



Venture Pulse Q1 2019

Global analysis of
venture funding

11 April 2019



Welcome message



Welcome to the Q1'19 edition of KPMG Enterprise's *Venture Pulse*, a quarterly report discussing the key trends, opportunities, and challenges facing the venture capital market globally and in key jurisdictions around the world.

After a record-shattering level of VC investment in 2018, the VC market globally got off to a relatively weak start in Q1'19, particularly in China. The US continued to see very strong VC investment, including a \$5 billion investment from SoftBank into The We Company (formerly WeWork) and a \$1 billion raise by freight logistics company Flexport.

A shortage of \$1 billion+ megadeals likely contributed to the decline in VC investment in Asia quarter over quarter. In Europe, meanwhile, VC investment remained relatively steady in Q1'19 despite Brexit challenges in the UK. Strong activity in other European markets likely helped buoy investment numbers in the region.

Late-stage deals continued to attract the bulk of VC investments globally as economic uncertainties around the globe continued to resonate across a number of markets. While the US public market rebounded in January following the fluctuations seen at the end of 2018, other uncertainties remained high on the radar of investors globally, including trade wars between the US and China, Brexit, and a weakening Chinese economy.

Following a record year of Unicorn IPO exits in 2018, 2019 is looking to extend the trend with a number of highly anticipated companies already moving toward the gate. Ride-hailing company Lyft made the first big wave of 2019. Additional planned exits are setting the stage for an exciting second quarter, while others are also contemplating exits. The performance of these companies could have significant ramifications on the IPO market through the remainder of the year.

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

- The evolution of blockchain and its growing value across industries
- The strength and diversity of Europe's VC market
- The rise of digital banks, including their global expansion plans
- The increasing importance of emerging economies to VC investment

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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***In Q1'19 VC-backed
companies in the
Americas raised***

\$33.3B

across

1,934 deals



VC investment in Americas strong following record-setting Q4'18

Following a record-shattering Q4'18, the Americas continued to attract a very significant amount of VC investment. The US accounted for the vast majority of investment in Q4'19, although interest in Canada and Brazil remained strong.



US megadeals drive VC in the Americas

The US accounted for the top 10 deals in the Americas during Q4'19, led by the \$5 billion raise by The We Company, the \$1 billion raise by Flexport and a number of other \$100 million+ megadeals. In Canada, Turnstone Biologics' \$42 million raise showcased the ongoing strength of biotech and life sciences investments in the country, while platform-based offerings also saw some nice sized deals, including a \$40 million raise by asset maintenance and management platform Fiix and a \$30 million raise connected car platform company Moj.io.



Successful IPO exits in Americas during Q1'19 bode well for future

After significant fluctuations to end 2018, the US public markets stabilized during Q1'19. This renewed positivity meant the IPO predictions made late in 2018 started to materialize. Following an IPO filing in Q4'18, Lyft, an on-demand ride-hailing service, began trading on the Nasdaq at the end of March. The first day of trading was positive, with stocks trading above its IPO price. With companies expected to issue an IPOs in Q2, there will likely be a lot of eyes on the IPO markets in the coming months. Should these unicorns achieve strong results, other late stage companies will likely follow in quick pursuit.

In Canada, small business focused POS and e-commerce provider Lightspeed raised \$240 million in its IPO on the TSX in March, making it one of the exchange's 10 largest tech IPOs in history. At the end of the first day of trading, Lightspeed's stock price was up more than 18 percent.



\$5 billion SoftBank Innovation Fund driving attention to Latin America

During Q1'19, Japan-based SoftBank announced the launch of a \$5 billion fund focused on technology startups in Latin America. The new fund, the largest of its kind focused on the region, is expected to drive significant interest over the next year. The move by SoftBank will likely, also, spur other global VC funds to increase their attention on Latin America, a region that is seen to hold a lot of untapped potential, both as an innovation hub and as an underserved market.



Canada sees strong number of mid-sized deals to start Q1'19

Canada attracted numerous moderate sized deals in Q1'19, highlighting the country's dynamic and varied VC market. With established innovation hubs in Vancouver, Toronto, Waterloo, Ottawa and Montreal, Canadian companies and regions continued to attract attention. In Q1'19, Silicon Valley Bank announced plans to open a Canadian headquarters in Toronto. Artificial intelligence continued to be a hot area of VC investment, crossing numerous verticals. Heathtech, biotech and automotive also continued to gain traction.



After second-largest quarter of VC investment ever, Brazil investment quieter in Q1'19

Following a strong Q4'18, Brazil got off to a quieter start in Q1'19. Despite the election of a new president several months ago and the hope that the election would help kick-start the economy, Brazil has seen little sustained improvement. While the Ibovespa Stock Exchange got off to a positive start in January, it dropped almost 8 percent in March, while the real tumbled 5.5 percent.

VC investment in Americas strong following record-setting Q4'18, cont'd

During Q1'19, moderate sized deals characterized the VC market in Brazil, with companies such as online accounting software company Contabilizei attracting \$20 million, low-cost specialty health care and diagnostics provider Dr. Consulta raising \$19.5 million and mobile device management company Mosyle raising \$16 million.

Despite the quiet quarter of VC investment and increasing investor concerns related to the economy, Brazil continues to be a target for VC investors and corporates. The country is also starting to come onto the radar of companies looking to expand into new regions or to access less saturated markets. In Q1'19, for example, Germany-based challenger bank N26 announced plans to expand into Brazil.



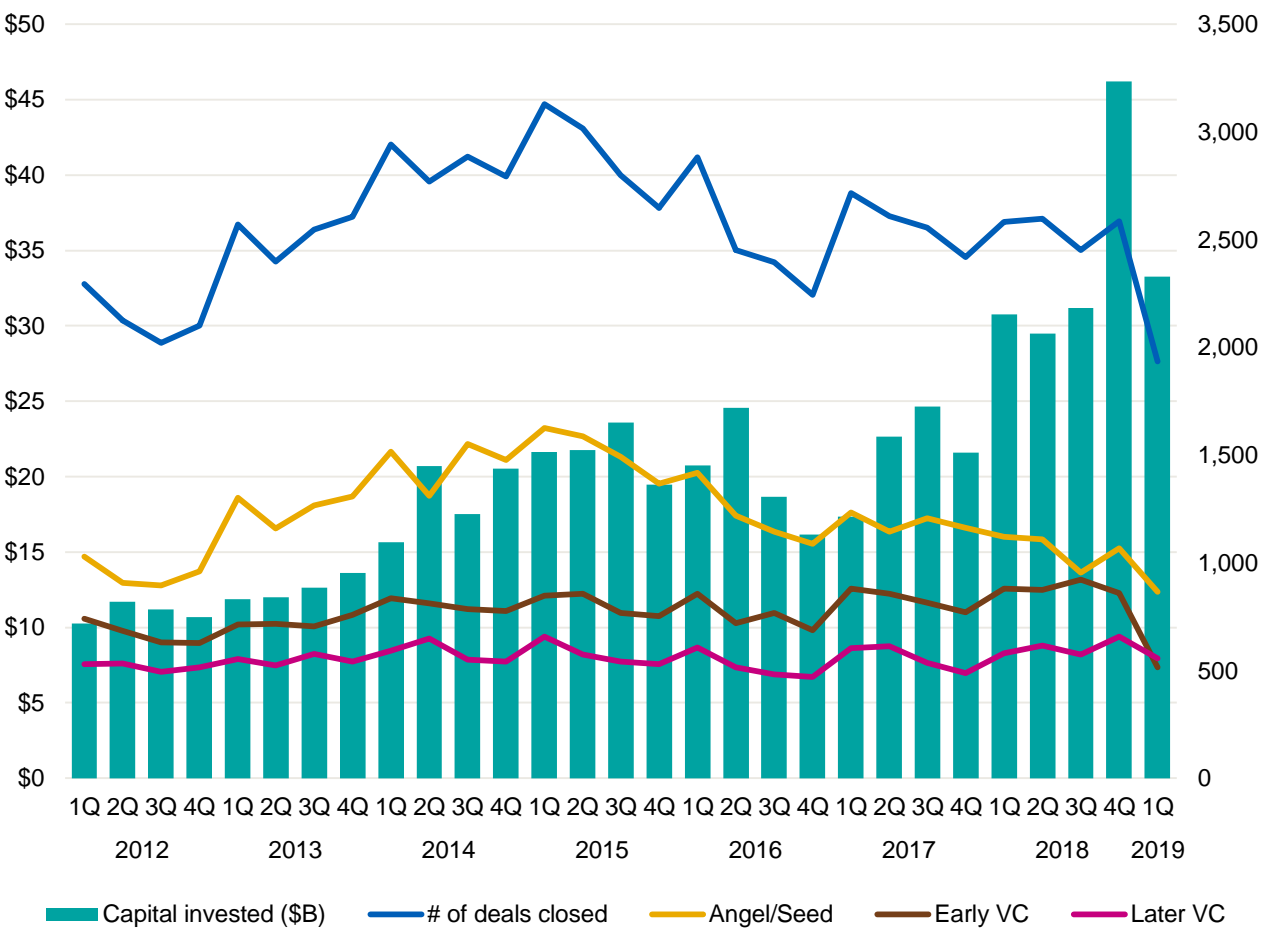
Trends to watch for in the Americas

The future looks positive for ongoing VC investment across the Americas, with the SoftBank fund announcement likely to spur interest in Latin America over the coming quarters. The performance of unicorn IPOs will be particularly important to watch heading into Q2'19, as the results could spur further exit activity.

The 2019 Collision Conference will be held in Toronto, Canada in May. The conference is expected to inject a significant amount of energy into the country's VC space during Q2'19.

A near-record tally

Venture financing in the Americas 2012–Q1'19

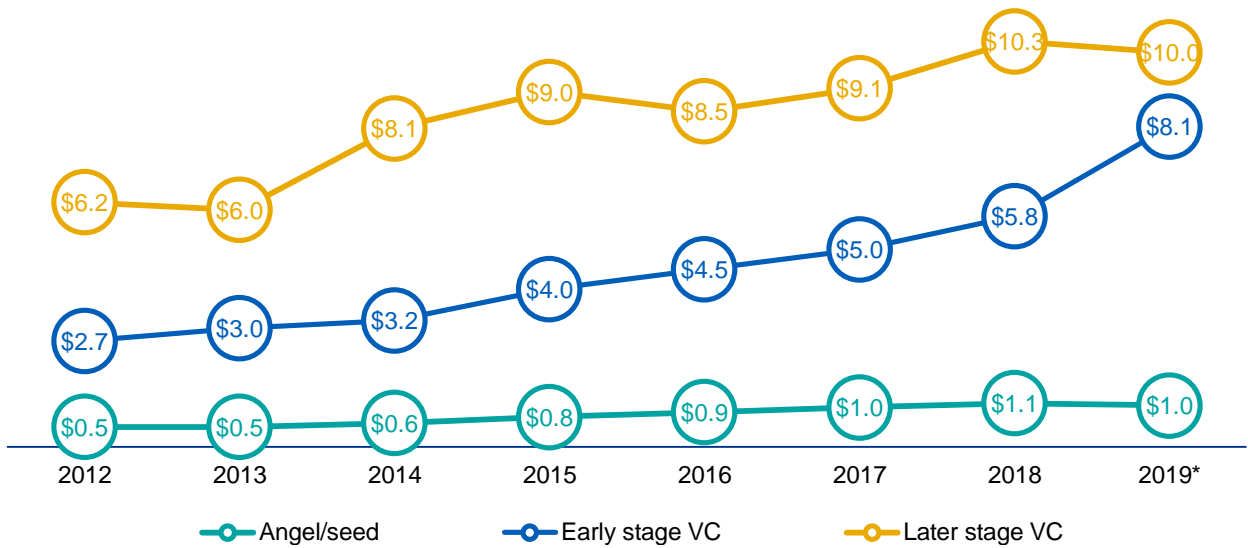


Source: Venture Pulse, Q1'19. Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019. Note: Refer to the Methodology section on page 19 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

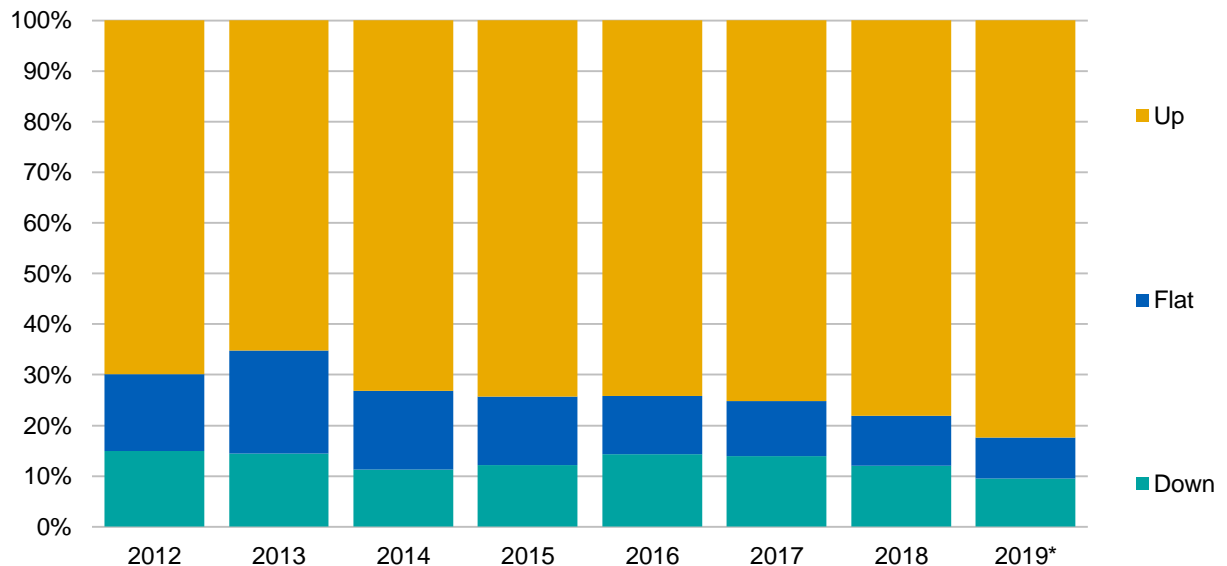
Volume has evened out across nearly all stages by and large across the most developed startup and venture ecosystem, regionally speaking. And, were it not for the record-setting \$12.8 billion Juul financing last quarter, Q1 2019 would have seen a record tally of VC invested. The late-stage boom and capital largesse of investors in the Americas is likely far from over.

Sentiment stays positive

Median deal size (\$M) by stage in the Americas
2012–2019*



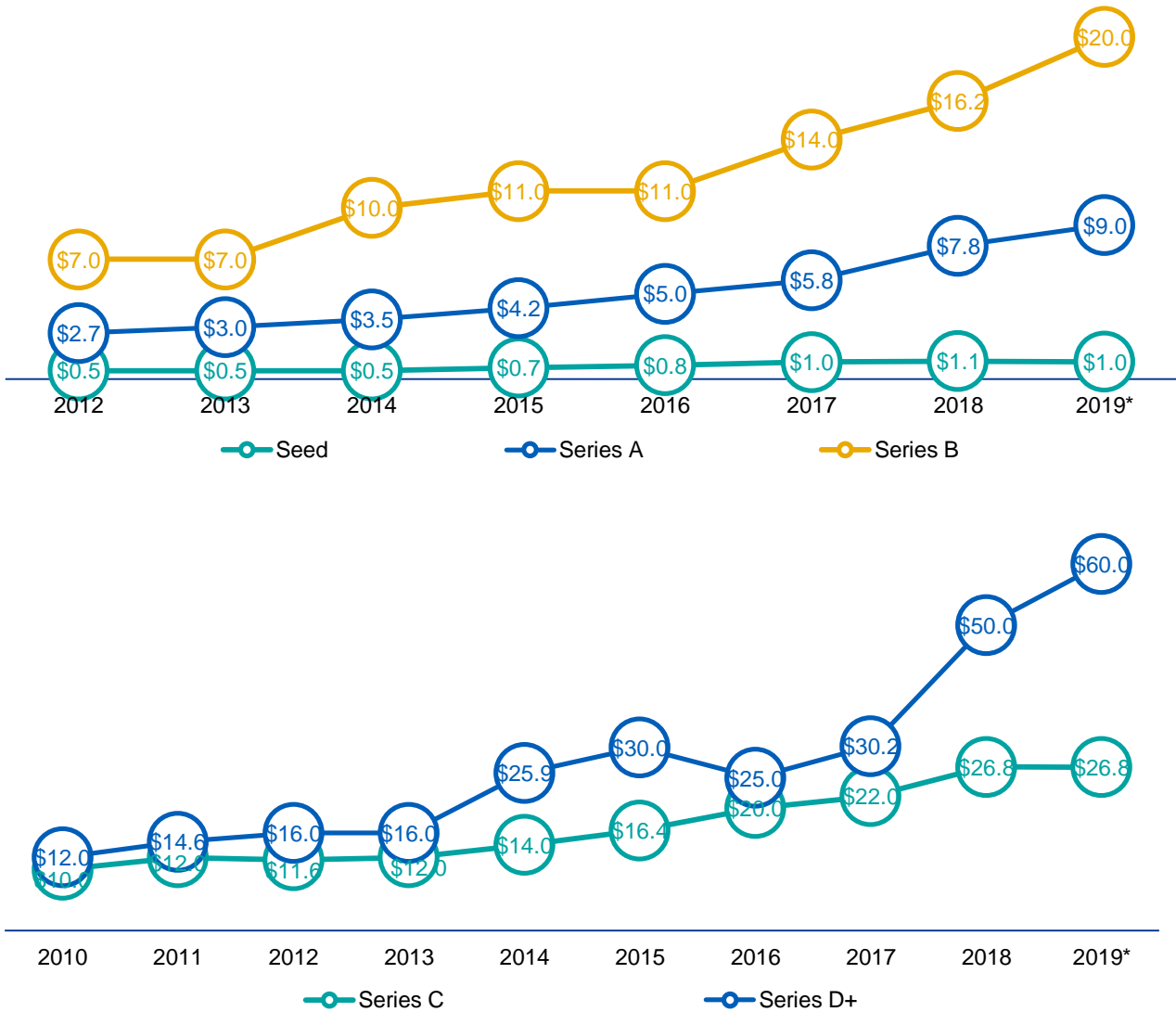
Up, flat or down rounds in the Americas
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Late-stage spreads widen

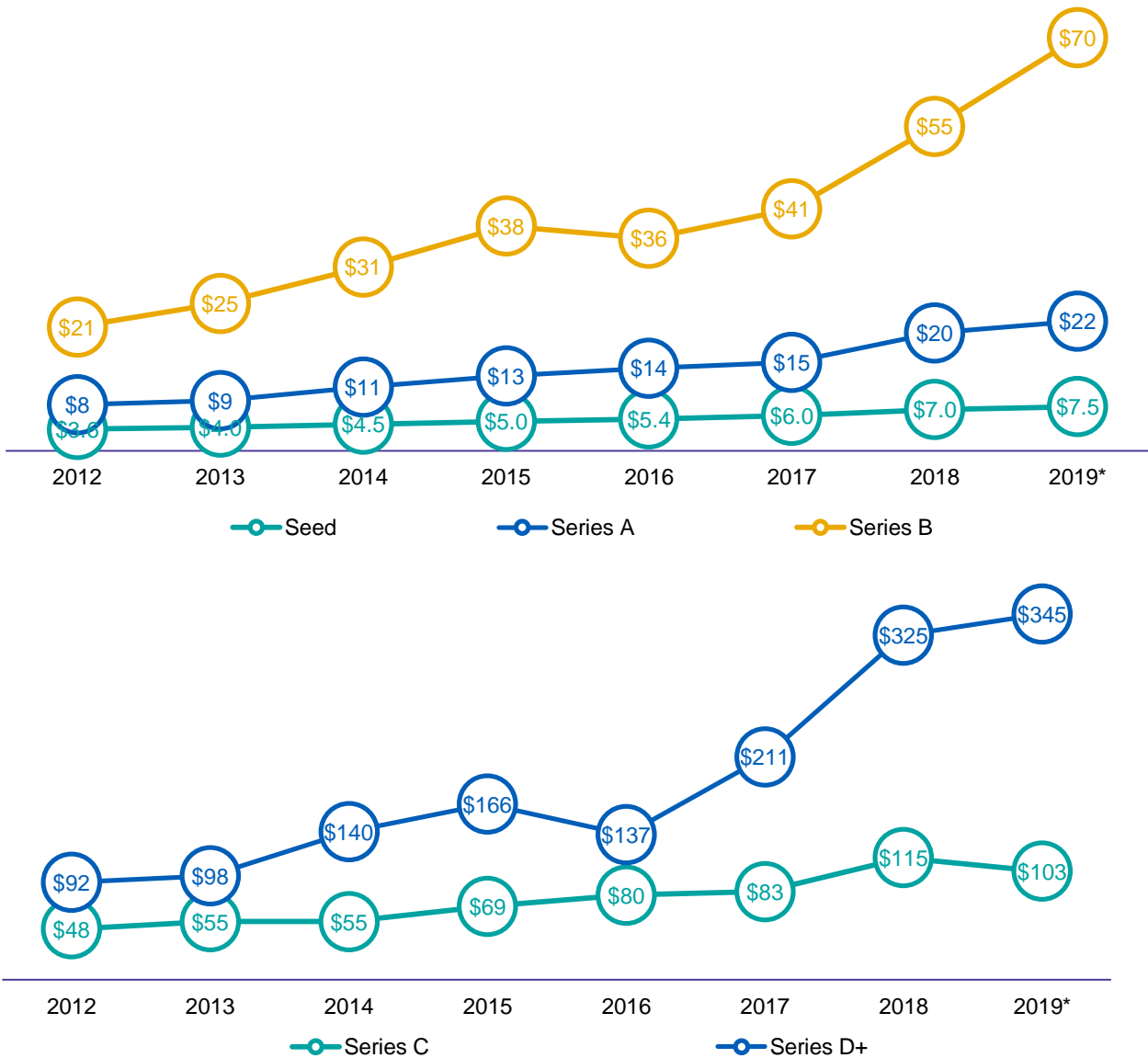
Median deal size (\$M) by series in the Americas
2012–2019*



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Record highs persist

Median pre-money valuation (\$M) by series in the Americas
2012–2019*

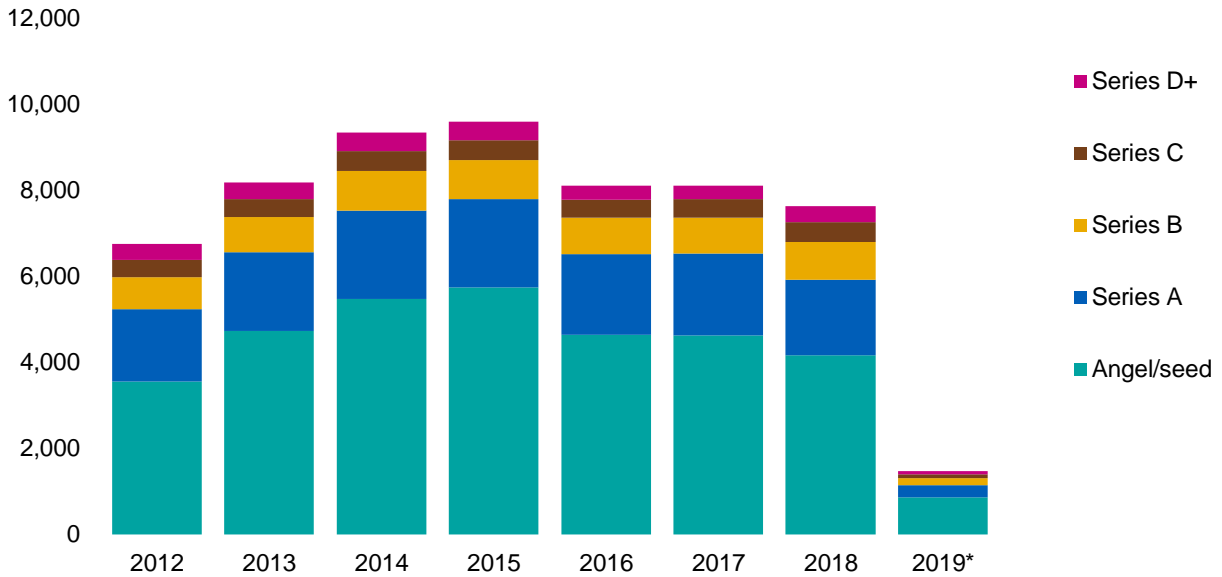


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Angel & seed stay resilient

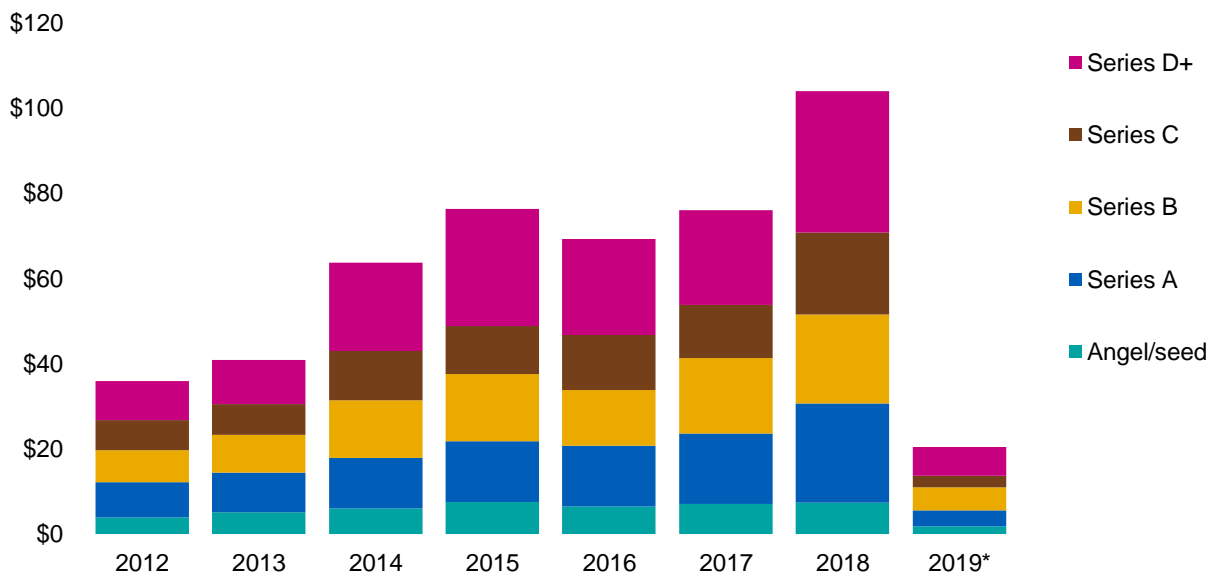
Deal share by series in the Americas

2012–2019*, number of closed deals



Deal share by series in the Americas

2012–2019*, VC invested (\$B)

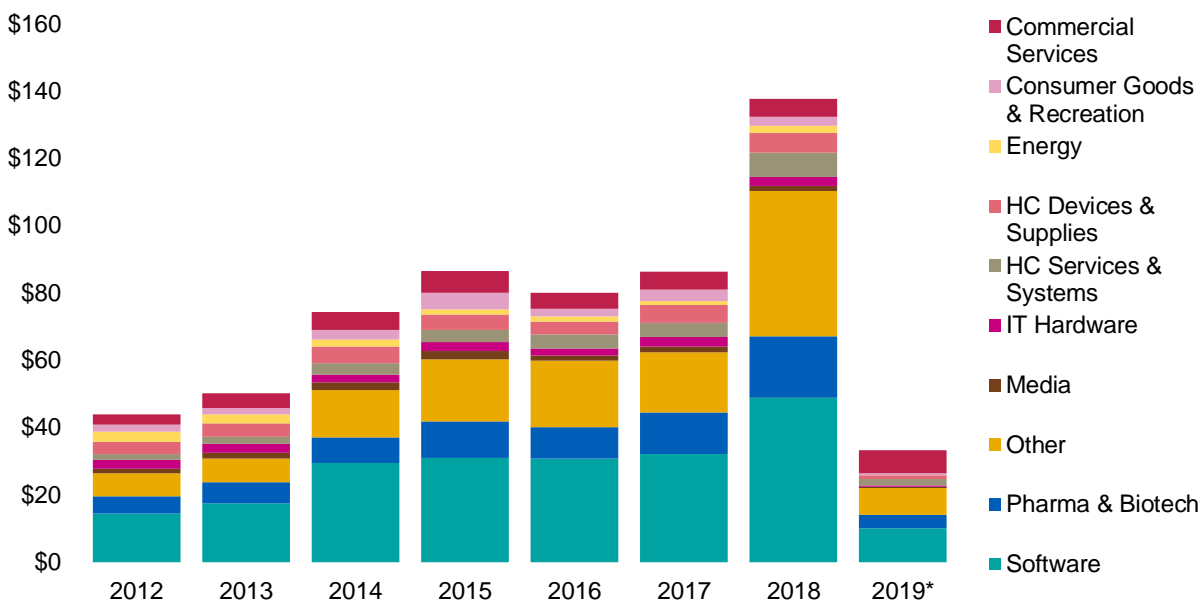


Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

Software & healthcare persist

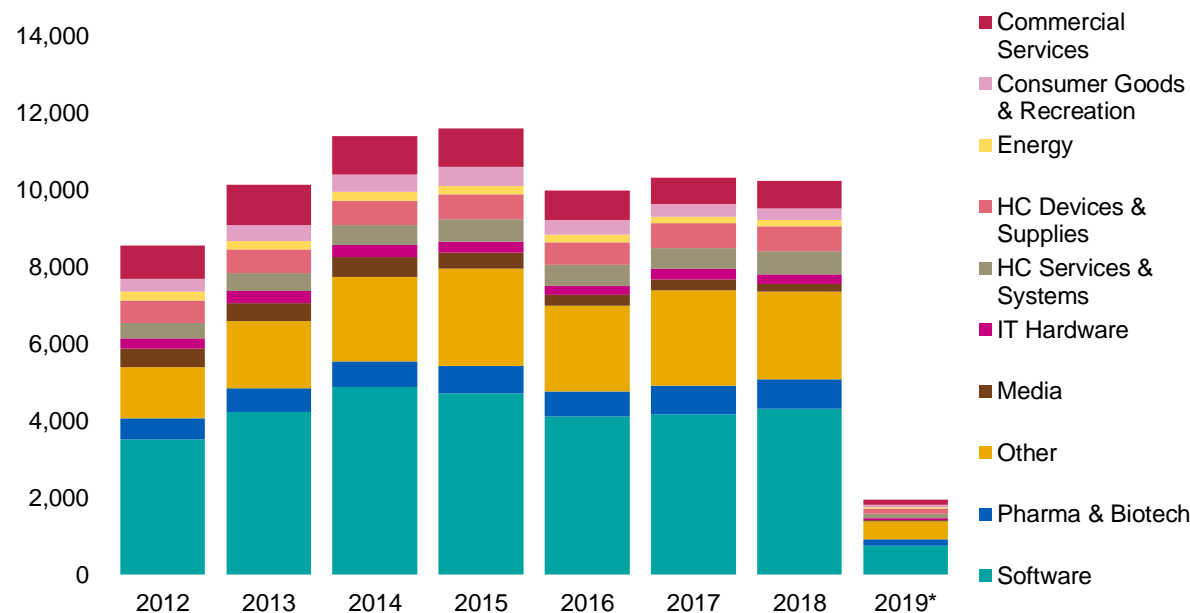
Venture financing of VC-backed companies by sector in the Americas

2012–2019*, VC invested (\$B)



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

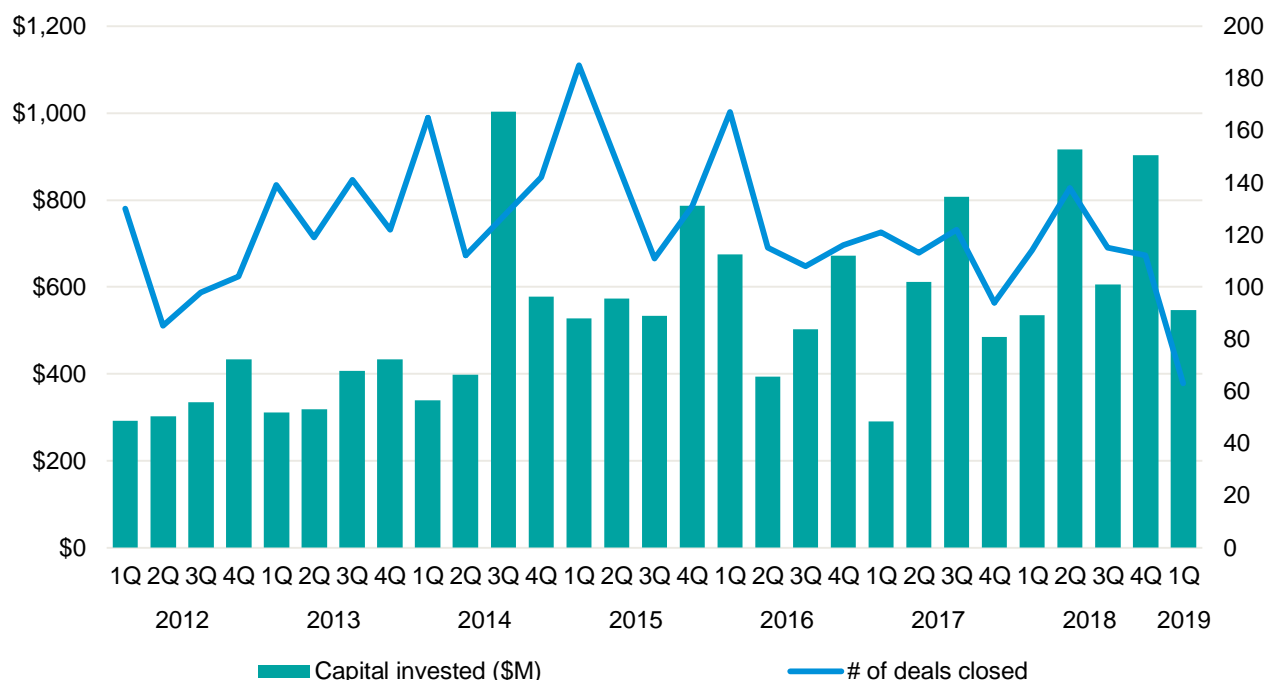
2012–2019*, # of closed deals



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

A historically healthy start to 2019

Venture financing in Canada 2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The dip in Q1 2019 should not be read overmuch into, as the tally of VC invested was quite healthy and there is likely a minor data lag in effect as is typical in private markets' coverage. The growing sector diversity of the Canadian startup ecosystem is more important to note, as notable deals for the quarter included the \$68 million funding of Carbon Engineering and the \$42.1 million Series C raise of Turnstone Biologics.

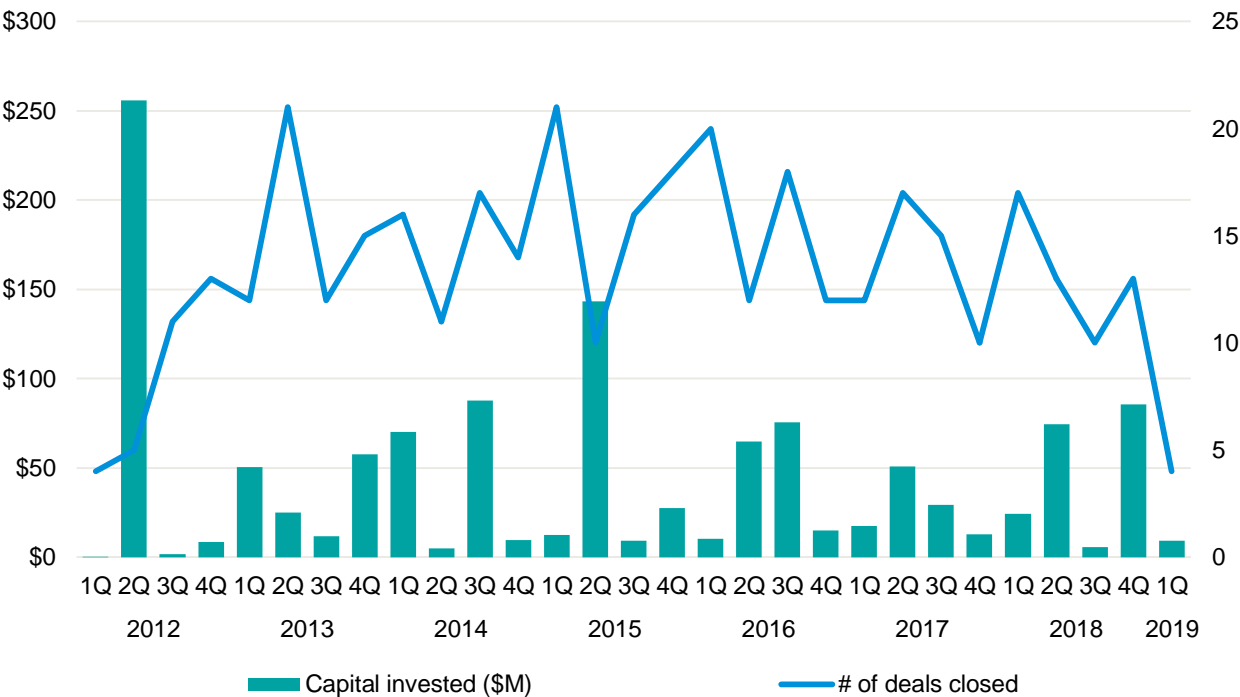
"Collision is going to be pretty exciting for Toronto. The city is poised to come alive with so many people and so many companies from around the world. It's going to shine a spotlight on Canadian startups and companies that are past the startup stage. There's also expected to be a ton of investors, a ton of larger conglomerates, and representatives from a wide range of industries. It will likely be the place to be in Q2'19."



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

After a robust Q4, a downturn to start the year

Venture financing in Mexico 2012–Q1'19



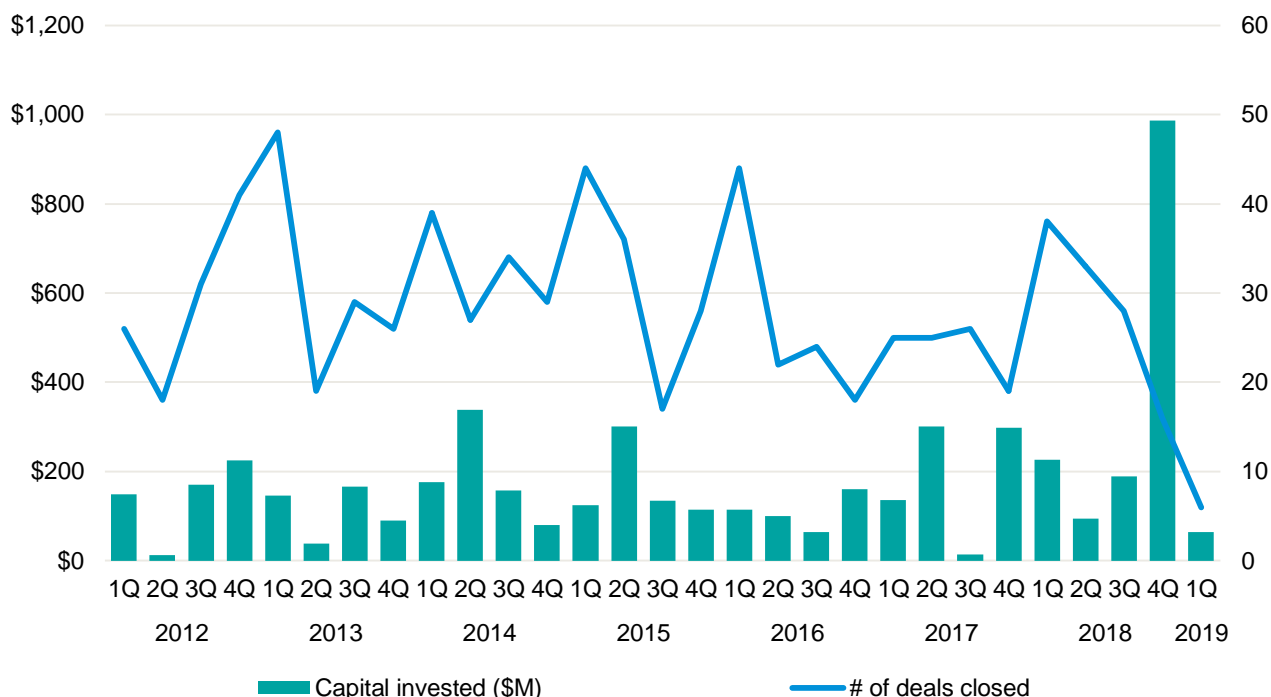
Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

The Mexican venture ecosystem is nascent and consequently prone to significant skew, particularly in regard to VC invested; Q1 2019 turned out to be more down than up, consequently, by both measures, however, in the wake of a robust Q4 2018.

After a high note, investors take a pause

Venture financing in Brazil

2012–Q1'19



Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/19. Data provided by PitchBook, April 11, 2019.

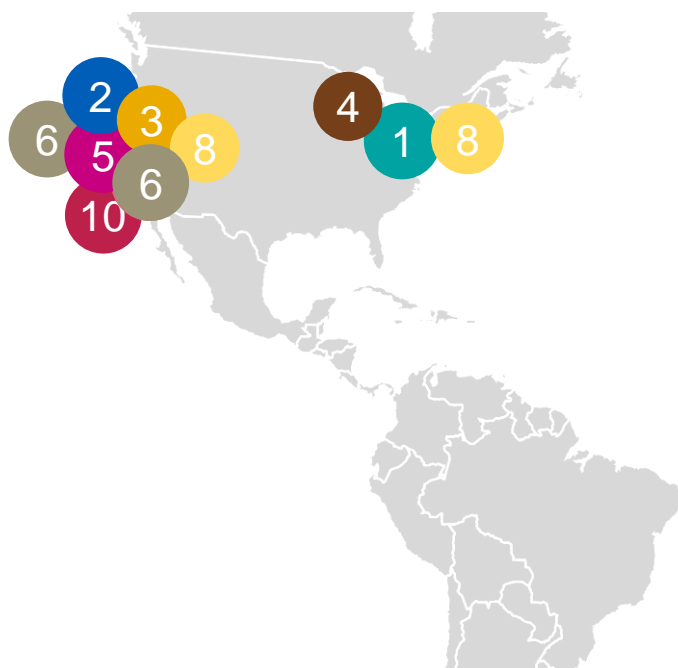
Q4 2018 observed several very large deals that skewed VC invested to a new high for the Brazilian venture ecosystem; a repetition would have been hard to pull off. Hence the decline in volume and VC invested overall, both quarterly aberrations more than anything else.

“Brazilian venture capital activity decelerated in Q1'19, following a record setting quarter at the end of last year which included the largest ever single venture capital investment in Latin America — a \$500 million investment in iFood. Nonetheless, there were a number of mid-sized investments this quarter in companies such as Contabilizei, Dr. Consulta and Mosyle. SoftBank's announcement that it will be launching a \$5 billion fund directed at Latin American startups is an encouraging sign of continued foreign interest and investment in the tech ecosystems throughout South America.”



Raphael Vianna
Director,
KPMG Enterprise in Brazil

Traditional hubs of VC activity still dominate rankings



Top 10 financings in Q1'19 in Americas

- | | |
|---|--|
| 1 The We Company — \$5,000M, New York
Commercial services
<i>Corporate</i> | 6 Clover Health — \$500M, San Francisco
Healthcare
<i>Series E</i> |
| 2 Flexport — \$1,000M, San Francisco
Logistics
<i>Late-stage VC</i> | 6 SpaceX — \$500M, Hawthorne
Aerospace & defense
<i>Series J</i> |
| 3 Nuro — \$940M, Mountain View
Transportation
<i>Early-stage VC</i> | 8 Knock (Real Estate) — \$400M, New York
Real estate services
<i>Series B</i> |
| 4 Rivian — \$700M, Plymouth
Transportation
<i>Corporate</i> | 8 DoorDash — \$400M, San Francisco
Application software
<i>Series F</i> |
| 5 Aurora (Automotive) — \$530M, Palo Alto
Automotive
<i>Series B</i> | 10 Lime — \$310M, San Mateo
Automotive
<i>Series D</i> |

Source: Venture Pulse, Q1'19, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2019.

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KPMG Enterprise Innovative Startup Network. From seed to speed, we're here throughout your journey



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The KPMG Enterprise Global Network for Innovative Startups has extensive knowledge and experience working with the startup ecosystem. Whether you are looking to establish your operations, raise capital, expand abroad, or simply comply with regulatory requirements — [we can help](#). From seed to speed, we're here throughout your journey.

Acknowledgements

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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.

In addition, particularly within the European region, the Venture Pulse does not contain any transactions that are tracked as private equity growth by PitchBook. As such rounds are often conflated with late-stage venture capital in media coverage, there can be confusion regarding specific rounds of financing. The key difference is that PitchBook defines a PE growth round as a financial investment occurring when a PE investor acquires a minority stake in a privately held corporation. Thus, if the investor is classified as PE by PitchBook, and it is the sole participant in the recipient company's financing, then such a round will usually be classified as PE growth, and not included in the Venture Pulse datasets.

Also, if a company is tagged with any PitchBook vertical, excepting manufacturing and infrastructure, it is kept. Otherwise, the following industries are excluded from growth equity financing calculations: buildings and property, thrifts and mortgage finance, real estate investment trusts, and oil & gas equipment, utilities, exploration, production and refining. Lastly, the company in question must not have had an M&A event, buyout, or IPO completed prior to the round in question.

Fundraising

PitchBook defines venture capital funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional venture capital firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identified as growth-stage vehicles are classified as PE funds and are not included in this report. A fund's location is determined by the country in which the fund is domiciled, if that information is not explicitly known, the HQ country of the fund's general partner is used. Only funds based in the US that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close.

Deals

PitchBook includes equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms and corporate investors. Investments received as part of an accelerator program are not included, however, if the accelerator continues to invest in follow-on rounds, those further financings are included. All financings are of companies headquartered in the US. The impact of initial coin offerings on early-stage venture financing as of yet remains indefinite. Furthermore, as classification and characterization of ICOs, particularly given their security concerns, remains crucial to render accurately, we have not detailed such activity in this publication until a sufficiently robust methodology and underlying store of datasets have been reached.

Methodology, cont'd.

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.

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 Q1 2019, PitchBook's methodology regarding aggregate exit values changed. Instead of utilizing the size of an IPO as the exit value, instead the prevaluation of an IPO, based upon ordinary shares outstanding, was utilized. This has led to a significant change in aggregate exit values, yet is more reflective of how the industry views the true size of an exit via public markets.

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