



Private Enterprise

Venture Pulse Q2 2020

Global analysis of
venture funding

22 July, 2020



Welcome message



Welcome to the Q2'20 edition of *Venture Pulse*, KPMG Private Enterprise's quarterly report highlighting the key trends, opportunities, and challenges facing the venture capital market globally and in major regions around the world.

Q2'20 saw regions across the globe continuing to grapple with the challenges associated with COVID-19, including economic turbulence, sudden spikes in unemployment rates, restrictions on travel and movement, and the ramifications of the continued shutdown or slowdown of many sectors and industries. As countries and territories began to re-open their economies during Q2'20, both Venture Capital (VC) investors and startups worked to understand the 'new reality' and how it would affect business operations.

Venture Capital investment continued to show some resilience compared to broader economic trends, particularly in the US and Europe. In the US, autonomous driving company Waymo raised a massive \$3 billion in the largest VC deal of the quarter. Fintech investment was particularly hot in the US during Q2'20, with Stripe, Samsara, Palantir Technologies and Indigo (Horticulture) all raising large deals. In Europe, sectors seen as high potential despite or because of COVID-19 attracted significant investor attention, including food delivery, fintech and health and biotech. VC investment in Asia remained relatively soft in Q2'20, despite \$1 billion raises by China-based Didi Bike and MGI Tech.

Over the next quarter, many VC investors are expected to remain highly focused on their own portfolio companies, assessing whether they can thrive in the new reality and providing follow-on funding for companies that have had to delay their exit plans. While early-stage companies globally will likely continue to find it difficult to attract funding, companies that respond to accelerating trends, such as remote working, ecommerce, and health and biotech, could see an uptick in investment interest. It is also likely that companies looking for investment will need to demonstrate an even greater commitment to equality and diversity.

In this quarter's edition of *Venture Pulse*, we look at these and a number of other global and regional trends, including:

- The impact of travel restrictions on VC investment in key jurisdictions
- The downward pressure on valuations as a result of COVID-19
- The longer-term impact of COVID-19 on consumer and business behaviors
- The increasing focus on profitability and cash management

We hope you 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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Asia

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- Shenzhen based biotechnology company MGI Tech raises record \$1 billion

79

***Globally, in Q2'20
VC-backed
companies raised***

\$62.9B

across

4,502 deals



Despite decrease in deals, VC investment remains robust

The number of global VC deals continued to decline in Q2'20, although actual VC investment remained fairly robust, given the ongoing global pandemic. A significant amount of dry powder and a strong pipeline of deals in both the US and Europe likely helped to keep investment relatively steady during the quarter.



US and Europe continue to attract VC investment

VC investment in the US remained relatively solid in Q2'20, led by a massive \$3 billion funding round by Waymo, a company focused on autonomous driving. Fintech and B2B companies were also attractive for US-based investors with Stripe, Samsara, Palantir Technologies and Indigo (Horticulture) raising \$850 million, \$700 million, \$500 million and \$500 million respectively. While VC activity in the broader Americas was less resilient than in the US, Canada attracted several strong healthtech, biotech and edtech investments, including a \$105 million raise by AbCellera, and a \$71 million raise by Apply-Board, which earned the company unicorn status. In Latin America, VC investment remained very limited outside of an \$82.8 million raise by delivery company CargoX, based in Brazil.

While food-delivery company Deliveroo raised Europe's largest deal of the quarter (\$575 million), fintech and healthtech companies were also a high priority for investors in the region. In the fintech sector, Germany-based N26 raised \$570 million, while in the health and biotech sector, Switzerland-based Arville Therapeutics raised \$222 million, and Belgium-based iTeos Therapeutics: \$207.8 million.

VC investment in Asia remained stable quarter over quarter but remained relatively soft compared to historical highs. The ongoing trade tension between the US and China combined with Covid-19 saw many VC investors in Asia continuing to act cautiously during Q2'20, although China saw several large funding rounds, including \$1 billion raises by Didi Bike and biotech MGI Tech, and a \$750 million raise by edtech. India, Singapore, and Japan also attracted large funding rounds during Q2'20, with Navi Technologies raising \$398 million, Ninja Van raising \$279 million, and Paidy raising \$251 million.



Fundraising remains strong, as investors focus on longer term

At mid-year, global fundraising activity is well ahead of pace compared to 2019. While not expected to outpace 2018's record level of fundraising, the trend bodes well for the longer-term VC investment market globally. The experience of many investors, who have successfully weathered the 2008 financial crisis and the dotcom burst, is likely helping them keep focused on the long-term outlook despite the impact of COVID-19. While some funds may see short-term blips, there are still expectations that returns will be strong over the life of the funds.



Valuations starting to see some downward pressure

At mid-year, the global median pre-money valuation for seed stage deals was down compared to 2019, although it was up for later deal stages. Many companies have been hit hard by the resonating impacts of Covid-19 on the business environment. While companies that conducted funding rounds in late 2019 and early 2020 might have the liquidity to manage the lengthy market uncertainty, others are beginning to run out of cash. Companies looking for funding, particularly at the earliest deal stages, will likely have to compromise on valuations. There will likely also be some pressure for consolidation, particularly in sectors with numerous competitors. The pandemic could hasten consolidation as the better capitalized competitors take market share and others fall by the wayside.

Despite decrease in deals, VC investment remains robust, cont'd.



Food delivery sector gains steam in Q2'20

Delivery services of many types were high on the radar of VC investors globally in Q2'20, although food delivery was a particularly hot ticket for investors. In April, UK-based Deliveroo got provisional approval from the Competition and Markets Authority (CMA) for a \$575 million funding round backed by Amazon in part due to the impact of COVID-19.¹

In Q2'20, Europe-based Just Eat Takeaway.com also announced its acquisition of US-based Grubhub for \$7.3 billion.² The announcement followed on the CMA's approval of Takeaway.com's acquisition of Just Eat earlier in the quarter.³



Corporate VC slows as investors focus on their core

The number of global corporate VC deals continued to drop in Q2'20, although investment held almost steady quarter-over-quarter. Given the global pandemic, many corporates have had to take time to focus on their own operations, finding ways to improve their own operating position rather than considering investments in startups. As some traditional corporates see their revenues hit hard by the current crisis, however, there could be increasing investments aimed at startups able to help them drive new growth and revenue. With some startups running out of money, well-positioned corporates, similar to PE firms, will likely also be on the lookout for deals.



Early-stage companies feeling pressure as VC investors focus on late-stage deals

Globally, many VC investors spent Q2'20 focusing on the companies within their own portfolios. Before making new investments, VC investors are making sure they have the ability to support their existing companies. This is particularly true for VC investors that expected a mature portfolio company to go public in 2020. With COVID-19 and a US presidential election in the fall, many companies are delaying IPO plans into 2021; VC investors recognize that they delay might mean the need for additional funding to bridge the gap.

As VC investors continue to be cautious, the global VC market has continued to see declines in early-stage VC deals. While the trend toward late-stage deals began long before COVID-19 began to make waves, the pandemic is making it even more difficult for early-stage companies to attract funding.



Trends to watch for globally

There is still a significant amount of uncertainty around the world heading into Q3'20. While VC investment may have been buffered somewhat in Q1'20 and Q2'20 by the long lead time for deals, Q3'20 will likely show whether VC investment is really able to withstand the full brunt of the pandemic's impact given the long period of travel restrictions and other challenges. While some countries and territories are opening up their economies, there is still likely to be challenges with international travel and deal-making for some time. This is causing many VC investors to focus more on opportunities in their local markets, which could have a negative impact on VC investment in countries and territories that rely significantly on international investment.

Over the past few months, people and businesses around the world have been forced to embrace digital solutions, for remote working, shopping, banking, health care, food delivery, and more. This is accelerating the pace of digital change in many regions in a dramatic fashion, a trend that will have a long-term impact on consumer and business behaviors. This will likely help drive VC investment, particularly on the part of corporates that may have lagged behind on the innovation front and now recognize the very real imperative to change.

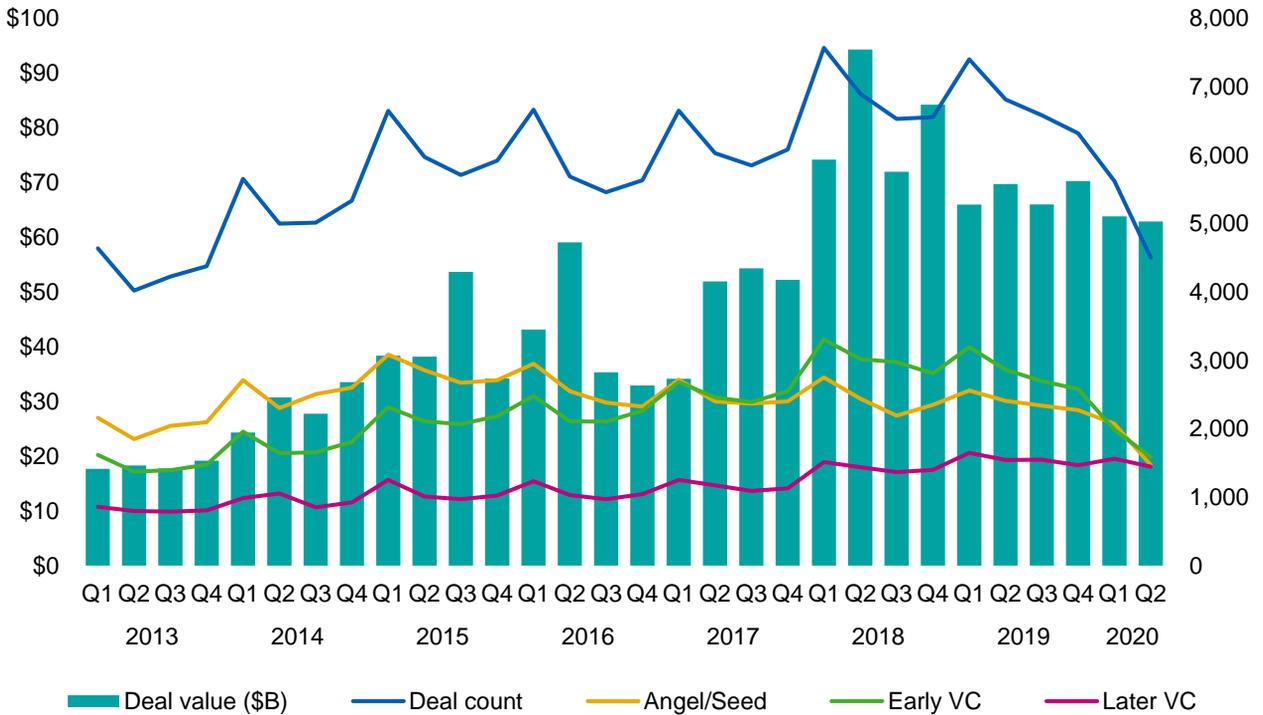
¹ <https://www.theverge.com/2020/4/17/21225099/amazon-deliveroo-investment-funding-food-delivery-restaurant-industry>

² <https://fortune.com/2020/06/10/grubhub-acquired-just-eat-uber-food-delivery/>

³ <https://www.bloomberg.com/news/articles/2020-04-23/takeaway-just-eat-merger-cleared-as-cma-gets-delivery-amid-virus>

A storm has yet to come

Global venture financing 2013–Q2'20



Source: Venture Pulse, Q2'20. Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20. Note: Refer to the Methodology section on page 98 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

In the last edition of the Venture Pulse, there was much caution evident in quarterly figures, but still a healthy trend of funding continuing to flow. With full Q2 figures in the books, it's now clear that venture firms and companies are taking a somewhat positive view with regard to the current and future impact of the COVID-19 pandemic, looking to fund the technologies being developed or already accelerating in usage due to the ripple effects of policies and economic impacts

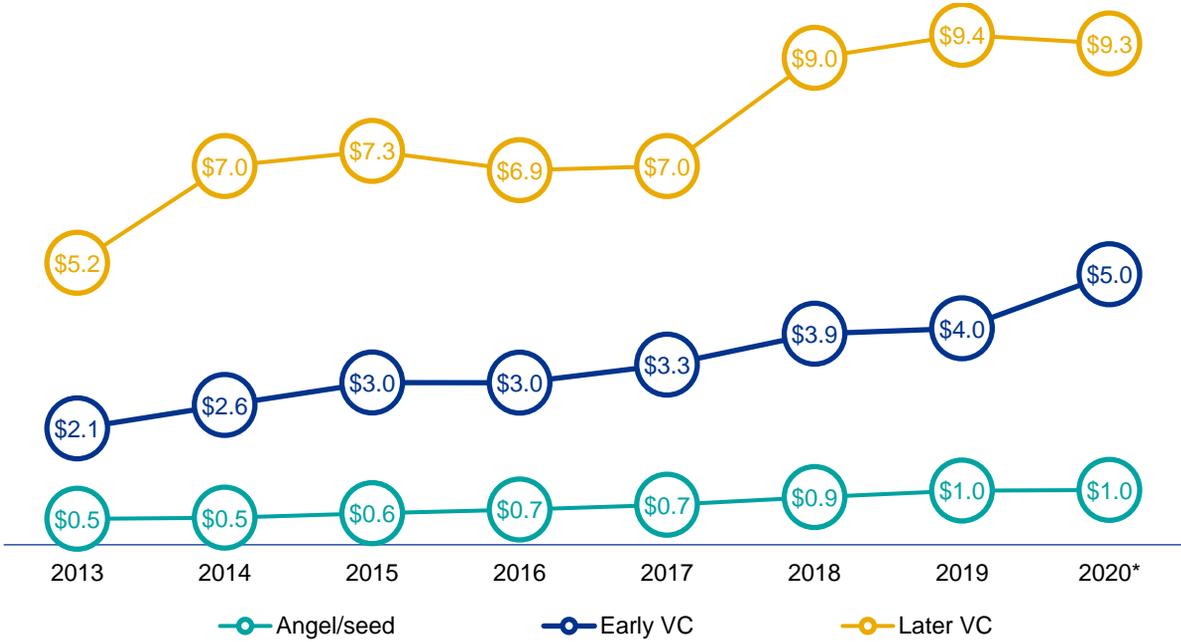
“Social awareness is increasing with a desire to do good things for communities, the environment, customers, and employees. This already is influencing customer behavior and VC investment decisions and the associated business model changes which are expected to have long-term impacts on the VC ecosystem. This is the new normal.”



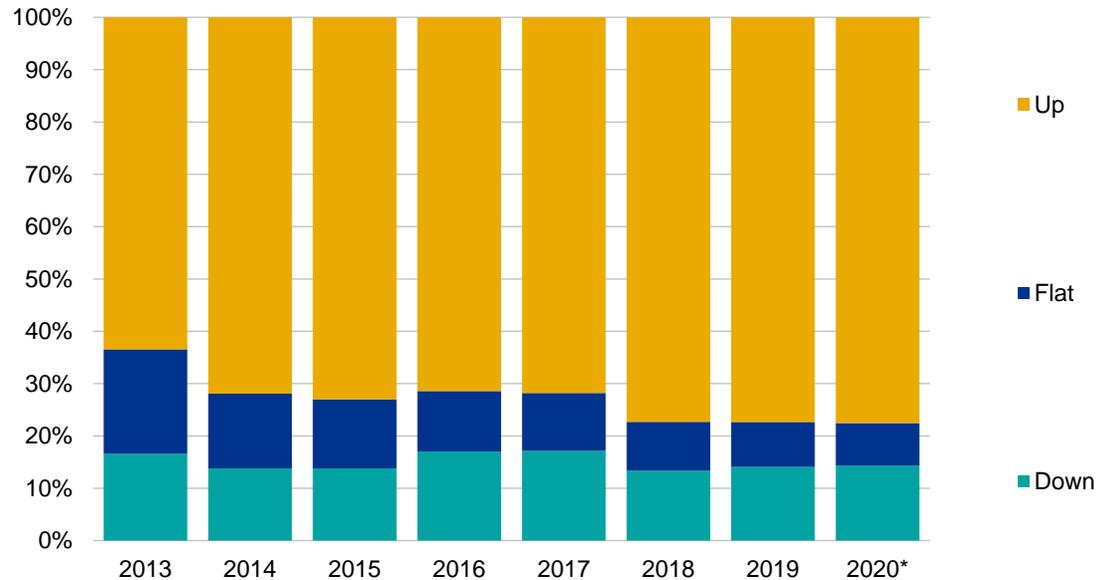
Jonathan Lavender
Global Head, KPMG Private Enterprise
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Dry powder boosts figures

Global median deal size (\$M) by stage
2013–2020*



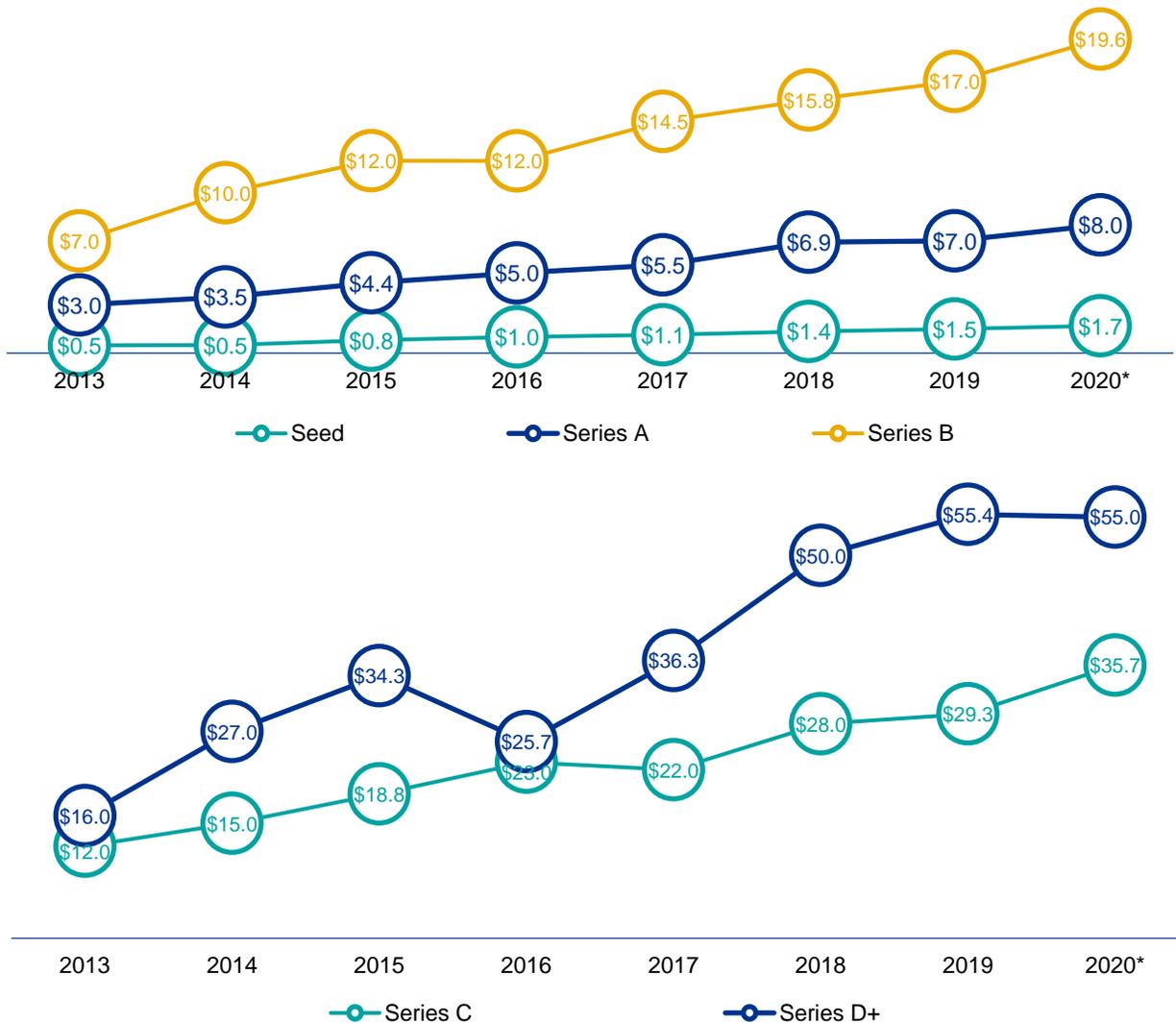
Global up, flat or down rounds
2013–2020*



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Mild increases or plateaus

Global median deal size (\$M) by series
2013–2020*

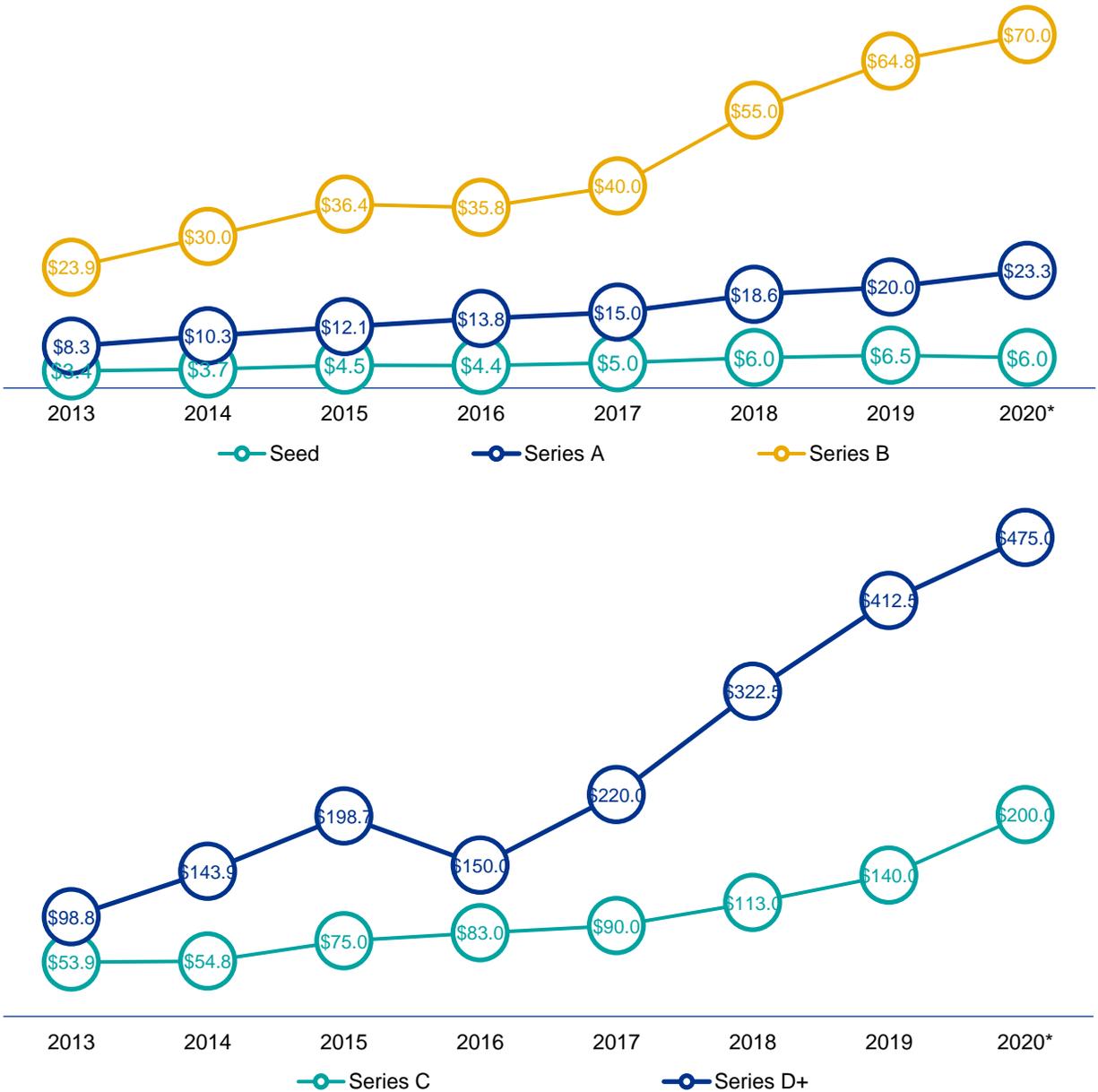


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

One thing that hasn't changed for the global venture ecosystem. There is still plenty of dry powder waiting to be dispersed from venture fund coffers. Even with the full immediate brunt of economic pain across multiple nations now felt, or at least its early stages, any significant reshaping of the landscape in terms of median round sizes and the negotiations between investors and startups has yet to occur.

Valuations stay as high as ever

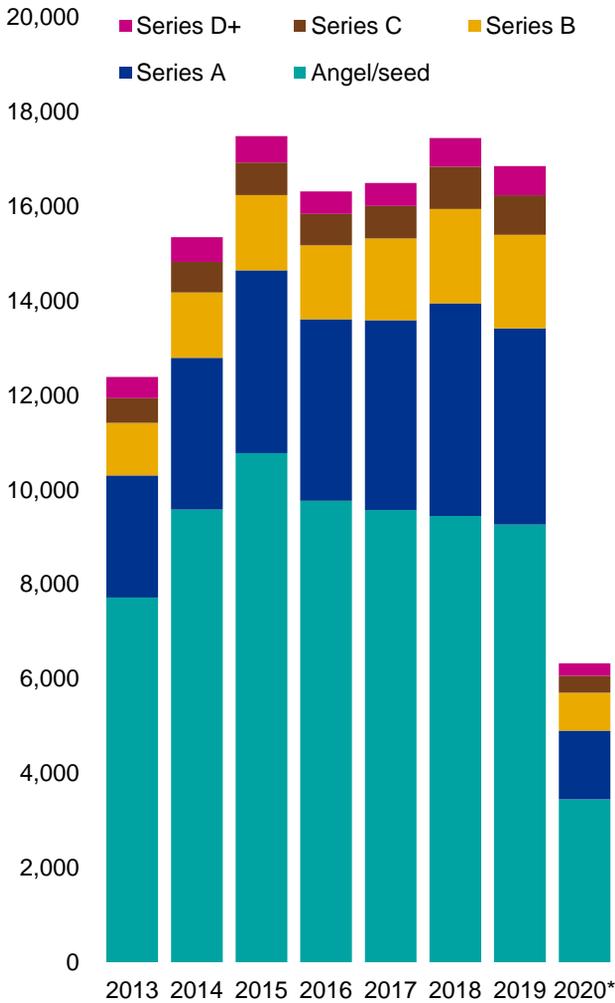
Global median pre-money valuation (\$M) by series
2013–2020*



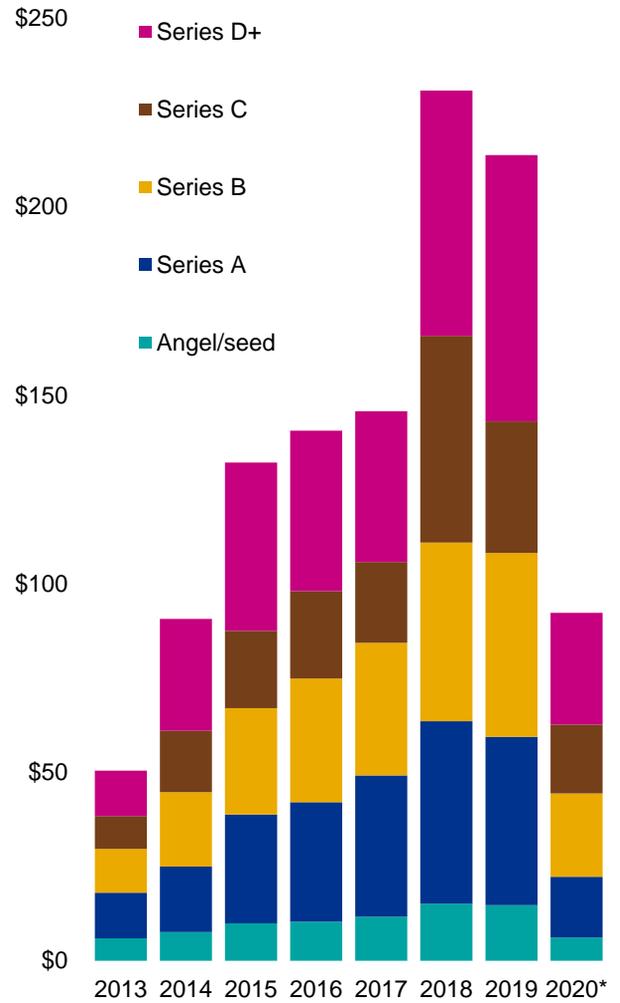
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Early stages hit harder

Global deal share by series
2013–2020*, number of closed deals



Global deal share by series
2013–2020*, VC invested (\$B)



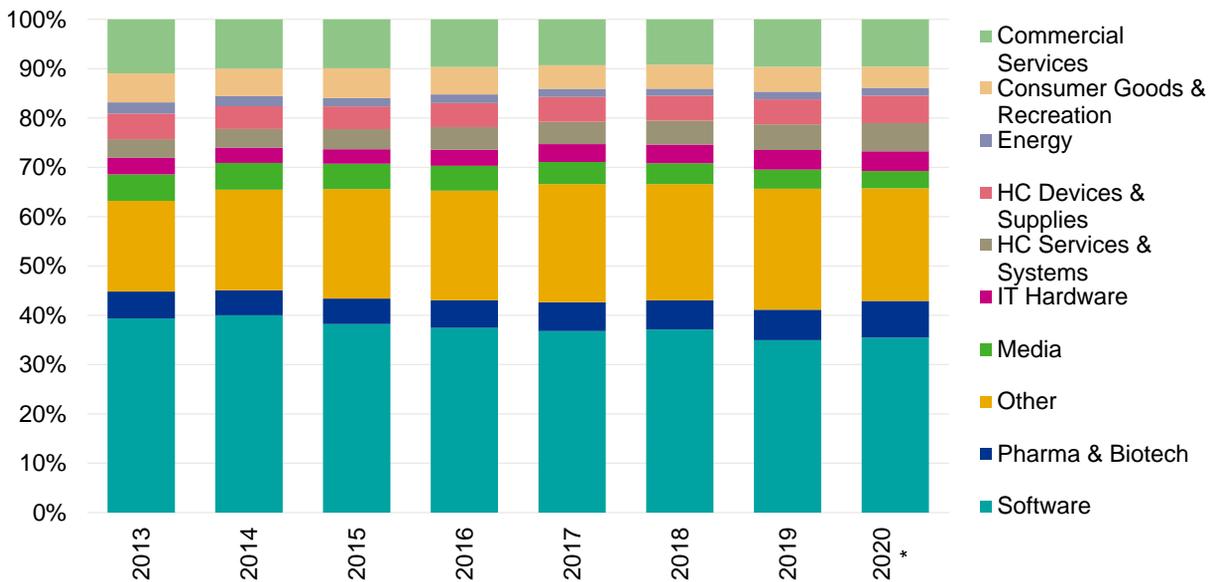
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

As expected, there has been not only a flight to quality but also a concentration in safer prospects on the part of investors, at least thus far. Anecdotally, some early-stage investors are staying active as they sense opportunity amid standout companies able to keep exhibiting robust engagement during this time. But otherwise, most volume and dollars are concentrating at the later stages.

Pharma & biotech booms, at expense of Consumer Goods

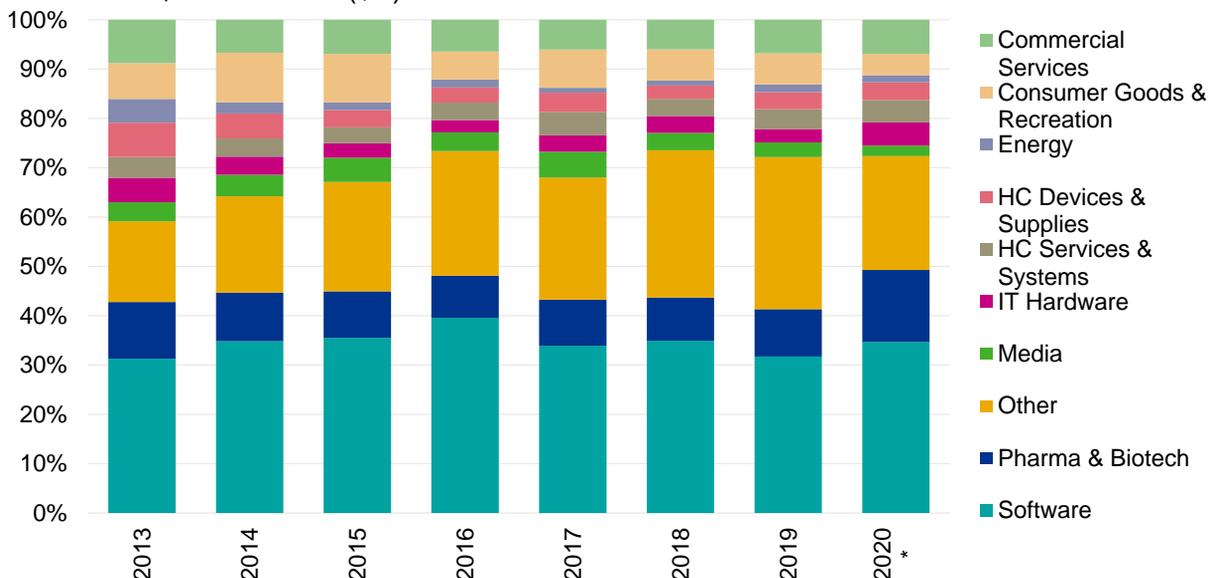
Global financing trends to VC-backed companies by sector

2013–2020*, number of closed deals



Global financing trends to VC-backed companies by sector

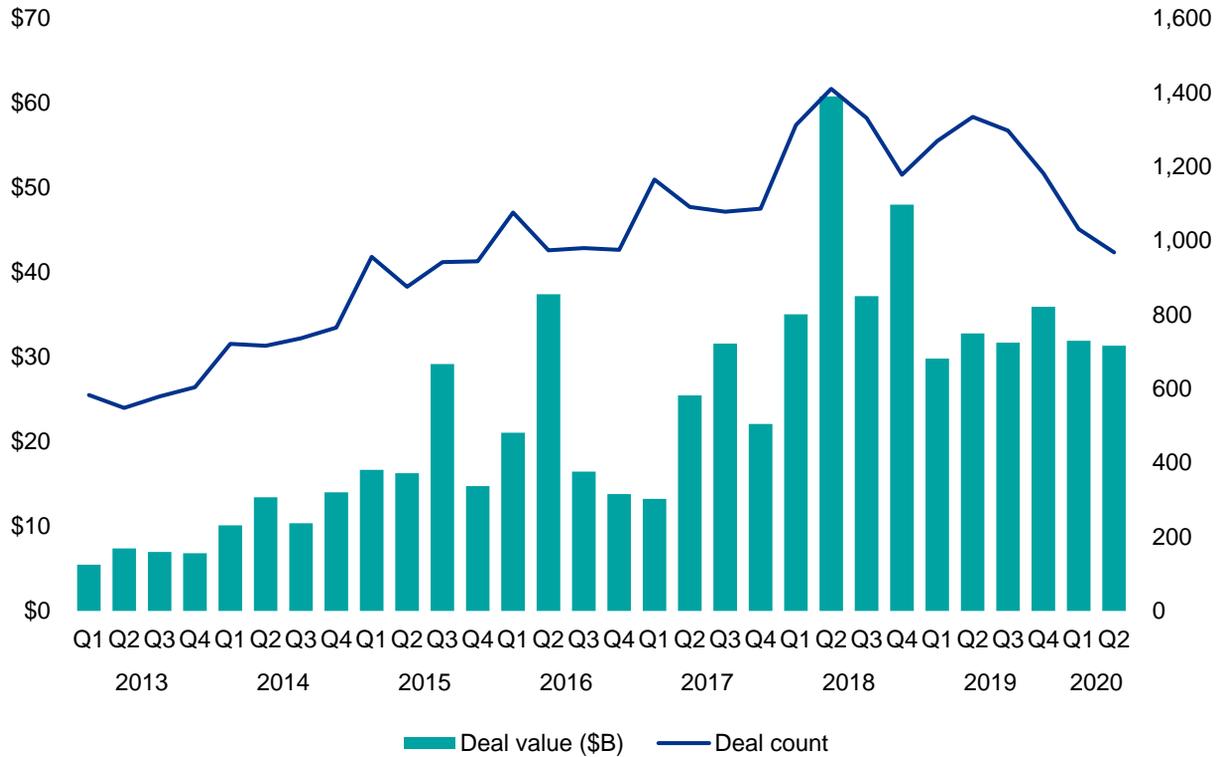
2013–2020*, VC invested (\$B)



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Corporates pull back in caution

Corporate VC participation in global venture deals 2013–Q2'20



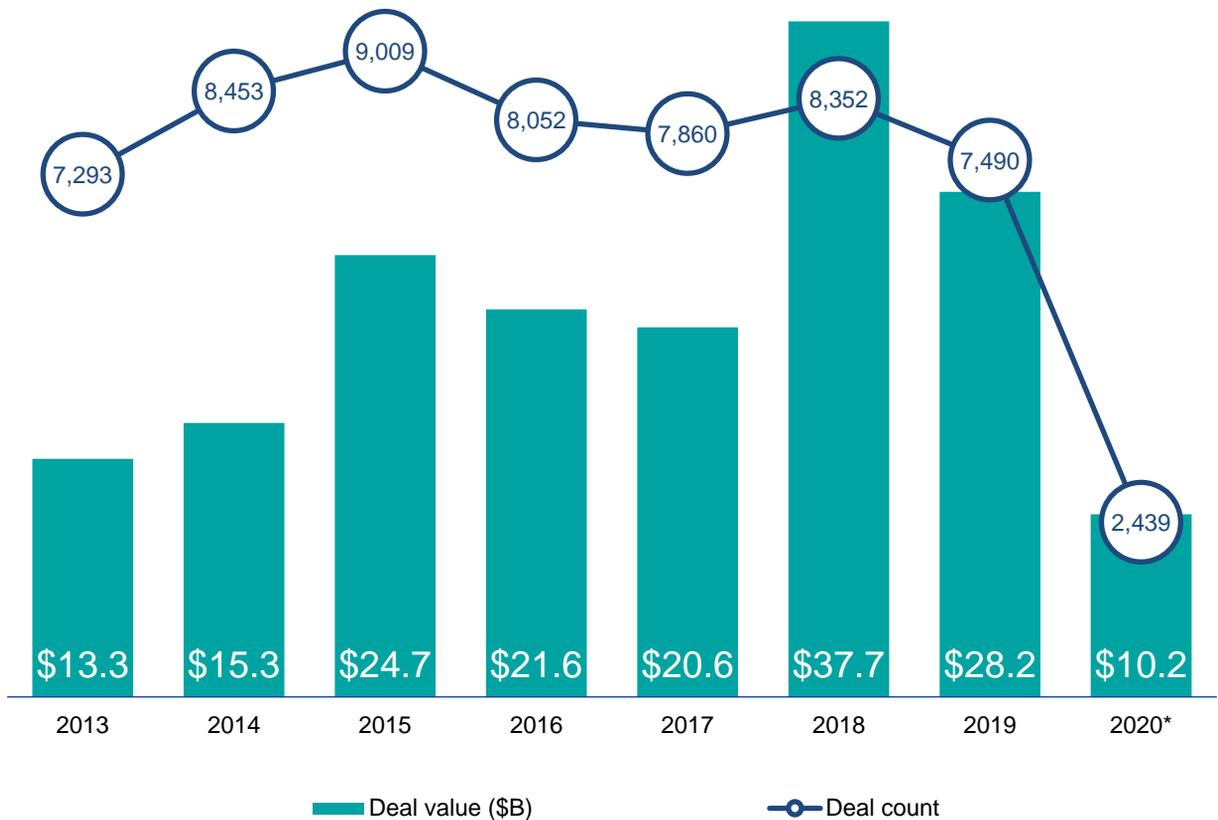
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

Note: The capital invested is the sum of all the round values in which corporate venture capital investors participated, not the amount that corporate venture capital arms invested themselves. Likewise, deal count is the number of rounds in which corporate venture firms participated.

For this edition of Venture Pulse, the actual count of rounds in which corporates or their venture arms participated was substituted in the stead of participation to better illustrate that they have indeed pulled back somewhat in the overall tally of rounds in which they joined, much like the broader venture volume has subsided worldwide as of late. However, it is also instructive that such a decline is mild. Investors are likely biding their time while being cautious.

First-time volume dives

Global first-time venture financings of companies 2013–2020*

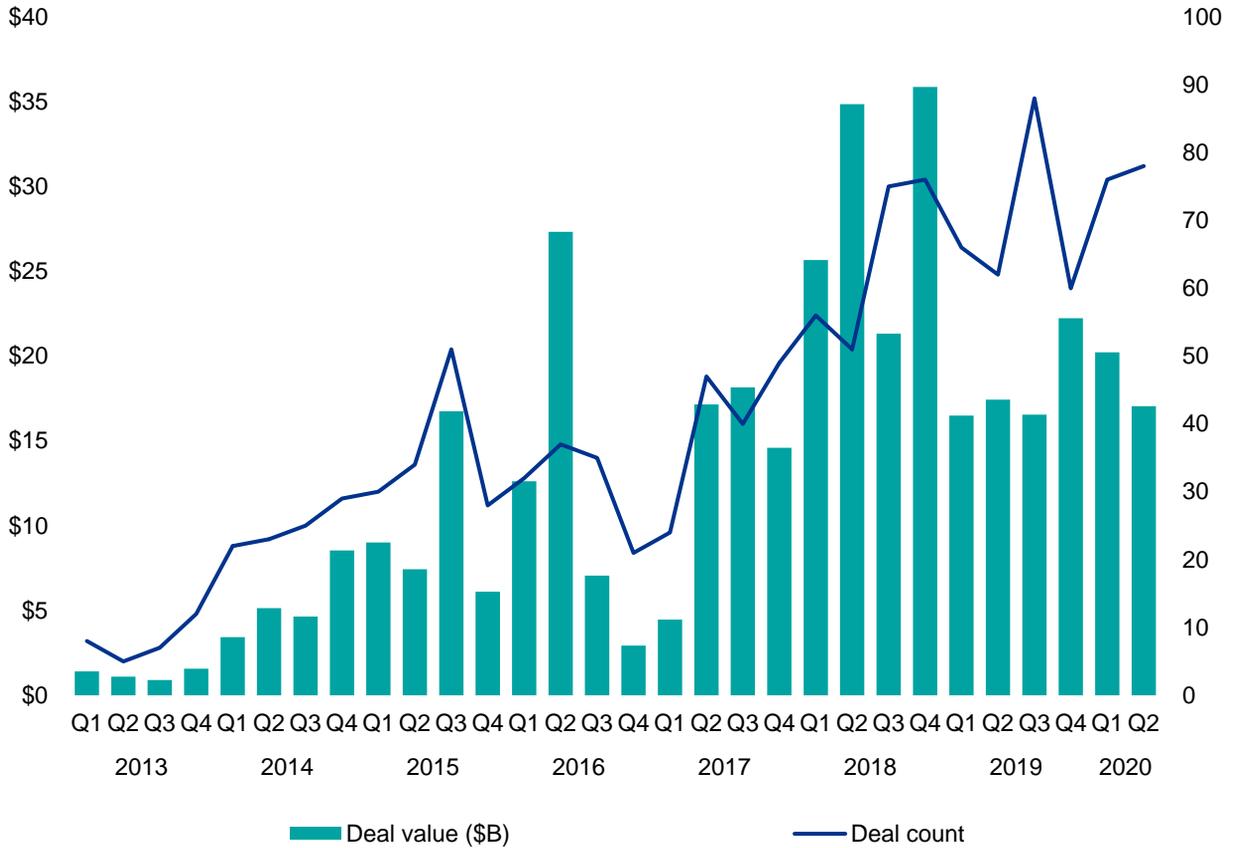


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

In the current climate, it is to be expected investors are shying away from first-time fundings given the inherent risks. However, even if volume is down considerably by the midyear mark, it's worth noting that \$10.2 billion has still been invested in the rounds that have closed. Investors are more cautious than ever, but they are still willing to fund the right companies that demonstrate such potential upside or initial robust metrics that it's worth the broader risk. Some sectors are also seen as more insulated than others, at least for the time being.

A flight to safety

Global unicorn rounds 2013–Q2'20



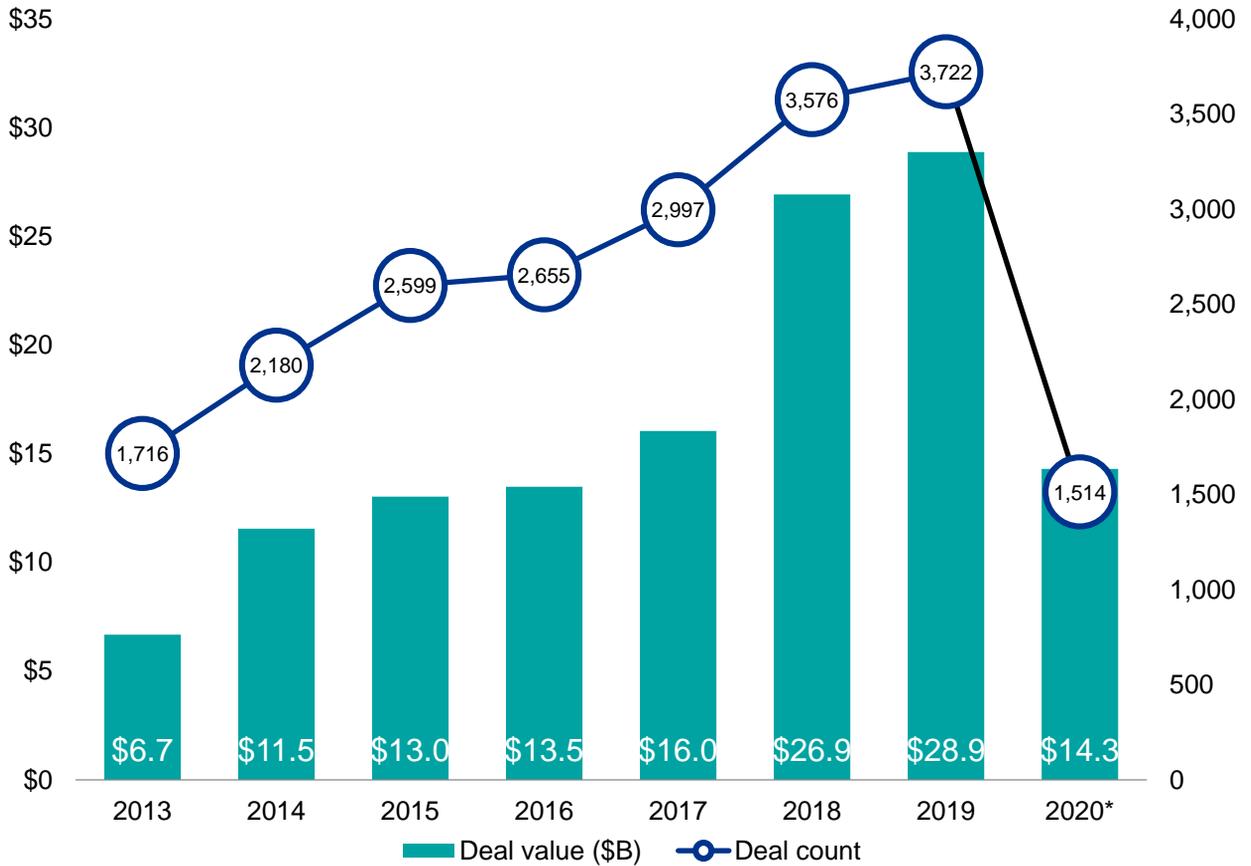
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

Note: PitchBook defines a unicorn venture financing as a VC round that generates a post-money valuation of \$1 billion or more. These are not necessarily first-time unicorn financing rounds, but also include further rounds raised by existing unicorns that maintain at least that valuation of \$1 billion or more.

Unicorn financing volume has always been quite variable for obvious reasons. The last several quarters have seen a record peak and also very sharp plunges in volume, even as aggregate VC associated stayed relatively even. During the COVID-19 pandemic's unfurling, investors have stayed active in backing the most mature unicorns that are viewed as relatively safer prospects overall, especially if some terms can be at least held intact or even skewed a bit more favorably to the investors, regarding downside protection in liquidity events in particular.

VC invested in remote enabling stays strong

Global venture financing in business/productivity software 2013–2020*



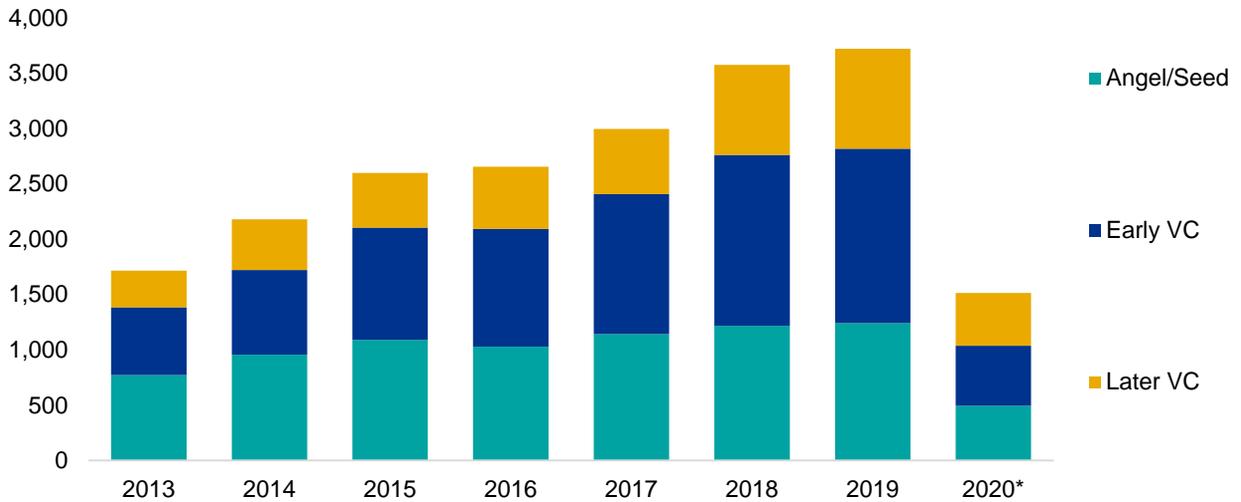
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

Although it remains to be seen whether a hybrid model of central headquarters and majority-remote workforce becomes en vogue, or things will revert more to normal than public opinion currently holds, the need for robust remote systems that are also fully secured is readily apparent. Venture firms have doubled down on backing multiple proven companies in the space accordingly, while also looking to invest in brand-new tech that could address the pain points that have arisen in the era of mass remote work adoption.

Robust funding across stages

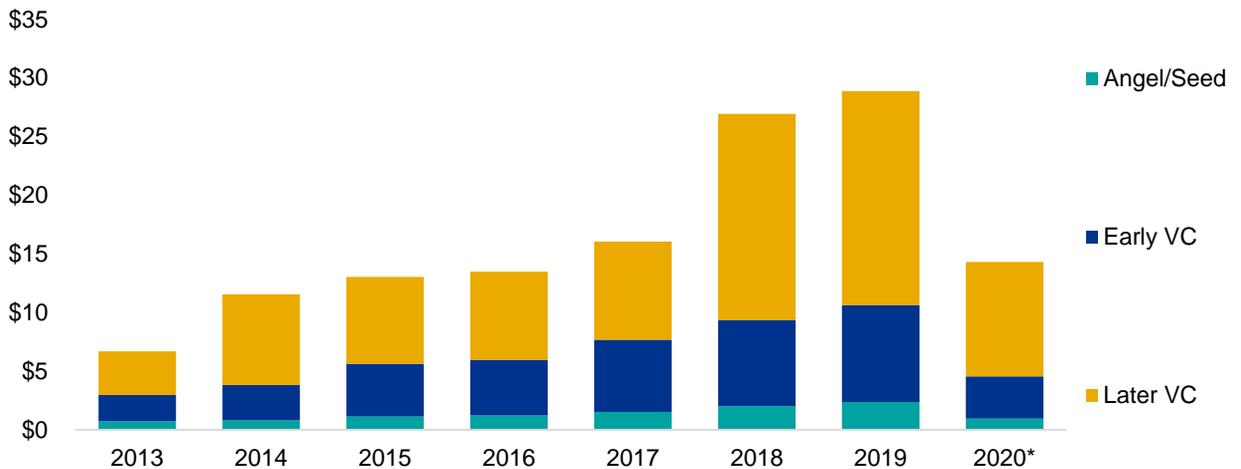
Global deal share by stage in business/productivity software

2013–2020*, number of closed deals



Global deal share by stage in business/productivity software

2013–2020*, VC invested (\$B)



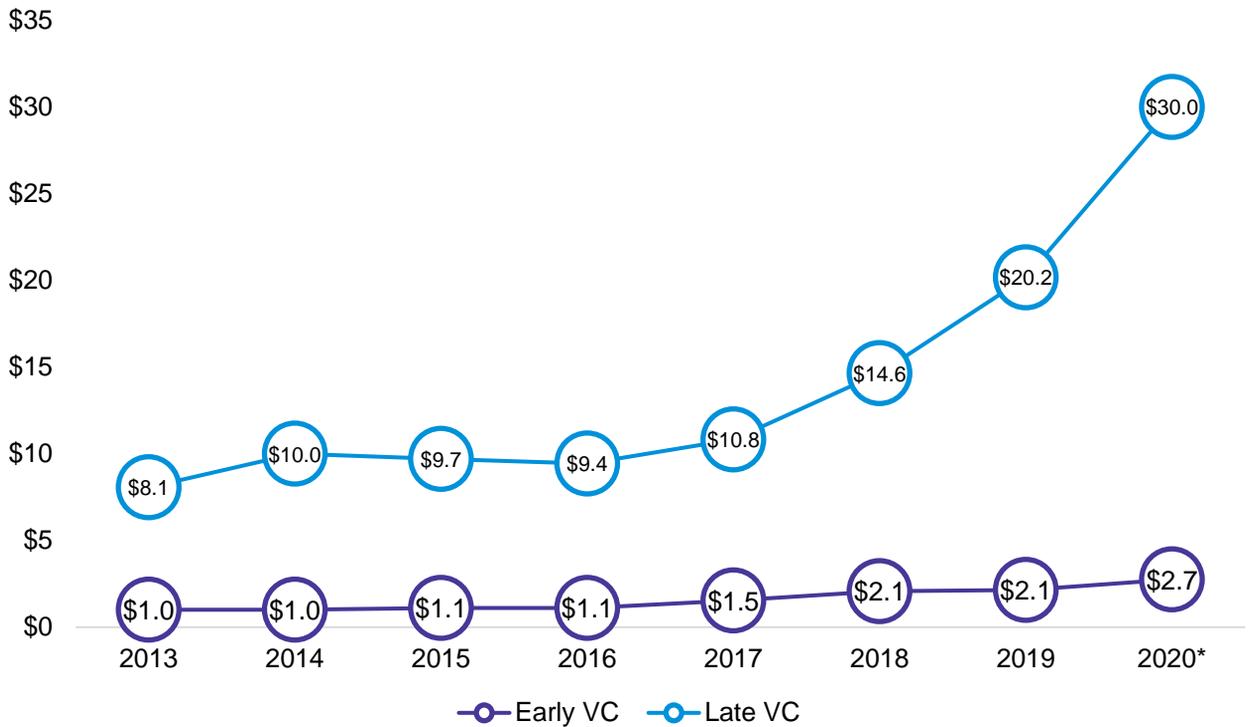
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

Capital invested has largely concentrated in late-stage opportunities given the significant cohort of business/productivity companies that were mature and had proven solutions with widespread market adoption. However, assessing volume, it's clear that VCs are also interested in funding the next generation of tools, as evidenced by new products launched for email (the Hey email service from well-known tech company Basecamp) and workflow synchronization tools that seek to replace in-person functions such as the whiteboard.

Record revenue draws VC

Global median total operating revenue (\$M) for venture-backed companies at time of financing

2013-2020*

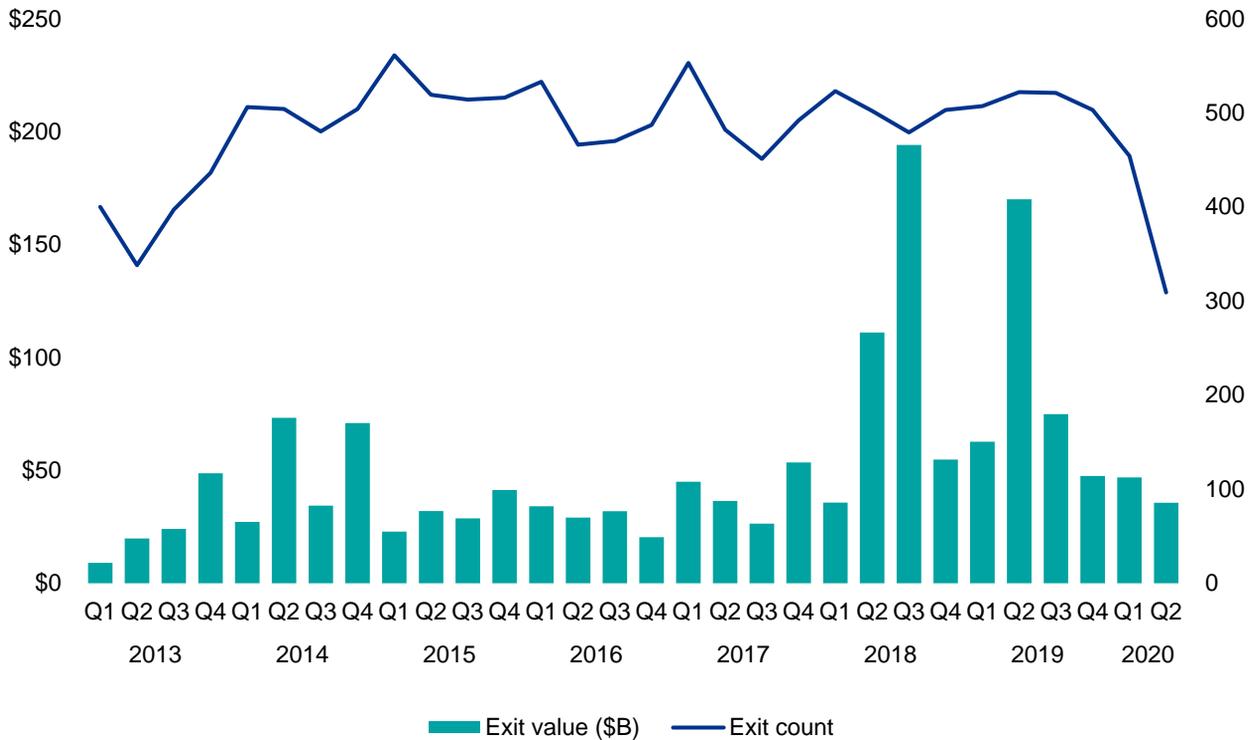


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

For the first time ever in the Venture Pulse, metrics on the median revenue at the time of financing for venture-backed companies at a given stage is now available. This highly instructive dataset leads to a few intriguing findings. First, the push toward late-stage companies with stronger revenues began to accelerate as valuations and funding sizes rose in tandem over the past few years, understandably. Second, early-stage figures held flatter due to the typical business scenarios for startups earlier in the capital stack. Last, records have been set in 2020 to date as investors have dialed up their caution. It is also worth noting that the rise in late-stage revenues also testifies to the overall success of many venture-backed businesses over the past decade.

Exits plunge further

Global venture-backed exit activity 2013–Q2'20

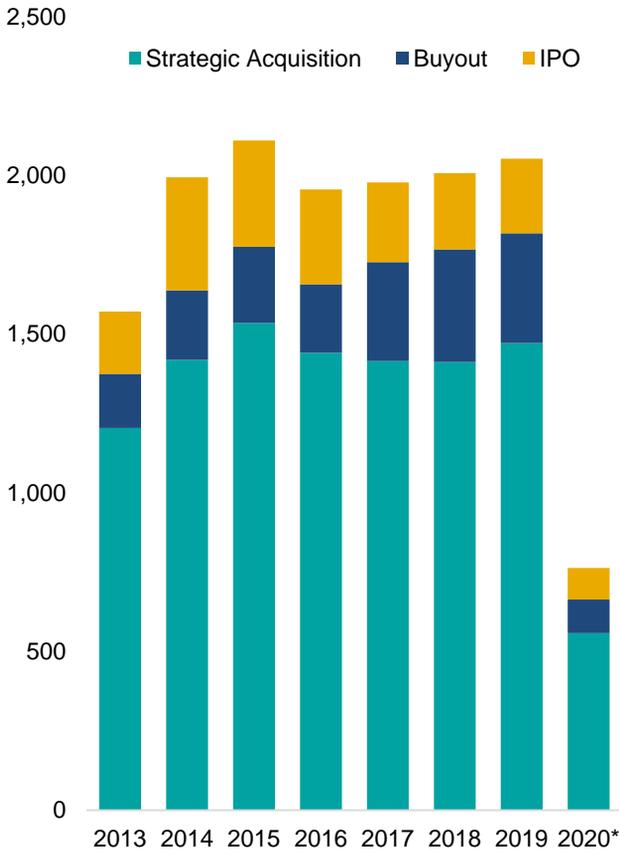


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

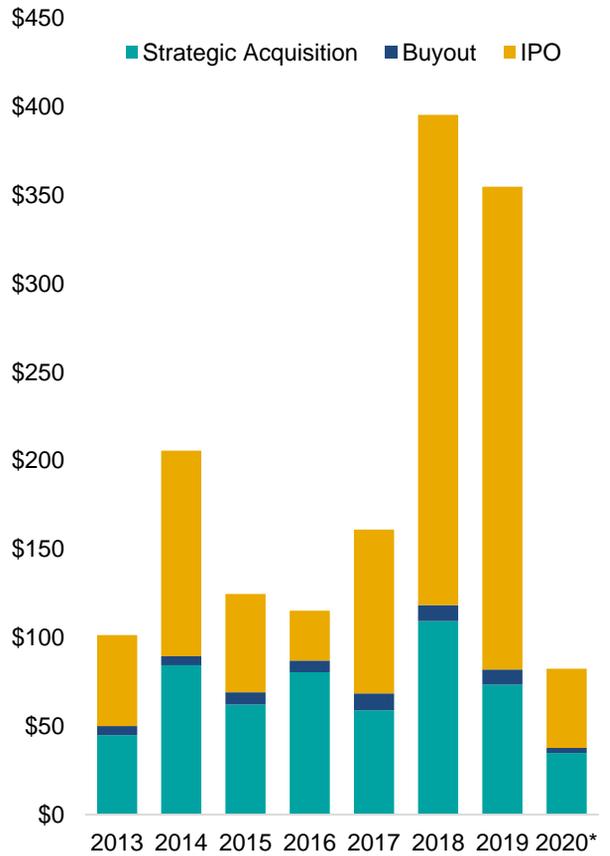
Liquidity timelines in the realm of venture are protracted as a matter of necessity. The big question for investors and their portfolio companies this year is how much the pandemic's ripple effects may truly impact even a prolonged timeline. From the company perspective, there are shorter to mid-term tactics to take in managing liquidity for employees and even some earlier investors, such as secondary exchanges. From the investor standpoint, however, it remains much a matter of waiting and seeing what transpires, as public equities remain markedly choppy even if still strong, and M&A diligence requires much more upside.

M&A still flowing

Global venture-backed exit activity (#) by type
2013–2020*



Global venture-backed exit activity (\$B) by type
2013–2020*

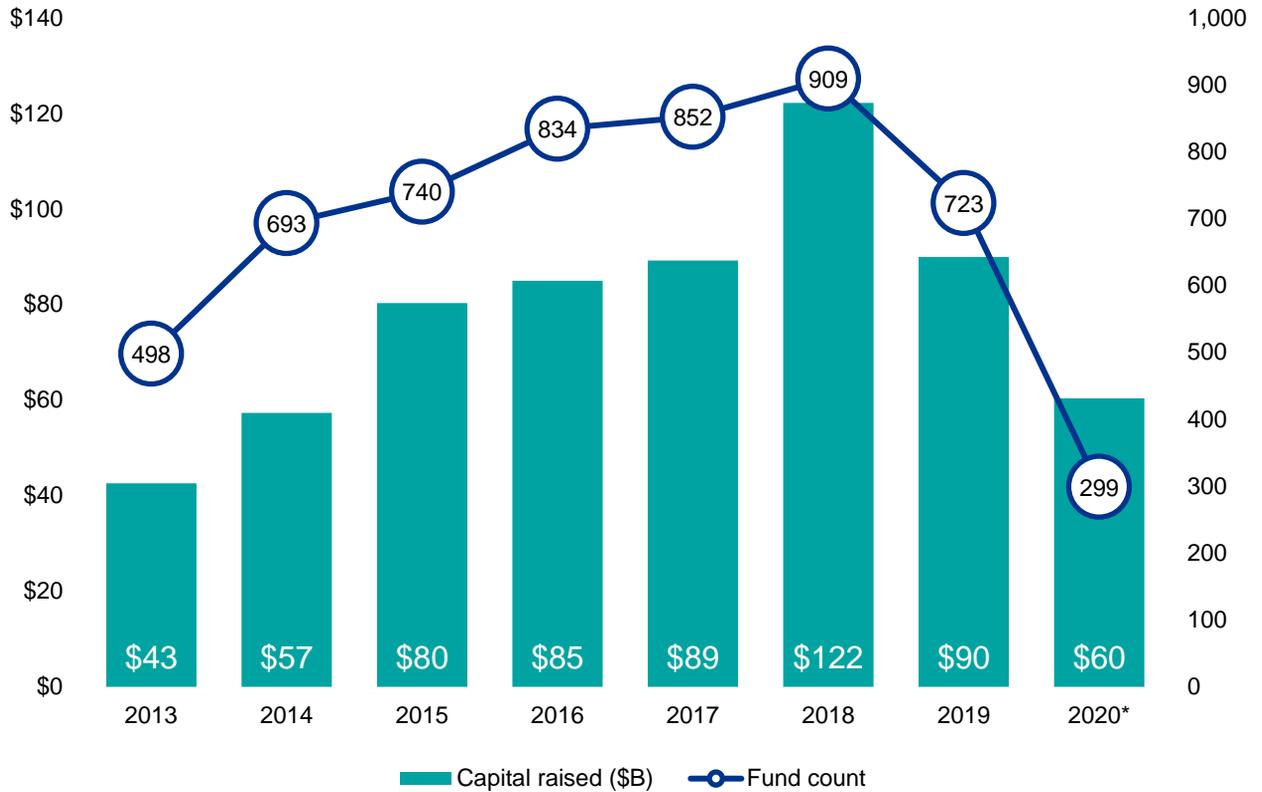


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

As could be expected, IPO volume has contracted considerably, but not as much as feared, while M&A is the primary route through which venture-backed businesses have achieved liquidity. For those that did go public, significant capital was able to be raised in the frankly high-inexplicable public equity market environment of the year to date. Both corporate development teams and buyout barons are remaining cautious right now given how much is still unknown with regard to the full economic impact and its duration from the pandemic. Accordingly, although opportunistic buying will surely occur, a slower pace of exits is likeliest going forward.

A massive \$60B committed

Global venture fundraising 2013–2020*

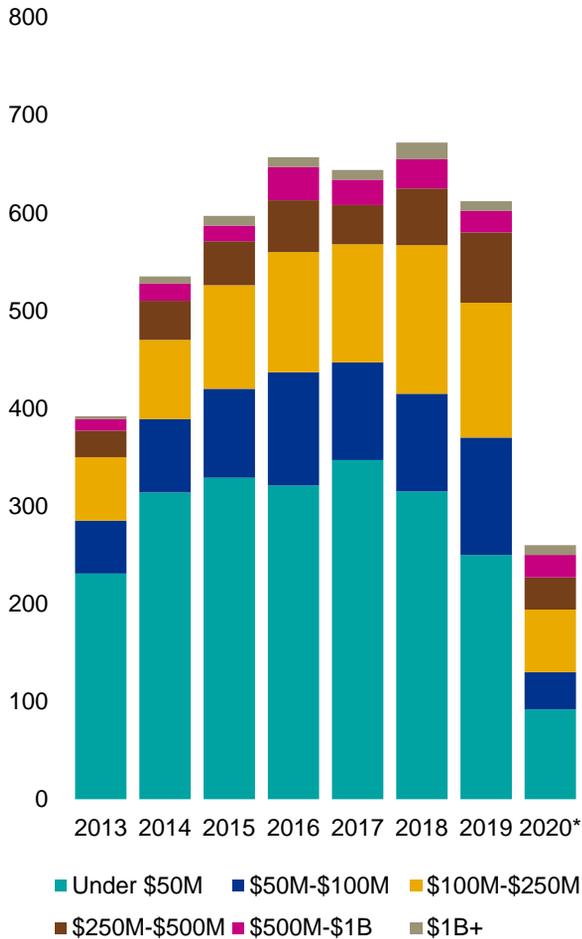


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

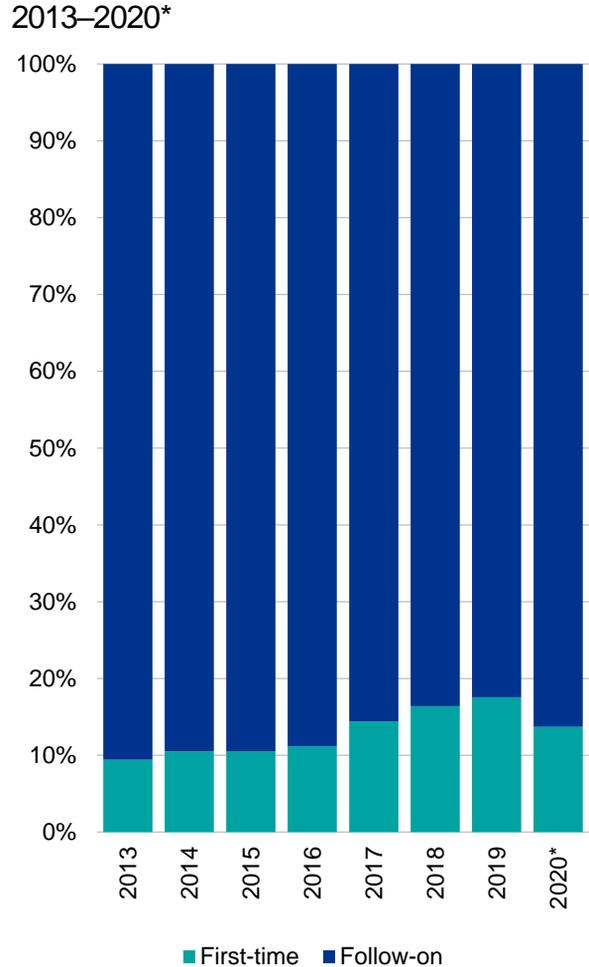
As was noted in the last edition of Venture Pulse, fundraising was quite strong in Q1 2020, belying the waves of negative news that spread worldwide in the closing weeks of March. Now, with midyear figures in, no less than \$60 billion has been committed to VC funds thus far in the year. It's clear that limited partners' appetite for exposure to venture has not been diminished in the slightest by the pandemic thus far. If anything, the investors with exposure to proven fund managers seem even more eager to commit to investors that can capitalize on current market dislocations.

First-time fund volume slides

Global venture fundraising (#) by size 2013–2020*



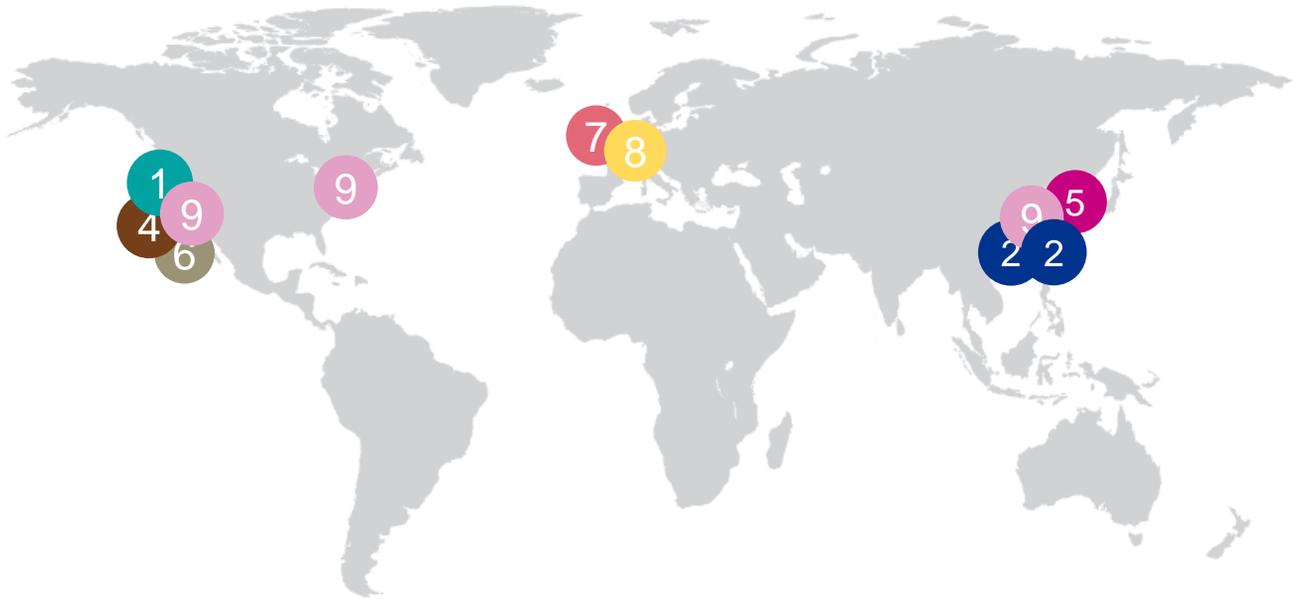
Global first-time vs. follow-on venture funds (#) 2013–2020*



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

First-time funds slid somewhat in their portion of overall volume, understandably, with midyear figures in. LPs are more comfortable committing to proven managers and/or existing relationships in the current climate. Assessing figures by size, it's clear they are also still backing across the capital stack when they do so, however, with a bit of a barbell effect occurring thus far, (e.g.funds at the largest and smallest ends of the market by size are closing).

Major sector trends accelerate



Top 10 global financings in Q2'20

- | | |
|--|--|
| <p>1 Waymo — \$3B, Mountain View
Automotive
<i>Late-stage VC</i></p> | <p>6 Samsara — \$700M, San Francisco
Computer hardware
<i>Series F</i></p> |
| <p>2 MGI Tech — \$1B, Shenzhen
Biotechnology
<i>Series B</i></p> | <p>7 Deliveroo — \$575M, London
Application software
<i>Series G</i></p> |
| <p>2 Didi Bike — \$1B, Hangzhou
Application software
<i>Early-stage VC</i></p> | <p>8 N26 — \$570M, Berlin
Fintech
<i>Series D</i></p> |
| <p>4 Stripe — \$850M, San Francisco
Financial software
<i>Series G</i></p> | <p>9 Palantir Technologies — \$500M, Palo Alto
Business/productivity software
<i>Corporate</i></p> |
| <p>5 Zuoyebang — \$750M, Beijing
Edtech
<i>Series E</i></p> | <p>9 Didi Autonomous Driving — \$500M, Shanghai
Automotive
<i>Early-stage VC</i></p> |
| | <p>9 Indigo (Horticulture) — \$500M, Boston
Agriculture
<i>Series F</i></p> |

Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/2020.

***In Q2'20 US
VC-backed
companies raised***

\$34.3B

across

2,197 deals



US sees solid VC investment in Q2'20 despite COVID-19

VC investment in the US held relatively steady in Q2'20, even as VC investors and businesses juggled the challenges of COVID-19. While Q2'20 included some deals that would have been initiated prior to the pandemic, it also included a significant number of deals supporting companies offering 'go-to' solutions given the current situation.



VC investors taking a longer-term view

Despite the number of deals in the US plummeting, numerous large deals occurred during Q2'20, including a \$3 billion raise by Waymo, an \$850 million raise by e-payments facilitator Stripe, and a \$700 million raise by IOT and AI-powered business productivity firm Samsara.

VC investors in the US appear to be taking a longer-term view of the pandemic's impacts. While VC investors may have had to rethink their assumptions as to the timing of their portfolio companies to become profitable or to hold a successful IPO, they are continuing to support the ones they expect will be able to be successful after COVID-19 has run its course.

At the same time, the sudden impact of the pandemic has caused VC investors to further enhance their focus on the efficiency, effectiveness, and profitability of companies. Changes that startups are making to improve their operations and cash flow to better weather COVID-19 could have the added benefit of helping them reach profitability sooner, a win-win for both startups and their investors.



Companies aligned with the 'new reality' attracting investments

While many VC investors in the US focused on managing the needs of companies within their existing portfolios during Q2'20, they also showed interest in companies with highly relevant, scalable business models aligned to meeting the needs of consumers and businesses within the 'new reality' particularly companies focused on B2B productivity, cybersecurity, digital services, and e-commerce. In addition to the \$700 million raise by Samsara, productivity firm Palantir Technologies also raised \$500 million.



Corporate investors continue to make big investments and acquisitions in Q2'20

Corporate investors made several large deals in Q2'20, although the overall pace of corporate investment at mid-year was slower compared to 2019. During the quarter, Facebook announced it was investing \$5.7 billion in India-based Reliance Jio (now called Jio Platforms) and acquiring GIF sharing platform Giphy for \$400 million, while Microsoft acquired cloud communications provider Metaswitch Networks⁴ and Apple bought VR sports company NextVR.⁵

The continued investment from corporates likely reflects a combination of factors, including massive pressure to adapt their business models and the ability of startups to help them do so quickly, a desire to improve their revenue by investing in high-growth startups, and the increasing availability of bargains given the downward pressure on valuations.

⁴ <https://www.cnbc.com/2020/05/14/microsoft-acquires-metaswitch-in-telecom-push.html>

⁵ <https://www.bloomberg.com/news/articles/2020-05-14/apple-acquires-startup-nextvr-to-gain-virtual-reality-content>

US sees solid VC investment in Q2'20 despite COVID-19, cont'd.



Recognition of the need for healthcare disruption growing

Life sciences and biotech solutions garnered significant attention from VC investors in the US during Q2'20, led by a \$435 million raise by gene-focused biotech Sana Biotechnology, a \$390 million raise by cancer screening company Grail, and a \$200 million raise by drug developer Erasca. While these sectors had already grown on the radar of VC investors in recent quarters, the pandemic significantly raised the importance of the need for healthcare disruption. It opened peoples' eyes to existing sector challenges, from obtaining personal protective equipment and facilitating remote medical appointments to conducting widespread testing and the long timeframes required to develop and distribute a vaccine.



Major IPO exits in the US likely delayed to 2021

Given the widespread impact of COVID-19, IPO exit activity has effectively ground to a halt in the US. With the US presidential election scheduled for November, most planned IPO activity is expected to be pushed back until 2021. Biotech companies will likely be the primary exception, regardless of whether they are focused on COVID-19 treatments or on other diseases.

While mainstream IPO activity might be non-existent for the remainder of 2020, there could be increasing M&A activity in the US over the same timeframe, particularly related to companies without the runway to delay their exit into 2021. Given the increasing scrutiny of companies looking to IPO, startups that do not expect their financial performance to improve considerably over the next year could also turn their attention to pursuing buyers. Both PE firms and corporates will likely be hunting for strategic acquisition opportunities given companies will likely be more cost effective given current market challenges.



Trends to watch for in the US

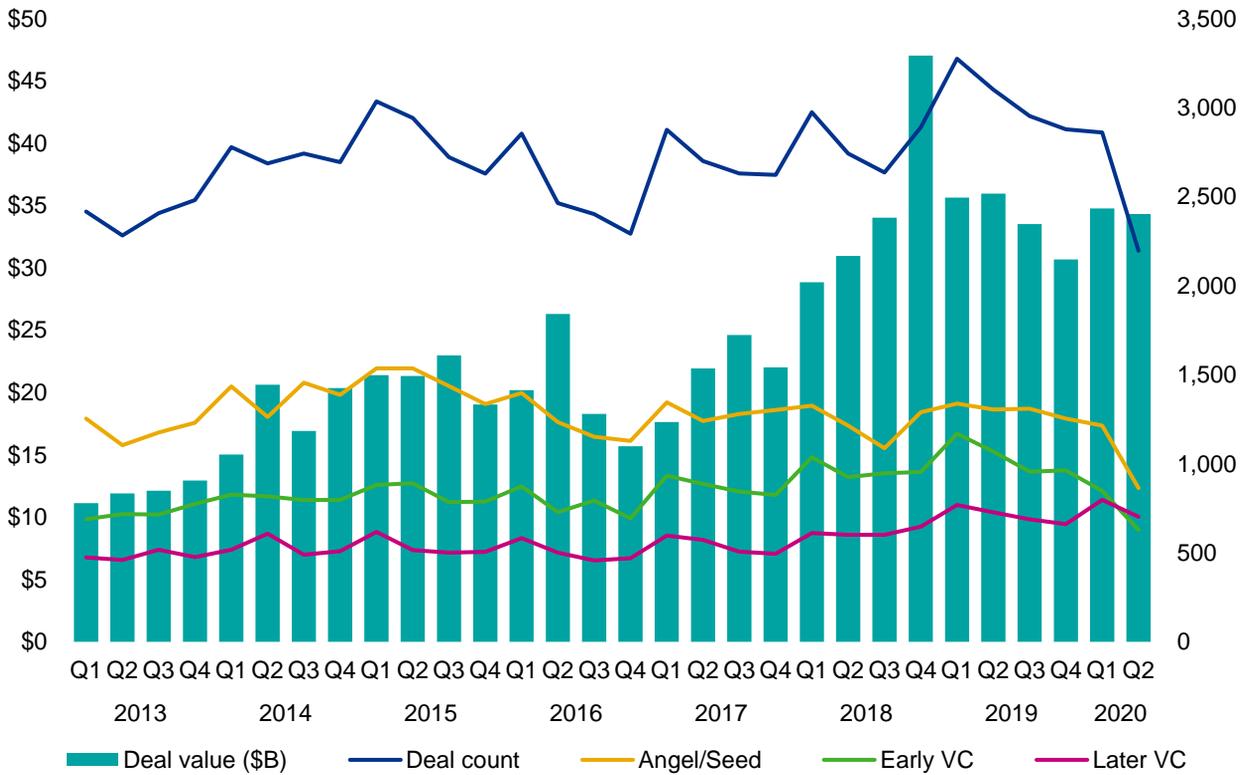
Looking ahead to Q3'20, there is expected to be an acceleration of several key trends that have been affecting the US VC market over the past few quarters, including the scrutiny VC investors are giving to profitability and unit economics, the prioritization of late-stage over early-stage deals, and the increasing interest in B2B solutions, AI and data analytics, and life sciences. Given the increasing use of digital business models and remote work arrangements, cybersecurity is also expected to see increasing interest from VC investors in the US.

Given the ongoing travel restrictions in many jurisdictions, there will likely be a slowdown in international investment by US-based VC firms. With several large unicorn companies laying off skilled workers, there could also be a slowdown in investment outside of major hubs as talent becomes more readily accessible.

Q2 shows first likely impact during pandemic

Venture financing in the US

2013–Q2'20

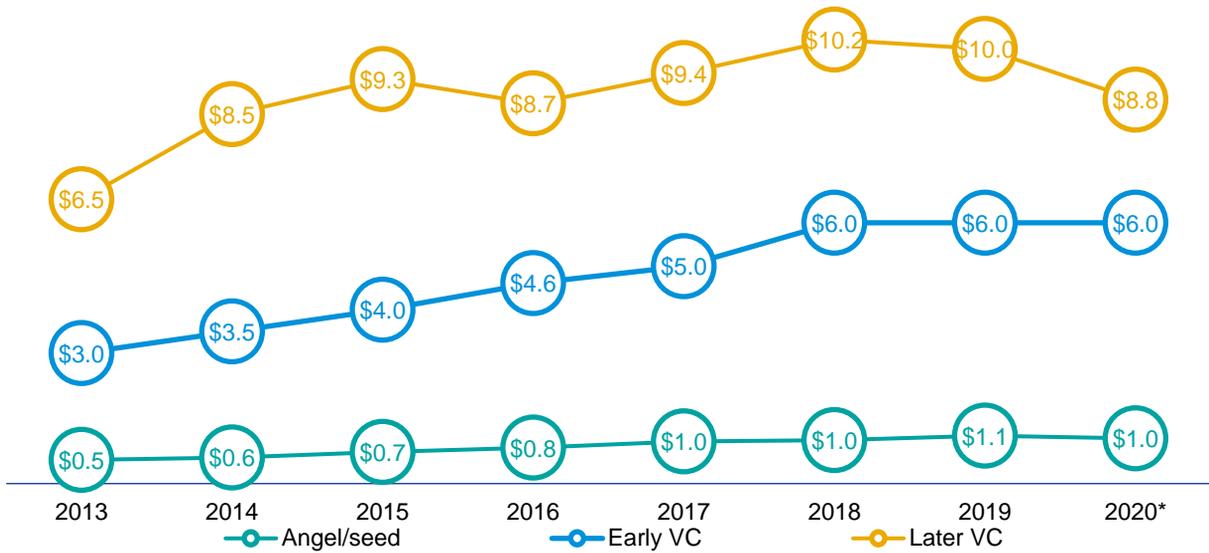


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

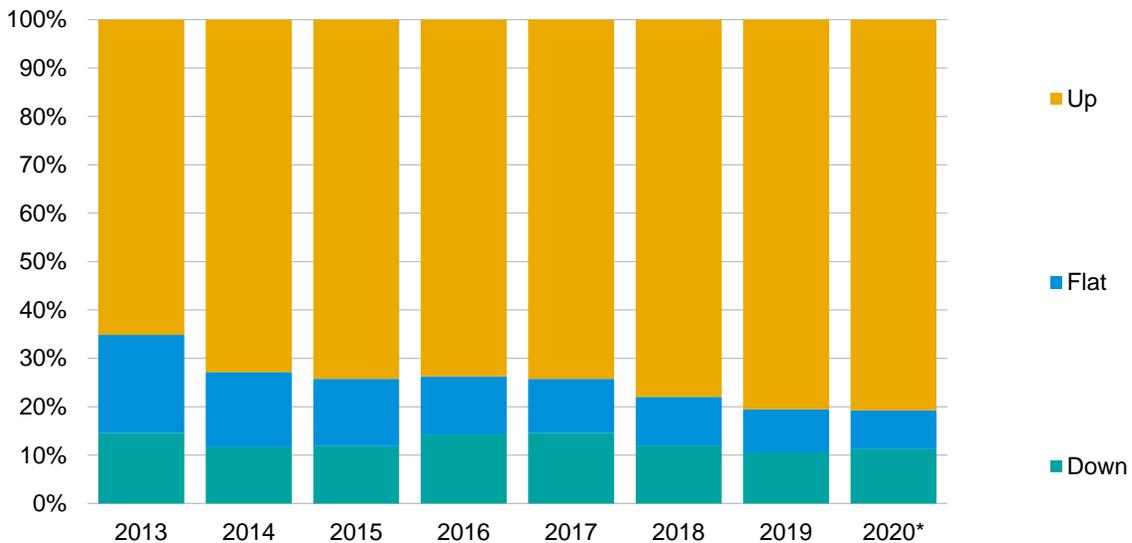
VC invested stayed very strong in the US, continuing a remarkable stretch of \$30 billion+ quarterly tallies stretching back nearly unbroken to the start of 2018. However, volume cratered overall. Bearing in mind the usual caveat that additional financings may come to light and thus boost that volume, it is clear that caution took reign in Q2, as the full effect of the first surge of COVID-19 in the US was seen.

The late stage slides further

Median deal size (\$M) by stage in the US 2013–2020*



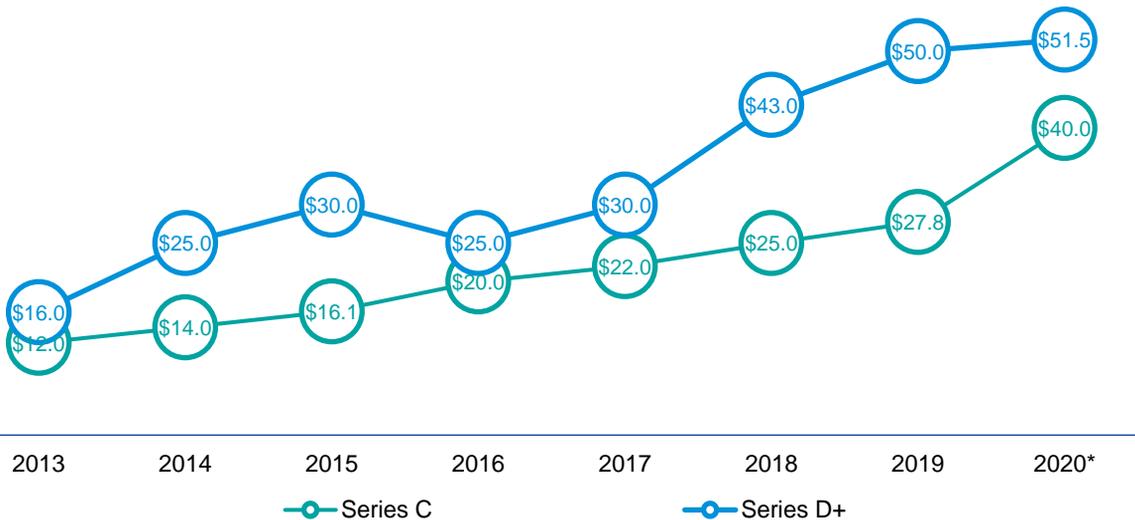
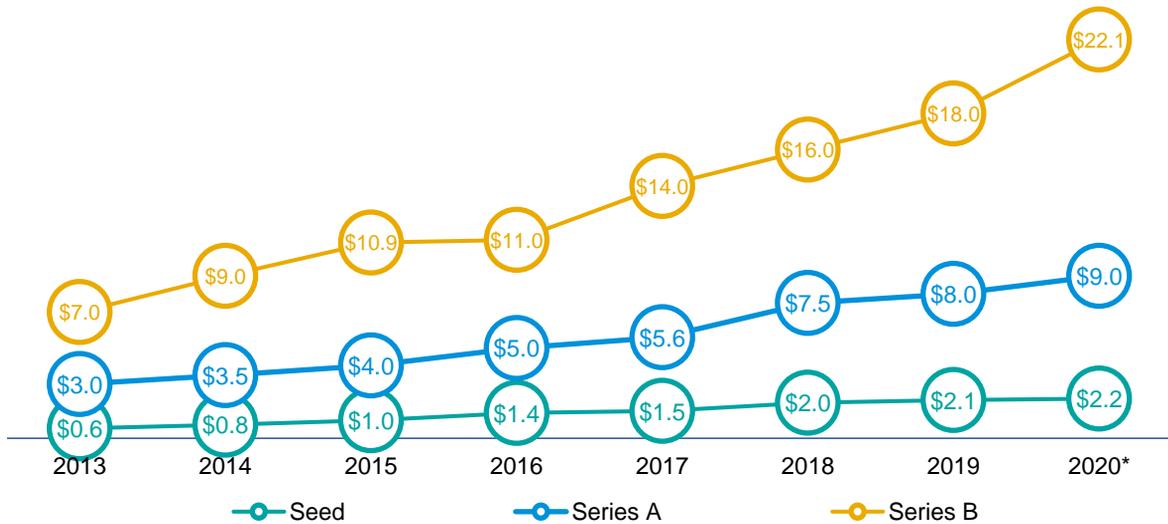
Up, flat or down rounds in the US 2013–2020*



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Valuations hold

Median deal size (\$M) by series in the US
2013–2020*

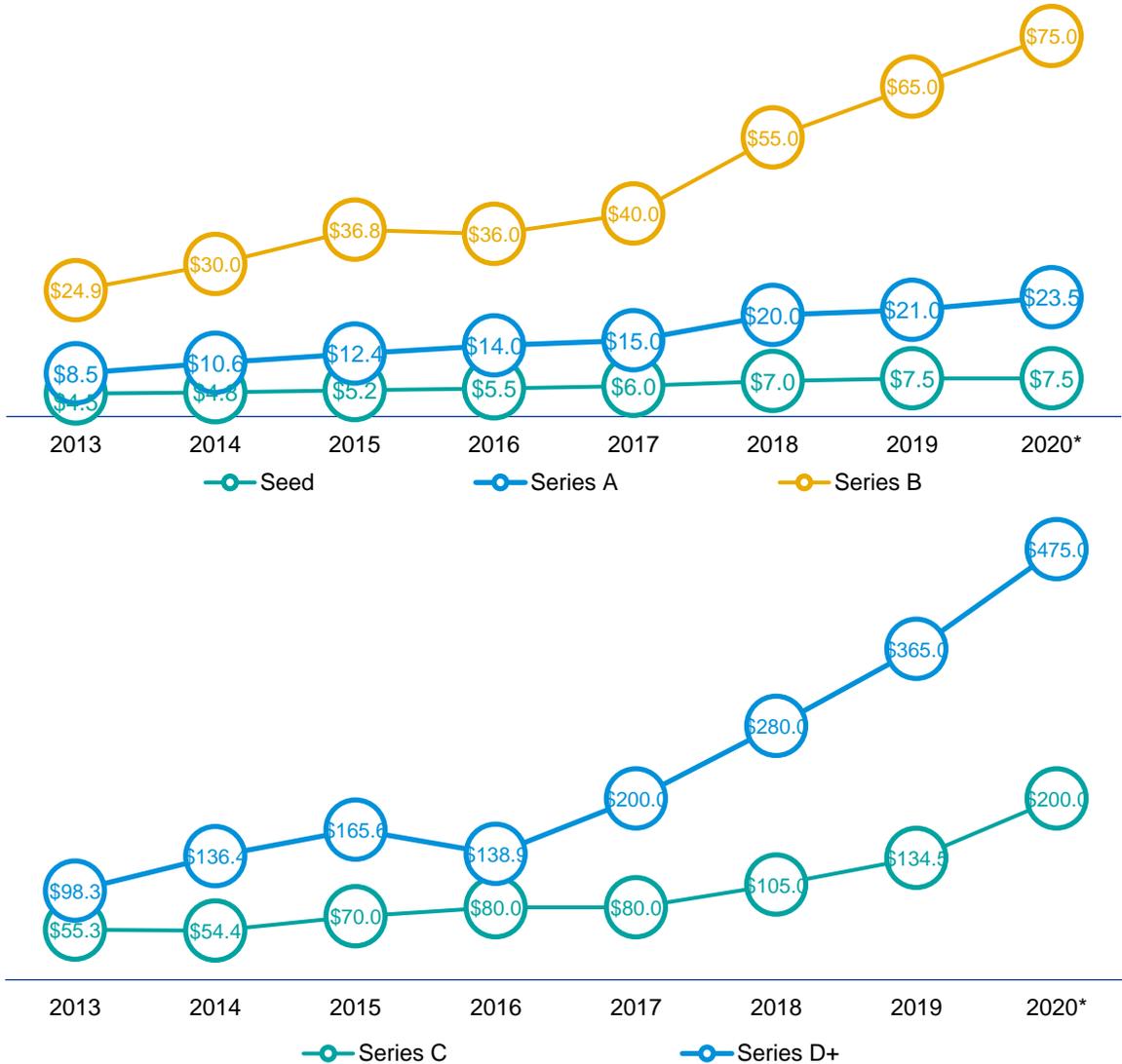


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Note: Figures rounded in some cases for legibility.

Record valuations are intact

Median pre-money valuation (\$M) by series in the US
2013–2020*



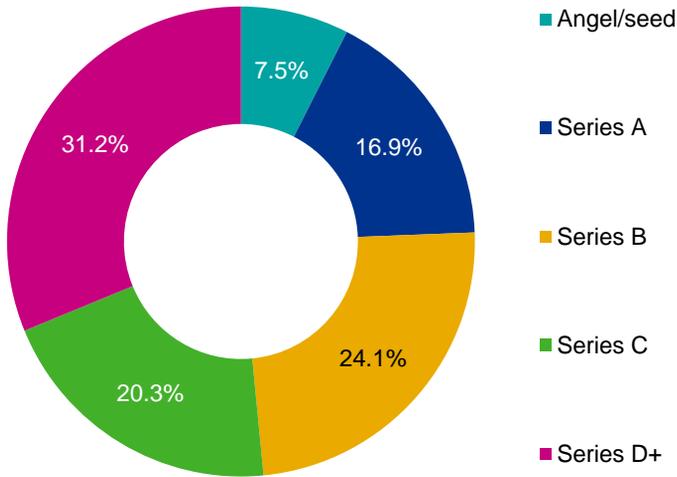
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Note: Figures rounded in some cases for legibility.

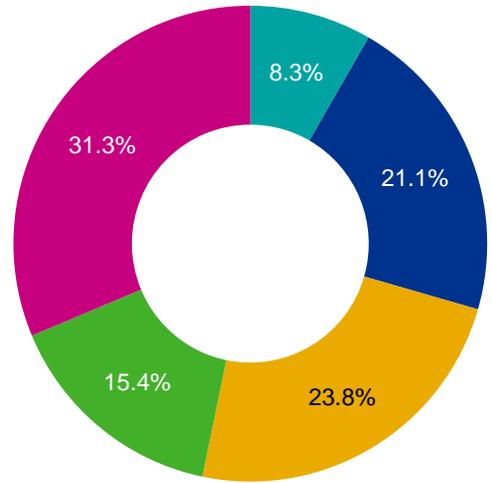
Even as COVID-19 appeared to impact the overall volume of venture financing, valuations remained intact at record levels across every series of stock in the US. The explanations for this steadiness are numerous, from the vast amount of dry powder on hand for investing to the fact the economic impact of the pandemic has been remarkably severe but short thus far. Accordingly, it still remains to be seen whether the trend shifts as we enter the second half of the year.

Riskiest stages contract more

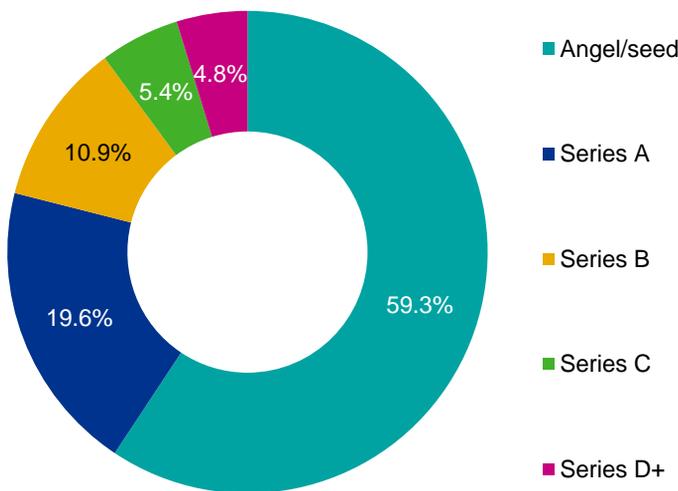
Deal share by series in the US
2020*, VC invested (\$B)



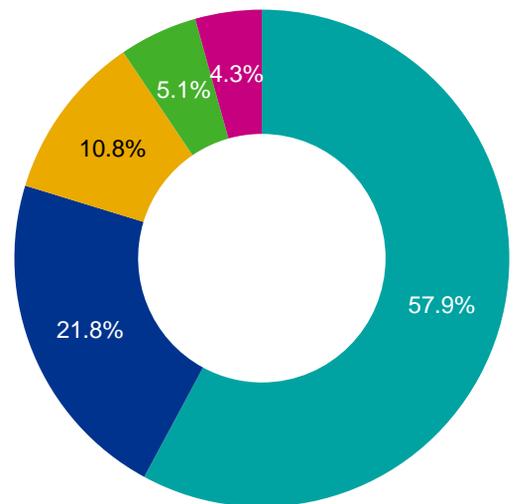
Deal share by series in the US
2019, VC invested (\$B)



Deal share by series in the US
2020*, number of closed deals



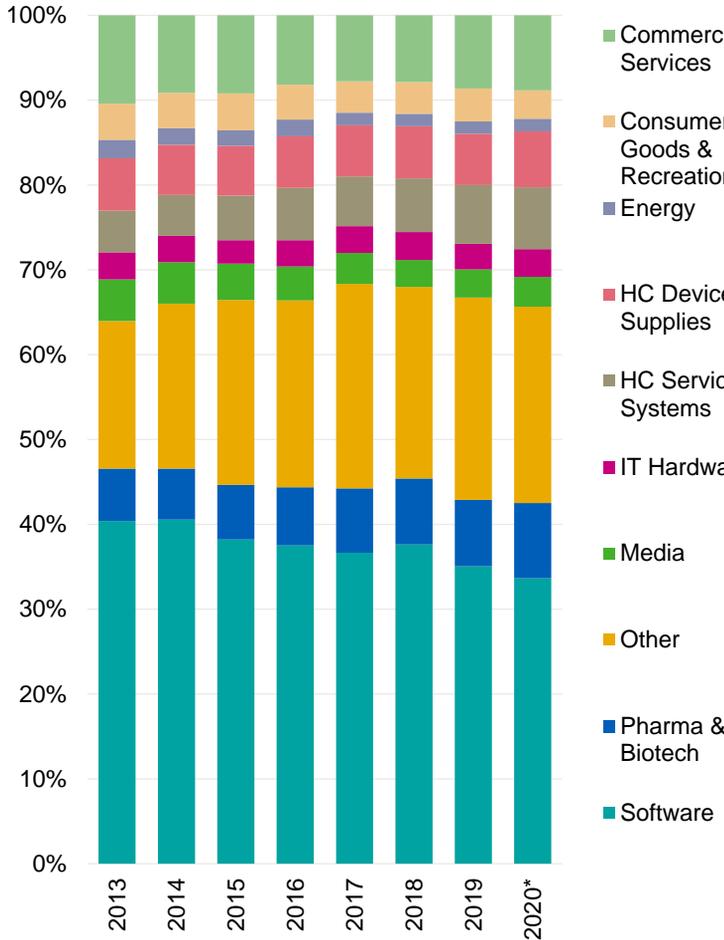
Deal share by series in the US
2019, number of closed deals



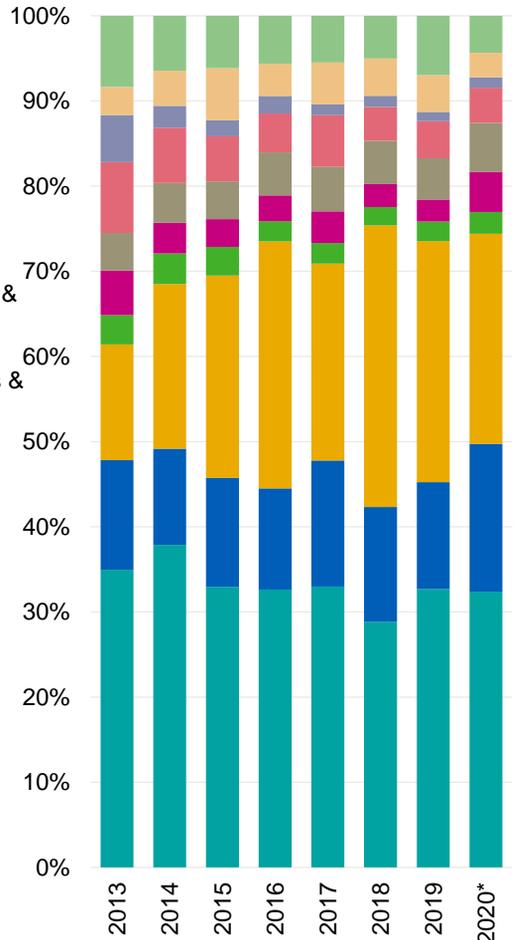
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

VC floods into biotech

Venture financing by sector in the US
2013–2020*, number of closed deals



Venture financing by sector in the US
2014–2020*, VC invested (\$B)

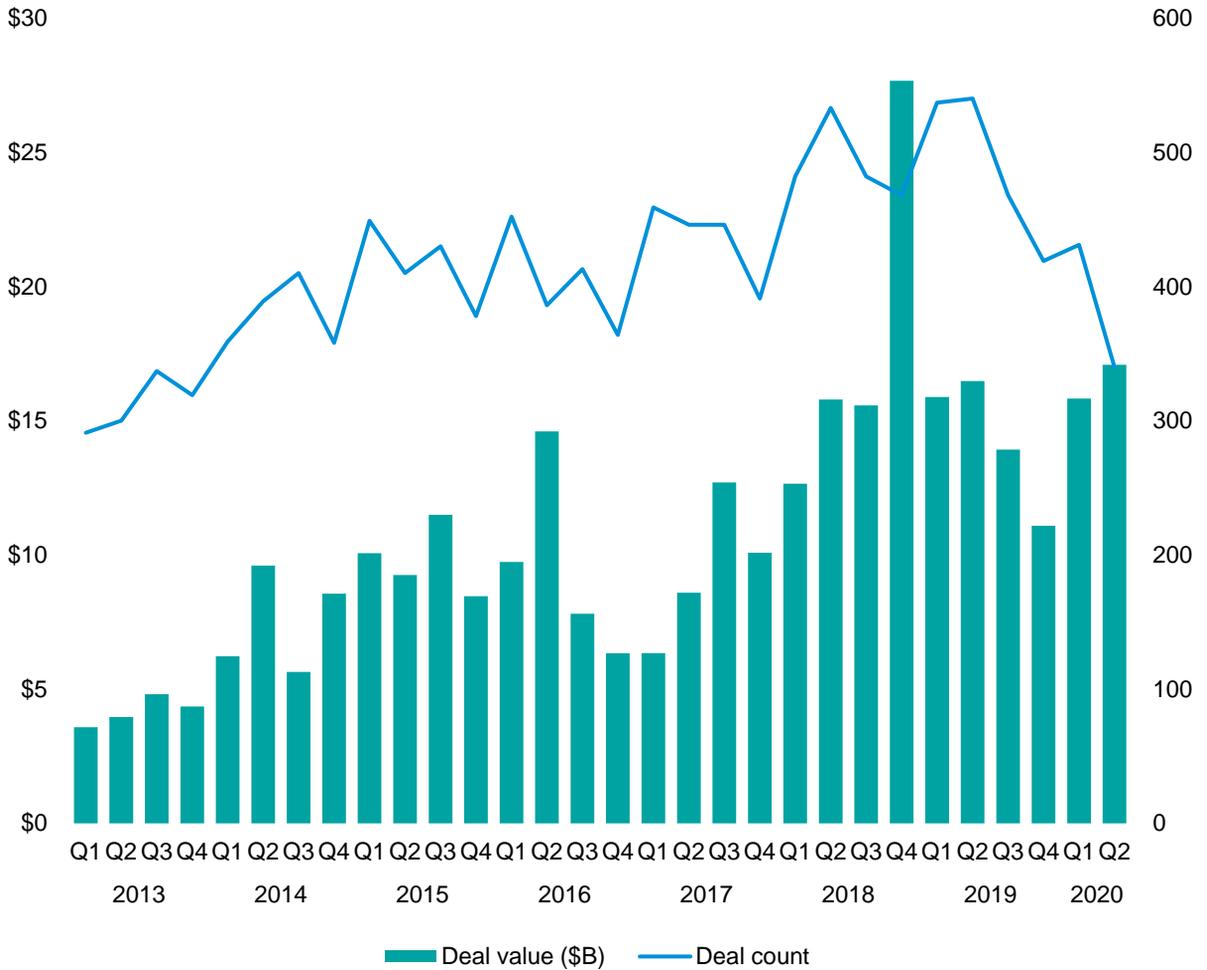


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

It may seem obvious, but the data clearly illustrates even more dollars than before were flowing into biotech throughout the first half of 2020, from both a volume and value standpoint. Although that trend had begun prior to the pandemic, the crisis only accelerated the flood of capital and investor interest.

CVC hits a high in VC invested

Corporate participation in venture deals in the US 2013–Q2'20

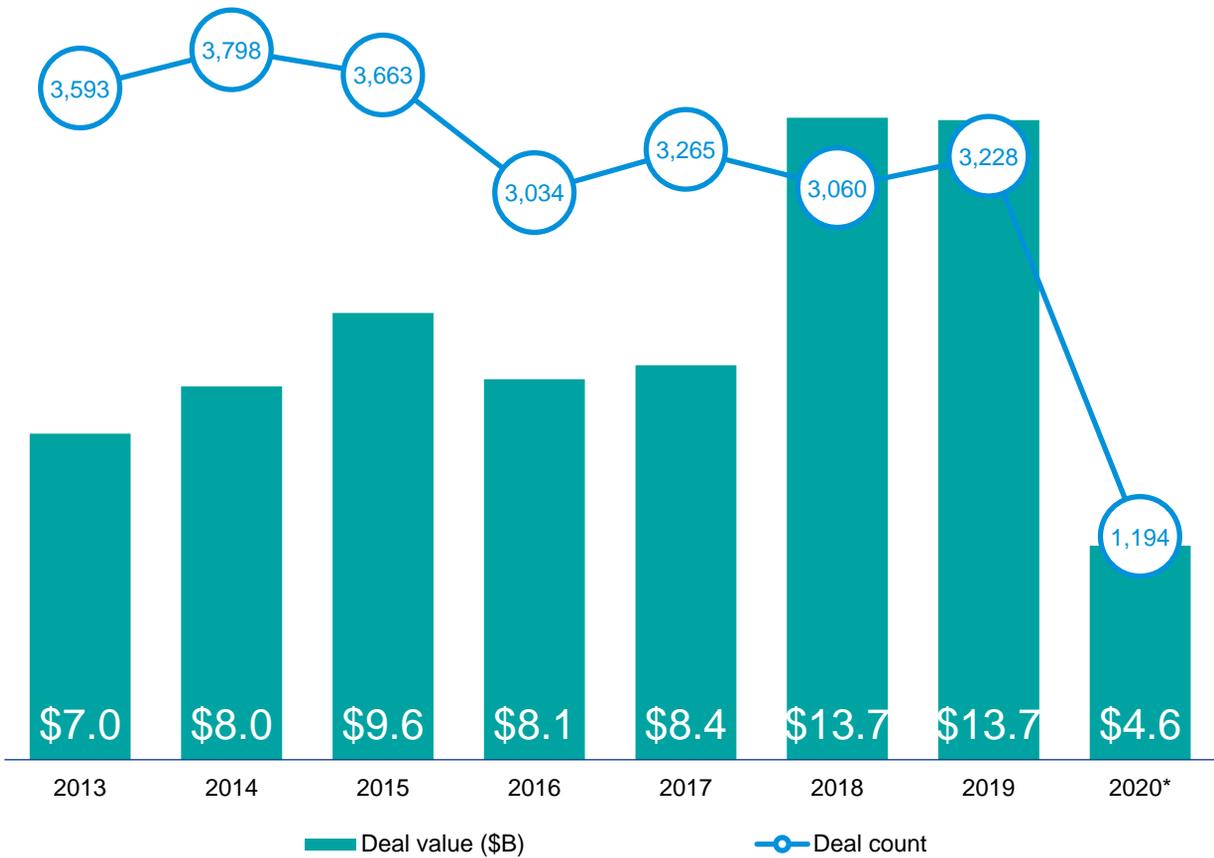


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

Rather than the usual trendline of participation percentage, to better illustrate the environment in 2020, the trendline of actual deal count in which corporate players or their venture arms participated is depicted above. The second-highest ever quarterly tally of VC invested was logged in Q2, which speaks to both a flight to caution as well as, in tandem with the drop in volume of deals in which corporates participated, the impetus to still maintain some exposure to more mature and relatively stable businesses.

Set for a down year

First-time venture financings of companies in the US 2013–2020*



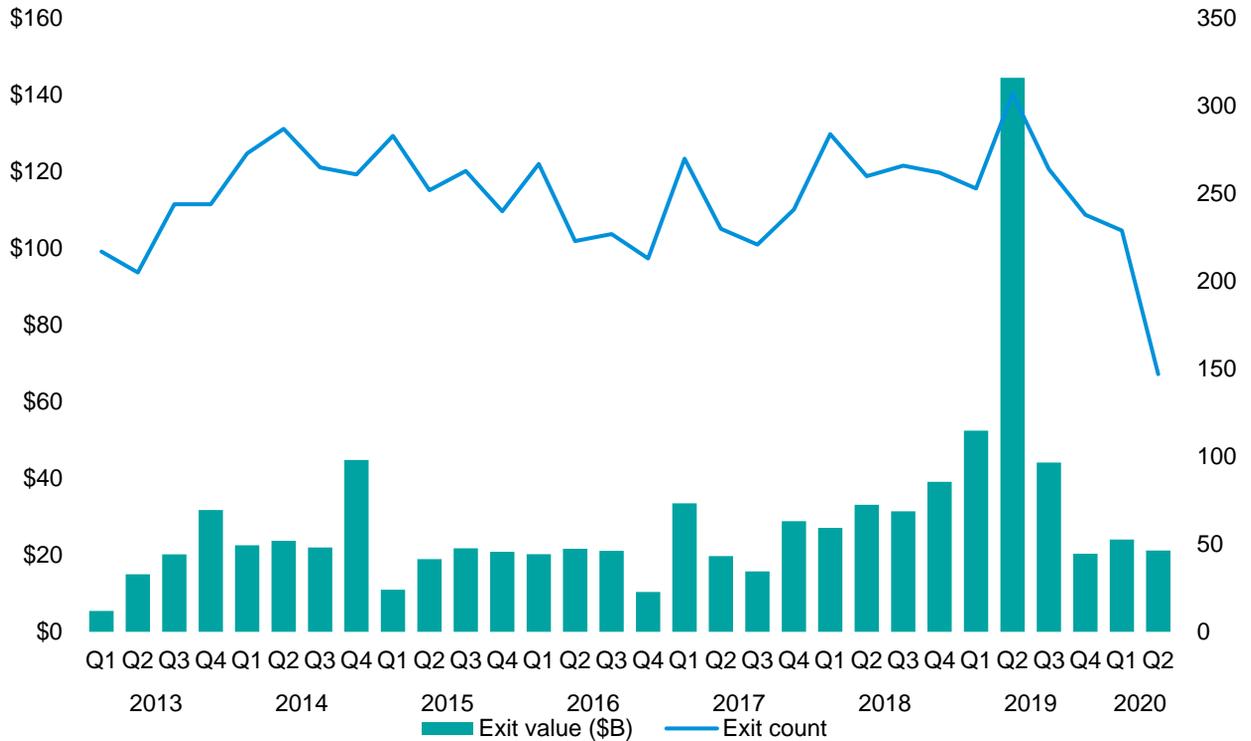
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

After a strong finish in 2019, the 2020 tallies to date for first-time funding in the US look quite grim, relatively speaking. However, \$4.6 billion invested across 1,000+ transactions is not necessarily that low relative to many prior years, but rather signifies a concentration of dollars in the most robust prospects given the broader business climate. That should only be accentuated in coming months as additional certainty around the ultimate net effect of the pandemic on the US becomes clearer.

Exits nosedive even further

Venture-backed exit activity in the US

2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

Although opportunistic acquisitions and IPOs will still occur, hence the relatively steady tally of exit value in Q2 2020, volume is likely to remain muted for at least some time, given the broader economic climate. Public equities may remain puzzlingly strong given underlying fundamentals, but should they do so, some companies that were set to go public may still decide to list — anecdotally, those that were in process are still going ahead, albeit more slowly.

“Necessity is the mother of invention and the next wave of great companies will likely come from this global pandemic. Venture investors have plenty of capital available but are faced with the choice of deploying it on existing investments to optimize return or choose to deploy on these newer companies.”

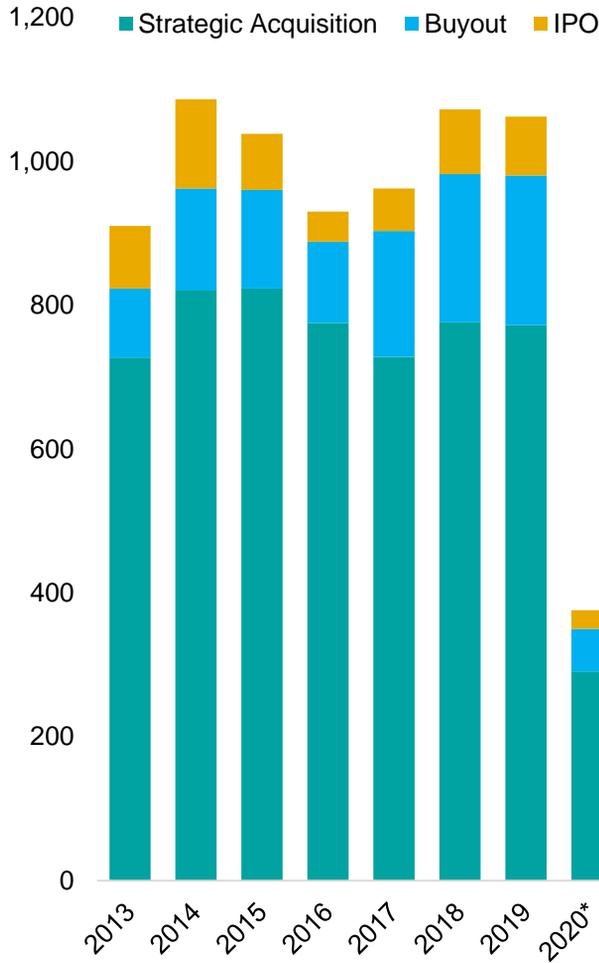


Conor Moore
Global Co-Leader — Emerging Giants, KPMG Private Enterprise
Partner, KPMG in the US

IPOs shrink the most

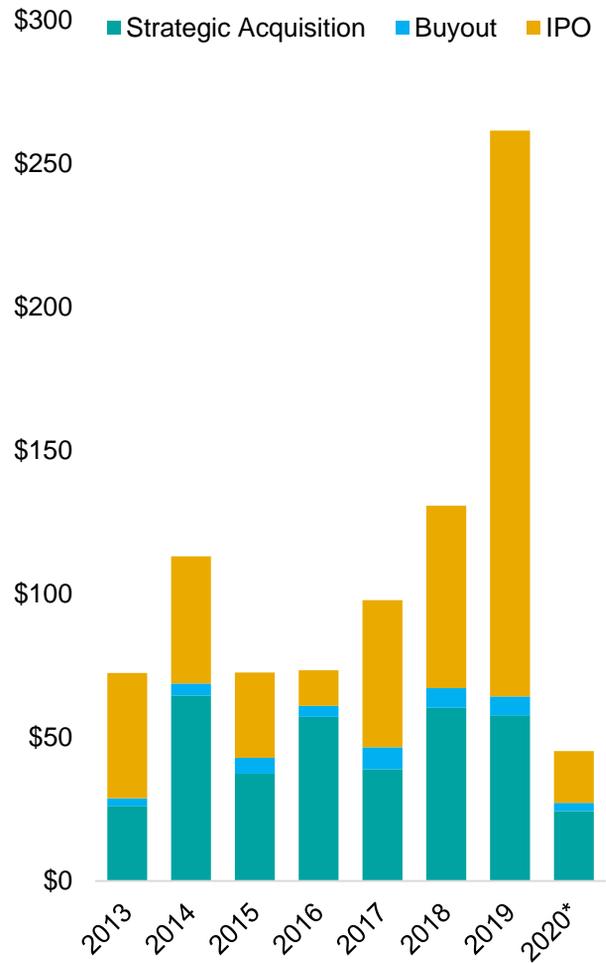
Venture-backed exit activity (#) by type in the US

2013–2020*



Venture-backed exit activity (\$B) by type in the US

2013–2020*



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The bevy of unicorns that went public in 2019, whatever their later troubles, propelled exit values via that route to a new high for the decade, even outstripping Facebook's debut in 2013. This year does not look set to repeat that in the slightest. Even if some companies are still determined to move ahead with their debuts, it will take a more sustained duration of robust public equities' performance, sans significant volatility, to have most businesses that were planning to list proceed accordingly.

A massive first half

US venture fundraising

2013–2020*

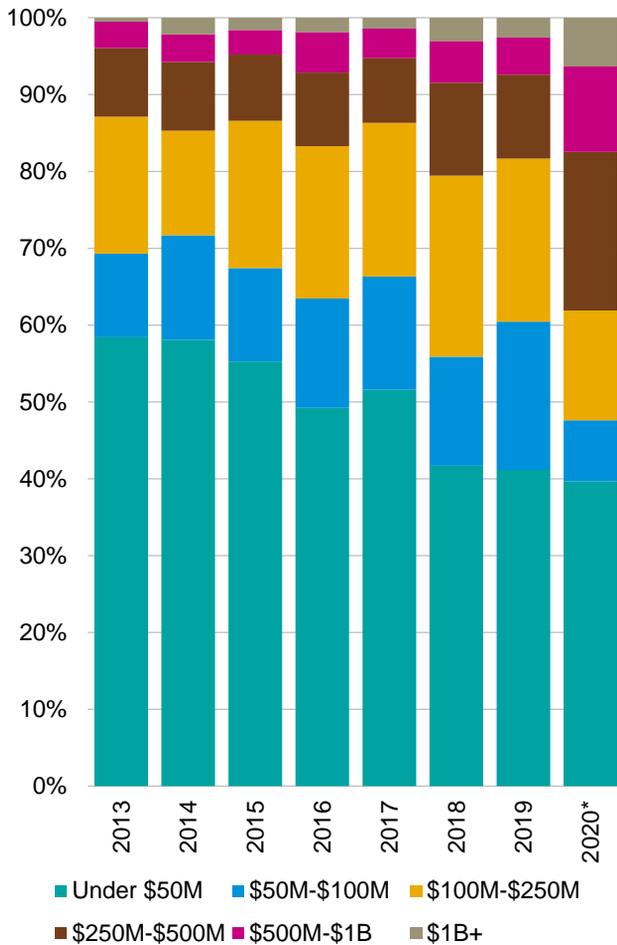


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

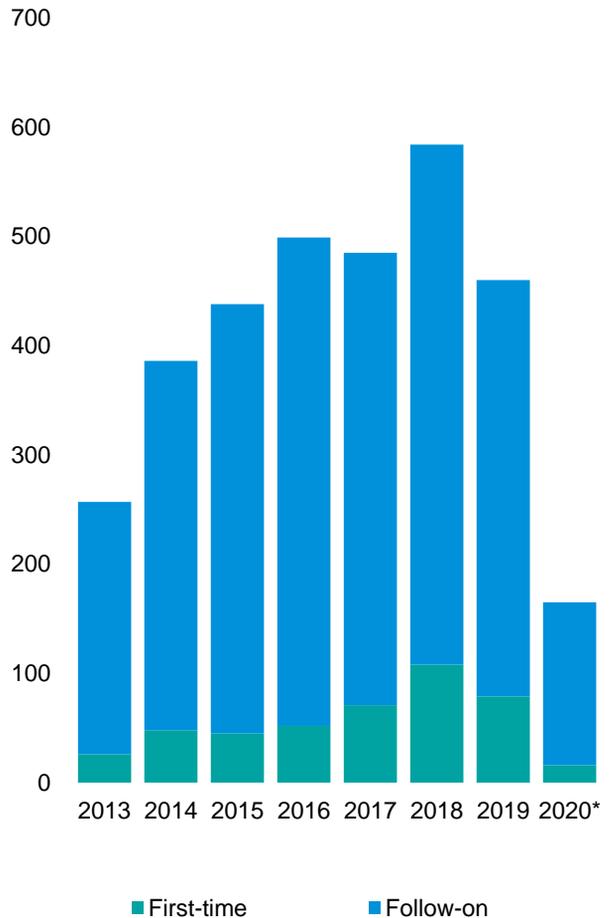
After a record haul in terms of dollars committed and volume in the past two years, one would think venture firms may let up the pace of fundraising. However, 2020 roared off to a strong start and, at only halfway through, already \$43.1 billion has been committed to just 165 funds. Mega-funds understandably stand out, signaling that LPs are eager to double down on exposure to proven fund managers in order to potentially capitalize on the current environment.

Fundraising skews big

Venture fundraising (#) by size in the US
2013–2020*



First-time vs. follow-on venture funds (#) in the US
2013–2020*



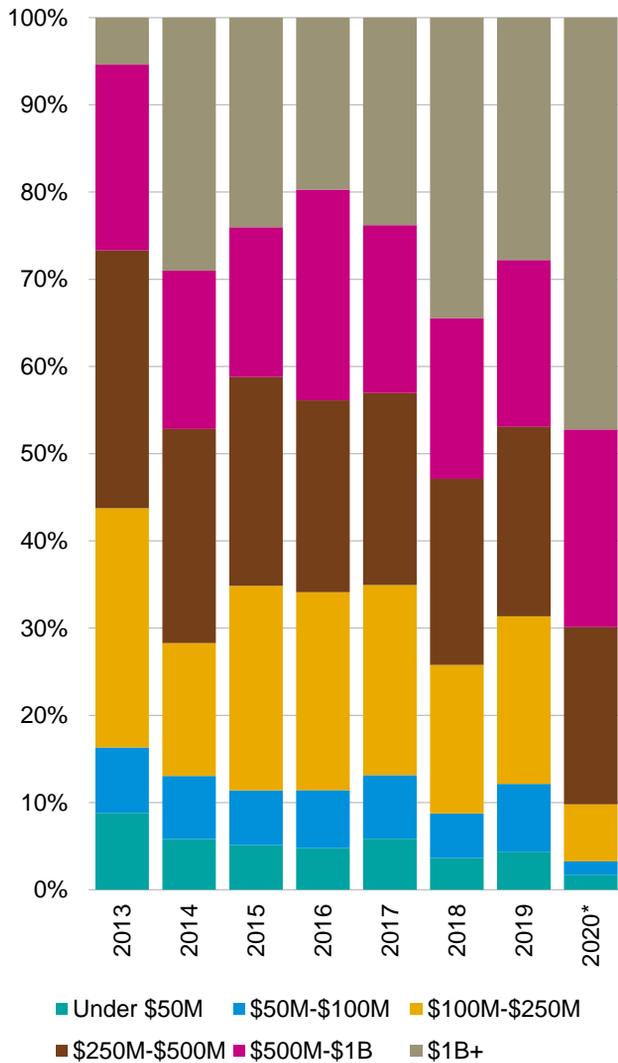
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

As is clear from the breakdown of funds closed in count by size range, the biggest only got bigger, with the firms that had multi-billion-dollar pools of capital in the market still being able to close, pandemic or no. Other proven managers had a similar experience. It was emerging fund managers or those striking out on their own for the first time that truly had to do extra legwork to take their vehicles to a close, though it's worth noting some were able to do so.

Mega-funds dominate

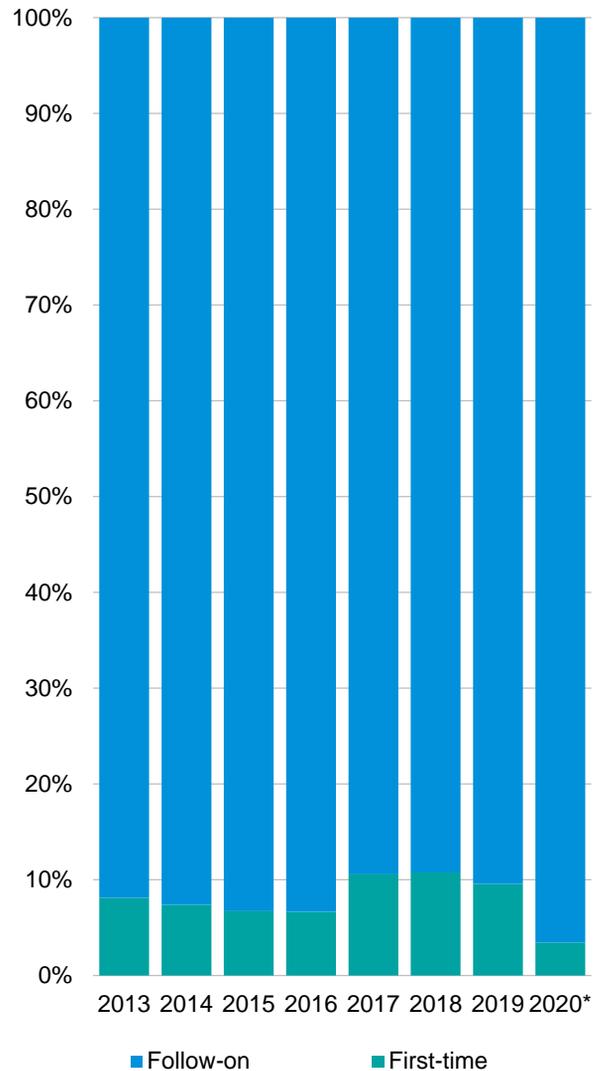
Venture fundraising (\$B) by size in the US

2013–2020*



First-time vs. follow-on funds (\$B) in the US

2013–2020*



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

*In Q2'20 VC-backed
companies in the
Americas raised*

\$35.6B

across

2,354 deals



VC investment in Americas dominated by US as other jurisdictions see deal activity fall

VC investment in the Americas dipped slightly in Q2'20; while the US managed to attract solid investment, other jurisdictions within the region saw both the number of VC deals and total VC investment drop. The VC market in Latin America was particularly hard hit, given widespread travel restrictions, coupled with its major reliance on international investors.



Early-stage deals take hit as VC investors double down on proven companies

Caution was the dominant decision-making strategy for VC investors in the Americas in Q2'20. Despite the substantial amount of dry powder at their fingertips, certain VC investors were hesitant to make new investments in order to ensure they have the resources to support their existing portfolio companies. When making deals, profitability and efficient operations continued to be top priorities for VC investors, a trend that began in 2019; COVID-19 only enhanced the focus of VC investors on matters like cash management, unit economics, and the ability of companies to become cash flow positive.



US accounts for large majority of VC funding in the Americas

The US accounted for the vast majority of VC investment in the Americas during Q2'20. While the US saw the number of VC deals plummet, total VC investment in the US remained solid, led by a \$3 billion Waymo round. A number of sectors remained hot in the eyes of VC investors in the US, primarily due to their ability to address the rapidly evolving needs of consumers and businesses during the pandemic. B2B solutions providers were a particularly hot ticket for VC investors, accounting for several \$100 million+ mega-deals, including productivity solutions provider Samsara (\$700 million), productivity firm Palantir Technologies (\$500 million), data management firm Cohesity (\$250 million), and enterprise and event streaming company Confluent (\$250 million).



Canadian biotech and edtech companies shine in Q2'20

After a significant decline in Q1'20, VC investment in Canada held almost steady quarter-over-quarter Q2'20. Many VC investors in Canada hit the pause button on potential deals in mid-March. VC deal activity started to rebound in May as VC investors began to embrace alternative mechanisms to conduct deal-making activities, such as video conferencing and digital document sharing.

The strength of Canada's biotech industry was on display in Q2'20, with Vancouver-based antibody-focused treatment company AbCellera raising a \$105 million round to help it scale operations. AbCellera.⁶ The large Series B round closely followed on the heels of AbCellera's announcement that the Government of Canada's Strategic Innovation Fund would provide up to \$175 million to support its development of antibody therapies for COVID-19 and other pandemic threats.⁷ Montreal-based Ventus Therapeutics also raised \$60 million during Q2'20.

⁶ <https://www.forbes.com/sites/alexknapp/2020/05/27/abcellera-raises-105-million-to-boost-drug-discovery-against-coronavirus-and-other-diseases/#7dd987572a6c>

⁷ <https://www.abcellera.com/news/2020-05-03>

VC investment in Americas dominated by US as other jurisdictions see deals activity fall cont'd.

Edtech also received a strong boost in Canada during Q2'20, with Kitchener-based student recruitment platform ApplyBoard raising \$71 million⁸ in a deal that helped the company achieve coveted unicorn status. Calgary-based debt management and analytics firm Symend also raised \$52 million in the quarter in order to meet rising demand. The geographic diversity of Canada's largest deals during Q2'20 highlights the strong innovation ecosystem the country has developed.



VC investment drops in Brazil — fintech remains big bet

VC investment in Brazil fell sharply in Q2'20, driven primarily by deal-making challenges due to COVID-19. The delivery sector was one exception, with mature fintech CargoX raising a \$80 million Series E funding round. Fintech also remained a hot area of interest in Brazil. During Q2'20, the Central Bank of Brazil and the National Monetary Council released a resolution related to open banking, which the country plans to introduce in phases beginning in Q4'20 and into 2021.⁹



Trends to watch for in the Americas

Looking forward, VC investment in the US is expected to remain the strongest in the region given both the diversity of US companies able to attract investment and the focus of US investors on the domestic market given the challenges related to international deal-making.

While Canada typically sees a slowdown in deals activity over the summer, the country could see an increasing number of transactions in Q3'20 as VC investors work to complete deals that were paused due to COVID-19. VC investment in Latin America is expected to remain very soft in Q3'20 given the limited access to US and other international investors and the time required to attract investors and conduct deals remotely.

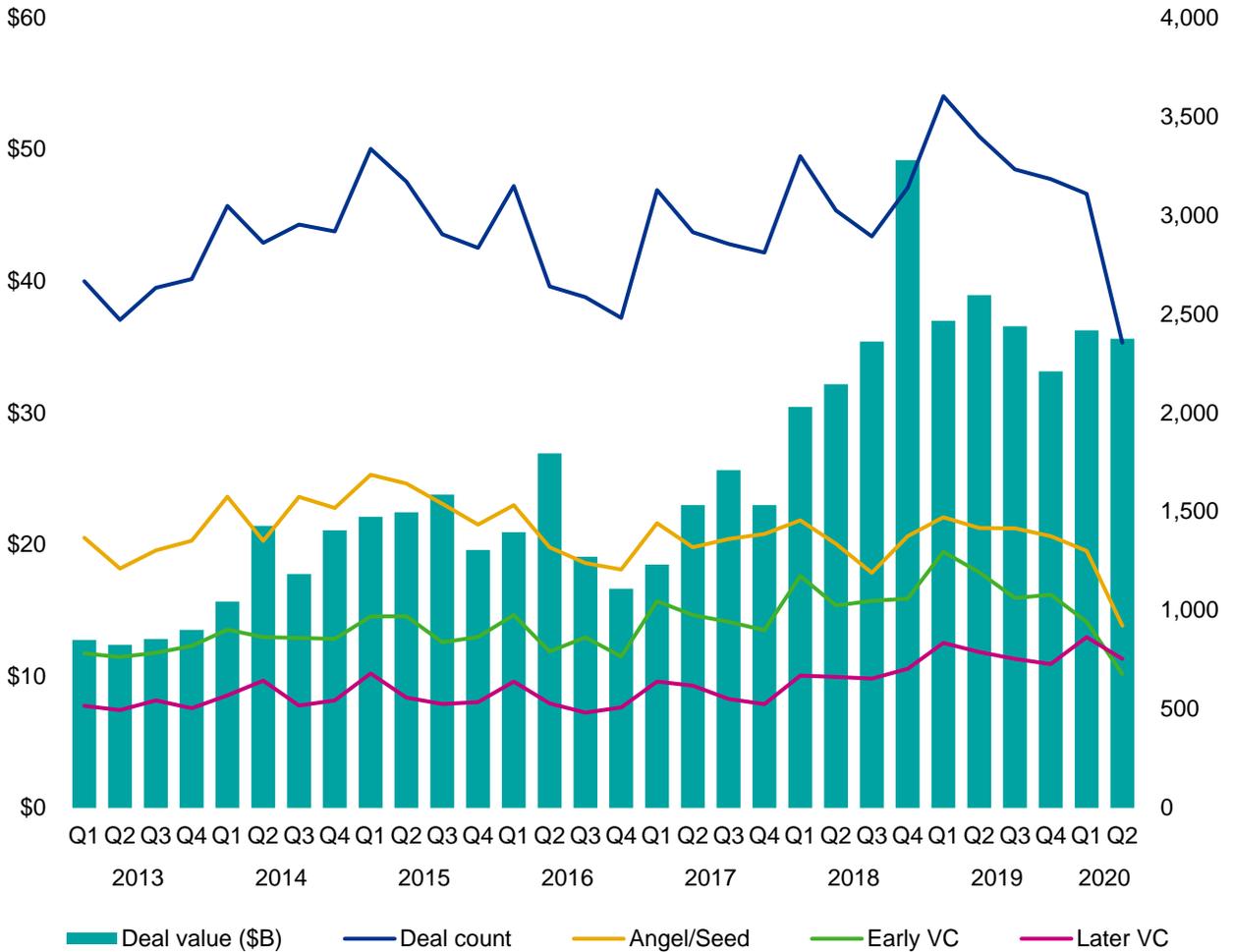
Across the Americas, early-stage businesses will likely continue to struggle to attract investment over the next quarter as investors remain focused on late-stage deals. This could cause significant challenges for early-stage companies without the cash reserves to weather the COVID-19 crisis. From a sector perspective, biotech and healthtech, fintech, edtech and delivery and logistics are expected to remain key areas of investment across the Americas, along with B2B solutions.

⁸ <https://www.thetechie.de/2020/05/applyboard-nabs-71-million-in-new.html>

⁹ <https://www.forbes.com/sites/angelicamarideoliveira/2020/05/08/the-brazil-tech-and-innovation-round-up-brazil-kicks-off-open-banking-venture-capital-investments-grow-e-commerce-sales-increase/#3da16b89181a>

A COVID-19 divergence

Venture financing in the Americas 2013–Q2'20



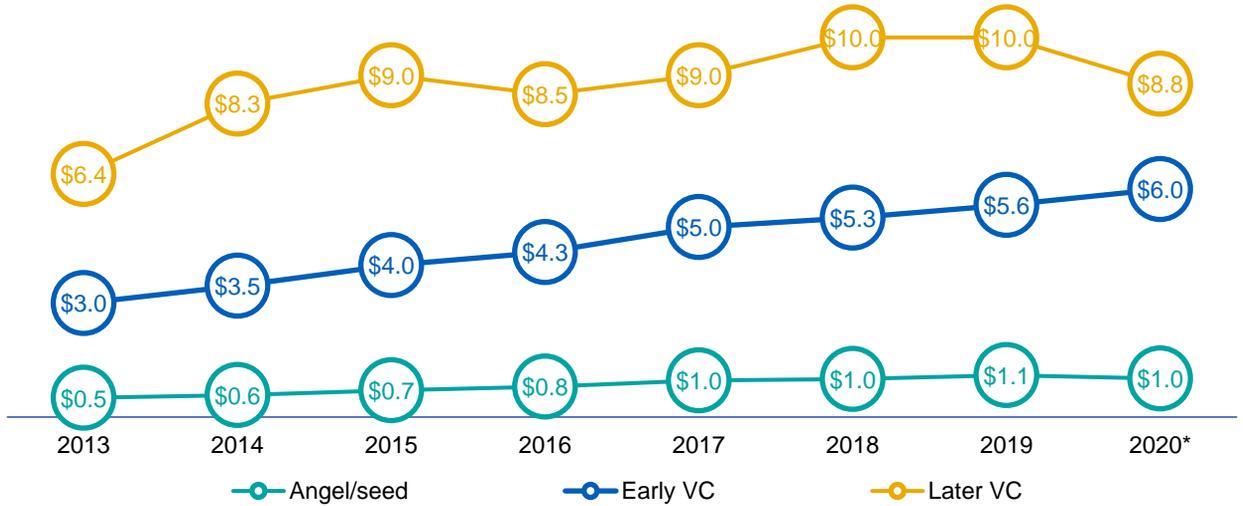
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

As has been stated in previous editions of the Venture Pulse, inevitable lags in private markets data collection or clarification can result in penultimate quarter tallies adjusting upward. However, the steepness of the decline in this instance does point to a rush of caution causing a plunge in financing volume in Q2 2020. What remains to be seen is how long that plunge persists.

Mild slides in deal sizes

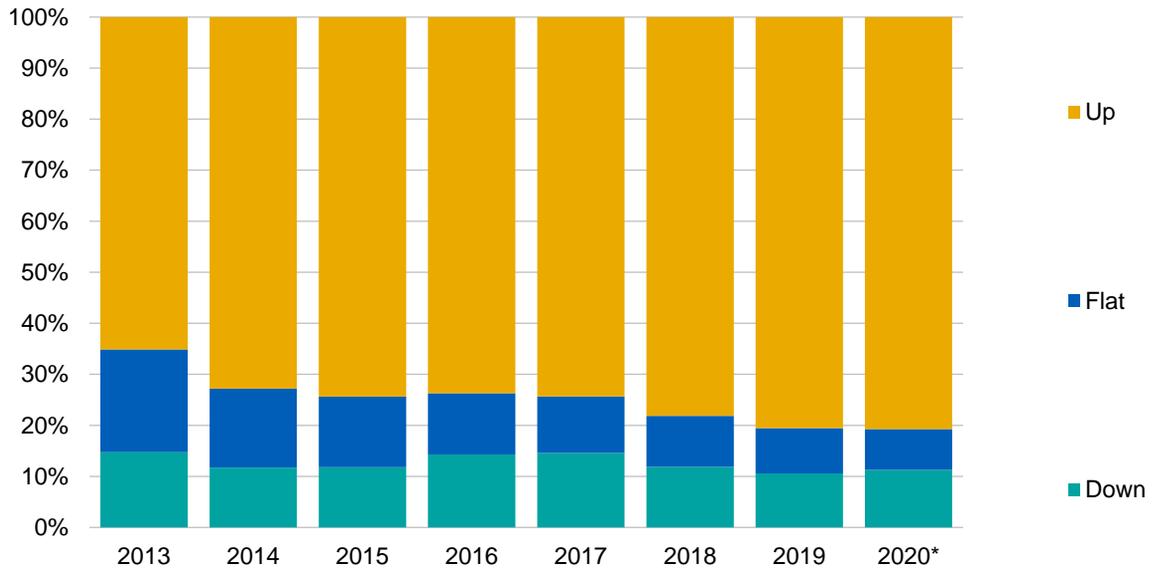
Median deal size (\$M) by stage in the Americas

2013–2020*



Up, flat or down rounds in the Americas

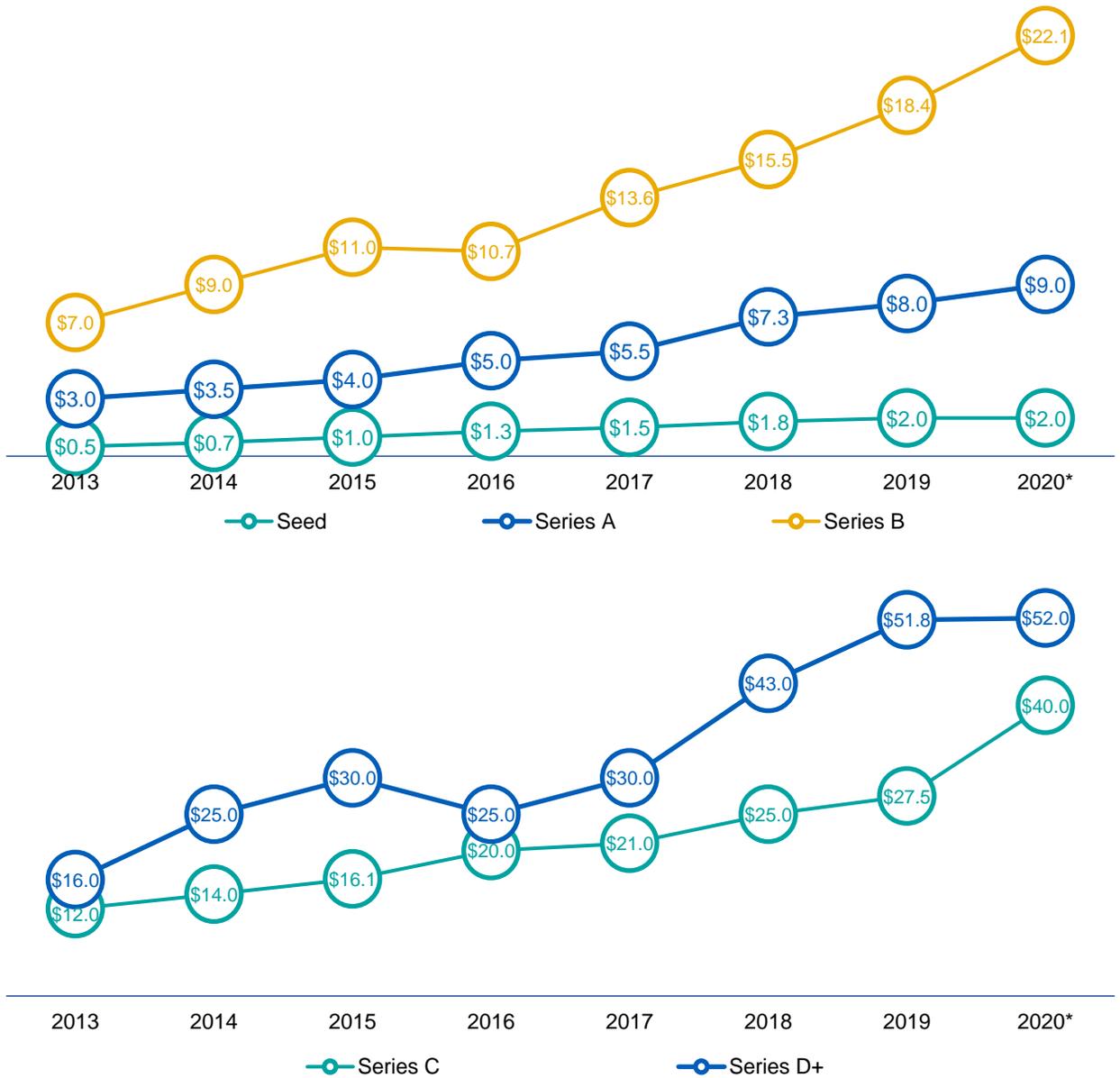
2013–2020*



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Most metrics hold steady

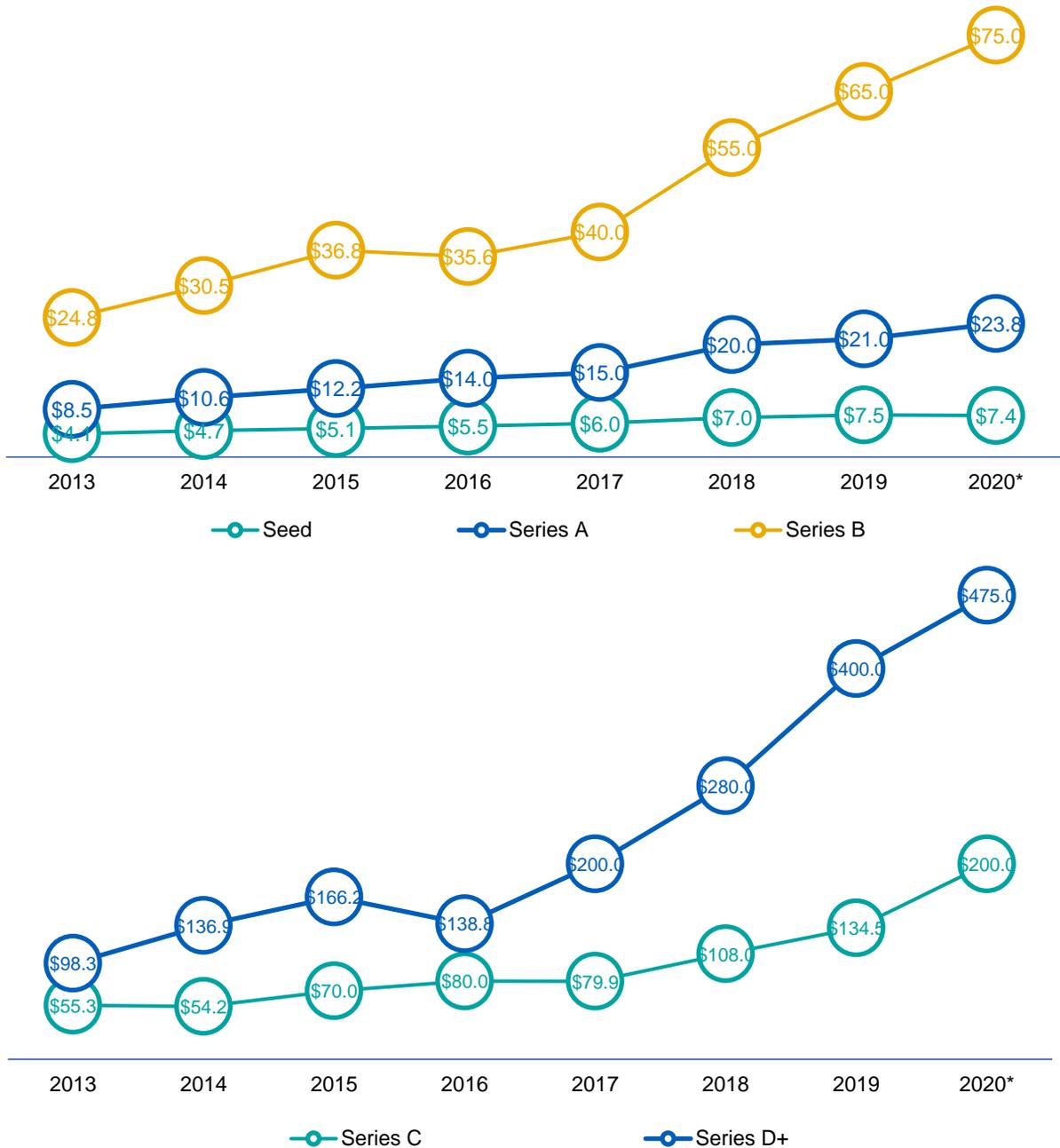
Median deal size (\$M) by series in the Americas
2013–2020*



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Records remain intact

Median pre-money valuation (\$M) by series in the Americas
2013–2020*

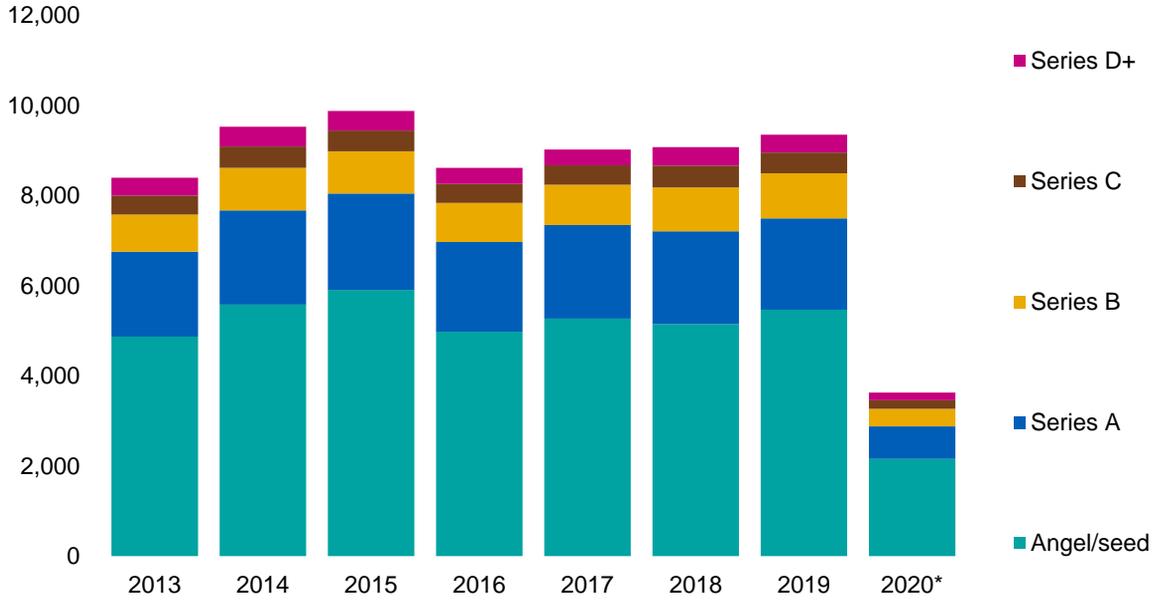


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

VC invested skewing towards later-stage

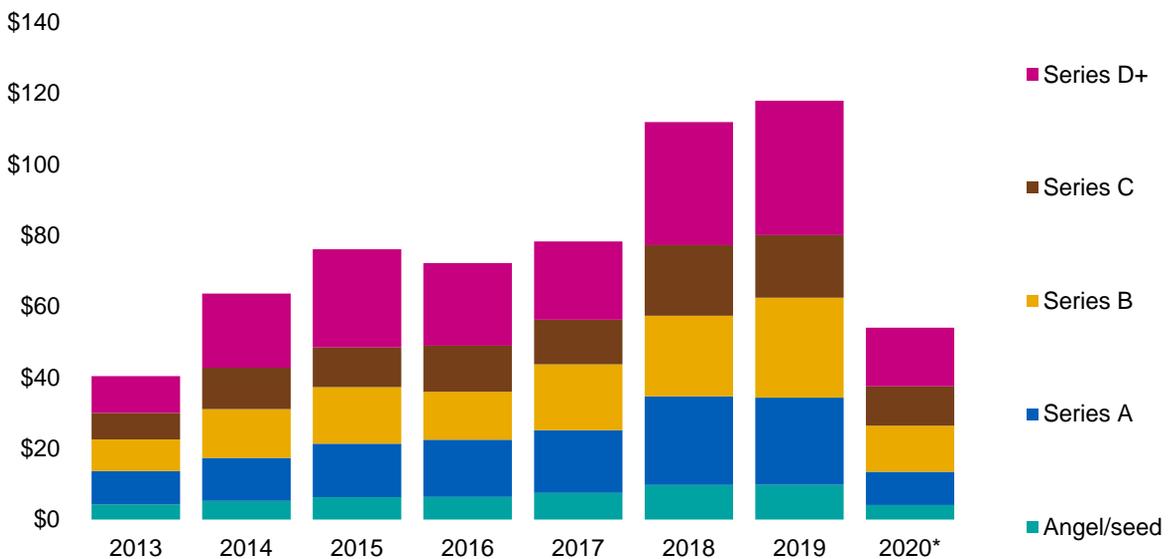
Deal share by series in the Americas

2013–2020*, number of closed deals



Deal share by series in the Americas

2013–2020*, VC invested (\$B)

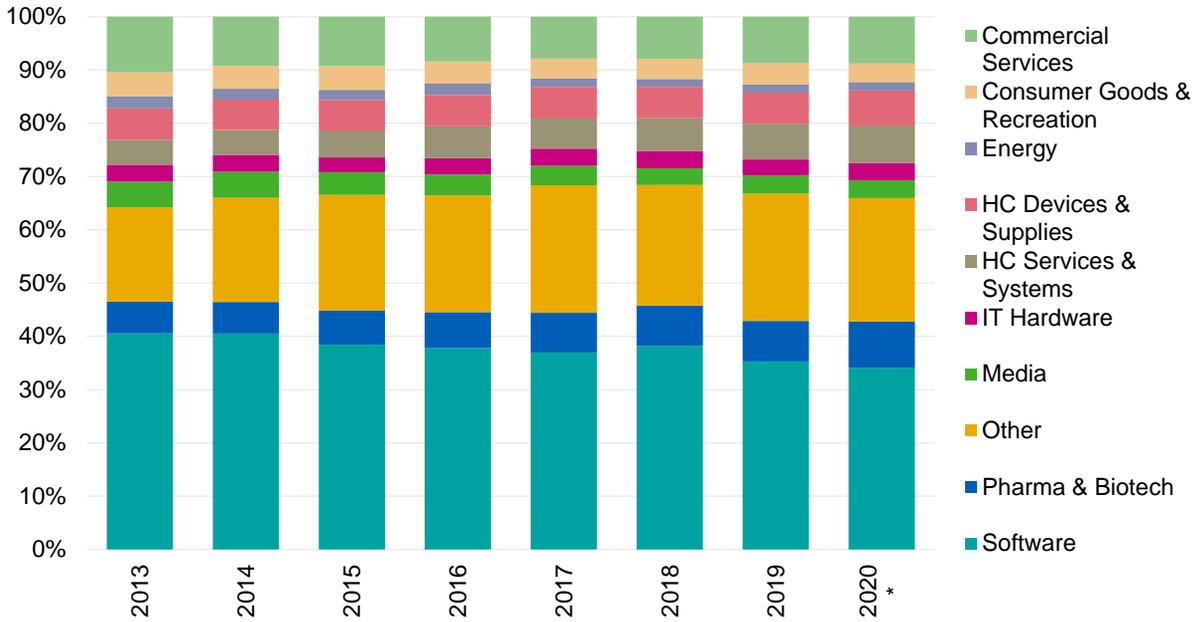


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Biotech booms even further

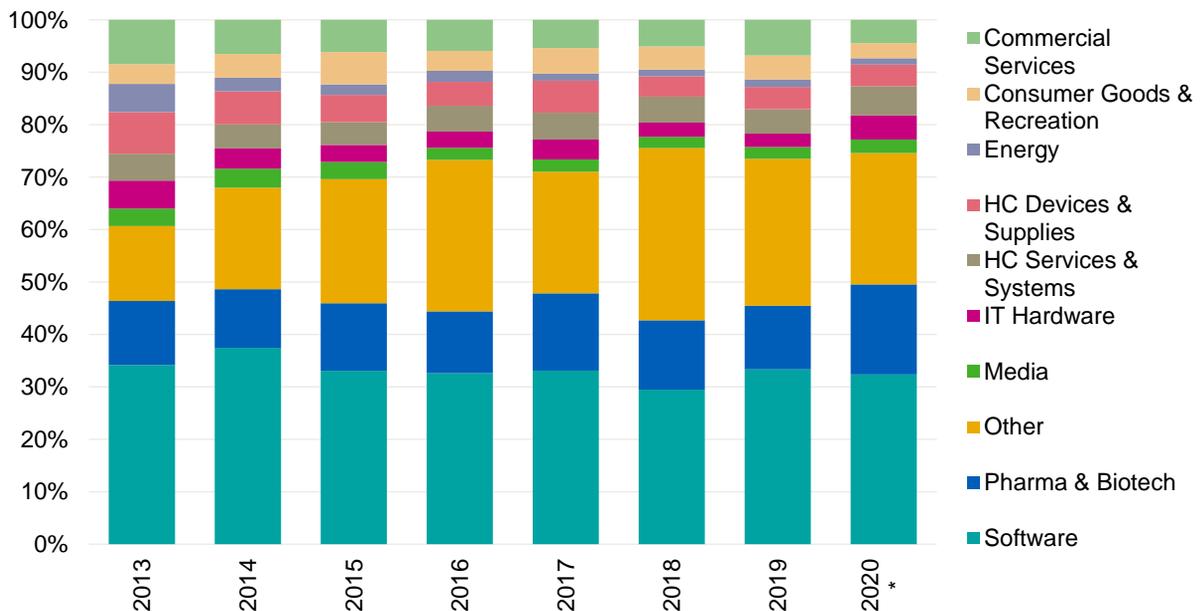
Venture financing of VC-backed companies by sector in the Americas

2013–2020*, # of closed deals



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

2013–2020*, VC invested (\$B)

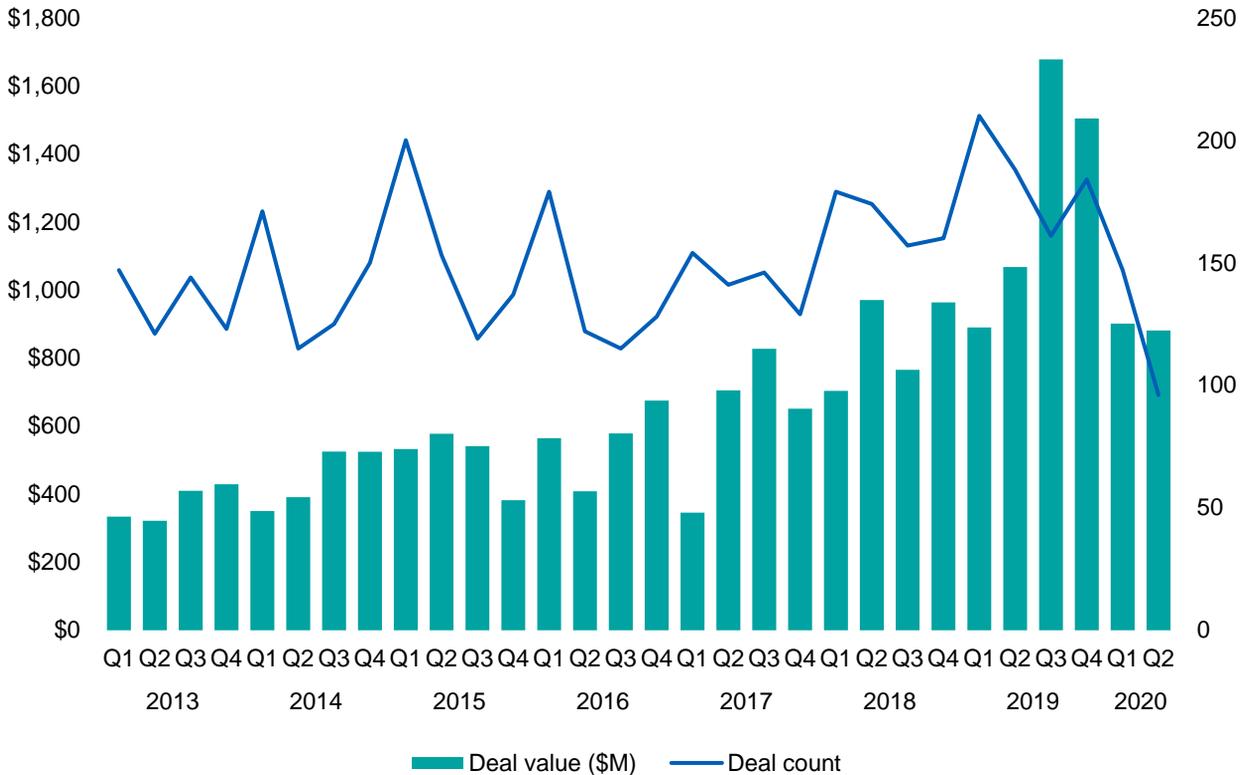


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Deal value holds steady

Venture financing in Canada

2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The back half of 2019 set records in terms of VC invested for the Canadian startup ecosystem, with several late-stage fundings helping significantly. Since then, the decline in the volume of completed financings shouldn't be viewed as overly troubling given that investors overall are understandably nervous around the prospective health of the entire economy. What is telling is that VC invested is still robust. Companies are still able to close deals, it just takes more.

“Fundraising in Canada continues to be strong, in part because Canadian companies play in a lot of sectors that are critical right now such as, healthtech, biotech, fintech and edtech. These sectors are going to be very important to the Canadian economy for the next few quarters.”

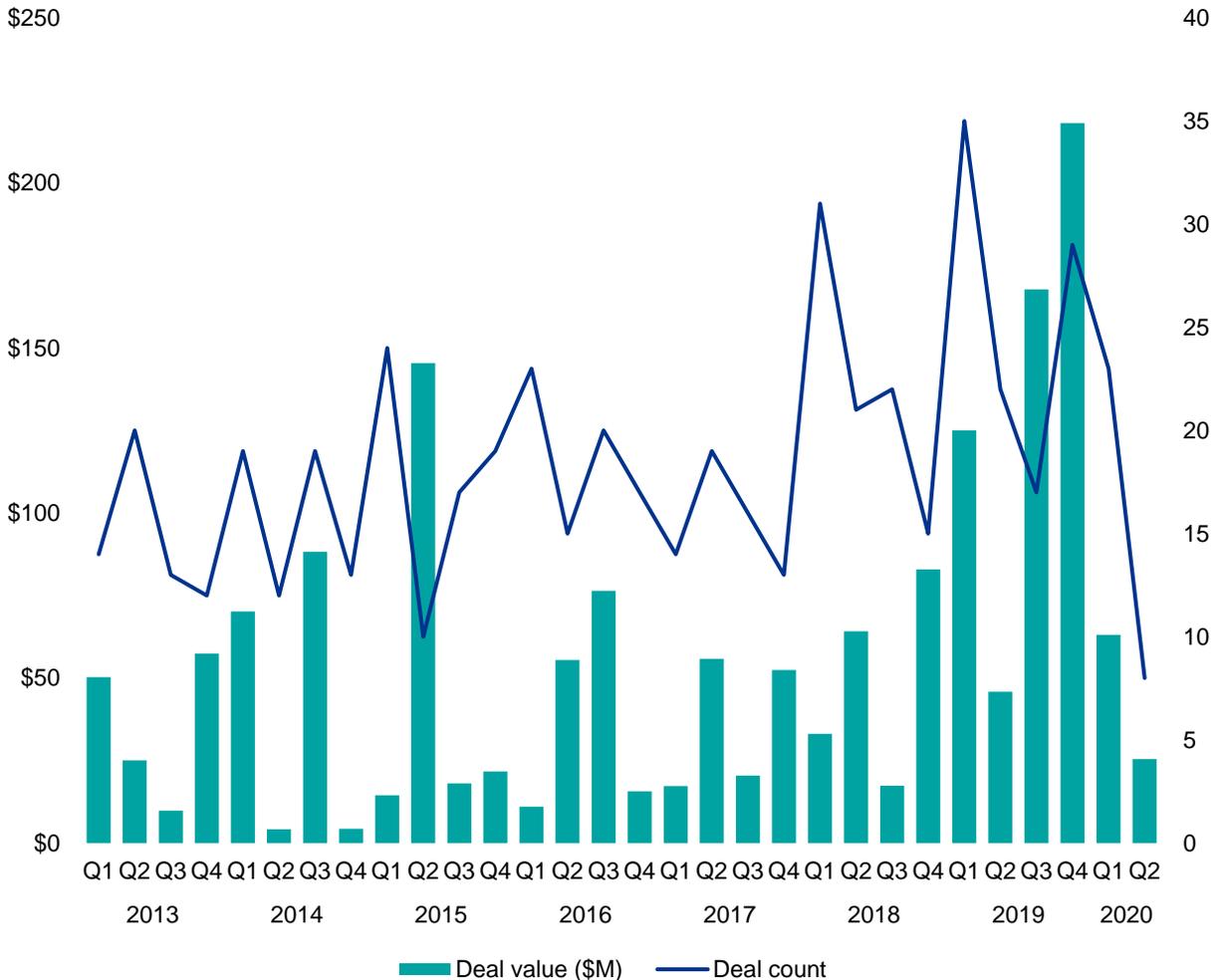


Sunil Mistry

Partner, KPMG Private Enterprise, Technology, Media and Telecommunications,
KPMG in Canada

Mexico hits a downturn

Venture financing in Mexico 2013–Q2'20

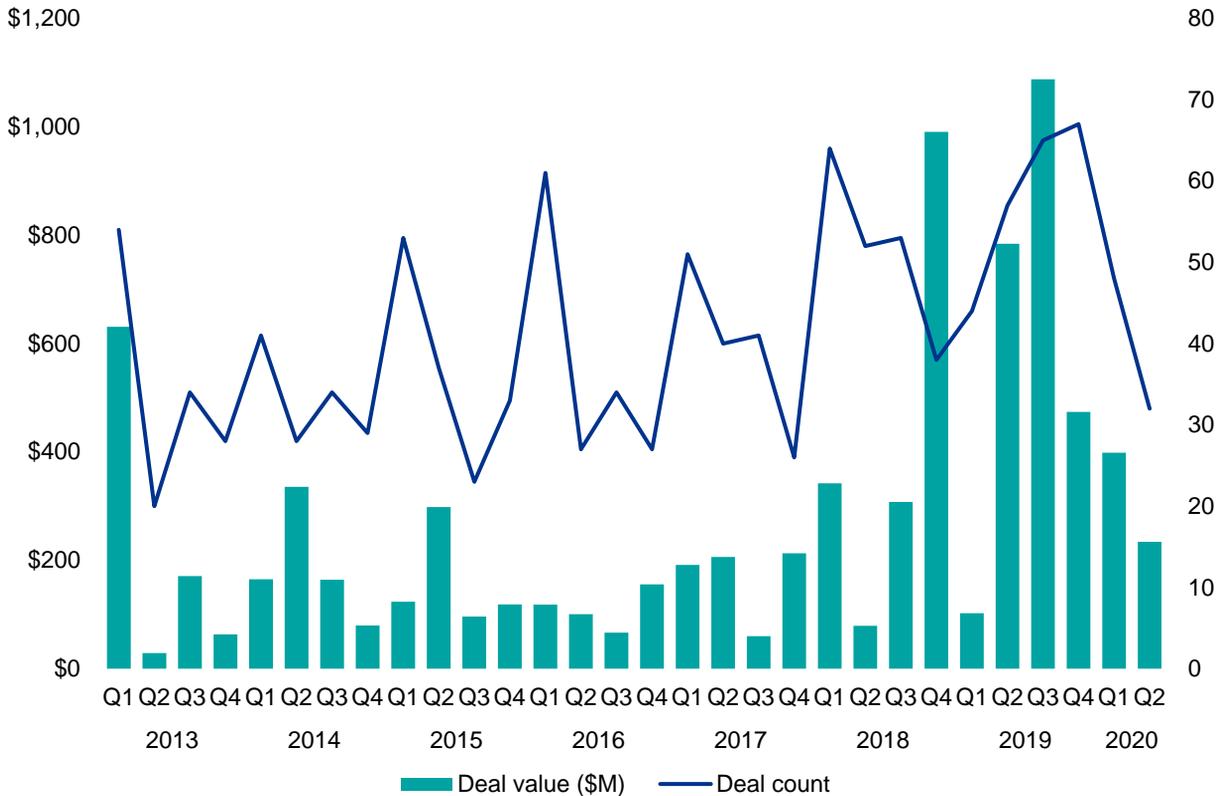


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

As noted before, the emerging nature of the Mexican venture ecosystem will likely result in significant variability across quarters. That variability has been well exhibited in recent years, including a record tally for VC invested just in 2019 at its close. However, the decline now is potentially more of a problem, should the economy sustain more of a lengthy hit than it already has. It remains to be seen if investors based in the US in particular begin to look abroad as they become more comfortable with remote fundings.

The decline sharpens more

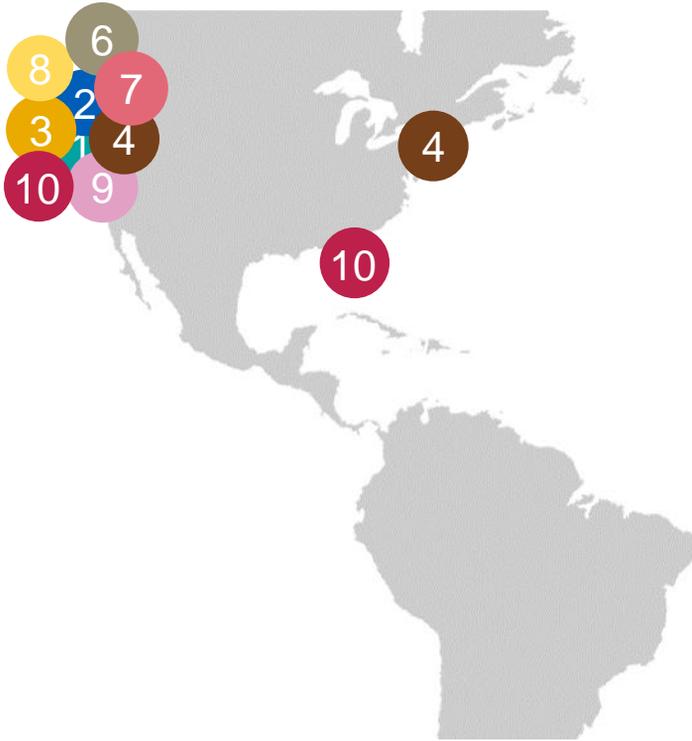
Venture financing in Brazil 2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

As the pandemic truly took hold in Brazil throughout Q2, like every other affected nation that had difficulty in addressing it promptly, significant caution led to a plunge in the tally of completed venture financings. The duration and depth of the economic impact remains to be seen, which is the biggest factor for investors looking to potentially deploy additional capital in the ecosystem, given the knock-on effects for the consumer-focused fintechs that have dominated Brazilian fundraising thus far.

Investors stay at the late stage



Top 10 financings in Q2'20 in Americas

- | | |
|--|--|
| <p>1 Waymo — \$3B, Mountain View
Automotive
<i>Late-stage VC</i></p> | <p>6 Sana Biotechnology — \$435M, Seattle
Drug discovery
<i>Series B</i></p> |
| <p>2 Stripe — \$850M, San Francisco
Financial software
<i>Series G</i></p> | <p>7 Robinhood — \$430.3M, Menlo Park
Financial software
<i>Series F</i></p> |
| <p>3 Samsara — \$700M, San Francisco
Computer hardware
<i>Series F</i></p> | <p>8 DoorDash — \$400M, San Francisco
Application software
<i>Series H</i></p> |
| <p>4 Palantir Technologies — \$500M, Palo Alto
Business/productivity software
<i>Corporate</i></p> | <p>9 GRAIL — \$390M, Menlo Park
Biotechnology
<i>Series D</i></p> |
| <p>4 Indigo (Horticulture) — \$500M, Boston
Agriculture
<i>Series F</i></p> | <p>10 Fundbox — \$350M, San Francisco
Financial software
<i>Series C</i></p> |
| | <p>10 Magic Leap — \$350M, Plantation
Electronics (B2C)
<i>Late-stage VC</i></p> |

Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.



Private Enterprise



Global



US



Americas



Europe



Asia



In Q2'20 European VC-backed companies raised

\$10.1B

across

1,062 deals



Momentum in Europe helping VC market to remain strong

VC investment in Europe remained relatively robust compared to historical trends in Q2, driven in part by the momentum the region experienced prior to the pandemic, including a strong pipeline of in-progress VC deals. While Europe showed resilience this quarter, there is growing concern that the VC market in Europe could see large impacts in Q3'20 given the widespread effect of COVID-19 on the economy, ongoing potential impact of Brexit, and the challenges associated with international deal-making in the current business environment.



Digital trends accelerating in Europe

The global pandemic has shifted consumer behaviors sharply in Europe, accelerating a number of digital trends, including the use of online food delivery, e-commerce, contactless payments, and digital payments. This is having a resonating impact on the VC market. In April, for example, UK-based Deliveroo got provisional approval from the CMA for a \$575 million funding round backed by Amazon in part due to the impact of COVID-19.¹⁰ Other sectors benefitting from this acceleration in digital trends include fintech, B2B solutions, data analytics and cybersecurity.



VC investors in Europe focusing on existing portfolios

Many VC investors in Europe spent more time on the day-to-day management of their portfolio companies in Q2'20 given that even their robust companies were affected by the pandemic. VC investors focused on assessing how the pandemic has changed companies' strategic plans, identifying how best to support companies so they can survive, and providing bridge financing rounds to cover potential gaps. Also, angel investors across Europe took a more hands-on role in providing operational support to their startups.



Early-stage companies struggling to attract investment

Early-stage companies in Europe have struggled in recent quarters to attract funding given the focus of VC investors on late-stage deals, a trend that continued into Q2'20. The major exceptions included companies tackling key challenges driven by COVID-19, such as health and biotech companies and B2B productivity companies. In Ireland, for example, LetsGetChecked, a company that provides at-home ailment test kits, raised \$71 million to accelerate development of a Coronavirus test kit, while¹¹ GloFox¹² a gym management solution that has pivoted to help gyms to provide services online, raised \$20 million.



Declining cross-border deals activity as investors focus locally

International VC investment in parts of Europe took a hit in Q2'20 as cross-border investments slowed considerably due to travel restrictions, the inability to meet with international investors face-to-face, and the complexities associated with conducting remote due diligence and other transaction work. If the trend continues, growth-stage companies that did not have a solid financial runway before COVID-19 hit could quickly find themselves at risk of running out of cash.

¹⁰ <https://www.theverge.com/2020/4/17/21225099/amazon-deliveroo-investment-funding-food-delivery-restaurant-industry>

¹¹ <https://venturebeat.com/2020/05/05/letsgetchecked-raises-71-million-for-at-home-coronavirus-test-kits/>

¹² <https://www.glofox.com/blog/glofox-raises-10m-additional-funding/>

Momentum in Europe helping VC market to remain strong, cont'd.



Government incentives expected to play big role in recovery

Both the European Union and individual countries and territories in Europe are providing supports to help improve economic recovery. The European Union introduced a multi-year €750 billion fund to help member countries recover from COVID-19. The EU funding includes a requirement to support climate-friendly activities, which could propel additional funding in related sectors.¹³

Most countries across Europe are also providing funding to support businesses affected by the pandemic, such as the UK, through its recently extended Future Fund,¹⁴ and Finland, through its bridge loan program for growth stage startups and a number of grant programs for earlier stage companies. Many of these programs are evolving day-by-day as governments gain an improved understanding of the needs of businesses in the current situation.



UK sees strong VC investment in Q2'20

VC investment in the UK remained strong in Q2'20, due in part to the strength of its VC ecosystem leading into 2020. Companies that raised solid funding rounds in recent quarters, combined with well-capitalized VC funds able to support their portfolio companies, has given much of the UK innovation ecosystem more runway to address the challenges associated with COVID-19. Investors doubled down on companies expected to do very well in the short-term due to the impact of the pandemic, including those focused on e-commerce, healthtech, and remote education. Much like Q1'2020, a significant portion of total investment came from the largest of deals again this quarter, including 6 mega deals representing \$1.4 billion invested.



Germany-based VC investment grows in Q2'20

VC investment strengthened in Germany during Q2'20, driven by a \$570 million raise by digital bank N26 and a \$275 million raise by air taxi company Lilium. VC investors in the country were cautious, focused on using their dry powder to support their biggest bets, companies with strong capabilities given the current business environment, and companies with the ability to pivot their business models to better align with current circumstances. Corporate investment was quite strong in Germany in Q2'20 as the pandemic acted as a catalyst for traditional companies to invest, particularly those in financial services where companies have been historically slow to innovate.



Health and biotech big winners in France

In France, health and biotech were strong investment areas during the quarter, as evidenced by clinical-stage drug developer Dynacure raising \$55 million. B2B services and marketing and retail technologies were also of interest. The country's radical COVID-19 containment measures had a big impact on deals activity in Q2'20, with some companies postponing their roadshows for several months. This delay could bring investment levels down in the second half of the year.

¹³ <https://www.climatechangenews.com/2020/05/27/eu-e750-billion-covid-recovery-fund-comes-green-conditions/>

¹⁴ <https://www.gov.uk/government/news/future-fund-launches-today>

Momentum in Europe helping VC market to remain strong, cont'd.



Trends to watch for in Europe

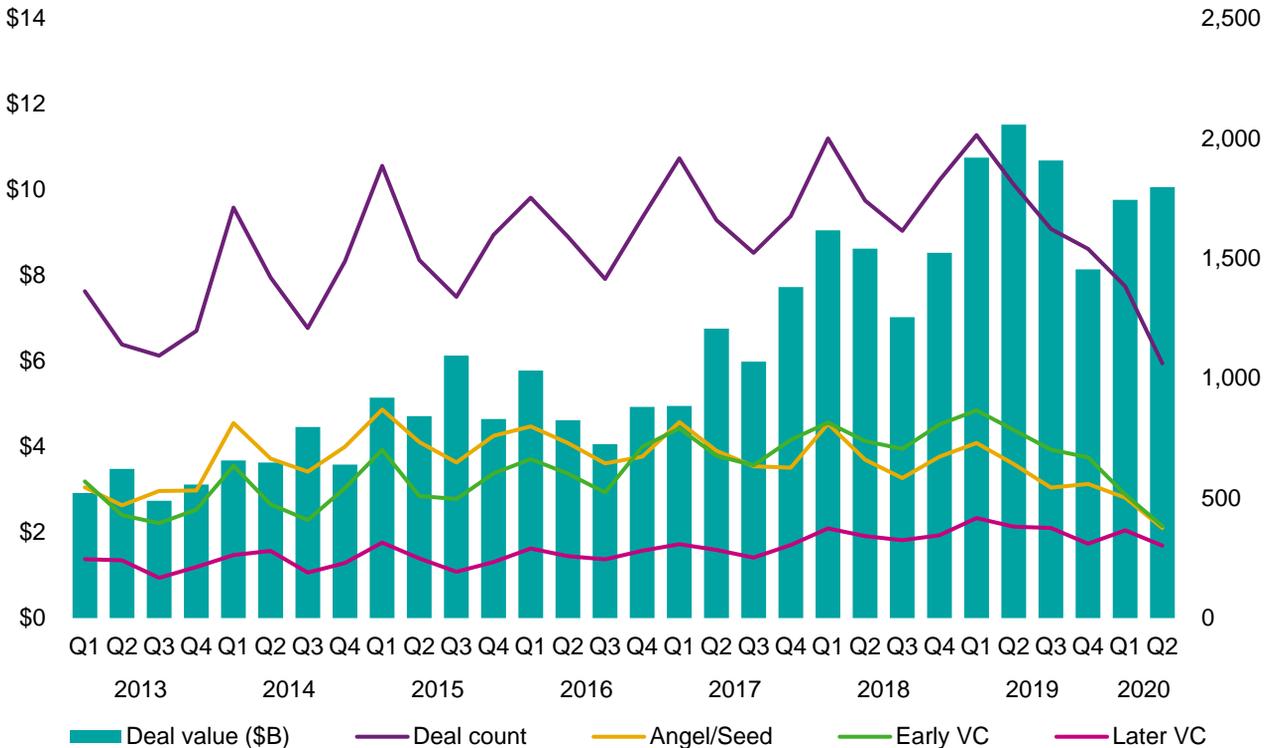
There is a significant amount of caution for the European VC market heading into Q3'20. Investors have slowed the pace of deal-making considerably, taking more time to conduct due diligence and commit funds, which will likely have an impact on both the number of VC deals and the level of investment in the region. Given current challenges, there is expected to be continued downward pressure on valuations, which could prompt some opportunistic investors to look for good deals.

Over the next quarter, VC investors in Europe will continue to assess how consumer behaviors are changing and how these changes will affect the viability of different products, services, and business models in the future. Some sectors could see a fall in investment or significant consolidation as a result.

Looking ahead, big bets in Europe will continue to revolve around healthtech, biotech, fintech and B2B solutions. Cybersecurity and data analytics are also expected to see additional VC investment, due in part to the rapid increase in remote work. We expect to see Corporate investment increase as companies begin to mobilize in the Environmental Governance space and European companies that have not emphasized innovation in the past move to accelerate their digital capabilities.

A complex environment

Venture financing in Europe 2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

As must be reiterated, especially in a complex venture ecosystem like Europe, private markets data can experience lags. However, VC invested’s robustness in tandem with the continued decline in volume speaks to the maturity of select ecosystems across the continent, as well as a cohort of late-stage companies that continue to reliably draw investor capital to expand their market share.

“While the VC market in Europe has been resilient, we can expect a mixed, and potentially divergent road, for the rest of 2020. A suppression of consumer and business spending, and a general slowdown in the global economy will impact investor sentiment. However, this may well be countered by rising investment in key sectors such as healthcare, fintech, cybersecurity and enterprise software as well as a potential lift in corporate investment in areas such as digitization and innovation.”



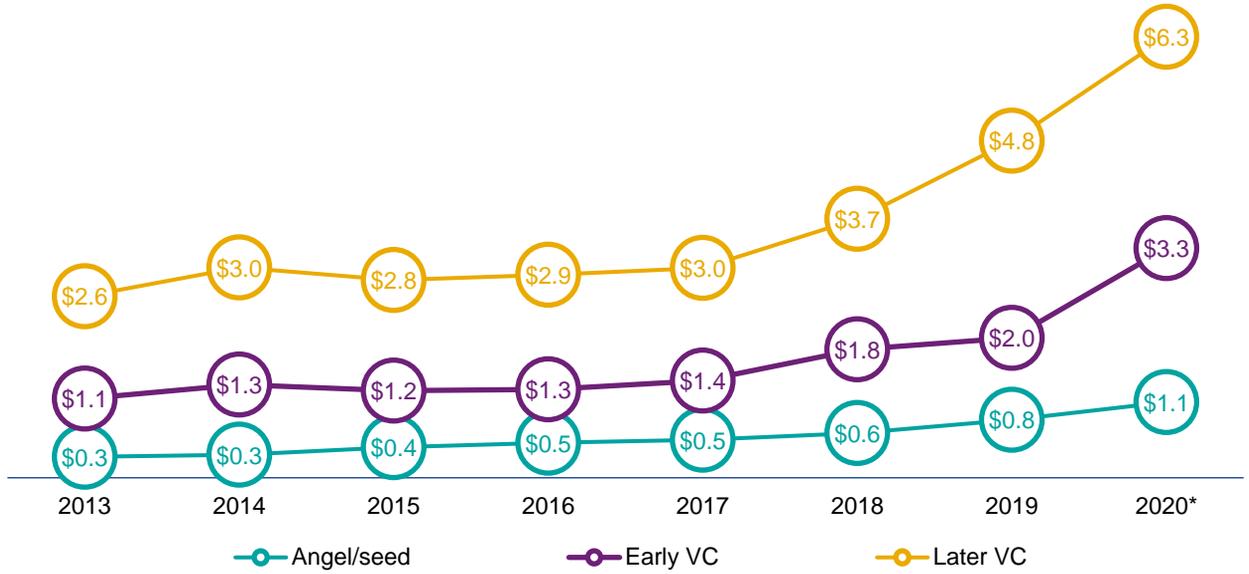
Kevin Smith

Head of KPMG Private Enterprise in EMA, Global Co-Leader — Emerging Giants, KPMG Private Enterprise, KPMG International, Partner, **KPMG in the UK**

Metrics stay at record highs

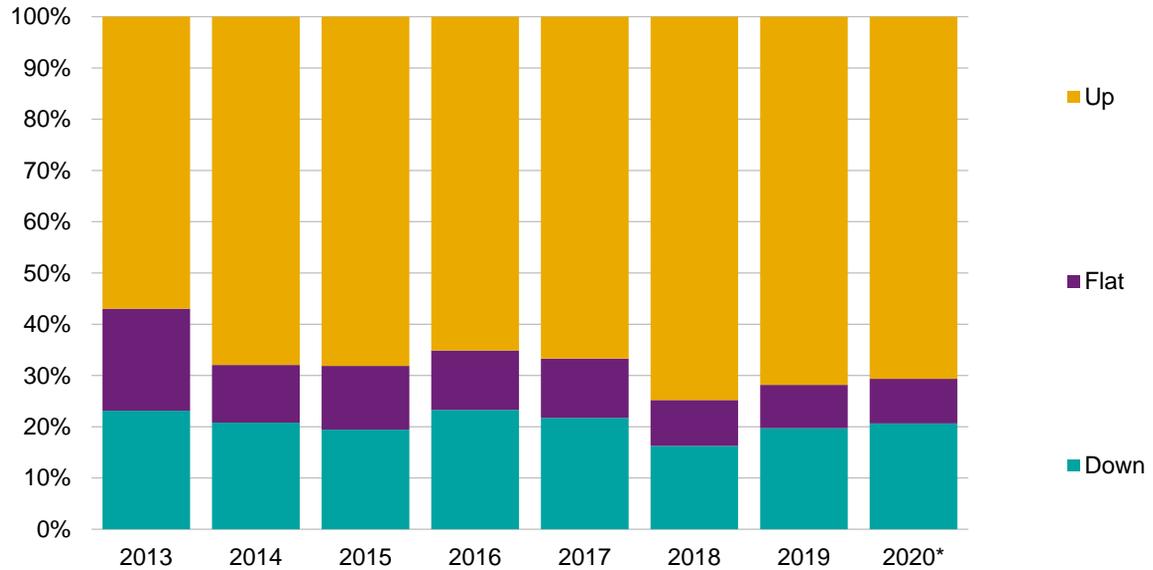
Median deal size (\$M) by stage in Europe

2013–2020*



Up, flat or down rounds in Europe

2013–2020*

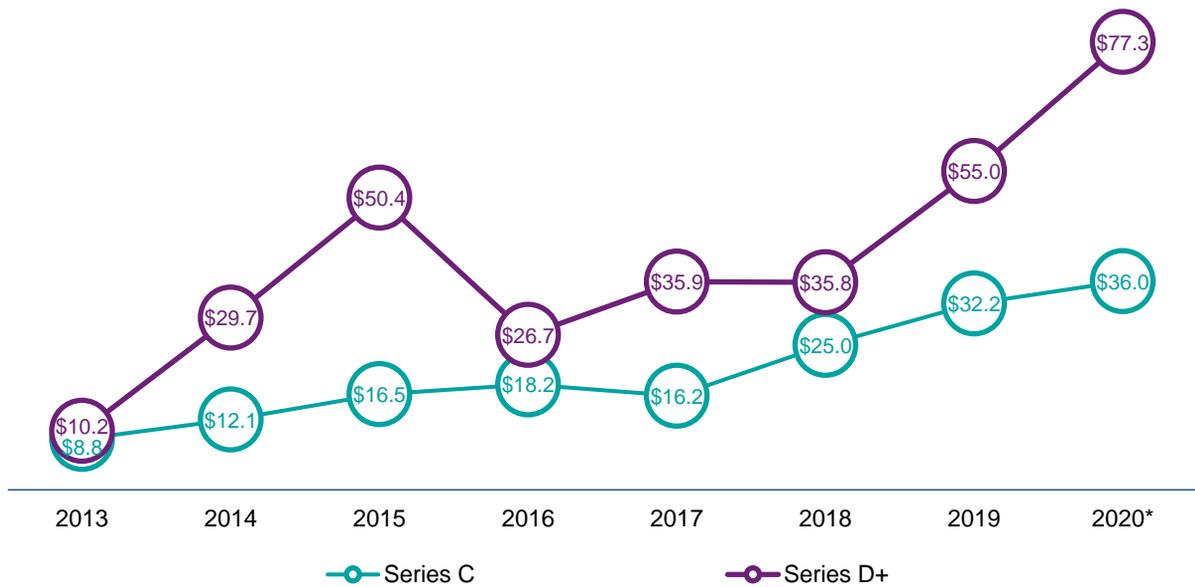
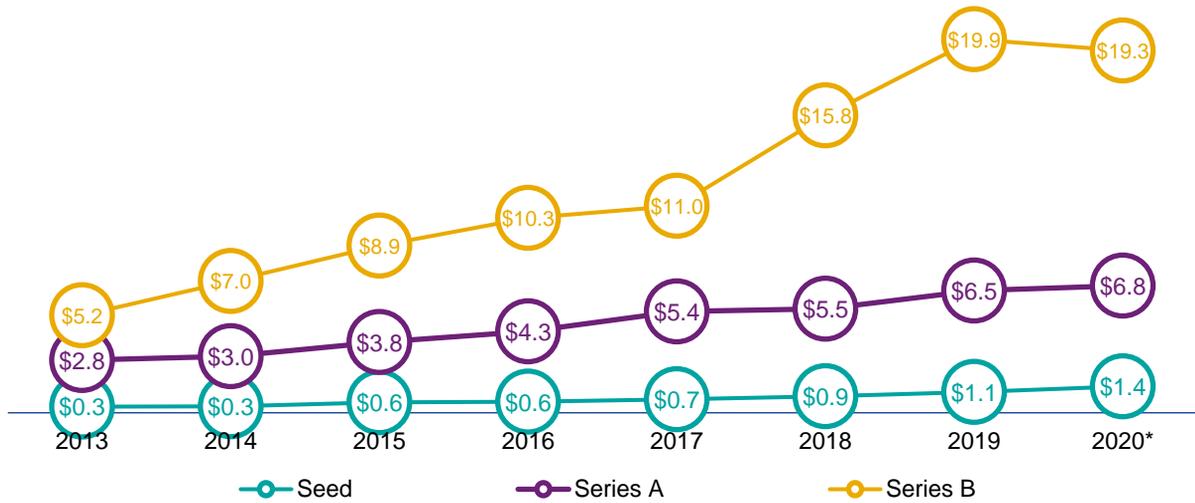


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Highs stay steady

Median deal size (\$M) by series in Europe

2013–2020*

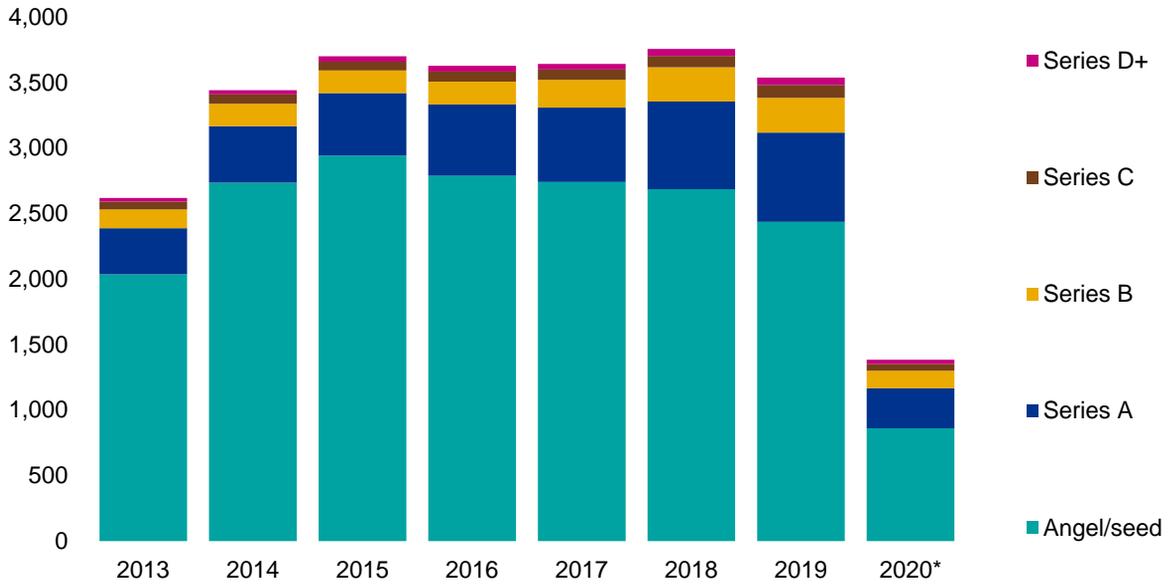


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Capital shifts to safety

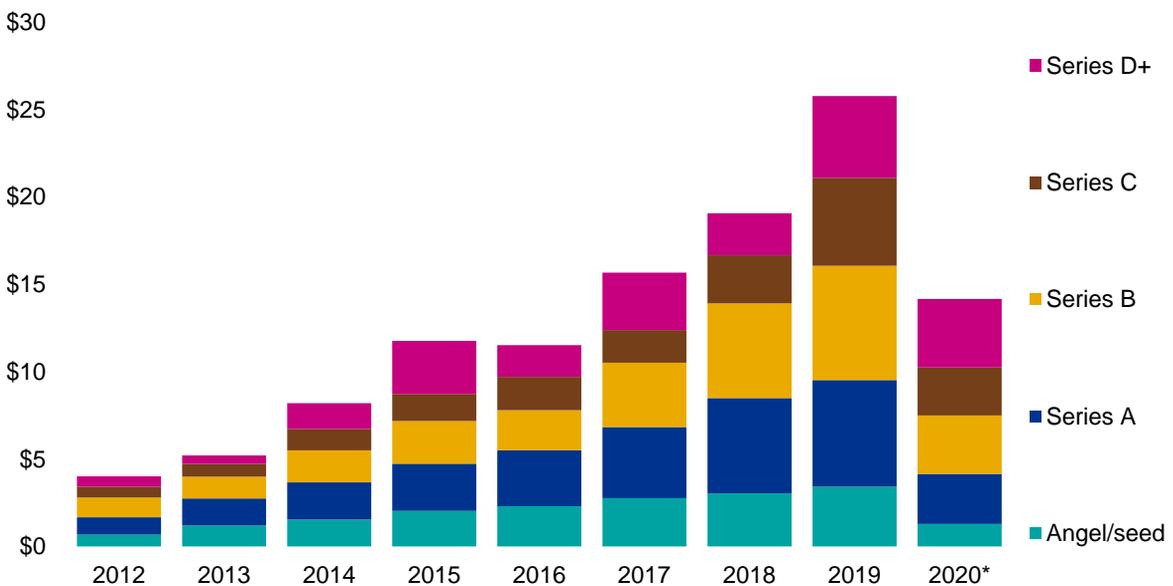
Deal share by series in Europe

2013–2020*, number of closed deals



Deal share by series in Europe

2013–2020*, VC invested (\$B)

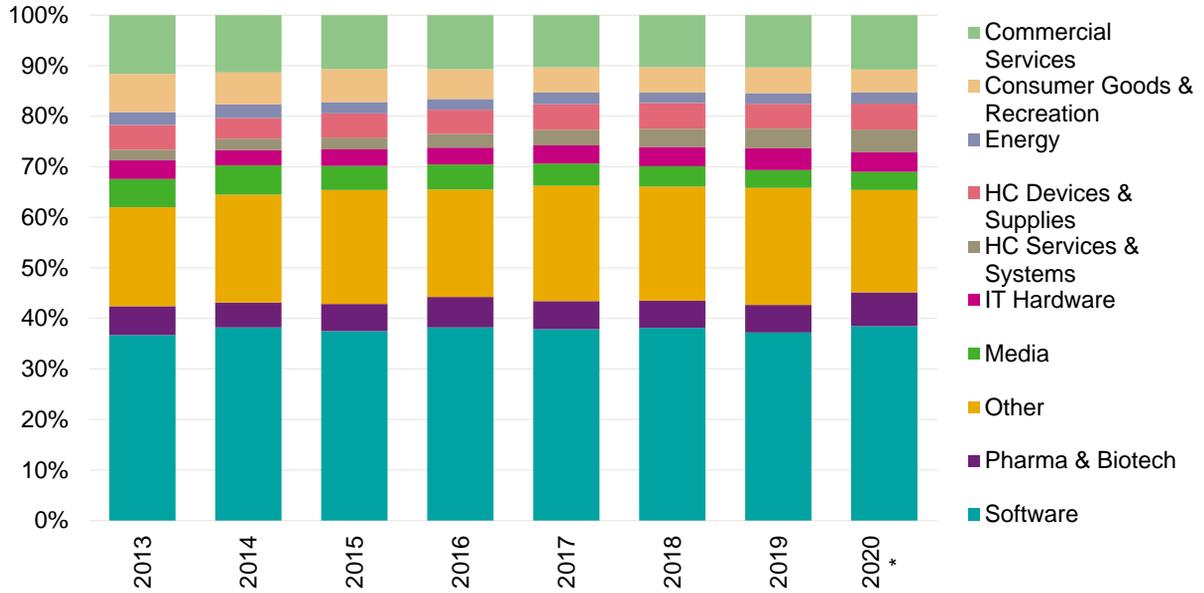


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Software inches upward

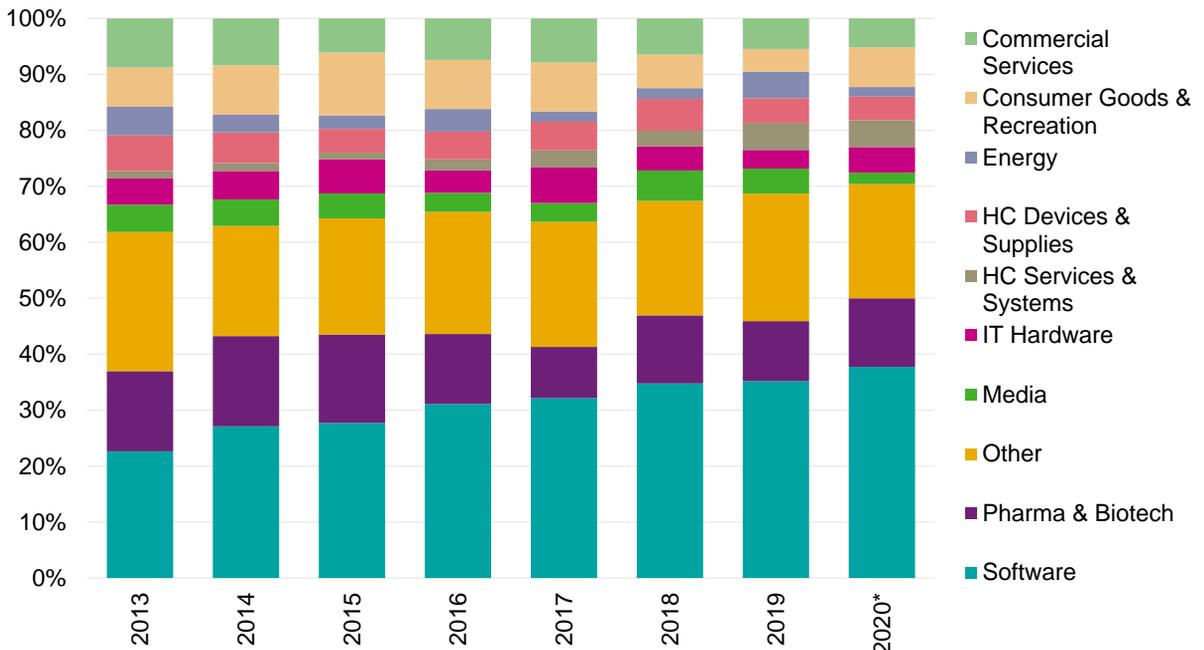
European venture financings by sector

2013–2020*, number of closed deals



European venture financings by sector

2013–2020*, VC invested (\$B)

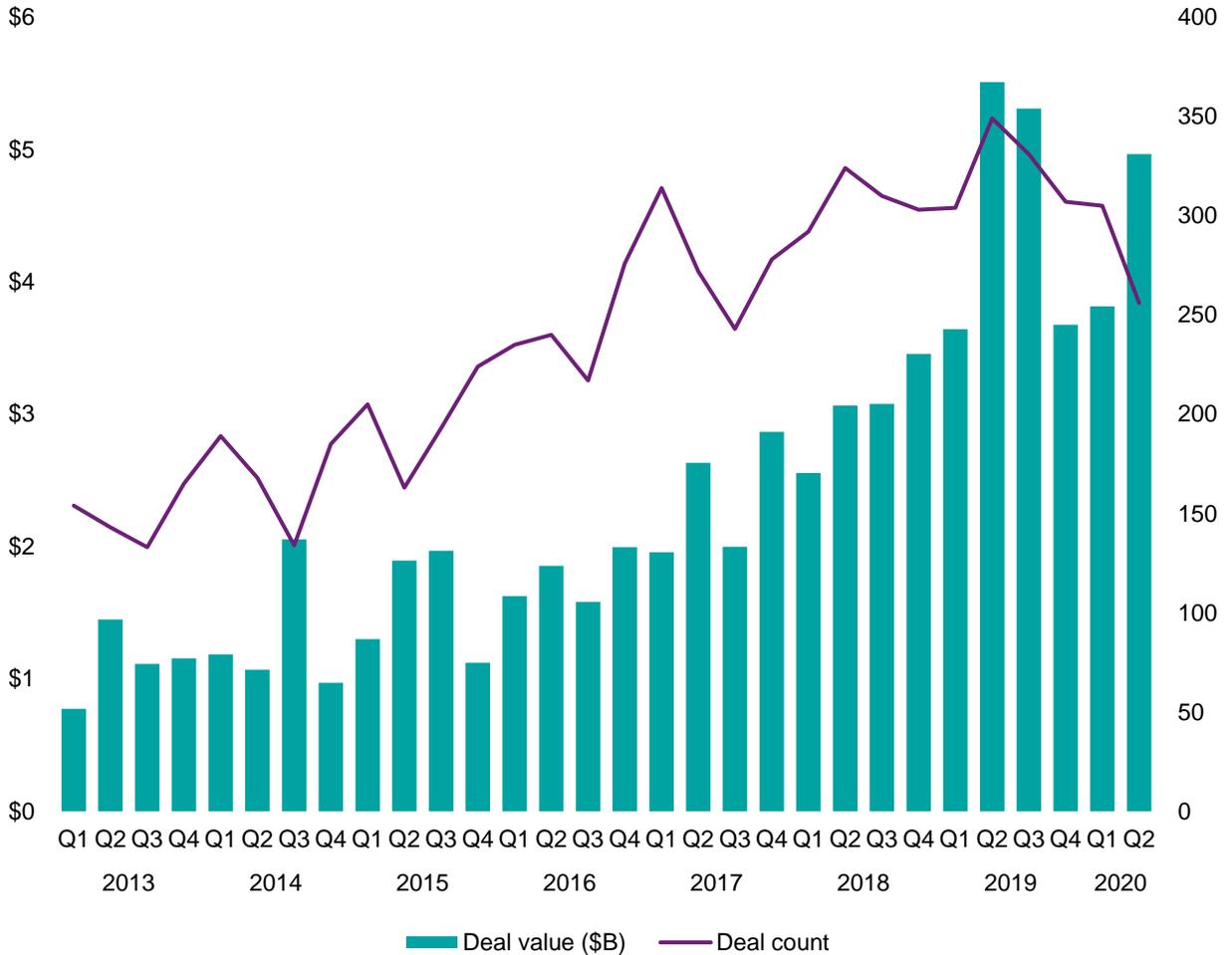


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

CVCs remain active

Corporate VC participation in venture deals in Europe

2013–Q2'20

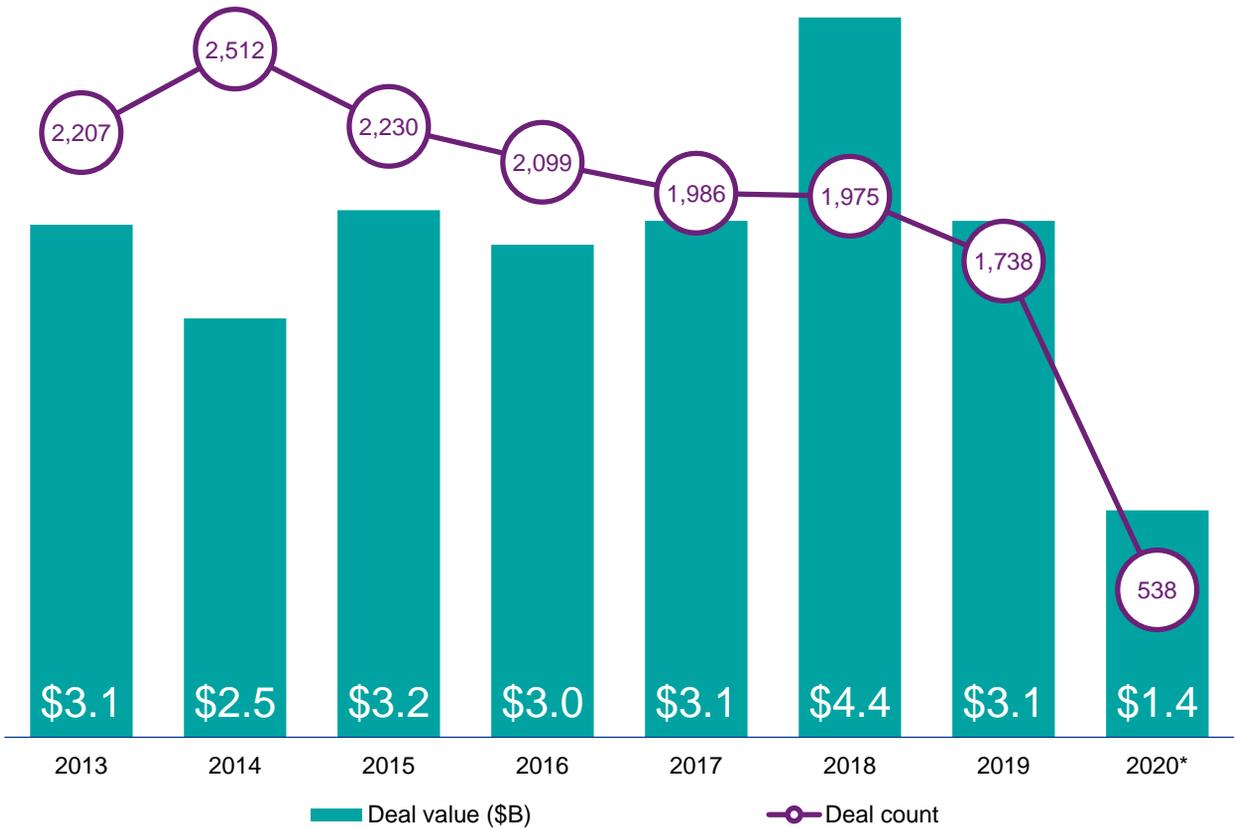


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

The rise in quarterly VC invested tallies with corporate participation was stark last year and has culminated in the third-highest aggregate for participating deal value in the most recent full quarter. However, the count of total deals in which corporates participated declined in what could potentially be a short-term slide; once again, what remains to be seen is the full duration and depth of the economic impact across Europe to the majority of corporations, as any non-essential spend is likely to be redirected if need be.

First-time funding slides

First-time venture financings of companies in Europe 2013–2020*



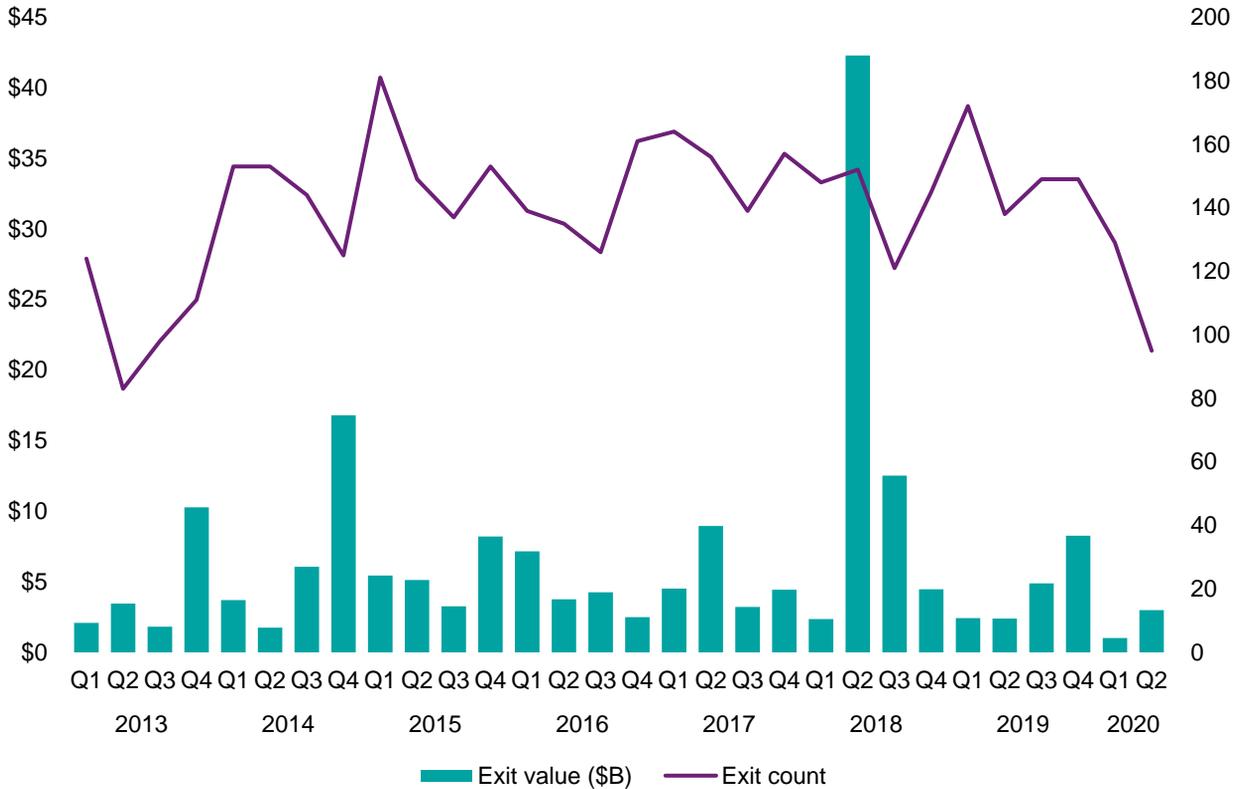
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Once again, a caveat must be noted: In a complex environment such as Europe, first-time fundings may take longer to note in general. That said, it is clear that 2020 is likely to be a down year in many ways for fledgling enterprises. However, what's intriguing and also seen in other regions is the fact that of the companies able to secure first-time funds, significant sums are still available, as evidenced by the \$1.4 billion invested by the midpoint of 2020.

2020 sees volume slide again

Venture-backed exit activity in Europe

2013–Q2'20



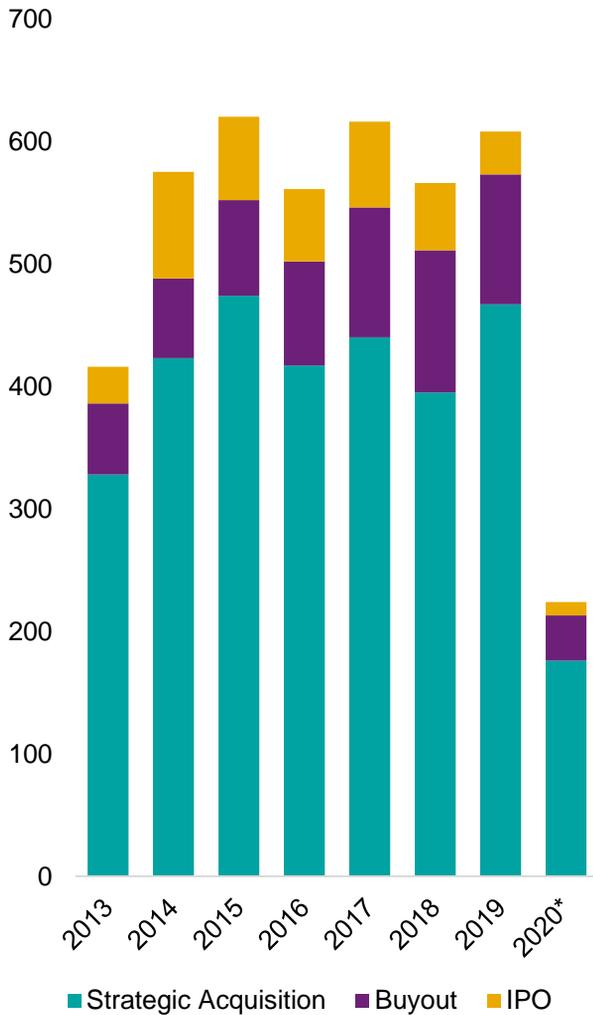
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

After a slump in Q1, exit value perked back up somewhat despite an even steeper drop in overall volume. It remains to be seen if opportunistic acquisitions on the part of strategic acquirers plus more stable public markets will be able to bolster volume at all in the remainder of the year, but as it stands, that is still uncertain. Value may still be skewed by outlier acquisitions or mergers, however.

M&A propels exit volume

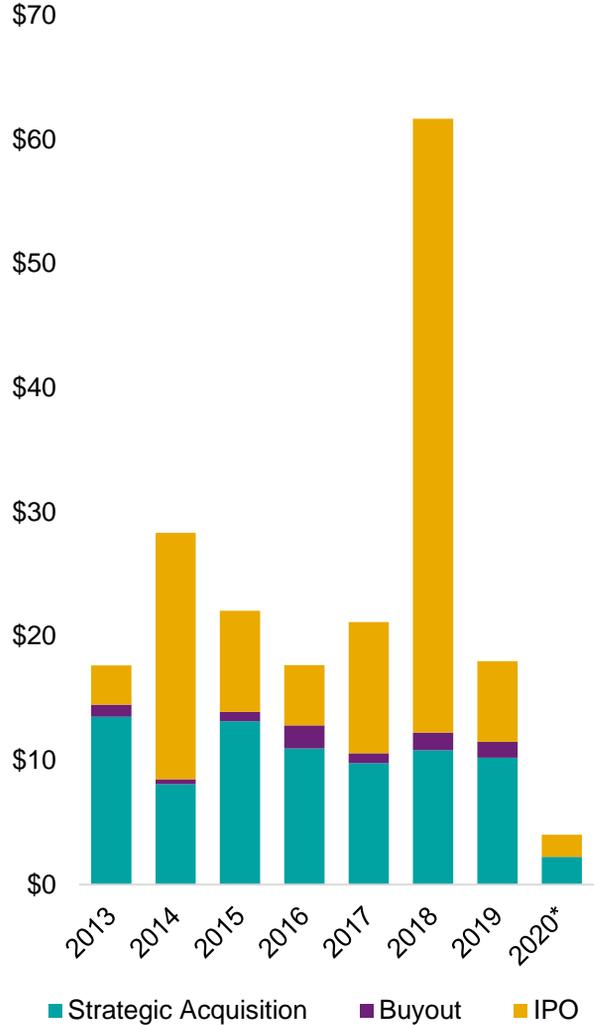
Venture-backed exit activity (#) by type in Europe

2013–2020*



Venture-backed exit activity (\$B) by type in Europe

2013–2020*

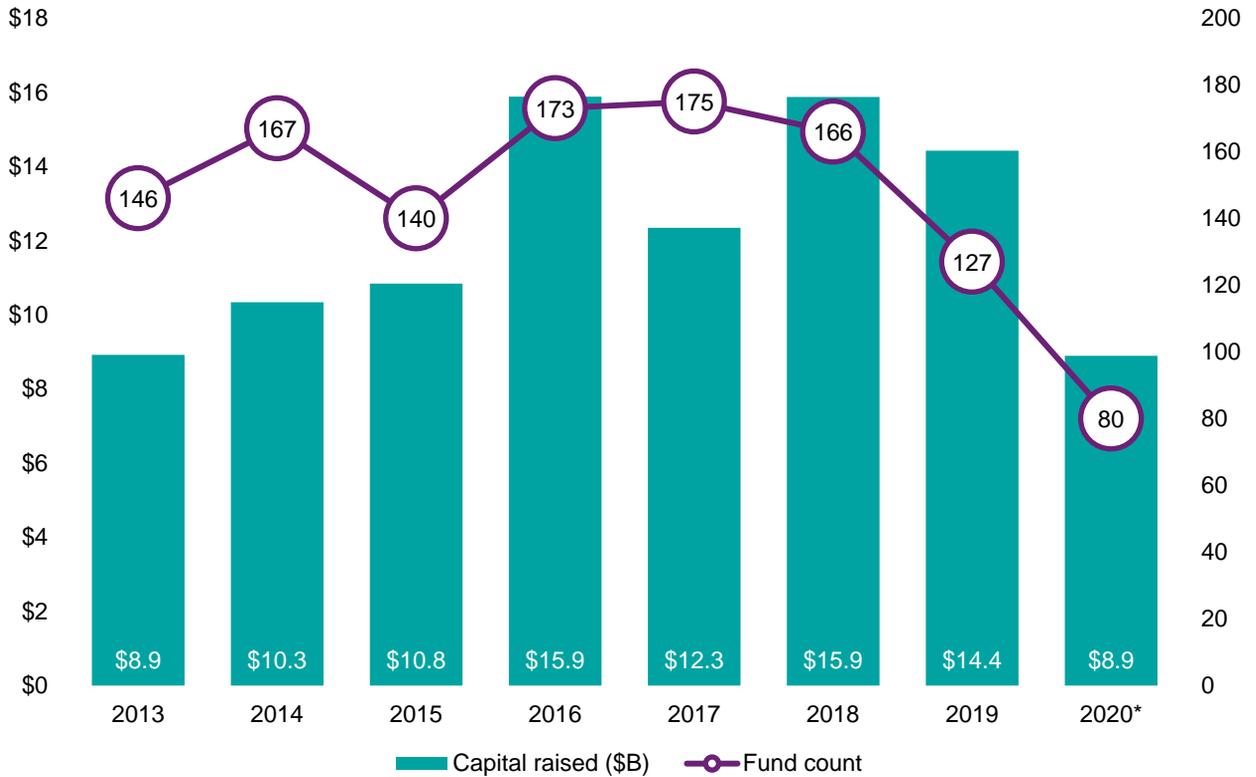


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Fundraising surges

European venture fundraising

2013–2020*



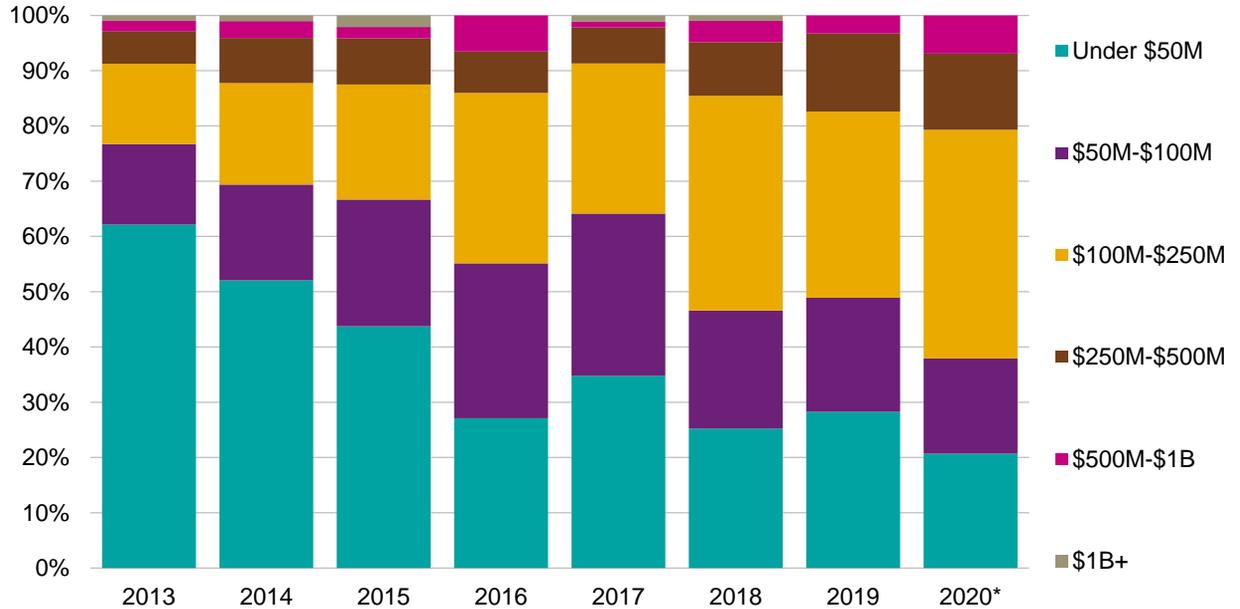
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

An oft-repeated narrative in venture is that the best companies are founded in downturns. Consequently, the best investment opportunities are also to be found in similar periods. Judging by fundraising tallies, that has been embraced wholeheartedly in Europe fundraising thus far, with the 80 funds that amassed close to \$9 billion in commitments thus far already putting the year at a healthy total. Regardless of whether that trend reverses, there will be plenty of dry powder for disbursing going forward.

Mega-funds skew tallies

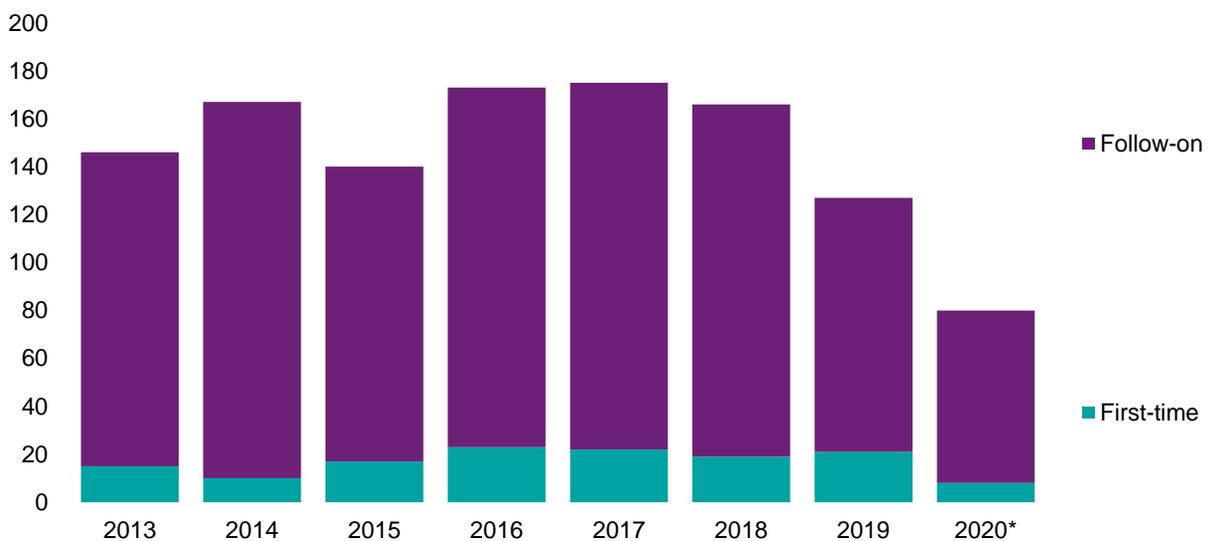
Venture fundraising (#) by size in Europe

2013–2020*



First-time vs. follow-on venture funds (#) in Europe

2013–2020*

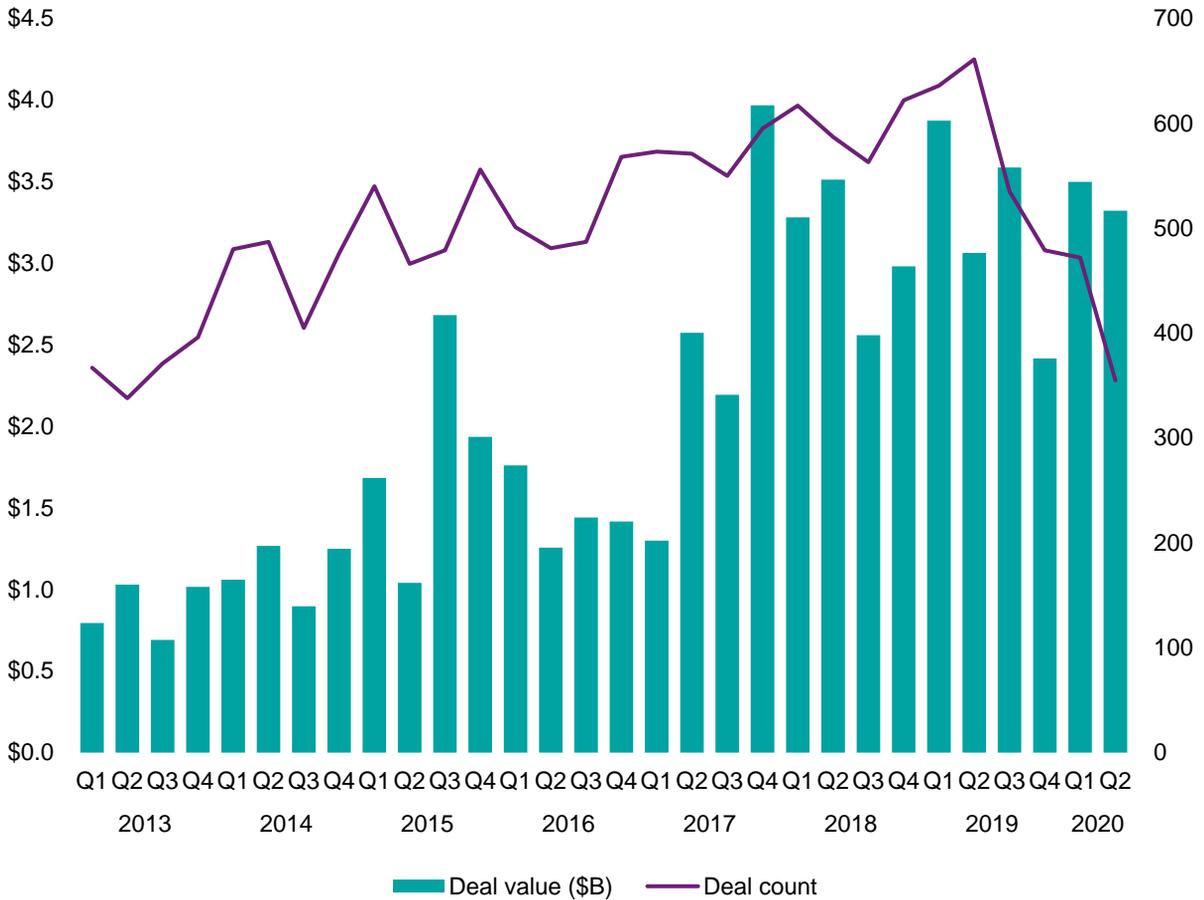


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Q2 sees robust VC invested

Venture financing in the United Kingdom

2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

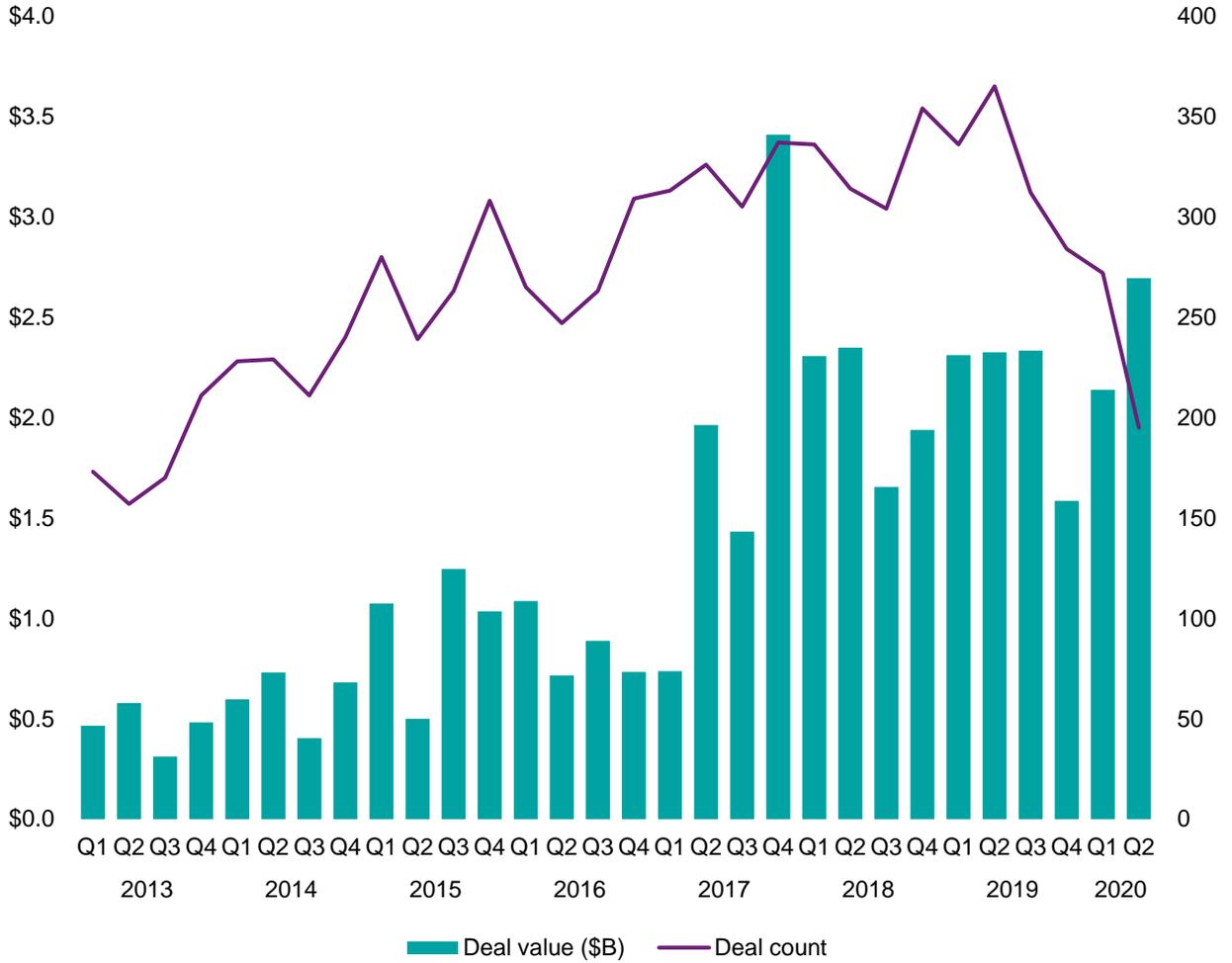
“The UK has been resilient in the current crisis. This is driven by the strength that has been built over a number of years. With bigger rounds and funds being delivered in the past 18 months, both entrepreneurs and investors had the capacity to work through the impacts of COVID 19. With large amounts of dry powder still on the books I'd expect this to continue in H2 2020.”



Tim Kay
Director, KPMG Private Enterprise
KPMG in the UK

London rebounds

Venture financing in London 2013–Q2'20

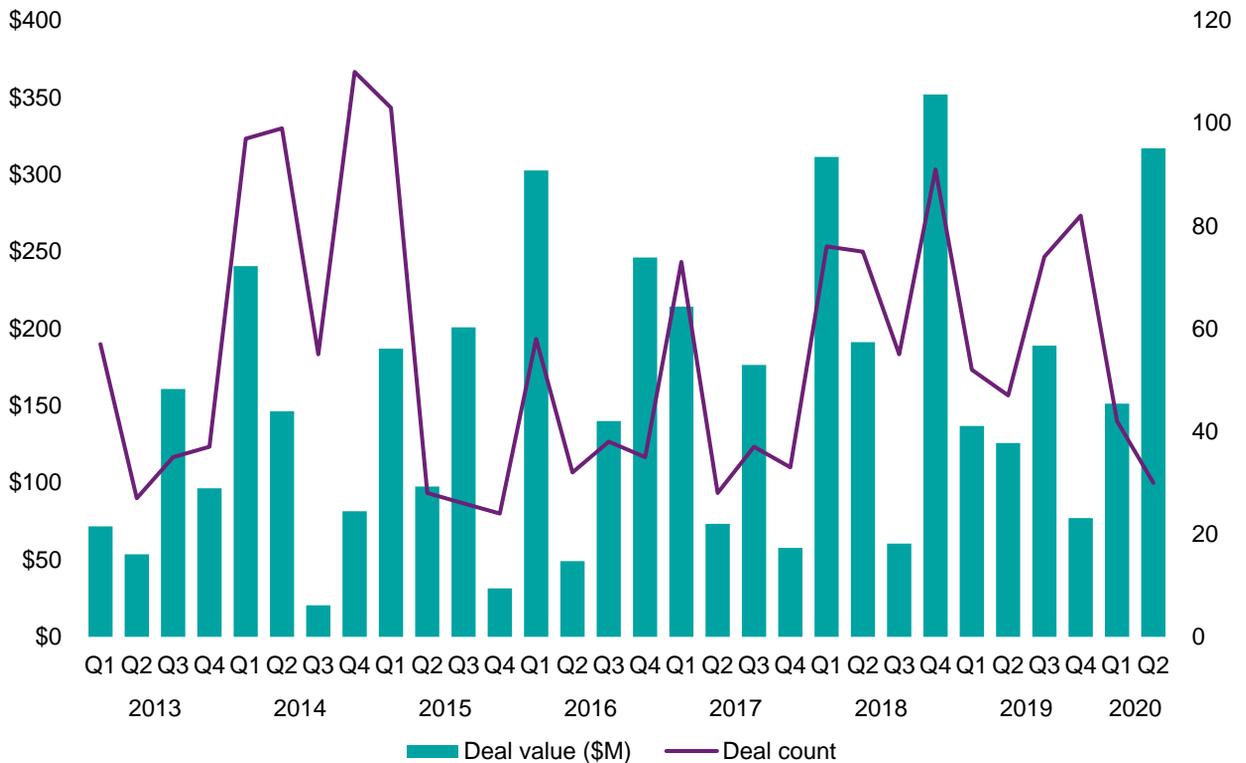


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The resurgence in VC invested in Q1 2020 was followed by yet another, even as volume once again slid. Investors are not so much fleeing for safety, as instead the safest opportunities are attracting extant VCs with mandates to disburse some of the significant sums of dry powder that lie committed to their funds.

Ireland VC rebounds

Venture financing in Ireland 2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The Irish venture ecosystem once again saw significant variability in both venture volume and capital invested, but VC invested rebounded significantly in Q2 thanks to a handful of large fundings, including LetsGetChecked's Series C financing in early May.

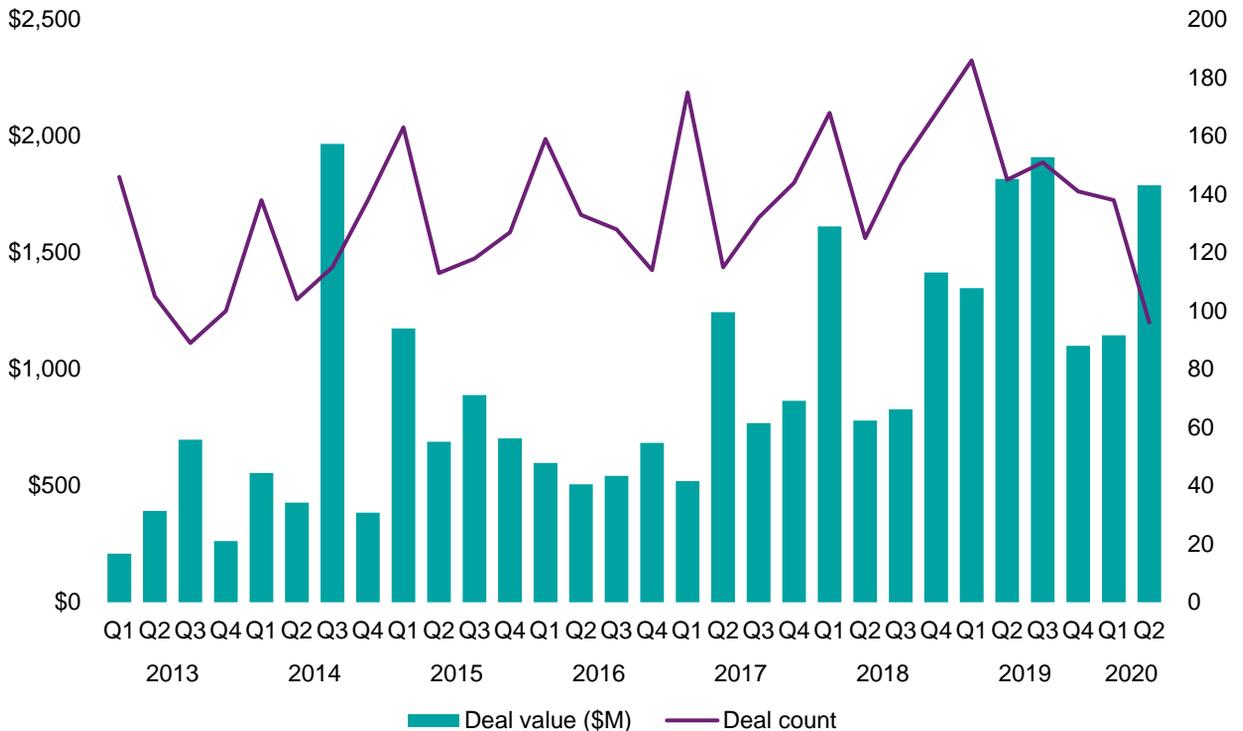
"Ireland has seen very robust investment in Q2'20, where many Irish companies have found a real relevance in this new normal. Some are making a significant difference in the current crisis, like LetsGetChecked, a medical health testing platform. SoapBox Labs, is helping to accelerate children's literacy with its digital speech recognition technology. Whereas, Evervault, is focussed on making the internet more secure with its privacy interface. Timing is everything and it feels like these companies were ripe for investment."



Anna Scally
Partner, Head of Technology and Fintech Lead,
KPMG in Ireland

Mega-deals show up in Q2

Venture financing in Germany 2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The German venture ecosystem was quite stable over the four quarters prior to Q2 2020, at least in terms of volume; the decline in Q2 2020 may well be due to a lag in private markets data collection as noted elsewhere, but VC invested is once again testament to the standout companies the nation has produced, e.g. N26, among others.

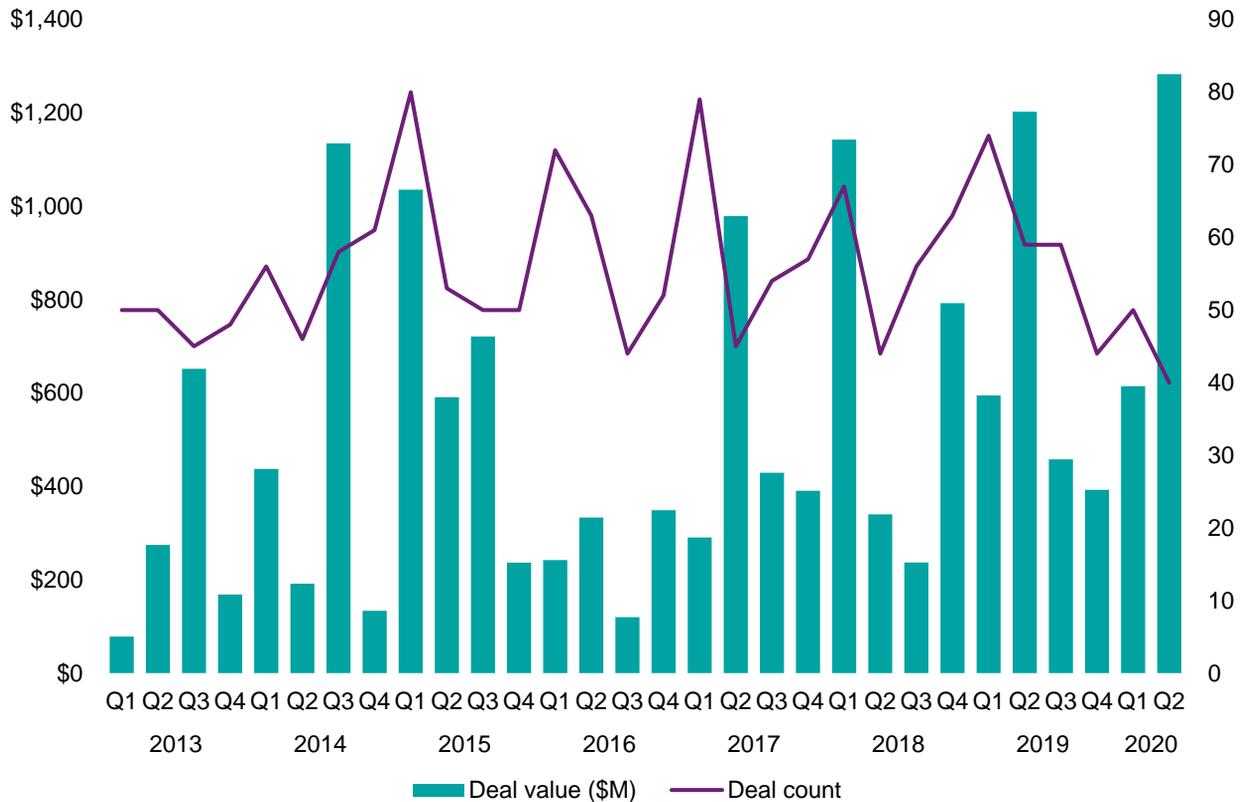
“While the pandemic has caused significant harm to the economy, it has also acted as a catalyst for change. In Germany, many businesses and consumers have been slow to embrace digitization historically. Over the past few months, there has been a major shift in both consumer behaviors and the use of digital business models. These changes will have ramifications long-term and will likely drive new innovation and new VC investments as the pandemic wanes.”



Tim Dümichen
Partner
KPMG in Germany

Volume stays subdued

Venture financing in Berlin 2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Venture volume may even out somewhat when all is said and done between the past three quarters, with mega-deals like that of N26's latest funding skewing VC invested tallies to new heights for the Berlin ecosystem. What that could portend for the future is a recycling of capital into the Berlin ecosystem from N26 employees and former investors should it achieve a substantial liquidity event in the future.

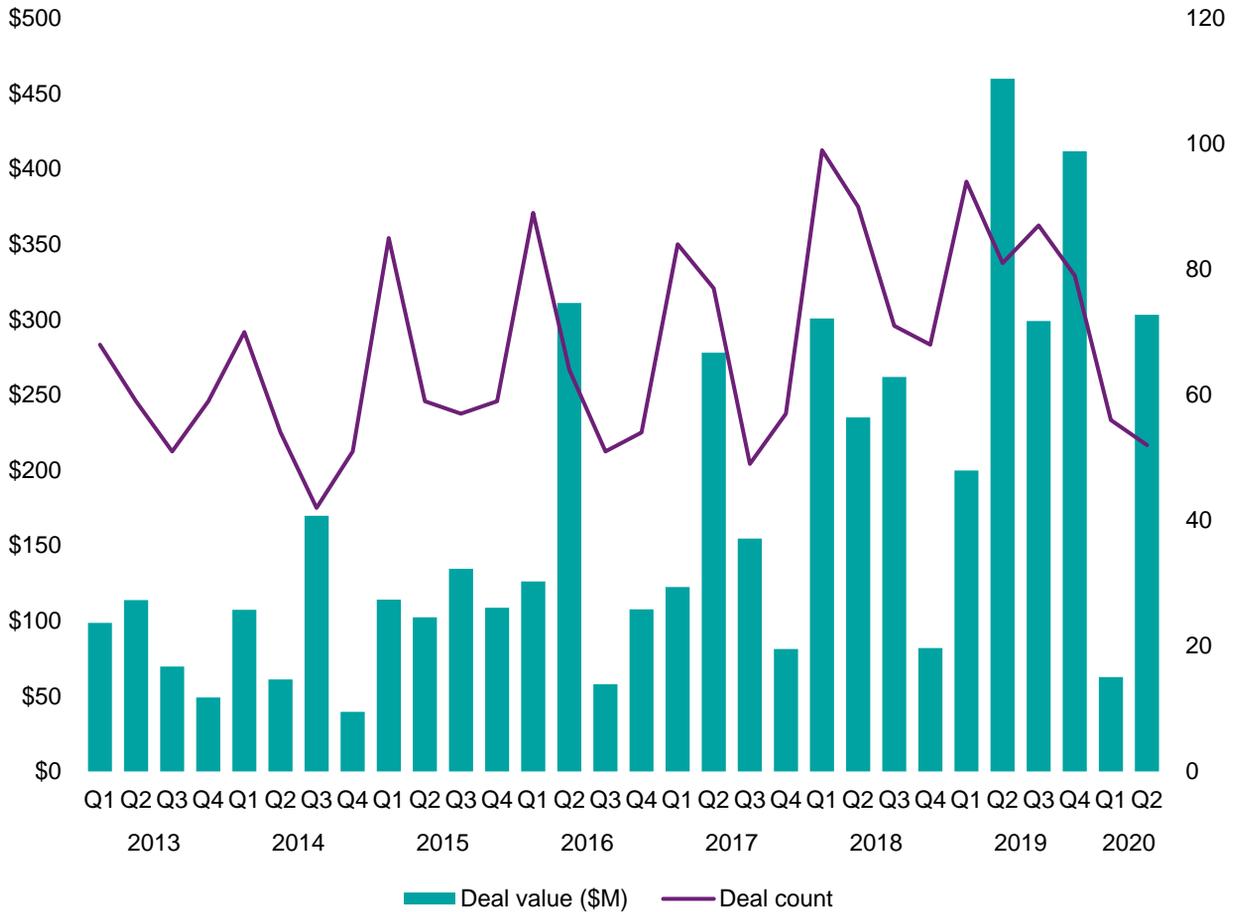
“Deal processes are quite slow right now. Investors are looking at everything twice and more critically. They try to keep money in their pockets because of the uncertainty to the future and whether there will be a second wave that shuts everything down again. Every investment is being scrutinized very carefully but surely, investors do want to invest and find their right target.”



Dr. Ashkan Kalantary
Partner, Deal Advisory Venture Services
KPMG in Germany

VC invested resurges in Q2

Venture financing in Spain 2013–Q2'20

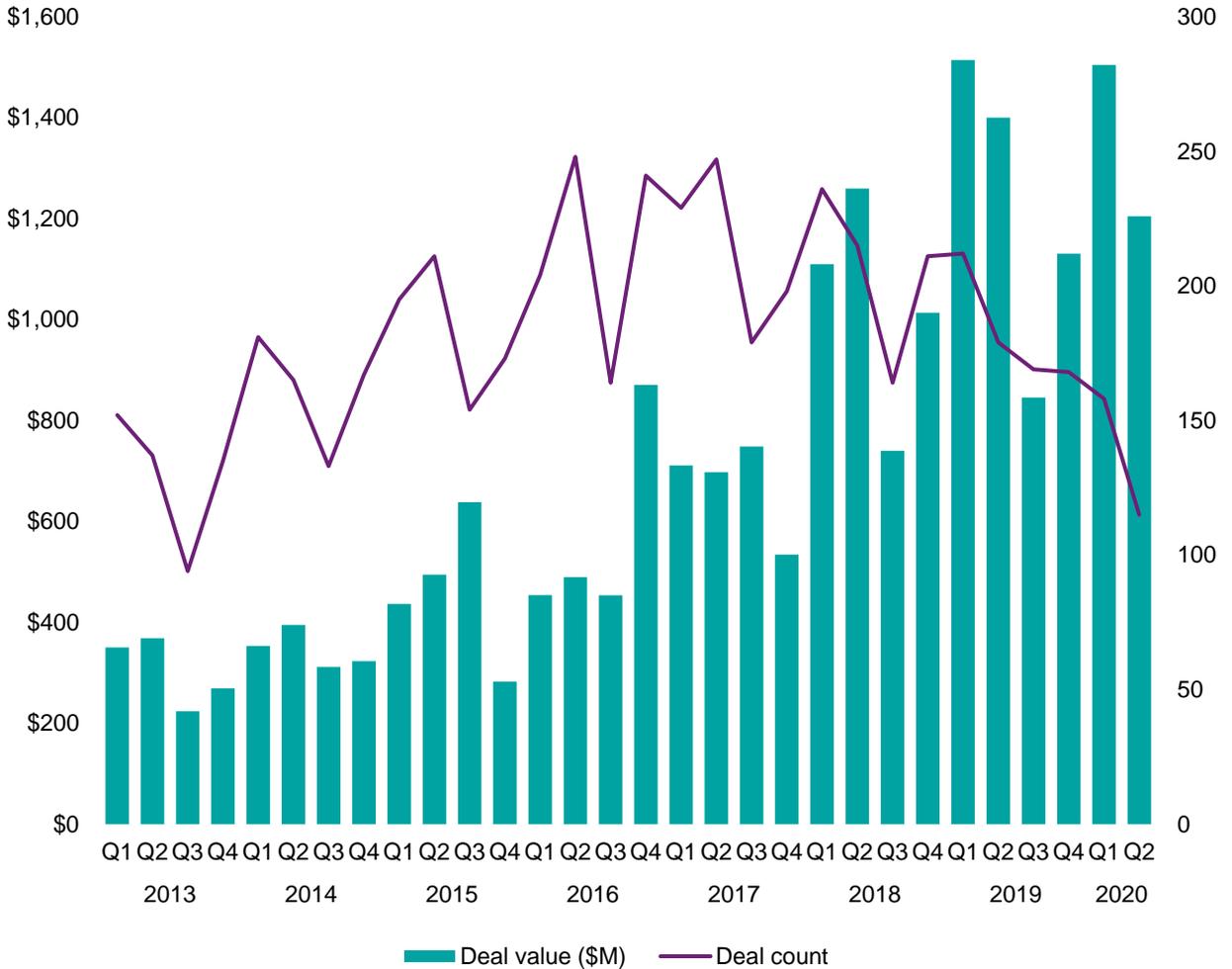


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Although one of the hardest-hit nations in the early stretches of the pandemic, Spain may yet see sooner resurgence due to its efforts to combat the virus, including in investors' willingness to pour capital into its more mature, safer private companies.

VC invested stays strong

Venture financing in France 2013–Q2'20

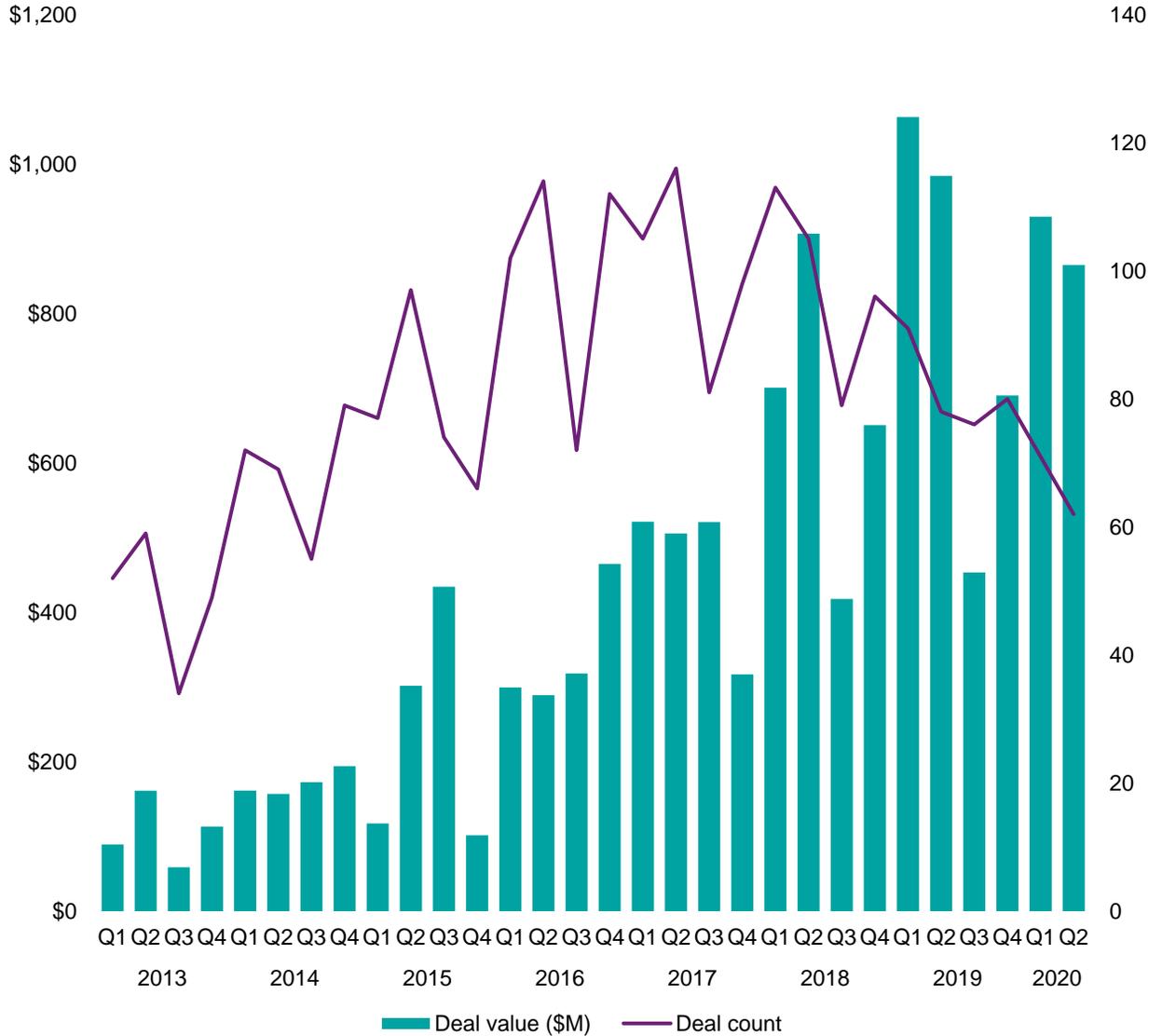


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The past two years have seen a boom in VC invested for France as a bevy of companies matured and continued to rake in large late-stage rounds. Despite another decline in volume once again potentially subject to revision upward as additional data comes to light the aggregate of VC invested stayed robust, signaling that investors are still willing to deploy capital for the companies that are sufficiently prepared to demonstrate viability no matter what.

Paris figures remain resilient

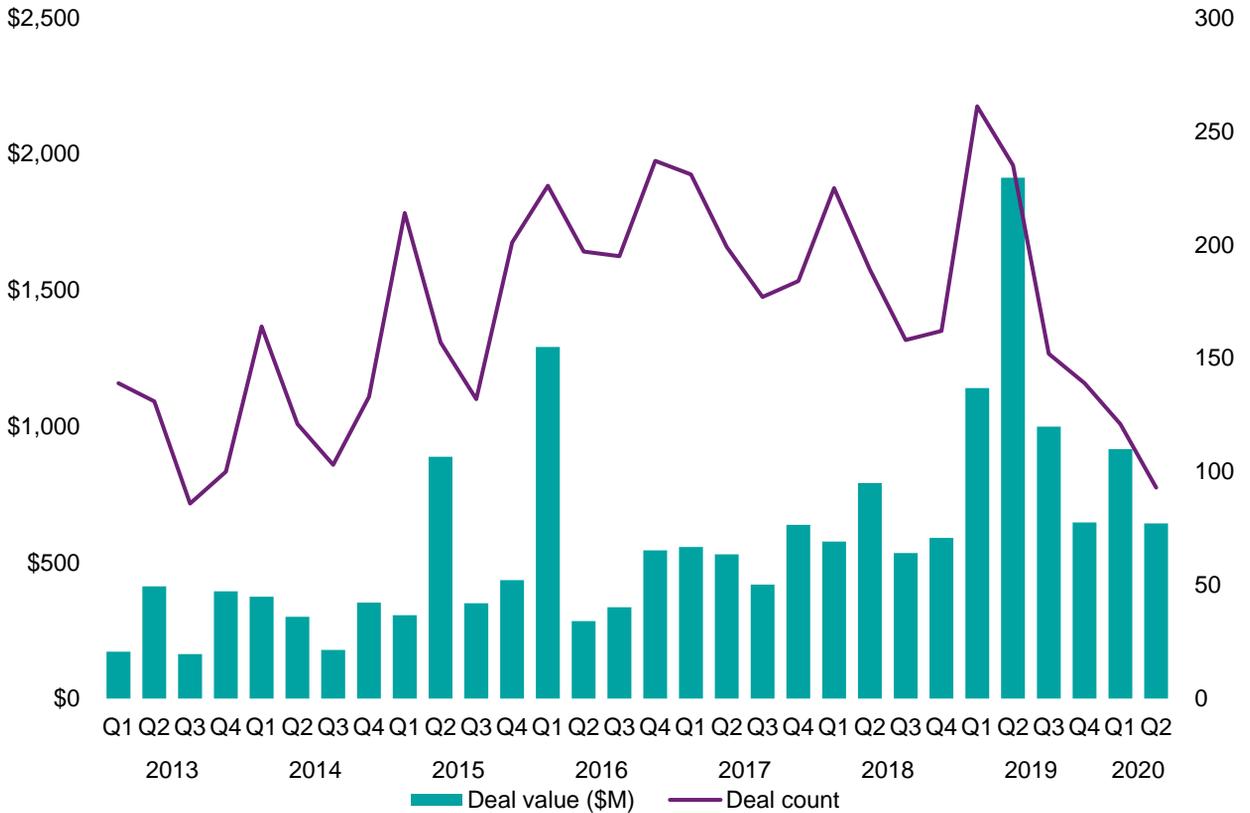
Venture financing in Paris 2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Volume continues drop

Venture financing in the Nordics 2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The Nordics venture ecosystem turned in some intriguing results for 2019, with mega-rounds bolstering VC invested totals even as volume collapsed. Both trends have held steady into the first half of 2020, with volume hitting a low unseen in some time based on numbers as of this writing, even as VC invested held relatively steady.

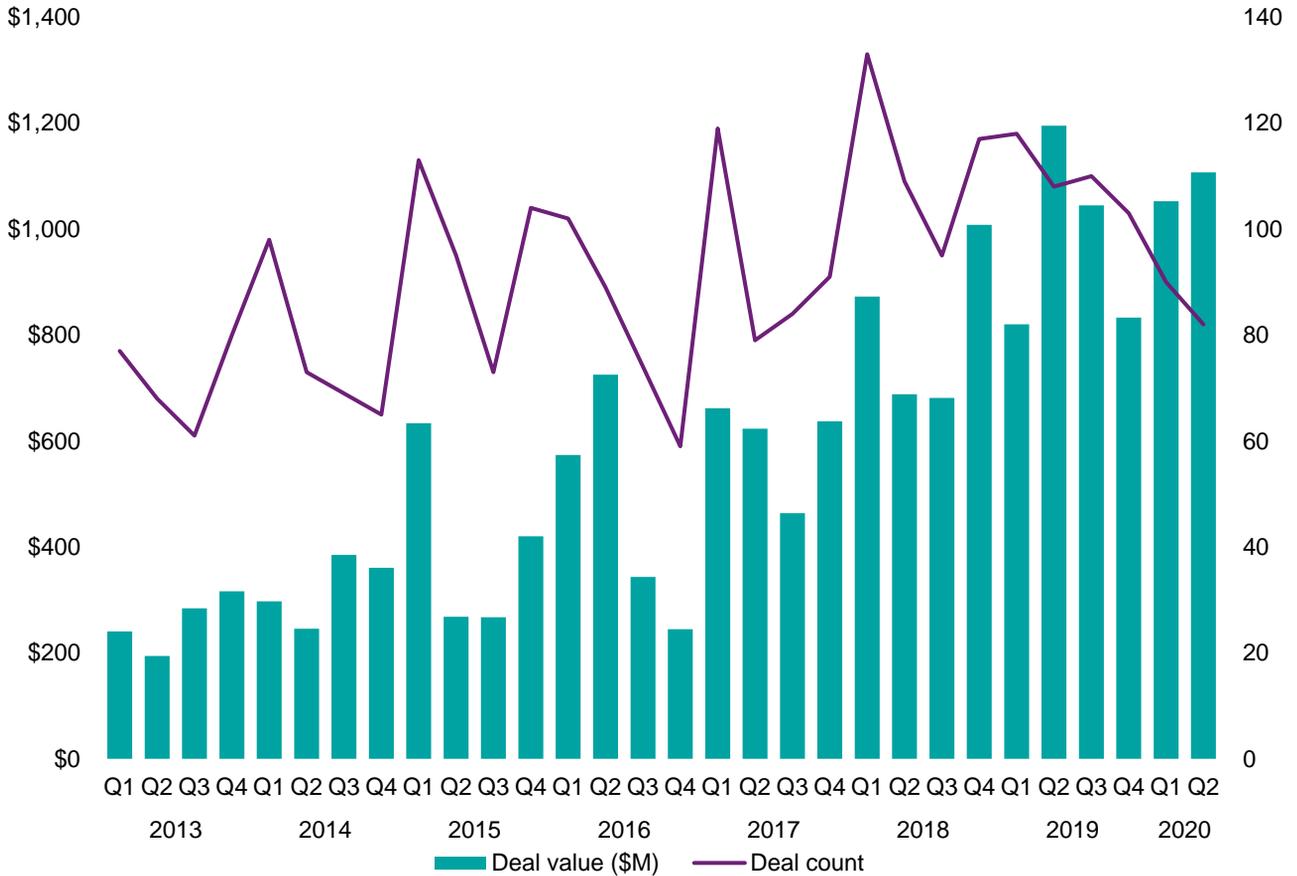
“For companies that operate across borders, the different issues in each country, as a result of COVID-19 makes scaling and fundraising harder. The Nordic ecosystem is reaching a stage where there are constantly more and more growth stage companies that need international later-stage funding and the connections that those investors can provide to help them scale globally. Given the pandemic, this a problem the Nordic market has now and it’s one the governments together with local VC’s are working to tackle through specific funding programs.”



Jussi Paski
Head of Startup Services
KPMG in Finland

Israel notches another high

Venture financing in Israel 2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

“In Israel, we’re really seeing a return to the core business. Corporate investors in particular don’t see this as a time to expand or to really look at interdisciplinary offerings. They are looking for technologies they can onboard quickly that can enhance the profitability of their core business or help them address the challenges of doing business in the current environment.”



Dina Pasca-Raz
Partner,
KPMG in Israel

Fintech & remote stand out



Top 10 financings in Q2'20 in Europe

- | | |
|--|---|
| <p>1 Deliveroo — \$575M, London
Application software
Series G</p> | <p>6 Cazoo — \$156.1M, London
Automotive
Early-stage VC</p> |
| <p>2 N26 — \$570M, Berlin
Fintech
Series D</p> | <p>7 Checkout.com — \$150M, London
Financial software
Series B</p> |
| <p>3 Lilium — \$275M, Wessling
Air
Series C</p> | <p>8 BioCatch — \$145M, Tel Aviv
Network management software
Series E</p> |
| <p>4 Arvelle Therapeutics — \$207.8M, Zug
Biotechnology
Series A</p> | <p>9 Starling Bank — \$123.1M, London
Commercial banks
Late-stage VC</p> |
| <p>5 ContentSquare — \$189.1M, Paris
Business/productivity software
Series D</p> | <p>10 Freeline — \$120M, Stevenage
Drug discovery
Series C</p> |

Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.
Note: Due to disclosure requirements, a transaction that ranked in the top 10 in Q2 2020 is not included in this list but is reflected in the underlying datasets.

***In Q2'20 VC-backed
companies in the Asia
region raised***

\$16.9B

across

1,011 deals



Soft VC investment in Asia during Q2'20, yet cautious optimism for future

VC investment in Asia was severely impacted by Covid-19 in Q1'20 due to its early exposure to Covid-19. While VC investment in Asia remained suppressed in Q2'20, the VC market did see some early signs of recovery. In China, for example, both deal volume and VC investment rose slightly compared to Q1'20. While the pandemic is still having a major impact in jurisdictions such as India, the increasing focus on recovery in others is creating cautious optimism in the overarching Asia market heading into Q3'20.



Digital business models attracting significant attention

Despite VC investment in many sectors remaining suppressed in Q2'20, several sectors continued to thrive due to their applicability in the current business environment. Digital platform businesses focused on meeting consumer needs, such as edtech, home delivery, and online gaming, remained very attractive, in addition to healthtechs. With the employees of many corporations in Asia working from home, B2B digital solutions enabling employees to work remotely also attracted substantial investor attention.



Corporates looking for potential opportunities

At mid-year, corporate VC investment was only slightly off the pace set last year, a sign that corporates remain confident in opportunities in the Asia region. In China, the large platform companies began to resume investment activity in April. These and other large corporate investors in Asia are looking to see what companies have the agility, versatility, and strong management needed to survive. They are also looking for opportunities to make investments given the downward pressure on valuations.



Cybersecurity, AI, and data analytics remain hot in Asia

Given the rise in digital business models due to the pandemic, digital payments, e-commerce, and cybersecurity continued to be hot areas of investment. VC investors were also interested in AI, data analytics, and cybersecurity solutions able to assist with monitoring the spread of COVID-19 and with tracking, tracing, and isolating individuals. China's central government was a key driving force behind leveraging technology to support track and trace models due to the sensitive personal information being collected.



VC investors focusing on existing portfolios, putting early-stage companies at higher risk

Given the heightened levels of uncertainty, VC investors in Asia continued to focus heavily on the needs of their existing portfolio companies, primarily late-stage companies, in order to ensure they would be able to weather the effects of COVID-19 rather than on making investments in new startups. This drove increasing concern for smaller companies without the cash reserves or liquidity to survive the protracted decline in demand. The focus on late-stage companies could drive consolidation in maturing sectors as smaller competitors lose market share to their nimble, better capitalized competitors.

The early-stage companies in Asia able to attract investments in Q2'20 typically showed very strong paths to profitability. Investors in Asia are only growing increasingly wary of companies with high burn rates, preferring more efficient companies with a focus on profitability.

Soft VC investment in Asia during Q2'20, yet cautious optimism for future, cont'd.



VC investors in China taking very cautious approach

China accounted for the five largest deals in Asia during Q2'20, including \$1 billion raises by biotech MGI Tech and Didi Bike, a \$750 million raise by edtech Zuoyebang, a \$500 million raise by Didi Autonomous Driving, and a \$400 million raise by produce delivery company Xingsheng Selected. Growing investor confidence in China's economic recovery, combined with ongoing international travel restrictions and concerns related to US-China trade relations, led many VC investors in China to focus on domestic investment in Q2'20. VC investors in China — including traditional VC investors, private equity firms, and family offices — are starting to look for opportunities to invest due to the unexpected downward pressure on valuations. Given the significant amount of dry powder in the VC market, VC investment in China could rise heading into Q3'20.



India sees ongoing interest from investors despite Q2'20 dip in VC investment

After outperforming China in terms of VC investment in fintech in Q1'20,¹⁵ fintech continued to be the strongest area of focus for VC investors in India in Q2'20, led by the \$397 million raise by lending company Navi Technologies. Despite the slowdown in VC funding, India remains a key market for investors. In April, Facebook announced a massive \$5.7 billion equity investment in Reliance Jio, India's largest telecom operator.¹⁶ During Q2'20, Reliance Jio launched both JioMart¹⁷ a direct e-commerce platform and a JioMart Whatsapp-based platform.¹⁸ The ongoing interest in India is expected to help keep VC deals occurring in the country, if at a slower rate. While Q3 results may also be soft, investment is expected to rebound by the end of 2020.



Hong Kong Stock Exchange continues to attract secondary listings

Despite the impact and ongoing uncertainty related to COVID-19, the Hong Kong Stock Exchange saw solid performance during Q2'20, attracting two secondary listings from large Chinese companies JD.com and NetEase. NetEase raised \$2.7 billion from its listing, with shares gaining 8 percent on their first day of trading. JD.com, meanwhile, raised almost \$4 billion, with its shares gaining 5 percent on the first day.¹⁹

In Q2'20, the Nasdaq issued a delisting notice to China-based Luckin Coffee following a massive fraud uncovered by the company,²⁰ which has intensified the push for stronger investor protections and changes by the SEC. This, combined with an increasing focus on domestic opportunities, other tensions and trade disputes with the US, and a fairly strong domestic IPO market could encourage China-based companies to focus their sights on domestic IPOs over the near-term.



Trends to watch for in Asia

Despite short-term challenges, the outlook for the VC market in Asia remains relatively optimistic as the region continues with its recovery from COVID-19. There will likely be continued downward pressure on valuations over the next quarter, however, along with increasing consolidation in sectors particularly hard hit by the economic downturn caused by the pandemic.

In China, there continues to be concern regarding the ongoing trade dispute with the US, which could affect investment. VC investors in China will likely remain very interested in areas like 5G, smart cities, IoT, and health care innovation. VC investment in India is expected to remain muted in Q3'20, with the exception of fintech, healthtech, agritech, and gaming.

¹⁵ <https://www.scmp.com/tech/venture-capital/article/3086117/india-tops-china-fintech-funding-first-quarter-pandemic-us>

¹⁶ <https://techcrunch.com/2020/04/21/facebook-reliance-jio/>

¹⁷ <https://thetechportal.com/2020/05/24/reliance-jio-jiomart-ecommerce-platform-launch/>

¹⁸ <https://thetechportal.com/2020/04/26/jiomart-has-reportedly-gone-live-after-receiving-its-official-whatsapp-number/>

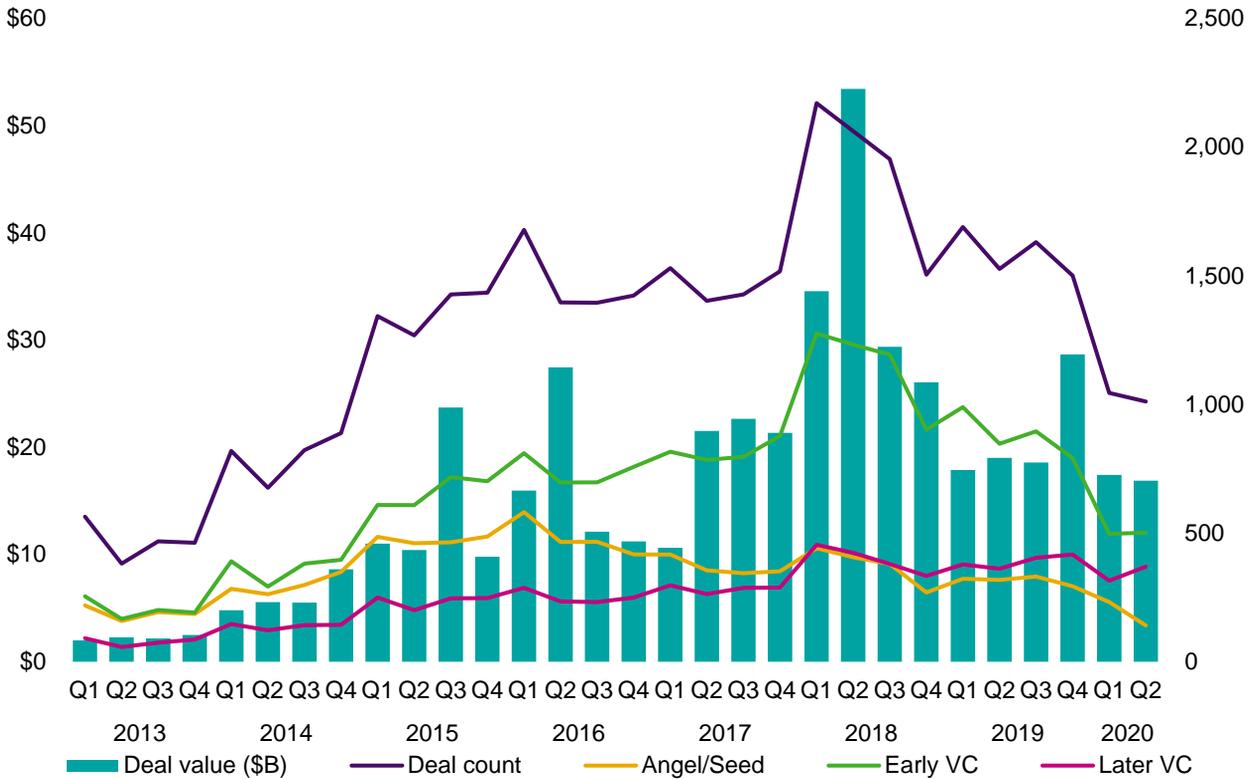
¹⁹ <https://www.bbc.com/news/business-53049177>

²⁰ <https://fortune.com/2020/05/20/luckin-coffee-stock-delisting-nasdaq-china-ipo/>

VC activity evens out

Venture financing in Asia

2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

As it was first hit, the Asia-Pacific ecosystem saw the impact of the pandemic on venture activity first of any region. Thus, activity evening out in both volume and VC invested is a promising sign that at minimum a plateau may have been established, rather than another dip expected.

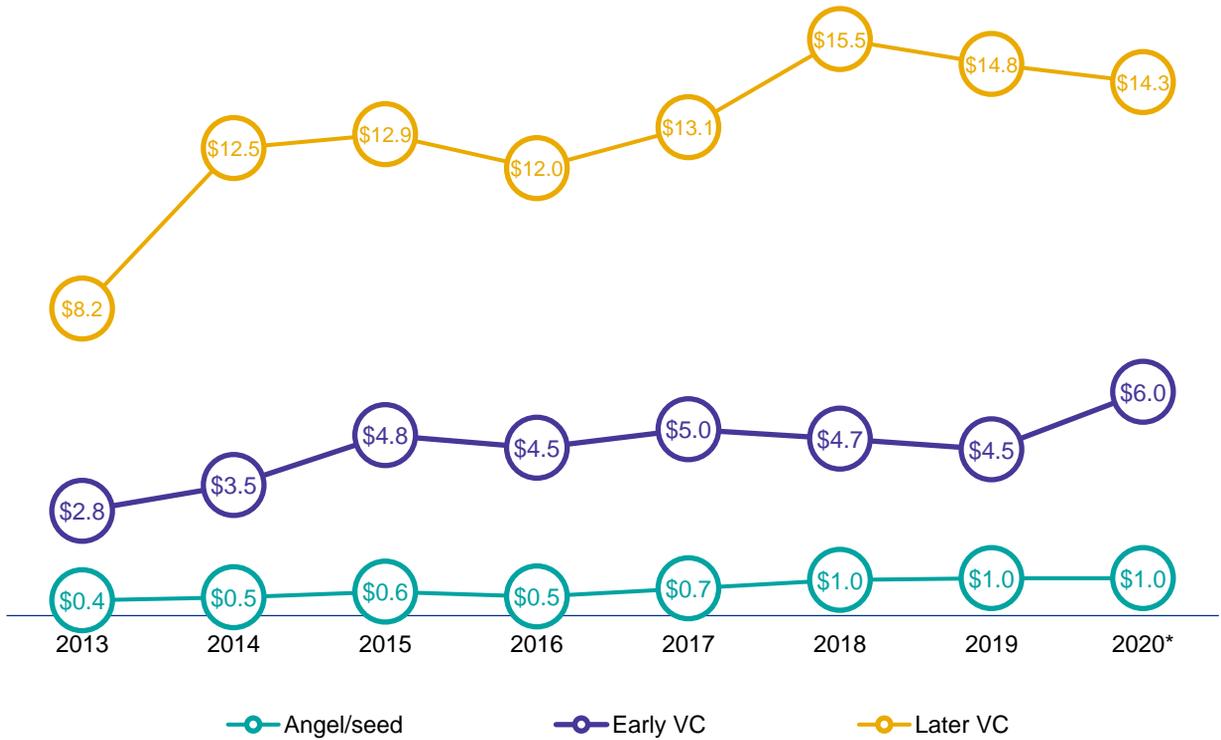
“COVID-19’s impact on travel and global supply chains combined with the ongoing political tension between China and the US is causing many investors to refocus on local market opportunities. This could lead to an upswell in domestic VC investment over the next quarter.”



Egidio Zarrella
Head of Clients and Innovation Partner
KPMG China

Figures hold largely steady

Median deal size (\$M) by stage in Asia
2013–2020*



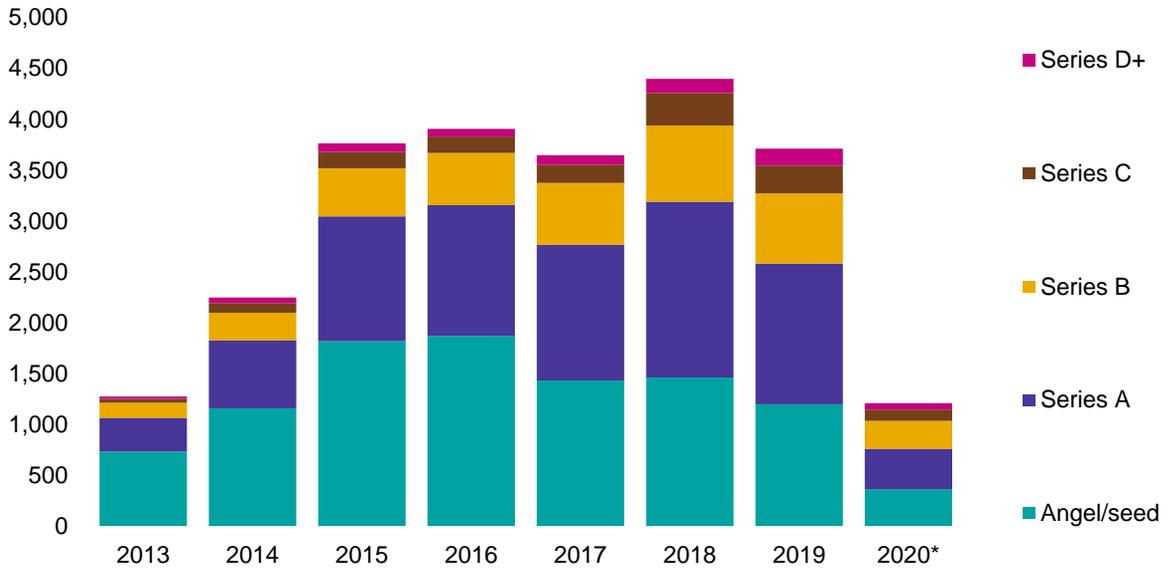
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The decline in median financing size at the latest stage is minimal, while an increase or plateau elsewhere continues to show that investors are mainly pressing pause as opposed to retreating. Both VCs and entrepreneurs are in it for the long haul, and, thus are still moving forward, albeit with more caution.

Late stage predominates

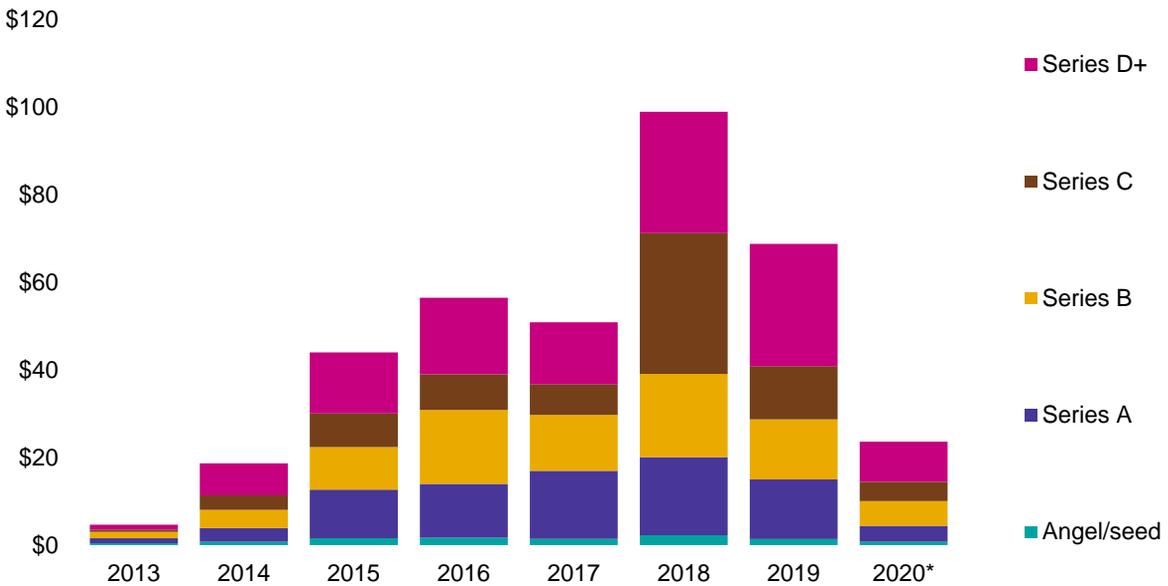
Deal share by series in Asia

2013–2020*, number of closed deals



Deal share by series in Asia

2013–2020*, VC invested (\$B)

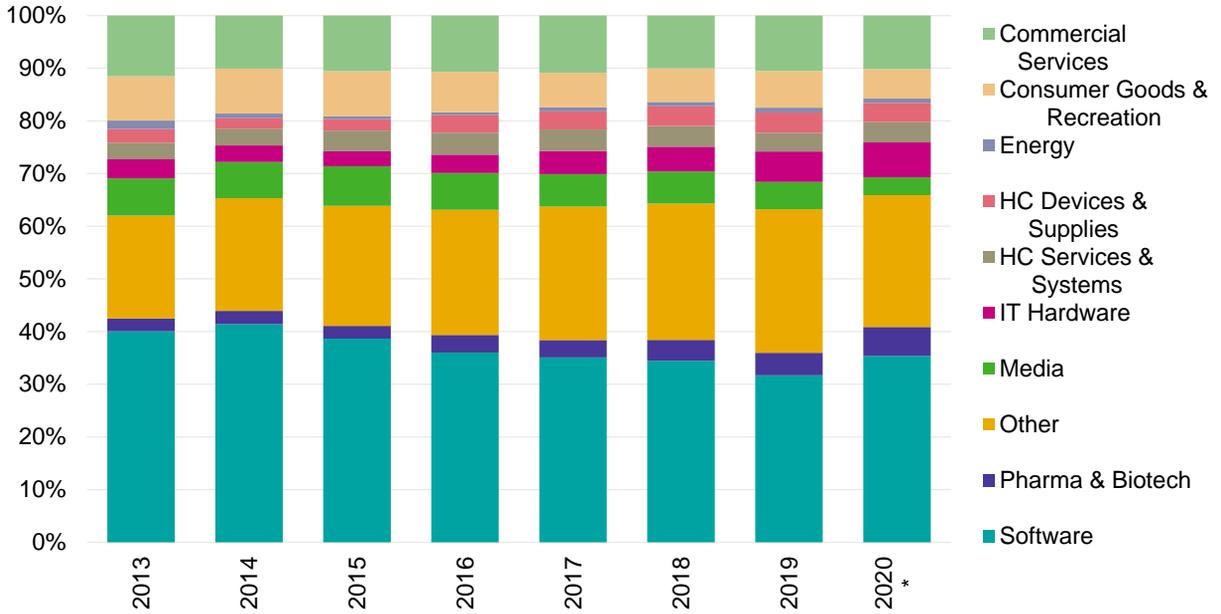


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Biotech roars at record pace

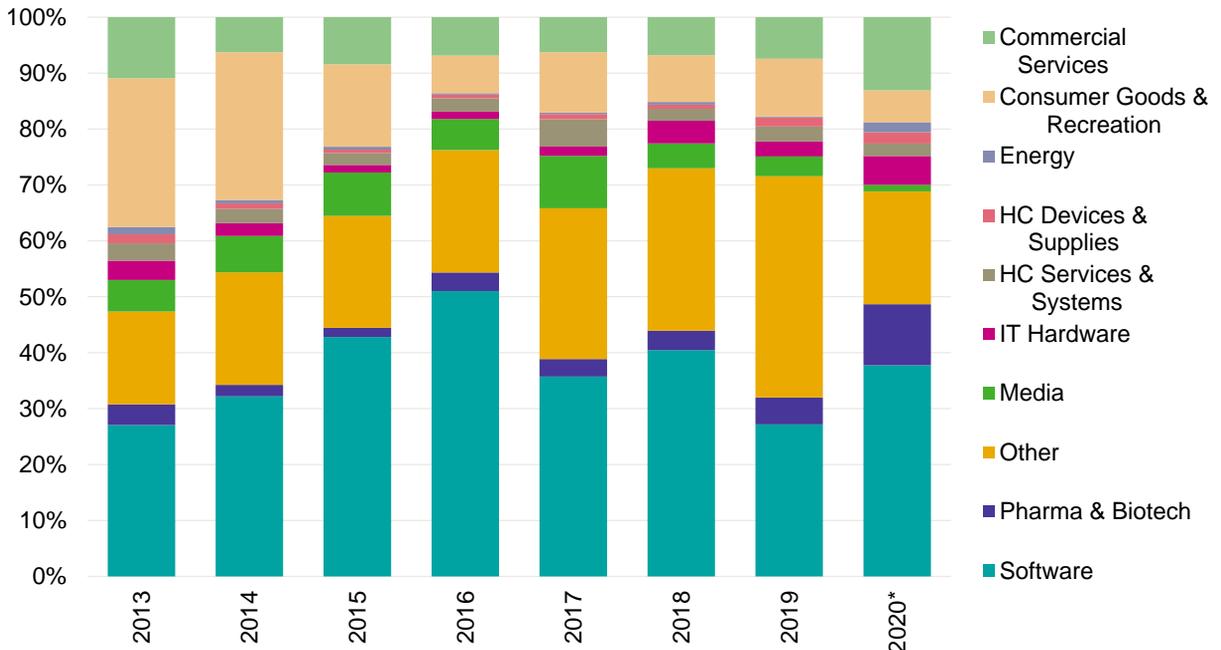
Asia venture financings by sector

2013–2020*, number of closed deals



Asia venture financings by sector

2013–2020*, VC invested (\$B)

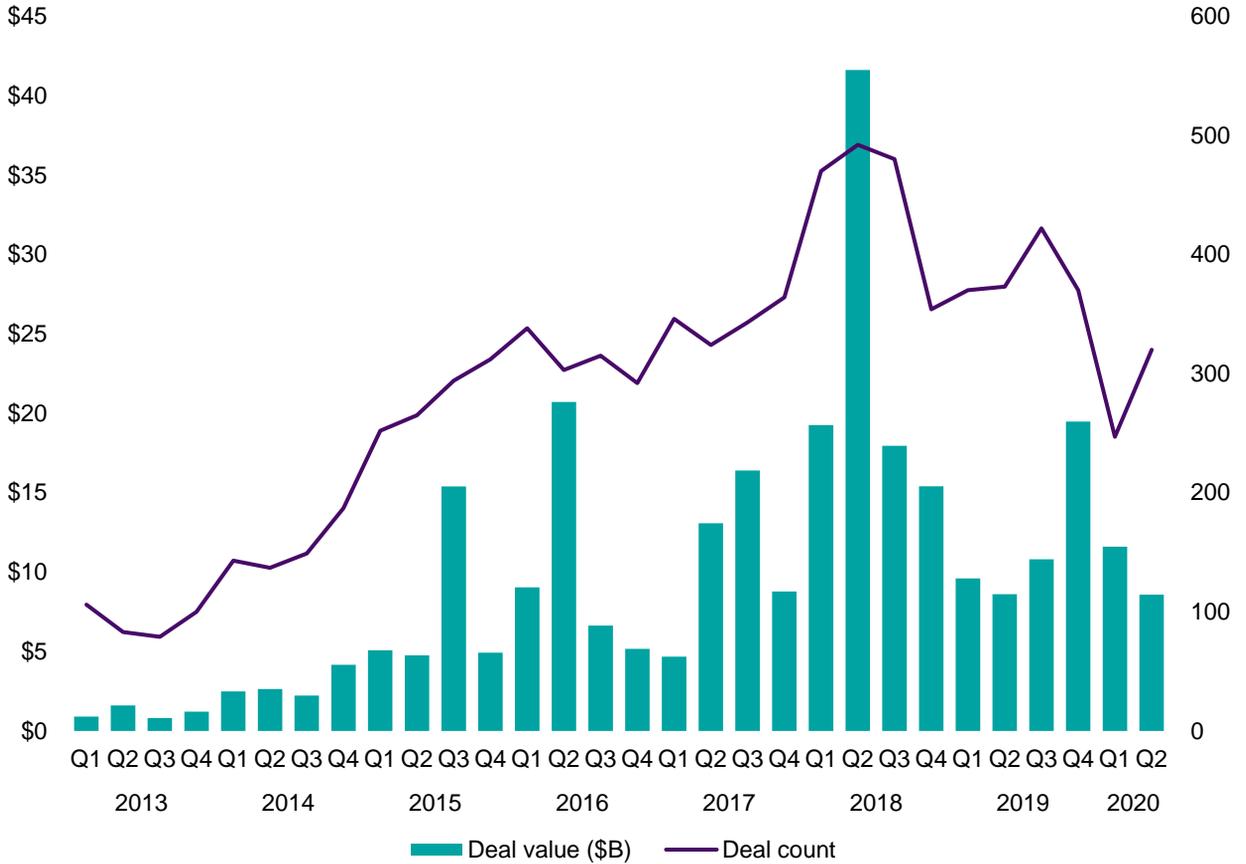


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Corporates dial back in

Corporate participation in venture deals in Asia

2013–Q2'20



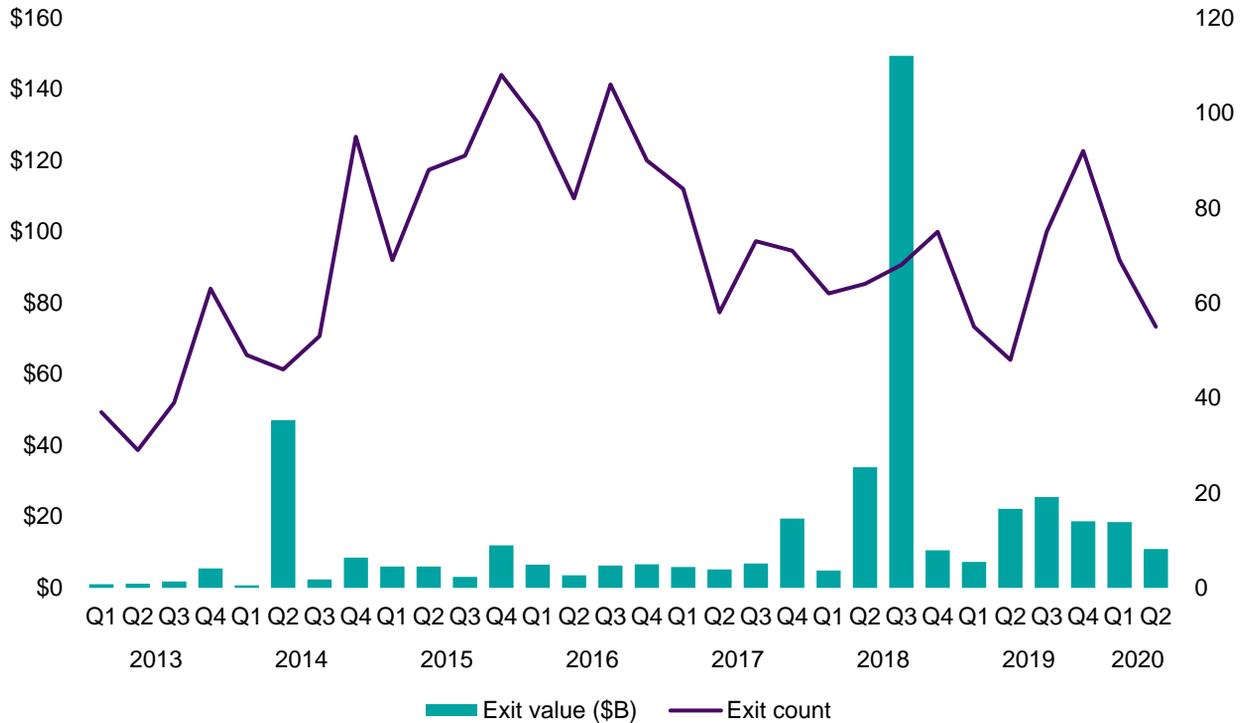
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

Corporations and their venture arms have been a mainstay of the Asia venture ecosystem for years, their temporary dip proved to be just that, as they engaged in far more deals in Q2 than to start off the year. This is a highly positive sign for the entire ecosystem.

Exits still in temporary slump

Venture-backed exit activity in Asia

2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

Exits slid in volume but, relative to historical norms, still recorded a robust tally of exit value in Q1 2020. Another quarter-over-quarter decline still isn't sustained long enough to prove dire for the regional ecosystem, but it is worth keeping an eye on for potential issues with liquidity going forward.

“We have seen very positive activity despite the current situation with several successful IPOs and secondary listings. The strong momentum and sentiment in Hong Kong SAR and mainland China’s capital markets in Q2 is expected to continue into the second half of 2020. I expect VC and PE activities in the region to pick up in the coming quarters as China will not only continue its economic recovery from the pandemic but focus on investing in new infrastructure to support the digital transformation of the economy.”

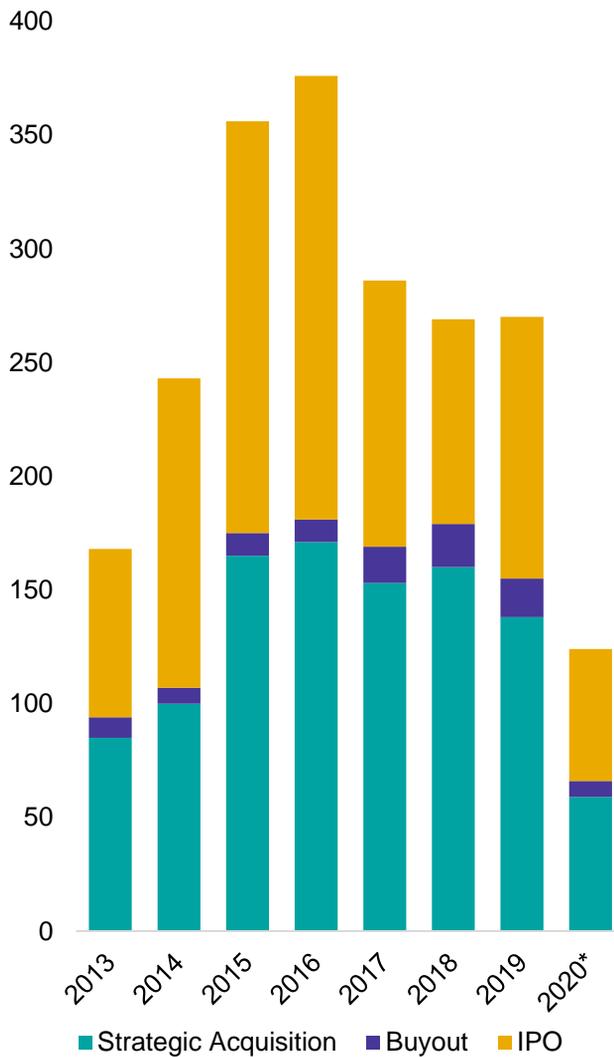


Irene Chu
Partner, Head of New Economy and Life Sciences, Hong Kong Region,
KPMG Hong Kong (SAR)/China

IPOs and M&A power volume

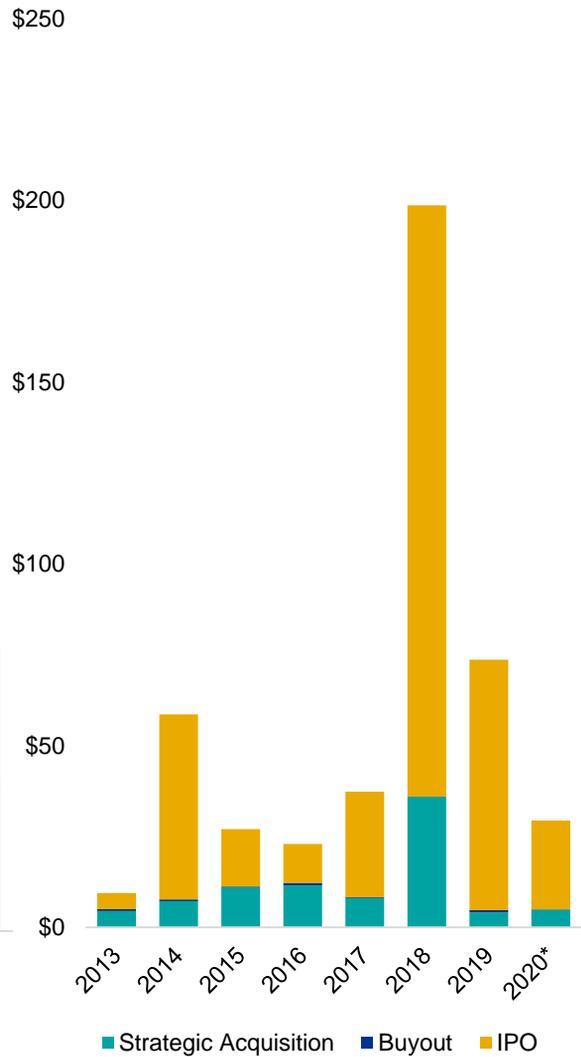
Venture-backed exit activity (#) by type in Asia

2013–2020*



Venture-backed exit activity (\$B) by type in Asia

2013–2020*

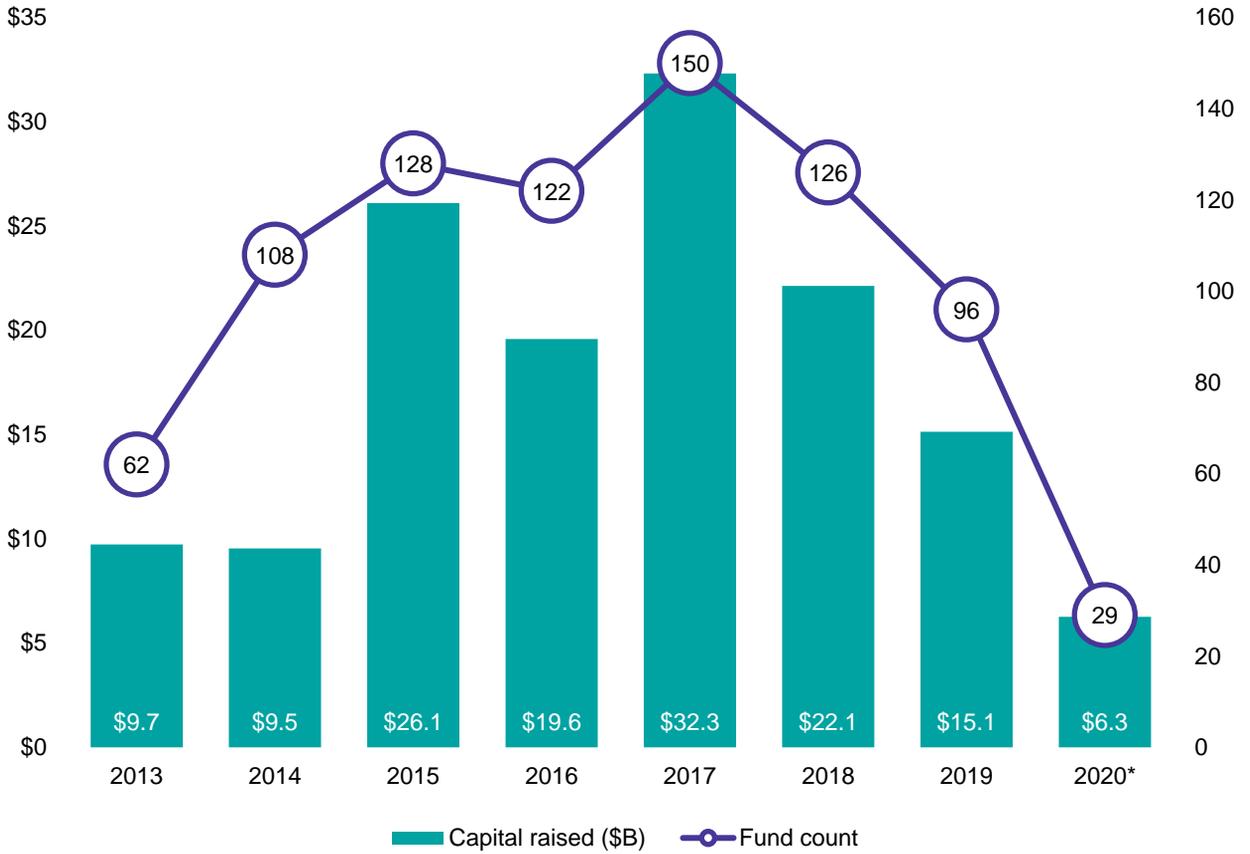


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Select large funds can close

Venture fundraising in Asia

2013–2020*



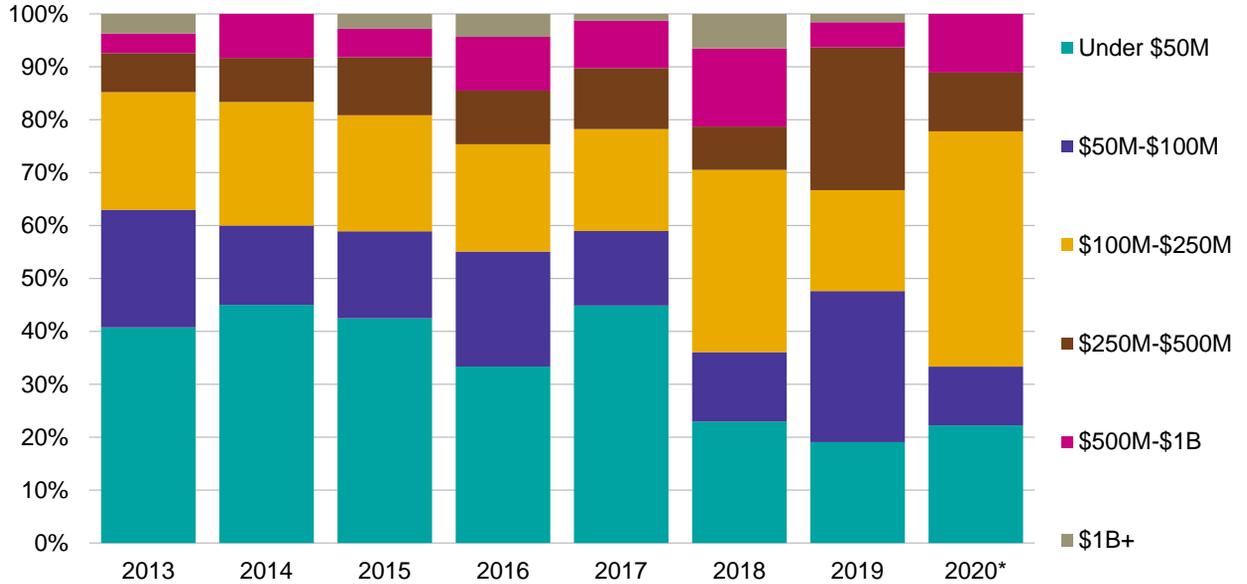
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Fundraising is quite choppy on a quarterly basis for even established ecosystems, hence the focus on yearly charting only. However, volume for the region is off to quite a slow start for the year, even if the handful of vehicles that have closed have been able to boost VC committed tallies to decent levels. Extant dry powder continues to propel deal making forward.

First-time funds tick up

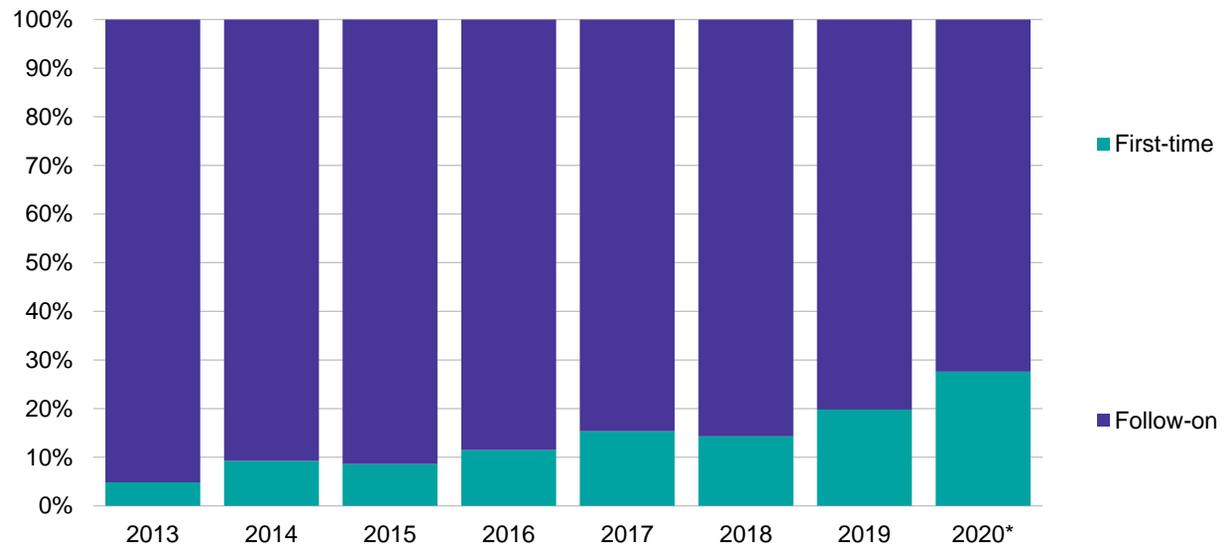
Venture fundraising (#) by size in Asia

2013–2020*



First-time vs. follow-on venture funds (#) in Asia

2013–2020*

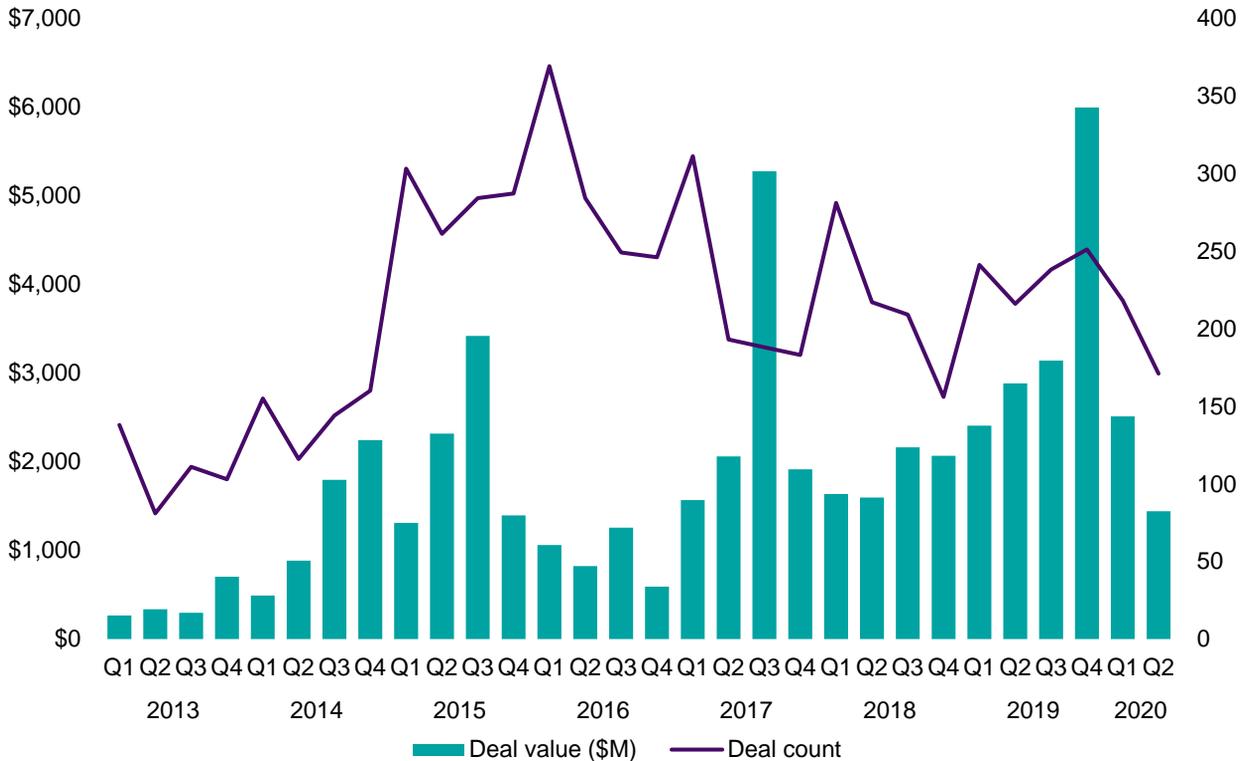


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

India records decline

Venture financing in India

2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

After steadily rising throughout 2019, India saw a record quarter to close off the year. That has since reversed inevitably given the impact of the pandemic. It remains to be seen how long the slump will persist, or even its true depth, although deals are still able to get done if need be, as evidenced by the mega-round of Navi Technologies in Q2 2020.

“India is a very attractive market for VC investors. While funding is likely going to be muted again in Q3'20 due to the impact of COVID-19, investment is expected to pick up again by the end of the year. Fintech remains one of India’s most attractive sectors for investment, in addition to healthtech, medtech, and gaming. Over the longer-term, agritech is well-positioned to see increasing investment as well.”

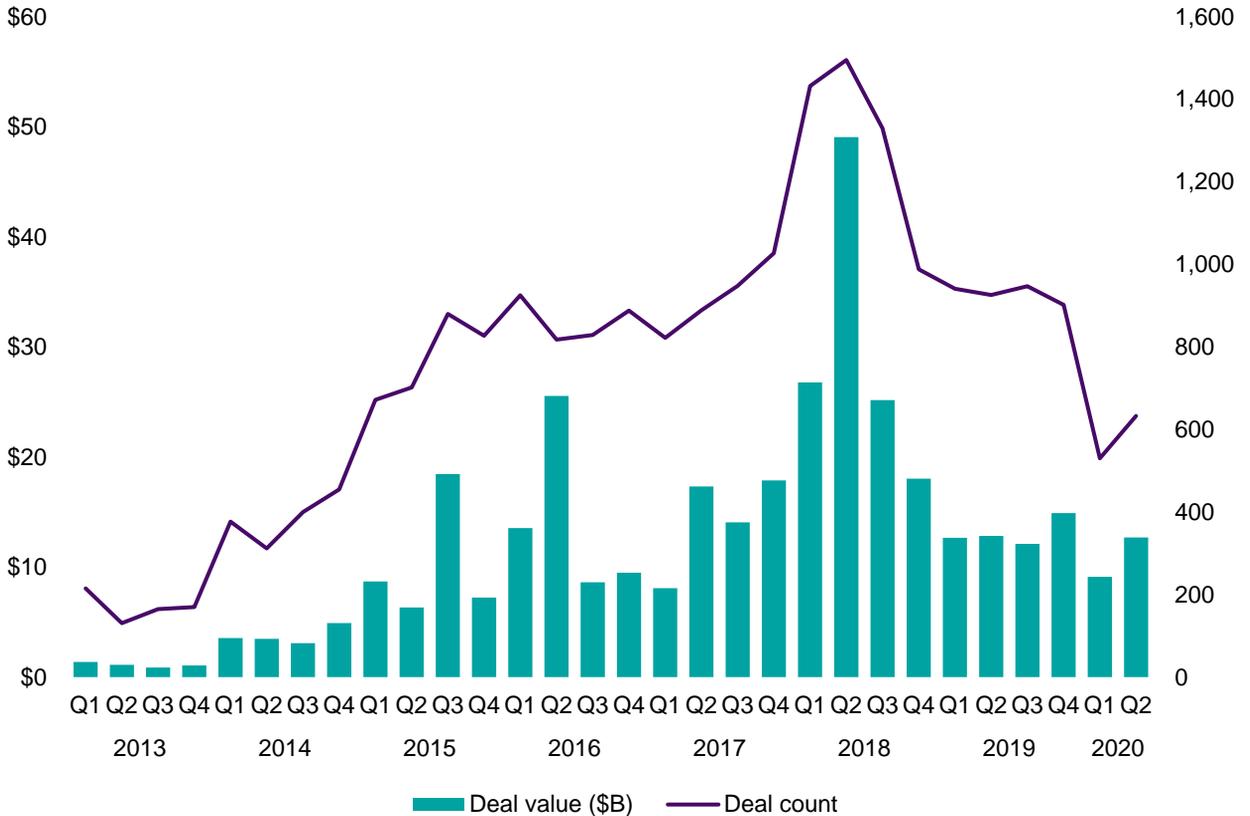


Nitish Poddar
Partner and National Leader, Private Equity
KPMG in India

China sees slight resurgence

Venture financing in China

2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The first nation hit by the pandemic, China also may now be the first nation to lead the way toward a recovery, however gradual. Venture funding followed a similar path, with VC invested and volume both rebounding in Q2 to still-low but somewhat brighter levels.

"Digital business models were a hot area of investment in China during Q2'20 — particularly in areas of digital payments, e-commerce, remote office solutions, cybersecurity, digital health, and track-and-trace solutions for managing disease spread. These sectors will likely remain attractive for VC investors heading into Q3'20 — with digital health innovation expected to be a long term investment trend given the increasing challenges in the space."

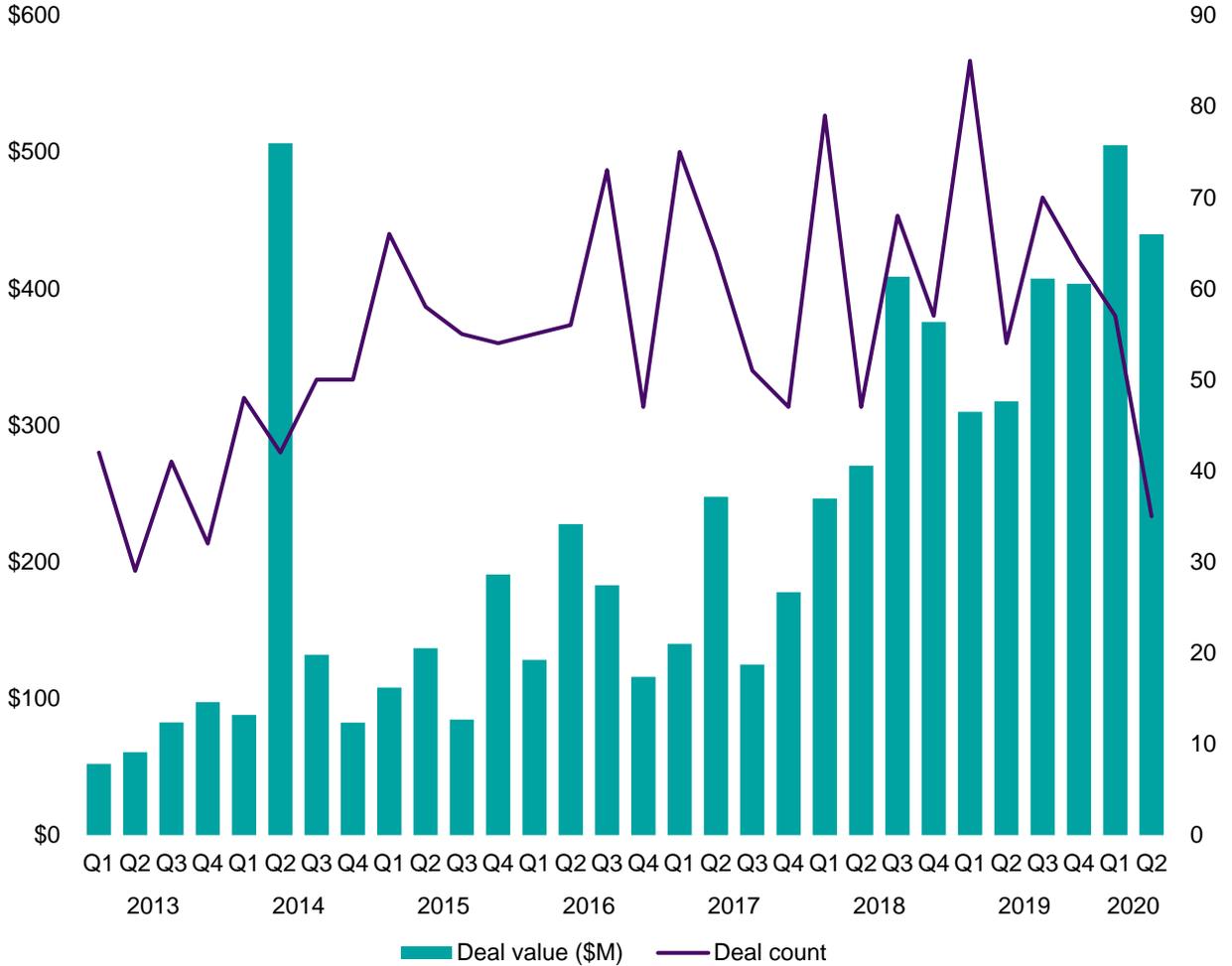


Philip Ng
Partner, Head of Technology
KPMG China

Australia holds steady

Venture financing in Australia

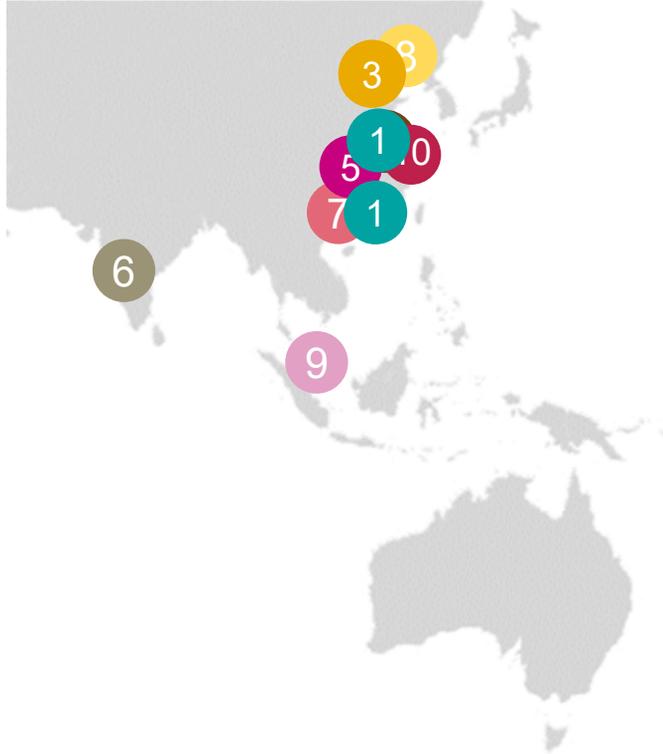
2013–Q2'20



Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

The pandemic undoubtedly contributed to the slide in volume between Q1 and Q2 2020 for Australia, and yet the robustness of VC invested implies that this downturn may yet be temporary depending on how the economic fallout may fully impact the nation although, again, it is worth noting many of VC's favored sectors are somewhat more insulated from the immediate effects of any policies such as stay-home orders.

A diverse array of sectors



Top 10 financings in Q2'20 in Asia-Pacific

- | | |
|--|---|
| <p>1 MGI Tech — \$1B, Shenzhen
Biotechnology
<i>Series B</i></p> | <p>6 Navi Technologies — \$397.9M, Bengaluru
Fintech
<i>Angel</i></p> |
| <p>1 Didi Bike — \$1B, Hangzhou
Application software
<i>Early-stage VC</i></p> | <p>7 Royole — \$300M, Shenzhen
Electronics (B2C)
<i>Series F</i></p> |
| <p>3 Zuoyebang — \$750M, Beijing
Edtech
<i>Series E</i></p> | <p>8 Eswin — \$281M, Beijing
Semiconductors
<i>Series B</i></p> |
| <p>4 Didi Autonomous Driving — \$500M, Shanghai
Automotive
<i>Early-stage VC</i></p> | <p>9 Ninja Van — \$279M, Singapore
Logistics
<i>Series D</i></p> |
| <p>5 Xingsheng Selected — \$400M, Changsha
Internet retail
<i>Early-stage VC</i></p> | <p>10 Mabwell — \$278.4M, Shanghai
Biotechnology
<i>Series A</i></p> |

Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

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About KPMG Private Enterprise

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

Tim Dümichen, Partner, KPMG in Germany

Tim Kay, Director, KPMG in the UK

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 considers 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 the edition of the KPMG Venture Pulse covering 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 since, yet is more reflective of how the industry views the true size of an exit via public markets.

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