



Venture Pulse Q1 2016

Global Analysis of
Venture Funding

April 13, 2016



Welcome message

The first quarter of 2016 extended the global decline in VC activity with both total deal volume and deal value declining, further following a major dip in Q4'15. Some of the factors driving VC investors to take a more measured investment approach include; an economic slowdown in China, rising interest rates and an approaching election in the US, and a June referendum over the UK's future in the European Union.

While disconcerting to the VC community, the decline in VC activity is likely to be a short-term trend given the amount of liquidity in the market around the globe. In fact, in the US, Q1'16 was one of the highest quarters for raising VC capital since the dot-com boom of 2000. These funds will likely be deployed over the coming quarters as VC investors renew their focus on finding disruptive or innovative companies in which to invest.

At the same time, future VC investments are poised to become even more targeted. Given ongoing market uncertainties, investors are likely to focus on companies with strong balance sheets or business models that show a strong plan to achieve profitability. VC investors may also take a more involved approach to their funding, asking for more input and control over how their invested capital is deployed.

We explore these and a number of other trends in this Q1'16 edition of our Venture Pulse Report – a collaboration between KPMG and CB Insights. As a part of our analysis, we explore answers to a range of questions, including:

- What is driving the decline in VC activity – and will it last?
- Why are corporates so active in the VC market?
- Is the Unicorn trend dead?
- How is digital health bucking investment trends?

We 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 adviser in your area.

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36	North America	\$15.2B in funding 1101 deals
62	Europe	\$3.5B in funding 338 deals
79	Asia	\$6.5B in funding 358 deals

All monetary references contained in this report are in USD

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#Q1VC



In Q1 2016 VC-backed companies raised

\$25.5B

across

1829 deals

SUMMARY OF FINDINGS

GLOBAL FUNDING CHILL CONTINUES IN Q1'16 AS INVESTORS DIAL BACK DEALS

Funding ticks downwards: After the Q4'15 crash in investment dollars, global funding to VC-backed companies in Q1'16 dropped further to total \$25.5B. The slowdown in Asian funding drove the global decline.

Deals also see further drops: Following the cratering of deal activity in Q4'15, financings slowed again in Q1'16 to end at 1829 for the quarter. Deal activity dropped across all major markets (North America, Europe and Asia).

Unicorn creation at near-standstill: As existing Unicorns battled negative press, downrounds and markdowns, only five new VC-backed Unicorns were minted in Q1'16. That's less than half that of any quarterly total in 2015.

Corporates accelerate deal pace: Corporate and CVC participation in deals rose to 27 percent in Q1'16 as corporations became increasingly active in private markets.

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 97 details the rules and definitions we use.

US DEALS FALL AGAIN IN Q1'16; FUNDING SEES SLIGHT GROWTH

US deal activity falls for third-straight quarter: US deal activity continued to cool with \$14.8B invested over 1035 deals. Funding climbed slightly from the \$14B in Q4'15, but remained depressed compared to the peaks in 2015.

Late-stage deal sizes shrinking: Mean late-stage deal size in North America plunged to \$21.5M in Q1'16, down from \$30M in Q4'15, and \$34M in Q3'15.

Continued signs of seed fatigue: Seed deal share fell further to 22 percent for Q1'16. Series A rounds actually outpaced seed deals, reversing the trend of previous quarters.

Early-stage deal sizes remain high: Median early-stage deals in Q1'16 matched last quarter's high of \$3M, up a full 50 percent from the same quarter a year before.

New York sees growth: New York has now outpaced Massachusetts for deal activity in each of the last 5 quarters. It was also the only state of the top 3 (CA, NY, MA) with both deal and funding growth from Q4'15.

SUMMARY OF FINDINGS

EUROPE FUNDING RECOVERS SLIGHTLY, THOUGH DEAL ACTIVITY DOWN AGAIN

Mixed signs in European financing: Total funding in Europe crept up 8 percent to \$3.5B in Q1'16, although the deal count of 338 represented a sequential quarterly decline.

Seed deal share also falls in Europe: Seed share fell below 40 percent of all deals for the first time in at least 5 quarters, taking only 35 percent of deals going to VC-backed companies. Meanwhile, Series A rounds jumped up to take over a quarter of deals.

UK deal, dollar activity dips: UK-based startups raised \$1.3B in funding across 105 deals, both down slightly from Q4'15. UK deals were headlined by a \$192M Series C to Skyscanner in January. Overall, the UK accounted for ~36 percent of Europe funding.

Germany deal, dollar activity diverges: Funding to German VC-backed startups fell to \$394M in Q1'16, marking a fourth-straight quarterly drop. By contrast, deal count rose for the fourth-consecutive quarter as there were more early-stage seed and Series A rounds.

INVESTMENT PACE IN ASIA CONTINUES TO PLUMMET

Asia funding drop-off continues: Deals to VC-backed Asian companies dropped a further 9 percent and funding dollars cratered 34 percent from the already-cooling figures of Q4'15.

Late-stage deals shrink dramatically: Q1'16 saw a sudden reversal of ballooning late-stage deal sizes in Asia. As mega-rounds became a rarer sight, median late-stage deal size crashed from \$154M in Q4'15 to \$62.5M in Q1'16.

China funding crashes further: VC-backed companies in China received \$4B in funding, or just 39 percent of the Q3'15 quarterly peak. Compared to the heady days of past quarters that saw multiple \$1B+ deals, there was just a sole \$1B+ deal in Q1'16, a \$1.2B round to Lu.com.

Corporates stay engaged in Asia: Corporates participated in over 30 percent of deals to Asian VC-backed companies for the third-straight quarter.

India activity slows again: With mounting investor hesitation and concerns of overvaluation, Indian investment continued to decline in Q1'16. Deals slipped 4 percent while funding fell 24 percent as VC-backed startups raised \$1.2B on 116 deals.



In Q1 2016

GLOBALLY

VC-backed companies raised

\$25.5 billion

Global VC activity slumps for second straight quarter

Caution defined the VC market globally during Q1'16. With numerous factors fostering uncertainty in the market and an ongoing skepticism of high valuations, VC activity pulled back even further following a late Q4 drop off in 2015.

Asia experiences steepest decline

With investors more hesitant, it is not surprising that both the size and number of deals dropped during this quarter. VC deal value in Asia experienced the sharpest decline, falling to less than half of its record setting \$14.3 billion Q3'15. Much of this decline is a result of a decrease in mega-deals in the region. While deals continue to occur in Asia, they are often not to the same scope as experienced during the high quarters of 2015.

North America and Europe slightly up following Q4 decline

North American VC activity was up slightly between Q4'15 and Q1'16, showing a small increase in deal value and slight drop in volume. With the prospect of rising interest rates and the forthcoming presidential election, the investment climate remains cautionary. This caution may have influenced the lack of IPO exits; the first quarter saw the smallest amount of funds raised from IPOs in 20 years.

While Europe's VC activity got off to a slow start in Q1'16, Spotify's massive \$1 billion funding round during the final week of the quarter lifted expected results for the region by almost one-third. As a result, VC deal value was up slightly compared to Q4'15.

VC funds working to raise capital

The overall decline in VC activity may simply be a short-term blip on the radar as investors take stock of their positions and become more directed with their investments. Many VC funds globally raised significant capital during the quarter, adding to the growing liquidity and dry powder in the market. Investors will likely look to deploy this capital over the next few quarters.

Investors focusing on performance over possibility

The days of unalloyed investor confidence are gone. VC investors are becoming more critical of potential investments, looking for companies that can demonstrate revenue creation, positive margins, profitability and an ability to control expenses. As a result, companies looking to attract investment will need to be much more efficient with their cash because it will likely be more expensive for them to raise additional capital in the future. They may also find themselves with more 'hands on' VC investors than they've experienced historically – with VC investors looking to have more say in capital spending and decision making.

Global VC activity slumps for second straight quarter (cont.)

Eyes on the Unicorns

With high profile companies failing to live up to their private valuations, existing and potential Unicorns are coming under more scrutiny than ever before. Especially in the US, investors are coming to believe that the high valuations in the market may not be warranted and are stepping back from making any significant mega-deals. Over the next few quarters, there will likely also be more scrutiny of existing Unicorns. In order to continue to attract funding, these companies will need to show tighter control of their expenses and positive margins. Those that can demonstrate positive margins, controlled expenses and profitability will likely be winners down the road, while others may fall to the wayside.

Corporate activity continues to be strong

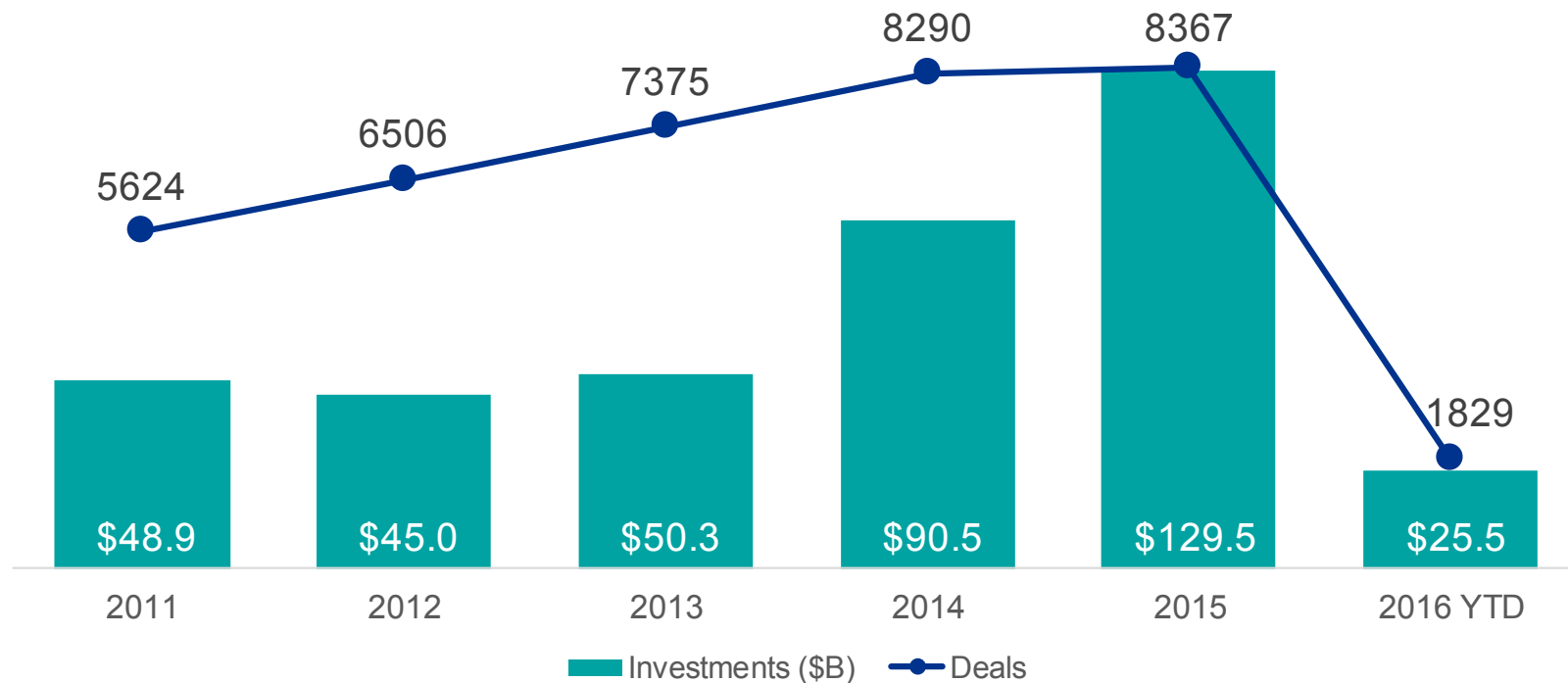
With valuations dropping and exit possibilities minimized, corporate participation as a percent of VC activity will likely remain strong throughout 2016. Despite market uncertainty, corporates continue to look for new technologies and innovations that they can leverage within their own organizations. Lower valuations can provide them with access to these innovations in a more cost-effective manner.

\$25.5B DEPLOYED ACROSS 1829 DEALS TO VC-BACKED COMPANIES IN THE FIRST QUARTER OF 2016

2015 was a record year in both deals and dollars invested in VC-backed companies, though we saw a marked pullback in financings towards year-end. 2016 has seen a less exuberant start; at the current run rate, deal activity is roughly on pace to match 2013 while investment dollars would fall between the 2014 and 2015 figures.

Annual Global Financing Trends to VC-Backed Companies

2011 – 2016 YTD (Q1'16)



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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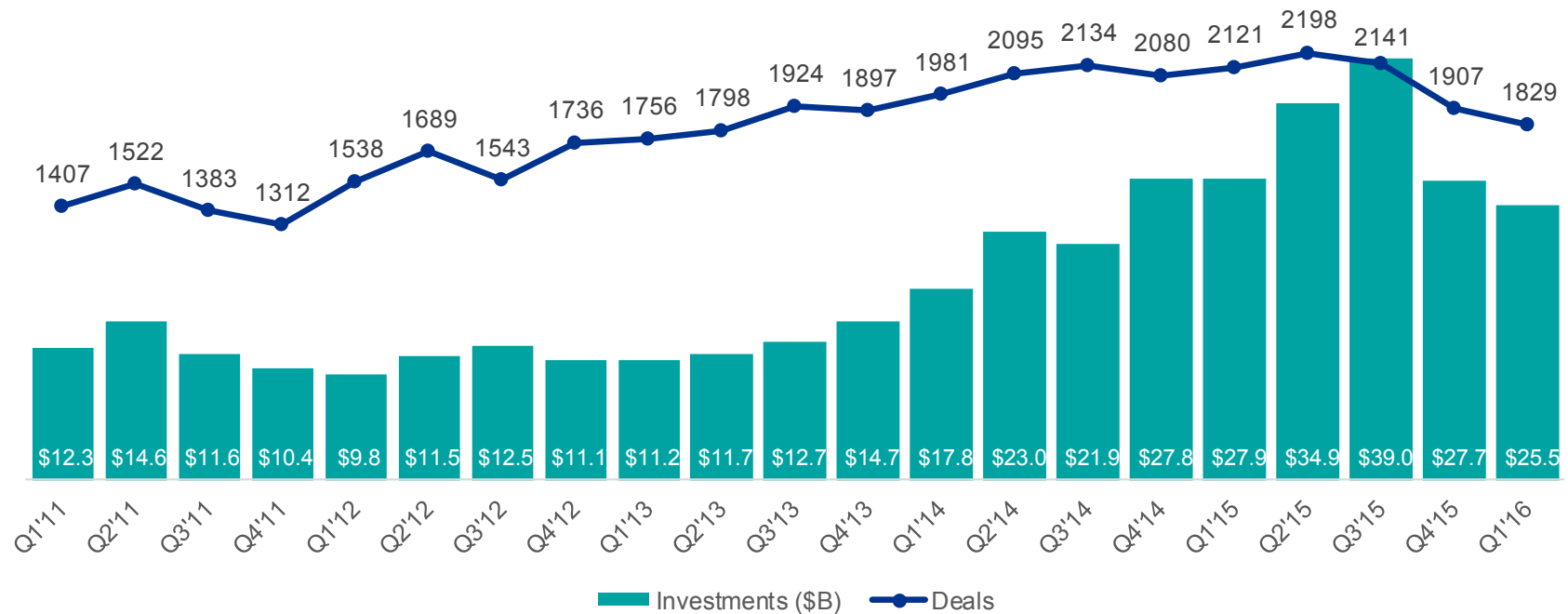
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Q1'16 SEES CONTINUED DECLINE FROM Q4'15 AS BOTH DEAL TALLY AND FUNDING DOLLARS DROP

The negative sentiment that caused a sharp correction in Q4'15 has continued to persist into the new year. Global funding fell a further 8% vs. the previous quarter as mega-round activity continued to cool. Deal count was a bit more stable but nevertheless fell 4% as opposed to recovering from the drastic drop-off in Q4'15.

Quarterly Global Financing Trends to VC-Backed Companies Q1'11 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

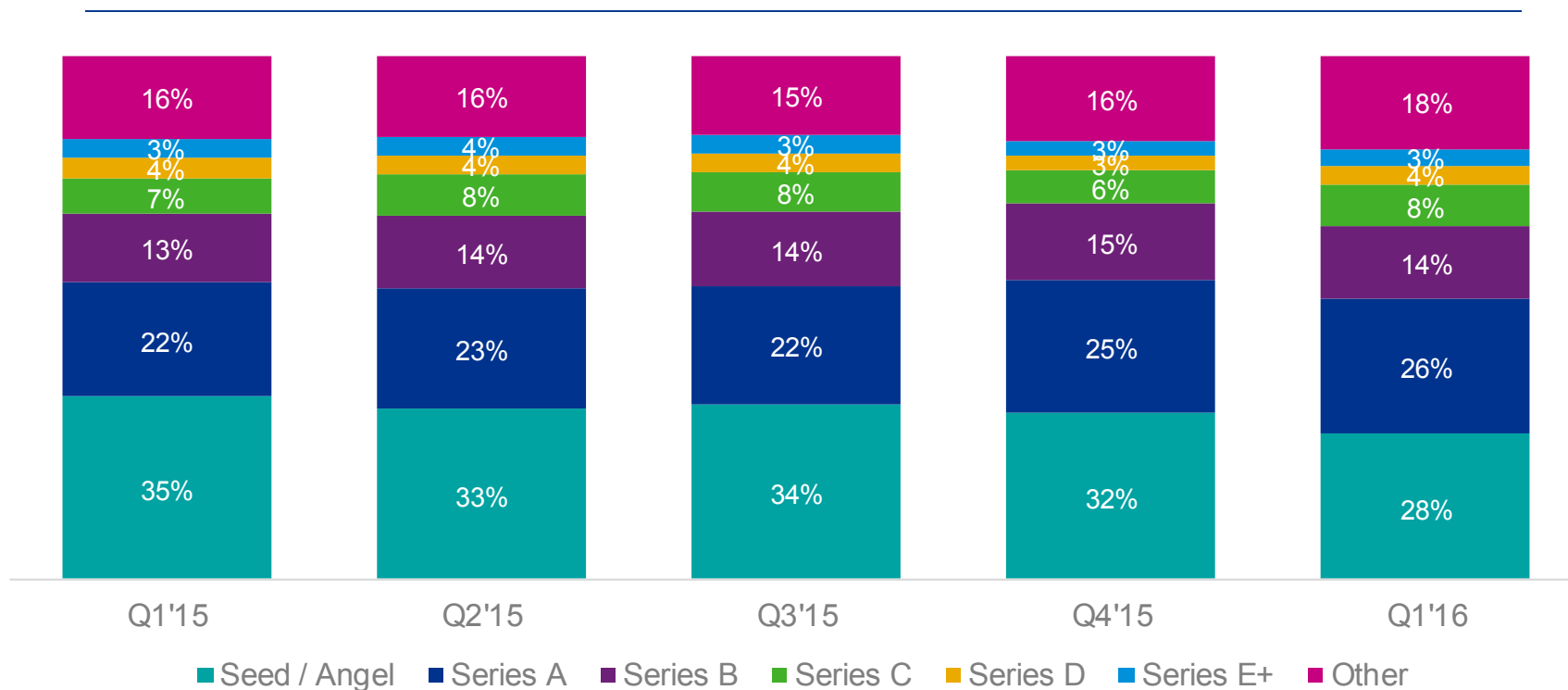
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SEED-STAGE DEAL SHARE FALLS TO 5-QUARTER LOW WHILE SERIES A RISES

Deal share to seed-stage investments abruptly dropped in Q1'16, down from 32% of the total in Q4'15 to just 28%. Series A deals continued to take a strong proportion of deals with the 26% in Q1'16 representing a 5-quarter high for A rounds.

Quarterly Global Deal Share by Stage

Q1'15 – Q1'16



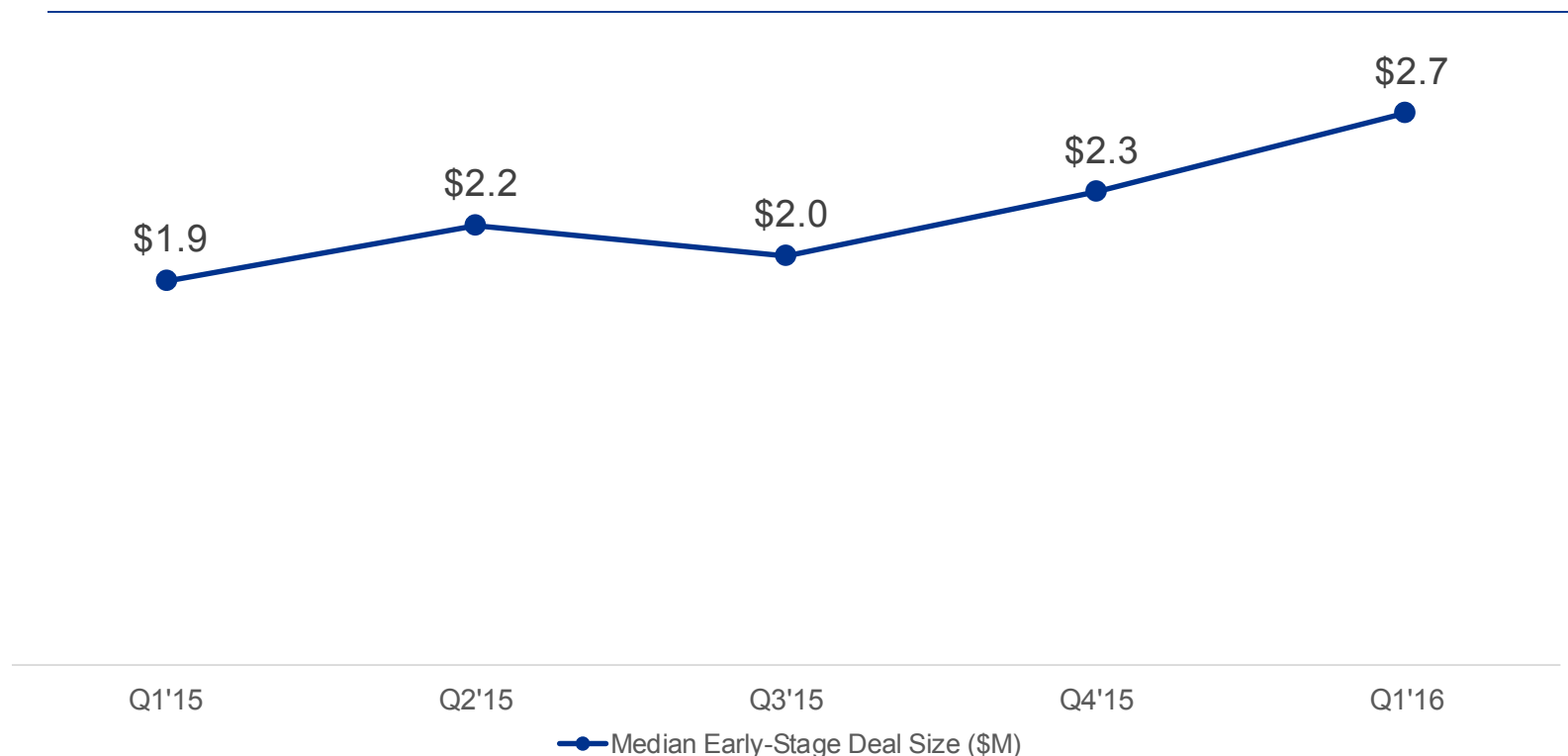
Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

MEDIAN EARLY-STAGE DEAL SIZE TICKS UPWARD TO 5-QUARTER HIGH

Median early-stage (Seed - Series A) deal size among all VC-backed companies hit \$2.7M in Q1'16, up 17% from the previous quarter. This reflects the active ecosystem of micro-VCs, multi-stage funds and strategic investors actively pursuing early-stage deals.

Global Early-Stage Deal Size

Q1'15 – Q1'16



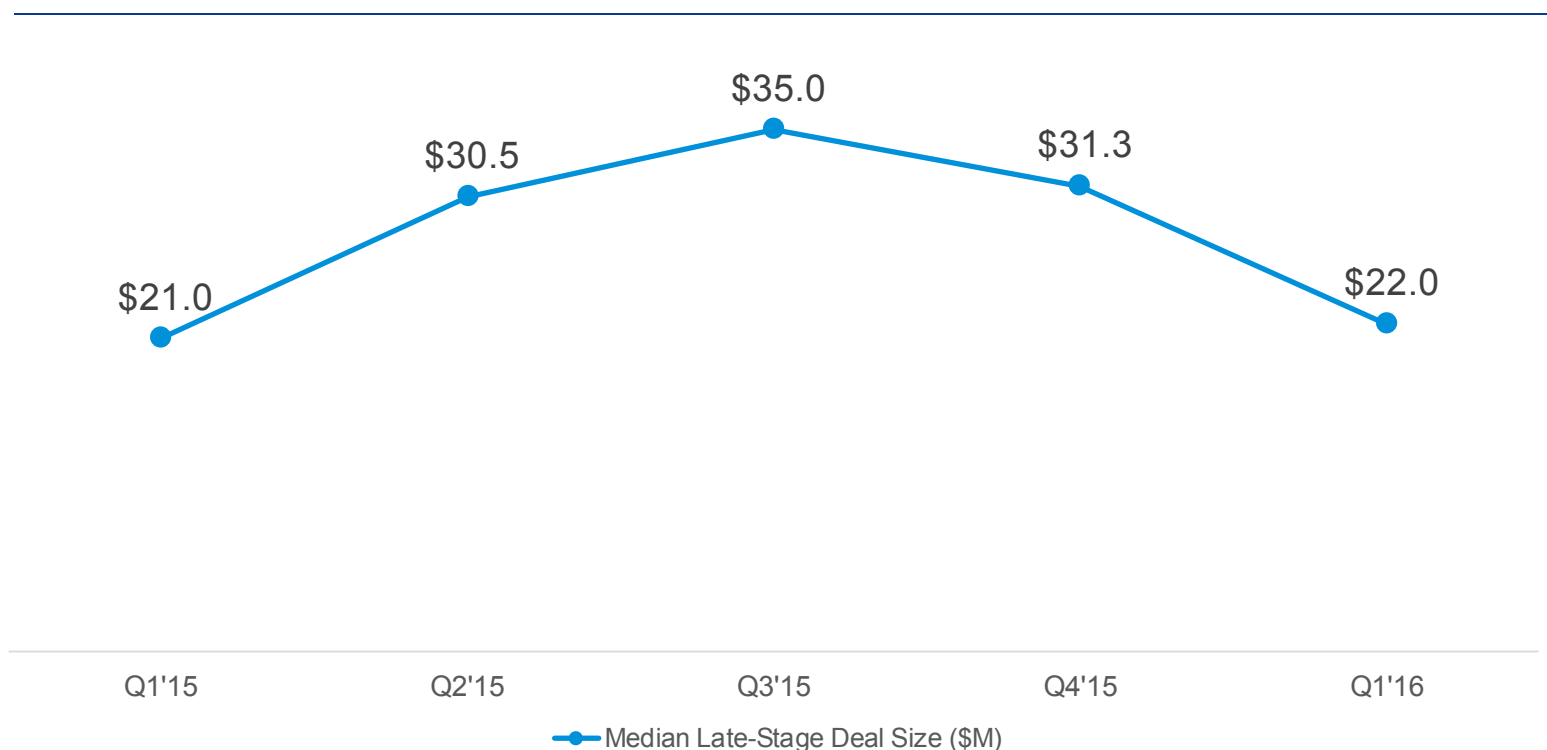
Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

GLOBAL MEDIAN LATE-STAGE DEAL SIZES CONTINUE TO FALL

The continued decline of mega-rounds led to a further drop in global median late-stage (Series D or later) deal sizes. Q1'16's median late-stage deal size plunged 30% from the previous quarter to just \$22M, nearing the pre-euphoria figures of Q1'15.

Global Late-Stage Deal Size

Q1'15 – Q1'16



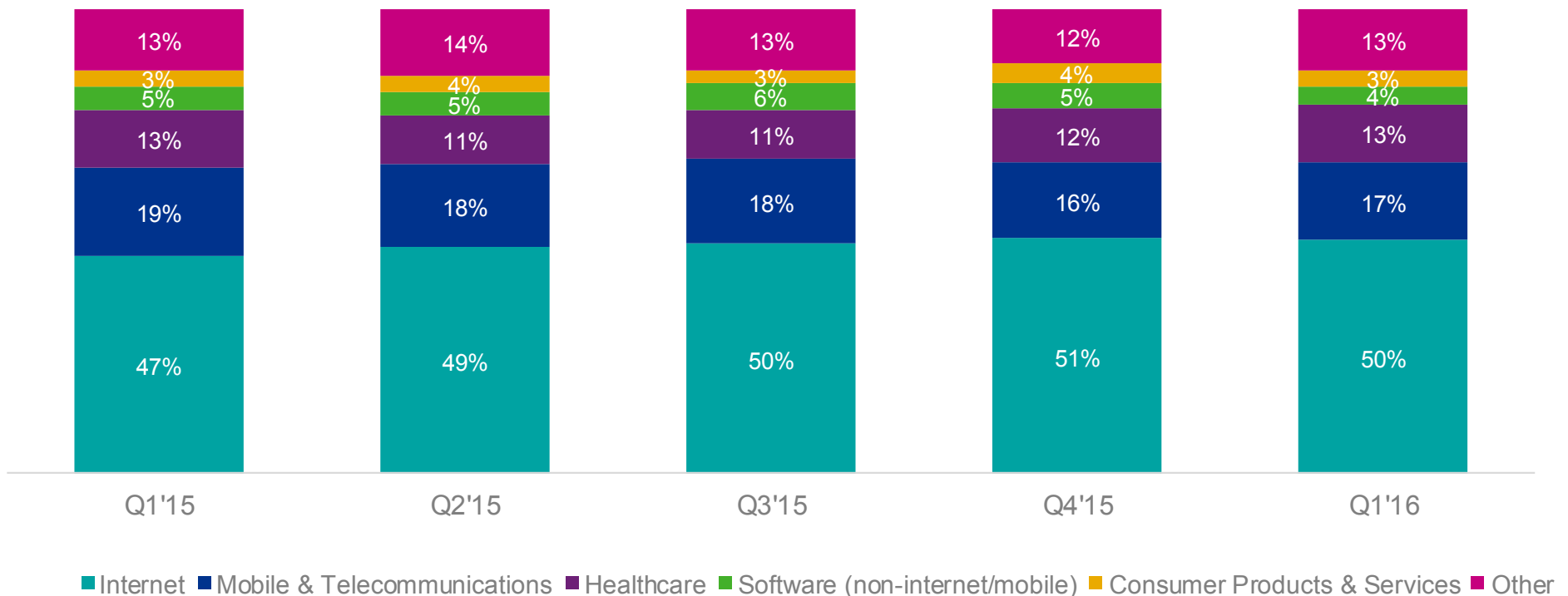
Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

INTERNET AND MOBILE CONTINUE TO ACCOUNT FOR TWO-THIRDS OF ALL VC-BACKED DEALS

Internet and mobile once again took the majority of deals going to VC-backed companies. These two major sectors accounted for 67% of all deals in Q1'16. All other sectors remained fairly range-bound, with healthcare taking 13% and non-internet/mobile software hitting a 5-quarter low at 4%.

Global Quarterly Deal Share by Sector

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

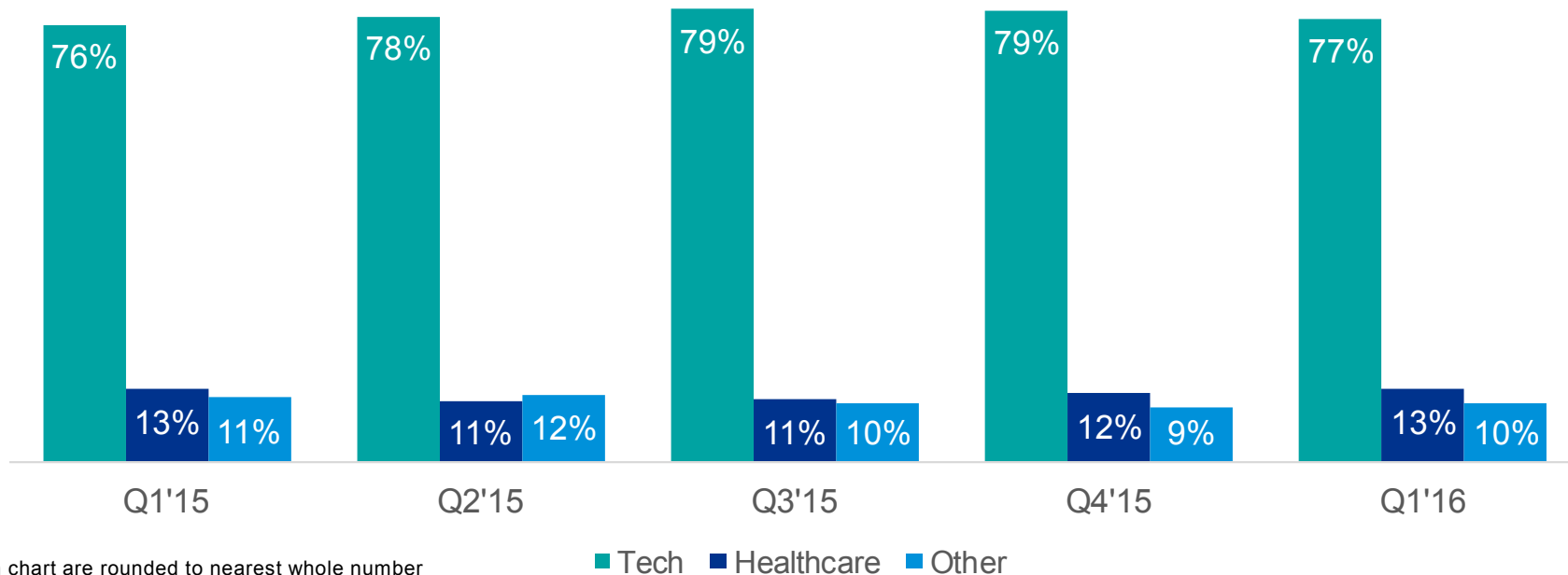
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TECH MAINTAINS GIANT INVESTMENT DEAL LEAD OVER HEALTHCARE, OTHER SECTORS

Tech companies have taken 76%+ of all deal activity to VC-backed firms in each of the past 5 quarters. Healthcare failed to receive more than 13% in any quarter over the same period while all other sectors combined have not topped 10% since Q2'15.

Quarterly Global Tech vs. Healthcare Deal Share

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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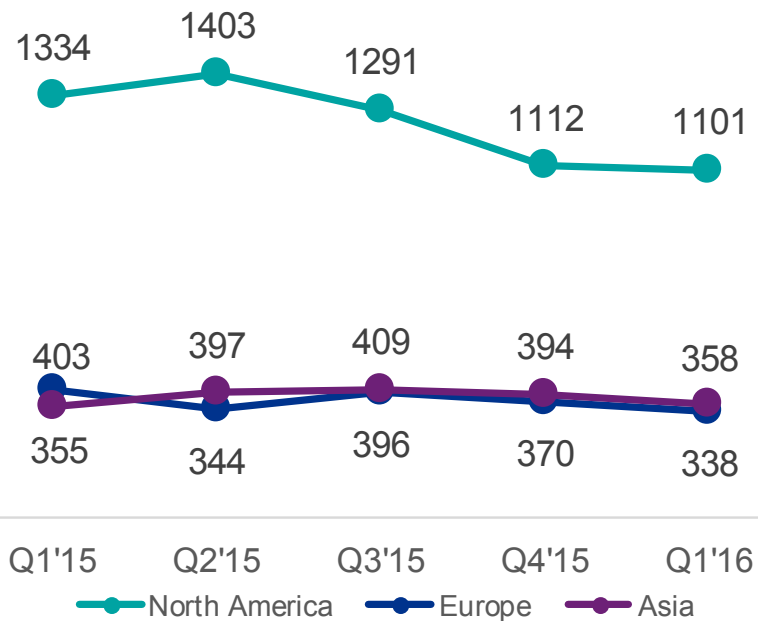


VC-BACKED COMPANIES IN ASIA CONTINUE TO FEEL FUNDING CHILL IN Q1'16

Asia saw another significant drop-off in funding to VC-backed companies in Q1'16, with the \$6.5B in total funding representing less than half of the frothy Q3'15 peak. Meanwhile, funding rose slightly in both North America and Europe. Deal activity in North America was flat from the previous quarter while both Asia and Europe saw a continued slide.

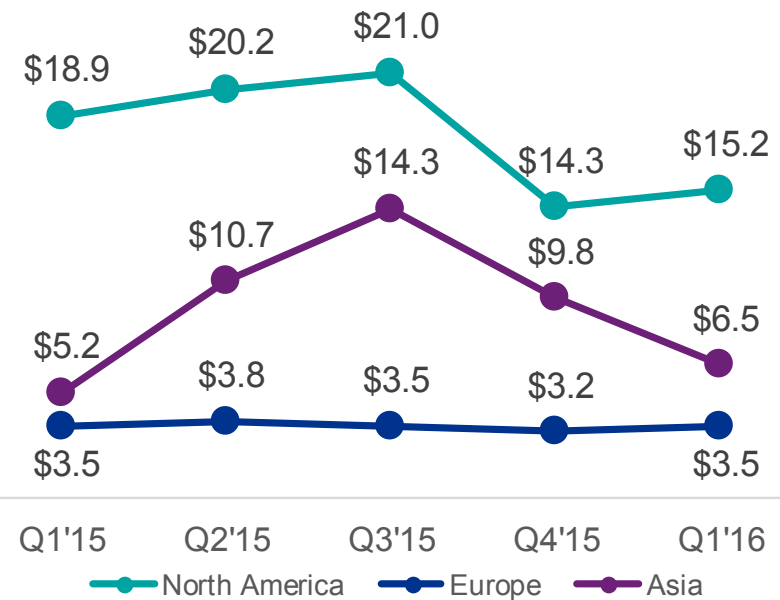
Deal Count by Continent

Q1'15 – Q1'16



Investment (\$B) by Continent

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

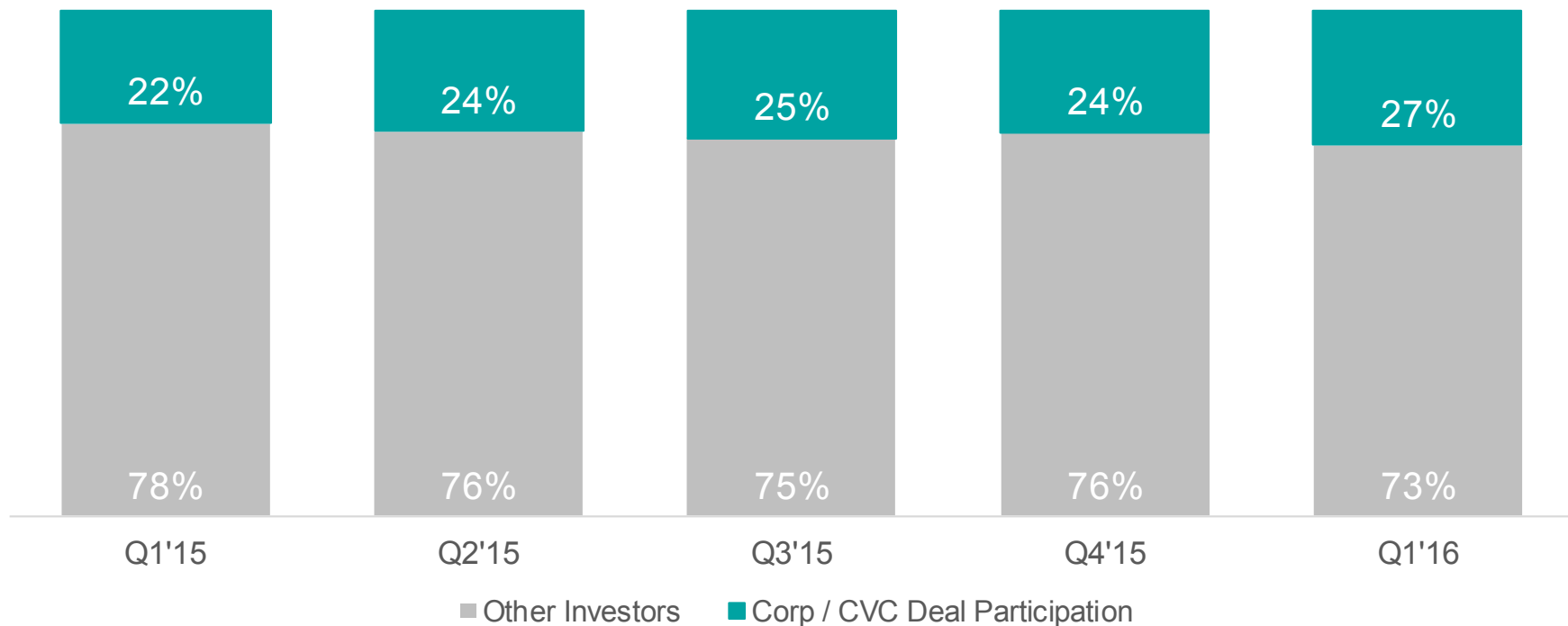
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CORPORATES ACCELERATE INVESTMENT PACE INTO VC-BACKED COMPANIES

Corporate and CVC deal participation into VC-backed companies rose to 27% of deals in Q1'16, marking a 5-quarter high. Corporate interest in private markets has steadily risen as companies seek opportunities for growth as well as defense against rapidly evolving technologies.

CVC Participation in Global Deals to VC-Backed Companies

Q1'15 – Q1'16



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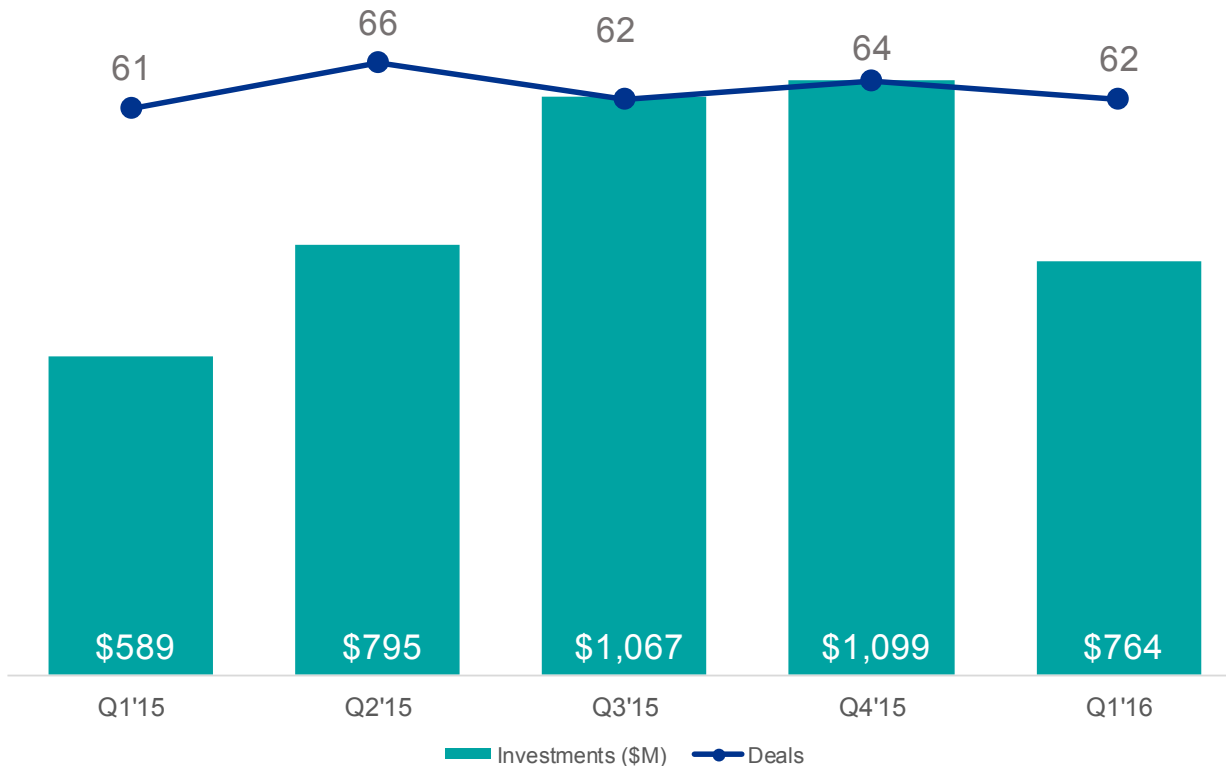


CYBERSECURITY VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q1'16

Cybersecurity Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Mobi Magic

\$100M // Series B

Skybox Security

\$96M // Private Equity

Pindrop Security

\$75M // Series C

Top Countries

United States

41 Deals // \$564.3M

Israel

7 Deals // \$53.8M

United Kingdom

5 Deals // \$18.4M

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

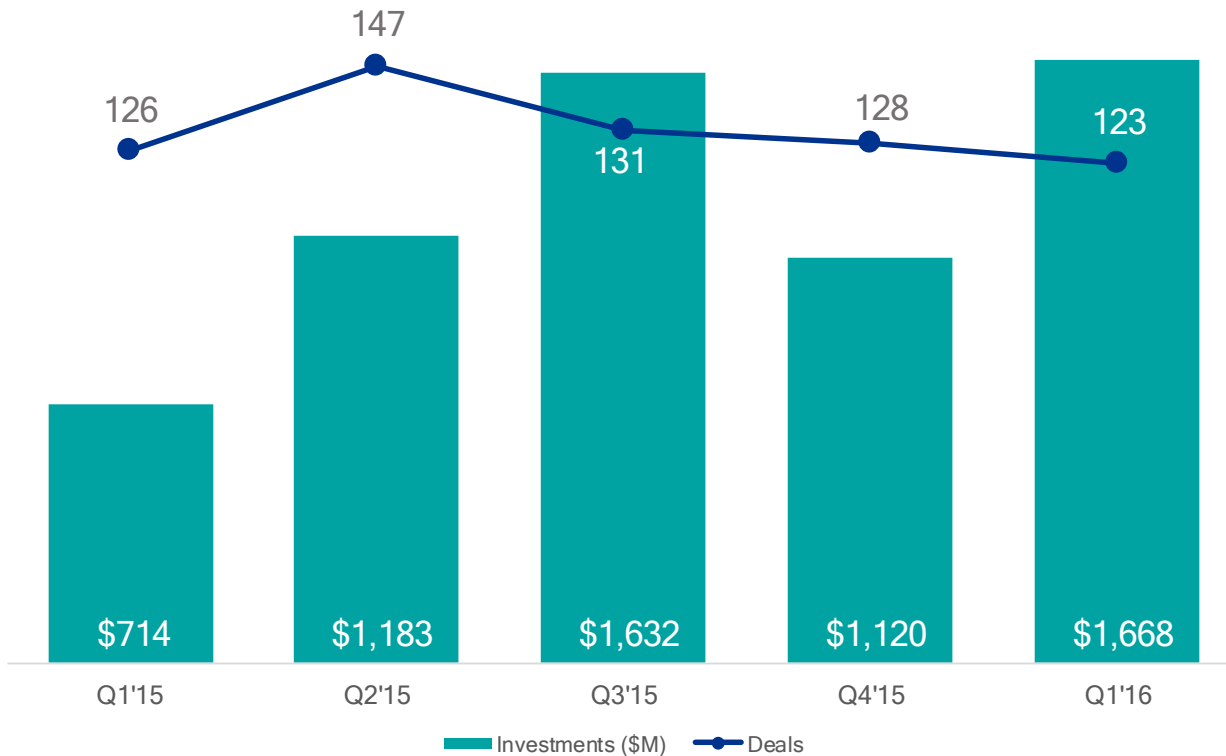
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DIGITAL HEALTH VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q1'16

Digital Health Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Oscar Health

\$400M // Series C

Flatiron Health

\$175M // Series C

Jawbone

\$165M // Series F

Top Countries

United States

84 Deals // \$1.4B

China

10 Deals // \$121.6M

Germany

5 Deals // \$6.6M

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Digital health offering real opportunities for VC investors

Recent advances in consumer technology are rapidly expediting the evolution of patient-centered care models around the world by providing ways to leverage technology to personalize the healthcare process.

The potential offered by these 'digital health' solutions is creating a lot of buzz in the VC market. Total VC investment in digital health was up significantly in Q1 compared to Q4'15 despite decreases in other sectors. The biggest digital health deal in Q1'16 went to Oscar Health, a health insurance company whose business model leverages emerging digital health technologies, that raised \$400m in Series C funding.

Recession-proof investment area

Given how many countries are working to improve the quality and reach of their healthcare systems, digital health is somewhat recession proof. The industry also involves a multitude of interested players – from large pharmaceutical companies and local healthcare providers to insurance companies, device manufacturers and big technology companies like Apple and Google. These players make digital health even more attractive to VC investors because exit routes extend well beyond the traditional IPO.

Solutions becoming specific and data-driven

In Q3'15, we talked about digital technologies reshaping the administration of health care – from improving scheduling to improving accessibility. In Q1'16, digital health investments focused on personalization and specificity – such as technologies that encourage medication adherence and technologies that monitor individual health metrics and report anomalies. Other investments focused on solutions targeting the most at risk within society, including infants and seniors.

Over the next few quarters, digital health investments will continue to expand and evolve. One critical area where investments will likely focus is on the use of artificial intelligence to utilize and analyze the data available from wearable technologies or to provide alternative service delivery.

Challenges can't be ignored

While digital health will likely continue to be an active area for VC investments, investors should not fail to consider the challenges associated with the uptake of new healthcare solutions. Regulatory issues, data management, culture change – each of these could create significant implementation roadblocks. Making sure companies have a real means to implement their solutions will be critical to the success of any VC investments.

“Digital health is becoming very attractive to investors because acquisition and exit routes are so diverse - you don’t need to IPO. There are a multitude of potential acquirers, from big pharma and community providers to device manufacturers, insurance companies and big technology companies like Google and Apple.”



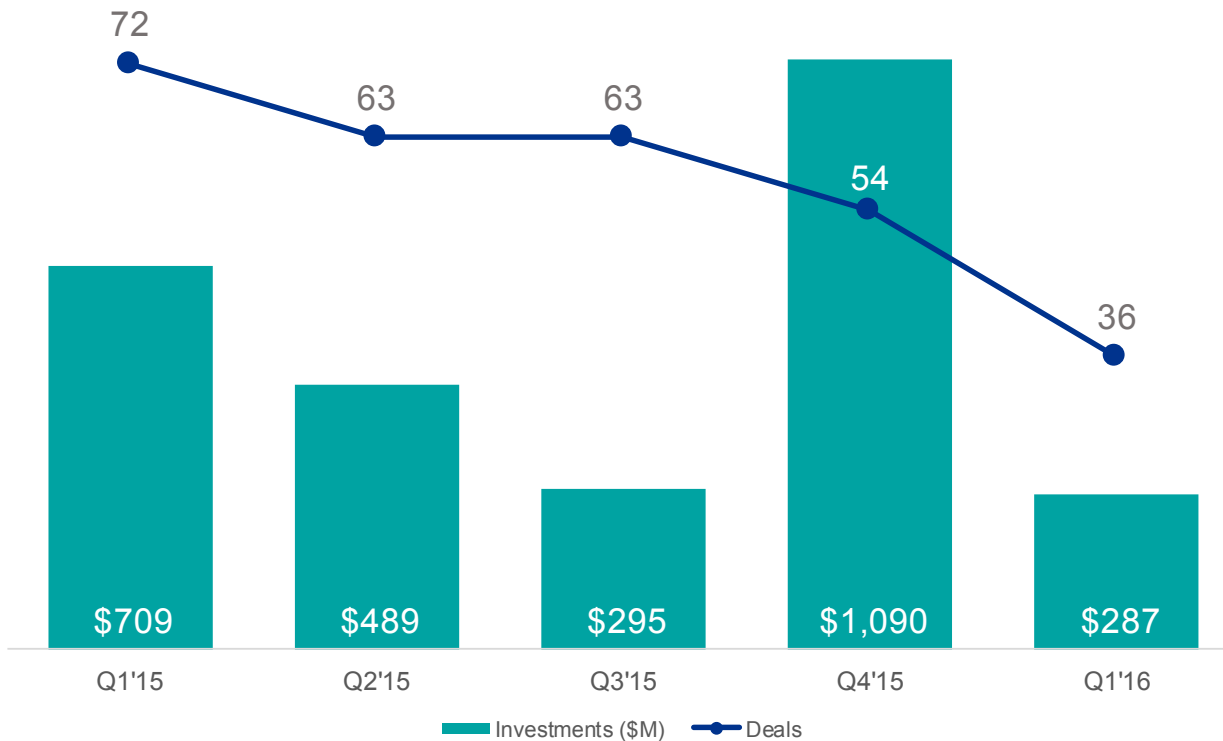
Brendan Martin
*Lead Health Technology, High
Growth Tech Growth,
KPMG in the UK*

ED TECH VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q1'16

Ed Tech Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Byju's

\$75M // Growth Equity

Grovo Learning

\$40M // Series C

Everspring

\$27.5M // Growth Equity

Top Countries

United States

33 Deals // \$628.7M

China

7 Deals // \$414M

Netherlands

3 Deals // \$4.6M

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

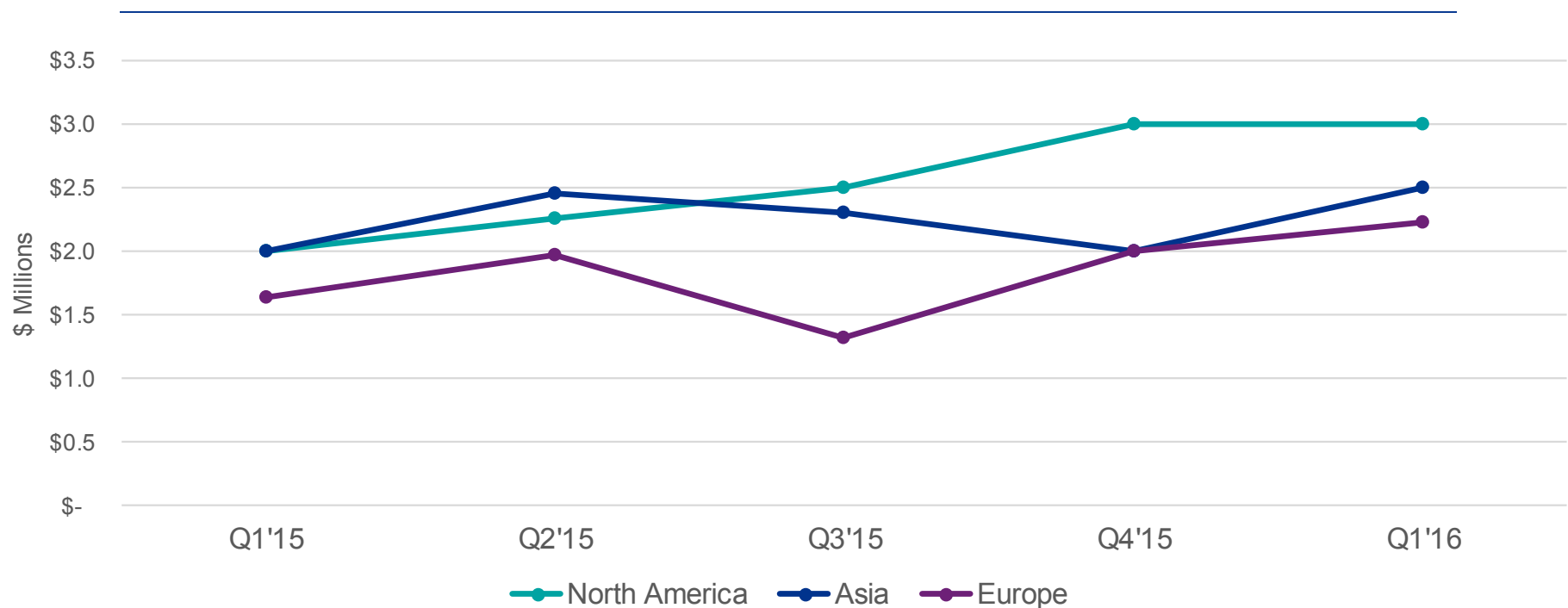
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NORTH AMERICA MAINTAINS EARLY-STAGE DEAL SIZE GAP OVER ASIA AND EUROPE

North American VC-backed companies continued to see larger median early-stage deals, holding steady from Q4'15 at \$3M. After Asia and Europe briefly converged in Q4'15, Asian deal sizes broke away, landing at \$2.5M for Q1'16 compared to Europe's \$2.2M.

Median Early-Stage Deal Size Continent Comparison

Q1'15 – Q1'16



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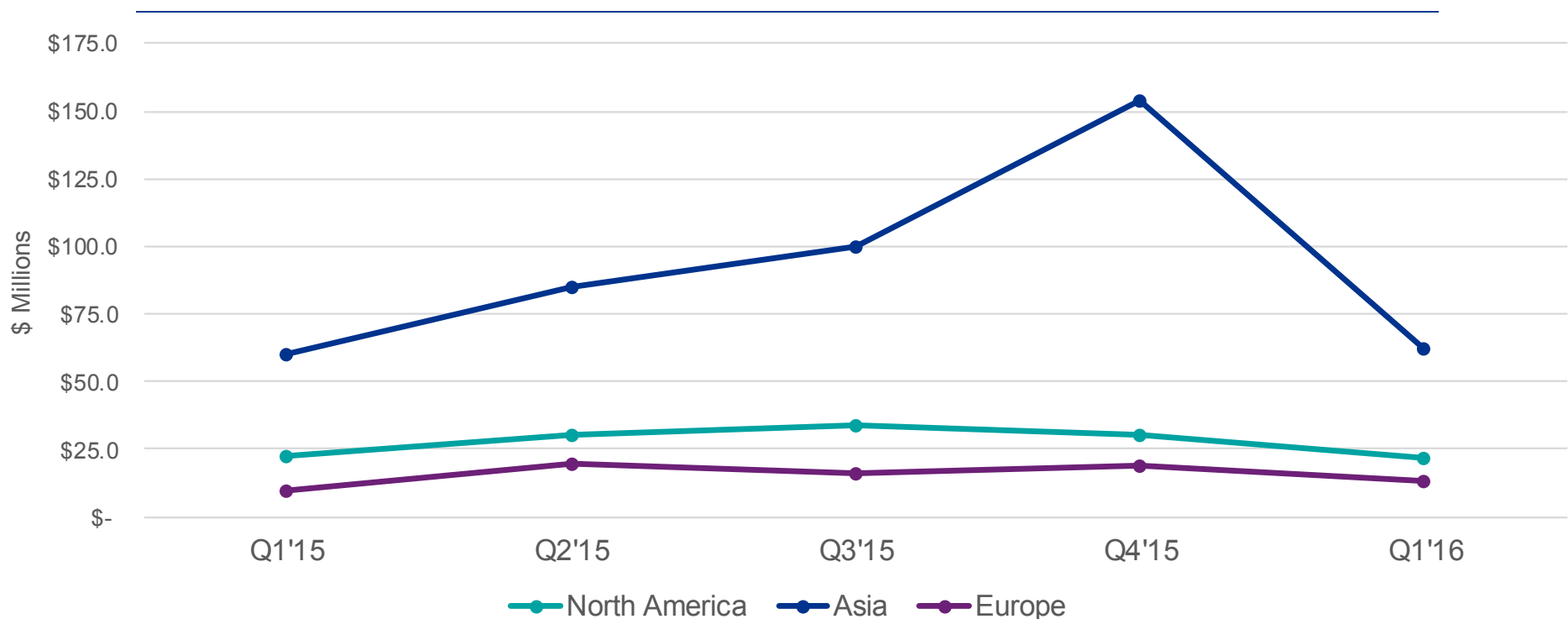
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ASIA STILL HAS LARGEST MEDIAN LATE-STAGE DEALS BUT SEES SHARP DROP IN Q1'16

Median late-stage deal sizes in Asia rose to stratospheric heights in late 2015, but deal size abruptly fell off to \$62.5M in Q1'16, nearly reaching the \$60M of Q1'15. However, late-stage deals in Asia maintain a sizeable gap versus North America and Europe. Both of these continents also saw a drop in median deal size in Q1'16, with North America falling below \$25M for the first time since Q1'15.

Median Late-Stage Deal Size Continent Comparison

Q1'15 – Q1'16



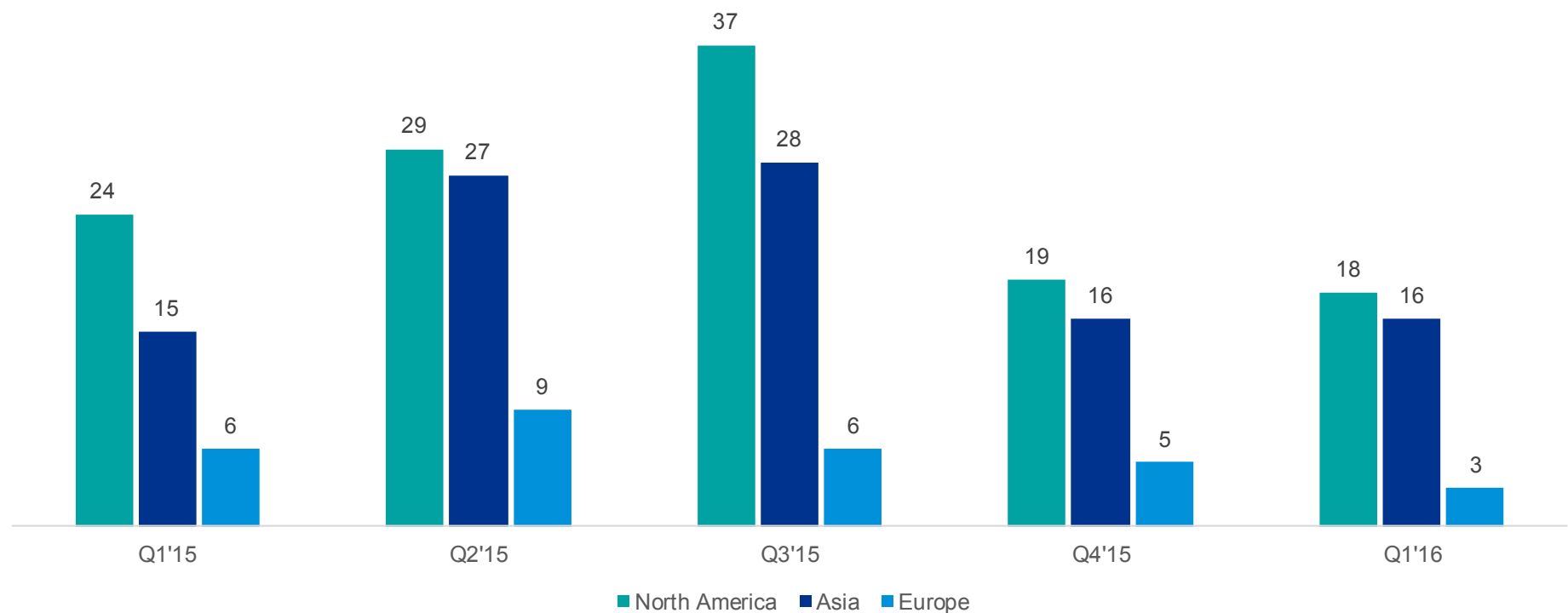
Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

\$100M+ MEGA-ROUNDS TO VC-BACKED COMPANIES HAVE FALLEN BACK TO EARTH

The scramble to find the next Unicorn saw investors open their checkbooks for mega-rounds throughout most of 2015. However, these \$100M+ equity financings remain depressed after falling off a cliff in Q4'15, with all major markets trending flat at best. Q1'16 saw \$8.7B invested across 37 such deals, compared to \$11.5B over 40 deals last quarter.

\$100M+ Financings to VC-Backed Companies

North America vs. Asia vs. Europe, Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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“Given the tougher environment for raising funds, we anticipate many of the Unicorns will tighten their belts by pulling back on spending, driving operational improvements and being more cautious with the money they already have - because it will be more expensive for them to raise capital in the near future.”



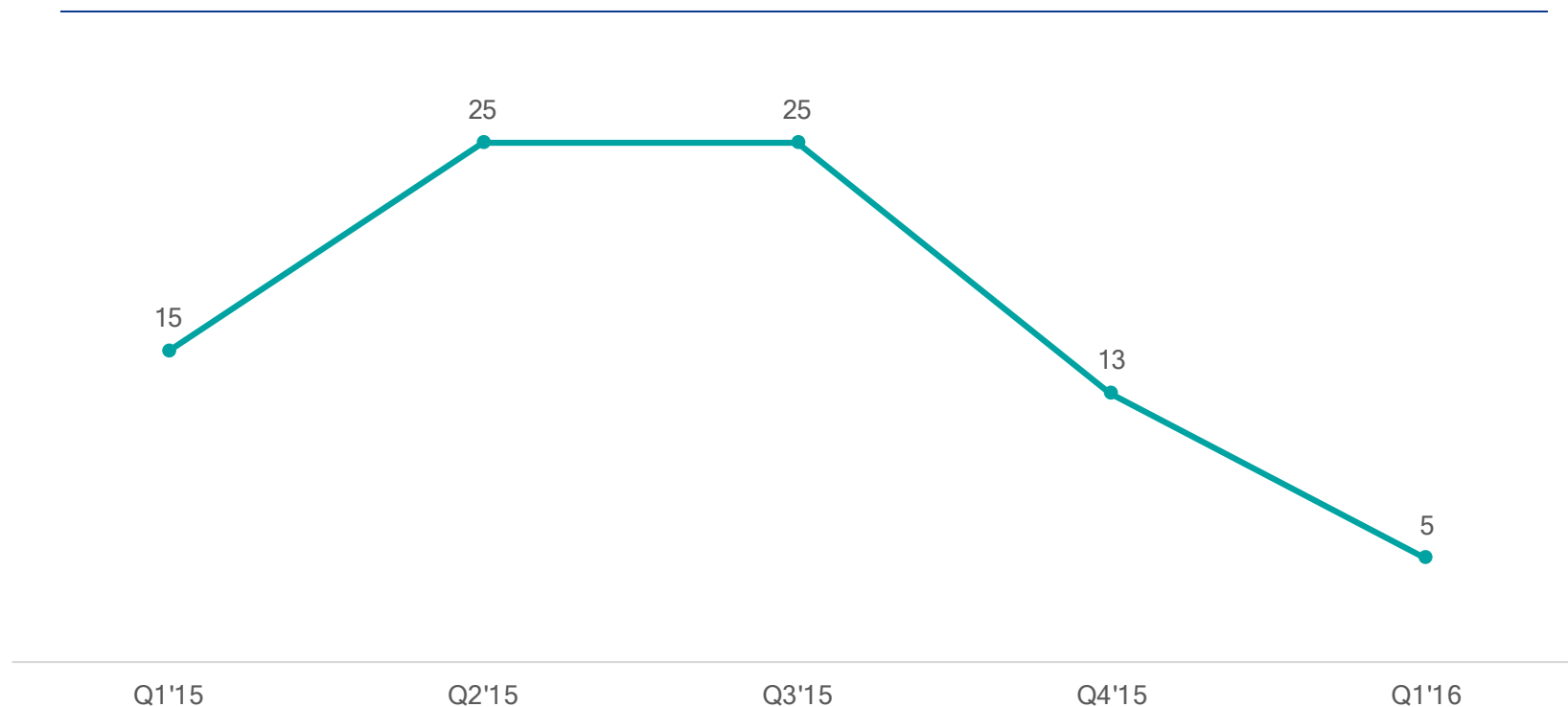
Arik Speier
*Co-Leader, KPMG Enterprise
Innovative Startups Network and
Head of Technology,
KPMG in Israel*

MOUNTING PRESSURES PUSH UNICORN CREATION PACE TO NEAR-STANDSTILL

Q1'16 has borne witness to high-profile Unicorn company issues, layoffs, down rounds and mutual fund valuation markdowns. This, mixed with hostile conditions in public technology markets, has resulted in a 5-quarter low for Unicorn creations. Just 5 new VC-backed companies entered the Unicorn club in Q1'16, less than half that of any quarter since Q1'15.

VC-Backed Companies Entering The Unicorn Club

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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#Q1VC



Investor behaviors are changing the way companies do business

Over the past few quarters, one VC market trend has become increasingly clear: the days of unhindered investor confidence are gone. With much of the global IPO market stalled in Q1'16 and many IPOs from the second half of 2015 having failed to realize their private sector valuations, VC investors are becoming much more skeptical and demanding of their investees.

The idea of a company having a successful exit based on high revenue growth rate, despite a similar growth rate for expenses, is not going to work anymore.

Companies must re-evaluate what they need to do to raise funds.

Investors require more information and want more protection

For much of 2014 and 2015, investors focused decisions on top-line revenue growth. But in Q1'16, it became apparent that this focus isn't enough. Investors are increasingly questioning the overly optimistic assumptions and forecasts being made by early-stage investors without a strong business plan outlining how such assumptions will be achieved.

Investors know that company potential and actual profitability can be very different things. As a result, investors are requiring much more from prospective companies looking for funding. They want companies to demonstrate revenue creation, positive margins, the ability to control expenses, and profitability - or a realistic path to achieve it. In some industries, investors might also evaluate other performance metrics – like customer retention, bookings or operating margin.

Investors are also asking companies for more guarantees and protection related to their investments. For example, Spotify was able to raise \$1 billion during Q1'16. However, the funding was raised as convertible debt with strict investor guarantees tied to a forthcoming IPO. Moving forward, such investor protection is likely to become a more frequent component of major funding deals.

Early-stage companies must have their ducks in order

With investors conducting more due diligence on potential investments, seed and early-stage deals suffered considerably in many parts of the world during Q1'16. To attract investors, early-stage companies need to be more prepared than ever. This means re-thinking their approach and developing a more robust pitch.

Investor behaviors are changing the way companies do business (cont.)

Rather than simply focusing on the size of the market, market share and potential revenues, companies need to show that they have a way to do business profitably. In some cases, they may need to accelerate their plans to achieve profitability so that it occurs much sooner in their life-cycle than may have been accepted historically. If companies do not have a defined plan and a reasonable turnaround time for achieving profitability, investors will likely be more skeptical and less likely to invest.

Late-stage companies may need to make tough decisions

Unicorns and late-stage companies will likely be challenged the most by current market realities. That's because they've been able to raise previous funding rounds without the same level of scrutiny. With new investor pressures, companies will need to focus on the fundamentals. This will require many companies to make hard choices about how to achieve profitability – such as conducting layoffs or making cuts to discretionary spending. Such activities may require major culture changes which may foster anxiety. To be successful, companies will need to be able to explain to their stakeholders and employees what they are doing and why they are doing it. This is why some large companies are, in fact, decelerating their growth. Instead, they are focusing their efforts on making sustainable operational improvements that will put them in a more profitable position moving forward.

“Over the next 6 to 9 months, there will likely be a shakeout amongst Unicorns. Those that can demonstrate revenue growth, positive gross margins, expense control and a path to profitability....may take a slight hit in valuation, but are likely to be the winners down the road.”



Brian Hughes

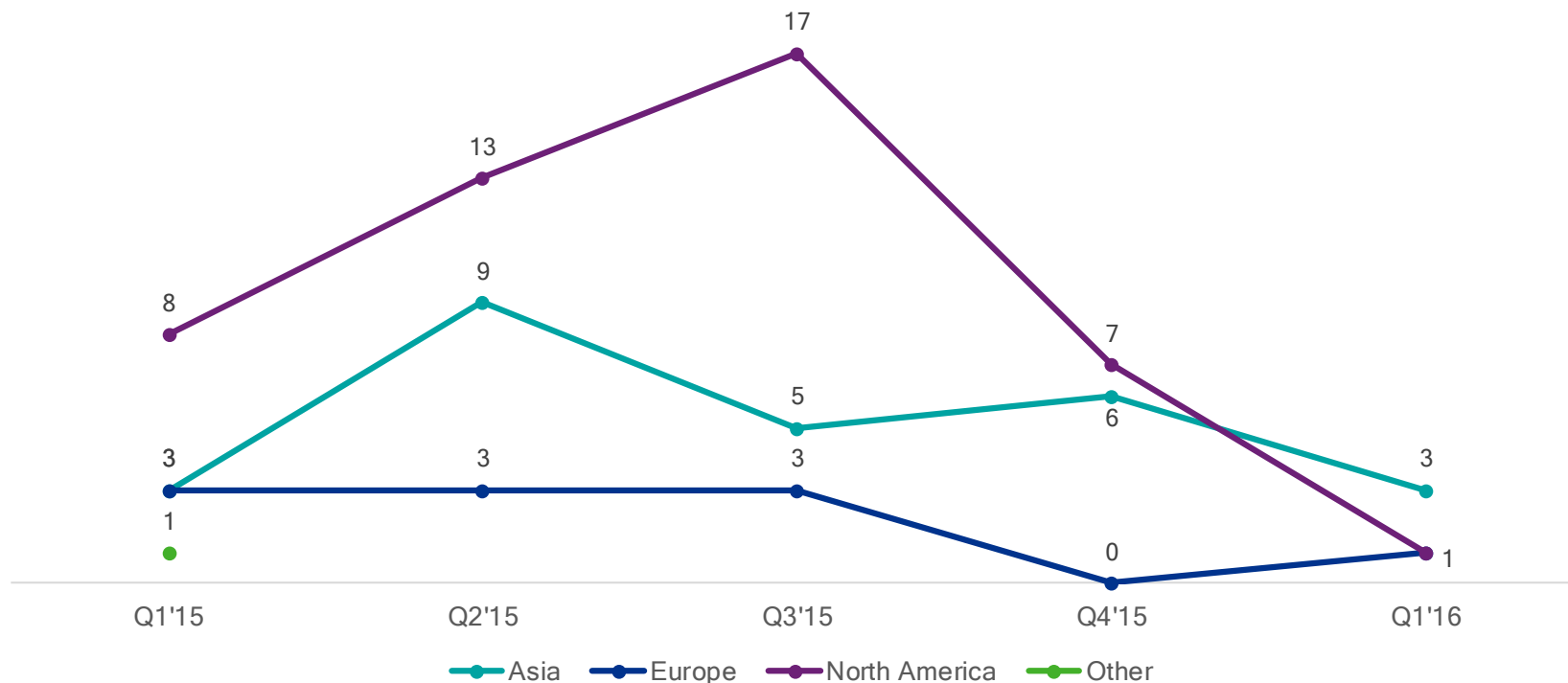
*Co-Leader, KPMG Enterprise
Innovative Startups Network, and
National Co-Lead Partner, KPMG
Venture Capital Practice,
KPMG in the US*

NEW UNICORNS RARE ACROSS ALL MAJOR REGIONS IN Q1'16

Across regions, Europe saw a slight uptick with one new Unicorn, but this was not nearly enough to offset the dearth of new Unicorns in North America and Asia. North America, in particular, saw just one new VC-backed Unicorn for the quarter, a precipitous drop from the 17 it had in Q3'15.

VC-Backed New Unicorn Companies by Continent

North America vs. Europe vs. Asia vs. Other, Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

NOTABLE 'REST OF WORLD' Q1'16 FINANCINGS

Company	Round	Country	Select Investors
Nubank	\$52M (Series C)	Brazil	Founders Fund, Kaszek Ventures, Sequoia Capital, Tiger Global Management
Travelstart	\$40M (Unattributed)	South Africa	Amadeus Capital Partners, MTN Zambia
dr.consulta	\$25.9M (Series A)	Brazil	Kaszek Ventures, LGT Venture Philanthropy
Cyara	\$25M (Series A)	Australia	Greenspring Associates, PeakSpan Capital
iROKOfv	\$19M (Series E)	Nigeria	Canal+ Group, Kinnevik
Global Kinetics	\$11.46M (Series A)	Australia	Brandon Capital Partners, OurCrowd.com
Culture Amp	\$10M (Series B)	Australia	Blackbird Ventures, Felicis Ventures, Index Ventures
WebRadar	\$10M (Series B)	Brazil	DGF Investimentos, Qualcomm Ventures
Elastagen	\$9.13M (Series B)	Australia	ATP Innovations, Brandon Capital Partners, GBS Venture Partners, Korea Investment Partners
Enjoei	\$5M (Series A)	Brazil	Bessemer Venture Partners, Monashees Capital

SELECT VC-BACKED EXITS IN NORTH AMERICA

Company	Exit Type	Valuation	Select Investors
Legendary Entertainment	Corp. Majority (Wanda Group)	\$3.5B	Accel Partners, Softbank Corp., TomorrowVentures
Jasper Technologies	Acquisition (Cisco Systems)	\$1.4B	Benchmark Capital, Sequoia Capital, DAG Ventures
Cruise Automation	Acquisition (General Motors)	\$1B	Qualcomm Ventures, Spark Capital, Maven Ventures
Brightree	Acquisition (ResMed)	\$800M	Battery Ventures
Padlock Therapeutics	Acquisition (Bristol-Myers Squibb)	\$600M	Atlas Venture, MS Venture, Johnson & Johnson Innovation



“I think we have, between what Cruise brings to the table and all the capabilities we have inside of GM, we have a really strong position to rapidly commercialize this technology.”

Dan Ammann
President, General Motors

Quote source: [The Verge](#)
Image source: [Pensions & Investments](#)

SELECT VC-BACKED EXITS INTERNATIONALLY

Company	Exit Type	Valuation	Select Investors
Leaba Semiconductor	Acquisition (Cisco Systems)	\$320M	Bessemer Venture Partners, Pitango Venture Capital
Swiftkey	Acquisition (Microsoft)	\$250M	Octopus Ventures, Accel Partners, Index Ventures
Altair Semiconductor	Acquisition (Sony)	\$212M	Giza Venture Capital, Jerusalem Venture Partners, Bessemer Venture Partners
Captain Train	Acquisition (Trainline.com)	\$189M	Index Ventures, Alven Capital
Replay Technologies	Acquisition (Intel)	\$175M	Samsung Ventures, Deutsche Telekom Capital Partners, Guggenheim Partners



“The LTE landscape is much more complex than that of other 4G technologies due to the fragmented global spectrum map and varying combinations of frequency bands...”

Eran Eshed
Co-Founder, Altair Semiconductor

Quote source: [PR Newswire](#)
Image source: [Wireless Design Mag](#)

In Q1 2016

NORTH AMERICAN

VC-backed companies raised

\$15.2 billion

VC investment in North America holds steady

There's a lot of uncertainty in the North American market at the moment. With the November US presidential election looming closer, US interest rates rising and growing concern over high valuations – many investors are taking a pause to evaluate what is happening in the market. Despite this pause, North America's VC activity remained relatively stable in Q1'16 following a sharp decline at the end of 2015.

VC funds focused on raising capital during Q1

During 2015, VC investors deployed a significant amount of capital in North America. Many VC funds are now taking stock of these investments and preparing for the future. For many, Q1'16 was an opportunity to focus on raising capital, rather than deploying it. In fact, the 1st quarter was one of the highest for raising capital since the dot-com boom of 2000. This fund-raising activity bodes well for the remainder of 2016, as investors will likely be looking to deploy capital raised.

Late-stage investments under more scrutiny

It appears that VC investors are scrutinizing late-stage and mega-deals far more closely. Investors recognize that valuations have been too high in some cases and are now making a stronger effort to ensure the late-stage companies they are considering investing in are well-positioned to achieve their stated objectives.

As part of the enhanced scrutiny, VC investors are focusing on companies that can create revenue, have positive growth margins, are in control of their expenses and either show profitability or have a proven pathway to achieve profitability over time. Having an innovative technology or offering will not be enough to obtain investors in today's VC market. Companies will need to be able to show they have strong business acumen and are well-positioned to deliver.

Investors protecting their downside

While investors are continuing to invest in companies that demonstrate positive growth margins, a path to profitability and other positive metrics, they are also making moves to protect their downside more so than historically. This is because valuations are continuing to drop.

Investors are protecting themselves by changing the instruments they are investing in and tying them to discounts in possible liquidity events that might happen in the future. There are many recent examples of this, not only in the US, but internationally. For example, Spotify raised \$1 billion using convertible debt which came with strict investor guarantees tied to a forthcoming IPO. Investor protection will continue to be a significant issue over the coming quarters.

VC investment in North America holds steady (cont.)

Long-term view remains positive for VC investment

While the last 2 quarters showed a weakening VC market, long-term trends remain positive. While the number of IPO exits has been at historic lows - with no technology IPOs at all during Q1'16 – there has been a growth in VC-related M&A activity. The trend toward M&A exits over IPOs is expected to continue heading into Q2.

Additionally, the longer-term outlook for VC activity is positive. VC returns for the 10-year period ended September 30, 2015 were 11 percent, compared to S&P's 6.8 percent. As long interest rates remain relatively low, the VC market will likely remain a good place to deploy capital.

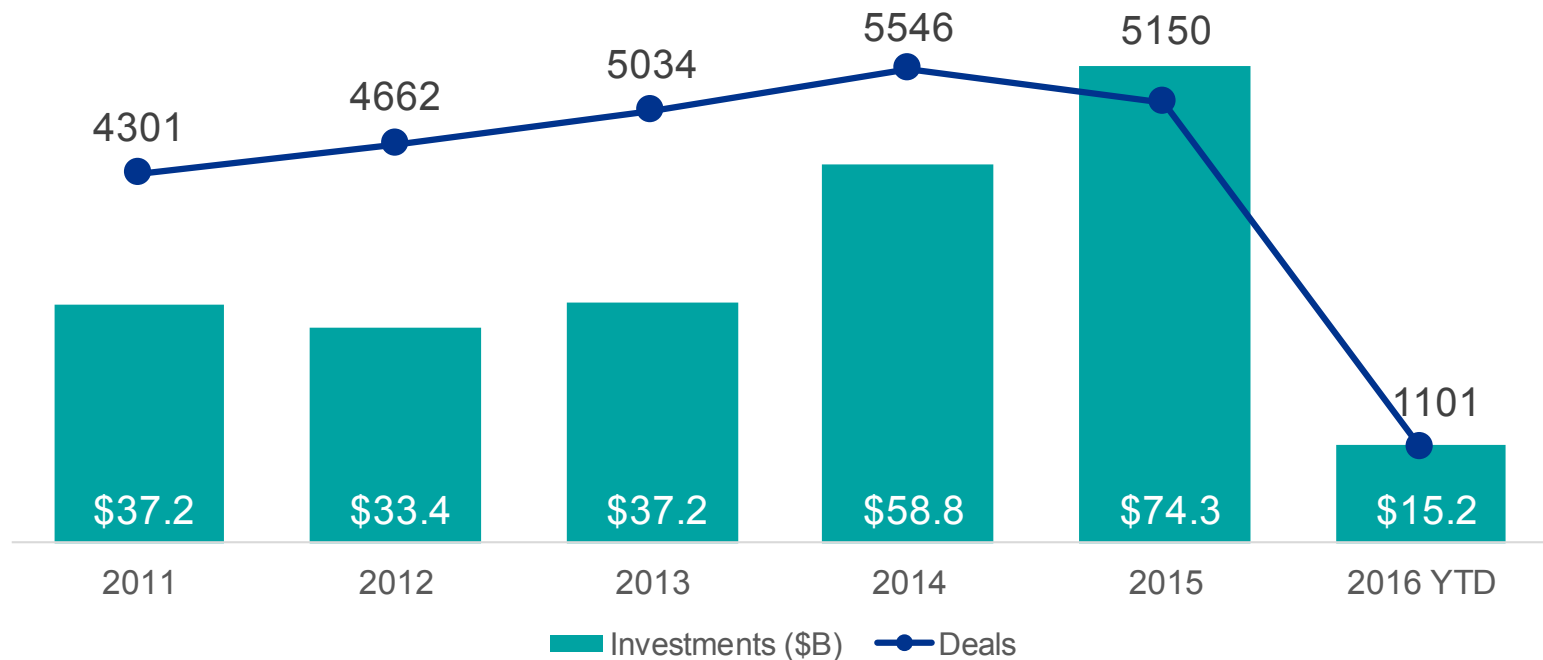
The current slump compared to earlier in 2015 appears to be a result of short-term market uncertainties and some investor caution following a series of high-profile write-downs. Looking forward, VC investors are likely to focus more on finding quality companies in which to invest rather than investing in a broad spectrum of potential startups.

NORTH AMERICA: \$15.2B ACROSS 1101 DEALS IN Q1'16

North America saw record highs in funding last year fueled by strong mega-round activity. However, deal activity slowed, and Q1'16 looks to continue that trend. At the current run-rate, North American VC-backed companies are on track to receive fewer deals than they did in 2012.

North American Annual Financing Trends to VC-Backed Companies

2011 – 2016 YTD (Q1'16)



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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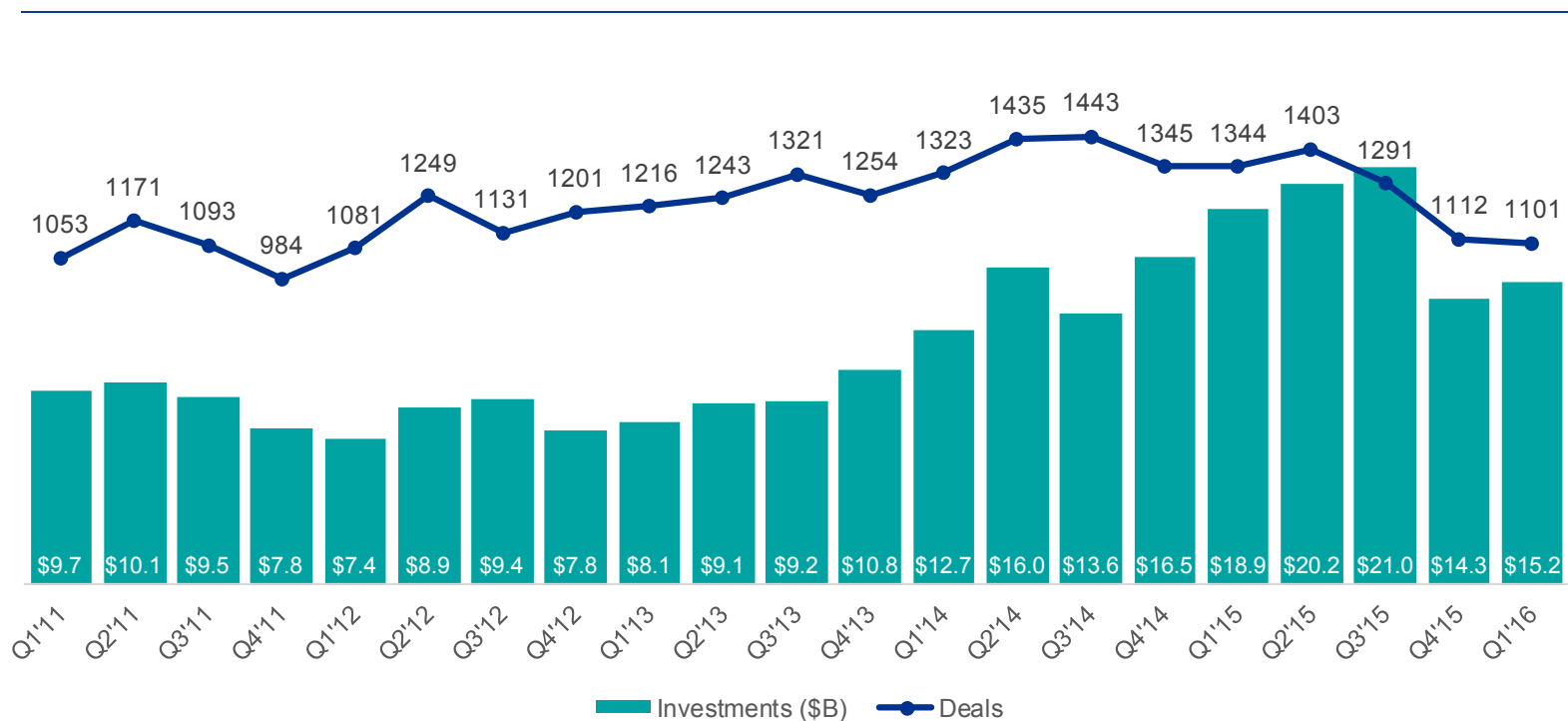
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SLIGHT UPTICK IN INVESTMENT TO VC-BACKED NORTH AMERICAN STARTUPS

Following 2 consecutive down quarters, deal activity to VC-backed North American companies was flat into Q1'16 with deal count still representing the lowest seen in over 3 years. Meanwhile, funding saw a slight bump of 6%, ending at \$15.2B for the quarter.

North American Quarterly Financing Trends to VC-Backed Companies Q1'11 – Q1'16



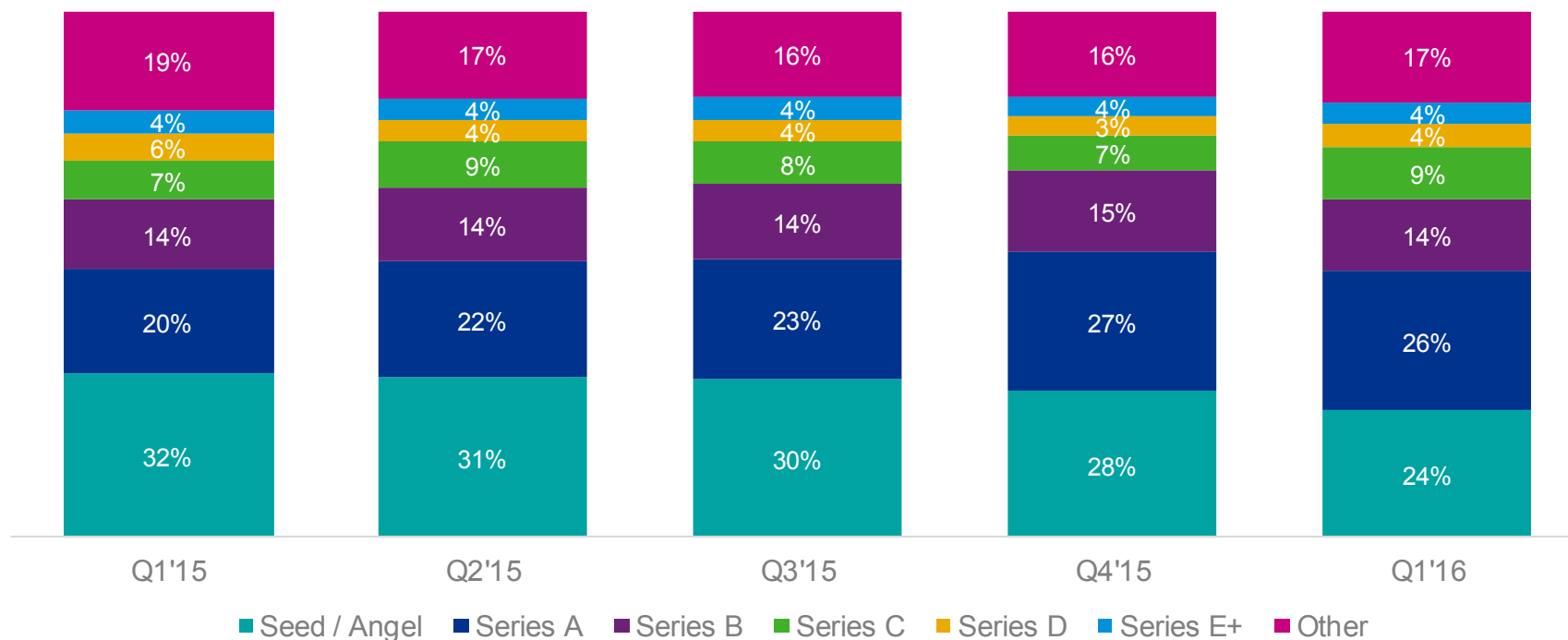
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SEED DEAL SHARE IN NORTH AMERICA FALLS FOR SECOND STRAIGHT QUARTER

In North America, seed deal share continued to fall noticeably into Q1'16. Once comfortably the most common stage by deal share, seed (24%) has fallen behind Series A (26%) to start 2016. Q1'16 also saw Series C deals bounce back to 9%, matching Q2'15 for a 5-quarter high.

North American Quarterly Deal Share by Stage Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

“New companies looking for early-round investment need to change their pitch. Focusing on the size of the market and potential revenue is no longer enough. Funding will likely depend on them having a clear vision of their road to profitability.”



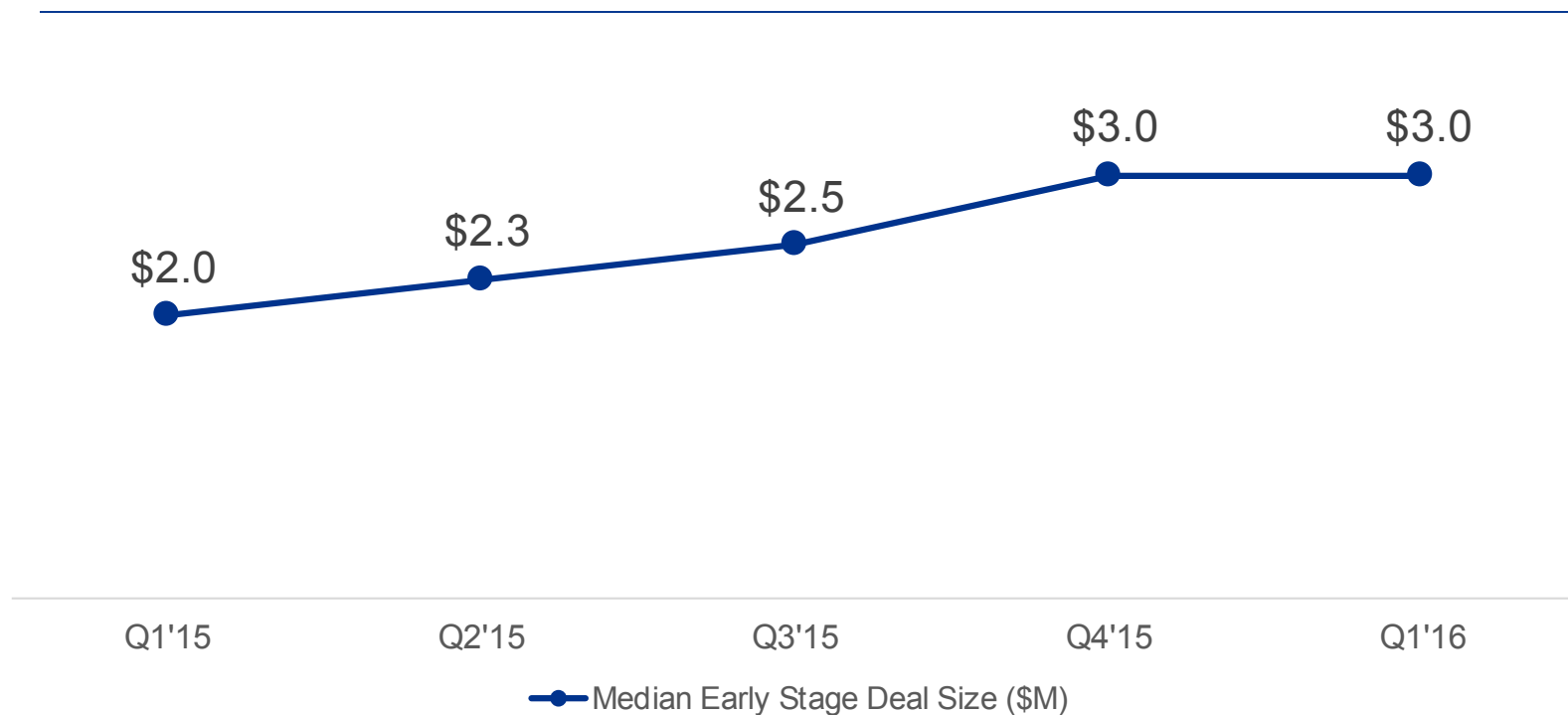
Conor Moore
*National Co-Lead Partner,
KPMG Venture Capital Practice,
KPMG in the US*

EARLY-STAGE DEAL SIZES IN NORTH AMERICA REMAIN AT HIGH

Median early-stage deals in Q1'16 matched last quarter's high of \$3M, up a full 50% from the same quarter a year prior.

North American Early-Stage Deal Size

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

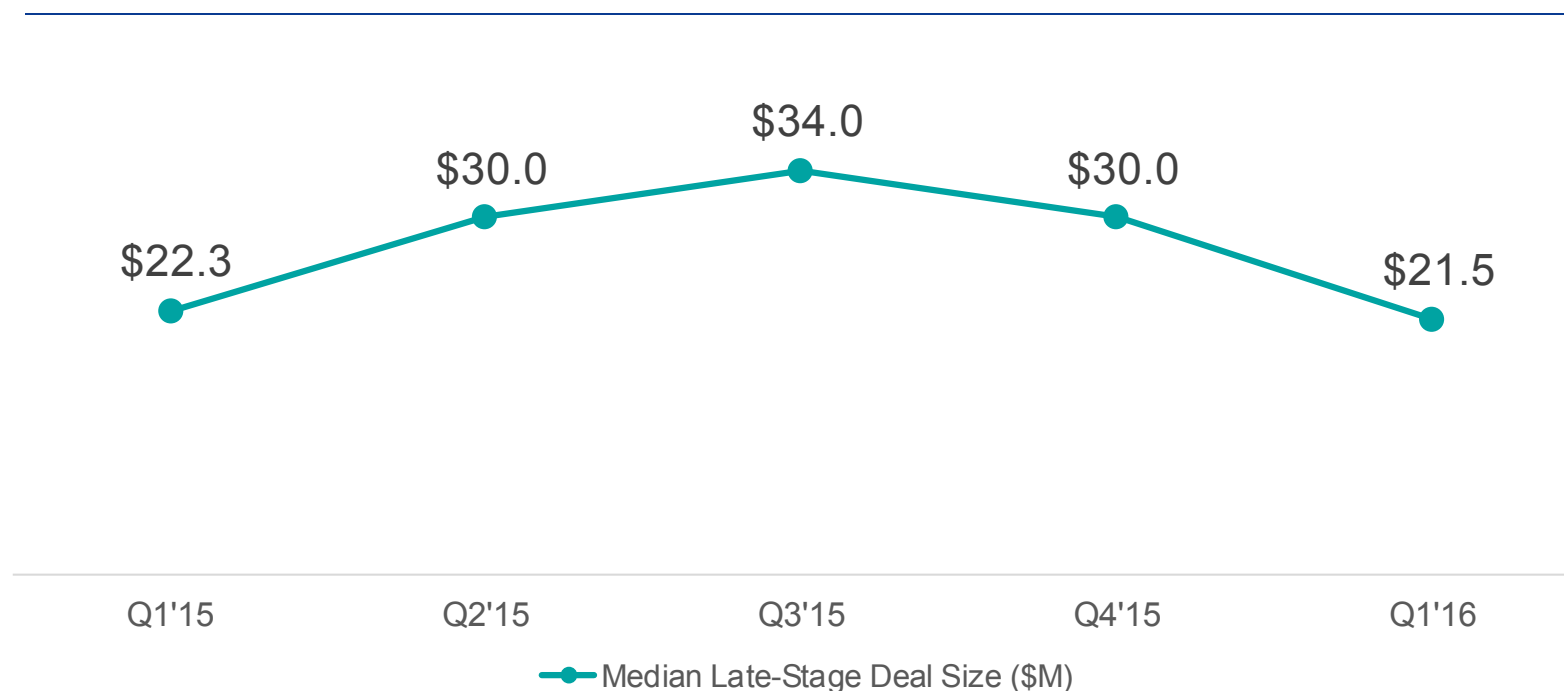
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MEDIAN NORTH AMERICAN LATE-STAGE DEAL SIZE PLUMMETS TO 5-QUARTER LOW

Median late-stage deal size to North American VC-backed companies plunged 28% in Q1'16, falling below quarterly figures through the whole of 2015. This dive aligns with the overall weakening of mega-round activity as well.

North American Late-Stage Deal Size

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

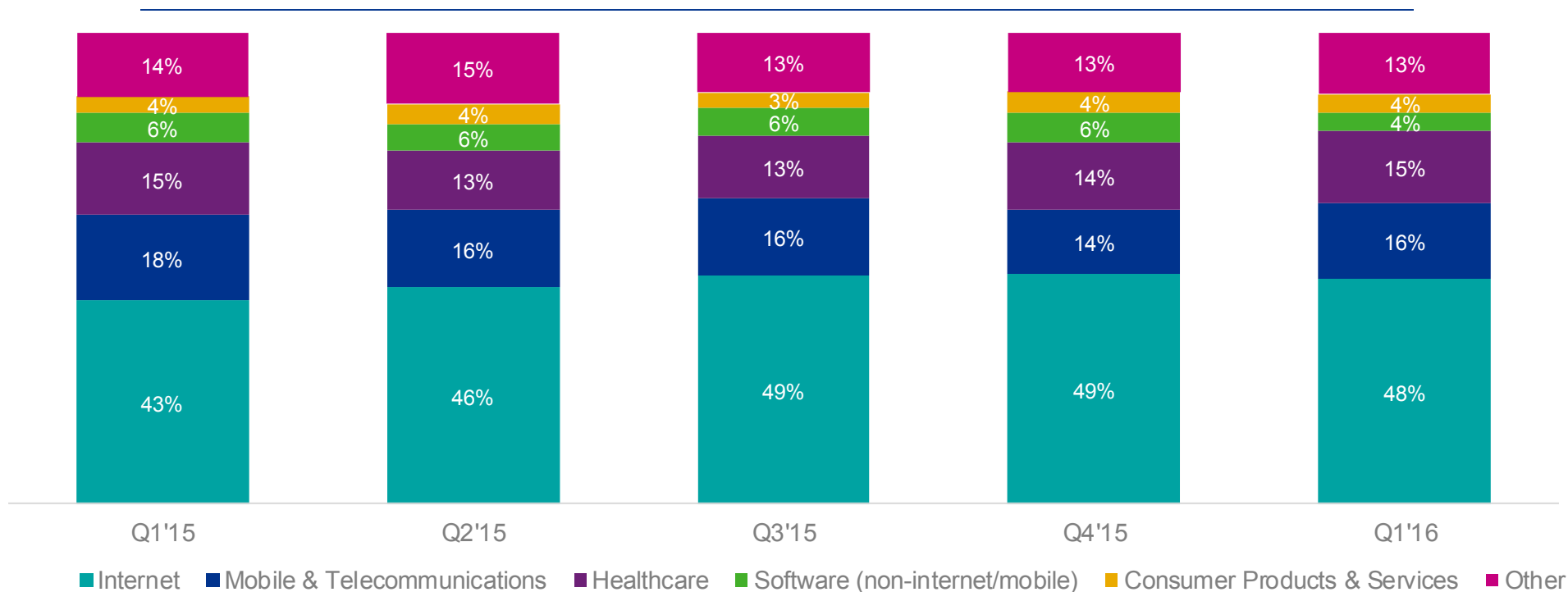
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VC-BACKED INTERNET COMPANIES CONTINUE TO TAKE THE BULK OF NORTH AMERICAN DEALS

Internet companies have consistently taken over 40% of all deals into VC-backed North American companies. Other sectors remained relatively range-bound during the last 5 quarters, although deal share to non-internet/mobile software shrank to 4% in Q1'16.

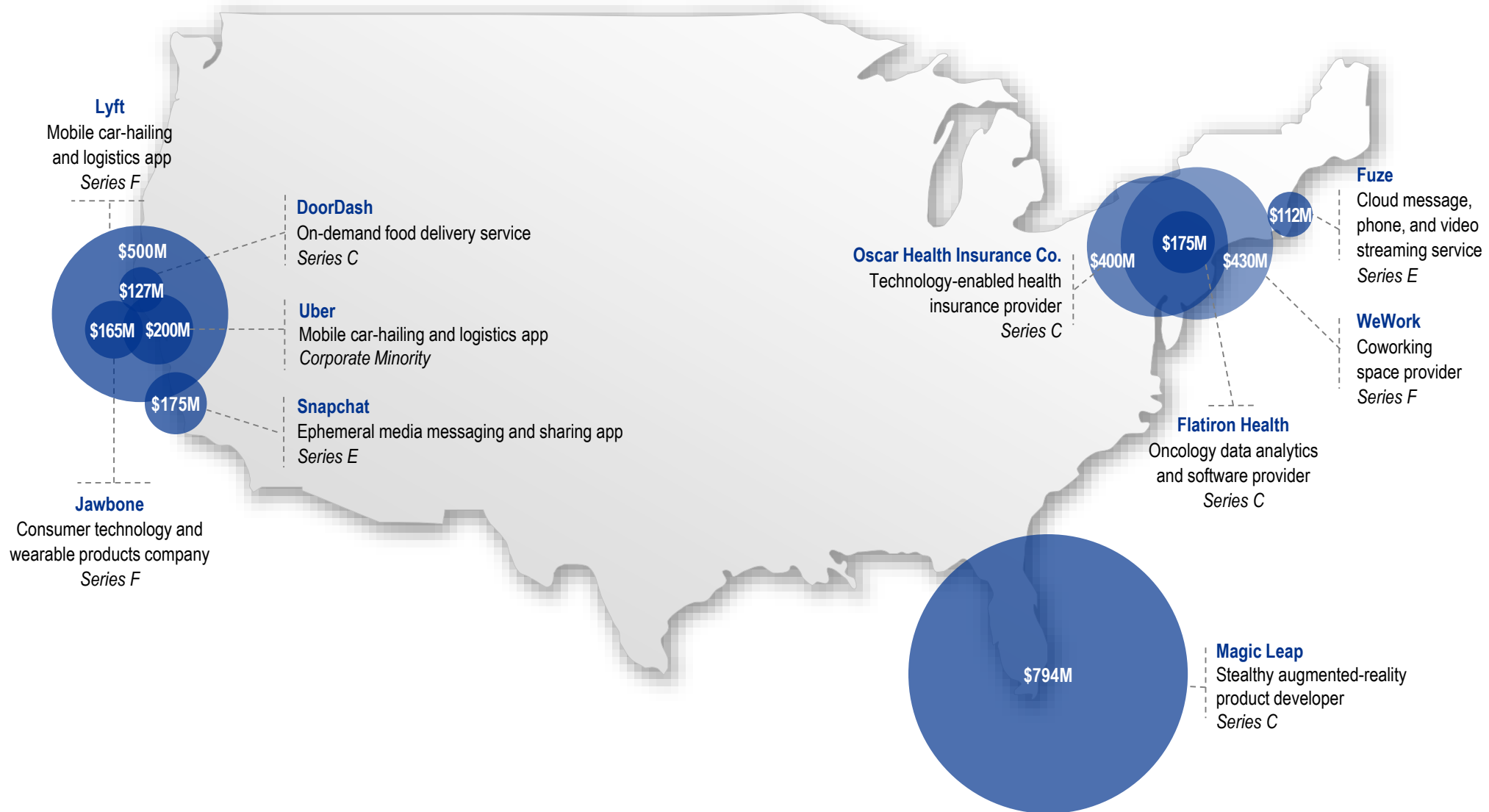
North American Quarterly Deal Share by Sector

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

THE 10 LARGEST NORTH AMERICAN ROUNDS OF Q1'16 TOTALED OVER \$3B IN FUNDING



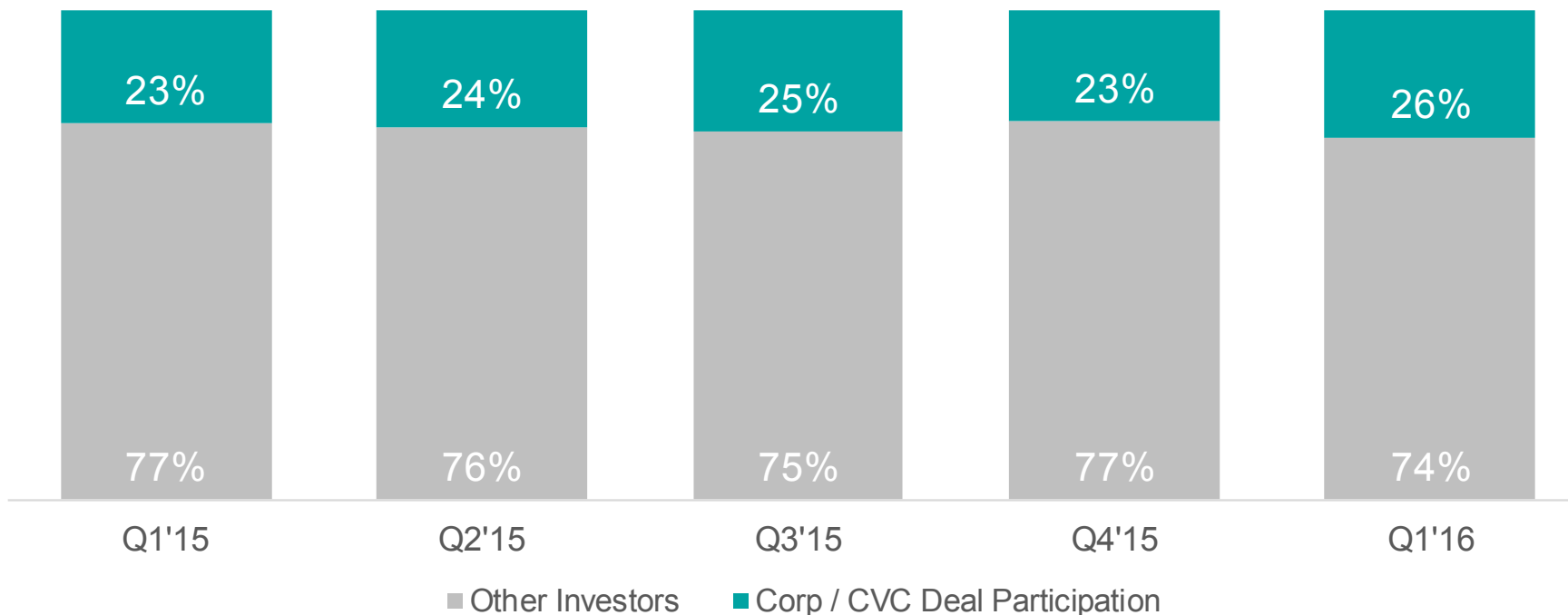
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CORPORATE DEAL SHARE OF VC-BACKED NORTH AMERICAN COMPANIES BOUNCES BACK

After temporarily retreating in Q4'15, corporate investor participation reached a fresh 5-quarter high of 26%. Corporate and CVC deal participation has now topped 23% across the past 5 quarters, as more corporations begin to make forays into private markets.

CVC Participation in North American Deals to VC-Backed Companies

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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NEA WAS THE MOST ACTIVE VC INVESTOR IN NORTH AMERICA IN Q1'16

New Enterprise Associates (NEA) was the most active investor in North America in Q1'16, topping the most active investors for the fourth straight quarter. Kleiner Perkins tied with Andreessen Horowitz for the second-place spot, while Google Ventures rounded out the top four.

Most Active VC Investors in North America Q1'16

Rank	Investor	Rank	Investor
1	New Enterprise Associates	7	Sequoia Capital
2	Kleiner Perkins Caufield & Byers	7	Bessemer Venture Partners
2	Andreessen Horowitz	10	Accel Partners
4	Google Ventures	10	Accomplice
5	Khosla Ventures	12	Battery Ventures
5	Lightspeed Venture Partners	12	Comcast Ventures
7	BDC Venture Capital	12	Intel Capital

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016

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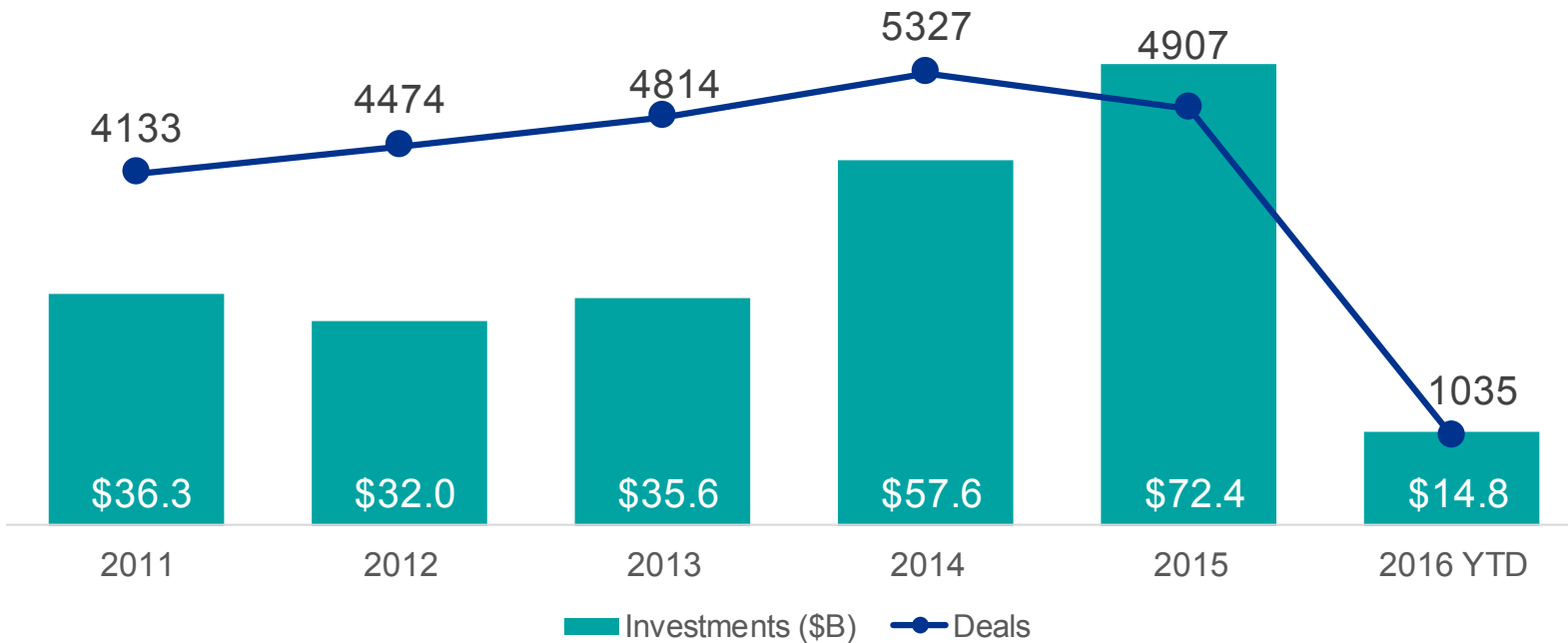


US VC-BACKED COMPANIES SEE \$14.8B ACROSS 1035 DEALS IN Q1'16

US-based VC-backed companies raised a record \$72.4B in equity financing in 2015, although deal count dropped by 8% from 2014. Negative sentiment has continued to the start of the new year, with deal activity barely on pace to reach 2011's figures at the Q1'16 run-rate.

US Annual Financing Trends to VC-Backed Companies

2011 – 2016 YTD (Q1'16)



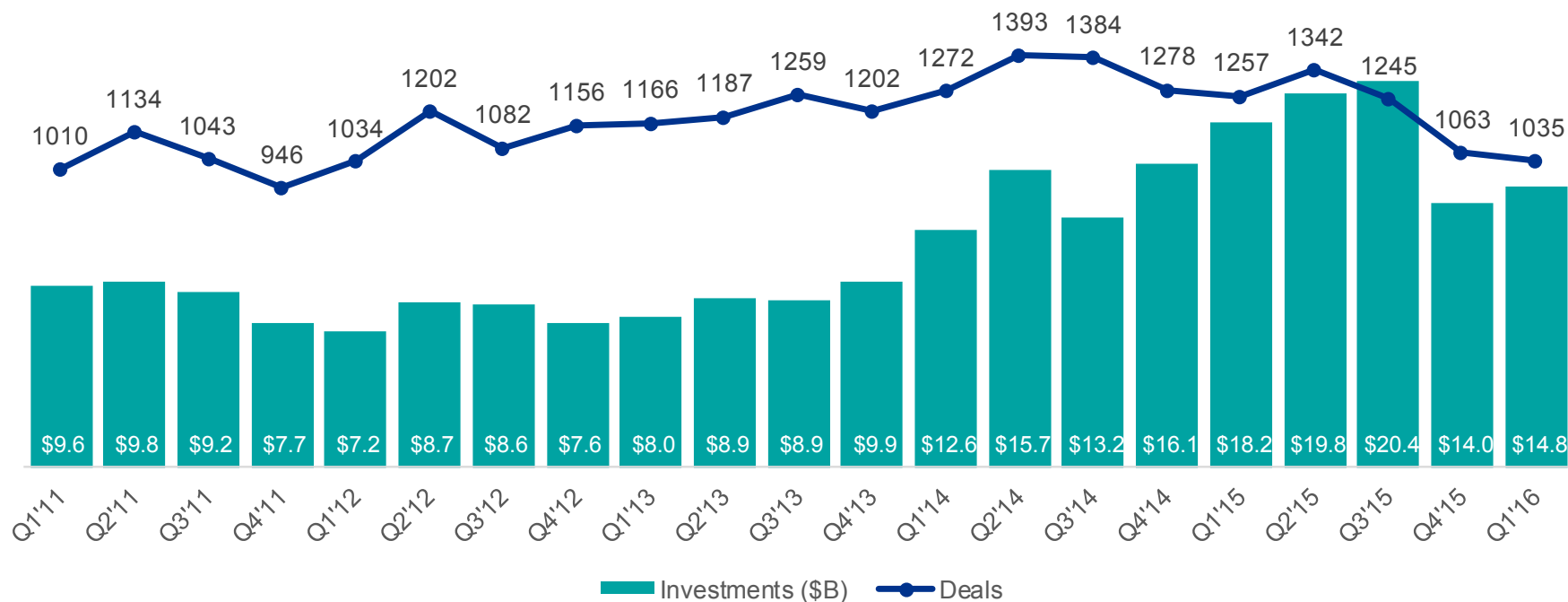
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US DEAL ACTIVITY FALLS SLIGHTLY WHILE INVESTMENT DOLLARS SEE SMALL RECOVERY

Deal count to US VC-backed companies remained anemic, slipping a further 2% from the Q4'15 crash. Funding ticked up 6% to \$14.8B but was still well below the quarterly totals from the heady days of Q4'14 to Q3'15.

US Quarterly Financing Trends to VC-Backed Companies Q1'11 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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“I think we’ll likely see more funding going to the decacorns in the near future on the basis that that’s where some of the risk is being de-leveraged.”



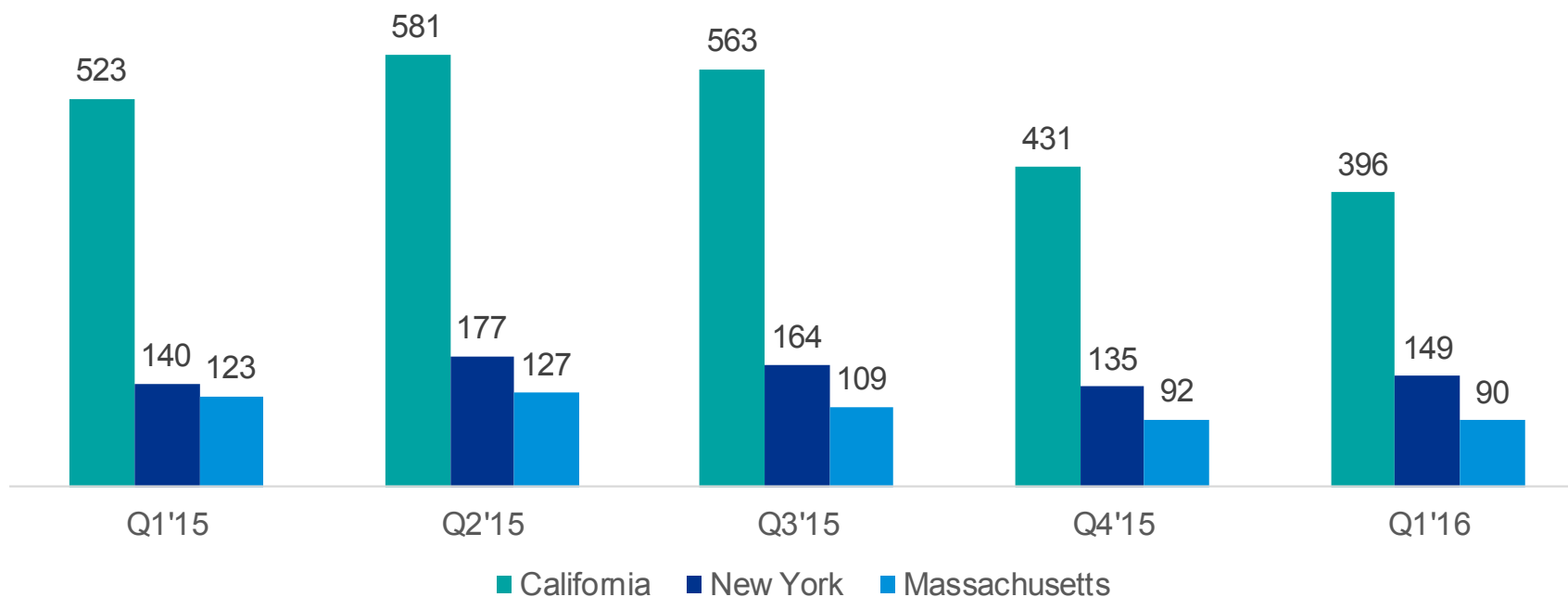
Francois Chadwick
*National Tax Leader,
KPMG Venture Capital Practice,
KPMG in the US*

CALIFORNIA CONTINUES TO LEAD DEALS INTO VC-BACKED COMPANIES

Deal activity in California has now slowed for 3 consecutive quarters, falling below 400 in Q1'16. That being said, California-based companies still take more deals than Massachusetts and New York combined. New York has now outpaced Massachusetts in each of the last 5 quarters and was the only state to see deal growth in Q1'16.

Quarterly Deal Activity to VC-Backed Companies

CA vs. NY vs. MA, Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

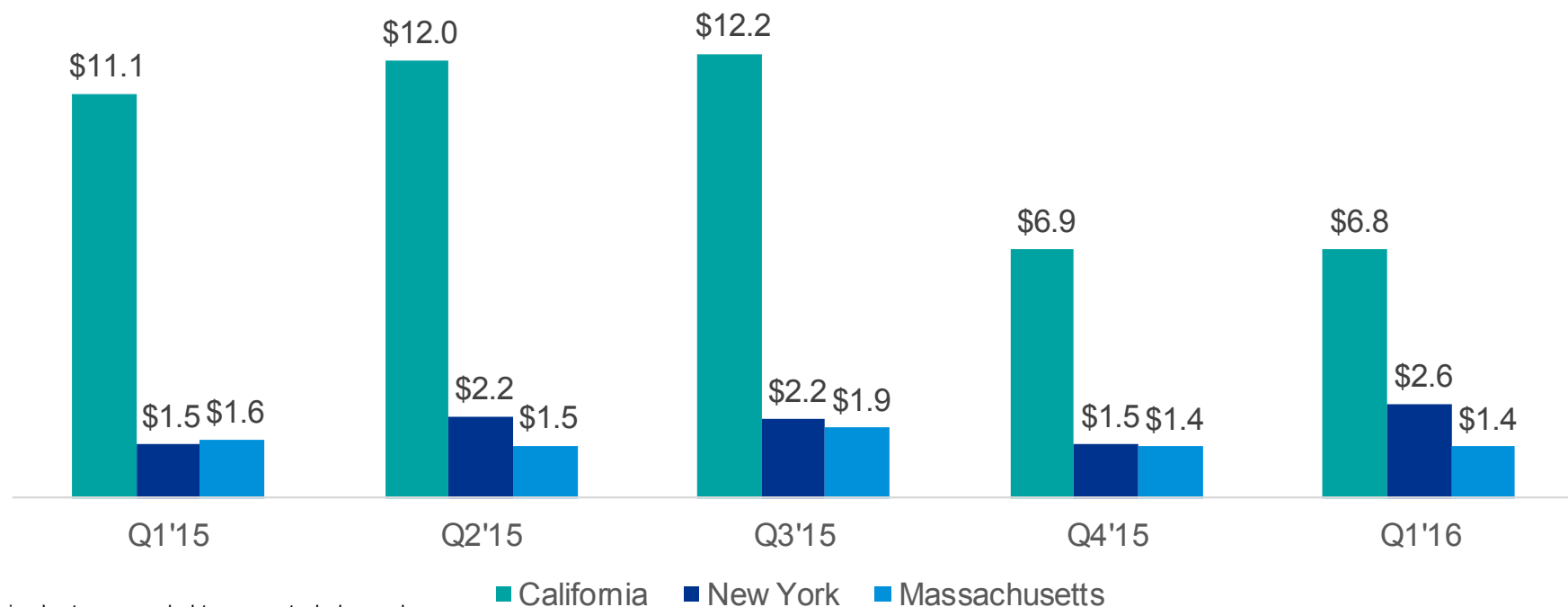
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CALIFORNIA, MASSACHUSETTS FUNDING ESSENTIALLY FLAT WHILE NEW YORK RISES 76%

Funding dollars to VC-backed companies in both California and Massachusetts were essentially unchanged following the dramatic pullback in Q4'15. As with deal activity, New York also saw a sudden jump to a 5-quarter high in funding. Its 76% increase from Q4'15 was driven by a \$430M Series F to WeWork and a \$400M Series C to Oscar Health Insurance.

Quarterly Investment Activity to VC-Backed Companies

\$B, CA vs. NY vs. MA, Q1'15 – Q1'16



*percentages in chart are rounded to nearest whole number

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

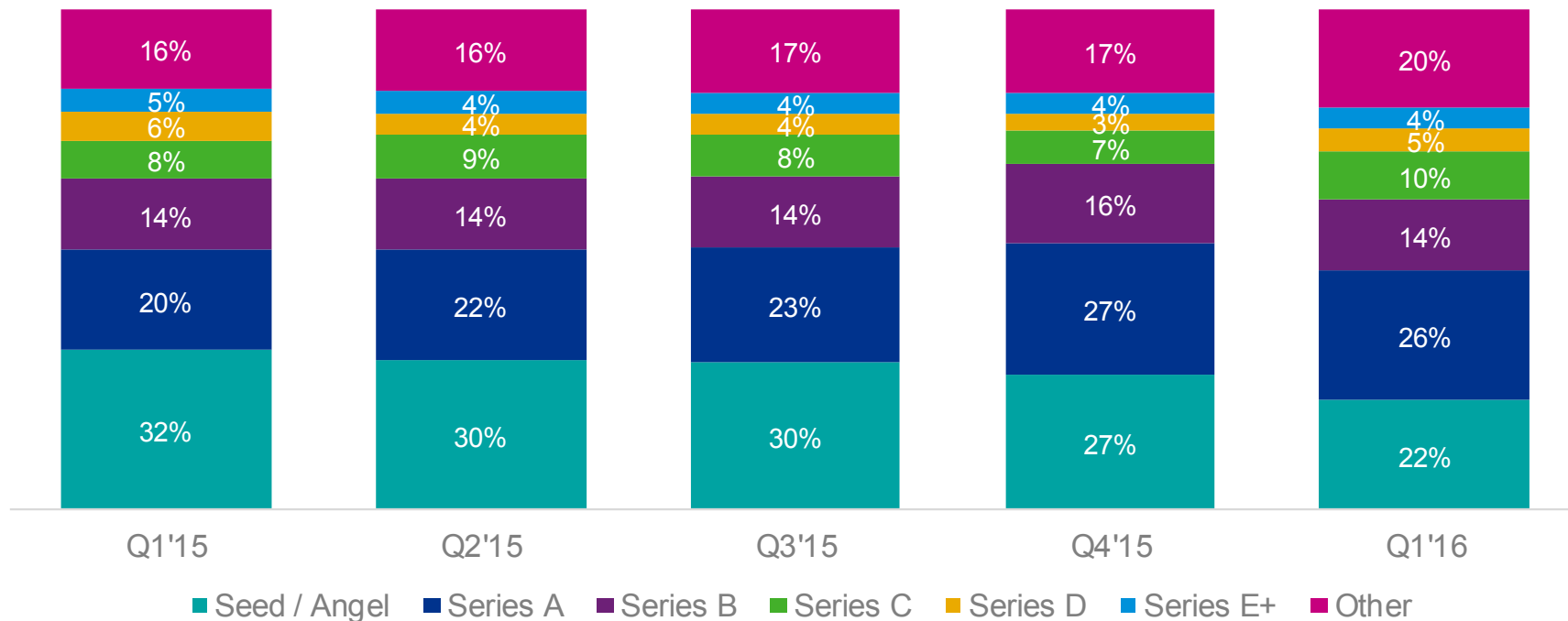
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SERIES A TOPS SEED FOR TOP DEAL SHARE IN UNITED STATES

Seed-stage investments fell to less than a fourth of all deals to US VC-backed companies in Q1'16, dropping to a 5-quarter low of 22%. Series A rounds actually outpaced seed deals for the quarter, reversing the trend of previous quarters.

Quarterly US Deal Share by Stage

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

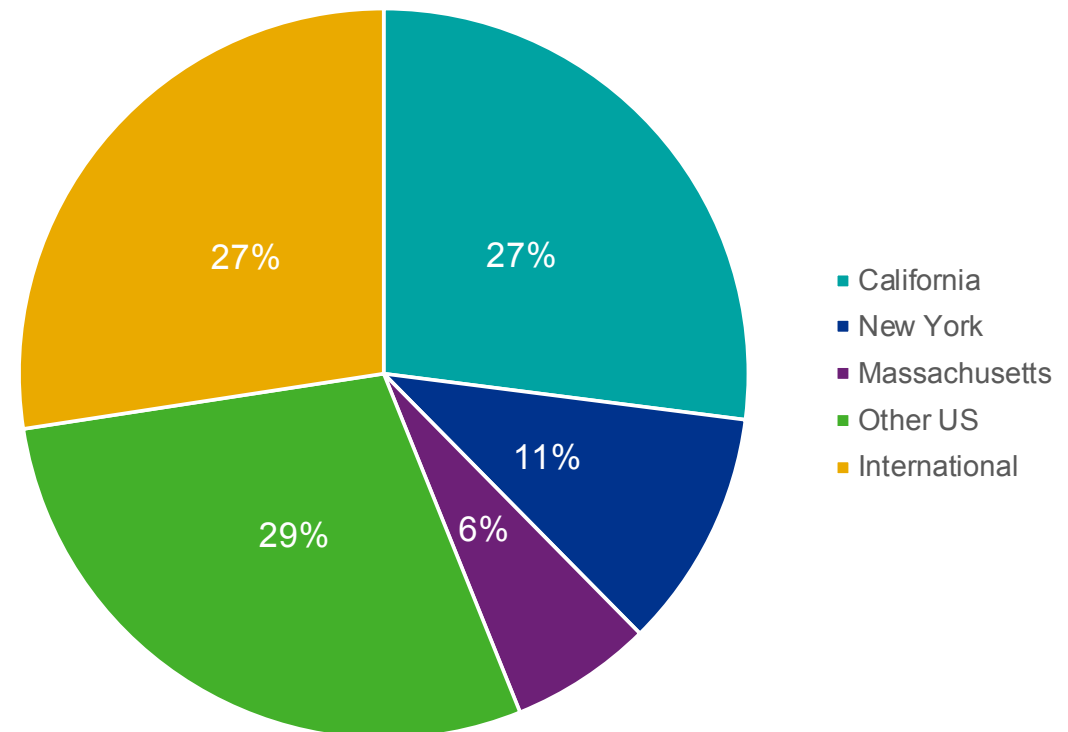
OVER A QUARTER OF VCS INVESTING IN THE US WERE INTERNATIONALLY-BASED IN Q1'16

Of all VCs that participated in a US investment in Q1'16, 60% were based in either California, New York or Massachusetts.

California led all states, with 37% of all active VCs calling the Golden State home while Illinois, Texas and Pennsylvania led the other VC states.

Investors from the UK, China and Israel were most prevalent among international VCs. Notably, the international share of the total rose from 17% in Q4'15 to 27% in Q1'16.

HQ of VCs Investing in US Companies *As % of all VCs investing in US-based companies in Q1'16*



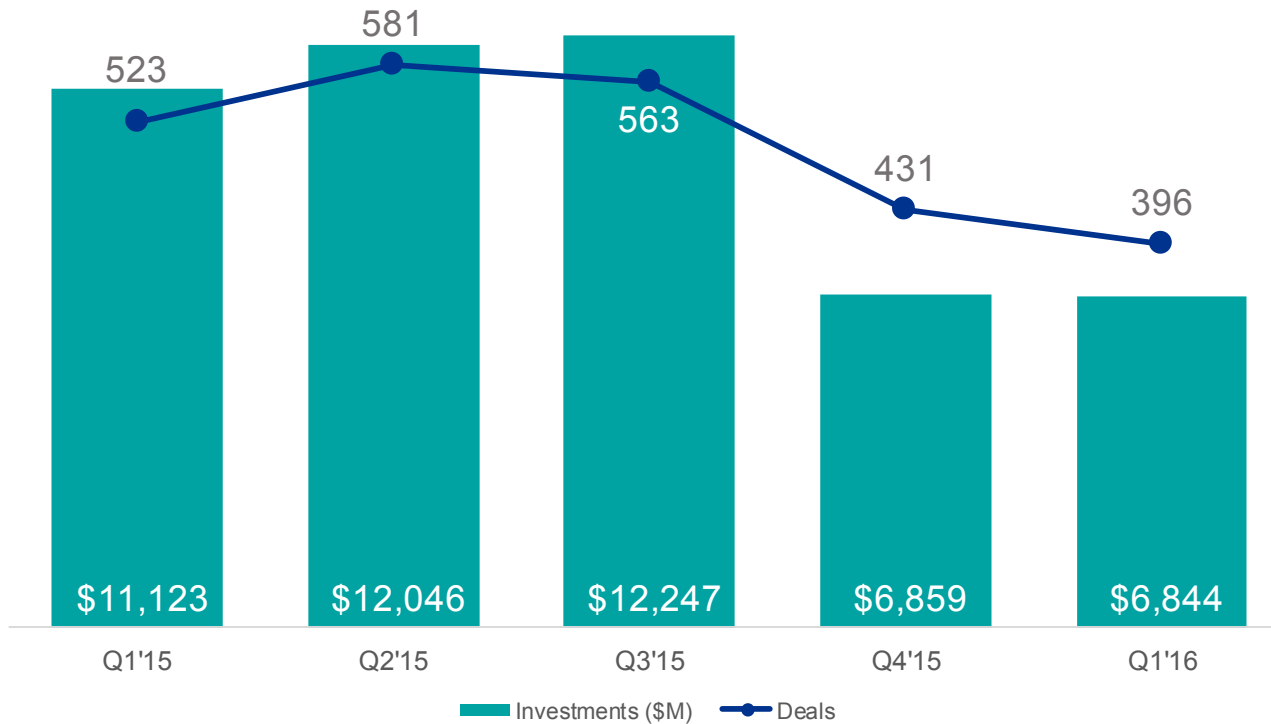
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CALIFORNIA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

California Investment Activity VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Lyft

\$500M // Series F-II

Uber

\$200M // Corp. Minority

Snapchat

\$175M // Series E-III

Top Cities

San Francisco

134 Deals // \$2.7B

Palo Alto

27 Deals // \$402.6M

Mountain View

26 Deals // \$431.5M

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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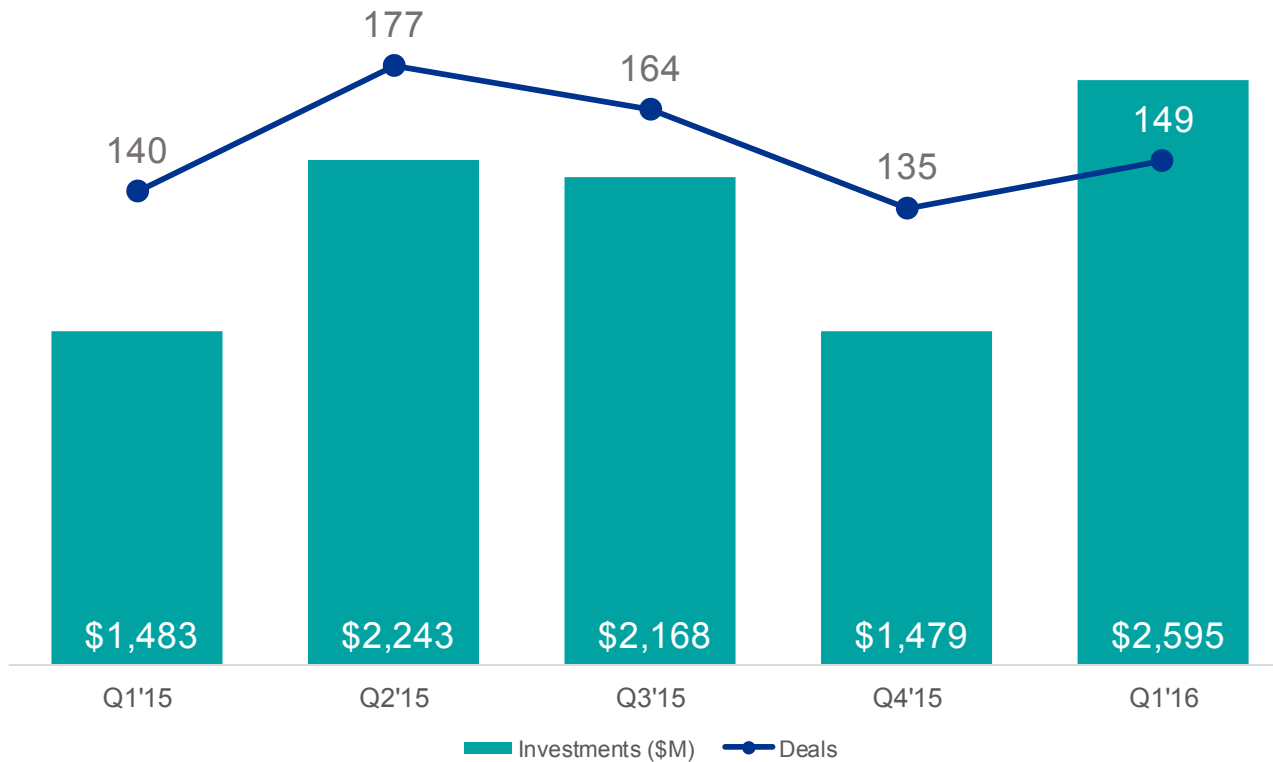
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NEW YORK VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

New York Investment Activity VC-Backed Companies, Q1'15 – Q1'16



Top Deals

WeWork

\$430M // Series F

Oscar Health Insurance

\$200M // Series C

Flatiron Health

\$175M // Series C

Top Cities

New York

137 Deals // \$2.6B

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

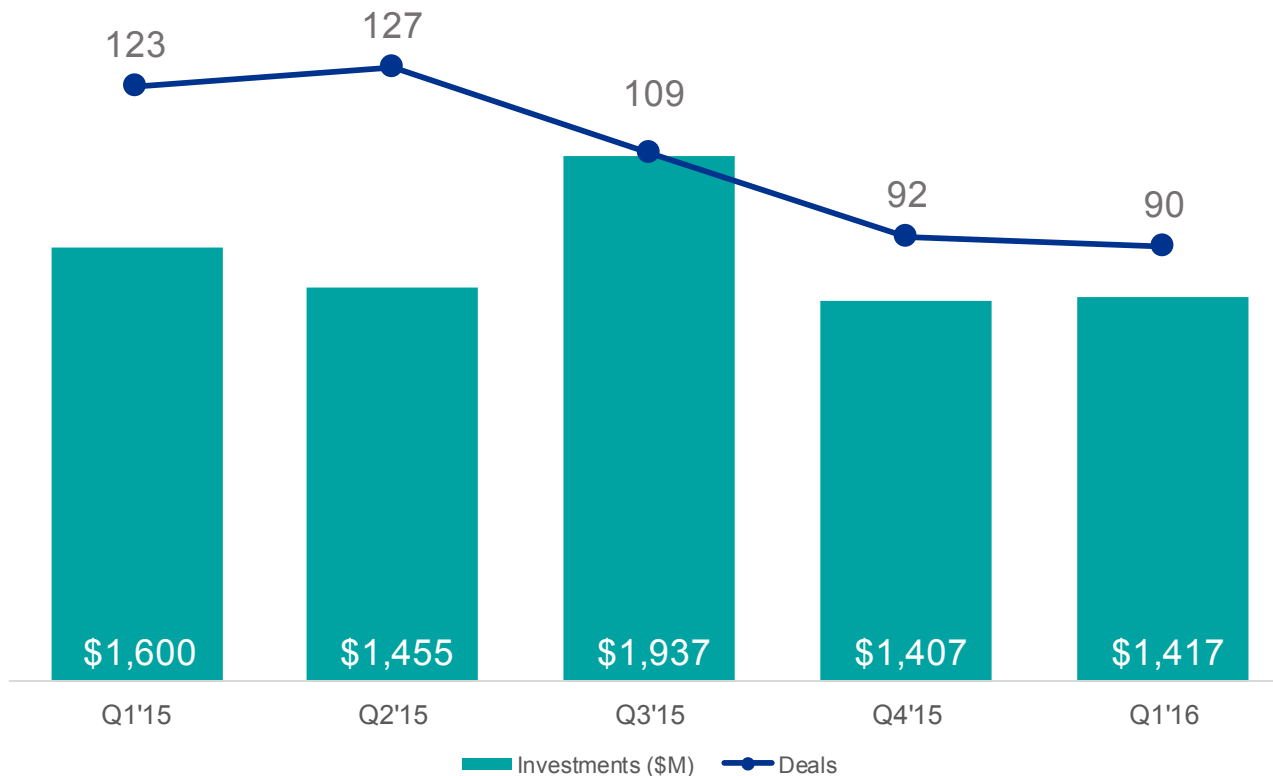
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MASS VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

Massachusetts Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Fuze

\$112M // Series E

C4 Therapeutics

\$73M // Series A

Codiak Biosciences

\$61M // Series B

Top Cities

Boston

31 Deals // \$385.7M

Cambridge

27 Deals // \$648.5M

Waltham

6 Deals // \$74.5M

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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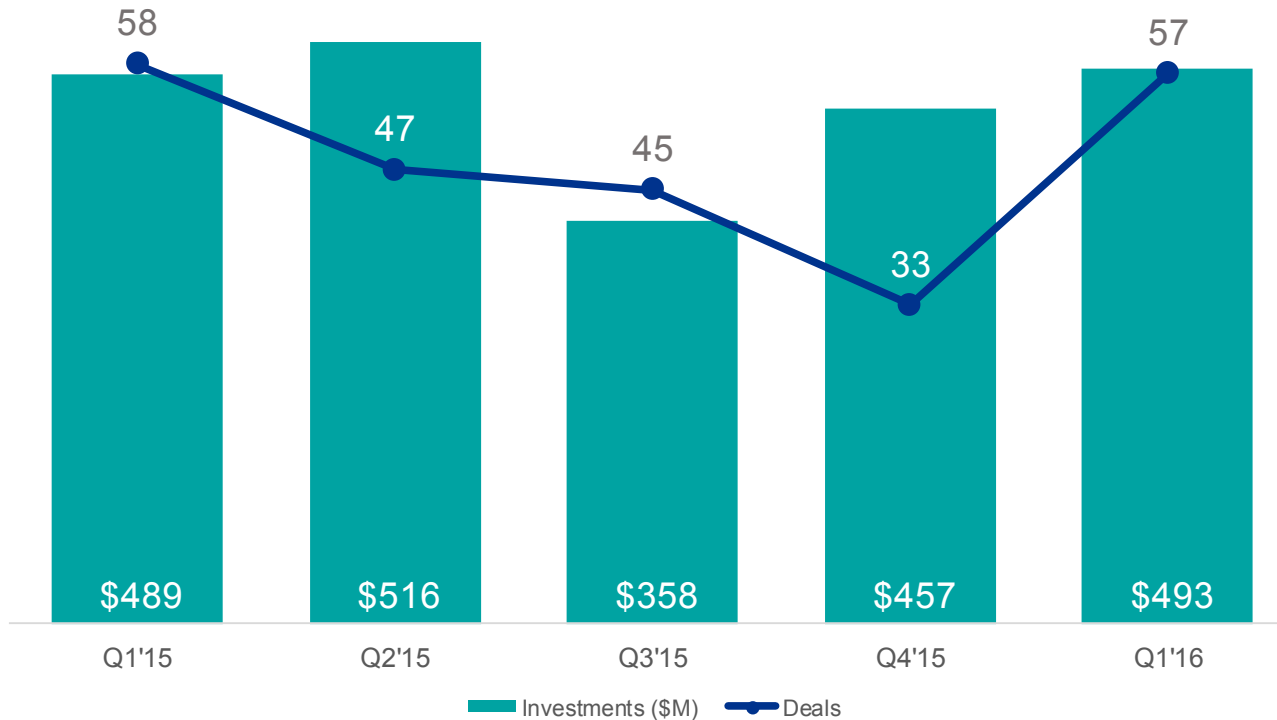
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TEXAS VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

Texas Investment Activity VC-Backed Companies, Q1'15 – Q1'16



Top Deals

StoneEagle

\$76M // Growth Equity

Pivot 3

\$43M // Series H

Xeris Pharmaceuticals

\$41M // Series C

Top Cities

Austin

31 Deals // \$256.7M

Houston

9 Deals // \$26.1M

Dallas

7 Deals // \$70.5M

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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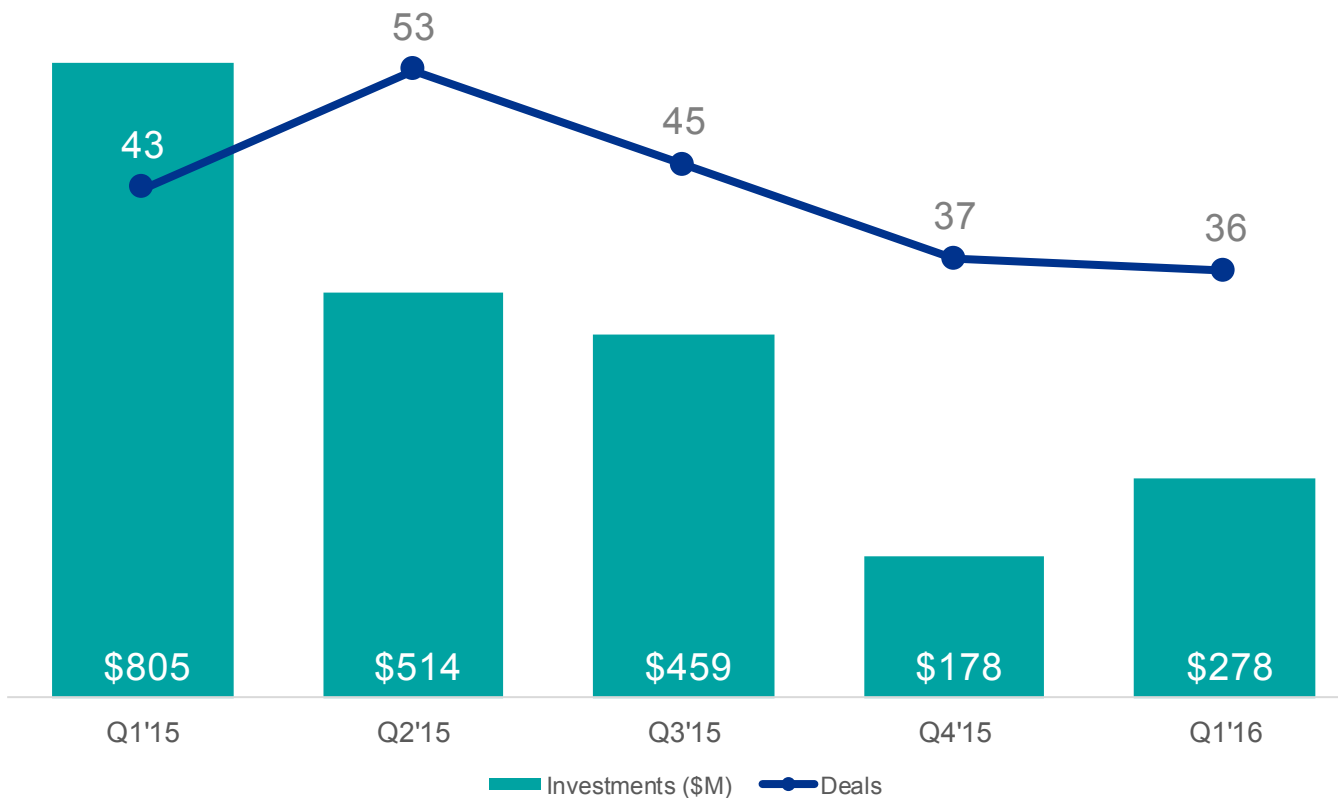


PACIFIC-NW VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

Pacific Northwest Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Kymeta

\$62M // Series D

Sendachi

\$30M // Series A

Cedexis

\$22M // Series B

Top Cities

Seattle

18 Deals // \$121M

Portland

6 Deals // \$35.1M

Bellevue

3 Deals // \$16.5M

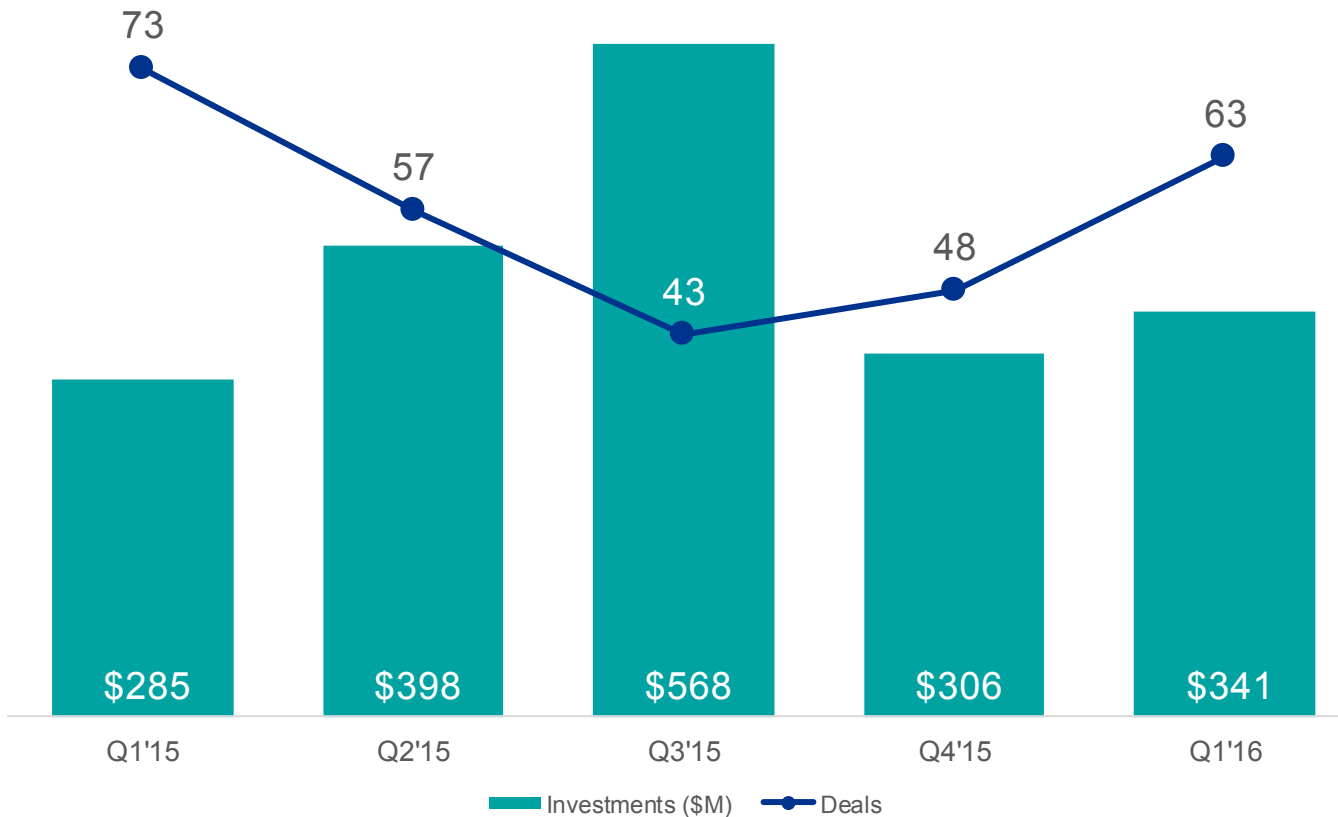
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CANADA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

Canada Investment Activity
VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Blockstream

\$55M // Series A

Farmers Edge

\$41.13M // Unattributed VC

Vidyard

\$35M // Series C

Top Cities

Toronto

19 Deals // \$56.2M

Vancouver

9 Deals // \$89M

Halifax

8 Deals // \$59.8M

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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In Q1 2016

EUROPEAN

VC-backed companies raised

\$3.5 billion

Europe VC activity increases slightly - investors remain cautious

In Q1'16, total VC deal value increased slightly, buoyed by Spotify's \$1 billion funding round that closed out the quarter. Despite this significant deal, worth close to one-third of Europe's entire VC activity during the quarter, many VC investors in the region are holding back from making major investments. The reality is that many European VC investors are being cautious given uncertainties that could have an impact on the VC market over the medium term, including a pending referendum regarding the United Kingdom's future in the European Union, the fallout from the Brussels terrorist attacks only months after attacks in Paris, and the impact of the forthcoming US presidential election on the investment climate in the US of which Europe is not immune.

Increasing amount of “dry powder” in market

The current hesitance among VC investors in Europe may simply be a short-term trend. This is because of the dry powder in the market where VC funds will likely be looking to invest once market uncertainties have leveled out. Given that interest rates are expected to remain very low in Europe, investors are expected to continue to look for investment opportunities to make much higher returns.

Investors more critical about potential investments

Given current market uncertainties, VC investors are becoming more selective when it comes to their investment activities. During Q1'16, deal share was marked by a pullback in seed / angel rounds – dropping to 35 percent from 42 percent in the prior quarter. This pullback suggests that investors are de-risking by investing in companies that are more established and that have a proven track record. As a result, startups will need to provide a lot more detail to investors in order to attract funding.

Nowadays, investors in Europe are often more conservative than VCs in the US and they want to examine a startup company's profit and loss statement and cash flow forecast as well as see positive margins – or obtain more visibility on how and when the company will become profitable. Companies that do not have a strong and credible business plan for achieving profitability will be hard-pressed to attract investment given the caution currently permeating the European VC market.

Investors are also demanding more protection in exchange for their investments. Spotify was able to raise \$1 billion using convertible debt with strict investor guarantees tied to a forthcoming IPO. In such a cautious market, investor guarantees will likely become more prevalent.

Europe VC activity increases slightly - investors remain cautious (cont.)

Corporate investment poised for growth

Corporates had been slow to move in Europe and for many years they had ‘follower’ strategies in adopting digital technologies and new business models. However, European corporates have changed their attitudes. A number of large corporates have set up VC arms in order to buy and develop innovations that they can commercialize or implement internally. Given the pressure for traditional companies across a number of industries to innovate, it is expected that corporate investing in Europe will only continue to grow.

Innovation agenda likely to drive future growth

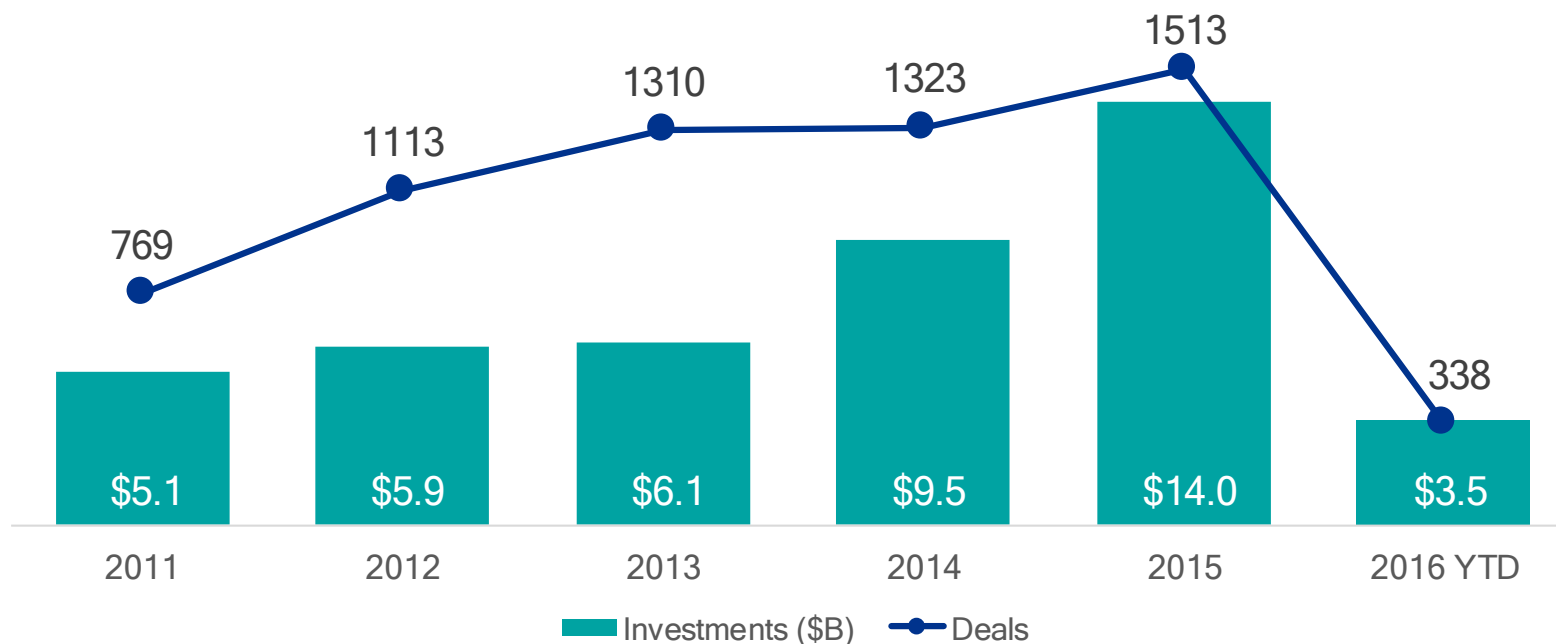
Europe’s diversity is a positive attribute when it comes to innovation. The EU and many European countries have established innovation agendas aimed at fostering innovation in a variety of areas, from fintech to insurtech to digital health. This move to support the development of a more proactive ecosystem of incubators, accelerators, innovation hubs and innovation incentives to encourage and stimulate growth should only help increase Europe’s innovation presence over the next few years.

VC-BACKED EUROPEAN FUNDING OFF TO A SLOW START IN 2016

VC-backed companies in Europe saw a new peak in funding and deal activity in 2015, with \$14B invested across more than 1500 deals. 2016 has started slower, with most of 2016 funding rooted in the \$1B convertible note raised by Spotify and less than 350 deals occurring in the first quarter (compared to more than 400 in Q1'15).

European Annual Financing Trends to VC-Backed Companies

2011 – 2016 YTD (Q1'16)



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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#Q1VC



“There is a lot of dry powder and liquidity in the system – a lot of money has been raised in the last 12 to 24 months that has to be invested. While I don’t see valuations coming down very steeply, investors are expected to become more active and more hands-on.”

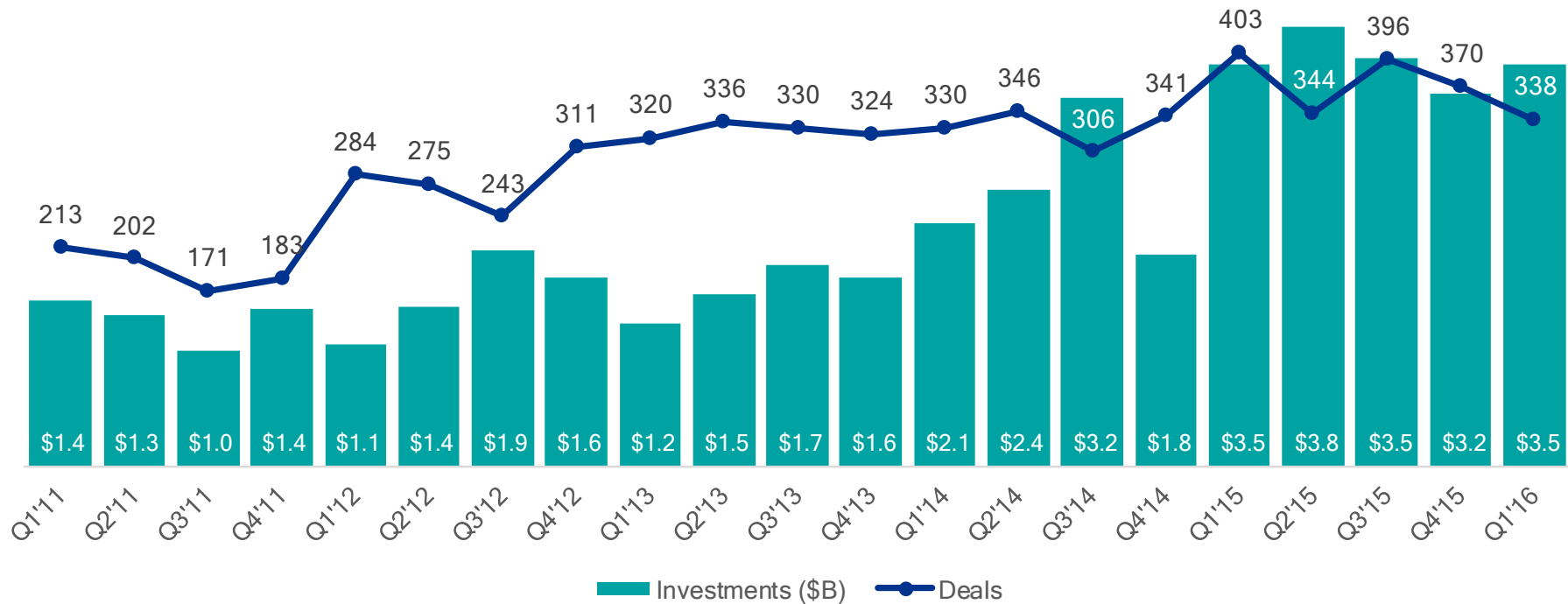


Guillermo Ramos
*Director, Corporate Finance,
KPMG in Spain*

DEAL COUNT IN EUROPE DROPS AGAIN IN Q1'16 BUT FUNDING RISES

Q1'16 saw a further decline in deal activity to European startups from Q4'15, down to the lowest level since Q3'14. Despite this, funding dollars bounced back to \$3.5M, an 8% uptick from the quarter prior, largely due to the \$1B convertible note raised by Spotify.

European Quarterly Financing Trends to VC-Backed Companies Q1'11 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

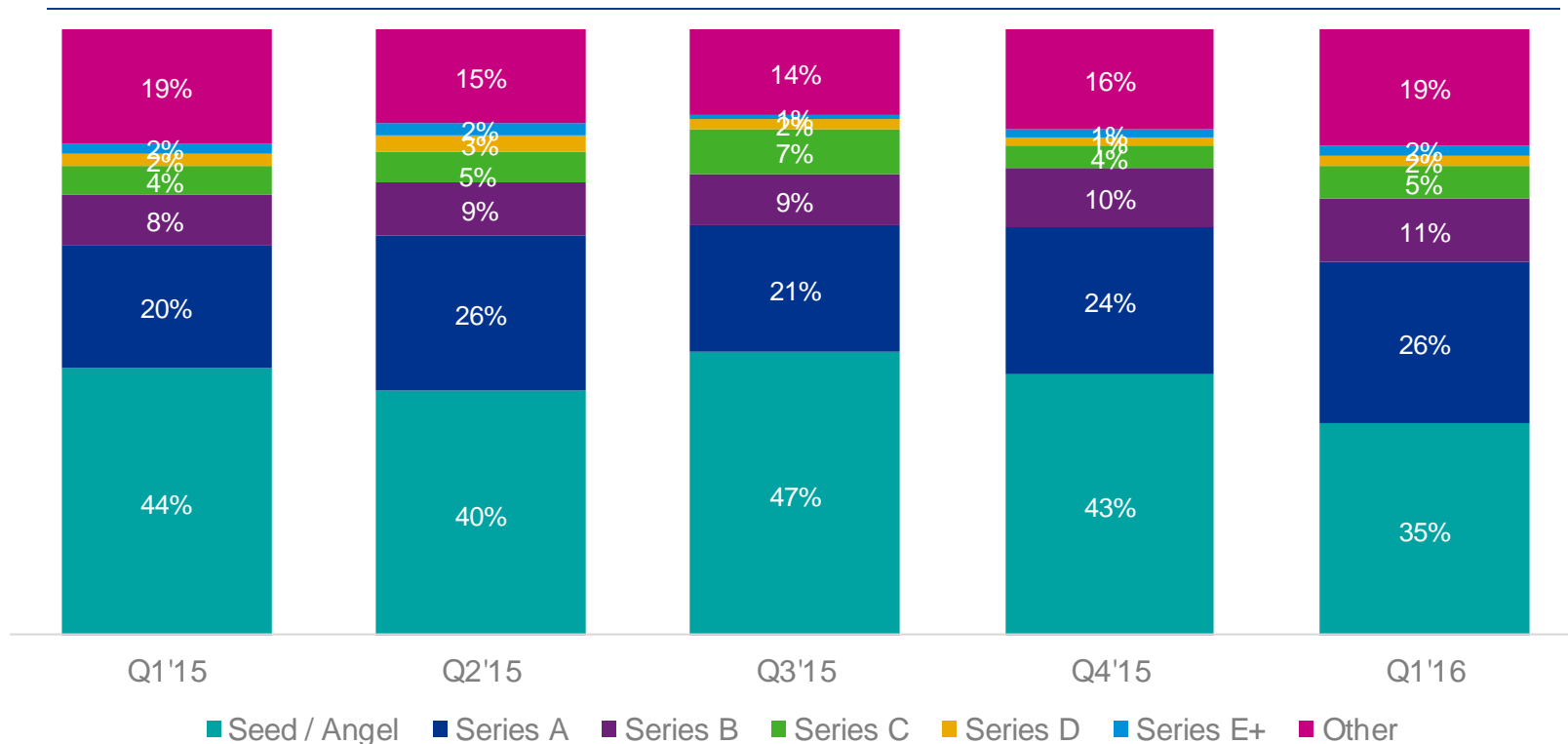
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SEED DEAL SHARE IN EUROPE DROPS BELOW 40%

Seed/Angel deal share in Europe fell below 40% for the first time in at least 5 quarters, taking only 35% of total deal share into VC-backed companies. Deal share across the board went up slightly as a result, with Series A jumping above a quarter of deal share.

European Quarterly Deal Share by Stage

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

“Companies that want to attract seed and angel investments in Europe right now need to provide investors with more defined plans for how they will achieve their targets. Without a roadmap for achieving profitability, investors may be skeptical about a company’s bullish assumptions.”



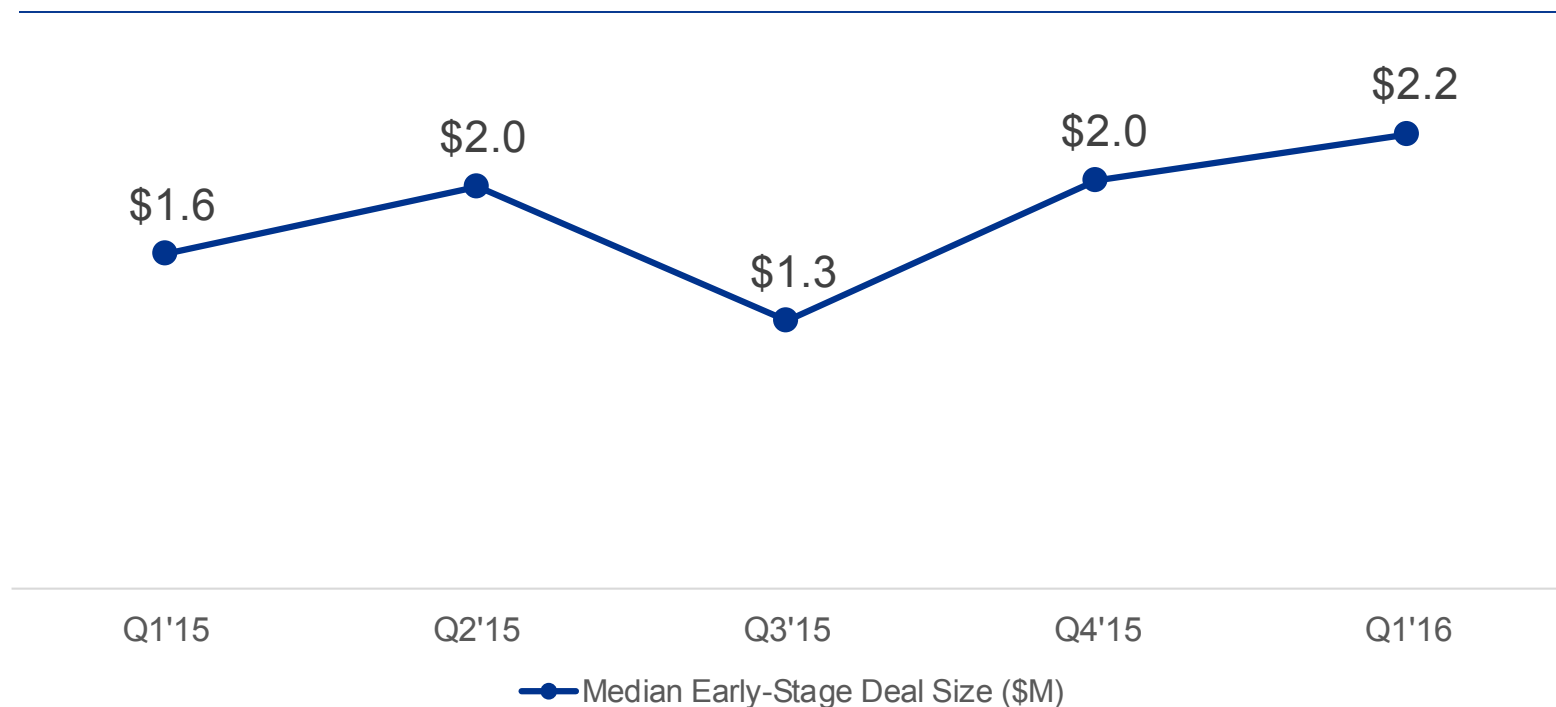
Tim Dümichen
Partner,
KPMG in Germany

EARLY-STAGE DEAL SIZE INCREASES FOR THE SECOND STRAIGHT QUARTER

Despite early-stage deal share decreasing in Q1'16, the median size of the deals have increased to \$2.2M for the quarter. Early-stage deal size in Europe has moved up and down, but this has been the second consecutive quarter of deal size growth.

European Early-Stage Deal Size

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

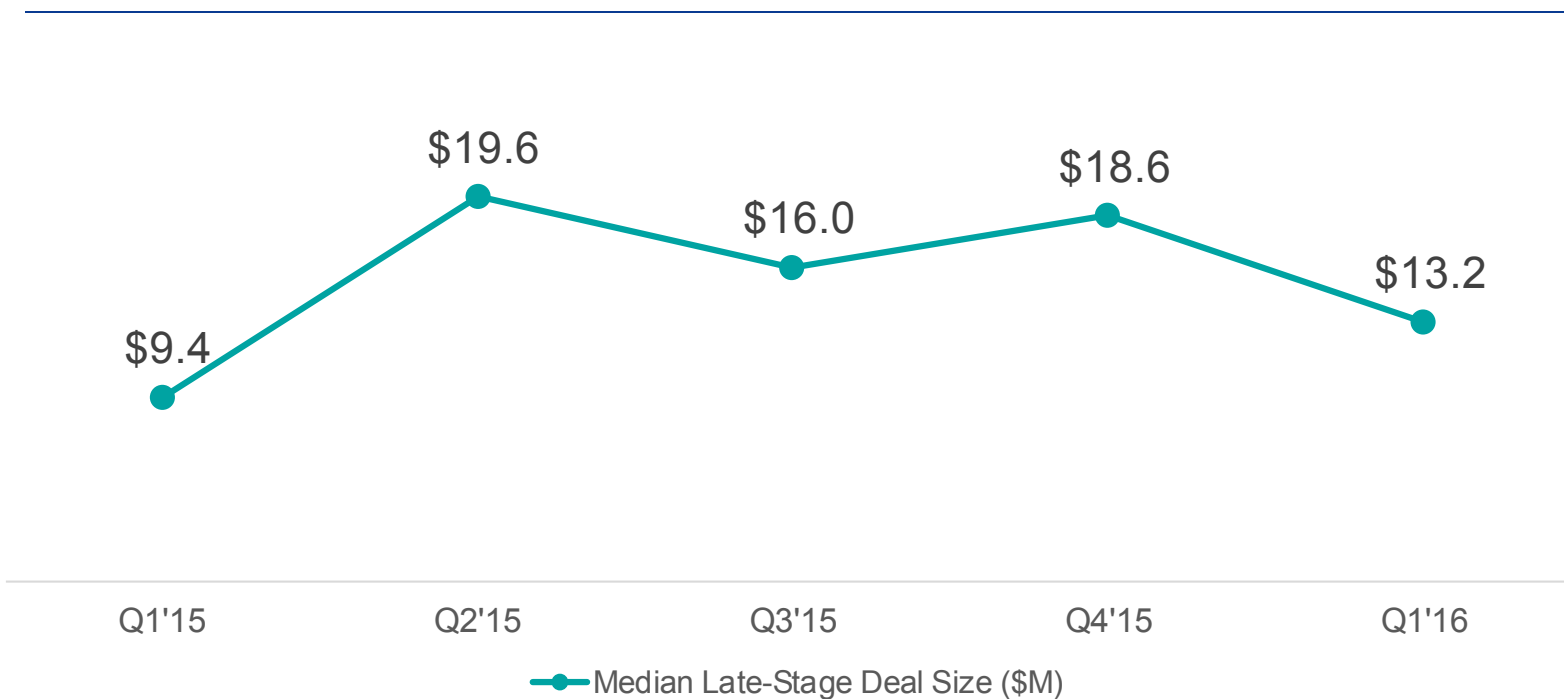
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EUROPEAN LATE-STAGE DEAL SIZE SHRINKS IN Q1'16

After median late-stage deal sizes broke \$15M for 3 quarters in a row, the median in Europe fell to \$13.2M in Q1'16, a 29% quarter over quarter decrease.

European Late-Stage Deal Size

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

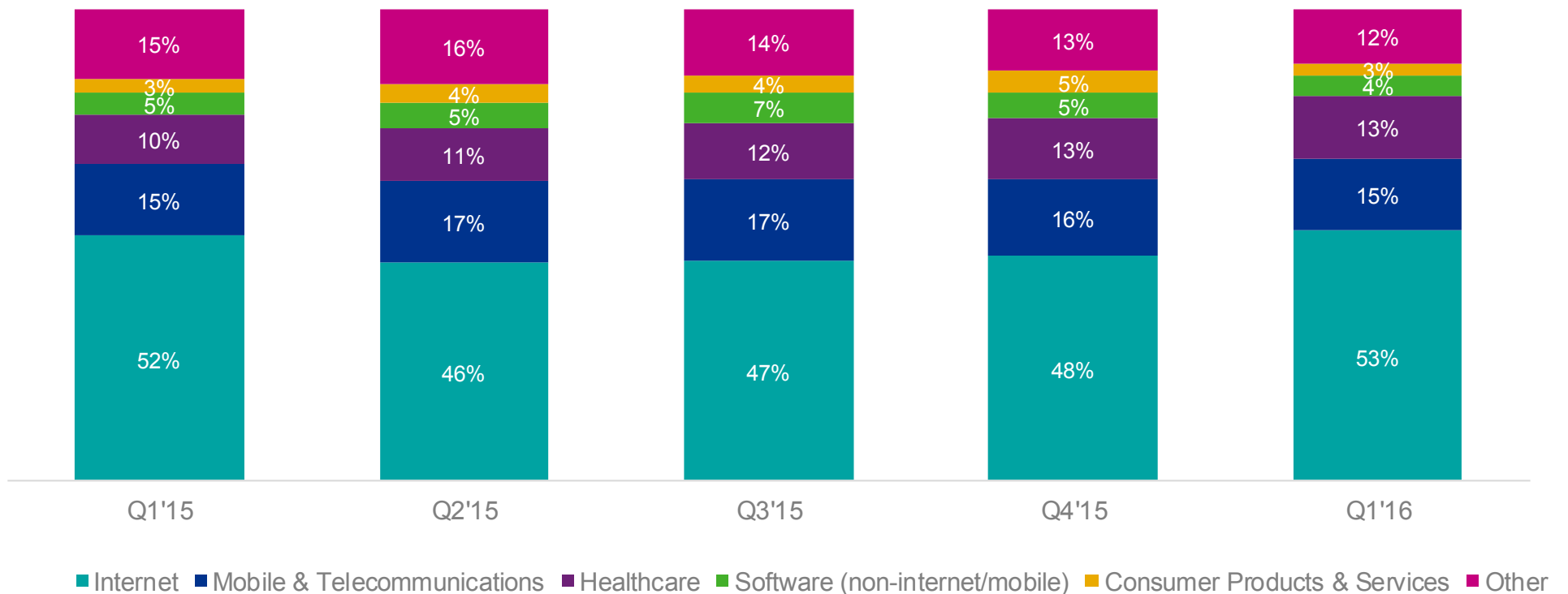
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INTERNET TAKES MORE THAN HALF OF ALL DEALS AFTER A 3-QUARTER SLOWDOWN

Tech companies continue to take the most deal share, with internet, mobile, and software comprising more than 70% of total deal share into Europe in Q1'16. Internet also took more than half of all deal share, the first time since the same quarter 1 year prior.

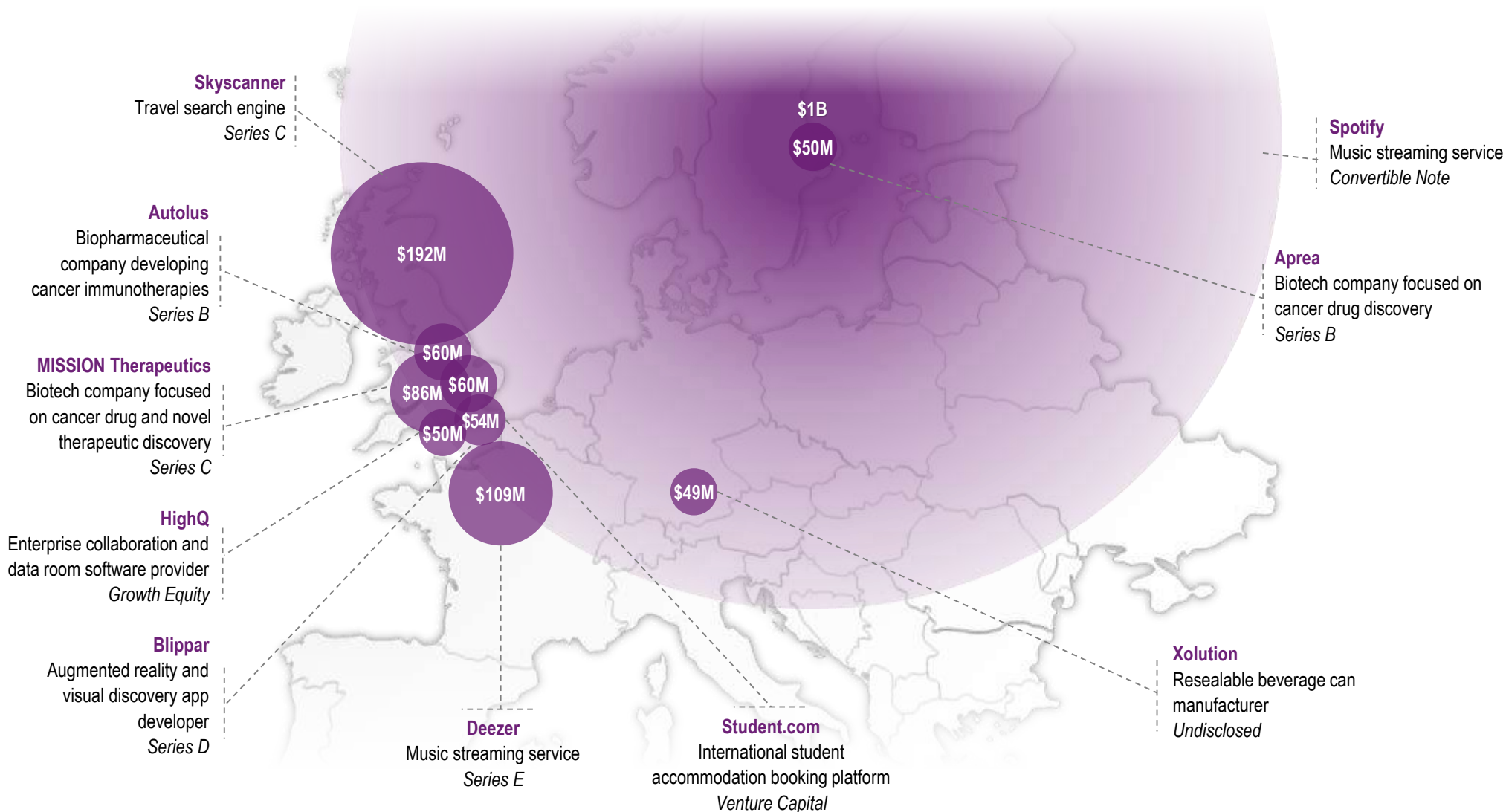
European Quarterly Deal Share by Sector

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

THE 10 LARGEST EUROPEAN ROUNDS OF Q1'16 REPRESENTED MORE THAN \$1.7B IN FUNDING



“Investors in many parts of the world are increasingly insisting on new protections and guarantees. In Europe, the billion-dollar VC investment into Spotify carried with it guarantees, protecting investors, should Spotify make good on its promise to go public in the next few years.”

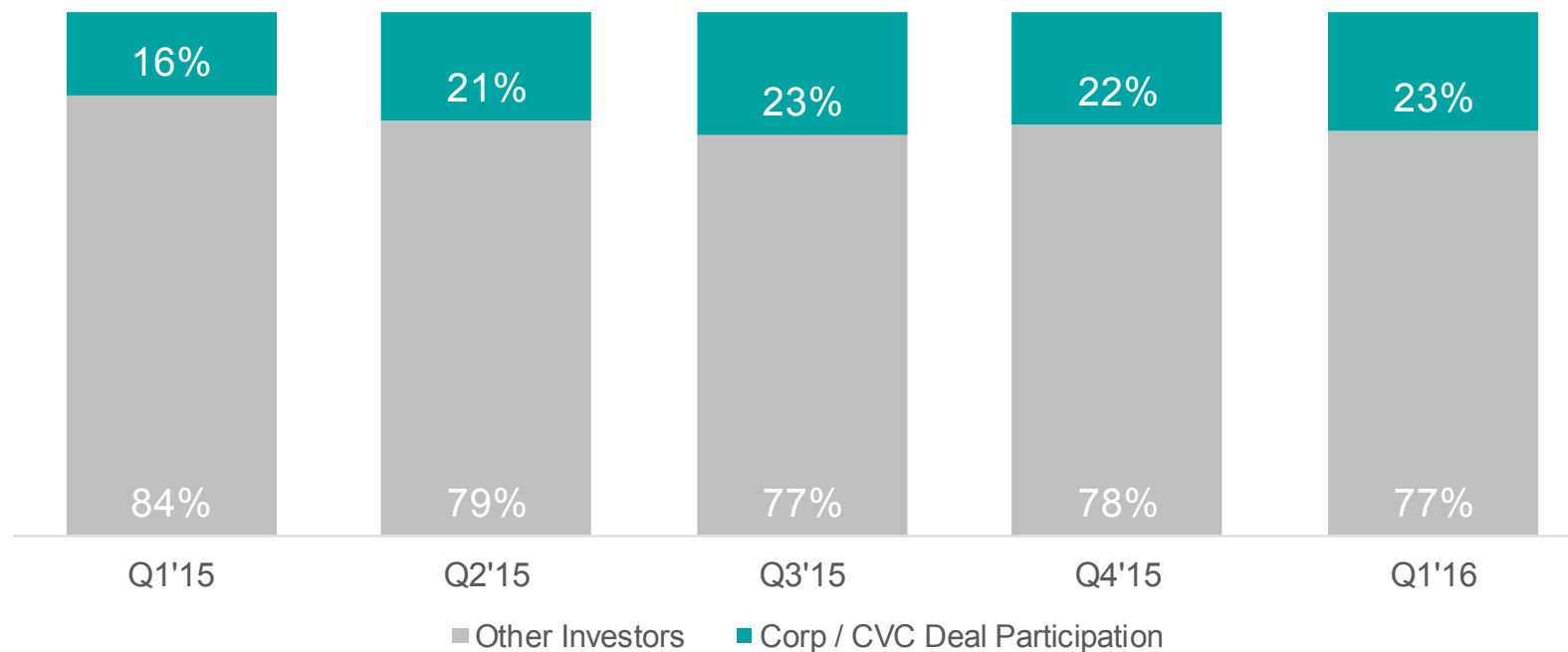


Patrick Imbach
*Head of High Growth
Technology Group,
KPMG in the UK*

CORPORATE PARTICIPATION TOPS 20% FOR 4 OF THE LAST 5 QUARTERS

Corporate investors participated in 23% of all deals to European VC-backed companies in Q1'16. Corporate participation has now topped 20% for 4 of the last 5 quarters.

CVC Participation in European Deals to VC-Backed Companies Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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HIGH-TECH GRUENDERFONDS IS MOST ACTIVE VC INVESTOR IN EUROPE IN Q1'16

High-Tech Gruenderfonds continues to hold its spot as the most active VC investor in Europe. The German-based VC led all VCs with multiple early-stage bets, including LifeTime and Gravit, among others. Business Growth Fund, German Startups Group and Index Ventures rounded out the top four.

Most Active VC Investors in Europe Q1'16

Rank	Investor	Rank	Investor
1	High-Tech Gruenderfonds	5	Holtzbrinck Ventures
2	Business Growth Fund	9	Bayern Kapital
3	German Startups Group	9	Salesforce Ventures
4	Index Ventures	9	Imperial Innovations
5	Caixa Capital Risc	9	Ventech
5	Partech Ventures	9	e.ventures
5	Notion Capital	9	IBB Beteiligungsgesellschaft

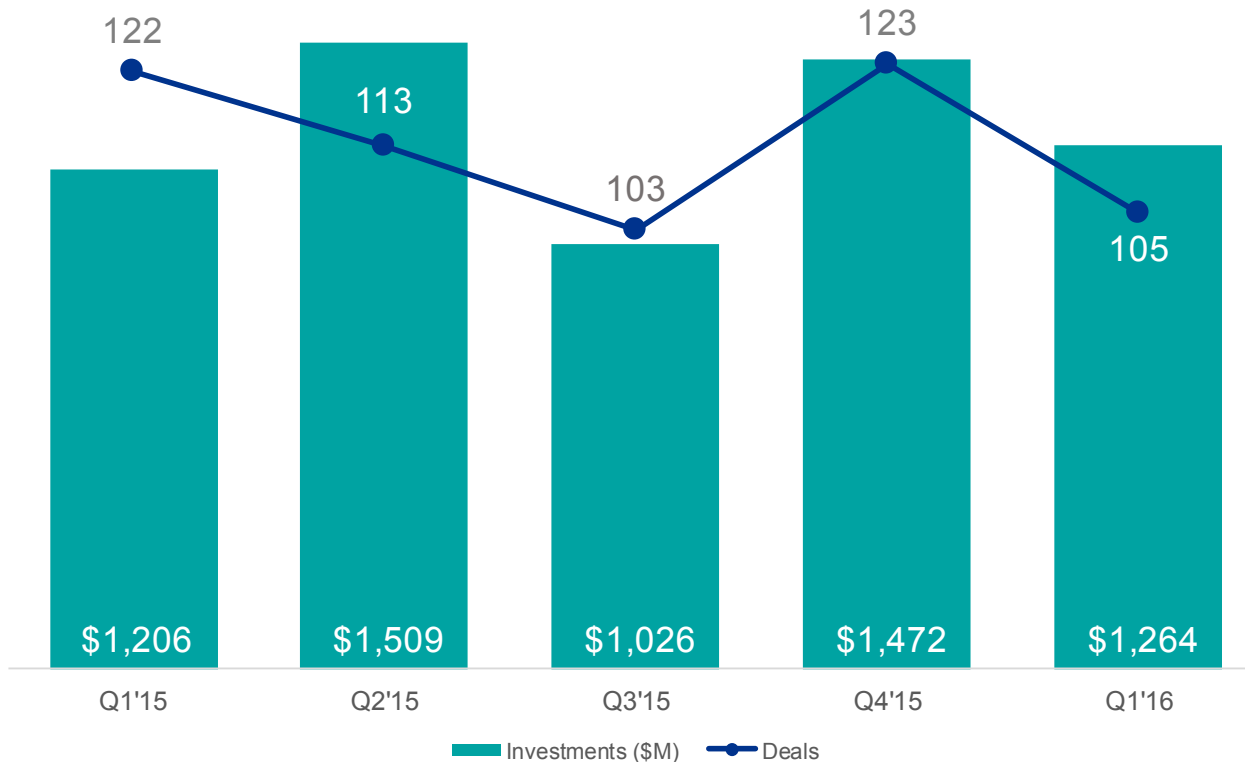
Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13, 2016

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UK VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

UK Investment Activity VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Skyscanner

\$192M // Series C

MISSION Therapeutics

\$86.24M // Series C

Autolus

\$60M // Series B

Top Cities

London

53 Deals // \$636.1M

Cambridge

10 Deals // \$168.5M

Edinburgh

4 Deals // \$198.7M

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

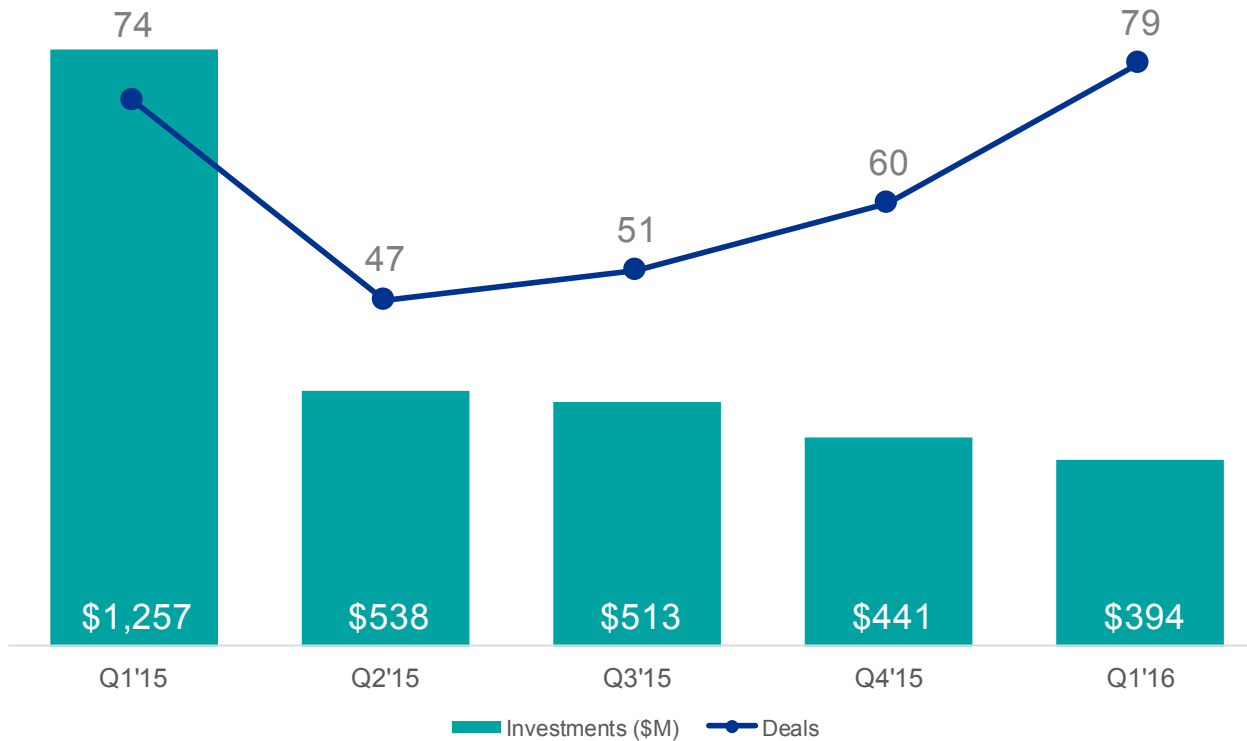
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GERMANY VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

Germany Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Xolution

\$49.14M // Unattributed VC

eGym

\$45M // Series C

Spotcap

\$34.4M // Series B

Top Cities

Berlin

47 Deals // \$172.1M

Munich

9 Deals // \$113.9M

Hamburg

5 Deals // \$27.8M

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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#Q1VC



In Q1 2016

ASIAN

VC-backed companies raised
\$6.5 billion

VC activity in Asia declines further from Q3'15 high

VC activity in Asia declined further in Q1'16, driven by a slowdown in China's economy as the country continued to adapt to a new norm for its economic growth and a more cautious investment climate being projected out of the US. With investor confidence eroding, VC deals in Asia declined for the second straight quarter, falling to half of its \$14.3 billion high set in Q3'15.

A decrease in mega-deals has been a large part of the decline. While mega-deals were rampant in 2015, 2016 will likely be less robust. While VC deal numbers dropped only slightly from Q4'15, average deal size decreased significantly.

Lack of IPO exits distressing, but advancing M&A activity

When it comes to exit strategies, IPOs are still highly attractive to Asia-based investors despite challenges associated with execution. In the dominant Chinese market, the IPO approvals process has slowed considerably. The central government of China re-opened the market to IPOs in November. However, there are still approximately 700 companies waiting to be listed. The entire IPO process in China remains complicated, with significant listing requirements and a regulatory review process that makes the timing of IPOs uncontrollable.* This lack of exits can be distressing to investors and founders alike.

With IPO exits becoming more difficult, M&A is becoming an increasingly attractive exit strategy. There is also a big push within China for local companies to pursue M&A and other investment opportunities in the United States. Investors in China appear to be following this advice. In Q1, international VC investors accounted for 27 percent of investment in US based companies, an increase from 17 percent in Q4'15. Of these international participants, China-based VC investors came second only to those from the UK.

Desire for 'smart capital' coming to the fore

Over the past several months, startups across Asia – particularly in India – have begun looking for more than VC funding; they are looking for investors that understand their business model and who can help support and shape their business strategy. Startups see this 'smart capital' approach as an important way to gain both experienced insights and access to markets. While such an approach has always existed, the growing uncertainty in the market is making more startups realize the importance of having knowledgeable investors.

Two-track economy becoming more prevalent in China

Traditional industries in China seem to be adjusting to the realities of a slowdown while industries that focus on higher value activities, including services, technology, healthcare and education seem highly optimistic. The Chinese government appears to be creating specific incentives to encourage VC investments in cities like Shanghai to help transition China to an innovation economy.

* Source reference: The Wall Street Journal, Chinese Companies Are Trapped in IPO Logjam, December 7, 2015.

VC activity in Asia declines further from Q3'15 high (cont.)

Startup Ecosystem continues to grow in India

In India meanwhile, Q1'16 marked the official launch of 'Startup India' – an ambitious program that includes funding support and credit guarantees for startups. In addition, investment in e-commerce and digital internet companies have been on the rise over the last few quarters, and is set to continue especially for niche business & operating models, backed by entrepreneurs with a successful history. *

Fintech and focused companies poised to do well in tightening market

Fintech is expected to continue to garner significant investment in Asia despite current market uncertainties. Given the size of Asian markets, the different levels of maturity for financial services across the region, and the expected demand for digital banking services in many parts of Asia, fintech mega-deals are expected to continue, in addition to the potential rise of Asia-based fintech Unicorns.

Companies that focus ruthlessly on key metrics – cost to acquire customers, monthly run rate, burn rate on capital – should also continue to find funds and get fair valuations relative to the rest of the market, while less focused companies can expect to find attracting funding from cautious investors difficult.

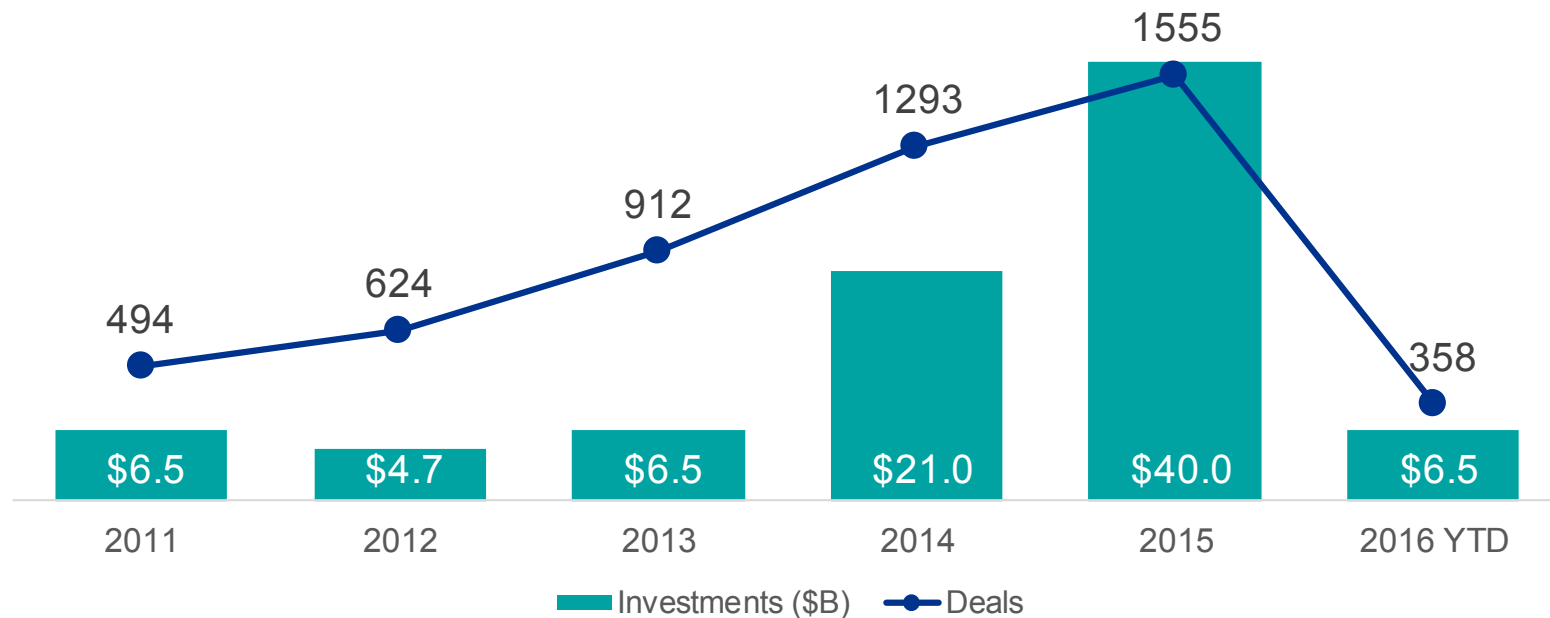
* Source reference: 'India soars high', KPMG in India, February, 2016.

ASIA SEES SIGN OF A SLOWDOWN IN 2016 WITH JUST \$6.5B INVESTED ACROSS 358 DEALS

Asia has seen a rapid increase in financing and deal activity into VC-backed companies since 2011, with more than \$40B invested across 1555 deals in 2015. 2016 has seen a marked slowdown, however, with just \$6.5B invested as the number of mega-rounds into the area dropped sharply.

Asian Annual Financing Trends to VC-Backed Companies

2011 – 2016 YTD (Q1'16)



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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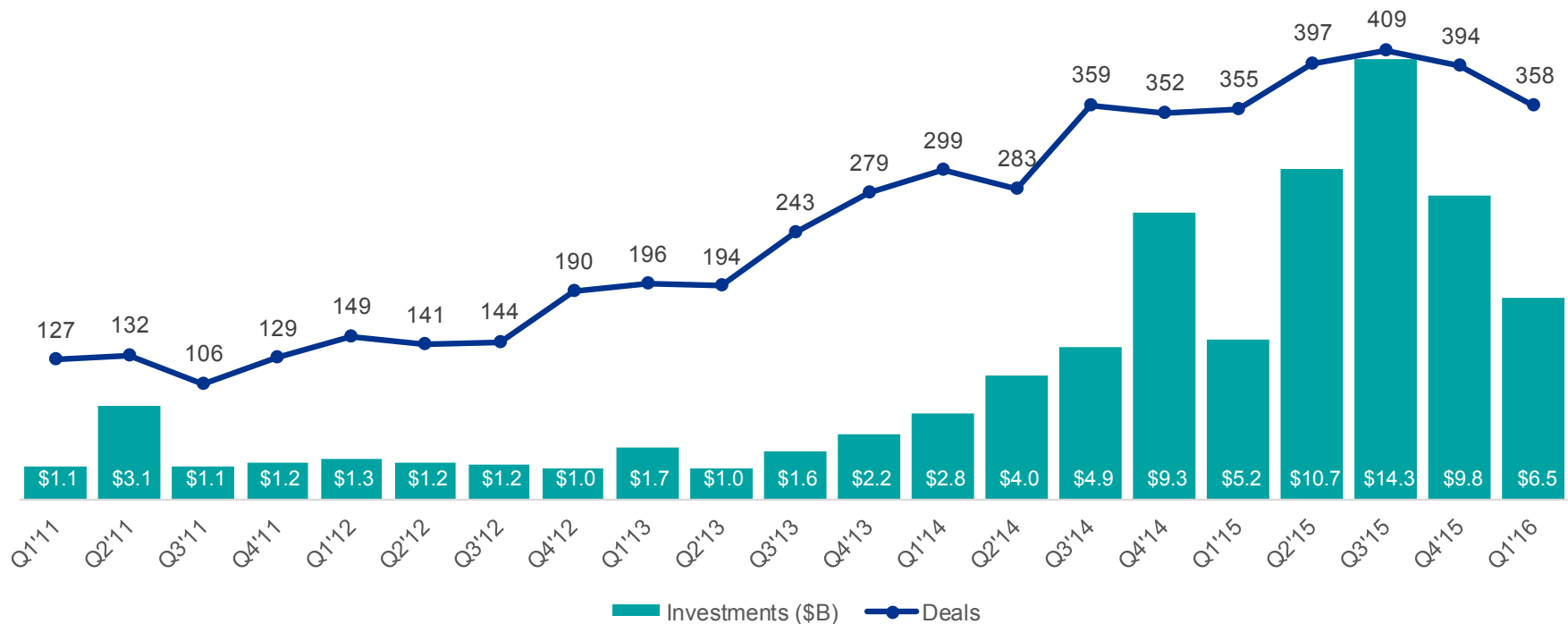
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INVESTMENT INTO ASIA SEES SECOND CONSECUTIVE QUARTER OF DECREASE

Q1'16 was the second quarter since Q4'14 that dropped below \$9B in funding while deals activity dropped 9% from Q4'15. Crossover investors have decreased their activity, with \$100M+ financings dropping precipitously in the last 2 quarters with just 16 a piece.

Asian Quarterly Financing Trends to VC-Backed Companies Q1'11 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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“Chinese VCs are starting to go out and invest overseas. There has been a much stronger push from the central government for Chinese investors, especially large corporate investors, to look internationally for opportunities and, in many cases, bring those new opportunities back to China to help strengthen our own ecosystem.”



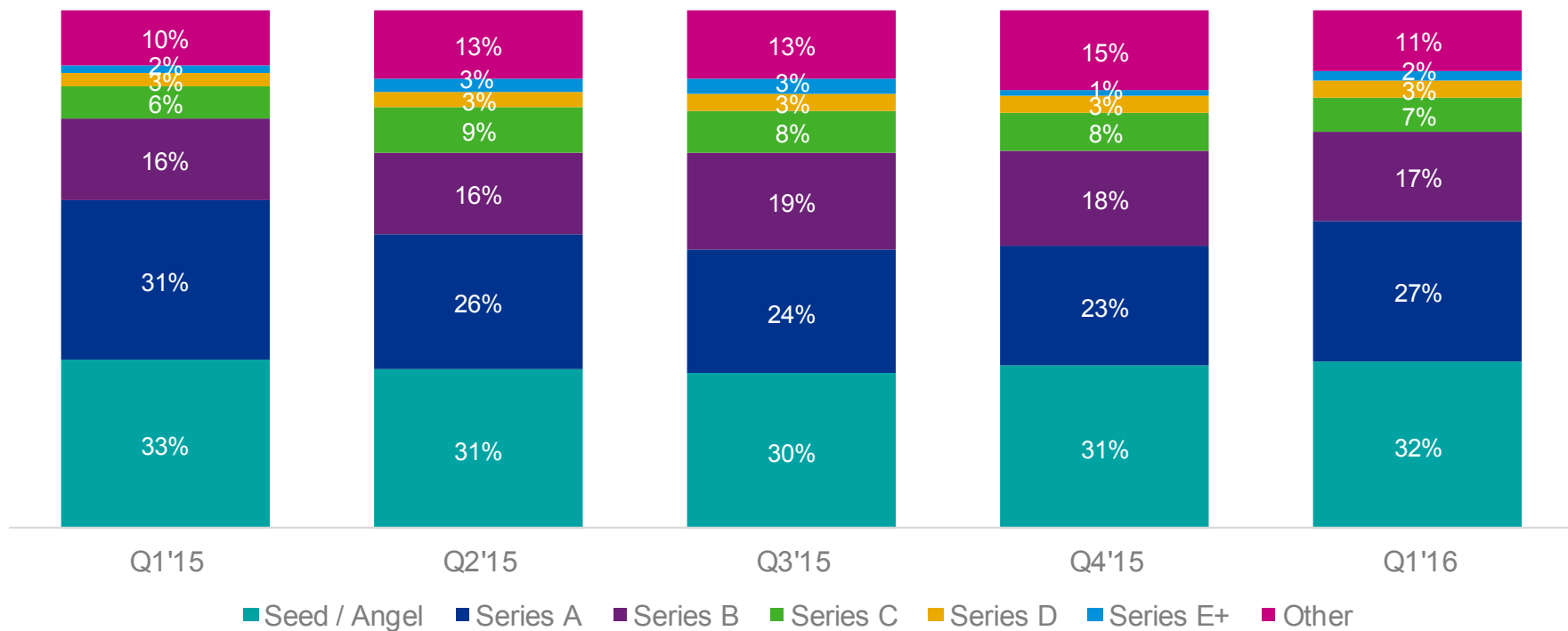
Irene Chu
*Partner, Head of High Growth
Technology & Innovation Group,
KPMG in Hong Kong*

ASIAN EARLY-STAGE DEAL SHARE BOUNCES BACK AFTER DECLINE IN 2015

In Q1'16, early-stage (seed – Series A) deal share accounted for 59% of all deals to VC-backed companies in Asia. This reverses a largely downward trend throughout the whole of 2015, although it falls short of the 64% early-stage share in Q1'15.

Asian Quarterly Deal Share by Stage

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

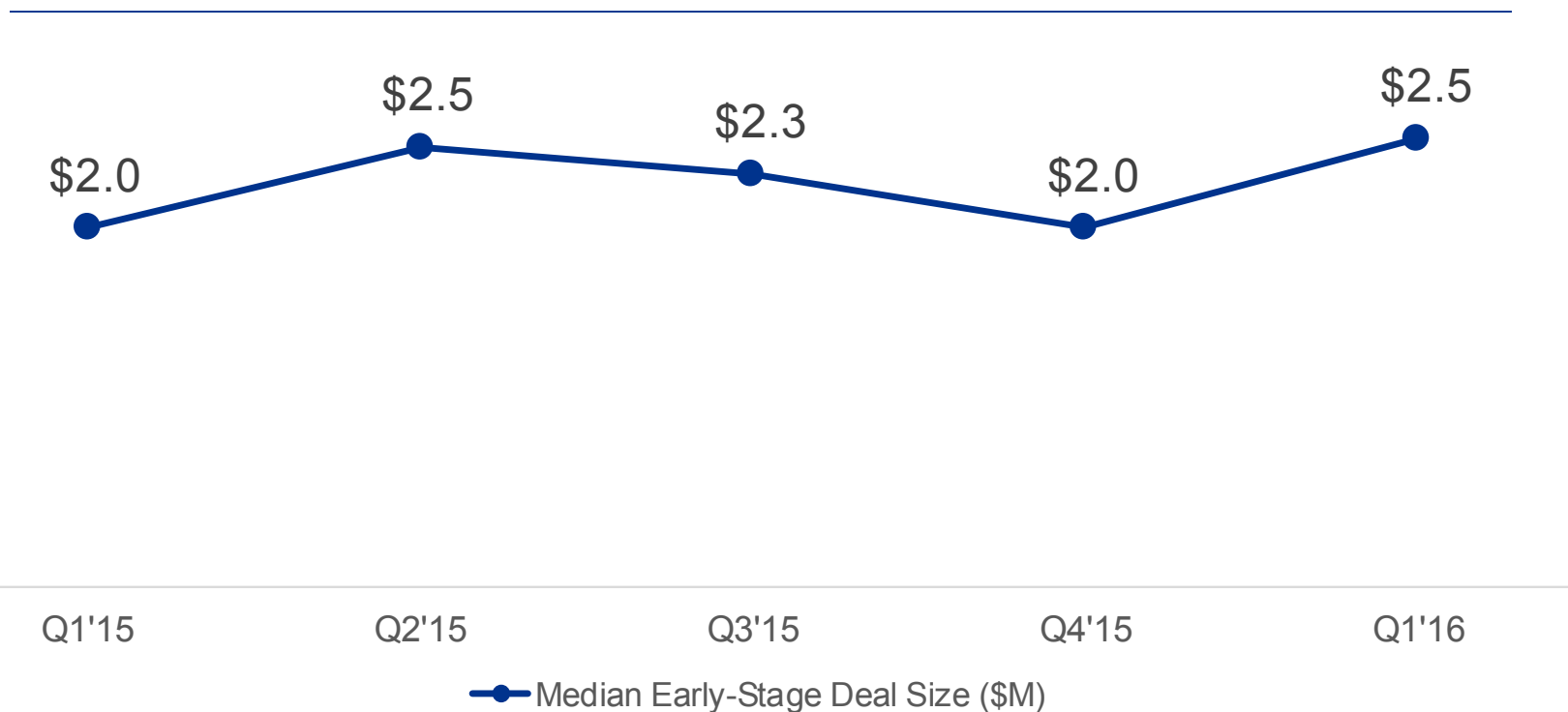
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MEDIAN EARLY-STAGE DEAL SIZE IN ASIA RISES TO \$2.5M

Median early-stage deal size to Asian VC-backed companies rose healthily in Q1'16, erasing 2 consecutive quarters of declines. Overall, early-stage deals have remained at or above \$2M across the past 5 quarters.

Asian Early-Stage Deal Size

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

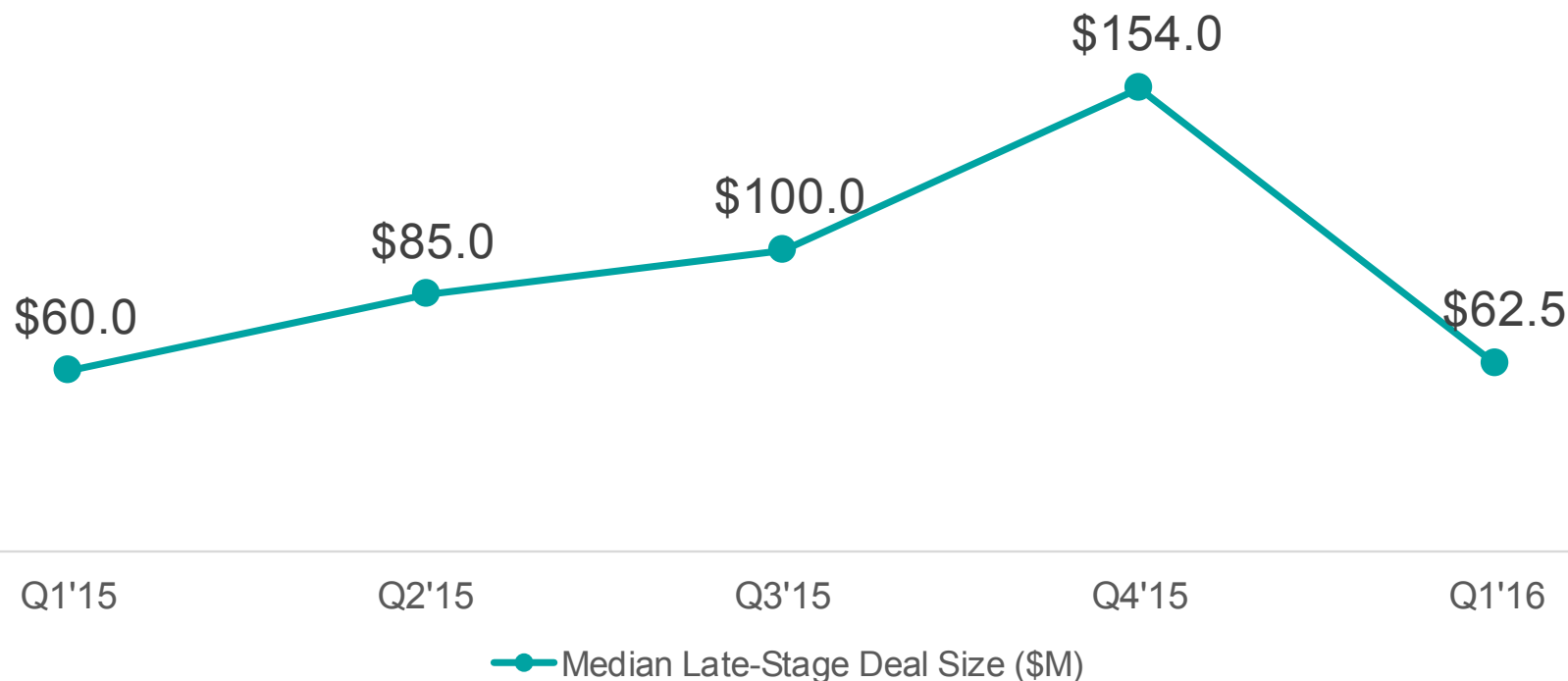
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MEDIAN LATE-STAGE DEAL SIZE IN ASIA IS SLASHED BY MORE THAN HALF

As mega-rounds continued to flourish in Asia with financings into ride-sharing and e-commerce companies (among others), median late-stage deal size crept up to more than \$150M+ in Q4'15. In Q1'16, the median late-stage deal size dropped by 59%, hitting closer to Q1'15 levels.

Asian Late-Stage Deal Size

Q1'15 – Q1'16



Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

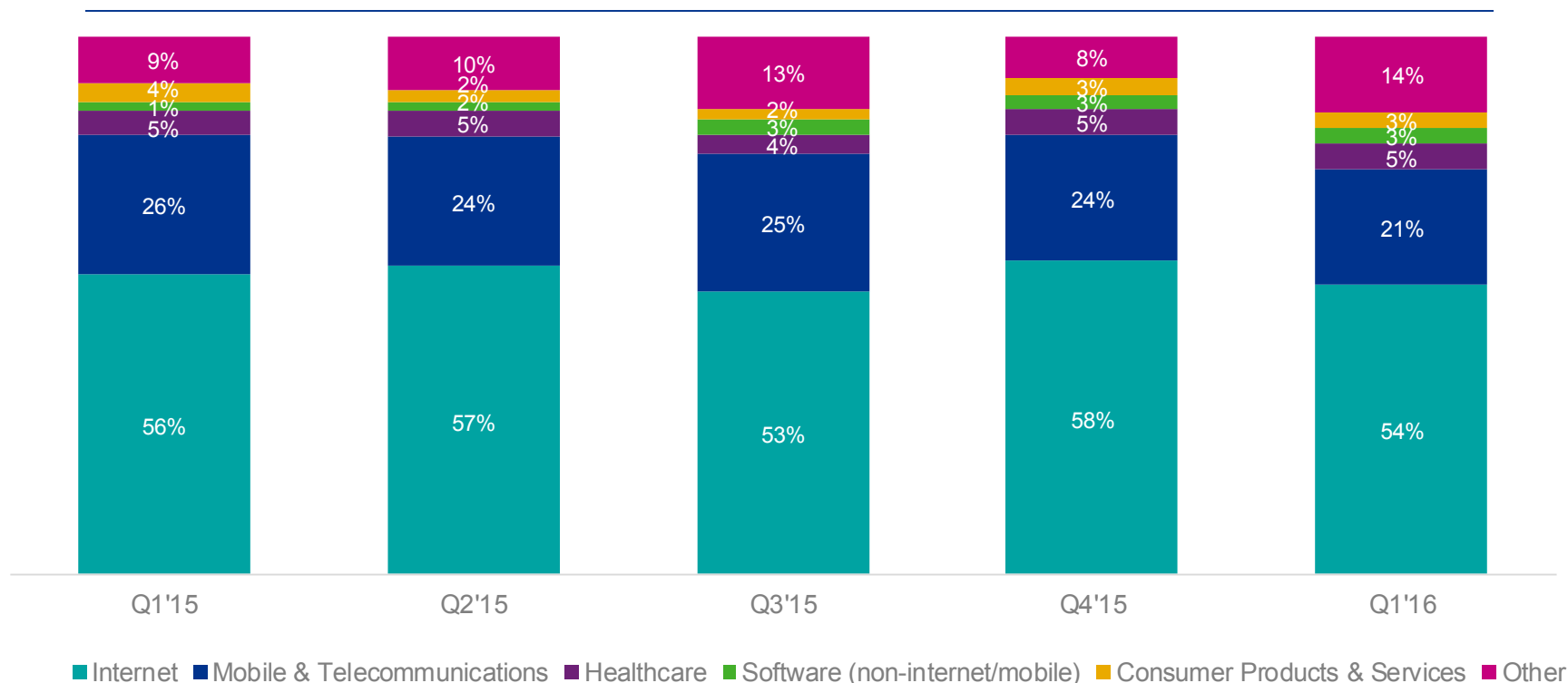
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INTERNET AND MOBILE SHARE FALLS TO 5-QUARTER LOW, ALTHOUGH STILL DOMINANT OVERALL

The relative share of deals going to Asian internet and mobile companies fell to a 5-quarter low, although their combined deal share of 75% still far outpaces other sectors. Mobile, in particular, declined for a second straight quarter, down to 21%. Healthcare, software and consumer products & services remained relatively range-bound.

Asian Quarterly Deal Share by Sector

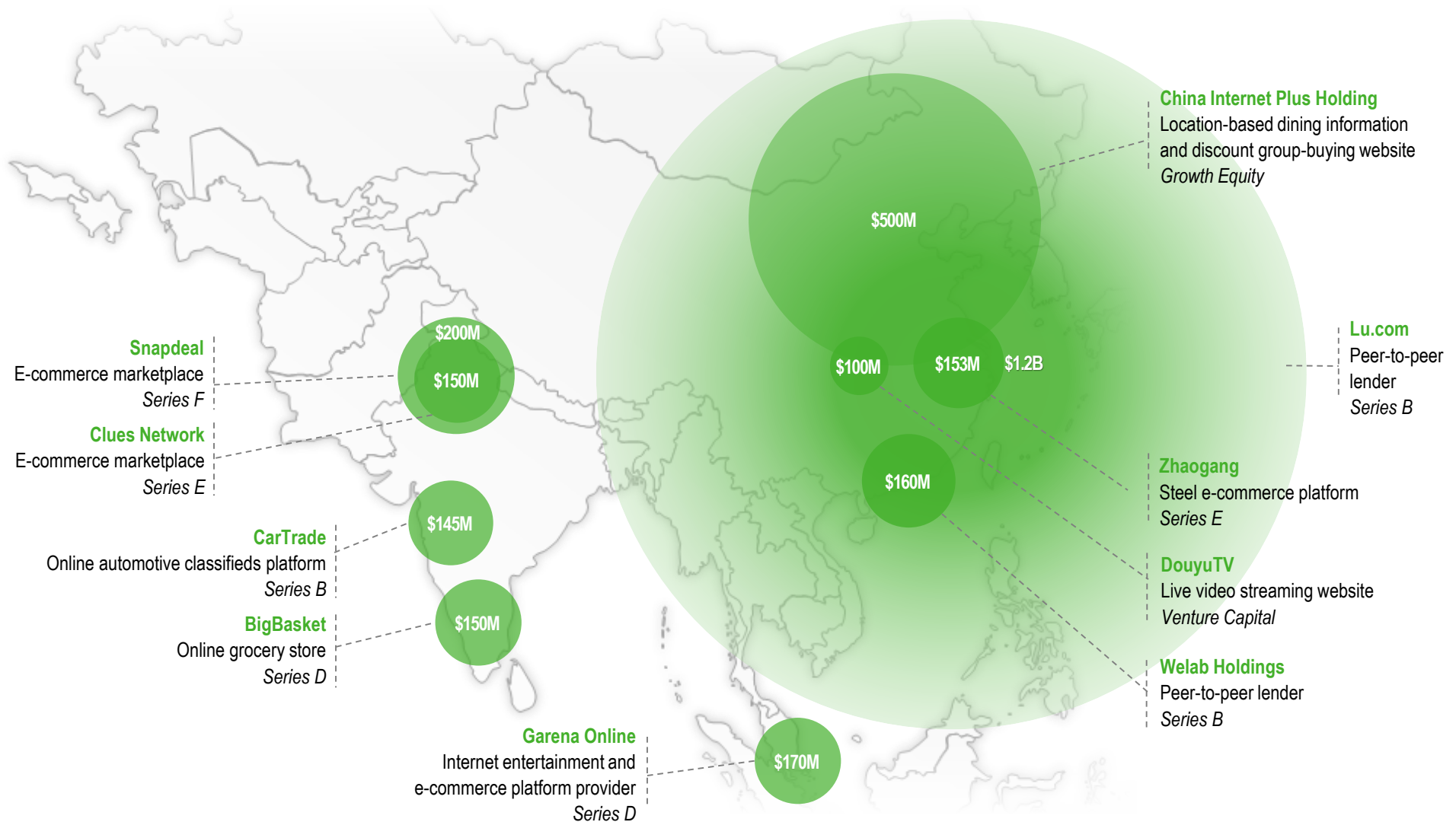
Q1'15 – Q1'16



■ Internet ■ Mobile & Telecommunications ■ Healthcare ■ Software (non-internet/mobile) ■ Consumer Products & Services ■ Other

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

10 LARGEST ASIAN ROUNDS OF Q1'16 REPRESENT MORE THAN \$2.9B IN FUNDING VS. \$5.9B IN Q4'15



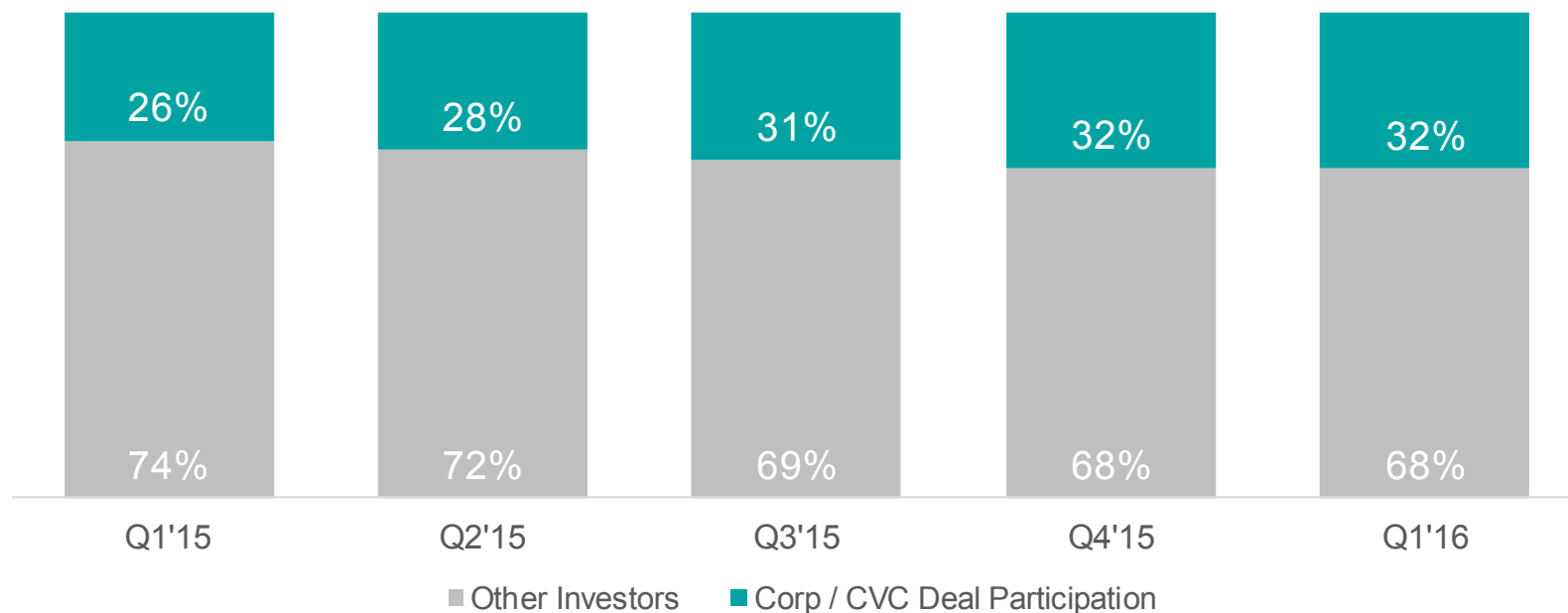
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ASIAN CORPORATES MAINTAIN INVESTMENT PAGE, ACCOUNT FOR NEARLY ONE-THIRD OF ALL DEALS

Fueled by the direct investments of corporates in particular (e.g. Alibaba, Tencent, Baidu, Rakuten, etc.), corporates and CVCs participated in 32% of all financing deals to Asian VC-backed companies in Q1'16, matching last quarter's high.

CVC Participation in Asian Deals to VC-Backed Companies

Q1'15 – Q1'16



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500 STARTUPS WAS THE MOST ACTIVE VC IN ASIA IN Q1'16

500 Startups was again the most active VC in Asia, having recently launched several Asia-focused micro-funds from Q4'15 through Q1'16 (e.g. 500 Startups Japan, 500 Durians, 500 TukTuks and 500 Vietnam). Accel Partners, East Ventures and CyberAgent Ventures join 500 Startups to round out the top four.

Most Active VC Investors in Asia Q1'16

Rank	Investor	Rank	Investor
1	500 Startups	5	IDG Capital Partners
2	Accel Partners	10	Sequoia Capital India
2	East Ventures	10	IMJ Investment Partners
4	CyberAgent Ventures	10	SAIF Partners
5	Matrix Partners China	10	Blume Ventures
5	BEENEXT	10	Ping An Ventures
5	Gobi Partners	10	Lightspeed Venture Partners
5	Sequoia Capital China		

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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“In the future, we expect to see more buyout activities and consolidation in China. We also expect to see a lot more corporates setting up VC arms to make venture type investments in order to get in the game and follow the lead of companies like Baidu, Alibaba and Tencent.”

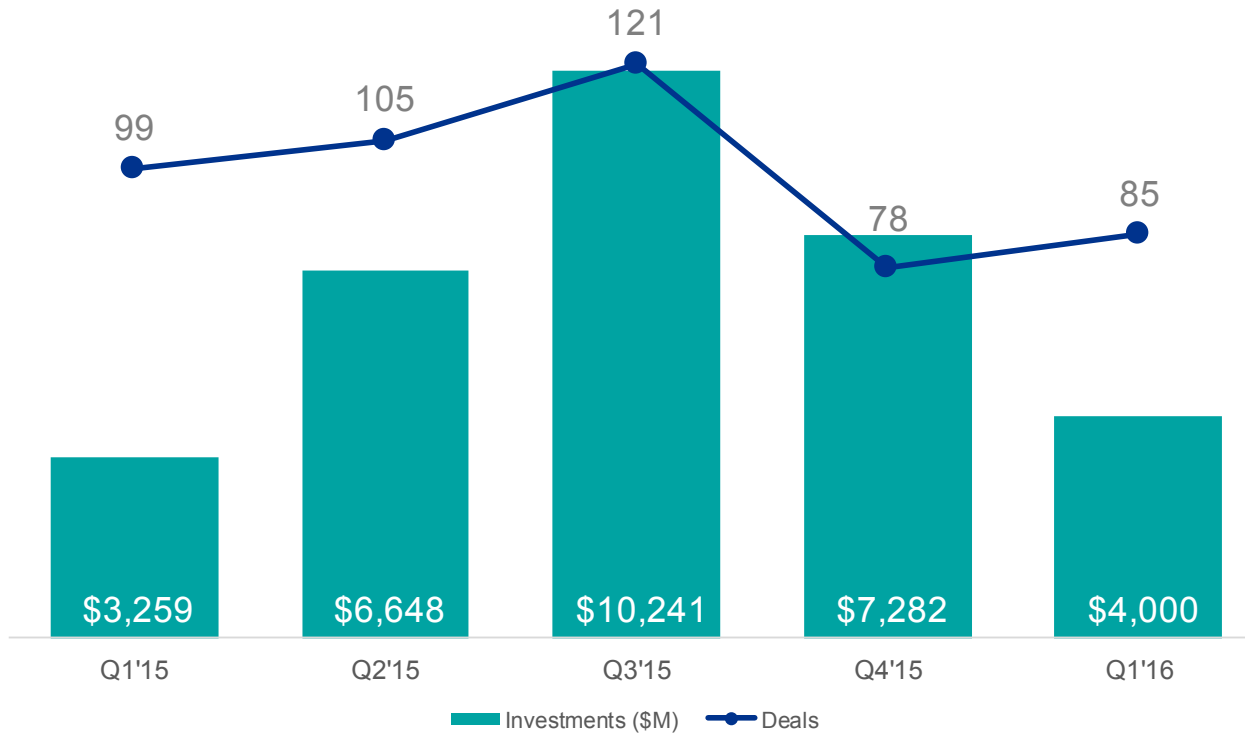


Lyndon Fung
*US Capital Markets Group,
KPMG in China*

CHINA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

China Investment Activity VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Lu.com

\$1.2B // Series B

China Internet Plus Holding

\$500M // Growth Equity-II

Zhaogang

\$153M // Series E

Top Cities

Beijing

27 Deals // \$1.2B

Shanghai

20 Deals // \$1.9B

Hangzhou

6 Deals // \$48M

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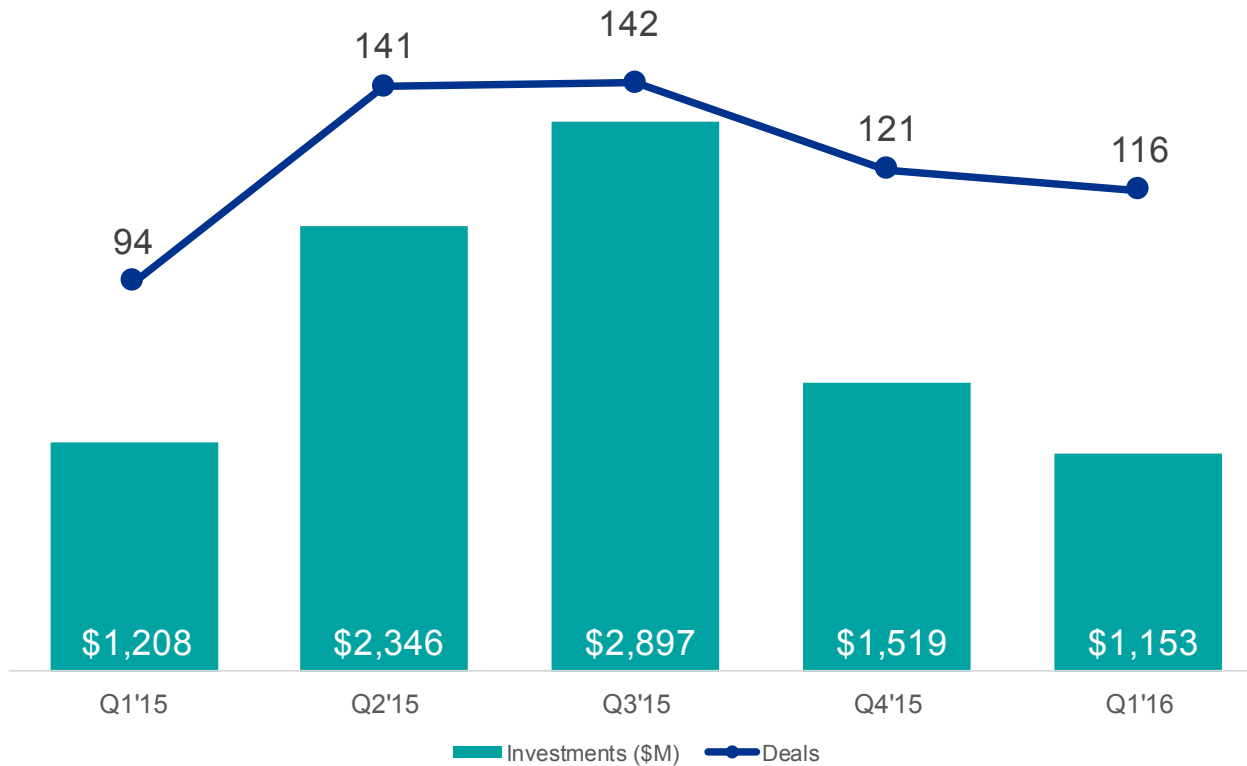
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INDIA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q1'16

India Investment Activity
VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Snapdeal

\$200M // Series F

Clues Network

\$150M // Series E

BigBasket

\$150M // Series D

Top Cities

Bangalore

35 Deals // \$316M

Mumbai

22 Deals // \$116M

New Delhi

10 Deals // \$249M

Source: Venture Pulse, Q1'16, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) April 13th, 2016.

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“Similar to the telecom and mobile boom 10 years ago, digital banking is ripe for explosion. Everything is converging – technology, government action [in India], growth and demand.”



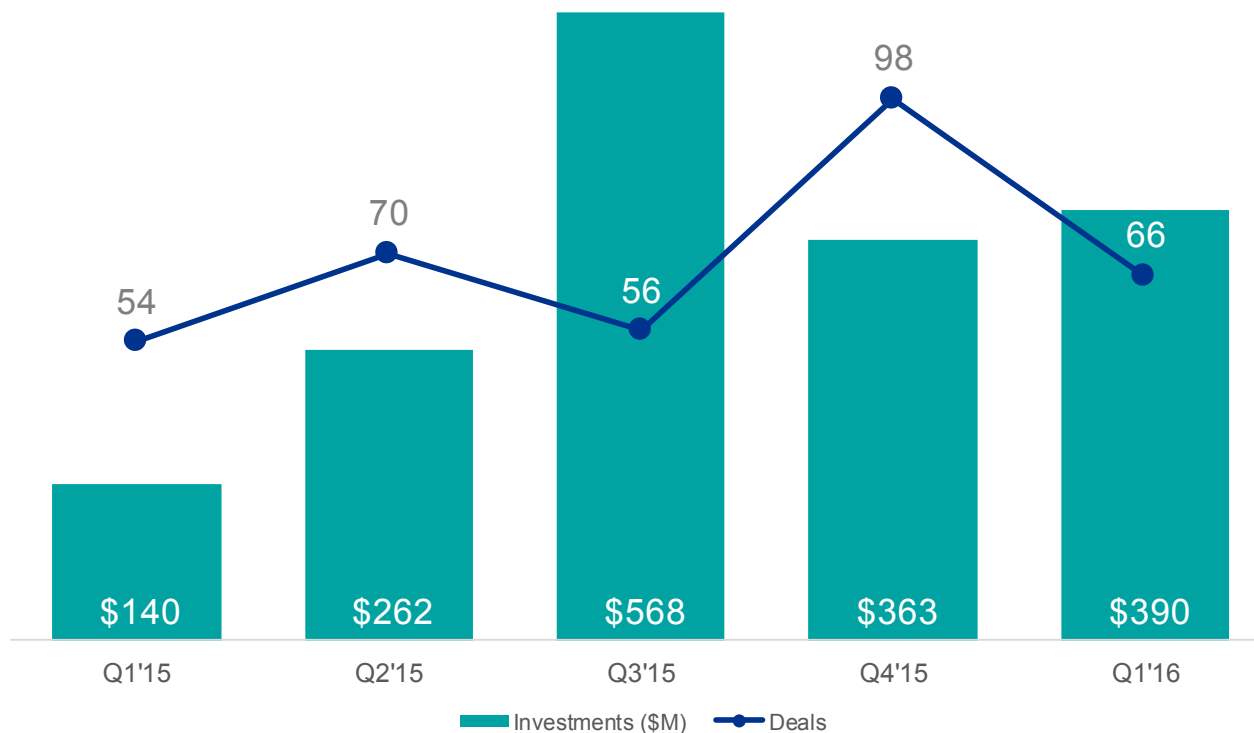
Sanjay Aggarwal
*Partner-in-Charge,
KPMG Enterprise,
KPMG in India*

SOUTHEAST ASIA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q1'16

Southeast Asia Investment Activity

VC-Backed Companies, Q1'15 – Q1'16



Top Deals

Garena Online

\$170M // Series D

iFlix

\$45M // Corp. Minority

Astroscale

\$35M // Series B

Top Countries

Singapore

21 Deals // \$260.1M

Indonesia

14 Deals // \$23.9M

Malaysia

13 Deals // \$67.9M

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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 firm’s 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 numbers 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 and 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 or 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 or equity financings by the federal government, state agencies or public-private partnerships to emerging, startup companies are not included.

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Acknowledgements

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