KPMG Private Enterprise

Venture Pulse Q1 2021

Global analysis of venture funding

April 21, 2021

Welcome message

Welcome to the Q1'21 edition of KPMG Private Enterprise's *Venture Pulse* – a quarterly report highlighting the major trends, opportunities, and challenges facing the venture capital market globally and in key jurisdictions around the world.

The global VC market got off to a banner start in Q1'21, with record levels of VC investment globally and in Europe, the United States, and the Americas. Asia also saw robust VC investment, although the total remained well shy of the peak seen in Q2'18. The surge in VC funding was driven, in part, by a significant number of $100 million+ deals in all jurisdictions, in addition to nine $1 billion+ funding rounds, including Robinhood ($3.4 billion) in the Americas, Xingsheng Selected ($3 billion) in Asia, and Klarna ($1 billion) in Europe.

Valuations rose in Q1'21 as many VC investors continued to shy away from early-stage deals in favour of later stage opportunities, with the fear of missing out contributing to both the fierce competition for deals and an acceleration in deal speed. Investments continued to focus on areas accelerated throughout the pandemic, including fintech, logistics and delivery, autotech and healthtech.

Exits continued to accelerate in Q1'21, with exit value reaching a new high for the second straight quarter, led by the $4.5 billion IPO of South Korea-based e-commerce company Coupang on the NYSE. SPACs also continued to attract significant interest. During the quarter a large number of SPACs were created, while interest in SPAC mergers grew among companies looking to go public more quickly than a traditional IPO.

Heading into Q2'21, VC investors will likely continue to make big deals – although there may be some shifting of focus as investors look to determine what companies and business models will thrive in a post-pandemic world.

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

- The diversity of VC deals attracting $100 million+ funding rounds
- The resurgence in VC deal activity in Latin America
- Valuations and the rapid rise in unicorn births
- The flurry of interest in SPAC mergers – including outside of the US

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

Conor Moore
Head of KPMG Private Enterprise in the Americas, 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 Q1'21 **US** VC-backed companies raised

$69.0B across 3,042 deals

VC investment in US surges in Q1'21, shattering previous record

An incredibly strong exit market, high valuations, and a highly competitive market for VC deals helped drive VC funding in the US through the roof in Q1'21. Increasing vaccine distribution and the sense of a light at the end of the pandemic tunnel likely also contributed to a strong sense of optimism in the US during the quarter.

$1 billion+ mega-deals strengthen investment numbers

Very large mega-deals helped propel VC investment in the US, including a $3.4 billion raise by wealthtech Robinhood, a $2.6 billion raise by electric vehicle company Rivian Automotive, a $1.1 billion raise by delivery app GoPuff[7] raised $1.1 billion, and $1 billion raises by healthcare practice management platform VillageMD and data analytics software company Databricks. These deals highlight not only the strength of the US VC market, but also its variety – with each company reflecting a different hot sector of investment, including fintech, automotive, logistics, and healthcare.

Growing deal sizes and the larger number of $100 million+ megadeals likely also contributed to the record 64 unicorn births in the US, including companies like Hinge Health, Dremio, Enfusion, Axiom Space, BlockFi, Pilot.com, and Cameo.

Deal speed accelerating for late-stage deals

Q1'21 saw deal speed in the US accelerate, with significant funding rounds oversubscribed as investors competed for some of the biggest bets. FOMO – the fear of missing out – appeared to be a real concern to US-based investors as late-stage and potential pre-exit rounds attracted strong interest and rapid investment. Even the challenges associated with doing business during a pandemic have not hindered deal speeds in the US, with most investors and startups now accustomed to doing deals remotely.

While VC investors in the US continued to deploy capital to Series C and later rounds, early-stage funding remained soft.

SPACs attracting significant attention as exit interest remains high

SPACs continued to gain ground in the US as an alternative to traditional IPO exits during Q1'21. A large number of SPACs were formed in the US in recent quarters, and each of these SPACs will need to find a company to invest in within the next two years. The increasing availability and visibility of SPAC transactions has led to more companies looking at a SPAC merger as a potential exit option. Some companies that were eying IPO exits over the next two to three years are now looking at SPACs as an opportunity to go public sooner.

One concern related to the increase in SPAC transactions is the potential for companies to go public before they are well-equipped to do so. While SPAC transactions are expected to remain an important exit option in Q2'21, the use of SPACs over the longer term will likely be dependent on the performance of companies that have recently exited via SPAC mergers.

Direct listings also continued to be seen as a potential IPO alternative; in Q1'21, video game platform Roblox conducted a direct listing, with share prices rising 50% on the first day of trading.

VC investors showing interest in AI and data analytics focused health opportunities

Healthtech continued to be an attractive area of investment in the US in Q1'21. During the quarter, investors showed increasing interest in consumer-focused health solutions, such as health tracking and personalized fitness solutions. Investors were also keenly interested in companies able to connect data and predict outcomes using AI and data analytics. Investors see the intersection of AI and health as a very powerful opportunity, suggesting it will remain an attractive area of investment for the foreseeable future.

[7] https://techcrunch.com/2021/03/23/gopuff-new-funding/

VC investment in US surges in Q1'21, shattering previous record, cont'd.

VC investors betting on new normal

The pandemic accelerated digital transformation for many businesses and helped both consumers and companies see the art of the possible. With vaccine distribution ramping up significantly, VC investors are now starting to look at what the new normal will look like, and differentiating between business models critical during a pandemic and those that will likely remain in demand once COVID-19 wanes. This could lead to falling investment in some sectors – such as edtech, given the expectation that children will fully return to school. Other sectors are expected to remain attractive to investors given the expectation that some learned behaviors will remain strong even within a new normal – including areas like fintech, B2B services, and delivery and logistics.

Trends to watch for in the US

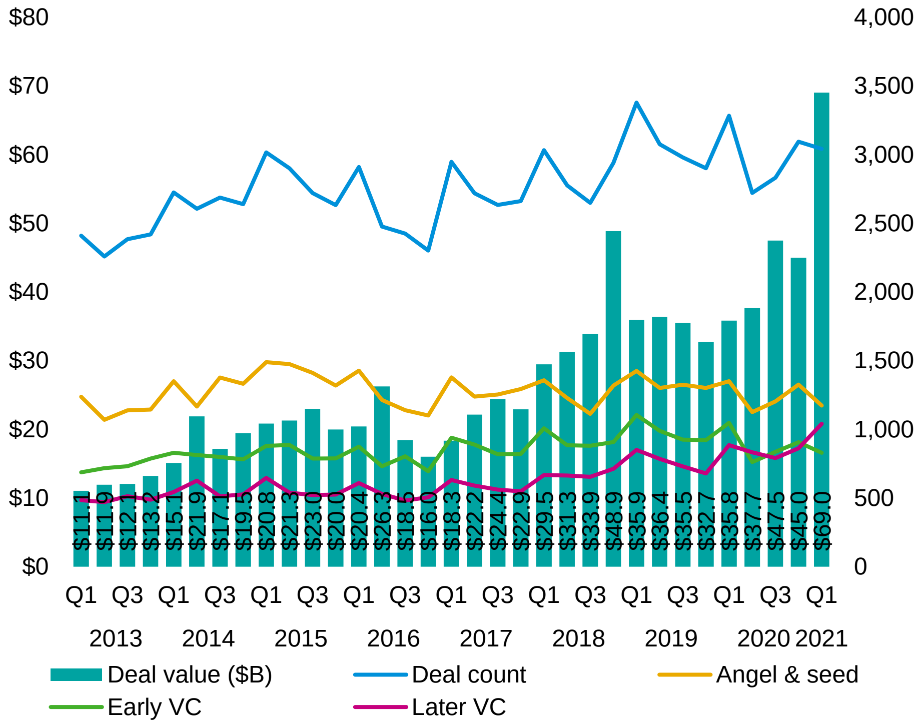
VC investment in the US is expected to remain strong and valuations are expected to remain high in Q2'21 as VC investors continue to compete for the most attractive deals. Fintech is expected to remain a very hot area of investment, in addition to digital solutions and almost all areas of AI.

IPO activity will likely remain quite strong, including both traditional IPOs and direct listings. More SPACs are also expected to be formed during Q2'21, while SPAC mergers will likely increase.

A mammoth quarter sets a new high

Venture financing in the US

2013–Q1'21



Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, April 21, 2021.
Note: Refer to the Methodology section at the end of this report to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

Despite a modest decrease in the number of financings, the sheer weight of dry powder across US venture drove a remarkable outcome to close out the majority of 2020: a record three-quarter stretch of VC invested eclipsing $40 billion apiece. Ongoing unicorn funding as well as continued focus on mature companies contributed to this significant slew of investment.

“There continues to be enormous amounts of capital looking for a home – and a significant appetite for public issuances. In addition to traditional IPOs, the SPAC phenomenon continues to accelerate – including companies availing themselves of SPACs as a way to go public sooner than they may have initially planned. It remains to be seen if all of these companies will be able to effectively function as a public company.”

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

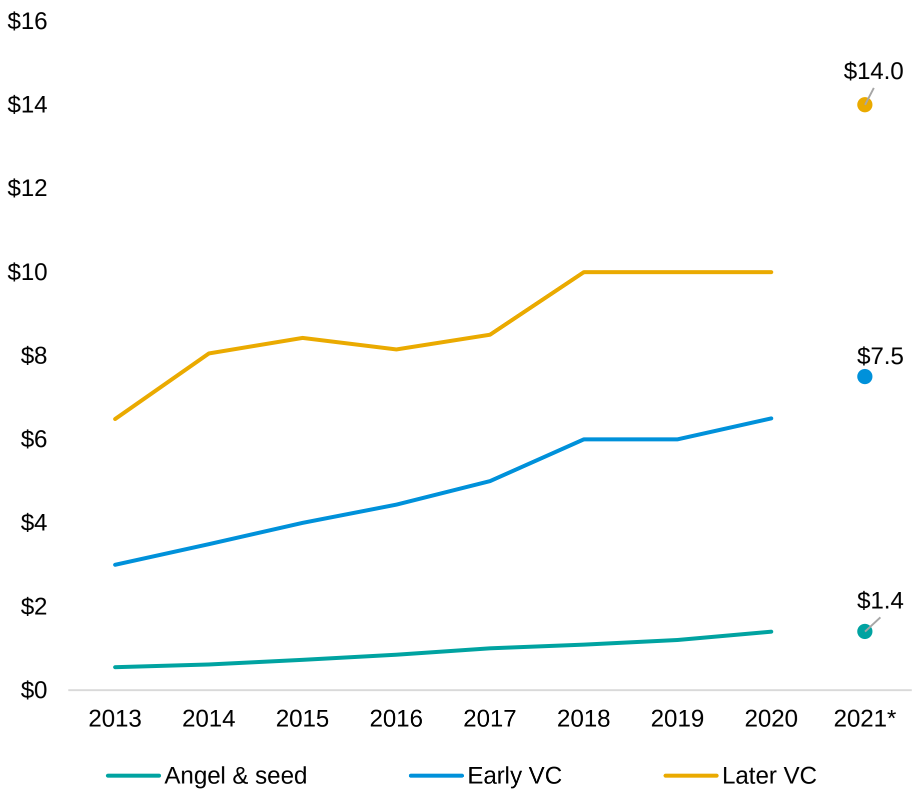
KPMG Private Enterprise

Q1VC

A surge in up rounds speaks to investor confidence

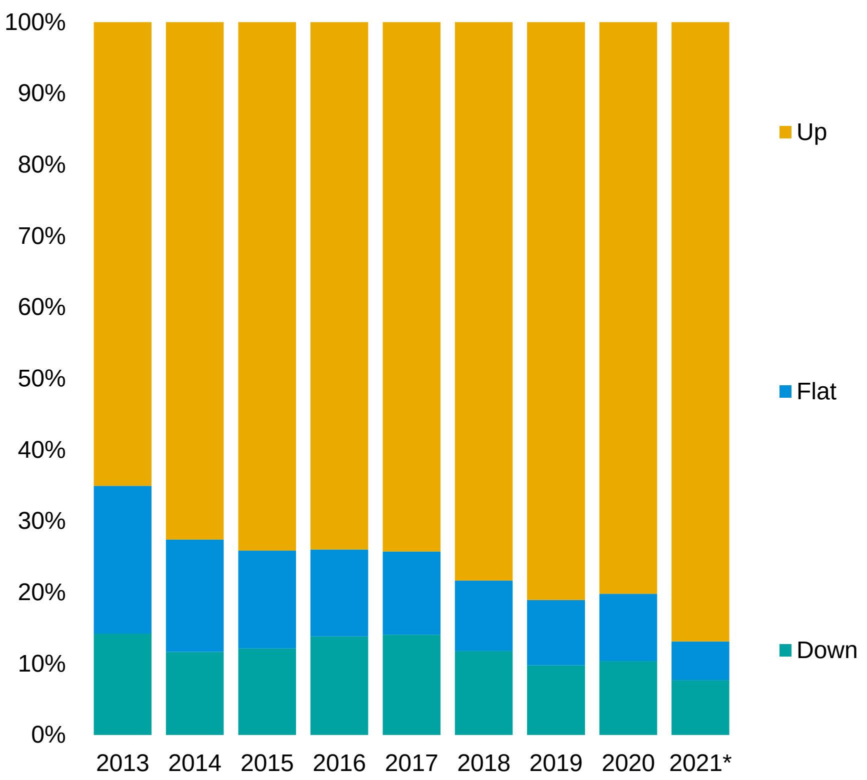
Median deal size ($M) by stage in the US

2013–2021*



Up, flat or down rounds in the US

2013–2021*

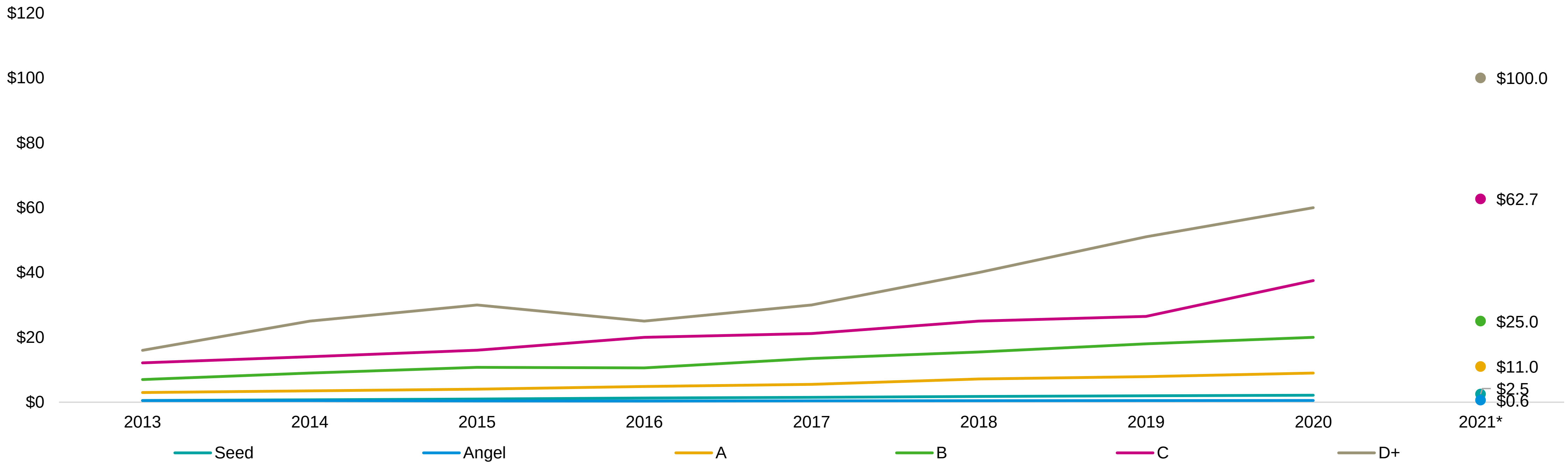


Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 2021.

Modest rises at the earlier stages; big jumps at the late-stage

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

2013–2021*



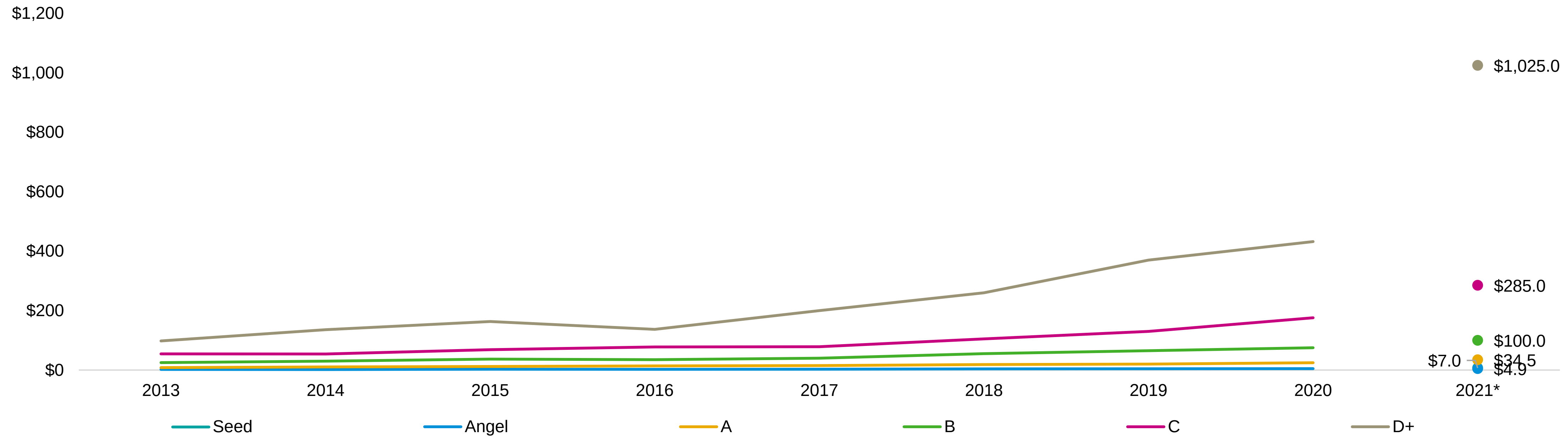
Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 2021.

Note: Figures rounded in some cases for legibility.

The latest stage surges past $1B for the first time

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

2013–2021*



Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 2021.

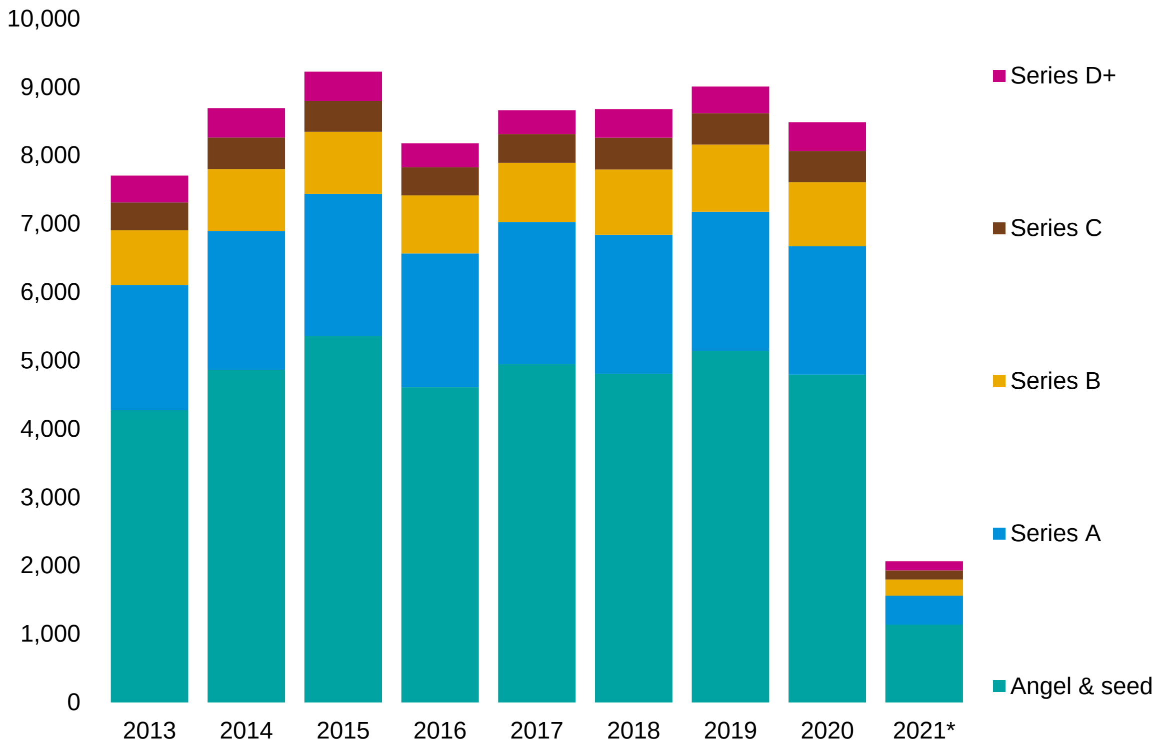
Note: Figures rounded in some cases for legibility.

2020 closed out with record valuations, indicating VCs focused on the longer term and in safer prospects due to company maturity and sheer size throughout the year, continuing to fuel record valuations across nearly every series. But 2021 seems to be approaching signs of remarkable levels of both confidence and the ramifications of record dry powder, with the latest stage of financings seeing a surge past $1 billion in the median Series D+ financing for the first time.

Early-stage volume starts off robustly in promising sign

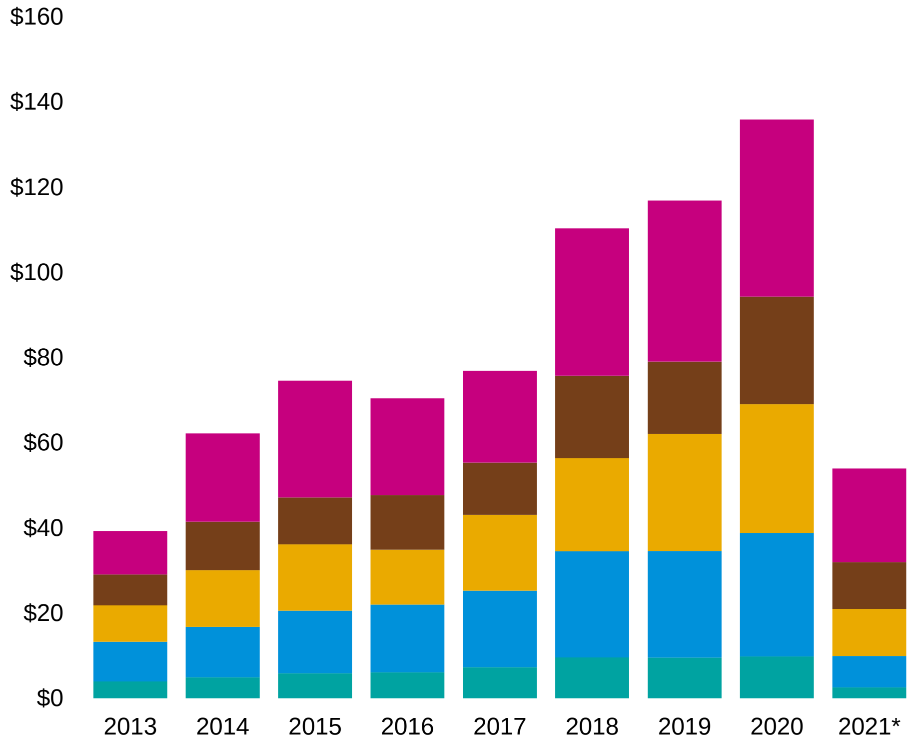
Deal share by series in the US

2013–2021*, number of closed deals



Deal share by series in the US

2013–2021*, VC invested ($B)



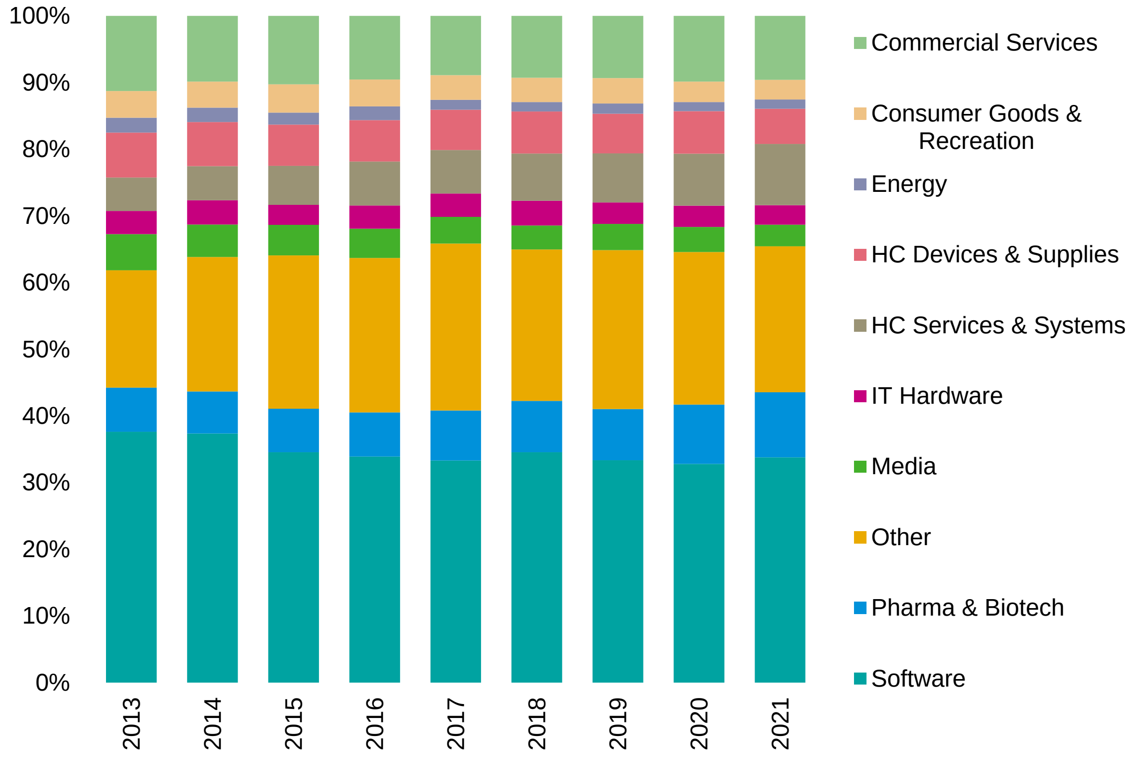
Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 2021.

KPMG Private Enterprise

Software rebounds

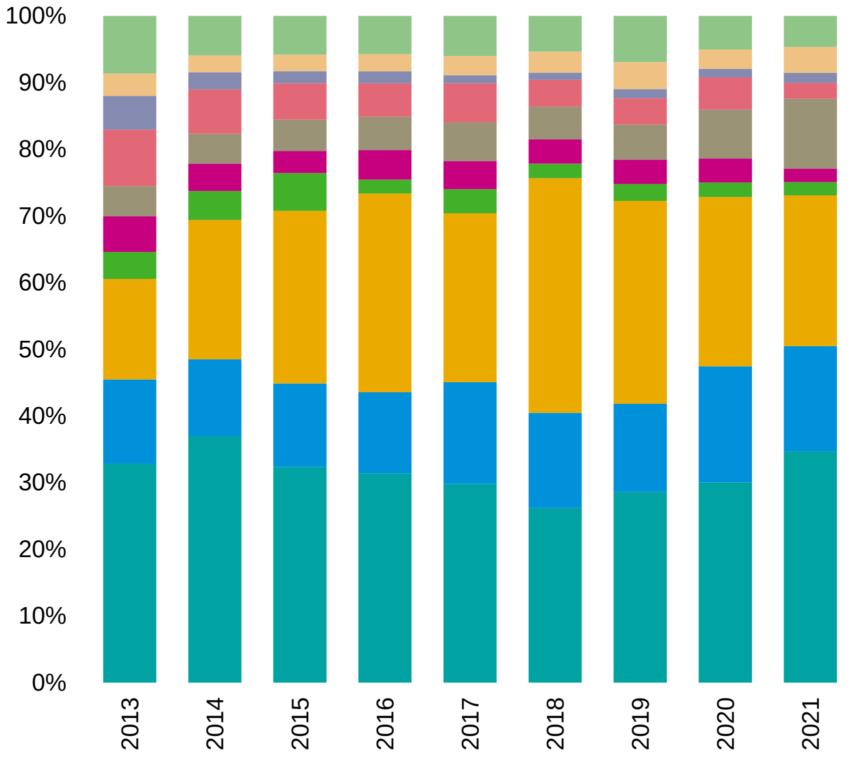
Venture financing by sector in the US

2013–2021*, number of closed deals



Venture financing by sector in the US

2014–2021*, VC invested ($B)



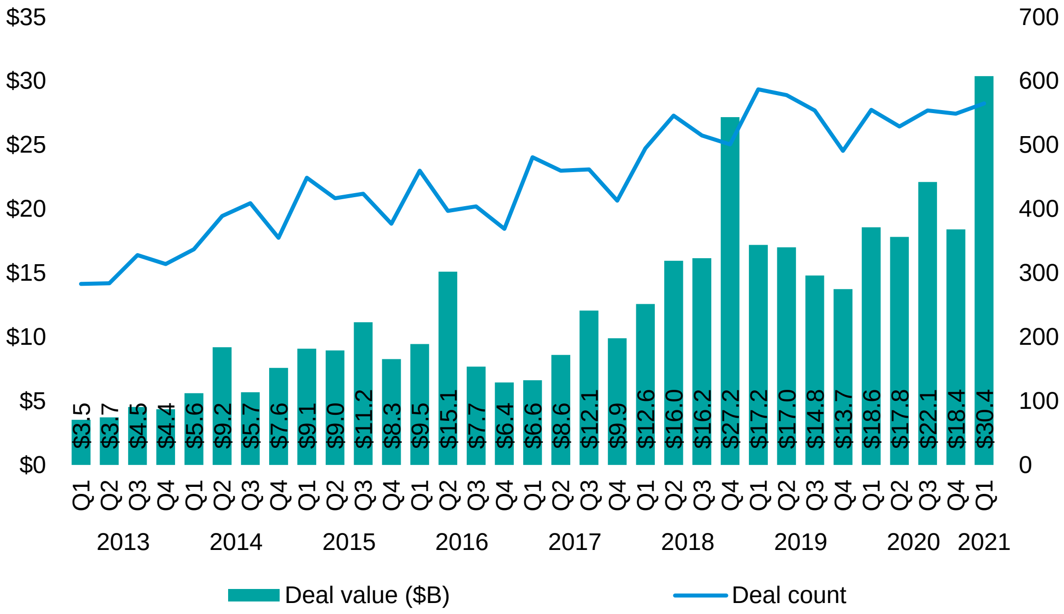
Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 2021.

KPMG Private Enterprise

CVCs join in a record tally of VC invested

Corporate participation in venture deals in the US

2013–Q1'21

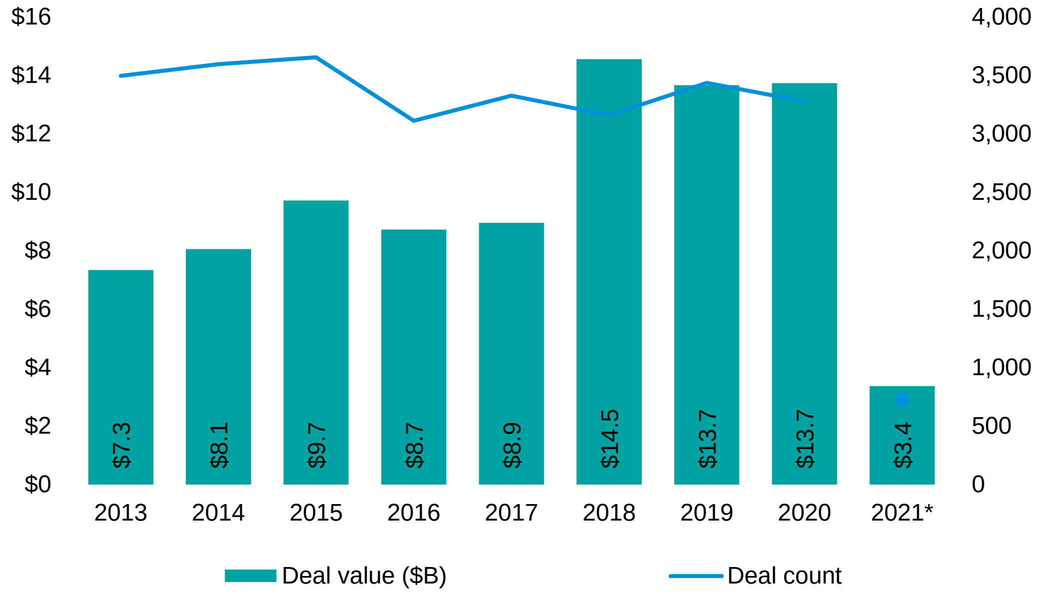


Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, April 21, 2021.

Corporate players in the realm of venture have been quite active for some time in the US, but due to the overall surge in funding to kick off 2021, they participated in the largest aggregate sum of VC invested in a single quarter in some time, even outstripping the end of 2018. This is more due to the fact multiple corporate VCs wanted or extended exposure to many of the more mature, heavily funded portfolio companies across the board than any novel macro factor.

First-time venture financings of companies in the US

2013–2021*



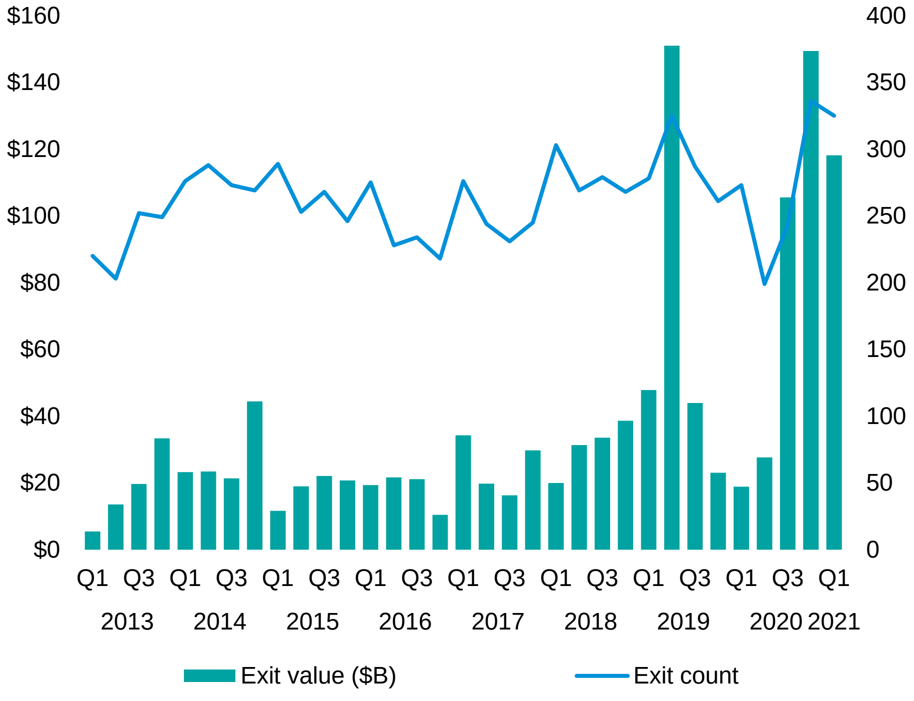
Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 2021.

The three-year stretch from 2018 to 2020 saw much more robust tallies of VC invested even in first-time financings than in the decade prior, most likely due to overall desire for exposure to the key industry trends that became pervasive in that same timeframe, e.g., the shift to the cloud.

Exits continue at an elevated pace

Venture-backed exit activity in the US

2013–Q1'21



Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, April 21, 2021.

2021 shows no signs of slowing down when it comes to liquidity for VC-backed portfolio companies. In the US, volume remained nearly as high as it was in the final quarter of 2020, and, moreover, exit value notched its third consecutive quarter in exceeding $100 billion handily. Much of this flood of liquidity is being driven by opportunistic debuts into public markets, with equities exhibiting a period of uniquely strong performance. It is difficult to foresee what may slow this flood down given many macroeconomic and policy factors are still registering as bullish.

“The pandemic has been an awful event, but some good things have come out of it. One of them is people getting comfortable with digital, much more so than they would have otherwise. This is even true in quite sensitive sectors, like healthcare. People here in the US are more willing to interact with a doctor virtually, or to have their files kept electronically, or to share data through devices. That’s a very positive trend, and I think it will continue to spur healthtech investment moving forward.”

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

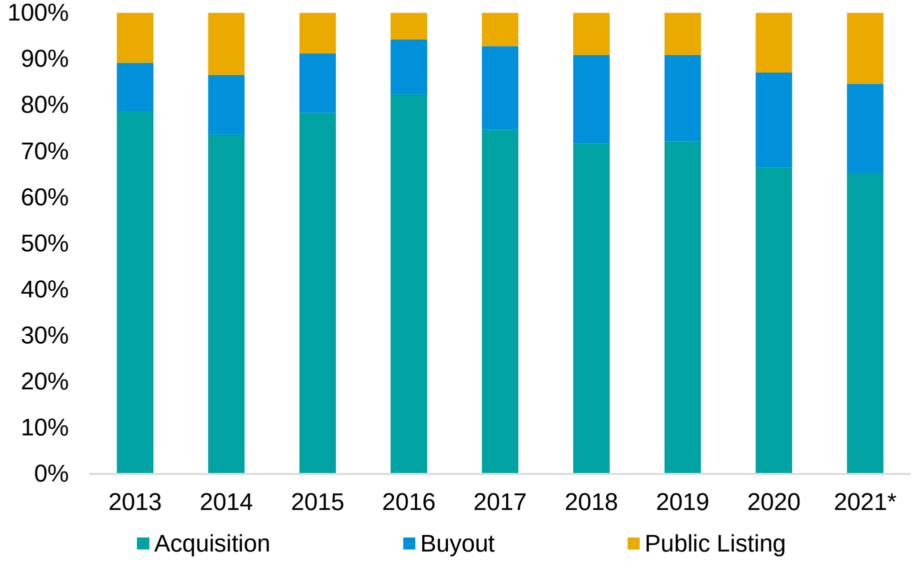
KPMG Private Enterprise

Q1VC

IPOs propel the most exit value in a decade

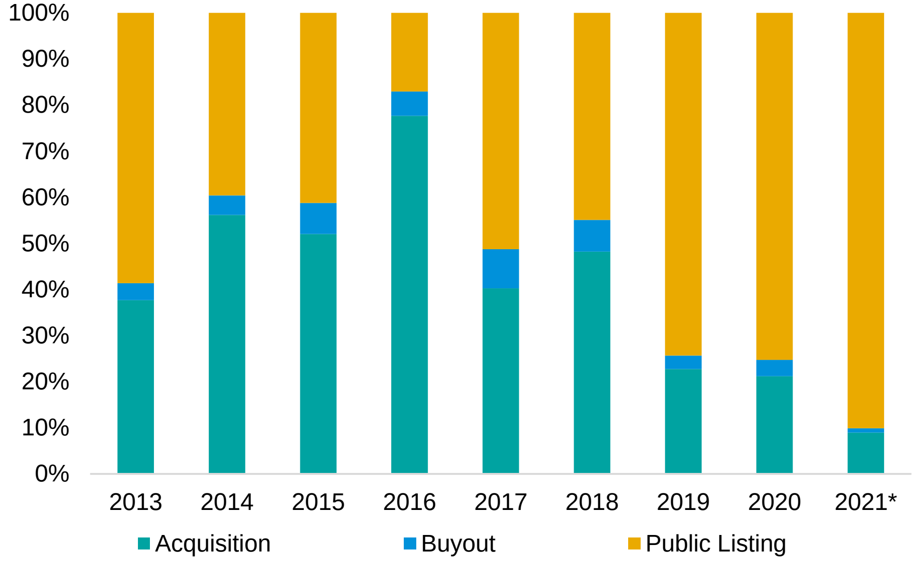
Venture-backed exit activity (#) by type in the US

2013–2021*



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

2013–2021*

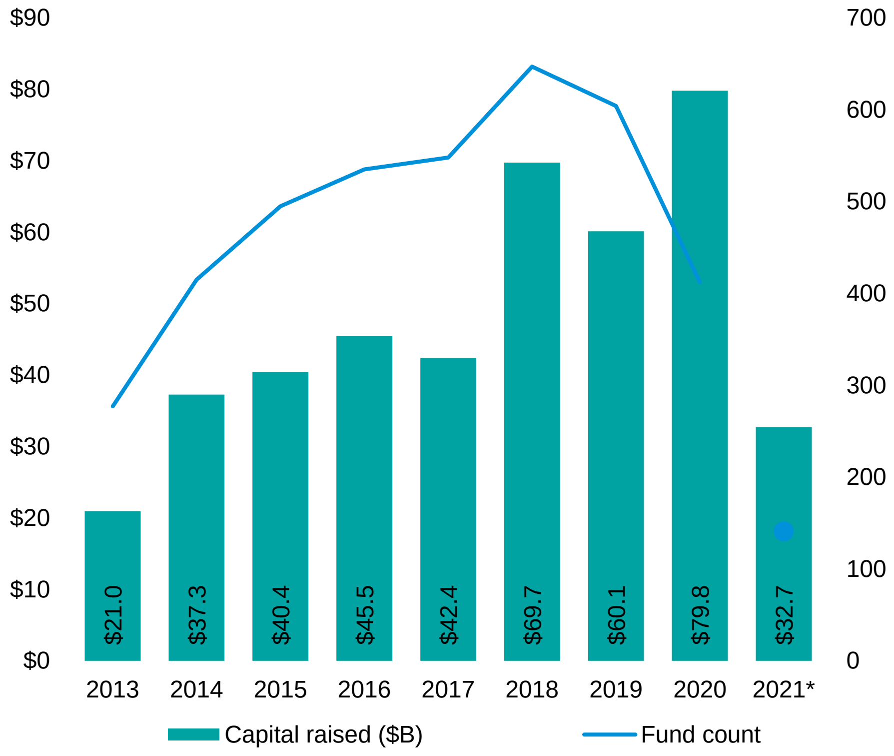


Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 2021.

Especially with in the US, it is possible to review the record proportions of exit value that public listings (updated to include SPACs and reverse mergers for this edition of the Venture Pulse) have achieved in the past nine quarters and conclude that although the bull market in equities over that same timeframe was the prime driver, the debuts of multiple unicorns after their long tenure in private markets was what tilted the proportion of exit value away from outright acquisitions. Thus far 2021 has seen that trend continue apace. Furthermore, given the $100 billion+ and counting raised by SPACs to acquire mature tech companies, there could be even more to come.

Capital keeps pouring into VC coffers

US venture fundraising
2013–2021*



Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 2021.

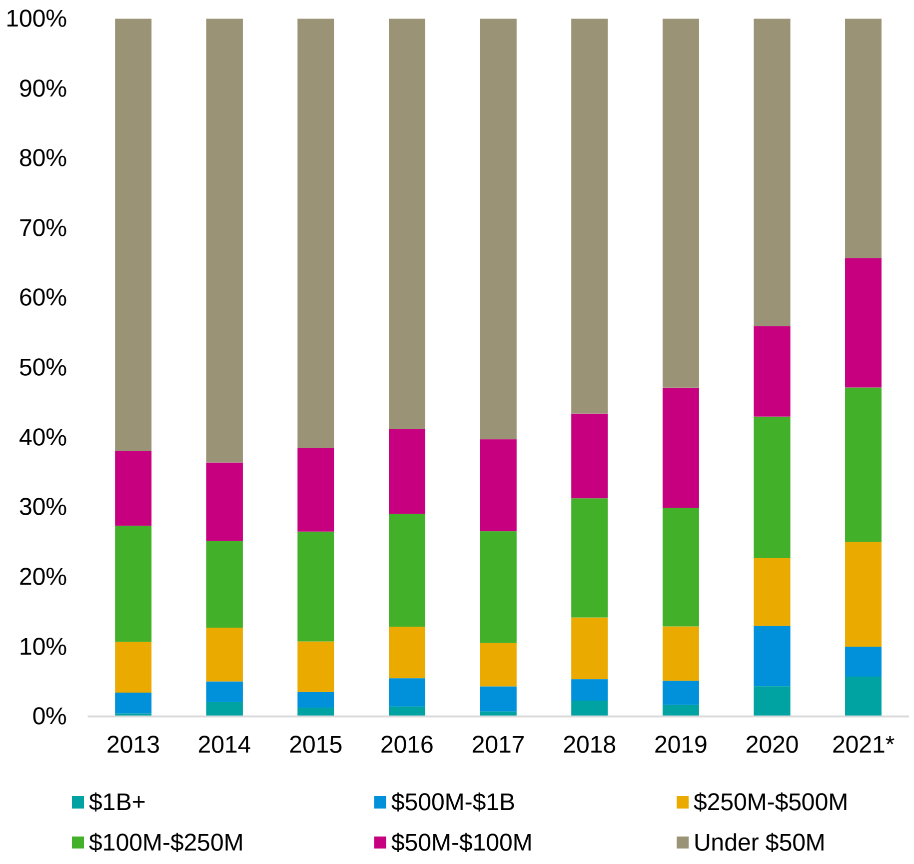
There is still no slowing the appetite of institutional investors when it comes to gaining exposure to VC in their portfolios. In addition, there have never been more mature, large VC firms with multiple managers to raise and run pools of capital. As a result, 2021 is off to a remarkable start for fundraising. It is difficult to foresee how this cycle may slow, given the fact that VC still represents a small slice of the modest average allocation to alternative investments in most portfolios. There could be significant room for further growth.

… **2021** is off to a **roaring start,** with close to **$33 billion committed to VC funds in the US**, even after a record year for capital commitments.

Fundraising skews even larger

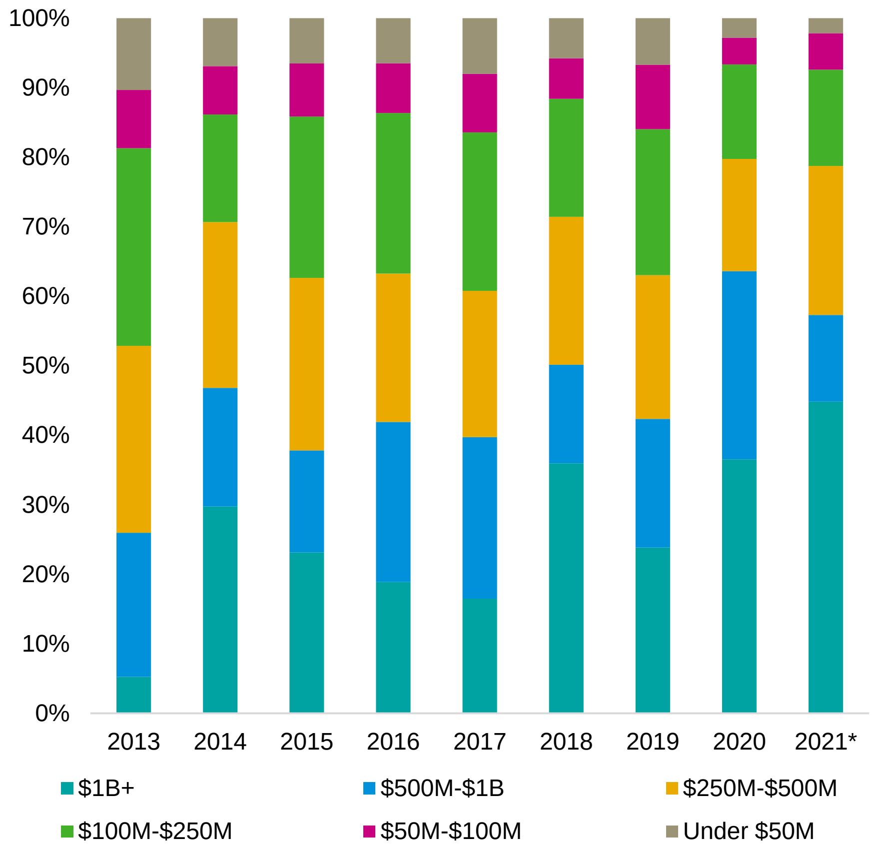
Venture fundraising (#) by size in the US

2013–2021*



Venture fundraising ($B) by size in the US

2013–2021*

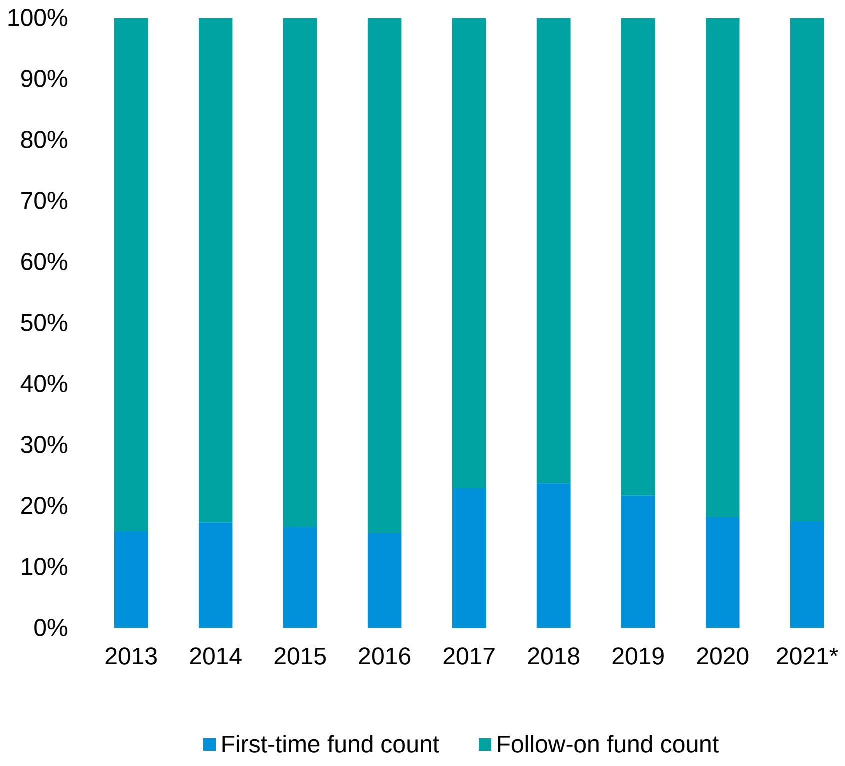


Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 2021.

Follow-on funds dominate VC committed, but first-time volume is resilient

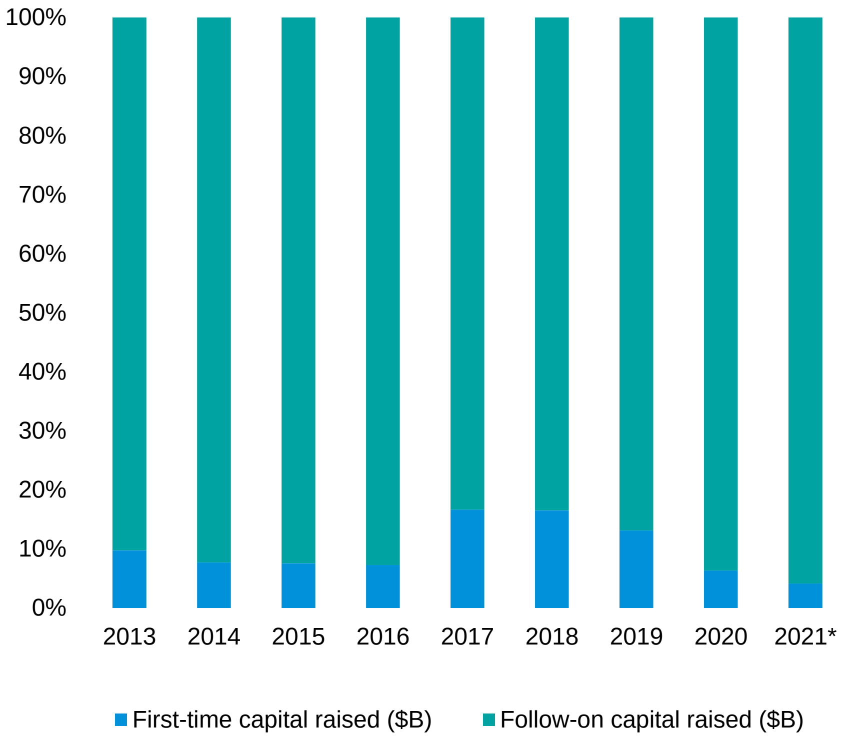
First-time vs. follow-on funds (#) in the US

2013–2021*



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

2013–2021*



Source: Venture Pulse, Q1'21, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2021. Data provided by PitchBook, April 21, 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

Q1VC

KPMG Private Enterprise

About us

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.

KPMG
Private Enterprise

About the report

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
- **Conor Moore,** Global Co-Leader Emerging Giants, KPMG Private Enterprise, KPMG, Partner, KPMG in the US
- **Kevin Smith,** Head of KPMG Private Enterprise in EMA, Global Co-Leader Emerging Giants, KPMG Private Enterprise, KPMG, Partner, KPMG in the UK
- **Anna Scally,** Partner, Head of Technology and Media and Fintech Lead, KPMG in Ireland
- **Dan Wilson** Partner, National Sector Lead for Technology, KPMG in Canada
- **Dr. Ashkan Kalantary,** Partner, Deal Advisory Venture, KPMG in Germany Services
- **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 (SAR), KPMG China
- **Jesus Luna,** Partner, KPMG Private Enterprise Leader, KPMG in Mexico
- **Jules Walker,** Senior Director, Business Development, KPMG in the US
- **Jussi Paski,** Head of Startup Services, KPMG in Finland
- **Lauren Taylor,** Fintech Business Development, KPMG in the U.K.
- **Lindsay Hull,** Director, Emerging Giants Global Network, KPMG Private Enterprise, KPMG
- **Melany Eli,** Managing Director, Marketing and Communications, KPMG Private Enterprise, KPMG
- **Nicole Lowe,** Head of KPMG Access, KPMG in the U.K.
- **Nitish Poddar,** Partner and National Leader, Private Equity, KPMG in India
- **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

About the report

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.

- **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. In the edition of the KPMG Venture Pulse covering Q1 2021 and all ensuing, the IPO exit type was updated to include all types of public listings, including special purpose acquisition companies (SPACs) and other reverse mergers.

KPMG Private Enterprise

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

home.kpmg/venturepulse [website]

@kpmg [Twitter]