



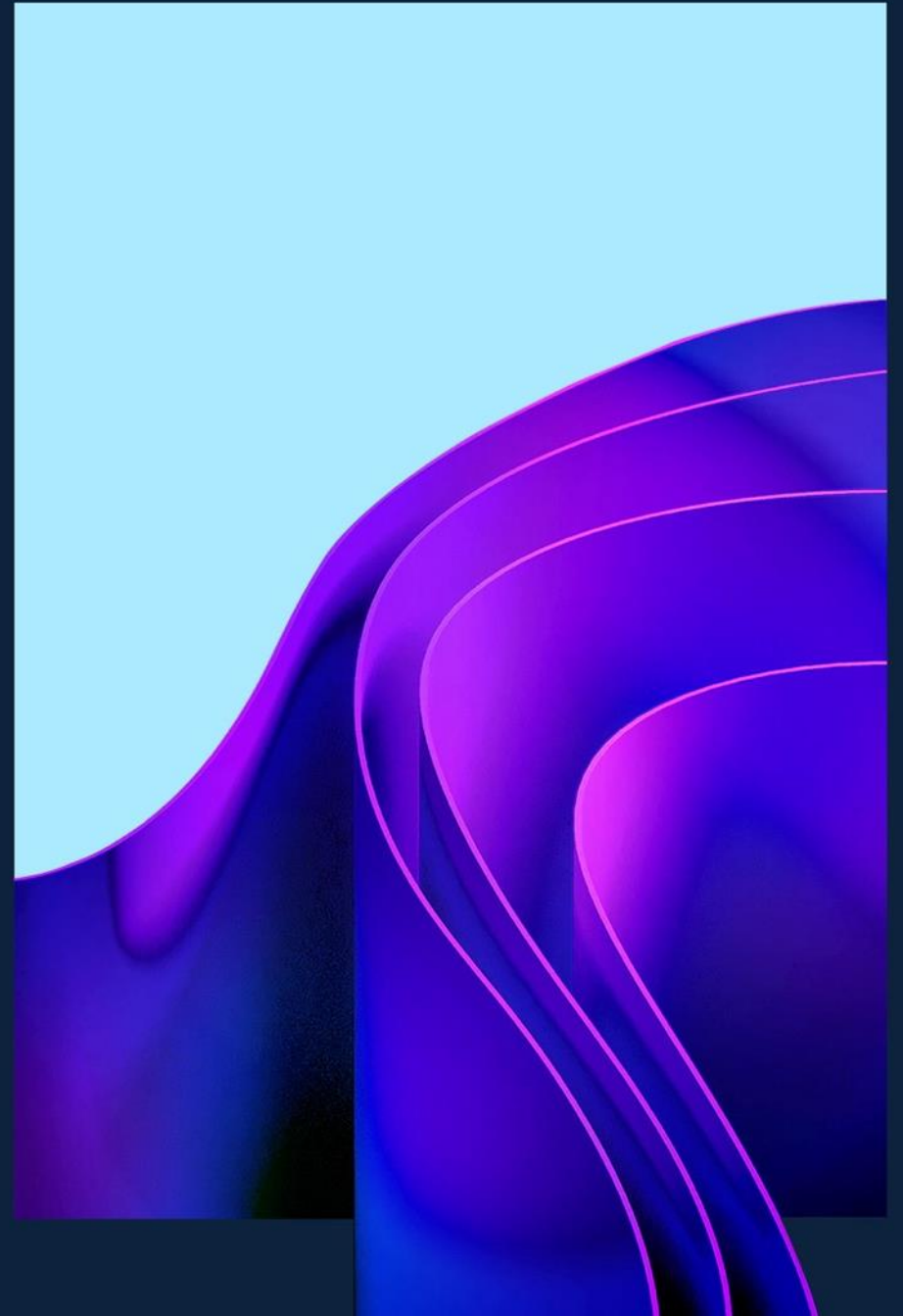
Private Enterprise

Venture Pulse

Q3 2023

Global analysis of venture funding

October 18, 2023



Welcome message

Welcome to the Q3'23 edition of KPMG's *Venture Pulse* — a quarterly report highlighting the major trends, challenges, and opportunities facing the venture capital market globally and in key jurisdictions around the world. The data and insights in this report are a look back to venture capital investment during the July 1 to September 30 time frame.

Global VC investment fell to a sixteen-quarter low this quarter as the VC market continued to feel the pressure of global economic and geopolitical uncertainties, ongoing concerns about valuations and downrounds, and a protracted lack of exit opportunities. Deal speeds continued to slow as VC investors remained cautious — undertaking more due diligence related to potential deals and prioritizing companies with clear paths to profitability. VC investors also continued to focus on improving the operational efficiencies of companies within their existing portfolios.

On a regional basis, the US, and Asia both experienced slight declines however European deal activity picked up somewhat, in both VC investment and the total number of VC deals quarter-over-quarter. Mega deals returned to the fold in Q3'23, led by a massive \$4 billion raise by US AI startup Anthropic. The top 5 deals globally also included a \$2.27 billion raise by France-based battery producer Verkor, a \$1.87 billion deal by China-based GTA Semiconductor, a \$1.63 billion deal by Sweden-based H2 Green Steel and a \$1 billion deal by electric vehicle producer RoxMotor in China. Overall, AI-focused startups continued to attract a significant amount of attention from VC investors globally, in addition to companies in the energy, electric vehicles, and cleantech spaces.

After a lengthy drought, the last few weeks of Q3'23 saw some fresh IPO activity in the US, driven by the US-based IPOs of Arm — a UK-based chip designer, Instacart — a US-based grocery delivery company, and Klaviyo — a US-based marketing automation firm. All three companies saw relatively positive results on the first day of trading, although their results in the days since have been more mixed. Q4'23 will be critical to see whether the momentum generated by these IPOs is enough to open the IPO window further, although a full rebound in IPO activity is not expected before mid 2024.

Heading into Q4'23, VC investment is expected to remain relatively soft globally — although AI will likely remain a very compelling area of investment in all regions of the world. Given the acceleration in AI, additional regulation in the space will also be something to watch for in the coming quarters.

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

- The continued softness in fundraising globally
- The acceleration of interest in AI opportunities
- The slowdown in VC deal speeds in most jurisdictions
- The growing focus on IPO readiness
- The ongoing slowdown in large, late stage deals

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

Unless otherwise noted, all currencies reflected throughout this document are in US dollars.

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Private Enterprise

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#Q3VC

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- Down rounds remain high relative to historic norms
- Late-stage global median deal size falls year over year
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- Top 10 deals spread among 6 different countries



US

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- Down rounds increase year over year
- Late-stage valuations face downward pressure
- Investment in Software sector increases as a percentage of overall investment YoY
- IPO activity shows signs of life
- Fundraising remains muted in wake of record highs

Americas

- VC-backed companies fall to \$34.6 billion across 3000 deals
- Down and flat rounds see an uptick
- Canadian deal value drops to new lows
- Mexico sees rebound Quarter on over \$297 million
- Brazil records another slow quarter as Mexico see strong rebound
- Cleantech, fintech and AI draw largest deals



Asia

- Venture Capital investment drops to \$20.3 billion invested across 2582 deals
- Early-stage deals remain surprisingly resilient
- Corporate VC pulls back in line with general market
- Japan continues to see strong dealmaking
- Electric vehicle ecosystem remains hot in China
- Chinese companies raise 8 of largest 10 deals in Asia

Europe

- Investment remains cool in Europe — with \$17.3 billion invested on 1671 deals
- VC invested into D+ rounds drop YoY
- Enterprise & healthcare-related offerings remain robust
- UK benefits from bevy of larger deals
- Austria and France sees surge in VC investment on mega deals
- Top 10 deals split among 6 countries, with UK leading the way

**Globally, in Q3'23
VC-backed companies
raised \$77.05B across
7,435 deals**

Global VC investment falls for the 7th consecutive quarter

Q3'23 was a particularly quiet quarter for the VC market globally, with both total VC investment and the number of VC deals dropping between Q2'23 and Q3'23. On a regional basis, while there was a decline in total investment in both the Americas and Asia, European deal activity increased slightly quarter-over-quarter.

Americas attracts the most funding, but Asia and Europe dominate largest VC deals

The Americas accounted for the largest share of VC investment globally in Q3'23, with the US accounting for the vast majority of this total, including a 4.0 billion raise by Anthropic, and a \$997 million raise by battery recycler Redwood Materials. Asia, meanwhile, accounted for the largest share of the top ten deals in Q3'23, including a \$1.87 billion raise by GTA Semiconductor and a \$500 million raise by Indonesia based startup Unway. However, it was the electric vehicle space that pulled in the majority of big deals including a \$969 million raise by Neta Auto, a \$1 billion raise by RoxMotor, all startups based in China. Europe also experienced a spike in mega deals this quarter, including a massive \$2.27 billion deal by Verkor and a \$1.63 billion deal by H2 Green Steel.

VC deals taking more time as VC investors become more particular

Given the uncertain geopolitical and macroeconomic environment — including concerns about valuations, potential returns, the lack of exits, high interest rates, and other factors — it was not surprising that the time to complete VC deals slowed considerably across most regions of the world during Q3'23. Many VC investors took more time to evaluate deal opportunities, conduct additional levels of due diligence, and identify companies with well-defined paths to profitability. VC investors also prioritized companies within their own portfolios during the quarter, spending more time on the ground with them to help them improve their operations and financial position.

Geographic diversity of VC investments more evident in Q3'23

During Q3'23, a number of jurisdictions outside of the US and other traditional big-ticket markets attracted \$100 million+ deals, including France (Verkor — \$2.27 billion), Sweden (H2 Green Steel — \$1.63 billion), and Indonesia (Unway — \$500 million), Hong Kong (Micro Connect \$458), Australia (Wollemi Capital — \$220 million), and Ireland (Techmet — \$200 million).

Growing VC markets also attracted significant deals this quarter, including the UAE (Haqqex — \$400 million), Japan (Telexistence — \$170 million; Gojo & Company — \$101 million), and Brazil (Loft — \$100 million). The growing diversity of jurisdictions attracting major megarounds is a testament to the rapidly evolving global VC ecosystem and the emergence and rapid maturation of new innovation hubs and their associated startups.

Interest in AI continues to accelerate among VC investors globally

While VC investors globally continued to be very cautious with their investments — conducting greater levels of due diligence than in recent years, pulling back from late stage deals, and focusing primarily on companies with very strong business strategies and paths to profitability — AI has been a significant exception. Globally, AI has continued to see a major acceleration in VC investment, although investors have taken different approaches to the space, with some choosing to make a bunch of small bets on early stage companies across the AI ecosystem and industries in order to get in early, and others taking six to nine months to understand the outside market opportunity before honing in on specific companies in which to invest.

During Q3'23, a wide variety of AI companies raised large funding rounds, including US-based Anthropic (\$4 billion), Databricks (\$500 million), Neuralink (\$280 million), Japan-based Telexistence (\$170 million), and Germany-based Aleph Alpha (\$225 million).

Global VC investment falls for the 7th consecutive quarter, cont'd.

Energy and cleantech remains attractive to VC investors globally

Energy and cleantech also continued to be significant draws for VC investors globally during Q3'23. In addition to large deals to Chinese electric vehicle manufacturers Neta Auto, Rox Motor, and Farizon, there was significant investor interest in battery technology in Q3'23 ranging from the \$2.27 billion investment into French battery maker Verkor to a \$997 million raise by US-based battery recycling company Redwood Materials, a \$460 million raise by Ascend Elements. More broadly, large cleantech investments included a \$350 million raise by Juniper Green Energy in India and a \$256 million raise by UK-based energy company Ovo Energy.

It is expected that both energy and cleantech will remain very key areas of investment, particularly as more and more jurisdictions emphasise the energy transition.

IPO market window opens a sliver

After being closed for more than a year, the IPO market globally opened a sliver late in Q3'23 with the US-based IPO exits of Arm, Instacart, and Klaviyo. While all three companies held respectable IPOs, their post-IPO performance has been more mixed — although it is still very early days. While there is little to suggest that the IPO market door will swing open entirely in the wake of these IPOs, there is more positivity in the IPO market than there has been in quite some time. The real test will be whether or not other startups follow in their footsteps in Q4'23 and into Q1'24. The US market will be key to watch as activity there will likely tick upward first given the strength and depth of its investor pool.

While Europe and much of Asia, including mainland China and Hong Kong, also saw a continued slowdown in IPO activity, Japan continued to prove itself an exception. The number of IPOs in the country were on pace to exceed 2022 results at the end of Q3'23, with many performing well post-IPO. That said, IPOs in Japan were quite small in comparison to other jurisdictions in terms of deal size.

Trends to watch for in Q4'23

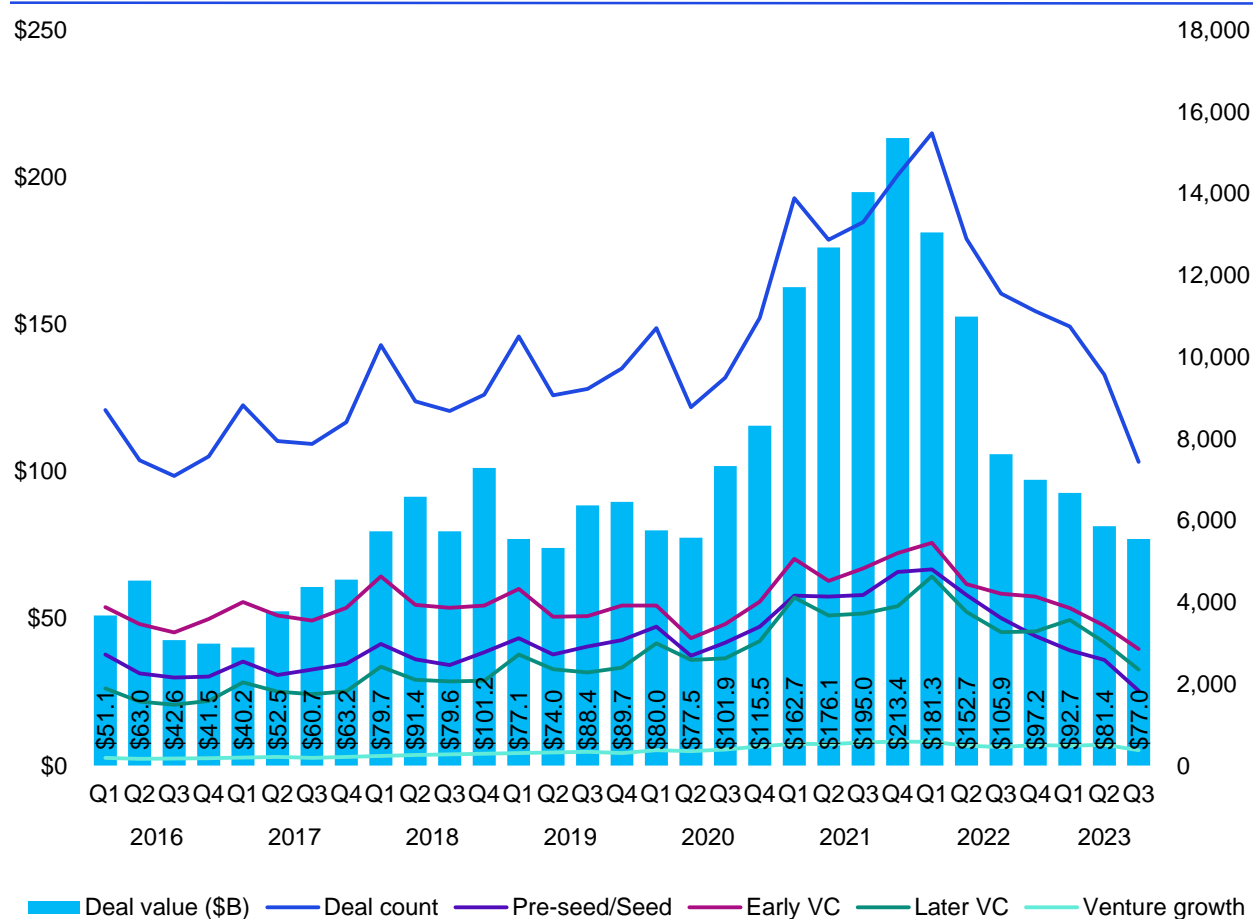
VC investment globally is expected to remain relatively flat in Q4'23, given ongoing uncertainties in the global market. AI, energy, and cleantech are expected to remain very attractive to VC investors across most jurisdictions.

Globally, many VC investors will have their eyes glued to the IPO market in Q4'23 and into Q1'24, watching to see the impact of the Q3'23 IPOs of Arm, Instacart, and Klaviyo. While the IPO window is not expected to see a dramatic reopening before the end of the year, additional exits could spark a renewal in IPO activity heading into the first half of 2024.

VC activity continues to subside, but at a slower pace

Global venture financing

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

For the seventh quarter in a row, venture activity continued to subside in Q3 2023. Both venture financing volume and aggregate deal value worldwide hit tallies once again in line with the boom period observed in the early 2020s. All that said, it is important to note that subsiding from record tallies is to be expected in market cycles, especially given the array of shocks that economies and global financial systems have endured over the past three years and counting.

In addition, there are signs of a moderation in the pace of slowing investment, i.e., a plateau may be in the offing. When additional data is collected, aggregate deal value could be closer to Q2's tally than current figures suggest. Moreover, dealmakers seem to be further adapted to all the multiple volatile factors that have slowed the pace of investment thus far, while financing metrics are moderating to levels that may be more doable for many fund managers. It remains to be seen if a plateau does emerge, but there are at least some promising indicators.

“ While overall investment remains somewhat muted globally, we continue to see mega rounds into Artificial Intelligence startups, both through corporate venture capital and traditional players. Beyond the hype, companies are actively piloting AI across the board to identify the most disruptive applications, where they can drive the greatest return on investment. We anticipate continue investment into all things AI, and in particular startups at the intersection of AI and productivity software. ”

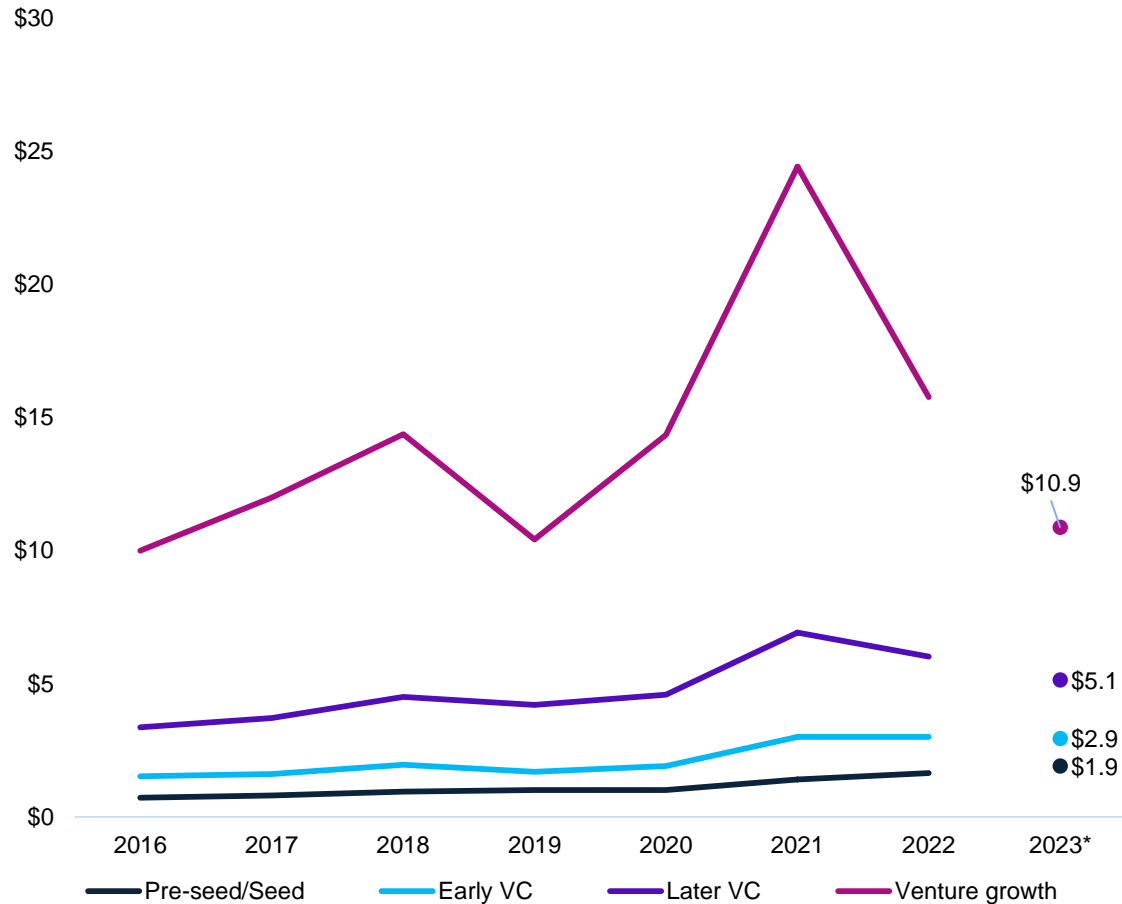


Jonathan Lavender
Global Head
KPMG Private Enterprise
KPMG International

Down rounds remain high as financing metrics moderate

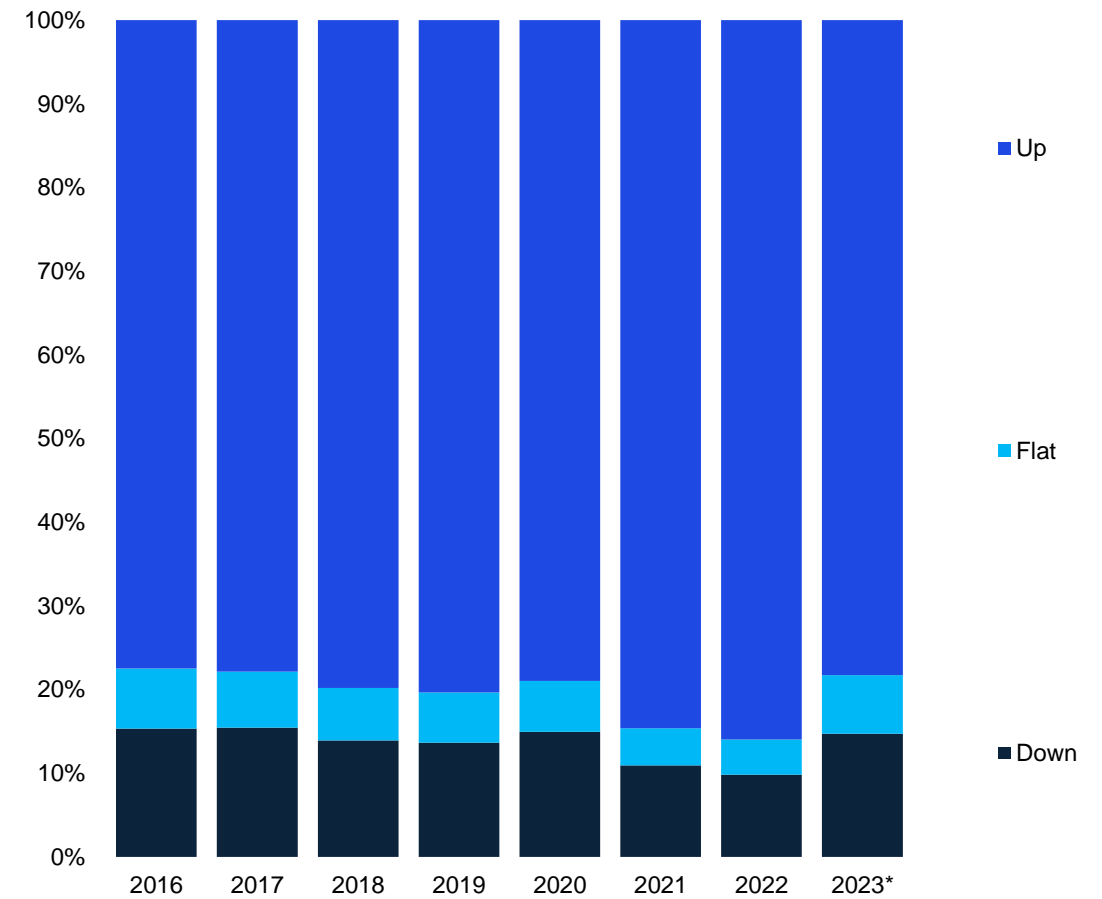
Global median deal size (\$M) by stage

2016–2023*



Global up, flat or down rounds

2016–2023*

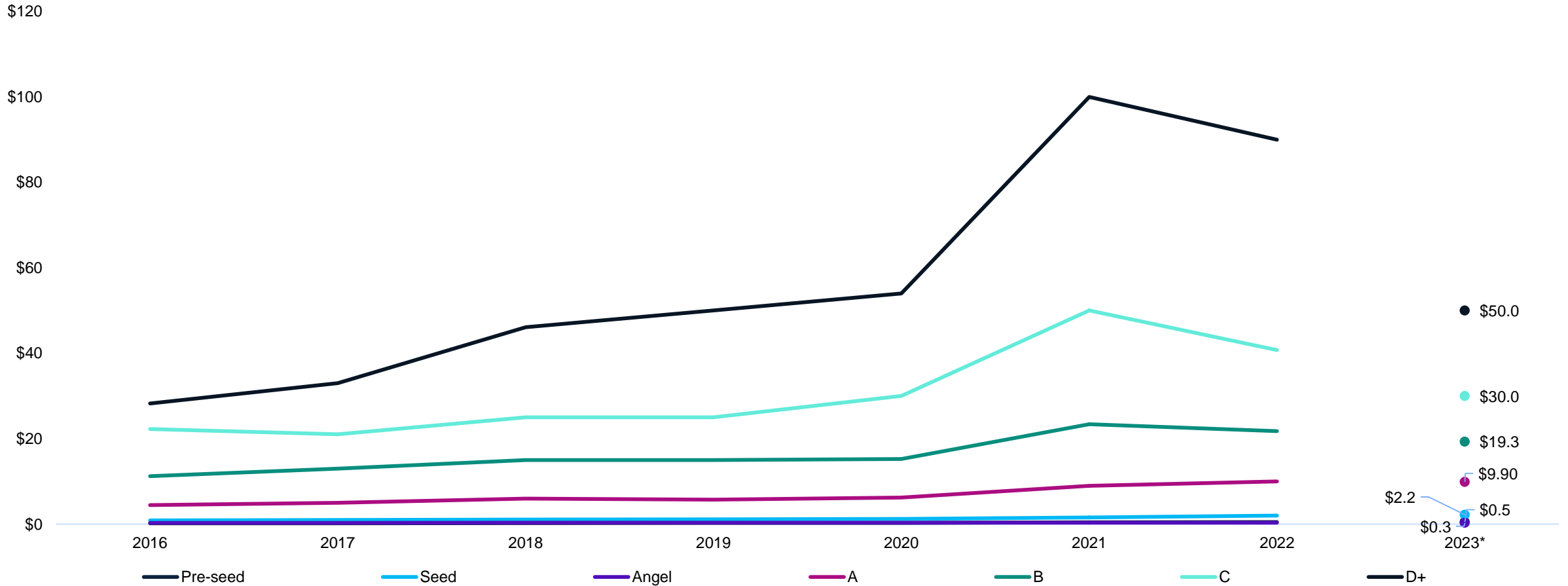


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

The later stages see metrics slide, others hold steady

Global median deal size (\$M) by series

2016–2023*

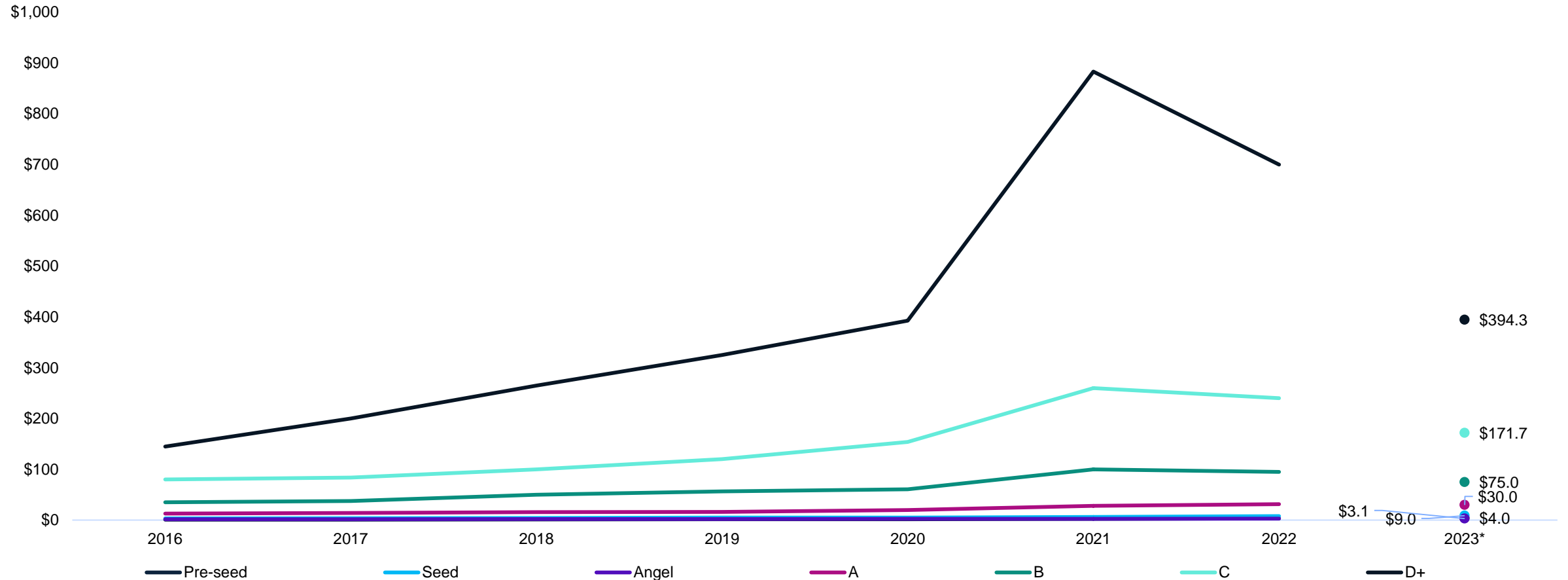


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Later-stage valuations continue to correct

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

2016–2023*

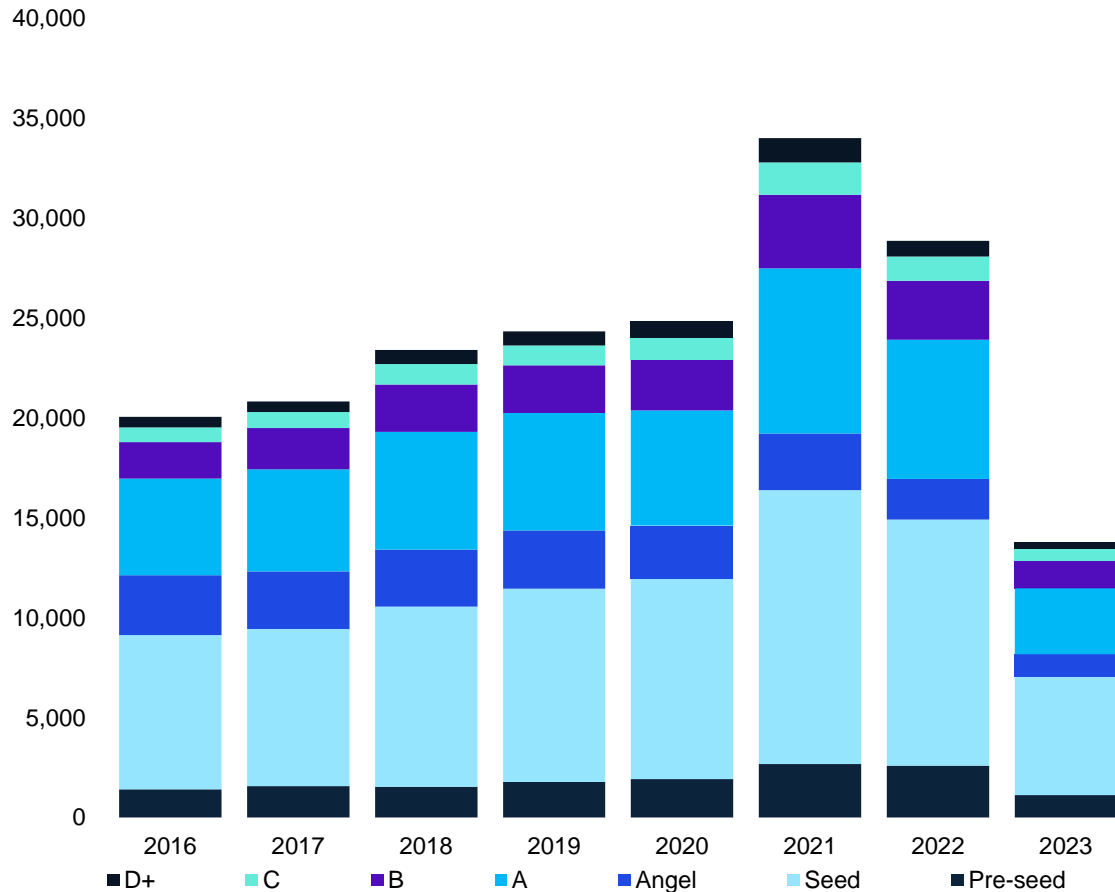


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Deal shares revert to historical averages

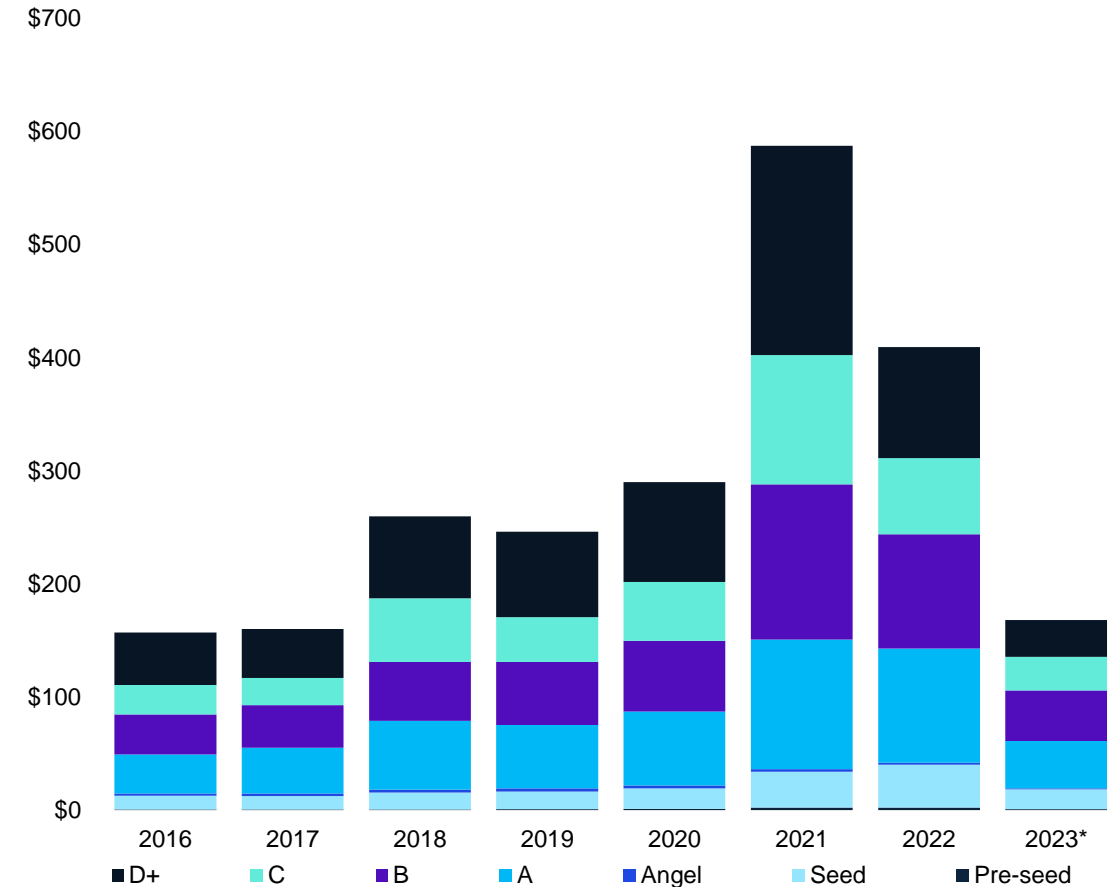
Global deal share by series

2016–2023*, number of closed deals



Global deal share by series

2016–2023*, VC invested (\$B)

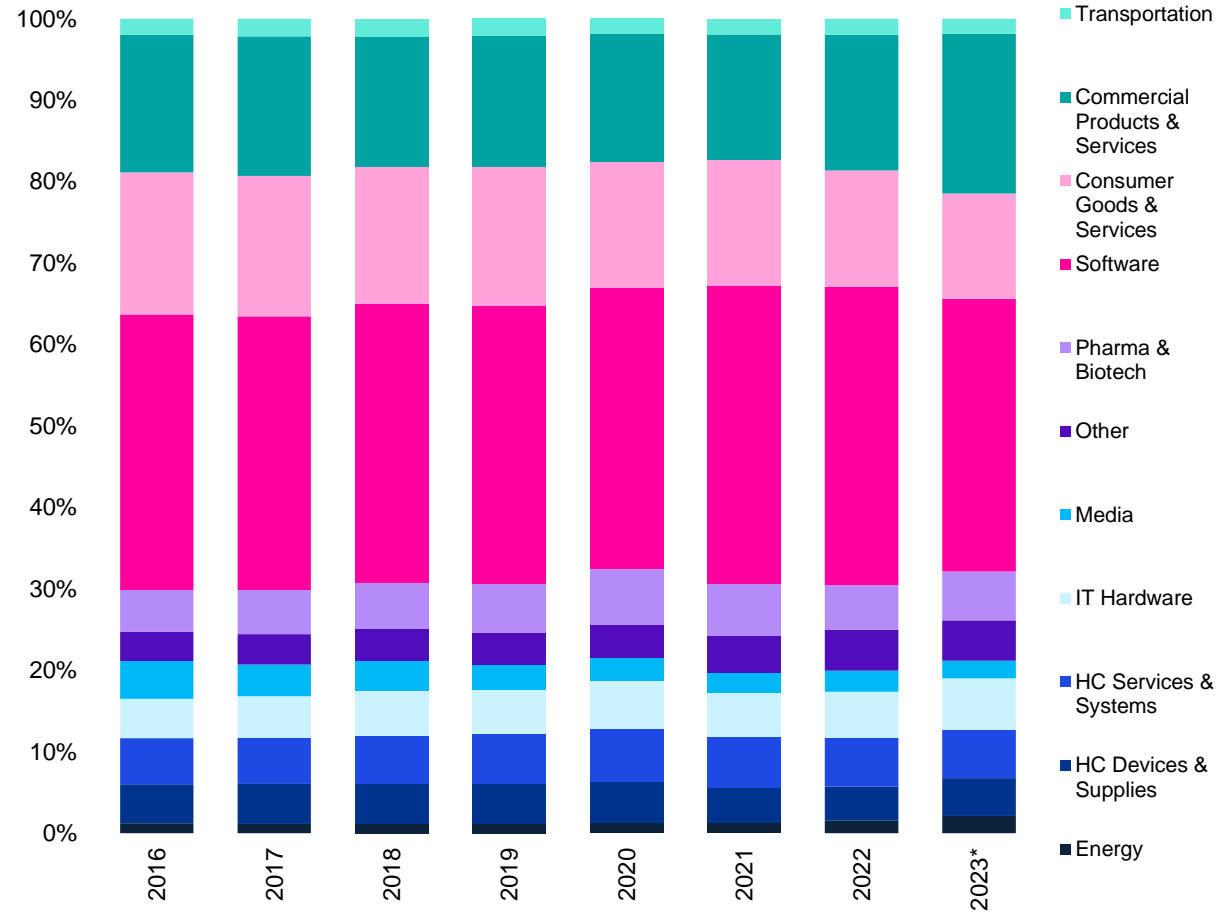


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Since 2019, healthcare & energy have commanded more capital

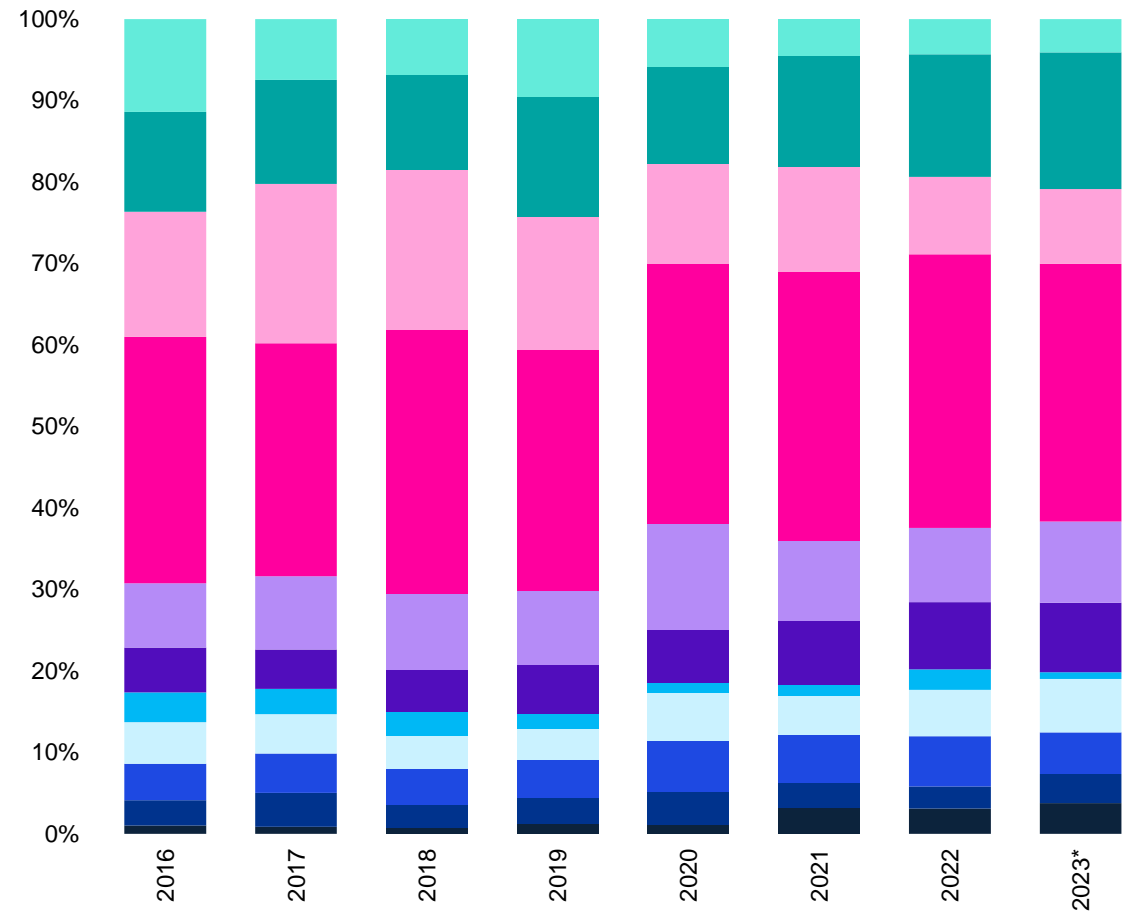
Global financing trends to VC-backed companies by sector

2016–2023*, number of closed deals



Global financing trends to VC-backed companies by sector

2016–2023*, VC invested (\$B)

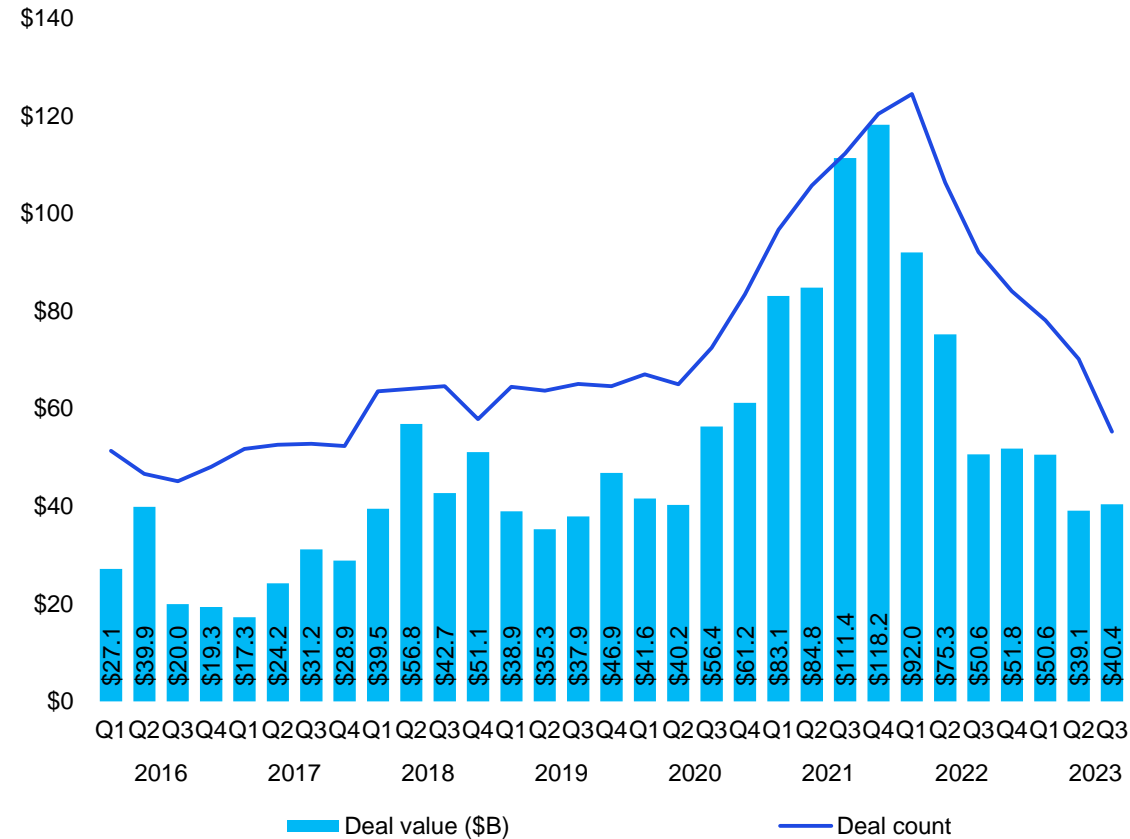


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Corporates even out at low level while first-time financing stays healthy

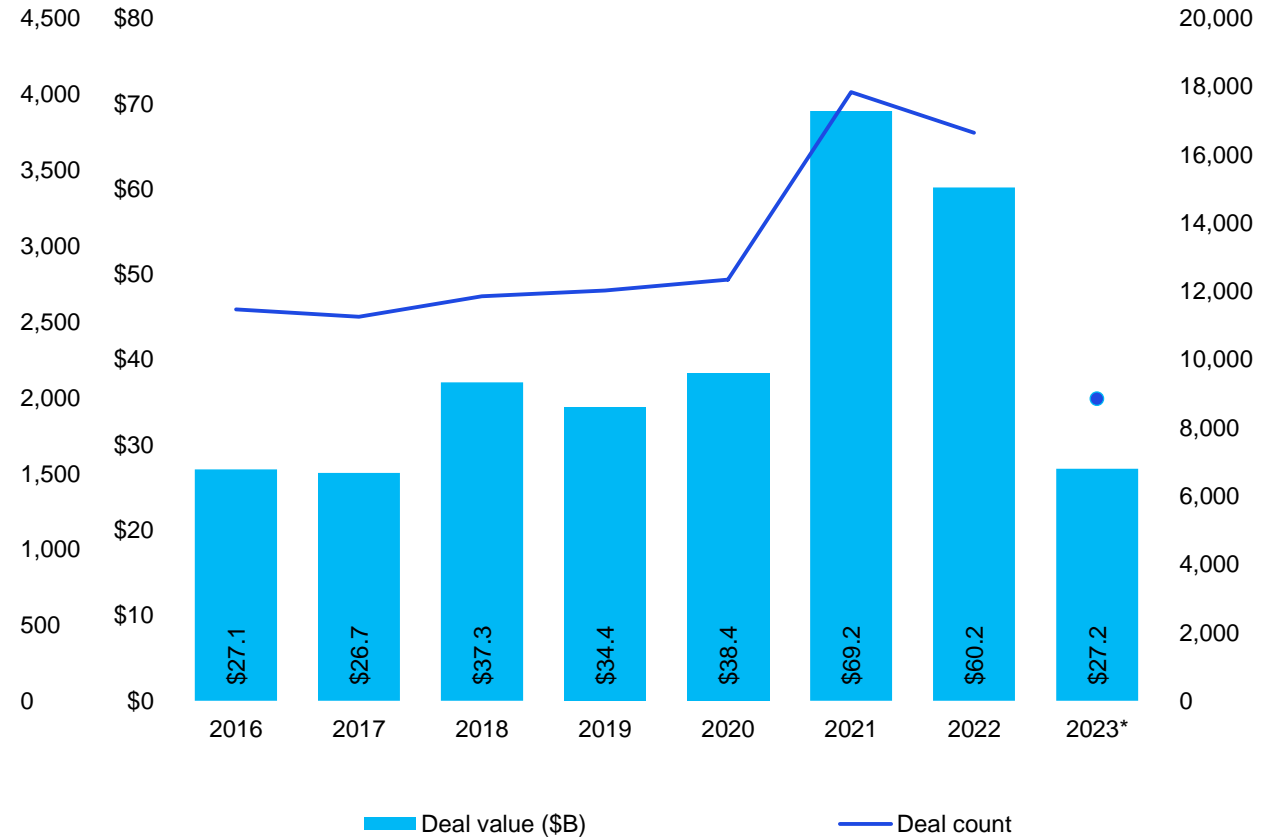
Corporate VC participation in global venture deals

2016–Q3'23



Global first-time venture financings of companies

2016–2023*



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

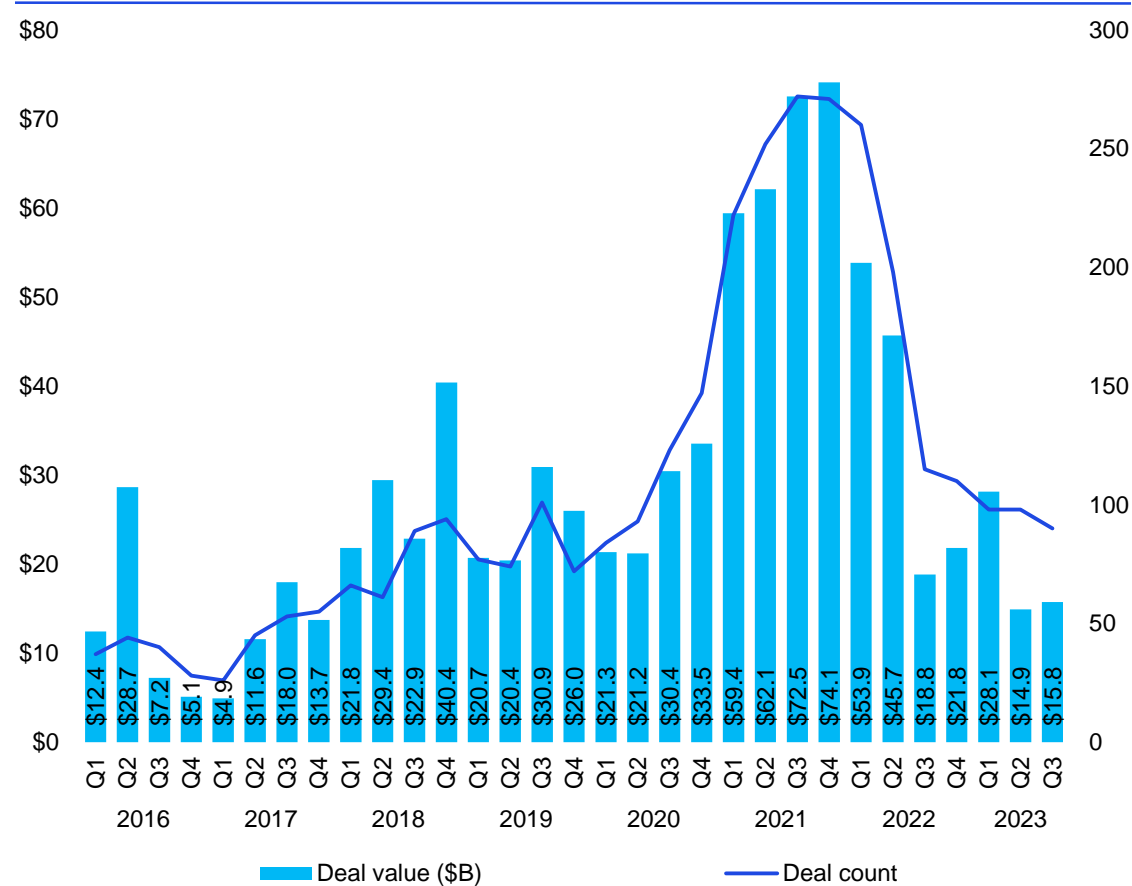
Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

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, deal count is the number of rounds in which corporate venture firms participated.

Exits regain small bump back up

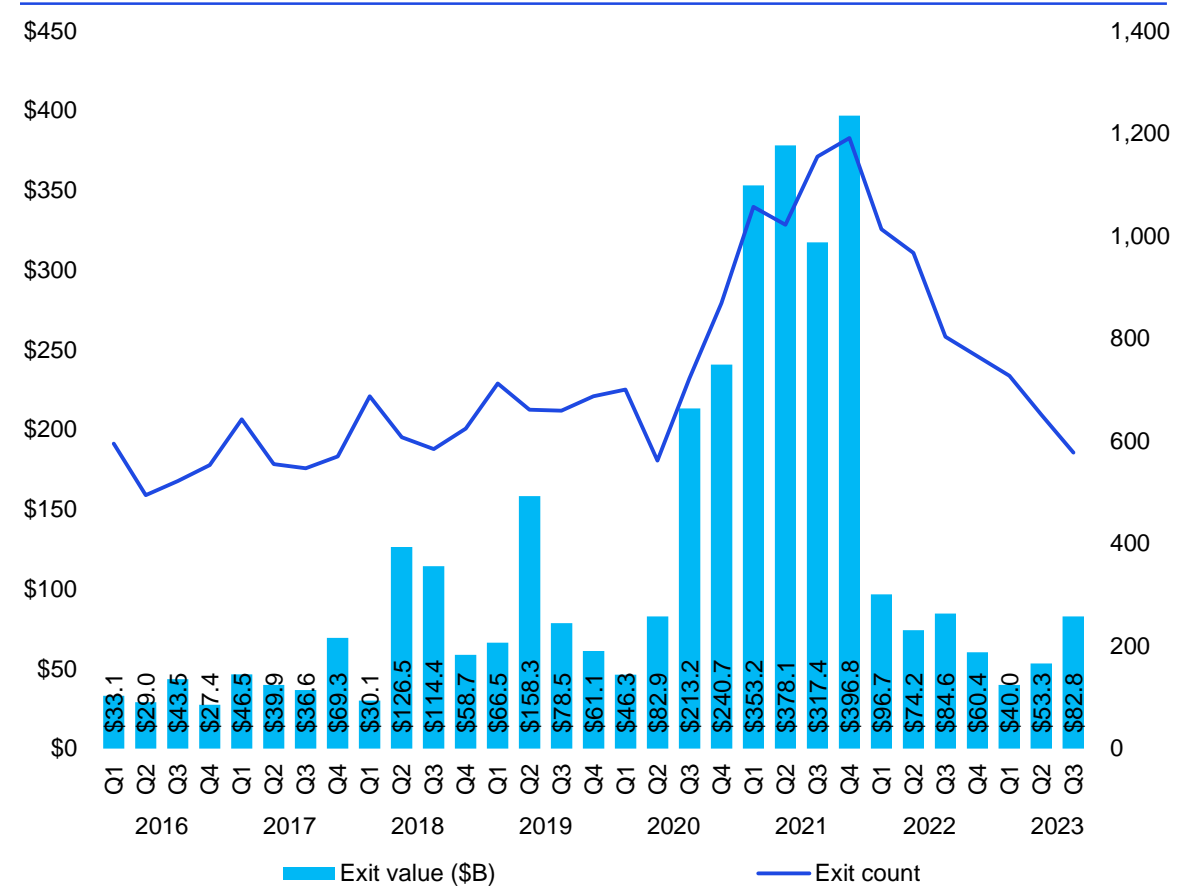
Global unicorn rounds

2016–Q3'23



Global venture-backed exit activity

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

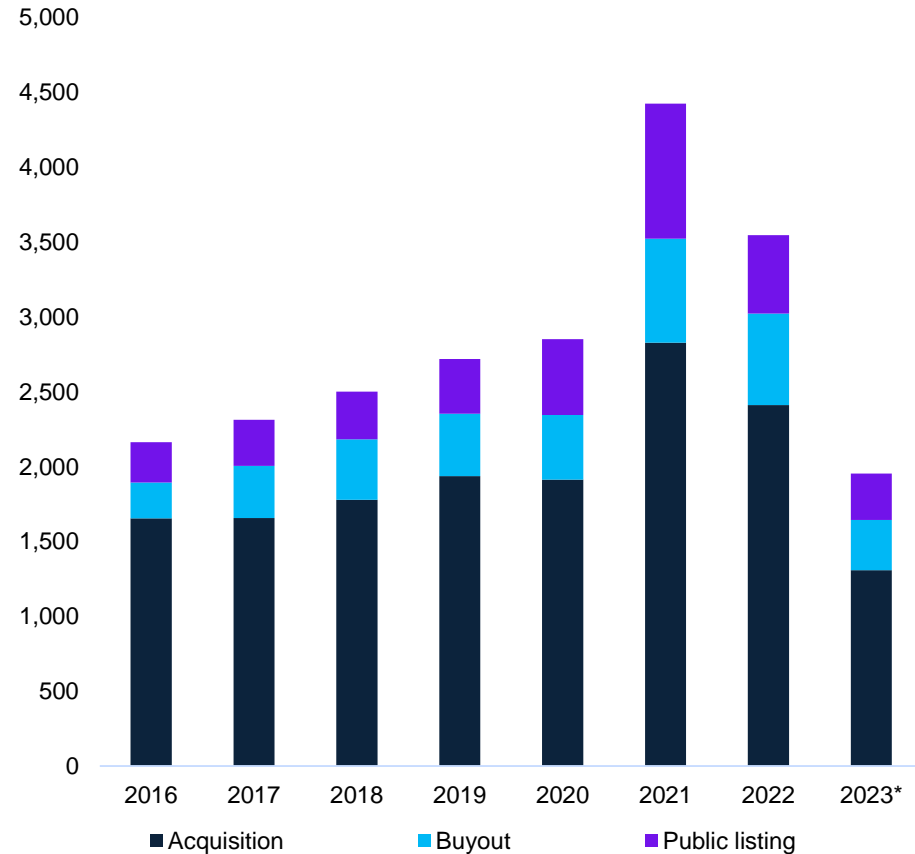
Note: PitchBook defines a unicorn venture financing as a VC round that generates a post-money valuation of \$1 billion or more. These are not necessarily first-time unicorn financing rounds, but also include further rounds raised by existing unicorns that maintain at least that valuation of \$1 billion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

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

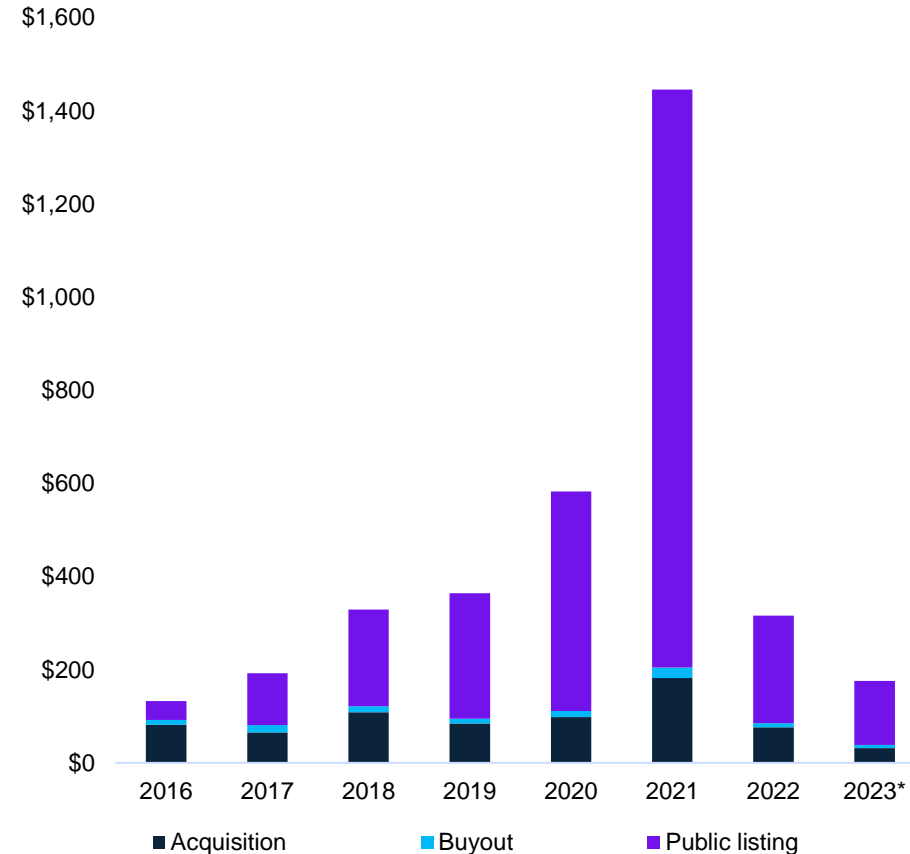
Note: Exit value for initial public offerings is based on pre-IPO valuation, not the size of the offering itself.

IPOs return somewhat, while M&A remains most common but muted

Global venture-backed exit activity (#) by type
2016–2023*



Global venture-backed exit activity (\$B) by type
2016–2023*



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

“There has been a belief held by many, me included, that private company valuations have not fully aligned with public. The cracking open of an IPO window will hopefully rectify this so that potential valuation gaps that exist between investors and founders get closed to a degree. In the long run this would be good for everyone.”

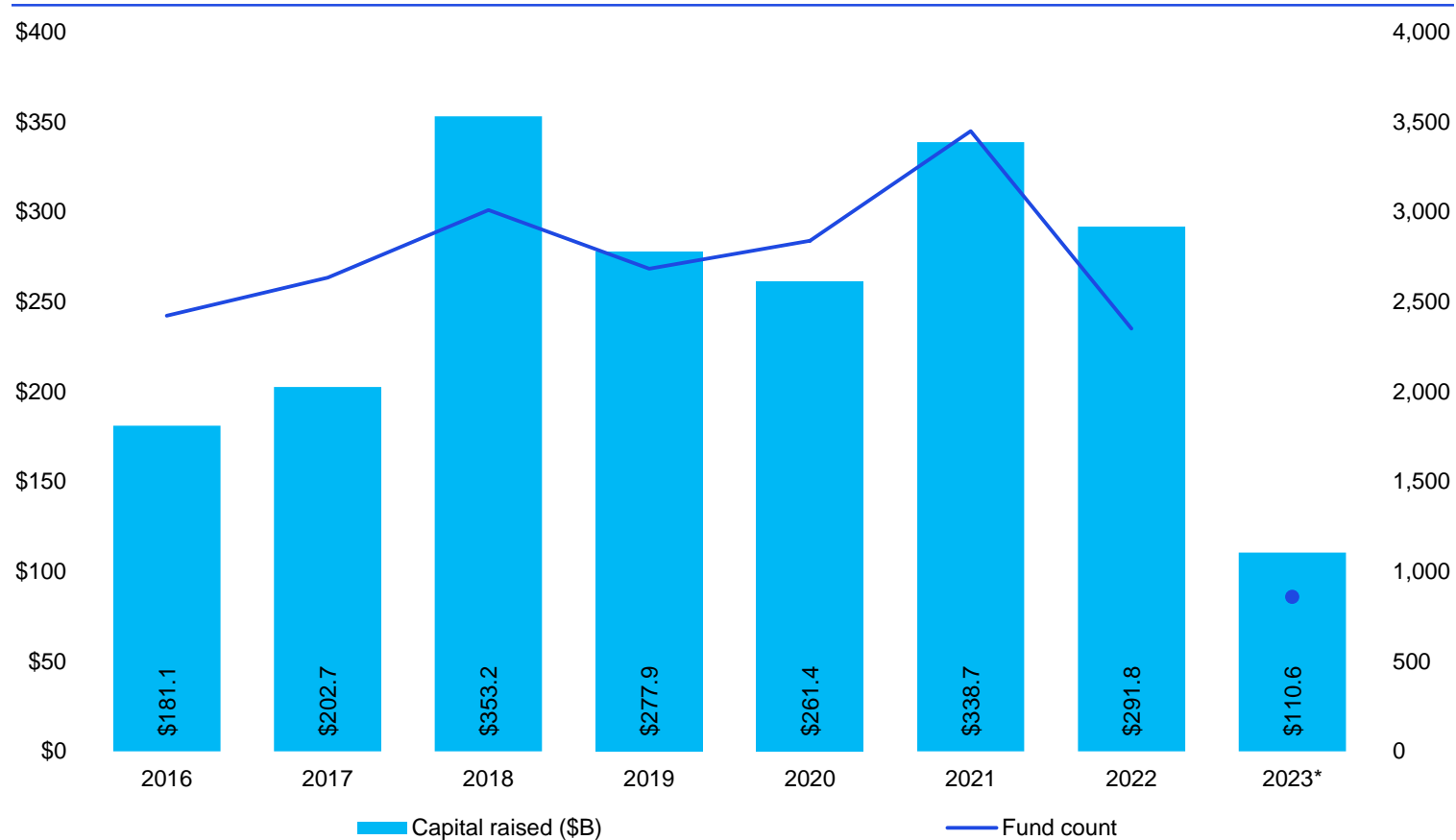


Conor Moore
Head of KPMG Private Enterprise in the Americas, Global Leader, Emerging Giants, KPMG Private Enterprise, KPMG International & Partner
KPMG in the US

The fundraising cycle continues to see a reset

Global venture fundraising

2016–2023*



The denominator effect of the 2010s has transformed into the numerator effect of the 2020s, wherein equities' decline has led to the need to rightsize private market allocations at the portfolio level among institutional managers. Fund allocators of capital are waiting to see how even top venture fund managers are navigating the current environment, especially as returns remain in question given liquidity crunches. As a result, the fundraising cycle is experiencing a reset that has yet to turn around.

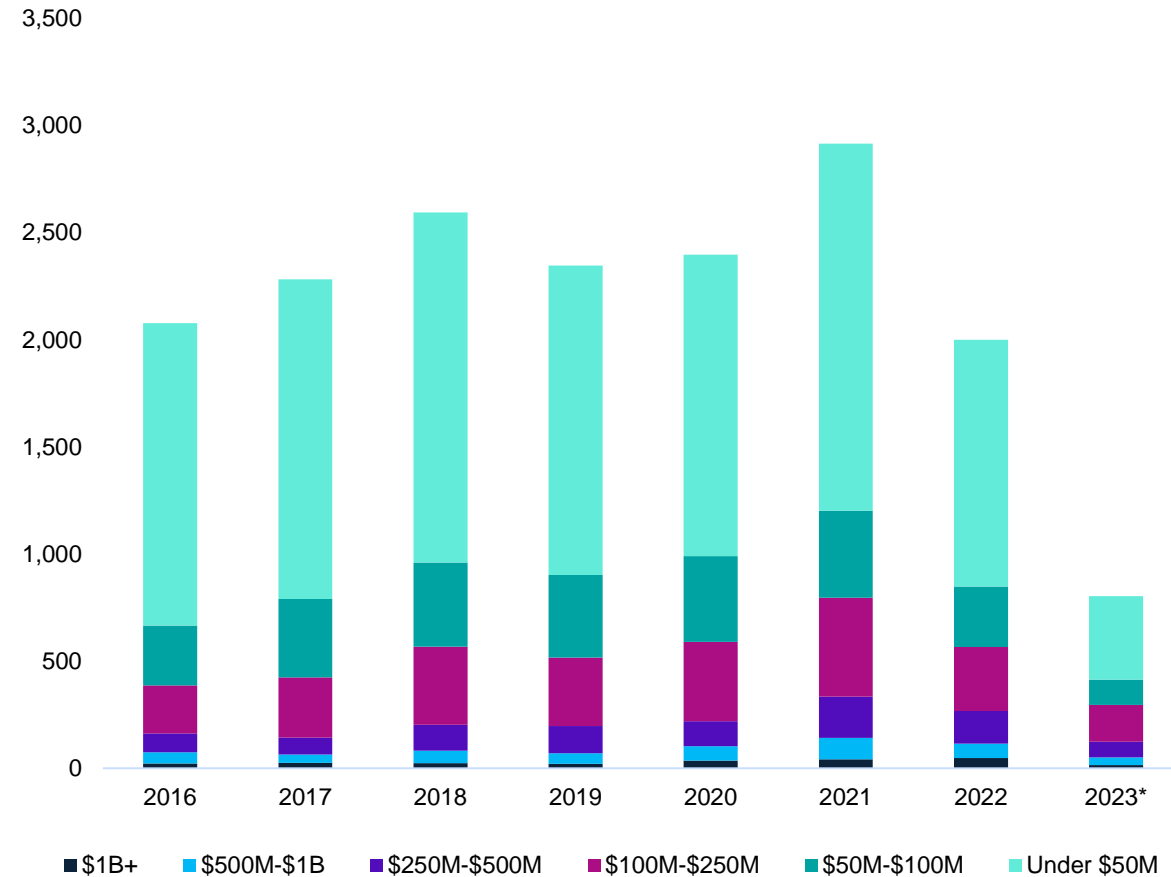
2023 continues to see headwinds affecting fund investors' appetite for exposure, with **nearly \$111 billion committed thus far as the reset continues.**

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

More reasonably sized funds keep closing

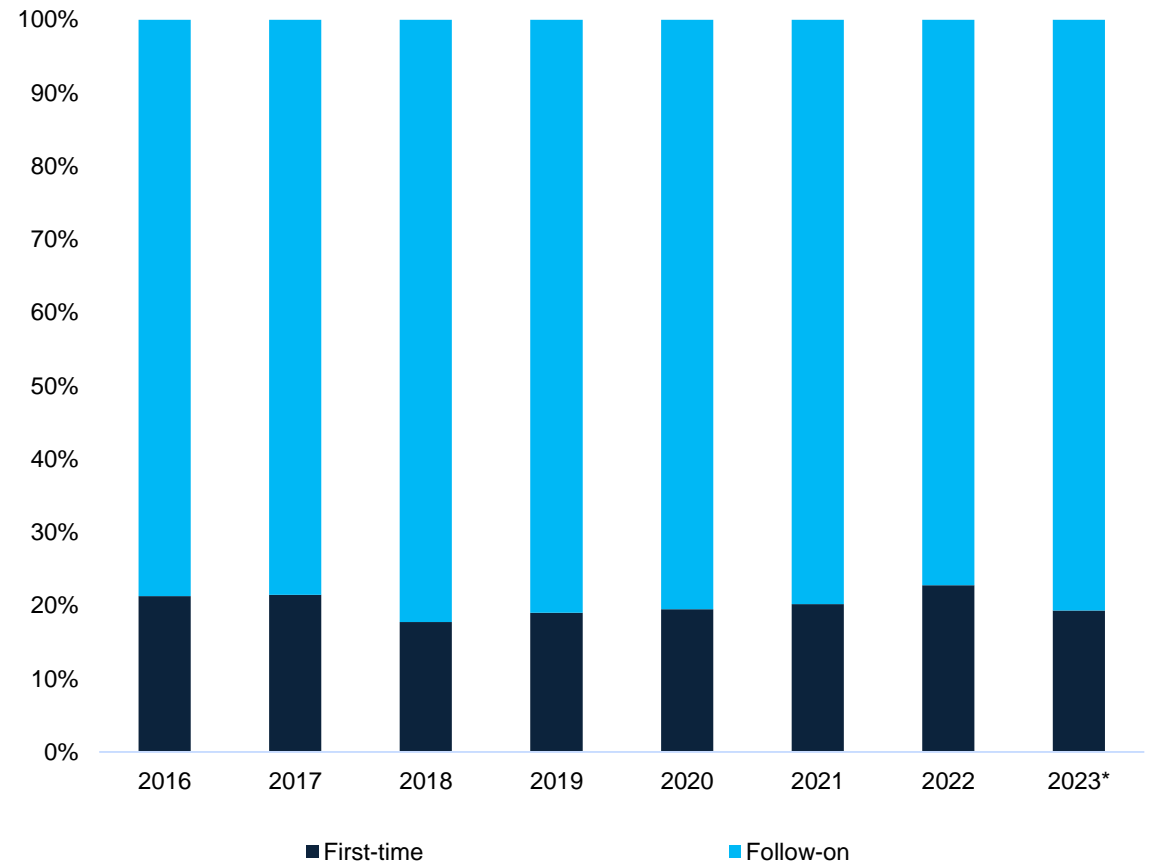
Global venture fundraising (#) by size

2016–2023*



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

2016–2023*



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Chips, transport & cleantech abound

Top 10 global financings in Q3'23



1. **Anthropic** — \$4B, San Francisco, US — AI & ML — *Late-stage VC*
2. **Verkor** — \$2.3B, Grenoble, France — Cleantech — *Series C*
3. **GTA Semiconductor** — \$1.87B, Shanghai, China — Semiconductors — *Late-stage VC*
4. **H2 Green Steel** — \$1.6B, Stockholm, Sweden — Cleantech — *Early-stage VC*
5. **Rox Motor** — \$1B, Shanghai, China — Automotive — *Late-stage VC*
6. **Redwood Materials** — \$997.2M, Carson City, US — Cleantech — *Series D*
7. **Neta Auto** — \$969.4M, Shanghai, China — Automotive — *Late-stage VC*
8. **Conigital** — \$631.6M, Birmingham, UK — Automotive — *Series A*
9. **Farizon** — \$600M, Hangzhou, China — Automotive — *Series A*
10. **Databricks** — \$500M, San Francisco, US — Database software — *Series I*
11. **Uway** — \$500M, Jakarta, Indonesia — E-commerce — *Early-stage VC*

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

**In Q3'23, US VC-backed
companies raised
\$36.7B across
2,716 deals**

VC investment in the US remains soft

VC investment in the US fell marginally in Q3'23 as investors continued to shy away from making large deals. A \$4.0 billion raise by Anthropic and a \$997 million raise by lithium-ion battery recycling company Redwood Materials accounted for the largest deals of the quarter, followed distantly by a \$500 million raise by AI-company Databricks, a \$460 million raise by Battery recycler Ascend Elements, and a \$460 million raises by Axiom Space.

IPO window opens a fraction; companies working to prepare

The IPO window in the US has been firmly closed for well over a year. In the latter half of Q3'23, the window opened a fraction as UK-based AI chip design firm Arm and US-based grocery delivery company Instacart conducted IPOs on the Nasdaq, while US-based marketing automation firm Klaviyo listed on the NYSE. All three IPOs were reasonably successful. Arm raised over \$4.8 billion in the largest IPO of the year, with its shares rising more than 25 percent on the first day of trading;^{1,2} Instacart raised \$660 million, with its shares closing over 12 percent higher;³ and Klaviyo raised \$576 million, with its shares closing 9 percent ahead.⁴

As of the end of Q3'23, the post IPO performance of all three companies has been mixed, although their ongoing performance is something that will need to be watched heading into Q4'23 and Q1'24. While Q4'23 may bring additional IPOs, it's more likely that any complete opening of the IPO market will not be until 2024. A number of mature startups in the US and their investors, however, are looking at the IPO market with cautious optimism, and are working to ensure they will be ready to take advantage should IPO market conditions improve.

VC firms taking a stronger hand with their portfolio companies

Given the challenging market conditions and economic environment over the last few quarters, many VC investors in the US have been slow making deals, choosing instead to focus more of their attention on their current portfolio companies. This continued to be the case in Q3'23, with a growing number of general partners spending significant time on the ground with their portfolio companies in order to provide more concrete guidance on improving different aspects of their business, from business and operational strategies to marketing approaches and product and technical roadmaps. These activities have focused primarily on startups where VCs have deployed a significant amount of capital, or on highly promising startups in an effort to help them evolve to a point where they can begin to demonstrate a path to profitability.

Ongoing concerns about valuations keeping M&A activity at bay

M&A activity in the US remained very dry in Q3'23, primarily driven by ongoing concerns about valuations given the growing number of downrounds, the cost of debt being meaningly higher and the lack of significant exits. Once valuations have stabilized and been proven in the public markets, M&A activity will likely pick up. Corporate M&A activity will likely pick up first as companies look at whether writing a check for an existing company would be better than building innovative solutions in house.

1. <https://www.nytimes.com/2023/09/13/business/arm-ipo-pricing.html>

2. <https://www.cnn.com/2023/09/14/investing/arm-ipo-nasdaq/index.html>

3. <https://www.ctvnews.ca/business/instacart-s-ipo-surges-as-the-grocery-delivery-company-goes-from-the-supermarket-to-the-stock-market-1.6569334>

4. <https://www.msn.com/en-us/money/companies/klaviyo-goes-public-setting-stage-for-saas-ipo-rush/ar-AA1h08AE#>

VC investment in the US remains soft, cont'd.

First time VC funds facing greater challenges as LPs put pressure on VC firms

With interest rates up and more options at their fingertips, LPs are starting to get more selective with their investments. They are also putting significantly more pressure on the VC firms they invest with to show results. This has led to VC firms conducting fewer deals and substantially more due diligence. It has also led LPs to become more cautious about investing in new funds — particularly first time funds — without having a proven track record. During Q3'23, a number of first time funds struggled to raise funds — a distinct change compared to a year or two ago, when proven investors rarely found it difficult to fundraise, even for first time funds.

Trends to watch for in Q4'23

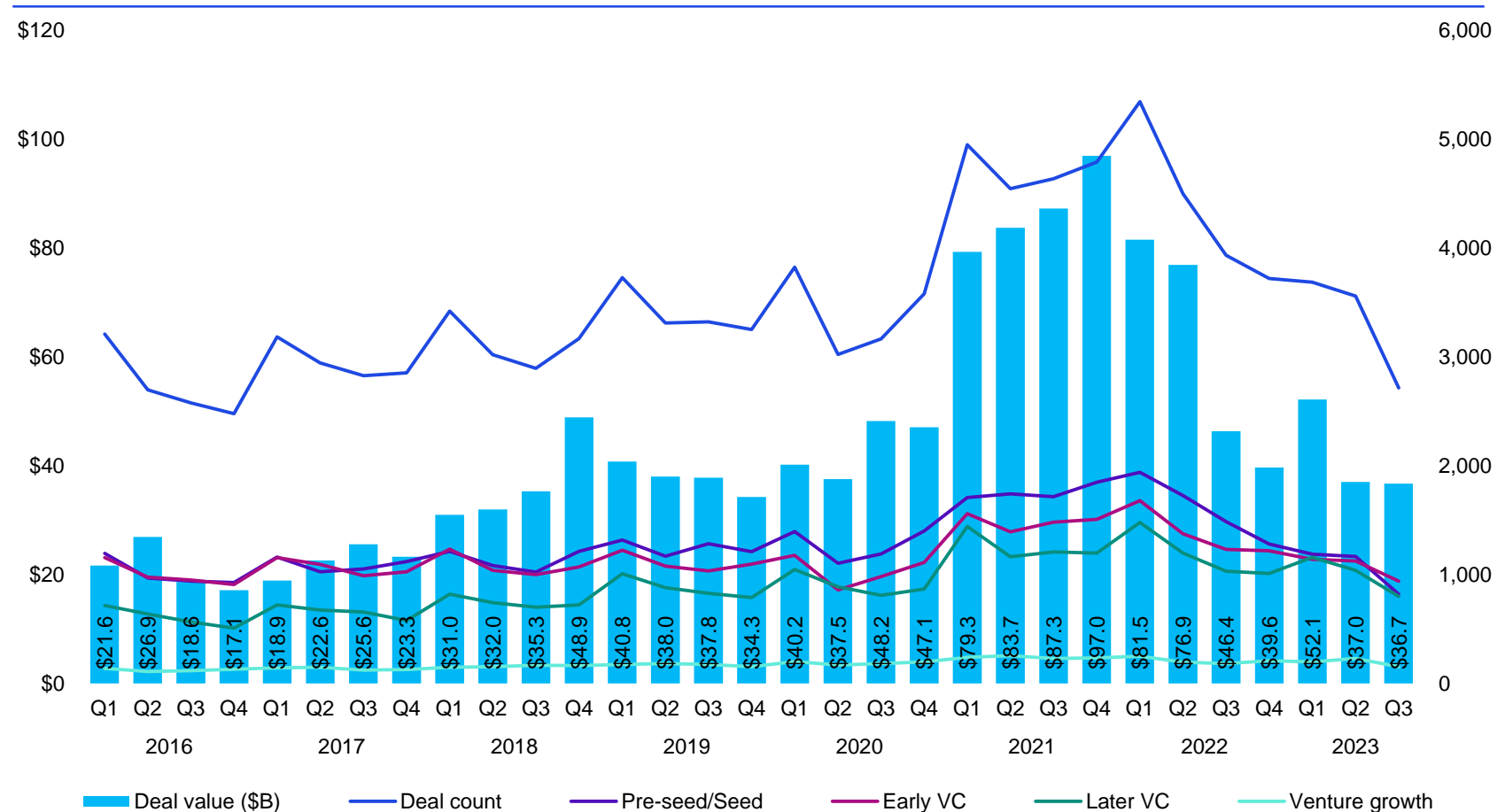
Heading into Q4'23, many eyes in the US will be on the IPO market to see whether other tech startups follow in the footsteps of Arm, Instacart, and Klaviyo. If the IPO market opens up more broadly, M&A activity could also experience a rebound as investors receive more certainty as to whether valuations have stabilized at a healthier level. While fundraising activity is expected to remain slow across the US in Q4'23 and into Q1'24, as exits start to materialize in greater numbers and liquidity gets back to the investor base, fundraising will likely begin picking up again.

Within the US, AI is expected to continue to attract significant attention from VC investors, particularly AI focused on specific sectors like health and biotech and legal and other professional services. ESG, meanwhile, could see some pullback over the next few quarters as an overarching focus of companies, although environment-focused solutions, such as alternative energy and cleantech, are expected to remain attractive.

Financing activity could be evening out

Venture financing in the US

2016–Q3'23



After a steep slide from the heights of venture activity in 2021 and early 2022, deal flow could be evening out in the US. This is to be expected as market participants engaged in the ongoing process of pricing in multiple risks and overall the potential for slower economic growth if not a recession. However, it remains to be seen if this is now the new normal, as tallies have returned to levels seen before the boom of the early 2020s, or if there remain further ripple effects that have not yet been felt.

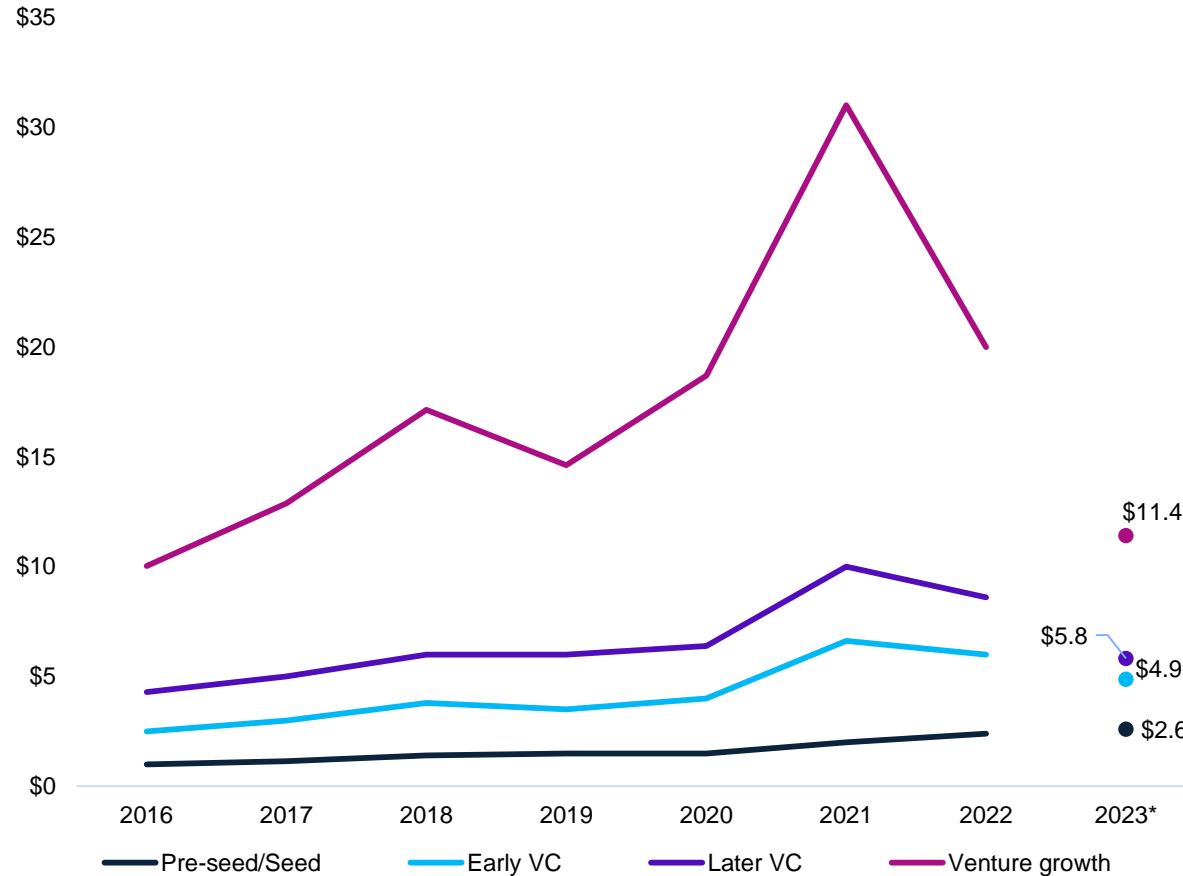
For the US in particular, as monetary policy could be now better priced into the overall cost of capital and implications for pathways to revenue generation and fund timelines, there may be a bit more certainty than elsewhere. However, the US still also faces the most competitive atmosphere for capital deployment, so fund managers must continue to grapple with striking the right balance between winning deals and being judicious with capital infusions.

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Financing metrics & down rounds suggest harder hurdles to raise

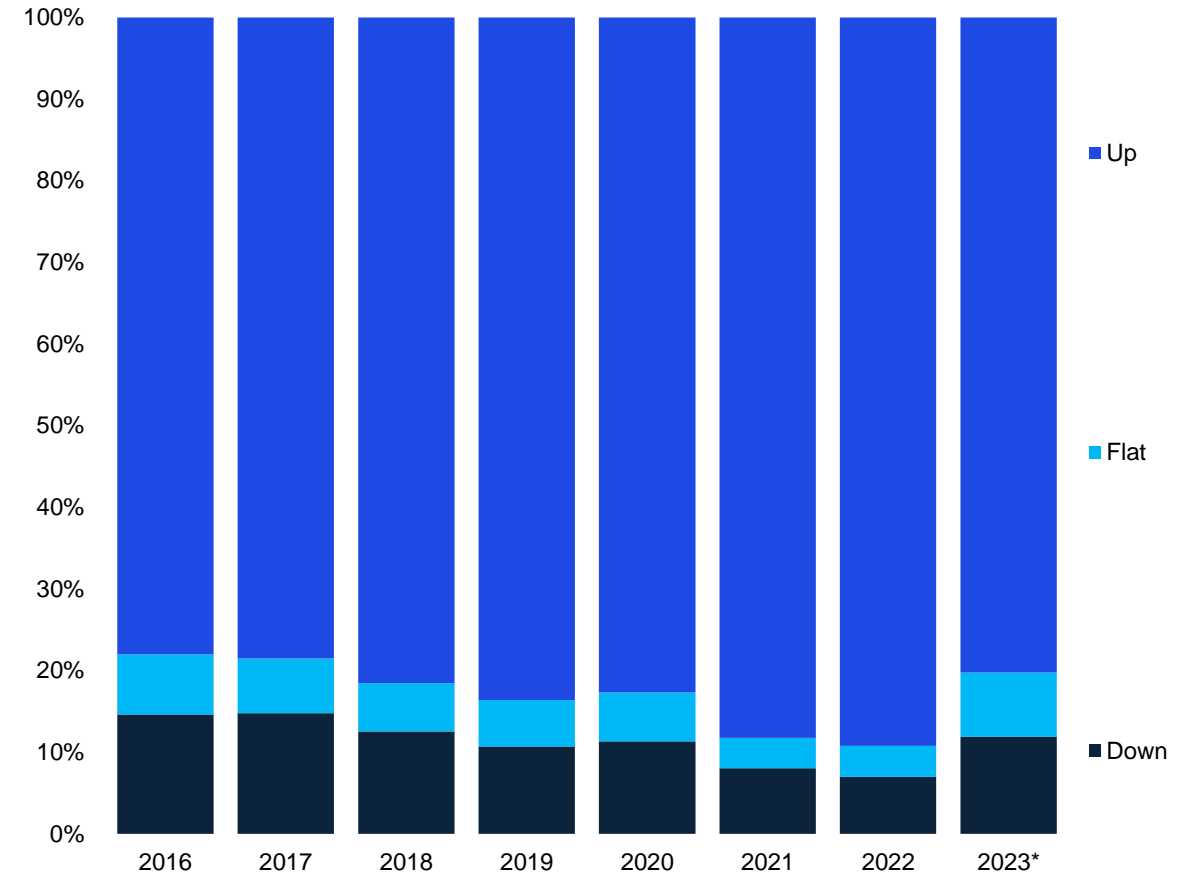
Median deal size (\$M) by stage in the US

2016–2023*



Up, flat or down rounds in the US

2016–2023*

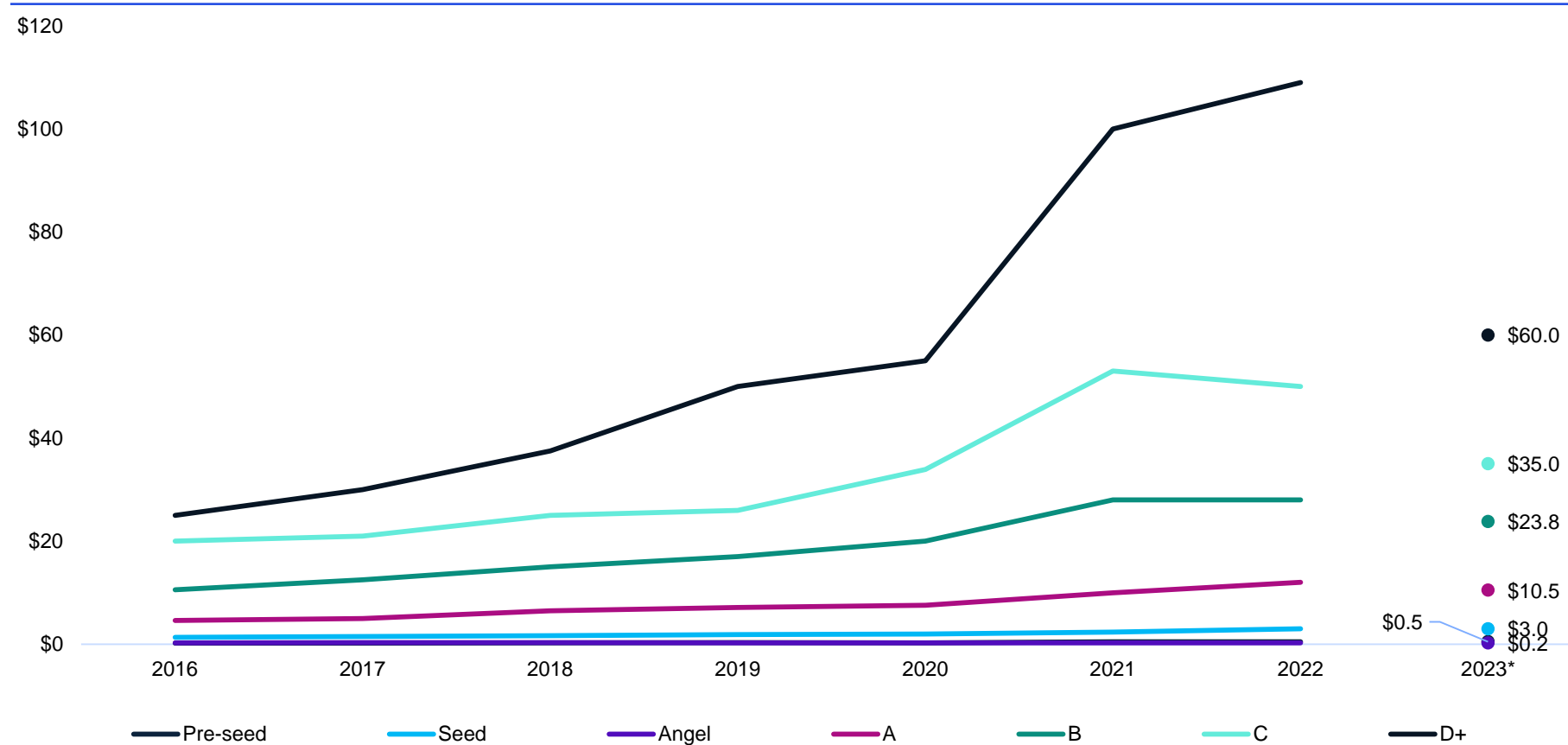


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Later-stage sizes moderate further

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

2016–2023*



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Note: Figures rounded in some cases for legibility.

“ Investors are doing a lot more seed and early stage deals right now as opposed to late stage deals. They're trying to make more bets earlier with the intent that they will double or triple down on the ones that survive. It's definitely a bit of a change in strategy compared to the last few years, but not a surprising one given the pressure on valuations for late stage companies. ”

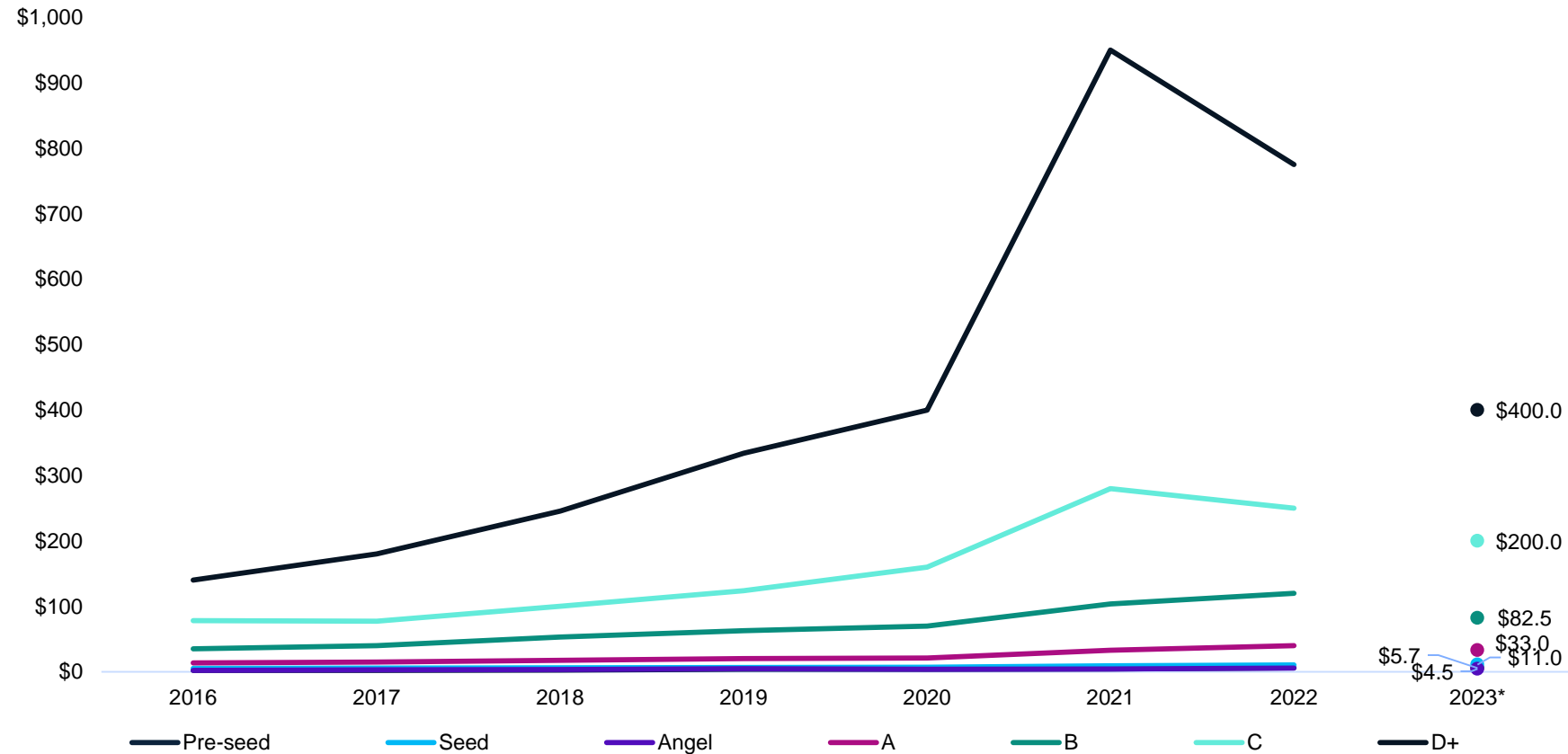


Jules Walker
Managing Director
Business Development
KPMG in the US

Valuations hold steady at earlier stages

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

2016–2023*



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Note: Figures rounded in some cases for legibility.

“ Overall, I think we're starting to see the market shift to a more positive course here in the US. VC investment levels have stabilized for the most part — if at lower levels than the last few years. Valuations appear to be stabilizing as well. In the VC market, there's more acceptance of downrounds as investors and startups come to terms with reality. To a degree, a lot of what we're seeing is simply the unwinding of some of the hype associated with fifteen years of cheap money. ”

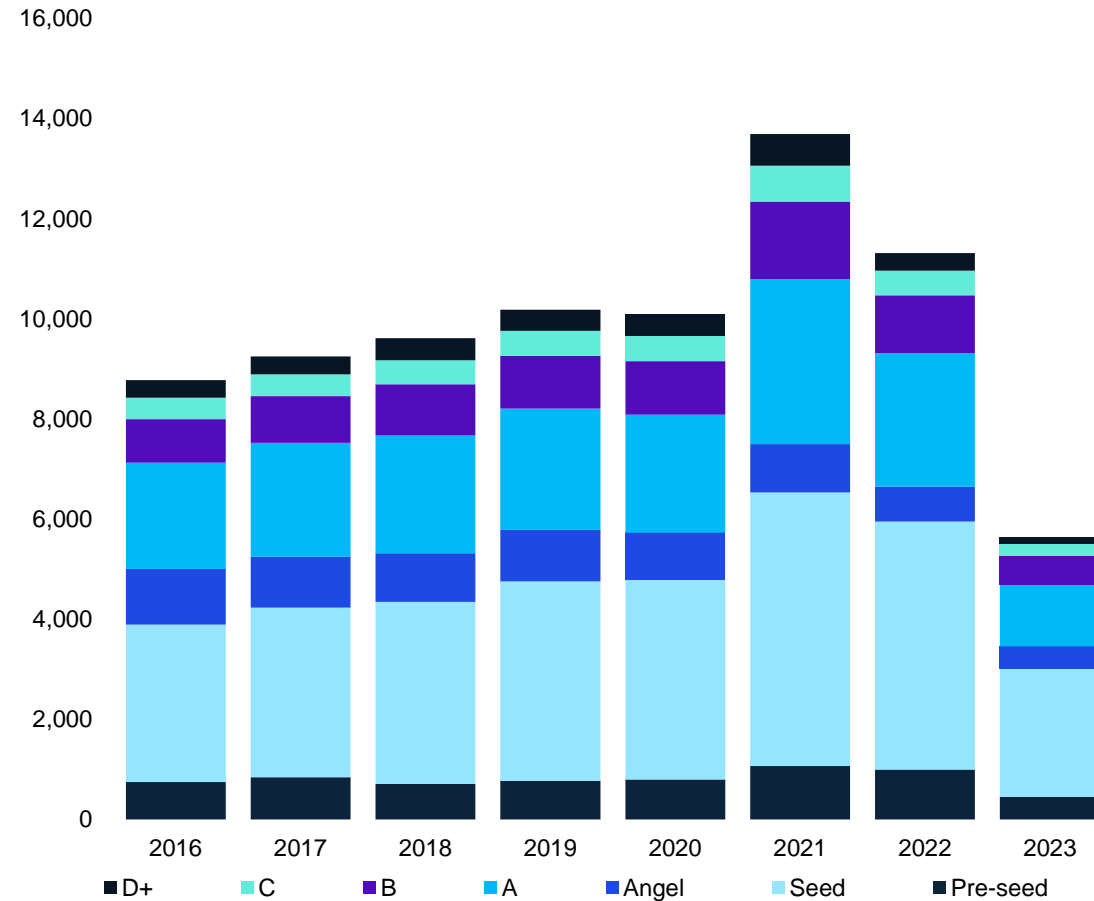


Sam Lush
Director, Private Equity
Group
KPMG in the US

Series D+ is back at pre-2018 levels in VC invested

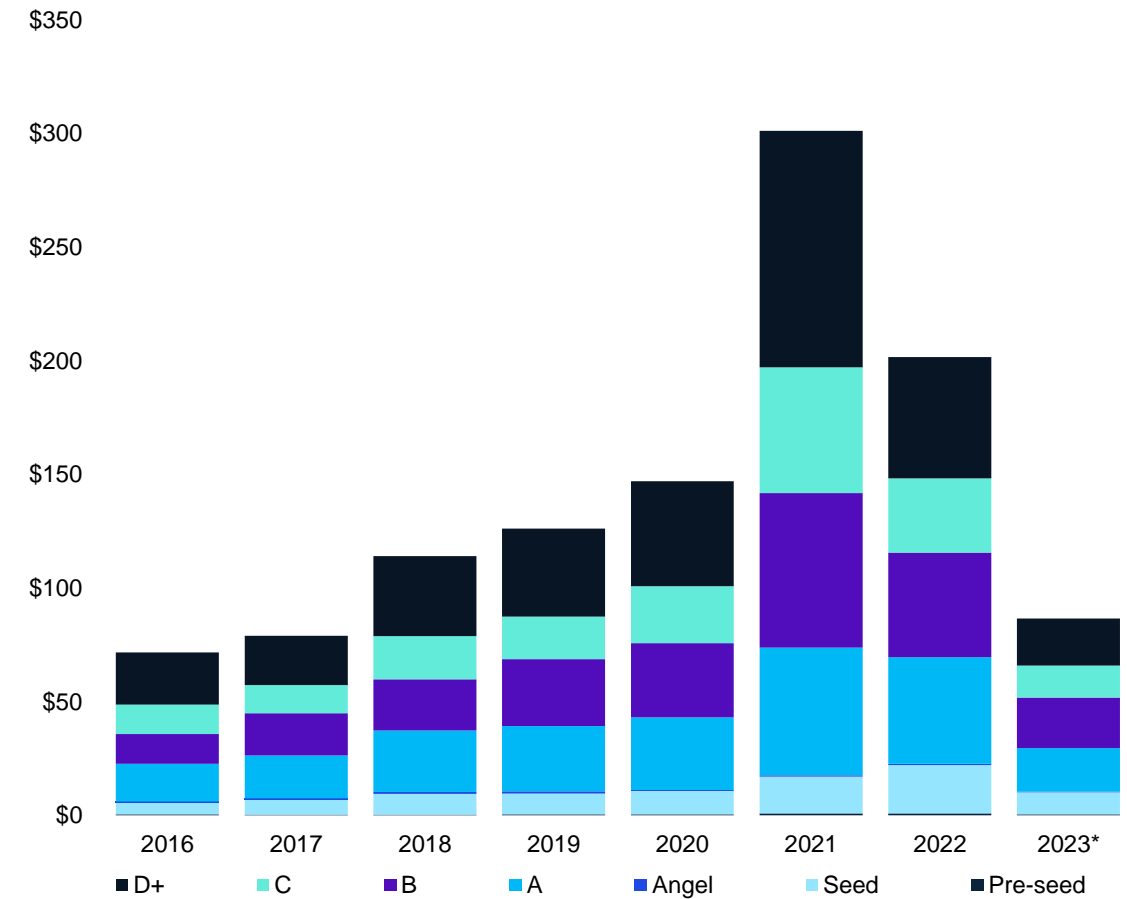
Deal share by series in the US

2016–2023*, number of closed deals



Deal share by series in the US

2016–2023*, VC invested (\$B)

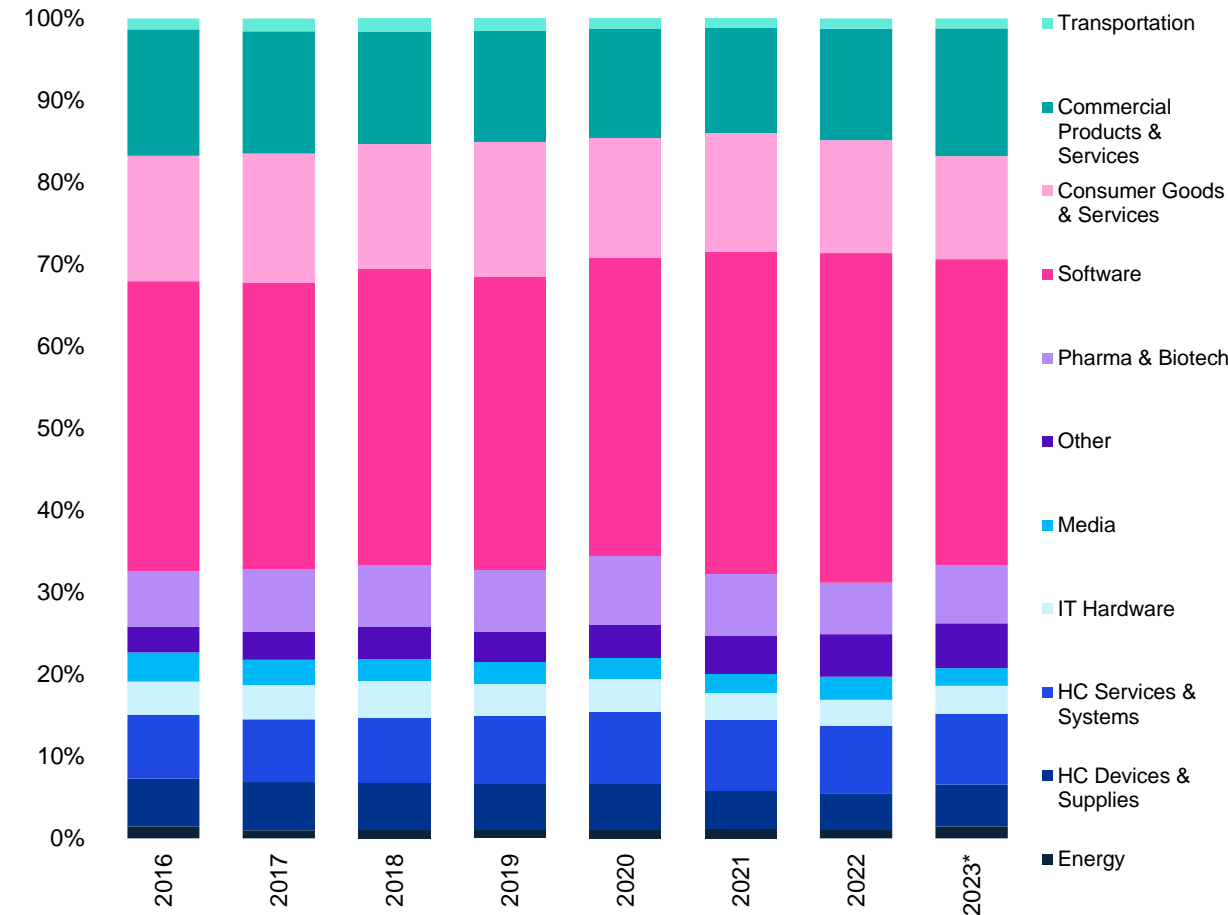


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Perceived recession-resilient areas continue to draw investment

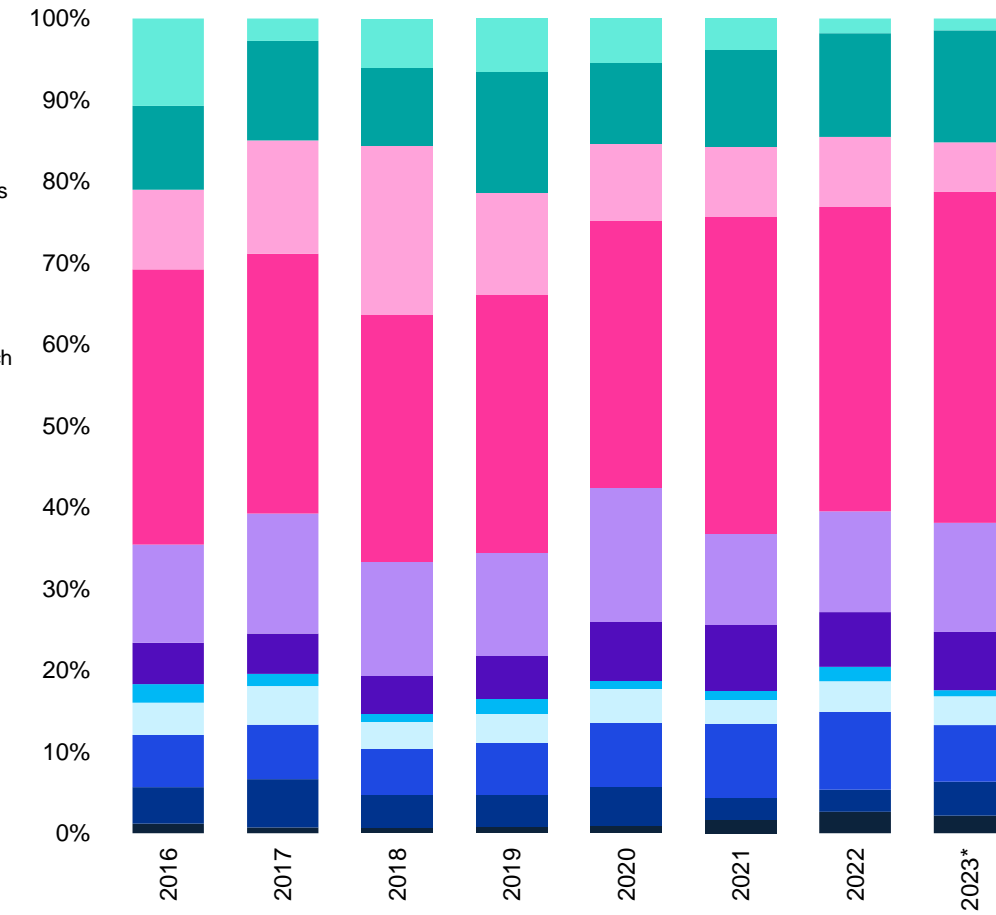
Venture financing by sector in the US

2016–2023*, number of closed deals



Venture financing by sector in the US

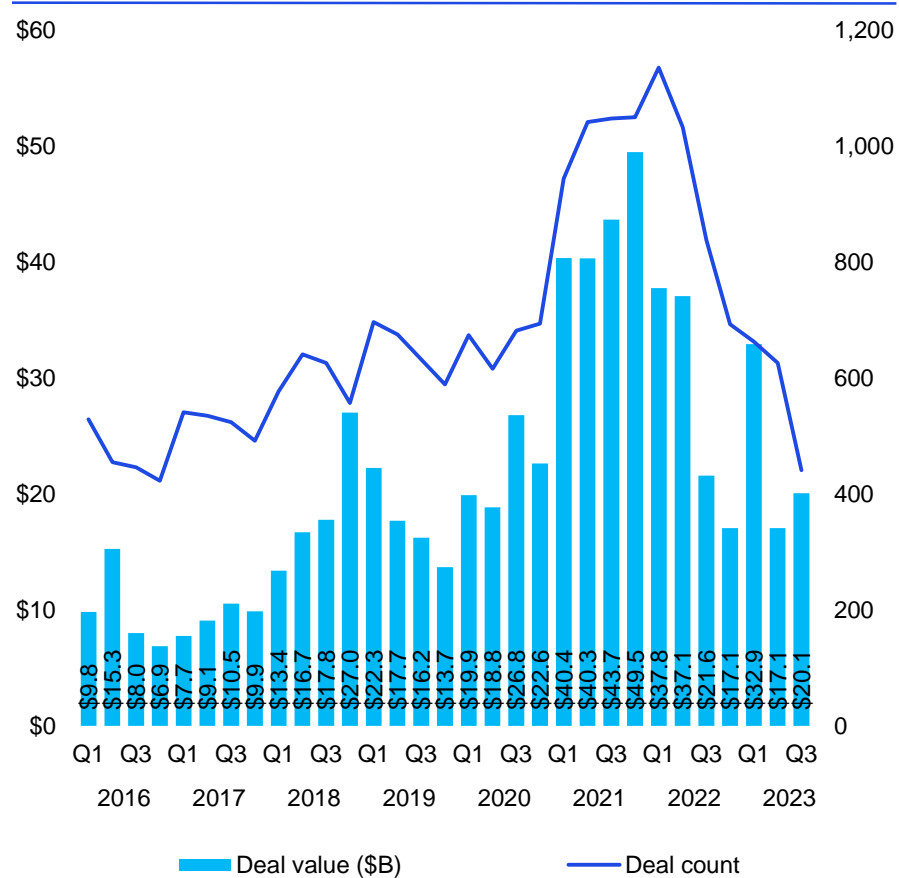
2016–2023*, VC invested (\$B)



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

First-time financings pacing to pre-2021 levels

Corporate participation in venture deals in the US
2016–Q3'23



First-time venture financings of companies in the US
2016–2023*



“ During the pandemic, companies learned how to pivot relatively quickly to cash conservation mode. That muscle memory is coming in handy right now. Companies are pausing growth plans and working to get their unit economics squared, so that they can either hit profitability or accelerate the path to profitability. The question will likely be whether they've made sufficient progress to generate the next level of investor interest. ”



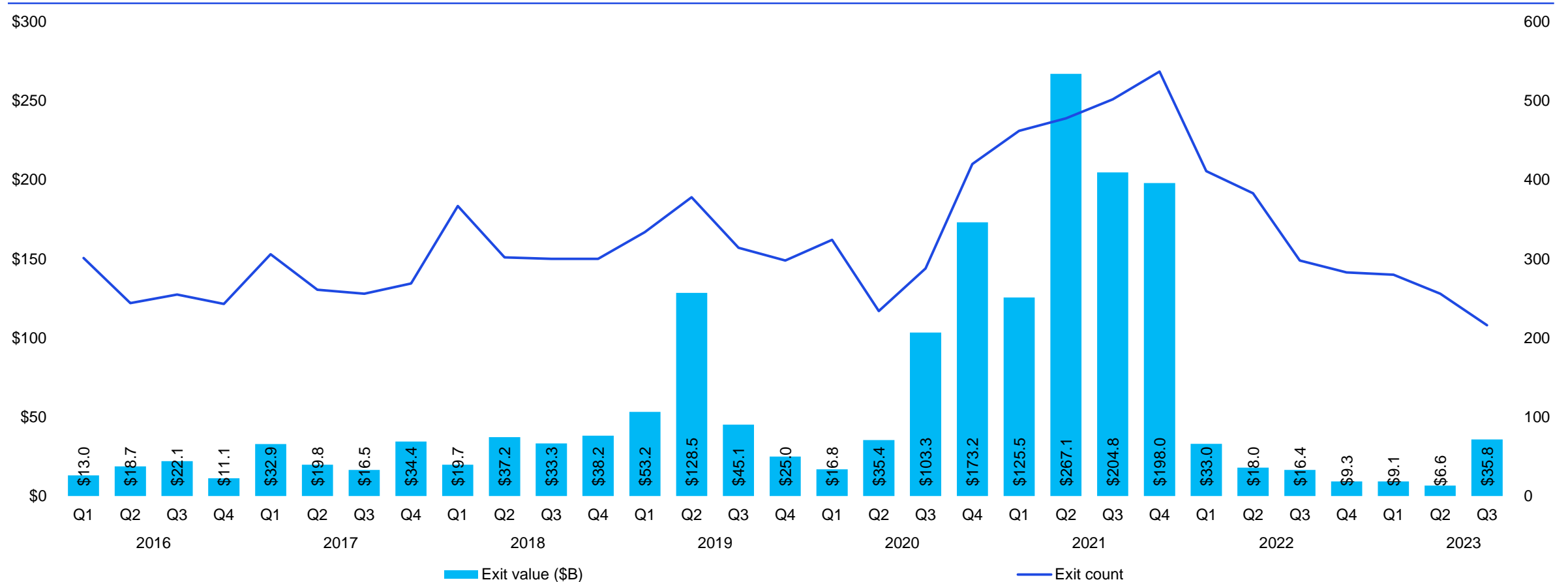
Scott Burger
Partner
KPMG in the US

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

A slight bump in Q3 exit value belies overall volume still sliding

Venture-backed exit activity in the US

2016–Q3'23

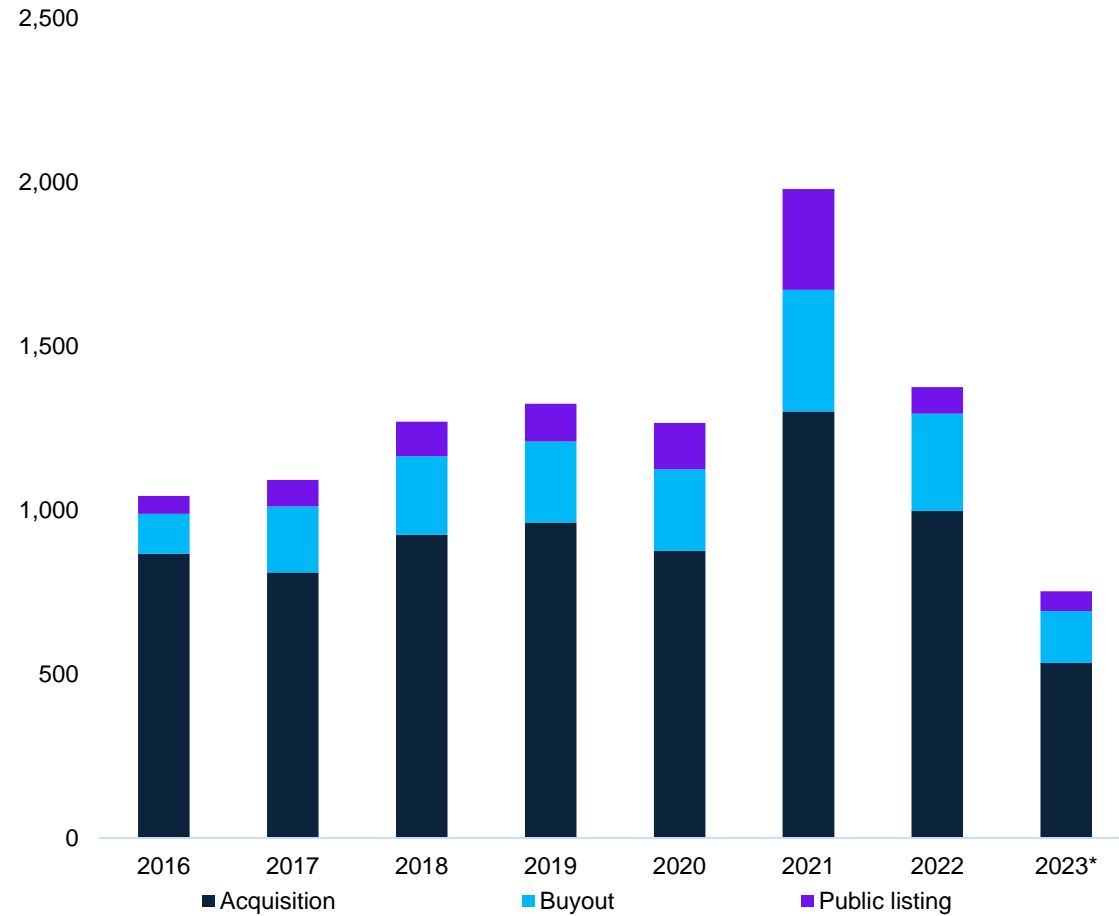


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

IPOs rebound ever so slightly

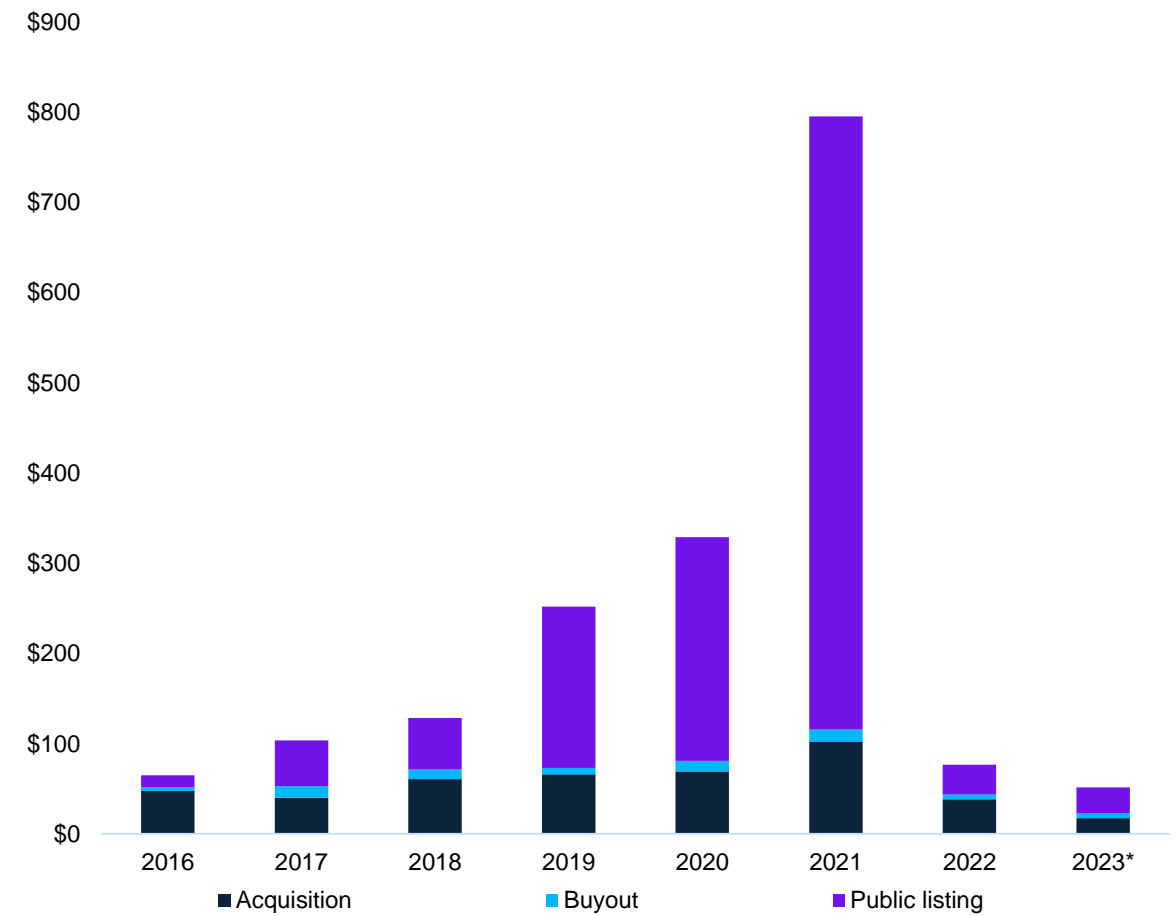
Venture-backed exit activity (#) by type in the US

2016–2023*



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

2016–2023*

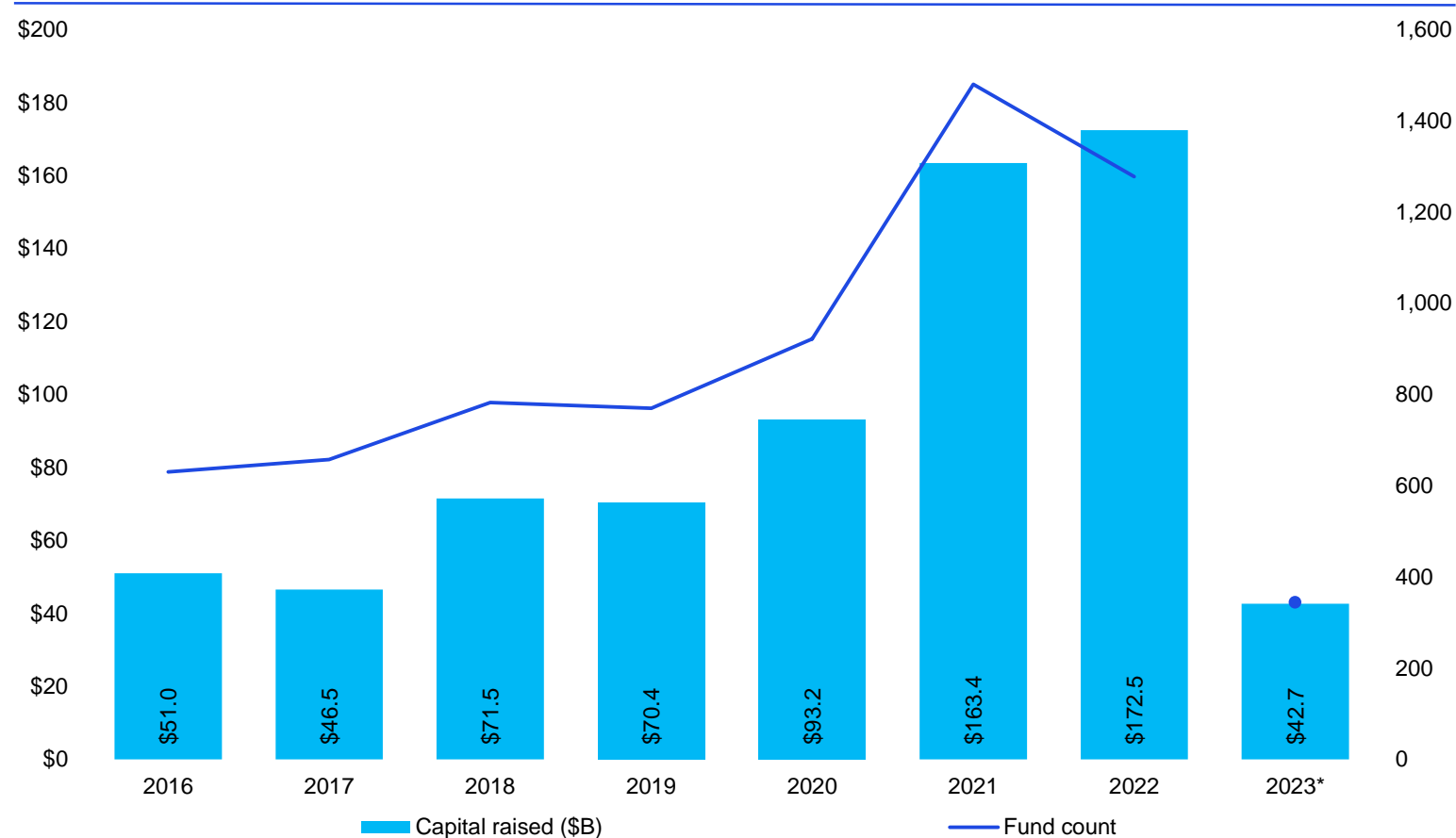


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Fundraising remains muted in the wake of record highs

US venture fundraising

2016–2023*



The sheer decline in fundraising activity speaks to multiple factors, especially for US fund managers: 1) LPs' rebalancing of portfolios; 2) concerns around the viability of venture fund performance against equities and other private asset classes; 3) satiated market demand given the degree of commitments from 2021 and 2022. All in all, a reset or a prolonged pause is occurring.

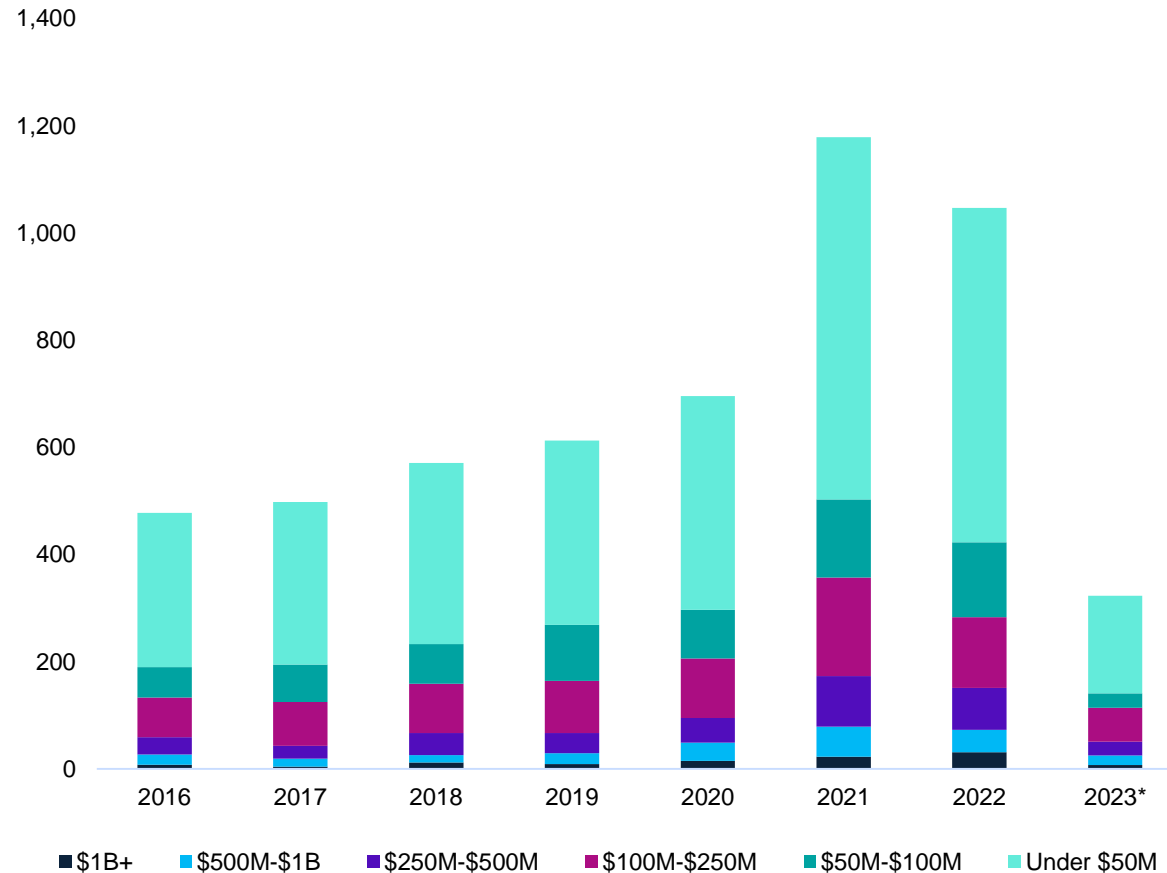
... as fundraising volume has slowed drastically, **2023 continues to see much lower tallies of capital committed.**

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Proportions are back to normal

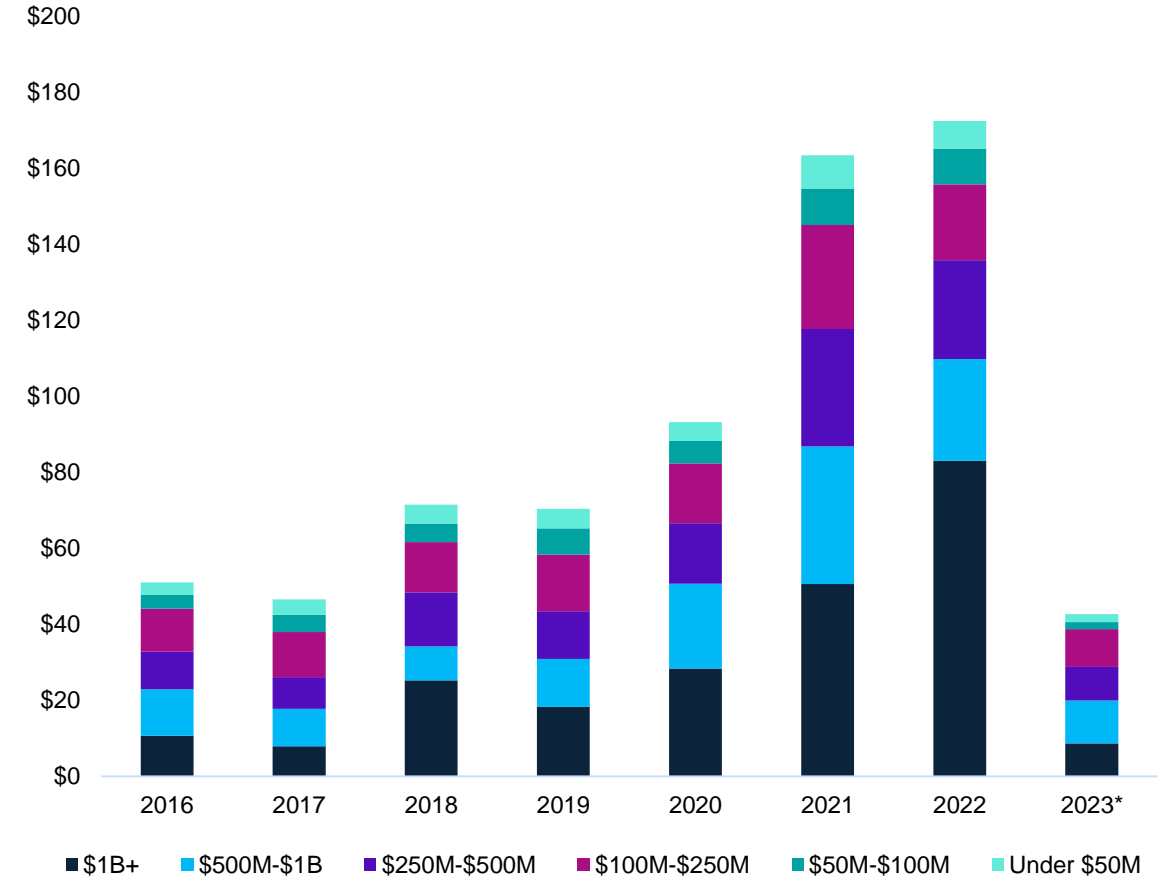
Venture fundraising (#) by size in the US

2016–2023*



Venture fundraising (\$B) by size in the US

2016–2023*

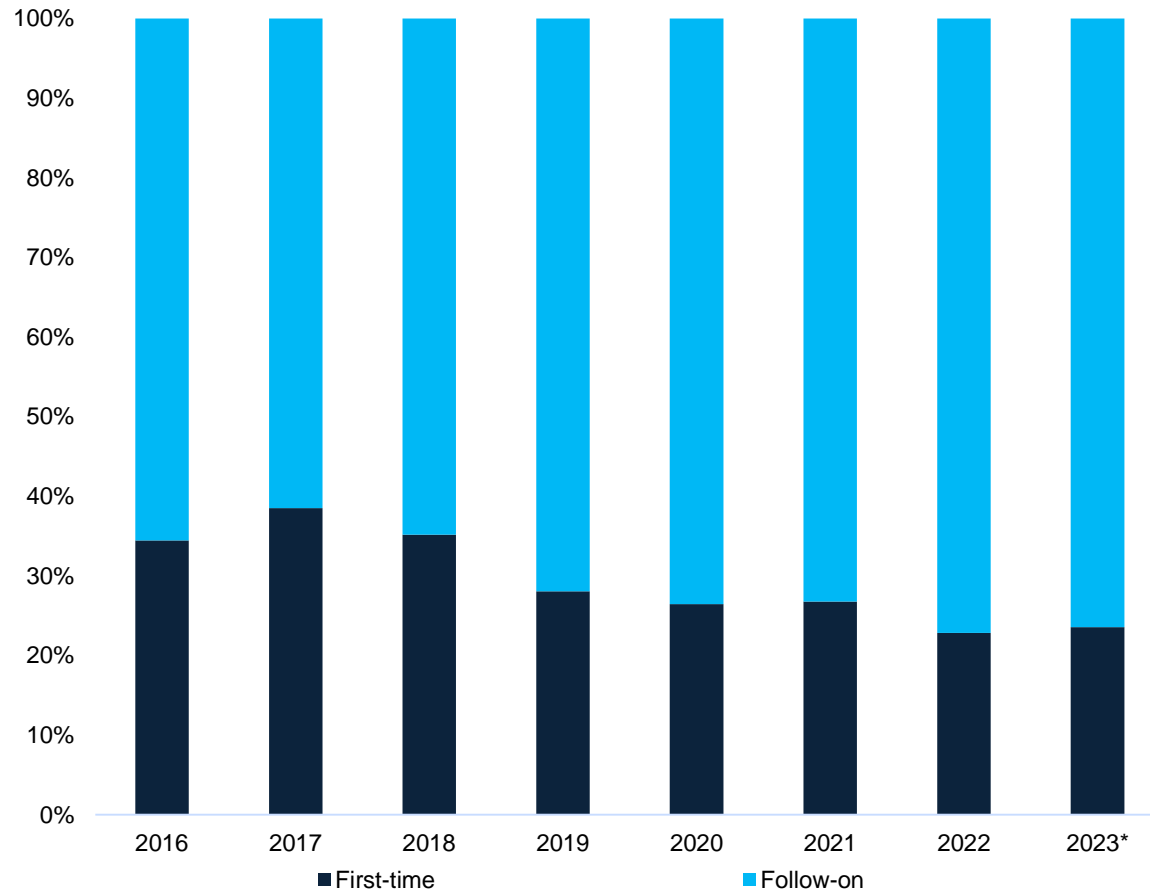


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

First-time funds maintain a surprising bounce back in capital raised

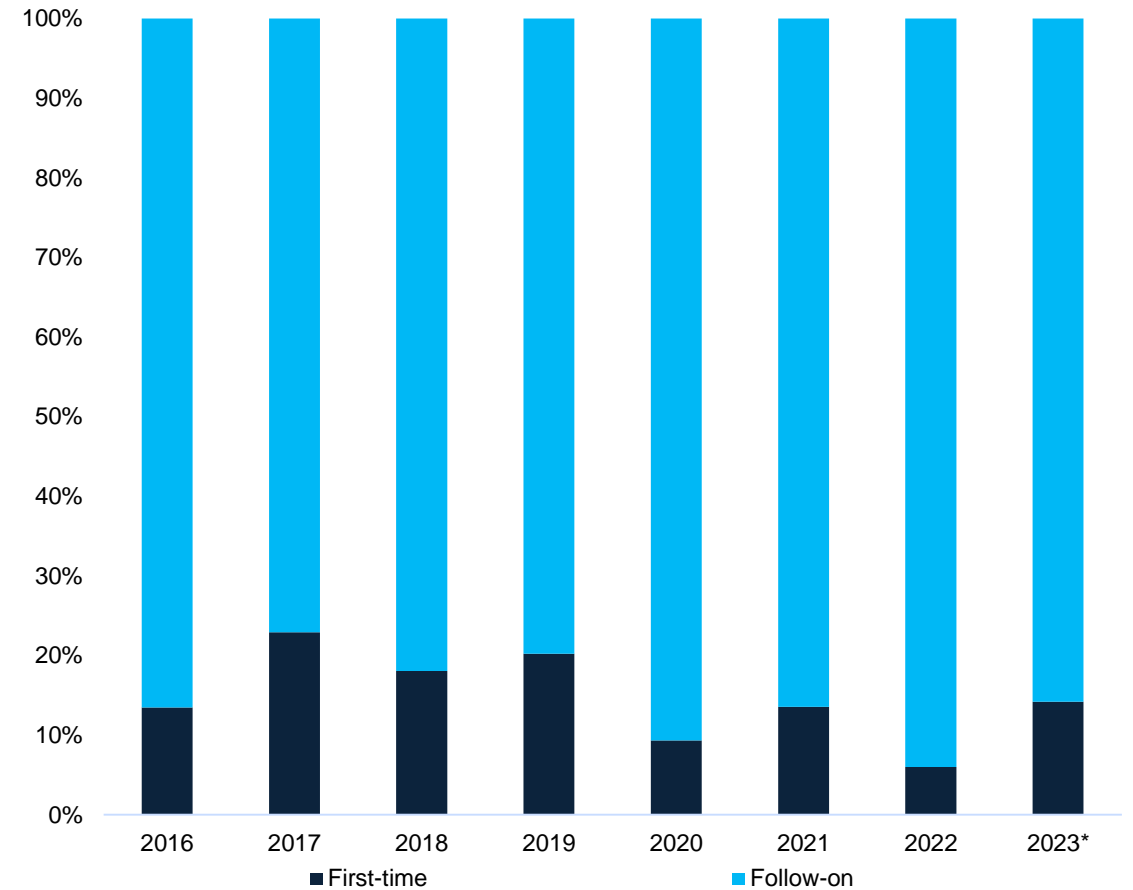
First-time vs. follow-on funds (#) in the US

2016–2023*



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

2016–2023*



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

**In Q3'23, VC-backed
companies in the
Americas raised
\$38.6B across
3,001 deals**

Dealmaking remains slow across Americas

Both VC investment and the number of VC deals remained subdued in the Americas during Q3'23, with the number of VC deals in particular dropping to a thirteen-quarter low. The decline in VC deal volume and value was mirrored across much of the Americas, with numbers dropping in the US and Canada and only slight increases in Brazil, and Mexico. Similar to previous quarters, the US attracted the vast majority of VC funding in the Americas during Q3'23, including large raises by AI startup Anthropic (\$4.0 billion), battery recycling company Redwood Materials (\$997 million), AI firm Databricks (\$500 million), battery recycler Ascend Elements (\$460 million) as well as Axiom Space (\$460 million). Other large raises this quarter included construction equipment provider EquipmentShare(\$440 million) and gene therapy firm Kriya Therapeutics (\$430 million). AI chip company Tenstorrent raised Canada's largest deal of Q3'23 (\$100 million), while proptech Loft raised the largest deal in Brazil (\$100 million).

Fundraising remains muted across the Americas

Fundraising across the Americas remained quite muted in Q3'23, following a trend seen globally. The dearth of fundraising activity likely reflects a number of factors, including the incredibly high fundraising activity seen in recent years, a slowdown in deal speed causing a complimentary slowdown in the need to bring in additional capital, the lack of perceived exit opportunities, and high interest rates providing investors with alternative investment options.

Downrounds becoming more prevalent; private company valuations still a question

During Q3'23, the number of downrounds climbed in the Americas, particularly in the US, with more companies taking cuts to their valuations in order to attract new capital. Some startups also accepted more challenging deal terms in order to raise necessary rounds — particularly flat rounds — such as the use of ratchets or recognition of seniority among investors in the event of a near-term liquidation of a given startup.

The lack of exit opportunities over recent quarters has not helped to settle valuation concerns. Should the IPO window open wider in the wake of the Q3'23 IPOs of Arm, Instacart, and Klaviyo in the US, private company valuations could start to stabilize as the alignment of public and private valuations becomes increasingly clear.

Unicorn births still soft across Americas; AI well represented

The number of new unicorn births in the Americas has slowed considerably over the course of 2023, with Q3'23 being no exception. A number of existing unicorns, particularly those sitting right at or near the \$1 billion valuation mark have also struggled to raise additional funding. This has led to some thinning of the herd as companies accepted lower valuations in order to raise new rounds.

Of the companies that have reached unicorn status in the Americas so far in 2023, AI-focused startups have been among the most well represented, including companies like US-based AI agent focused startup Imbue, AI-focused biotech Truebinding, GenAI firm Runway, and Canada-based natural language processing firm Cohere. AI is expected to remain a key sector for new unicorns over the next few quarters given the incredibly strong interest in the space.

Dealmaking remains slow across Americas, cont'd.

Despite slowdown in VC investment, long-term optimism in Canada

VC investment slowed considerably in Canada during Q3'23 as VC investors grew more cautious with their investments, taking more time to make deals and putting more of an emphasis on finding companies with the right fit. Despite the slowdown, optimism remains quite strong in Canada given the strength of its innovation ecosystem and the growing maturity of startups, particularly in highlight attractive and resilient sectors like AI, cleantech, and health and biotech. Corporate investment continued to show strong resilience in Canada during Q3'23; at the end of the quarter, while total CVC investment was well off pace compared to the outlier years of 2021 and 2023, it was already ahead of the level seen in 2020 and well-positioned to match 2019's total.

Brazil continues to attract interest from VC investors, despite soft Q3'23

VC investment in Brazil remained slow in Q3'23, driven primarily by global macroeconomic factors and a slowdown in the amount of time required to get deals done. Despite the current slowdown, VC investors and corporates have continued to show interest in the rapidly maturing startup ecosystem in Brazil and in the country's market growth potential. Following on previous quarters, fintech continued to be the most attractive sector for investment in Brazil. During Q3'23, Brazil's largest VC deals included a \$100 million raise by real estate firm Loft and a \$40 million raise by financial platform company Principia.

Cleantech solutions continue to attract interest

Energy and greentech continued to attract solid interest and investment across the Americas during Q3'23. The US attracted the largest deal in the space (Redwood Materials — \$1 billion). Investment in Canada was also notable due to the broad diversity of greentech companies that attracted small-to-medium sized investments, including AI-powered sustainable technology firm Dcbel (\$53 million), space-based GHG monitoring firm GHGsat (\$44 million), decarbonization-focused company Carbon Upcycling (\$26 million), plant-based seafood company Konscious (\$26 million), and fusion power development company General Fusion (\$25 million). In Brazil, VC investors also continued to show interest in the clean energy sector, particularly in solutions related to solar power — from production and commercialization to financing.

Trends to watch for in Q4'23

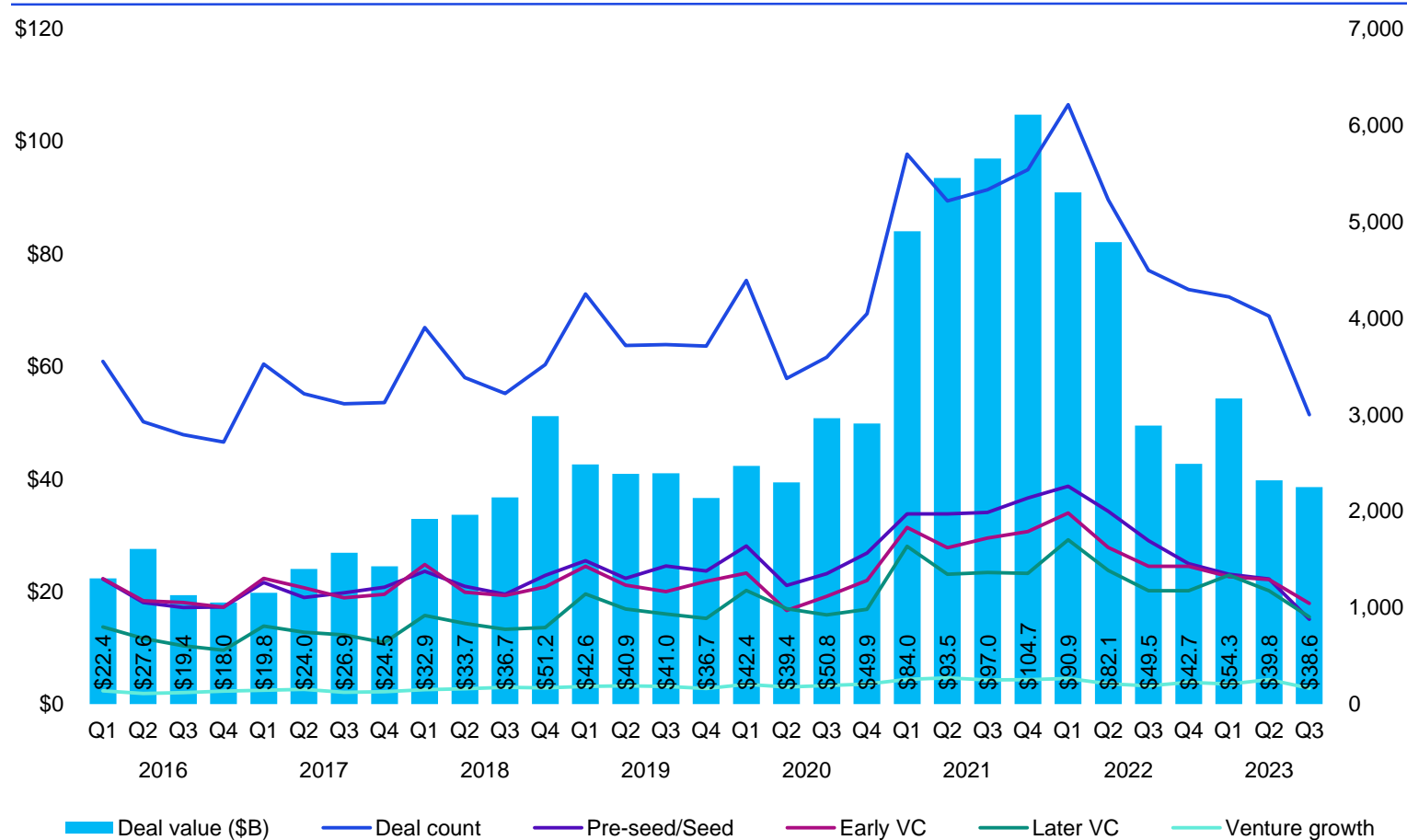
Looking forward to Q4'23, VC investment in the Americas is expected to remain relatively steady quarter over quarter. VC investment in AI is expected to remain incredibly robust, although there could be a growing focus on differentiating startups focused on truly innovative use cases of AI. Cleantech and energy will likely also continue to attract investment, in addition to fintech in Brazil and Latin America.

M&A activity is expected to remain quite dry in Q4'23. However, should IPO activity pick up in Q4'23 and Q1'24, M&A activity will likely follow suit — particularly in the US — as potential buyers gain more confidence in the valuations of possible targets.

The pace of decline could be weakening

Venture financing in the Americas

2016–Q3'23



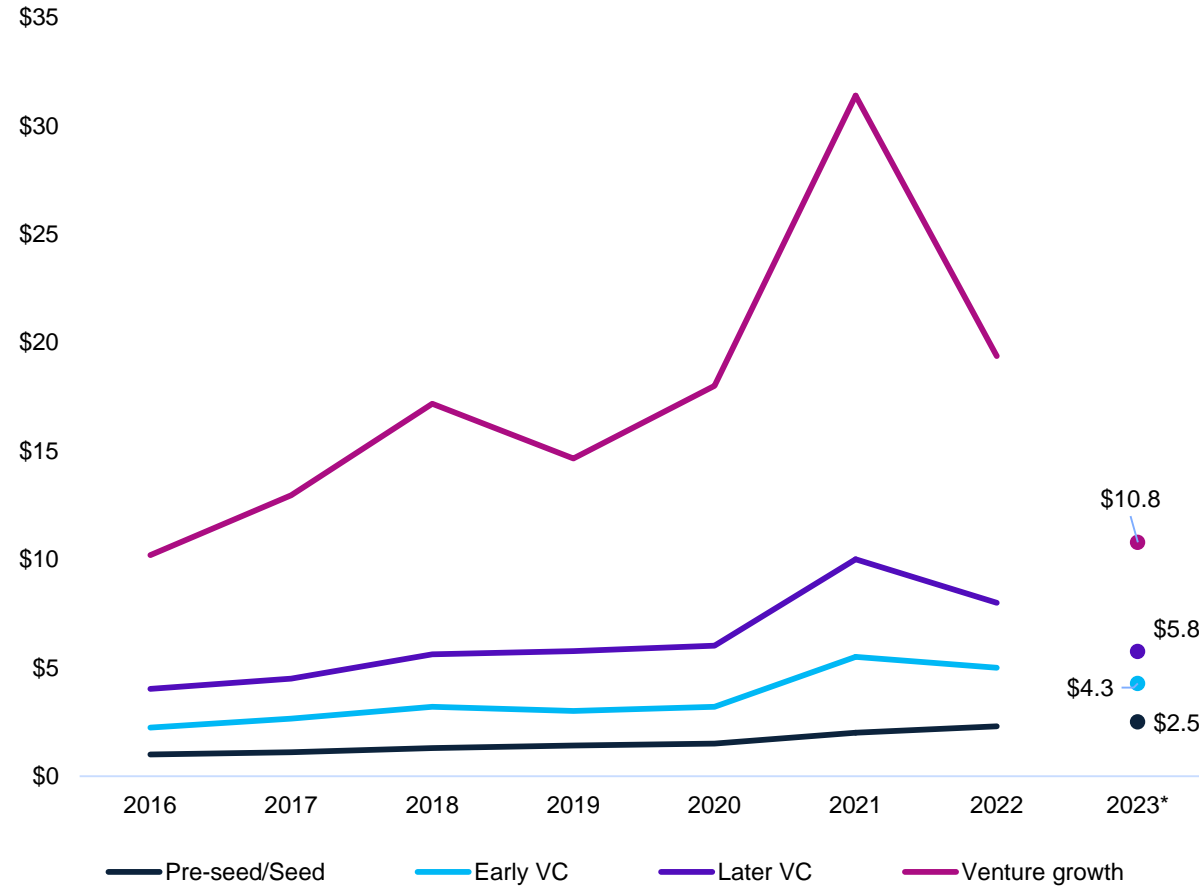
Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

After softening to levels seen pre-2021 boom, now venture dealmaking appears to have plummeted to new lows. Although those figures may tick up somewhat, activity definitely has cooled to resemble pre-2018 figures, even, in some measures.

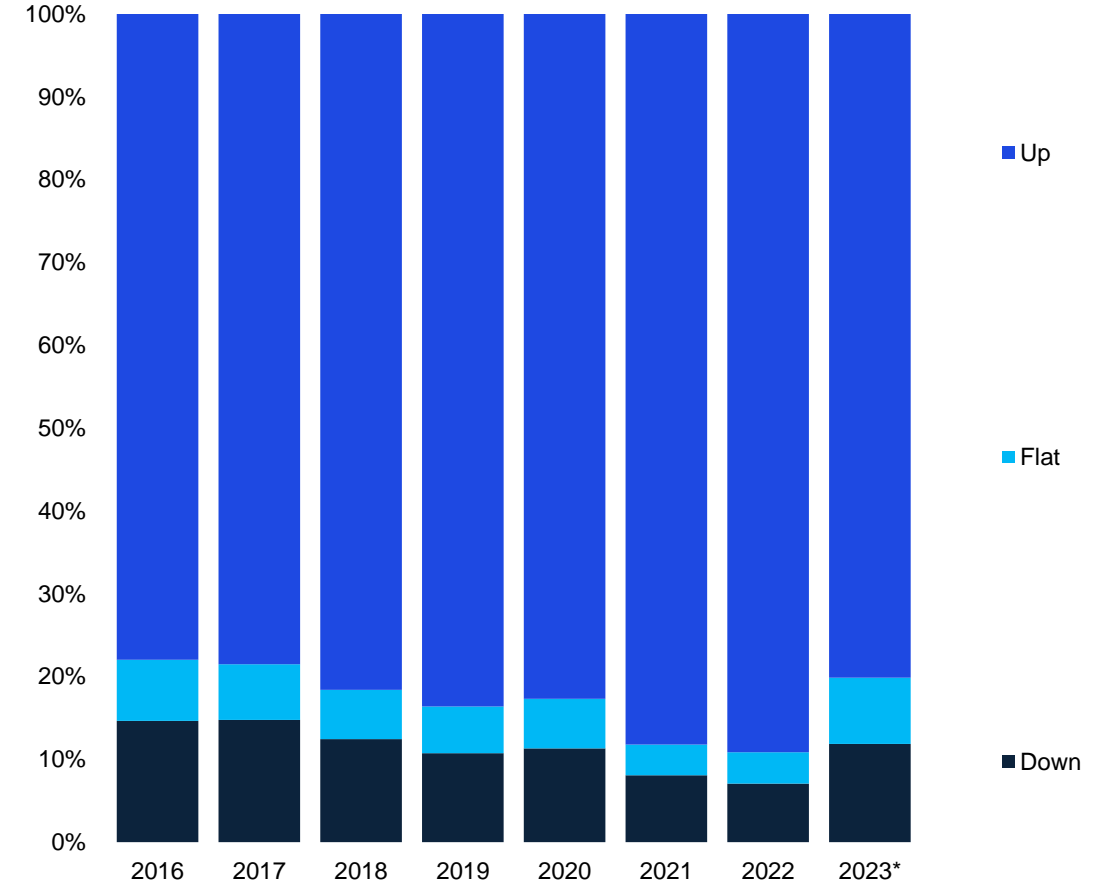
... dealmaking could still be evening out; 2022 took the brunt of the plunge in financing activity, and now figures are still steadying around pre-2021 levels.

Down & flat rounds see an uptick

Median deal size (\$M) by stage in the Americas
2016–2023*



Up, flat or down rounds in the Americas
2016–2023*

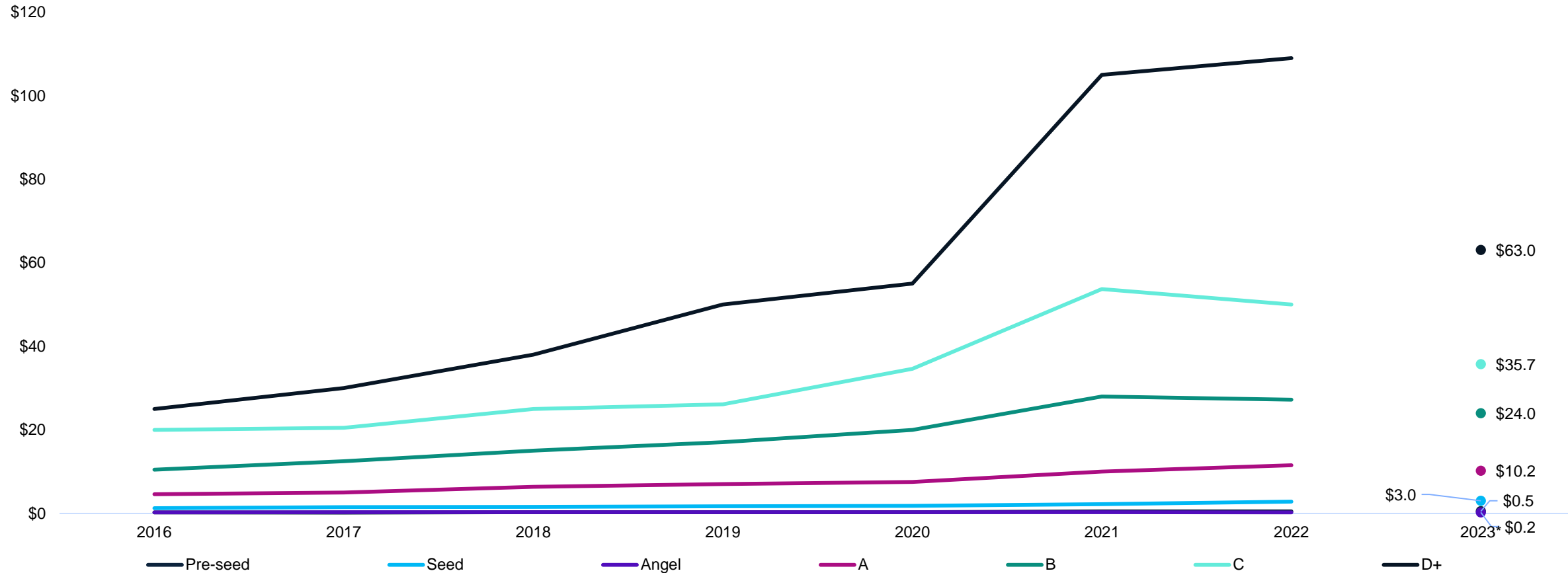


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Financing metrics continue to exhibit normalization

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

2016–2023*

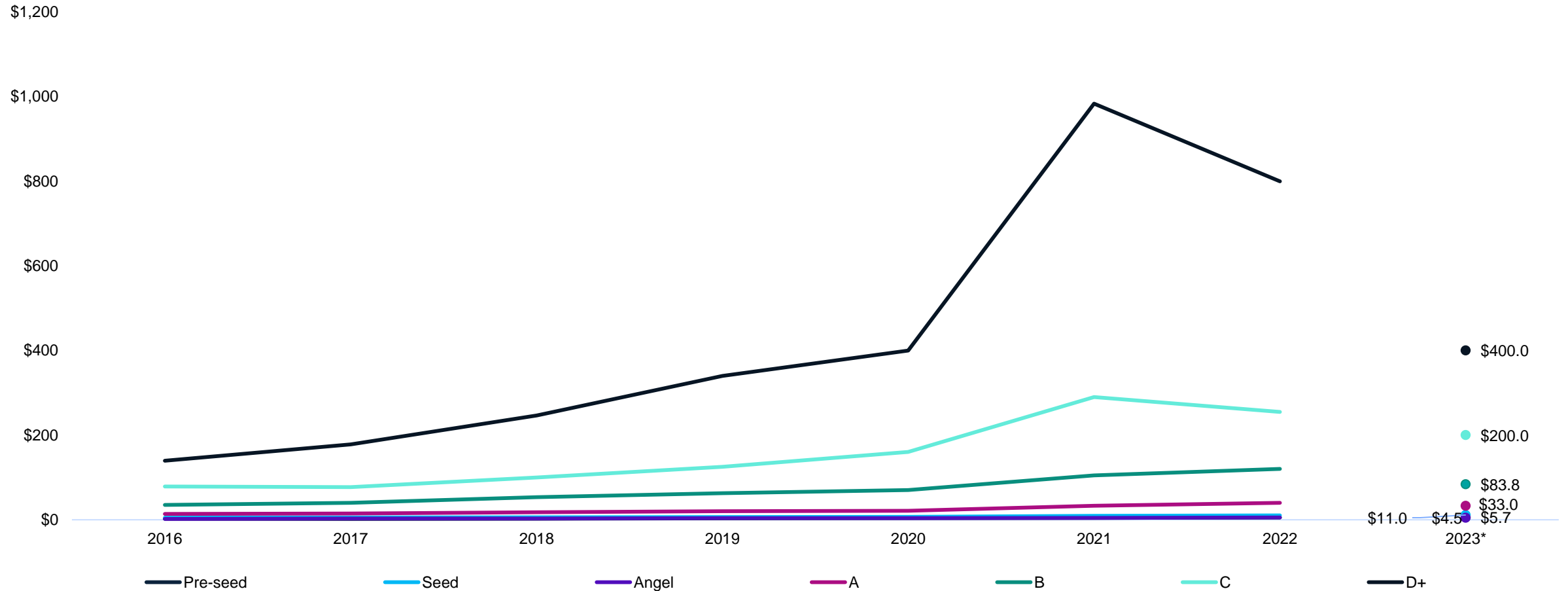


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Valuations decline at the highest levels

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

2016–2023*

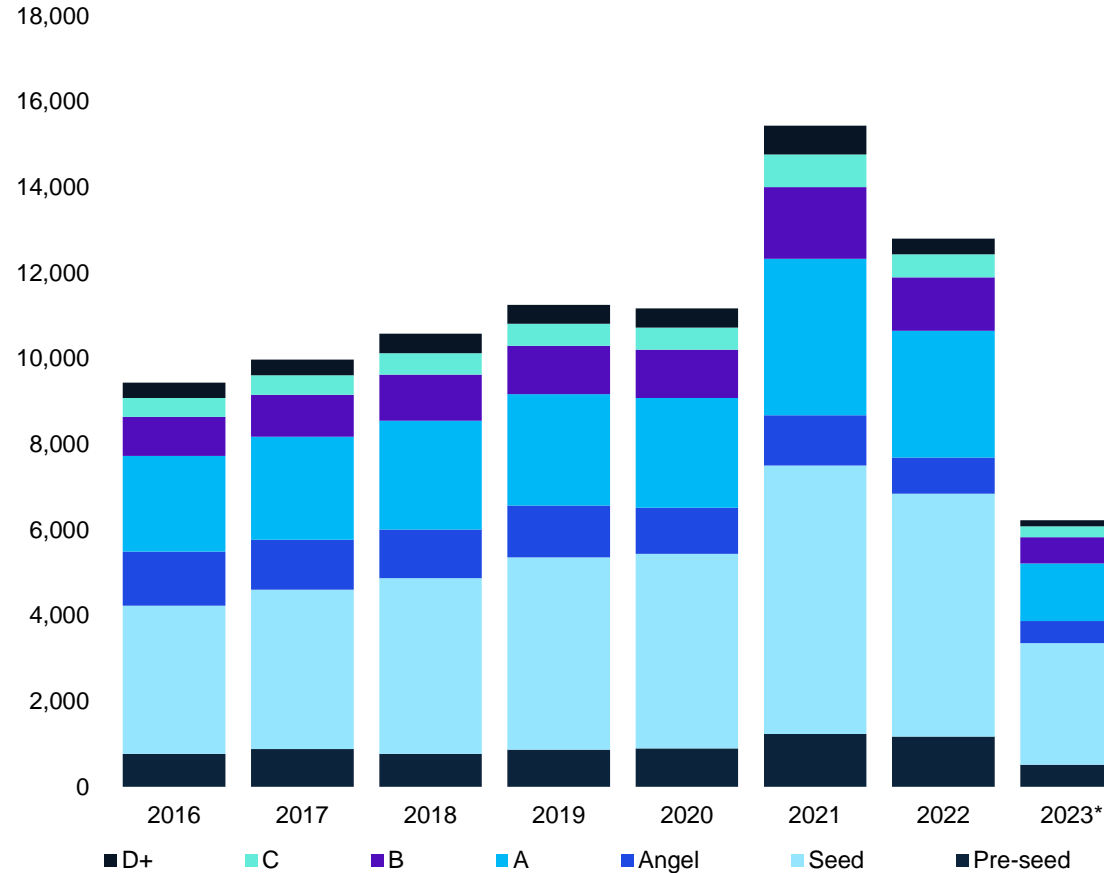


Source: Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023. The angel figure for 2023 YTD is based on a non-normative sample.

Dealmaking returns to longer-running historical proportions

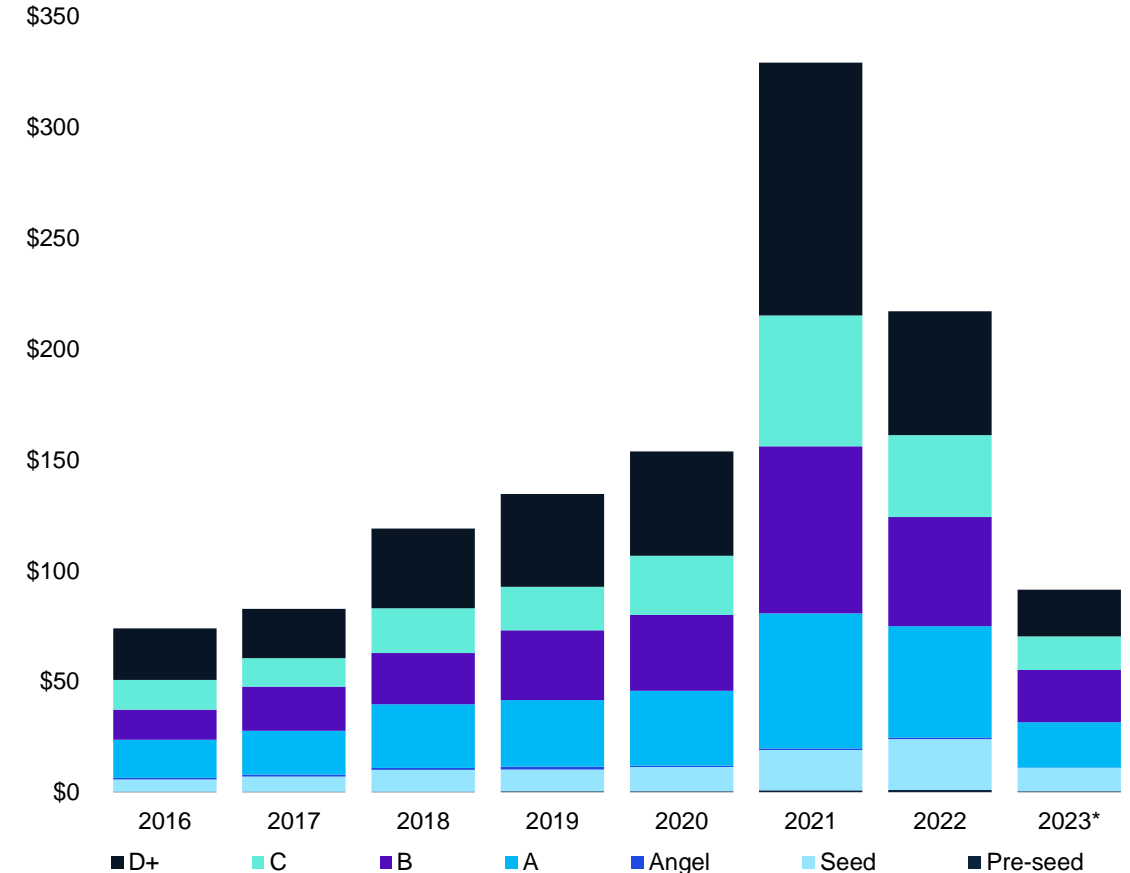
Deal share by series in the Americas

2016–2023*, number of closed deals



Deal share by series in the Americas

2016–2023*, VC invested (\$B)

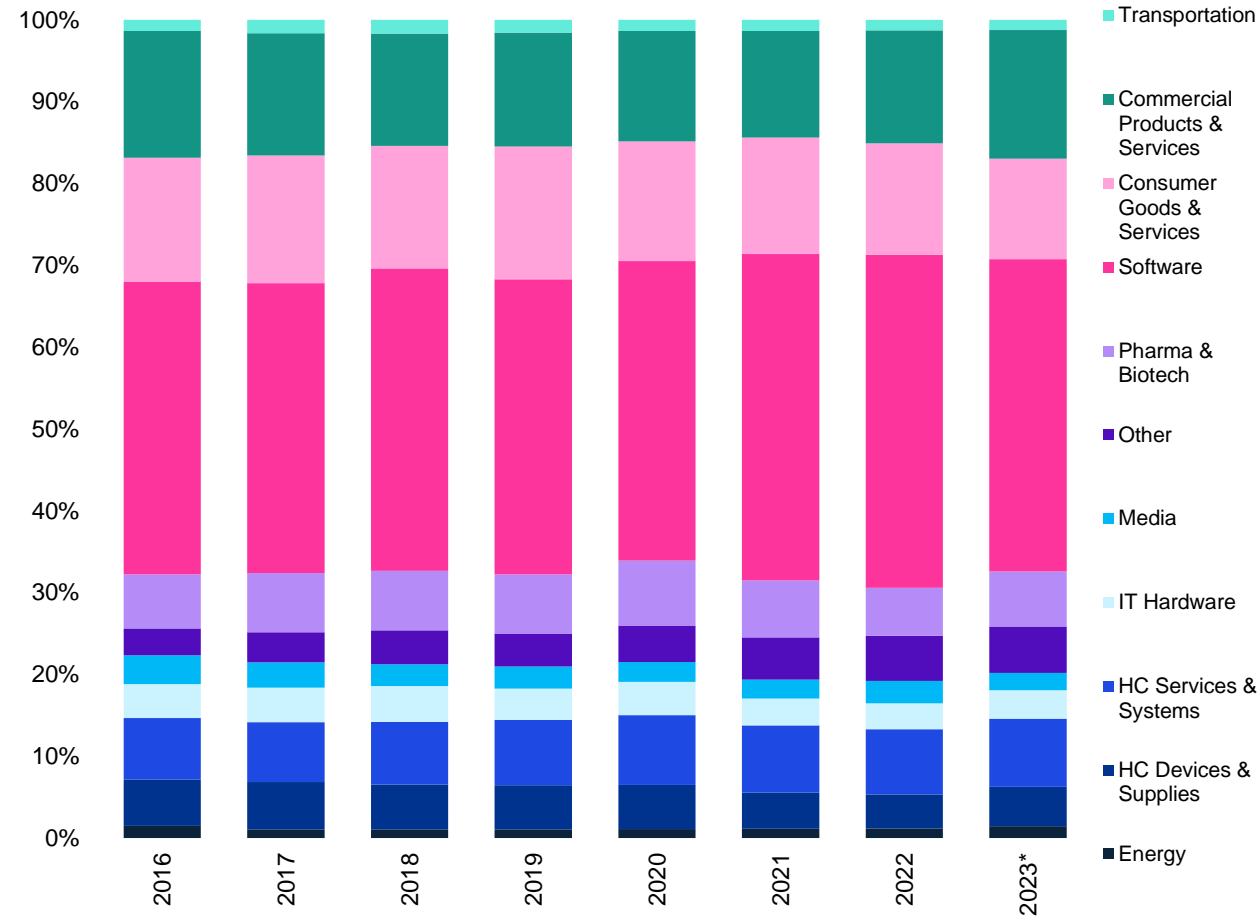


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Business, energy & healthcare see modest growth

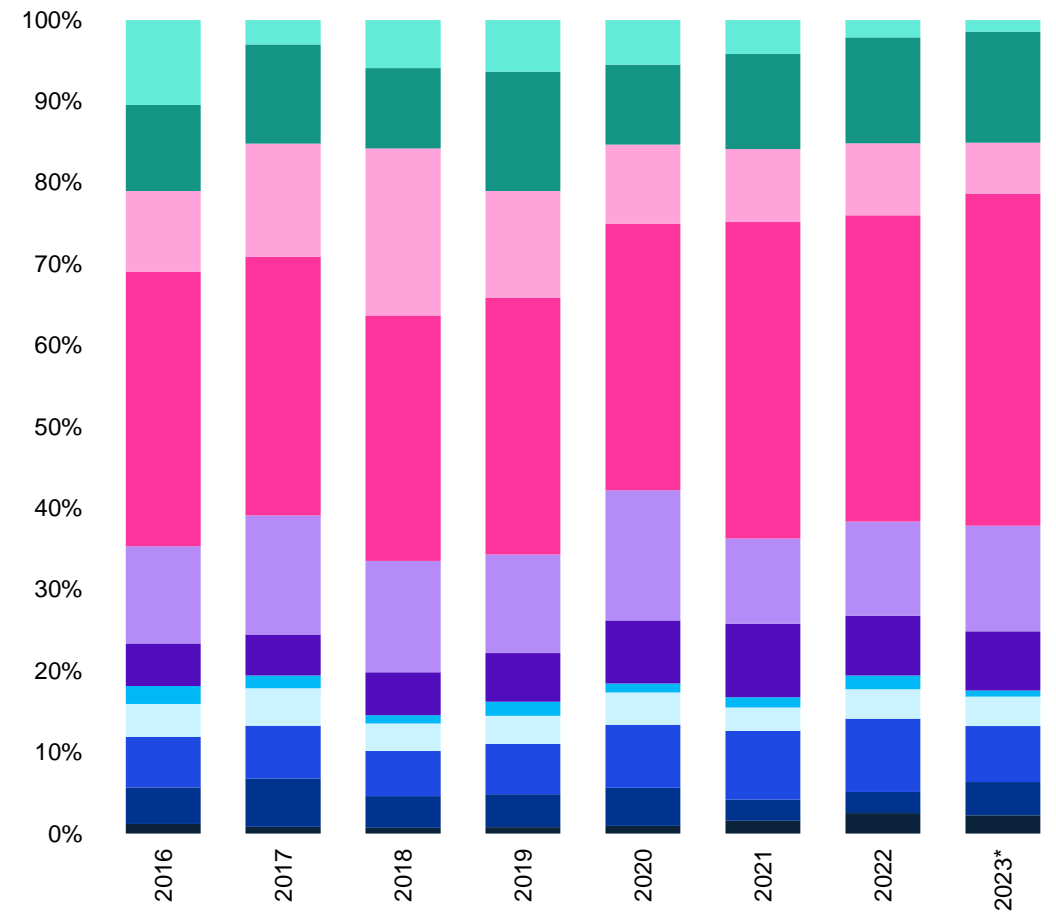
Venture financing of VC-backed companies by sector in the Americas

2016–2023*, # of closed deals



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

2016–2023*, VC invested (\$B)

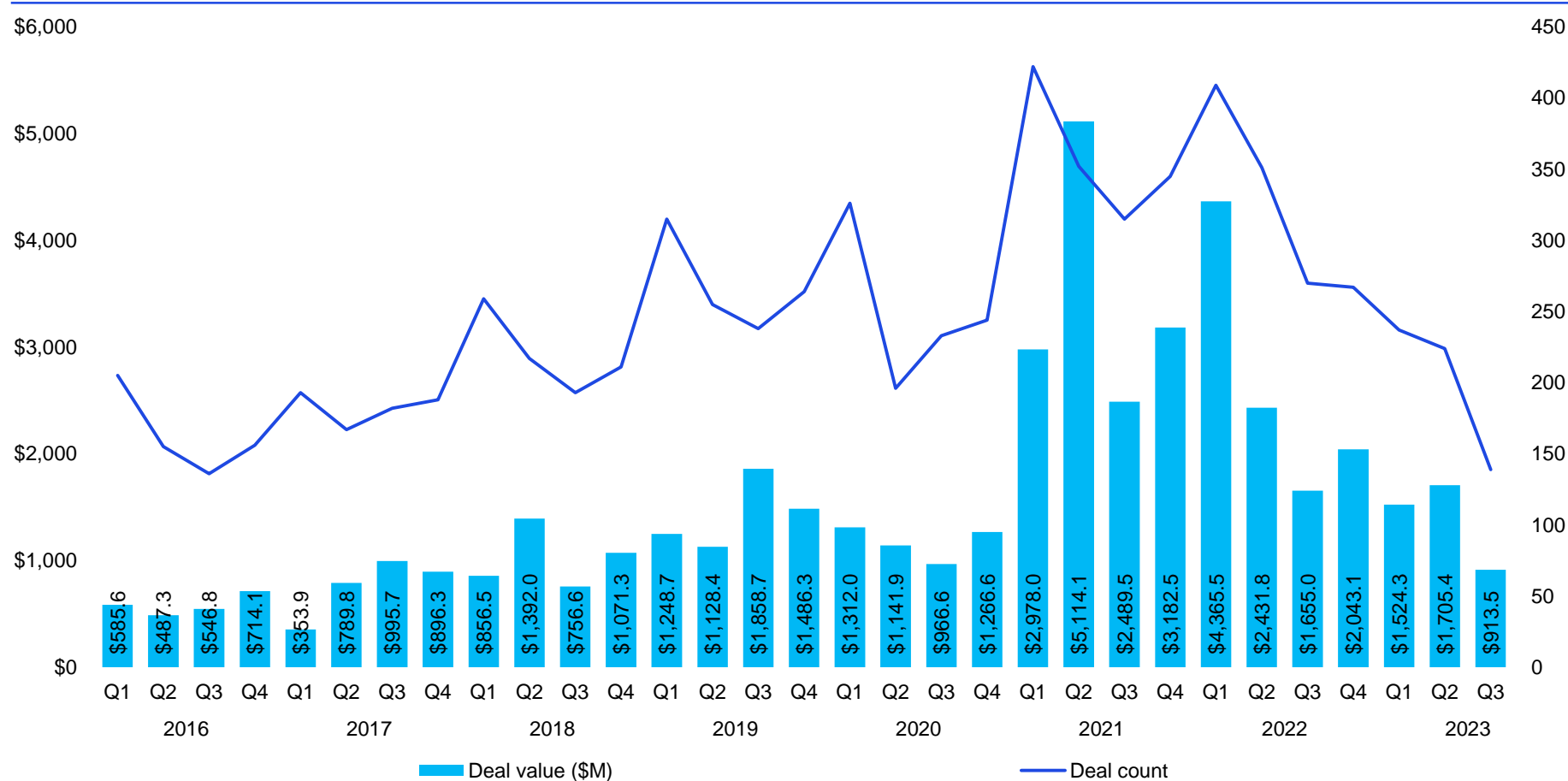


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Q3 sees a slump after healthy tallies for most the past two years

Venture financing in Canada

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

“ There’s still optimism in Canada. The ecosystem is good, corporate activity has remained relatively strong, and there’s still money to be spent overall in the VC funds — it’s only that they’re trying to find the right companies with the right fit at the right dollar value. While deal value and volume in Q4’23 will likely remain on the lower side, hopefully we’ll start to see the number tick up as we get into 2024. ”

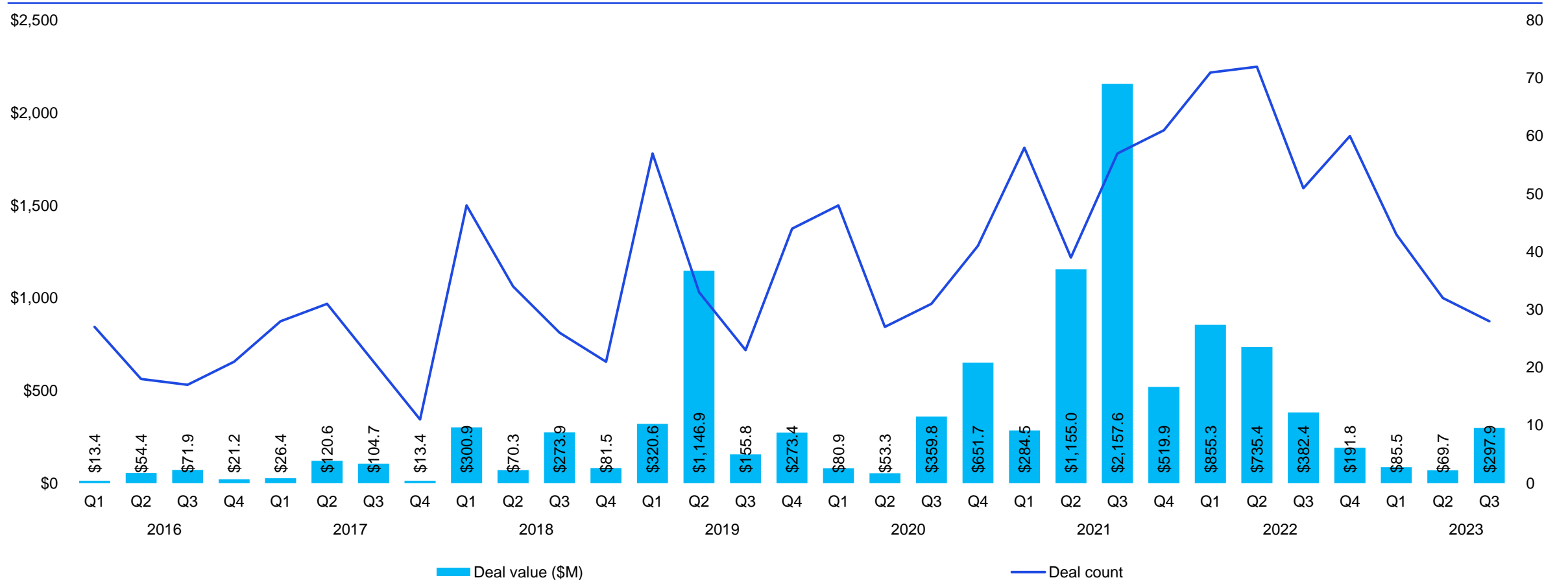


Ryan Forster
Partner,
KPMG in Canada

Mexico sees an outlier quarter in customary variability

Venture financing in Mexico

2016–Q3'23

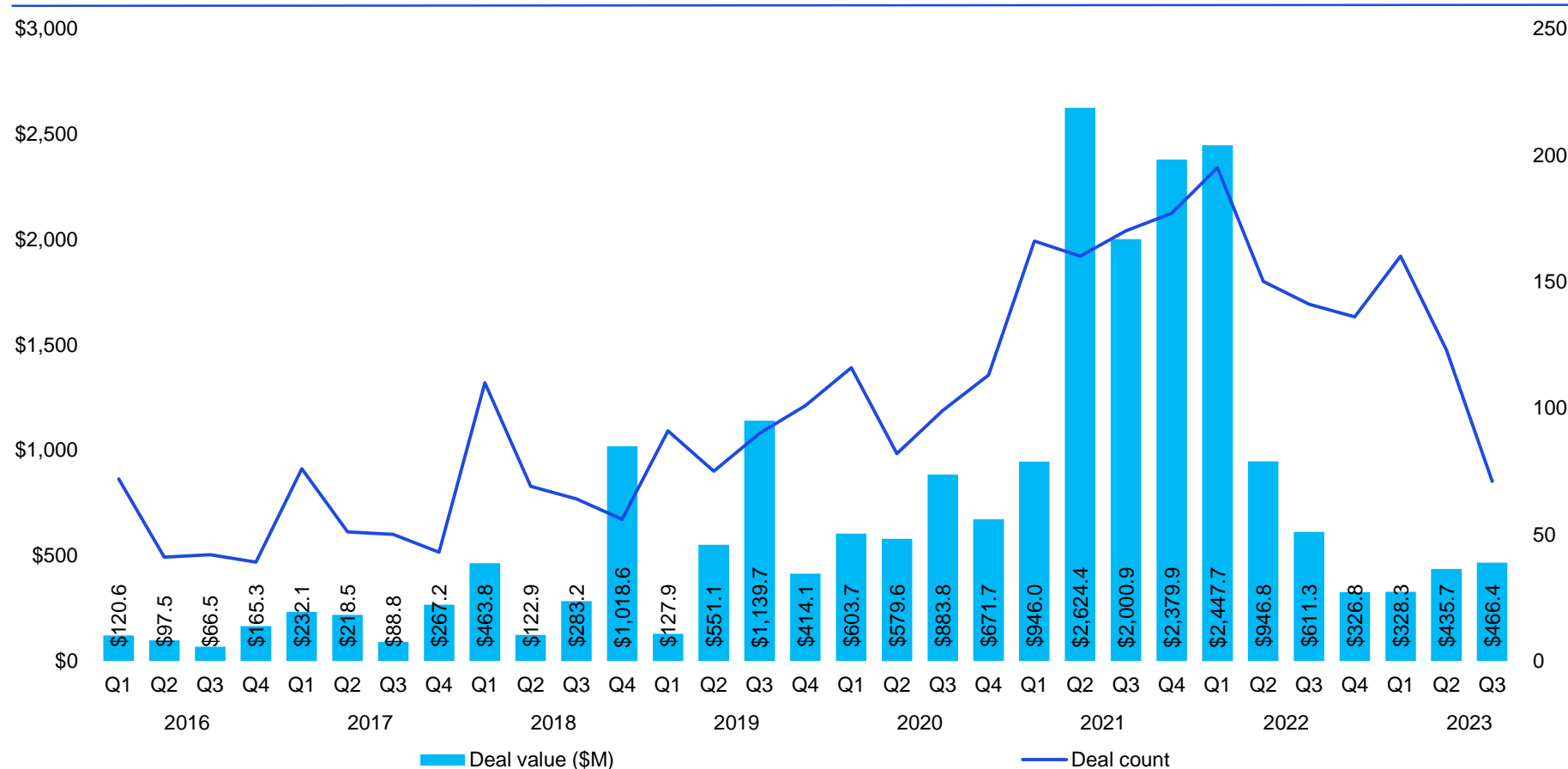


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Brazil records another slow quarter in ongoing subdued environment

Venture financing in Brazil

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

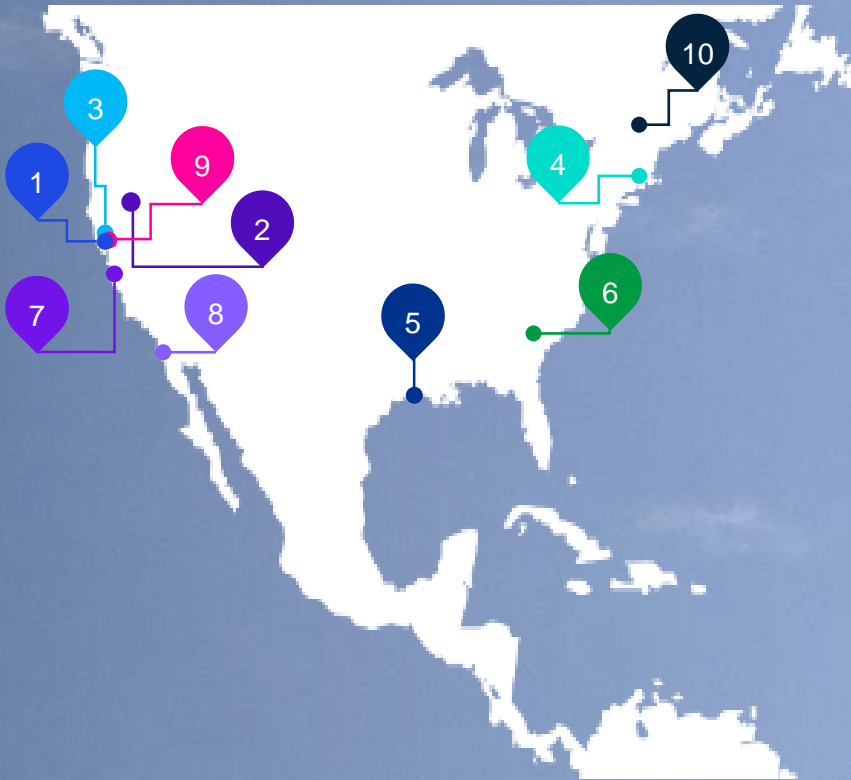
“Brazil — and Latin America as a whole — is a booming economy. We have a very good and growing startup ecosystem, with tens of thousands of active startups. We also have plenty of large businesses, many of which need help with modernizing their operations or improving their productivity. Despite current market challenges, the long-term outlook for VC investment remains good, particularly in growing areas like B2B and SaaS B2B solutions.”



Daniel Malandrin
Partner, Venture Capital
& Corporate Ventures
KPMG in Brazil

Cleantech, fintech, logistics & AI predominate

Top 10 financings in Q3'23 in Americas



1. **Anthropic** — \$4B, San Francisco, US — AI & ML — *Late-stage VC*
2. **Redwood Materials** — \$997.2M, Carson City, US — Cleantech — *Series D*
3. **Databricks** — \$500M, San Francisco, US — Database software — *Series I*
4. **Ascend Elements** — \$460.1M, Westborough, US — Cleantech — *Series D*
5. **Axiom Space** — \$460M, Houston, US — Aerospace — *Series C*
6. **Equipment Share** — \$440M, Columbia, US — Industrials software — *Series E*
7. **Kriya Therapeutics** — \$430M, Redwood City, US — Drug discovery — *Series C*
8. **Lvrch Capital Advisory** — \$400M, Los Angeles, US — Financial services — *Series D*
9. **PayJoy** — \$360M, San Francisco, US — Fintech — *Series C*
10. **Cardurion Pharma** — \$300M, Burlington, US — Biotech — *Series A*

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023.
Data provided by PitchBook, October 18, 2023

**In Q3'23, European
VC-backed companies
raised \$17.3B across
1,671 deals**

Europe sees VC investment strengthen

VC investment in Europe increased slightly quarter-over-quarter, powered by a series of mega-deals. Overall, there were 10 deals of \$225 million plus in Q3'23 including a \$2.27 billion raise by France-based battery recycler Verkor, a \$1.63 billion raise by H2 Green Steel in Sweden and a \$631 million deal by UK driverless vehicle firm Conigital. Fresh dog food company Butternut Box raised \$355 million, followed by \$325 million raise by Switzerland-based Atlas Agro.

As investors raise the bar, not all companies will survive

In light of the uncertain market conditions, many VC investors in Europe have raised the bar in terms of their investment criteria. This has likely contributed to some of the slowdown in deal volume as VC investors narrowed their focus to supporting the biggest bets and highest quality companies in more mature sectors and ones that have shown more resilience in the current market climate.

AI has been one notable exception; VC investor interest in the space only continued to accelerate during Q3'23, with quite a range of startups raising funds, including France-based AI platform company Poolside (\$126 million)

Fintech investment softens in Europe

Fintech investment in Q3'23 was quiet in Europe as late stage fintechs in the region continued to avoid funding rounds given current economic conditions and concerns about depressed valuations. Many have also been working to get their own house in order, improving the efficiency of their operations amidst increasing pressure from their investors to achieve or accelerate the path to profitability.

France-based embedded finance company Defacto's \$182 million raised the largest fintech deal of the quarter, followed by a \$150 million raise by UK-based investment firm Astaris Capital Management. VC investors did continue to show interest in B2B-focused fintechs during Q3'23, particularly solutions aimed at improving the back office financial activities of small businesses.

5. <https://www.businesswire.com/news/home/20230815937510/en/UK-FinTech-Growth-Partners-Announces-the-Launch-of-its-Growth-Stage-FinTech-Fund/>

6. <https://www.gov.uk/government/news/uk-joins-horizon-europe-under-a-new-bespoke-deal>

7. <https://www.gov.uk/government/news/major-bmw-ev-announcement-to-take-uk-auto-investment-to-over-6bn>

8. <https://www.euronews.com/2023/09/11/bmw-to-invest-600-million-in-uk-electric-mini-plant>

Cleantech and energy solutions remain hot in the eyes of VC investors in Europe

Cleantech and energy solutions remained attractive to VC investors in Q3'23, with investments showing diversity both from a product and geographic perspective. Companies that attracted investments during the quarter ranged the gamut from zero carbon fertilizer company Atlas Grow in Switzerland and biotech-focused sustainable protein provider Unibio in Denmark to Field — a battery developer and storage company based in the UK.

VC investment in UK soft during Q3'23; ecosystem activity remains strong

While VC investment in the UK remained subdued in Q3'23, ecosystem activity continued apace. During the quarter, UK FinTech Growth Partners announced the launch of a FinTech Growth Fund aimed at filling a recognized funding gap by providing support to growth stage fintechs working to scale.⁵ The UK government also announced a bespoke deal to allow for UK scientists to participate in Horizon Europe — a collaborative research program they have been unable to participate in since the UK exited the EU. It is expected that the program will help spur scientific collaboration and innovation efforts and increase access to research opportunities and funding.⁶ The EV and automotive space also saw continued activity; in recent quarters, a number of large automakers announced or made major investments in EV vehicle production, ancillary activities, and EV battery production in the UK — including BMW, which announced a £600 million investment in EV production.^{7, 8}

Europe sees VC investment strengthen, cont'd.

Germany VC investment remains muted

VC investment in Germany remained muted in Q3'23 as VC investors enhanced their focus on due diligence and took a tougher stance on making potential deals. In particular, VC investors have become more risk averse, increasingly scrutinizing startups' expected milestones and planned pathways to profitability. During Q3'23, AI focused startups attracted significant investments in Germany, including GenAI focused Aleph Alpha (\$109 million) and AI-powered robotics firm Neura Robotics. Business productivity solutions providers and companies focused on cleantech, energy, and medtech also continued to attract attention from VC investors.

Tough quarter for VC investment in the Nordics, made better by \$1.6 billion H2 Green Steel deal

While VC investment in the Nordics region continued to be soft in Q3'23, there were a number of indications that suggested that the tide might be ready to turn heading into Q4'23 and Q1'24. In particular, the quarter saw Sweden-based Green Steel raise \$1.6 billion in equity funding.⁹ From a fundraising perspective, the Nordics region saw two major new funds closed during the quarter, including the £1.1 billion hard cap close of Verdane's Capital XI fund — focused on supporting growth companies looking to digitalize and decarbonize the economy in Europe.¹⁰ NordicNinja also announced a \$214 million fund focused on supporting Series A round companies with a focus on climatech, deeptech and digital society.¹¹

9. <https://www.reuters.com/business/finance/swedens-h2-green-steel-raises-16-bln-private-placement-2023-09-07/>

10. <https://verdane.com/verdane-closes-oversubscribed-capital-xi-at-e1-1-billion-hard-cap-cementing-the-firms-position-as-a-european-mid-market-leader/>

11. <https://www.forbes.com/sites/jonathankeane/2023/09/12/nordicninja-unveils-214-million-fund-to-invest-deeper-in-europe>

Ireland continues to see deal activity at smaller deal sizes

With the exception of a major \$200 million raise by critical minerals investment company TechMet, VC deals in Ireland were quite small this quarter. While companies continued to attract attention and funding, deal sizes were particularly modest as investors remained cautious and hesitant about writing significant cheques given the current environment. Investor caution has likely also been partly responsible for the slowdown in fundraising activity as VC firms look to avoid pressure to spend funds raised.

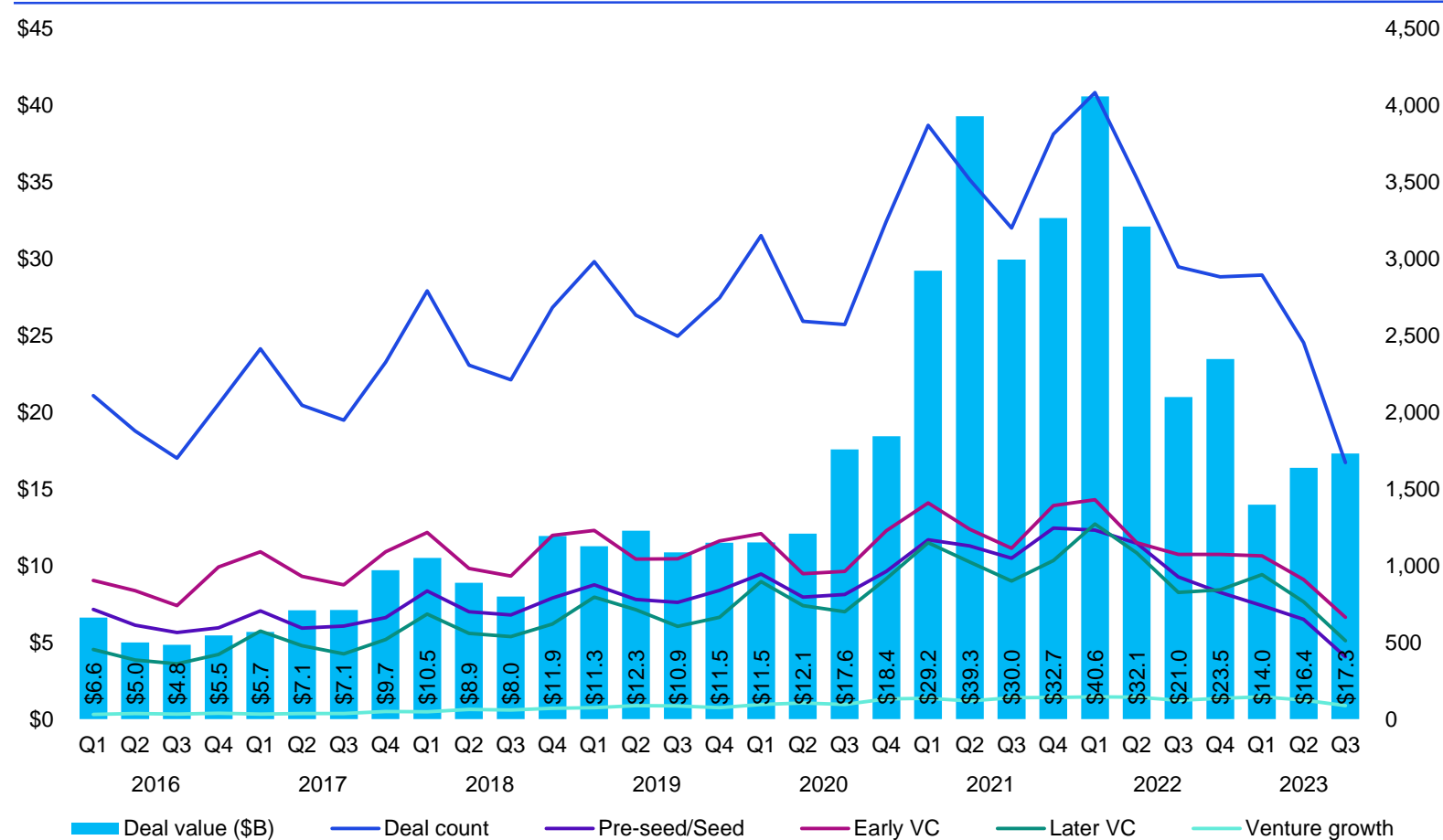
Trends to watch for in Q4'23

VC investment in Europe is expected to remain soft in Q4'23, as companies continue to face difficulties raising funding. The high interest rate environment could also see VC fundraising activity remain subdued, which could have long-term consequences for the VC market. If the VC market remains tight, there will likely be more focus on consolidation as industry winners continue to raise funds and other startups lose momentum or fade into obsolescence. Despite a general slowdown in investment, AI will likely remain very attractive to VC investors, in addition to cleantech and health and biotech.

It will be important to watch the IPO market over the next quarter or two; while the IPO of UK based Arm was a positive signal after a lengthy drought, more successful exits are needed to revitalize the market and give LPs more confidence in potential exit opportunities.

Venture activity cools but VC invested indicates a plateau

Venture financing in Europe 2016–Q3'23



Venture financing volume slid quarter over quarter by mid year but that tally is likely to tick upward once additional undisclosed deals are brought to light and further financing metrics are confirmed. And on top of that, some outsized deals did help propel quarter-over-quarter VC invested to grow, in a promising sign for key segments.

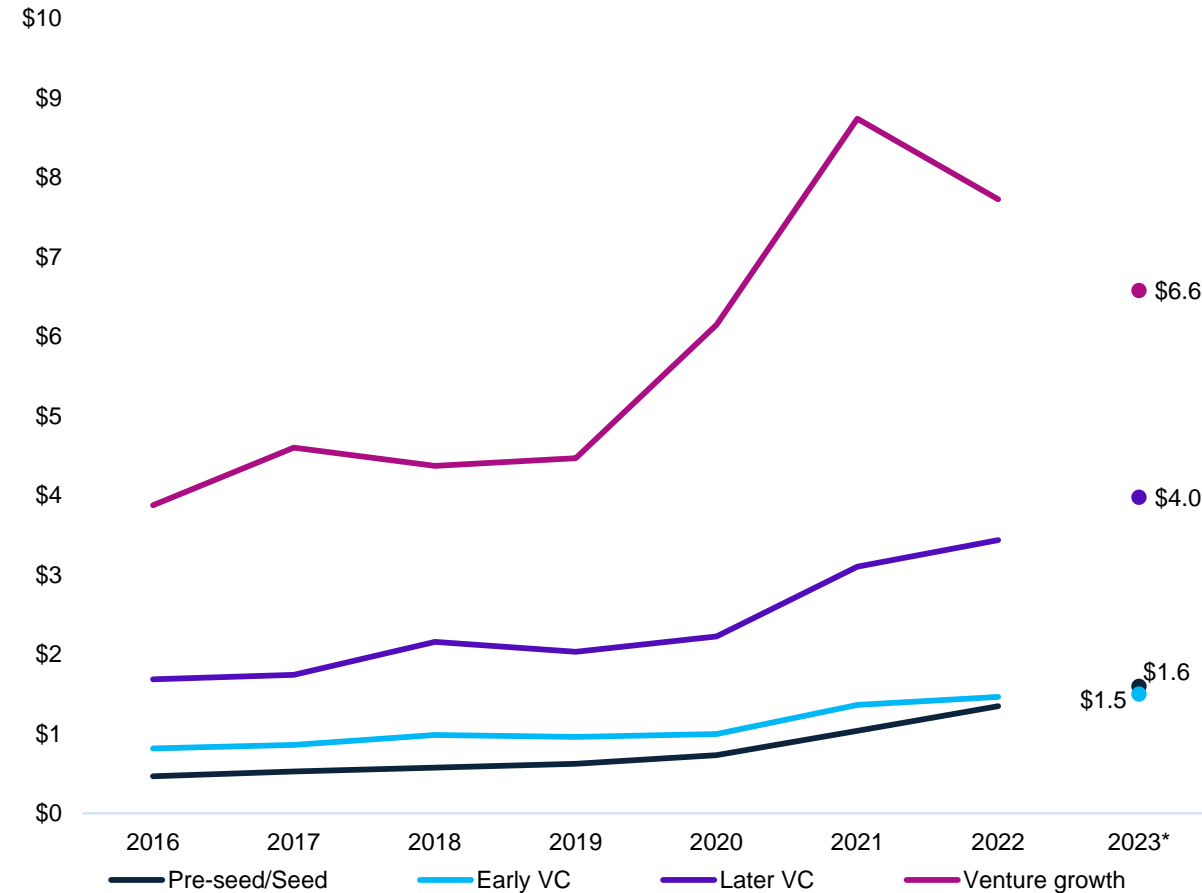
... after sustained volatility, it could be that **European startup ecosystems are beginning to see priced-in dealmaking levels as outlier deals return...**

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Down & flat rounds tick upward while financing metrics moderate

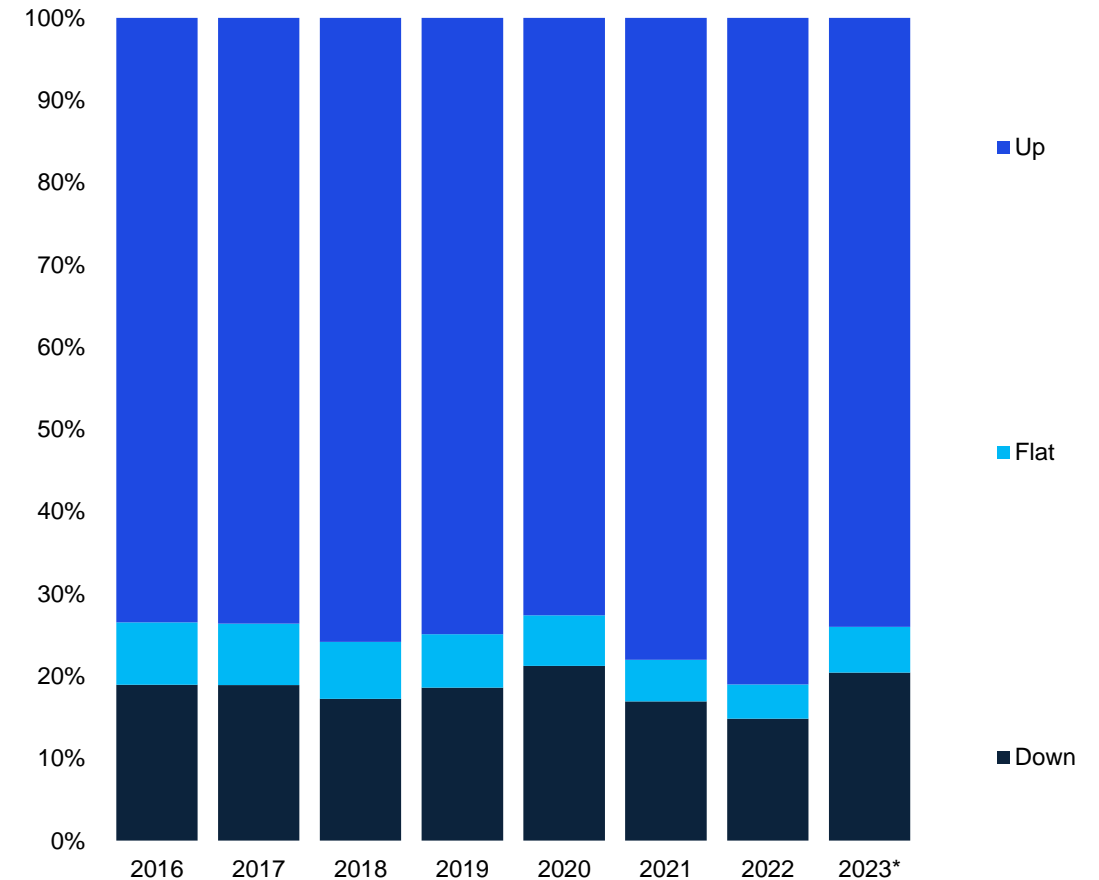
Median deal size (\$M) by stage in Europe

2016–2023*



Up, flat or down rounds in Europe

2016–2023*

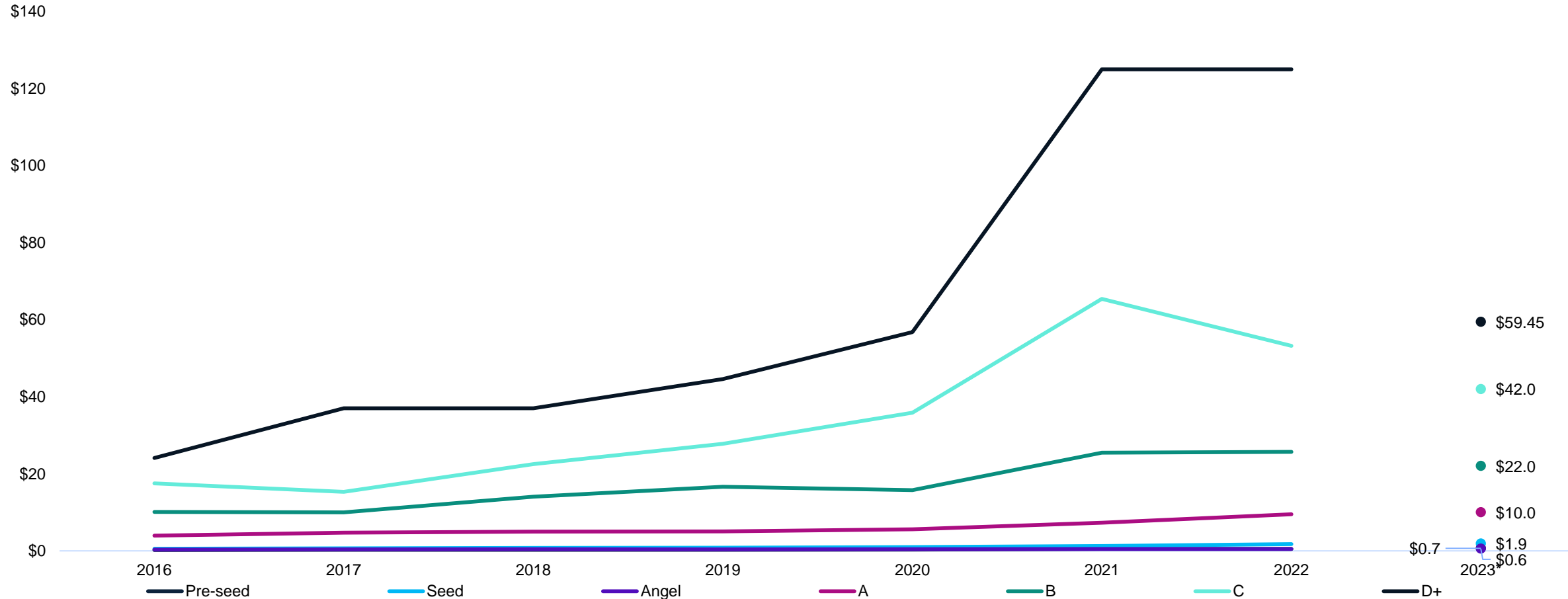


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Only later-stage metrics have declined much

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

2016–2023*

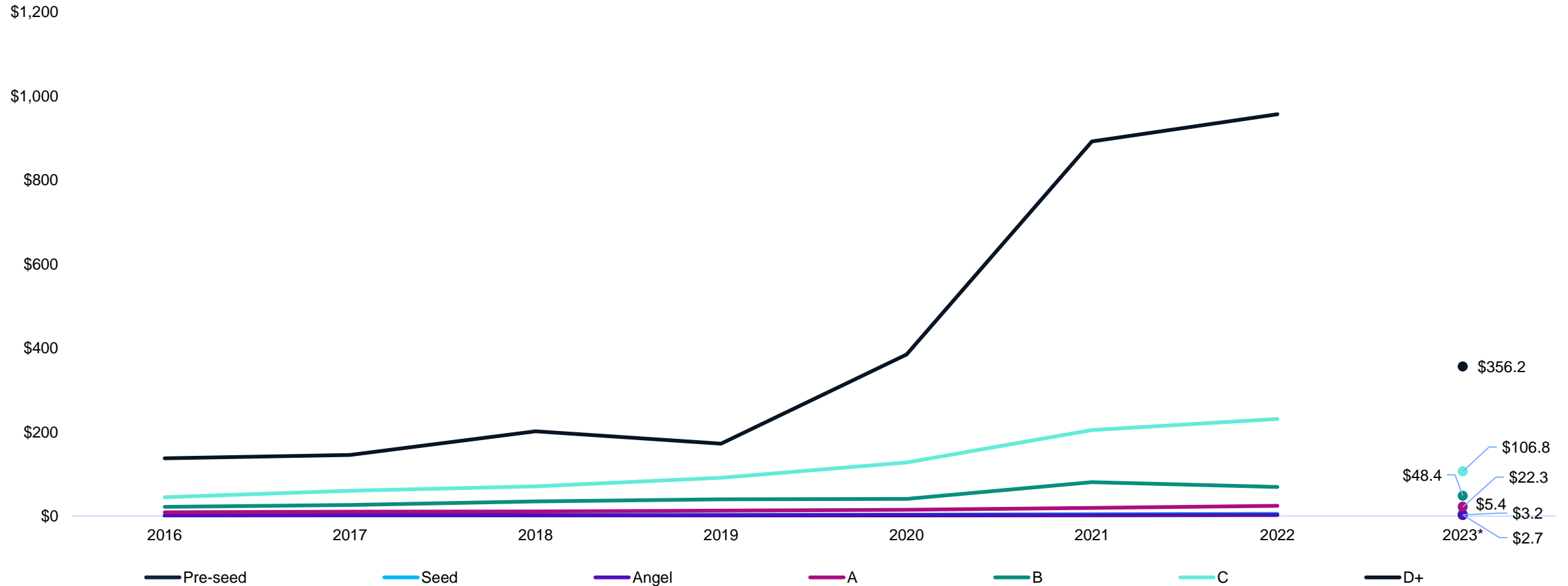


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023. The Series D+ figure for 2023 YTD are based on non-normative sample sizes.

Valuations are returning to previous medians

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

2016–2023*

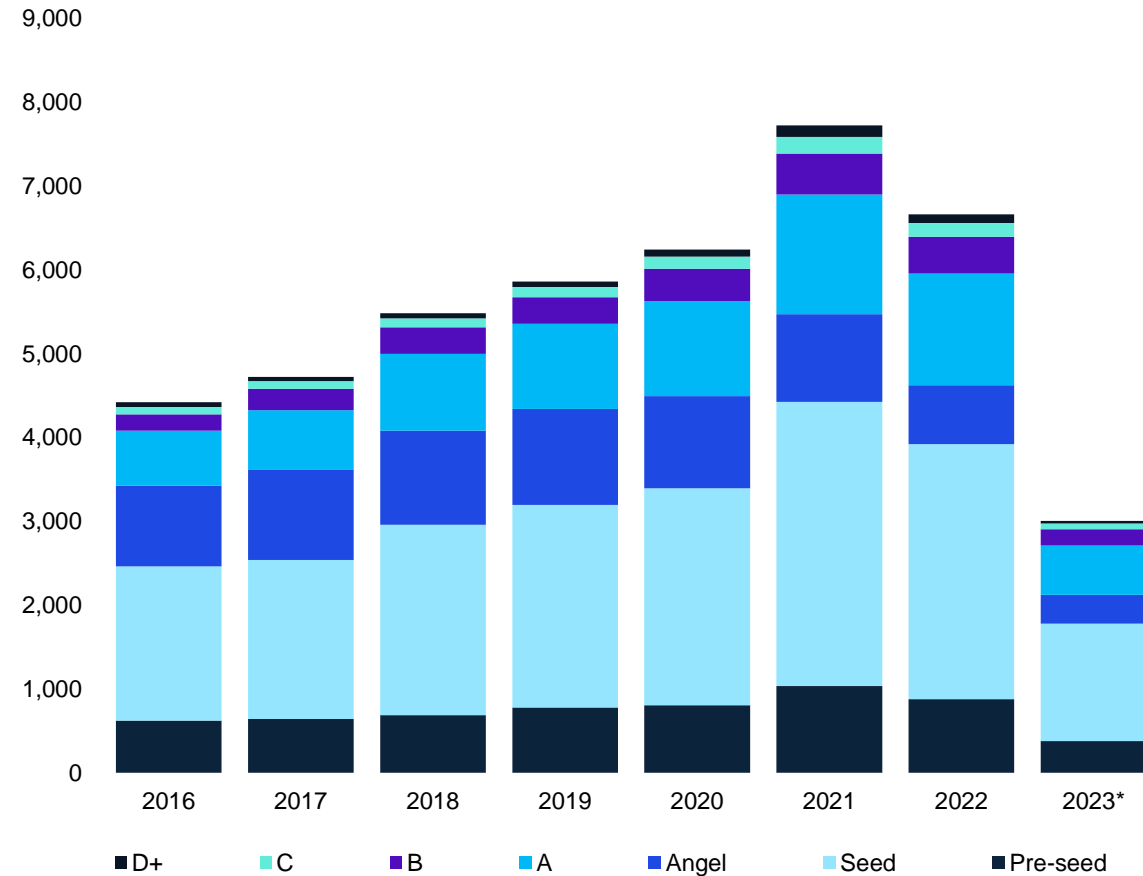


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023. The figures for Series C and D or later valuations in 2023 to date are based on non-normative sample sizes.

After a boom period, dealmaking proportions have normalized

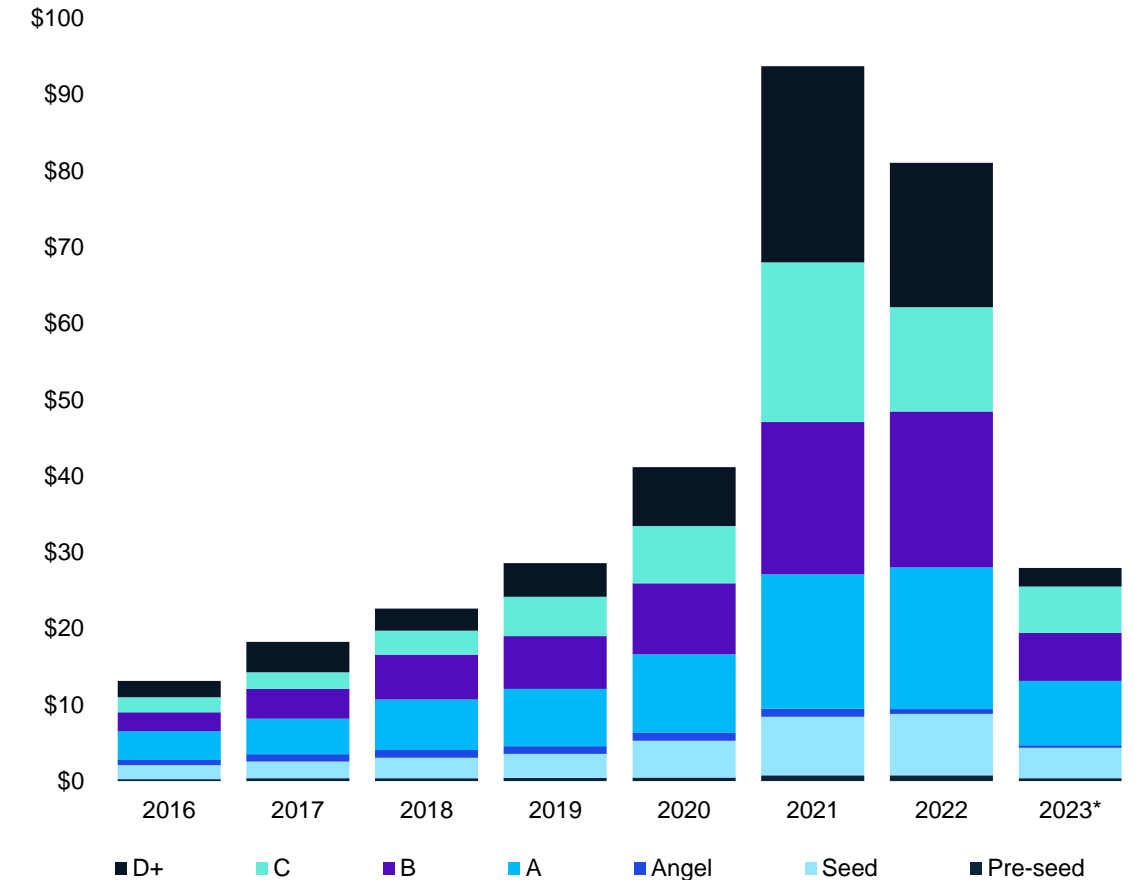
Deal share by series in Europe

2016–2023*, number of closed deals



Deal share by series in Europe

2016–2023*, VC invested (\$B)

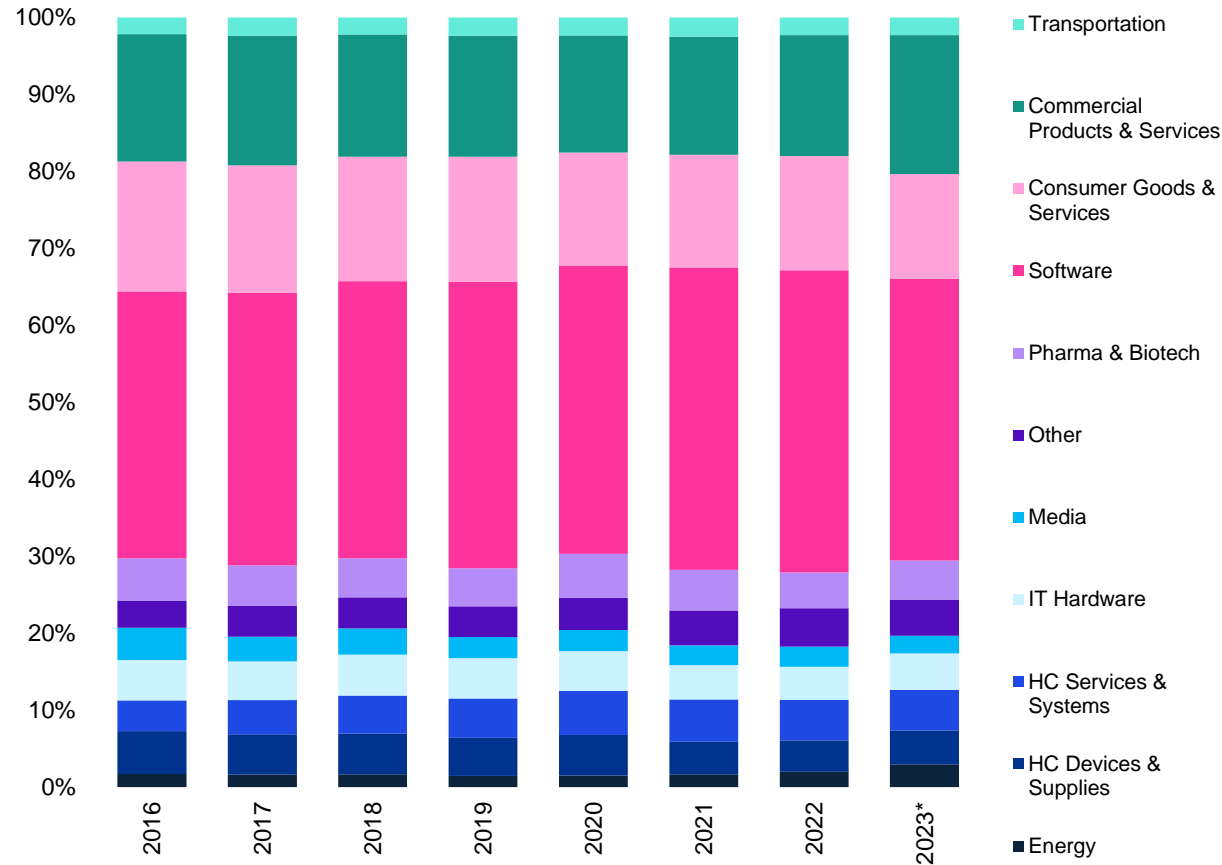


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Enterprise & healthcare-related offerings still draw capital

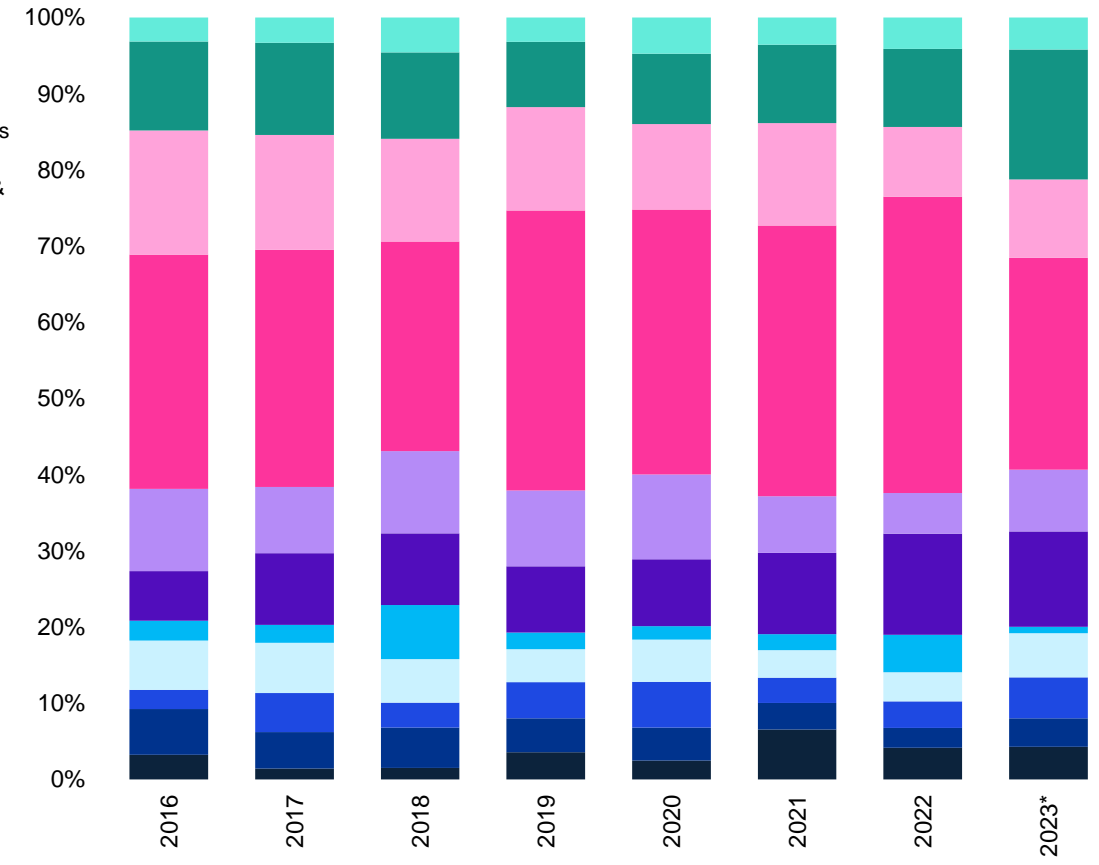
European venture financings by sector

2016–2023*, number of closed deals



European venture financings by sector

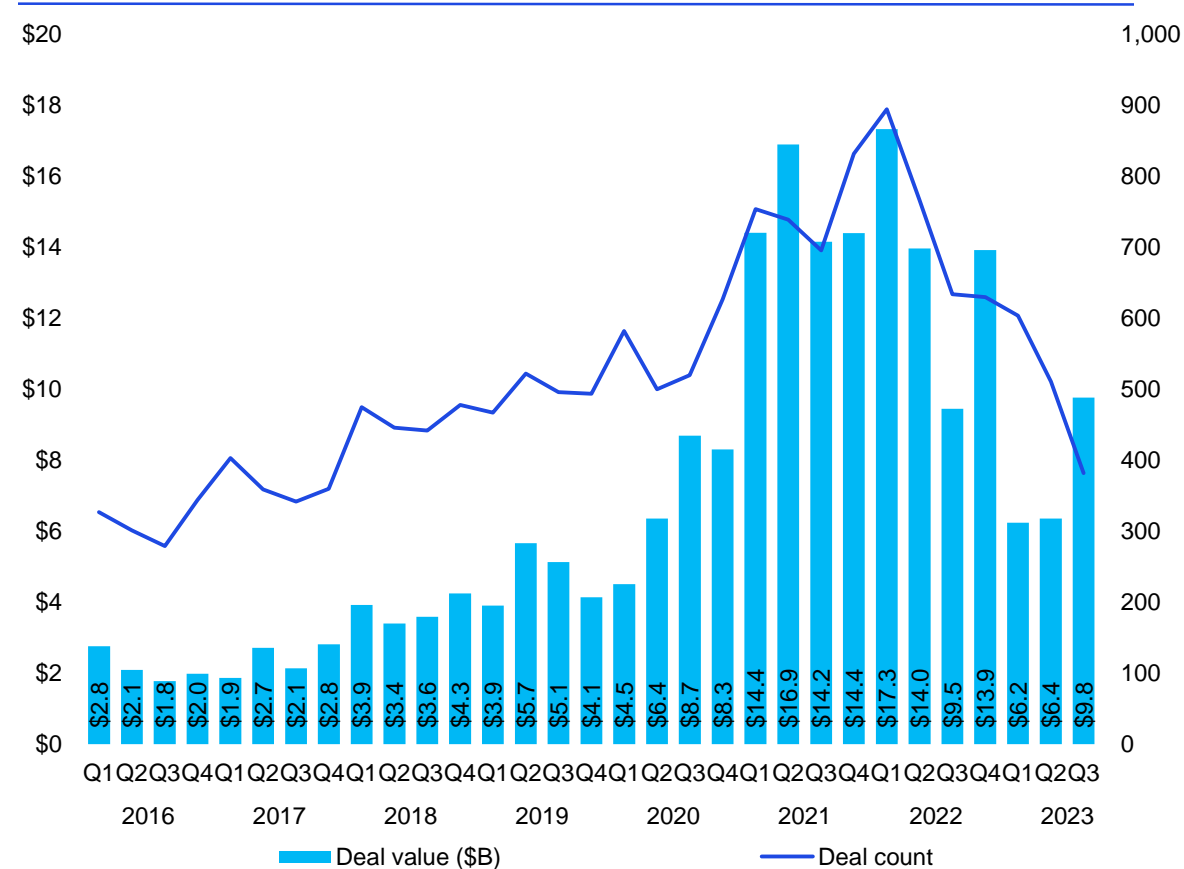
2016–2023*, VC invested (\$B)



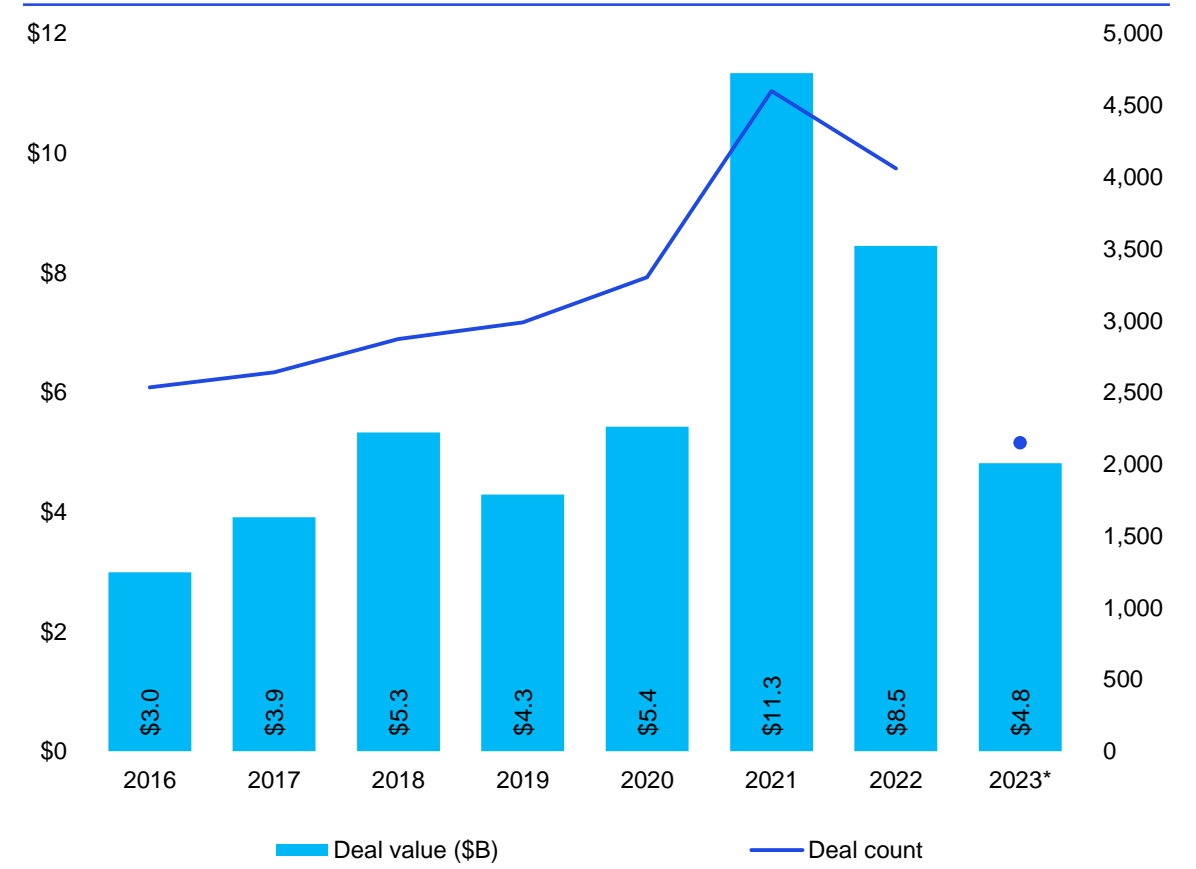
Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

First-time financing volume healthy while CVCs join back in

Corporate VC participation in venture deals in Europe
2016–Q3'23



First-time venture financings of companies in Europe
2016–2023*

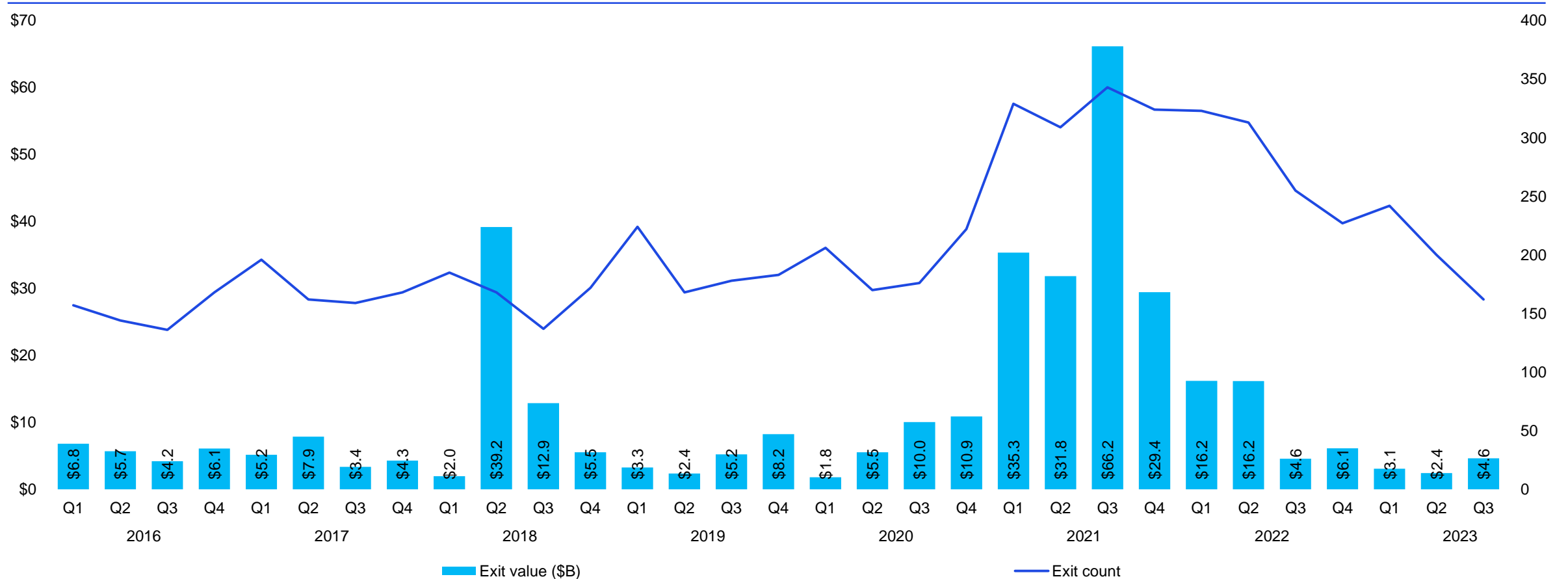


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Exits remain stalled

Venture-backed exit activity in Europe

2016–Q3'23

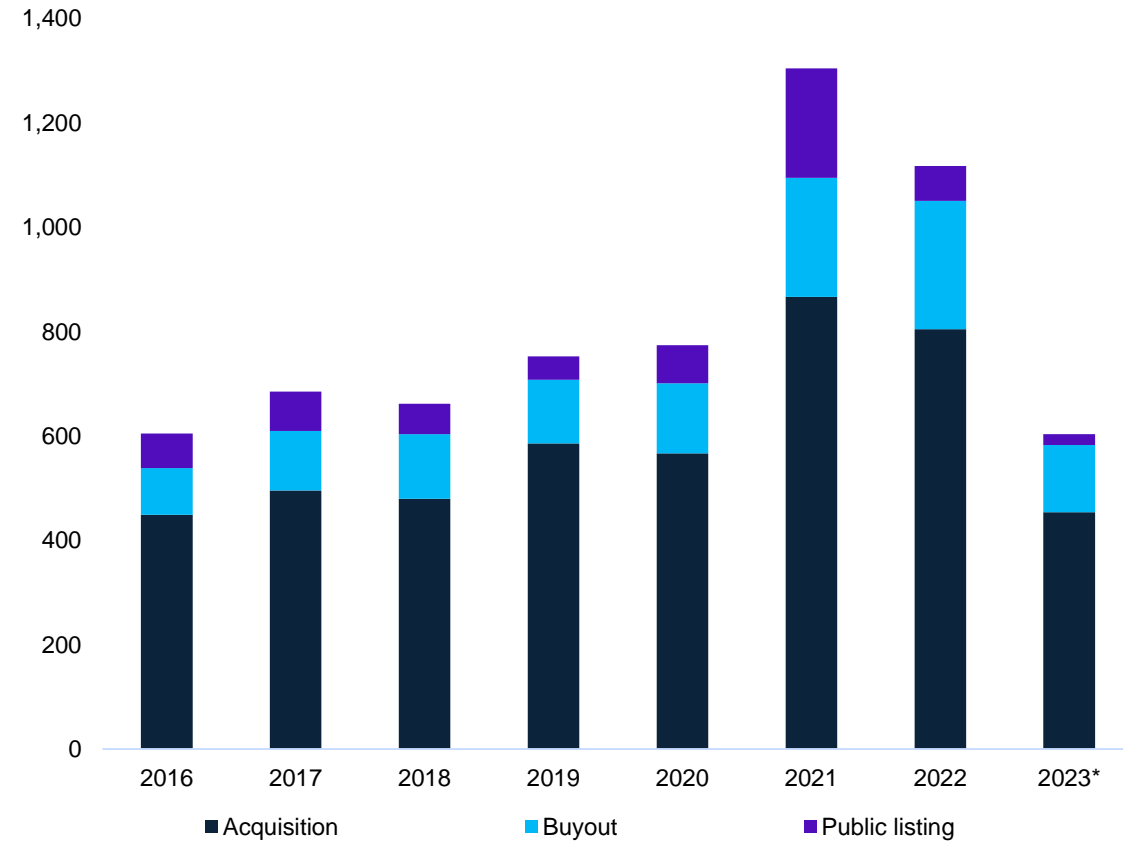


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

M&A remains primary avenue in a moribund market

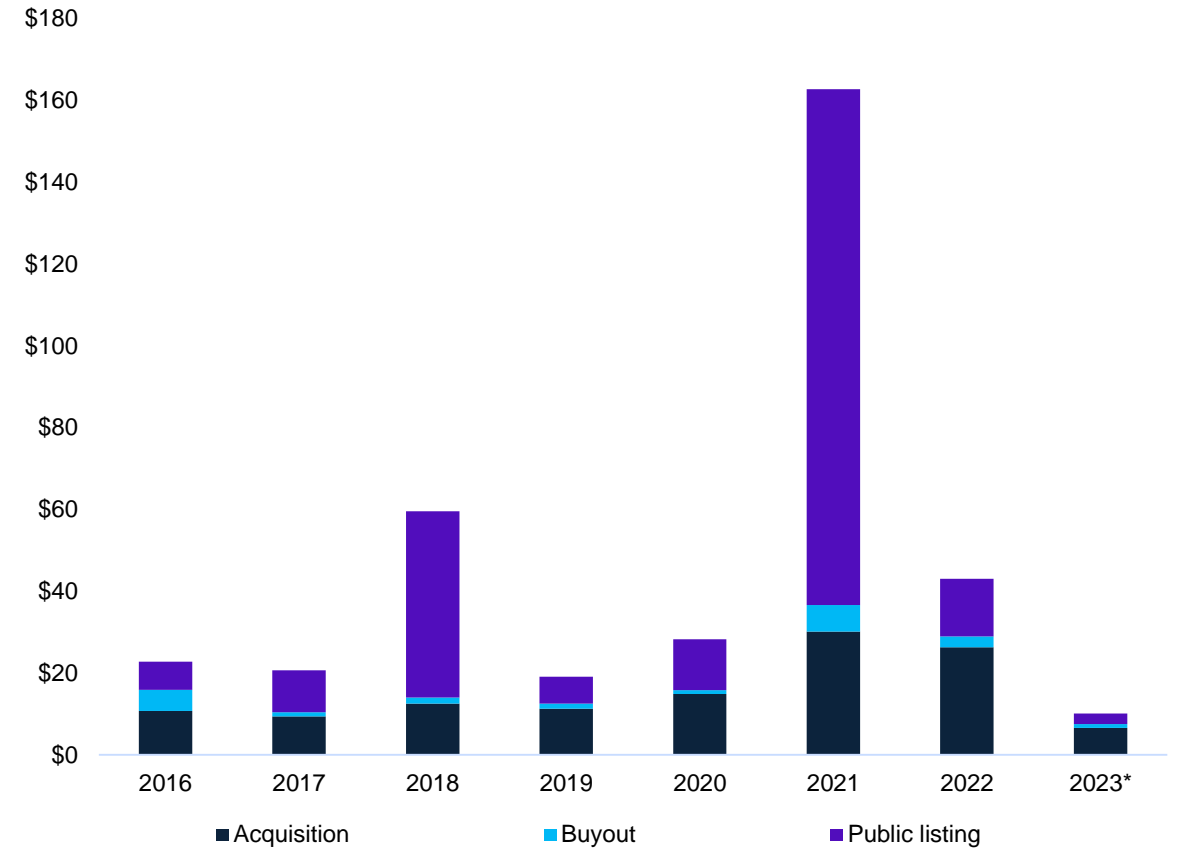
Venture-backed exit activity (#) by type in Europe

2016–2023*



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

2016–2023*

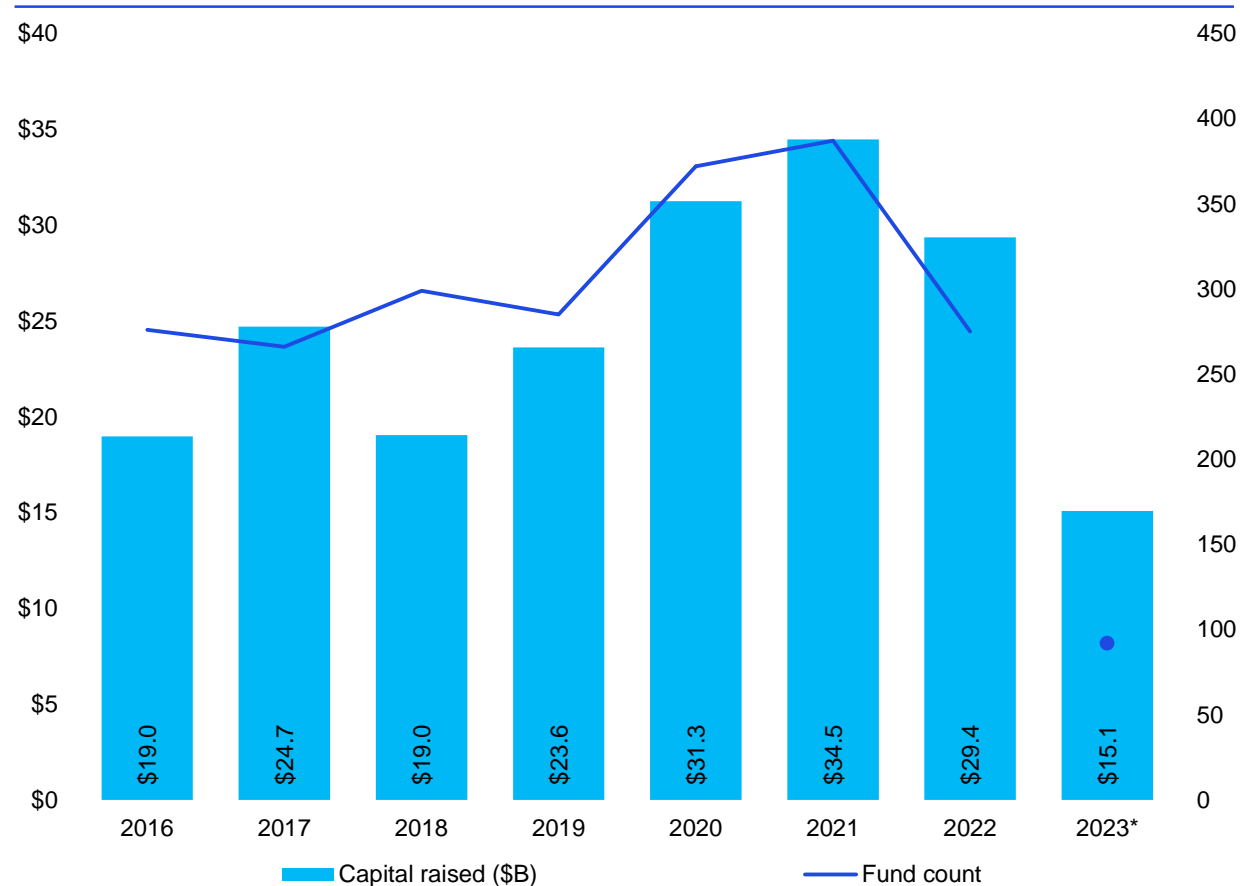


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Fundraising finally takes a blow, but not as badly as maybe feared

European venture fundraising

2016–2023*



After a record-breaking stretch for capital committed, the slowdown has finally hit the European continent, with the pace of commitments slowing dramatically and total capital pledged on pace for tallies similar to pre-2020 figures. Current volatility may be actually exacerbated by the natural slowdown in fundraising cycles after LPs garnered their desired exposure.

... at **\$15.1 billion**, 2023 is now seeing a bit more health in the fundraising market, indicating LPs are becoming reassured

“ We are seeing some positive signs here in the UK. After a period of decline — particularly in the second half of 2022 — total VC investment has remained relatively stable for the third consecutive quarter. That said, deal activity is still slow; where a deal once could have been completed in six months, now it might take twice that. Everything is simply taking longer. Investors are more cautious, asking more questions, and doing more due diligence than they might have in recent years. ”



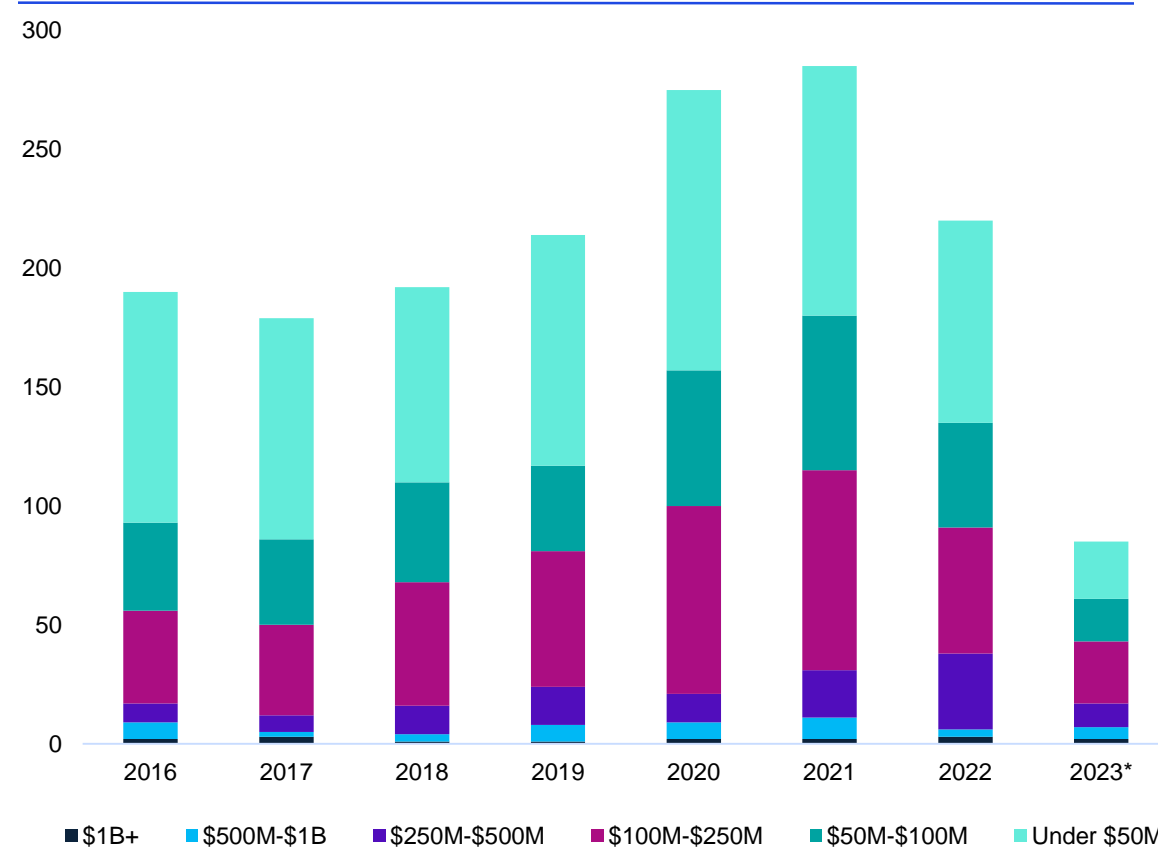
Robert Baxter
Head of Corporate Finance
KPMG in the UK

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Capital continues to concentrate in follow-on & modestly sized funds

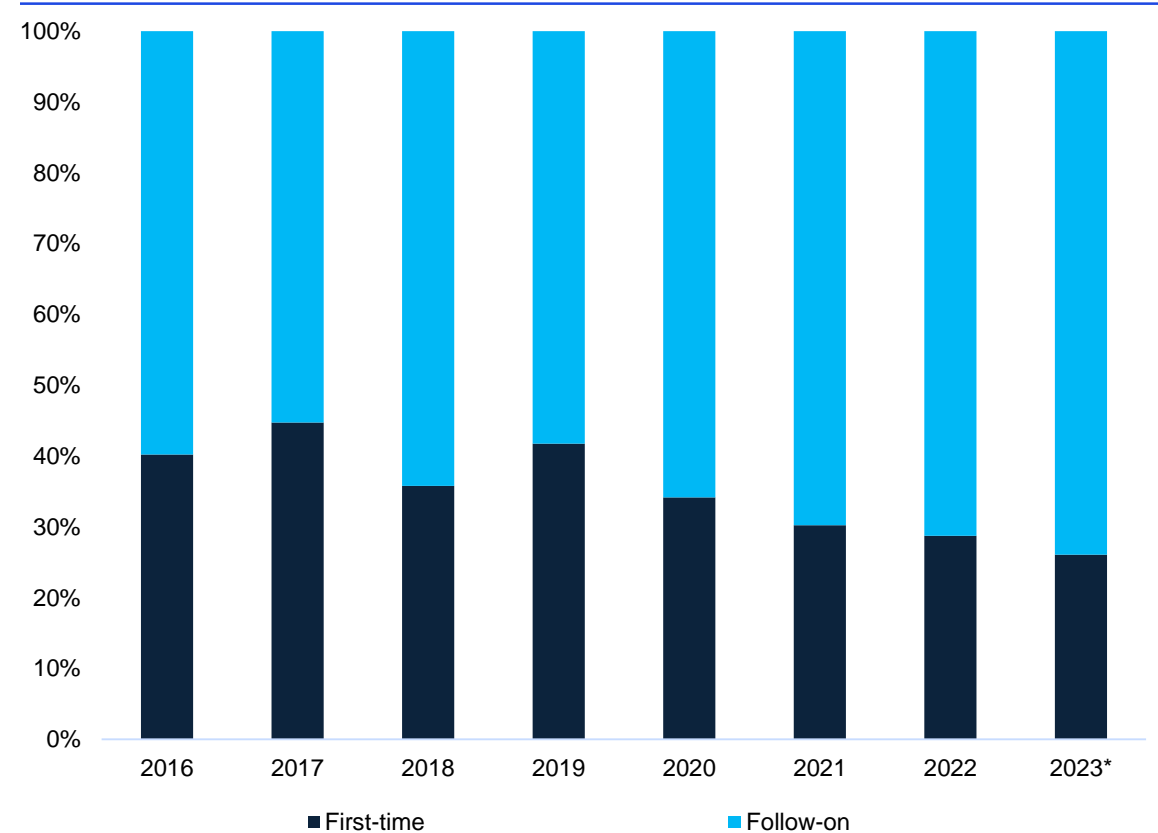
Venture fundraising (#) by size in Europe

2016–2023*



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

2016–2023*

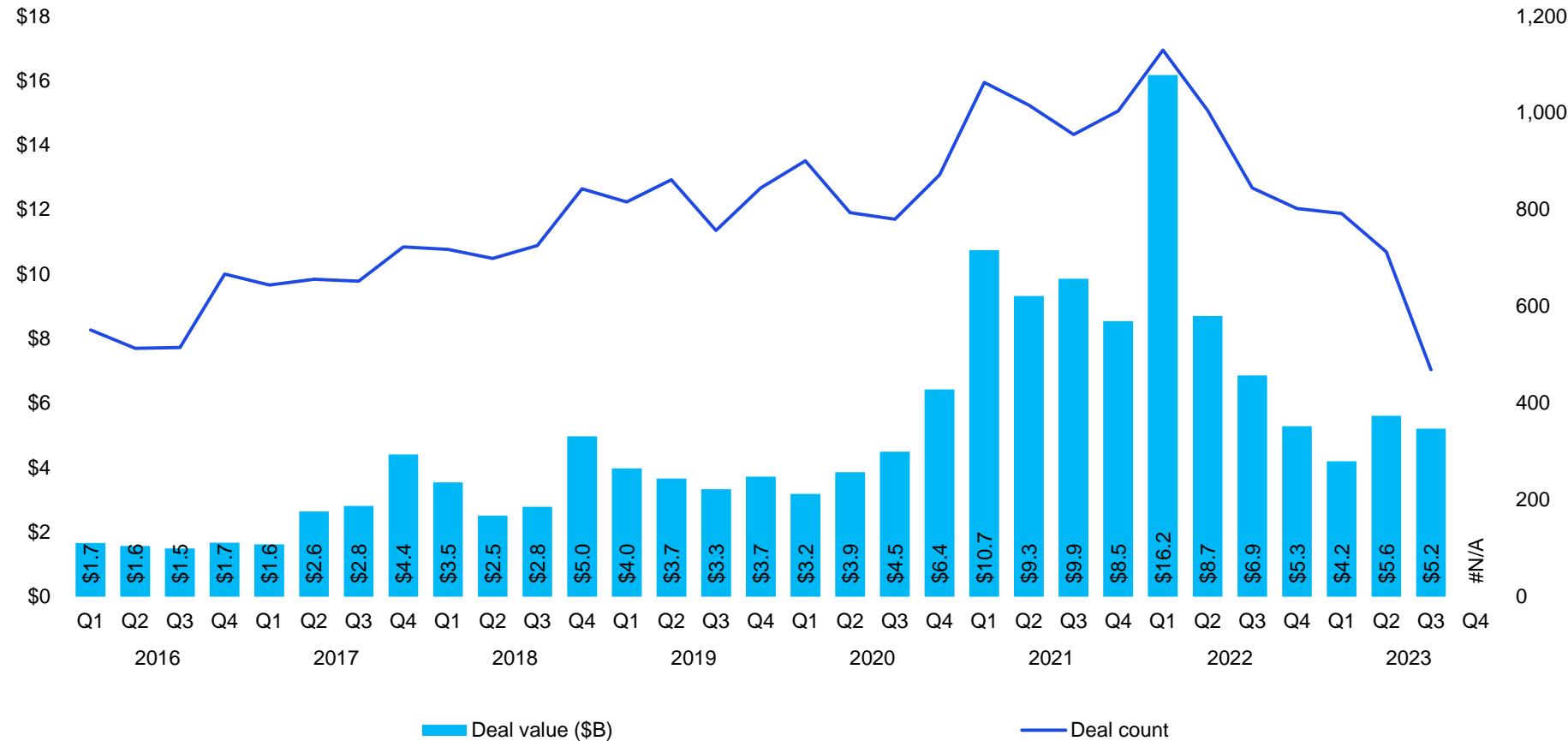


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

The UK benefits from bevy of larger deals

Venture financing in the United Kingdom

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

“ Rising interest rates have dampened some of the enthusiasm globally for venture capital investments. While we continue to see record amounts of dry powder around the world, much of this has previously been driven by the influx of ‘tourist’ investors seeking higher returns in a low interest rate environment. In the current market, higher interest rates, we may see the opposite effect, giving many tourist investors pause before doubling down on VC. ”

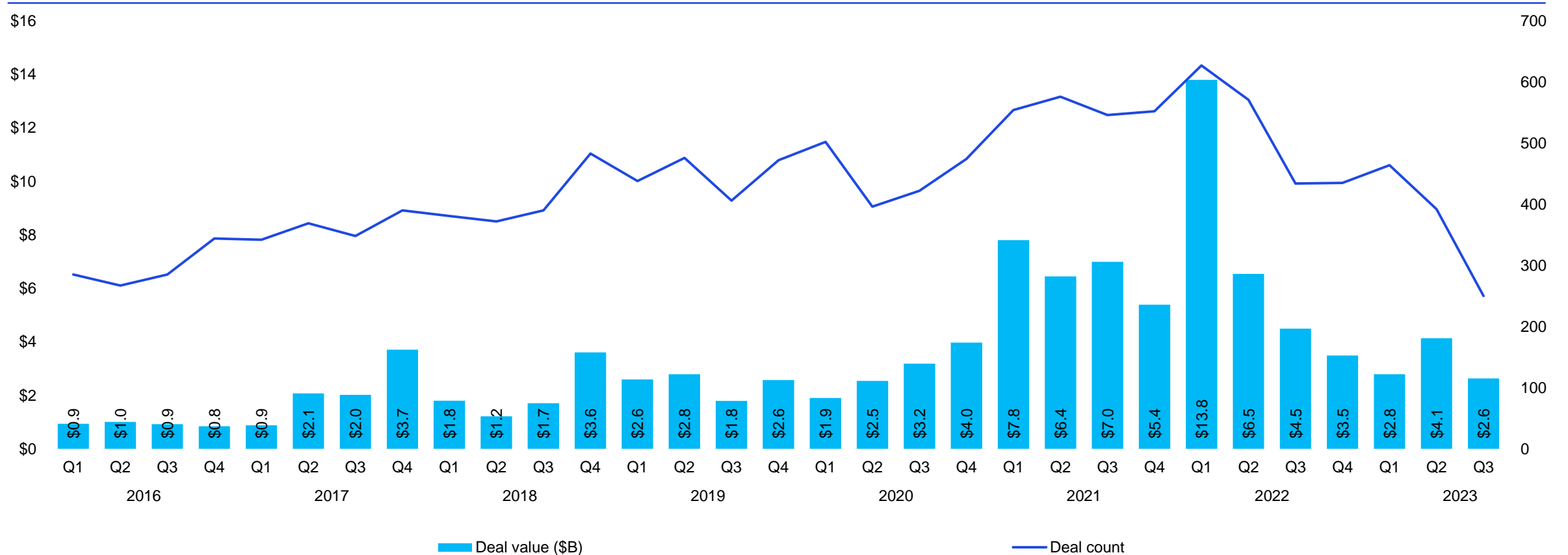


Nicole Lowe
UK Head of Emerging
Giants
KPMG in the UK

London sees tallies back to pre-2021 level

Venture financing in London

2016–Q3'23

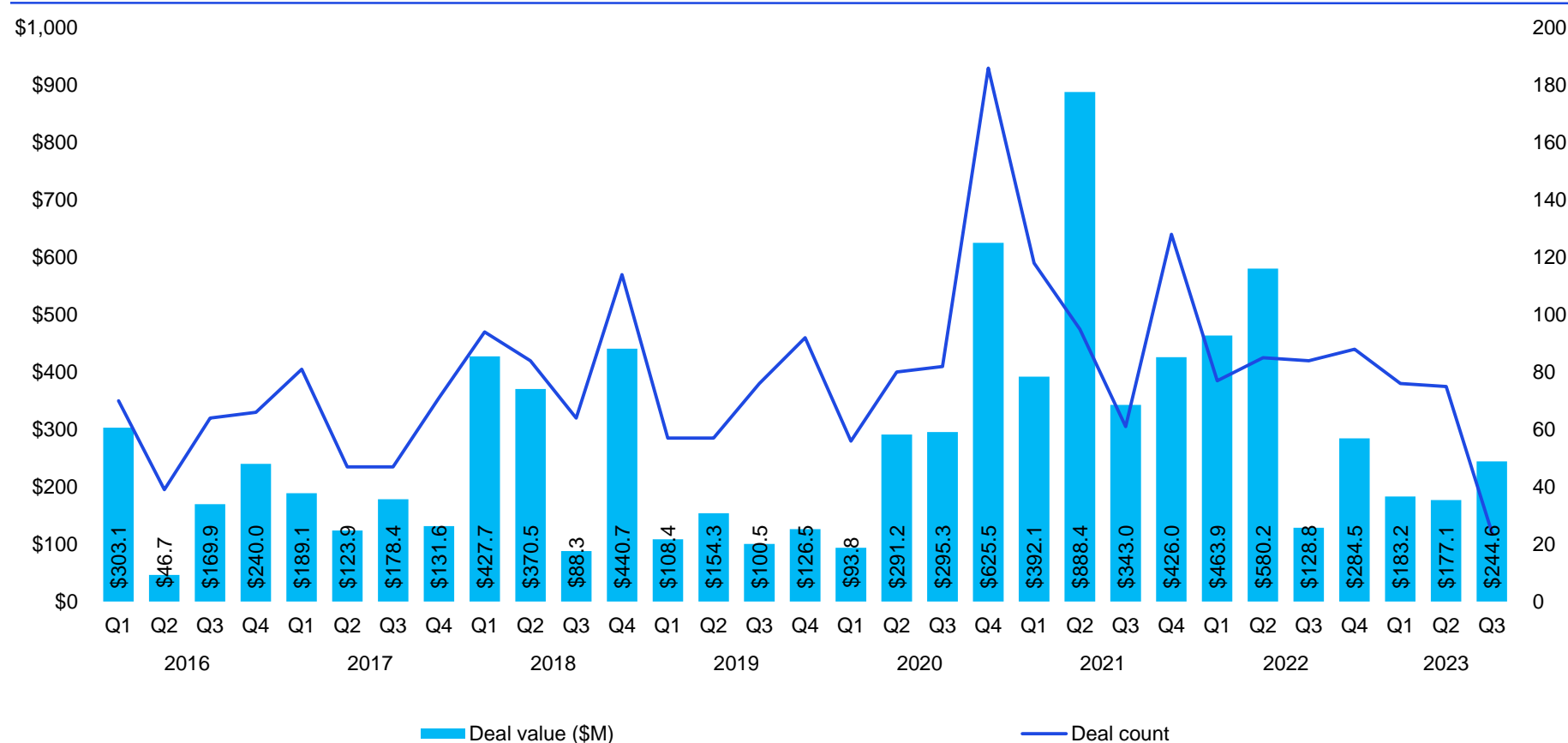


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Ireland sees moderate jump in VC invested

Venture financing in Ireland

2016–Q3'23



“ Similar to most other countries and regions, investment in Ireland has been reasonably muted this quarter. While good companies are still being funded, deal sizes are modest, reflecting the cautious nature of investors right now. Most deal sizes this quarter have been sub \$10 million — the \$200 million TechMet raise being a very significant outlier. On a more positive note, there has been a perceptible uptick in M&A activity, where companies and investors with deep pockets are taking advantage of depressed valuations and the limited exit options available. ”



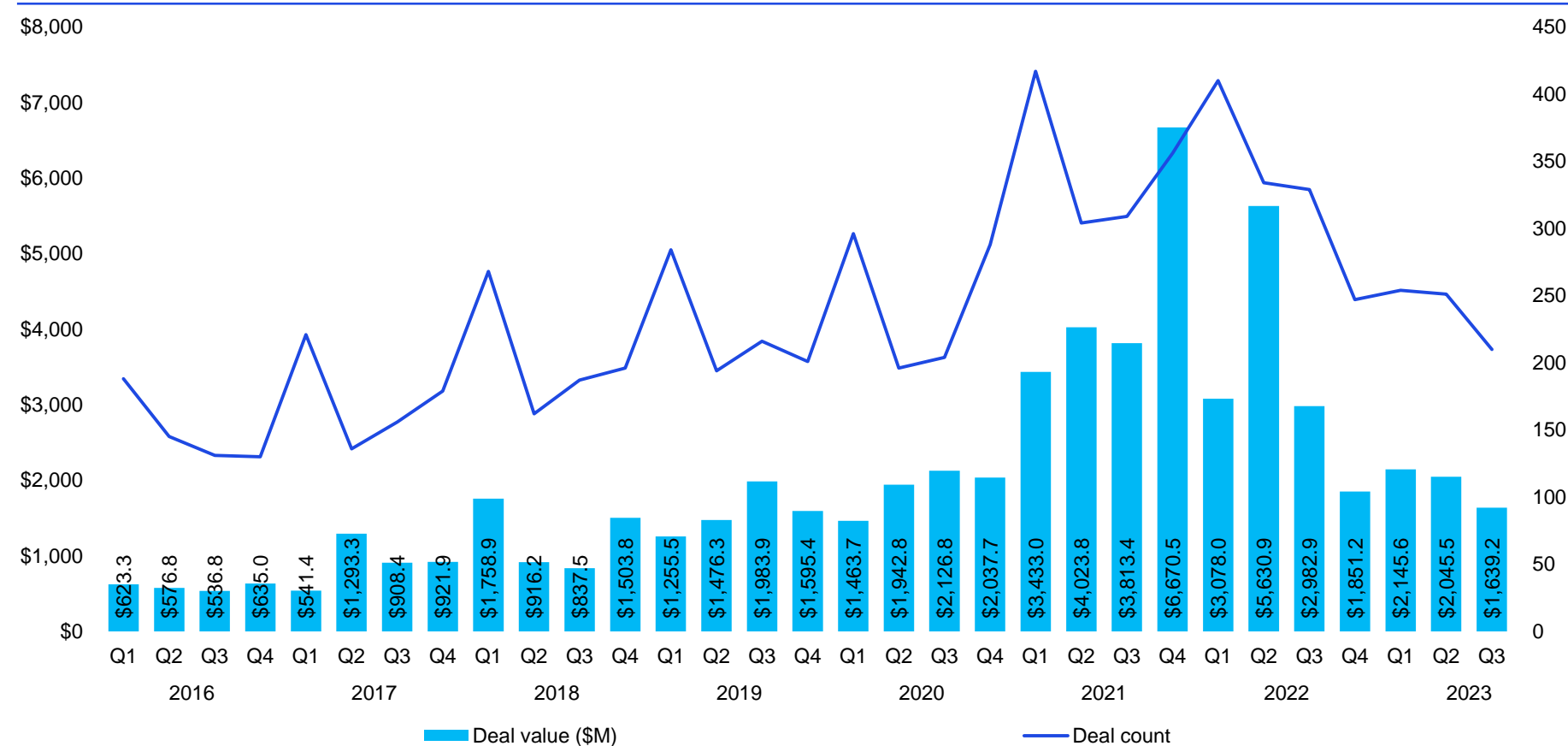
Anna Scally
Partner, Head of
Technology & Media
KPMG in Ireland

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

VC invested evens out in Germany as activity moderates

Venture financing in Germany

2016–Q3'23



“ Here in Germany, we’re still seeing VC investors showing interest in a lot of business models related to sustainability, climate change, and energy — in addition to AI, and business productivity. There also continues to be good traction for healthcare — so biotech and medical products. At the same time, VC investors are really focusing on profitability — asking hard questions of companies to understand what their strategies are and what their milestones are on the path to profitability. ”



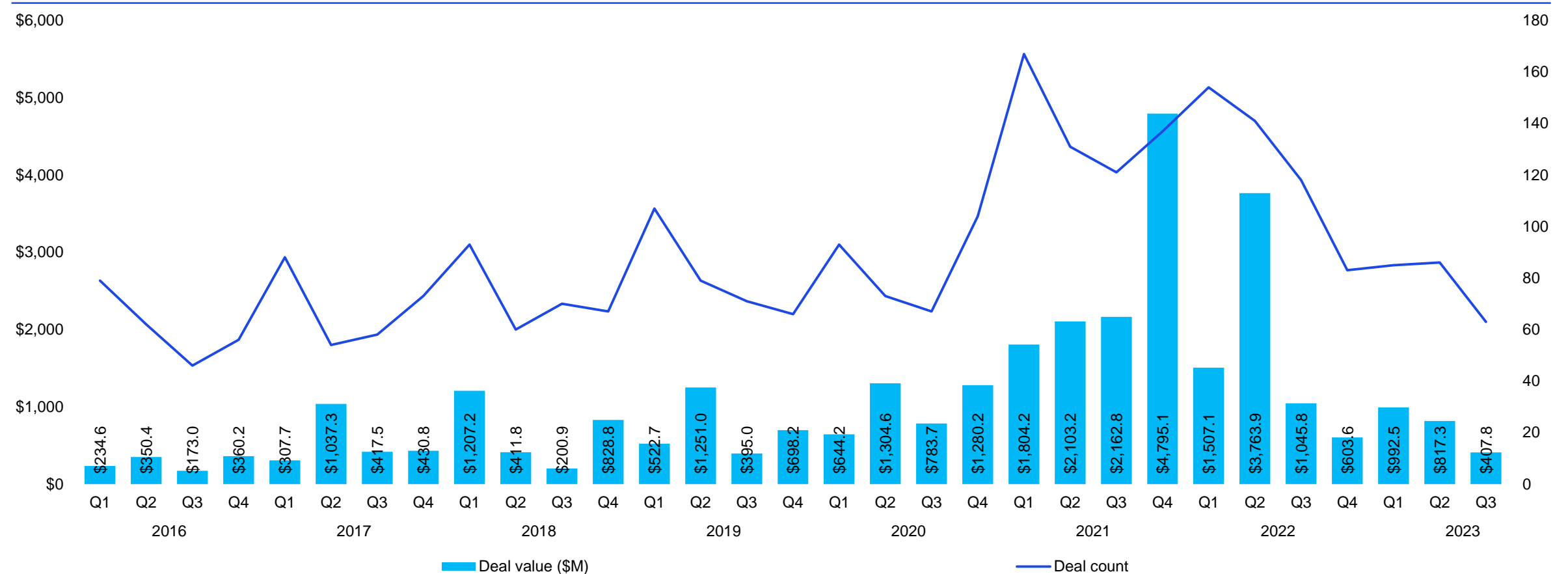
Tim Dümichen
Partner
KPMG in Germany

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

The Berlin venture ecosystem has entered a plateau

Venture financing in Berlin

2016–Q3'23

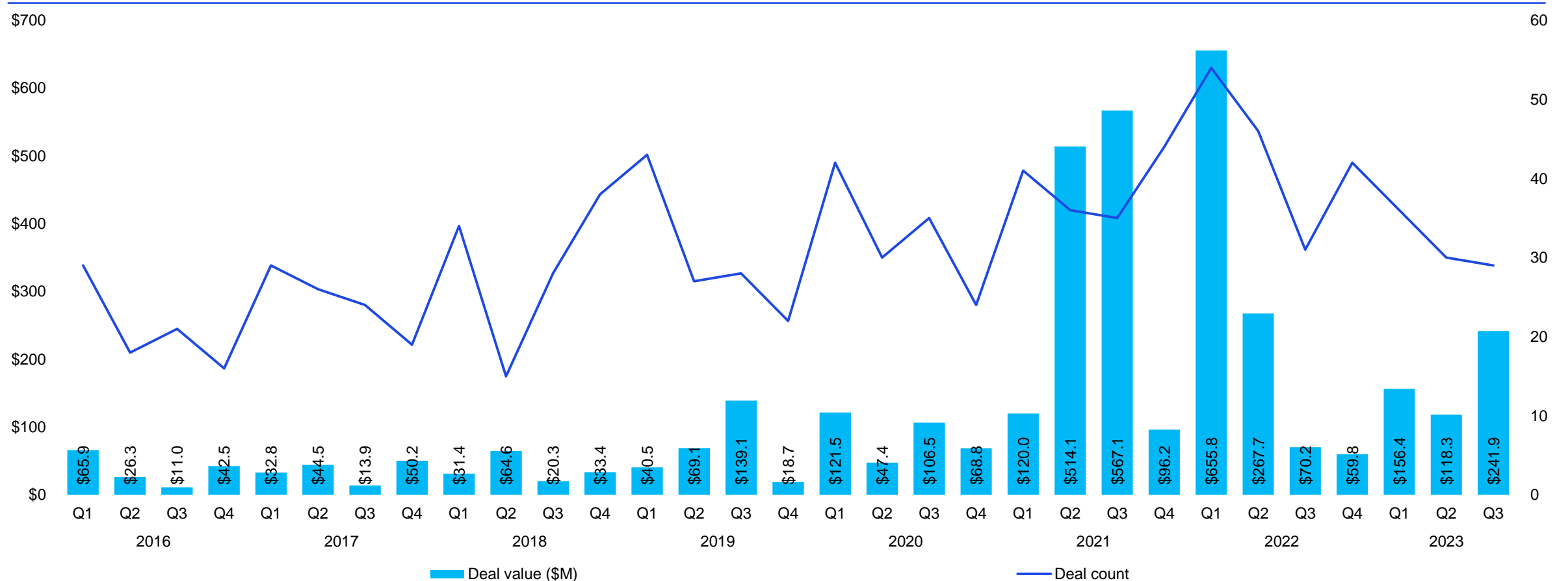


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Austrian ecosystem sees surge in VC invested

Venture financing in Austria

2016–Q3'23

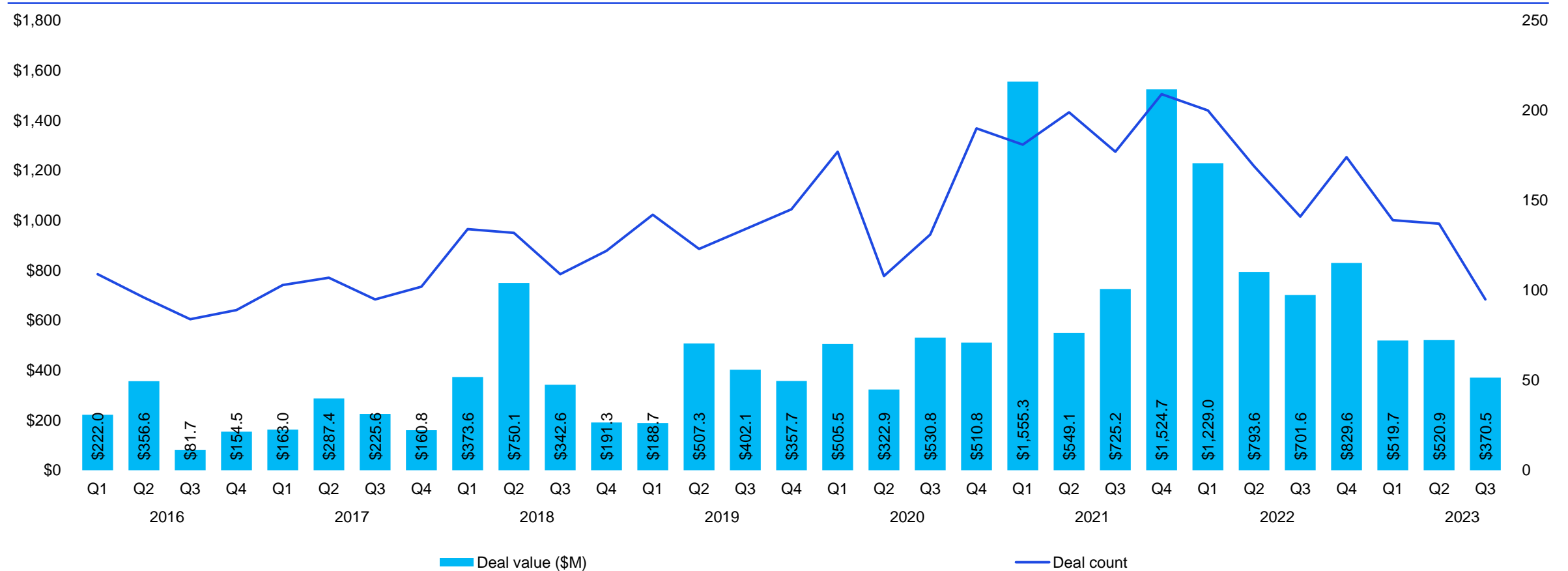


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Dealmaking moderates further across Spain

Venture financing in Spain

2016–Q3'23

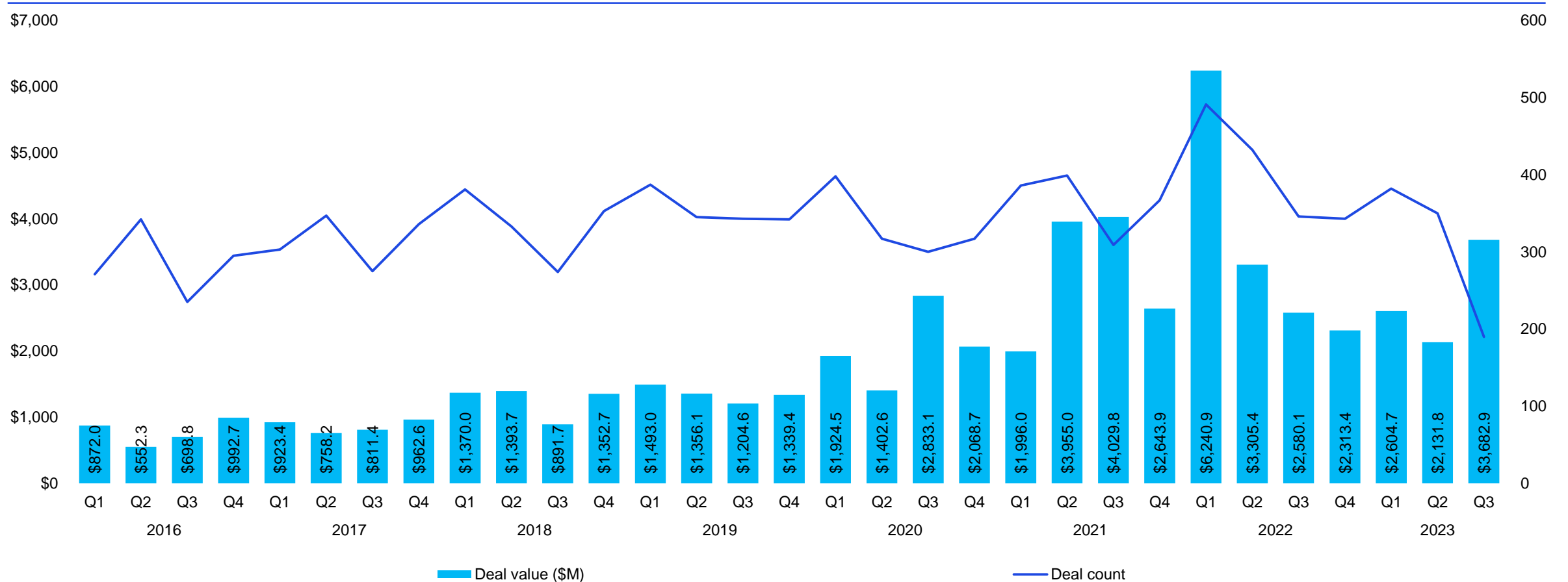


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

France sees jump in VC invested thanks to a mega-deal

Venture financing in France

2016–Q3'23

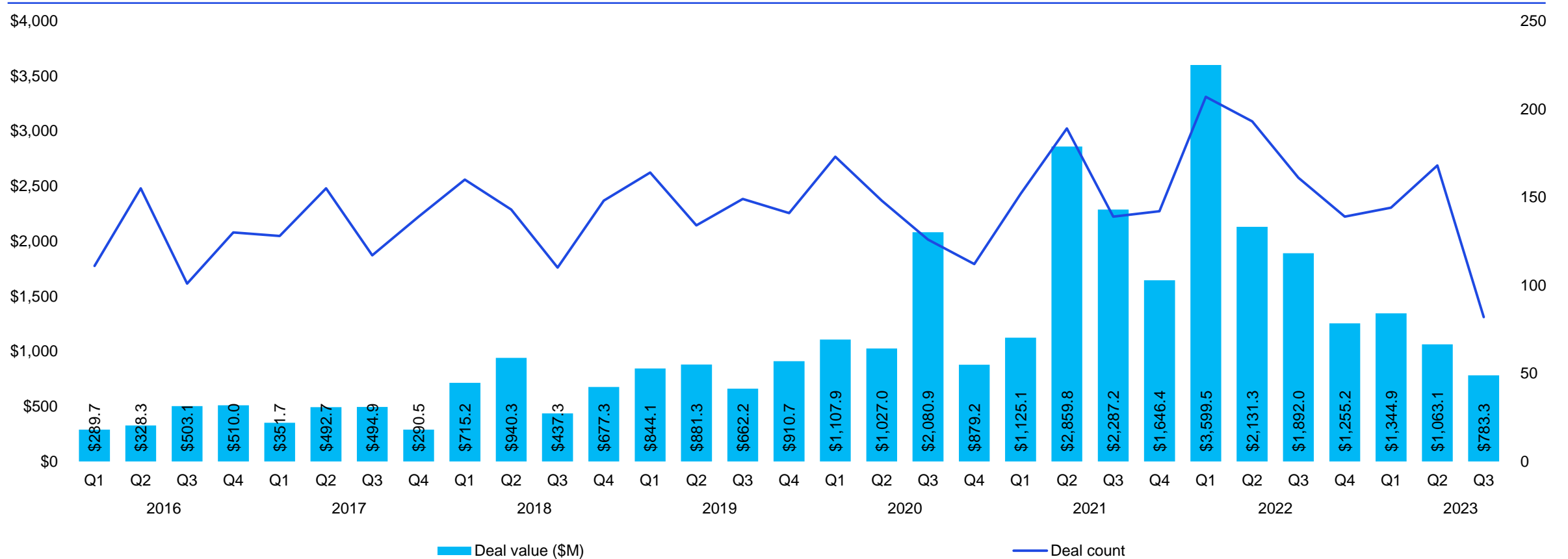


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Paris sees proportion of deal value dwindle

Venture financing in Paris

2016–Q3'23

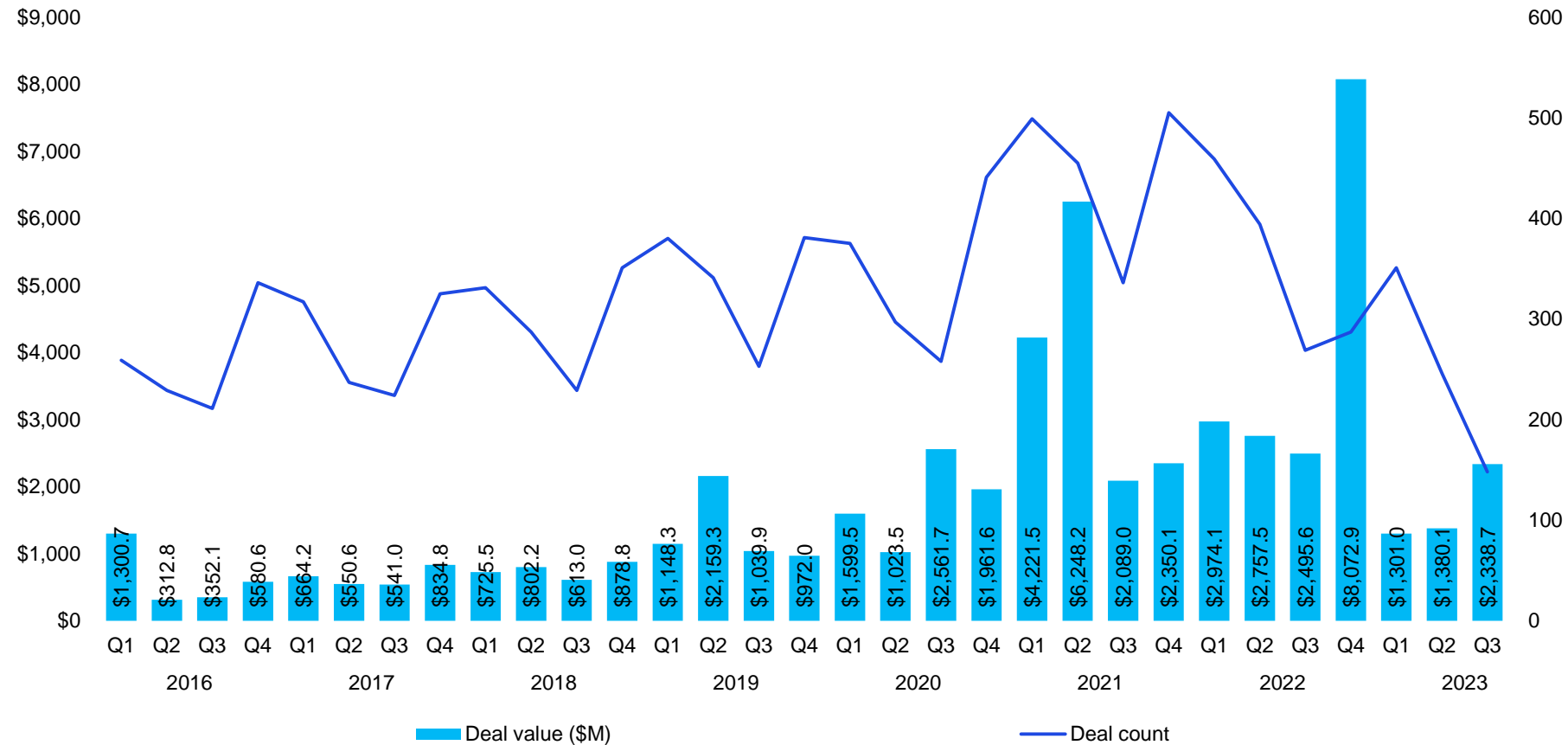


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Q3 2023 sees resurgence in VC invested

Venture financing in the Nordics

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

“ VC deal volume in the Nordics has pulled back a fair bit from its highs, although areas like cleantech and energy continue to attract a lot of attention. Biotech has also continued to see good activity. We’ve also seen some excellent fundraising activity this quarter between Verdane’s new growth fund — which is over \$1 billion — and Nordic Ninja’s \$214 million fund aimed at Series A stage companies. ”

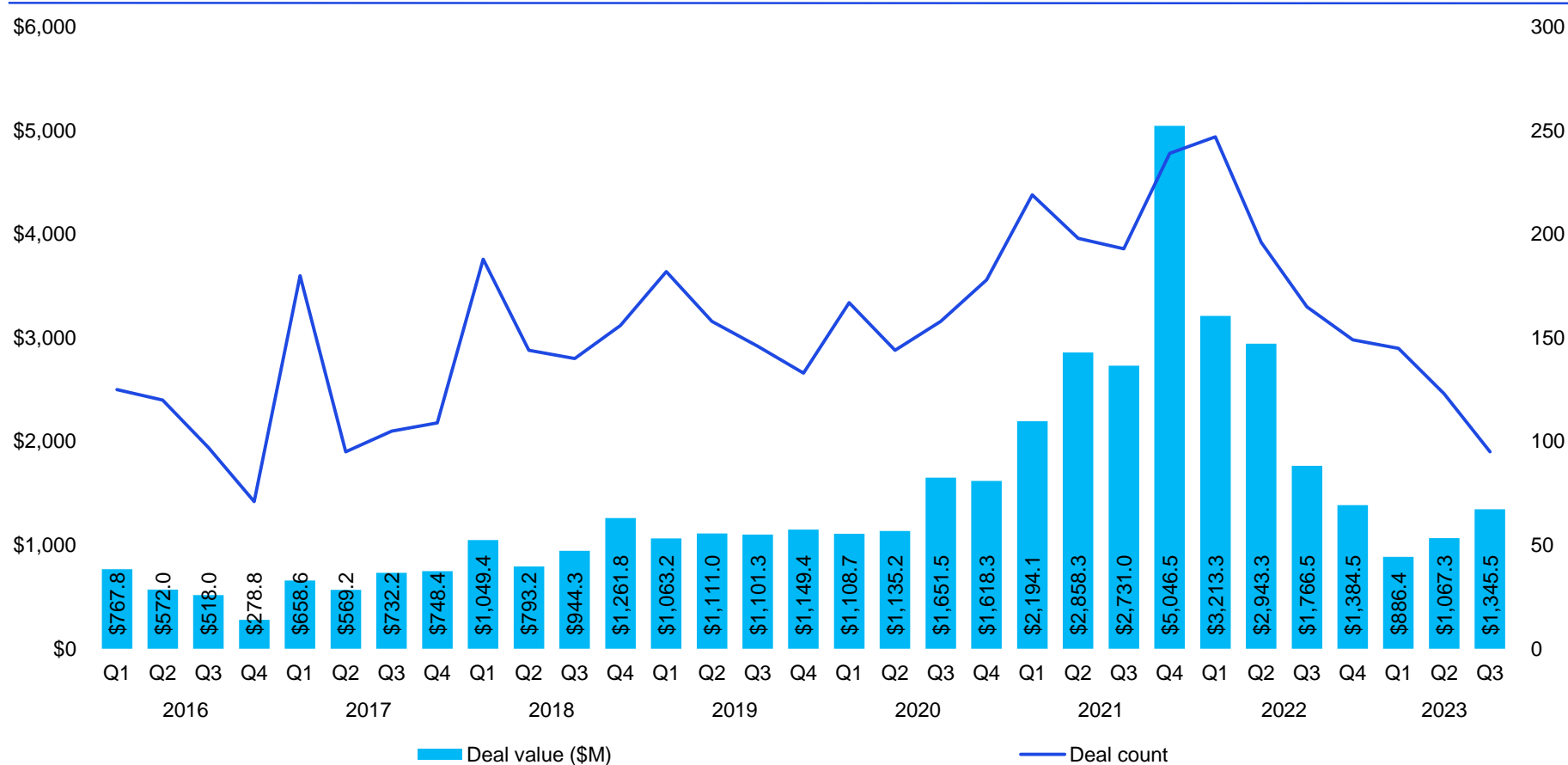


Jussi Paski
Head of Startup &
Venture Services
KPMG in Finland

Israel sees activity moderate much like elsewhere, even as VC invested ticks up

Venture financing in Israel

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

“ In Q3 2023, Israeli high-tech companies raised \$1.68 billion in 85 deals. Though the amount raised, and the number of transactions, reflect an approximately 40 percent decrease compared to the corresponding quarter last year, the local ecosystem is showing first signs of stabilization. An increase in the amount of capital raised in seed rounds, after five consecutive quarters of declines, and the only slight decrease, compared to the second quarter, in the number of transactions carried out by foreign investors, which the local tech sector relies on heavily, are among the positive trends seen in this quarter’s financing data. ”



Dina Pasca-Raz
Head of Technology,
Head of International Tax
KPMG in Israel

The UK sees a resurgence in top deals for Q3

Top 10 financings in Q3'23 in Europe



1. **Verkor** — \$2.3B, Grenoble, France — Cleantech — *Series C*
2. **H2 Green Steel** — \$1.6B, Stockholm, Sweden — Cleantech — *Early-stage VC*
3. **Conigital** — \$631.6M, Birmingham, UK — Automotive — *Series A*
4. **Butternut Box** — \$355.1M, London, UK — Pet tech — *Late-stage VC*
5. **Atlas Agro** — \$325M, Zug, Switzerland — Agtech — *Series A*
6. **Ovo Energy** — \$256.4M, Bristol, UK — Cleantech — *Late-stage VC*
7. **Field** — \$253M, London, UK — Cleantech — *Early-stage VC*
8. **Cato Networks** — \$238M, Tel Aviv, Israel — Network management software — *Series F*
9. **Apollo Therapeutics** — \$226.5M, Cambridge, UK — Drug discovery — *Series C*
10. **Helsing** — \$225.9M, Munich, Germany — Aerospace — *Series B*

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023.
Data provided by PitchBook, October 18, 2023

**In Q3'23, VC-backed
companies in the Asia
region raised \$20.3B
across 2,582 deals**

VC investment in Asia remains subdued in Q3'23

VC investment in Asia fell for the seventh straight quarter in Q3'23. Despite soft investment compared to historical norms, China continued to account for the largest share of VC funding in Asia in Q3'23, including a \$1.87 billion raise by GTA Semiconductor and a \$1 billion raise by Rox Motor. India saw VC investment slide further during Q3'23, with Juniper Green Energy raising the largest deal of the quarter (\$350 million). VC investment in Japan, however, remained quite resilient in Q3'23, likely a tribute to the country's rapidly growing VC market.

IPO market in Japan bucks trends; Continued slowdown China and Hong Kong

IPO activity in Japan has been strong in recent quarters, bucking trends seen globally. At the end of Q3'23, the number of IPOs for the year was well positioned to exceed 2022. The positive activity may be a reflection of the smaller IPO deal sizes in Japan compared to other jurisdictions. The Japanese government is proactively encouraging M&A activity in order to help scale companies prior to IPOs.

Stock market performance in mainland China remained lacklustre in Q3'23, in part due to concerns related to the country's property sector. IPO activity remained soft, with the IPOs that did occur focused primarily on the new materials and semiconductor spaces. During Q3'23, the China Securities Regulatory Commission (CSRC) introduced a number of measures to help improve the performance of its stock market, support the secondary market in the country, improve liquidity, and support innovative companies in specific industries.

IPO activity in Hong Kong was also quiet in Q3'23, although the HKSE continued to focus on improving its attractiveness to companies across the ASEAN region. During the quarter, Hong Kong Exchanges and Clearing Limited (HKEX) opened an office in London in order to expand its reach, better engage with investors and funds in the UK and Europe, and foster a more connected investment environment globally.

China introduces new regulations for GenAI

The interest of VC investors in AI continued to grow in Asia during Q3'23, mirroring interest in other regions globally. The rapid evolution of GenAI over the last few quarters, however, has led to an increasing regulatory focus on the space, particularly in China. During Q3'23, the Cyberspace Administration of China enacted high level guidance in order to help foster and govern the evolution of GenAI in the country, with a particular focus on ensuring data security and appropriate controls.¹²

VC investment in India dips significantly

VC investment was very slow in India during Q3'23 as VC investors continued to shy away from making large megadeals. Juniper Green Energy raised the largest deal of the quarter (\$350 million) followed by grocery firm Zepto which raised \$200 million, electric scooter company Ola (\$140 million) and e-scooter manufacturer Ather Energy (\$108 million, via a rights issue as opposed to equity). Fish and seafood supply chain platform Captain Fresh also raised \$71 million during the quarter.

Japan's VC ecosystem continues to grow; startups raising larger rounds

VC investment in Japan was relatively strong during Q3'23, with a growing number of companies able to raise larger funding rounds, including Telexistence (\$170 million), Gojo & Company (\$101 million), Josys (\$93 million), Mujin (\$85 million), and CADDi (\$89 million).

12. <https://www.cnn.com/2023/07/14/tech/china-ai-regulation-intl-hnk/index.html>

VC investment in Asia remains subdued in Q3'23, cont'd.

The VC ecosystem in Japan continues to evolve rapidly, with increasing participation from corporates and financial institutions. During Q3'23, megabank Sumitomo Mitsui Financial Group (SMFG) announced plans to launch a \$210 million fund aimed at helping startups grow into unicorn companies.¹³ Other financial institutions also increasingly accelerated loans to startups and provided debt financing to venture backed companies.

Fintech a key sector of focus in Hong Kong in Q3'23

Fintech gained some attention in Hong Kong during Q3'23, driven by a \$458 million raise by wealthtech Micro Connect. During the quarter, the Hong Kong Monetary Authority also released a new fintech promotion roadmap, including key actions to be undertaken by the HKMA, the Securities and Futures Commission, and the Insurance Authority over the next year to support and foster fintech adoption.¹⁴ As Hong Kong continues to encourage a more digitized financial services environment, there will likely be additional fintech investments.

Health and biotech continued to attract VC investment in Hong Kong during Q3'23, although investors increasingly prioritized companies with best-in-class technologies and good results from clinical trials.

EV, advanced materials, and energy still hot sectors in China

Within China, EV continued to be a big ticket for VC investors during Q3'23. EV-focused companies in China have matured quite rapidly in recent quarters, with a number now starting to look beyond the domestic market to fuel growth. VC investors in China also showed significant interest in new materials, from materials used in EVs and semiconductors to materials related to chemicals. Broader energy solutions also remained high on the radar of VC investors in China, with some solar-focused companies considering expansion efforts, investments, and partnerships in Southeast Asia and in the Middle East.

13. <https://asia.nikkei.com/Business/Finance/Japan-s-SMFG-to-start-210m-venture-fund-to-develop-unicorns>

14. New Roadmap to Promote Fintech Adoption in Financial Services Sector (hkma.gov.hk)

Deeptech solutions focused on robotics and biotech see significant interest in Japan

Over the past few quarters, Japan has seen growing interest from VC investors in a wide range of areas, including ESG, energy, and AI. In Q3'23, VC investors showed significant interest in a diversity of deeptech solutions, including those focused on the robotics, autonomous driving, and biotech and healthcare spaces; During the quarter, AI-driven robotics firms Telexistence and Mujin raised \$170 million and \$85 million respectively.

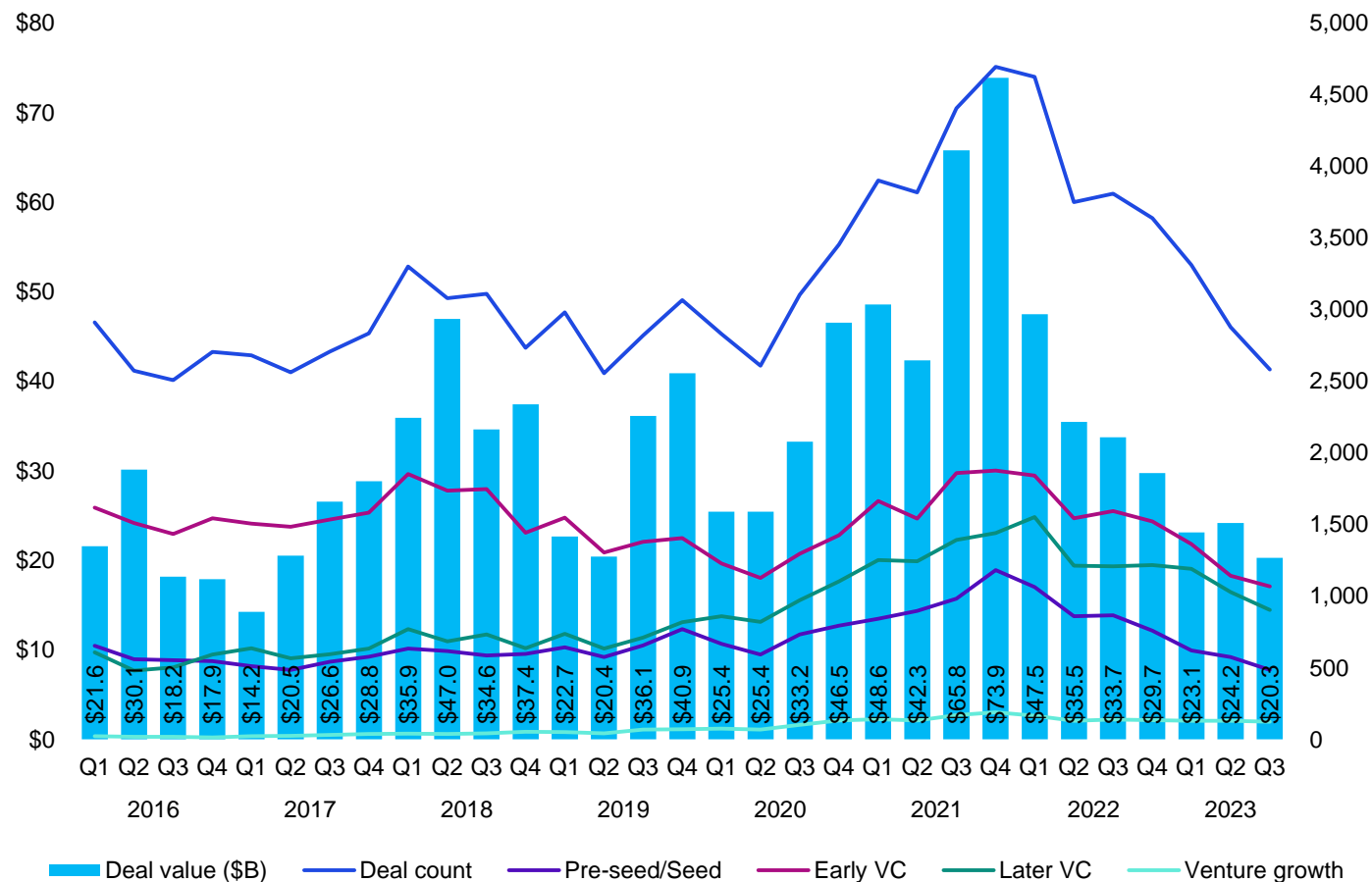
Trends to watch for in Q4'23

VC investment in Asia is expected to remain soft in Q4'23 given ongoing economic and geopolitical uncertainties, although Japan is well positioned to remain an outlier as it continues to mature its VC market and ecosystem. In China, should the liquidity challenges faced by the real estate market be resolved, VC investment could begin to improve over the next couple of quarters.

2023 sees a potential beginning to moderating deal flow

Venture financing in Asia

2016–Q3'23



VC dealmaking continues to moderate, but at a slower pace than before. VC invested in aggregate, however, continues to decline or shift in much more reasonable variance. As a result, it is likely that a plateau could be emerging barring significant risks of recession or worsening of geopolitical tensions.

“ We continue to see sizeable investments into the areas that align with the long term strategic priorities of the Chinese central government. From semiconductors to clean technology to electric vehicle production — venture capital investment continues to focus on key industries that support China’s long-term ambitions and desire for self reliance. ”

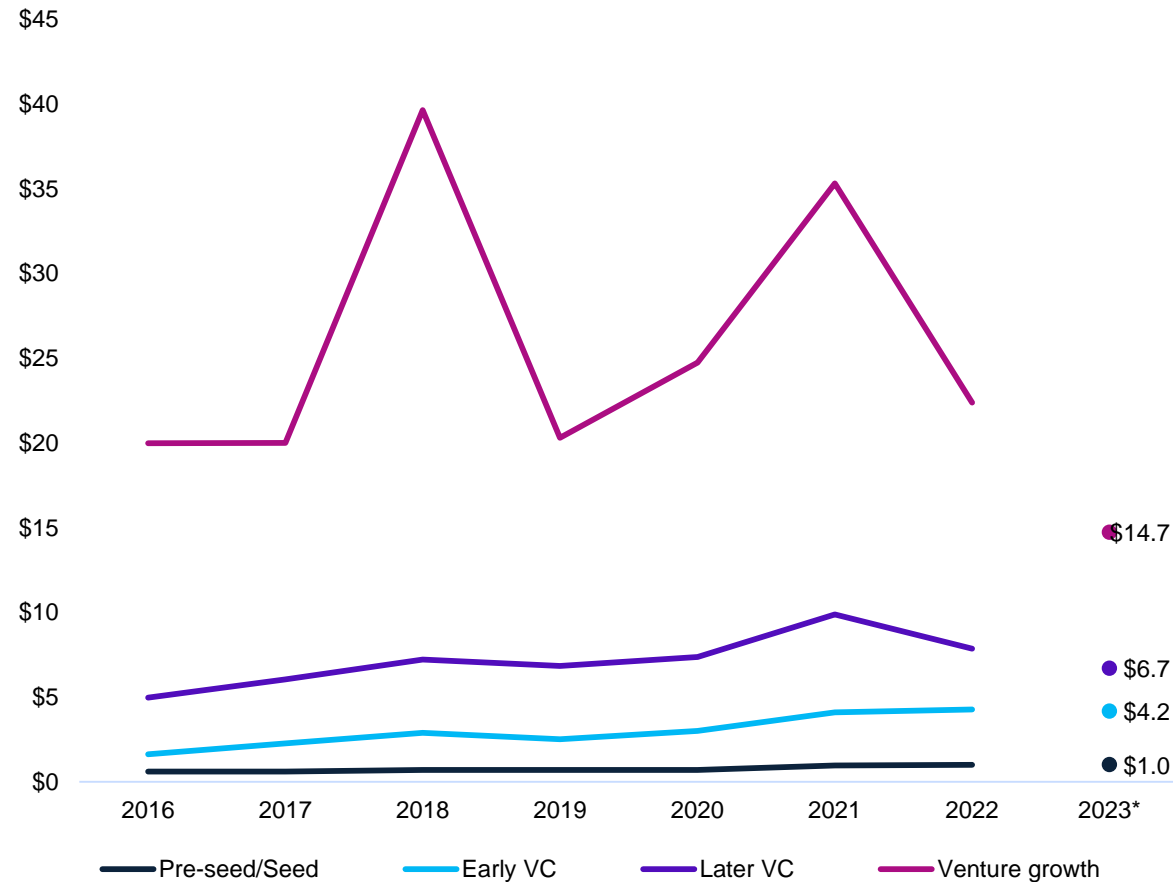


Egidio Zarrella
Partner, Clients and Innovation
KPMG China

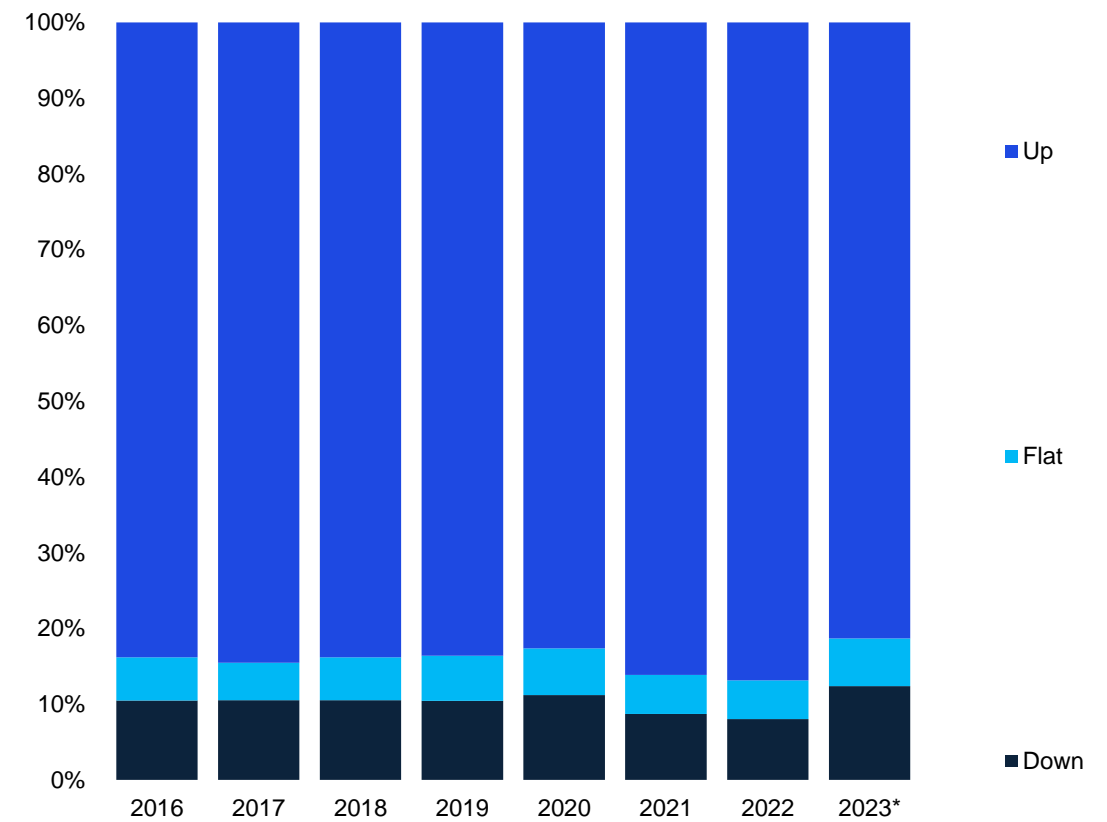
Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Down rounds still hit highest mark in years

Median deal size (\$M) by stage in Asia
2016–2023*



Up, flat or down rounds in Asia
2016–2023*

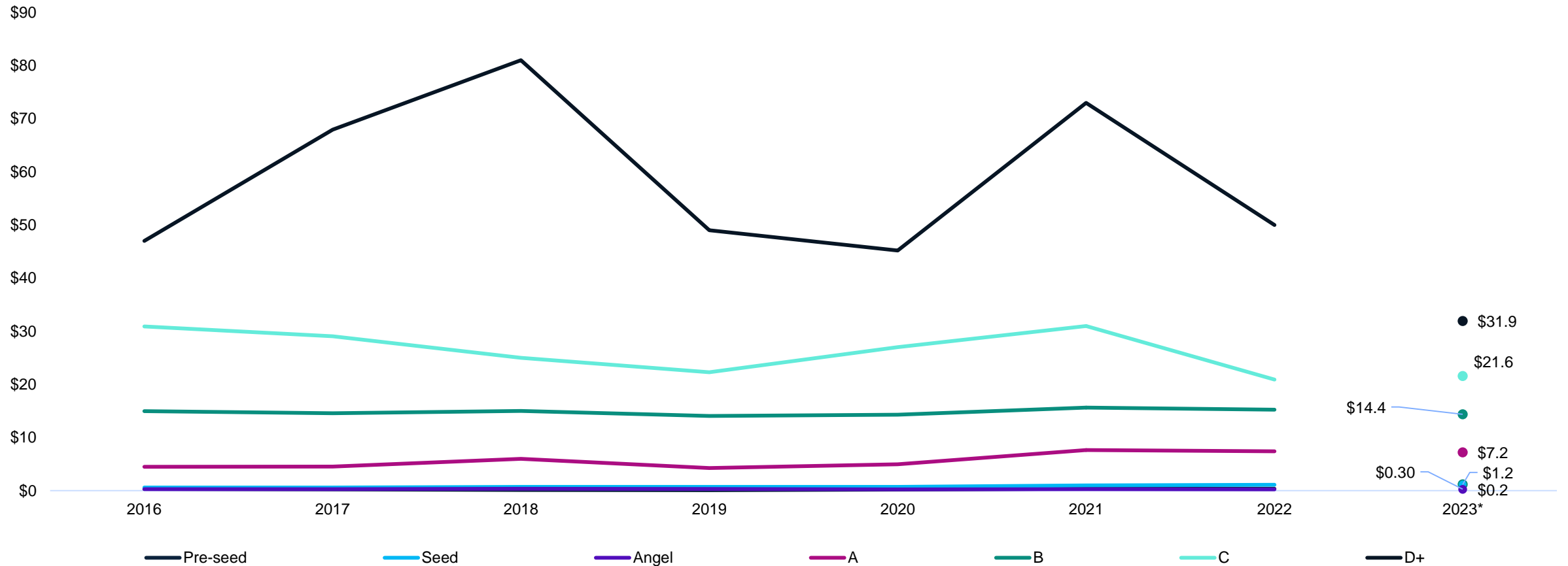


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Deal sizes slide to more modest levels

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

2016–2023*

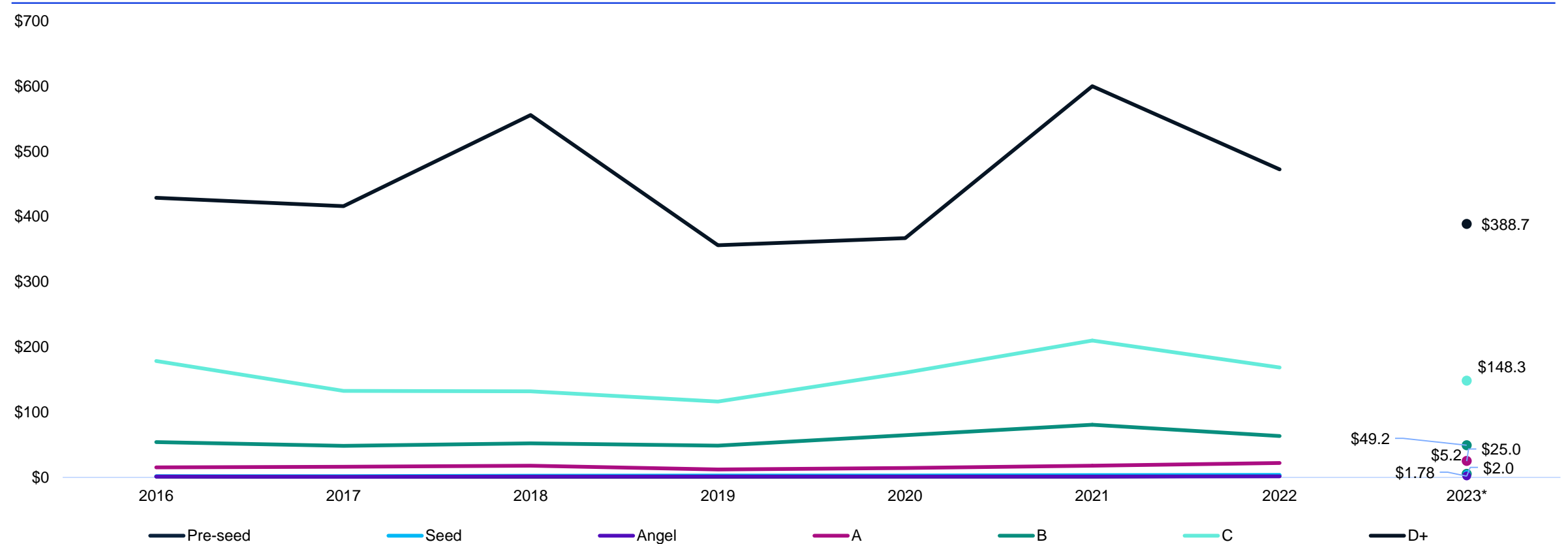


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Valuations have slid somewhat, primarily at the most expensive stages

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

2016–2023*

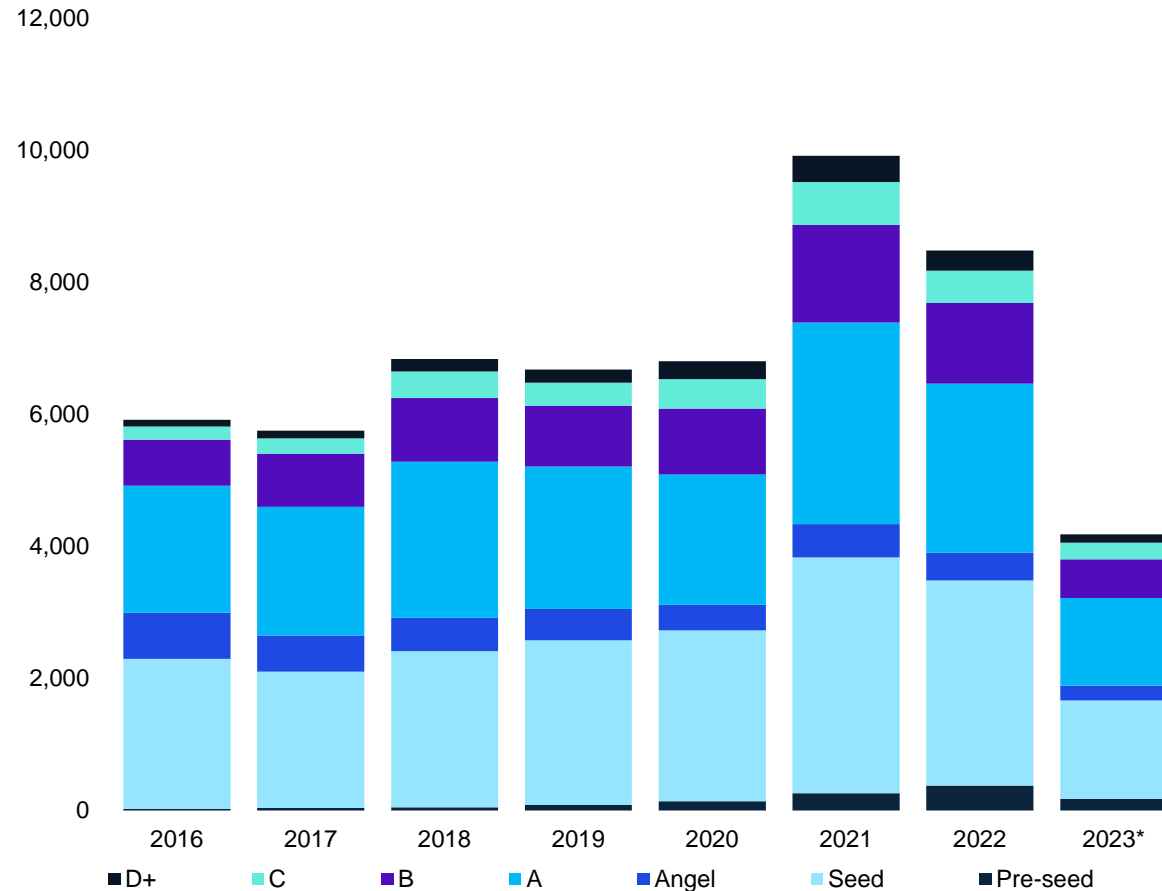


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023
2023 figures for pre-seed are based on non-normative datasets.

Earlier-stage deals stay surprisingly resilient

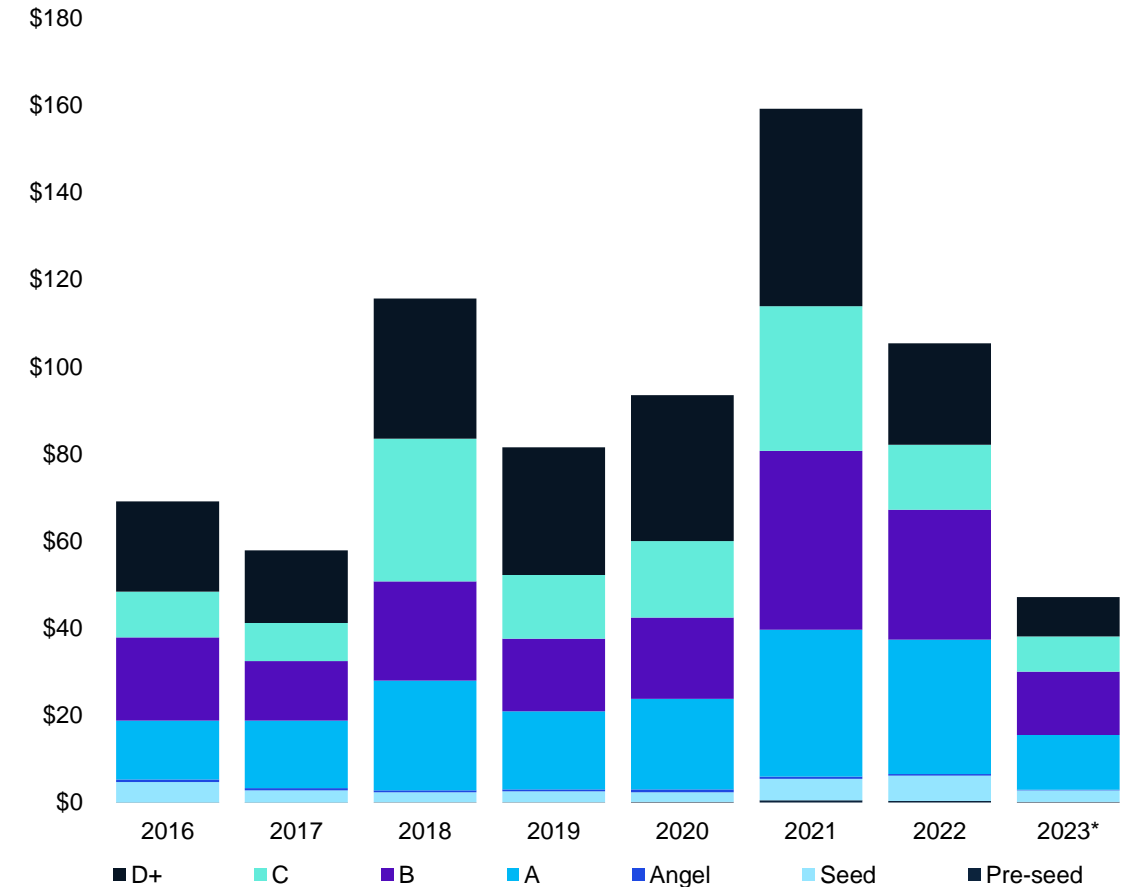
Deal share by series in Asia

2016–2023*, number of closed deals



Deal share by series in Asia

2016–2023*, VC invested (\$B)

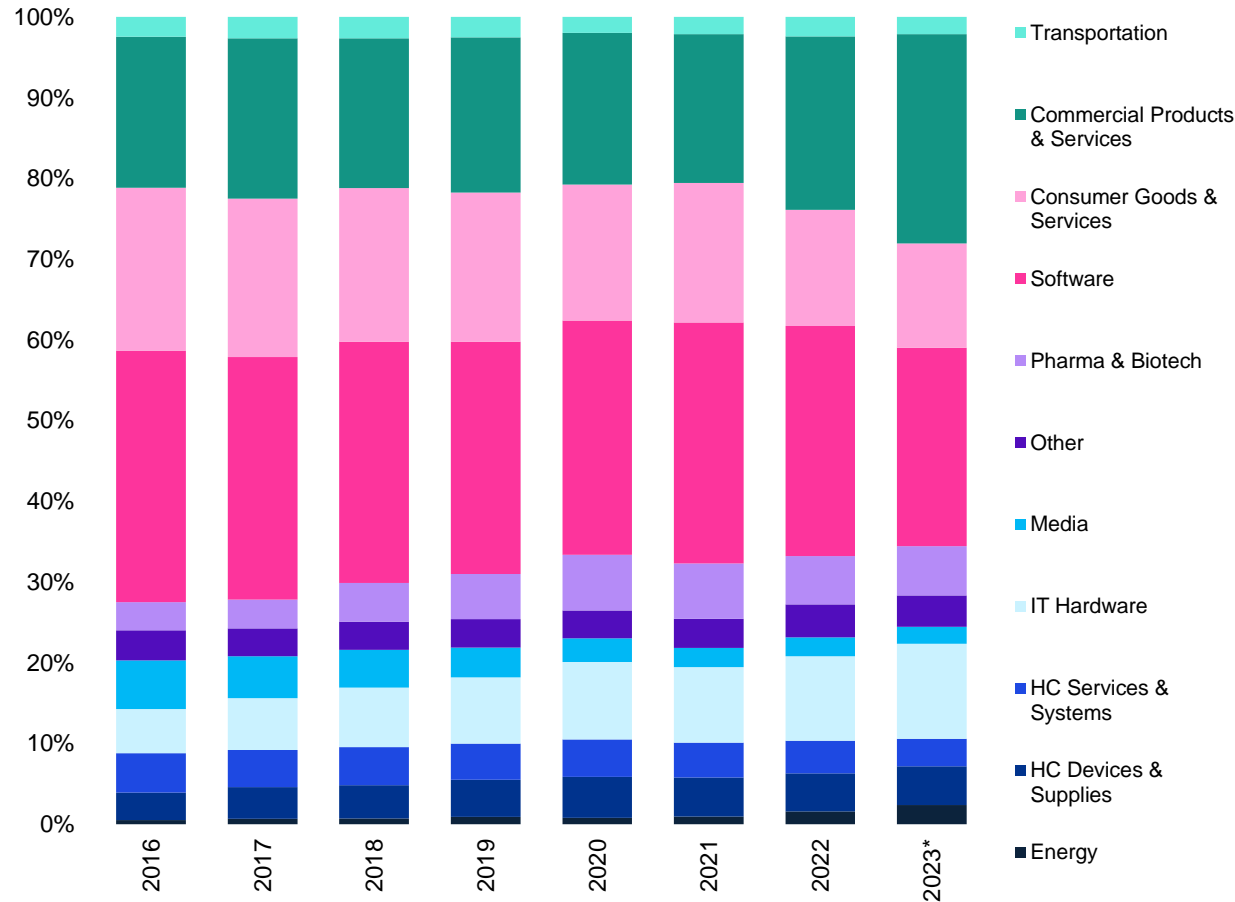


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

VC invested increasingly flows to formerly less-active sectors

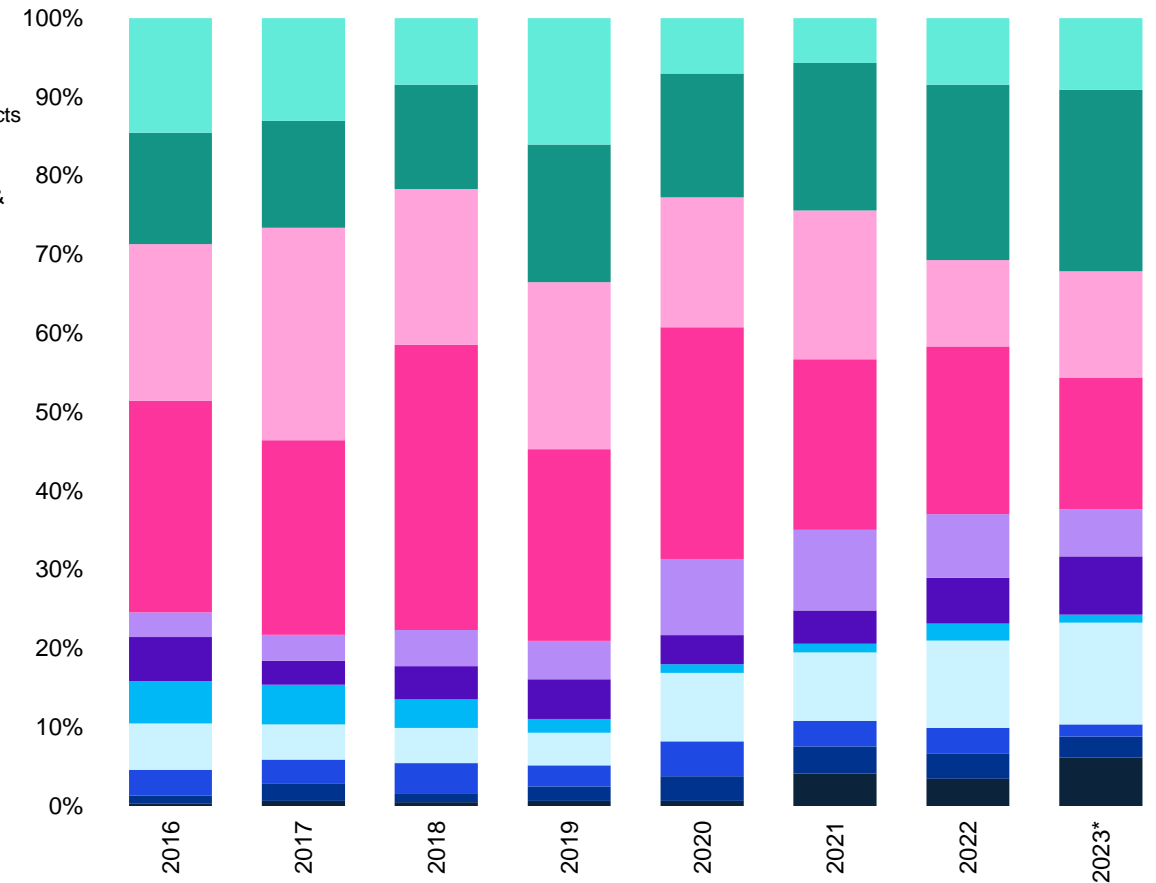
Asia venture financings by sector

2016–2023*, number of closed deals



Asia venture financings by sector

2016–2023*, VC invested (\$B)

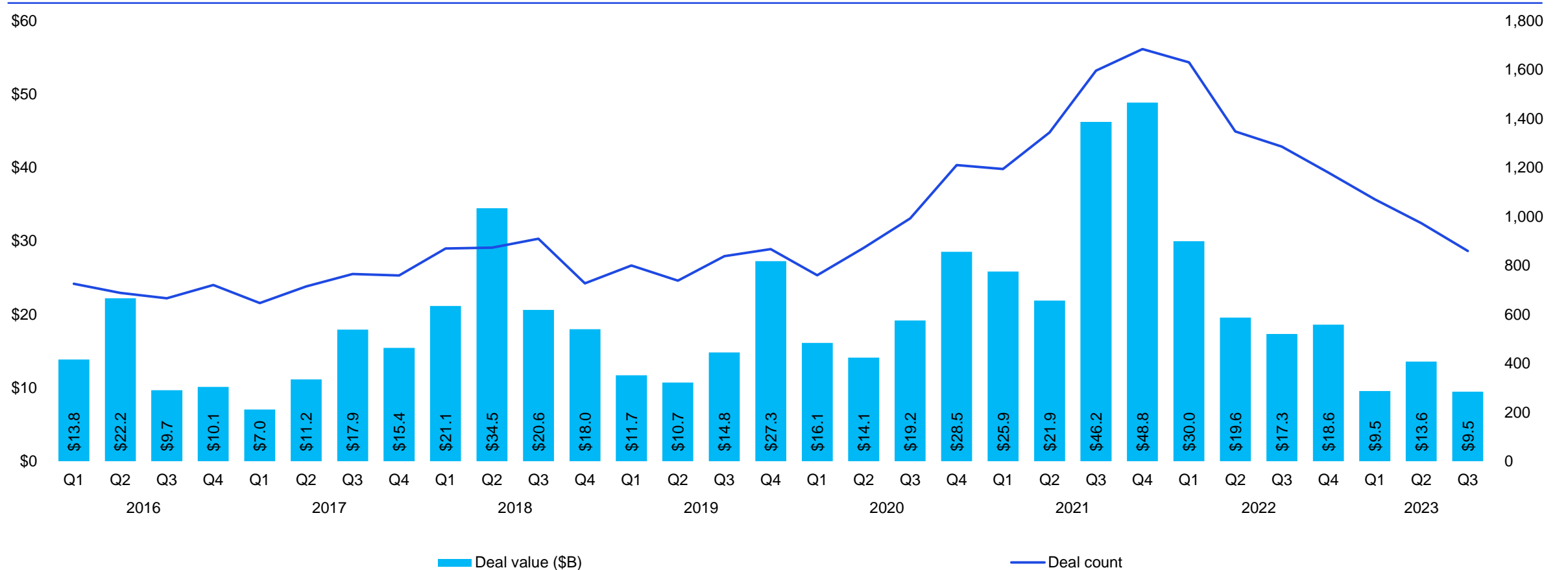


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Corporates pull back in line with the general market

Corporate participation in venture deals in Asia

2016–Q3'23

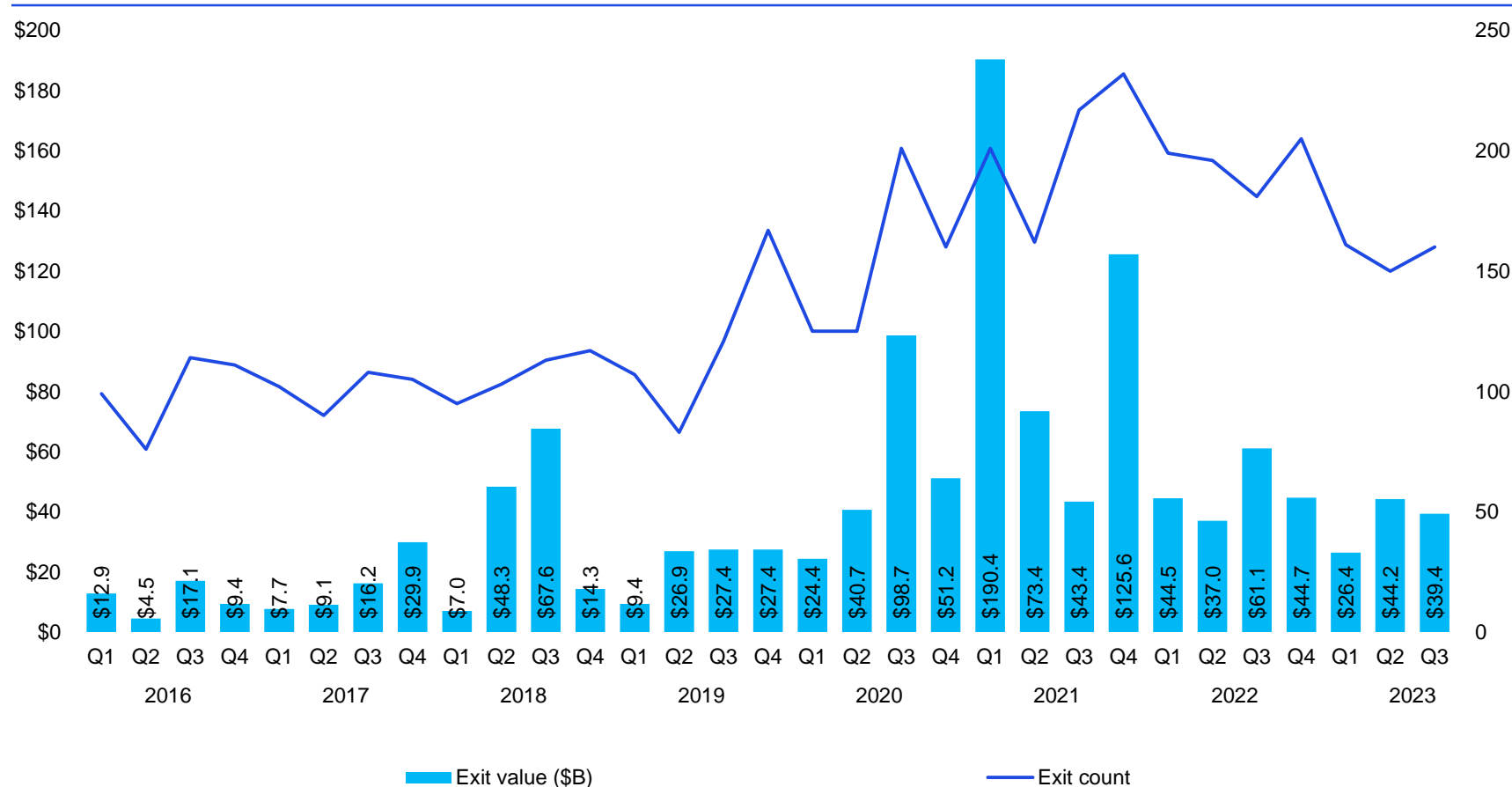


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Exit activity seems to enter plateau similar to dealmaking

Venture-backed exit activity in Asia

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

“ Global market conditions are affecting activity here in Hong Kong, but the fundamentals of the market are still very sound and the Hong Kong financial system is still stable. We are seeing a lot of effort by the government, regulators, and the HKSE to engage with investors, funds, and institutional investors in different parts of the world. During Q2'23, for example, the Hong Kong Exchange opened an office in London to build connections and relationships with investors in Europe. ”

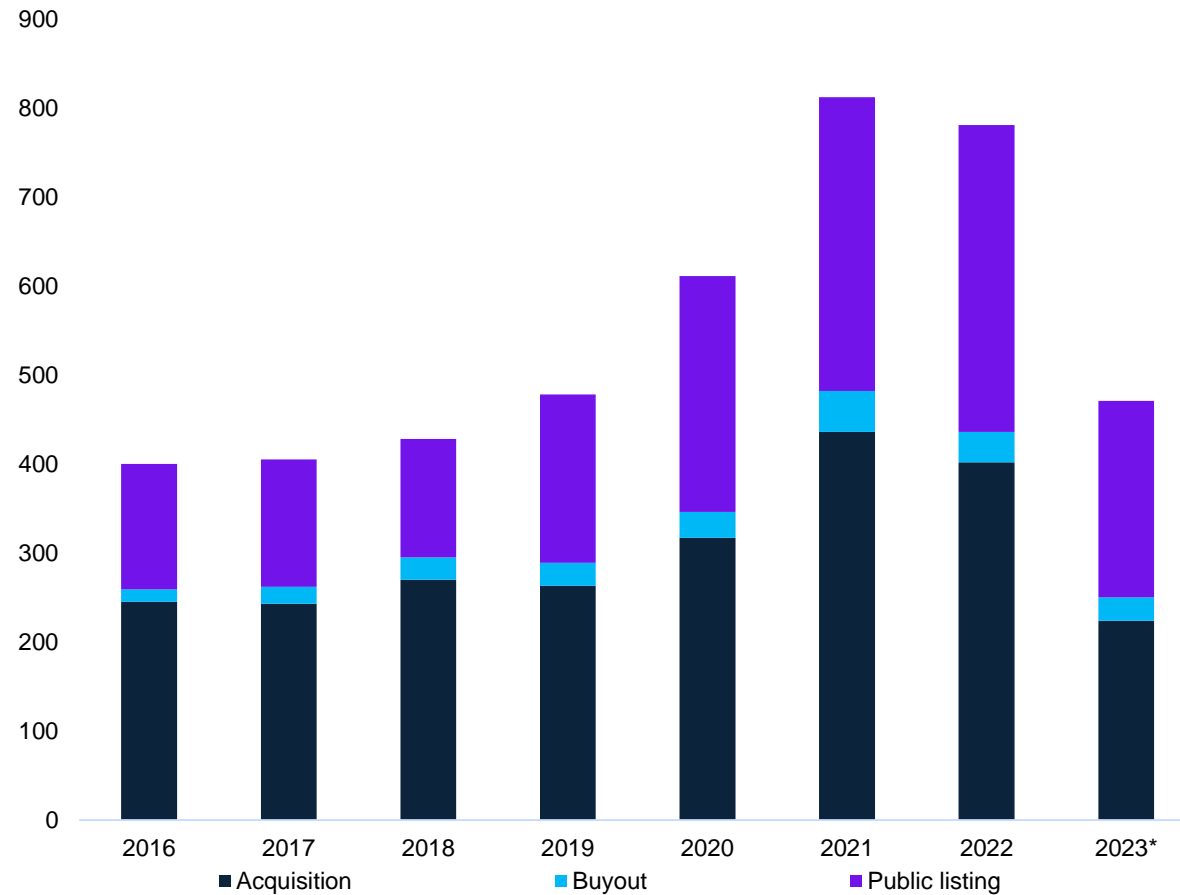


Irene Chu
Partner & Head of
New Economy and
Life Sciences,
Hong Kong (SAR)
KPMG China

IPOs continue to propel the bulk of exit value

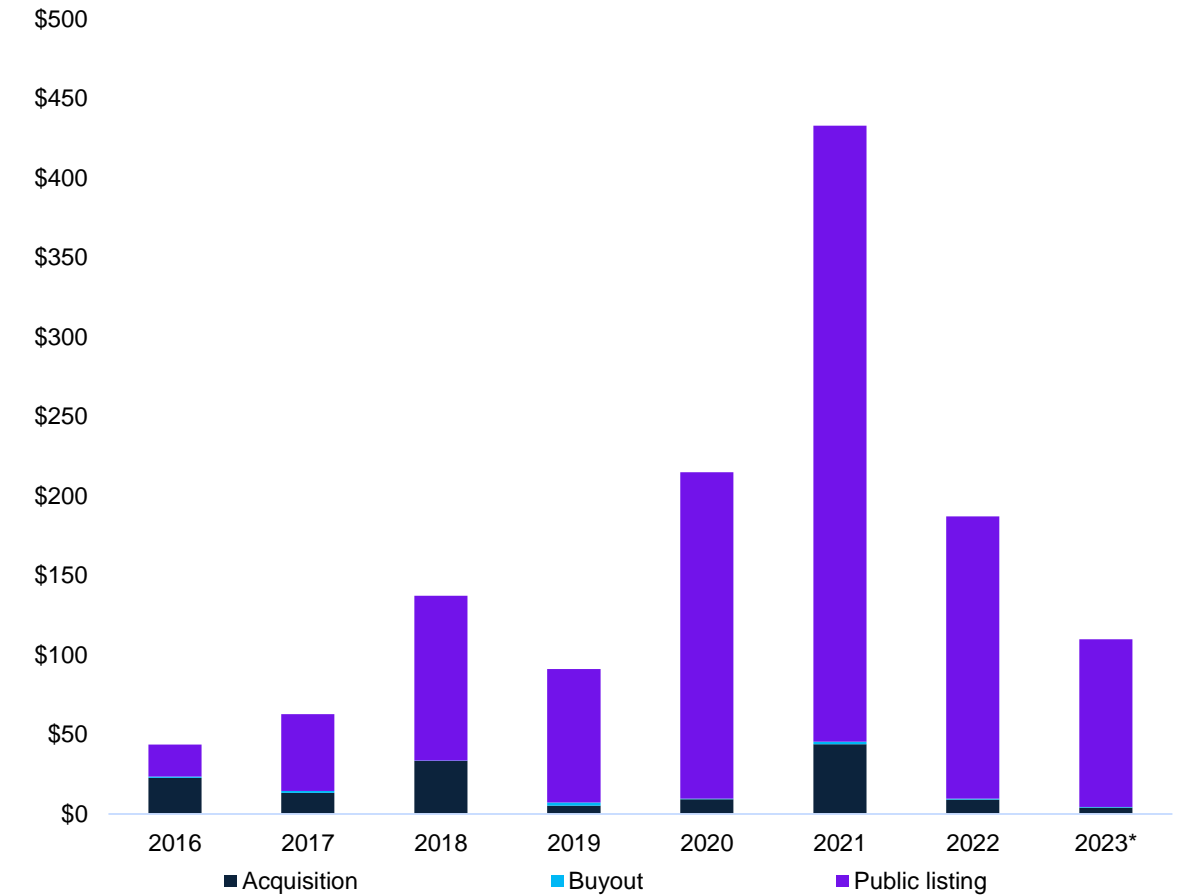
Venture-backed exit activity (#) by type in Asia

2016–2023*



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

2016–2023*

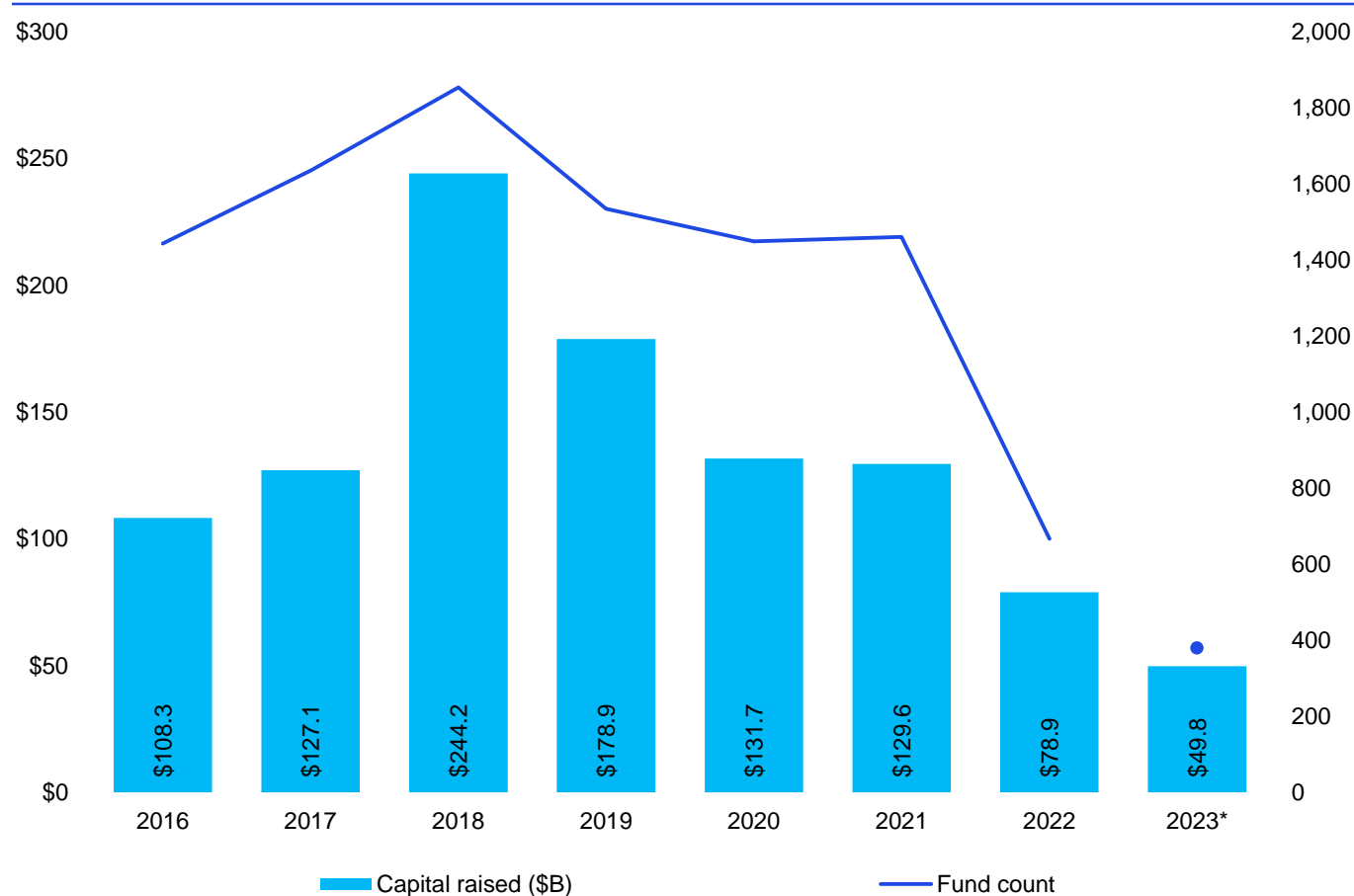


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

2023 now likely to see very modest portion of capital raised

Venture fundraising in Asia

2016–2023*



Even with \$49.8 billion in capital commitments thus far in the year, the domestic venture fundraising cycle in the region has slid in a systemic fashion for several years now in terms of fund closing volume. What remains to be seen is if this is a cycle more affected by a more diverse set of capital sources than traditional venture fundraising, or geopolitical tensions around international sources of capital commitments, or some other factor, that affected the past few years in particular.

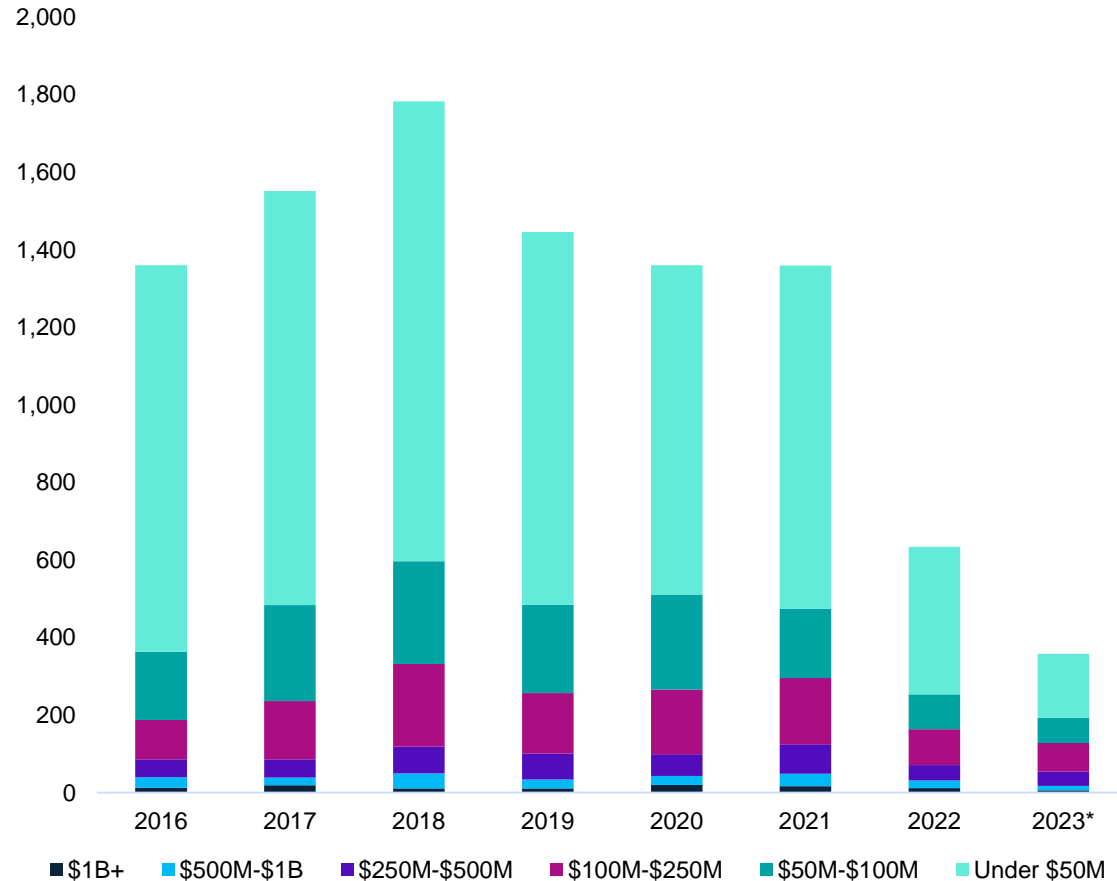
The fundraising cycle is raking in a somewhat healthier level of capital commitments, **but now it remains to be seen how this affects startup financing down the line...**

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Midsized to small funds account for bulk of closings

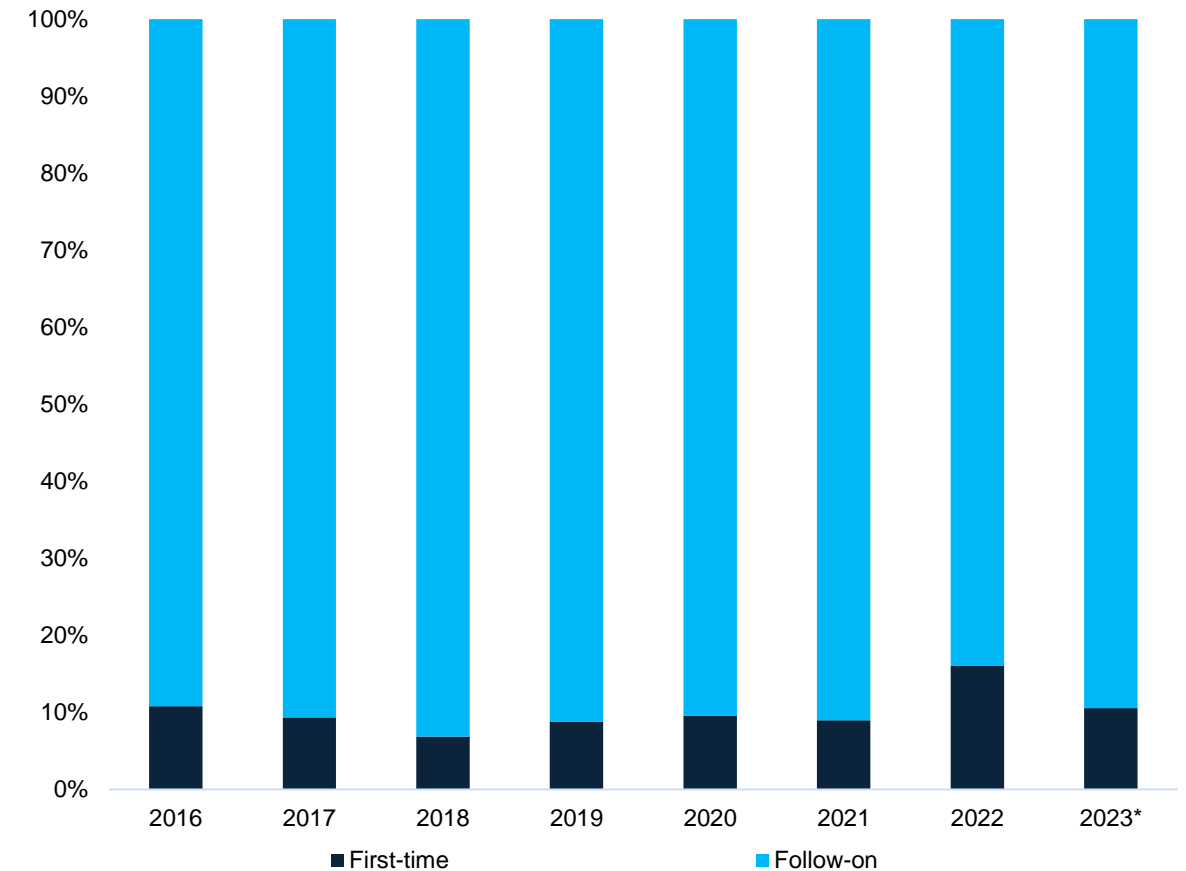
Venture fundraising (#) by size in Asia

2016–2023*



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

2016–2023*

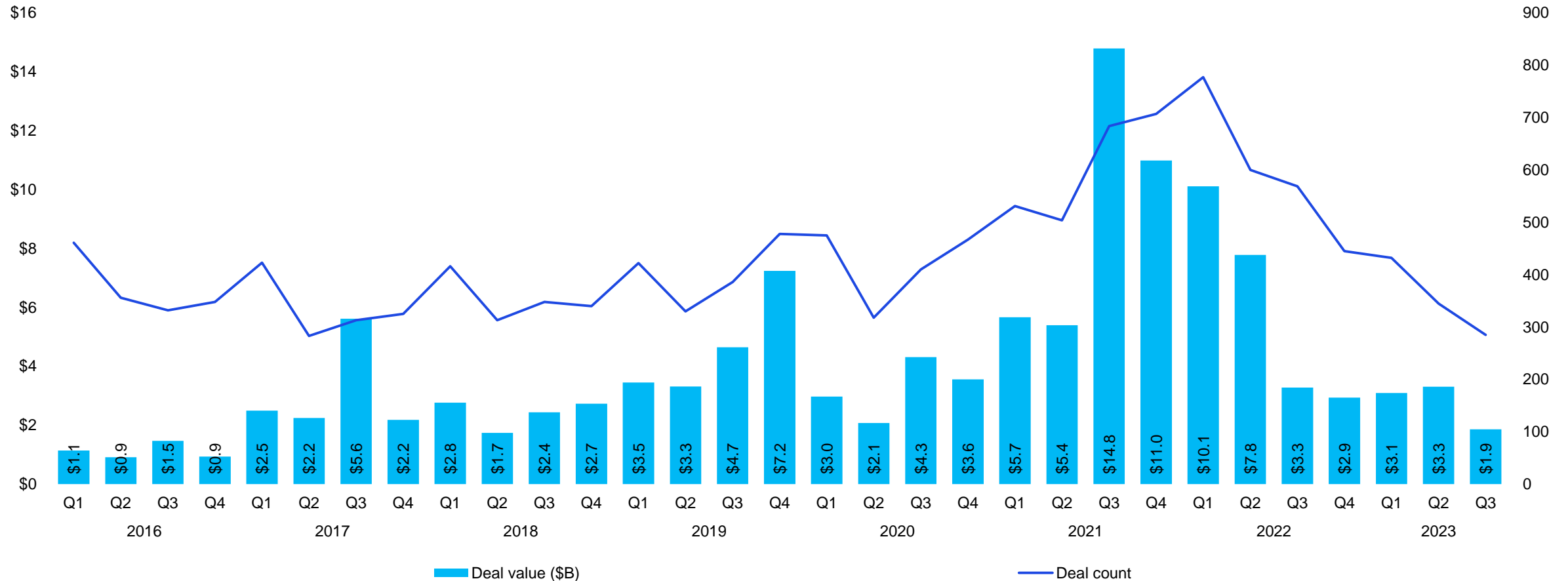


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

India sees decline in volume, much like elsewhere

Venture financing in India

2016–Q3'23

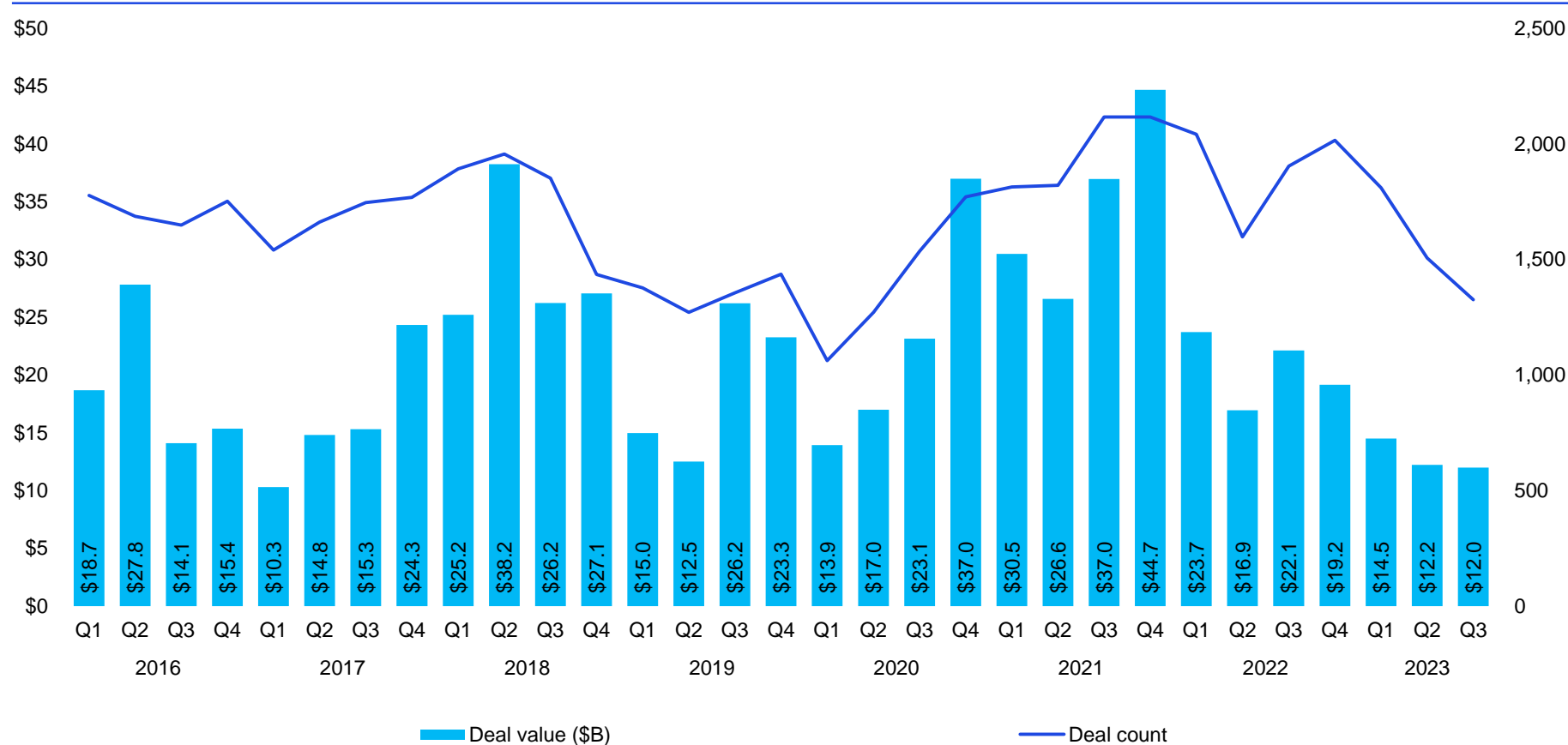


Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

VC activity evens out in Q3

Venture financing in China

2016–Q3'23



“EV is a very hot topic in China recently and we are seeing a number of OEMs going overseas to show off their new cars and models. These companies aren't only focusing on the China market anymore, even with our big population. They're also looking at the European market and at other Asian countries as markets for additional growth.”



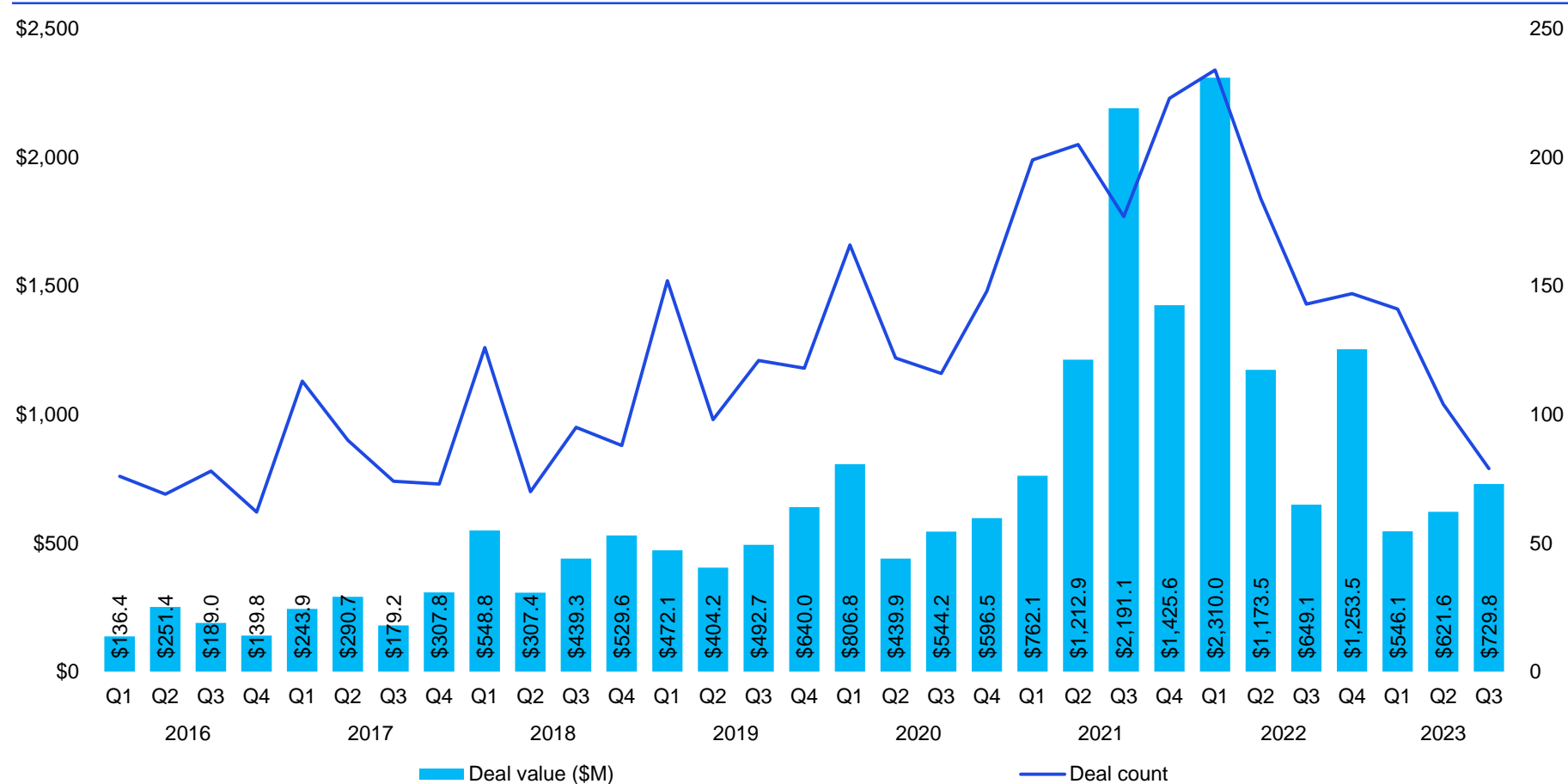
Zoe Shi
Partner
KPMG China

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

Dealmaking remains subdued yet not sluggish

Venture financing in Australia

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

“ While Australia has not been immune to the fall in startup capital deployed by investors in the last 12 months, there are green shoots emerging. We see investors and founders alike adapting to the new operating environment and demonstrating there is still willingness to invest startups with proven traction and the ability to execute on their expansion plans. ”

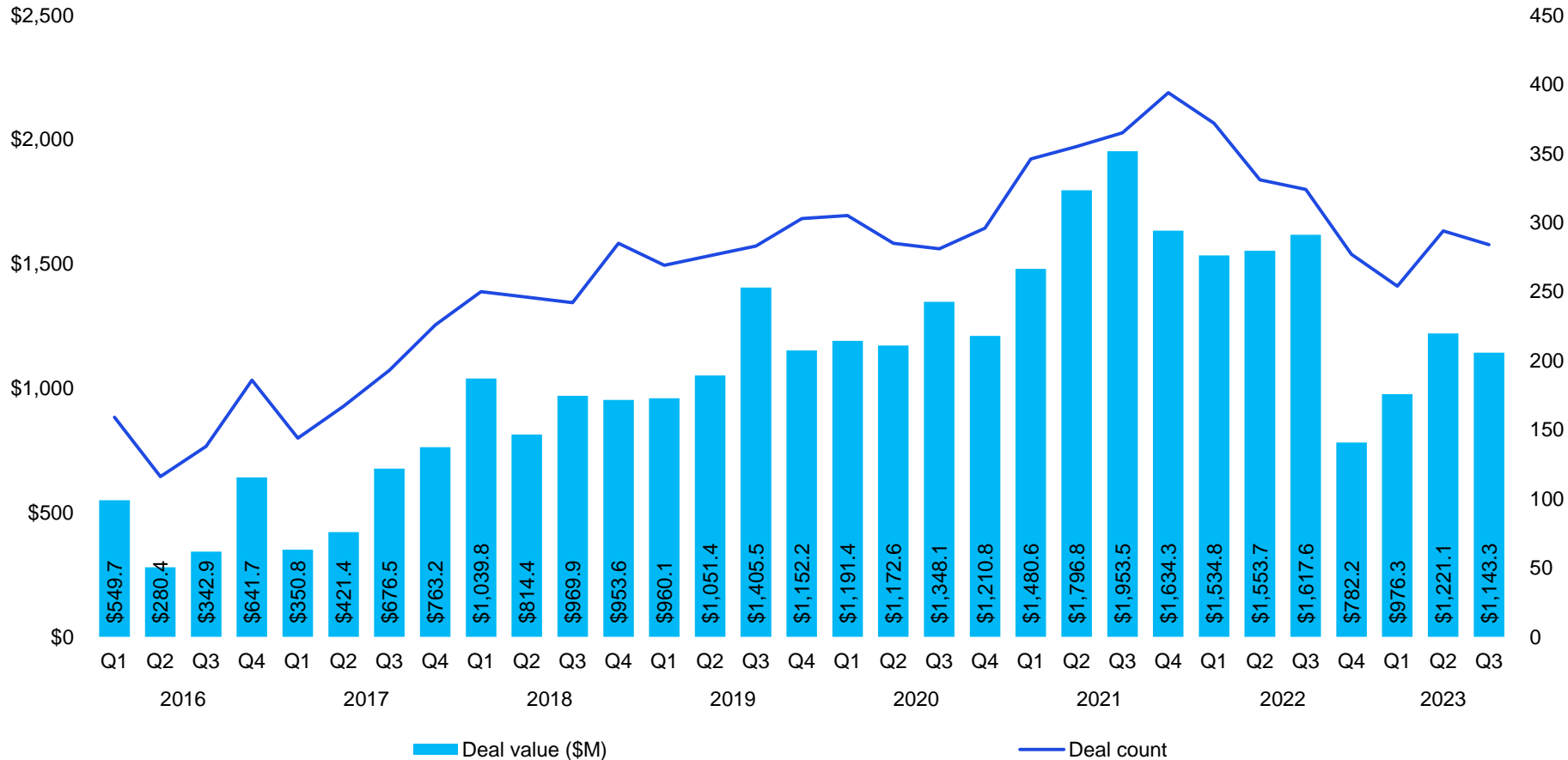


Amanda Price
Head of High Growth
Ventures,
KPMG in Australia

In an outlier, Japan sees dealmaking remain at healthy level

Venture financing in Japan

2016–Q3'23



Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

“ The VC market in Japan is maturing very quickly. We’re seeing companies attracting larger deals and a wide range of sectors attracting funding — including deeptech and AI focused on everything from biotech to robotics. It’s very exciting. Corporate VC investment has remained particularly strong; they are a key driver of investment here in Japan. ”



Hiroshi Abe
Executive Board Member,
Partner
KPMG in Japan

Domestic priorities show strong in top quarterly financings

Top 10 financings in Q3'23 in Asia-Pacific



1. **GTA Semiconductor** — \$1.87B, Shanghai, China — Semiconductors — *Late-stage VC*
2. **Rox Motor** — \$1B, Shanghai, China — Automotive — *Late-stage VC*
3. **Neta Auto** — \$969.4M, Shanghai, China — Automotive — *Late-stage VC*
4. **Farizon** — \$600M, Hangzhou, China — Automotive — *Series A*
5. **Uway** — \$500M, Jakarta, Indonesia — E-commerce — *Early-stage VC*
6. **Micro Connect** — \$458M, Hong Kong — Fintech — *Series C*
7. **AVATR Technology** — \$414.8M, Chongqing, China — AI & ML — *Series B*
8. **Juniper Green Energy** — \$350M, Gurugram, India — Cleantech — *Late-stage VC*
9. **Enflame Technology** — \$291.8M, Shanghai, China — Semiconductors — *Series D*
10. **Astronergy** — \$277.4M, Haining, China — Cleantech — *Series C*

Source: Venture Pulse, Q3'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of September 30, 2023. Data provided by PitchBook, October 18, 2023

KPMG Private Enterprise's Emerging Giants Network

From seed to speed, we're here throughout your journey



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Senior Director, Emerging Giants Global Network, KPMG Private Enterprise, **KPMG International**

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About KPMG Private Enterprise

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At KPMG Private Enterprise we understand the impact that technology trailblazers like you are having on the world. Whether yours is a pure technology company or you're tech-enabled, tech-led or tech-driven and it is time for our global finals. 23 innovative companies will deliver their final pitches before an experienced panel of judges. You too can help to choose the winner by taking part in the People's Choice vote on the day, which will be taken into consideration by the judges. **Your vote really does count**, so along with our judges, you have an important role to play in selecting this year's winner.

Click [here](#) to watch the 2023 finals!

About the report

Acknowledgements

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

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- **Zoe Shi**, Partner, KPMG China

About the report

Methodology

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

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

In addition, particularly within the European region, the Venture Pulse does not contain any transactions that are tracked as private equity growth by PitchBook. As such rounds are often conflated with late-stage venture capital in media coverage, there can be confusion regarding specific rounds of financing. The key difference is that PitchBook defines a PE growth round as a financial investment occurring when a PE investor acquires a minority stake in a privately held corporation. Thus, if the investor is classified as PE by PitchBook, and it is the sole participant in the recipient company's financing, then such a round will usually be classified as PE growth, and not included in the Venture Pulse datasets. However, as of the Q4 2022 edition, a new stage for venture that was invented by PitchBook to account for growth at late-stage VC will be included, defined as venture growth. That same edition saw some minor updates to the wording of the methodology on this page.

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

Fundraising

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

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, VC firms, corporate venture firms, corporate investors, and institutions, among others. Investments received as part of an accelerator program are not included; however, if the accelerator continues to invest in follow-on rounds, those further financings are included. All financings are of companies headquartered in the US, with any reference to "ecosystem" defined as the combined statistical area (CSA). PitchBook includes deals that include partial debt and equity.

- Pre-seed and seed:** As of October 2023, PitchBook has introduced new categories of pre-seed and seed. The pre-seed stage encompasses a collection of emergent startups receiving the first check from at least one institutional investor to fuel their development growth. For global startups, PitchBook reclassified angel deals depending on institutional investors' prior deal participation. Deals that have been tagged as "angel" due to the company's investor base consisting solely of individual investors will now be recategorized into the early-stage or late-stage VC deal category based on stage methodologies in place. For startups headquartered in the US and Europe, we define pre-seed as a round of financing for a company founded less than two years ago that has not yet received institutional investor support. Seed remains classified as either seed per reliable sources, regulatory filings, additional criteria such as no VC board members, round sizes, and previous VC backing.
- Early-stage:** Rounds are generally classified as Series A or B (which we typically aggregate together as early-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.
- Late-stage:** Rounds are generally classified as Series C or D or later (which we typically aggregate together as late-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.
- Growth:** Financings tagged as Series E or later or deals involving companies that are at least seven years old and have raised at least six VC rounds will be included in this category, as of the Q4 2022 edition of Venture Pulse released in January 2023.
- Corporate:** Corporate rounds of funding for currently venture-backed startups that meet the criteria for other PitchBook venture financings are included in the Venture Pulse as of March 2018.
- Corporate venture capital:** Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity investments off balance sheets or whatever other non-CVC method is employed.

Exits

PitchBook includes the first 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 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. IPO value is based on the premoney valuation of the company at its IPO price. One slight methodology update is the categorical change from "IPO" to "public listings" to accommodate the different ways we track VC-backed companies' transitions to the public markets. To give readers a fuller picture of the companies that go public, this updated grouping includes IPOs, direct listings, and reverse mergers via SPACs.

In the edition of the KPMG Venture Pulse covering Q1 2019 and all ensuing, PitchBook's methodology regarding aggregate exit values changed. Instead of utilizing the size of an IPO as the exit value, instead the prevaluation of an IPO, based upon ordinary shares outstanding, was utilized. This has led to a significant change in aggregate exit values in all subsequent editions yet is more reflective of how the industry views the true size of an exit via public markets. In the edition of the KPMG Venture Pulse covering Q1 2021 and all ensuing, the IPO exit type was updated to include all types of public listings, including special purpose acquisition companies (SPACs) and other reverse mergers.



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