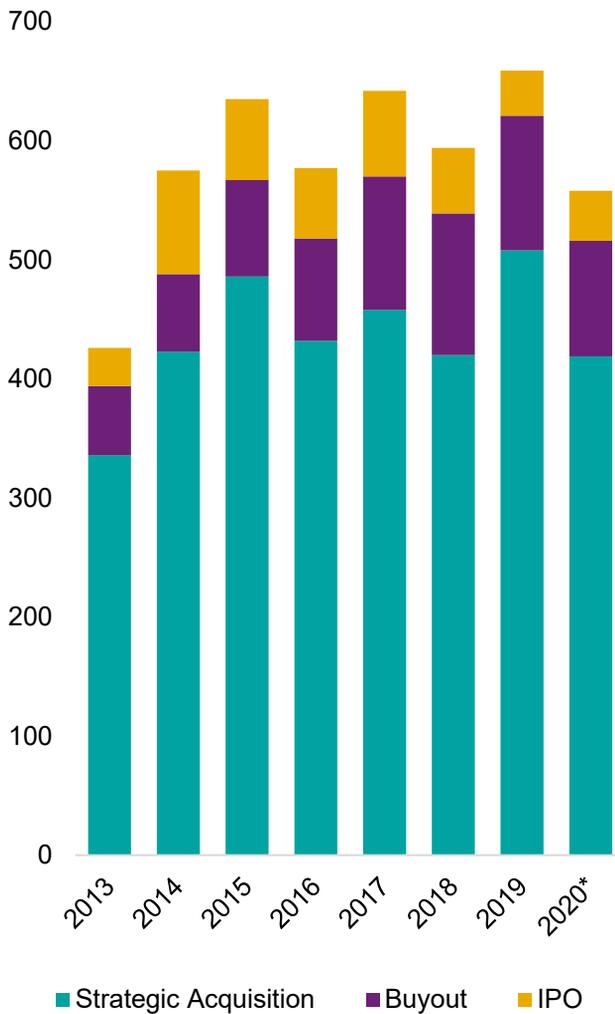
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/20/2021.

Aggregate exit value surged even further in the back half of the year, despite relatively sluggish exit volume overall. Although not near past records, that six-month stretch could bode well for at least an ongoing trickle of liquidity for European companies, signifying that even in tumultuous environments that M&A and IPOs can continue at a decent clip.

IPOs rebound in value, M&A remains vital

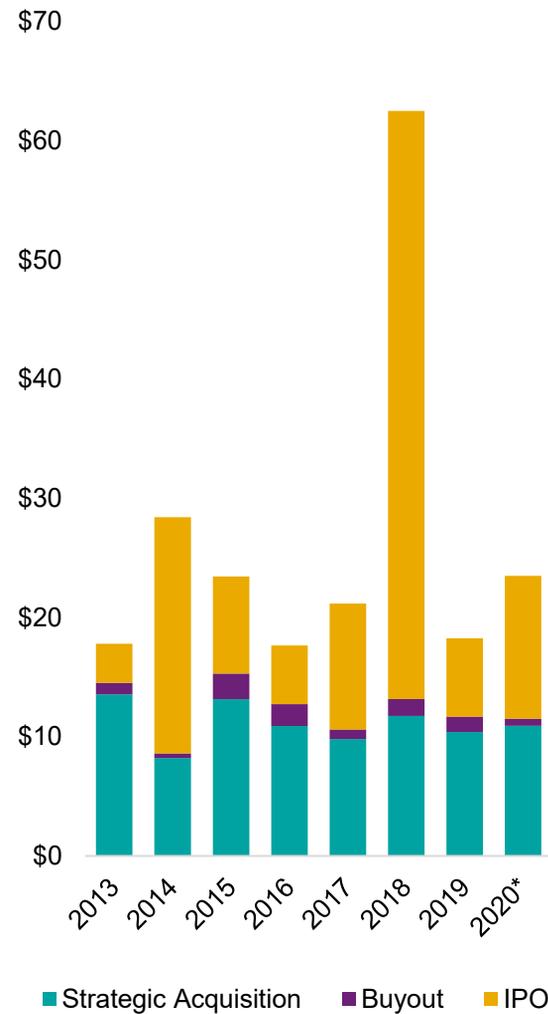
Venture-backed exit activity (#) by type in Europe

2013–2020*



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

2013–2020*

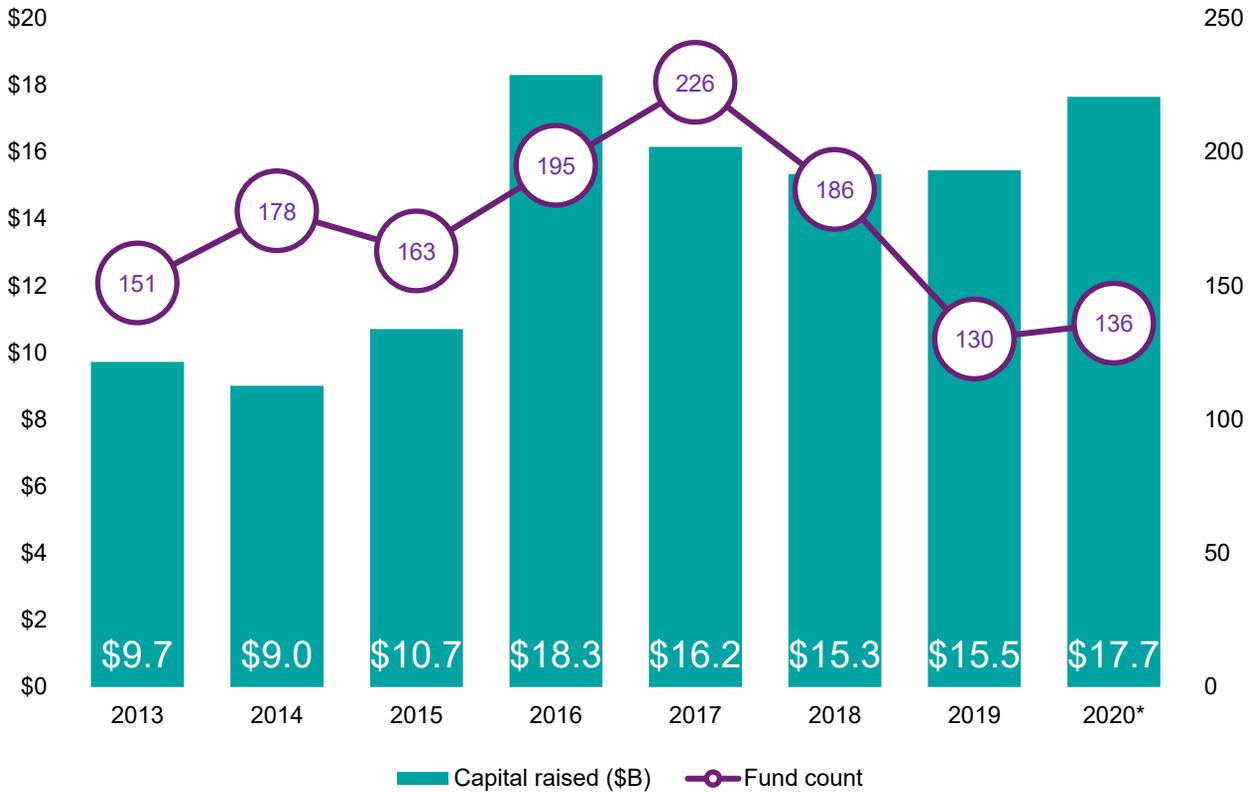


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Fundraising continues at a strong pace

European venture fundraising

2013–2020*



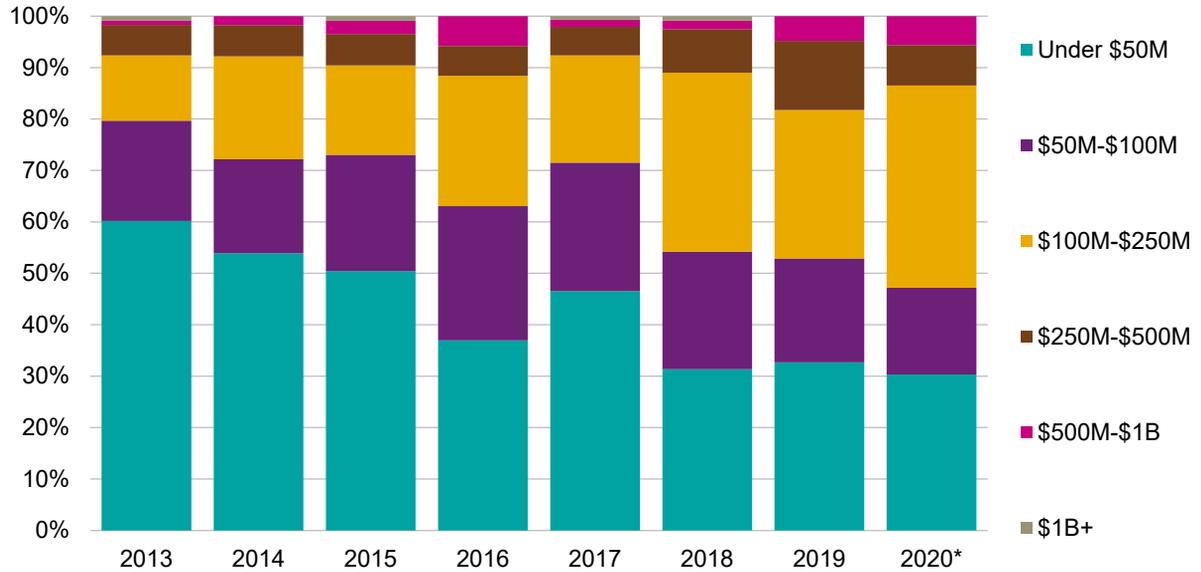
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

An oft-repeated narrative in venture is that the best companies are founded in downturns. Consequently, the best investment opportunities are also to be found in similar periods. Although alternatives overall have benefited significantly from the increase in allocations over the past decade by major traditional and nontraditional firms like public pension plans, we have now seen an increase in successful fundraising across the European ecosystem driven by a handful of large firms and newcomers — predominantly the former. This bodes well for future investing.

Fundraising skews somewhat larger

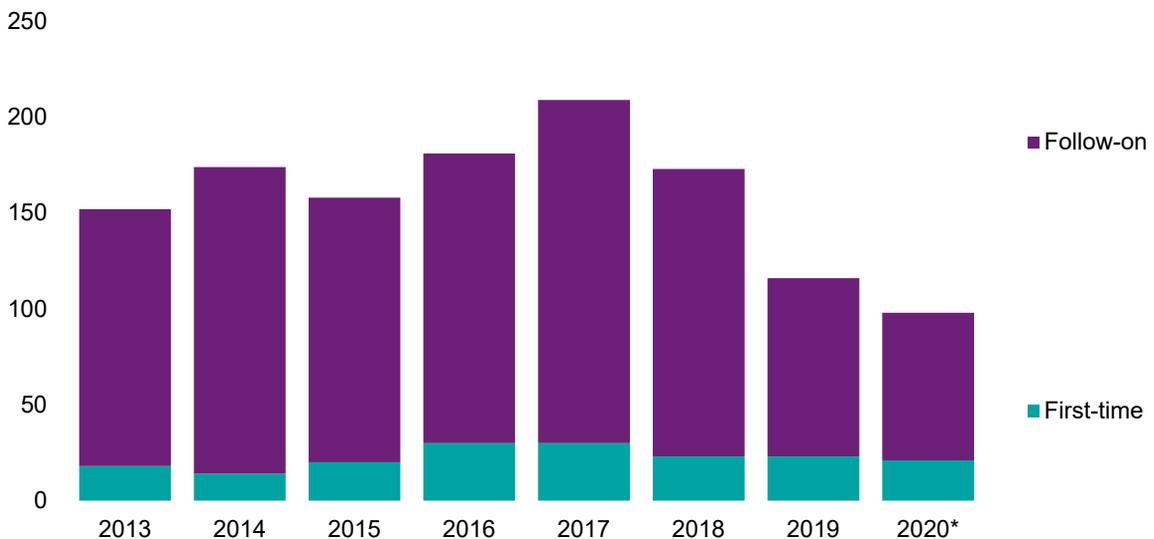
Venture fundraising (#) by size in Europe

2013–2020*



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

2013–2020*

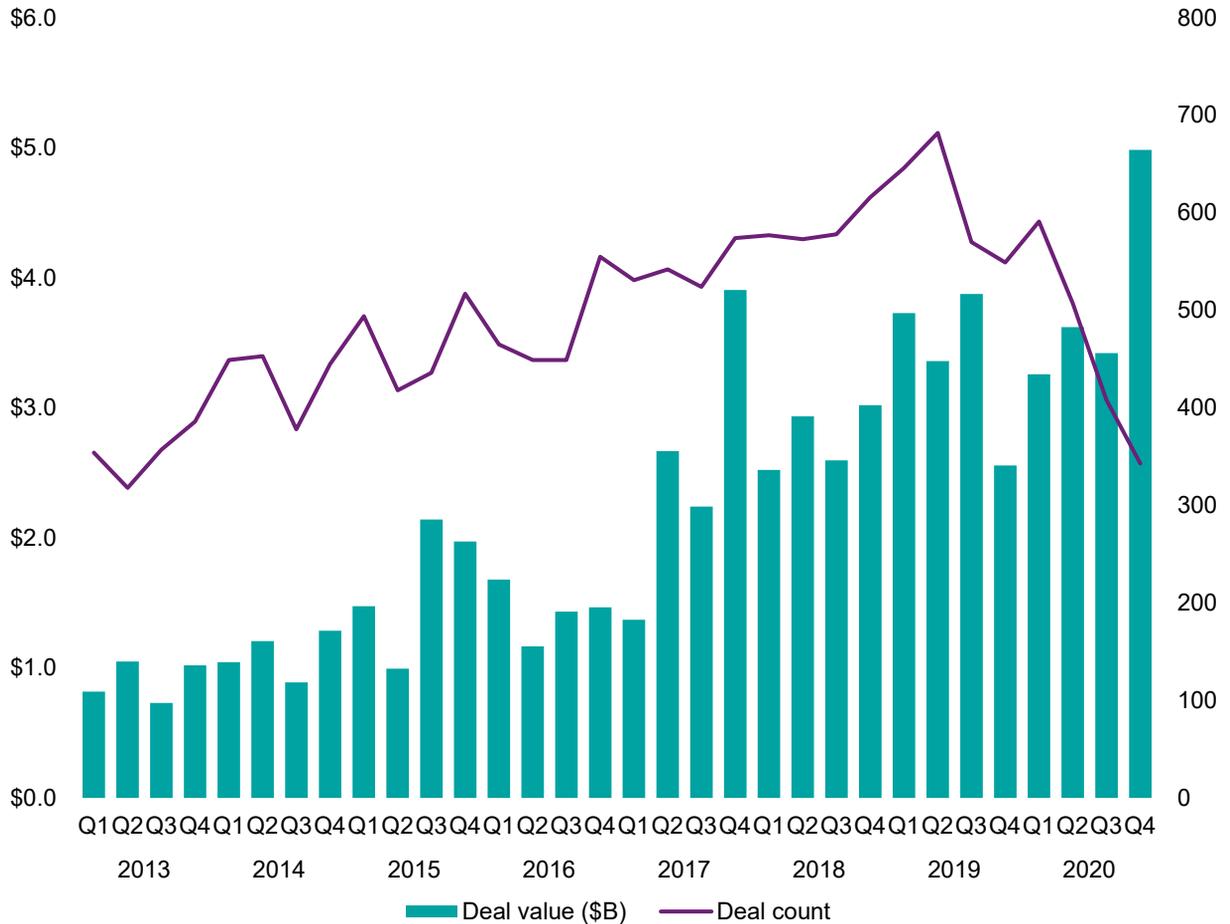


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Mega-deals push VC invested to new record

Venture financing in the United Kingdom

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.

“A number of investors focussed on what they knew and took steps to protect existing investments. We’ve also seen various governments offering incentives to support high growth and high potential businesses through the pandemic using mechanisms like the UK Future Fund. It would be wrong though to say that new deals weren’t being done. Good investments remain good investments.”

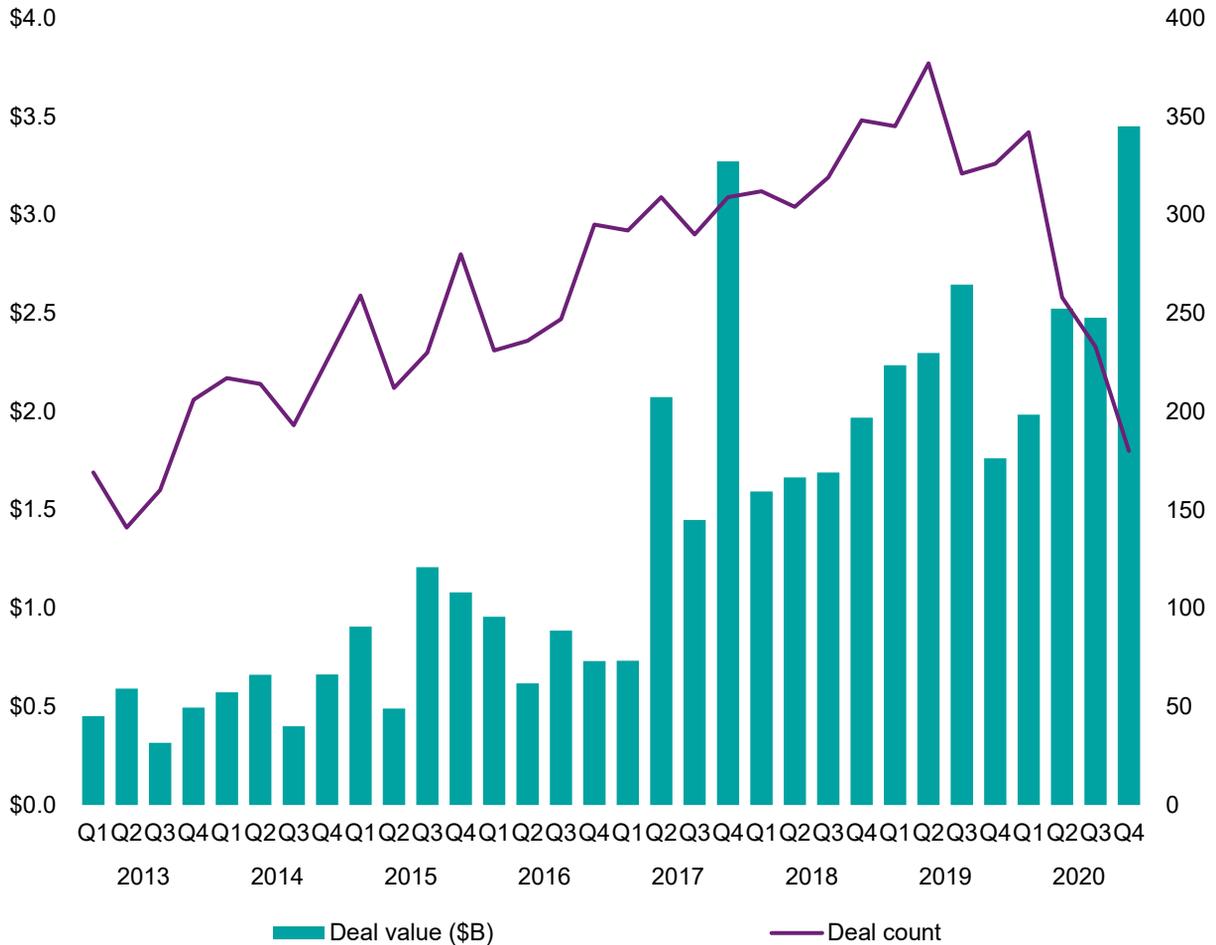


Kevin Smith

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

London sees new high driven by mega-deals

Venture financing in London 2013–Q4'20

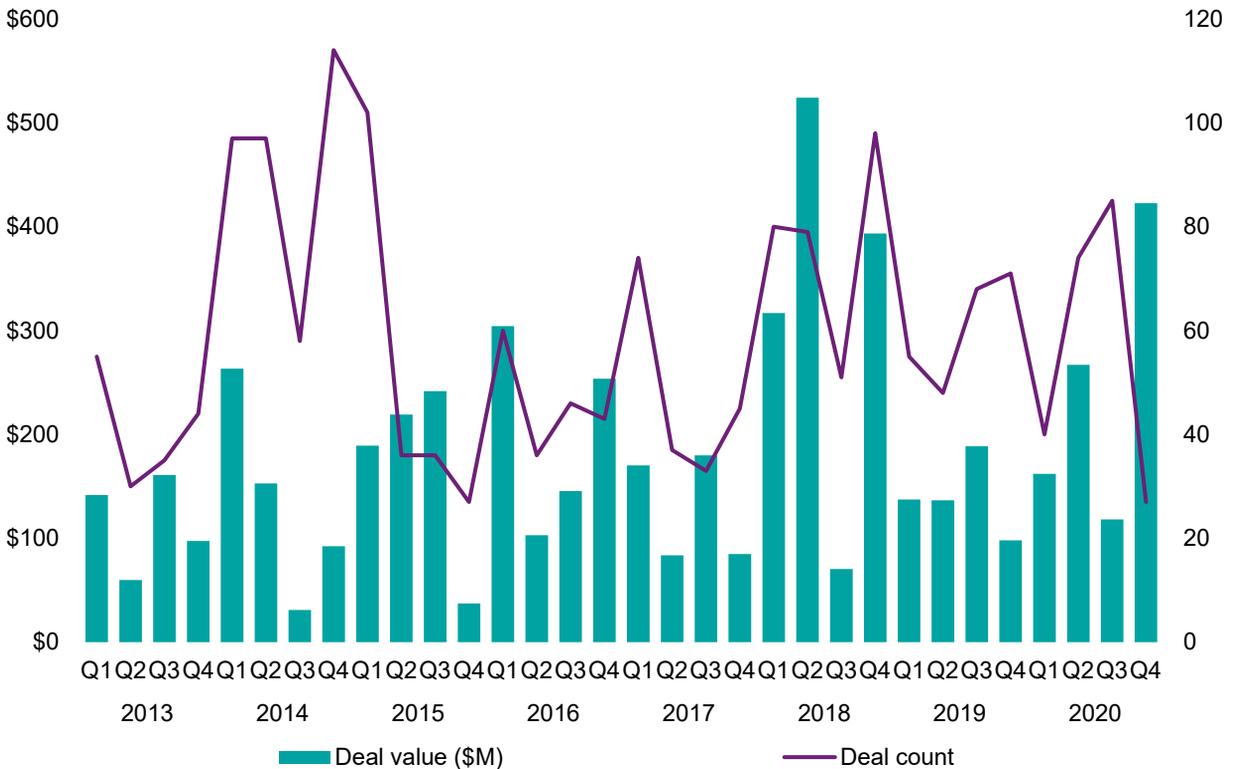


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Four of the top European rounds in terms of size in Q4 2020 were for London-based companies, which contributed to a new record high. It is difficult to assess whether the ongoing wrangling over Brexit as well as sustained COVID-19 challenges will impact fundraising for next quarter.

Ireland VC jumps off a mega-deal

Venture financing in Ireland 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.

In the absence of significantly sized rounds, VC invested in Ireland plunged last quarter; however, the Irish ecosystem still is producing mature, healthy companies as is evidenced by the resurgence in Q4 2020 due to the hefty round closed by solar power platform Amarenco.

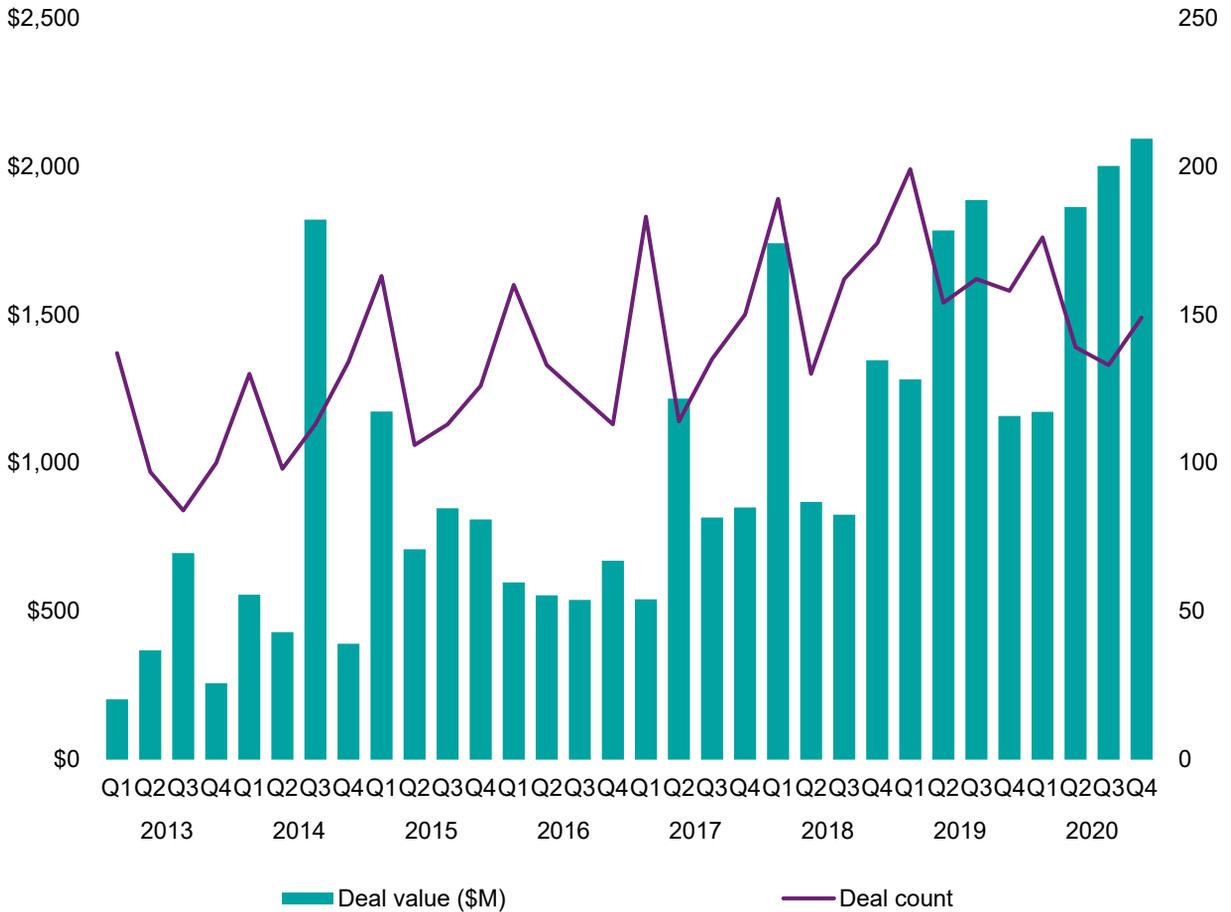
“The VC market in Ireland has been pretty robust in 2020. There were a lot of transactions in the pipeline so a lot of companies got funded in Q1 and Q2 then, after a small dip in Q3, we’ve seen excellent activity to end the year. There is some concern, however, that not enough money is going to early stage companies, which could affect the deals pipeline down the road.”



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

Rising VC invested tallies closed out 2020

Venture financing in Germany 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.

“The pandemic has helped sectors like fintech really attract more interest and investment. The various lockdowns have driven more consumers to make use of different online platforms and services. They’re trying a whole host of new activities where in the past, they might have been more skeptical. Those experiences that customers are having now will have a long-term impact on fintech offerings in the future.”



Dr. Ashkan Kalantary
Partner, Deal Advisory Venture Services
KPMG in Germany

VC invested rebounded thanks to large deals

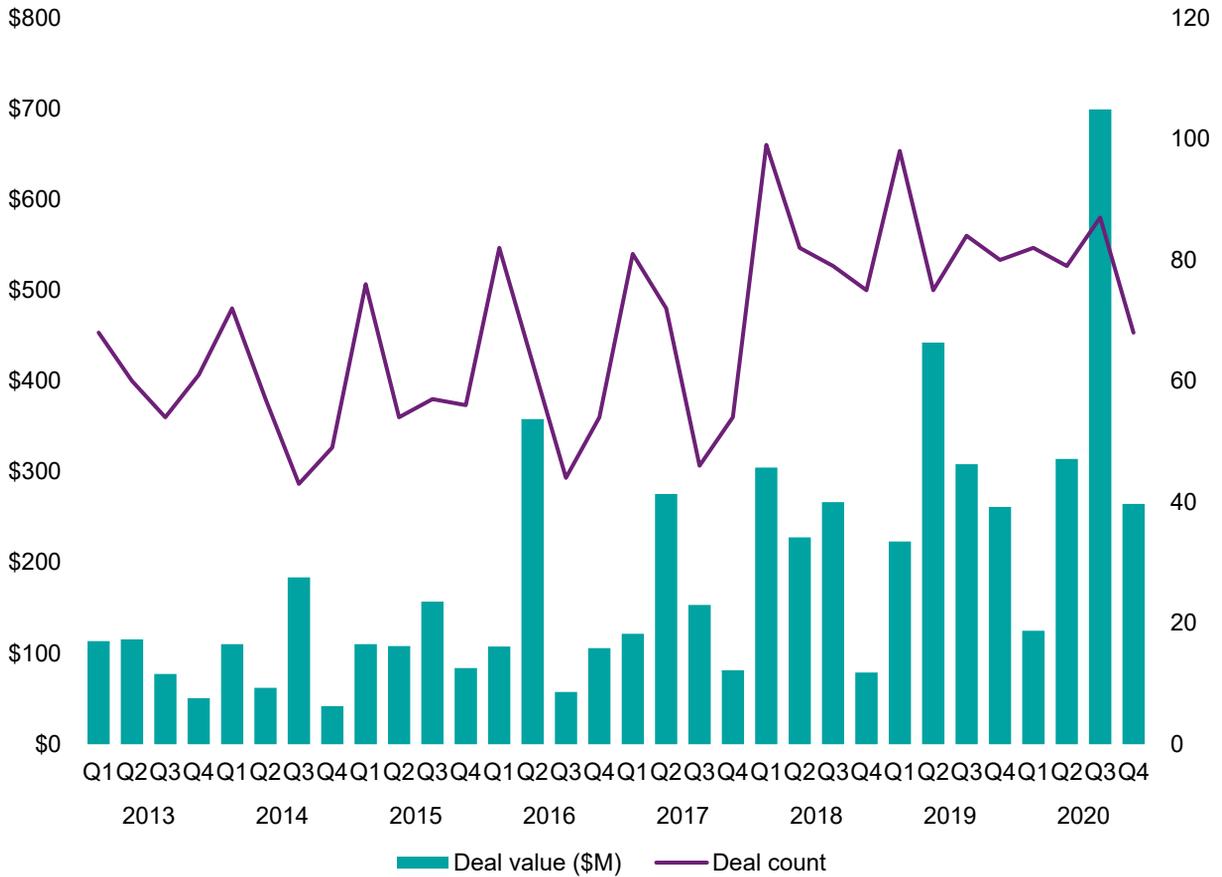
Venture financing in Berlin 2013–Q4'20



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.

VC invested subsides after record Q3

Venture financing in Spain 2013–Q4'20

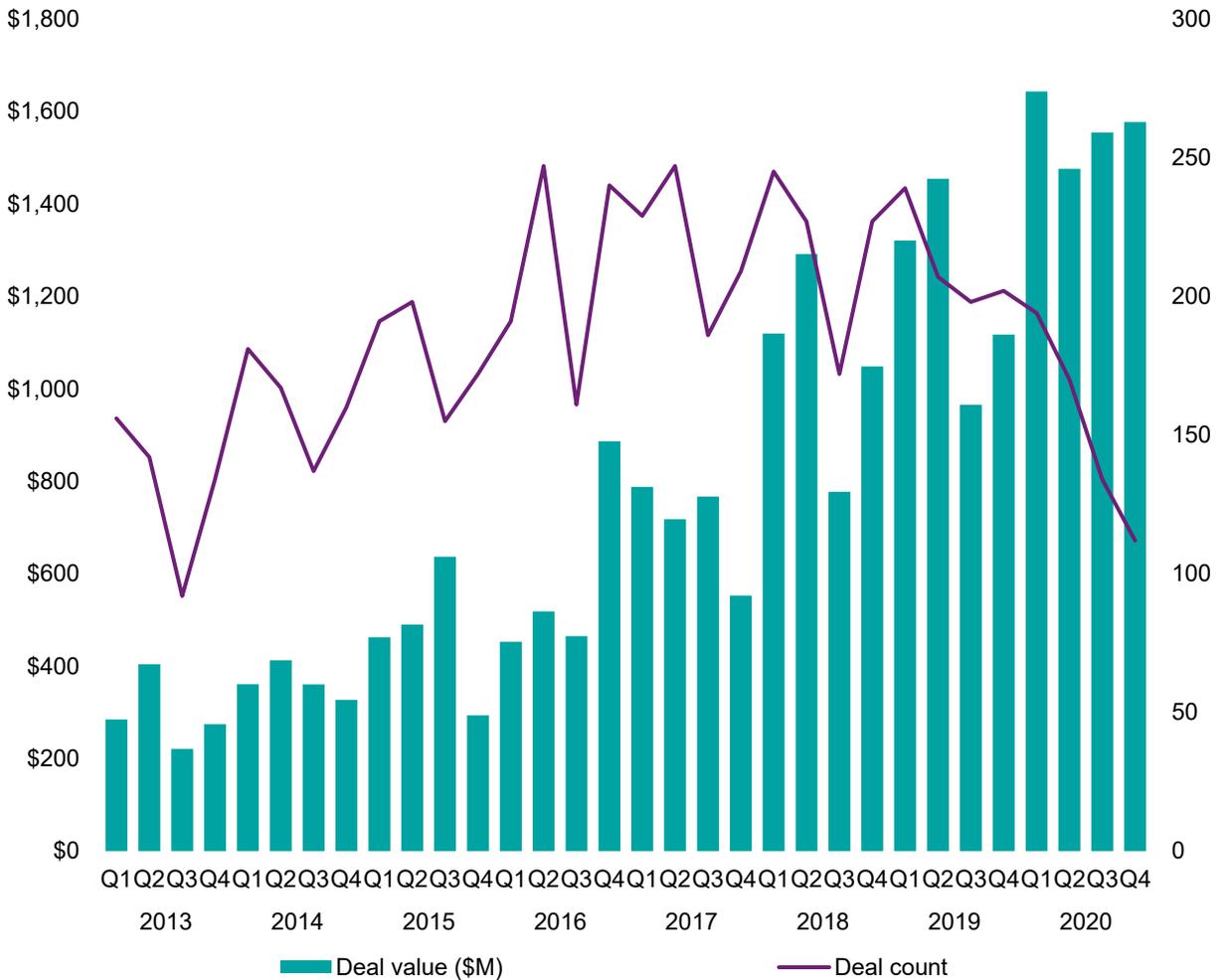


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

After a steady stream of VC volume culminating in a record Q3 in 2020 for VC invested — thanks to a handful of large financings — volume slid to close the year, in what is likely to be a temporal aberration barring reversal of current modest economic growth in 2021.

France sees diverging trends, ends on high note

Venture financing in France 2013–Q4'20

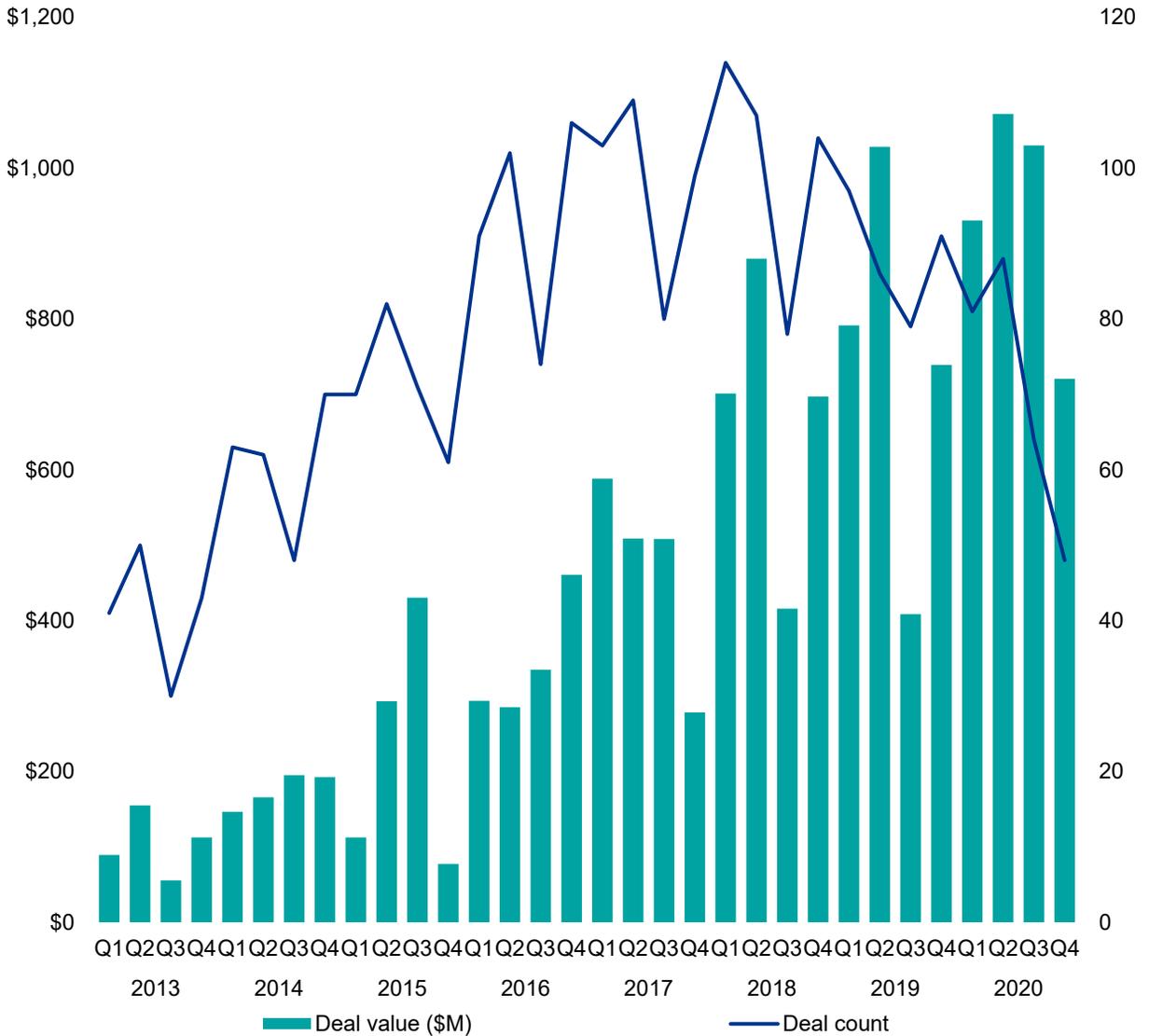


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

The past two years have seen a boom in VC invested for France as a bevy of companies matured and continued to rake in large late-stage rounds. The volume of completed financings does indicate that the rate of funding across the entire venture ecosystem is likely diminishing significantly, but for the time being, multiple mature companies are able to close on significant sums still. It should be noted Q4 was largely driven by Ynsect's \$400 million+ round.

Paris sees another slide to close the year

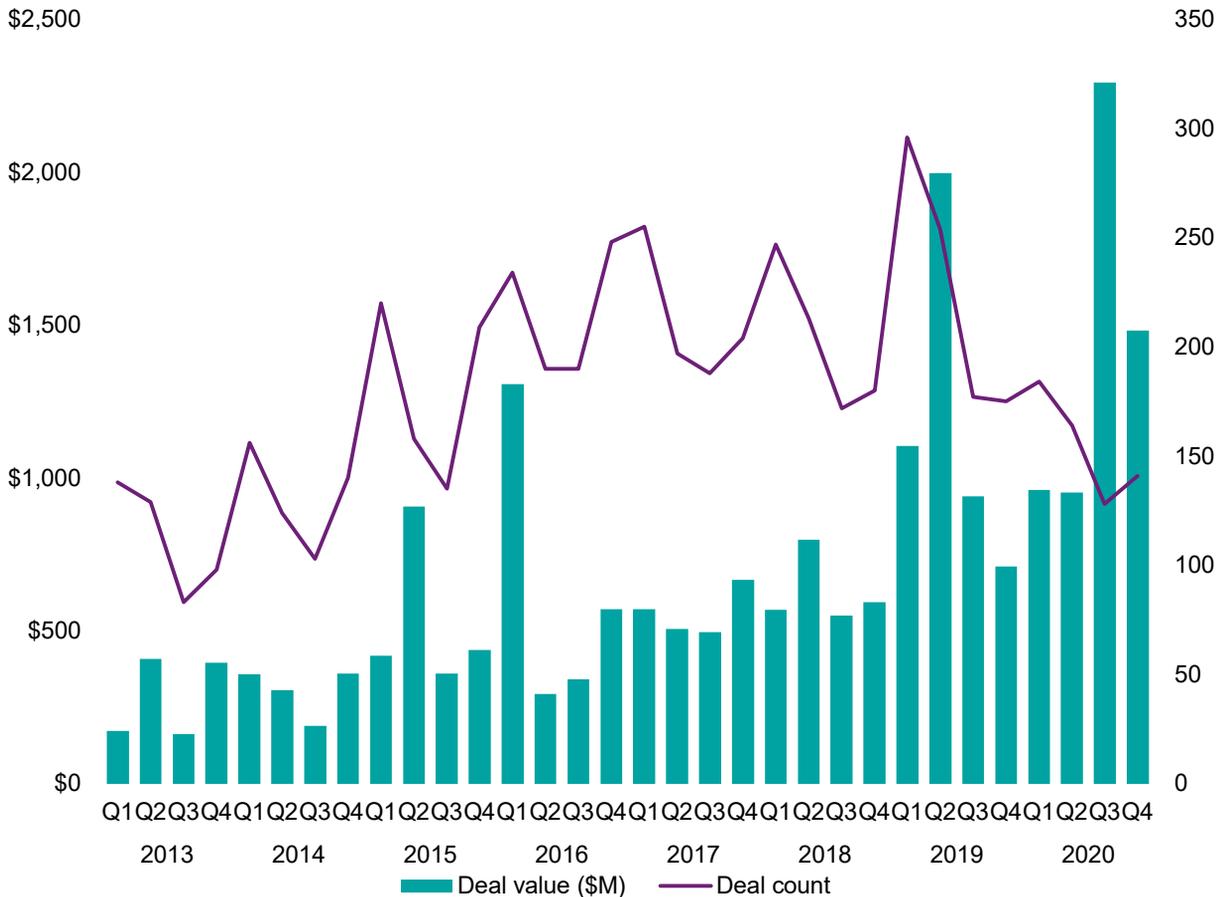
Venture financing in Paris 2013–Q4'20



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.

Nordic region closes year at robust level

Venture financing in the Nordics 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.

A handful of the top 10 financings globally helped propel the region’s aggregate deal value to a new record in Q3 2020. Although that performance was not repeated in Q4 2020, volume evened out, in a tentatively promising sign for future funding levels.

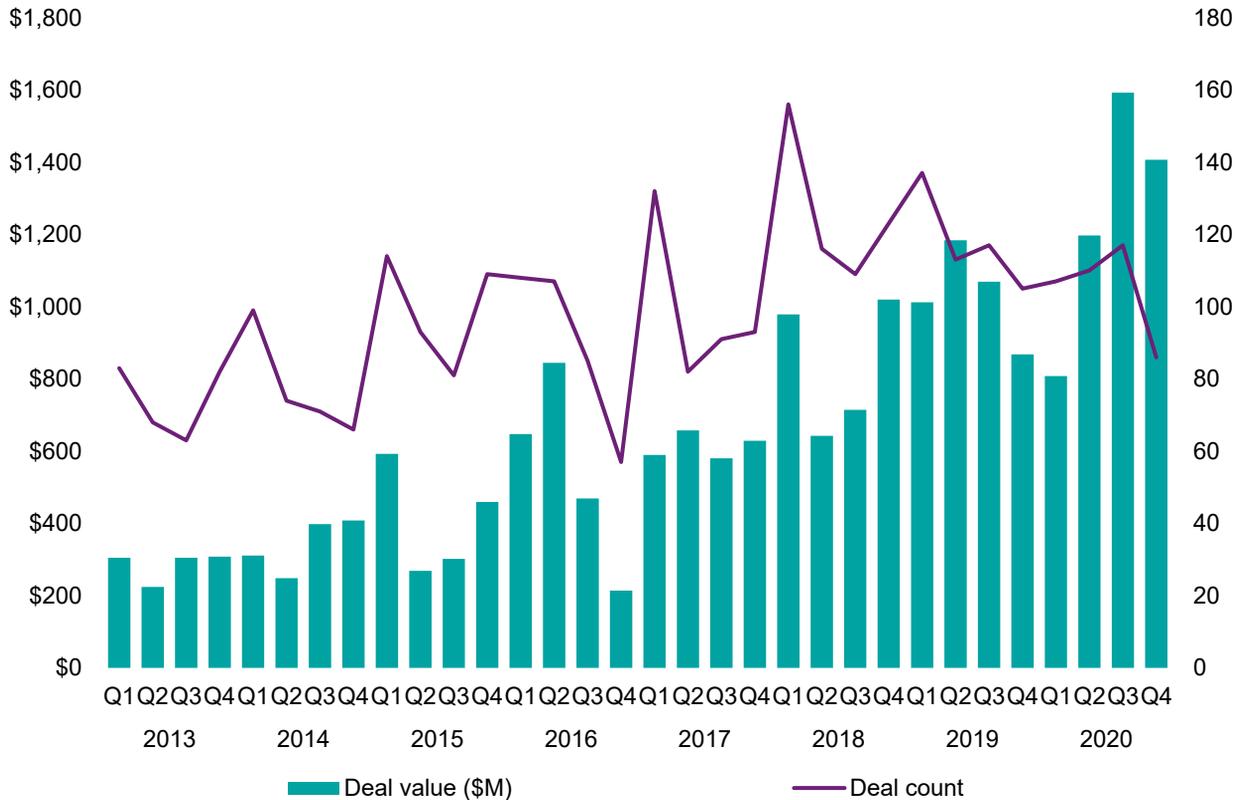
“There was a lot of promise around open banking after the regulations changed (PSD2) — a lot of talk. We’re now starting to see the actual applications come to market — primarily from the big banks who have been quite active in terms of investing in and working with open banking startups. This activity is expected to continue well into 2021.”



Jussi Paski
Head of Startup Services
KPMG in Finland

Israel sees ongoing strong fundraising tallies

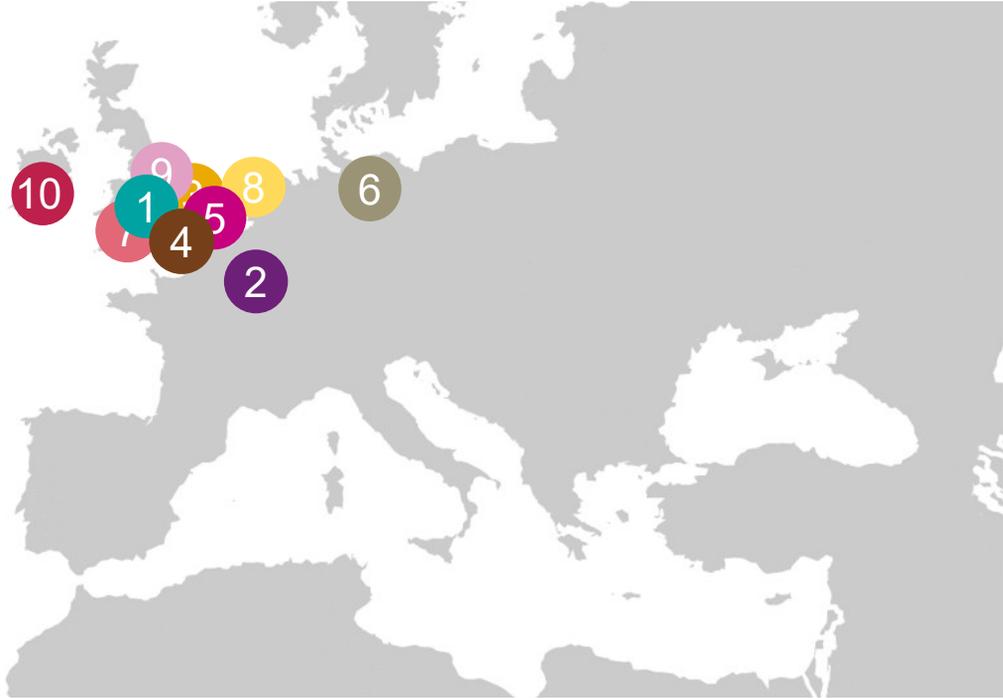
Venture financing in Israel 2013–Q4'20



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.

Boosted in part by one of the larger fundraises in the region for the entire year — the \$168 million funding of network management software provider BioCatch — Israel closed off 2020 with record highs in VC invested even as volume remained somewhat lower relative to prior peaks.

A diverse array of sectors draws funding



Top 10 financings in Q4'20 in Europe

- | | |
|--|--|
| <p>1 LumiraDx — \$389M, London
Digital health
<i>Late-stage VC</i></p> | <p>6 TIER Mobility — \$248.4M, Berlin
Automotive
<i>Series C</i></p> |
| <p>2 Ynsect — \$372M, Evry
Agtech
<i>Series C</i></p> | <p>7 Graphcore — \$222M, Bristol
Semiconductors
<i>Series E</i></p> |
| <p>3 Molo (Financial Software) — \$343M, London
Financial software
<i>Early-stage VC</i></p> | <p>8 MessageBird — \$200M, Amsterdam
Communication software
<i>Series C</i></p> |
| <p>4 Cazoo — \$310.7M, London
Automotive
<i>Series D</i></p> | <p>9 Trinny London — \$192.3M, Saffron Walden
Personal products
<i>Late-stage VC</i></p> |
| <p>5 OneTrust — \$300M, London
Business software
<i>Series C</i></p> | <p>10 Amarenco — \$190.7M, Cork
Energy
<i>Late-stage VC</i></p> |

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

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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 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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