KPMG

Private Enterprise

Venture Pulse Q4 2020

Global analysis of venture funding

January 20, 2021

Welcome message

Welcome to the Q4'20 edition of Venture Pulse — KPMG Private Enterprise's quarterly report highlighting the key issues, trends, and opportunities facing the VC market globally and in key jurisdictions around the world.

2020 was a year of tremendous change. While the global pandemic severely impacted countless industries — from travel and sports to hospitality and live entertainment — it also acted as a catalyst for technology transformation and innovation as startups capitalized on accelerating digital trends and corporates worked to rapidly advance their digital strategies in order to survive and effectively meet the shifting needs of their customers.

The VC market globally showed incredible resilience in 2020, defying early expectations of a potential dip due to COVID-19. While the total number of VC deals globally dropped sharply in 2020, total global VC investment grew year-over-year as VC investors focused primarily on late-stage deals and on supporting companies within their existing portfolios. VC investment in the earliest deal stages dropped off in most jurisdictions, a multi-quarter trend that could affect the pipeline for deals over the longer term.

During Q4'20, VC investment was very strong in all regions of the world. After a lacklustre first half of the year, VC investment in Asia continued to rebound, particularly in China where truck-hailing company Manbang Group raised $1.7 billion and edtechs Zuoyebang and Yuanfudao raised $1.6 billion and $1 billion respectively. Both the Americas and Europe also saw strong levels of VC investment in Q4'20, helping to propel them to new annual record highs. VC investment during the quarter continued to focus on sectors that have seen high demand given the ongoing pandemic, including logistics and mobility, healthcare and biotech, fintech, edtech, and gaming.

With barely a pause for the US presidential election in November, the stream of high-profile unicorn exits continued in Q4'20 with the successful US-based IPOs of Airbnb and DoorDash. Hong Kong also continued to see very strong IPO activity during the quarter, despite the sudden cancellation of Ant Financial's IPO a few days prior to its expected double-listing.

Low interest rates in many jurisdictions combined with large amounts of dry powder are expected to keep VC investment robust heading into Q1'20. IPO activity is also expected to remain very strong, both in the US and Asia.

In this quarter's edition of Venture Pulse, we examine both annual and Q4'20 VC market results, in addition to delving into a number of global and regional trends, including:

- The increasing focus on mega funds
- The strengthening focus on domestic investment in China
- The surge in IPO activity by unicorn companies
- The expanding focus on healthtech beyond COVID-19 related solutions

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.

KPMG Private Enterprise

You know KPMG, you might not know KPMG Private Enterprise.

KPMG Private Enterprise advisers in KPMG 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.

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

In Q4'20 VC-backed companies in the Americas raised

$41.0B

across

2,725 deals

Robust VC investment in the Americas in Q4'20

VC investment in the Americas was relatively robust in Q4'20, driven primarily by activity in the US, where Resilience, Robinhood, Chime, Relativity Space, and Nuro all raised $500 million+ funding rounds. Quarterly VC investment in Canada remained steady compared to historical norms, while investment in Latin America was driven primarily by Mexico-based Kavak's $397 million raise in October and a $255 million funding round by Brazil-based Creditas in December[1].

Corporate venture capital investment remains high as competitiveness becomes critical

Corporate VC related investment in the Americas grew from $64 billion in 2019 to $71 billion in 2020, an amount just shy of the record $72 billion seen in 2018. As the importance of digital channels and solutions skyrocketed due to the impact of COVID-19 across the region, many corporates were forced to rapidly accelerate their digital transformation agendas in order to remain competitive. Given the importance of speed to market, many corporates were driven to invest in startups with relevant technologies already in play that could help them move forward more quickly than they could otherwise move.

Fintech attracting significant VC investment across the Americas

Across the Americas, fintech continued to be one of the most attractive areas for investment. While fintech has been a critical area of investment for a number of quarters, the global pandemic has increased interest in the sector even further given the increases in e-commerce and the growing demand for touchless and digital payment options.

During Q4'20, a number of US-based companies raised sizeable funding rounds, including Robinhood ($668 million), Chime ($533 million) and Hippo Insurance ($350 million), while Brazil-based Creditas raised $255 million and Canada-based Wealthsimple raised $86 million. In Latin America, payments and lending continued to be the most prominent areas of fintech investment during Q4'20, while in the US and Canada VC investors were attracted to a broader range of fintech subsectors, including insurtech and wealthtech.

Increasing geographic diversity of innovation ecosystems across the Americas

While Silicon Valley continued to drive a large percent of VC investment in the Americas, regional innovation ecosystems continued to gain traction across the Americas during 2020. For example, the birth of new unicorns in both Mexico (Kavak) and Brazil (Creditas) during Q4'20 highlight the growing maturity of the innovation ecosystems in Latin America. At the same time, the pandemic has driven some startups to recognize that their employees do not always need to be based in a single location in order to be productive. This could lead to companies acquiring talent from well outside of traditional innovation hubs – where talent shortages and talent wars are the norm.

[1] https://www.yahoo.com/now/softbank-backed-creditas-reaches-1-141502350.html

Robust VC investment in the Americas in Q4'20, cont'd.

VC investment in Canada remains steady in Q4'20

VC investment in Canada remained steady in Q4'20, led by an $86 million raise by Wealthsimple. While numerous companies across Canada have been hit hard by the pandemic, including live entertainment companies, restaurants, and hotels, many technology companies have seen the exact opposite impact — increasing interest and booming sales and revenues. In particular, B2B solutions have seen significant demand in Canada as a wide range of businesses looked for ways to connect their workforce and to provide or enhance their online sales and digital service channels. From a sector perspective, fintech gained a lot of traction over the past few quarters in Canada as both consumers and businesses looked for ways to avoid handling cash. This led to increasing interest in digital payments models, payments processors, and other related fintech offerings.

The M&A space in Canada was quite active in Q4'20, in part driven by corporates looking for tuck-in opportunities in order to take advantage of existing technologies. The rapid acceleration of digital trends and the need for companies to find quicker options than in-house R&D is expected to keep deals activity strong heading into 2021.

Fintech continues to drive VC investment in Brazil

Over the course of 2020, Brazil continued to attract significant attention, both from international investors like Softbank and domestically. Compared to historical norms, Brazil's interest rates were very low during 2020, helping to drive both VC investment and its second biggest year for IPO exits next to 2008.

Fintech continued to be Brazil's hottest sector of investment; during Q4'20, Brazil-based consumer loan company Creditas raised $255 million in Q4'20, making it the country's newest fintech unicorn with a valuation of $1.75 billion[2]. E-commerce platforms and delivery and logistics companies were also seen as key areas of interest to investors. Interestingly, competition in Brazil is also heating up between e-commerce companies and banks — with banks looking to buy e-commerce platforms in order to become marketplaces and e-commerce platforms looking to buy banks.

Mexico sees first tech-based unicorn company

VC investment in Mexico rose significantly in Q4'20, driven primarily by a $397 million raise by used car sales platform Kavak. The funding round propelled the company to a $1.15 billion valuation, making it Mexico's first tech unicorn[3].

Trends to watch for in the Americas

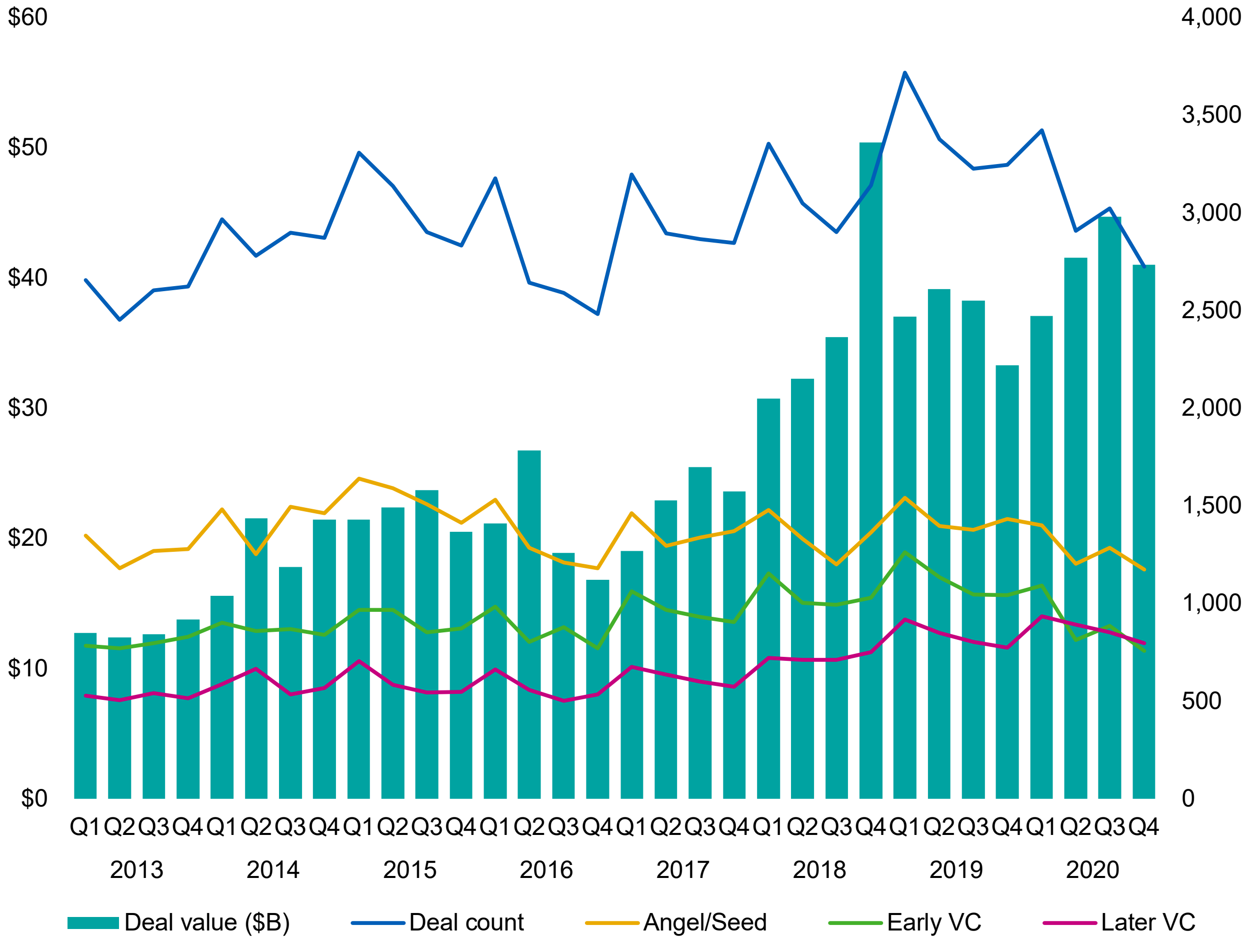
VC investment in the Americas is expected to remain robust heading into Q1'21. In the US, both VC investors and startups will be watching carefully as the administration changes as it will likely signal a shift in priorities. Across the Americas, fintech is expected to remain a very hot area of investment, in addition to delivery and logistics and B2B services.

[2] https://www.forbes.com/sites/angelicamarideoliveira/2020/12/23/with-open-banking-on-the-horizon-brazils-new-unicorn-creditas-eyes-further-growth/?sh=3b0bf70b7729
[3] https://www.reuters.com/article/us-mexico-kavak-idUSKBN26M4KB

Funding pulls off record stretch

Venture financing in the Americas

2013–Q4'20



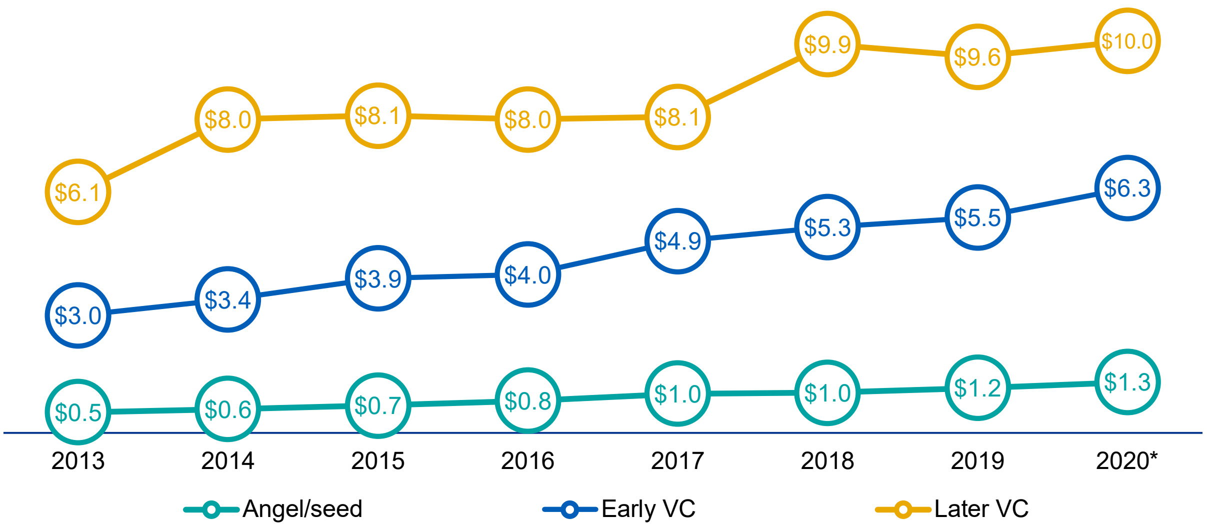
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/20/2021.

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 of volume adjusting upward. Given that, plus the record three-quarter stretch of funding, primarily in the US, the Americas saw more-than-robust funding levels throughout 2020 despite the sheer degree of tumult throughout the year.

Metrics hold steady, by and large

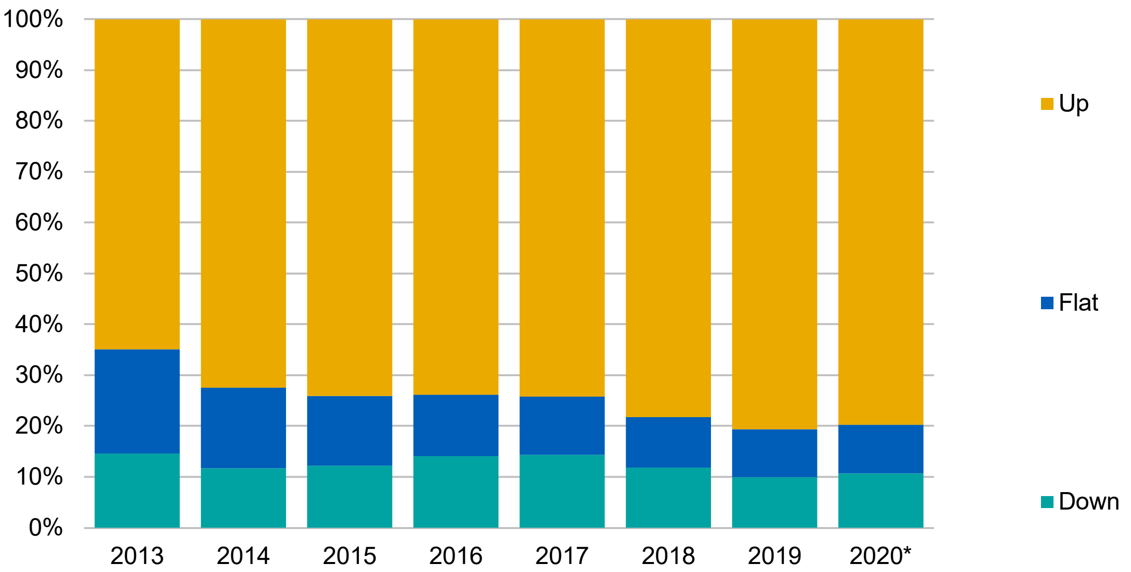
Median deal size ($M) by stage in the Americas

2013–2020*



Up, flat or down rounds in the Americas

2013–2020*

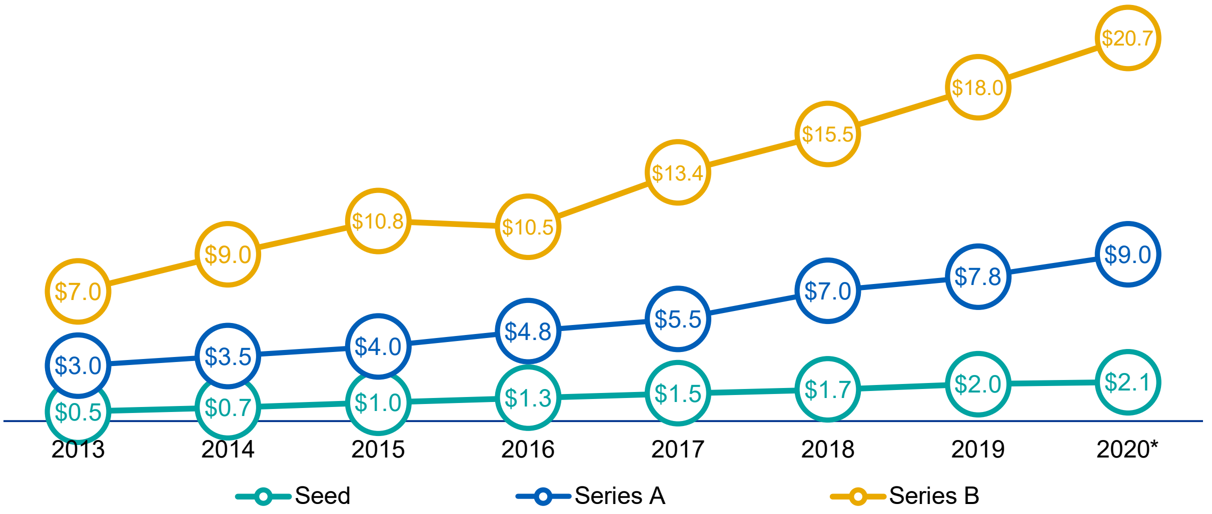


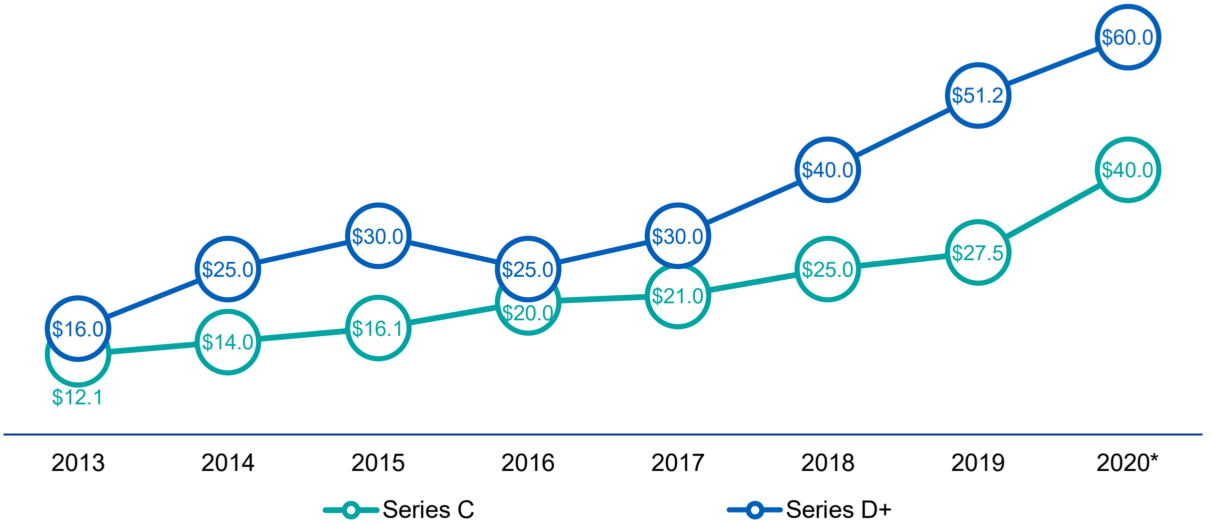
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Continued rises to set new highs for 2020

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

2013–2020*



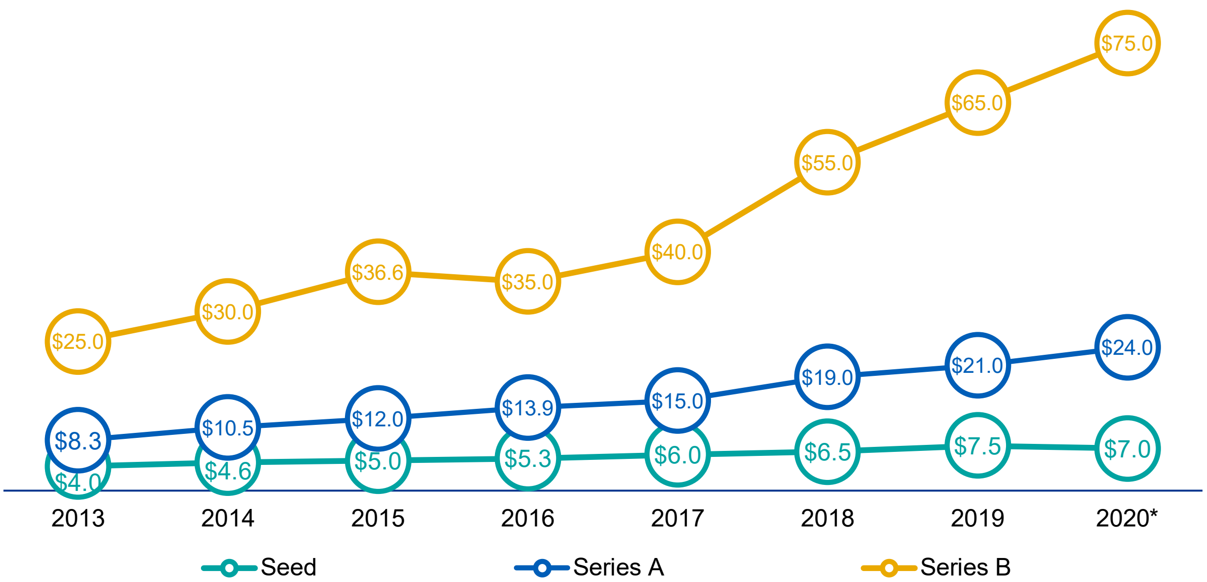


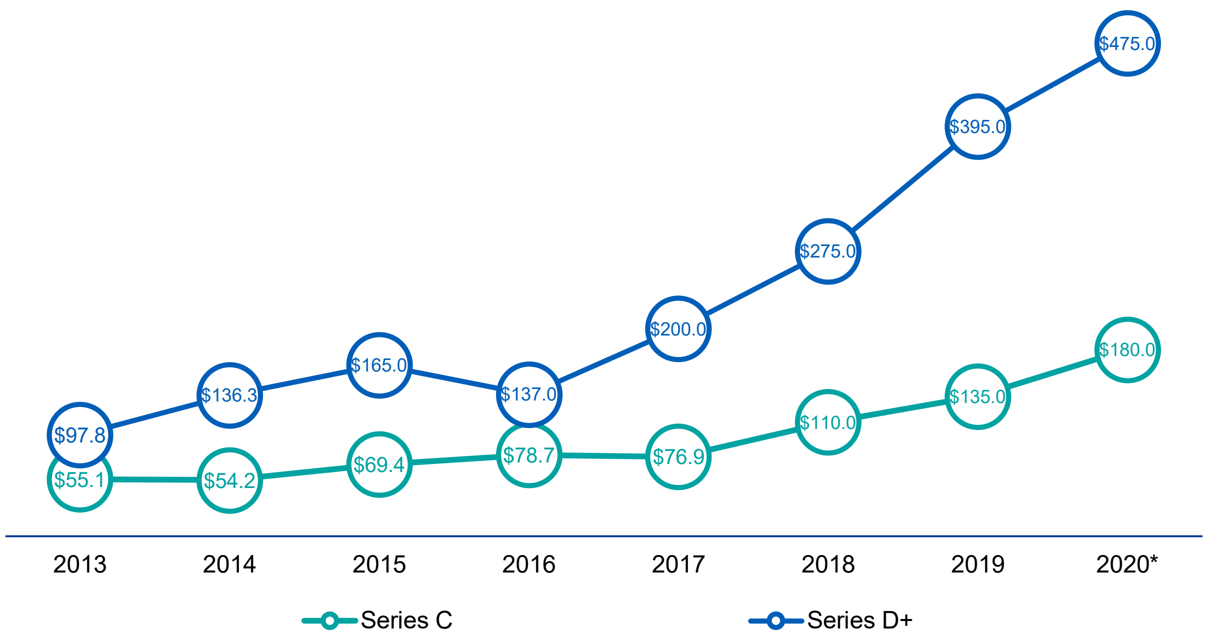
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

2020 records stay intact with final data

Median pre-money valuation ($M) by series in the Americas

2013–2020*



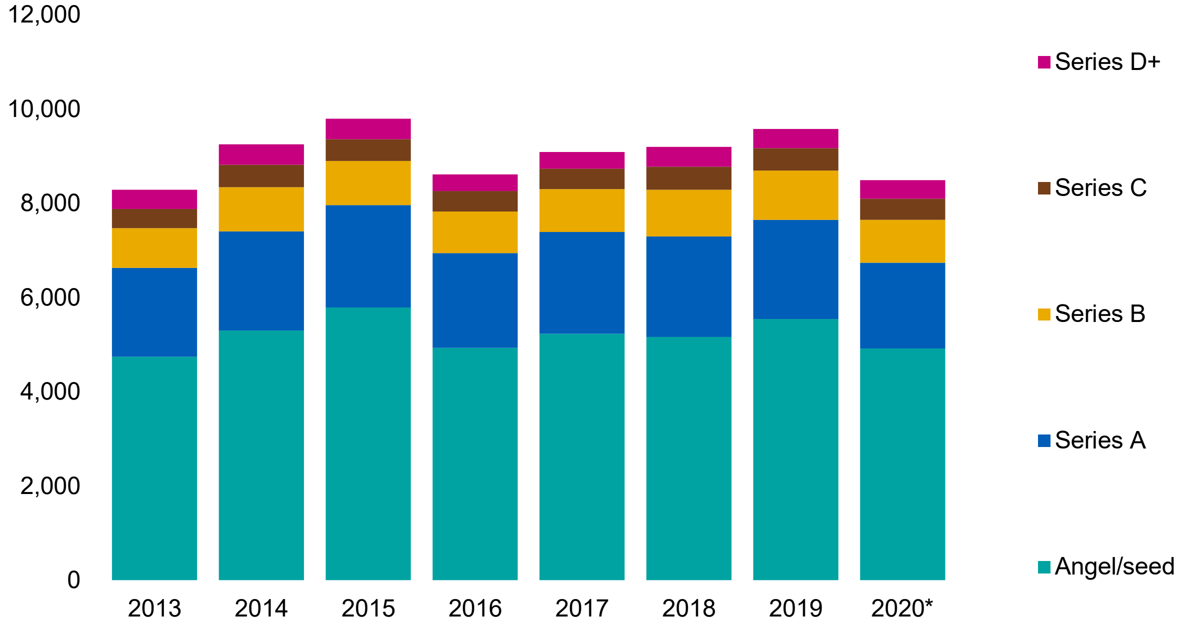


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Late-stage volume grows to record proportions

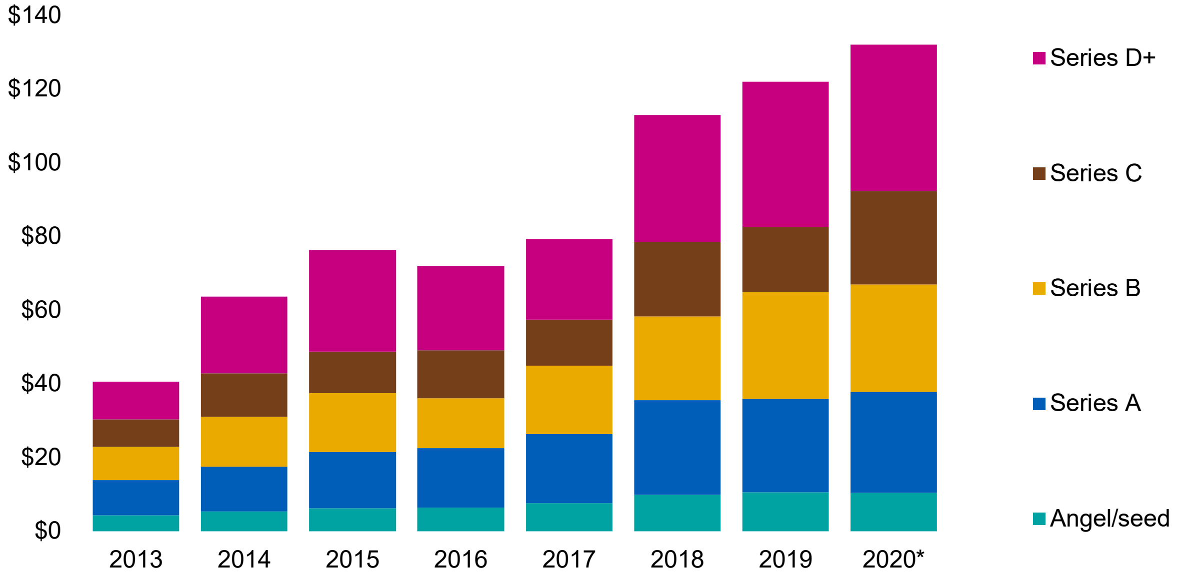
Deal share by series in the Americas

2013–2020*, number of closed deals



Deal share by series in the Americas

2013–2020*, VC invested ($B)

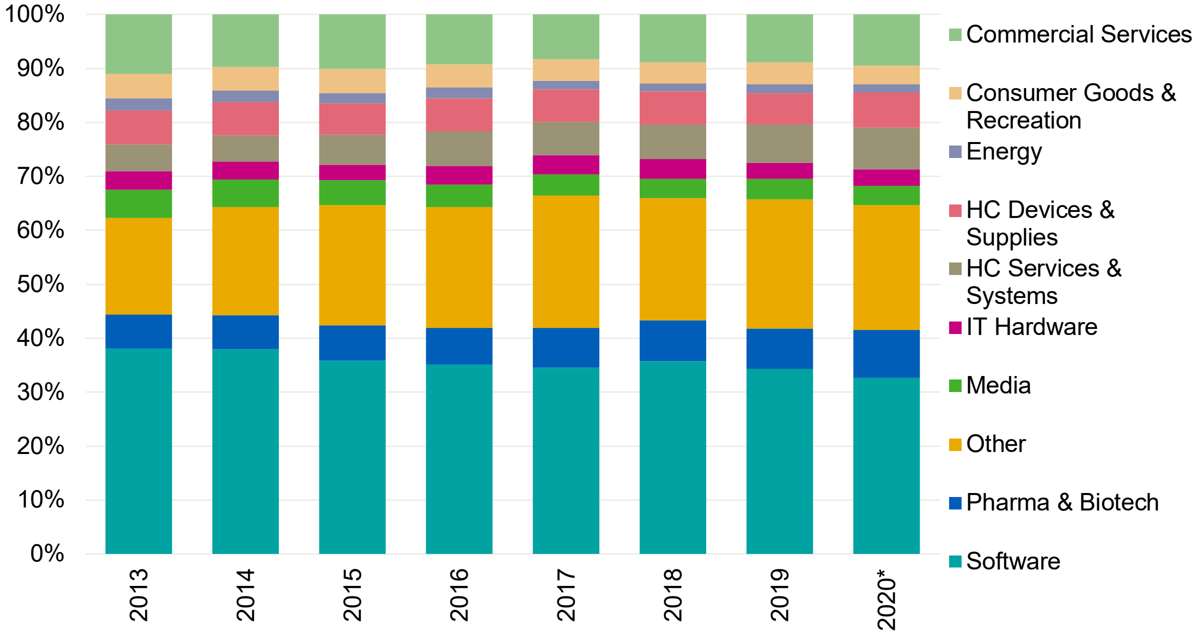


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

Pharma & biotech plus healthcare hit highs

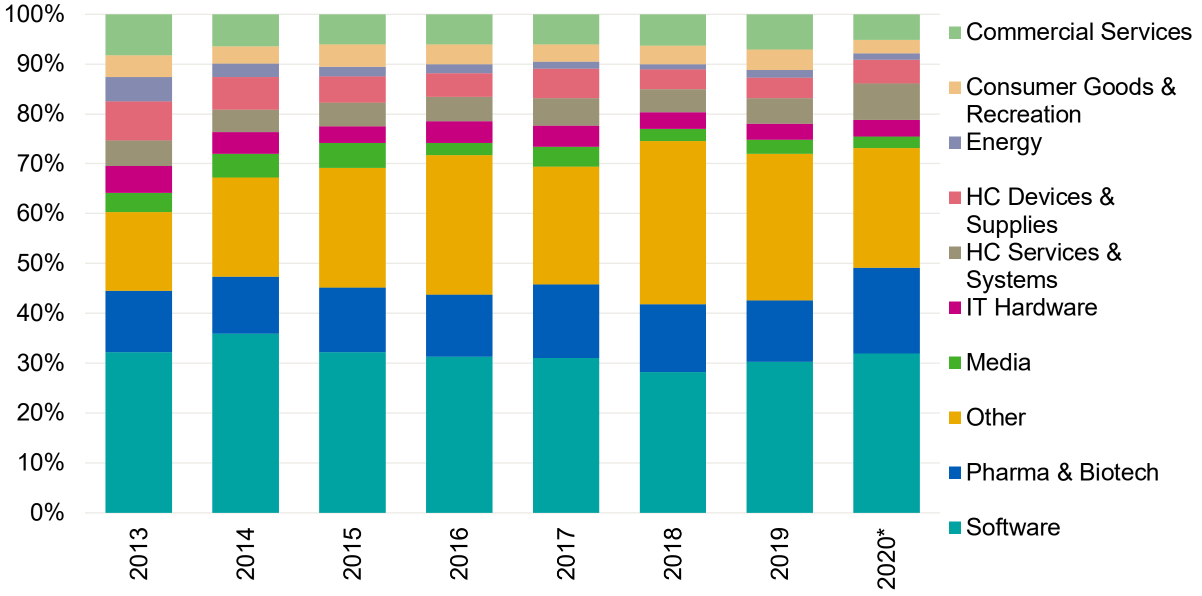
Venture financing of VC-backed companies by sector in the Americas

2013–2020*, # of closed deals



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

2013–2020*, VC invested ($B)

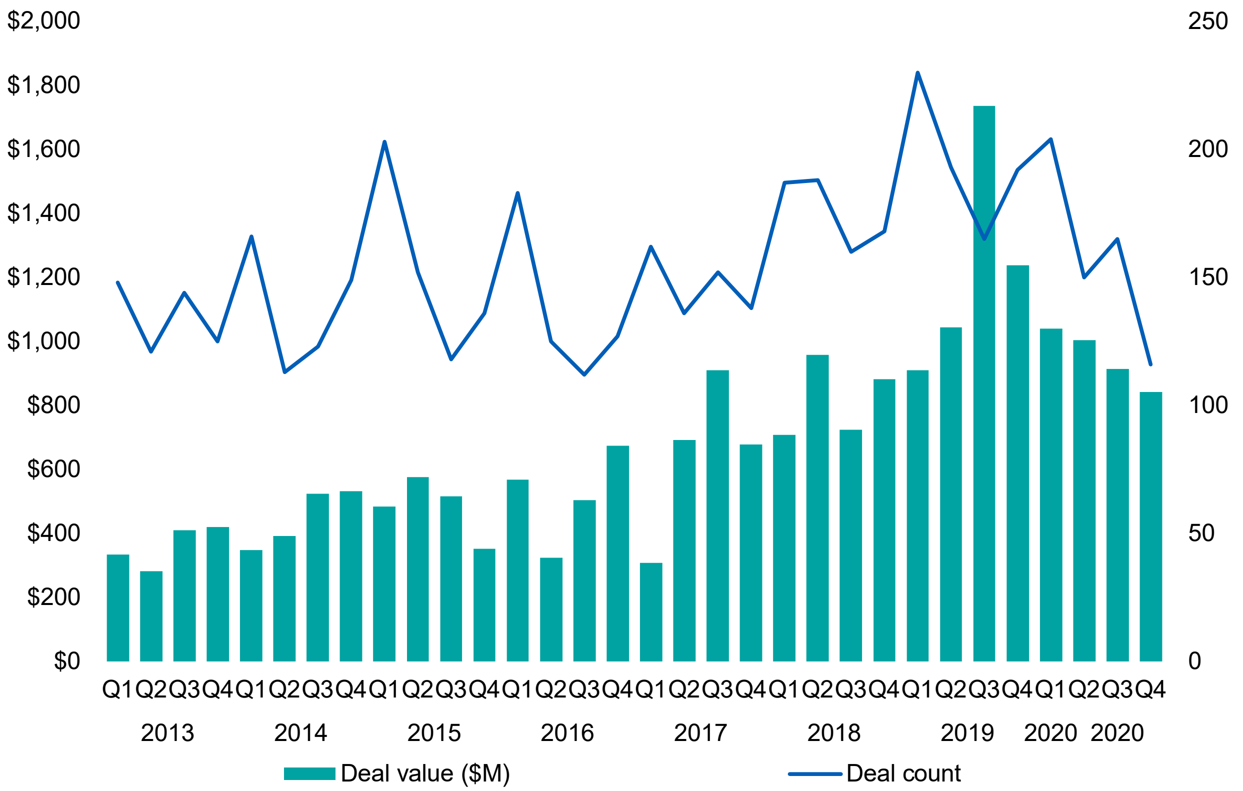


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

The rate of decline sharpens to close the year

Venture financing in Canada

2013–Q4'20



Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

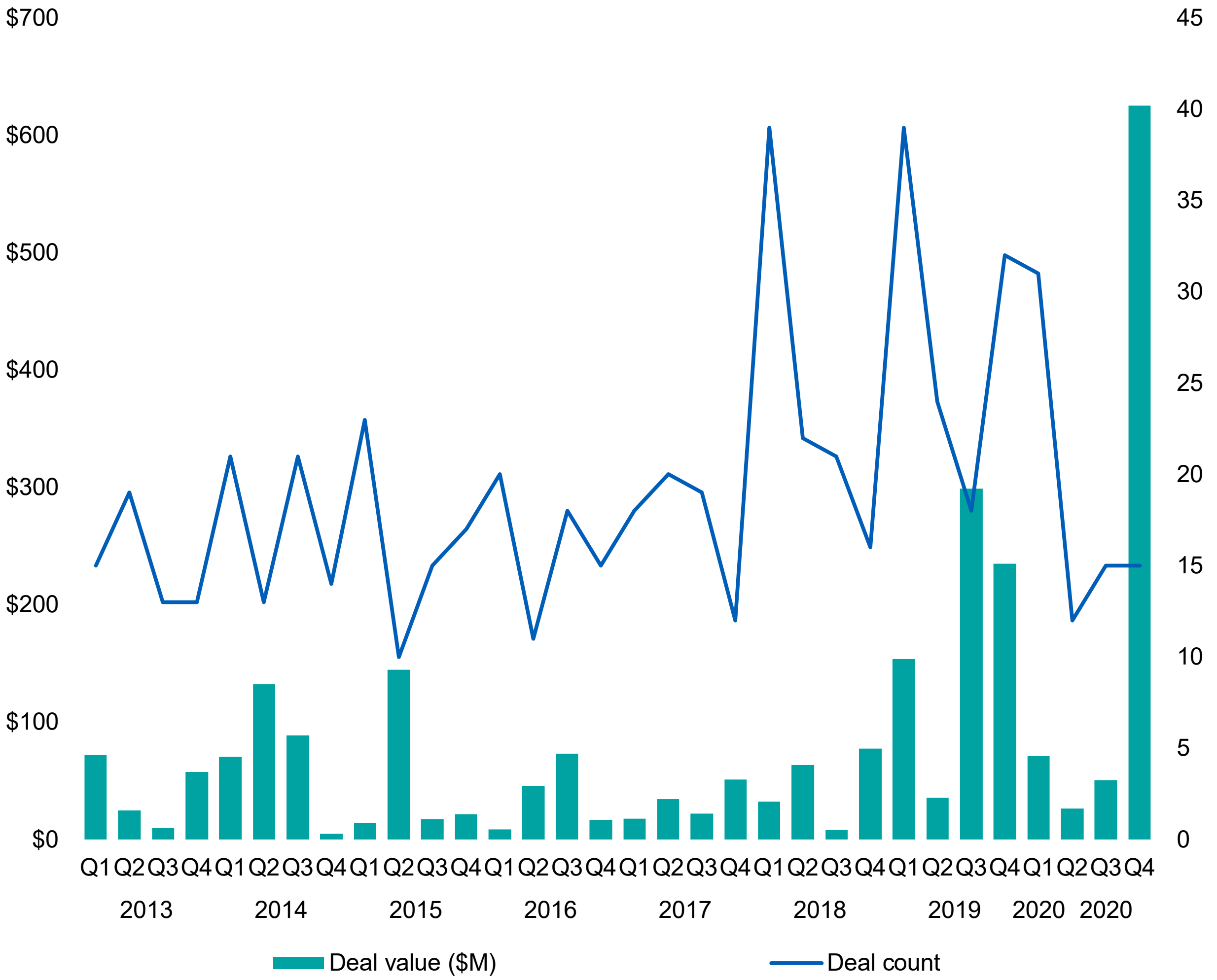
The back half of 2019 set records in terms of VC invested for the Canadian startup ecosystem, with several late-stage fundings helping significantly. The first half of 2020 saw significant choppiness in quarterly results, although with the final tallies from Q4 2020 it is clear the year was set for a decline in volume. Granted, volume may be marginally adjusted upward when undisclosed financings finally come to light, but more immediately heartening findings are that VC invested has stayed relatively strong overall, signifying a slowing but ongoing stream of VC to keep funding Canadian startups throughout the year.

"We're starting to see the light at the end of the tunnel here in Canada. Investors are starting to look not only at companies that have done well through the pandemic. They are also starting to think that if a majority of the vaccines are distributed by half-way through 2021, what companies, industries, and sectors will be well positioned for a comeback."

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

Record mega-deal sends VC tally surging

Venture financing in Mexico
2013–Q4'20

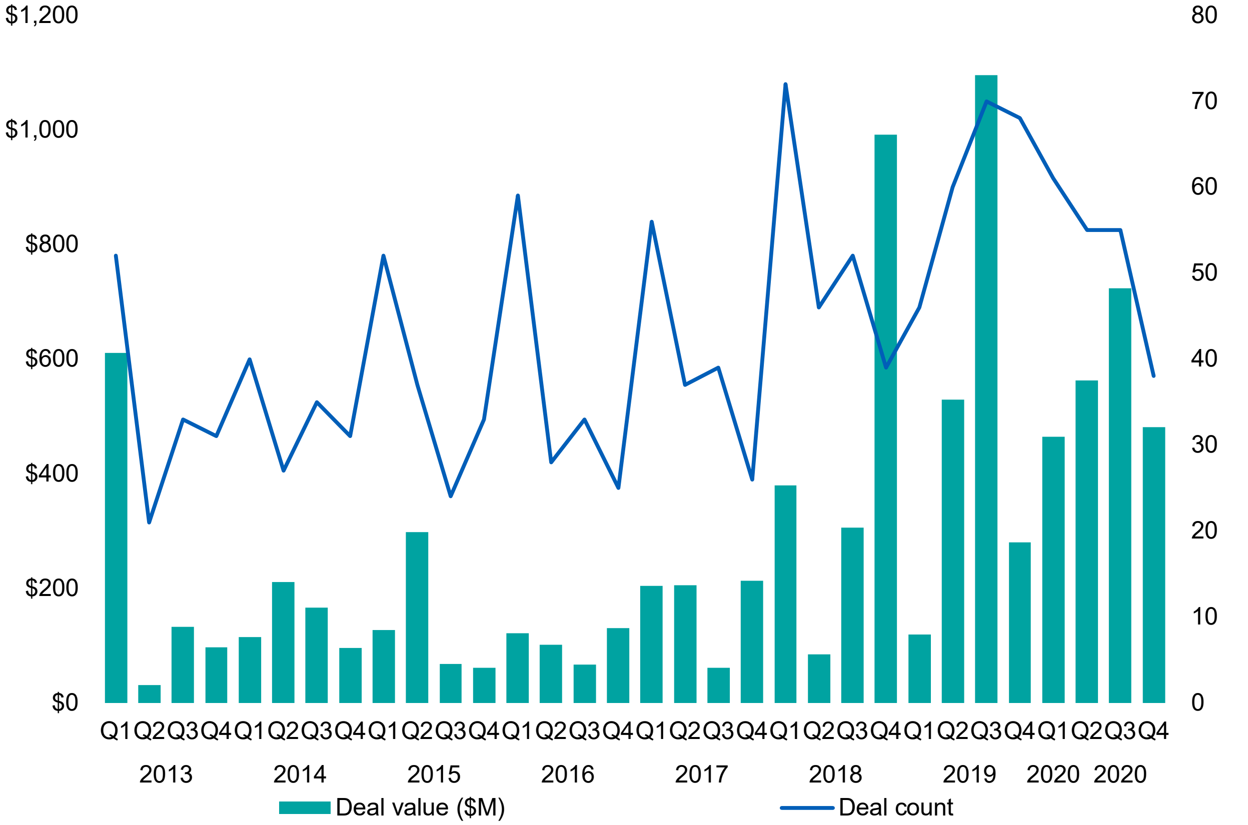


Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

The past variability in the flow of venture funding in the Mexican ecosystem makes it difficult for any clear trend to emerge, and the mega-financing of car trading platform Kavak, to the tune of $397.2 million in October 2020, only further accentuates variability. That said, the occurrence of such a funding could bode well if in small fashion for future ventures started up by veterans of that company or other founders taking note of their success.

Brazil sees down Q4 to close 2020

Venture financing in Brazil
2013–Q4'20



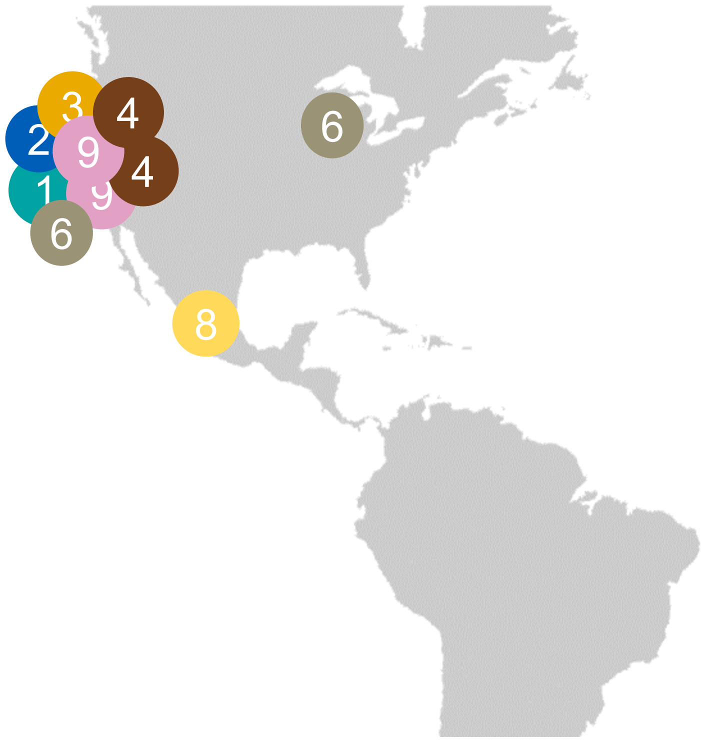
Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of 12/31/20. Data provided by PitchBook, 1/20/21.

In the first half of 2020, investor caution led to a mild drop in the volume of funding, milder than observed in other nations, given the Brazilian ecosystem's strengths have been in consumer finance and ongoing digitization of tools for small to midsized businesses, it stands to reason that businesses benefiting from any lockdowns or customer caution pushing the flow of commerce online would keep attracting funding. However, Q4 saw a highly probable downturn to close 2020 as uncertainty reigned supreme.

"This is the first time in Brazil's history that interest rates have been as low as 2 percent. This is helping to drive interest in the VC market. Over the past year, we've seen a lot of new funds looking to invest in Brazil. We've also seen a number of new local firms being created to invest in the venture capital market and some private equity being diverted to the VC market as well."

Robson Del Fiol
Partner, Head of Emerging Giants & Digital Marketing Strategist,
KPMG in Brazil

Investors keep plying unicorns with VC



Top 10 financings in Q4'20 in Americas

1 **Resilience** — $725M, San Diego
Pharmaceuticals
Series B

2 **Robinhood** — $668.3M, Menlo Park
Fintech
Series G

3 **Chime** — $533.8M, San Francisco
Fintech
Series F

4 **Relativity Space** — $500M, Long Beach
Aerospace & defense
Series D

4 **Nuro** — $500M, Mountain View
Transportation
Series C

6 **Swell (Energy Storage)** — $450M, Santa Monica
Energy storage
Late-stage VC

6 **Tempus Labs** — $450M, Chicago
Healthcare technology systems
Series G

8 **Kavak** — $397.2M, Lerma de Villada
Automotive
Early-stage VC

9 **TuSimple** — $350M, San Diego
Transportation
Series E

9 **Hippo Insurance** — $350M, Palo Alto
Insurtech
Late-stage VC

Source: Venture Pulse, Q4'20, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, 1/20/2021.

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

Contact us:

Conor Moore
Co-Leader, KPMG Private Enterprise Emerging Giants Network
E: conormoore@kpmg.com

Kevin Smith
Co-Leader, KPMG Private Enterprise Emerging Giants Network
E: kevin.smith@kpmg.co.uk

About KPMG Private Enterprise

About KPMG Private Enterprise

You know KPMG, you might not know KPMG Private Enterprise. KPMG Private Enterprise advisers in KPMG 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.

Acknowledgements

We acknowledge the contribution of the following individuals who assisted in the development of this publication:

Jonathan Lavender, Global Head, KPMG Private Enterprise, KPMG International

Conor Moore, Global Co-Leader Emerging Giants, KPMG Private Enterprise, KPMG International, Partner, KPMG in the US

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

Anshul Gupta, Partner, Head of Corporate Finance, KPMG United Arab Emirates

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

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

Dina Pasca-Raz, Partner, Head of Technology, KPMG in Israel

Diogo Garcia Correia, Venture Capital & Emerging Giants Business Development, KPMG in Brazil

Egidio Zarrella, Partner, Clients and Innovation, KPMG China

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

Jules Walker, Senior Director, Business Development, KPMG in the US

Lindsay Hull, Director, Emerging Giants Global Network, KPMG Private Enterprise, KPMG International

Melany Eli, Managing Director, Marketing and Communications, KPMG Private Enterprise, KPMG International

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

Philip Ng, Partner, Head of Technology, KPMG China

Robson Del Fiol, Partner, Head of Emerging Giants & Digital Marketing Strategist, KPMG in Brazil

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

Tim Dümichen, Partner, KPMG in Germany

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 identifying 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 United States 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. Mega-funds are classified as those of $500 million or more in size for the following fund categories: venture and secondaries.

Deals

PitchBook includes minority equity investments, as well as investments combined of both equity and debt, 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, as well as from nontraditional investors such as hedge funds, mutual funds or private equity funds. 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.

Methodology, cont'd.

Angel/seed: PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and we 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. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than $500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

Early-stage: Rounds are generally classified as Series A or B (which we typically aggregate 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 we typically aggregate 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 is employed.

Exits

PitchBook includes the first full liquidity event (i.e., M&A, buyout, IPO) for holders of equity securities of venture-backed companies. This does not include direct secondary sales, further share sales following an IPO, 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. Unless otherwise noted, IPO sizes are based on the pre-money valuation of the company at the time of the transaction.

In the edition of the KPMG Venture Pulse covering Q1 2019 and all ensuing, 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 in all subsequent editions yet is more reflective of how the industry views the true size of an exit via public markets.

To connect with a KPMG Private Enterprise adviser in your region email enterprise@kpmg.com

home.kpmg/venturepulse [website]
@kpmg [Twitter]

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

KPMG
Private Enterprise