



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 Wymo, 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 Lilium.

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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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Private Enterprise



Global



US



Americas



Europe



Asia



***Globally, in Q1'20
VC-backed
companies raised***

\$61.0B

across

4,260 deals



Global VC investment holds, almost steady despite impact of COVID-19

To economies, public markets, and VC markets around the world, the novel coronavirus COVID-19 was a black swan event. Its rise in Q1'20 was unexpected and sudden, its impact massive and widespread. Every major region of the world is now working to stop its spread and to mitigate the resulting economic fallout.

While the impact on the VC market was somewhat muffled in Q1'20 due to a strong pipeline of deals in most jurisdictions, the outlook for Q2'20 is much less promising.



Calm before the storm — a solid start to 2020

Despite some global political and economic uncertainty, including the UK's official exit from the European Union and the ongoing US-China trade war, 2020 started off on a mostly positive note. VC investment in both the Americas and Europe got off to strong starts. In the US, autonomous mobility company Waymo raised \$2.25 billion, while cleantech infrastructure investor Generate Capital raised \$1 billion. In Europe, UK-based Revolut led fundraising with a \$500 million round, while Germany's Lilium raised \$240 million.

VC investment in Asia, however, fell significantly, despite \$3 billion raises by both Indonesia-based Gojek and China-based Kuaishou, and a \$1 billion raise by China-based edtech, Yuanfudao on the last day of the quarter. Deals activity dropped very sharply in Asia, driven primarily by a slowdown in China, the first to be affected by COVID-19.

Fintech remained a very hot area of investment globally during Q1'20. Digital banks in several jurisdictions raised strong funding rounds, including US-based Chime (\$500 million), UK-based Revolut (\$500 million), Sweden-based Klarna (\$200 million), and Australia-based Xinja (\$160 million).



Responding to a global pandemic, corporates focusing on core business

In February, COVID-19 began to make significant waves around the world, shattering expectations and creating turmoil in the public markets. In the wake of being called a pandemic by the World Health Organization in early March, numerous jurisdictions around the world took unprecedented action to slow the spread of the virus. International travel was limited or banned. Schools were closed and moved online. Bricks-and-mortar businesses and corporate offices not considered essential businesses were closed. People were told to stay home.

Businesses around the world are currently working to cope with the ramifications of COVID-19. With the exception of strategic investments for example, to enhance digital connectivity and coworking, corporate VC investment will likely be minimal in the short-term as companies focus on ensuring the sustainability of their core business.



Already cautious investors becoming more so

Following WeWork's failed IPO in 2019, VC investors appeared to be growing far more cautious with their investments. They increased their focus on profitability, particularly with respect to companies within their portfolios that were mulling the decision to IPO. They also focused less on seed and Series A companies, preferring safer bets and companies with sustainable cash flows.

Global VC investment holds, almost steady despite impact of COVID-19, cont'd.

With the sudden uncertainty created by COVID-19, VC investors are only expected to become even more risk averse. Many investors will likely sit on the fence until they better understand the impact of the virus. VC investors will likely need to take time to re-evaluate their portfolios given the current situation. With COVID-19 basically slamming the IPO market door shut at least for the short-term, some companies might require bridge funding to get through the market turbulence. Companies in the US could be particularly at risk given the upcoming presidential election. Should the pandemic not be resolved in Q2'20, any potential IPO exits could be pushed into 2021.



Restrictions hindering cross-border VC deal activity

Given travel and movement restrictions, cross-border VC investment will be very challenging heading into Q2'20. The inability to conduct in-person due diligence and face-to-face meetings will likely curtail a significant amount of cross-border activity, with some VC investors choosing to stick closer to home. Even when deals do get completed, transaction times will likely be much longer due to the need to create new processes to support alternative due diligence approaches.



Growing number of benevolent investments

While COVID-19 is creating many challenges for the VC market globally, it has also driven an upswell in benevolent and philanthropic investing as investors look to support companies looking for a vaccine or that have innovative ways of dealing with COVID-19. In the UK, for example, the Coalition for Epidemic Preparedness Innovations has invested \$23.7 billion in companies that are working to develop a vaccine. Companies it has supported include Novavax (working with Oxford University), Moderna, and Inovio Pharmaceuticals¹. Meanwhile, the Bill and Melinda Gates Foundation, working with Wellcome and Mastercard committed up to \$125 million to accelerate the response to COVID-19².

Governments are also making significant investments focused on addressing the impacts of COVID-19. In March, German-based CureVac received \$89 million from the European Commission so that it could scale its production of its potential COVID-19 vaccine³, while the Canadian Government invested \$27 million to support a number of projects focused on developing, testing, and implementing measures to respond to the novel coronavirus⁴.



Digital solutions making a game-changing leap forward

Numerous jurisdictions around the world have effectively shut down major segments of their economies, closed schools, and restricted the movement of people. With restrictions closing countless business offices, organizations are turning to digital solutions as a means to keep their people connected, connect with their clients and customers, and keep their operations moving forward. Companies and sectors that have lagged on the innovation front are now recognizing and working to bridge major gaps in their capabilities.

This crisis-driven action and forced innovation will have resonating impacts long after COVID-19 finally abates. Companies will have realized the value of digital on an almost unheard-of scale. Consumers will have seen the value of e-commerce, edtech, digital entertainment and gaming, digital learning, and all manner of other digital services. This shift could forever accelerate retail and many other industries further along the digital continuum. Those who do not move may very well not survive.

¹<https://canoe.com/health/cepi-ups-COVID-19-vaccine-funding-to-us23-7m>

²<https://www.gatesfoundation.org/Media-Center/Press-Releases/2020/03/COVID-19-Therapeutics-Accelerator>

³<https://www.labiotech.eu/medical/curevac-coronavirus-rna-covid/>

⁴<https://www.canada.ca/en/institutes-health-research/news/2020/03/government-of-canada-invests-27m-in-coronavirus-research.html>

Global VC investment holds, almost steady despite impact of COVID-19, cont'd.



Dry powder could be a significant force

Globally, VC investors are sitting on a significant amount of dry powder, one Pitchbook estimate suggesting approximately \$189 billion⁵. While VC investors may hold back for some time, they don't have the luxury of sitting on it for the long term as it could impact their timelines and the returns on their ongoing funds. A lot of money is waiting to be deployed and invested. When the uncertainty around COVID-19 begins to decrease, VC investors will be looking for ways to deploy these funds.



Trends to watch for globally

While traditional VC investment is expected to slow significantly over the next quarter, there are several niche segments of the market that could remain attractive to investors due to their applicability in the current environment. Health and biotech, for example, including companies focused on digital health, pharmaceuticals and life sciences, AI modeling to predict the spread of diseases, medtech and other related areas. Companies focused on productivity solutions, logistics and delivery, edtech, and online entertainment could also see some investment, along with cyber security and data protection companies given the significant increase in online services.

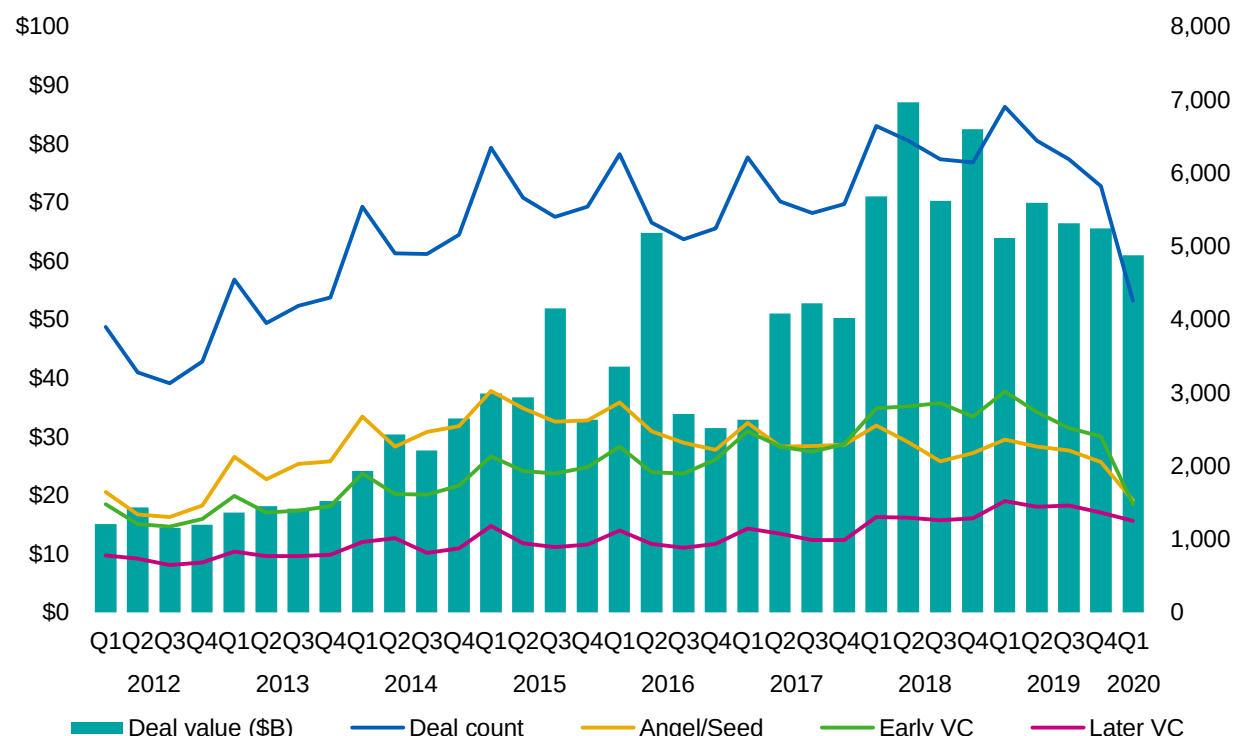
Heading into Q2'20, valuations are expected to fall as companies struggle to attract funding given the significant levels of uncertainty, specifically around the impact of the uncertainty on sales forecasts. There could also be an increase in distressed investments in some jurisdictions as companies begin to run out of cash.

⁵ <https://pitchbook.com/news/articles/gloom-over-a-new-recession-shifts-the-vc-narrative-for-2020>

The calm before the storm

Global venture financing

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 99 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

On the surface, the robust tally of VC invested belying the steep downturn in volume would seem to bode well for 2020, extending the remarkably strong nine-quarter stretch of venture activity. However, as the steep downturn suggests, steeper than any data lags could explain, the COVID-19 pandemic began to truly take a toll on investor sentiment and private markets in the closing weeks of March. By next quarter, looking back, Q1 2020 is likely to register as the calm before the storm.

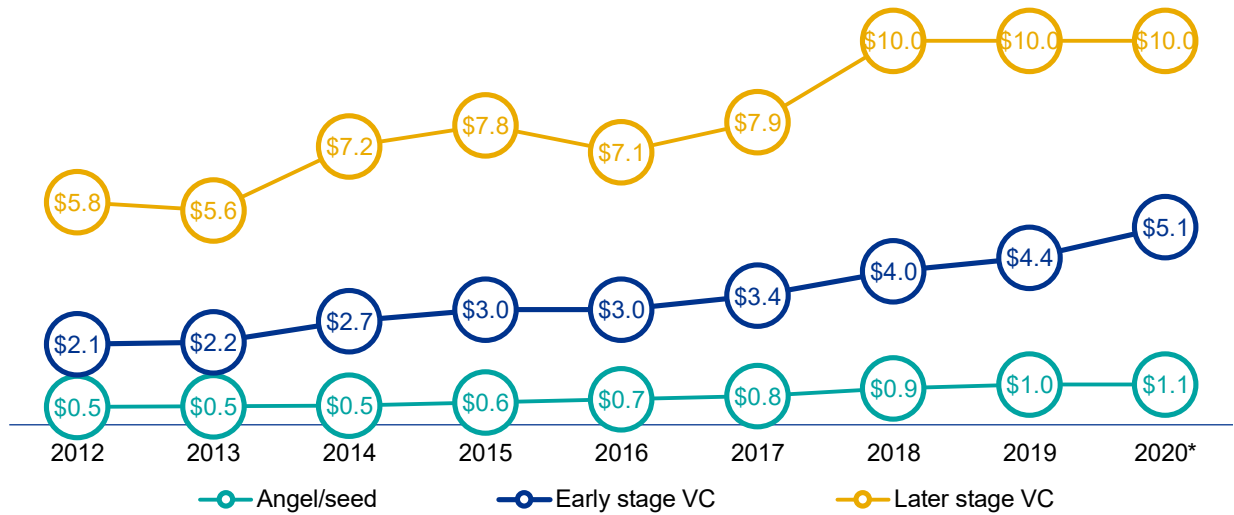
“While COVID-19 is creating a significant amount of challenges globally, it is also showcasing the power of ingenuity and innovation. While VC activity is slowing down, we are seeing a strong increase in philanthropic investment in all regions of world as investors, corporates, governments and not-for-profits work to support innovative companies working on potential vaccines and treatments — or to help better understand and stop the spread of the virus.”



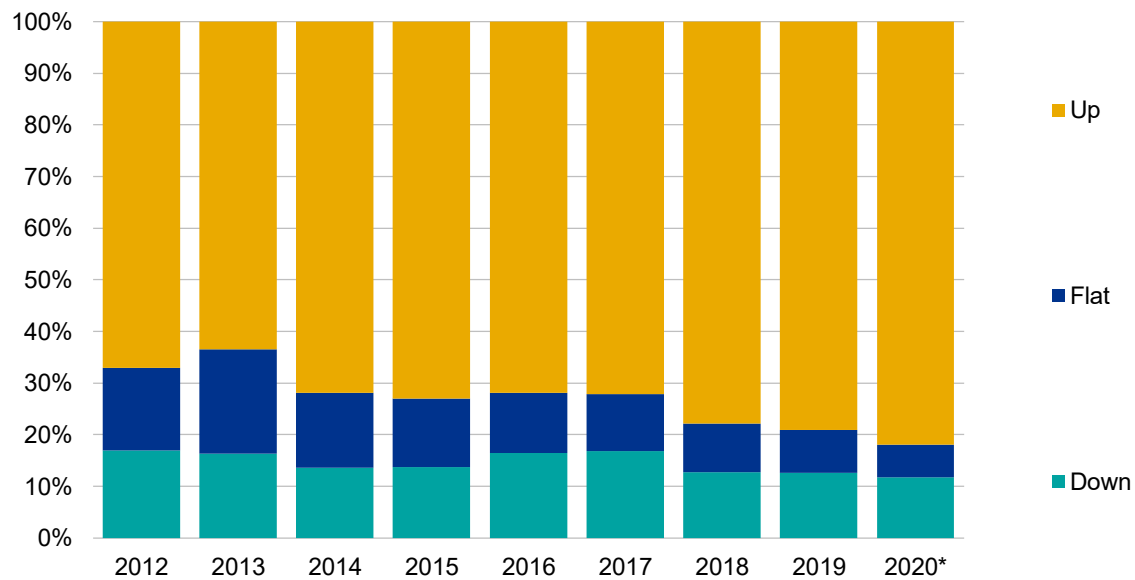
Jonathan Lavender
Global Head, KPMG Private Enterprise
KPMG International

Late stage evens out

Global median deal size (\$M) by stage 2012–2020*



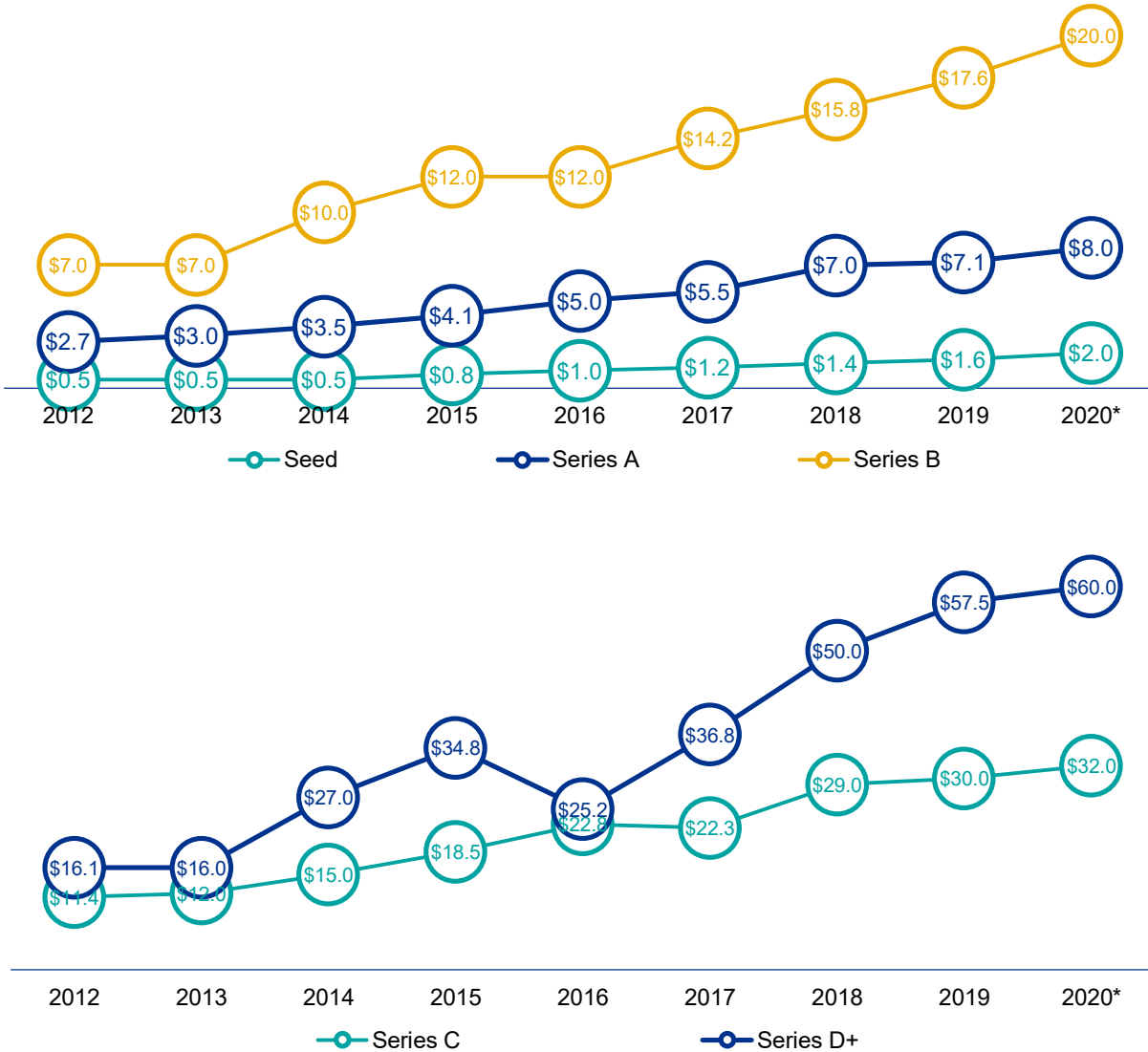
Global up, flat or down rounds 2012–2020*



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.

New highs by a slight margin

Global median deal size (\$M) by series 2012–2020*

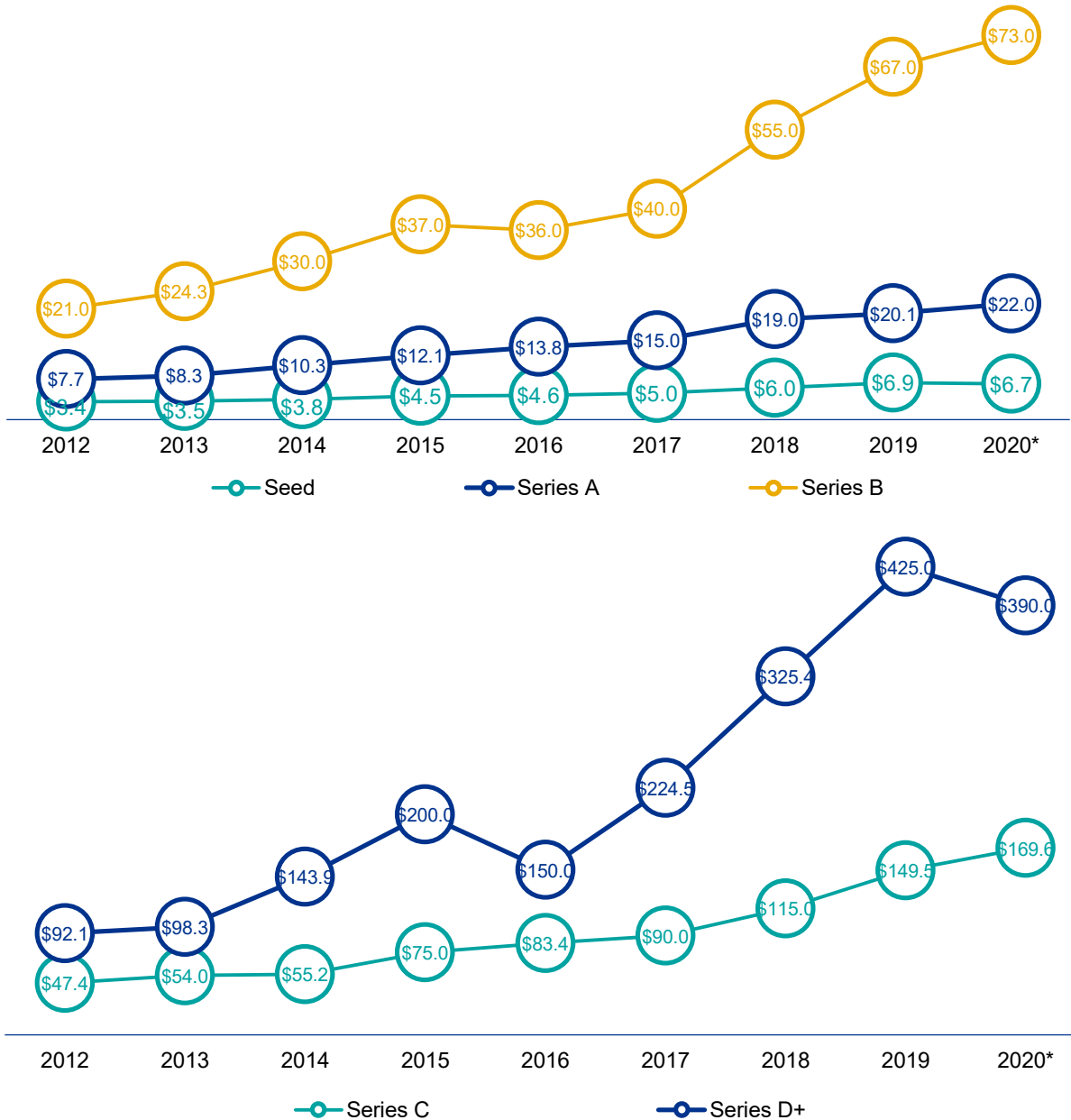


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

One thing that hasn't changed for the global venture ecosystem — there is still plenty of dry powder waiting to be dispersed from venture fund coffers. Q1 2020 tallies speak to that reality. However, with the COVID-19 pandemic truly coming into global effect at the end of March, it will be intriguing to see how deal sizes, of the deals that still manage to close, change. Anecdotally, financing terms are already shifting to be moderately less founder-friendly.

Late-stage valuations slide in telling sign

Global median pre-money valuation (\$M) by series
2012–2020*

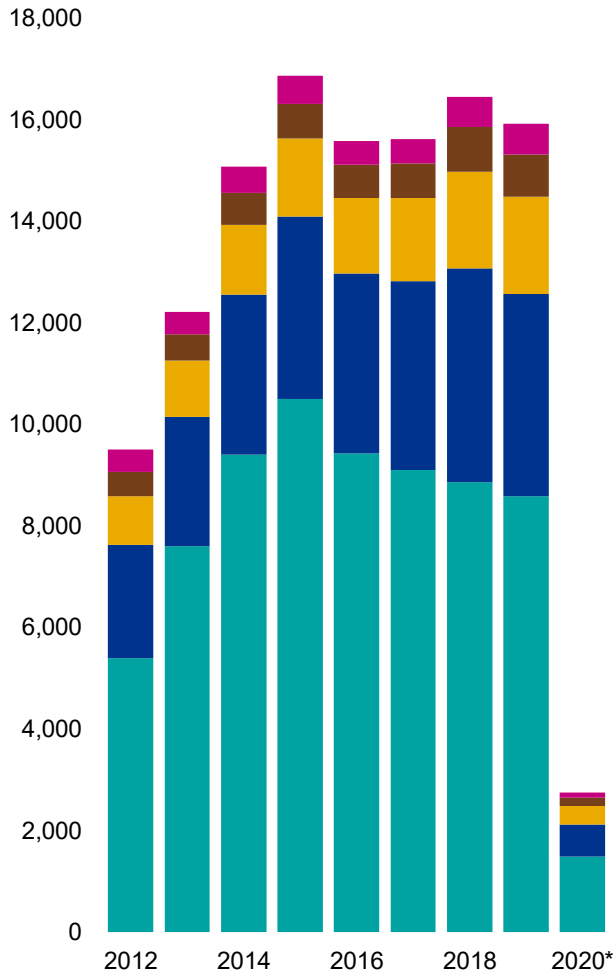


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Late stage bolsters fading Q1

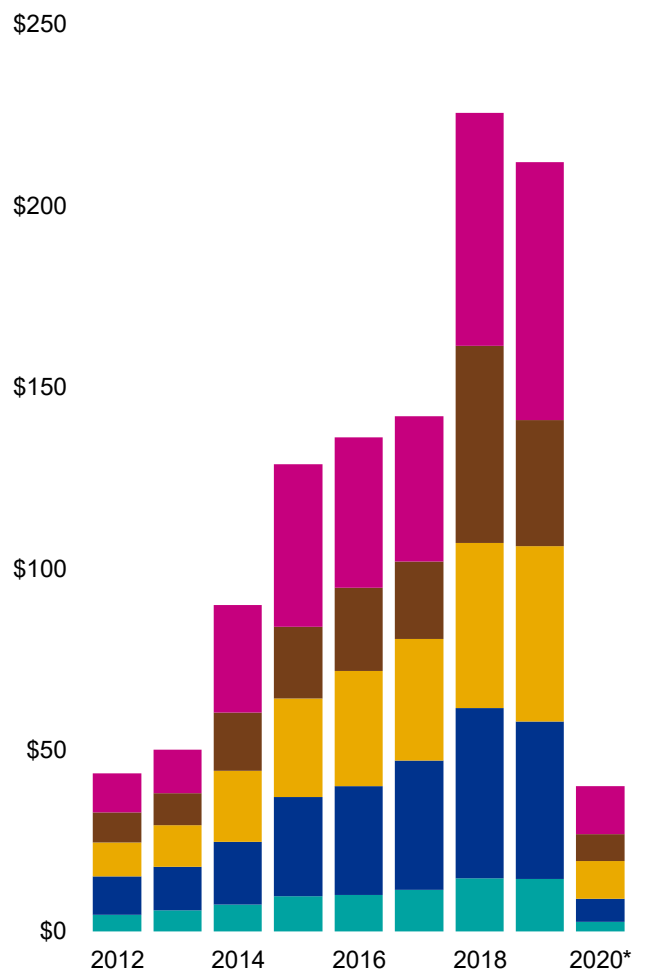
Global deal share by series

2012–2020*, number of closed deals



Global deal share by series

2012–2020*, VC invested (\$B)



■ Series D+ ■ Series C ■ Series B ■ Series A ■ Angel/seed ■ Series D+ ■ Series C ■ Series B ■ Series A ■ Angel/seed

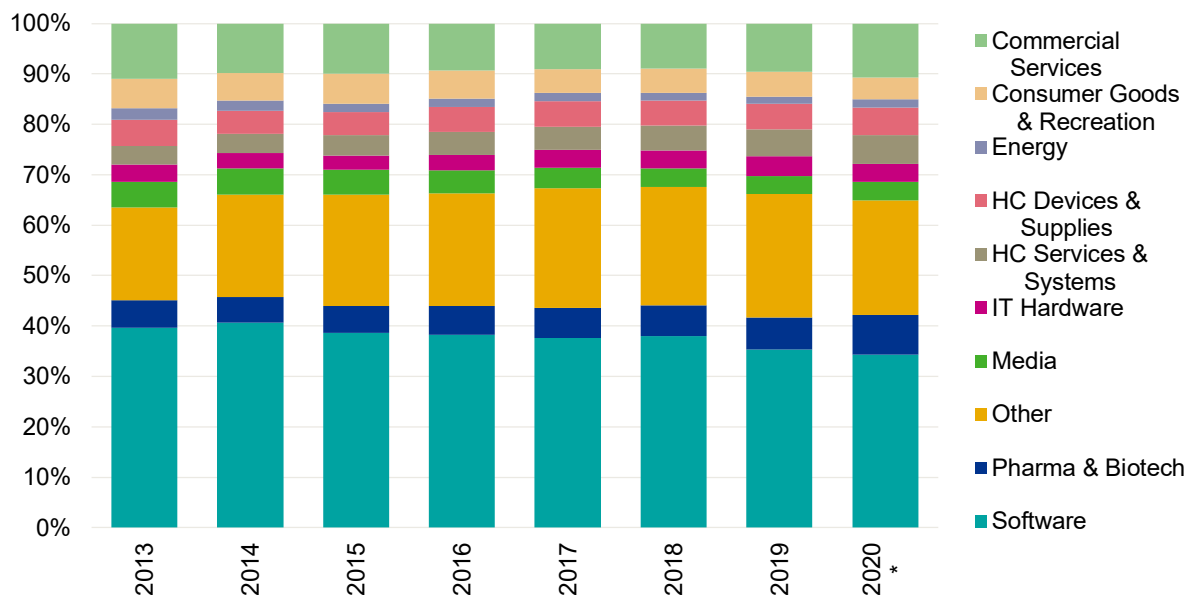
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

In the last edition of Venture Pulse, we stated that 2019 could mark a high tide in terms of how much money is still concentrated in the existing and brand-new unicorn population. The impact of the COVID-19 pandemic was not anticipated at all at that point, but given its potential ripple effects, that could rebalance proportions accordingly to some degree.

Pharma & biotech remains robust

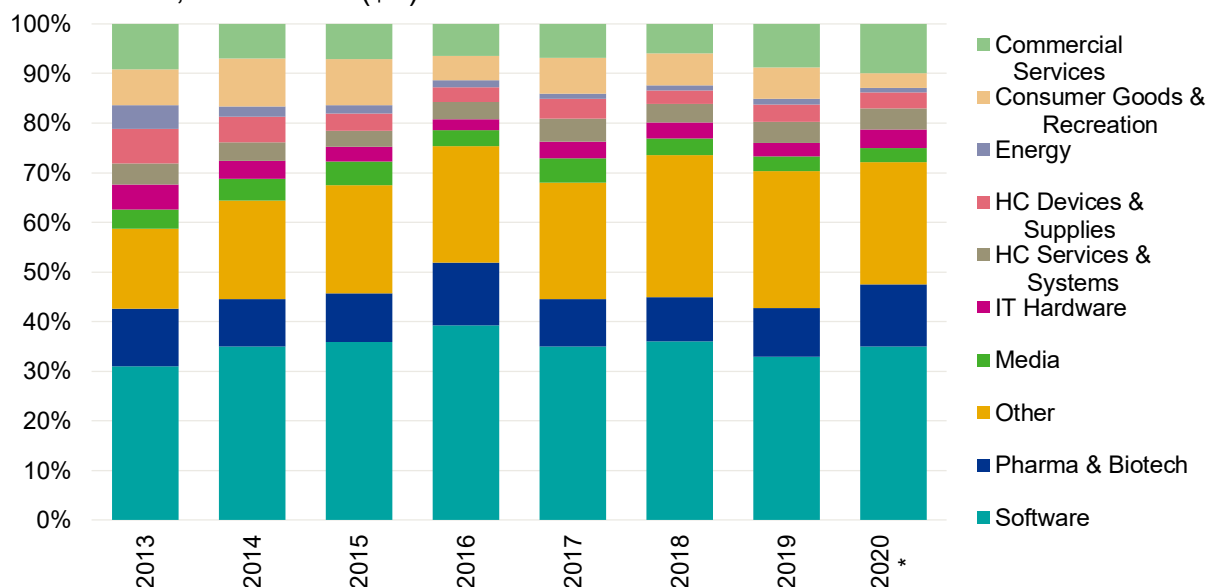
Global financing trends to VC-backed companies by sector

2013–2020*, number of closed deals



Global financing trends to VC-backed companies by sector

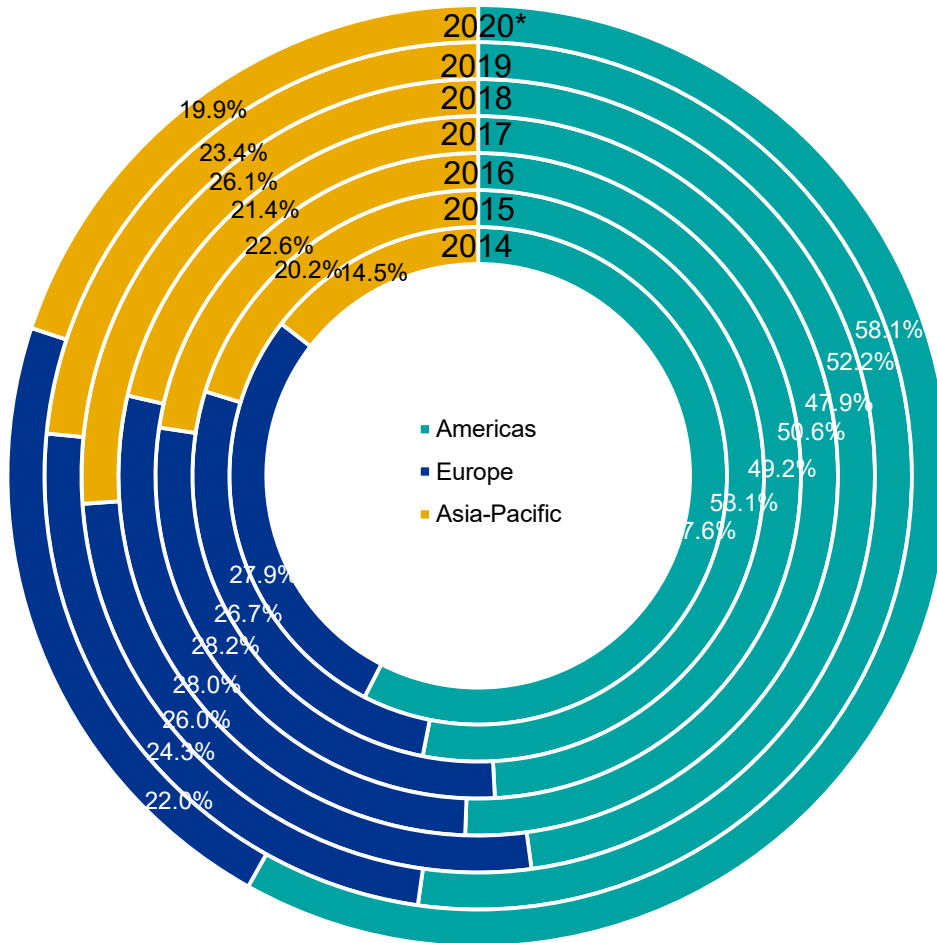
2013–2020*, VC invested (\$B)



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

Asia region contracts

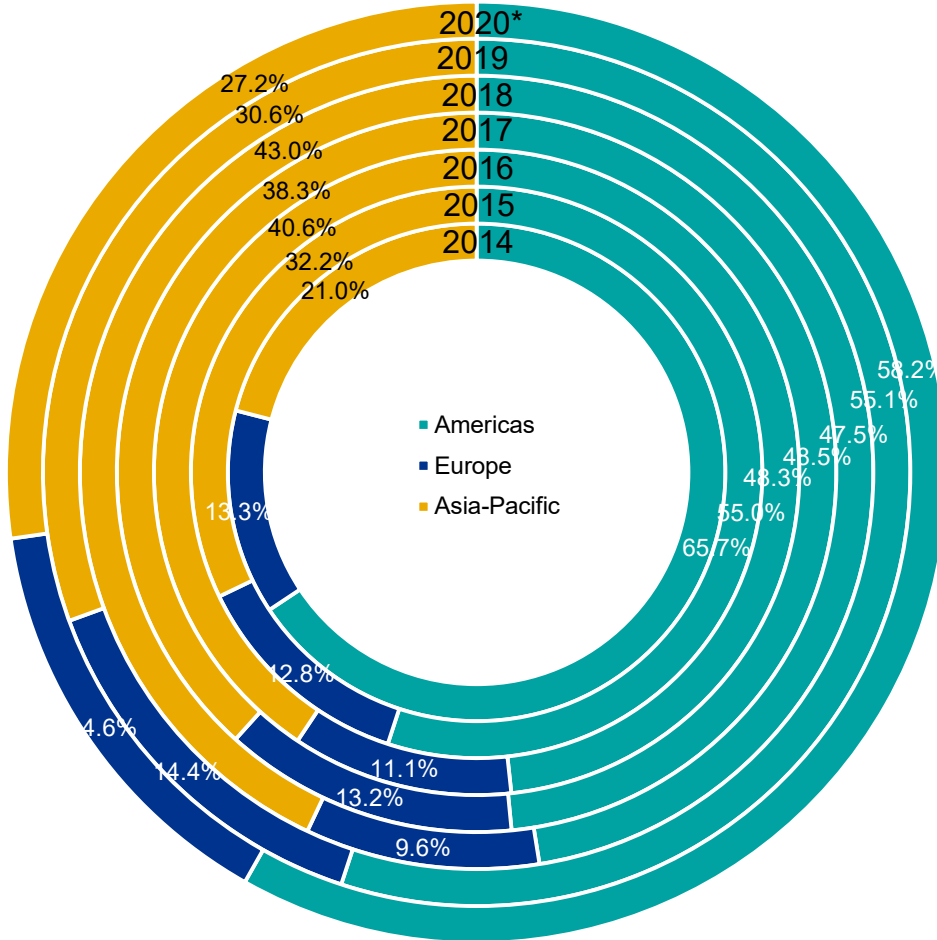
Financing of VC-backed companies by region 2014–2020*, number of closed deals



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 APAC diminishes, Americas see high

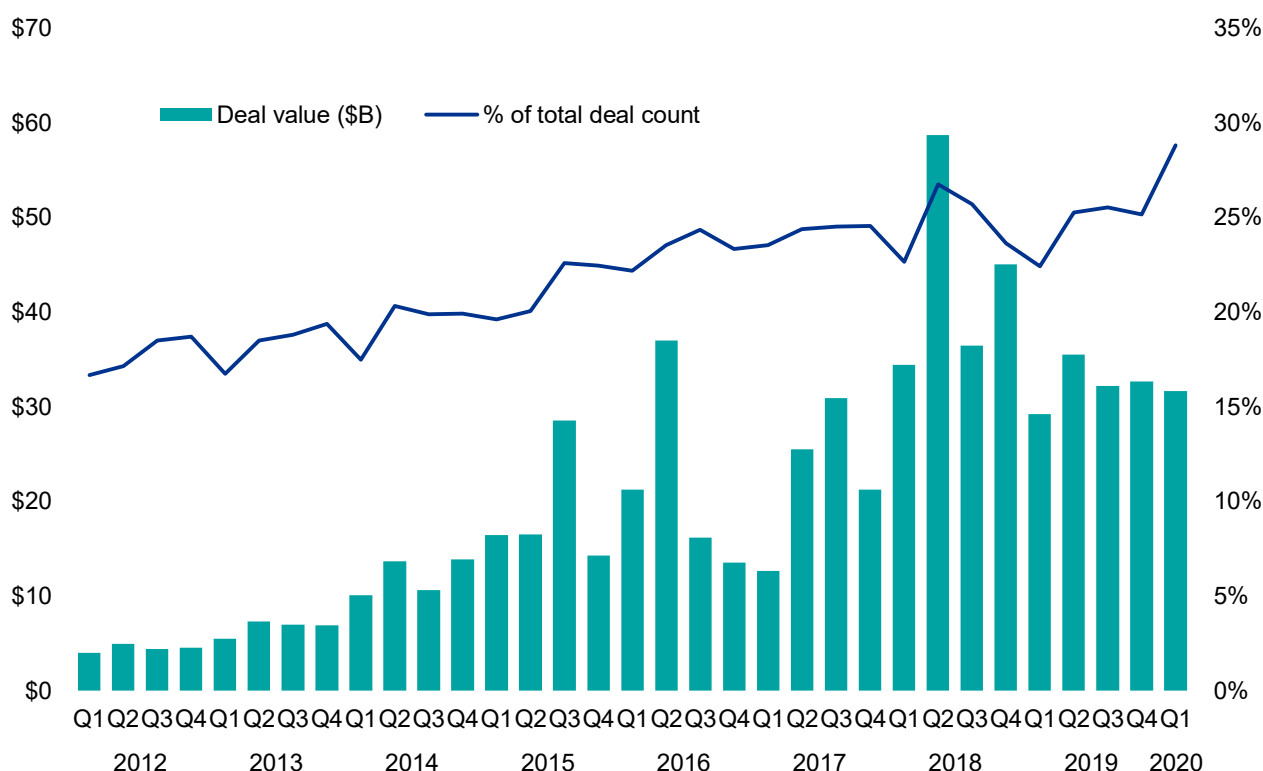
Financing of VC-backed companies by region 2014–2020*, VC invested (\$B)



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.

CVC hits new record as Q1 closes amid the impact of COVID-19

Corporate VC participation in global venture deals 2012–Q1'20



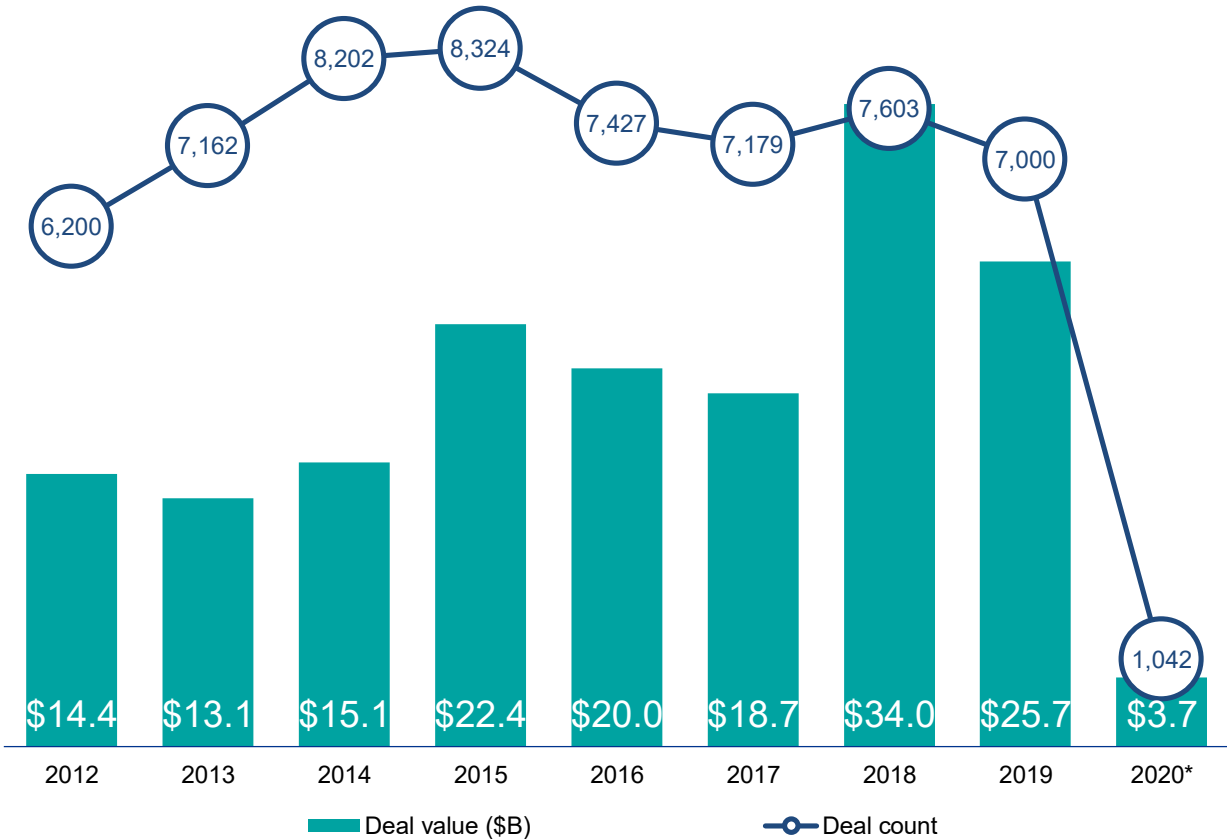
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

Note: The capital invested is the sum of all the round values in which corporate venture capital investors participated, not the amount that corporate venture capital arms invested themselves. Likewise, the percentage of deals is calculated by taking the number of rounds in which corporate venture firms participated over total deals.

After chugging along at elevated heights, corporates and their venture arms participated in a record proportion of deals in Q1 2020. Associated deal value was likewise robust, although both tallies once again paint a rosier picture than what the last few weeks of March revealed. It remains to be seen how much corporates and even independent venture arms may pull back for Q2 simply given to the degree of uncertainty across the board.

First-time funding hits rough patch

Global first-time venture financings of companies 2012–2020*



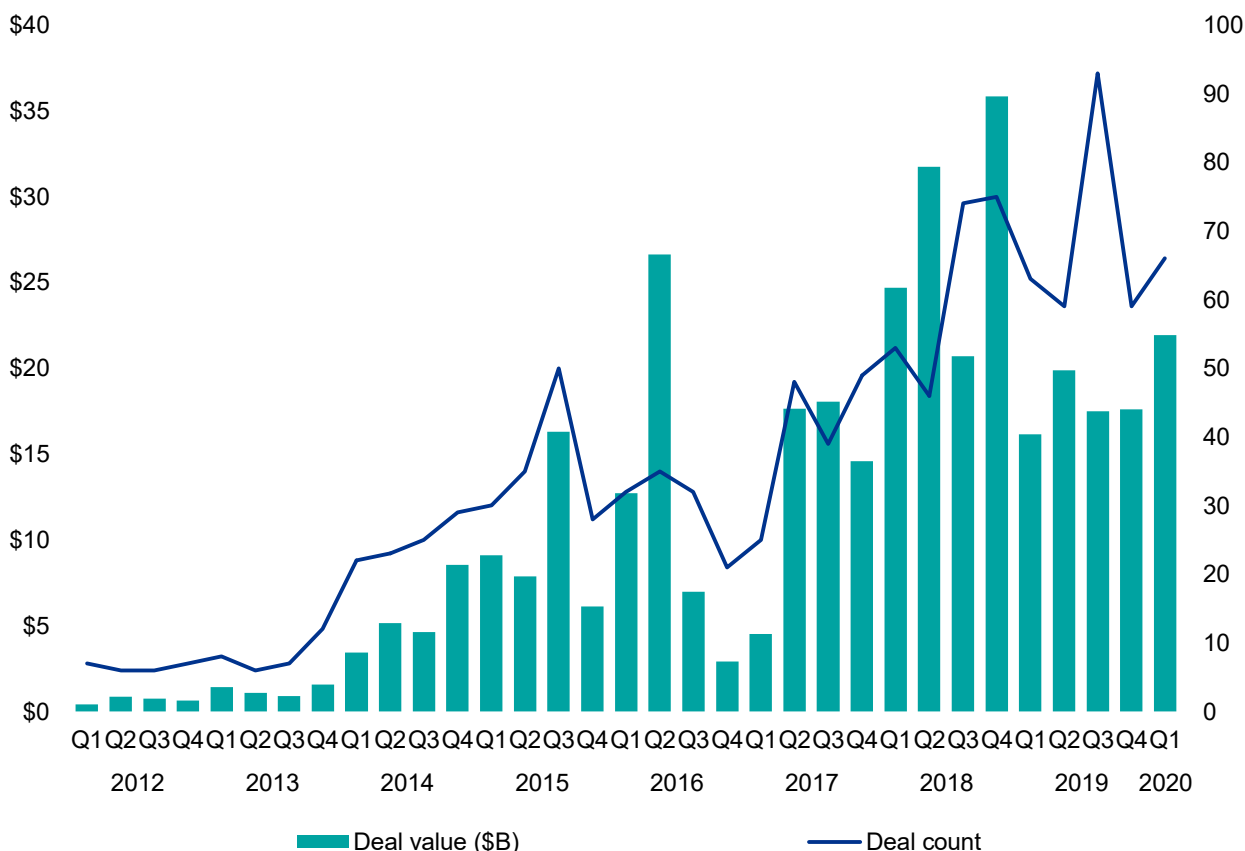
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

For the sake of comparison, the yearly figures for first-time venture financing rounds are depicted above. Given the degree of capital in the venture ecosystem, 2018 and 2019 were record years in VC invested even for first-time fundings, with some companies starting off with hundreds of millions of dollars in their Series A. However, volume has contracted since a mid-2010s peak. And, just to illustrate the decline that transpired in Q1 2020, the comparably much-diminished tallies for the entire quarter signify how much of a rough patch first-time rounds encountered.

Unicorns rebound in Q1 – temporarily

Global unicorn rounds

2012–Q1'20



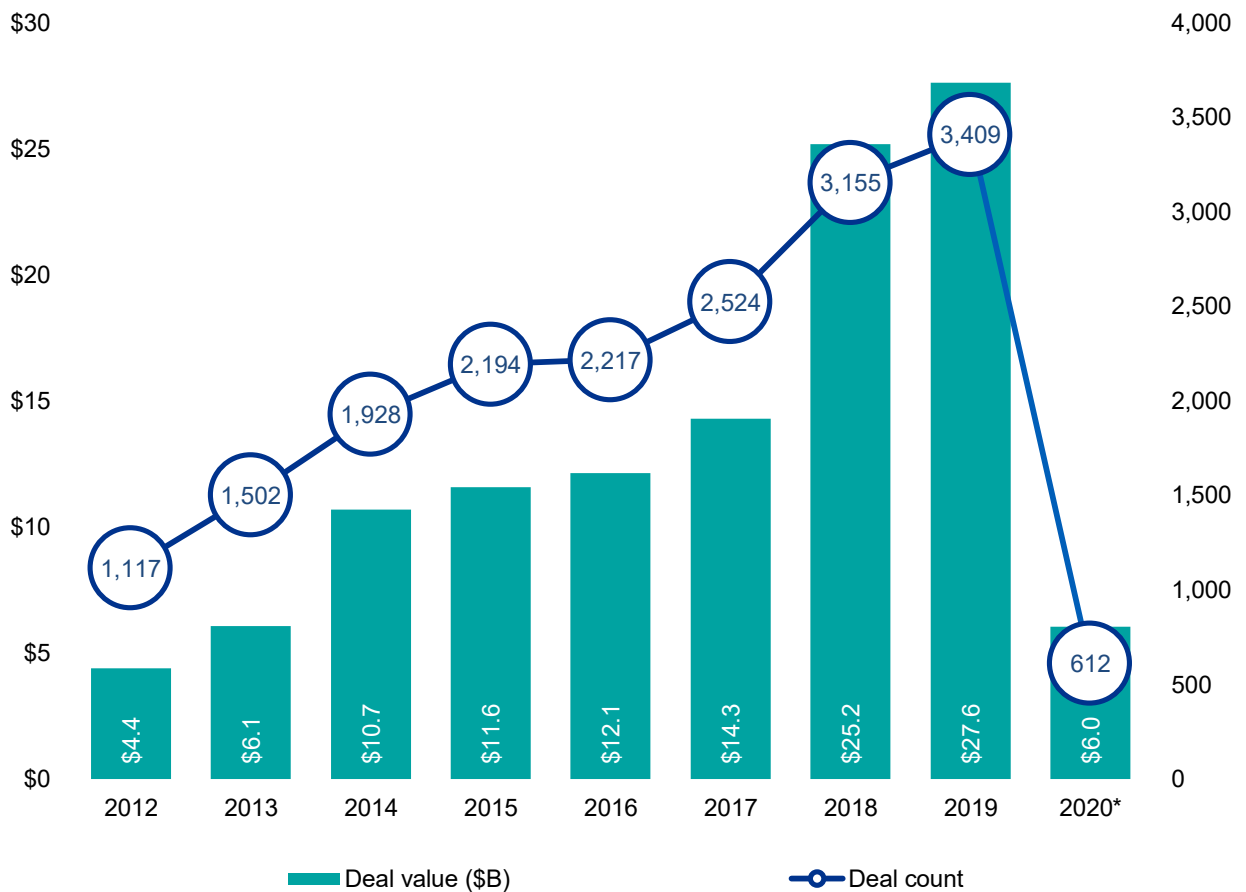
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

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

Unicorn financing volume has always been quite variable for obvious reasons. The last several quarters have seen a record peak and also very sharp plunges in volume, even as aggregate VC associated stayed relatively even. The rebound in Q1 2020 was clearly skewed by a handful of existing unicorns raking in late-stage rounds, as evidenced by the top 10 financings' breakdowns per region. However, again, it remains to be seen and is in fact quite likely that Q2 2020 will see a sharper drop due to the escalating effects of the COVID-19 pandemic.

Business/productivity software likely set for active interest in coming months

Global venture financing in business/productivity software 2012–Q1'20

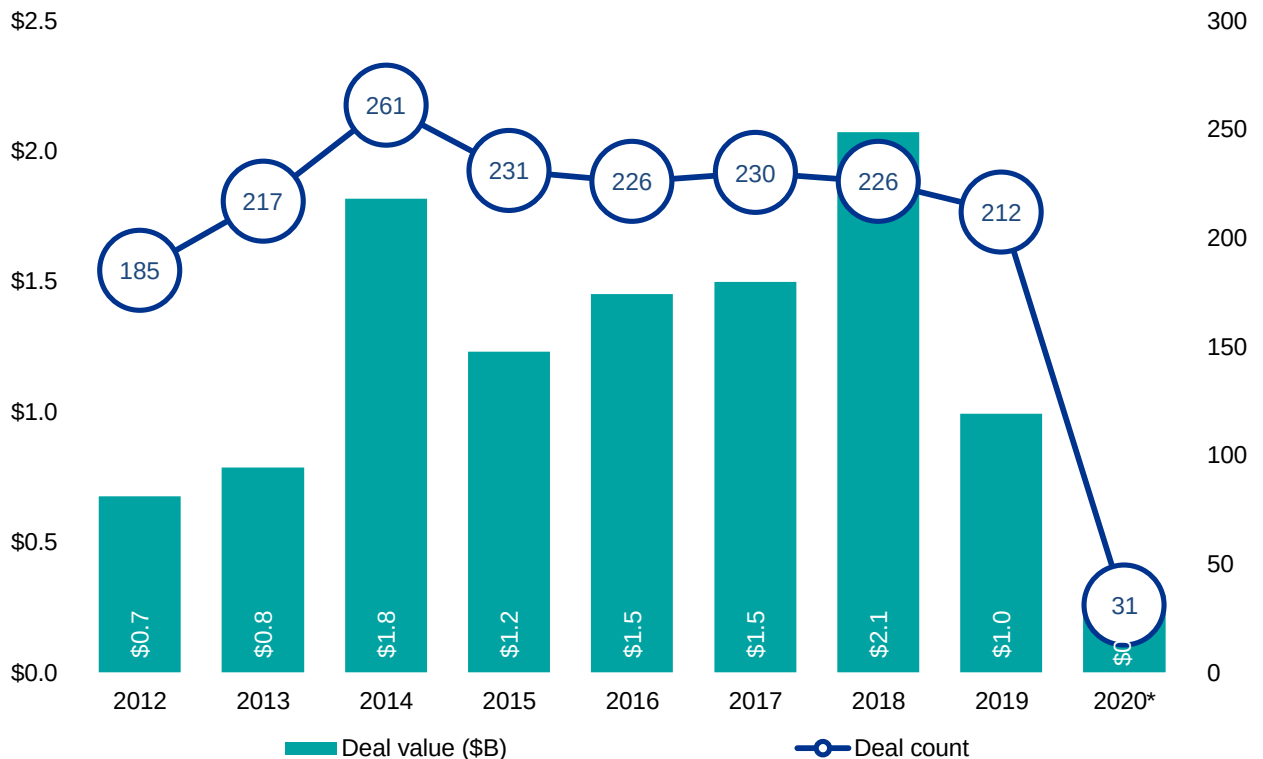


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

More directly relevant than ever before, business and productivity software enjoyed a peak in venture activity last year, as well as a massive near-\$30 billion in dollars invested. Granted, although this space is broad-ranging, as multiple corporations worldwide put their remote tools to the test in the largest remote working experiment ever unintentionally devised, startups and existing businesses such as Slack are looking to see how they can seize a rare and hopefully never-to-be-repeated opportunity to gain market share and prove the true value of their offerings.

Communications software sets the stage

Global venture financing in communication software 2012–Q1'20



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

At first glance, global venture financing for communications software companies is not having a banner start to the year, even after a strong run in terms of volume. However, the primary reason we employed this dataset as a backdrop is because that is obviously about to change as communications infrastructure from telecoms' carrier loads to streaming quality becomes strained for what could be months. Investors will likely either flee to safety with more-established businesses or pursue the most viable business plans and products started up in the coming weeks.

"COVID-19 is the black swan event of our time. It is causing changes that will propel us further into the digital age. Gaming is going through the roof. Online businesses are going through the roof. Delivery, logistics, productivity, cybersecurity — these are taking center stage for almost every business. Traditional organizations that have been lagging behind are going to go through a massive shift because they have no other choice. They are seeing their weaknesses in a big way — and the world will be changed because of it."

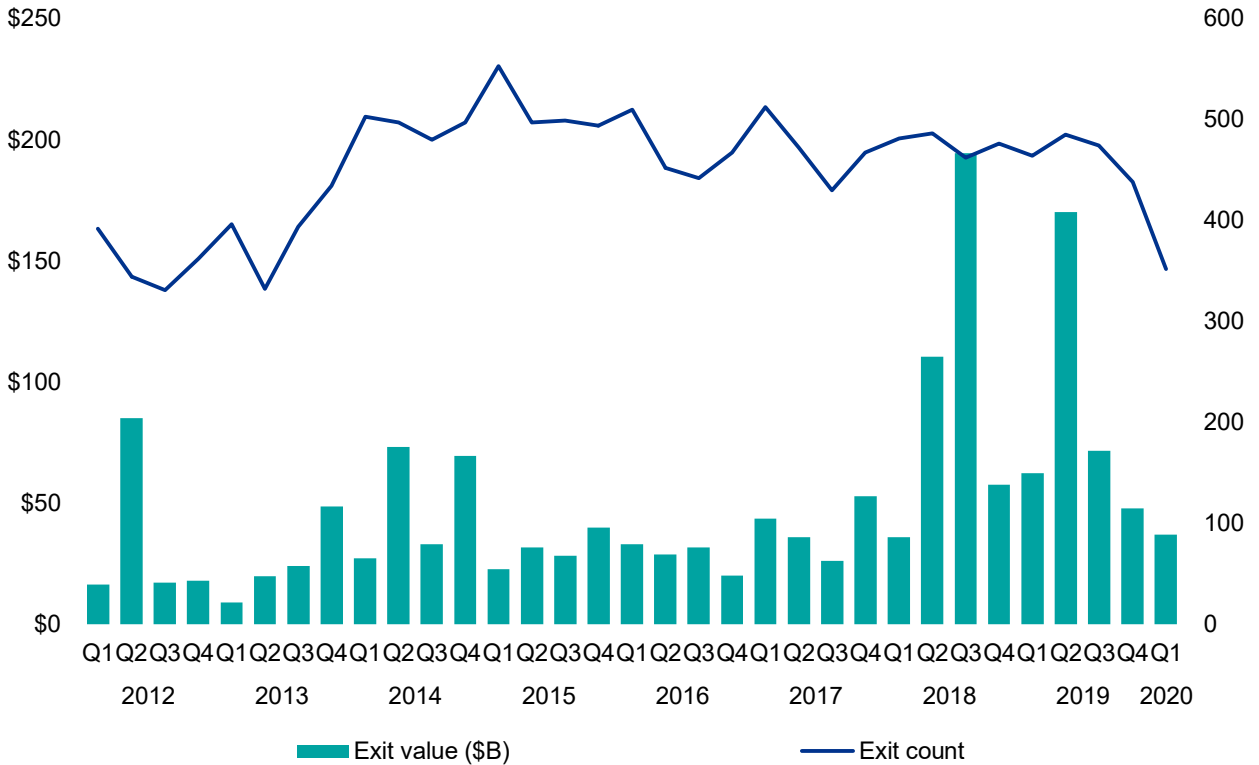


Egidio Zarrella
Head of Clients and Innovation Partner,
KPMG China

Exits decline and are likely to diminish further

Global venture-backed exit activity

2012–Q1'20

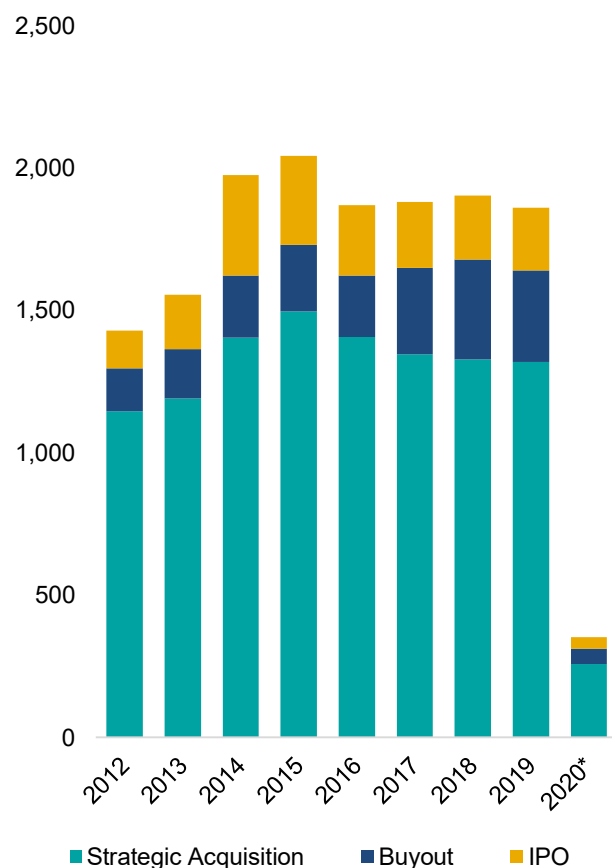


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

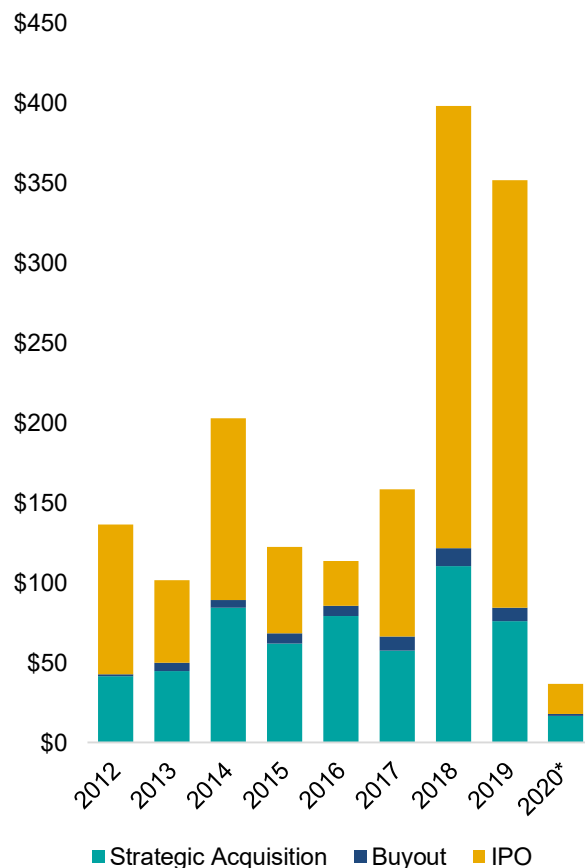
The 3 quarter consecutive decline in exit volume was not necessarily promising for venture investors and mature companies looking to achieve some liquidity for starters, but now things are looking much worse. The IPO market has by, and large, fizzled, even as M&A volume becomes hard to predict given how much some tech giants may be impacted by the global pandemic. Consequently, it is to be expected that exit volume is going to drop, potentially sharply, for at least a short duration. What really matters is whether that duration ends up being much longer for some venture-backed companies. Exits can be put off given private capital availability, but if late-stage investors are also shying away, some businesses could face hard choices.

After near-record IPOs, anticipate some lows

Global venture-backed exit activity (#) by type
2012–2020*



Global venture-backed exit activity (\$B) by type
2012–2020*

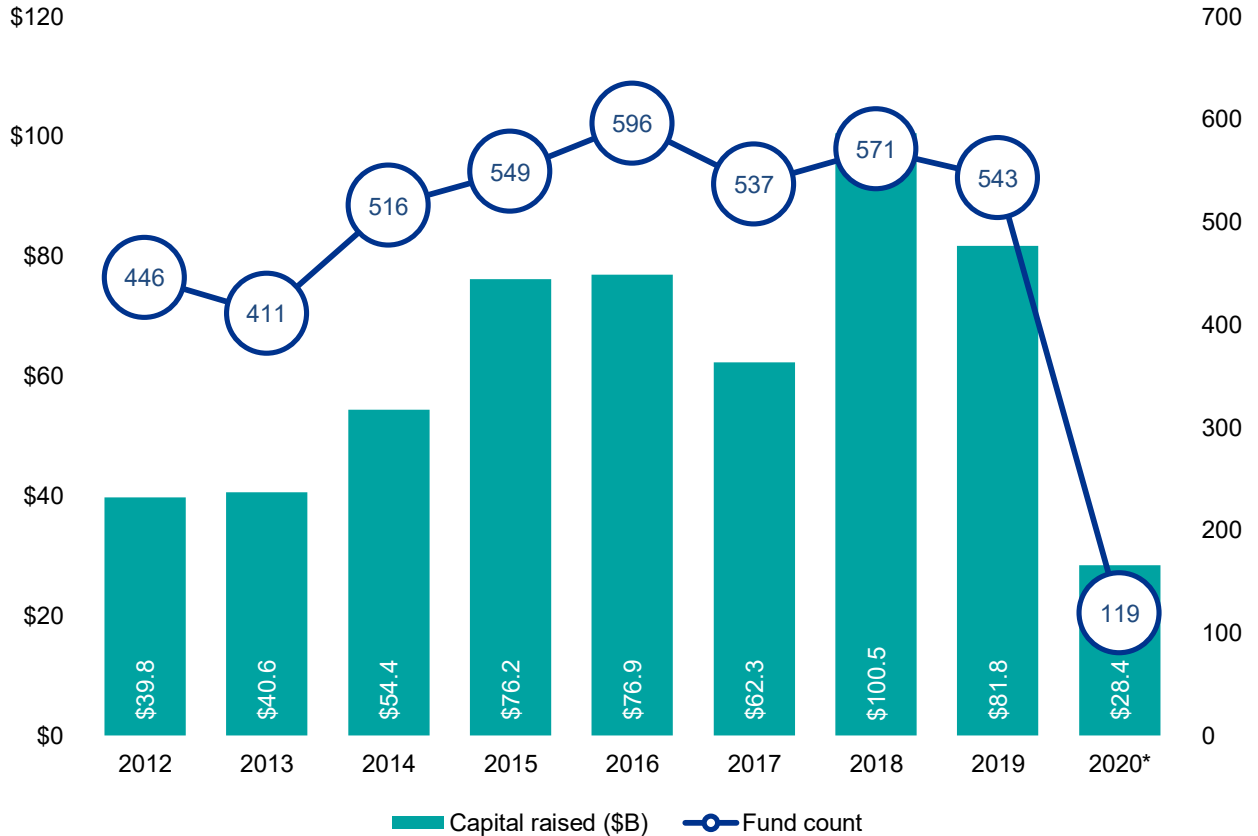


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

At nearly \$255 billion, the total exit value achieved by VC-backed startups going public in 2019 fell shy of the record haul in 2018 of \$269.3 billion. 2020 is hardly likely to match that tally at all now. The IPO market has fizzled given the sheer degree of volatility in public equities that few companies would care to test. Right now, companies waiting to go public or in M&A talks are grappling with a heightened degree of uncertainty that may at minimum prolong or pause processes. In other cases, the talks or negotiations may collapse. The big question is how long this may take. And even PE shops with hoards of dry powder may not be willing to snap up soon-to-be distressed startups.

Fundraising logs a solid Q1

Global venture fundraising 2012–2020*

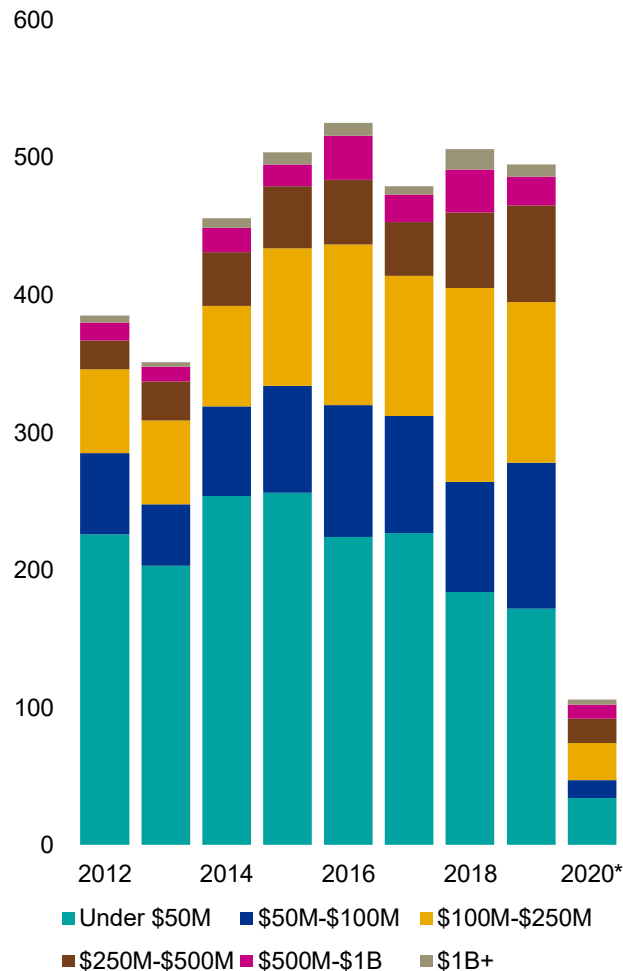


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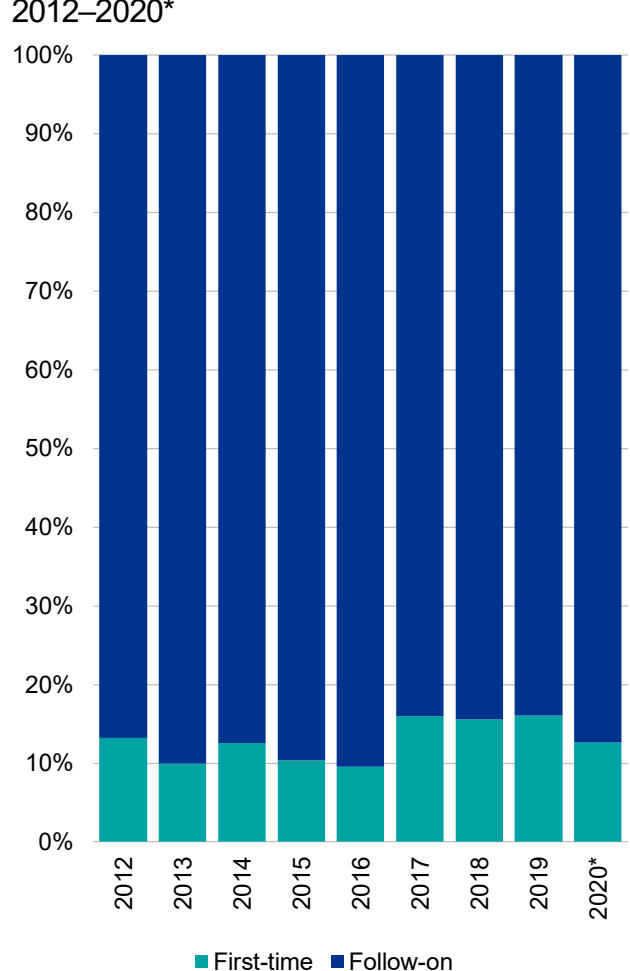
Fundraising was quite strong in Q1 2020, belying the waves of negative news that spread worldwide in the closing weeks of March. Despite that addition to venture firm coffers, however, the current market situation may not benefit from VCs starting to put that money to work, however. Some will, of course, but caution is likely to be the reigning new normal for at least a matter of weeks if not months. That said, the strength of recent fundraising does mean that when VCs are able to deploy their capital, they will definitely have the resources to do so.

First-time funds likely to contract

Global venture fundraising (#) by size
2012–2020*



Global first-time vs. follow-on venture funds (#)
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.

Although not at the levels seen before, first-time funds did account for at least over 10 percent of all global venture fundraising in 2019. However, conversations for first-time fund managers have definitely changed in tone. Unless a distinct case can be made by the firms on the fundraising trail that they can capitalize even on this current period of great uncertainty, the rate of closure for new vehicles is likely to contract considerably in Q2 2020.

Q1 sees early hints of retreats to safety



Top 10 global financings in Q1'20

- | | | | |
|---|---|----|---|
| 1 | GO-JEK — \$3B, Jakarta Selatan
Ridesharing
Series F | 6 | Grab — \$886M, Singapore
Ridesharing
Late-stage VC |
| 2 | Kuaishou — \$3B, Beijing
Application software
Late-stage VC | 7 | Quibi — \$750M, Los Angeles
Media
Early-stage VC |
| 3 | Waymo — \$2.25B, Mountain View
Automotive
Late-stage VC | 8 | JUUL — \$700M, San Francisco
Electronics (B2C)
Late-stage VC |
| 4 | Generate Capital — \$1B, San Francisco
Specialized finance
Late-stage VC | 8 | Chime (Financial Software) — \$700M, San Francisco
Financial software
Series E |
| 4 | Yuanfudao — \$1B, Beijing
Edtech
Late-stage VC | 10 | Joby Aviation — \$590M, Santa Cruz
Aerospace
Series C |

Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/2020.



Private Enterprise



Global



US



Americas



Europe



Asia



***In Q1'20 US
VC-backed
companies raised***

\$34.25B

across

2,298 deals



VC investment in the US rises in Q1'20

VC investment in the US rose in Q1'20, led by a \$2.25 billion raise by autonomous mobility company Waymo and a \$1 billion raise by cleantech infrastructure provider Generate Capital. The relatively long lead times for deals helped keep the VC market on an even keel, even as COVID-19 began to make waves in the US economy and public markets.



First 2 months of 2020 mirror previous trends

The first 2 months of 2020 saw a continuation of the trends experienced in Q4'19. VC investors in the US continued to have a significant amount of dry powder at their fingertips. Despite the failed WeWork IPO and the weak performance of a number of IPOs during 2019, there continued to be a competitive market for high quality VC deals. VC investors enhanced their focus on profitability, putting pressure on companies within their portfolios to improve their bottom line and unit economics, particularly those considering a 2020 IPO.

Deal sizes were quite robust in the early part of Q1'20, led by Waymo's \$2.25 billion round, a \$1 billion raise by cleantech infrastructure investor Generate Capital and a \$700 million raise by e-cigarette manufacturer Juul. The diversity of investments remained a hallmark of the VC market in the US with the largest deals of the quarter going to companies in finance, B2B productivity, aerospace, entertainment, network management, and autonomous driving.



As COVID-19 makes waves, VC investment remains strong

The sudden emergence of COVID-19 in different areas of the US created significant ripples within the US economy and created major waves in the public markets. A significant amount of in-progress IPO activity ground to a halt, with a number of companies due to file postponing their offerings indefinitely.

Despite surging uncertainty, VC investment in the US remained strong into March 2020, including the massive \$2.25 billion raise by Waymo, a \$750 million raise by mobile video company Quibi, a \$700 million raise by digital bank Chime, a \$500 million raise by alternative meat company Impossible Foods, and a \$493 million raise by biotech company Lyell.



VC investors prioritizing existing portfolio companies

Given the unexpected turmoil in the US and global markets, US-based VC investors are poised to become even more cautious with their investments moving forward. They will likely also need to re-evaluate the needs of their existing portfolio companies given the changing business environment. Most companies that had planned to exit in the near-term, whether through acquisition or IPO, are likely changing or delaying their plans. Depending on the financial situation of these companies, VC investors might need to use their dry powder to shore up companies so they have the resources to maintain operations until the economy rebounds. This could significantly reduce the availability of funding for early stage companies over the next quarter.



Increasing focus on digital solutions could spur pockets of investment

The significant push to have employees work from home is already having a significant impact on companies with productivity solutions. For example, while most stocks have seen enormous hits, videoconferencing solutions company Zoom has seen its stock price increase 100 percent since the beginning of 2020 and 32 percent since the market began to sink in mid-February⁶. In addition to productivity-focused companies, others that could see an uptick in investment include those focused on biotech, delivery, online services, or digital entertainment.

⁶ <https://www.fool.com/investing/2020/03/25/should-you-buy-zoom-stock-right-now.aspx>

VC investment in the US rises in Q1'20, cont'd.



Focusing on building companies, rather than growing companies

The current reality will make it extremely difficult for most US startups to grow their business in the near-term. As a result, VC investors may find it an opportune time to work with their portfolio companies to build their businesses, helping them to create new technologies or advance their R&D efforts. Given the strength of the US economy prior to COVID-19, and the US government's commitment of \$2 trillion dollars⁷ in economic relief, companies that are well-positioned from an operational perspective could be in a strong position to resume their growth agenda in the second half of 2020 and into 2021.



Deal-making processes set to slow

The increasing restrictions on the movement of people in many US states is expected to cause a significant slowdown in the VC deal-making process. With travel difficult, the logistics associated with conducting deal due diligence could be a major barrier to finalizing deals. While VC investors and target companies will likely adapt and embrace digital support solutions, it is expected the implementation of such activities will take time. Given the uncertainty of COVID-19's impacts, VC investors could also simply put deal-making activity on hold until the pandemic runs its course.

It is expected that any deals that get completed moving into Q2'20 will include increased due diligence in order to understand the impact of COVID-19.



Trends to watch for in the US

Looking forward, VC investment in the US is expected to slow substantially in Q2'20 as deals get more difficult to complete and VC investors hold back from making major new investments in order to focus on their existing portfolios. A small number of companies could see upticks in VC investment should their products or services be particularly conducive to the current economic situation; for example, companies in biotech, digital services, or delivery and logistics.

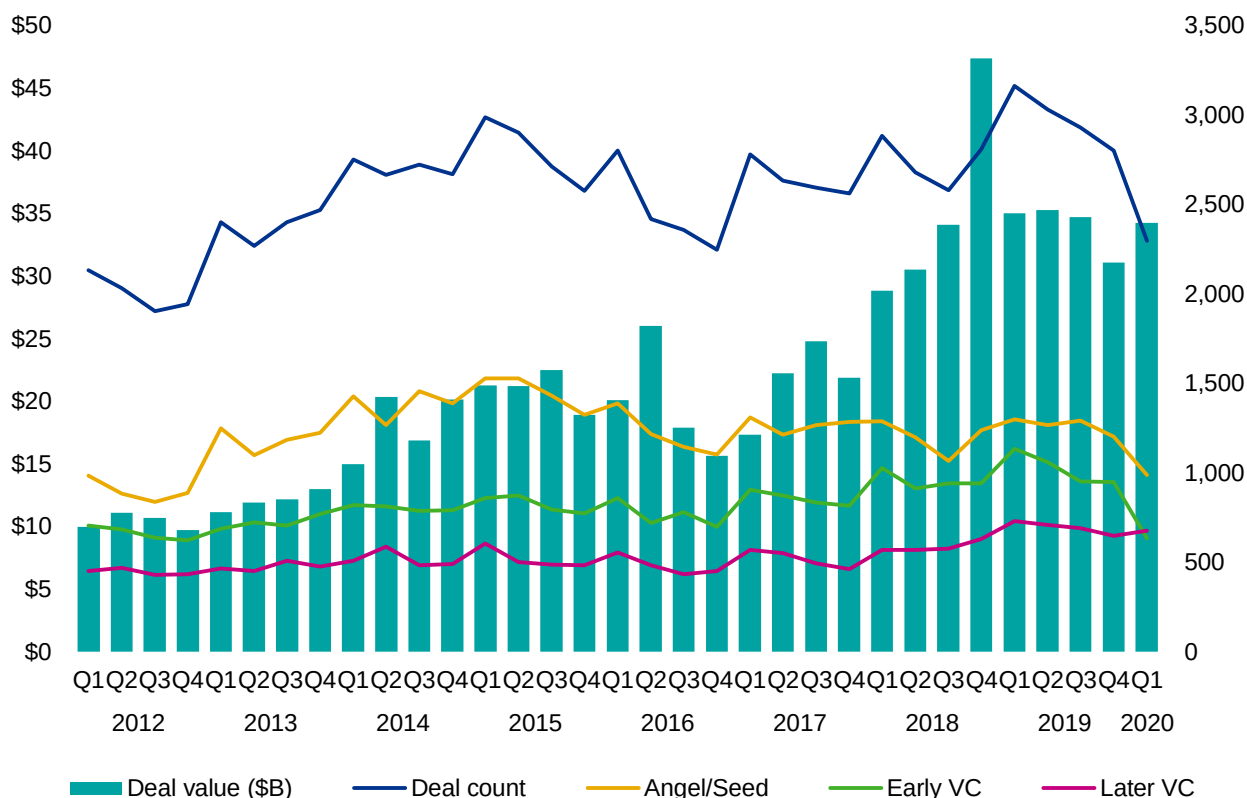
In the event the pandemic continues for several months, there could be an increase in distressed investing as startups struggle to cope with the impact of COVID-19 and both VC and corporate investors with large pocketbooks look for deals.

⁷ <https://www.nytimes.com/article/coronavirus-stimulus-package-questions-answers.html>

2020 starts with diminishing volumes

Venture financing in the US

2012–Q1'20



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

After a remarkably robust stretch of VC invested and a record peak in volume of the decade, 2020 may finally see some significant slowing in the US. Q1 2020 volume hinted at such a trend, although the true ramifications of the COVID-19 pandemic really only began to be seen to considerable effect in the back half of March. It remains to be seen how much multi-state lockdowns impede deal-making in Q2, though the extent is highly likely to be considerable.

"The VC market in the US was quite robust pre-COVID-19. Valuations were high. Dollar amounts were high. Companies across sectors attracted funding, from plant-based meats to fintech. What we're experiencing now is not necessarily going to cause an investor that's substantially complete with due diligence to actually pull back financing, so we will likely see more deals come through, but I'd expect April and May to be pretty bleak."

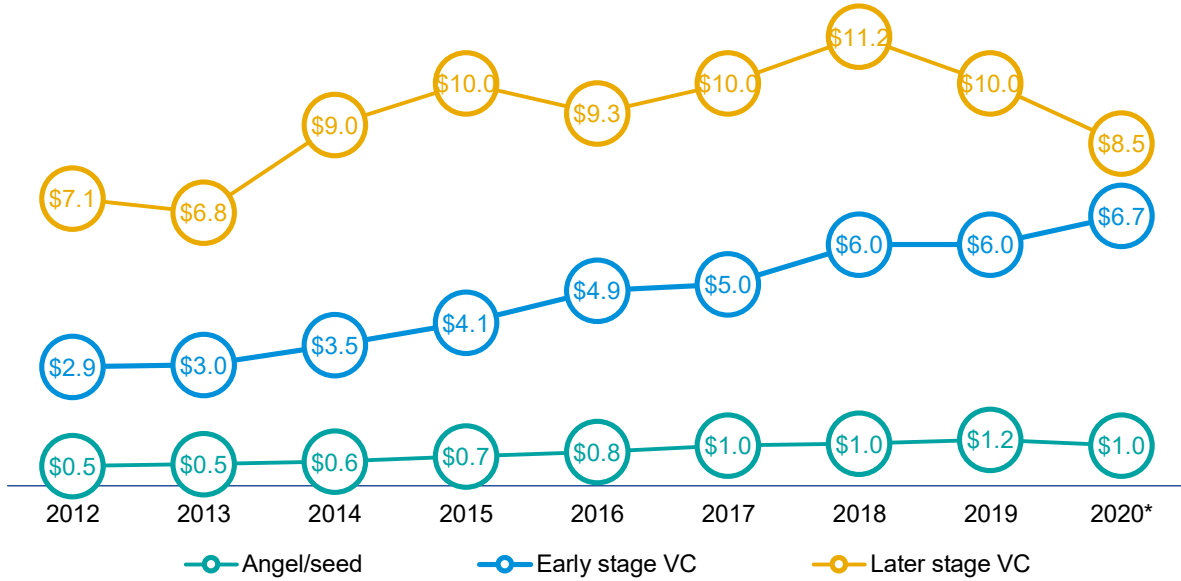


Conor Moore

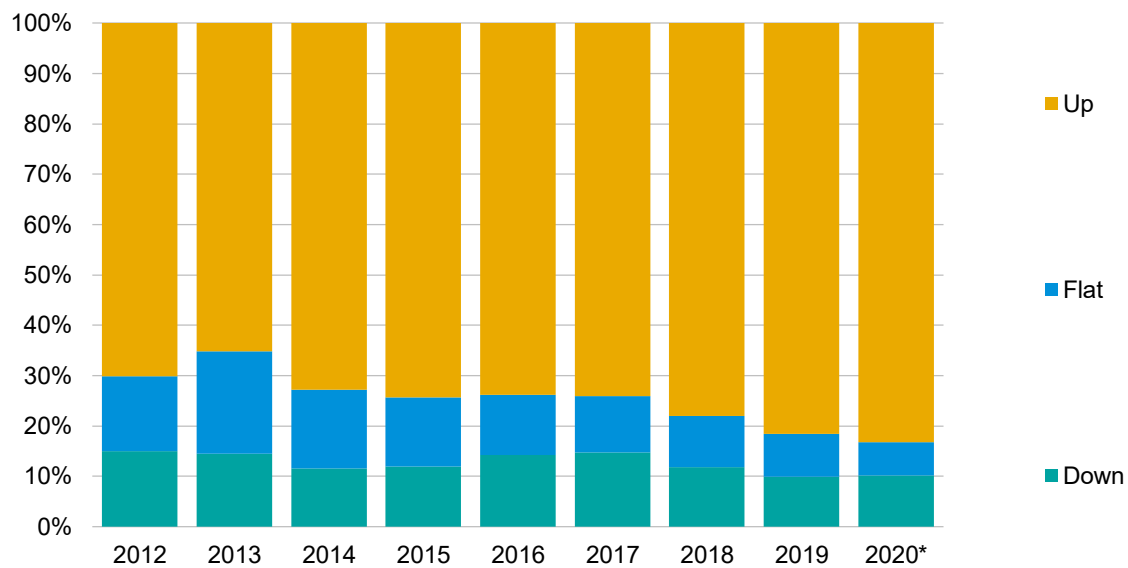
Co-Leader, KPMG Private Enterprise Emerging Giants Network, KPMG International and National Lead Partner, KPMG Private Enterprise, **KPMG in the US**

The late stage slides once more

Median deal size (\$M) by stage in the US 2012–2020*



Up, flat or down rounds in the US 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.

The latest stage slides ever so slightly

Median deal size (\$M) by series in the US 2012–2020*

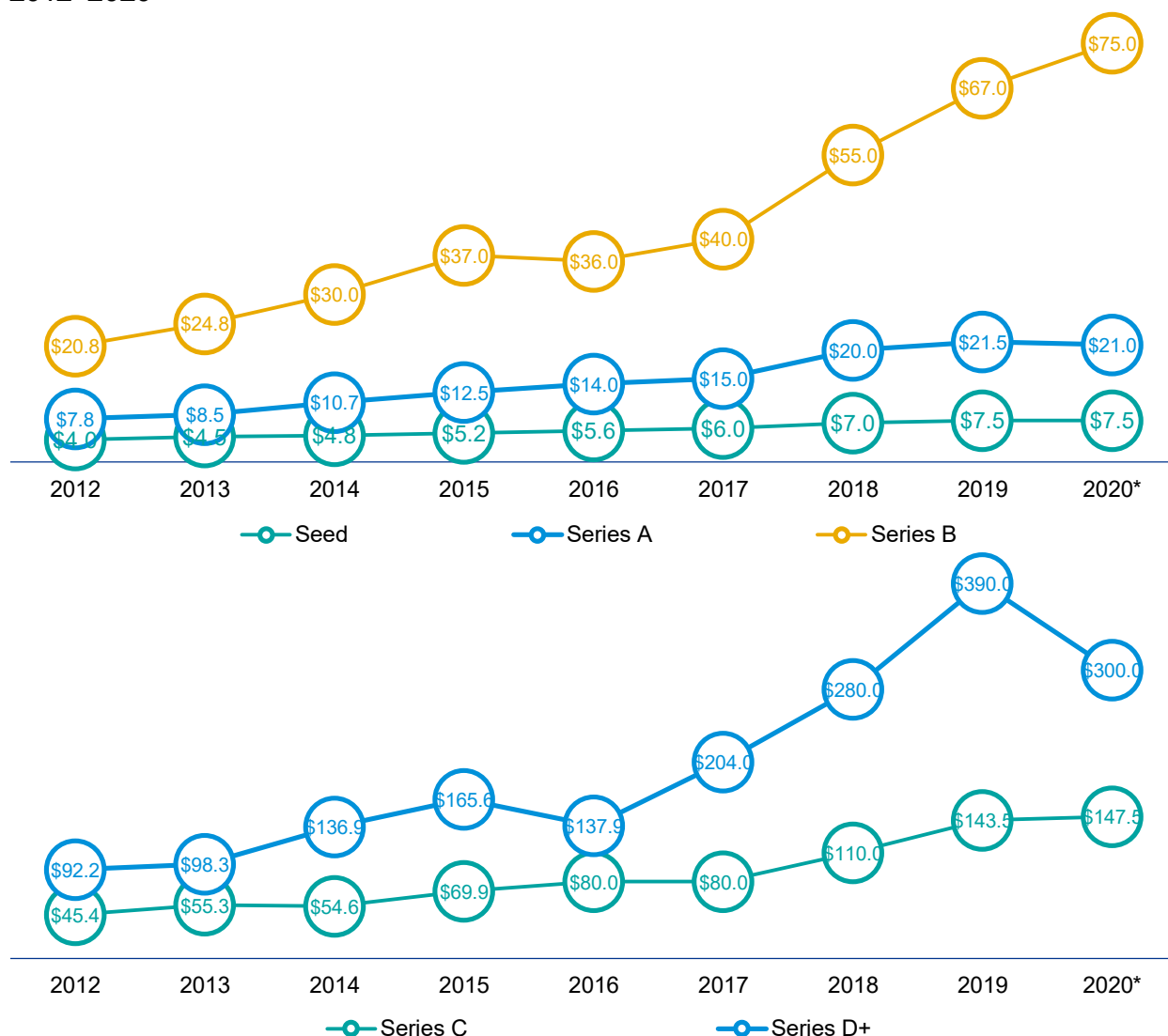


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Note: Figures rounded in some cases for legibility.

Record valuations to be put to the test

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



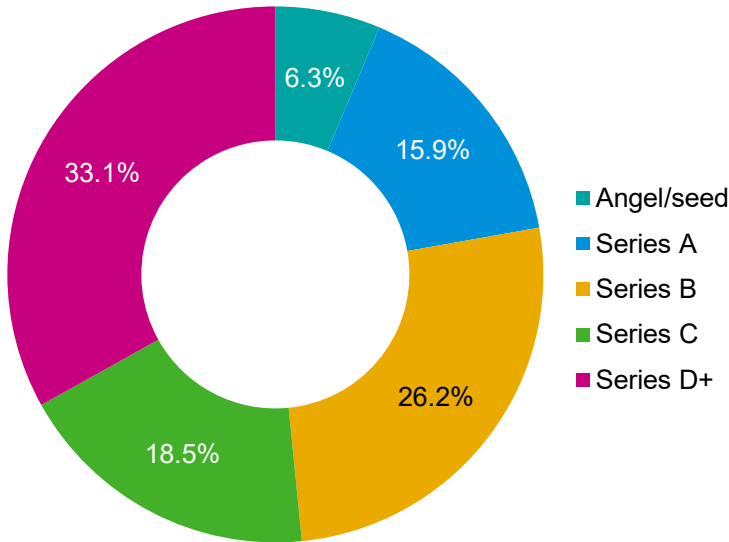
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Note: Figures rounded in some cases for legibility.

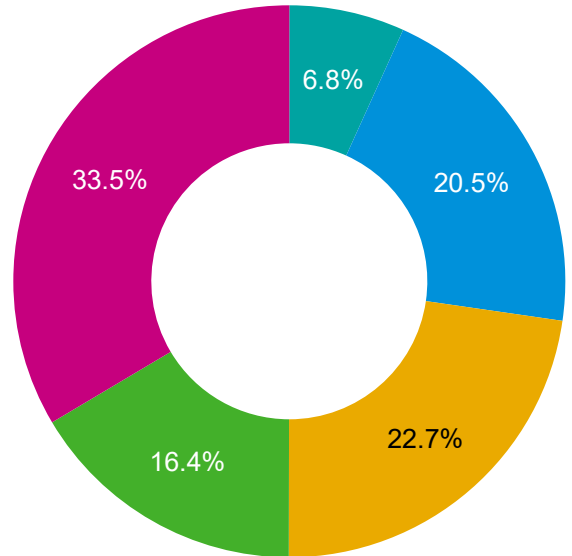
After record and near-record highs in VC valuations notched last year, it is difficult to know with certainty what will happen when COVID-19 inevitably impacts the volume of deal-making. It is possible that the companies that are best-placed to raise and that are able to close on funding rounds in the current climate may still be able to command significant valuations. However, it is also likely investors may demand different terms and more favorable valuations. Additional time resulting in more data will yield a clearer picture.

Earlier stages contract in VC invested

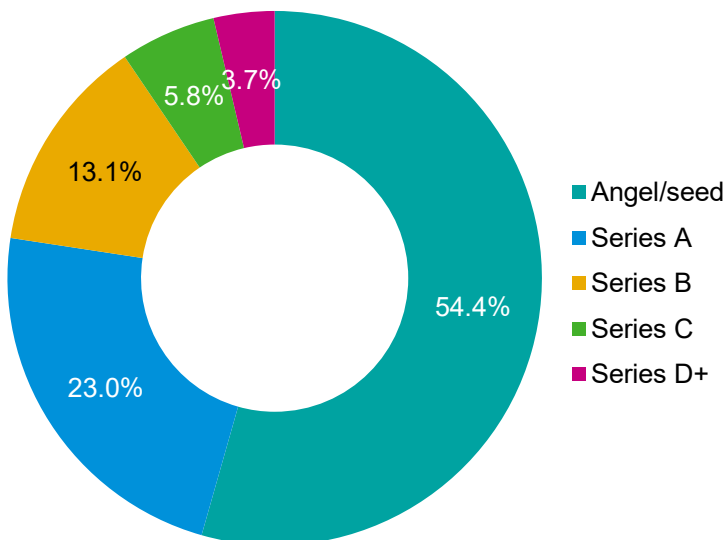
Deal share by series in the US
2020*, VC invested (\$B)



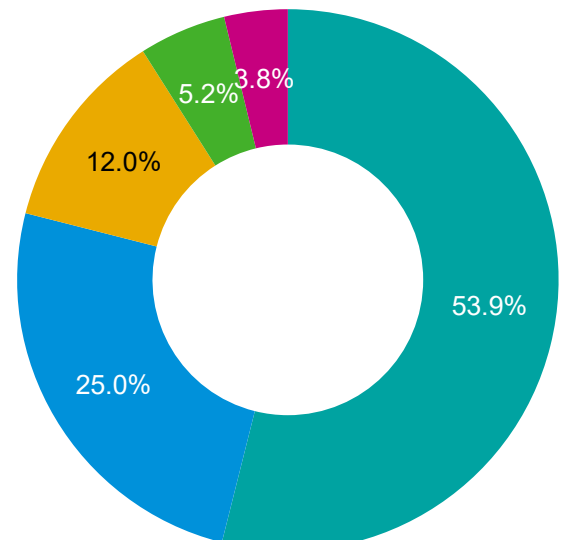
Deal share by series in the US
2019, VC invested (\$B)



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



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

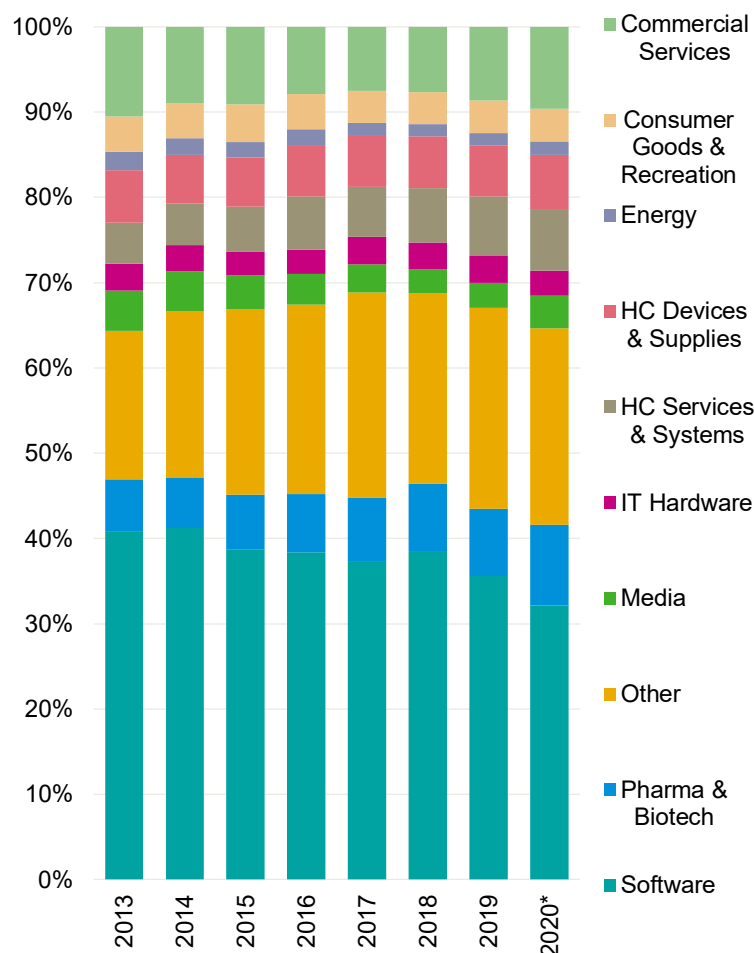


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Biotech remains unsurprisingly robust

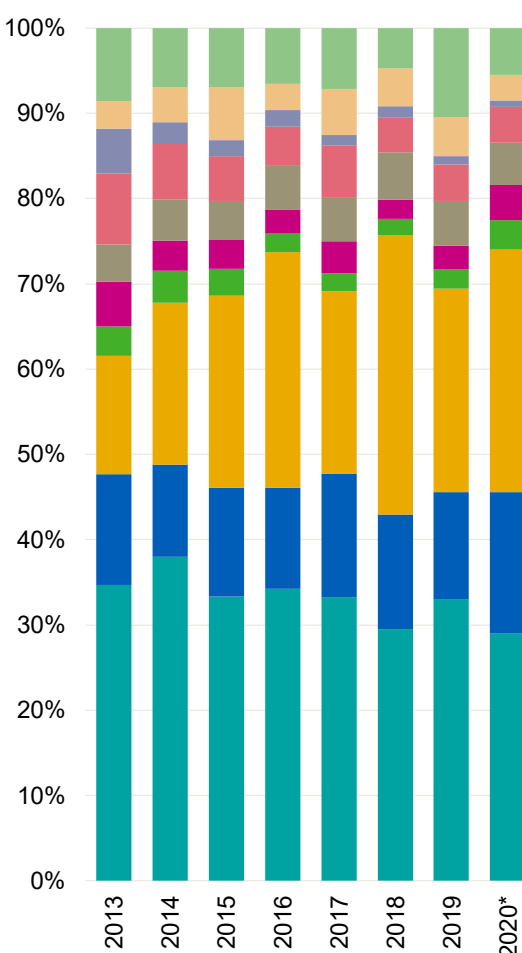
Venture financing by sector in the US

2013–2020*, number of closed deals



Venture financing by sector in the US

2014–2020*, VC invested (\$B)



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

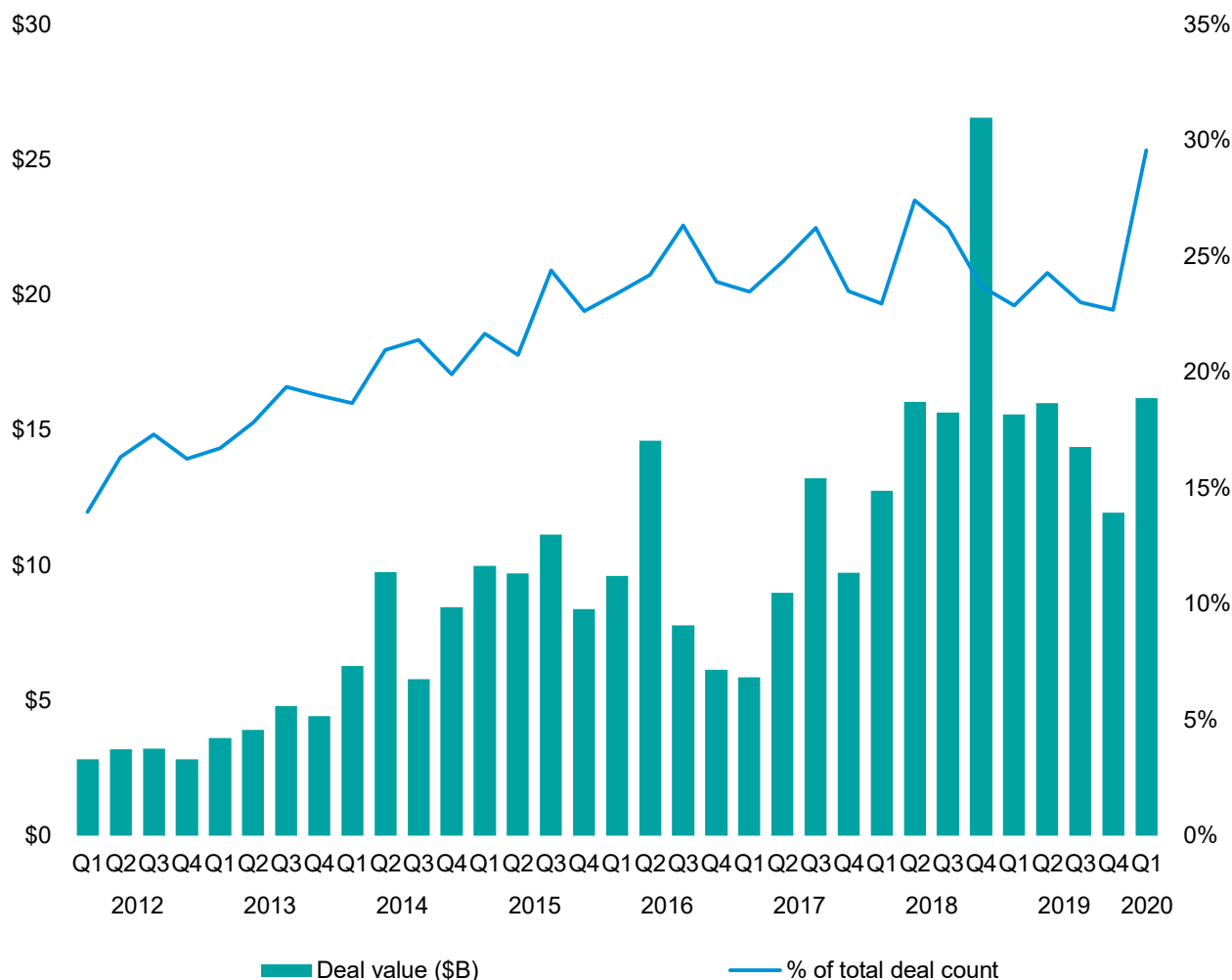
Even before the COVID-19 pandemic began impacting the US economy, more venture dollars were flowing to biotech and healthcare in general, as the industry still poses very favorable dynamics for innovation. Now, that appeal is only further underlined, from telehealth to antiviral research.



CVC notches a new high

Corporate participation in venture deals in the US

2012–Q1'20

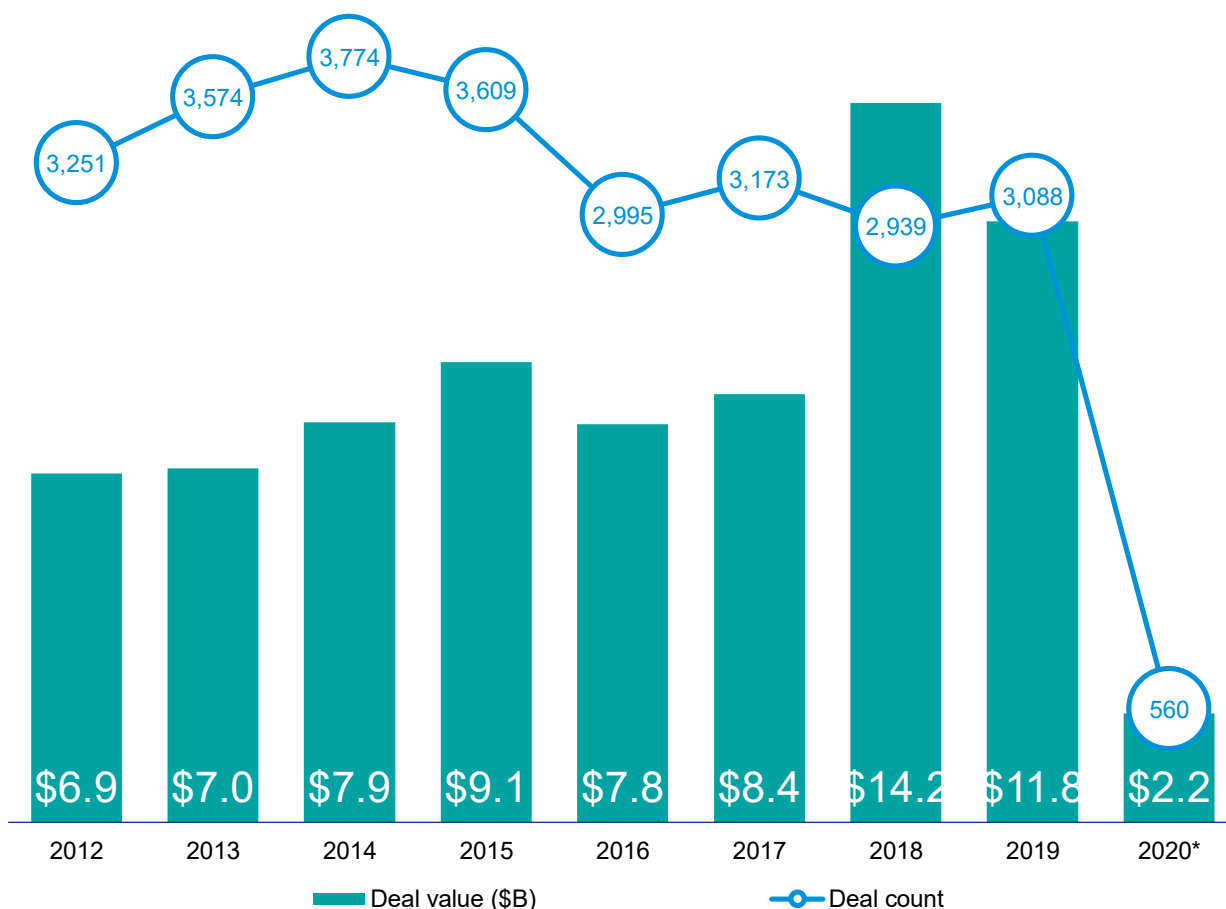


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

Finishing 2019 strong in continuation of an elevated plateau, Q1 2020 saw corporate players reach a new high in terms of participation proportions. It is likely that statistics are skewed by the steadiness of late-stage rounds, which typically see the involvement of corporates and larger CVC arms; accordingly, as overall VC volume looks set to contract sharply, it'll be interesting to see how corporate players behave in the environment, given what their affiliated parent may be experiencing.

Off to a rough start

First-time venture financings of companies in the US 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.

First-time funding finished 2019 strong, at no less than \$10.9 billion invested across a remarkably consistent 2,766 transactions. But now, 2020 is looking likely to be quite a different story. Even though venture ecosystems often proclaim how recessions produce the most resilient startups that can be successful going forward, that doesn't mean that volume of first-time financings is likely to roar back anytime soon. For now, it depends on the duration and the depth of the recession.

Exits nosedive even further

Venture-backed exit activity in the US

2012–Q1'20



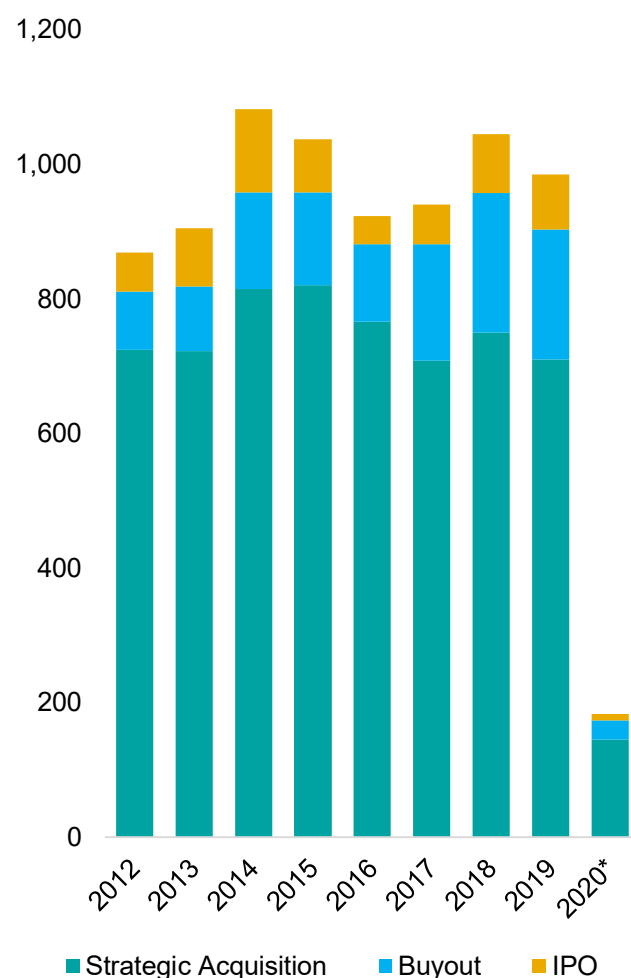
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

Q1 2020 saw a continuation in the steep plunge of venture-backed exits in the US. The massive spike in volatility and records set in the stock market for the worst declines and quarterly starts obviously helped dissuade companies from going public, while M&A talks are now extremely complex. The full extent to which venture-backed liquidity contracts remains to be seen, as its duration.

Stark drops across all exit avenues

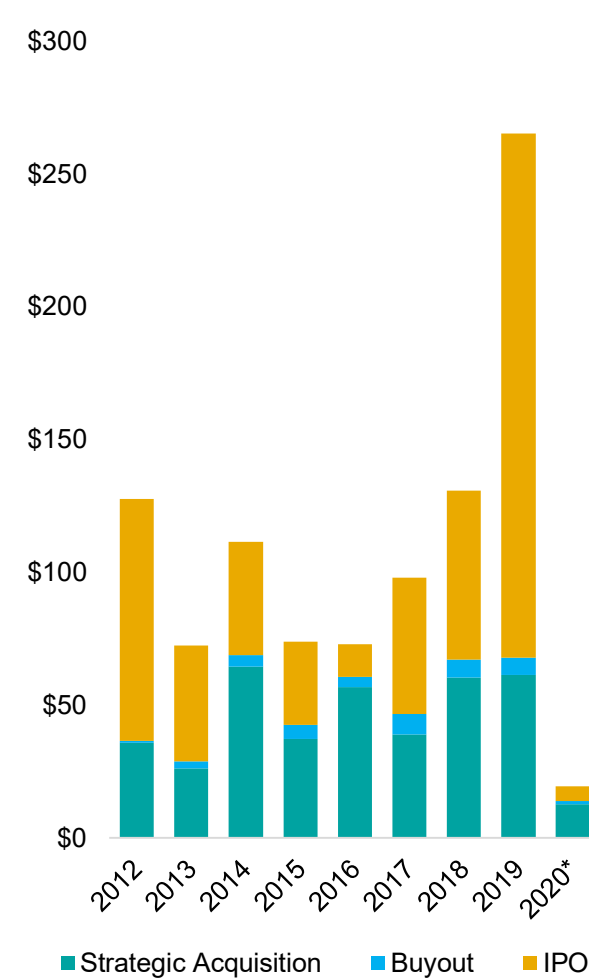
Venture-backed exit activity (#) by type in the US

2012–2020*



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

2012–2020*



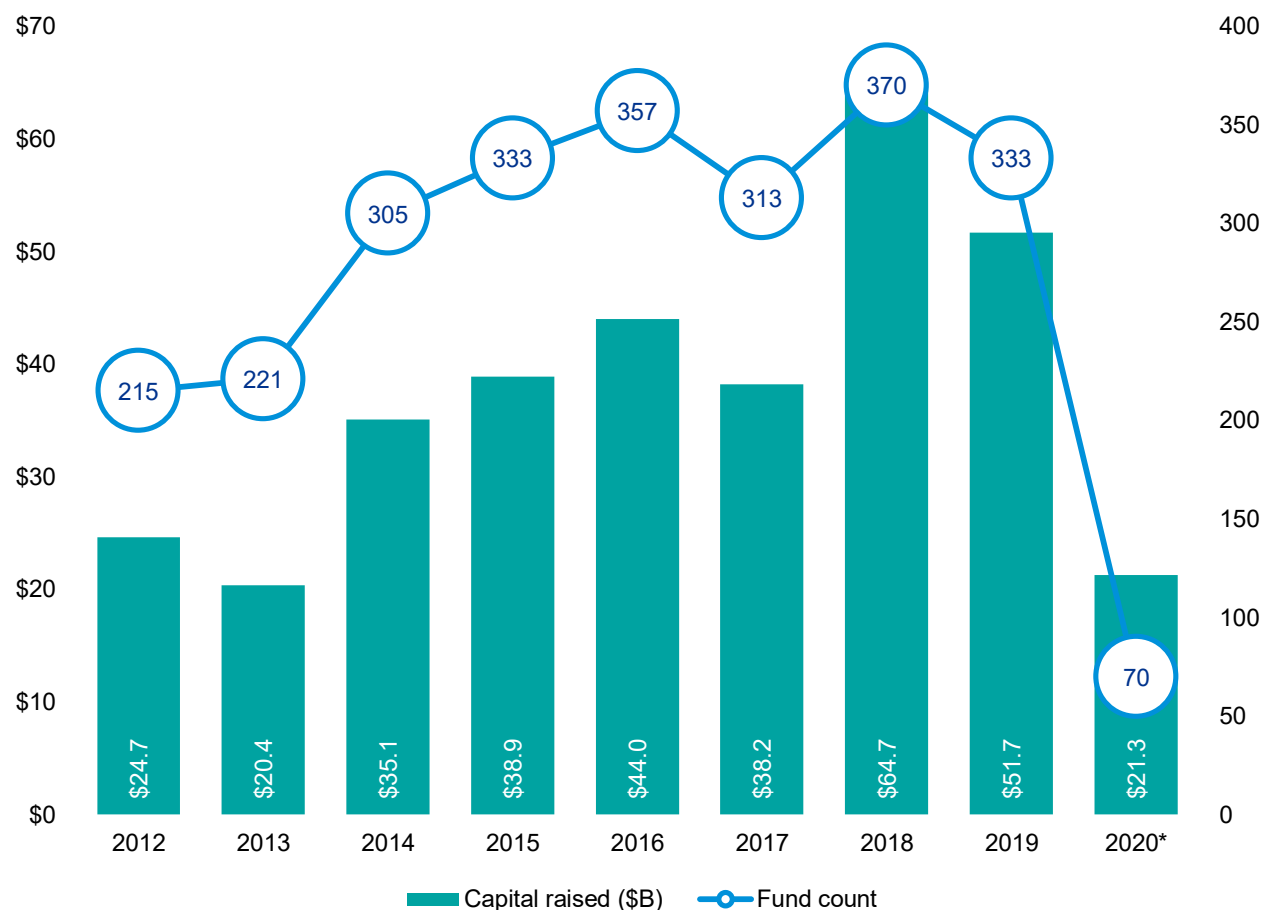
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

The bevy of unicorns that went public in 2019, whatever their later troubles, propelled exit values via that route to a new high for the decade, even outstripping Facebook's debut in 2012. This year does not look set to repeat that in the slightest. Nobody currently knows how long the full effects of the COVID-19 pandemic may persist in the US, closing markets to companies looking to go public. Even if markets return to normalcy quickly, companies that were looking to go public may still hold back, except in rare circumstances. M&A is likely to be put on pause in many instances.

VCs store up to start the year

US venture fundraising

2012–2020*



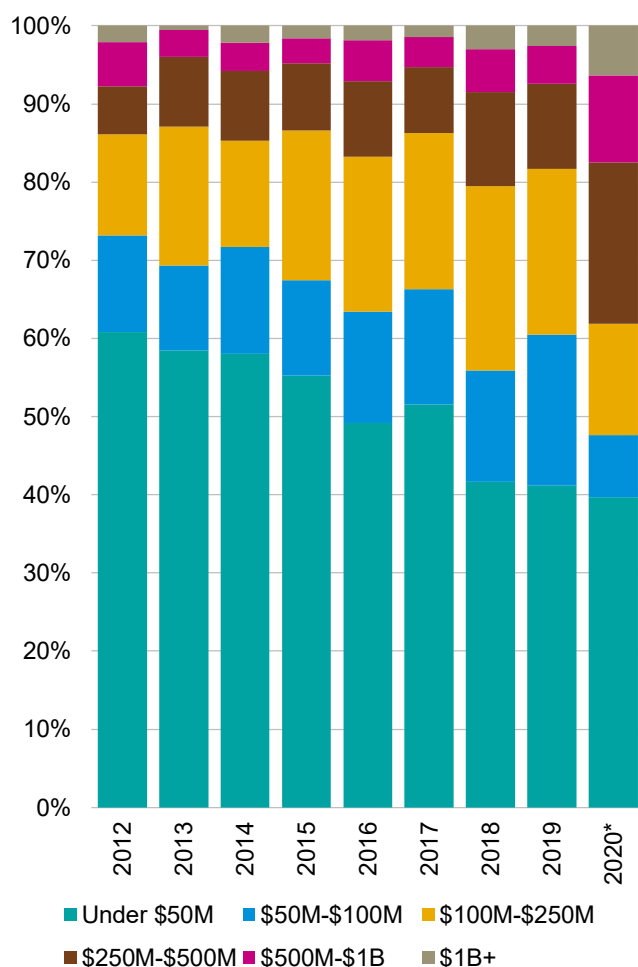
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

After a record haul in terms of dollars committed and volume in the past two years, one would think venture firms may let up the pace of fundraising. However, 2020 roared off to a strong start with well over \$20 billion raised even if the count of funds closed was down considerably. VCs will still have plenty to invest barring distressing scenarios wherein limited partners cannot commit, should fund managers choose to deploy. The question is whether they will do so or not.

Larger funds squeak by in closing in Q1

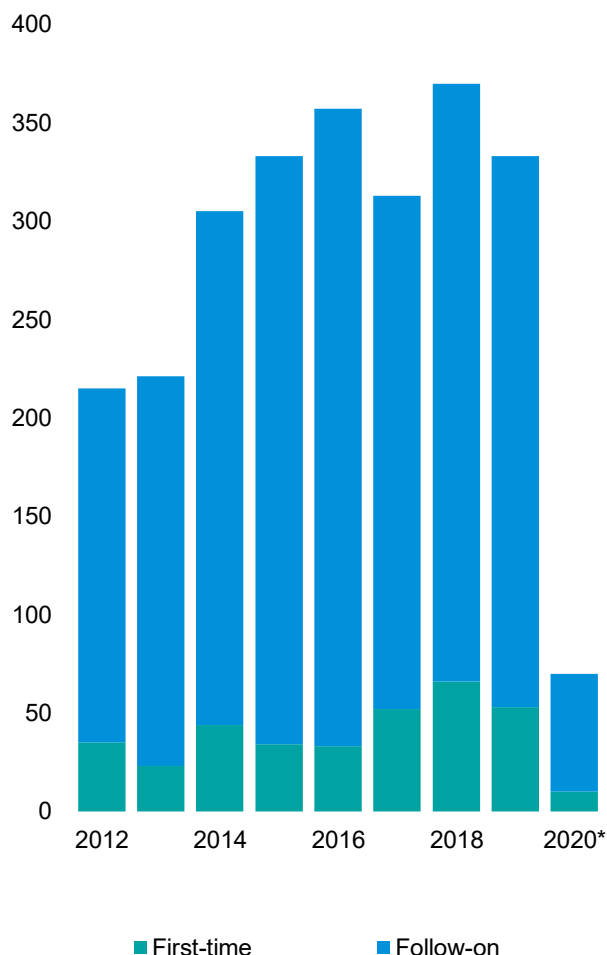
Venture fundraising (#) by size in the US

2012–2020*



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

2012–2020*



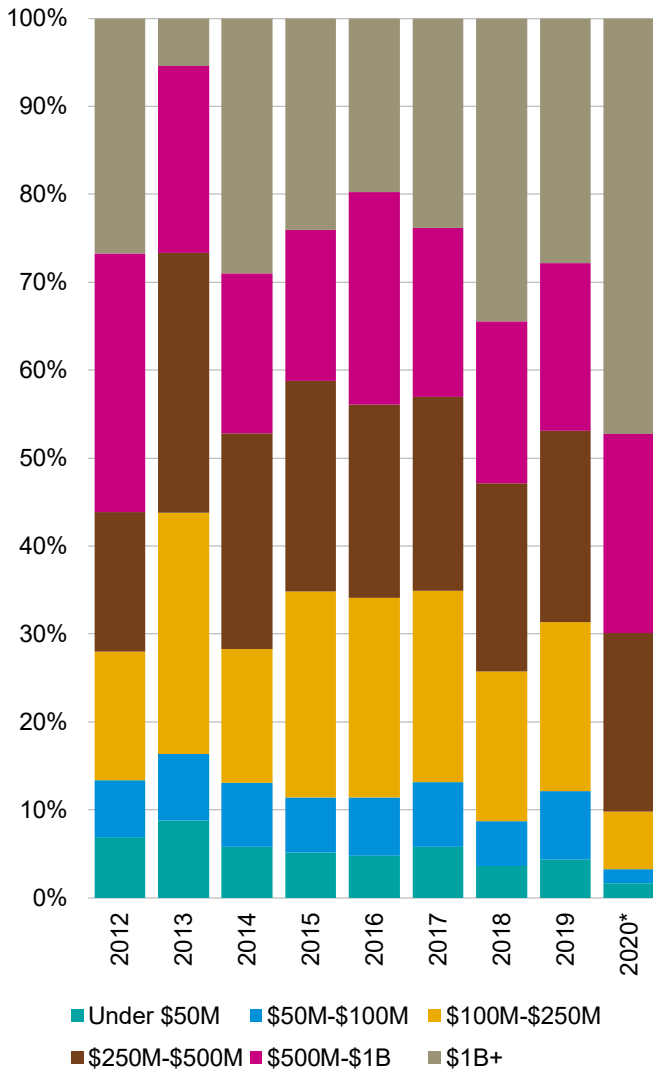
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

As is clear from the breakdown of funds closed in count by size range, the larger vehicles fundraising in Q1 2020 were able to close at a heightened rate, especially relative to first-timers. Although that is partially due to the fact more-established firms tend to close more easily given track records, resources and more, it was possibly also driven by heightening concerns from fund investors that then opted for safer harbors for their commitments.

Dollars committed tilt ever larger

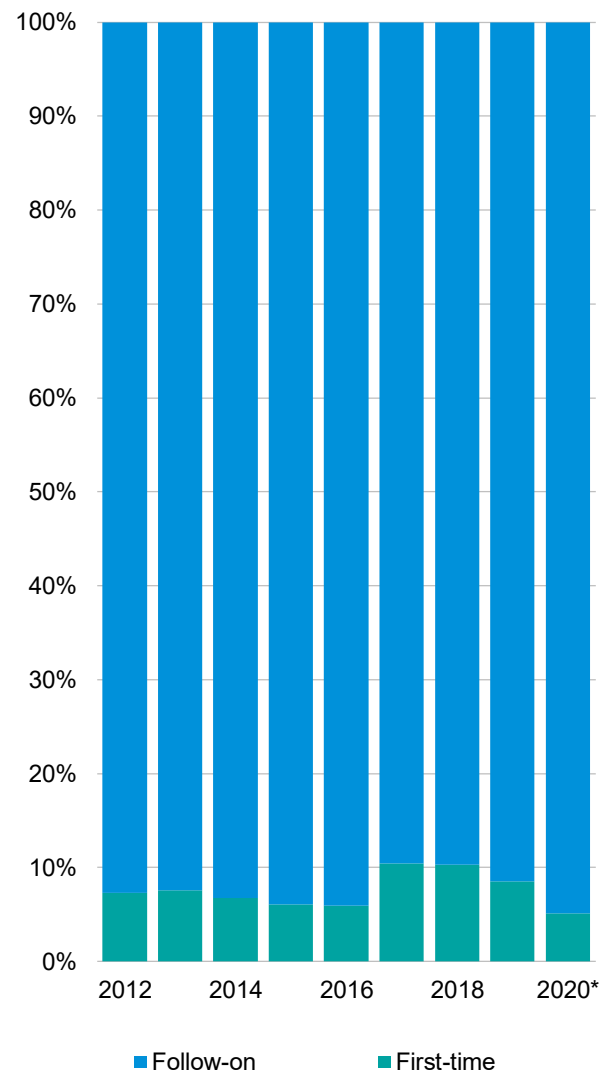
Venture fundraising (\$B) by size in the US

2012–2020*



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

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.



Private Enterprise



Global



US



Americas



Europe



Asia



***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 Mexico⁸.

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 Stori⁹.

⁸<https://techcrunch.com/2020/03/03/valued-at-10b-nubank-launches-its-nu-credit-card-in-mexico/>

⁹<https://techcrunch.com/2020/02/27/latin-america-roundup-softbank-adds-1b-stori-raises-10m-and-grow-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 country¹⁰. 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.

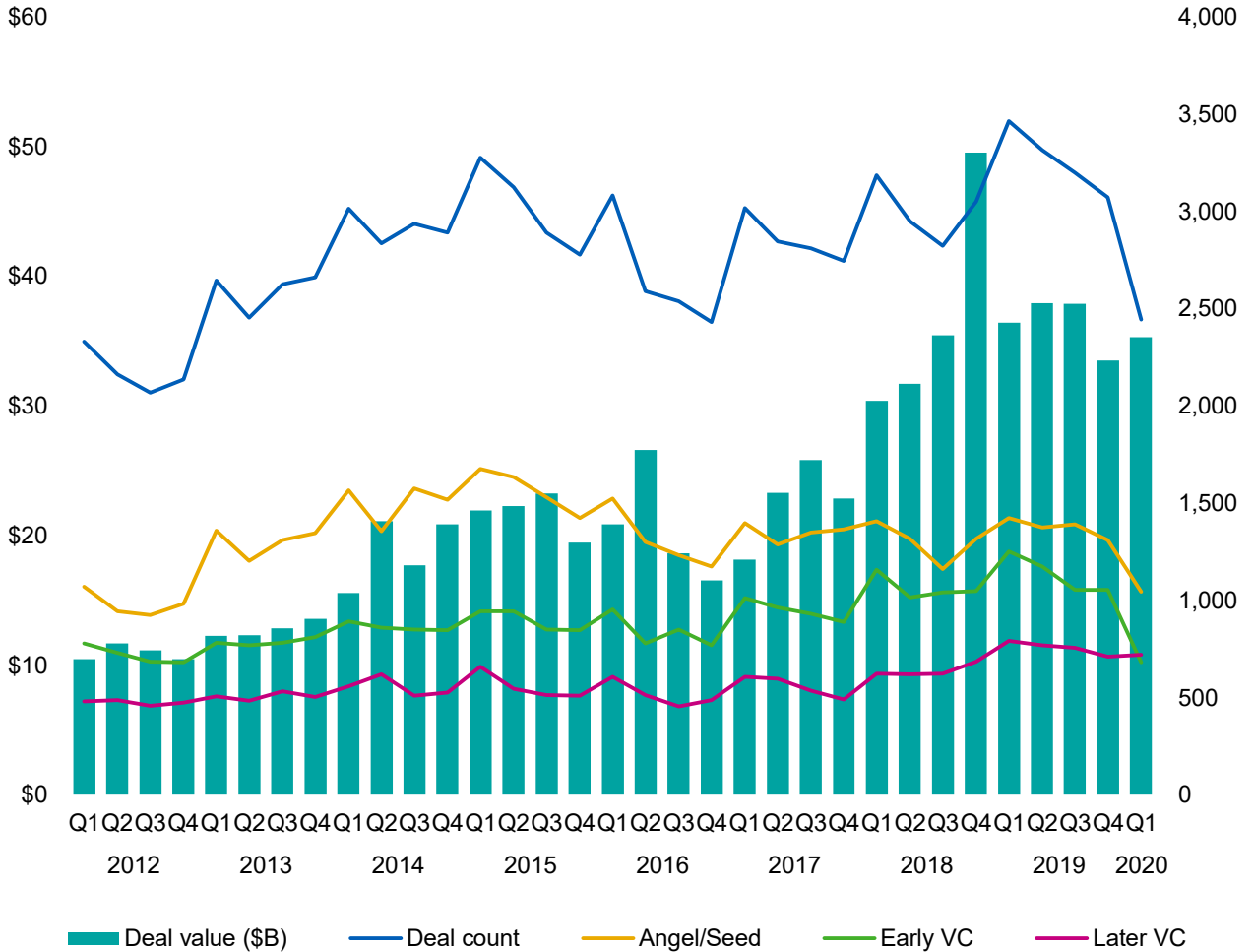
It will likely be an investors' market over the next quarter or two. As companies run out of cash and look to raise funding, investors will likely be able to make investments based on lower valuations than they would have in January.

¹⁰ <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

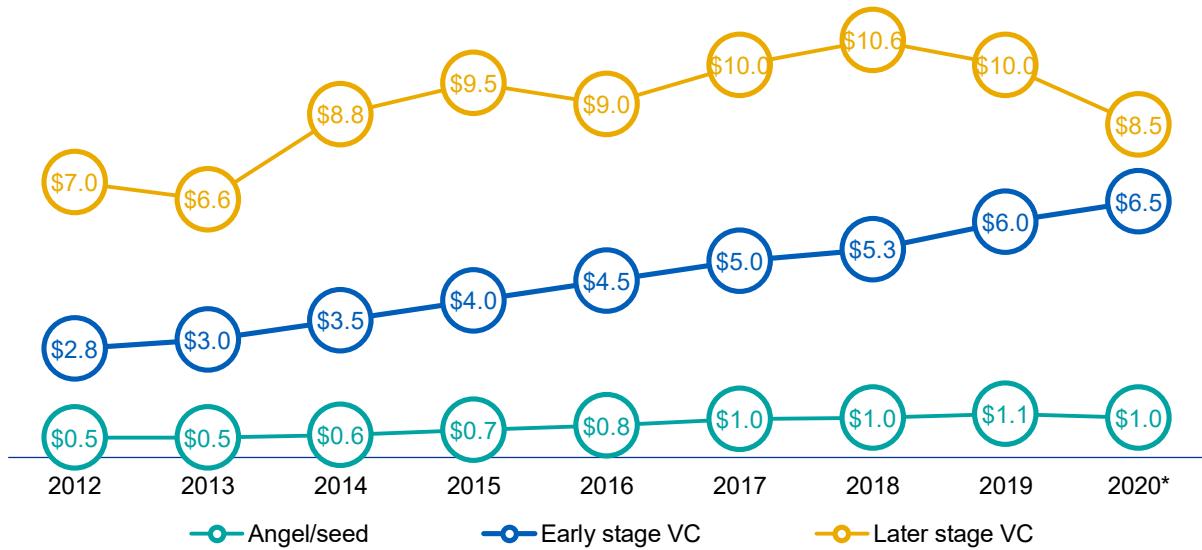


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

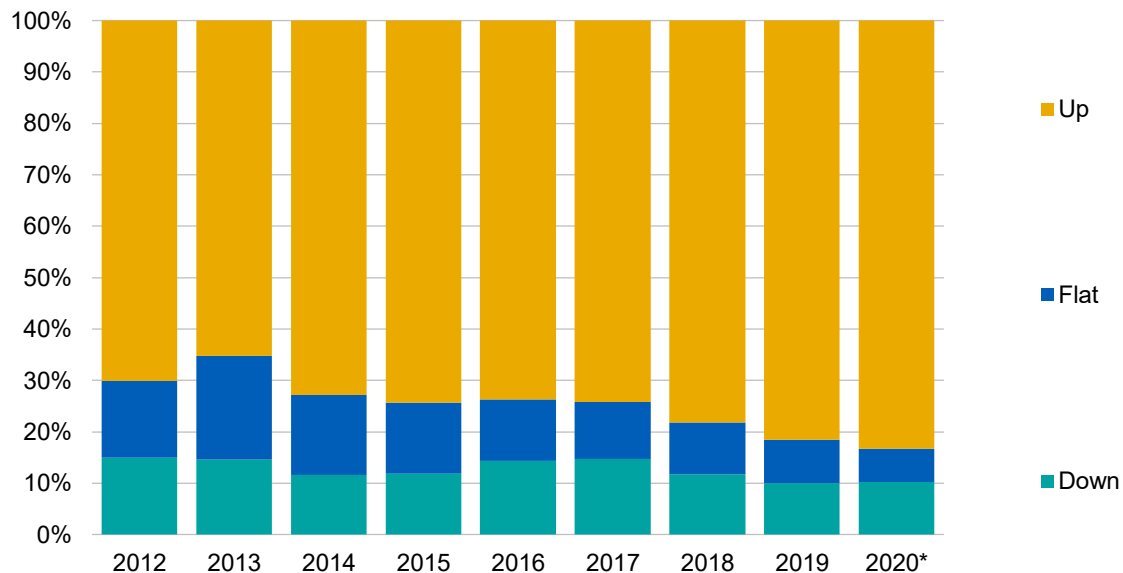
As has been stated in previous editions of the Venture Pulse, inevitable lags in private markets data collection or clarification can result in penultimate quarter tallies adjusting upward. However, that is less likely to be the case than ever before now, as the Americas began to see truly significant 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

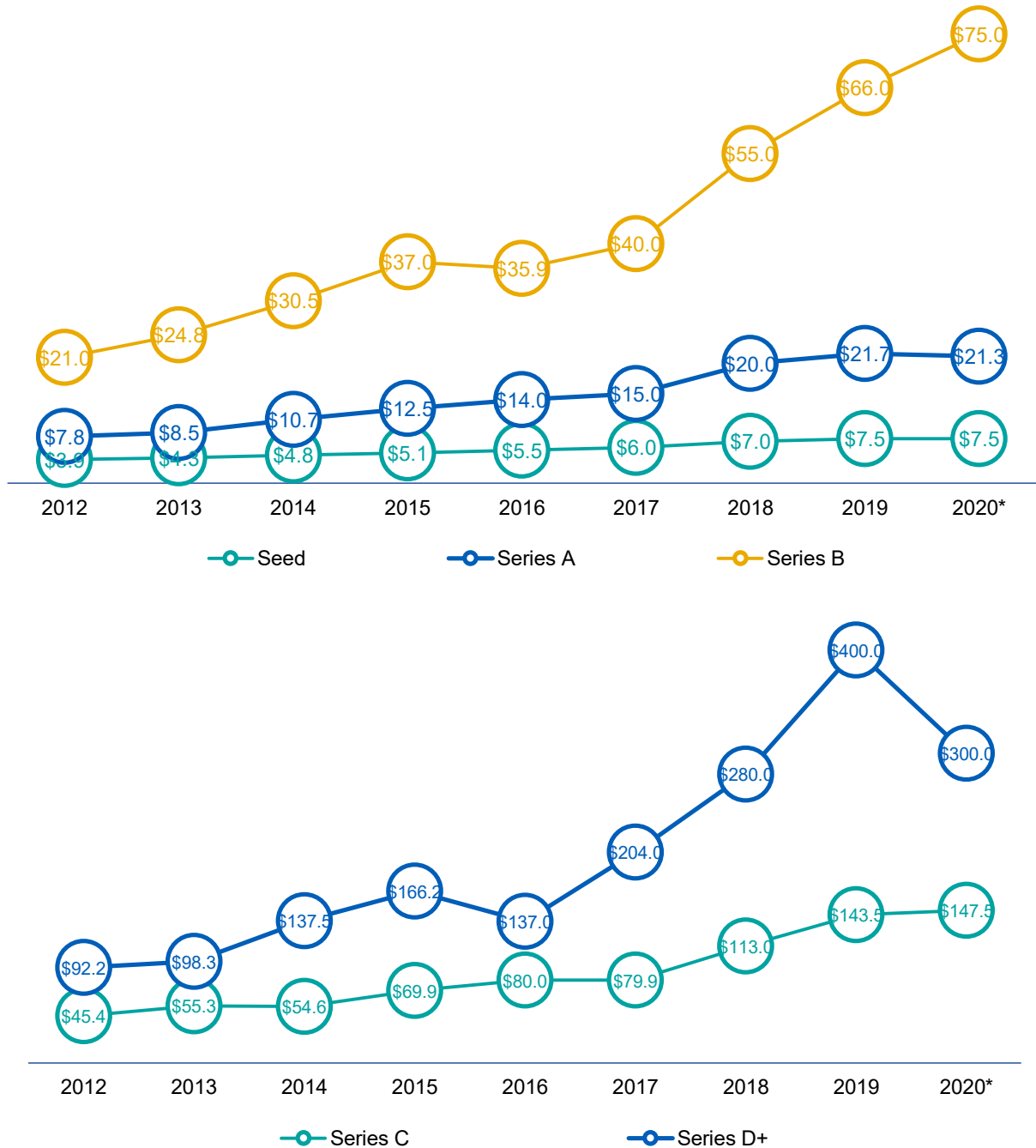
2012–2020*



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*

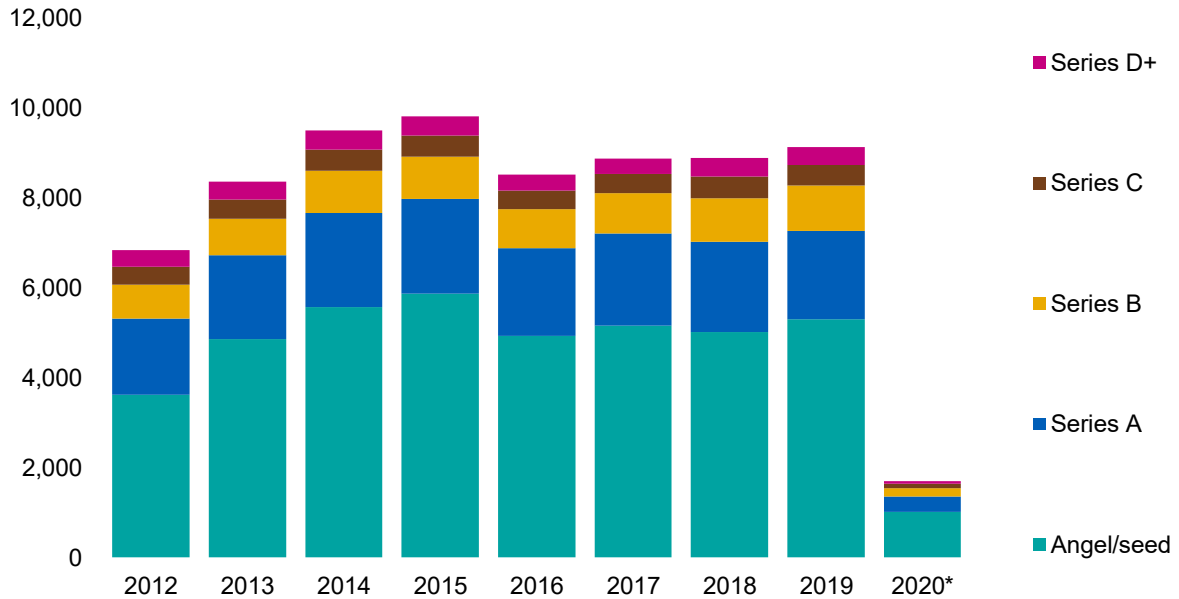


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Early-stage volume begins contraction

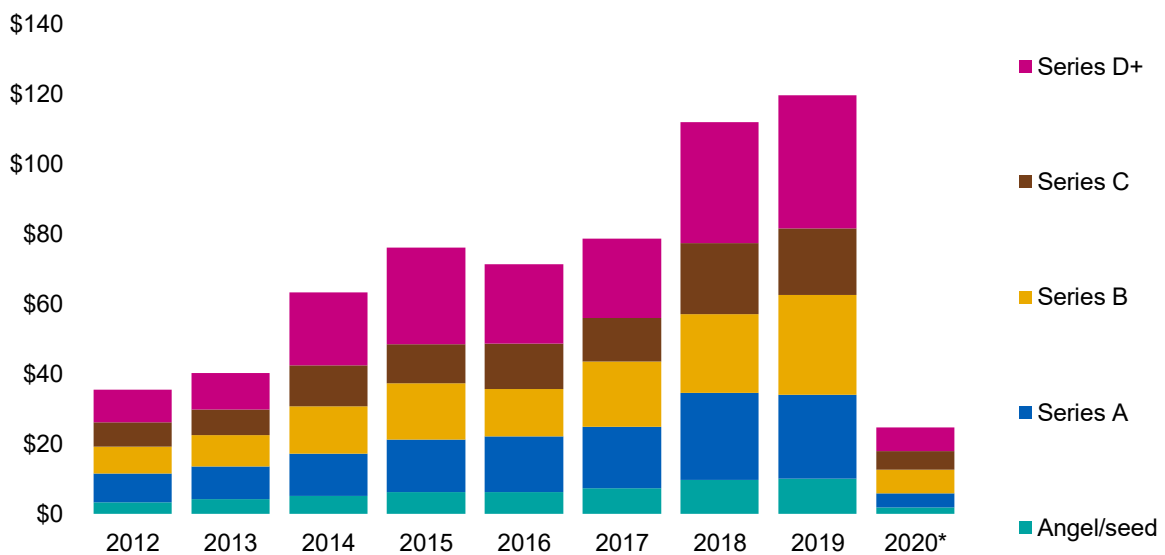
Deal share by series in the Americas

2012–2020*, number of closed deals



Deal share by series in the Americas

2012–2020*, VC invested (\$B)

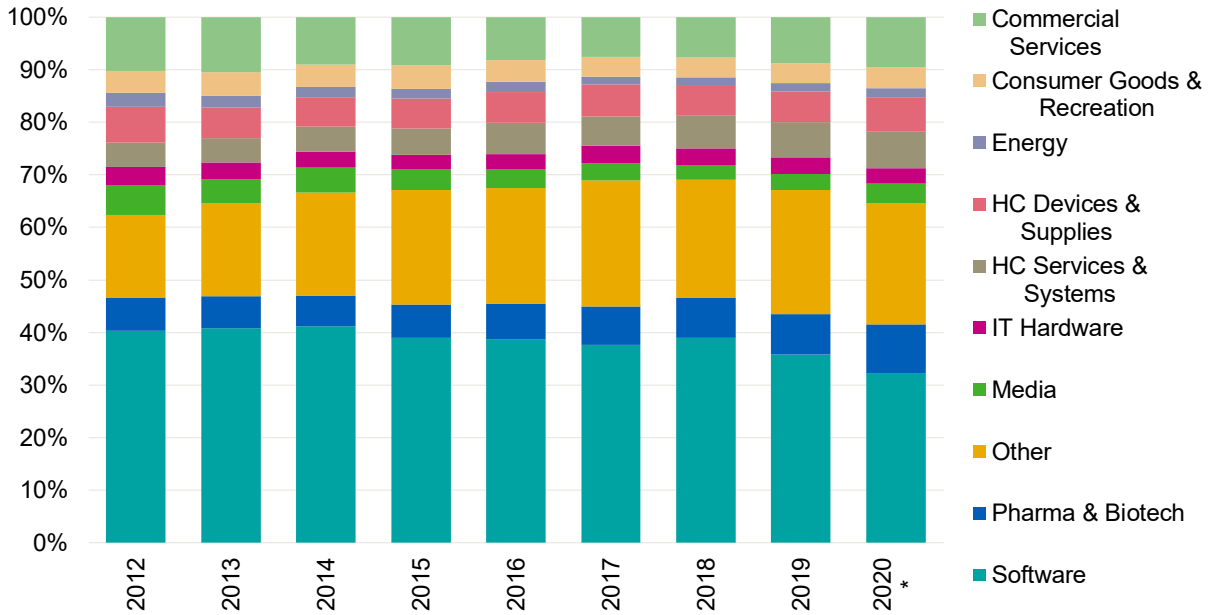


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Biotech & healthcare expand

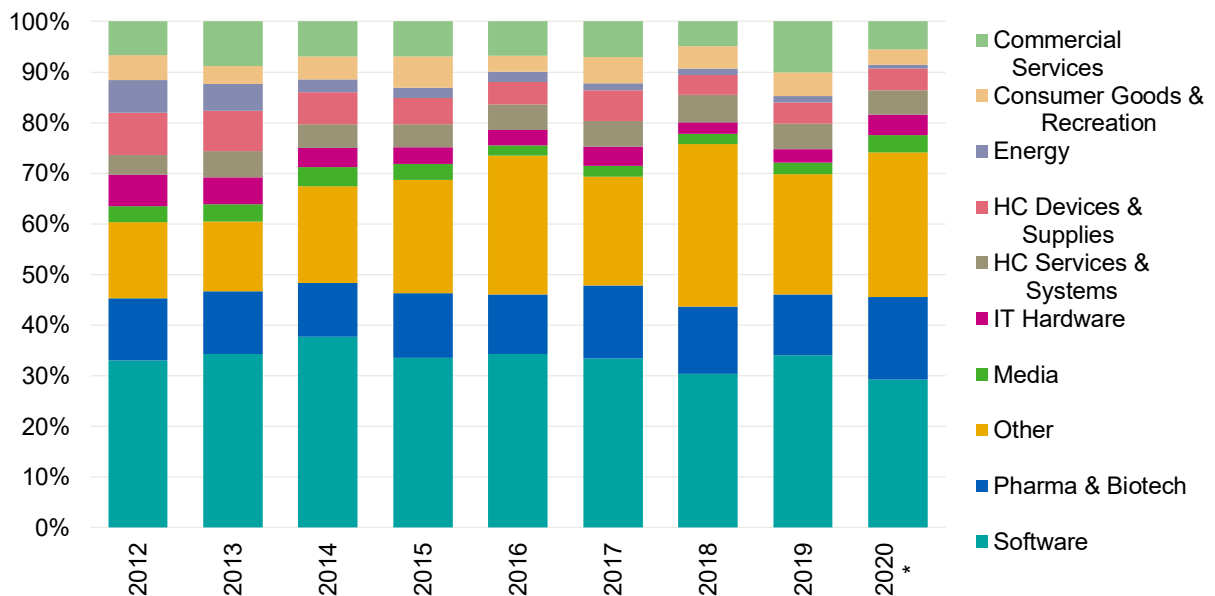
Venture financing of VC-backed companies by sector in the Americas

2012–2020*, # of closed deals



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

2012–2020*, VC invested (\$B)

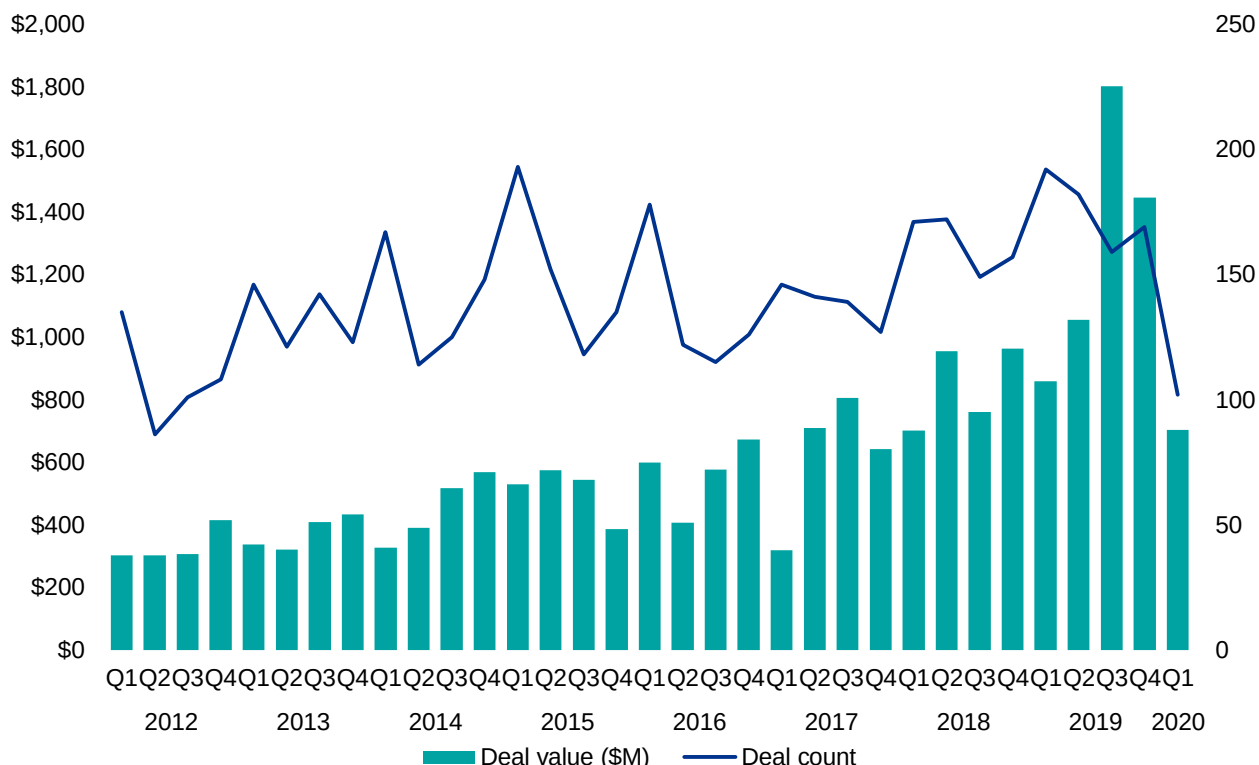


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

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."

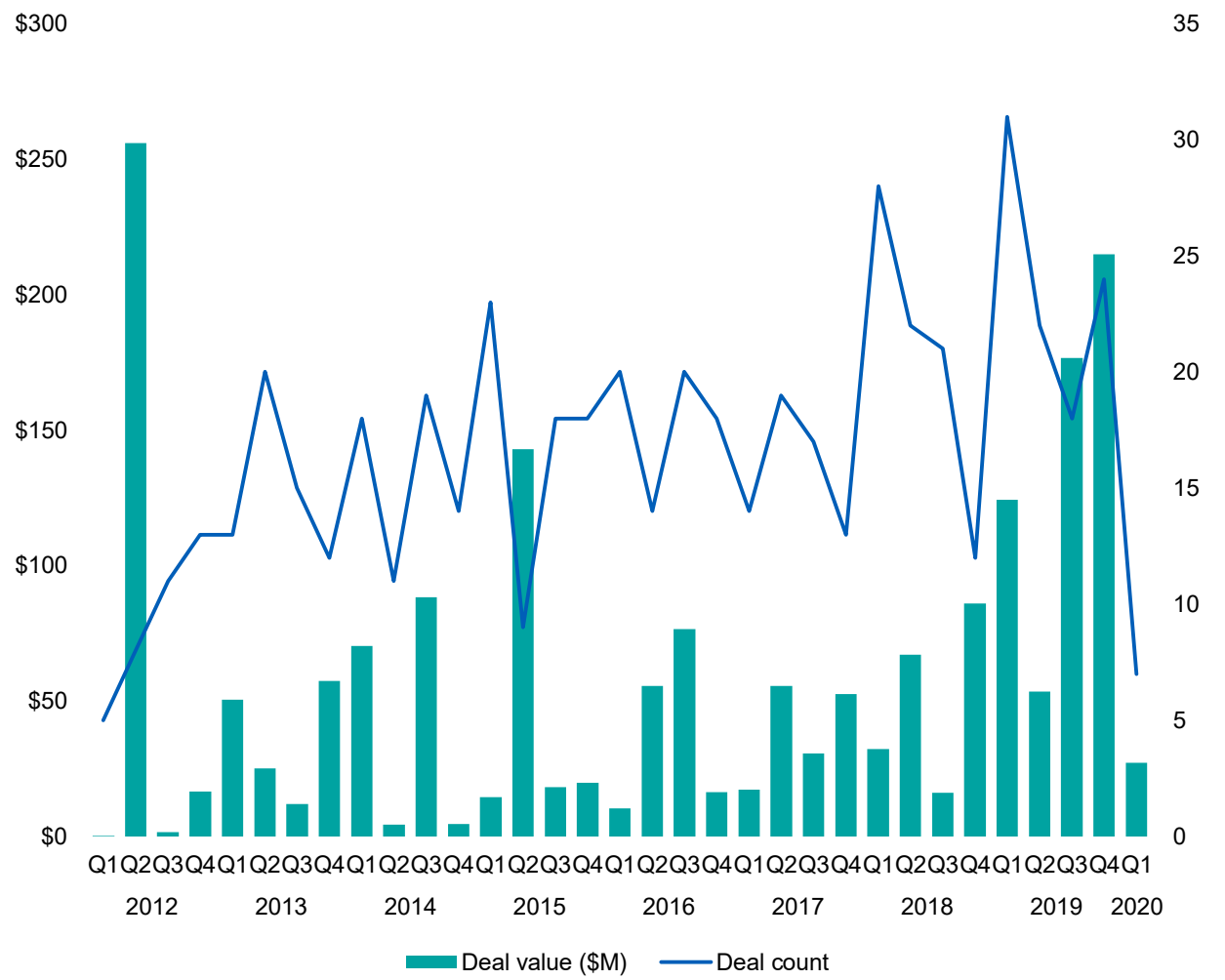


Sunil Mistry

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

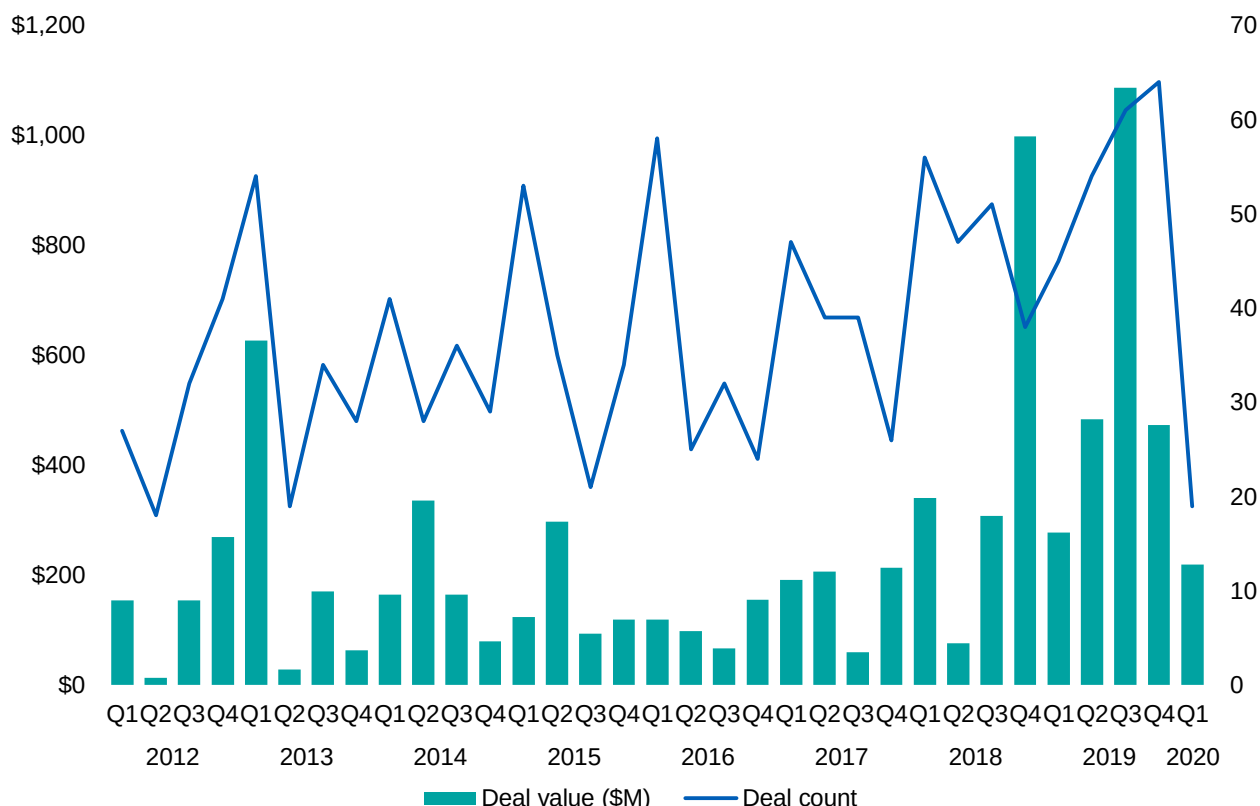


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

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

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

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



Private Enterprise



Global



US



Americas



Europe



Asia



In Q1'20 European VC-backed companies raised

\$8.8B

across

923 deals



Europe sees strong start to year as level of uncertainty grows

VC investment in Europe got off to an excellent start in 2020 even with the exit of the UK from the European Union and the sudden uncertainty created by the rapid spread of COVID-19 in February and March. The expanding startup ecosystem across Europe, low interest rates, and a strong base of maturing startups helped drive the continued VC investment.

During Q1'20, fintech continued to be a hot area of investment across Europe. During the quarter, Revolut raised \$500 million, Klarna raised \$200 million, and Starling Bank raised \$117.3 million.



UK continuing to attract VC funding post-Brexit

Despite its official exit from the EU on January 31, 2020, the UK continued to see strong VC investment in Q1'20, including the raising of \$100 million+ funding rounds by Revolut, LumiraDx, GraphCore, and Starling Bank. The UK did start to see some collateral damage from Brexit, however, with Revolut announcing plans in Q1'20 to expand its operations in Ireland in order to better serve its European customers¹¹.

Looking forward, it is not only fintech companies that will need to consider their regulatory requirements. Biotech companies that are only regulated in the UK will also need to determine if they need regulatory approval elsewhere in order to continue with their operations.



Ireland sees increase in VC investment in Q1'20

VC investment in Ireland was quite strong in Q1'20, led by an \$80 million raise by productivity company Fenergo. In Q1'20, Google also announced its acquisition of Ireland-based Pointy, a company that helps traditional retailers make products accessible online, for \$163 million¹². The acquisition highlights Ireland's maturing VC market and startup ecosystem. Despite the strong quarter, there was growing concern as to whether VCs will continue to invest in Ireland in the short and medium term given the uncertainty associated with COVID-19. Already, some VCs have started to pull out of in-progress transactions or to re-value target companies.

In Q2'20, Irish companies raising funds will likely find it more difficult to achieve the valuations they might have expected a short time ago. While VC investors may have a substantial amount of dry powder, they will be under pressure to hold that money for a number of months to see how COVID-19 plays out.



Breadth of VC investment growing in Germany

Germany saw strong VC investment in Q1'20, including a \$250 million raise by air taxi provider Lilium¹³ and a \$168 million raise by used car marketplace company Frontier Car Group. Fintech and B2B were hot areas of investment, with B2B HR solutions company Personio raising \$75 million in January and digital business banking platform Penta raising \$20 million¹⁴.

COVID-19 is expected to have a substantial impact on both VC and corporate VC investment in Germany. The impact on existing startups will be mixed, with funded developmental stage companies potentially faring better as they are not yet reliant on revenue. Growth-stage companies and those that rely on recurring revenues, such as B2B services providers, could feel the impact more strongly.

On the positive side, COVID-19 is driving collaboration and innovation in the health and biotech sectors. For example, the government organized a hackathon for young startups in order to foster ideas for fighting the virus¹⁵, while the EU provided an \$88 million loan to support Germany-based CureVac, a company working to develop a vaccine.

¹¹<https://www.98fm.com/news/revolut-dublin-expansion-plans-961014>

¹²<https://techcrunch.com/2020/01/14/google-is-buying-pointy-a-startup-that-helps-brick-and-mortar-retailers-list-products-online/>

¹³<https://www.morningbrew.com/emerging-tech/stories/2020/03/25/lilium-oura-gojek-close-fundraising-rounds>

¹⁴<https://techcrunch.com/2020/01/20/personio-the-german-hr-platform-for-smes-raises-75m-series-c/>

¹⁵<https://penta.pr.co/187116-penta-raises-financing-round-at-18-5-mio-euro-in-first-closing-and-wins-new-investors/>

Europe sees strong start to year as level of uncertainty grows, cont'd.



Nordics see strong start to the year

VC investment in the Nordics got off to a positive start in 2020, led by a \$200 million raise by online financial services and payment solutions provider Klarna and a \$155.9 million raise by digital healthcare provider Kry, both in Sweden. Finland-based Aiven, a startup focused on open source technologies and cloud infrastructure, also raised \$40 million in Q1'20¹⁶. Dry powder in the market, a number of new funds, high CVC activity and numerous \$10 million+ deals contributed to the positive investment environment, at least until COVID-19 reared its head in March.

COVID-19 is expected to have a significant negative impact on VC investment in Q2'20. A number of VC-backed companies in the Nordics are at the scaling phase and could find their efforts curtailed as a result of the pandemic. The inability to conduct in-person due diligence and face-to-face meetings due to border closures, travel restrictions and event cancellations will likely have a major impact on the availability of international later-stage funding for startups.



Israel sees quiet quarter of VC investment in Q1'20

While Q1'20 was a quiet quarter for VC investment in Israel, with a particularly steep decline in March due to the impact COVID-19, the quarter also saw the \$1.15 billion acquisition of application security firm Checkmarx by US-based PE firm Hellman and Friedman¹⁷. In the wake of COVID-19, Israel also saw a number of VC investors offering their more mature portfolio companies bridge financing in order to potentially avoid an official funding round at a significantly lower valuation.



Trends to watch for in Q2'20

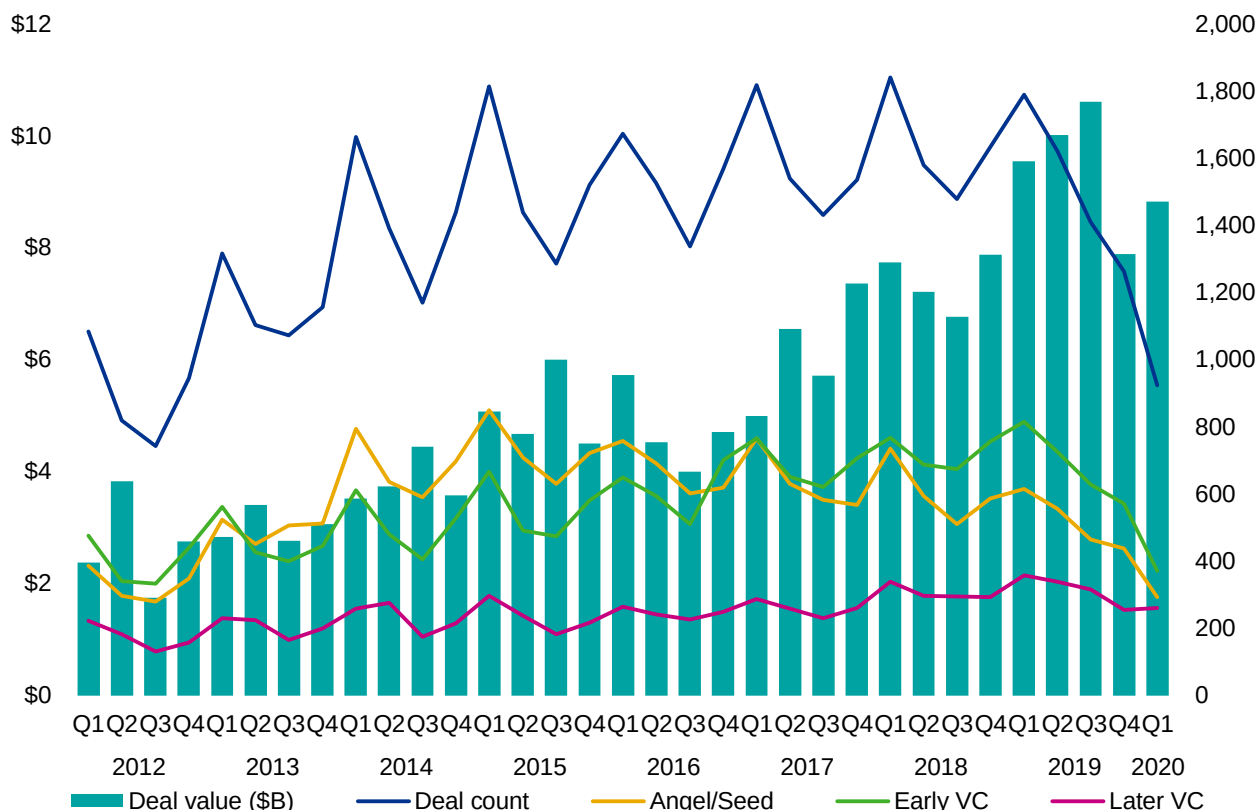
Europe's VC market will likely face a tough Q2'20 due to COVID-19, although digital services, edtech, health and biotech companies, and certain B2B and B2C companies could remain attractive even during the crisis given their applicability and long-term relevance. While the short-term economic outlook is highly uncertain, the pandemic could lead to an increasing acceptance for digital solutions. This could bode well for VC investment in Europe over the longer term as both traditional companies and consumers will have required and become accustomed to their use, a process that might have been more difficult to achieve under normal circumstances.

¹⁶ <http://www.dbta.com/Editorial/News-Flashes/Aiven-Raises-40-Million-in-Latest-Funding-Round-to-Expand-Integrations-139084.aspx>

¹⁷ <https://www.timesofisrael.com/israeli-cybersecurity-firm-checkmarx-to-be-acquired-for-1-15-billion/>

A strong Q1 before COVID-19 impact materializes

Venture financing in Europe 2012–Q1'20



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

As noted in the last edition of Venture Pulse, private markets data can lag somewhat. However, the rate of decline over the past few quarters for European venture is not attributable to data lag at this point. Moreover, such a decline comes prior to any significant impact from the COVID-19 pandemic being recorded. Thus, although VC invested remained quite strong, there could be a significant drop-off even further in Q2 for European VC.

"VC investment in Europe was quite strong in Q1'20, showcasing the diversity, maturity, and growing breadth of the European ecosystem. While COVID-19 will likely have a significant impact on VC investment in Europe over the next quarter or more, what makes Europe a key place to invest will not disappear. Once the pandemic has run its course, these strengths will help bring investment back up."



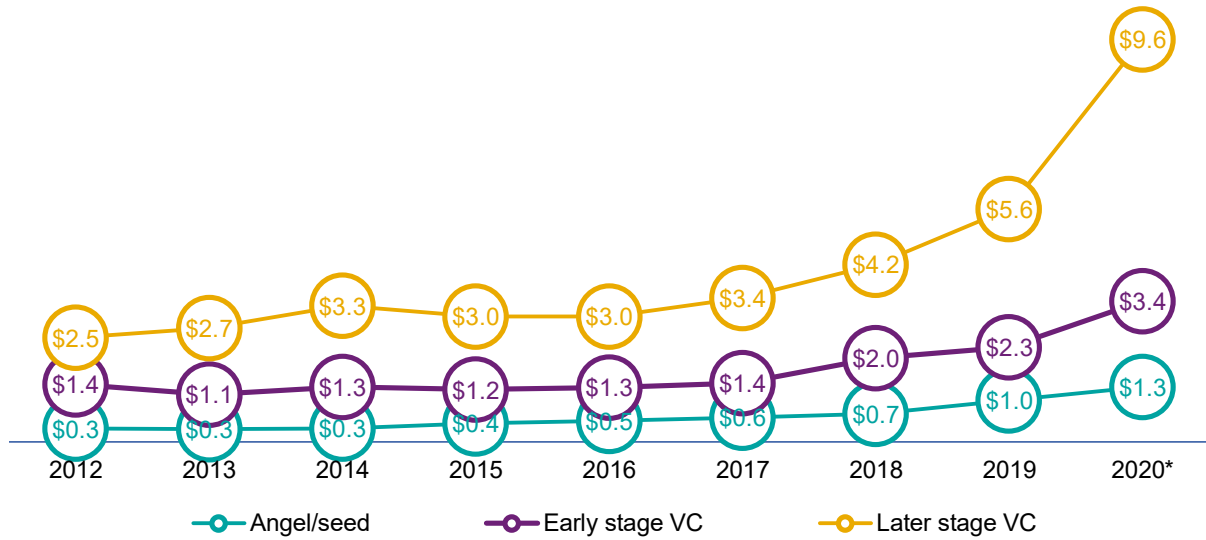
Kevin Smith

Co-Leader, KPMG Private Enterprise Emerging Giants Network, **KPMG International**, EMA
Head of KPMG Private Enterprise, and **KPMG in the UK**

Median rounds clock new highs

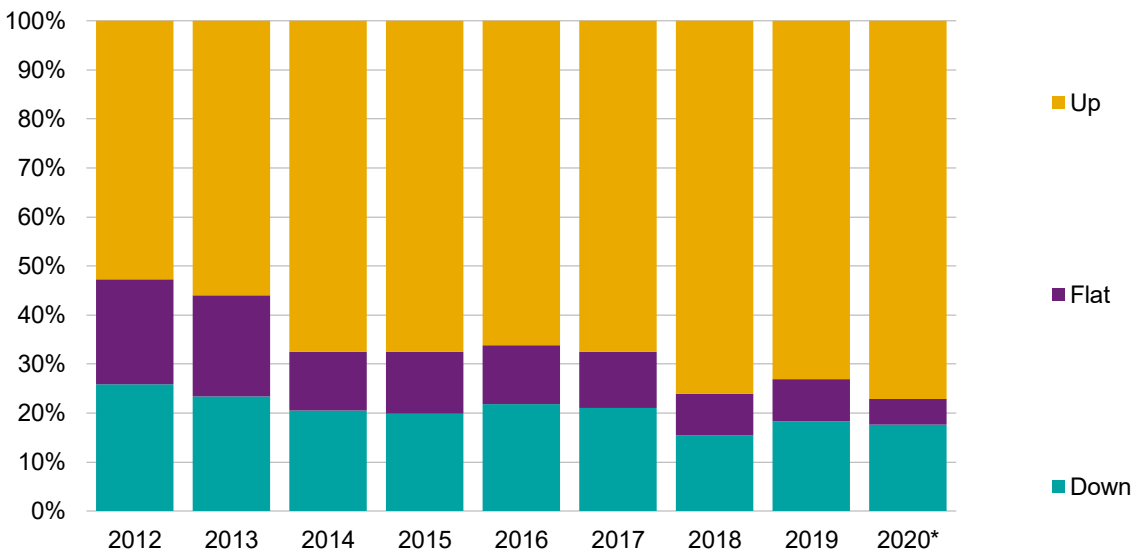
Median deal size (\$M) by stage in Europe

2012–2020*



Up, flat or down rounds in Europe

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.

Q1 sees record latest stage deal size for now

Median deal size (\$M) by series in Europe 2012–2020*

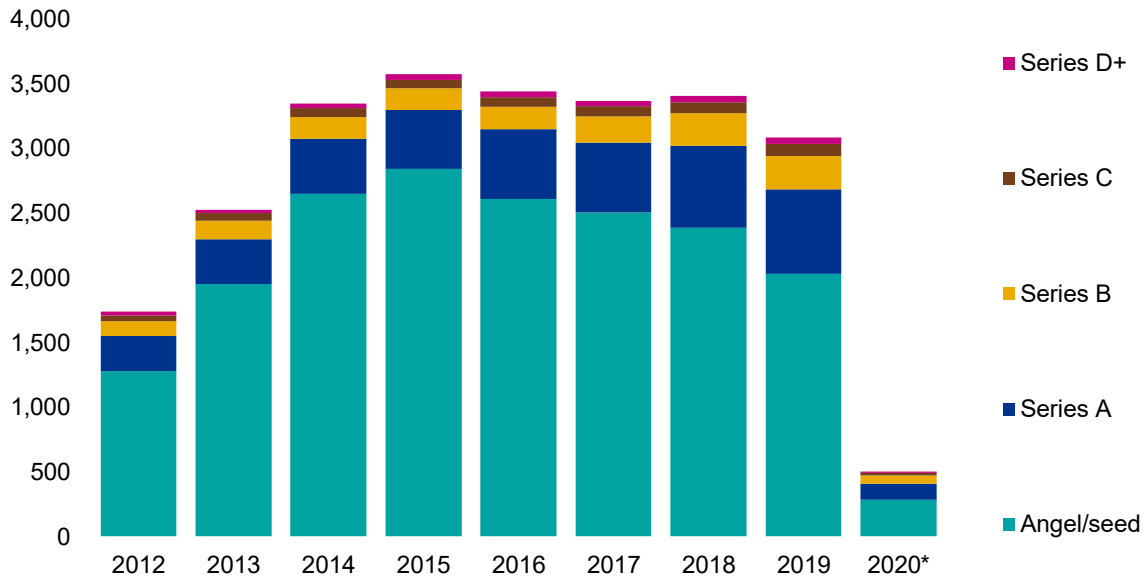


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Late-stage VC invested predominates

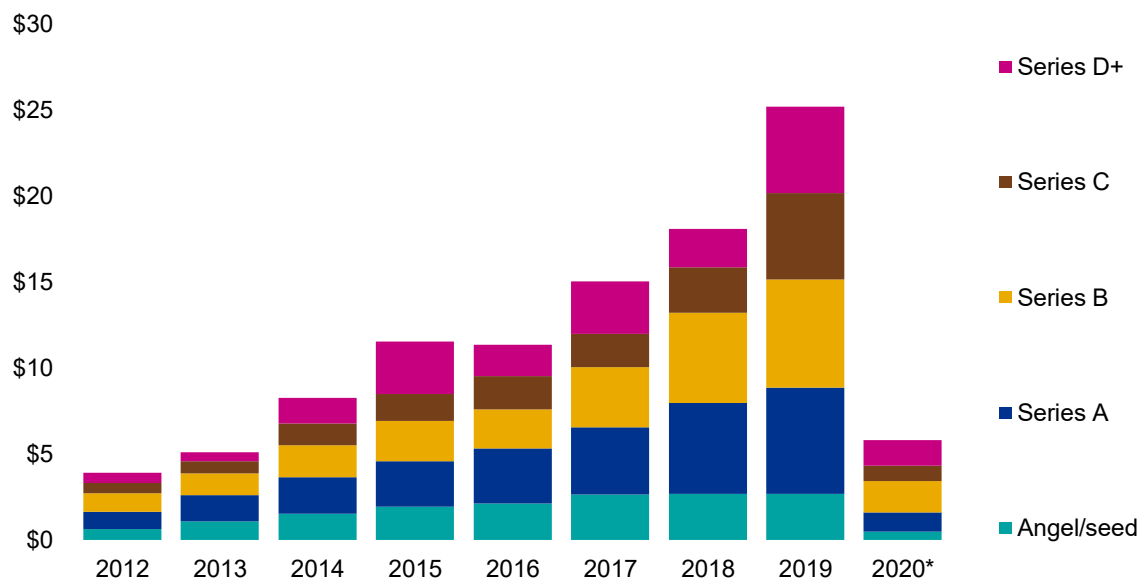
Deal share by series in Europe

2012–2020*, number of closed deals



Deal share by series in Europe

2012–2020*, VC invested (\$B)

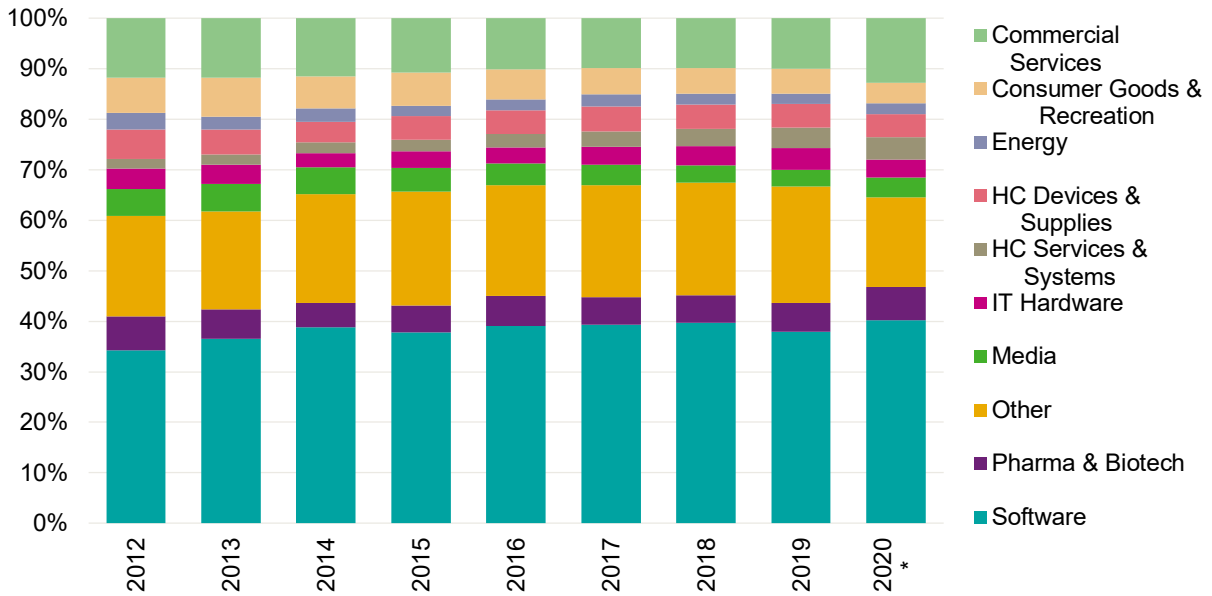


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Commercial services prove safe haven

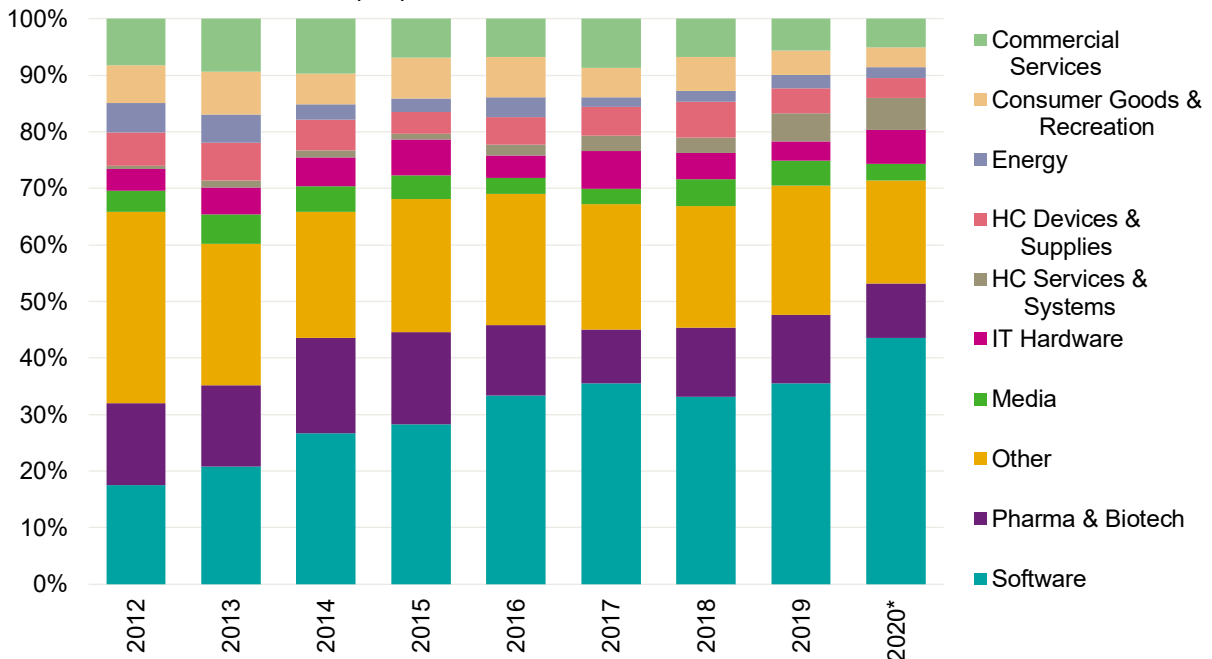
European venture financings by sector

2012–2020*, number of closed deals



European venture financings by sector

2012–2020*, VC invested (\$B)

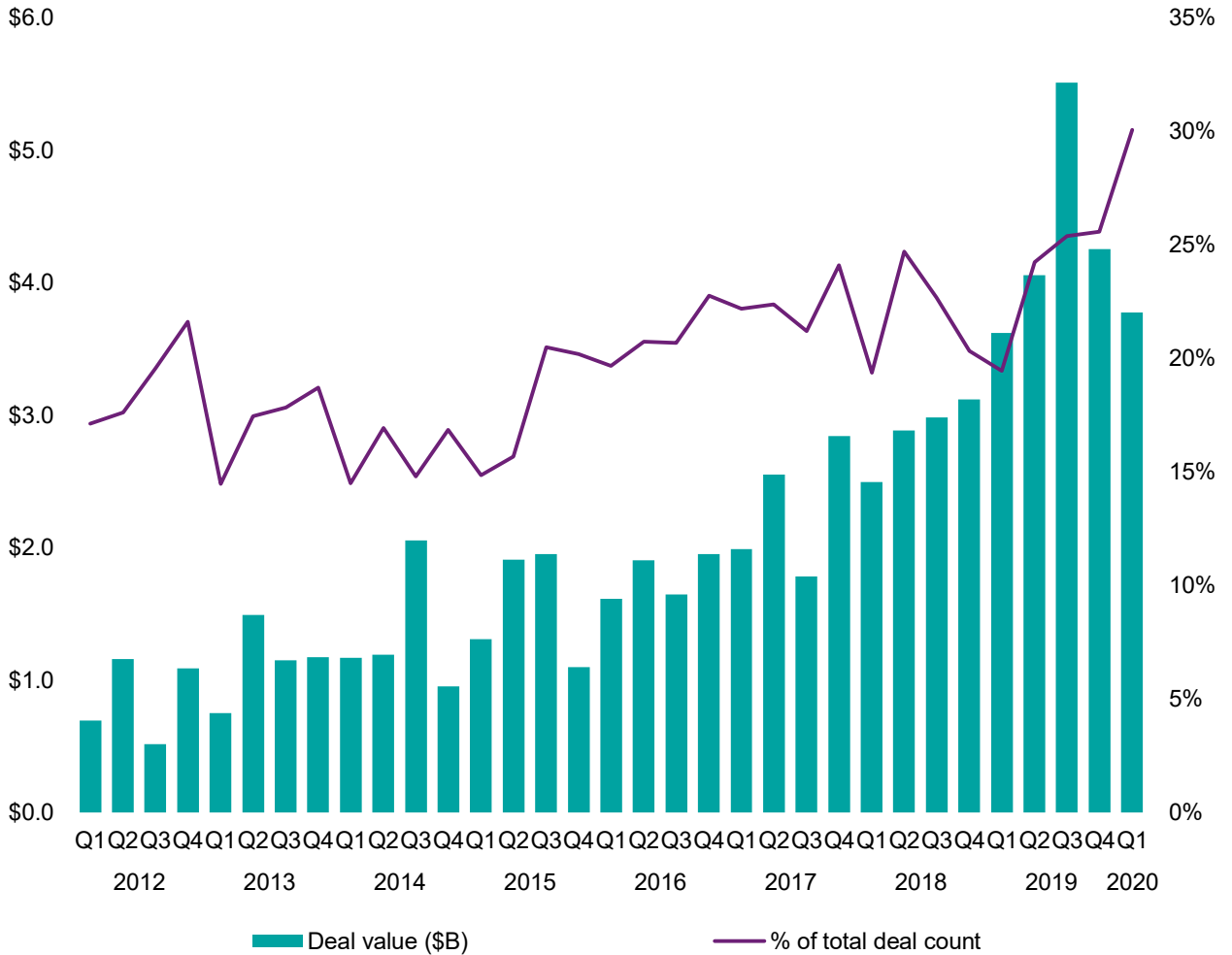


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

CVC deal count leaps even higher to new record

Corporate VC participation in venture deals in Europe

2012–Q1'20



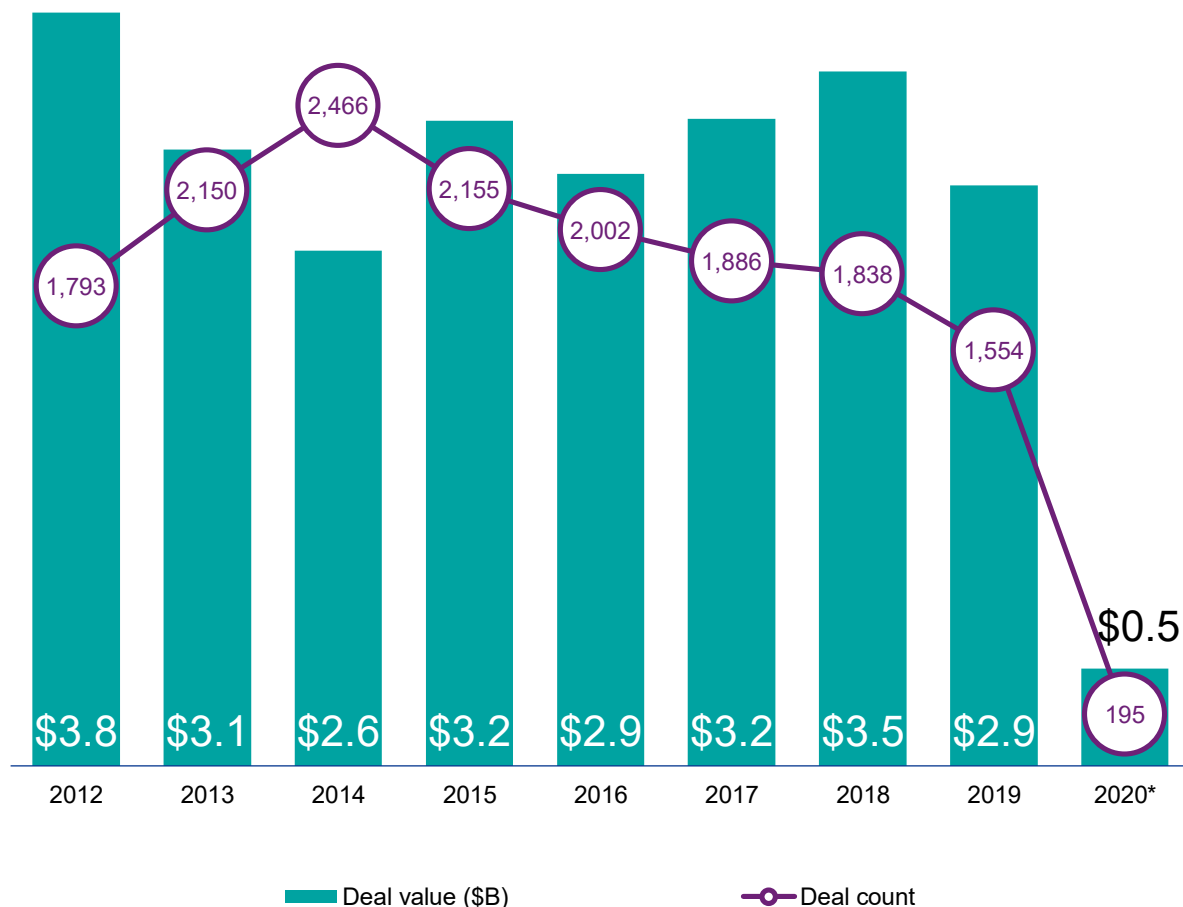
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

The rise in quarterly VC invested tallies with corporate participation was stark last year, culminating in an even higher tally in Q1 2020. As late-stage volume stayed steady, it is likely that supported corporate involvement given their usual focus areas. However, what remains to be seen is how corporate players may adjust their activity as the economic and financial fallout from COVID-19 begins to hit bottom lines.

First-time funding plummets in Q1

First-time venture financings of companies in Europe

2012–2020*



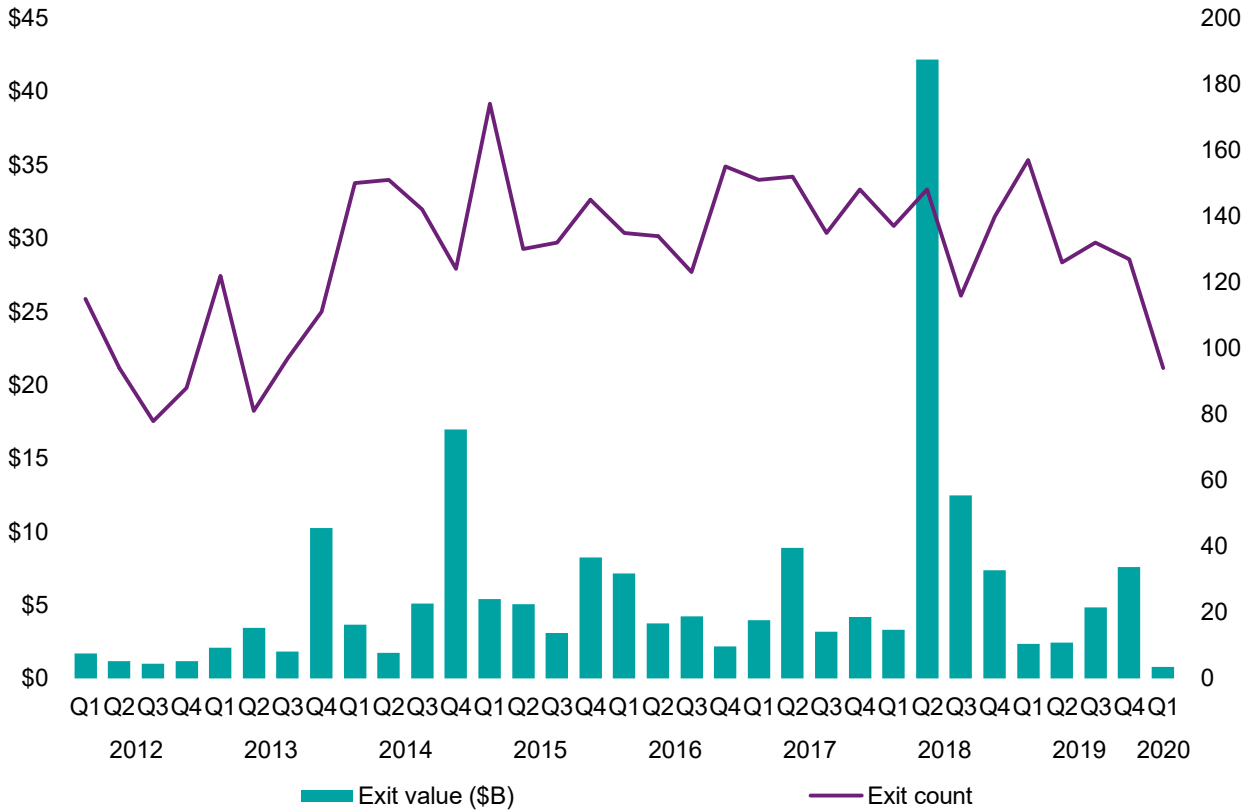
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Once again, a caveat must be noted: 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 being said, it is readily evident why first-time funding of companies recorded began to plummet precipitously throughout the duration of Q1, as the full impact of the coronavirus pandemic became apparent. 2020 is consequently likely to set a new record low in both volume and VC invested.

2020 starts off inauspiciously

Venture-backed exit activity in Europe

2012–Q1'20



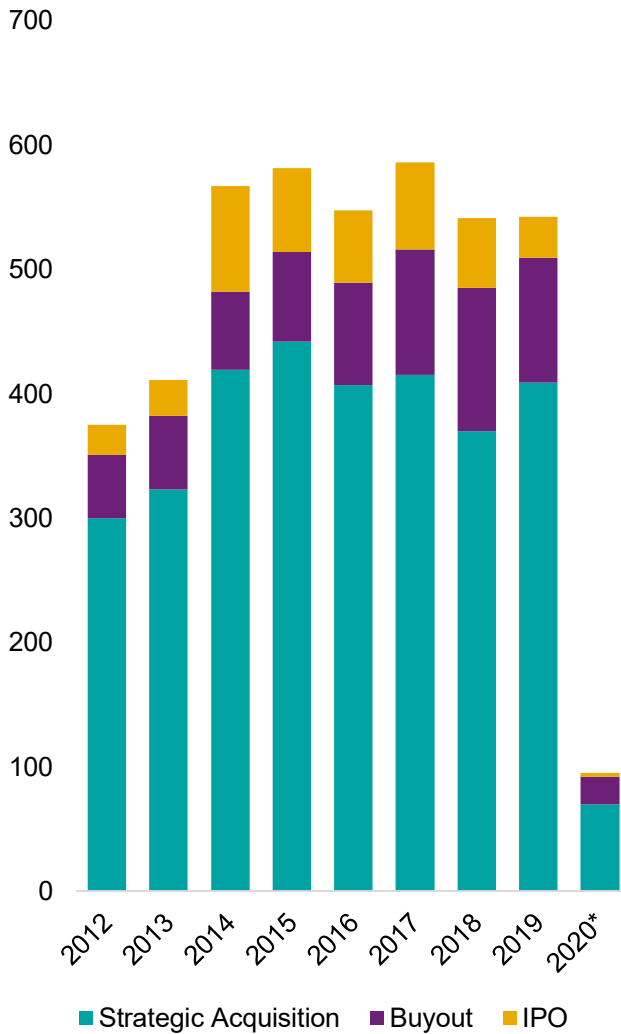
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

Q1 2020 currently holds the record for the smallest tally of quarterly exit value in Europe going back to 2012's start. Even though lags could potentially be contributing, given the broader economic and market backdrops, and likely the COVID-19 impact, it is far likelier such a result is no aberration. Consequently, 2020 may end up being one of the weaker years on record even should a recovery hopefully come about.

IPOs & buyouts vanish

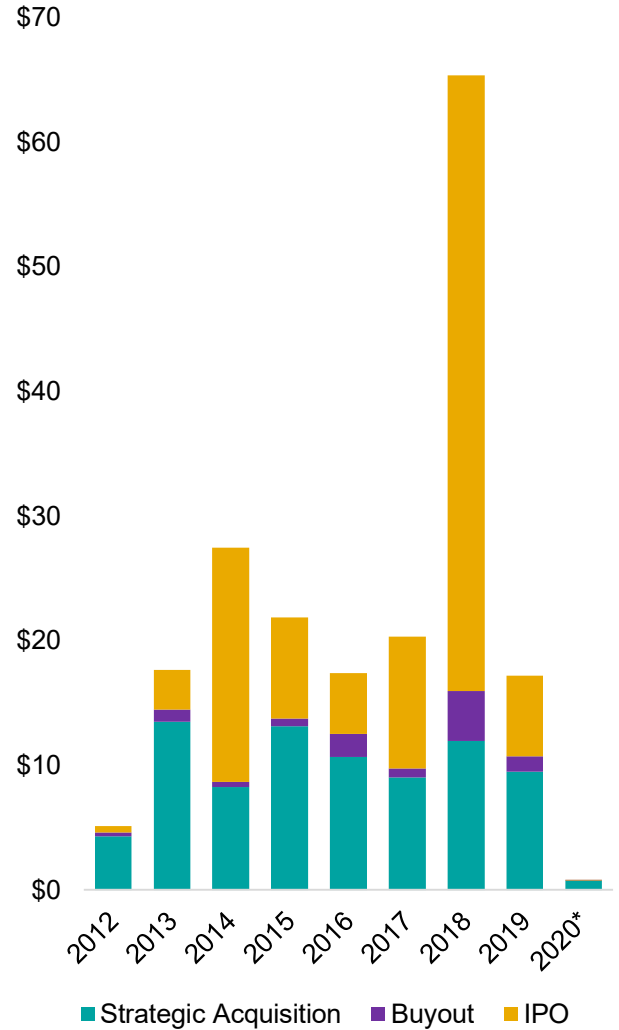
Venture-backed exit activity (#) by type in Europe

2012–2020*



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

2012–2020*

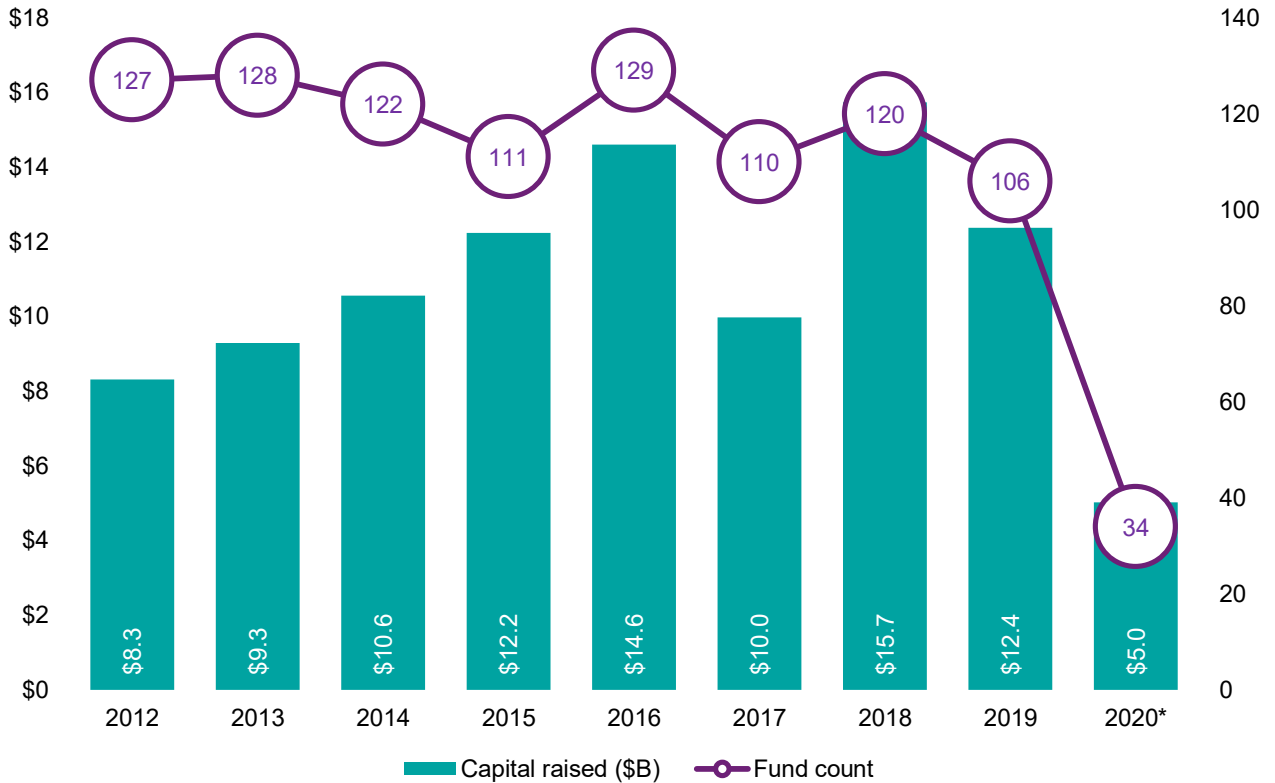


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Fundraising records solid Q1

European venture fundraising

2012–2020*



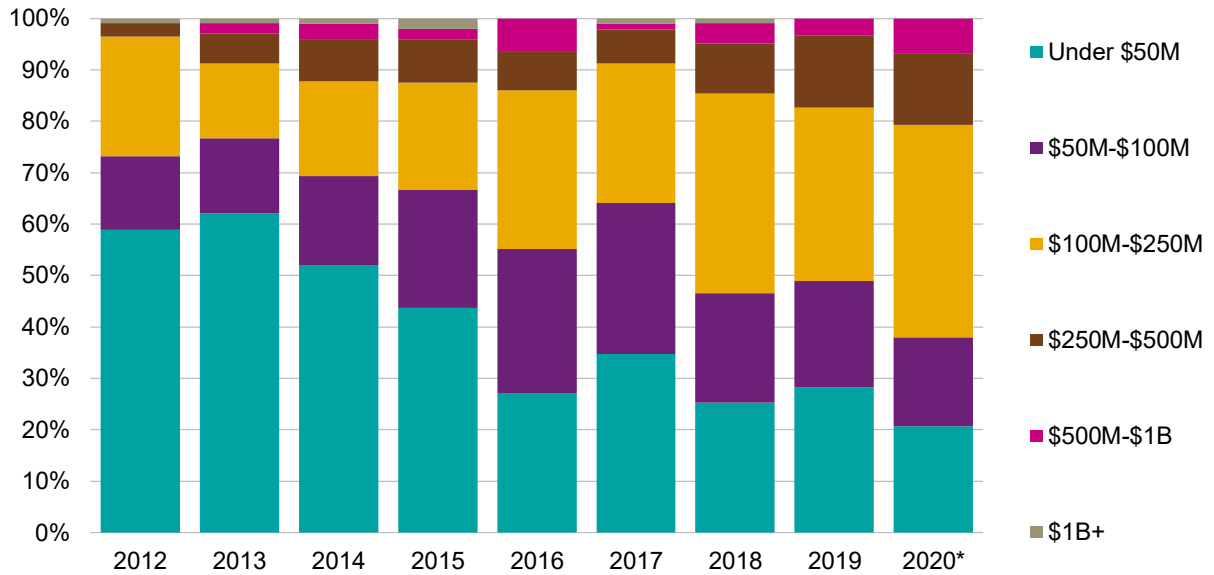
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

The European fundraising scene is dominated by a smaller population of successful firms, which is why the continent still records very strong VC raised tallies even if volume has remained trending down. 2020 started off relatively strong, all things considered, although closes at the start of the year can be an outlier given fund manager's timing strategy. Going forward, the \$5 billion amassed should provide plenty of fuel for fund managers should they be able to navigate the increasingly complex landscape.

Primarily larger funds close in Q1

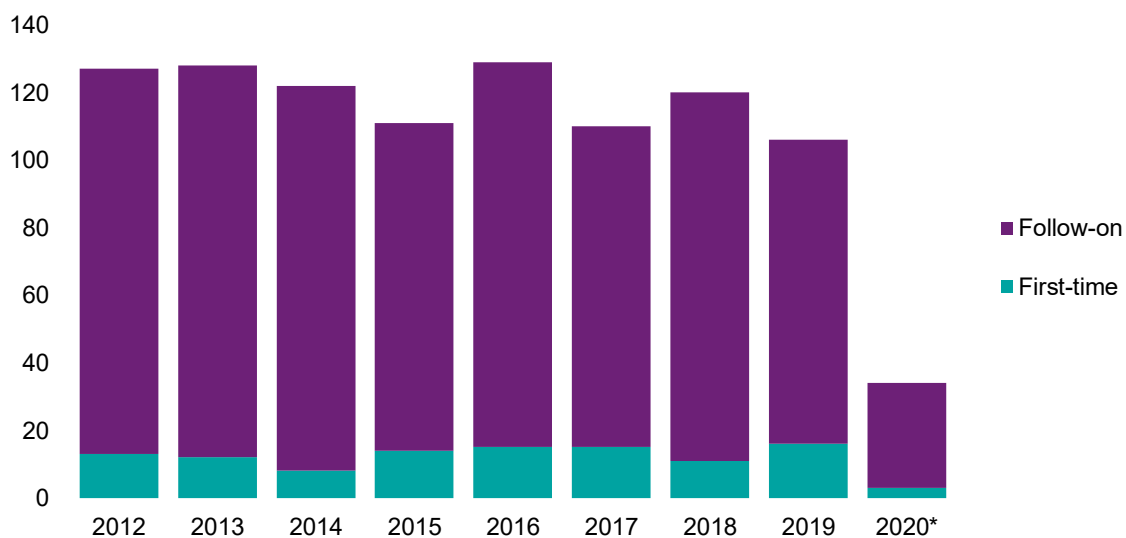
Venture fundraising (#) by size in Europe

2012–2020*



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

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.

Q1 2020 resurges before impacts may occur

Venture financing in the United Kingdom 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.

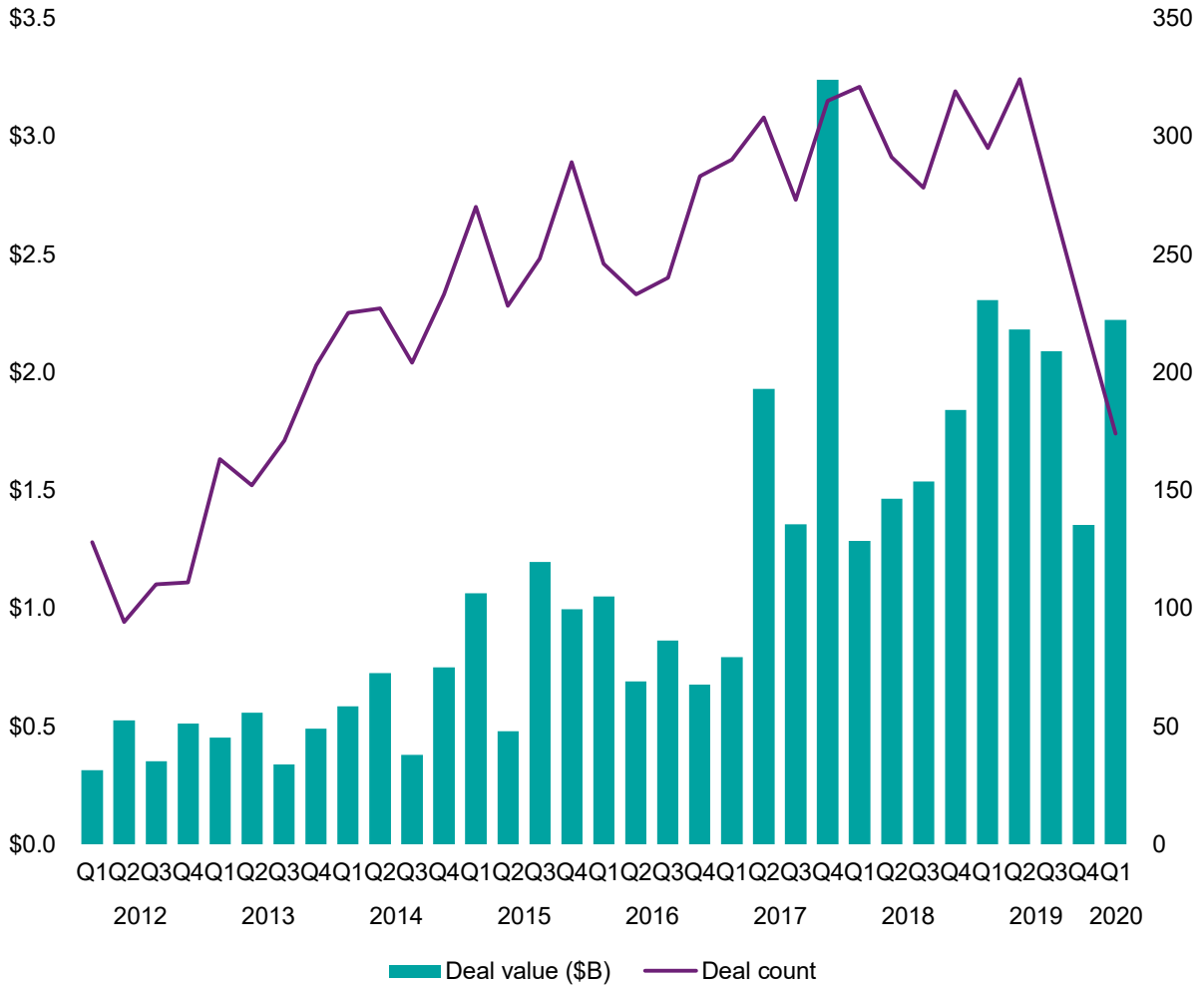
“VC investors recognize the strength of the UK scale up ecosystem particularly in areas like fintech and biotech. We continue to see a drop in deal volumes, especially with early stage businesses — a trend that you cannot help feel will continue in a post Covid19 world.”



Tim Kay
Director, KPMG Private Enterprise
KPMG in the UK

London once again sees divergence

Venture financing in London 2012–Q1'20

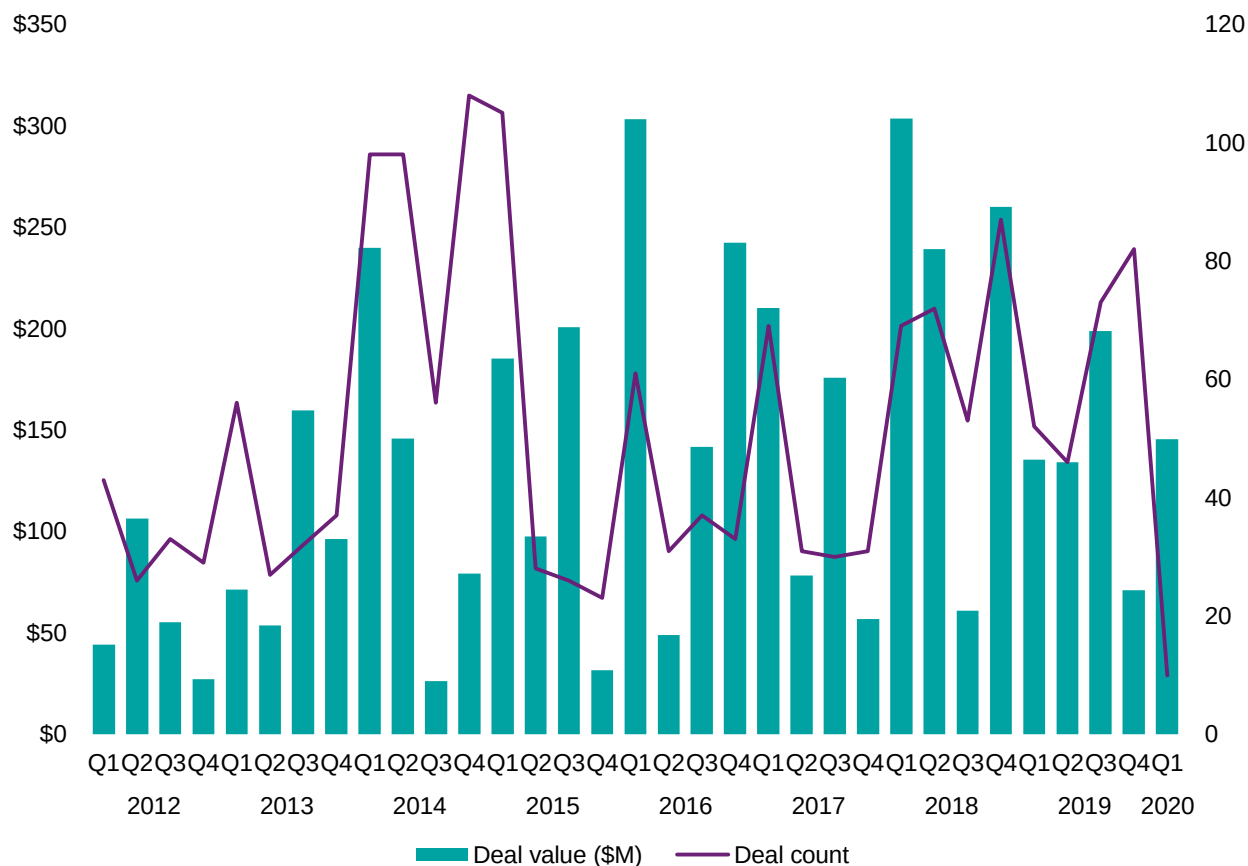


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

The resurgence in VC invested in Q1 2020 coincided with another quarter-over-quarter decline in the tally of deals closed. While trends were heading downward even prior to the impact of COVID-19, it remains to be seen how much further a drop may take the London ecosystem, given that it is a strong global hub and resilient aspect of economy in the UK.

Ireland's VC scene remains as variable as ever

Venture financing in Ireland 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 Irish venture ecosystem once again saw significant variability in both venture volume and capital invested, although the resurgence in the latter is primarily due to the \$80 million raise by business/productivity software developer Fenengo.

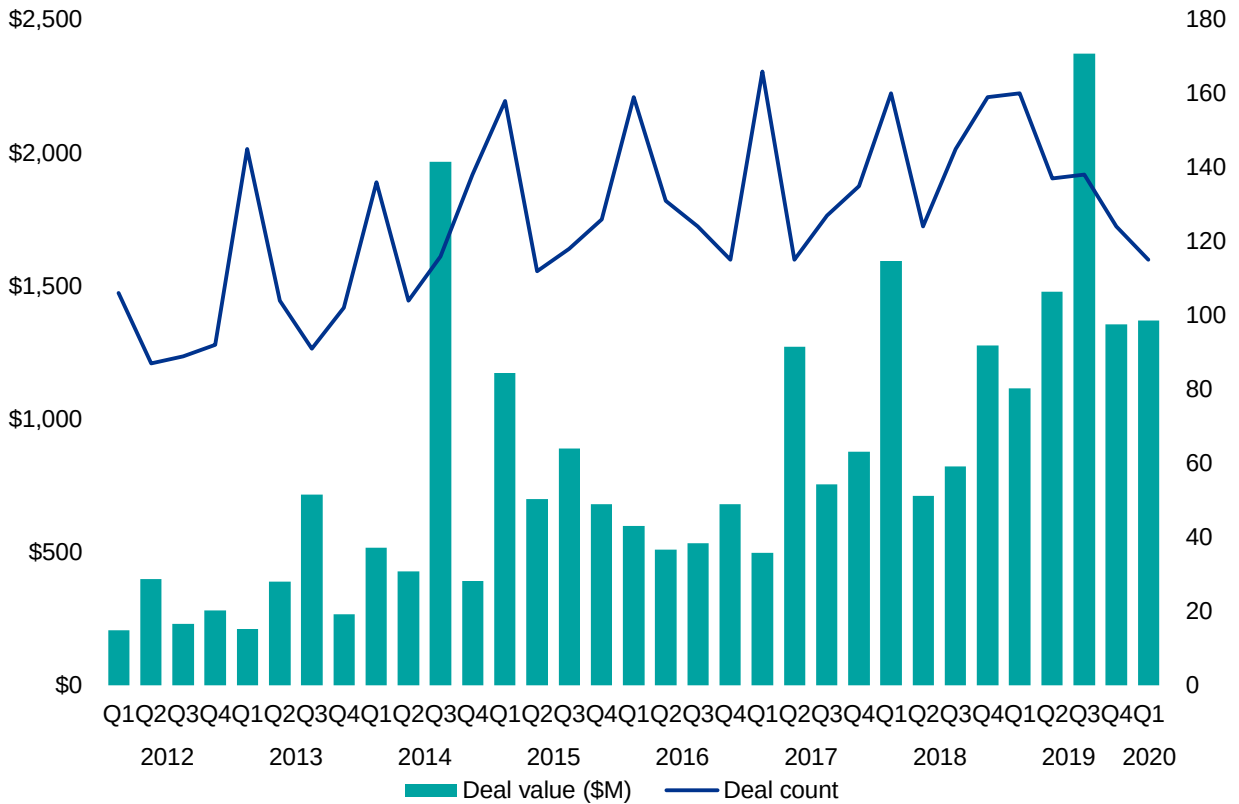
“Young startups are going to be hit particularly hard by the current situation because they are more high risk and come with a much longer lead time before we can see their products and services getting to the market. I think there is a very significant risk that early stage companies are going to miss out on the opportunity to get funded.”



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

Q1 proves steady in Germany

Venture financing in Germany 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 Germany venture ecosystem has held steady in terms of capital attracted for some quarters now, even experiencing a record single quarter toward the end of 2019. Volume has trended downward, however not by much relative to historical tallies. Q1 2020 clearly was not impacted overmuch by increasing concerns or fallout from COVID-19.

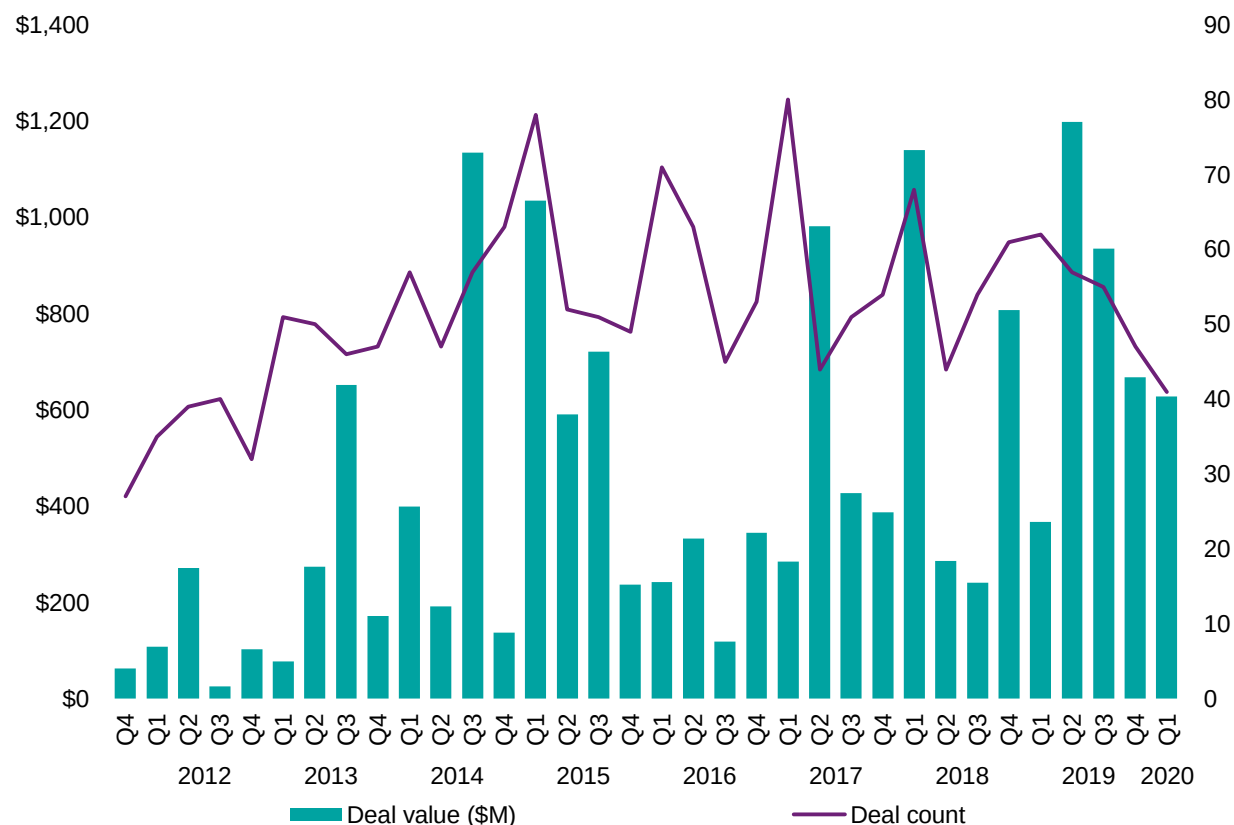
“In January and February, Germany had a very strong venture capital market. Due to corona crisis, many companies will be pausing their investments and looking to manage the impact of COVID-19 on their organization or their portfolio companies. Further investments will also be dependent on the access and use of government grants, which is provided by German institutions to tackle the crisis for startups.”



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

Berlin sees volume slide as capital still flows

Venture financing in Berlin 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.

Although not as steep as the decline between Q3 and Q4 2019, the fourth consecutive down quarter for Berlin venture activity is intriguing, potentially hinting at a focus by VCs on later-stage fundings given the healthy tallies of VC invested, or perhaps a shuffle toward safety. That may turn into a stampede once the full impacts of the oncoming pandemic are realized.

“Over the next month or two, VC investors will likely need to decide whether to provide additional financing to help startups bridge the pandemic. In order to do this, they will need to make some very hard decisions as to whether specific business models will be able to survive COVID-19. The future could look radically different from the past, so VC investors will likely be very cautious with their decision making.”



Tim Dümichen
Partner
KPMG in Germany

Spain sees stark drop to start 2020

Venture financing in Spain 2012–Q1'20

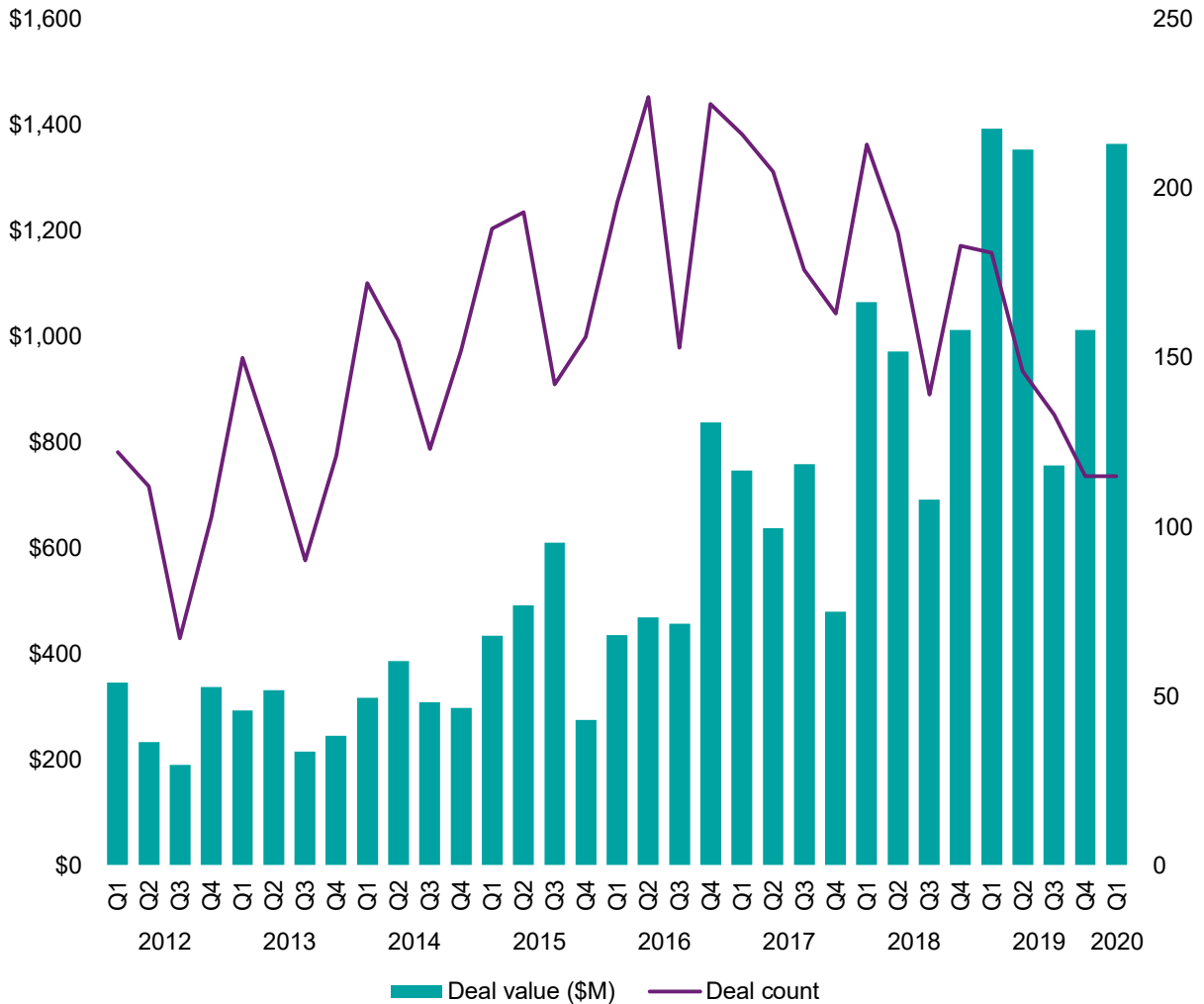


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

As of the start of April 2020, Spain remains one of the nations hardest hit by COVID-19. Even though that intensified very recently as of the time of this publication, it is difficult to see how that did not take a toll on the rate of venture funding in Q1, especially relative to historical norms.

France sees mega-rounds in Q1

Venture financing in France 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 past two years have seen a boom in VC invested for France as a bevy of companies matured and continued to rake in large late-stage rounds. That trend carried through into Q1 2020, with no fewer than four companies pulling in rounds of at least \$100 million or more, even as volume stayed steady. Now, it remains to be seen how much of an impact the full fallout from the COVID-19 pandemic may make.

Q1 resurges before any impact transpires

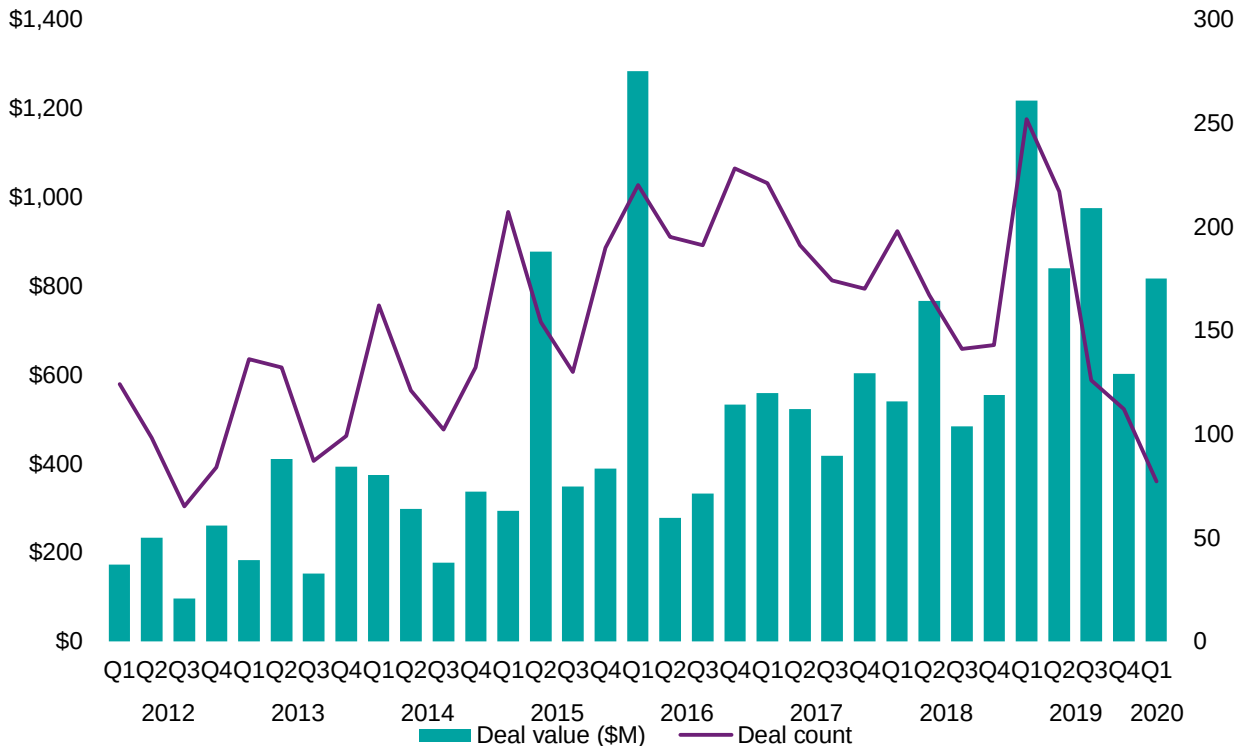
Venture financing in Paris 2012–Q1'20



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.

Late-stage companies boost VC invested

Venture financing in the Nordics 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 Nordics venture ecosystem turned in some intriguing results for 2019, with mega-rounds bolstering VC invested totals even as volume collapsed. That trend held steady into the first quarter of 2020, with Klarna and KRY both cracking the top 10 venture financings in Europe by size for the period. It remains to be seen whether and on what terms such rounds can still close even given an environment increasingly rife with uncertainty.

“Most startups in the Nordics will be somehow affected by COVID-19. Companies at the scaling phase might be severely limited in terms of their ability to do so with many borders closed, people not spending as much, corporations being busy with their own crisis management and weakened ability to conduct face-to-face sales. Attracting later-stage funding for growth could also be difficult at least over the next quarter or two with international investment and CVC activity expected to slow down and VC investors potentially needing to prioritize bridge rounds for companies already in their portfolio.”



Jussi Paski
Head of Startup Services
KPMG in Finland

Second-highest VC invested as volume drops

Venture financing in Israel 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.

"In Q1 2020, when COVID-19 emerged, we have been seeing a number of VCs in Israel supporting their promising portfolio companies by infusing cash, in order to avoid the need to perform fund raisings rounds based on significantly declined valuations. Whether this will be sustainable if the crisis extends for a lengthy period of time is a key question, but for the short-term it could help mature startups avoid the need to fundraise at a particularly inopportune time."



Dina Pasca-Raz
Partner,
KPMG in Israel

Q1 sees geographically diverse top fundings



Top 10 financings in Q1'20 in Europe

- | | |
|--|---|
| 1 Revolut — \$500M, London
Financial software
Series D | 6 Immunocore — \$168.5M, Abingdon
Biotechnology
Series B |
| 2 Lilium — \$240M, Wessling
Air
Early-stage VC | 7 Frontier Car Group — \$168M, Berlin
Consumer products
Series D |
| 3 AppsFlyer — \$210M, Hertzelia
Business/productivity software
Series D | 8 KRY — \$155.9M, Stockholm
Healthtech
Series C |
| 4 Klarna — \$200M, Stockholm
Financial software
Late-stage VC | 9 LumiraDx — \$151.8M, London
Healthtech
Early-stage VC |
| 5 Colonies — \$196.6M, Paris
Real estate technology
Early-stage VC | 10 Graphcore — \$150M, Bristol
Semiconductors
Series D2 |

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



Private Enterprise



Global



US



Americas



Europe



Asia



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

\$16.5B

across

837 deals



VC investment in Asia drops to twelve-quarter low

After a resurgence in VC investment in Q4'20, Asia saw VC investment drop to a twelve-quarter low in Q1'20 despite three \$1 billion+ mega-rounds. As COVID-19 emerged and spread throughout the region, the number of VC deals plummeted as VC investors, particularly in China, hit the pause button on deals.



Ride-hailing competitors attract two of the largest deals in Asia in Q1'20

Q1'20 saw four \$500 million+ deals in Asia, including two deals in Southeast Asia. Indonesia-based Gojek's \$3 billion raise was the largest deal of the quarter; the massive raise was a testament to the scale of the fight for the Southeast Asian ride hailing market. Gojek's regional competitor, Singapore-based Grab, also raised \$886 million in Q1'20.

China-based live video streaming company Kuaishou also raised \$3 billion during Q1'20 in a deal led by Tencent. The deal was first announced in December 2019, suggesting it was close to completion even as COVID-19 began to take hold¹⁸. Education platform Yuanfudao raised \$1 billion in a round also led by Tencent on the last day of Q1'20. The deal suggests the rapid increase in interest and use of education platforms due to COVID-19.

While significantly smaller compared to other jurisdictions within Asia, VC investment in Australia rose for the fourth straight quarter to \$429 million — in what was the country's second highest quarter of VC investment next to Q2'14. The country's largest round of the quarter was a \$160 million raise by digital bank Xinja.



VC investment in China struggles amid COVID-19 challenge

China bore the brunt of COVID-19's impact throughout Q1'20, as evidenced by its drop in total VC investment to a twelve-quarter low, and a drop in the number of VC deals to a level not seen since Q4'14. The substantial drops came despite the megarounds raised by Kuaishou (\$3 billion) and Yuanfudao (\$1 billion).

The majority of sectors in China saw downward trends in VC investment during the quarter, however, edtech, life sciences and biotech, and logistics companies continued to attract attention, likely due to their relevance during the current situation. In addition to Yuanfudao's funding round, edtech company YunXueTang raised \$100 million during the quarter. Several life sciences companies also raised rounds in Q1'20, including Transcenta Holding (\$100 million), CANbridge Life Sciences (\$98 million), and CF PharmTech (\$89 million).

While the economy in China saw some signs of recovery at the end of Q1'20, the outlook for the next quarter remains very concerning with consumption in China is expected to take a substantial amount of time to recover. China's central government is currently undertaking significant efforts to help stimulate the economy.

¹⁸ <https://asia.nikkei.com/Business/Business-deals/Tencent-leads-Kuaishou-s-3bn-pre-IPO-funding>

Asia sees steep drop in VC investment due to COVID-19



Following record Q4'20, VC investment in India falls

VC investment in India fell sharply in Q1'20, in part due to economic and political uncertainty. Despite these challenges, India saw a number of good-sized deals. Edtech was a big winner in Q1'20 with Byju raising \$400 million, Unacademy raising \$110 million, and Aakash Educational announcing its acquisition of Meritnation. Mobility company Bounce also raised \$150 million.

Initially, India was not as affected by COVID-19 in Q1'20 compared to China. Concerns related to the pandemic grew later in the quarter, due in part, to the fact India receives a significant amount of VC investment from international VC firms and corporates. Already, India has seen deals deferred as these investors wait to see how COVID-19 will affect businesses. While the pipeline for deals is expected to remain relatively robust in India, deal flow is expected to become very slow, particularly in Q2'20.



Uncertainty in Hong Kong (SAR), but also optimism

Similar to public markets around the world, the Hong Kong Stock Exchange was rattled by the sudden emergence of COVID-19. This uncertainty is likely to continue given the widespread global challenges and uncertainty associated with the virus. Currently, businesses in Hong Kong (SAR) are focusing on managing the crisis. There is optimism, however, that VC and private equity investments in the region will improve particularly for technology, cloud communication solutions, health tech, and life sciences sectors in the coming quarters, given there is still enormous liquidity.



Shifting consumer behaviors could drive investment long-term

Given that COVID-19 has been shutting down a significant amount of economic activity and severely limiting the movement of people in and across jurisdictions in Asia, consumers are being forced to embrace new behaviors, such as online shopping, delivery, and e-commerce. These changing behaviors could have significant staying power over the longer term as people recognize how easy certain activities are. Over the long-term, this could drive much stronger investment in these spaces and more sustainable business models.



Trends to watch for in Asia

While VC investment in Q2'20 is likely to remain subdued given the ongoing challenges posed by COVID-19 globally and the potential threat of reintroduction of the virus, it is expected that a number of areas could start to see renewed investment. For example, AI has long been a hot area of investment in Asia; it could potentially see momentum rebuild quickly given its applicability for monitoring and tracking population health and disease spread.

Given that China was the first to respond to the COVID-19 crisis, they will be the one to watch heading into Q2 and Q3'20 as it could be a bellwether for how other economies around the world could recover once the COVID-19 crisis has lessened.

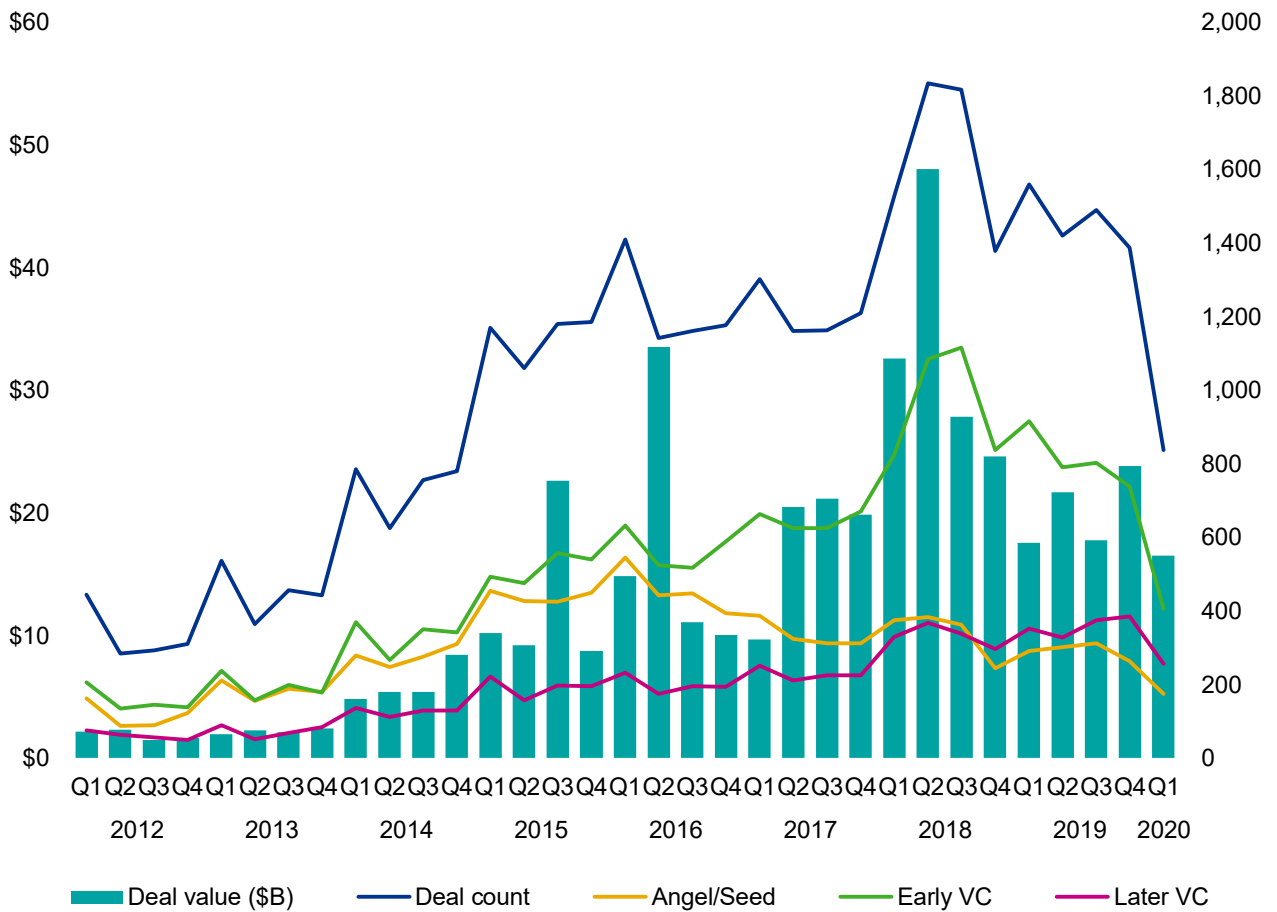
In India, while VC investment might be challenging in the short-term, it is expected to remain robust over the longer-term. Edtech is expected to remain a very hot sector of VC investment, in addition to autotech, and healthtech related to fitness. Gaming could also see an uptick in VC investment in India.



Q1 2020 holds steady in VC invested

Venture financing in Asia

2012–Q1'20



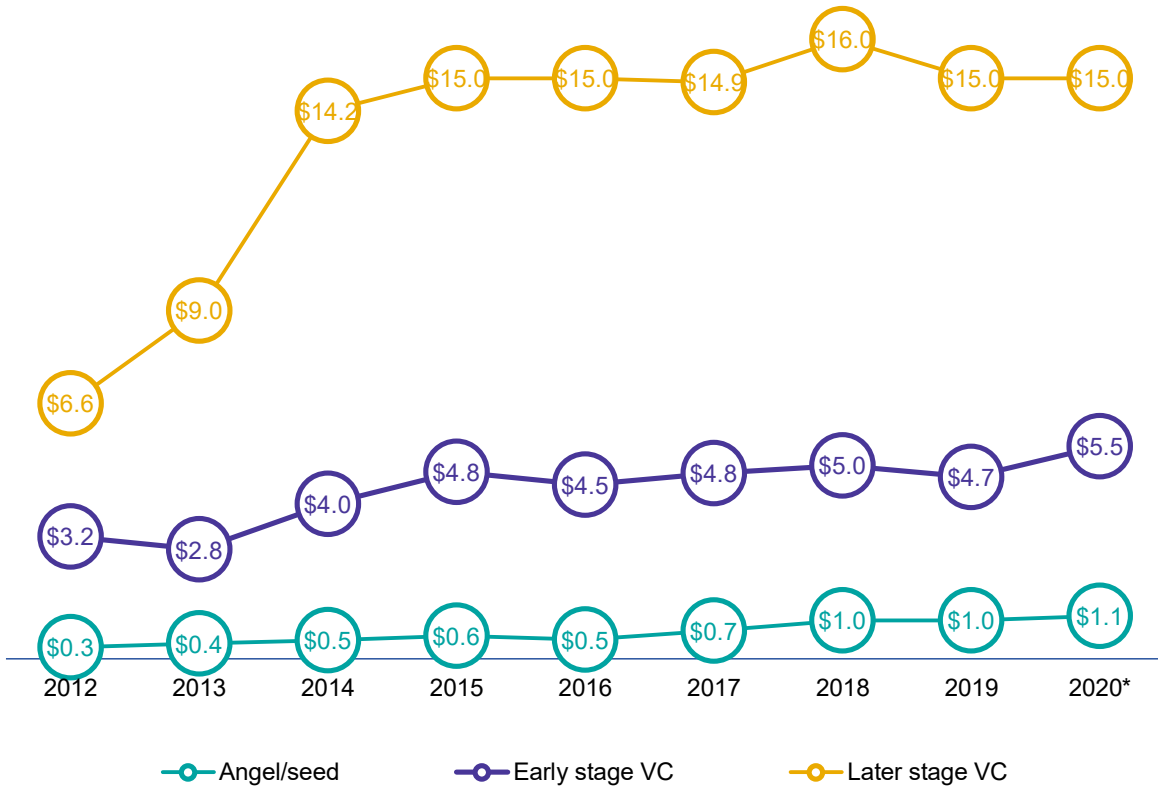
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

As opposed to nearly every other region examined in the report thus far, the Asia-Pacific ecosystem experienced more of the full effects of the COVID-19 pandemic than any other throughout the entirety of the period. However, VC invested staying robust relative to historical norms, despite a plunge in volume, does bode well.

2020 starts off steady

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

2012–2020*



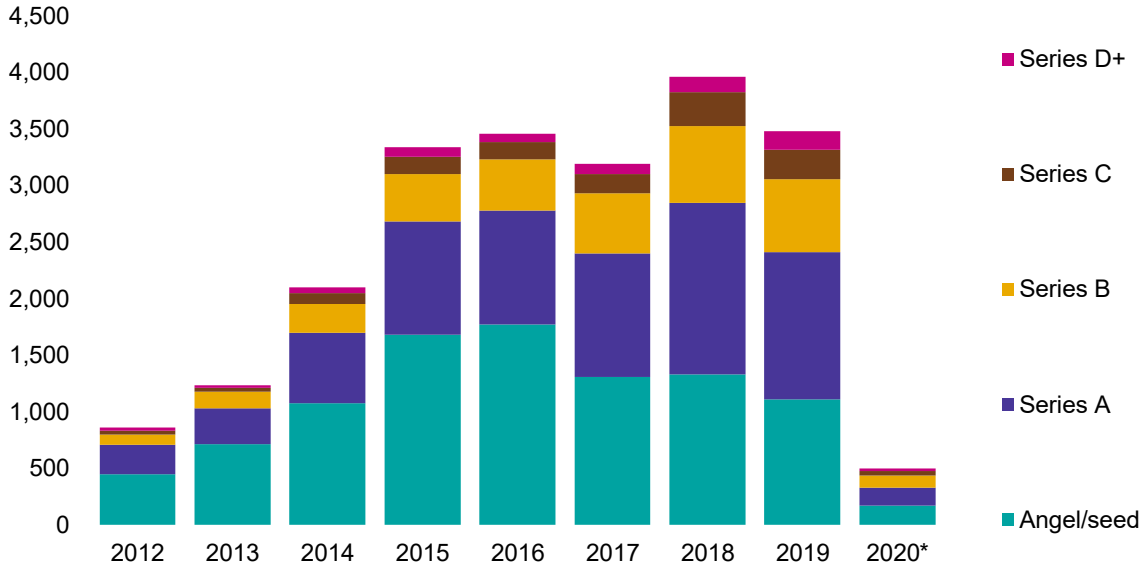
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

As volume recovered throughout 2019 by and large, tallies normalized, potentially pointing toward a more sustainable equilibrium as supply and demand evened out. That remained the case even heading into the start of 2020, with the early-stage financing statistic actually ticking upward slightly.

Earlier stages decline markedly

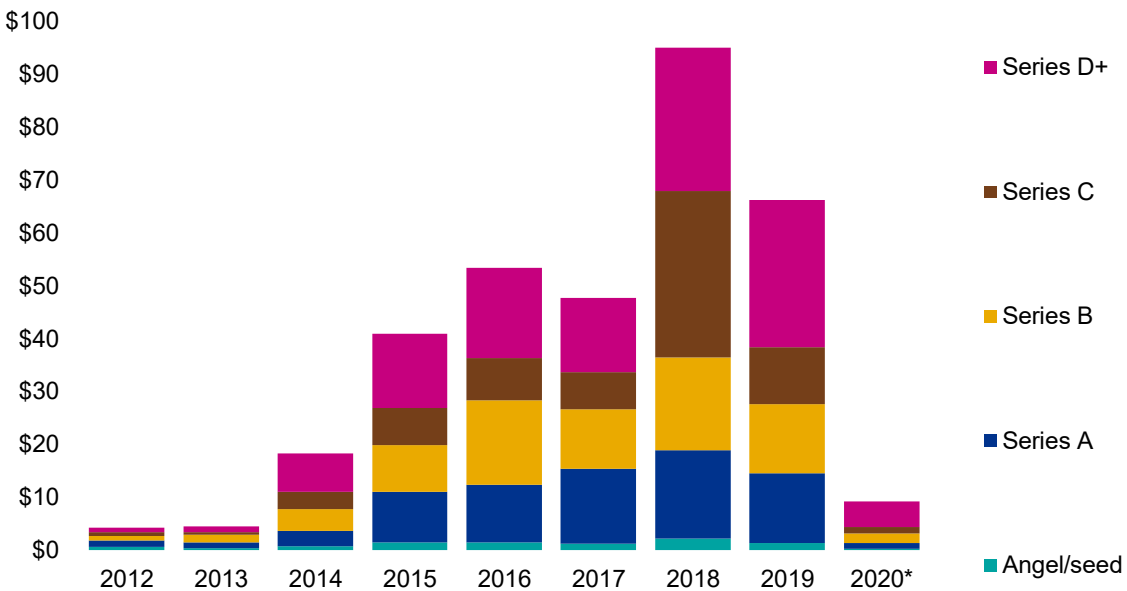
Deal share by series in Asia

2012–2020*, number of closed deals



Deal share by series in Asia

2012–2020*, VC invested (\$B)

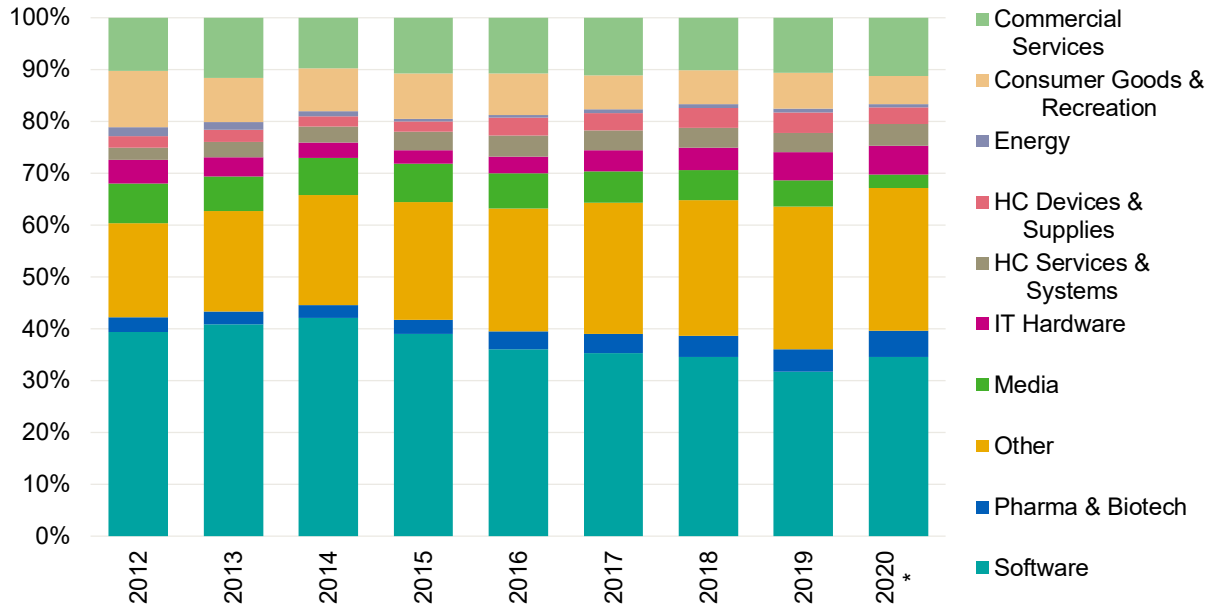


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Software bounces back in VC invested

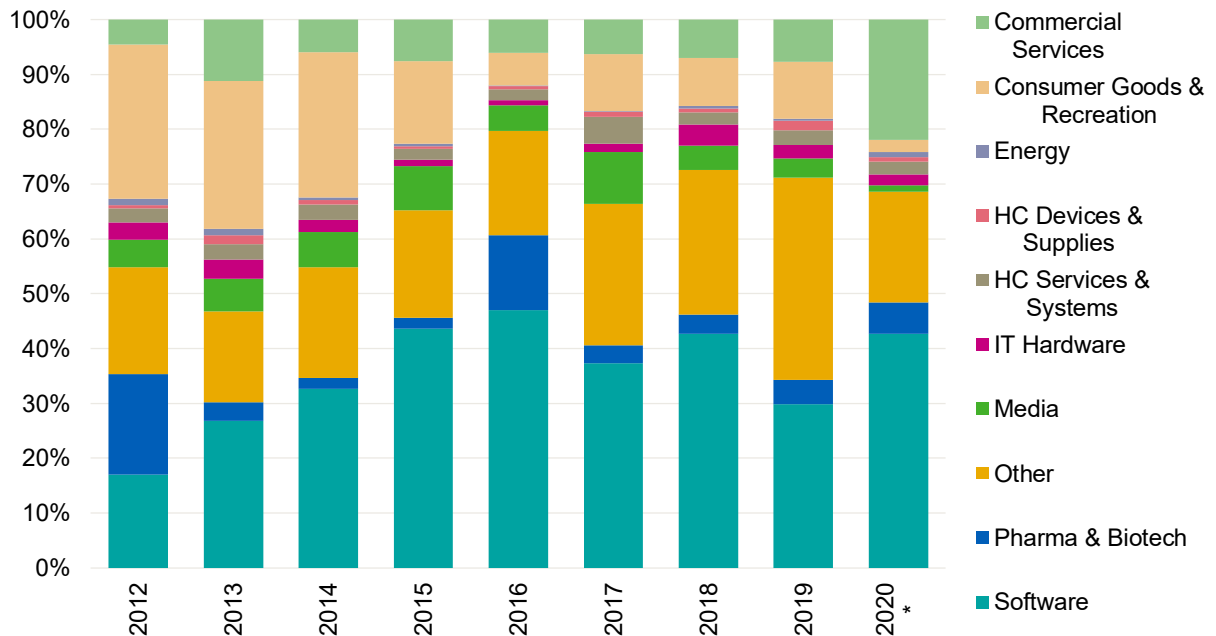
Asia venture financings by sector

2012–2020*, number of closed deals



Asia venture financings by sector

2012–2020*, VC invested (\$B)

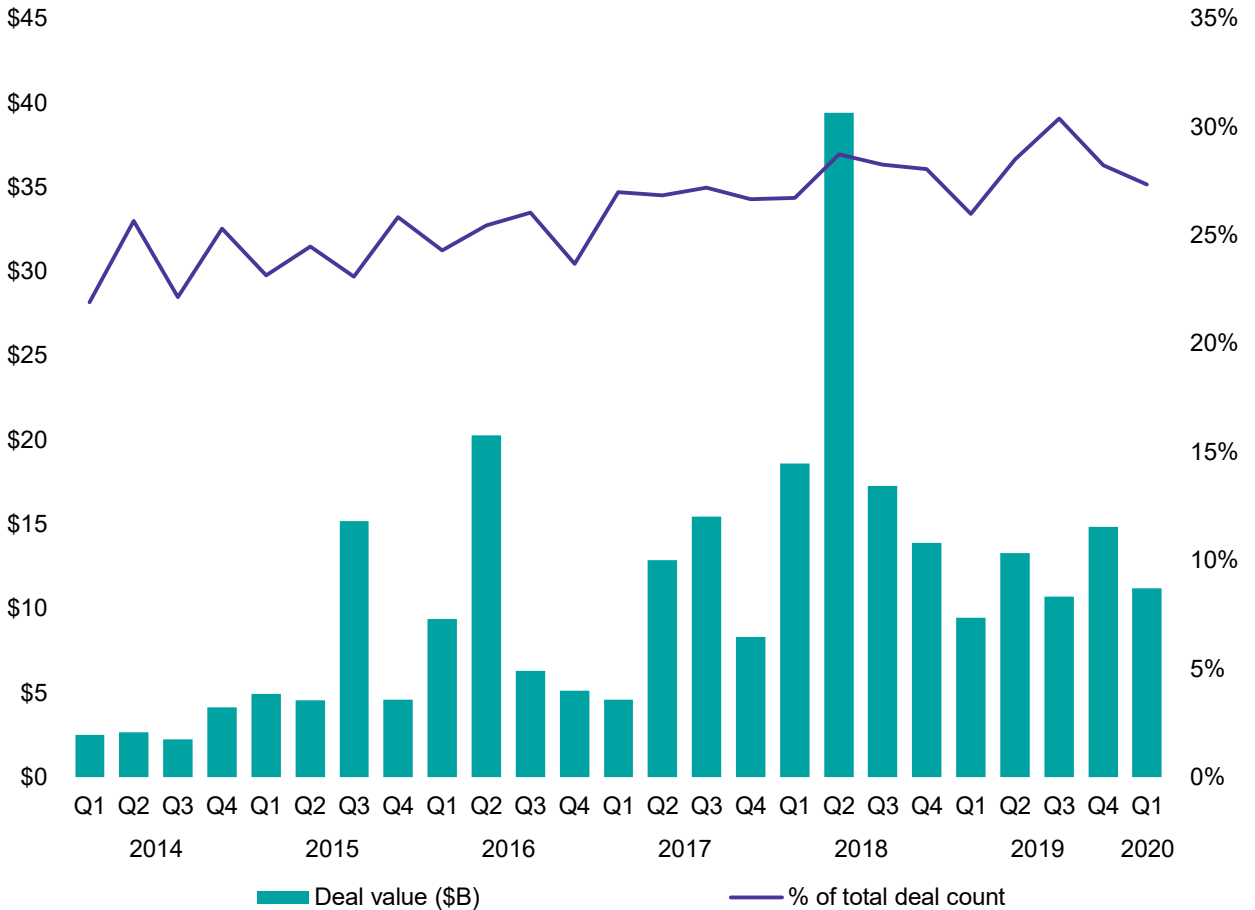


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Corporates hold their course

Corporate participation in venture deals in Asia

2014–Q1'20



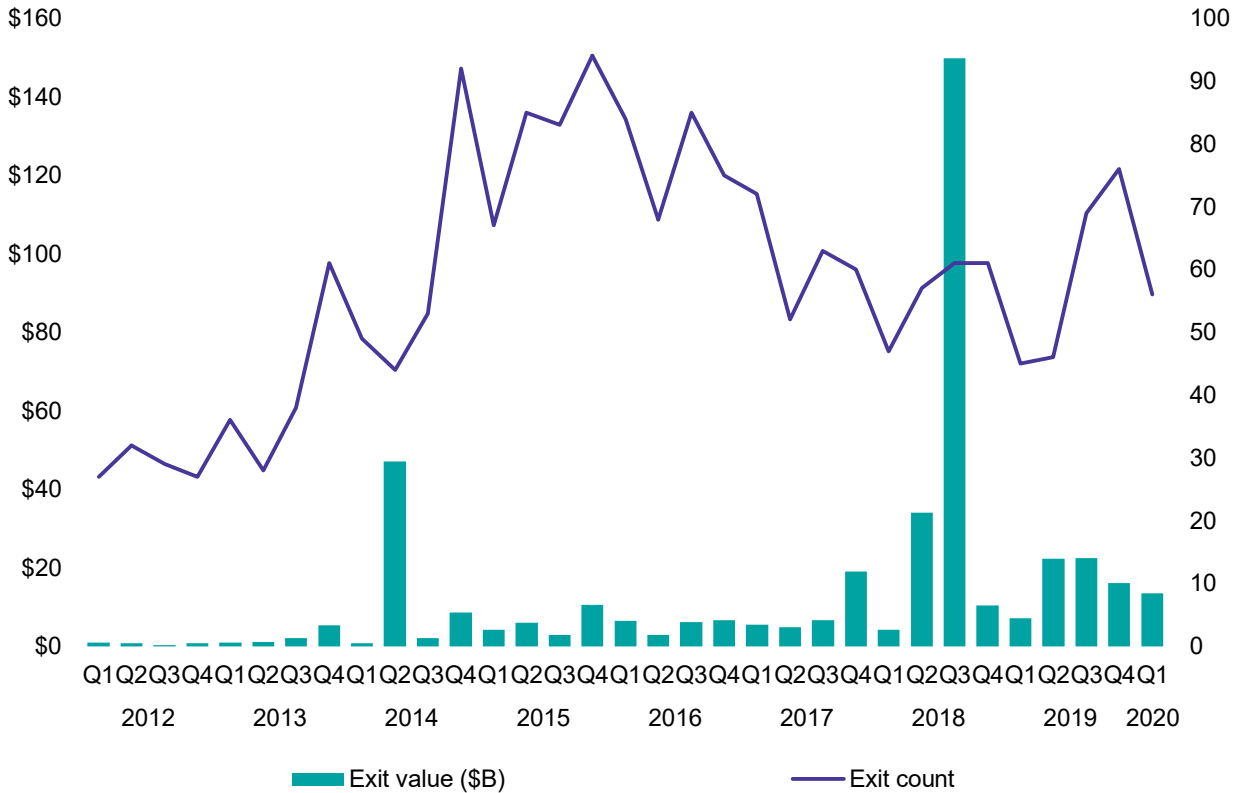
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

Corporations and their venture arms have been a mainstay of the Asia venture ecosystem for years, and they are holding their course to the benefit of the entire regional venture ecosystem. They didn't even slacken their participation much in Q1, which bodes well for ongoing health in 2020 despite any impacts from COVID-19.

Exits surge to end 2019

Venture-backed exit activity in Asia

2012–Q1'20



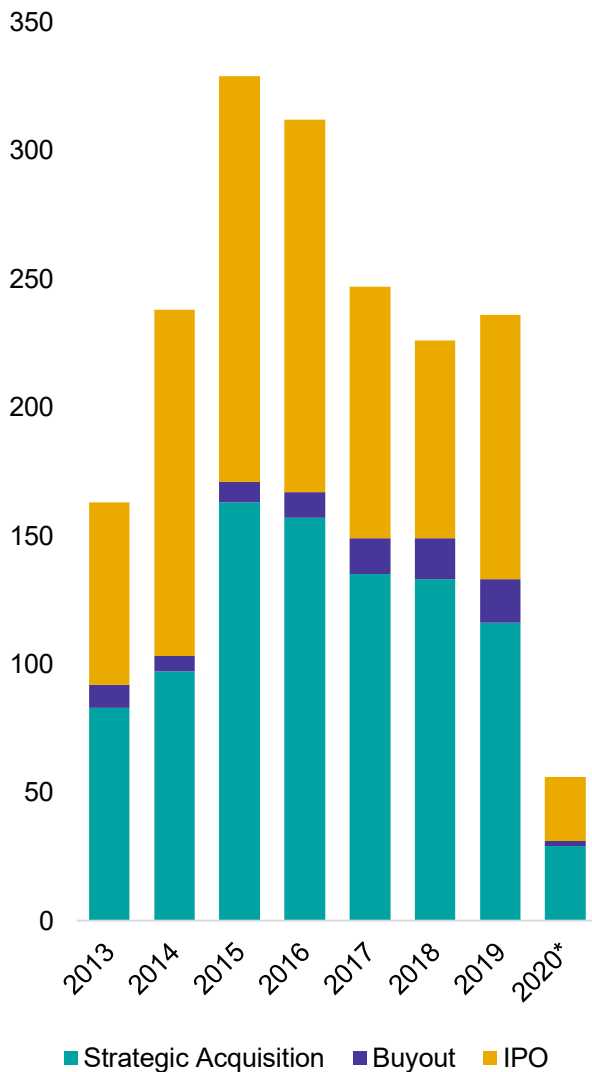
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 4/21/20.

Exits slid in volume but, relative to historical norms, still recorded a robust tally of exit value. Accordingly, once again, it could be a promising sign for the region's venture trends that despite the degree of impact from the COVID-19 pandemic in China, it did not overly impede liquidity.

IPOs create nearly all exit value in Q1

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

2013–2020*



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

2013–2020*

\$250

\$200

\$150

\$100

\$50

\$0

2013 2014 2015 2016 2017 2018 2019 2020*

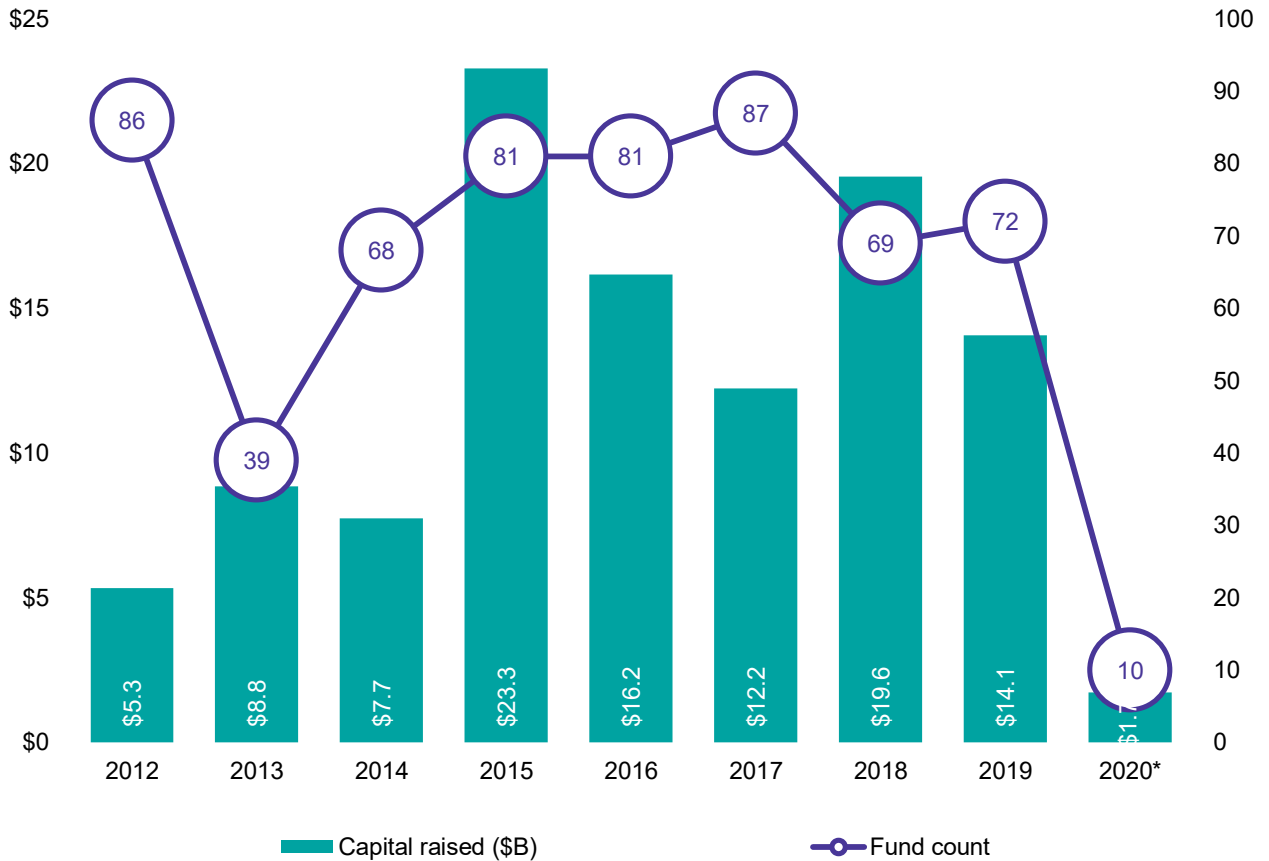
Strategic Acquisition Buyout IPO

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.

Fundraising slows at year's start

Venture fundraising in Asia

2012–2020*



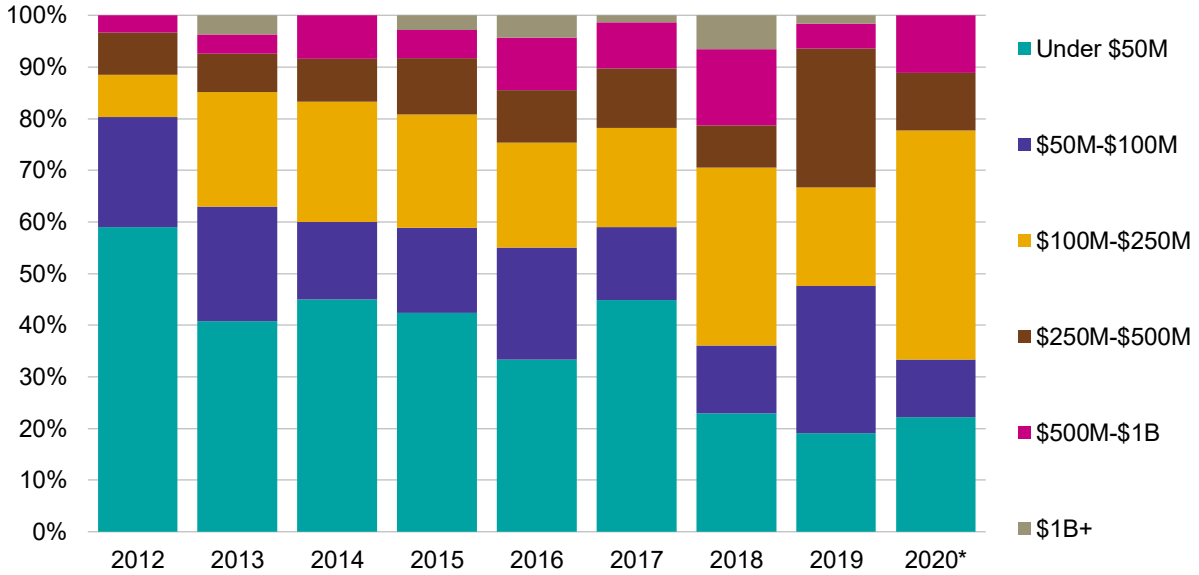
Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Fundraising is quite choppy on a quarterly basis for even established ecosystems, it's worth emphasizing once more. However, it is interesting to contemplate that it is possible the fundraising cycle alone saw most of the impact from the rise of the pandemic primarily in China and eventually in the rest of the region, as limited partners held off on committing to closes until ramifications became more apparent.

First-time funds tick upward in surprise start

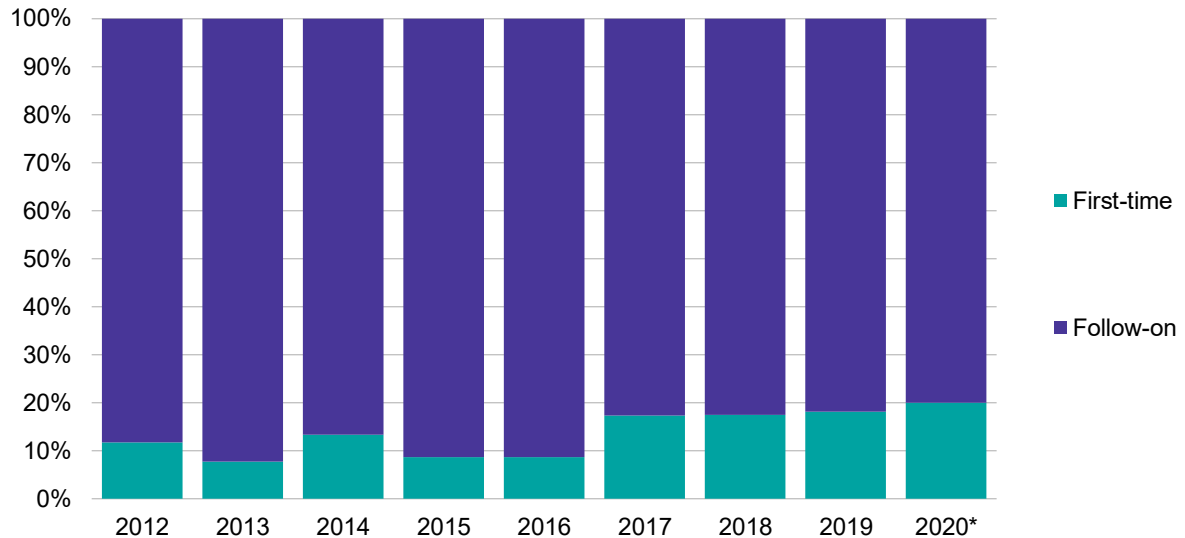
Venture fundraising (#) by size in Asia

2012–2020*



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

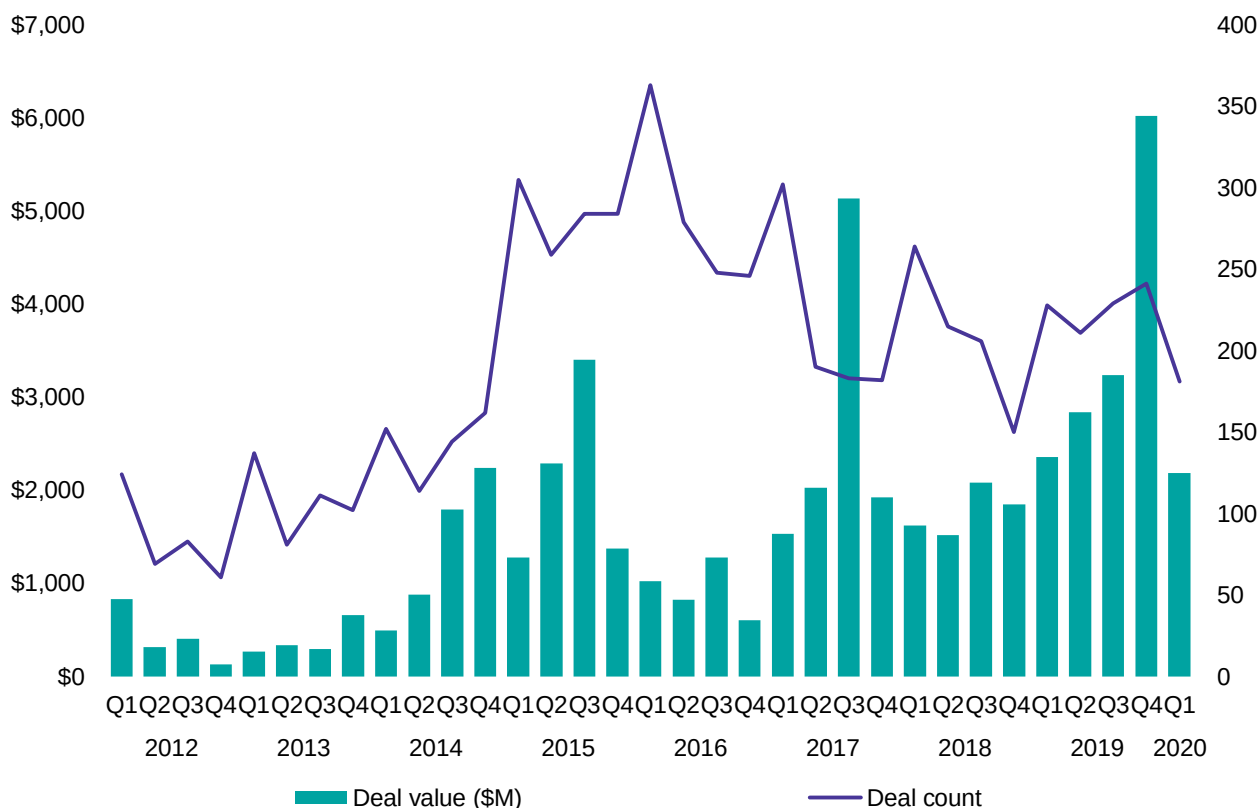
2012–2020*



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.

After record quarter, a relatively healthy start

Venture financing in India 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.

After steadily rising throughout 2019, India finally experienced a true record in terms of quarterly VC invested after additional financing details came to light. After such a mammoth tally, it is always worth noting that the volume and capital invested figures in Q1 2020 were quite healthy relative to historical norms. It remains to be seen how much the very recent lockdown of the entire nation will impact venture funding trends.

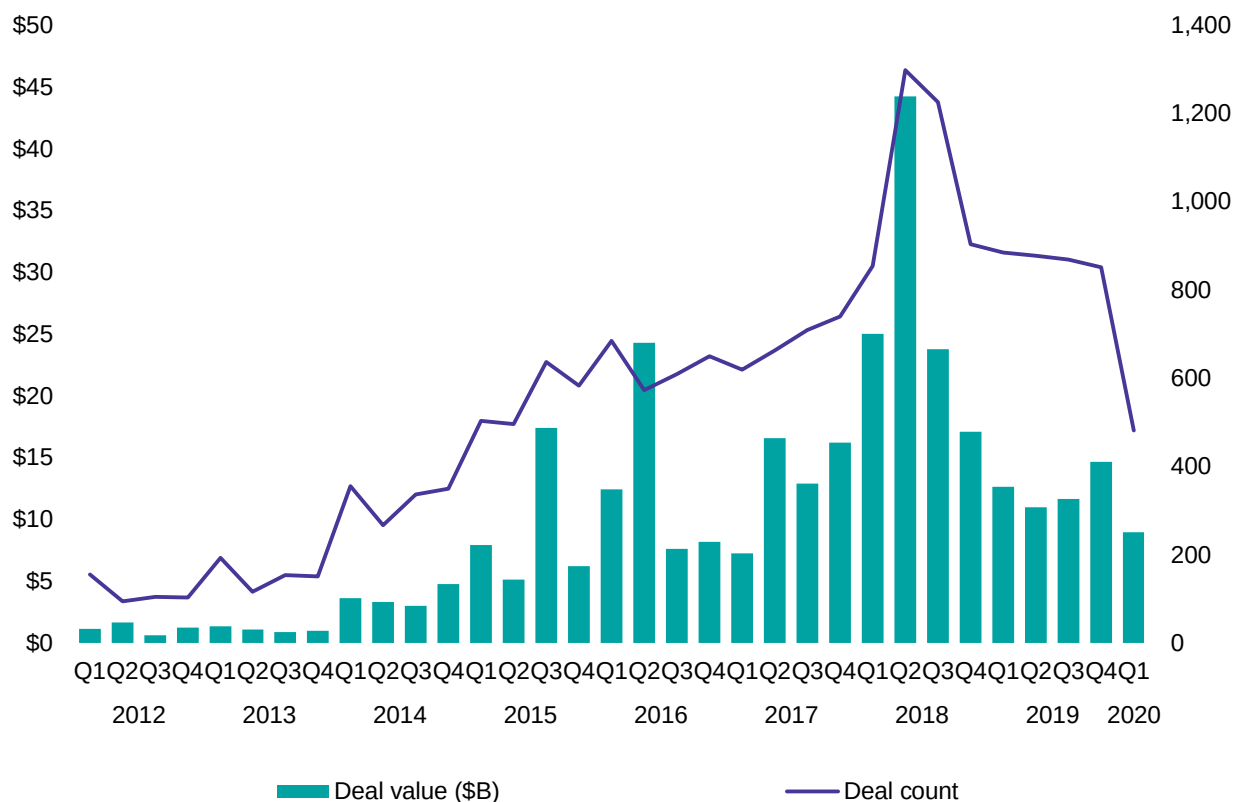
“VC investors are already starting to ask the question, ‘How will your business be impacted by COVID-19?’ This is a question everyone will be asking for the next few quarters. Here in India, we are beginning to feel the full impact of the virus. Over the next quarter, while the pipeline will likely remain strong, deal flow is expected to slow down. A lot of deals will probably get deferred to the later half of the year.”



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

China sees plunge in volume

Venture financing in China 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.

China followed an extraordinary 2018 with a robust number of deals closed and strong deal value in 2019. And, despite the obvious reason for the remarkably steep plunge in volume in Q1 2020, it is worth noting significantly sized deals still closed to keep VC invested relatively healthy.

“Many businesses in China have had to write off the entire first quarter this year because they're not generating any meaningful revenue. Underfunded startups have a very difficult time since fundraising is tough. However, being the first responder to what became a global pandemic, China government is taking the lead in combatting the personal and commercial consequences of COVID-19 with a host of targeted relief measures.”

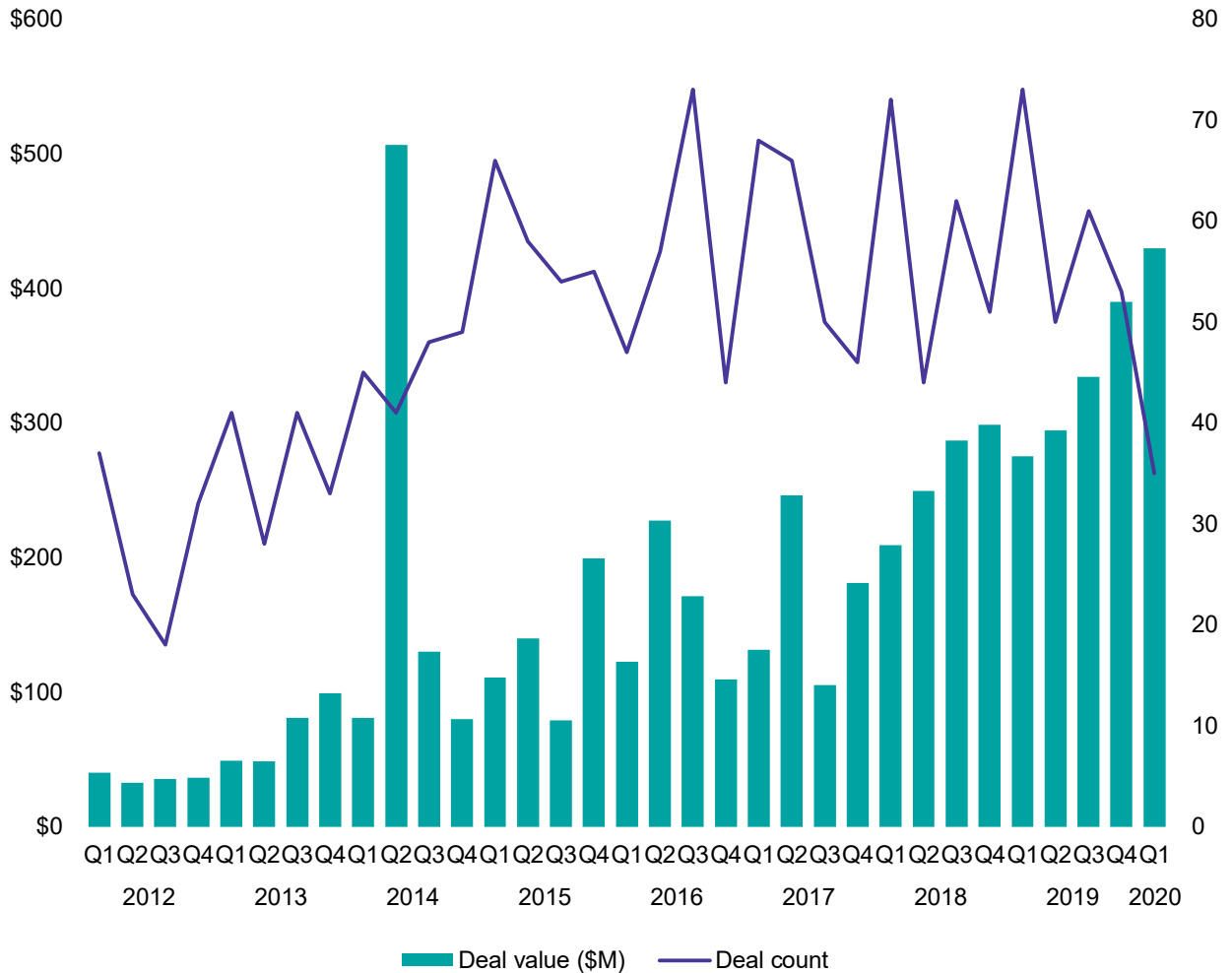


Irene Chu
Partner, Head of New Economy and Life Sciences, Hong Kong Region,
KPMG China



Second-highest tally ever, again

Venture financing in Australia 2012–Q1'20

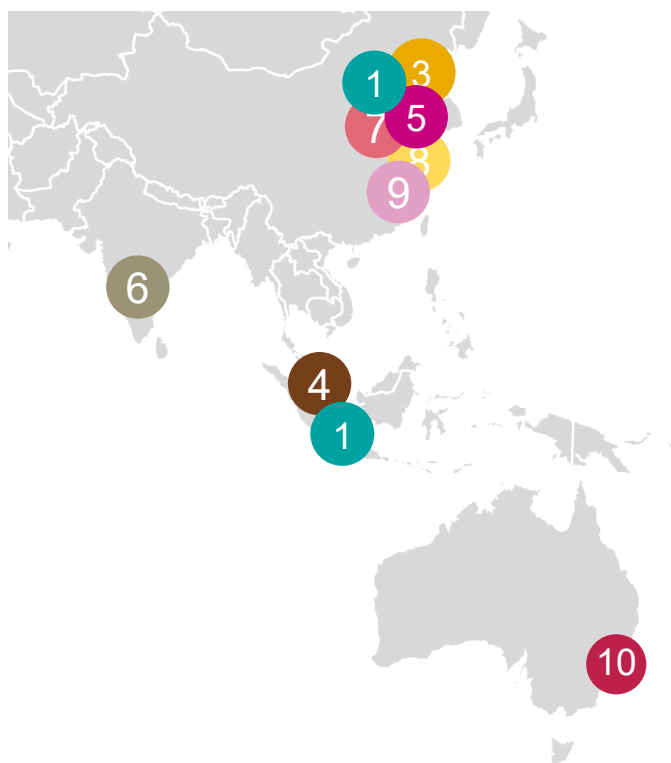


Source: Venture Pulse, Q1'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 3/31/20. Data provided by PitchBook, 4/21/20.

Boosted by one of the region's top 10 financings by size for Q1 2020, Australia has now enjoyed a remarkable stretch of VC invested growth between the end of 2017 and now. In fact, the past three quarters have each set a new second-highest tally of VC invested, despite significant variation in overall volume. Now, much like every other single nation mentioned, Australia has only to grapple with the potential knock-on effects from the COVID-19 pandemic.



China still sees healthy haul of mega-rounds



Top 10 financings in Q1'20 in Asia-Pacific

- | | | | |
|---|--|----|--|
| 1 | GO-JEK — \$3B, Jakarta Selatan
Ridesharing
Series F | 6 | Byju's — \$400M, Bengaluru
Educational software
Late-stage VC |
| 1 | Kuaishou — \$3B, Beijing
Application software
Late-stage VC | 7 | MiningLamp — \$300M, Beijing
Database software
Series E |
| 3 | Yuanfudao — \$1B, Beijing
Edtech
Late-stage VC | 8 | TELD New Energy — \$193M, Qingdao
Business/productivity software
Series A |
| 4 | Grab — \$886M, Singapore
Ridesharing
Late-stage VC | 9 | Hesai — \$173M, Shanghai
Electronic equipment
Series C |
| 5 | Ziroom — \$500M, Beijing
Real estate services
Late-stage VC | 10 | Xinja — \$160M, Sydney
Financial services
Late-stage VC |

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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About KPMG Private Enterprise

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Tim Dümichen, Partner, KPMG in Germany

Tim Kay, Director, KPMG in the UK



Methodology

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

Please note that the MESA and Africa regions are NOT broken out in this report. Accordingly, if you add up the Americas, Asia-Pacific and Europe regional totals, they will not match the global total, as the global total 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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