



Private Enterprise

Venture Pulse Q1 2020

Global analysis of
venture funding

21 April, 2020



Welcome message



In a departure from our normal format we wanted to let you all know that you are in our thoughts as we all work through what is likely the biggest global test that we will likely deal with in our lifetimes.

Venture Capital investment trends are obviously irrelevant in comparison to what is currently facing us, but supporting and showcasing this community remains critical to those of us leading KPMG Private Enterprise.

We have no doubt that the human spirit will triumph over this adversity and we have seen this evidenced in the tremendous accomplishments of our employees and of our clients over the last several weeks. It has been inspirational to see, and we are sure to see more over the next few weeks and months.

Remember we are here to provide assistance to you in any way we can — even if it is a simple conversation around how you are doing.

Q1'20 was unlike any quarter on record. The emergence of the novel coronavirus COVID-19 shattered original expectations for the year, putting previous trends and concerns, such as Brexit and the US-China trade tensions, on the backburner. The spread of the virus, deemed a pandemic by the World Health Organization on March 11th created turmoil in nations, economies, and public markets around the world.

Despite the impact of COVID-19, VC investment globally remained quite robust in Q1'20, primarily due to the strong pipeline of deals in many jurisdictions around the world. In particular, VC investment in the US remained strong, led by a \$2.25 billion raise by Waymo, a \$1 billion raise by Generate Capital, and a \$750 million raise by Quibi. VC investment was also strong in Europe, led by a \$500 million raise by Revolut and a \$240 million raise by Liliium.

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Asia, meanwhile, saw VC investment drop significantly, driven by a slowdown in deals activity in China, where the fight against COVID-19 began much earlier than in other jurisdictions. Despite a sharp decline in the number of deals, Asia saw a number of megarounds during Q1'20, including \$3 billion raises by Gojek and Kuaishou, and a \$1 billion raise by Yuanfudao.

With unprecedented shutdowns around the world, Q2'20 is expected to be a rough quarter for VC investment in every jurisdiction. While there continues to be an enormous amount of dry powder in the global VC

market, many investors will likely sit on the fence until the ramifications of the pandemic become clearer. VC deals that do occur will likely involve follow-on funding to companies within the existing portfolios of VC investors or companies that have a clear value proposition given the current situation.

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

- The implications of COVID-19 on each of the key jurisdictions
- The rise in demand for digital business models
- The rise in benevolent investments in companies focused on addressing COVID-19 challenges
- The long-term ramifications of the pandemic on potential investment trends.

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 Private Enterprise adviser in your area.

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***In Q1'20 VC-backed
companies in the
Americas raised***

\$35.3B

across

2,443 deals



Shadow of COVID-19 hanging over Americas despite solid Q1'20

VC investment in the Americas got off to a solid start in Q1'20, primarily driven by strong VC investment in the US. While VC investment in the US increased quarter-over-quarter, both the number of deals and total VC investment in locations outside of the US, including Canada, Brazil, and Mexico, fell sharply. Growing concern around COVID-19 began to cast a shadow over VC deals in the Americas during Q1'20 and is expected to significantly impact both the number of deals and the amount of VC investment in the Americas in Q2'20.



VC investors focusing on profitability

The lackluster performance of a number of unicorn IPOs in 2019, has resulted in VC investors in the Americas, particularly in the US and Canada, increasing their focus on profitability. They no longer have interest in investing in companies that burn cash, instead scrutinizing plans as to how and when companies expect to become cash flow positive when making investment decisions. In the wake of COVID-19, VC investors in the US and across the Americas will likely increase their focus even further on companies that are efficient, profitable, or that have a very strong value proposition given the highly uncertain economic situation and the length of time it could take for economies to rebound.



VC investors in US will likely hold back from global investments

VC investors in the US have a significant global reach, driving VC investments not only in the US, but in many other regions of the world. With governments in numerous jurisdictions globally closing borders and restricting the movement of people in order to stop the spread of COVID-19, it is expected that this cross-border investment activity could shrink significantly. Many US-based VC investors will likely hold back from making cross-border investments, either choosing to sit on the sidelines until the ramifications of COVID-19 are better understood, or focusing on more accessible US-based companies.



Latin America remains key target area for VC investment

The first few months of 2020 highlighted the increasing focus of VC investors on Latin America. The region continues to be a strong target for investment, particularly in the fintech space, due to its high unbanked and underbanked populations. Brazil-based digital bank Nubank continued to grow; in Q1'20, introducing a new credit card offering in Mexico¹.

In February, Softbank announced that it would be adding an additional \$1 billion into its Innovation Fund in Latin America. Softbank has been a key investor in Latin America; in Q1'20, it made a \$125 million investment in Alphacredit, a Mexico-based lending company. Mexico also saw a number of much smaller investments in the fintech space, including a \$10 million raise by neobank Stori².

¹<https://techcrunch.com/2020/03/03/valued-at-10b-nubank-launches-its-nu-credit-card-in-mexico/>

²<https://techcrunch.com/2020/02/27/latin-america-roundup-softbank-adds-1b-stori-raises-10m-and-growth-mobility-puts-on-the-brakes/>

Shadow of COVID-19 hanging over Americas despite solid Q1'20, cont'd.



Canada sees first \$1 billion VC fund created in Q1'20

From a VC funding perspective, Q1'20 started off on a high note for Canada, with Georgian Partners announcing the closure of a \$1 billion VC fund, the first \$1 billion private VC fund in the country³. This fund highlights the strength of Canada's VC market, despite the sharp decline in both total VC investment and the number of VC deals during the quarter. Artificial intelligence remained a strong focus for VC investors in Canada; despite the slowdown in deals activity, AI-powered customer service support platform Ada Support raised \$44 million during Q1'20.

While the number of completed deals dropped dramatically, a number of Canadian VC and PE investors worked to keep deals moving forward, for example, by looking for mechanisms to support due diligence without in-person contact.



COVID-19 likely to put a damper on Brazil's strong VC market

During 2019, Brazil saw very strong investment — a trend that was expected to continue until COVID-19 turned expectations on their head in Q1'20. The impact of COVID-19 was readily apparent from mid-February in Brazil. Deals in the pipeline were halted as VC investors stopped to reassess opportunities. Total VC investment dropped dramatically to a seven-quarter low while the number of deals fell to a level not seen since 2013. Given the widespread impact of COVID-19, VC investment in Brazil is expected to remain very slow heading into Q2'20. Valuations will likely also take a significant hit, with PE and VC firms looking for new prices based on the effects of COVID-19.



Trends to watch for in the Americas

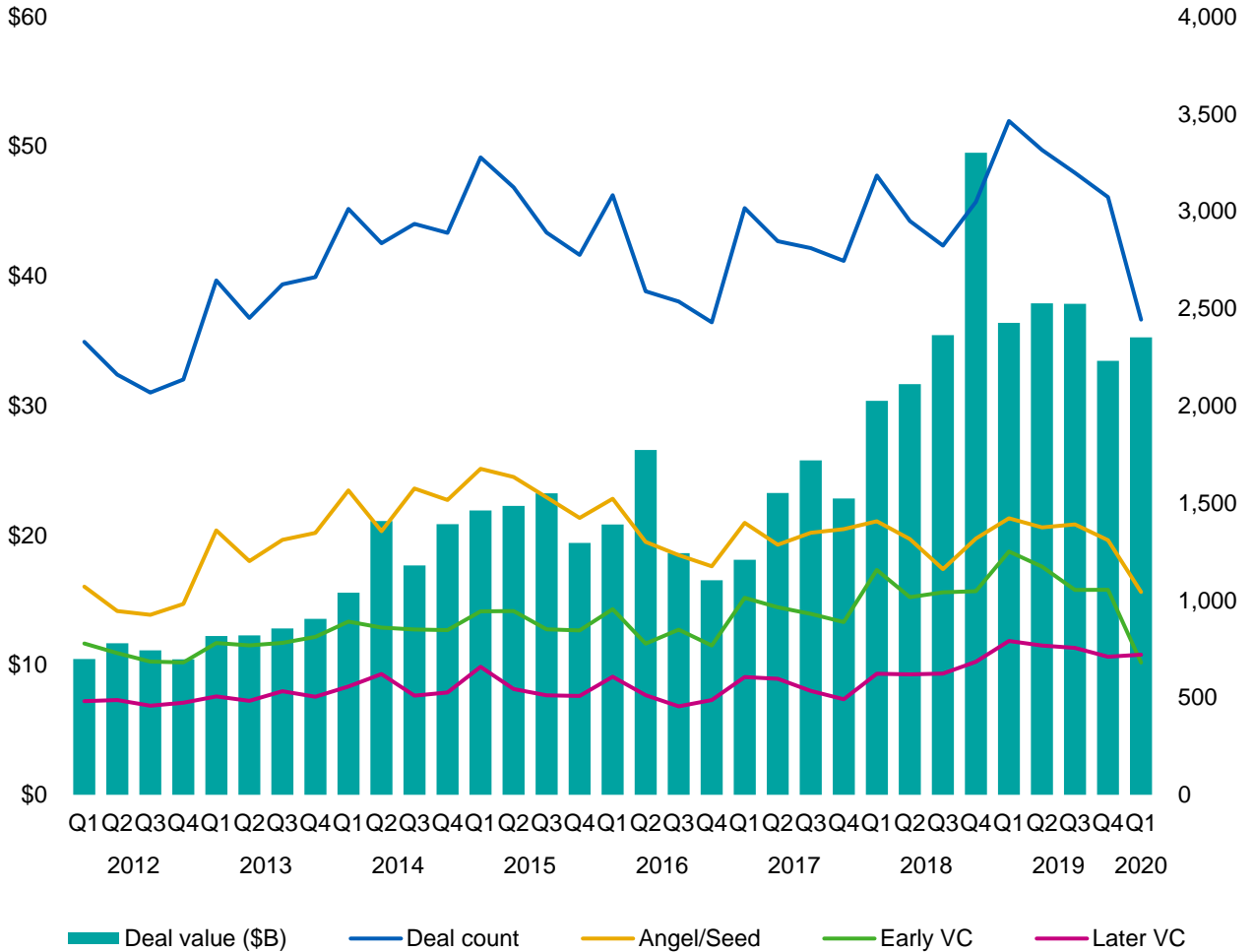
There are few expectations with respect to Q2'20 in terms of VC investment given the current COVID-19 situation. While deals will continue to occur, most will take a significant amount of time. VC investors will likely focus on companies within their existing portfolios or on those that are well positioned to solve problems created by COVID-19, such as biotech, healthtech, edtech, food delivery, and logistics companies.

It will likely be an investors' market over the next quarter or two. As companies run out of cash and look to raise funding, investors will likely be able to make investments based on lower valuations than they would have in January.

³ <https://betakit.com/georgian-partners-raises-first-canadian-venture-fund-valued-at-over-1-billion-cad/>

Volume slides ominously

Venture financing in the Americas 2012–Q1'20



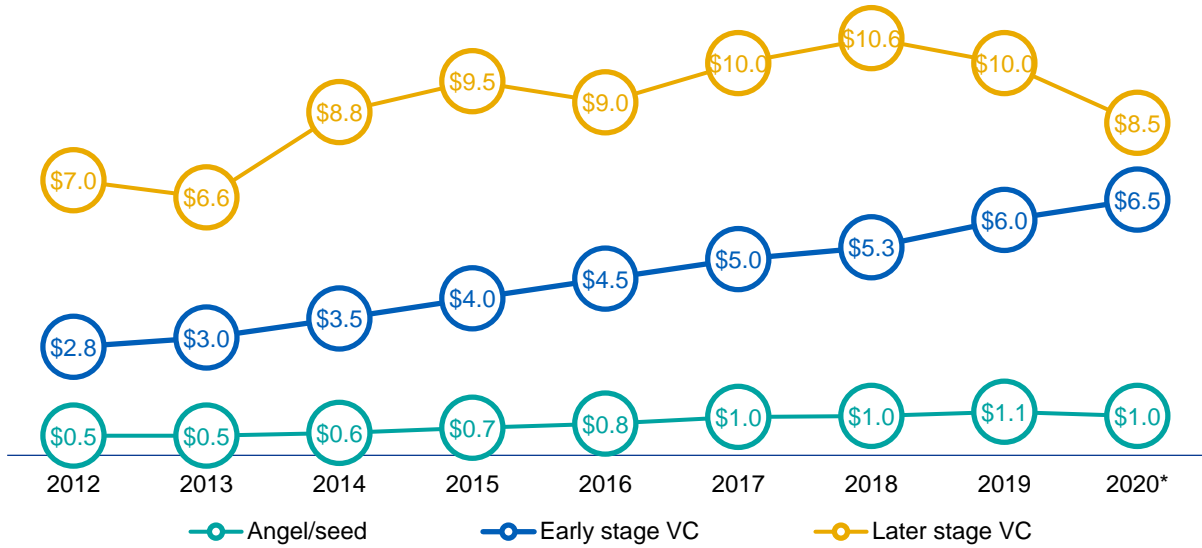
Source: Venture Pulse, Q1'20. Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20. Note: Refer to the Methodology section on page 20 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

As has been stated in previous editions of the Venture Pulse, inevitable lags in private markets data collection or clarification can result in penultimate quarter tallies adjusting upward. However, that is less likely to be the case than ever before now, as the Americas began to see truly significant impacts to not only everyday life but also business functions across multiple sectors in the waning weeks of March.

Late stage slides further to start 2020

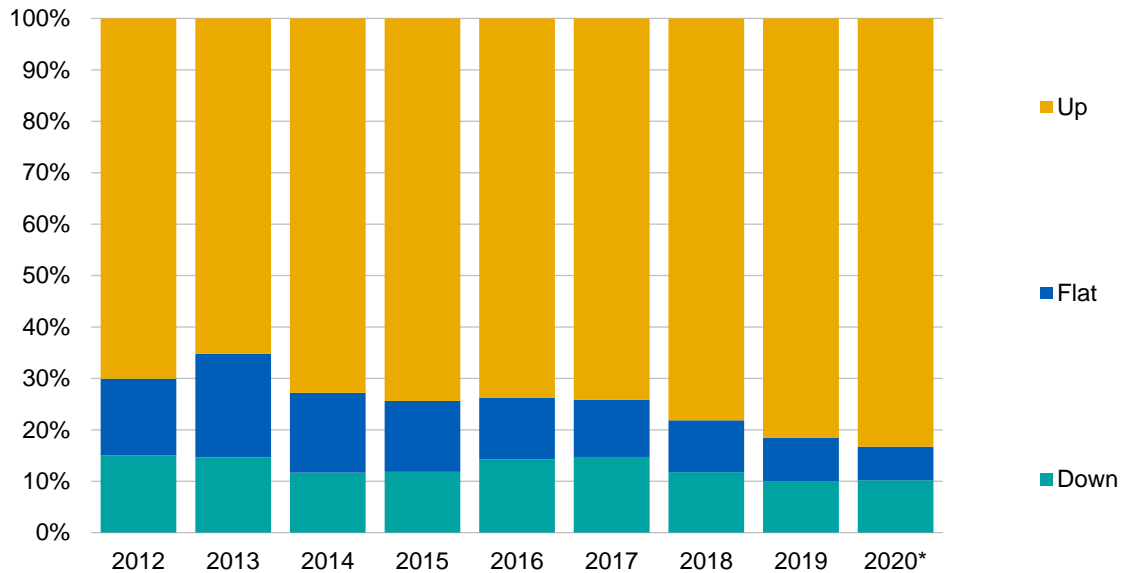
Median deal size (\$M) by stage in the Americas

2012–2020*



Up, flat or down rounds in the Americas

2012–2020*



Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

2020 tallies hold mostly steady for now

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

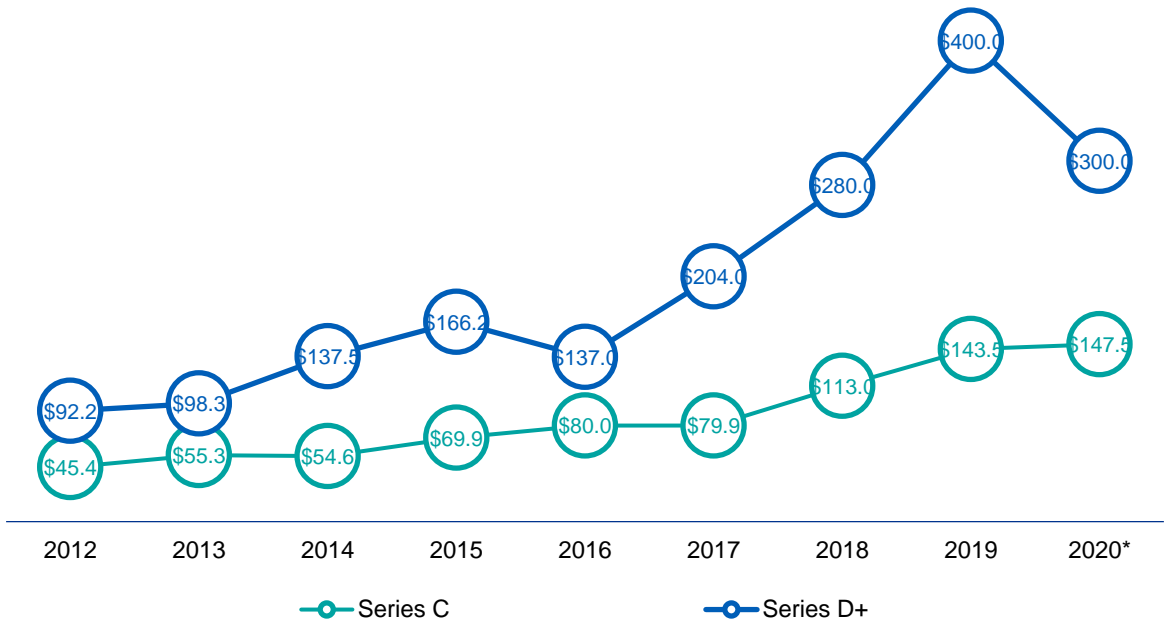
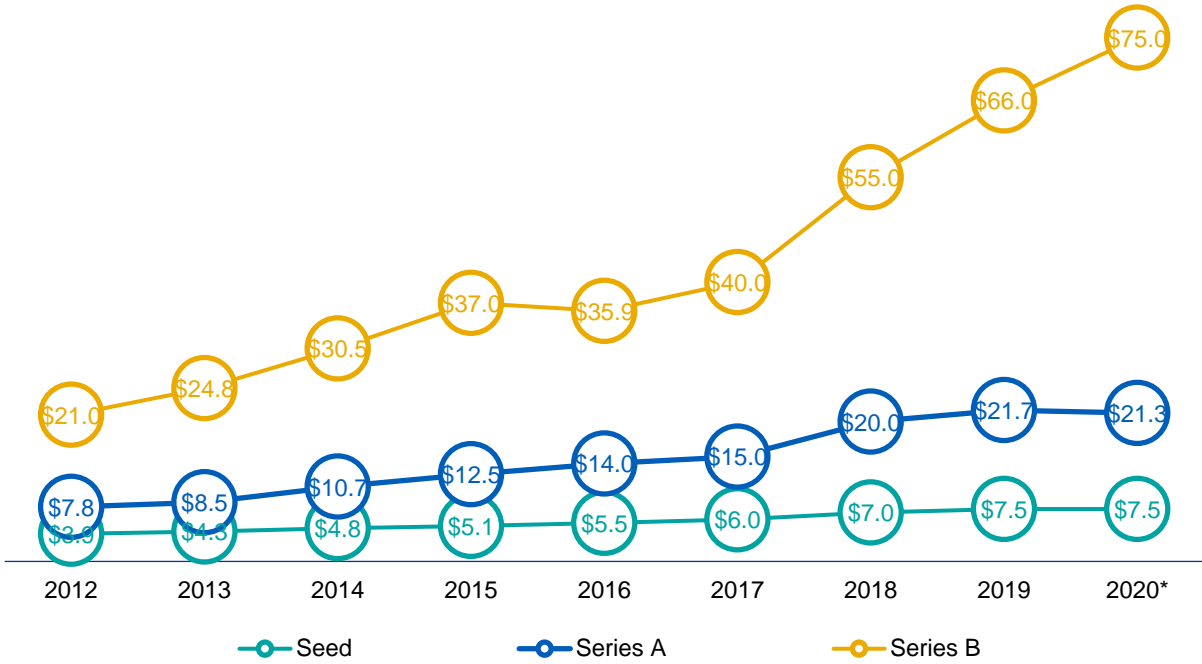
2012–2020*



Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Valuations stay the course except at latest stage

Median pre-money valuation (\$M) by series in the Americas
2012–2020*

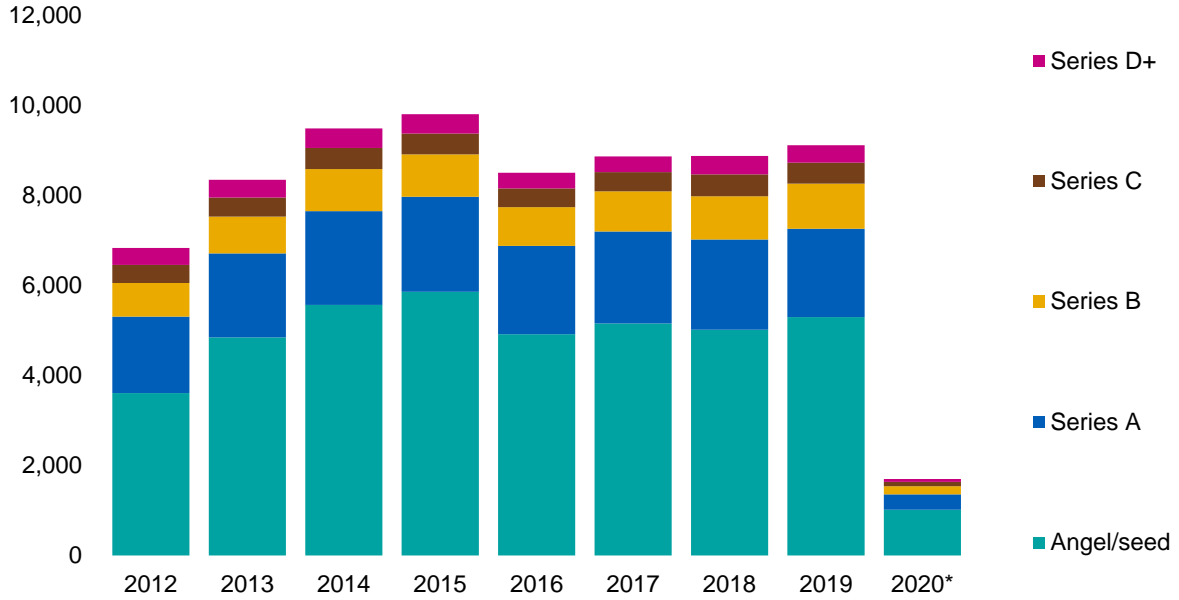


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Early-stage volume begins contraction

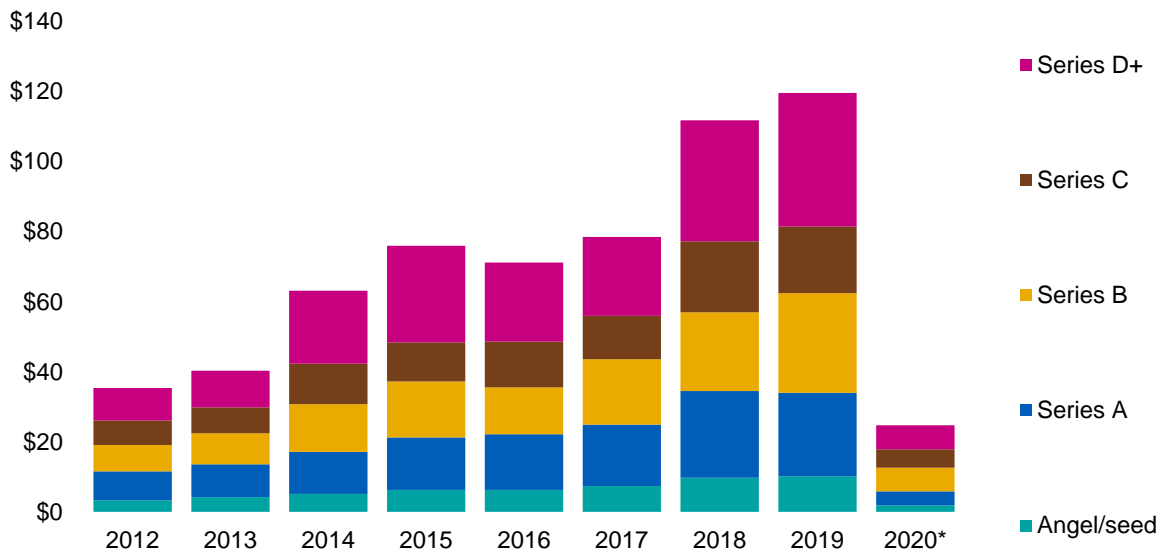
Deal share by series in the Americas

2012–2020*, number of closed deals



Deal share by series in the Americas

2012–2020*, VC invested (\$B)

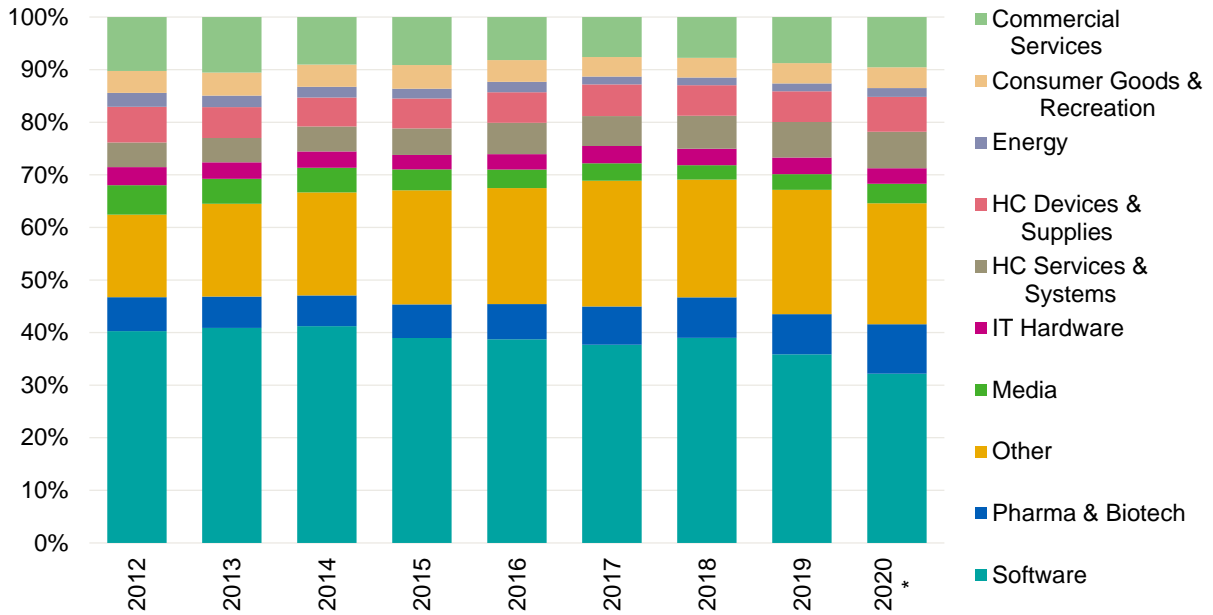


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Biotech & healthcare expand

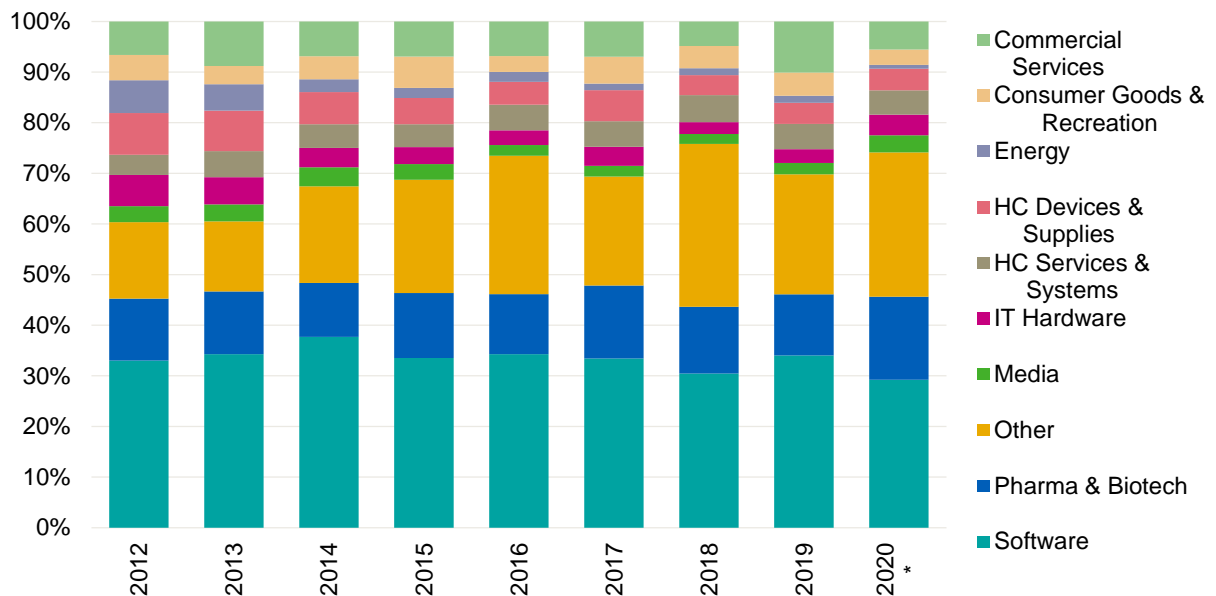
Venture financing of VC-backed companies by sector in the Americas

2012–2020*, # of closed deals



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

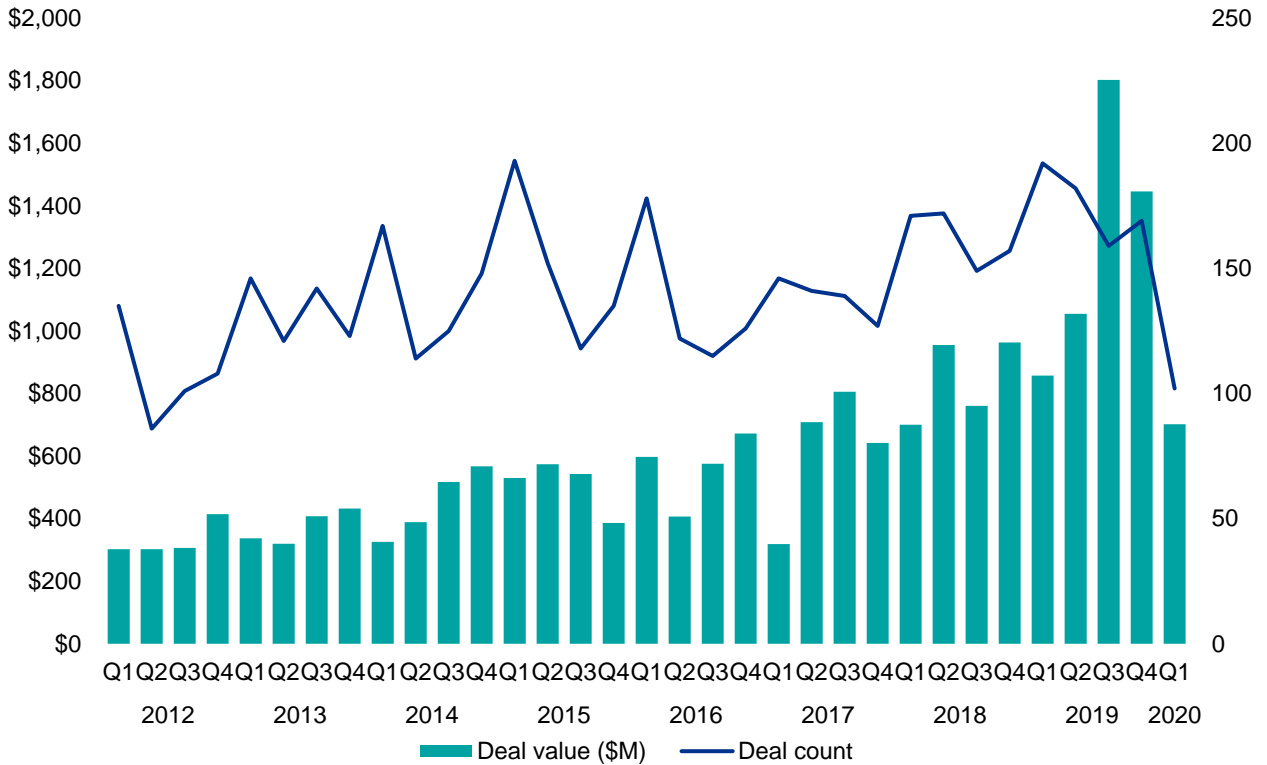
2012–2020*, VC invested (\$B)



Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

After recent peaks, a sharp downturn

Venture financing in Canada 2012–Q1'20



Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

The back half of 2019 set records in terms of VC invested for the Canadian startup ecosystem, with several late-stage fundings helping significantly. Thus, a sharp downturn in volume and even VC invested was not necessarily out of the cards, given that the Canadian ecosystem is not so large yet that outliers don't skew totals. But, rather it unfortunately looks like a harbinger of things to come, as economic impact from COVID-19 proliferates and investors and companies alike grapple with the ripple effects both materializing and yet to occur.

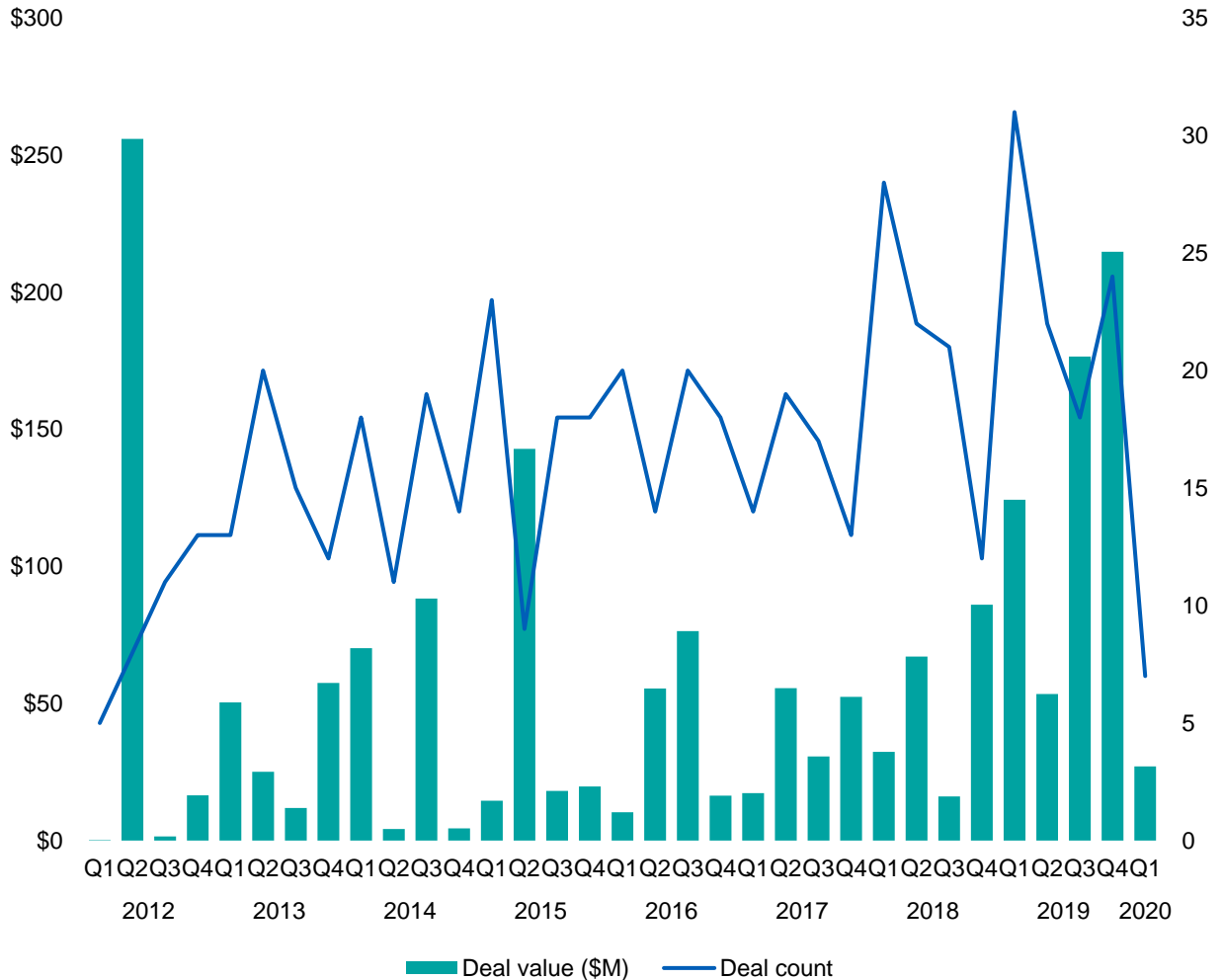
“Canada continues to have a very strong economic base. We have an excellent banking system, a well-trained workforce, strong government supports, and a very strong innovation ecosystem. All of this should hopefully help us weather the current situation and lead to more positive results in the back half of the year.”



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

A steep plunge indicates what is likely to come

Venture financing in Mexico 2012–Q1'20

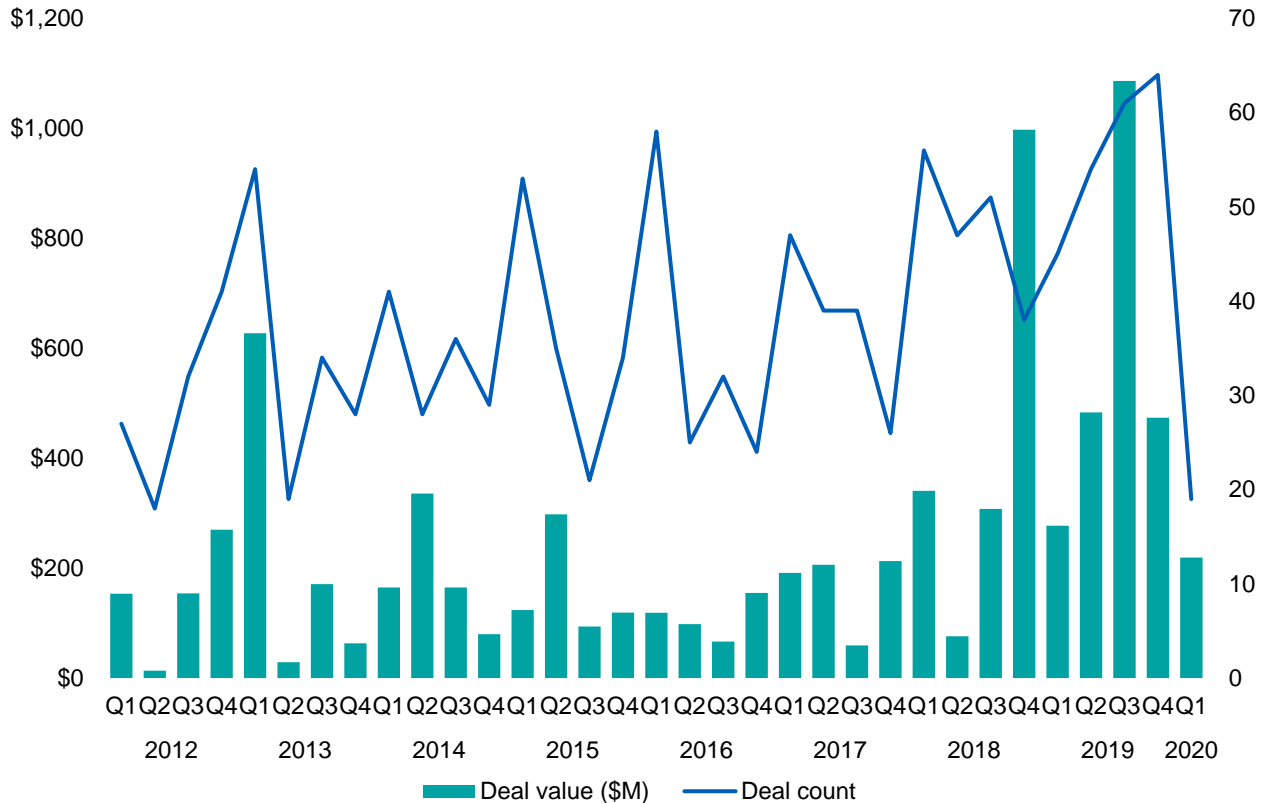


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

As noted before, the nascency of the Mexican venture ecosystem will likely result in significant variability across quarters. Recent strong quarters do testify to the gradual maturing of pockets of companies, yet, unfortunately, given the oncoming impact of COVID-19 across the entire North American regional economy, less-mature ecosystems on the whole are likely to suffer at least a significant pullback in investors' appetite for all but the surest bets.

Brazil braces for potential turmoil

Venture financing in Brazil 2012–Q1'20



Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Brazil boasts some globally known companies that skewed VC invested totals in the past few years, yet even they may see significant impact from the incoming COVID-19 pandemic given many of the venture dollars have been deployed in consumer-related sectors, although fintech companies may enjoy some positive side effects from any shutdowns.

“Before COVID-19, Softbank was really raising the bar in terms of driving VC investment in Brazil and across Latin America. We saw lots of Series B and Series C deals, and a number of companies becoming unicorns. The environment for VC investment was really, really robust. This all changed in mid-February as investors and companies began to recognize the force of COVID-19. Numerous deals, even ones that were almost closed, fell through.”



Raphael Vianna
Director, KPMG Private Enterprise,
KPMG in Brazil

Investors hunker down in the Bay Area



Top 10 financings in Q1'20 in Americas

- | | |
|--|--|
| <p>1 Waymo — \$2.25B, Mountain View
Automotive
<i>Late-stage VC</i></p> | <p>6 Joby Aviation — \$590M, Santa Cruz
Aerospace
<i>Series C</i></p> |
| <p>2 Generate Capital — \$1B, San Francisco
Specialized finance
<i>Late-stage VC</i></p> | <p>7 Impossible Foods — \$500M, Redwood City
Food products
<i>Series F</i></p> |
| <p>3 Quibi — \$750M, Los Angeles
Media
<i>Early-stage VC</i></p> | <p>8 Lyell — \$493M, South San Francisco
Biotechnology
<i>Series D</i></p> |
| <p>4 JUUL — \$700M, San Francisco
Electronics (B2C)
<i>Late-stage VC</i></p> | <p>9 Snowflake — \$478.8M, San Mateo
Database software
<i>Series G</i></p> |
| <p>4 Chime (Financial Software) — \$700M, San Francisco
Financial software
<i>Series E</i></p> | <p>10 Pony.ai — \$462M, Fremont
Automotive
<i>Series B</i></p> |

Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

KPMG Private Enterprise Emerging Giants Network. From seed to speed, we're here throughout your journey



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The KPMG Private Enterprise Global Network for Emerging Giants 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.

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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.

Angel/seed: PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and it cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

Methodology, cont'd.

Early-stage: Rounds are generally classified as Series A or B (which PitchBook typically aggregates together as early-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors and more.

Late-stage: Rounds are generally classified as Series C or D or later (which PitchBook typically aggregates together as late-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Corporate: Corporate rounds of funding for currently venture-backed startups that meet the criteria for other PitchBook venture financings are included in the Venture Pulse as of March 2018.

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

Exits

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

In 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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