



Private Enterprise

# Venture Pulse Q3 2020

Global analysis of  
venture funding

**21 October, 2020**



# Welcome message



Welcome to the Q3'20 edition of KPMG Private Enterprise's Venture Pulse, a quarterly report highlighting the key trends, opportunities, and challenges facing the venture capital market globally and in key jurisdictions around the world.

Despite ongoing concerns related to COVID-19, geopolitical tensions, the upcoming US presidential election, and a potential hard Brexit, VC investment during the quarter remained robust across all regions of the world.

An increasing number of mega-deals helped drive investment value up, with three deals above \$1 billion. Late-stage companies in general attracted the lion's share of investment in Q3'20, while funding for early-stage companies continued to falter across the globe. The prolonged decline in early-stage deals activity is concerning as it will likely have negative impacts on the pipeline, particularly for Series B rounds, down the road.

After 2 quiet quarters, Asia saw a strong rebound in VC investment, led by a \$1.5 billion raise WM Motor in China, and a \$1.3 billion raise by Flipkart in India. The Americas also saw strong VC activity, led by a \$1.9 billion raise by SpaceX and two \$600 million plus raises by RobinHood. VC investment in Europe remained steady, led by a \$650 million raise by Sweden-based Klarna, a \$632 million raise by Germany-based CureVac, and a \$580 million raise by Revolut in the UK.

IPO activity picked up during Q3'20, with strong IPO exits by Snowflake, JFrog, and Unity Software, direct listings by Palantir Technologies and Asana, and the announcement of SPAC-based IPOs by Skillz and Opendoor. With China-based mega-giant Ant Financial filing IPO documents for listing on the HKSE, in addition to Airbnb and Wish in the US, IPO activity is expected to increase further in Q4'20.

With many jurisdictions now entering a second wave of the COVID-19 pandemic, VC investors are expected to remain focused on companies able to help people and businesses adapt to and thrive within the 'new normal'. Health and biotech investment will likely remain very high, along with investment in fintech, business productivity solutions, and digital platforms.

In this quarter's edition of Venture Pulse, we look at these and a number of other global and regional trends, including:

- The ongoing strength and resilience of the VC market despite the ongoing pandemic
- The ramifications of a long-term decline in early-stage deals
- The rising tide of IPO activity
- The rebound in Asia-based VC investment

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

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## Global

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- VC investment remains steady — reaching \$73.2 billion across 4861 deals
- Median late-stage D+ valuations rise to \$462 million in 2020
- First-time funding struggles — well off last year's pace
- Aggregate exit value soars on the wings of massive IPOs
- Fundraising surges to \$80.7 billion YTD

## US

21

- VC remains robust with over \$37.8 billion invested across 2285 deals
- Median pre-money valuation for series D+ rises to \$425 million in 2020
- Venture capital floods into healthcare
- First-time fundings remain muted — well below 2019 numbers
- Exit activity spikes — driven by series of massive IPOs

## Americas

37

- Americas remains steady at \$40.0 billion invested across 2477 deals
- Deal sizes hold steady, down rounds tick up
- Canadian venture financing drops below \$900 million
- Brazil sees third consecutive rise in VC invested
- USA dominates — with all of the top 10 deals — including \$1.9 billion to SpaceX

## Europe

50

- Venture capital reaches new heights — with over \$12.1 billion across 1024 deals
- Late stage surge while down rounds rise
- Corporate venture capital surpasses \$6 billion for first time
- Fundraising (YTD) remains strong — poised to surpass 2019
- VC spikes in Nordics, reaching over \$1.8 billion invested

## Asia

75

- Venture Capital investment rebounds with \$21.1 billion across 1285 deals
- Corporate participation continues upward for second consecutive quarter
- IPO exits roar back led by Xpeng, Qi Anxin, Li Auto, and Big Hit Entertainment
- India has strong quarter — powered by mega deals
- Edtech investment surges in the region including big deals by BJYU and Zhangmen.com

***Globally, in Q3'20  
VC-backed  
companies raised***

**\$73.2B**

***across***

**4,861 deals**



# Strong VC investment globally continues to defy expectations

Global VC investment continued to be very strong in Q3'20, defying concerns of a potential drop-off in investment due to the challenges associated with getting deals completed during a pandemic.

While the number of VC deals dropped for a sixth straight quarter, the level of investment remained high, as VC investors continued to focus on late-stage companies. Three \$1 billion+ mega-deals helped to propel the global investment total in Q3'20, including raises by WM Motor in China, SpaceX in the US, and Flipkart in India.



## Early-stage companies feeling the pressure

While the number of early-stage funding rounds was already declining in most regions of the world in advance of the pandemic, the last 2 quarters have only intensified the situation. Companies at the earliest deal stages are only finding it more difficult to raise funding, particularly early-stage pre revenue startups. Even early-stage companies that are making sales have felt the impact due to longer buying cycles and the challenges associated with closing sales remotely. With this trend expected to continue into 2021, there could be a significant impact on the deal pipeline for Series B deals down the road.



## All regions see increase in VC investment

The US accounted for the largest amount of VC investment globally during Q3'20 at \$37.8 billion raised, although both Asia and Europe also saw increases compared to the previous quarter. In the US, a diverse range of companies with digital business models attracted large funding rounds, including SpaceX (\$1.9 billion) wealthtech Robinhood (\$600m), online marketplace Offerup (\$452m), egaming company Vindex (\$300m), and online retail company Thrasio (\$260m).

After 2 relatively weak quarters of investment, VC investment in Asia bounced back, driven by a resurgence of activity in China. China accounted for seven of the region's top deals during Q3'20, including the largest deal of the quarter, a \$1.5 billion raise by Shanghai-based automotive company WM Motor. Other areas of Asia, especially India, also attracted significant deals, including India (Flipkart: \$1.2 billion) and edtech provider BYJU (\$500m), as well as Singapore based Grab (\$200m), and Indonesia (Traveloka: \$250m).

Following a record high in Q2'20, Europe continued to see robust VC investment this quarter. Fintech and healthtech were among the hottest areas of investment this quarter. Corporate investment was quite strong in Europe, particularly in the UK which set a new quarterly record high for CVC investment by a large margin.



## Investors focused on companies able to adapt and respond to the 'new normal'

COVID-19 has changed the game when it comes to digital trends, driving a significant acceleration in consumer behaviors and in the digital strategies of companies that have had to respond or be left behind. During Q3'20, VC investors in most regions of the world focused their investments on companies well aligned to the needs of people and businesses within the 'new normal', including tech-driven companies focused on enabling remote working and home learning or on enhancing online service capabilities. Health and biotech were also big bets for VC investors in Q3'20, not only startups focused specifically on COVID-19 related mitigation or management, but also on those addressing broader health issues such as cancer screening and access to care.

# Strong VC investment globally continues to defy expectations, cont'd.

Healthy beverage companies also attracted some attention globally in Q3'20, with alternative milk companies Perfect Day in the US and Oatly in Sweden raising \$200M in PE funding during the quarter. Oatly's deal earned the company coveted unicorn status with a \$1 billion+ valuation.



## Increasing participation by less traditional VC investors

Globally, there has been increasing interest in the VC market by less traditional investors, including family offices and Middle Eastern Sovereign Funds. Given these newer categories of investors have less experience making investments in the VC investment space, many have taken a more risk-averse approach to making investments, focusing primarily on later-stage deals.



## Corporate investment increases significantly in Q3'20

Global corporate VC investment remained robust in Q3'20. Corporates showed a hunger for adopting digital technologies and solutions able to supplement their existing service offerings. Large tech giants, continued to make significant investments in order to expand their reach and product offerings.



## Fundraising on path to exceed 2019 total

Globally, there continued to be significant dry powder in the VC market during Q3'20. While the number of new VC funds was well off the pace seen in 2019, VC fund sizes increased. At the end of Q3'20, capital raised during 2020 was already close to exceeding the total raised during all of 2019. Capital continued to be cheap, with low interest rates in many jurisdictions, making the VC market particularly attractive to investors.



## IPO market surges in Q3'20

During Q3'20, a number of technology companies held highly successful IPO exits. In September, US-based companies Snowflake and gaming platform Unity Software raised \$3.36 billion and \$1.3 billion respectively, while Israel-US DevOps platform JFrog raised \$509 million. All three companies saw strong gains on their first day of trading, with Snowflake's share price more than doubling. US-based unicorns Palantir Technologies and Asana, meanwhile, chose to go the direct listing route, the first companies to do so since Slack in December 2019. In Q3'20, several other unicorns also filed IPO documents indicating their intent to exit, including Airbnb and Wish in the US and Ant Financial on the Hong Kong Stock Exchange.



## Trends to watch for globally

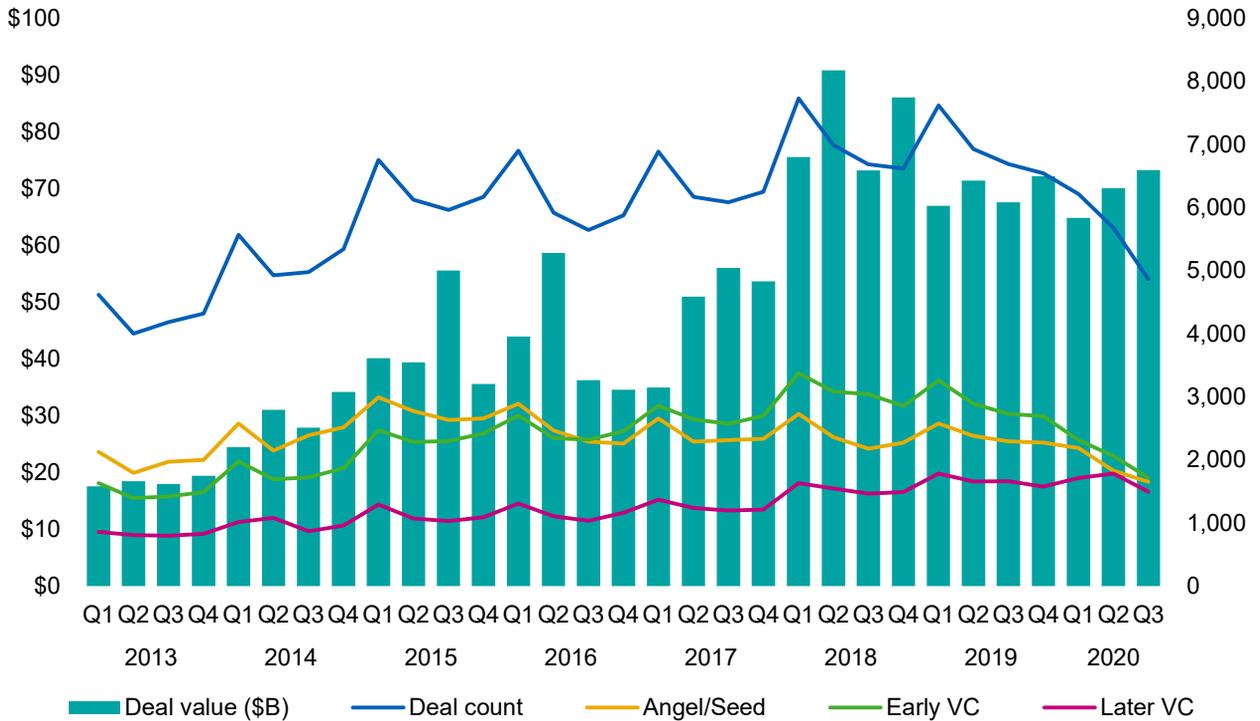
VC investment is expected to remain steady headed in Q4'20, although the US presidential election and the possibility of a hard Brexit on December 31, 2020 could cause some investor concern. While the IPO market is rebounding, it could see a pause in advance of the November presidential election like trends seen with in the past.

COVID-19 is expected to remain a key driver of both investor caution and investment heading into Q4'20. As some jurisdictions enter a second wave of COVID-19 cases, VC investors will likely continue to focus on solutions aimed at addressing the needs of businesses and consumers using digital approaches. Healthtech and fintech are expected to remain key areas of investment, in addition to B2B solutions and edtech.

The drop off in early-stage deals is expected to continue, which could drive an increase in early-stage companies running out of cash. This will likely drive some consolidation, particularly in the sectors most negatively affected by the pandemic. It could also drive increased strategic and distressed investment activity.

# Venture remains undaunted

## Global venture financing 2013–Q3'20



Source: Venture Pulse, Q3'20. Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.  
Note: Refer to the Methodology section at the end of this report to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

For some time now, the slowdown in venture funding volume worldwide has been apparent. One would think that the onset of the COVID-19 pandemic would have also caused deal volume to contract further. However, the diminishing seen in 2020 to date is not steep enough to suggest anything besides moderate caution, and moreover, VC invested tallies continue to remain nearly as high as ever. It appears that many of the companies VCs are still funding either have benefited or remain insulated from the economic ripple effects of the pandemic, and the buoyancy induced by the sheer amount of dry powder within the venture industry continues to keep competition for good deals elevated.

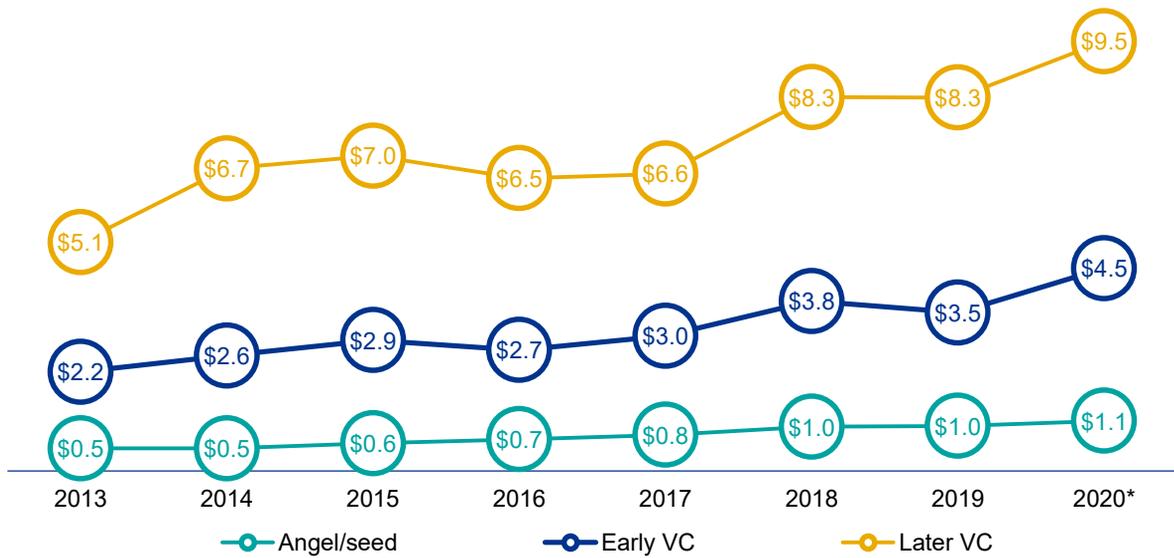
“Globally, capital is cheap, interest rates are low, and there is a lot of VC and PE money out there looking for investments. Maybe investors are more cautious, but the money is there. Sectors that will be most relevant will be food delivery, mobility, software, biotech, and anything to do with remote workforces. As economies are expected to tighten restrictions again, we will also likely see more investments around virtual banking and all types of financial software.”



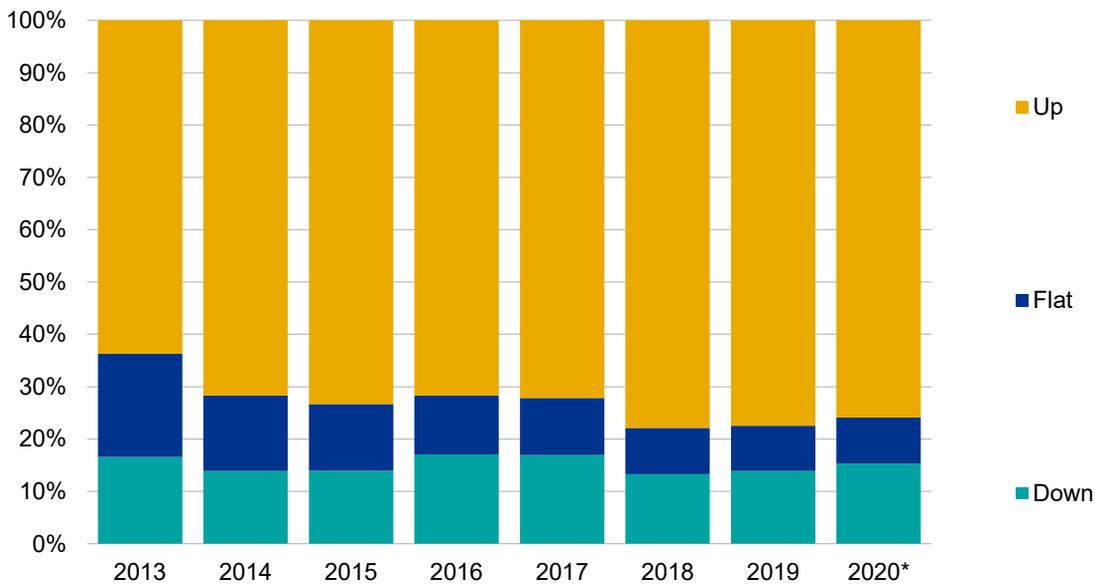
**Jonathan Lavender**  
Global Head, KPMG Private Enterprise  
KPMG International

# Dry powder keeps figures elevated

**Global median deal size (\$M) by stage**  
2013–2020\*



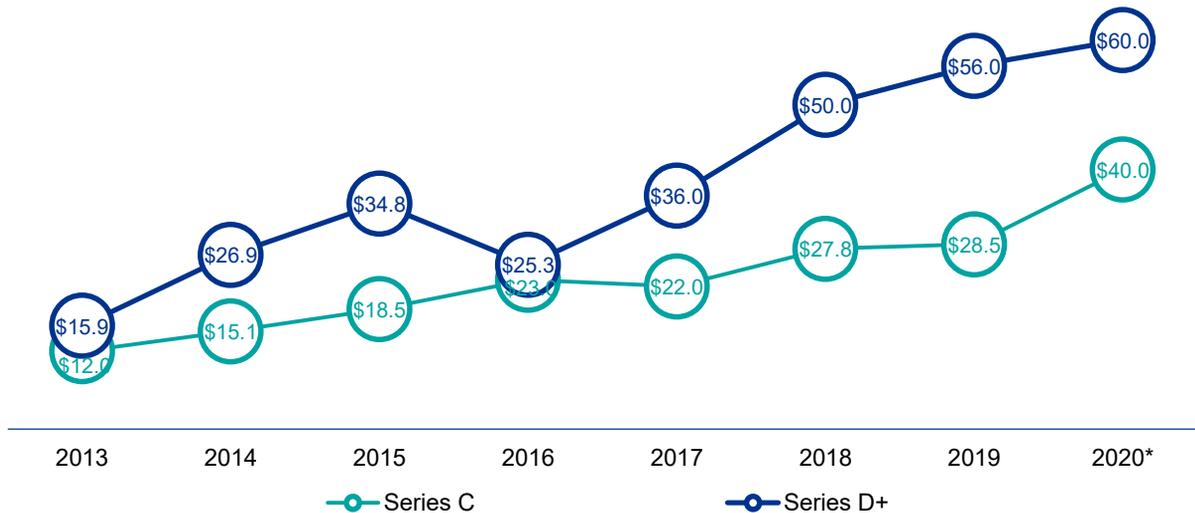
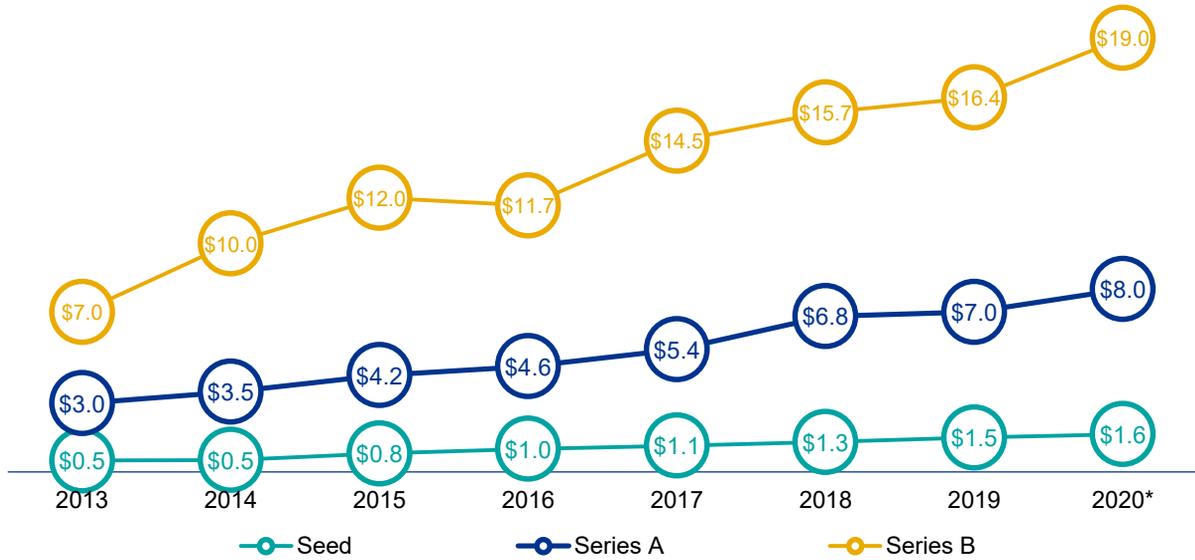
**Global up, flat or down rounds**  
2013–2020\*



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Figures rise slightly

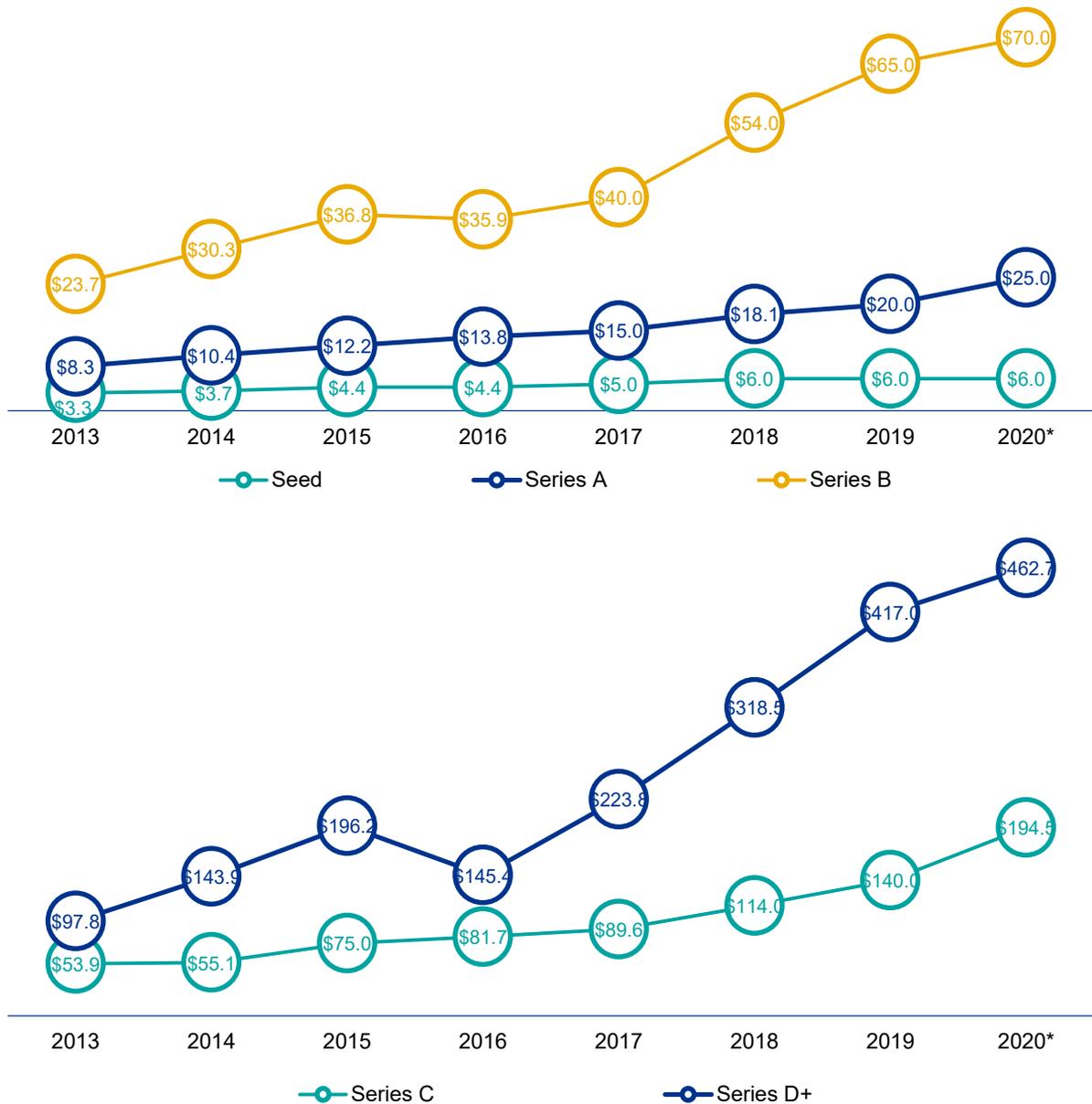
**Global median deal size (\$M) by series**  
2013–2020\*



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Valuations' rise remains unstoppable

**Global median pre-money valuation (\$M) by series**  
2013–2020\*

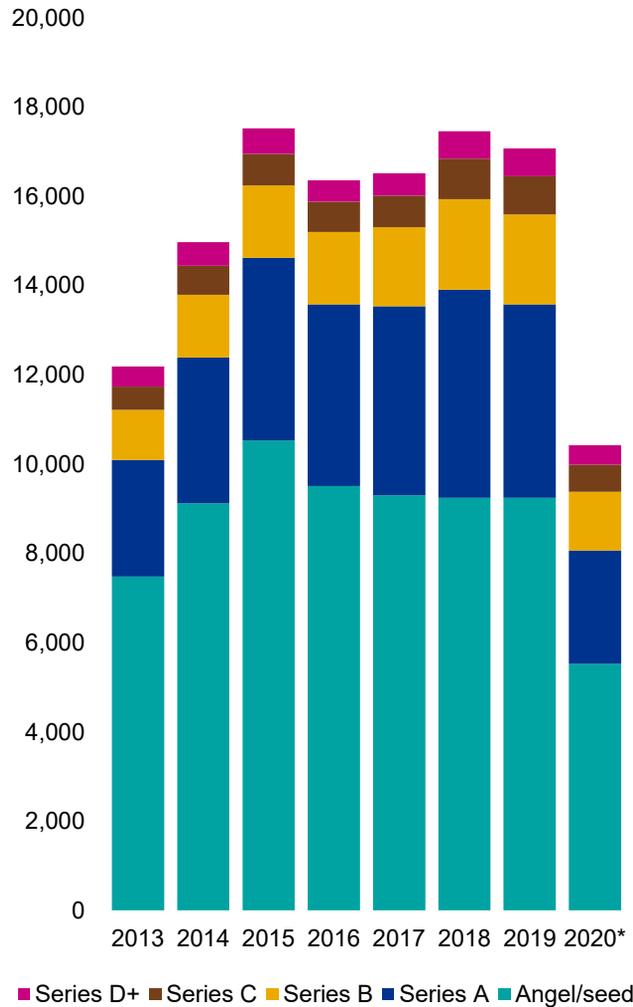


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Early-stages contract further

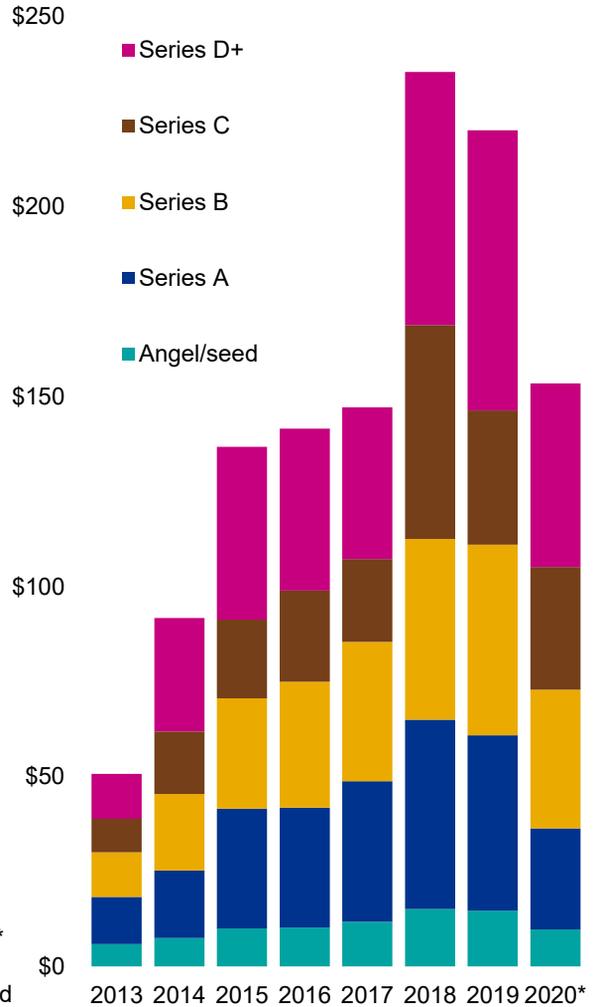
## Global deal share by series

2013–2020\*, number of closed deals



## Global deal share by series

2013–2020\*, VC invested (\$B)

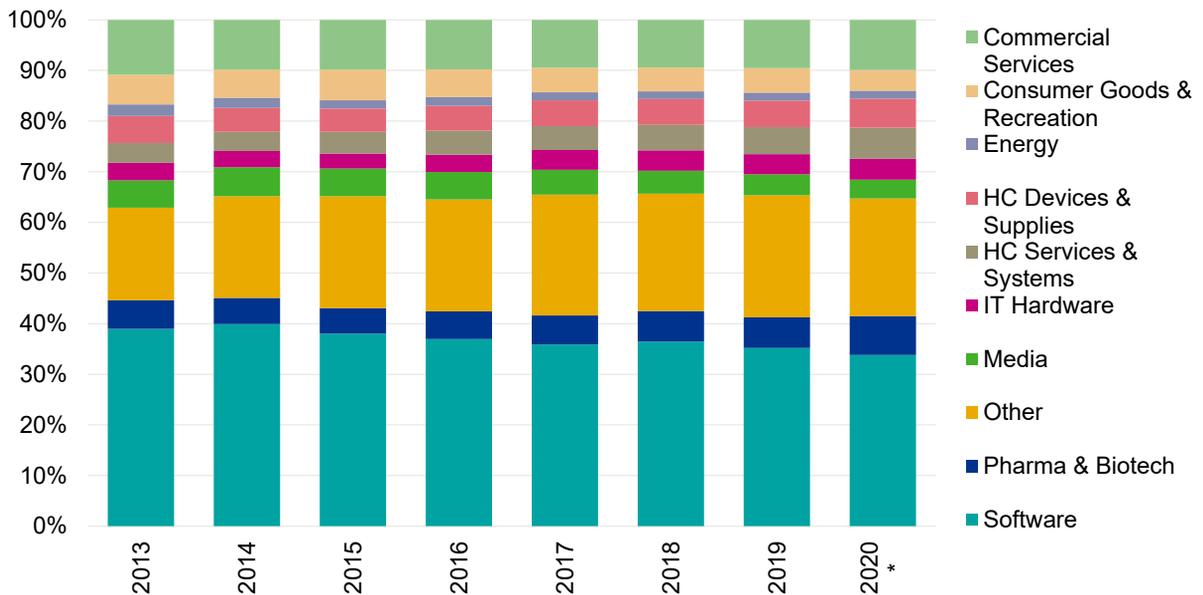


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

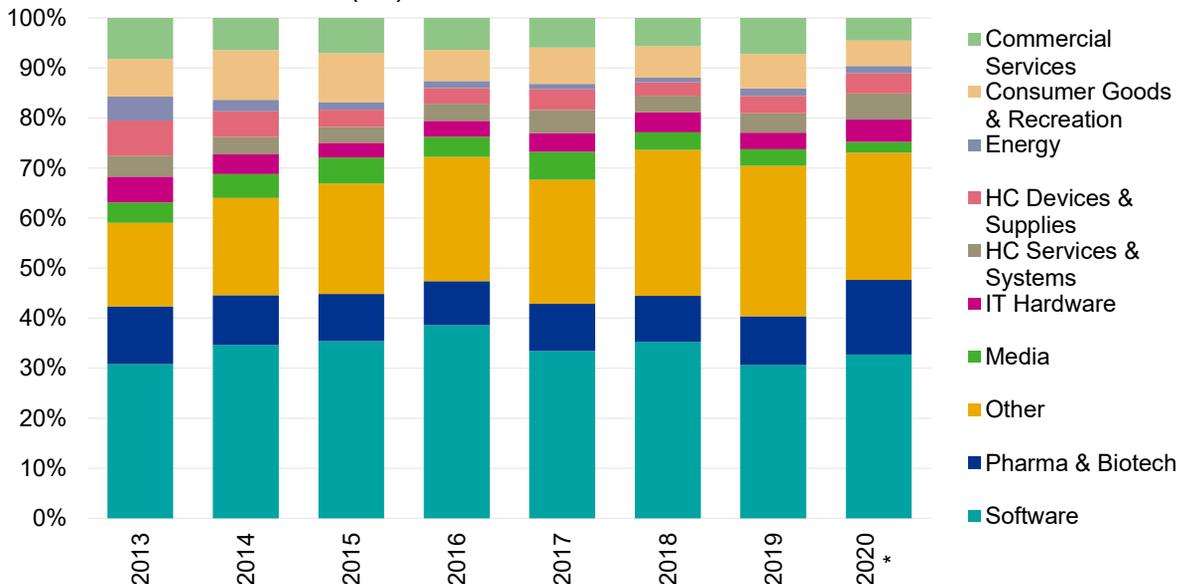
Later-stage companies are safer bets during uncertain times, as a general rule of thumb. Judging by how much capital has kept flowing into later-stage rounds, whereas angel & seed financings have contracted significantly in volume, it is clear that investors have dialed back activity in pricey early-stage activity and rather are being judicious as to overall risk.

# Pharma & biotech see massive boom in capital invested

## Global financing trends to VC-backed companies by sector 2013–2020\*, number of closed deals



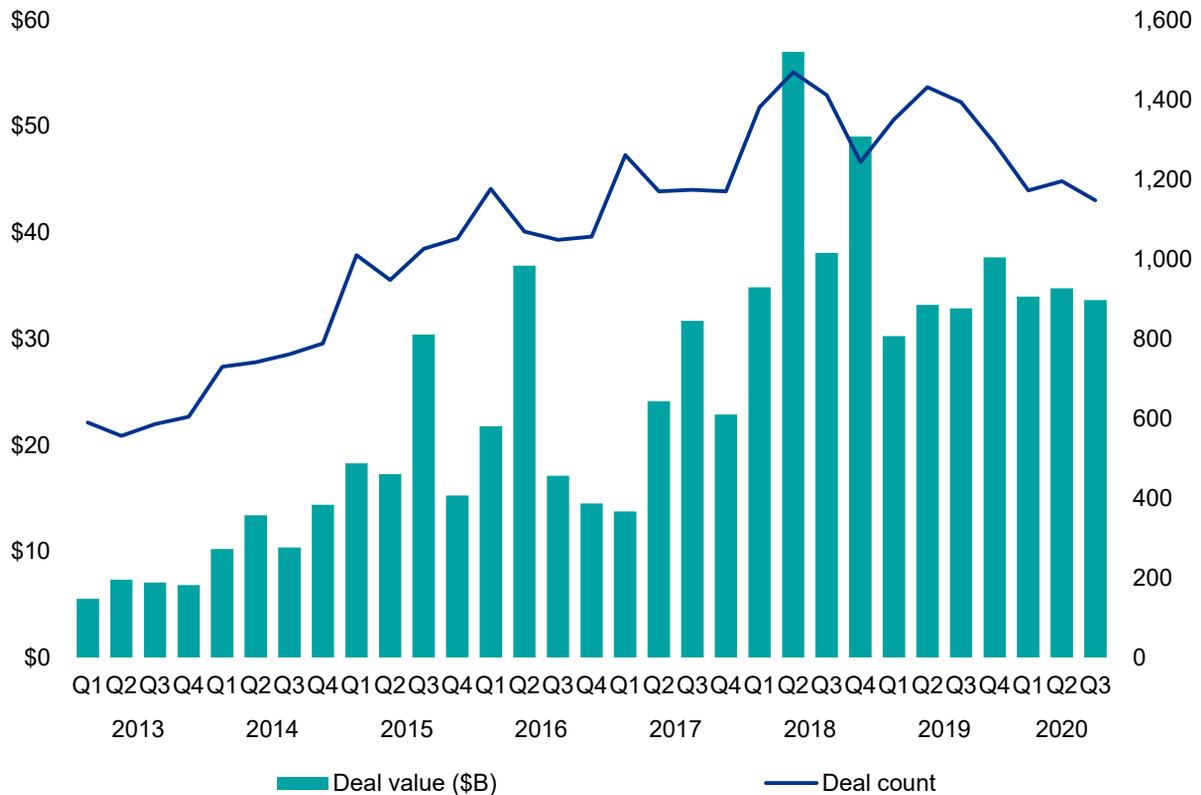
## Global financing trends to VC-backed companies by sector 2013–2020\*, VC invested (\$B)



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Corporate activity evens out

## Corporate VC participation in global venture deals 2013–Q3'20



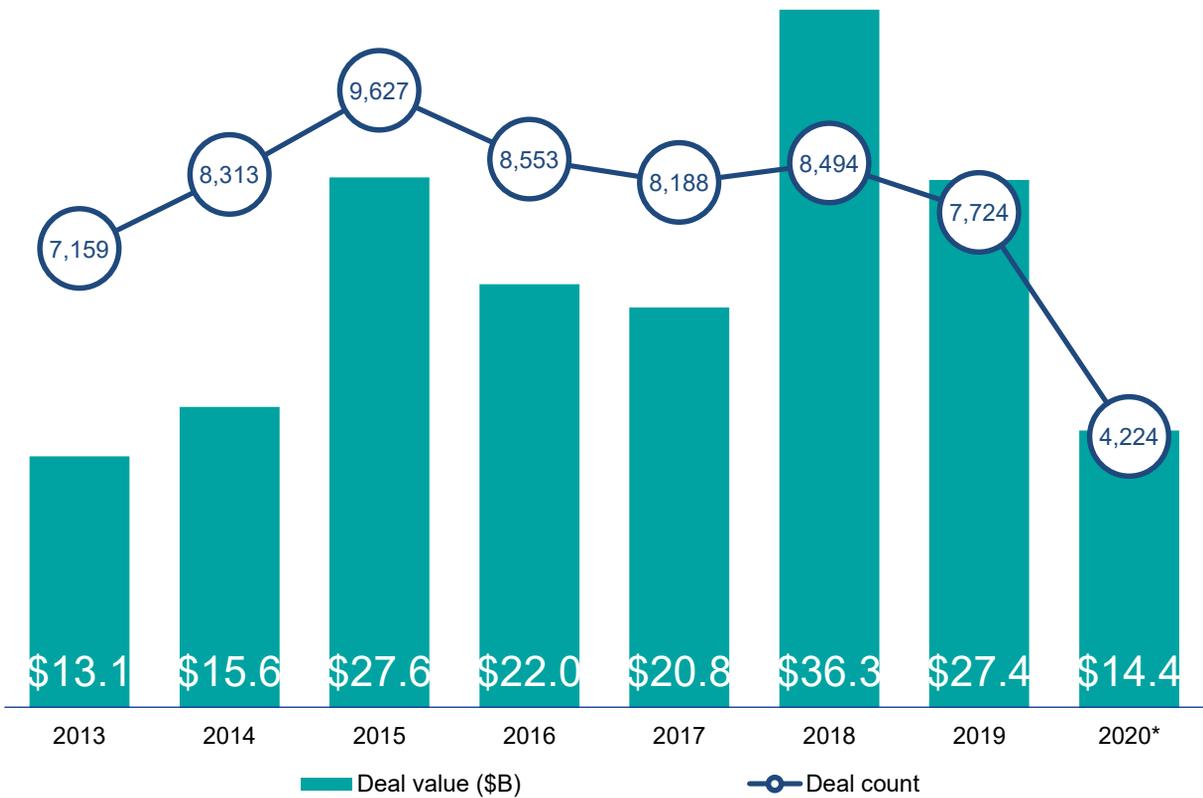
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

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, deal count is the number of rounds in which corporate venture firms participated.

For this edition of Venture Pulse, the actual count of rounds in which corporates or their venture arms participated was once again substituted in the stead of participation to better illustrate that they have indeed pulled back somewhat in the overall tally of rounds in which they joined, much like the broader venture volume has subsided worldwide as of late. However, the initial decline has since evened out, indicating corporate venture arms and their parents are still remaining on the more active side, historically speaking. Many investors still are speaking of pricing in the longer term, especially with regard to the innovations that COVID-19 has accelerated, such as further digitization of workflows across multiple sectors.

# First-time funding crunch belies healthy VC invested

## Global first-time venture financings of companies 2013–2020\*



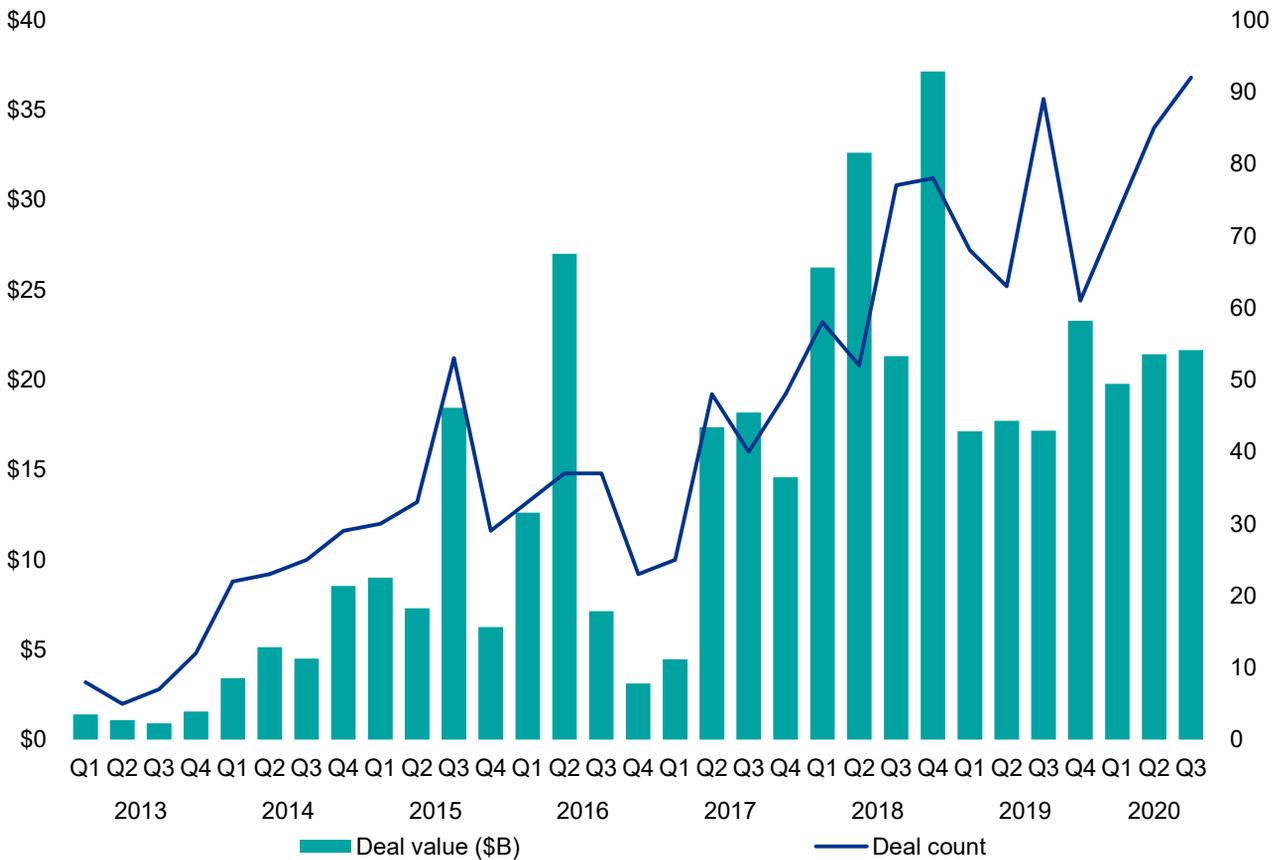
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

First-time financings are difficult to track with speed, and thus some modest recovery in volume from past years has been observed given confirmation via primary sources. However, the magnitude of the decline in first-time funding volume in 2020 to date aligns with overall trends and illustrates the capital-rich environment founders and investors are operating within. At \$14.4 billion across just 4,000+ rounds, fledgling startups are still able to, although fewer and farther between, command significant sums.

# Capital keeps stampeding toward unicorns

## Global unicorn rounds

2013–Q3'20



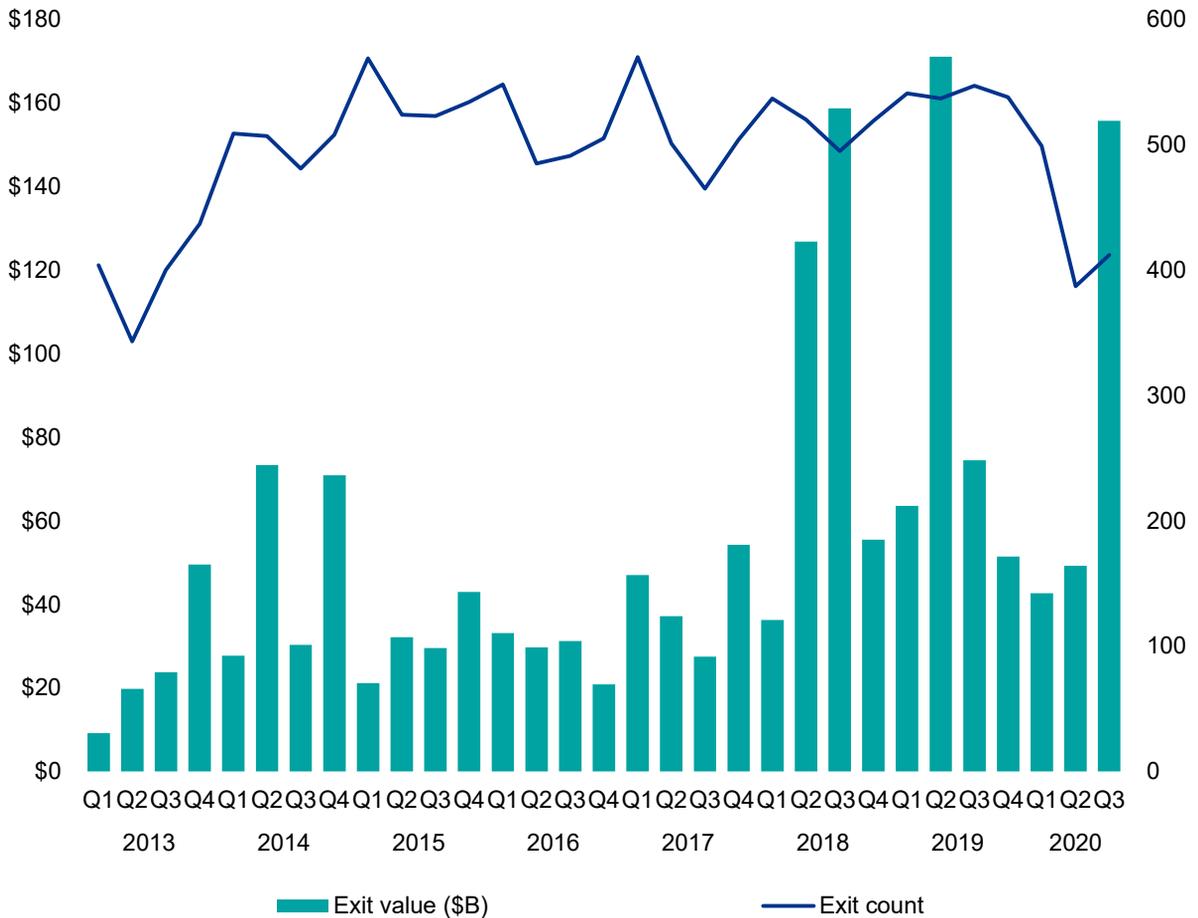
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

Note: PitchBook defines a unicorn venture financing as a VC round that generates a post-money valuation of \$1 billion or more. These are not necessarily first-time unicorn financing rounds, but also include further rounds raised by existing unicorns that maintain at least that valuation of \$1 billion or more.

Regardless of its past variability, one trend over the past two years is clear: Unicorns are still able to raise plenty of funding even as the letter of their latest series moves into the middle of the alphabet. For what could be the first time in the history of this publication, a unicorn is listed twice in the top 10 financings globally for a single quarter as it raised a combined total of \$1.2 billion+ in a matter of months. That unicorn is Robinhood, and fintech has benefited considerably from the changes wrought by the COVID-19 pandemic, but it is not alone, as SpaceX, Revolut and Weltermeister also all closed on new funding.

# Unstoppable public markets lead to near high

## Global venture-backed exit activity 2013–Q3'20



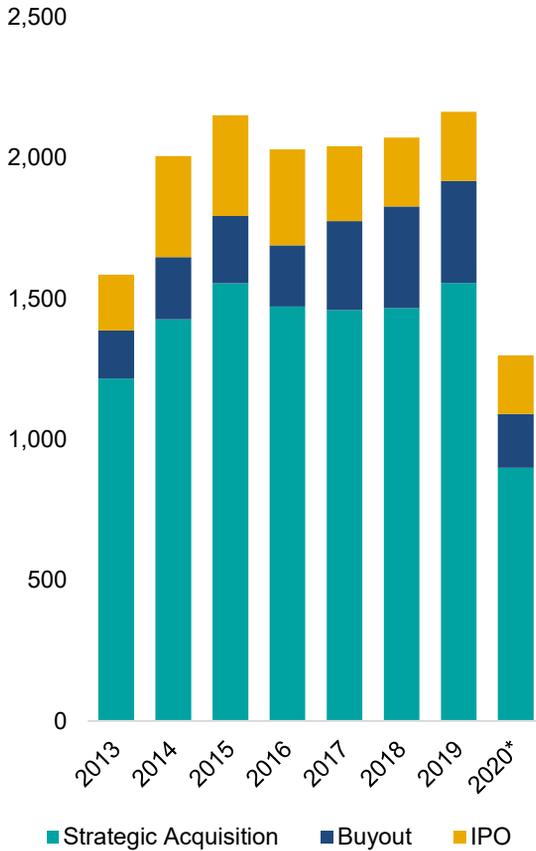
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.  
Note: Exit value for initial public offerings is based on post-IPO valuation, not the size of the offering itself.

As is clear from the chart above, 2020 has once again witnessed something extraordinary. Public markets' sudden collapse early this year was only matched in speed by the subsequent recovery to all-time highs in summer 2020. It is not necessarily the case that a bevy of unicorns sought to then take advantage of such buoyant equities' levels, but it certainly didn't hurt to enter into a bull market packed with investors that were looking to deploy their capital into the new, fully digitized economy that the COVID-19 pandemic seemed to be accelerating into being. Consequently, companies such as Snowflake with a valuation upon IPO of \$33.2 billion have sent aggregate exit value soaring.

# Summer IPO surge leads to new highs

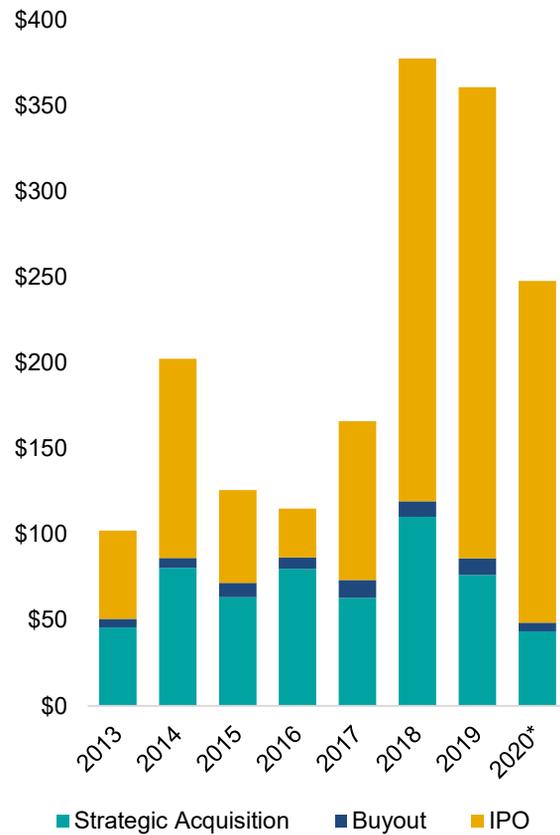
## Global venture-backed exit activity (#) by type

2013–2020\*



## Global venture-backed exit activity (\$B) by type

2013–2020\*

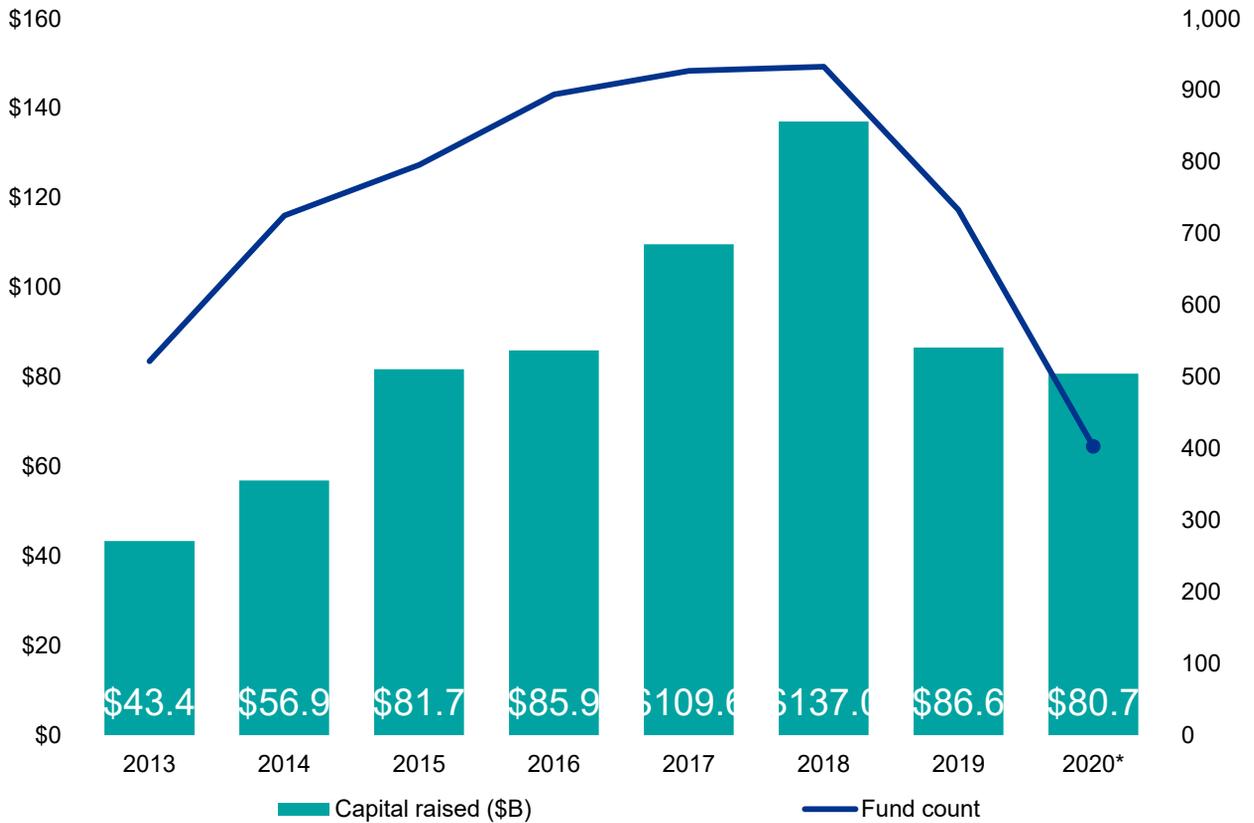


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

For the first couple editions of Venture Pulse this year, IPO volume had contracted while M&A remained the primary route, as the swoon of equity markets early in 2020 likely led to some concern and caution on the part of companies looking to go public. However, that trend has decidedly reversed. Thanks to a flurry of debuts by the likes of Snowflake or Palantir Technologies, exit value in 2020 has now reached a mammoth tally of \$247.6 billion. To some degree, this is driven by the long-awaited entry of privately held unicorns to public markets, but the sheer strength in public equities' performance this year has played a role as well in underpinning overall prices.

# Fundraising surges further

## Global venture fundraising 2013–2020\*

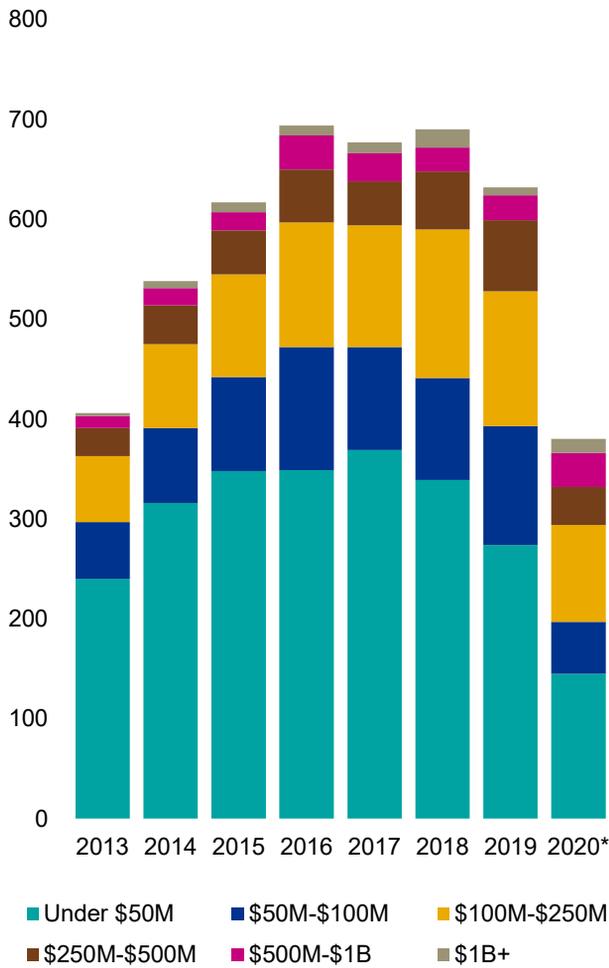


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

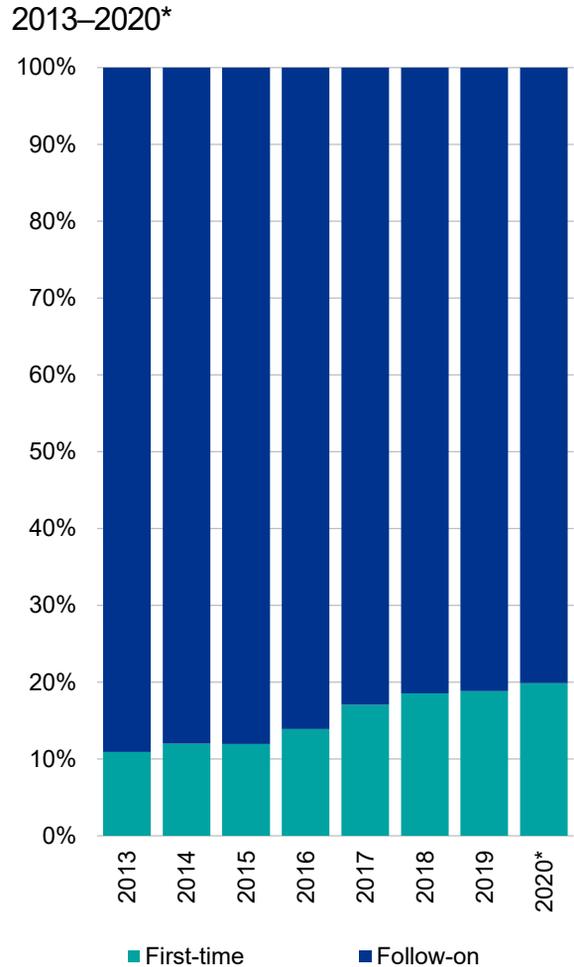
As was noted in the last editions of Venture Pulse, fundraising was quite strong in Q1 2020, and by midyear had just eclipsed \$60 billion. Now, another \$20 billion has been committed to the asset class amid various venture fund strategies by the end of Q3. The seismic shift toward alternative assets by institutional investors continues to fuel ongoing strong fundraising efforts by multiple venture fund managers across the entire size spectrum, and does not look like it is ceasing anytime soon.

# First-time fundraising makes a comeback

**Global venture fundraising (#) by size 2013–2020\***



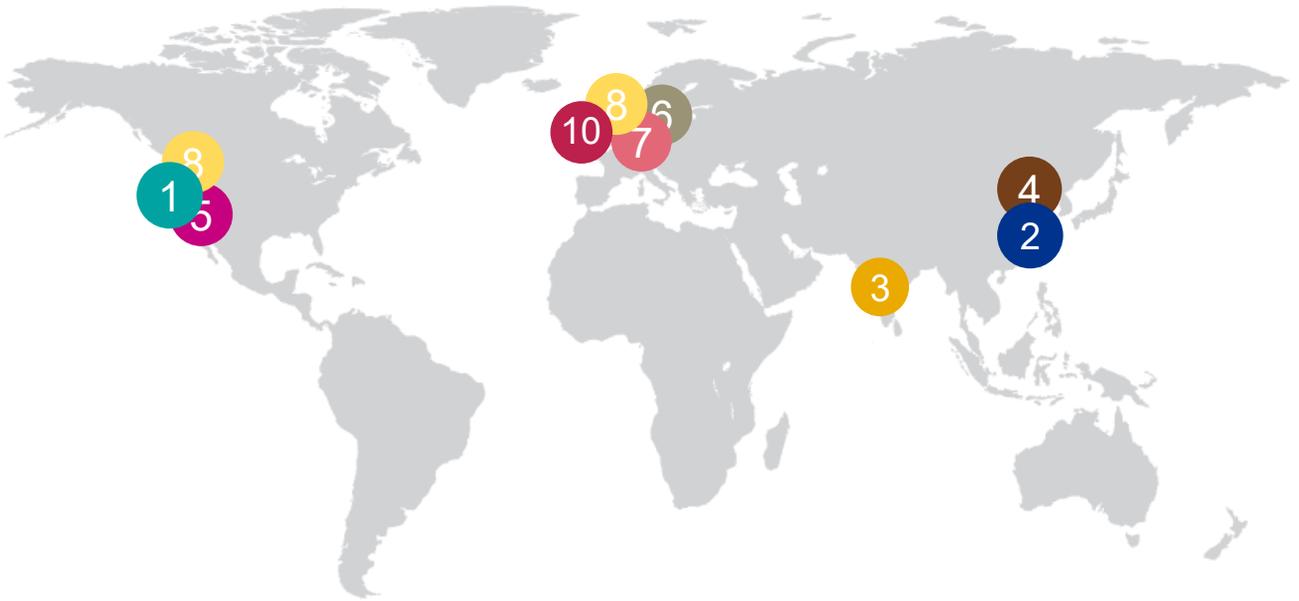
**Global first-time vs. follow-on venture funds (#) 2013–2020\***



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

Interestingly, the slide in first-time fundraising volume observed by midyear figures has since reversed. Whatever caution around the impacts incipient of the COVID-19 pandemic seems to be less significant now while limited partners continue to look for emerging fund managers that may boast niche experience and allow them to gain exposure to venture.

# The shift to digital accelerates



## Top 10 global financings in Q3'20

- |  |   |
|--|---|
| <p><b>1</b> <b>SpaceX</b> — \$1.9B, Hawthorne<br/>Spacetech<br/><i>Late-stage VC</i></p>     | <p><b>6</b> <b>Klarna</b> — \$650M, Stockholm<br/>Financial software<br/><i>Late-stage VC</i></p> |
| <p><b>2</b> <b>Weltmeister</b> — \$1.5B, Shanghai<br/>Automotive<br/><i>Series D</i></p>     | <p><b>7</b> <b>CureVac</b> — \$632.8M, Tubingen<br/>Drug discovery<br/><i>Late-stage VC</i></p>   |
| <p><b>3</b> <b>Flipkart</b> — \$1.3B, Bengaluru<br/>Internet retail<br/><i>Corporate</i></p> | <p><b>8</b> <b>Northvolt</b> — \$600M, Stockholm<br/>Energy<br/><i>Late-stage VC</i></p>          |
| <p><b>4</b> <b>JD Health</b> — \$830M, Beijing<br/>Internet retail<br/><i>Series B</i></p>   | <p><b>8</b> <b>Robinhood</b> — \$600M, Menlo Park<br/>Fintech<br/><i>Series F</i></p>             |
| <p><b>5</b> <b>Robinhood</b> — \$660M, Menlo Park<br/>Fintech<br/><i>Series G</i></p>        | <p><b>10</b> <b>Revolut</b> — \$580M, London<br/>Fintech<br/><i>Series D</i></p>                  |

Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 9/30/2020.

***In Q3'20 US  
VC-backed  
companies raised***

**\$37.8B**

***across***

**2,285 deals**



# VC investment in the US shows continued strength

VC investment in the US remained buoyant in Q3'20, led by a \$1.9 billion raise by SpaceX. The acceleration of digital trends given the ongoing pandemic helped spur VC investment, particularly in key areas such as health care, business services, and edtech. Renewed IPO activity, including Snowflake's \$3.4 billion IPO, also helped showcase the resilience of the US market.



## Digital business models attracting significant VC investment

During Q3'20, digital business models were a top priority for investors, with both VC investors and corporates embracing solutions aligned with doing business successfully in the current environment, such as enhancing digital service channels for consumers, enhancing productivity within a highly remote workforce, or helping companies understand how consumer behaviors are changing. Fintech was a primary focus of US VC investors in Q3'20, with wealthtech Robinhood raising more than \$1.2 billion over two deals, alternative payments model company Affirm raising \$500 million, and digital bank Chime raising \$435 million. During the quarter, data analytics firm Palantir Technologies also raised \$549 million (followed by their IPO), while digital C2C marketplace OfferUp raised \$453 million.



## Valuations becoming more grounded as VC investors focus on profitability

When making funding decisions, US-based VC investors continued to emphasize profitability during Q3'20, including metrics such as unit economics and cost per dollar of revenue. This focus has had a grounding effect on valuations, making them more realistic and supportable.

The intense focus on profitability has put pressure on companies seeking funding to improve their financial discipline. This has led many startups to more rigorously examine their business and operating models. As a result, several companies have learned that they can be as effective with less resources or by using a remote workforce, allowing them to trim costs and speed up their path to profitability despite the challenging business environment.



## Healthcare remains hot for VC investors in the US

Health and biotech remained a very robust area of interest for VC investors in the US. Interest extended well beyond pandemic response-related solutions, with primary care solution VillageMD raising \$275 million and cancer screening company Freenome raising \$270 million during Q3'20. As potential vaccines for COVID-19 move closer to approval, there has also been increasing recognition of the significant challenges associated with efficient vaccine production and distribution. This is beginning to drive an increase in interest in logistics solutions able to support rapid and efficient vaccine distribution.



## IPO market improves in Q3'20 as unicorns look to exit

IPO activity increased significantly in the US in Q3'20 as companies looked to take advantage of the strong public markets combined with a window of opportunity to exit in advance of the US presidential election. The largest IPO of the quarter came from cloud software company Snowflake, which raised \$3.36 billion and saw its share price more than double on its first day of trading. Unity Software and JFrog also held successful IPO exits during Q3'20, while unicorn companies Airbnb and Wish both filed confidentially.

Several technology companies also announced plans to IPO through mergers with special public acquisition companies (SPACs). In September, gaming company Skillz announced a merger with blank check company Flying Eagle Acquisition Corp<sup>1</sup>, while proptech Opendoor announced a similar strategy with Social Capital Hedosophia Holdings II<sup>2</sup>.

<sup>1</sup> <https://www.pymnts.com/news/ipo/2020/mobile-gaming-firm-skillz-plans-ipo-via-spac/>

<sup>2</sup> <https://therealdeal.com/2020/09/15/opendoor-confirms-4-8-billion-ipo/>

# VC investment in the US shows continued strength, cont'd.



## Direct listings garner attention as listing rules change

At the end of Q3'20, both data analytics company Palantir Technologies and work management software provider Asana held direct listings, the first companies to do so since Slack in mid-2019. The Securities and Exchange Commission (SEC) also approved new rules proposed by the New York Stock Exchange in relation to direct listings during the quarter<sup>3</sup>. The new rules allow for companies meeting specific criteria (e.g., publicly held shares must have an aggregate market value of at least \$100 million) to raise new funds through a direct listing in addition to the selling of shares by existing shareholders. Previously, companies were not allowed to raise new funds as part of a direct listing. These changes could spur additional interest in direct listings heading into Q4'20.



## Trends to watch for in the US

VC investment is expected to hold steady heading into Q4'20, although early-stage companies will likely continue to struggle for funding as investors remain focused on later stage deals. Investor interest in business productivity solutions, health and biotech, fintech, and edtech will likely remain very high.

The pipeline for IPO exits is expected to remain strong heading into Q4'20 due to pent up demand, particularly among unicorn companies. IPO activity could pause as the US presidential election approaches in November, before picking up again heading into Q1'21.

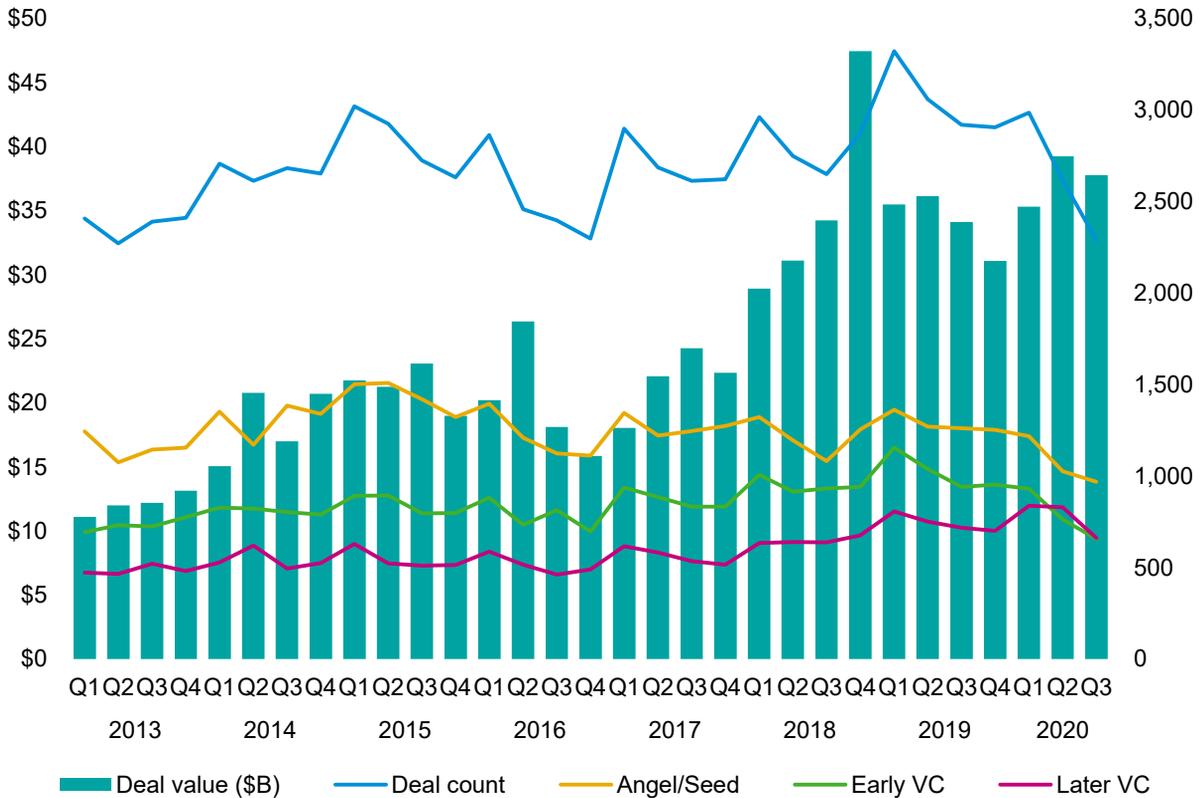
Given the challenges facing many businesses due to the protracted duration of COVID-19, there could be an increase in consolidation activity in the US, particularly in sectors more negatively affected. Acquisition activity could also increase as investors with deep pockets look for opportunities related to distressed companies.

<sup>3</sup> <https://www.natlawreview.com/article/direct-listing-new-york-stock-exchange-undertaking-underwriting>

# Q3 sees volume contract as value stays strong

## Venture financing in the US

2013–Q3'20

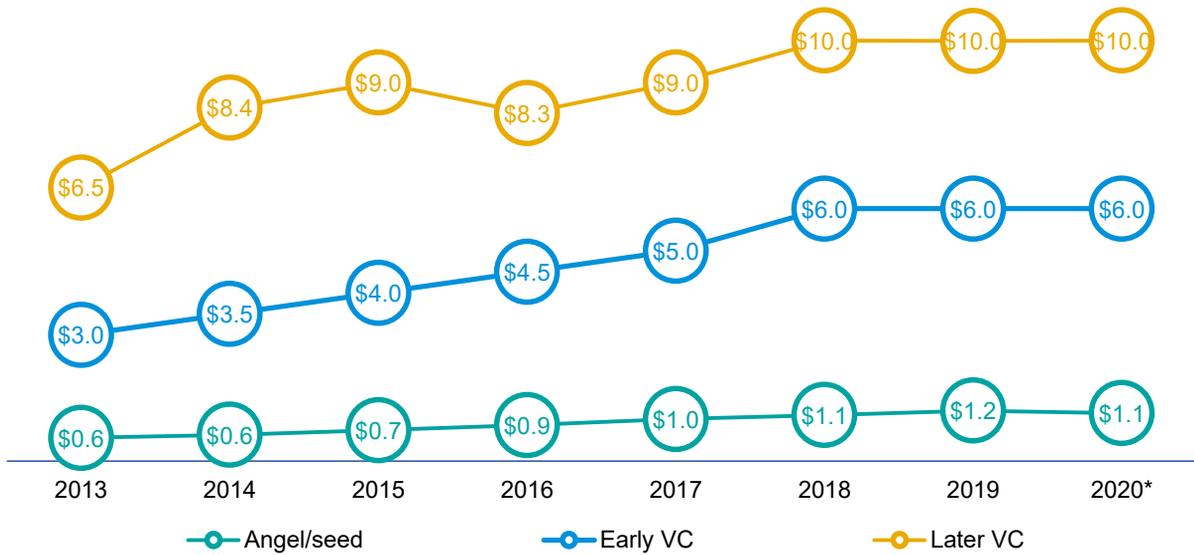


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

VC invested stayed very strong in the US once again, in fact notching the third-highest quarterly tally of VC invested of the decade. The continued slide in volume may ameliorate somewhat when additional, currently undisclosed datasets are tallied, but all in all it is likely a moderation due to caution on the part of investors is still driving down the rate of financings.

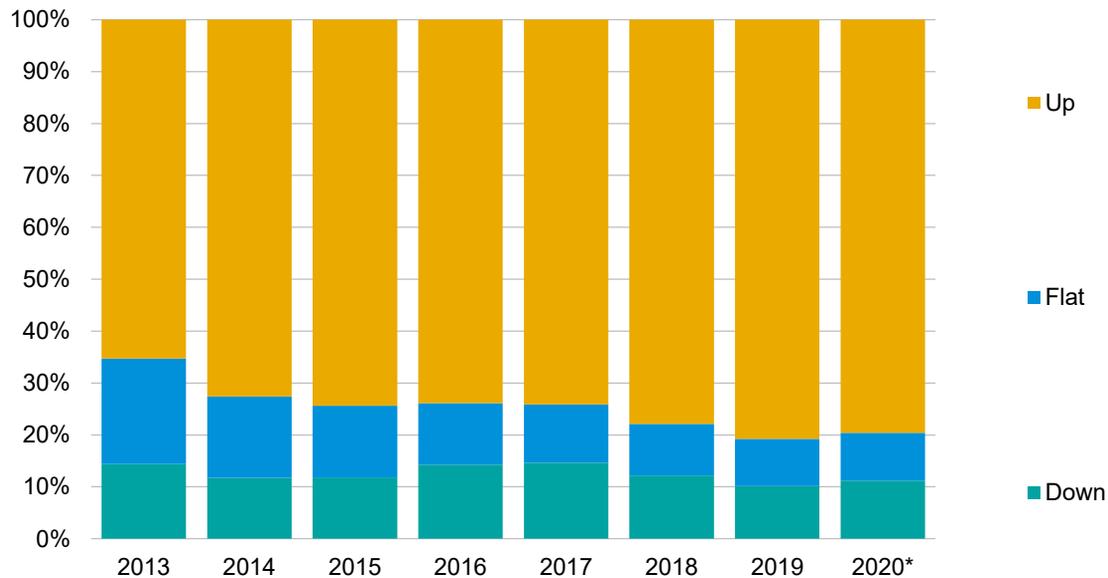
# Deal sizes stay steady

## Median deal size (\$M) by stage in the US 2013–2020\*



## Up, flat or down rounds in the US

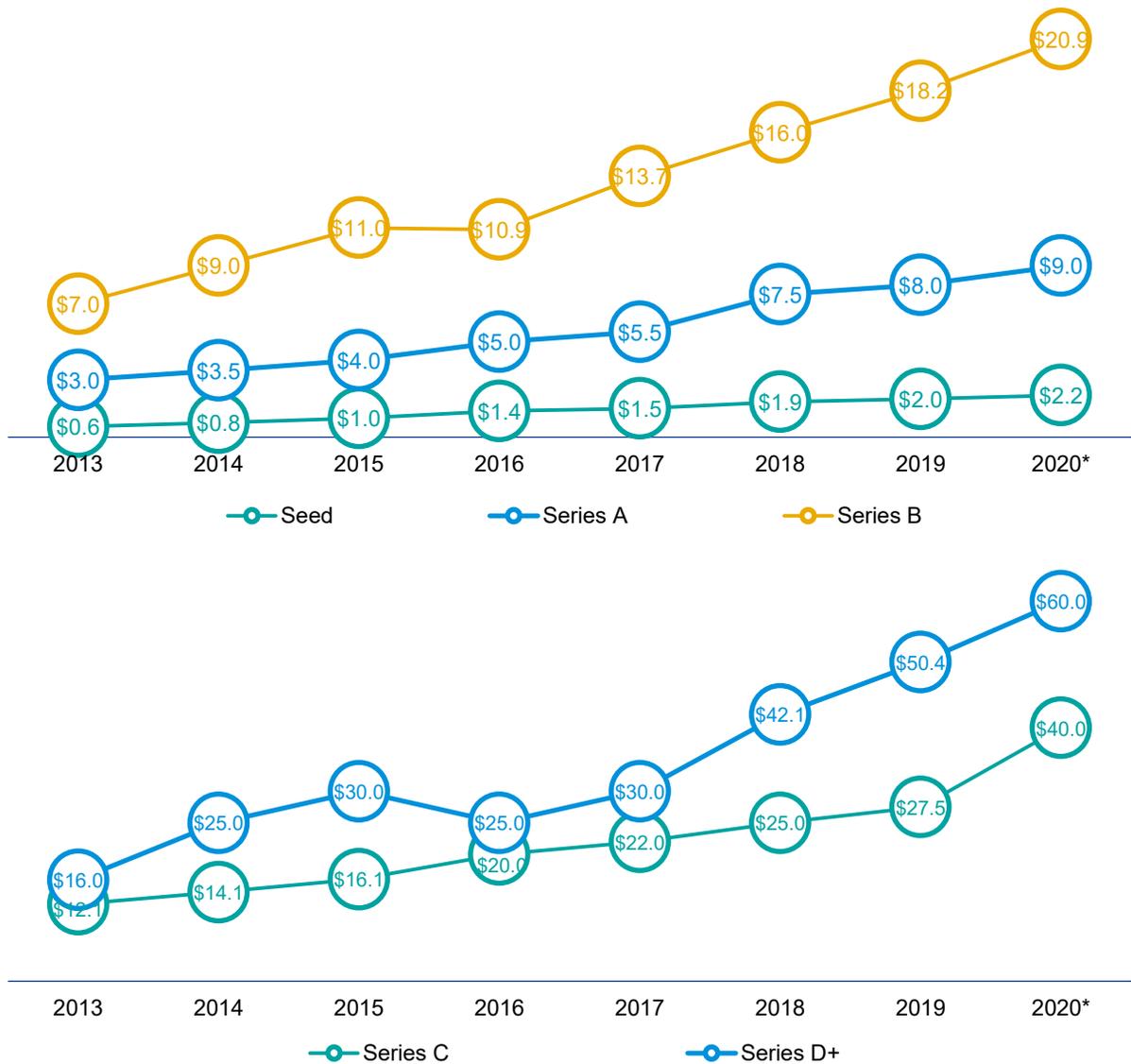
2013–2020\*



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Late-stage rounds see sustained strength

**Median deal size (\$M) by series in the US**  
2013–2020\*

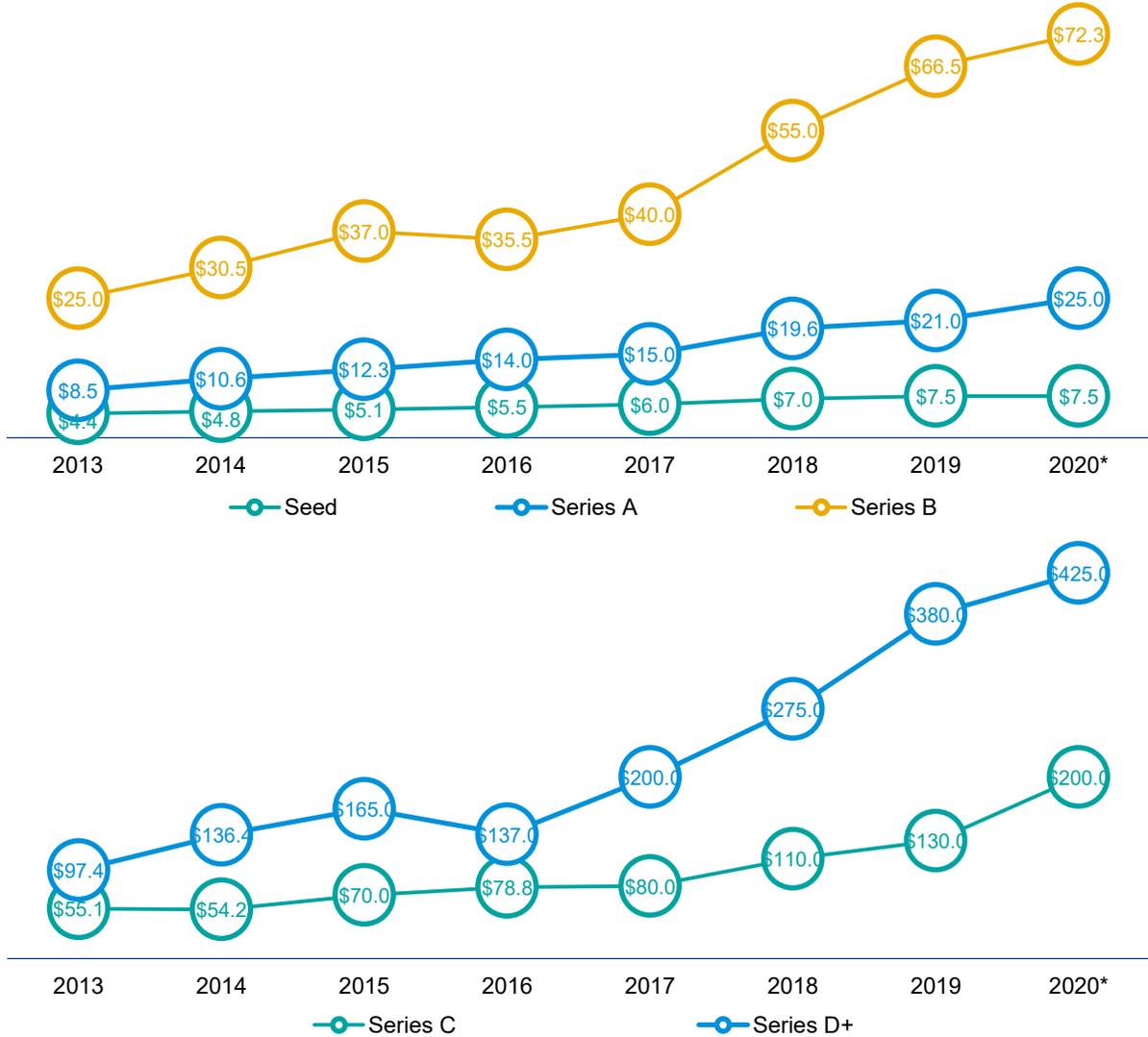


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

Note: Figures rounded in some cases for legibility.

# Record valuations hold steady

**Median pre-money valuation (\$M) by series in the US**  
2013–2020\*



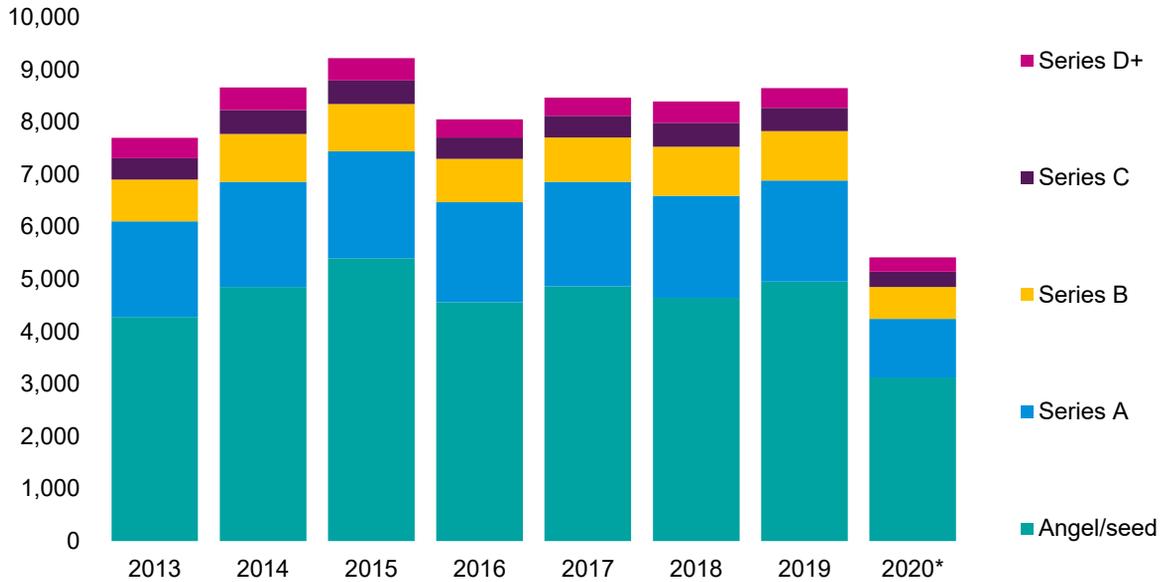
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

Note: Figures rounded in some cases for legibility.

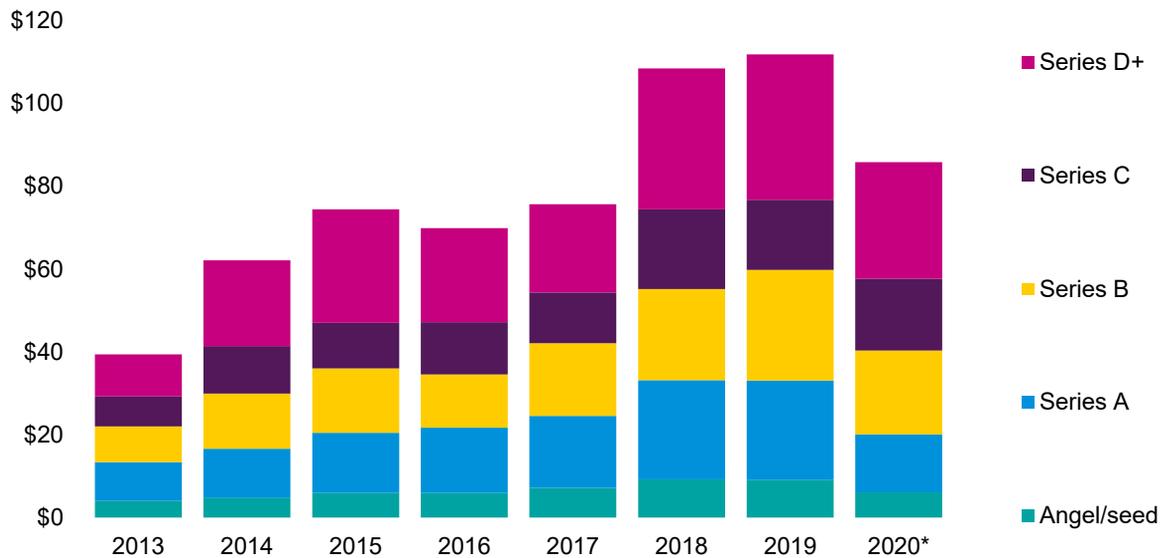
Three quarters into a tumultuous year (to say the least), valuations are still holding steady at record highs across the board. Recently, there was talk of the new normal induced by record dry powder across the venture industry as well as the scale achievable by private companies. That new normal appears to essentially be now the normal, as lines continue to blur between private and public markets.

# Angel & seed continue to contract

**Deal share by series in the US**  
2013–2020\*, number of closed deals



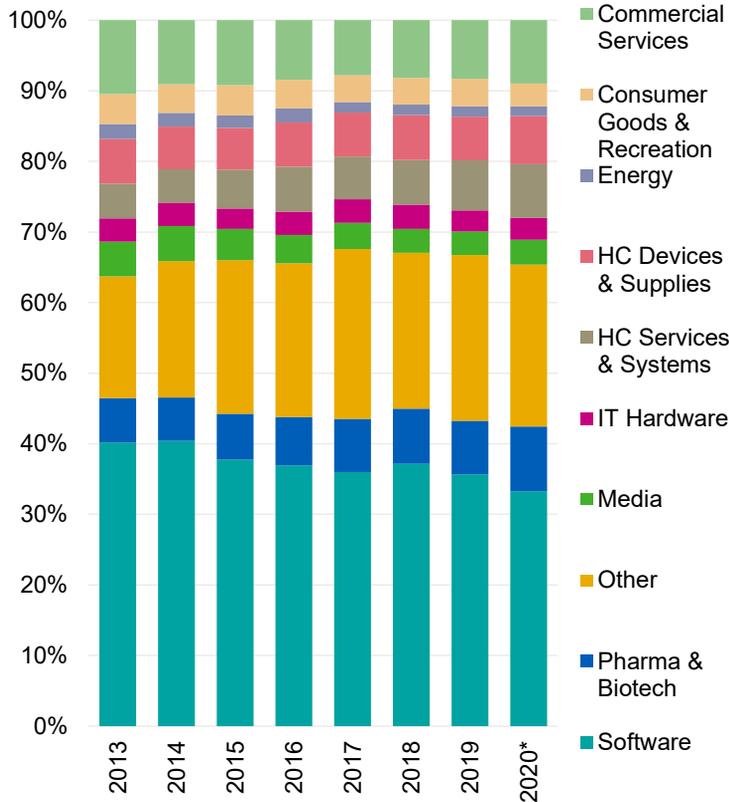
**Deal share by series in the US**  
2013–2020\*, VC invested (\$B)



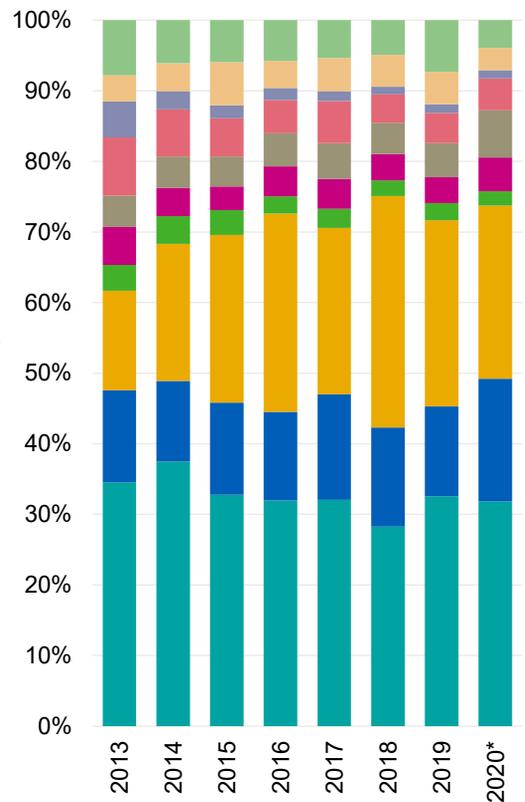
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# VC floods into pharma & biotech

**Venture financing by sector in the US**  
2013–2020\*, number of closed deals



**Venture financing by sector in the US**  
2014–2020\*, VC invested (\$B)



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

It's not necessarily that a pandemic of epic proportions has caused investors to immediately pursue opportunities across the healthcare spectrum, but that the steady growth in capital inflows to the space has continued unabated given the healthcare industry's broader dynamics, particularly that of biotech.

"It has already been a banner year for VC investment in life sciences and biotech, both in the US and globally. At the end of Q3'20, US and global VC dollars invested in the space was already higher than the level seen during all of 2019 — with no sign that it will let up heading into Q4. Given the widespread impact of the pandemic, it's no surprise that companies developing potential vaccines or therapeutics focused on COVID-19 continue to be a key target for VC investors."

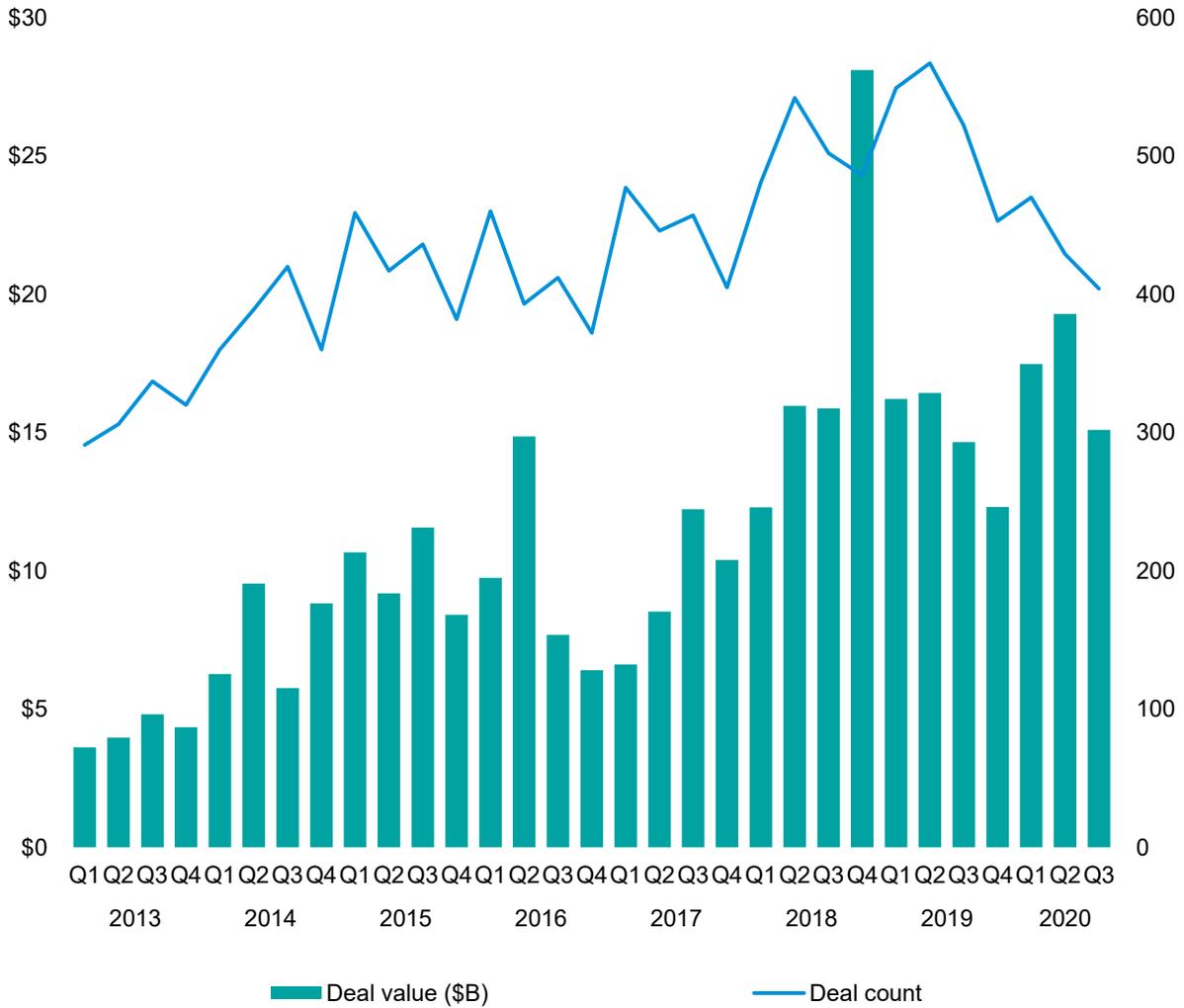


**Janet Lehman**  
National Leader VC Life Sciences  
Partner, KPMG in the US

# CVC activity declines in the US

## Corporate participation in venture deals in the US

2013–Q3'20

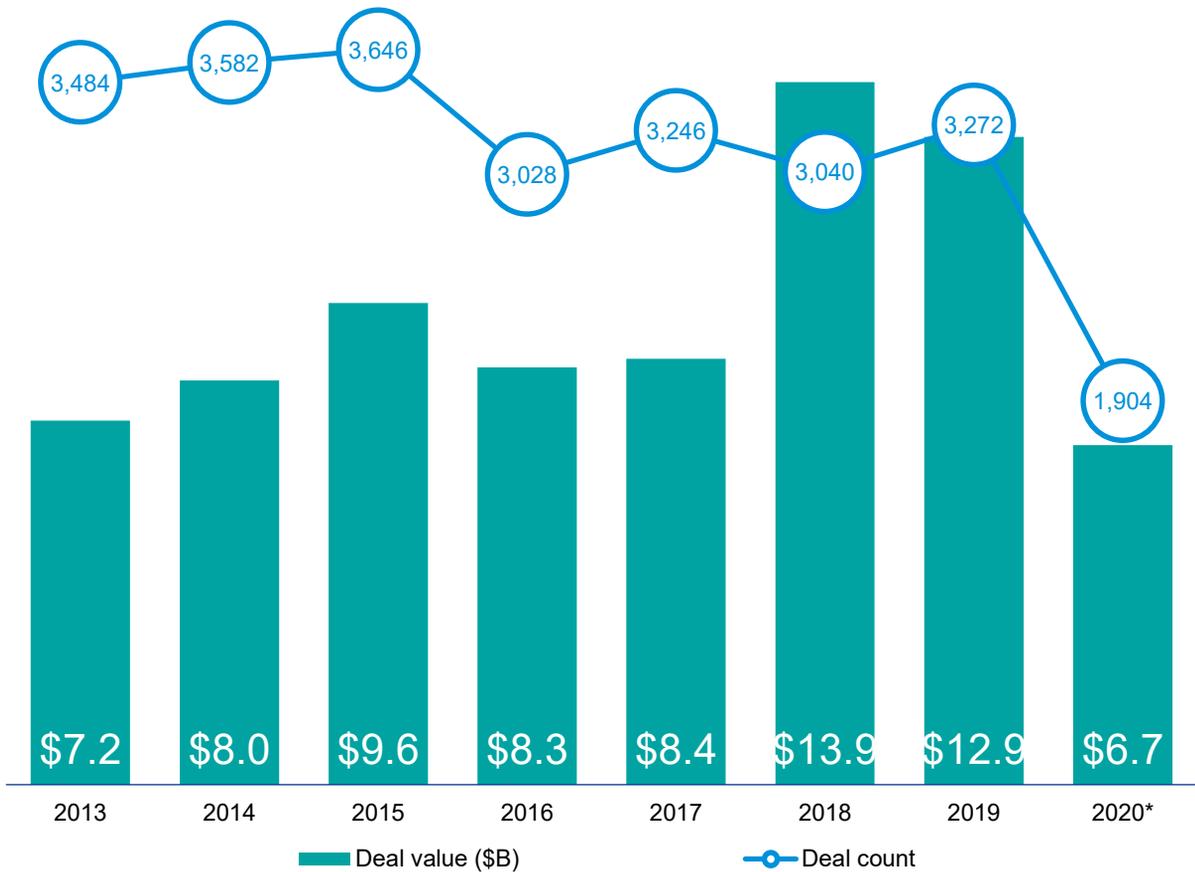


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

Rather than the usual trendline of participation percentage, to better illustrate the environment in 2020, the trendline of actual deal count in which corporate players or their venture arms participated is depicted above. The second-highest ever quarterly tally of VC invested was logged in Q2, but the slide in Q3 does illustrate the variability that is a clear trait of corporate participation simply given their scale and involvement varying significantly across different sectors.

# First-time venture funding set for an off year

## First-time venture financings of companies in the US 2013–2020\*

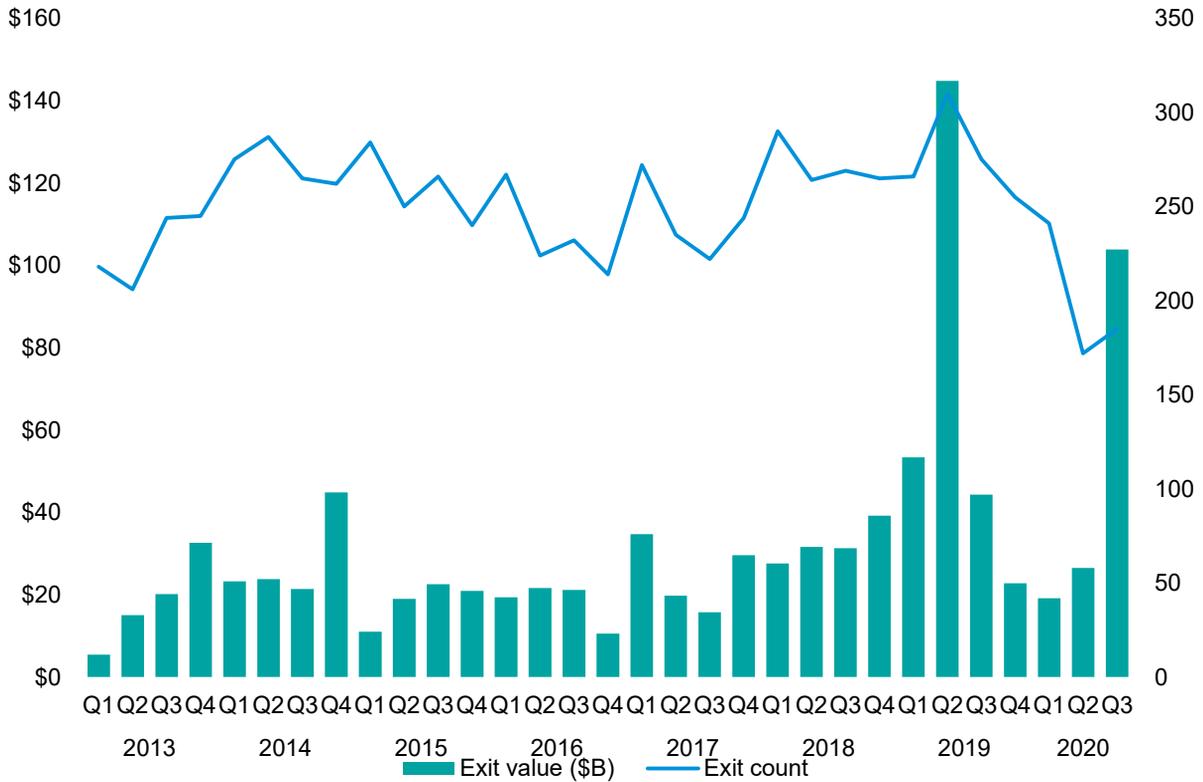


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

2018 and 2019 were both so strong in terms of first-time funding within the US that it is easy to forget that, on a historical basis, 2020 is actually recording very robust figures for fledgling startups getting their first institutional rounds of venture capital. The unknown extent of the economic damage wrought by the COVID-19 pandemic, with its ripple effects currently muted by fiscal and monetary stimulus, have not aided in helping founders garner additional capital.

# Exits come roaring back

## Venture-backed exit activity in the US 2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

The first half of 2020 did not see exit values that were overly depressed compared to prior periods. Although the slide in volume was troubling, given turmoil in public markets and economies worldwide, it was not unanticipated. However, what was not necessarily predictable was the sheer extent of all the unicorn debuts that occurred in Q3, which pushed exit value to a near-record high.

“The expectation is almost always there for startups to have a liquidity event within 10 years. So, for aging unicorns, there is a ton of pressure internally to create a liquidity event for early stakeholders. This is likely why you’re seeing a lot of unicorns making exit plans, whether through traditional IPO exits, direct listings, or by using SPACs.”



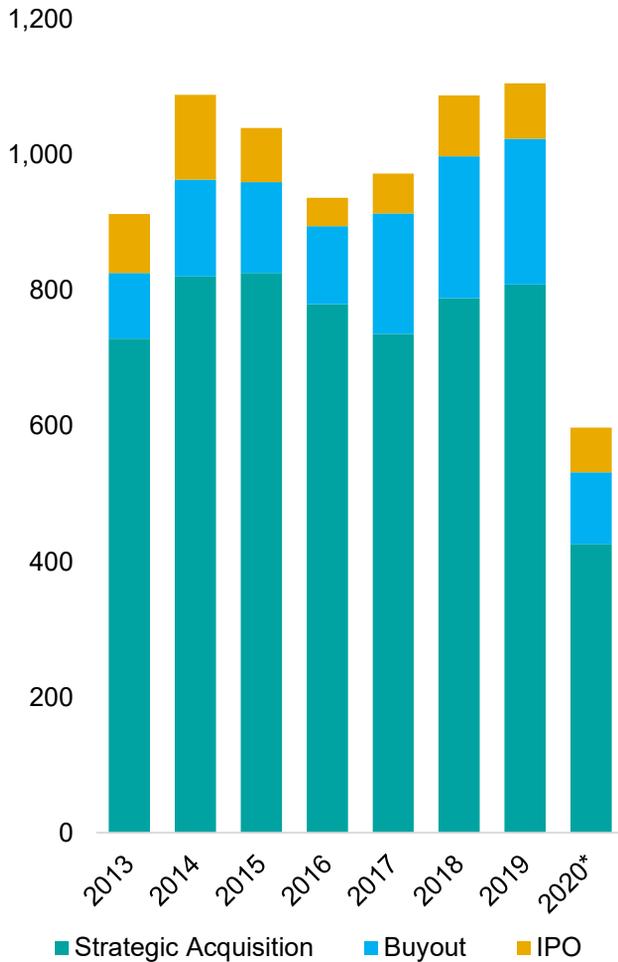
**Conor Moore**

Global Co-Leader — Emerging Giants, KPMG Private Enterprise, KPMG International Partner, **KPMG in the US**

# IPOs reverse course, surging to near-record highs

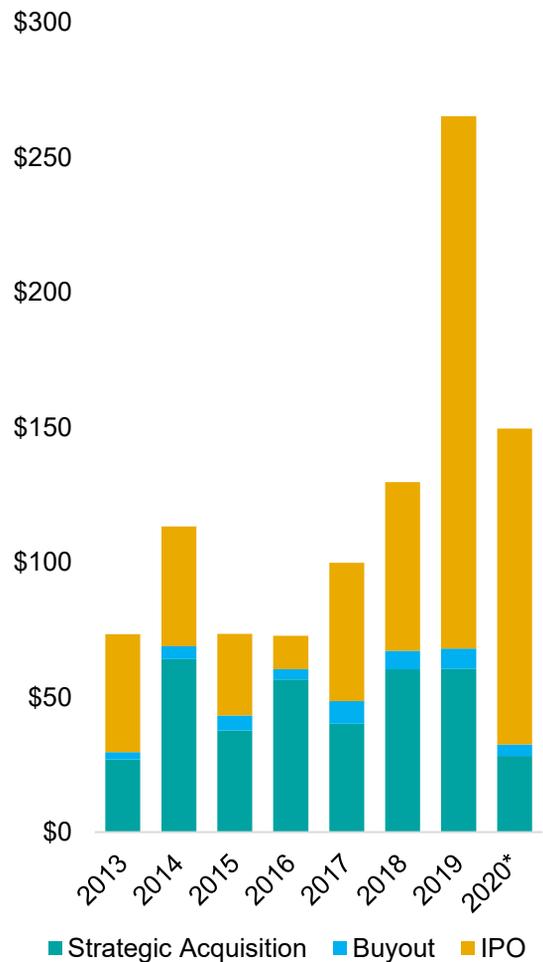
## Venture-backed exit activity (#) by type in the US

2013–2020\*



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

2013–2020\*



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

The bevy of unicorns that went public in 2019, whatever their later troubles, propelled exit values via that route to a new high for the decade, even outstripping Facebook's debut in 2013. In the last edition of the Venture Pulse, it was noted that this year did not look set to repeat that in the slightest, which was erroneous in its extreme adjective. Instead, a slew of unicorn debuts, including Palantir and Snowflake in particular, pushed exit valuations upon public debut to a near-record high.

# 2020 outpaces 2019 with a quarter to go

## US venture fundraising

2013–2020\*



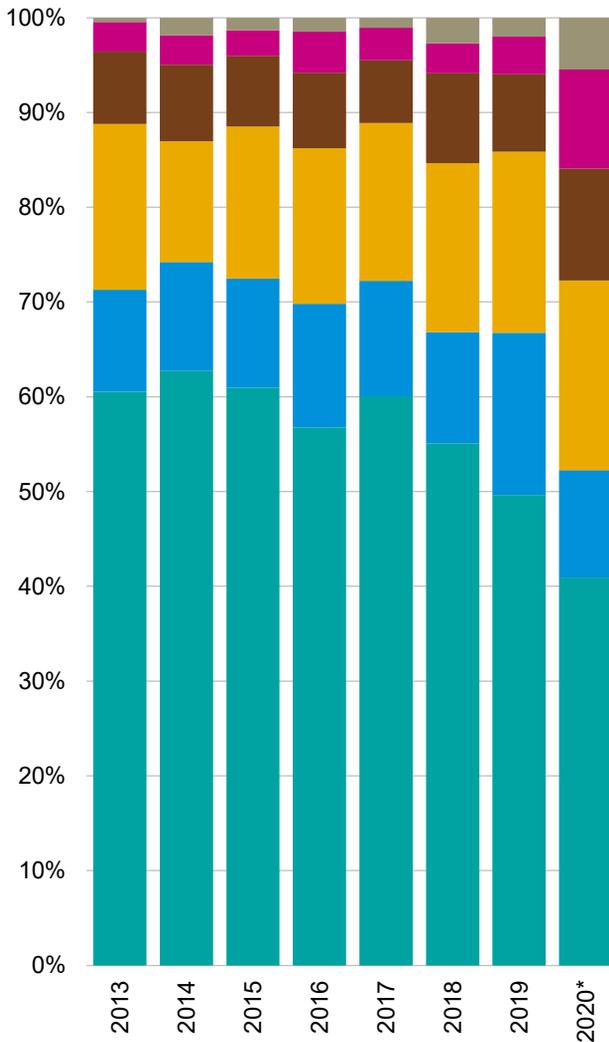
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

After a record haul in terms of dollars committed and volume in the past two years, one would think venture firms may let up the pace of fundraising. However, 2020 has already eclipsed 2019 in terms of capital committed to venture firms, even across one of the lowest tallies on record. This speaks to the sheer success of mega-fundraising by the most experienced, largest venture firms, as limited partners seek refuge in alternative investments as options shrink elsewhere for good returns.

# Fundraising skews even bigger

## Venture fundraising (#) by size in the US

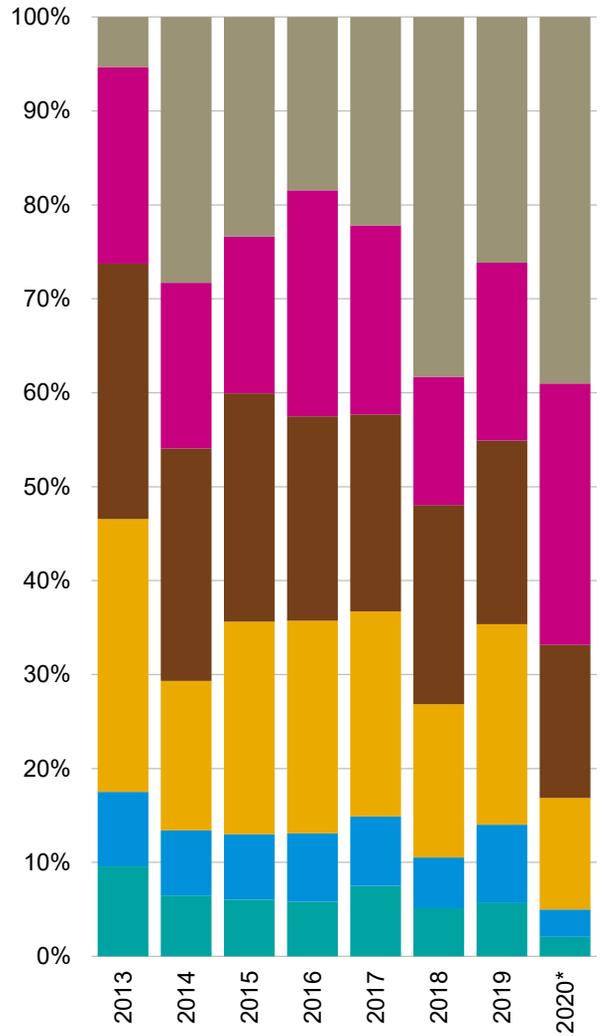
2013–2020\*



■ Under \$50M ■ \$50M-\$100M ■ \$100M-\$250M  
■ \$250M-\$500M ■ \$500M-\$1B ■ \$1B+

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

2013–2020\*



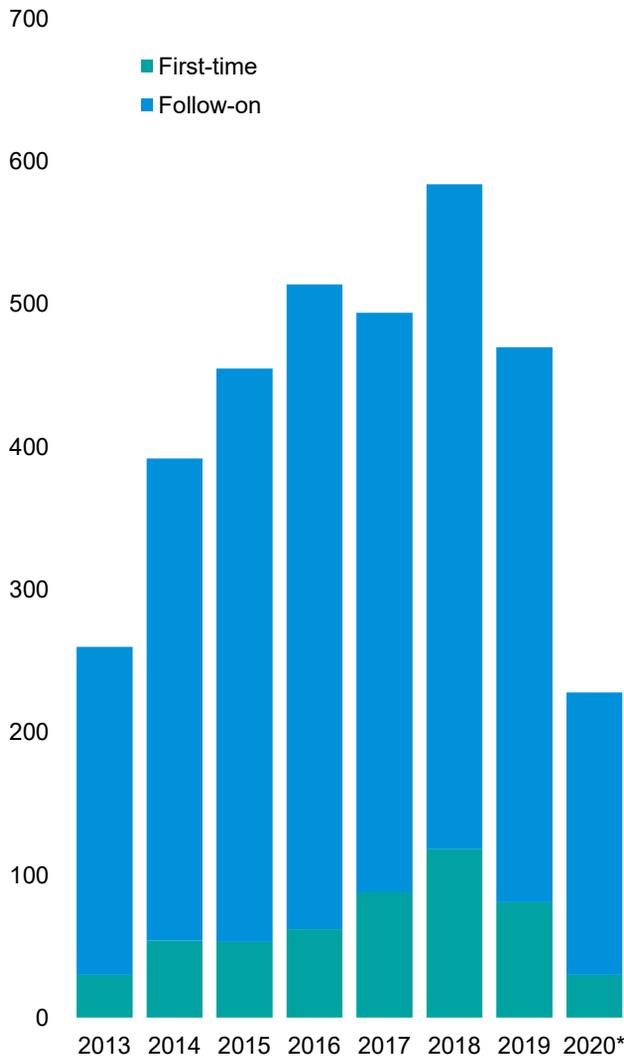
■ Under \$50M ■ \$50M-\$100M ■ \$100M-\$250M  
■ \$250M-\$500M ■ \$500M-\$1B ■ \$1B+

Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Follow-on fundraising predominates

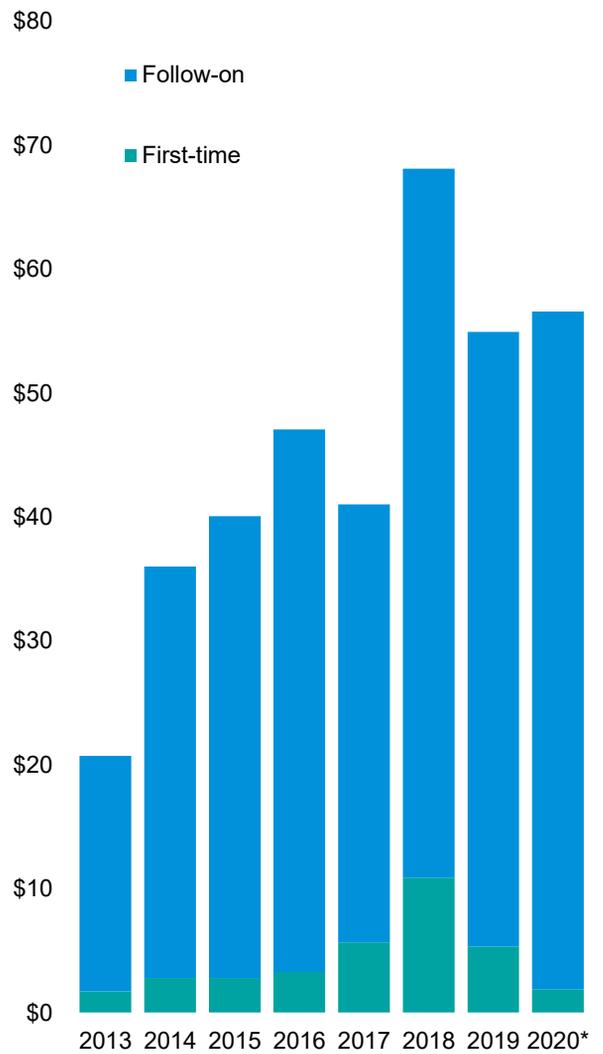
## First-time vs. follow-on funds (#) in the US

2013–2020\*



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

2013–2020\*



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

***In Q3'20 VC-backed  
companies in the  
Americas raised***

**\$40.0B**

***across***

**2,477 deals**



# Americas sees strong VC investment in Q3'20, led by the US

VC investment in the Americas remained relatively strong in Q3'20, driven primarily by VC investment in the US. VC investment in Canada was quiet during the quarter, although the IPO activity showcased the strength of Canada's technology innovation ecosystem. In Latin America, the fintech sector continued to attract most of the attention from VC investors, led by Neobank Neon's \$300 million raise.



## VC investors in the Americas remain focused on late-stage deals and big bets

During Q3'20, VC investors across the Americas continued to flock towards late-stage deals and companies with proven business models. Investors also focused on companies in sectors that have seen opportunities grow as a result of the pandemic, including delivery and logistics, business productivity solutions, fintech, and health and biotech.

The focus of VC investors on safe bets, late-stage deals, and companies within their existing portfolios has made it even more challenging for seed and early-stage companies to attract funding. The prolonged decline in early-stage deals, which started several quarters prior to the pandemic, is concerning as it could affect the pipeline of middle and late-stage deals over the next few years.



## VC investment taking a breather in Canada

VC investment in Canada slowed in Q3'20 as dealmakers worked to adapt to new ways of conducting business, from holding virtual meetings to conducting remote due diligence processes. This slowdown is not expected to be prolonged given the amount of dry powder in the Canadian market and the fact that VC and PE firms with fully capitalized funds will not be able to sit on the sidelines for long. This could lead to an upswing in deals activity beginning in Q4'20 and into Q1'21.



## Brazil VC market continues to mature

With interest rates at the lowest in the country's history, Brazil-based investors exhibited more interest in making higher risk VC investments. During Q3'20, the level of VC investment in Brazil rose for the third straight quarter. While fintech continued to drive the vast majority of VC investments in Brazil, and across Latin America, during the quarter, other sectors also saw interest from VC investors, including healthtech and delivery and logistics. Mobile gaming company Wildlife Studio also raised \$120 million during the quarter.

As the VC market in Brazil continues to mature, more startups are moving to the stage where they are looking to grow either regionally or globally, and will require the funds to do so. This will likely lead to larger deals in the region over time.



## Canada sees largest tech IPO in the TSX's history

In late September, Canadian payments company Nuvei raised over \$800 million as part of the largest technology IPO to be held on the Toronto Stock Exchange. The company's stock rose more than 62 percent on the first day of trading. Following on a Canadian IPO in 2019, POS company Lightspeed also held a US IPO, raising approximately \$305 million in order to help fuel its growth given the acceleration of digital trends due to COVID-19<sup>4</sup>.

On the M&A front, the Canadian subsidiary of Enterprise Holdings completed its acquisition of Discount Car and Truck Rentals during Q3'20 - in a move to enhance its transportation and logistics offerings<sup>5</sup>.

<sup>4</sup> <https://financialpost.com/technology/lightspeed-looking-to-capitalize-on-pandemic-trends-with-u-s-ipo-says-ceo>

<sup>5</sup> <https://www.businesswire.com/news/home/20200902005270/en/Enterprise-Holdings-Closes-Acquisition-of-Discount-Car-and-Truck-Rentals>

# Americas sees strong VC investment in Q3'20, led by the US, cont'd.



## Rethinking the future of work

After six months of dealing with the challenges associated with COVID-19, companies and investors across the Americas are beginning to imagine what the future of work will look like and how traditional models will be disrupted long-term. For example, some companies are asking whether they need specific office or retail spaces or how they can better utilize their space given changing requirements. This could lead to increasing investments in less mature areas of innovation over time, such as proptech.



## Edtech gaining traction

With most students back to school in the Americas, particularly in the US and Canada, there have been some challenges and concerns related to the quality of online learning platforms and offerings. This has led to increasing investor interest in edtech solutions, both geared toward enhancing traditional online education models and toward providing unique educational opportunities. Existing corporates are also making investments in edtech in order to strengthen or expand their digital education offerings.



## Trends to watch for in the Americas

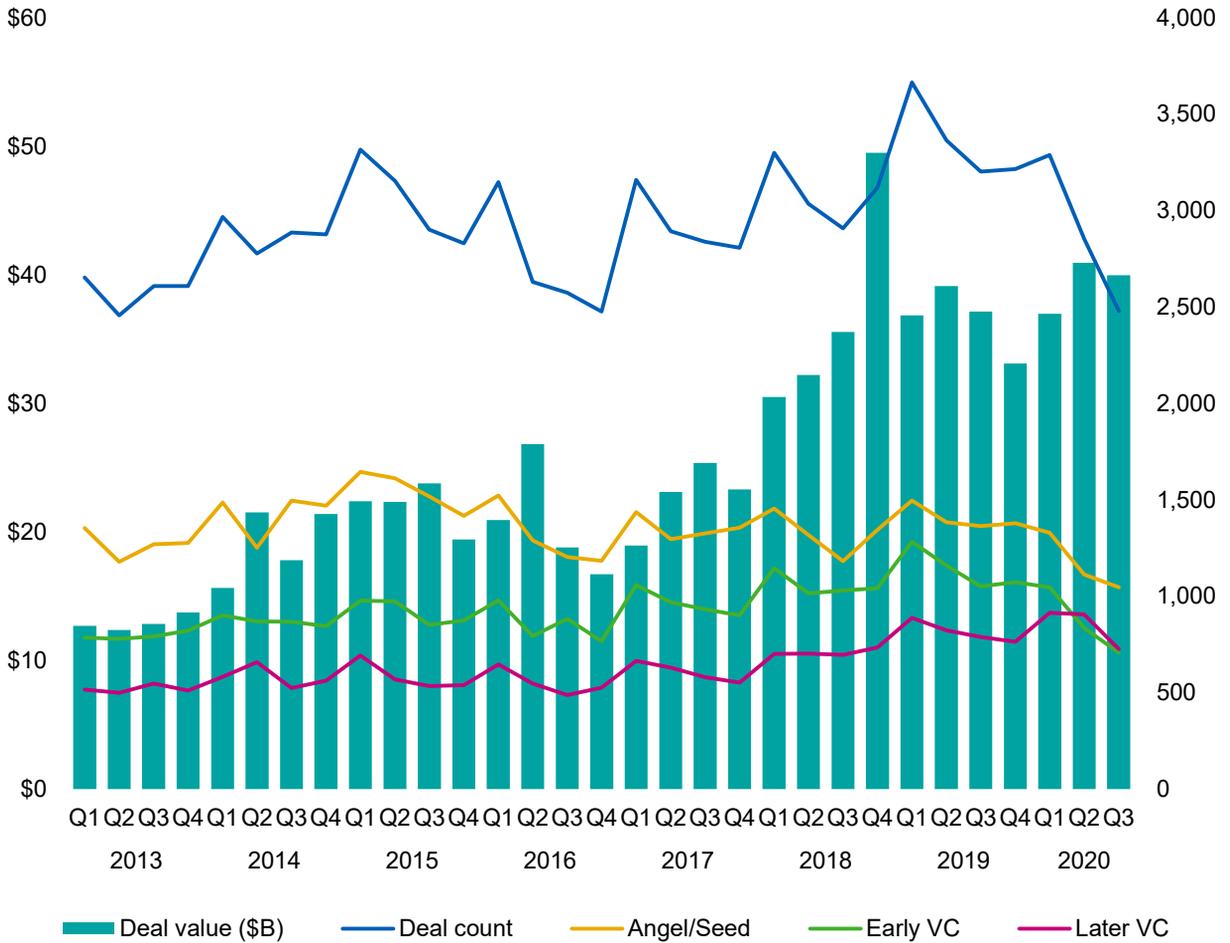
Despite current economic challenges related to COVID-19 and the approaching US presidential election, VC investment is expected to remain steady in the Americas. Fintech is expected to remain a hot area of VC investment over the next quarter, in addition to health and biotech, transportation and logistics, and edtech.

During Q4'20, the Central Bank of Brazil is expected to rollout its new instant digital payments model, PIX, which will be mandatory for all major banks and financial institutions in Brazil<sup>6</sup>. This new model could spur significant VC investment in Brazil over the next few quarters.

<sup>6</sup> <https://news.bitcoin.com/brazil-instant-payment-system-pix/>

# Caution remains apparent if modest

## Venture financing in the Americas 2013–Q3'20



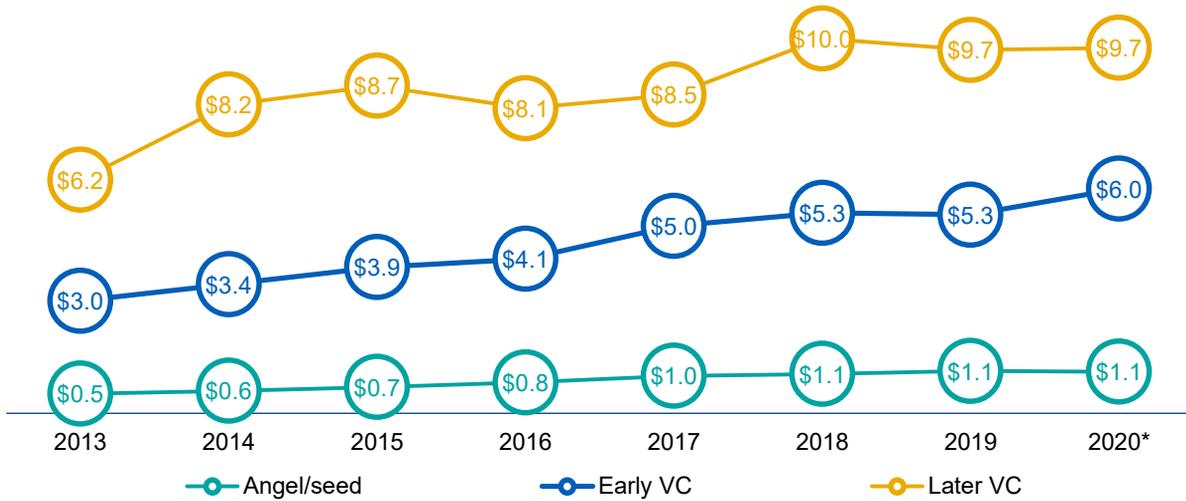
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

As has been stated in previous editions of the Venture Pulse, inevitable lags in private markets data collection or clarification can result in penultimate quarter tallies adjusting upward. However, the continuation in the slide of the volume of closed deals does speak to an uptick in caution, if only modest, as plenty of capital continues to flow at the later stages.

# Deal sizes hold steady, down rounds tick up

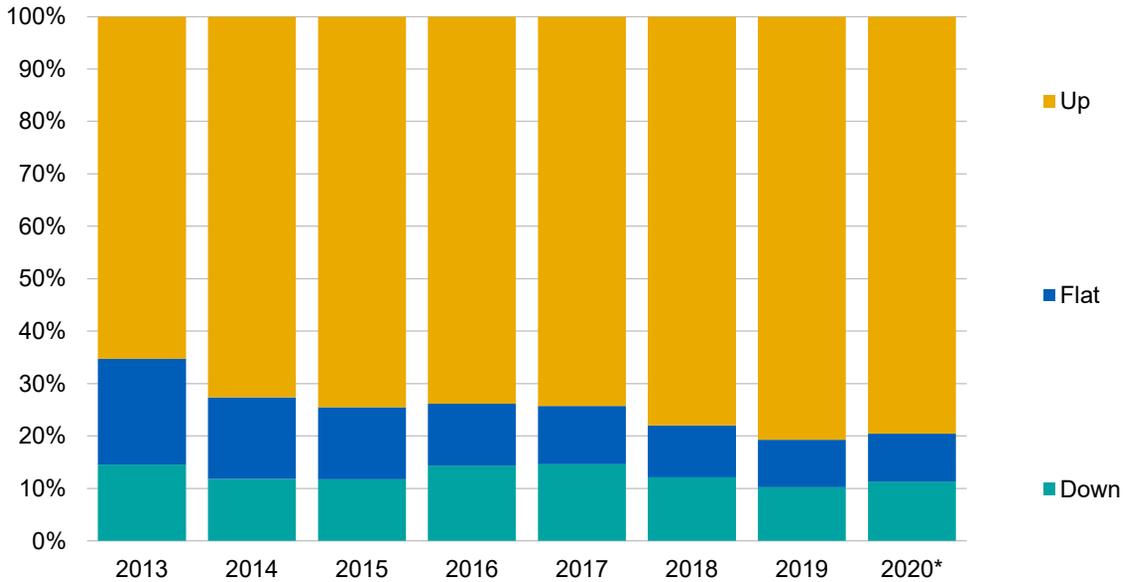
## Median deal size (\$M) by stage in the Americas

2013–2020\*



## Up, flat or down rounds in the Americas

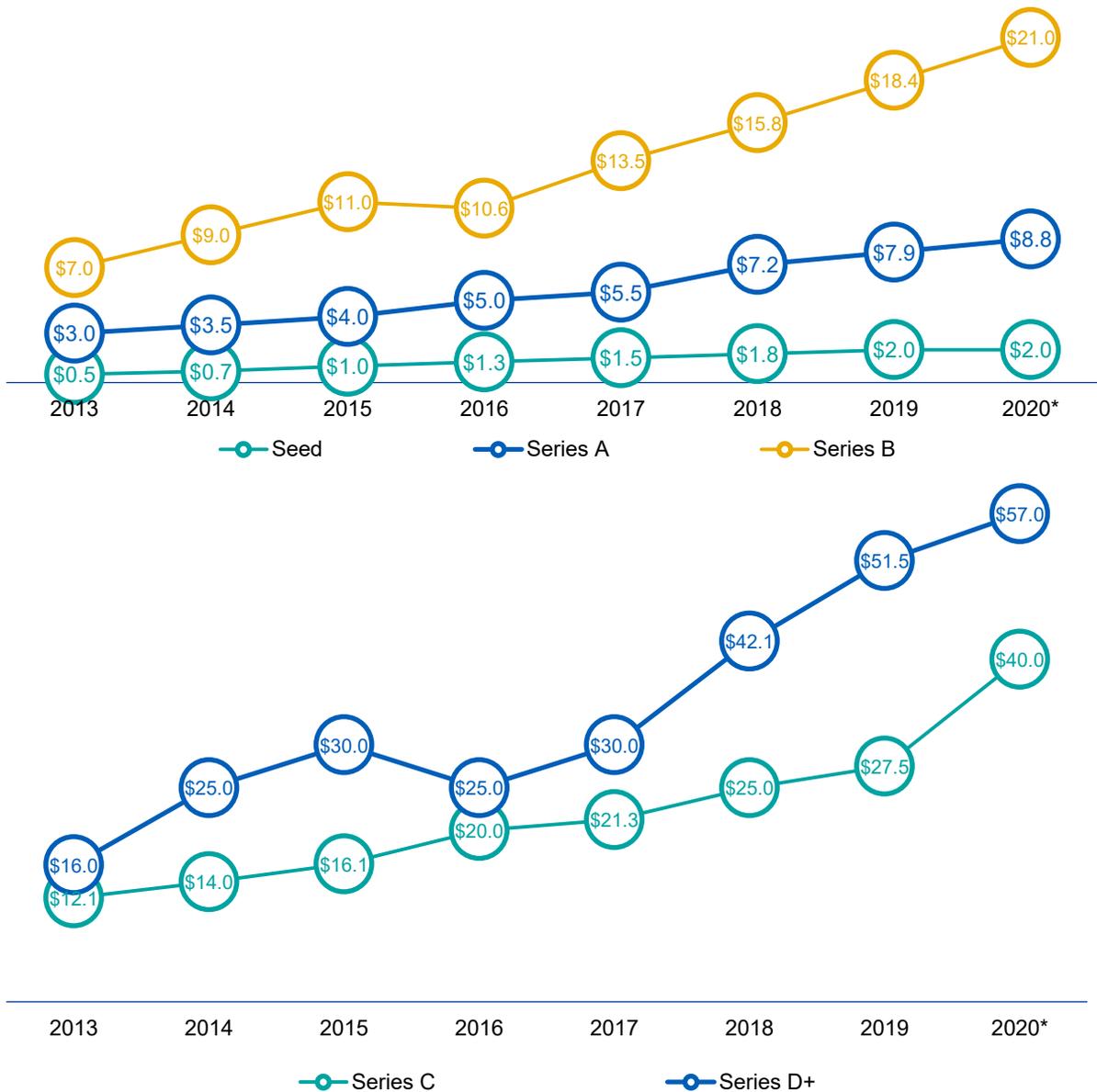
2013–2020\*



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Modest rises across most series of stock

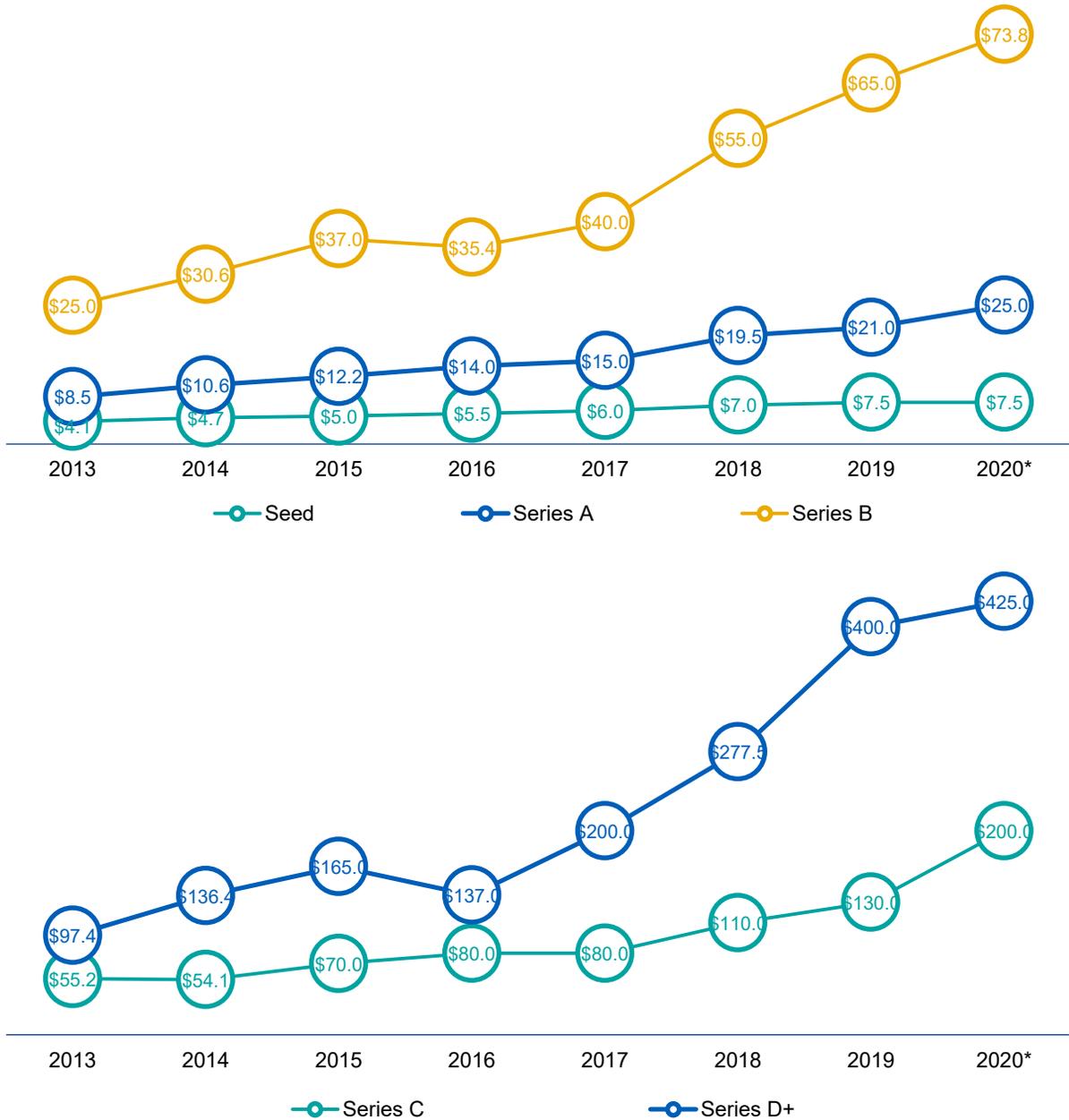
**Median deal size (\$M) by series in the Americas**  
2013–2020\*



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# 2020's highs stay intact

**Median pre-money valuation (\$M) by series in the Americas**  
2013–2020\*

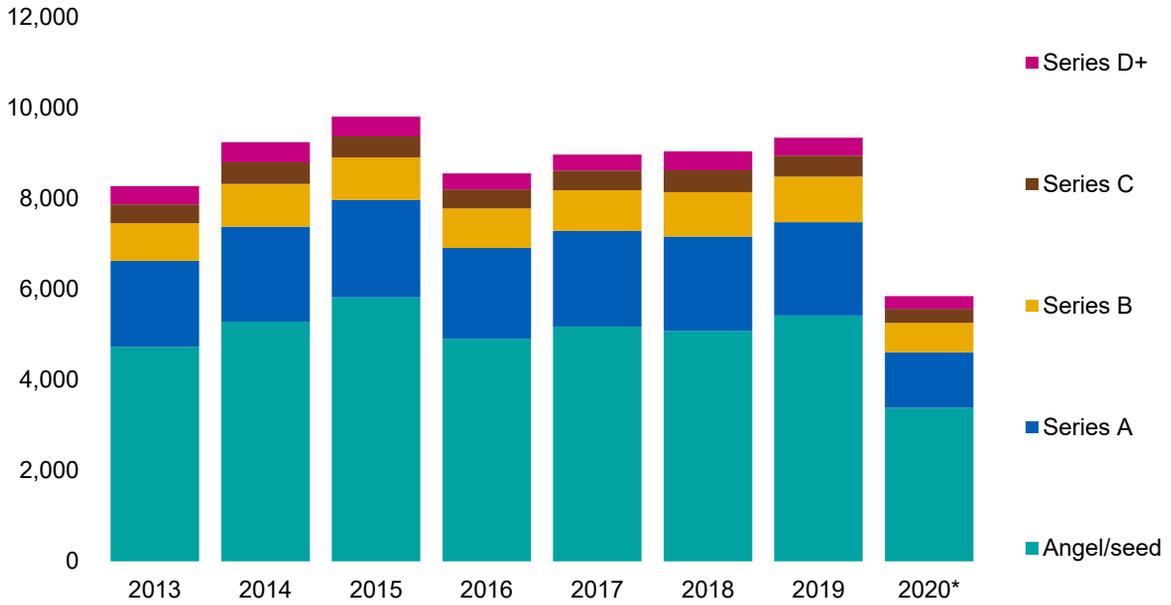


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Late-stage volume stays on track

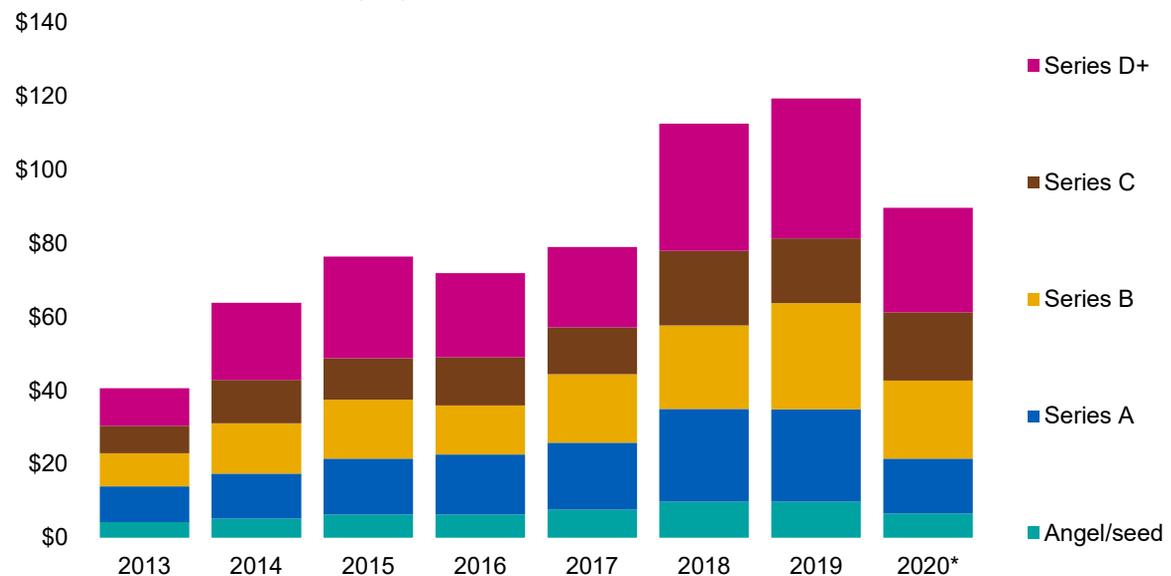
## Deal share by series in the Americas

2013–2020\*, number of closed deals



## Deal share by series in the Americas

2013–2020\*, VC invested (\$B)

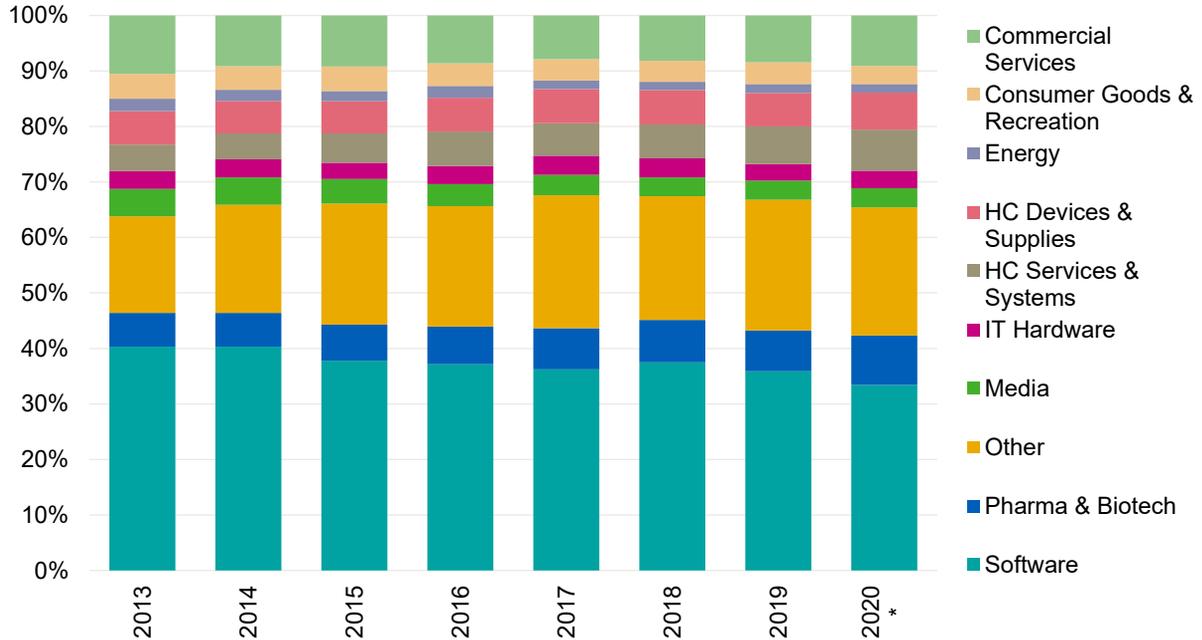


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Biotech on pace for records

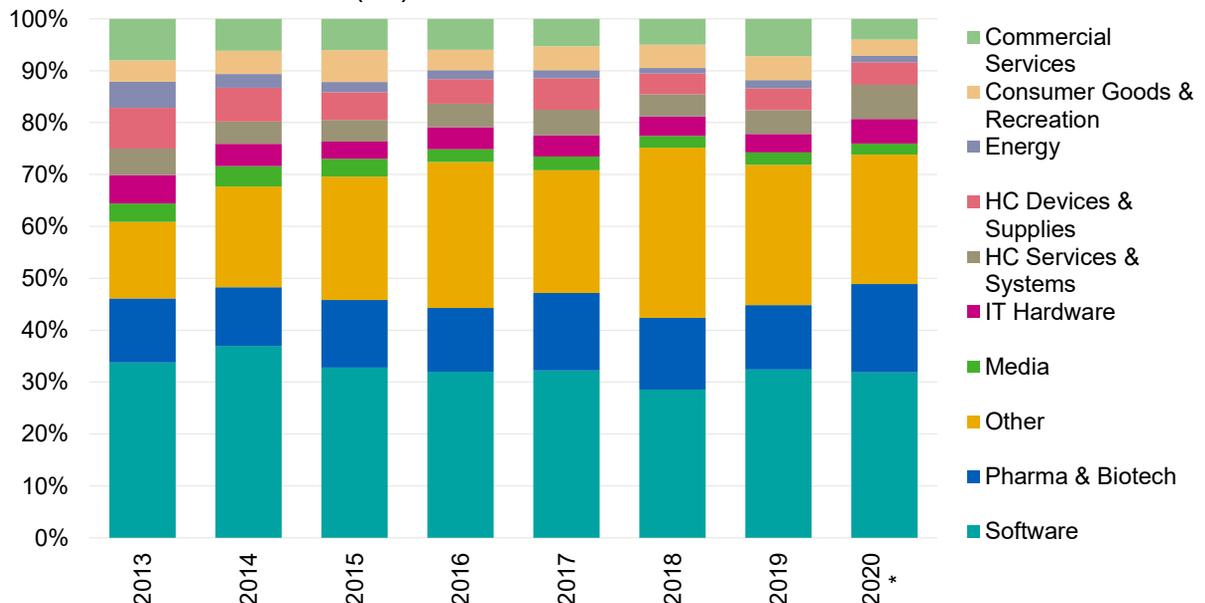
## Venture financing of VC-backed companies by sector in the Americas

2013–2020\*, # of closed deals



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

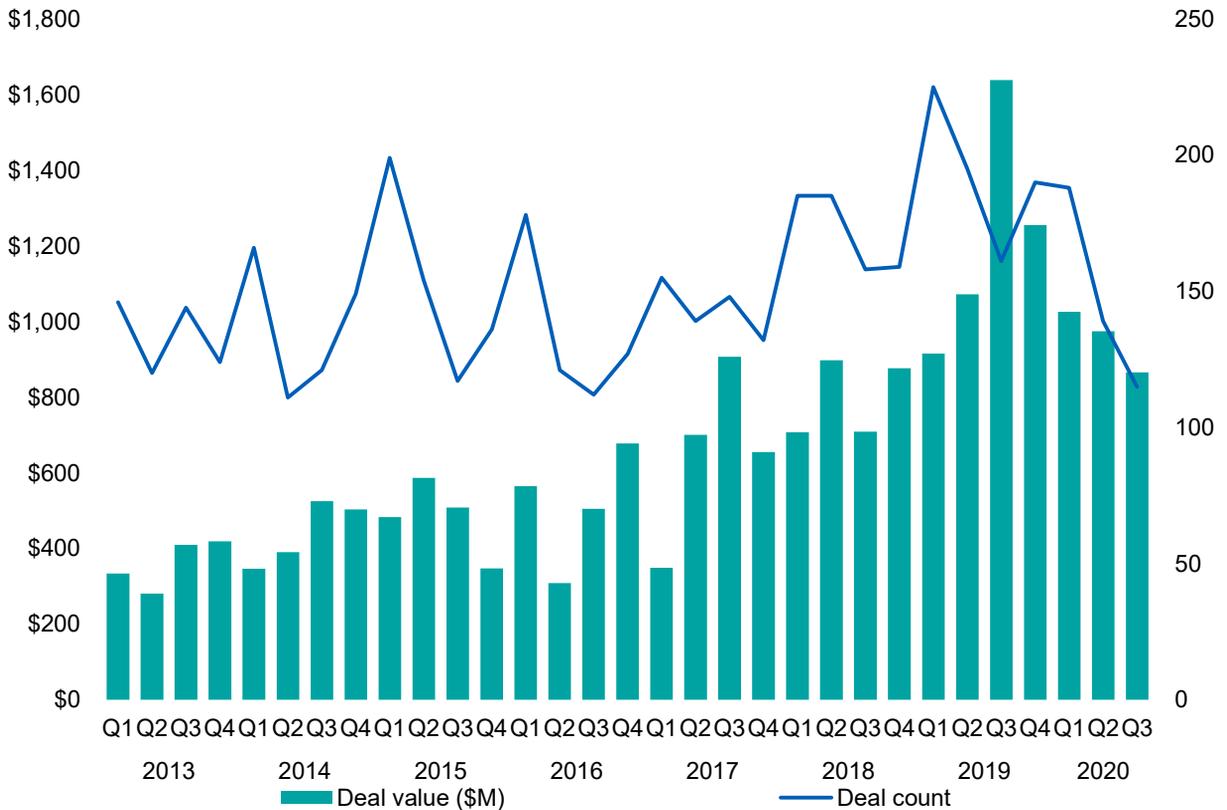
2013–2020\*, VC invested (\$B)



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# The rate of decline evens out more

## Venture financing in Canada 2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

The back half of 2019 set records in terms of VC invested for the Canadian startup ecosystem, with several late-stage fundings helping significantly. The first quarter of 2020 logged a plateau in deal volume, with VC invested staying quite robust, especially on a historical basis. However, since then, the drop-off in the flow of financing was significant, even if VC invested stayed relatively healthy. Investors across the board are simply more cautious, and the influx of capital from the US has been slowed due to digital diligence sometimes taking longer.

“In Canada, we are starting to see investors and startups finding different ways of conducting due diligence and meetings, but it is taking a long time for deals to get done. This isn’t really a surprise. The good news is that a lot of PE and VC funds are fully funded, they will need to spend their money. This should cause an uptick in Q4’20 and into 2021 as people get used to working in this new environment.”

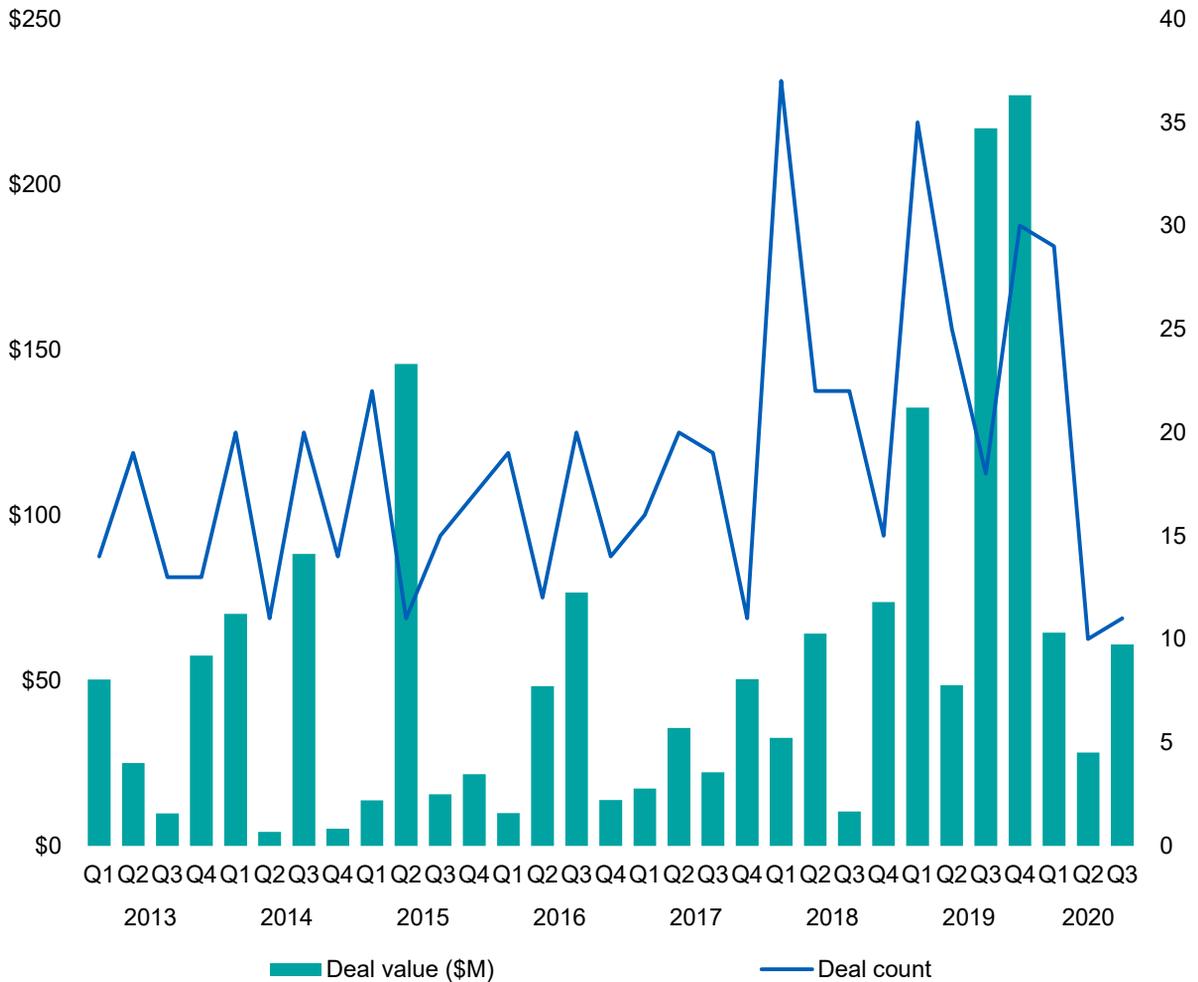


**Sunil Mistry**

Partner, KPMG Private Enterprise, Technology, Media and Telecommunications,  
**KPMG in Canada**

# Mexico sees mild uptick, albeit to a low level

## Venture financing in Mexico 2013–Q3'20

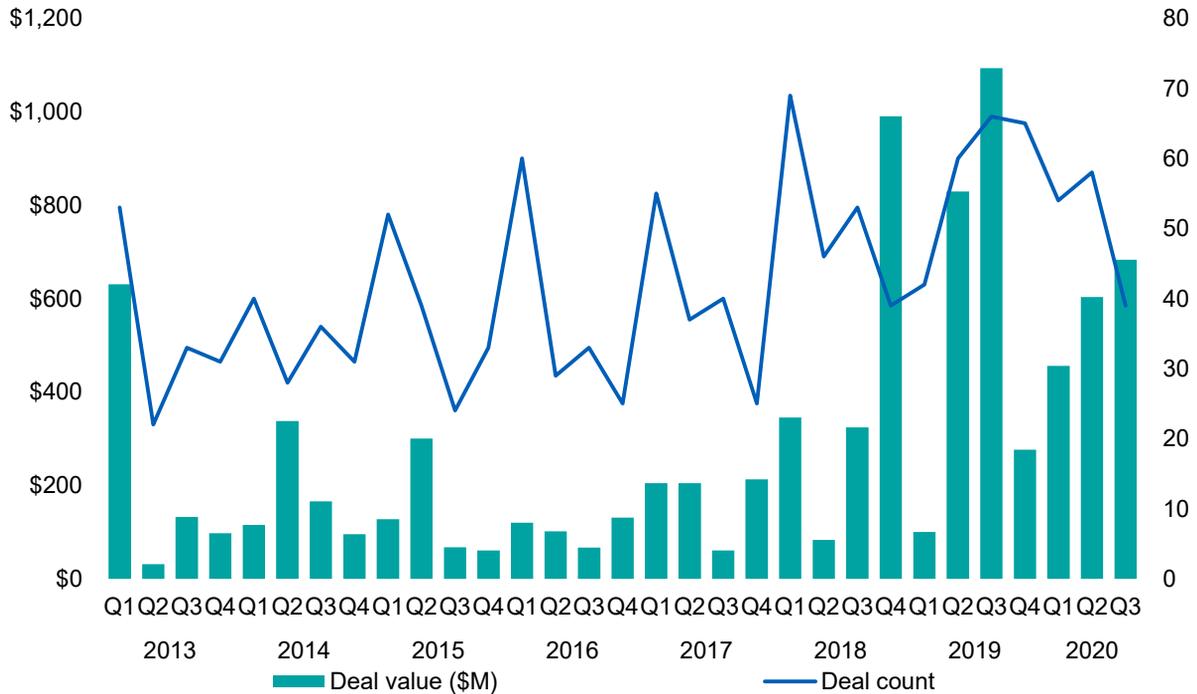


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

The past variability in the flow of venture funding in the Mexican ecosystem makes it difficult for any clear trend to emerge, but it was clear that higher peaks in volume were achieved more consistently between 2018 and 2019 than now. Ongoing economic uncertainty, not to mention a relatively volatile domestic political environment, still discourage significant confidence on the part of investors.

# Brazil sees third consecutive rise in VC invested

## Venture financing in Brazil 2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

In the first half of 2020, investor caution led to a mild drop in the volume of funding, milder than observed in other nations, likely due to the nation's particular policy responses that did not necessarily impede the typical logistics of dealmaking. However, given the Brazilian ecosystem's strengths have been in consumer finance and ongoing digitization of tools for small to mid-sized businesses, it stands to reason that businesses benefiting from any lockdowns or customer caution pushing the flow of commerce online would keep attracting funding.

"One trend we are starting to see in Brazil is M&A among fintechs that want to expand. For example, payments companies looking to acquire POS companies in order to have the total supply chain covered. These kinds of activities will create very powerful companies in Brazil, which means the competition for targets to acquire is also very high."



**Robson Del Fiol**  
Partner, Head of Emerging Giants & Digital Marketing Strategist,  
KPMG in Brazil

# Investors flock to unicorns



## Top 10 financings in Q3'20 in Americas

- |  |   |
|--|---|
| <p><b>1</b> <b>SpaceX</b> — \$1.9B, Hawthorne<br/>Spacetech<br/><i>Late-stage VC</i></p>                                       | <p><b>5</b> <b>Affirm</b> — \$500M, San Francisco<br/>Fintech<br/><i>Series G</i></p>             |
| <p><b>2</b> <b>Robinhood</b> — \$660M, Menlo Park<br/>Fintech<br/><i>Series G</i></p>  | <p><b>7</b> <b>Chime</b> — \$485M, San Francisco<br/>Financial software<br/><i>Series F</i></p>   |
| <p><b>3</b> <b>Robinhood</b> — \$600M, Menlo Park<br/>Fintech<br/><i>Series F</i></p>  | <p><b>8</b> <b>OfferUp</b> — \$453.35M, Bellevue<br/>Internet retail<br/><i>Late-stage VC</i></p> |
| <p><b>4</b> <b>Palantir Technologies</b> — \$549.7M, Palo Alto<br/>Business/productivity software<br/><i>Late-stage VC</i></p> | <p><b>9</b> <b>Zwift</b> — \$450M, Long Beach<br/>Gaming<br/><i>Series C</i></p>                  |
| <p><b>5</b> <b>Bright Health</b> — \$500M, Minneapolis<br/>Insurance<br/><i>Series E</i></p>                                   | <p><b>10</b> <b>ChargePoint</b> — \$367.25M, Campbell<br/>Energy services<br/><i>Series H</i></p> |

Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

# *In Q3'20 European VC-backed companies raised*

# \$12.1B

*across*

# 1,024 deals



# Robust VC investment in Europe despite continued drop in deal numbers

Venture capital investment in Europe reached a new record high in Q3'20, helped by new record levels of investment in Germany, Israel, and the Nordic Region. A diverse range of sectors attracted \$100 million+ megadeals in Europe, including fintech, drug discovery, automotive, entertainment, and health diagnostics.



## Investor caution affecting valuations and early-stage rounds

Europe achieved a new quarterly record for total VC investment in Q3'20. Despite this fact, the investment climate has not been completely rosy. There has been a significant amount of uncertainty over the past 6 months due to COVID-19, which has been reflected in the valuations of businesses, particularly those businesses unable to predict future demand. This, combined with the focus of VC investors on protecting their existing portfolio companies, has led to more cautious valuations and even more challenges for early-stage companies working to raise funding.



## UK continues to attract large VC rounds

VC investment in the UK remained relatively strong in Q3'20, despite a significant decline in the number of deals. Fintech was a key area of investment with digital bank Revolut raising \$580 million and cloud-based banking platform Thought Machine raising \$125 million. London-based kitchen space startup Karma Kitchen also made news with a \$314 million raise this quarter. During the quarter, the UK government continued to focus on supporting recovery initiatives — announcing a £2 billion Kickstart scheme focused on providing young people with job placements for 6 months. The program could enable startups to find and retain talented young people.



## Germany sees very robust VC investment in Q3'20

Germany attracted a significant amount of VC investment during Q3'20, led by a \$632 million raise by CureVac and a \$291 million raise by AUTO1 and a \$246 million raise by agtech company Infarm. The size of these deals reflects a number of factors, including the maturity of Germany's VC ecosystem and the confidence of investors in proven companies with business models that are resilient to COVID-19's impacts.

Travel price aggregator Omio also raised Euro84M million during the quarter, bucking the downward trend affecting many travel-focused companies. In sectors hit hard by the pandemic, some VC investors are making bets on what companies will emerge as clear industry leaders. This could lead to consolidation as smaller companies struggle or fail to attract funding.



## IPO market in Europe on cusp of potential rebound

While there was a reluctance for IPO exits over the past 12 months across Europe, a window of opportunity might be opening. During Q3'20, a number of companies announced IPO plans, including Germany-based education publisher Springer Nature, Sweden-based game company Huuuge Inc., and Poland-based fintech Allegro. Should these companies hold successful IPO exits in the near future, other mature startups in Europe feeling exit pressure from their investors could follow in their wake.

# Robust VC investment in Europe despite continued drop in deal numbers, cont'd.



## VC investment in Israel shows resilience

VC investment in Israel remained resilient during Q3'20, due in part, to the strong applicability of key innovation clusters, including digital health, cybersecurity, and payments. In the digital health space, remote diagnostics was particularly hot, including solutions based on data analytics and AI capabilities. With the significant acceleration in digital trends, cybersecurity is expected to remain a very hot area of investment in Israel for the foreseeable future. Digital banking is also expected to be a hot area of investment as players in the Israeli economy look to ride the digital acceleration wave.



## \$650 million Klarna and Northvolt deals drives surge in Nordic VC investment

VC investment in the Nordic region rose in Q3'20, led by two massive deals in Sweden — a \$650 million raise by digital bank Klarna and a \$600 million deal by energy company Northvolt. Other big venture capital deals in the Nordics included a \$230 million raise by Finland-based mobile phone company HMD Global. Sweden-based milk alternative company Oatly also obtained \$200 million in PE funding during the quarter, making it the region's newest unicorn. While gaming and fintech have been strong sectors of investment in the Nordic region, other sectors are beginning to mature and gain more investment. Cloud-based B2B solutions is one growing area; during Q3'20, Finland-based cloud software-as-a-service providers Super Metrics and MariaDB raised \$46 million<sup>7</sup> and \$25 million<sup>8</sup> respectively.



## Organizations in Ireland working to boost early-stage funding programs

Early-stage companies across Europe have found it difficult to obtain funding, a trend that began months prior to the pandemic but which has been exacerbated over the past two quarters. During Q3'20, five tech sector organizations in Ireland launched the Alliance for an Innovation Driven Recovery in order to suggest changes to existing government programs (e.g., wage subsidy programs, debt and equity funding programs) and tax incentives in order to better support early-stage companies and encourage more early-stage investment by private investors. The impact of this initiative will be important to watch heading into Q4'20.



## Trends to watch for in Europe

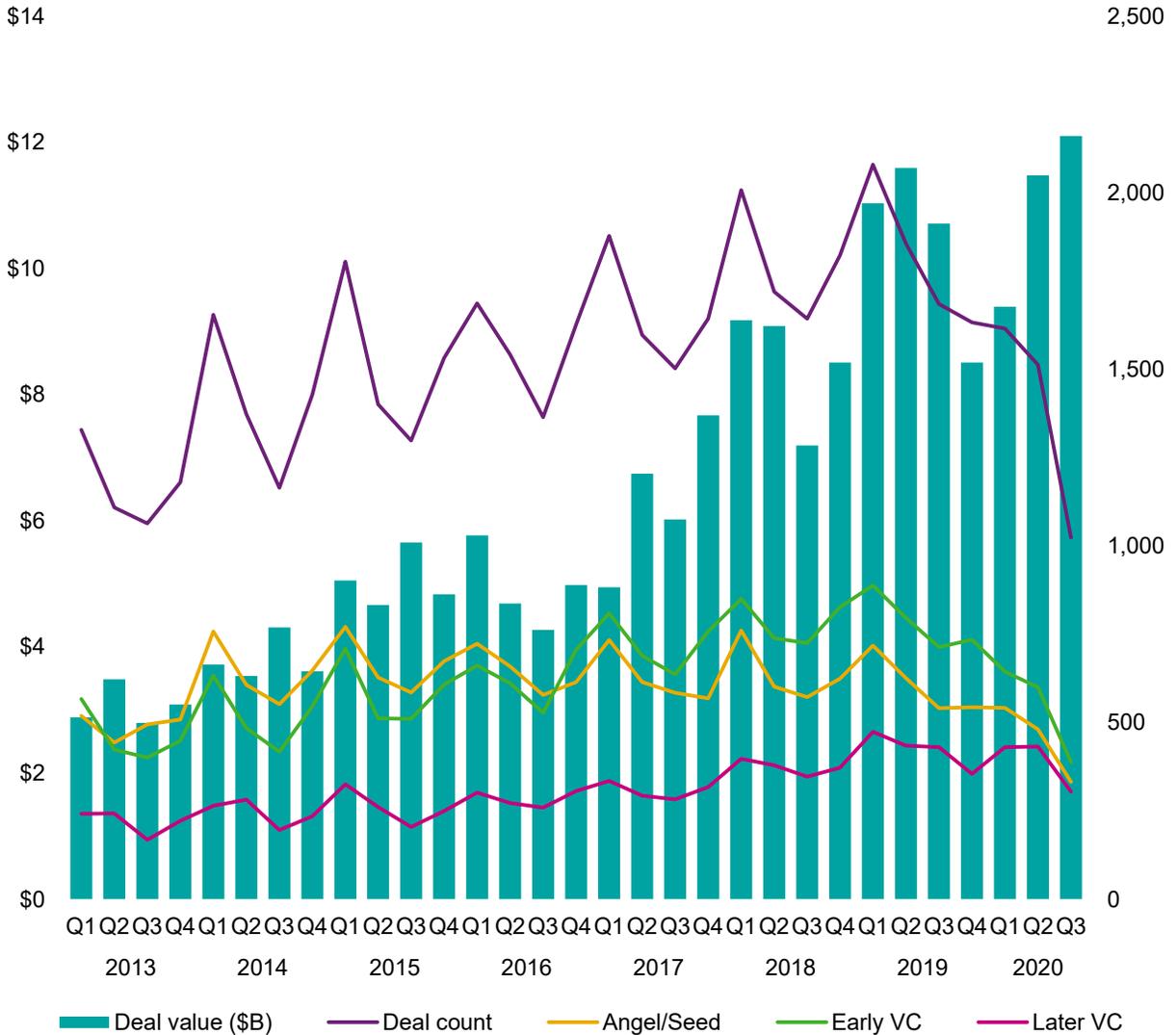
As Europe continues to adjust to a new reality, VC investors in Europe are expected to remain highly focused on areas such as health and biotech, fintech, and the future of work. Investment in edtech is also likely to grow given that it could be a critical necessity over the next few quarters. While the pandemic has overshadowed Brexit negotiations over the past 6 months, there are growing concerns over the possibility of a hard Brexit as of December 31, 2020, making it a critical area to watch heading into Q4'20.

<sup>7</sup> <https://techcrunch.com/2020/08/24/supermetrics/>

<sup>8</sup> <https://mariadb.com/newsroom/press-releases/mariadb-announces-25-million-funding-round-to-scale-skysql-operations/>

# A record high even as volume slides

## Venture financing in Europe 2013–Q3'20

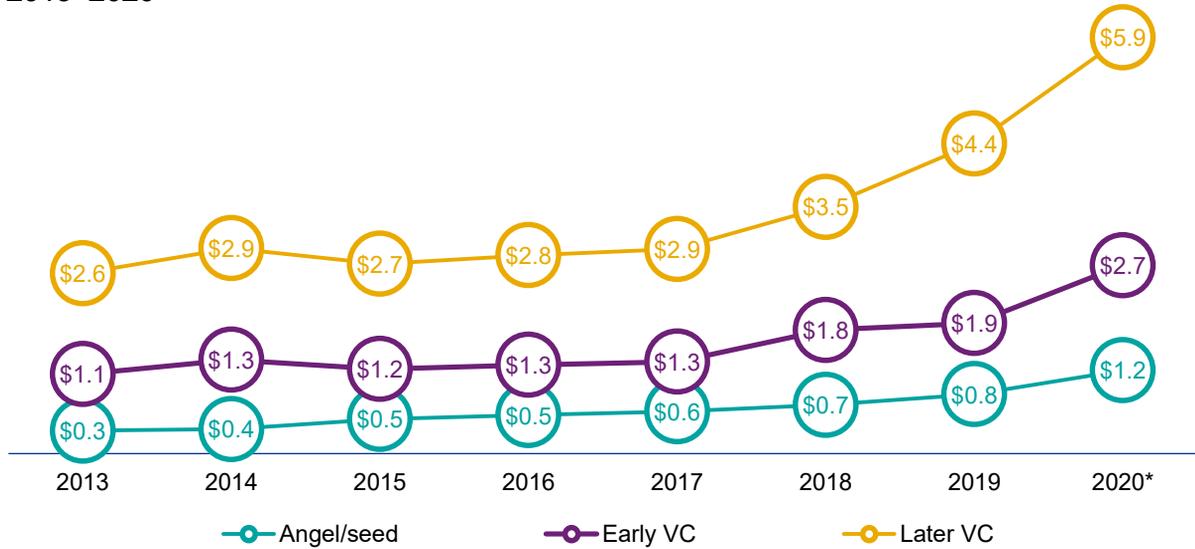


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

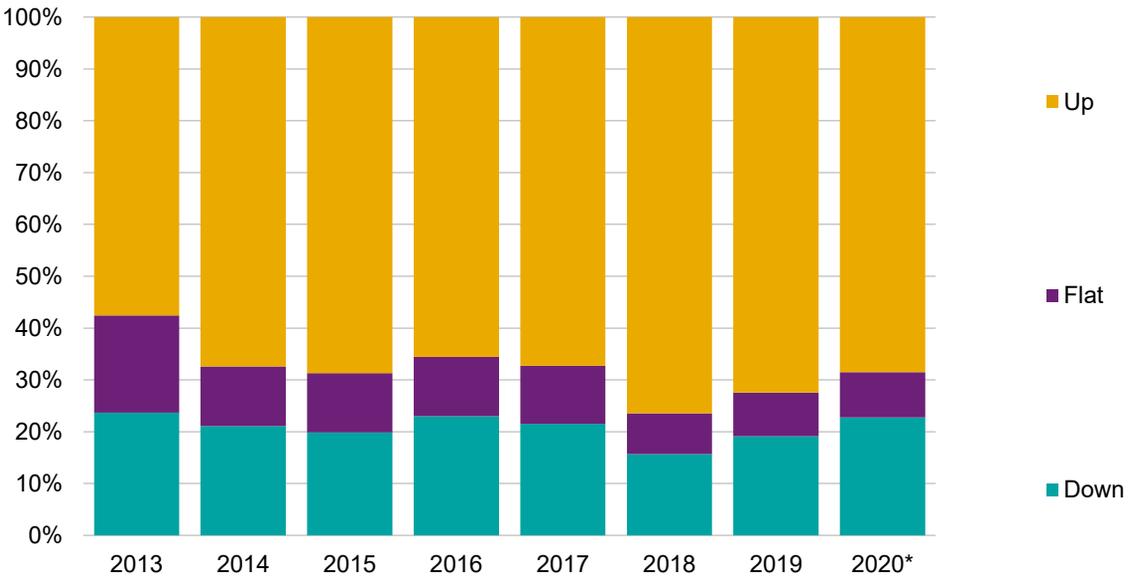
As must be reiterated, especially in a complex venture ecosystem like Europe, private markets data can experience lags. That said, the ongoing waves of policy responses across different countries and territories is likely to slow down the logistics of dealmaking to some degree. However, for safer bets and funding of unicorns, it definitely hasn't impeded much, as is evident from the record high of VC invested in Q3 2020.

# A late-stage surge while down rounds rise

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



**Up, flat or down rounds in Europe**  
2013–2020\*

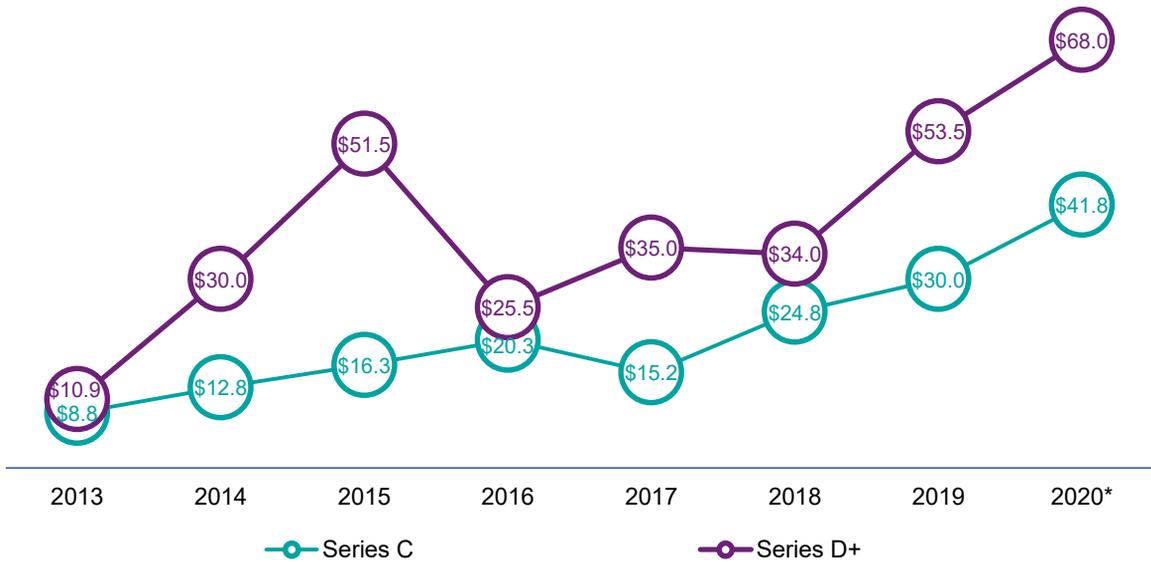
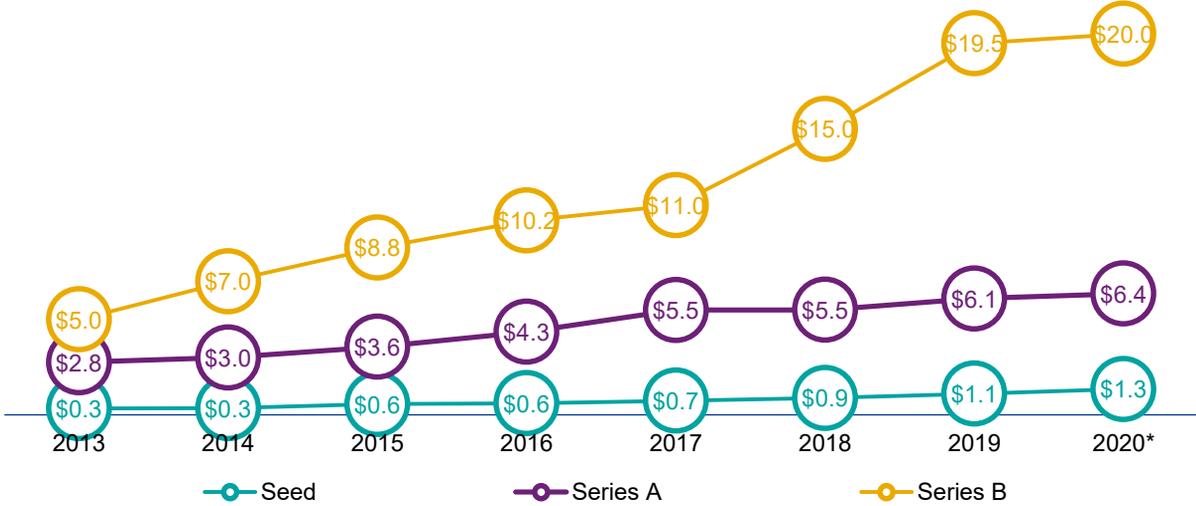


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Early to midstage tallies hold steady

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

2013–2020\*

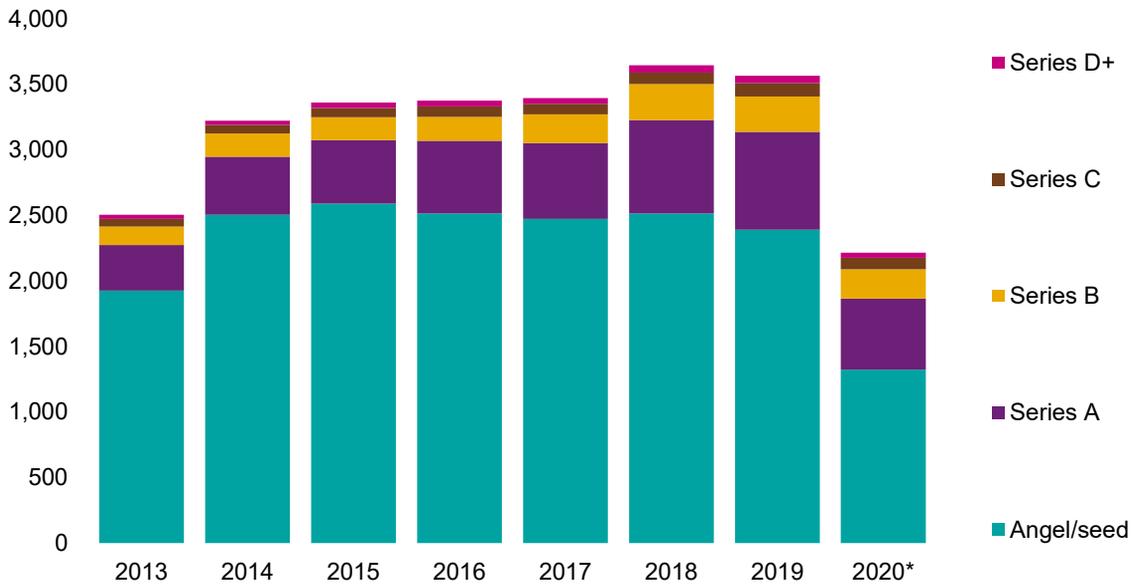


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Capital flees the riskiest stages: angel & seed

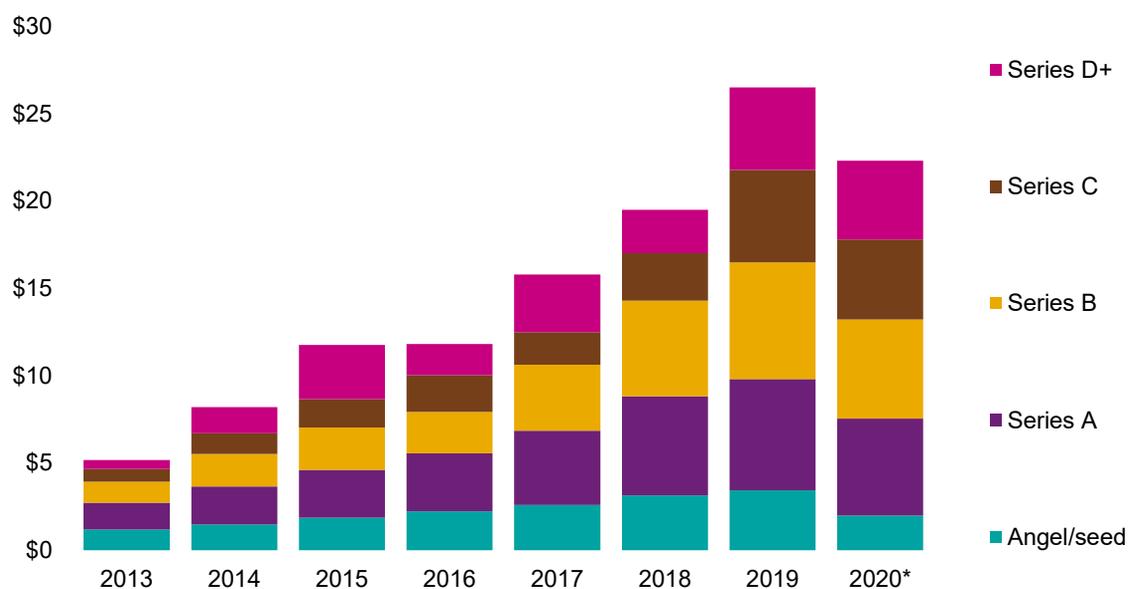
## Deal share by series in Europe

2013–2020\*, number of closed deals



## Deal share by series in Europe

2013–2020\*, VC invested (\$B)

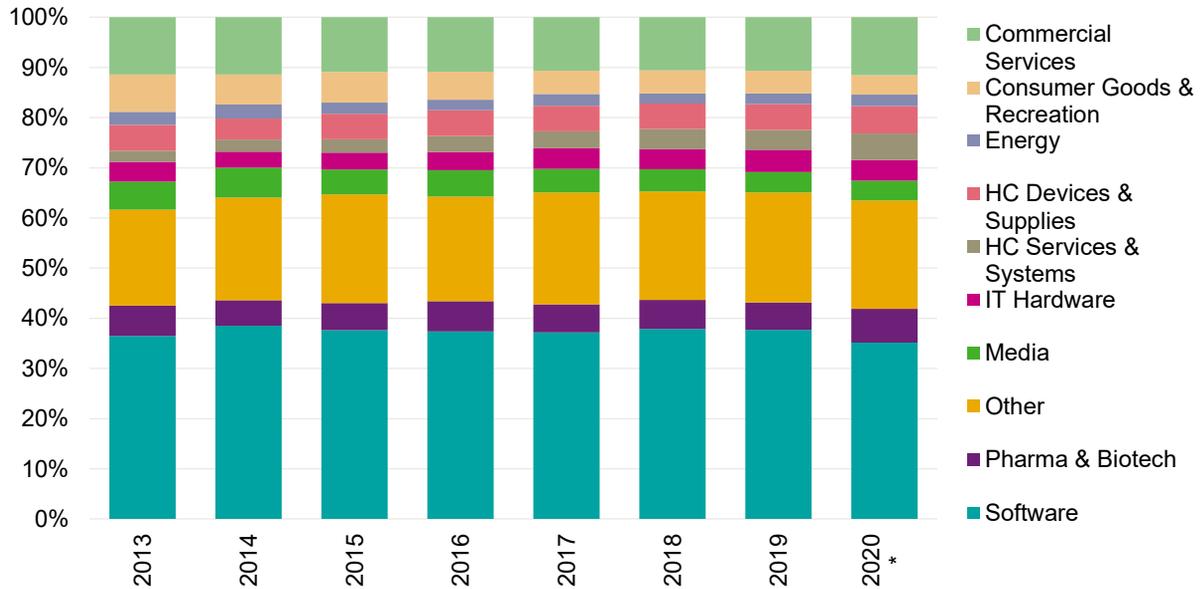


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Healthcare climbs in proportions

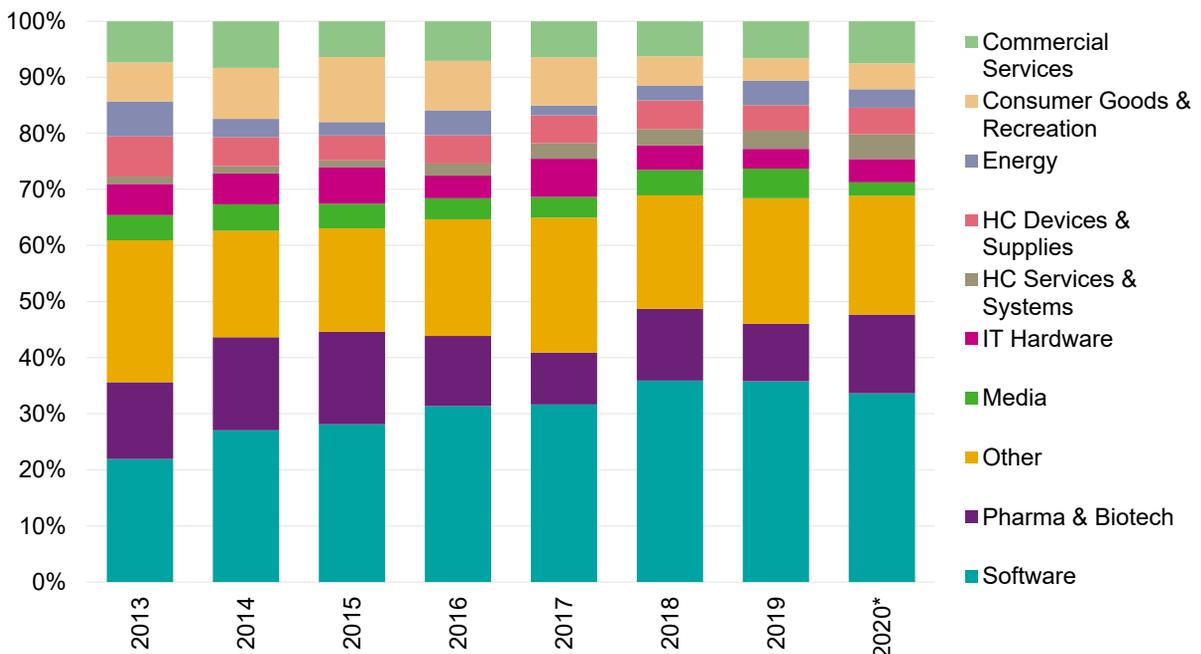
## European venture financings by sector

2013–2020\*, number of closed deals



## European venture financings by sector

2013–2020\*, VC invested (\$B)

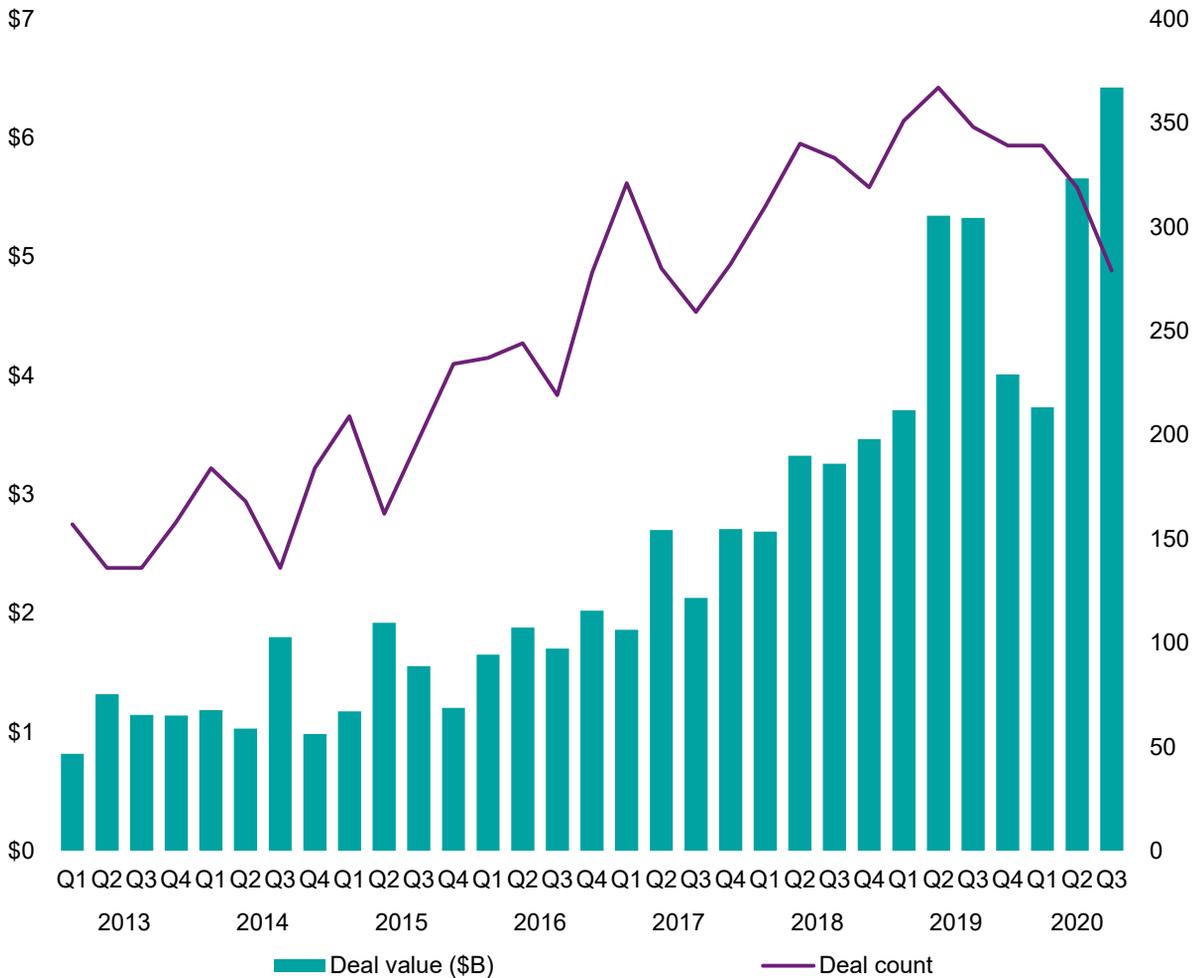


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# CVCs join in larger rounds to set new high

## Corporate VC participation in venture deals in Europe

2013–Q3'20

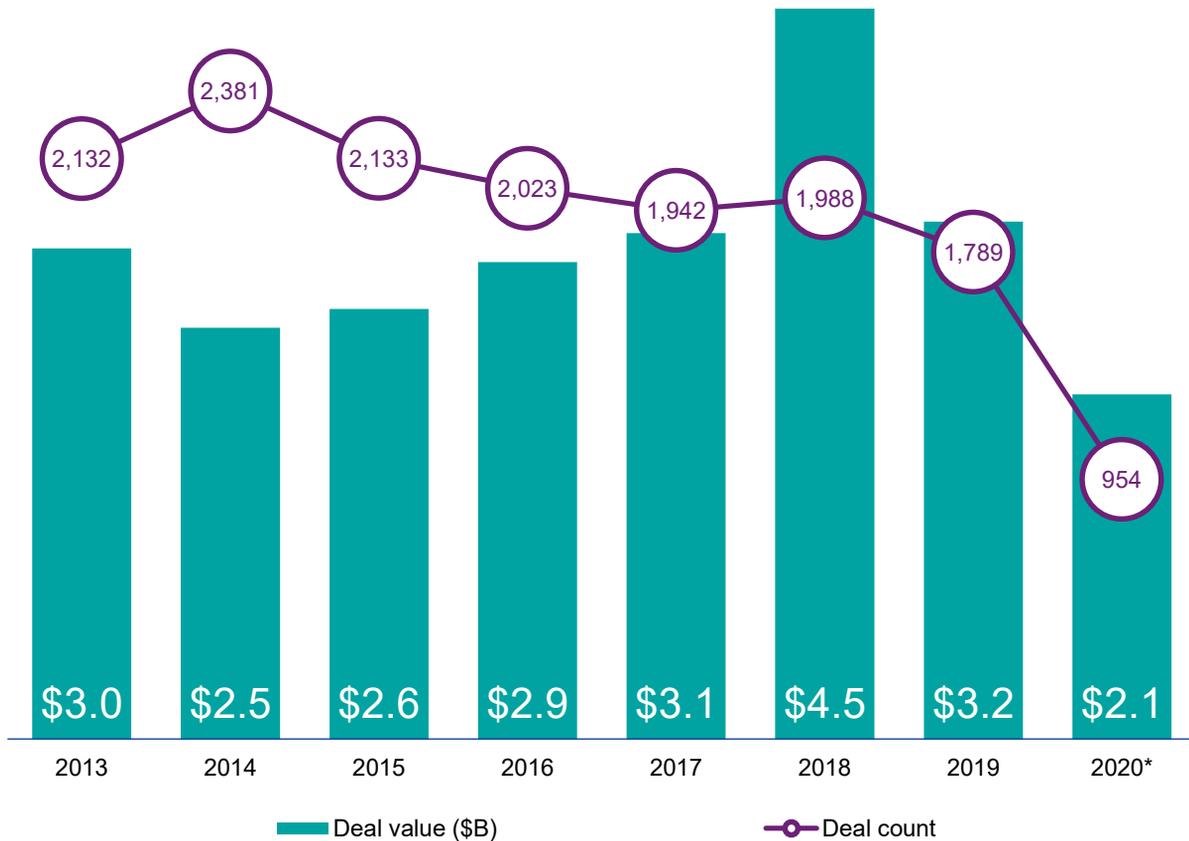


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

The rise in quarterly VC invested tallies with corporate participation has been one of the decade's more consistent trends across the European venture ecosystem, a testament to the growing perception that more direct exposure, both financial and strategic, to innovation earlier in its cycle is an imperative for extant corporations. As a natural result, during an uncertain time, large corporate players are still backing the more mature businesses in their larger, later-stage rounds.

# First-time funding decline moderates mildly

## First-time venture financings of companies in Europe 2013–2020\*



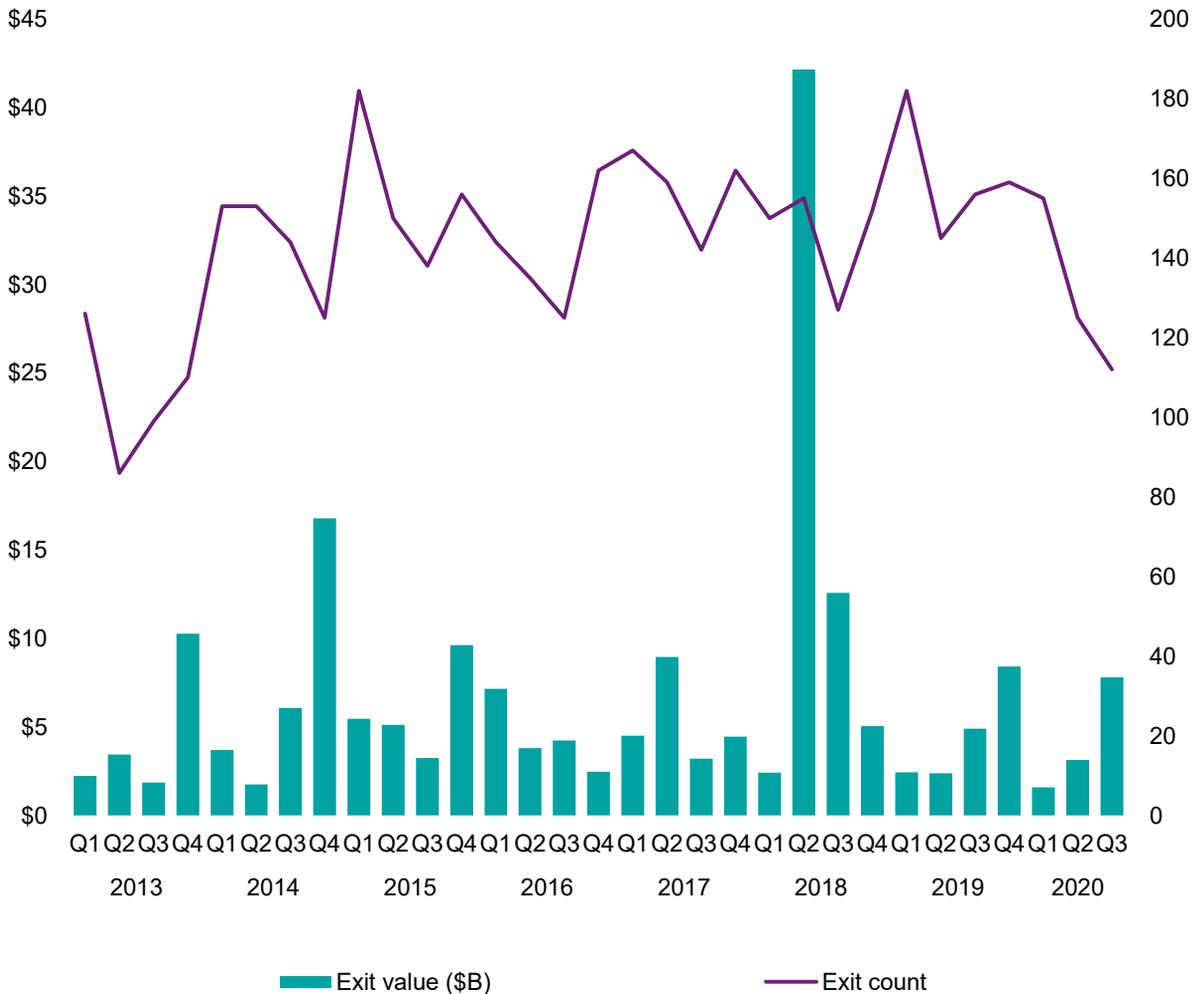
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

Once again, a caveat must be noted: In a complex environment such as Europe, first-time fundings may take longer to be ascertained and confirmed. However, in good news for the health of the overall European entrepreneurial pipeline, the rate of decline in first-time funding improved somewhat as more 2020 data has been collected. \$2.1 billion invested across 954 financings is still off prior highs by a considerable sum, but not to a catastrophic degree.

# Exit volume slides slightly, if not as steeply

## Venture-backed exit activity in Europe

2013–Q3'20



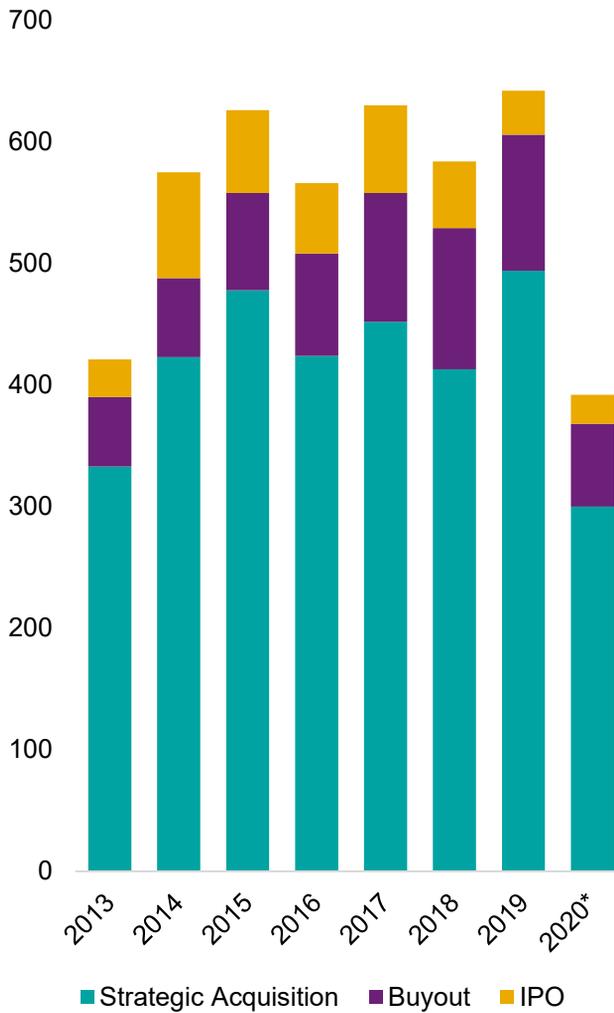
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

Aggregate exit value surged even further in Q3 2020, even though volume slid slightly once again. The overall pace of M&A and IPOs has understandably moderated across the continent, although it's worth noting that given record breaking debuts on public exchanges elsewhere, it may be just a matter of time before soon-to-be or current European unicorns eventually do the same.

# M&A propels exit volume, IPOs surge

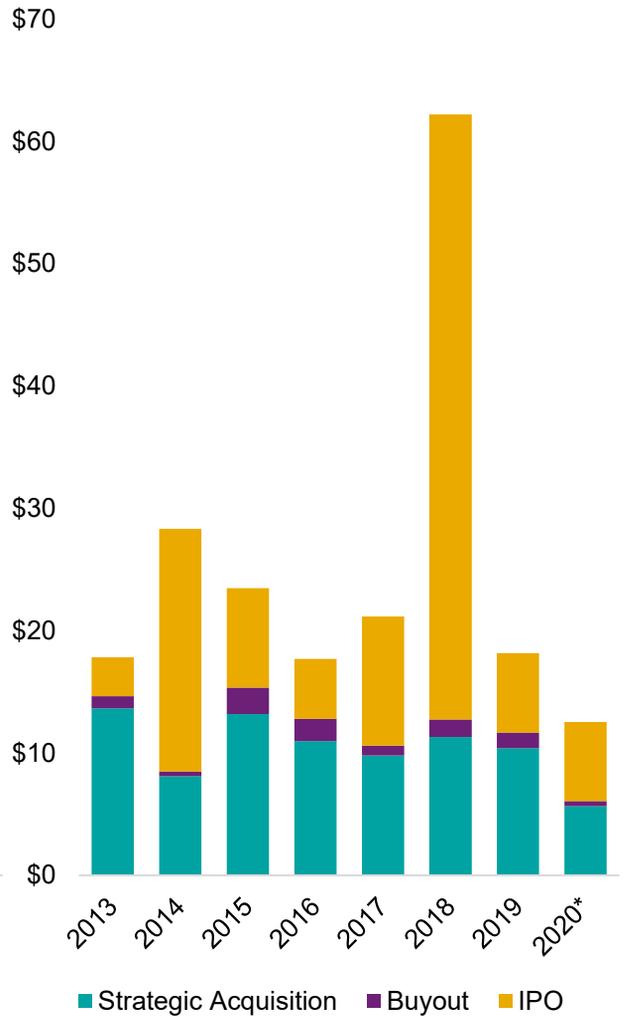
**Venture-backed exit activity (#) by type in Europe**

2013–2020\*



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

2013–2020\*

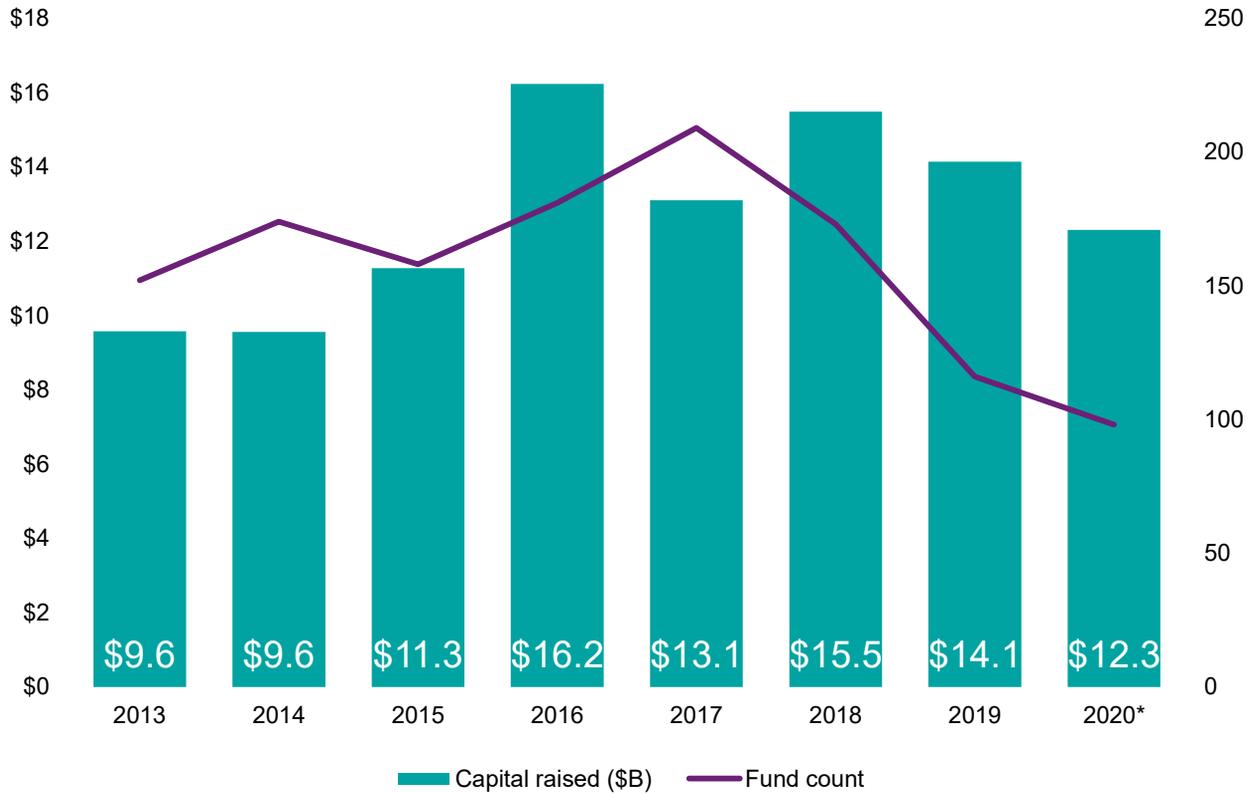


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Fundraising continues at a strong pace

## European venture fundraising

2013–2020\*



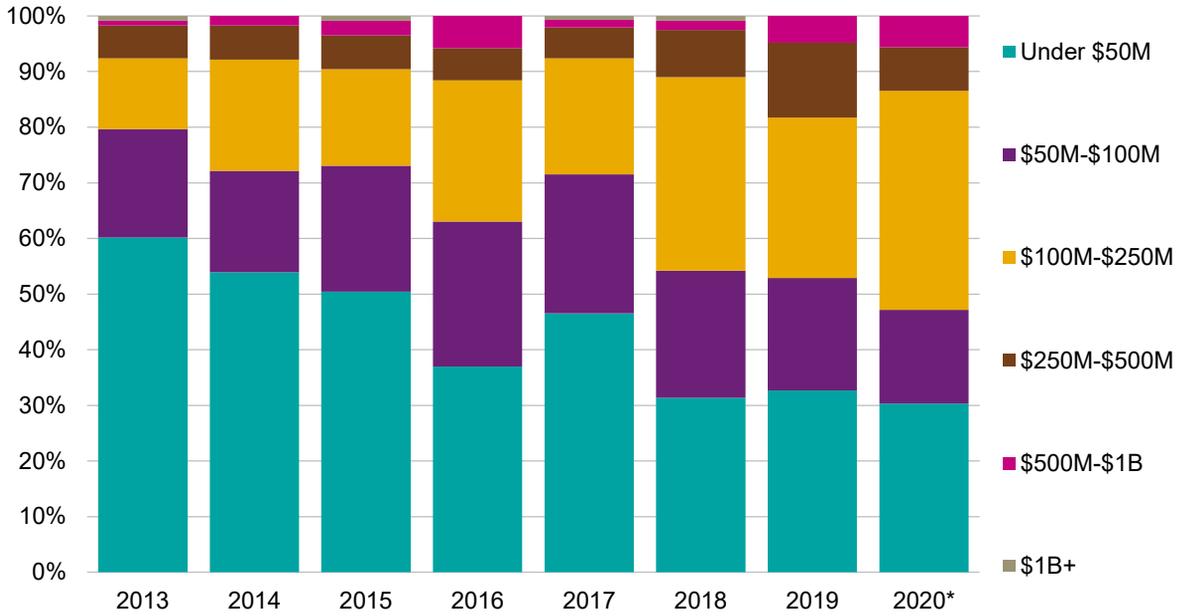
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

An oft-repeated narrative in venture is that the best companies are founded in downturns. Consequently, the best investment opportunities are also to be found in similar periods. The overall push toward upping allocations to alternative investments has been a defining theme explaining the growth in private equity and VC investing and fundraising this past decade, and 2020 has been no different. Promisingly for the European venture ecosystem, ongoing strong tallies this year will only help keep funding robust even if further economic uncertainty persists.

# Fundraising keeps skewing larger

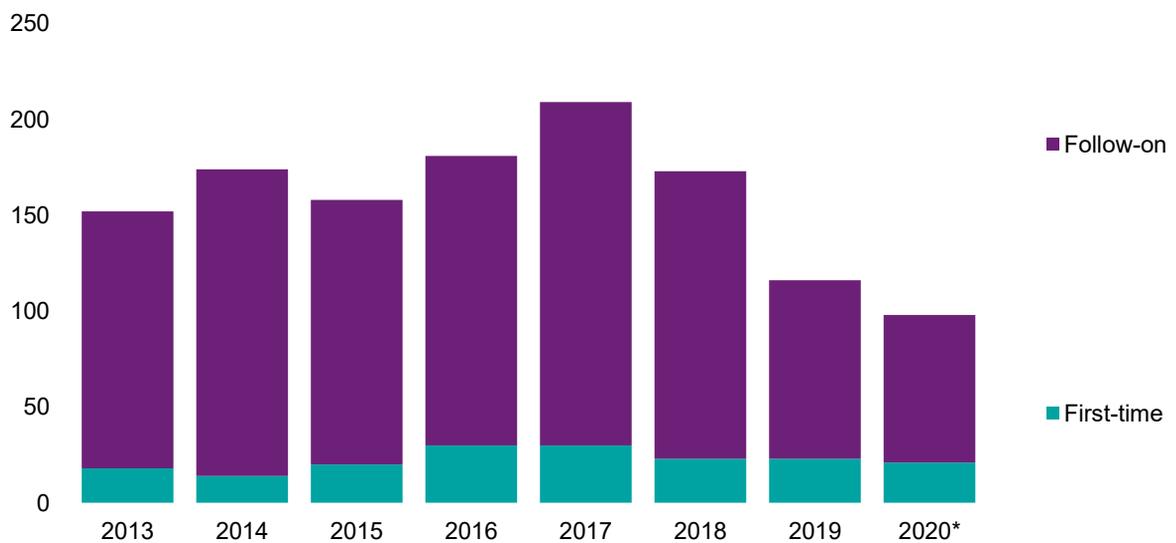
## Venture fundraising (#) by size in Europe

2013–2020\*



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

2013–2020\*



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Despite slide, VC invested stays strong

## Venture financing in the United Kingdom

2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

“There has never been a more important time for innovation and advancements in the health sector — a fact that is being reflected in the interest of VCs and other investors here in the UK, across Europe, and globally. The best medtech and healthtech businesses can expect exponential growth in the coming years.”

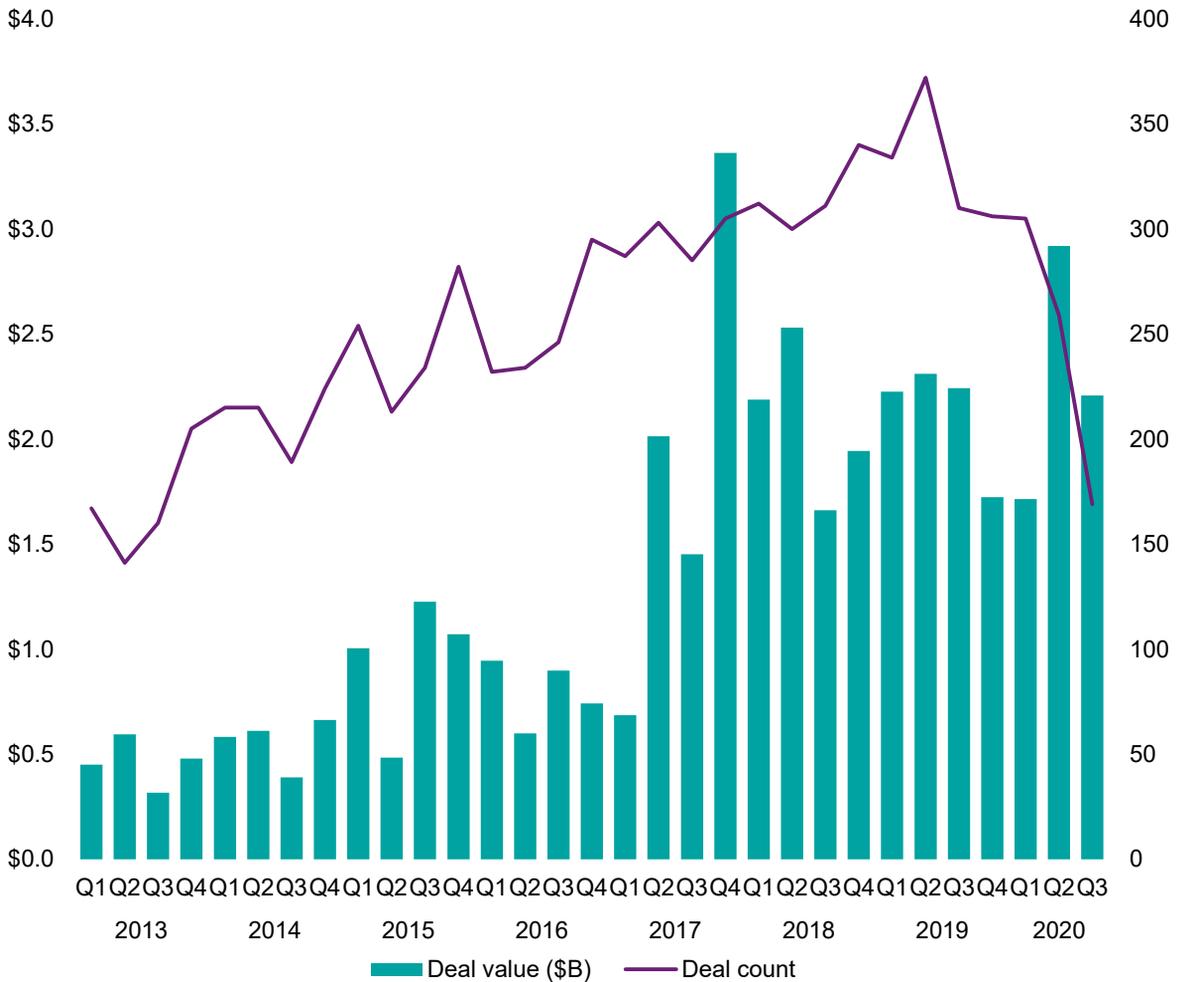


**Kevin Smith**

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

# London sees continued influx of VC

## Venture financing in London 2013–Q3'20



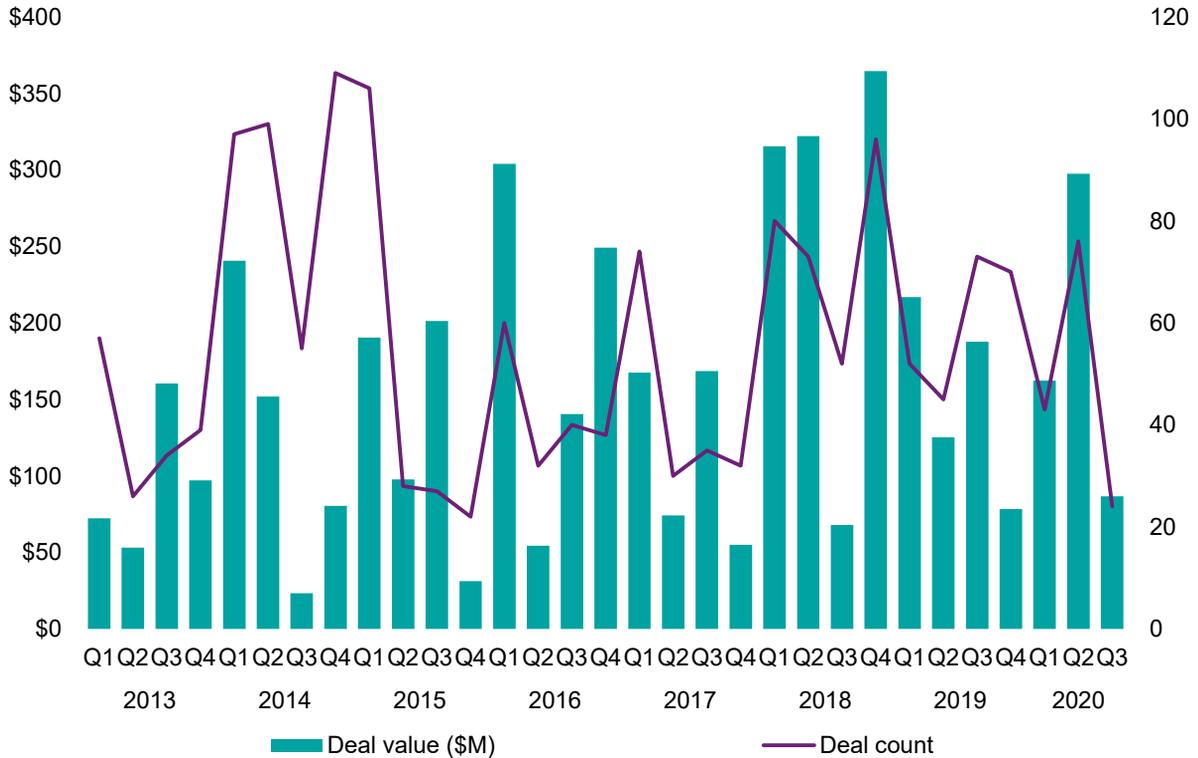
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

VC keeps flowing to prominent companies such as Revolut. In particular, fintech has been behind much of the robust performance London's venture ecosystem has registered in terms of capital raises, even if the tally of financings slides somewhat due to overall caution.

# Ireland VC boomerangs lower again

## Venture financing in Ireland

2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

In the absence of significantly sized rounds, VC invested in Ireland plunged alongside a slump in volume, though that is likely a temporal aberration given the variability in investment flows across the Irish ecosystem overall, per the historical evidence.

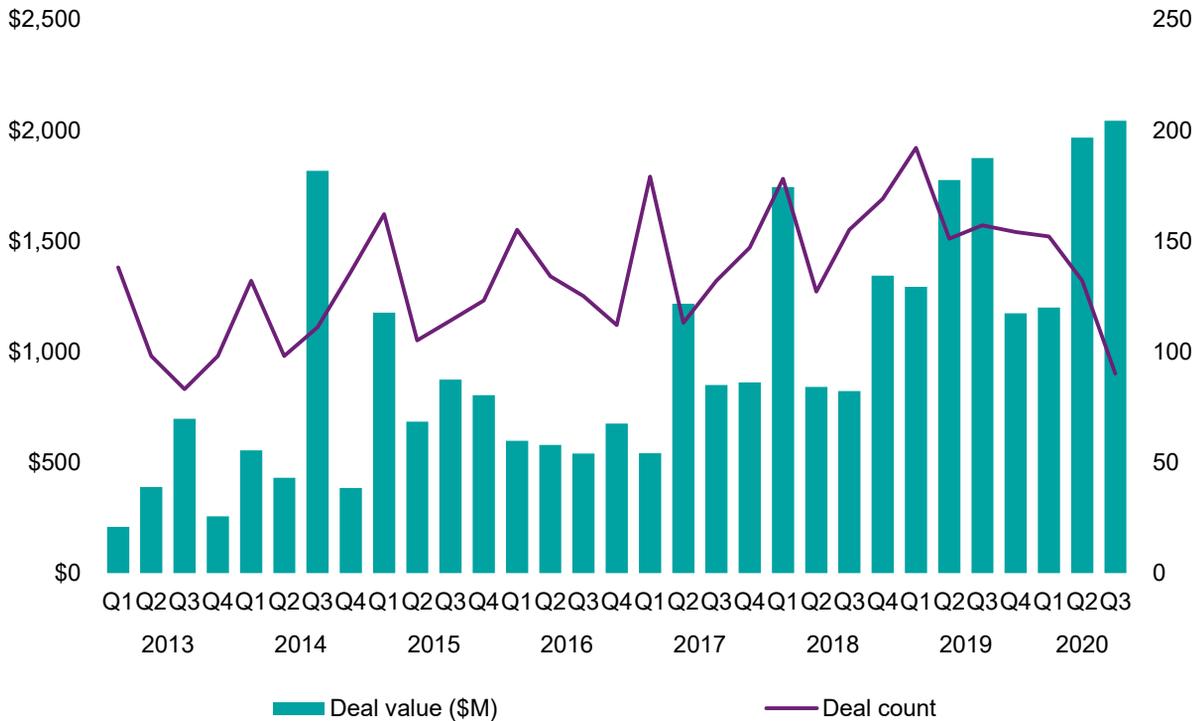
“It’s clear that private equity and venture capital firms are placing big bets on later stage companies, so the big concern is who is going to fund earlier stage companies, or are they going to be funded at all? In Ireland, we’re seeing an industry push to make funding programs more accessible, because if early-stage companies don’t receive funding, they will not be capable of securing follow-on investment down the road. That will have a big impact on the ecosystem.”



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

# Mega-deals continue to close

## Venture financing in Germany 2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

The German venture ecosystem recorded stable flows of capital in both value and volume for over a year prior to the gradual diminution due to the pandemic, but mega-deals continue to close, propping up overall VC invested and continuing to aid the maturation of the nation's handful of large, venture-backed companies.

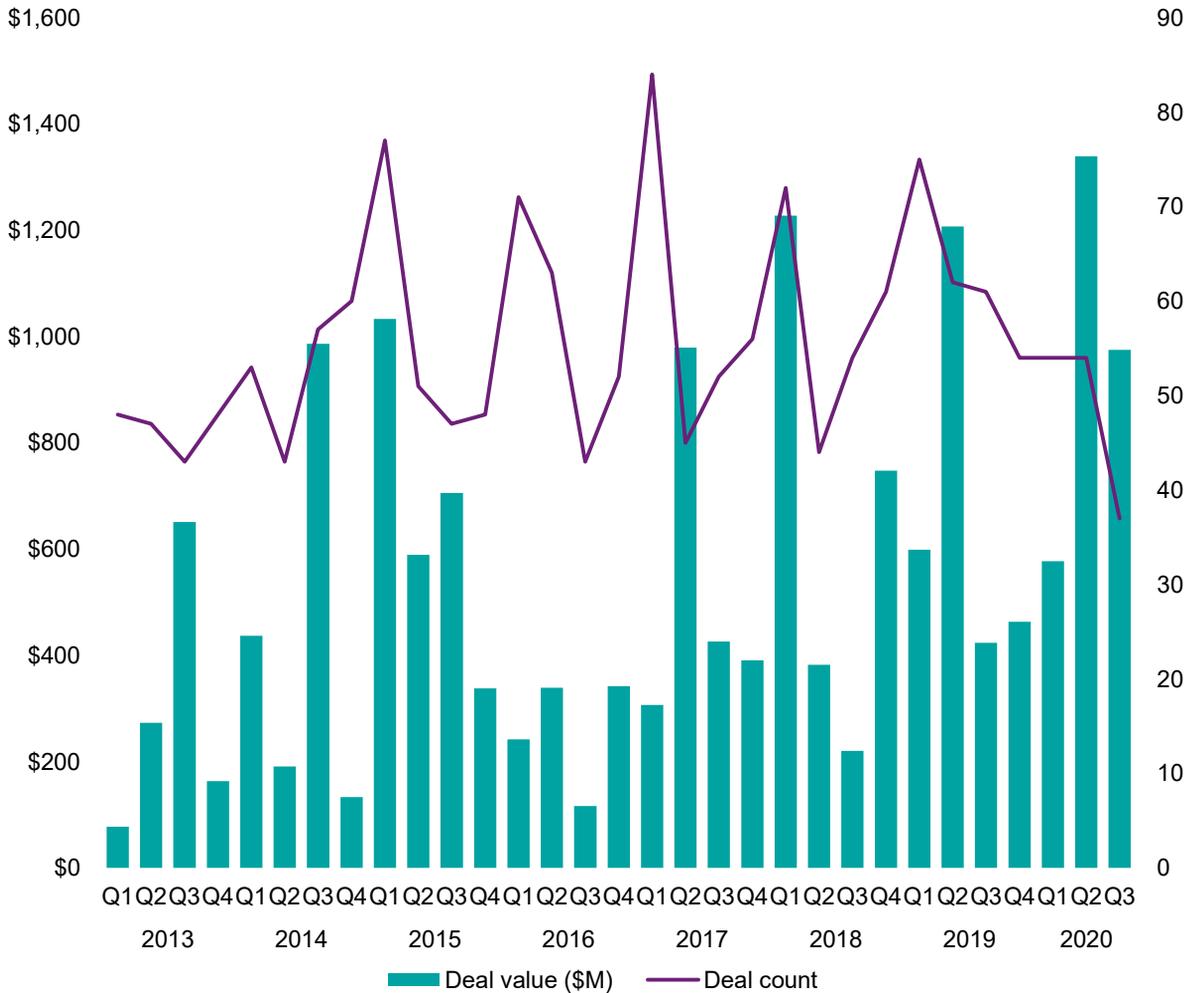
“Looking at deals in Germany, it’s quite a broad field of verticals where companies are attracting funding. Yet, sustainability, which should be the major issue for all of us, has been deflected somewhat given Covid-19. Looking forward, everything to do with Education Tech, Collaboration, healthcare, smart cities, data analytics and other areas, will be growing areas coming out of the pandemic.”



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

# Volume stays subdued

## Venture financing in Berlin 2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

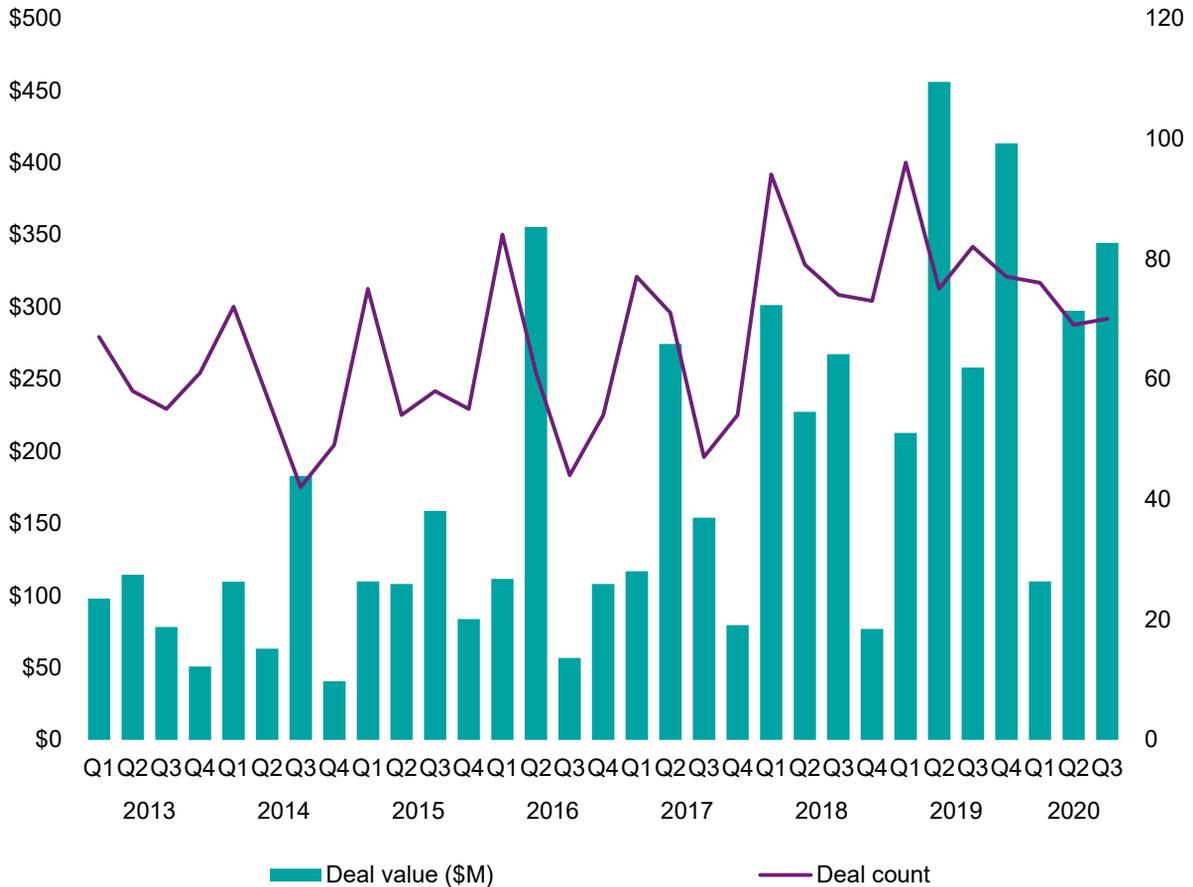
“Banking is still something that everyone needs, but what we don’t necessarily need is a bank. So those startups that really provide infrastructure or that provide for banking as a service for other providers are really growing. We’re seeing some European champions really building up in this space and attracting big funding rounds.”



**Tim Dümichen**  
Partner  
KPMG in Germany

# VC invested rises even further

## Venture financing in Spain 2013–Q3'20

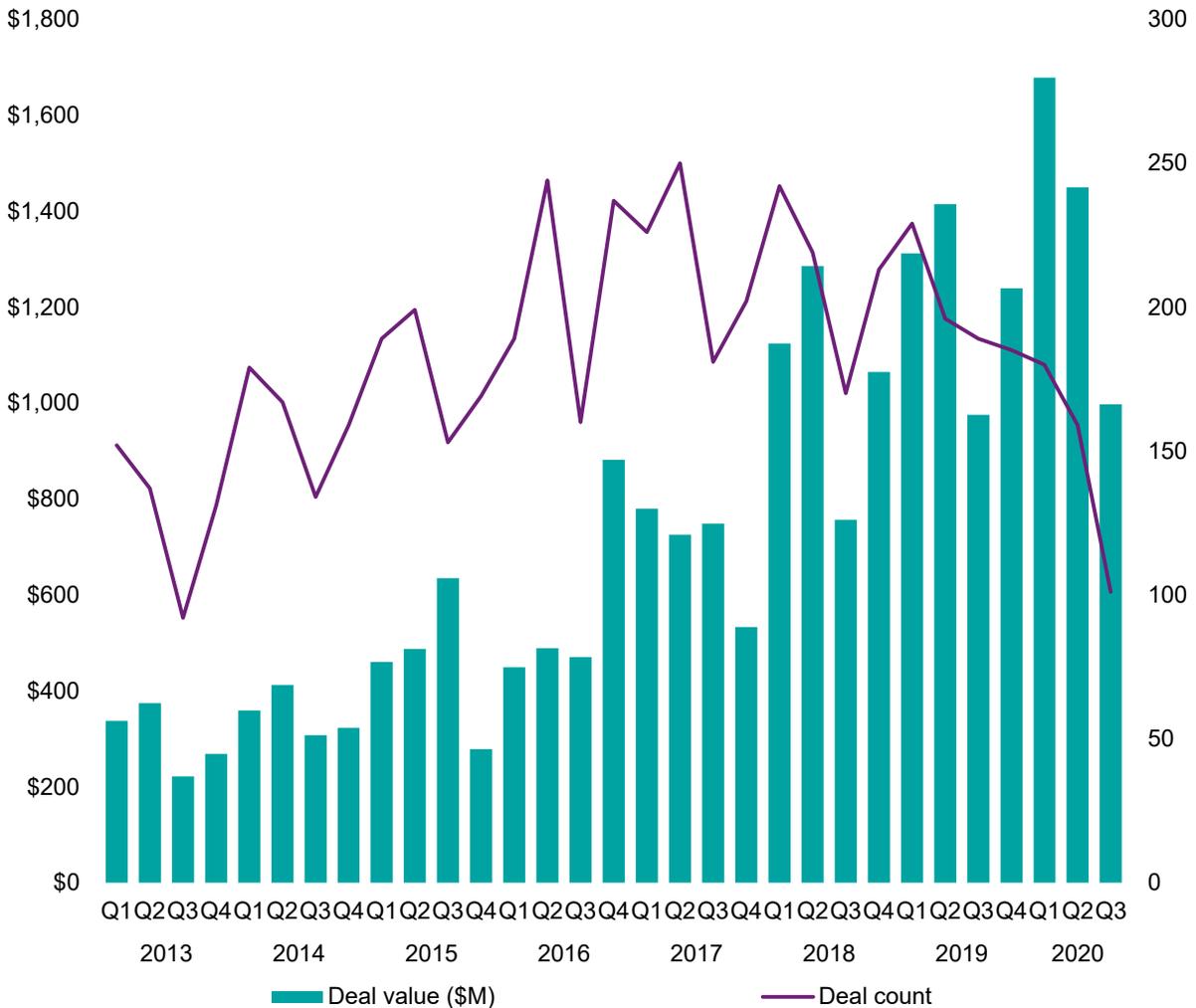


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

Although milder resurgences in the coronavirus continue to plague various nations, and Spain's central bank released a downgraded economic forecast, VC continued to flow unabated across the nation. It is possible that this is primarily driven due to the opportunities abounding amid a sudden shift to e-commerce and digital workflows.

# Figures remain relatively robust

## Venture financing in France 2013–Q3'20

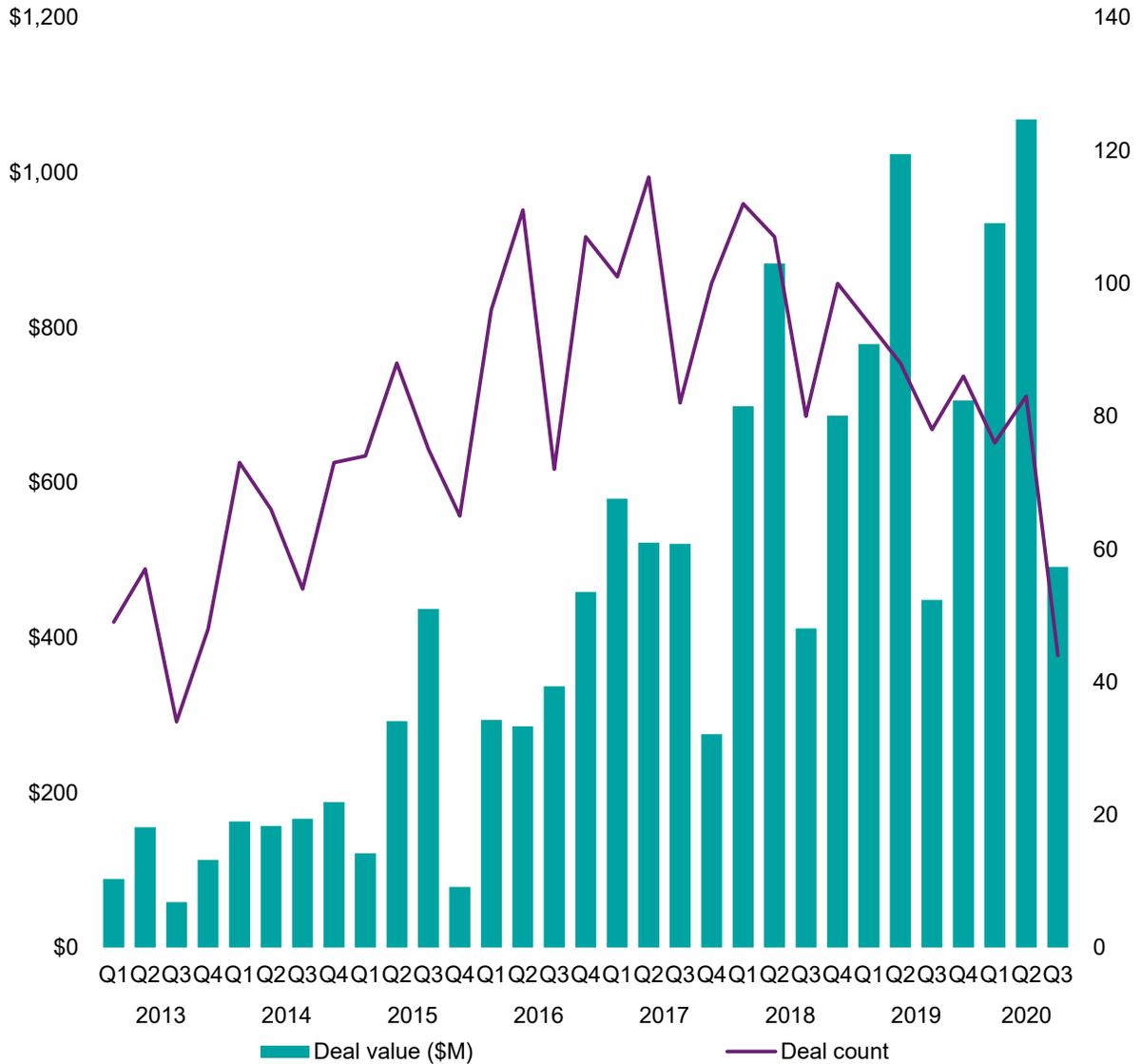


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

The past two years have seen a boom in VC invested for France as a bevy of companies matured and continued to rake in large late-stage rounds. Despite any resurgences in COVID-19 infections, the fact of the matter is that much of the venture ecosystem benefits from the shift to digital across multiple workflows, and until the ripple effects of their customers going out of business may impact startups, capital flows are likely to persist.

# Paris sees a steep, likely temporary, drop

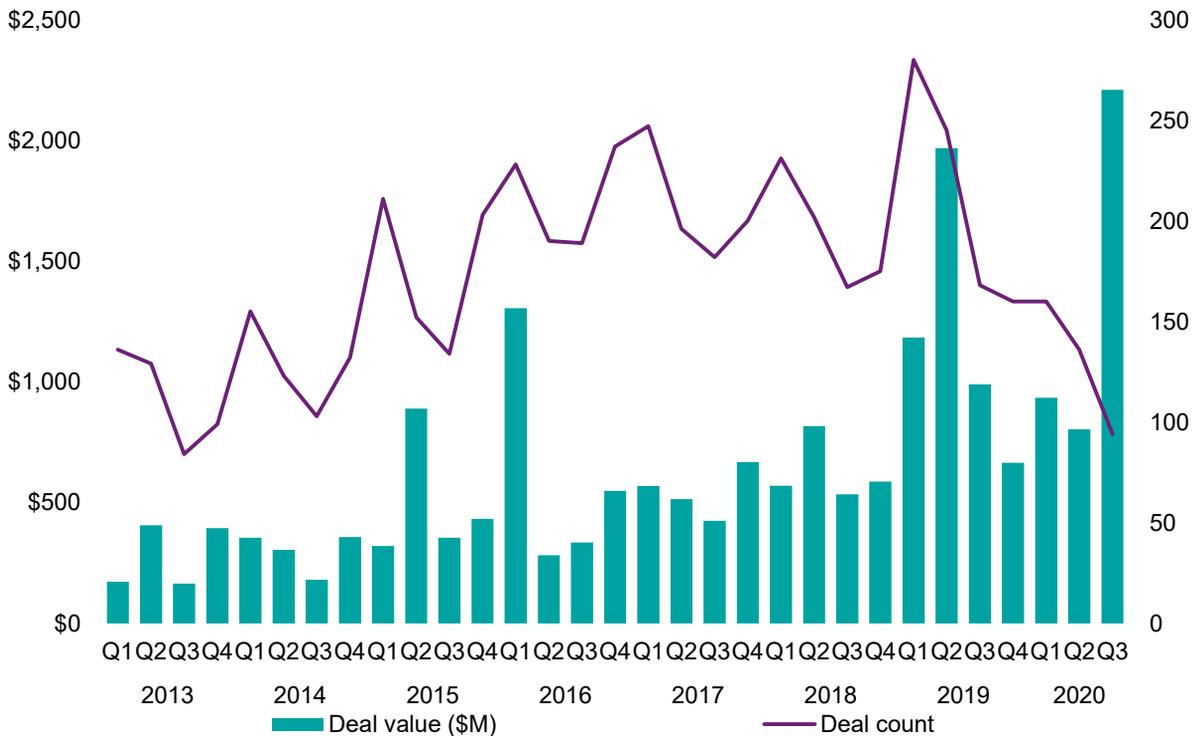
## Venture financing in Paris 2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Nordic mega-deals prop up VC invested

## Venture financing in the Nordics 2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

A handful of the top 10 financings globally helped propel the region’s aggregate deal value to a new record, thanks to the ongoing fundraises by the likes of Klarna as some of most prominent, largest, venture-backed Nordic enterprises look to expand business internationally.

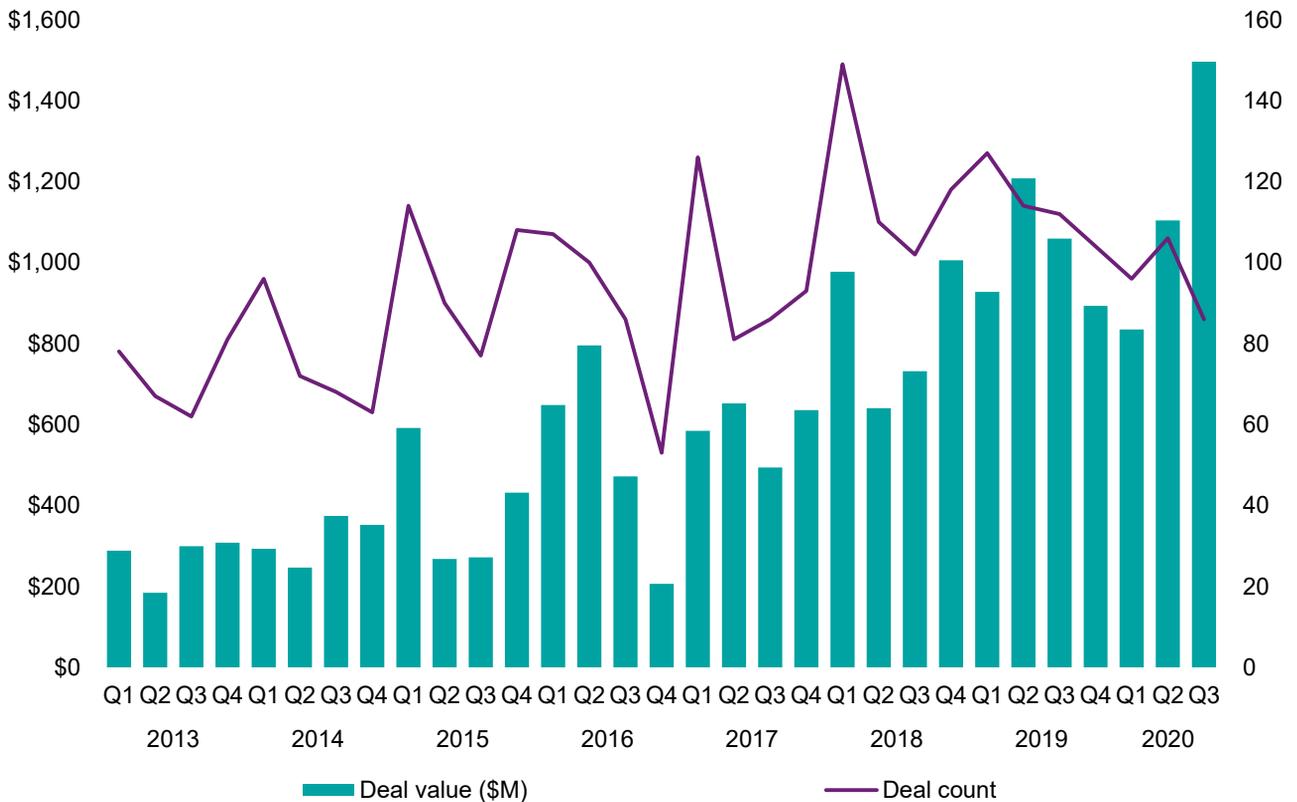
“In the Nordics, we have a lot of B2B SaaS companies on different sectors that have attracted either pre-seed, seed, or Series A funding and we’ll likely see a lot of these companies coming into the Series B-C stage over the next couple of years. There’s a lot of potential in that market if you have potential software, product-market-fit and the right kind of team and strategy to commercialize it.”



**Jussi Paski**  
Head of Startup Services  
KPMG in Finland

# Israel notches yet another high

## Venture financing in Israel 2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

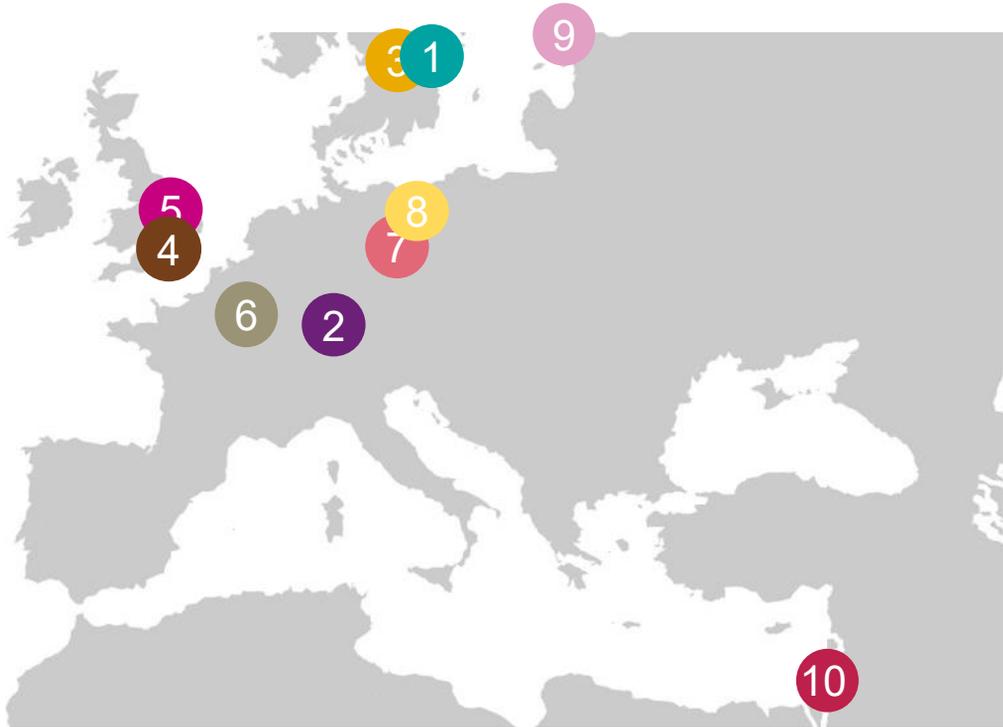
Boosted in part by one of the largest fundraises in the entire quarter — the \$168 million funding of network management software provider BioCatch – the Israeli ecosystem continues to relatively thrive given its areas of key strength, such as cybersecurity, have benefited in large part from the responses to the pandemic.

“The idea that bigger is stronger is especially correct in times of crisis because the larger companies, the unicorns, will ride the wave and take advantage of the opportunities that the new reality is presenting. At the same time, if we fast forward two or three years, I think we will see fewer companies because small companies right now are having a lot of challenges raising their initial money from Angel and Series A. This will likely have a long-term impact.”



**Dina Pasca-Raz**  
Partner, Head of Technology,  
KPMG in Israel

# Fintech, remote & digitization still stand out



## Top 10 financings in Q3'20 in Europe

- |   |   |
|---|---|
| <p><b>1</b> <b>Klarna</b> — \$650M, Stockholm<br/>Financial software<br/><i>Late-stage VC</i></p>   | <p><b>6</b> <b>Mirakl</b> — \$300M, Paris<br/>E-commerce<br/><i>Series D</i></p>                        |
| <p><b>2</b> <b>CureVac</b> — \$632.8M, Tubingen<br/>Drug discovery<br/><i>Late-stage VC</i></p>     | <p><b>7</b> <b>AUTO1 Group</b> — \$291.3M, Berlin<br/>Automotive<br/><i>Late-stage VC</i></p>           |
| <p><b>3</b> <b>Northvolt</b> — \$600M, Stockholm<br/>Energy<br/><i>Late-stage VC</i></p>            | <p><b>8</b> <b>Infarm</b> — \$246.3M, Berlin<br/>Agtech<br/><i>Series C</i></p>                         |
| <p><b>4</b> <b>Revolut</b> — \$580M, London<br/>Fintech<br/><i>Series D</i></p>                     | <p><b>9</b> <b>HMD Global</b> — \$230M, Espoo<br/>Computer hardware<br/><i>Series A2</i></p>            |
| <p><b>5</b> <b>Karma Kitchen</b> — \$314.4M, London<br/>Commercial services<br/><i>Series A</i></p> | <p><b>10</b> <b>BioCatch</b> — \$168M, Tel-Aviv<br/>Network management software<br/><i>Series C</i></p> |

Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

***In Q3'20 VC-backed  
companies in the Asia  
region raised***

**\$21.1B**

***across***

**1,285 deals**



# VC investment in Asia rebounds, driven by two \$1 billion+ mega-deals

After two soft quarters of investment, VC investment in Asia rebounded significantly in Q3'20, led by a \$1.5 billion raise by Shanghai-based automotive company Weltmeister and a \$1.3 billion raise by India-based internet retailer Flipkart.



## Surging focus on healthtech and edtech

The pandemic continued to drive a strong boom in VC investment in health and biotech in Asia over the past couple of quarters. In addition to investment in areas such as testing and contact tracing, the pandemic also spurred investment in other areas, like remote diagnostics, cancer screening, medical devices, online pharmacies, and even remote surgery. Edtech was also a booming sector in Asia in Q3'20, particularly in India, where it accounted for four of the largest deals, including raises by BYJU (\$500m), Unacademy (\$150m), Eruditus Executive Education (\$113m), and Vedantu (\$100 million).



## China sees renewed VC investment in Q3'20

VC investment in China rebounded in Q3'20, as China continued to recover from the impacts of COVID-19. While VC investment remained slow compared to pre-pandemic levels, China saw an increasing number of large deals, including the \$1.5 billion raise by Weltmeister and a robust number of \$100 million+ deals, including raises by JD Health (\$830m), electric vehicle company Xpeng (\$500m) — which also held a successful IPO on the NYSE during the quarter, grocery delivery company Miss Fresh (\$495m), edtech company Zhangmen.com (\$450m), internet retail company Xiaohongshu (\$450m), medtech company MicroPort Medical Robots (\$432 million) and discount grocery company Yipin Shengxian (\$353m).

In China, the pandemic has had a major impact on companies, particularly those in hard-hit sectors such as commercial real estate. This is expected to drive up consolidation activity over the next few quarters as companies run out of cash. Less proven new economy companies looking to raise funding will likely face significant downward valuation pressure from investors.



## VC investment in India grows in Q3'20

Despite very challenging economic conditions due to COVID-19, VC investment in India rose during Q3'20. VC investment primarily focused on highly relevant companies and industries; in the highly competitive food and grocery delivery, Flipkart raised \$1.3 billion. Large tech giants continued to be very active in India during the quarter. In July, Google announced a \$10 billion fund to help accelerate India's transition to a digital economy; Google also will make a \$4.5 billion investment in Jio Platforms, following on Facebook's \$5.7 billion investment in the same company in Q2'20. Jio Platforms also made its own investments in Q3'20, including the acquisition of online pharmacy Netmeds in August.

# VC investment in Asia rebounds, driven by three \$1 billion+ mega-deals, cont'd.



## Tensions with the US driving some Chinese companies to shift their IPO focus

With tensions rising between the US and China and increased scrutiny of publicly listed Chinese companies in the US, Chinese companies have been shifting their attention to public markets closer to home, including the Hong Kong Stock Exchange. In Q3'20, Ant Financial filed its IPO intent with the HKSE. If the IPO occurs, it is poised to become the largest tech IPO ever. During Q3'20, several US-listed Chinese companies moved to delist from US exchanges, including search engine Sogou, which is being taken private by Tencent in a \$3.5 billion deal<sup>10</sup>.

Not all Chinese companies are shifting away from holding US IPOs. In August, electric vehicle manufacturer Xpeng raised \$1.5 billion in its IPO on the NYSE. On the first day of trading, the company's stock rose 40 percent<sup>11</sup>. Xpeng's IPO followed closely after another China-based EV company, Li Auto, raised \$1.1 billion in an IPO on the Nasdaq in July<sup>12</sup>.



## Australia's VC market continues to mature and evolve

Australia's VC market and innovation ecosystem has matured significantly over the last year. A number of Australian companies have grown significantly, including unicorn companies Canva and Airwallex. In Q3'20, Airwallex raised \$200 million in order to support its US expansion plans<sup>13</sup>. Fintech has been an extremely hot sector for VC investment in Australia, in addition to B2B services. Other growing subsectors of investment in Australia include agtech and proptech.

Despite the challenges associated with COVID-19, Australia has continued to see activity and VC fundraising activity. Earlier this year, Square Peg raised \$350 million as part of its fourth fund, making it Australia's largest domestic VC firm with over \$1 billion under management<sup>14</sup>. Technology companies are expected to be a big part of Australia's COVID-19 recovery as they continue to grow.



## Trends to watch for in Asia

VC investment in Asia is expected to continue to pick up, particularly in areas such as healthtech, eCommerce, AI, and digital enablement. Fintech investment is also expected to grow, particularly in terms of SME financing solutions.

<sup>10</sup> <https://in.reuters.com/article/us-sogou-m-a-tencent-holdings-idINKBN26K22M>

<sup>11</sup> <https://www.cnn.com/2020/08/27/investing/xpeng-ipo-price-hnk-intl/index.html>

<sup>12</sup> <https://techcrunch.com/2020/07/30/li-auto-ipo/>

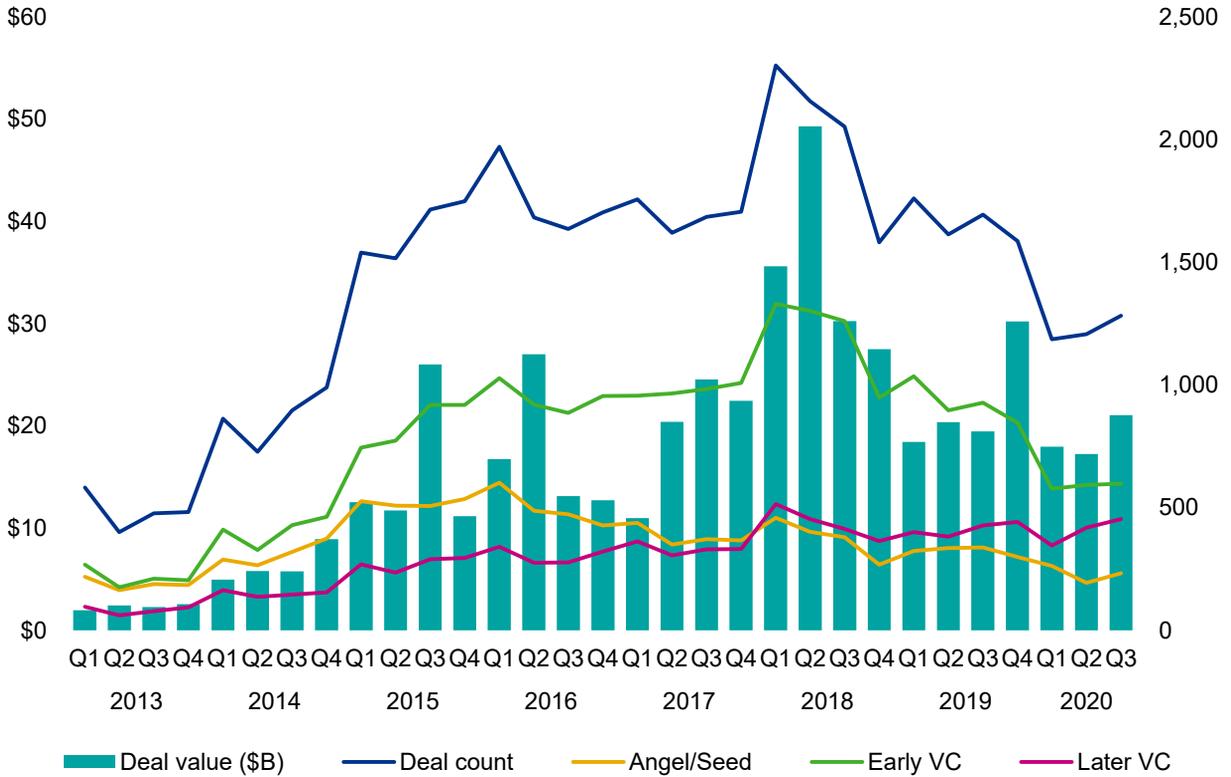
<sup>13</sup> <https://www.scmp.com/business/banking-finance/article/3103409/fintech-unicorn-airwallex-raises-us200-million-capital-us>

<sup>14</sup> <https://www.bnnbloomberg.ca/australia-venture-fund-tops-a-1-billion-with-pension-backing-1.1451543>

# A modest recovery continues

## Venture financing in Asia

2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

As it was first hit, the Asia-Pacific ecosystem saw the impact of the pandemic on venture activity first of any region. Thus, activity continuing to even out is a very promising sign overall for the ecosystem, as local funds and investors abroad, plus corporate players, continue to stay active if at a more modest level.

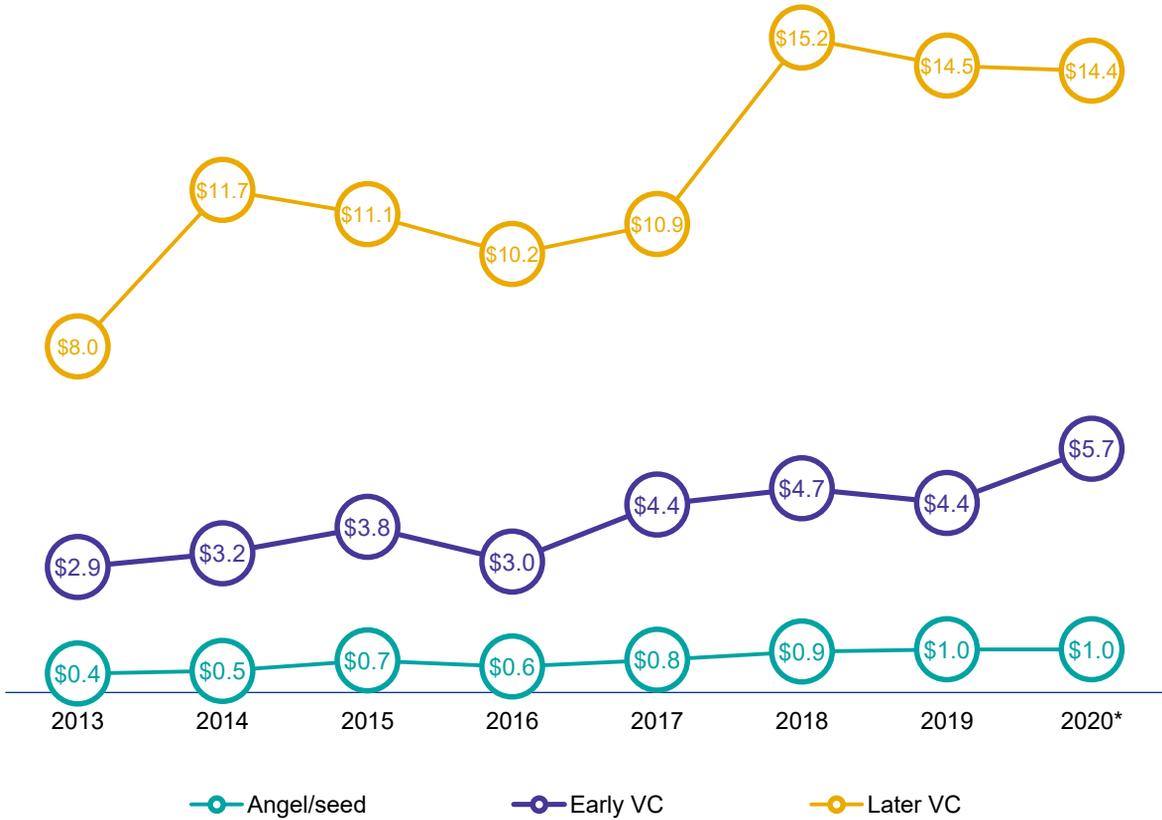
“Given the pandemic, geopolitical tensions, and other challenges, what we may see for foreseeable future is more regionalization and more focus on localized investment. This is particularly true in Asia where Chinese tech mega-giants are making major investments in the region in order to fuel their continued growth and expansion.”



**Egidio Zarrella**  
Partner, Clients and Innovation  
KPMG China

# Figures hold largely steady

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



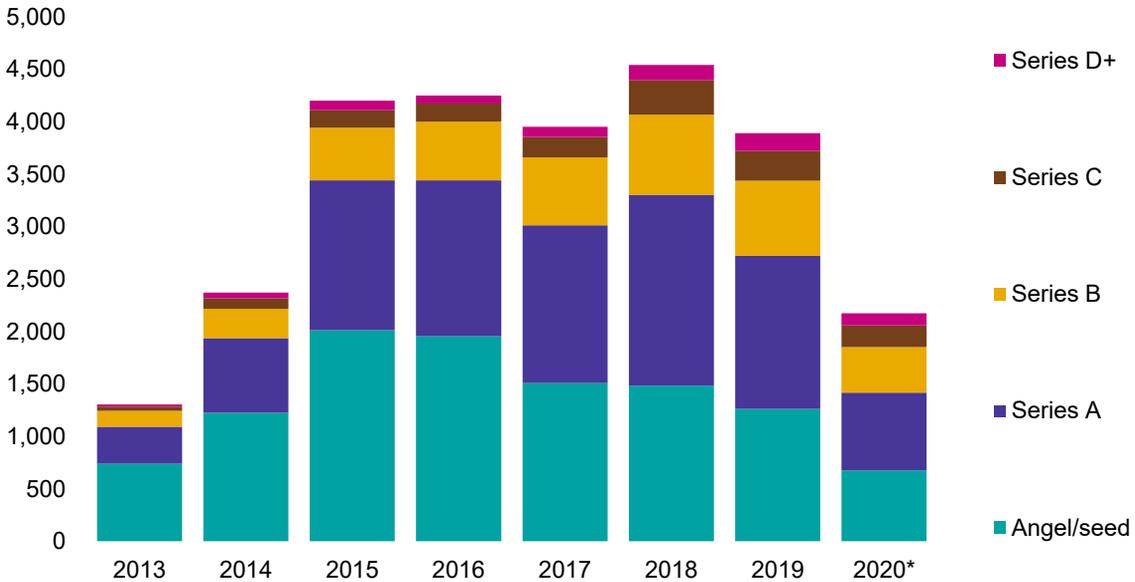
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

Figures are now evening out across all stages after initial declines or volatility, in a promising sign for the overall domestic ecosystem as local economies look to get back into recovery and rely on ongoing innovation and job creation within their startup spheres.

# Capital still concentrates at the late stage

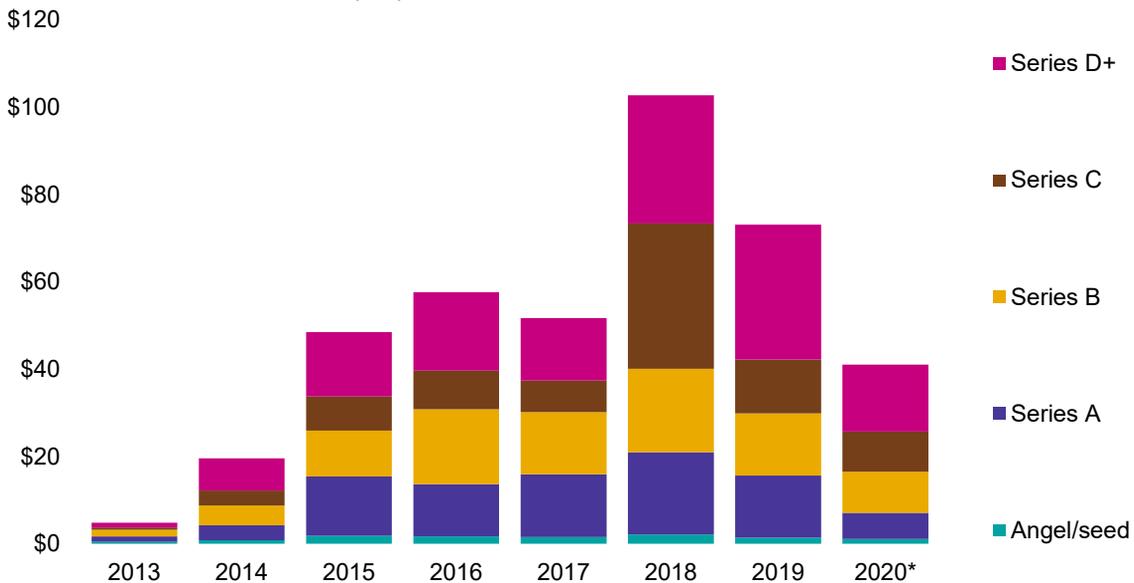
## Deal share by series in Asia

2013–2020\*, number of closed deals



## Deal share by series in Asia

2013–2020\*, VC invested (\$B)

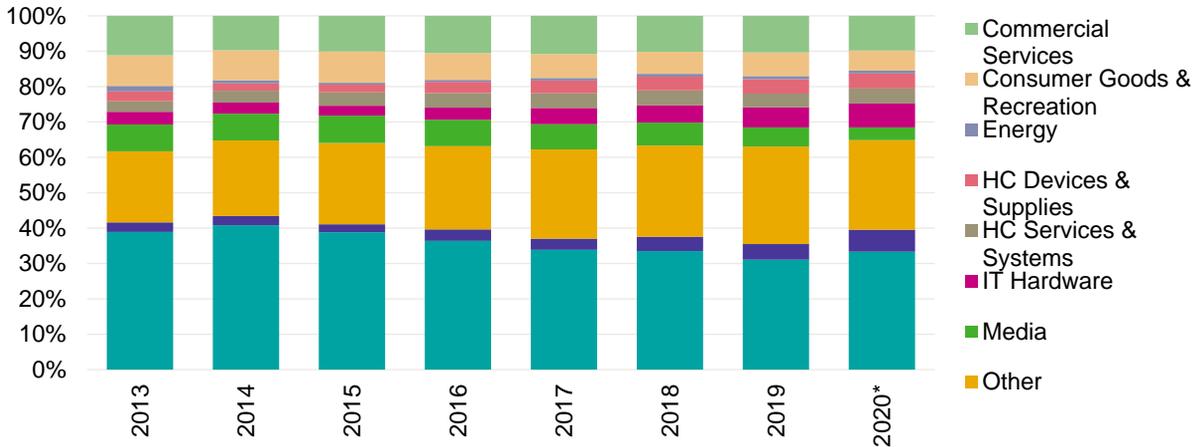


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Biotech persists in its record pace

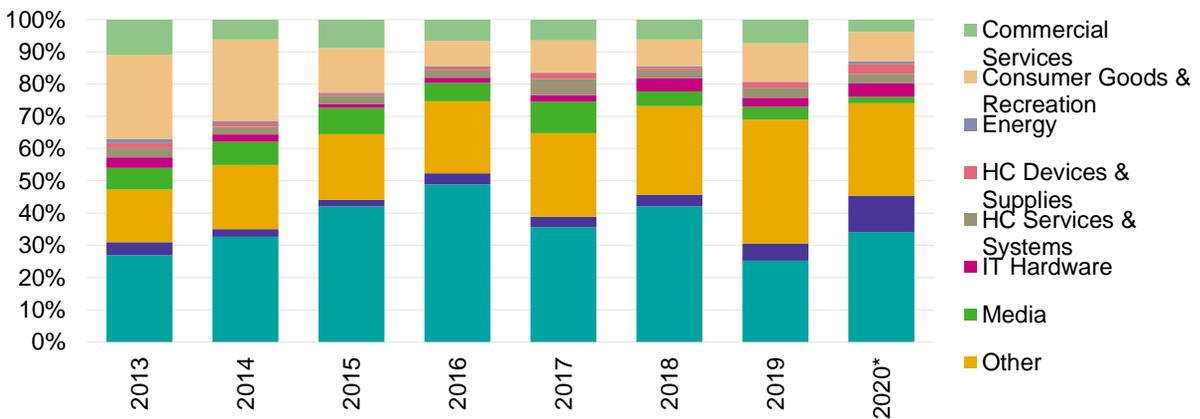
## Asia venture financings by sector

2013–2020\*, number of closed deals



## Asia venture financings by sector

2013–2020\*, VC invested (\$B)



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

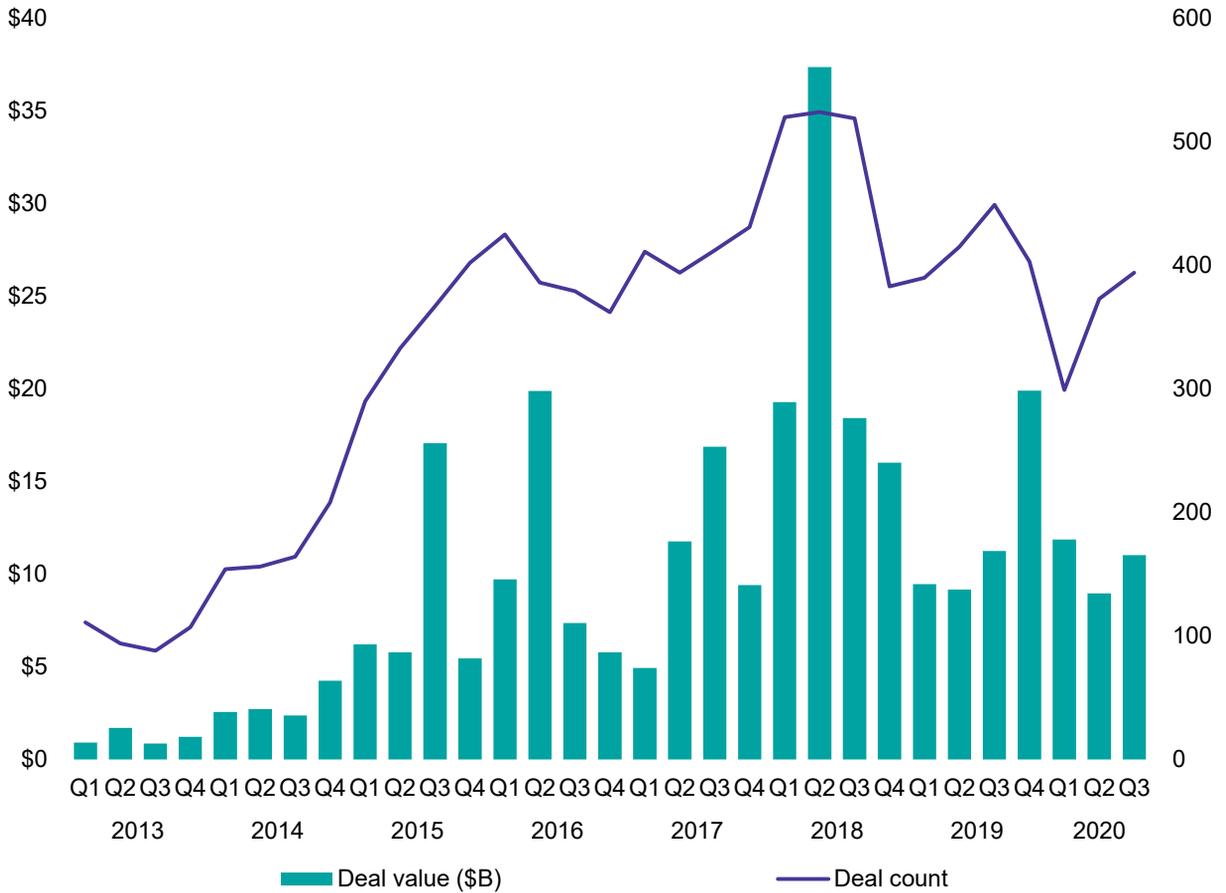
“The clear standout sector for VC investment in India has been edtech. This has been true for the past couple of quarters, but this quarter the list of deals just goes on and on. It’s quite a diverse area, going well beyond the traditional K-12 model. There are digital offerings focused on competitive exams, engineering or medical entrance exams — even programs to teach coding to children. It’s a very hot area for investment and will likely remain so for some time.”



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

# Corporates keep participating

## Corporate participation in venture deals in Asia 2013–Q3'20



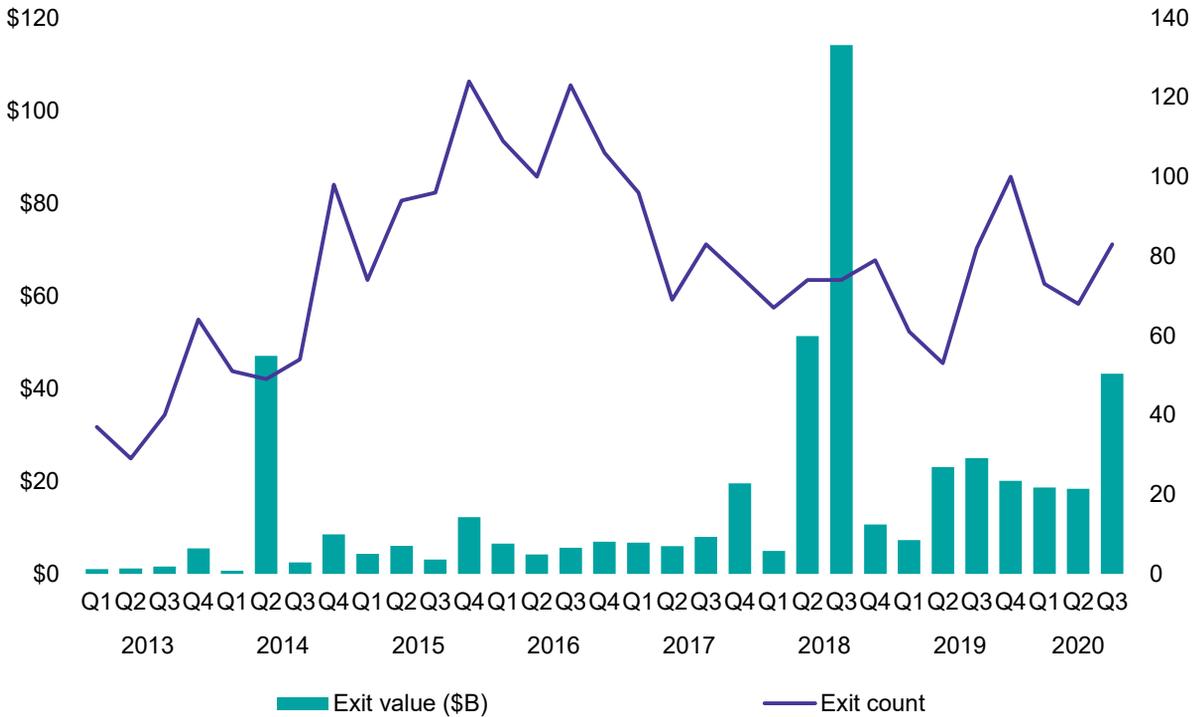
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

Corporations and their venture arms have been a mainstay of the Asia venture ecosystem for years. In the absence of strong domestic fundraising, their ongoing activity and slight resurgence in 2020 to date will likely prove critical to the overall regional ecosystem.

# IPOs lead exits to roar back

## Venture-backed exit activity in Asia

2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.

A surge of tech IPOs across exchanges in Asia led to a new record for exit value, far outstripping the previous highs notched in 2018. Xpeng, which also raised capital just prior to its debut, Qi Anxin, Li Auto, Big Hit Entertainment and more all contributed to this massive total.

“A lot of VCs are putting capital into supporting their existing portfolio companies. Part of the reason for this is because the capital markets in Hong Kong SAR and mainland China are actually going quite strong and a lot of companies are looking to file for an IPO over the next six to 12 months. So I think some of the investments we are seeing now being put into late-stage companies are really to pave the way for an upcoming IPO.”

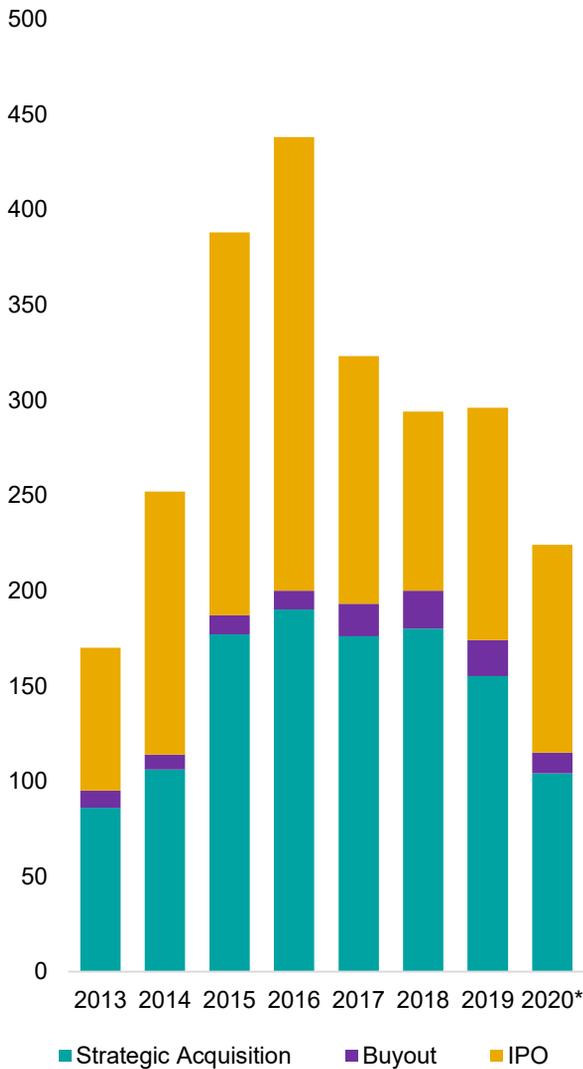


**Irene Chu**  
Partner, Head of New Economy and Life Sciences, Hong Kong Region,  
KPMG China

# M&A powers volume; IPOs power exit value

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

2013–2020\*



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

2013–2020\*

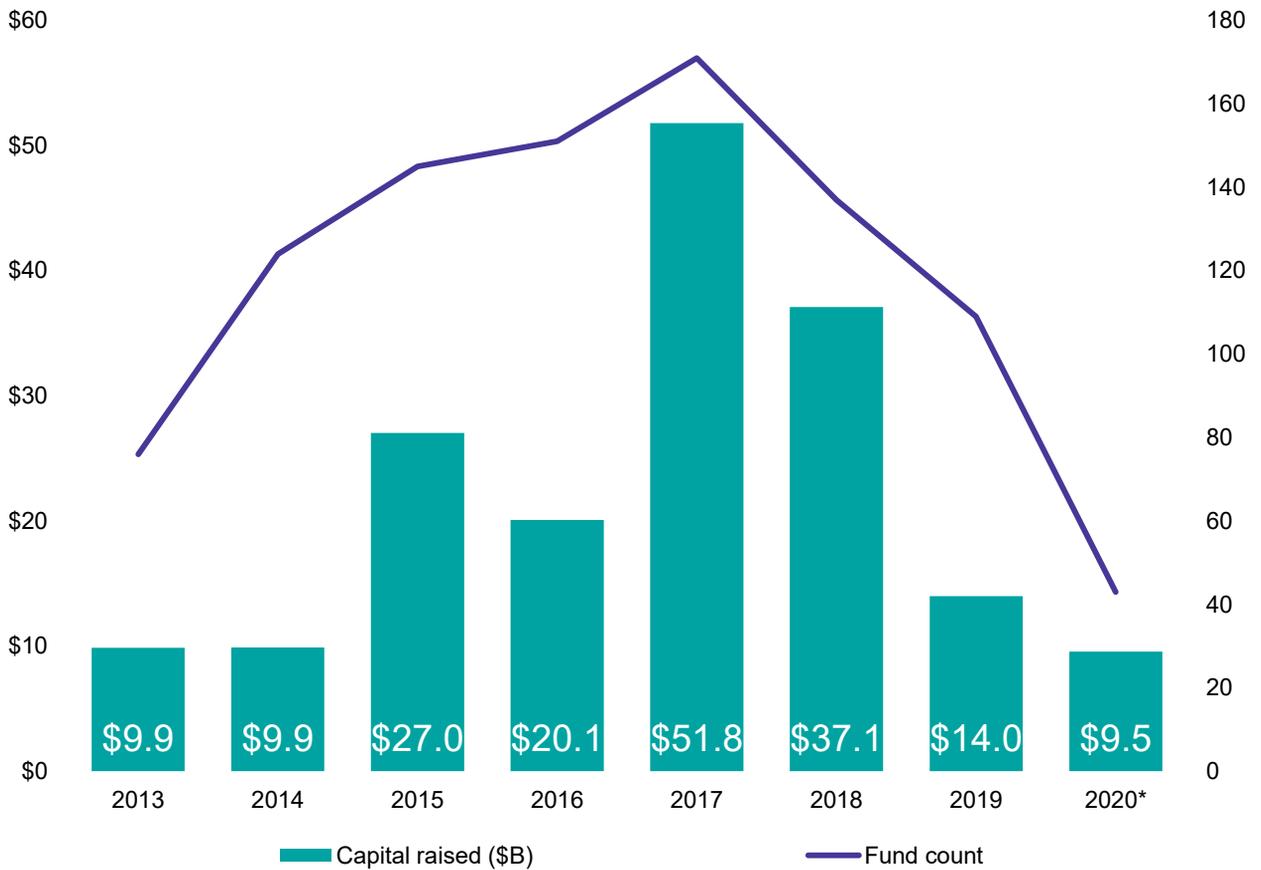


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# Select large funds can close

## Venture fundraising in Asia

2013–2020\*



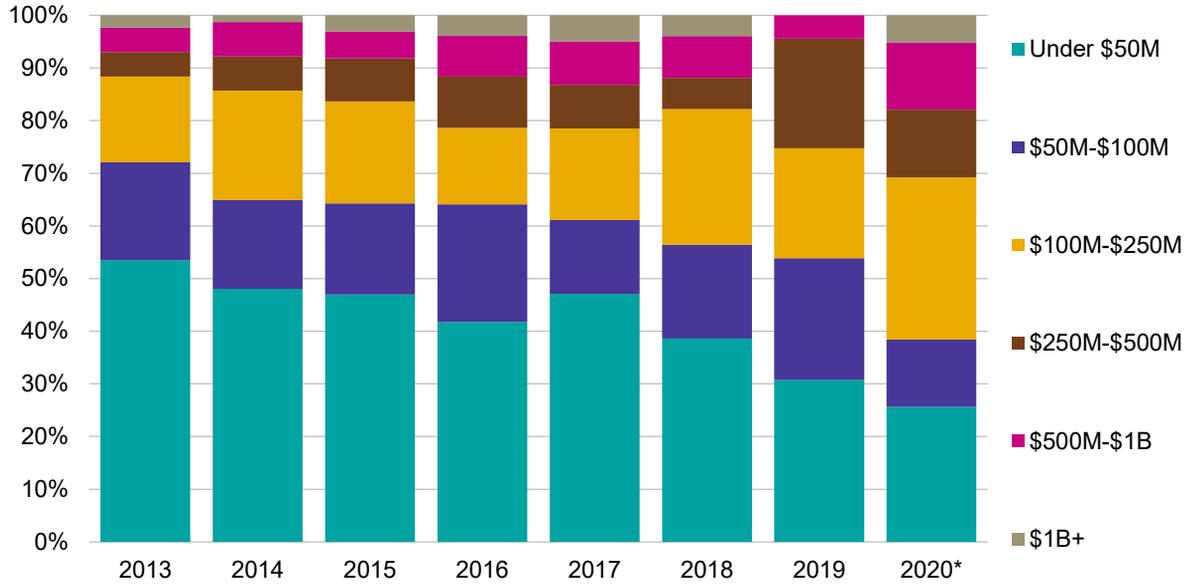
Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

After a 2017 peak, it is clear the region has been in a significant decline for domestic fundraising. Promisingly, there has been a resurgence in first-time fundraising volume, which could signal at least the very modest beginnings of a new wave of local firms looking to help foster regional networks of startup ecosystems. In the meantime, corporate players will likely remain critical.

# First-time funds resurge in promising sign

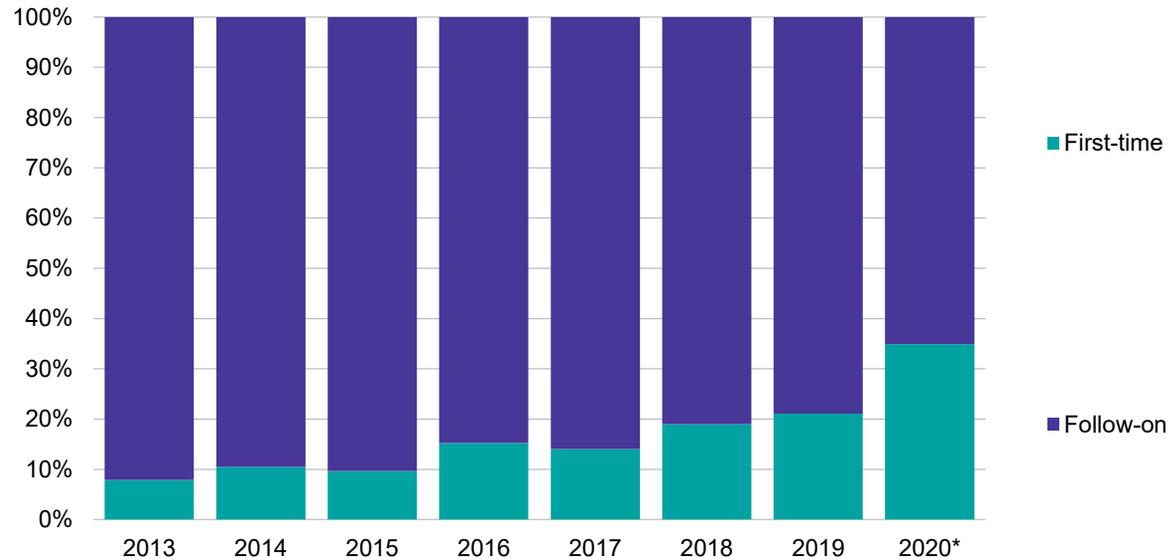
## Venture fundraising (#) by size in Asia

2013–2020\*



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

2013–2020\*

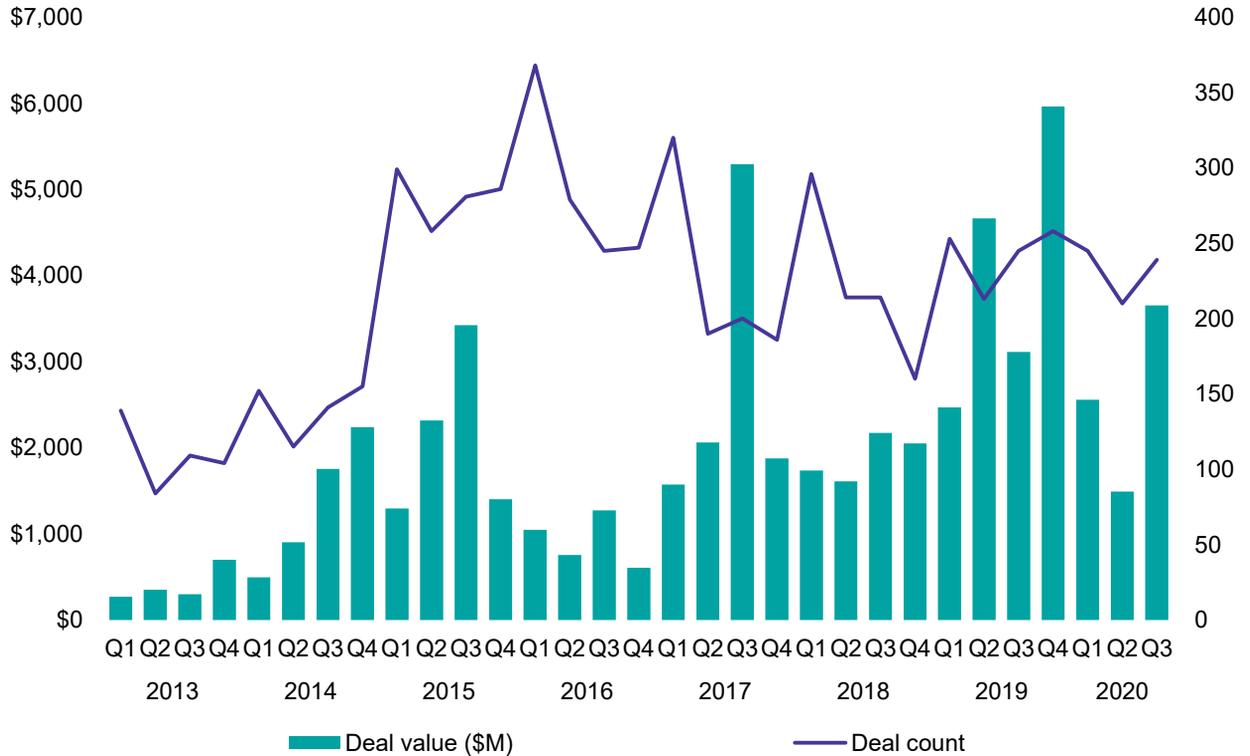


Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

# India is boosted by existing unicorns

## Venture financing in India

2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

After steadily rising throughout 2019, India saw a record quarter to close off the year. 2020 has been a mixed bag since, although Q3 2020 saw two large financings close in the top 10 biggest funding rounds to close in the quarter: Flipkart's \$1.3 billion infusion of corporate capital and BYJU'S \$500 million late-stage funding. India is still expected to see mega-deals, they just may be fewer and farther between for some time.

"India continues to be attractive market for VC investors. With the impact of the pandemic and the new normal paving the way for disruption in business models, there is significant demand in the EdTech, HealthTech & FinTech segments. While funding is likely going to be on the rise in Q4 of 2020, investment is expected to pick up substantially again by the end of the year. Indian startups that have survived the slowdown and pandemic, are ready for the next level of growth and hence would attract funding as they have proved their mettle. Another interesting development we have seen is that a new set of investors are looking at India and these fresh set of eyes will be in an investment mode within the next few quarters."

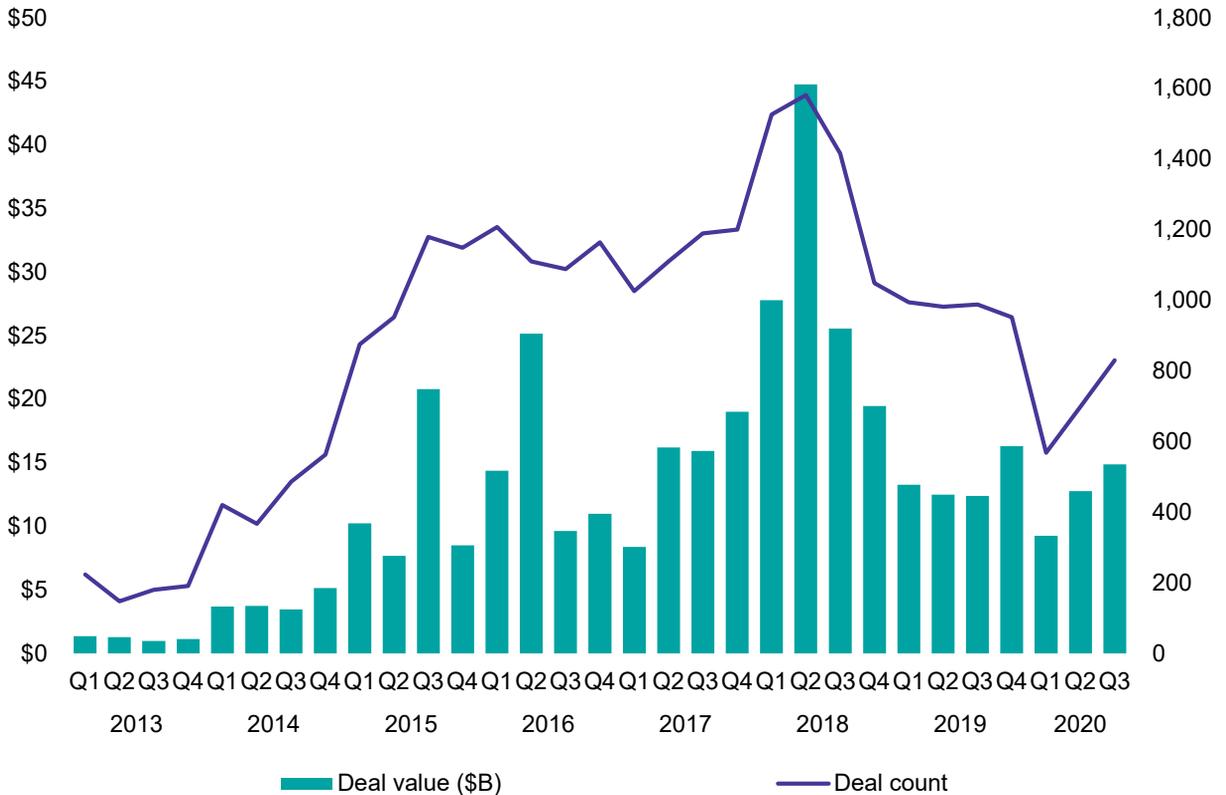


**Amarjeet Singh**  
Partner  
KPMG in India

# China sees slight resurgence

## Venture financing in China

2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

The first nation hit by the pandemic, China is now one of the few that has seen a modest but steady increase in venture funding volume, along with a rise in VC invested. Mega-deals — many of them centered around e-commerce, continue to propel some of the nation’s largest businesses forward.

“COVID-19 is driving a lot of investments in healthcare, accelerating innovations quite significantly even outside of virus-specific solutions. We’re seeing rapid advancement in remote diagnostics and remote surgeries. Part of this is because of the development of 5G technology which is reducing the transmission delays. On the other hand, COVID-19 is having a huge impact on many businesses, particularly in retail and commercial real estate. We are expecting M&A to become quite common heading into the next few quarters as cashflow becomes a major challenge.”



**Philip Ng**  
Partner, Head of Technology  
KPMG China

# Australia ecosystem maturing

## Venture financing in Australia

2013–Q3'20



Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 9/30/20. Data provided by PitchBook, 10/21/20.

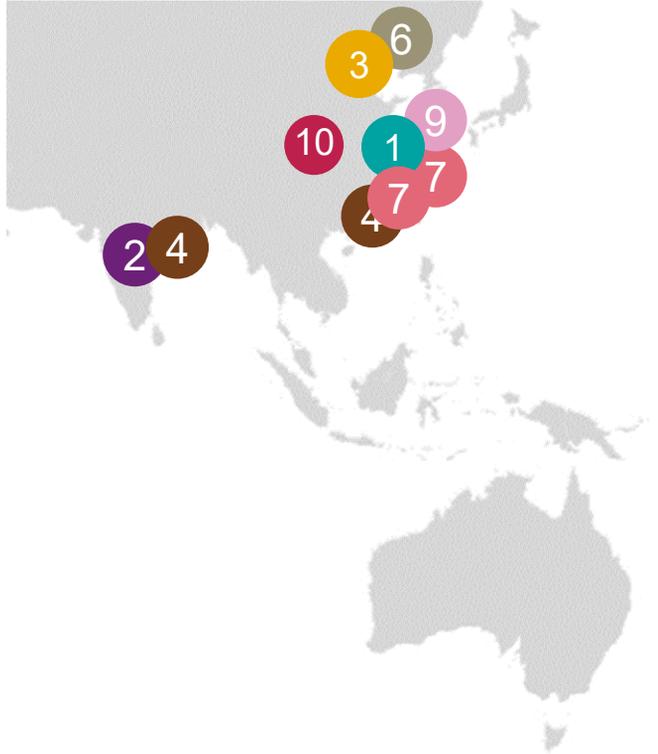
The ongoing measures taken in response to the pandemic's ravages are likely contributing to investor caution and, frankly, the sheer logistics involved in dealmaking. That would help explain the quarter-over-quarter (QoQ) slide in overall deal volume in Australia.

"Australia's ecosystem is going through a very exciting stage, with a huge amount of activity happening. Over the past year, we've seen incredible growth — companies becoming unicorns and others getting close to the unicorn stage. The funding environment is also maturing. We're starting to see a second cycle of investment from founders, more activity from family offices, and more sophisticated funding options."



**Amanda Price**  
Head of High Growth Ventures, KPMG Private Enterprise  
KPMG in Australia

# Internet retail predominates



## Top 10 financings in Q3'20 in Asia-Pacific

- |   |   |    |   |
|---|---|----|---|
| 1 | <b>Weltmeister</b> — \$1.5B, Shanghai<br>Automotive<br>Series D     | 6  | <b>Miss Fresh</b> — \$495M, Beijing<br>E-commerce<br>Late-stage VC                        |
| 2 | <b>Flipkart</b> — \$1.3B, Bengaluru<br>Internet retail<br>Corporate | 7  | <b>Zhangmen.com</b> — \$450M, Shenzhen<br>Edtech<br>Late-stage VC                         |
| 3 | <b>JD Health</b> — \$830M, Beijing<br>Internet retail<br>Series B   | 7  | <b>Xiaohongshu</b> — \$450M, Shanghai<br>Internet retail<br>Late-stage VC                 |
| 4 | <b>Xpeng</b> — \$500M, Guangzhou<br>Automotive<br>Series C1         | 9  | <b>MicroPort Medical Robots</b> — \$432.6M, Shanghai<br>Surgical devices<br>Late-stage VC |
| 4 | <b>BYJU'S</b> — \$500M, Bengaluru<br>Edtech<br>Late-stage VC        | 10 | <b>Yipin Shengxian</b> — \$353M, Chongqing<br>Food products<br>Series C                   |

Source: Venture Pulse, Q3'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 10/21/2020.



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## About KPMG Private Enterprise

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

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Tim Dümichen, Partner, KPMG in Germany

# Methodology

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

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

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

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

### Fundraising

PitchBook defines venture capital funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional venture capital firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds 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 the edition of the KPMG Venture Pulse covering Q1 2019, PitchBook's methodology regarding aggregate exit values changed. Instead of utilizing the size of an IPO as the exit value, instead the prevaluation of an IPO, based upon ordinary shares outstanding, was utilized. This has led to a significant change in aggregate exit values since, yet is more reflective of how the industry views the true size of an exit via public markets.

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