



Venture Pulse Q2 2020

Global analysis of
venture funding

22 July, 2020



Welcome message



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

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

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

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

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

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

We hope you find this edition of *Venture Pulse* insightful. If you would like to discuss any of the results in more detail, please contact a KPMG adviser in your area.

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KPMG Private Enterprise advisers in member firms around the world are dedicated to working with you and your business, no matter where you are in your growth journey — whether you're looking to reach new heights, embrace technology, plan for an exit, or manage the transition of wealth or your business to the next generation.

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Private Enterprise

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

\$35.6B

across

2,354 deals



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

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



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

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



US accounts for large majority of VC funding in the Americas

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



Canadian biotech and edtech companies shine in Q2'20

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

The strength of Canada's biotech industry was on display in Q2'20, with Vancouver-based antibody-focused treatment company AbCellera raising a \$105 million round to help it scale operations. AbCellera.¹ The large Series B round closely followed on the heels of AbCellera's announcement that the Government of Canada's Strategic Innovation Fund would provide up to \$175 million to support its development of antibody therapies for COVID-19 and other pandemic threats.² Montreal-based Ventus Therapeutics also raised \$60 million during Q2'20.

¹ <https://www.forbes.com/sites/alexknapp/2020/05/27/abcellera-raises-105-million-to-boost-drug-discovery-against-coronavirus-and-other-diseases/#7dd987572a6c>

² <https://www.abcellera.com/news/2020-05-03>

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

Edtech also received a strong boost in Canada during Q2'20, with Kitchener-based student recruitment platform ApplyBoard raising \$71 million³ in a deal that helped the company achieve coveted unicorn status. Calgary-based debt management and analytics firm Symend also raised \$52 million in the quarter in order to meet rising demand. The geographic diversity of Canada's largest deals during Q2'20 highlights the strong innovation ecosystem the country has developed.



VC investment drops in Brazil — fintech remains big bet

VC investment in Brazil fell sharply in Q2'20, driven primarily by deal-making challenges due to COVID-19. The delivery sector was one exception, with mature fintech CargoX raising a \$80 million Series E funding round. Fintech also remained a hot area of interest in Brazil. During Q2'20, the Central Bank of Brazil and the National Monetary Council released a resolution related to open banking, which the country plans to introduce in phases beginning in Q4'20 and into 2021.⁴



Trends to watch for in the Americas

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

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

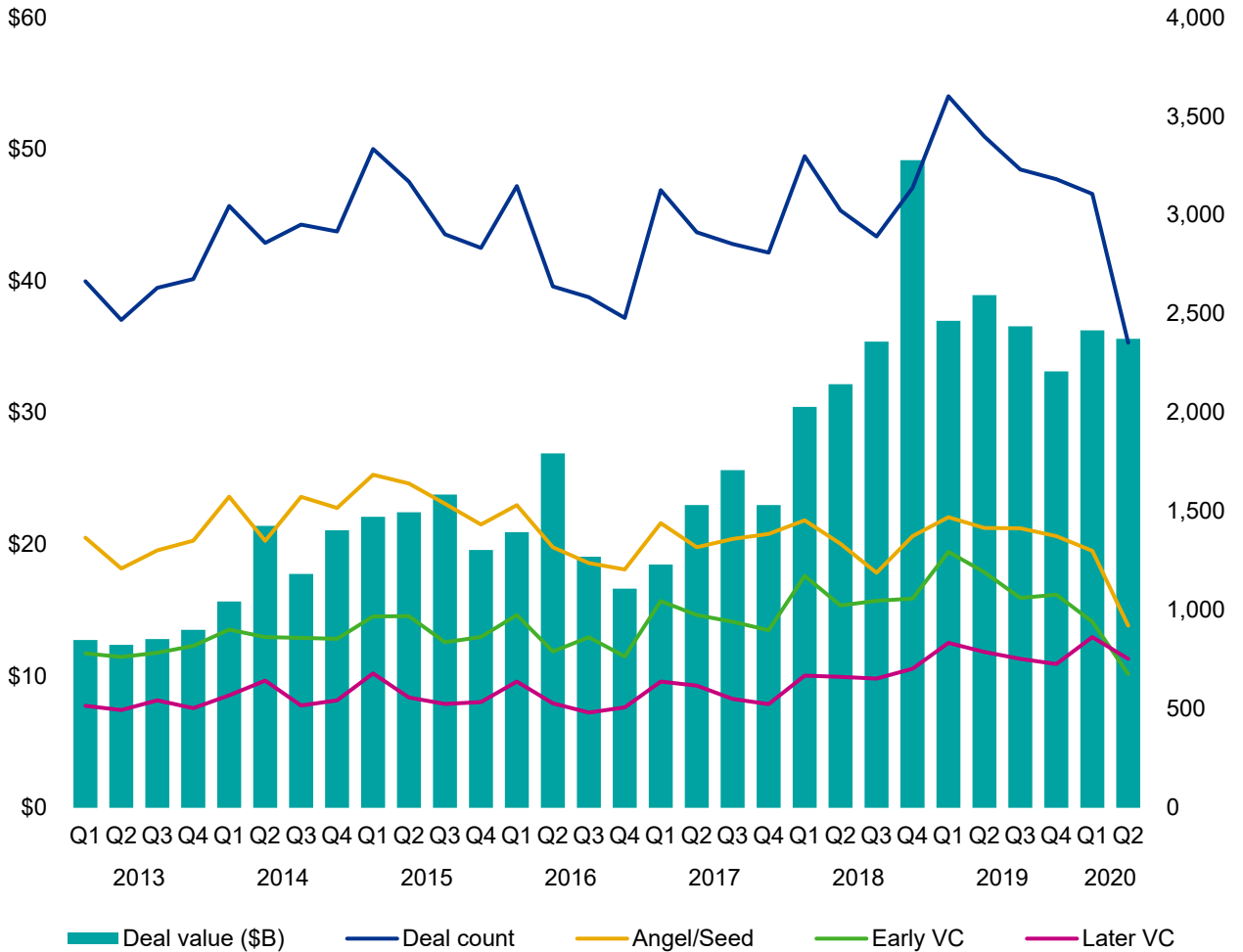
Across the Americas, early-stage businesses will likely continue to struggle to attract investment over the next quarter as investors remain focused on late-stage deals. This could cause significant challenges for early-stage companies without the cash reserves to weather the COVID-19 crisis. From a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

³ <https://www.thetechie.de/2020/05/applyboard-nabs-71-million-in-new.html>

⁴ <https://www.forbes.com/sites/angelicamarideoliveira/2020/05/08/the-brazil-tech-and-innovation-round-up-brazil-kicks-off-open-banking-venture-capital-investments-grow-e-commerce-sales-increase/#3da16b89181a>

A COVID-19 divergence

Venture financing in the Americas 2013–Q2'20



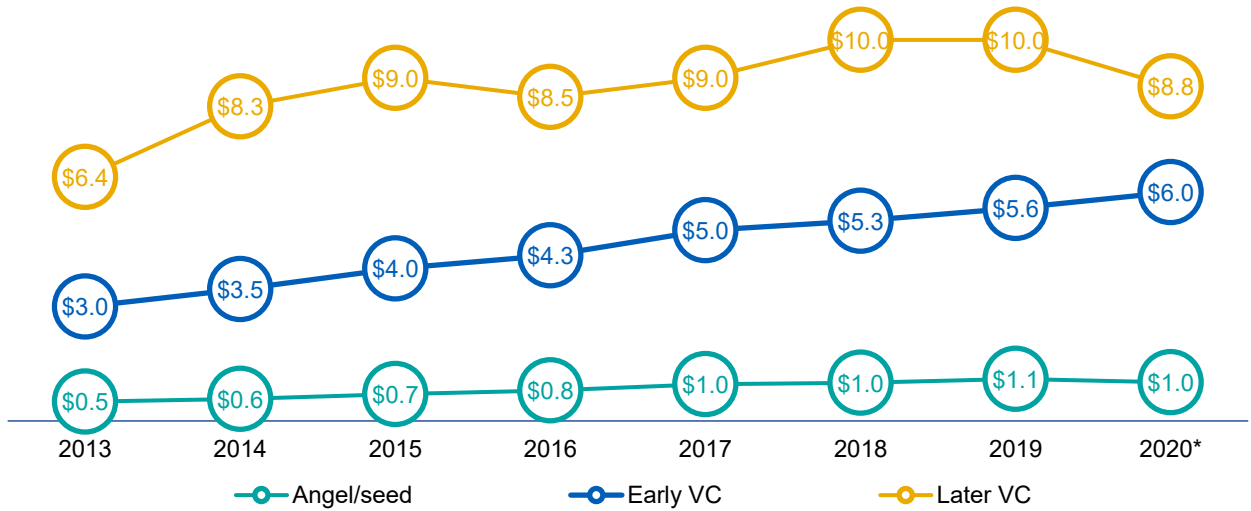
Source: Venture Pulse, Q2'20. Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.
 Note: Refer to the Methodology section on page 18 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

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

Mild slides in deal sizes

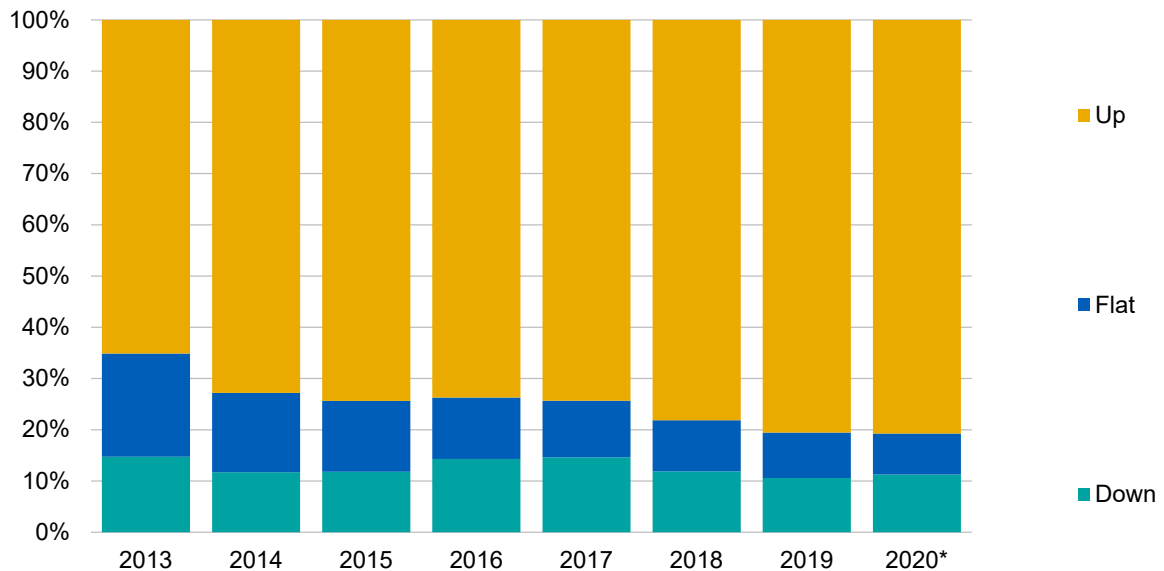
Median deal size (\$M) by stage in the Americas

2013–2020*



Up, flat or down rounds in the Americas

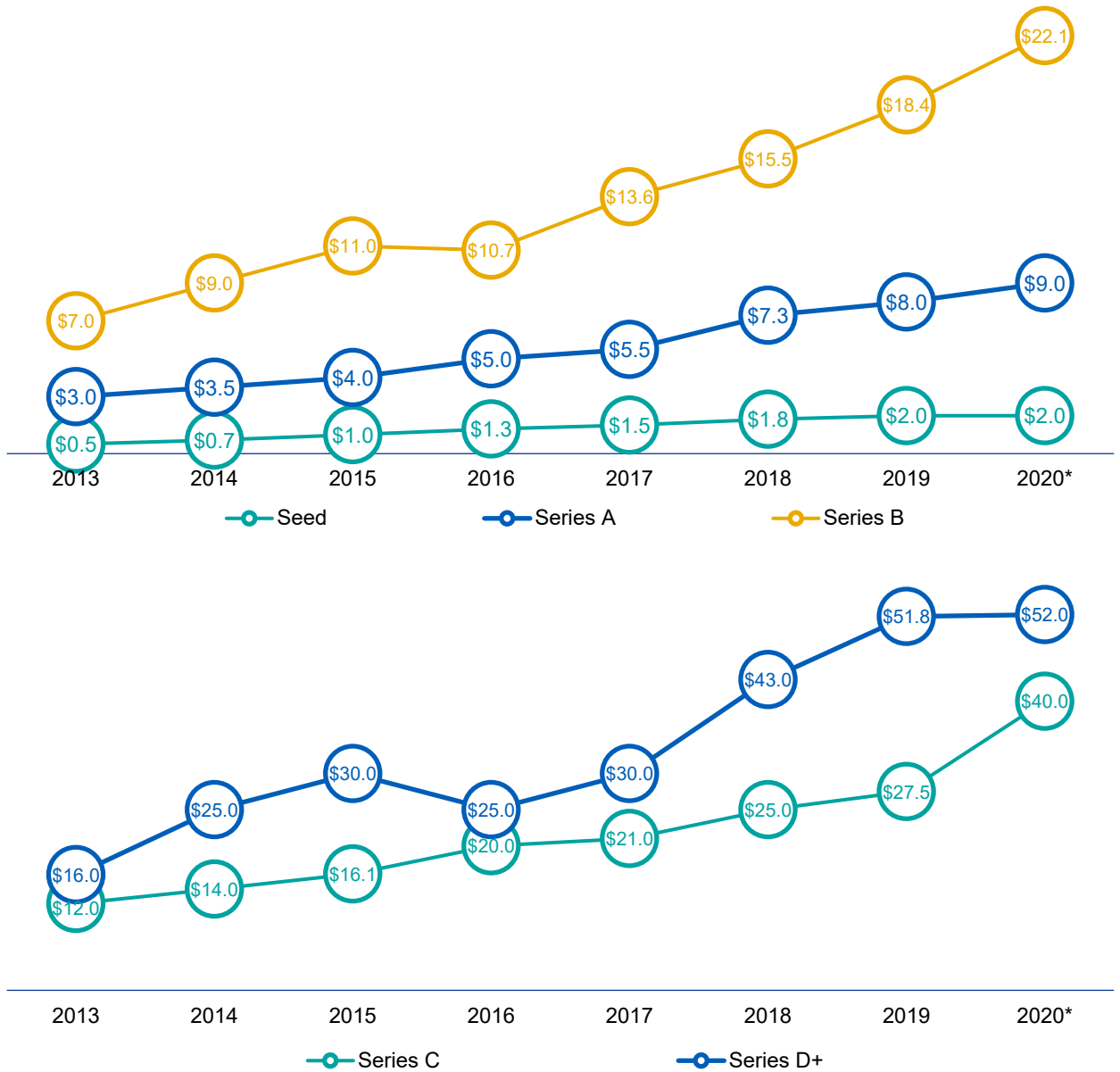
2013–2020*



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

Most metrics hold steady

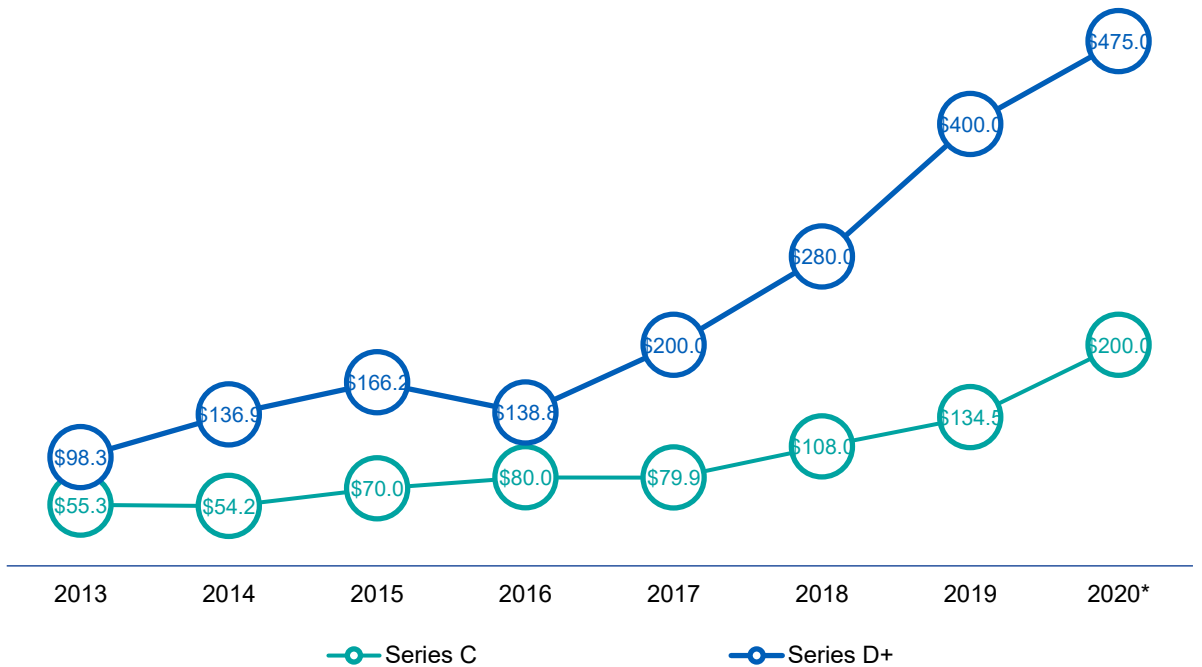
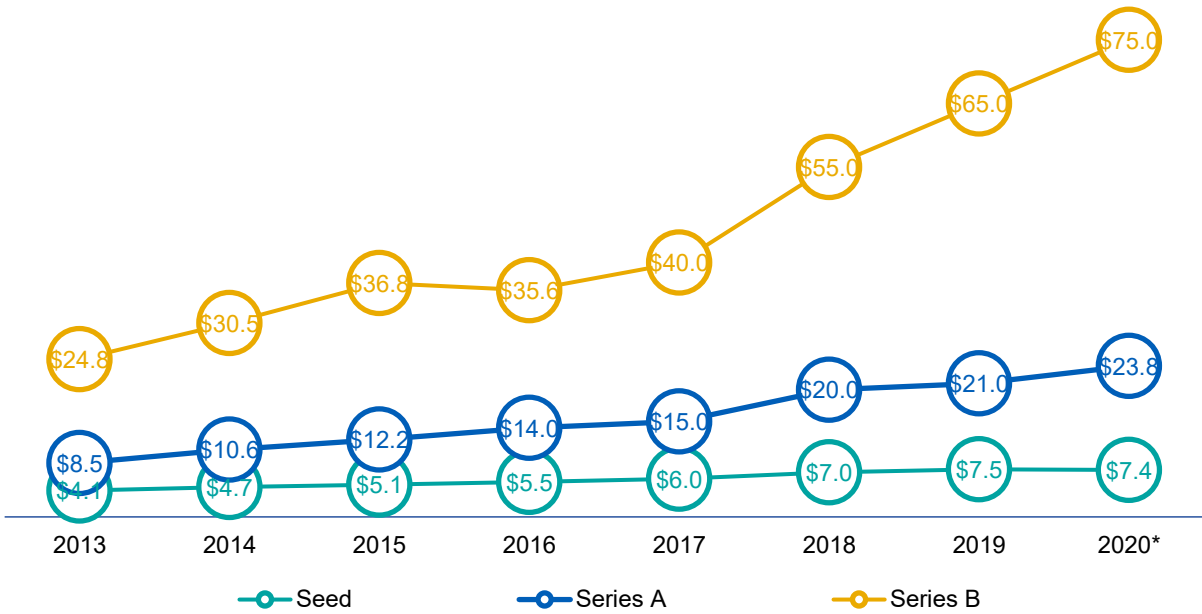
Median deal size (\$M) by series in the Americas
2013–2020*



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

Records remain intact

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

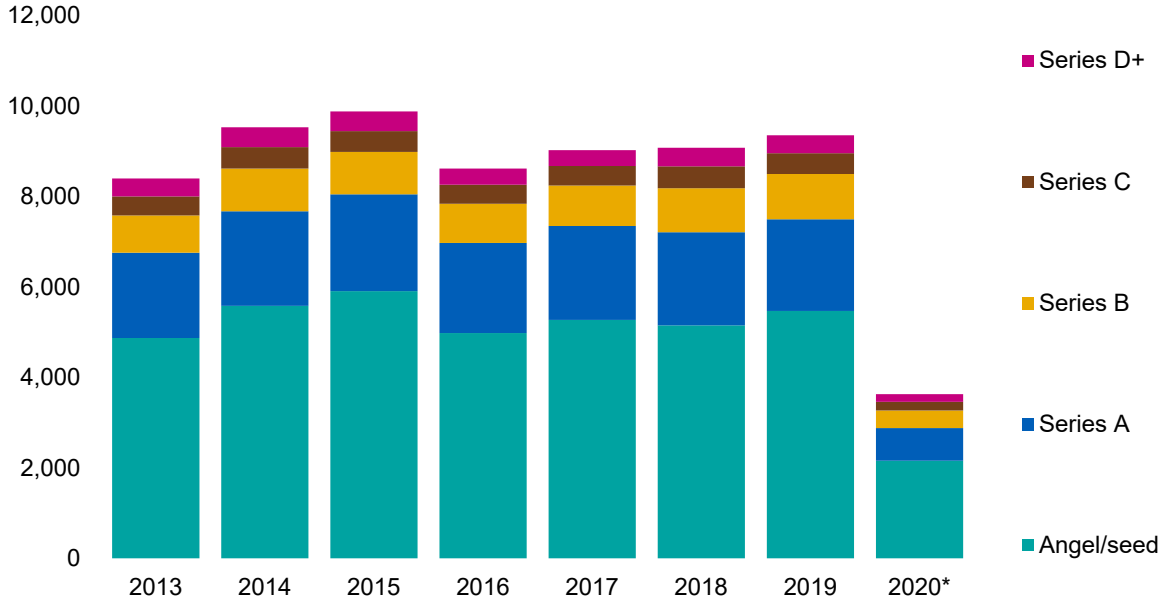


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

VC invested skewing towards later-stage

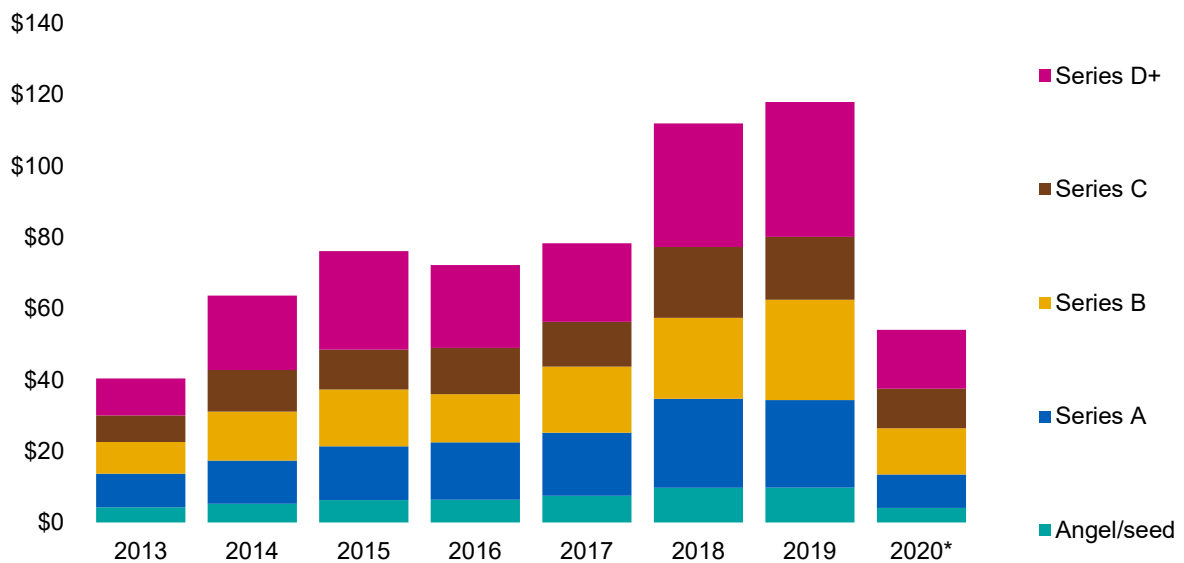
Deal share by series in the Americas

2013–2020*, number of closed deals



Deal share by series in the Americas

2013–2020*, VC invested (\$B)

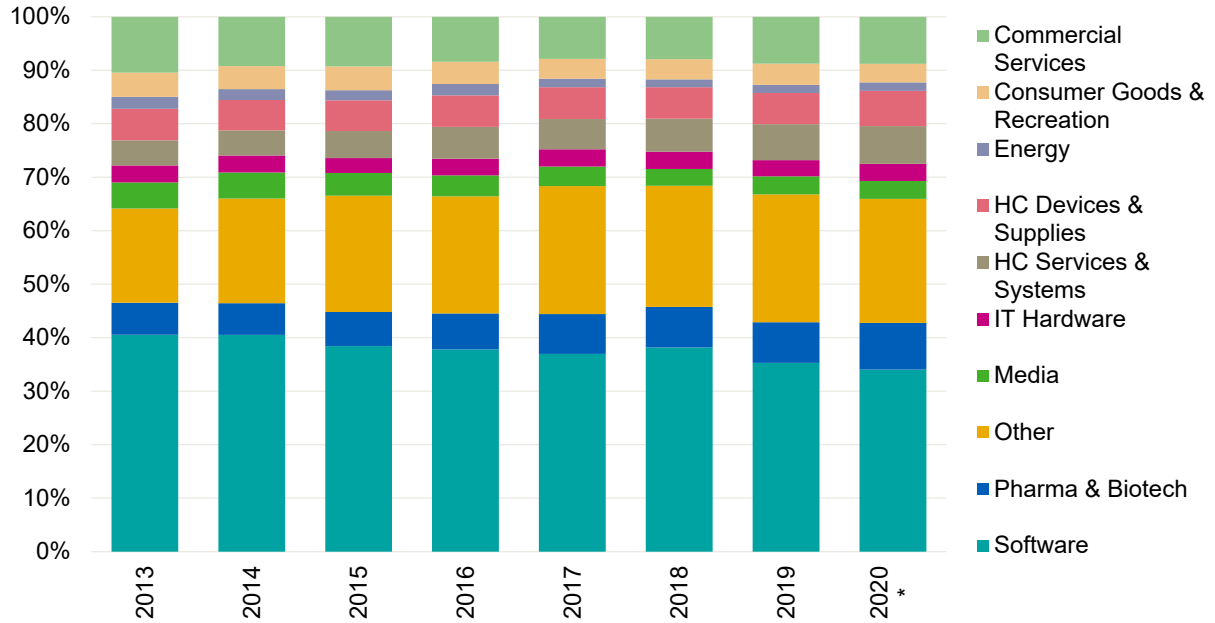


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Biotech booms even further

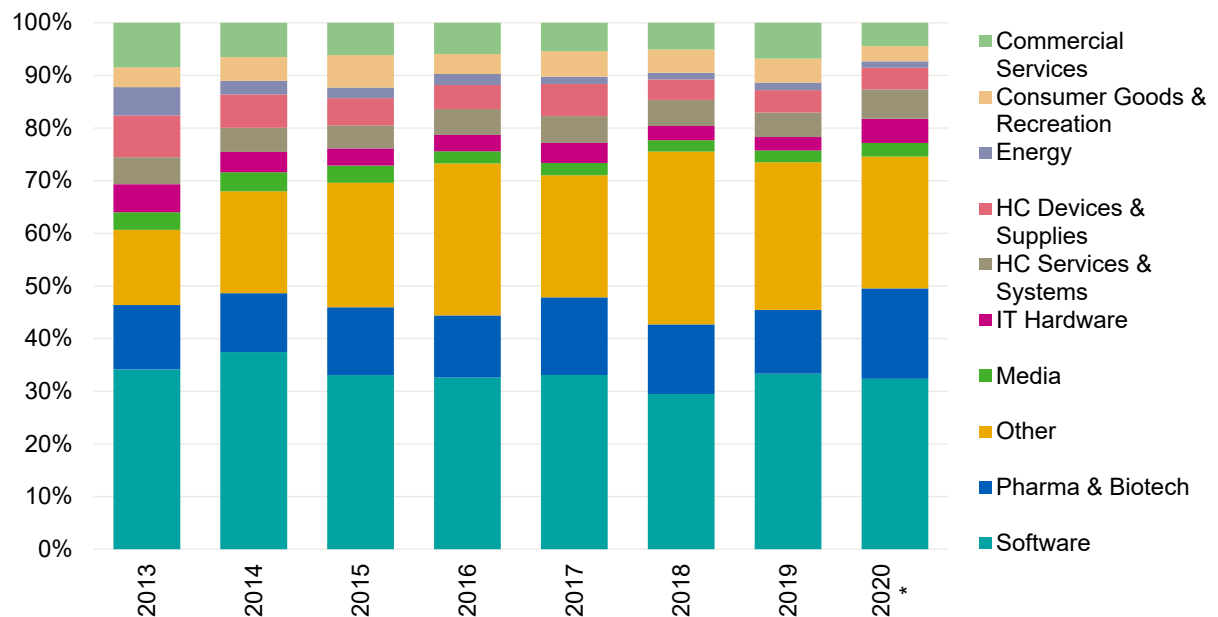
Venture financing of VC-backed companies by sector in the Americas

2013–2020*, # of closed deals



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

2013–2020*, VC invested (\$B)

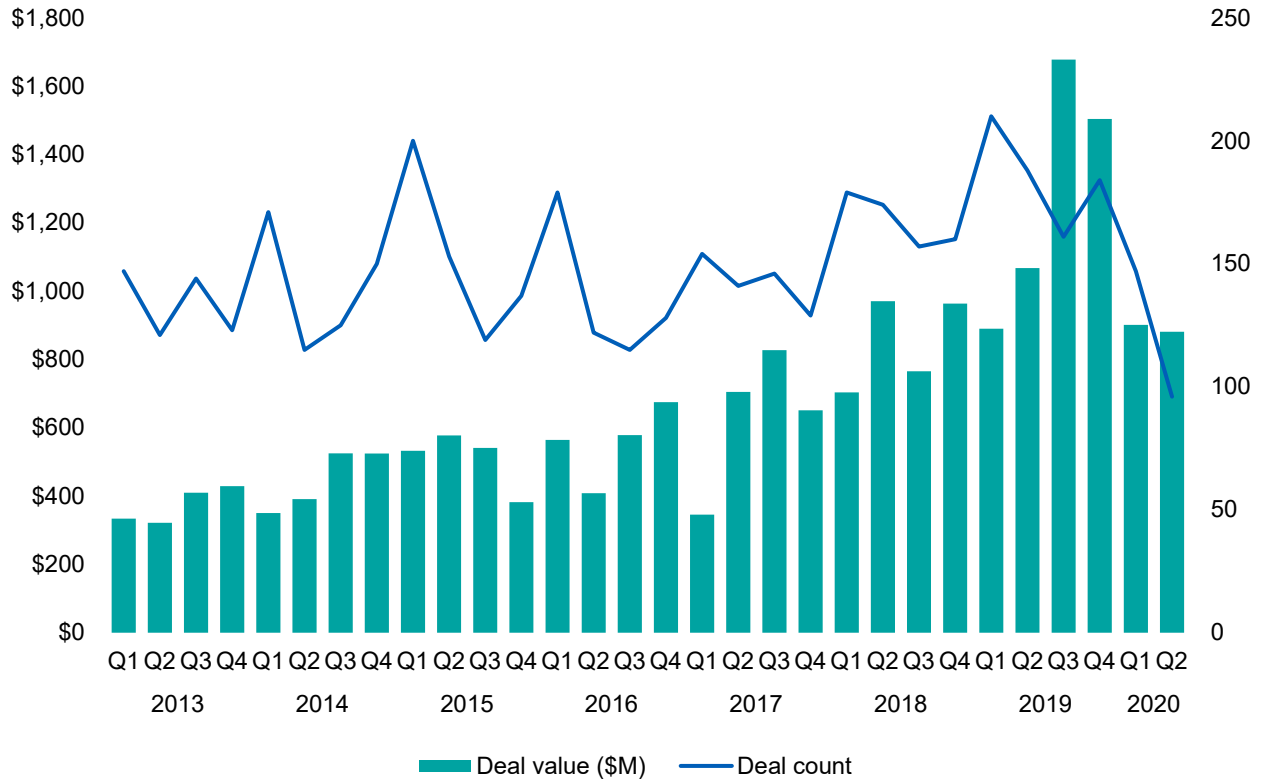


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

Deal value holds steady

Venture financing in Canada

2013–Q2'20



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

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

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



Sunil Mistry

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

Mexico hits a downturn

Venture financing in Mexico 2013–Q2'20

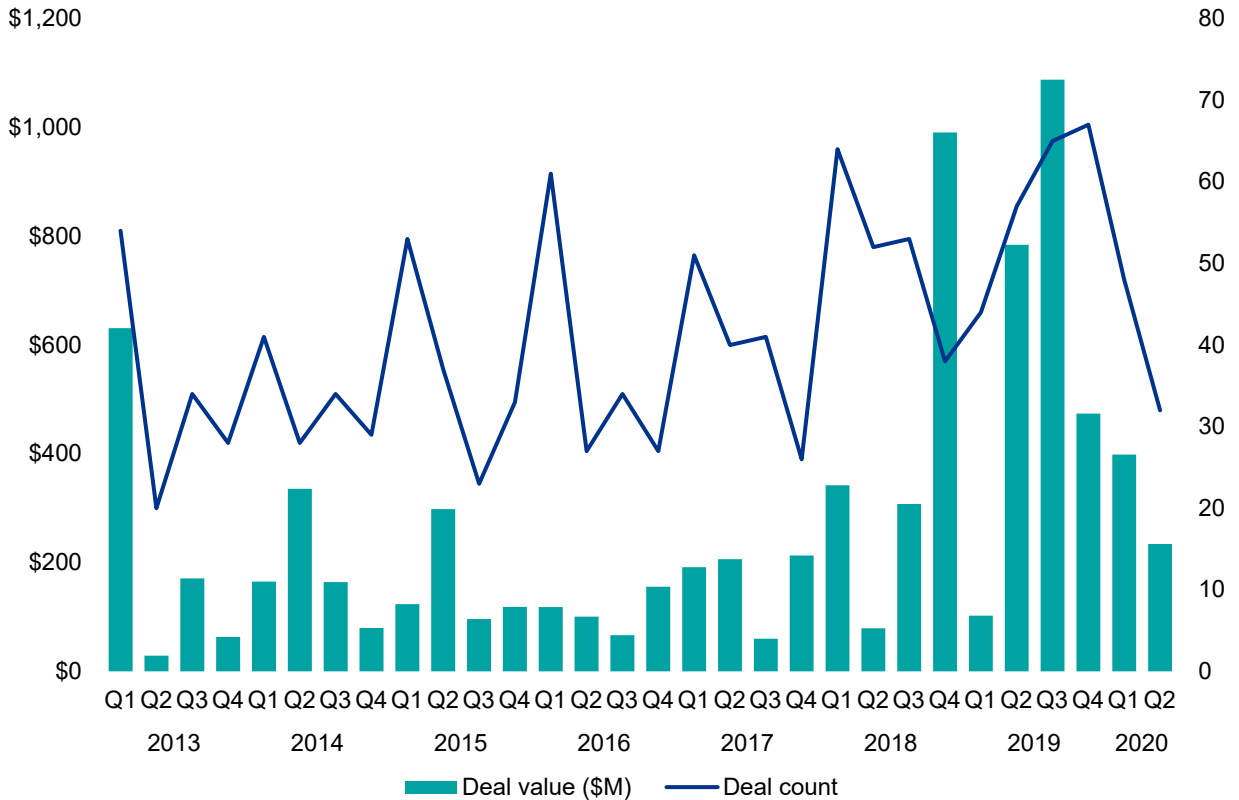


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 6/30/20. Data provided by PitchBook, 7/22/20.

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

The decline sharpens more

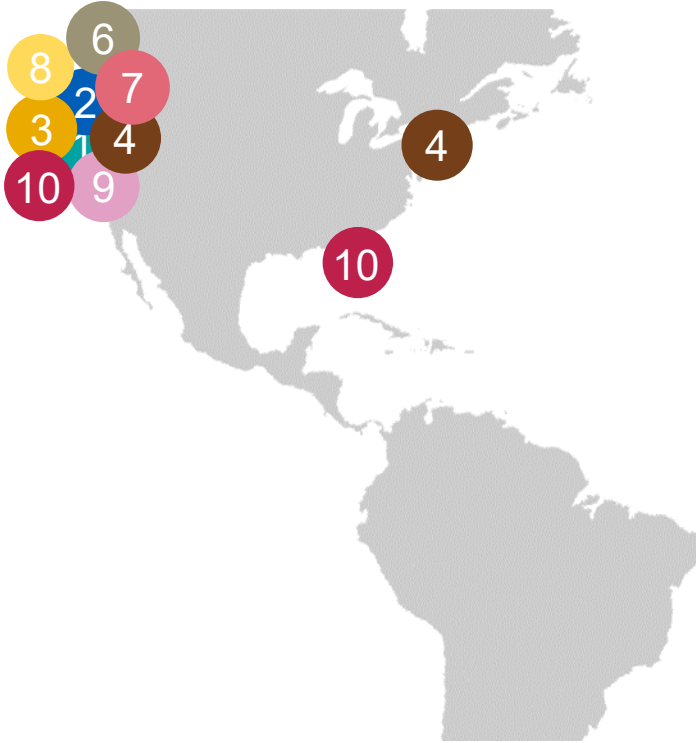
Venture financing in Brazil 2013–Q2'20



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

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

Investors stay at the late stage



Top 10 financings in Q2'20 in Americas

- | | |
|--|--|
| <p>1 Waymo — \$3B, Mountain View
Automotive
<i>Late-stage VC</i></p> | <p>6 Sana Biotechnology — \$435M, Seattle
Drug discovery
<i>Series B</i></p> |
| <p>2 Stripe — \$850M, San Francisco
Financial software
<i>Series G</i></p> | <p>7 Robinhood — \$430.3M, Menlo Park
Financial software
<i>Series F</i></p> |
| <p>3 Samsara — \$700M, San Francisco
Computer hardware
<i>Series F</i></p> | <p>8 DoorDash — \$400M, San Francisco
Application software
<i>Series H</i></p> |
| <p>4 Palantir Technologies — \$500M, Palo Alto
Business/productivity software
<i>Corporate</i></p> | <p>9 GRAIL — \$390M, Menlo Park
Biotechnology
<i>Series D</i></p> |
| <p>4 Indigo (Horticulture) — \$500M, Boston
Agriculture
<i>Series F</i></p> | <p>10 Fundbox — \$350M, San Francisco
Financial software
<i>Series C</i></p> |
| <p>Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.</p> | <p>10 Magic Leap — \$350M, Plantation
Electronics (B2C)
<i>Late-stage VC</i></p> |

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

Acknowledgements

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Methodology

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

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

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

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

Fundraising

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

Deals

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

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

Methodology, cont'd.

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

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

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

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

Exits

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

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

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