



Venture Pulse Q2 2019

Global analysis of
venture funding

11 July 2019



Welcome message



Welcome to the Q2'19 edition of *Venture Pulse*, KPMG Enterprise's quarterly report highlighting the key trends and opportunities facing the venture capital market globally and in key jurisdictions around the world.

At mid-year, global VC investment was well-off the pace required to match 2018's record-setting results. While VC investment in both the Americas and Europe was strong during Q2'19, a second weak quarter of investment in China negatively impacted global VC investment levels. Despite the weakened VC market in China, India saw a nice uptick in investment, led by \$1 billion+ funding rounds to OYO Rooms.

In the Americas, the US continued to dominate the VC market, although it was Colombia-based Rappi that attracted the region's largest deal in Q2'19. Rappi's \$1 billion raise was the largest technology funding round ever in Latin America.

Despite the ongoing uncertainties related to Brexit, Europe experienced a solid Q2'19, including a \$575 million raise by Deliveroo and a \$484 million raise by GetYourGuide Deutschland. Europe's increasingly diverse innovation hubs helped drive the region's results, with companies from six different countries accounting for Europe's top ten VC deals this quarter.

Several high-profile companies dominated IPO activity during Q2'19. These included Uber, Lyft, Zoom and Slack — the latter going public via a direct listing. M&A exit activity was also strong in Q2'19, with Salesforce acquiring Tableau for \$15.7 billion and Google acquiring Looker for \$2.6 billion.

In this quarter's edition of *Venture Pulse*, we look at these and a number of other trends affecting the VC market globally, including:

- The increasing interest coming from corporate investors
- The ongoing focus on investing in late-stage companies
- The growing diversity of verticals attracting VC investments
- The evolution of VC investment in the cyber space

We trust you will 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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Jonathan Lavender

Global Chairman,
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80

***Globally, in Q2'19
VC-backed
companies raised***

\$52.7B

across

3,855 deals



VC investment holds steady in Q2'19

At mid-year, the pace of global VC investment lagged considerably behind the pace required to match the record level of annual VC investment seen in 2018, although it remained on track to match 2017's investment total. The more moderate level of VC investment experienced in both Q1'19 and in Q2'19 likely reflects concerns related to the trade war between the US and China, in addition to the ongoing challenges associated with Brexit, regulatory issues in China, and increasing tensions in countries such as Argentina and Turkey.

While VC investment remained steady quarter-over-quarter, the total number of global VC deals fell for the fifth-straight quarter, highlighting an ongoing investor focus on late-stage deals. With investment in early-stage deals stagnating in many regions of the world, there is concern that the health of the VC market could be affected over time as fewer early-stage companies attract the capital they need to grow.



VC investment in India rises as China-based investment slides

The limited number of megadeals in China cast a long shadow over Asia's Q2'19 investment results, despite positive investment activity in other Asian countries. While Beijing-based JD Health raised a \$1 billion+ round in Q2'19, it was only the second Chinese company to do so in all of 2019. Despite trade uncertainties, healthtech, pharmaceuticals, and life sciences remained strong areas of interest to VC investors in China Q2'19; in addition to JD Health, Tencent Trusted Doctors raised a \$250 million funding round during the quarter. Given China's plans to reform healthcare, it is expected that these areas will continue to attract investment even if other areas might see a pullback over time if the trade dispute isn't resolved.

India saw a significant increase in VC investment during Q2'19, with a \$1 billion+ megadeal for hotel company OYO Rooms and a \$1 million deal for AI-driven fintech company Recko¹.



US dominant in Americas but Latin America sees largest technology VC deal ever

Despite a shortage of \$1 billion+ megadeals, the US continued to dominate VC investment in the Americas, driven by a number of \$500 million+ funding rounds, including raises by Flexport (\$1 billion), DoorDash (\$600 million), UiPath (568 million), SpaceX (\$535.7 million), and SoFi (\$500 million). Despite the strong US investment total, it was Colombia-based on-demand delivery company Rappi's \$1 billion raise that took the top funding round for the quarter in what was Latin America's largest funding round ever.



Europe sees significant funding despite extended Brexit uncertainty

While the number of VC deals in Europe continued to decline, total VC investment remained strong compared to previous quarters. While UK investment remained relatively weak relative to previous quarters, funding rounds by companies in other European countries helped to keep VC investment strong. In addition to Northvolt, other large funding rounds included Germany-based GetYourGuide Deutschland (\$484 million), Spain-based Glovoapp23 (\$174.8 million), Finland-based Wolt (\$130 million), France-based Meero (\$230 million), and Poland-based ZnanyLekarz (\$93 million).



Potential of AI driving VC investor attention

Following on the last quarter, AI drew a significant amount of attention from investors, likely a result of its overwhelming applicability to every sector. Compared to other technologies, AI is seen as a true game changer in terms of the disruption it poses for industries and verticals the world over, including healthcare and financial services.

¹ https://www.business-standard.com/article/companies/recko-raises-1-million-seed-funding-from-prime-venture-partners-119062700355_1.html

VC investment holds steady in Q2'19, cont'd

In addition to VC firms and corporate investors, a number of governments are investing in AI innovation and ecosystems and working to respond to challenges posed by AI, such as data availability and ethics. For example, the UK is currently implementing the first components of its AI Strategy, supporting the development of relevant Machine Learning degree programs and research institutes at UK-based universities. The UK's Centre for Data Ethics and Innovation is also in the process of consulting on the establishment of data trusts in order to support the use of AI.

China is also investing significantly in the development of AI, with the expectation that it will become one of the country's primary growth differentiators. While China's VC market currently faces a number of challenges, it is expected that strong AI value propositions will continue to attract funding.



IPO market continues to strengthen

Following on first quarter activity, there continued to be a strong focus on IPO and M&A during Q2'19. Several high-profile companies dominated IPO activity during Q2'19. These included Uber, Lyft, Zoom and Slack — the latter going public via a direct listing. In addition, shares in Beyond Meat, for example, have gone up a massive 550 percent since its IPO in early May. Other companies to IPO in Q2 have also seen strong post-IPO results, including Pinterest and Zoom.

M&A activity was also strong in Q2'19, led by Salesforce's acquisition of Tableau for \$15.7 billion and Google's acquisition of analytics company Looker for \$2.6 billion.



Emerging economies rising on the radar of VC investors

Q2'19 was a very strong quarter for emerging economies, with three \$1 billion funding rounds: two in India and one in Latin America. After some economic turbulence, India is becoming better positioned for growth. Over the next year, should the country continue to have a stable, continuous government with no appetite to change regulations, it could regain its powerhouse VC investment status. With the VC market in China experiencing challenges, emerging economies in Southeast Asia, such as Malaysia or Indonesia, could benefit both from companies looking to expand into Asia and from China-based companies looking for less controversial paths to growth.

Latin America is also well posed for VC investment growth; the region saw its largest technology VC funding round ever during Q2'19 with Rappi's \$1 billion raise. The funding came from both Softbank's Vision Fund and from its Latin America focused Innovation Fund, a \$5 billion fund only announced in Q1'19.



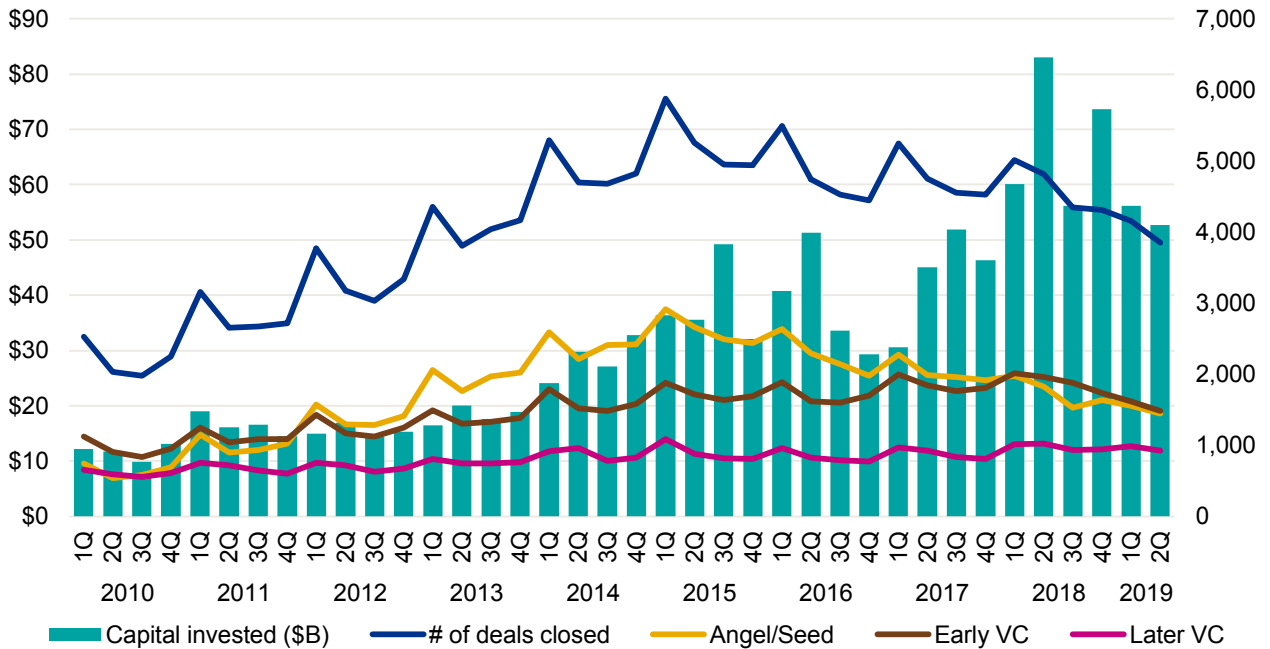
Trends to watch for globally

Heading into Q3'19, the trend towards a smaller number of late-stage deals is expected to continue globally, which could affect the ability of some high-quality early-stage companies to attract funding. AI is likely to buck this trend given its almost unlimited potential to cause industry disruption, and the significant amount of attention it is being given by corporate investors.

Healthtech and food delivery are also expected to gain additional traction from investors heading into Q3'19, while foodtech and Agtech are well poised for growth.

The new normal stays steady

Global venture financing 2012–Q2'19



Source: Venture Pulse, Q2'19. Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.
 Note: Refer to the Methodology section on page 99 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

Venture investment held relatively steady throughout the first half of 2019. The massive amounts of capital that have flowed into the space still continue to bear fruit in terms of large, late-stage rounds and outlier financings propelling the aggregate of VC invested to still-strong levels. Volume is a different story, as high valuations and fierce competition — particularly at the seed stage — have combined to produce an evening in the pace of dealmaking. It's not so much a sign of a slowing cycle as that of a new normal, a telltale sign of a maturing venture industry that has expanded significantly in scale and complexity.

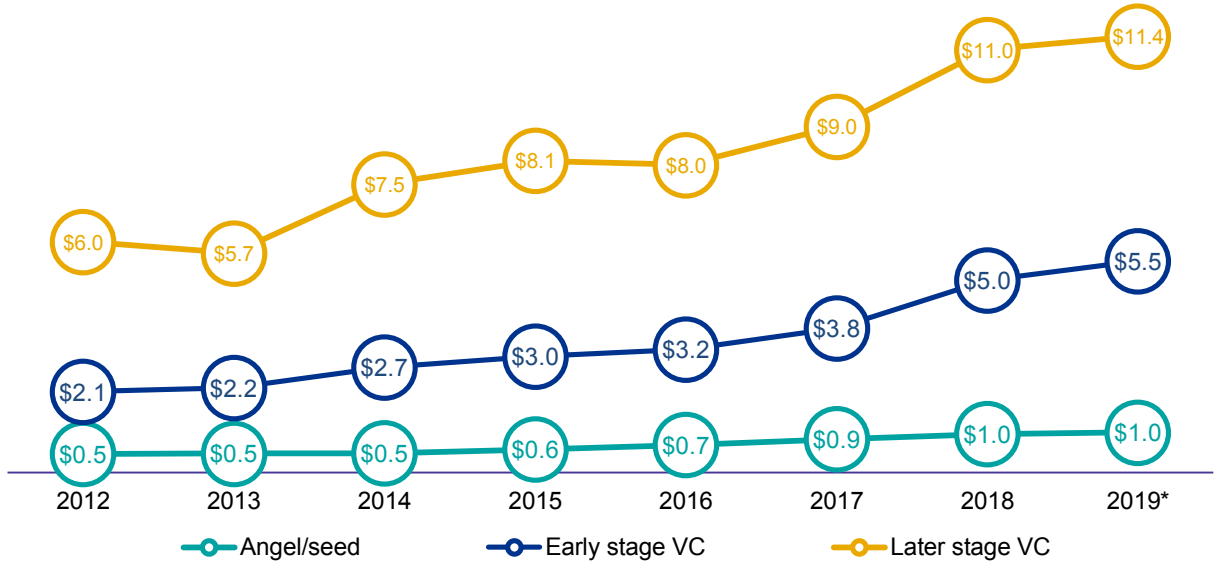
“Globally, VC investors are continuing to invest in growth stage companies, but there is hesitation and less willingness to invest in early-stage companies. This could be cause for concern because if VCs aren't investing in early-stage companies, there will eventually be an impact on the ability to grow new businesses over time. AI is one exception where we might see plenty of early-stage investments simply because it is such a very strong area of potential.”



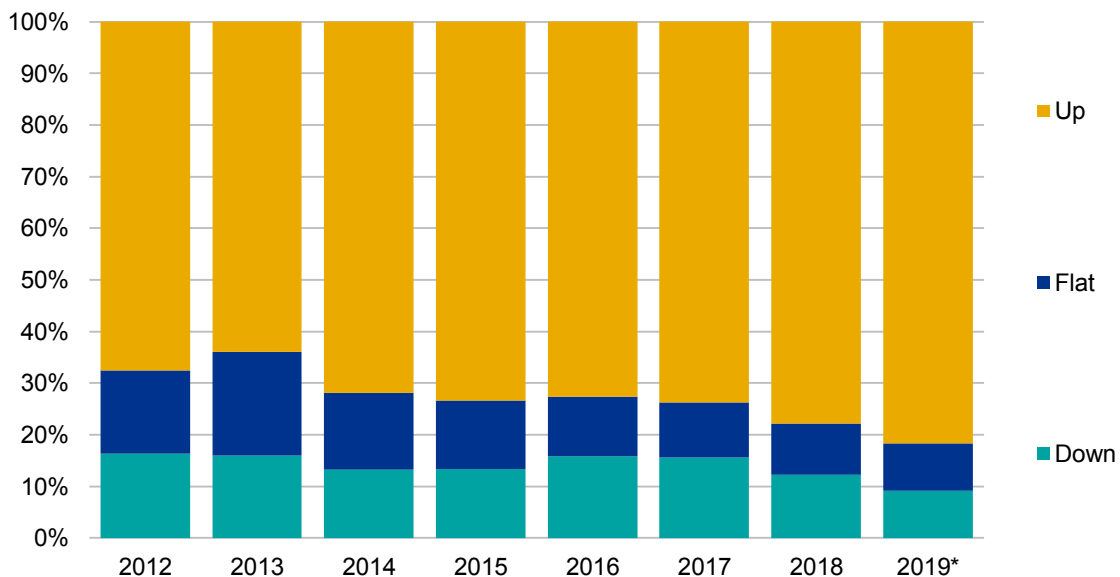
Jonathan Lavender
Global Chairman, KPMG Enterprise, KPMG International

Medians hold strong at decade highs

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



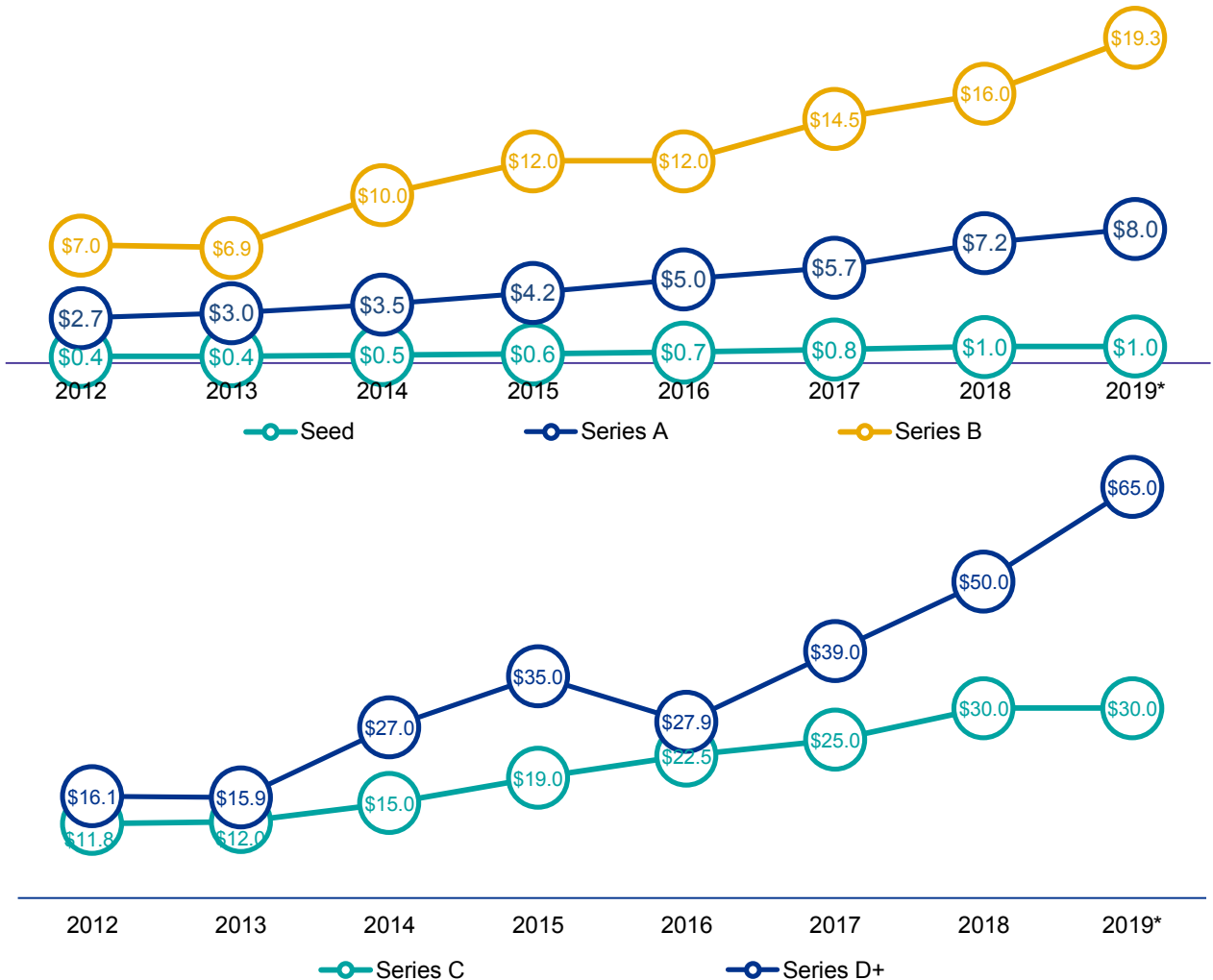
Global up, flat or down rounds 2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Another late-stage surge

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

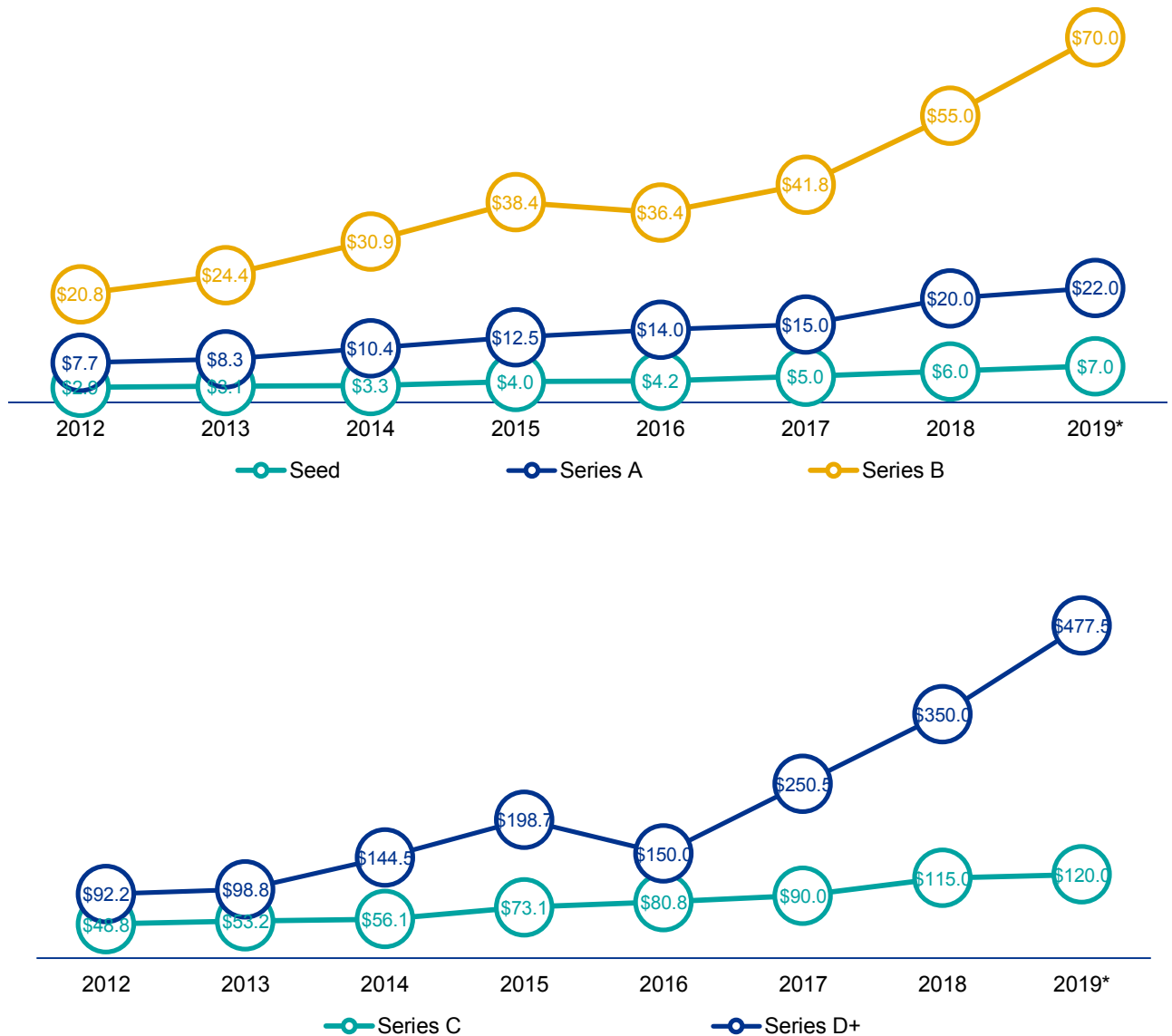


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Halfway through the year, it's intriguing to analyze medians at the more granular level of series, as the maturation of the venture space is further exemplified by each separate trend. The early stage has seen much slower rises in median financing size, even well into 2019. It's the latest stage that has fueled true, steeply sloping growth. The boom in micro-fundraising may well finally broaden the pipeline, leading to a much larger late-stage population eventually, and moderating such steep growth.

Valuations notch a new high

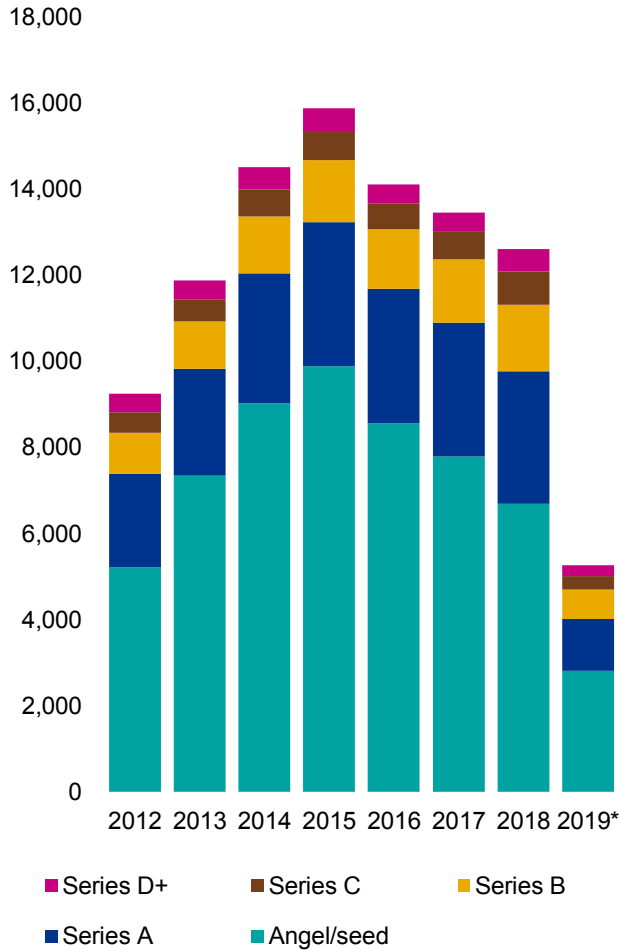
Global median pre-money valuation (\$M) by series
2012–2019*



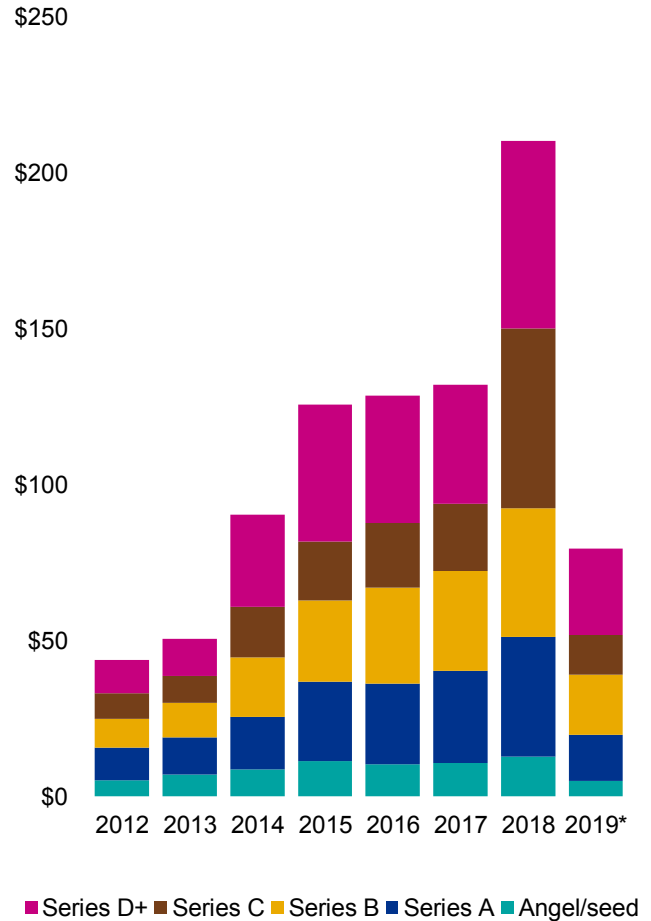
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Series C reverts to more normal levels

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



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

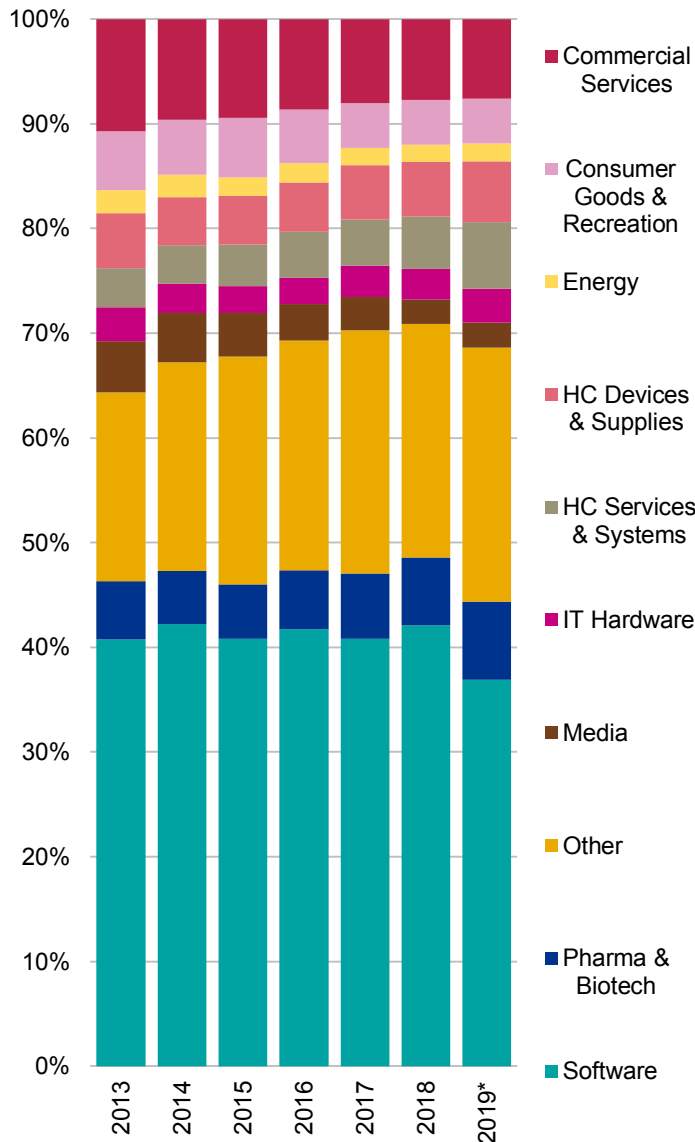


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

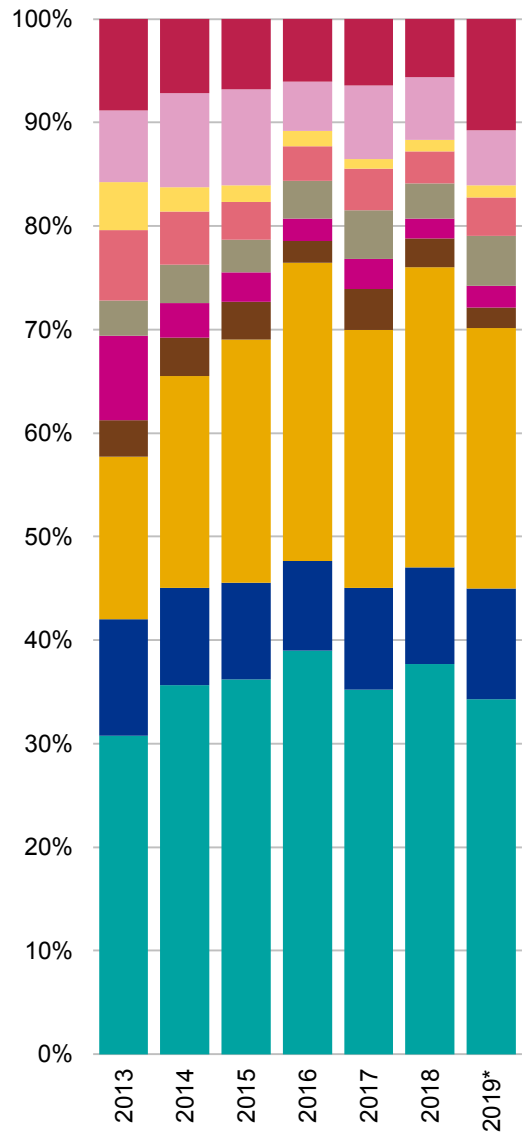
Interestingly, the phenomenon noted in the prior edition of the Venture Pulse has continued, in that Series C financings have seen their proportion of VC raised dwindle significantly in the year to date. It's not so much that the pipeline of financing volume has contracted at early or midstages significantly, as volume has attenuated overall, but rather that Series C financings sooner than any other stage have returned to more normal levels, i.e. those seen prior to 2016.

Healthcare holds on to growing proportions

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



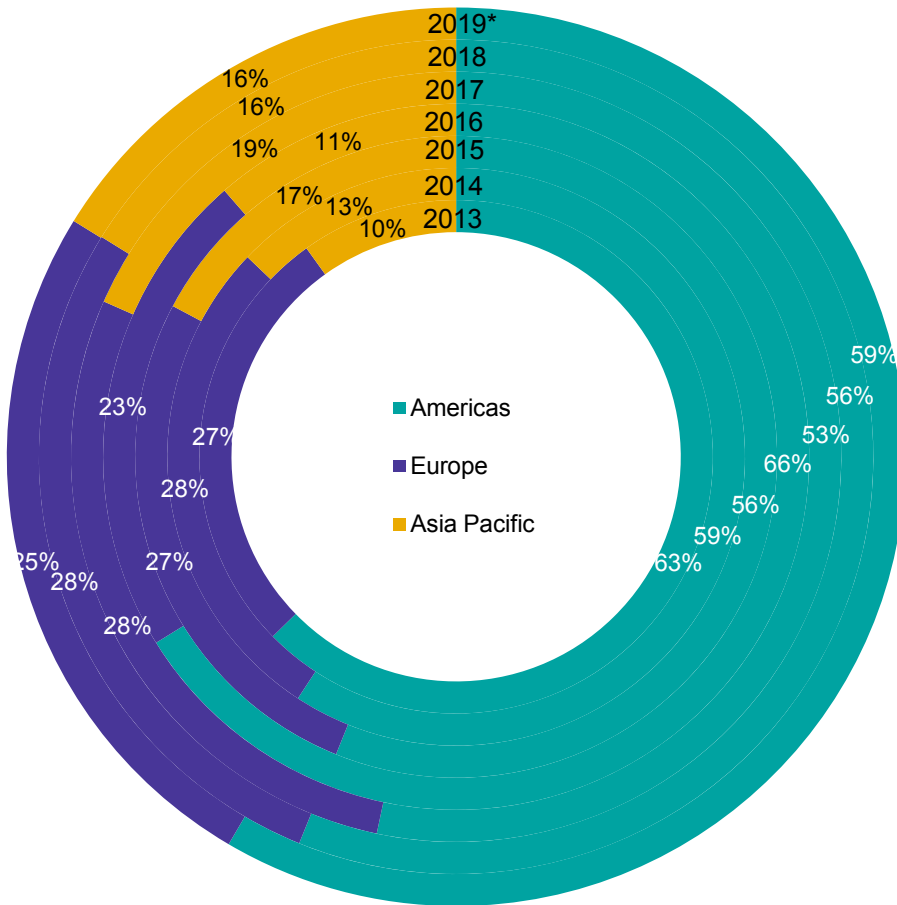
Global financing trends to VC-backed companies by sector
2013–2019*, VC invested (\$B)



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Americas bolster global totals as others pull back

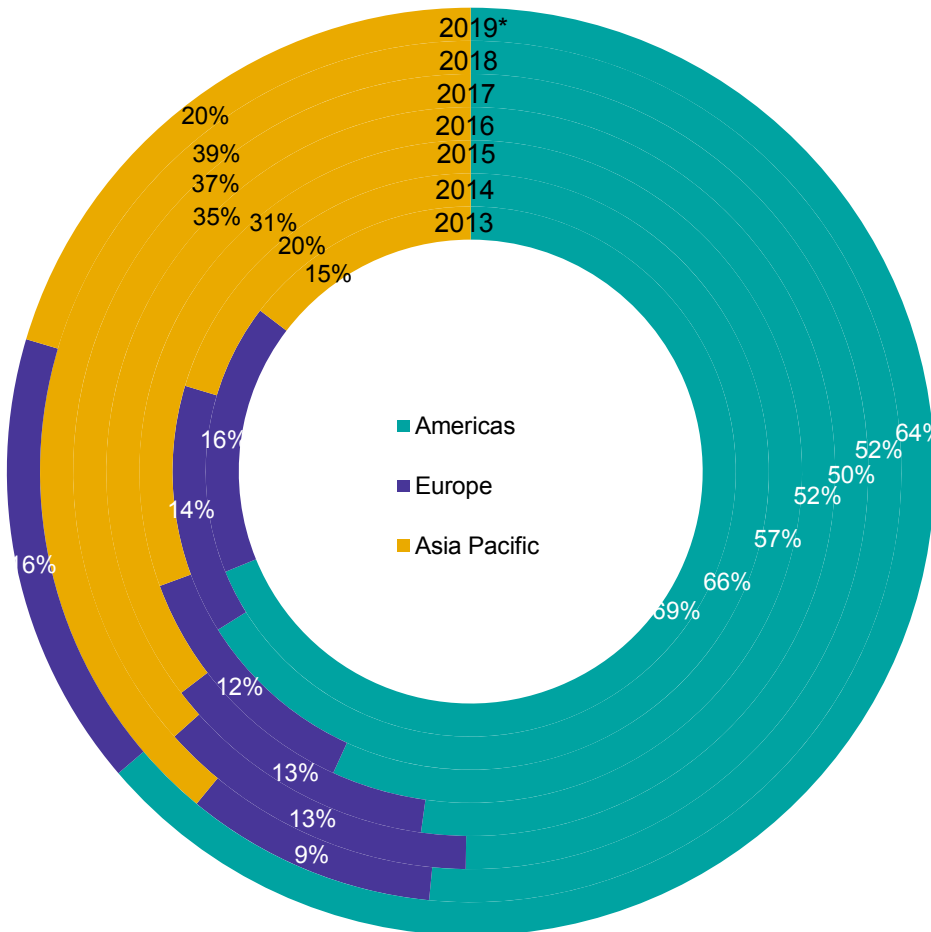
Financing of VC-backed companies by region 2013–2019*, number of closed deals



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Europe surges in VC invested at midyear mark

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



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

“Global venture capital investment has remained steady in terms of both deal value and volume in the first half of 2019, although somewhat off last year’s pace. On a regional basis, strong investment levels in the US and record highs in Europe have been offset somewhat by a prolonged slowdown in venture funding across Asia.”

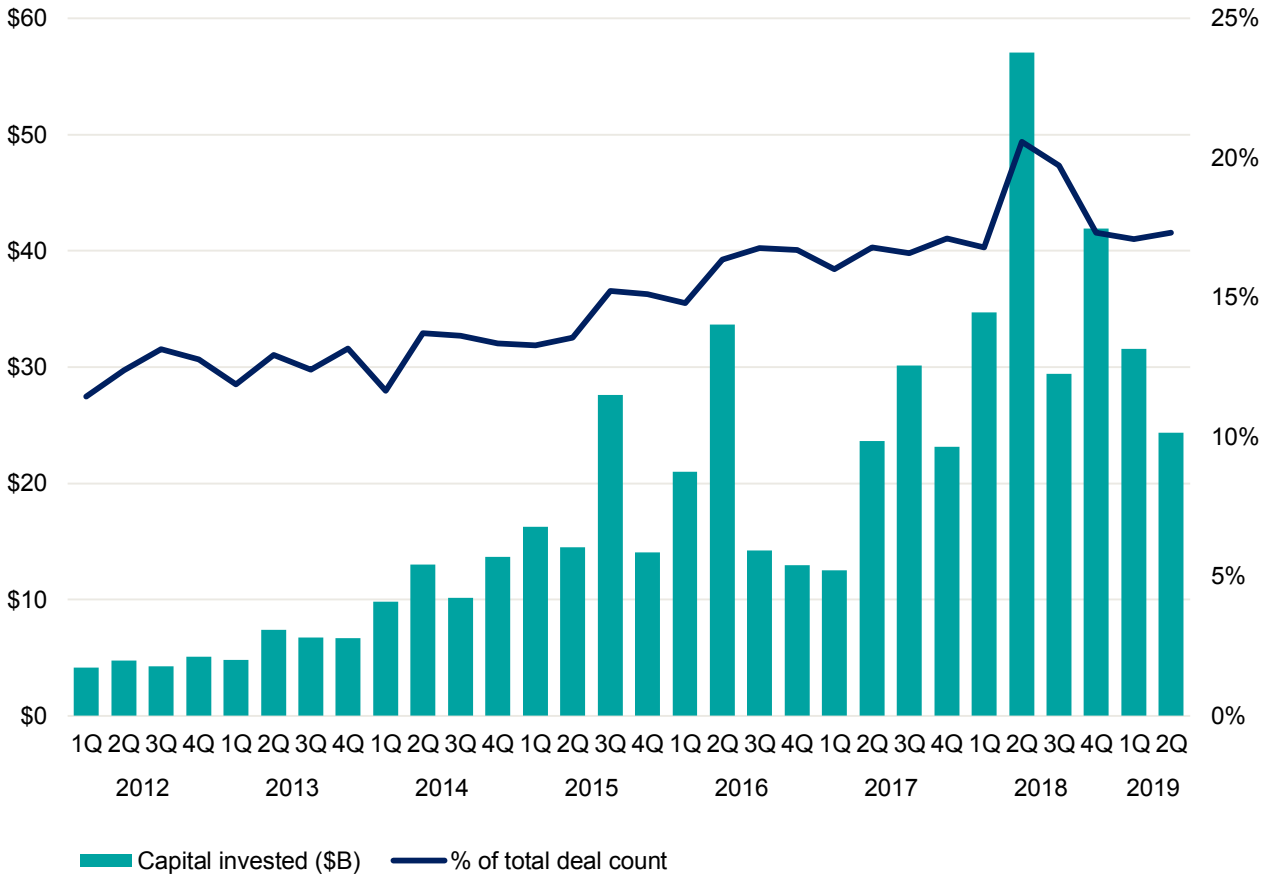


Kevin Smith

Co-Leader, KPMG Enterprise Emerging Giants Network, **KPMG International** and Head of Clients and Growth — National Markets, **KPMG Enterprise in the UK**

Corporates keep up the pace

Corporate VC participation in global venture deals 2012–Q2'19



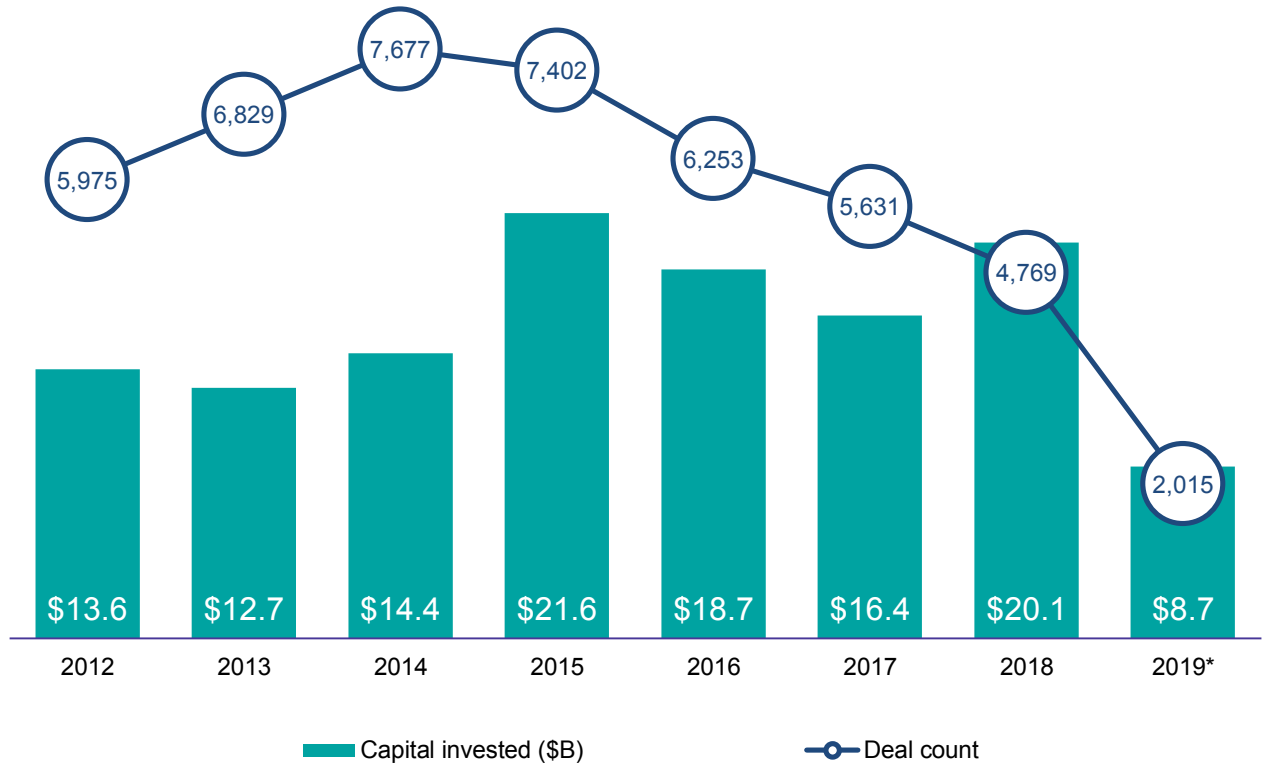
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

After a spike, activity on the part of corporates has by and large evened out. A spike in European activity helped contribute, but the longer-term paradigm for CVC participation has shifted as the venture model itself as matured, allowing for outsourcing of R&D as well as greater investment in earlier-stage companies as a strategic ploy to either supplant competition or pave the way for M&A.

Note: The capital invested is the sum of all the round values in which corporate venture capital investors participated, not the amount that corporate venture capital arms invested themselves. Likewise, the percentage of deals is calculated by taking the number of rounds in which corporate venture firms participated over total deals.

VC invested recovers slightly

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



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Once again, it is important to note that first-time financing data will likely be lagged somewhat and thus, there is likely to be a slow start to any year. But midway through the year, even if VC invested rebounded somewhat to potentially close at a respectable level, it is clear that the decade-long trend in diminishing volume is more driven by secular factors beyond the economics of VC. Alternative means of capital are definitely playing a role, with entrepreneurs able to fund their businesses through other means.

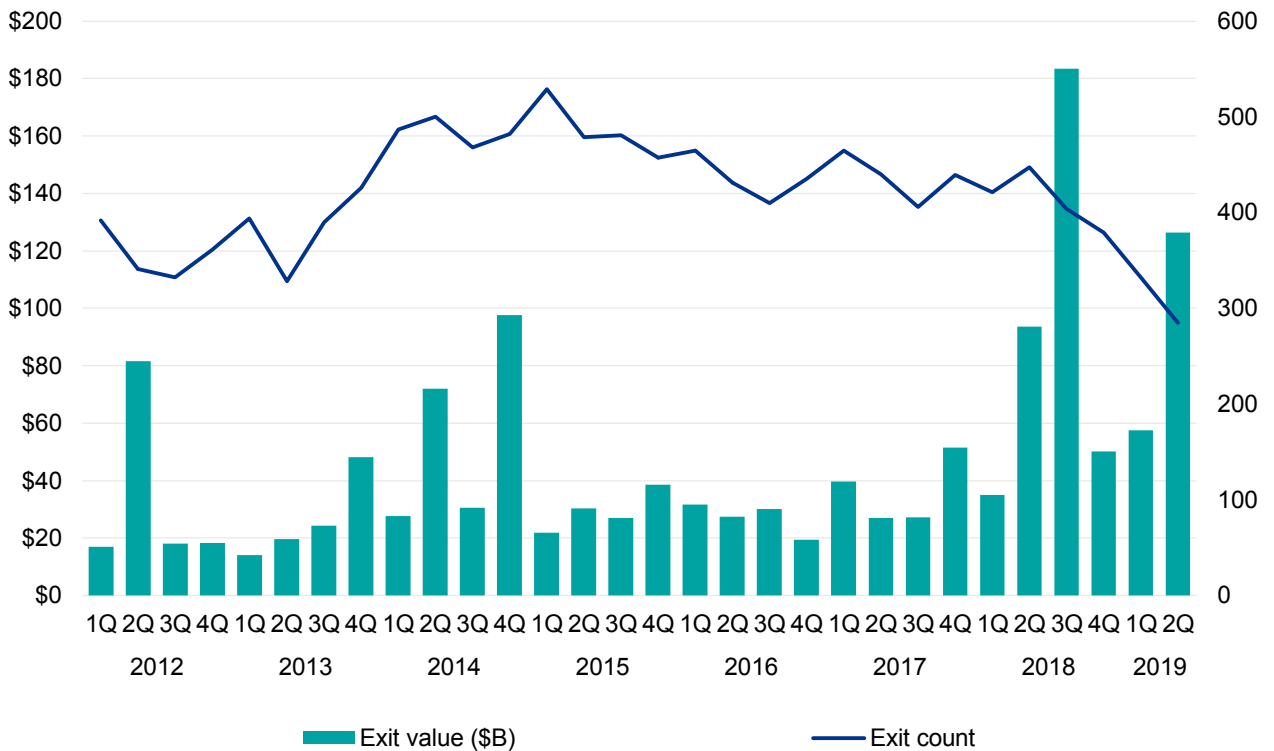
“The number of first-time financings globally declined again in the first half of the year as venture capital investors continued their efforts to de-risk their investment portfolios. However, while deal volume declined, the average deal size increased, as investors placed larger bets in the early-stage companies they felt were most worthy of their attention.”



Arik Speier
Partner, KPMG in Israel

Poised for unicorns' potential

Global venture-backed exit activity 2012–Q2'19

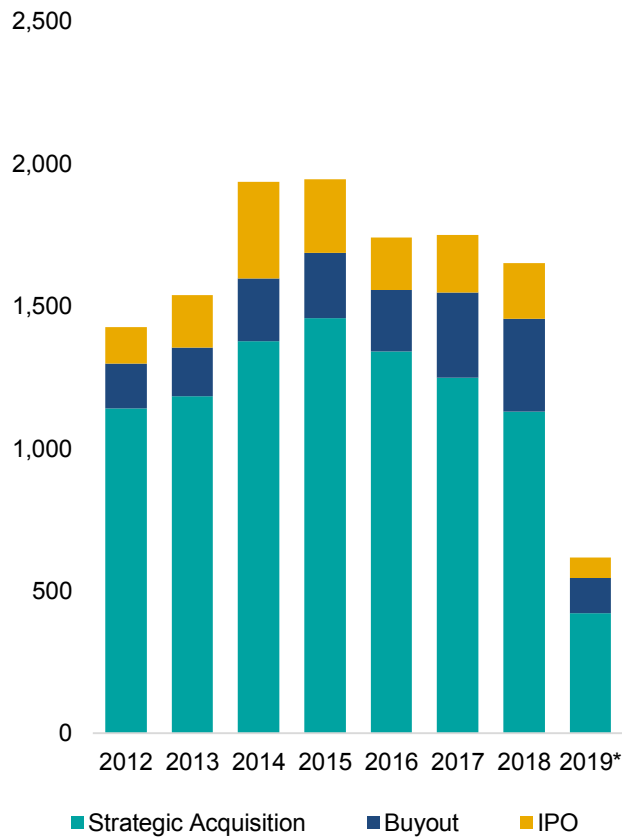


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

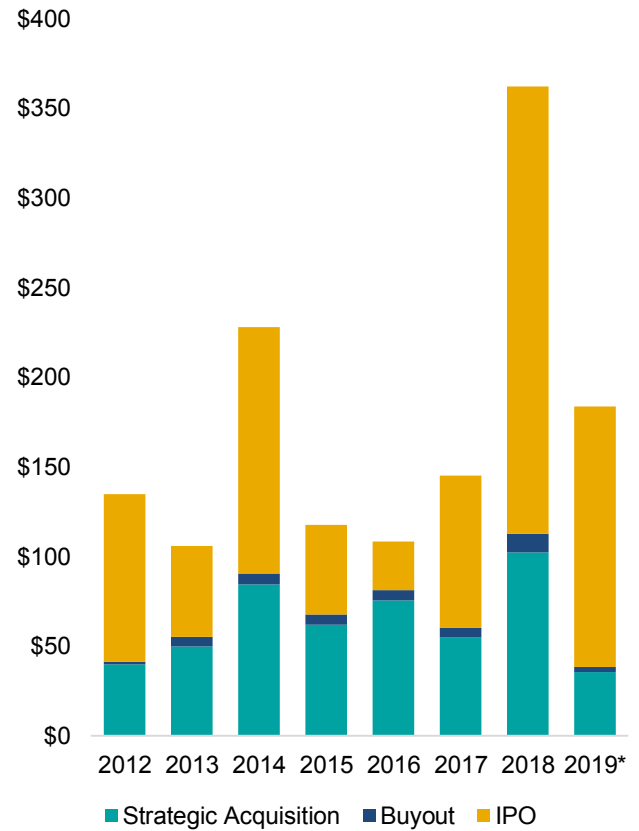
The prior edition of the Venture Pulse highlighted unicorns' potential; it is clear now just how much unicorns are contributing to overall exit trends for the industry. Despite exit volume being somewhat off the pace seen last year, value has soared to such a pitch that should this pace continue, a new high could be notched, even outpacing the \$362.1 billion logged last year. Granted, that is contingent on multiple more unicorns going public, but it isn't out of the realm of possibility.

IPOs maintain preponderant strength

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



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

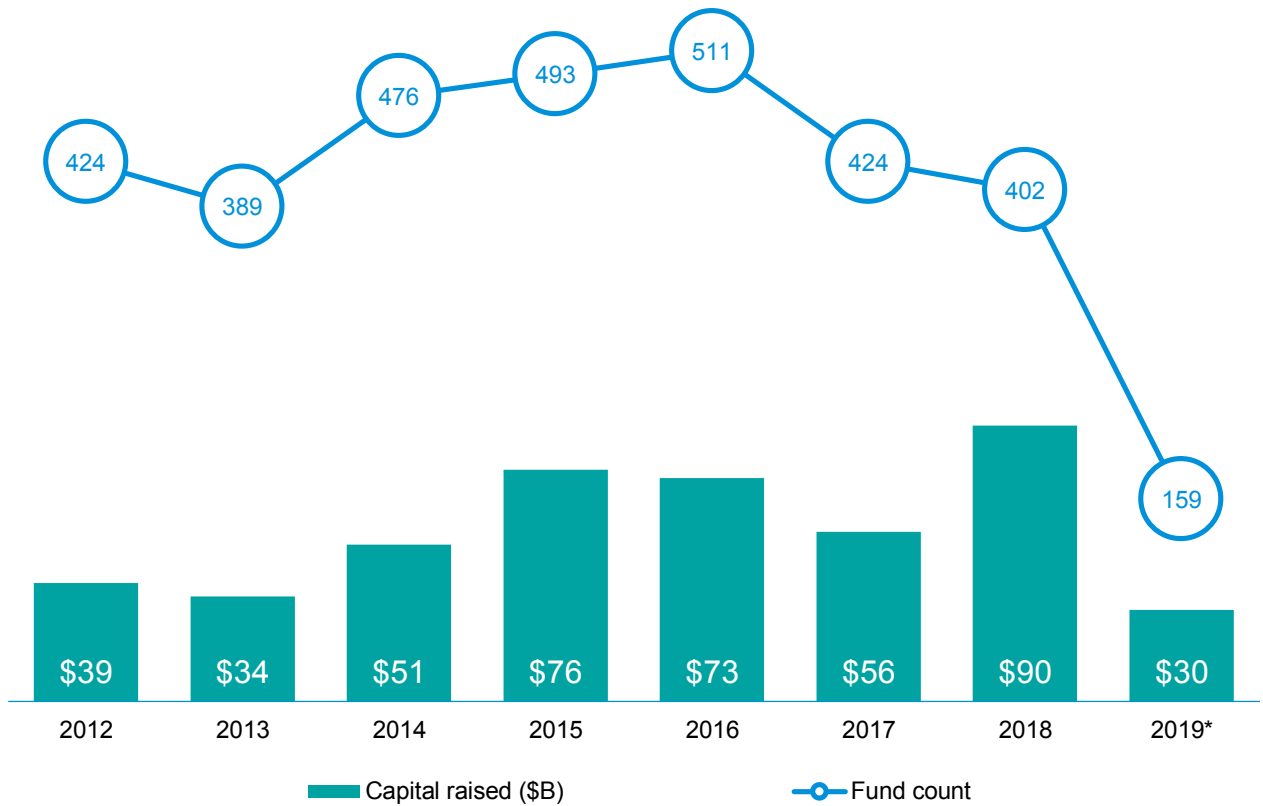


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

For sheer volume, M&A has always been the predominant exit route for venture-backed companies. Even with near-record IPOs in terms of exit value, that hasn't changed. Even without that many IPOs, however, thanks to debuts by the likes of Uber, Lyft, Slack, CrowdStrike, Zoom, Beyond Meat and more, IPO exit value has boomed once again in 2019.

Fundraising shows signs of slowdown

Global venture fundraising 2012–2019*

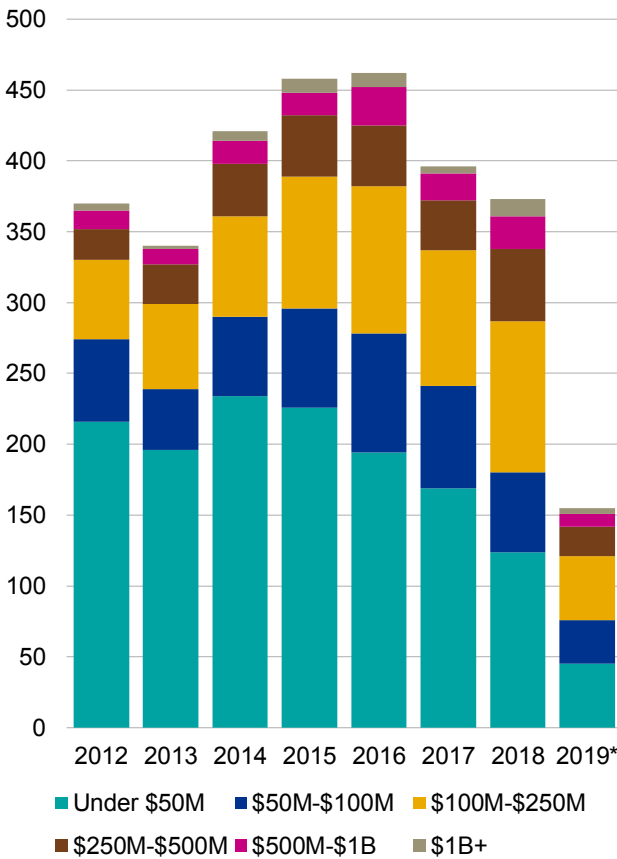


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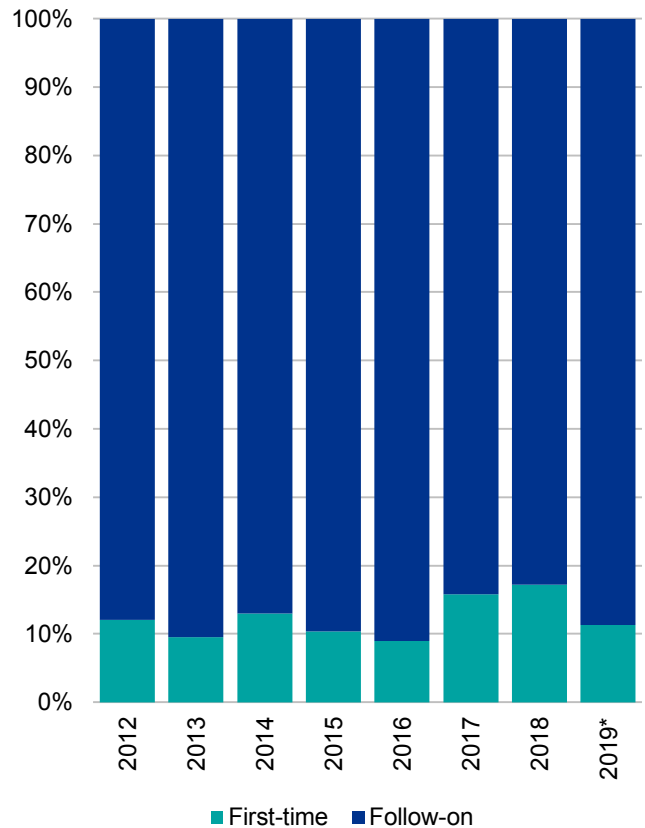
Fundraising held strong throughout 2018, and in fact has been remarkably healthy for quite some time. 2019, however, may see a bit more diminution in the cycle than expected, based on numbers thus far. Timing does play a role, of course, with more funds tending to be closed by year's end rather than necessarily in midyear. However after such a long run of hefty commitments from all limited partners, it is more than likely to expect a reversion to the mean, or even some slight diminution, especially in volume. VC raised is a different matter; some firms will still close mega-vehicles that skew multiple totals. Not all, of course; some firms will stay in their lane and repeat their prior success, as some of the firms that backed multiple exiting unicorns this year have already signaled.

Still chugging along, first-time funds stay below last year's proportions

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



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



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

In a more promising sign for the fundraising cycle overall, as well as the venture industry, first-time funds have not yet dwindled completely out of the market, even if their proportions are not quite as robust as they were last year, in terms of either VC raised or count. New entrants into the market will have a tough go of it, hence the figures aren't surprising. This is one of the most competitive venture landscapes in decades.

Cybersecurity in an ever-changing world

Cyber defenses are only as effective as they are current. Rapid changes in the technology people use demands rapid advances in security, but not always for the reasons expected. New technologies aren't being used by cyber criminals to launch new forms of attack, though this is likely coming, so much providing them with fresh vulnerabilities to exploit.

Both organizations and VC investors recognize the evolving requirements of cybersecurity. In 2018, a record \$1.7 billion in VC funding went to cybersecurity across 99 deals. By the end of Q2'19, over \$800 million in VC funding was raised by cybersecurity-focused firms. Understanding the opportunities and challenges of cybersecurity issues can help VC investors make more informed investment decisions.



A new vulnerability in the Internet of Things

The IoT represents a sea change in cyber vulnerability, and one that cybersecurity companies are having to move swiftly to address. The proliferation of connected devices means a proliferation of points of access. Cyber criminals can access systems through personal devices, smart watches, phones, security systems, home voice assistants, and even electric toothbrushes. They can also exploit industrial and commercial devices, such as telecommunications antennas, hospital devices, plant machinery, and farm feed bin monitors.

These devices are vulnerable regardless of whether they're connected to the internet or an internal network. In either case, the impact can be significant: the failure of a hospital oxygen distribution system, for example, or of a manufacturing production line.



The grey zone between fraud and cybersecurity

The media headlines tend to be reserved for highly sophisticated cyberattacks. But attackers have a strong preference for simpler methods. Not only do these require less effort, they can be just as effective. Simpler techniques often entail exploiting the area of greatest vulnerability in organizations: people.

One of the commonest areas of breach is credentials or information provided over the phone. An attacker, for example, might call a company's finance department claiming to represent a supplier. They may say that the supplier is changing bank accounts and claim to need some information in that regard. This is an approach that often works

Fraud and cybersecurity, though traditionally thought of as separate, are highly connected. An increasing amount of fraud is being committed in which criminals use impersonation to gain access to information systems and, from there, to bank accounts, transactions, or systems. At otherwise secure organizations, access to an IT employee's credentials can open a world of funds, data or intelligence for cyber criminals.

This overlap between fraud and cybersecurity is causing confusion around roles and responsibilities at some organizations. Chief financial officers, internal auditors or chief risk officers would traditionally tackle fraud issues, but what about fraud committed by cyber breach? Those individuals may not have the knowledge and skills needed to deal effectively with the problem, yet neglect or simply not think to call in the chief information or security officers who do.

Cybersecurity in an ever-changing world, cont'd.



AI and cybersecurity

Technology companies are increasingly using AI to add more functionality, depth, and value to their solutions. AI has also been adopted by cyber criminals, and we expect cyber attacks in the future be more and more sophisticated as attackers harness AI in order to imitate human behavior. The use of AI is also growing in cyber defense companies, utilizing AI based solutions to detect as well as prevent cyber attacks.



A strong cyber defense demands more than technology

Despite steady increases in their investment, businesses are less satisfied than ever with their cyber defenses. They have proven ready customers for the array of cybersecurity technologies and tools firms have on offer. Large corporations today may have upwards of 70 to 100 of these installed. Even for the experts, the range of solutions available to choose from can be confounding.

Rather than seeking to plug every possible leak in the dam, however, the best chief information security officers and cybersecurity companies are taking a more strategic, business-level view, similar to that taken by the attackers themselves. They're stepping back and looking at cybersecurity as an enterprise-wide issue rather than as a single technology problem. They're asking where the greatest assets and risks lie, which areas need the greatest protection, how attackers are mostly likely to break in, and what the business implications of a breach might be.

Further, the leaders in cyber are working to anticipate change. They attempt to answer questions that haven't been asked, yet: analyzing market trends and looking at how cyber attackers in the future might exploit vulnerabilities. It remains important for organizations to continue to test, erect, and maintain fire walls. But the broader their perspective and the better their global understanding of cyber threats, the better informed and effective their cyber defense will be.

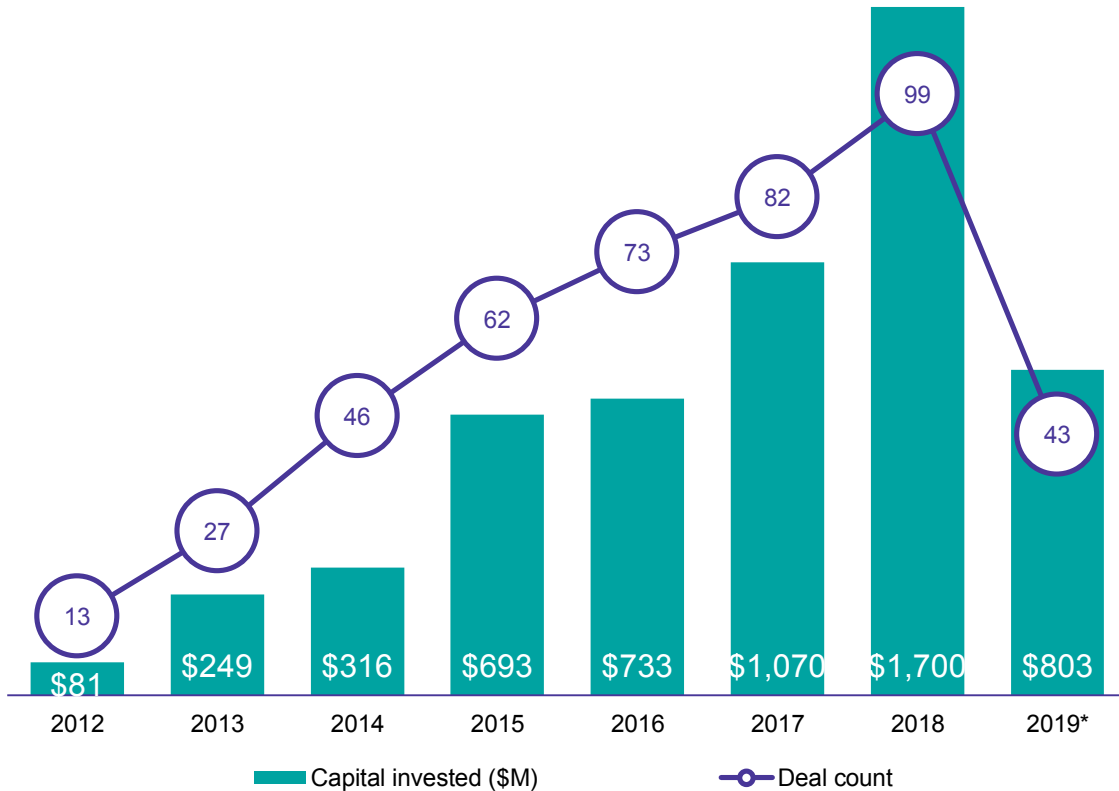


Israel continues to be a global cyber leader

Israel has established itself as one of the world's leading sources of cybersecurity technology, expertise and personnel. The country owes its leadership in part to the significant technology investments made in the past decade by the army and the skill-sets the army has fostered in those serving their required service. Several Israeli cybersecurity firms have grown into major players, expanded, and thrived abroad as a result.

Security's surge

Global venture activity in cybersecurity & AI/ML 2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

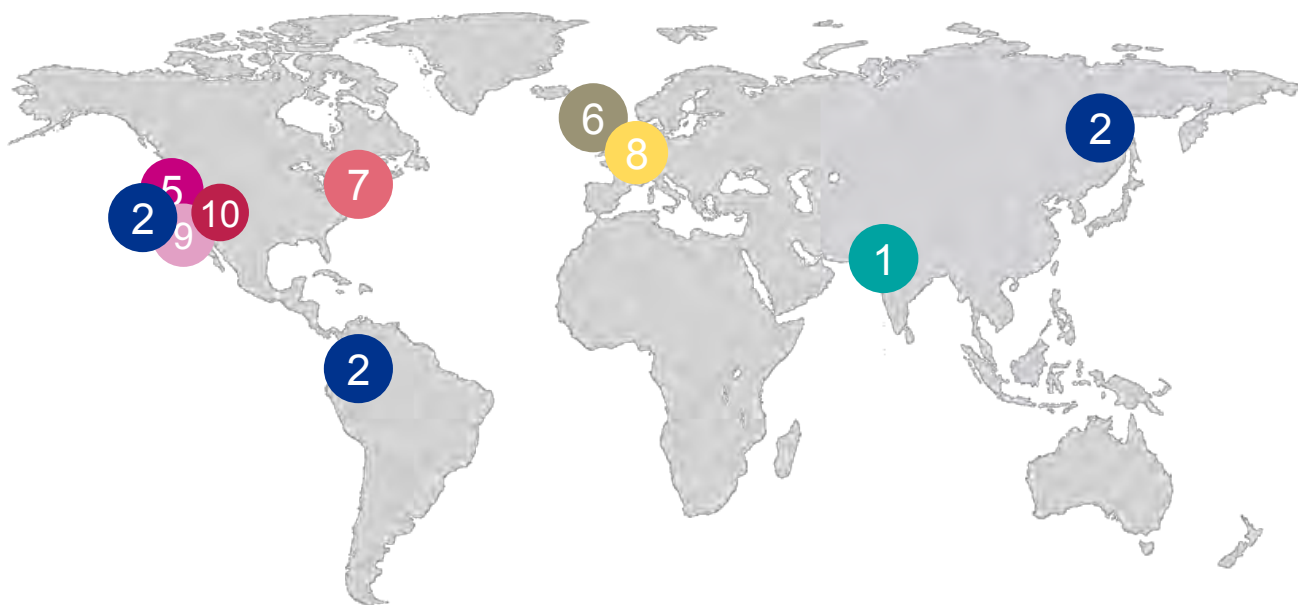
Artificial intelligence and machine learning is not necessarily new conceptually. However only in the past decade or so have advances in computing begun to yield significant advantages to harnessing the power of intelligent algorithms in automating key processes. A natural venue for such automation is the realm of cybersecurity, where the nature of the technology lends itself to processes and procedures at scale in order to thwart brute-force attacks and other threats predicated on scale as well as subtlety by leveraging the weakest point in a chain of security. Although technically difficult, the field is appealing enough it has not yet dissuaded VCs from pouring more money into it, and maintaining a healthy clip of dealmaking thus far in 2019.

“We’ve seen a tremendous explosion in the number of cyber security firms, not only in Israel but globally, as organizations and individuals struggle to protect themselves in an increasingly interconnected world. Venture capital has continued to flow, but with so many companies vying for investment — great technology will not be enough, and venture capital attention will go to companies that can also provide the business story around it.”



Roni Michael
Head of Technology Consulting, KPMG in Israel

Fewer mega-deals in Q2



Top 10 global financings in Q2'19

- | | |
|---|--|
| <p>1 OYO Rooms, \$1,100M, Gurgaon
Application software
<i>Series E</i></p> | <p>6 Deliveroo, \$575M, London
Application software
<i>Series G</i></p> |
| <p>2 Rappi, \$1,000M, Bogota
Internet retail
<i>Late-stage VC</i></p> | <p>7 UiPath, \$568M, New York
Automation/workflow software
<i>Series D</i></p> |
| <p>2 JD Health, \$1,000M, Beijing
Platform software
<i>Late-stage VC</i></p> | <p>8 AUTO1 Group, \$535.9M, Berlin
Automotive
<i>Late-stage VC</i></p> |
| <p>2 Flexport, \$1,000M, San Francisco
Logistics
<i>Late-stage VC</i></p> | <p>9 SpaceX, \$535.7M, Hawthorne
Aerospace & defense
<i>Series K</i></p> |
| <p>5 DoorDash, \$600M, San Francisco
Application software
<i>Series G</i></p> | <p>10 SoFi, \$500M, San Francisco
Consumer finance
<i>Series H</i></p> |

Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.
Note: Northvolt's \$1 billion financing was not included as that transaction was classified as corporate financing, and thus was not a venture deal.

***In Q2'19 US
VC-backed
companies raised***

\$31.5B

across

2,379 deals



VC investment in the US remains robust in Q2'19 as high profile companies IPO

VC investment in the US was robust in Q2'19, a reflection of the strong economy in the country, the performance of the public markets, and the projection for lower interest rates. While there are a number of issues creating noise in the US market, such as the ongoing trade dispute with China, the US economy has remained quite buoyant. With a significant amount of private capital still available in the market, VC investment is expected to continue at a solid pace into the next quarter.



Diversity of investments helps spur US VC investment

VC investment in the US continued to diversify in Q2'19. Logistics, food delivery, aerospace, consumer durables: the myriad of sectors and verticals represented in the US top deals list this quarter showcases how VC investments are becoming the norm across industries and verticals. Unlike in previous quarters, there was no truly dominant sector of investment in Q2'19, although at a technology level, artificial intelligence continued to be a very hot area for VC investment.



New unicorn births highlight investor focus on late-stage deals

During Q2'19, the US saw 19 new unicorns birthed across a variety of sectors, including fintech (e.g. StockX, Carta, Bill.com), data management (e.g. Sumo Logic, Druva), cleantech (e.g. Sila Nanotechnologies), edtech (e.g. Coursera), cybersecurity (e.g. KnowBe4), and others. The growing number of new unicorns reflects the propensity of VC investors to focus on late-stage deals, the fact companies are remaining private longer, and the abundance of capital in the US VC market.



Interest in meat alternatives skyrockets in Q2'19

Vegan hamburger and sausage company Beyond Meat held a wildly successful IPO in Q2'19, with stock prices rising more than 550% since trading began in May. During the quarter, Impossible Burger also raised a \$300 million funding round. The success of these two companies highlights the growing interest of investors in meat alternatives that align with the social consciousness of the millennial and post-millennial generations. It is expected that there will continue to be active investor interest in these types of sustainable food alternatives, although investors will likely be watching companies' costs and results over the next few quarters to determine if their value propositions are truly profitable.



Investors racing toward autonomous vehicles

Autonomous vehicles and related enabling technologies continued to be a hot topic for VC investors in Q2'19, with a significant amount of funding pouring into the space. During Q2'19, Cruise, GM's autonomous driving unit, raised \$1.15 billion from GM, Honda, and Softbank's Vision Fund². Corporate investment is dominating the autonomous driving field as companies race to get ahead of their competition.



Strong IPO activity, except in fintech

Q2'19 saw a continuation of IPO exits in the US by prominent tech companies and the market in the US remained robust. In addition to Beyond Meat's successful IPO, video conferencing company Zoom, SaaS firm Pagerduty, social media platform company Pinterest, and cybersecurity firm CrowdStrike also made strong gains post IPO. IPO activity is expected to continue to be strong heading into Q3'19 as long as the US economy remains stable.

² <http://www.thedetroitbureau.com/2019/05/gms-cruise-unit-gets-additional-1-15b-in-new-funding/>

VC investment in the US remains robust in Q2'19 as high profile companies IPO, cont'd.



M&A space booming as companies consider exit options

In Q2'19, the M&A space saw significant activity, led by Salesforce's \$15.7 billion acquisition of data visualization company Tableau and Google's \$2.6 billion acquisition of data science company Looker. A number of mature technology companies have taken a dual-track approach to making their exit, filing confidentially for IPO as a means to let corporates know they are potentially for sale. This flexible exit approach has helped heat up M&A activity in tune with the accelerating IPO market.

On the M&A front, however, there could be some overhang at least for the big five, Google, Microsoft, Amazon, Apple, and Facebook because of the recent step up in regulatory pressures coming out of Department of Justice and FTC investigations. These companies may hold off on making significant M&A deals until they gain more visibility into how the regulatory issues might play out and the ramifications for their organizations.

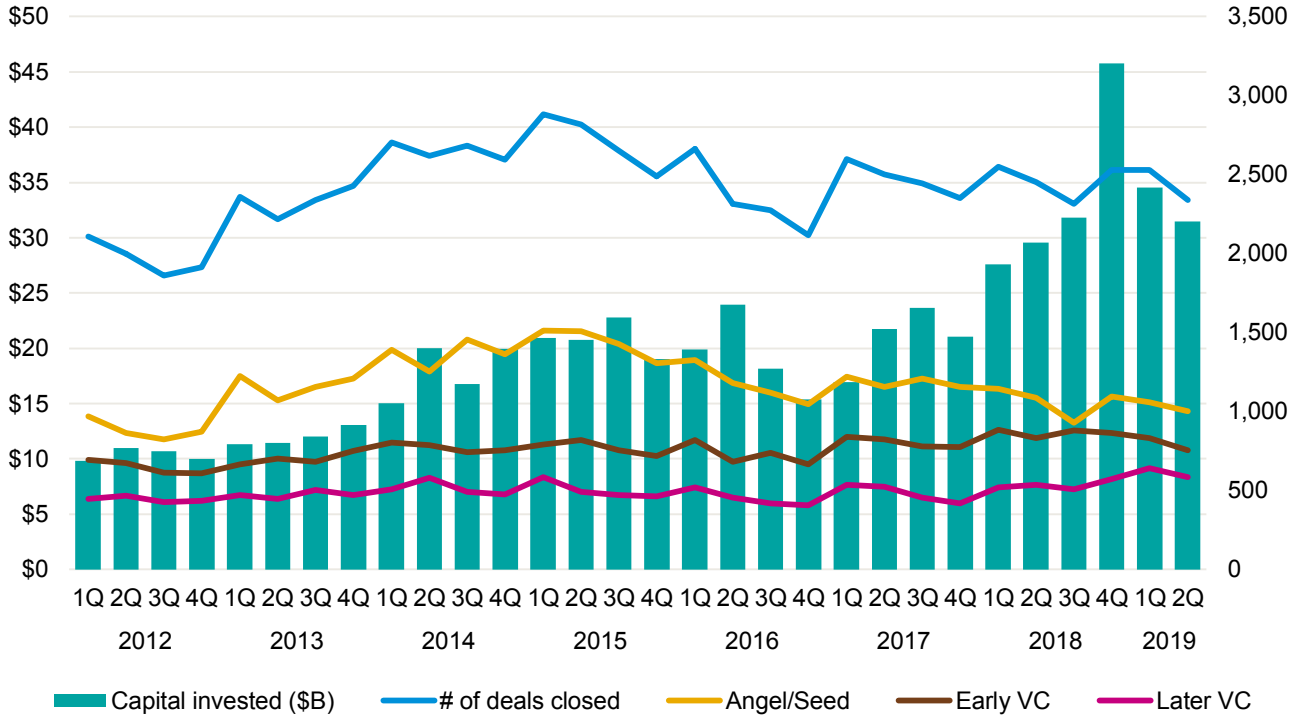


Trends to watch for in the US

The outlook for both VC investment and IPO activity heading into Q3'19 is very positive for the US as long as there are no significant market corrections. Investment is expected to continue to diversify across sectors, although fintech, healthtech, and food delivery will likely continue to see strong investments. At a technology level, AI is expected to remain the hottest area for VC investors. There is also increasing willingness on the part of traditional funding organizations to do business with cannabis firms, which could spark more VC investment in the space.

2019 maintains strong 2018 figures

Venture financing in the US 2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

The US still is recording strong figures across the board, whether in volume or VC raised. At this point, it is clear the venture industry in its birthplace is evolving, with the atomization of seed-stage fundraising as well as ongoing mega-fundraises contributing to intensifying competition in dealmaking, as well as proliferation into new industry niches.

“The autonomous car space has turned into a race, and the only way to be successful in the race is to put a significant amount of capital into it. There are a lot of startups out there, but there will likely only be a few survivors. The prominent players in this space are incredibly diverse, from Uber to Google to car manufacturers themselves, with equally diverse monetization strategies. This makes for a fascinating next 12 months.”

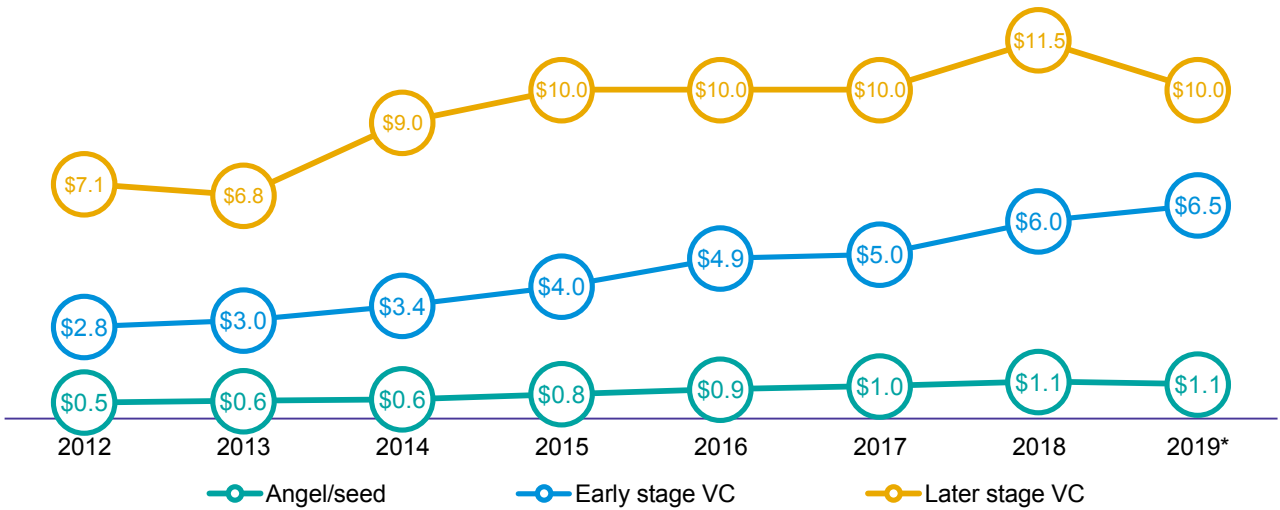


Conor Moore
National Co-Lead Partner, KPMG Venture Capital Practice, **KPMG in the US**

The late stage slides ever so slightly

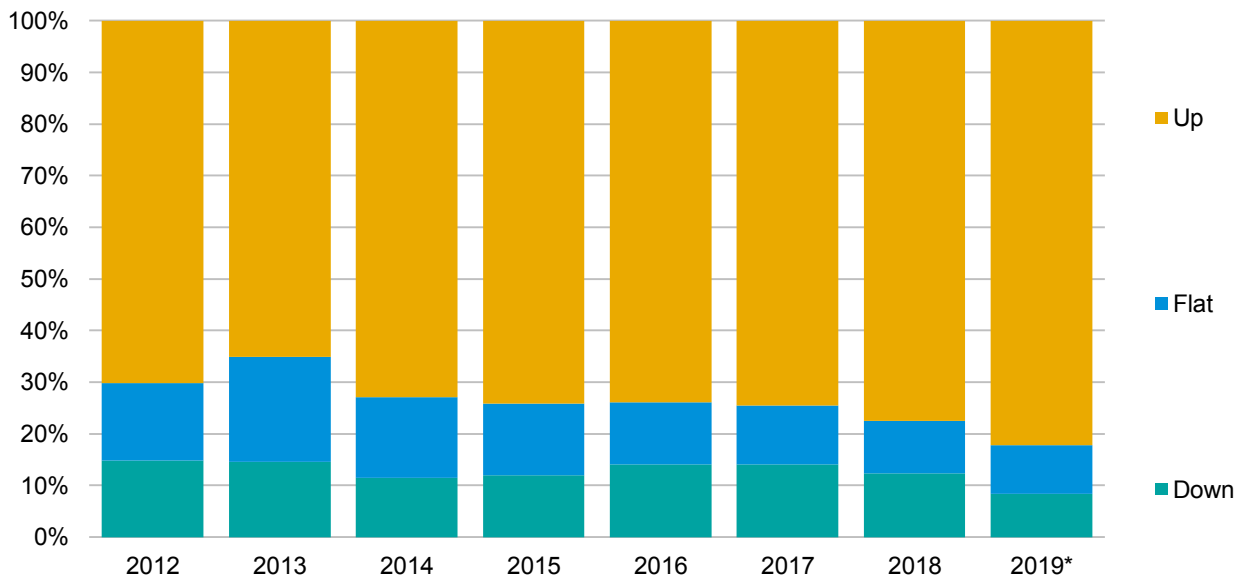
Median deal size (\$M) by stage in the US

2012–2019*



Up, flat or down rounds in the US

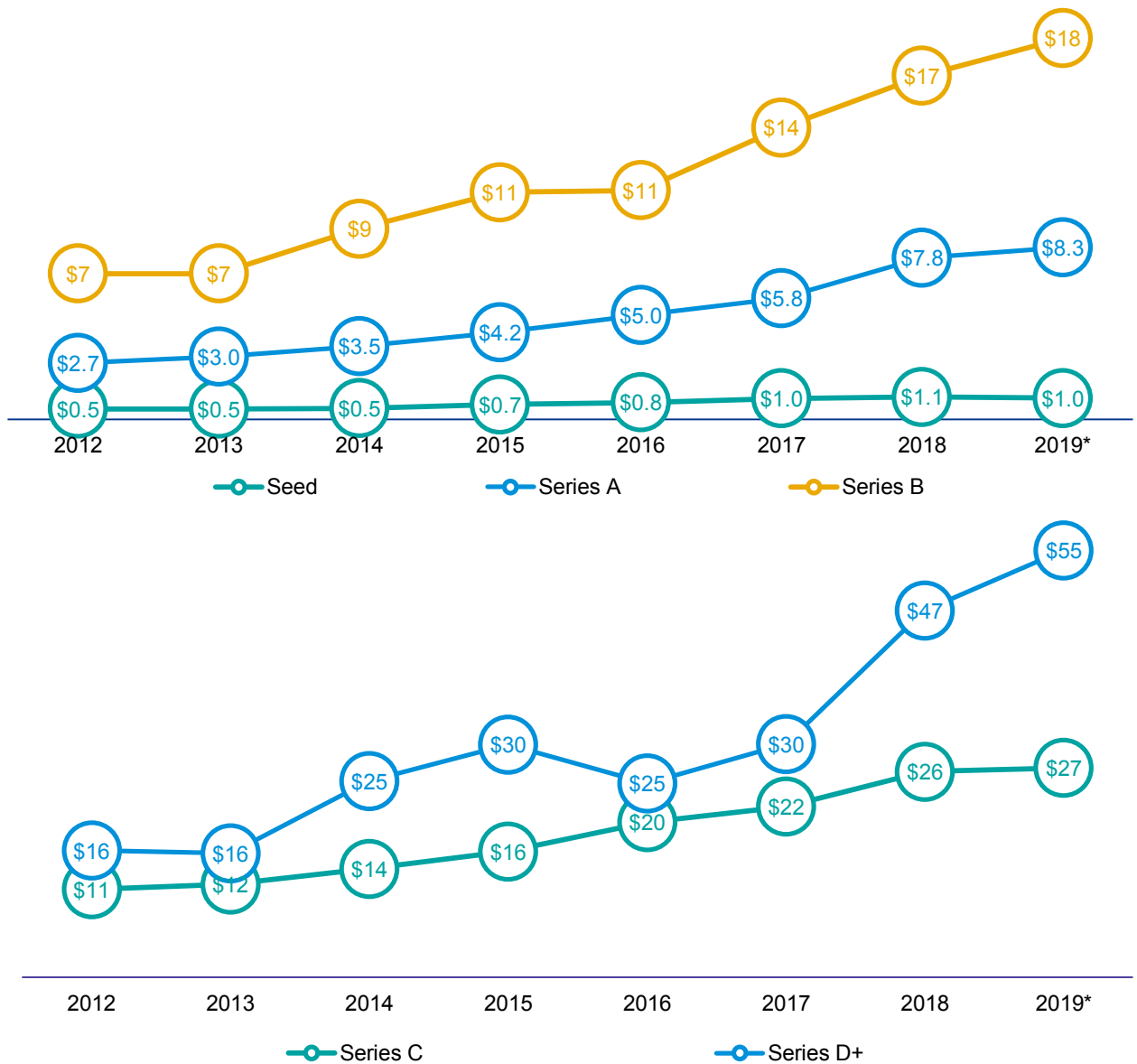
2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Series D+ records largest relative increase thus far

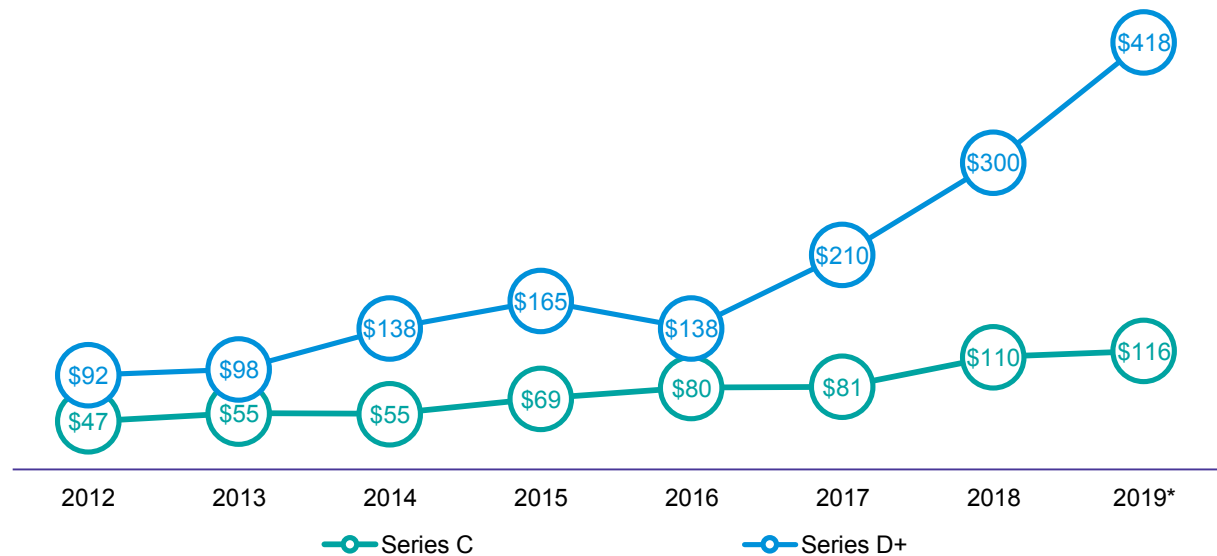
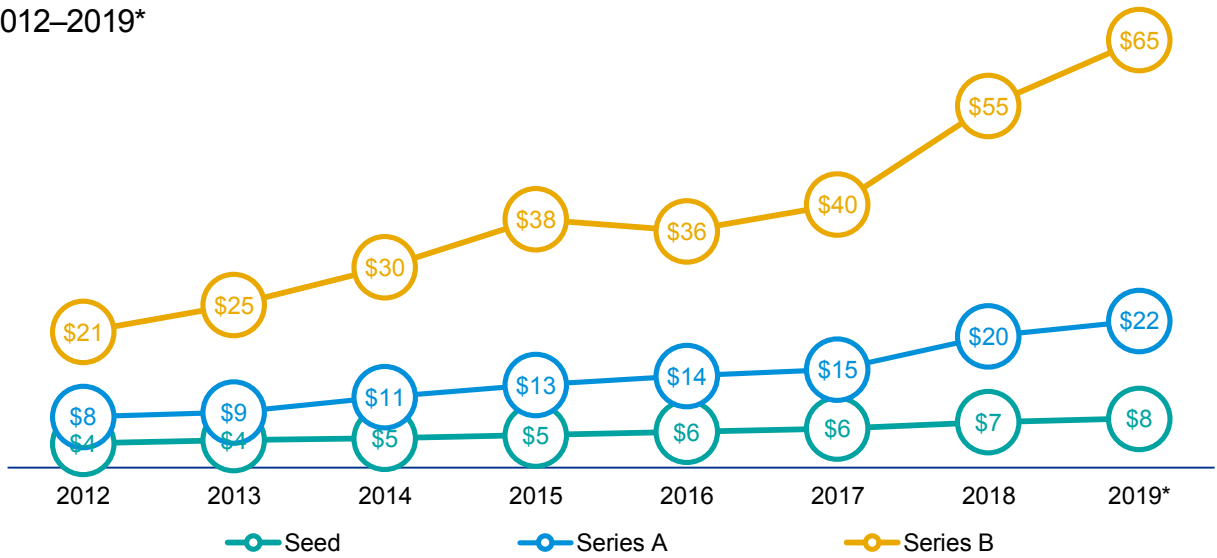
Median deal size (\$M) by series in the US
2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.
Note: Figures rounded in some cases for legibility.

Valuations stay at or near all-time highs

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



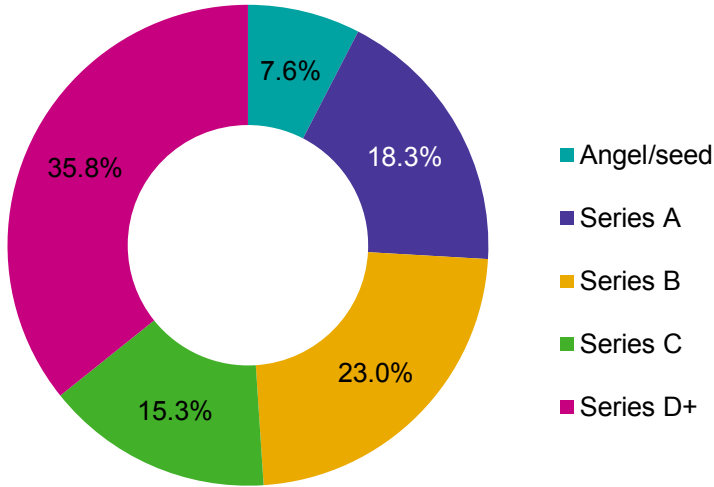
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Note: Figures rounded in some cases for legibility.

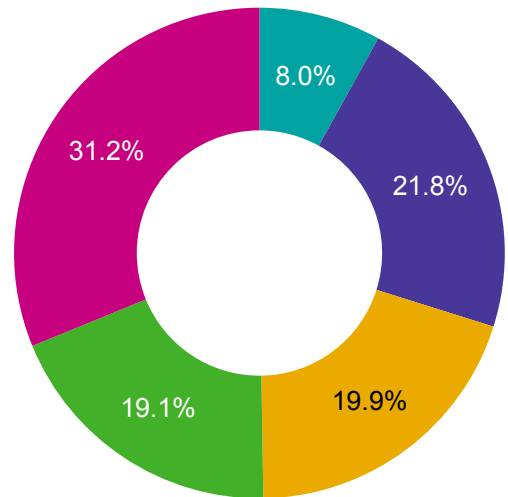
Although it is growing dangerously close to beating a dead horse, it is clear that private valuations remain at near unprecedented highs, similar, if not eclipsing those seen in the dot-com mania. The primary driver of this abundance of capital is the amount of capital that has flowed into the venture space, by and large; attendant success on the part of unicorns will only continue to encourage at a minimum the maintenance of such largesse.

Deal value tilts more heavily toward late stage

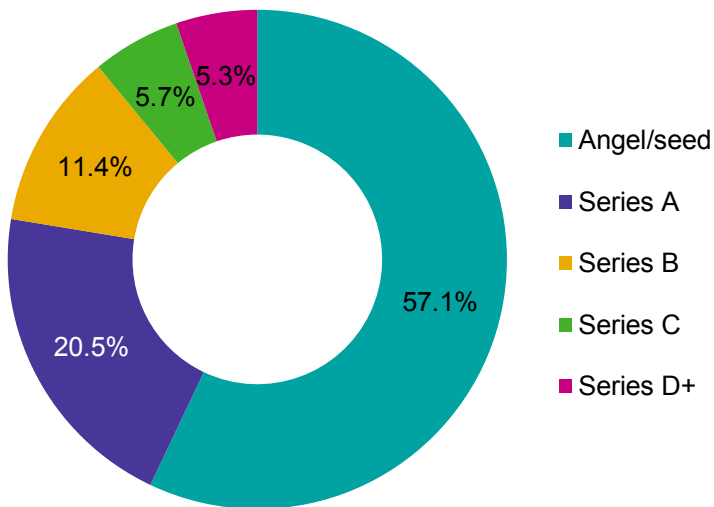
Deal share by series in the US
2019*, VC invested (\$B)



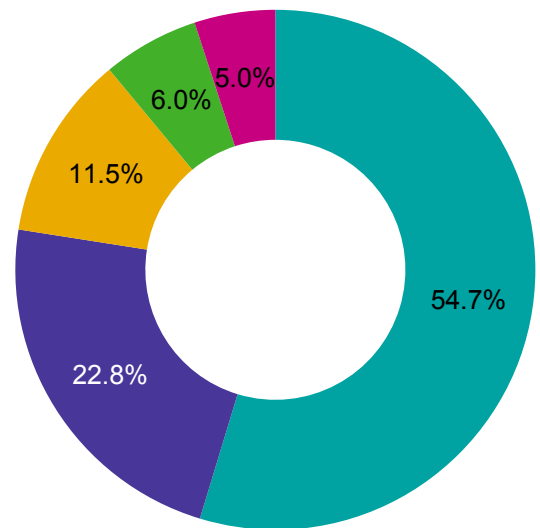
Deal share by series in the US
2018, VC invested (\$B)



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



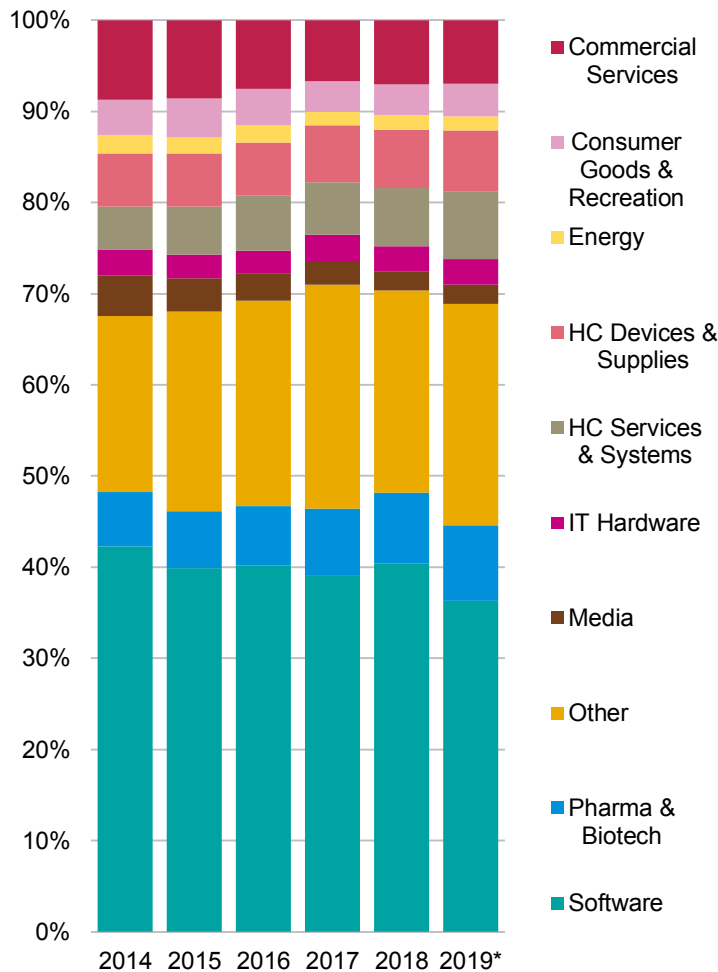
Deal share by series in the US
2018, number of closed deals



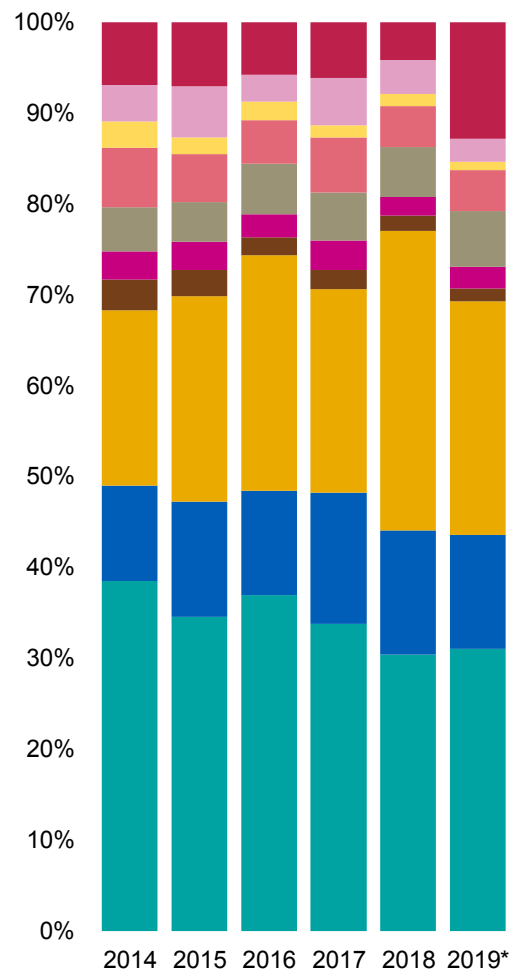
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

The healthcare ecosystem holds onto gains

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



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

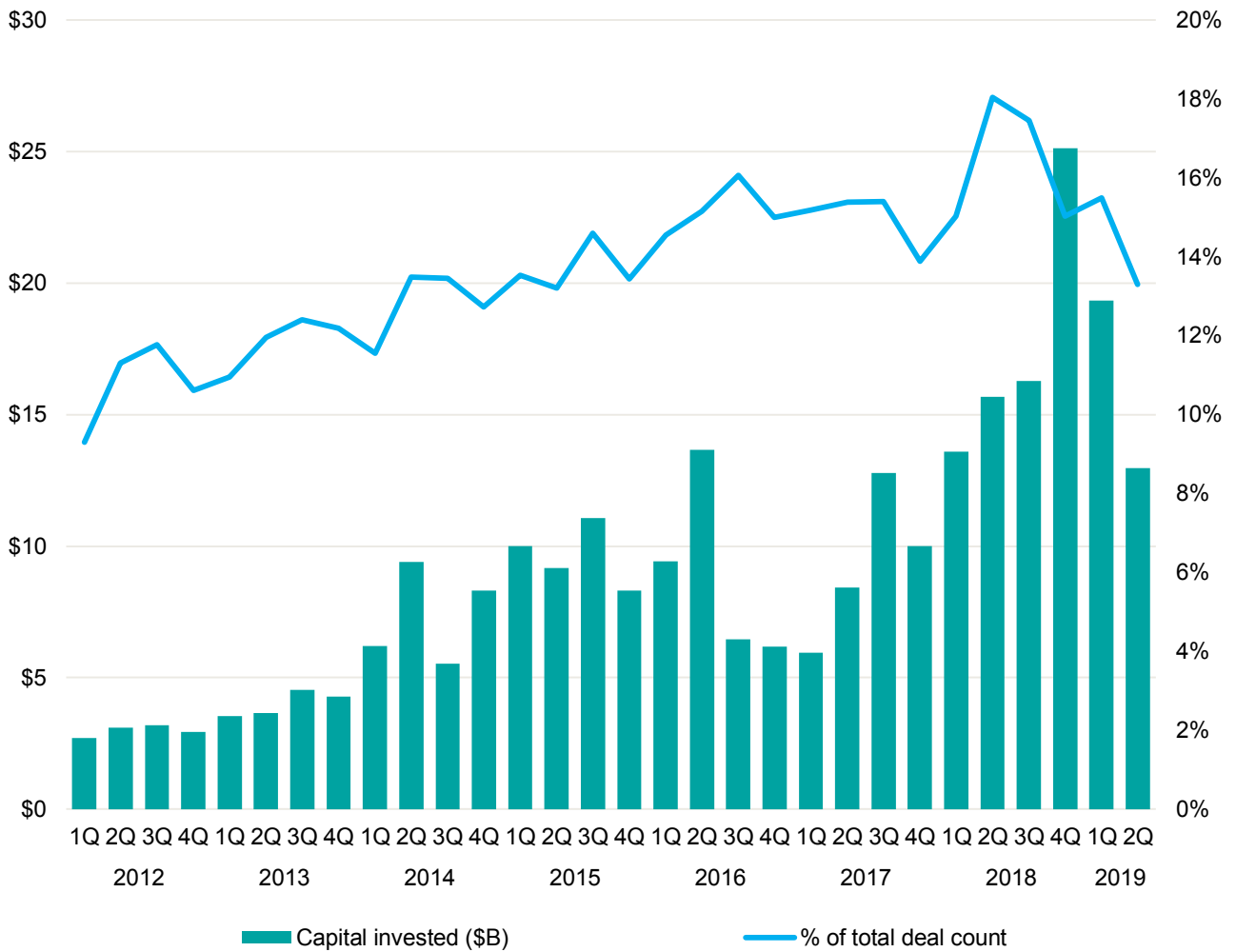


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Software may remain the single plurality, but it's interesting to note how the healthcare ecosystem beyond pharma & biotech, even, continues to draw in not only significant flows of capital but resilient proportions of volume overall.

CVC participation stays strong, relatively

Corporate participation in venture deals in the US 2012–Q2'19

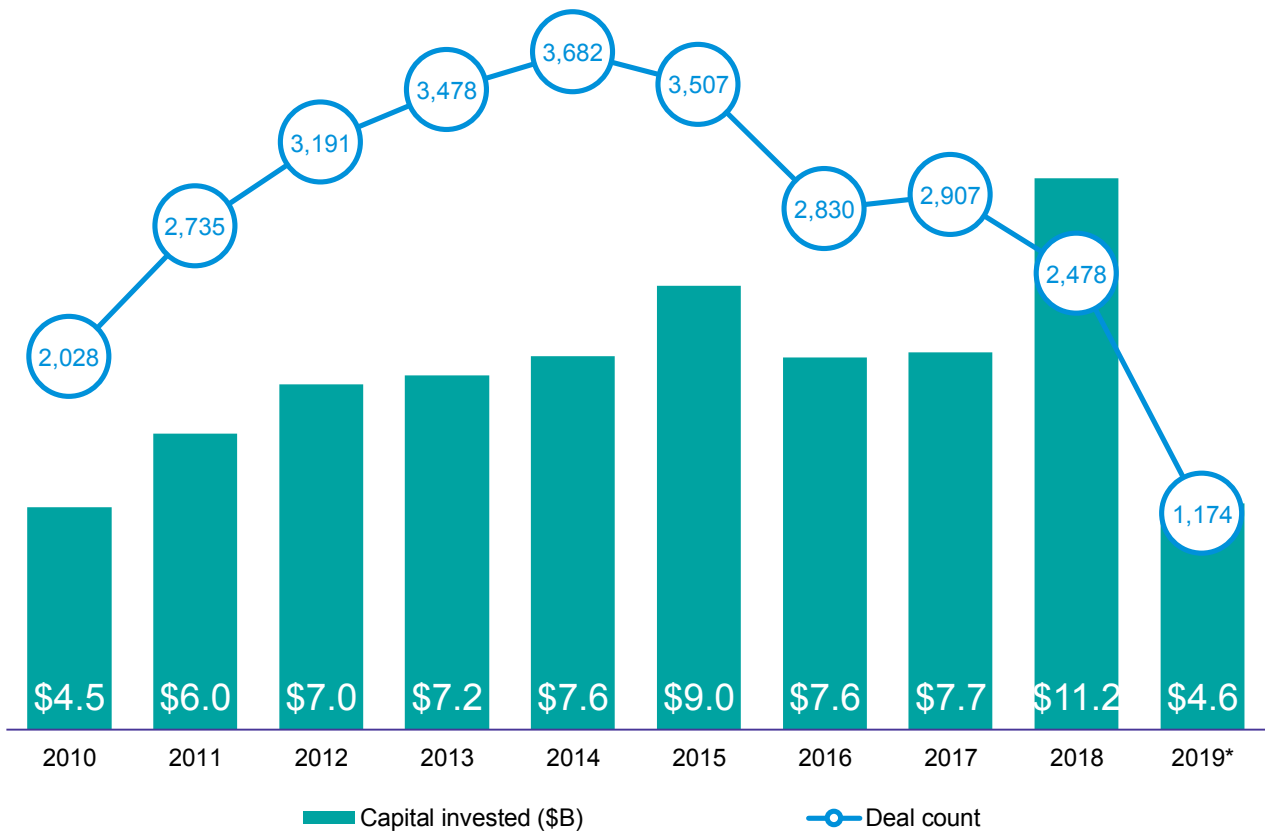


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

Edging up above longer-term averages as of late, corporates' participation now is evening out, over the past two and a half years. It remains to be seen if this will increase or flatten further; most corporations for which it makes sense to have a CVC have already launched or maintain such vehicles, and, moreover, their model is less about aping traditional VC strategies and rather strengthening their own R&D and core offerings over the long term, rather than ramping up pure investing.

Maturing innovation & VC cycles collide

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



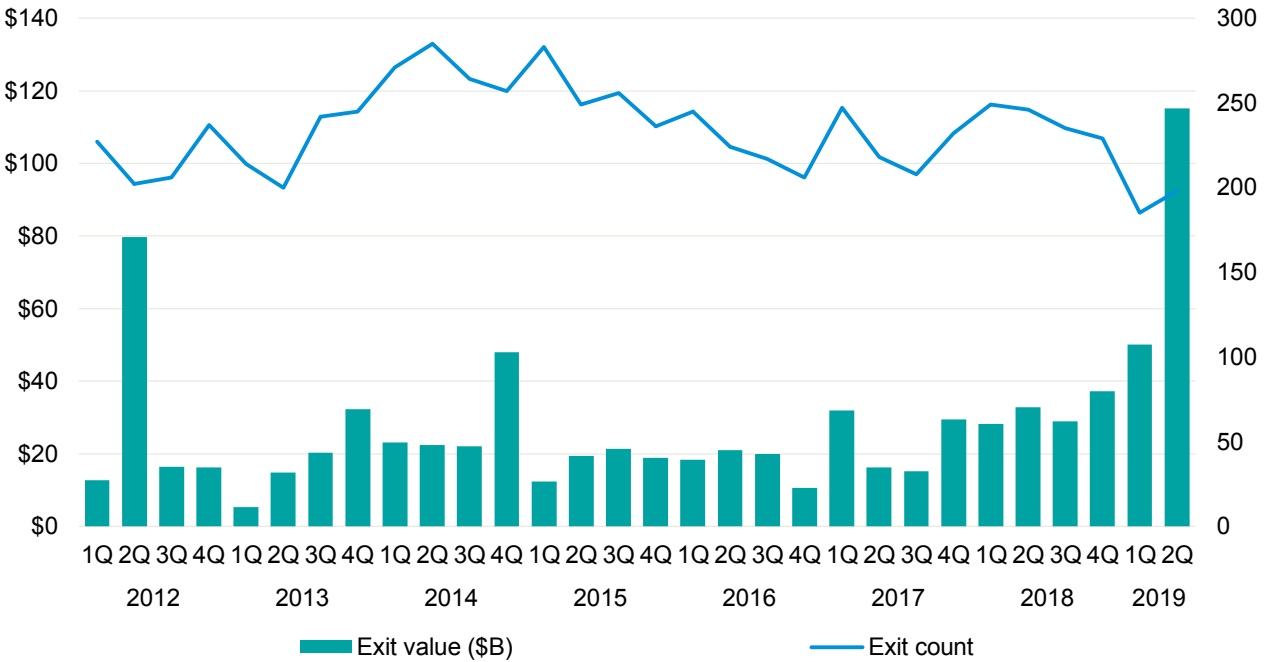
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Looking back at 2018 totals for first-time financing volume, given the pacing throughout that year, it was clear that the final figure would be more in line with pre-2011 tallies than anything else. VC invested soared to a new high for the decade, however, bolstered by several outlier financings. Thus far, VC invested is still rather strong given the tally of fewer than 1,000 first-time financings, which provides a clue as to why the cycle has diminished. As the VC industry has matured, while simultaneously the wave of innovation unleashed by digitization and smartphones has slowly ebbed, more dollars and entrepreneurial effort is being funneled into the extant ecosystem rather than necessarily at the confluence of angel or seed VC dollars and brand-new startups. In addition, more forms of alternative capital — rather than VC — have proliferated, further impacting the overall trend.

Exits exceed 2018 after historic debuts

Venture-backed exit activity in the US

2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

2018 recorded a massive haul for venture backers and multiple companies, but with 2019 set to go down as the year the unicorn herd finally began stampeding for the exits, this year has dwarfed 2018 tallies with ease. Given the mammoth debuts of Uber, Lyft, Zoom, Slack, Beyond Meat and more, and tallying up their valuations, a new quarterly record was set in Q2 for exit value overall.

“For the first half of the year the IPO market for VC backed companies has been very strong and many of them have had strong performance. Just look at the returns for Beyond Meat , Zoom, Pagerduty, Pinterest and Crowdstrike to name a few. As long as the overall market remains stable and there is no macroeconomic event , we should continue to see a significant number of VC Backed IPO’s for the remainder of the year.”

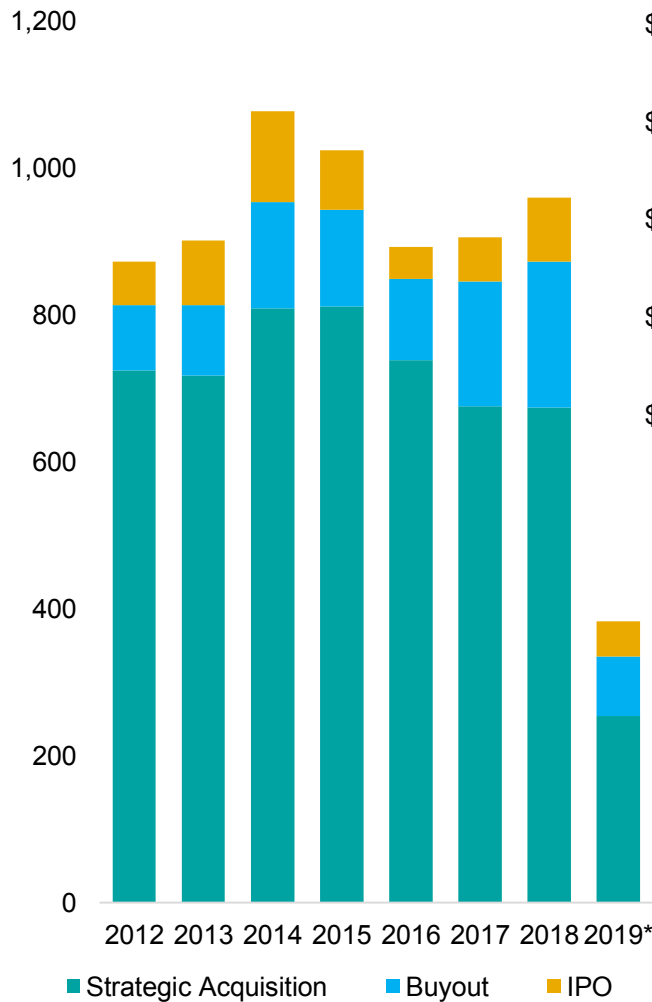


Brian Hughes

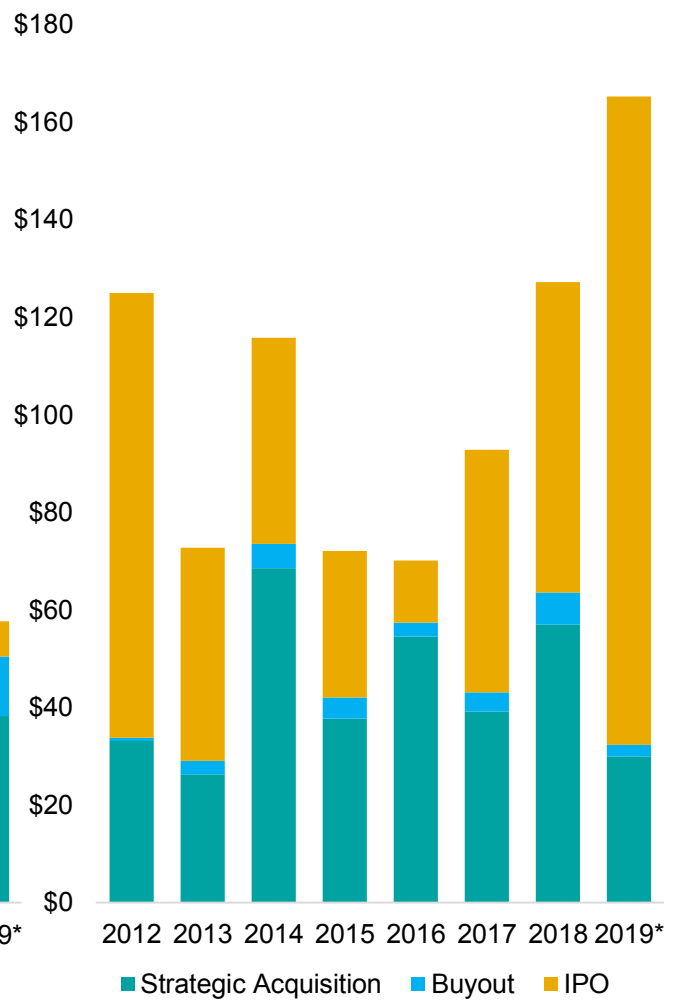
Co-Leader, KPMG Enterprise Emerging Giants Network, **KPMG International** and National Co-Lead Partner, KPMG Venture Capital Practice, **KPMG in the US**

2019 is proving to be the year of IPOs

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



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



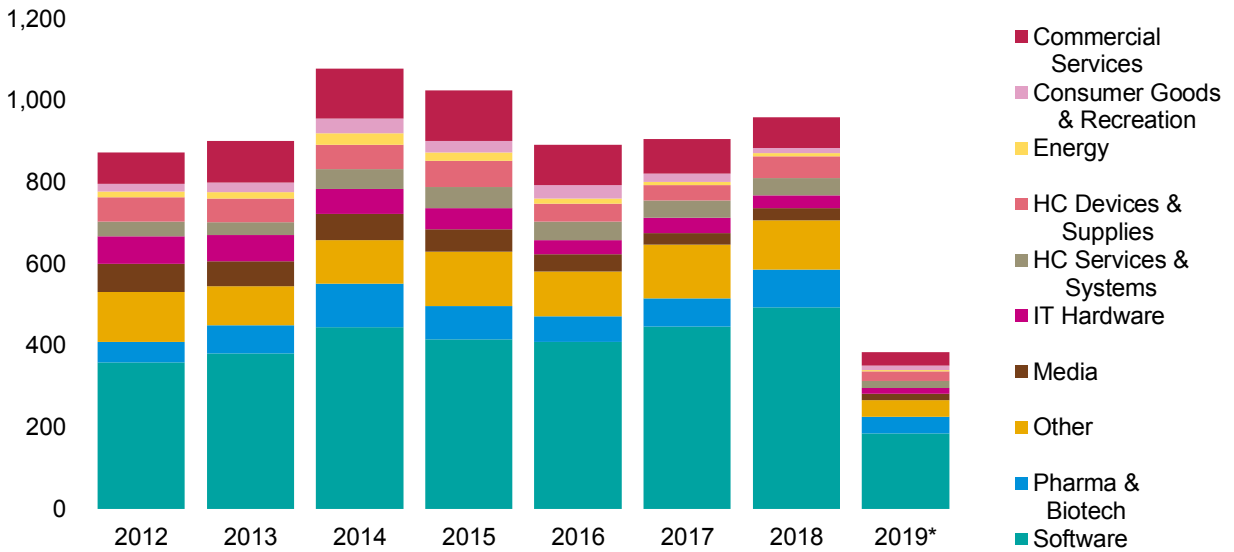
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Given the methodology shift incorporated in the prior edition of the Venture Pulse, wherein IPO exit value now is more accurately predicated on exit valuation, it is clear that unicorn IPOs will help 2019 go down as a record year for US venture-backed exits.

Cross-sector offerings continue to drive exits

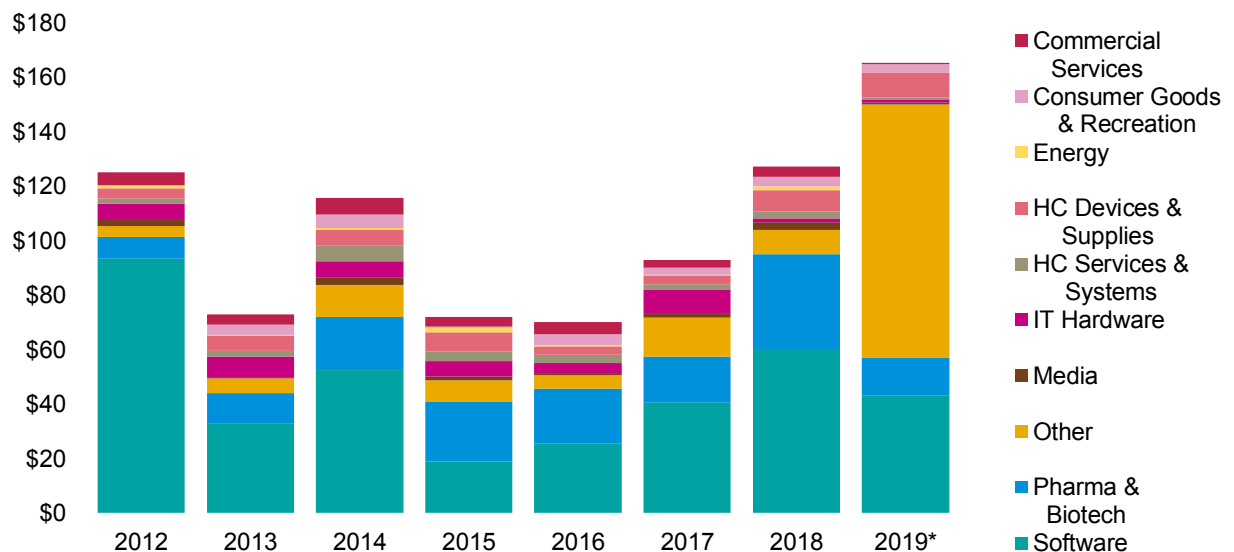
Venture-backed exit activity (#) by sector in the US

2012–2019*



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

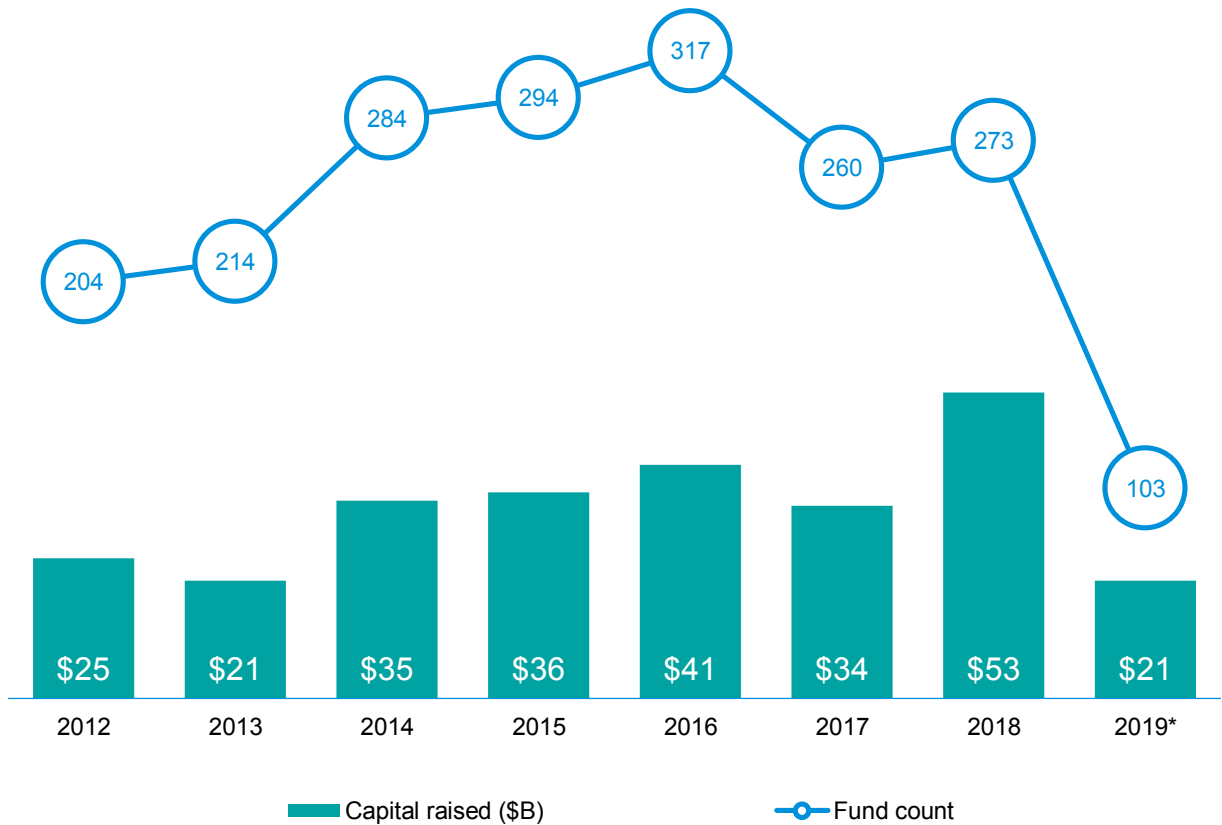
2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Moderation after a blockbuster year

US venture fundraising 2012–2019*

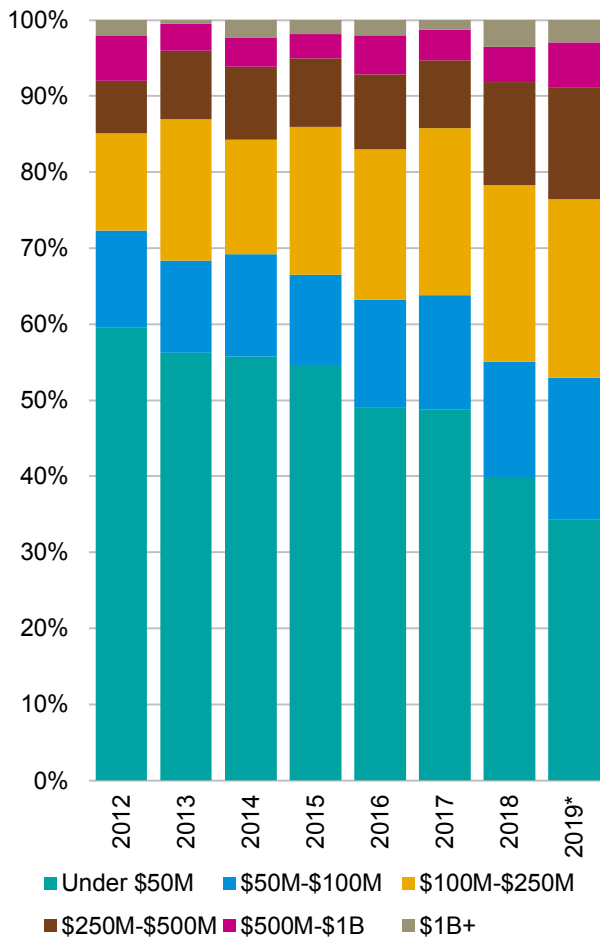


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

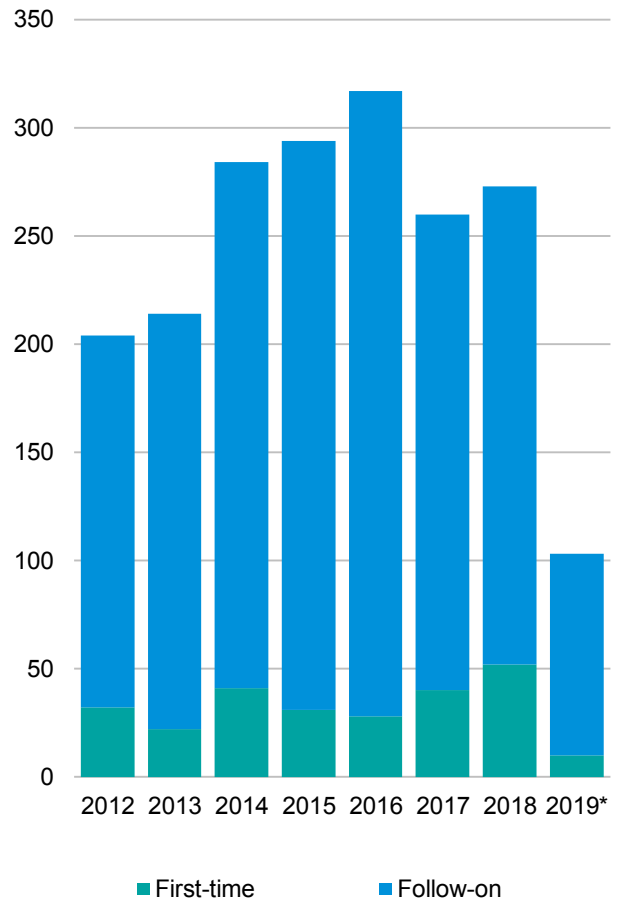
With the back half of 2018 marked by outlier totals of sums raised, as mega-funds rushed to close and debut 2019 with enriched coffers, a slowdown in the fundraising cycle was only to be expected, by and large. Reversion to the mean is a well-known phenomenon, after all. However, in the US, the pace is likely to pick up in the second half of the year, especially if firms that have not yet raised, but benefited from successful exits this year, return to the fundraising trail.

First-time funds press pause

Venture fundraising (#) by size in the US
2012–2019*



First-time vs. follow-on venture funds (#) in the US
2012–2019*

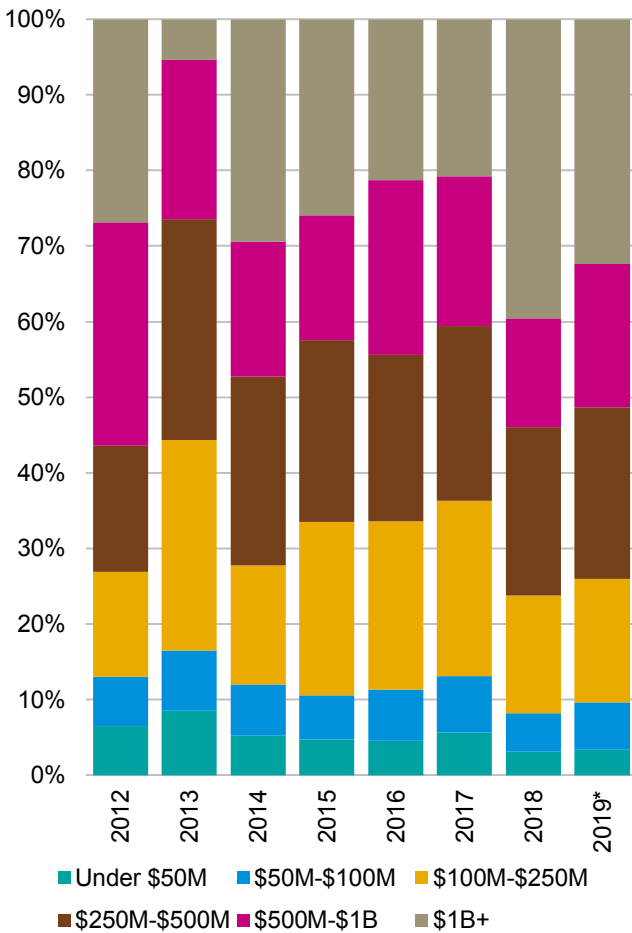


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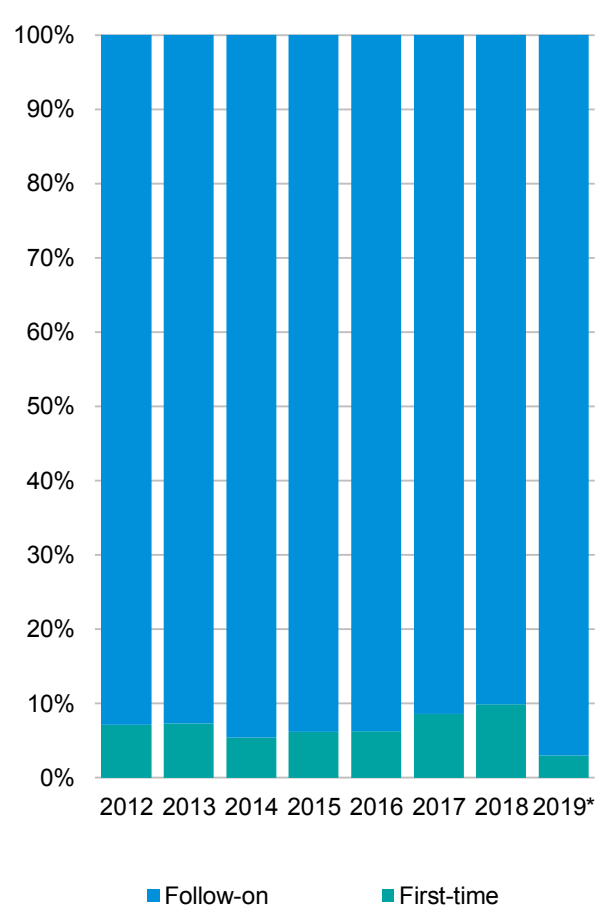
First-time funds finished 2018 at a historically high proportion in volume and thus once again one must expect reversion to the mean. Having said that, they haven't completely dropped out of the conversation, with several prominent first-time funds being closed on healthy amounts. Newer entrants to the currently intensely competitive market have a lot to contend with, and thus, observers and their backers will be watching for new strategies that can succeed.

Follow-ons account for bulk of VC raised

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



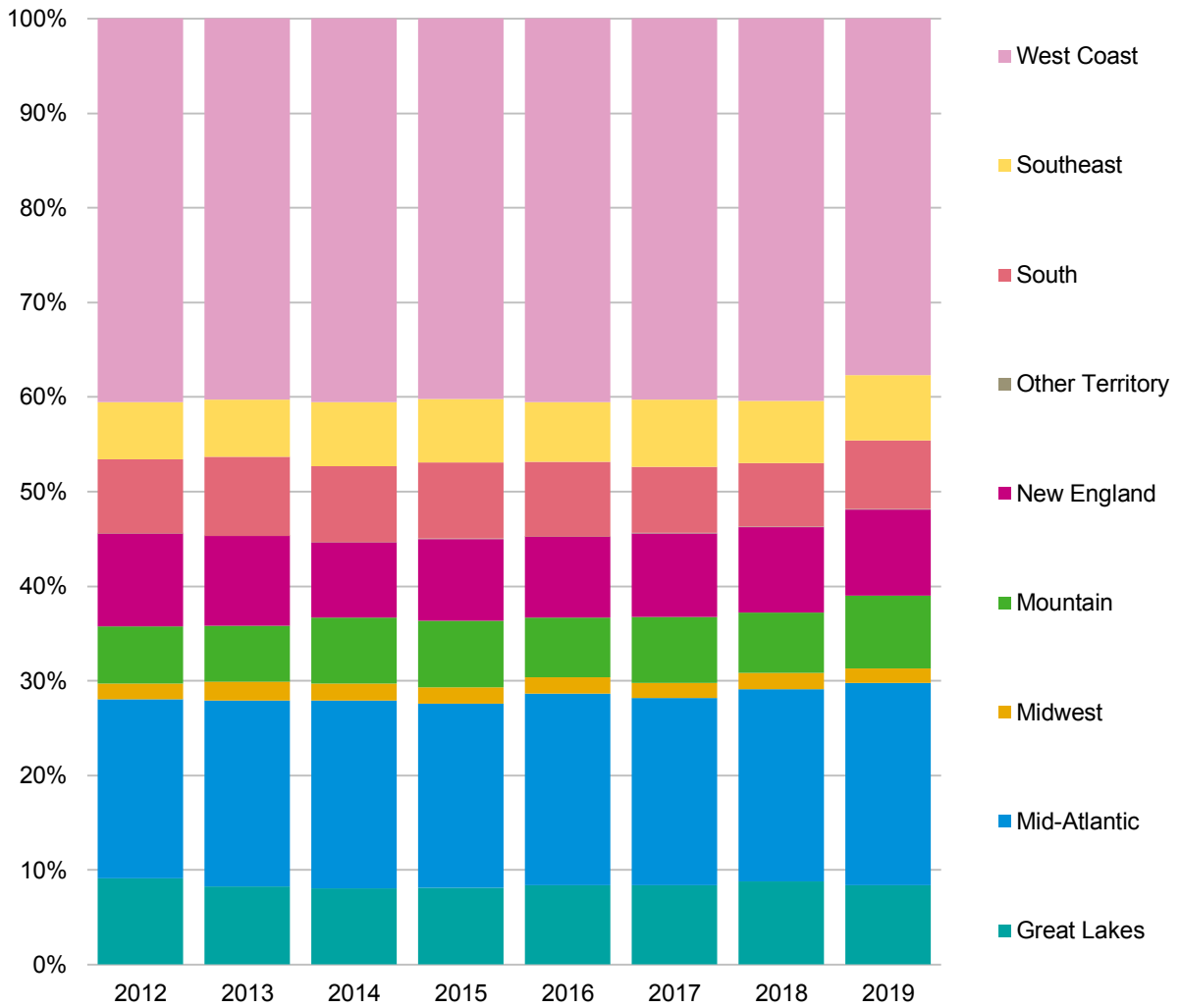
First-time vs. follow-on funds (\$B) in the US
2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

2019 stays strong for emerging hubs

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



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

***In Q2'19 VC-backed
companies in the
Americas raised***

\$33.7B

across

2,528 deals



Latin America sees largest deal ever to help buoy VC investment in the Americas

VC investment in the Americas was relatively strong during Q2'19. While the US VC market remained strong quarter-over-quarter, VC investment in Latin America skyrocketed during Q2'19 on the back of Columbia-based Rappi's \$1 billion funding round, the largest technology VC deal ever conducted in Latin America.



US dominates VC investment in Americas

The US continued to account for the vast majority of VC investment in the Americas, unsurprising given the significant maturity of its VC market. VC investments in the US reflected significant diversity, with \$100 million+ megadeals occurring across a range of sectors from consumer products and aerospace to data analytics and healthcare. Fintech was a big winner in Q2'19, with online lending company SoFi raising \$500 million and consumer lending company Affirm raising \$300 million. During the quarter, the fintech sector also saw a number of new unicorns created, including Bill.com, Lemonade, and Carta.

The US also saw strong performance with companies seeing significant success, including Beyond Meat, CrowdStrike, and Pinterest. M&As were also significant, led by Salesforce's \$15.7 billion acquisition of Tableau.



Latin America sees VC investment boost driven by massive Rappi deal

In Q2'19, Columbia-based Rappi raised \$1 billion from Softbank's new Latin America focused Innovation Fund and its Vision Fund. The company, which reached unicorn status in 2018 is in a major growth phase. During the quarter, it partnered with French bio-pharmaceutical company Sanofi in order to provide healthcare services in the region.

The success of Rappi is expected to drive additional attention to Latin America from VC investors. Given the region's relative immaturity and large population, VC investors see strong potential related to the introduction of disruptive technologies.



Canada sees strong interest from VC investors in Q2'19

Canada continued to see strong interest from VC investors, startups, and corporates in Q2'19. Fintech was a leader in VC investment during Q2, with online investor management company Wealthsimple attracting \$76 million in Canada's largest deal of the quarter, and financial software company Koho attracting \$42 million. Biotech and healthtech were also solid areas of investment, with a number of mid-sized investments, including Lungpacer Medical's \$55.75 million raise and ABK Biomedical's \$30 million funding round.

In May, Toronto hosted the massive Collision conference, a technology innovation focused conference that attracted over 25,000 attendees, including startups, entrepreneurs, and venture capitalists. The event put a big spotlight on Canada's innovation ecosystem and its AI technology leadership; this could, in turn, spur additional VC interest in Canada-based startups over the next few quarters. VC funding in Canada also got a nice injection in Q2'19 with the announcement of BDC's \$250 million Industrial Innovation Venture Fund, a new fund focused on transforming key industries in Canada, including agriculture and food, resource extraction, and manufacturing³.

³ https://www.bdc.ca/en/about/mediaroom/news_releases/pages/bdc-capital-launches-250-million-industrial-innovation-venture-fund.aspx

Latin America sees largest deal ever to help buoy VC investment in the Americas, cont'd.



Corporate VC investment continues to flourish

Over the past several years, corporate VC investment has grown significantly in the Americas, both in terms of VC investment and the participation rate of corporates in VC deals. These investments are occurring across industries, although the focus on autonomous driving in recent years has put a spotlight on corporate investments being made in the space both by traditional automotive manufacturers and by large technology companies. Given the potential technology innovation offers to traditional companies across industries, corporate investment is only expected to continue to grow over the next few quarters.



Focus on Brazil infrastructure could help boost VC investment in future

In June, the Brazil government announced plans to raise \$45 billion to help modernize its existing infrastructure. The plan, expected to include roads, airports, train lines, and other infrastructure nodes could spur VC investment in companies able to contribute to this significant modernization initiative⁴.

Fintech is expected to remain a key area of investment in Brazil, with government regulators increasing their focus on understanding fintech opportunities and the potential offered by digital ledger technology, AI, and other innovative fintech solutions. During Q2'19, Brazil's financial regulators announced the creation of a sandbox for blockchain and other finance technologies⁵. This initiative follows on the Financial Supervision Counsel of Brazil's release of new regulations for cryptocurrencies, which are expected to take effect in September 2019⁶.



Trends to watch for in the Americas

Moving into Q3'19, the VC investment climate in the Americas is expected to remain strong, with investments coming across sectors and verticals. Fintech, healthtech, and food delivery are expected to remain particularly hot, while agritech and foodtech are likely poised for growth.

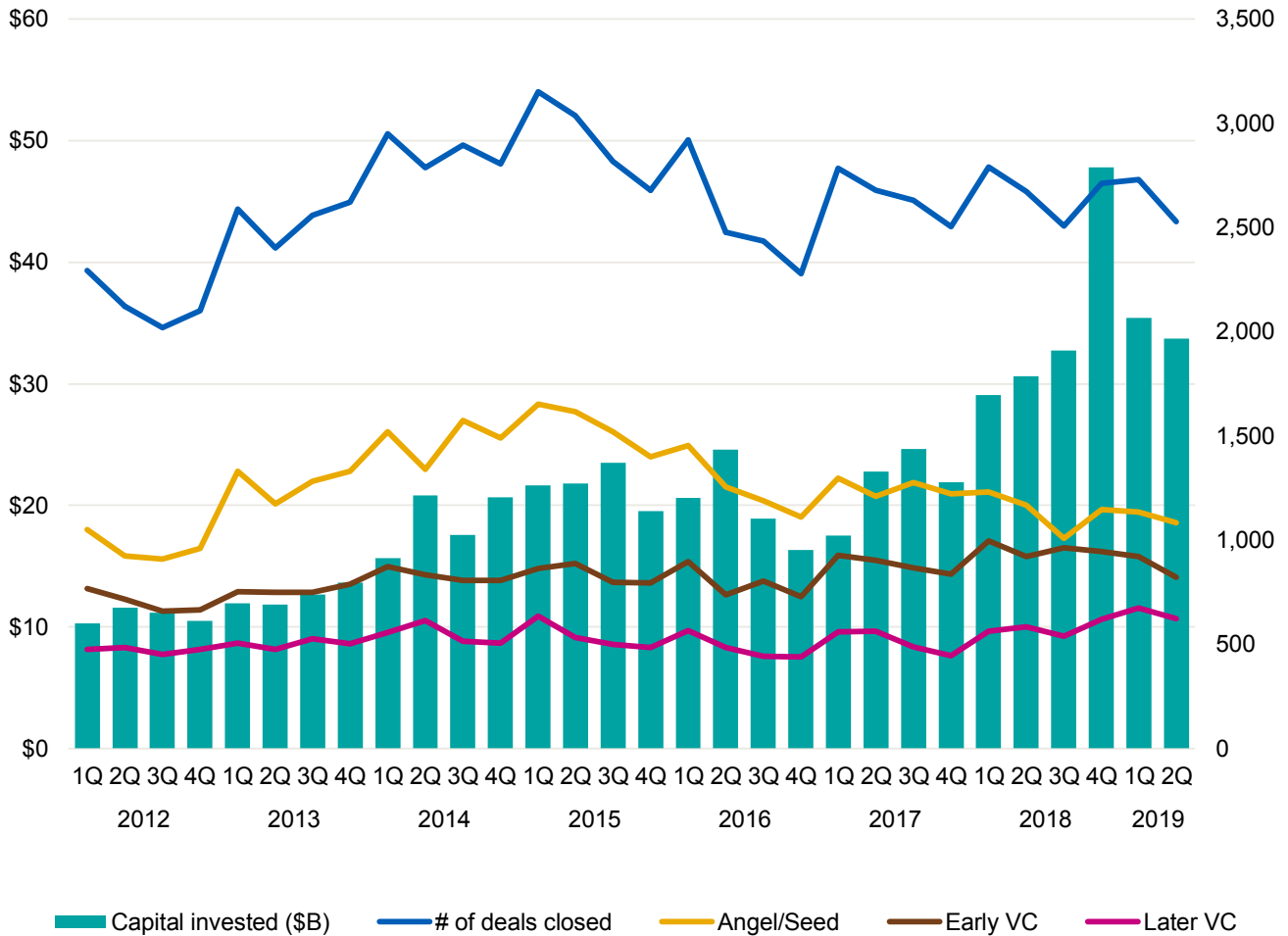
⁴ <https://www.thestar.com/news/world/us/2019/06/27/brazil-seeks-foreign-capital-to-update-transportation.html>

⁵ <https://www.coinwire.com/brazil-announces-new-regulatory-sandbox-for-blockchain-fintech>

⁶ <https://blockpublisher.com/countdown-for-brazils-bitcoin-and-crypto-regulations-has-begun/>

US bolsters Americas to continued strength

Venture financing in the Americas 2012–Q2'19



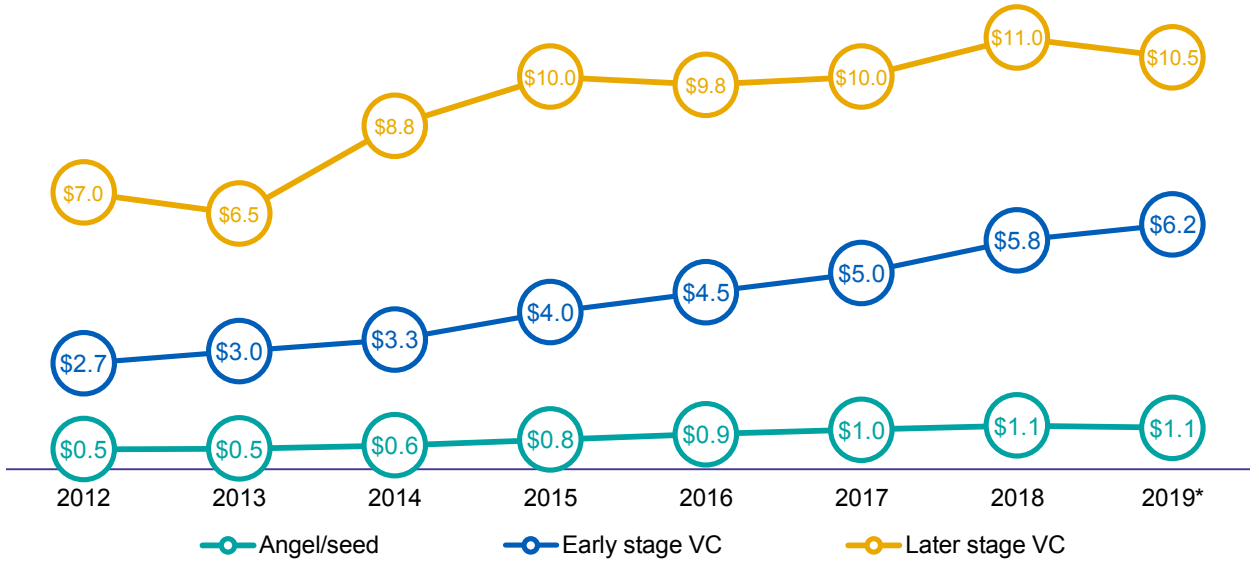
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

As the most developed venture and startup ecosystem, the Americas have enjoyed a high-unparalleled run of both lofty tallies of VC invested and sustained volume at a very high rate. Despite a slight quarterly dip throughout 2019 to date, by and large the pace of venture investing is still quite strong, especially relative to historical totals. An evening out as competitive dynamics and more sophisticated yet novel strategies work out is to be expected.

Up rounds indicate ebullience

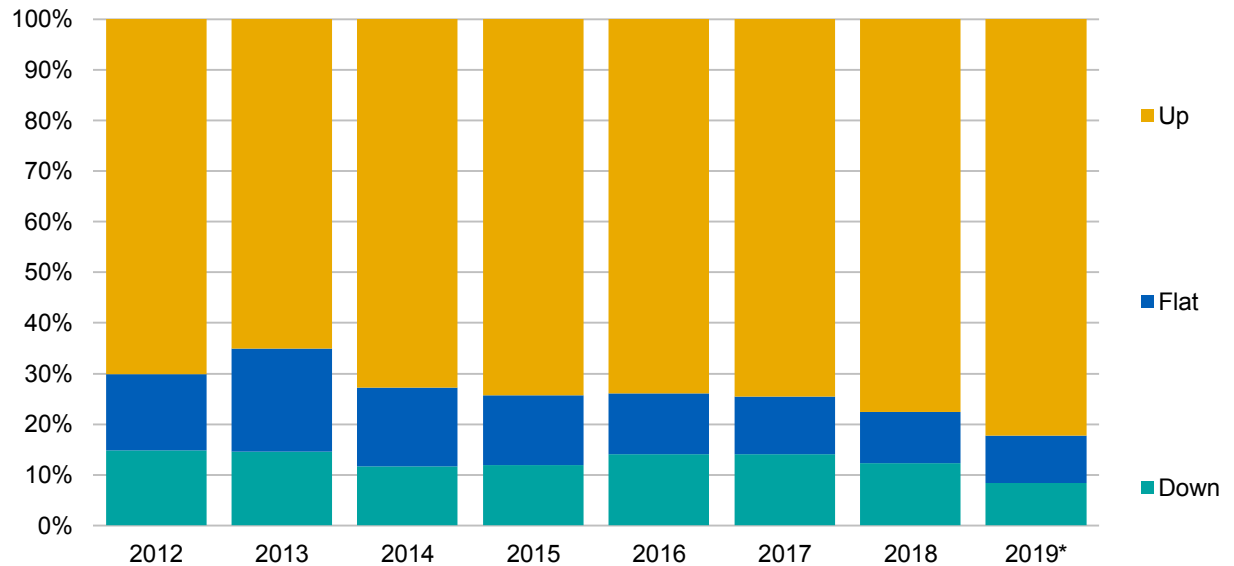
Median deal size (\$M) by stage in the Americas

2012–2019*



Up, flat or down rounds in the Americas

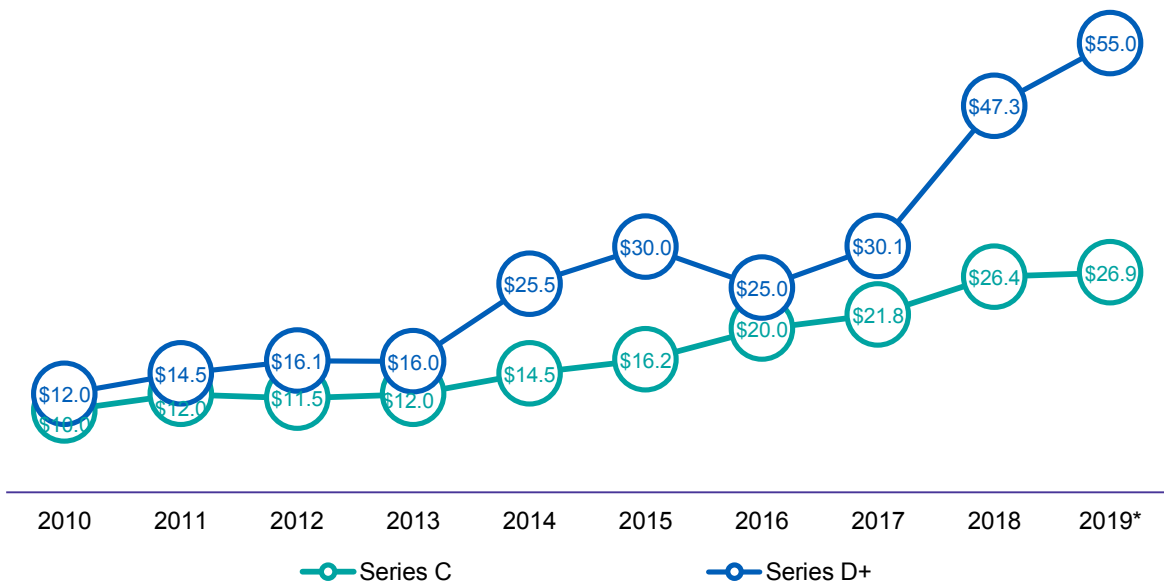
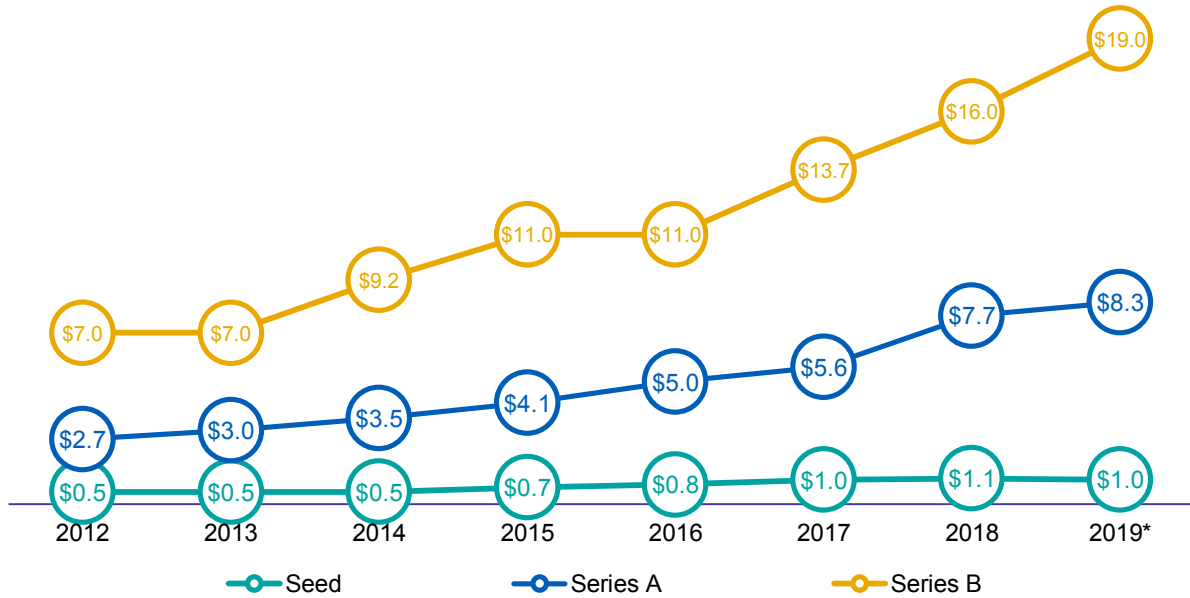
2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Series spreads hold steady in divergence

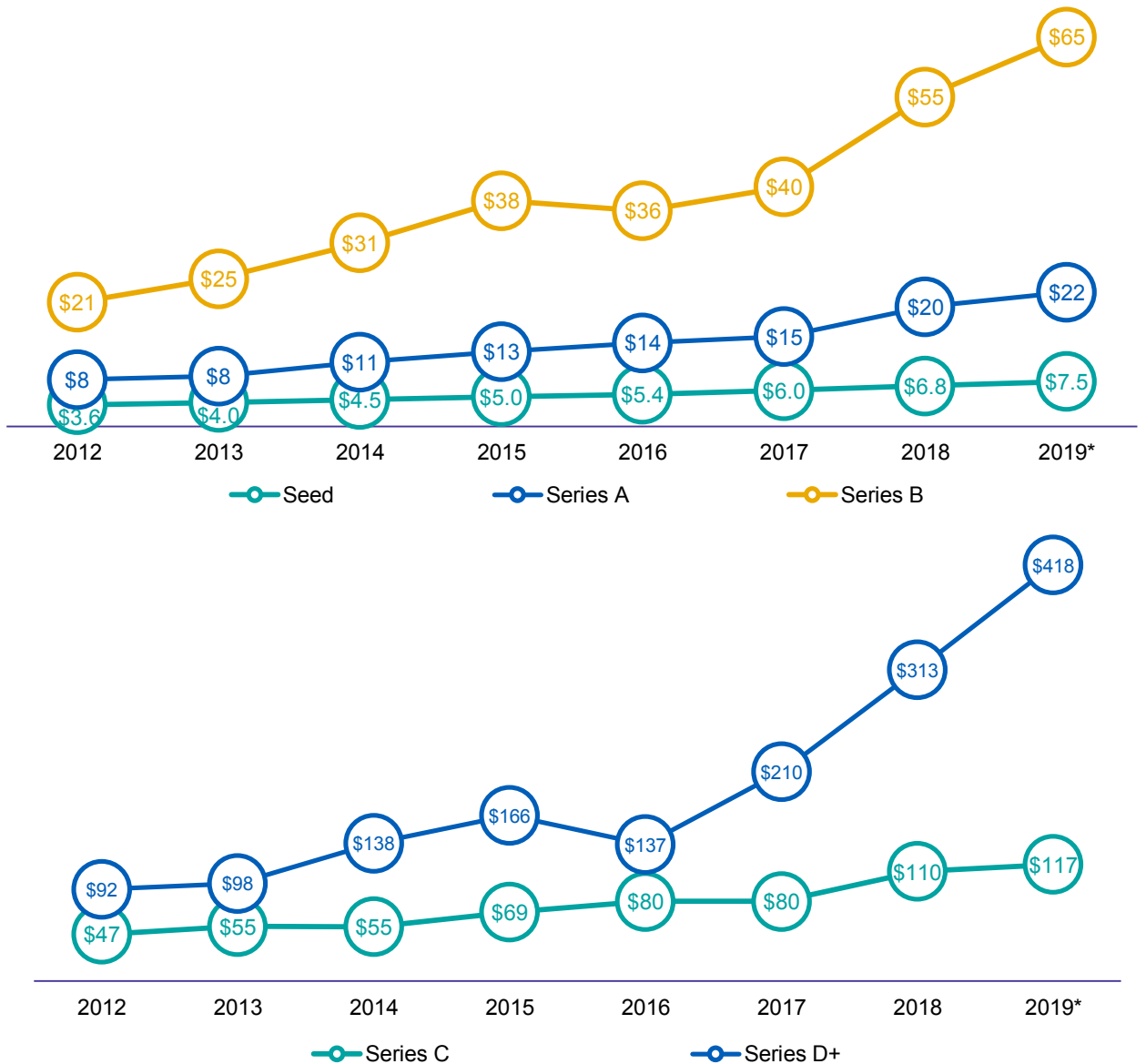
Median deal size (\$M) by series in the Americas
2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

As volume slows, new highs reached

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

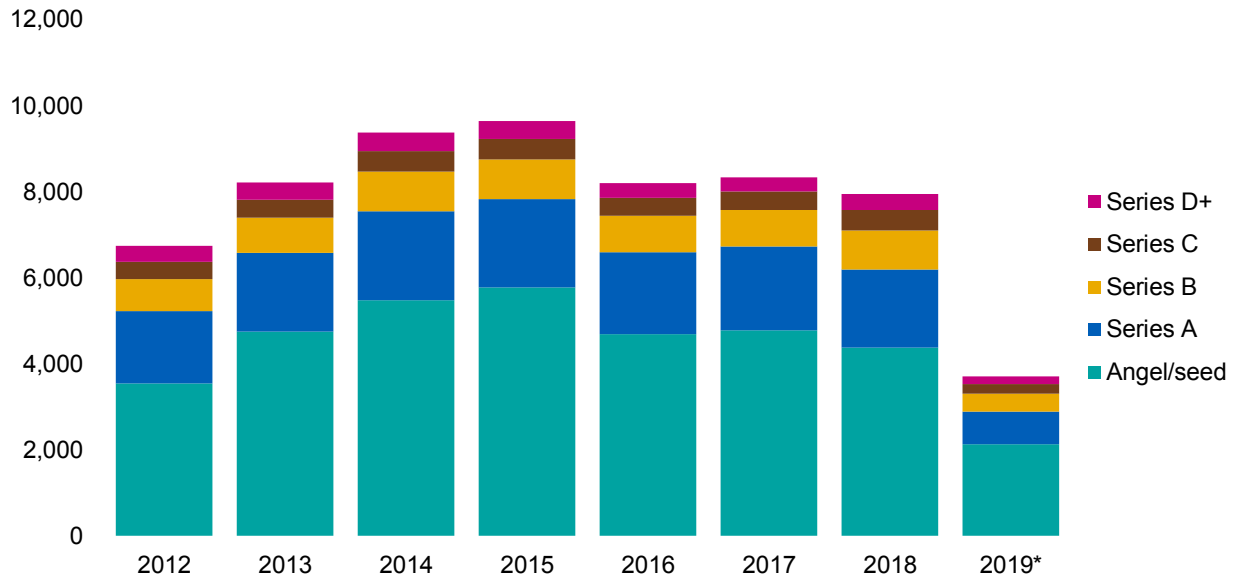


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

late-stage volume remains most on pace

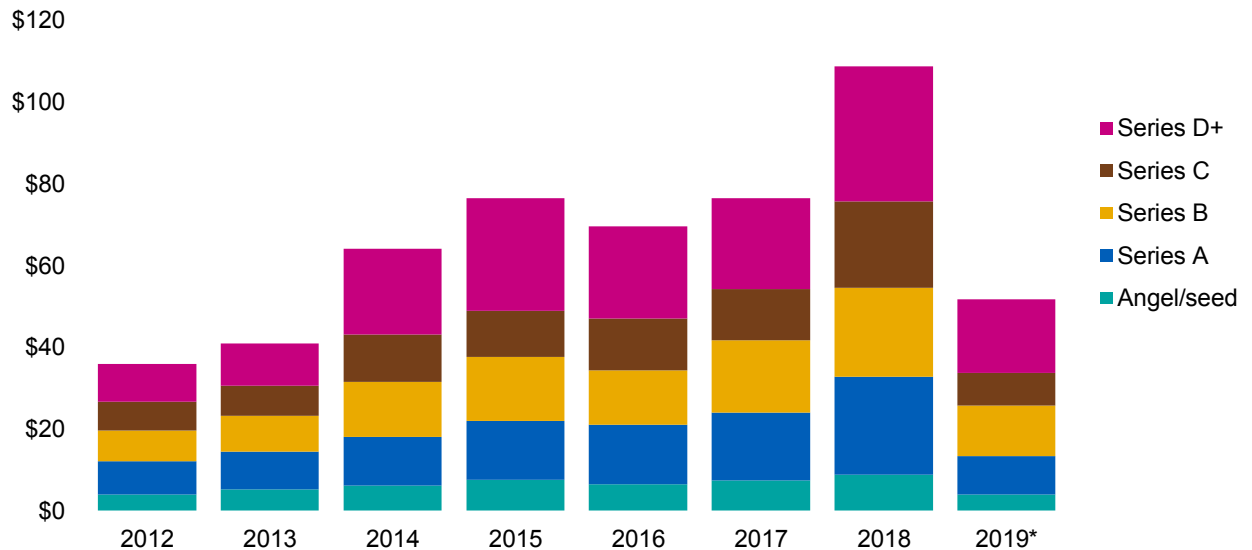
Deal share by series in the Americas

2012–2019*, number of closed deals



Deal share by series in the Americas

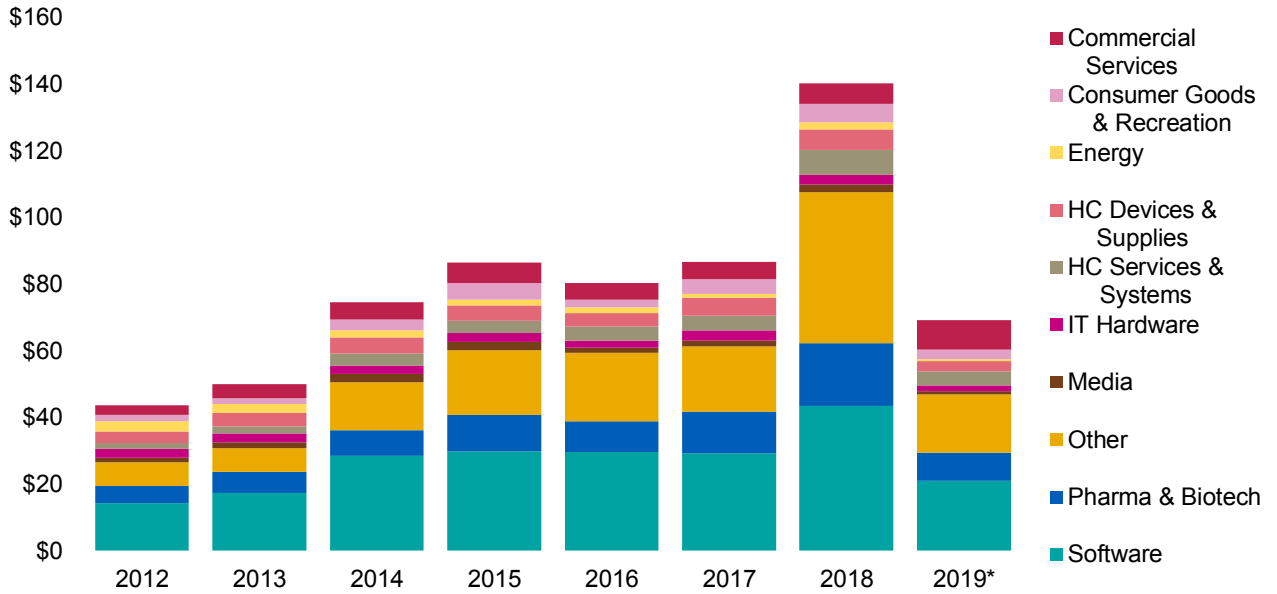
2012–2019*, VC invested (\$B)



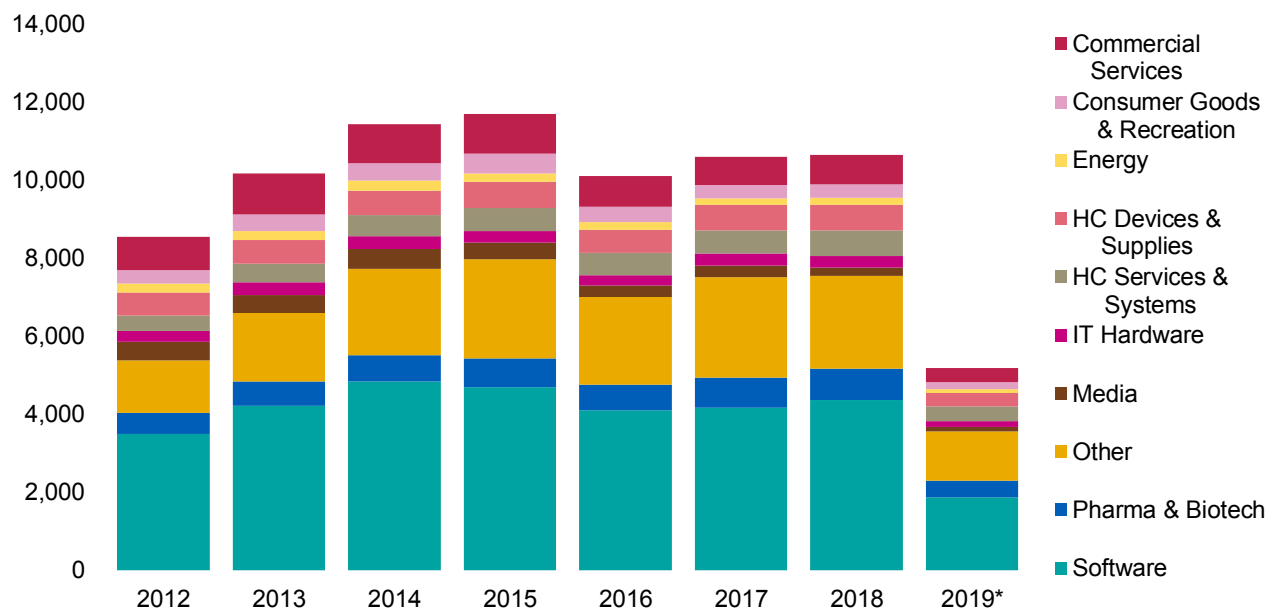
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Healthcare ecosystem rakes in VC

Venture financing of VC-backed companies by sector in the Americas 2012–2019*, VC invested (\$B)



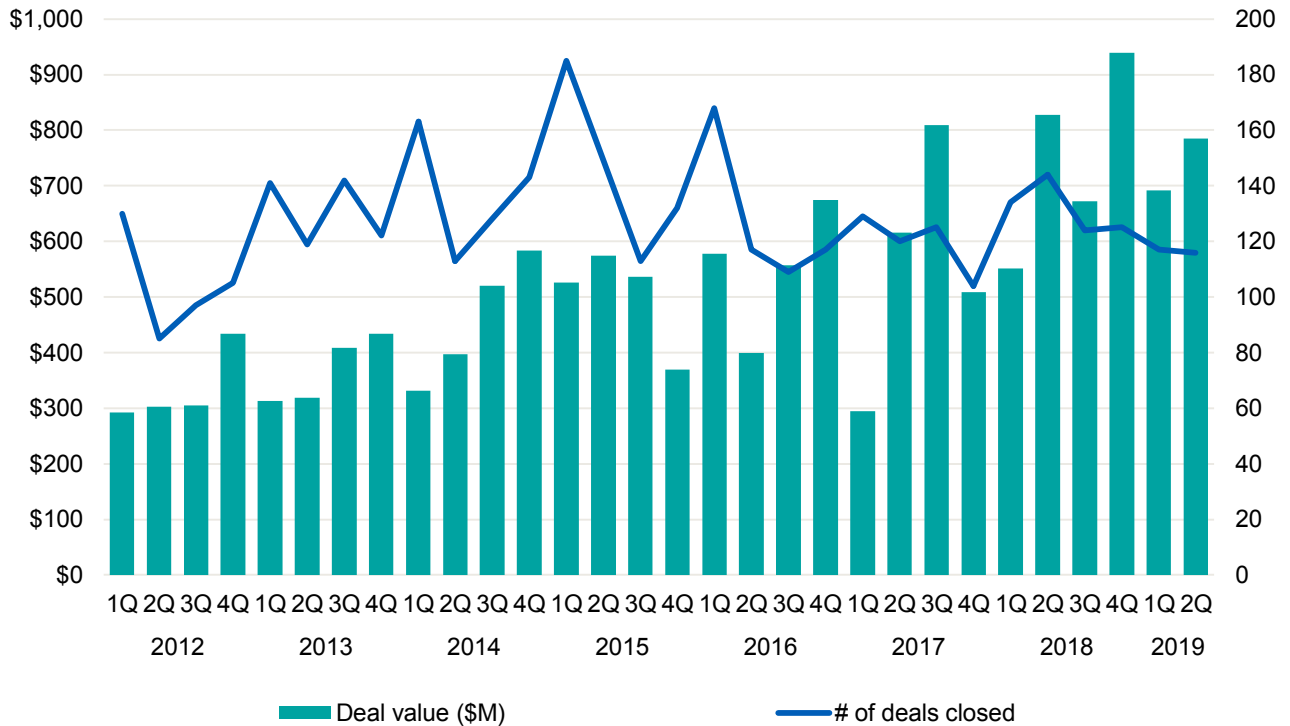
Venture financing of VC-backed companies by sector in the Americas 2012–2019*, # of closed deals



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

2019 tallies stay more than robust

Venture financing in Canada 2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

After a historically healthy Q1 in terms of VC invested plus overall volume, one could suppose that the Canadian venture scene would experience a slump. However, Q2 turned in a strong performance, leading to the country once again recording very healthy tallies midway through 2019. The strength of the Canadian tech scene overall is largely to thank, plus the growing diversification in terms of geographic focus on the part of multiple US investors.

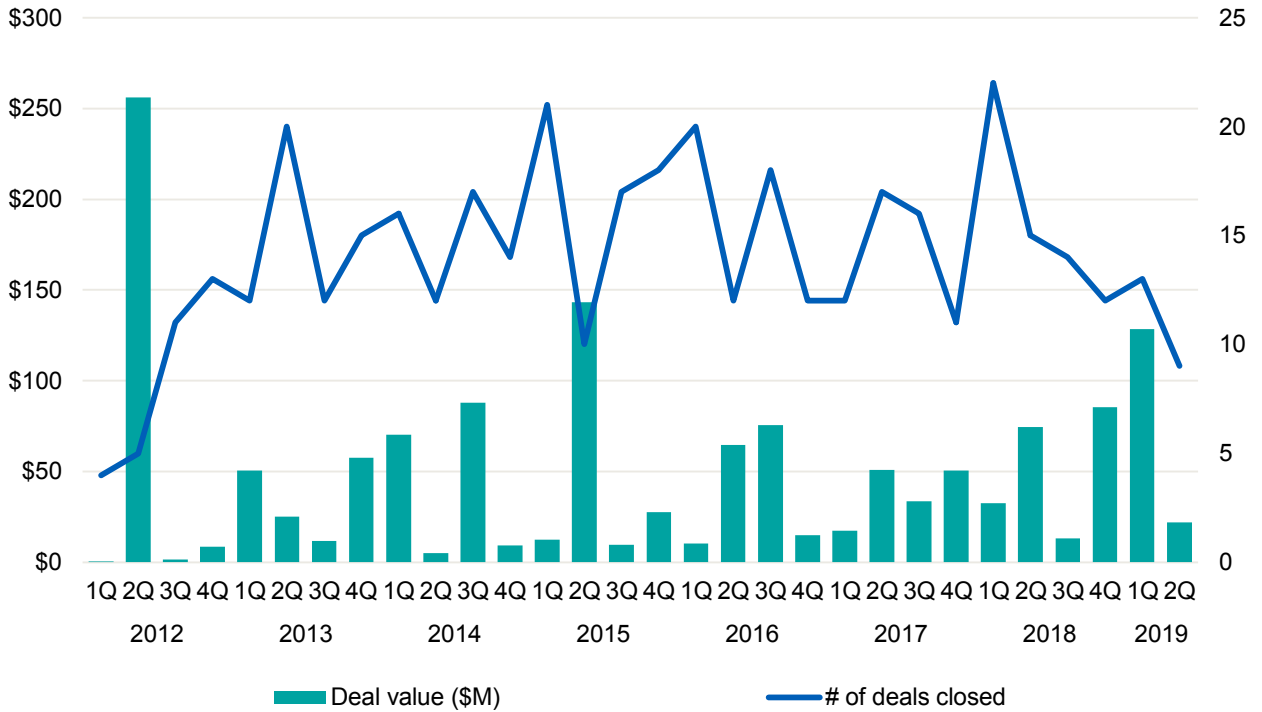
“The Canadian venture capital scene turned in another strong performance in Q2, both in terms of deal volume and value, highlighted by several large deals in the fintech space. We anticipate continued strength in Q3, powered by economic growth combined with continued interest by US investors looking for lower valuations north of the border.”



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

After a robust two quarters, a downturn

Venture financing in Mexico 2012–Q2'19



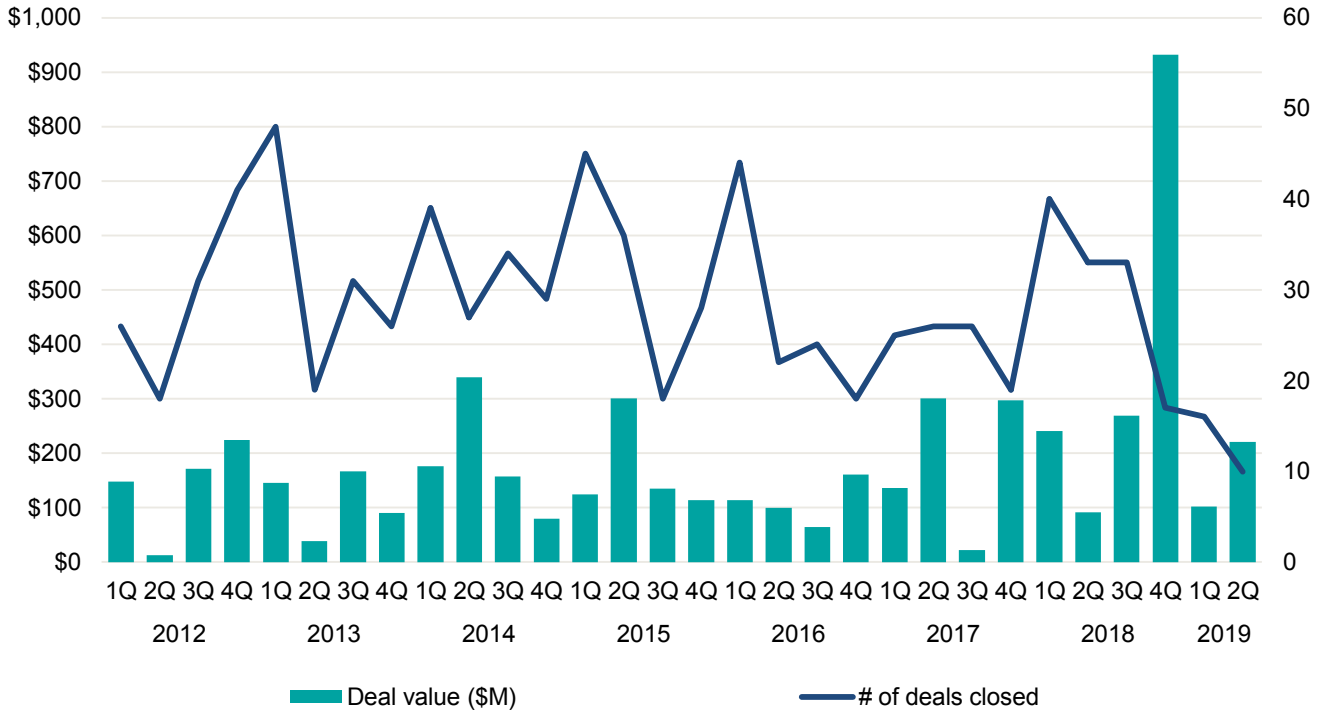
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

After a robust Q1 in terms of VC invested, Mexico saw a significant downturn in capital invested overall for the entirety of Q2, coupled with a slump in volume. This is only to be expected in a nascent ecosystem prone to volatile tallies; policy and economic considerations aren't assuaging investor concerns either.

Q2 records more subdued performance

Venture financing in Brazil

2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Brazil's outlier quarters have largely been driven by a handful of fintech or consumer-focused marketplace companies, predicated on the growth markets within the country and its tech scene's stage of development — i.e. smartphone-based markets. Consequently, Q2 did not record significant outlier financings, and it ended up as subdued, at least in terms of volume, and robust in terms of deal value.

Traditional hubs of VC activity dominate rankings, once again



Top 10 financings in Q2'19 in Americas

- | | |
|--|--|
| <p>1 Rappi, \$1,000M, Bogota
Internet retail
<i>Late-stage VC</i></p> | <p>6 SoFi, \$500M, San Francisco
Consumer finance
<i>Series H</i></p> |
| <p>1 Flexport, \$1,000M, San Francisco
Logistics
<i>Late-stage VC</i></p> | <p>7 PAX Labs, \$420M, San Francisco
Consumer durables
<i>Late-stage VC</i></p> |
| <p>3 DoorDash, \$600M, San Francisco
Application software
<i>Series G</i></p> | <p>8 Lemonade, \$300M, New York
Insurance
<i>Series D</i></p> |
| <p>4 UiPath, \$568M, New York
Automation/workflow software
<i>Series D</i></p> | <p>8 Carta, \$300M, Palo Alto
Business/productivity software
<i>Series E</i></p> |
| <p>5 SpaceX, \$535.7M, Hawthorne
Aerospace & defense
<i>Series K</i></p> | <p>8 Affirm, \$300M, San Francisco
Consumer finance
<i>Series F</i></p> |

Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

In Q2'19 European VC-backed companies raised

\$8.7B

across

825 deals



VC investment in Europe resilient on back of mega-rounds

Europe's position in the VC world was maintained in Q2'19, in no small part due to a number of large megadeals.



Continuing Diversity of European VC market

The strength of Europe's VC market continued to be defined by the growing diversity of its innovation hubs; while VC investment in the UK was well-off of historical highs, increasing investment in the Nordic countries, France, Spain, Poland and others combined with steady investment in more established innovation centres in Germany and Israel helped keep VC investment in the region high during Q2'19.

As innovation hubs in Europe continue to mature, so too should their startups. A number of growing startups are now seeking larger sized rounds, a necessity for companies looking to move into new segments or regions. This growth activity is likely helping to spur VC investment in Europe for some time to come.



UK continues to see VC deals

Amid the uncertainties of the UK political landscape, the technology sector has shown more resilience than other areas of the economy. During Q2'19, the UK saw several large deals, including raises fintech companies Checkout.com (\$230 million), and Monzo (\$144 million).

In Q2'19, the UK made strides towards implementing its AI Strategy, supporting the development of machine learning degree programs and research institutes. The Centre for Data Ethics and Innovation also began consultations on the establishment of data trusts to support the use of AI. Despite these initiatives, one forward-looking concern in the UK relates to the extended Brexit uncertainty's long-term impact the ability to attract talent to the country.



Ireland sees investment as companies seek to manage Brexit

Ireland continued to attract attention from companies looking to invest in Europe while managing Brexit uncertainty. During Q2'19, mobile and cloud company Deem announced a new European Innovation Centre in Dublin, while Canada-based TD Securities and US-based Reddit both opened new offices in Ireland. Amazon also announced a renewable energy project as part of its sustainability commitment. During Q2'19, Ireland also saw an interesting partnership forged between drone company Manna and food delivery company Flipdish.



VC investment remains solid in Germany

Germany attracted a solid amount of VC investment in Q2'19, driven in part by a \$484 million raise by online tour marketplace GetYourGuide Deutschland. Interest in fintech also gained steam in Germany, as evidenced by Softbank's \$1 billion investment in Wirecard. Interest in fintech in general is expected to gain steam in Germany, particularly among traditional corporates looking to fintech as a means to help address aging legacy systems and shape new business models and new services. Sustainability and logistics are also expected to gain traction over the next few quarters, with the logistics industry in particular ripe for disruption given its current fragmentation and highly analog nature.

VC investment in Europe resilient on back of mega-rounds, cont'd.



VC investment in France strengthens significantly in Q2'19

Q2'19 was a strong quarter for VC investment in France, led by a \$230 million raise by photo editing company Meero, which earned the company unicorn status. Fast-growing online gardening marketplace ManoMano and digital wallet app company Dashlane also raised \$100 million+ funding rounds in Q2, highlighting the growing maturation of France's innovation economy. Fintech investment was particularly robust in Q2'19; in addition to Dashlane, payroll company Payfit raised \$80 million and money management app Bankin' raised \$23 million.



Nordic countries gaining prominence in Europe's VC market

VC investment in the Nordic countries was very strong in Q2'19, corporate investment in general has blossomed in the Nordic countries in recent quarters, with many domestic corporates realizing the need to make VC investments, even as international corporates increased their investments in Nordic-based startups. Food delivery was also top of mind in the Nordic region in Q2'19, with Finland-based Wolt raising \$130 million.



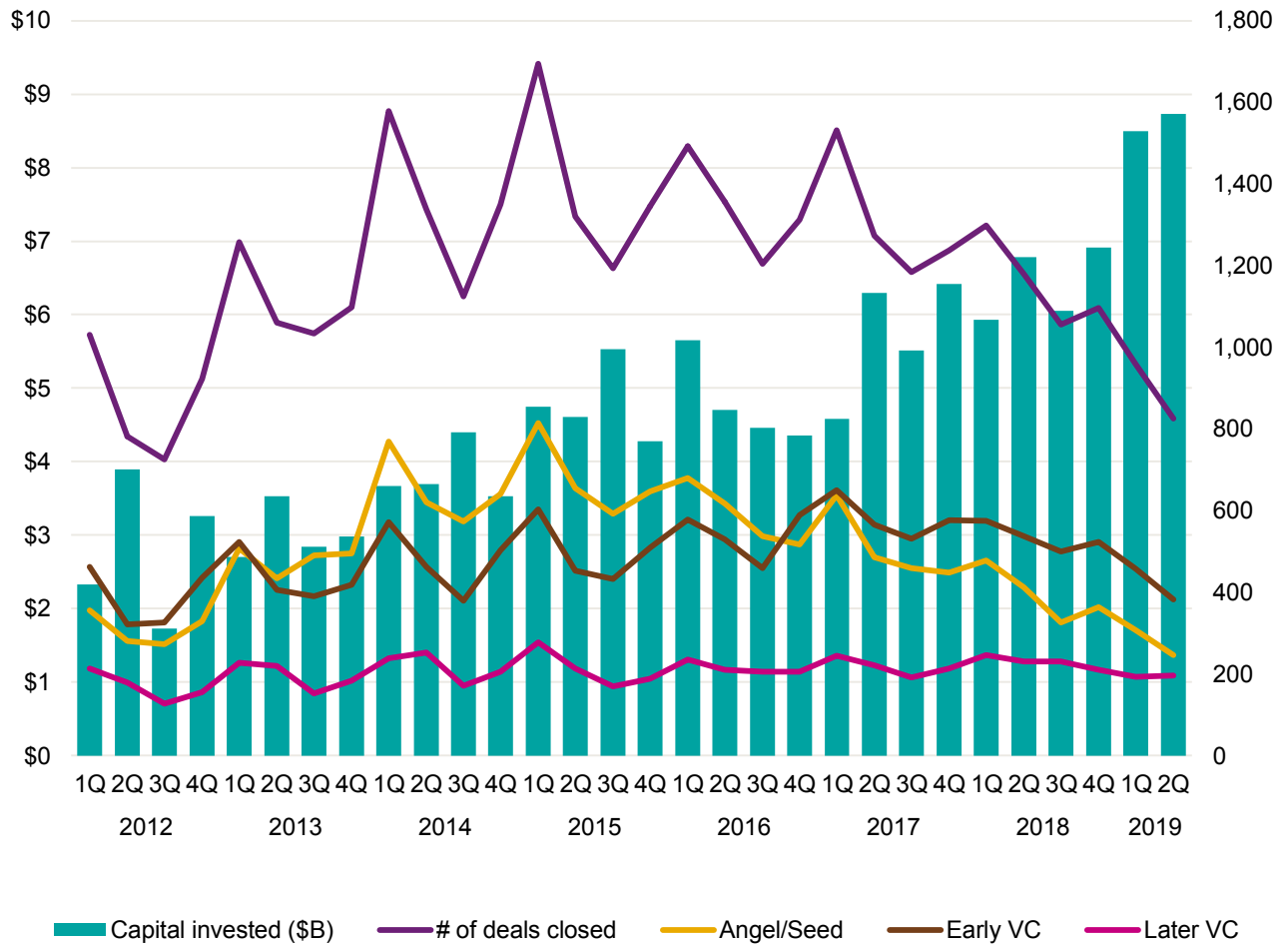
Trends to watch for in Europe

Q3'19 is expected to see a continuation of Brexit uncertainty given the new deal deadline is in Q4'19. Despite any localized uncertainty, VC investment in Europe is expected to remain relatively strong, particularly in areas such as fintech, AI, and healthtech. Drone delivery is one area of VC investment to watch in the future, not only in Europe, but globally.

M&A activity is poised for growth in Europe as smaller players look to consolidate in order to achieve scale. Corporate participation in VC deals is also expected to remain high in Europe as corporates continue to heed to growing imperative to innovate.

2019 going strong, with Q2 hitting a new high

Venture financing in Europe 2012–Q2'19



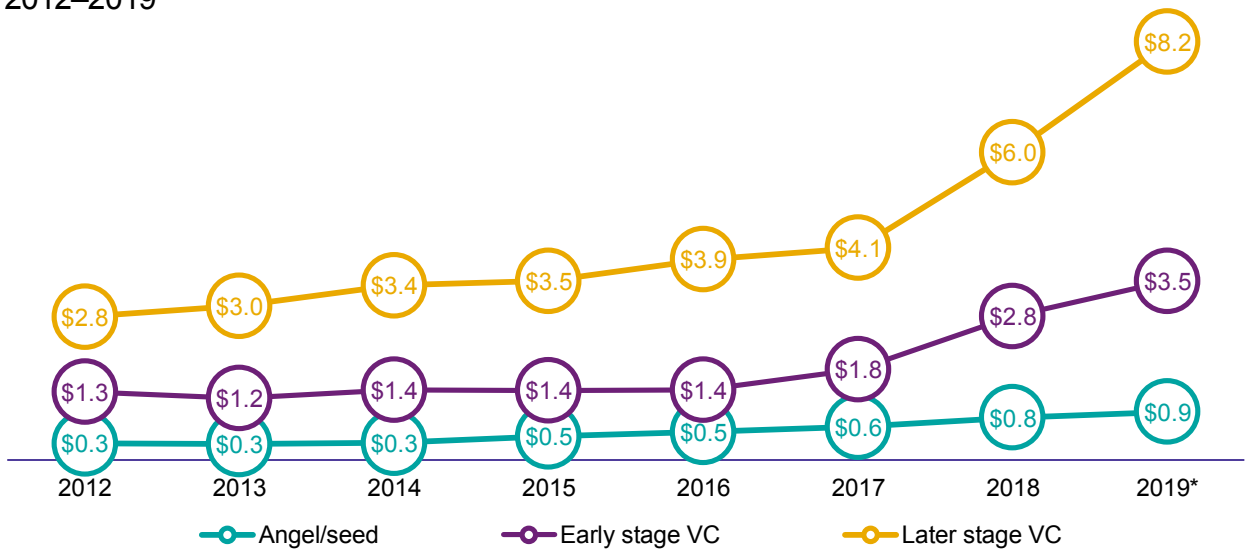
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Regardless of the softening in the pace of venture dealmaking, VC invested continues to pour into Europe in record flows. Granted, outlier deals do skew the overall tallies — chief among them most recently Deliveroo's \$575 million financing — but still, such mega-deals indicate that investors view the prospects for midstage companies across the continent are rosier than many may suspect, given ongoing wrangling around Brexit and slow economic growth.

Medians stay robust

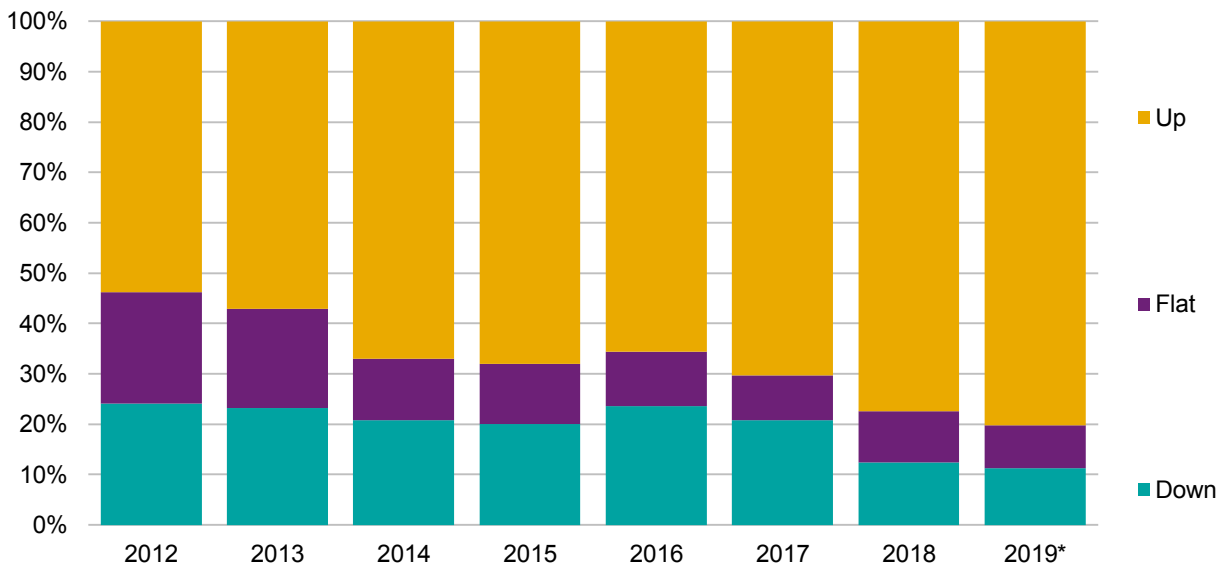
Median deal size (\$M) by stage in Europe

2012–2019*



Up, flat or down rounds in Europe

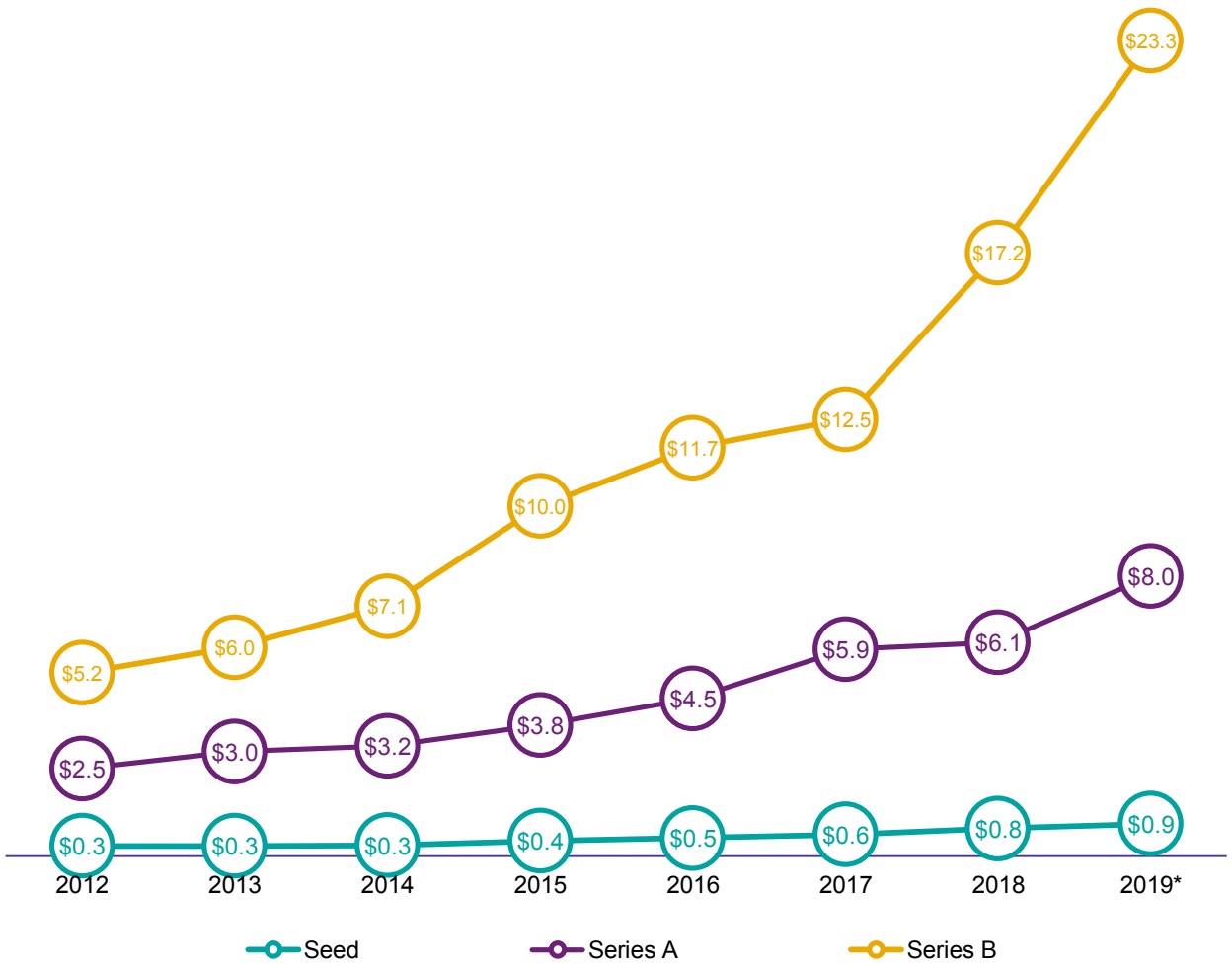
2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Series B rounds keep surging

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

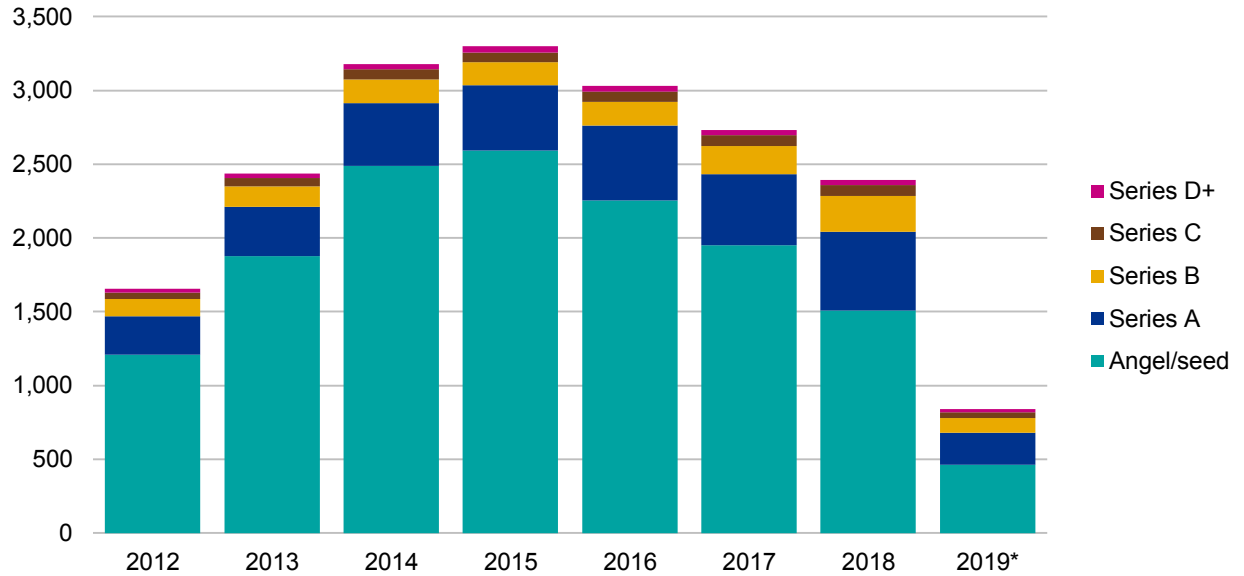


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Latest stage already soars past 2018 tally

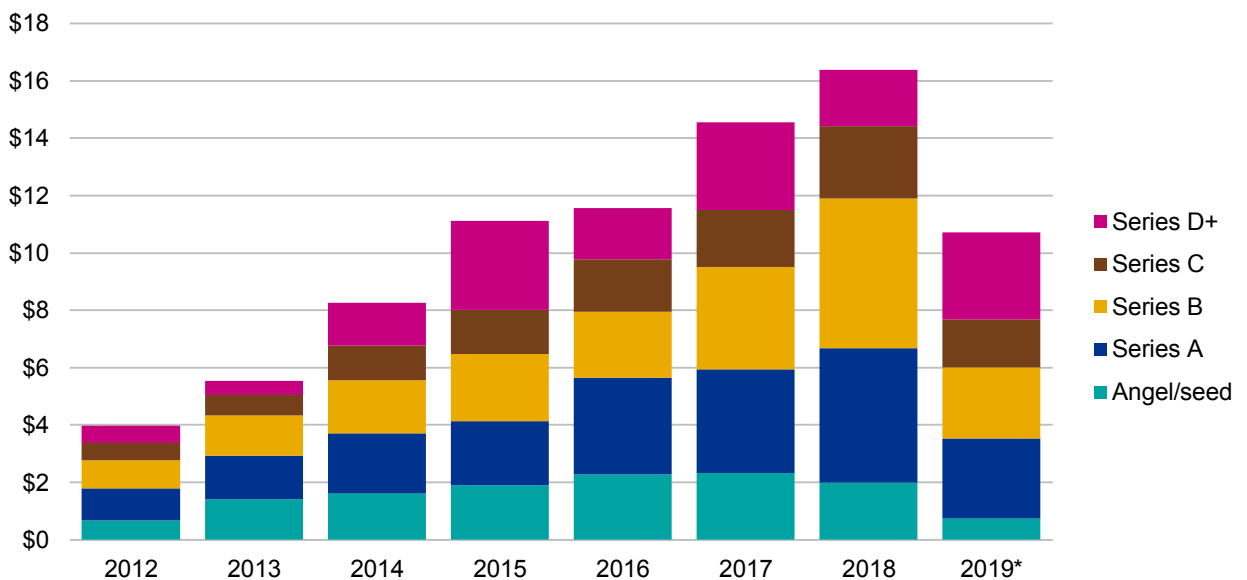
Deal share by series in Europe

2012–2019*, number of closed deals



Deal share by series in Europe

2012–2019*, VC invested (\$B)

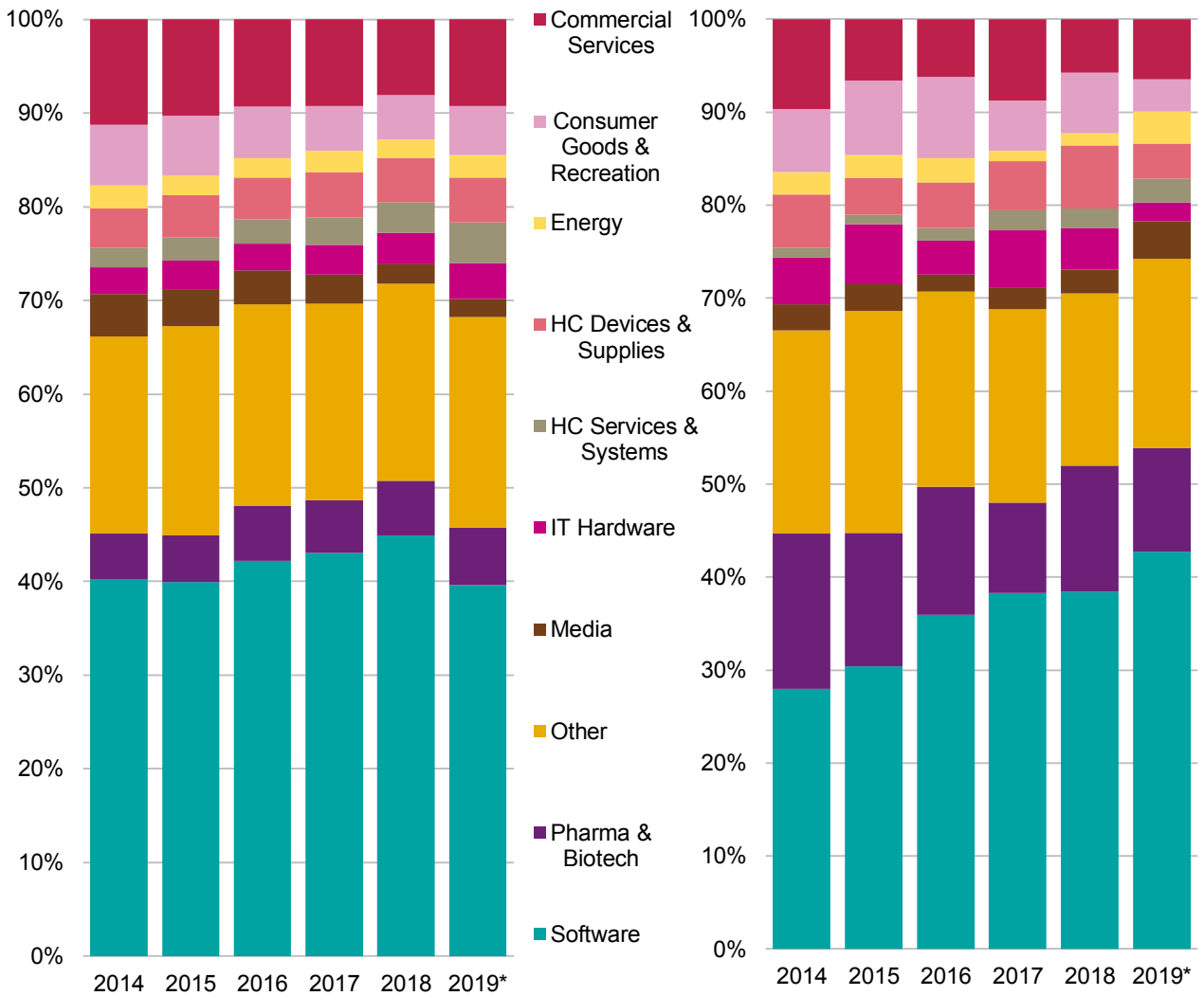


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Software retains top spot at midyear

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

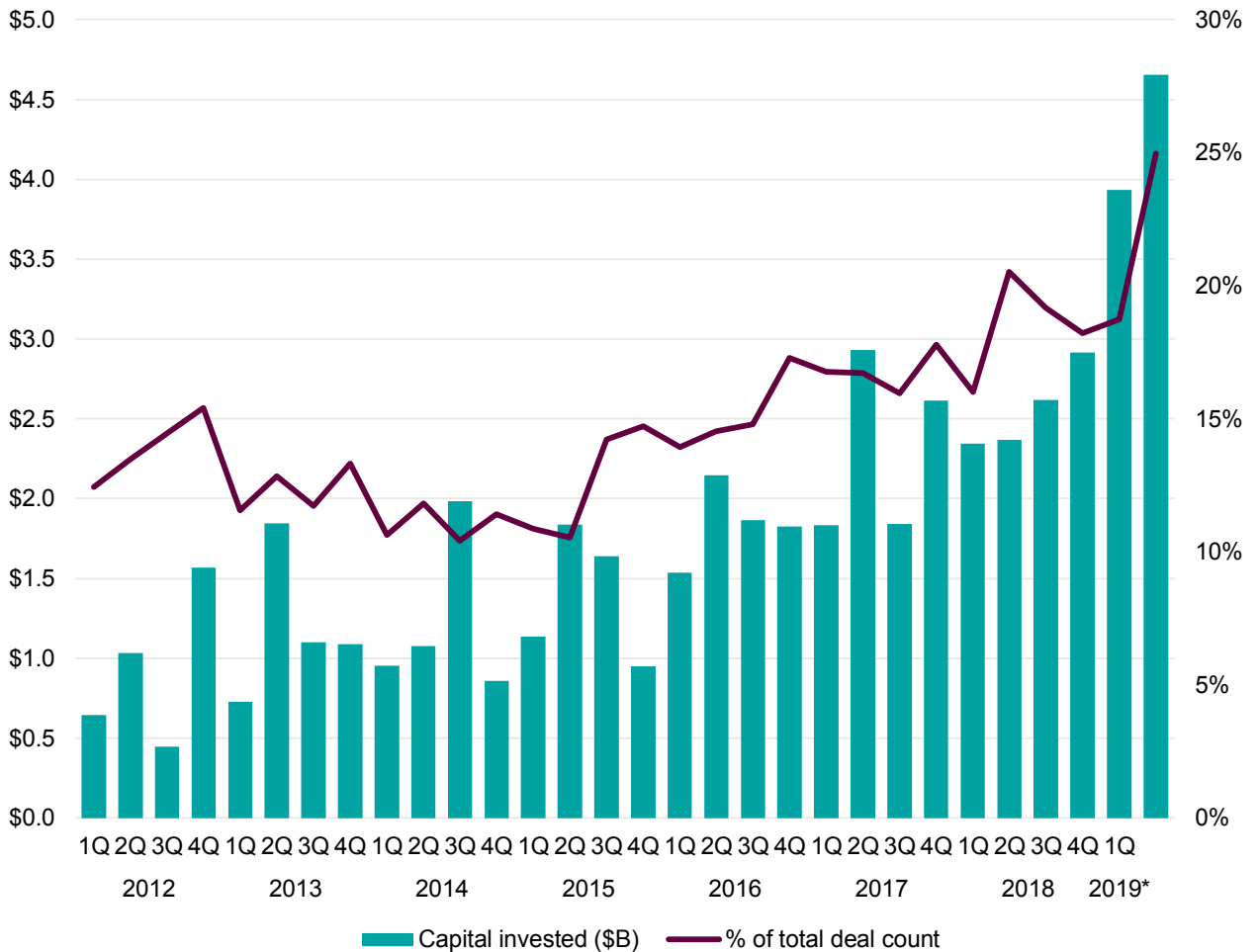
European venture financings by sector
2014–2019*, VC invested (\$B)



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

CVCs set another new high

Corporate VC participation in venture deals in Europe 2012–Q2'19



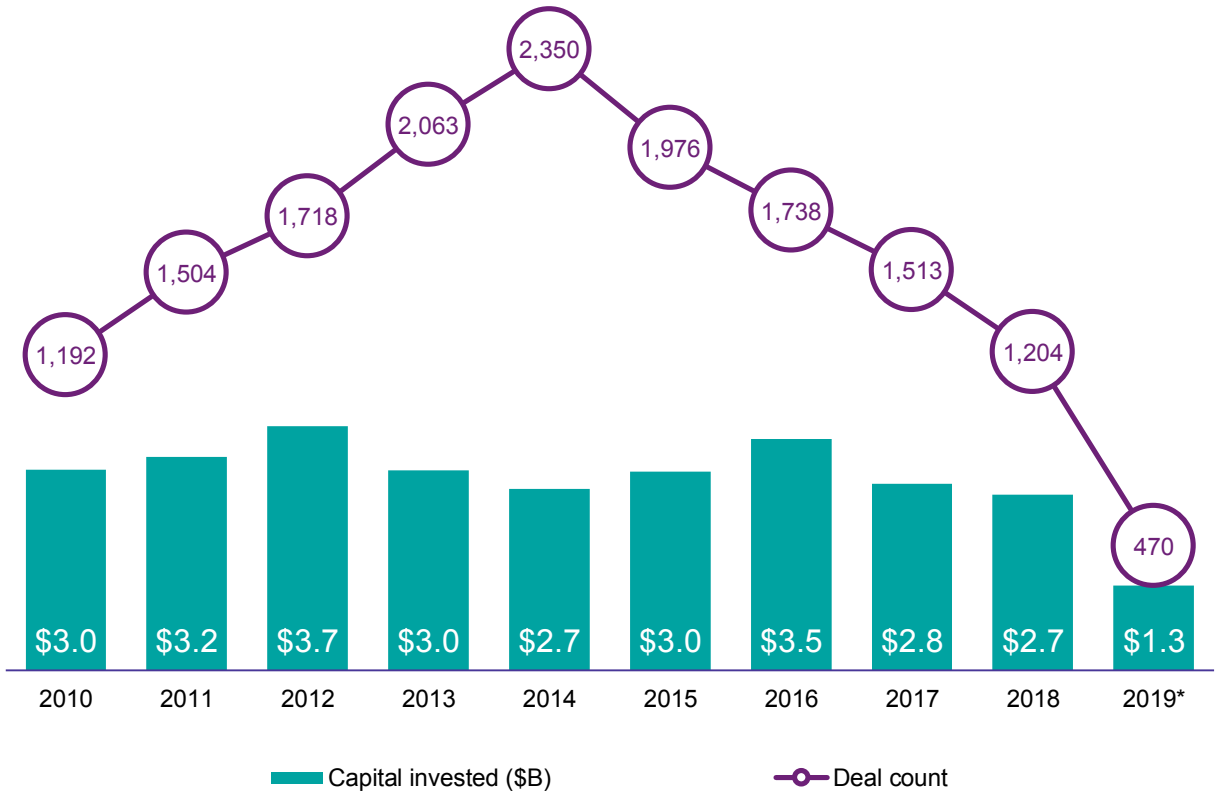
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

After an uptick in the first quarter of 2019, corporate players now set a record high for participation percentages in Q2 2019. This is a testament to the ongoing trend of corporates getting more involved as a matter of strategy within the venture ecosystem, as well as Europe's still-strong entrepreneurial ecosystem.

First-time funding off to slow start

First-time venture financings of companies in Europe

2012–2019*

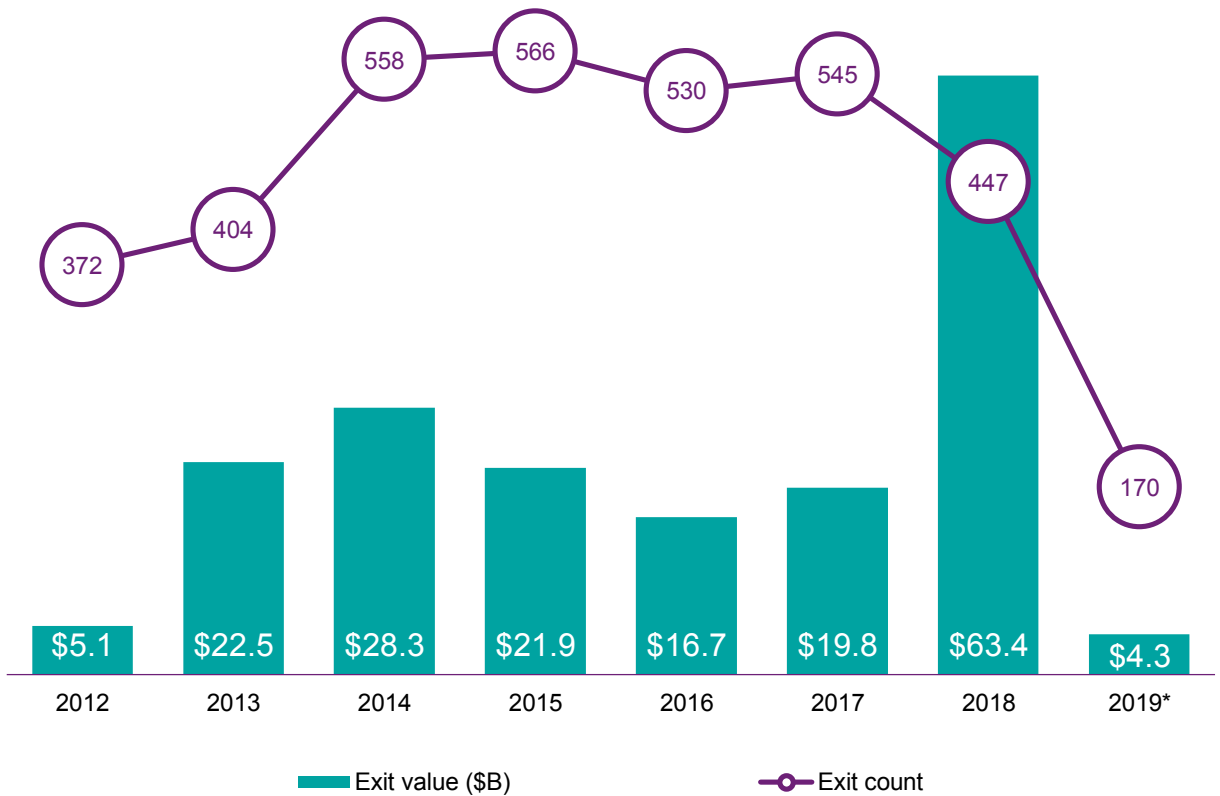


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Although quite small relative to prior tallies, there has been at least a trickle of capital in first-time financings across Europe. The primary drivers of the trend downward are likely similar to those in the US; alternative forms of capital are making inroads as options for founders in general, while also more VCs are focusing upon the broader ecosystem and away from the riskiest of ventures in an expensive climate.

At midyear point, 2019 still sees sluggish volume

Venture-backed exit activity in Europe 2012–Q2'19

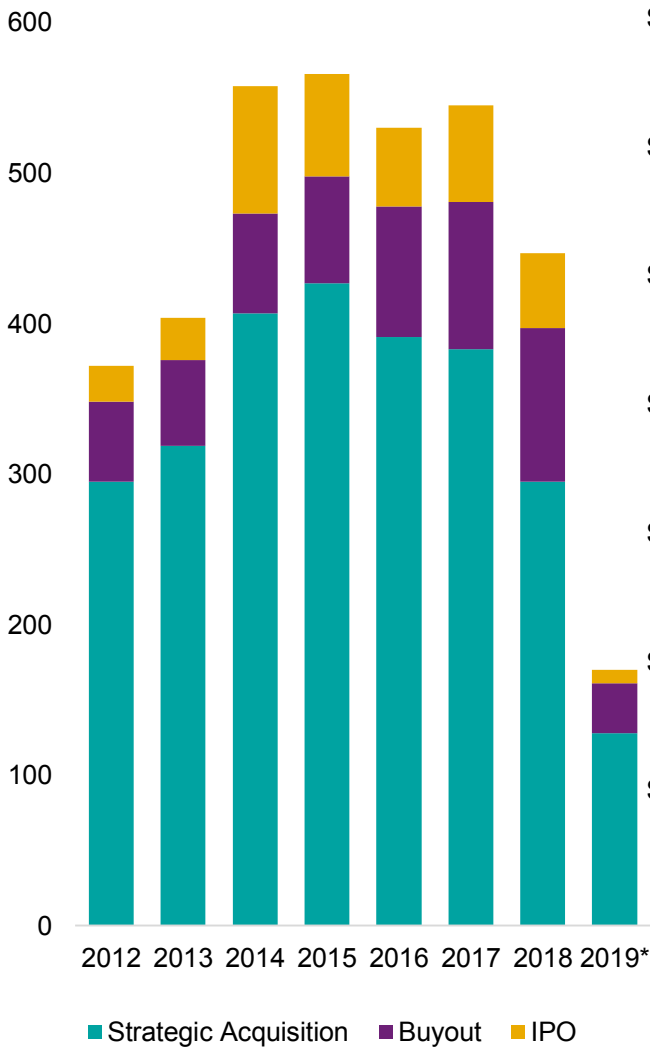


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

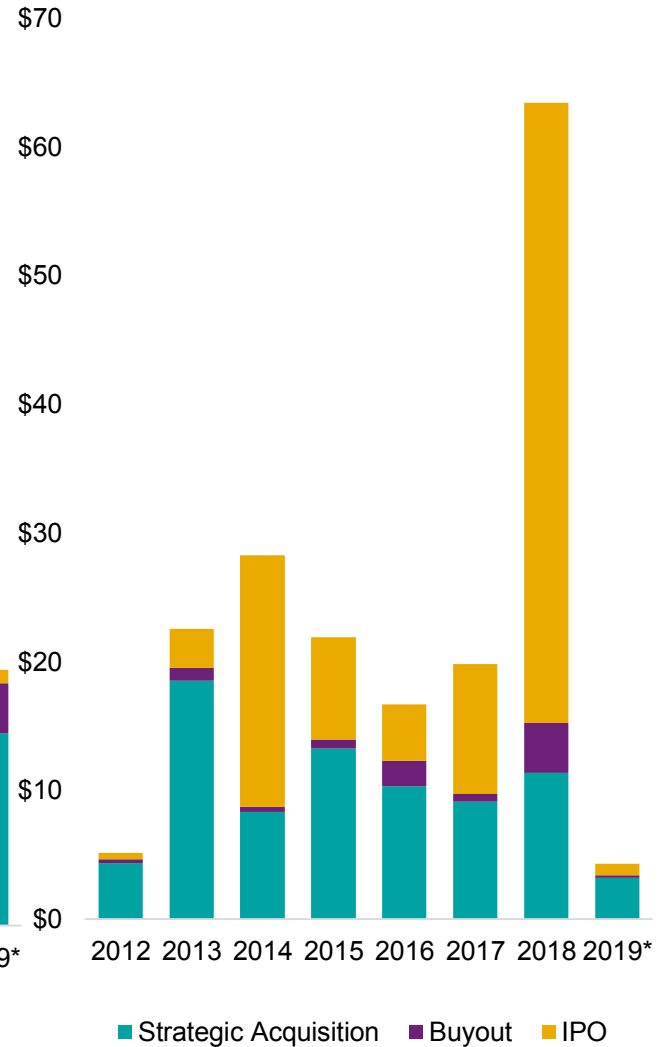
After a blockbuster 2018, exit volume and value have been quite sluggish in Europe thus far. In the back half of the year things may turn around, but also this could be due in part to a refueling pipeline of exit-ready companies as the investment cycle revs up once again to produce a crop of mature companies ready for liquidity.

M&A as integral as ever to European exits

Venture-backed exit activity (#) by type in Europe
2012–2019*



Venture-backed exit activity (\$B) by type in Europe
2012–2019*

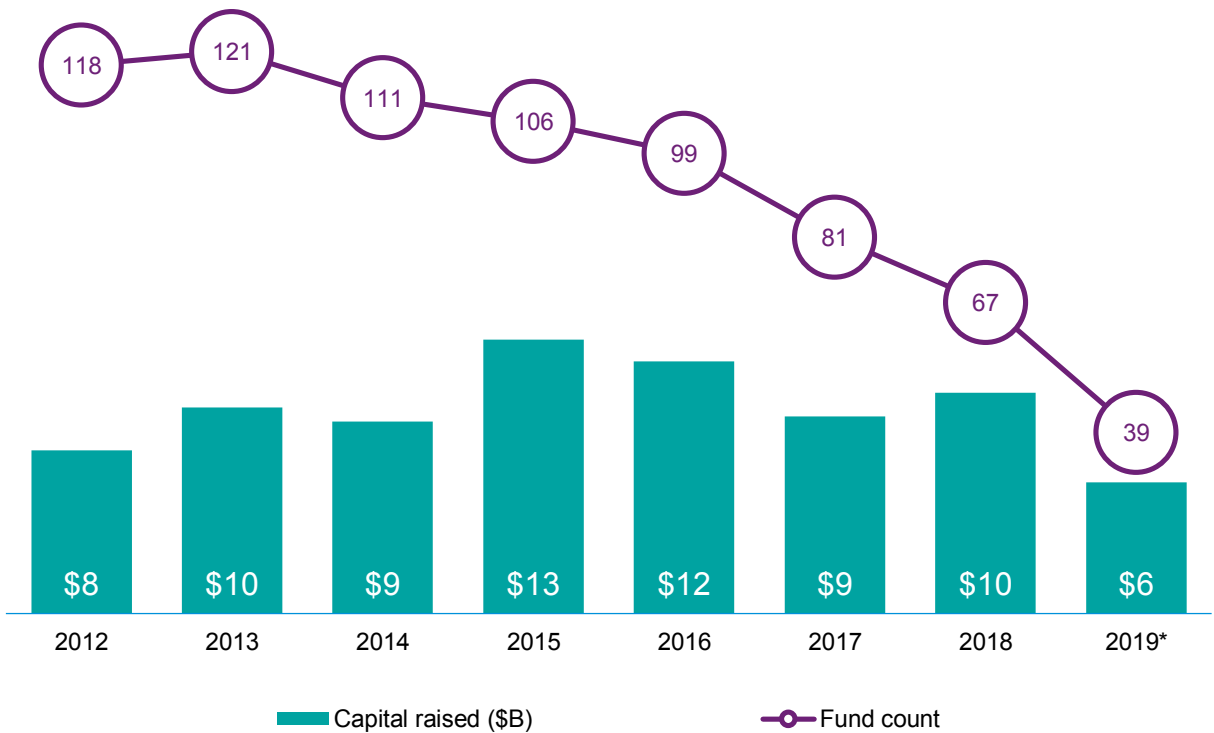


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Fundraising skewed by outliers

European venture fundraising

2012–2019*



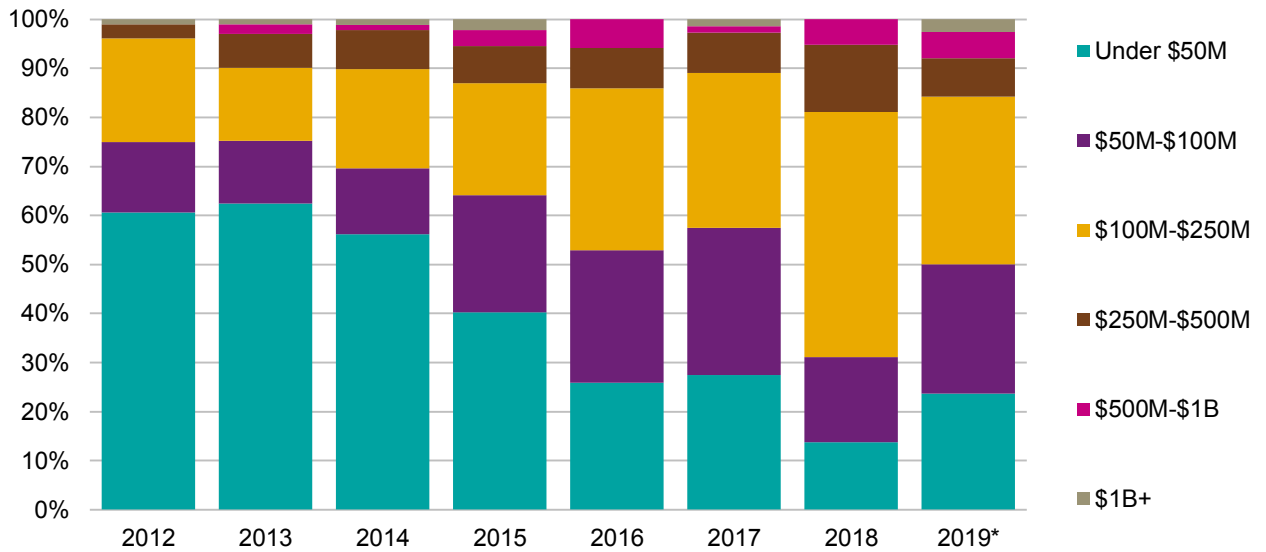
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Large firms with established track records understandably have an easier time fundraising than others. Although volume is slightly slower than even last year's subdued pace, already close to \$5 billion has been closed in Europe, thanks in large part to those aforementioned firms like Accel, which closed on a \$575 million vehicle in May.

Smaller funds make somewhat of a comeback relative to 2018

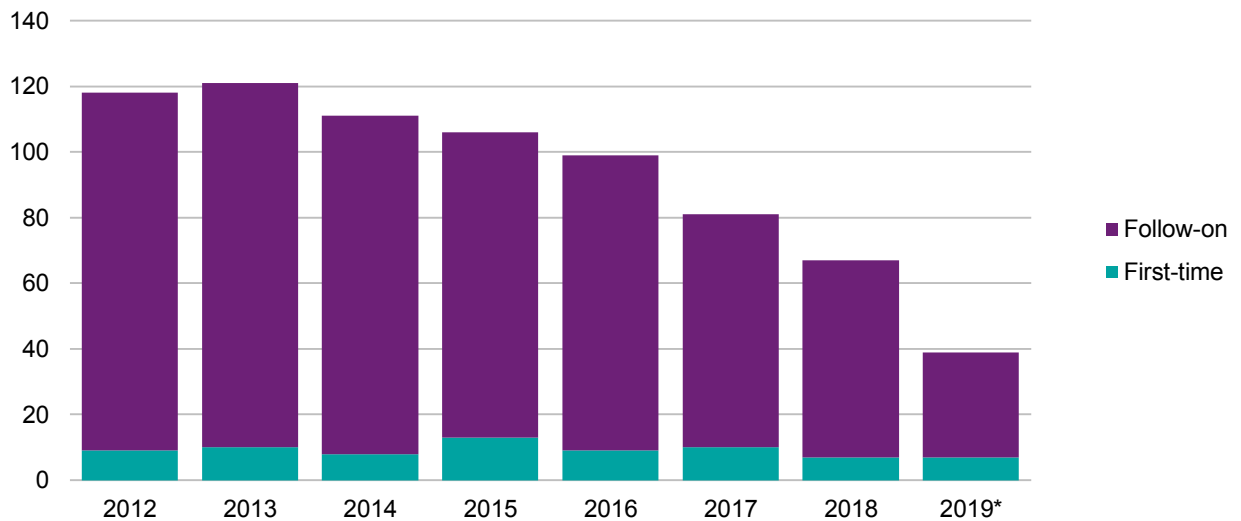
Venture fundraising (#) by size in Europe

2012–2019*



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

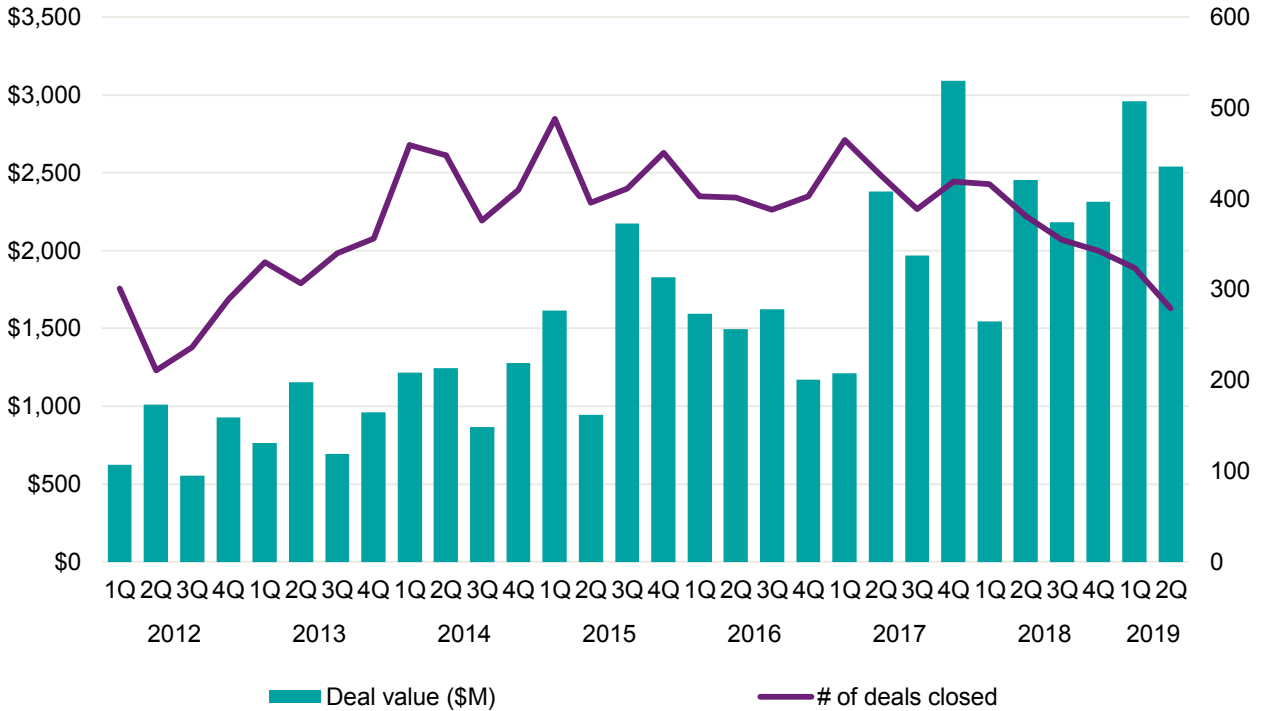
2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Subdued volume can't slow down VC invested

Venture financing in the United Kingdom 2012–Q2'19

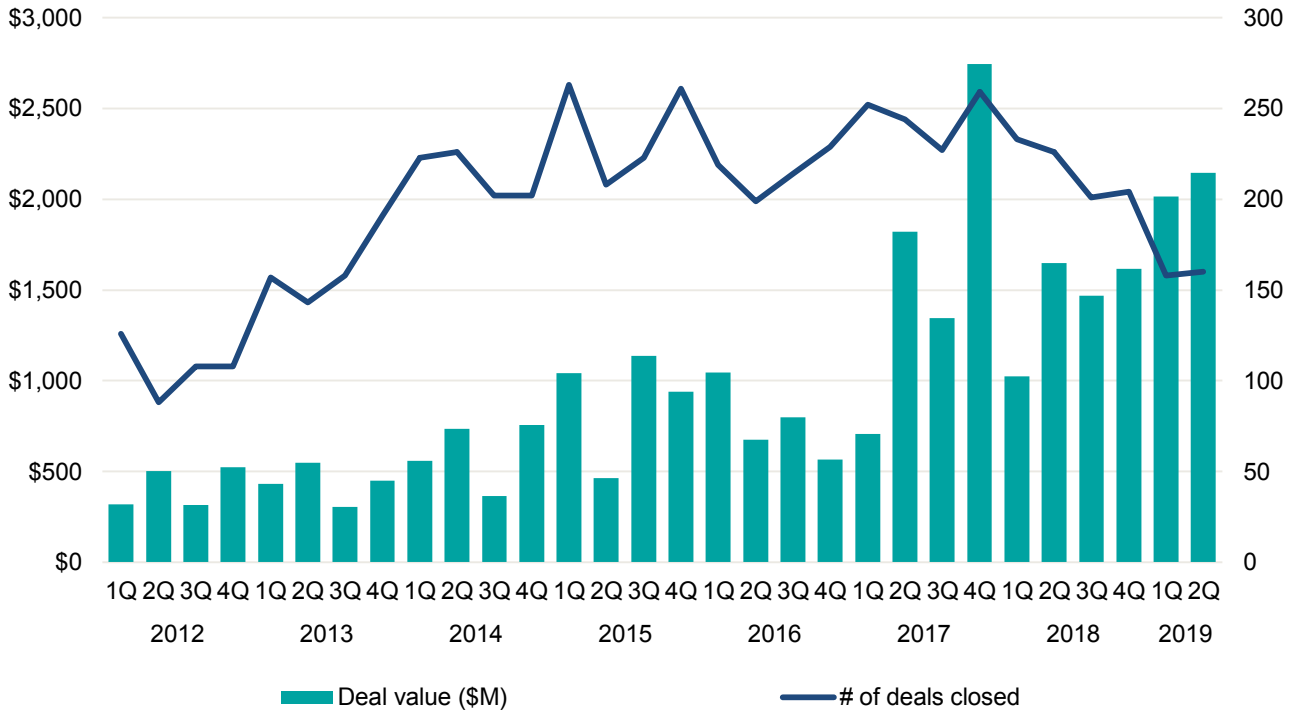


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Brexit may remain as much of a thorny issue as ever, but investors are hardly dissuaded from still plying the largest startups in the UK with plenty of VC. However, slowing volume may be a bit of a telltale around other investors not being quite as sanguine on riskier prospects, and thus pulling back the pace somewhat, looking to only bestow funds on the companies deemed as safest prospects.

London plays host to bulk of VC invested

Venture financing in London 2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Once again, it's worth noting London is not going to lose its status as a global financial center and concentration of traditional private investment managers overnight, no matter what happens with Brexit. Questions around access to talent and some moves by major institutions to relocate will definitely exert an impact, but thus far, London has still seen plenty of VC invested keep flowing.

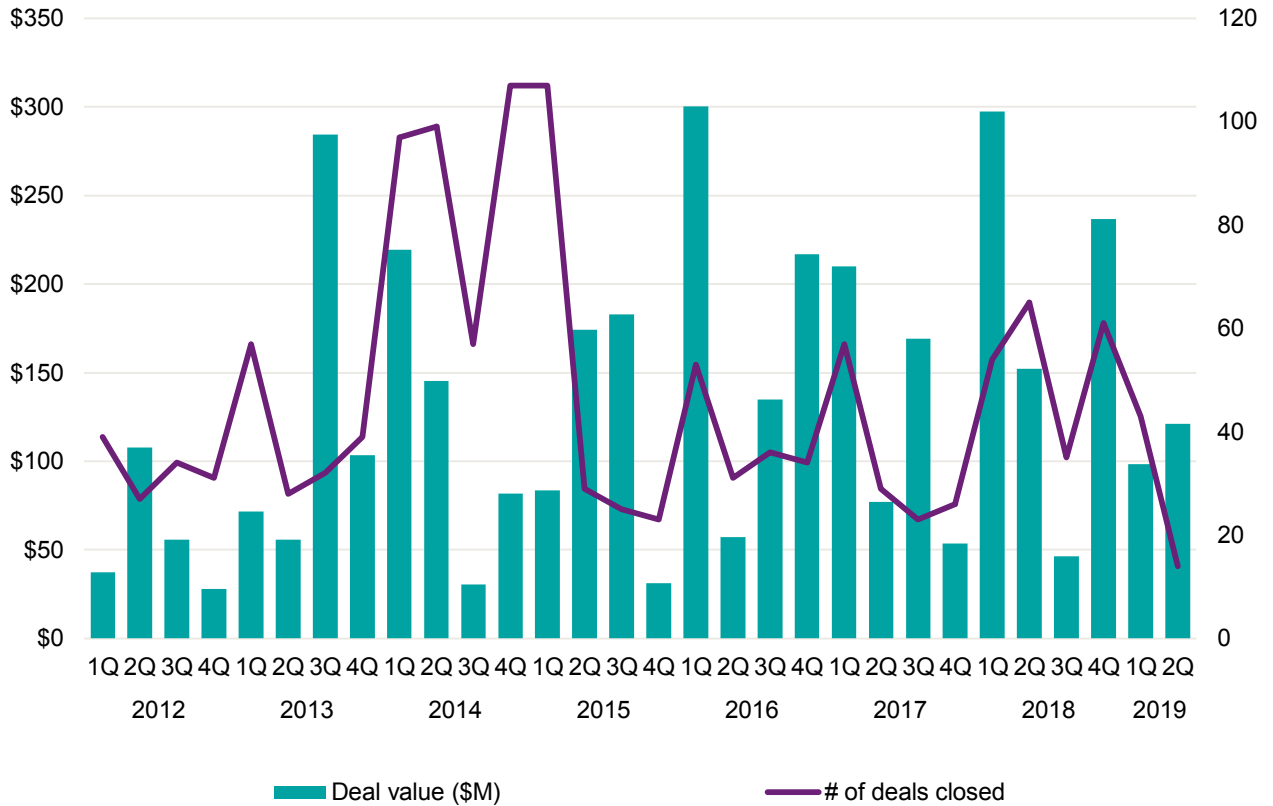
“The position of the UK is being maintained through a combination of the strength of London and the continuing trend of larger, later stage deals. The UK must continue to encourage clusters of innovation outside of London and increases in seed and angel investment.”



Tim Kay
Director, Innovative Startups
KPMG in the UK

Despite slow pace, sizable VC invested

Venture financing in Ireland 2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

The Irish venture ecosystem continues to see significant skewed quarterly results, however, thanks to a handful of sizable financings, including the \$30 million Series B funding of medical health testing platform Lets Get Checked, Q2 turned in solid sums of VC invested overall

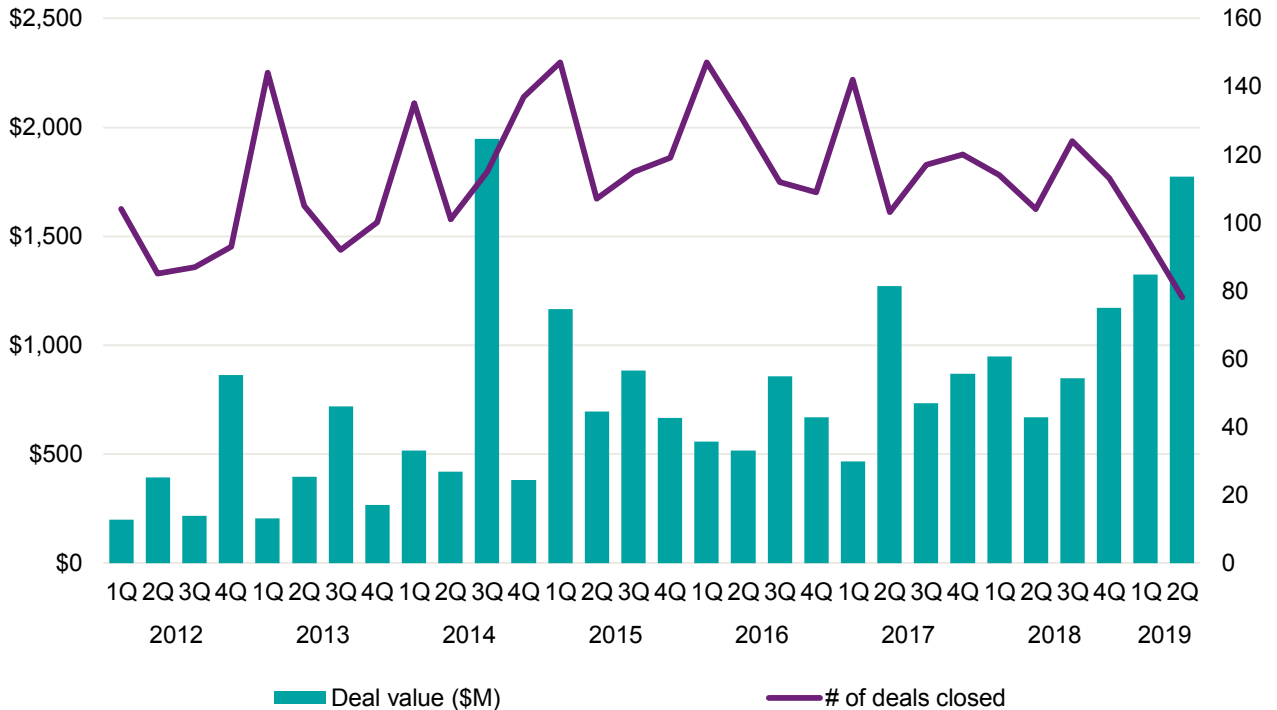
“Ireland continues to be a great location for companies looking to expand into Europe or for companies concerned about the impact of Brexit on their business. We’ve seen a lot of activity this year – from TD Securities and Reddit opening new offices - to mobile and cloud software company Deem announcing plans to open their European Innovation Centre in Dublin. Many corporates are looking at Ireland as the place to be right now..”



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

Outlier financings come in handy once again

Venture financing in Germany 2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

The dip in volume in Germany in Q2 is likely to rise as more data is collected over time, however, it is still worth noting that despite the magnitude of the decline, VC invested in Germany still was quite resolutely robust, although primarily relying upon outlier financings once again.

“One trend we’ve seen developing over the past few quarters is that there is still cash available. There is a series of investors that have dry powder on the line and are still looking for investment. At the same time, we’re continuing to see more mature deals, bigger deals, and deals later in the lifecycle. At early-stages, companies need to have very good teams and very good ideas if they want to attract investment.”

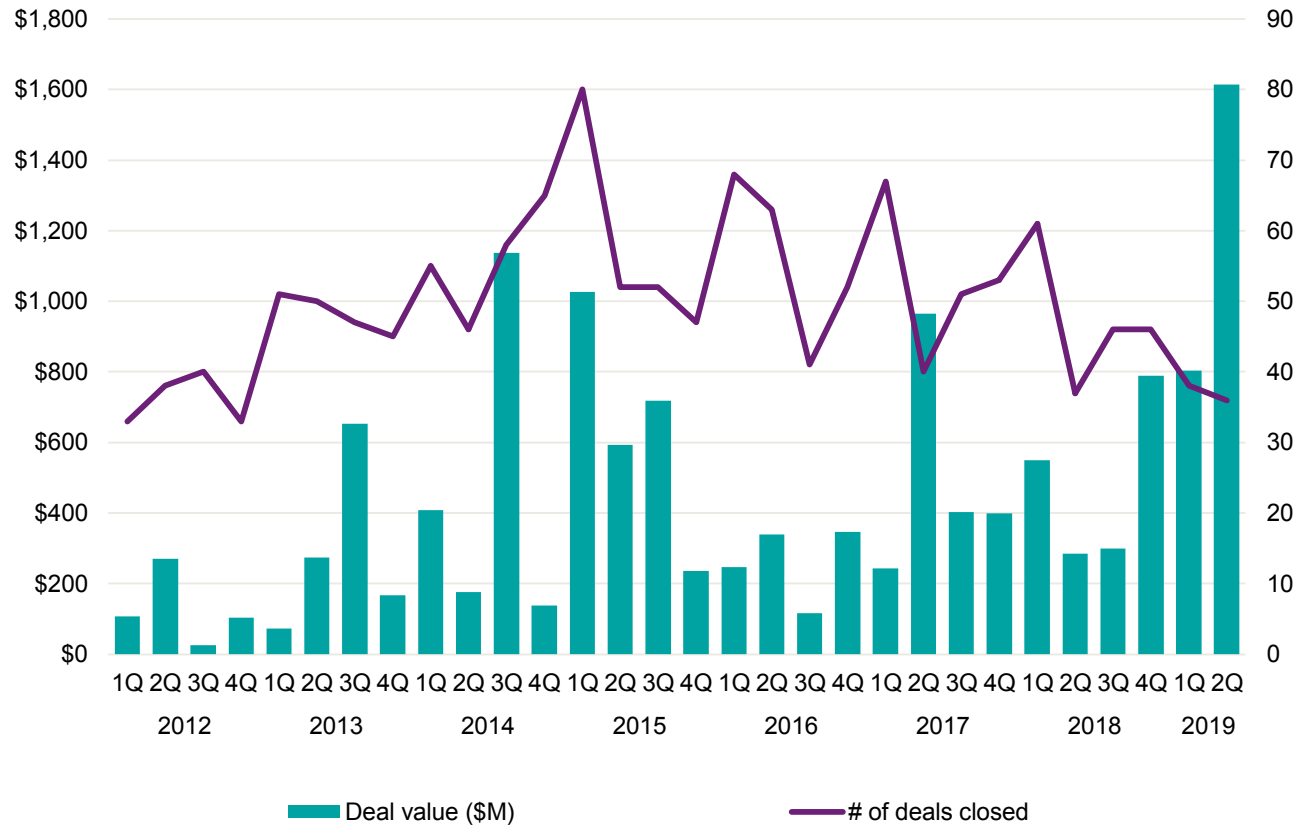


Tim Dümichen
Partner
KPMG in Germany

Berlin still sees greater concentration of capital

Venture financing in Berlin

2012–Q2'19



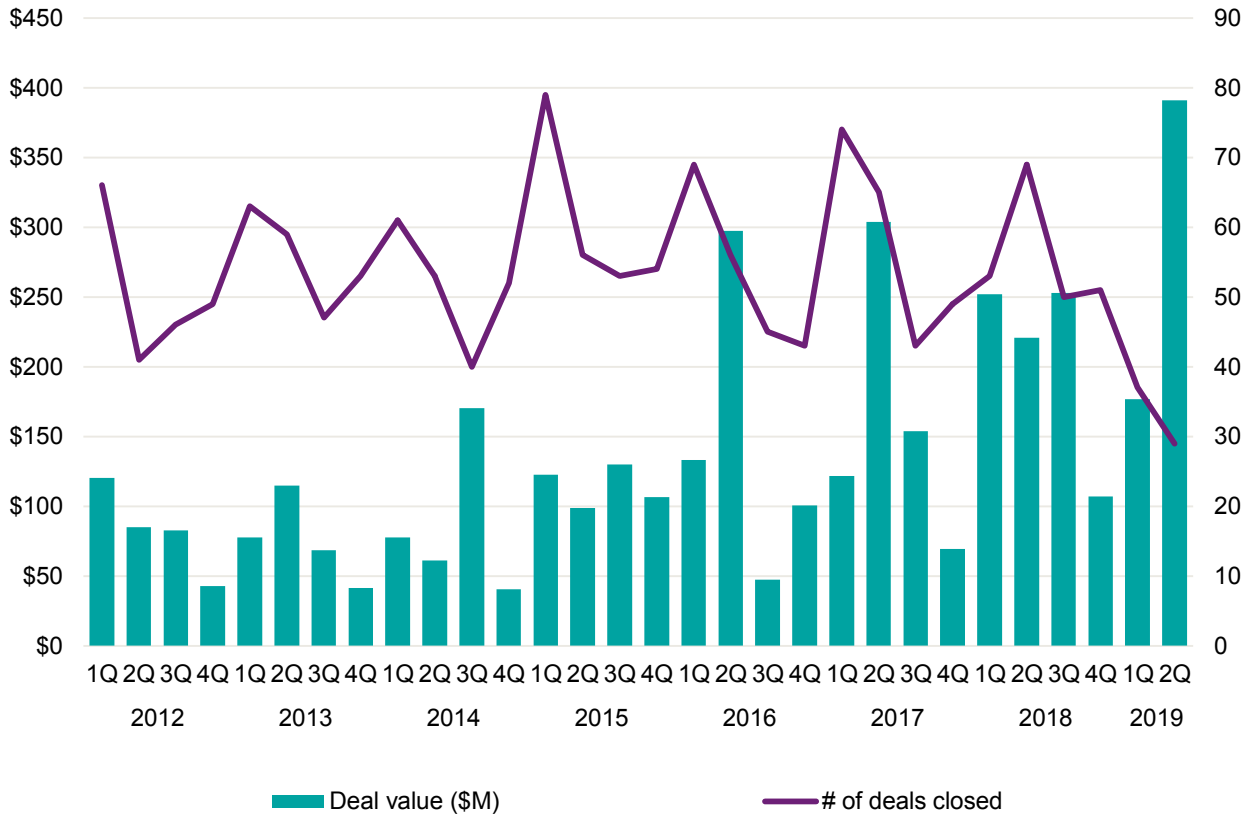
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Of the dollars flowing to Germany in Q2, most of them were concentrated in Berlin. The European venture scene is primarily one patchwork of major metro areas, and although Germany has historically seen some significant activity beyond its capital, it appears Q2 saw the reverse of that usual trend, thanks to several mega-deals.

VC invested turns in a blockbuster quarter

Venture financing in Spain

2012–Q2'19

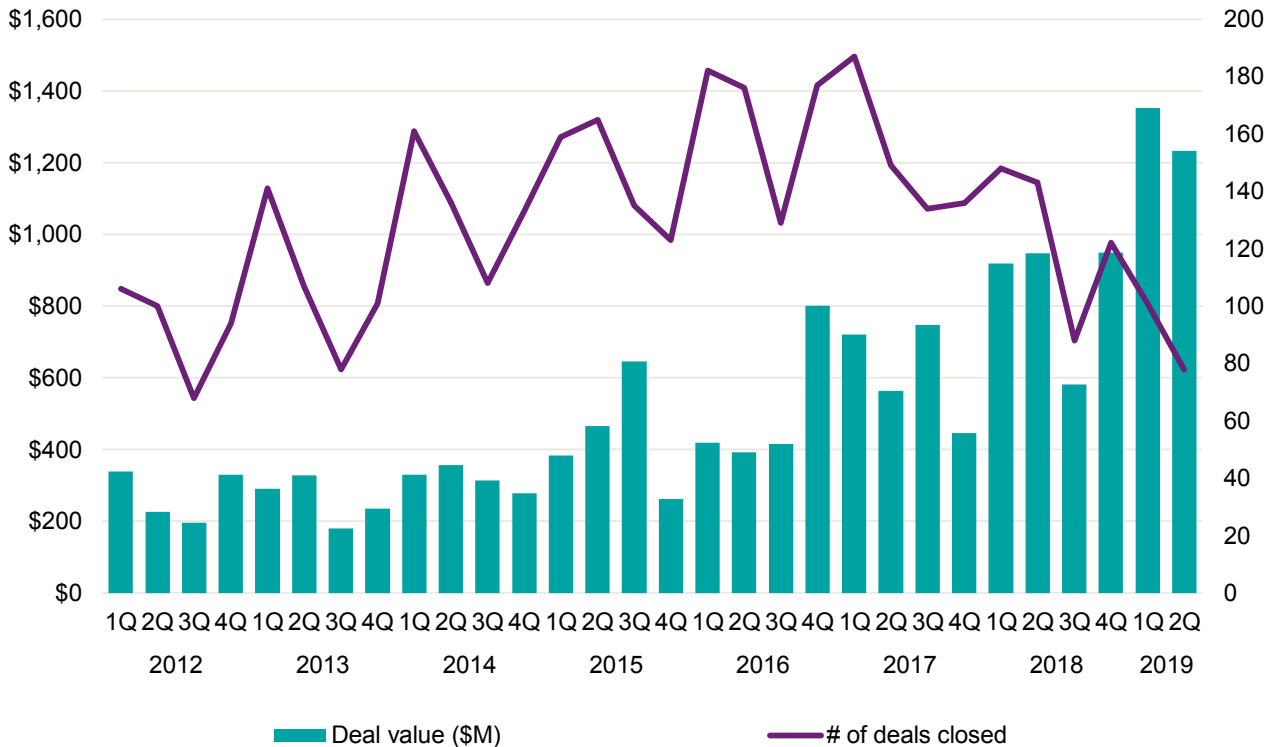


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Granted, the mammoth EUR150 million financing of Glovo, an on-demand delivery app, is what was primarily behind the massive surge in quarterly VC invested for Spain, however, it is a promising sign for the budding Spanish venture ecosystem.

After record quarter, VC invested stays strong

Venture financing in France 2012–Q2'19

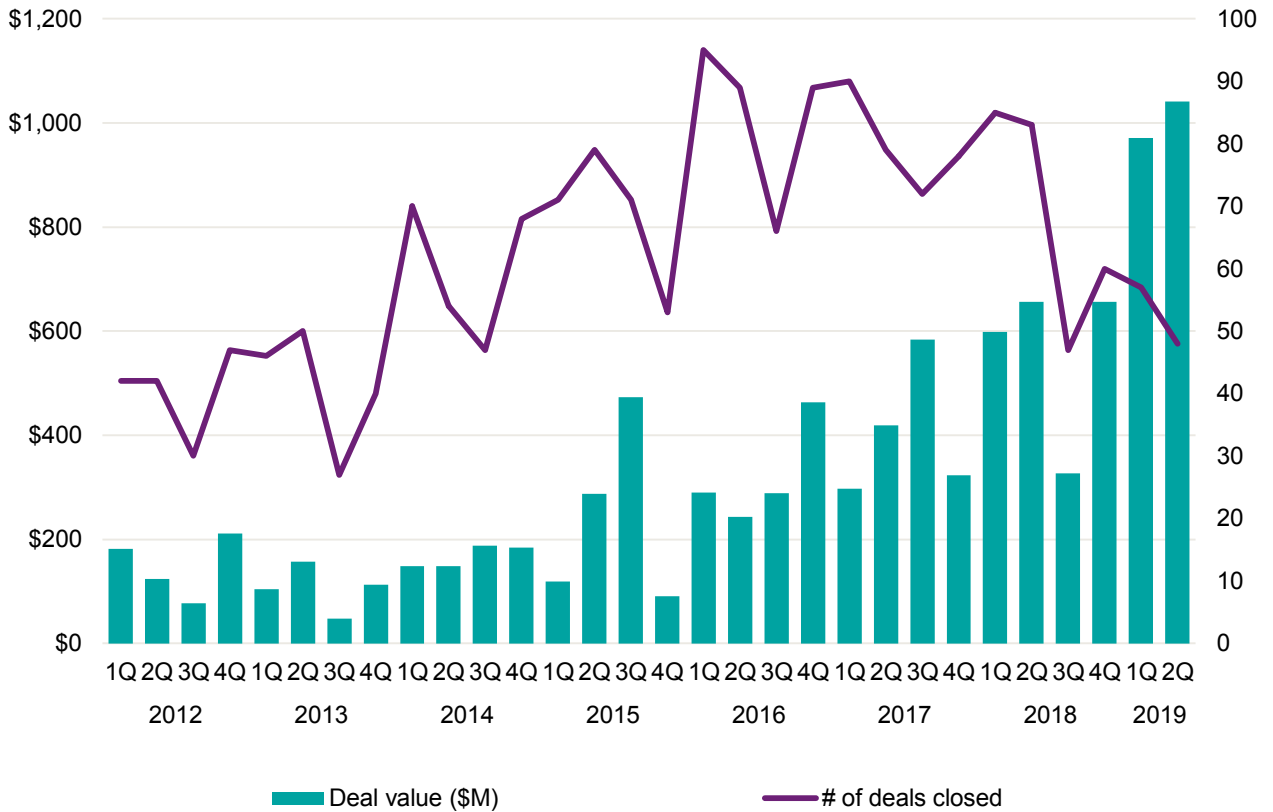


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Throughout 2018, there were sufficient quarters of \$900 million-plus tallies that the record \$1.1 billion VC invested in Q1 2019 was hardly surprising, although quite an achievement. However, a reversion to more normal levels was also to be expected after capital flowed so heavily for so long; the softening in Q2 volume was hardly that significant, as well, given the levels still achieved in VC invested.

Paris sees majority of VC invested in Q2

Venture financing in Paris 2012–Q2'19

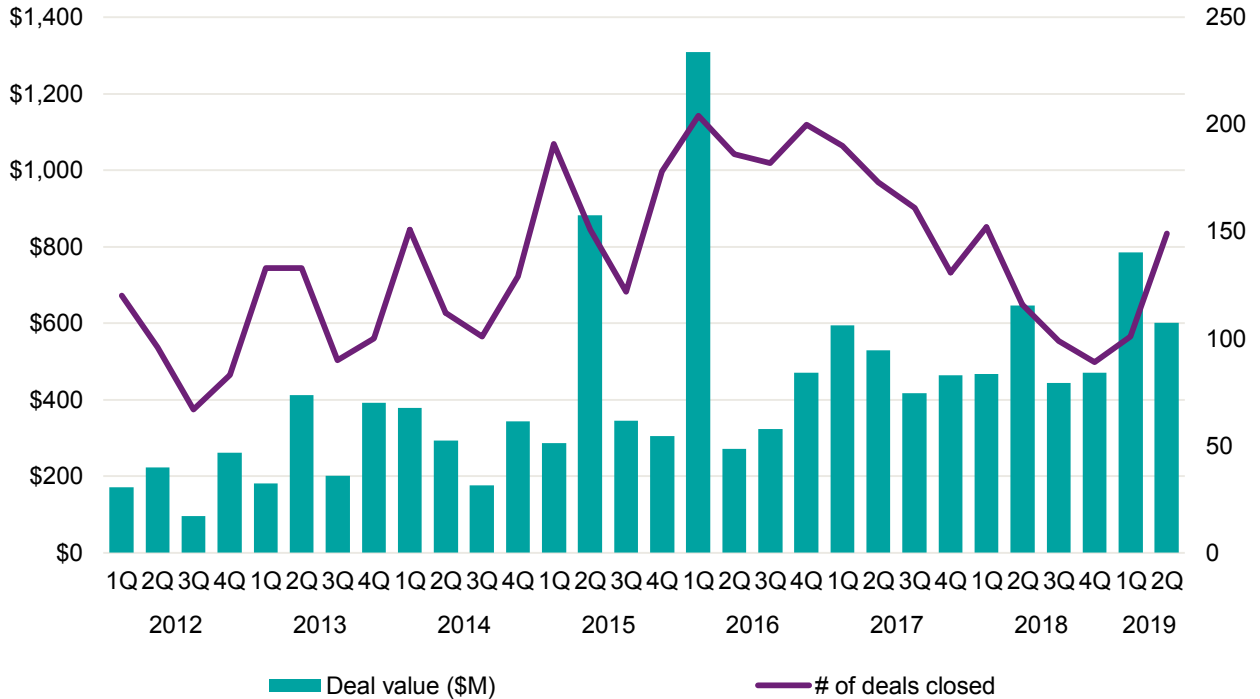


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Most of the money in French VC still flows to Paris, although the concentration of volume has dispersed at times in the past. Of the totals recorded in Q2, Paris saw an outsized proportion, as well as a majority of volume.

Deal volume surges upwards

Venture financing in the Nordics 2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019. Note: Northvolt's \$1 billion financing was excluded from the underlying data as it was classified as a purely corporate transaction.

The Nordics boast a substantial set of venture ecosystems that have produced significant startups over the years; one off quarter is hardly concerning when analyzing longer-term trends. The significant uptick in Q2 volume, reversing prior slides, is a good example of why short-term dips should not be overly read into, as given the pace at which investors abroad funded Nordics companies last year overall, it is likeliest they took a breather as the ripple effects of the capital spread throughout the region.

“The Nordic region is really trendy right now, with investments focusing on technologies like AI and machine learning, and across sectors from gaming to cleantech. This quarter's \$1 billion raise by Northvolt is a particularly huge deal, not just for the Nordic region, but for the European continent. Corporates and international investors are driving a lot of this investment at least at the larger deal stages.”



Jussi Paski
Head of Startup Services
KPMG in Finland

Q2 sees remarkable geographic diversity



Top 10 financings in Q2'19 in Europe

- | | |
|---|---|
| <p>1 Deliveroo, \$575M, London
Application software
Series G</p> | <p>5 Checkout.com, \$230M, London
Financial software
Series A</p> |
| <p>2 AUTO1 Group, \$535.9M, Berlin
Automotive
Late-stage VC</p> | <p>7 adjust, \$227M, Berlin
Business/productivity software
Late-stage VC</p> |
| <p>3 GetYourGuide, \$484M, Berlin
Information services
Series E</p> | <p>8 Gett, \$200M, Tel Aviv
Software
Late-stage VC</p> |
| <p>4 ADC Therapeutics, \$276M, Epalinges
Biotechnology
Series E</p> | <p>9 Glovoapp23, \$174.8M, Barcelona
Logistics
Series D</p> |
| <p>5 Meero, \$230M, Paris
Commercial services
Series C</p> | <p>10 Innoviz Technologies, \$170M, Rosh Ha'ayin
Consumer durables
Series C</p> |

Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019. Note: Northvolt's \$1 billion financing was excluded from the underlying datasets as the transaction was classified as purely corporate.

***In Q2'19 VC-backed
companies in the Asia
region raised***

\$10.1B

across

484 deals



Asia VC investment continues sluggish performance

Overall deal value and volume remained low during Q2'19 in Asia, well off last year's record pace. The sluggish performance reflects the continued absence of significant numbers of \$100 million+ megadeals in China for the second consecutive quarter. The continued slowdown in deal making in China likely reflects the ongoing US-China trade dispute and a corresponding increase in investors caution.



Trade dispute dampens longer term outlook for China

The first two quarters of 2019 saw a large drop in VC activity in Asia, both in terms of the number of deals and total deal value. China's share of megadeals in particular has fallen significantly over the past few quarters. At the end of Q2'19, the largest ten deals in Asia accounted for \$4 billion in investment. By comparison, in Q4'18, the ten largest deals accounted for \$11 billion.

With VC investors in China wary, Q2'19 saw investors focusing on a smaller number of massive deals and a larger volume of smaller deals⁷. This likely contributed to the shrinking number of unicorn births in China; in Q2'19, there were no new unicorns birthed in China, compared to 19 in the US⁸. In recent quarters, Chinese mega-giants such as Alibaba, including its affiliate Ant Financial, have been able to consolidate their significant gains across multiple segments. This could also be contributing to the slowdown in high growth sectors.



Healthtech remains hot in China

Healthtech startups continued to draw significant interest from VC and corporate VC investors in China. In Q2'19, China's JD Health raised \$1 billion in funding, while Tencent Trusted Doctors raised \$250 million. The life sciences, pharmaceutical, and healthtech sectors are expected to continue to gain traction among VC investors in China as the government moves forward with healthcare reforms, including plans to better manage drug pricing, fast-track approval of overseas drugs, and improve access to care for patients.



Rule changes at the Hong Kong Stock Exchange begin to pay dividends

In 2018, the Hong Kong Stock Exchange (HKSE) changed its listing rules to allow dual-class shares. The aim was to attract more technology firms, a fact that is starting to bear fruit. Alibaba Group is reportedly planning to raise approximately \$20 billion through a second listing in Hong Kong. This move, currently expected in Q3'19, could help spur additional activity on the HKSE^{9, 10}. Following Hong Kong's record year of IPOs in 2018, the level of IPO activity has dropped off somewhat, although a second listing from Alibaba would prove a significant boost.



Hong Kong awards virtual banking licenses

In recent months, the Hong Kong Monetary Authority (HKMA) awarded eight companies with virtual banking licenses: Ant SME, Insight Fintech, Infinium, Livi VB, SC Digital, PingAn One Connect, WeLab, and Zhong An Virtual Finance. Of these companies, WeLab is the only home grown fintech; the others are backed by companies outside of Hong Kong, including Tencent, Industrial and Commercial Bank of China, JD Digits, Standard Chartered, ZhongAn and Jardines.

During Q2'19, work continued on the Greater Bay Area Initiative, with local governments coordinating policies with the aim of facilitating a greater flow of capital and investment in region¹¹.

⁷ <https://news.crunchbase.com/news/chinese-startups-shrink-back-from-raising-supergiant-venture-capital-rounds/>

⁸ <https://pitchbook.com/news/articles/unicorn-class-of-2019>

⁹ <https://www.scmp.com/comment/insight-opinion/article/2143267/hkexs-new-listing-rules-will-bring-tech-economy-hong-kong>

¹⁰ <https://seekingalpha.com/article/4272304-alibabas-second-hk-listing-means>

¹¹ <http://fintechnews.hk/8951/virtual-banking/hkma-virtual-bank-license-sc-digital-livi-zhongan-za/>

Asia VC investment continues sluggish performance, cont'd



Stable government inspires business confidence in India

Following a sluggish start to the year, VC investment in India picked up steam in Q2'19 reaching \$1.5 billion invested on over 38 deals, including \$1 billion+ funding round by hotel company OYO Rooms.

OYO has reportedly become India's second biggest budget hotel chain, with more than 400,000 rooms in 290 cities. OYO's aspirations span far beyond India and China, having recently opened its first U.S. hotel at the beginning of the year and planning a \$300 million expansion in the US.

The incumbent Indian government was re-elected in May with a strong majority. The result has been an increase in investor and business confidence and a significant uptick in VC activity. With continued stable, predictable economic policies and programs expected over the next few years, the outlook for VC activity in India is very positive.



In Q2'19, India's vast agriculture sector showed signs of nascent agri-tech development. Ninjacart, which links farmers to retailers, raised \$100 million from a New York-based hedge fund. In the process, their valuation rose to \$320 million¹².



Trends to watch for in Asia

Looking forward to Q3'19, edtech and online food and food delivery will be sectors to watch in India. For example, CloudKitchens, founded by former Uber CEO Travis Kalanick, enables delivery-only restaurants to set up kitchens and avoid the expense and associated risks of bricks-and-mortar outlets. These types of solutions are expected to see increasing investment in India.

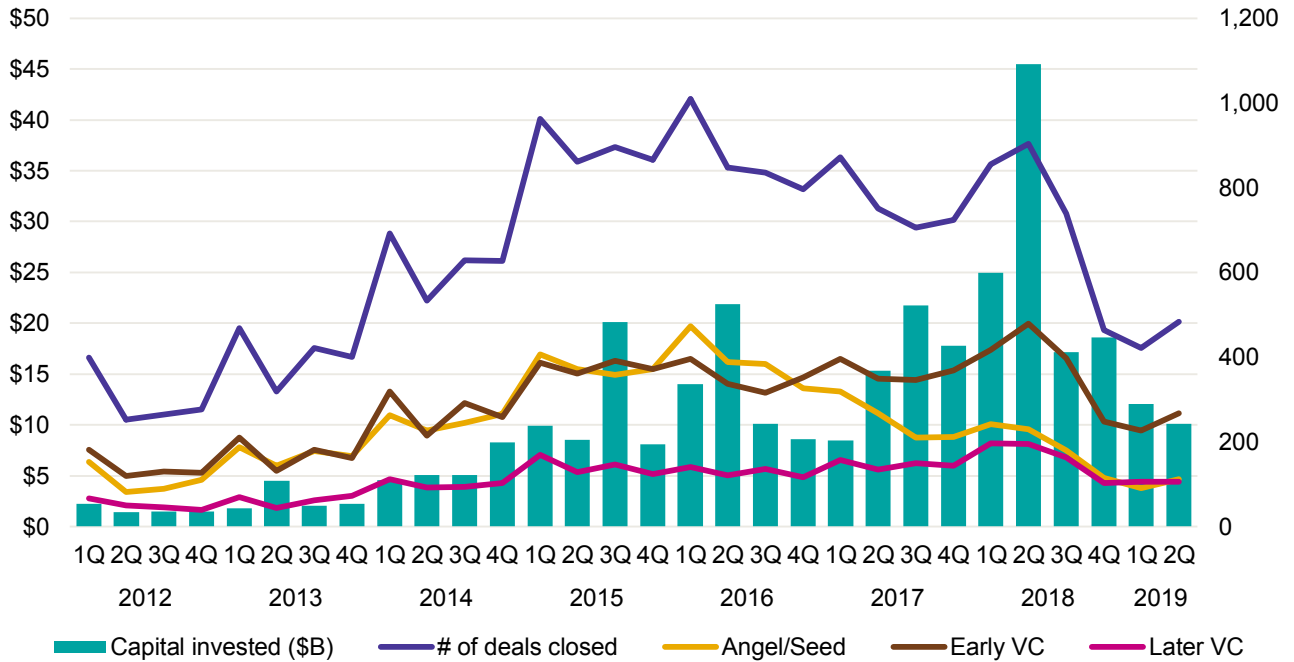
With little sign that the China-US trade dispute will be resolved, VC investment in China could continue to be sluggish, although AI, healthtech and other high priority sectors will likely buck any negative trends.

¹² <https://agfundernews.com/ninjacart-raises-89m-in-indias-largest-ever-farmtech-deal.html>

Q2 sees trends evening out

Venture financing in Asia

2012–Q2'19

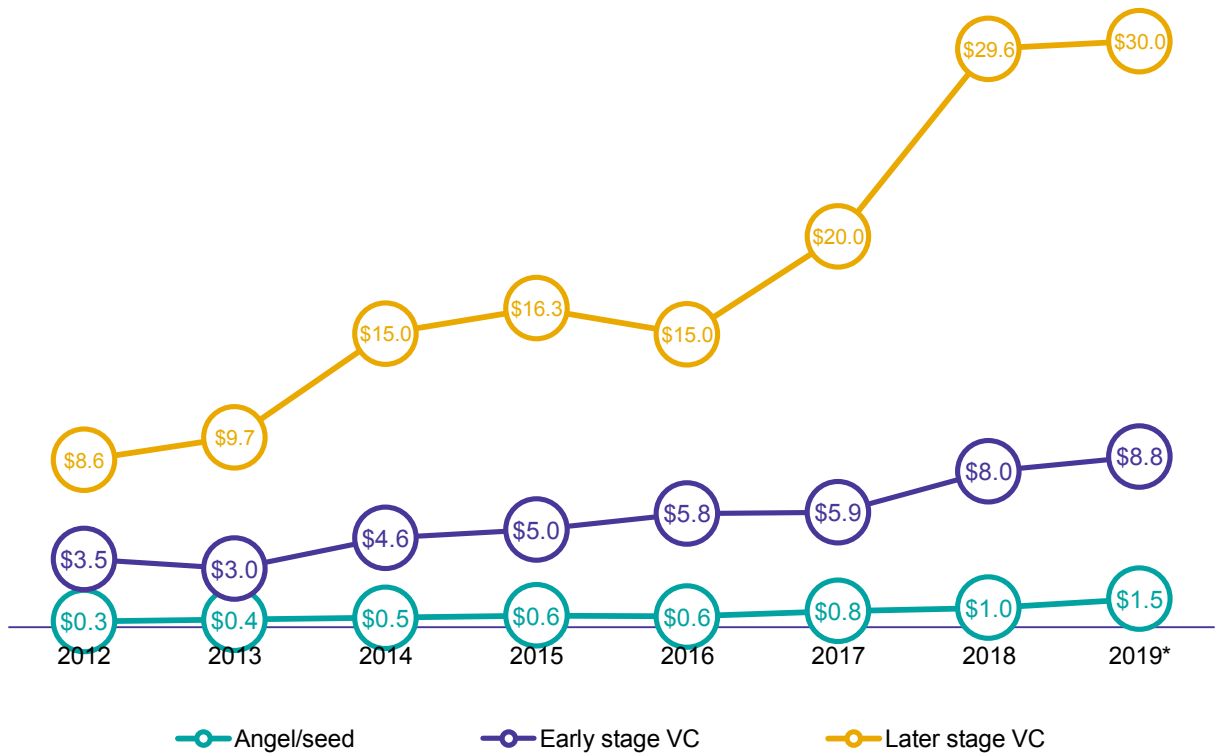


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

The decline that commenced in the final quarter of 2018 has turned out to be a more prolonged slowdown for venture funding levels across the Asia-Pacific region than may have been expected. However, it still hasn't been so prolonged, nor so dramatic, that it is cause for undue concern; rather, every fledgling ecosystem undergoes slower periods of investment rates as investors and companies alike that raked in millions in 2018 take a breather before gaining further exposure and growing further, respectively. Hence the evening out of volume in the past three quarters, as a result.

Even as volume slides, medians stay high

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



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

A promising sign for the Asia-Pacific venture ecosystem is that even as volume slides significantly, there is little shortage of capital for the companies that are able to raise. This implies that investors have simply grown more cautious rather than completely leery of startups within the region.

“While overall investment was subdued, this was still an exciting quarter for the fintech ecosystem in Asia, as highlighted by the Hong Kong Monetary Authority’s recent approval of eight virtual banking licenses and recently announced plans by the MAS to offer five banking licenses in Singapore. Regulators across Asia are committed to opening the door for fintechs looking to enter the banking sector.”

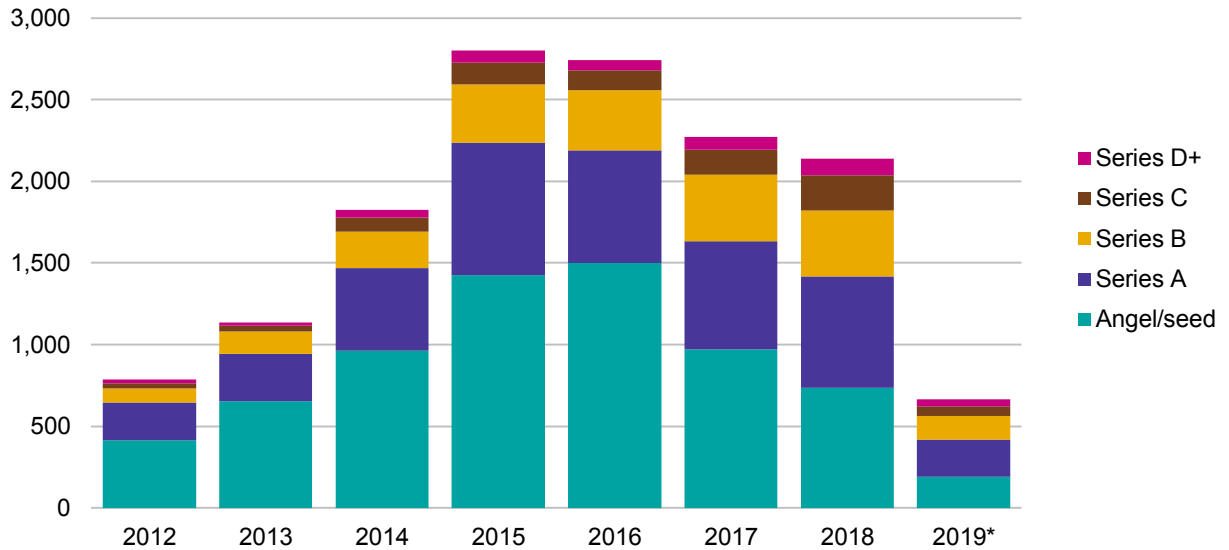


Egidio Zarrella
Head of Clients and Innovation Partner,
KPMG China

Activity disproportionately tilts toward late-stage

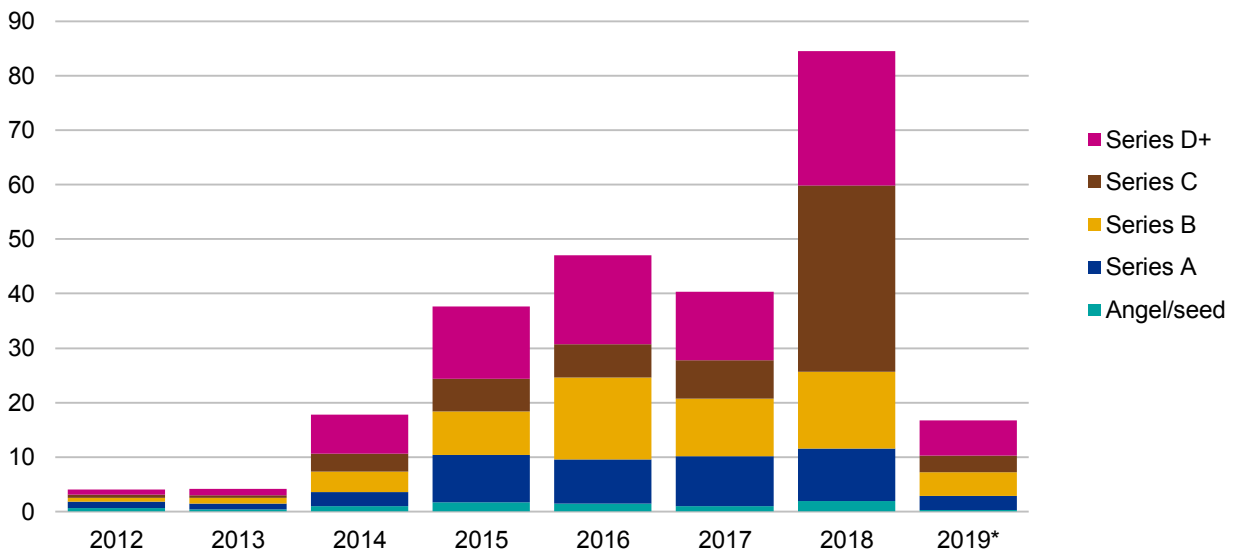
Deal share by series in Asia

2012–2019*, number of closed deals



Deal share by series in Asia

2012–2019*, VC invested (\$B)

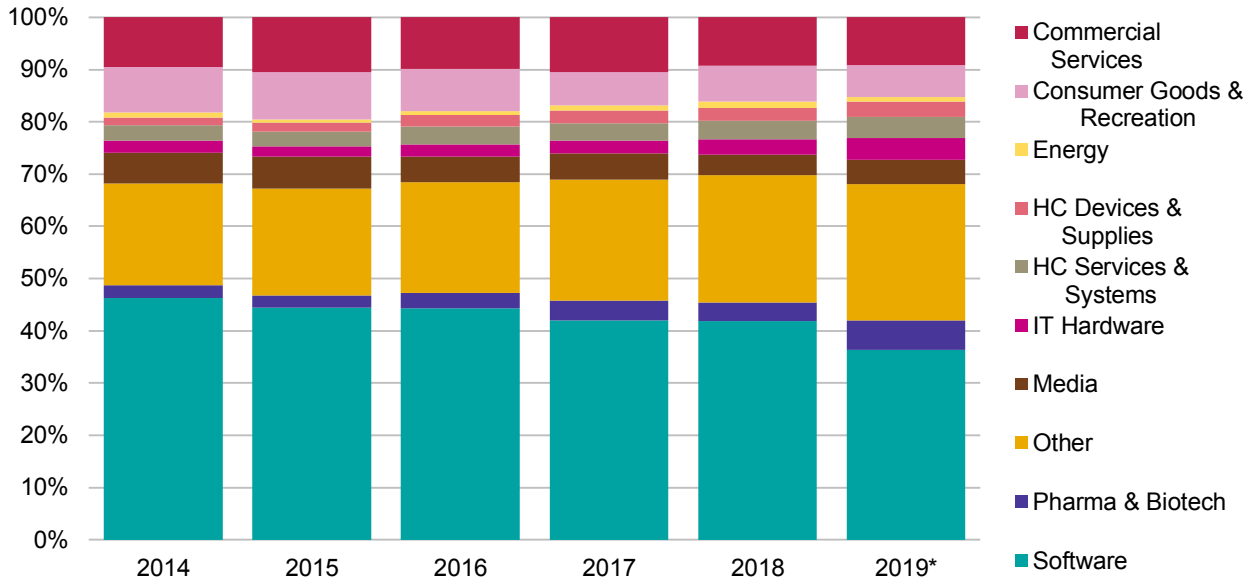


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Sector lines blur as healthcare stays resilient

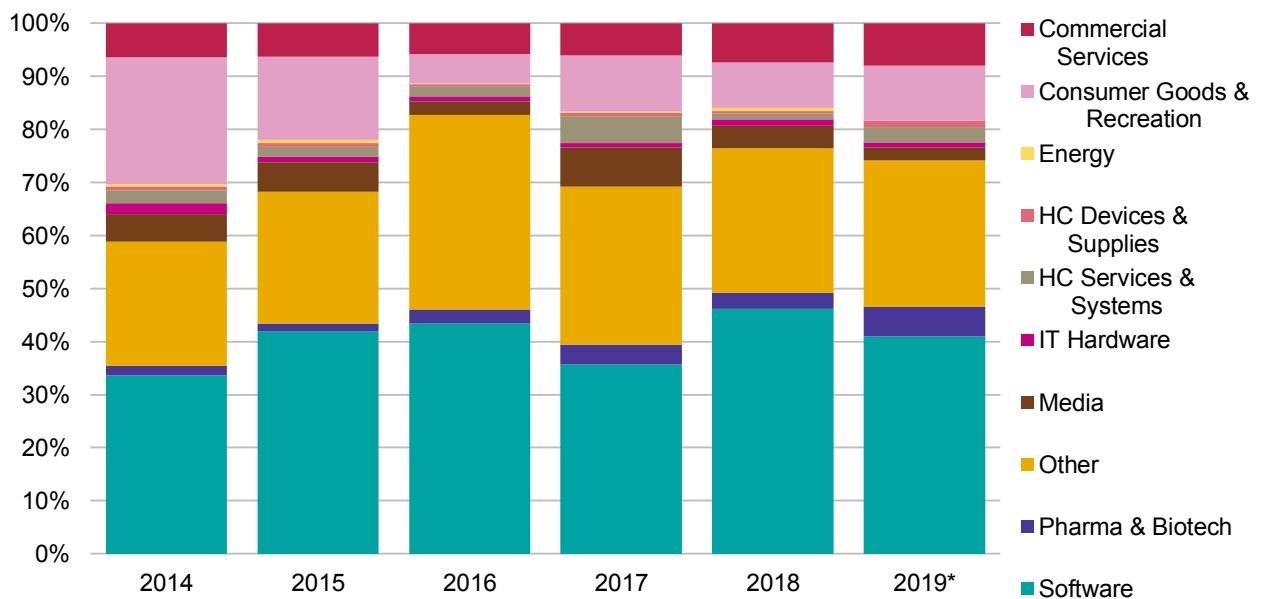
Asia venture financings by sector

2014–2019*, number of closed deals



Asia venture financings by sector

2014–2019*, VC invested (\$B)

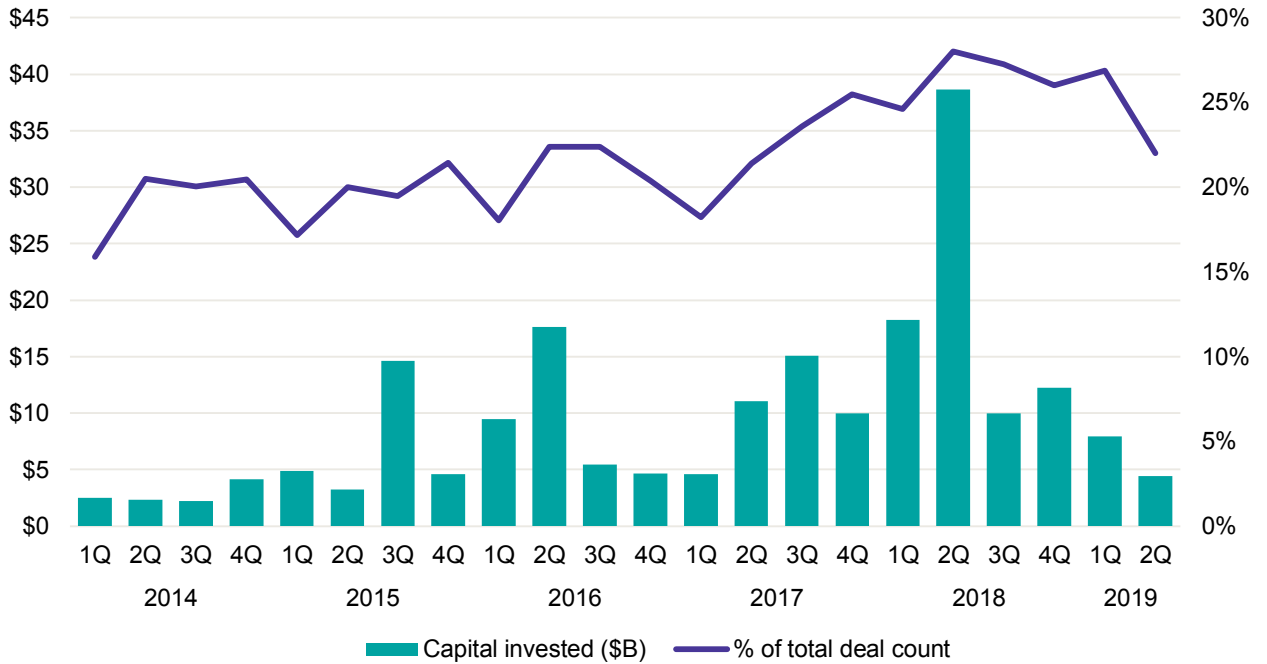


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

CVC participation takes a bit of a breather

Corporate participation in venture deals in Asia

2014–Q2'19

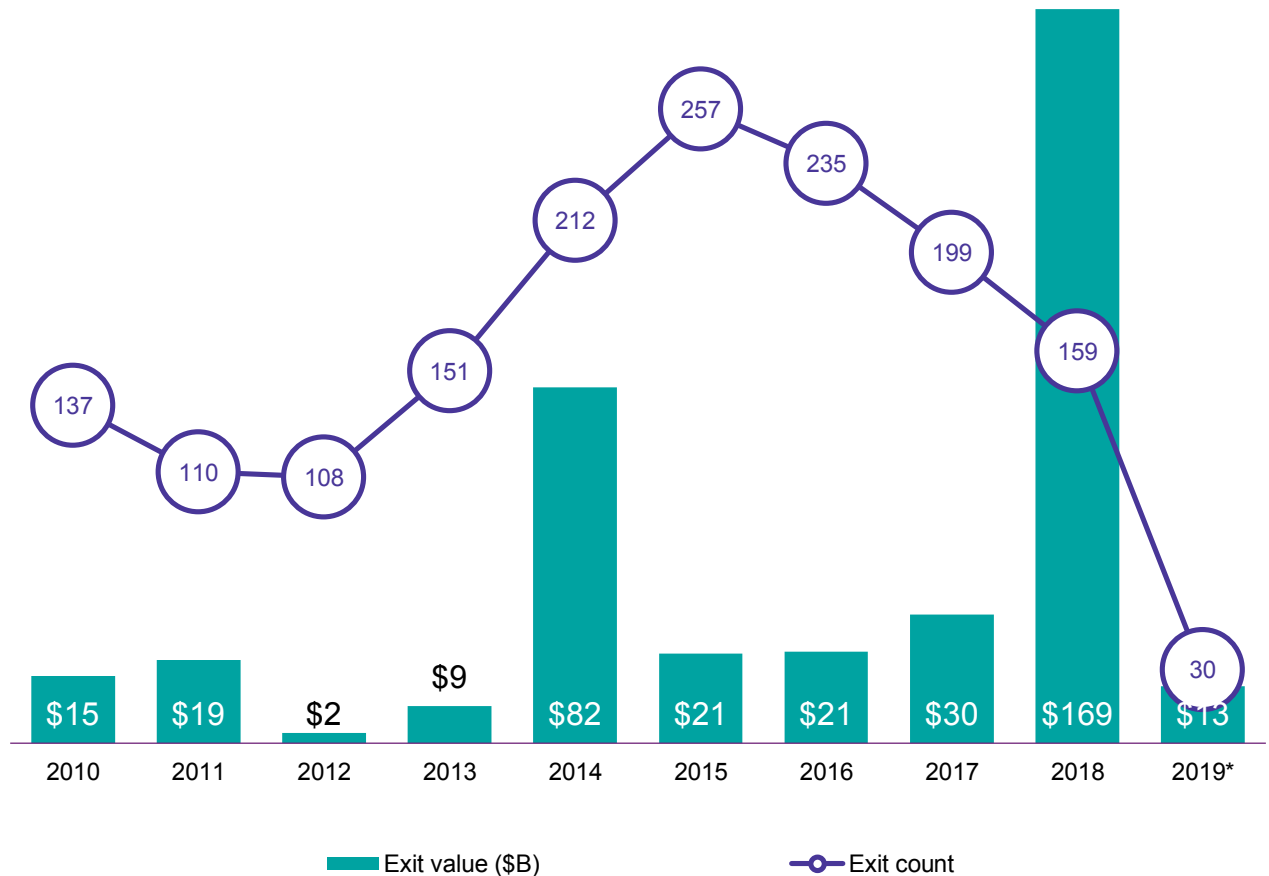


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Corporate players remain essential in the capital cycle of the Asia-Pacific venture ecosystem, especially at the late-stage. Consequently, any prolonged downturn would be cause for concern, however, a quarterly tilt downward is hardly that. Rather, corporates are still staying relatively active, especially compared to historical levels.

Exit cycle on pace to hit to historical means

Venture-backed exit activity in Asia 2012–Q2'19



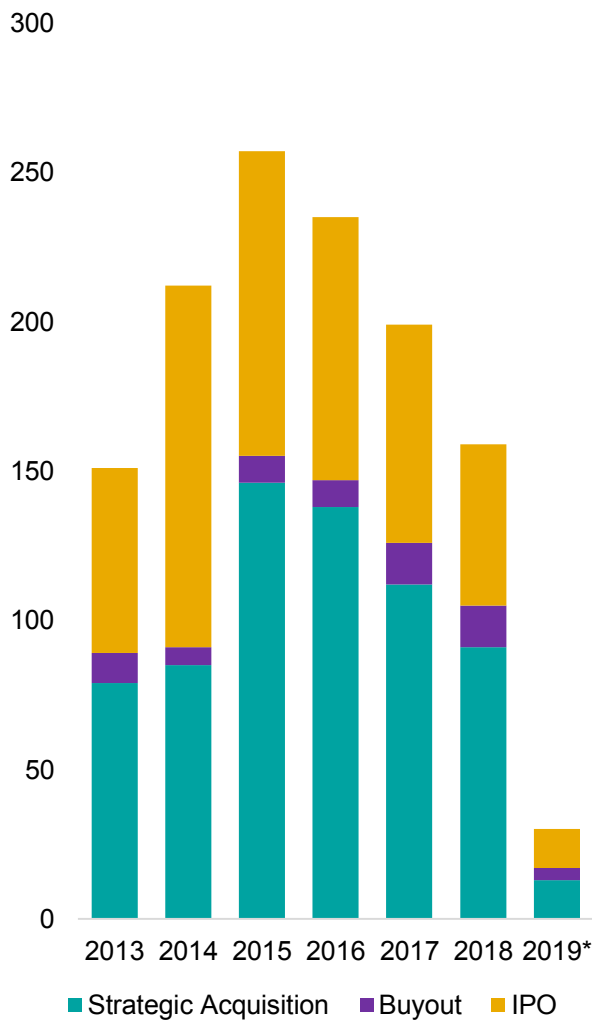
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

After a blockbuster year of listings in particular, venture-backed exits in the region are now more looking set to hit levels that are far more common throughout the past five years, e.g. 2015 or 2016 tallies. That is likely due to the nascency of the venture ecosystem overall, wherein it has not yet matured enough to produce a steady clip of liquidity.

M&A, IPOs divide exit volume down the middle

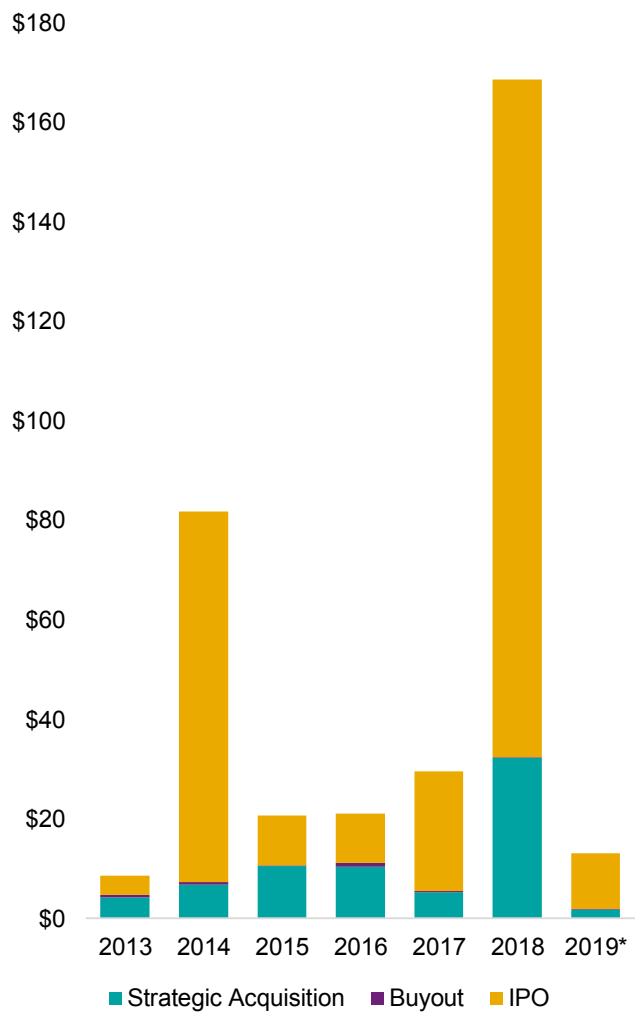
**Venture-backed exit activity (#)
by type in Asia**

2013–2019*



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

2013–2019*

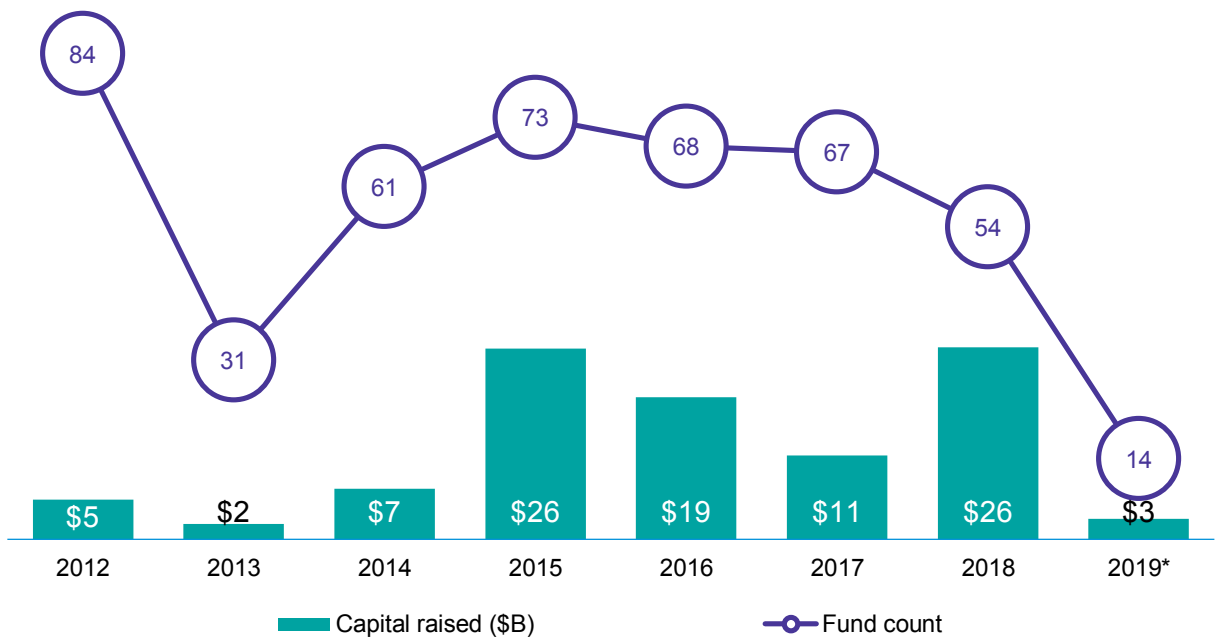


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Fundraising still proceeding at a sluggish pace throughout 2019 thus far

Venture fundraising in Asia

2011–2019*



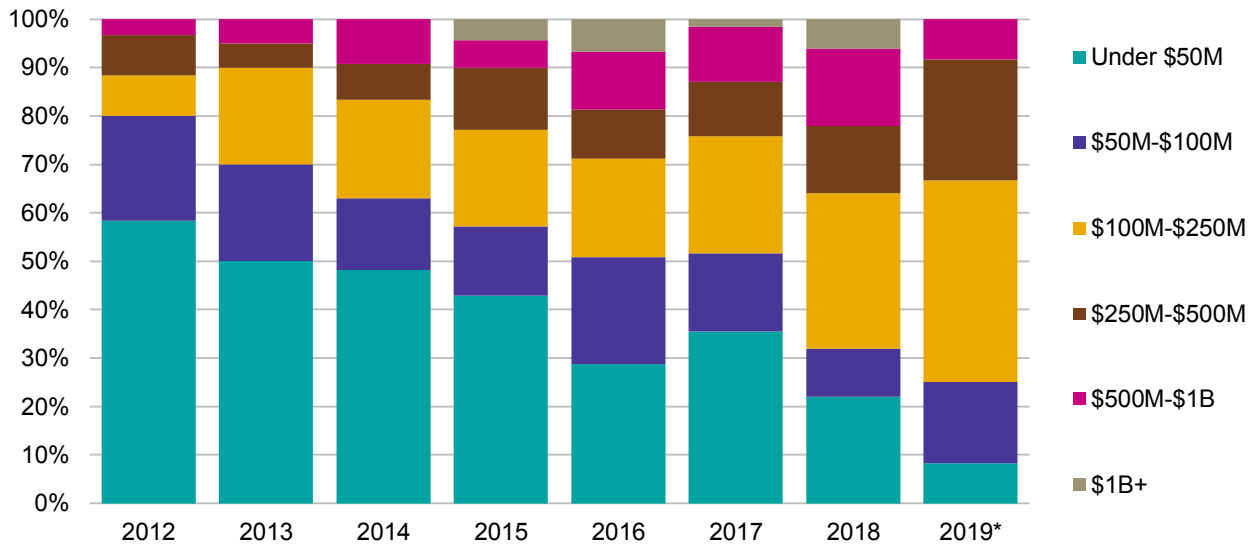
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

2018 saw the most ever raised by venture funds, even as overall volume dipped below tallies seen for much of the middle of the 2010s. However, 2019 is off to a significantly slower start, in both capital raised and count. Contributing factors likely include the nascency of the ecosystem, wherein gains have largely been concentrated amid a smaller population of firms; growing cross-border investor interest; and the prevalence of corporate activity within the ecosystem overall.

Fundraising still shifts larger, middle of the market sees gains in volume

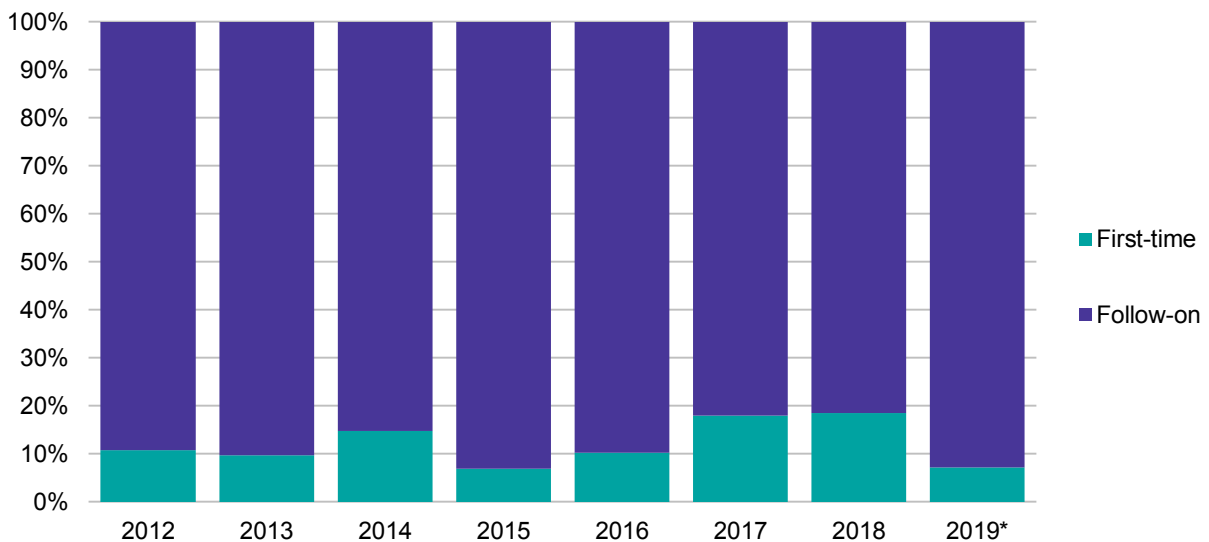
Venture fundraising (#) by size in Asia

2012–2019*



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

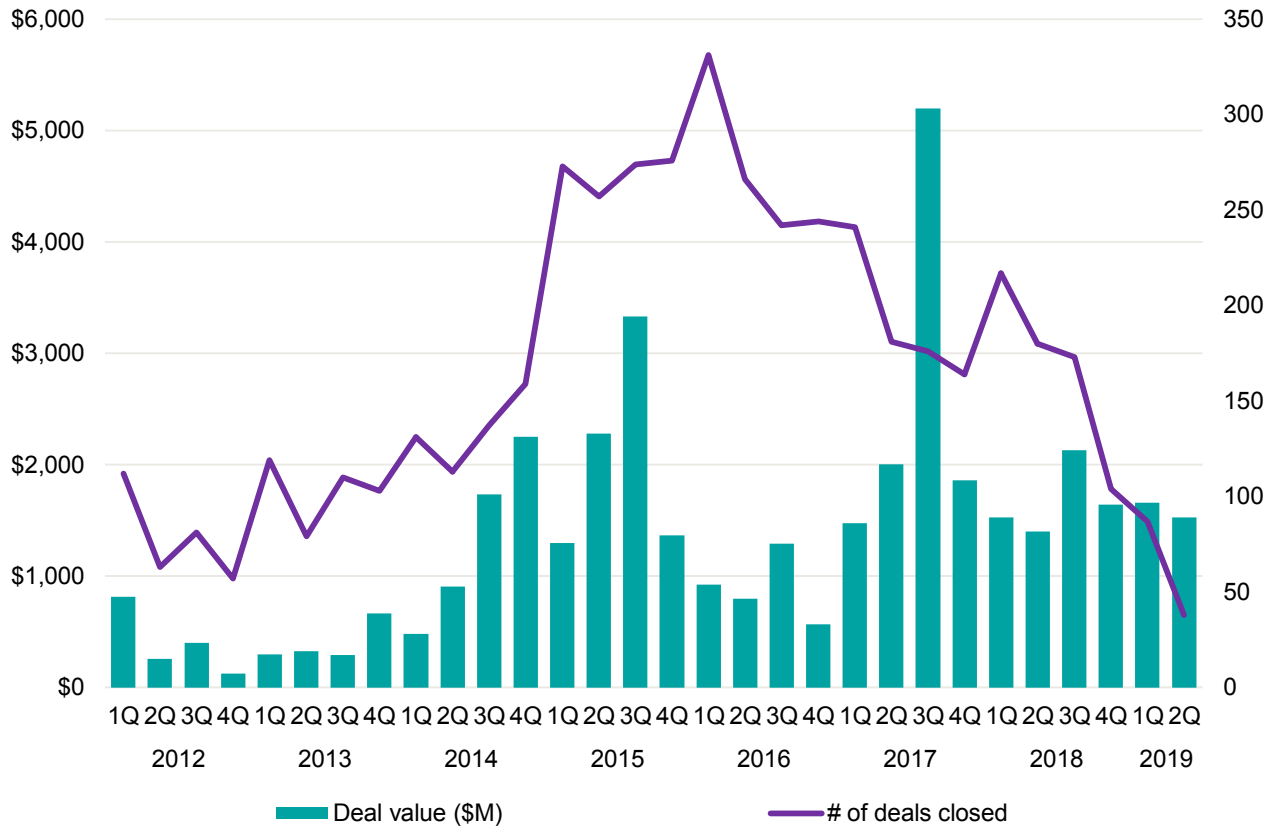
2012–2019*



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Venture volume evens out

Venture financing in India 2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

The downturn in the final quarter of 2018 carried over into 2019's first quarter, as much of the Asia-Pacific region saw sluggish investment activity. However, VC invested recovered to hold steady at a more-than-healthy historical rate.

“The results of India’s general election this spring had a marked impact on business confidence. A significant uptick in VC activity followed the ruling party’s return to power with a larger majority. The VC community, and business community generally, gained comfort in predictability. They know that the economic policies and programs created and administered by the ruling party before the election are likely to continue through to the next election in five or so years’ time.”

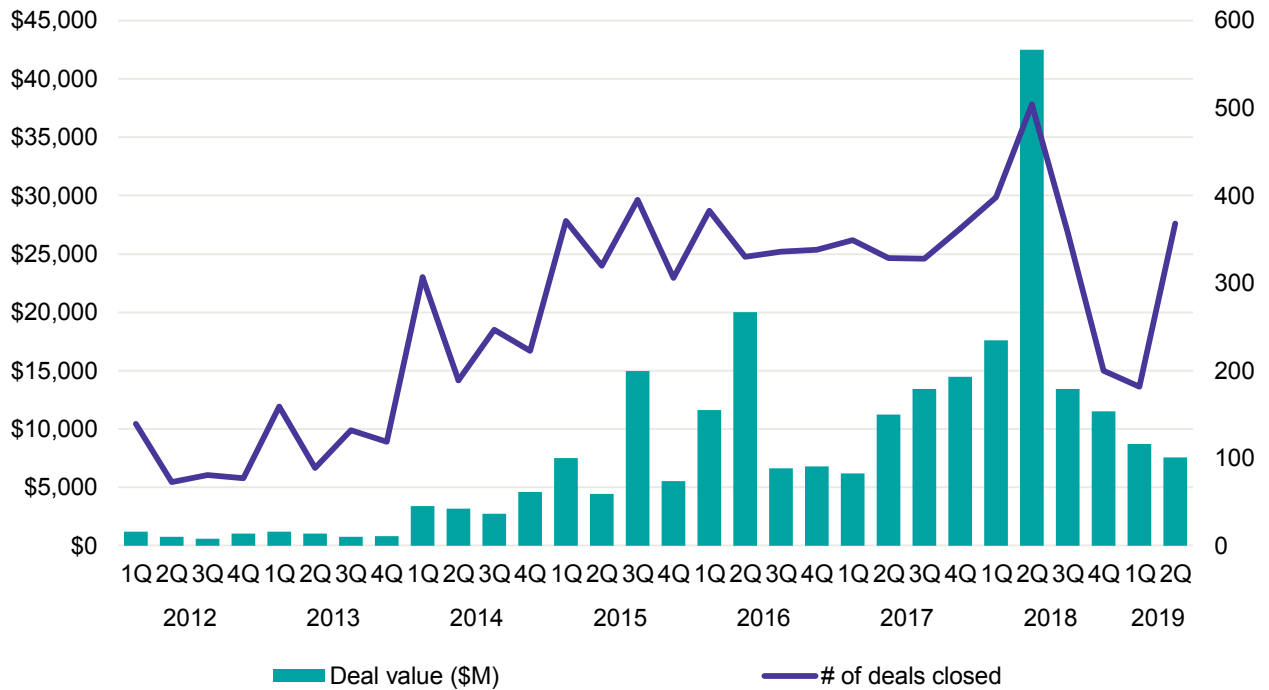


Nitish Poddar
Partner and National Leader, Private Equity
KPMG in India

After slow start, Chinese volume roars back

Venture financing in China

2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

The back-to-back muted quarters, after such a high-flying stretch of VC invested and volume, gave initial pause in the past two editions of the Venture Pulse. However, as noted in those editions, it was likely more a time of retrenching than anything else, and the latest figures bear that conclusion out. VC activity has resurged significantly in volume, even as value has diminished slightly. A note of caution: Such a jump could well also plunge downward next quarter, given the ongoing maturation of the Chinese ecosystem resulting in significant volatility in quarterly tallies.

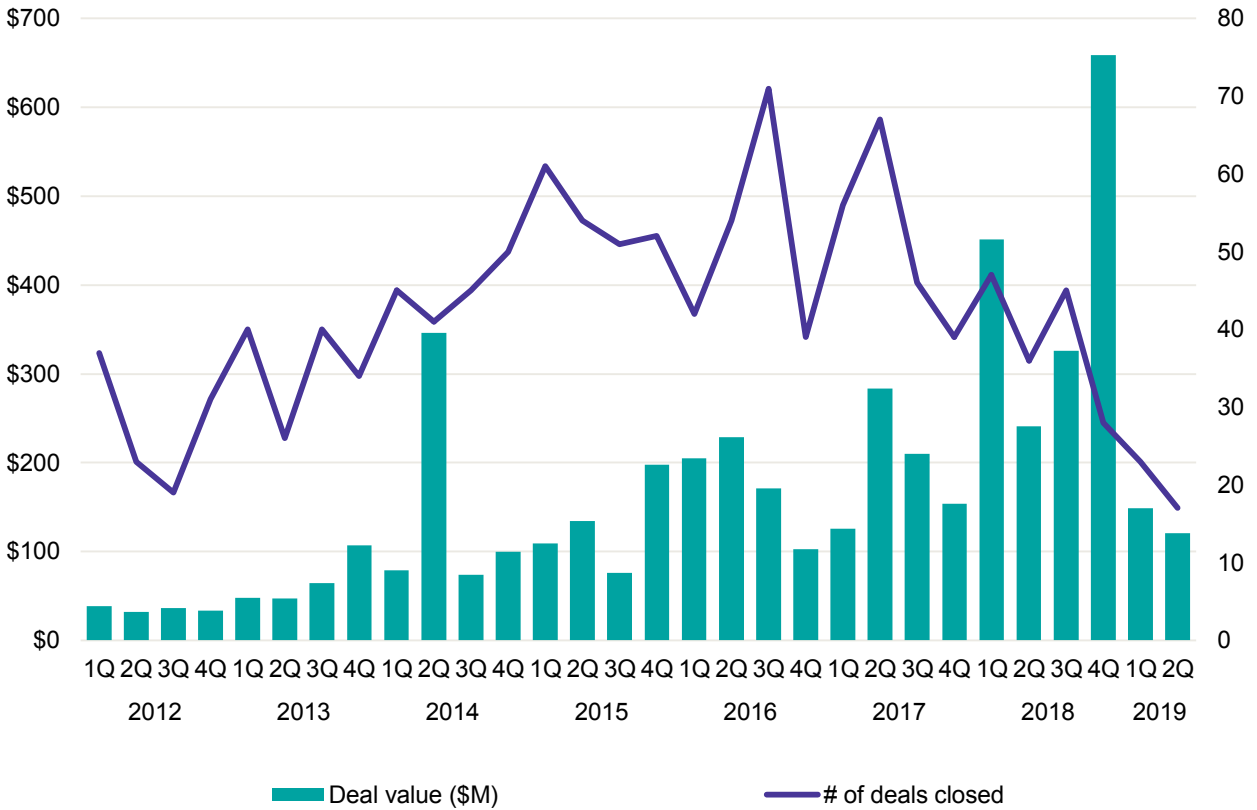
“We’ve seen a decline in venture capital activity in China so far this year, and by various measures, the country’s global share of megarounds, total value of the largest deals, and start-ups as a percentage of global mega-deal volume, to name a few. While economic growth overall in China and Hong Kong remains robust, these trends suggests that US/China trade tensions are having some impact on market confidence.”



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

A muted Q2 for Australian venture activity

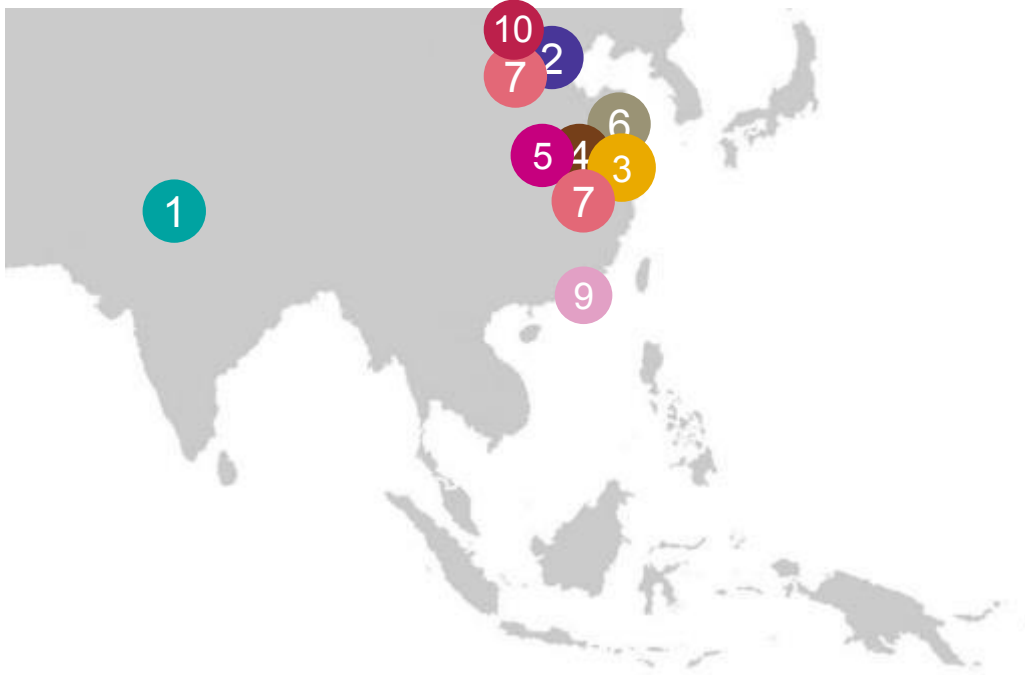
Venture financing in Australia 2012–Q2'19



Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

After such strong growth in VC invested throughout 2017 and 2018, by and large, a reversion was to be expected; even though Q2 2019 still saw relatively robust VC invested overall, volume evened out to the lowest tally in quite some time. Granted, lagging data may impact that figure somewhat, but it's all in all been a muted half for the nation's ecosystem.

Q2 concentrates largely in China



Top 10 financings in Q2'19 in Asia-Pacific

- | | |
|--|---|
| <p>1 OYO Rooms, \$1,100M, Gurgaon
Application software
<i>Series E</i></p> | <p>6 Tianji Enovate, \$291.8M, Shanghai
Automotive
<i>Series A</i></p> |
| <p>2 JD Health, \$1,000M, Beijing
Platform software
<i>Late-stage VC</i></p> | <p>7 Tencent Trusted Doctors, \$250M, Shanghai
Healthcare technology systems
<i>Late-stage VC</i></p> |
| <p>3 Aihuishou, \$500M, Shanghai
E-commerce
<i>Late-stage VC</i></p> | <p>7 Mafengwo, \$250M, Beijing
Information services (B2C)
<i>Series E</i></p> |
| <p>4 Hozon, \$437.7M, Shanghai
Automotive
<i>Series B</i></p> | <p>9 Klook, \$225M, Hong Kong
Restaurants, hotels & leisure
<i>Series D</i></p> |
| <p>5 Bordrin, \$364.8M, Nanjing
Automotive
<i>Early-stage VC</i></p> | <p>10 RootCloud, \$218.9M, Beijing
Database software
<i>Series B</i></p> |

Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2019.

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Tim Dümichen, Partner, KPMG in Germany

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

Methodology

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

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

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

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

Fundraising

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

Deals

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

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

Methodology, cont'd.

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

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

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

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

Exits

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

In this edition of the KPMG Venture Pulse, as in 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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