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Global VC deal volume drops for the fourth straight quarter, hitting lowest level since 2011: [KPMG Venture Pulse Q1 2017](#)

Global VC investment up, primarily driven by corporates; Unicorns emerge in Asia despite slow quarter

Venture capital (VC) deal volume continued to fall in Q1 2017 with only 2,716 deals completed globally during the period compared to 3,201 in Q4'16, according to [Venture Pulse Q1 2017](#) – the quarterly global VC trends report published by KPMG.*

Despite the fourth straight quarter of declining deal activity, VC investment grew to US\$26.8 billion in Q1'17. The increase in funding was strongly affected by a resurgence in mega-deals, including Airbnb's US\$1 billion+ Series F round, and Grail's US\$914 million Series B tranche.

Singapore's VC investment was up in the first quarter of 2017, at US\$587.8 million, while number of deals fell by one to 22 deals. Singaporean financing levels are still significantly skewed by a handful of outlier companies. The most recent example in Q1'17 being bikesharing platform Mobike¹, which raked in US\$300 million for international expansion out of Singapore, and is one of the top 10 global financings for the quarter.

"I believe VCs in Singapore are investing in later stage (Series B and above) start-ups as opposed to chasing smaller early stage start-ups. This signals a maturing of Singapore-based VCs, who are setting aside funds to follow up on earlier investments. Larger VCs based in Singapore are also participating in cross-border deals, including those in China, India and Indonesia," said Chia Tek Yew, Head of Financial Services Advisory, KPMG in Singapore.

Globally, the Americas led VC investment, accounting for US\$17.8 billion. The US made up the lion's share, with US\$17.3 billion invested. In Asia, VC investment grew slightly quarter over quarter to US\$5.6 billion, while in Europe investment remained relatively flat at US\$3.4 billion.

While VC deal activity in Q1 continued to decline globally, we may have reached a turning point," said Brian Hughes, National Co-Lead Partner, KPMG Venture Capital Practice, and a partner for KPMG in the US. "Market conditions and valuations are stabilising. In addition public markets have been relatively strong and there have been a number of solid tech IPOs late in the quarter that indicate that the IPO market, particularly in the US, is opening. With the amount of dry powder in the market, the likelihood of deals activity accelerating over the remainder of the year is quite high."

¹ Beijing Mobike Technology Co., Ltd. has created a Singaporean entity (Singapore Mobike Pty Ltd) to orchestrate business activities in Singapore. The recent \$300mm financing event attributed to Mobike has been allocated to the Singaporean entity rather than the Chinese entity given the stated aim of the round is to facilitate international expansion.

Key Q1'17 highlights

- Global VC investment rose from US\$23.8 billion in Q4'17 to US\$26.8 billion in Q1'17, a solid increase buoyed by a number of US\$100 million+ mega deals.
- Global median deal size at early VC financing stages continued to increase, with median Series B funding hitting US\$14 million, Series A US\$5.7 million, and seed stage US\$1.4 million.
- Pharmaceuticals and biotechnology saw an explosion in the percentage of overall VC investment in Q1'17, with companies raising US\$3.9 billion during the quarter across 188 financings, compared to the US\$11.4 billion raised throughout 2016.
- The number of deals with corporate venture participation slid for 2 consecutive quarters but given the overall decline in venture financing volume, the percentage of overall financings in which they've participated hit its highest level since early 2007.
- After reaching a 12 quarter low in Q4'16, the number of global unicorn financings rose slightly in Q1'17 to 14.
- California-based companies (i.e. Airbnb, Grail, SoFi, and Instacart), and China-based companies (i.e. NIO, Ofo, Hive Box Technology and Kuaishou Technology) dominated the top 10 global VC deals rankings during the quarter. Ola in Bangalore, India and Mobike in Singapore rounded out the list.

Unicorns emerge in Asia despite slow quarter

Investors in Asia remained cautious in Q1'17, with the number of VC deals plunging for the second straight quarter. Despite the declining number of deals, investment in the region grew slightly, helped by six US\$250 million+ mega deals. A number of unicorns also appeared during the quarter, with China's Ofo and URWork, as well as Paytm in India, each surpassing the billion dollar valuation mark during Q1'17. Corporate VC continued to be a strong component of VC investment in Asia during the quarter, as more and more traditional corporates recognised the growing imperative to innovate.

VC deals in US remain stable as investment buoyed by large deals

VC investment in the US rose quarter over quarter buoyed by a number of US\$250 million+ megadeals. Meanwhile, deal activity remained relatively steady quarter over quarter, suggesting that investors remained cautious as Q1'17 brought with it a change in the US administration.

Looking ahead, solid IPOs by Snap – the company behind Snapchat, and software-as-a-service companies MuleSoft and Alteryx suggest the US IPO market may be opening. If this trend continues, there could be a renewal in US-based IPO activity.

Investment in Europe holds steady as deals numbers plummet

Deals activity in Europe slumped to a five-quarter low, leading to a 45 percent drop between Q1'16 and Q1'17. Despite this decline in deal activity, VC investment remained relatively robust in the region, with US\$3.4 billion invested – only a marginal decrease compared to Q4'16. Corporates participated in 22 percent of all venture deals in Europe –the highest percentage seen over the last 7 years.

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Expected clarity on government policies and activities could renew VC interest

Looking ahead to Q2'17 and beyond, investor caution is expected to linger across most regions. However, positive signs indicate that the VC market may be poised for a more substantial rebound as government positions in the US and Europe become clearer.

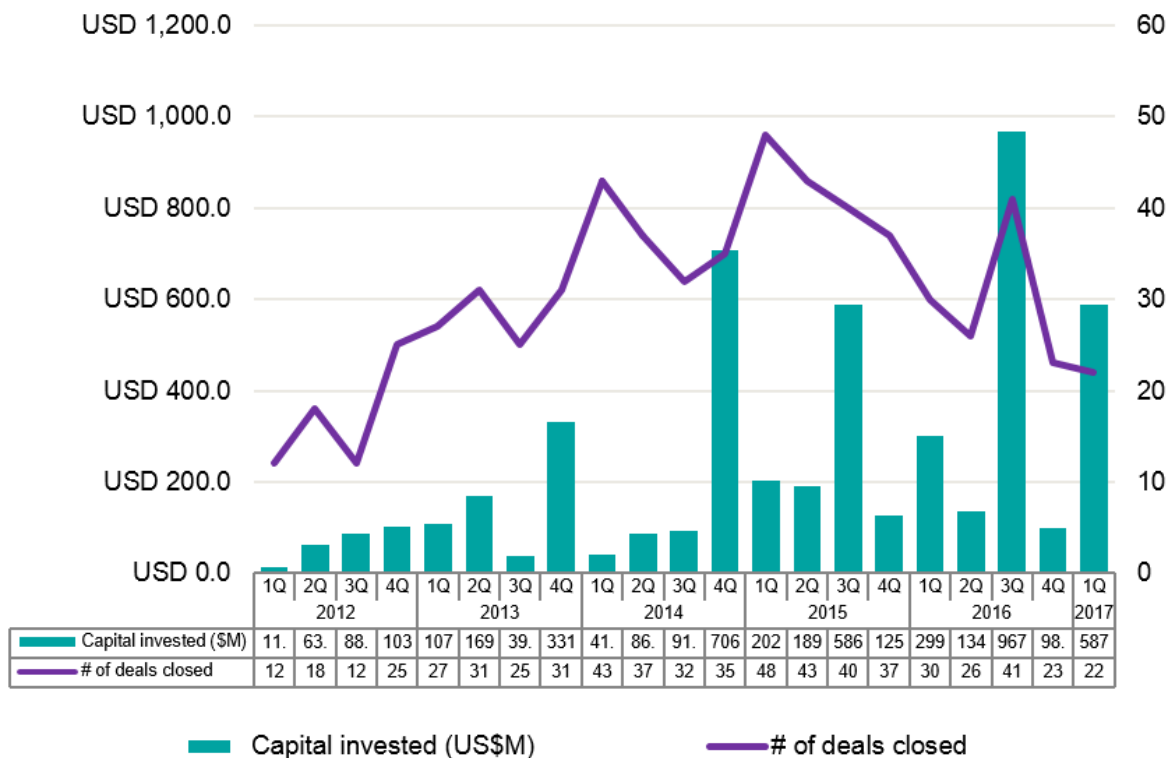
“2016 was rife with uncertainty,” said Arik Speier, Head of Technology, KPMG Somekh Chaikin in Israel. “With the new US administration in place and the UK having triggered Article 50 to initiate Brexit, we expect to see more clearly defined government policies in those jurisdictions in the coming year. This, combined with the amount of cash reserves in the market, will likely lead to increasing VC activity over the course of the year.”

END

Appendix

Venture financing in Singapore

2012 – Q1 2017



Source: Venture Pulse, Q1'17, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2017.

'KPMG in Singapore' describes KPMG LLP, KPMG Advisory LLP, KPMG Corporate Finance Pte. Ltd., KPMG Advisory Services Pte. Ltd. and KPMG Services Pte. Ltd.

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About Venture Pulse

The Q1 2017 edition of the Venture Pulse report produced by KPMG Enterprise's Global Network for Innovative Startups, 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.

**Note: All figures cited are in USD; data for the report provided by PitchBook.*

About KPMG in Singapore

[KPMG in Singapore](#) is part of a global network of professional services firms providing Audit, Tax and Advisory services. The KPMG network operates in 152 countries, with more than 189,000 people working in member firms around the world. In the ASEAN region, member firms operate across all 10 countries of this regional grouping providing professional services supporting the growth, compliance and performance objectives of our clients.

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