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Global VC investment comes roaring back due to a resurgence in mega deals: KPMG Venture Pulse Q2 2017

VC investment in Asia skyrockets, reaching US\$12.7B; China rebounds from Q1'17 with resurgence of mega-deals

Global venture capital (VC) deal value increased by 55.3 percent to US\$40.1 billion in Q2'17, propelled by an uptick in mega-deals around the world, according to [Venture Pulse Q2 2017](#) — the quarterly global VC trends report published by KPMG Enterprise.*

The United States led VC investment, accounting for US\$21.8 billion, followed by Asia (US\$12.7 billion) and Europe (US\$4.1 billion). The increase in funding was strongly affected by a continued resurgence in mega-deals, including Didi Chuxing's record-breaking US\$5.5 billion round and Toutiao's US\$1 billion Series D round.

In Singapore, VC investment was at US\$725.3 million with 26 deals recorded. "The US\$550 million mega round raised by Singapore-based Sea (formerly Garena) helped skew total VC invested in Singapore to the second-highest in the past five and a half years. This underscores the importance of mature companies fundraising within a developing venture ecosystem such as Singapore," said Chia Tek Yew, Head of Financial Services Advisory, KPMG in Singapore.

Globally, there were nine deals at or over US\$500 million in value during the quarter including Mobike (US\$600 million) from Asia and Outcome Health (US\$600 million) from the United States. Europe also saw one of its largest funding rounds ever with Improbable's US\$502 million Series B raise. While deal value increased, the total number of deals fell for the fifth straight quarter in Q2'17. The ongoing decline has affected the earliest deal stages the most, with angel and seed-stage deal count down for the ninth straight quarter – from a high of 2,674 in Q1 2015 to just 1,310 this quarter.

In spite of the decline in transaction volume, the venture environment remains healthy and vibrant, with median valuations increasing at all stages of investment on a global level. Late stage valuations, in particular, demonstrated exceptional strength this quarter, leaping from US\$175 million in 2016 to US\$260 million in 2017, year to date, the largest median increase observed this decade.

"The IPO markets gained strong momentum ending the second quarter which should set up for a strong second half of 2017," said Brian Hughes, National Co-Lead Partner, KPMG Venture Capital Practice, and a partner for KPMG in the US. "Venture capital invested has improved significantly this quarter, with large deals in Asia, the Americas and Europe."

Key Q2'17 highlights

- Global VC investment rose from US\$25.8 billion in Q1'17 to US\$40.1 billion in Q2'17, a strong increase buoyed by a number of US\$500 million+ mega deals.
- Global median deal size at every stage remained high. Median Series D+ deal size jumped from US\$29.5 million in Q1'17 to US\$40 million in Q2'17.

- Corporate venture capital investment as a percentage of deal count spiked to 17.6 percent — representing the highest percentage this decade and almost US\$20 billion in associated deal value globally.
- Global venture fundraising jumped from US\$11.5 billion in Q1 to over US\$17 billion in Q2'17. Dry powder continued to drive high prices and competitive markets.
- Unicorn rounds spiked in Q2, with 33 rounds representing a total of US\$15 billion invested.

VC investment in Asia skyrockets, reaching US\$12.7B

Asia-based VC investment jumped more than 130 percent in Q2'17 – from US\$5.4 billion in Q1 to US\$12.7 billion this quarter. This increase was buoyed significantly by two US\$1 billion+ mega-rounds, including ridesharing platform Didi Chuxing's US\$5.5 billion funding round and Toutiao's US\$1 billion round, plus a significant number US\$100 million+ rounds. With over US\$10 billion in capital raised by VC-backed companies, China has amassed over 80 percent of total capital invested in Asia. Beijing accumulated six of the top 10 deals in the region, cementing the dominance of the country with respect to VC in Asia.

Late-stage financings in Asia, more so than in other world regions, are characterised by billion-dollar super financing events as companies amass the financial war chest needed to assert dominant market positions in their respective industries. As a share of total VC investment, Series D+ financings in Asia soared from 26 percent of total capital invested in 2016 to 45 percent in Q2 on US\$12.7 billion of investment.

During Q2'17, the hottest sectors of VC investment in Asia were artificial intelligence, robotics, fintech, edtech and healthtech, although interest in cloud and infrastructure services also picked up speed. At the same time, companies with simple business models also attracted significant VC investment, including bike sharing start-ups Mobike and Ofo. Venture capital activity is posed to remain strong in Asia, with deep tech, autotech and healthtech continuing to be major sectors of interest.

“Overall VC investment in every major region of the world was up this quarter – an incredibly positive sign following several lackluster quarters,” said Arik Speier, Head of Technology, KPMG Somekh Chaikin in Israel. “While the low deal count, particularly at early deal-stages remains concerning, strong fundraising bodes well for continued strength in VC investment for the remainder of 2017.”

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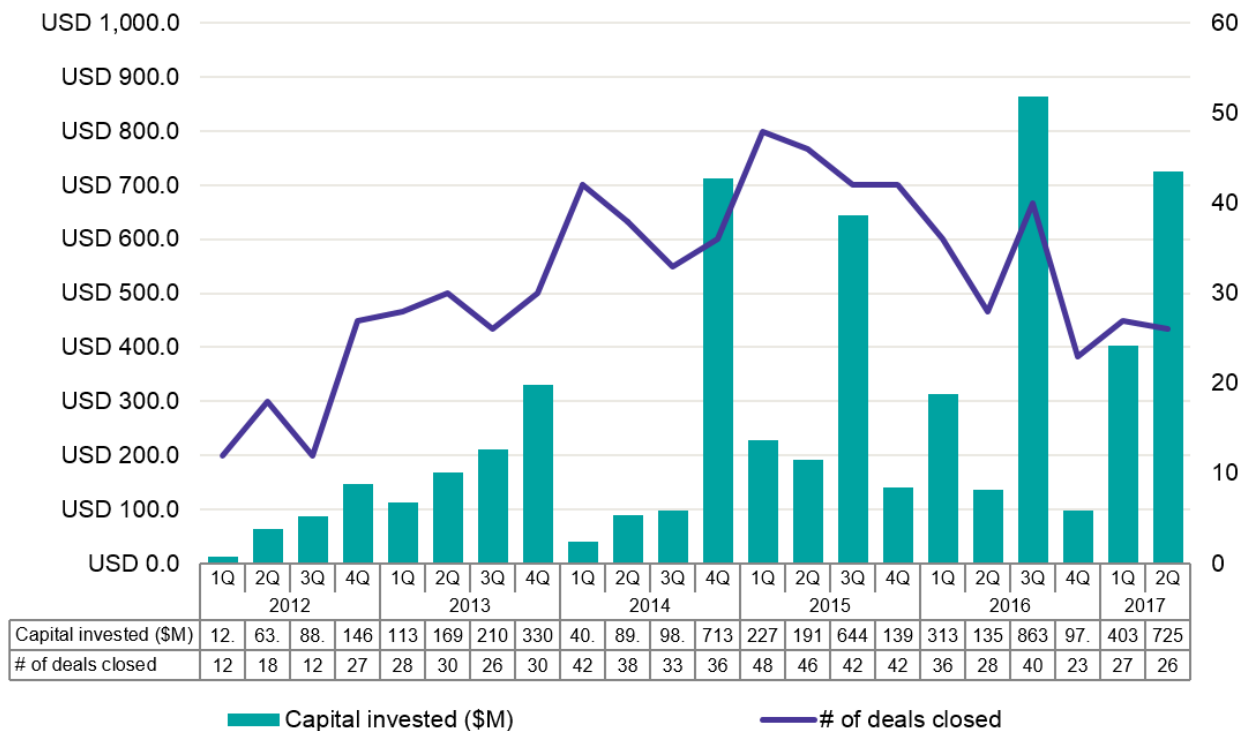
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Appendix

Venture financing in Singapore

2012 — Q2'17



Source: Venture Pulse, Q2'17, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, July 11, 2017.

About Venture Pulse

The Q2 2017 edition of the [Venture Pulse](#) report produced by KPMG Enterprise's Global Network for Innovative Startup, analyzes 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.*

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