Media Release

Singapore, 16 January 2017

# No Region Immune to Venture Capital Market Downswing

*Deal activity for 2016 drops almost a quarter compared to 2015 as investor caution skyrockets, but total annual funding remains strong thanks to early year megadeals.*

Following 2015's peak funding levels, 2016 was a challenging year for venture capital (VC) investment across the globe, with decreases in both the number of deals and the total value of VC investment, according to *Venture Pulse Q4 2016*, a quarterly report on global VC trends published by KPMG Enterprise. Worldwide venture capital activity declined by 24 percent year over year, though total global venture capital investment remained substantial at USD$127.4 billion *.

After a strong start to 2016, investor optimism quickly turned cautious and purse strings tightened over the second half of the year. Market uncertainty was further fuelled by geopolitical upheavals, including the UK's Brexit vote and the US presidential election.

"VCs are taking this respite, triggered by global uncertainties, to re-assess their portfolio and focus on only seeking out top quality deals and also in helping their portfolio companies more actively in their next level of growth," said Chia Tek Yew, Head of Financial Services Advisory at KPMG in Singapore. "As such, whilst there was an absence of mega deals, we continue to see significant interest and development in core sectors such as fintech, insuretech, healthtech and underlying technologies in cybersecurity, artificial intelligence and Internet of Things".

### Key 2016 annual highlights

- Worldwide venture capital activity declined by 24 percent for the year, from 17,992 completed financings in 2015 to 13,665 in 2016.
- Globally, total deal funding declined from $141B (2015) to $127B (2016).
- Deal funding in Asia remained steady year over year at just over $39 billion, despite a significant decrease in megadeals in the last quarter of the year. Overall number of deals in Asia declined by 23.1% percent.
- Venture-backed exits declined 26 percent year over year, although signs indicate 2017 may see a renewal in the IPO market.
- Worldwide corporate participation in VC continued to grow, currently sitting at 15 percent of all deals.
- First-time financings to startups, a sure sign of investor caution, dropped 27.2 percent from a high of $18 billion compared to $13 billion in 2016.

### Key Q4 2016 highlights

- Global VC deals activity in Q4 2016 declined 31 percent compared to the same quarter last year, with just 2,809 deals – the lowest deal activity since Q4 2011.
- VC-backed companies raised just $21.8 billion in Q4, the lowest level of deals funding since Q1 2014.
- While deal activity was down, median-deal sizes remained high across almost all funding categories worldwide, ranging from a median of $30.0 million for Series D+ to a median of $1.1 million for seed deals, showing that investors were willing to pay for the right opportunities.
- The number of new unicorns (companies with a $1 billion valuation) minted dropped to just 6 in Q4 2016, the lowest level since the term was coined in 2013.

**US leads VC funding for the quarter, yet still shows large decline**
The US was again responsible for the largest portion of both VC deal activity and funding, despite the fact that US round counts declined 22.3 percent year over year. Funding levels also dropped 12.8 percent from $79.3 billion to $69.1 billion. The decline in deals activity in the US was also substantial – from 10,468 deals in 2015 to just 8,136 this year – the lowest level since 2012.

In Asia, while the total number of deals dropped dramatically, the total amount of VC invested remained steady year over year at around $39 billion – the only region to do so. However, Q4 ‘16 ended on a low note, with 24.7 percent less investment and 29 percent fewer deals than the same quarter last year.

In Europe, VC investment declined 14.6 percent to $15.7 billion year over year, from 2015’s peak of $18 billion. Despite the decline, the numbers show the region’s second highest deal funding year ever. For Q4 ‘16, while deal value dropped only 13 percent compared to the same quarter last year, the number of deals dropped by 42 percent.

**VC investment in China reaches new high**
Despite a late year slump, investment in China was up year over year – reaching a record $31 billion invested. This despite the number of deals dropping from 516 to just 300 between 2015 and 2016. India showed an almost opposite trend, with the number of deals remaining relatively high, while total VC invested dropped over 50 percent - from $8.2 billion to $3.3 billion year over year.

**First time financings take big hit in the Americas**
In the Americas, first time financings to startups took a big hit – a significant sign of investor caution in a year characterised by significant market uncertainty. Funding to first time startups went down from a record high of $9 billion in 2015 to $7.2 billion this year. The number of first time financings dropped to the lowest level in 6 years, with just 2,456 deals.

**Growing optimism for a strong 2017**
Despite the challenges experienced by the market in 2016, there are signs that the tide is turning, creating a more positive outlook for 2017. In Europe, the successful IPOs of Nordic payments firm Nets A/S, food delivery platform Takeaway.com, and online pharmacy Shop Apotheke in Germany bode well for potential exits there, while in the US, Snap – the parent company of Unicorn company Snapchat – has already filed for an early 2017 IPO. If successful, other mature companies that held off during 2016 may likely decide to exit.

“Even though some VCs may still stay on the sidelines to await clearer signs of improvements in the economy, several sectors in Singapore have managed to remain attractive,” added Mr Chia. “Technology companies have been steadily receiving funding and with artificial intelligence and cognitive learning expected to transform everyday life and business, they will continue to be appealing in 2017.”

**## END ##**

**Note to editors**
*All figures cited are in USD, data for the report provided by Pitchbook.

**About *Venture Pulse***

The Q4 2016 edition of the *Venture Pulse* report produced by KPMG Enterprise's Global Network for Innovative Startup, analyses the latest global trends in venture capital investment data and provides insights from both a global and regional perspective. KPMG Enterprise has expanded the scope of Venture Pulse; this edition of the quarterly series provides in-depth analysis on the lifecycle of venture capital investments across the Americas, EMA and ASPAC***,*** including a look at investment activity such as valuations, financing, deal sizes, mergers & acquisitions, exits, corporate investment and industry highlights.

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