



Venture Pulse Q2 2019

Global analysis of
venture funding

11 July 2019



Welcome message



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

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

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

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

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

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

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

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

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Unless otherwise noted, all currencies reflected throughout this document are US Dollar

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

\$33.7B

across

2,528 deals



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

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



US dominates VC investment in Americas

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

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



Latin America sees VC investment boost driven by massive Rappi deal

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

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



Canada sees strong interest from VC investors in Q2'19

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

In May, Toronto hosted the massive Collision conference, a technology innovation focused conference that attracted over 25,000 attendees, including startups, entrepreneurs, and venture capitalists. The event put a big spotlight on Canada's innovation ecosystem and its AI technology leadership; this could, in turn, spur additional VC interest in Canada-based startups over the next few quarters. VC funding in Canada also got a nice injection in Q2'19 with the announcement of BDC's \$250 million Industrial Innovation Venture Fund, a new fund focused on transforming key industries in Canada, including agriculture and food, resource extraction, and manufacturing¹.

¹ https://www.bdc.ca/en/about/mediaroom/news_releases/pages/bdc-capital-launches-250-million-industrial-innovation-venture-fund.aspx

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



Corporate VC investment continues to flourish

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



Focus on Brazil infrastructure could help boost VC investment in future

In June, the Brazil government announced plans to raise \$45 billion to help modernize its existing infrastructure. The plan, expected to include roads, airports, train lines, and other infrastructure nodes could spur VC investment in companies able to contribute to this significant modernization initiative².

Fintech is expected to remain a key area of investment in Brazil, with government regulators increasing their focus on understanding fintech opportunities and the potential offered by digital ledger technology, AI, and other innovative fintech solutions. During Q2'19, Brazil's financial regulators announced the creation of a sandbox for blockchain and other finance technologies³. This initiative follows on the Financial Supervision Counsel of Brazil's release of new regulations for cryptocurrencies, which are expected to take effect in September 2019⁴.



Trends to watch for in the Americas

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

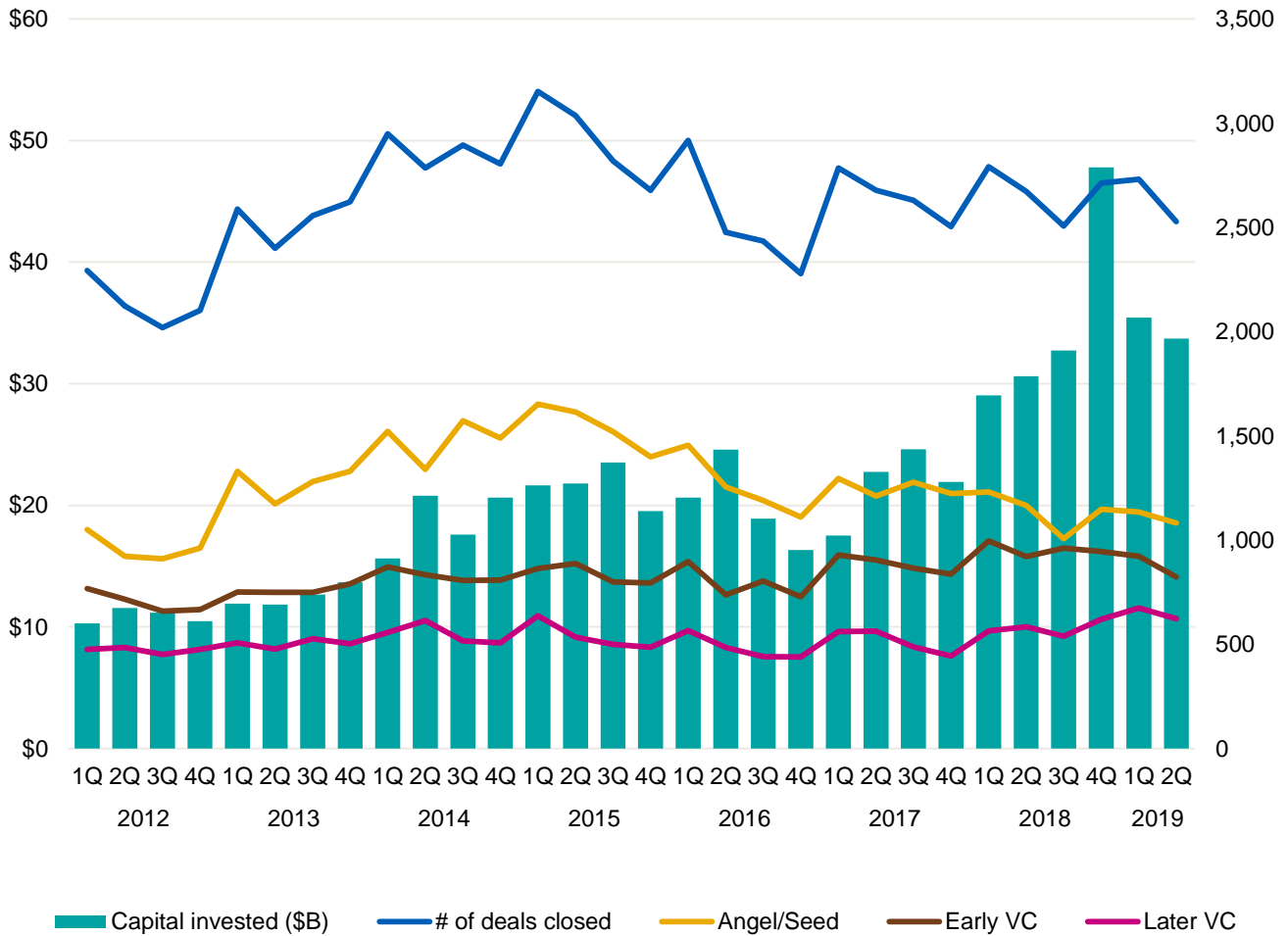
² <https://www.thestar.com/news/world/us/2019/06/27/brazil-seeks-foreign-capital-to-update-transportation.html>

³ <https://www.coinwire.com/brazil-announces-new-regulatory-sandbox-for-blockchain-fintech>

⁴ <https://blockpublisher.com/countdown-for-brazils-bitcoin-and-crypto-regulations-has-begun/>

US bolsters Americas to continued strength

Venture financing in the Americas 2012–Q2'19



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

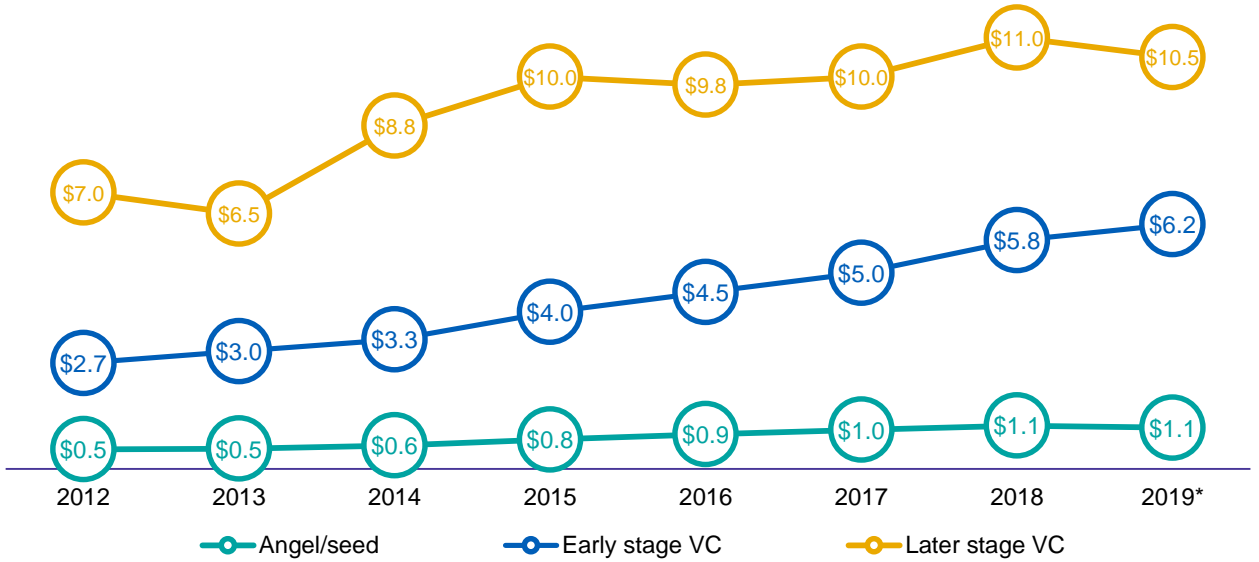
Note: Refer to the Methodology section on page 19 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

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

Up rounds indicate ebullience

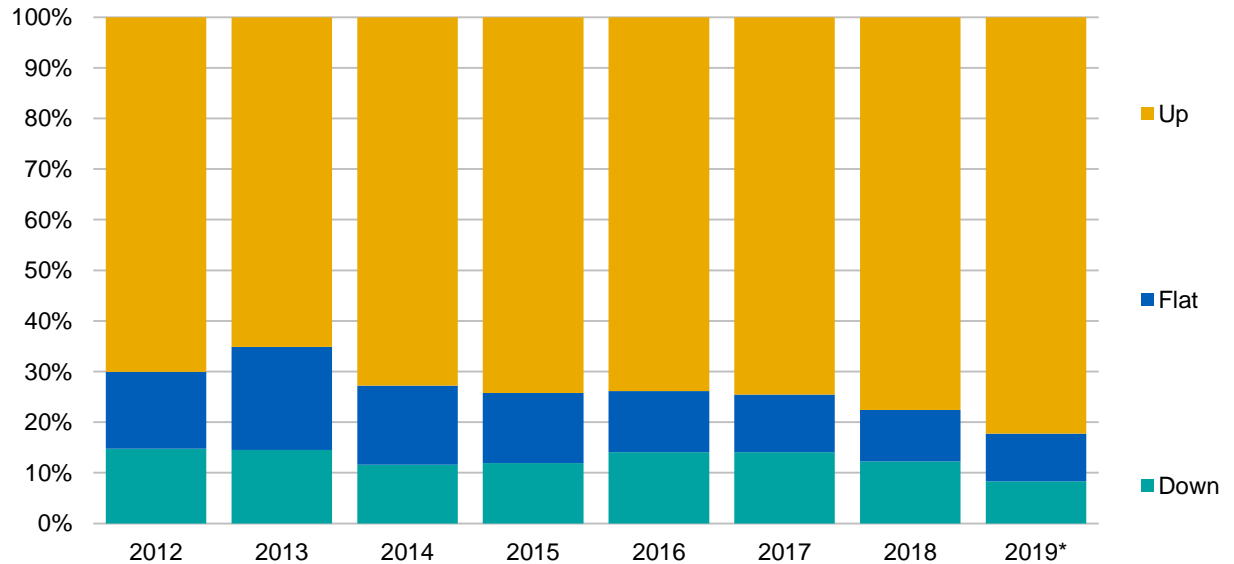
Median deal size (\$M) by stage in the Americas

2012–2019*



Up, flat or down rounds in the Americas

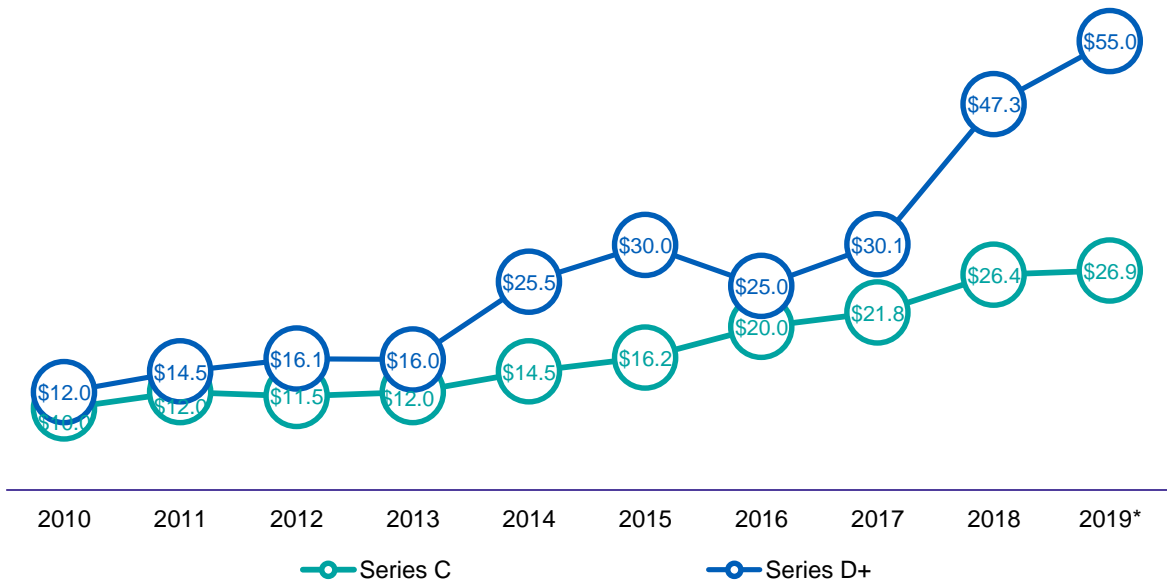
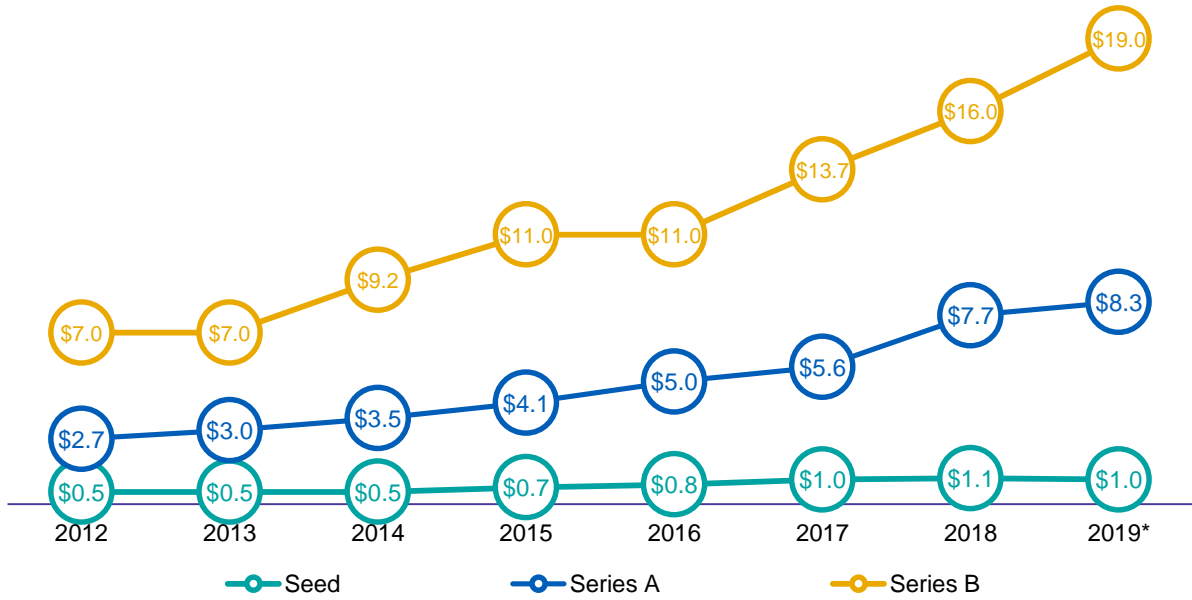
2012–2019*



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

Series spreads hold steady in divergence

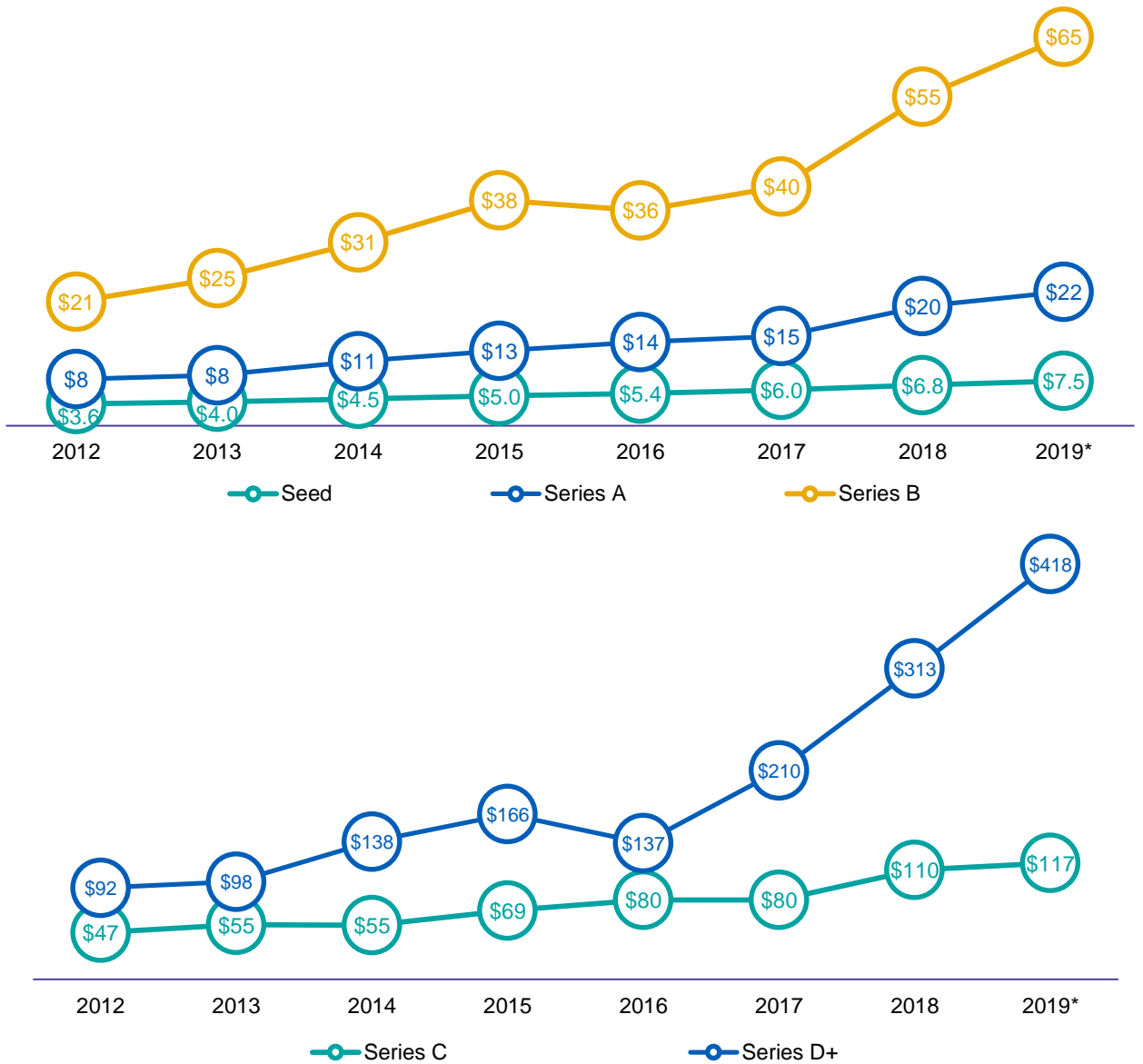
Median deal size (\$M) by series in the Americas
2012–2019*



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

As volume slows, new highs reached

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

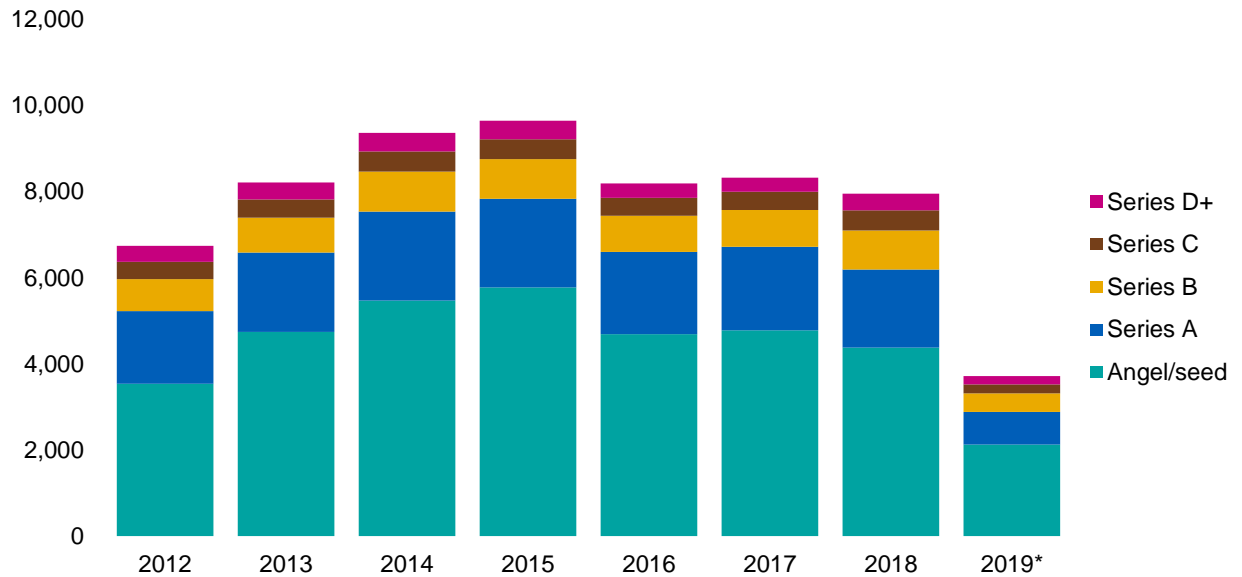


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

late-stage volume remains most on pace

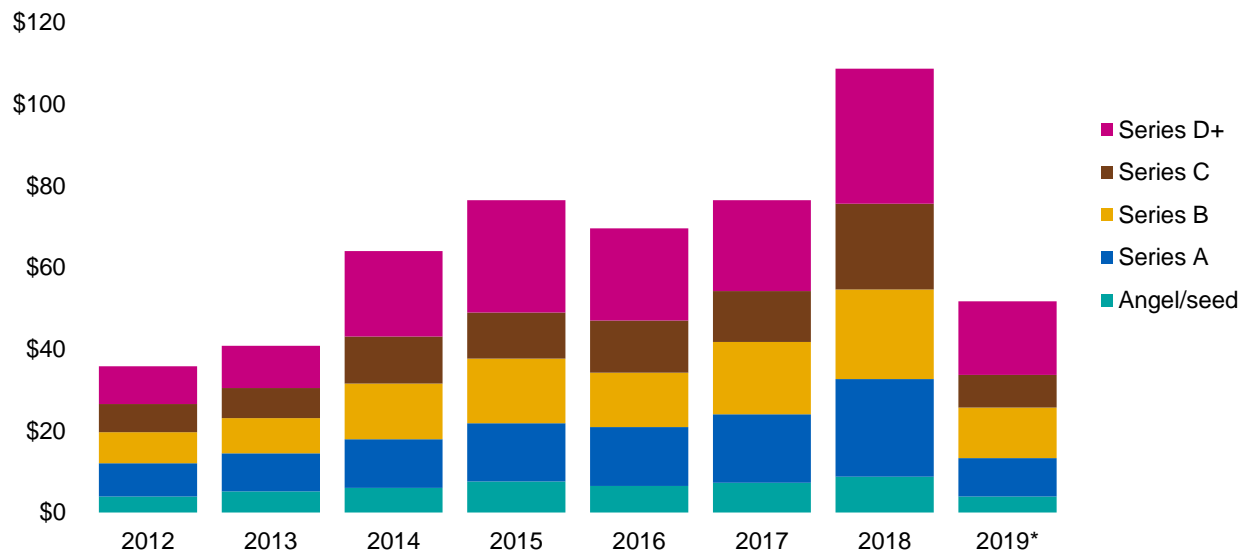
Deal share by series in the Americas

2012–2019*, number of closed deals



Deal share by series in the Americas

2012–2019*, VC invested (\$B)

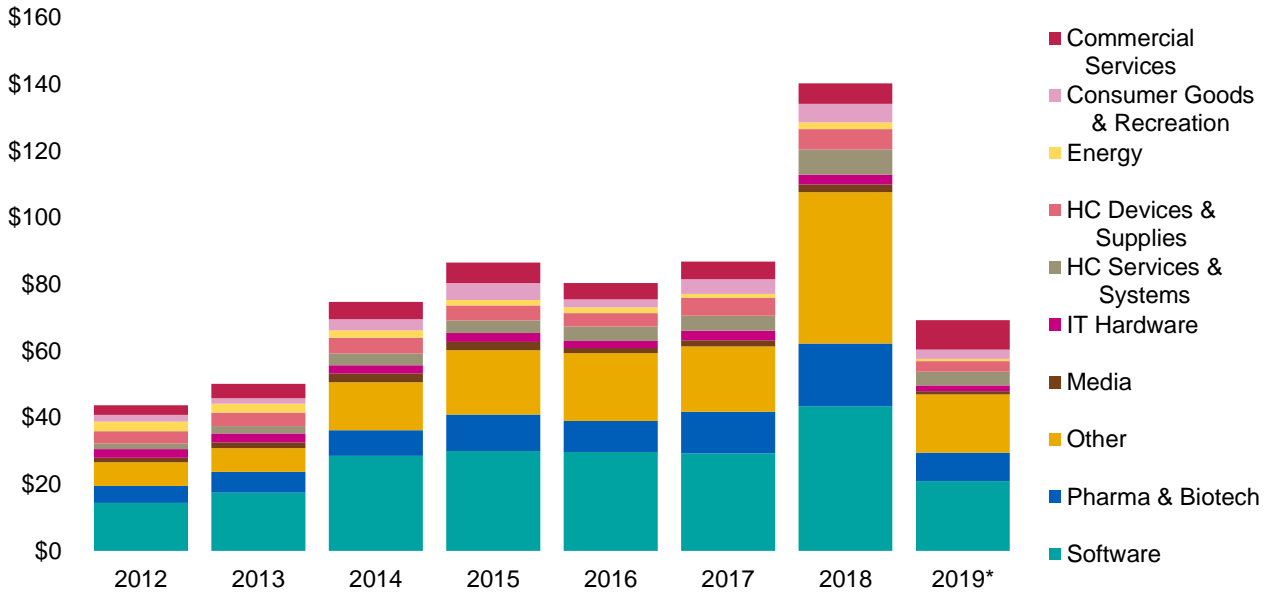


Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

Healthcare ecosystem rakes in VC

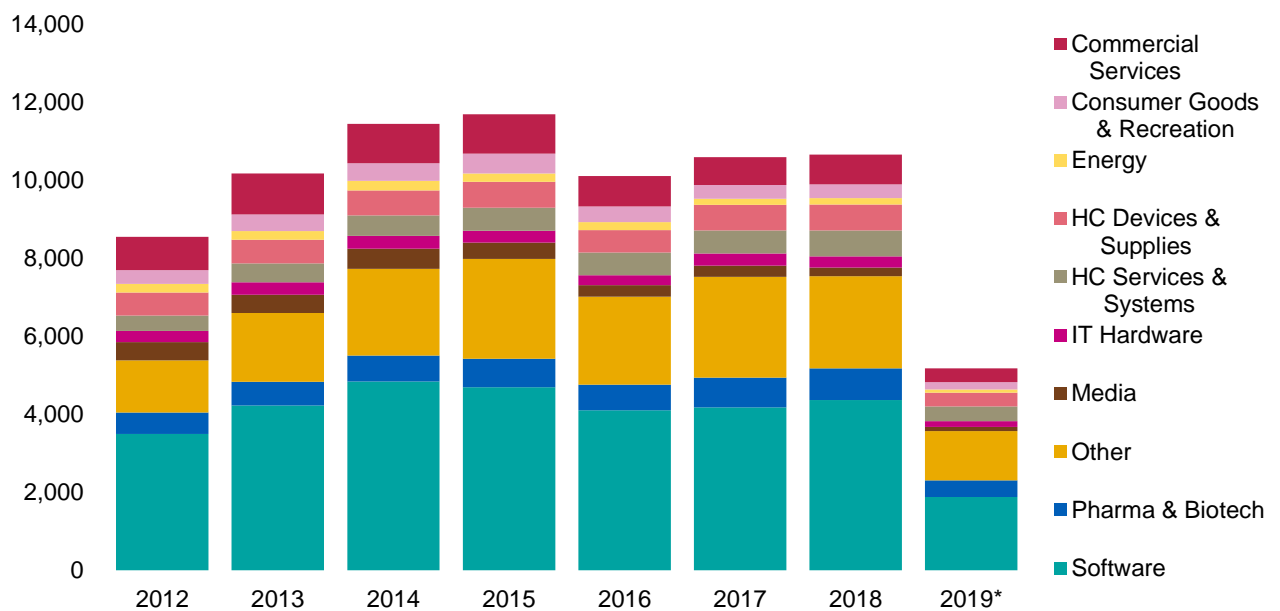
Venture financing of VC-backed companies by sector in the Americas

2012–2019*, VC invested (\$B)



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

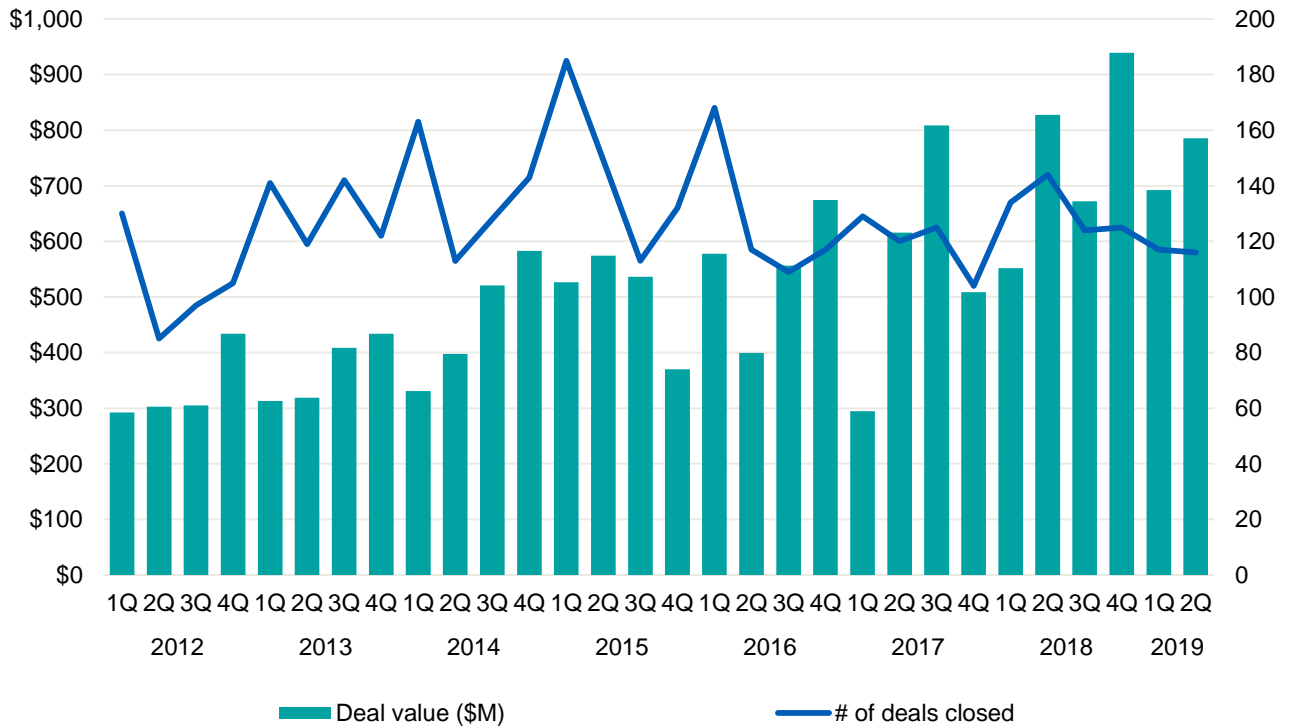
2012–2019*, # of closed deals



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

2019 tallies stay more than robust

Venture financing in Canada 2012–Q2'19



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

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

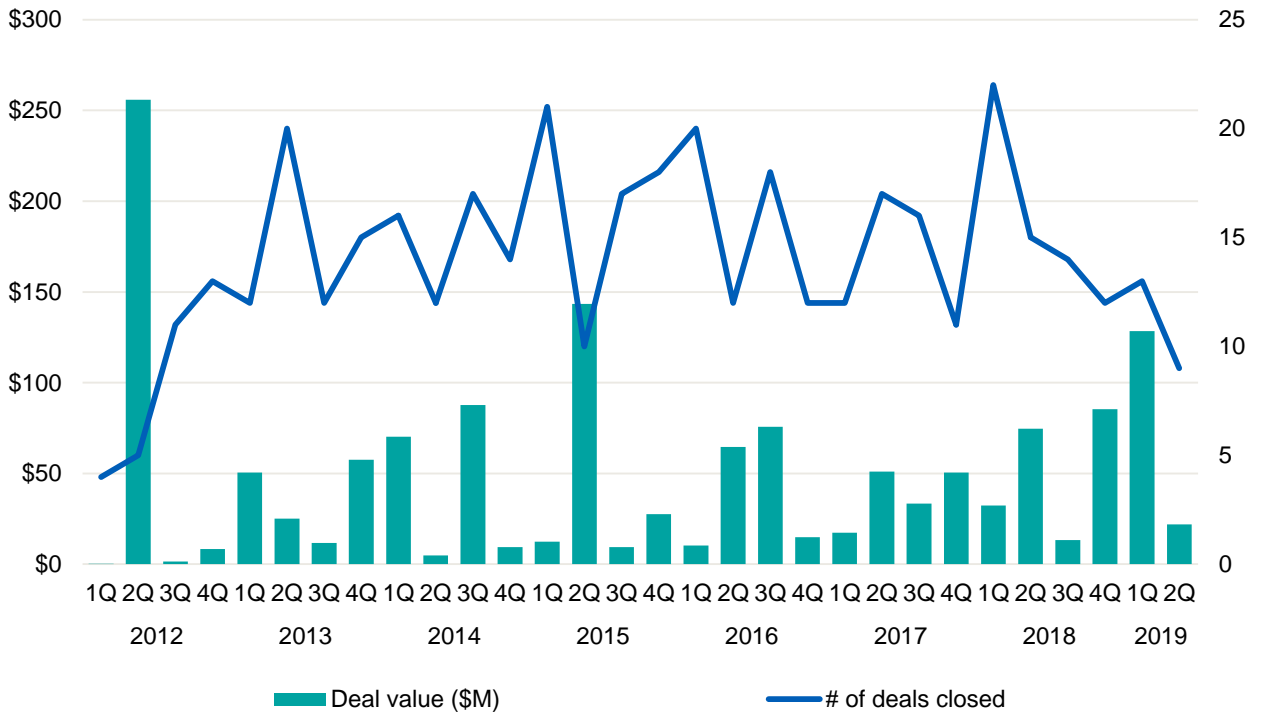
“The Canadian venture capital scene turned in another strong performance in Q2, both in terms of deal volume and value, highlighted by several large deals in the fintech space. We anticipate continued strength in Q3, powered by economic growth combined with continued interest by US investors looking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



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

After a robust two quarters, a downturn

Venture financing in Mexico 2012–Q2'19



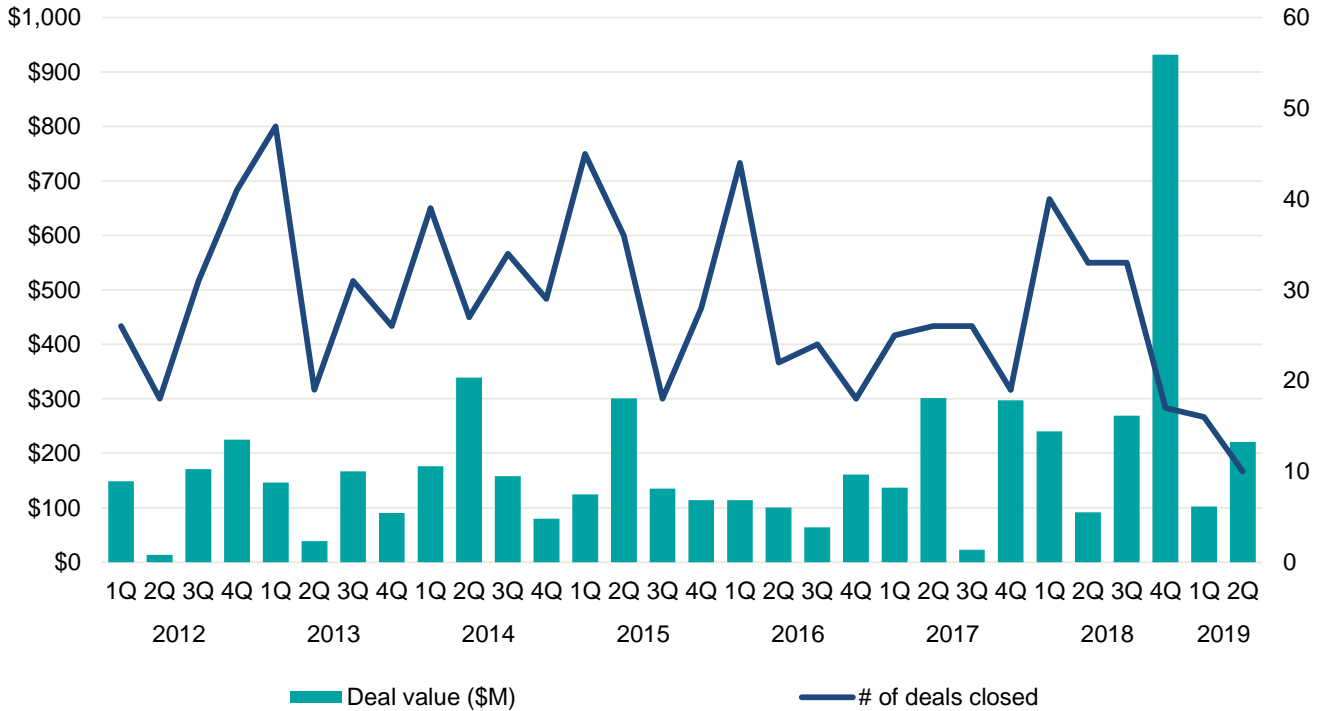
Source: Venture Pulse, Q2'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of June 30, 2019. Data provided by PitchBook, July 11, 2019.

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

Q2 records more subdued performance

Venture financing in Brazil

2012–Q2'19



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

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

Traditional hubs of VC activity dominate rankings, once again



Top 10 financings in Q2'19 in Americas

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

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

KPMG Enterprise Emerging Giants Network. From seed to speed, we're here throughout your journey



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

Acknowledgements

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Methodology

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

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

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

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

Fundraising

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

Deals

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

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

Methodology, cont'd.

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

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

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

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

Exits

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

In this edition of the KPMG Venture Pulse, as in Q1 2019, PitchBook's methodology regarding aggregate exit values changed. Instead of utilizing the size of an IPO as the exit value, instead the prevaluation of an IPO, based upon ordinary shares outstanding, was utilized. This has led to a significant change in aggregate exit values, yet is more reflective of how the industry views the true size of an exit via public markets.

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