



Venture Pulse Q3 2018

Global analysis of
venture funding



10 October 2018

Welcome message



Welcome to the Q3'18 edition of KPMG Enterprise's *Venture Pulse* — a quarterly report highlighting the key trends, opportunities, and challenges facing the venture capital market globally and in key jurisdictions around the world, including the Americas, Asia and Europe.

Global VC investment reached a new annual investment high this quarter — confirming 2018 as a massive year for the VC market globally with 3 months of investment still to go. While total VC investment dropped quarter over quarter, the decline was not surprising given Q2'18 results were buoyed by the massive \$14 billion deal by Ant Financial. Despite the decline, results remained strong compared to other quarters, led by a \$2 billion raise by Grab in Singapore and \$1 billion raises by Bitmain in China and Oyo Rooms in India.

The IPO market globally now appears wide-open, helping to spur ongoing interest in the VC market. More than 20 unicorn companies globally have issued IPOs already in 2018 — far exceeding totals over the past 2 years. Post-IPO results have been relatively strong for most companies — a trend spurring excitement for potential high-profile exits expected heading into 2019.

Urban mobility continued to gain momentum in Q3'18, with many of the big car-sharing companies continuing to expand into other forms of transportation. Uber's recent investment in Lime — an electronic scooter and bike share company is a prime example of this. This trend follows one that began in China — where unicorn company Ofo's bikes are now available through the Didi Chuxing app. In the mobility space, autonomous driving also continued to gain investor interest — a trend not expected to fade anytime soon.

Looking ahead, while developing trade wars between the US and China and other countries are causing some investor concern, there continues to be strong optimism in the market for the remainder of 2018 and heading into 2019.

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

- The massive strength of the VC markets in the US and Asia
- The resurgence in the number of new unicorn companies
- Growing VC investor interest in the co-working space
- The ongoing attraction of food-delivery options to VC investors
- The focus on investments and partnering in autotech and urban mobility.

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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- Median deal size for series D rounds almost doubles since 2016
- Corporate VC participation for 2018 surpasses 20%
- First time VC financings (YTD) fall to all time low
- Global exit activity surges on strength of IPO market

Americas

28

- Americas sees \$28.9 billion invested across 2,056 deals in Q3
- Latin America and Canadian venture investment surpasses 2017 annual total
- Series D+ medians more than double since 2016— reaching \$290 million in 2018
- Brazilian companies raise close to \$300 million in Q3

US

41

- US venture capital boom continues, reaching \$27.9 billion in Q3
- Total venture capital investment reaches \$84 billion (YTD) — exceeding 2017 annual totals
- Quarter over quarter investment volume drops by 17.5%, initially
- IPO activity surpasses 2017 volume — with a quarter to go
- US sees 12 deals of \$300 million or more

Europe

59

- Deal value hits \$5.2 billion across 571 deals
- European deal volume falls by 36.6% quarter over quarter, initially
- Corporate VC participation rate approaches 24%
- Annual first-time venture financing volume and value reach record lows
- Largest 10 deals spread among 6 different countries

Asia

82

- Asia captures 9 of largest 13 deals globally this quarter
- Seed and angel stage deal volume plummets by 51% quarter over quarter
- Corporate participation rate surpasses 35% in Q3
- Massive quarter for IPOs in Hong Kong
- India surges to over \$2.5 billion invested in Q3

Q3'18 summary



Is there a new normal?

For some time now, against the backdrop of massive capital flows, a primary theme for the global venture community has been whether or not the cycle would eventually revert to more reasonable historical means or whether it has truly entered a new normal. At the earliest stage, volume did indeed revert, but thus far, early-stage and especially late-stage activity has stubbornly failed to follow suit. Instead, enormous sums of capital are still invested each quarter, while the volume of deals looks set to persist at a historically healthy pace, unceasing. The reason why a new normal cannot yet be determined, however, is for a true seismic shift in how the VC landscapes to have occurred, such a trend would have to persist in the face of truly transformed market conditions. That has yet to occur.



Nearly every region looks set for a decade high

Three quarters in, the Asia Pacific region has already hit a new, gargantuan high in aggregate venture capital (VC) invested. The US has as well, thereby bolstering the Americas to a record high too. Last but not least, Europe is on pace to eclipse \$23 billion invested this year alone, despite diminishing volume. In short, the profundity of VC inflows seems hardly set to diminish anytime soon. Paired with steadying tallies of activity, the venture industry looks more robust than ever.



Median financing size trends remain robust testament to evolving landscape

Hand in hand with the apparently new normal of diverging VC invested and plateauing volume, median deal sizes have steadily crept up across all stages and look set on staying at record levels. More importantly, such inflation has occurred across all regions. The critical question remains whether or not this trend is primarily driven by financial market conditions i.e. the sheer abundance of dry powder within VC plus entrance of non-traditional investors led to demand outstripping supply or whether larger sums are merited simply due to the confluence of additional factors, such as much greater markets enabled by the smartphone phenomenon. Thus far, the sustainability of the trend would suggest more the latter than the former.



Completing the reversion at the earliest stages

At the global level, the quarterly tallies of angel and seed financing volume have finally appeared to even out, almost in tandem with early-stage counts. Although driven in large part by angel and seed investors in the US having long since evened out their activity after a period of exuberance, it is worth noting that nearly every region now appears to see their earliest-stage tallies enter a plateau. This, more than anything else, suggests mean reversion to more sustainable investing patterns at the riskiest of stages may be nearing its completion.



The ongoing impact of mega-funds

The key trend to note with regard to recent strong fundraising is that such abundance of capital will likely support dealmaking, particularly in larger size ranges given that funds of certain magnitude must write checks of a certain size to remain economically meaningful. Accordingly, there is a very important capital base to underpin even very large late-stage financings going forward; the challenge for investors will likely be adhering to strategies with sufficient discipline.

All currency amounts are in USD, unless otherwise specified, data provided by PitchBook.

Q3'18 summary



A revamp in IPO methodology better demonstrates true extent of value, especially in Asia

An encouraging sign for overall liquidity for the backers of startups is the gradual recovery of initial public offerings (IPOs), as volume has definitely picked up since the lows of 2016. Huge debuts on exchanges from the New York Stock Exchange (NYSE) to Hong Kong, such as Meituan Dianping's \$4.2 billion raise, yielding a market cap of almost \$53 billion most recently, are illustrating how even very high-valued companies that have yet to turn a profit can still demonstrate their worth in public markets. However, it is worth noting that such debuts are mainly restricted to such large companies that have hit the necessary scale to justify going public in the first place. Also, in this edition of the Venture Pulse, the methodology of depicting exit values has been changed to better accommodate such huge raises as have been seen in Hong Kong as of late. Rather than utilizing the offering size, the pre-valuation has been included, thus depicting the extent of, say, Xiaomi's debut on public markets earlier this year. See the methodology for the report on page 101.



Healthcare sectors still seeing active interest

In Q2 the pharma and biotech sector was on a tear already in 2018. Now, with one quarter to go, startups within the space have raised well over \$19 billion, larger than any prior year by a considerable sum. Although other healthcare sectors are still on pace for record or near-record levels of VC invested this year as well, the largesse shown across such a relative volume is rather remarkable, if explicable by that sector's typical economics. However, the spate of enormous exits within the space have demonstrated the financial potential of nascent technologies such as immunotherapies.



The ongoing potential for liquidity

As noted in the prior edition of the Venture Pulse, exit values remain historically healthy, even as the tally of completed exits subsided on a quarterly basis. In fact, the most recent quarters have seen a marked increase in aggregate exit values, especially in light of the change in IPO value depiction explicated above. Such elevated sums will need to persist, however, to match the largesse shown on the dealmaking side, so investors would do well to keep a keen eye on any potential faltering in the liquidity landscape. M&A remain the bulk of all exits, by and large, and will need to remain strong as alternative paths to liquidity that were spotlighted in the prior edition of the Venture Pulse are growing, yet not sufficient in and of themselves to bolster exits alone. Moreover, although IPO exit values will show the true extent of potential liquidity for some firms, not all unicorns necessarily are still well-disposed to go public. Even some that have recently debuted are not performing up to where they initially landed.

All currency amounts are in USD, unless otherwise specified, data provided by PitchBook.

***Globally, in Q3'18
VC-backed
companies raised***

\$52B

across

3,045 deals



Global VC investment reaches new annual high at the close of Q3'18

Global VC investment surpassed the previous annual record set in 2017 during Q3'18, driven in part by strong investment activity in all regions of the world. Both Asia and the US achieved new annual VC investment highs this quarter, while VC investment in Europe remained relatively steady.



Record year for VC investment — with 3 months to go

With one quarter still remaining in 2018, VC investment globally surpassed the record \$171 billion raised during all of 2017. While the number of VC deals remained just over half of the peak annual high of 19,890 achieved during 2015, deals have become much larger, thus accounting for the massive uptick in investment. Globally, VC investors continued to focus on late-stage deals, although there continued to be some stabilization of activity at the seed and angel deal stages — in Asia and the US.

The VC funding base has continued to mature and strengthen compared to previous years — with the availability of funds and the size of funds both growing quite substantially. While SoftBank's \$100 billion Vision Fund continues to be an outlier fund, other mega-funds are expected to appear over the next few quarters as other VC funds look to compete for the biggest bets. With companies now looking more positively at exit opportunities, there could be a renewal in funding sources over the next few quarters.



US and Asia continue to drive global results, while Europe remains steady

China and the US accounted for many of the biggest deals this quarter, although Singapore-based ride hailing company Grab attracted the largest funding round: a \$2 billion raise in August. In the US, a strong economy, numerous \$100 million+ mega-rounds, and a more positive IPO market helped keep VC investment high, while a \$1 billion series B deal by China-based bitcoin mining equipment manufacturing company Bitmain led activity in China. India also saw a \$1 billion raise by hotel booking company Oyo Rooms this quarter. While the three \$1 billion+ deals in Asia pale in comparison to Ant Financial's \$14 billion raise during Q2'18, the deals highlight the ongoing strength of the VC market in the region.

In Europe, VC investment fell well short of the funds raised in Asia and the Americas, yet remained relatively steady compared to historical norms.



IPO market becoming more attractive with positive exits on the rise

Q3'18 saw an ongoing resurgence in IPO activity globally, with companies like event ticket provider Eventbrite joining the likes of DocuSign, Zscaler, and Ayden — all of which issued IPOs earlier this year. In its first day of trading, Eventbrite's share price rose almost 60% above its listing price.

While less spirited, the IPOs of a number of Chinese-based technology companies — including electric car manufacturer Nio on the NYSE, and smartphone company Xiaomi on the Hong Kong Stock Exchange (HKSE) — took place during Q3'18. While both companies had relatively uninspiring results in their first days of trading, the longer-term results will be critical to watch in order to identify long-term trends.

Global VC investment reaches new annual high at the close of Q3'18. cont'd.

Over the next quarter, it is likely that both IPO interest and activity will continue to rise, even in Europe which, has been considered to have a relatively soft IPO market historically. In the UK, peer-to-peer lending unicorn company Funding Circle is poised for an IPO on the London Stock Exchange in the near future. It is likely other unicorns will aim at IPO exits in Q4'18 and into Q1'19.



Unicorn births see a resurgence in Q3'18

The number of new unicorns (companies with a \$1 billion+ valuation), globally continued to see a bounce-back in the third quarter following on a resurgence that began earlier in the year. After 17 unicorn births in Q1 and 20 in Q2'18, 18 unicorns were birthed during Q3'18. While many of the new unicorns came from the US, including Automation Anywhere, Starry, Lime and Toast — and from China, including Link Doo, Xpeng and Tiger Brokers, other new unicorns came from a wide mix of countries — including Singapore (Trax), Germany (Celonis), Hong Kong (Klook). The most surprising unicorn to be birthed in Q3 was delivery platform company Rappi, based in Colombia. Rappi is only the second unicorn to come from Latin America — following in the footsteps of Brazil-based Nubank.



Cross-border investment remains healthy, despite US trade war concerns

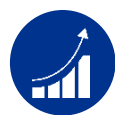
US investors continued to make significant investments abroad, even as the US government expanded its tariff wars with countries such as Canada and China. In September, the US expanded tariffs to an additional \$200 billion worth of goods coming from China, following on the initial tariffs to \$50 billion of Chinese goods. In retaliation, China imposed its own set of tariffs on US products.

While VC investors are somewhat leery of the potential long-term consequences of trade tensions between the US and other countries, VC investors have continued investing overseas, dialing up activities in Europe — particularly in the United Kingdom. Others VC investors have started to look at expanding to newer technology hubs in order to broaden their portfolios.



VC investors focusing on confluence of technologies

While a number of industries garnered a significant amount of attention from investors in Q3'18, including transportation sharing, food delivery and agtech, VC investors globally also increasingly focused their attention on companies with technologies that cross sectors and that blur the lines between sectors. For example, ride hailing company Uber recently invested in bike and scooter sharing company Lime in order to provide access to electric scooters via its app. This deal followed on Uber's acquisition of bike sharing company Jump Bikes at the end of Q2'18.



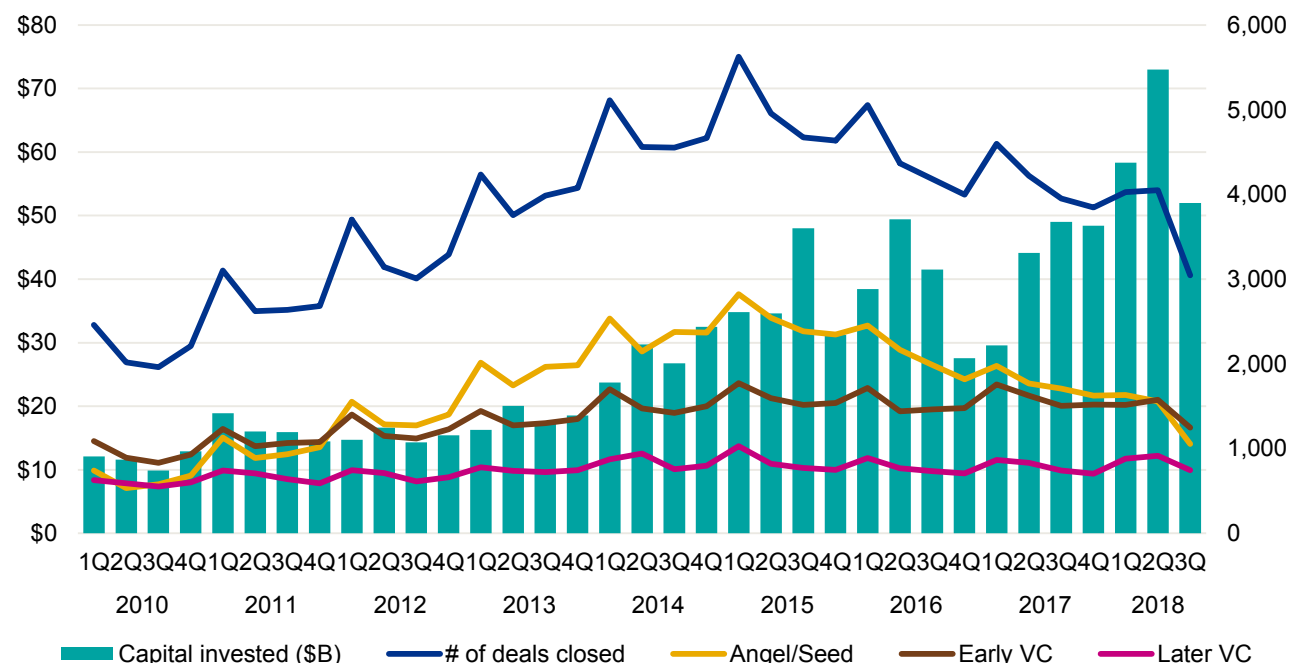
Healthtech and biotech remain big VC market winners globally

Healthtech and biotech again attracted a significant amount of investment this quarter, with \$100 million+ raises by One Medical, 23andMe, BioNTech and Orchard Therapeutics among others. While some companies have found it challenging to disrupt current processes and structures, companies that have focused on either patient needs or on infrastructure have had some success. Given the aging population and rising medical costs in most regions of the world, healthtech and biotech are expected to be long-term areas of focus for investors.

The new normal?

Global venture financing by stage

2010 — Q3'18



Source: Venture Pulse, Q3'18. Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018. Note: Refer to the Methodology section on page 101 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

For some time now, it has been clear that the unprecedented conditions financial markets experienced since 2010 have induced a dramatic shift in the venture industry in particular. First angel and seed investing soared in volume in the middle of the decade as high-net-worth individuals' portfolios recovered from the financial crisis and more limited partners began to pledge capital to nascent seed-focused funds. Then, significant growth at the late stage and even an emergent 'private IPO' market occurred, culminating in the ongoing maturation of ecosystems beyond Silicon Valley. The question now is whether this new normal of heightened levels of VC invested, within the range observed since the end of 2014, will persist.

"With 3 months left to go, global VC investment is already ahead of funds raised during all of 2017. This speaks to the incredible levels of innovation happening across the Americas, Asia and Europe. The opportunities companies are providing today are reshaping the world around us — and VC investors want to be a part of that."

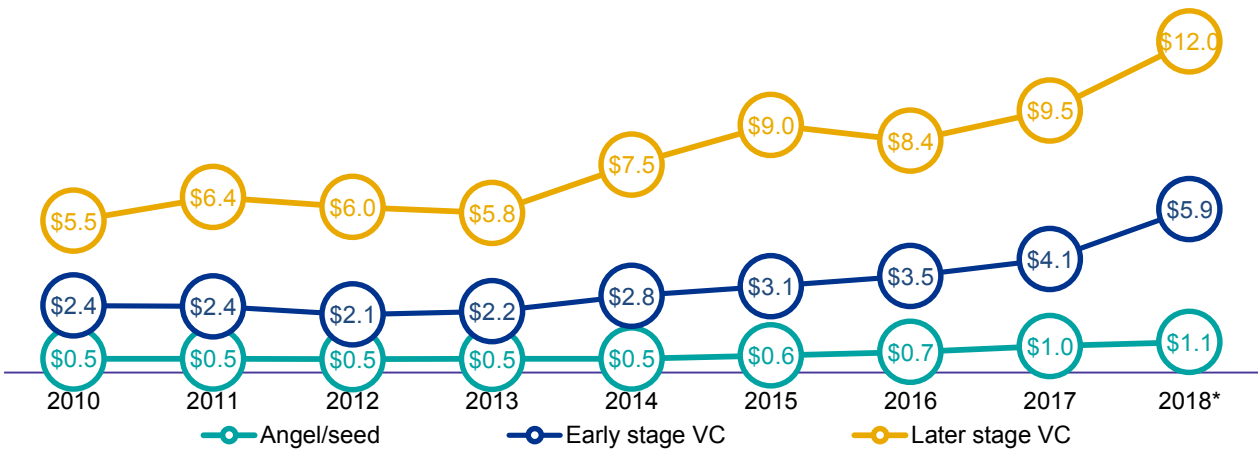


Jonathan Lavender
Global Chairman, KPMG Enterprise, KPMG International

Growth in medians seems more reasonable than the preponderance of positivity

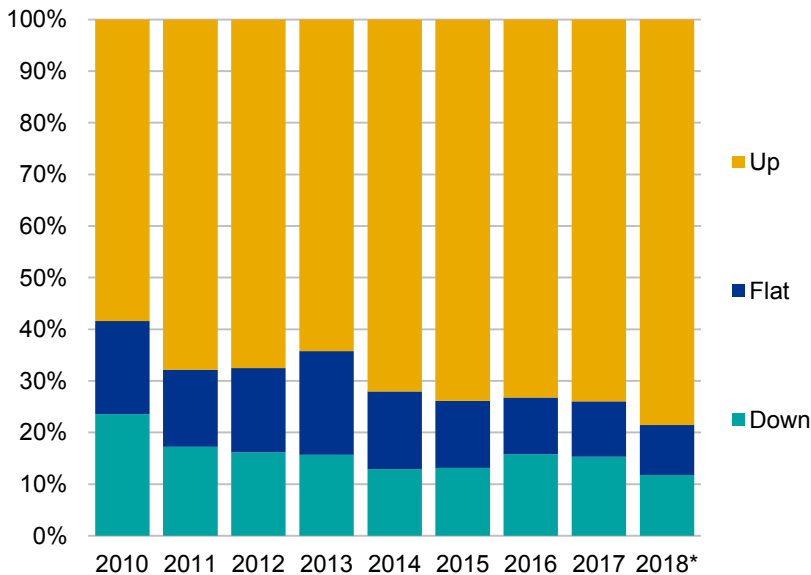
Global median deal size (\$M) by stage

2010 — 2018*



Global up, flat or down rounds

2010 — 2018*



“Across the globe median venture capital deal sizes continue to steadily increase across all stages, reaching new heights in 2018. The abundance of dry powder, continued rise of corporate participation and ever increasing market sizes may continue to drive investment for some time to come.”



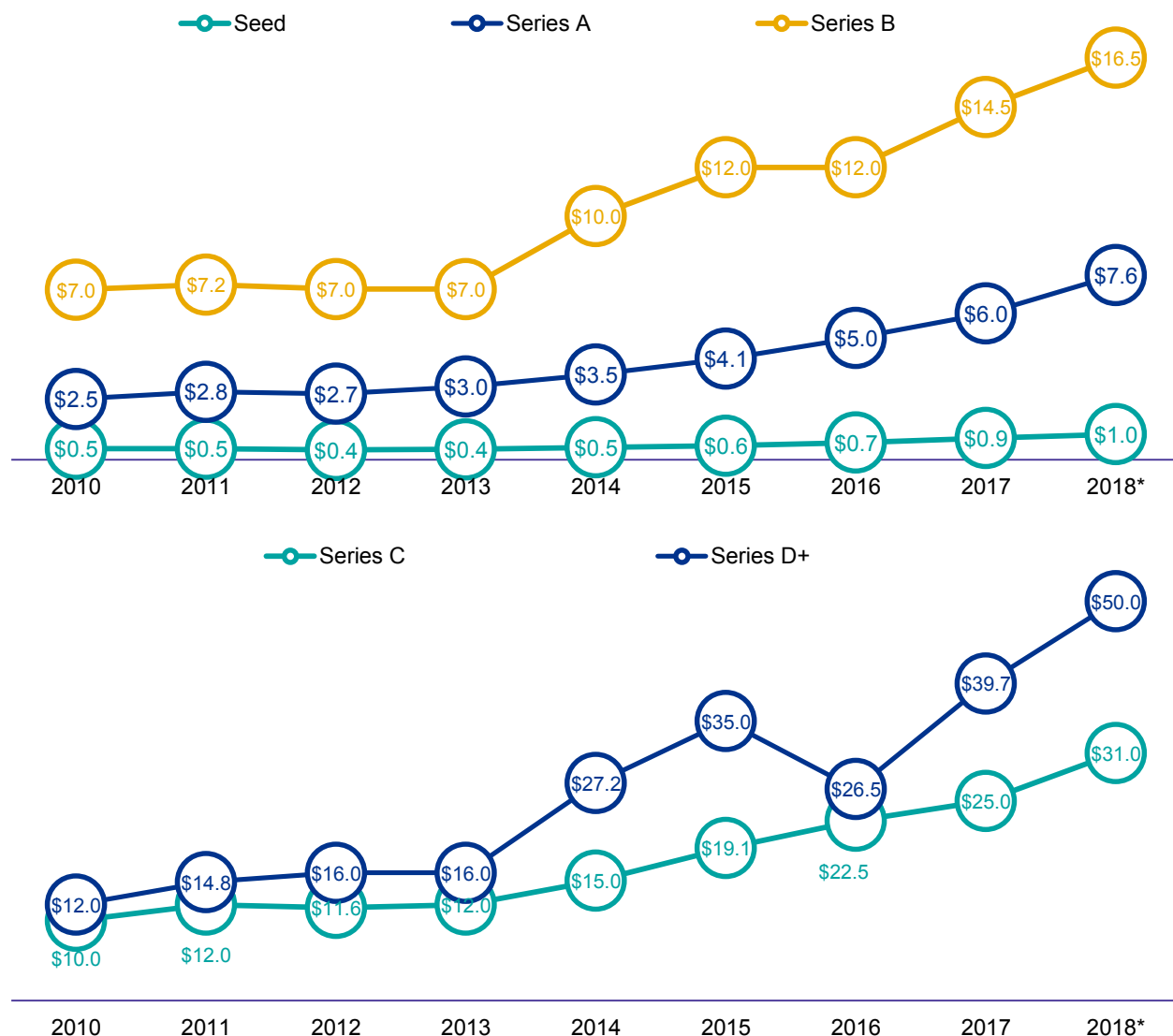
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Co-Leader, KPMG Enterprise Innovative Startups Network, KPMG International and Partner, Head of Technology, **KPMG in Israel**

Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Unceasing growth at the late stage

Global median deal size (\$M) by series

2010 — 2018*



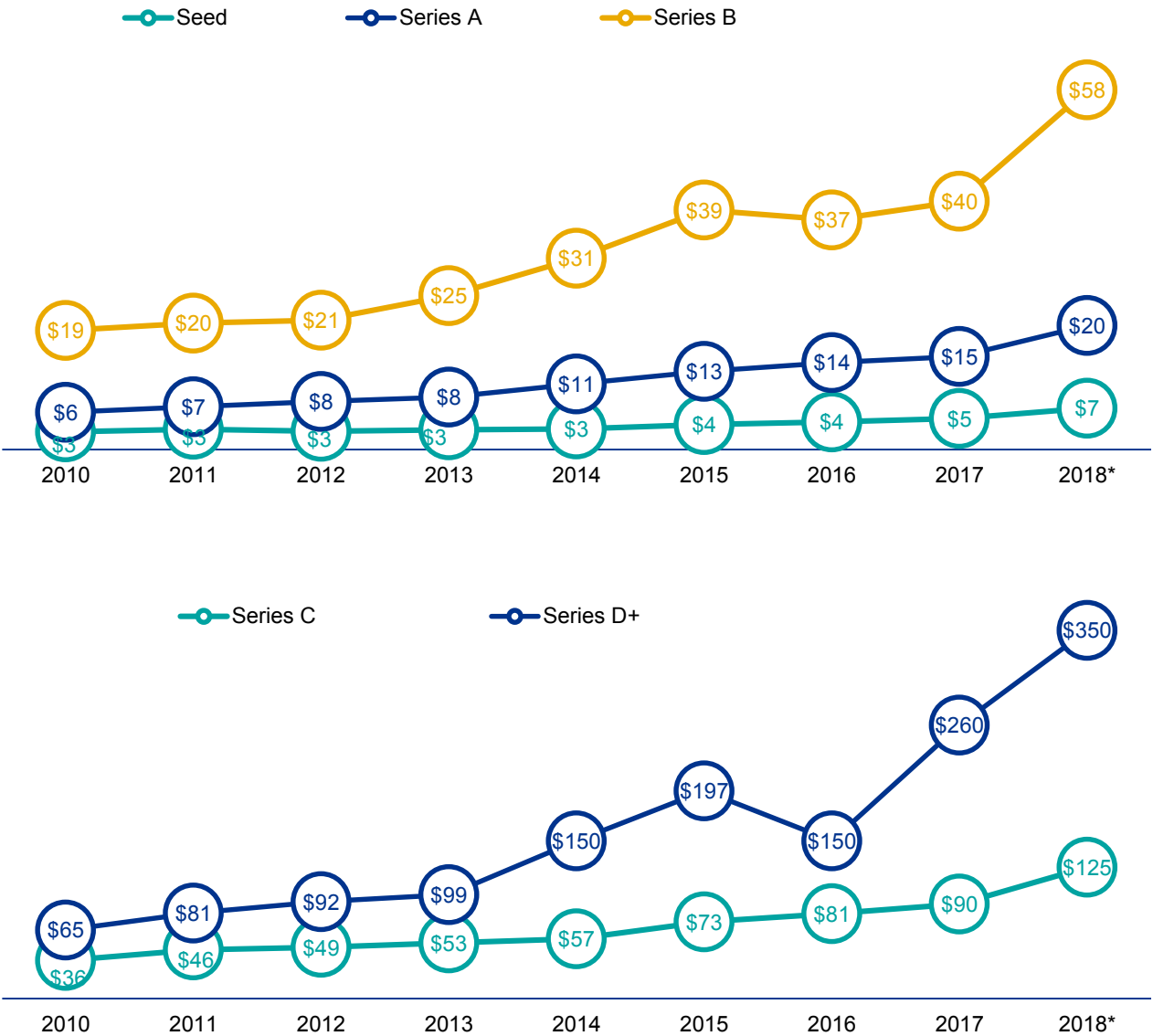
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Is a near-doubling in size, in the span of 2 years, sustainable? The median Series D and later round has jumped from \$26.5 million to \$50 million between 2016 and 2018 to date. Perhaps a better question is again whether the arena for private company growth has been irrevocably transformed by the overall shift in financial markets, as more investors look for alpha gain in riskier, illiquid, yet potentially more profitable venues. Despite the level of growth throughout this decade, it still is too soon to tell, as permanence will only be truly indicated by the transformation of a crisis.

Valuations march upward without pause

Global median pre-money valuation (\$M) by series

2010 — 2018*

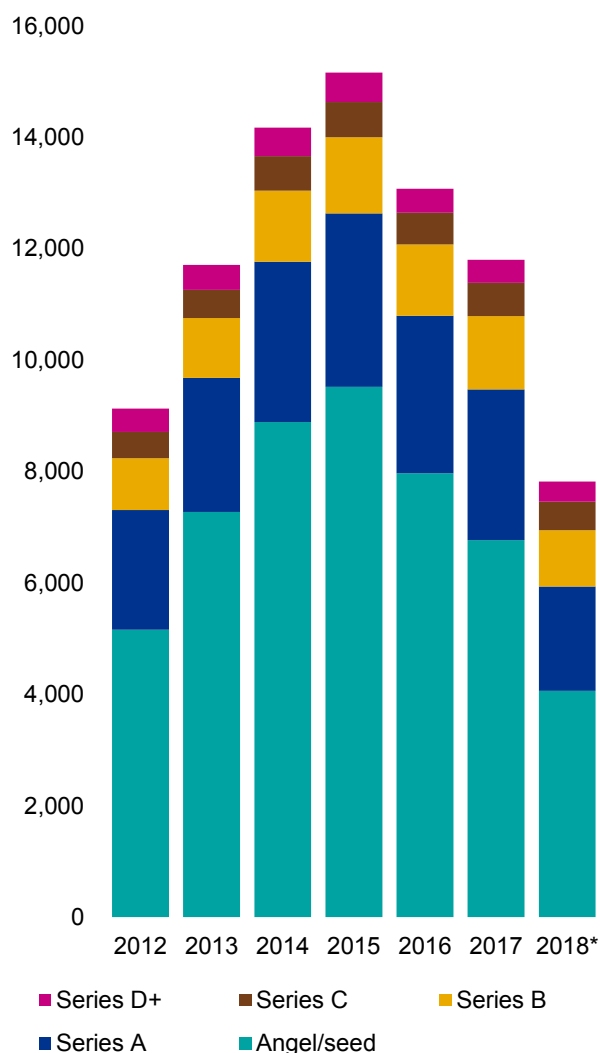


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

The cyclical reset may be nearly complete

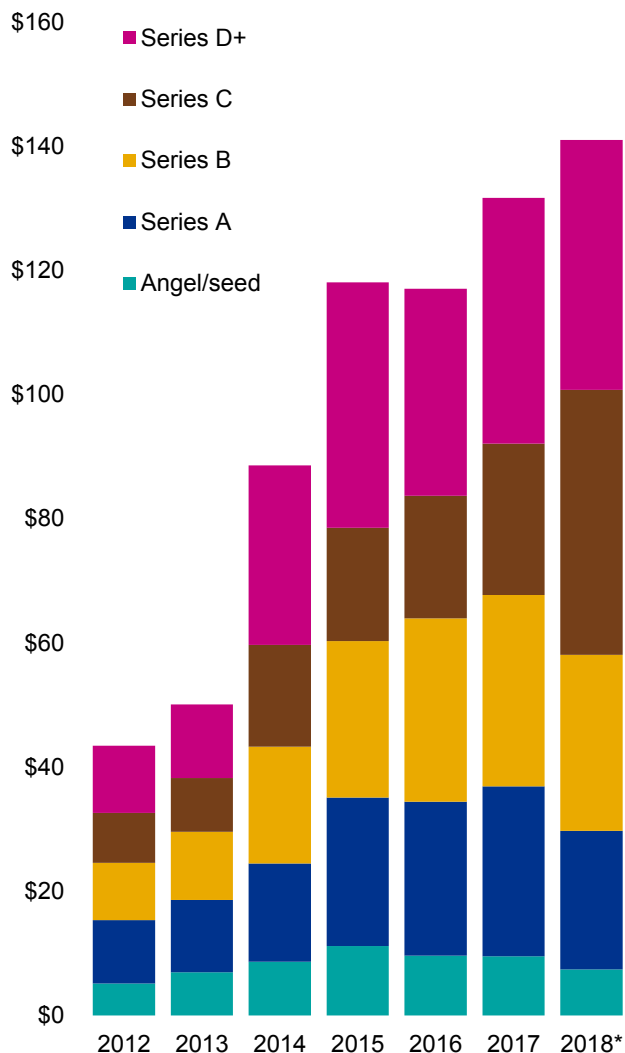
Global deal share by series

2012 — 2018*, number of closed deals



Global deal share by series

2012 — 2018*, VC invested (\$B)



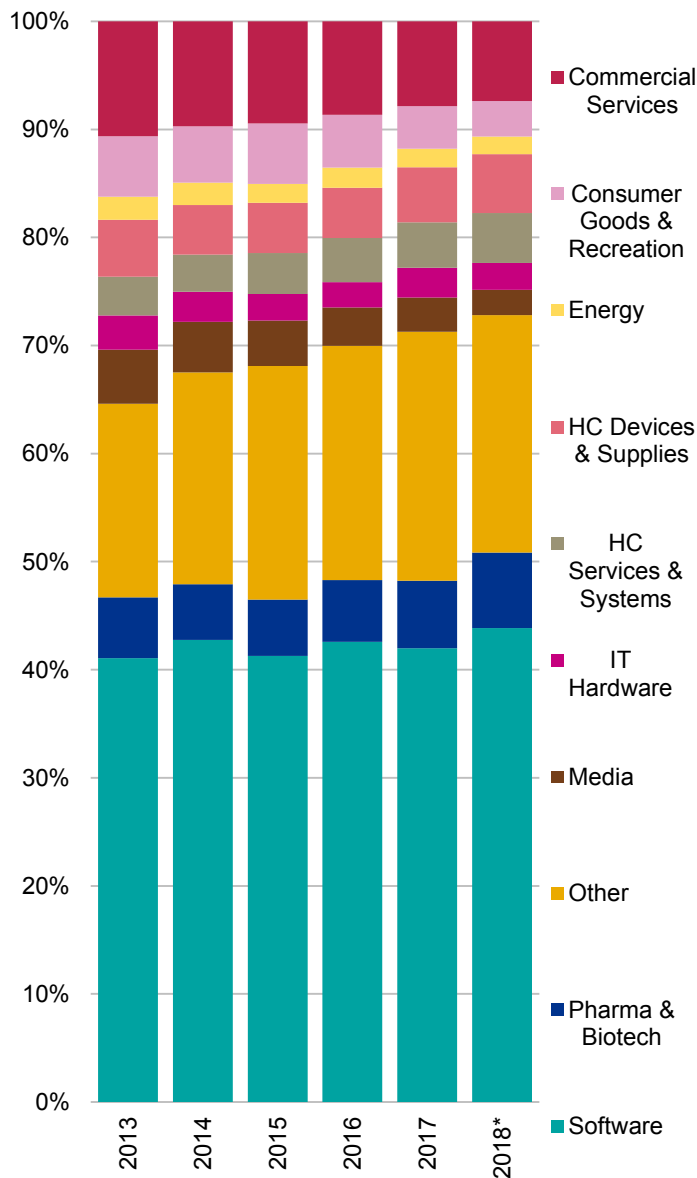
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

VC invested, in the current cycle, has clearly been massively skewed toward the later stages, specifically Series C and D or later financings. What is interesting is that the reset of the cycle and in some ways traditional nomenclature, wherein angel and seed financing volume first escalated and then reverted to longer-term means, seems to have essentially been completed.

Globally, software still predominates

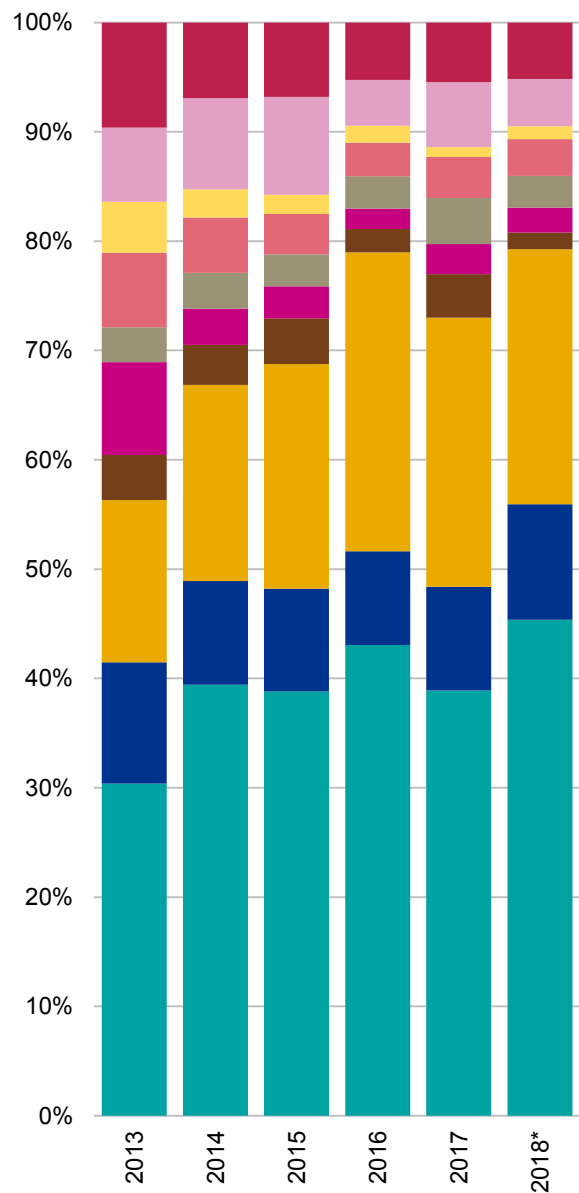
Global financing trends to VC-backed companies by sector

2013 — 2018*, number of closed deals



Global financing trends to VC-backed companies by sector

2013 — 2018*, VC invested (\$B)

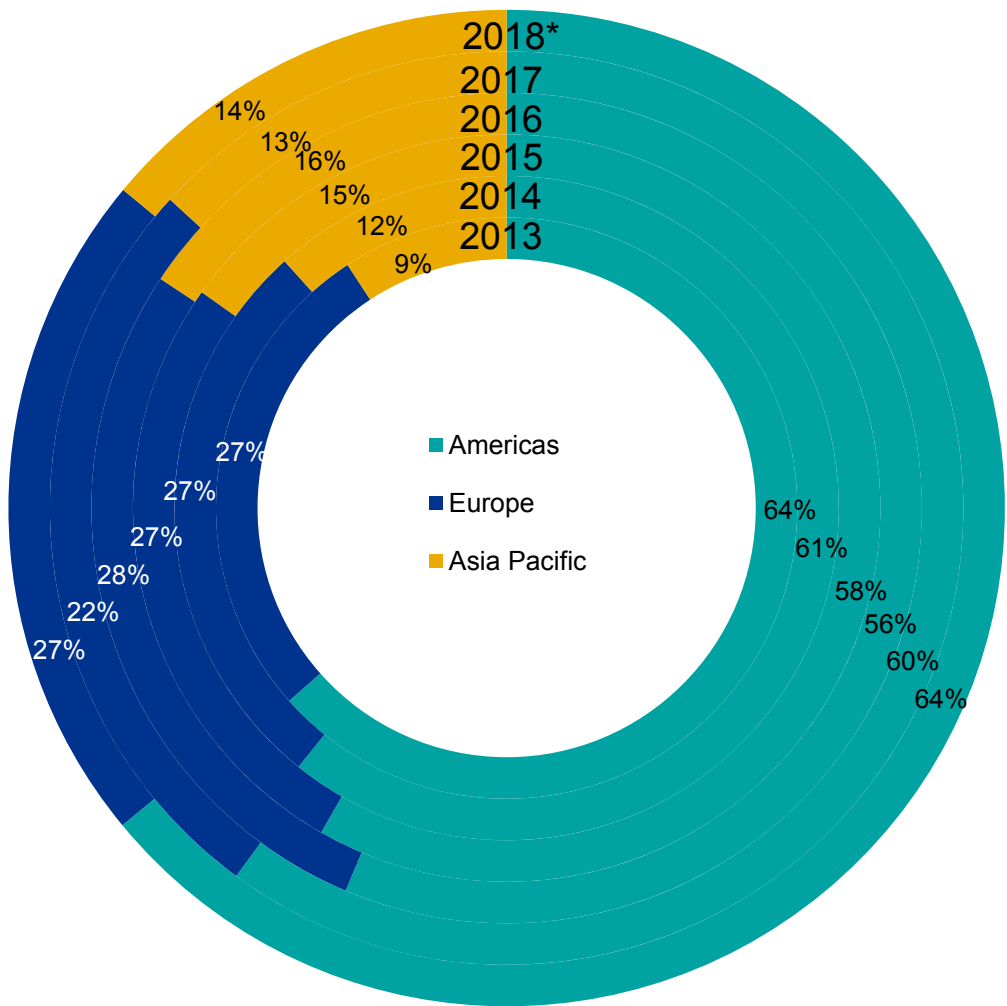


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

2018 sees emerging markets' volume tick up

Financing of VC-backed companies by region

2013 — 2018*, number of closed deals

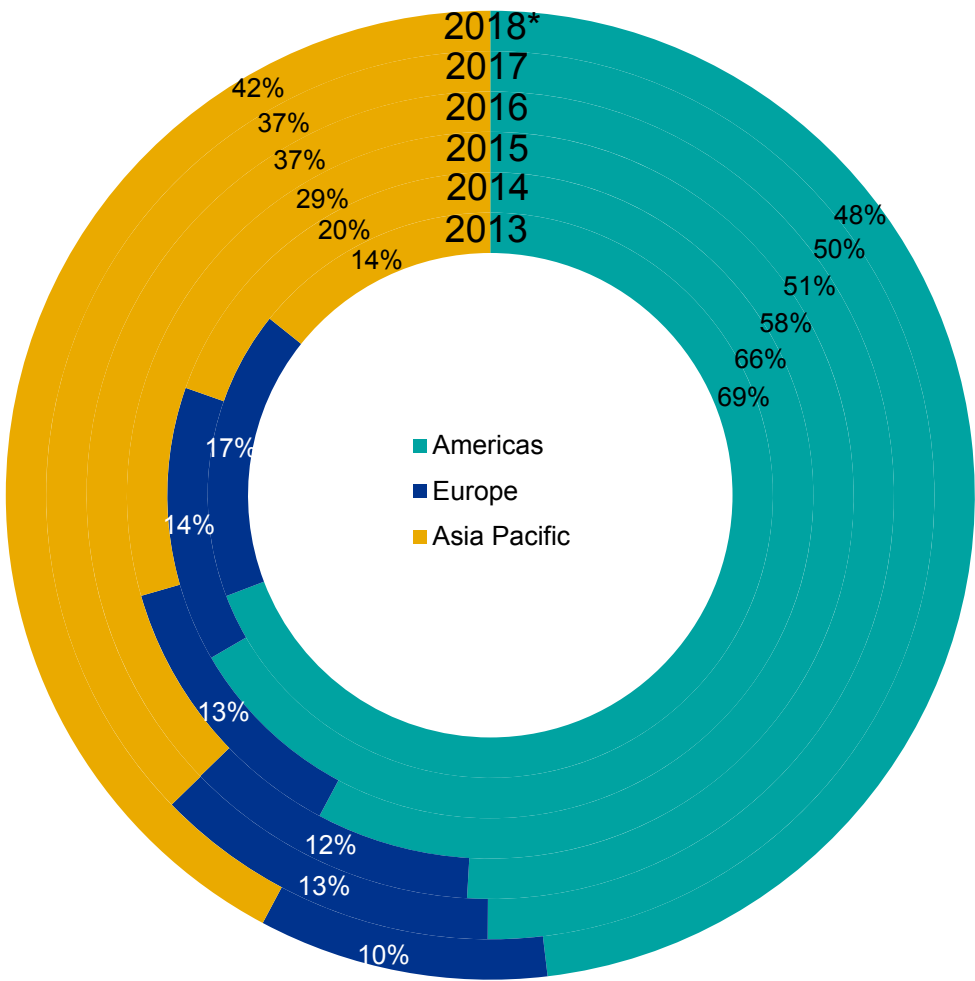


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

A dramatic shift in VC invested to Asia

Financing of VC-backed companies by region

2013 — 2018*, VC invested (\$B)

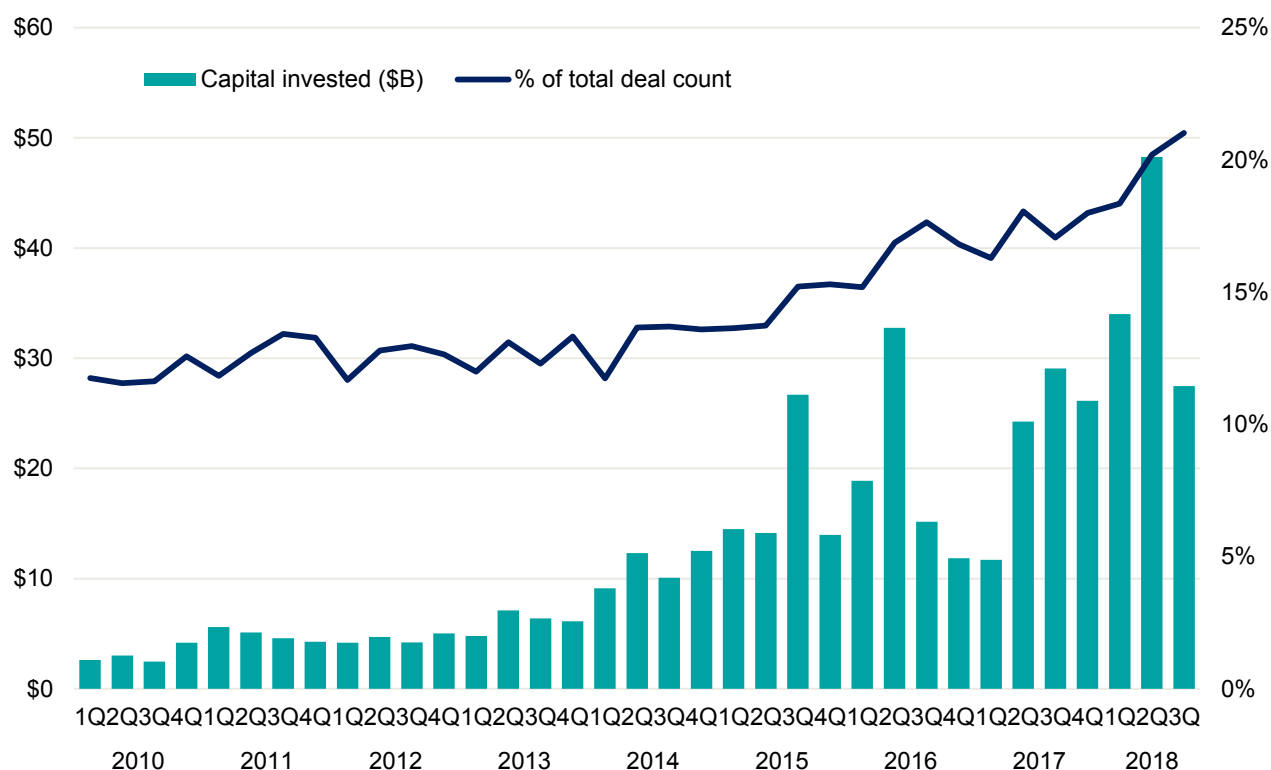


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Corporate VC participation now exceeds more than a fifth of all deals

Corporate VC participation in global venture deals

2010 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

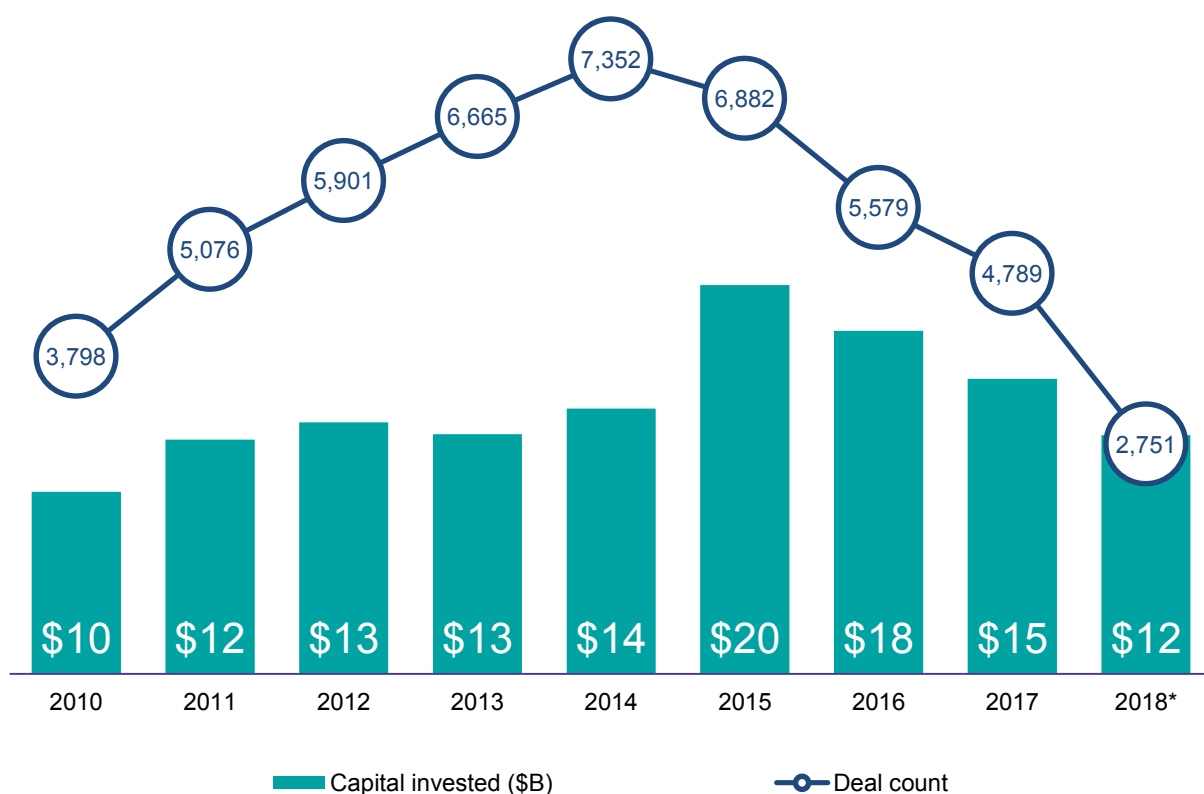
With one quarter to go, it is highly probable that corporates will reach an all-time high in the proportion of global venture deals in which they participated. What is telling about this figure is that it is one of the more clear indicators that the global venture industry has indeed evolved. The lines between outsourced Research and Development (R&D), traditional R&D, traditional venture, collaboration and other modes of innovation and research by companies are all blurring to greater degrees.

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, the percentage of deals is calculated by taking the number of rounds in which corporate venture firms participated over total deals.

Multiple factors combine for 2018 to see an all-time low in first-time VC financings

Global first-time venture financings of companies

2010 — 2018*



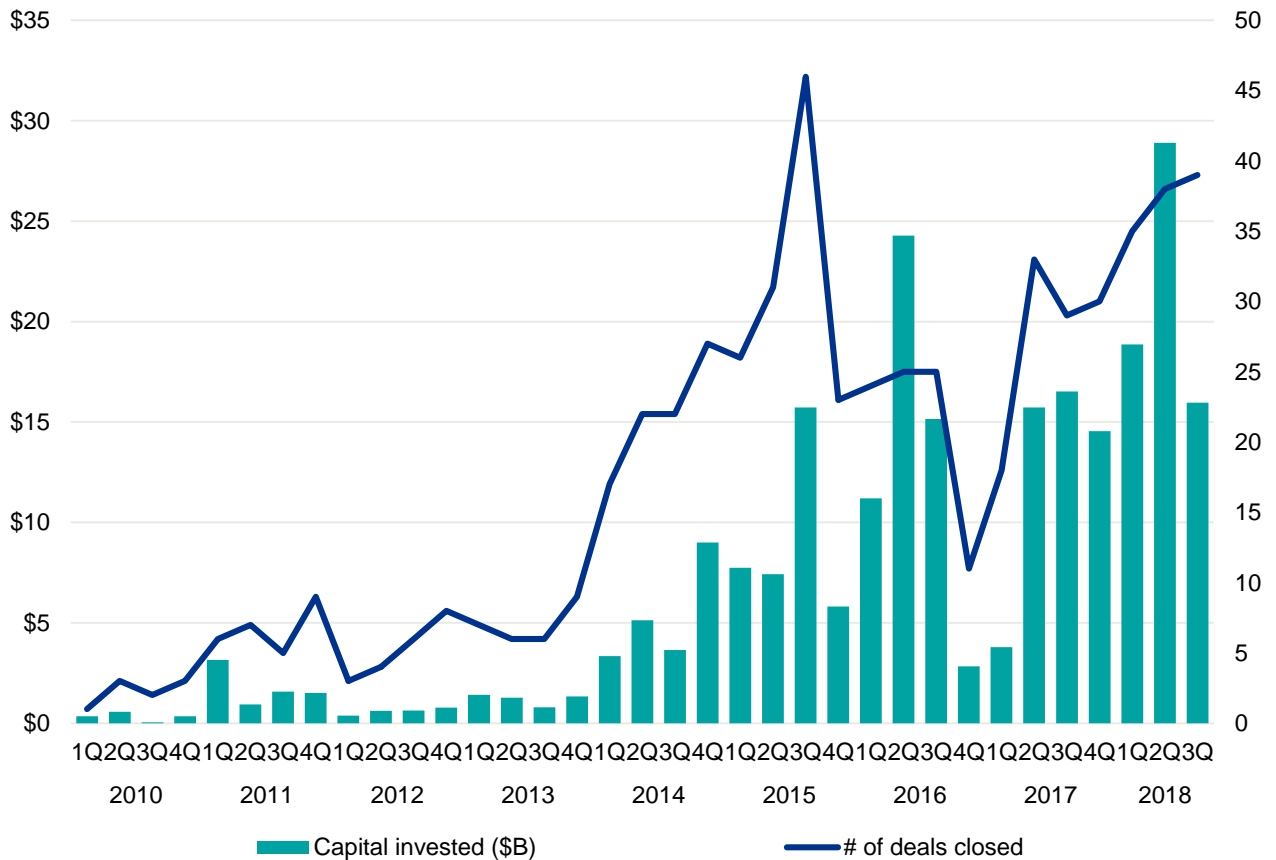
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Intriguingly, first-time financings by value look set to return to aggregate annual tallies seen earlier in the decade, even as the total volume of first-time financings diminishes considerably. It is important to note that first-time financing data will likely be lagged somewhat. Yet any lag would not affect final totals to such an extent that 2018 to date has not set a potentially new low. This is likely more due to the business and investment cycles coinciding in a relatively high-priced, high-valued environment, which has led to available capital being pledged to somewhat less risky, even if still early-stage, investments, while semi-nimble incumbents detract from startup rates by inculcating innovation internally.

The volume of unicorn financings is resurging

Global unicorn rounds

2010 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

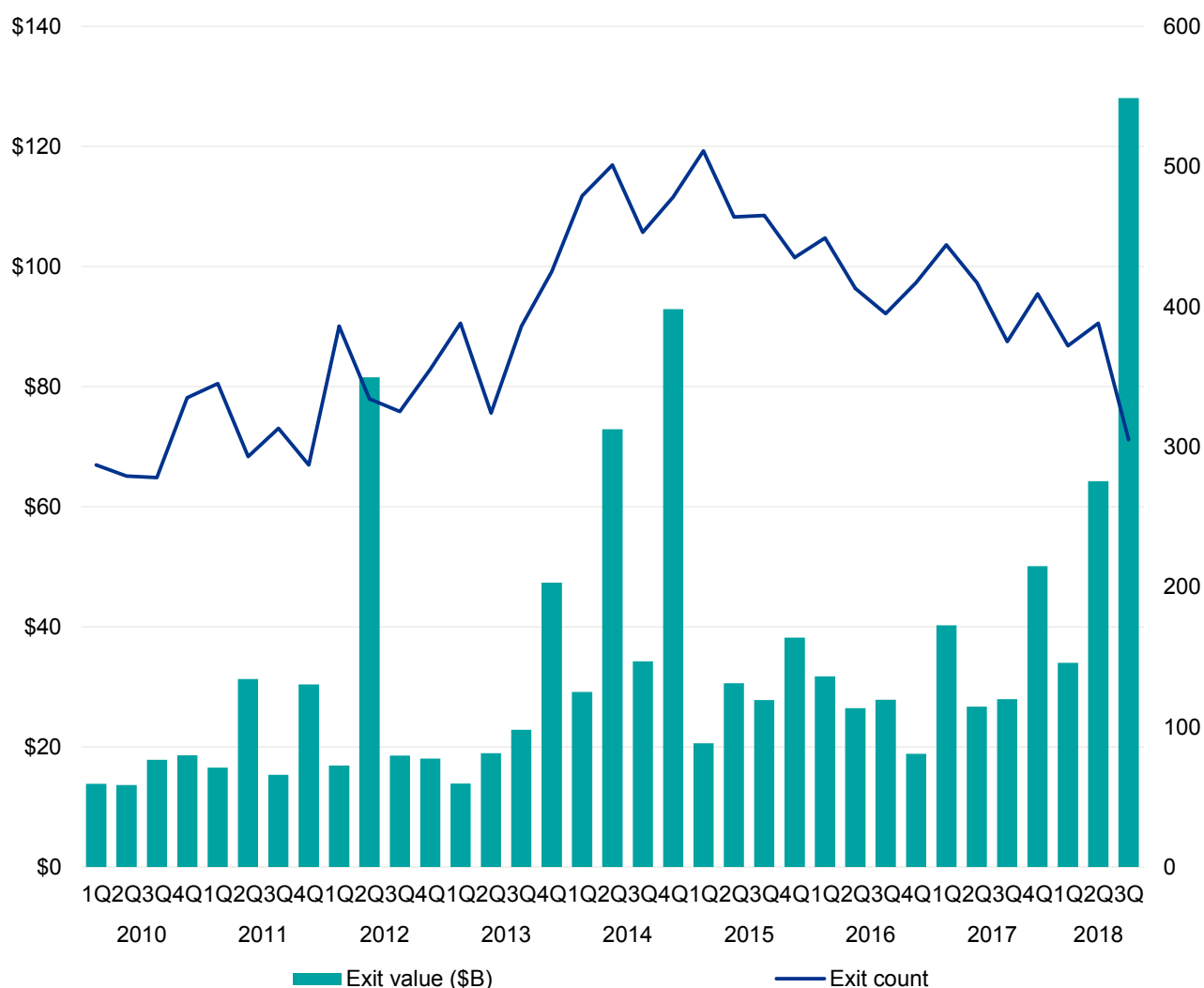
Note: PitchBook defines a unicorn venture financing as a VC round that generates a post-money valuation of \$1 billion or more. These are not necessarily first-time unicorn financing rounds, but also include further rounds raised by existing unicorns that maintain at least that valuation of \$1 billion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

For six quarters straight, the quarterly tally of VC raised by unicorns, whether new or existing, has eclipsed or nearly hit \$15 billion. During that timeframe, the clip of raising has proceeded at a steadier pace than nearly ever before, hovering between 30 to 40 transactions per quarter as well. The only disclaimer from this trend further supporting the evolution of the venture landscape is that existing unicorns still drive it substantially.

A flurry of Hong Kong IPOs boosts Q3 total

Global venture-backed exit activity

2010 — Q3'18



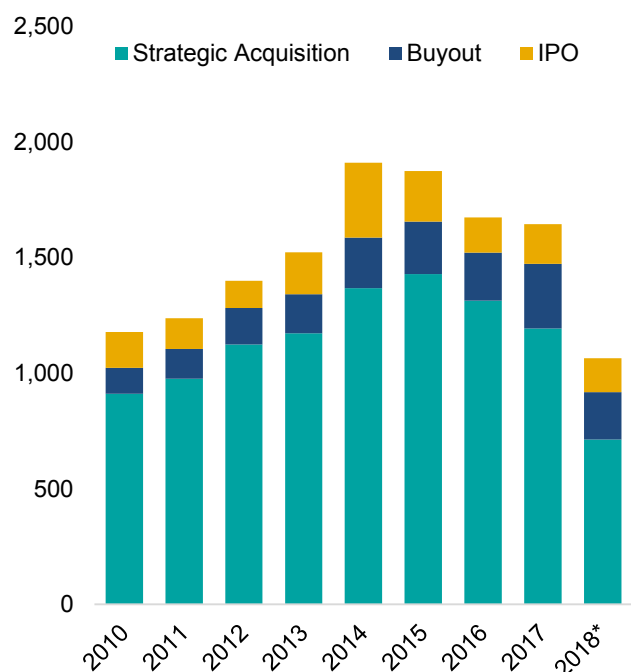
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

An important change in Venture Pulse methodology must be noted, given the significant trend differences. Although exit volume remains largely the same, the shift in exit values is due to the fact that PitchBook now utilizes IPO pre-valuations in the stead of IPO offering sizes. This better reflects the true extent of liquidity that investors are able to point to in their own portfolio valuations.

Two companies alone skew IPO values

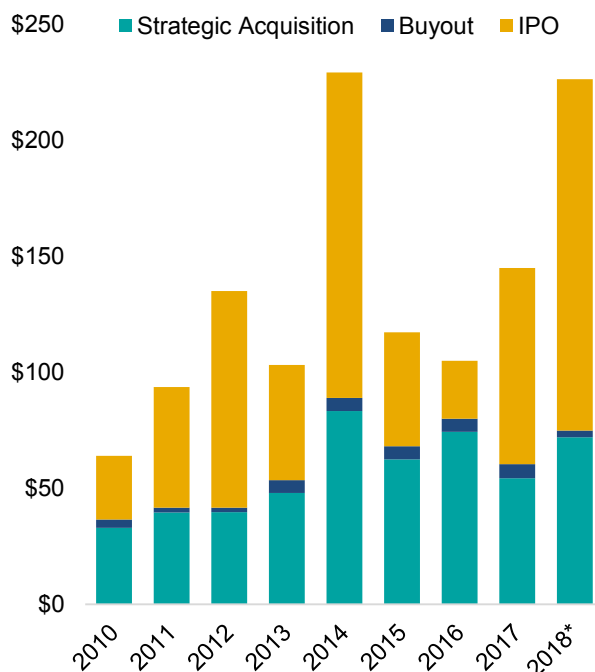
Global venture-backed exit activity (#) by type

2010 — 2018*



Global venture-backed exit activity (\$B) by type

2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

On a global basis, the tech IPO market has resurged primarily thanks to somewhat of a thawing in the US and a true surge in Hong Kong listings. Taking IPO pre-valuations into account rather than IPO sizes, now the true extent of potential liquidity considered by investors is visible and, moreover, signifies how just two companies have skewed aggregate exit values.

“The exit pipeline has continued to see a surge in activity. This quarter, we saw several unicorns exiting to strong results. While much of this activity is happening in the US, there are strong indicators that the other regions are following suit — with filings in Hong Kong and London. We are likely to see more unicorn investors gaining liquidity over the next quarter, which could lead to further injection into early stage companies.”

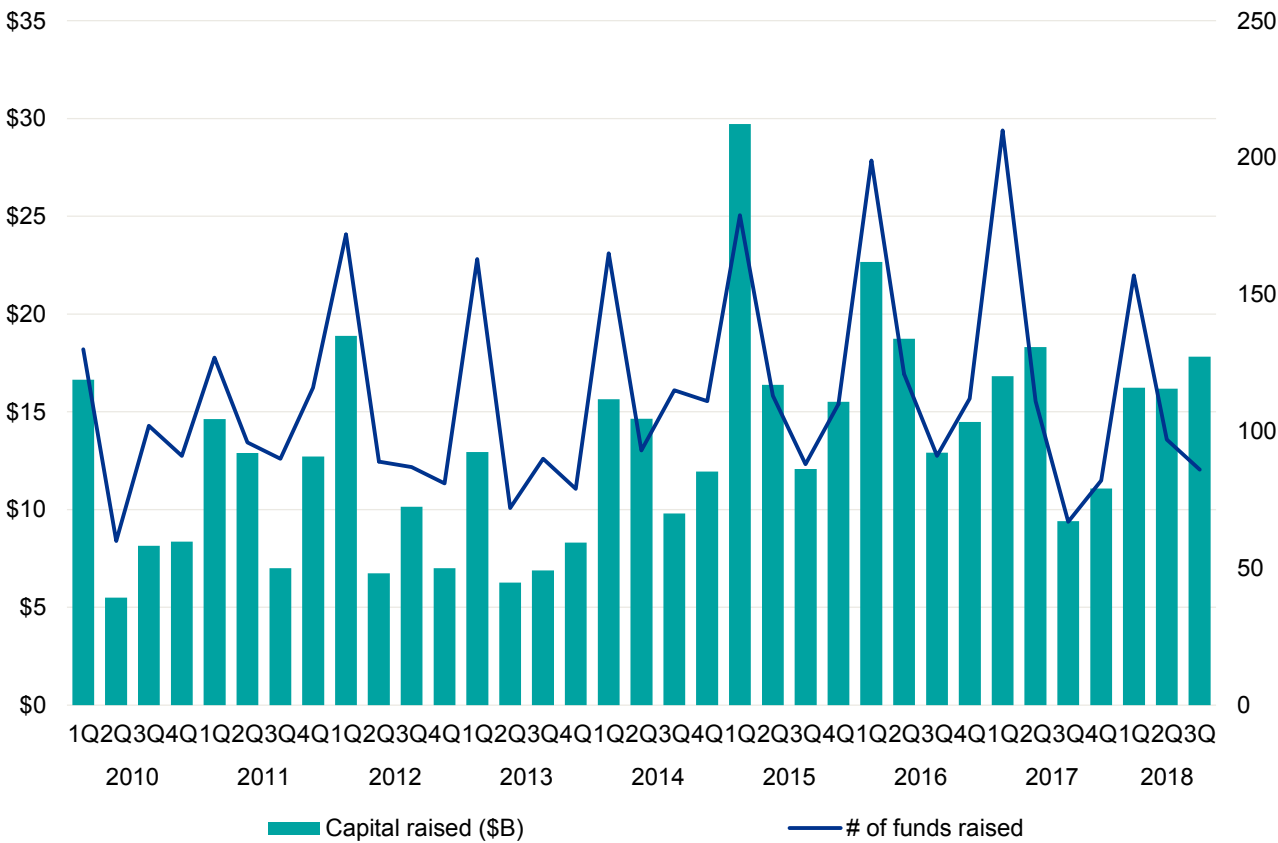


David Pessah
Senior Director, KPMG Innovation Labs
KPMG in the US

Fundraising chugs along

Global venture fundraising

2010 — Q3'18

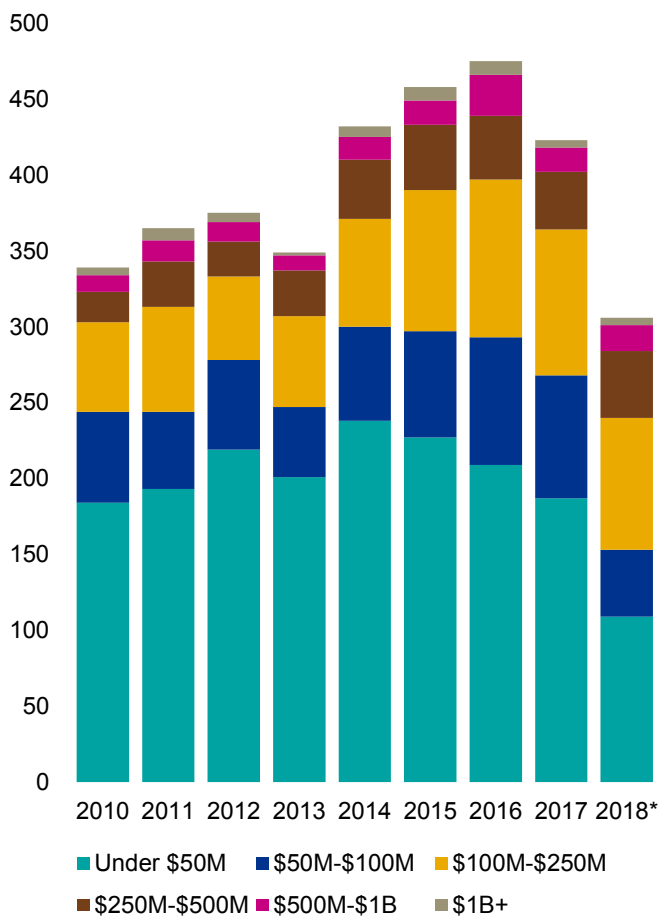


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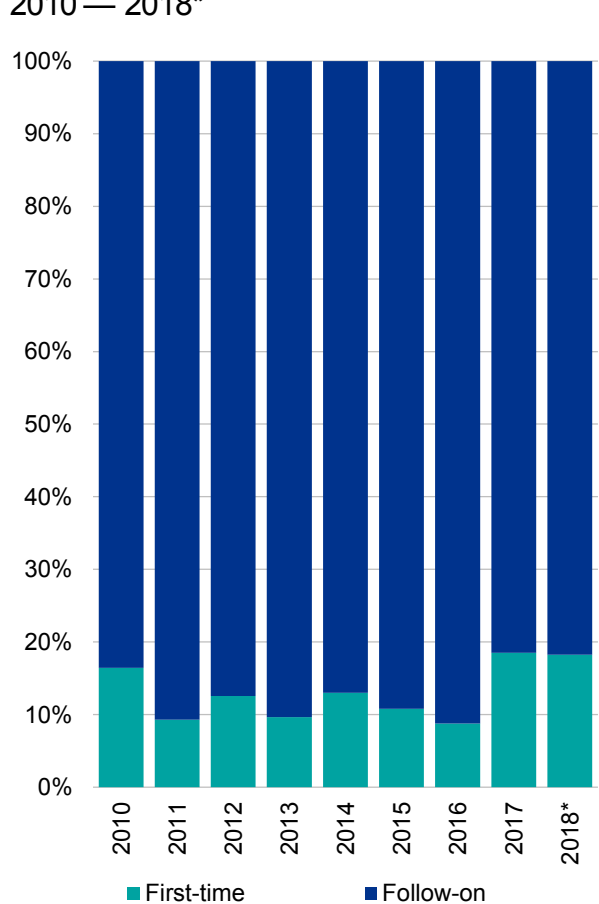
As noted in the prior edition of the Venture Pulse, the fundraising market is highly cyclical and skewed significantly by the popularity of alternative investments overall among capital markets. Hence, the waxing and waning of fundraising volume over the past decade. All in all, volume on a quarterly basis does indicate somewhat of a slowing of momentum, which is likely due to industry cyclical effects as the market sees newer fundraises and more established managers focus on working their current vehicles.

First-time funds enjoy best two-year stretch in decade thus far

Global venture fundraising (#) by size
2010 — 2018*



Global first-time vs. follow-on venture funds (#)
2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

After trending down as a proportion of overall fundraising volume from 2014 to 2016, first-time funds worldwide are still enjoying a comeback first kicked off in 2017. This trend is at least somewhat cyclical, as laid out in the prior edition of the Venture Pulse. More importantly, it is worth noting that this is proportionate amid lowering volume, so the cycle of fundraising may be also in a re-establishing phase.

Urban mobility at center of VC investment storm globally

So far, 2018 has been a banner year for global VC investment in a wide variety of urban mobility solutions — from bike and electric scooter sharing companies to technology companies providing supports that make autonomous driving more viable.

Global VC investment in the autonomous driving space has been particularly hot the past 2 years. Year-to-date investment is well on pace to exceed the previous record, set in 2016, showing the extensive longevity of the investment trend — one not expected to slow down any time soon.



Focusing on islands of autonomy

VC investors globally are interested in urban mobility solutions aimed at helping people get from where they are to where they want to go. From bike-, scooter- and car-sharing to autonomous taxis, smart buses and real-time demand public transit — investors are interested in taking advantage in the shift in transportation patterns and habits.

The challenge with mobility solutions is the fact that no two cities are the same. The characteristics of New York are different from Chicago, Beijing, Tokyo, or Hamburg. While there are mobility solutions that are applicable to widespread geographic regions — like car hailing, as evidenced by the ongoing VC interest in Uber, Lyft, Grab and others — many must be looked at on a regional level. Local regulatory regimes also play a factor in solution applicability.

Autonomous driving is particularly local in execution. This is why many companies and investors looking to support autonomous driving have been focused on building islands of autonomy rather than on trying to find solutions that could work anywhere. For example, Waymo — a spin-off of Google's self-driving car project — has been piloting autonomous vehicles in Phoenix, Arizona. During Q3'18, Waymo made a deal for 62,000 autonomous vehicles from Chrysler in a deal that could lead to a true commercialized model within the next couple of years.

By focusing on specific jurisdictions, companies can create 3D models to ensure different applications work well in that location. While the same technologies might support each island of autonomy, the actual support structure or modelling might be different for each based on each area's unique characteristics.



Commercializing autonomous vehicles — focusing on shared service models

To date, much of the investment in autonomous vehicles has been by transportation companies — such as the big automakers, by companies that support autonomous vehicles (e.g. sensor developers) and by platform providers like Uber. But looking forward, it appears that the main area of interest for investors is on the autonomous vehicle as a service model — where a vehicle can be on the road capturing revenue almost 24 hours a day. Given the cost of any autonomous vehicles is likely to be prohibitively expensive for most people in the near term, the real revenue will likely be on using vehicles for commercial purposes — from autonomous taxis to autonomous buses or commercial transportation vehicles.

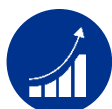
Urban mobility at center of VC investment storm globally, cont'd.



From cars to bikes to...scooters

While autonomous driving is a major focus of investors looking for urban mobility solutions, VC investors have also continued to invest in ride hailing apps. In Q3'18, Uber raised another \$500 million in funding, while Singapore based Grab raised a \$2 billion round. Yet, ride hailing is seen by many as a saturated market — with the big companies having already placed themselves above the rest. Now, VC investors, including the ride hailing platforms themselves are looking into other mobility solutions. For example, in recent quarters, extensive bike share programs spanning the globe have been able to attract massive funding from VC investors. Corporates like Uber and Didi Chuxing have been a big part of this funding, recognizing their ability to use their ride hailing apps to also manage bicycle options.

Following on cars and bicycles, scooters appear to be the next hot topic for urban mobility investors. This quarter, Lime raised \$335 million, while Bird Rides raised \$300 million in Q2'18. Paris appears to be a major hotbed for competition in the scooter space, with ride hailing company Taxify announcing plans to launch dockless scooters during Q3'18. Both Bird Rides and Lime already offer electric scooters in the city. Meanwhile, in Brazil, bike and scooter sharing company Yellow raised \$63 million this quarter in what is believed to be Latin America's largest Series A funding round ever.



Trends to watch for in the urban mobility space

Looking forward, urban mobility is expected to continue to attract significant VC investment — across everything from autonomous vehicles to scooters. While ride hailing companies will also likely continue to attract interest, it is expected mostly to be targeted at existing leaders in the space.

In the autonomous vehicle space, there will likely be continued investment in the infrastructure required to support autonomous driving (e.g. sensors, security), in addition to additional investment by the traditional corporates. Over the next few quarters, most investments in the urban mobility space will likely focus on commercial and shared-use business models.

“Urban mobility is a global issue, but in many ways it's also local. Every major city is an island of autonomy, with its own characteristics and needs. It is impossible to fit every island in the same box — meaning that solutions need to be tailored for individual circumstances. Autonomous cars, scooters, bicycles — while global companies will provide many of these solutions, they will likely only be successful if they account for local needs.”



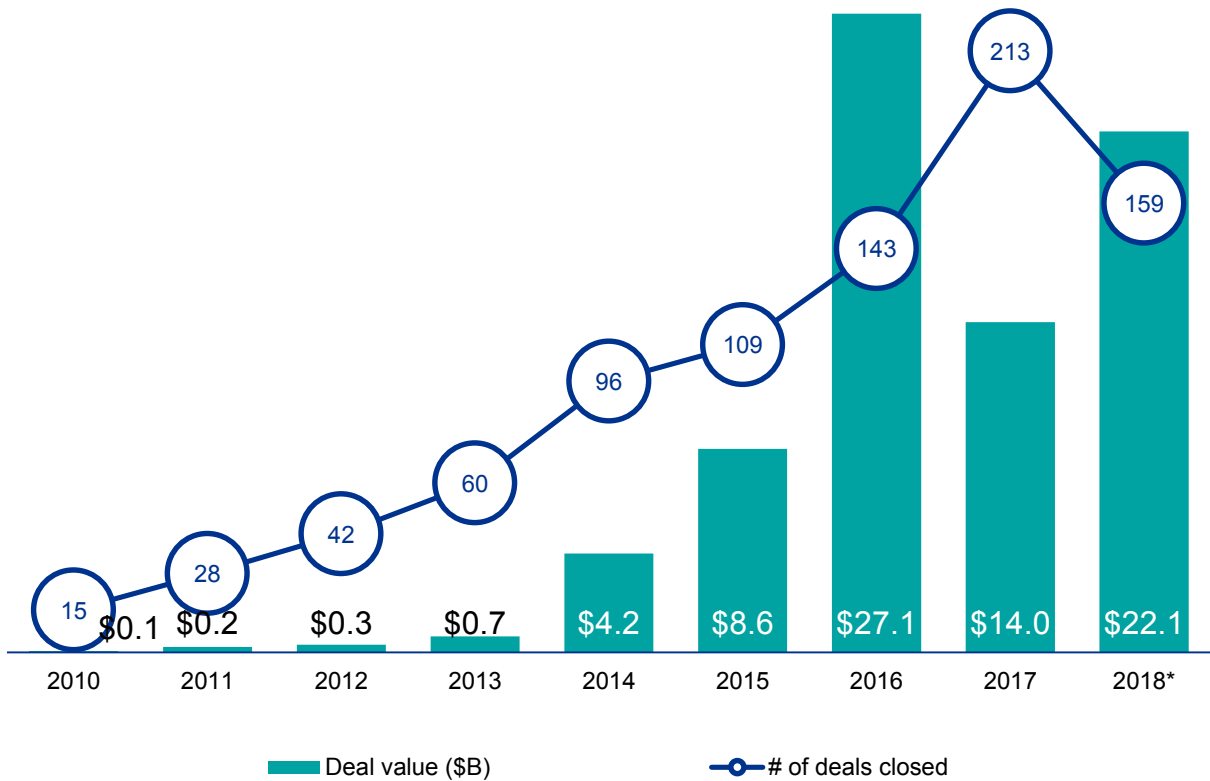
Gary Silberg

Partner, National Sector Lead, Automotive Industry
KPMG in the US

Urban mobility is booming

Global venture financing of urban mobility companies

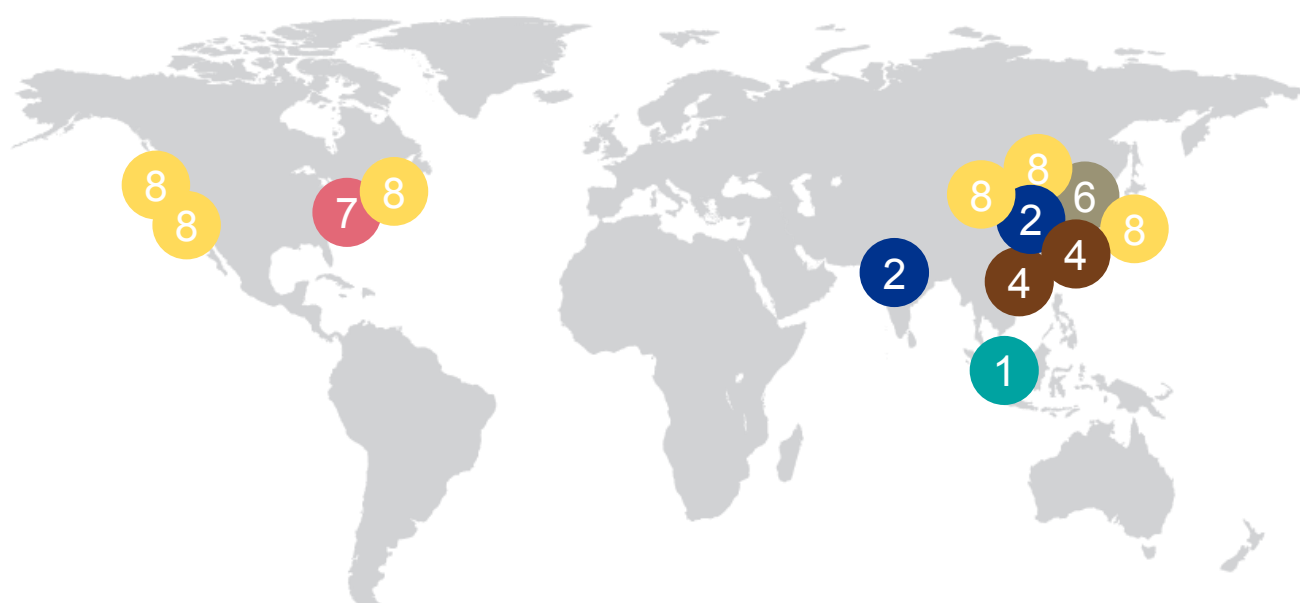
2010 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

At \$22.1 billion, the aggregate total of VC invested in urban mobility companies may not quite eclipse the massive record set in 2016, but it handily eclipses every other year. More importantly, volume looks as healthy as ever, which signifies active interest on the part of many. As urbanization proceeds apace and indeed densification in major areas of the world as well, startups and investors alike are grappling with the ensuing problems, many of which are what seem like the simplest of problems: How does one get around most efficiently in a congested cityscape? How to better arrange for the flow of goods and services? There are plenty of available market niches, as the recent surge in electric scooters signals.

China dominates the Q3 2018 rankings



Top 10 global financings in Q3'18

- | | | | |
|---|---|---|--|
| 1 | Grab — \$2,000M, Singapore
Ridesharing
Late-stage VC | 7 | Peloton — \$550M, New York
Recreation
Series F |
| 2 | Bitmain — \$1,000M, Beijing
Computer hardware
Late-stage VC | 8 | Didi Chuxing — \$500M, Beijing
Transportation
Late-stage VC |
| 2 | OYO Rooms — \$1,000M, Gurgaon
Hotel marketplace
Late-stage VC | 8 | Letgo — \$500M, New York
Platform software
Late-stage VC |
| 4 | Xpeng — \$596.2M, Guangzhou
Transportation
Series B | 8 | New Dada — \$500M, Shanghai
Logistics
Corporate |
| 4 | Ximalaya — \$596.2M, Shanghai
Entertainment software
Late-stage VC | 8 | Zoox — \$500M, Foster City
Transportation
Series B |
| 6 | Souche.com — \$578M, Hangzhou
Platform software
Late-stage VC | 8 | WeWork China — \$500M, Shanghai
Real estate
Series B |
| | | 8 | Uber — \$500M, San Francisco
Transportation
Late-stage VC |

Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

*In Q3'18 VC-backed
companies in the
Americas raised*

\$28.9B

across

2,056 deals



Americas sees strong quarter, as Latin America VC investment soars

VC investment in the Americas reached a new annual record high in 2018, propelled primarily by the record-setting pace of investment in the US. Latin America also had a stellar quarter of VC investment in Q3, with two \$100 million+ funding rounds and the birth of the region's second unicorn company. Canada's VC market also continued to perform well, driven by a resilient economy, highly-skilled technology workforce and strong government supports for innovation.



VC investors remain focused on late-stage deals in North America

In the US and Canada, late-stage deals took the bulk of investment in the VC market, with numerous \$100 million+ deals in the US and a number of \$50 million+ deals in Canada this quarter¹. Among the largest deals in Canada, only League was able to secure early-stage funding, with a CAD\$62 million series B raise in July. League's ability to gain funding for its digital health-focused platform was likely a result of its strong executive team — well known to many in Canada's VC community. Funding for League came primarily from Canadian sources, including telecommunications firm Telus Corp².



Latin America sees second Unicorn birth ever — the first in Colombia

Despite investor concerns, there has been a dramatic increase in VC funding in Latin America over the past 2 years — in part driven by the presence of bigger deals. Latin America had a particularly strong quarter of VC investment in Q3'18, showcasing its ongoing potential as a high-growth and underdeveloped region in the eyes of VC investors.

Latin America saw the creation of its second unicorn company ever this quarter, following a massive-for-the-region \$217.5 million funding round by on-demand delivery platform Rappi based in Colombia. The innovative app provides customers with both delivery services and the ability to withdrawal cash from Rappi delivery agents³. Brazil played host to the region's second \$100 million+ funding round this quarter with a \$162 million raise by Movel⁴.



Brazil VC market sees big investment in Q3'18

Despite an uncertain macroeconomic environment, VC investors continued to show a belief that Brazil can grow as a hotbed for innovation in Latin America⁴. In Q3'18, for example, e-commerce platform Movel raised a significant \$124 million funding round, suggesting that while deals might be slow to materialize, they will continue to occur in the region. Given the region's high population of underbanked and unbanked people, it is not surprising to see that fintechs have been best able to navigate Brazil's current turbulence and win investment⁵. Brazil-based trucking platform CargoX also raised \$60 million during Q3'18.

Following on a global trend, urban mobility is also starting to gain traction in Brazil. During Q3'18, Sao Paulo-based bike and scooter sharing company Yellow raised \$63 million in what is believed to be the largest series A funding round ever in Latin America.

¹ <https://www.theglobeandmail.com/business/article-buoyed-by-surge-in-megadeals-canadian-venture-capital-activity-up/>

² https://www.cvca.ca/wp-content/uploads/2018/08/H1-2018_CanadaReport_ENG_FINAL1.pdf

³ <https://techcrunch.com/2018/08/31/rappi-raises-200m-as-latin-american-tech-investment-reaches-new-highs/>

⁴ <https://techcrunch.com/2018/07/12/a-new-124-million-for-brazils-movel-proves-that-investors-still-see-promise-in-latin-american-tech/>

⁵ <https://techcrunch.com/2018/07/23/the-tech-investment-wave-has-reached-latin-america/>

Americas sees strong quarter, as Latin America VC investment soars, cont'd.



Diversity of US market spurs ongoing growth

In the US, a wide-range of subsectors drew attention from VC investors in Q3'18, helping to spur ongoing growth across the country. Among the \$100 million+ deals in the US, numerous sub-sectors were represented — from healthtech (Oscar and One Medical), to transportation (Uber and Lime) to delivery (Getaround and autonomous vehicles (Zoox).

The success of recent IPOs in the US is expected to drive continued exits, with a number of unicorns expected to list over the next couple of quarters. With the growing liquidity, there could be a renewal of investment in early-stage VC in the US.



Health and biotech growing quickly in Canada

Healthtech and biotech continued to be driving forces for VC investment in Canada this quarter — with companies like AbCellera (\$10 million) raising nice sized funding rounds. Numerous companies in the health and biotech space are scaling up quickly in Canada, highlighting a growing maturation of the Canadian market in the space. A number of other sectors are also on the radar of VC investors in Canada, including cleantech and Agritech. VC investors in Canada have also become increasingly interested in Cannabis given the rapidly approaching legalization of the substance in October.



Toronto rising on the radar as a technology hub

Within Canada, a number of cities stand out as technology epicenters, including Vancouver, Montreal and Kitchener-Waterloo. Over the past quarter, however, Toronto's role as an innovation hub in the Americas took center stage, with global giant Microsoft announcing that it was moving its Canadian headquarters to downtown Toronto — to help drive its AI innovation, expanding its workforce and making a number of investments across the country focused on growing its innovation capability, including expanding its Montreal-based innovation lab.

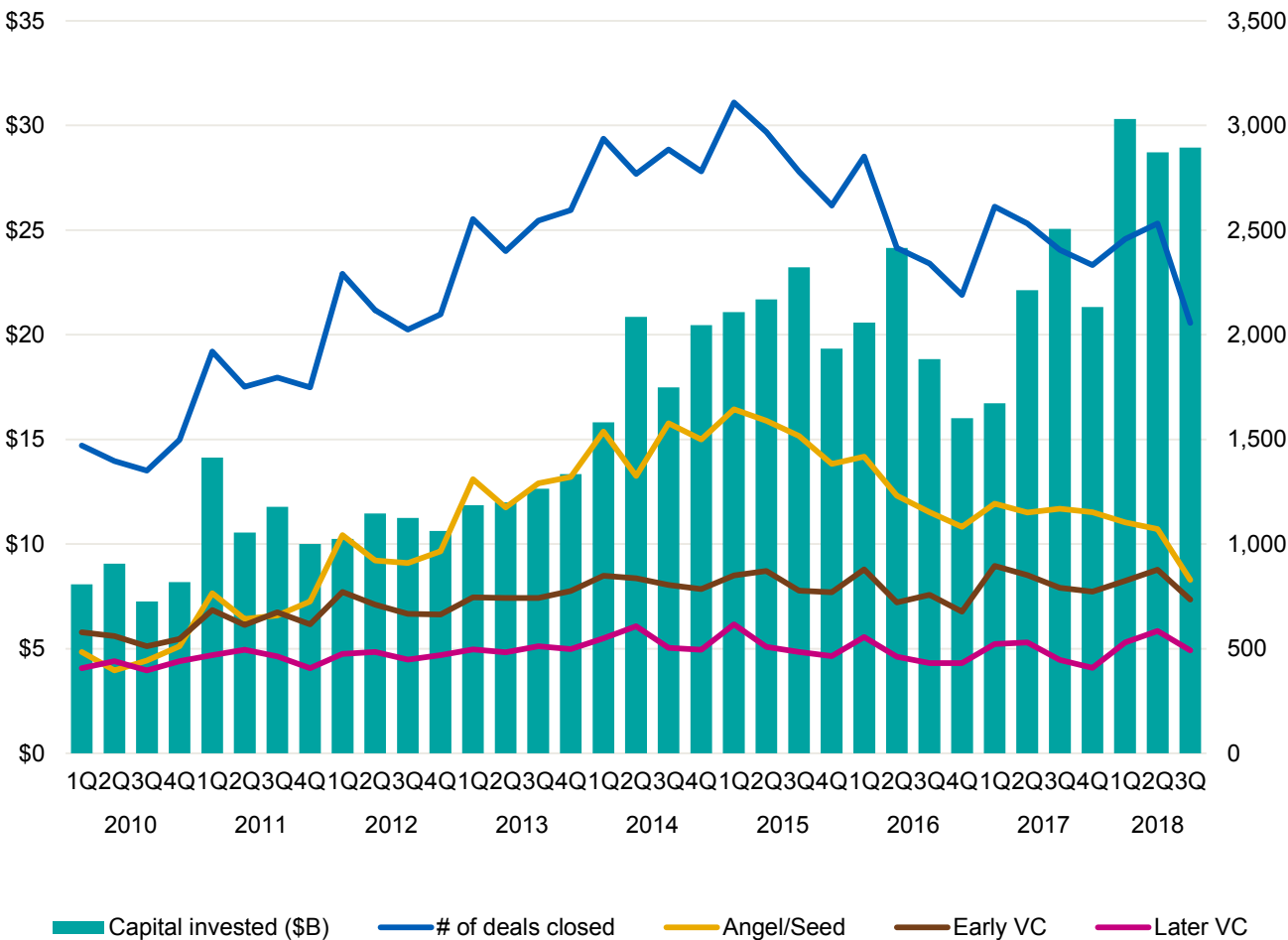


Trends to watch for in the Americas

Looking ahead, transportation is expected to remain a hot area of investment across all countries within the Americas. In the US, the blossoming IPO market could cause a resurgence in early-stage investing as investors gain liquidity. Healthtech and biotech will likely continue to be big hits among Canadian investors, in addition to AI.

Venture volume drops

Venture financing in the Americas 2010 — Q3'18

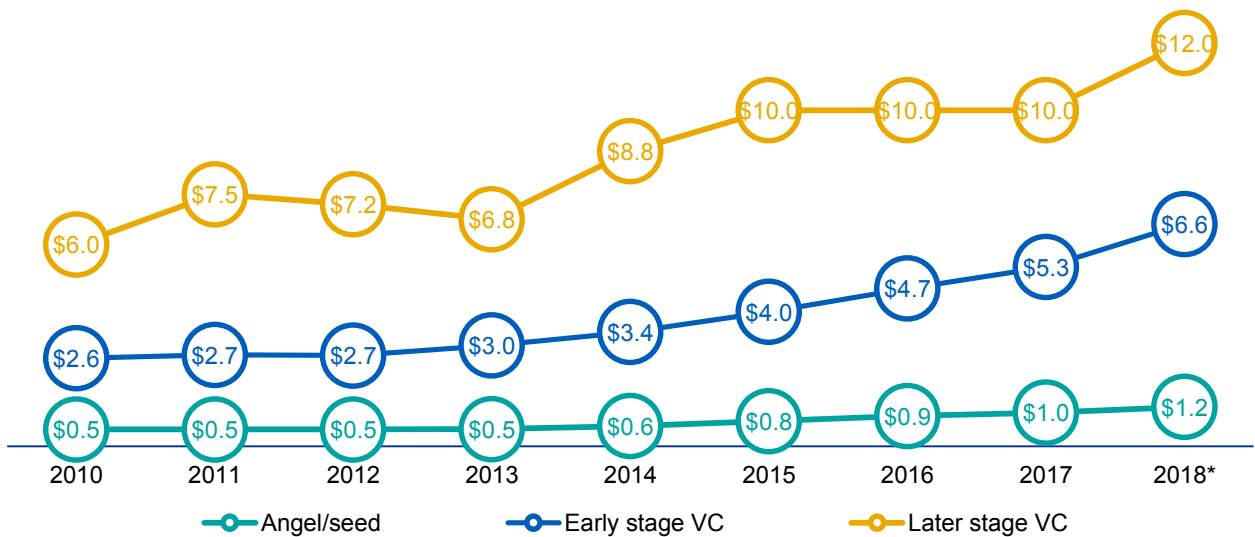


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

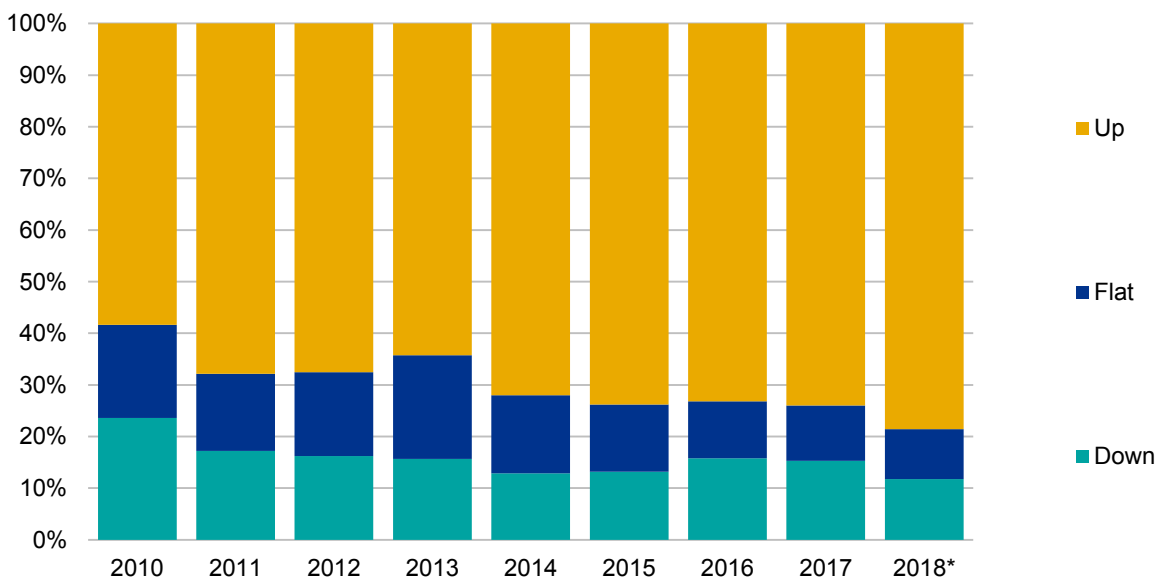
Largely steadied by the evening out of angel and seed financing within the US, the pace of quarterly volume in the venture landscape has evened out for several quarters now. Given dry powder levels, there is no reason to suppose this state of affairs will change barring a significant shock.

Sentiment solidifies in positivity

Median deal size (\$M) by stage in the Americas
2010 — 2018*



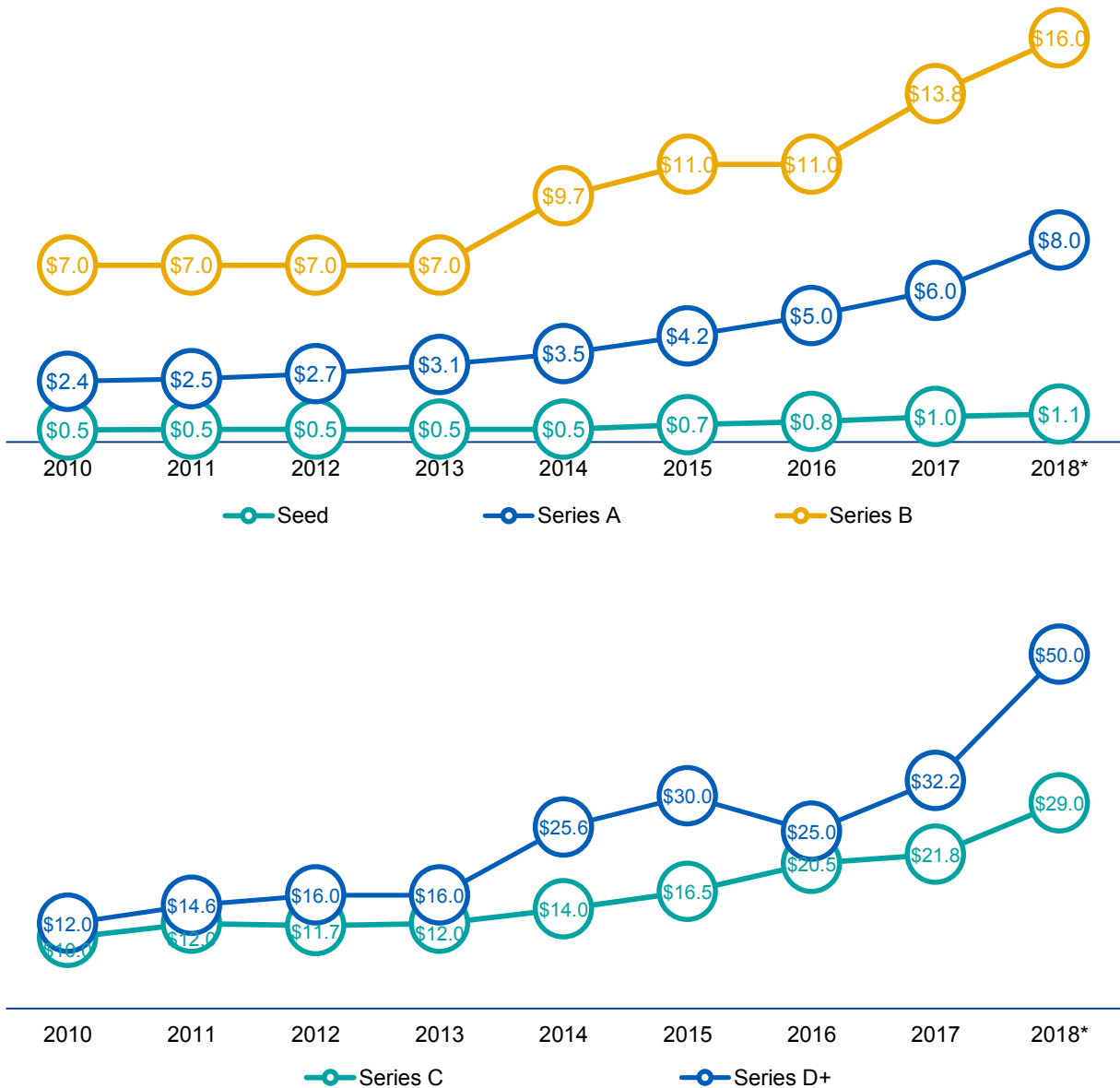
Up, flat or down rounds in the Americas
2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Series D+ medians have doubled in two years

Median deal size (\$M) by series in the Americas
2010 — 2018*

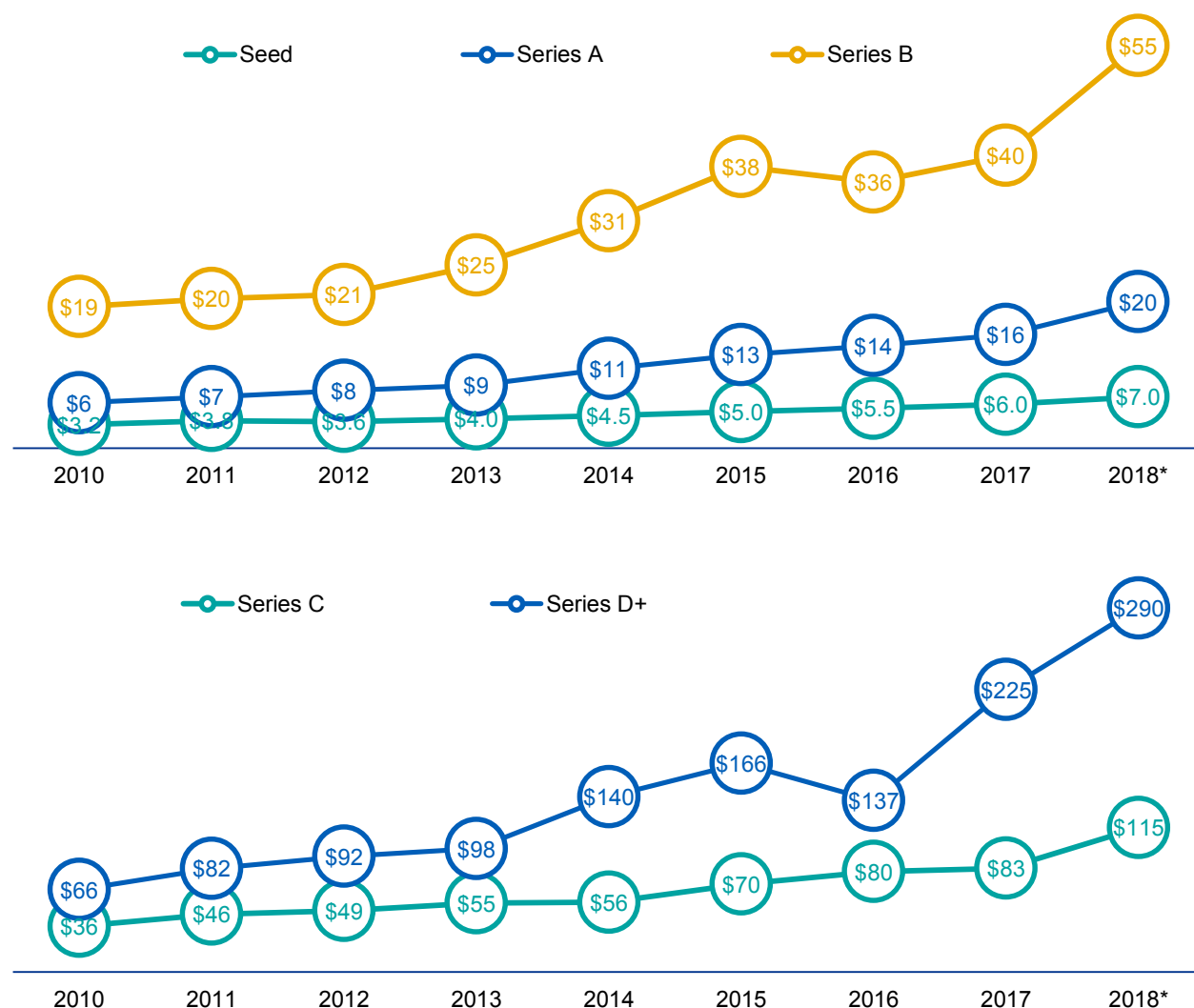


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Series B & D still stand out as clear phase shifts

Median pre-money valuation (\$M) by series in the Americas

2010 — 2018*



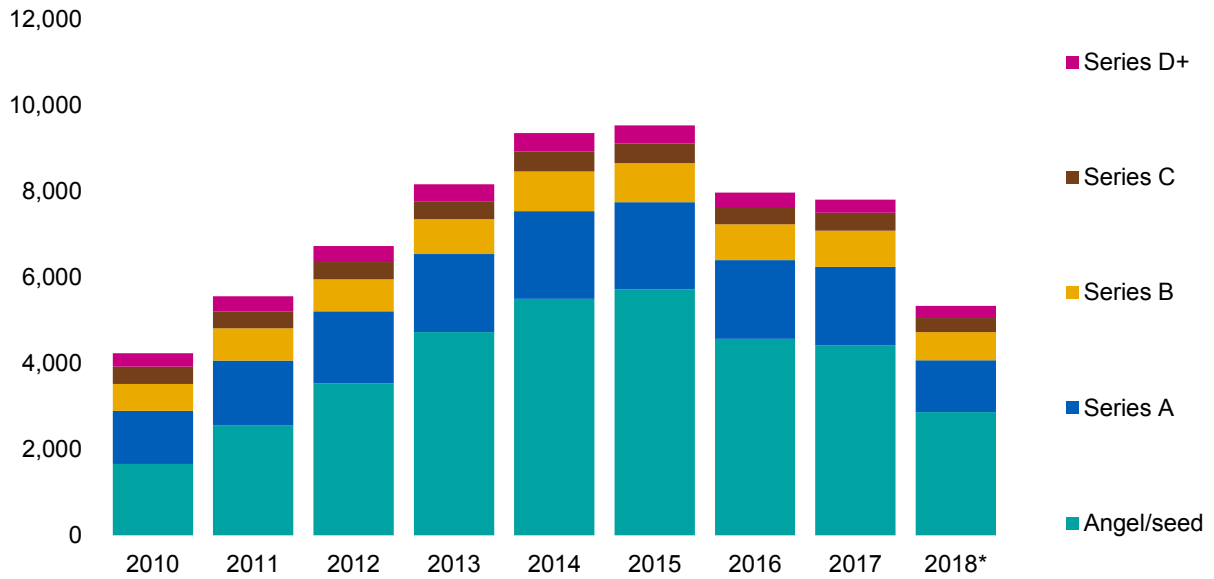
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

The extent of the reset with regard to private market valuations of high-growth companies is well exemplified by the fact the median Series D+ valuation has more than doubled in two years' time. Whether that trend is truly sustainable or not remains to be seen, frankly. It isn't necessarily out of the realm of possibility that the landscape of venture and how companies traditionally evolve has in turn been permanently transformed.

Series D+ rounds on way to a new record

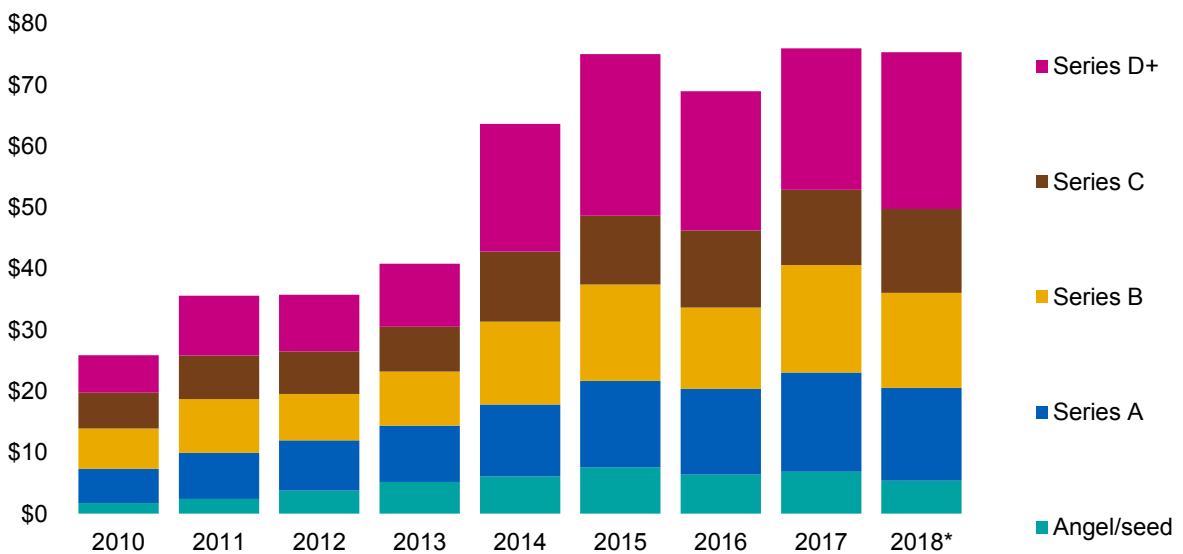
Deal share by series in the Americas

2010 — 2018*, number of closed deals



Deal share by series in the Americas

2010 — 2018*, VC invested (\$B)

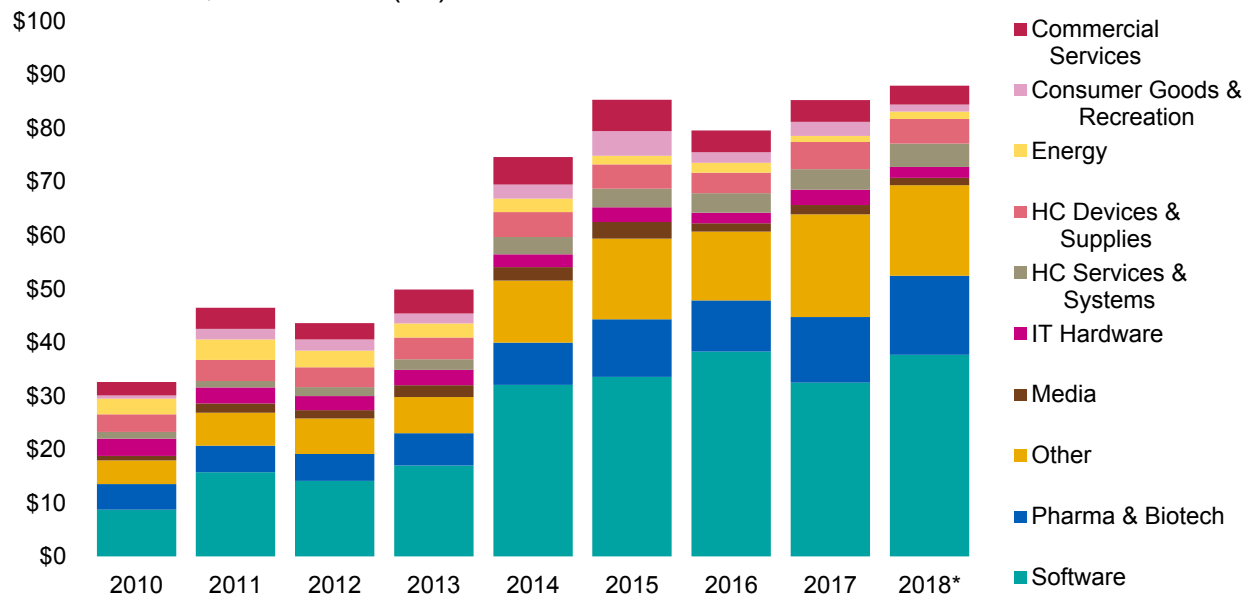


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Healthcare remains as robust than ever

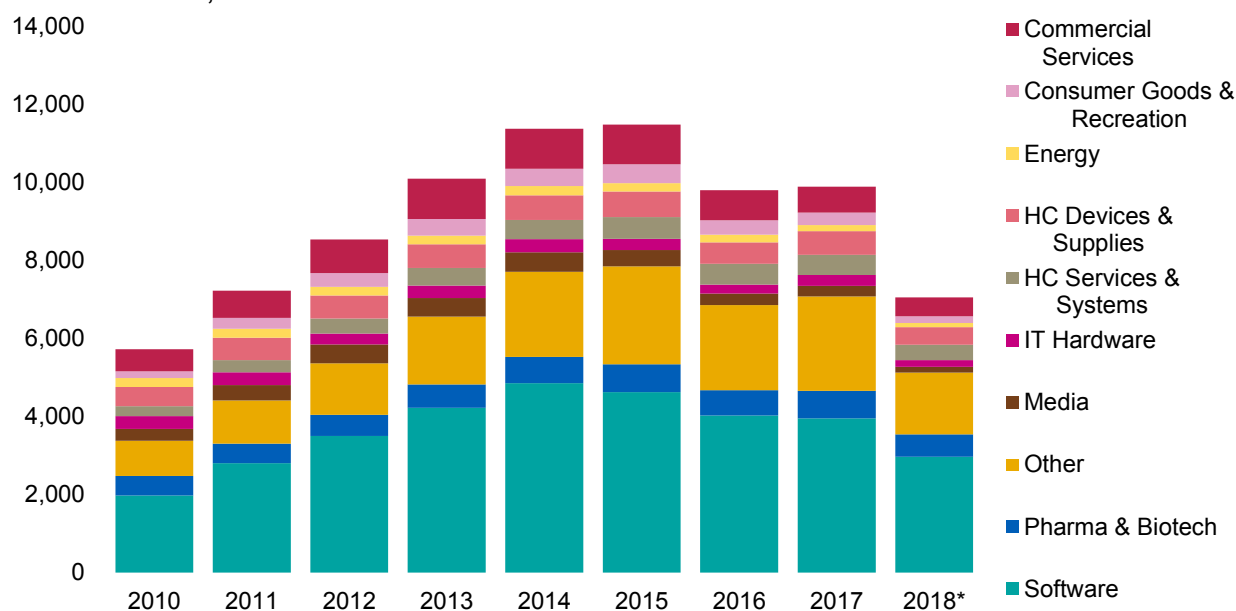
Venture financing of VC-backed companies by sector in the Americas

2010 — 2018*, VC invested (\$B)



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

2010 — 2018*, # of closed deals

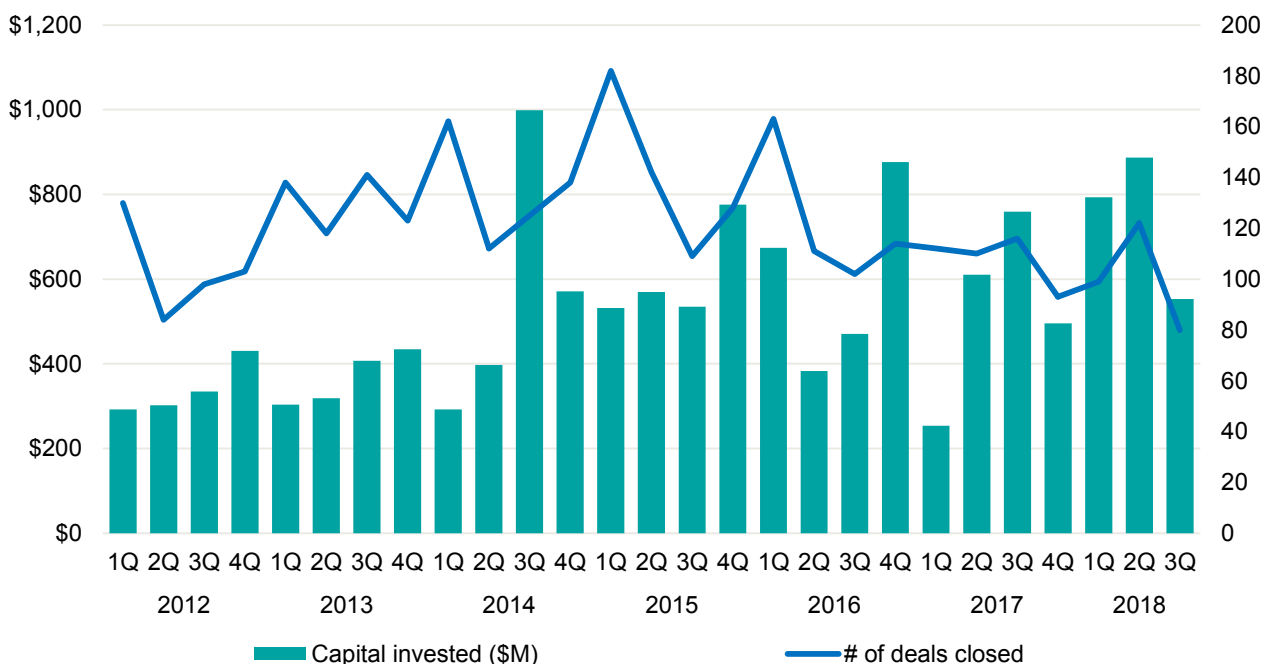


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

An off quarter, uncharacteristically

Venture financing in Canada

2012 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

After a bevy of large financings in Canada in the first half of the year, an off quarter was in the cards, if only at the behest of the phenomenon of mean reversion. Longer term steadiness in venture financing suggests the Canadian ecosystem is producing a fair clip of startup opportunities across multiple sectors, although software stands out still, even as marijuana-focused companies garner the most headlines.

"Venture capital investment in Canadian companies has been strong so far this year. The information and communications technology (ICT) and life sciences sectors continue to lead the way. Canadian VC volume has remained resilient — powered by a strong economy, talented workforce and government support for innovation."

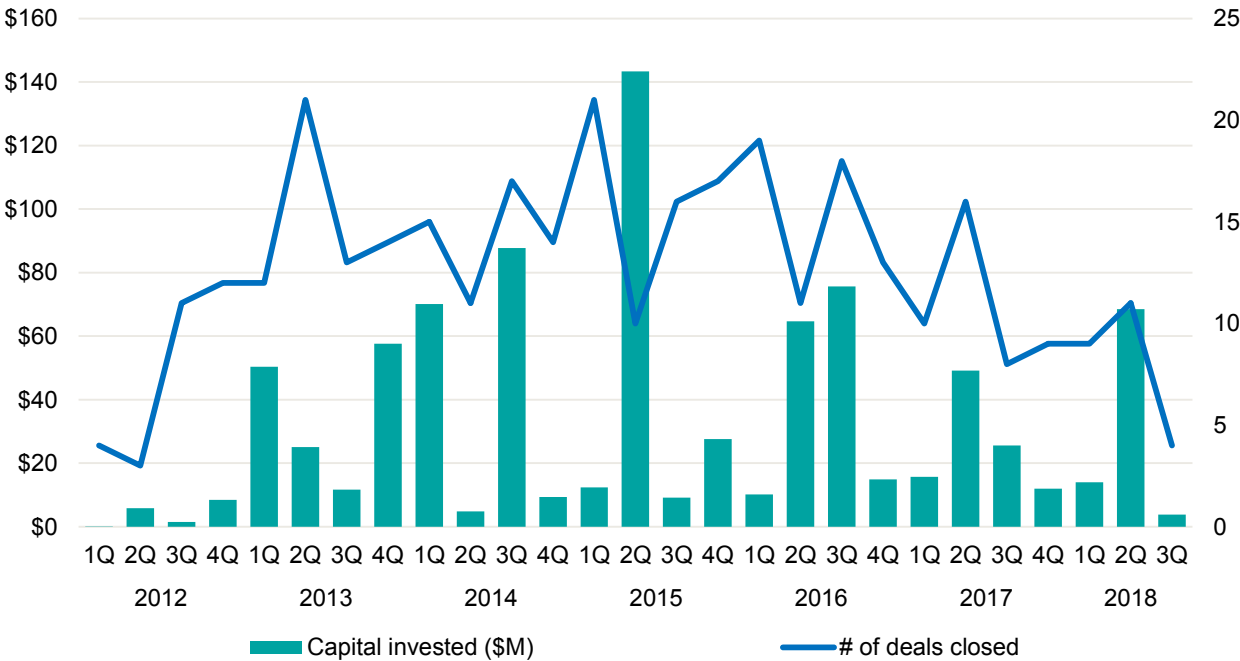


Sunil Mistry

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

A quiet quarter for Mexico

Venture financing in Mexico 2012 — Q3'18



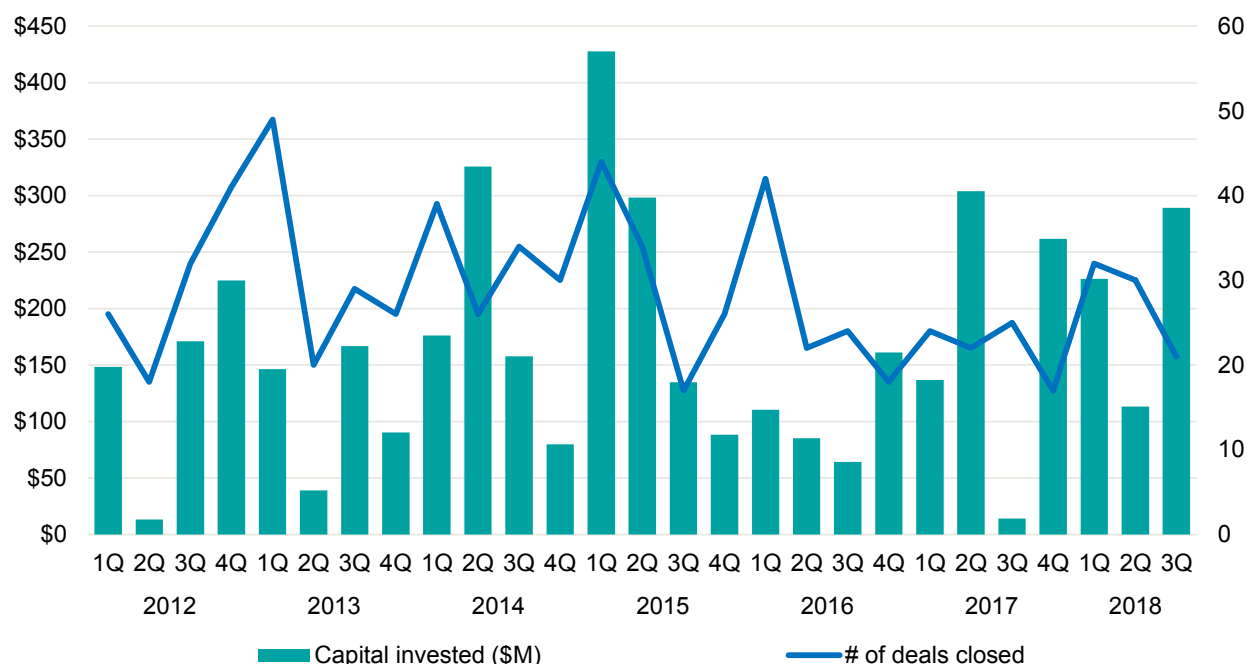
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

The Mexican venture ecosystem is nascent and consequently prone to significant skew. Q2 may see a robust sum invested, largely due to one deal, while Q3 may experience somewhat of a drought. This does not mean there are not startups looking to raise funding in the nation, but rather there are not that many seeking traditional venture funding as of yet. But companies will continue to raise at intervals, such as the recent Mexican blockchain startup AirTM, which raised \$7 million from various funds in September.

Uptick in activity among B2C-centric offerings

Venture financing in Brazil

2012 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

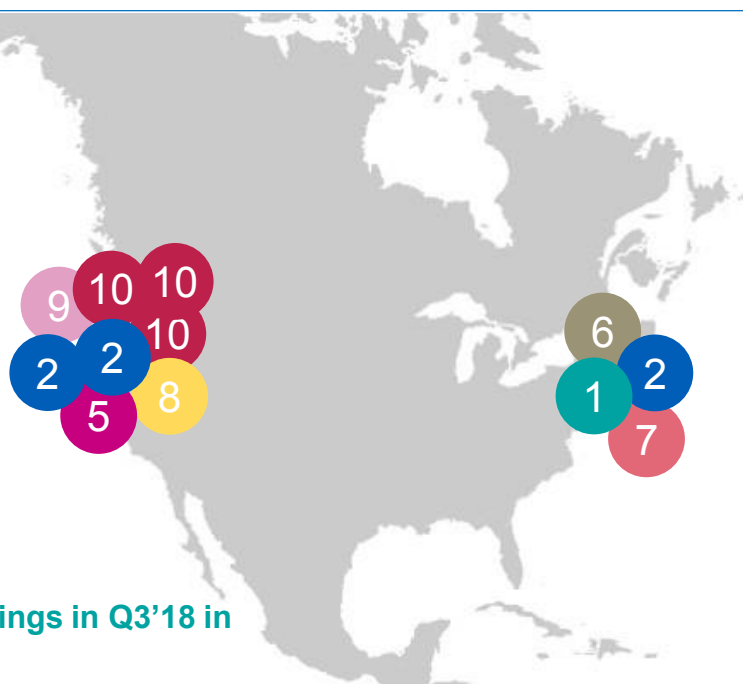
Despite headlines of political and potential economic distress, investors will likely still continue to plow funds into companies looking to corner market opportunities largely predicated on consumer plays in Brazil. Yellow, a bike-and-scooter-sharing service, recently raised \$63 million in series A funds, for example.

“Companies across Latin America continue to raise increasingly large sums of venture capital. This quarter alone, Colombian on-demand delivery platform Rappi raised \$200 million, Brazil’s Movel raised \$124 million. However the big deals are by no means limited to late stage investment as evidenced by Brazilian bike and scooter sharing platform Yellow raising \$63 million in the largest series A ever in Latin America.”



Raphael Vianna
Director,
KPMG Enterprise in Brazil

Traditional hubs of VC activity predominate in Q3, as capital flows to the coasts



Top 10 financings in Q3'18 in Americas

- | | |
|---|--|
| 1 Peloton — \$550M, New York
Recreation
<i>Series F</i> | 7 Oscar — \$375M, New York
Health insurance
<i>Series G</i> |
| 2 Letgo — \$500M, New York
Platform software
<i>Late-stage VC</i> | 8 One Medical — \$350M, San Francisco
Healthcare services
<i>Series I</i> |
| 2 Zoox — \$500M, Foster City
Transportation
<i>Series B</i> | 9 Lime — \$335.1M, San Mateo
Application software
<i>Series C</i> |
| 2 Uber — \$500M, San Francisco
Transportation
<i>Late-stage VC</i> | 10 23andMe — \$300M, Mountain View
Biotechnology
<i>Late-stage VC</i> |
| 5 Slack — \$427M, San Francisco
Communication software
<i>Series H</i> | 10 Getaround — \$300M, San Francisco
Application software
<i>Series D</i> |
| 6 Compass — \$400M, New York
Real estate services
<i>Series F</i> | 10 Postmates — \$300M, San Francisco
Platform software
<i>Late-stage VC</i> |

Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

*In Q3'18 US
VC-backed
companies raised*
\$27.9B

across

1,937 deals



US sets record level of VC investment in Q3'18

The US experienced another strong quarter of VC investment in Q3'18, bringing the year-to-date total to an annual record high. While the total number of deals remained relatively low compared to historical highs, a substantial number of \$100 million+ megadeals helped to keep investment levels strong. The top 10 deals alone in the US accounted for over \$4.8 billion in investment.



US VC market remains healthy as investors continue to focus on late-stage deals

Following on a trend that has stretched for 12 months, VC investors in the US continued to focus on late-stage deals during Q3'18. Rebounding stock market results, low market volatility, a strengthening IPO market and a healthy economy all helped to extend the optimism permeating the VC market. Consumer-focused technologies were the big winner this quarter — with the biggest deals focused on a range of customer-focused offerings, from 23andMe (genetic testing) and One Medical (primary care services) to Peloton (fitness workouts).



Transportation sector very hot

The dynamic nature of the US market saw a wide-range of sectors receiving big investments this quarter. Transportation was particularly hot, with ride hailing platform giant Uber and autonomous driving company Zoox both raising \$500 million, Lime — a scooter and bike sharing company — raising \$335 million and car sharing company Getaround raising \$300 million^{6,7}.

On the autonomous driving front, partnerships continued to be a major trend, with Uber partnering with Toyota to provide autonomous vehicles for ride-hailing via the Uber app. Many of the big automotive manufacturers are forging partnerships with technology firms in order to access distribution options — a trend expected to continue in the near future. Without such partnerships, traditional manufacturers recognize they could be locked out of autonomous vehicle opportunities.



IPO market providing much needed liquidity

The US IPO market has firmly rebounded with solid IPOs in Q3'18 building on those held earlier in the year. In Q3'18, some of the high profile VC-backed IPOs included event ticketing firm Eventbrite — whose stock price rose 59% on the first day of trading, Survey Monkey — whose stock price rose 42% in its first day of trading and high-end connected speaker manufacturer Sonos.

Biotech has had an extended positive run in the IPO market, one that continued in Q3'18. Biotech companies use the public markets very differently from other technology firms, however, with many raising series A or series B funding rounds and then moving to the IPO market — rather than holding off until after later stage private funding rounds. The unique nature of biotech likely relates to the long-lead times for development, high costs and the fact they are subject to FDA approval.



Agtech sees biggest deal of the year

Agtech continued to be an area of interest for VC investor in the US this quarter, with Indigo Agriculture raising \$250 million in a series E deal to support a digital platform for selling grain. This deal represents the largest agtech deal of the year to date: more than triple the amount raised by PrecisionHawk earlier in the year. While these two deals reflect the largest agtech investments in the US in 2018, total VC funding to agtechs in the US was well above \$1.3 billion at the end of Q3'18, across more than one hundred deals.

⁶ <https://venturebeat.com/2018/07/09/lime-raises-335-million-including-from-uber-whose-app-will-now-offer-scooters/>

⁷ <https://techcrunch.com/2018/08/21/getaround-raises-300-million-series-d-round-led-by-softbank/>

US sets record level of VC investment in Q3'18, cont'd.



Co-working spaces gaining more attention

Once the purview of accelerator and incubator programs, coworking space options have been growing in the eyes of US investors — particularly real estate owners looking to diversify their investments. While many of these investments simply reflect a shifting focus for existing space, others are looking to capitalize on the sharing economy. In Q3'18, one co-working space provider Convene, based in New York, raised \$152 million.



Health care continues to be critical investment focus

The health care industry continued to be a major area for VC investment in the US. Oscar raised an additional \$375 million this quarter⁸, while One Medical — focused on the provision of medical care — raised \$350 million. Genomic firm 23 and Me also raised a \$300 million round. Many investors believe that the current health system and health insurance system is not working; as such, they are keenly interested in potential solutions aimed at making health care more accessible or efficient. It is expected that healthcare will remain a critical priority for the foreseeable future given the high cost of care and aging population in the US⁹.



Convenience driving VC investment

Food delivery, both from restaurants and from grocery stores, continued to be a key area of interest for VC investors. This, combined with the rise in transportation-focused VC investments, speaks to the growing power of convenience. While the number of companies offering delivery services is relatively high, actual market penetration is low. This has started to result in more and more partnerships as platform companies look to create either stronger distribution options or to enlist more food providers into their networks. The long-term viability of this area continues to be a question mark — with some investors wondering at the ultimate market share that can be captured by delivery services.



Trends to watch for in the US

Looking forward, the IPO market is gaining strength, so it is likely that a number of unicorns will become public toward the end of the year and into the first half of 2019. With a renewed emphasis on exits, there will likely be some stimulation of capital back into early-stage deals. This could start another cycle of innovation, leading to a new tranche of mature companies in 3 to 5 years.

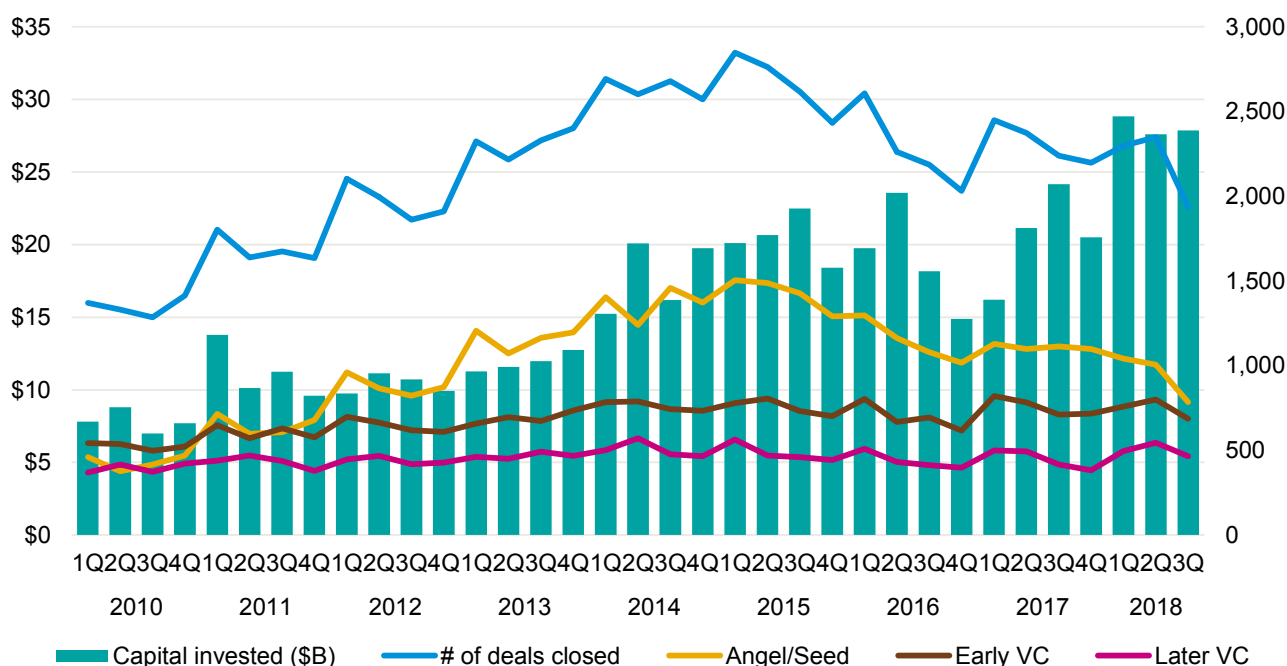
⁸ <https://seekingalpha.com/article/4200285-venture-capital-deals-week-alphabets-375m-bet-oscar-health>

⁹ <https://pitchbook.com/news/articles/is-vcs-insatiable-appetite-for-biotech-sustainable>

Third quarter's the charm

Venture financing in the U.S.

2010 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

For three quarters now, the US has recorded well over \$25 billion invested each quarter, with 2018 as a whole on pace to see the most ever invested in private companies within the venture realm. Moreover, as opposed to prior quarters, this has not coincided with a significant decline in VC activity, but rather, even the angel and seed stage looks to have experienced an evening out in volume.

"Venture capital investment remains robust in the US. We continue to see an influx of mega deals — with four companies raising \$500 million or more and a staggering ten companies raising over \$300 million this quarter. Deal volume has also stabilized in recent quarters, following a prolonged decline in the number of angel and seed investments."

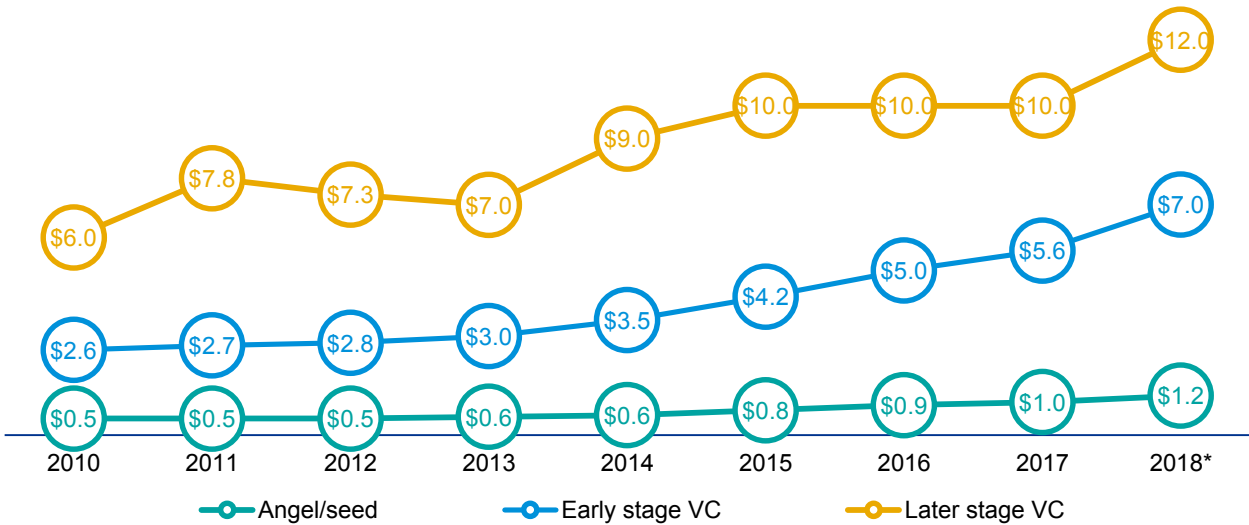


Shivani Sopory
Partner
KPMG in the US

Somewhat more modest increases in medians

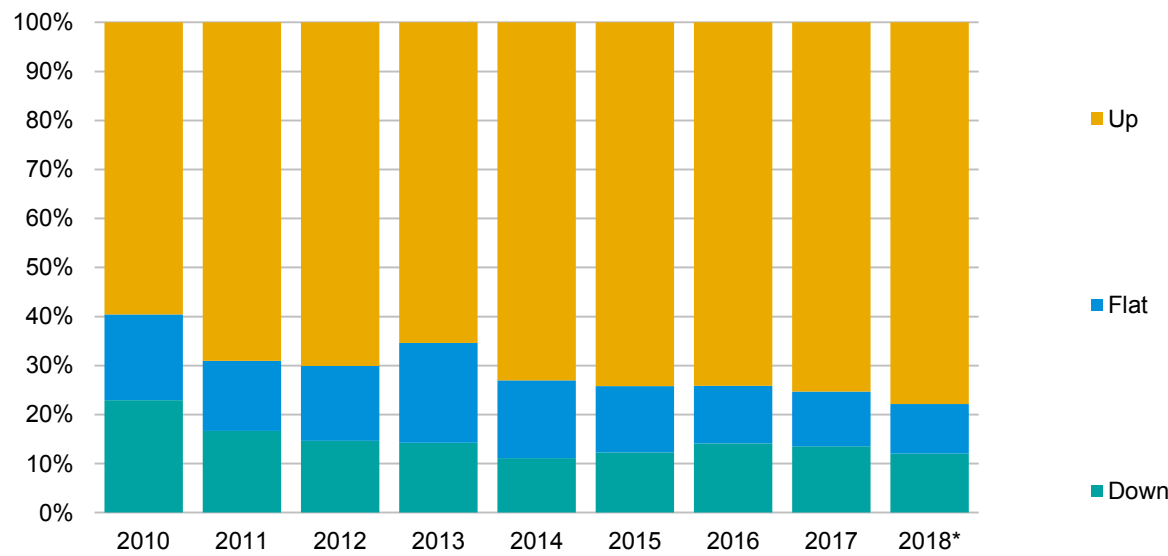
Median deal size (\$M) by stage in the U.S.

2010 — 2018*



Up, flat or down rounds in the U.S.

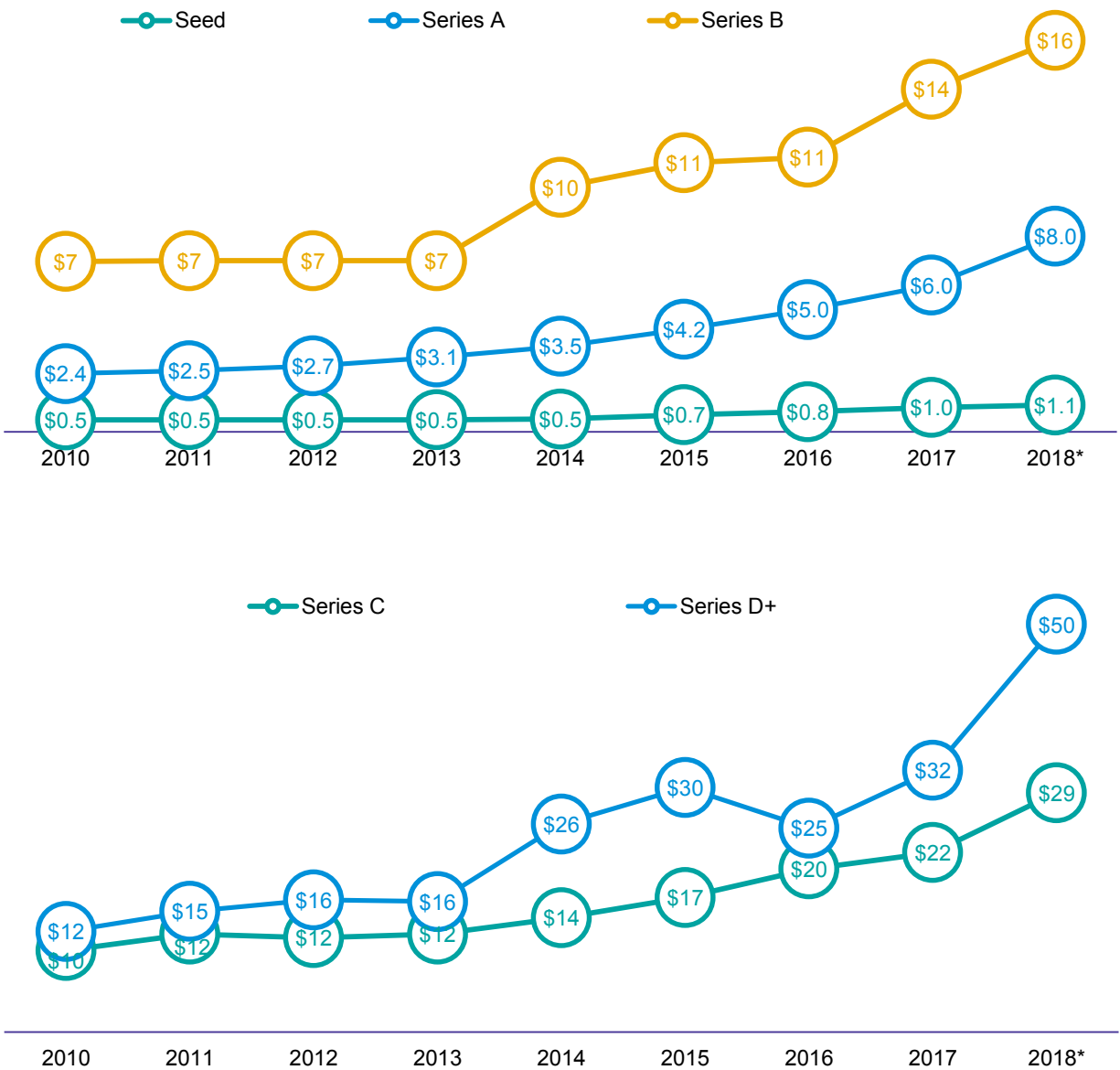
2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

From large to small, increases across the board

Median deal size (\$M) by series in the U.S.
2010 — 2018*

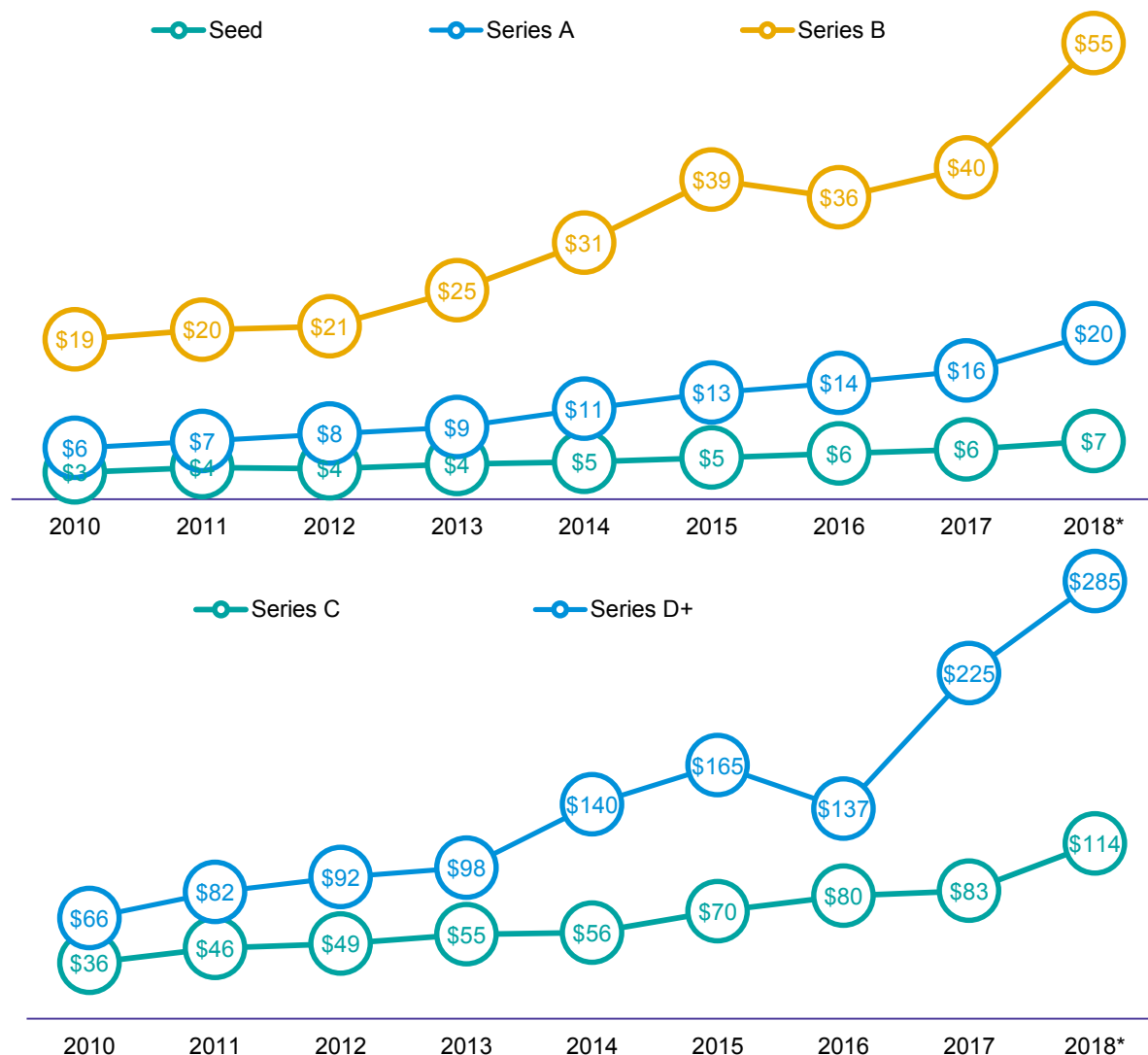


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.
Note: Figures rounded in some cases for legibility.

A superabundance of capital swells valuations

Median pre-money valuation (\$M) by series in the U.S.

2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

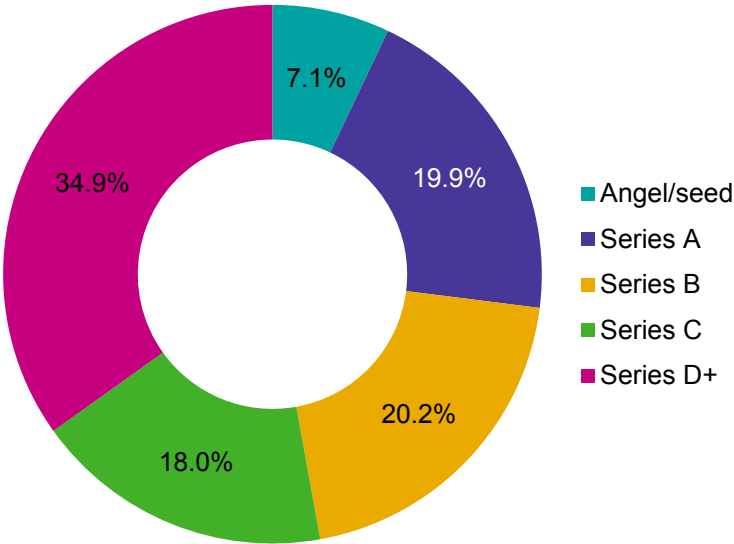
Note: Figures rounded in some cases for legibility.

Since 2016, the latest-stage median valuations have launched into the stratosphere, as the last edition of the Venture Pulse put it. Old unicorns keep raising, as they gradually trot toward the exit. New startups, although quite few, are able to command hefty financings as they are formed by super-clusters of talent. All this could be the new normal — if it persists through more changes in market conditions.

Angel, seed and Series A contract slightly

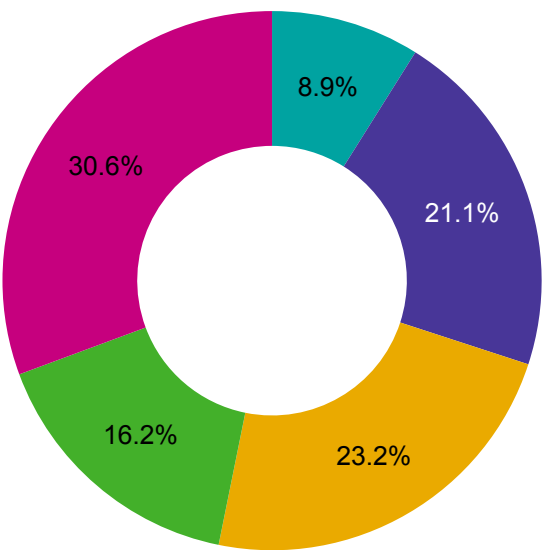
Deal share by series in the U.S.

2018*, VC invested (\$B)



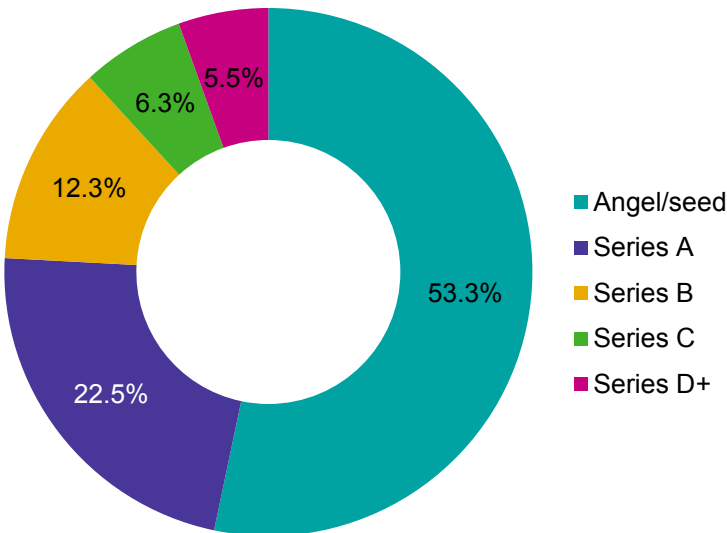
Deal share by series in the U.S.

2017, VC invested (\$B)



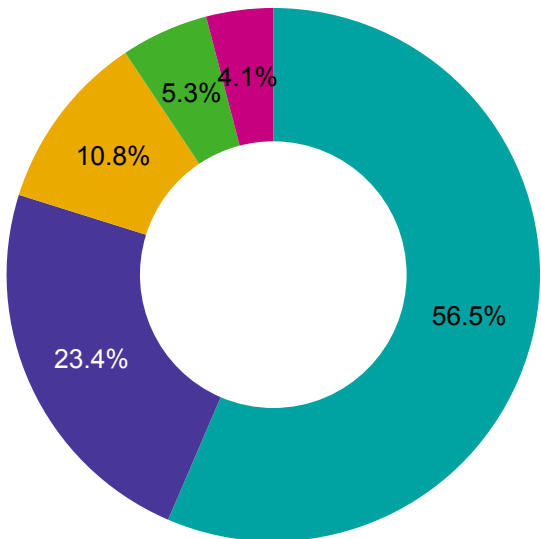
Deal share by series in the U.S.

2018*, number of closed deals



Deal share by series in the U.S.

2017, number of closed deals

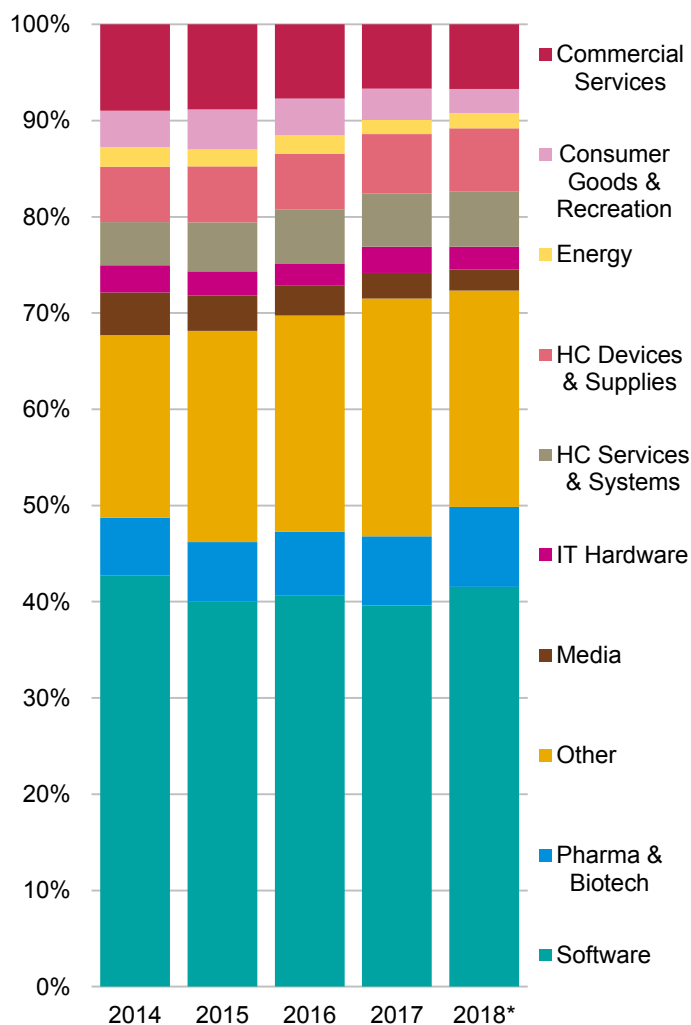


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Forecasts currently call for more of the same

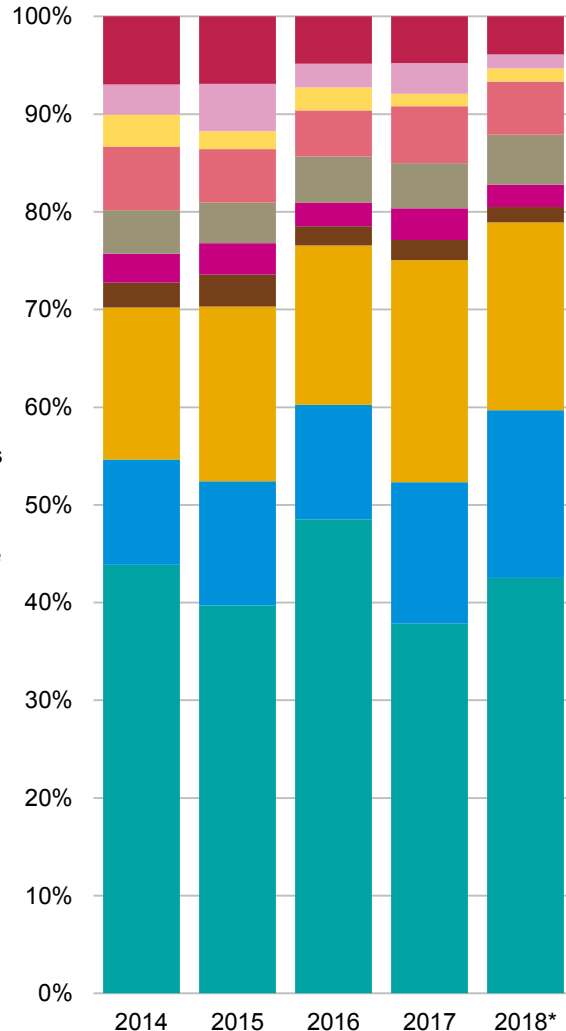
Venture financing by sector in the U.S.

2014 — 2018*, number of closed deals



Venture financing by sector in the U.S.

2014 — 2018*, VC invested (\$B)



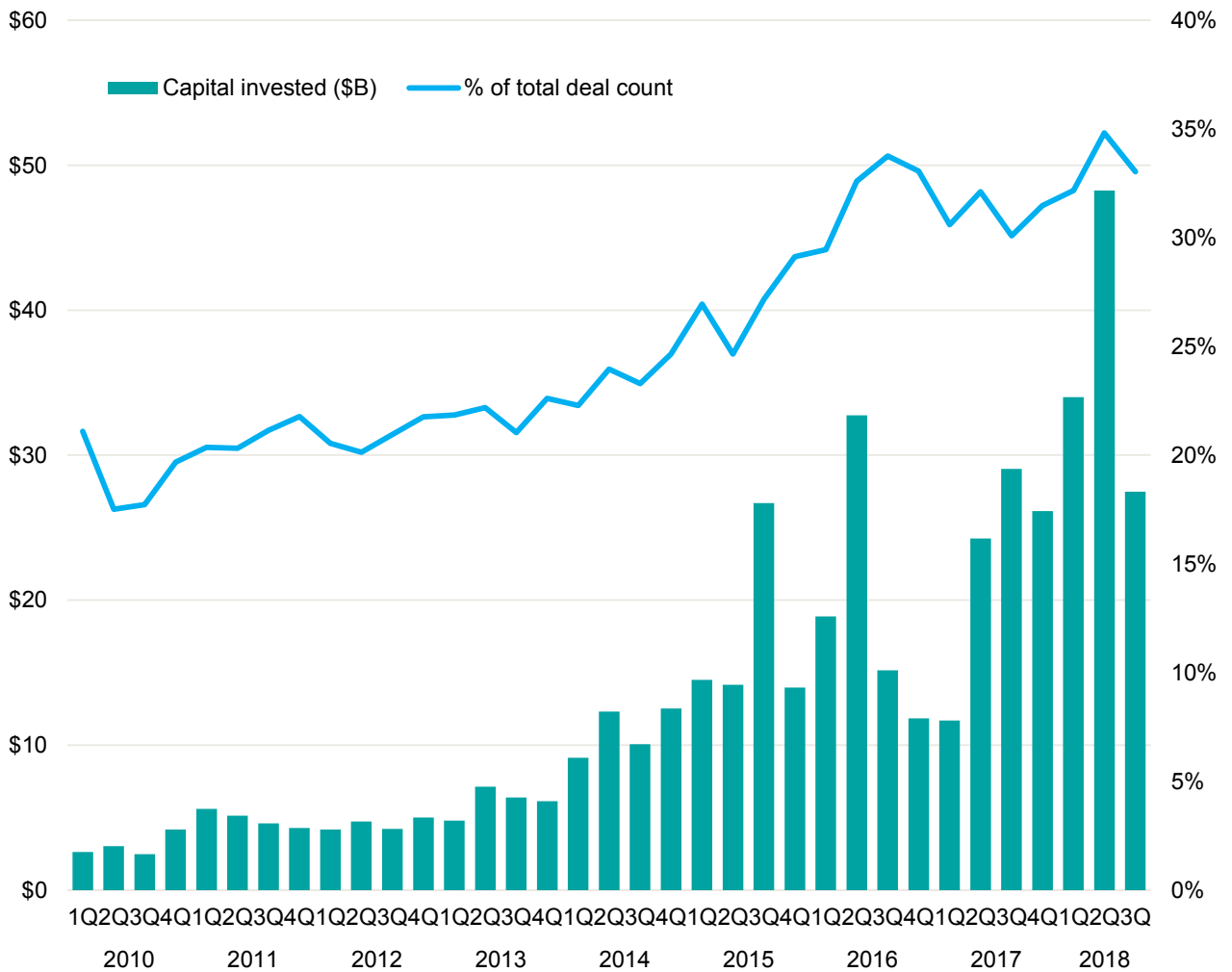
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Macro drivers for increased investment in life sciences remain as strong as ever. Software niches continue to proliferate. As incumbents dominate the social media side, Amazon ramps up investment in cornering opportunities centered on the voice-control ecosystem and newer startups compete in catering to specific enterprise niches. Accordingly, the forecast for 2019 does appear to be more of the same, but if anything, an intensification, with the 'other' category potentially growing as sector lines continue to blur.

Is CVC participation evening out?

Corporate participation in venture deals in the U.S.

2010 — Q3'18

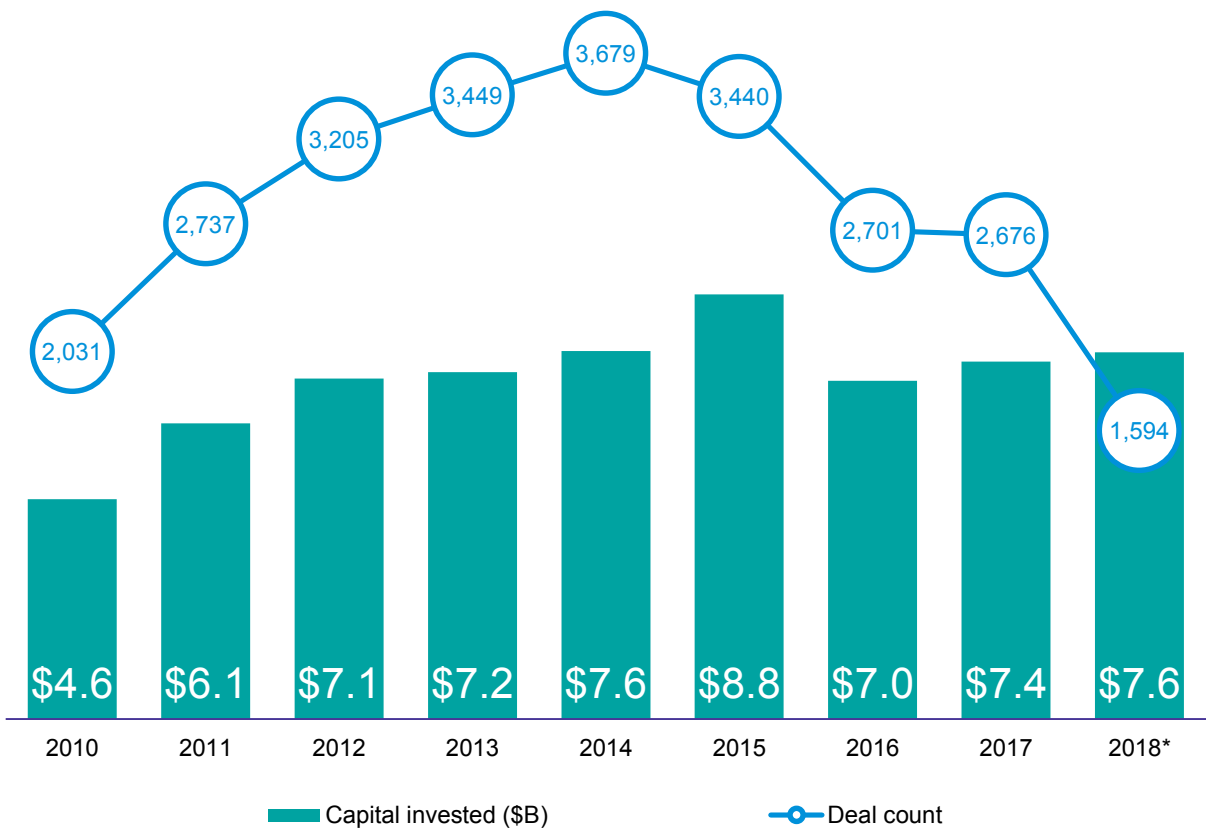


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

A longer-term trend is emerging with regard to corporates' participation in US VC, with a historically high but varying rate in the low 30% range. VC invested of course varies much more widely, but corporate players tend to get involved in larger rounds that can skew results. What is interesting to contemplate is whether this trend has steadied at a natural equilibrium, as traditional R&D balances with exposure to startups via financial investment and affiliated corporate arms.

Diverging VC invested & volume still point to restarting innovation cycle

First-time venture financings of companies in the U.S.
2010 — 2018*



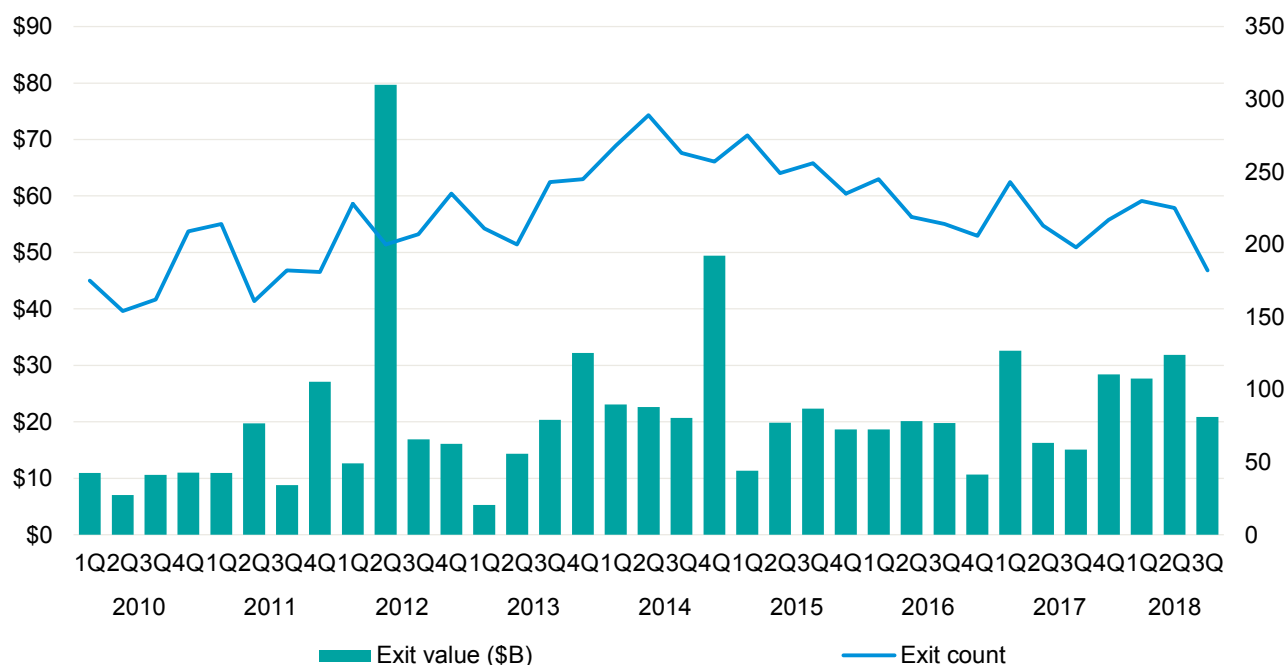
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

The dwindling tally of volume of first-time financings in the past 4 years is strongly belied by the massive sum of VC invested in such first-time fundings, at least in the US. What this suggests is an abundance of capital that firms are willing to ply even fledgling ventures with, but also, such high prices and valuations, plus competition, that are observed at the earliest of stages, naturally inducing a much slower rate of said fundings.

As opposed to other regions, the IPO methodology shift does not affect US as much

Venture-backed exit activity in the U.S.

2010 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Tech IPOs have resurged to some degree in the US, but Hong Kong has seen far more listings that have skewed exit values, given the shift in methodology in this edition of the Venture Pulse. Facebook still stands as the outlier in that regard and an example of the immense value and wealth creation possible. But what is more telling in the US is the evening out of exit activity at a steady clip. Liquidity is still not as constrained as may be thought.

“Q3'18 saw a resurgence in IPO activity in the US, including a notable positive IPO from ticket provider Eventbrite whose share price rose almost 60 percent above its listing price. As the IPO market continues to deliver strong returns to investors and the overall market volatility remains low, we should expect to see further IPO activity in coming quarters”



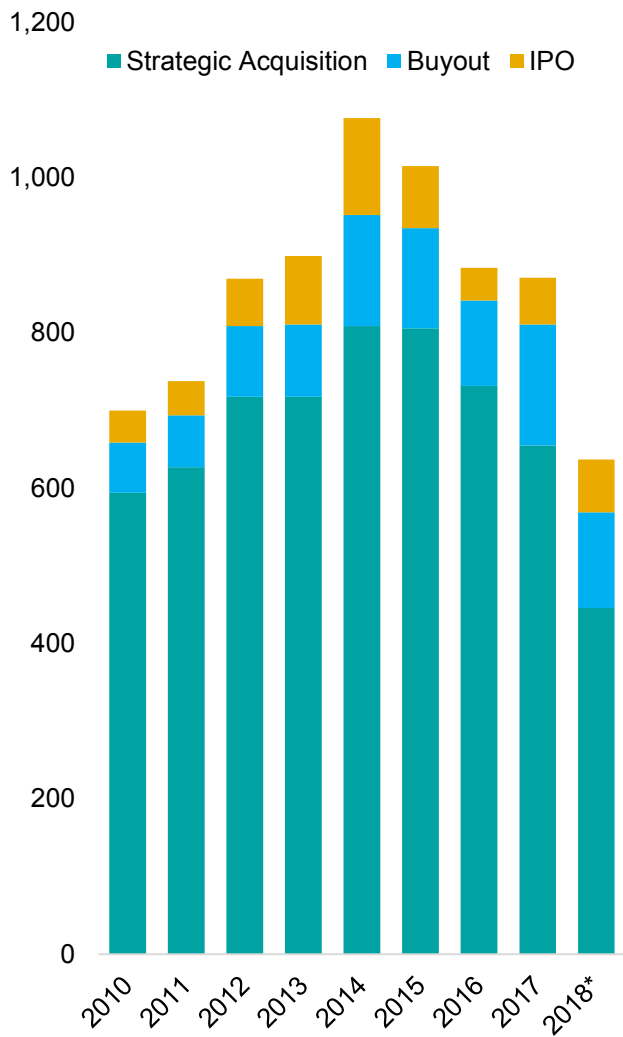
Brian Hughes

Co-Leader, KPMG Enterprise Innovative Startups Network, KPMG International and National Co-Lead Partner, KPMG Venture Capital Practice, **KPMG in the U.S.**

IPOs for outliers; M&A for the most

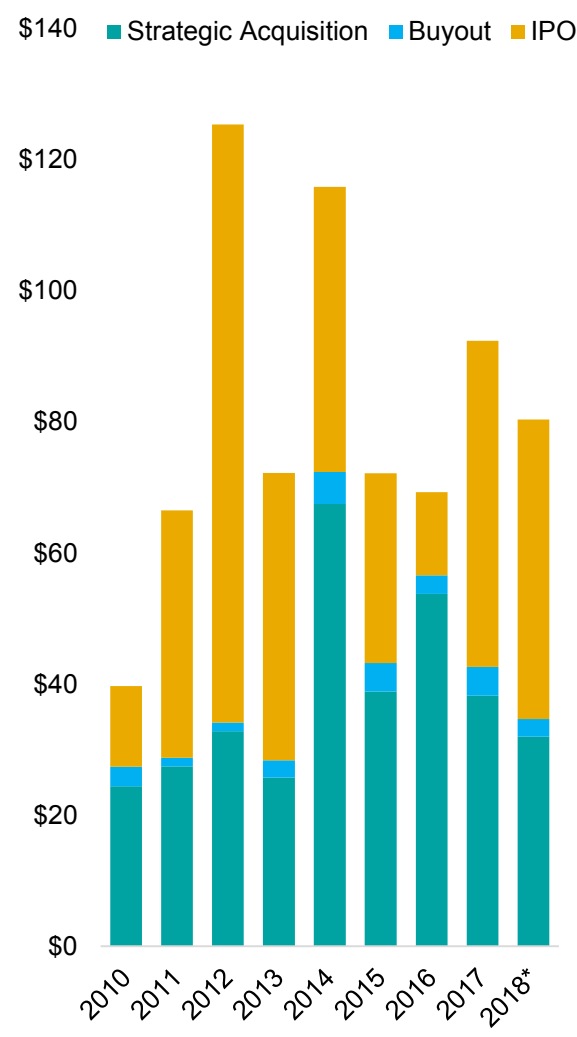
Venture-backed exit activity (#) by type in the U.S.

2010 — 2018*



Venture-backed exit activity (\$B) by type in the U.S.

2010 — 2018*



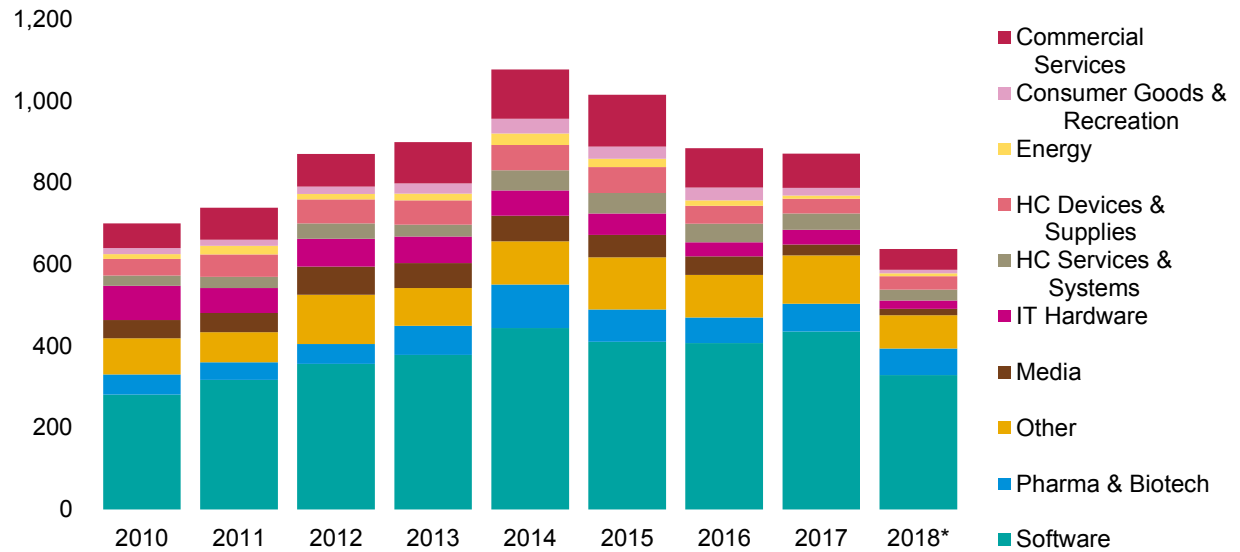
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Given the methodology shift, it is easier to see how IPOs remain the primary driver of outlier value in the case of unicorns debuting and the like. However, that is definitely the case for the outliers — M&A remains the most important avenue given its preponderance in volume.

Pharma & biotech on pace for record year

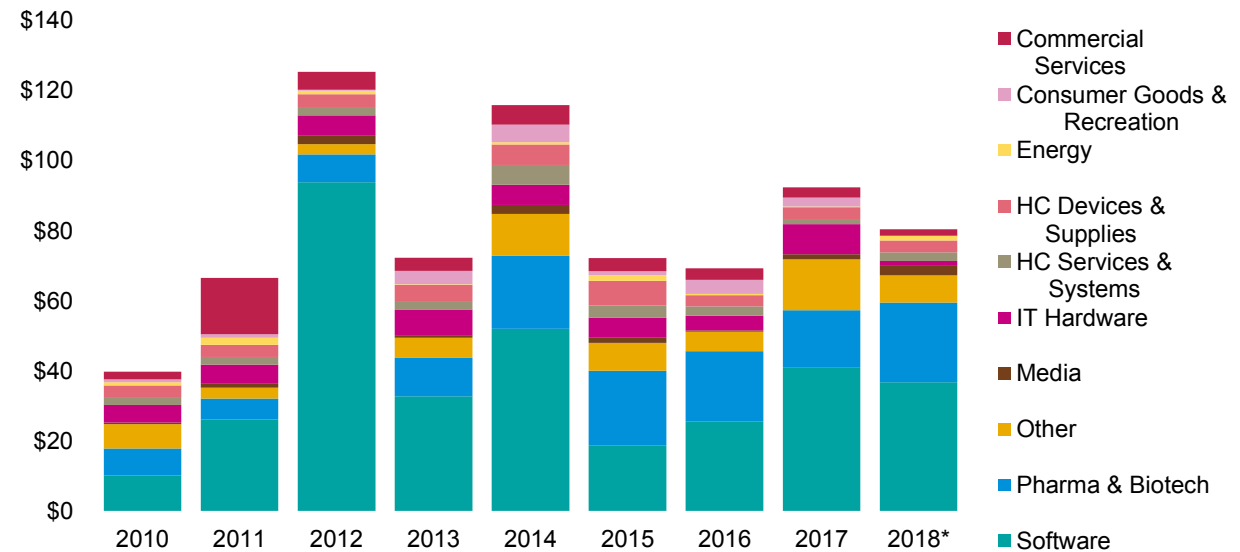
Venture-backed exit activity (#) by sector in the U.S.

2010 — 2018*



Venture-backed exit activity (\$B) by sector in the U.S.

2010 — 2018*

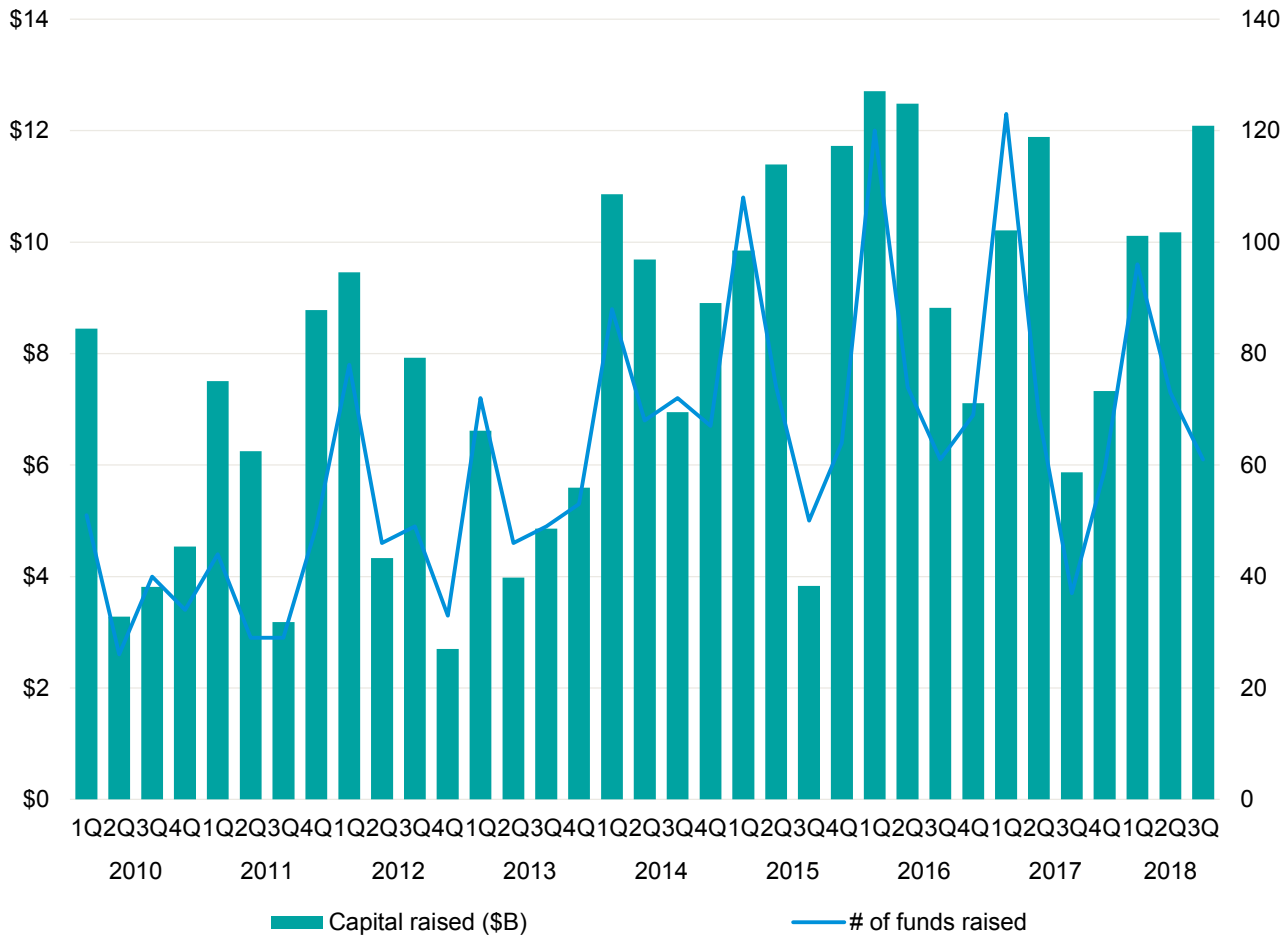


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Fundraising remains strong

U.S. venture fundraising

2010 — Q3'18



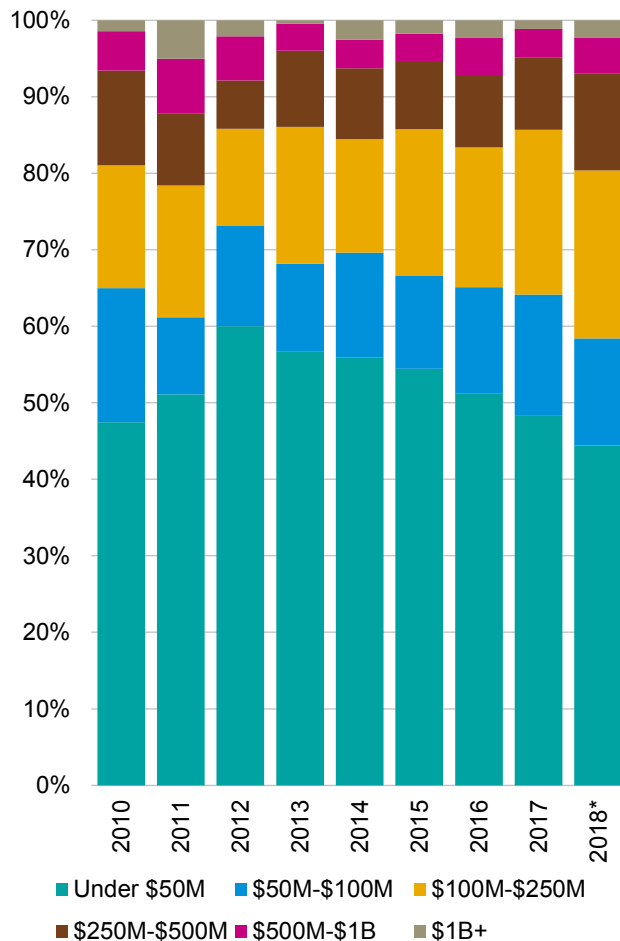
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

As stated in the prior edition of the Venture Pulse, there is not unlimited demand on the part of LPs for exposure to VC. That said, there is still appetite for allocation, especially when considering the investor bases for many funds that have only gained in experience and posted strong results throughout the entire market cycle since the financial crisis are truly international. Hence, fundraising will still likely see very lucrative quarters like that most recently, but the pace of fundraising has definitely slowed somewhat.

First-time funds' resurgence signals newer managers spinning out

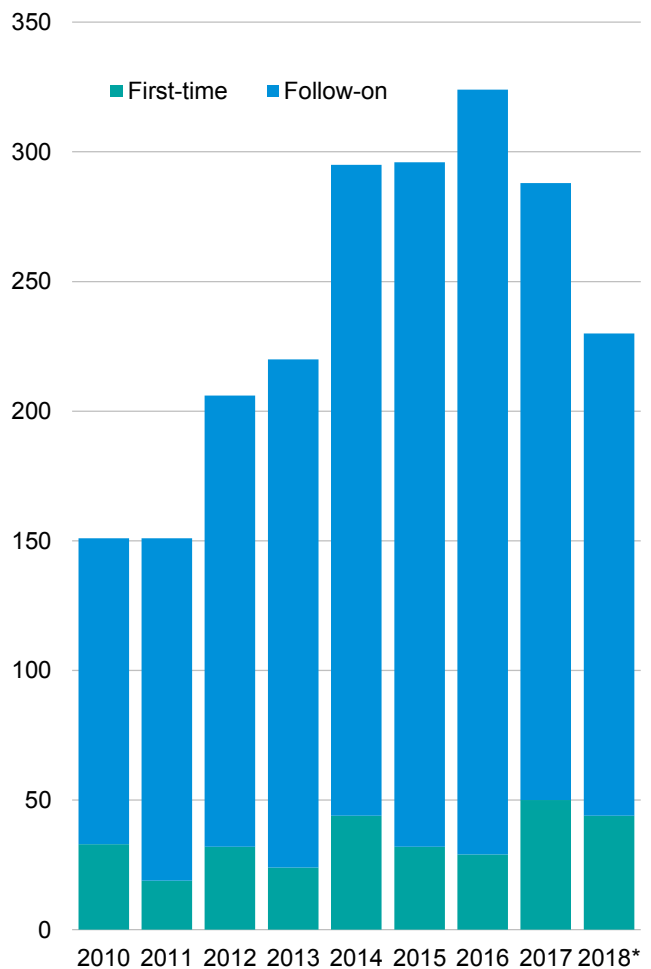
Venture fundraising (#) by size in the U.S.

2010 — 2018*



First-time vs. follow-on venture funds (#) in the U.S.

2010 — 2018*



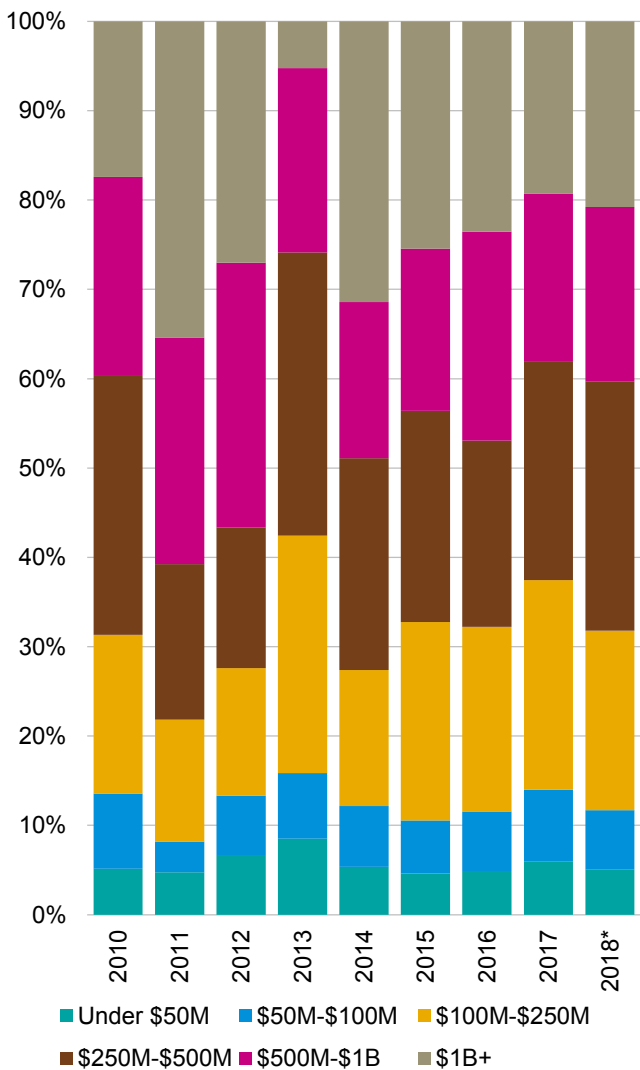
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

As noted in the prior edition of the Venture Pulse, the resurgence in first-time fundraising volume in 2017 was not necessarily going to persist, given the economics of that market, but in the year to date, things are looking relatively promising as more managers spin out from established firms that did well in the decade thus far.

The lucrative environment leads to largesse for even first-time funds

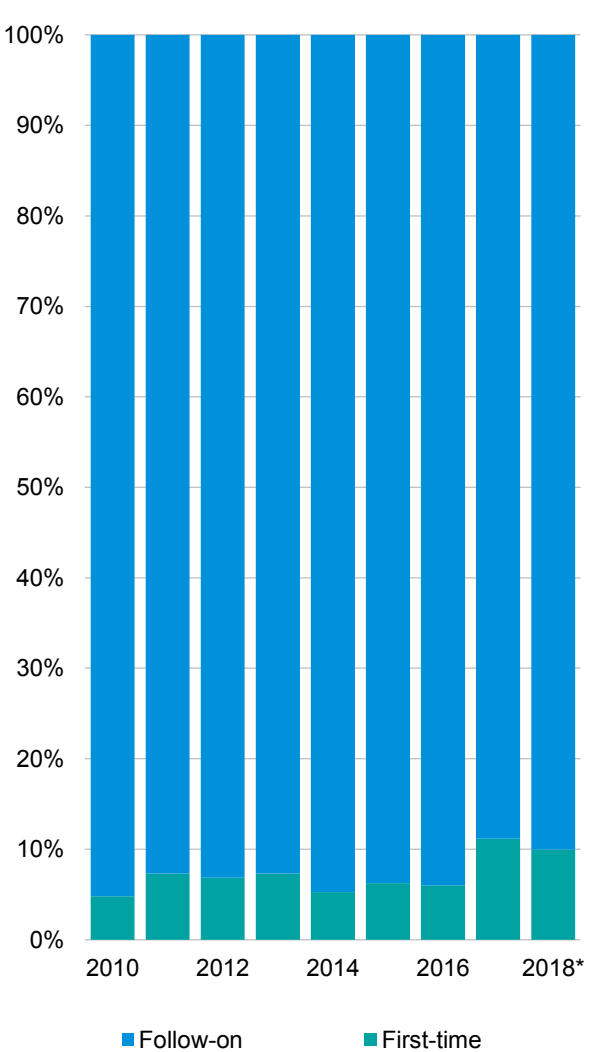
Venture fundraising (\$B) by size in the U.S.

2010 — 2018*



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

2010 — 2018*

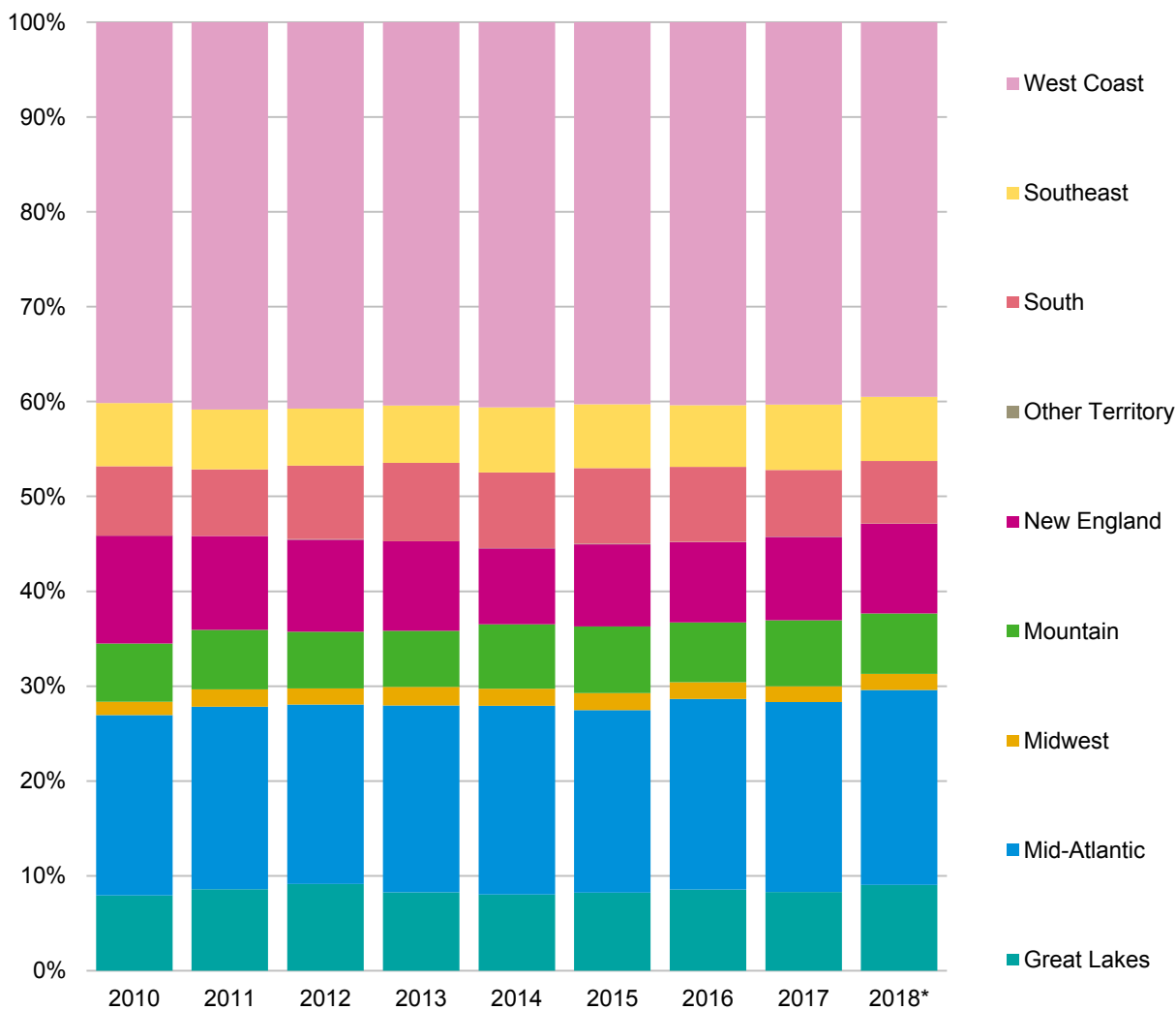


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

2018 activity may still centralize on traditional hubs, but other regions still see growth

U.S. venture activity (#) by U.S. region

2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

***In Q3'18 European
VC-backed
companies raised***

\$5.2B

across

571 deals



Strong optimism in Europe despite decline in VC deal volume during Q3'18

After three strong quarters, VC investment in Europe dipped in Q3'18, likely a reflection of the seasonality of investment in Europe. Solid VC investment at the beginning and end of the quarter suggest the VC market in Europe continued to be strong despite the slow deal activity in the region's summer months.



As Brexit approaches, UK investment remains strong

Despite the rapid approach of Brexit, the UK-led VC deals activity in Europe this quarter accounted for several of the region's top 10 deals. This activity could reflect a number of factors — from confidence in the UK innovation ecosystem regardless of Brexit or the calm before the storm that could come with a potential hard Brexit. The next few quarters could be somewhat uncertain as the March 2019 Brexit deadline approaches given negotiations are still ongoing.

Many companies have acted to mitigate the potential risks of Brexit — although the final ramifications for businesses have yet to be determined. For example, several fintech companies have pursued banking licenses elsewhere, in order to be able to continue to operate in and across different jurisdictions¹⁰. Revolut is one example of this. The pursuit of banking licenses is also being used by fintechs in order to extend their value propositions. For example, peer-to-peer lending company Zopa and Revolut have recently obtained a banking license in order to access new revenue streams.



Biotech and pharmatech big bets in the UK and around Europe

Health and pharmaceuticals continued to garner a significant amount of interest from VC investors in Europe this quarter. In Q3'18, biotech investment was particularly hot, with Orchard Therapeutics raising \$147 million, BioNTech raising \$120 million and ReViral raising \$55 million.

The growing interest in biotech and pharmatech highlight the significant focus investors are placing on building the next generation of pharmaceuticals based on a better working knowledge of how diseases are caused and the genetic factors related to them¹¹. With the population in the UK — and throughout Europe — getting older, it is expected that biotech will continue to be a big bet for the foreseeable future as companies look to find ways to treat and prevent different diseases.

In Germany, the shift in investment to pharmatech is relatively new. Historically, it was not seen as having a risk reward profile that made VC investors enthusiastic. This trend is changing, however, as investors begin to shift their focus from health infrastructure investments to therapeutics investments.



Germany investments reflect focus on strong companies, not industries

Germany saw solid VC investment during Q3'18, including the biggest deal in Europe: a \$300-million raise by fashion e-commerce platform, About You. Investments in Germany were spread across a diverse range of industries, including e-commerce, biotech, car sharing and others. VC investors in Germany and to a degree across Europe more broadly, appear to be prioritizing company characteristics over specific industry areas — investing in companies with proven business models, leadership teams and their business plans. VC investors are also showing interest in companies able to cater to well-defined niche markets.

¹⁰ <https://www.ft.com/content/3bcad1be-b1d7-11e8-8d14-6f049d06439c>

¹¹ <https://markets.businessinsider.com/news/stocks/artios-pharma-announces-84-million-65-million-series-b-financing-1027448912>

Strong optimism in Europe despite decline in VC deal volume during Q3'18, cont'd.



Urban mobility driving investment and new partnerships

Urban mobility in many forms continued to draw VC investors across Europe in Q3'18. Paris, France cropped up as an epicenter for a fight over the scooter market, with Taxify announcing an expansion into scooters under the new Bolt brand. Bolt will be competing with two US firms that recently launched scooter sharing in Paris — Bird (launched in May 2018) and Lime (launched in June).¹²

During this quarter, auto-sharing also received new attention, particularly from traditional automotive manufacturers. Volkswagen launched its own car sharing system during the quarter while BMW and Daimler have begun to merge their car sharing options in order to achieve scale. The need to achieve scale is expected to continue to drive partnerships in the car sharing across Europe.



Israel sees strong quarter of VC investment

Israel experienced a strong quarter of VC investment in Q3'18, with good-sized deals by Sisense (\$80 million), Mantis Vision (\$55 million), Monday.com (\$50 million) and others. Security continued to be a big focus for investment in Israel, in addition to fintech. Foreign investors have proven to be the most excited about Israel's fintech opportunities, participating in more than 70% of fintech deals so far in 2018. Healthtech also climbed on the radar of investors in Israel. Alpha Tau Medical, for example, raised \$29 million during Q3'18¹³.



Trends to watch for in Europe

VC investors across Europe will be watching the Brexit negotiations even more closely over the next quarter as negotiation deadlines loom and the potential for a no-deal Brexit rise. Corporate investment across Europe is expected to remain strong, particularly in the automotive space as traditional manufacturers look for ways to take part in new trends and opportunities, such as car sharing. Further investments in autonomous driving are also expected.

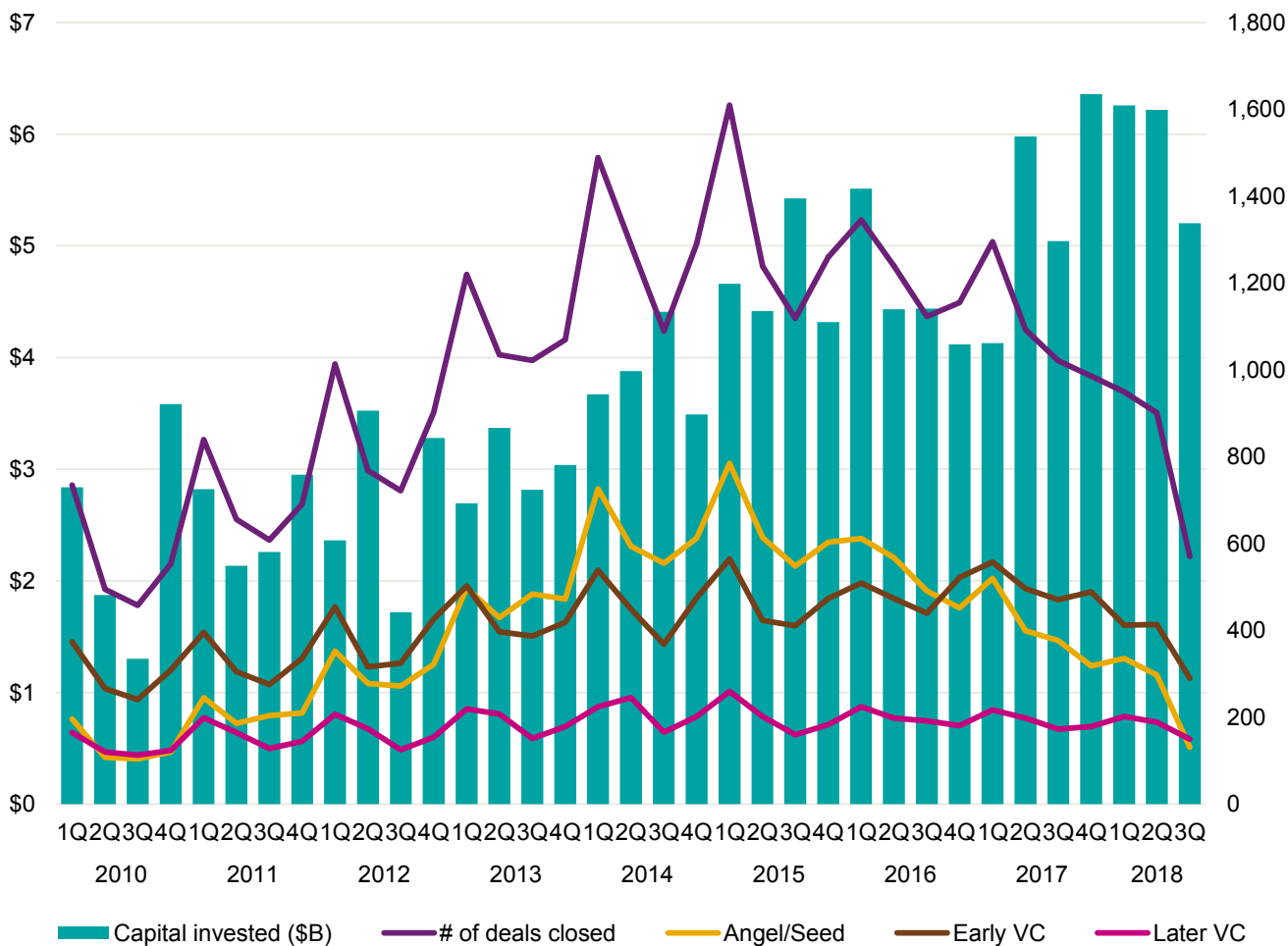
VC investors in Europe will also be keenly watching the performance of Funding Circle, which had its IPO early in Q4'18. Funding Circle is one of several high profile European fintechs to either go public or announce plans to. Fintech investors in particular will want to see if Funding Circle builds on the momentum garnered by Adyen's very successful IPO in Q2'18. Adyen's stock price has increased by 45% since its summer IPO.

¹² <https://www.businessinsider.com/taxify-launches-dockless-electric-scooters-for-hire-in-paris-2018-9>

¹³ <https://www.timesofisrael.com/global-giants-boost-funding-to-israel-fintech-startups/>

Volume looks poised to even out, as VC invested remains remarkably healthy

Venture financing in Europe 2010 — Q3'18



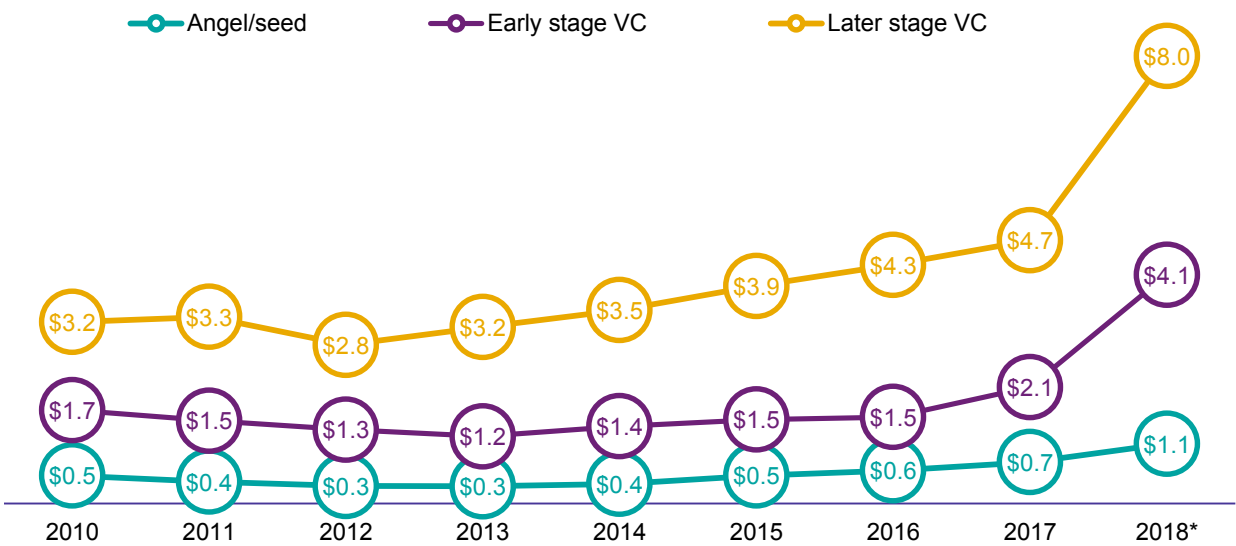
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Venture volume has contracted slowly but surely, primarily at the angel and seed stages, for some years now across Europe. Q3 tallies will likely rise as time goes on, but overall remain subdued relative to prior heights, returning to a more typical historical tally. What will remain and is still remarkable is the sheer aggregate of VC invested. Key cities across the continent are still raking in significant sums of funding.

Marked round size inflation persists with only one quarter left in the year

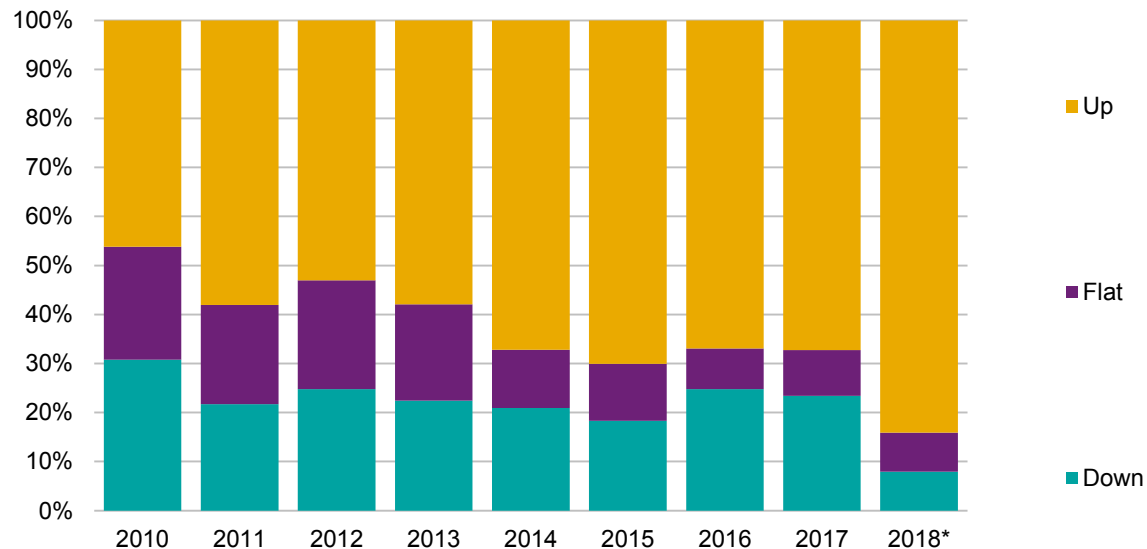
Median deal size (\$M) by stage in Europe

2010 — 2018*



Up, flat or down rounds in Europe

2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

The late stage aligns further

Median deal size (\$M) by series in Europe
2010 — 2018*

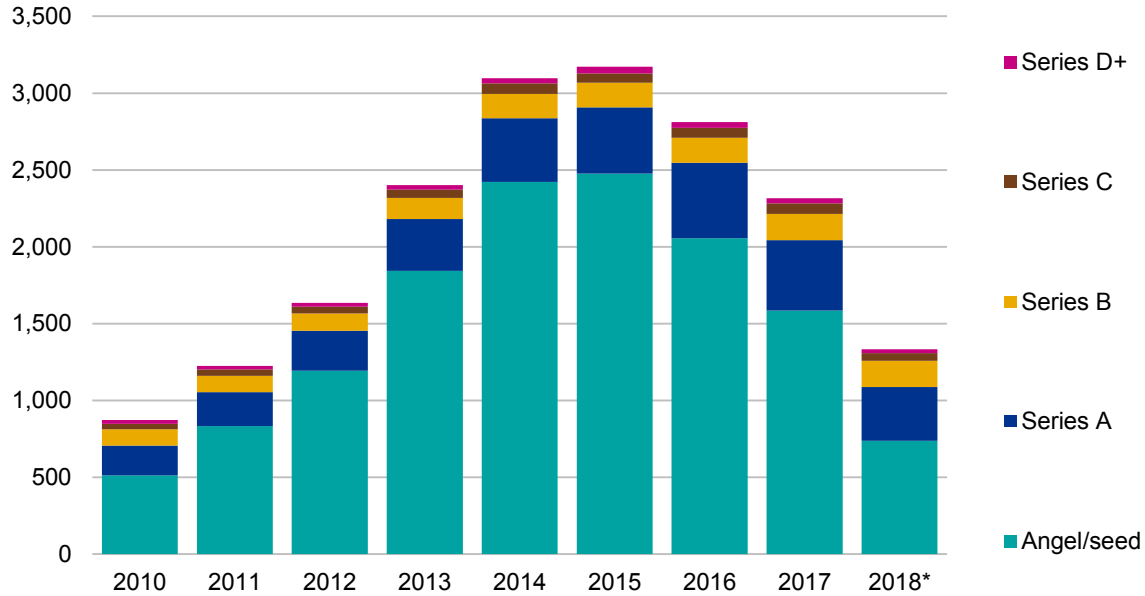


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Series B onwards grow significantly

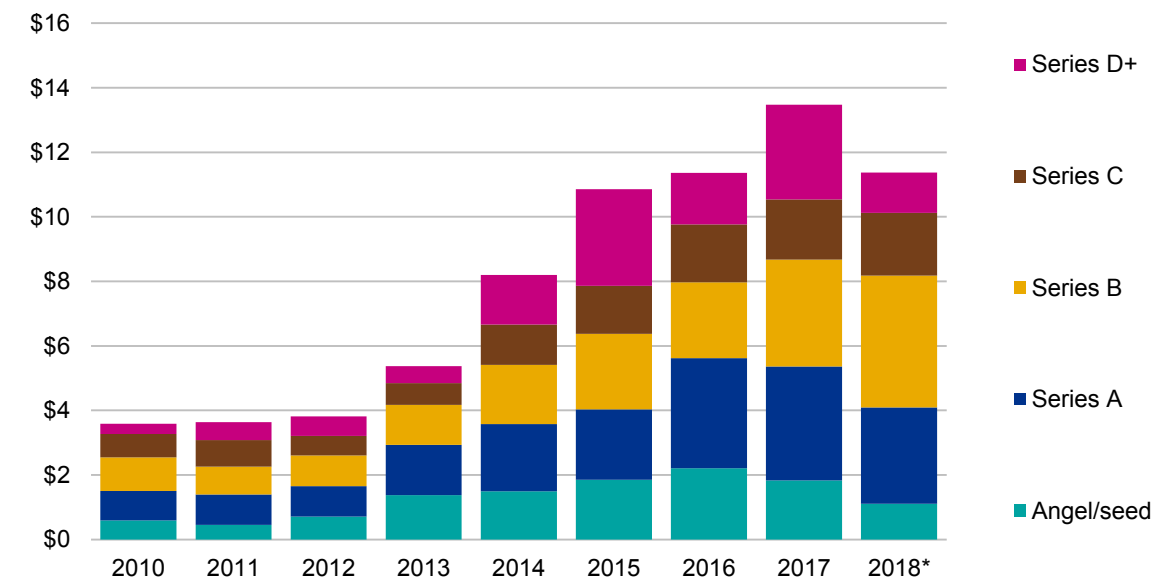
Deal share by series in Europe

2010 — 2018*, number of closed deals



Deal share by series in Europe

2010 — 2018*, VC invested (\$B)

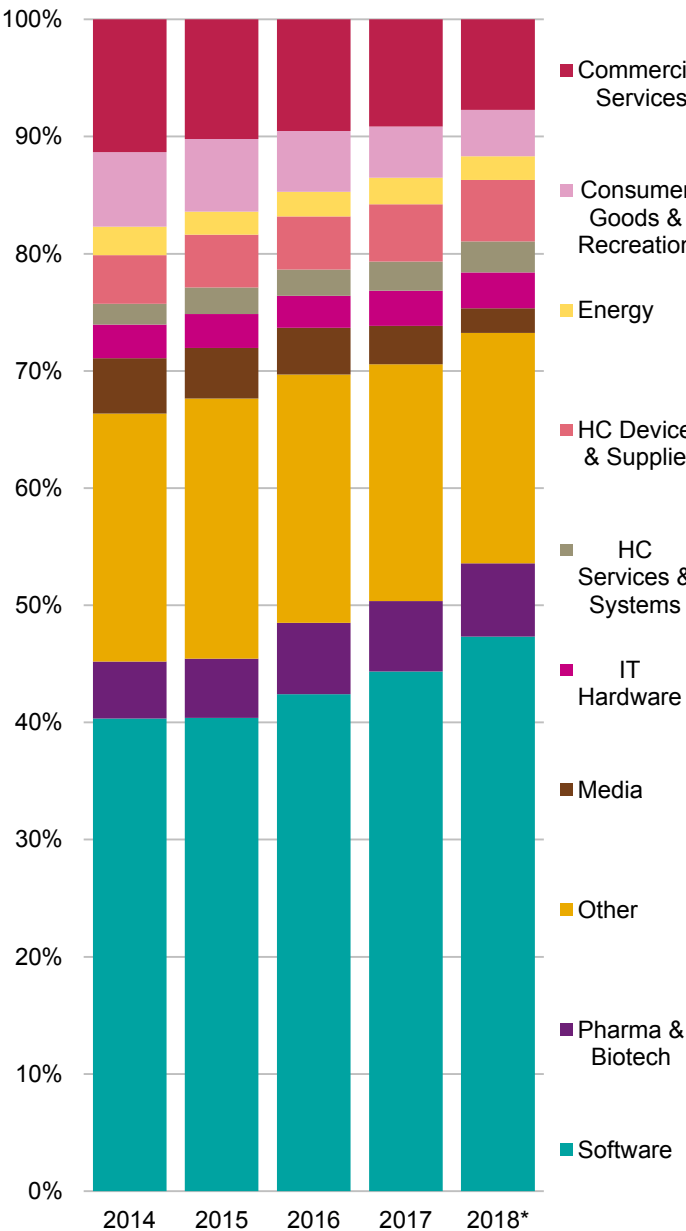


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

By value, software & pharma are joined by B2C

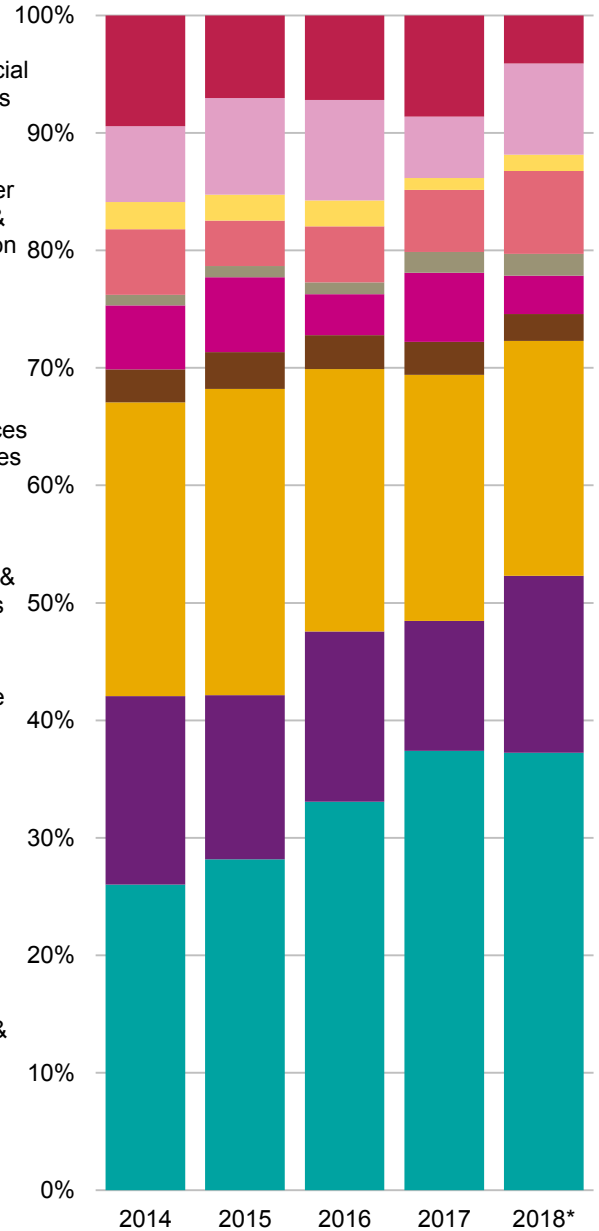
European venture financings by sector

2014 — 2018*, number of closed deals



European venture financings by sector

2014 — 2018*, VC invested (\$B)

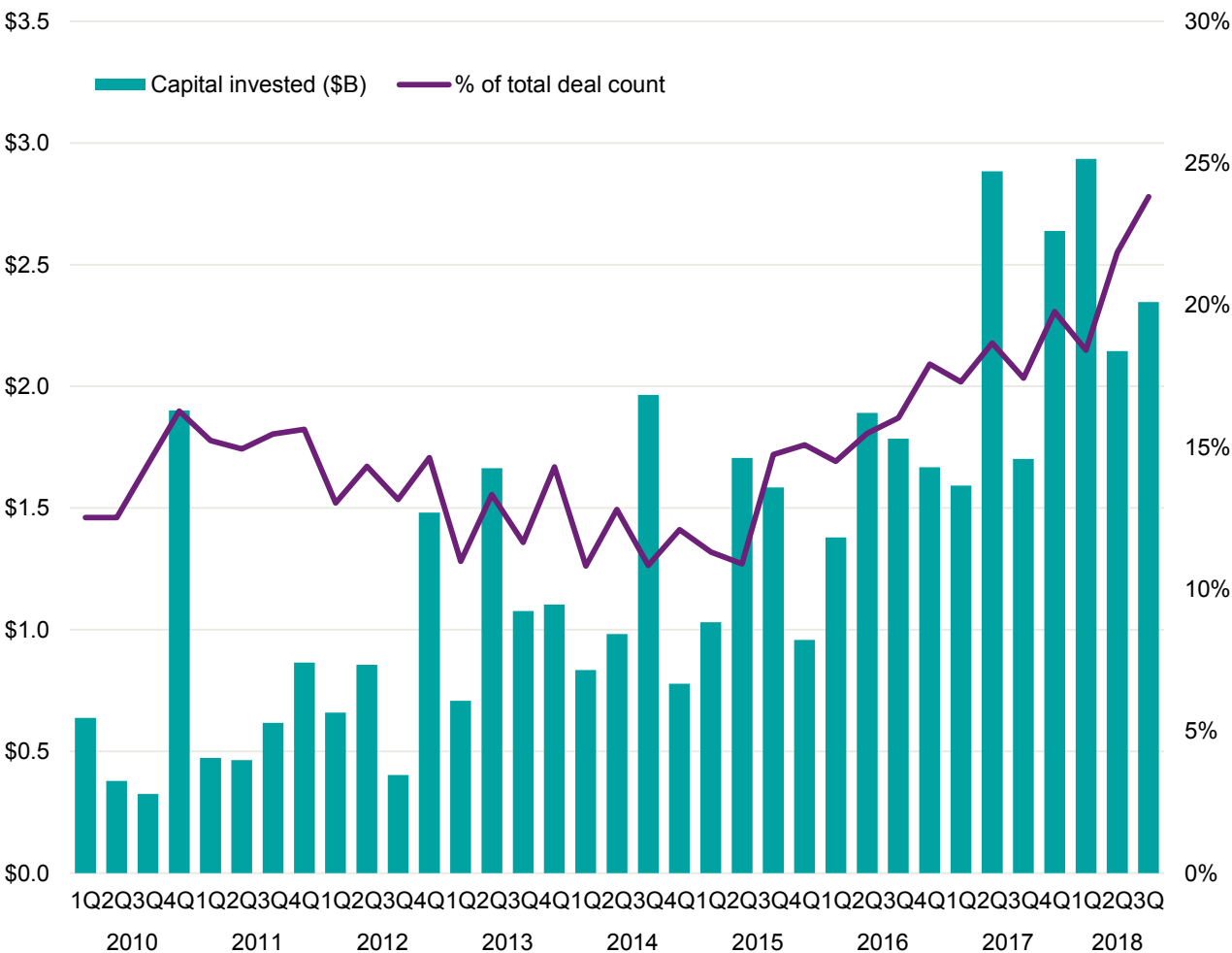


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

CVCs continue to help propel total volume

Corporate VC participation in venture deals in Europe

2010 — Q3'18

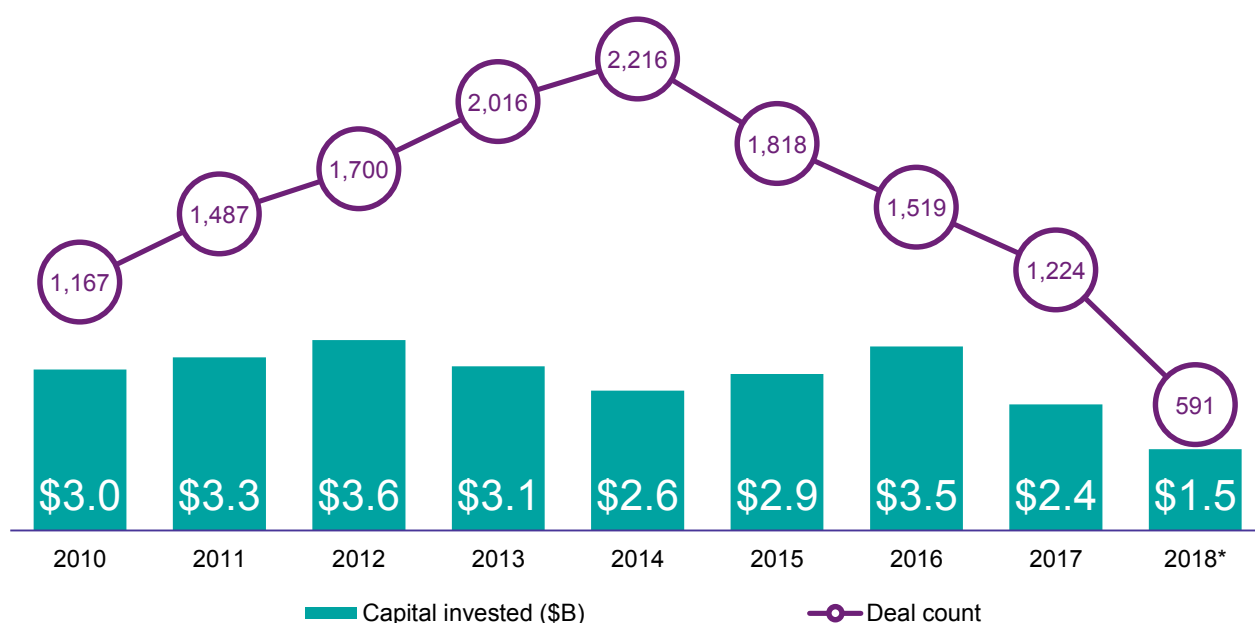


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Even considering historical lags, 2018 is likely to record new lows in value & volume

First-time venture financings of companies in Europe

2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Prior to the supposition that new business funding has slowed to an anemic crawl, it must be noted that new business creation is notoriously difficult to track and, moreover, historical lags affect not only venture financing tracking, but also such figures (as frankly lagging affects all private financial and economic data). That said, even taking lagging into account, it is clear that venture funding of new businesses is subdued at a minimum and set for record lows unseen this decade thus far.

“Total venture capital invested in Europe remained strong this quarter — powered by 10 deals over \$80 million — spread over six different countries. However, many smaller companies continue to struggle to attract early stage funding, as evidenced by the 6th consecutive quarterly drop in volume of Angel and Seed Investment.”

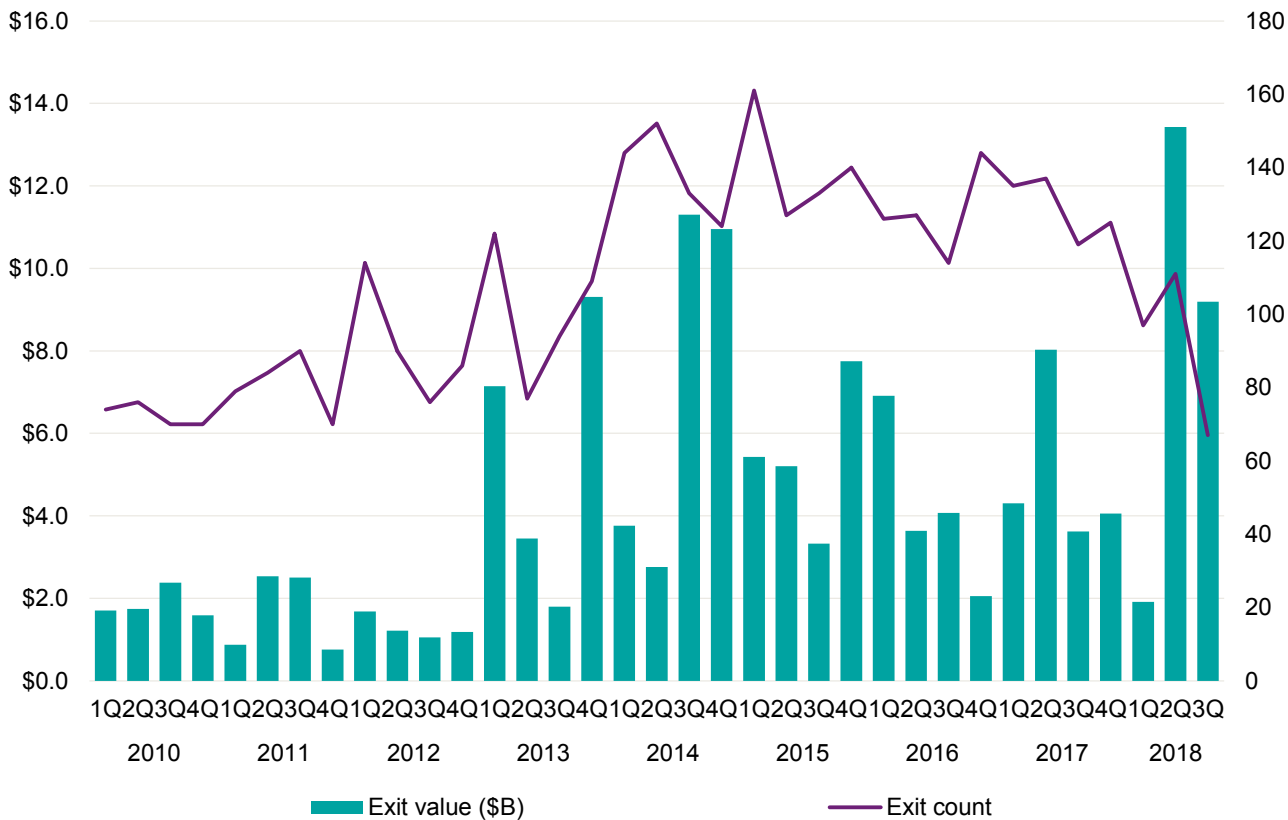


Anna Scally

Partner, Head of Technology and Media and Fintech Lead,
KPMG in Ireland

Exit values rebound in part due to IPOs

Venture-backed exit activity in Europe 2010 — Q3'18



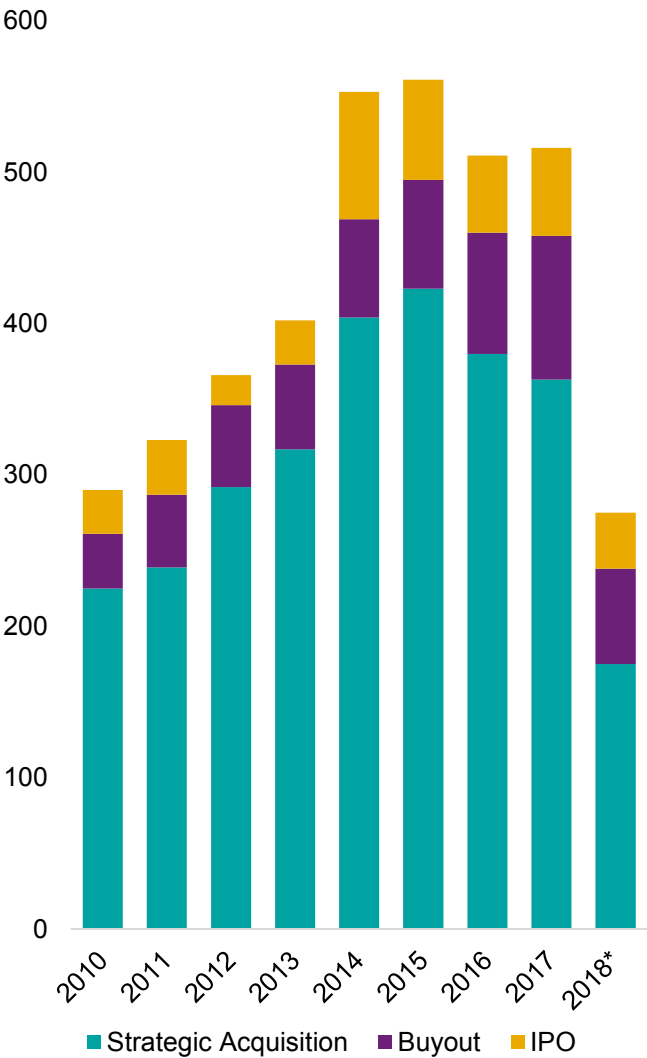
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Even as exit volume continues to exhibit an uneven if steady slide over the past seven quarters, aggregate values are healthier than may be supposed, strengthened by the shift in methodology for this edition of the Venture Pulse that swaps IPO sizes with prevaluations prior to flotation, which is ultimately a better marker for company valuation once having gone public.

Viewed in a different light, IPOs provide a significant source of potential exit value

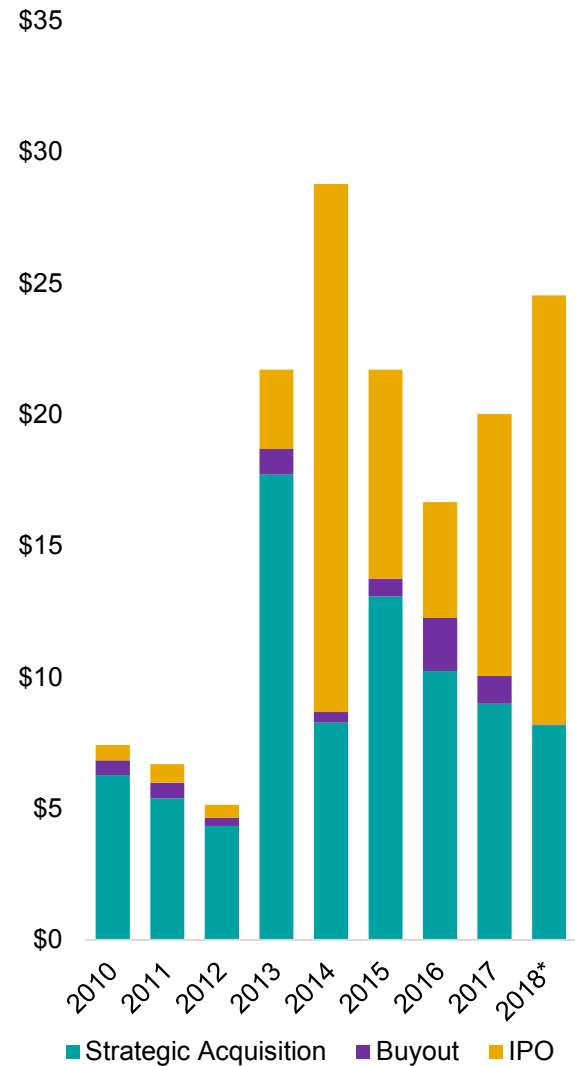
Venture-backed exit activity (#)
by type in Europe

2010 — 2018*



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

2010 — 2018*

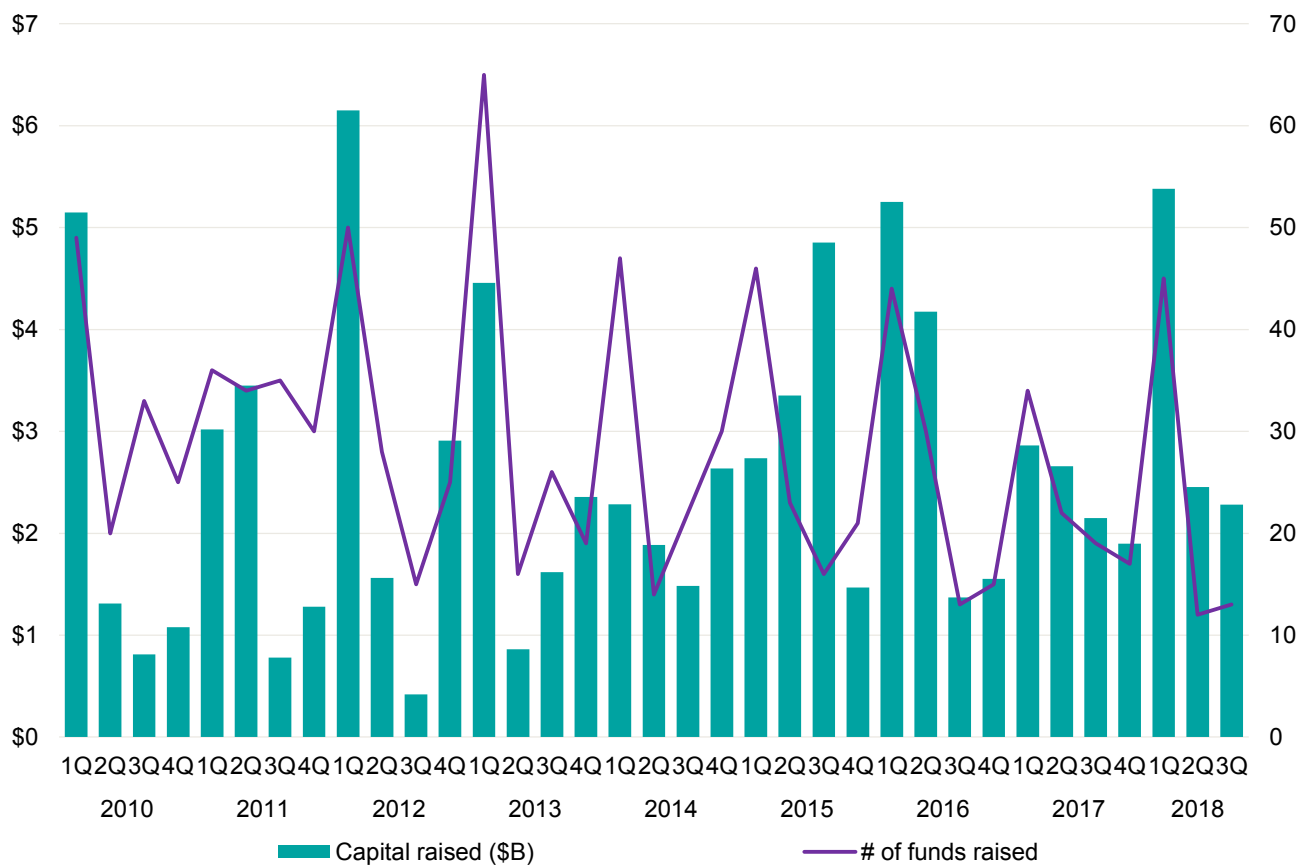


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Despite varying volumes, steadying value reveals a potential stability in Europe

European venture fundraising

2010 — Q3'18



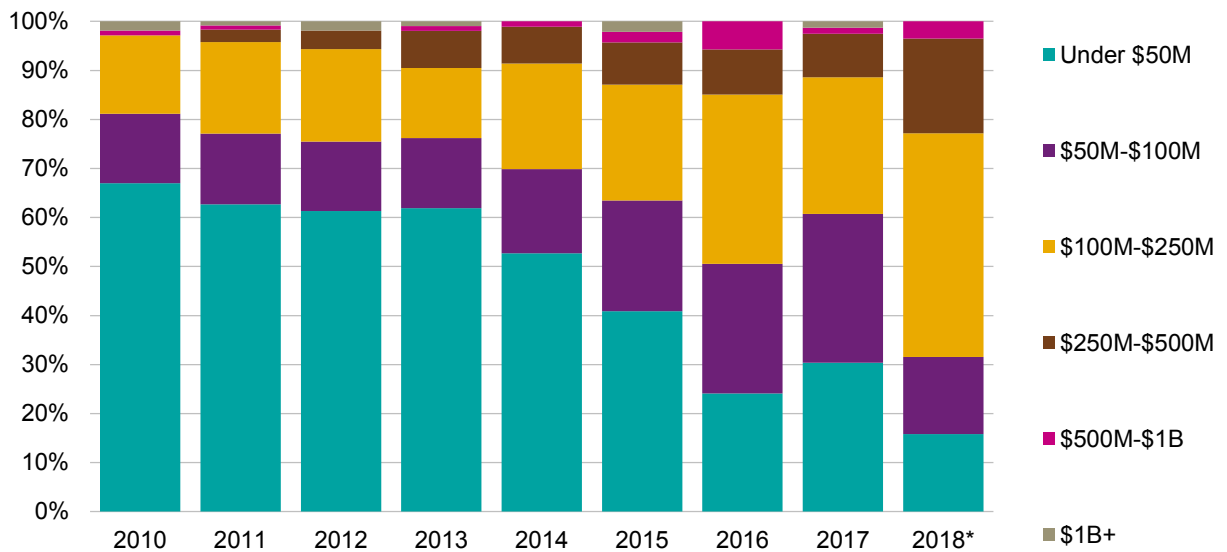
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Fundraising has appeared to relatively steady in aggregate value. Over the past seven quarters, a rough average between \$2 and \$3 billion has been logged, even as counts have varied quite wildly. The fluctuations in fundraising volume can be attributed to some opacity in close dates as well as the typical timing of the market, which sees closes around customary closes of business. What this all means for the European venture market is a significant source of capital to continue funding activity going forward.

Fundraising continues emphatic shift to middle and upper market by size

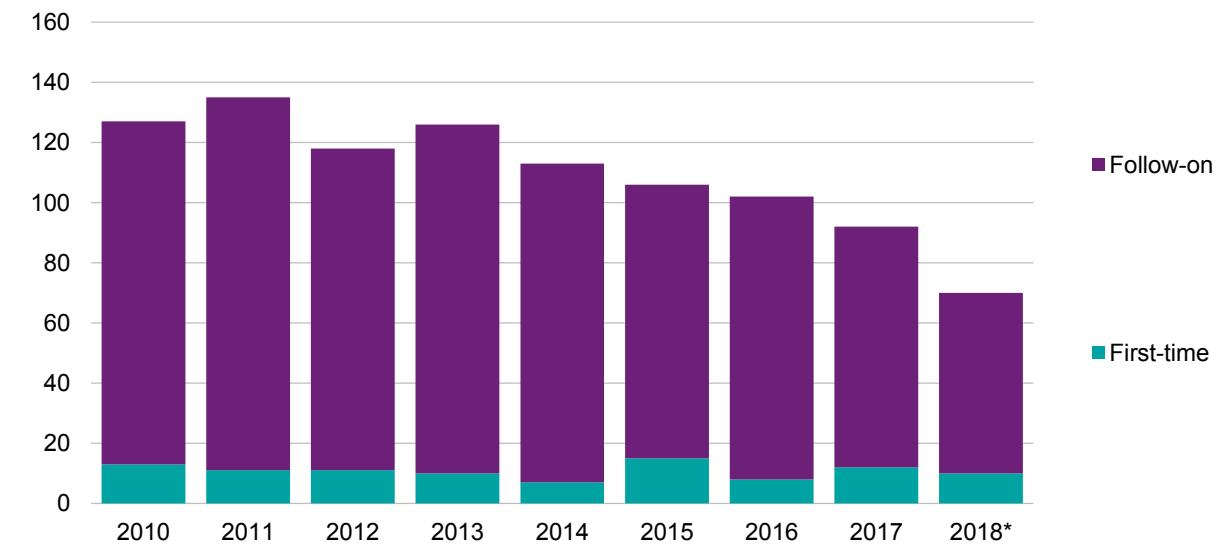
Venture fundraising (#) by size in Europe

2010 — 2018*



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

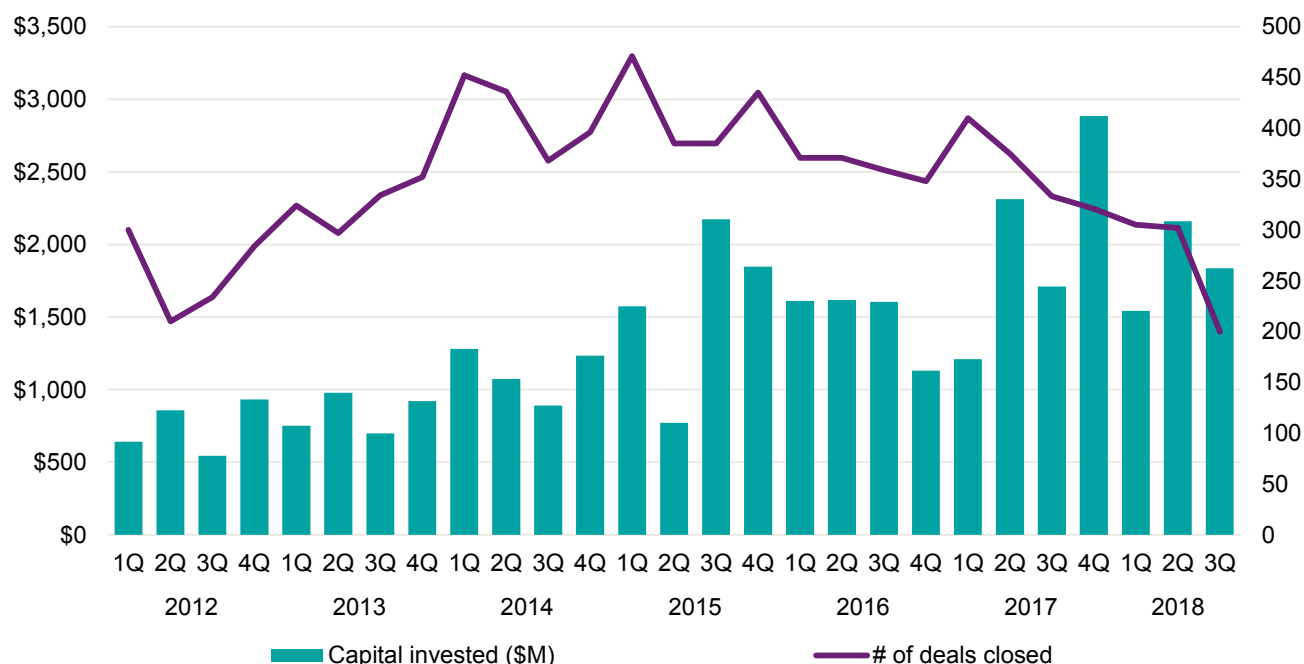
2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Somewhat subdued in volume

Venture financing in the United Kingdom 2012 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

At this point, many may be excused for looking at venture activity within the United Kingdom and asking whether there was altogether too much ado about Brexit, when it comes to its effect upon the VC landscape. The point is fair, but however protracted, concerns are still justifiable. Talent sourcing, upon purely an anecdotal basis, is already being impacted, while it is not so much concrete outcomes as the lack of certainty around any settlement that may induce investors to pull back at the prospect of an oncoming hard Brexit.

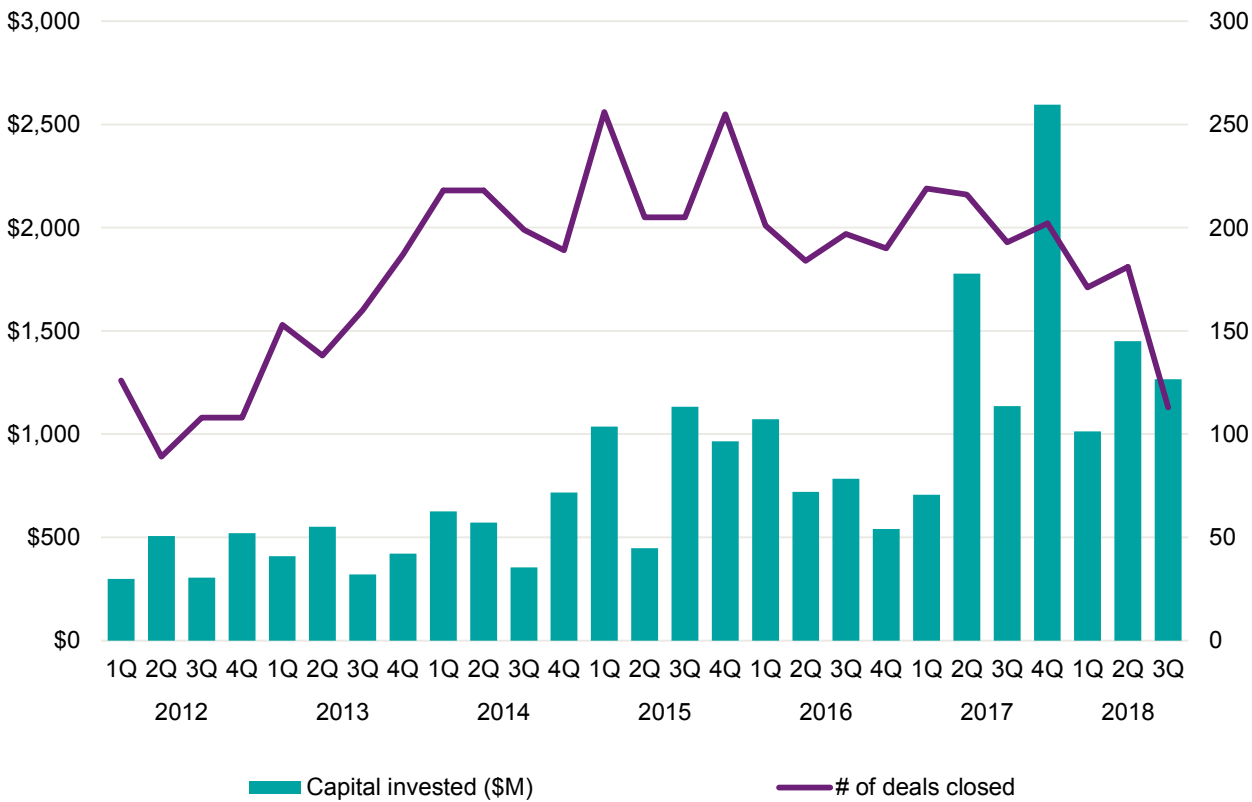
“Fintech is seeing very strong growth in the UK. This reflects the maturing of the fintech market itself. A number of fintech businesses have become well-established. They’ve gained more scale and they are expanding both geographically and horizontally. Some, are poised to exit. Funding Circle led the way with their IPO early in October We’re also starting to see more and more fintech investment activity expand beyond London, with funds raised in Manchester and Leeds.”



Patrick Imbach
Head of KPMG Tech Growth,
KPMG Enterprise in the UK

Evening out at a moderated pace

Venture financing in London 2012 — Q3'18

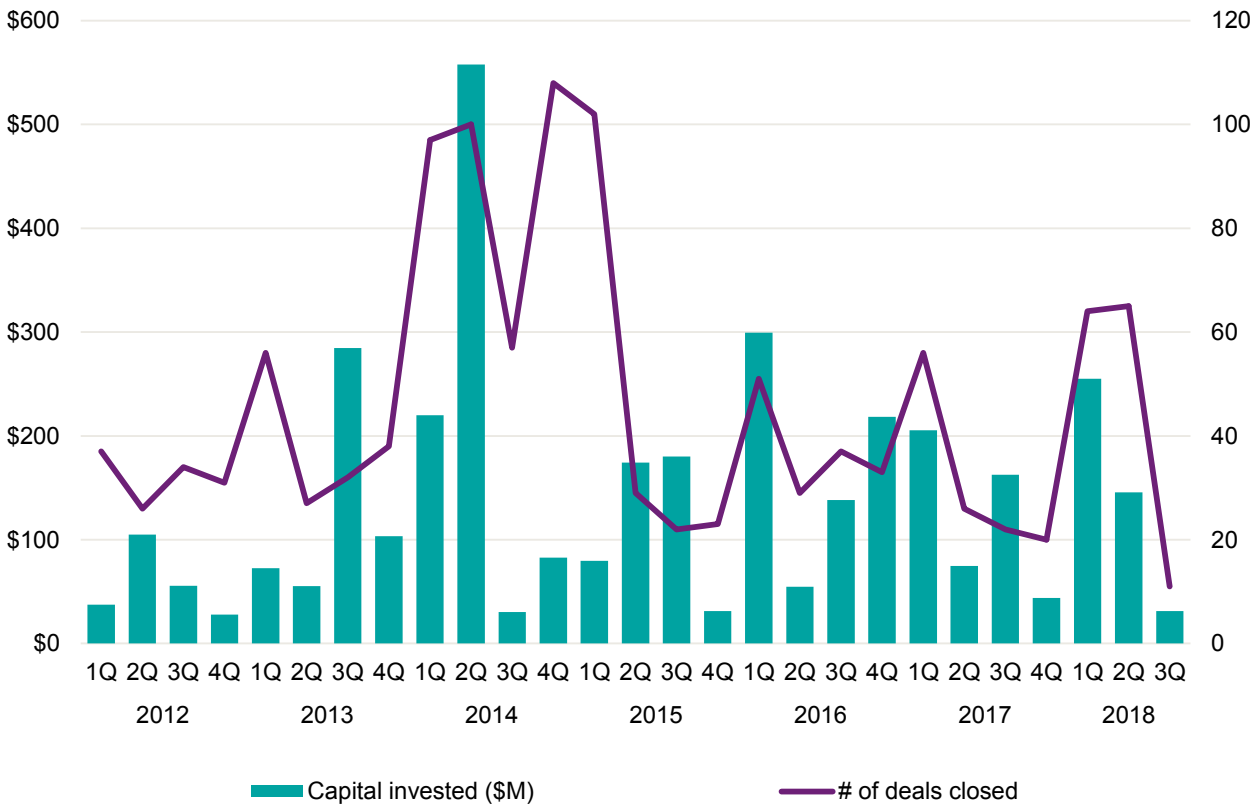


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

London enjoys significant advantages even in the shadow of a nebulous Brexit, namely its sheer access to talent (even if increased difficulties in sourcing for said talent is potentially the only actually realized outcome of Brexit thus far, within the venture scene), its status as a global financial center and concentration of traditional private investment managers. That said, London’s financial industry continues to endure rumblings of losing its status as major banks relocate due to Brexit. Until the deadline in March of next year is actually reached, however, or the actual extent of jobs shifted and thereby industry focus is determined, definite conclusions remain hard to come by.

Figures continue at low levels

Venture financing in Ireland 2012 — Q3'18

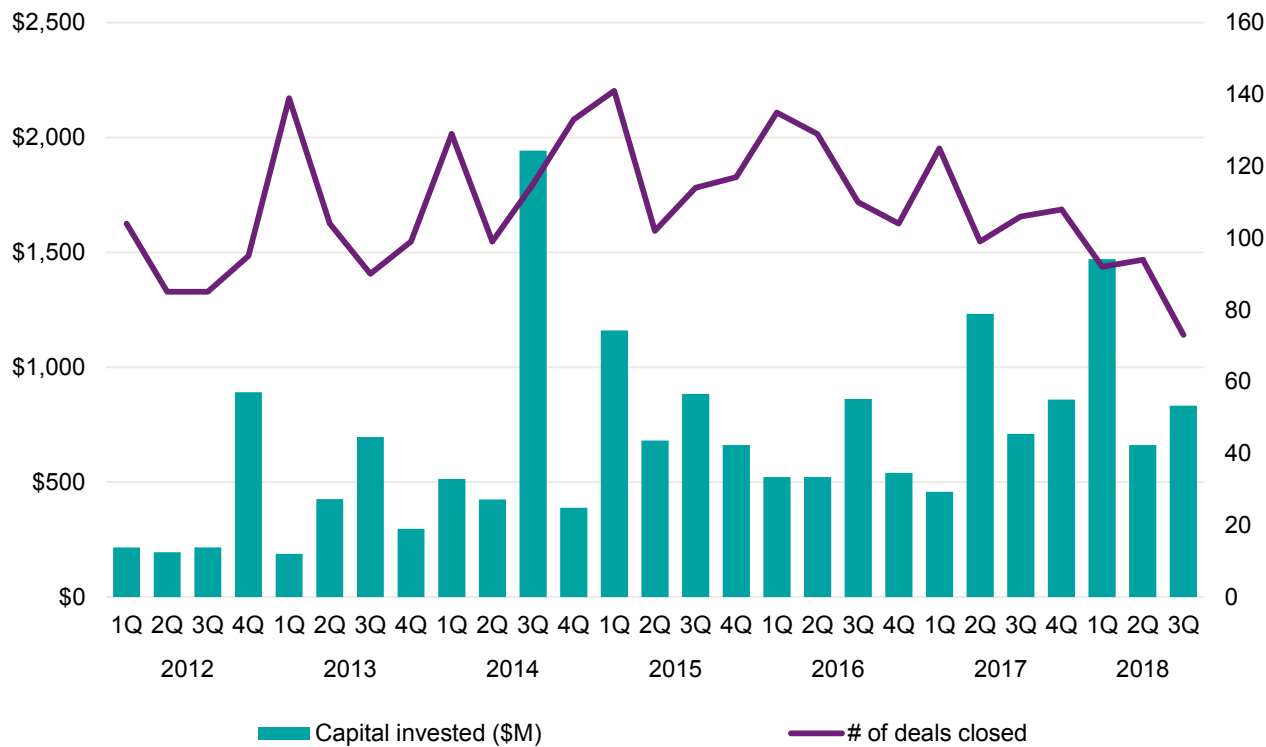


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Ireland’s startup scene is diverse and yet its quarterly volatility and aggregate tallies may not reflect true dynamism within its market, especially as Dublin looks to benefit from any Brexit fallout.

Quarterly volume trending to a new plateau

Venture financing in Germany 2012 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Skewed once again by a significantly sized transaction, BioNTech’s \$120 million raise, the German venture ecosystem recorded what will likely end up as another quarter of relative health in terms of venture volume and VC invested.

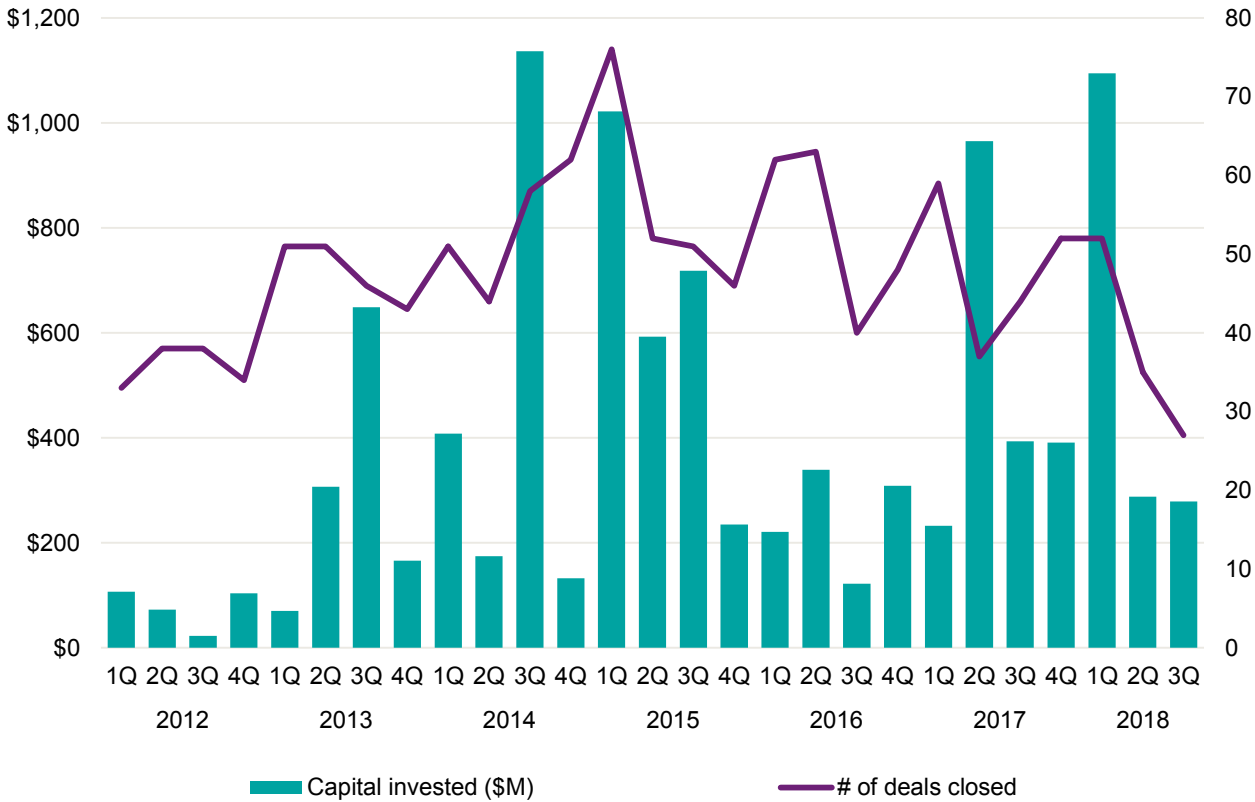
“In Germany right now, VC investors are not focusing on specific industries. We are seeing a lot of investments across a wide variety of areas. If there is a common theme, it is that VC investors are honing in on the individual companies — looking at their management team, whether they have a niche in their respective ecosystem and if they have a strong proof of concept or business case.”



Tim Dümichen
Partner,
KPMG in Germany

A downturn in mid-2018

Venture financing in Berlin 2012 — Q3'18

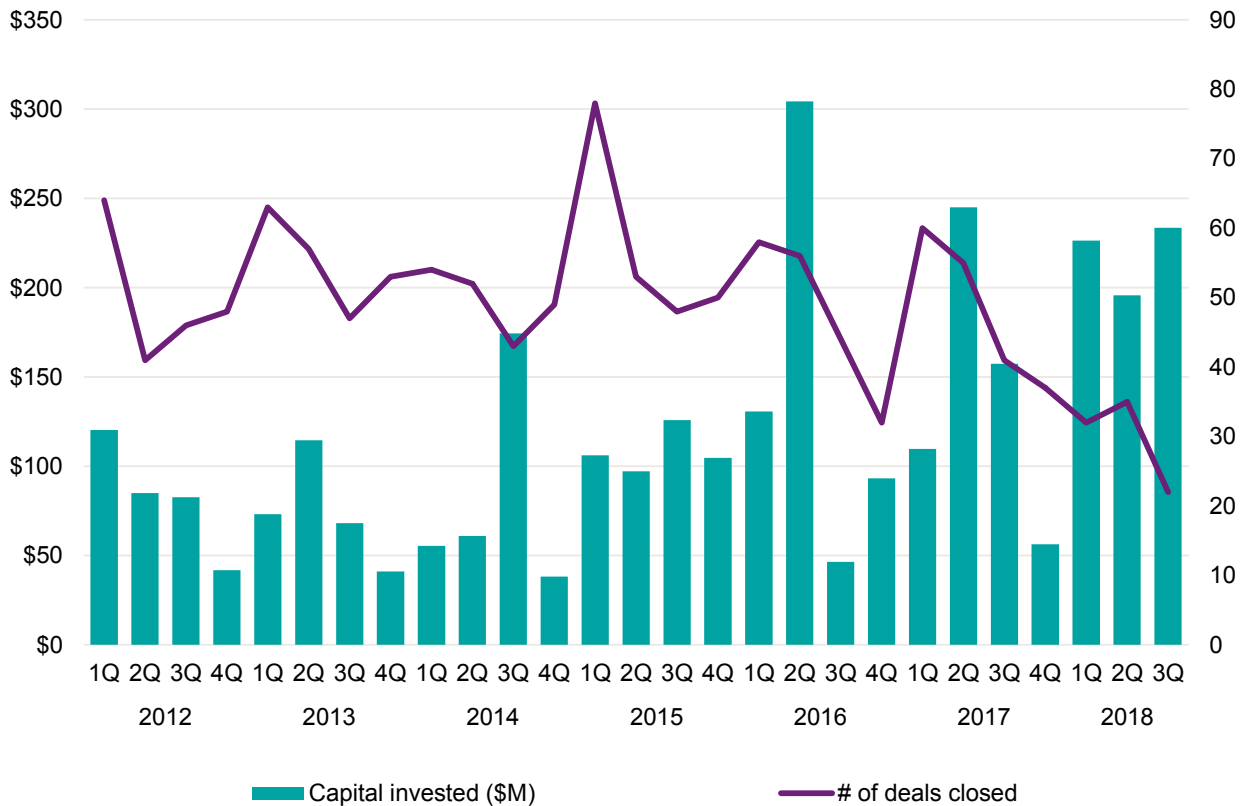


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Even with a typical lag accounted for, Q2 turned out rather low in terms of aggregate volume for Berlin, which, like any metropolis, is likely to experience significant volatility in terms of VC invested. Not as predominant a center of VC activity as, say, London is to the UK, it is difficult to foresee any significant dynamic shifting forecasts for the Berlin venture scene to trend down or up away from the recent medians observed.

Spain turns in yet another robust quarter

Venture financing in Spain 2012 — Q3'18

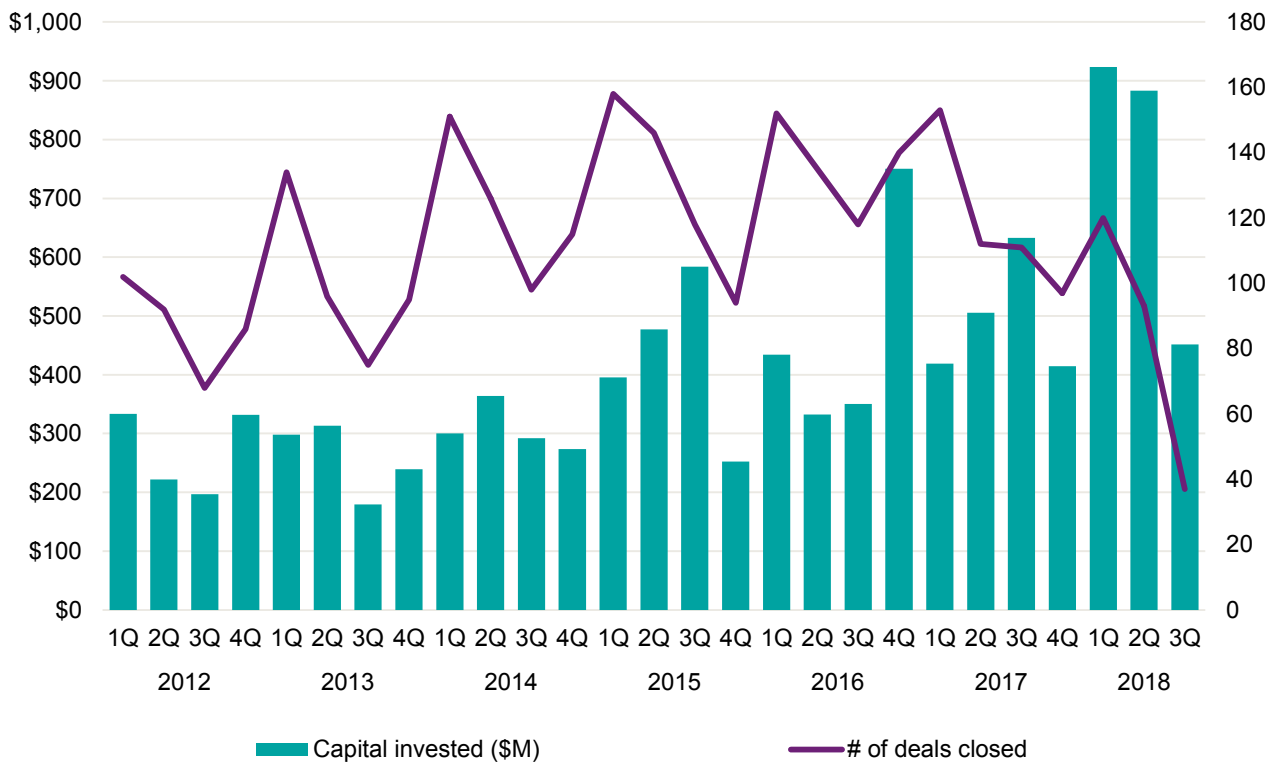


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

At this point, Spain’s venture ecosystem is still skewed by outlier raises on a quarterly basis, but the fact it still exhibits such companies speaks to the intriguing, varied dynamics of its startup scene as well as economy. In this instance, on-demand delivery company Glovo’s \$134.4 million raise definitely accounted for the vast bulk of the Q3 tally of deal value, but also speaks to the penetration of such digitization within Spain.

After a blockbuster half, a downturn

Venture financing in France 2012 — Q3'18

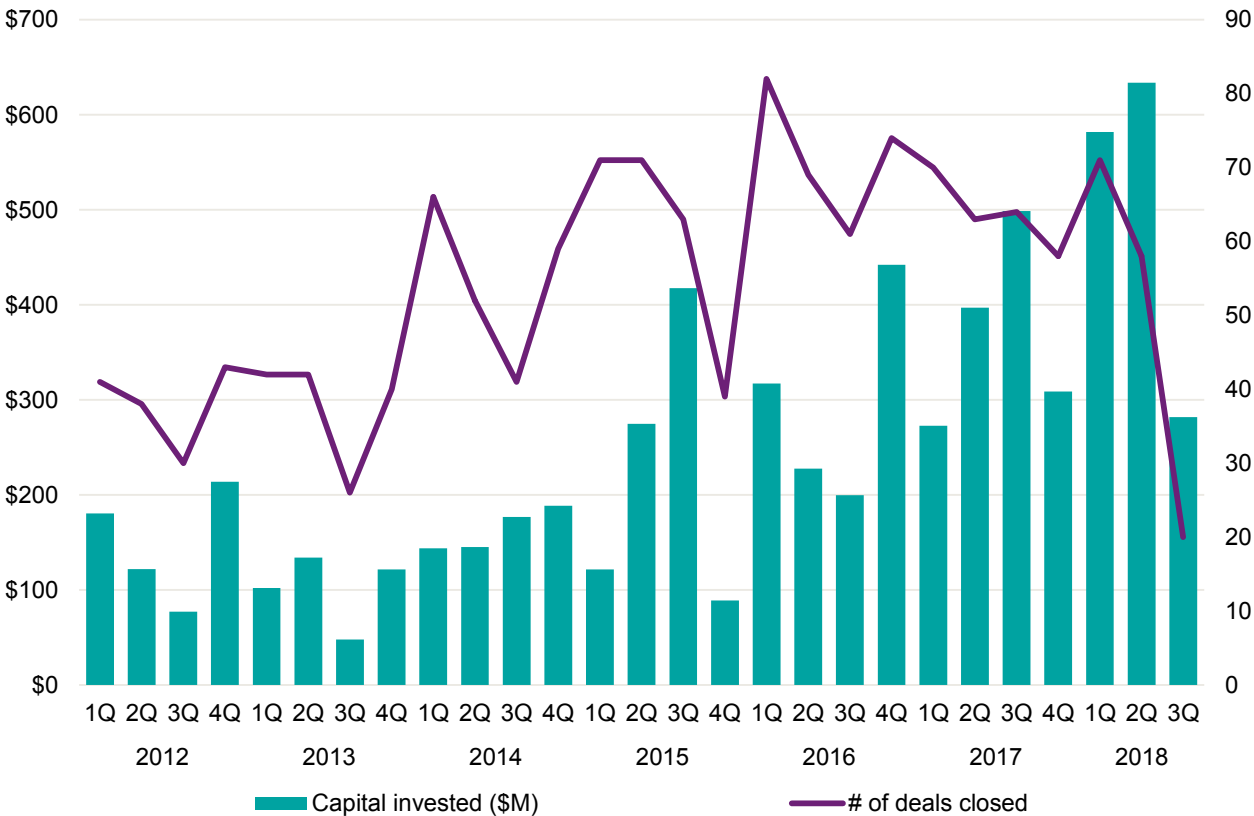


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

A reversion to the mean is to be expected of any financial market trend, especially within private markets, given their particular attributes. Accordingly, the slide in quarterly activity as well as dearth of significantly sized transactions within France was only to be anticipated at some point. But the fact the first half of 2018 saw quite a few diverse companies rake in substantial sums does still testify to the potential dynamism of the French ecosystem.

The epicenter sees the downturn closely

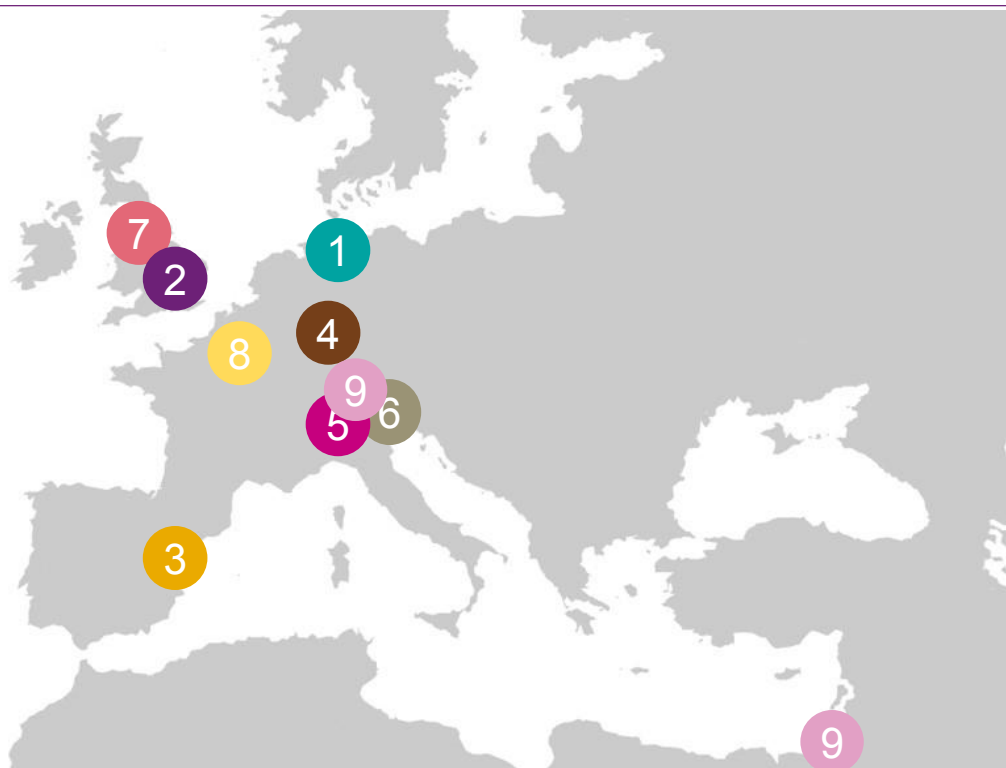
Venture financing in Paris 2012 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

As most of the money in French VC still flows to Paris, the city of lights of almost necessity recorded the downturn more sharply than the nation on the whole, although it should be noted that VC invested still remained relatively within historical averages.

Diversity in metropolises topping rankings



Top 10 financings in Q3'18 in Europe

- | | |
|---|---|
| <p>1 About You — \$300M, Hamburg
Internet retail
<i>Late-stage VC</i></p> <p>2 Orchard Therapeutics — \$146.9M, London
Drug discovery
<i>Series C</i></p> <p>3 Glovo — \$134.4M, Barcelona
Application software
<i>Series C</i></p> <p>4 BioNTech — \$120M, Mainz
Biotechnology
<i>Late-stage VC</i></p> <p>5 Dfinity — \$102M, Zug
Application software, decentralized
<i>Early-stage VC</i></p> | <p>6 SEBA Crypto — \$100.6M, Zug
Cryptocurrency
<i>Early-stage VC</i></p> <p>7 Artios — \$85.6M, Cambridge
Drug discovery
<i>Series B</i></p> <p>8 Evaneos — \$81.8M, Paris
Social platform software
<i>Series D</i></p> <p>9 WayRay — \$80M, Zurich
Electronic components
<i>Series C</i></p> <p>9 Sisense — \$80M, Tel Aviv
Therapeutic devices
<i>Series E</i></p> |
|---|---|

Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

***In Q3'18 VC-backed
companies in the Asia
region raised***

\$17.6B

across

391 deals



Following massive Q2'18, VC investment in Asia remains strong

After a record-shattering Q2'18 led by the \$14 billion raise by Ant Financial, VC investment in Asia dropped back to a more natural investment level during Q3'18. Three \$1 billion+ megadeals — Grab in Singapore, Bitmain in China and Oyo in India — helped keep VC investment in Asia strong this quarter, in addition to numerous \$400 million+ deals. The strong quarter led to Asia reaching a new annual high of VC investment with a quarter still remaining in the year.



China leads Asia-based VC investment

While Singapore accounted for the largest deal in Asia this quarter with a \$2 billion raise by Grab¹⁴, China continued to be a key driver for VC investment and market activity in the region. Bitcoin mining equipment manufacturing company Bitmain drew a significant amount of attention this quarter — first with its \$1 billion series B round, then by filing for an IPO on the Hong Kong Stock exchange late in September. Chinese companies appeared more willing to consider IPOs on foreign exchanges during Q3'18. In addition to Bitmain's filing, Chinese unicorn electric car manufacturer Nio held an IPO on the New York Stock Exchange this quarter.



India sees big uptick in VC investment during Q3'18

India's VC market saw a large quarter-over-quarter increase in VC investment during Q3'18, buoyed by a \$1 billion raise by hotel booking company Oyo Rooms in order to finance its expansion into China. With the big funding round, Oyo became India's second most valuable technology start-up after PayTM and leapt well into unicorn status with a \$5 billion valuation. India also saw several \$100 million+ megadeals this quarter, including \$225 million by Udaan, \$120 million by CureFit and \$100 million by BookMyShow.

Online marketplaces continued to gain a lot of traction in India during the quarter, with second-hand car company Cars24 raising \$50 million. The second-hand market for cars has been a big focus for investors this year. In Q2'18, Droom raised \$30 million in funding led by Toyota and Tokyo-based VC firm Digital Garage.



New Energy vehicles gain steam in China

New energy vehicles have become more attractive to VC investors in China over the past year. During Q2'18, Byton raised approximately \$500 million, while Singulato Motors raised \$474 million. Another electric vehicle manufacturer, Dearcc, also raised \$298 million in pre-series A funding in Q2. These investments were followed in Q3'18 by a \$596 million raise by Xpeng Motors during Q3'18 — a company focused on developing battery-powered technologies.

In addition to new energy vehicles, Chinese investors have also placed bets on other automotive ancillary services. During Q3'18, for example, automotive maintenance provider Tuhu raised \$450 million to improve user experience and improve standardization across services.

¹⁴ <https://techcrunch.com/2018/08/01/grab-picks-up-2-billion/>

Following massive Q2'18, VC investment in Asia remains strong, cont'd.



IPO market buzzing in Hong Kong

The Hong Kong Stock Exchange (HKSE) is on track to close out 2018 at the top of the global leaderboard in terms of new listings. A renewed interest in IPOs in addition to changes to listing rules in order to support the listing of new technology and biotech companies likely helped spur HKSE's strong activity.

During Q3'18, internet platform company Meituan Dianpong raised over \$4.2 billion in a successful IPO — the world's largest internet-focused IPO in over 4 years¹⁵. While Hong Kong attracted a number of IPOs this quarter, the NYSE also saw several IPOs by China-based companies, such as electric car company Nio.



India M&A market reaches record high well with several months to go

India's M&A market soared to a record annual high during Q3'18, reaching above the \$100 billion mark for the first time in history. While some industry consolidation has helped spur the M&A activity, the tech market has played a large part in the rise. Earlier this year, Walmart acquired India's e-commerce company FlipKart in a massive \$16 billion deal. It is expected that market activity could remain very high heading into Q4'19 and well into next year.

China-based tech giants investing heavily in autonomous vehicles

China's mega-giant companies Baidu, Alibaba, Didi Chuxing and Tencent continued to invest significantly in autonomous vehicles during Q3'18, with most forging partnerships with OEMs in order to move initiatives forward. In September, the Beijing Municipal Government issued license plates to seven companies for autonomous vehicle testing — highlighting the speed at which autonomous driving technologies are evolving in the region. These companies included subsidiaries of Tencent, Baidu and Didi Chuxing, in addition to several Chinese and global automotive manufacturers.^{16, 17}



Trends to watch for in Asia

Heading into Q4'18, AI is likely to remain a very strong area of VC investment in Asia given its widespread applicability across sectors. Many investors are particularly interested in AI for financial services, such as solutions aimed at helping identify and avoid fraud and money laundering. Autonomous driving will likely also remain a big priority in Asia moving forward. In Hong Kong, the IPO market is expected to remain strong, as evidenced by Bitmain's recent filing¹⁸. There will also likely be an increase in Chinese companies looking at IPO exits on foreign exchanges.

¹⁵ <https://money.cnn.com/2018/09/06/technology/meituan-dianping-ipo/index.html>

¹⁶ <https://www.chinamoneynetwork.com/2018/07/17/didi-chuxing-receives-500m-strategic-investment-from-booking-holdings>

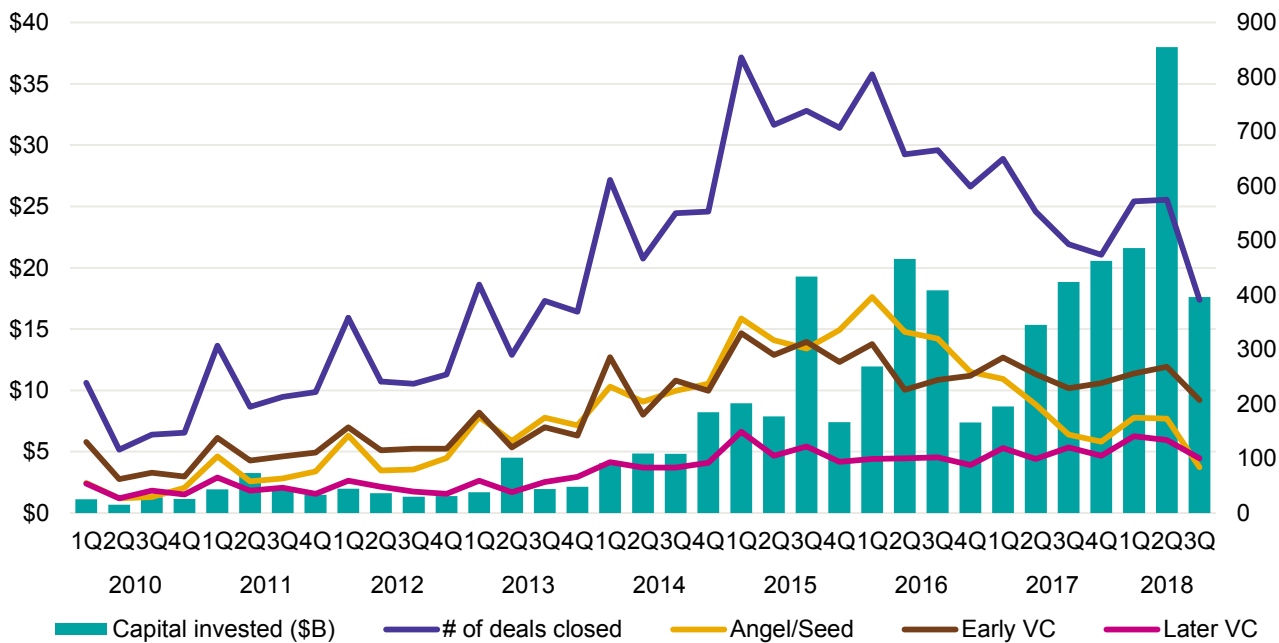
¹⁷ <https://www.reuters.com/article/us-autoshow-beijing-vw-didi-exclusive/exclusive-volkswagen-in-talks-to-manage-didi-fleet-co-develop-self-driving-cars-idUSKBN1I10YP>

¹⁸ <https://www.forbes.com/sites/donnaufuscaldo/2018/09/07/bitmain-technologies-ipo-could-be-called-into-question/#2739681c7d7f>

Q3 2018 sees historically strong tallies even in wake of Ant Financial's records

Venture financing in Asia

2010 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Powered once again by a plethora of massive Chinese funding rounds, the Asian venture ecosystem continues to be characterized by a significant late-stage to growth-stage focus on the part of investors. In short, by investors of all kinds, not just traditional VCs, that are willing to double down on massive scaling before significant profits are to be had.

“Asia will continue to see a lot of VC investment over the next few quarters. Of all the areas of investment, AI stands out as the most prominent in the eyes of VC investors. Not only is it applicable across many sectors and industries — from healthtech to manufacturing, but it is seen as particularly critical for the future of financial services — helping to avoid money laundering and prevent fraud.”

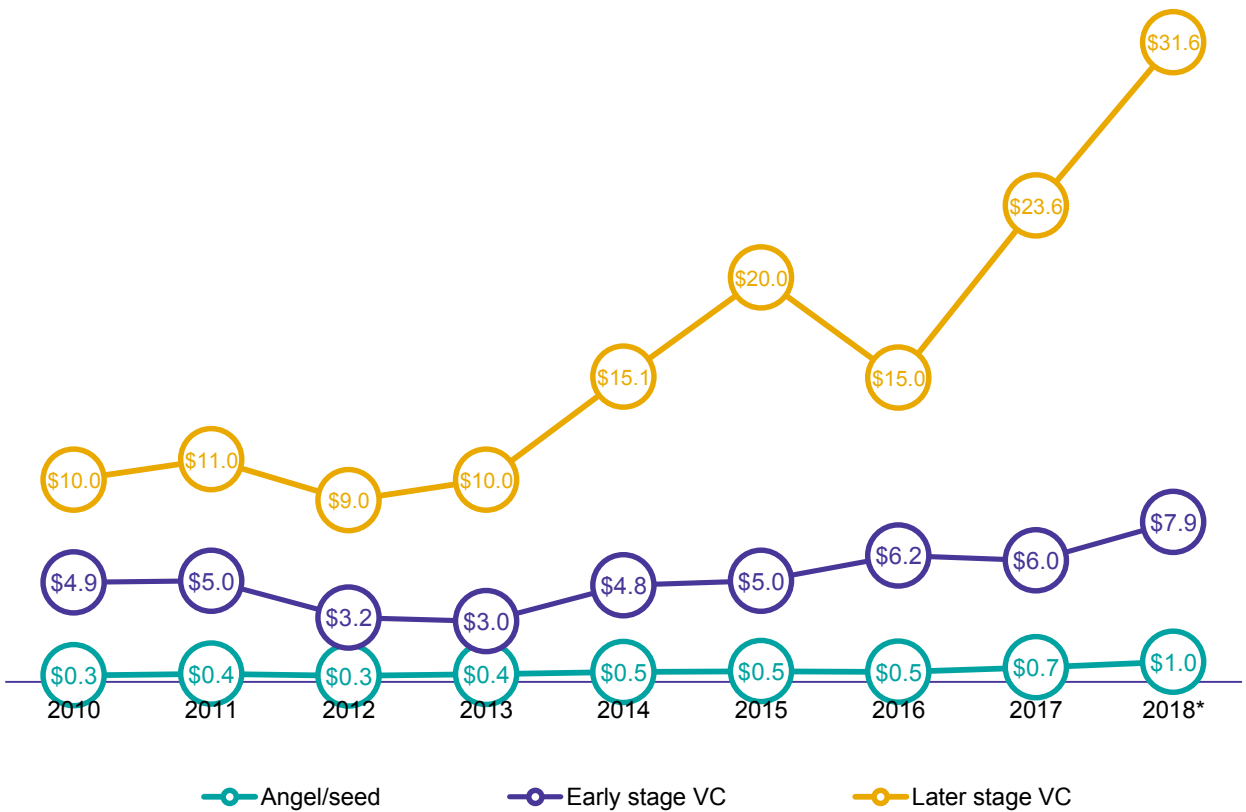


Egidio Zarrella
Head of Clients and Innovation Partner,
KPMG China

Late-stage figures soar highest amid general increase

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

2010 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Barring the dip at the late stage in 2016, the late stage has seen a linear increase in its median deal size, while even earlier stages have enjoyed a much gentler incline upward. This is the best sign of how much money has flowed into the Asian venture ecosystem and its maturation in the past decade.

Series B & D financings continue to stand out

Median deal size (\$M) by series in Asia
2010 — 2018*

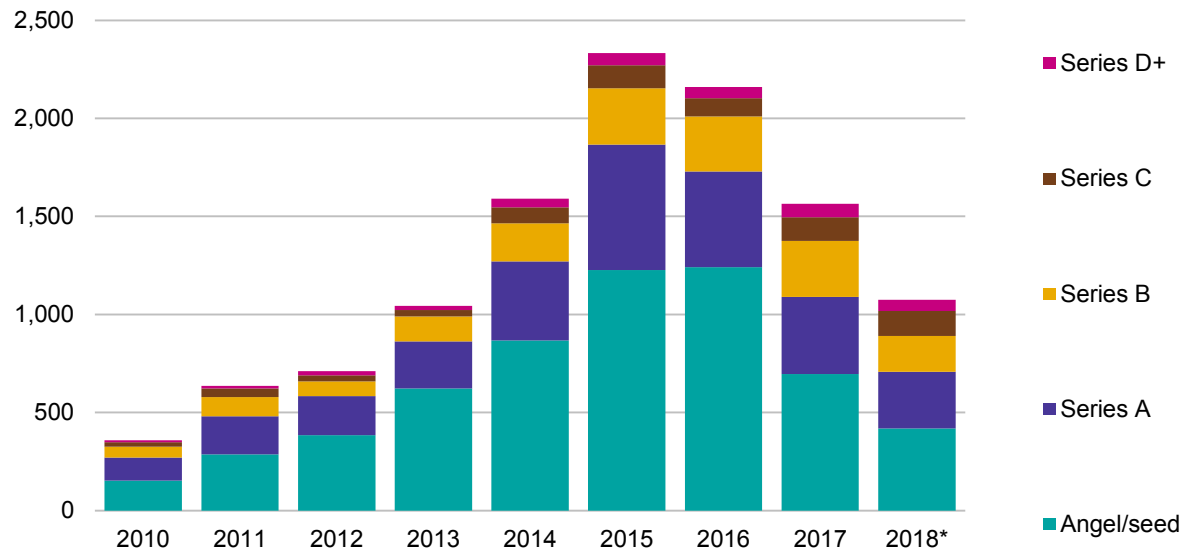


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.
Note: Select figures are rounded for legibility.

Blurring traditional nomenclature, the late stage remains the major arena for investors

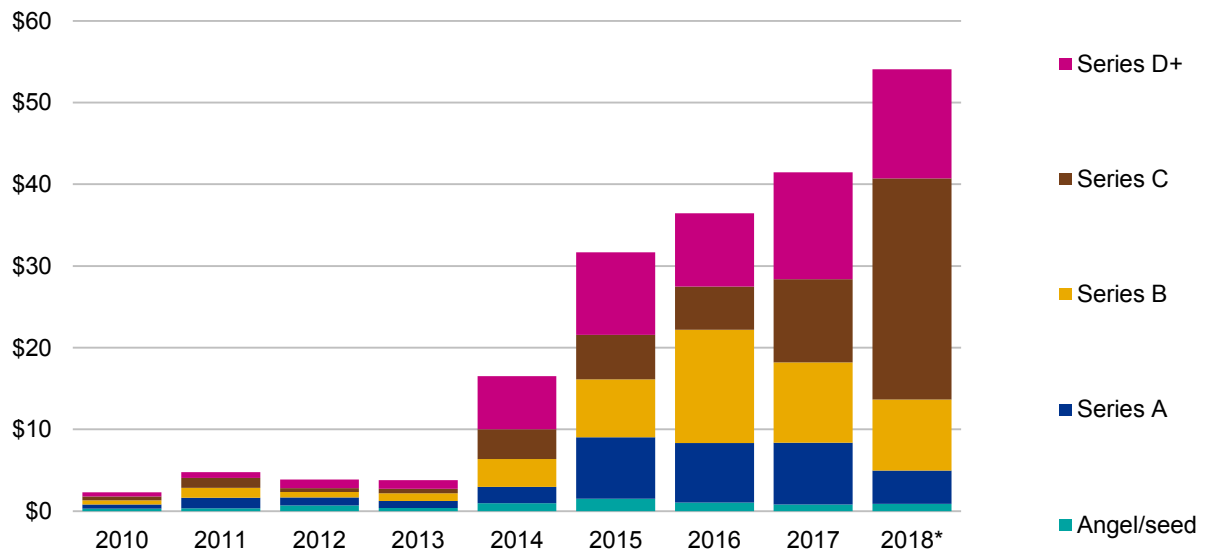
Deal share by series in Asia

2010 — 2018*, number of closed deals



Deal share by series in Asia

2010 — 2018*, VC invested (\$B)

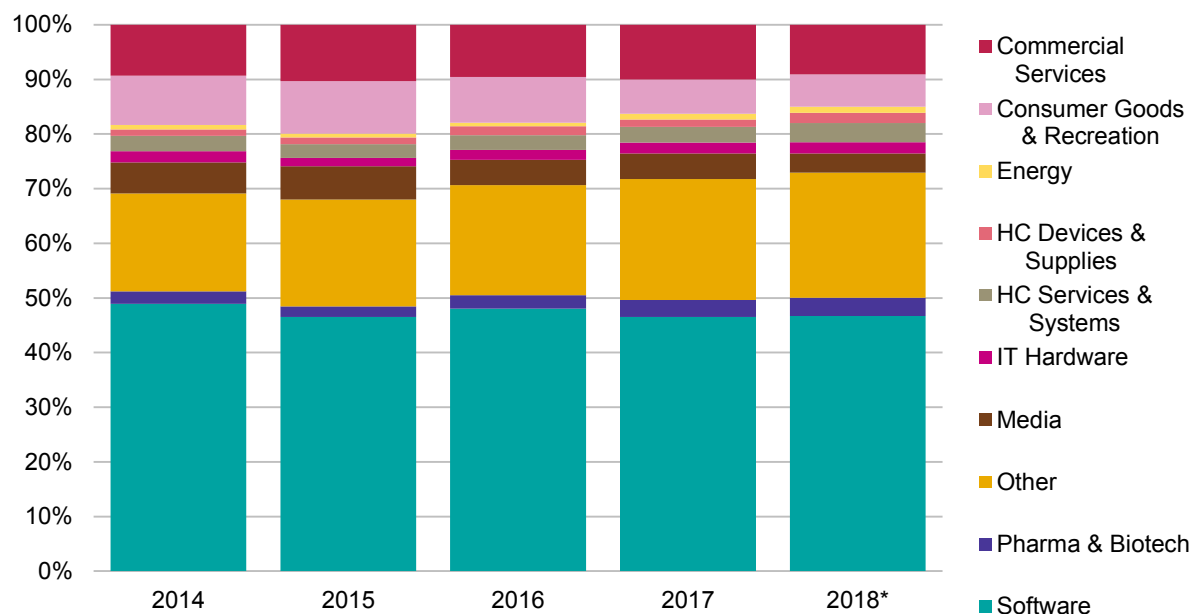


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Software platforms double down

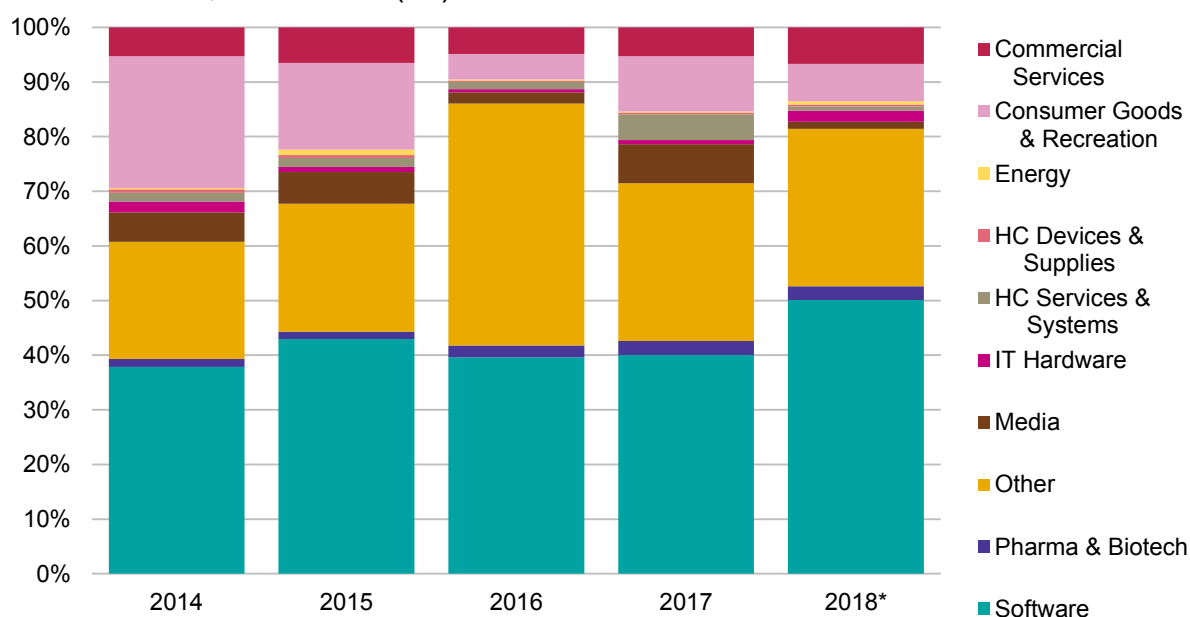
Asia venture financings by sector

2014 — 2018*, number of closed deals



Asia venture financings by sector

2014 — 2018*, VC invested (\$B)

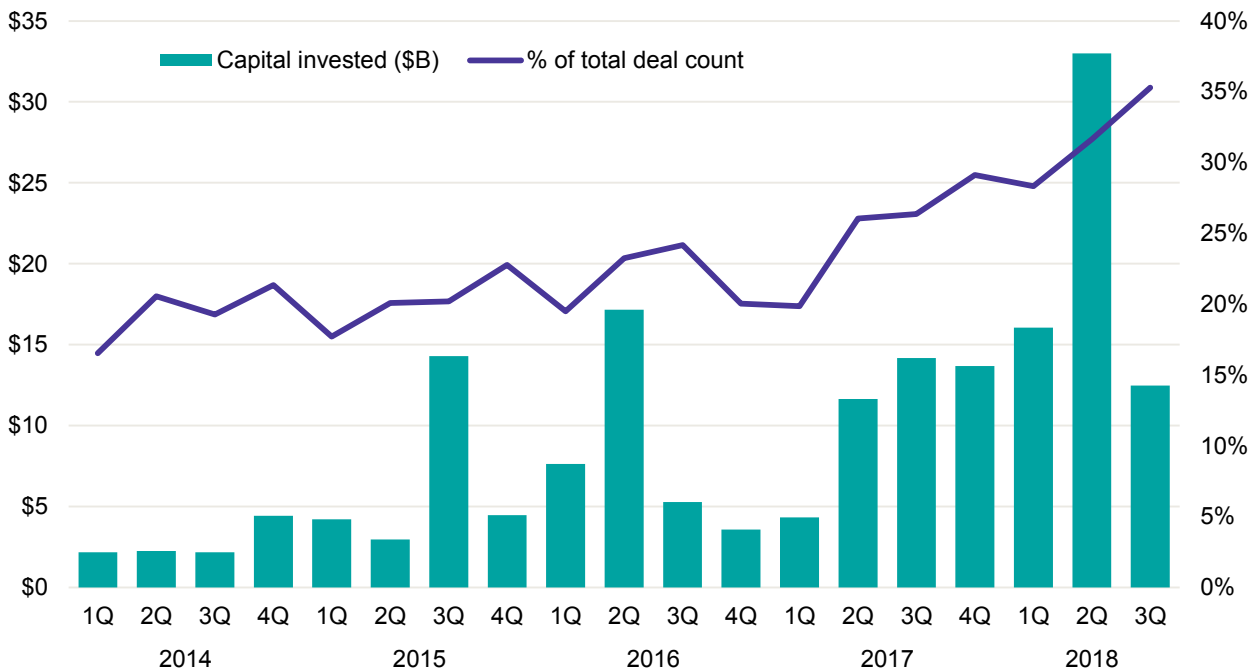


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

The Asian model differentiation

Corporate participation in venture deals in Asia

2014 — Q3'18



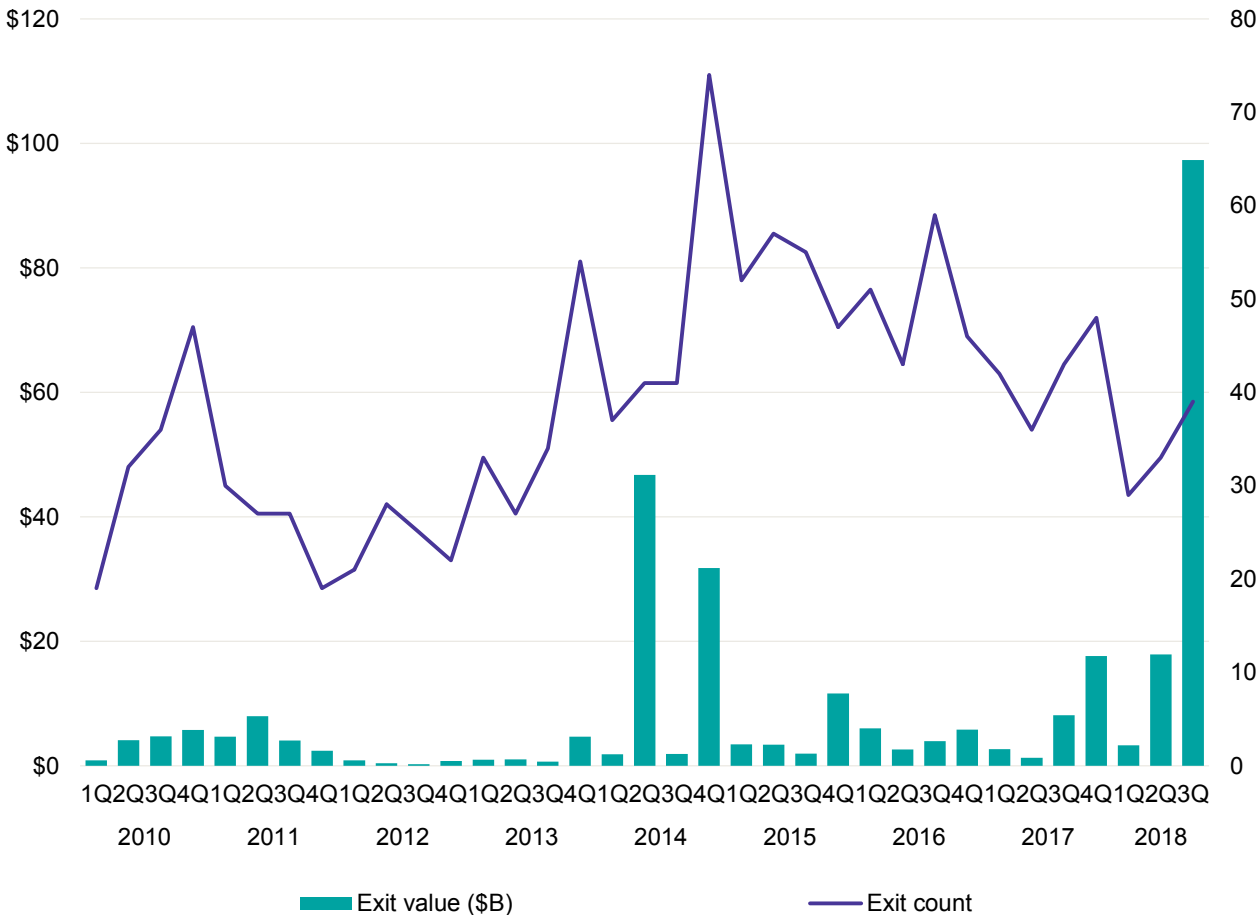
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Silicon Valley evolved to its current status today due in no small part to favorable government regulations and enablement of the venture industry. In many ways, the Asia-Pacific venture ecosystem is mimicking that same model, yet with much more active fostering via government-affiliated investment corporations and firms.

A record quarter for IPOs

Venture-backed exit activity in Asia

2010 — Q3'18

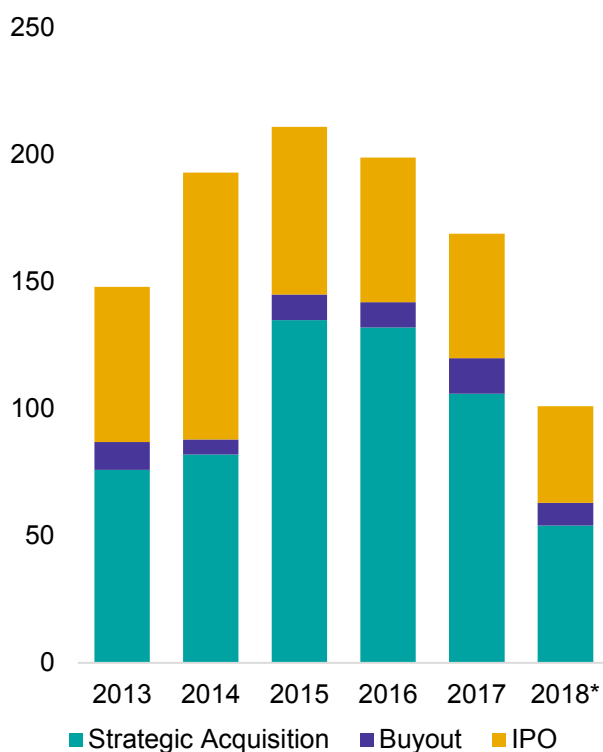


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Largely due to inclusion of IPOs' prevaluations, aggregate exit values hit record highs

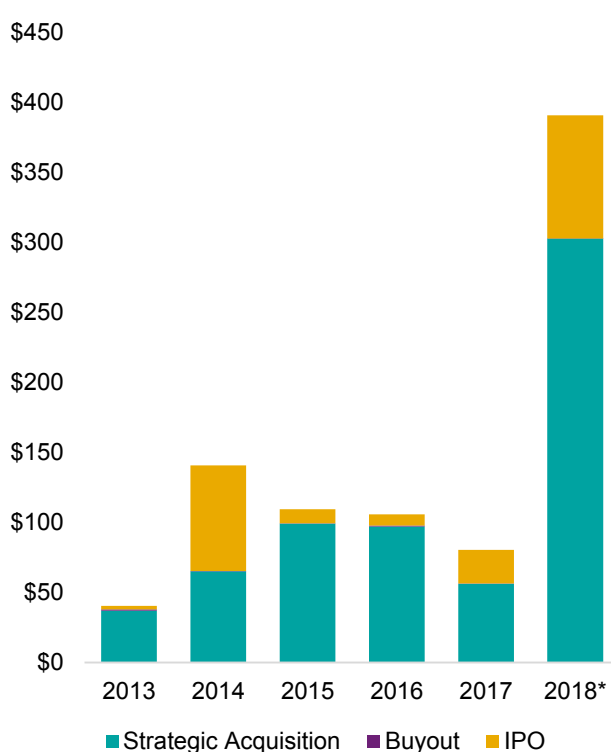
Venture-backed exit activity (#) by type in Asia

2013 — 2018*



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

2013 — 2018*



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

"The IPO market remains very strong in Hong Kong again this quarter, with a number of VC-backed companies going public. New listing rules that enable pre-revenue biotech firms and companies with variable voting rights to list on the exchange have further spurred an IPO boom. We anticipate continued strength in terms of number of companies going public during the final quarter of the year although recent volatility in the market and global trade tensions could weigh on investor sentiment and valuation."



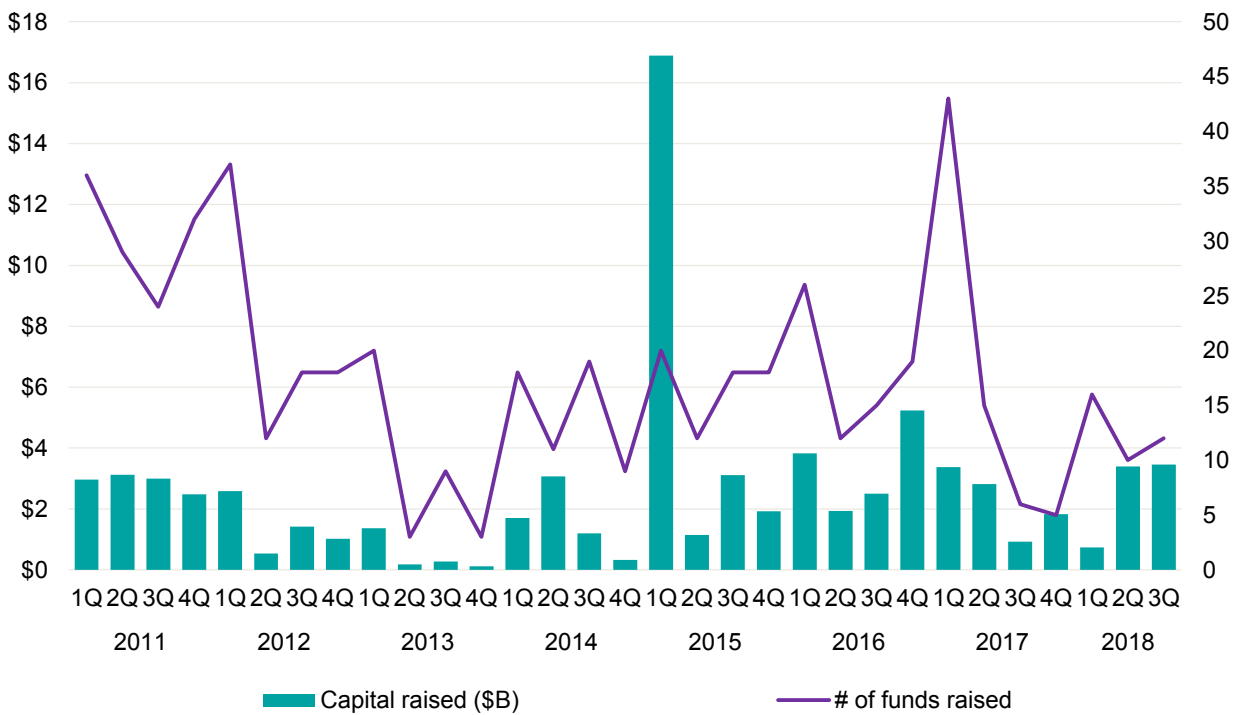
Irene Chu

Partner, Head of New Economy and Life Science, Hong Kong Region,
KPMG China

Traditional VC within the region has a ways to go still

Venture fundraising in Asia

2011 — Q3'18



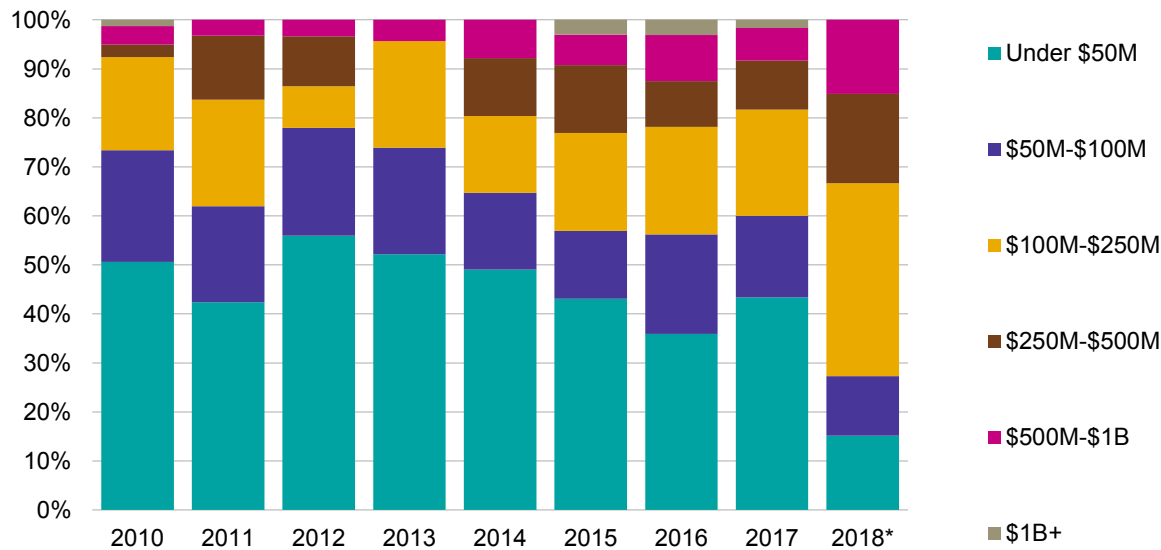
Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

Although exit tallies again shifting significantly in this edition of the Venture Pulse due to a change in methodology that tallies IPO pre-valuations rather than size of offering and the massive growth in late-stage financing signify the maturation of the Asia-Pacific venture ecosystem, the rate of domestic fundraising still signifies traditional venture models are not as in vogue within private capital markets in the region just yet.

First-time fundraising still goes strong, boding well for years ahead

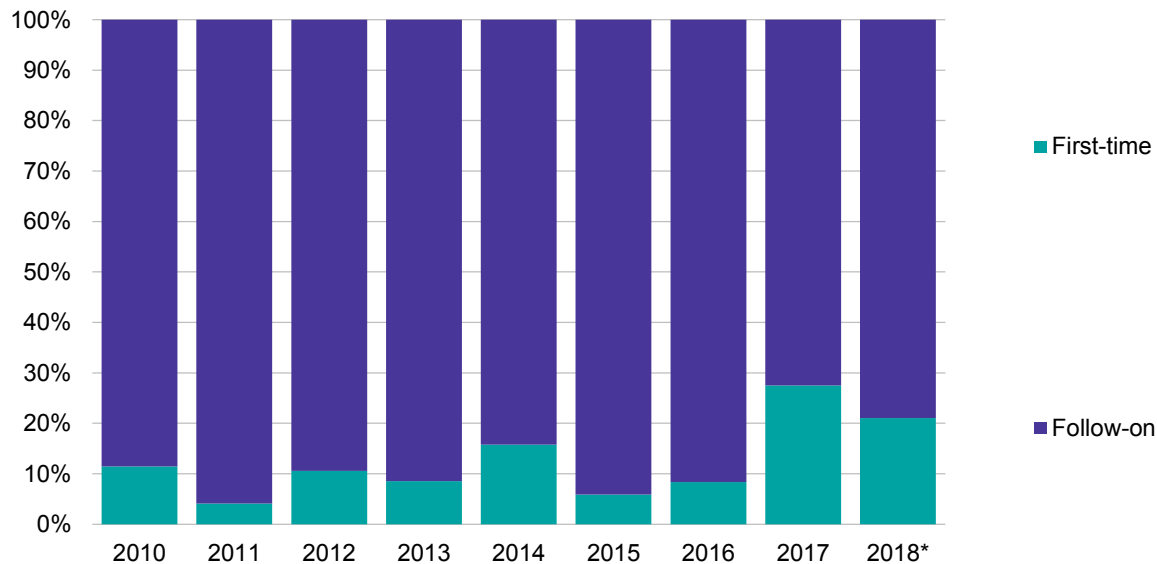
Venture fundraising (#) by size in Asia

2010 — 2018*



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

2010 — 2018*

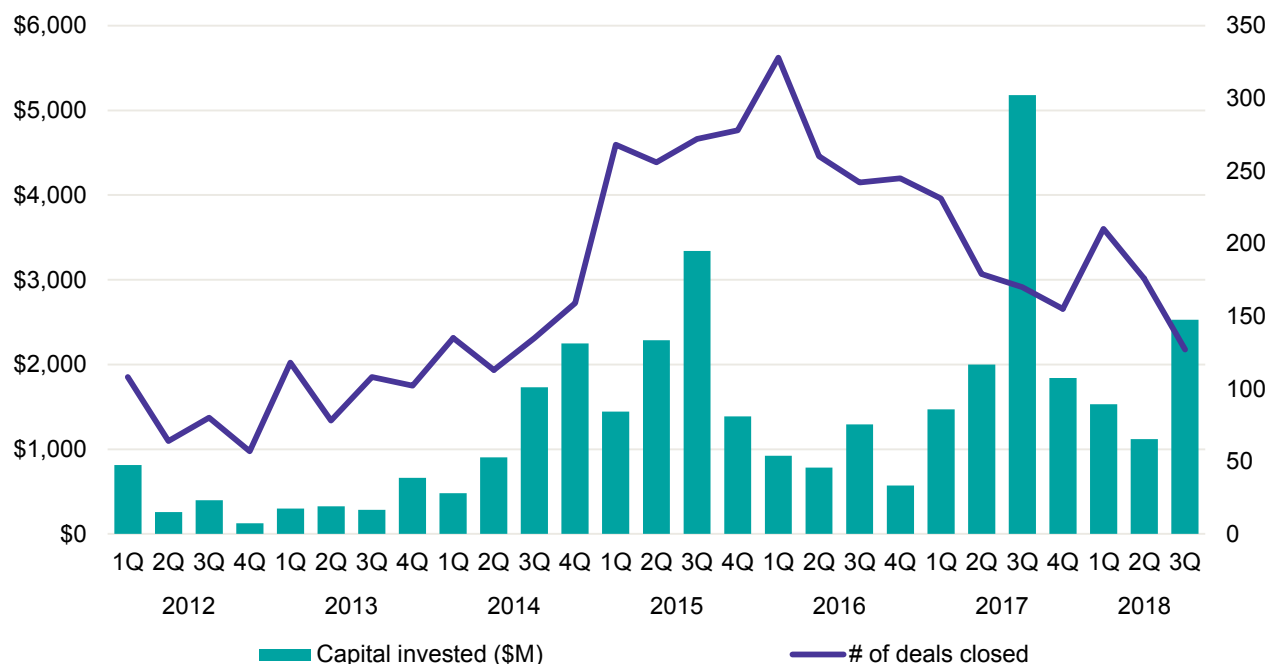


Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 9/30/18. Data provided by PitchBook, October 10, 2018.

Volume continues to steady, VC invested surges

Venture financing in India

2012 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

More than doubling the tally observed in Q2, the Indian venture ecosystem saw well over \$2 billion invested last quarter, even as aggregate volume remained subdued. Granted, OYO Rooms was responsible for no less than \$1 billion of that total, suggesting India's ongoing focus on consumer-oriented enterprises is still going strong.

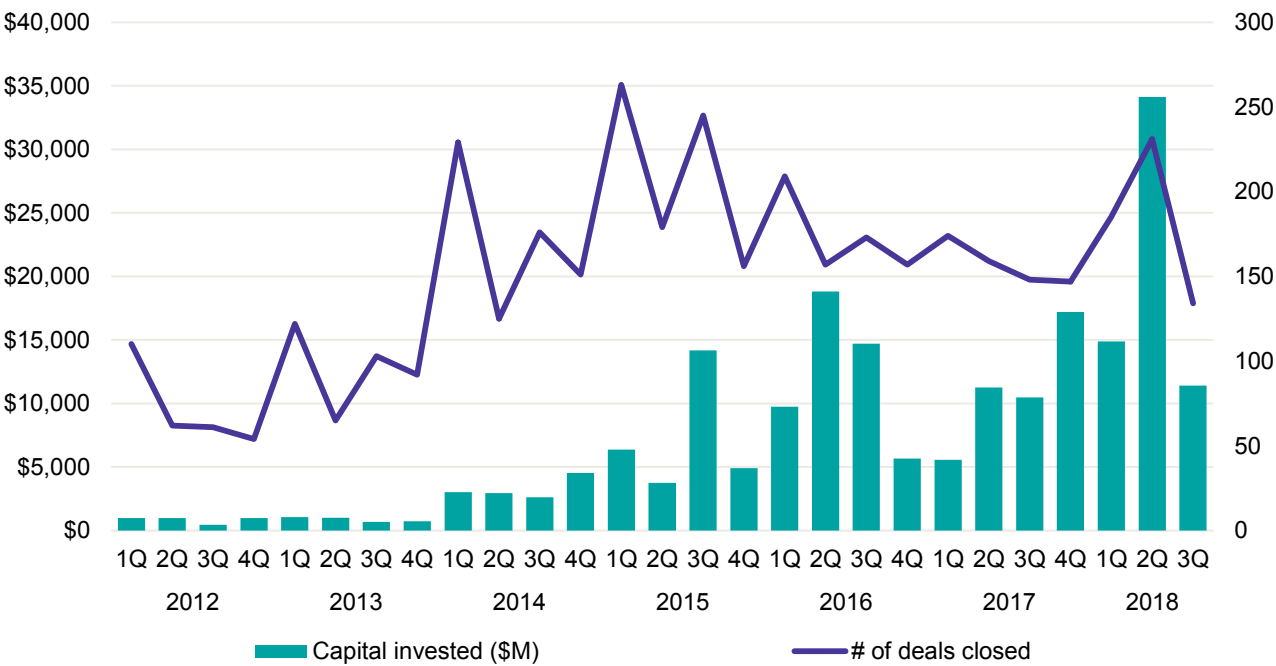
"Internet commerce is at a very exciting stage in India. Mobile penetration driven by strong demographics is what will drive the growth in the industry. Given the working age proportion of population in the country, consumer led internet businesses will continue to see significant growth in the near future. These include food, travel, auto, commerce, etc. Fintech is also at a very exciting stage in the country — the government's push to electronic money coupled with growth in internet commerce will see a significant growth in this space — payment gateways, online insurance and micro loans will stand to benefit"



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

A return to robust historical health

Venture financing in China 2012 — Q3'18



Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

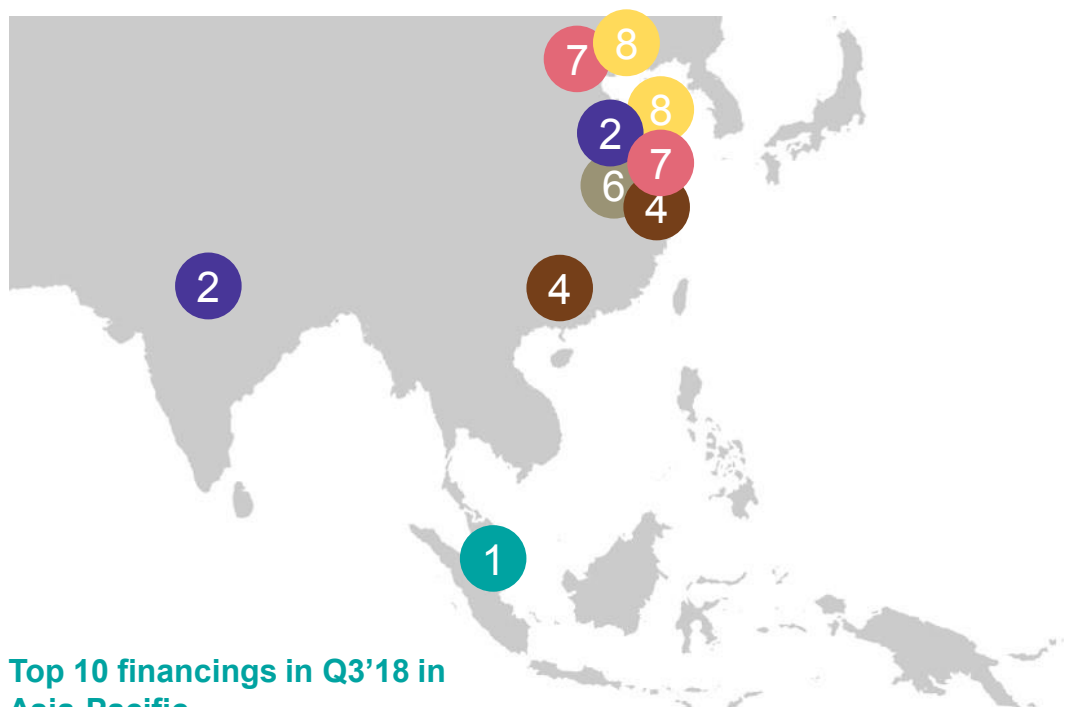
Last quarter, the sheer scale of private venture funding within China was demonstrated by one company alone, Ant Financial. This quarter, it is more exemplified by the sheer number of companies that have raked in half a billion dollars or more in funding. It is as if the Chinese ecosystem is host to a number of Amazons, companies that in their ambition are raising publicly or privately to double down on scaling, prior to profits.

"Autotech continues to attract attention from VC investors in China — from autonomous vehicles to ride sharing. One of the most attractive areas of investment in the space over the past couple of quarters though has been new energy-powered vehicles. VC investors are keenly interested in new and competitive options such as electric cars, battery power and charging infrastructure."



Philip Ng
Partner, Head of Technology,
KPMG China

China accounts for plurality of top deals



Top 10 financings in Q3'18 in Asia-Pacific

- | | | | |
|---|--|----|---|
| 1 | Grab — \$2,000M, Singapore
Ridesharing
<i>Late-stage VC</i> | 6 | Souche.com — \$578M, Hangzhou
Platform software
<i>Late-stage VC</i> |
| 2 | Bitmain — \$1,000M, Beijing
Computer hardware
<i>Late-stage VC</i> | 7 | Didi Chuxing — \$500M, Beijing
Transportation
<i>Late-stage VC</i> |
| 2 | OYO Rooms — \$1,000M, Gurgaon
Hotel marketplace
<i>Late-stage VC</i> | 7 | New Dada — \$500M, Shanghai
Logistics
<i>Corporate</i> |
| 4 | Xpeng — \$596.2M, Guangzhou
Transportation
<i>Late-stage VC</i> | 7 | WeWork China — \$500M, Shanghai
Real estate
<i>Series B</i> |
| 4 | Ximalaya — \$596.2M, Shanghai
Entertainment software
<i>Late-stage VC</i> | 10 | Tuhu — \$450M, Shanghai
Automotive
<i>Series E</i> |
| | | 10 | Miss Fresh — \$450M, Beijing
Application software
<i>Late-stage VC</i> |

Source: Venture Pulse, Q3'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, October 10, 2018.

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David Pessah, Senior Director, KPMG Innovation Labs, KPMG in the US

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Methodology

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

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

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 U.S. 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 U.S.. 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.

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.

Methodology, cont'd

Growth equity: Rounds must include at least one investor tagged as growth/expansion, while deal size must either be \$15 million or more (although rounds of undisclosed size that meet all other criteria are included). In addition, the deal must be classified as growth/expansion or later-stage VC in the PitchBook Platform. If the financing is tagged as late-stage VC it is included regardless of industry.

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.

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

Exits

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

In this edition of the KPMG Venture Pulse, covering Q3 2018, PitchBook's methodology regarding aggregate exit values changed. Instead of utilizing the size of an IPO as the exit value, instead the prevaluation of an IPO, based upon ordinary shares outstanding, was utilized. This has led to a significant change in aggregate exit values, yet is more reflective of how the industry views the true size of an exit via public markets.

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