

Venture Pulse

Q3 2015

Global Analysis of Venture Funding - Asia

October 14, 2015



Welcome Message

Welcome to the Q3 2015 edition of the KPMG International and CB Insights Venture Pulse Report – the second issue in our quarterly series focused on discussing issues and trends related to venture capital investment globally.

Q3 2015 was an exciting time for many regions of the world. While deal volume dropped compared to Q2, VC-backed investments year to date were 11 percent higher than all VC-backed investment in 2014, and 99 percent higher than all investment in 2013. A number of very significant rounds made global headlines this quarter – from Uber to Didi Kuaidi, and Social Finance to Snapdeal. 23 VC-backed companies reached unicorn status during the quarter, including 17 in the US alone.

All in all, Q3 was a quarter for big, big deals. Less so for seed-stage and Angel financing, both of which were down for the fifth consecutive quarter on a global basis. Only Europe bucked the downward trend in Q3, with a small increase in seed-stage deals compared to last quarter.

We explored these and other big issues in this report as we sought to answer a number of key questions, including:

- What is prompting strong growth and continued interest in Asia?
- What regions in Europe are fostering early stage deals?
- Is the trend toward big deals sustainable?
- Why is VC interest in healthcare on the rise?

I hope you find this edition of our Venture Pulse Report informative. If you would like to discuss any of the results in more detail, contact a KPMG advisor in your area.

Sincerely,

Dennis Fortnum

Global Head of KPMG
Enterprise, KPMG
International

Brian Hughes

Co-Leader, KPMG
Enterprise Innovative
Startups Network,
Partner KPMG in the US

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KPMG Enterprise

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CB Insights is a National Science Foundation backed software-as-a-service company that uses data science, machine learning and predictive analytics to help our customers predict what's next—their next investment, the next market they should attack, the next move of their competitor, their next customer, or the next company they should acquire.

In Q3 2015 VC-backed companies raised

\$37.6B

across

1799 deals

SUMMARY OF FINDINGS

MEGA-ROUNDS ARE PUSHING FUNDING HIGHS DESPITE LESS ACTIVITY

Multi-year highs in funding: Globally, funding to VC-backed companies this year has already surpassed last year's multi-year funding high. There has been \$98.4B invested in the first three quarters of 2015, compared to \$88.7B in all of 2014.

Deals continue to increase: Large deals are driving funding trends. Median late-stage deal sizes are soaring everywhere. In Q3'15, they hit a median of \$35M globally and an impressive \$100M in Asia. Seed/Series A early-stage deal size also has kept pace at a median of \$2.5M globally.

Number of mega-rounds increase: \$100M+ financings to VC-backed companies have drastically increased in 2015. Thus far there have already been over 170 mega-rounds, including 68 in Q3'15, which cumulatively raised over \$19B.

Corporates clamoring for deals: Corporates have participated in ~24% of deals for five quarters straight and reached a five-quarter high of 26% in Q3'15.

Note: Report includes all rounds to VC-backed companies

CB Insights tracked a large number of mega-deals to VC-backed companies this quarter that included hedge funds or mutual funds for example. This report includes all of those rounds. All data is sourced from CB Insights. Page 88 details the rules and definitions we use.

ASIA SEES DEAL ACTIVITY AND FUNDING SOAR BEHIND RED HOT INDIA AND CHINA

Asia leaving Europe farther behind: Asia has pulled ahead of Europe in deal count, and has seen far more funding. Asia saw a total of ~\$42.3B invested in the last five quarters, compared to ~\$14.1B in Europe.

Mega-rounds tip the scales in Asia: Mega-rounds into Didi Kuaidi, LY.com, One97 Communications, and Ele.me, among others, are driving funding trends. The 5 top deals in Asia accounted for \$5.3B or 39% of all funding.

China funding explodes: Amid multiple \$1B rounds and a five-quarter high in deals, funding in China totaled \$9.6B, up 315% vs. the same quarter a year prior, despite just 1 more deal.

Outsize corporate influence in Asia: Corporates participated in nearly one-third of all deals, compared to one-fourth of deals on a global level.

India continues hot streak: India continued its feverish investment activity with funding topping \$2B for the third time in 4 quarters, and deals topping 120 for the second-straight quarter.

SUMMARY OF FINDINGS

\$100M+ ROUNDS TO VC-BACKED STARTUPS ROAR TO NEW HIGH IN THE US

US funding already hits new high through Q3'15: After a high of \$56.5B in 2014, the first three quarters of 2015 already saw \$57.9B invested into US startups. While more dollars are being deployed in the US, deal activity looks to come in closer to 2013 levels at the current run rate.

The rise of the mega-round: Q3'15 saw 37 \$100M+ rounds to US VC-backed companies to the likes of Uber, SoFi, DraftKings, Avant, Thumbtack, and more. US \$100M+ rounds rose 125% compared to the same quarter last year.

Signs of seed fatigue: Despite more micro-VCs and multi-stage funds investing at the seed stage, seed investments took less than a fourth of all deals to VC-backed companies in the US in Q3'15, dropping to a five-quarter low of 23%.

New York outpaces Massachusetts: New York has now outpaced Massachusetts for deal activity in each of the last 5 quarters.

Deal sizes are getting fatter: Both early-stage and late-stage median deal sizes in North America hit five-quarter highs. Median late-stage deals clocked in at \$33M, topping the same quarter last year by 65%.

EUROPE HITS MULTI-YEAR FUNDING HIGHS, FALLS BEHIND ASIA & NORTH AMERICA

European funding continues hot streak: The new normal in Europe seems to be \$3B in funding a quarter, a level reached in all three quarters of 2015. Deal count rebounded slightly after a steep fall in Q2'15 to 313 deals in Q3'15.

Late-stage deal sizes cool off a bit, remain above \$10M: Median late-stage deal sizes in Europe weighed in at \$16M in Q3'15, just off the high of \$19M in Q2'15, and almost double Q1'15's \$9.4M. Mega-deals sized \$100M or more contributed to the high late-stage deal size, including BlaBlaCar's \$200M Series D which valued the company at \$1.6B.

UK activity falls again: The UK accounted for ~29% of all European funding, maintaining its spot as the top VC market in Europe. However, UK deal activity has now fallen for two straight quarters and reached a five-quarter low.

Germany slightly rebounds, deals still off highs: After deal activity cratered in Q2, Q3 slightly rebounded to 51 deals, still off Q1'15's highs of 71. Funding did cross \$500M for the third time in the last five quarters as Auto1Group, Kreditech, and HelloFresh were among the companies to raise \$50M+ rounds.

Big Deals and Late Stage Deals Taking Center Stage Globally

On a global basis, venture capital investment increased in Q3 2015, buoyed by a number of very significant rounds (e.g. Didi Kuaidi, Uber, Palantir Technologies, Social Finance). In the first three quarters of 2015, \$98.4 billion was invested into VC-backed companies. This represents an 11 percent increase compared to all of 2014, and a 100 percent increase compared to 2013.

Mega-rounds drove a substantial part of Q3 activity, with 10 \$500m+ rounds and over 60 rounds in total. Asia far exceeded the US and Europe in late stage deals – primarily on the strength of mega-rounds to on-demand and e-Commerce companies. Some of Asia's rise may be a result of VC investors looking to Asia as a high growth market for disruptive business models that have quickly saturated the North American markets. VC investors in North America meanwhile are beginning to focus on identifying the next big industries ripe for disruption.

Globally, investors continue to target bigger and bigger deals. This, along with the continued availability of late stage deals, may be spurring the continued rise of unicorns – VC-based companies with valuations in excess of \$1 billion. In Q3, there were 23 new unicorns globally – Including 17 in the US, 3 in Asia and 3 in Europe.

Today, there are more late stage deals and fewer IPO exits than in years past. This may be affecting the availability of cash for seed investment. Seed-stage and Angel deal volume in particular was down in Q3 – the fifth consecutive decline experienced globally.

While internet and mobile technologies continue to dominate VC deals globally, healthcare is becoming a key industry to watch. Between advances in biotech, medical devices and medical IT, healthcare is becoming a hotbed of innovation – and therefore for growing VC investment activity. In Q3 alone, Immunocore and other healthcare deals (e.g. Helix, Stemcentrx, ZocDoc) grabbed significant investor attention.

The sheer size of the fin-tech market makes it another industry ripe for disruption. Payment processing, lending, and insurance – we expect VC interest in these areas to only gain momentum over the next few quarters.

VC-BACKED COMPANIES IN ASIA REEL IN OVER 3X AS MANY DOLLARS AS EUROPE IN Q3'15

North America saw \$20B of investment for the second-consecutive quarter in Q3'15. Despite the similarity in deal activity in Asia and Europe, Asia greatly expanded its lead as VC-backed companies took in nearly \$10B more than European firms in Q3'15. This is due to mega-rounds to companies such as Didi Kuaidi, Ele.me, Snapdeal, GrabTaxi and more.

Deal Count by Continent

Q3'14 – Q3'15



Investment (\$B) by Continent

Q3'14 – Q3'15



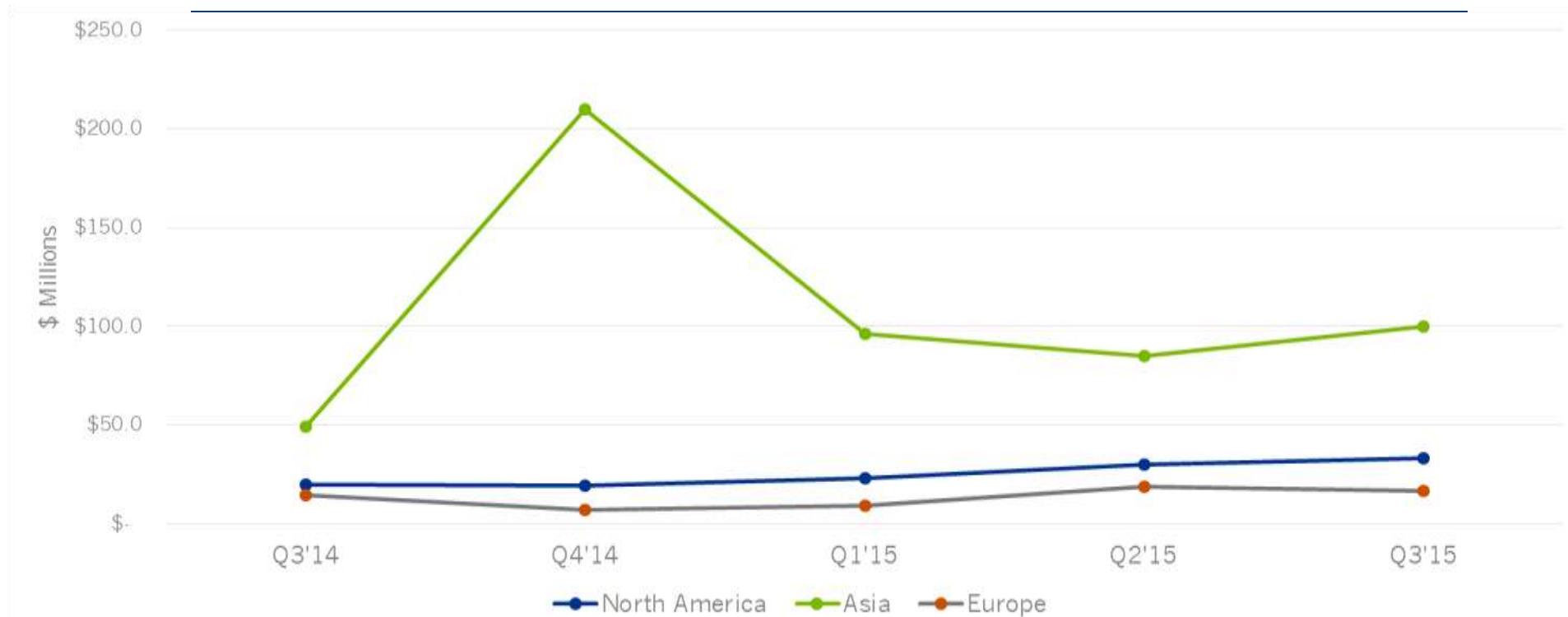
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

ASIA HAS THE LARGEST MEDIAN FOR LATE-STAGE DEALS

Median late-stage deals in Asia have been greater than both US and European medians for the last 5 quarters. After Q4'14 saw median late-stage deal size in Asia spike to \$220M behind big rounds including Xiaomi's \$1.1B financing, Asia deals once again hit \$100M+ in Q3'15.

Median Late-Stage Deal Size Continent Comparison

Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

'Unicorn' Investment Remains High

Big deals continued to drive investor interest during Q3, spurring 23 new unicorns globally: VC-backed companies with valuations above \$1 billion. With the establishment of 58 new unicorns during the first 3 quarters of 2015 (i.e. 12 in Q1, 23 in Q2, and 23 in Q3), the number of unicorns globally has already well exceeded the 38 new unicorns established during all of 2014.

North America led the unicorn charge in Q3-2015 with the emergence of 17 new unicorns, up significantly from the 12 new unicorns seen in Q2. Among the new unicorns in North America were Kik – an online messaging app company targeted at teens, and ZocDoc – an online scheduling company focused on doctors' appointments.

The number of new unicorns dropped in Asia during this quarter, going from 9 in Q2 to 3 in Q3. This decline may be a fallout from the economic slowdown occurring in China, although not necessarily given 2015 total deal value is still on pace to reach record highs. Among Asia's new unicorns were Ele.me – a food delivery service in China, and Guahao – a health-tech company also based in China.

Europe maintained a steady investment pace with 3 new unicorns, making it the fourth quarter in a row that Europe has spawned either 2 or 3 new unicorns. Among the new European unicorns were France-based Blablacar – a long distance ride sharing service, and Hellofresh – a Germany-based recipe and food preparation company.



In Q3 2015

ASIAN

VC-backed companies raised
\$13.5 billion

Asia on Pace for Banner Year

Following a very strong Q3 2015, Asia is on pace to reach a multi-year high in terms of both deal value and volume. Both deal volume and deal value rose significantly during Q3, led by the \$3B Didi Kuaidi deal – the biggest global deal for the quarter. Overall, late stage deals continued to drive VC activity across Asia in Q3, while seed deals as a percentage of all deals reached a five-quarter low.

Recently, while VC investment has been substantial, we have noticed a trend in Asia – and in China in particular – toward more conservative investments. Compared to the previous quarters, growth in China is slowing – leading many deal-makers to cherry pick their investments. While VC investors are still quick to spend money – the level of interest is softening.

Chinese government driving investment

This year and looking ahead into Q4, it is expected that the Chinese government will continue to focus on driving investment in innovation and entrepreneurship, especially in the technology sector. Recently, the government announced a \$10B investment fund to promote innovation activities in 16 cities within China. Much of this investment is expected to come in the technology sector.

The government is also hosting the *China Innovation and Entrepreneurship National Summit in October 2015* – the first major government-sponsored national summit focused on driving innovation and entrepreneurship across China. It will be interesting to see how VC investment evolves in China over the next few quarters as a result of the increasing government focus

on entrepreneurship and innovation.

Drive for disruptive and customer-focused business models in India

In India, there is a strong focus on disruptive business models aimed at enhancing customer choice and convenience – with VC activity growing across industries that drive customer value (e.g. e-commerce, fin-tech, healthcare, transportation, luxury retail). In addition to these, education technology is also expected to emerge as a key growth area. Transportation is gaining a lot of VC interest, with both Olacabs and Uber taking the stage during Q3.

The India market is diverse and evolving, with organized market share growing compared to the significant size of unorganized market share. As a result, the VC community needs to take a medium to long-term view in order to be successful. This may require constant funding for new businesses to become, and remain, a part of the top 3 to 5 businesses in each segment that will be able to survive and emerge as market leaders. At the same time, there are issues around high valuation expectations by new businesses in early rounds of funding, and rationalization to meet investors ROI expectations.

“Both deal volume and deal value rose significantly in Asia during Q3, led by China’s \$3B Didi Kuaidi deal – the biggest deal globally in the quarter. But, while VC investment has been substantial, we have noticed a trend in Asia – and in China in particular – toward more conservative investments.”



Arik Speier

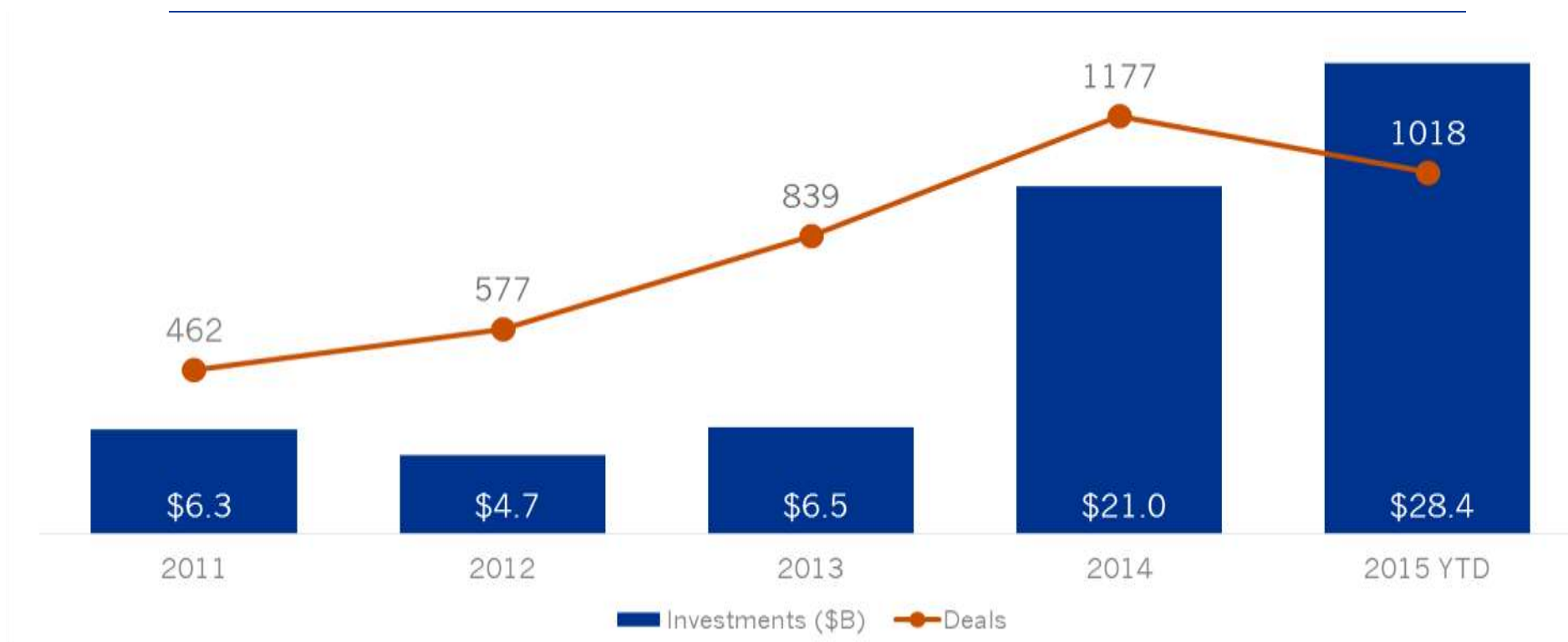
*Arik Speier, Co-Leader, KPMG
Enterprise Innovative Startups
Network and Head of Technology,
KPMG in Israel*

ASIA: FIRST THREE QUARTERS OF 2015 TOP ALL OF 2014 FOR FUNDING TO VC-BACKED COMPANIES

A mix of traditional VC money and hedge funds, private equity investors, and corporates have driven a massive amount of funding to Asian VC-backed companies in the past 2 years. Specifically, thus far in 2015 there have been over 60 financings of \$100M+. Deal activity also looks on pace to reach all-time highs.

Asian Annual Financing Trends to VC-Backed Companies

2011 – 2015 YTD (Q3'15)



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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ASIAN INVESTMENT TO VC-BACKED COMPANIES TOPS \$13B IN Q3'15, REACHES ALL-TIME HIGH

In the 3 months ending in September, Asian VC-backed companies led by firms such as Didi Kuaidi, LY.com, and One97 Communications raised \$13.5B across 373 deals. Q3'15's funding total was 181% higher than the same quarter a year prior. The \$3B raised by Didi Kuaidi alone topped most quarterly funding prior to 2014.

Asian Quarterly Financing Trends to VC-Backed Companies Q1'11 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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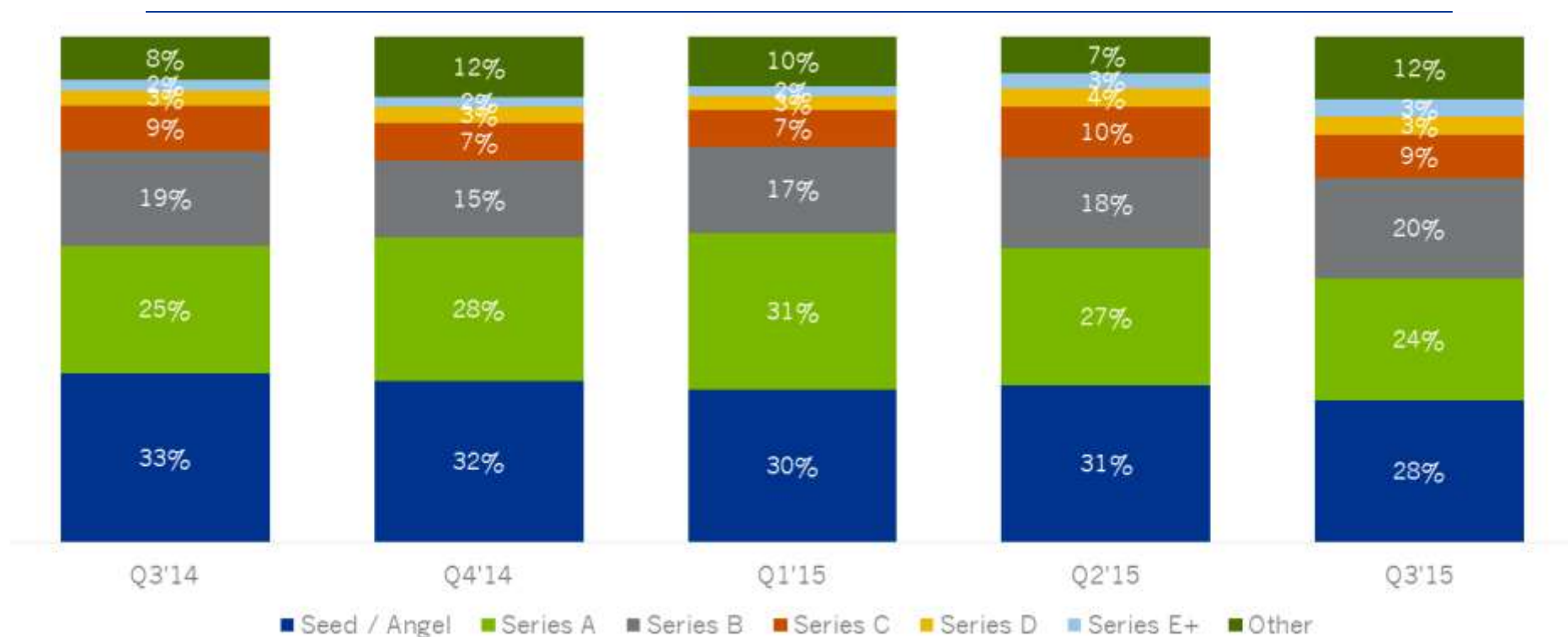


ASIAN EARLY-STAGE DEAL SHARE FALLS TO FIVE-QUARTER LOW

While late-stage companies are attracting huge, \$100M+ rounds, early-stage (Seed – Series A) deal share reached a five quarter low, accounting for just 52% of all deals to VC-backed companies.

Asian Quarterly Deal Share by Stage

Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

EARLY-STAGE DEALS REMAIN AT \$2.5M+ FOR SECOND STRAIGHT QUARTER.

The median early-stage deal size in Asia reached \$2.5M+ for the second-straight quarter amid increased early-stage activity on an absolute numbers basis versus previous quarters. Overall, early-stage deals have been at or above \$2M for the past 5 quarters.

Asian Early-Stage Deal Size

Q3'14 – Q3'15

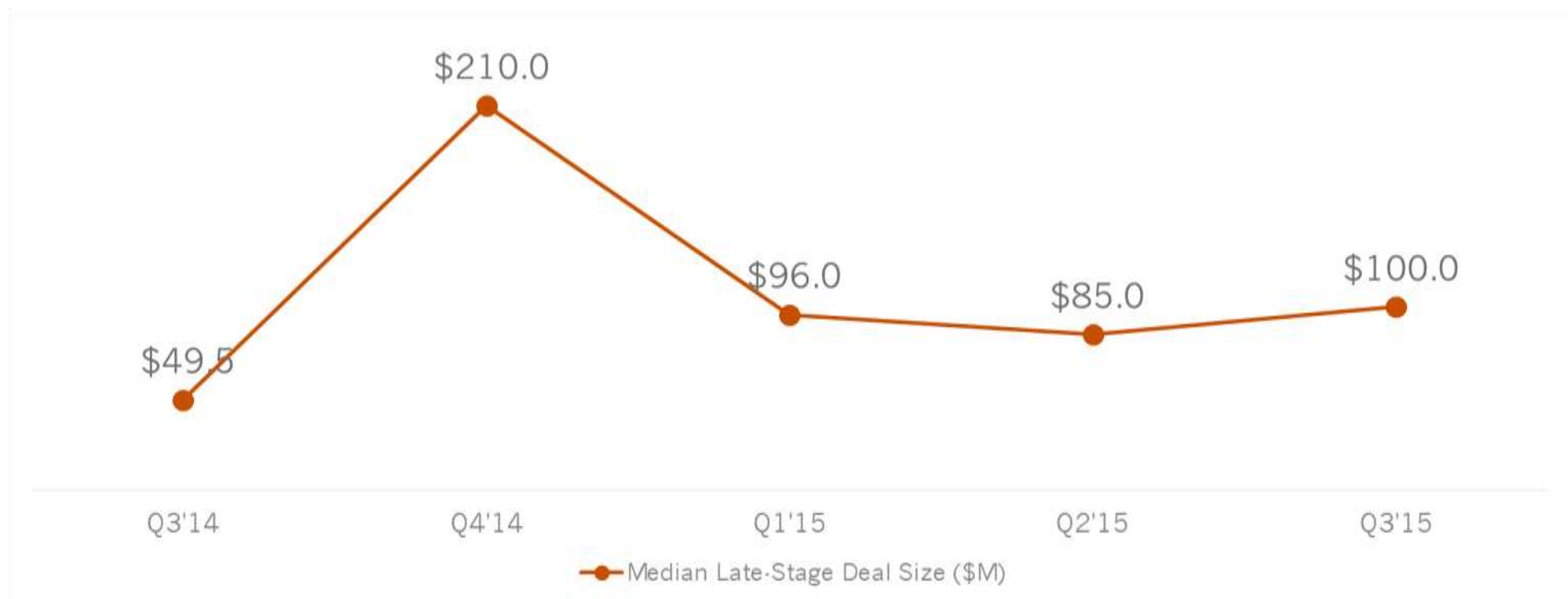


Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

MEDIAN LATE-STAGE DEAL SIZE IN ASIA REACHES \$100M IN Q3'15

The median late-stage deal size in Q3'15 reached \$100M due to the 25 \$100M+ financings to companies such as Didi Kuaidi, Ele.me, Snapdeal, and more. This was the second time in the past five quarters late-stage deal sizes have reached \$100M, the other being Q4'14.

Asian Late-Stage Deal Size Q3'14 – Q3'15

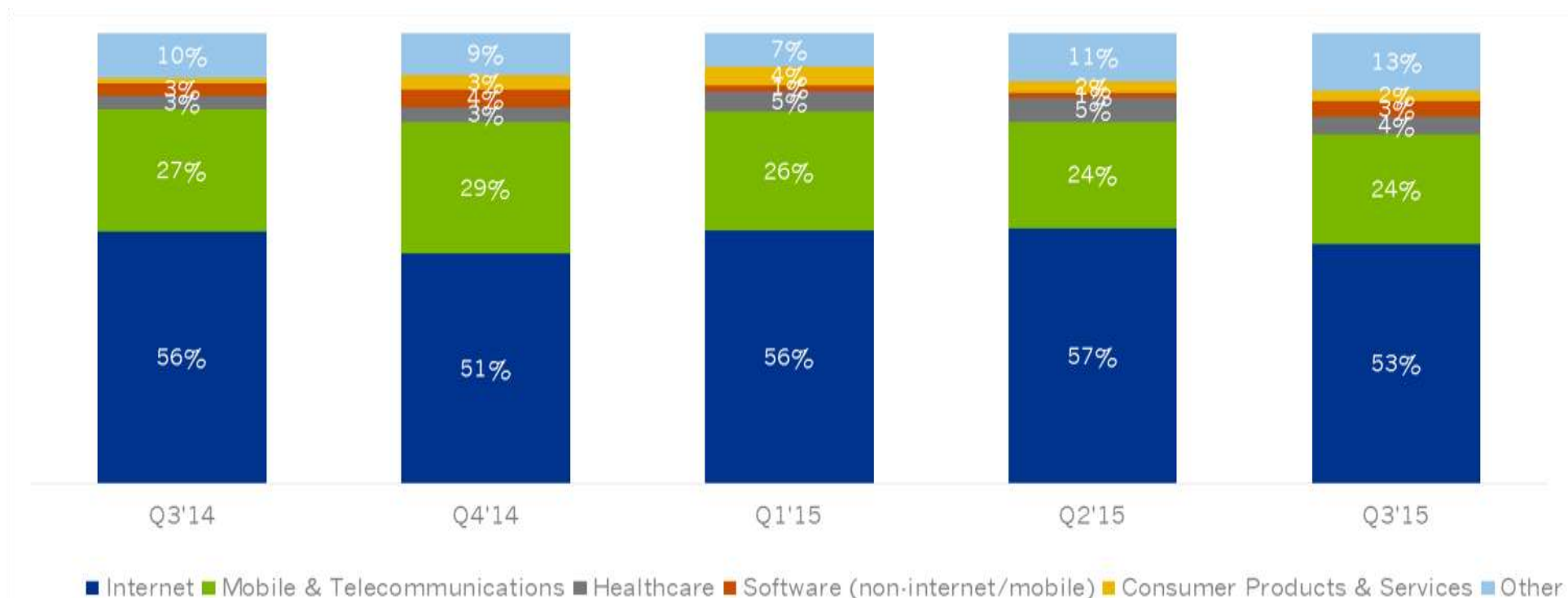


Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

INTERNET AND MOBILE DEAL SHARE FALLS TO FIVE QUARTER LOW

While internet and mobile companies still garner over three quarters of all deals in Asia, other sectors such as hardware, industrial, and financial, reached a five-quarter high in deal share at 13%.

Asian Quarterly Deal Share by Sector Q3'14 - Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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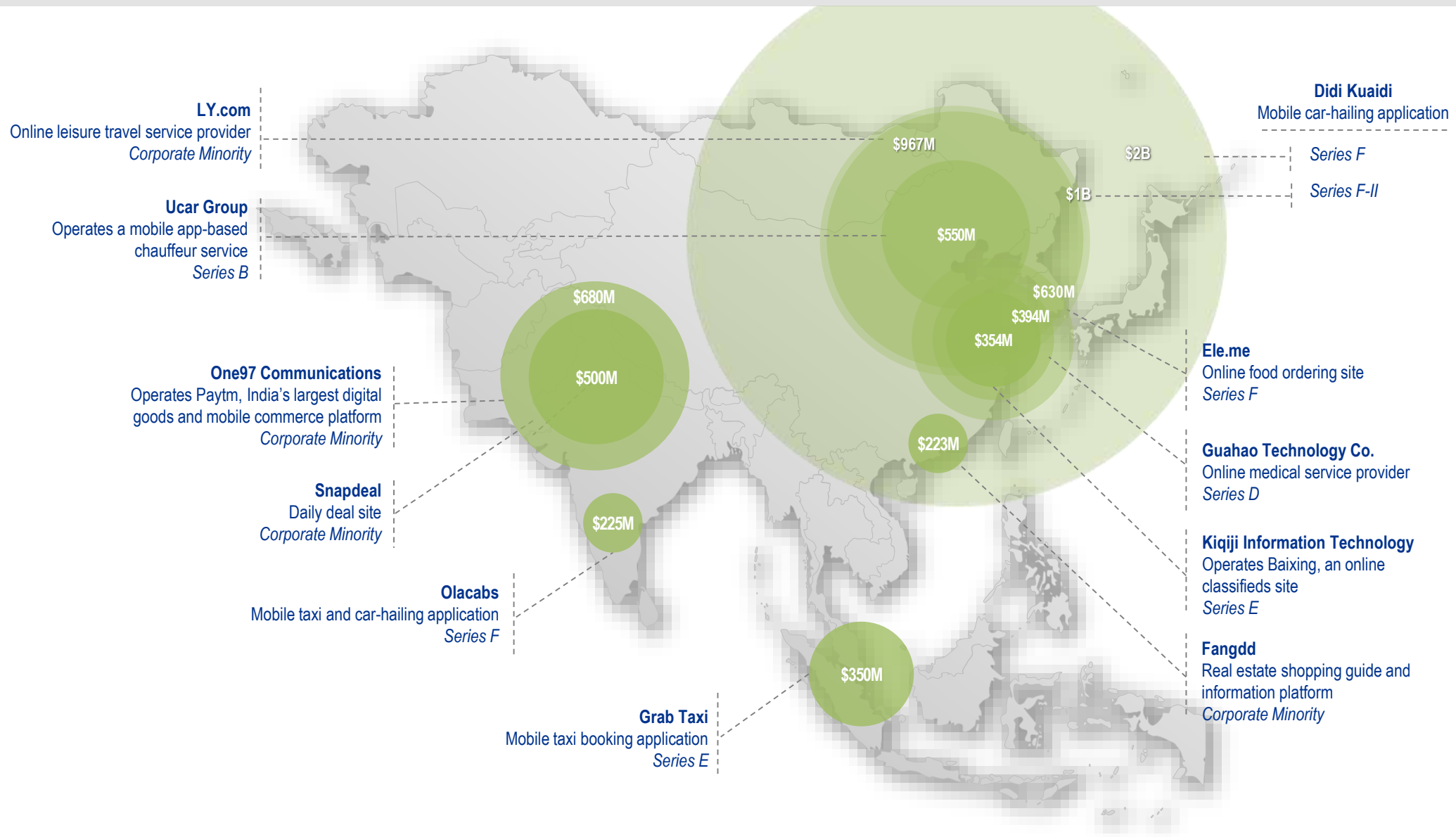


“We are seeing a phenomenal number of new businesses popping up all over India. The numbers run into the thousands. The economic opportunity is big in India and this, combined with headlines about strong valuations, is driving a wave of new graduates to become entrepreneurs.”



Sanjay Aggarwal
*Partner-in-Charge, KPMG
Enterprise, KPMG in India*

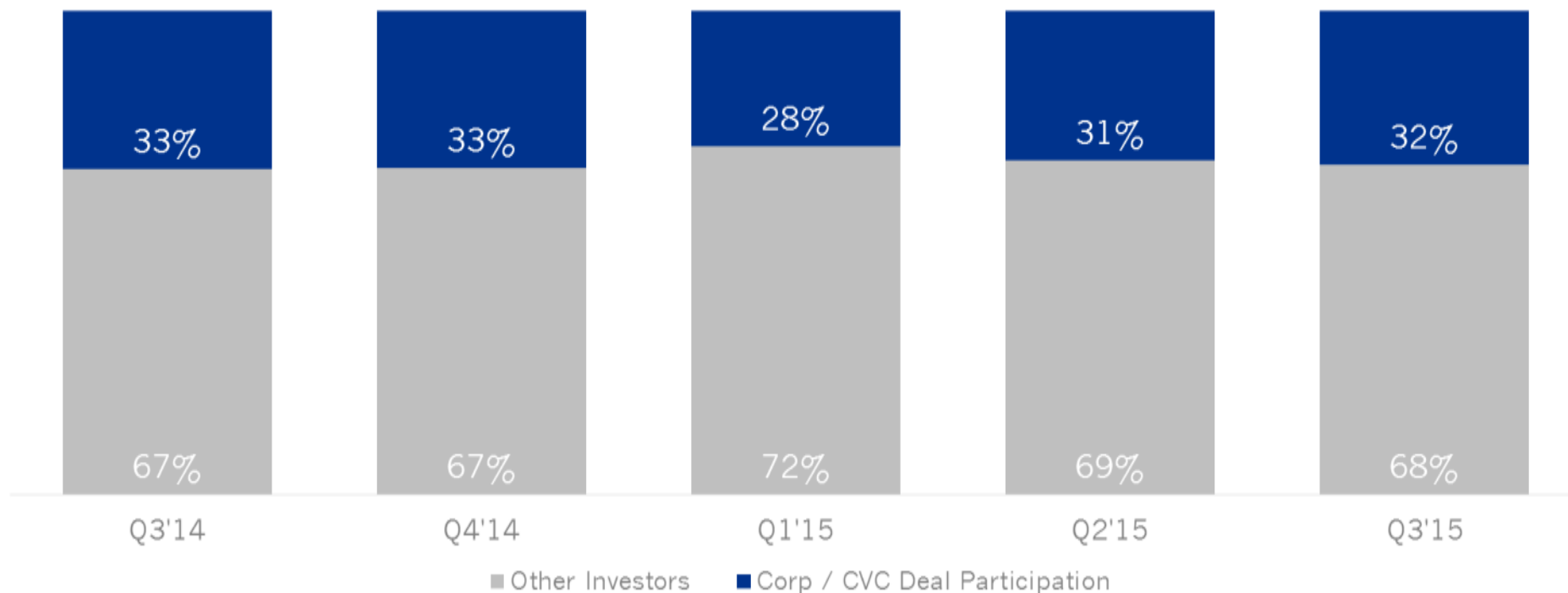
THE 12th LARGEST ASIAN ROUNDS OF Q3'15 REPRESENT MORE THAN \$7.8B IN TOTAL FUNDING



ASIAN CORPORATES REMAIN ACTIVE, ACCOUNT FOR NEARLY ONE-THIRD OF ALL DEALS

With the presence of Alibaba, Tencent, Baidu, Rakuten, and others, corporates reached 32% of all financing deals to Asian VC-backed companies in Q3'15. Corporates have participated in 30%+ of all quarterly Asian financings in 4 of the last 5 quarters.

CVC Participation in Asian Deals to VC-Backed Companies Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

500 STARTUPS WAS THE MOST ACTIVE VC IN ASIA IN Q3'15

500 Startups was the most active VC in Asia in Q3'15, participating in a slew of early-stage rounds including deals to HappyFresh, CultureAlley, and Panoply.io. Sequoia Capital's China and India arms rounded out the top 3 with investments in Ele.me and Mia.com in China, and Oyo Rooms and BankBazaar in India.

Most Active VC Investors in Asia Q3'15

Rank	Investor	Rank	Investor
1	500 Startups	9	Tiantu Capital
2	Sequoia Capital China	12	Saama Capital
3	Sequoia Capital India	12	Jungle Ventures
4	Intel Capital	12	IDG Ventures India
5	IDG Capital Partners	12	Matrix Partners China
6	Digital Entertainment Ventures	12	SAIF Partners
7	Kalaari Capital	12	East Ventures
7	Accel Partners	12	Northern Light Venture Capital
9	Legend Capital	12	Qualcomm Ventures

** Despite a high number of investments in Q3'15, Tiger Global Management is not included above as they are classified as a hedge fund.*

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“Overall we’ve seen a shift in China in the past quarter. Downward pressure on the economy has led a lot of companies to shift their focus from purely burning capital to gain market share towards building efficiencies and driving profit.”



Lyndon Fung
U.S. Capital Markets Group
KPMG China

CHINA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

China Investment Activity VC-Backed Companies, Q3'14 – Q3'15



Top Deals

Didi Kuaidi

\$2B // Series F

Didi Kuaidi

\$1B // Series F-II

LY.com

\$967M // Corp. Minority

Top Cities

Beijing

33 Deals // \$1.33B

Shanghai

23 Deals // \$1.60B

Shenzhen

14 Deals // \$761.9M

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INDIA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

India Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

One97 Communications

\$680M // Corp. Minority

Snapdeal

\$500M // Corp. Minority

Olacabs

\$225M // Series F

Top Cities

Bangalore

34 Deals // \$397.4M

Mumbai

28 Deals // \$413.1M

Gurgaon

20 Deals // \$250.2M

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SOUTHEAST ASIA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q3'15

Southeast Asia Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

GrabTaxi

\$350M // Series E

iCarsClub

\$50M // Series C

Capillary Technologies

\$45M // Series C

Top Countries

Singapore

22 Deals // \$510.8M

Indonesia

15 Deals // \$16.4M

Malaysia

6 Deals // \$5.3M

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METHODOLOGY – WHAT’S INCLUDED? WHAT’S NOT?

CB Insights and KPMG International encourage you to review the methodology and definitions employed to better understand the numbers presented in this report. If you have any questions about the definitions or methodological principles used, we encourage you to reach out to CB Insights directly. Additionally, if you feel your firm has been underrepresented please send an email to info@cbinsights.com and we can work together to ensure your firms’ investment data is up-to-date.

What is included:

Equity financings into emerging companies. Fundings must come from VC-backed companies, which are defined as companies who have received funding at any point from either: venture capital firms, corporate venture group or super angel investors.

- Fundings of only private companies. Funding rounds raised by public companies of any kind on any exchange (including Pink Sheets) are excluded from our numbers even if they received investment by a venture firm(s).
- Only includes the investment made in the quarter for tranching investments. If a company does a second closing of its Series B round for \$5M and previously had closed \$2M in a prior quarter, only the \$5M is reflected in our results.
- Round #s reflect what has closed –not what is intended. If a company indicates the closing of \$5M out of a desired raise of \$15M, our numbers reflect only the amount which has closed.
- Only verifiable fundings are included. Fundings are verified via (1) various federal & state regulatory filings (2) direct confirmation with firm or investor or (3) press release.
- Previous quarterly VC Reports issued by CBI have exclusively included VC-backed rounds. In this report any rounds raised by VC-backed companies are included, with the exceptions listed.

What is excluded:

- No contingent funding. If a company receives a commitment for \$20M subject to hitting certain milestones but first gets \$8M, only the \$8M is included in our data.
- No business development/R&D arrangements whether transferable into equity now, later or never. If a company signs a \$300M R&D partnership with a larger corporation, this is not equity financing nor is it from venture capital firms. As a result, it is not included.
- No buyouts, consolidations and recapitalizations. All three of these transaction types are commonly employed by private equity firms and are tracked by CB Insights. However, they are excluded for the purposes of this report.
- No private placements. These investments also known as PIPEs (Private Investment in Public Equities) even if made by a venture capital firm(s).
- No debt/loans of any kind (except convertible notes). Venture debt or any kind of debt/loan issued to emerging, startup companies even if included as an additional part of an equity financing is not included. If a company receives \$3M with \$2M from venture investors and \$1M in debt, only the \$2M is included in these statistics.
- No government funding. Grants, loans, equity financings by the federal government, state agencies or public-private partnerships to emerging, startup companies are not included.

KPMG ENTERPRISE INNOVATIVE STARTUP NETWORK FROM SEED TO SPEED WE'RE HERE THROUGHOUT YOUR JOURNEY



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About KPMG Enterprise

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You know KPMG, you might not know KPMG Enterprise. We're dedicated to working with businesses like yours. It's all we do. Whether you're an entrepreneur, family business, or a fast growing company, we understand what is important to you. We can help you navigate your challenges—no matter the size and stage of your business. You gain access to KPMG's global resources through a single point of contact—a trusted adviser to your company. It's a local touch with a global reach.

The KPMG Enterprise global network for innovative startups 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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