



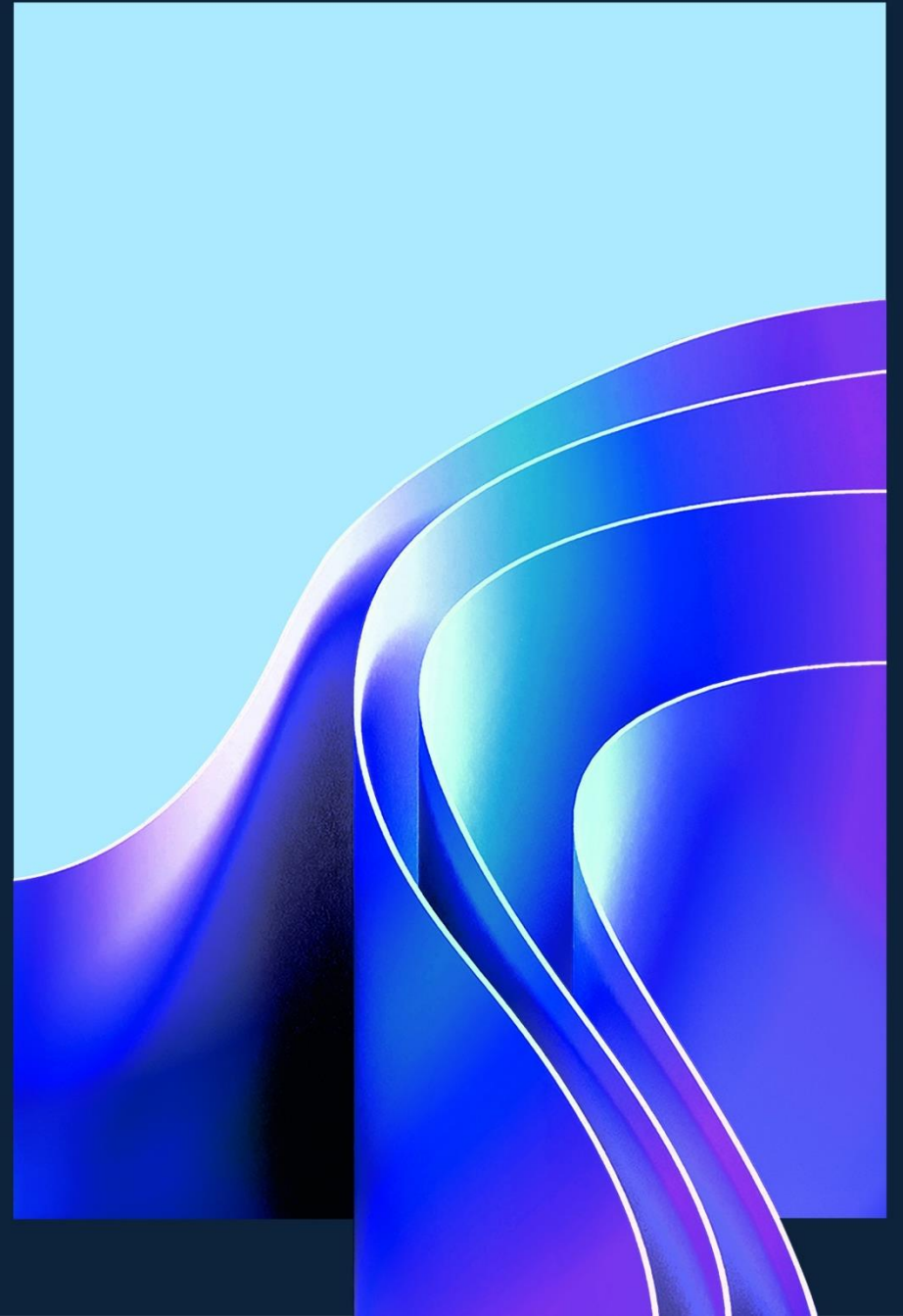
Private Enterprise

# Venture Pulse

## Q2 2023

Global analysis of venture funding

26 July 2023



# Welcome message

Welcome to the Q2'23 edition of KPMG Private Enterprise'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.

Uncertainty continued to permeate the global VC market in Q2'23 amidst geopolitical uncertainties, stubbornly high inflation, and the possibility of further increases to interest rates in a number of major jurisdictions. With no end in sight to market challenges, VC investors globally continued to hold back from making large mega-deals this quarter — with a few exceptions: a US\$6.9 billion raise by US-based payments company Stripe, a \$2 billion raise by Singapore-based online retailer Shein and a \$1.3 billion raise by Microsoft-backed AI startup Inflection in California.

VC investors globally remained very cautious during the quarter, intensifying their scrutiny of potential deals and putting a laser focus on profitability and the sustainability of startup business models when making investments. While many VC investors continued to have cash available to them, concerns about future fundraising likely contributed to their growing caution given the sharp decline in fundraising activity so far this year. China proven the only exception, with fundraising at mid-year already ahead of 2022's total.

In a relatively dim quarter, artificial intelligence and generative AI was a bright light, with VC investors in all major regions showing keen interest in the space. The alternative energy,

energy storage, and cleantech sectors also remained very attractive to investors. Health and biotech and B2B-focused solutions also remained firmly on the radar of VC investors.

Heading into Q3'23, VC investment will likely remain near the current level as VC investors continue to hold back in the hopes that market conditions will improve. With the global IPO market expected to remain mostly shuttered — likely through at least the the end of the year — VC investors could start making hard choices about what companies to fund or not fund given the changing market conditions. Consolidations in over-saturated industries could start to drive some M&A activity as companies look to gain scale and become more profitable.

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

- Skyrocketing interest in AI and generative AI solutions
- Growing focus on profitability at all deal stages
- Continuing focus on alternative energy and battery storage
- Declining global fundraising activity and why China is bucking the trend

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.



Private Enterprise

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Global Head  
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#Q2VC

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## Global

- VC investment declines slightly to \$77.4 billion across 7783 deals
- Uprounds decline as a percentage of all deals
- Late stage investment continues to soften
- Global first-time financings well off last year's pace
- Top 10 deals spread among 8 different countries



## US

- VC deal value falls to \$39.85 billion across 3011 deals
- Investment in software sector increases as a percentage of overall investment
- Exits remain slow across all areas
- Corporates join back in tentatively
- Fundraising remains muted in wake of record highs

## Americas

- VC-backed companies fall to \$42.9 billion across 3360 deals
- Down and flat rounds see an uptick
- Business, energy and healthcare see modest growth
- Total Canadian deal value drops rebounds
- Brazil records another slow quarter as Mexico sees strong rebound



## Asia

- Venture Capital investment drops for 6th consecutive quarter
- Early-stage deals remain resilient
- Investment in software declines as a percentage of overall deals
- Exit activity increases slightly on IPO resilience
- Chinese companies raise 5 of largest 10 deals in Asia

## Europe

- Investment remains cool in Europe — with \$13.5 billion invested on 1861 deals
- Enterprise and healthcare related offerings draw investor attention
- First-time financing volume stronger than anticipated
- Capital continues to concentrate in follow-on funds
- Germany, UK and Switzerland dominate top 10 deals

**Globally, in Q2'23  
VC-backed companies  
raised \$77.4B across  
7,783 deals**

# VC investment globally holds steady

**Global VC investment held relatively steady in Q2'23, led by a \$6.8 billion raise by US-based Stripe, a \$2 billion raise by Singapore-based Shein, a \$1.3 billion raise by US-based AI startup Inflection, and a \$700 million raise by India-based Byju.**

## Less traditional investors prioritizing safer asset classes

As interest rates continued to rise in many regions of the world, less traditional VC investors have recognized the increasing availability of lower risk investment alternatives, including bonds and simple deposit accounts. Given the uncertainty in the VC market, many investors in different regions are looking at these alternatives as more attractive than in recent years in order to secure a known return.

## Tough time for fundraising; China proves only exception

Fundraising by VC firms globally remained incredibly subdued in Q2'23, with many established VC firms likely holding back on raising new funds until some of the uncertainty in the market begins to dissipate. The impact of the slowdown in fundraising activity has been cushioned somewhat by the amount of dry powder that remains in the market — with many VC firms deploying the funds they raised previously at a much slower rate than they have in recent years.

China proved a major outlier in fundraising, bucking the downward trend significantly; at mid-year, total fundraising in China exceeded the total raised during all of 2022. China's unique VC ecosystem, including robust participation by central and local governments in VC deals in order to drive investment in priority areas, likely contributed to the increasing fundraising activity.

## Investment in AI continues to be red-hot

Investment in AI and generative AI remained hot in Q2'23 as startups around the world looked to accentuate their AI capabilities and VC investors enhanced their focus on the AI space, seeing it as one of the few resilient areas of investment in the current market. Corporate investors showed the most interest in the generative AI space, particularly global tech giants with the massive data sets required to underpin robust generative AI solutions.

Both Microsoft and Google have already made major inroads into the space, including Microsoft's \$10 billion investment in OpenAI during Q1'23, along with China's tech giants — Alibaba, Baidu, and Tencent. As of Q2'23, Alibaba said that it had received a significant number of trial access requests for its generative AI tool Tongyi Qianwen, while Baidu announced that it had submitted its own generative AI tool Ernie bot for regulatory approval.<sup>1</sup>

Regulators globally have also enhanced their focus on AI, with a growing number investigating how best to regulate the sector. During Q2'23, the European Union passed an AI Act, which sets out regulations related to the use of AI in the region. In particular, the new regulations require that any generative AI systems be reviewed prior to being put into commercial use.<sup>2</sup>

## Down rounds growing globally as VC investors continue to shy away from late-stage deals

VC investors continued to hold back from making large, late-stage deals in most jurisdictions during Q2'23, with a couple of exceptions. US-based global payments processor Stripe raised a \$6.8 billion, while Singapore-based online fashion retailer Shein raised \$2 billion. Both companies took major hits to their valuations as a result of their new funding rounds. More broadly, the steep decline in late-stage deal value and number of deals — particularly for Series D+ deals — continued in Q2'23. This continued pullback was not a surprise given ongoing investor concerns about valuations and a lack of exit opportunities.

## With IPO window still closed, interested startups focusing on improving their attractiveness

The IPO market globally remained in drought mode during Q2'23, particularly in the US. Given the growing number of companies looking to IPO once the window reopens, some have turned their attention to improving their attractiveness to the market in advance — improving their operational efficiencies, reducing unnecessary head count and other costs, and improving their financial metrics and profitability.

<sup>1</sup> <https://www.cnbc.com/2023/05/23/chinas-tencent-alibaba-bank-on-ai-for-growth-as-competition-heats-up.html>

<sup>2</sup> <https://www.cnbc.com/2023/06/14/eu-lawmakers-pass-landmark-artificial-intelligence-regulation.html>

# VC investment globally holds steady, cont'd.

## VC investors prioritizing financial metrics

Globally, VC investors have become far more cautious with their spend, prioritizing companies well positioned to grow and thrive even in the changed business environment. Increasingly they are looking for companies that are already profitable rather than simply having a plan to move in that direction. Even with early-stage companies, VC investors are beginning to look beyond the specific product or solution to determine whether a company's proposed business model is underpinned by sound financial assumptions and metrics, such as clear unit economics.

## VC firms making changes to adjust to shifting market

With fundraising becoming more limited, many global VC firms have increasingly looked for unique ways to better manage their capital, including their existing funds, and their own operational activities. In Q2'23, Sequoia announced plans to spin off two parts of its operations into separate firms — China-focused HongShan and India and Southeast Asia-focused Peak XV Partners — in part to avoid conflicts between investment portfolios and to better manage regulatory compliance obligations.<sup>3</sup>

## Alternative energy, energy storage, and cleantech remain attractive to VC investors

The extended conflict between Russia and the Ukraine, ongoing concerns about energy availability and energy costs, and growing commitment to and funding for cleantech innovation in many countries has driven significant interest in the energy space over the last eighteen months. This interest continued in Q2'23, with VC investors showing broadening their interest across a growing diversity of energy solutions — from solar power technologies, offshore wind farms, and hydrogen and atomic energy applications to EV infrastructure, decarbonization solutions, and green finance focused offerings. Battery storage also continued to attract a significant amount of VC investment.

<sup>3</sup> Sequoia Is Splitting Into Three VC Firms (forbes.com)

## Trends to watch for in Q3'23

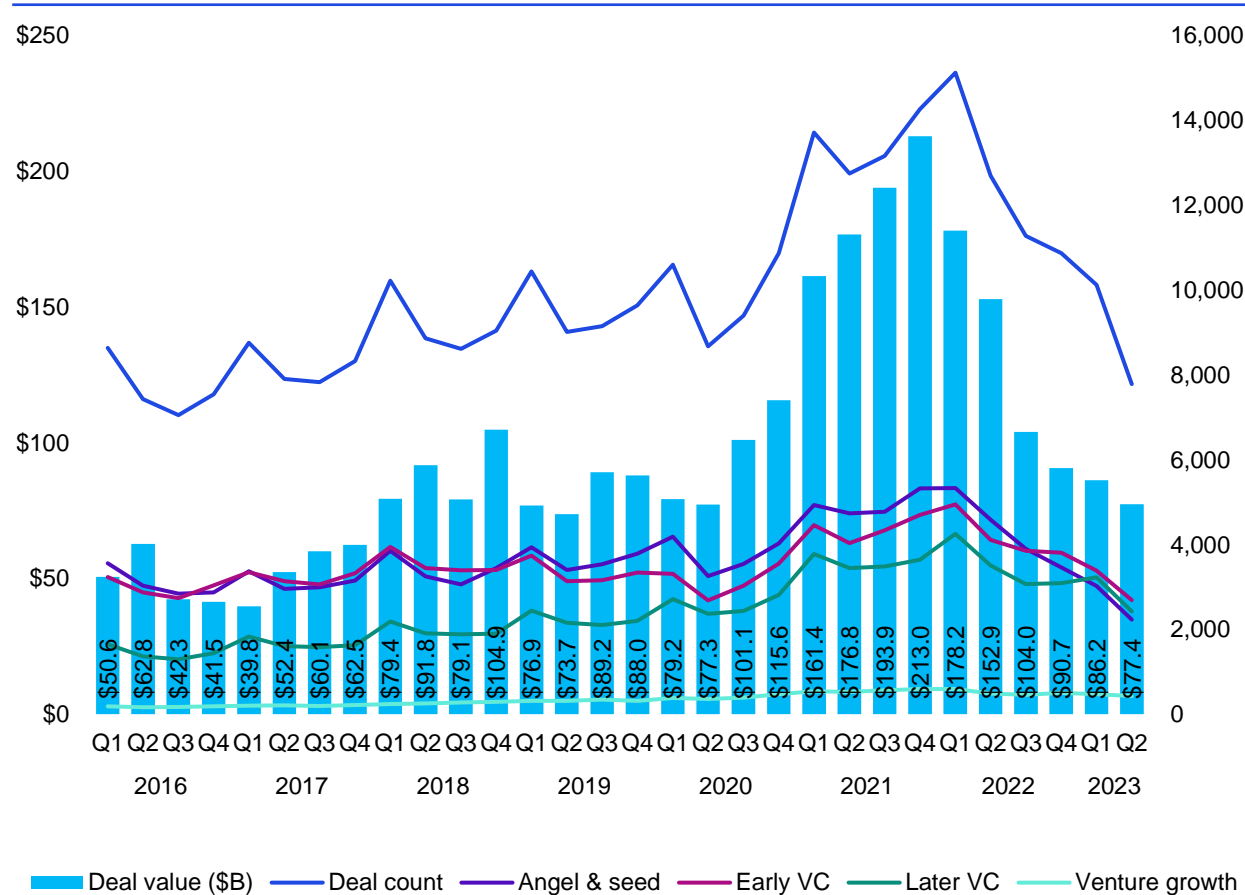
VC investment globally is not expected to change radically heading into Q3'23, although this prediction is in no way a certain bet. Given the continued geopolitical challenges, the lack of confidence in exits, ongoing uncertainty as to whether the world is or is not in a recession, and the possibility of future interest rate hikes, there remains the potential for VC investment to take another hit in Q3'23.

Generative AI will likely remain a very hot area of VC investment globally, particularly among large corporates looking to avoid missing out on what many see as a major multi-industry gamechanger. Alternative energy and energy storage are also expected to remain a critical focus area for investors, along with health and biotech.

# VC activity continues to soften

## Global venture financing

2016–Q2'23



Source: Venture Pulse, Q2'23. Global Analysis of Venture Funding, KPMG Private Enterprise. Data provided by PitchBook, July 26, 2023

By now, the softening in venture financing activity is well established. An array of key factors that venture players are facing and must consider remain intact, namely:

- Ongoing concerns and mixed indicators pertaining to the health of the global economy, especially among key countries
- Complexities in cross-border transactions as political tensions remain taut and growth in exposure can be questioned
- Necessary increases in hurdles to funding and proving out of timelines for revenue generation if not profitability, and related implications for fund return timelines

“ Short term, AI may be less of a hyper growth investment area than people think because it has to get to the stage where it is being commercialized and people and businesses are willing to pay for it. Long-term, the potential for AI globally is dramatic. It could really cut down on the repetitive work that people do and remove inefficiencies from all kinds of process. The big question I have long term is what will cutting a lot of junior staff do to the leadership pipeline of companies? This is the kind of question companies need to think about as they move forward. ”

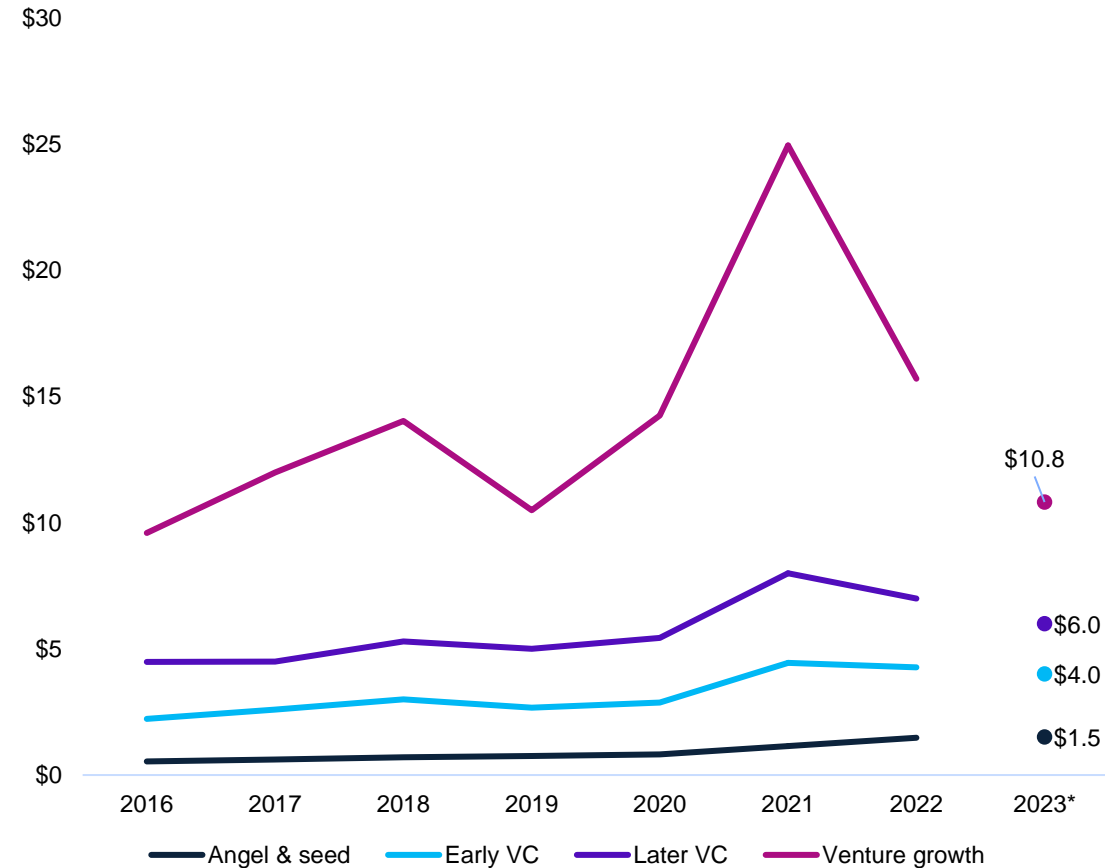


**Jonathan Lavender**  
Global Head  
KPMG Private Enterprise  
KPMG International

# Down & flat rounds returning back to historical levels

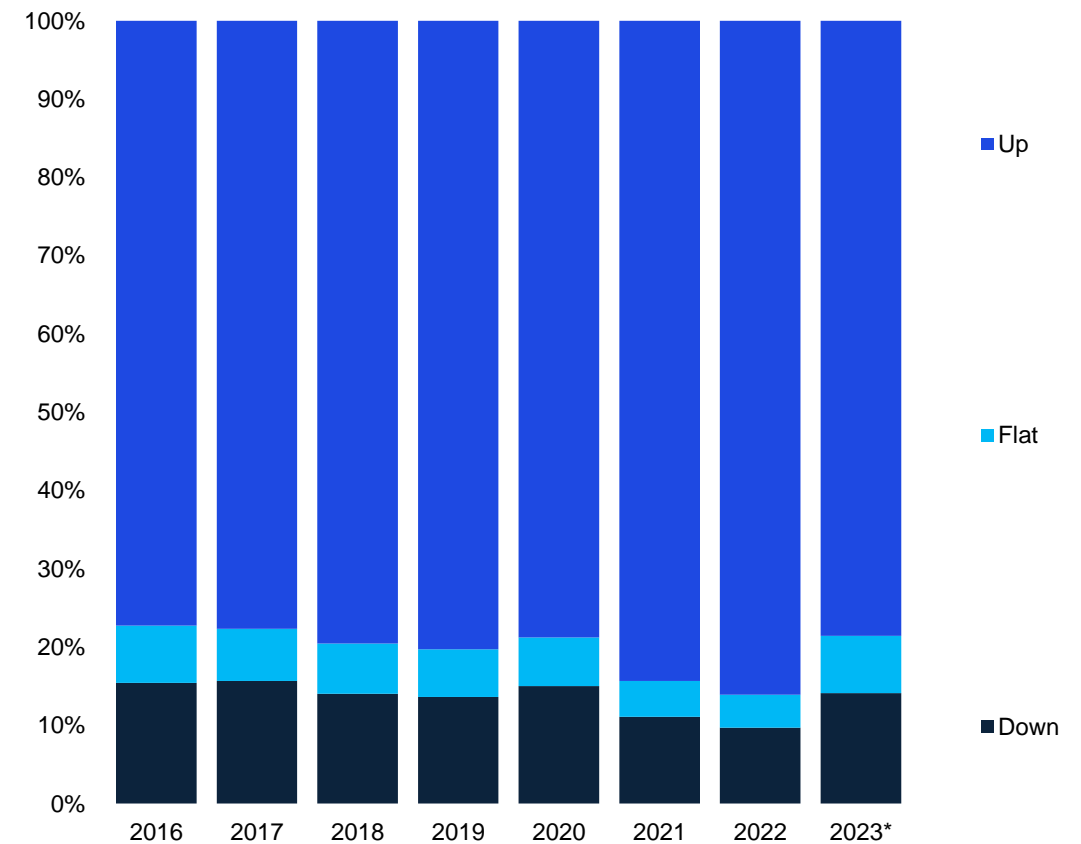
## Global median deal size (\$M) by stage

2016–2023\*



## Global up, flat or down rounds

2016–2023\*



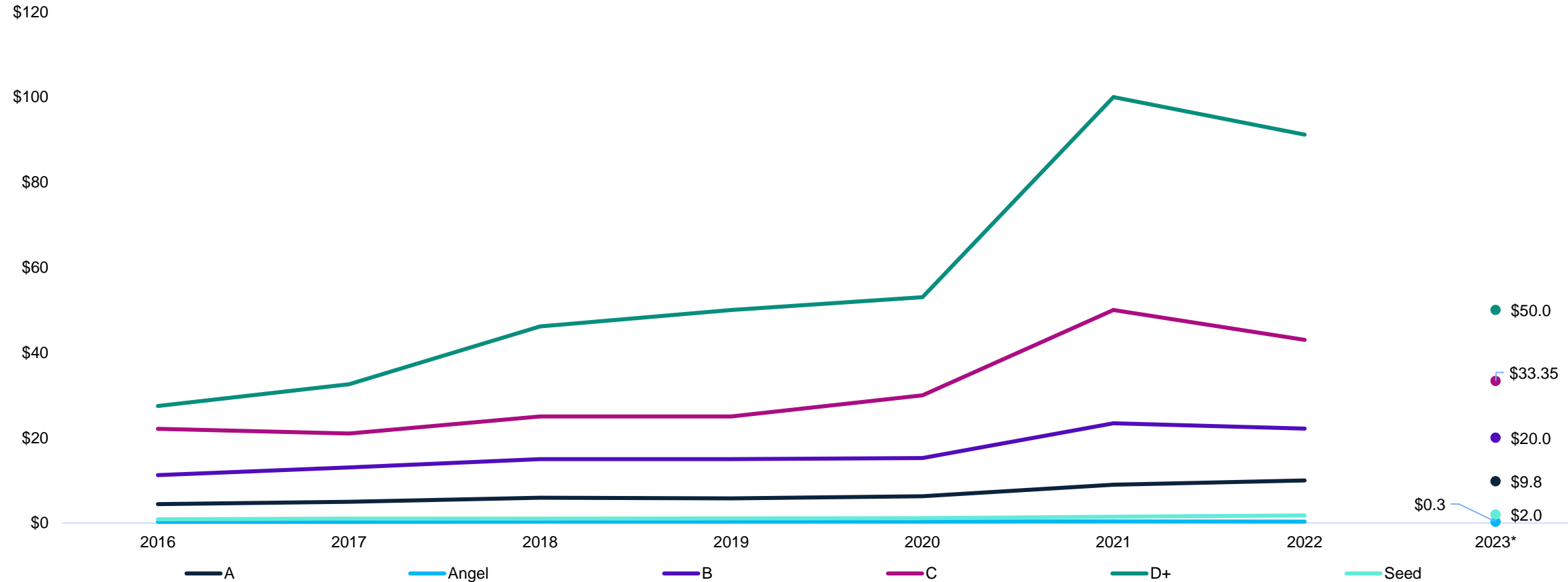
Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023



# Medians continue to hold steady

## Global median deal size (\$M) by series

2016–2023\*

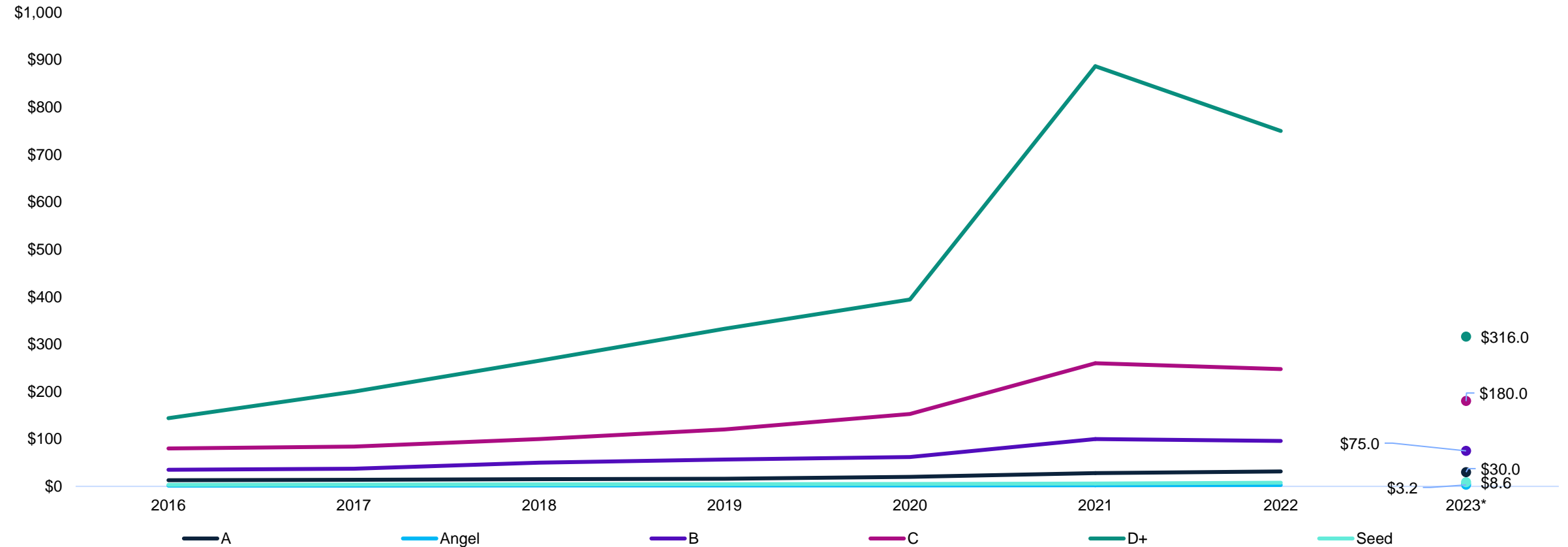


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Some earlier-stage metrics remain somewhat healthier

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

2016–2023\*

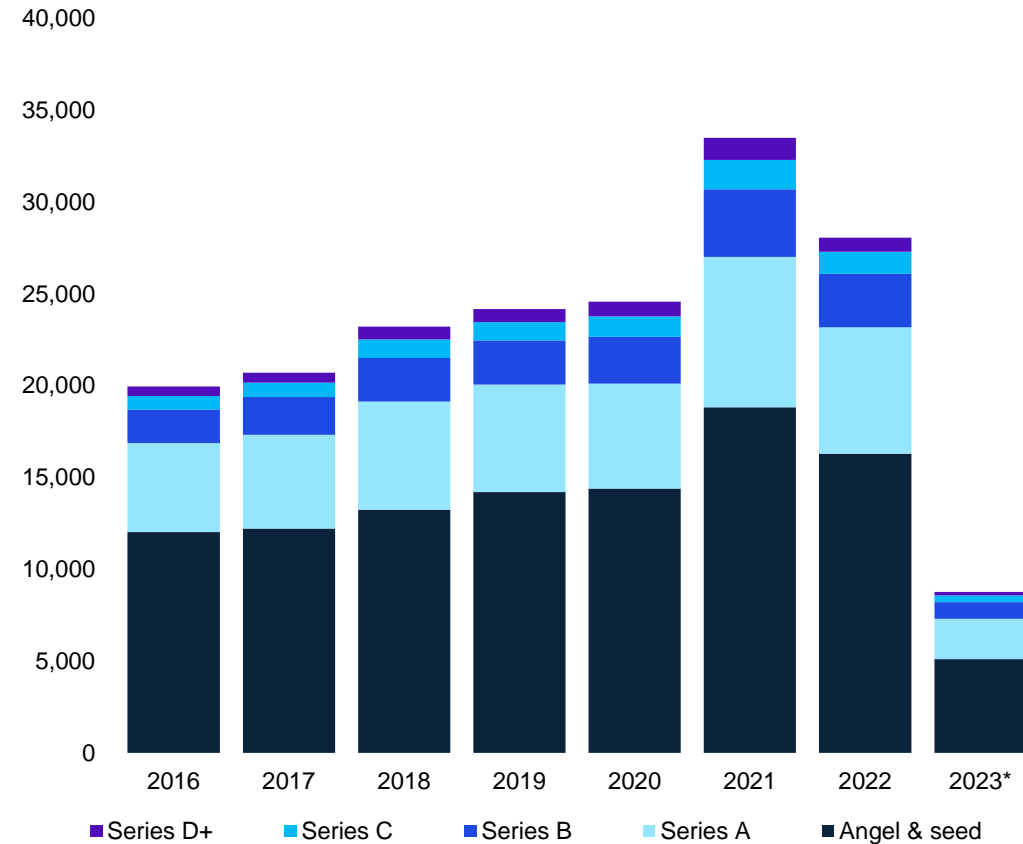


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Investors pull back at the late-stage

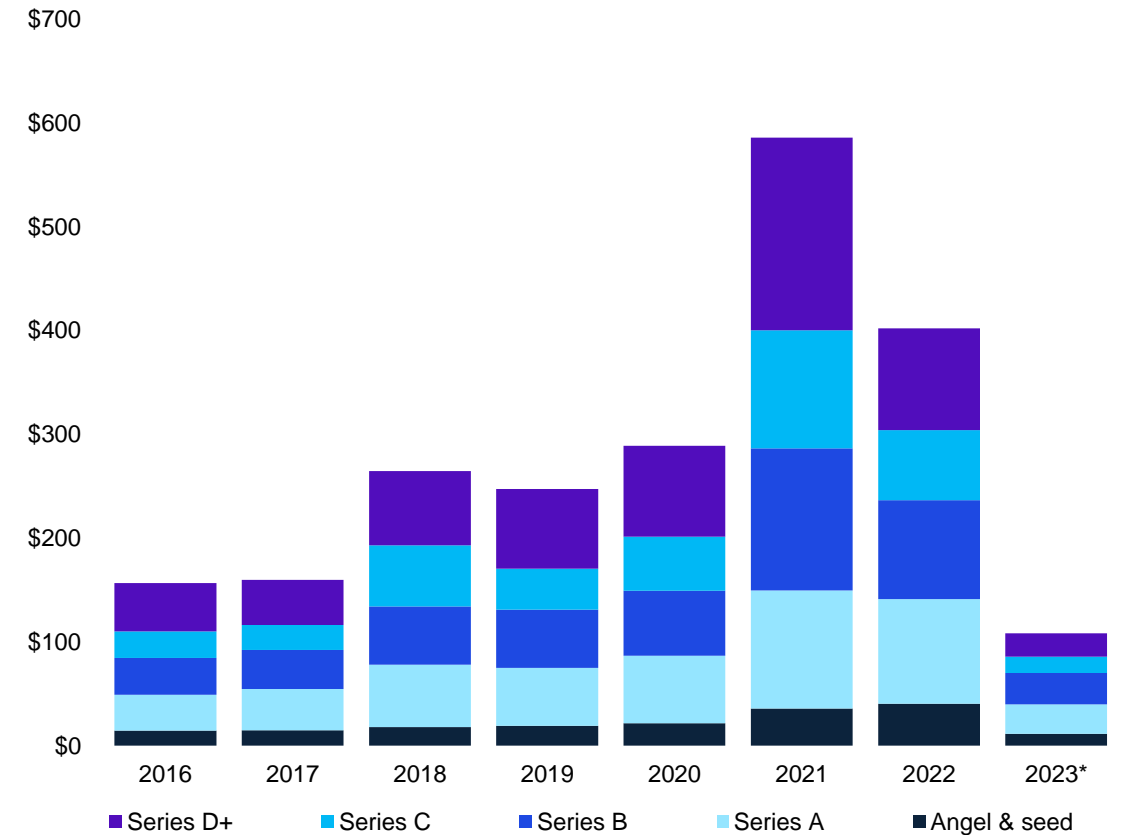
## Global deal share by series

2016–2023\*, number of closed deals



## Global deal share by series

2016–2023\*, VC invested (\$B)

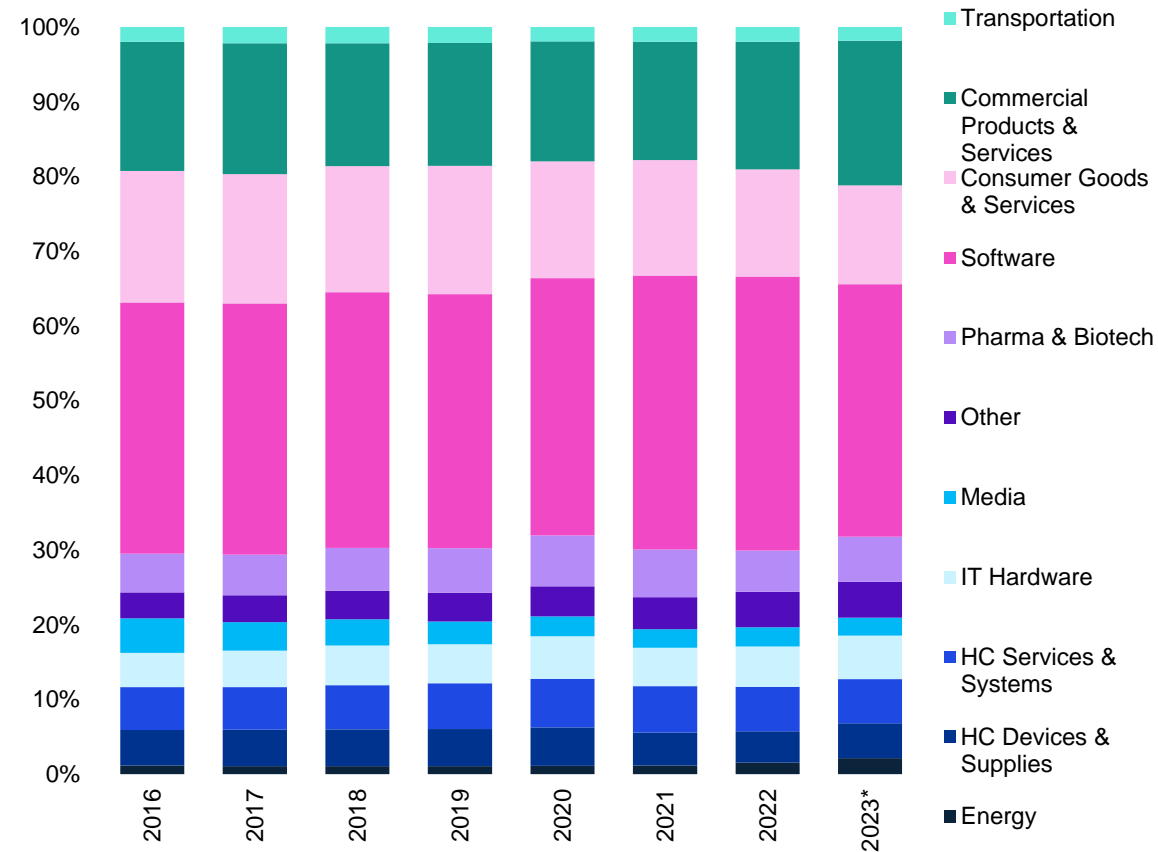


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# B2B & healthcare remain resilient

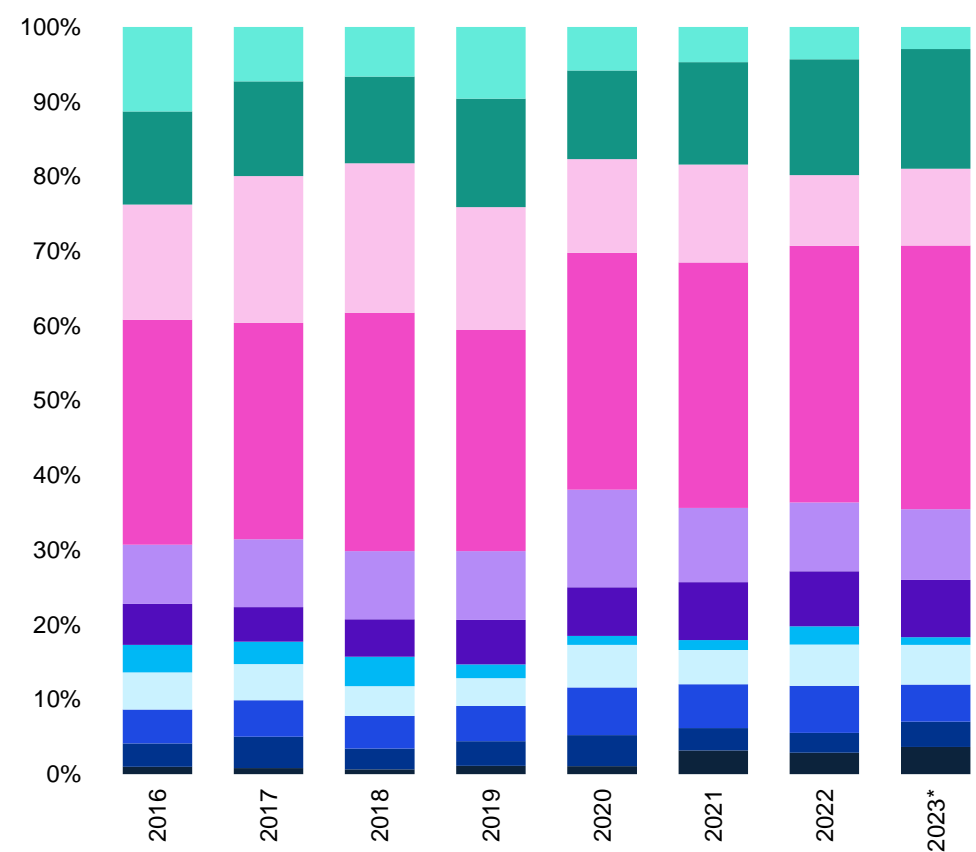
## Global financing trends to VC-backed companies by sector

2016–2023\*, number of closed deals



## Global financing trends to VC-backed companies by sector

2016–2023\*, VC invested (\$B)

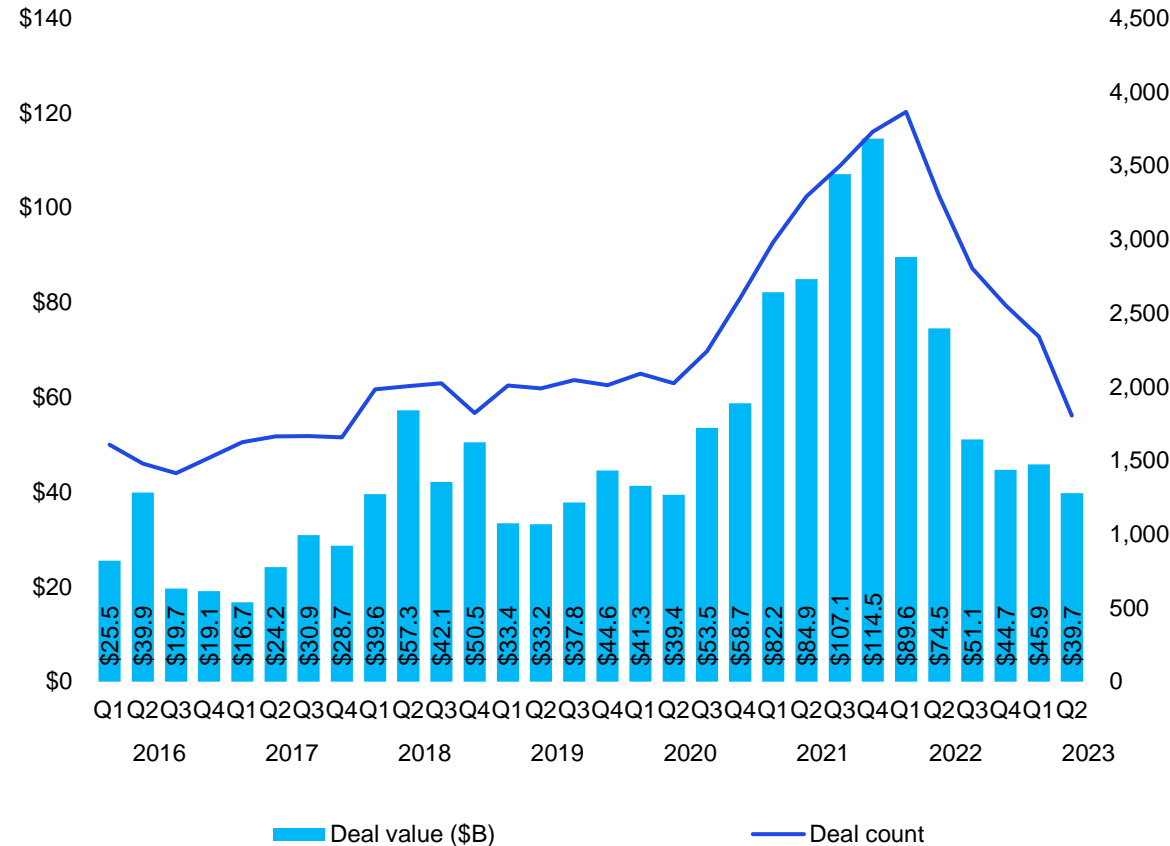


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Corporate players pull back while first-time financings regain footing

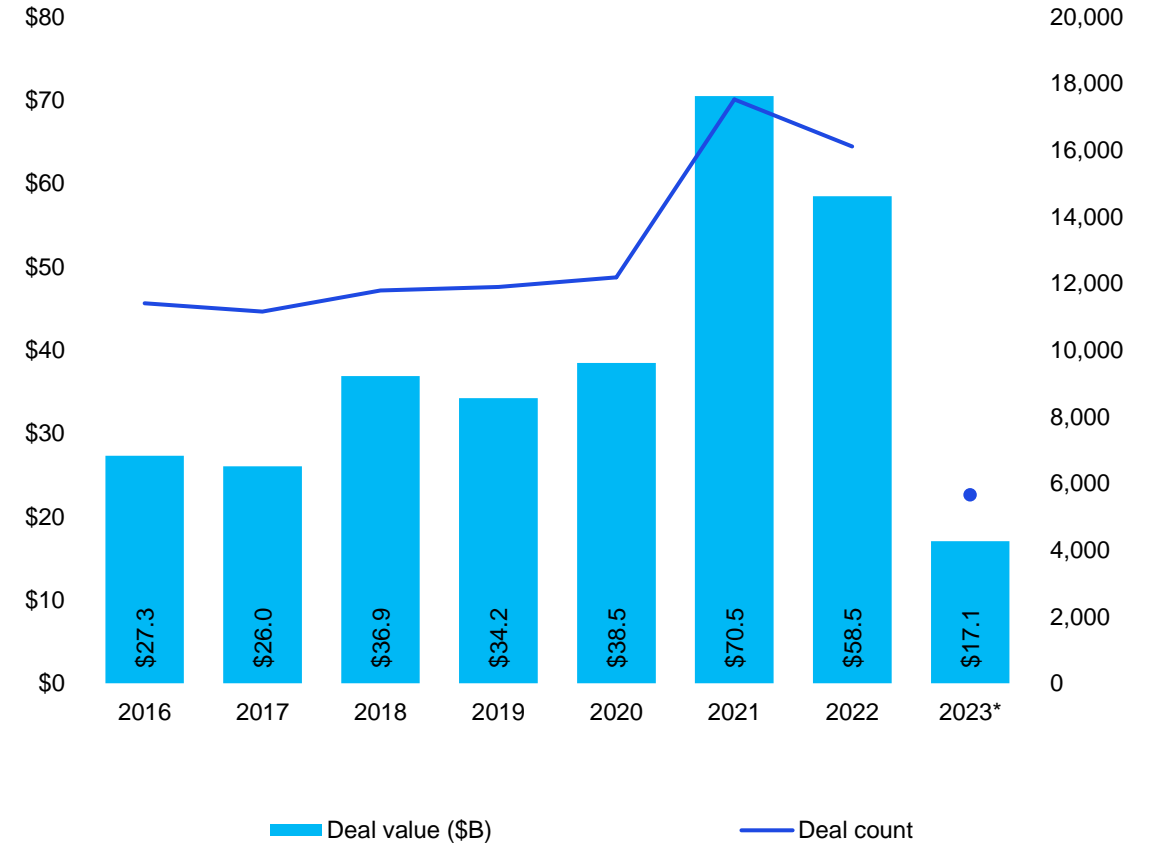
## Corporate VC participation in global venture deals

2016–Q2'23



## Global first-time venture financings of companies

2016–2023\*



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

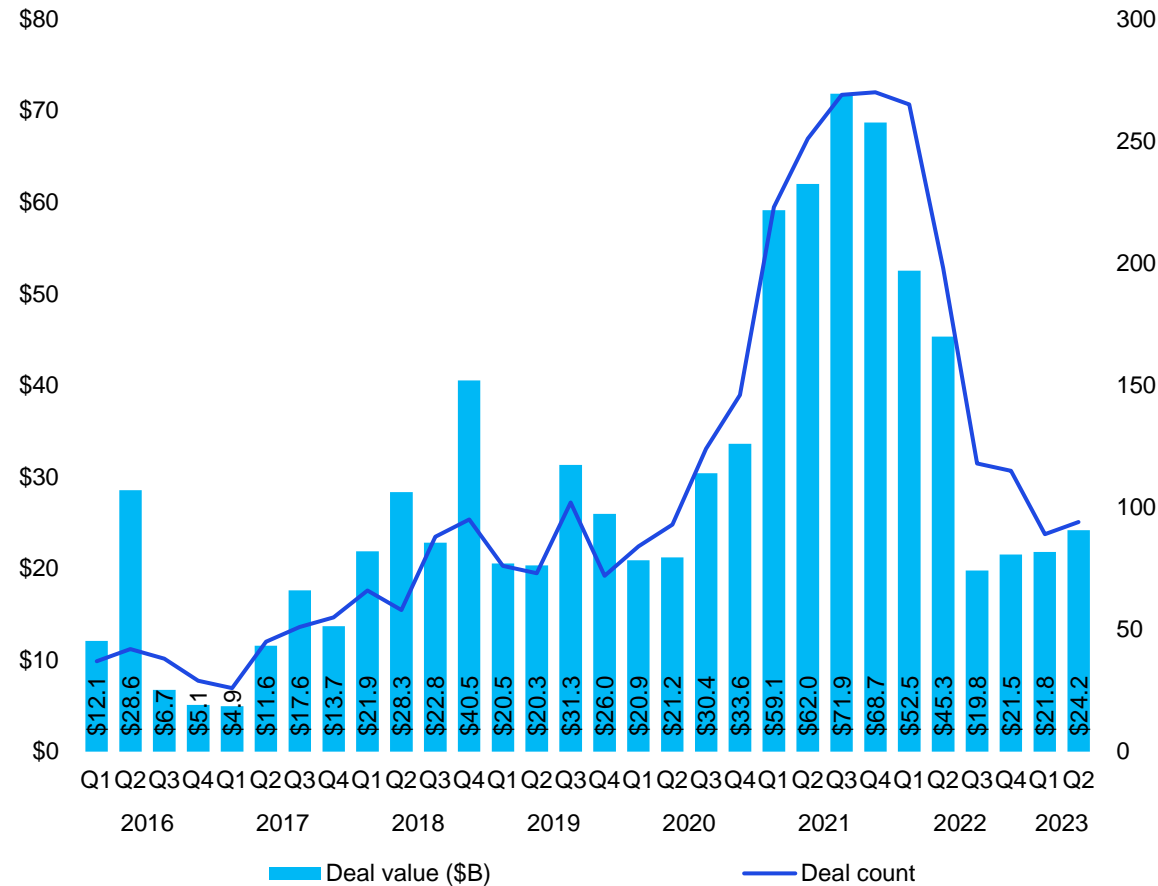
Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

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 remain in a slump

## Global unicorn rounds

2016–Q2'23

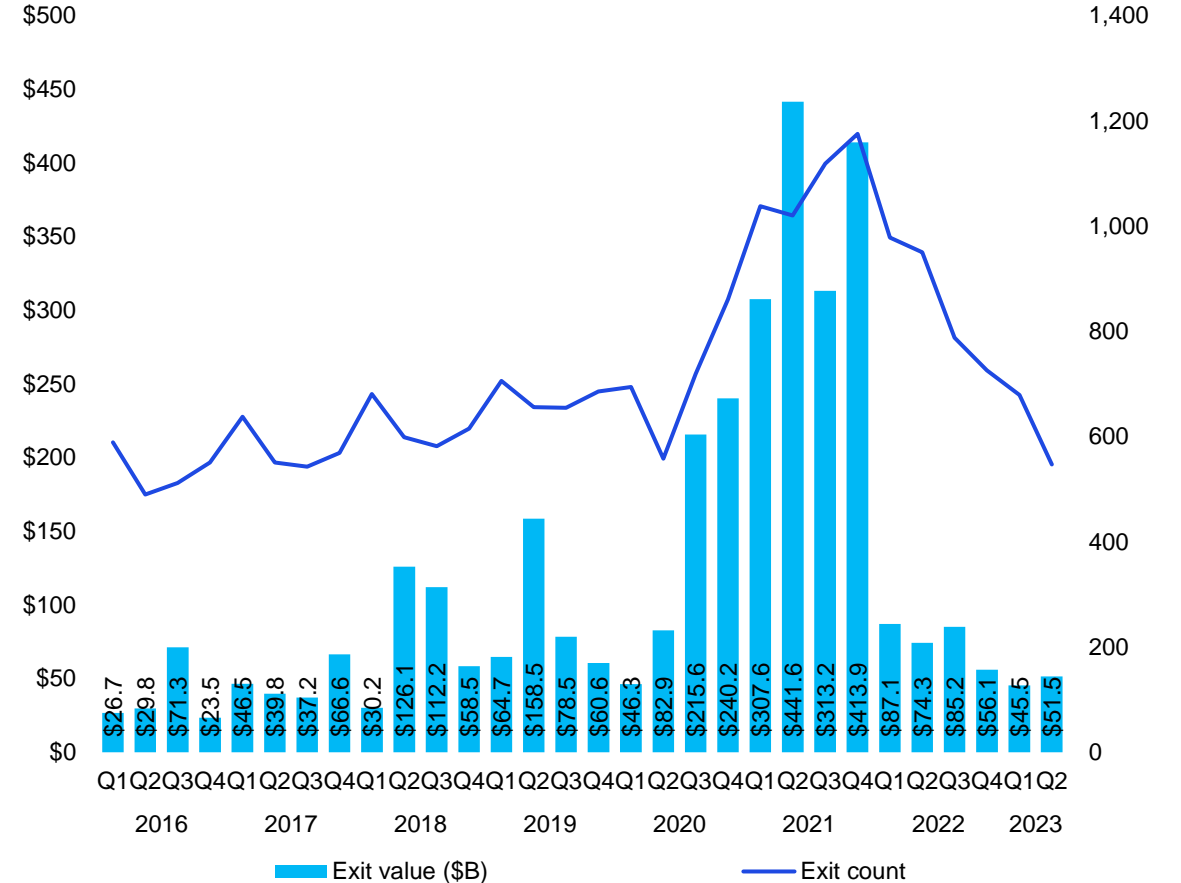


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

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.

## Global venture-backed exit activity

2016–Q2'23



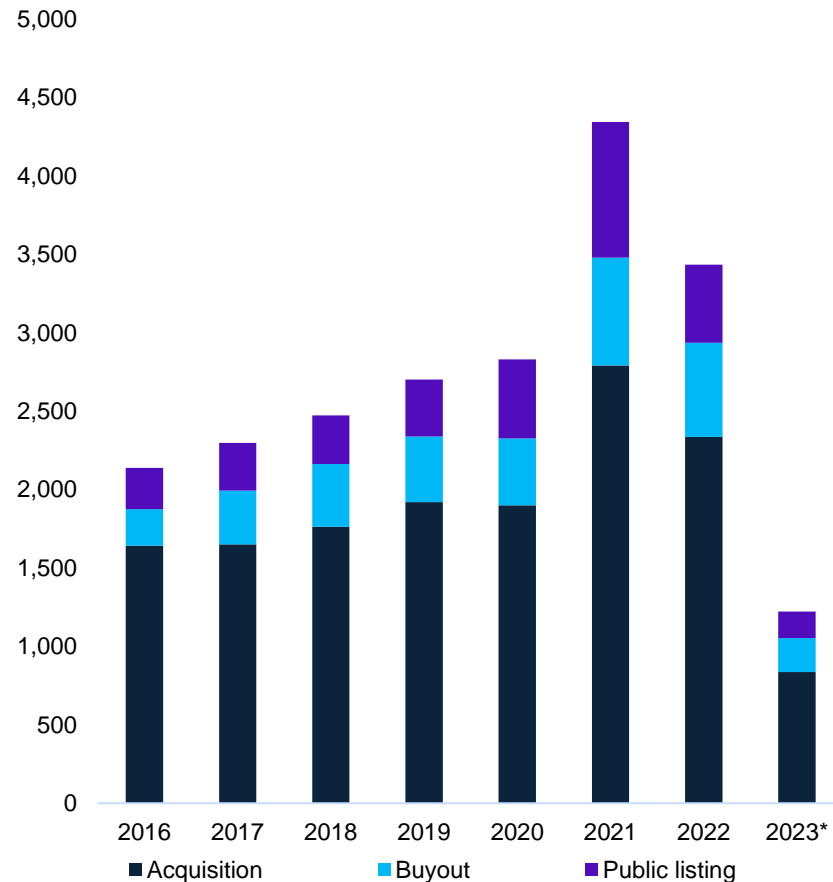
Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

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

# M&A remains most prolific route in sluggish first half

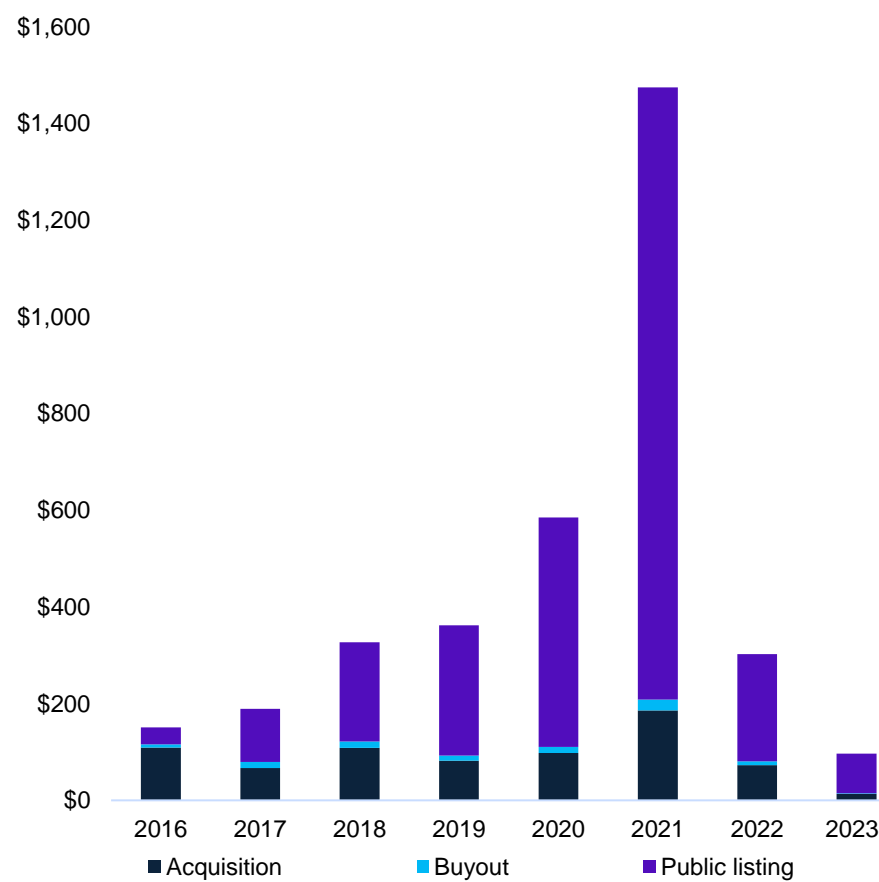
Global venture-backed exit activity (#) by type

2016–2023\*



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

2016–2023\*



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“ I believe we are looking ahead at one of the most interesting 12–18 month periods of venture investing. We arguably have never seen this level of economic and geopolitical uncertainty matched against such an exciting world changing phenomenon — AI. The competition between these two competing forces will be fascinating to watch. ”

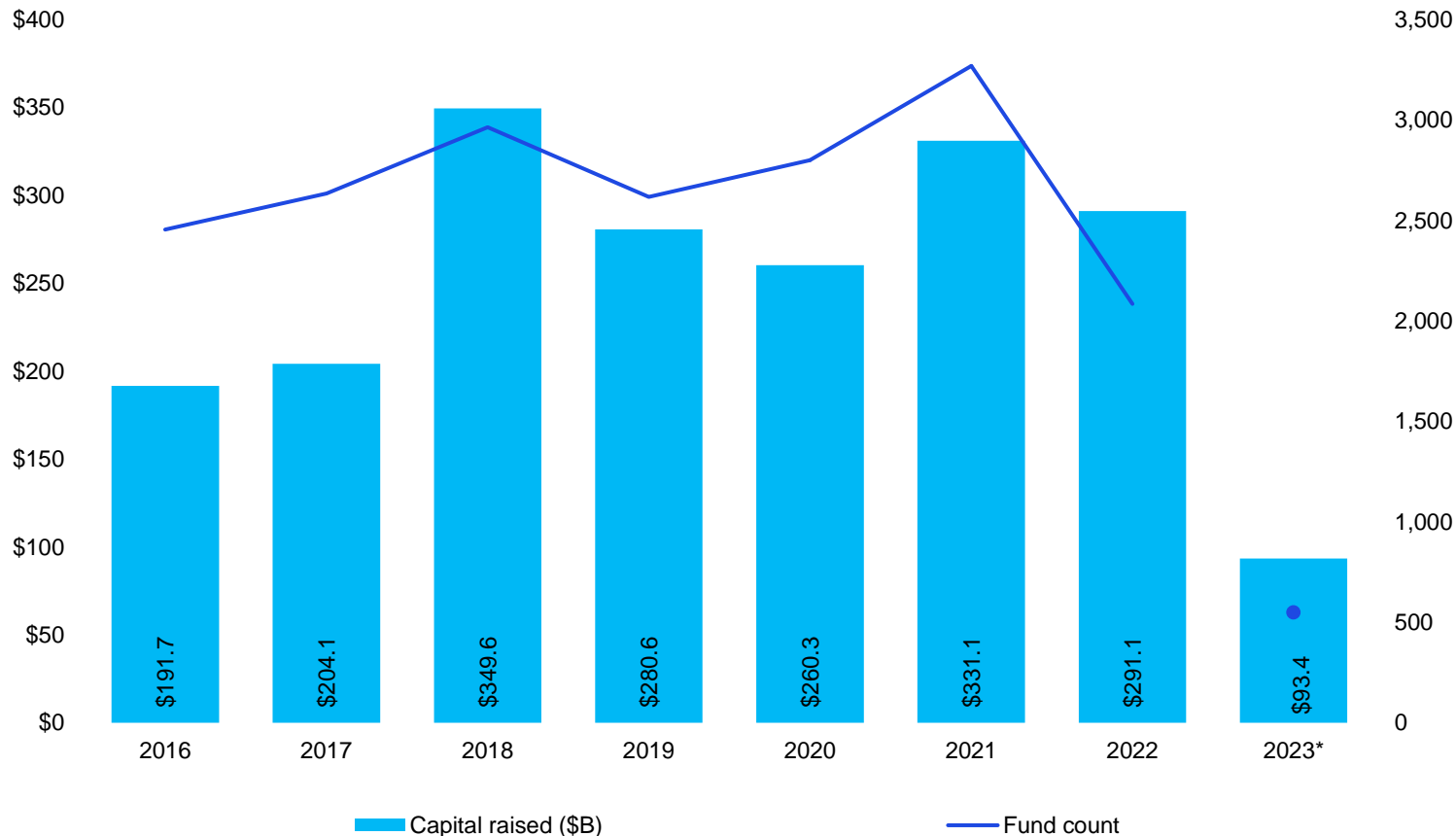


**Conor Moore**  
 Head of KPMG Private Enterprise in the Americas,  
 Global Leader, Emerging Giants,  
 KPMG Private Enterprise,  
 KPMG International & Partner  
**KPMG in the US**

# LPs take a breather

## 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. When the difficulties of outperformance in increasingly competitive private markets are balanced against the challenges of liquidity management, even if returns remain steadier than in public markets, it is clear that limited partners may be in more of a wait-and-see approach before the fundraising cycle revs up again. Granted, given the recent bonanza in fund closings, it is also likely that needed exposure to venture may be seen as having been largely met.

2023 continues to see headwinds affecting fund investors' appetite for exposure, with **just over \$90 billion committed to the asset class, putting the year on pace for the lowest tally in years.**

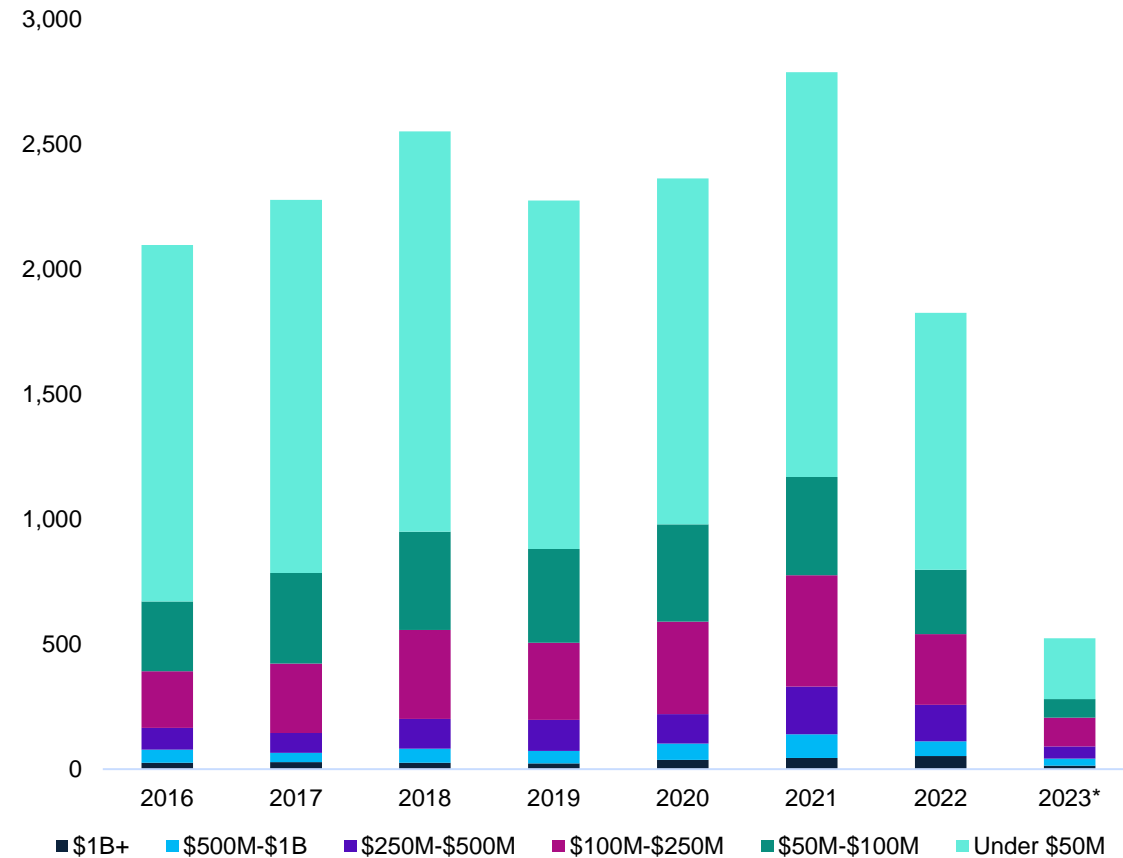
Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023



# Follow-on funds remain more popular while \$1B+ vehicles disappear

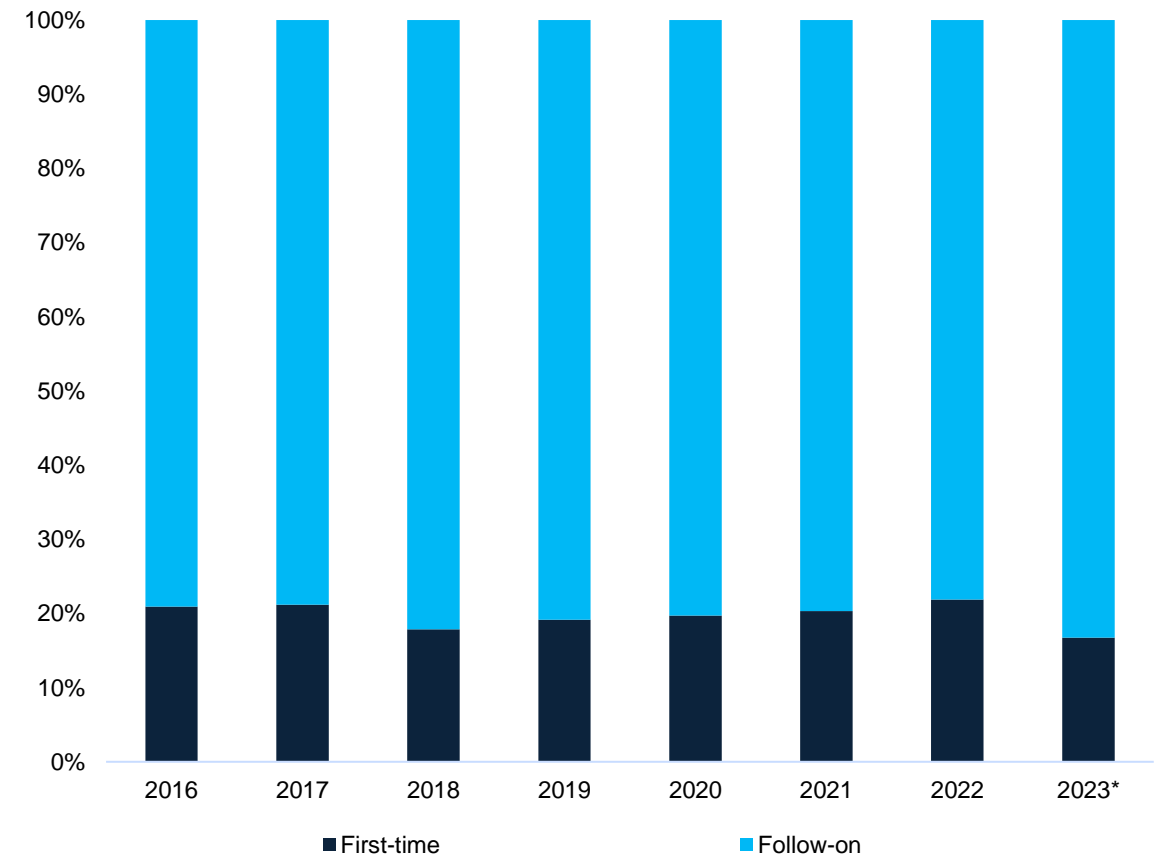
## Global venture fundraising (#) by size

2016–2023\*



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

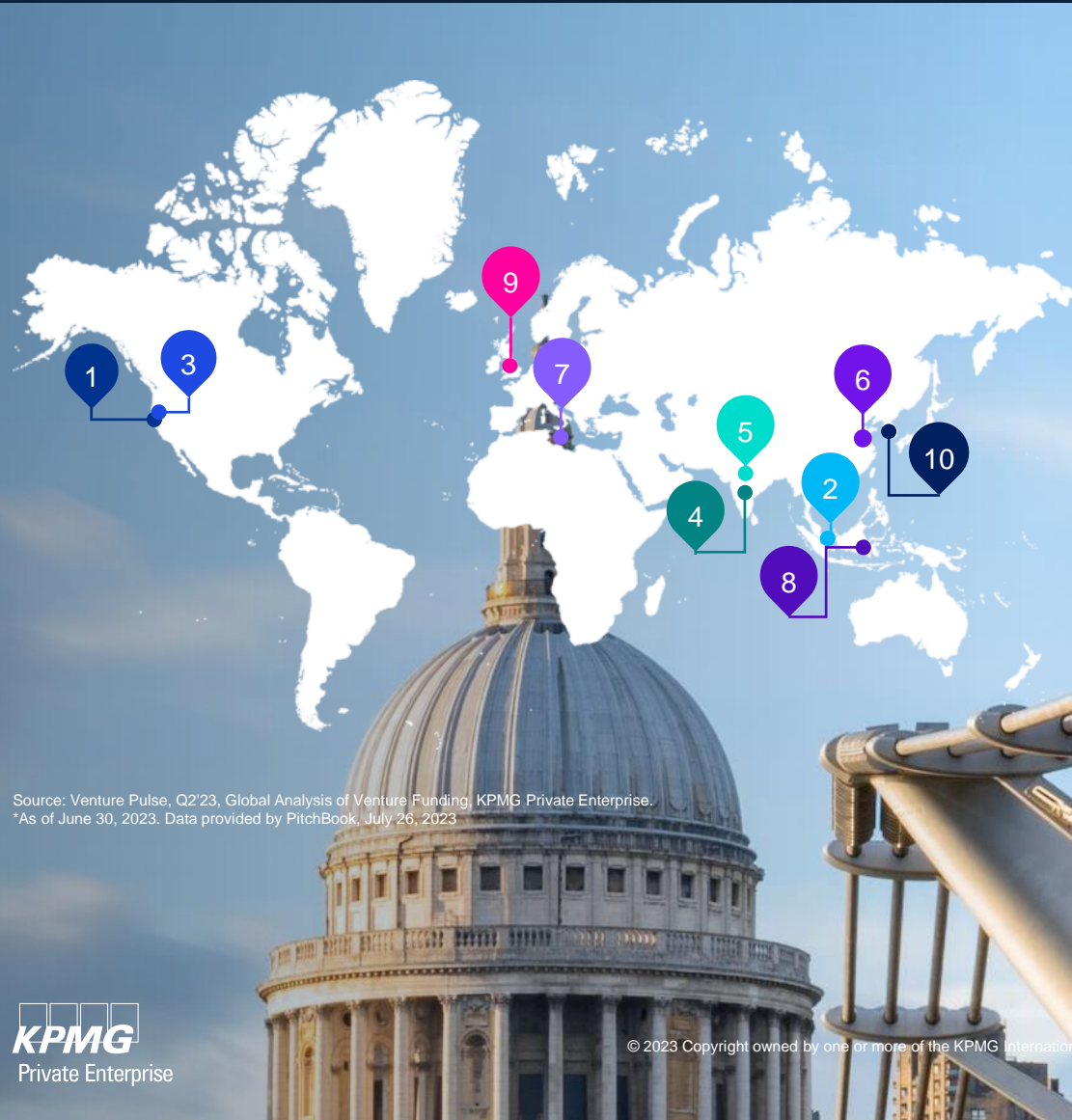
2016–2023\*



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# A diversity of sectors speaks to a complex global environment

## Top 10 global financings in Q2'23



1. **Stripe** — \$6.9B, San Francisco, US — Fintech — *Series I*
2. **SHEIN** — \$2B, Singapore — Retail — *Series G*
3. **Inflection** — \$1.3B, Palo Alto, US — AI & ML — *Early-stage VC*
4. **BYJU'S** — \$700M, Bengaluru, India — Edtech — *Late-stage VC*
5. **Lenskart** — \$600M, New Delhi, India — E-commerce — *Series I*
6. **Changfei** — \$532M, Wuhu, China — Semiconductors — *Series A*
7. **Cacashop.com** — \$500M, Malta — E-commerce — *Series B*
8. **Mandy** — \$500M, Indonesia — E-commerce — *Early-stage VC*
9. **Getir** — \$475M, London, UK — E-commerce — *Late-stage VC*
10. **KT Cloud** — \$452.5M, Seoul, South Korea — Cloudtech — *Series B*

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise.  
 \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

**In Q2'23, US VC-backed  
companies raised  
\$39.85B across  
3,011 deals**

# Mega-Deal raises VC investment in the US despite continued drop-off in deal volume

VC investment in the US dropped slightly in Q2'23, despite a \$6.8 billion raise by payments processing company Stripe. The deal was the largest VC raise in the US by far during the quarter, followed by two large raises in the Artificial Intelligence area — a \$1.3 billion raise by Microsoft-backed Inflection, and a \$450 million raise by AI company Anthropic. Additional large deals included a \$421 million raise by specialized cloud computing provider CoreWeave and a \$401 million raise by cell and gene therapeutics company ElevateBio.

## Deal speed continues to slow, despite availability of cash

Uncertainty continued to permeate the VC market in the US during Q2'23, amidst ongoing geopolitical challenges and concerns about inflation and interest rates. Despite the relatively stable level of VC investment in the country, the total number of VC deals in the US continued to decline — falling to a level not seen since 2015. Dealmaking was very sluggish during Q2'23, with most funding rounds at all deal stages taking longer to complete. AI-focused deals proved one of the few exceptions, driven by skyrocketing interest in the space in the wake of ChatGPT's launch late in 2022.

While traditional VC firms in the US still have cash they need to deploy, their caution has increased amid concerns about high valuations and the ability of startups to meet their projections. Prudent startups have also focused on cutting their burn rates in order to preserve cash and avoid the need to raise funds given current market conditions. These factors, combined with dealmakers taking more time to agree to pricing, have contributed to the slowdown in completed deals.

## Business productivity attracts interest from VC investors in US as companies look to do more with less

Similar to trends seen globally, AI attracted significant investment in the US during Q2'23, including a \$1.3 billion raise by Inflection, a \$450 million raise by Anthropic and a \$300 million raise by OpenAI. The US also saw VC investors prioritizing software and business productivity solutions during the quarter as companies across sectors continued to focus on right-sizing their businesses and optimizing their productivity using technology. During Q2'23, network-as-a-service provider PacketFabric raised \$372 million, while no-code business intelligence solutions

provider Sigma Computing raised \$340 million. Companies focused on health and biotech, drone technologies, and alternative energy also continued to attract attention from VC investors in the US during Q2'23.

## VC investor dynamics shifting rapidly

The challenging valuations environment and high interest rates in the US — in addition to the sheer speed at which interest rates rose over the last eighteen months — have caused a radical shift in VC investment dynamics, including the types of investors making VC deals and their related investment strategies. Less traditional VC investors, many of whom embraced the VC market during the pandemic, have shifted their allocations to lower risk investment options.

## With IPO window firmly shut, waiting companies focus on improving profitability

The IPO environment in the US remained in drought conditions in Q2'23, with little expectation of a rebound prior to 2024. Given the ongoing closure, a number of companies that had previously planned for IPOs have turned their attention to improving their financial metrics in order to present themselves in a more firmly positive light once the IPO window does open. Both VC investors and startups believe the market will have a limited tolerance for companies that are not profitable or within line of sight of becoming so. As such, companies are focusing on their sales and profit margins, removing excess headcount, and deploying technology in order to improve their operational efficiencies.

For some companies waiting for the IPO door to open, the prognosis is more dire — with concerns that they will run out of cash before they can IPO. These companies are beginning to look for way to shore up their funding in order to bridge the gap to a possible IPO.

# Mega-Deal raises VC investment in the US despite continued drop-off in deal volume, cont'd.

## Fundraising activity remains suppressed

Fundraising by VC funds in the US continued to be very subdued in Q2'23, with little expectation of a rebound heading into the second half of the year. Many fund managers have not started to raise new funds given the need to deploy the capital in their existing funds. Given the caution permeating the VC investment in Q2'23, some VC firms have looked for creative solutions to managing their existing funds.

## Trends to watch for in Q3'23

VC investment in the US is expected to remain soft heading into Q3'23. Given the uncertainty in the market and the possibility of further interest rate hikes at least during the rest of 2023, VC investment in the US could fall further over the next quarter absent a Stripe-like transaction.

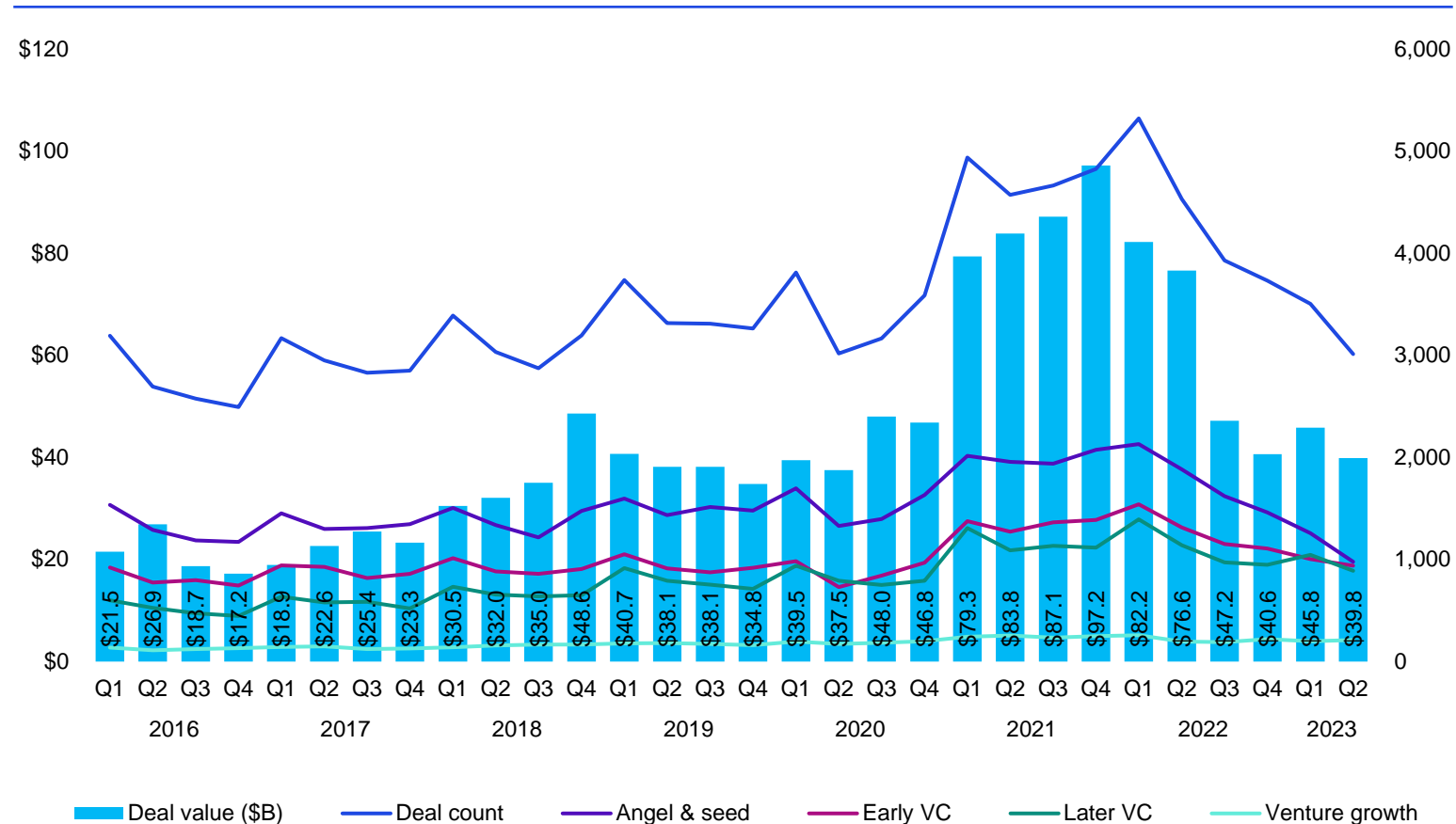
IPO activity is expected to remain shut down in Q3'23, although the number of companies preparing or ready for an IPO suggests that should the window open late in the year, there could be a resurgence in IPO activity heading into Q1'24 should the companies first out the door find success.

AI will likely remain a very strong area of investment in Q3'23, with corporates taking a strong role in making VC investments in the space. The alternative energy, EV, and EV battery spaces are also expected to remain on the radar of VC investors in the US.

# Financing activity could be evening out

## Venture financing in the US

2016–Q2'23



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 the multiple risks discussed above. 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.

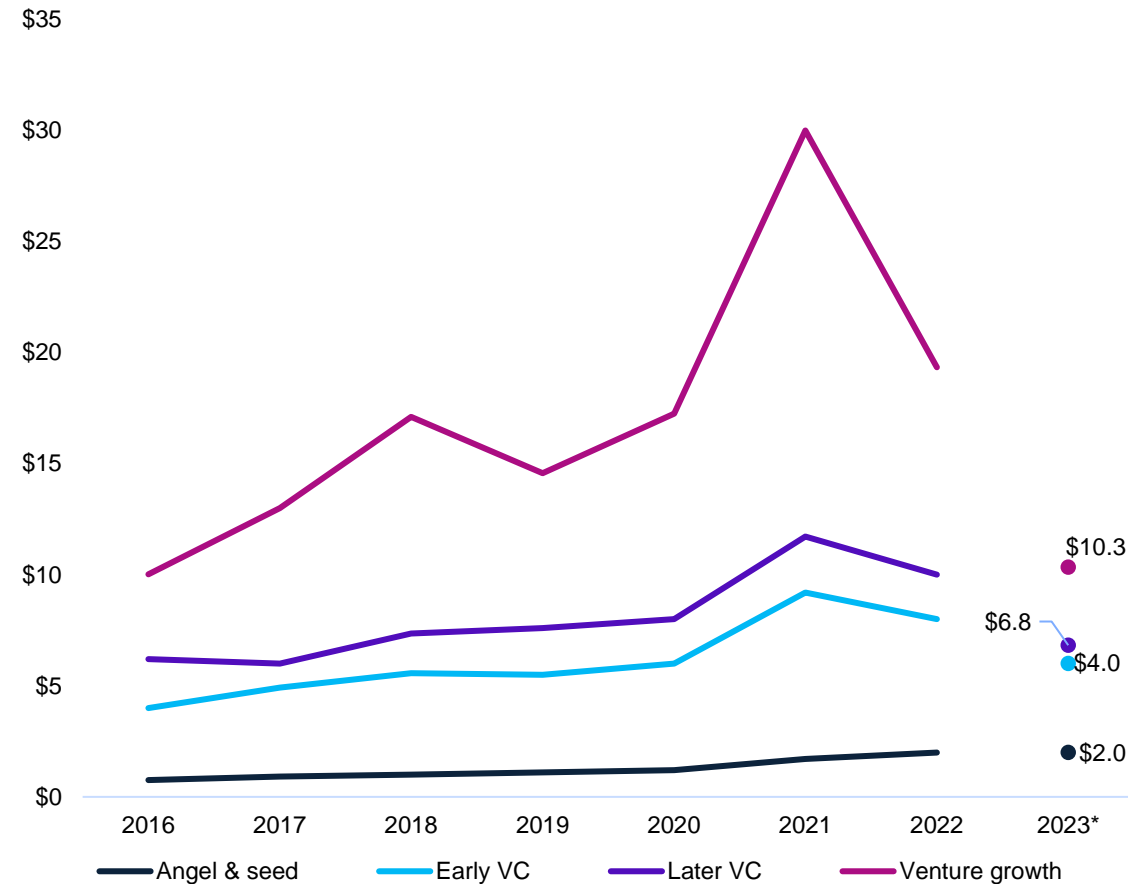
For the US in particular, as monetary policy could be now better priced into the overall cost of capital and implications for pathways to revenue generation and fund timelines, there may be a bit more certainty than elsewhere. However, the US still also faces the most competitive atmosphere for capital 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, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Down rounds climbing toward pre-2018 levels

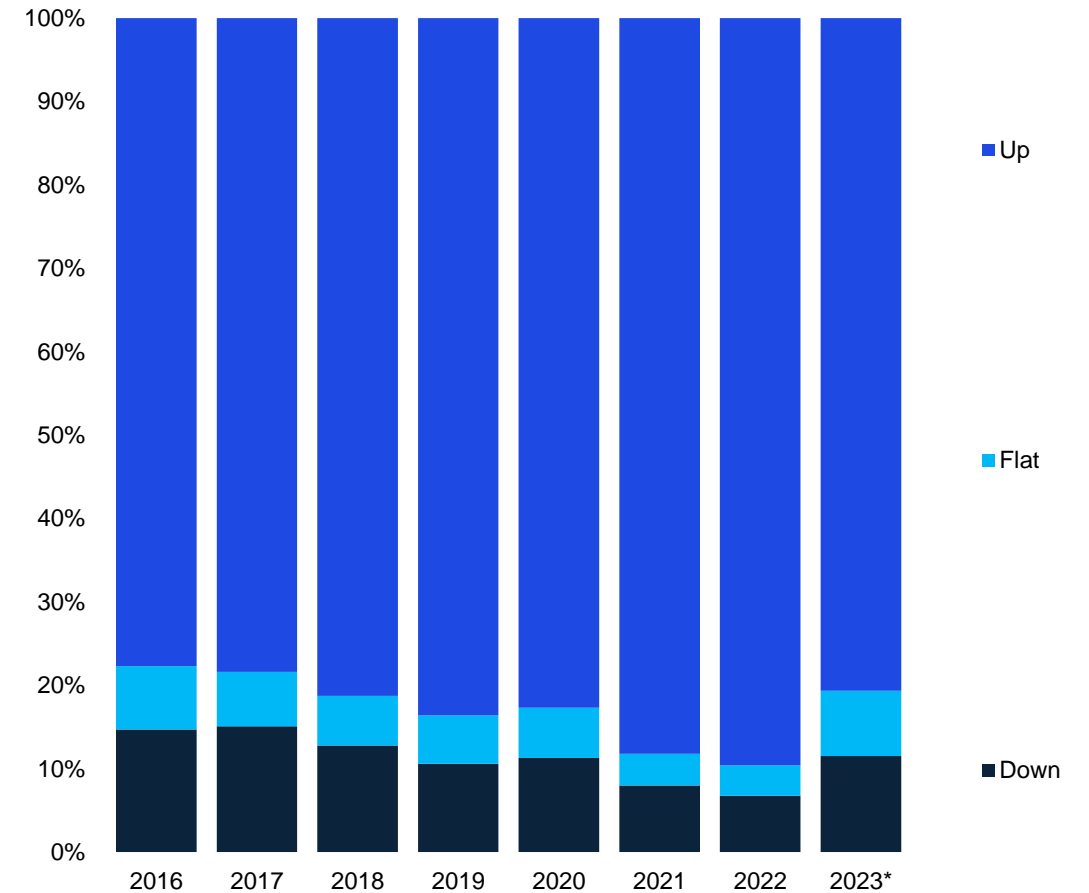
## Median deal size (\$M) by stage in the US

2016–2023\*



## Up, flat or down rounds in the US

2016–2023\*

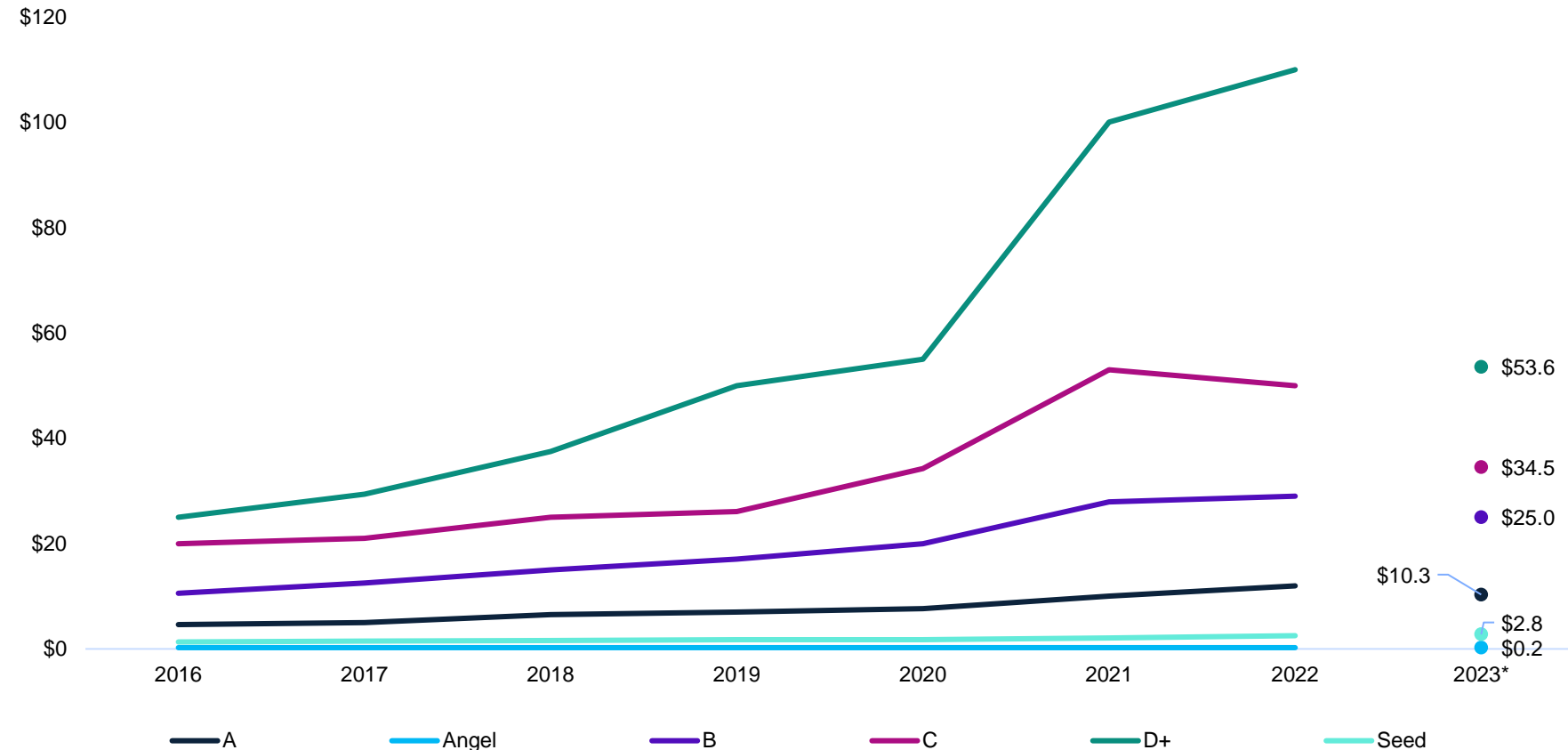


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# The later stages appear to have corrected

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

2016–2023\*



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023.

Note: Figures rounded in some cases for legibility.

“ Startups in the AI space have an opportunity right now where significant VC money is delirious with FOMO, chasing anything with the potential to be the next great AI company. So, if their investor pitch is good and they can sell it, they’ll be able to get substantial backing — possibly more than they deserve — allowing them a runway to make a go of it. Some may end up being winners, but definitely not all of them. ”



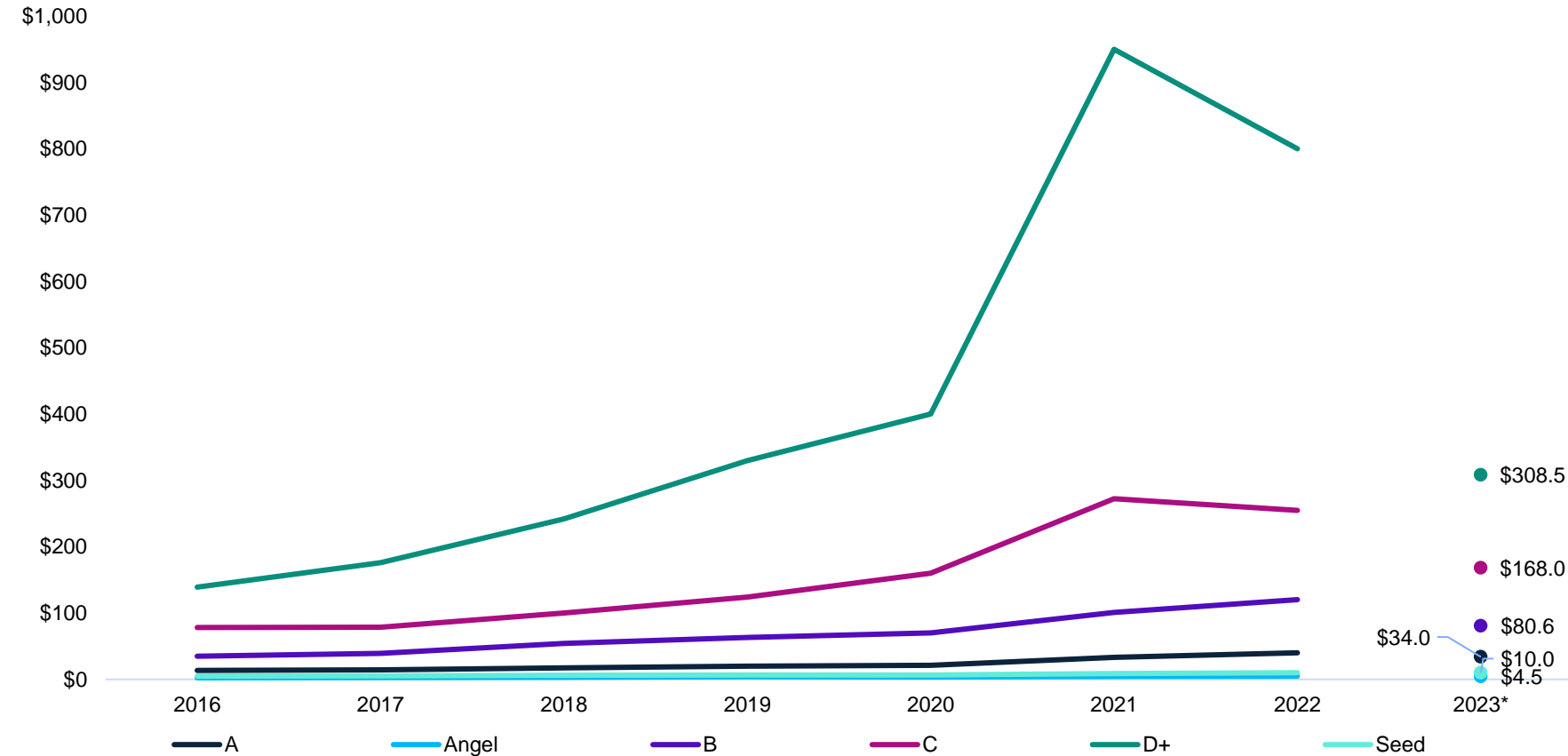
**Jules Walker**  
Senior Director  
Business Development  
KPMG in the US



# Only the earliest stages hold steady

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

2016–2023\*



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023. The angel and Series D+ figure for 2023 YTD are based on non-normative sample sizes.

Note: Figures rounded in some cases for legibility.

“ Early-stage companies that don’t require debt financing are getting a lot of attention at the moment. Companies with a unique product or proposition are in prime position for attention from investors, particularly in the technology sector. Technology companies with tangible technologies and solutions, and proven cash flows, are attracting the most attention — as investors shy away from hype investing and look for more stable opportunities. ”

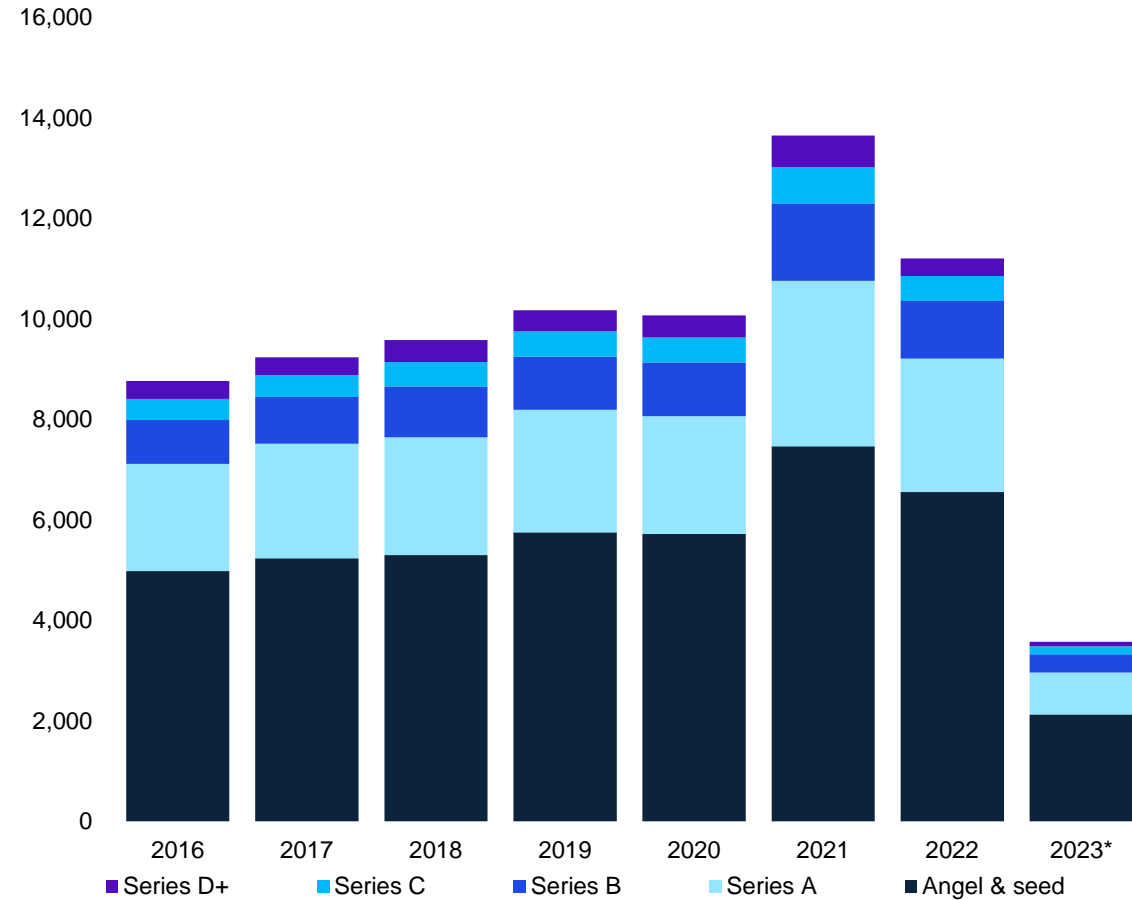


**Sam Lush**  
Director, Private Equity  
Group  
KPMG in the US

# Proportions normalize across most series

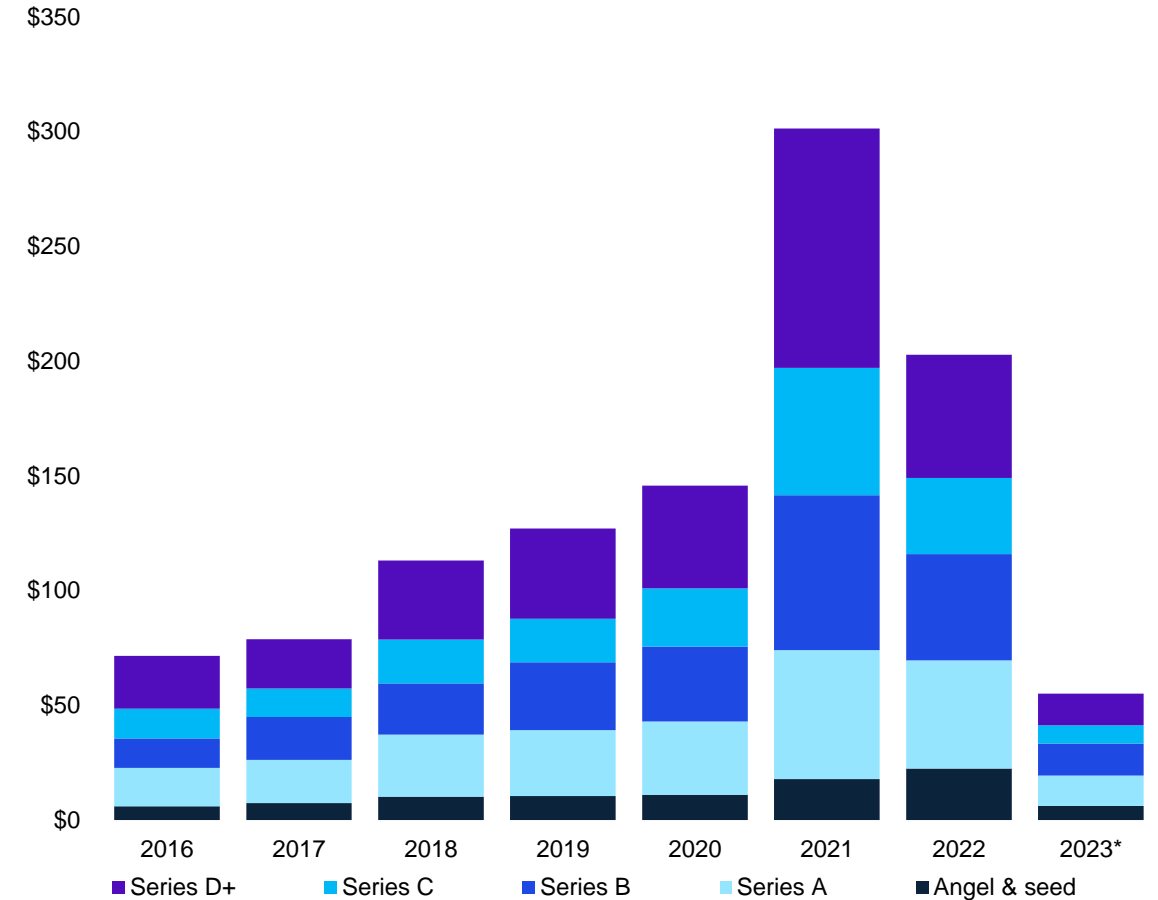
## Deal share by series in the US

2016–2023\*, number of closed deals



## Deal share by series in the US

2016–2023\*, VC invested (\$B)

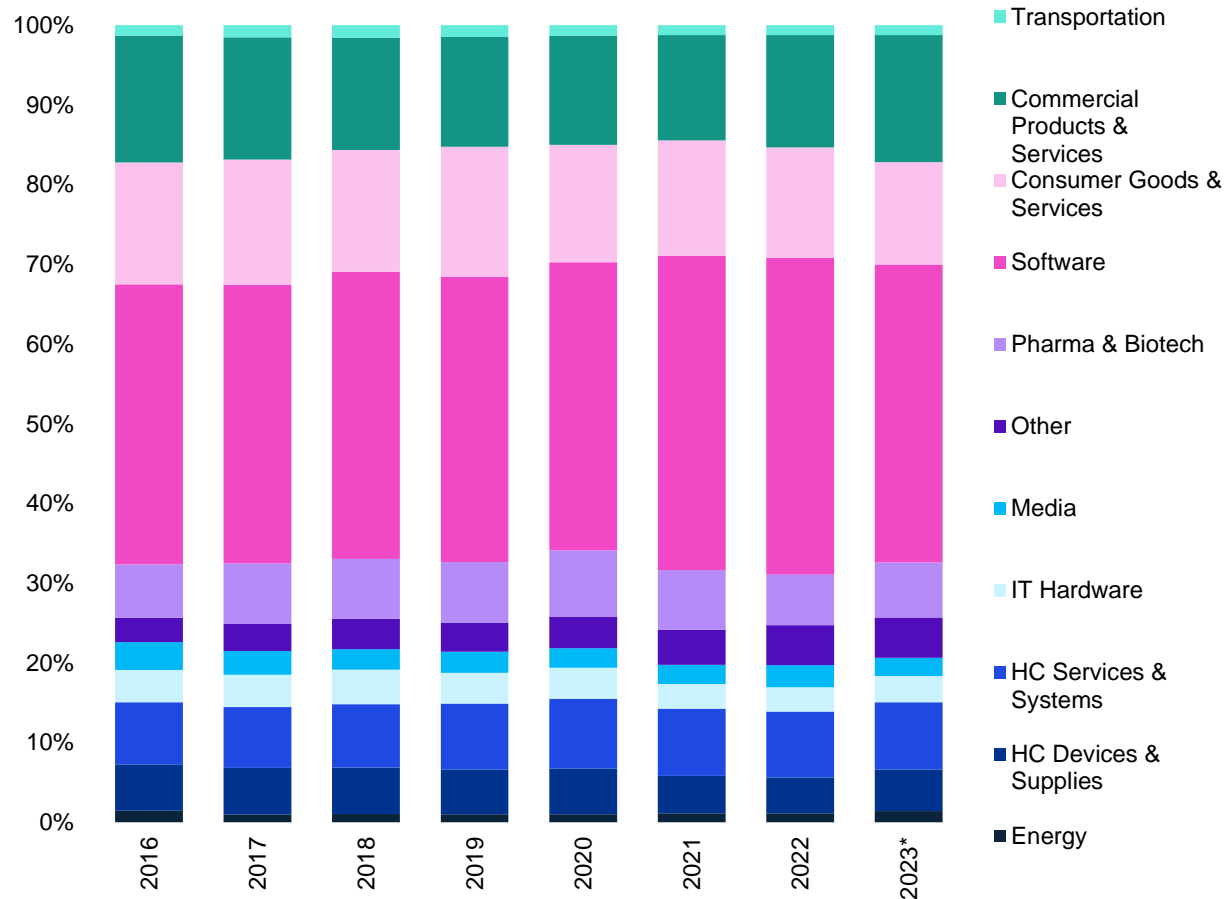


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Perceived recession-resilient areas continue to draw investment

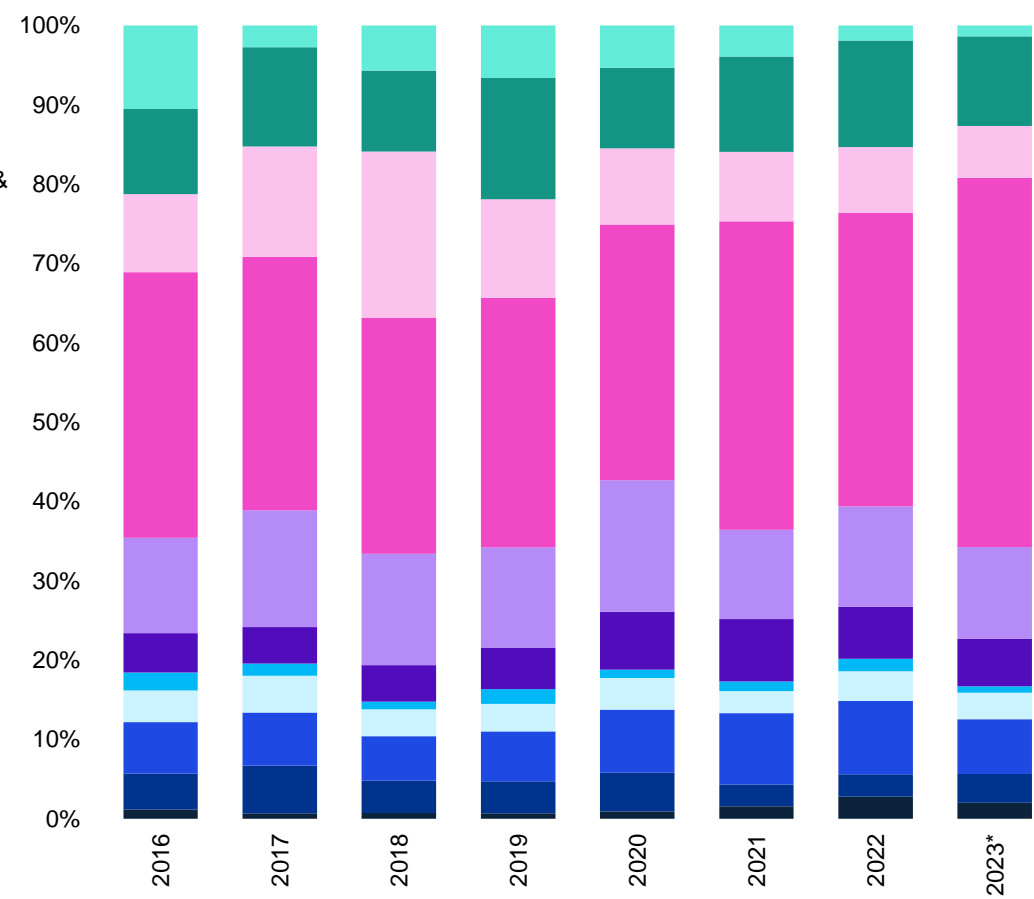
## Venture financing by sector in the US

2016–2023\*, number of closed deals



## Venture financing by sector in the US

2016–2023\*, VC invested (\$B)

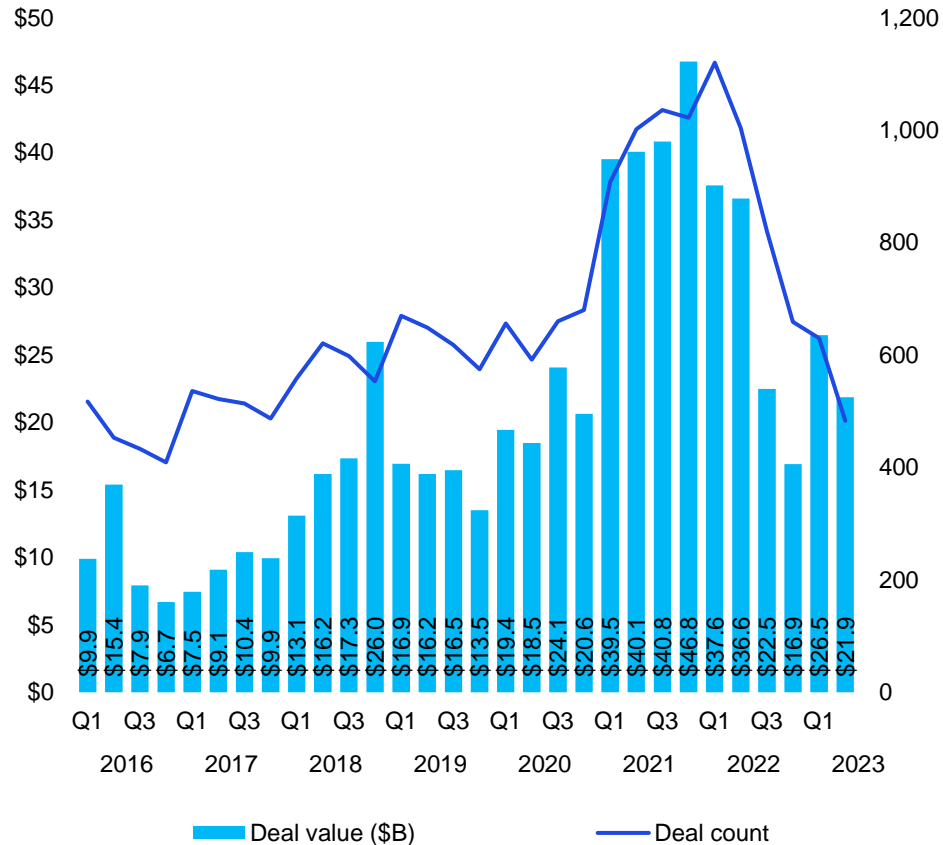


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Corporates tentatively rejoin

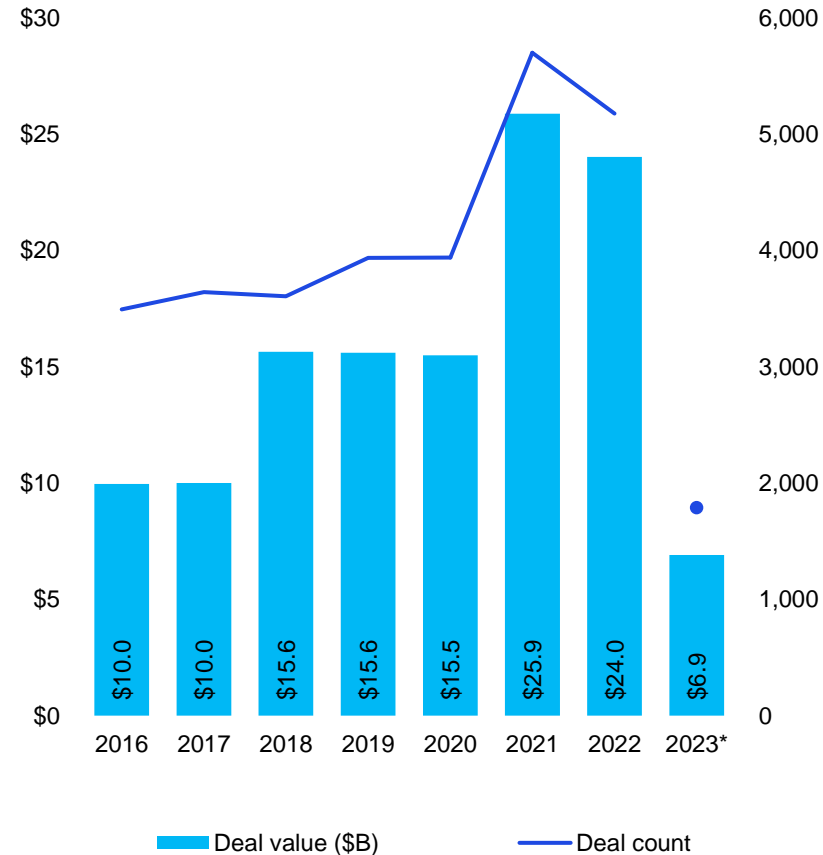
## Corporate participation in venture deals in the US

2016–Q2'23



## First-time venture financings of companies in the US

2016–2023\*



“ The US VC market is in a bottoming out phase. On the one hand, VCs have cash they want to deploy because sitting on it won't do them any good. On the other, startups are having valuation issues and price discovery challenges — and many are working to cut their burn rates right down so they don't need to raise funds. Given these different forces, it's no surprise investment is down a lot. But I expect that in a couple of quarters, those numbers will jump right back up. ”



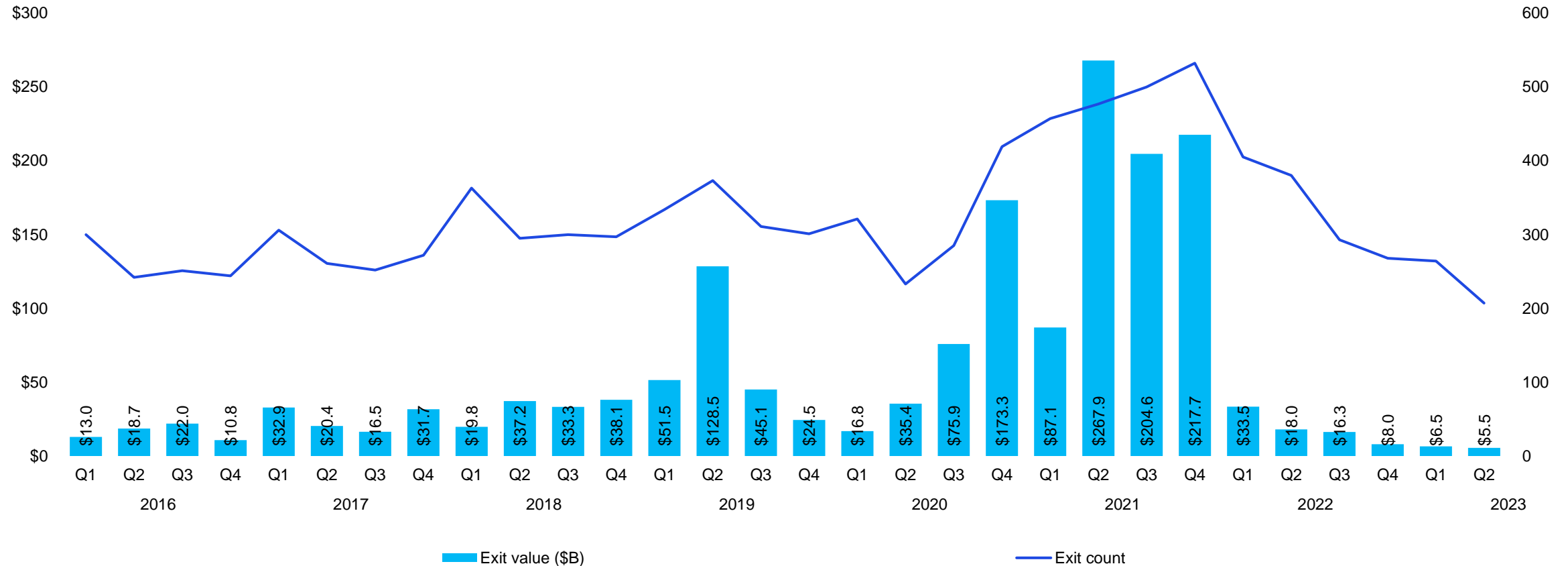
**Peter Kehrl**  
Partner  
KPMG in the US

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Exits remain mired in a slump

## Venture-backed exit activity in the US

2016–Q2'23

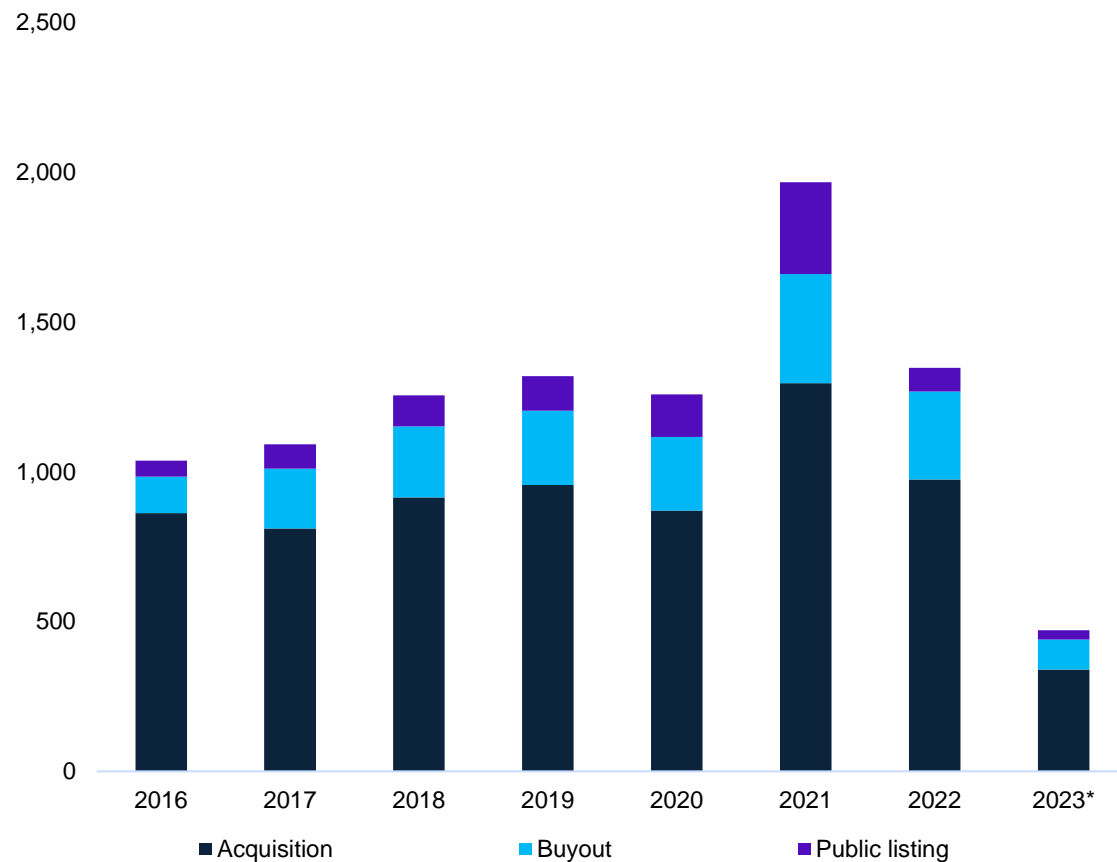


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Exit value remains minimal

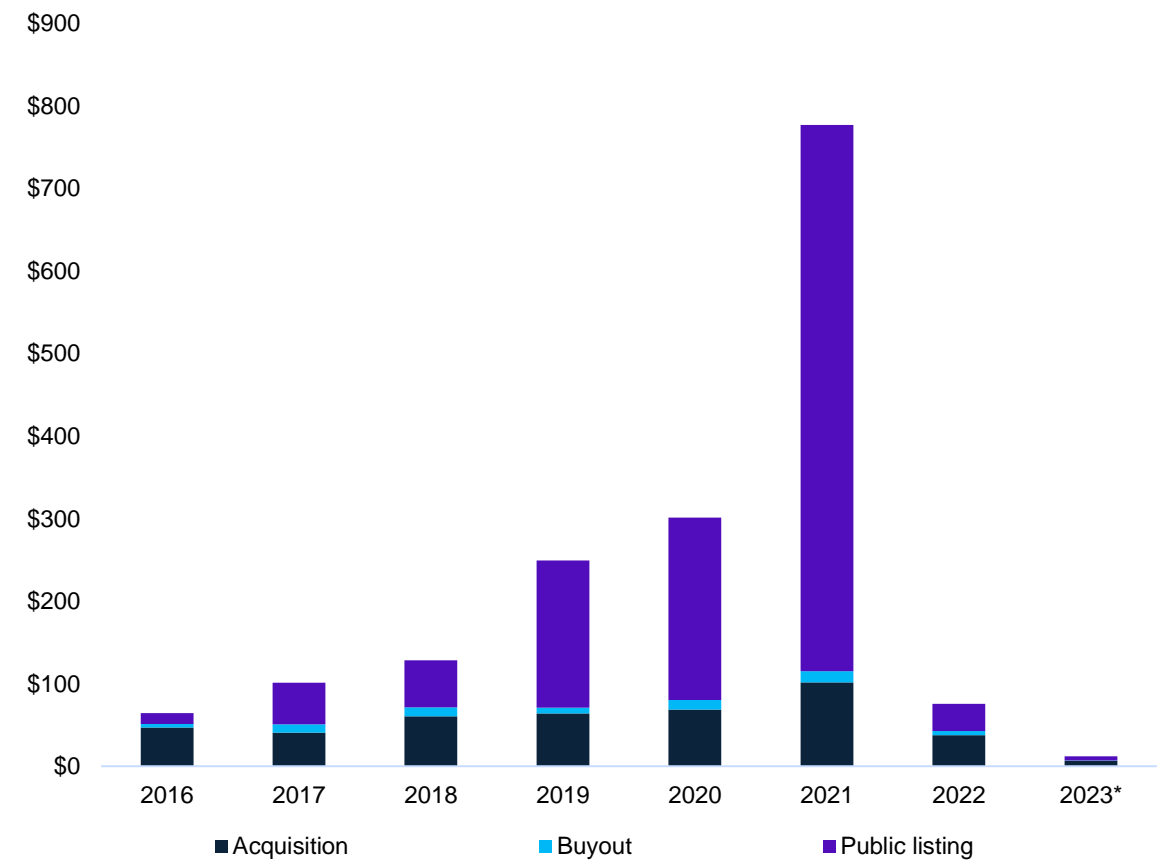
## Venture-backed exit activity (#) by type in the US

2016–2023\*



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

2016–2023\*

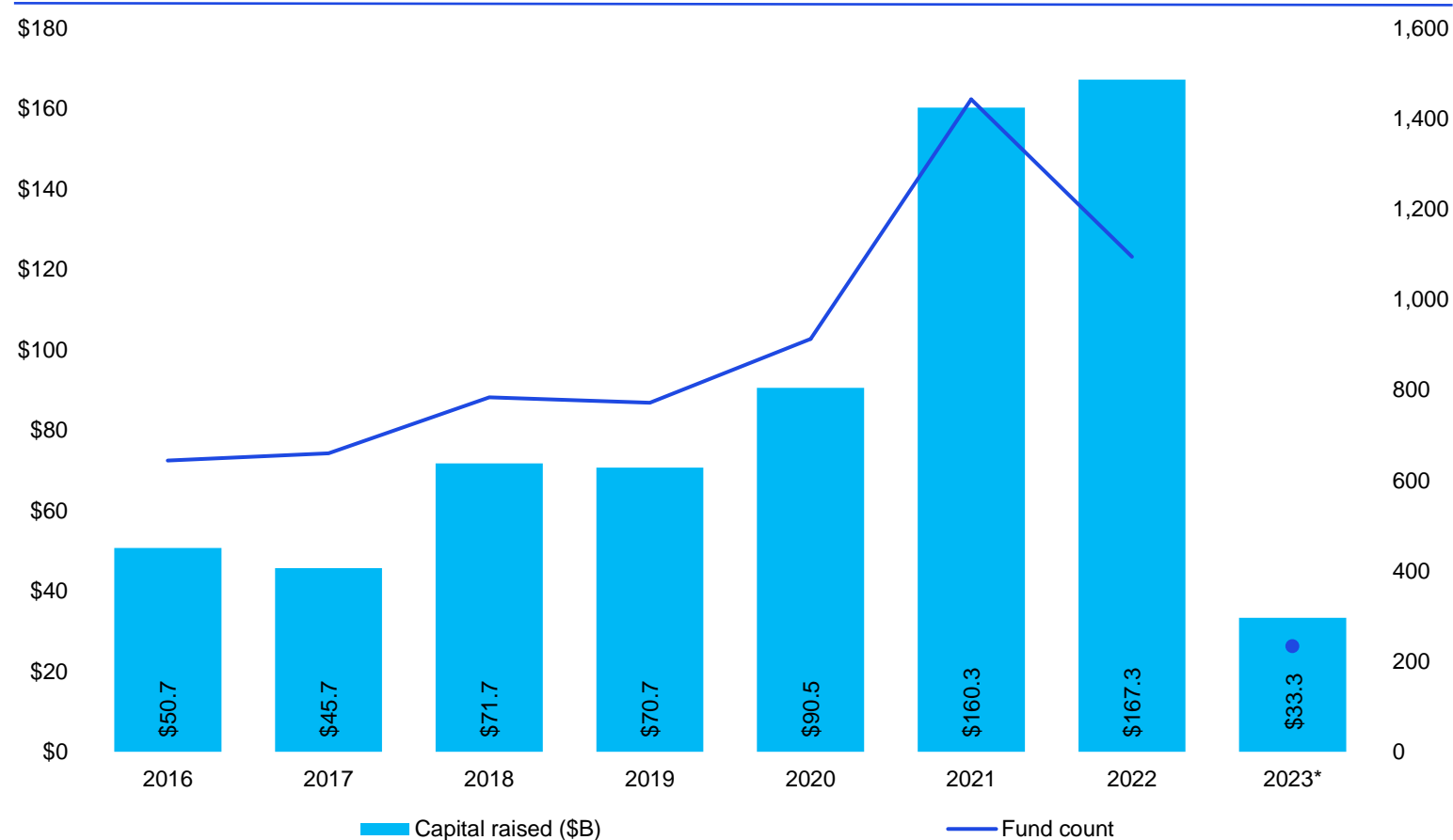


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# 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.

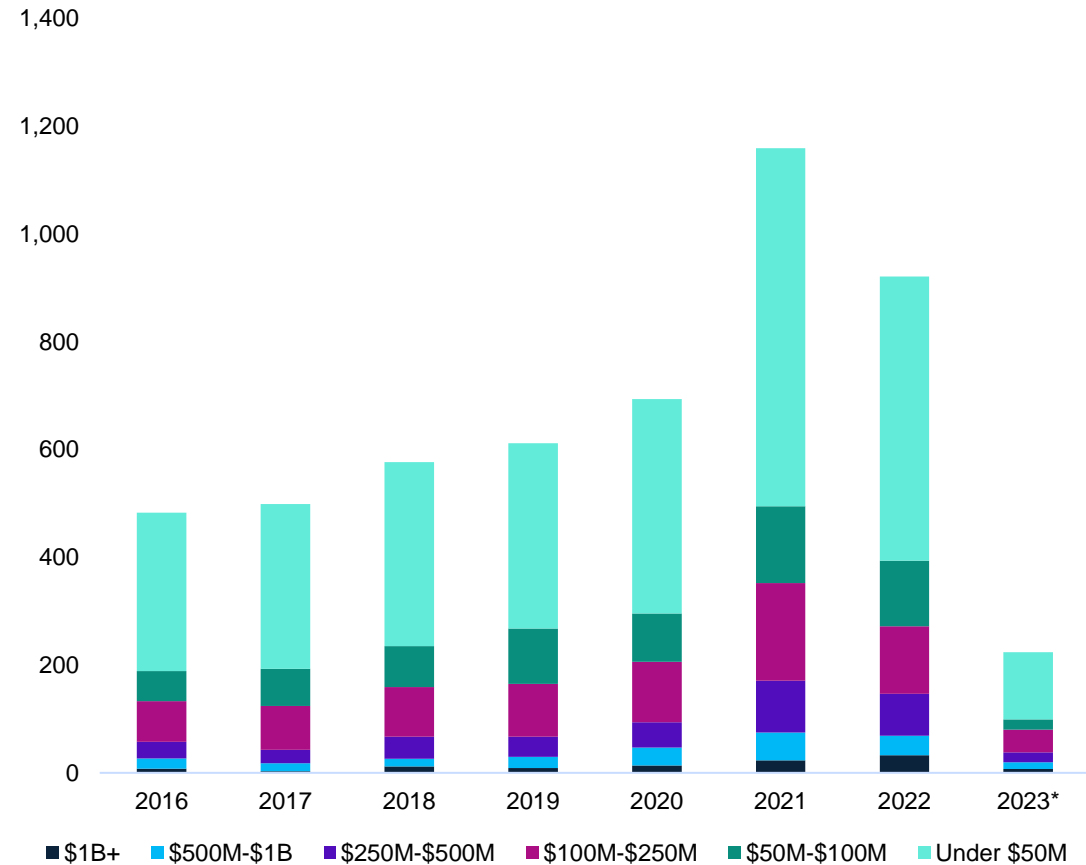
... as fundraising volume has slowed drastically, **2023 continues to see slowed commitments in aggregate at a third of \$100 billion.**

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# More reasonably sized funds continue to close

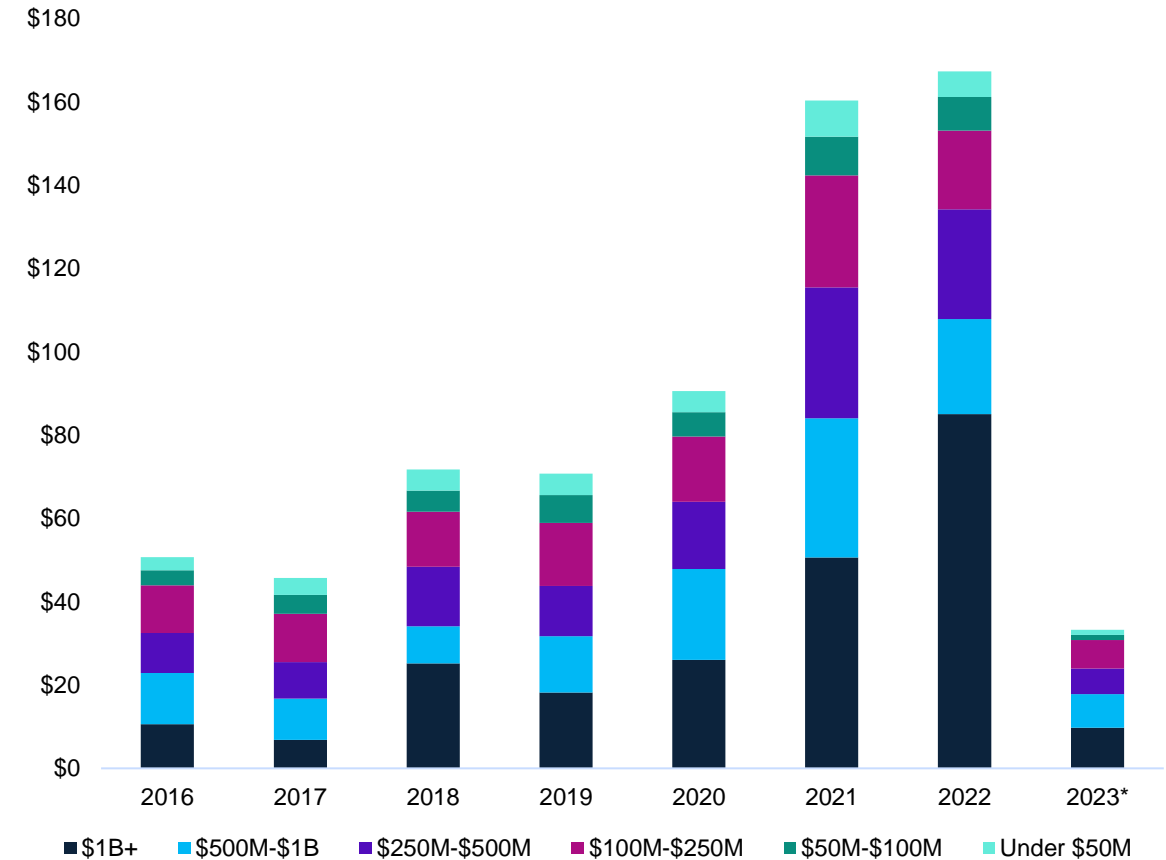
## Venture fundraising (#) by size in the US

2016–2023\*



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

2016–2023\*



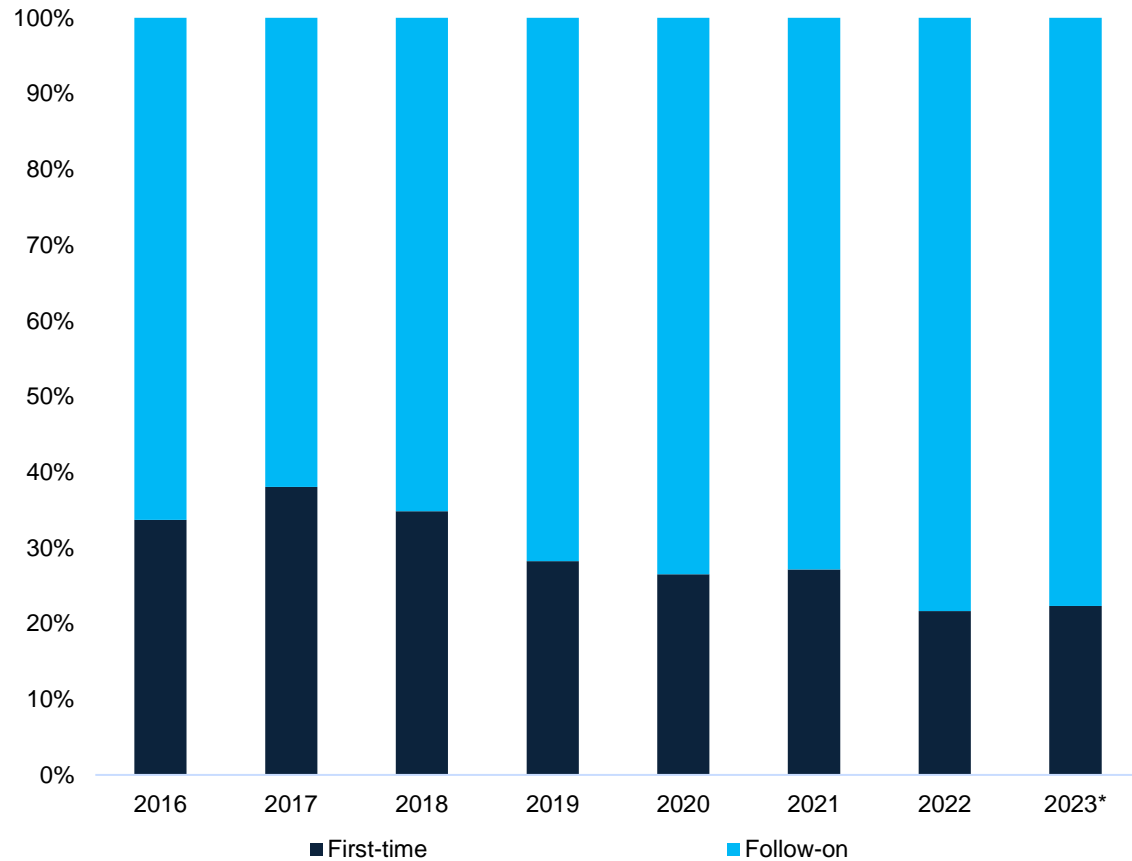
Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023



# Capital commitments concentrate in proven players

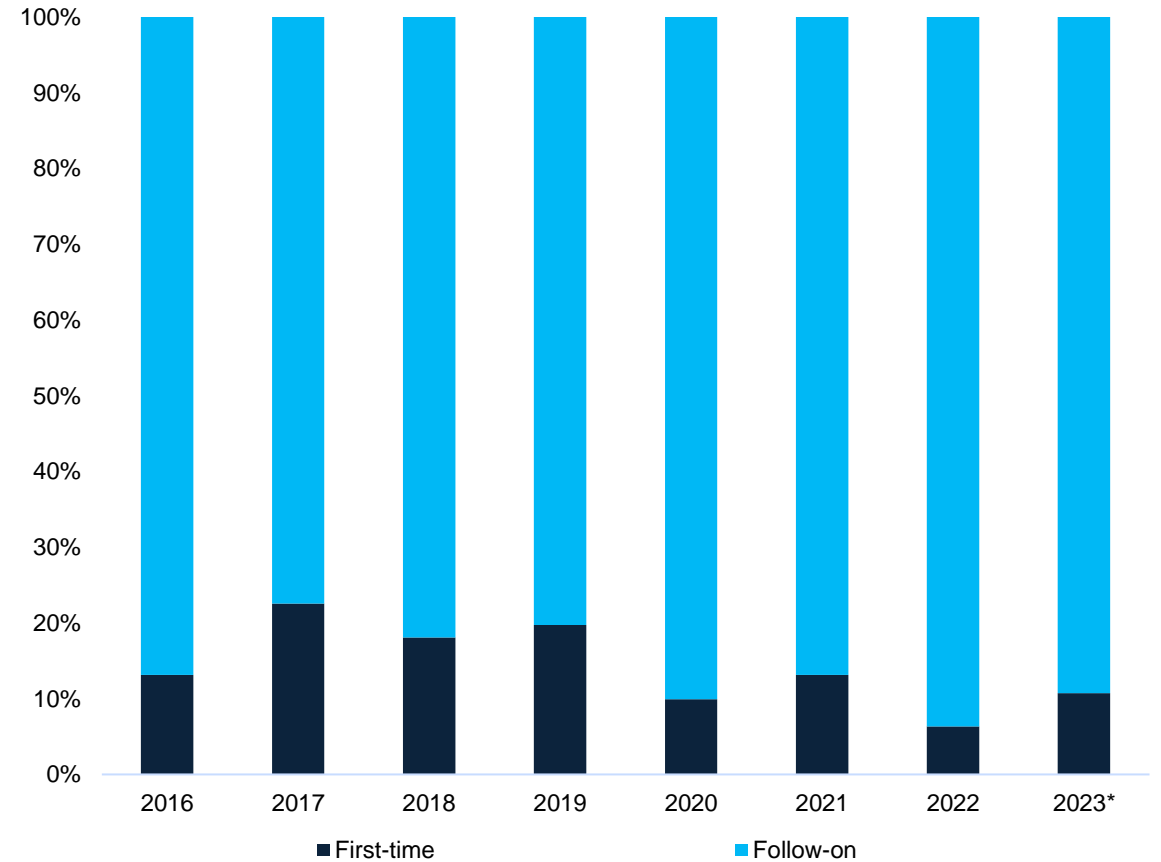
## First-time vs. follow-on funds (#) in the US

2016–2023\*



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

2016–2023\*



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

**In Q2'23, VC-backed  
companies in the  
Americas raised  
\$42.9B across  
3,360 deals**

# VC investment across the Americas holds steady quarter-over-quarter

VC investment across the Americas held relatively steady in Q2'23. The US continued to account for the lion's share of investment in the region, including a \$6.8 billion megadeal by Stripe. Outside of the US, VC investment in Canada was relatively strong this quarter, while VC investment in Brazil remained subdued.

## Pullback extends beyond late-stage deals; profitability becoming a major factor in dealmaking

Following on a trend seen in Q1'23, late-stage deals saw the largest pull-back in terms of VC investment in the Americas, particularly in the US, both in terms of average deal size and total number of deals. In Q2'23, however, the pullback began to infect other deal stages, with companies at earlier deal stages finding it more challenging to raise funds than they have in recent quarters.

VC investors increasingly emphasised not only pathways to profitability, but actual profitability and related financial metrics. During Q2'23, VC investors prioritized KPIs such as revenue, EBITDA, and unit economics when making their investment decisions. VC investors also focused many of their investments on startups with robust business models that allow them to generate revenue without buying views, such as software companies with subscription models.

## VC investment in Canada remains solid

Canada attracted another solid quarter of VC investment during Q2'23, helped by a \$318 million raise by carbon capture technology company Svante, a \$175 million raise by vacation rental management company Hostaway, a \$120 million raise by blockchain protocol company LayerZero, and a \$110 million raise by Abdera Therapeutics.

With the exception of a handful of larger deals, VC investments in Canada continued to revolve around small and mid-sized deals during Q2'22. Companies from across a wide variety of sectors attracted funding, highlighting the enormous diversity of Canada's startup ecosystem. Corporates continued to be quite active in Canada, with CVC participation expected to remain resilient heading into Q3'23 as corporates look for deals and synergistic opportunities.

<sup>4</sup> <https://www.wired.com/story/amazon-is-joining-the-generative-ai-race/>

## Brazil continues to see slowdown in VC investment, longer-term outlook remains positive

VC investment in Brazil remained relatively weak in Q2'23 amidst a combination of macroeconomic and political uncertainty, including the turbulence that has resulted from the change in presidential regime in the wake of the Q4'22 election. With major tax reforms on the horizon, many VC investors have pulled back from making major investments while awaiting more clarity on the changes that will be implemented and the impact they will have on both corporates and on startups.

Despite the ongoing slowdown in VC funding, there continued to be a significant amount of optimism for Brazil's longer-term VC market outlook. The country's VC ecosystem has matured quite rapidly in recent years, with a growing number of VC firms, VC funds, corporates, and other knowledgeable market players participating in the market. These players will likely help fuel a resurgence in VC investment in Brazil and across Latin America once some of the uncertainty dissipates.

## AI gains focus as VC investors look for their next home run

Sectors almost across the board continued to face challenges in Q2'23. AI — and its sub-vertical generative AI in particular — was one very noticeable exception, with interest from investors rising dramatically in the wake of OpenAI's introduction of ChatGPT in late 2022 the announcement of a \$10 billion investment in OpenAI by Microsoft in Q1'23, and other generative AI announcements by other major tech companies. In Q2'23, Google made a \$450 million investment in Anthropic, while Amazon announced that it would make two language models available through its Amazon Web Services to support the building of bots by its customers.<sup>4</sup> Microsoft-backed AI firm Inflection also had a massive \$1.3 billion deal late in the quarter.

AI has quickly become a target sector for VC investors looking for their next home run or to avoid the fear-of-missing-out (FOMO), in part because of the multiplier effect that AI offerings could have in driving widespread disruption across industries.

# VC investment across the Americas holds steady quarter-over-quarter, cont'd.

## Fintech continues to drive VC investment in Brazil; deal sizes much smaller

Fintech continued to account for the largest share of VC investment in Brazil, although deal sizes were much smaller than those seen during the peak quarters of Q2'21 and Q4'21. The largest deals of the quarter included a \$21.8 million raise by auto shop focused budgeting and claims management software company Cilia. Business productivity solutions companies and energy-focused fintech companies also attracted attention in Q2'23.

In Canada, cleantech saw quite a strong amount of activity in Q2'23. In addition to the large Svante raise, INCA Renewtech raised \$39.6 million, Peak Power raised \$35 million, and ChargeLab raised \$30 million.

## Banking industry challenges could spark acceleration of new fintech offerings

During Q2'23, the US banking industry continued to feel the ripples of the events from financial market turmoil in Q1'22 and the resonating impact it had across financial institutions both in the US and globally. While this may have caused a slowdown in fintech funding during Q2'23, over the long-term, the ripples could potentially drive investment into the development and acceleration of new banking solutions focused on startups in order to fill perceived gaps.

## Trends to watch for in Q3'23

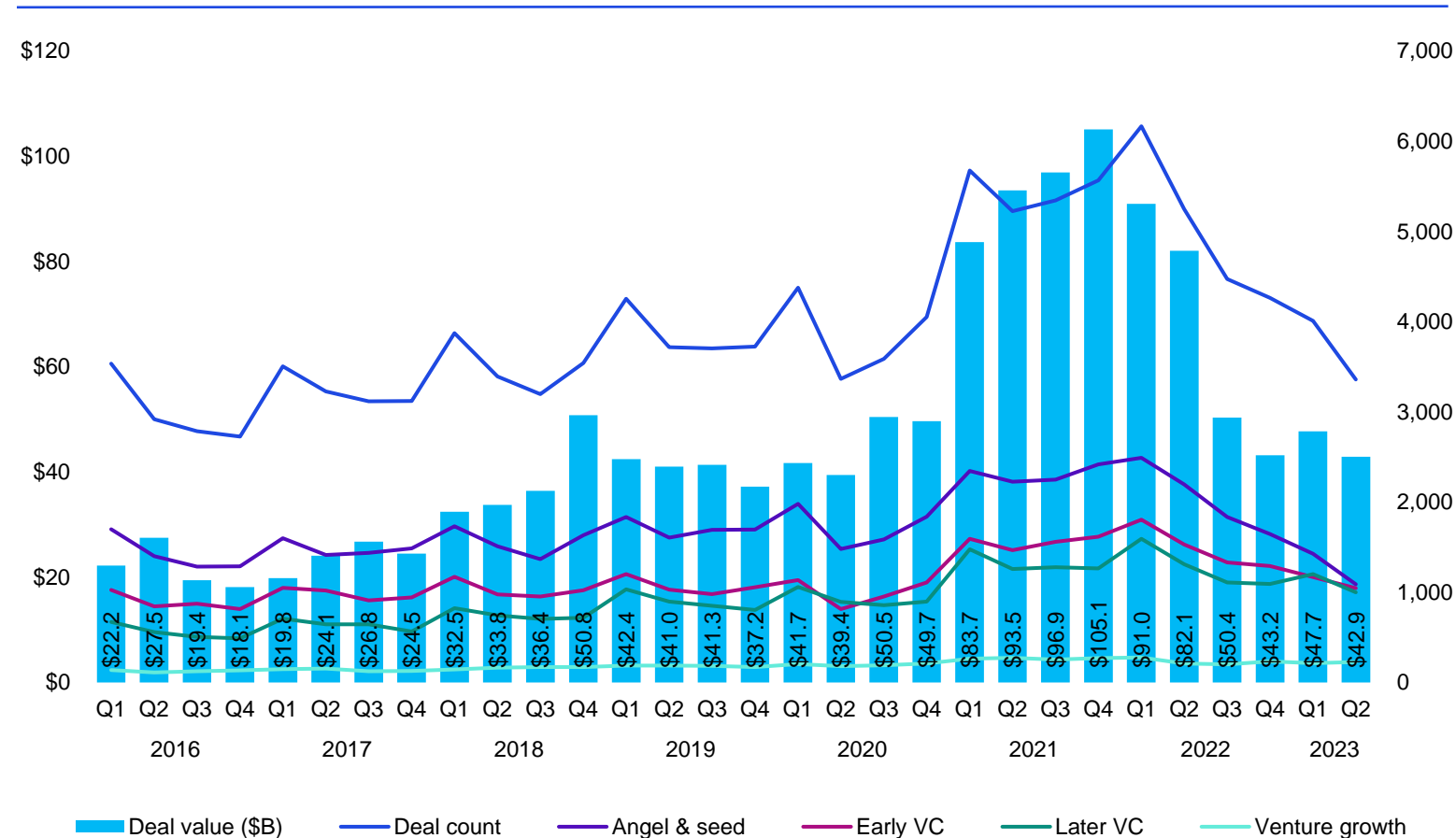
Heading into Q3'23, VC investment is expected to remain relatively subdued across the Americas as VC investors remain very cautious in light of the ongoing market uncertainty. While VC investment in Brazil will likely remain soft in Q3'23, the significant amount of dry powder and the growing number of market players is expected to drive a resurgence in activity once uncertainty wanes and interest rates begin to fall.

Mega-deals will likely remain rare, although there could be an increase in mature startups raising funding rounds in order to give liquidity to their early employees. Given the amount of dry power still in the market, very hot sectors like AI will likely continue to attract outsized investments heading into Q3'23. Investments in alternative energy, B2B productivity, and health and biotech are also expected to remain somewhat resilient over the next quarter.

# Is dealmaking evening out or merely pausing?

## Venture financing in the Americas

2016–Q2'23



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.

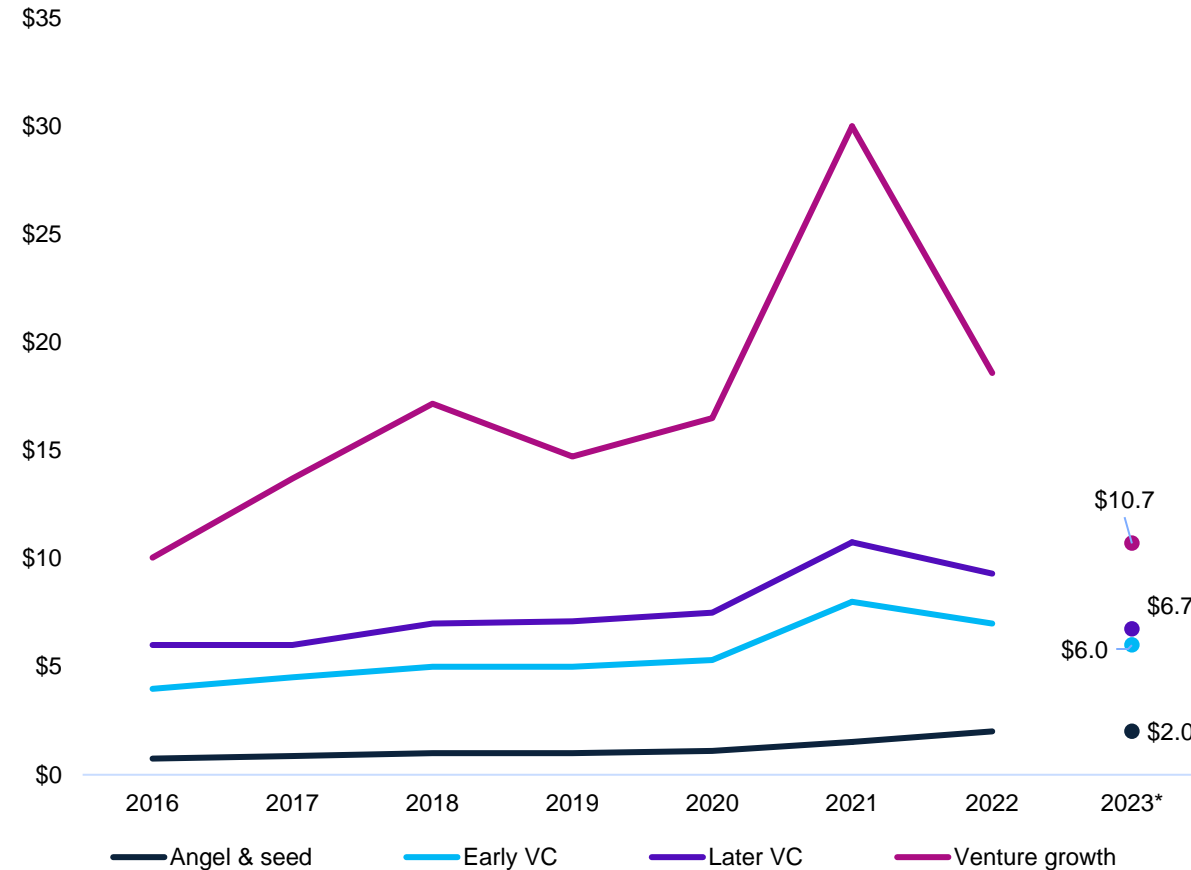
**... dealmaking may have begun to even out; 2022 took the brunt of the plunge in financing activity, and now figures are steadying around pre-2021 levels.**

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Down & flat rounds see an uptick

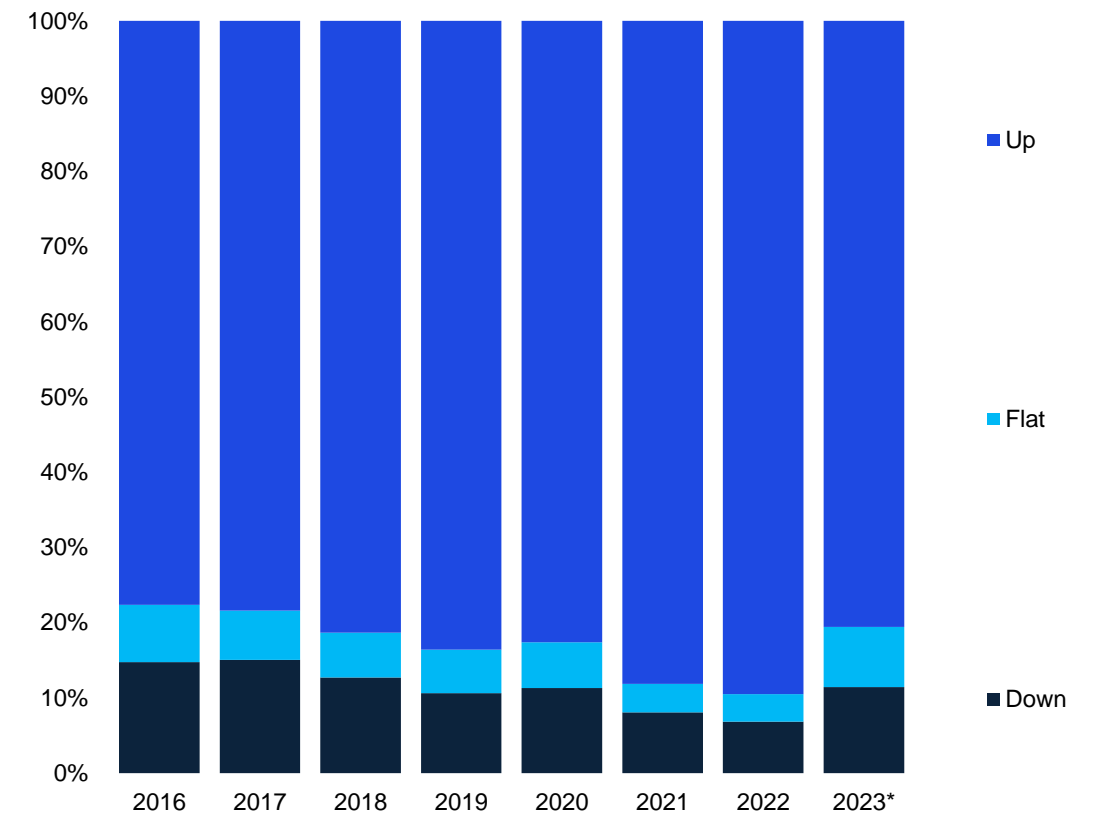
## Median deal size (\$M) by stage in the Americas

2016–2023\*



## Up, flat or down rounds in the Americas

2016–2023\*

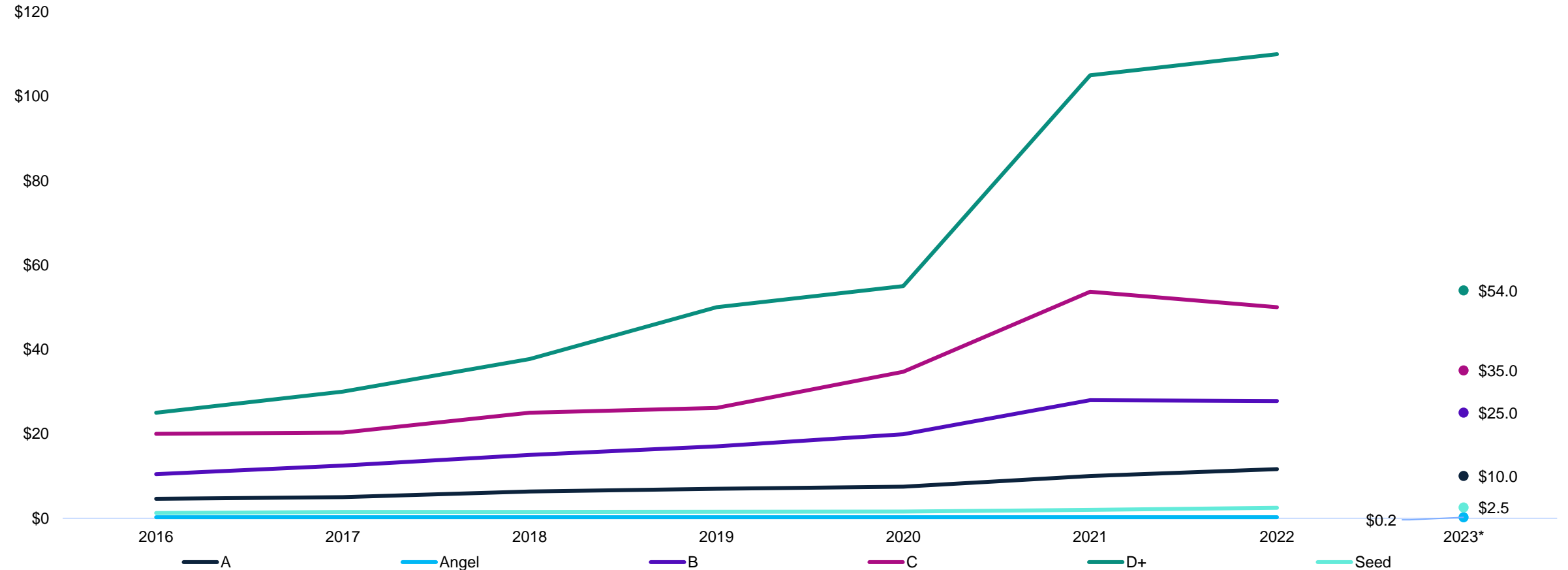


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Financing metrics normalize at later stages

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

2016–2023\*

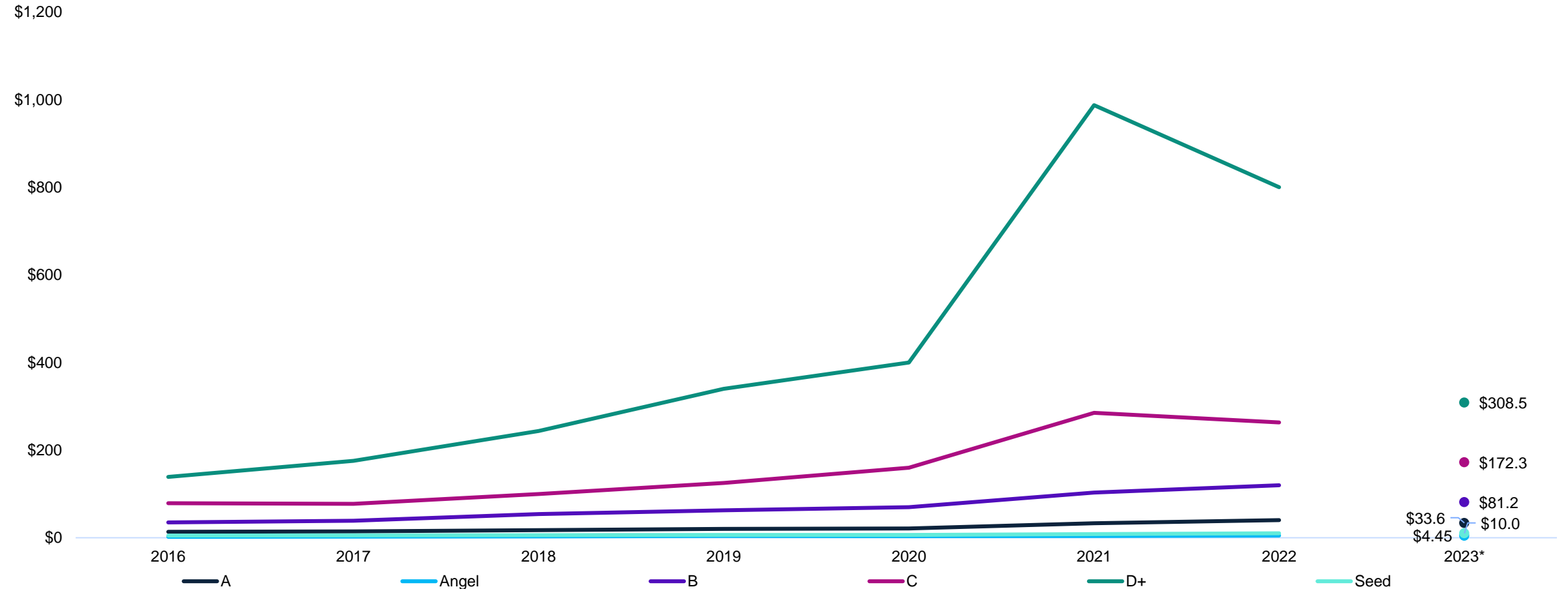


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Valuations decline at the highest levels

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

2016–2023\*



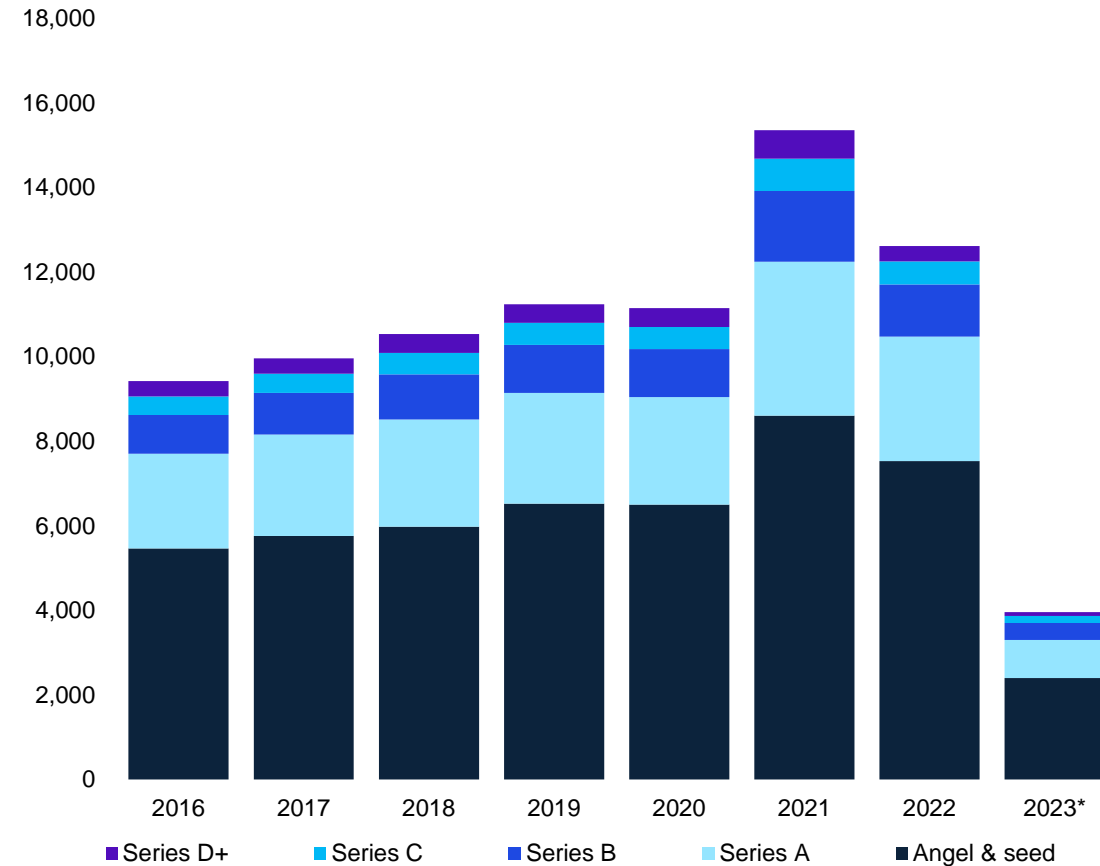
Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023. 2023. The angel figure for 2023 YTD is based on a non-normative sample.



# Dealmaking at larger, later stages declines

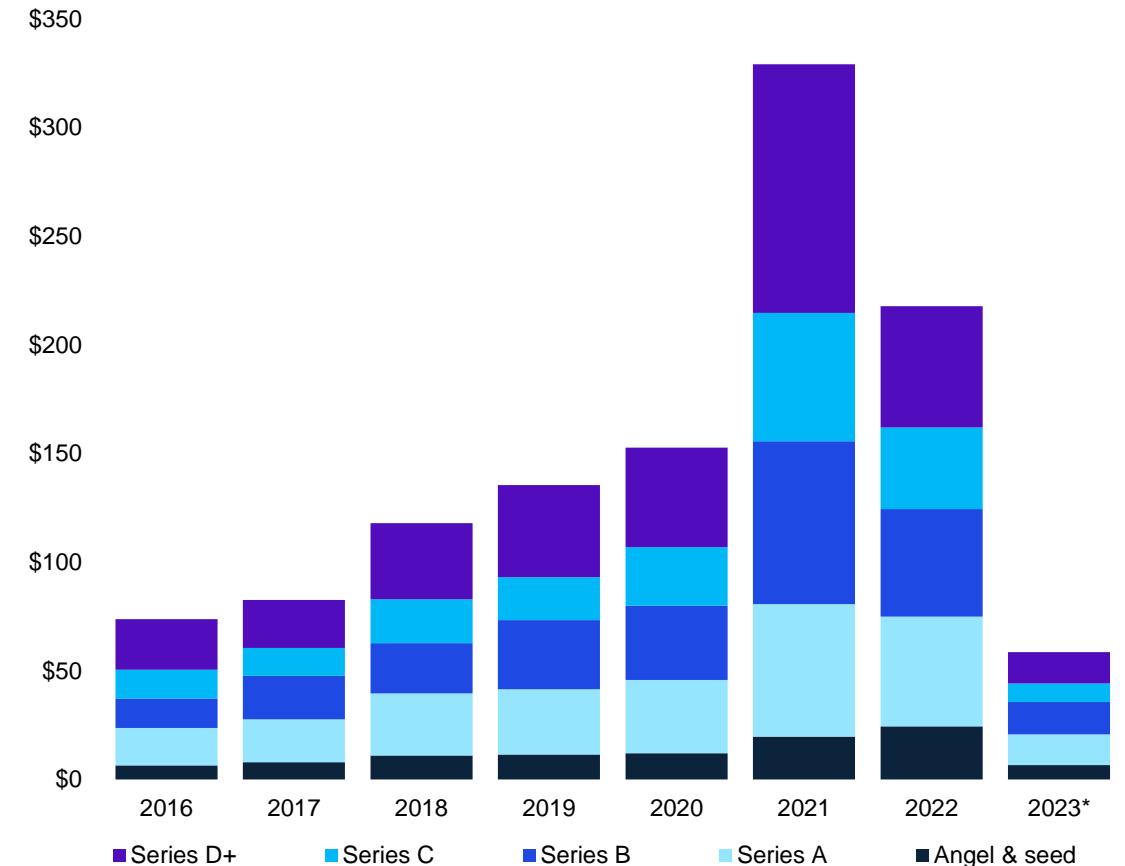
## Deal share by series in the Americas

2016–2023\*, number of closed deals



## Deal share by series in the Americas

2016–2023\*, VC invested (\$B)

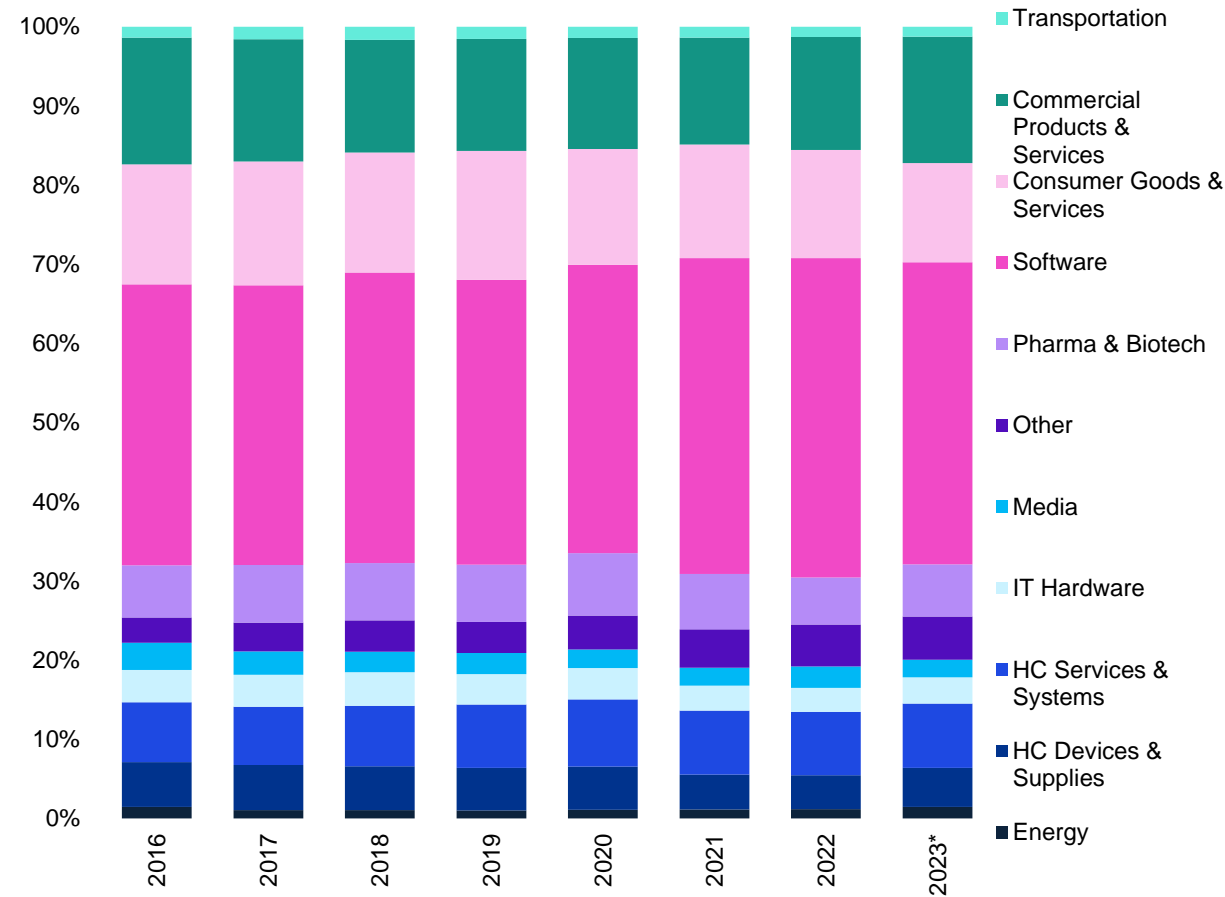


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Business, energy & healthcare see modest growth

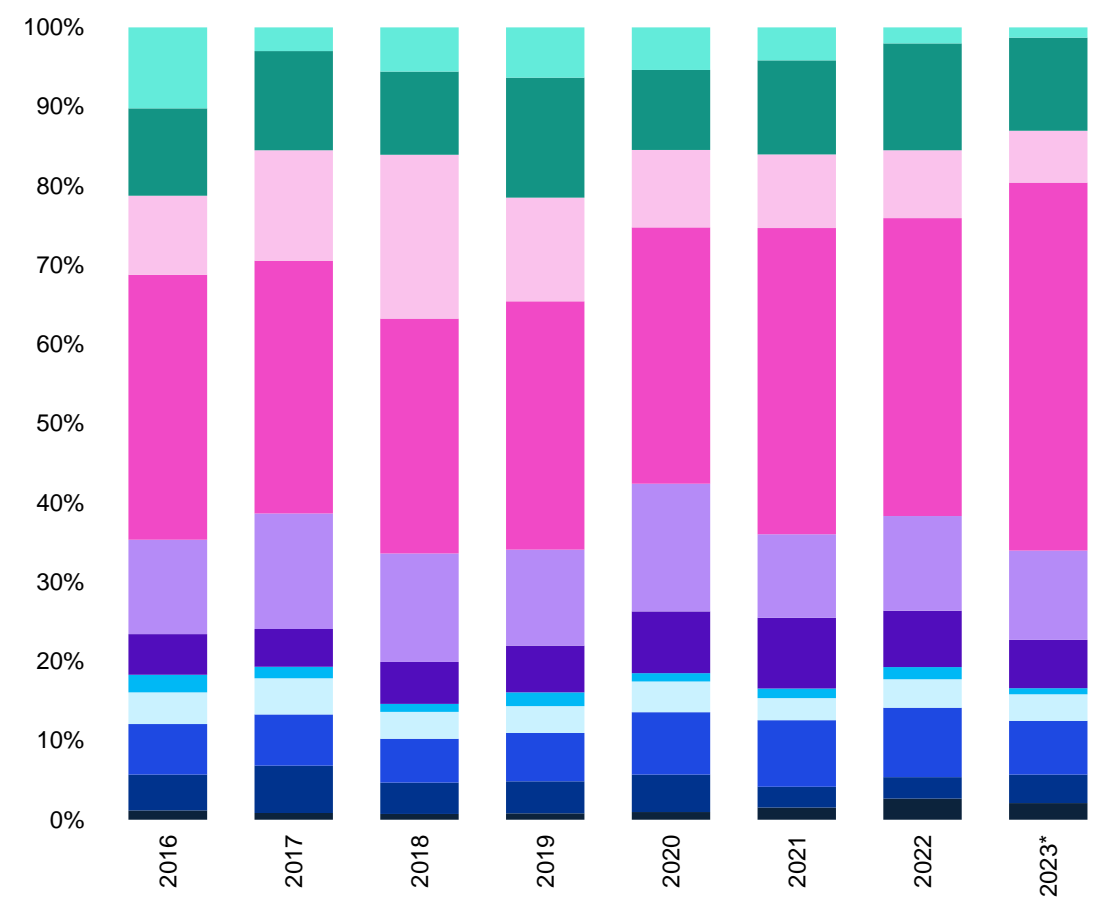
## Venture financing of VC-backed companies by sector in the Americas

2016–2023\*, # of closed deals



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

2016–2023\*, VC invested (\$B)

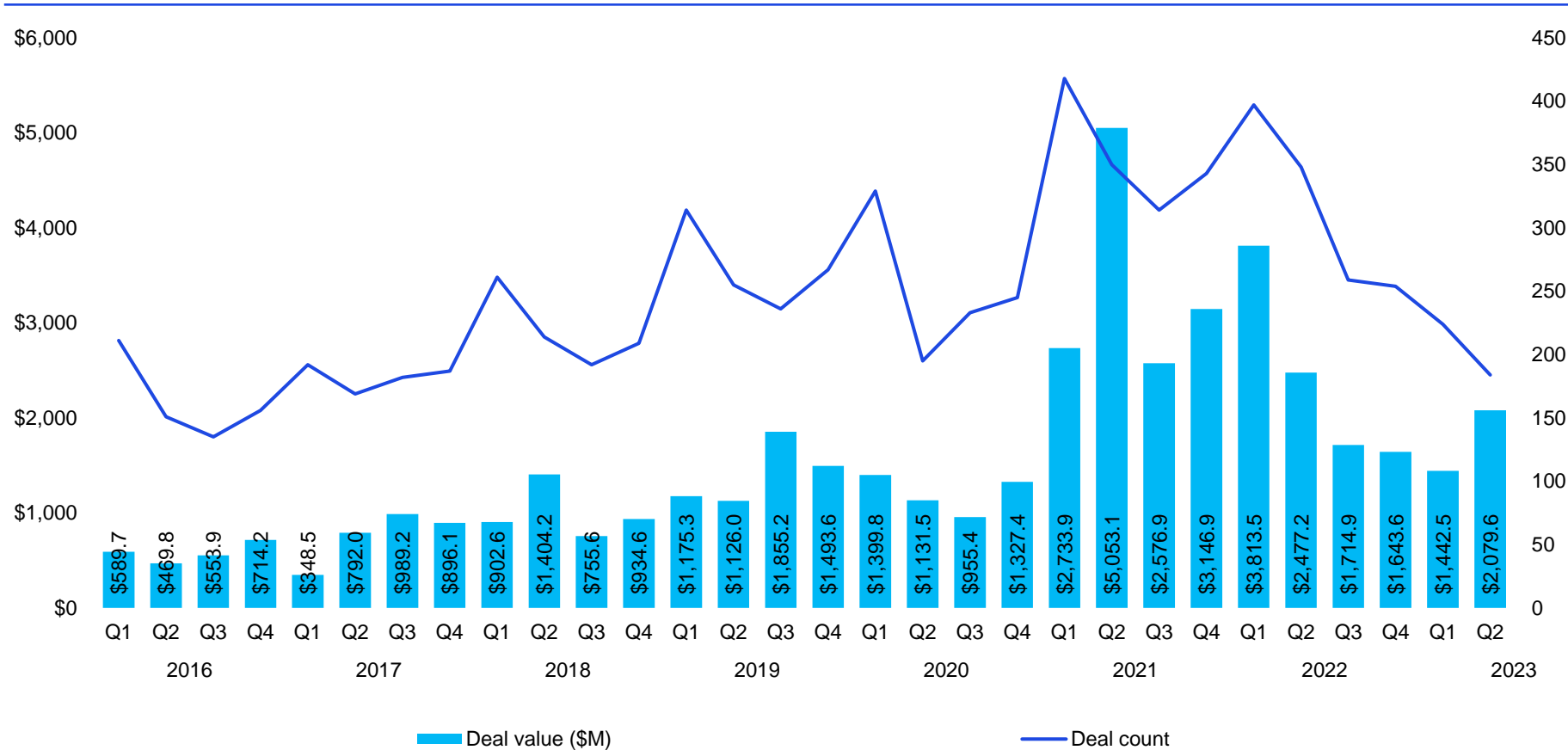


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Q2 sees an uptick in deal value due to outliers

## Venture financing in Canada

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“ VC investment in Canada was up slightly this quarter. A number of factors are contributing to this stability, including the fact many Canadian VC deals focus on small and medium-size companies — which means we haven’t seen too many down rounds. Canada’s startup ecosystem is also very diverse. As such, if one industry sees investment falter a bit, others tend to pick up the slack. ”

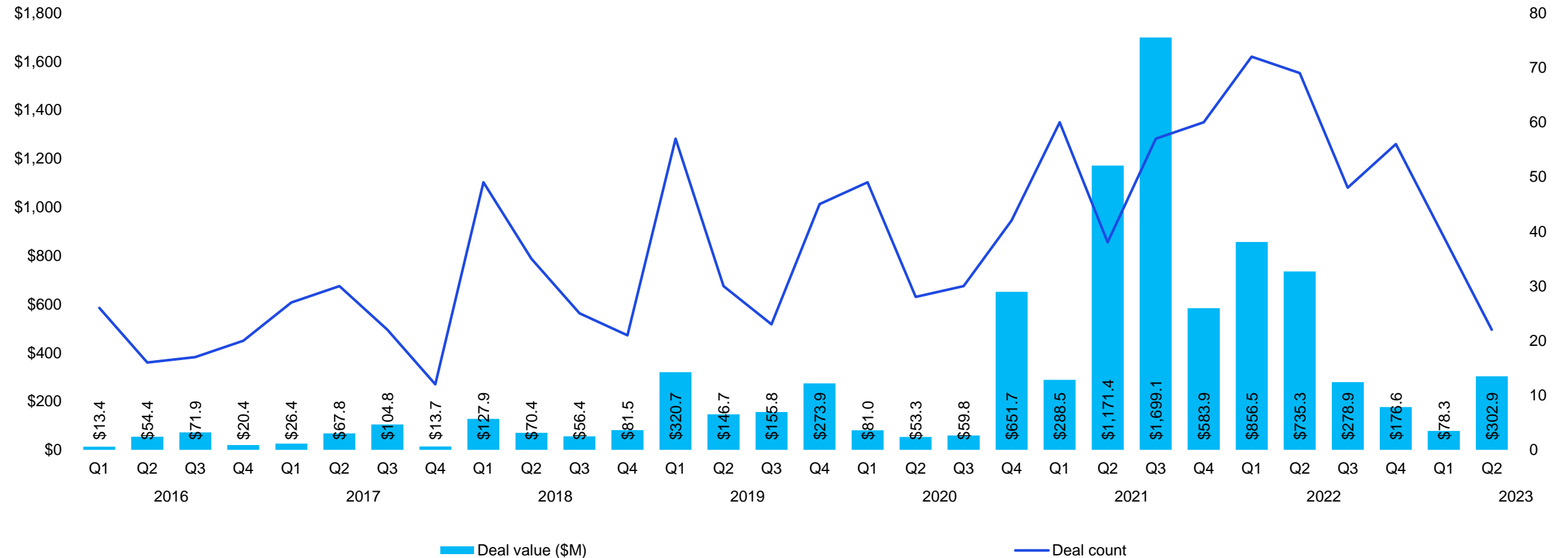


**Ryan Forster**  
Partner,  
KPMG in Canada

# Mexico sees an outlier quarter in customary variability

## Venture financing in Mexico

2016–Q2'23

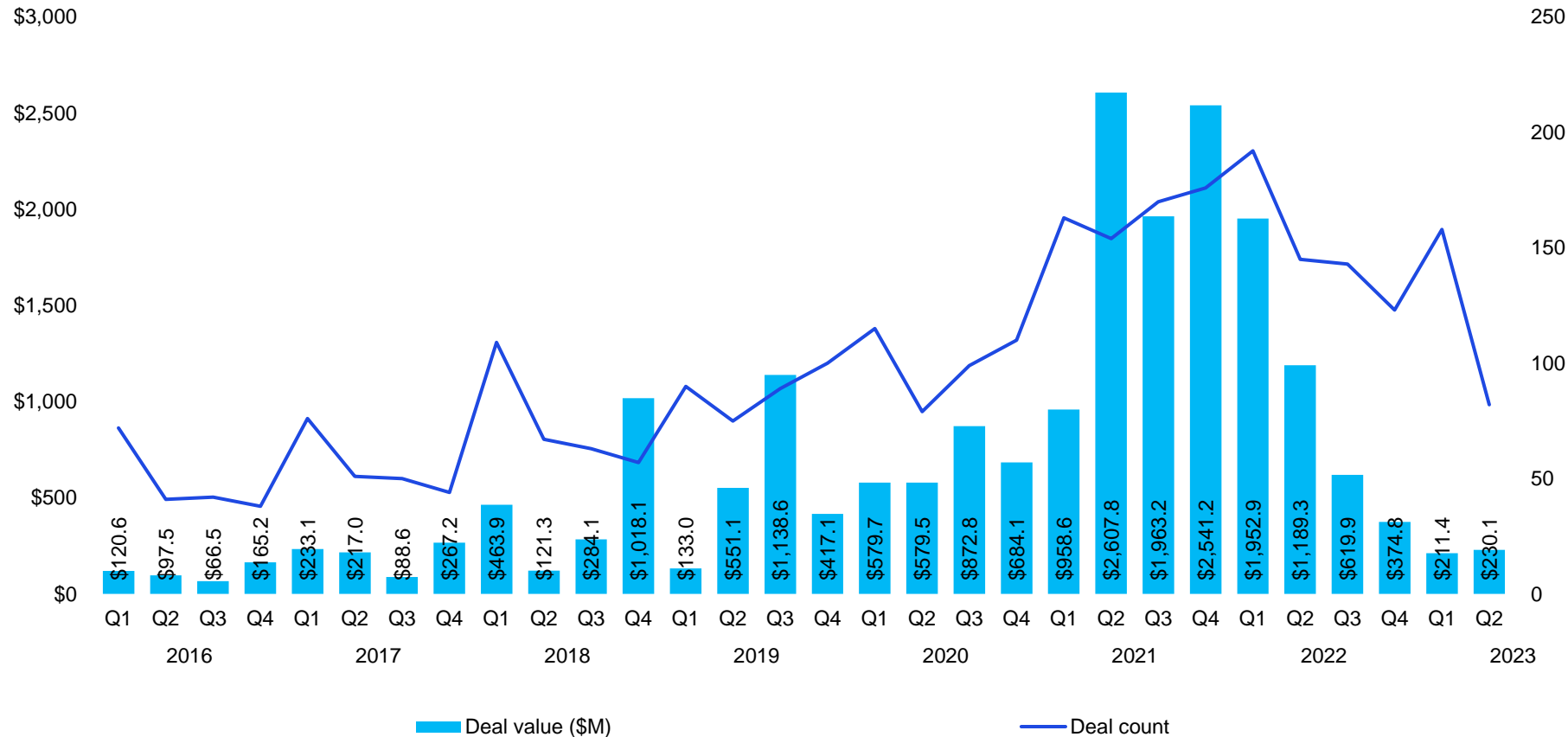


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Brazil records another slow quarter in ongoing subdued environment

## Venture financing in Brazil

2016–Q2'23



“ Despite the decline in VC funding, Brazil continues to be the major VC hub in Latin America, with a growing ecosystem of players ranging from VC firms to corporates to entrepreneurs. While the VC market in Brazil is experiencing a downturn at the moment, the robust ecosystem has dramatically improved the environment for raising capital in the country — which will have a positive impact over the longer term once market conditions improve. ”

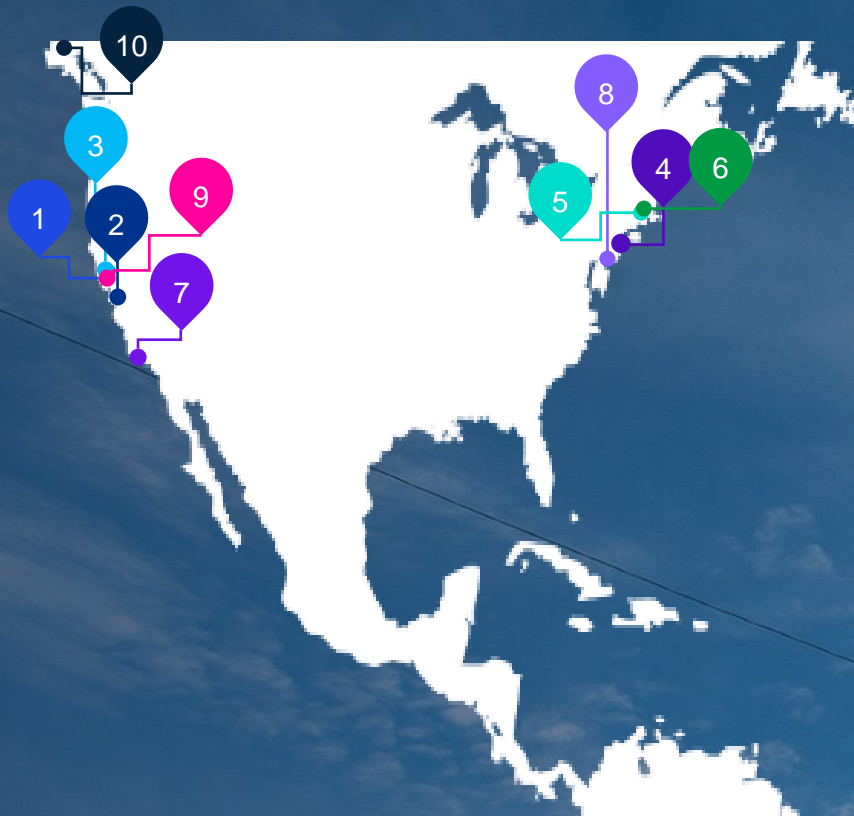


**Daniel Malandrini**  
Partner, Venture Capital & Corporate Ventures  
KPMG in Brazil

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# AI, cleantech & enterprise remain key draws

## Top 10 financings in Q2'23 in Americas



1. **Stripe** — \$6.9B, San Francisco, US — Fintech — *Series I*
2. **Inflection** — \$1.3B, Palo Alto, US — AI & ML — *Early-stage VC*
3. **Anthropic** — \$450M, San Francisco, US — AI & ML — *Series C*
4. **CoreWeave** — \$421M, Roseland, US — Business software — *Series B*
5. **ElevateBio** — \$401M, Waltham, US — Biotech — *Series D*
6. **Nexamp** — \$400M, Boston, US — Cleantech — *Late-stage VC*
7. **PacketFabric** — \$372.7M, Culver City, US — Business software — *Late-stage VC*
8. **Amplify** — \$350M, New York, US — Edtech — *Series C*
9. **Zipline** — \$330M, San Francisco, US — Logistics — *Series F*
10. **Svante** — \$318M, Burnaby, Canada — Cleantech — *Series E*

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise.  
 \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

**In Q2'23, European  
VC-backed companies  
raised \$13.5B across  
1,861 deals**

# VC investment in Europe stops slide

VC investors in Europe continued to play a waiting game in Q2'23, with investors holding back on making major investments, particularly late-stage investments given the amount of uncertainty in the market and the lack of exit opportunities. VC investment did, however, hold steady during the quarter — a positive sign following four straight quarters of declining investment.

## VC investors embrace AI; EU passes major AI-focused regulation

AI and deep learning technologies were a hot area of investment in Europe during Q2'23, with UK-based Quantexa raising \$129 million during the quarter to earn unicorn status — one of only a handful of startups in the region to do so this quarter. In Q2'23, the European Union also passed the AI Act, a detailed regulation governing the use of AI in the region and requiring generative AI systems in particular to be reviewed prior to commercial launch. The regulation also bans real-time biometric ID systems.<sup>5</sup> During the quarter, the UK also pitched its desire to become the home of AI safety regulations.<sup>6</sup>

## Energy and cleantech attracting VC investments across Europe

With no end in sight to the Russia-Ukraine conflict, alternative energy and cleantech continued to attract attention from VC investors in Europe, although ticket sizes were relatively modest during Q2'23. Interest in the space was incredibly diverse both geographically and at a product and solutions level with Germany's 1Komma5 raising \$232.1 million leading the way followed by German energy storage company Jolt Energy raising \$165.1 million, London-based atomic technology company Core Power raising \$100 million, Austria-based cleantech Neoom raising \$44.9 million, Israel-based thermal sensing for autonomous electric vehicles firm Adasky raising \$30 million, and Ireland-based renewables-focused energy transmission company SuperNode raising \$17.35 million.

## Amidst uncertainty, US VC investors stepping back from investments in Europe

Many of the larger VC investments in Europe rely on the participation of US investors. While US investors flocked to Europe in previous quarters, in part due to the excellent opportunities and

lower valuations of companies in the region, the increasingly challenging economic environment and the turbulence in the banking market has led some US investors to pull back from making major investments in Europe.

## VC investment in UK finding a new normal

VC investment in the UK picked up quarter-over-quarter — although it remained subdued compared to the banner quarters seen in 2021 and early 2022 — helped by a \$475 million raise by delivery service Getir, and a \$250 million raise by mobile app building company Builder.ai. Given the political and economic turmoil in the UK and high interest rates raising the bar on return requirements and causing investors to question their capital asset allocations, the more moderate level of investment could represent a new normal for the UK until there is a reasonable period of stability. VC fundraising has also slowed down considerably in the UK, with some funds closing at much lower levels than initially envisioned.

## Germany sees steady investment in Q2'23

Germany saw VC investment hold relatively steady in Q2'23, led by a \$232 raise by energy firm 1Komma5, a \$194 million raise by Get Your Guide and a \$165.1 million raise by Jolt Energy. Solutions focused on ESG continued to be quite attractive to VC investors in Germany, in addition to AI and solutions focused on business productivity. There was also a small renaissance in health and biotech in Germany in Q2'23, with a \$109.8 million raise by medical records company Patient21 and a \$52 million raise by drug discovery company Ariceum.

<sup>5</sup> <https://www.cnbc.com/2023/06/14/eu-lawmakers-pass-landmark-artificial-intelligence-regulation.html>

<sup>6</sup> PM: UK Can Be 'Home Of Global AI Safety Regulation' | Silicon UK



# VC investment in Europe stops slide, cont'd.

## Softness continues in the Nordics

VC investment in the Nordics region during Q2'23 remained soft compared to the highs seen during 2021 and 2022, although it was relatively consistent to the levels seen prior to the pandemic. While the amount of VC dry powder might be similar in early-stage to previous years the investor characteristics have shifted significantly, and the international growth funding is scarce. The investor focus is more on companies able to show capital efficient growth with optional pathways to profitability. Health and biotech investment remained resilient, while alternative energy and EV technologies continued to attract strong interest.

## Startup ecosystem in Ireland extends reach

VC investment in Ireland remained slow this quarter, despite a \$53.6 million raise by unified payments company NomuPay and a \$32.5 million raise by medical device company Neuromod. Ireland's ecosystem showed its reach across Europe in Q2'23. Jolt Energy, which raised \$165.1 million this quarter, was founded by Irish entrepreneurs — who focused their startup on the German market given its much larger EV potential.

## VC market in Austria evolving rapidly

While total VC investment in Austria remains quite small compared to other jurisdictions in Europe, the country's VC market is evolving and maturing at a rapid pace — with a growing number of scale-ups in sectors ranging from crypto (BitPanda) and edtech (GoStudent) to proptech (PlanRadar). The first, BitPanda, was the country's first tech startup to achieve unicorn status. The breath of VC funds operating in the market has also grown, with new funds being introduced on a regular basis — most focused on early-stage investments. Similar to other jurisdictions, Austria's VC market faced some pressure in Q2'23, with a number of startups choosing to conduct extension rounds rather than all new funding rounds.

## VC investment soft in Israel during Q2'23

VC investment in Israel remained soft in Q2'23 as tech startups continued to focus on becoming more efficient and profitable, cutting head count and reducing their costs. Despite smaller deal sizes, Israel continued to see a diversity of companies raising funding; during the quarter, network management firm Coronet raised \$75 million, medical device company Magenta Medical raised \$55 million, healthtech Healthy.io raised \$50 million, and fintech Novidea raised \$50 million.

## Trends to watch for in Q3'23

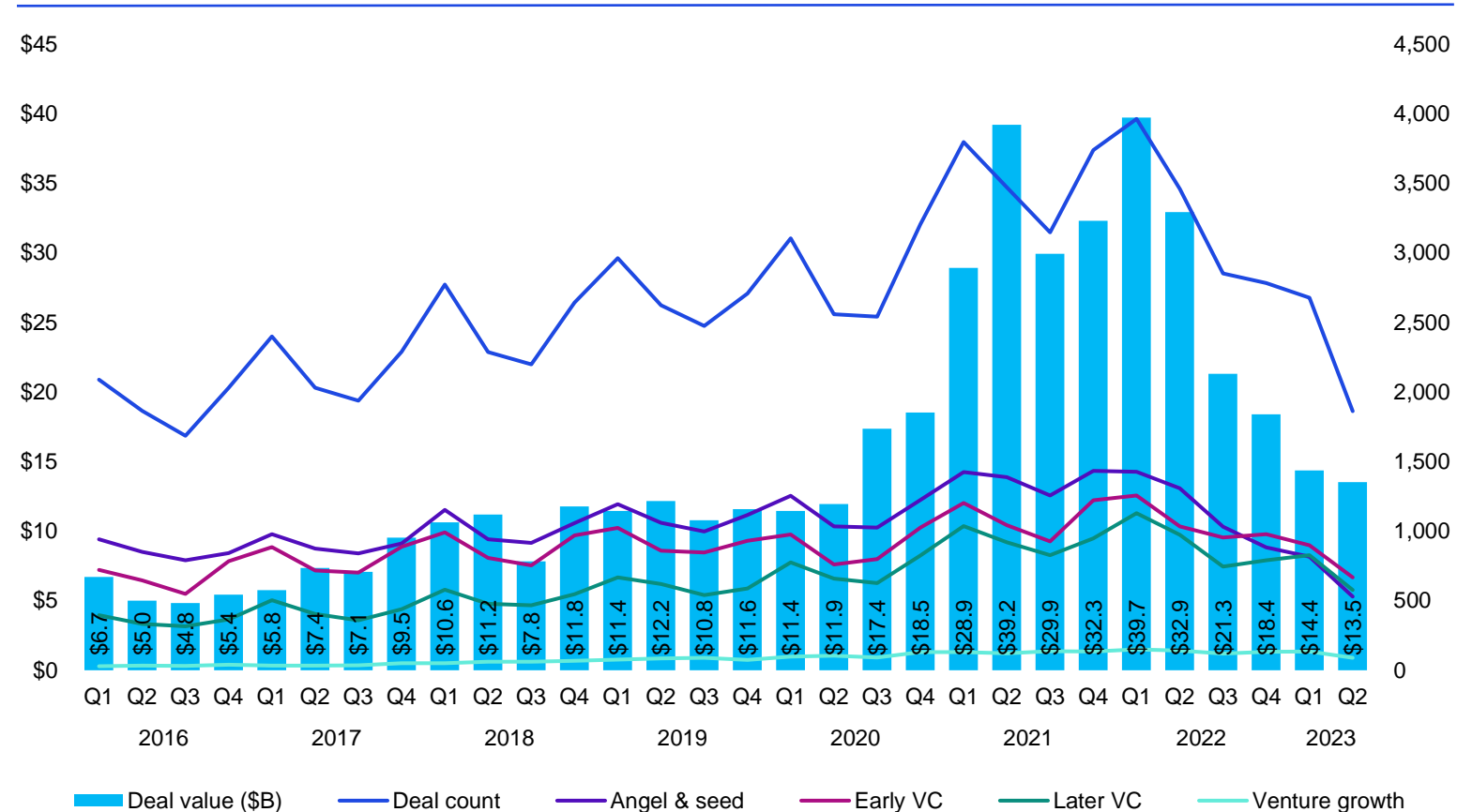
While VC investors in Europe continue to have dry powder available to them, they will likely continue to be reluctant to spend it given both current market conditions and concerns about whether they will be able to raise new funds given less risk-averse LPs now have more investment options available to them. Exit activity is also expected to remain limited, with startups and their investors playing a waiting game in the hope that conditions improve and the market stabilizes.

The entire gamut of alternative energy and cleantech is expected to remain a robust area of investment in Europe, in addition to AI, and health and biotech. Over the next few quarters, the fintech space could begin to see some consolidation in Europe as companies look to achieve the scale needed for their business models to become profitable.

# Venture activity cools but may be entering a plateau

## Venture financing in Europe

2016–Q2'23



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. As a result, it is likely that dealmakers and startups alike are now growing more accustomed and experienced to the volatile environment, and a plateau in activity is now being broached.

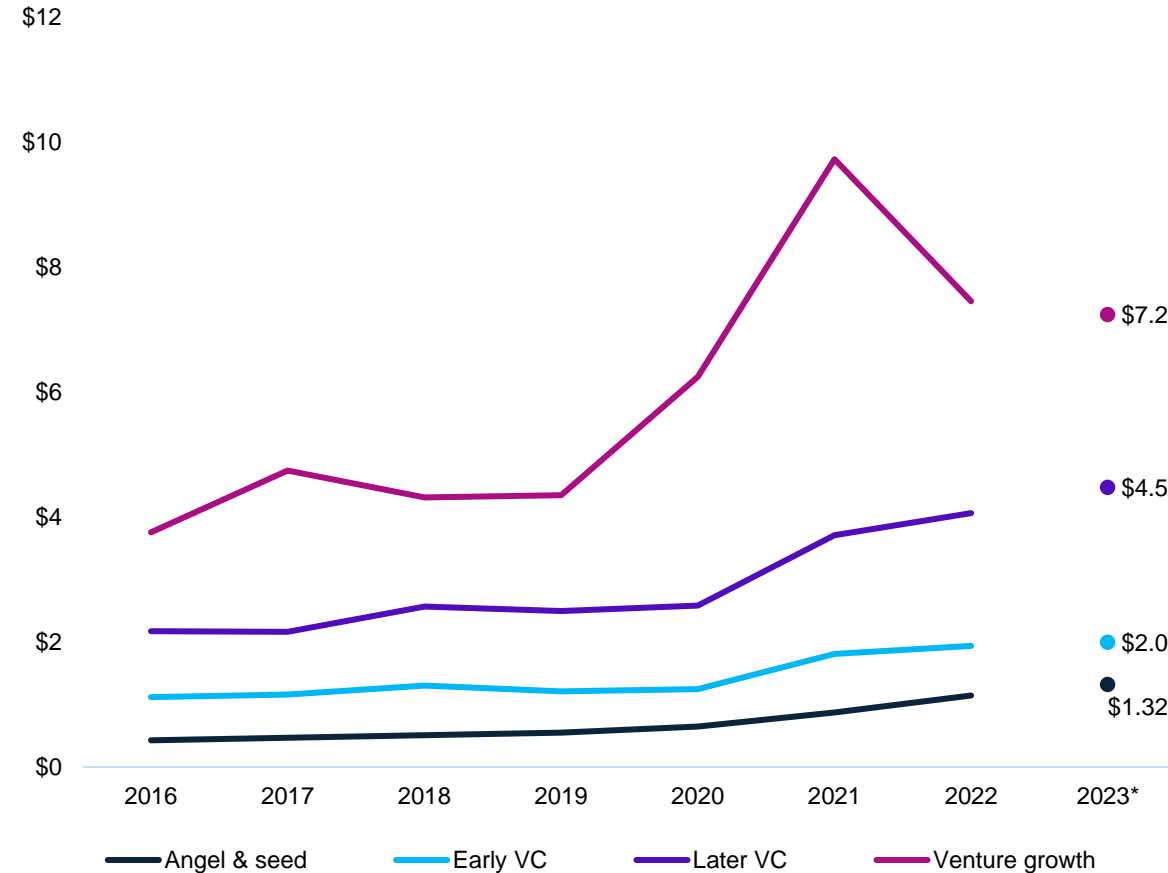
... after sustained volatility, it could be that **European startup ecosystems are beginning to see priced-in dealmaking levels...**

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Down & flat rounds tick upward while financing metrics hold at most stages

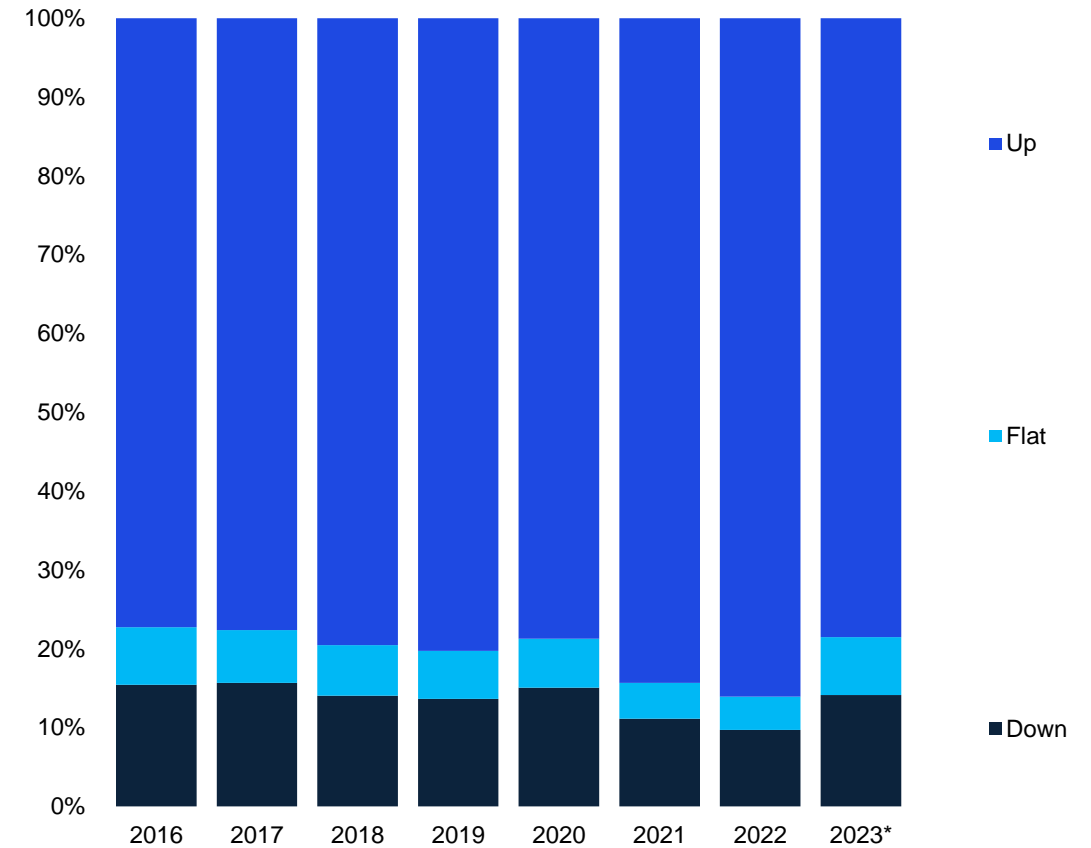
## Median deal size (\$M) by stage in Europe

2016–2023\*



## Up, flat or down rounds in Europe

2016–2023\*

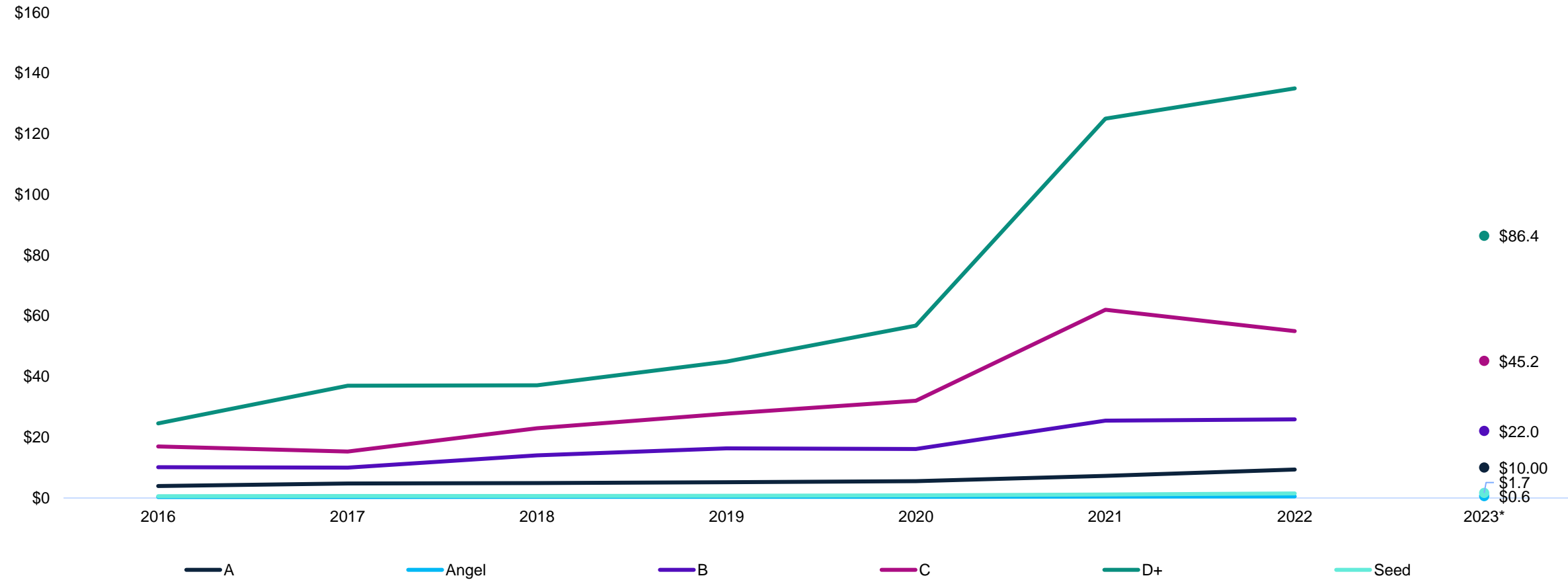


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Only the late-stage metrics still see significant declines

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

2016–2023\*

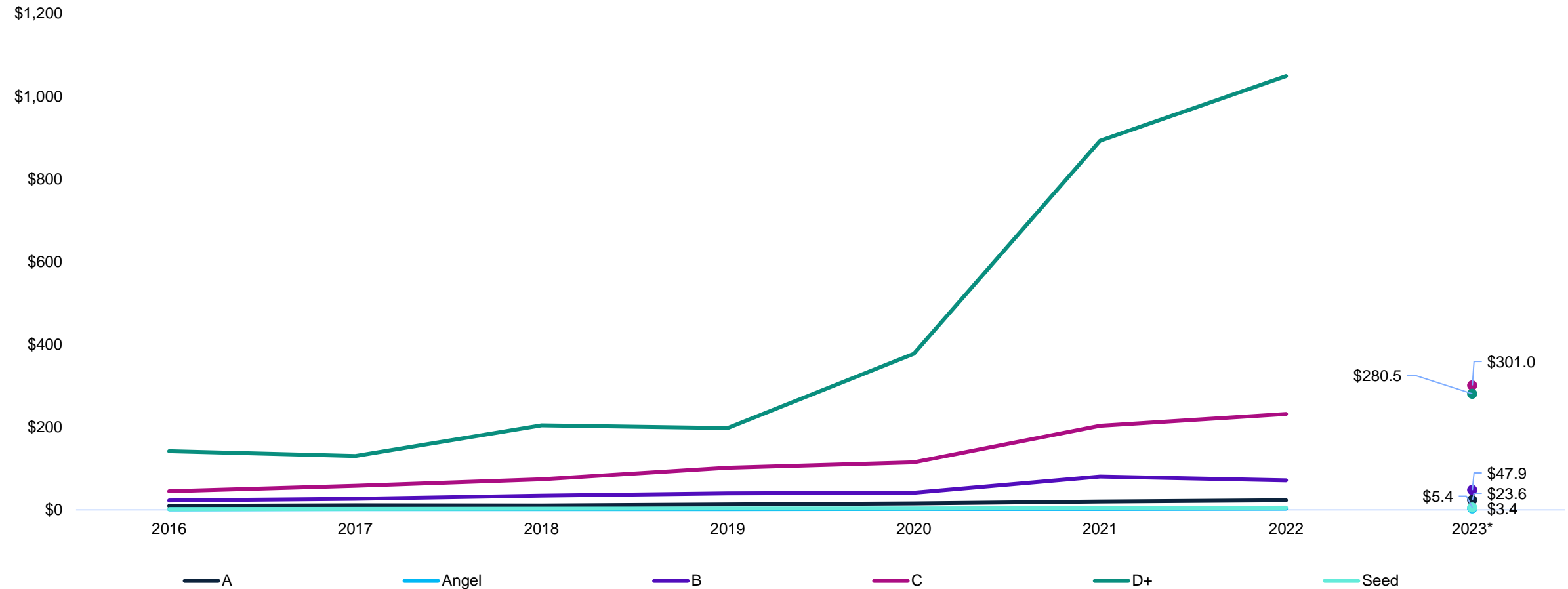


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023  
The Series D+ figure for 2023 YTD are based on non-normative sample sizes.

# Valuations are converging at later stages

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

2016–2023\*

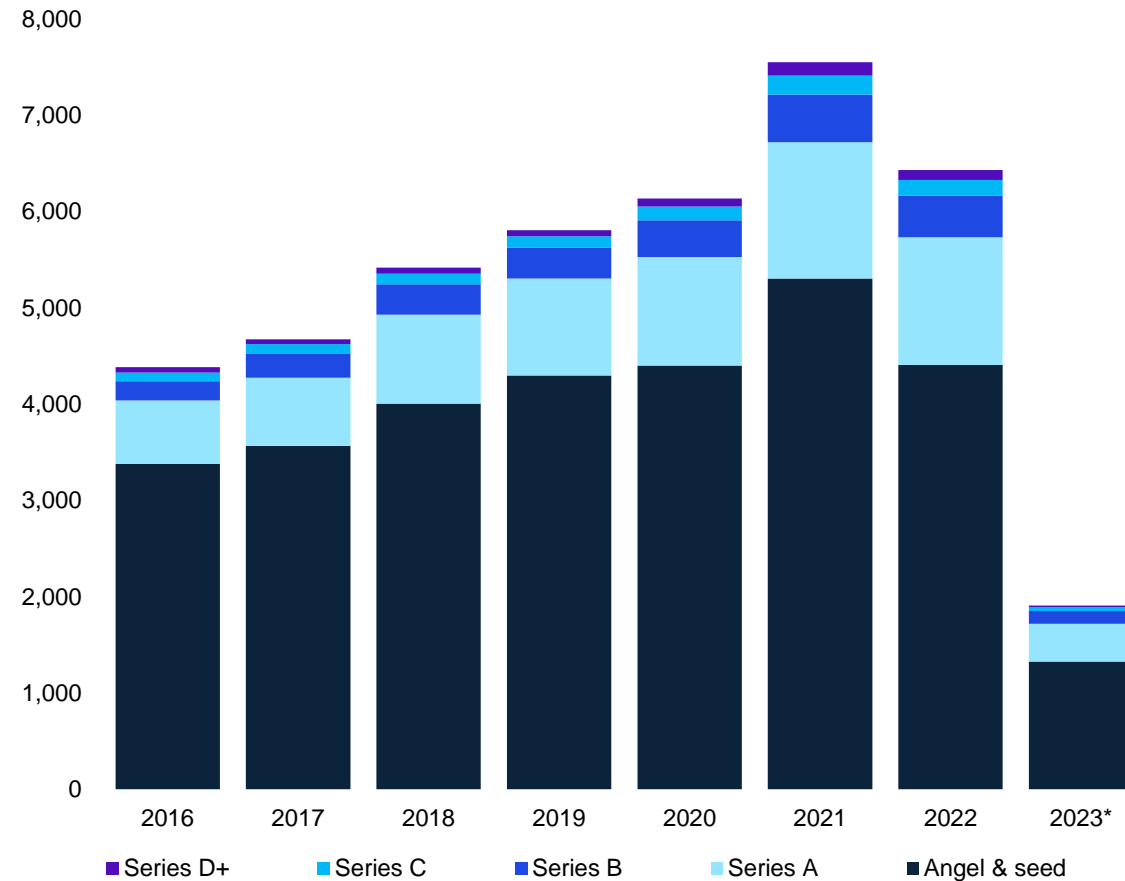


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023. The figures for Series C and D or later valuations in 2023 to date are based on non-normative sample sizes.

# After a boom period, dealmaking proportions have normalized

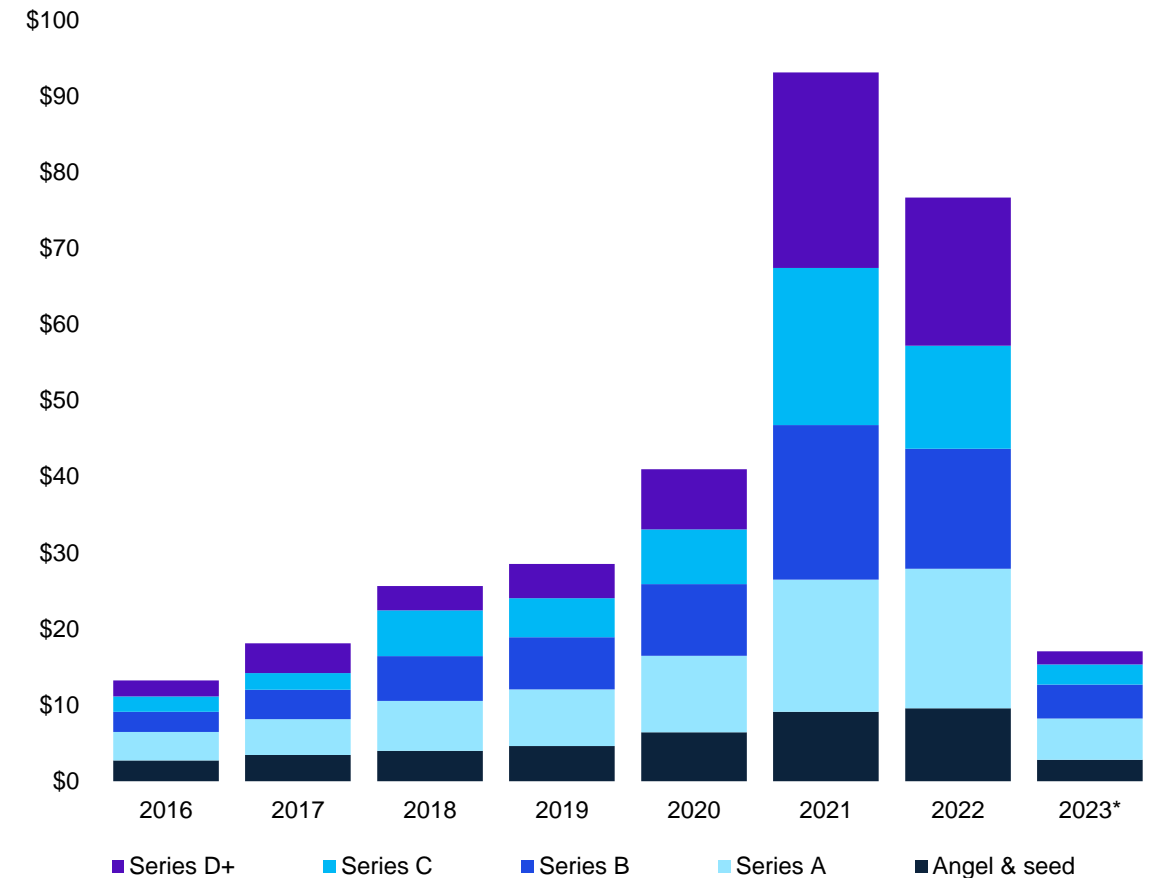
## Deal share by series in Europe

2016–2023\*, number of closed deals



## Deal share by series in Europe

2016–2023\*, VC invested (\$B)

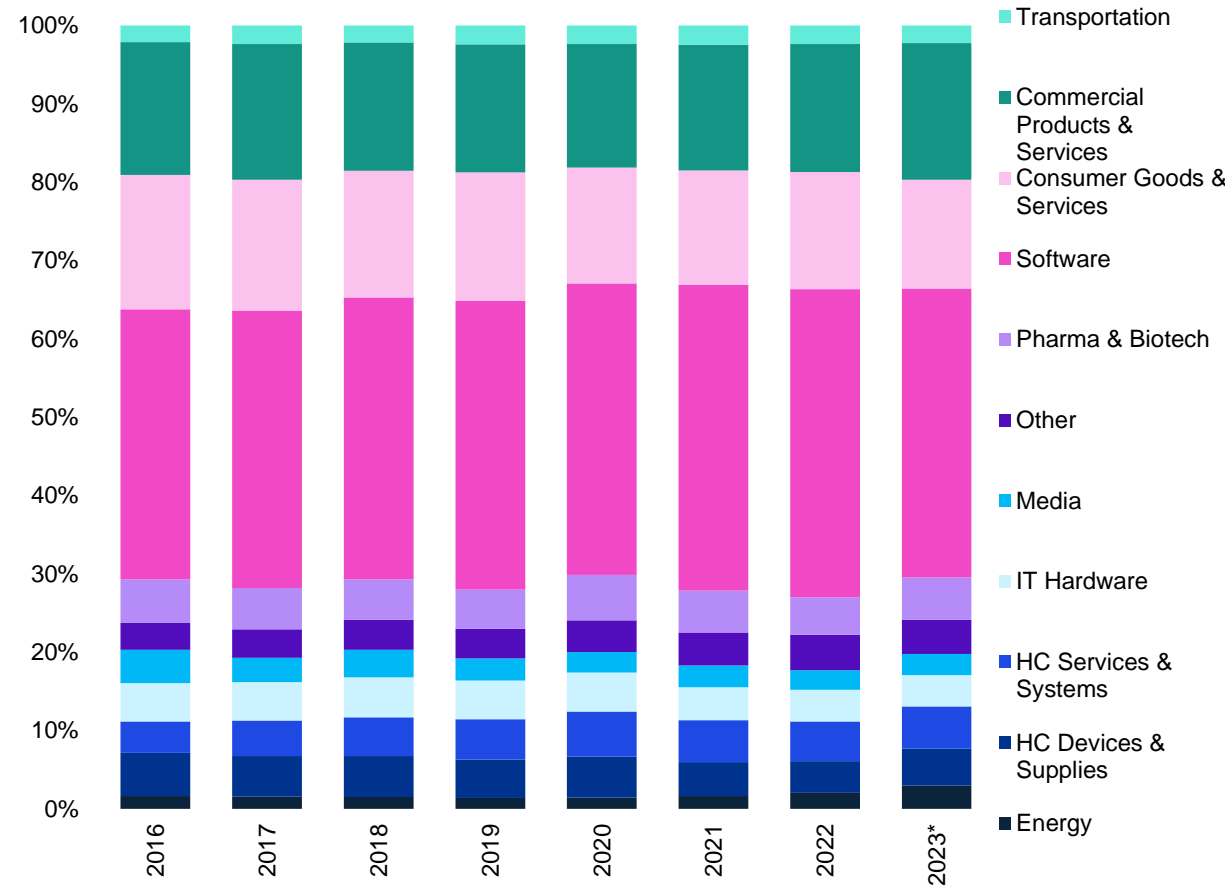


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Enterprise & healthcare-related offerings still draw capital

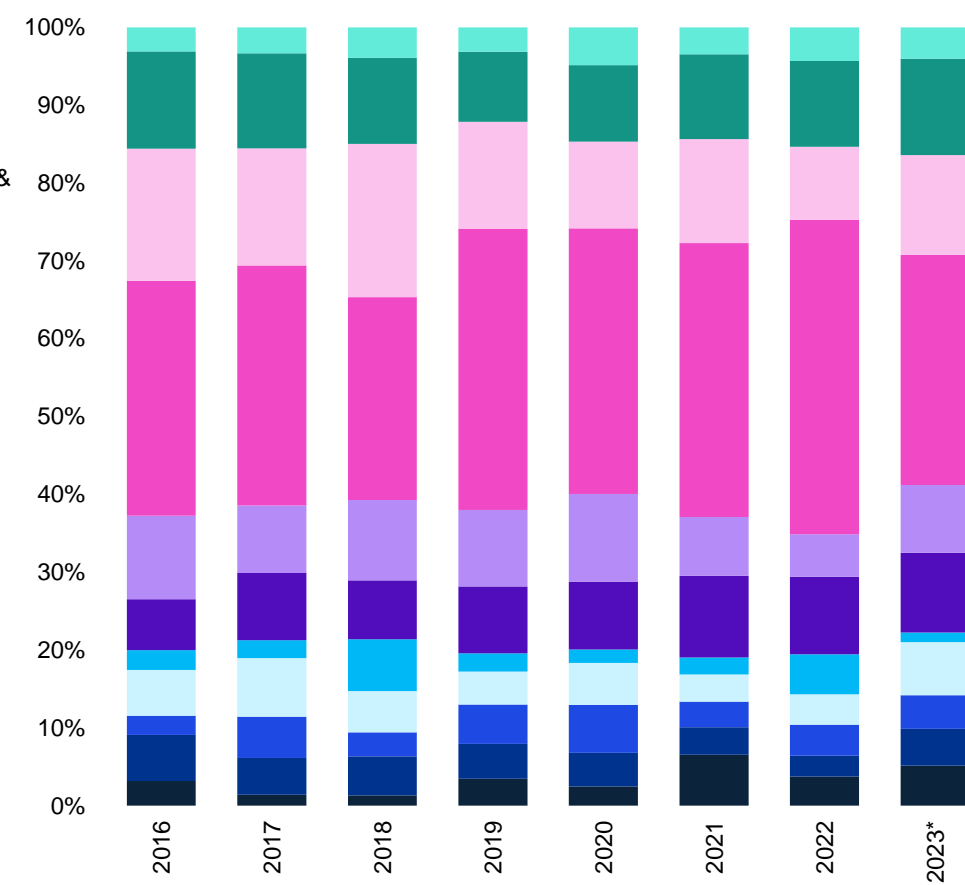
## European venture financings by sector

2016–2023\*, number of closed deals



## European venture financings by sector

2016–2023\*, VC invested (\$B)

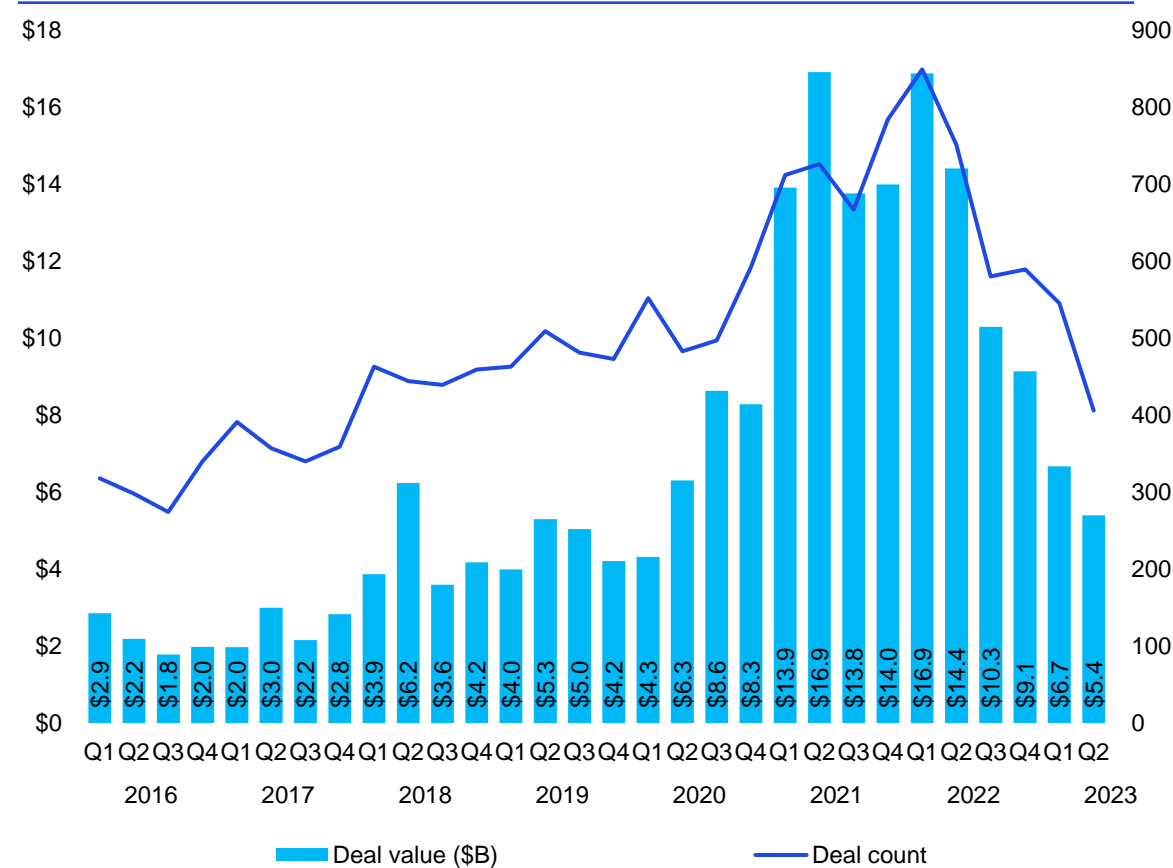


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# First-time financing volume healthier than may be anticipated

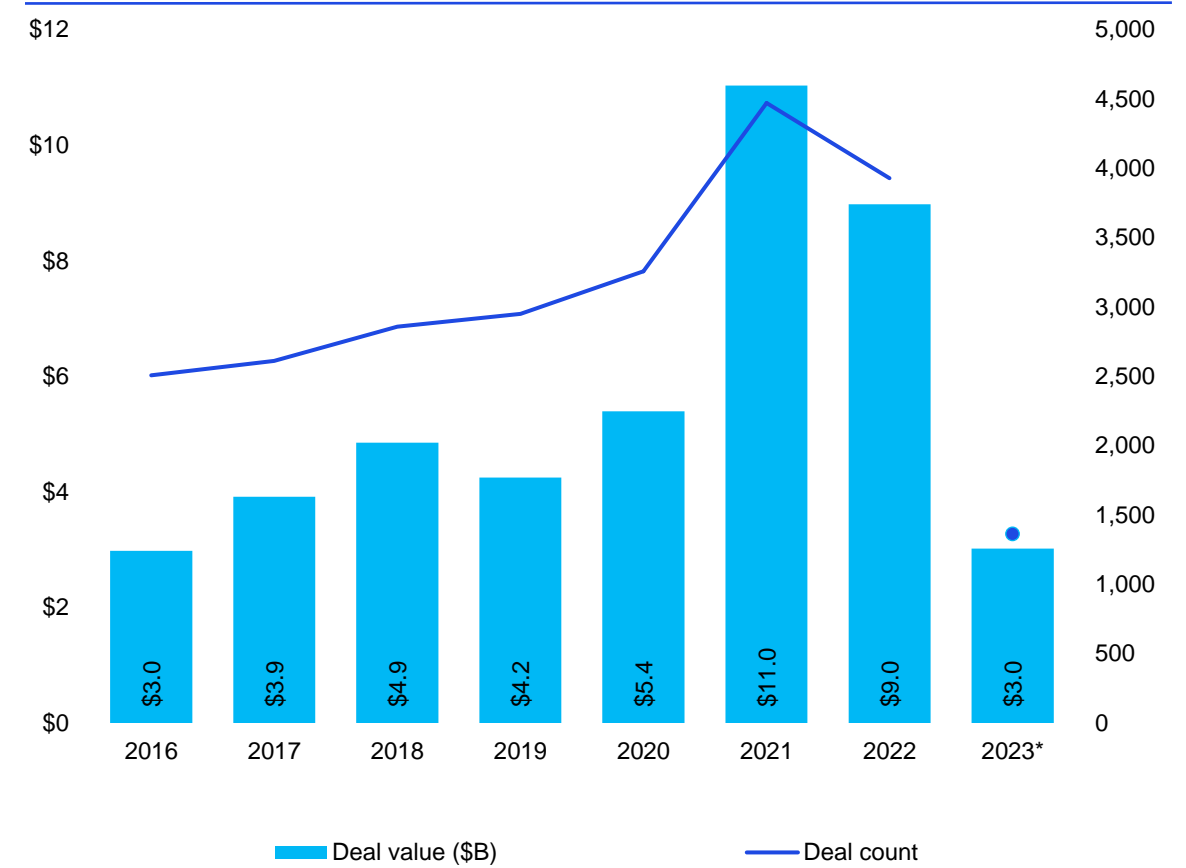
## Corporate VC participation in venture deals in Europe

2016–Q2'23



## First-time venture financings of companies in Europe

2016–2023\*



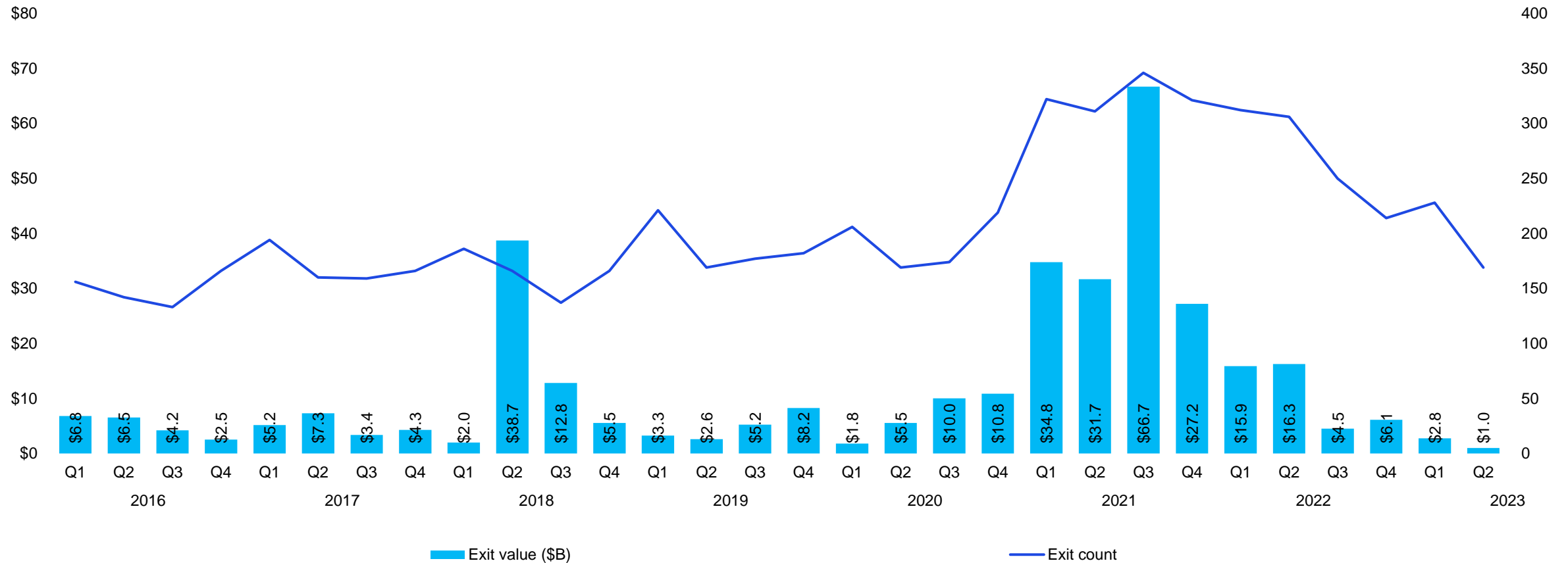
Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023



# Exits remain stalled

## Venture-backed exit activity in Europe

2016–Q2'23

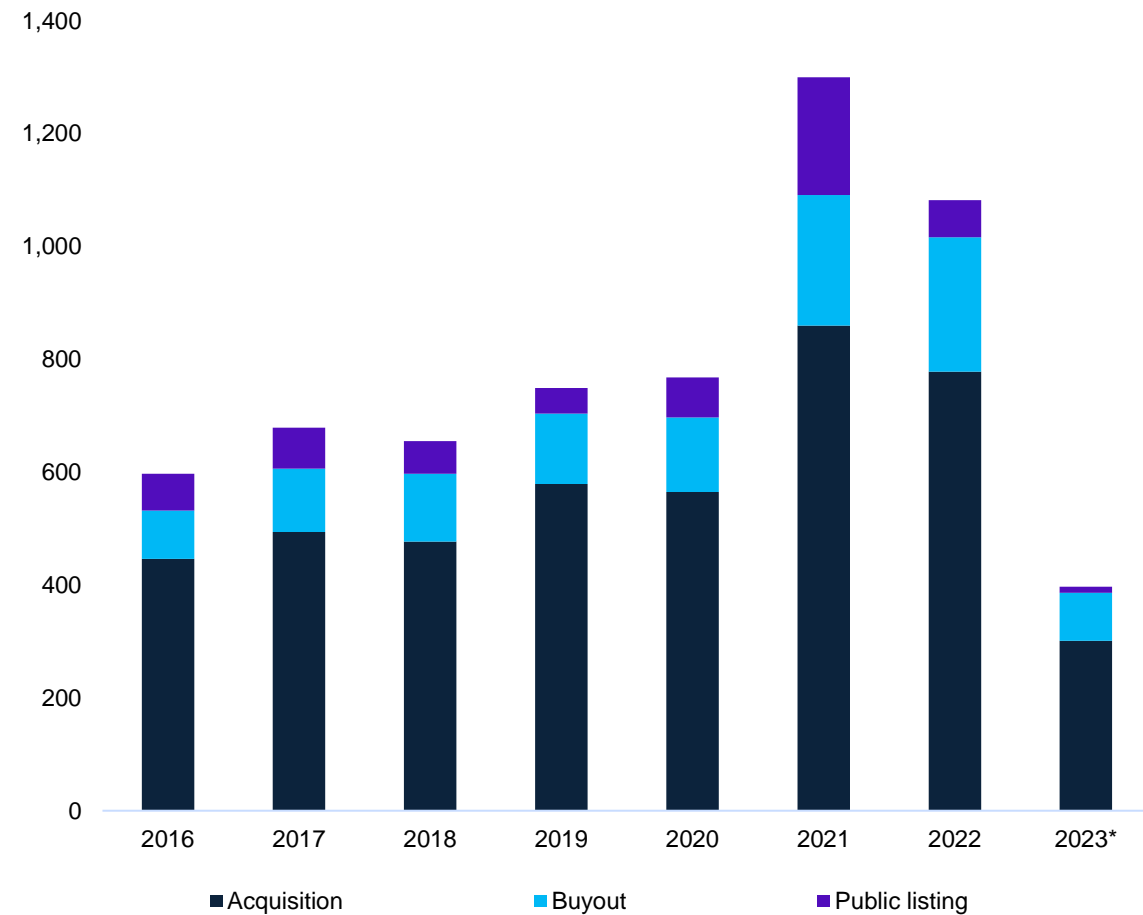


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# M&A remains primary avenue in a moribund market

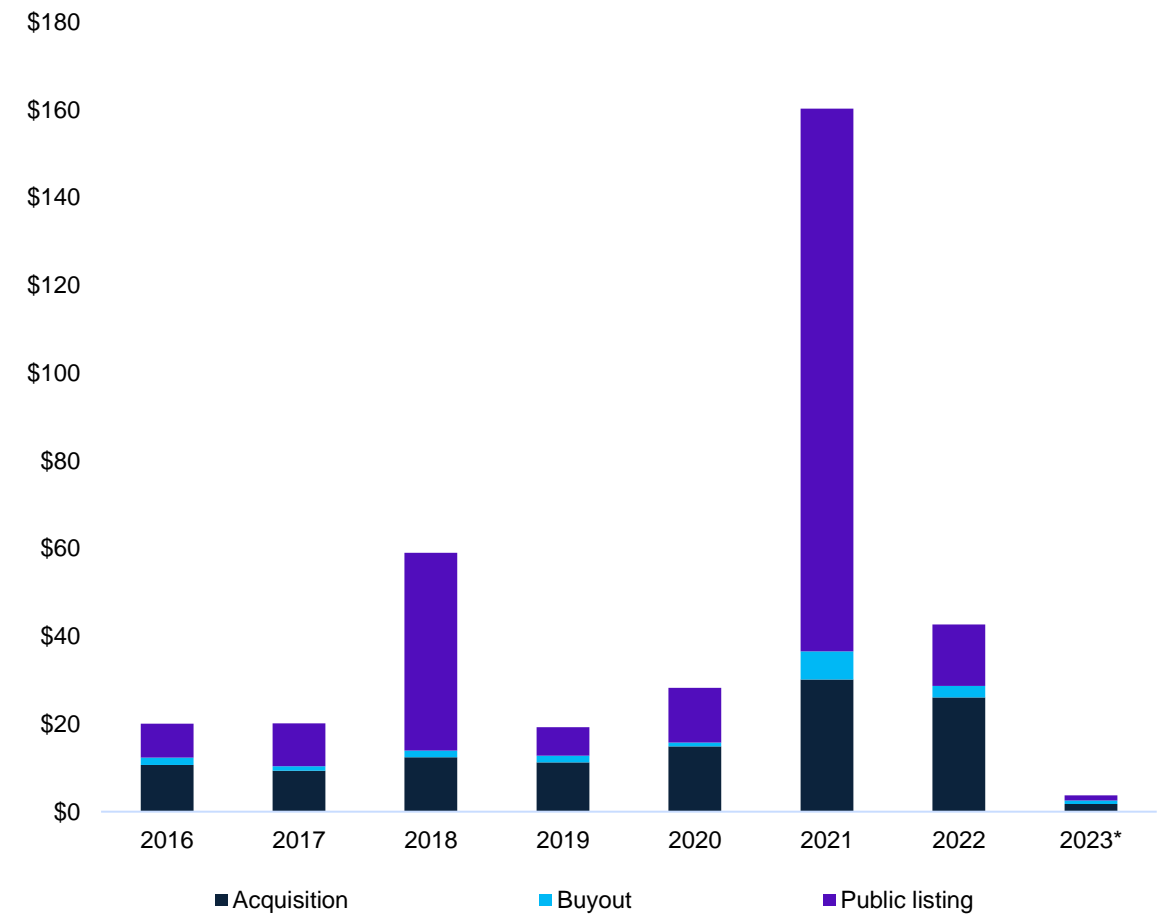
## Venture-backed exit activity (#) by type in Europe

2016–2023\*



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

2016–2023\*

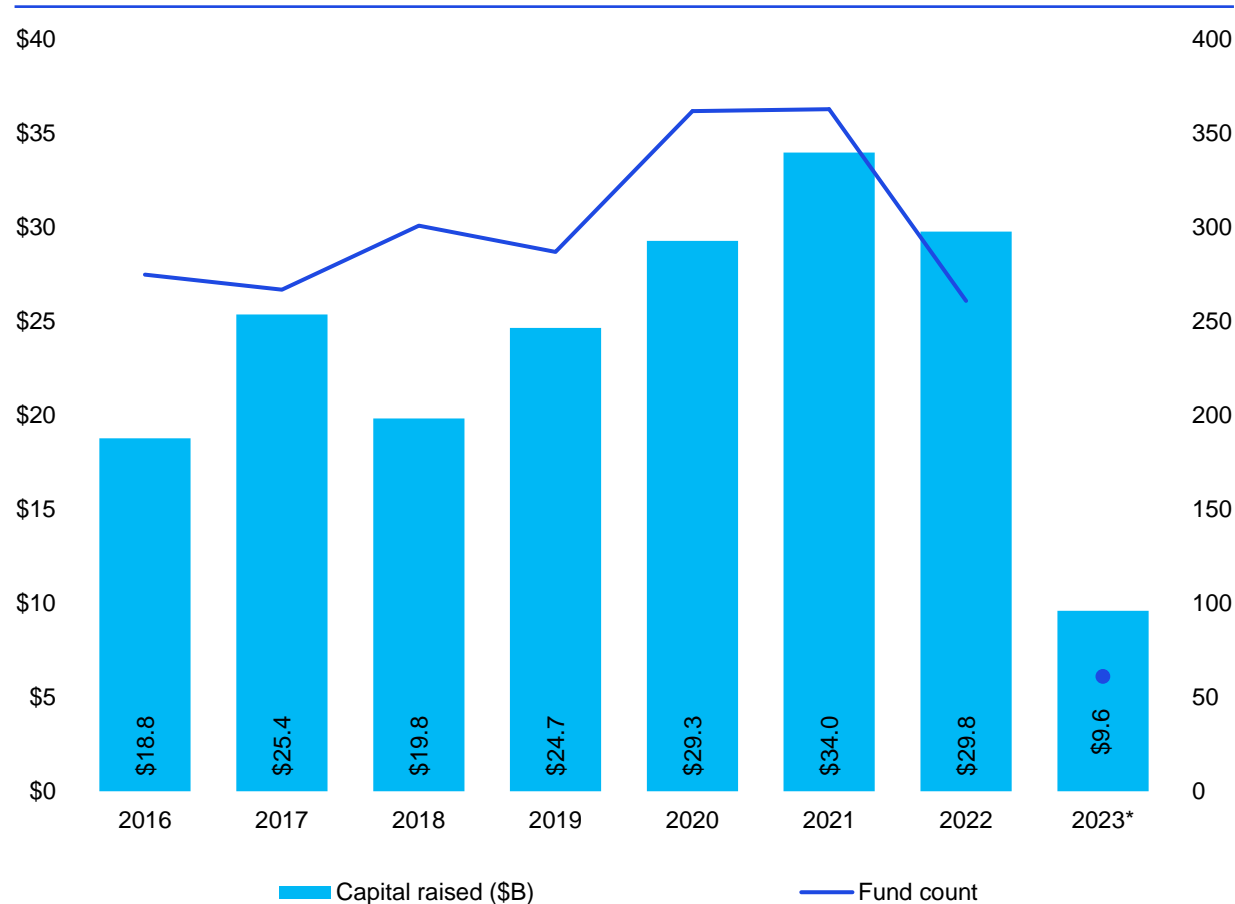


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# 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 in 2015. Current volatility may be actually exacerbated by the natural slowdown in fundraising cycles after LPs garnered their desired exposure.

... at **\$9.6 billion**, 2023 is now on less of a slower start in terms of capital commitments in aggregate than at first feared

“ In the UK, we’ve had a period of both political and economic turmoil, which has made it difficult to really drive any kind of sustained funding or VC investment. The market is willing and many businesses have strong fundamentals, but we need a period of stability in order to make VC deals happen — and that’s difficult when no one is clear yet about the trajectory of interest rates and inflation. I would like to believe we’re now past the worst of it and we’re entering a more positive environment where buyers will be happy to spend again. ”



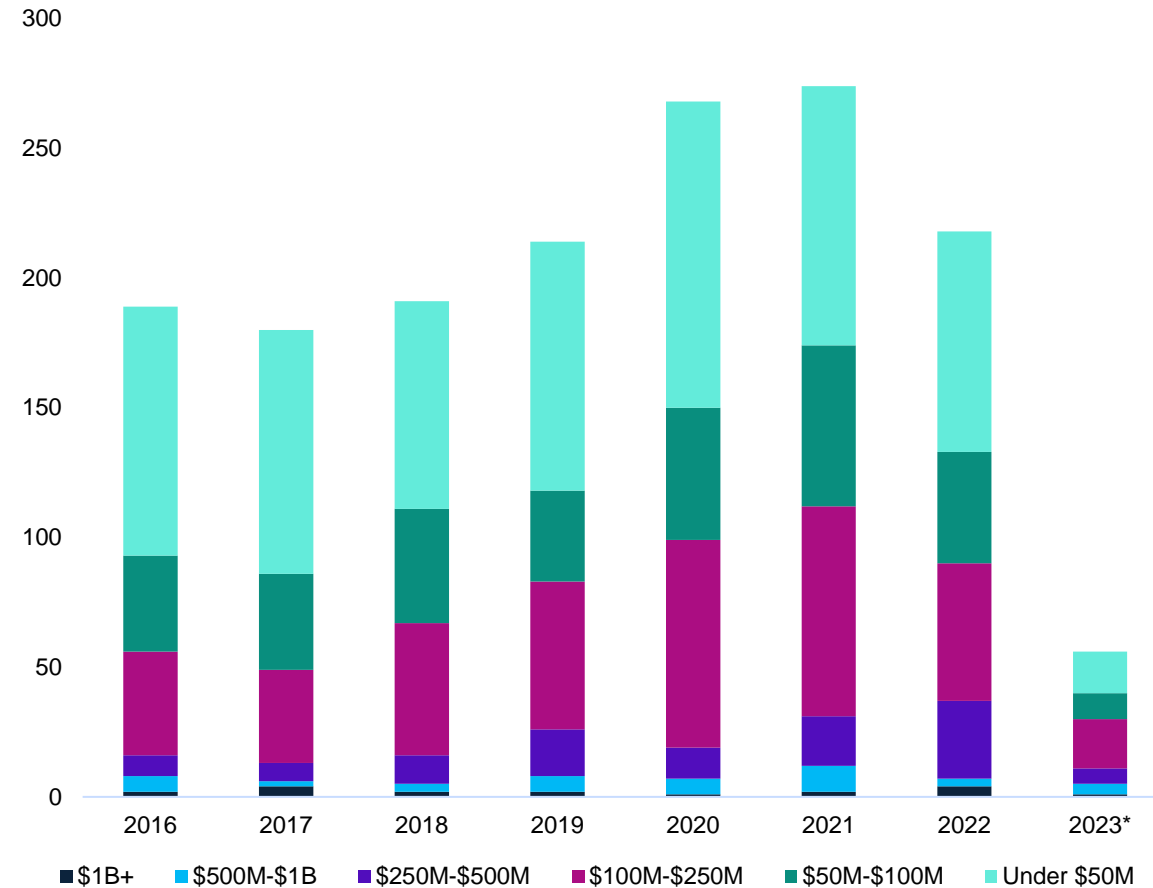
**Robert Baxter**  
Head of Corporate Finance  
KPMG in the UK

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Capital continues to concentrate in follow-on funds

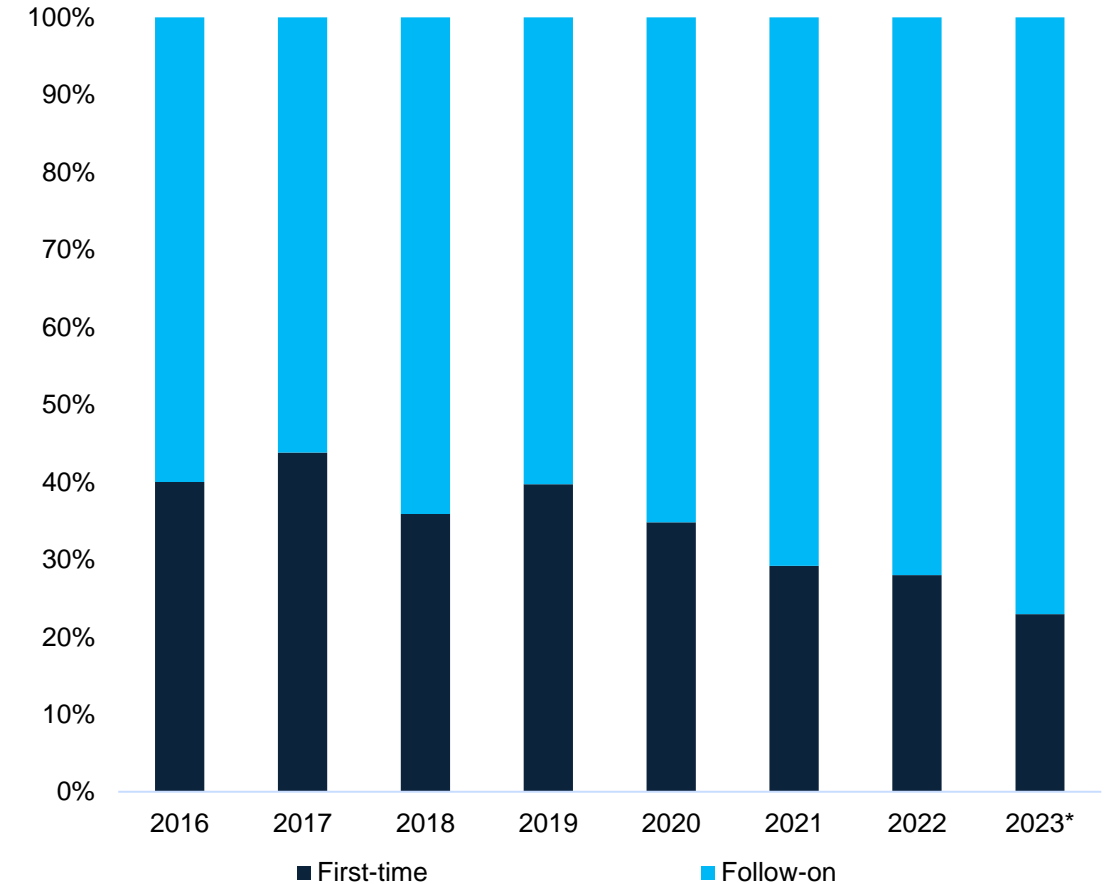
## Venture fundraising (#) by size in Europe

2016–2023\*



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

2016–2023\*

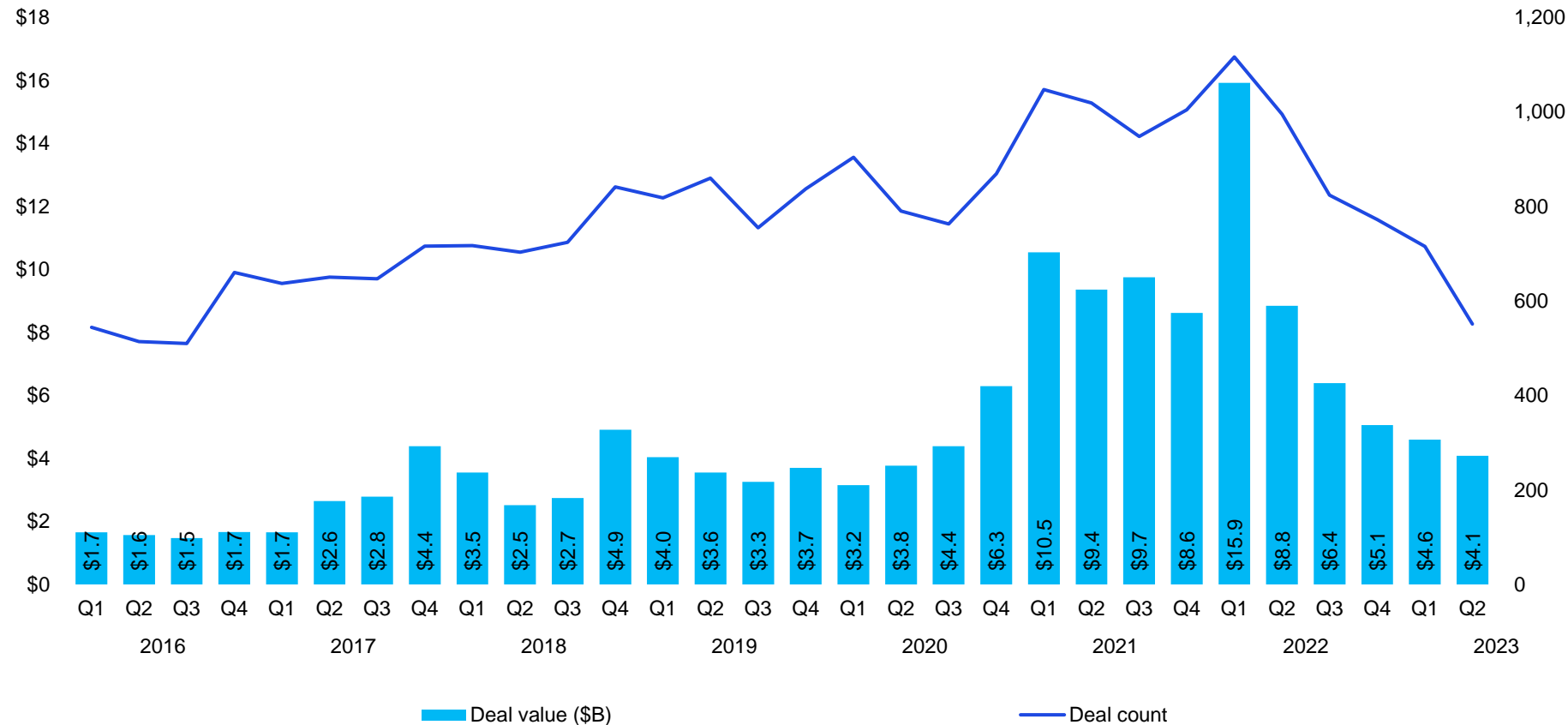


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# The UK continues to see a gentle slide in VC invested

## Venture financing in the United Kingdom

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 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. ”



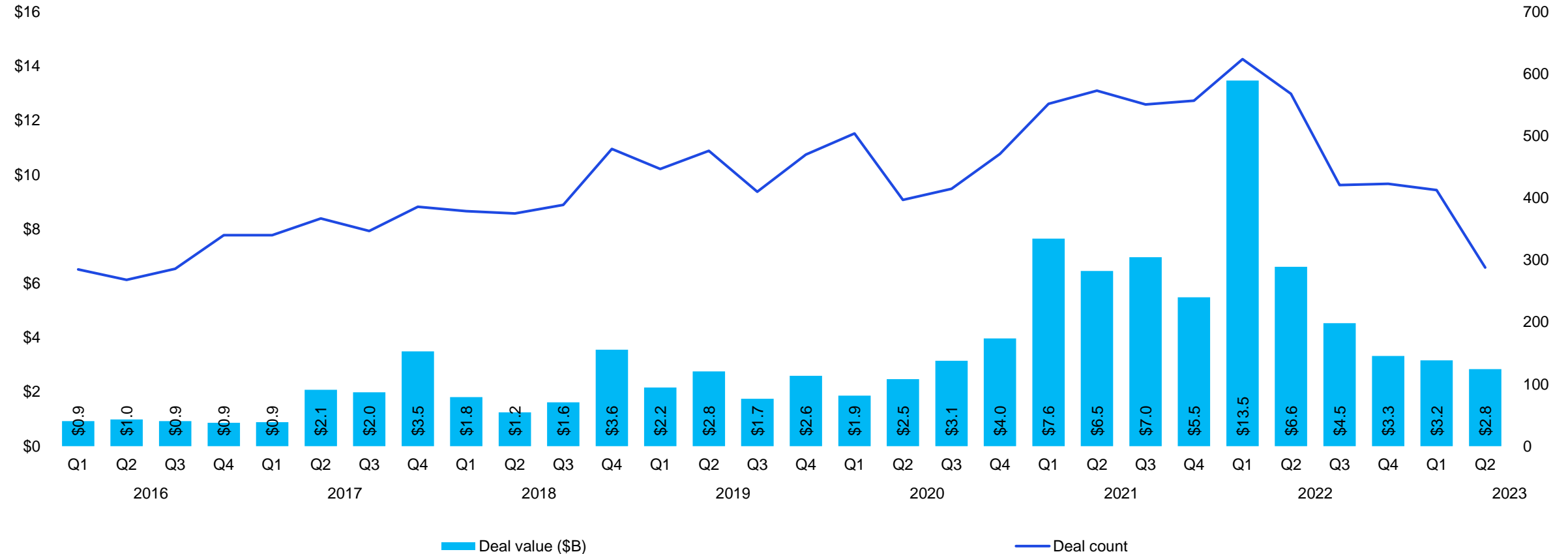
### Warren Middleton

Lead Partner for Emerging Giants,  
Center of Excellence in the UK  
**KPMG in the UK**

# London sees tallies back to pre-2021 level

## Venture financing in London

2016–Q2'23

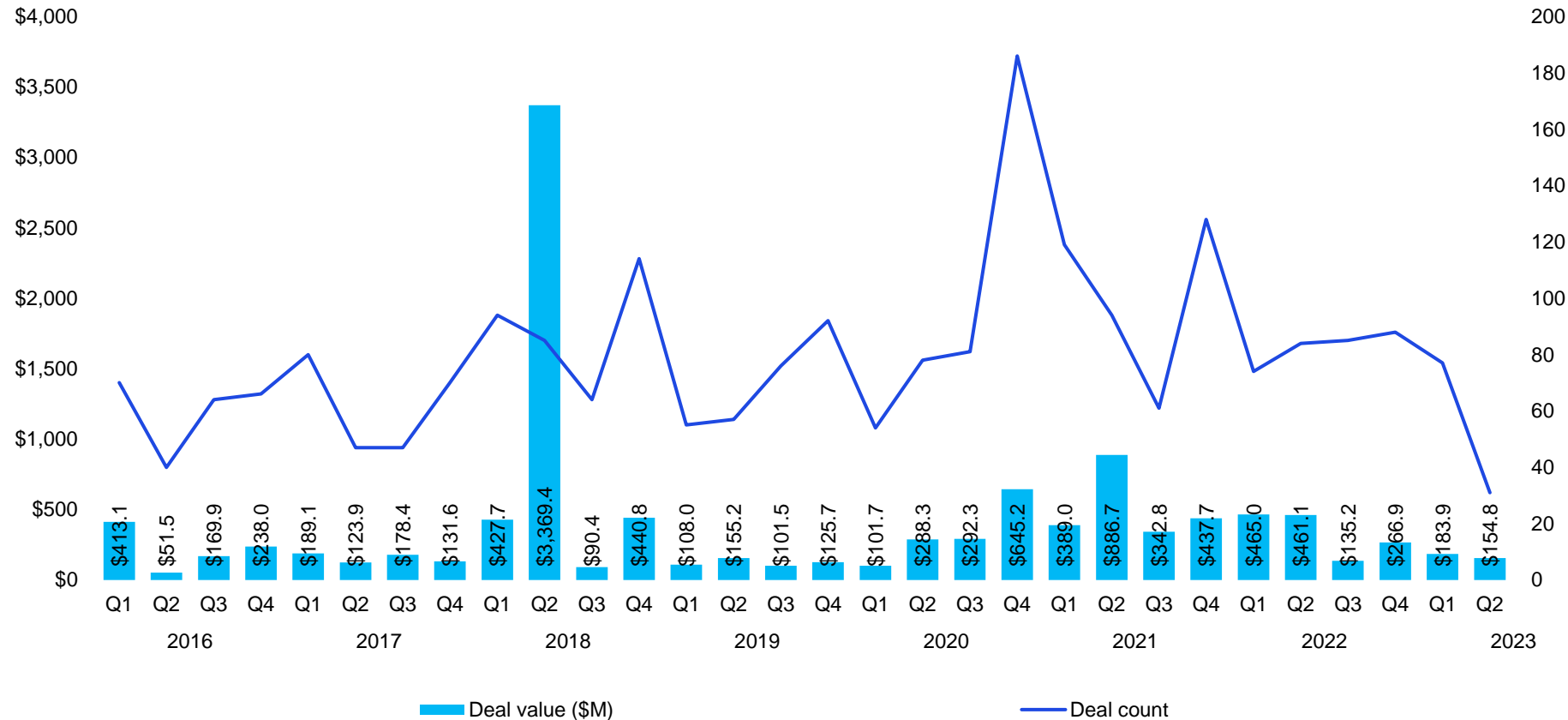


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Ireland has another slow quarter

## Venture financing in Ireland

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“ VC funds benefited significantly in the years prior to 2022 when interest rates were low and non-traditional investors were looking for alternative investment opportunities. With a higher interest rate environment, investors have more choice as to where to invest their money. They can invest in bonds or simply put their money on deposit and secure a reasonably risk-free return. This environment makes it more difficult for funds to secure investment and ultimately for companies to secure VC investment. ”

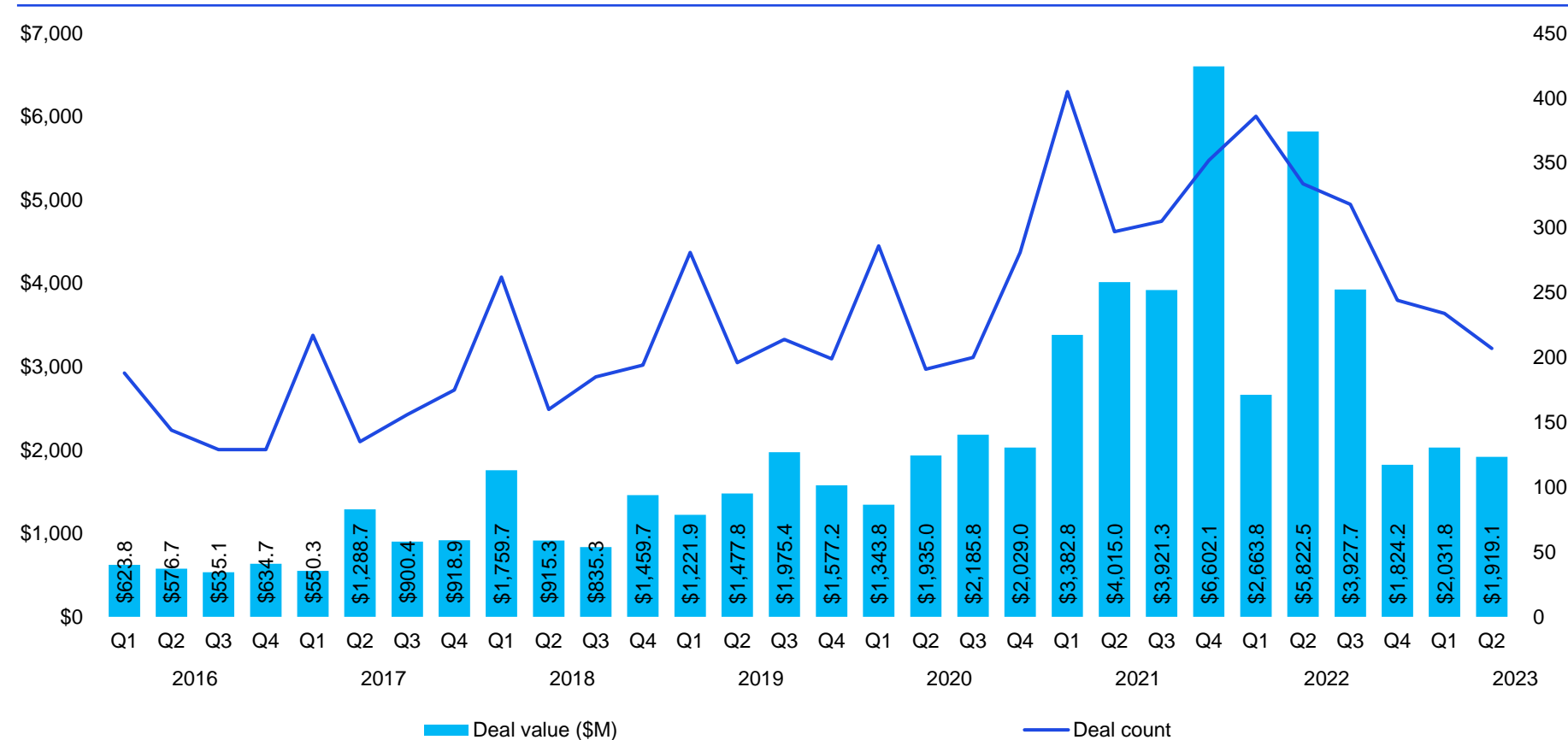


**Anna Scally**  
Partner, Head of Technology & Media  
KPMG in Ireland

# VC invested evens out in Germany as activity moderates

## Venture financing in Germany

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“ There likely won't be a significant change in the underlying macroeconomic circumstances over the next few quarters, so I expect we'll see a more linear way forward. This isn't necessarily a bad thing. At the end of the day, if we have robust valuations, robust business models, and people can appreciate that money has a cost again, it would actually be a healthy development. ”



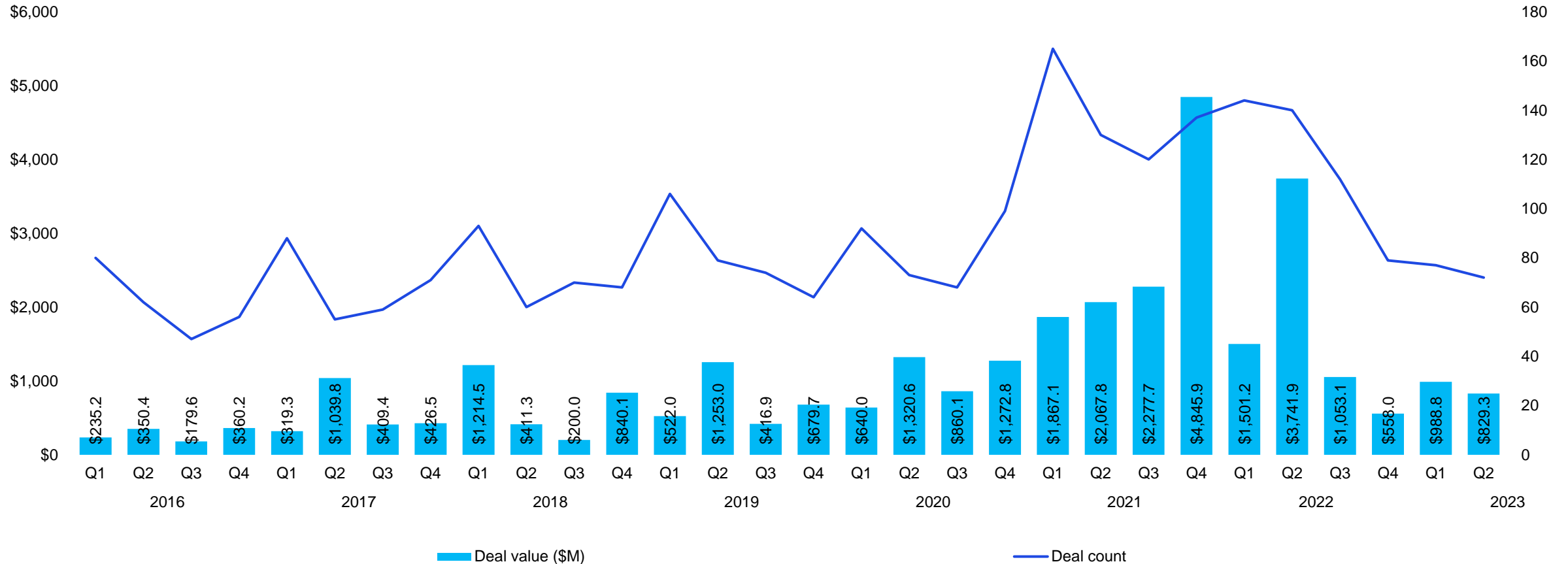
**Tim Dümichen**  
Partner  
KPMG in Germany



# The Berlin venture ecosystem has entered a plateau

## Venture financing in Berlin

2016–Q2'23

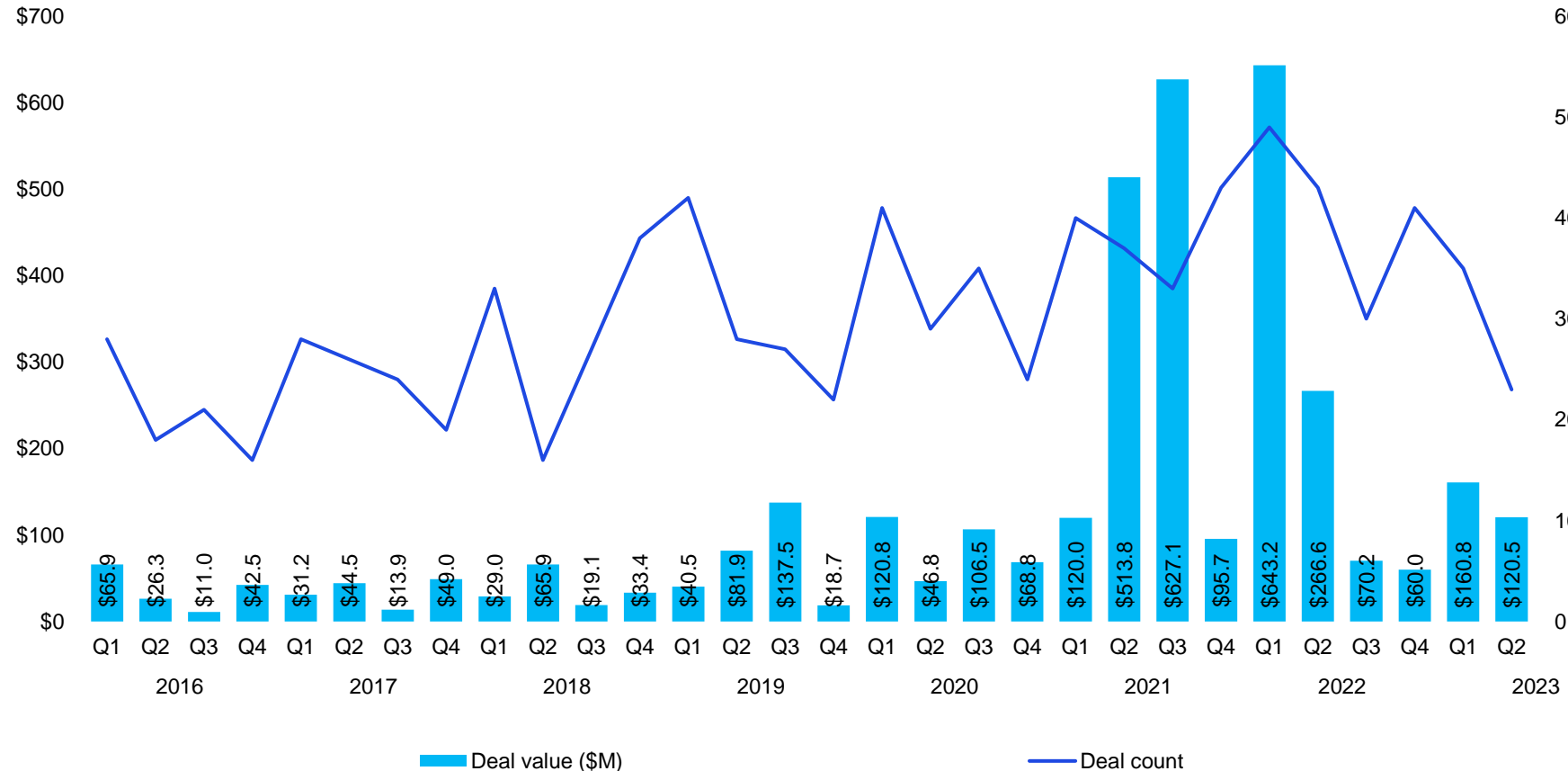


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Austrian venture financing levels remain modestly healthy

## Venture financing in Austria

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“Austria is quickly gaining ground as a VC hub in Europe, although we are still quite small compared to some. The current geopolitical and macroeconomic situation hasn't helped with growing our VC ecosystem, although we're still seeing funds being raised and companies being supported. This year it has become much harder for new startups to raise funds here. As an entrepreneur, if you're not managing a business with sustainable profit margins — especially if your company isn't cash flow positive after Series A — you're likely to encounter substantial difficulties trying to secure additional funds. On a more positive note, the early-stage and seed stage remain robust.”

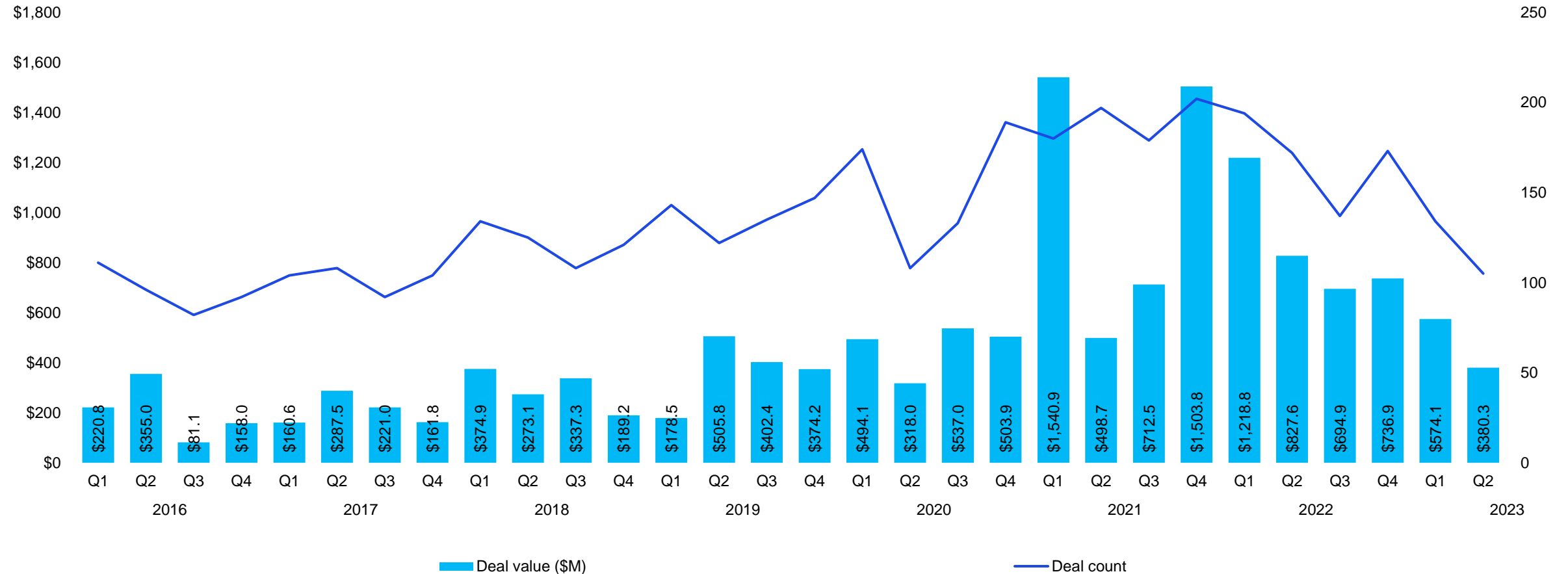


**Leonardo Peikoff**  
Head of Startup, ScaleUp  
Growth Management  
KPMG in Austria

# Dealmaking moderates across Spain

## Venture financing in Spain

2016–Q2'23

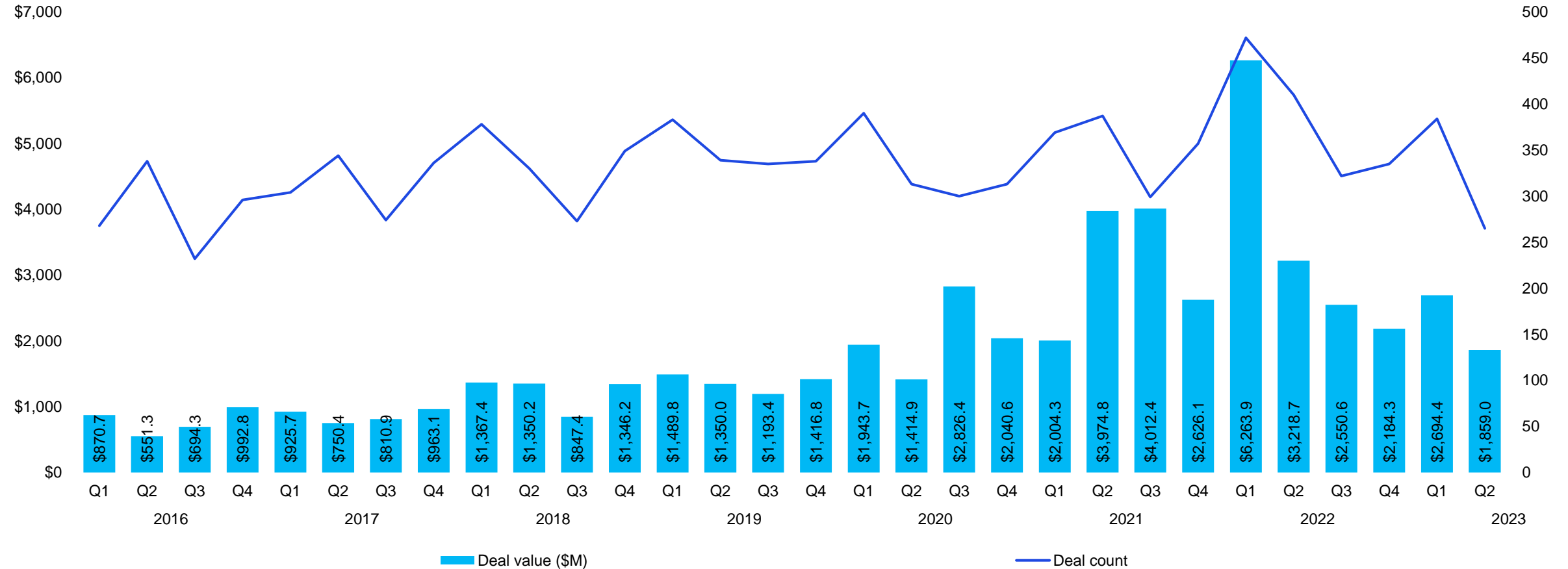


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# The general slowdown hits France, to a slightly lesser extent

## Venture financing in France

2016–Q2'23

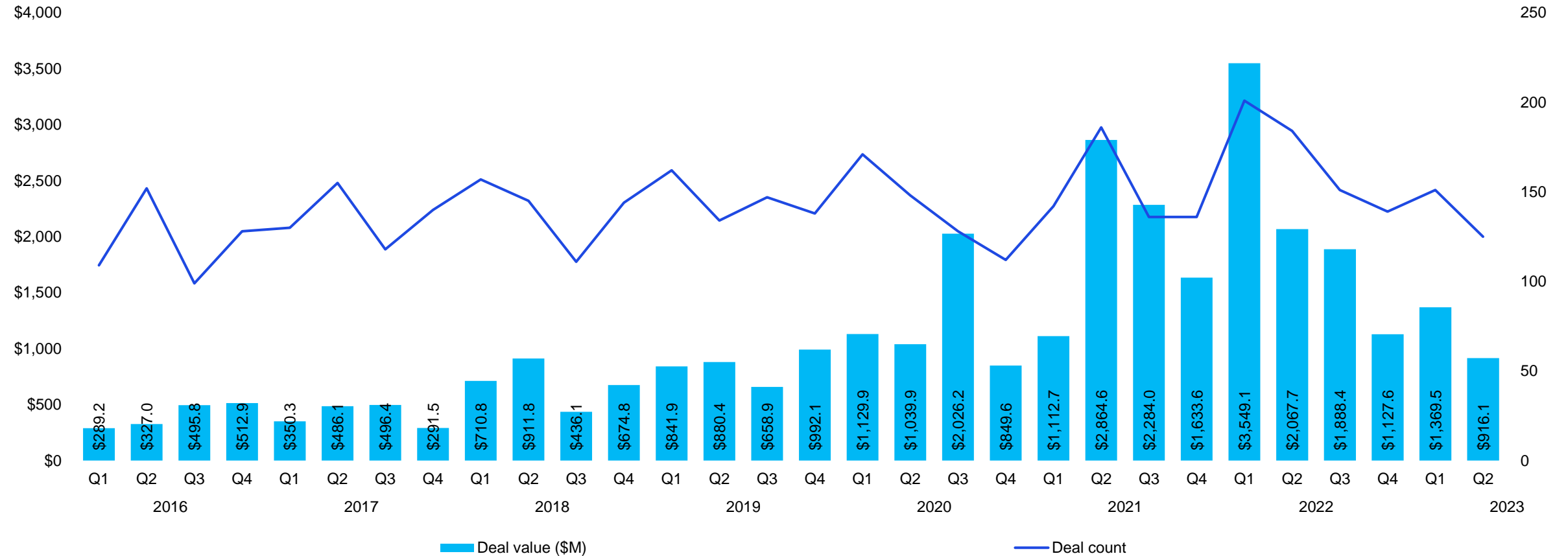


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Paris sees proportion of deal value dwindle

## Venture financing in Paris

2016–Q2'23

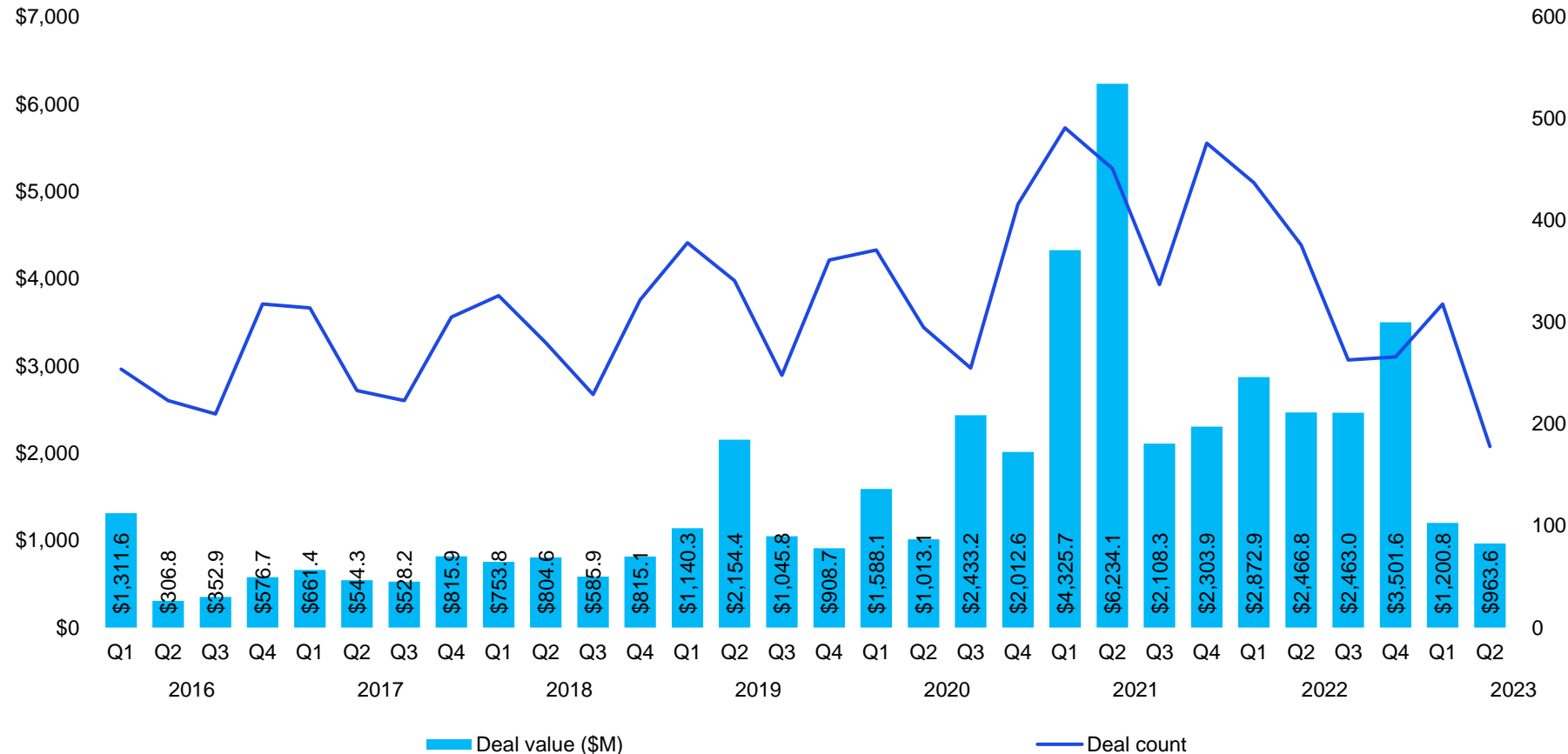


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# 2023 sees slower first half than in some time

## Venture financing in the Nordics

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“ Here in the Nordic region capital-efficiency with optional pathways to profitability is the new normal. Due to uncertainty of geopolitical and macroeconomic environment every investment and every dollar that is spent is being objectively looked at to decide whether it is a good use of capital. ”

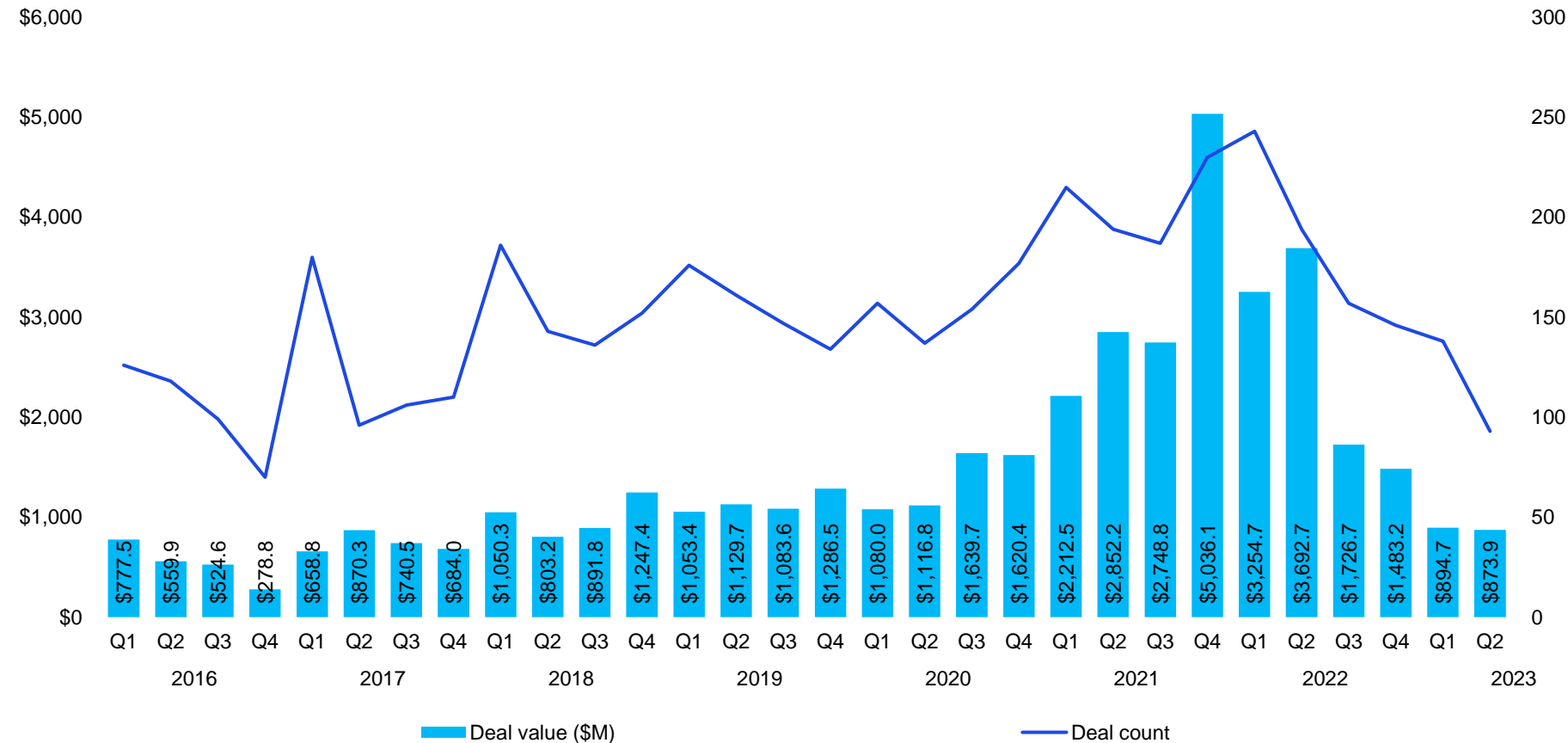


**Jussi Paski**  
Head of Startup & Venture Services  
KPMG in Finland

# Israel sees activity moderate much like elsewhere

## Venture financing in Israel

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“ The uncertainty of the global economy is reverberated locally and enhanced due to internal strains (proposed judicial reform, increasing inflation and interest rates). Trends dominating the market for the past two quarters continue to pursue — decrease in number of exits (M&As, no IPOs) with one major acquisition decreasing volumes of investments with an absolute majority of early-stage (Seed and Round A) deals, and a decrease in number of new tech companies established. Yet there are stakeholders who believe the current conditions have brought tech companies to their true value after a period of unrealistic hype, posing good investment and acquisition opportunities going forward. ”



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

#Q2VC

# A broad array of sectors attract top financings for the quarter

## Top 10 financings in Q2'23 in Europe



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

1. **Cacashop.com** — \$500M, Malta — E-commerce — *Series B*
2. **Getir** — \$475M, London, UK — E-commerce — *Late-stage VC*
3. **Taylor** — \$299.05M, Zurich, Switzerland — Fintech — *Late-stage VC*
4. **Builder** — \$250M, London, UK — AI & ML — *Series D*
5. **1Komma5** — \$232.1M, Hamburg, Germany — Climatetech — *Series B*
6. **GetYourGuide** — \$194M, Berlin, Germany — Consumer — *Series F*
7. **Ynsect** — \$175M, Evry, France — Agtech — *Series D*
8. **JOLT Energy** — \$165.1M, Munich, Germany — Cleantech — *Late-stage VC*
9. **Odoo** — \$162.2M, Grand-Rosiere, Belgium — Business software — *Late-stage VC*
10. **Distalmotion** — \$152.8M, Epalinges, Switzerland — Surgical devices — *Series F*



**In Q2'23, VC-backed  
companies in the Asia  
region raised \$20.1B  
across 2,395 deals**

# VC investment in Asia drops for sixth straight quarter

VC investment in Asia remained relatively soft in Q2'23, despite a \$2 billion raise by Singapore-based online retailer Shein and a \$700 million raise by India-based Byju.

## Alternative energy and battery storage continue to attract interest in Asia

While VC investment in Asia fell for the sixth straight quarter in Q2'23, there were pockets of strength in the VC space. The alternative energy, energy technology, and battery storage space continued to be a very attractive area of VC investment in the region — particularly in China, where lithium-ion battery component company Libode raised \$374.7 million, solar technology firm Qingdian Photovoltaic raised \$217.5 billion, and fusion technology company Neo Fusion raised \$216.1 million during the quarter. During Q2'23, Japan-based Kyoto Fusioneering raised \$79 million.

## Despite down rounds, follow-on funding remains key driver of investment in Asia

At mid-year, the percentage of down rounds compared to the total number of funding rounds in Asia was at its highest level in over ten years. While this may have affected the size and number of large mega-deals during the quarter, existing companies looking to attract follow-on funding continued to draw the lion's share of VC investment at more modest deal values. While there is growing optimism among VC investors in Asia, particularly in China and Hong Kong, investors continued to act cautiously in Q2'23, prioritizing investments in companies with more maturity, while shying away from new and very early-stage startups.

## VC investors in China prioritize companies able to show results

During Q2'23, confidence continued to grow in China, although VC investors remained highly cautious with respect to their investment decisions. The number and value of major growth-focused VC deals remained soft, particularly compared to the levels seen four-to-six quarters ago when confidence in IPO status and access to exits was significantly higher. During the quarter, VC investors in China also prioritized companies able to show real numbers and growth — whether revenue or profit — and the ability to be sustainable long-term.

## Despite small uptick quarter-over-quarter, VC investment in India remains very subdued

VC investment in India rose slightly in Q2'23, although it remained very subdued compared to many historical quarters — including the same quarter last year, which saw over \$8 billion in VC investment. The largest deals in Q2'23 in India included a \$700 million raise by edtech Byju, a \$600 million raise by online optical platform Lenskart, and a \$168.1 million raise by mobile balance management app company True Balance.

Fintech, edtech, and gaming continued to attract solid interest and VC investment in India during Q2'23. Agritech also remained high on the radar of VC investors in the country, although it remains relatively nascent industry. As such, many of the agritech deals to date have been relatively small in terms of deal value, although deal sizes are expected to grow over time.

## Stock market performance helping drive investor confidence in Japan

Japan's stock market has performed admirably in recent months, as evidenced by the strong upswing in the Nikkei 225 since the beginning of the year. This performance has likely contributed to the positive sentiment of investors and to the continued growth and maturation of the VC sector in Japan. Startups have continued to grow, raising larger funding rounds at much higher valuations. In Q2'23, mobility company Go raised \$103.1 million while energy company Kyoto Fusioneering raised \$79 million. Biotech companies also raised solid funding rounds, including Heartseed (\$20 million) and EditForce (\$15.5 million). IPO exits in Japan increased in Q2'23 compared to the same quarter last year, although the listed companies were all relatively small. In recent months, Japan has also seen several large technology companies announce plans to spin-off business units in order to focus on their core business. If completed, these spin-offs will likely drive additional IPO activity in Japan.

# VC investment in Asia drops for sixth straight quarter, cont'd.

## VC investment in China continues to center around physical products and new materials

VC investment in China continued to focus on hard technologies in Q2'23 — including products like semiconductors, energy technologies, and new materials aligned to China's priority innovation sectors. B2B solutions was also a major focus area — although software investments focused primarily on applications related to real products and services rather than simply on software-as-a-service style offerings.

## Fundraising in China surpasses 2022 total

In recent quarters, both China's central government and a number of local governments have worked to support technology development and startup growth, particularly in critical industries. This has ranged both from direct investment in startups to partnerships with VCs in order to make specific investments. This government participation is likely one reason why fundraising in China has bucked the downward fundraising trend seen in other regions of the world — and in other jurisdictions within Asia. It is hoped that this fundraising will help spur VC investments in the country heading into the second half of the year.

## Trends to watch for in Q3'23

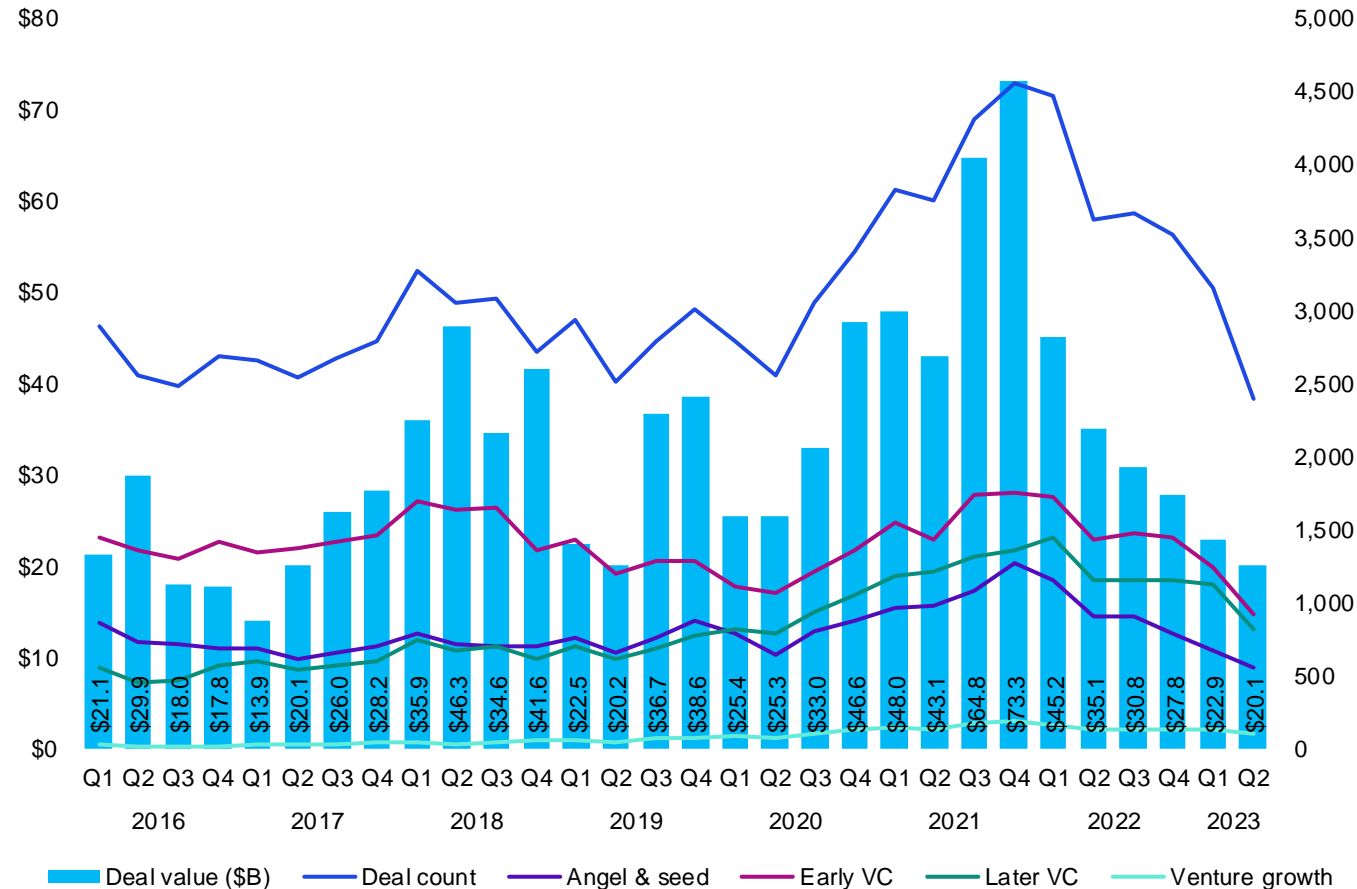
There is optimism in Asia heading into Q3'23, particularly in China and Hong Kong, although there is no certainty that this optimism will quickly translate into increasing VC investment. There is also some hope for stronger IPO activity in Hong Kong and China during the second half of the year, particularly given the planned spin-offs of a number of tech giant Alibaba's business units. The success of these spin-offs could spur other IPO activity, while potentially also driving a new wave of interest in technology companies in China.

In Q3'23, Japan is expected to change regulations related to the origination of venture funds in order to attract more foreign VC investment into the country.

# 2023 sees a potential beginning to moderating deal flow

## Venture financing in Asia

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

VC dealmaking continues to moderate, but at a slower pace than before. As a result, much like in every other region worldwide, there could be growing assurance on the part of investors and startups alike that the myriad of volatile factors have now been priced in. However, plenty of potential variables for investing remain intact, which could lead to a plateau in dealmaking tallies at best.

“ In China, a lot of money is going into the area of battery storage because it is such a gamechanger. Currently, you can get a lot of power from solar and other sources, but it is difficult to store any of it or get it to where the demand is greatest. The ability to store such energy effectively would make a major difference not just locally but to society as a whole. That’s why we’re seeing a lot of companies focusing on the battery technology space and, similarly, a lot of investment. ”



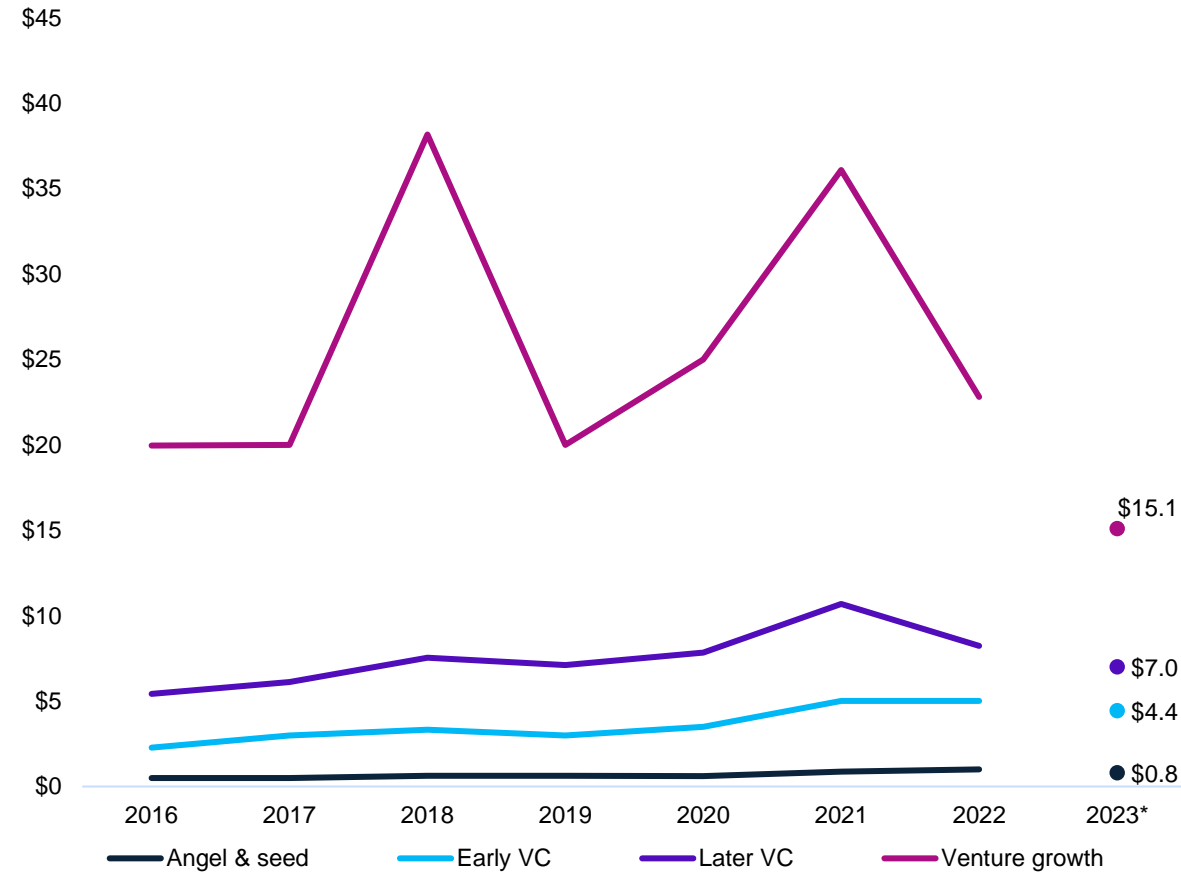
**Egidio Zarrella**

Partner, Clients and Innovation  
KPMG China

# Down rounds hit highest mark in years

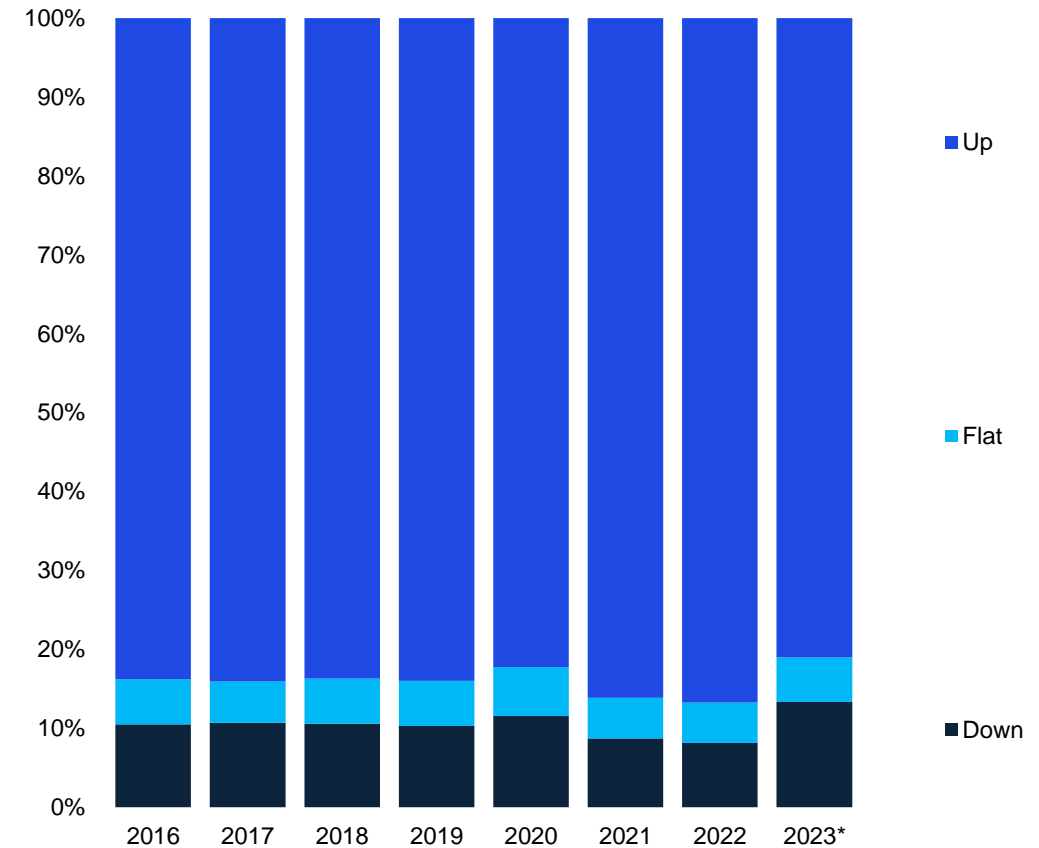
## Median deal size (\$M) by stage in Asia

2016–2023\*



## Up, flat or down rounds in Asia

2016–2023\*

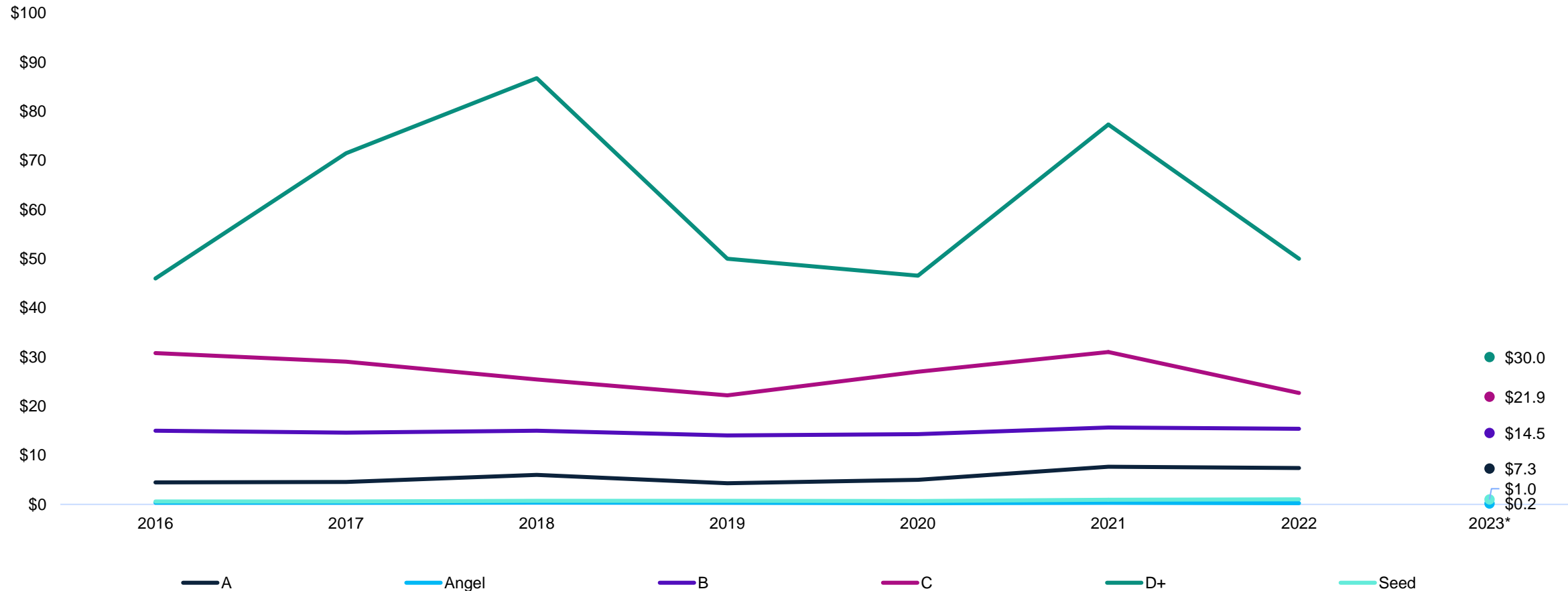


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023. 2023 figures for flat rounds are based on non-normative sample sizes.

# Deal sizes converge on more modest levels

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

2016–2023\*

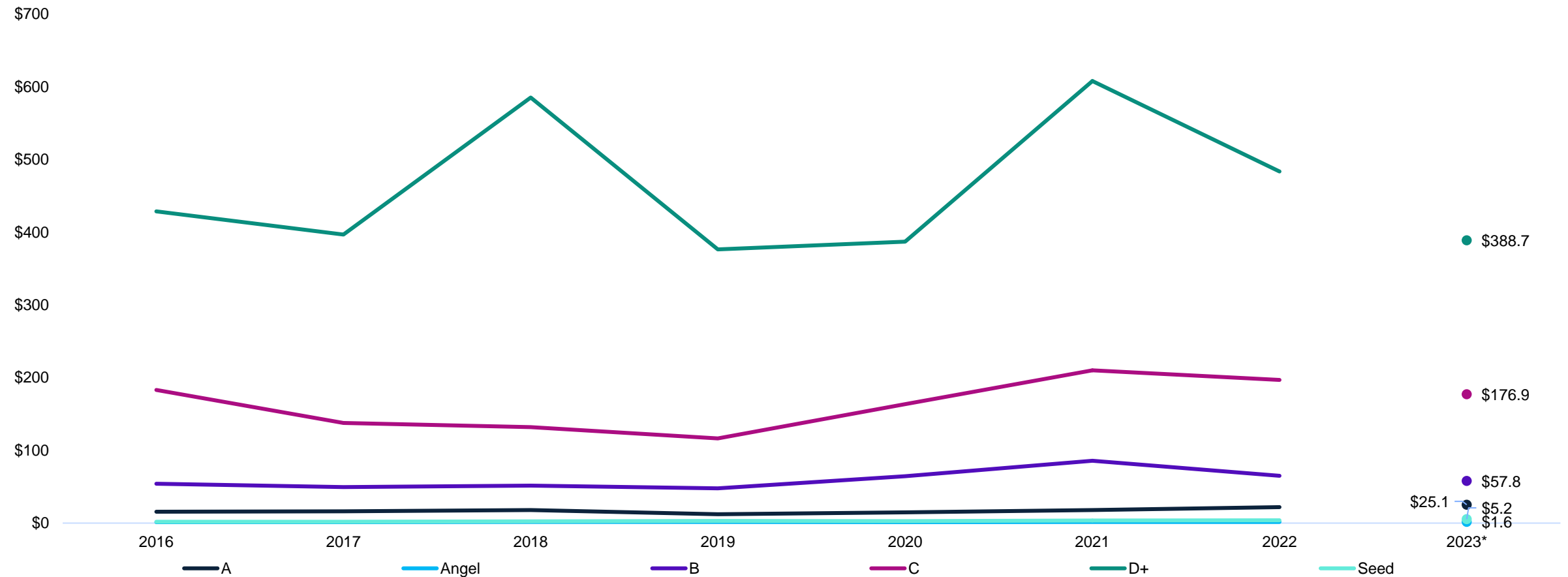


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023. The Series D+ figure for 2023 YTD is based on non-normative sample sizes.

# Valuations have slid somewhat

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

2016–2023\*

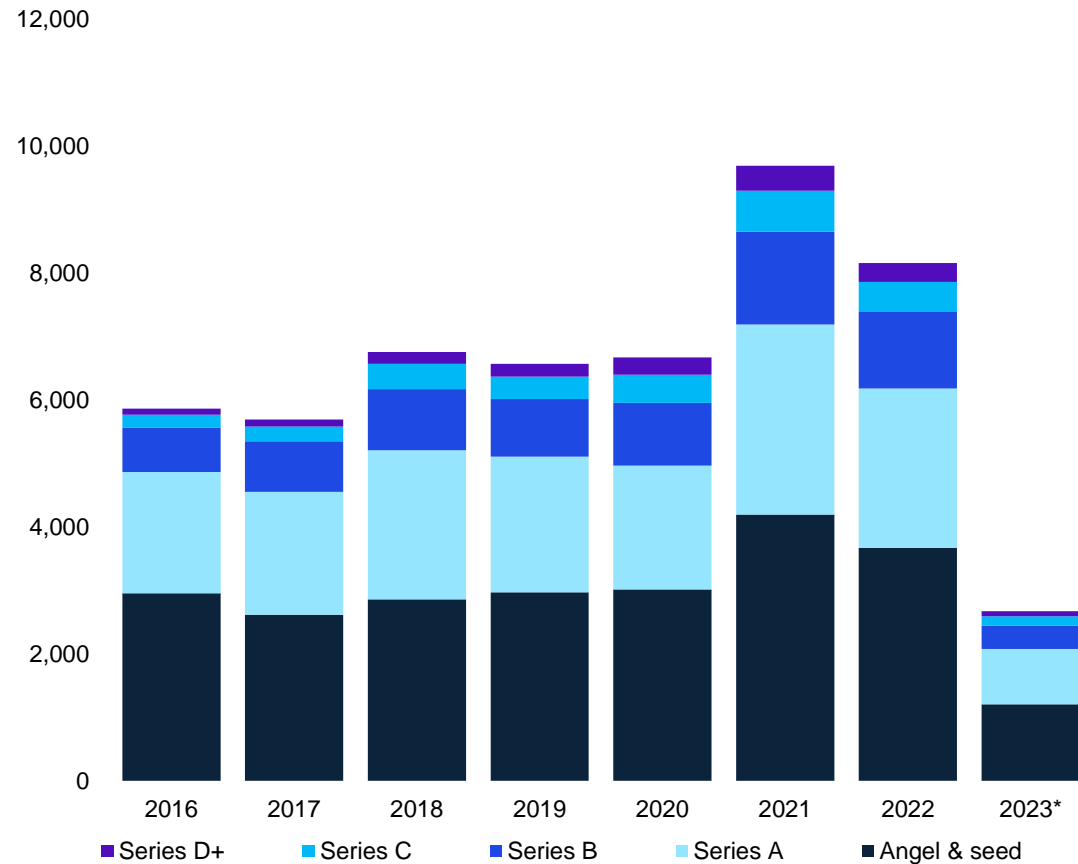


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023.

# Earlier-stage deals stay surprisingly resilient

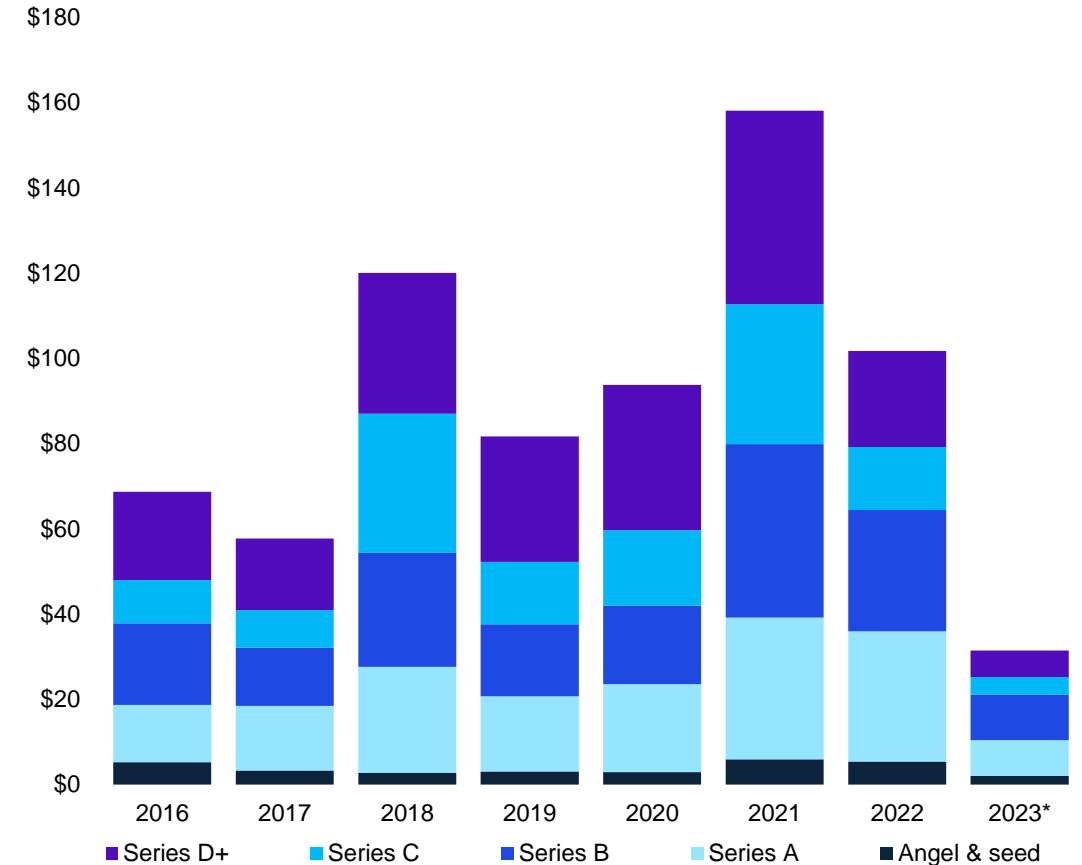
## Deal share by series in Asia

2016–2023\*, number of closed deals



## Deal share by series in Asia

2016–2023\*, VC invested (\$B)



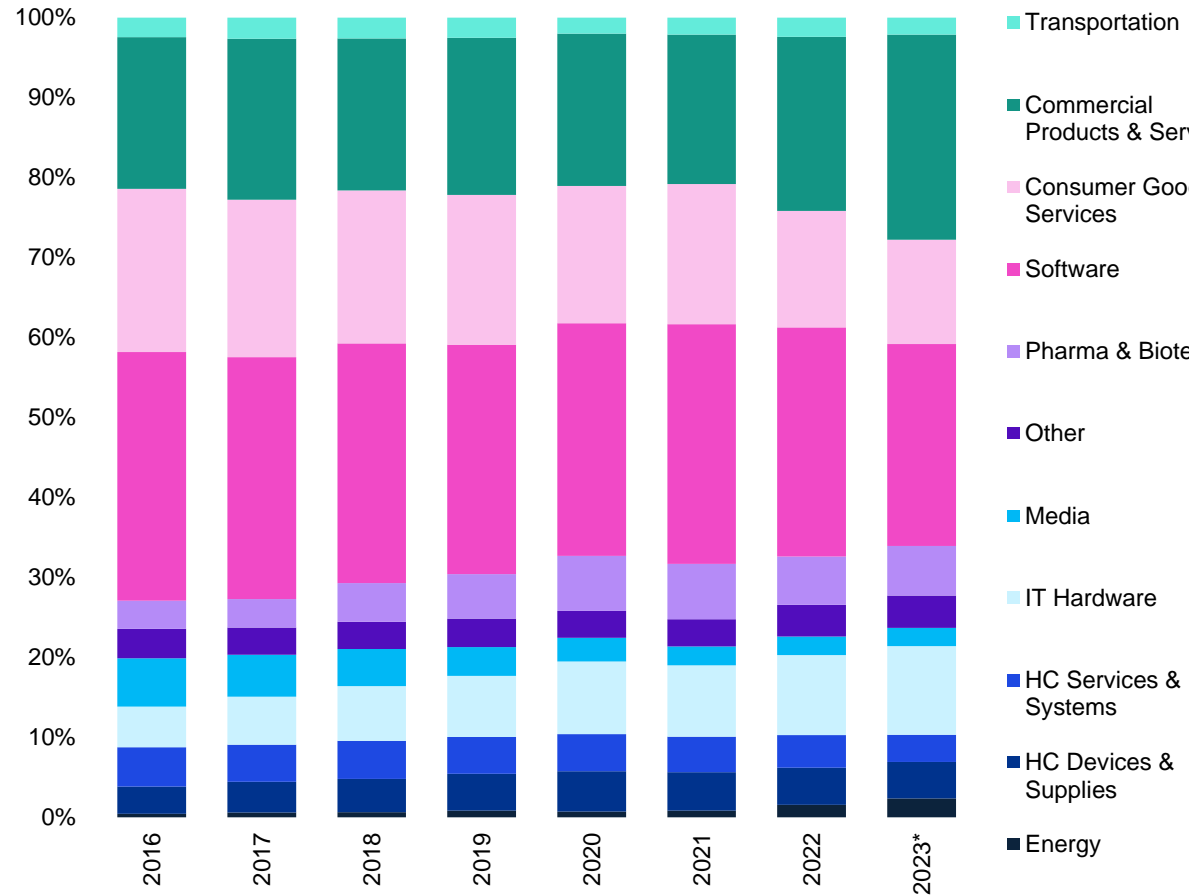
Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023



# VC invested increasingly flows to formerly less-active sectors

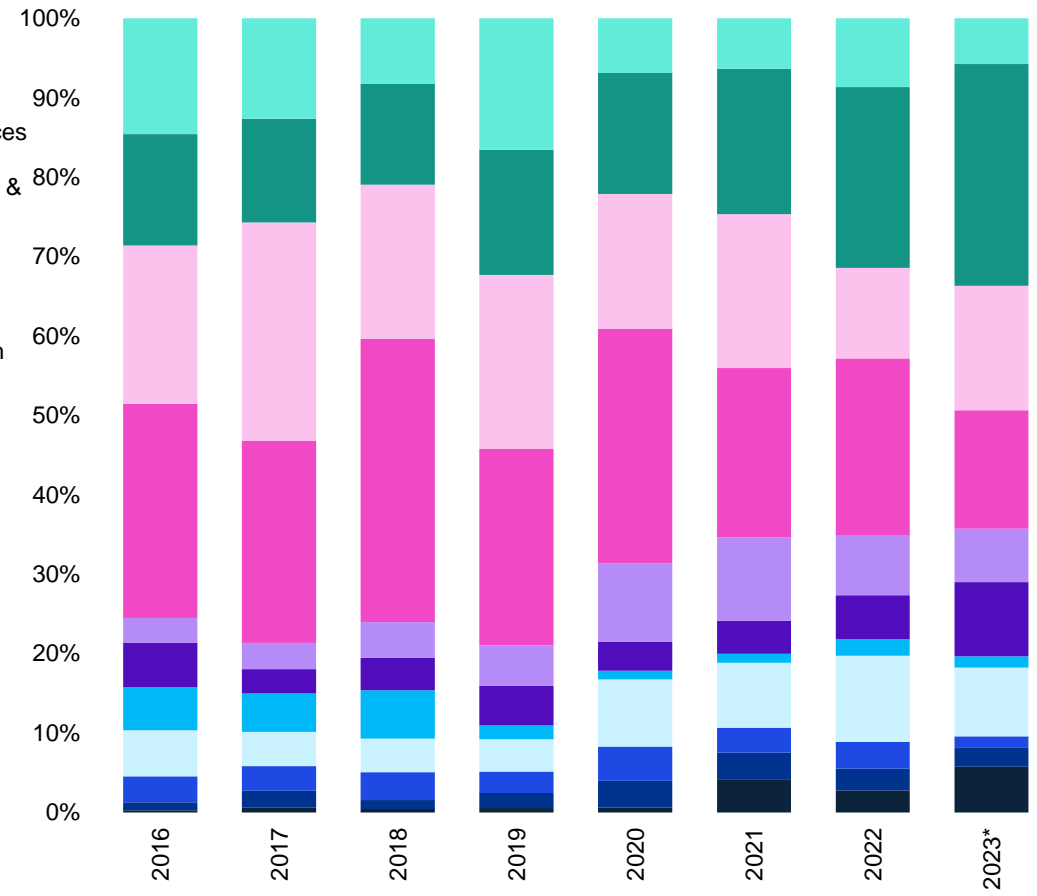
## Asia venture financings by sector

2016–2023\*, number of closed deals



## Asia venture financings by sector

2016–2023\*, VC invested (\$B)

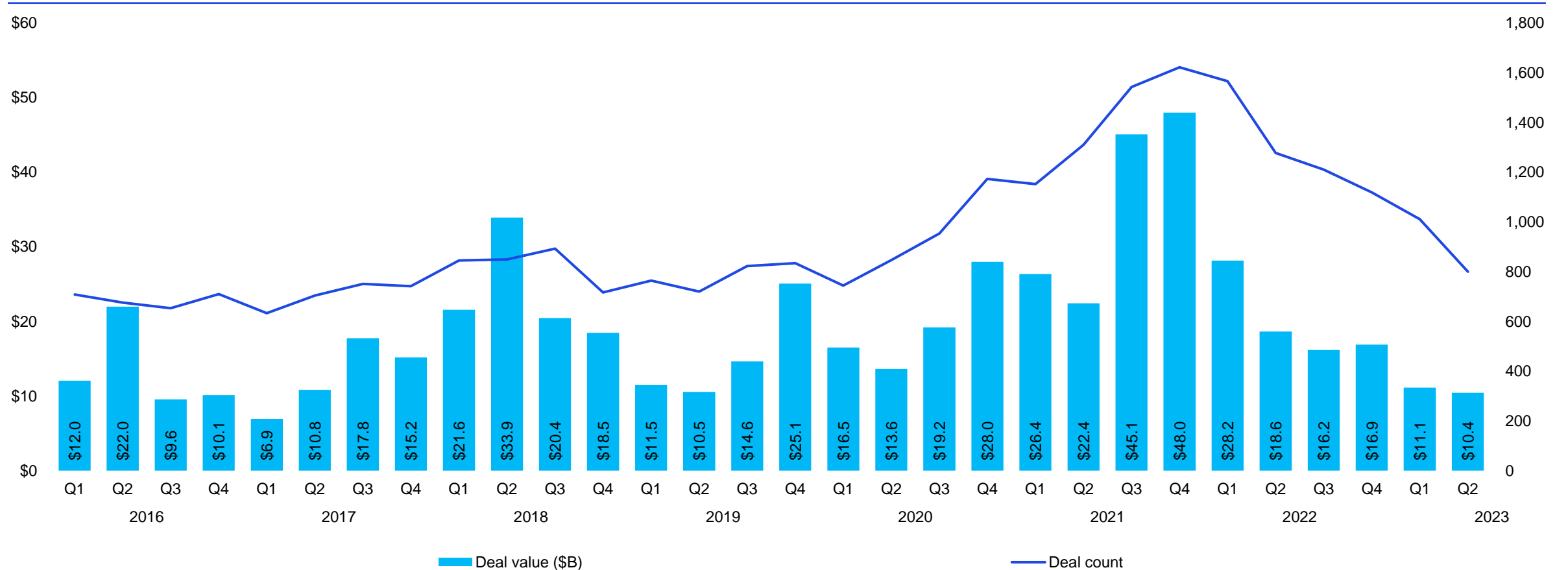


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Corporates pull back in line with the general market

## Corporate participation in venture deals in Asia

2016–Q2'23

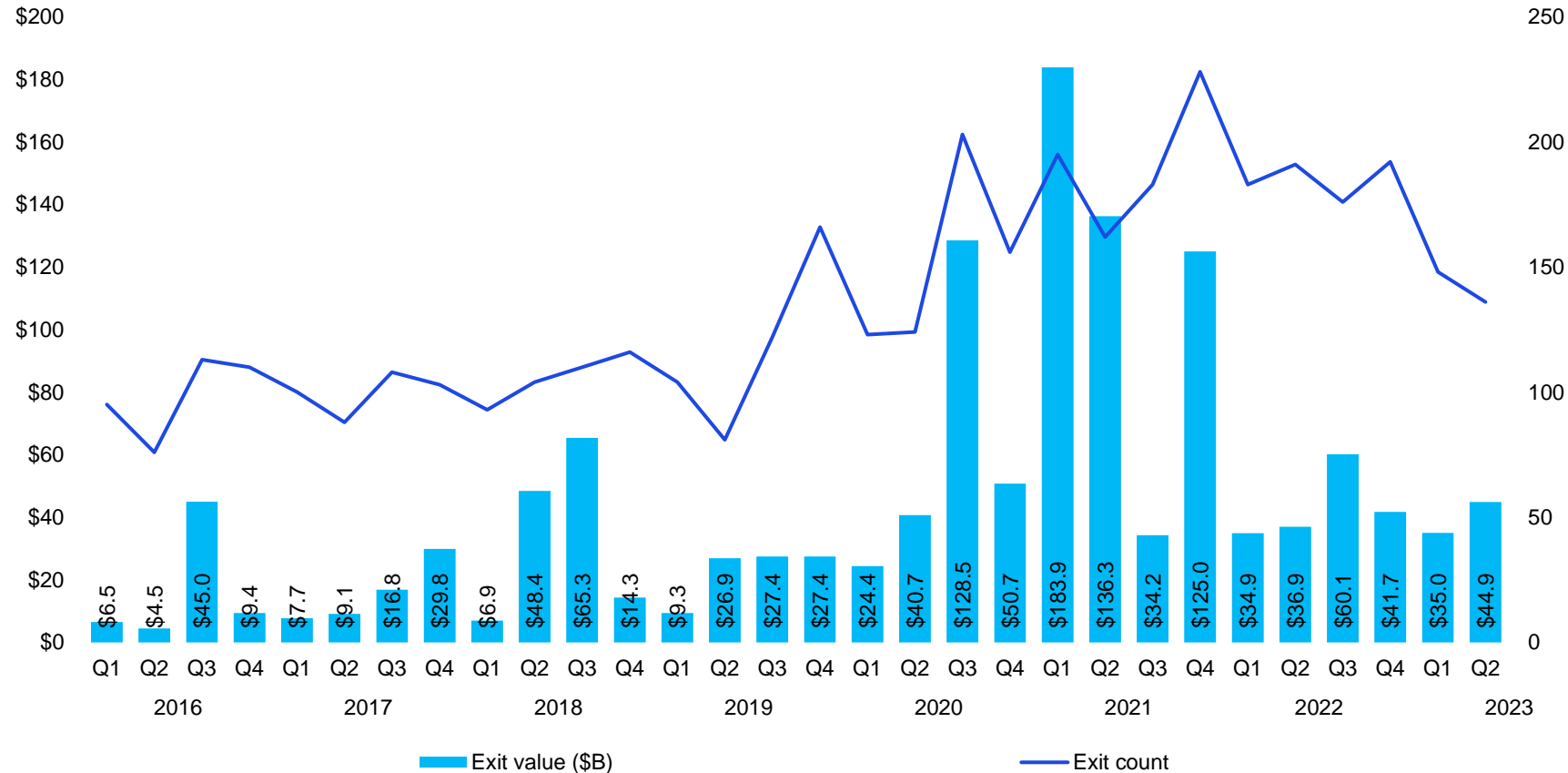


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Exit activity seems to enter plateau similar to dealmaking

## Venture-backed exit activity in Asia

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“ We are seeing more companies starting to undertake the work required to conduct an IPO — which will hopefully bode well for the IPO market in Hong Kong heading into the second half of the year, although actual exits may take time to materialize. If some of these early movers see good demand and results, then others will follow — which should start to improve the VC market as funds are recycled back into the secondary market. ”



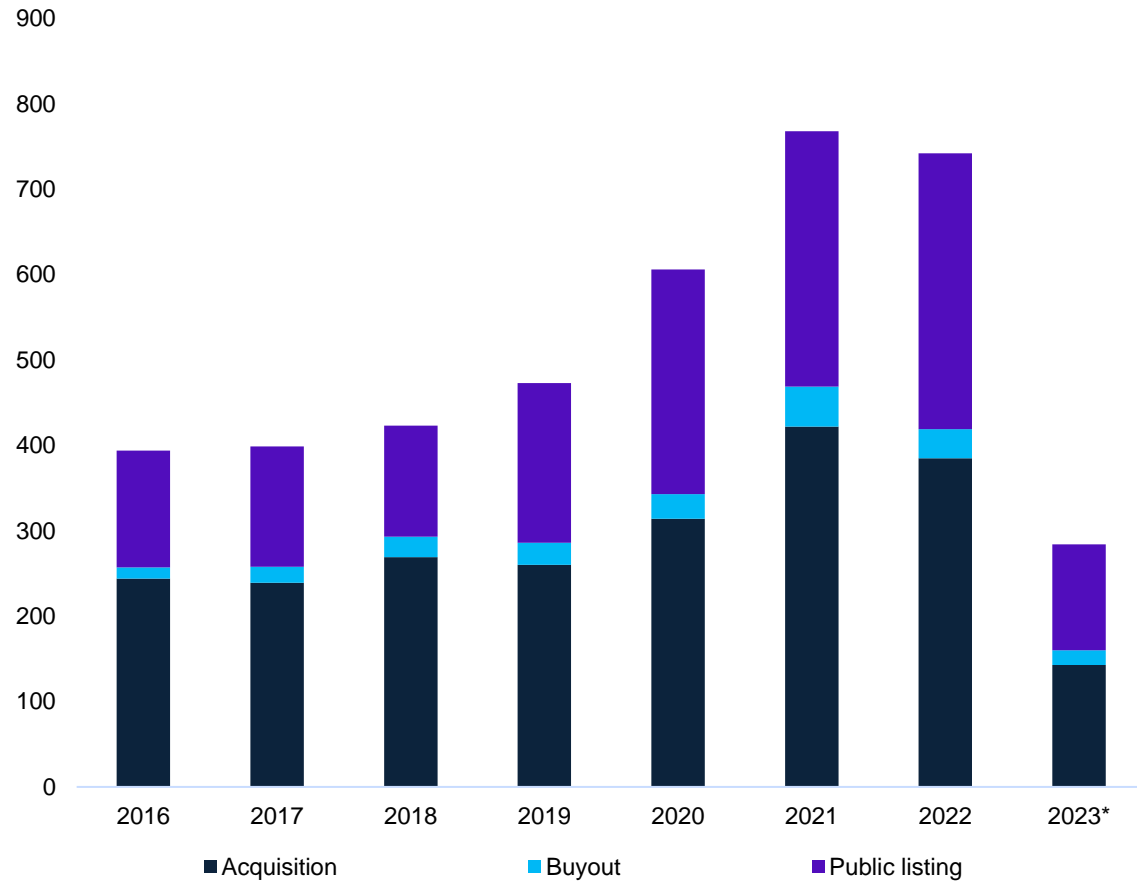
**Irene Chu**

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

# IPOs continue to propel the bulk of exit value

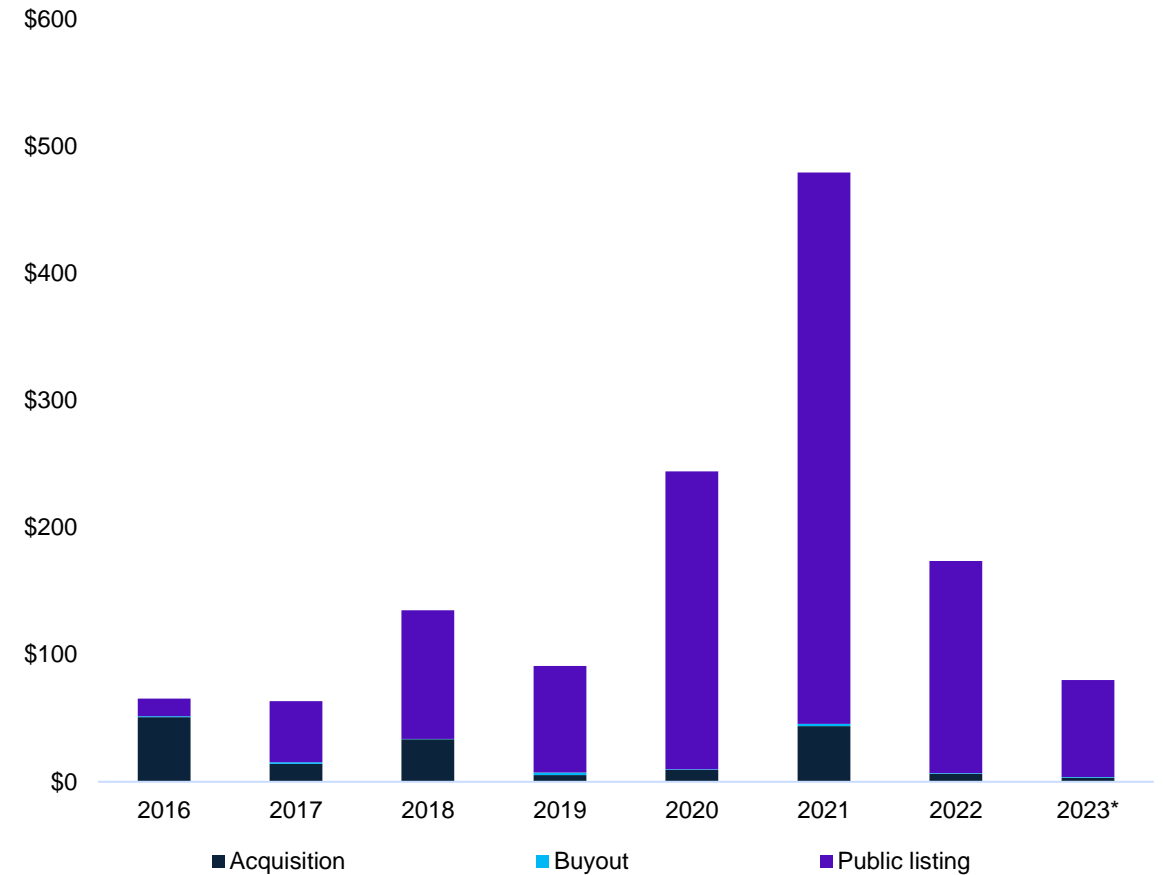
## Venture-backed exit activity (#) by type in Asia

2016–2023\*



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

2016–2023\*

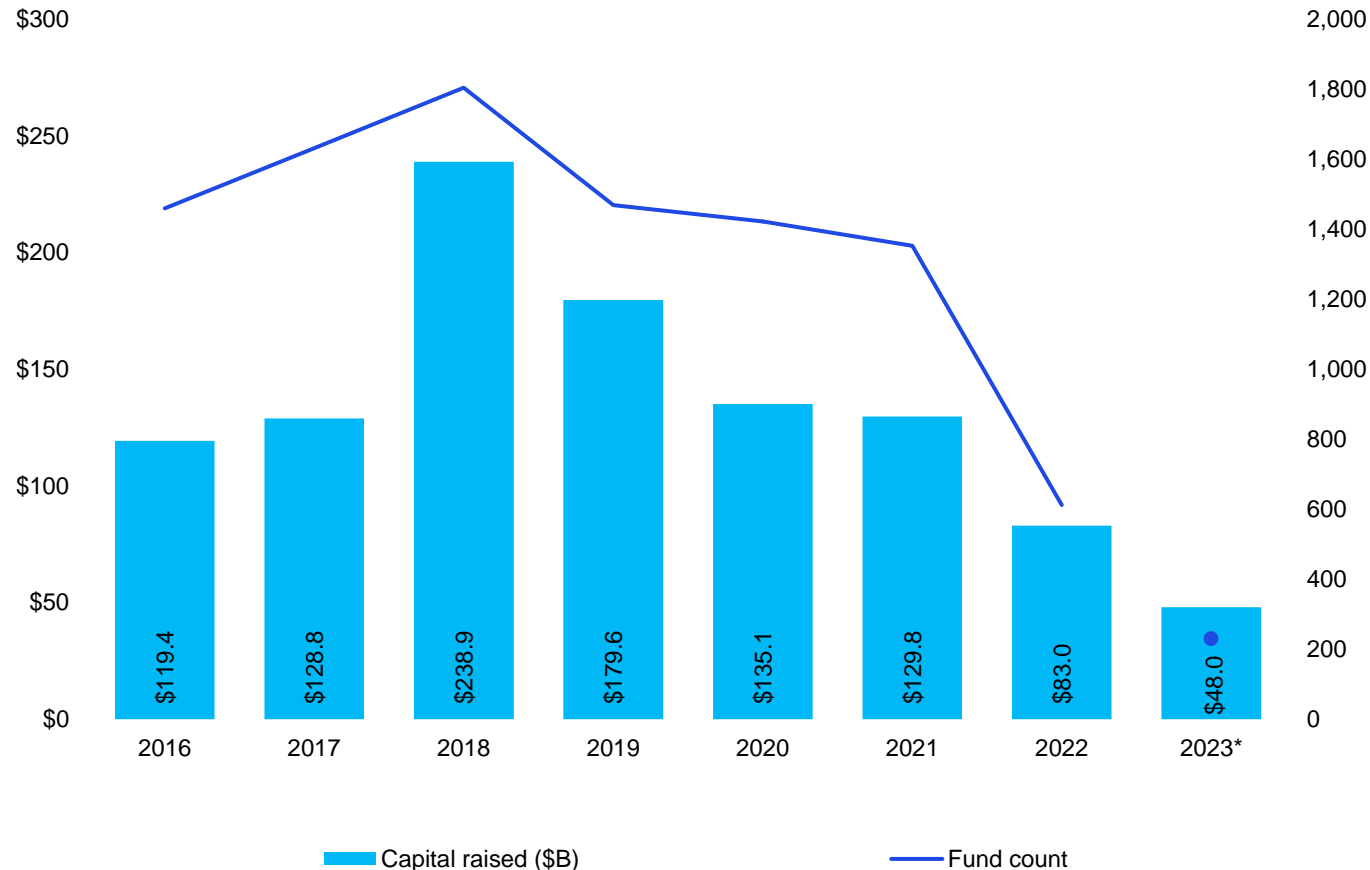


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# 2023 sees somewhat healthier tally of capital raised

## Venture fundraising in Asia

2016–2023\*



Even with \$48 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.

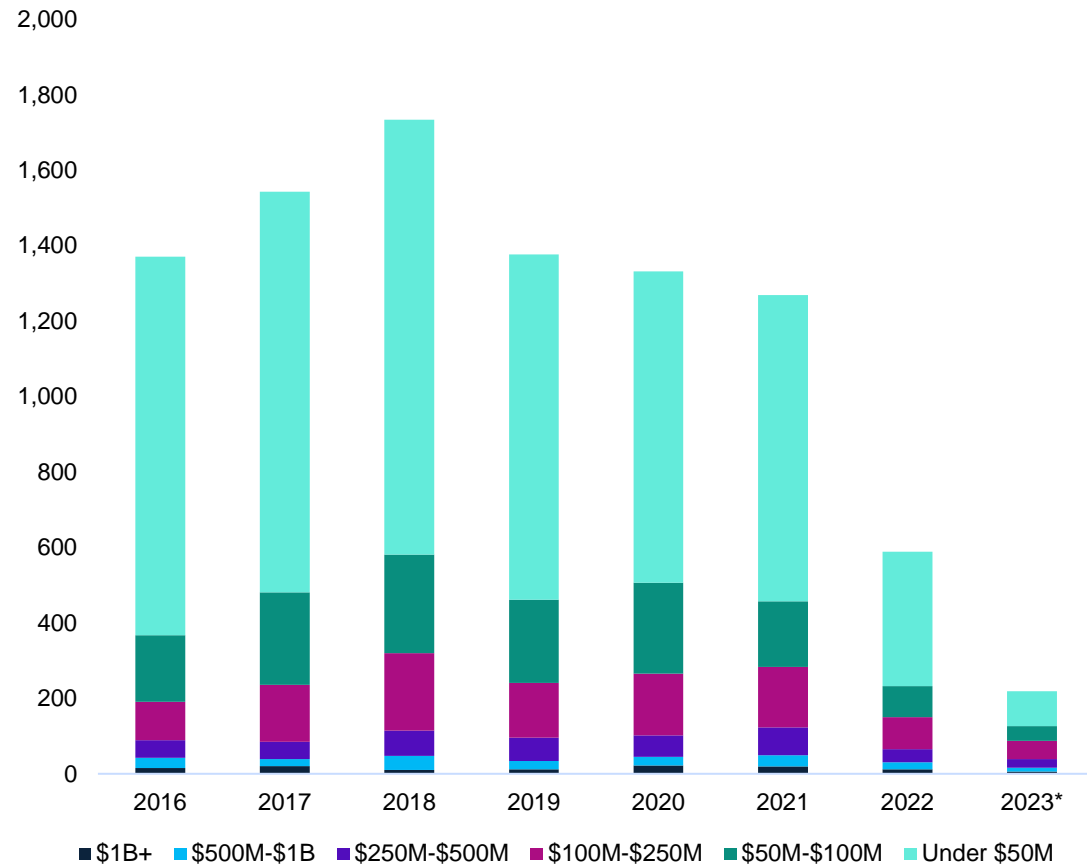
The fundraising cycle is raking in a somewhat healthier level of capital commitments, **but now it remains to be seen how this affects startup financing down the line...**

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# Midsized to small funds account for bulk of closings

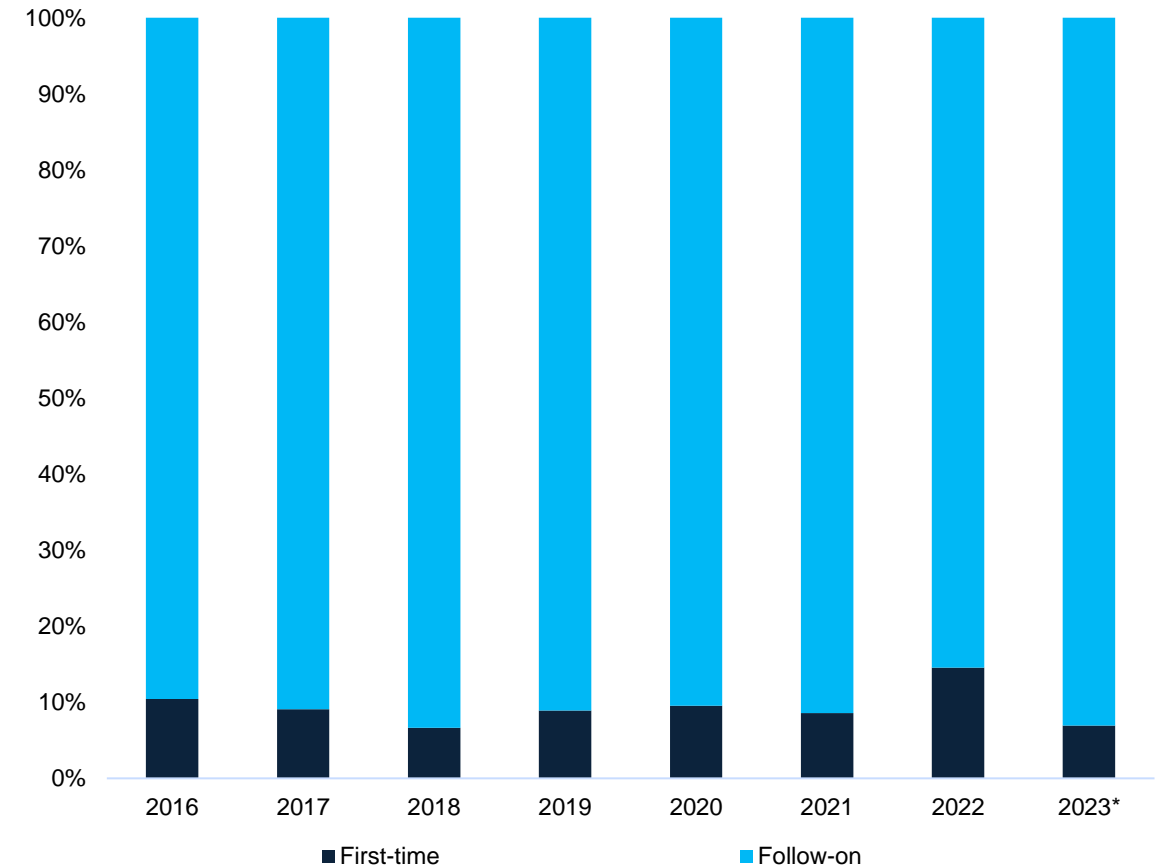
## Venture fundraising (#) by size in Asia

2016–2023\*



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

2016–2023\*

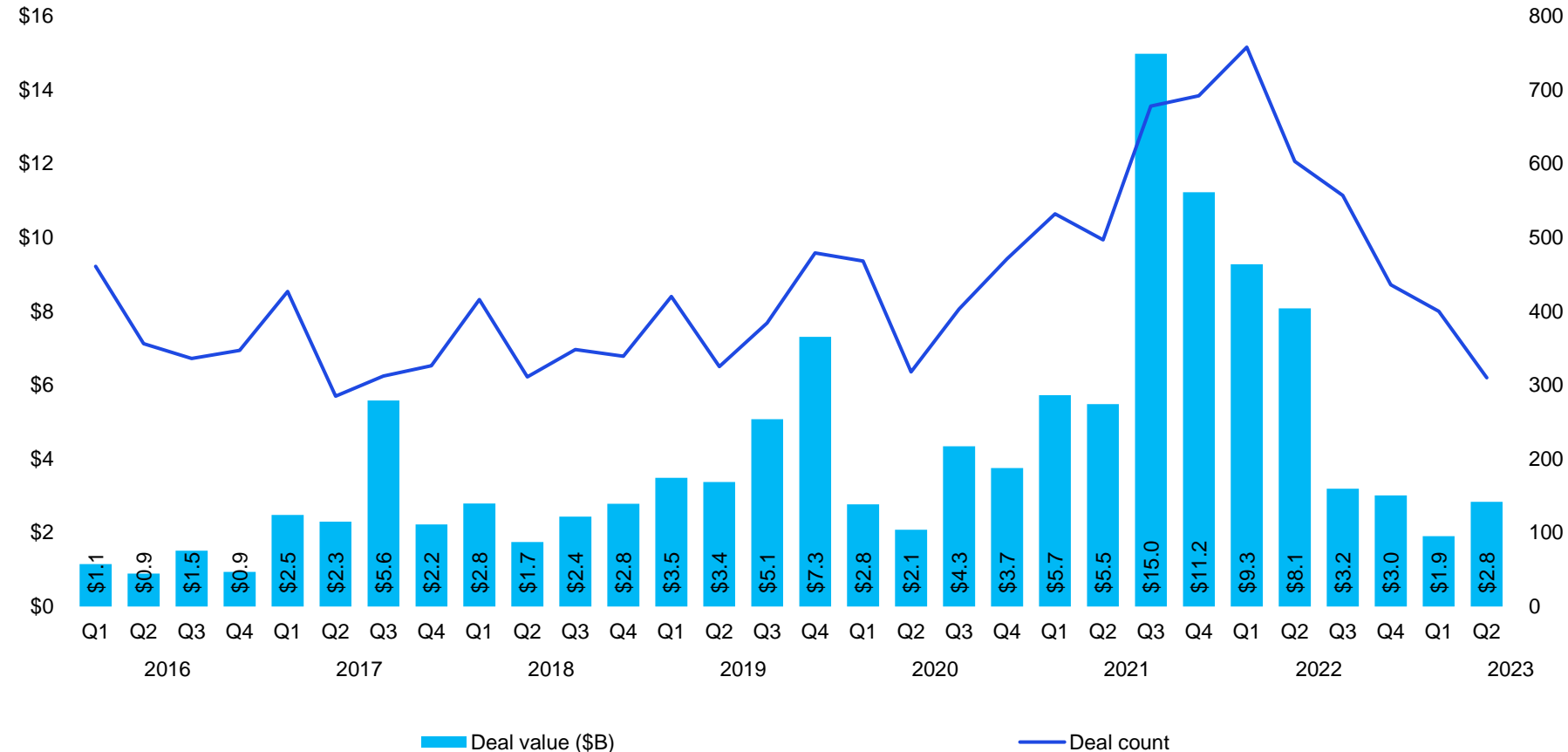


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# India sees decline in volume, much like elsewhere

## Venture financing in India

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“ While the last 2 quarters have been muted, we expect activity to be significantly higher by the end of this calendar year. The path to profitability and positive operating cash flow continues to be critical success factor for the business owners to attract funding. ”

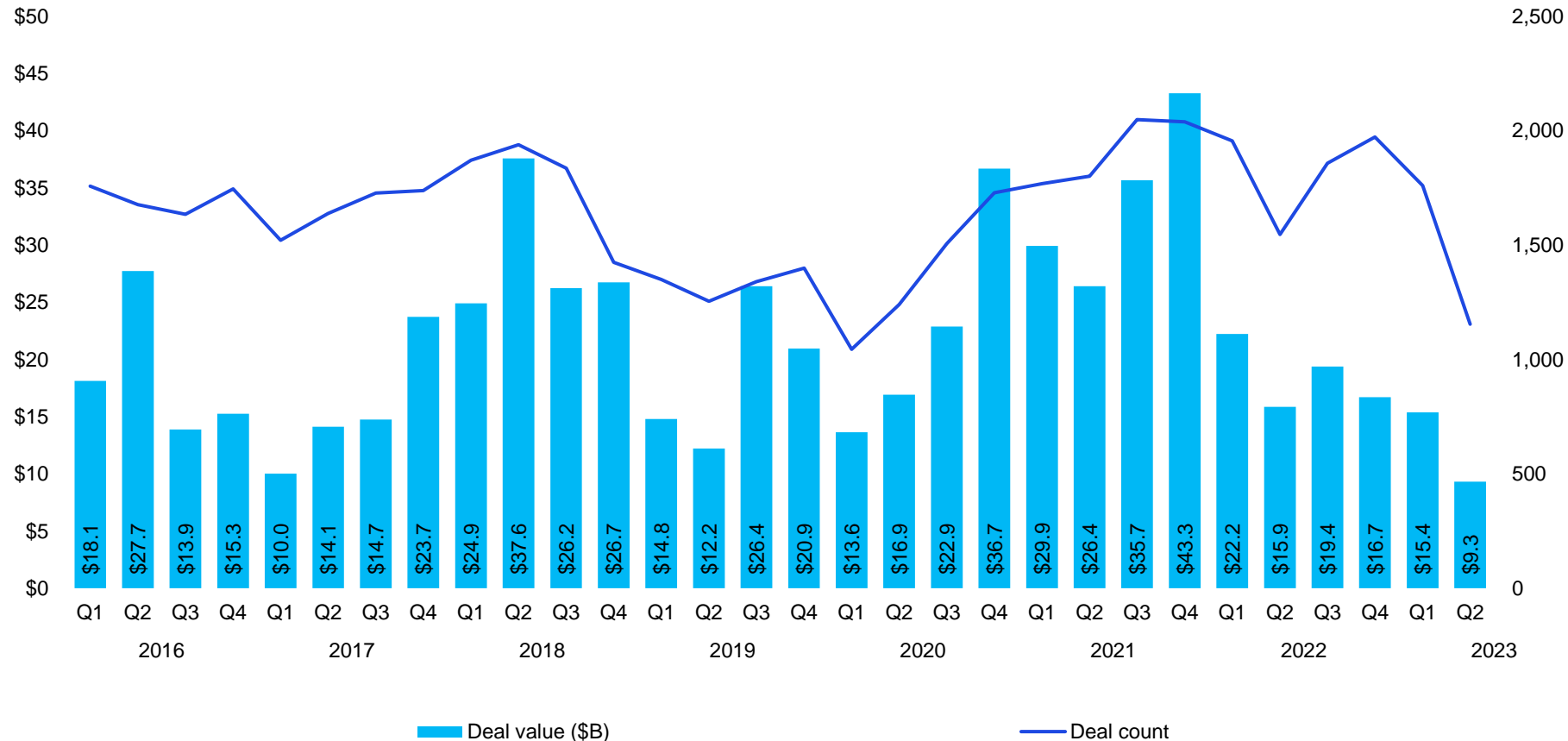


**Nitish Poddar**  
Partner and National Leader,  
Private Equity  
**KPMG in India**

# VC activity has a potentially temporal down quarter

## Venture financing in China

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

“ VC investment remained muted in China this quarter, although the overall economy in the country continued to make a slow rebound. Despite the sluggish VC activity, we continued to see investor support for the energy and green technology sectors, particularly any solutions related to battery production. We also saw local governments increasingly collaborating with VC firms to invest in startups and provide various types of support to the overall ecosystem. ”



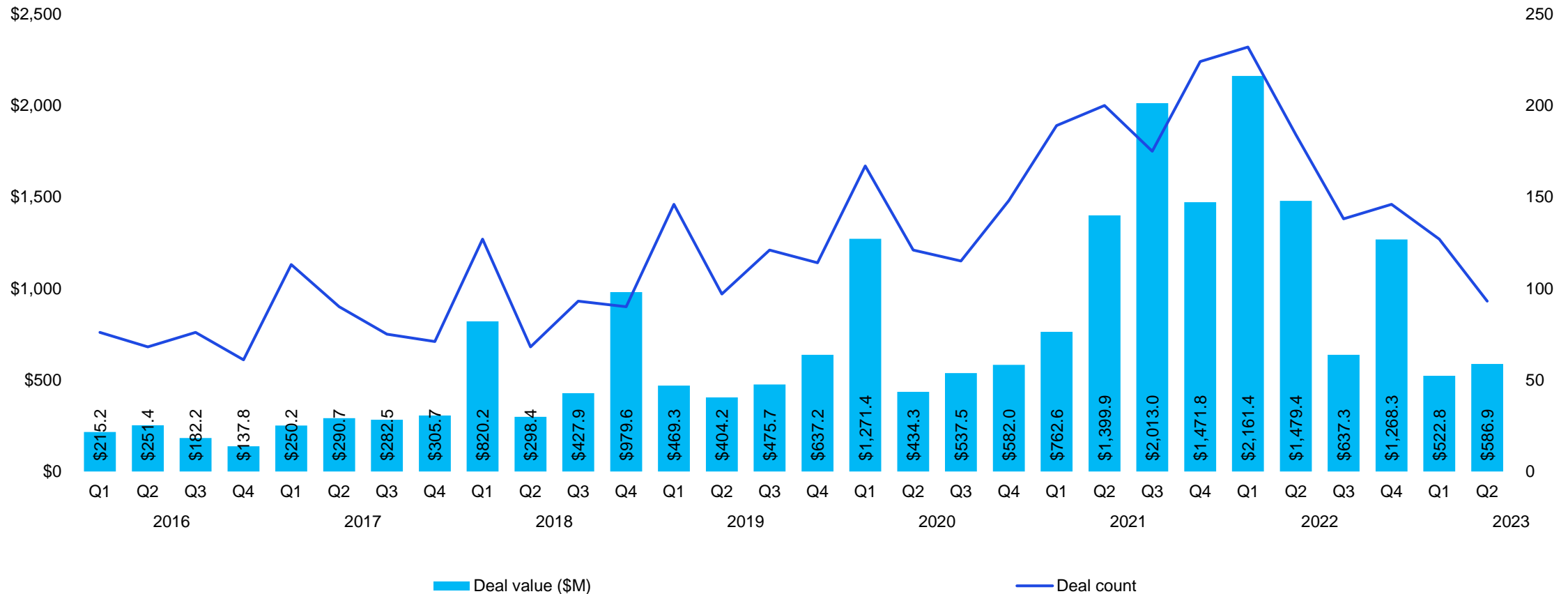
**Zoe Shi**  
Partner  
KPMG China



# Dealmaking remains subdued yet not sluggish

## Venture financing in Australia

2016–Q2'23

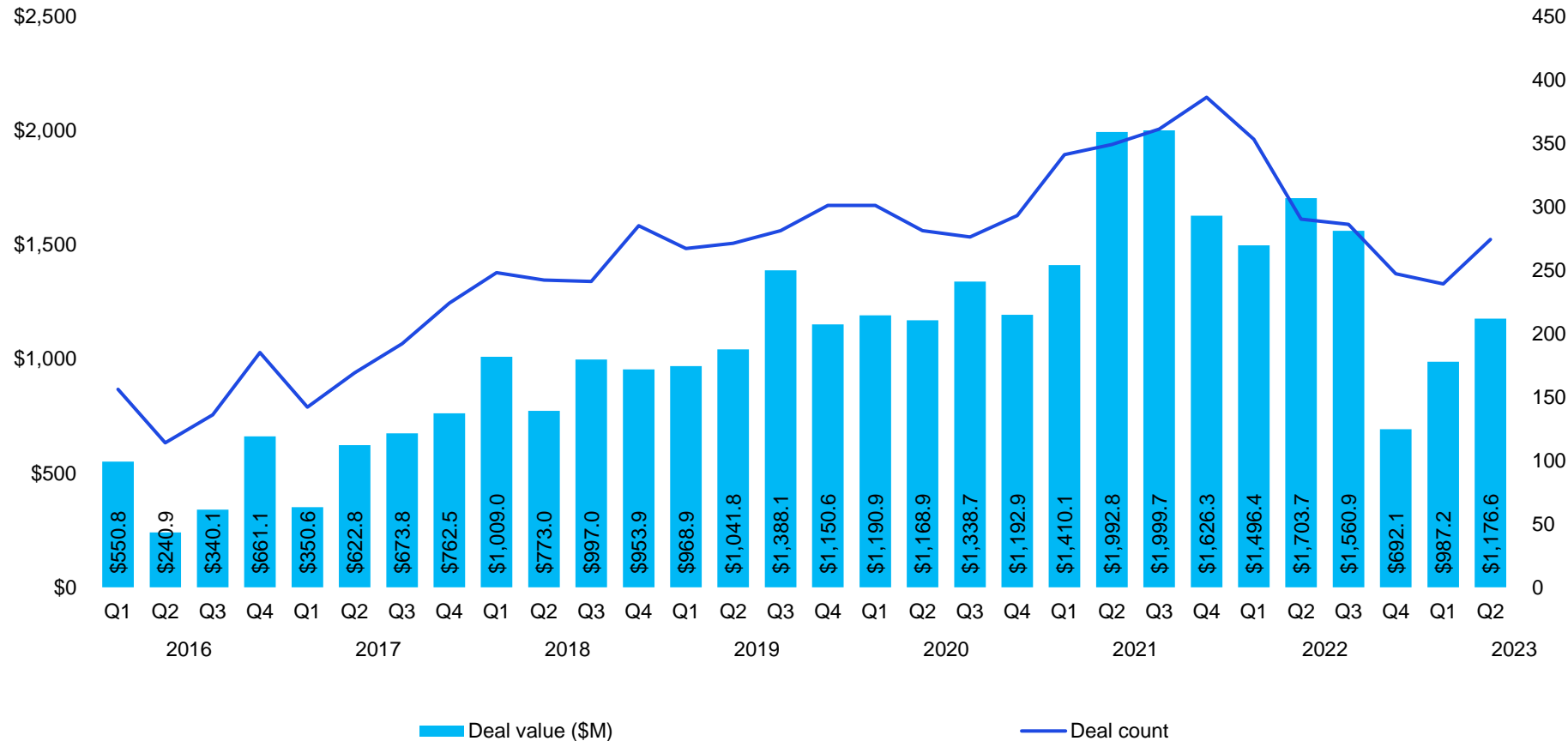


Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# In an outlier, Japan sees dealmaking rise

## Venture financing in Japan

2016–Q2'23



Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

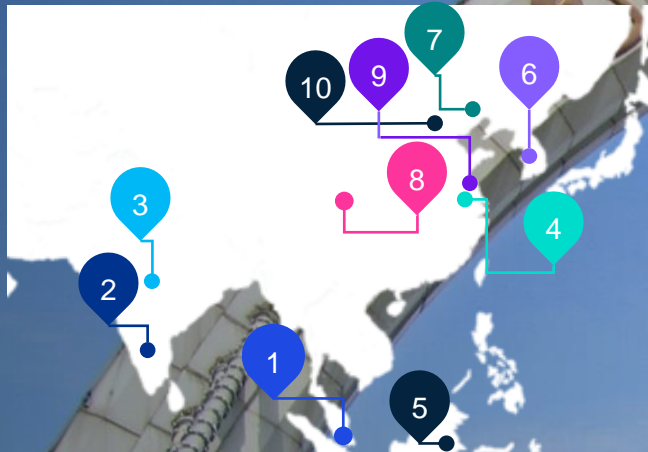
“ The government of Japan has been very supportive of the development of a startup ecosystem in Japan — which is one of the reasons the ecosystem has evolved and grown so quickly in recent years. Currently, the government is in the process of changing the law to make it easier for foreign investors to make investments in Japan because it recognizes that this capital will be needed for Japan’s startups to reach their full potential. ”



**Hiroshi Abe**  
Executive Board Member,  
Partner  
KPMG in Japan

# Domestic priorities show strong in top quarterly financings

## Top 10 financings in Q2'23 in Asia-Pacific



1. **SHEIN** — \$2B, Singapore — Retail — *Series G*
2. **BYJU'S** — \$700M, Bengaluru, India — Edtech — *Late-stage VC*
3. **Lenskart** — \$600M, New Delhi, India — E-commerce — *Series I*
4. **Changfei** — \$532M, Wuhu, China — Semiconductors — *Series A*
5. **Mandy** — \$500M, Indonesia — E-commerce — *Early-stage VC*
6. **KT Cloud** — \$452.5M, Seoul, South Korea — Cloudtech — *Series B*
7. **ESWIN Computing** — \$423.1M, Beijing, China — Semiconductors — *Series D*
8. **Libode** — \$374.7M, Yibin, China — Specialty chemicals — *Series B*
9. **SJSemi** — \$340M, Jiangyin, China — Semiconductors — *Series C1*
10. **JingXi ZhiXing** — \$290.7M, Zhangjiakou, China — Manufacturing — *Series A*

Source: Venture Pulse, Q2'23, Global Analysis of Venture Funding, KPMG Private Enterprise. \*As of June 30, 2023. Data provided by PitchBook, July 26, 2023

# KPMG Private Enterprise's Emerging Giants Network

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



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### Lindsay Hull

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

# About us

## About KPMG Private Enterprise

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

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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, we want to hear from you.

We're inviting you to compete with technology entrepreneurs across the globe. You'll pitch your innovations and present your growth ambitions to a panel of industry experts.

Wherever you are in your business lifecycle — from early-stage growth to getting ready to accelerate your expansion — our aim is to help you achieve your ambition and take your business to the next level.

Click [here](#) to apply for our 2023 competition.

# About the report

## Acknowledgements

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

- **Jonathan Lavender**, Global Head, KPMG Private Enterprise, KPMG International
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- **Warren Middleton**, Lead Partner for Emerging Giants, Center of Excellence in the UK, KPMG in the UK
- **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 growthstage 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.

- **Angel/seed:** PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and we cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than \$500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.
- **Early-stage:** Rounds are generally classified as Series A or B (which we typically aggregate together as early-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.
- **Late-stage:** Rounds are generally classified as Series C or D or later (which we typically aggregate together as late-stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.
- **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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