



# 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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Unless otherwise noted, all currencies reflected throughout this document are US Dollar.

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## **Jonathan Lavender**

Global Head, KPMG Private Enterprise, KPMG International

## **Conor Moore**

Global Co-Leader — Emerging Giants, KPMG Private Enterprise Partner, KPMG in the US

## **Kevin Smith**

Head of KPMG Private Enterprise in EMA, Global Co-Leader — Emerging Giants, KPMG Private Enterprise Partner, KPMG in the UK



Private Enterprise

***In Q2'20 European  
VC-backed  
companies raised***

**\$10.1B**

***across***

**1,062 deals**



# Momentum in Europe helping VC market to remain strong

VC investment in Europe remained relatively robust compared to historical trends in Q2, driven in part by the momentum the region experienced prior to the pandemic, including a strong pipeline of in-progress VC deals. While Europe showed resilience this quarter, there is growing concern that the VC market in Europe could see large impacts in Q3'20 given the widespread effect of COVID-19 on the economy, ongoing potential impact of Brexit, and the challenges associated with international deal-making in the current business environment.



## Digital trends accelerating in Europe

The global pandemic has shifted consumer behaviors sharply in Europe, accelerating a number of digital trends, including the use of online food delivery, e-commerce, contactless payments, and digital payments. This is having a resonating impact on the VC market. In April, for example, UK-based Deliveroo got provisional approval from the CMA for a \$575 million funding round backed by Amazon in part due to the impact of COVID-19.<sup>1</sup> Other sectors benefitting from this acceleration in digital trends include fintech, B2B solutions, data analytics and cybersecurity.



## VC investors in Europe focusing on existing portfolios

Many VC investors in Europe spent more time on the day-to-day management of their portfolio companies in Q2'20 given that even their robust companies were affected by the pandemic. VC investors focused on assessing how the pandemic has changed companies' strategic plans, identifying how best to support companies so they can survive, and providing bridge financing rounds to cover potential gaps. Also, angel investors across Europe took a more hands-on role in providing operational support to their startups.



## Early-stage companies struggling to attract investment

Early-stage companies in Europe have struggled in recent quarters to attract funding given the focus of VC investors on late-stage deals, a trend that continued into Q2'20. The major exceptions included companies tackling key challenges driven by COVID-19, such as health and biotech companies and B2B productivity companies. In Ireland, for example, LetsGetChecked, a company that provides at-home ailment test kits, raised \$71 million to accelerate development of a Coronavirus test kit, while<sup>2</sup> GloFox<sup>3</sup> a gym management solution that has pivoted to help gyms to provide services online, raised \$20 million.



## Declining cross-border deals activity as investors focus locally

International VC investment in parts of Europe took a hit in Q2'20 as cross-border investments slowed considerably due to travel restrictions, the inability to meet with international investors face-to-face, and the complexities associated with conducting remote due diligence and other transaction work. If the trend continues, growth-stage companies that did not have a solid financial runway before COVID-19 hit could quickly find themselves at risk of running out of cash.

<sup>1</sup> <https://www.theverge.com/2020/4/17/21225099/amazon-deliveroo-investment-funding-food-delivery-restaurant-industry>

<sup>2</sup> <https://venturebeat.com/2020/05/05/letsgetchecked-raises-71-million-for-at-home-coronavirus-test-kits/>

<sup>3</sup> <https://www.glofox.com/blog/glofox-raises-10m-additional-funding/>

# Momentum in Europe helping VC market to remain strong, cont'd.



## Government incentives expected to play big role in recovery

Both the European Union and individual countries and territories in Europe are providing supports to help improve economic recovery. The European Union introduced a multi-year €750 billion fund to help member countries recover from COVID-19. The EU funding includes a requirement to support climate-friendly activities, which could propel additional funding in related sectors.<sup>4</sup>

Most countries across Europe are also providing funding to support businesses affected by the pandemic, such as the UK, through its recently extended Future Fund,<sup>5</sup> and Finland, through its bridge loan program for growth stage startups and a number of grant programs for earlier stage companies. Many of these programs are evolving day-by-day as governments gain an improved understanding of the needs of businesses in the current situation.



## UK sees strong VC investment in Q2'20

VC investment in the UK remained strong in Q2'20, due in part to the strength of its VC ecosystem leading into 2020. Companies that raised solid funding rounds in recent quarters, combined with well-capitalized VC funds able to support their portfolio companies, has given much of the UK innovation ecosystem more runway to address the challenges associated with COVID-19. Investors doubled down on companies expected to do very well in the short-term due to the impact of the pandemic, including those focused on e-commerce, healthtech, and remote education. Much like Q1'2020, a significant portion of total investment came from the largest of deals again this quarter, including 6 mega deals representing \$1.4 billion invested.



## Germany-based VC investment grows in Q2'20

VC investment strengthened in Germany during Q2'20, driven by a \$570 million raise by digital bank N26 and a \$275 million raise by air taxi company Lilium. VC investors in the country were cautious, focused on using their dry powder to support their biggest bets, companies with strong capabilities given the current business environment, and companies with the ability to pivot their business models to better align with current circumstances. Corporate investment was quite strong in Germany in Q2'20 as the pandemic acted as a catalyst for traditional companies to invest, particularly those in financial services where companies have been historically slow to innovate.



## Health and biotech big winners in France

In France, health and biotech were strong investment areas during the quarter, as evidenced by clinical-stage drug developer Dynacure raising \$55 million. B2B services and marketing and retail technologies were also of interest. The country's radical COVID-19 containment measures had a big impact on deals activity in Q2'20, with some companies postponing their roadshows for several months. This delay could bring investment levels down in the second half of the year.

<sup>4</sup> <https://www.climatechangenews.com/2020/05/27/eu-e750-billion-covid-recovery-fund-comes-green-conditions/>

<sup>5</sup> <https://www.gov.uk/government/news/future-fund-launches-today>

# Momentum in Europe helping VC market to remain strong, cont'd.



## Trends to watch for in Europe

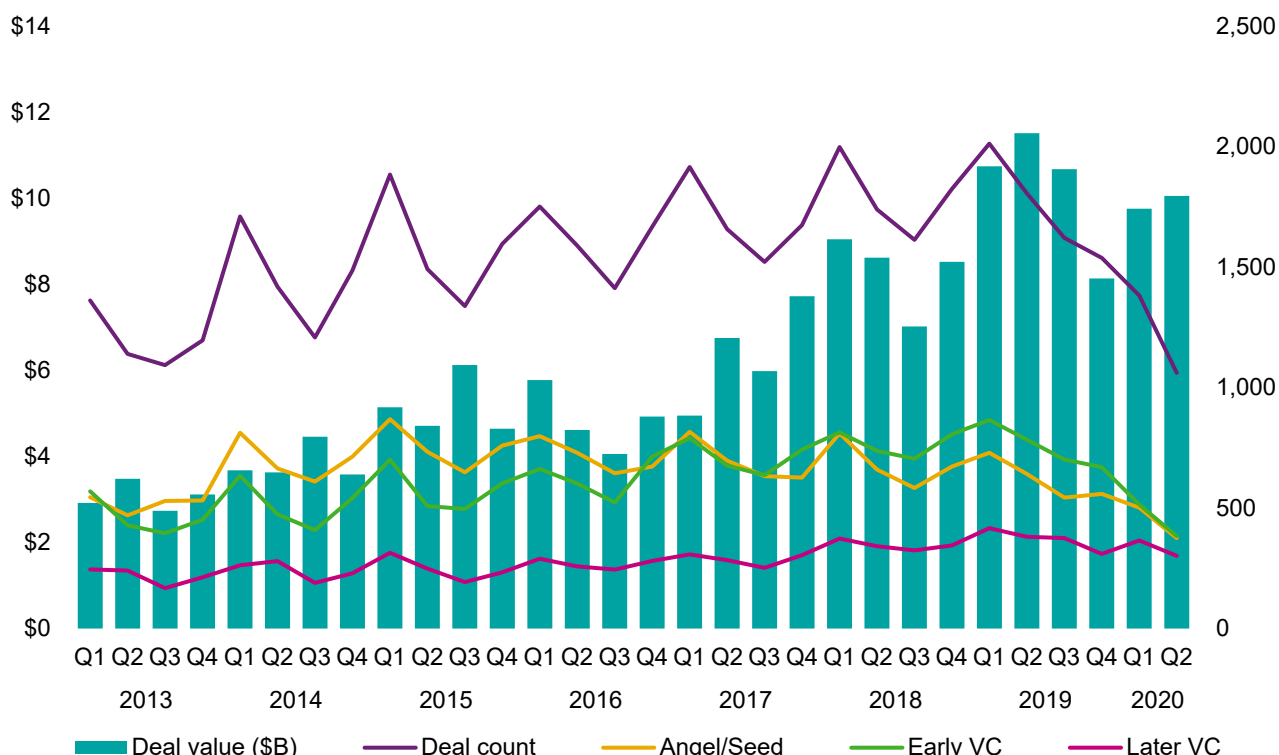
There is a significant amount of caution for the European VC market heading into Q3'20. Investors have slowed the pace of deal-making considerably, taking more time to conduct due diligence and commit funds, which will likely have an impact on both the number of VC deals and the level of investment in the region. Given current challenges, there is expected to be continued downward pressure on valuations, which could prompt some opportunistic investors to look for good deals.

Over the next quarter, VC investors in Europe will continue to assess how consumer behaviors are changing and how these changes will affect the viability of different products, services, and business models in the future. Some sectors could see a fall in investment or significant consolidation as a result.

Looking ahead, big bets in Europe will continue to revolve around healthtech, biotech, fintech and B2B solutions. Cybersecurity and data analytics are also expected to see additional VC investment, due in part to the rapid increase in remote work. We expect to see Corporate investment increase as companies begin to mobilize in the Environmental Governance space and European companies that have not emphasized innovation in the past move to accelerate their digital capabilities.

# A complex environment

## Venture financing in Europe 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 31 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

As must be reiterated, especially in a complex venture ecosystem like Europe, private markets data can experience lags. However, VC invested's robustness in tandem with the continued decline in volume speaks to the maturity of select ecosystems across the continent, as well as a cohort of late-stage companies that continue to reliably draw investor capital to expand their market share.

"While the VC market in Europe has been resilient, we can expect a mixed, and potentially divergent road, for the rest of 2020. A suppression of consumer and business spending, and a general slowdown in the global economy will impact investor sentiment. However, this may well be countered by rising investment in key sectors such as healthcare, fintech, cybersecurity and enterprise software as well as a potential lift in corporate investment in areas such as digitization and innovation."



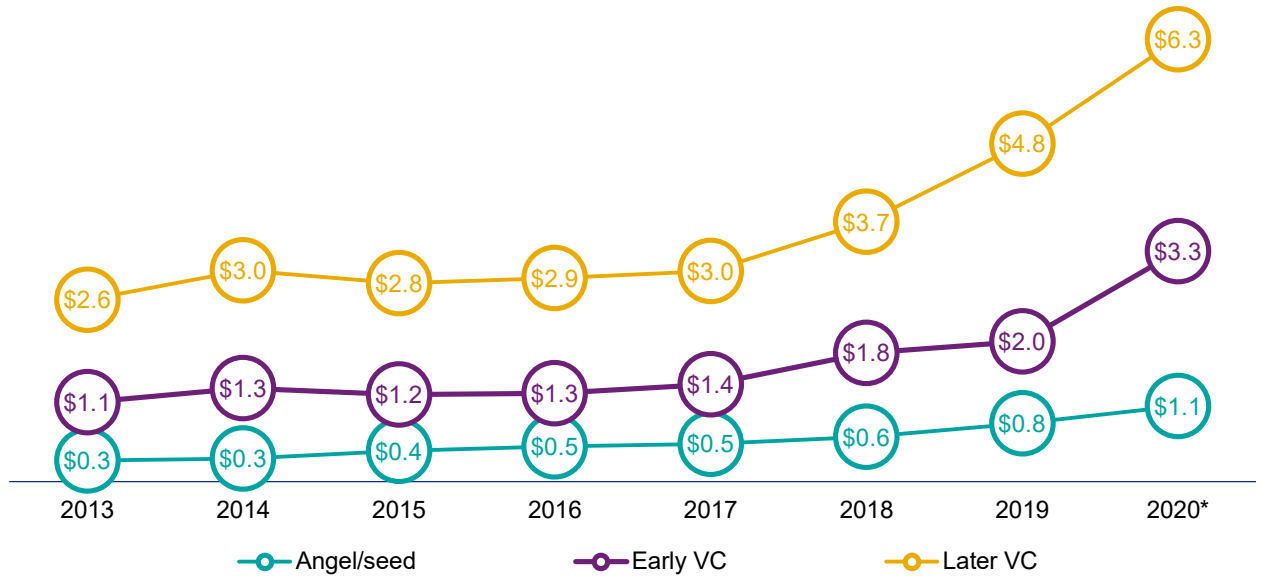
**Kevin Smith**

Head of KPMG Private Enterprise in EMA, Global Co-Leader — Emerging Giants,  
KPMG Private Enterprise, KPMG International, Partner, **KPMG in the UK**

# Metrics stay at record highs

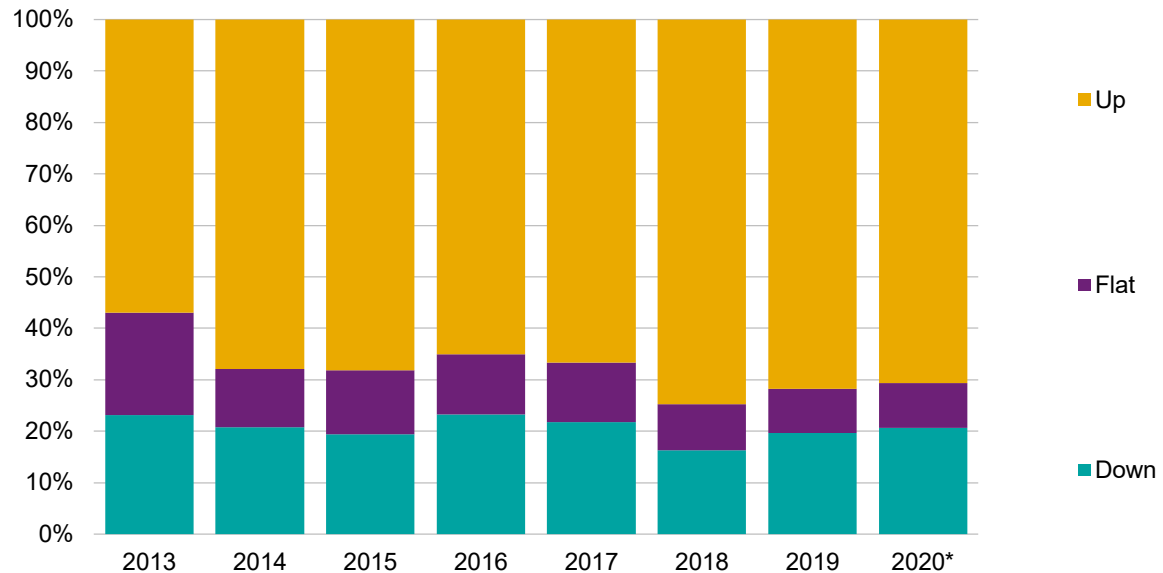
## Median deal size (\$M) by stage in Europe

2013–2020\*



## Up, flat or down rounds in Europe

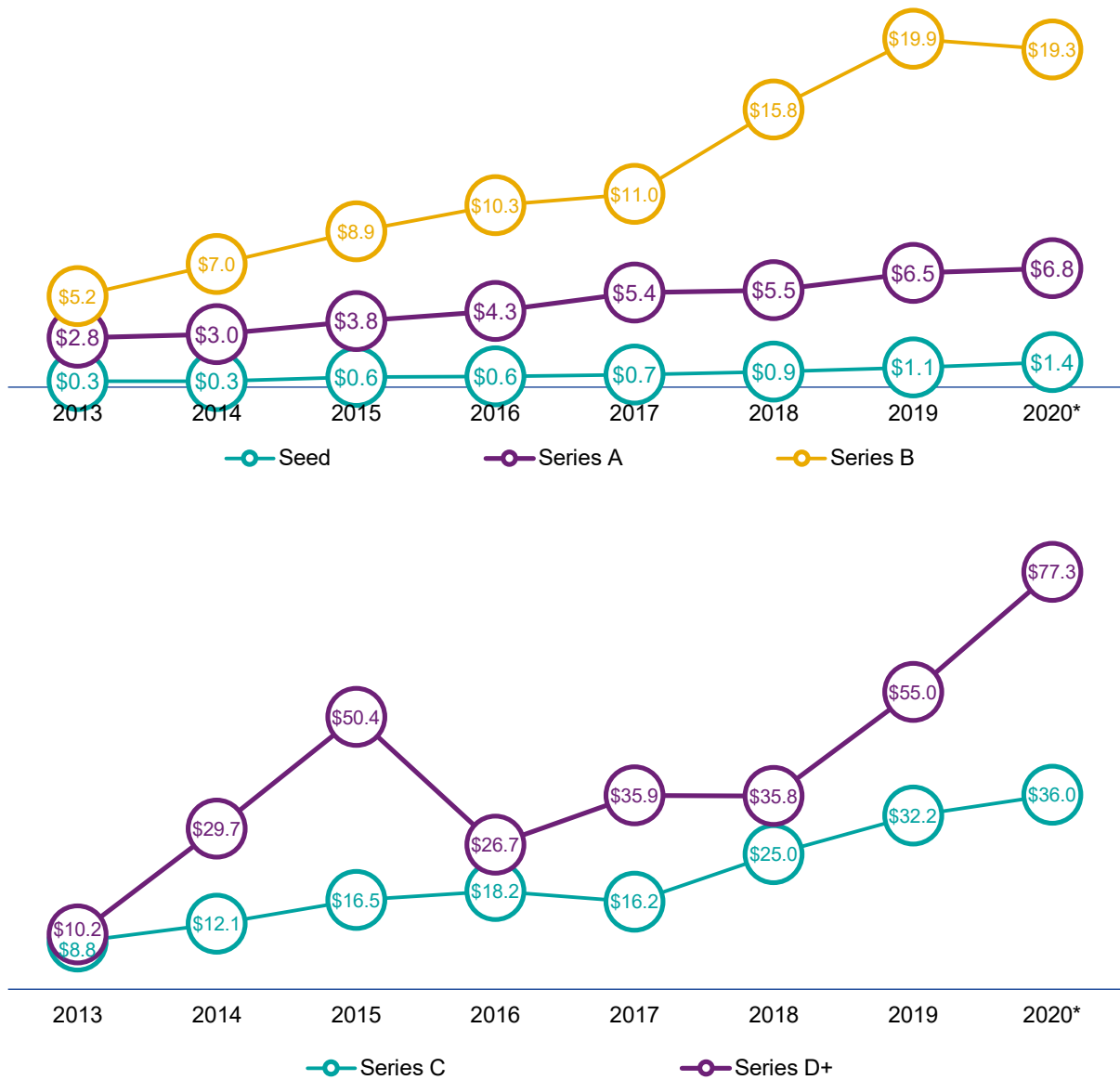
2013–2020\*



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.

# Highs stay steady

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

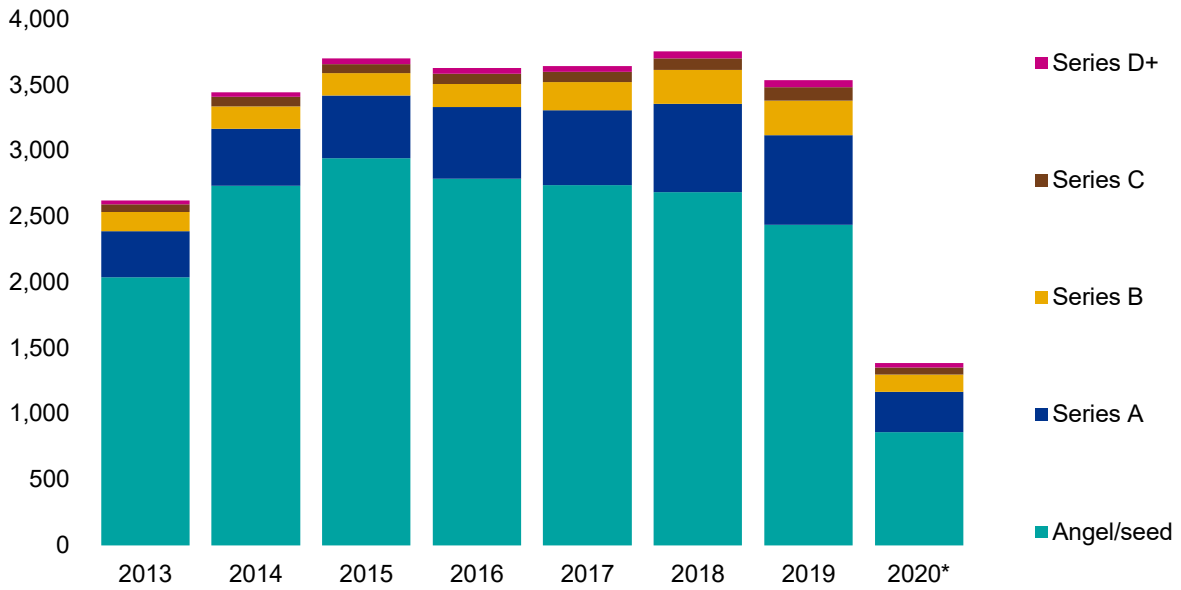


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 6/30/20. Data provided by PitchBook, 7/22/20.

# Capital shifts to safety

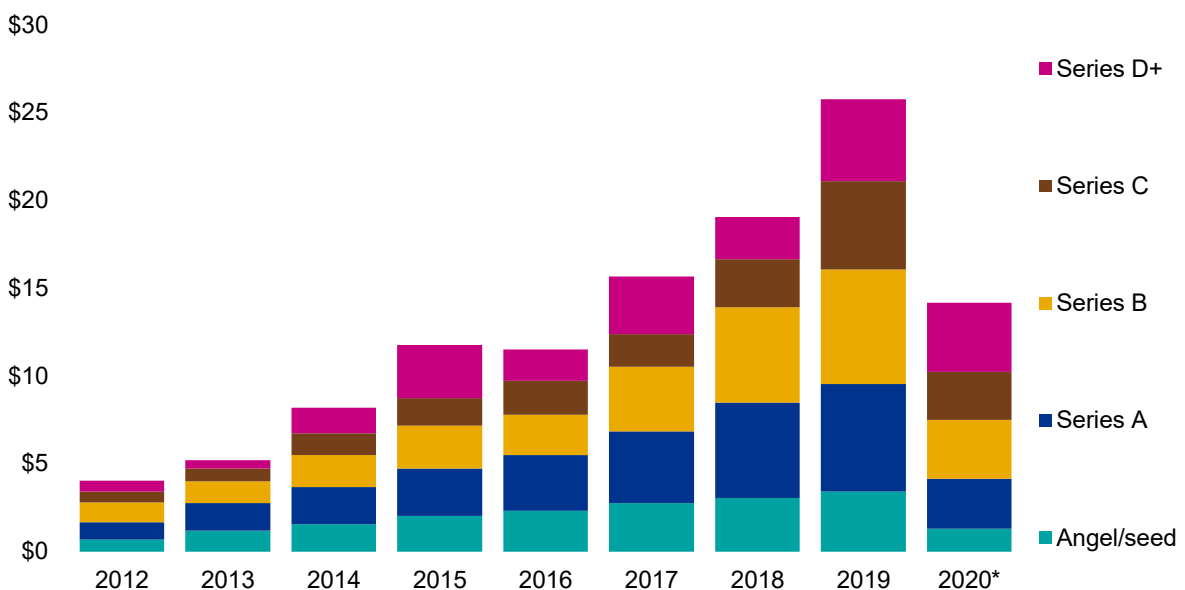
## Deal share by series in Europe

2013–2020\*, number of closed deals



## Deal share by series in Europe

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.

# Software inches upward

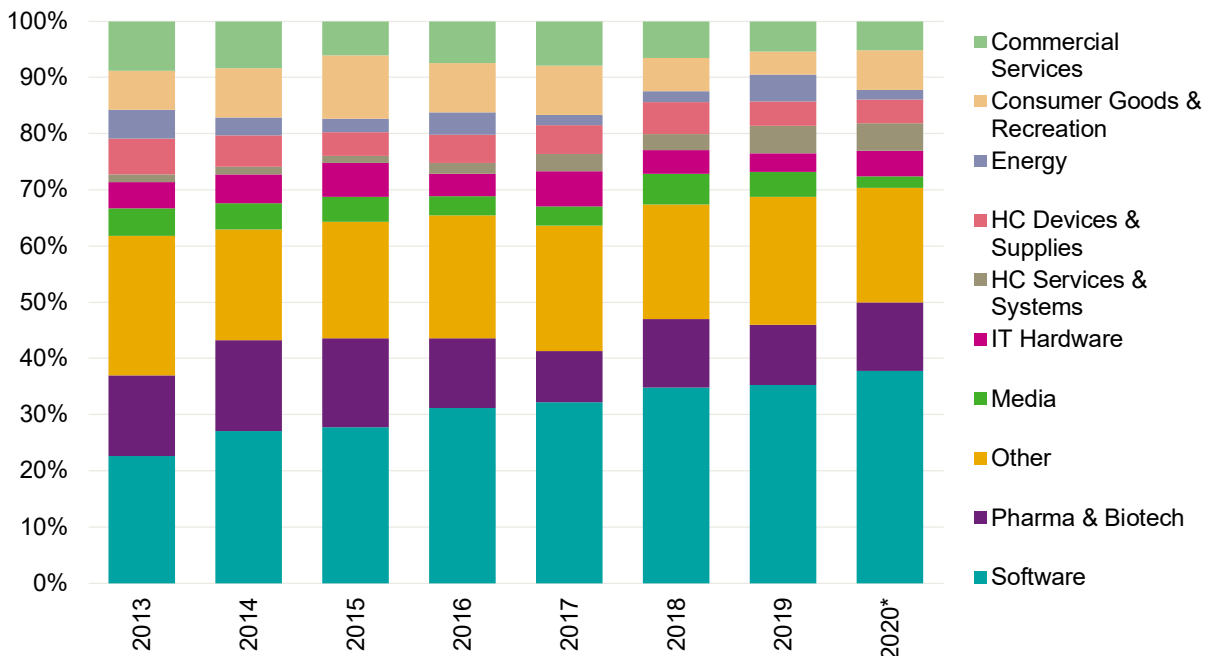
## European venture financings by sector

2013–2020\*, number of closed deals



## European venture financings by sector

2013–2020\*, VC invested (\$B)

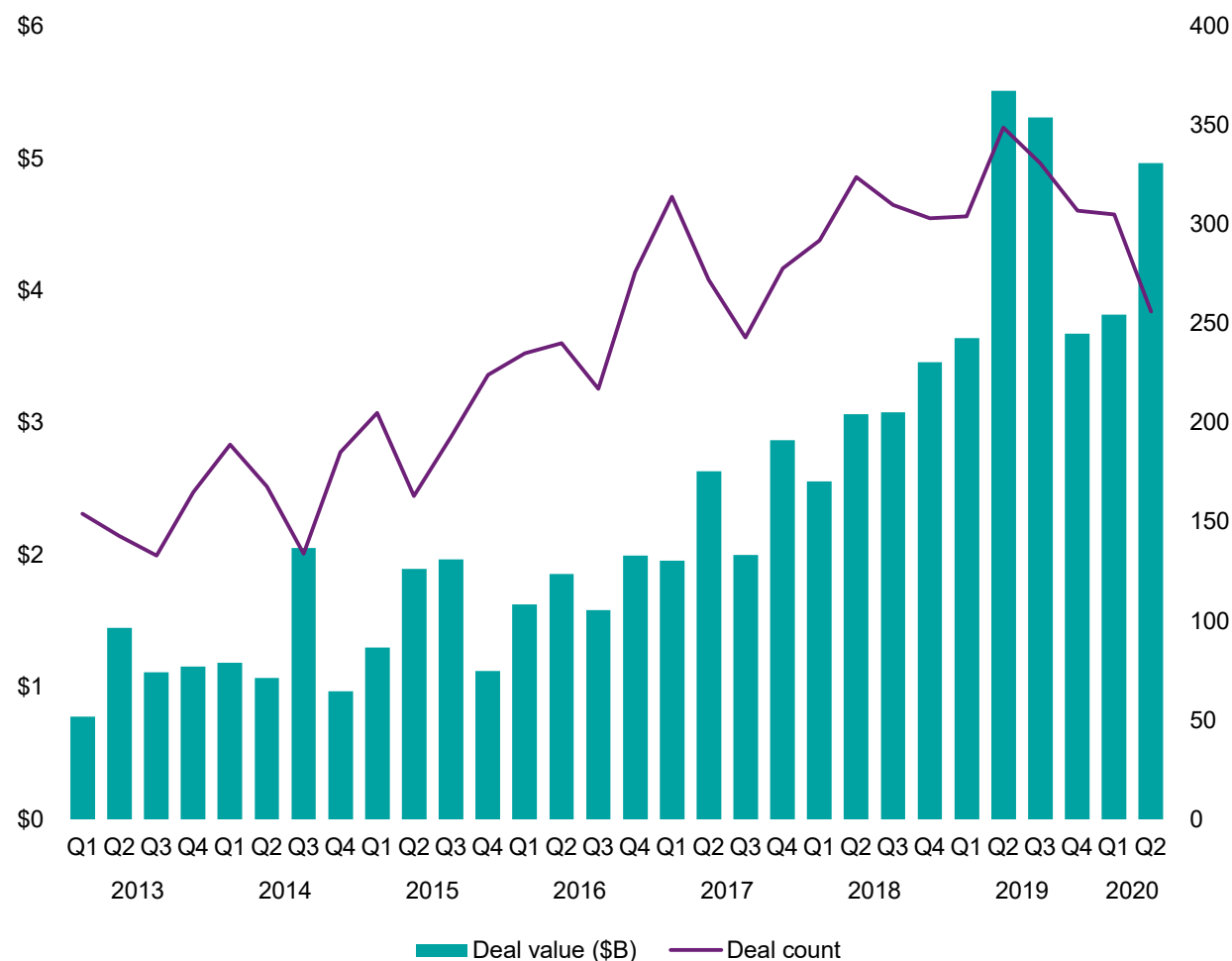


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 6/30/20. Data provided by PitchBook, 7/22/20.

# CVCs remain active

## Corporate VC participation in venture deals in Europe

2013–Q2'20

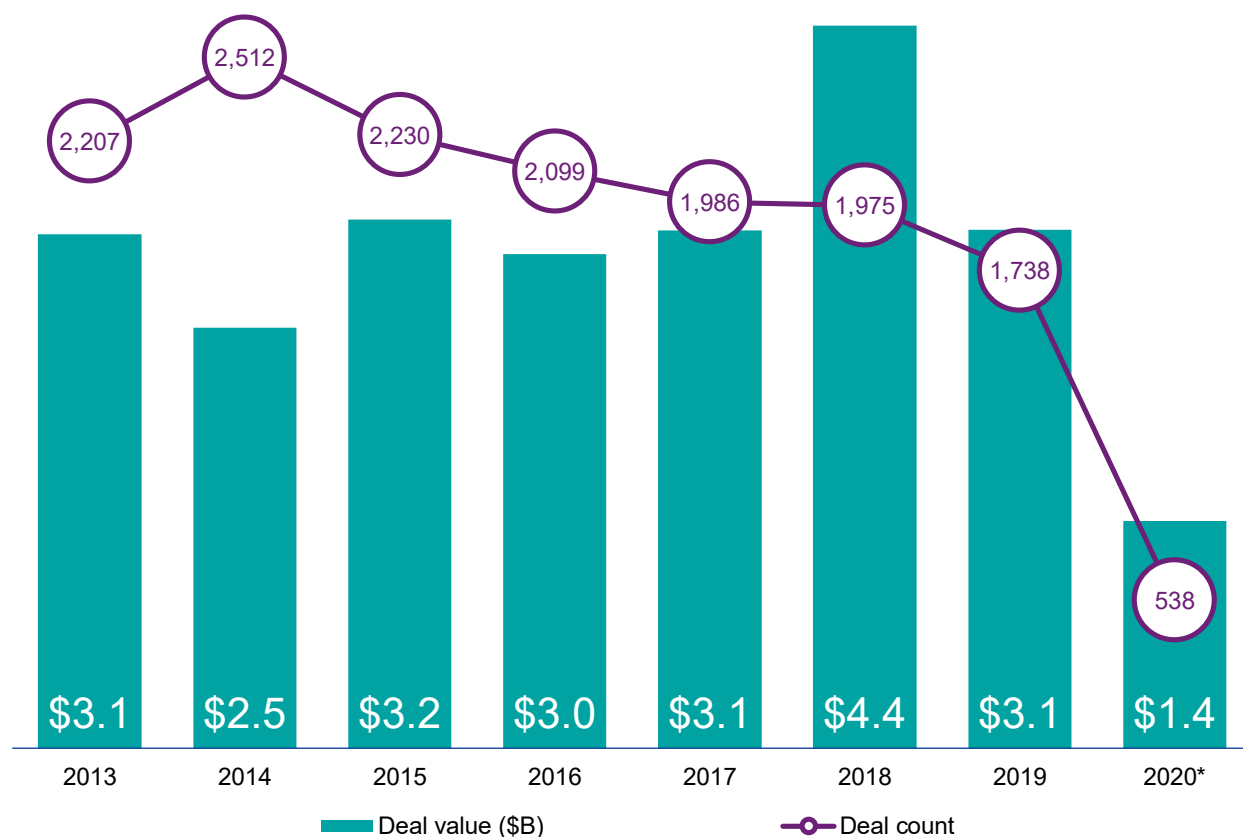


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

The rise in quarterly VC invested tallies with corporate participation was stark last year and has culminated in the third-highest aggregate for participating deal value in the most recent full quarter. However, the count of total deals in which corporates participated declined in what could potentially be a short-term slide; once again, what remains to be seen is the full duration and depth of the economic impact across Europe to the majority of corporations, as any non-essential spend is likely to be redirected if need be.

# First-time funding slides

## First-time venture financings of companies in Europe 2013–2020\*



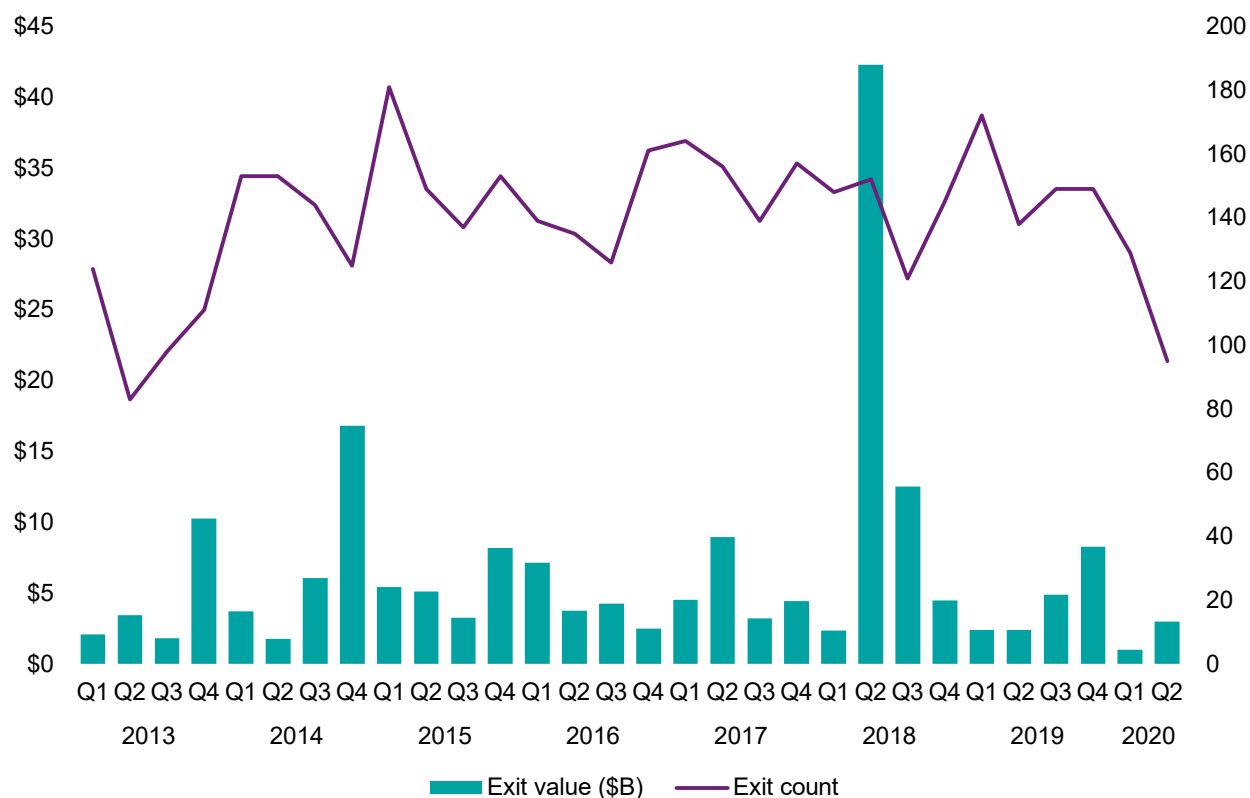
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 6/30/20. Data provided by PitchBook, 7/22/20.

Once again, a caveat must be noted: In a complex environment such as Europe, first-time fundings may take longer to note in general. That said, it is clear that 2020 is likely to be a down year in many ways for fledgling enterprises. However, what's intriguing and also seen in other regions is the fact that of the companies able to secure first-time funds, significant sums are still available, as evidenced by the \$1.4 billion invested by the midpoint of 2020.

# 2020 sees volume slide again

## Venture-backed exit activity in Europe

2013–Q2'20



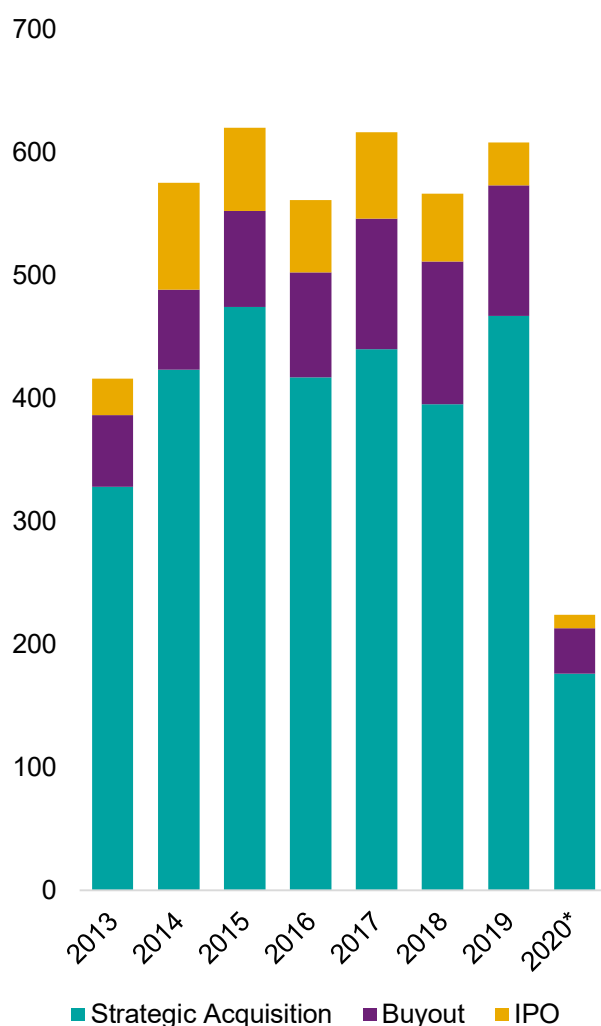
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 7/22/20.

After a slump in Q1, exit value perked back up somewhat despite an even steeper drop in overall volume. It remains to be seen if opportunistic acquisitions on the part of strategic acquirers plus more stable public markets will be able to bolster volume at all in the remainder of the year, but as it stands, that is still uncertain. Value may still be skewed by outlier acquisitions or mergers, however.

# M&A propels exit volume

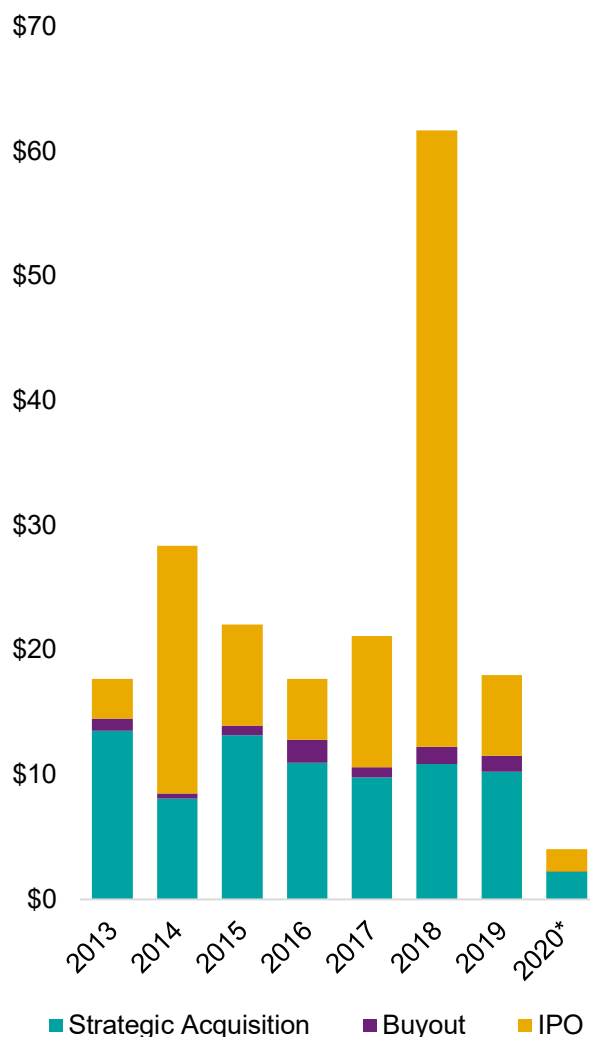
## Venture-backed exit activity (#) by type in Europe

2013–2020\*



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

2013–2020\*

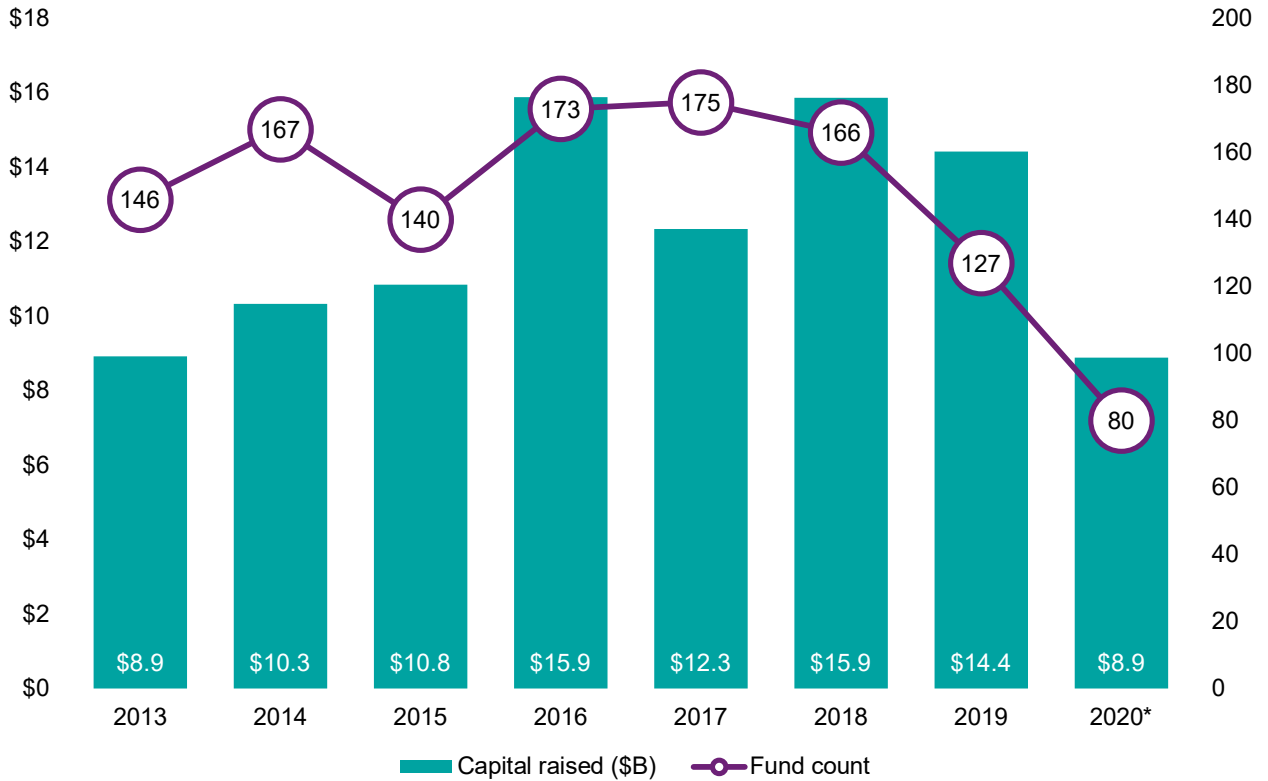


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 6/30/20. Data provided by PitchBook, 7/22/20.

# Fundraising surges

## European venture fundraising

2013–2020\*



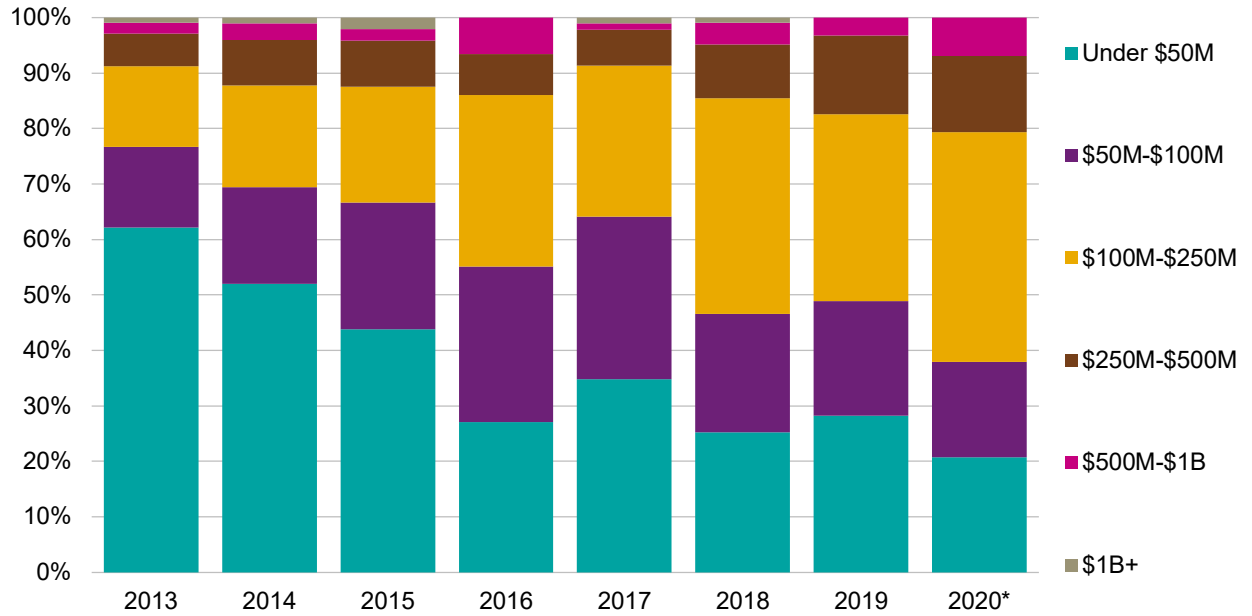
Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 6/30/20. Data provided by PitchBook, 7/22/20.

An oft-repeated narrative in venture is that the best companies are founded in downturns. Consequently, the best investment opportunities are also to be found in similar periods. Judging by fundraising tallies, that has been embraced wholeheartedly in Europe fundraising thus far, with the 80 funds that amassed close to \$9 billion in commitments thus far already putting the year at a healthy total. Regardless of whether that trend reverses, there will be plenty of dry powder for disbursing going forward.

# Mega-funds skew tallies

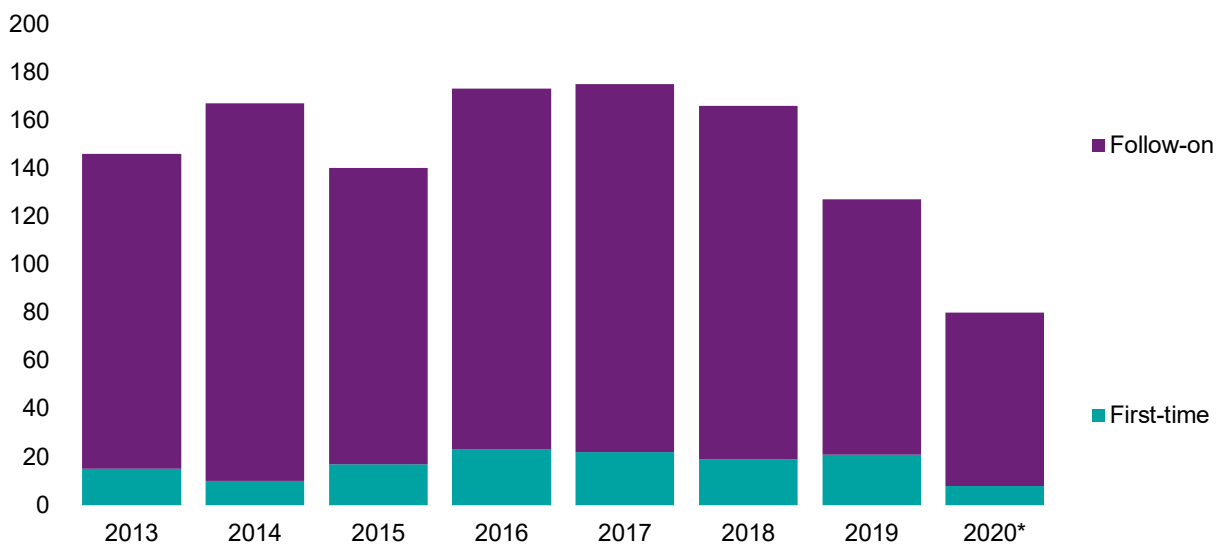
## Venture fundraising (#) by size in Europe

2013–2020\*



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

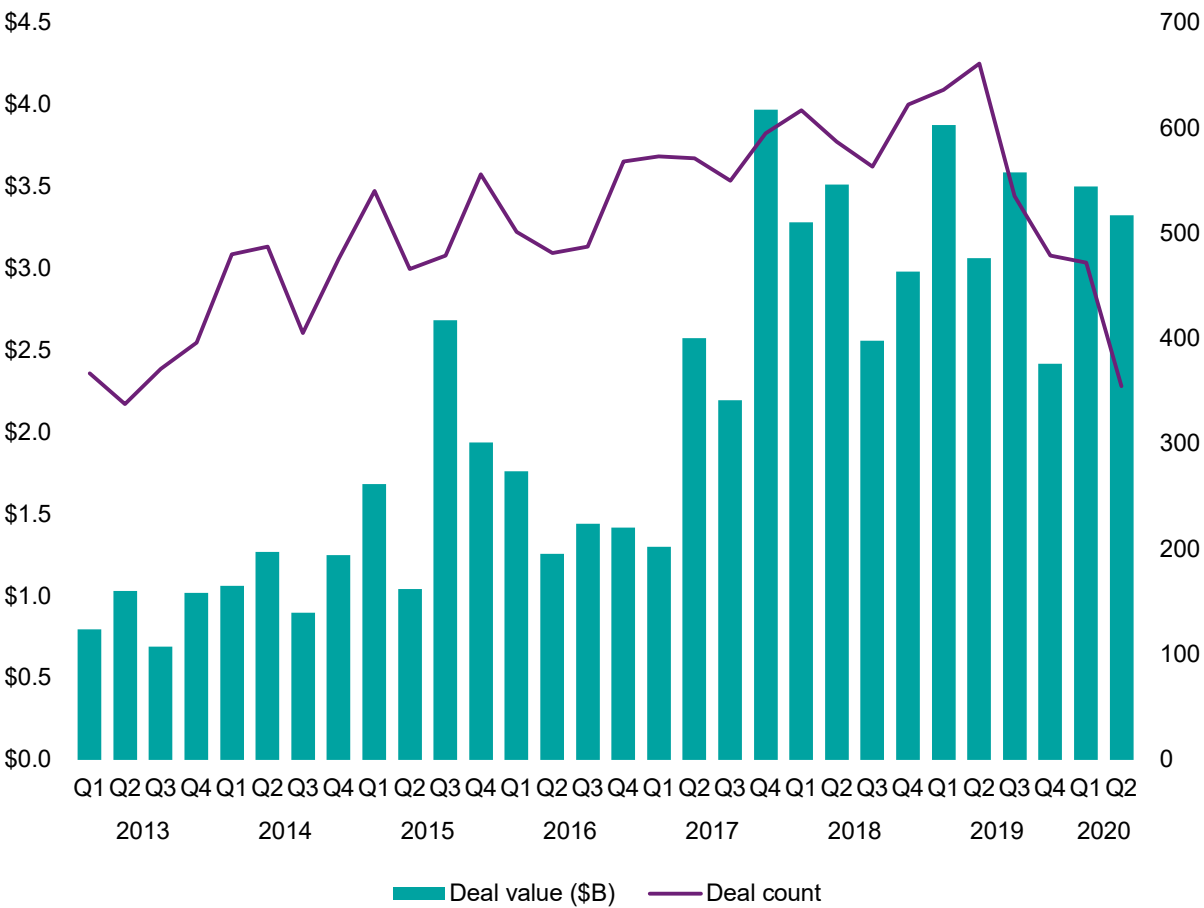
2013–2020\*



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.

# Q2 sees robust VC invested

## Venture financing in the United Kingdom 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 UK has been resilient in the current crisis. This is driven by the strength that has been built over a number of years. With bigger rounds and funds being delivered in the past 18 months, both entrepreneurs and investors had the capacity to work through the impacts of COVID 19. With large amounts of dry powder still on the books I'd expect this to continue in H2 2020.”



**Tim Kay**  
Director, KPMG Private Enterprise  
KPMG in the UK

# London rebounds

## Venture financing in London

2013–Q2'20

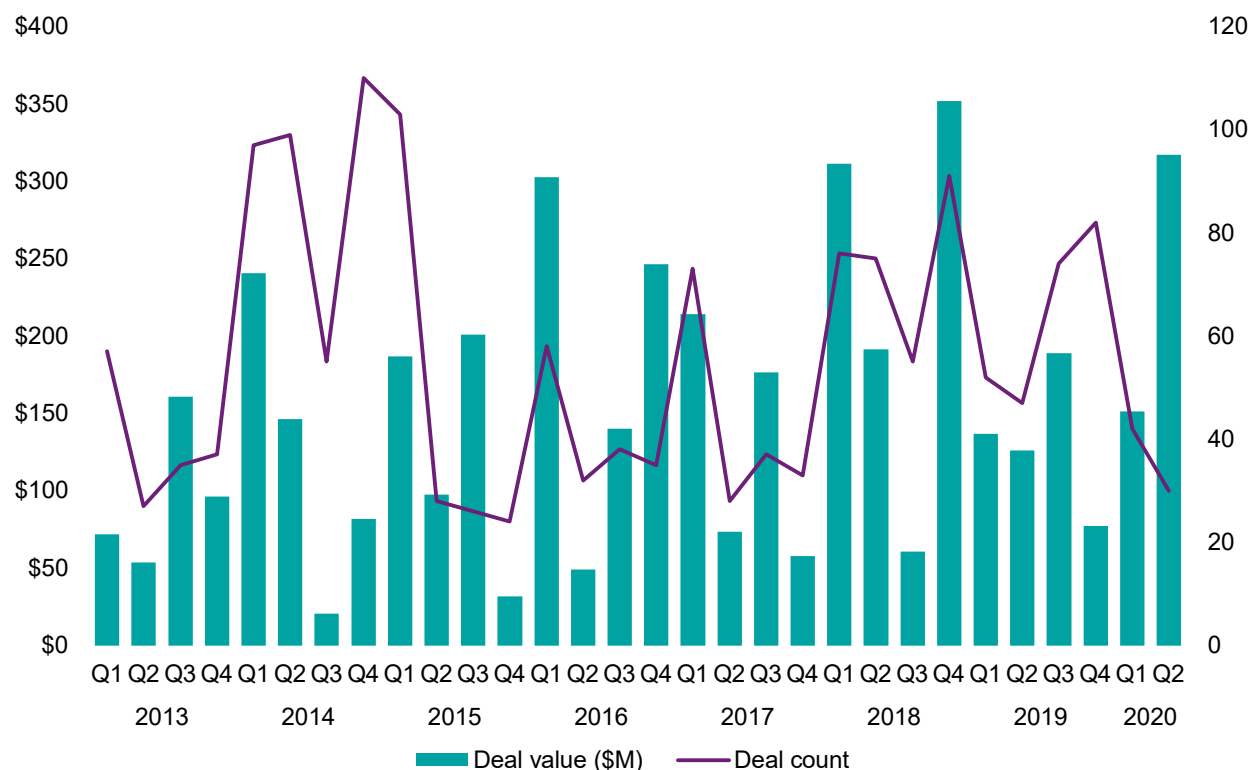


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 6/30/20. Data provided by PitchBook, 7/22/20.

The resurgence in VC invested in Q1 2020 was followed by yet another, even as volume once again slid. Investors are not so much fleeing for safety, as instead the safest opportunities are attracting extant VCs with mandates to disburse some of the significant sums of dry powder that lie committed to their funds.

# Ireland VC rebounds

## Venture financing in Ireland 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 Irish venture ecosystem once again saw significant variability in both venture volume and capital invested, but VC invested rebounded significantly in Q2 thanks to a handful of large fundings, including LetsGetChecked's Series C financing in early May.

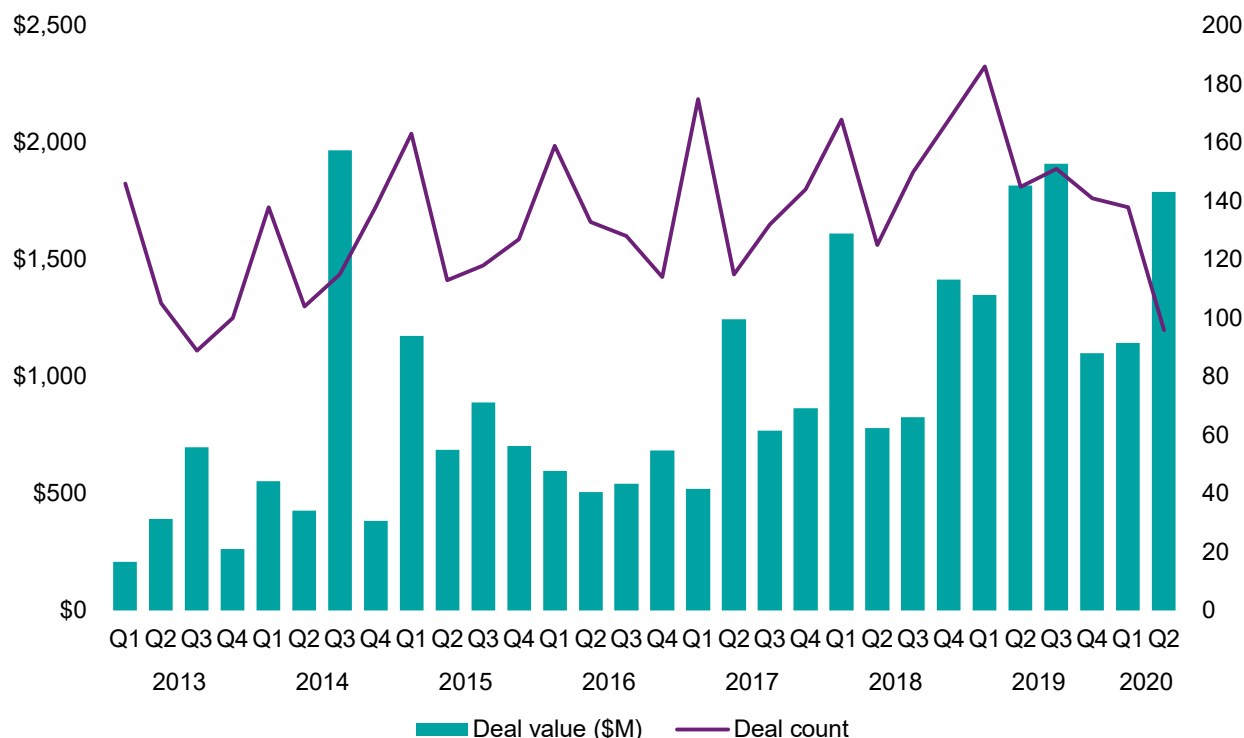
"Ireland has seen very robust investment in Q2'20, where many Irish companies have found a real relevance in this new normal. Some are making a significant difference in the current crisis, like LetsGetChecked, a medical health testing platform. SoapBox Labs, is helping to accelerate children's literacy with its digital speech recognition technology. Whereas, Evervault, is focussed on making the internet more secure with its privacy interface. Timing is everything and it feels like these companies were ripe for investment."



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

# Mega-deals show up in Q2

## Venture financing in Germany 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 German venture ecosystem was quite stable over the four quarters prior to Q2 2020, at least in terms of volume; the decline in Q2 2020 may well be due to a lag in private markets data collection as noted elsewhere, but VC invested is once again testament to the standout companies the nation has produced, e.g. N26, among others.

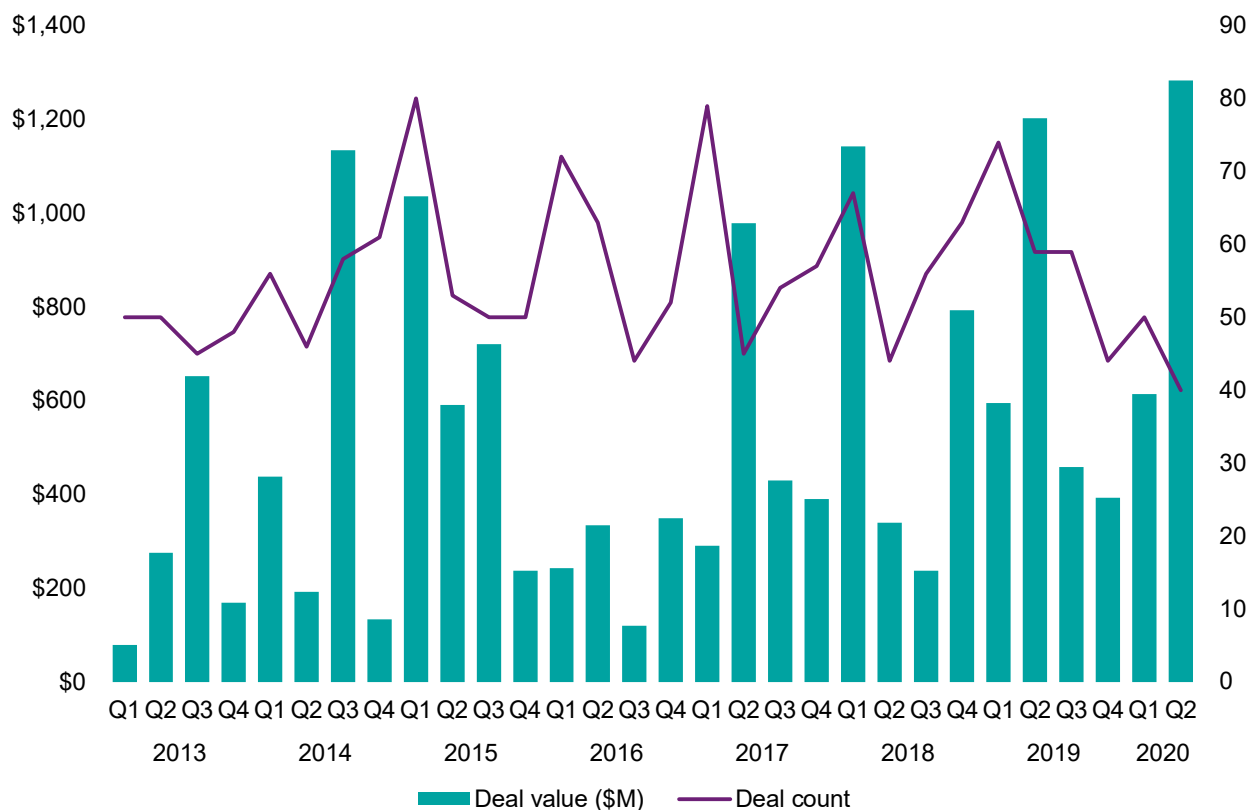
“While the pandemic has caused significant harm to the economy, it has also acted as a catalyst for change. In Germany, many businesses and consumers have been slow to embrace digitization historically. Over the past few months, there has been a major shift in both consumer behaviors and the use of digital business models. These changes will have ramifications long-term and will likely drive new innovation and new VC investments as the pandemic wanes.”



**Tim Dümichen**  
Partner  
KPMG in Germany

# Volume stays subdued

## Venture financing in Berlin 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.

Venture volume may even out somewhat when all is said and done between the past three quarters, with mega-deals like that of N26's latest funding skewing VC invested tallies to new heights for the Berlin ecosystem. What that could portend for the future is a recycling of capital into the Berlin ecosystem from N26 employees and former investors should it achieve a substantial liquidity event in the future.

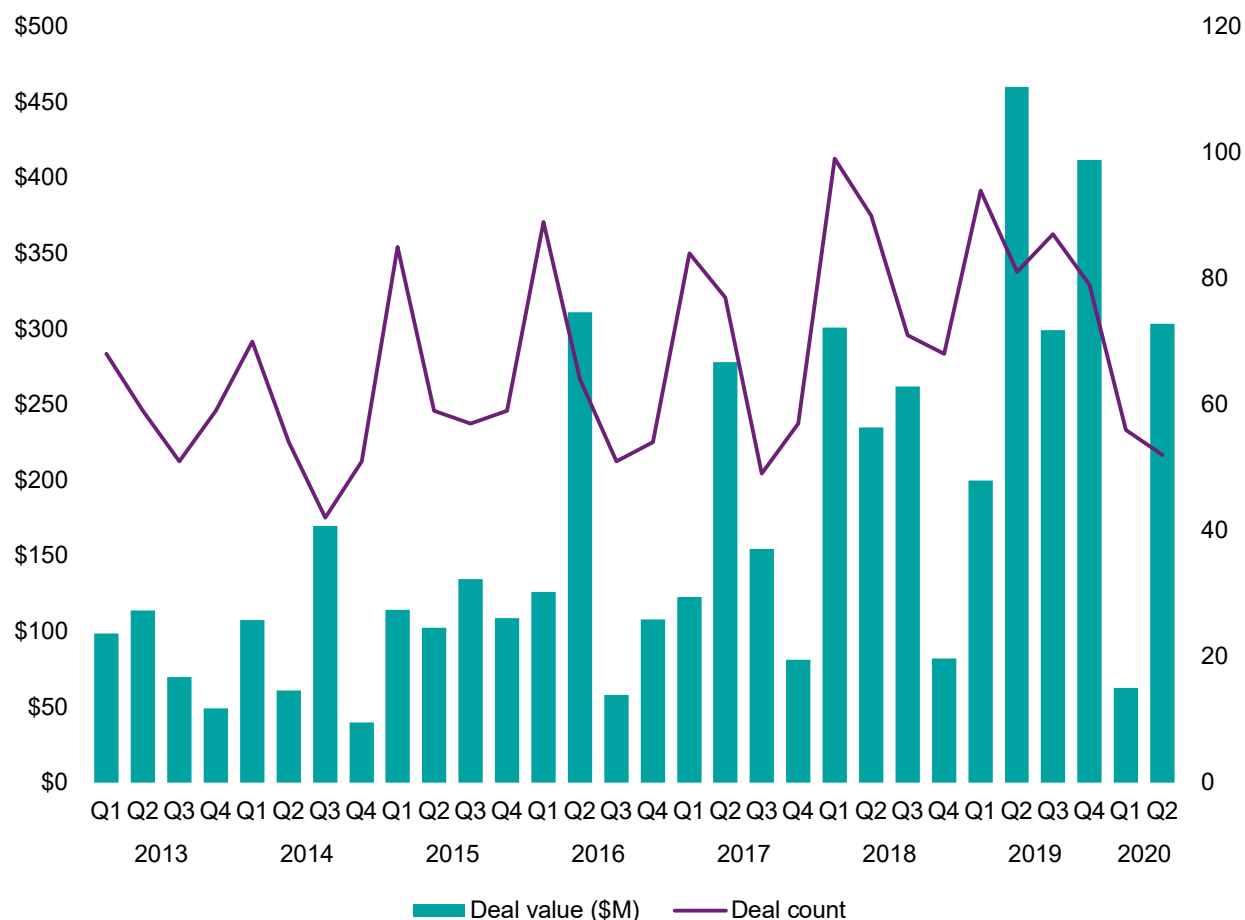
"Deal processes are quite slow right now. Investors are looking at everything twice and more critically. They try to keep money in their pockets because of the uncertainty to the future and whether there will be a second wave that shuts everything down again. Every investment is being scrutinized very carefully but surely, investors do want to invest and find their right target."



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

# VC invested resurges in Q2

## Venture financing in Spain 2013–Q2'20

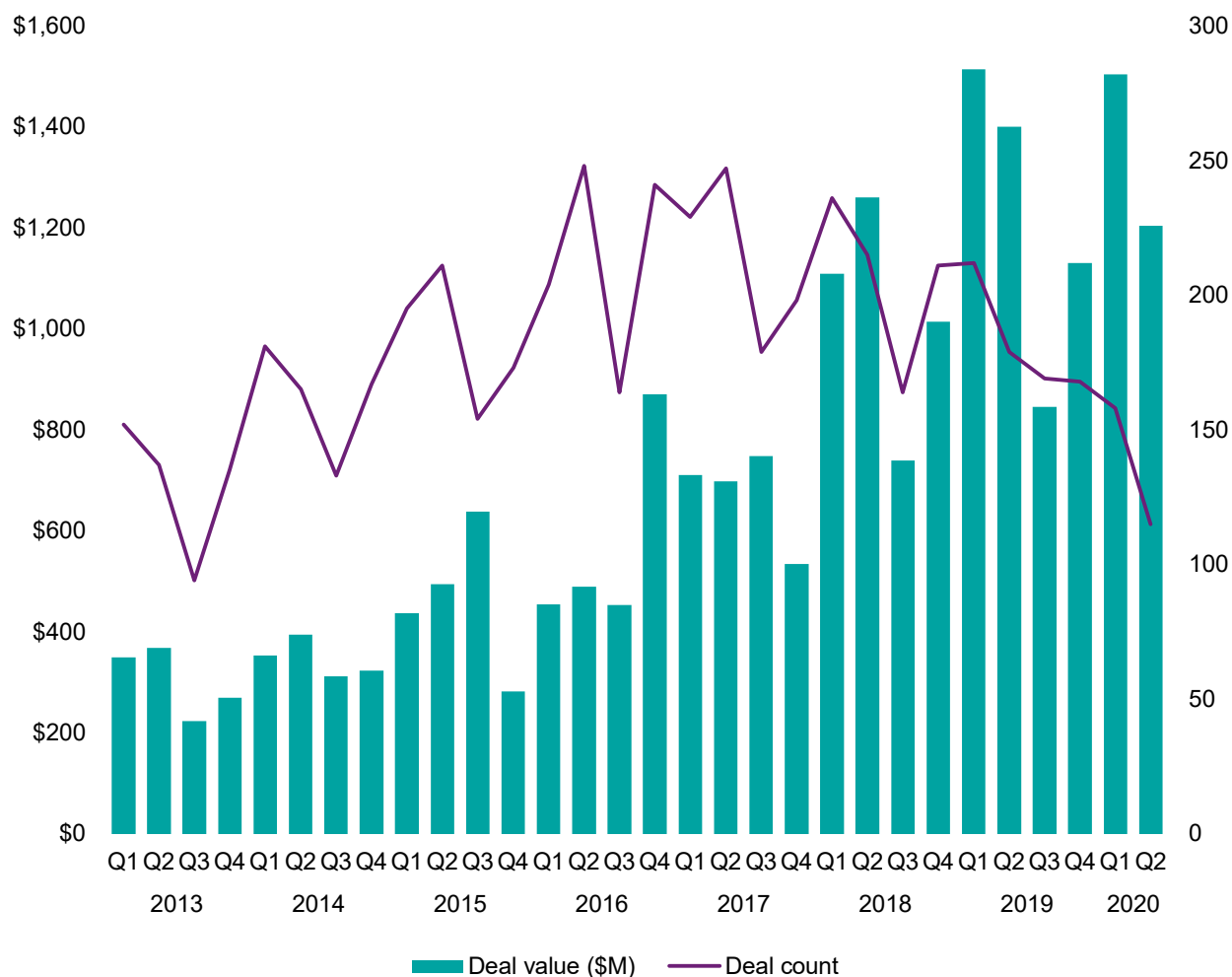


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 6/30/20. Data provided by PitchBook, 7/22/20.

Although one of the hardest-hit nations in the early stretches of the pandemic, Spain may yet see sooner resurgence due to its efforts to combat the virus, including in investors' willingness to pour capital into its more mature, safer private companies.

# VC invested stays strong

## Venture financing in France 2013–Q2'20

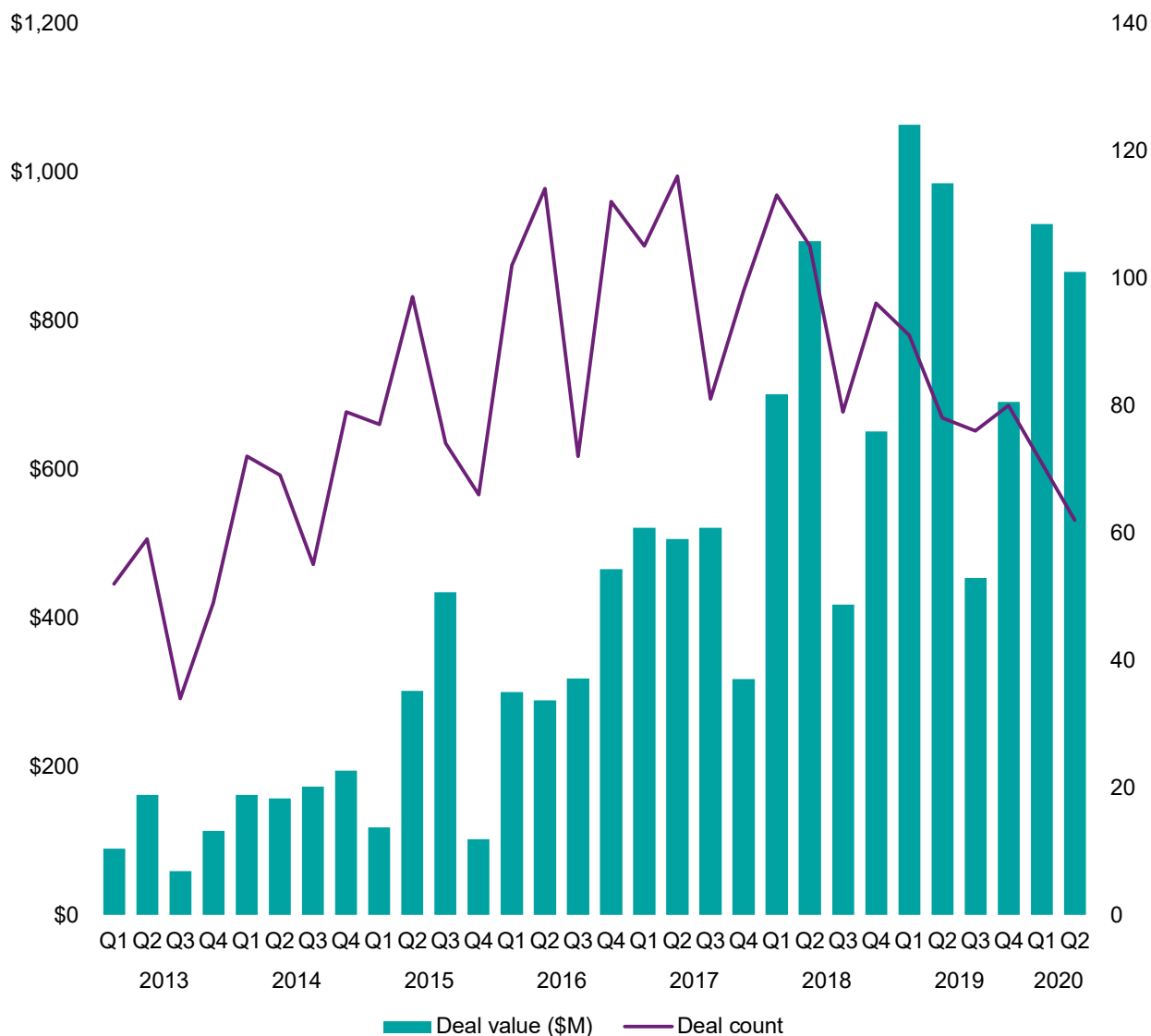


Source: Venture Pulse, Q2'20, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of 6/30/20. Data provided by PitchBook, 7/22/20.

The 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. Despite another decline in volume once again potentially subject to revision upward as additional data comes to light the aggregate of VC invested stayed robust, signaling that investors are still willing to deploy capital for the companies that are sufficiently prepared to demonstrate viability no matter what.

# Paris figures remain resilient

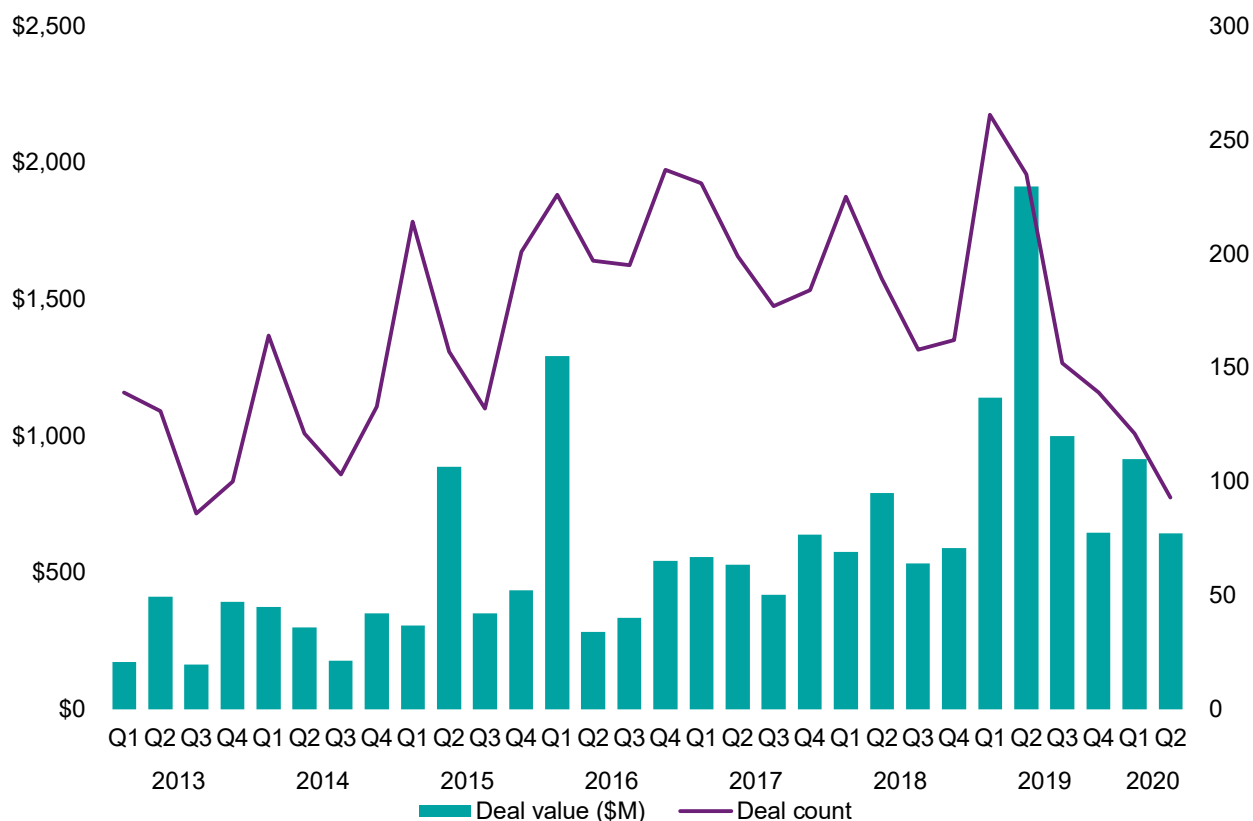
## Venture financing in Paris 2013–Q2'20



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.

# Volume continues drop

## Venture financing in the Nordics 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 Nordics venture ecosystem turned in some intriguing results for 2019, with mega-rounds bolstering VC invested totals even as volume collapsed. Both trends have held steady into the first half of 2020, with volume hitting a low unseen in some time based on numbers as of this writing, even as VC invested held relatively steady.

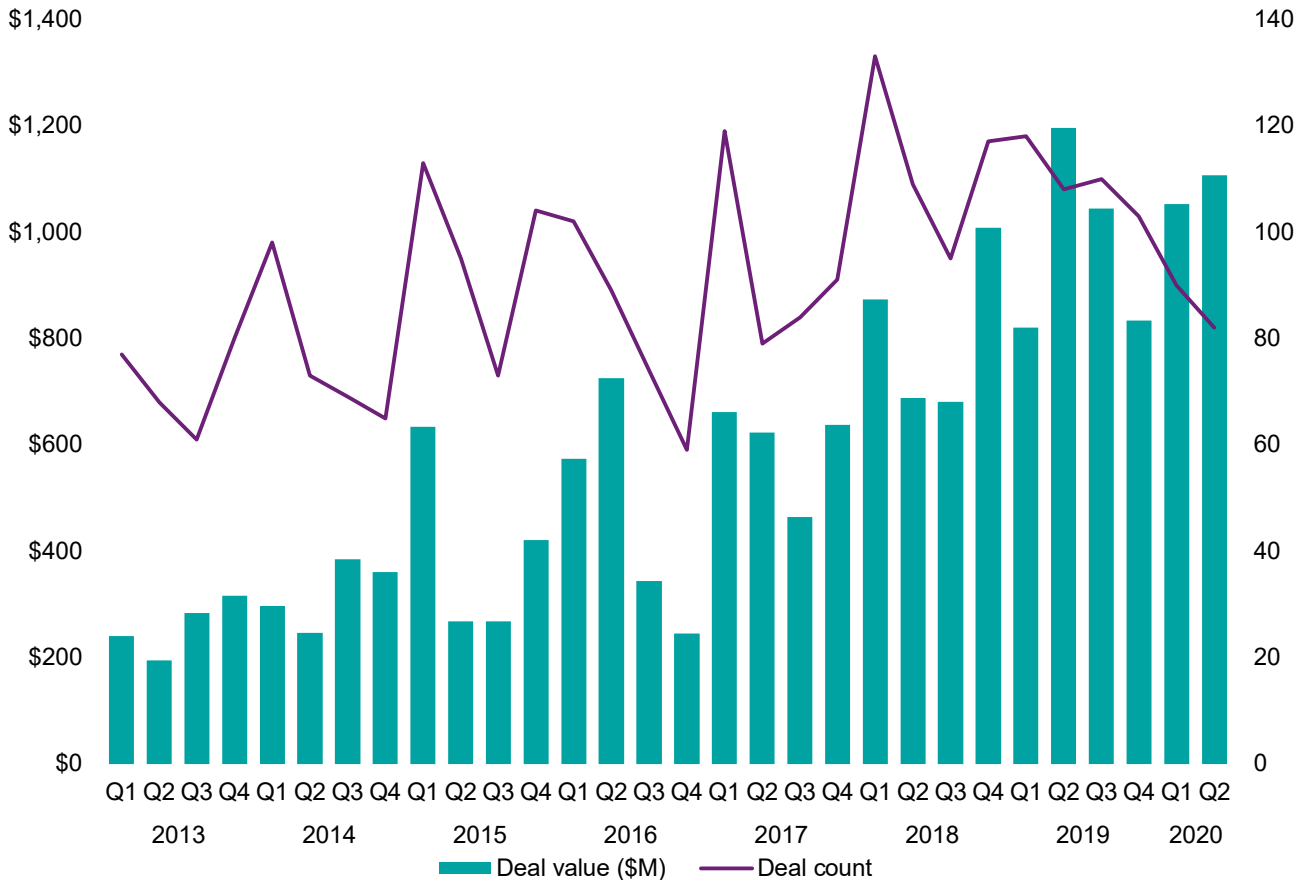
“For companies that operate across borders, the different issues in each country, as a result of COVID-19 makes scaling and fundraising harder. The Nordic ecosystem is reaching a stage where there are constantly more and more growth stage companies that need international later-stage funding and the connections that those investors can provide to help them scale globally. Given the pandemic, this a problem the Nordic market has now and it's one the governments together with local VC's are working to tackle through specific funding programs.”



**Jussi Paski**  
Head of Startup Services  
KPMG in Finland

# Israel notches another high

## Venture financing in Israel 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.

“In Israel, we’re really seeing a return to the core business. Corporate investors in particular don’t see this as a time to expand or to really look at interdisciplinary offerings. They are looking for technologies they can onboard quickly that can enhance the profitability of their core business or help them address the challenges of doing business in the current environment.”



**Dina Pasca-Raz**  
Partner,  
KPMG in Israel

# Fintech & remote stand out



## Top 10 financings in Q2'20 in Europe

- |  |   |
|--|---|
| 1 <b>Deliveroo</b> — \$575M, London<br>Application software<br>Series G                | 6 <b>Cazoo</b> — \$156.1M, London<br>Automotive<br>Early-stage VC               |
| 2 <b>N26</b> — \$570M, Berlin<br>Fintech<br>Series D                                   | 7 <b>Checkout.com</b> — \$150M, London<br>Financial software<br>Series B        |
| 3 <b>Lilium</b> — \$275M, Wessling<br>Air<br>Series C                                  | 8 <b>BioCatch</b> — \$145M, Tel Aviv<br>Network management software<br>Series E |
| 4 <b>Arvelle Therapeutics</b> — \$207.8M, Zug<br>Biotechnology<br>Series A             | 9 <b>Starling Bank</b> — \$123.1M, London<br>Commercial banks<br>Late-stage VC  |
| 5 <b>ContentSquare</b> — \$189.1M, Paris<br>Business/productivity software<br>Series D | 10 <b>Freeline</b> — \$120M, Stevenage<br>Drug discovery<br>Series C            |

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

Note: Due to disclosure requirements, a transaction that ranked in the top 10 in Q2 2020 is not included in this list but is reflected in the underlying datasets.

# About KPMG Private Enterprise

## About KPMG Private Enterprise

You know KPMG, you might not know KPMG Private Enterprise. 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. You gain access to KPMG's global resources through a single point of contact — a [trusted adviser](#) to your company. It is a local touch with a global reach.

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

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# Methodology

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

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