



Venture Pulse Q1 2018

Global analysis of
venture funding



11 April 2018

Welcome message

Welcome to the Q1'18 edition of KPMG Enterprise's Venture Pulse Report — a quarterly report highlighting the key trends, opportunities, and challenges facing the venture capital (VC) market globally and in key jurisdictions around the world.

Q1'18 got off to a strong start, with five \$1 billion+ mega-rounds, including two massive deals in Southeast Asia (\$2.5 billion to Singapore-based Grab and \$1.5 billion to Indonesia-based Go-Jek). U.S.-based Lyft, Uber and Faraday Futures accounted for the other mega-rounds. The U.S. continued to be the dominant market for VC investment, although investors have expanded beyond Silicon Valley to identify investment opportunities. Globally, investors have also diversified, making investments in a broader range of locations than ever before.

Softbank, which announced a \$100 billion Vision Fund in 2017, played a big role in a number of this quarter's largest deals. Softbank's new fund continued to create ripples in the VC market, with other VC firms expected to respond with other mega-funds in order to compete effectively.

Ride-sharing was a big winner of VC investment this quarter as companies vied for market dominance in less saturated jurisdictions. The broader autotech sector was also high on the radar of investors, with everything from autonomous driving to electric vehicles. Artificial Intelligence (AI) was also a very hot sector in Q1'18, while the broader applicability of blockchain received a significant amount of interest.

Looking ahead, there is optimism for the remainder of the year in most jurisdictions around the world despite some uncertainty over the impact of U.S. trade tariffs and the upcoming elections in a few key jurisdictions in Latin America.

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

- The diversification of VC investments, both within the U.S. and globally.
- The increasing excitement around the applicability of AI in healthcare.
- The potential implications associated with Initial Coin Offerings (ICOs).
- The longevity of ride-sharing as an investment sector and whether it is reaching its peak.

We hope you find this edition of the Venture Pulse Report 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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Contents

Global

- Total capital invested reaches \$49 billion in Q1'18
- Global median deal sizes increase dramatically for early and late stage VC
- First time financings plummet in capital invested and deal count
- Global venture investment in AI for healthcare remains strong

6

Americas

- VC hits record levels driven on back of U.S. strength
- Total venture capital invested soars past \$29 billion — a new quarterly record
- Median deal size for Series A reaches new peak of \$9.2 million
- Canadian VC reaches \$800 million — powered by 7 financings in excess of \$20 million
- Mexican VC drops dramatically — hampered by political and trade concerns

29

U.S.

- Total capital invested soars past \$28 billion to a new quarterly record
- Median deal size for Series D+ reaches \$40 million
- Angel/Seed deal value share plummets from 8.6% in 2017 to 6.8% in 2018 (YTD)
- Corporate VC reaches record levels

42

Europe

- VC investment remains robust in Q1'18
- Median deal sizes skyrocket for early stage and late stage deals
- CVC participation closes in on 25% of all VC deals
- First time venture financings remain weak
- Germany, Spain and France see a jump in venture financing

61

Asia

- Venture financing sustains historic highs as VC volume evens out
- Corporate participation nears 35% of all deals
- Mega deals in Singapore and Indonesia lead the way
- Exit activity slows considerably

84

Q1'18 summary



Aggregate VC invested soars past \$45 billion for the fourth quarter in a row

Not so long ago, it was considered remarkable that VC invested worldwide flirted briefly with \$50 billion in two given quarters, Q3'15 and Q2'16. But now, for the fourth consecutive quarter, VC invested has exceeded \$45 billion, and in the most recent quarter, just barely fallen shy of \$50 billion once more. This munificence occurs in tandem with a slow but steady decline in the tally of completed venture rounds worldwide, most dramatically at the early stage. The venture industry appears to be in the throes of a late-stage investment cycle, which in turn has been inflated and prolonged by a decided boom in capital in the private markets, fed by growth in financial markets since the global recession.



Massive late-stage deals still boost total figures, yet become even more numerous

2017 was marked by mammoth financings across the board, and 2018 is following suit, with five transactions exceeding \$1 billion handily and one huge funding — Grab's \$2.5 billion Series G round — in particular dominating. Although their aggregate is not as enormous as has been seen in the past, with some quarters racking up to six or seven multibillion dollar rounds, it is worth noting that already there have been well over a hundred Series D or later financings in 2018, well on pace to at least match the tallies seen in 2016 and 2017. Moreover, among the top deals for the quarter across multiple regions, hardly any fall below \$100 million in size.



The most exuberant stage for valuations slides just slightly

By and large, venture valuations remain at historic highs. Nearly every series of financing saw median pre-money valuations soar even higher in the first quarter of 2018, barring just one: Series D or later. As the year progresses, the magnitude of increases and decreases will likely reduce as more rounds are closed so the mild decline in latest-stage valuations should not be overstated. That said, it is interesting to note that between 2015 and 2016, there was a similarly mild decline in valuations, potentially due to upsurge in choppiness across financial markets and concern around some macroeconomic trends at that time. As 2018 kicked off in much the same way, and recent tensions around trade have only intensified, perhaps that mild decline in the most exuberant of valuations could solidify.



In the wake of highest quarter ever, 2018 starts off strong

Q4'17 saw the highest quarterly tally for VC invested in Europe-headquartered companies, just barely soaring past \$6 billion to even outpace the \$5.9 billion recorded in Q2'17. It is worth noting that within Europe, the impact of outliers is that much more significant, much as is seen in the Asia-Pacific region. That said, as various metropolitan areas across the continent — such as Paris, Berlin, Madrid, etc. — continue to see their more prominent, mature companies rake in plenty of capital, it is a testament to the ongoing attraction of the European tech scene across key software-enabled segments.



After three torrid quarters, Asia sees the flow of capital moderate

Similarly to Europe, key metro areas in a few countries are powering the Asian region's overall venture scene; Beijing was the most prominent last quarter, but now the title of the largest financing round of the quarter in the region goes to Singapore's Grab. This is a sign of how, albeit slowly, the region is seeing domestic capital and entrepreneurial ecosystems mature and grow, supporting startups to the extent they are able to rake in such massive sums in order to corner regional markets in segments such as ride-sharing.

All currency amounts are in USD, unless otherwise specified, data provided by PitchBook.

Q1'18 summary



Corporate participation and corporate rounds signify industry evolution

In this edition of the Venture Pulse, the first to incorporate 2018 data, corporate financings of companies that otherwise meet all other criteria for venture-backed financings are included for the first time. Given the evolution of private markets and the venture industry in general, most notably the significant increase in corporate VC participation rates, this change was necessary to truly reflect the importance of the role that strategic acquirers and related investment arms are playing in the current landscape. Especially as private companies continue to elect to grow while staying private, more and more companies are looking to gain or maintain exposure to innovation within the private sphere, whether it be financial or related to intellectual property. Participation rates are at all-time highs.



The fundraising cycle experiences an upward spurt

On a quarterly basis, the volatility seen in fund closes can be more obscuring than enlightening. For example, in the most recent edition of the Venture Pulse, on a yearly and quarterly basis it seemed that the fundraising cycle could be geared for a cyclical decline, albeit mild. However, Q1 2018 saw a surge upward in the number of fund closes, although VC raised still remained relatively low to recent heights (although well within historical norms). On the surface, this could seem to contradict the conclusion drawn in the prior Venture Pulse. However, quarterly figures are more indications of momentum than anything else and it is especially worth noting that aggregate capital raised is still trending lower than recent highs, when the venture industry on the whole was much more exuberant. Especially as dealmaking indicates that the industry is progressing through the later stages of a prolonged cycle, it is likely that fundraising on the whole is still headed for a gentle downturn.



Longer-lived exit cycle could bode well for ongoing liquidity, though hurdles remain

When analyzing quarterly exit activity for VC, it is particularly important to bear in mind just how prolonged cycles within the industry can be. Since early 2015, there has been a clear yet slow-paced decline in the volume of venture-backed sales, even though quarterly tallies of exit value have remained remarkably steady by and large. Thus, predicting liquidity crises, especially for late-stage backers, would still be premature, especially as the decline in exit volume appears to have leveled off. That said, the appetite on the part of public market investors and strategic acquirers — the only possible exit routes for the most heavily valued venture-backed companies — will likely remain critical. And, given that few tech giants can still acquire many unicorns, public market sentiment is expected to be an increasingly important variable for sellers to consider.

All currency amounts are in USD, unless otherwise specified, data provided by PitchBook.

***Globally, in Q1'18
VC-backed
companies raised***

\$49.3B

across

2,661 deals



Global VC market starts year with a bang on the back of \$1 billion+ mega-rounds

VC investment globally got off to a good start in Q1'18, with five \$1 billion+ mega-deals driving funding up despite the ongoing decline in the number of VC deals. The U.S. accounted for well over half of global VC investment, although strong results were also seen in Europe and Asia. While the UK and China saw less VC investment this quarter than usual, less mature VC markets picked up the slack, including France, Indonesia and Brazil.



Dry powder still permeating VC market

Globally, there continued to be a significant amount of dry powder in the market during Q1'18, with VC investors feeling under pressure to deploy funds raised. This continued to drive bigger deals, more competition for deals and higher valuations in jurisdictions like the U.S. VC investors remained selective in deal-making, more willing to place bigger bets on a smaller number of high quality deals even if they had to compromise somewhat on valuations. Compared to last year, even the median size of early stage deals has grown — a trend expected to continue for the next few quarters.



Softbank Vision Fund propelling global mega-deals, causing other VC funds to respond

Following on the creation of its \$100 billion Vision Fund, Japanese growth investment fund Softbank has made a number of significant investments. In Q1'18, Softbank participated in four of the quarter's largest deals as either a major or sole funder¹. Softbank's attention focused primarily on software platforms across several industries, including Uber (ride-hailing), DoorDash (food delivery) and Katerra (construction).

With Softbank funding major mega-deals, other large VC funds are being forced to respond. While much smaller than Softbank's initiative, other firms are raising capital to better compete with Softbank. Already in 2018, Sequoia Capital has made inroads in collecting \$12 billion across several funds, Battery Ventures raised \$1.25 billion for new funds and Khosla Ventures added an additional \$400 million for a total of \$1.4 billion for two new open funds.



Six different countries see new unicorns birthed in Q1'18

New VC backed unicorn companies — those with \$1 billion+ valuations — were spread across the globe in Q1'18. While the majority of new unicorns appeared in the U.S., including Snowflake, HeartFlow and DoorDash — others reflected the growing number of innovation hubs globally, such as Cabify in Spain, Canva in Australia, Nubank in Brazil, OrCam in Israel and CAOCAO in China. Nubank was particularly exciting as it was one of Brazil's first VC backed unicorns.

¹ <http://fortune.com/2018/03/22/venture-capital-funding-gap-softbank/>

Global VC market starts year with a bang on the back of \$1 billion+ mega-rounds, cont'd.



Vast applicability of AI driving growth in VC investment

After a record setting year of investment in 2017, AI continued to garner a significant amount of investment in all regions of the world during Q1'18. AI is considered one of the most transformative technologies in existence, with broad reach and applicability across industries and verticals. Financial services has been on the forefront of AI usage, although healthcare is quickly gaining significant momentum, likely as a result of the significant diversity of healthcare related AI capabilities being developed.

One of the biggest roadblocks to strong AI offerings seen over the past few quarters has been the availability and quality of data to teach AI effectively. To help address this, a number of companies have been conducting strategic acquisitions in order to gain the right data in sufficient quantities they need to better train their AI solutions. It is expected that AI will only continue to gain momentum in the foreseeable future.



Ride-sharing VC investments reaching fever pitch

Despite being seen as a saturated market in some countries, ride-sharing continued to attract massive investments during Q1'18, with Grab in Singapore raising \$2.5 billion, Go-Jek in Indonesia raising \$1.5 billion and Uber raising another \$1.25 billion. The massive deals in Southeast Asia likely reflect the heating up of competition in markets that have been somewhat overlooked to date. There is little doubt that ride-sharing is reaching a fever pitch as companies vie to become market leaders, if only on a regional basis.



ICOs gaining prominence globally as alternative funding mechanism

While some investors and regulators globally continued to view Initial Coin Offerings (ICOs) with some skepticism, the use of ICOs has become more mainstream. A number of startups globally have looked at ICOs as an alternative to traditional funding mechanisms. From a regulatory perspective, ICOs continued to come under some scrutiny, although a number of countries have made efforts to proactively support ICOs, including Japan and Switzerland.

Next to IPOs, ICOs are considered to be a much easier means of raising capital. While the use of ICOs is still relatively small, over time if the concept continues to gain momentum, it could have an impact on the VC market.



VC investors eyeing broader blockchain solutions

Over the past year, blockchain investments expanded well beyond digital currencies, with numerous investments to support use cases in areas like payments and remittances. While the majority of blockchain investment has occurred in the U.S. and UK to date, investments have been growing in other jurisdictions. In Q1'18, secure hardware wallet-maker Ledger closed a \$77 million Series B in France.

Global VC market starts year with a bang on the back of \$1 billion+ mega-rounds

During Q1'18, there was a significant increase in discussions, particularly among corporates, as to the ability to use blockchain technologies in both supply chain and logistics. For example, some began by using it to increase traceability and ensure products are transported according to regulatory requirements. The market for blockchain is well positioned to continue to mature and expand, with progress beyond use cases expected by the end of 2018.



Autotech interest growing globally

Autotech continued to be a big investment play globally in Q1'18, particularly for traditional corporates that have recognized they need to transform their business models. Many have made inroads into the transportation services space — partnering with or investing with ride-sharing companies. For example, Daimler with Via and GM and Ford with Lyft.

The trend of large automakers developing their own VC arms also continued this quarter, with Volvo launching its Volvo Cars Tech Fund² — an in-house VC fund focused on investing in startups able to help the company respond to changes in the auto sector. An automaker alliance including Nissan, Mitsubishi and Renault also announced plans to invest up to \$1 billion in mobility startups as part of its Alliance Ventures fund, with \$200 million earmarked for investment during the first year³.



Trends to watch for globally

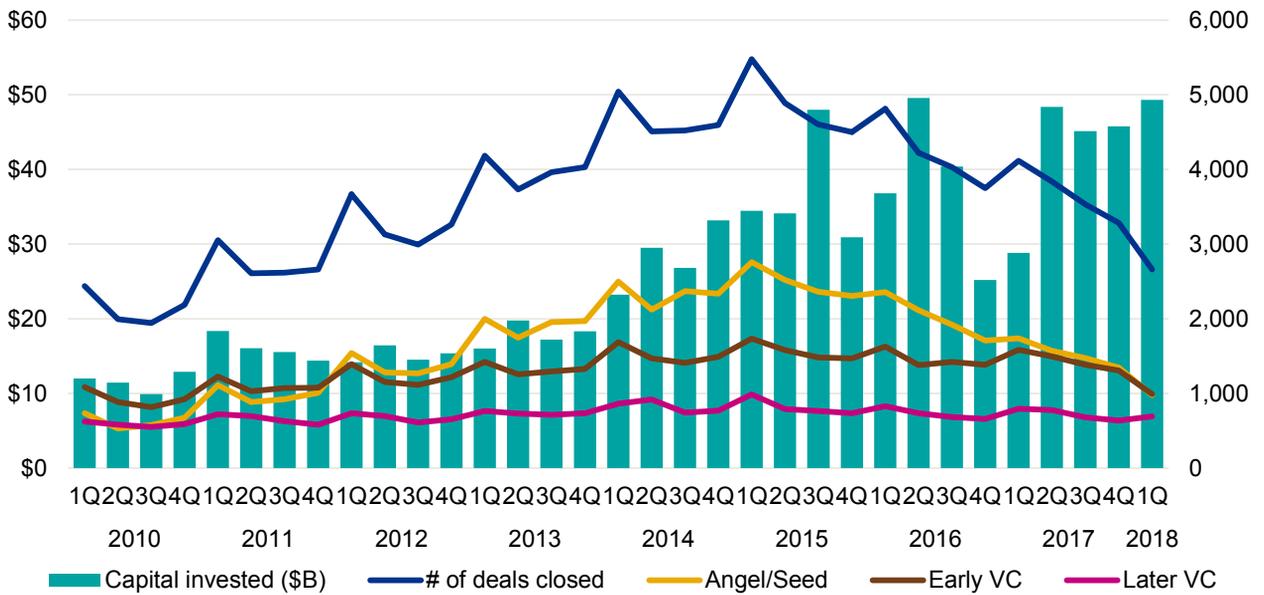
Over the next quarter, AI will continue to be a hot area to watch in addition to autotech and healthtech. While the U.S. will likely continue to lead VC investment globally, there will likely be an increase in the geographic diversity of VC investments.

² <https://www.wired.com/story/volvo-vc-fund-cars-tech-startups/>

³ www.fortune.com/2018/01/10/renault-nissan-mitsubishi-vc-fund-alliance-ventures-auto-tech-startups/

VC landscape still marked by surplus capital

Global venture financing by stage 2010 — Q1'18



Source: Venture Pulse, Q1'18. Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.
Note: Refer to the Methodology section on page 103 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

The global venture landscape still is clearly exhibiting the effects of the massive inflows of capital seen over the past several years. Aggregate VC invested remains remarkably high, exceeding even the prior three huge quarters, while overall volume continues to slide, however slowly. Investors are staying cautious, but still willing to deploy huge sums into what seem to be the best opportunities. In addition, it should be noted that many firms, in order to avoid dilution, essentially must continue to participate in financings of existing portfolio companies.

“Overall, we saw a strong start to 2018, with over \$49 billion in venture capital invested across 2,661 deals globally. While transaction value remained near record levels, we continue to see a decrease in the number of investments, particularly at early stages. Artificial intelligence and machine learning continued to be a significant focus for venture capital investment in Q1'18, as more companies integrate these enabling technologies into their portfolio of solutions, and investors take note of their disruptive value.”

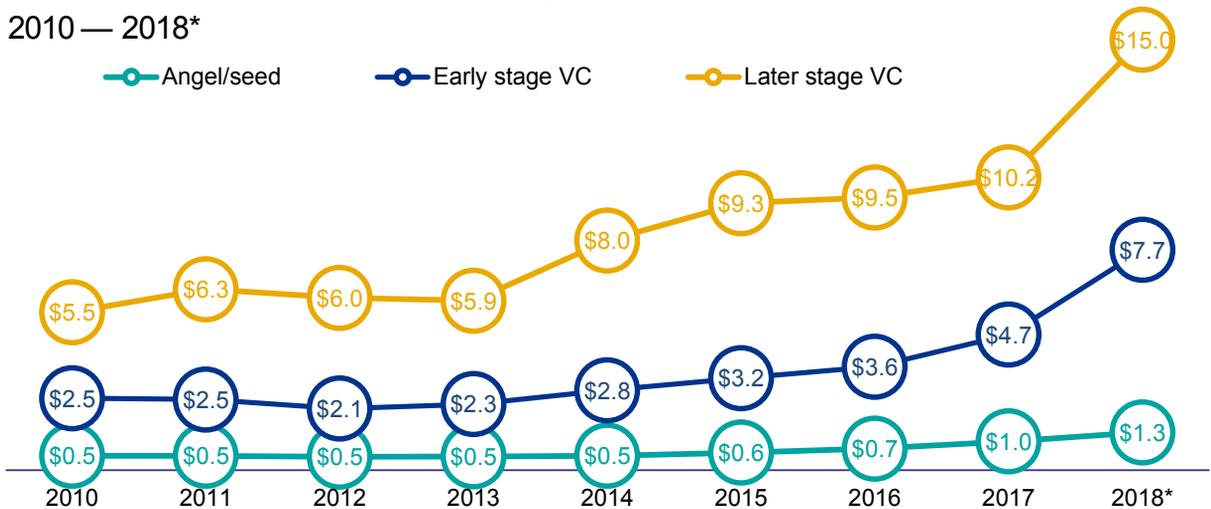


Jonathan Lavender
Global Chairman, KPMG Enterprise, KPMG International

Declining volume & large capital flows combine to push medians up across the board

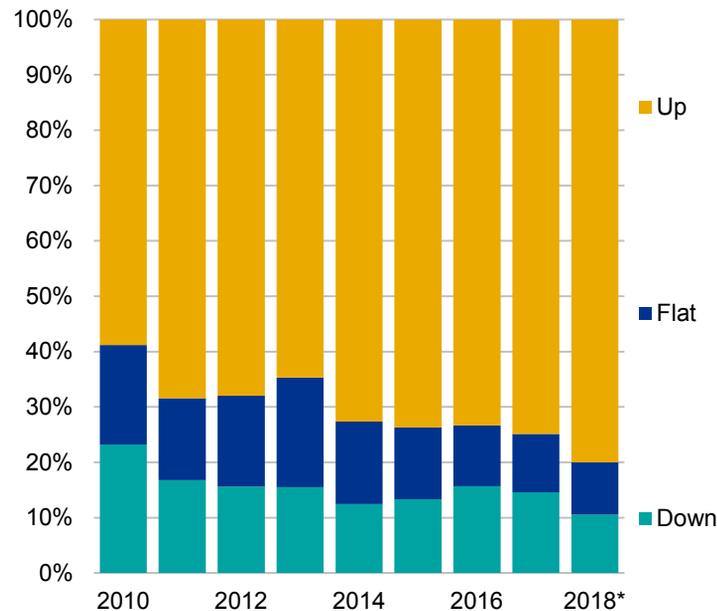
Global median deal size (\$M) by stage

2010 — 2018*



Global up, flat or down rounds

2010 — 2018*



“During Q1’18, investors continued to plow massive amounts into later stage deals as evidenced by the over \$15.4B invested in Series D or later rounds. Investors remain selective though, competing for the best deals and investing aggressively in the chosen few. As a result, we continue to see high valuations at all stages of investment.”



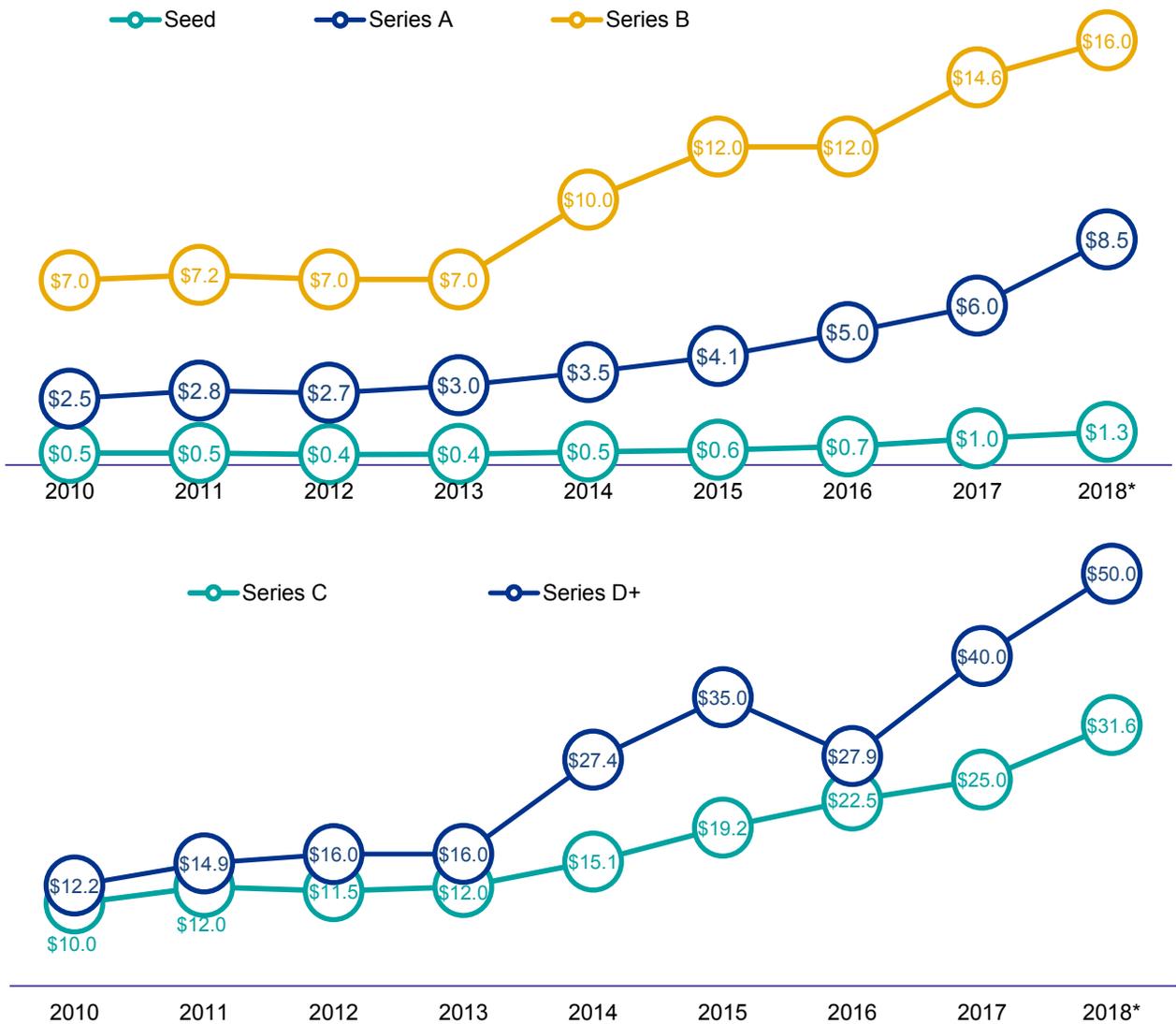
Arik Speier
Co-Leader, KPMG Enterprise Innovative Startups Network, KPMG International and Partner, Head of Technology, KPMG in Israel

Source: Venture Pulse, Q1’18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Late-stage rounds see most dramatic inflation

Global median deal size (\$M) by series

2010 — 2018*



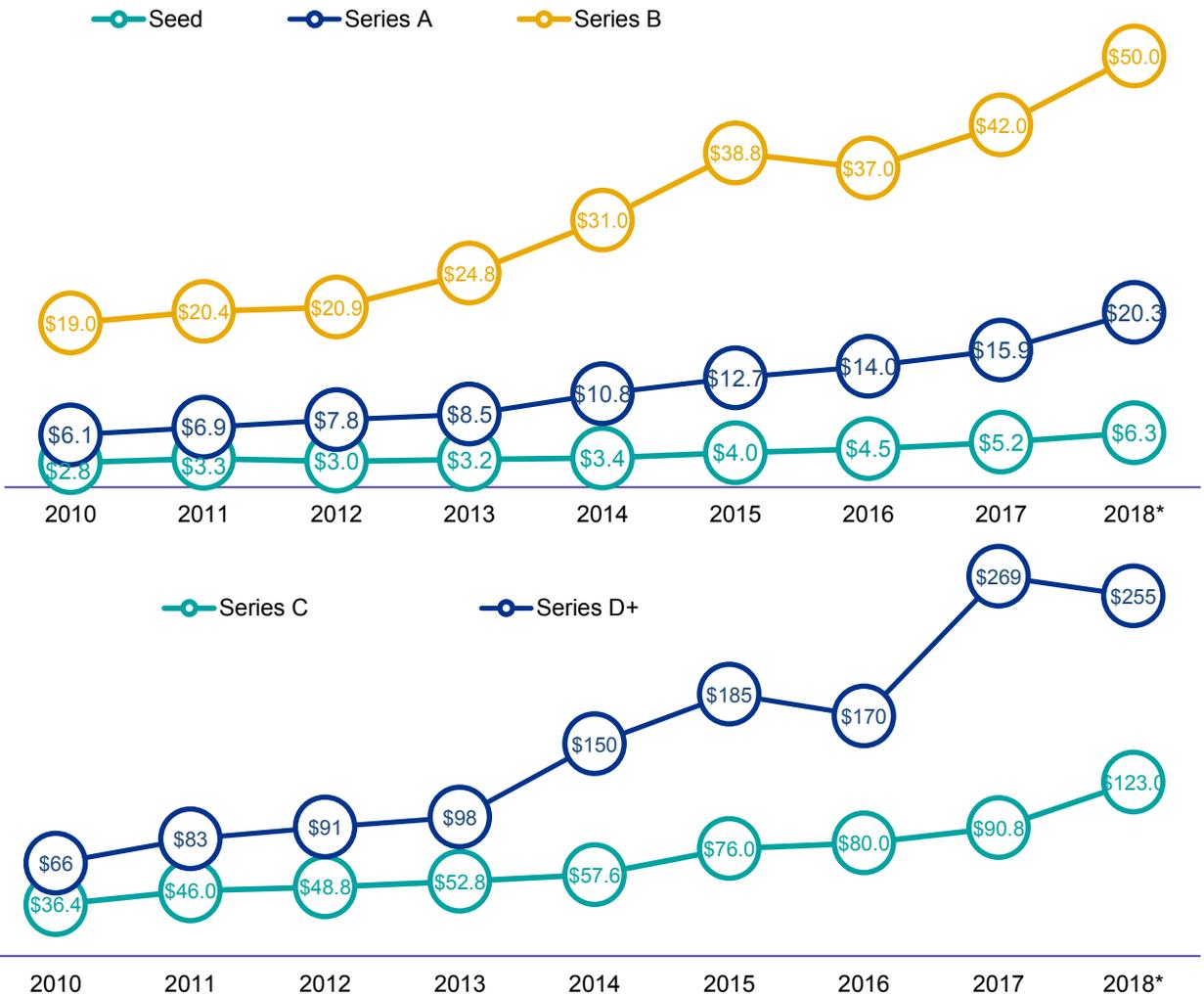
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

With late-stage activity remaining more resilient, it is clear that by simple inflation, most of the money still flowing goes into later rounds of financing for more mature companies that are perceived to be safer investments. The rate of inflation at earlier stages, meanwhile, remains more reasonable as investors are shying away from more and more fundings at such a risky level.

As more late-stage data is recorded, 2018 figures could normalize somewhat

Global median pre-money valuation (\$M) by series

2010 — 2018*



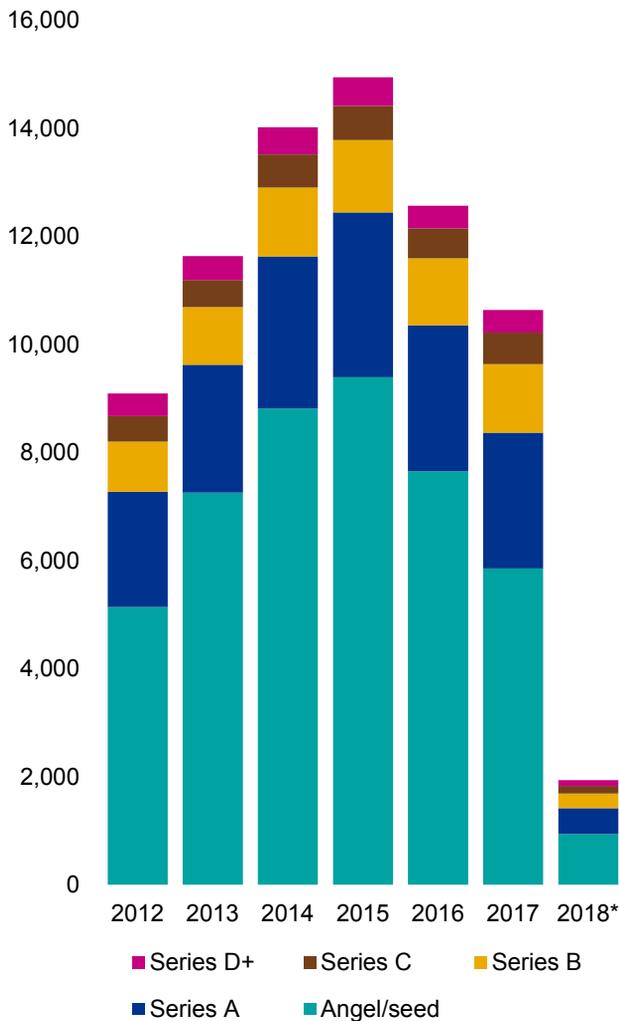
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

The unicorn phenomenon continues to skew even median figures somewhat at the latest of stages when it comes to pre-money valuations. Hence, significant jumps between years can still be observed that seem somewhat erratically optimistic. However, once again it is important to note that by now the inflation has permeated the entire capital stack. The first quarter of 2018 may still be recording an unprecedented high — it is equally important to note that as the year progresses, that figure could revert downward somewhat, normalizing to very high yet not quite as record-setting levels.

The early-stage decline seems mostly cyclical

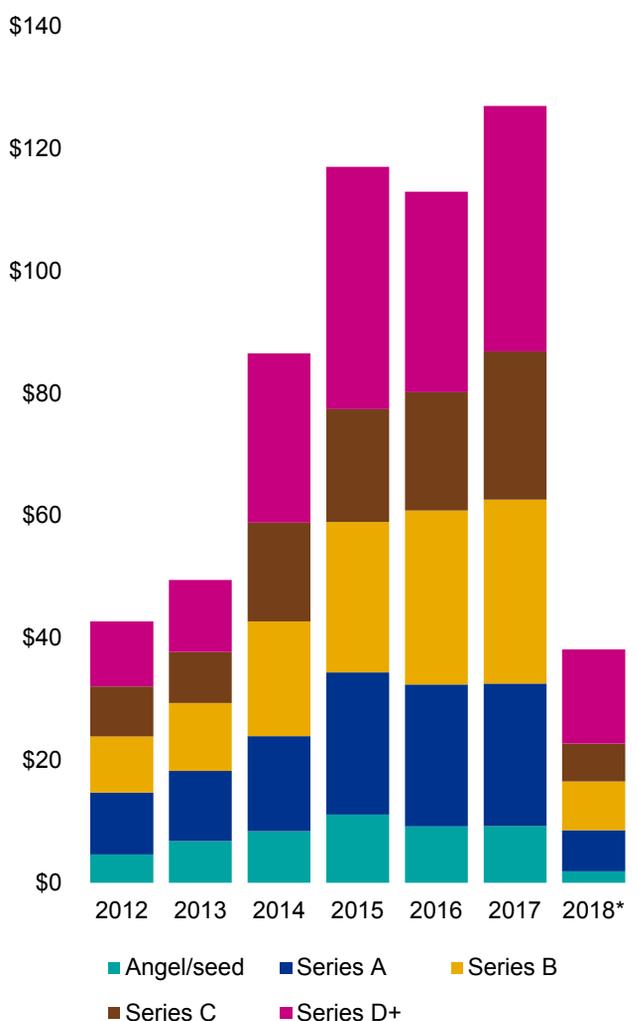
Global deal share by series

2012 — 2018*, number of closed deals



Global deal share by series

2012 — 2018*, VC invested (\$B)



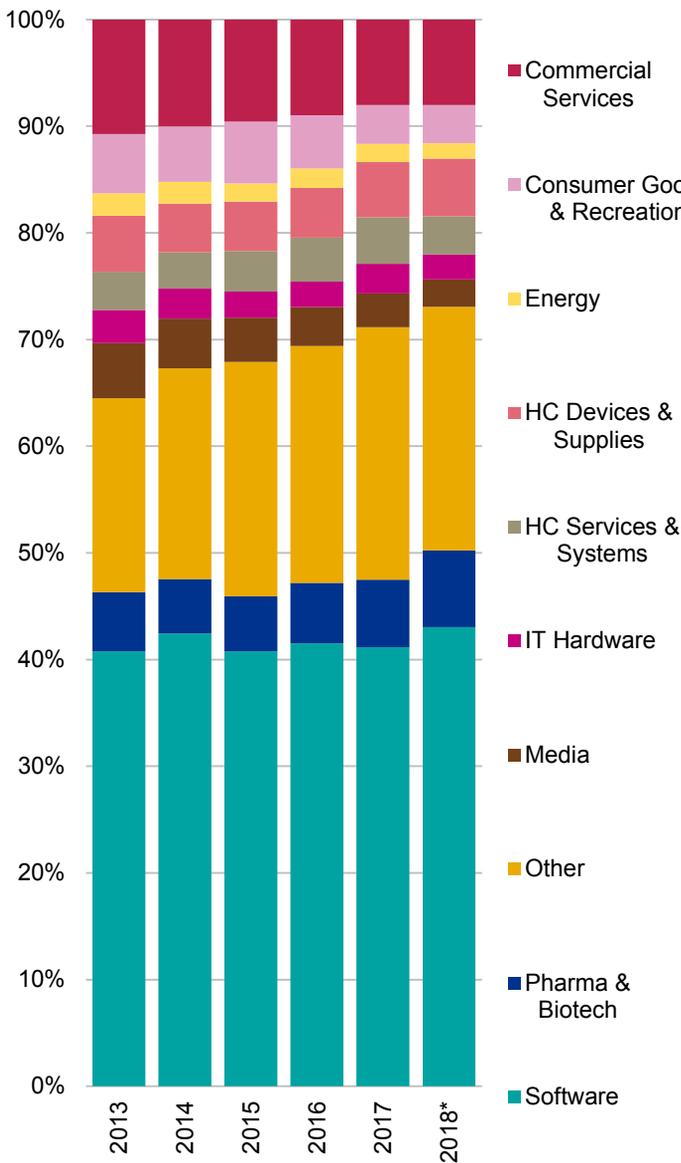
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Thus far, the aggregate decline in the volume of angel and seed activity recorded since 2015 has very roughly approximated the robust rise recorded between the depths of the financial crisis and that same peak. Consequently, it seems safest to conclude that the decline is cyclical, a rational response to rising prices at such a risky stage.

Pharma & biotech volume grows marginally

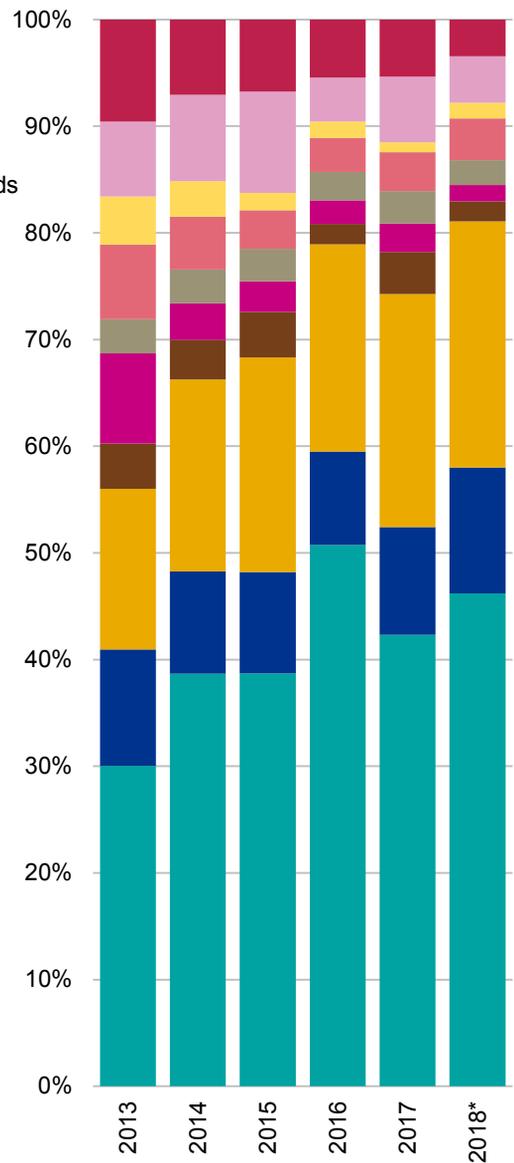
Global financing trends to VC-backed companies by sector

2013 — 2018*, number of closed deals



Global financing trends to VC-backed companies by sector

2013 — 2018*, VC invested (\$B)

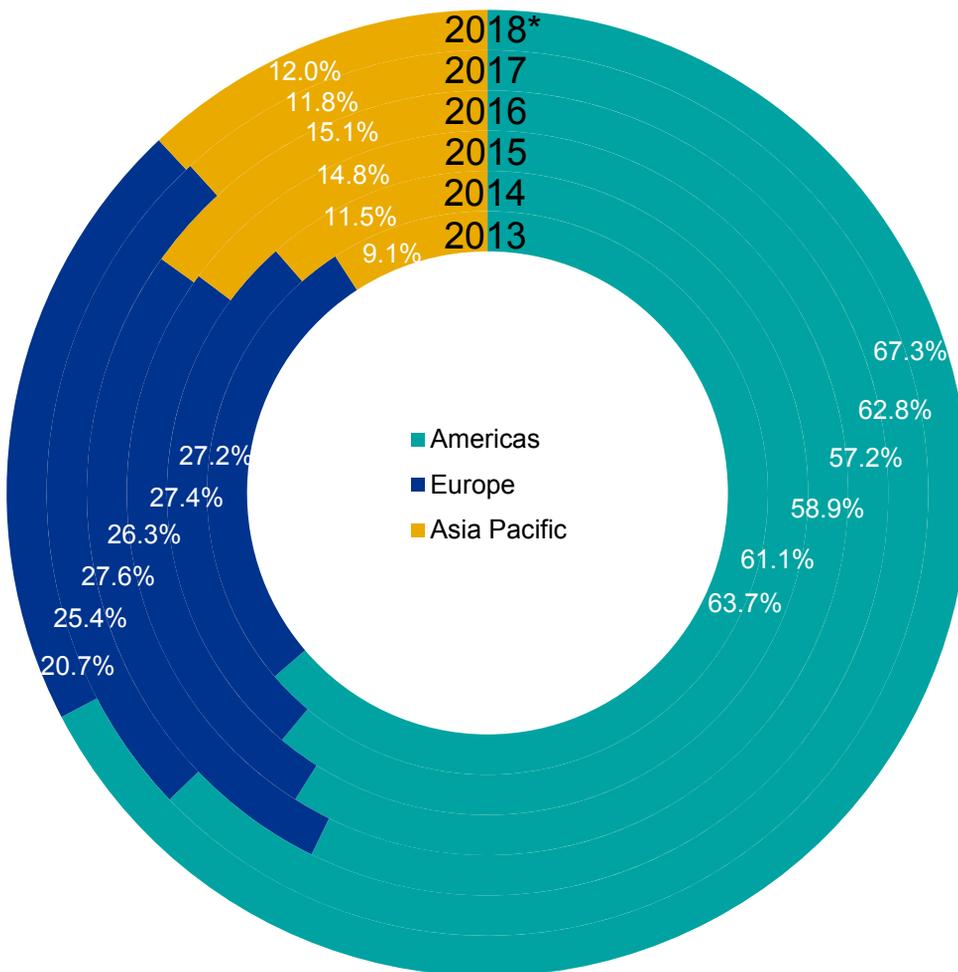


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Cautious investors return to developed markets

Financing of VC-backed companies by region

2013 — 2018*, number of closed deals

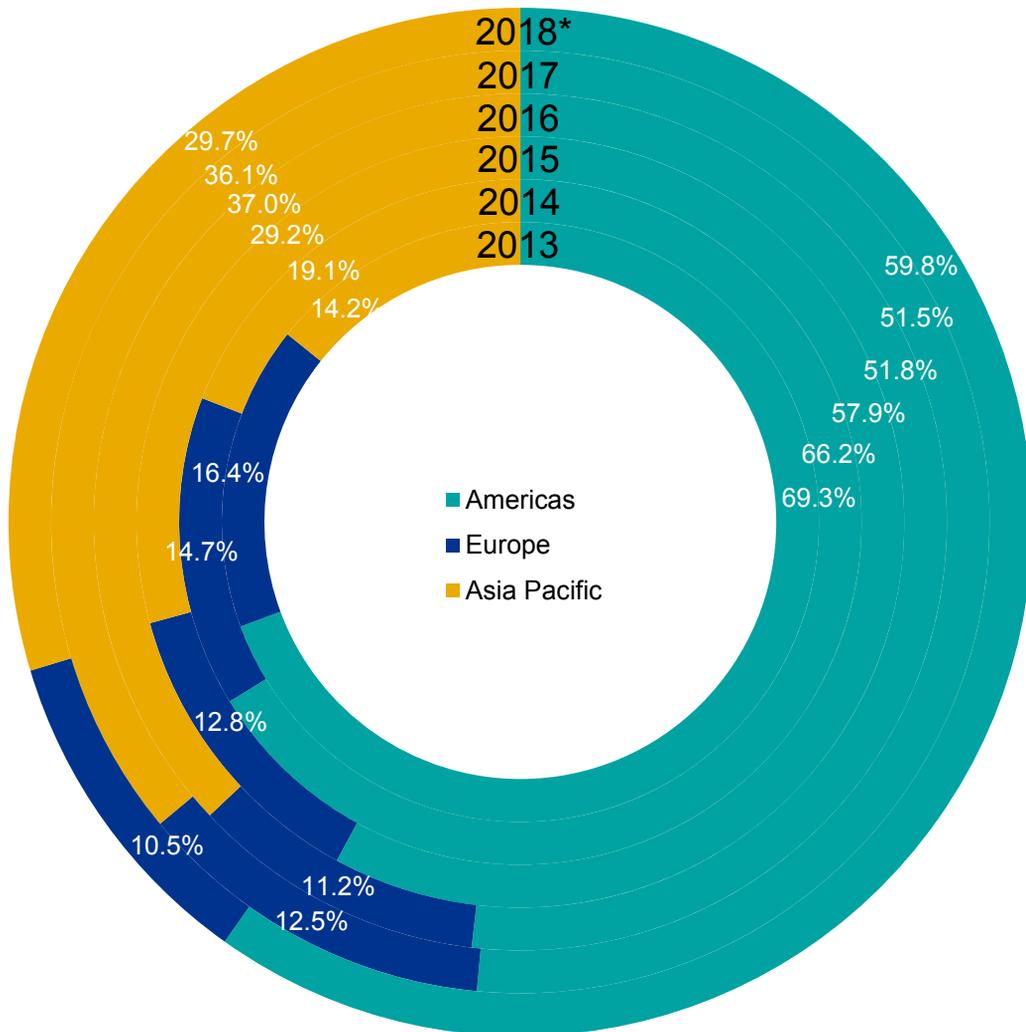


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Asia still sees robust sums of VC invested

Financing of VC-backed companies by region

2013 — 2018*, VC invested (\$B)

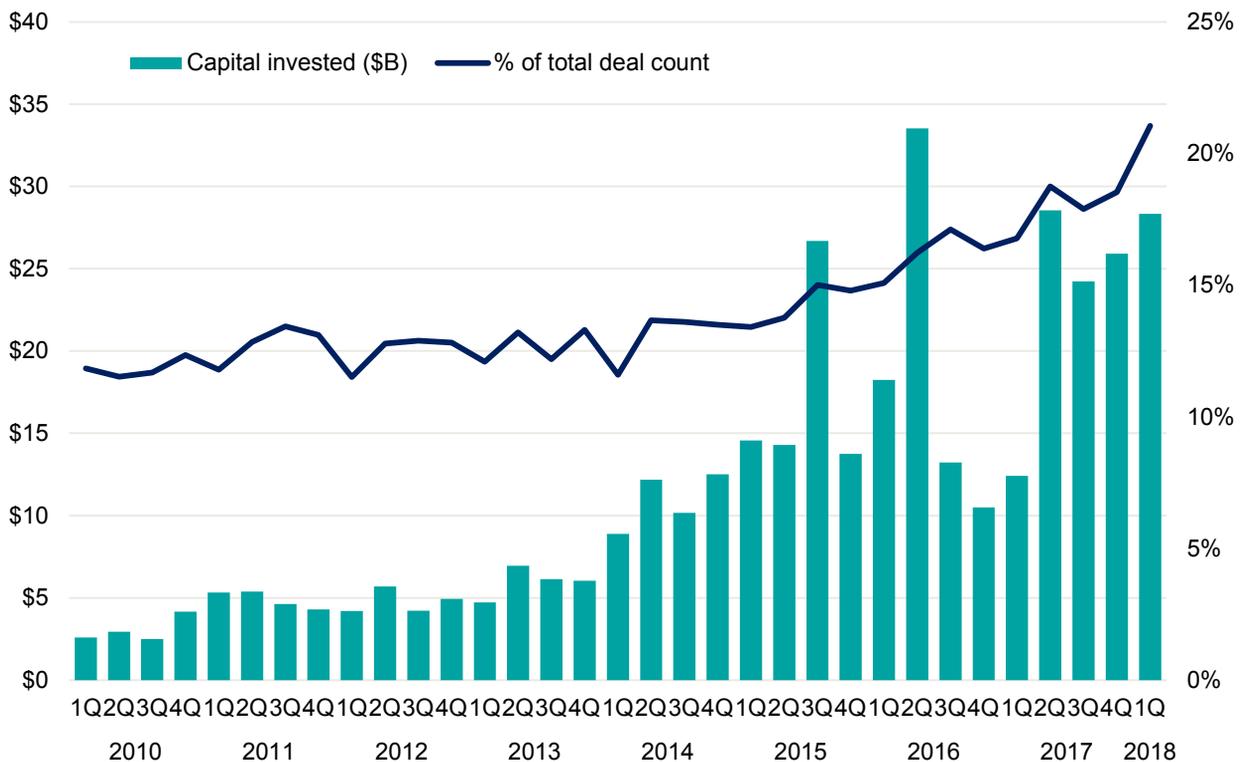


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Corporate VC activity remains a key support of overall investment levels

Corporate VC participation in global venture deals

2010 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

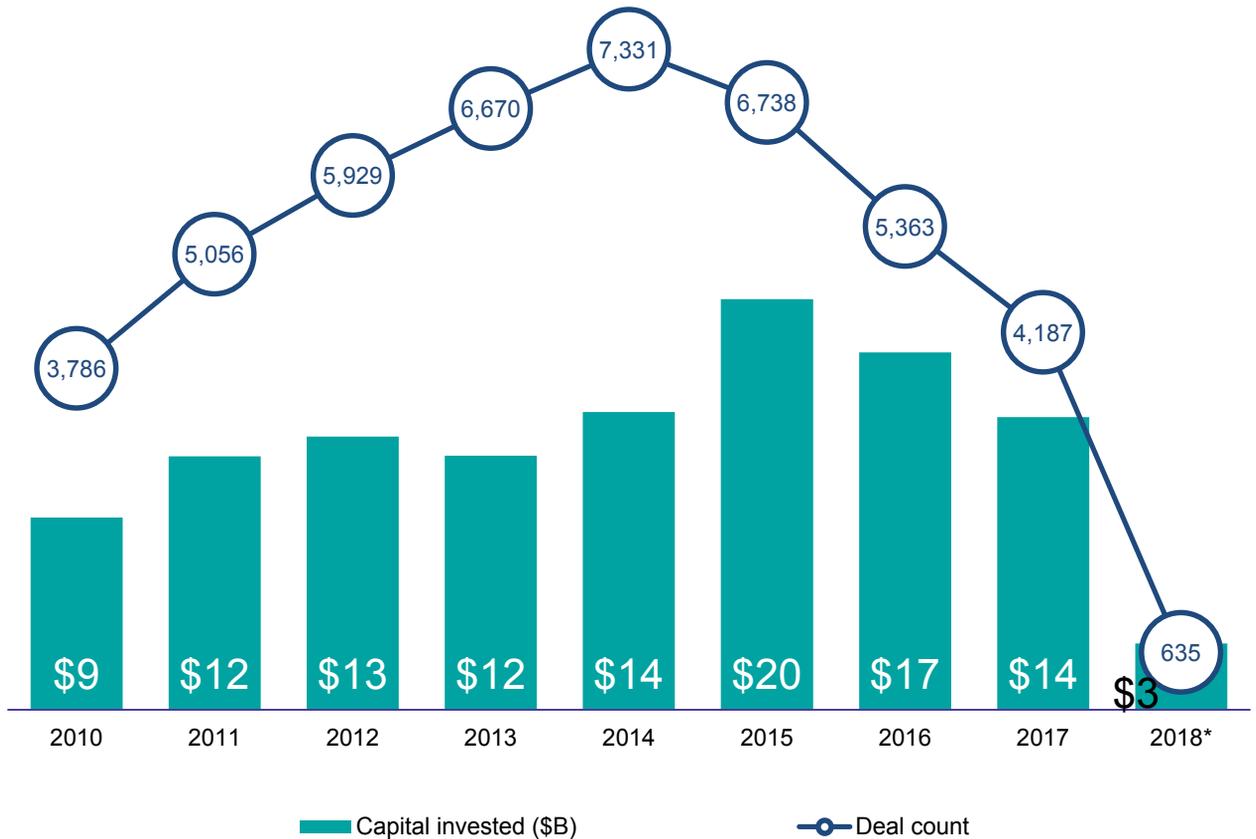
Whether by creating official venture investing units or unofficially increasing their participation in financing rounds, corporate entities have become an increasingly important component of the venture ecosystem as backers looking for financial or strategic gain, moving beyond traditional roles such as acquirers or competitors. The trendline of the volume of deals in which they participate only continues to march higher as of late. Granted, in a cautious, high-priced environment, corporates can justify joining in higher-priced rounds and enjoy access to relatively much richer balance sheets, but their evolution into an important supporting player in the global venture landscape is a novel development and sign of the maturation of the VC industry on the whole.

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

Macroeconomic & cyclical factors continue to drag down first-time financing levels

Global first-time venture financings of companies

2010 — 2018*



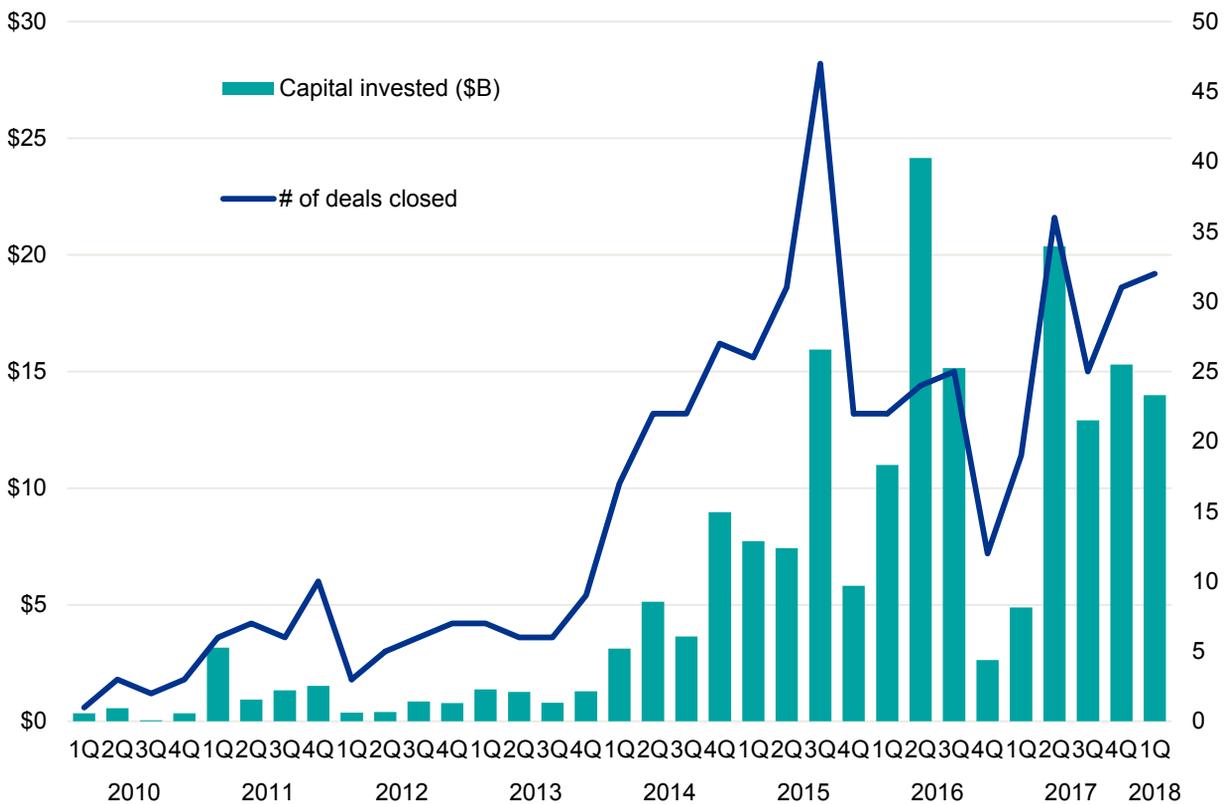
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

When assessing a single quarter's tally of first-time financings relative to past yearly levels, it is critical to keep the long term in mind. The pace of investment in Q1 2018 could be an outlier low, even in the context of the overall steady slide of the past three years; accordingly, 2018 on the whole may not end up as low as this first quarter tally may suggest. That said, the macroeconomic conditions of global markets and economies are not especially auspicious for first-time financings of a very risky nature, given the power of current incumbents and numerous barriers to entry. Additionally, the venture cycle has resulted in very high prices overall, which further discourages initial check-writing.

Q1'18 records a historically robust inflow of capital to unicorns both old and new

Global unicorn rounds

2010 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

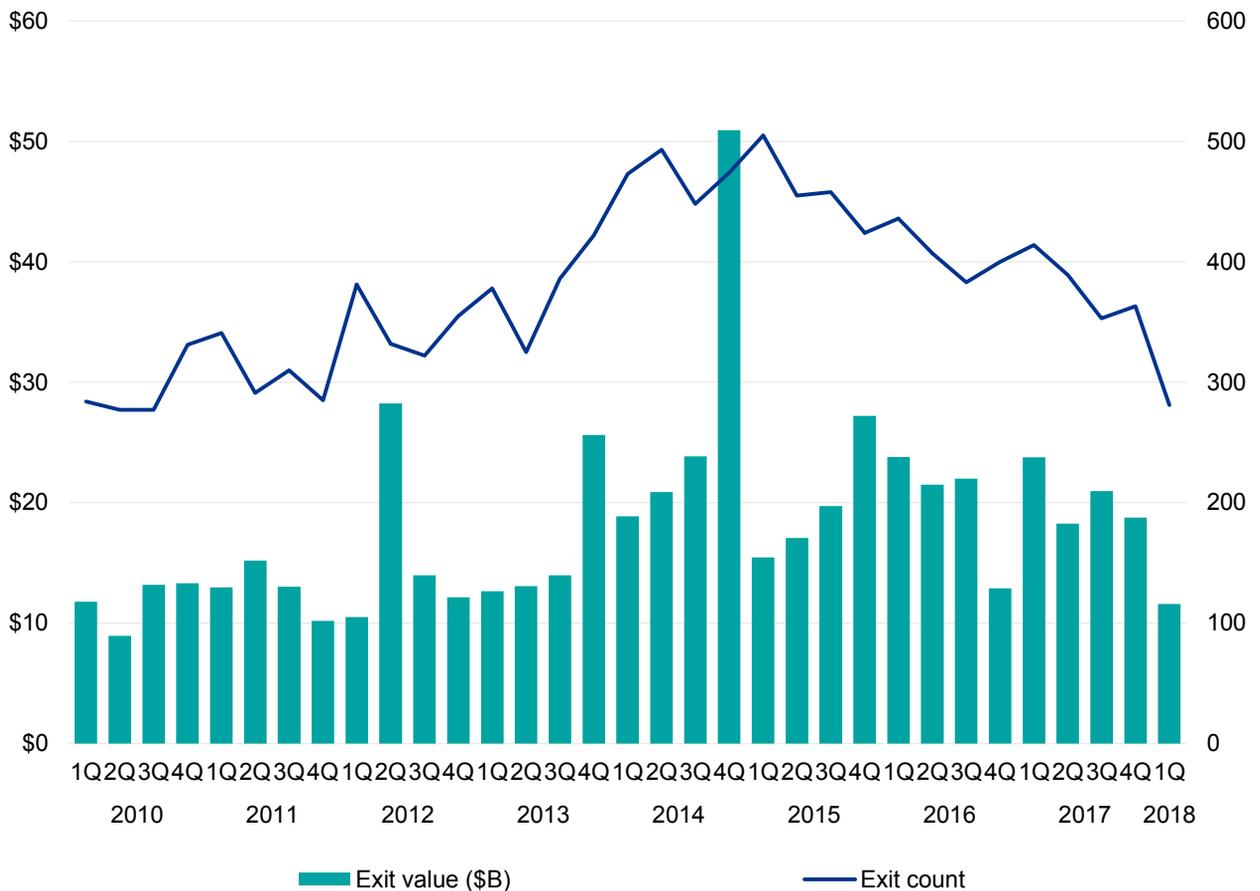
Note: PitchBook defines a unicorn venture financing as a VC round that generates a post-money valuation of \$1 billion or more. These are not necessarily first-time unicorn financing rounds, but also include further rounds raised by existing unicorns that maintain at least that valuation of \$1 billion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

With Q1'18 recording several unicorn financing rounds — bolstered by existing unicorns raising significant sums, it must be said, and thereby generating still-massive private valuations — the past several quarters are now headed to record the steadiest volume of money still flowing to unicorns since their heyday in 2015 and early 2016.

2018 will likely prove significant for the exit cycle

Global venture-backed exit activity

2010 — Q1'18



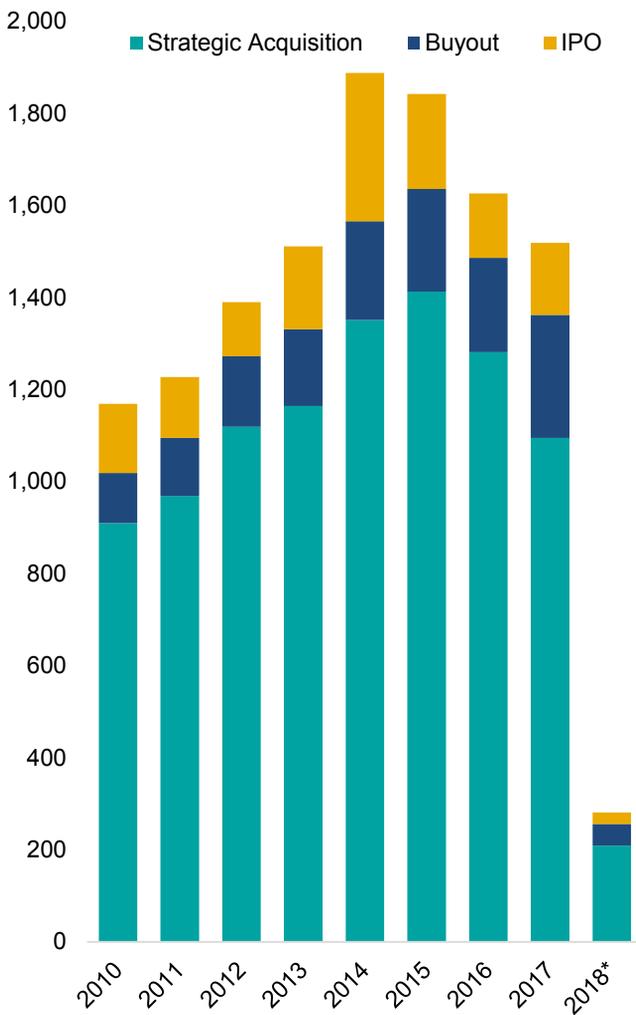
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Since a peak in the first quarter of 2015, aggregate venture-backed exit volume has slowly declined on the whole, with a few quarterly aberrations. Total exit value, however, has remained historically robust, by and large. The last three quarters of 2017 hovered quite close to \$20 billion in aggregate exit value apiece. Multiple factors are suggested to be in play given these results, namely robust M&A appetite, volatility and high valuations in public markets discouraging smaller and encouraging larger businesses to go public and temporal issues relating to the supply of exit-ready venture portfolio companies. This year, especially given a recent uptick in IPO filings by prominent venture-backed businesses, may well prove key in assessing whether the exit cycle still has significant strength left or whether it may decline further.

Could 2018 see a tech IPO resurgence?

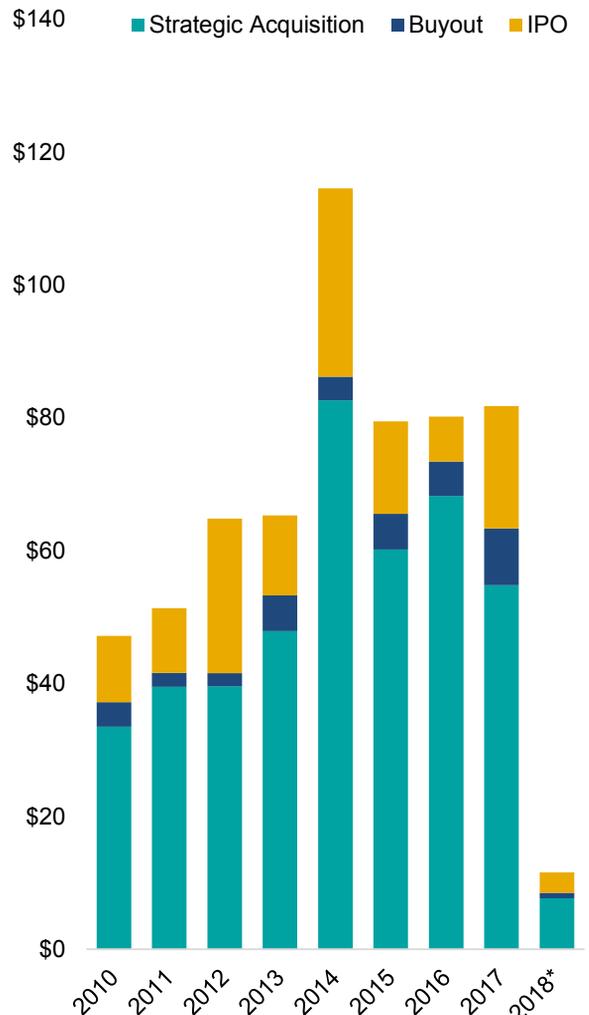
Global venture-backed exit activity (#) by type

2010 — 2018*



Global venture-backed exit activity (\$B) by type

2010 — 2018*



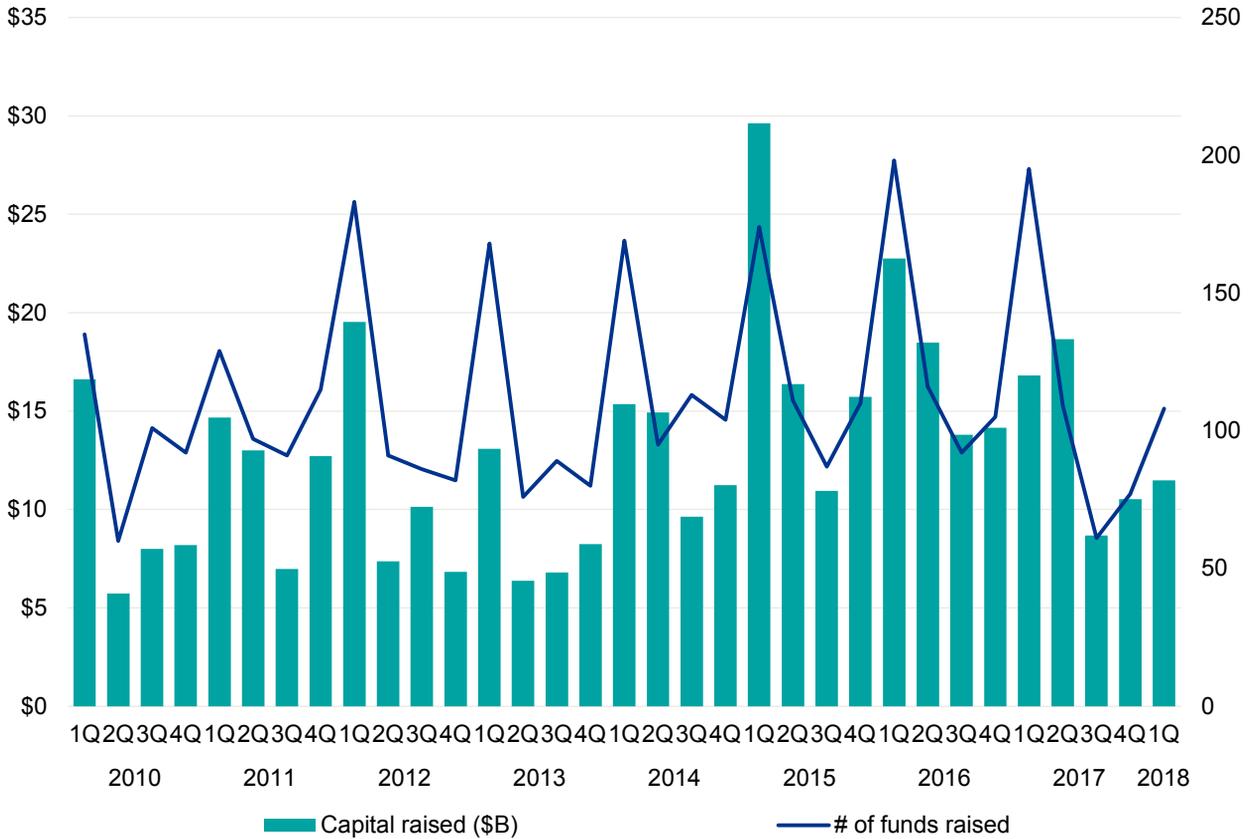
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

With companies such as Dropbox and Smartsheet finally filing to go public, 2018 could well see the surge of tech IPOs that was hoped for in 2017. That said, there could also be more exotic forms of liquidity events still enabling others to stay private, such as secondary market transactions—e.g. Uber’s deal with SoftBank—or buyouts by private equity firms, even.

Fundraising finally enters a sustained plateau

Global venture fundraising

2010 — Q1'18



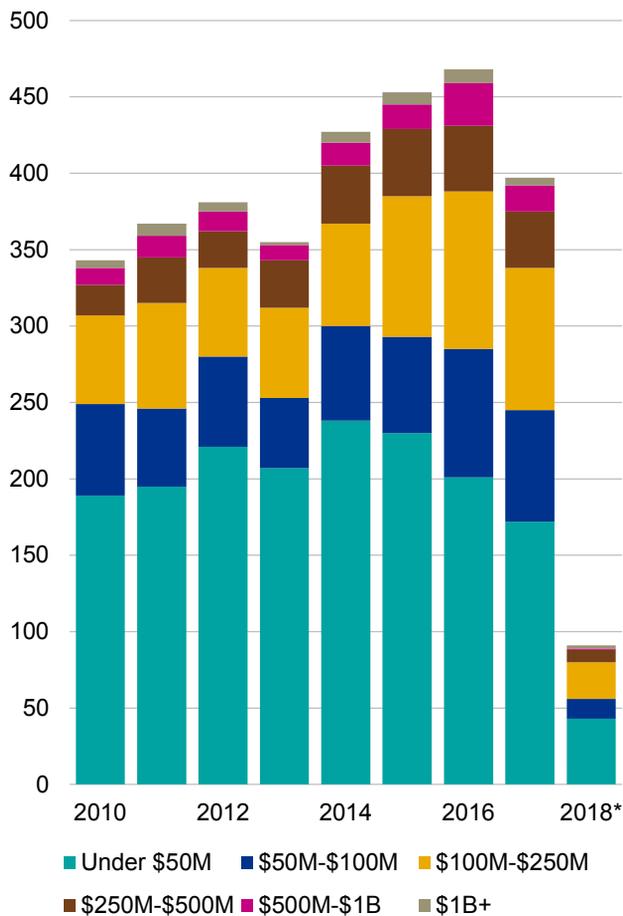
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Given the overall venture industry's size, no matter how large of a fund Sequoia Capital may be able to raise, aggregate fundraising volume will be highly temporal and thereby prone to quarterly skewing. That said, the first quarter of 2018 sustained the slump observed in the back half of 2017, further suggesting that the tide may have turned for at least a period when it comes to limited partners' appetite for growing their allocations to VC and they are now looking to maintain. There will likely be a resurgence, of course, when rebalancing comes and a wave of fresh funds are potentially born from investors that are currently demonstrating success, but for now, that is likely a ways off.

Early 2018 figures indicate more robustness in the center and low end of the market

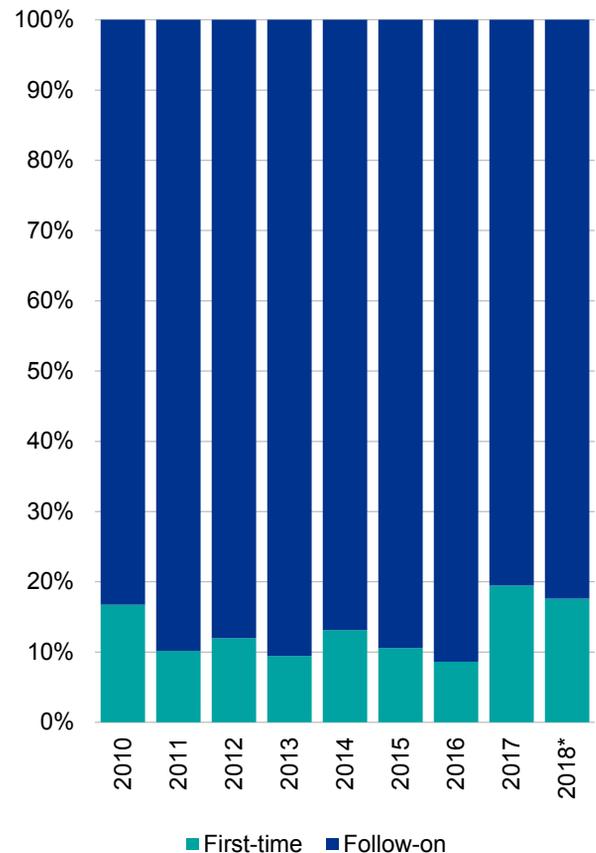
Global venture fundraising (#) by size

2010 — 2018*



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

2010 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

The earlier boom in the venture market, as noted in the prior edition of the Venture Pulse, definitely contributed to multiple general partners kicking off their own fundraising efforts, leading to robustness in the center of the market. Now, during an overall lull, that same center of the market is still leading the way in terms of volume, although it should be noted an intriguing yet plausible uptick in sub-\$50 million fundraising is also persisting.

VC investments on the rise as AI solutions take aim at healthcare

Over the last two years, the healthcare industry has become a major proving ground for AI capabilities, with both startups and VC investors recognizing the enormous potential that AI solutions can offer for improving patient care, expanding the reach of services, and reducing healthcare costs.



VC investment in AI for healthcare soars

Since 2015, VC investment in AI for healthcare has soared, reaching almost \$1.3 billion across 103 deals in 2017. Investments continued to increase in Q1'18, with \$320 million invested across 18 deals: well on pace to at least match 2017's totals. Given the inefficiencies and high costs associated with healthcare in most regions of the world, it is very likely that funding for AI will only continue to grow.

The use of AI and machine learning in healthcare is not a new endeavor. FDA-approved algorithms have been used since as early as 1998 to detect cancers in medical images. The difference today is that new technologies are making such efforts much easier. Use of the cloud and the rapid digitalization of information has improved access to data and the speed of computation. VC investors have seen the concept of AI become mainstream and are investing accordingly.



Providing benefits to all stakeholders

VC investors are excited about AI solutions because they can help meet a variety of needs for different stakeholders — from increasing patients' access to care and improving outcomes, to allowing doctors to be more efficient and improving quality control for health system regulators.

VC investors are also interested in the potential of AI to help impact broader health system inefficiencies. For example, life sciences companies could potentially use AI tools to 'fail fast', better identify population subsets where new drugs will do well and find secondary uses for old failed drugs. Such improvements could speedup drug approvals and reduce development costs. AI can also be used to improve supply chain management, disease prevention and support patient monitoring and care of chronic illnesses.



Corporates becoming more interested in AI in healthcare

Many corporates are just starting to put their toe in the water with respect to making investments in AI, using funding as a means to wrap their heads around how to leverage technologies effectively. Recent acquisitions in the space are likely to spur more corporate and private equity investments in the space.

On the not-for-profit side, the ability to make better, data-driven decisions is seen as a major benefit. However, most organizations recognize they will need to change their business models in order to get the most value from AI innovation. The challenge is that regulations are still somewhat behind so corporates do not want to get too far ahead of themselves. In the interim, not-for-profits in the space are still looking at making VC investments, building for-profit arms, and monetizing their data.

VC investments on the rise as AI solutions take aim at healthcare, cont'd.



Data critical to AI value

Access to data is one of the critical enablers of the successful use of AI in healthcare. The advent of technologies like wearables that can provide constant streams of data and the development of analytics tools to manage and analyze available data quickly will continue to underpin the successful use of AI. Similar to other areas where AI is seen as a backbone for transformation — such as autonomous driving — without access to the right data at scale, AI may not be able to live up to its potential.



Trends to watch for related to AI in healthcare

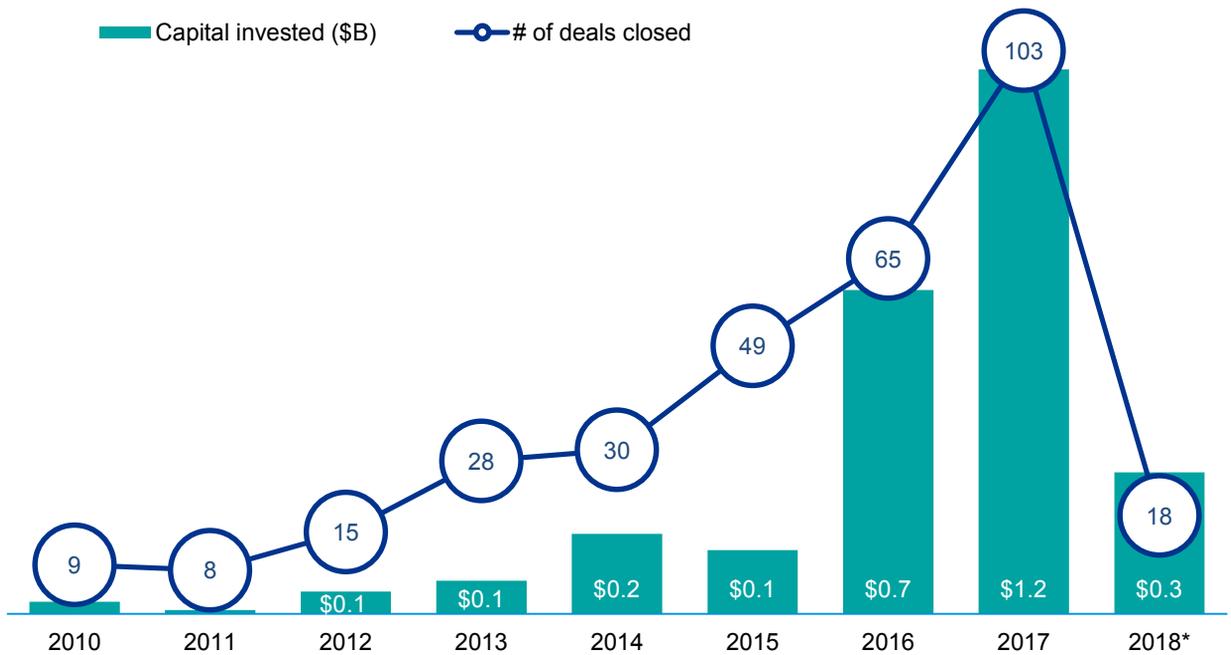
Over the next few quarters, investments in AI for healthcare will likely focus primarily on improving back-end efficiencies, such as the use of RPA to support care, or the use of AI to process claims. In the short term, it is unlikely that AI investments will focus on direct patient diagnosis, but rather on ways of using AI to provide routine second opinions or to detect errors.

While the majority of VC investments related to AI in healthcare have occurred in the U.S., there is likely to be increasing investment in other regions as investment in the space continues to heat up. While AI has the potential to reduce costs and improve quality in developed countries, it also has the potential to help address issues in developing regions with infrastructure deficiencies or scarce resources. China, in particular, is expected to see major investments in the near-term.

A recent, exponential rise

Global venture financing of artificial intelligence (AI) & machine learning (ML) companies in healthcare

2010 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

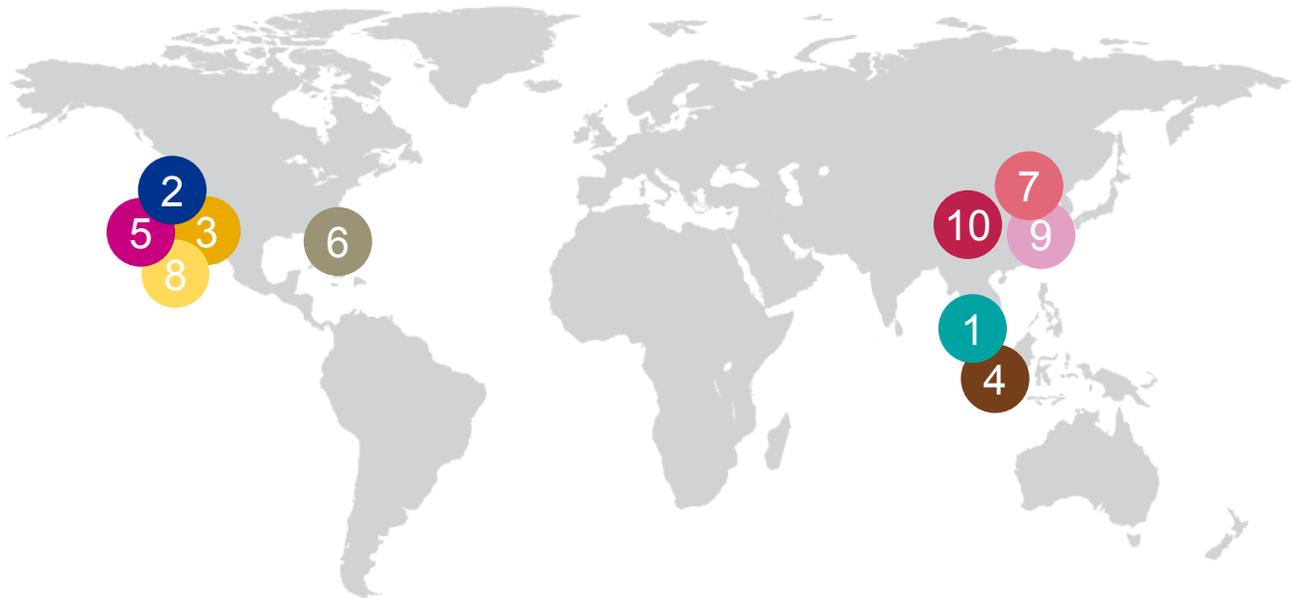
Artificial intelligence (AI) and machine learning (ML) are often conflated; in essence, artificial intelligence can be understood as the overall field of computer science while machine learning is a subset. Investment within AI and ML applications in healthcare have exploded as of late, mainly as the enormous potential for accurate automation of tasks as routine as, say, radiology readings is fairly obvious. The key challenge is the degree of accuracy, as in the field of healthcare the rewards are enormous if one can automate analytics and disintermediate the complex chain of value, but given that human health and lives are at risk, predictions must be absolutely airtight.

“For AI in healthtech to achieve its full potential, there needs to be a much broader understanding of the value of AI across healthcare workflows and the ability of AI to supplement existing processes. While this will take time due to some fundamental inertia of healthcare, the application of AI in healthtech will lead to an entirely new paradigm for providing tech-driven healthcare”



Bharat R. Rao, Ph.D.
National Leader, Data & Analytics for Healthcare & Life Sciences, **KPMG in the U.S.**

Q1'18 top deals dominated by transportation



Top 10 global financings in Q1'18

- | | |
|--|--|
| <p>1 Grab — \$2,500M, Singapore Transportation <i>Series G</i></p> | <p>6 Magic Leap — \$963M, Plantation, FL Augmented reality <i>Series D</i></p> |
| <p>2 Lyft — \$1,700M, San Francisco, CA Transportation <i>Series H</i></p> | <p>7 Ofo — \$866M, Beijing, China Transportation <i>Late-stage VC</i></p> |
| <p>3 Faraday Future — \$1,500M, Los Angeles, CA Automotive <i>Early-stage VC</i></p> | <p>8 Katerra — \$865M, Menlo Park, CA Business software <i>Series D</i></p> |
| <p>4 GO-JEK — \$1,500M, Jakarta, Indonesia E-commerce <i>Series E</i></p> | <p>9 Chehaoduo — \$818M, Beijing, China E-commerce <i>Series C</i></p> |
| <p>5 Uber — \$1,250M, San Francisco, CA Transportation <i>Late-stage VC</i></p> | <p>10 Douyu — \$632M, Wuhan, China Entertainment software <i>Corporate</i></p> |

Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

*In Q1'18 VC-backed
companies in the
Americas raised*

\$29.4B

across

1,782 deals



Optimism growing for VC market in Americas

VC investment in the Americas held strong in Q1'18. While the U.S. accounted for the vast majority of VC investment in the region, Latin America — particularly Brazil — saw some exciting funding and exit activity.



U.S. remains VC leader, but market in Americas becoming more diversified

The U.S. continued to attract the majority of VC funding in the Americas. While the Bay Area was the primary draw, other U.S. cities like Boston, San Diego, Austin, Philadelphia and New York have also been able to attract significant investments in recent quarters.

In Latin America, Mexico, Brazil and, most recently, Argentina have moved to support VC investment. In 2017, Argentina introduced a new entrepreneurship law aimed at making it easier for startups to do business by reducing red tape and providing easier access to capital.



Exemption from U.S. tariffs positive for Canada and Mexico

There continued to be uncertainty related to U.S. trade policies in the Americas during Q1'18, with the results of NAFTA renegotiations between the U.S., Canada and Mexico remaining a big question mark. The exclusion of both countries from global trade tariffs announced by the U.S. in Q1'18, however, was viewed as a positive sign by investors — with most taking a 'business as usual' approach to their activities.



Solid start for 2018 VC market in Canada

Canada experienced a strong start to 2018, with a \$223 million raise by biofuels producer Enerkam and a \$49 million raise by story-sharing platform Wattpad early in the quarter. China-based Tencent Holdings was the primary funder of the Wattpad deal — enhancing its interest in Canada; in 2017, Tencent made a strong investment in Canada's Element AI. Other Chinese VC investors have also taken note of Canada's attractiveness — with AI, biotech, and clean energy all seen as targets for investors.

In Q1'18, the Canadian government's \$1.2 billion Venture Capital Catalyst Initiative was rolled out. It is expected that this fund will help to spur additional VC investment throughout the remainder of 2018.



Brazil sees big quarter of VC investment

Q1'18 was a bumper quarter for VC investment in Brazil, led by the \$150 million raise by fintech company Nubank. The funding propelled Nubank to a \$1 billion+ valuation, earning it Unicorn status — one of the first VC-backed companies in Brazil to earn the classification.

In Q1'18, Brazilian Fintech PagSeguro, a well known payments company, went public in the largest IPO since SNAP in 2017. PagSeguro raised \$2.27 billion from its IPO on the NYSE, making it the biggest IPO for a Brazilian company since BB Seguridade in 2011⁴. In terms of VC exits, during Q1'18, China-based company Didi Chuxing acquired Brazil's biggest ride hailing company, 99 (formerly 99taxi) for \$1 billion.

There is a lot of optimism for VC investment in Brazil over the next few quarters, although an election slated for October could create some uncertainty. Fintech is expected to remain particularly attractive to investors. Healthtech, meanwhile, is expected to gain more attention from investors, particularly with respect to technologies that facilitate access to healthcare for those who do not have it. While there has been some interest in this space to date, the big investments expected have yet to be seen.

⁴ <https://www.bloomber.com/news/articles/2018-01-24/brazil-s-pagseguro-raises-2-3b-in-largest-nyse-ipo-since-snap>

Optimism growing for VC market in Americas, cont'd.



Mexico sees VC investor interest rebound

While Q1'18 was a relatively slow quarter for VC deal flow in Mexico, both fintech and edtech companies continued to gain investor attention. Deal values remained small overall, however there a few nice sized deals, including a \$26 million raise by Mexico and San Francisco-based educational game company Yogome⁵. Availability of VC capital in Mexico increased in Q1'18, with Nexus Capital announcing a new \$350 million fund largely focused on Mexico.

Late in 2017, Mexico also authorized the creation of BIVA, a second stock exchange, which is expected to go live within the next two quarters. It is expected this move will help support exits and ease IPO processes in the coming years. In Q1'18, the Government of Mexico also approved new regulations for fintech — a move expected to spur additional development and investment in the sector.

With a presidential election upcoming in June, there could be some short-term uncertainty among VC investors heading into Q2'18.



Trends to watch for in the Americas

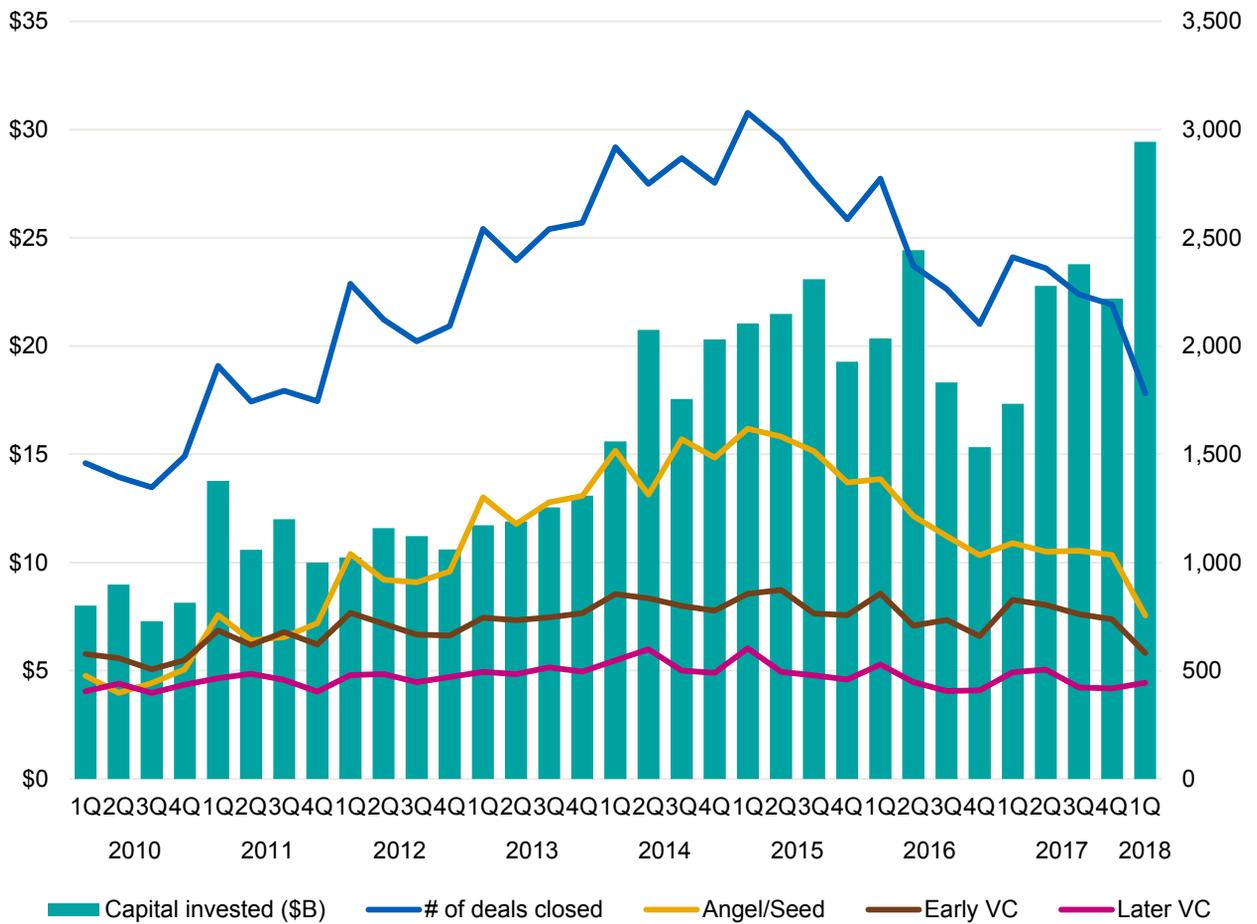
The outlook is positive for VC investment in the Americas heading into Q2'18 and beyond, although upcoming elections in Mexico and Brazil could create some short-term uncertainty. In the U.S. and Canada, AI, blockchain and healthtech are expected to remain very high on the investor radar, while fintech will likely continue to drive the majority of VC investment in Latin America.

⁵<http://www.finsmes.com/2018/03/yogome-raises-26-9m-in-series-b-funding.html>

VC invested roars higher, even as volume slides

Venture financing in the Americas

2010 — Q1'18



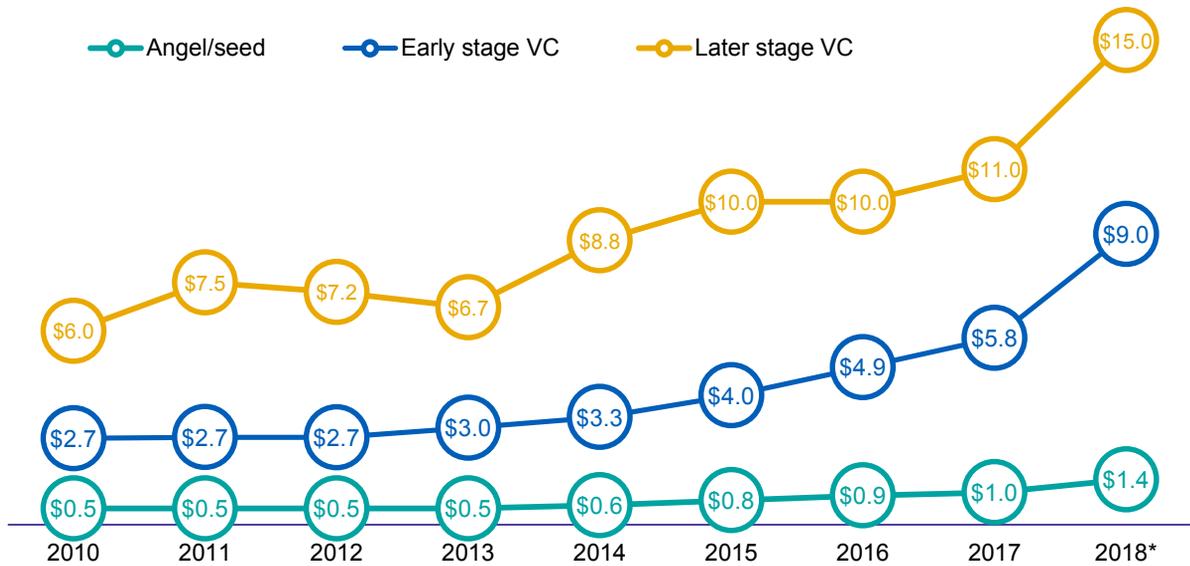
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Soaring past \$29 billion, buoyed by seven financings of \$500 million or more, the Americas saw aggregate VC invested for the quarter roar even higher than the prior several robust quarters seen in 2017. The impact of the population of late-stage, highly valued companies that have still elected to stay private cannot be understated.

Amid declining volume, up rounds predominate

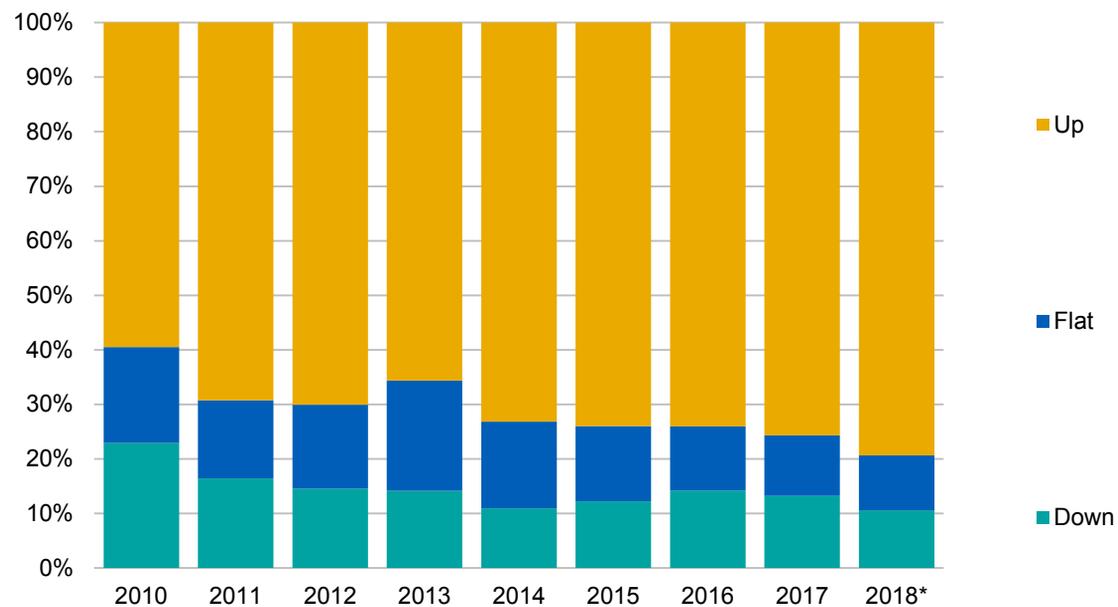
Median deal size (\$M) by stage in the Americas

2010 — 2018*



Up, flat or down rounds in Americas

2010 — 2018*

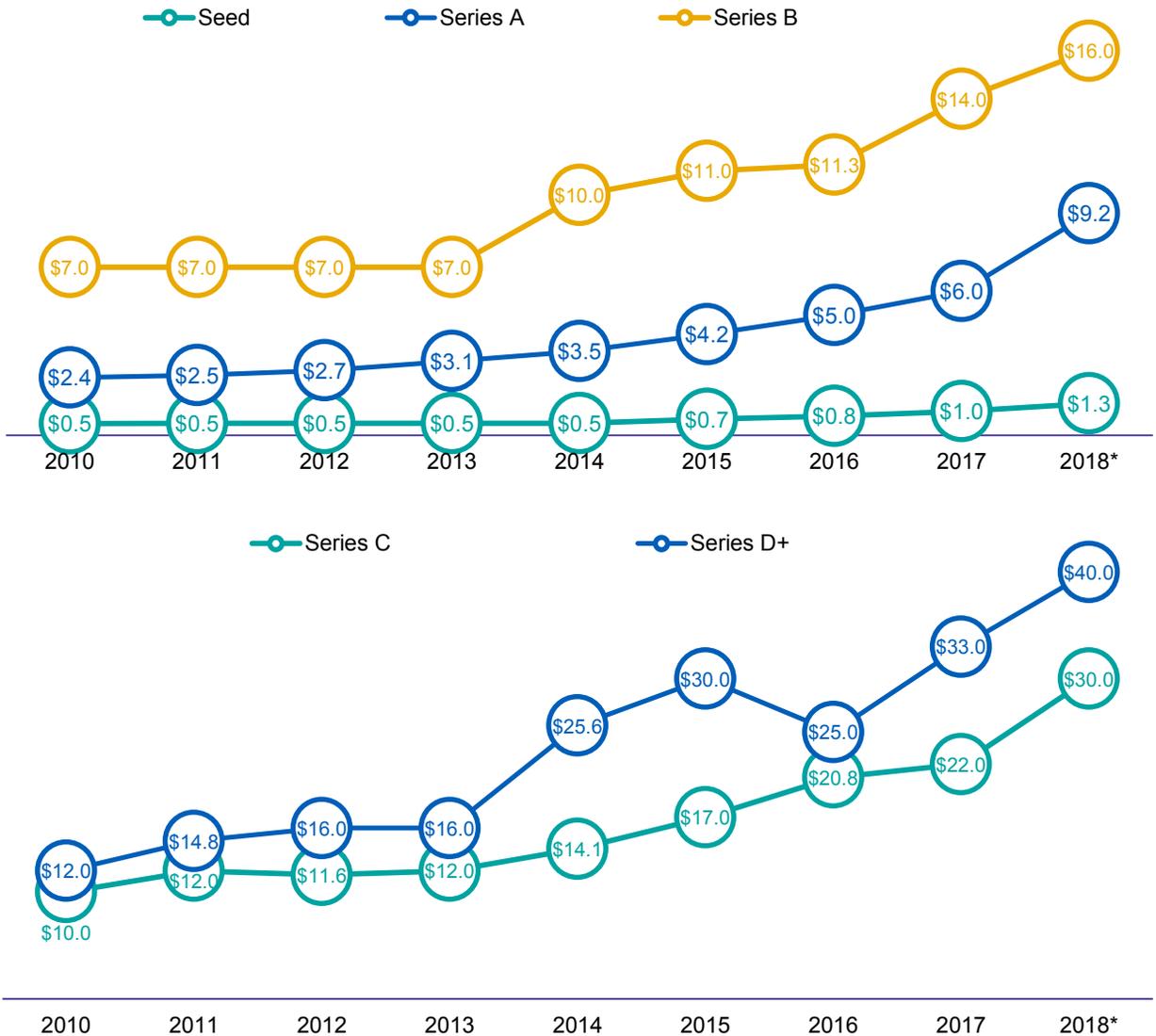


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Early-stage series climb even higher

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

2010 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Bolstered significantly by the U.S., both Series A and Series B rounds are still seeing their median sizes climb higher, with Series A financings in particular jumping a significant amount. That jump, however, is likely to normalize somewhat as further quarters' worth of data is recorded.

Series B & D stand out as clear phase shifts

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

2010 — 2018*



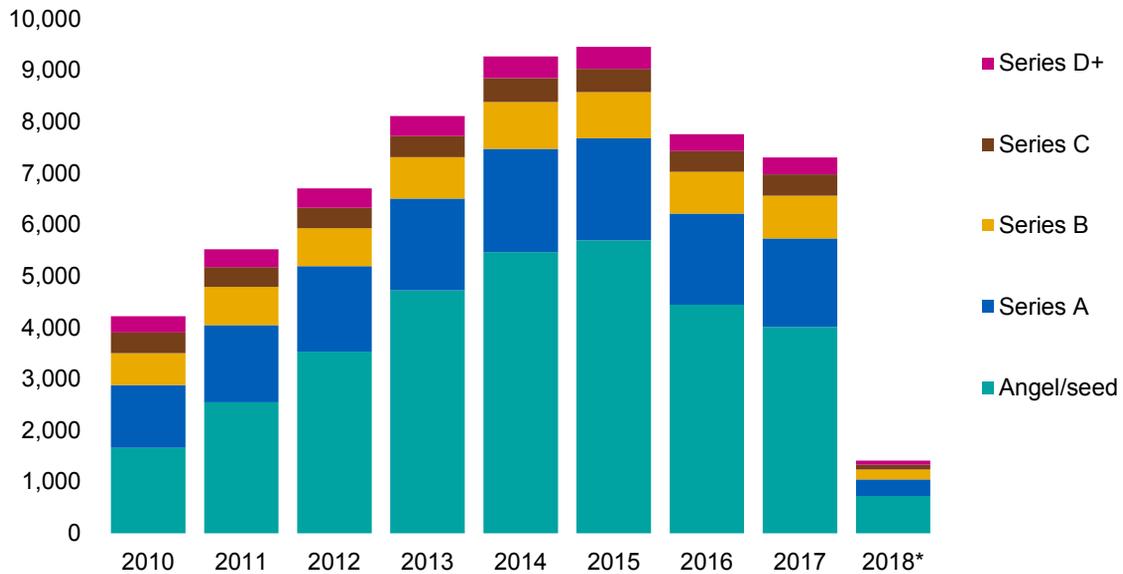
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

A phase shift is when one piece of material transforms into a new form, such as liquids hardening into solids — the significant jump between Series A valuations and Series B valuations, as well as Series C and Series D, signifies how companies that are able to surmount investor hurdles at each stage are still so richly rewarded with massive valuations, far surpassing those from prior rounds.

Q1 2018 sees diminishing across each series

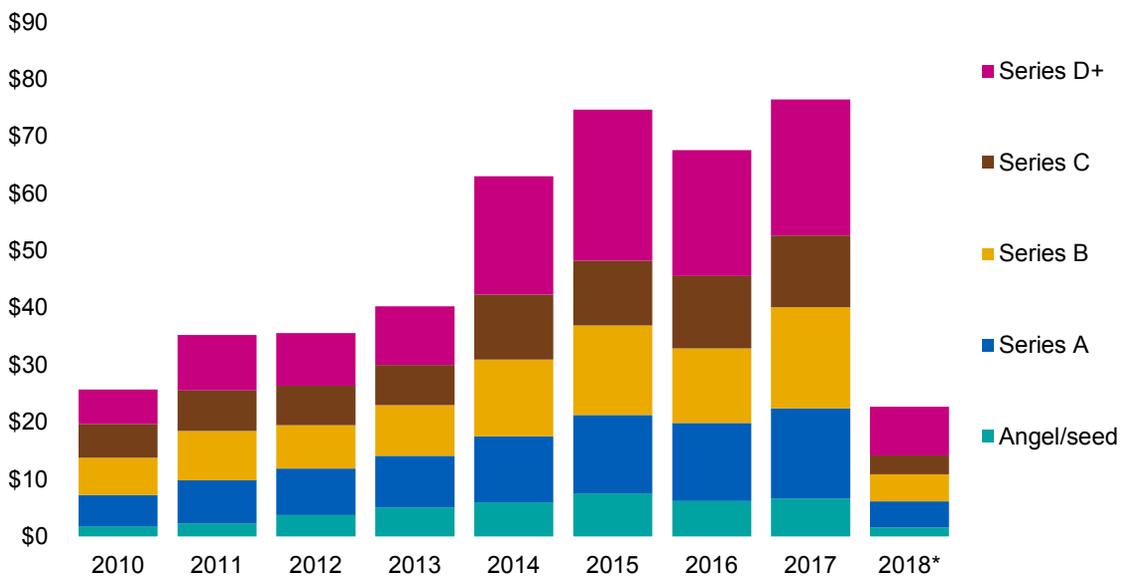
Deal share by series in the Americas

2010 — 2018*, number of closed deals



Deal share by series in the Americas

2010 — 2018*, VC invested (\$B)

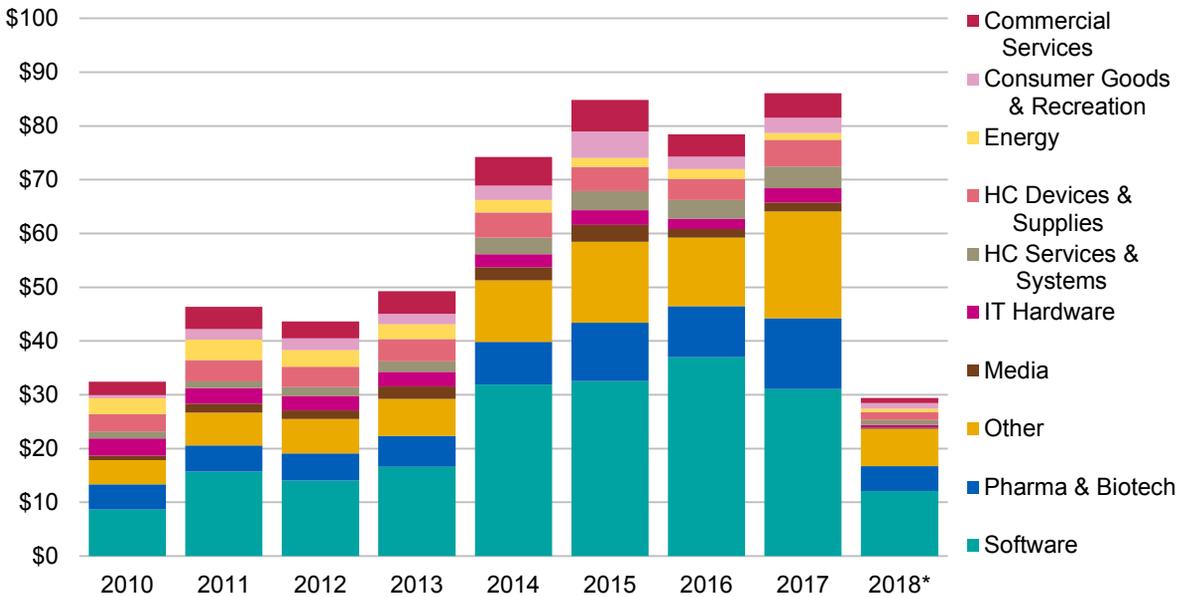


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Healthcare & software remain most robust

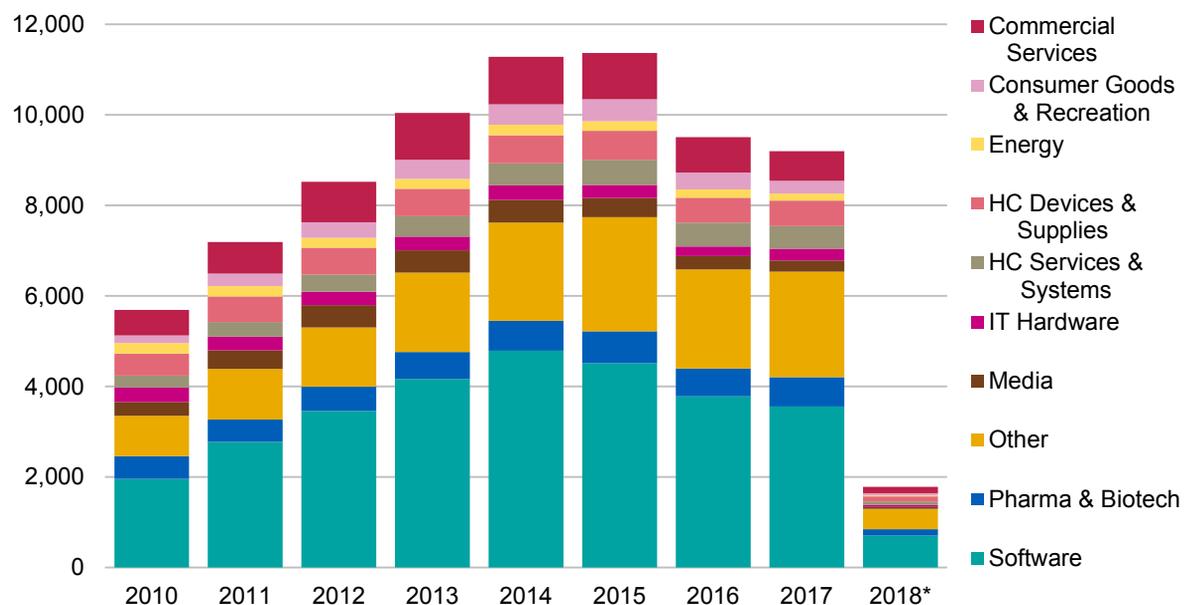
Venture financing of VC-backed companies by sector in the Americas

2010 — 2018*, VC invested (\$B)



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

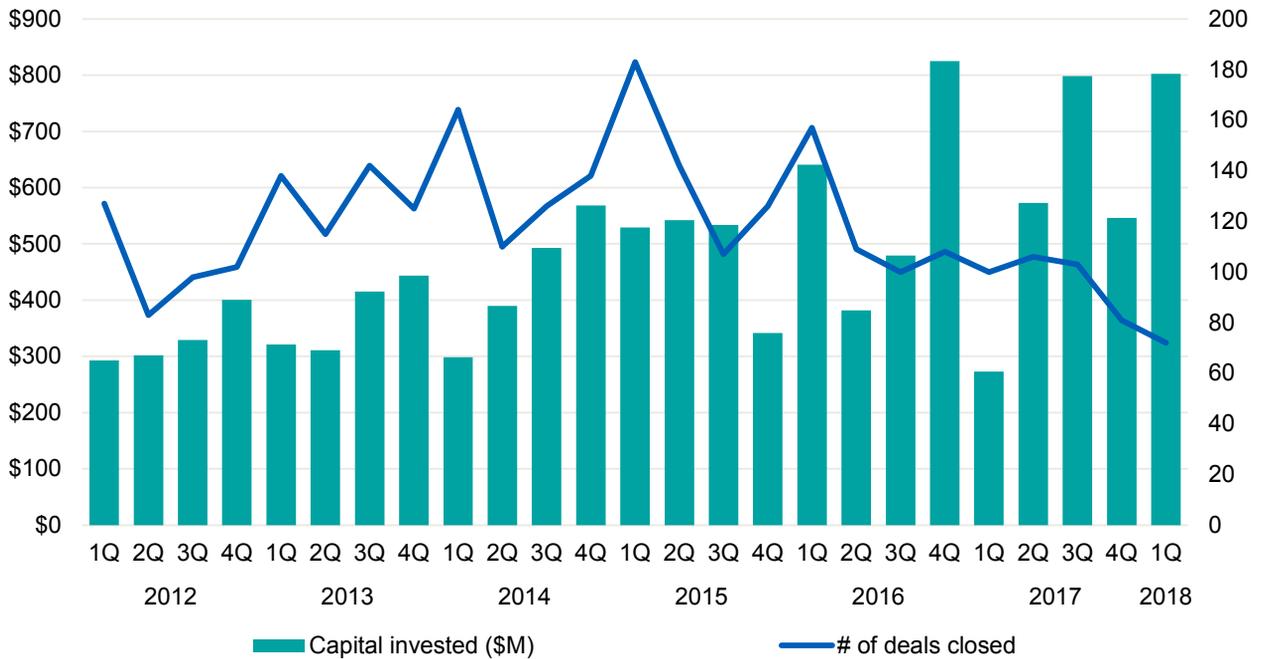
2010 — 2018*, # of closed deals



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

A strong quarter for VC invested

Venture financing in Canada 2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Skewed significantly by one hefty financing of clean fuel producer Enerkem, there were still seven financings of Canadian companies exceeding \$20 million in Q1 2018, despite lowering volume. Although still appearing modest relative to the U.S., the Canadian entrepreneurial scene continues to attract a steady flow of VC.

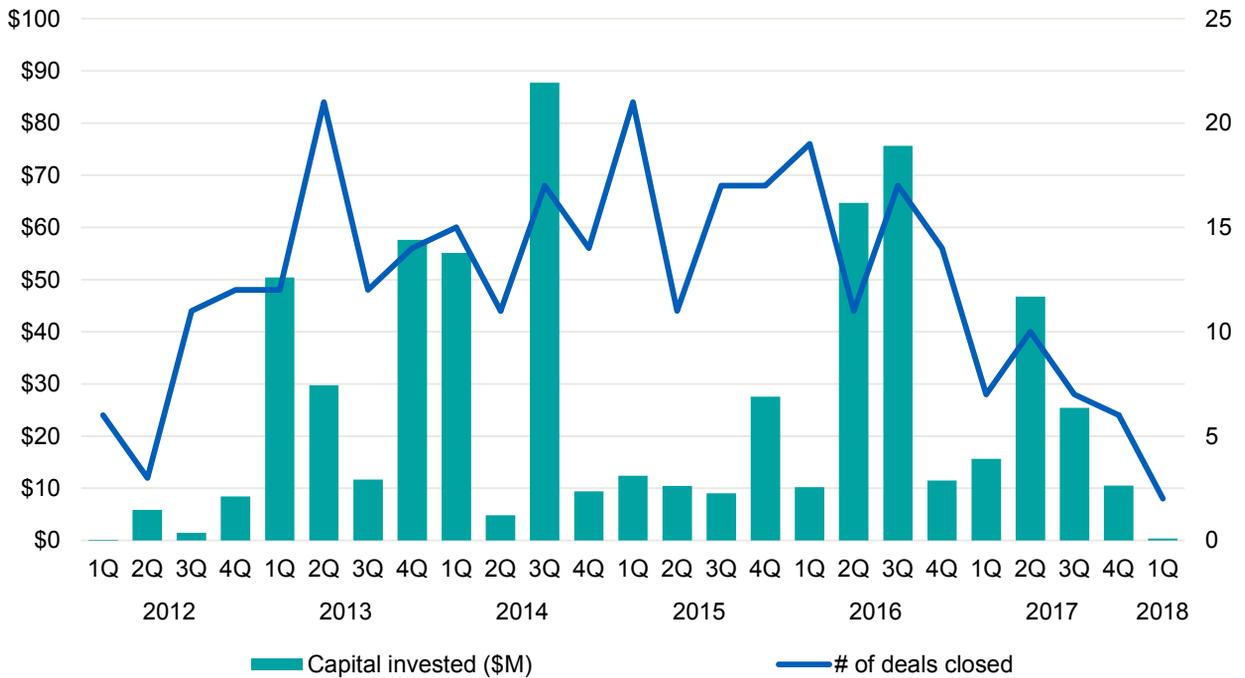
“Canada continues to be a great place to invest, with a stable economy, strong talent base, and several mature innovation ecosystems. Interest rates remain low, while valuations of Canadian companies continue to be modest compared to companies in the U.S. and other jurisdictions globally. It is a great time for Angels, VCs, and PEs looking to place money in either early stage Canadian startups or in later-stage companies looking to scale up.”



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

Macro concerns still impact Mexican VC

Venture financing in Mexico 2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Q1 2018 saw a new low unmatched in some time for Mexican venture activity, likely due to macroeconomic concerns sparked by political rhetoric and potential shifts in trade policies. It remains to be seen how long such maneuvering may affect the flow of private investment, as there are still budding startups in various niches across Mexico that could well attract interest once those perceived political shifts materialize into assessable form.

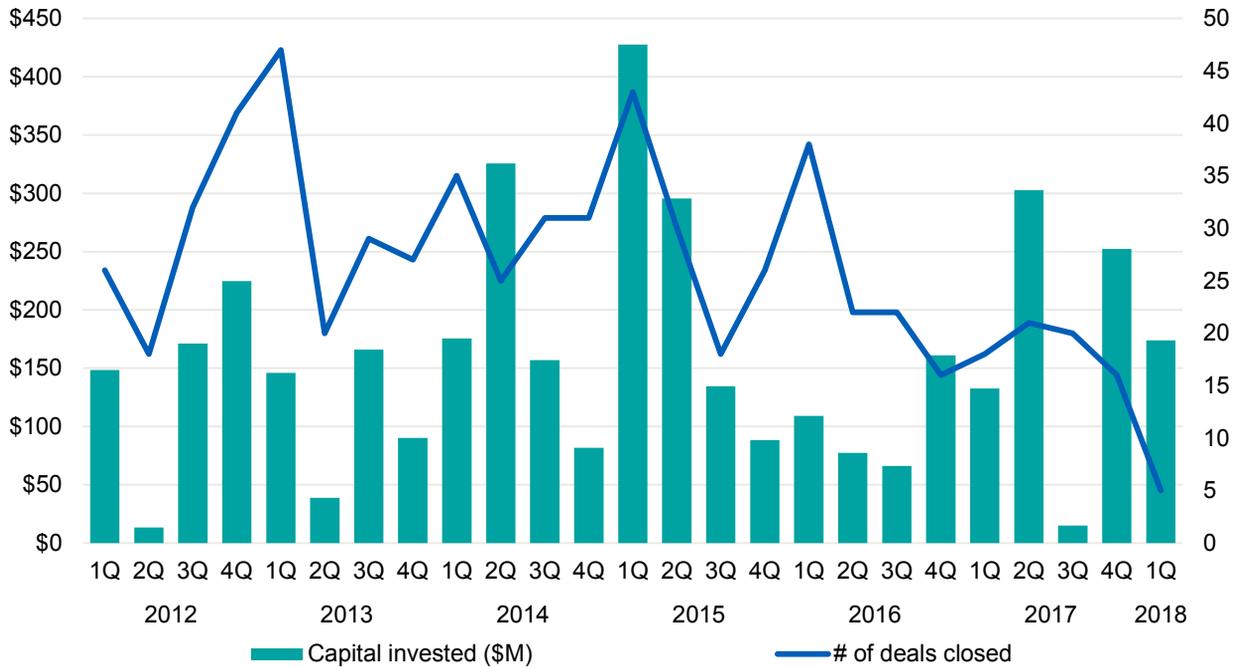
“2017 was a difficult year for Mexico given the uncertainties related to U.S. trade and immigration policies, but the VC market is starting to come back, with increases in both VC investments and the number of VC funds being directed to Mexico. In Q1'18, the government approved regulations focused on fintech, which could spur investment over the next few quarters.”



Gerardo Rojas
Partner,
KPMG in Mexico

Marked by outliers, Q1 records strong VC invested

Venture financing in Brazil 2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

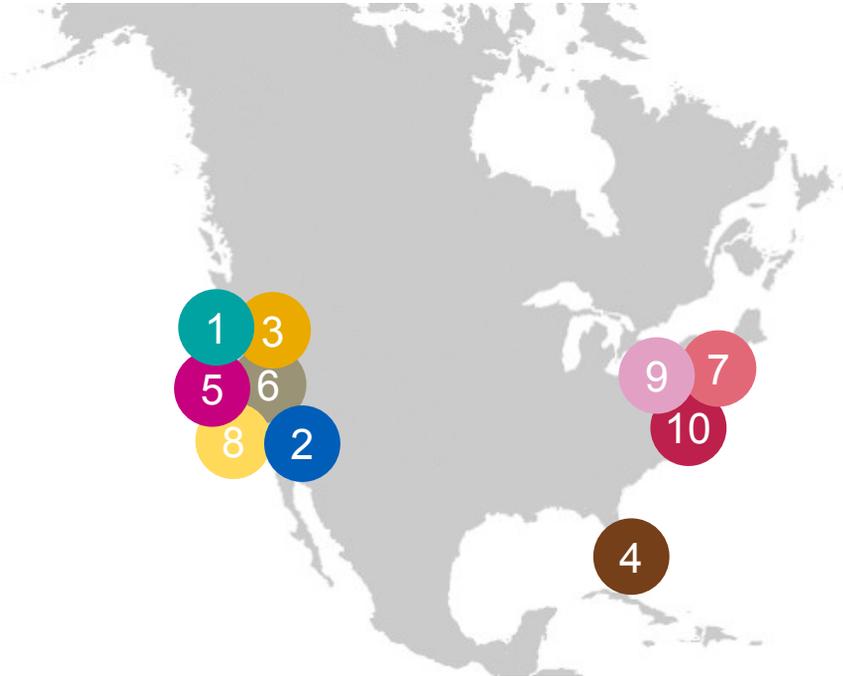
Once again, the quarterly tally of venture activity within Brazil was skewed markedly by digital credit card provider Nubank, which finally hit unicorn status with its latest infusion of funding. DST Global, QED Investors, Dragoneer Investment Group and more plowed \$150 million of Series E funding into the business, which continues to exemplify the risky yet rewarding potential of tapping into key consumer segments in large, emerging economies.

“In Q1'18, fintech was particularly hot in Brazil, with Nubank’s \$150 million raise and PagSeguro’s successful IPO on the NYSE. Given Brazil’s relatively poor healthcare system, it is no surprise that VC investors are also looking for opportunities in the healthtech space. While few deals have been conducted to date, healthtech is an area where we expect to see increased investment over the next twelve months.”



Raphael Vianna
Director,
KPMG in Brazil

California sees a typical clustering, although the East Coast saw some notable financings



- | | |
|--|--|
| <p>1 Lyft — \$1,700M, San Francisco, CA Transportation <i>Series H</i></p> <p>2 Faraday Future — \$1,500M, Los Angeles, CA Automotive <i>Early-stage VC</i></p> <p>3 Uber — \$1,250M, San Francisco, CA Transportation <i>Late-stage VC</i></p> <p>4 Magic Leap — \$963M, Plantation, FL Augmented reality <i>Series D</i></p> <p>5 Katerra — \$865M, Menlo Park, CA Business software <i>Series D</i></p> | <p>6 DoorDash — \$535M, San Francisco, CA E-commerce <i>Series D</i></p> <p>7 Moderna Therapeutics — \$500M, Cambridge, MA Biotechnology <i>Series G</i></p> <p>8 Wag — \$300M, Los Angeles, CA Application software <i>Series D</i></p> <p>9 Harmony Biosciences — \$295M, Plymouth Meeting, PA Biotechnology <i>Early-stage VC</i></p> <p>10 Viela Bio — \$282.25M, Gaithersburg, MD Biotechnology <i>Series A</i></p> |
|--|--|

Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

*In Q1'18 U.S.
VC-backed
companies raised*

\$28.2B

across

1,693 deals



VC market in the U.S. sees roaring start to 2018

U.S. VC investment got off to a strong start in Q1'18, propelled by a number of mega-rounds, including \$1 billion+ raises by electric vehicle manufacturer Faraday Future and ride-sharing company Uber.



Consumer-centric offerings big hit in 2018

While 2017 saw a rise in VC investment to B2B businesses in the U.S., the biggest winners in Q1'18 were consumer focused companies. A number of large rounds went to companies focused on improving the lives of consumers — whether by offering convenience (e.g. food delivery company Door Dash, dog walker identification platform Wag), or by improving health (e.g. Harmony Biosciences, Moderna Therapeutics).



Spotlight on the IPO market

While the U.S. IPO market improved in 2017, it remained weak compared to previous years. With significant dry powder available, a number of aging startups shied away from IPO exits, using secondary transactions to provide some liquidity to their employees and early-stage investors. This trend continued into Q1'18.

Late in Q1'18, however, two unicorns went public: cloud-based security provider Zscaler and cloud-storage provider Dropbox. Both companies have seen positive results, with Zscaler's stock price doubling in the first days of trading and Dropbox's stock increasing 36% on the first day of trading⁵. While Dropbox went public at a lower valuation than its most recent private round, post-IPO performance of companies in similar situations has been strong, calming concerns related to potential stigma.

Heading into Q2'18, Spotify is set to directly list in April. This move likely reflects the desire to create liquidity without the costs associated with a traditional IPO. This move is not expected to spur direct listings as few companies have the requisite strength in their balance sheets. If the performance of Zscaler, Dropbox and Spotify over the next quarter is positive, however, the IPO market could see increased activity.



Food and grocery delivery attracting significant funding

The U.S. food and grocery delivery space continued to see significant VC investment in Q1'18. Food delivery company Door Dash joined the unicorn club following a \$535 million funding round, while Instacart raised \$200 million in its ongoing bid to compete with Amazon and Whole Foods.

The surprising attractiveness of this sector may in part be due to the increasing belief among restaurants and grocery stores that home delivery is essential to their long-term sustainability. Looking forward, most investments in this space will likely be focused on late-stage companies looking to grow and compete.



Interest in healthtech and biotech growing rapidly

VC interest in healthtech and biotech remained high in Q1'18 — no surprise given the significant cost of healthcare in the U.S., its aging population and demand for more efficient services. AI-related healthtech in particular saw strong investment in Q1'18, with \$166 million raised in the first 2 months alone. Healthtech and biotech startups continued to buck the trend on the exit front, with numerous companies hosting successful exits.

⁵<https://techcrunch.com/2018/03/16/security-startup-zscaler-ipo/>

VC market in the U.S. sees roaring start to 2018, cont'd.



Rise of mega-funds boosting ability of companies to stay private longer

In part to compete with Softbank's \$100 billion Vision Fund, VC firms in the U.S. have begun developing their own mega-funds. In Q1'18, Sequoia Capital is in the process of raising up to \$12 billion for its multiple funds^{8,9}. The availability of capital for companies at later deal stages has been a key factor in companies staying private longer — a trend that will likely continue as long as capital remains available.



New York City gaining ground as tech hub

While the majority of VC investment in the U.S. has flowed to the Bay Area, investments have started to diversify geographically. One city quickly gaining attention is New York. Over the past year, New York's VC market grew dramatically, with more than 15 companies attracting \$100 million+ funding rounds.

Local universities have begun to target tech talent issues — a roadblock for NYC-based start-ups in the past. In 2017, Cornell opened a new Tech Campus on Roosevelt Island, and a major universities now have respectable tech programs. Accelerator and incubator programs have also grown, with more than 100 now located across the city. A Partnership for New York City has sponsored several of these, including the New York Digital Innovation Lab, FinTech Innovation Lab New York and BioAccelerate NYC.

While VC investment in NYC has focused predominantly on fintech and SAAS, the city has actively worked to develop its healthtech sector. In January, New York's Economic Development Corporation announced plans to create a new research and innovation hub for life sciences.



Trends to watch in the U.S.

In Q2'18, VC investment is expected to remain high. While there have been some recent tremors in the stock market, conditions remain positive for IPOs. If the experiences of Dropbox, Zscaler and Spotify prove positive, a number of aging unicorns could make public exits. This could lead to some return of capital by the end of the year and a rebound in investment in seed and angel stage deals.

AI is expected to continue to attract significant investment in the U.S. for the foreseeable future in addition to biotech and healthtech.

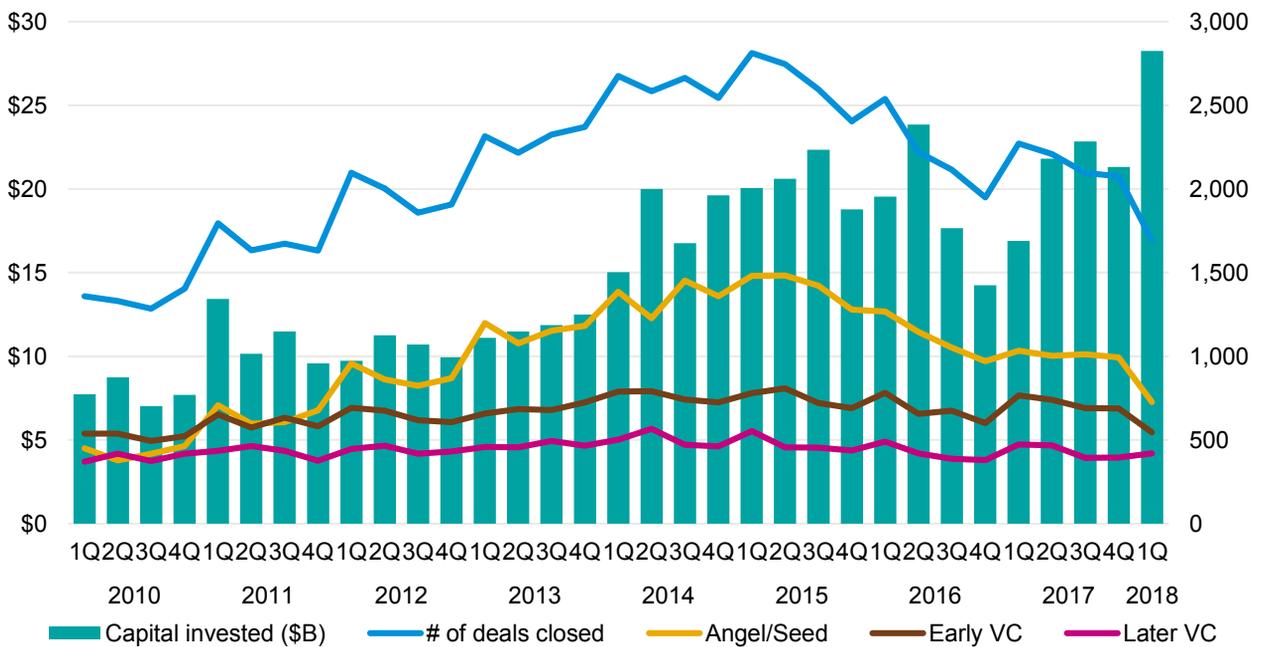
⁸ <https://www.bloomberg.com/news/articles/2017-12-22/sequoia-capital-is-said-to-explore-5-billion-mega-venture-fund>

⁹ <https://www.cnbc.com/2018/03/20/sequoia-sets-minimum-investment-of-250-million-to-join-growth-fund.html>

After three \$20B+ quarters, an even higher tally

Venture financing in the U.S.

2010 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

The money just keeps flowing. After three straight quarters each recording over \$20 billion in VC invested, the first quarter of 2018 came close to \$29 billion in total invested. What is more striking is that even though three \$1 billion+ rounds were closed, the diversity of \$100 million+ financings is what really drove that massive total, ranging from insurer Oscar to biotech Harmony Biosciences.

“In the past, discussions about the VC markets have been primarily focused on the big 4 markets — The Bay Area, New York, Boston and LA. Now we are seeing much more diversity with cities like Seattle, Chicago, Washington DC, San Diego Austin, Philadelphia and Atlanta drawing new investments. These cities have all recognized the importance of startups to their future viability and have therefore focused their attention on creating a fertile ecosystem where companies can nurture and grow. These new markets are also providing a lower cost and higher quality of life alternative.”



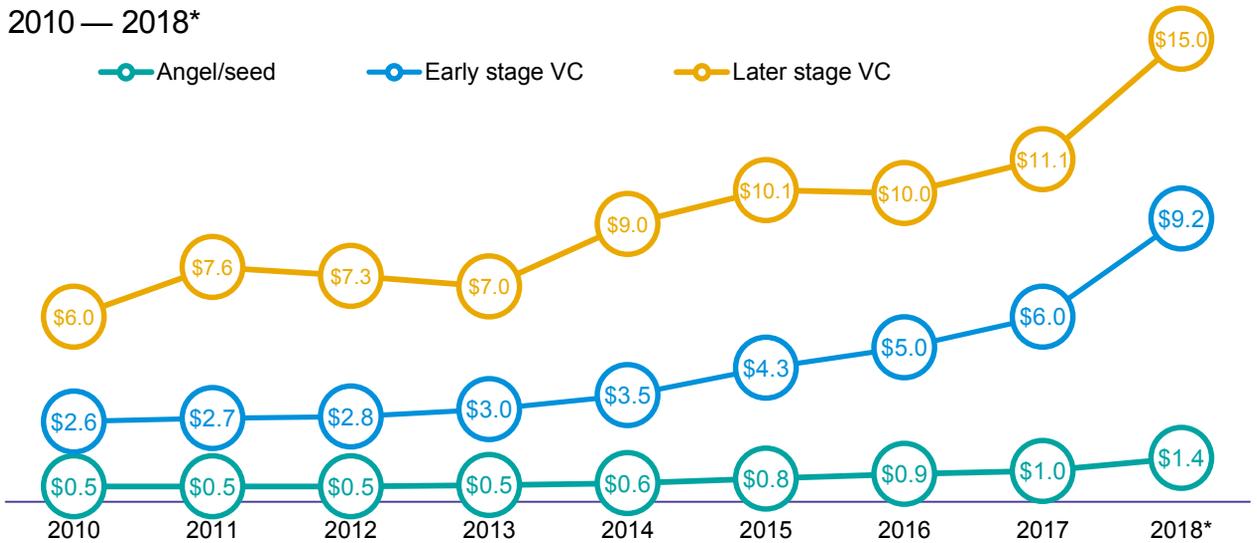
Brian Hughes

Co-Leader, KPMG Enterprise Innovative Startups Network, KPMG International and National Co-Lead Partner, KPMG Venture Capital Practice, **KPMG in the U.S.**

The early stage continues to experience inflation

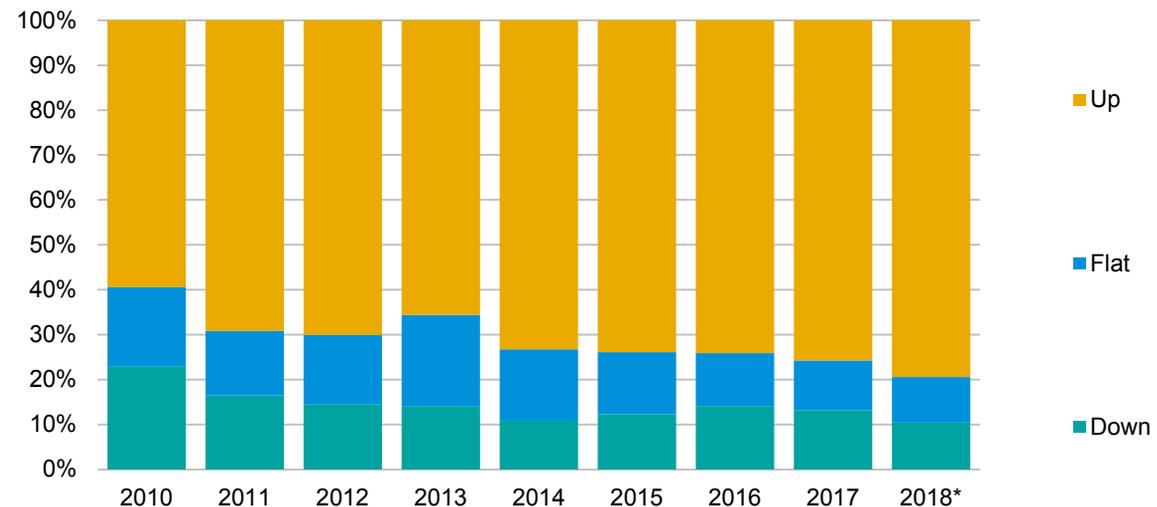
Median deal size (\$M) by stage in the U.S.

2010 — 2018*



Up, flat or down rounds in the U.S.

2010 — 2018*



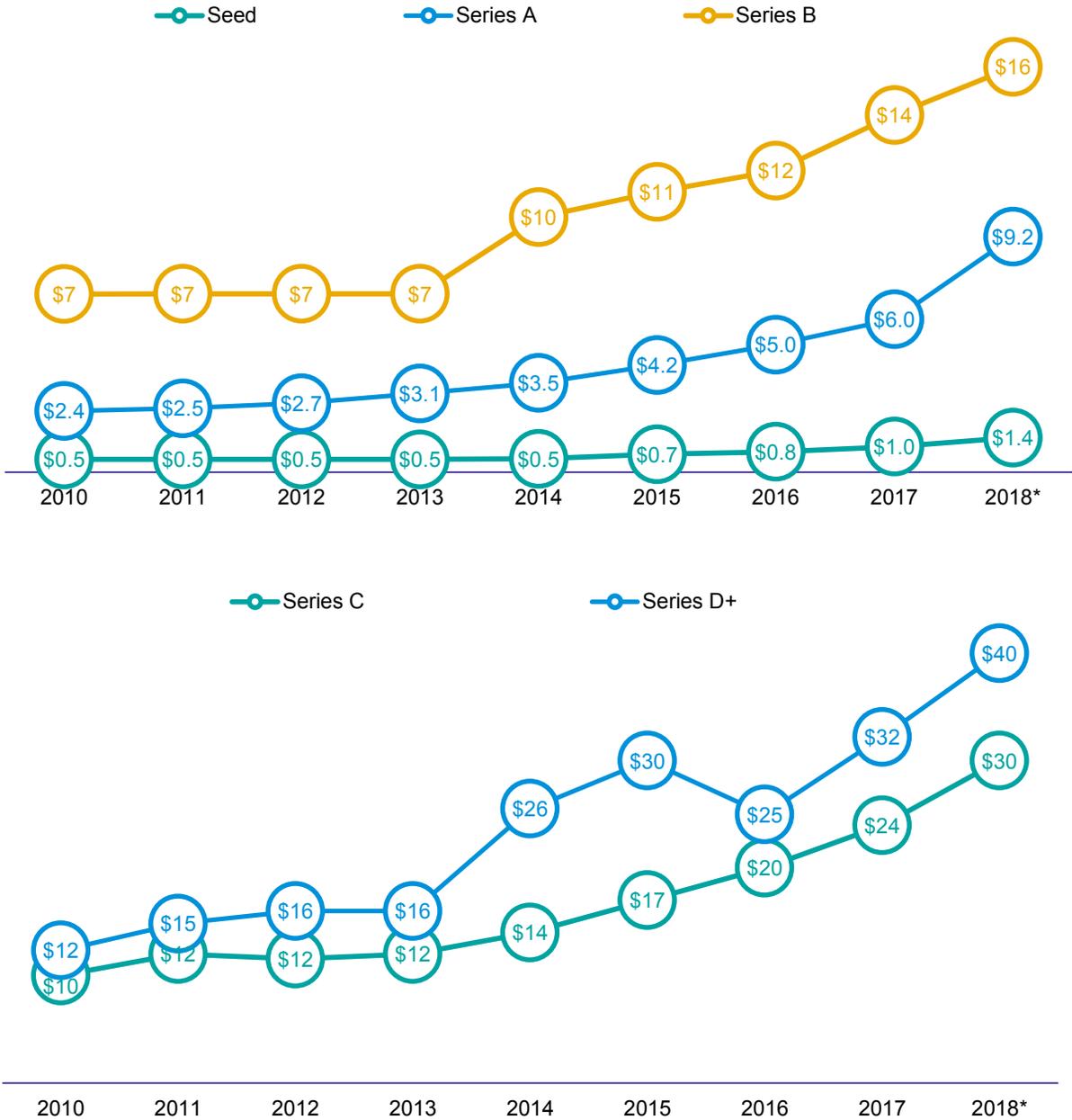
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

In the last edition, the question was whether 2018 could maintain 2017's record median figures across the board. Granted, 2018 is only one quarter in, but thus far, it is significantly surpassing 2017 across every stage, most dramatically at the early stage.

One quarter in, 2018 sees significant jumps

Median deal size (\$M) by series in the U.S.

2010 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.
Note: Figures rounded in some cases for legibility.

Unprecedented capital access continues

Median pre-money valuation (\$M) by series in the U.S.

2010 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

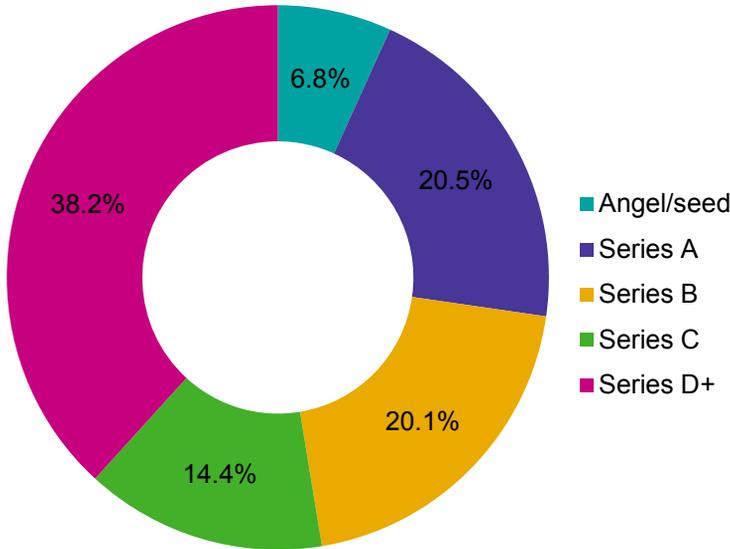
Note: Figures rounded in some cases for legibility.

It is important to lay out just why that median figure for Series D or later financings continues to skyrocket even higher. Not only are mature companies finally jumping into the valuation stratosphere for the first time and raising \$100 million+ rounds that generate such massive valuations, but existing companies continue to be able to raise huge rounds of financings that maintain or even increase lofty valuations, as evidenced by Lyft's closing of a \$1.7 billion round in the middle of March.

Angel, seed & Series A contract further

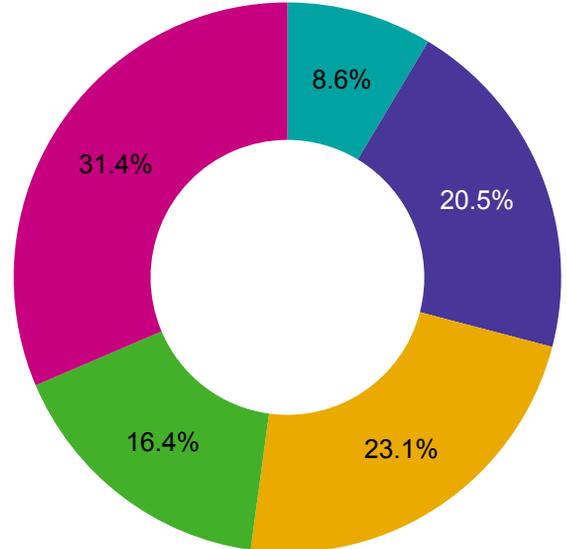
Deal share by series in the U.S.

2018*, VC invested (\$B)



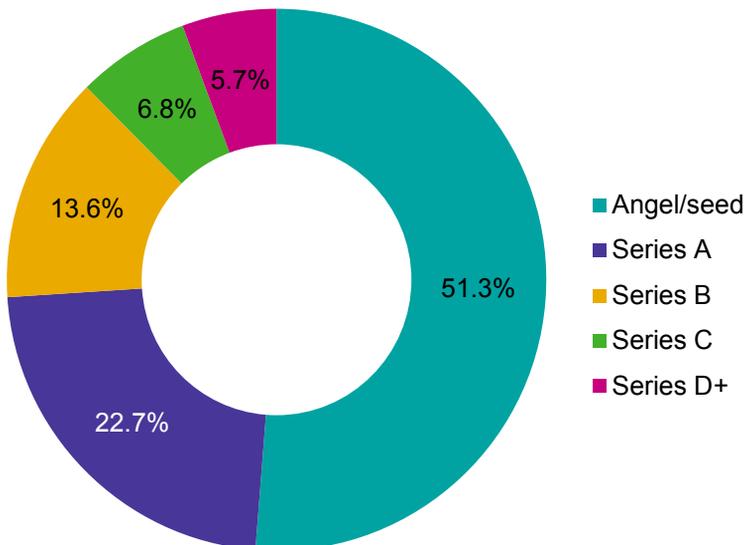
Deal share by series in the U.S.

2017, VC invested (\$B)



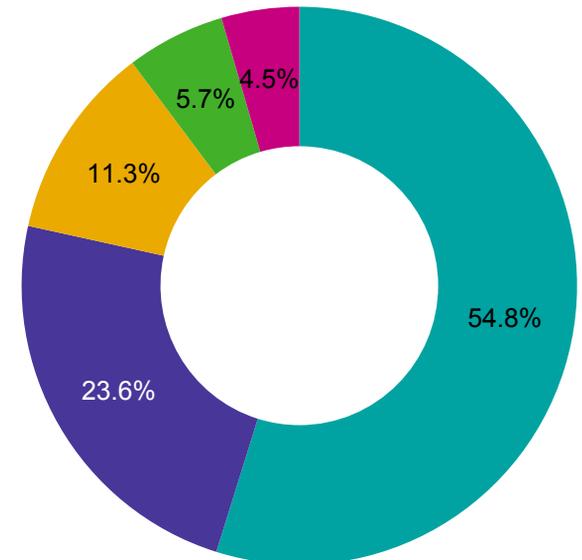
Deal share by series in the U.S.

2018*, number of closed deals



Deal share by series in the U.S.

2017, number of closed deals

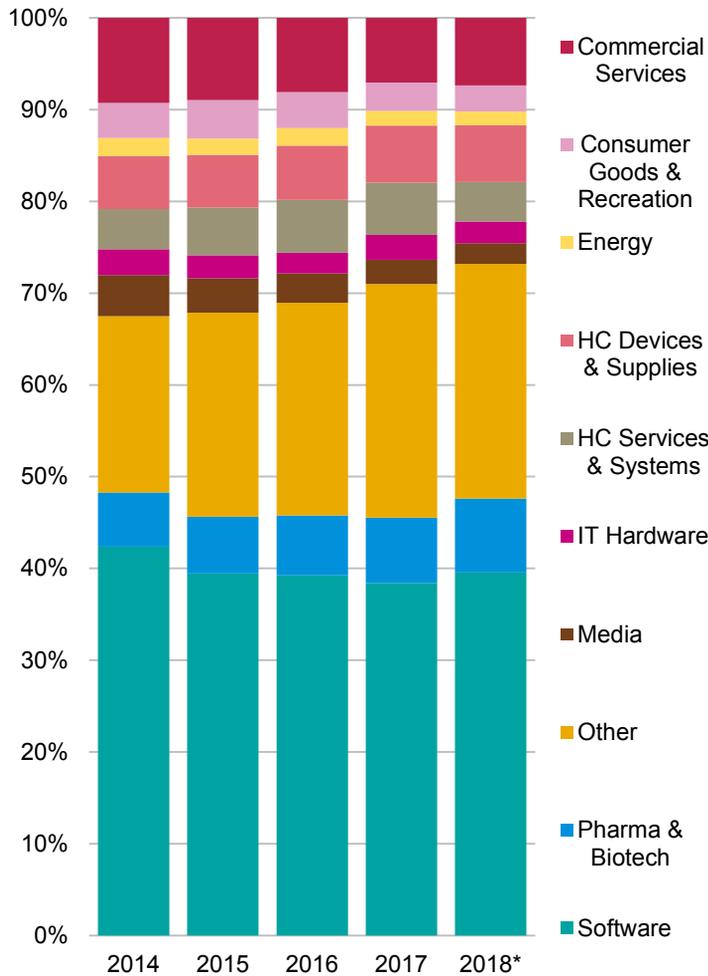


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

After a blockbuster year, healthcare stays strong

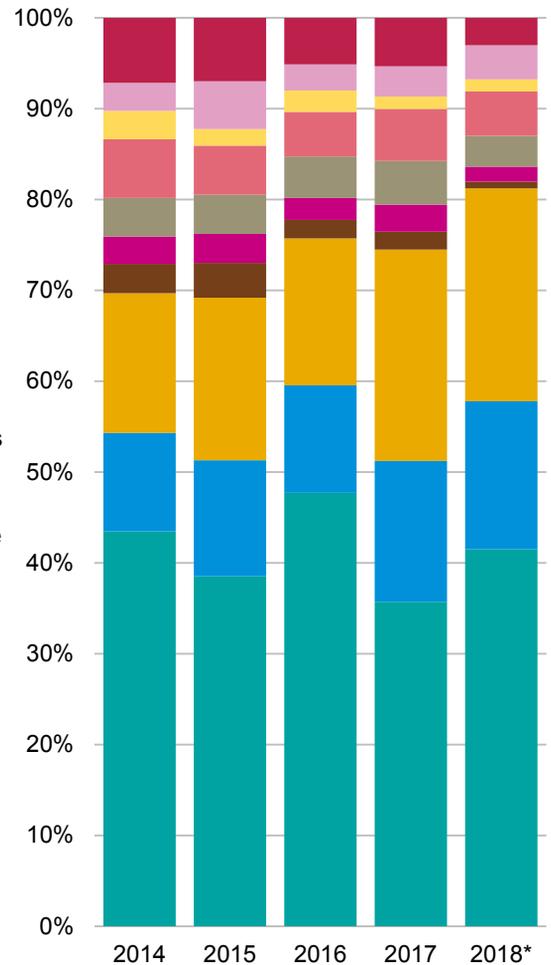
Venture financing by sector in the U.S.

2014 — 2018*, number of closed deals



Venture financing by sector in the U.S.

2014 — 2018*, VC invested (\$B)



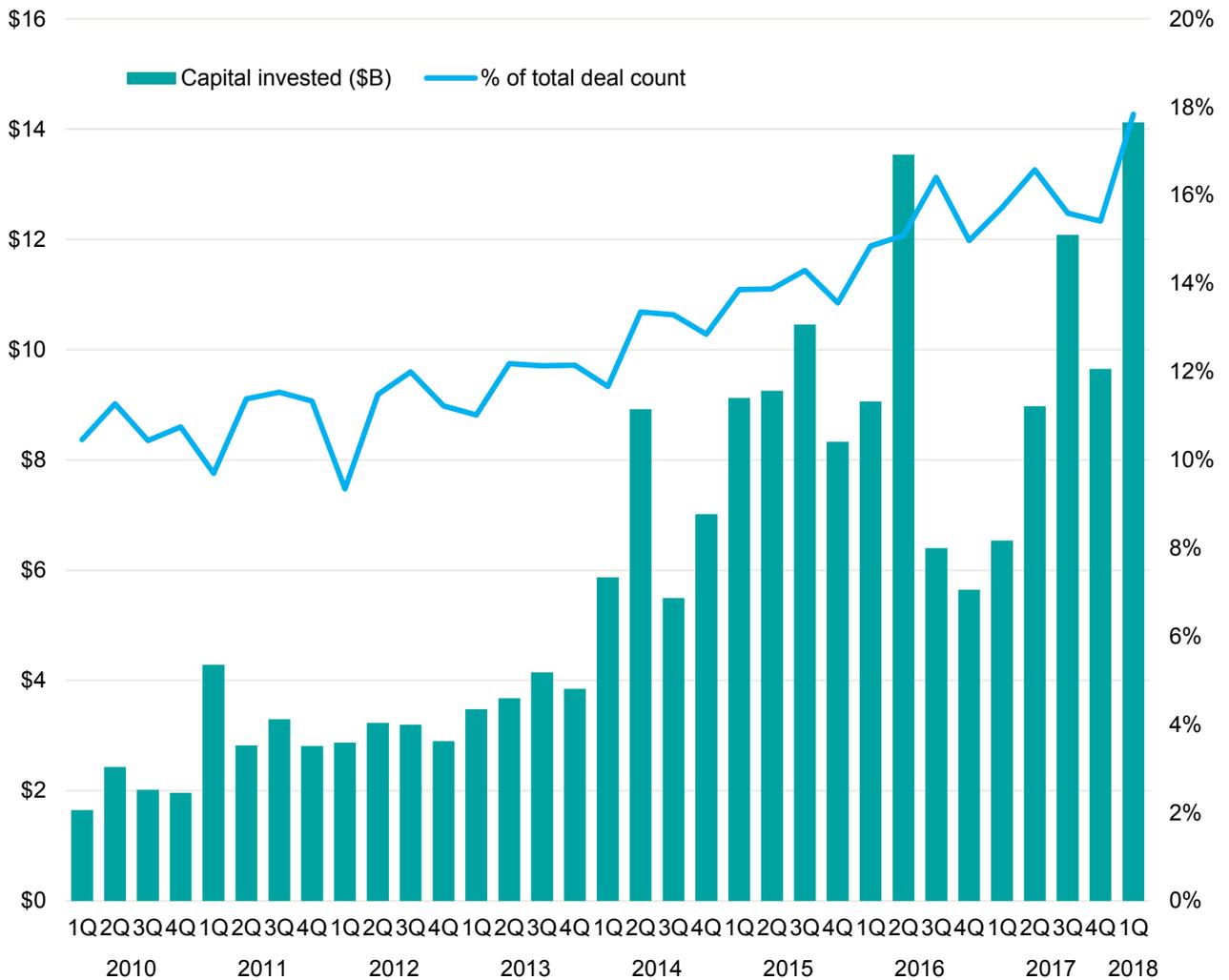
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Last year, the pharma & biotech space notched a historic \$12.9 billion in VC invested in the U.S., far outstripping the prior tally of \$10.4 billion in 2015. However, the other key healthcare segments were not far behind, with an equally historic high of \$4 billion for the healthcare services and systems space and a very strong \$4.73 billion for healthcare devices and supplies. Moreover, each space shows little sign of slowing, with a combined \$2.3 billion+ already.

CVC participation ticks higher

Corporate participation in venture deals in the U.S.

2010 — Q1'18



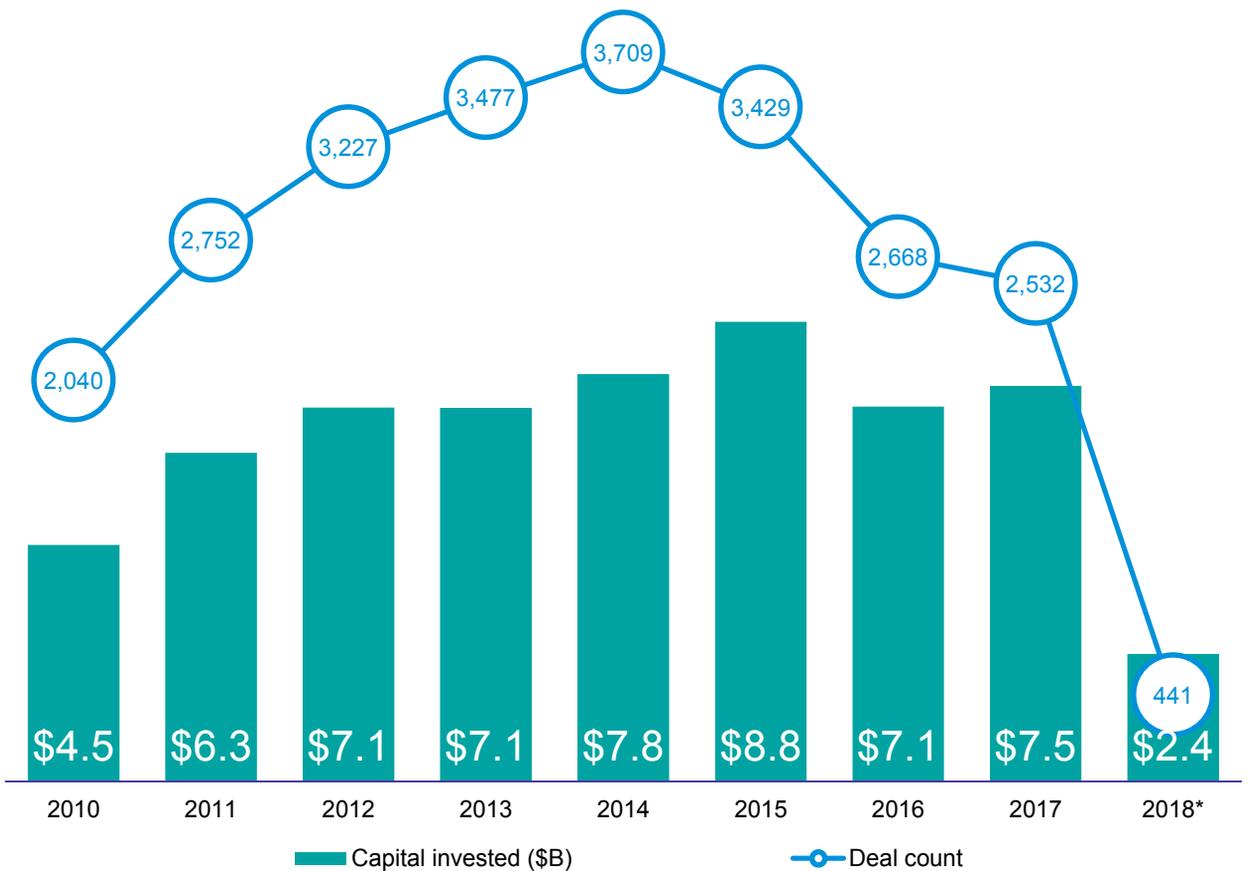
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

They cannot be expected to keep their wallets open forever – corporate VC arms did not participate in yet another \$10 billion+ worth of venture financings in Q1 2018, but they did join in enough rounds that their overall industry participation rate soared even higher than any prior tally. Corporate VCs worldwide continue to be an even more important support of aggregate industry volume.

After a historically moderate year, first-time financiers take a breather in Q1 2018

First-time venture financings of companies in the U.S.

2010 — 2018*



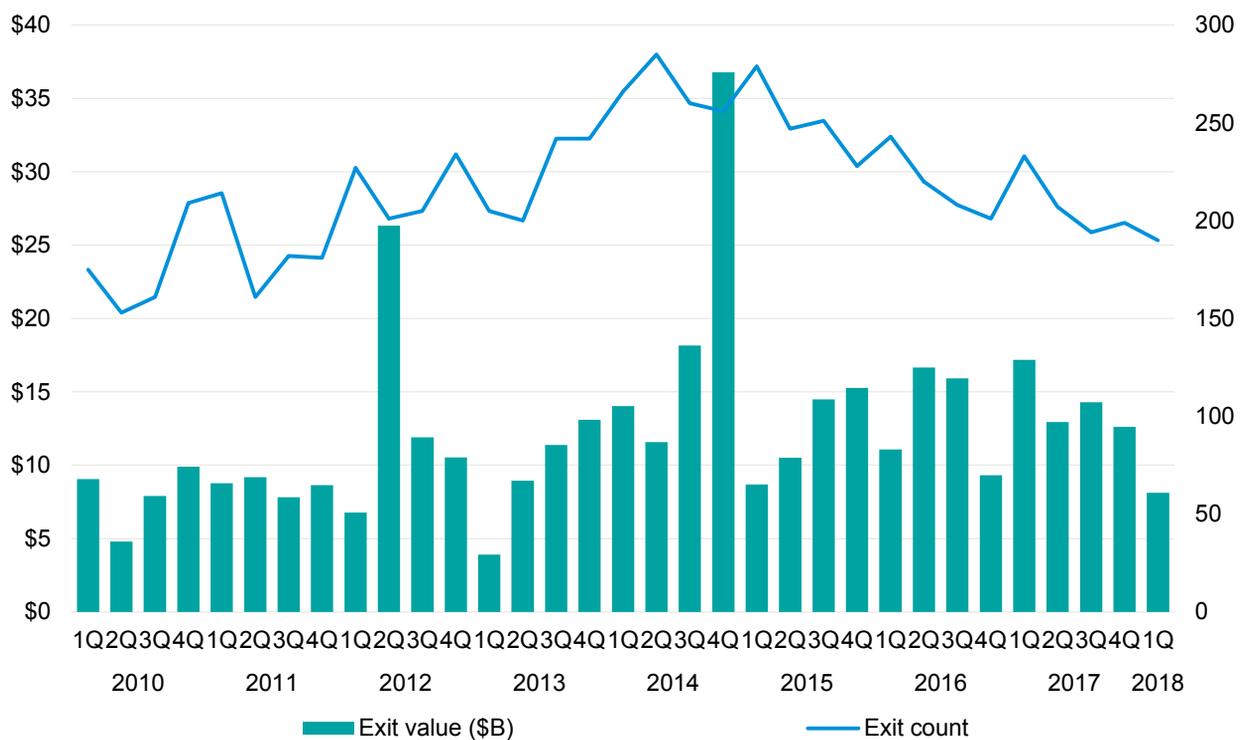
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Q1 2018 was quite the quarter off for first-time financing activity, with a plunge to just over 400 completed financings summing to just \$2.4 billion in total. While still outstripping other regions, it is clear that at this typically riskiest of stages, investor sentiment waxes and wanes more dramatically than ever nowadays, leading to an overall decline observed since 2014.

Q1 2018 tallies further signify a sustained plateau in exit activity

Venture-backed exit activity in the U.S.

2010 — Q1'18



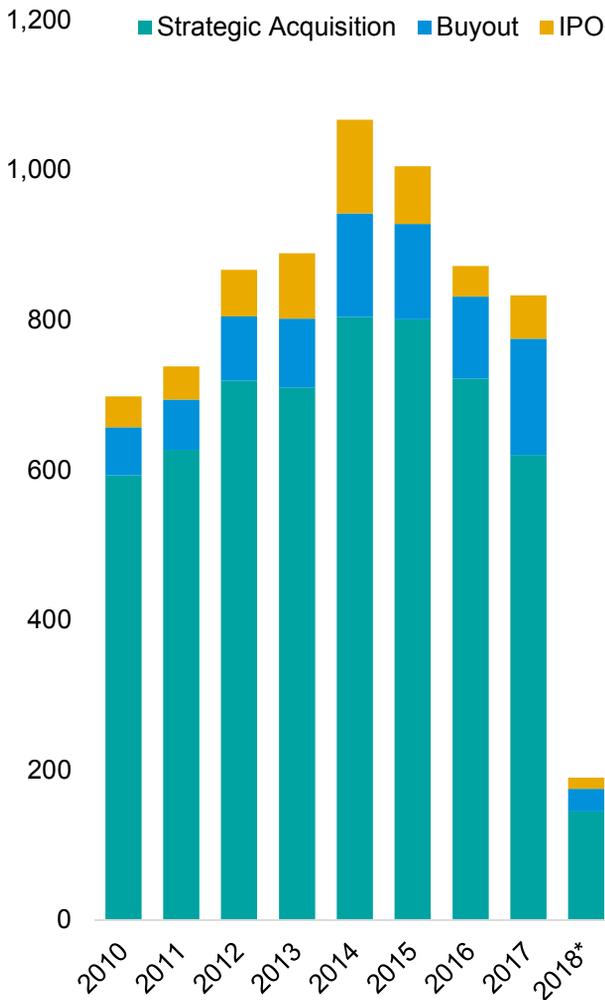
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

When analyzing quarterly figures, it is good to bear in mind that they are more indicative of momentum and sentiment than anything else, and accordingly, the drop observed in venture-backed exits in the U.S. in both value and volume should not be overinterpreted. What can be interpreted is the fact that there has been a slow, albeit choppy, slide in volume since 2014 and thus the exit cycle has appeared to enter a more muted plateau. However, given recent high-profile IPO filings and apparent sustained appetite for M&A on the part of strategics, that plateau appears likely to persist.

Despite IPO hopes, M&A remains surest route

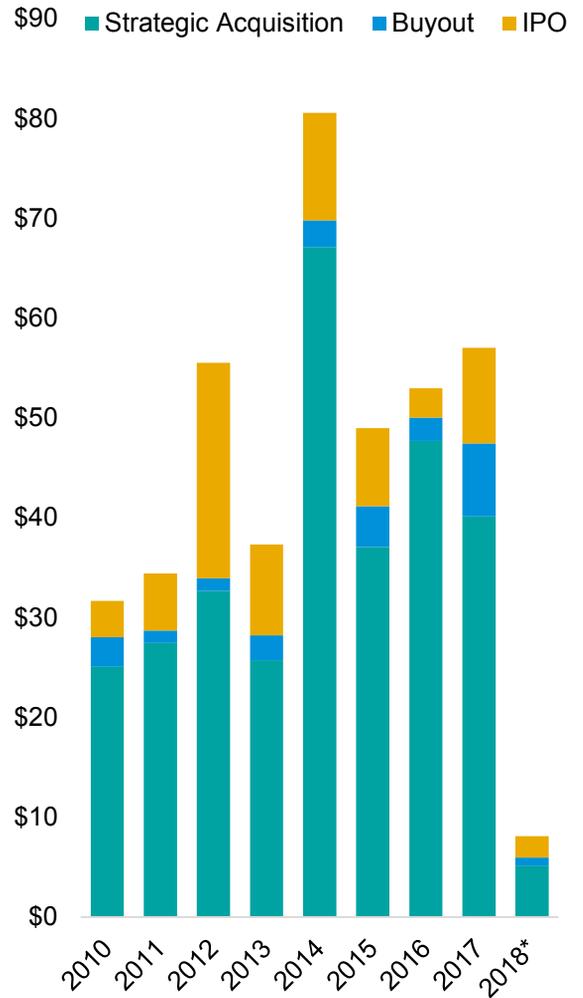
Venture-backed exit activity (#) by type in the U.S.

2010 — 2018*



Venture-backed exit activity (\$B) by type in the U.S.

2010 — 2018*



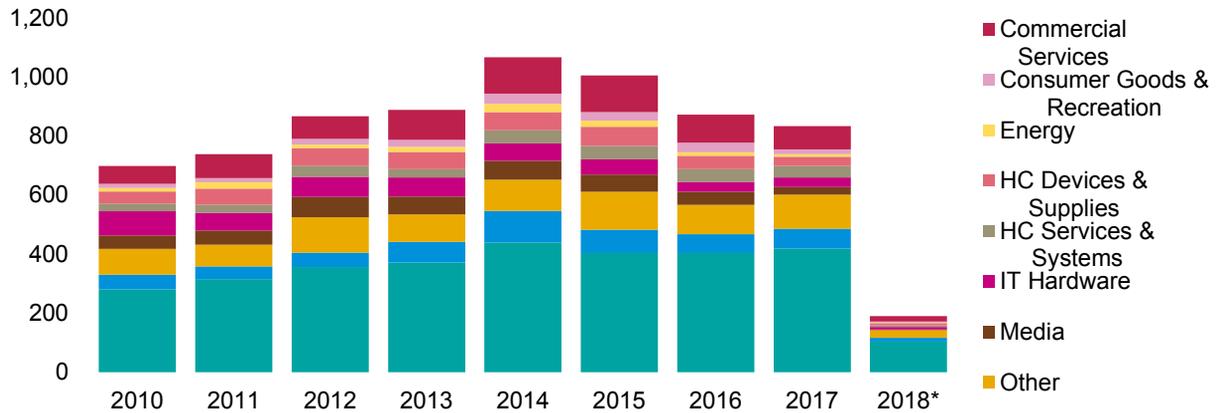
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

The bullish case for M&A as a source of liquidity for venture-backed companies in the U.S. in 2018 is quite strong, the last edition of the Venture Pulse stated, and at well over 100 acquisitions of venture-backed companies in the U.S. in 2018 already, it appears that the M&A cycle, although not quite as strong as it has been in past boom years, still has plenty of strength left.

Software, pharma & commercial services abound

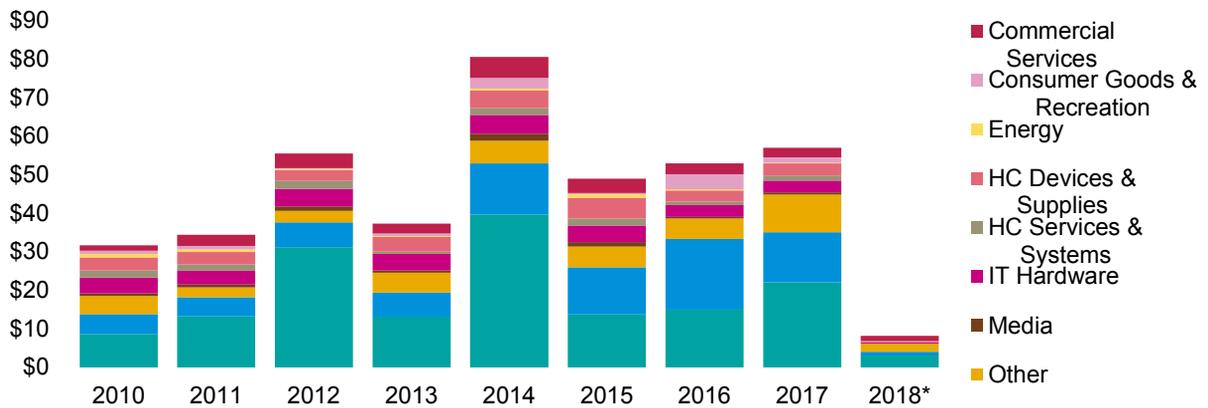
Venture-backed exit activity (#) by sector in the U.S.

2010 — 2018*



Venture-backed exit activity (\$B) by sector in the U.S.

2010 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

“The food delivery space continues to attract significant investment in the U.S. — driven in part by small restaurants that see outsourcing food delivery as a means of becoming more profitable and achieving a broader reach. So many restaurants believe that not jumping on the food delivery bandwagon will leave them falling short.”

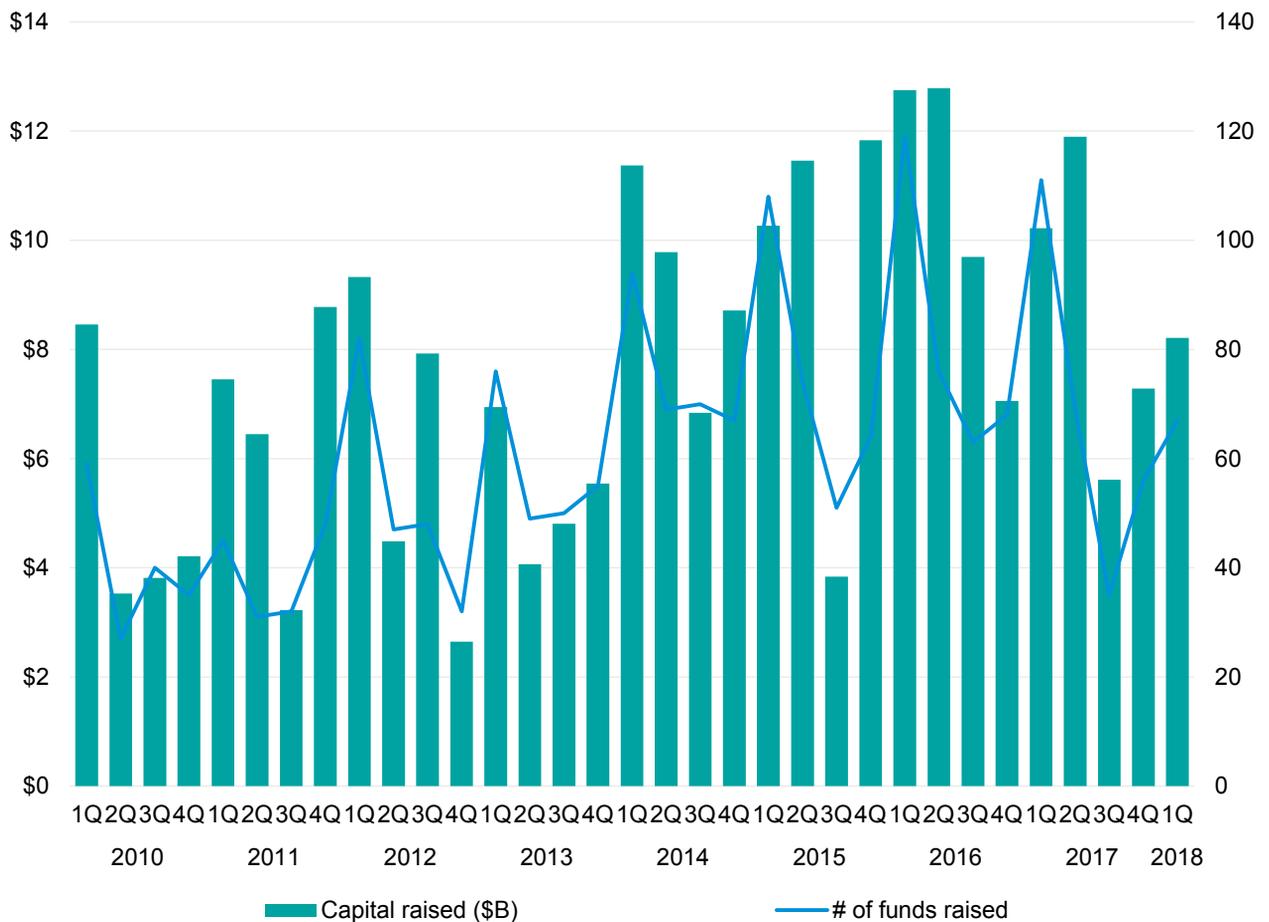


Conor Moore
National Co-Lead Partner, KPMG Venture Capital Practice, **KPMG in the U.S.**

The U.S. fundraising cycle serves as potential harbinger for the industry

U.S. venture fundraising

2010 — Q1'18

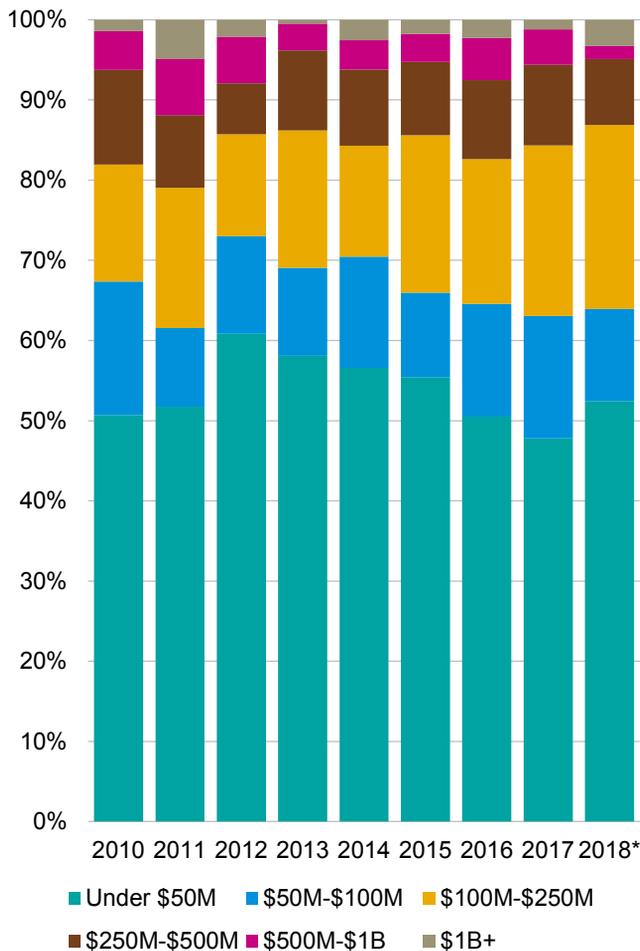


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

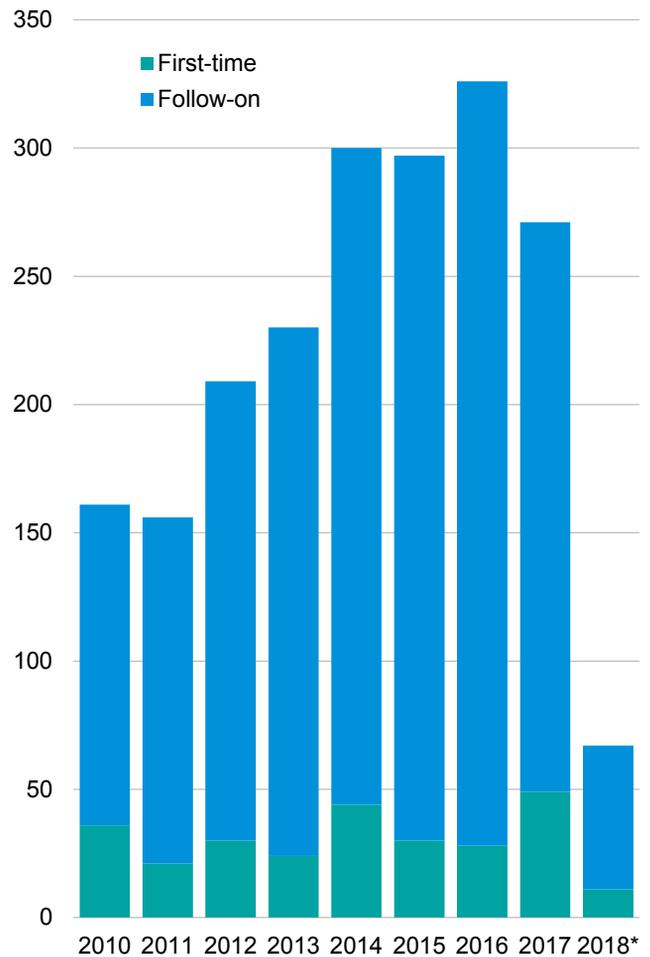
As the epicenter of the venture industry, the U.S. fundraising cycle does account for the majority of global volume. Accordingly, its quarterly figures serve as harbinger of sorts for global tallies. VC raised for the past three quarters has been historically healthy, but below tallies seen in the prior three years. Volume is down considerably too. Accordingly, the fundraising cycle has likely entered a somewhat slower period, with the potential for some shorter-term resurgence.

Follow-on funding remains most secure haven for LPs

Venture fundraising (#) by size in the U.S.
2010 — 2018*



First-time vs. follow-on venture funds (#) in the U.S.
2010 — 2018*



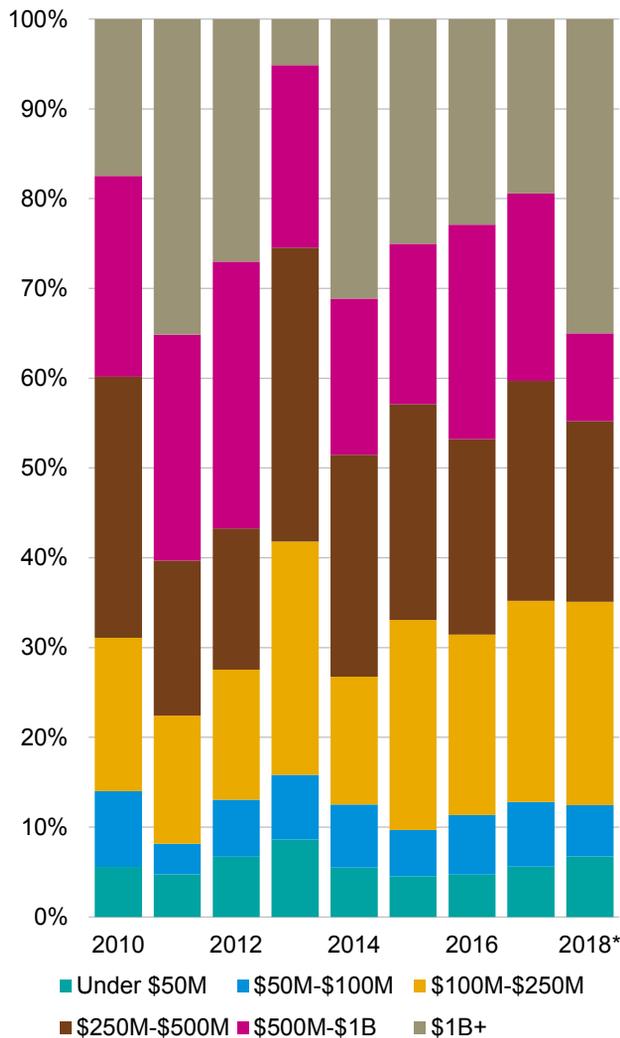
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Although there was a resurgence in volume of first-time funds in 2017, just barely topping the tally seen in 2006, it is clear that such figures are very prone to skew. Moreover, it is understandable that follow-on funds are in general seen as more reliable by backers, relying on already existing relationships with GPs that have already demonstrated success.

One quarter in, some first-time funds have enjoyed success

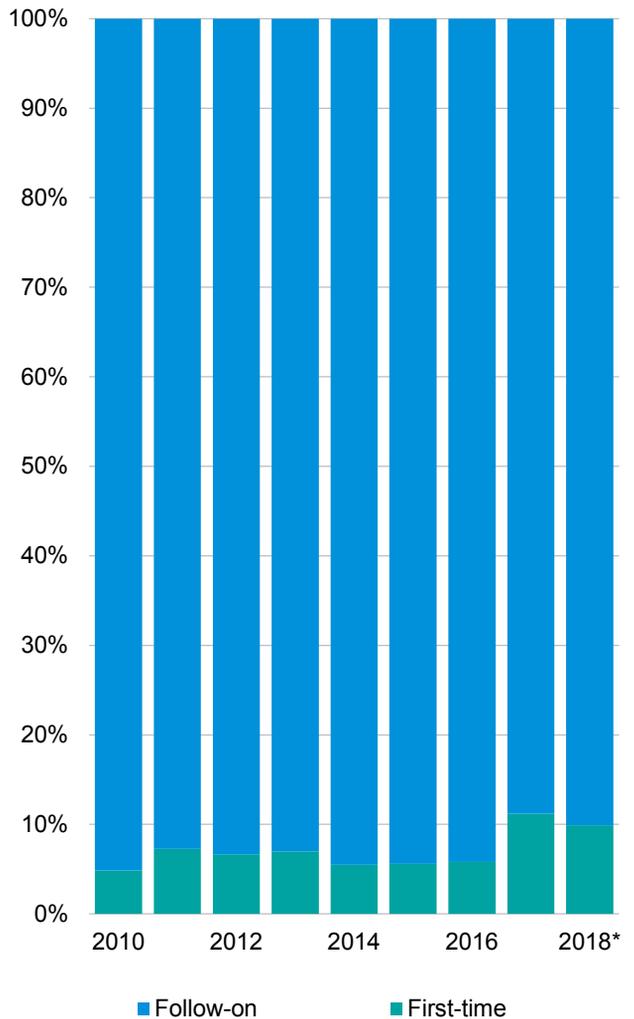
Venture fundraising (\$B) by size in the U.S.

2010 — 2018*



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

2010 — 2018*

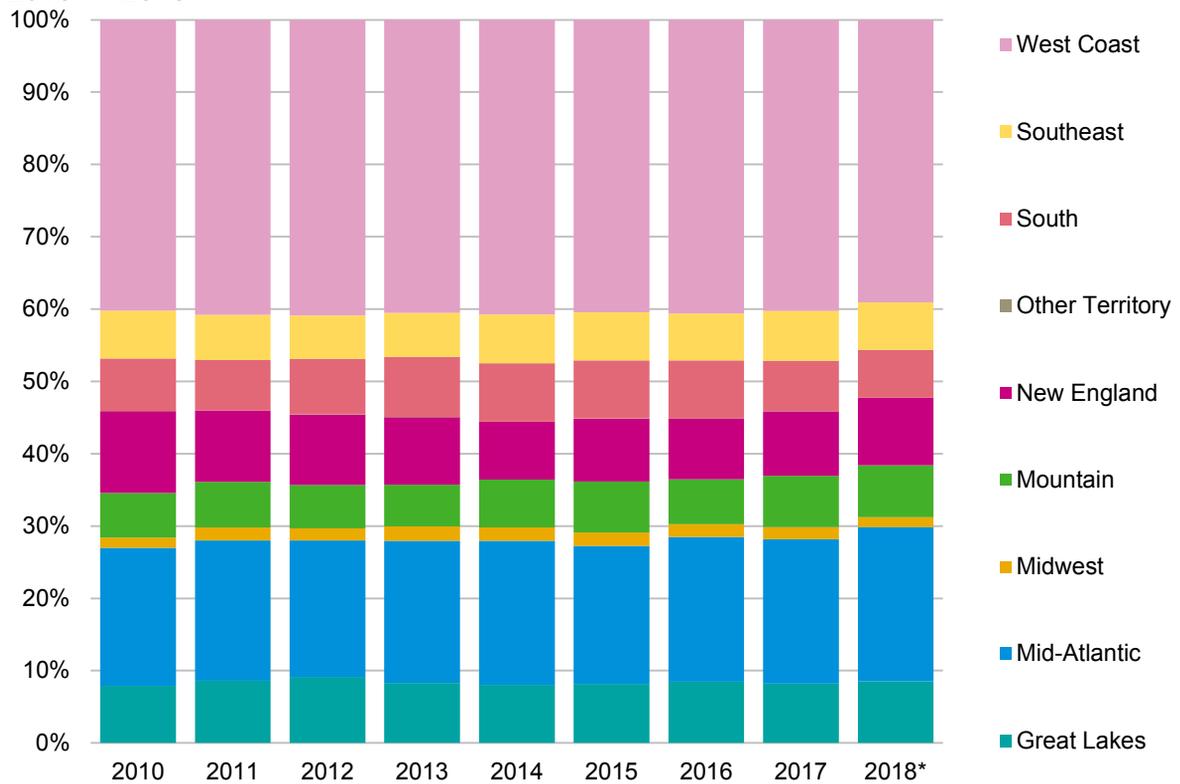


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Thus far, 2018 sees activity tilt ever so slightly toward other U.S. regions

U.S. venture activity (#) by U.S. region

2010 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

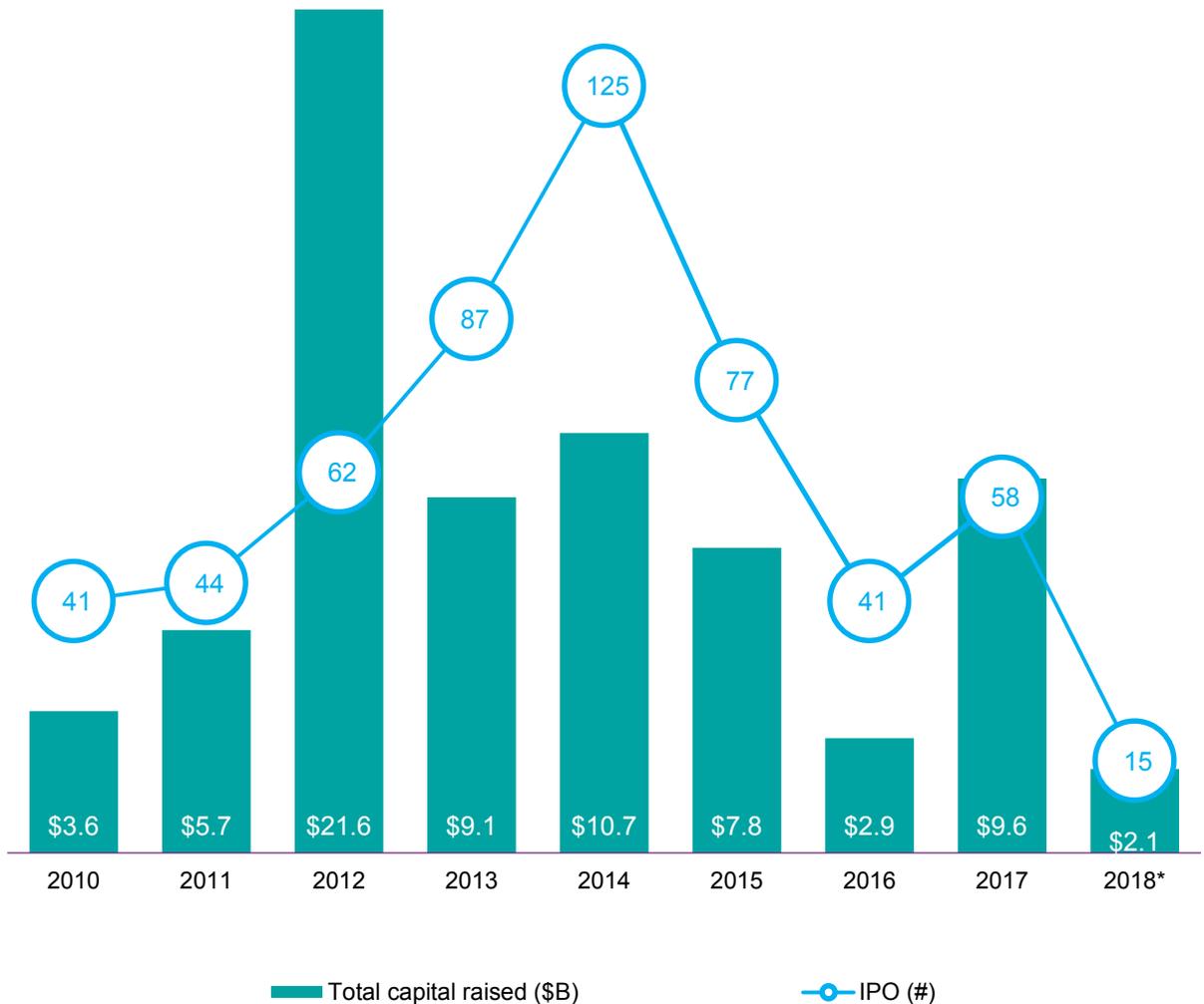
“The beauty of New York City is in its diversity, with a broad range of initiatives to fuel the ecosystem and jumpstart new ones including life-sciences, biotech and fintech. There have been a lot of changes to infrastructure and support in order to help innovative tech companies to flourish and thrive. These activities are changing the DNA of our entire city.”



Salvatore Melilli
Partner, KPMG in the U.S.

Will a bevy of U.S. unicorns go public in 2018?

U.S. venture-backed IPO activity 2010 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

As predicted in the most recent edition of the Venture Pulse by KPMG VC Practice U.S. Co-Lead Conor Moore, 2018 may well see more venture-backed IPOs than 2017, if the recent filings by Dropbox and Smartsheet, two vaunted companies, are anything to go by. More importantly, the backdrop has rarely been more positive, as globally, IPO proceeds hit a 4-year high in Q1 2018.

*In Q1'18 European
VC-backed
companies raised*

\$5.2B

across

548 deals



VC market in Europe robust despite dip in investment

Following a record-setting high in Q4'17, VC investment dipped in Europe in Q1'18. Despite the decline, VC investment remained robust, increasing compared to the same quarter last year.



Fintech remains priority in Europe as ICOs gain prominence

Fintech was a big focus for VC investment this quarter, with challenger bank Atom Bank raising \$206 million in order to fuel growth. The fintech market in general has matured substantially with more companies focusing on profitability over customer acquisition. Early fintech leaders TransferWise and Funding Circle are said to be considering exits¹⁰ – which could make the remainder of 2018 exciting for fintech.

The use of ICOs as an alternative means of raising capital was also hot topic in Europe during Q1'18. While views are mixed, ICOs have recently evolved into a more mainstream funding option which could, over time, put pressure on the VC market. Switzerland has become a popular location to go in Europe to conduct ICOs but it will be interesting to see how the regulatory environment evolves.



AI gaining strength in Europe

AI continued to make headlines in Europe again this quarter. Late in the quarter French President Emmanuel Macron outlined a new strategy dedicated to building AI capabilities and businesses in France and Europe. As part of this commitment, France will allocate \$1.85 billion to finance the development of tech start-ups focused on AI¹¹.



UK sees slump in investment amid Brexit transition deal deadline

VC investment in the UK slowed in Q1'18, following a huge Q4'17, which saw over \$2.8 billion invested. The number of deals in the UK continued to drop, with investors continuing to focus on making a smaller number of later-stage deals.

During the quarter, there was some uncertainty related to the deadline for reaching a transition deal with the EU. The deal, signed mid-March, outlined a 21-month transition period during which the UK will remain under EU rules, but have no rights to comment on EU rules. The UK will also be able to negotiate its own trade agreements. In turn, the UK accepted full free movement rights for EU citizens who arrive in the UK during the transition period. This concession was welcomed by the UK startup community which is dependent on tech talent from the EU.



AR/VR and autotech lead charge in Germany VC market

Germany saw some tremendous VC deals in Q1'18, led by online automotive retailer Auto1 Group's \$561 million raise and a \$270 million raise by BioNTech – a company developing personalized immunotherapies. Virtual reality and augmented reality gained momentum, with VC investors seeing widespread applicability in AR/VR's ability to solve physical challenges – from showcasing rental flats to enhancing training offerings. Blockchain also gained prominence, particularly among corporates interested in leveraging blockchain to improve efficiencies across their value chains.

¹⁰ <http://www.businessinsider.com/funding-circle-set-to-ipo-in-2018-2018-1>

¹¹ <https://www.euractiv.com/section/data-protection/news/macron-eyes-ai-at-european-level/>

VC market in Europe robust despite dip in investment, cont'd.



Fundraising declining in Europe

Despite record levels of funding last year, VC firms in Europe were challenged with raising money. Total capital raised by VC firms dropped 25% following the Brexit vote, while the number of new funds hit a ten-year low in 2017. While Brexit uncertainties were likely responsible for some of the decline, the strong fundraising in the previous two years and the availability of dry powder might also have contributed to the pause. Foreign investors continued to be responsible for the biggest investments in Europe – a trend expected to continue through 2018¹².



Ireland continues to draw attention from large multinationals

Healthtech in Ireland was given a boost in Q1'18 with the \$50 million raise by Fire1 — a company providing monitoring for chronic heart conditions. The raise reflects the growing maturity of Ireland's startup ecosystem as Fire1's CEO Conor Hanley previously saw success as the founder of monitoring company BiancaMed. Other serial entrepreneurs are also beginning to reinvest in the country.

In Q1'18, Ireland also continued to attract attention from global companies. For example, payments company Stripe announced plans to set up an engineering center in Ireland — its first outside of the U.S.¹³.



France growing into pivotal tech hub

France's innovation ecosystem continued to evolve in Q1'18, with the availability of VC funds rising and incubator programs like Station F beginning to bear fruit. Investors have focused significantly on technologies focused on solving societal and industrial issues (e.g. energy, mobility). Biotech and deeptech also gained attention — with AI, connected cars and cybersecurity seen as key areas of growth.

AI is seen as a top priority for companies in France, both in terms of its ability to drive growth and its ability to improve efficiencies and reduce costs. In Q1'18, startup Shift Technology — a company using AI to make handling insurance fraud more efficient — raised \$28 million.



Mobileye founder leads birth of new unicorn in Israel

During Q1'18, Israel saw the birth of a new unicorn, OrCam, a company providing assistive devices for the blind. The founder of OrCam previously founded Mobileye, the company acquired by Intel for \$15 billion in 2017. Intel also made another significant investment in Israel this quarter, putting \$50 million in real-time transportation company Moovit¹⁴.



Trends to watch in Europe

VC investment in deeptech, particularly in AI-related technologies, is expected to increase across much of Europe, in addition to autotech, healthtech and blockchain. Cryptocurrencies are also expected to gain more attention in the near-term, with some regulators likely to move forward with regulatory rules to govern ICOs. The IPO market is also expected to see increasing activity, with Funding Circle planning an exit and others considering their options.

Over the longer-term, digital health is likely to gain more attention, particularly in the UK where the NHS recently released a digital roadmap.

¹² <https://www.ft.com/content/5238039a-0cdc-11e8-839d-41ca06376bf2>

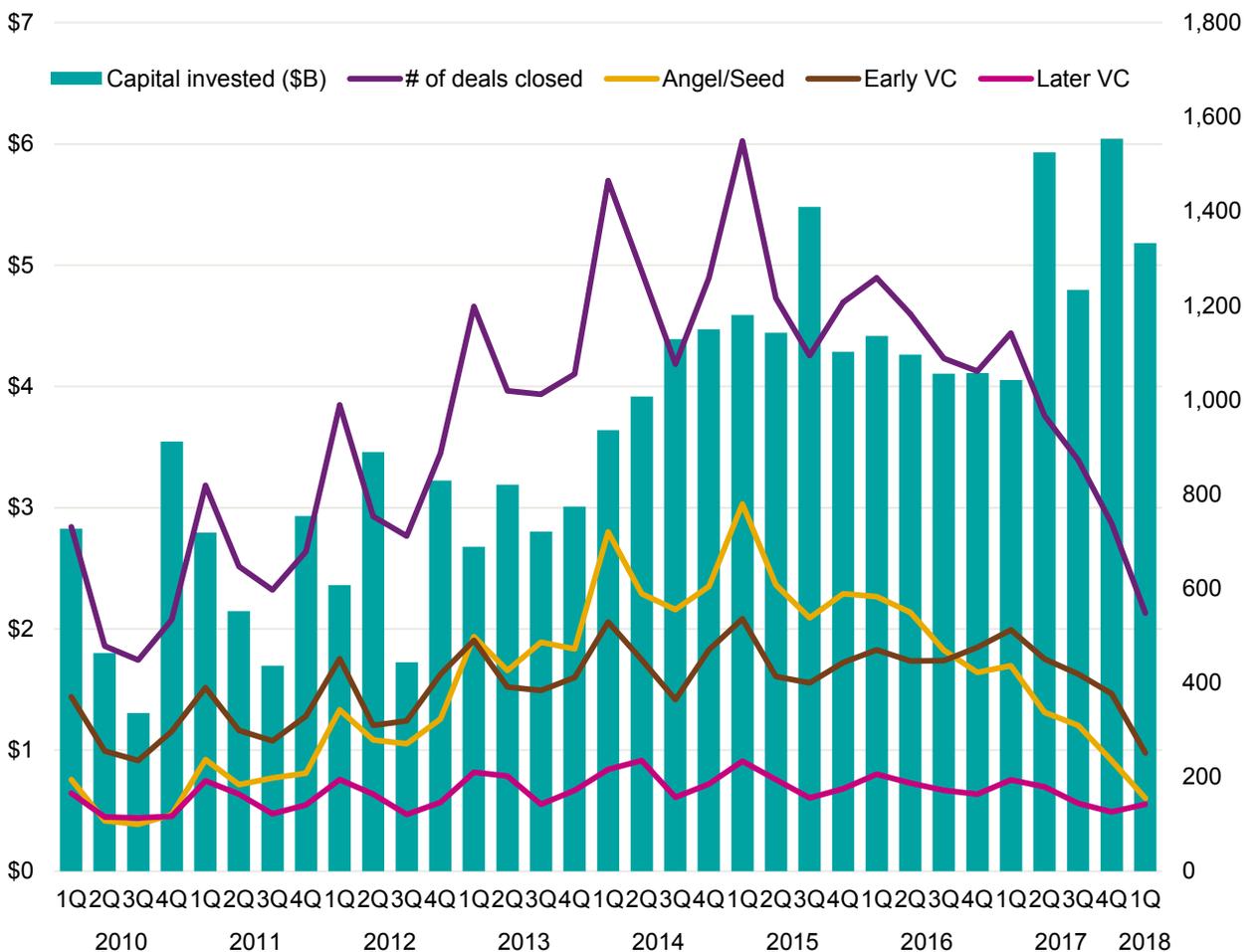
¹³ <https://techcrunch.com/2018/02/04/stripe-will-establish-an-engineering-hub-in-dublin/>

¹⁴ <https://techcrunch.com/2018/02/21/moovit-raises-another-50m-led-by-intel-for-its-urban-transit-app-plans-mobileye-collaboration/>

After massive year, 2018 is off to a strong start, despite another decline in volume

Venture financing in Europe

2010 — Q1'18



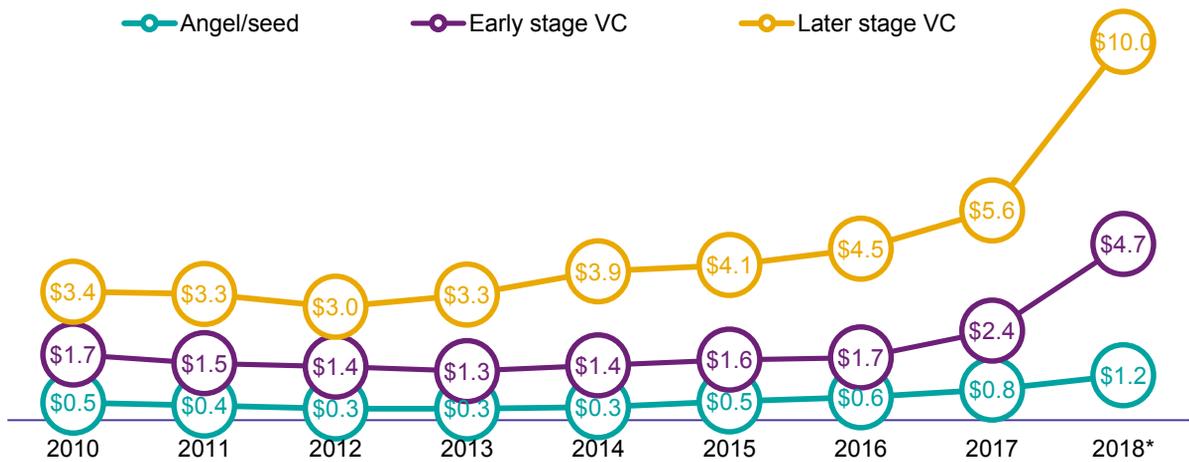
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

While it appears venture financing volume may contract in Europe, particularly at the earliest of stages, as long as Europe's top companies can continue to raise such massive sums, VC invested will remain historically strong. Q1 2018 will not overtop the final quarter of 2017, but it still saw such notable rounds as those of Auto1 Group (\$560 million+) and Cabify (\$160 million), among others.

Smaller totals skew even medians significantly higher in Q1 2018

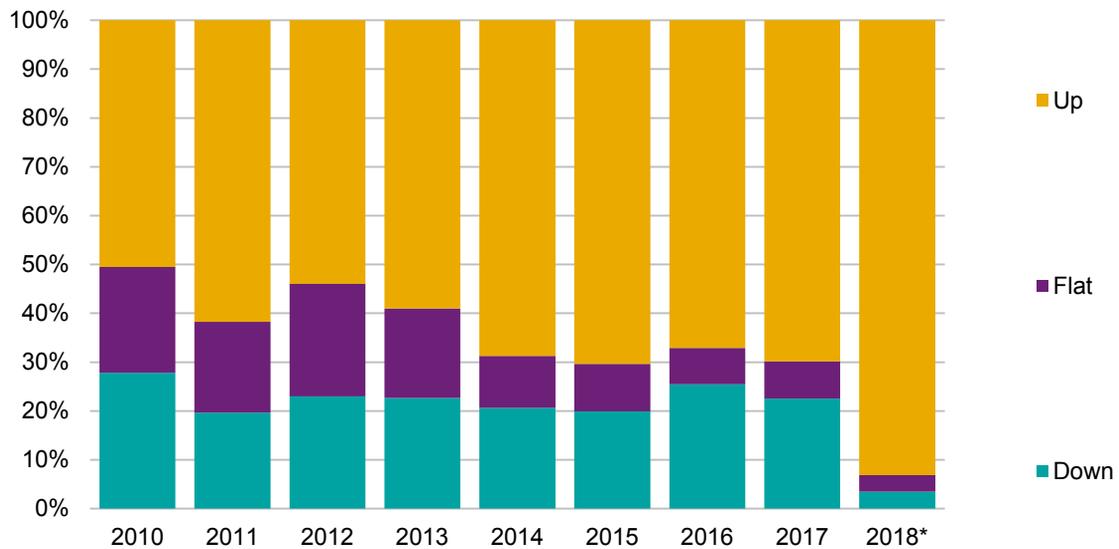
Median deal size (\$M) by stage in Europe

2010 — 2018*



Up, flat or down rounds in Europe

2010 — 2018*

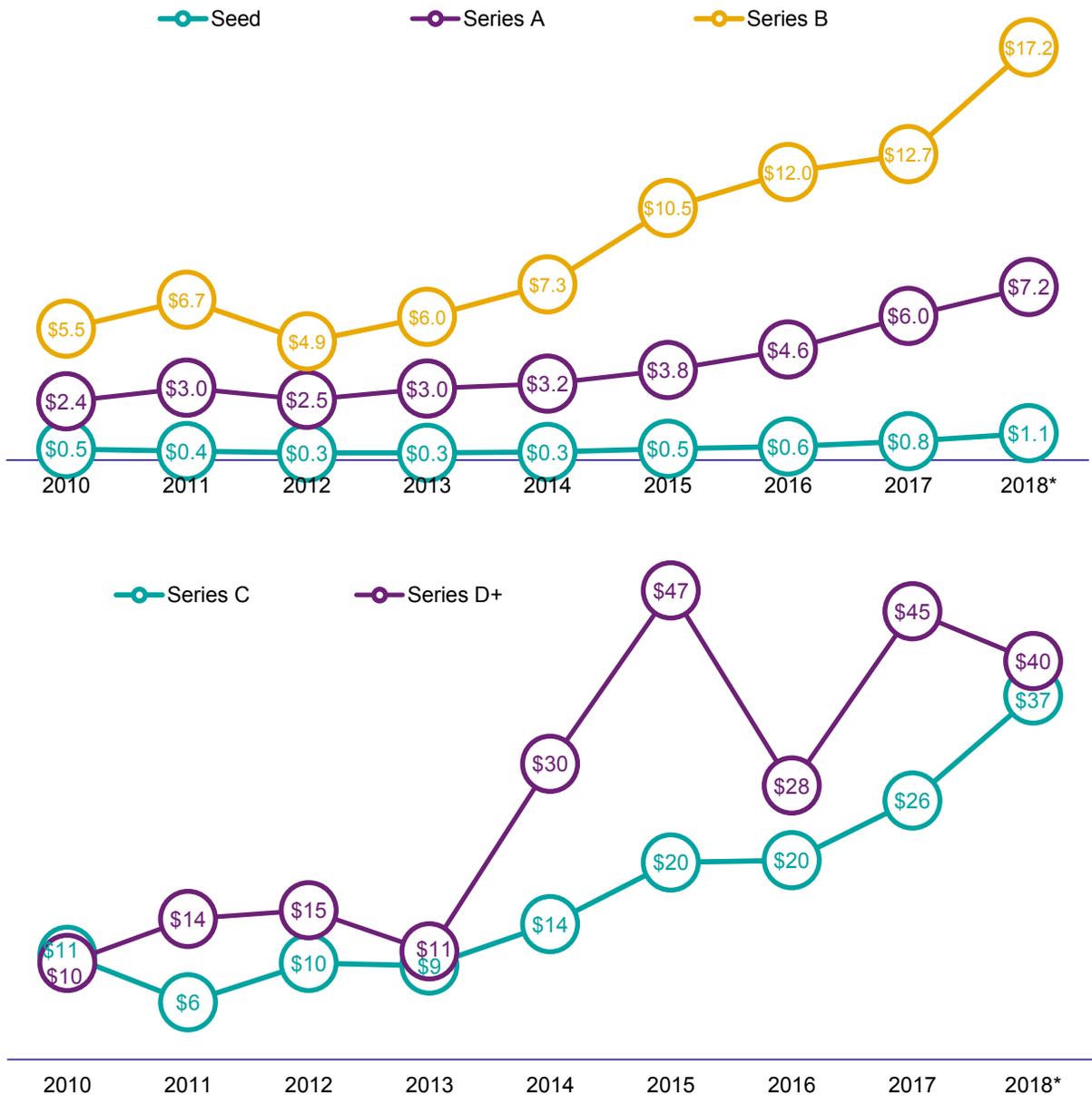


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Median figures exhibit significant skew

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

2010 — 2018*

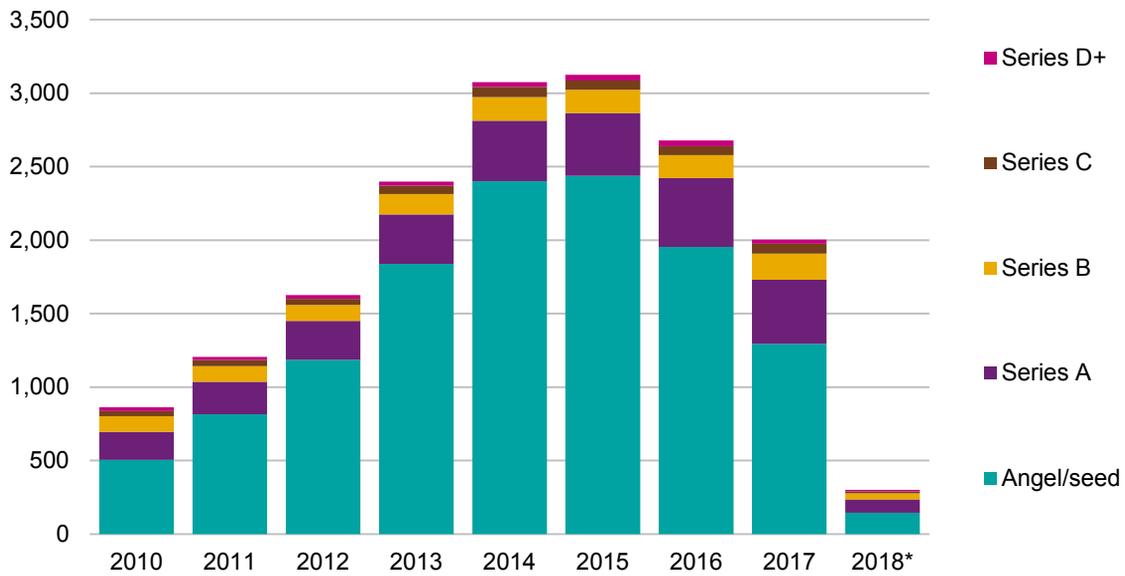


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Thus far in 2018, proportions remain constant

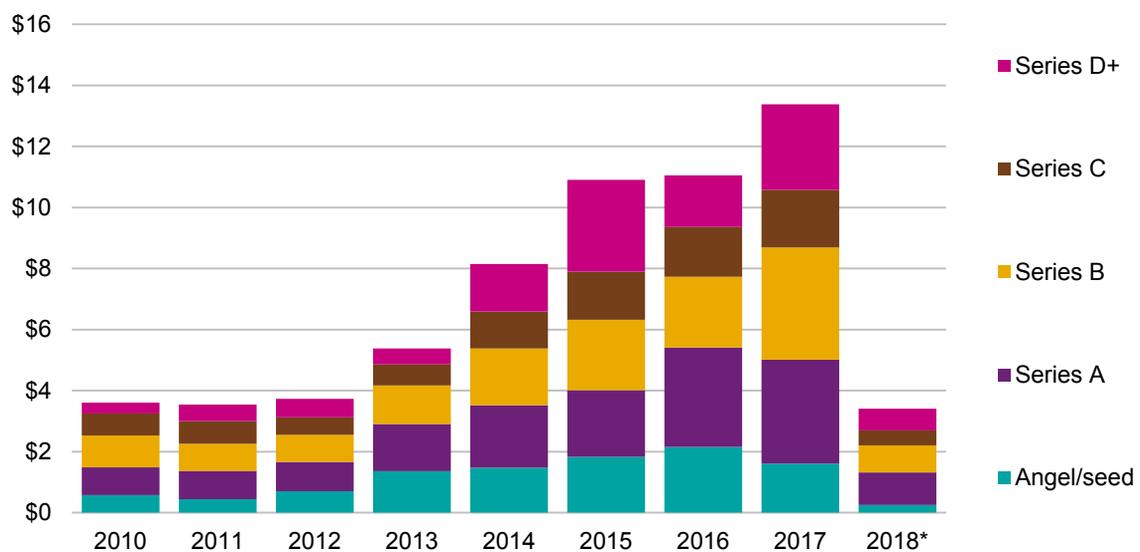
Deal share by series in Europe

2010 — 2018*, number of closed deals



Deal share by series in Europe

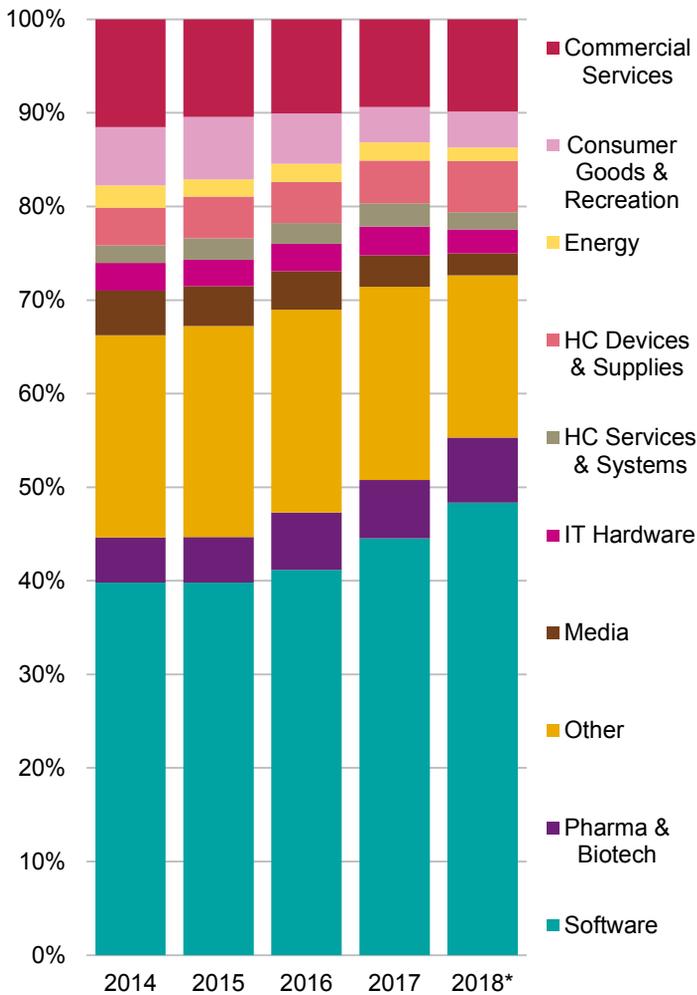
2010 — 2018*, VC invested (\$B)



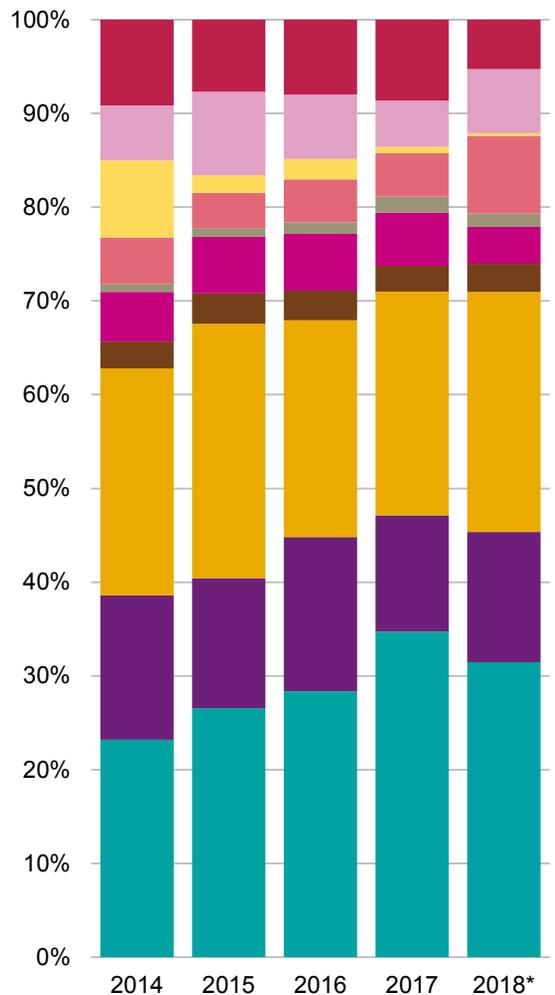
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Software, pharma & biotech stay most resilient

European venture financings by sector
2014 — 2018*, number of closed deals



European venture financings by sector
2014 — 2018*, VC invested (\$B)

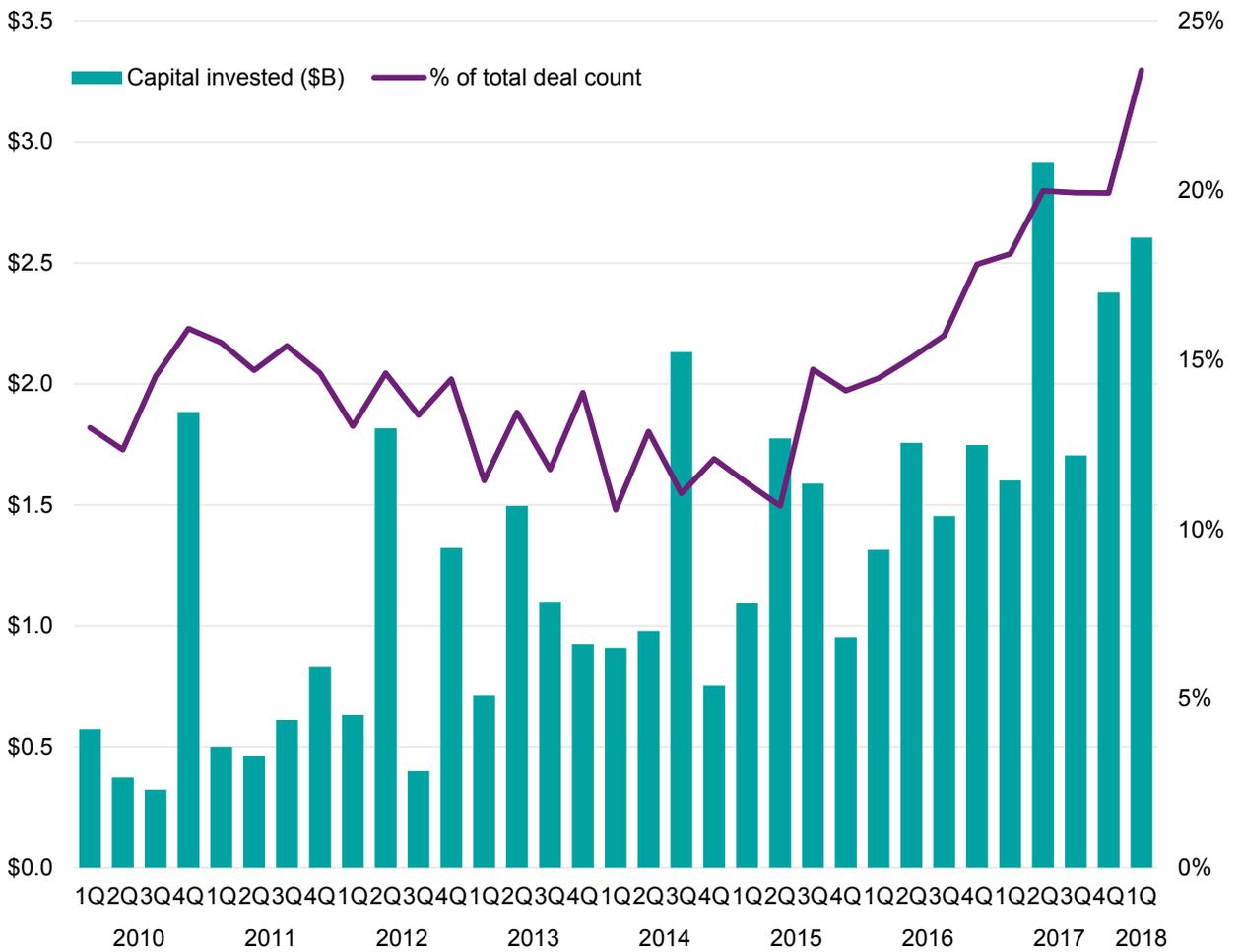


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Reflecting overall trends in the U.S., Europe saw software, pharma & biotech businesses raise the most VC as well as record the largest volume of financings, all relatively speaking, in Q1 2018. Macroeconomic trends still favor software companies that can scale quickly at lower cost.

CVC participation rate closing in on 25%

Corporate VC participation in venture deals in Europe 2010 — Q1'18

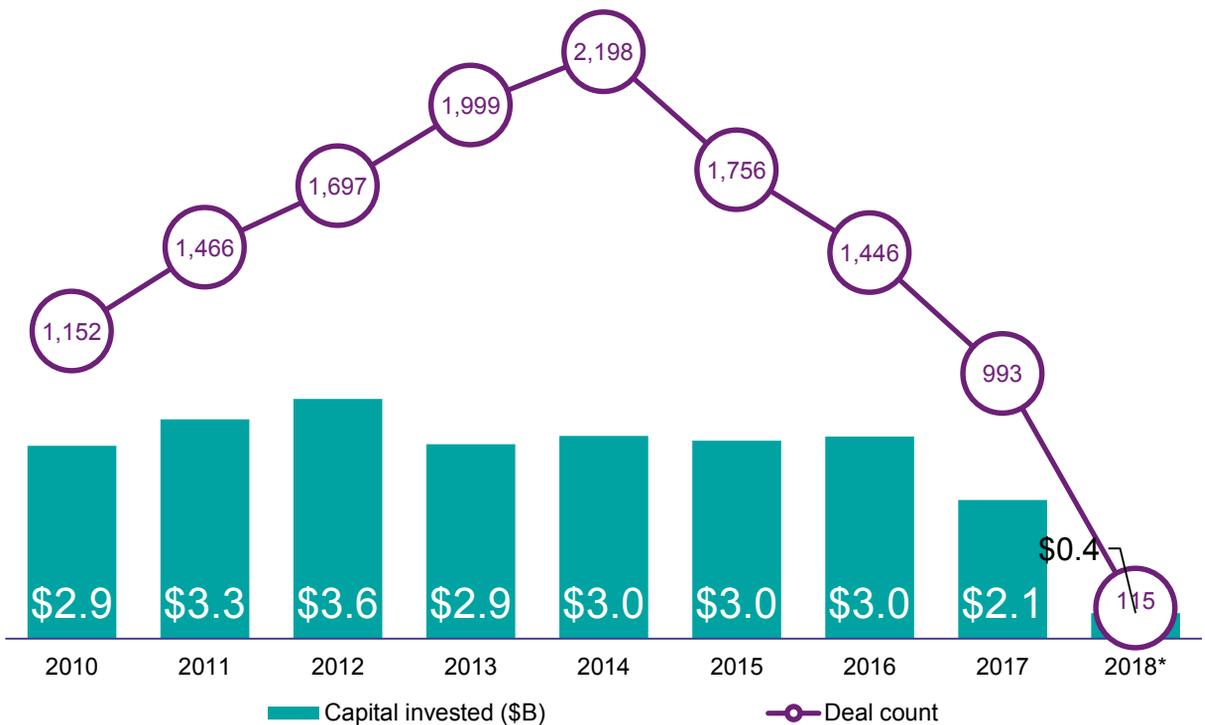


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

After lackluster year, 2018 doesn't start off any better

First-time venture financings of companies in Europe

2010 — 2018*



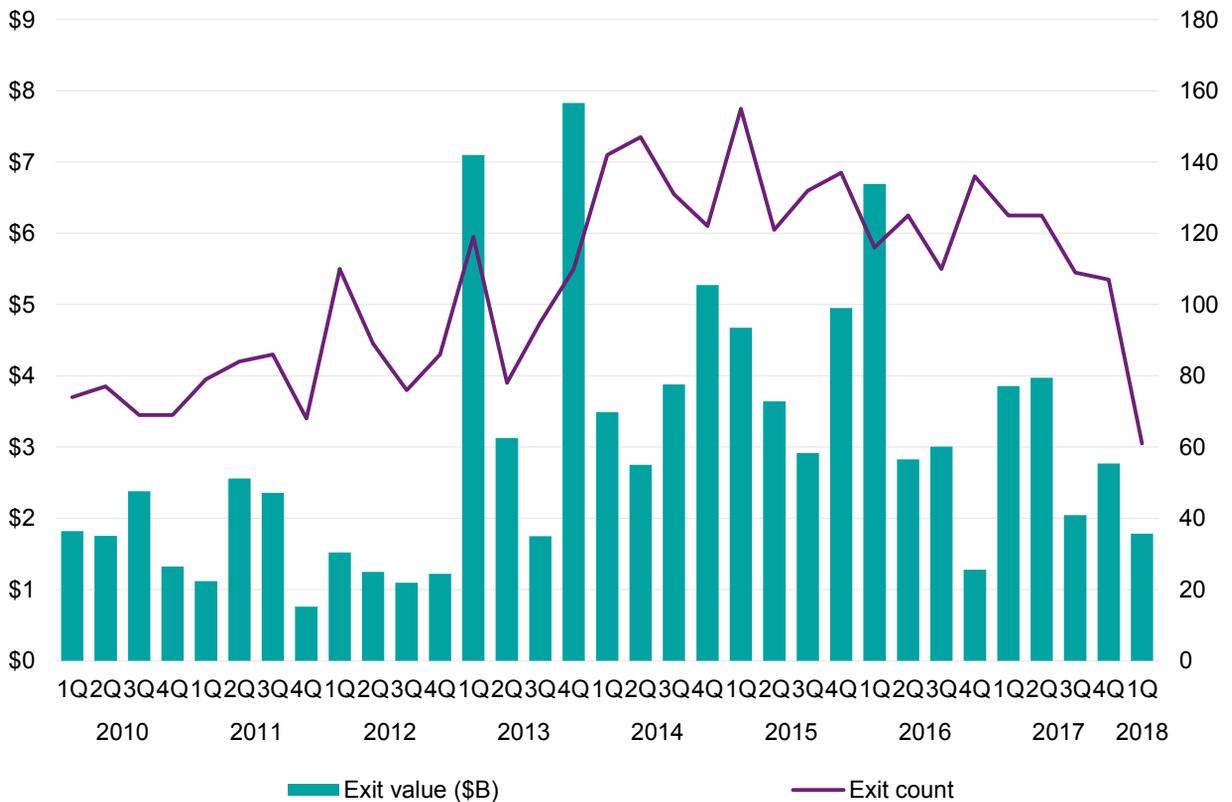
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Until 2017, the European venture scene never failed to record at least 1,000 first-time financings of young companies, and unfortunately 2018 hasn't fared any better thus far, notching under 100. It's not that new companies aren't being started in Europe – relevant data has yet to catch up, it being notoriously difficult to track new business creation – but that the current high-priced climate is discouraging their financings. Moreover, alternate forms of financing may well be more appealing for now.

Too soon to declare a true slide

Venture-backed exit activity in Europe

2010 — Q1'18



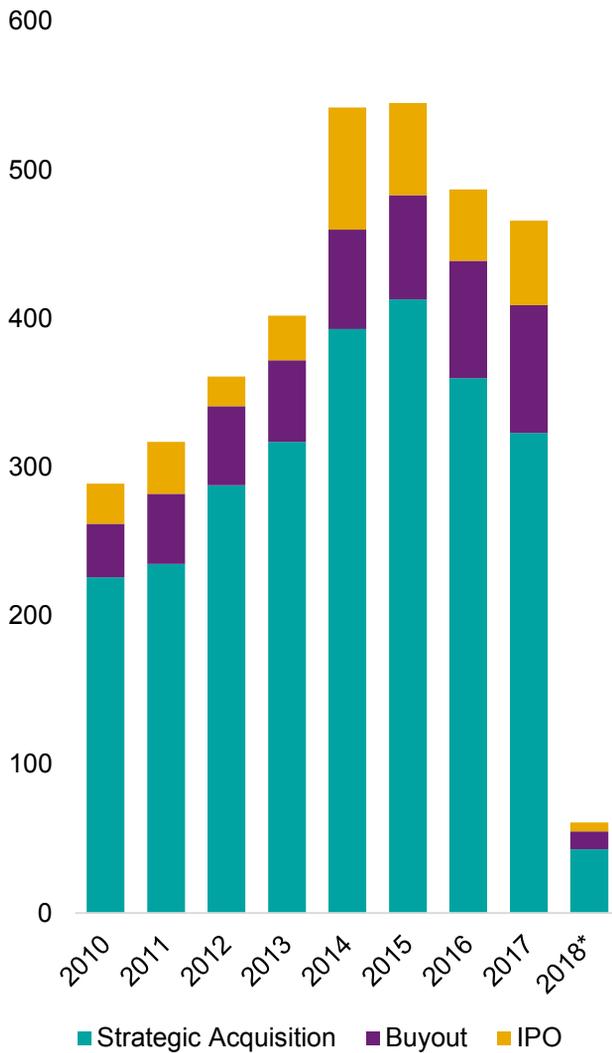
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

2017 closed on a historically healthy note, and as noted above in other sections of the Venture Pulse, one quarter's figures are too little to base any presumptions upon, so thus far it remains to be seen if the venture-backed exit cycle in Europe has entered a true if gentle decline. The sudden decline in Q1 2018 is likeliest a one-quarter phenomenon.

It is early days yet, but PE shops account for significant portion of all Q1 exits

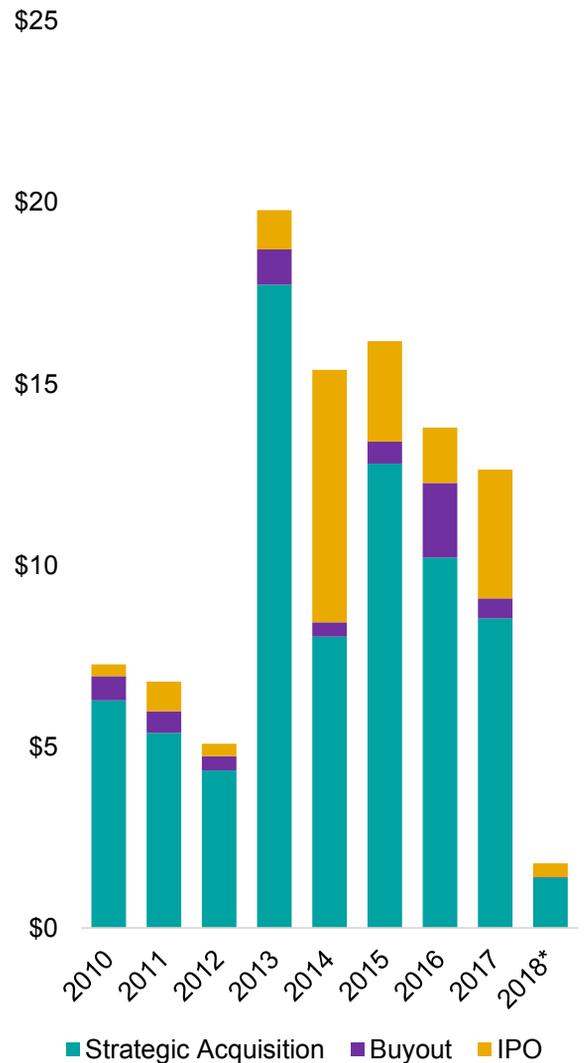
Venture-backed exit activity (#) by type in Europe

2010 — 2018*



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

2010 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

In positive sign, European fundraising jumps up in Q1 2018

European venture fundraising

2010 — Q1'18



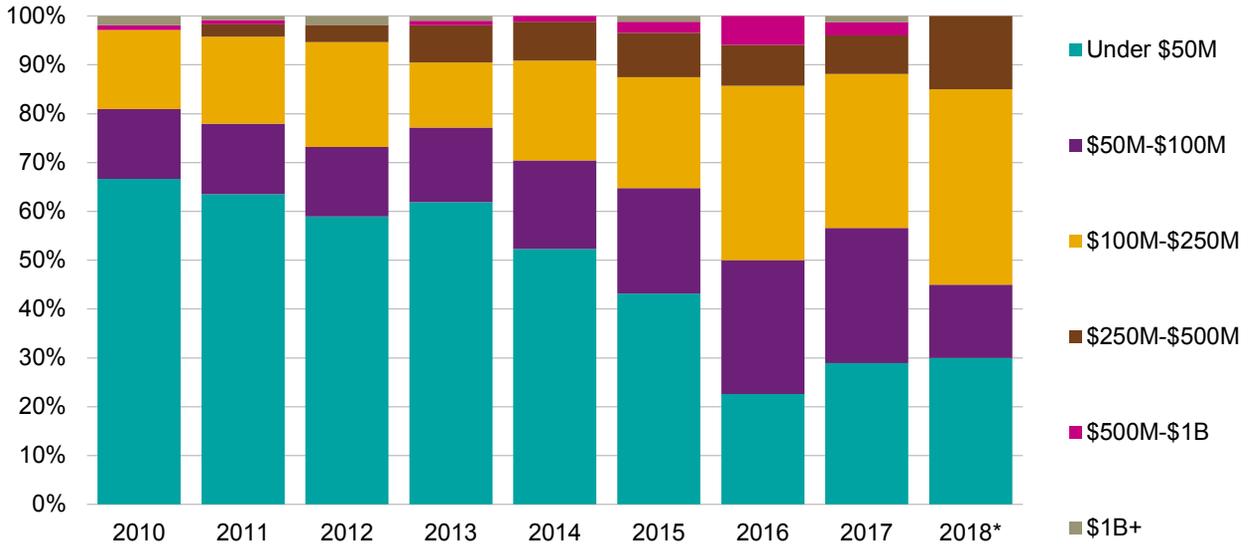
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Again, fundraising figures by quarter are useful to analyze, but remain quite variable. Accordingly, it is a short-term positive to note that European fundraising in both volume and value remained steady for yet another quarter, thus fulfilling past predictions that the continent was likely to enter a plateau muted in comparison to prior highs, yet still a somewhat encouraging indicator for venture financing going forward.

Modest volume leads to centralization in the middle of the fundraising market

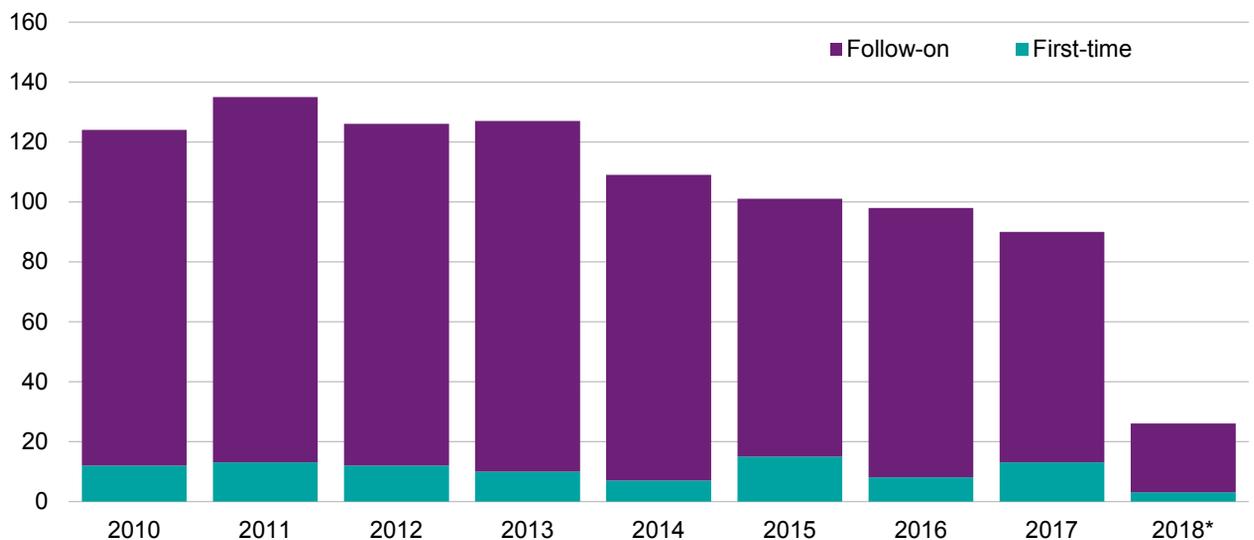
Venture fundraising (#) by size in Europe

2010 — 2018*



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

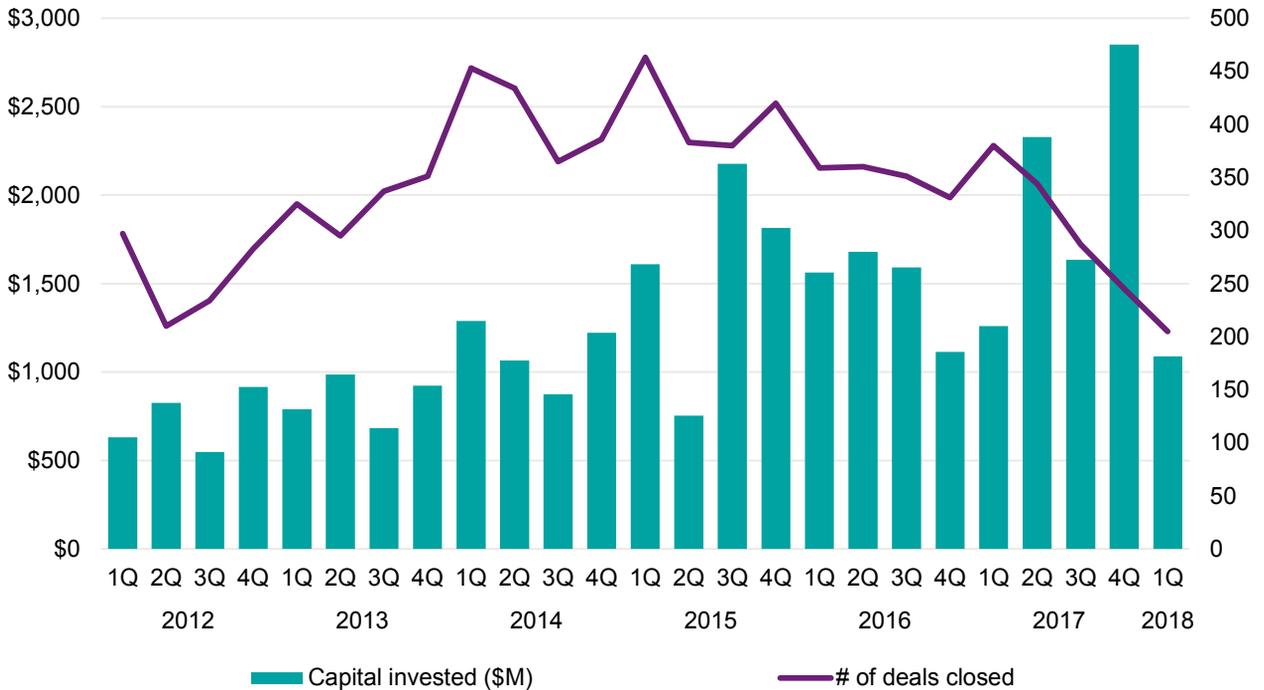
2010 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

VCs still ply UK startups with plenty of capital

Venture financing in the United Kingdom 2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Even after a blockbuster year of \$7 billion+ invested within the UK — bolstered significantly by mega-rounds, it should be noted — 2018 is off to a more-than-healthy start, with one \$100 million round pushing the nation's tally to near \$1 billion.

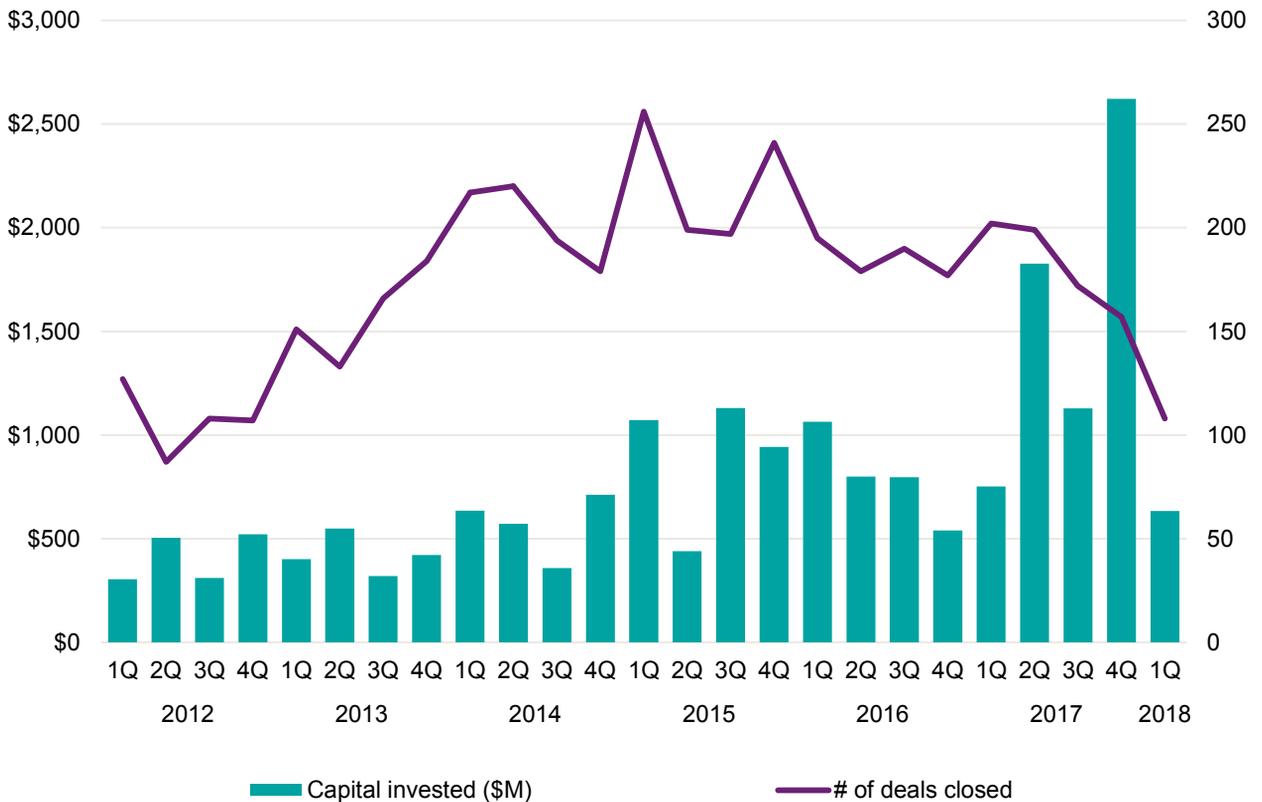
“As startup companies have matured in the UK, they have shifted their focus from growth to profitability, particularly in the fintech space. Now we are seeing some fintechs succeeding; they are delivering on profitability objectives and positioning themselves for a potential exit over the next 1 to 2 years.”



Patrick Imbach
Head of KPMG Tech Growth, **KPMG in the UK**

After a year of outliers, Q1 sees far fewer

Venture financing in London 2012 — Q1'18



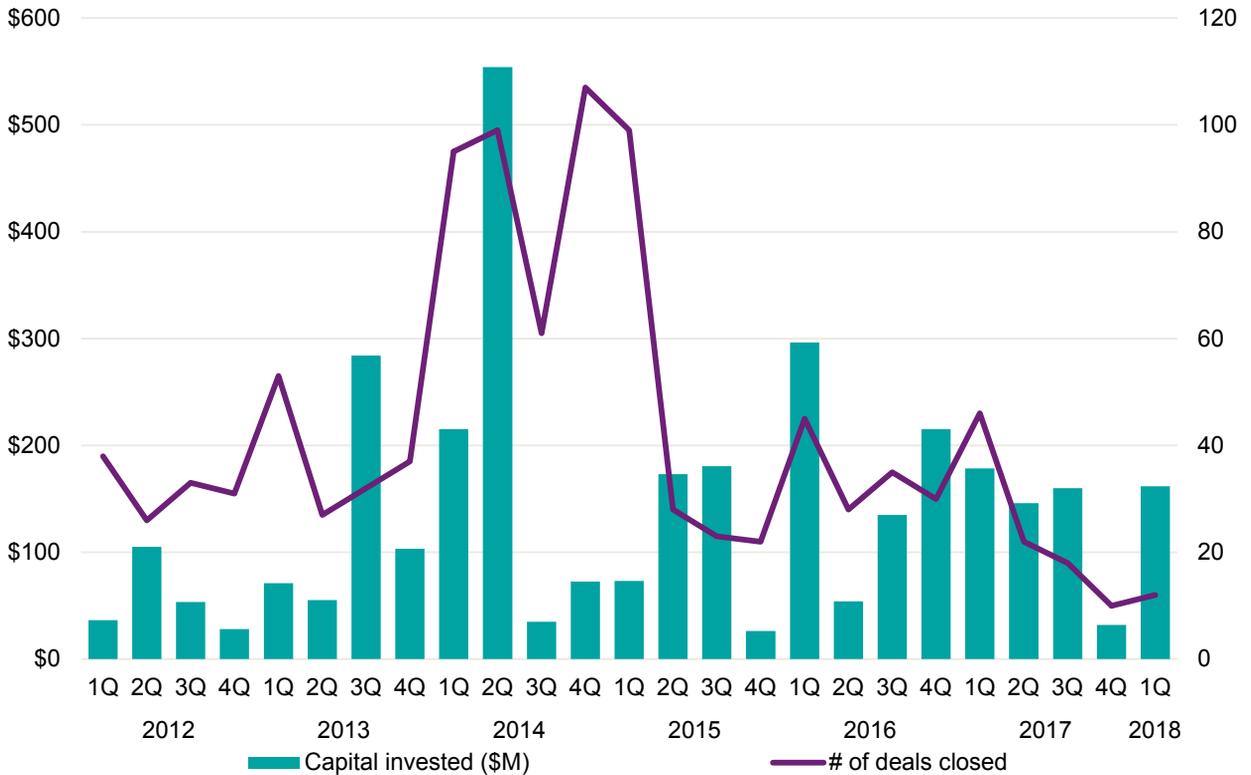
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

A near-record final quarter of 2017 helped London record a second consecutive quarter of growth in VC invested, testifying to the impact of outlier financings such as those of Deliveroo. So far, 2018 has yet to observe such largesse, yet multiple notable businesses such as Made.com, Gousto, Kano and EToro still raised considerable sums. Each of those businesses tackles distinctly different segments, testifying to the London market's considerable size being able to host and exhibit diversity when it comes to sectors.

2018 starts off strong with surge in VC invested

Venture financing in Ireland

2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

After a sluggish Q4, 2018 started off with a bang in Irish venture as just over \$160 million was invested across just a handful of financings. Chief among them was Future Finance, preparing for expansion.

“The VC market in Ireland is maturing quickly. Founders that have achieved successful exits with early tech companies are now re-investing in new businesses. We are also seeing global companies — like Stripe in Q1'18 — expanding their operations in Ireland in order to take advantage of the access to high quality tech talent.”



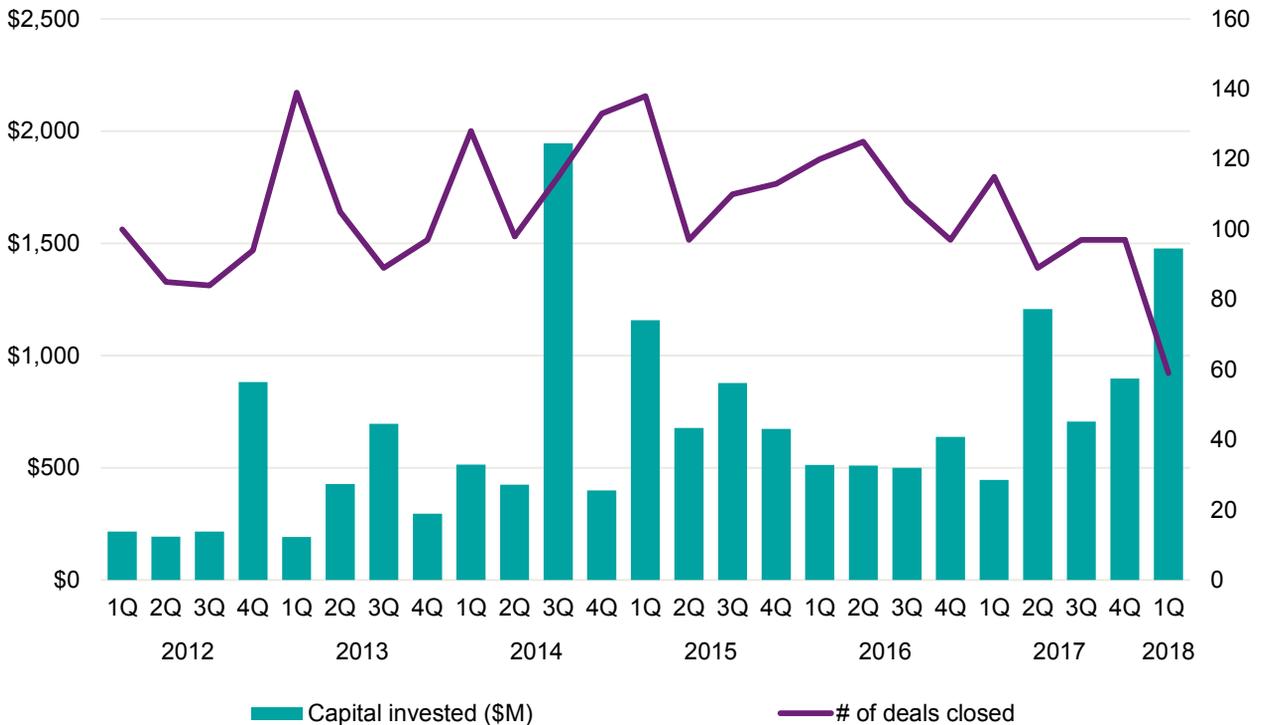
Anna Scally

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

Even after bumper Q4, 2018 sees a jump

Venture financing in Germany

2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Skewed somewhat, Q4 2017 still could not top the impact of outlier financings in Q1 2018, which boosted overall VC invested to a massive \$1.5 billion in total. It is important to note that Germany experienced much steadier volume in venture overall throughout the past several quarters, as well, when assessing the health of the domestic market.

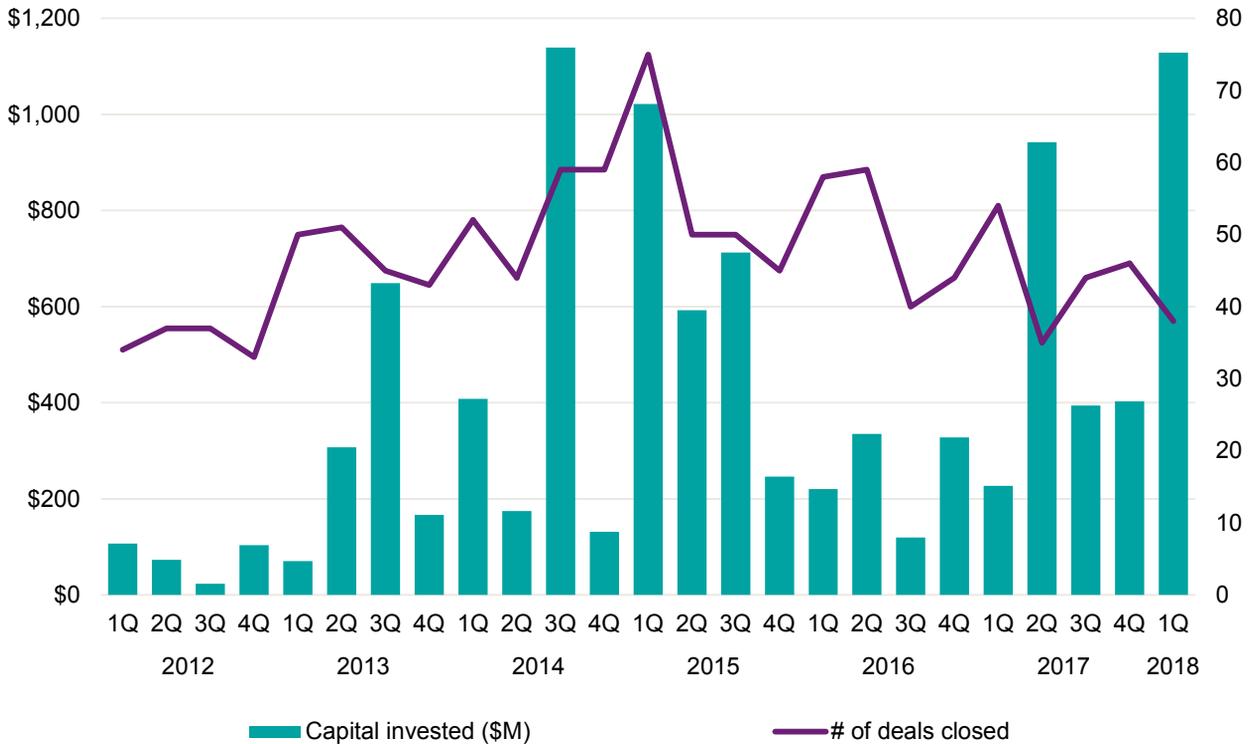
“Corporate investment in blockchain is on the rise in Germany. Blockchain use cases have moved well beyond the traditional areas of payments and cryptocurrencies. More companies are thinking about how to integrate blockchain into the DNA of their business model and across their value chain.”



Tim Dümichen
Partner, KPMG in Germany

Berlin-based Auto1 Group, N26 raise \$720M+

Venture financing in Berlin 2012 — Q1'18

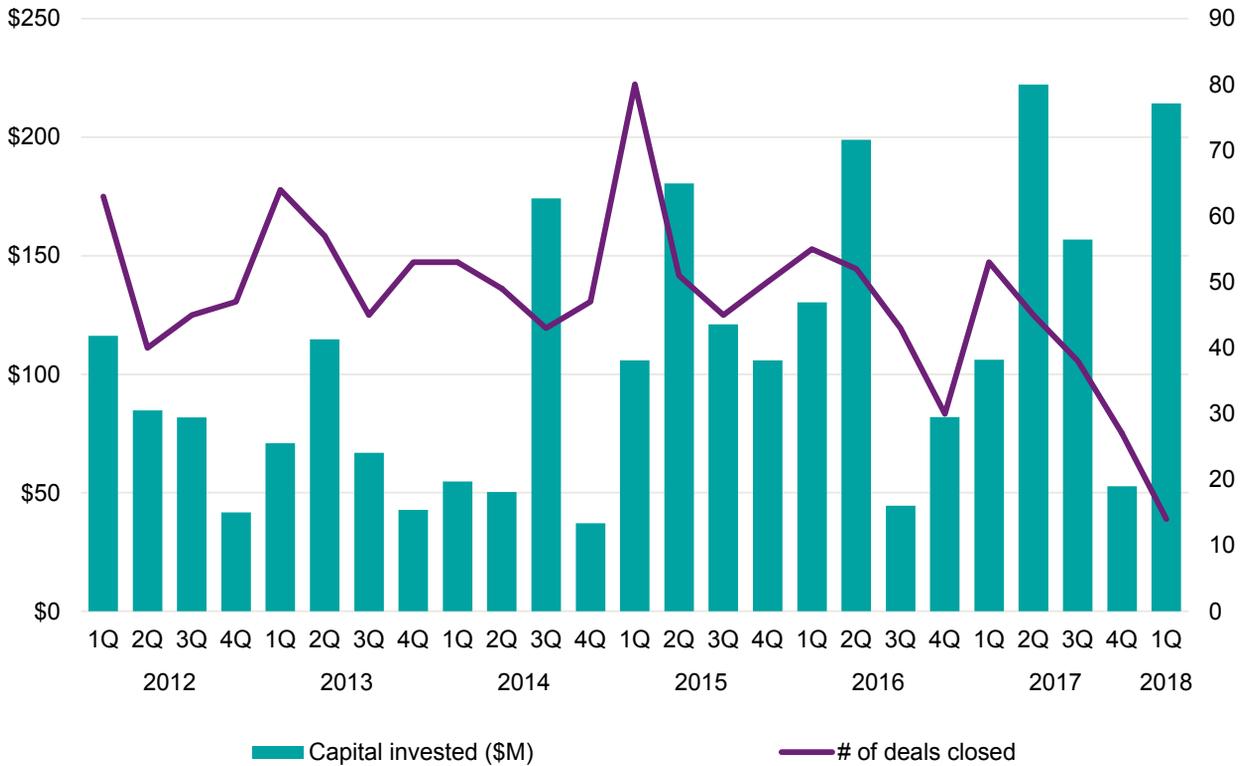


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

In the wake of significantly steady activity, Berlin finally saw a jump in Q1 2018 owing primarily to a handful of financings, much like other outlier-skewed venture zones, when online used-car trading platform Auto1 Group closed on a \$560 million+ round, in tandem with mobile banking provider N26 landing \$160 million.

Cabify's round bolsters Q1 figures significantly

Venture financing in Spain 2012 — Q1'18

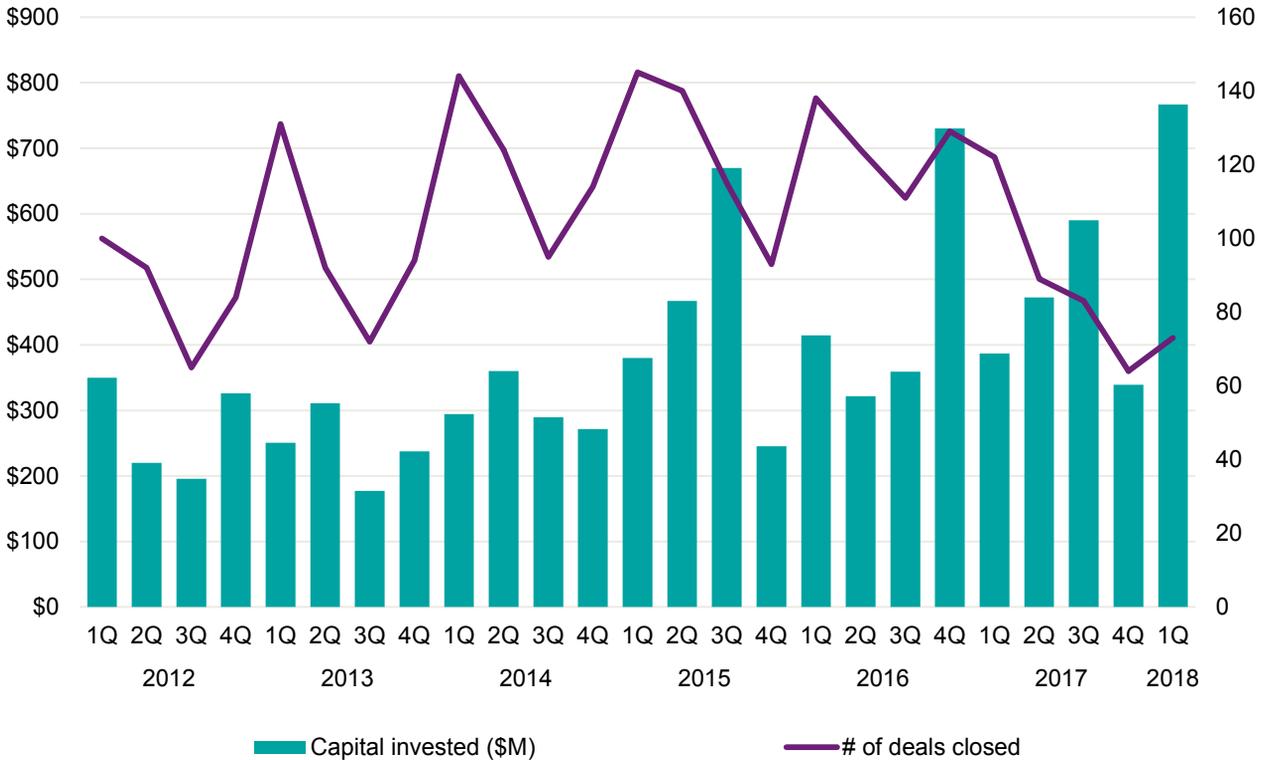


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Thanks primarily to Cabify's massive funding of \$160 million, the Spanish venture ecosystem recorded a strong surge to start 2018 off. That Cabify was able to make such a haul of VC, however, is more testament to how ride-hailing more and more appears to be not so much global as regional or even country-specific, given that Uber has retreated from Asia while Lyft challenges it ever more seriously in the U.S., and Didi appears to have cornered China for example.

After strong year, 2018 starts off impressively

Venture financing in France 2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

No less than \$767 million worth of VC was invested in French companies in Q1 2018, even after a fairly strong year. The ongoing flow of capital testifies to a significantly robust crop of startups still raising late-stage rounds across an array of sectors, while a fair number of even Series A financings of \$9 million or more contributed to that hefty total.

“France is quickly making a name for itself in the technology space — not only for the rapid growth of sectors like biotech and artificial intelligence, but for the support being granted to startups through public and private initiatives such as LaFrenchTech, Station F and France Digitale. The challenge for 2018 will be helping successful startups scale and grow quickly.”

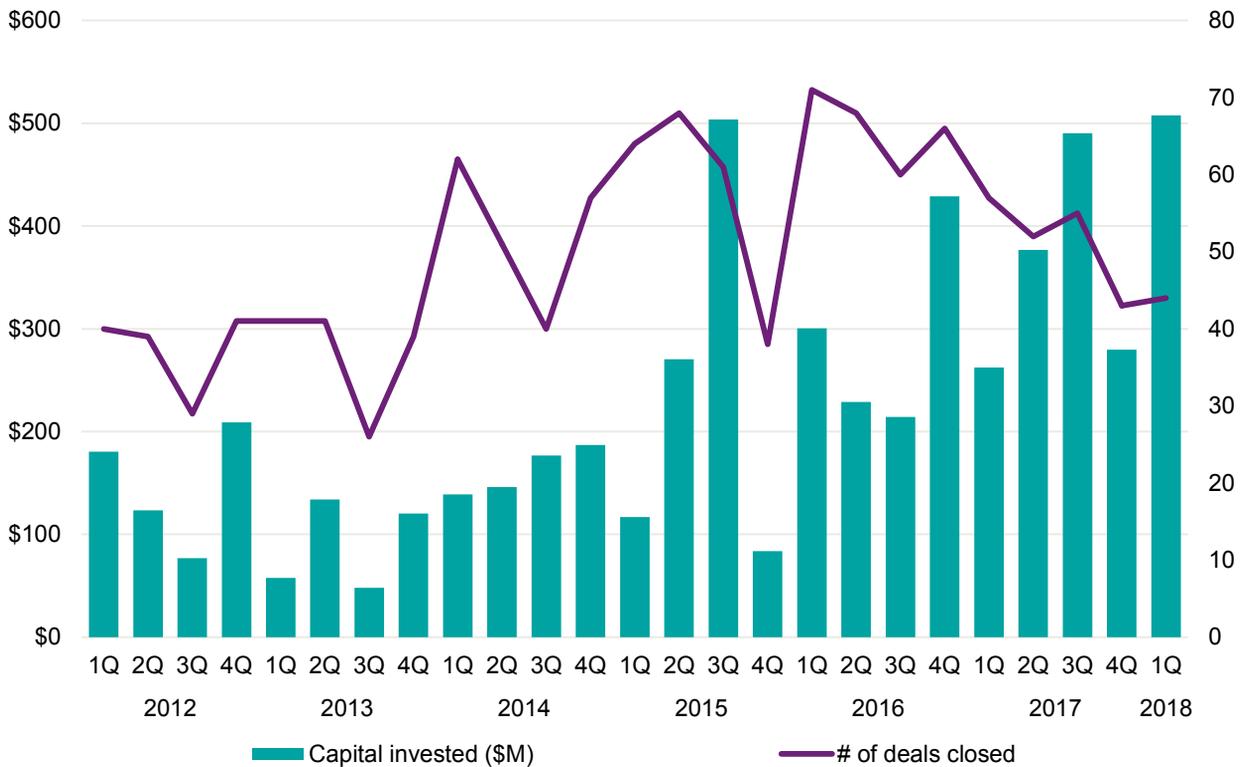


Georges Gambarini
Innovation & Fundraising, Head of Innovative Startup Network
KPMG in France

Paris remains central hub of French VC

Venture financing in Paris

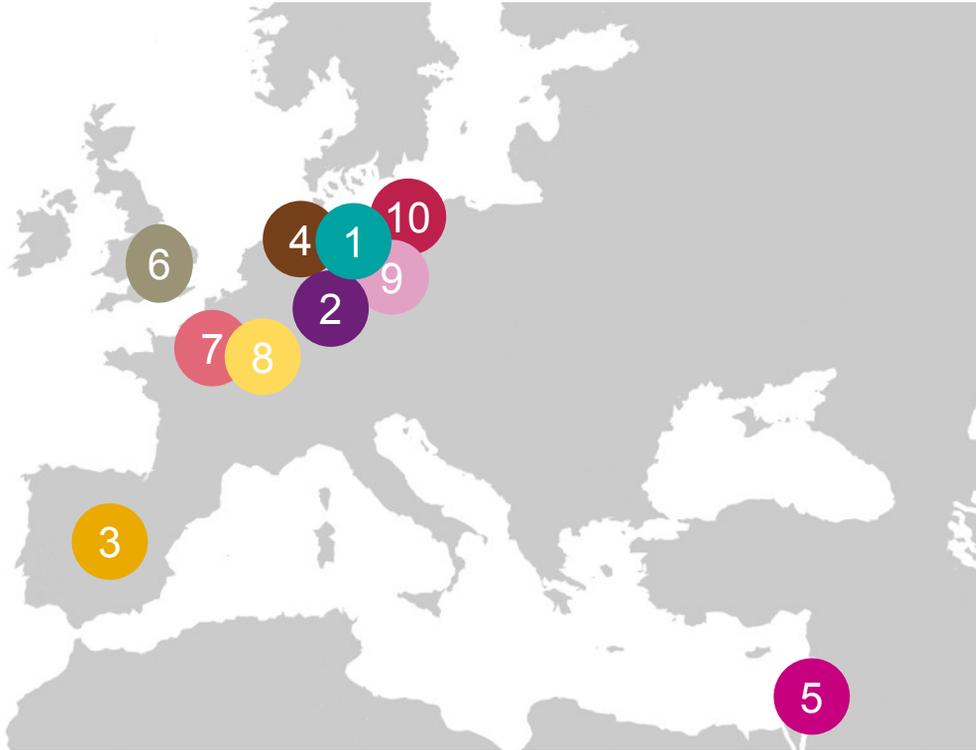
2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Over 10 Paris-based companies were able to raise sums exceeding \$10 million — five exceeding \$20 million — in Q1 2018 alone, spanning sectors ranging from drug discovery to business software to cryptocurrency security products. VCs are clearly still exhibiting strong interest in the Paris venture ecosystem.

Q1'18 top deals spread across the continent



- | | |
|--|--|
| <p>1 Auto1 Group — \$560.2M, Berlin, Germany E-commerce <i>Late-stage VC</i></p> | <p>6 EToro — \$100M, London, UK Financial software <i>Series E</i></p> |
| <p>2 BioNTech — \$270M, Mainz, Germany Biotechnology <i>Series A</i></p> | <p>7 Enterome — \$87.7M, Paris, France Drug discovery <i>Series D</i></p> |
| <p>3 Cabify — \$160M, Madrid, Spain Transportation <i>Series E</i></p> | <p>8 Ledger — \$77.2M, Paris, France Computer hardware <i>Series B</i></p> |
| <p>4 N26 — \$160M, Berlin, Germany Financial software <i>Series C</i></p> | <p>9 SolarisBank — \$70M, Berlin, Germany Financial services <i>Series B</i></p> |
| <p>5 Insightec — \$150M, Tirat Carmel, Israel Diagnostic equipment <i>Series E</i></p> | <p>10 Frontier Car Group — \$63.7M, Berlin, Germany E-commerce <i>Series A</i></p> |

Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

*In Q1'18 VC-backed
companies in the Asia
region raised*

\$14.6B

across

317 deals



Southeast Asia sees two \$1billion+ mega-rounds in Q1'18

Asia saw a significant amount of funding in Q1'18. While Indonesia and Singapore accounted for the largest deals during the quarter, China, India and Japan also saw quality investments.



Ride hailing attracts massive funding rounds

In recent quarters, Southeast Asia has been identified as a major target for VC investment because of its relatively high population and low market penetration rates in sectors deemed saturated in other global markets. In Q1'18, investors placed big bets on ride hailing in the region, with Singapore-based Grab raising \$2.5 billion and Indonesia-based Go-Jek raising \$1.5 billion¹⁵.



Autotech and blockchain remain key priorities in China

Autotech continued to gain attention from VC investors in China during Q1'18, with auto trading marketplace Chehaoduo raising \$818 million and electric car manufacturer Xpeng raising \$348 million¹⁶. Autonomous driving was also high on the radar of investors, particularly corporates. VC investors see auto-trading platforms as a particularly lucrative market given China is the world's largest automotive market. Chehaoduo is only one of a number of well-funded startups in the space. Others include Renrenche, Uxin and Chezhibao.

VC investment in blockchain was also on the rise in China, with the first quarter seeing over half of the amount of blockchain-related funding raised during all of 2017.



Artificial intelligence becoming a big play in China

AI is a national priority in China, helping to fuel its rise as a big bet among VC investors. In Q1'18, the National Congress published a series of strategic plans focused on AI, while corporates have continued to focus on integrating AI into their business models. During Q1'18, tech giant Tencent announced plans to open a robotics lab in Shenzhen as part of its plans to integrate AI into advanced manufacturing¹⁷. China also saw continued investment in facial recognition technologies following Q4'17's massive investment in SenseTime.

China has a distinct advantage in terms of AI development given its large population and massive pool of data aggregated. The availability of data, traditionally, has been a roadblock to the full realization of AI capabilities. This has led companies to consider making strategic acquisitions in order to gain the data required to support AI and machine learning.



Hong Kong SAR making regulatory changes to attract innovative businesses

In Q1'18, the Hong Kong Stock Exchange issued a consultation paper detailing proposed rule changes to encourage new IPO exits, including allowing companies with variable voting rights to list in Hong Kong. The HKSE is also poised to allow biotechnology firms to list on the stock exchange prior to generating revenue. The final changes to the listing rules are expected to be introduced in late April 2018. Being one of top global financial centres, these changes are part of Hong Kong's bid to make itself a major capital markets hub for emerging and innovative Chinese companies interested in expanding overseas and to global companies looking to enter Asia.

¹⁵ <https://venturebeat.com/2018/02/26/indonesian-uber-rival-go-jek-raised-1-5-billion-from-investors-including-google-and-blackrock/>

¹⁶ <https://www.chinamoneynetwork.com/2018/03/01/chehaoduo-formerly-guazi-raises-818m-series-c-round-led-tencent>

¹⁷ <https://www.technologyreview.com/the-download/610566/tencent-is-putting-a-robot-research-lab-in-chinas-manufacturing-heartland/>

Southeast Asia sees two \$1billion+ meag- rounds in Q1'19, cont'd.



Japan-based VC market continues to mature

Building on a record-setting 2017, VC investment in Japan got off to a very strong start in Q1'18, with raises by online asset management company Folio (\$64 million), fintech robo-advisory firm WealthNavi (\$41.7 million) and biotech company Megakaryon (\$33 million).¹⁸

Many corporates in Japan have moved to make VC investments or otherwise support startup companies, now recognizing innovation as critical to their sustainability. In Q1'18, Panasonic announced a joint venture ("BeeEdge") with San Francisco based Scrum Ventures in order to fund innovative technologies.

Fintech has become a major priority in Japan. The government has shown a strong commitment to positioning Tokyo as a regional financial center by encouraging fintech innovation. Japan has also catapulted to the forefront of innovation with respect to cryptocurrencies, in part due to the regulator proactively supporting the regulation of ICOs and cryptocurrencies.



Big start to the year for the VC market in India

India's VC market got off to a great start in Q1'18, seeing a strong rebound in investment. Food and grocery delivery was the hottest area of investment this quarter, with unicorn company Zomato raising \$200 million and BigBasket raising \$300 million — both deals led by Chinese tech giant Alibaba. Swiggy also raised \$100 million in Q1'18 from Chinese company Meituan-Dianping. The large investments from Chinese giants highlights the perceived value of the food delivery space in India and the heating up of competition.

Q1'18 was also a good quarter for fintech in India, with Lendingkart raising \$88 million and Fusion Microfinance raising \$63 million. Fintech is expected to remain a priority for VC investors in India given its huge population of underbanked and unbanked. Other areas that gained traction this quarter included healthtech, agritech and edtech. Each of these areas is expected to see increasing investment over the remainder of the year.



Trends to watch for in Asia

AI is expected to be one of the biggest bets in Asia for the foreseeable future, with activity occurring in a number of jurisdictions including China, Singapore, and Indonesia. Healthtech and edtech are also expected to gain more attention from investors over the next few quarters.

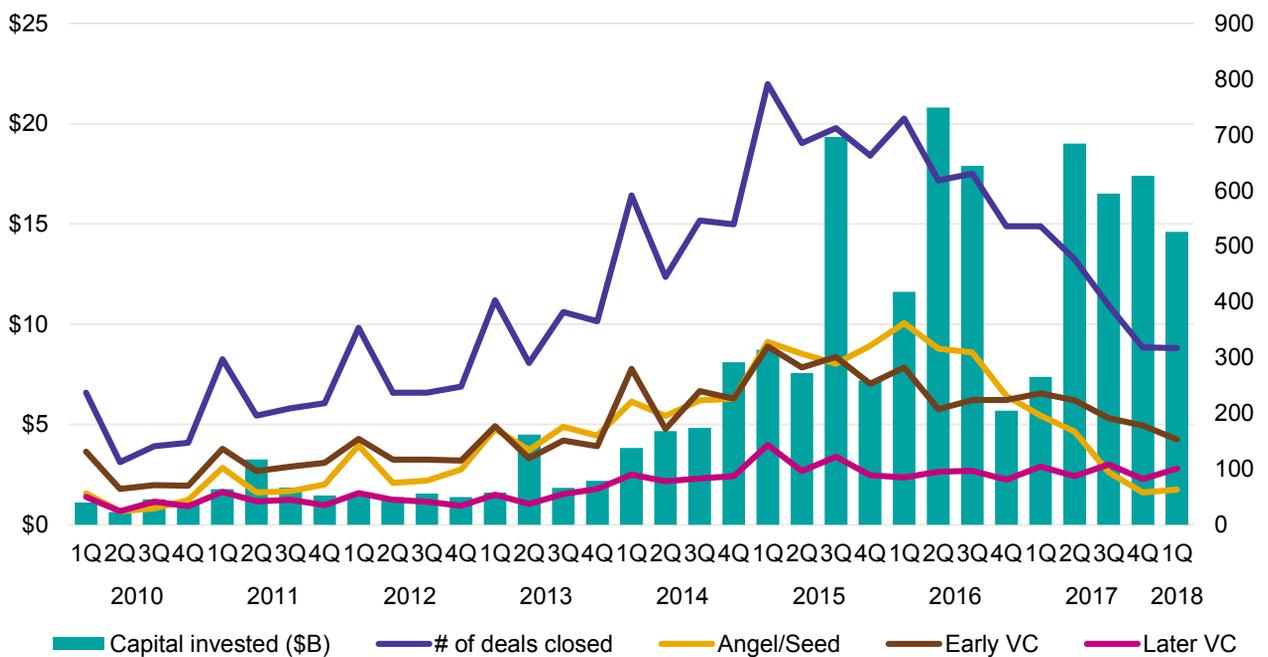
In China, a number of new technology sectors are also expected to see continued consolidation over the next few quarters — particularly bike sharing.

¹⁸ http://www.vec.or.jp/wordpress/wp-content/files/2017-4Q_EN.pdf

VC volume evens out as VC invested sustains historic highs

Venture financing in Asia

2010 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

For the fourth consecutive quarter, the Asia-Pacific region recorded \$13 billion+ in VC invested, leading one to the conclusion that its venture capital markets are truly entering a new level of maturity. Granted, outliers skew the entire region's tallies even more than they do in Europe. However, especially as financing volume has evened out, a new level of evolution may have been achieved by the VC scene.

"Venture capital activity and entrepreneurialism continue to grow in Japan, supported by the broader social and corporate ecosystem. Underlying factors — such as large incumbents facing technology and market disruption, demographic and fiscal headwinds, and pressure from global competition — combined with growing acceptance of open innovation and risk-taking, support further acceleration in venture activity."

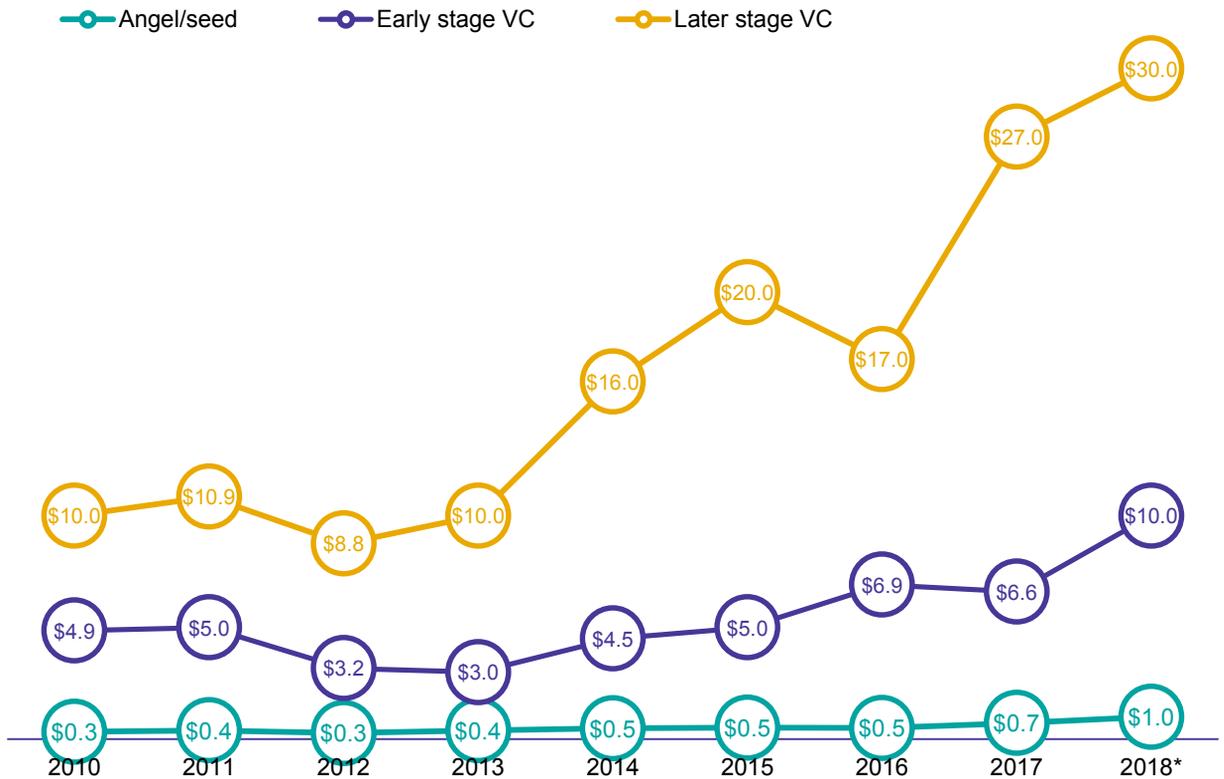


Paul Ford
Partner, Deal Advisory, KPMG in Japan

Angel, seed & latest stages record moderate increases, suggesting potential plateau

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

2010 — 2018*



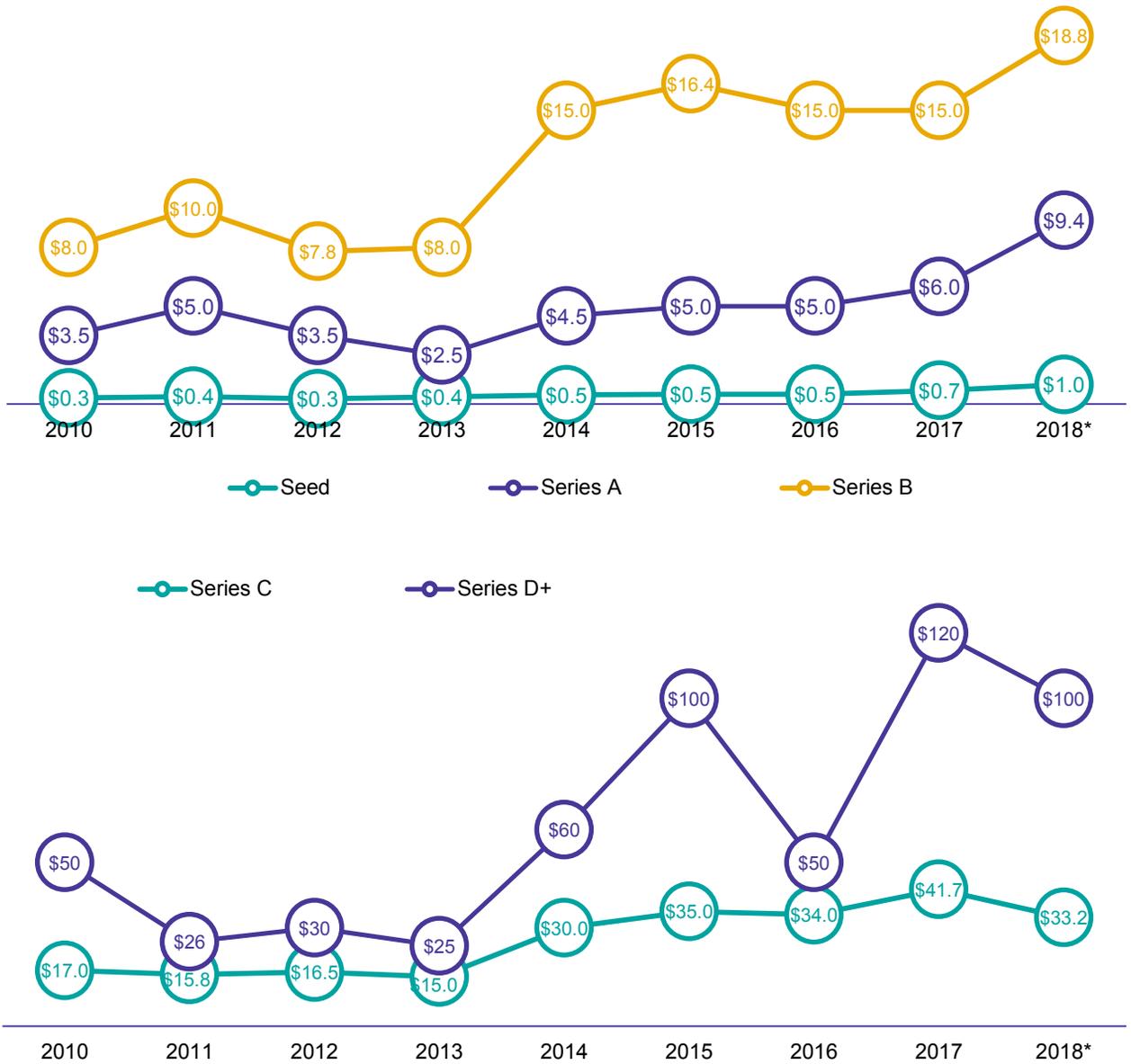
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

After an upsurge at the latest stage post 2014, which showed the impact of the first huge venture-backed successes in the Asia-Pacific region, median transaction sizes retain new highs across the board in Q1 2018, yet the increases over 2017 figures are more moderate than they have been in the past (excepting the early stage). This hints at a potential, high-priced plateau forming.

Only Series B notches a significant increase

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

2010 — 2018*

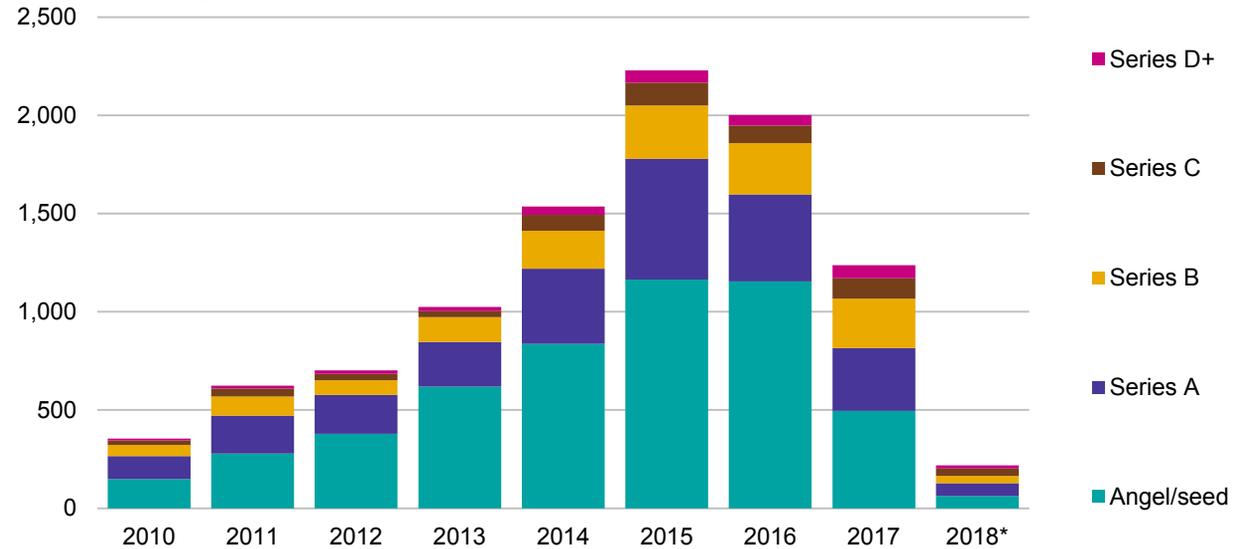


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.
Note: Select figures are rounded for legibility.

As volume evens out, latest stage still sees most resilience

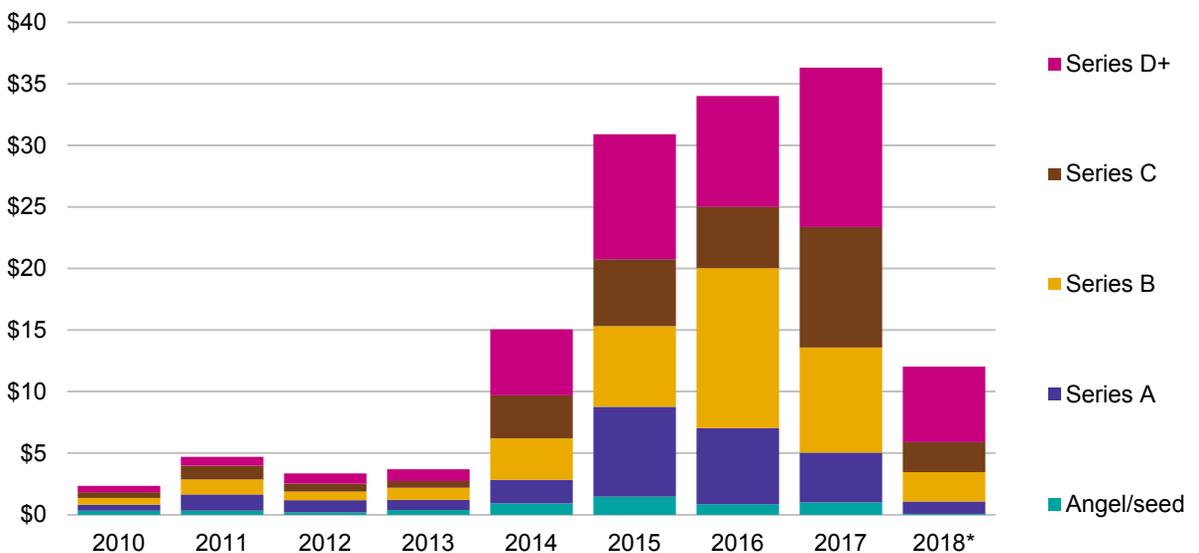
Deal share by series in Asia

2010 — 2018*, number of closed deals



Deal share by series in Asia

2010 — 2018*, VC invested (\$B)

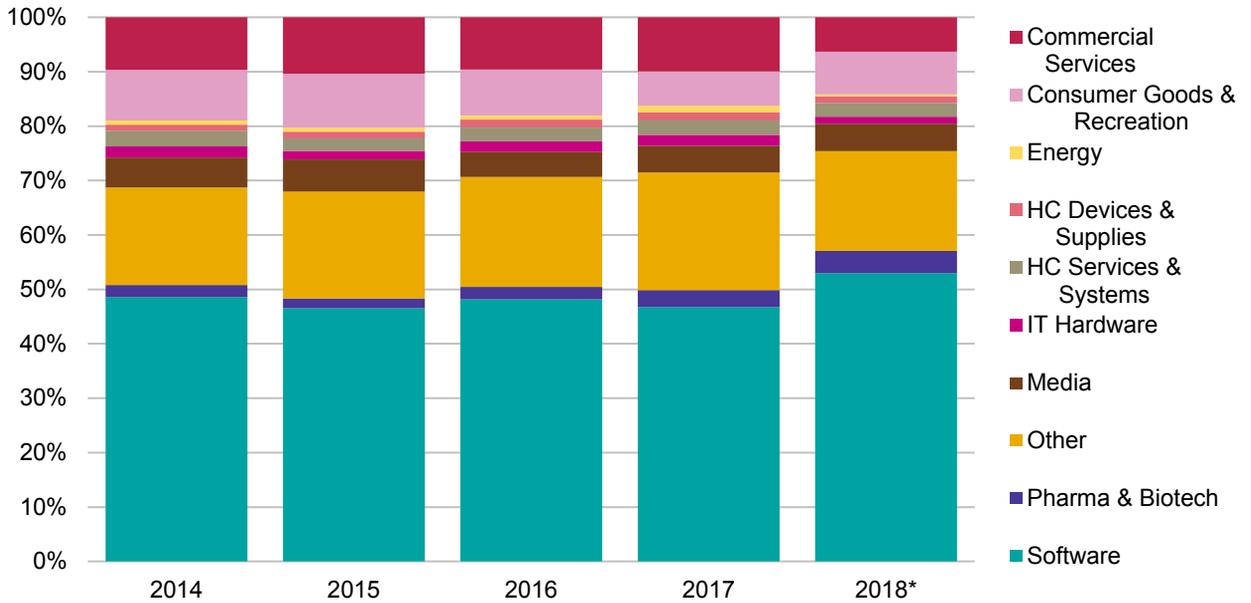


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Software platforms still attract the most VC

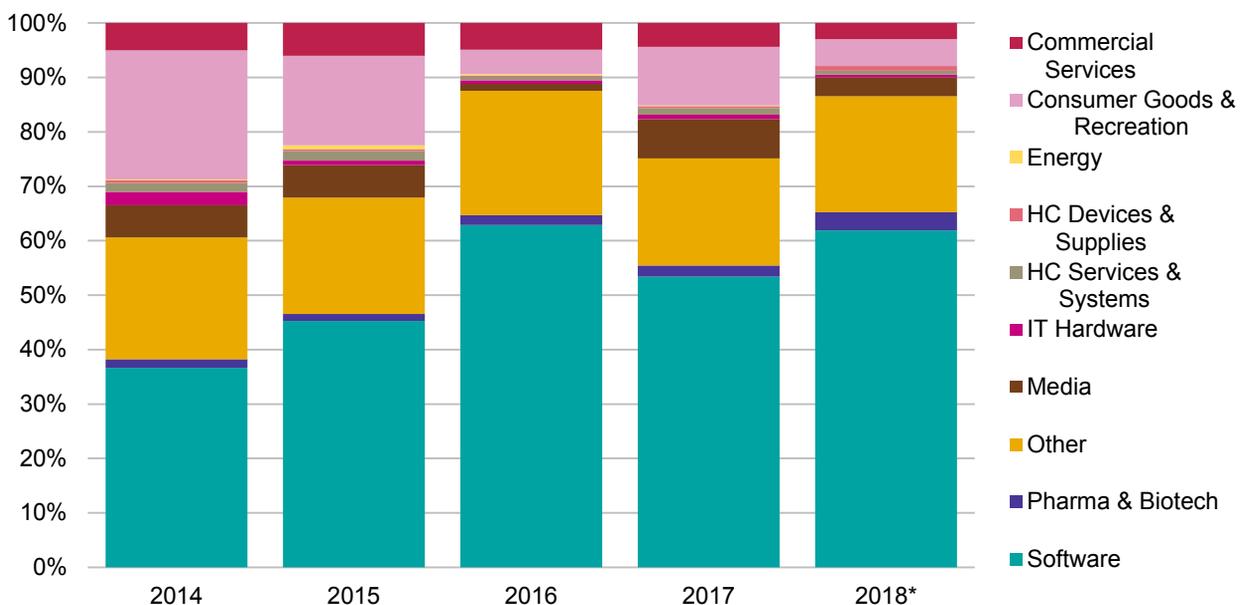
Asia venture financings by sector

2014 — 2018*, number of closed deals



Asia venture financings by sector

2014 — 2018*, VC invested (\$B)

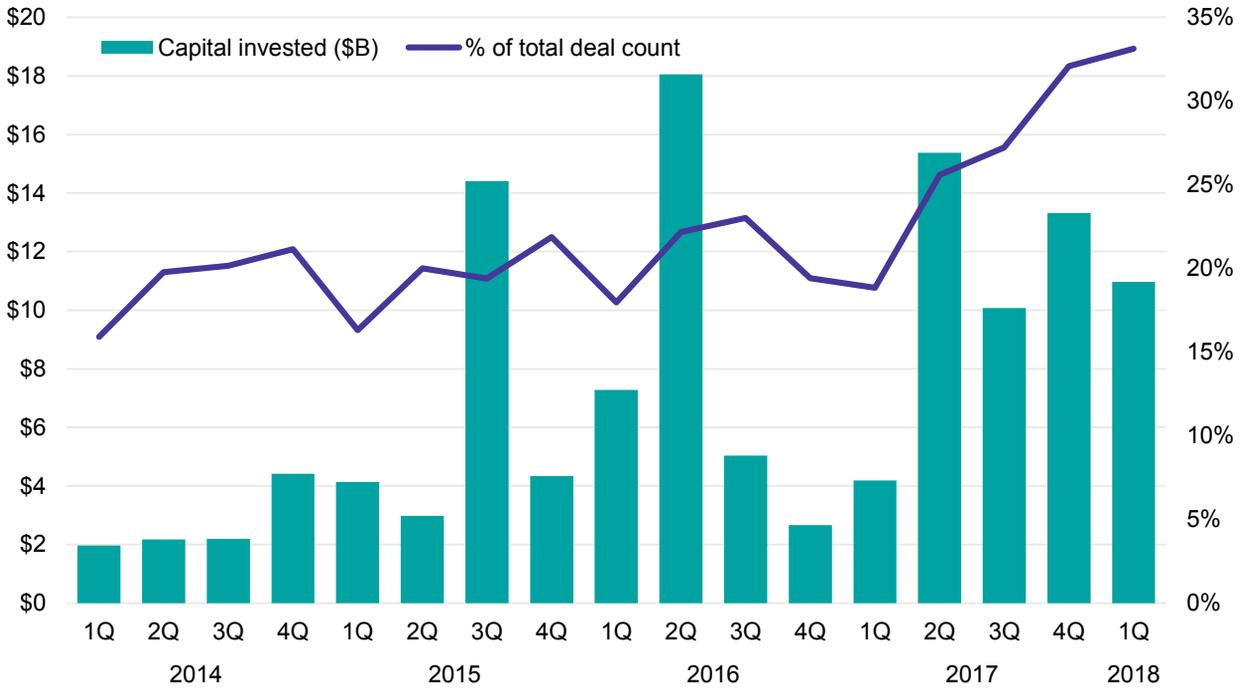


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

CVCs retain a hefty participation rate

Corporate participation in venture deals in Asia

2014 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Asian corporations remain key players across the entire venture ecosystem in the region. Whether government affiliated or the first monoliths interested in pursuing proliferation across multiple segments, they are motivated to invest in a broad swathe of businesses, and accordingly continue to join in well over a third of all venture activity occurring in the region.

“Chinese tech giants have been successful at building and managing platform-based businesses. They are going after businesses that have massive users in different jurisdictions — not necessarily to generate big revenues in the short-term, but rather to own the customer base so that they can drive additional transactions by providing value-added services that connect consumers and merchants such as ordering and paying for lunch, transferring money or shopping for groceries — through their platform in the future.”



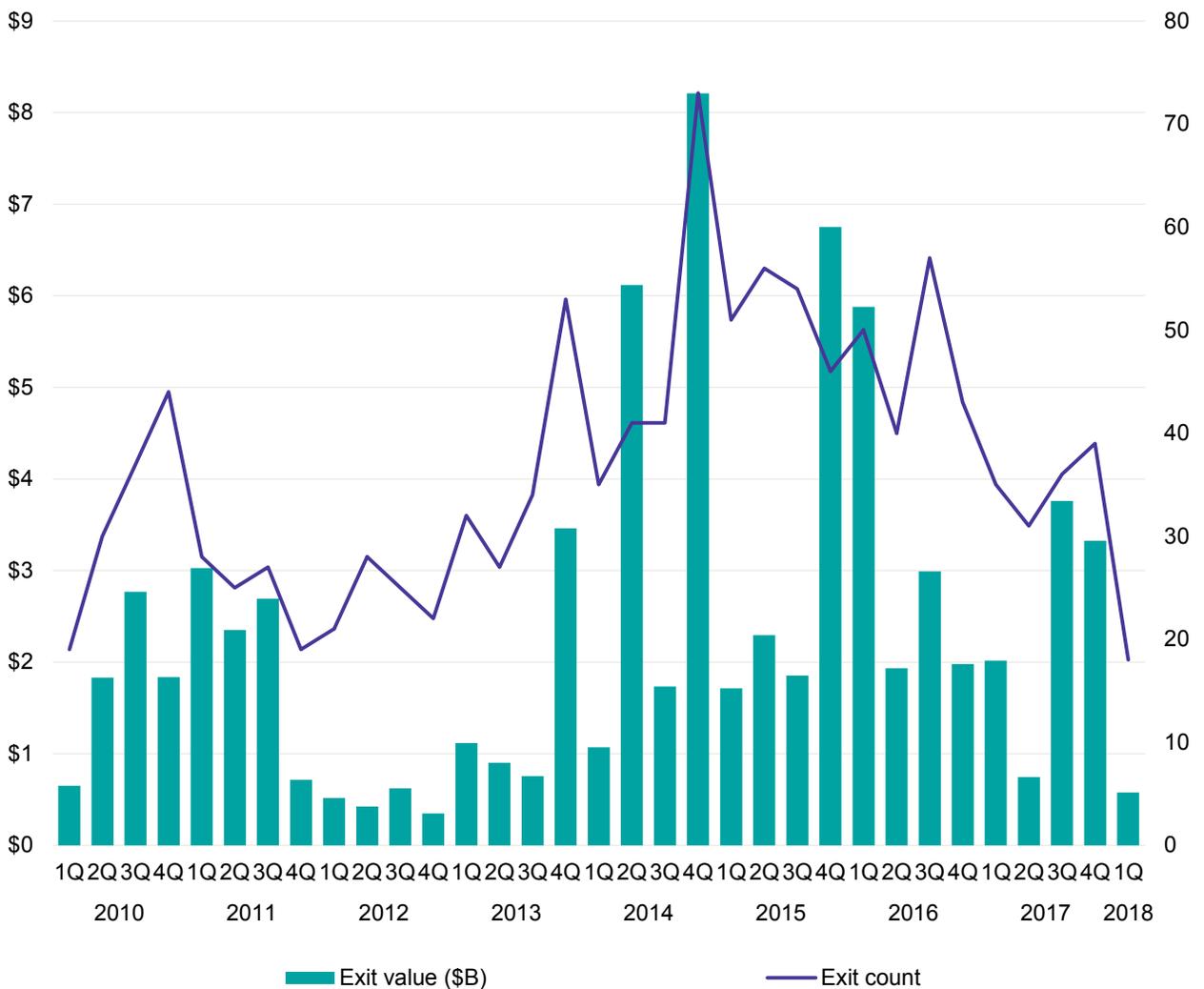
Irene Chu

Partner, Head of New Economy, Hong Kong Region, **KPMG China**

A growing VC scene has yet to yield many exits

Venture-backed exit activity in Asia

2010 — Q1'18



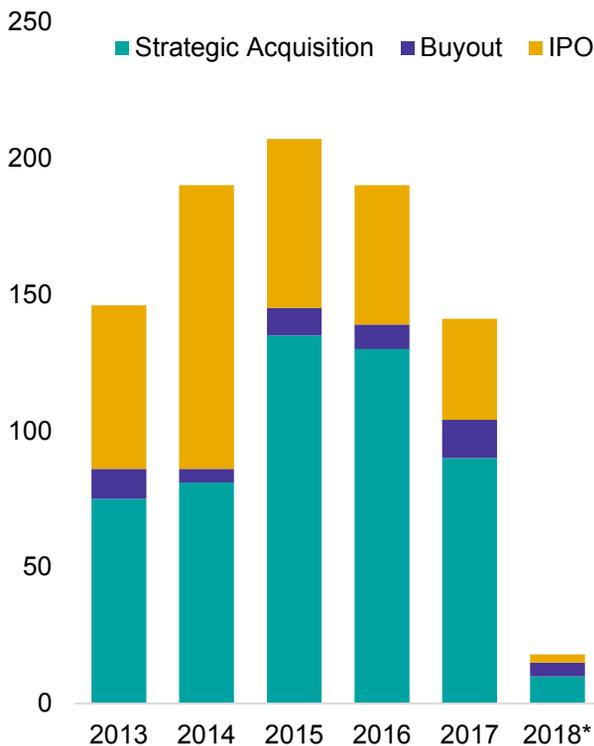
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

It is obvious that the Asian startup ecosystem has much growth in store. Consequently, there will likely be much more severe turns of the liquidity cycle even on a yearly basis in the region — that said, quarterly should see significant downturns and upswings, so the most recent quarterly tally should not be overinterpreted.

Strategics still hold off in 2018 to start the year off, likely owing to macro policy concerns

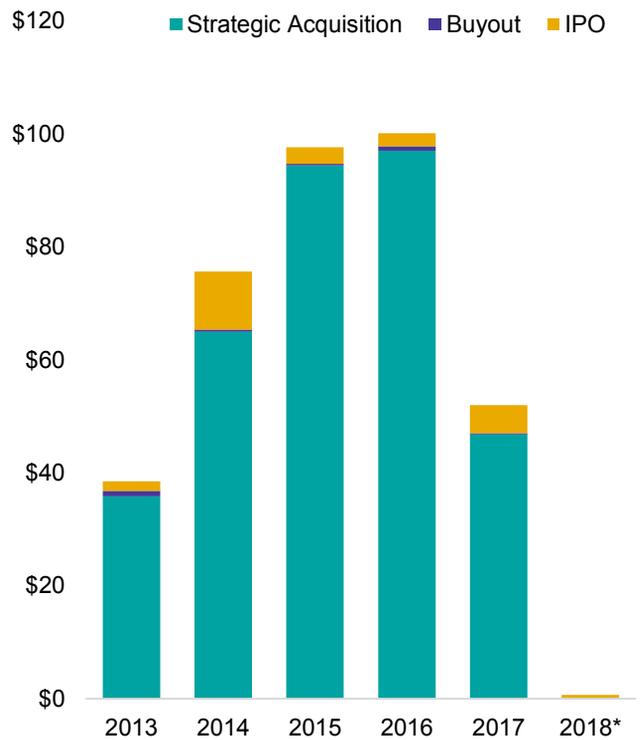
Venture-backed exit activity (#) by type in Asia

2013 — 2018*



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

2013 — 2018*



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

"Areas like AI, autotech, healthtech, and blockchain are expected to continue to attract more attention from VC investors in mainland China and Hong Kong over the next few quarters. KPMG China's recent Leading Autotech 50 companies report also demonstrated very rapid growth in the area of intelligent and connected vehicles. It's expected that Autotech area will give rise to unicorns. Given recent regulatory changes, there could also be a wave of emerging companies that use Hong Kong as a base for expansion — either into mainland China or from mainland China into the rest of the world."

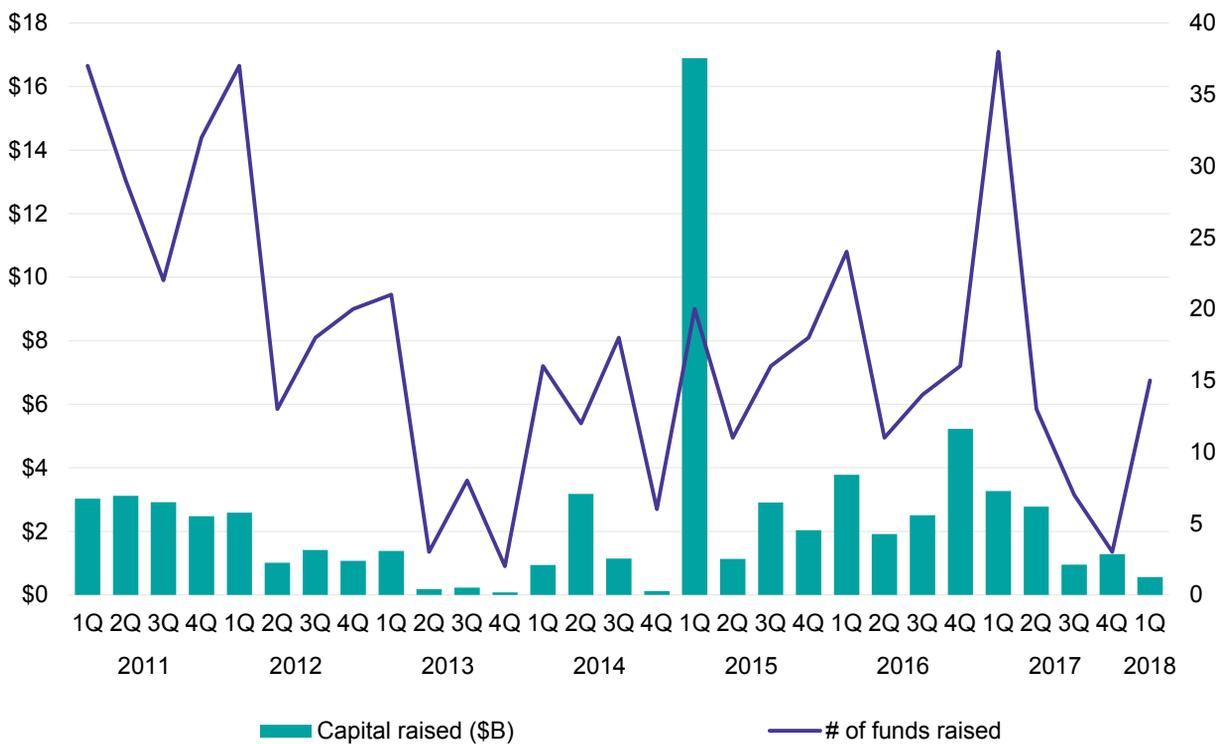


Philip Ng
Partner, Head of Technology, KPMG China

Fundraising volatility signifies the regional VC scene has a ways to grow

Venture fundraising in Asia

2011 — Q1'18



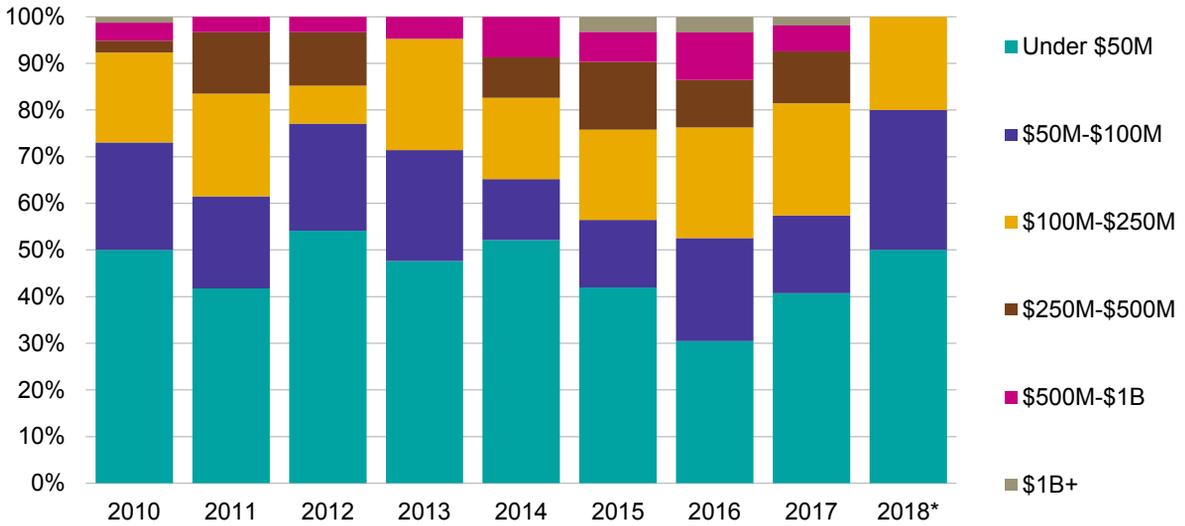
Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

As past peaks have indicated, there can be quite a few venture funds closed within the Asia-Pacific region — the thing is that there will be wild swings from quarter to quarter in aggregate tallies of count and capital raised, primarily as the ecosystem is still growing and maturing. Accordingly, the past few quarters suggest more of a slower plateau in the cycle than any overriding, detracting factor.

A handful of sub-\$50M funds close in Q1 to start 2018 off

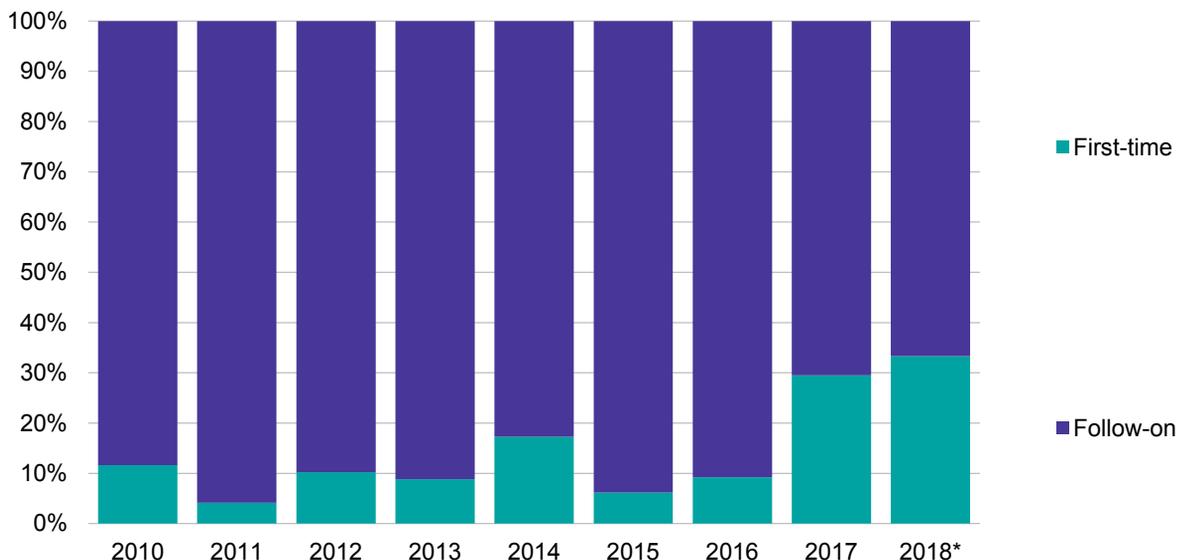
Venture fundraising (#) by size in Asia

2010 — 2018*



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

2010 — 2018*

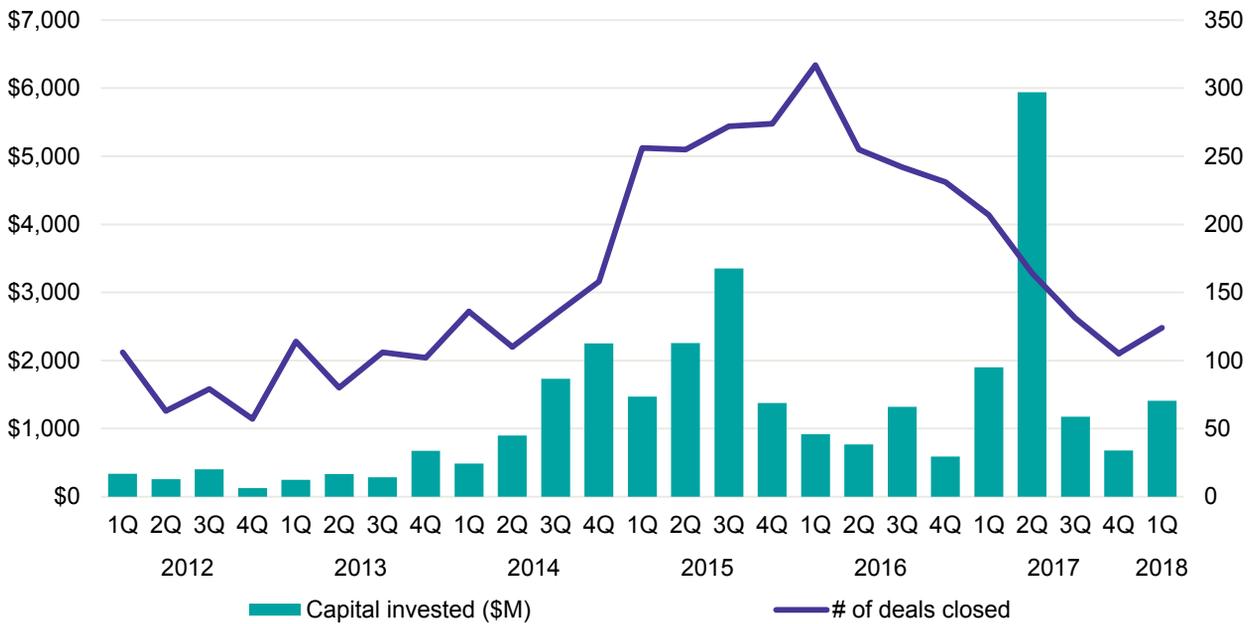


Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. *As of 3/31/18. Data provided by PitchBook, April 11, 2018.

Investing level stays steady, entering plateau

Venture financing in India

2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

Led by two massive rounds — the \$300 million infusion of VC into online grocer BigBasket and the \$100 million funding of Swiggy, an online food delivery platform — India saw its 2018 start off strong in terms of VC invested while the volume of completed transactions also evened out, after a steady decline.

“The investment climate in India is strong. Q1'18 was a phenomenal quarter for the VC market and there is optimism that this trend will continue over the next few quarters. There is a lot of talk among VC investors as to where to invest next, with interest coming not only from traditional investors, but also from local and foreign CVCs and global VC funds.”



Sreedhar Prasad

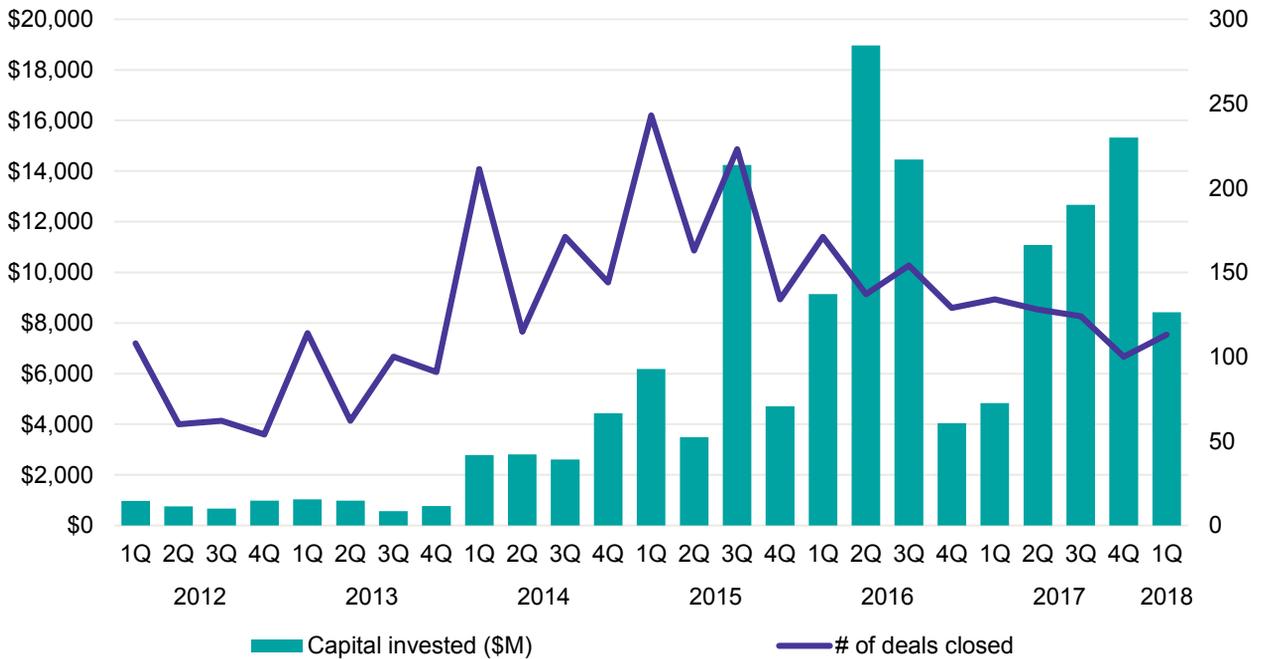
Partner, Consumer Markets, Internet Business and Startups, **KPMG in India**

²⁶ <https://assets.kpmg.com/content/dam/kpmg/in/pdf/2017/04/Indian-languages-Defining-Indias-Internet.pdf>

After blockbuster Q4'17, a still-robust quarter

Venture financing in China

2012 — Q1'18



Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

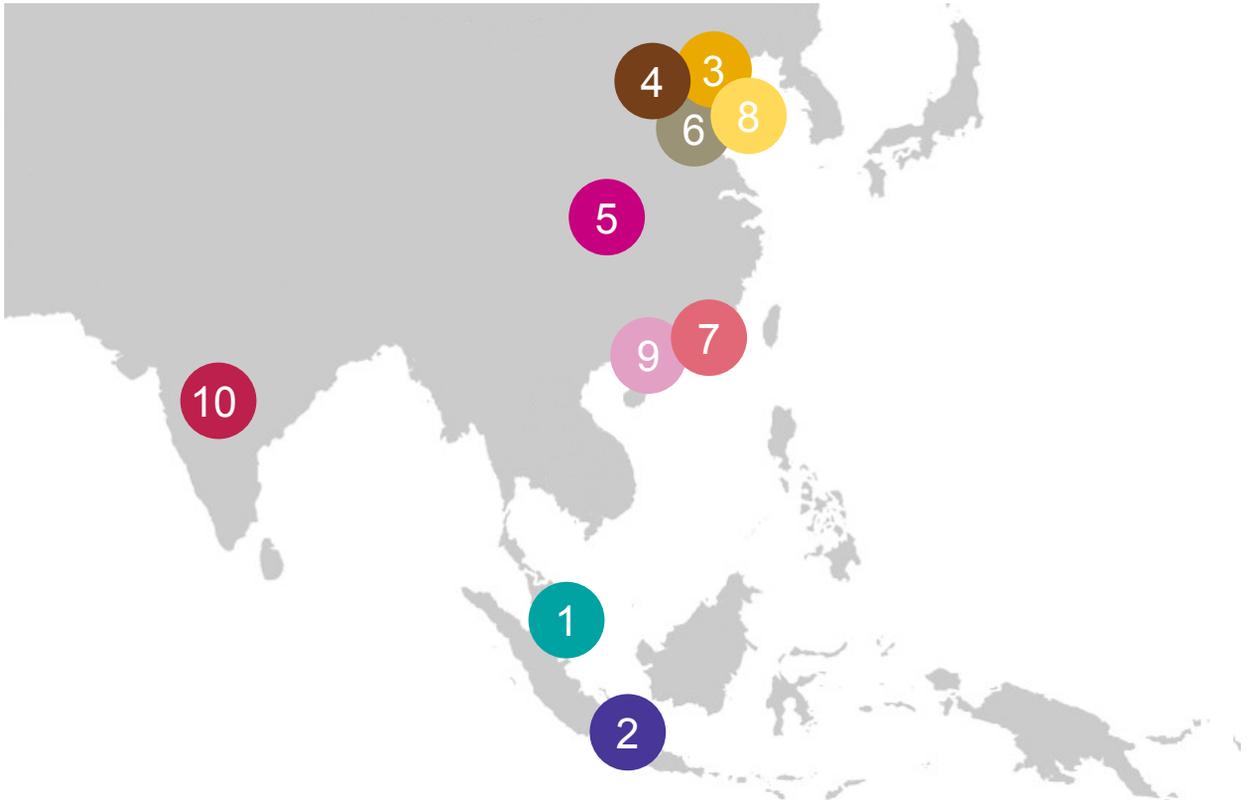
Completed financing volume in China increased slightly from Q4 2017 to the first quarter of 2018, but VC invested virtually halved. That mainly is due to the impact of outlier financings, as even Didi is not likely to raise billion-dollar-plus financings each quarter. However, over 20 financings of \$100 million or more occurred in Q1 2018, speaking to just how much capital is still being drawn by Chinese companies.

“A lot can be learned from the Chinese tech giants, such as Tencent and Alibaba. They are making big deals globally — in places like India, Malaysia and Indonesia — which are focused entirely on consumer plays. They are very good at tapping into consumer sentiment and when there is a need for change they pivot quickly. No doubt they will continue to be active in some of the biggest deals in the future.”



Egidio Zarrella
Head of Clients and Innovation Partner, KPMG China

Transportation & consumer the primary focus



- | | |
|--|--|
| <p>1 Grab — \$2,500M, Singapore Transportation Series G</p> | <p>6 CHJ Automotive — \$474.7M, Beijing, China Automotive Series B</p> |
| <p>2 GO-JEK — \$1,500M, Jakarta, Indonesia E-commerce Series E</p> | <p>7 Huya (live streaming) — \$461M, Guangzhou, China Entertainment Series B</p> |
| <p>3 Ofo — \$866M, Beijing, China Transportation Late-stage VC</p> | <p>8 Meicai — \$450M, Beijing, China E-commerce (consumables) Series E</p> |
| <p>4 Chehaoduo — \$818M, Beijing, China E-commerce Series C</p> | <p>9 Xpeng — \$348M, Guangzhou, China Automotive Series C</p> |
| <p>5 Douyu — \$632M, Wuhan, China Entertainment software Corporate</p> | <p>10 BigBasket — \$300M, Bangalore, India E-commerce (consumables) Series E</p> |

Source: Venture Pulse, Q1'18, Global Analysis of Venture Funding, KPMG Enterprise. Data provided by PitchBook, April 11, 2018.

KPMG Enterprise Innovative Startup Network. From seed to speed, we're here throughout your journey



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About KPMG Enterprise

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The KPMG Enterprise Global Network for Innovative Startups 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 has switched to PitchBook as the provider of venture data for the Venture Pulse report. Due to differing methodologies between data providers, there may be discrepancies between this and prior editions of the Venture Pulse report.

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

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 U.S. 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 U.S.. 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.

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.

Methodology, cont'd

Growth equity: Rounds must include at least one investor tagged as growth/expansion, while deal size must either be \$15 million or more (although rounds of undisclosed size that meet all other criteria are included). In addition, the deal must be classified as growth/expansion or later-stage VC in the PitchBook Platform. If the financing is tagged as late-stage VC it is included regardless of industry.

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.

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.

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