

Venture Pulse

Q3 2015

Global Analysis of Venture Funding

October 14, 2015



Welcome Message

Welcome to the Q3 2015 edition of the KPMG International and CB Insights Venture Pulse Report – the second issue in our quarterly series focused on discussing issues and trends related to venture capital investment globally.

Q3 2015 was an exciting time for many regions of the world. While deal volume dropped compared to Q2, VC-backed investments year to date were 11 percent higher than all VC-backed investment in 2014, and 99 percent higher than all investment in 2013. A number of very significant rounds made global headlines this quarter – from Uber to Didi Kuaidi, and Social Finance to Snapdeal. 23 VC-backed companies reached unicorn status during the quarter, including 17 in the US alone.

All in all, Q3 was a quarter for big, big deals. Less so for seed-stage and Angel financing, both of which were down for the fifth consecutive quarter on a global basis. Only Europe bucked the downward trend in Q3, with a small increase in seed-stage deals compared to last quarter.

We explored these and other big issues in this report as we sought to answer a number of key questions, including:

- What is prompting strong growth and continued interest in Asia?
- What regions in Europe are fostering early stage deals?
- Is the trend toward big deals sustainable?
- Why is VC interest in healthcare on the rise?

I hope you find this edition of our Venture Pulse Report informative. If you would like to discuss any of the results in more detail, contact a KPMG advisor in your area.

Sincerely,

Dennis Fortnum

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KPMG Enterprise

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CB Insights is a National Science Foundation backed software-as-a-service company that uses data science, machine learning and predictive analytics to help our customers predict what's next—their next investment, the next market they should attack, the next move of their competitor, their next customer, or the next company they should acquire.

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33	North America	\$20.3B in funding 1076 deals
57	Europe	\$3.5B in funding 313 deals
71	Asia	\$13.5B in funding 373 deals

All monetary references contained in this report are in USD

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#Q3VC



In Q3 2015 VC-backed companies raised

\$37.6B

across

1799 deals

SUMMARY OF FINDINGS

MEGA-ROUNDS ARE PUSHING FUNDING HIGHS DESPITE LESS ACTIVITY

Multi-year highs in funding: Globally, funding to VC-backed companies this year has already surpassed last year's multi-year funding high. There has been \$98.4B invested in the first three quarters of 2015, compared to \$88.7B in all of 2014.

Deals continue to increase: Large deals are driving funding trends. Median late-stage deal sizes are soaring everywhere. In Q3'15, they hit a median of \$35M globally and an impressive \$100M in Asia. Seed/Series A early-stage deal size also has kept pace at a median of \$2.5M globally.

Number of mega-rounds increase: \$100M+ financings to VC-backed companies have drastically increased in 2015. Thus far there have already been over 170 mega-rounds, including 68 in Q3'15, which cumulatively raised over \$19B.

Corporates clamoring for deals: Corporates have participated in ~24% of deals for five quarters straight and reached a five-quarter high of 26% in Q3'15.

Note: Report includes all rounds to VC-backed companies

CB Insights tracked a large number of mega-deals to VC-backed companies this quarter that included hedge funds or mutual funds for example. This report includes all of those rounds. All data is sourced from CB Insights. Page 88 details the rules and definitions we use.

\$100M+ ROUNDS TO VC-BACKED STARTUPS ROAR TO NEW HIGH IN THE US

US funding already hits new high through Q3'15: After a high of \$56.5B in 2014, the first three quarters of 2015 already saw \$57.9B invested into US startups. While more dollars are being deployed in the US, deal activity looks to come in closer to 2013 levels at the current run rate.

The rise of the mega-round: Q3'15 saw 37 \$100M+ rounds to US VC-backed companies to the likes of Uber, SoFi, DraftKings, Avant, Thumbtack, and more. US \$100M+ rounds rose 125% compared to the same quarter last year.

Signs of seed fatigue: Despite more micro-VCs and multi-stage funds investing at the seed stage, seed investments took less than a fourth of all deals to VC-backed companies in the US in Q3'15, dropping to a five-quarter low of 23%.

New York outpaces Massachusetts: New York has now outpaced Massachusetts for deal activity in each of the last 5 quarters.

Deal sizes are getting fatter: Both early-stage and late-stage median deal sizes in North America hit five-quarter highs. Median late-stage deals clocked in at \$33M, topping the same quarter last year by 65%.

SUMMARY OF FINDINGS

ASIA SEES DEAL ACTIVITY AND FUNDING SOAR BEHIND RED HOT INDIA AND CHINA

Asia leaving Europe farther behind: Asia has pulled ahead of Europe in deal count, and has seen far more funding. Asia saw a total of ~\$42.3B invested in the last five quarters, compared to ~\$14.1B in Europe.

Mega-rounds tip the scales in Asia: Mega-rounds into Didi Kuaidi, LY.com, One97 Communications, and Ele.me, among others, are driving funding trends. The 5 top deals in Asia accounted for \$5.3B or 39% of all funding.

China funding explodes: Amid multiple \$1B rounds and a five-quarter high in deals, funding in China totaled \$9.6B, up 315% vs. the same quarter a year prior, despite just 1 more deal.

Outsize corporate influence in Asia: Corporates participated in nearly one-third of all deals, compared to one-fourth of deals on a global level.

India continues hot streak: India continued its feverish investment activity with funding topping \$2B for the third time in 4 quarters, and deals topping 120 for the second-straight quarter.

EUROPE HITS MULTI-YEAR FUNDING HIGHS, FALLS BEHIND ASIA & NORTH AMERICA

European funding continues hot streak: The new normal in Europe seems to be \$3B in funding a quarter, a level reached in all three quarters of 2015. Deal count rebounded slightly after a steep fall in Q2'15 to 313 deals in Q3'15.

Late-stage deal sizes cool off a bit, remain above \$10M: Median late-stage deal sizes in Europe weighed in at \$16M in Q3'15, just off the high of \$19M in Q2'15, and almost double Q1'15's \$9.4M. Mega-deals sized \$100M or more contributed to the high late-stage deal size, including BlaBlaCar's \$200M Series D which valued the company at \$1.6B.

UK activity falls again: The UK accounted for ~29% of all European funding, maintaining its spot as the top VC market in Europe. However, UK deal activity has now fallen for two straight quarters and reached a five-quarter low.

Germany slightly rebounds, deals still off highs: After deal activity cratered in Q2, Q3 slightly rebounded to 51 deals, still off Q1'15's highs of 71. Funding did cross \$500M for the third time in the last five quarters as Auto1Group, Kreditech, and HelloFresh were among the companies to raise \$50M+ rounds.



In Q3 2015

GLOBALLY

VC-backed companies raised

\$37.6 billion

Big Deals and Late Stage Deals Taking Center Stage Globally

On a global basis, venture capital investment increased in Q3 2015, buoyed by a number of very significant rounds (e.g. Didi Kuaidi, Uber, Palantir Technologies, Social Finance). In the first three quarters of 2015, \$98.4 billion was invested into VC-backed companies. This represents an 11 percent increase compared to all of 2014, and a 100 percent increase compared to 2013.

Mega-rounds drove a substantial part of Q3 activity, with 10 \$500m+ rounds and over 60 rounds in total. Asia far exceeded the US and Europe in late stage deals – primarily on the strength of mega-rounds to on-demand and e-Commerce companies. Some of Asia's rise may be a result of VC investors looking to Asia as a high growth market for disruptive business models that have quickly saturated the North American markets. VC investors in North America meanwhile are beginning to focus on identifying the next big industries ripe for disruption.

Globally, investors continue to target bigger and bigger deals. This, along with the continued availability of late stage deals, may be spurring the continued rise of unicorns – VC-based companies with valuations in excess of \$1 billion. In Q3, there were 23 new unicorns globally – Including 17 in the US, 3 in Asia and 3 in Europe.

Today, there are more late stage deals and fewer IPO exits than in years past. This may be affecting the availability of cash for seed investment. Seed-stage and Angel deal volume in particular was down in Q3 – the fifth consecutive decline experienced globally.

While internet and mobile technologies continue to dominate VC deals globally, healthcare is becoming a key industry to watch. Between advances in biotech, medical devices and medical IT, healthcare is becoming a hotbed of innovation – and therefore for growing VC investment activity. In Q3 alone, Immunocore and other healthcare deals (e.g. Helix, Stemcentrx, ZocDoc) grabbed significant investor attention.

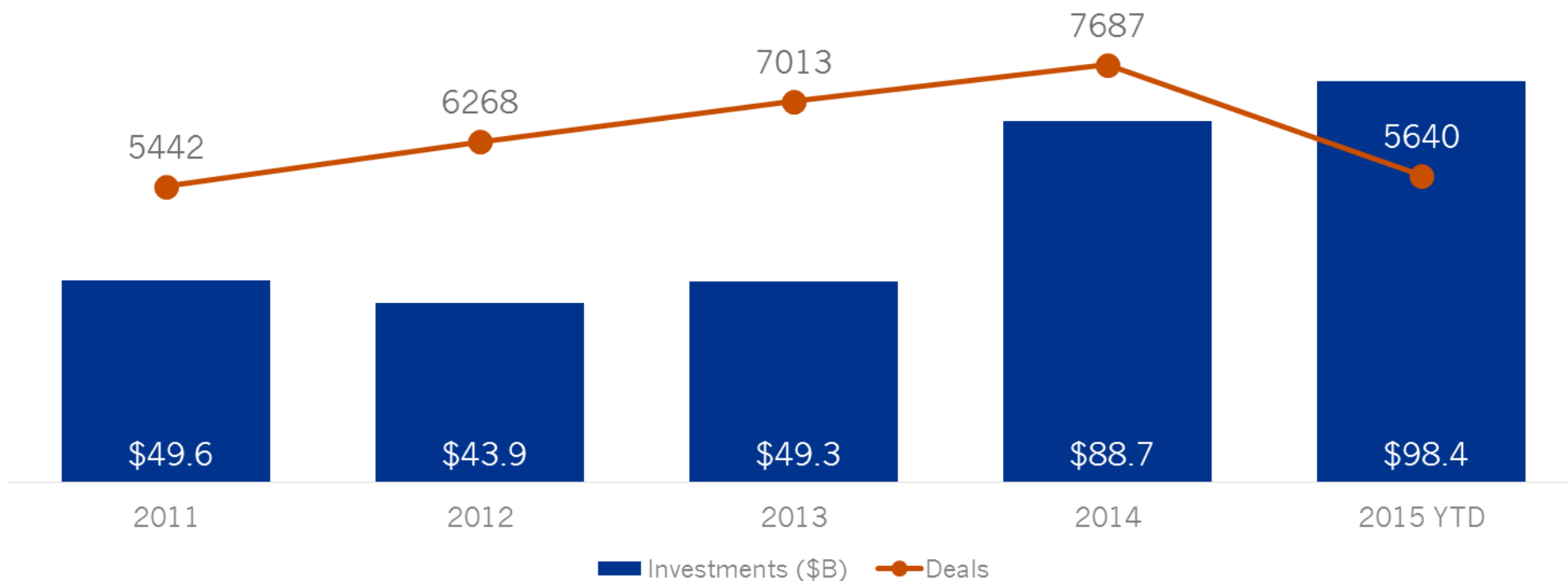
The sheer size of the fin-tech market makes it another industry ripe for disruption. Payment processing, lending, and insurance – we expect VC interest in these areas to only gain momentum over the next few quarters.

\$98.4B DEPLOYED ACROSS 5,640 DEALS TO VC-BACKED COMPANIES IN FIRST THREE QUARTERS OF 2015

Funding to VC-backed companies in the first three quarters of 2015 has already topped 2014's year-end tally by 11%. The first nine quarters of 2015 have seen nearly double the amount of funding to VC-backed companies as 2013. However, deals are on pace to fall below 2014's total at the current run rate.

Annual Global Financing Trends to VC-Backed Companies

2011 – 2015 YTD (Q3'15)



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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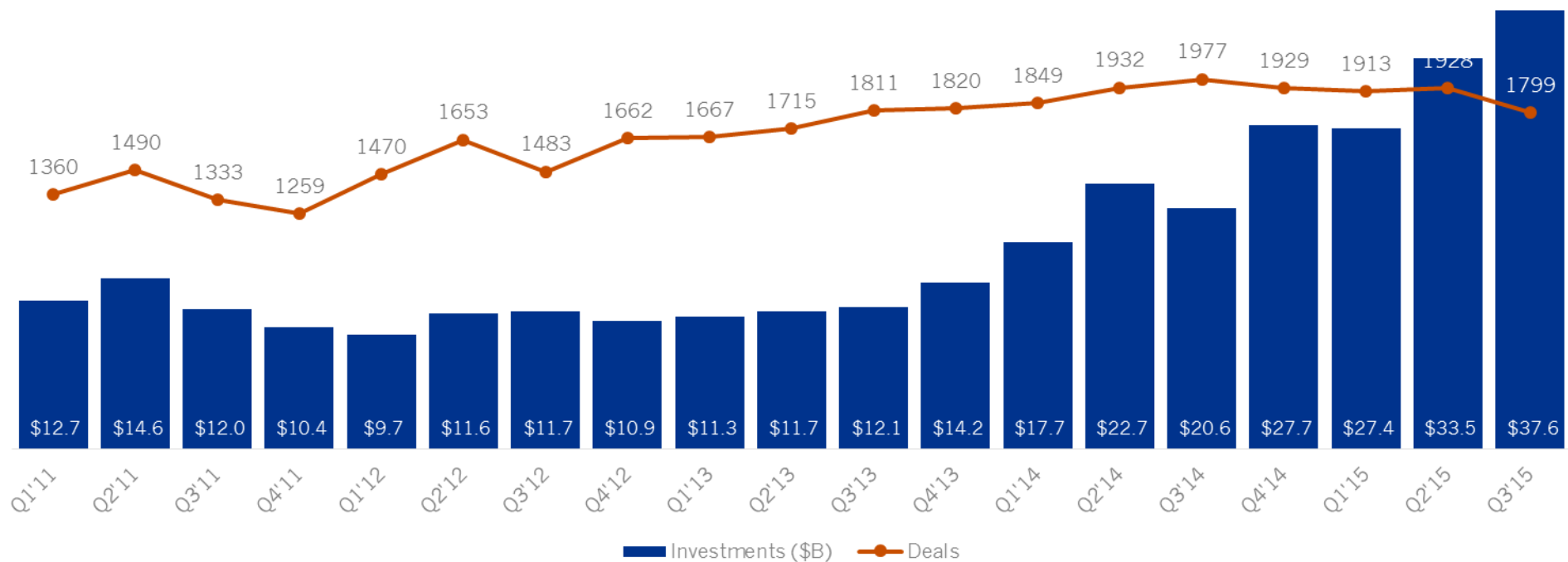
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Q3'15 FUNDING TOPS \$37B DESPITE DRASTICALLY LOWER DEAL ACTIVITY

Funding in Q3'15 topped the same quarter last year by 82% behind 10 \$500M+ deals (including 5 at or over the \$1B mark). The funding bump came in spite of deal activity to VC-backed companies falling for 3 of the last 4 quarters, hitting the lowest total since Q2'13.

Quarterly Global Financing Trends to VC-Backed Companies Q1'11 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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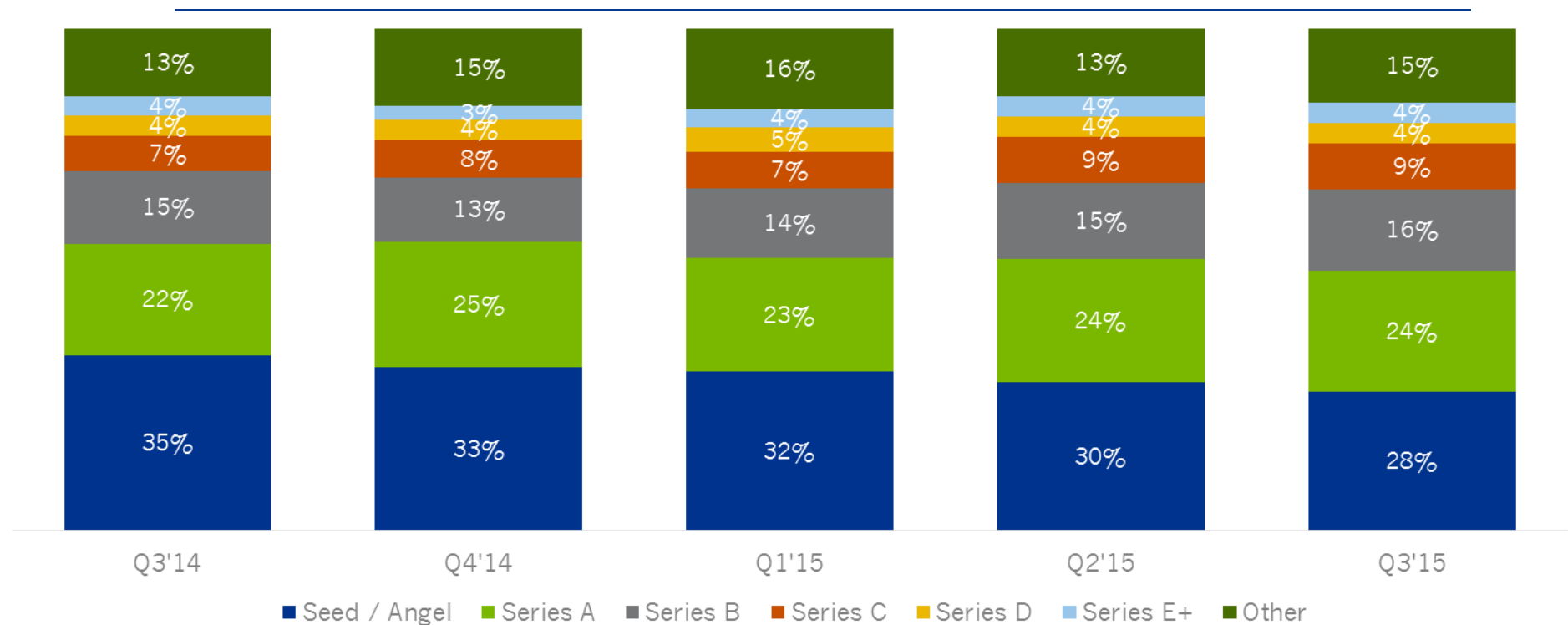


SEED-STAGE DEAL SHARE FALLS TO FIVE-QUARTER LOW

Deal share to seed-stage investments dropped for the fourth consecutive quarter, reaching just 28%. Mid-stage (Series B & C) deals rose to a five-quarter high, combining to take one of every four deals in Q3'15.

Quarterly Global Deal Share by Stage

Q3'14 – Q3'15



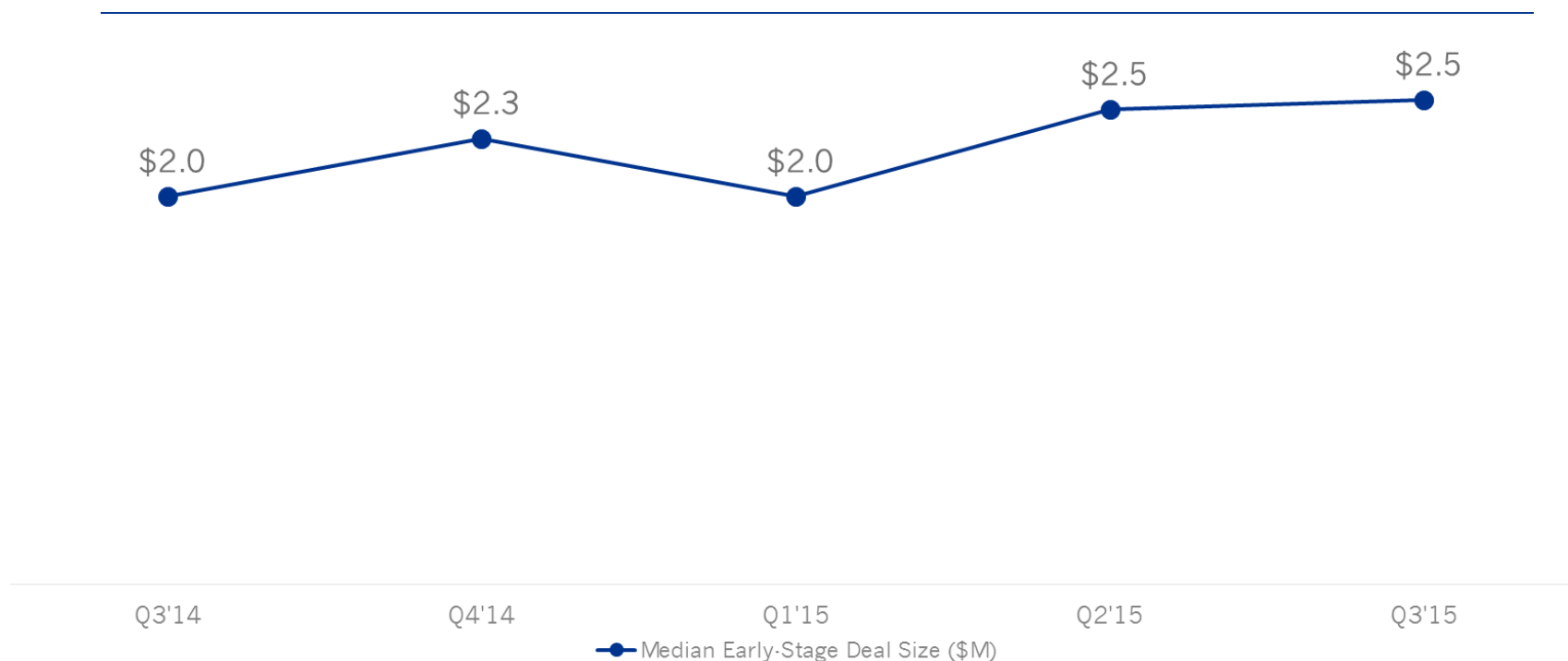
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

MEDIAN EARLY-STAGE DEAL SIZE MATCHES FIVE-QUARTER HIGH IN Q3'15

Median early-stage (Seed-Series A) deal size among all VC-backed companies was \$2.5M in Q3'15, the same amount as the previous quarter, matching the five-quarter high. The climate remains competitive for micro VCs, multi-stage funds, and strategic investors looking at early-stage deals.

Global Early-Stage Deal Size

Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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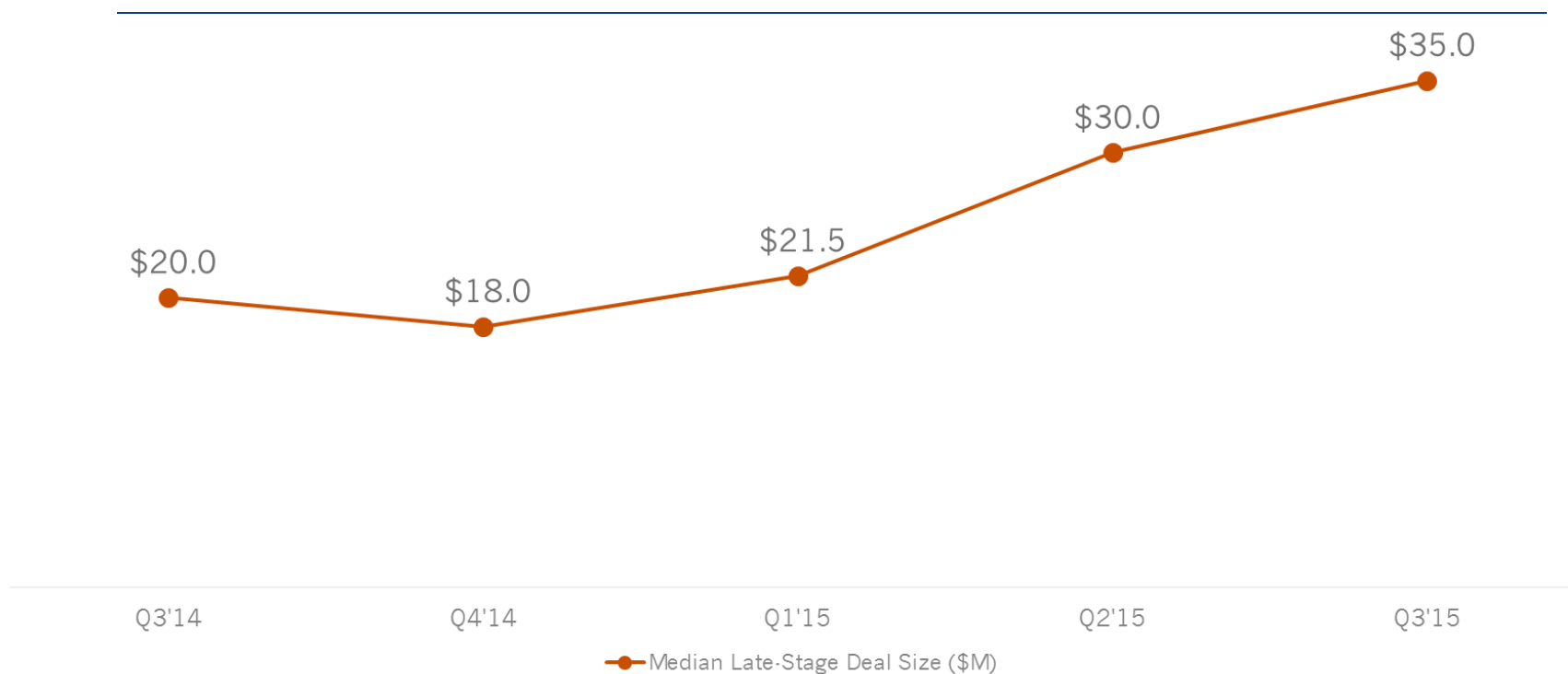
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GLOBAL MEDIAN LATE-STAGE DEAL SIZE RISES TO NEW HEIGHTS

Behind more than 60 \$100M+ financing deals, global late-stage median deal size in Q3'15 hit \$35M. That was enough to propel the median late-stage deal size up 75% from the same quarter last year.

Global Late-Stage Deal Size Q3'14 – Q3'15



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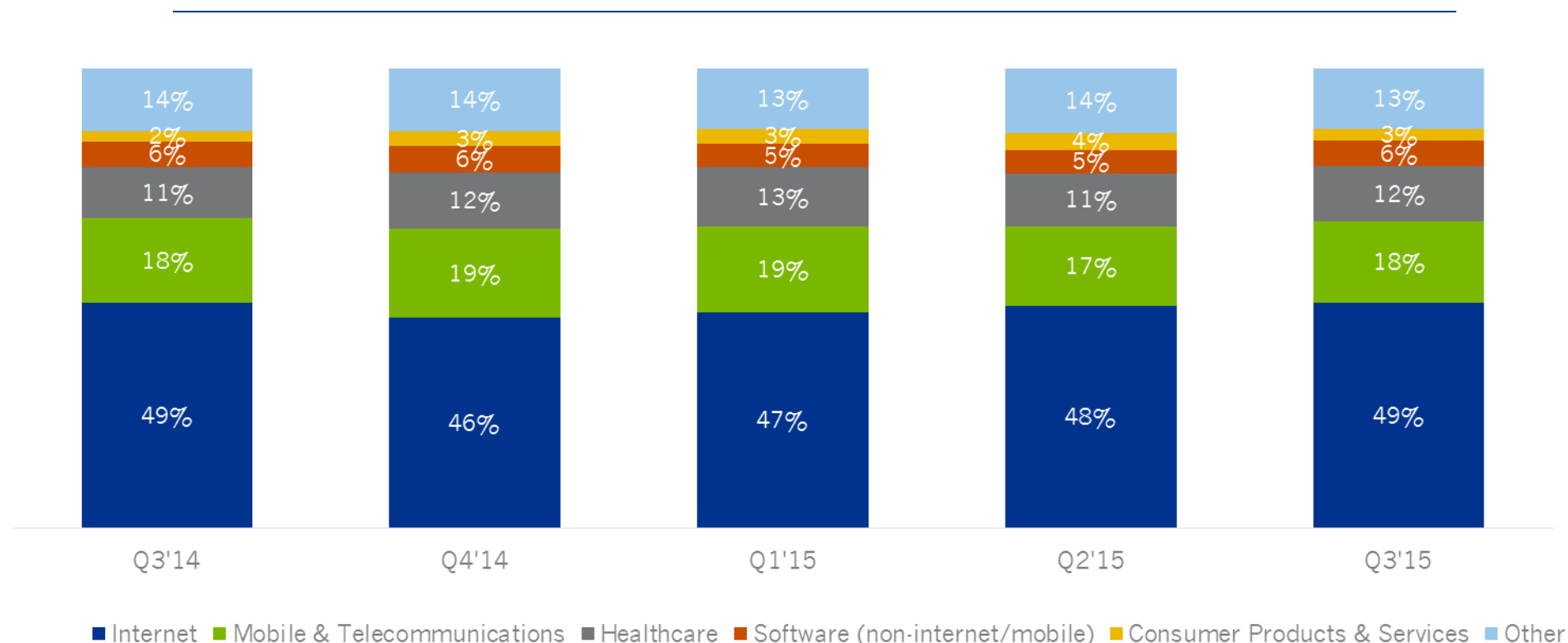
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INTERNET AND MOBILE ACCOUNT FOR OVER TWO-THIRDS OF ALL VC-BACKED DEALS

Internet and mobile continue to represent the bulk of deals to VC-backed companies, as the two major sectors accounted for 67% of all deals in Q3'15. All other sectors remained fairly range-bound with healthcare accounting for 12%, software 6%, and consumer products & services 3%.

Global Quarterly Deal Share by Sector Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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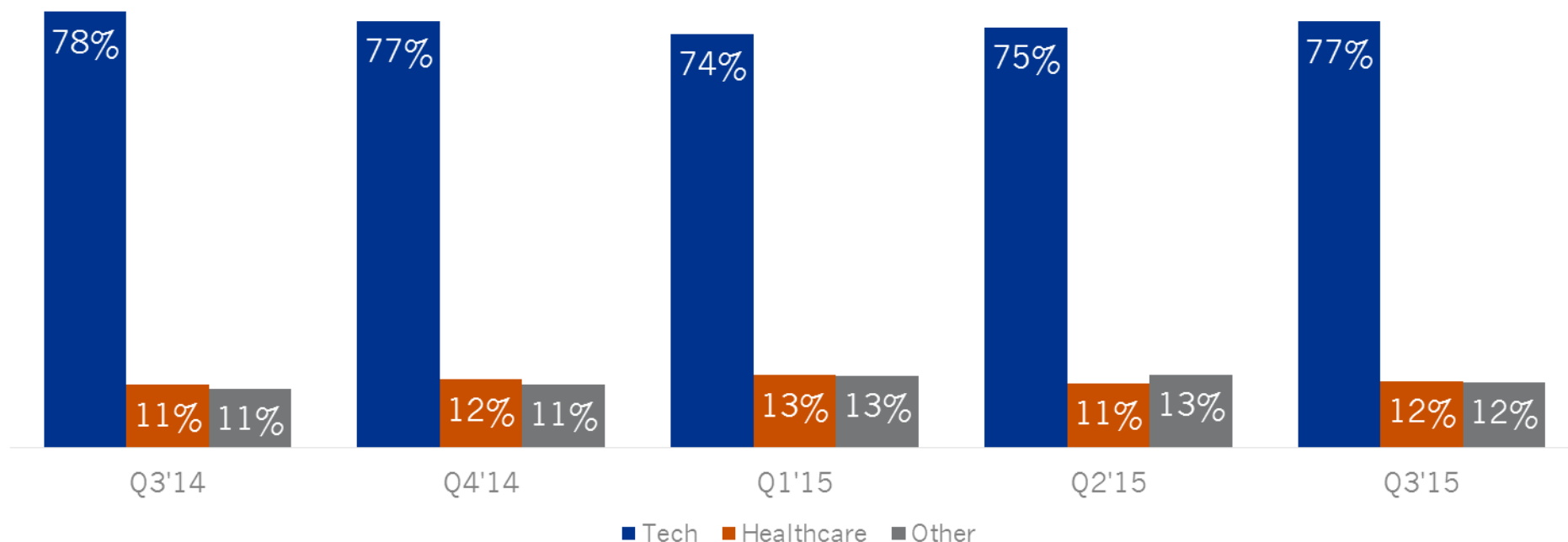


TECH MAINTAINS GIANT INVESTMENT DEAL LEAD OVER HEALTHCARE

Tech companies have taken 74%+ of all deal activity to VC-backed firms in each of the past 5 quarters. healthcare failed to garner more than 13% in any quarter over the same period.

Quarterly Global Tech vs. Healthcare Deal Share

Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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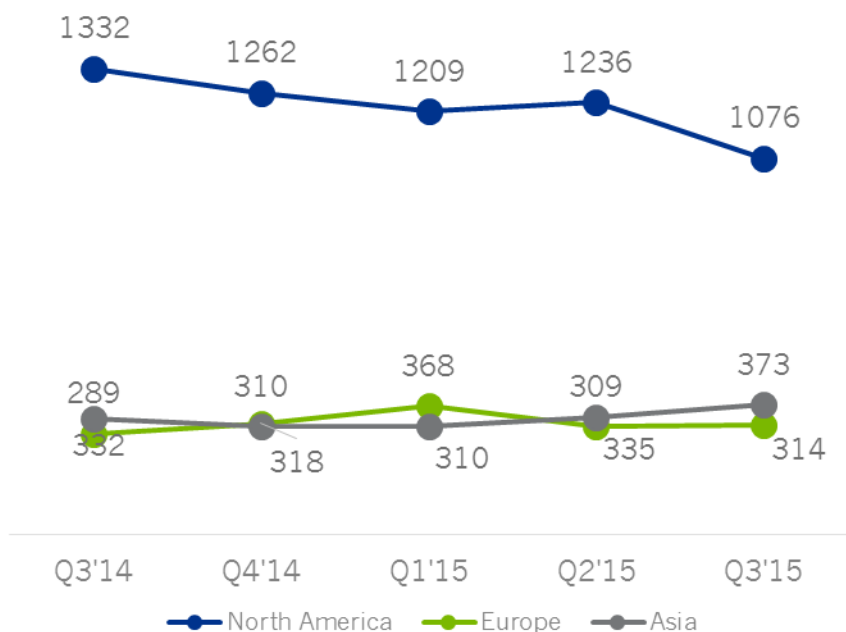


VC-BACKED COMPANIES IN ASIA REEL IN OVER 3X AS MANY DOLLARS AS EUROPE IN Q3'15

North America saw \$20B of investment for the second-consecutive quarter in Q3'15. Despite the similarity in deal activity in Asia and Europe, Asia greatly expanded its lead as VC-backed companies took in nearly \$10B more than European firms in Q3'15. This is due to mega-rounds to companies such as Didi Kuaidi, Ele.me, Snapdeal, GrabTaxi and more.

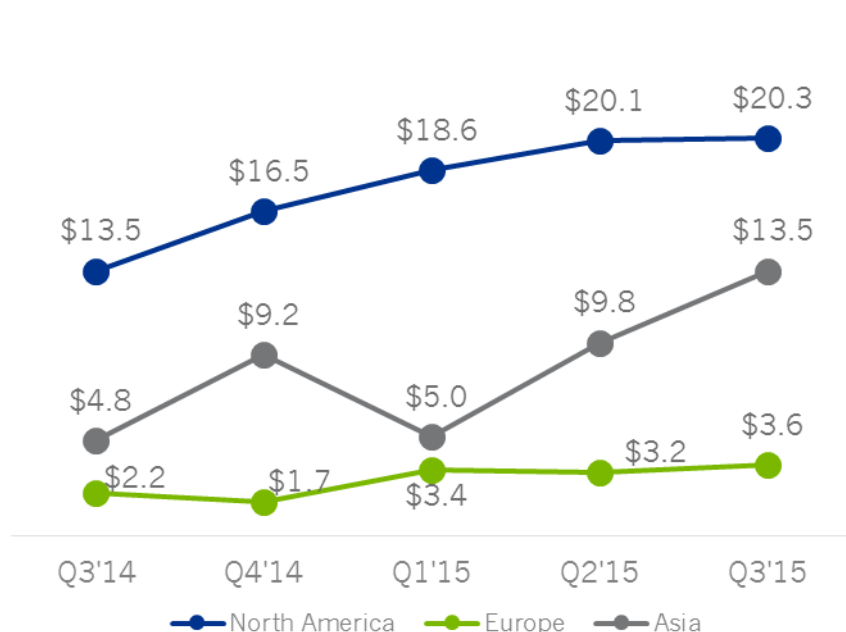
Deal Count by Continent

Q3'14 – Q3'15



Investment (\$B) by Continent

Q3'14 – Q3'15



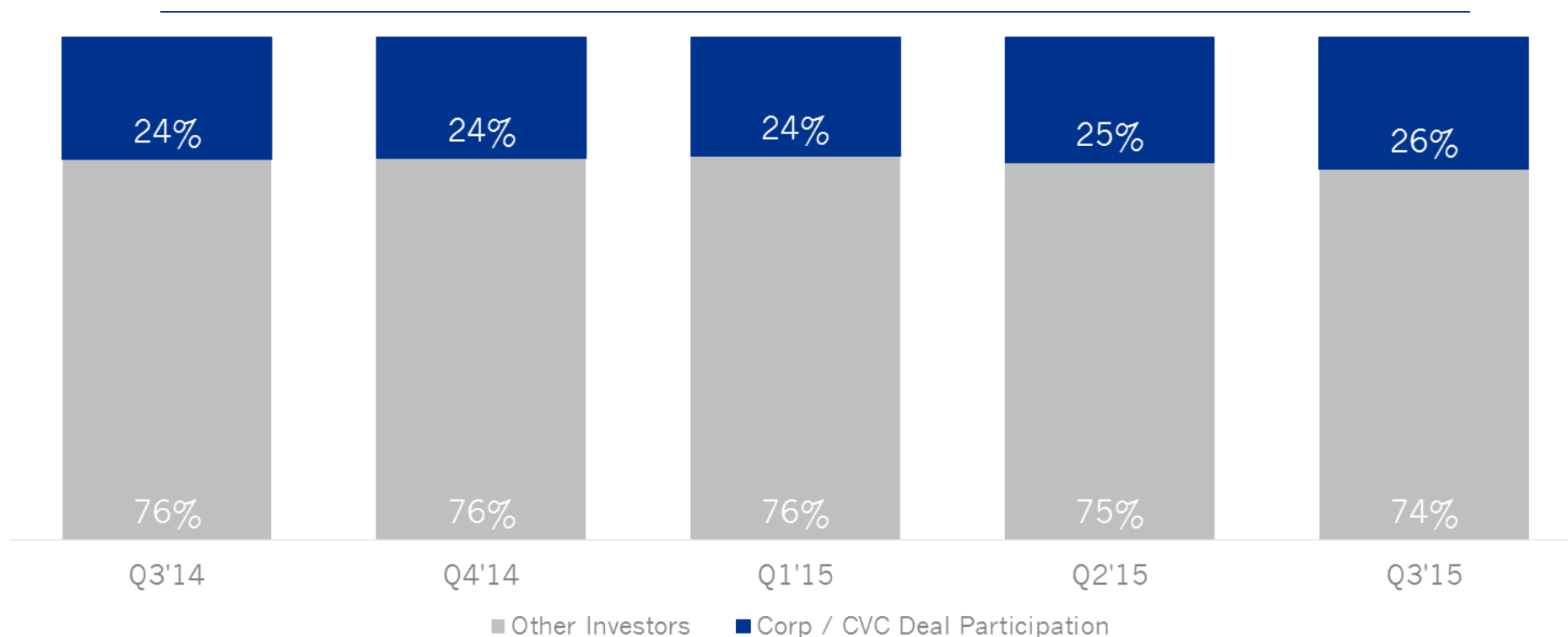
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

CORPORATES CONTINUE THEIR INVESTMENT PACE INTO VC-BACKED COMPANIES

Corporations and their venture arms are maintaining their deal share into VC-backed companies, taking 26% of deals in Q3'15, a five-quarter high.

CVC Participation in Global Deals to VC-Backed Companies

Q3'14 – Q3'15



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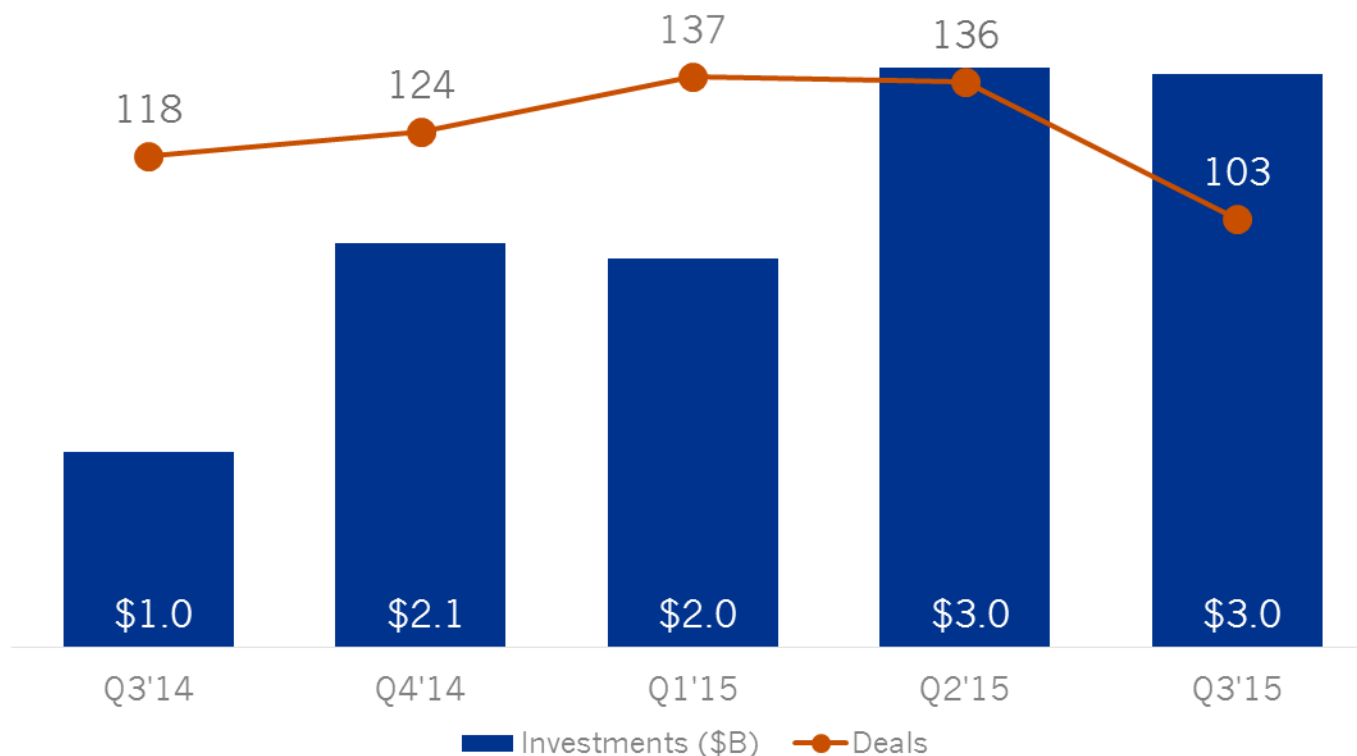


FIN TECH VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q3'15

Fin Tech Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

Social Finance

\$1B // Series E

AvidXchange

\$225M // Growth Equity

DianRong

\$207M // Series C

Top Countries

United States

48 Deals // \$1.96B

United Kingdom

12 Deals // \$110.57M

India

8 Deals // \$127.59M

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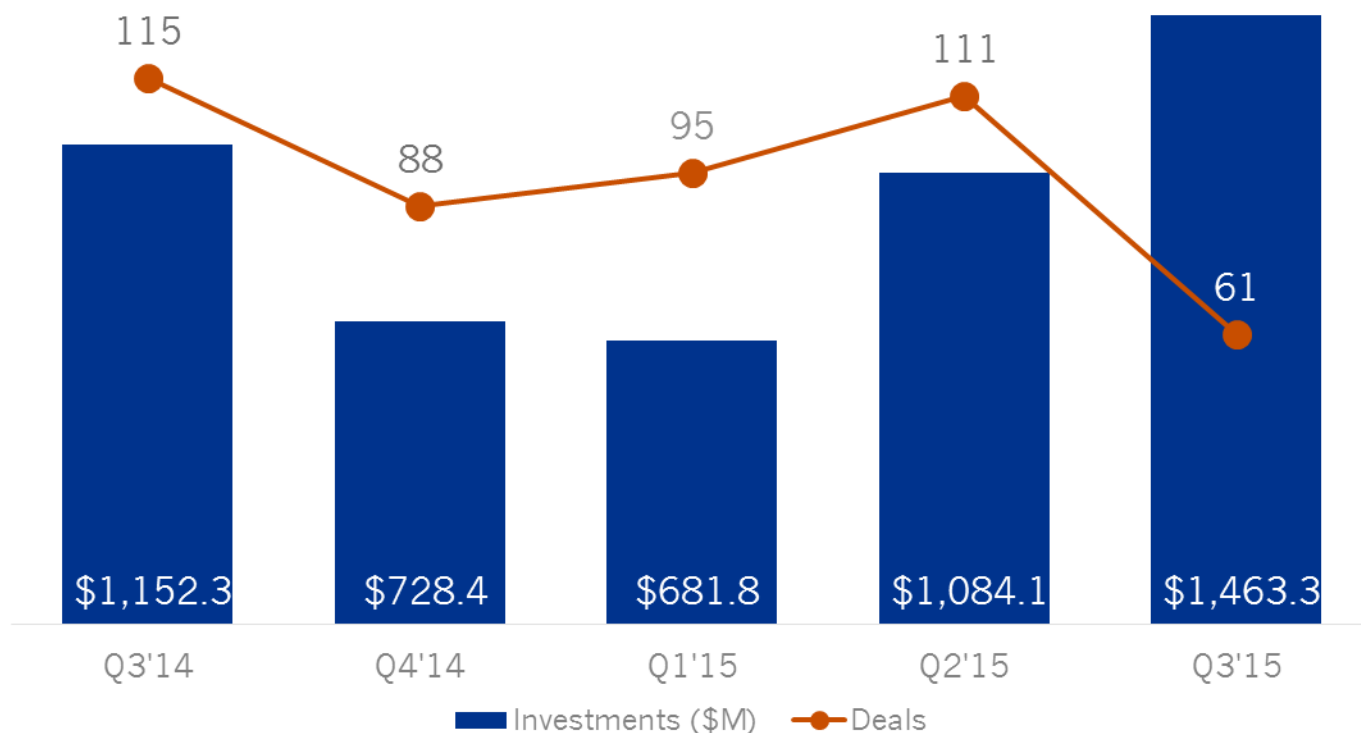


DIGITAL HEALTH VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q3'15

Digital Health Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

Guahao Technology Co.

\$394M // Series D

Zocdoc

\$130M // Series D

Clover Health

\$100M // Series A

Top Countries

United States

43 Deals // \$878.56M

India

4 Deals // \$128.5M

China

3 Deals // \$441M

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Healthcare: An Industry Embracing Disruption

Q3-2015 highlighted the growing VC investor focus on healthcare globally, with deal value rising for the third straight quarter to reach \$1.46 Billion globally in Q3-2015. The United States led healthcare investment activity during the quarter by a significant margin, followed by India and China.

A number of mega-rounds globally meant Q3 was a very active one for late stage health investors. With larger funding rounds has come a slight change in the profile of investors. Corporate venture funds were particularly active in later, pre-IPO rounds this quarter. Founders Fund poured \$250m into Stemcentrx, signifying a continued trend towards traditionally tech investors investing heavily in disruptive healthcare innovation.

Many forces are driving increased interest in late-stage healthcare investing, but in Q3 the biggest story was disruption in the fight against cancer - Immunocore (\$320m) and Stemcentrx (\$250m) closed two of the biggest rounds seen in the biotech world to date. Both companies are pre-revenue, awaiting regulatory approval for their cancer-fighting drugs and face significant hurdles before launching a product into the clinic. Crucially though, they offer novel approaches to treating cancer, something investors have increasingly been attracted to.

Aside from these two exceptionally large rounds, there is an underlying trend towards investment in disruptive technology that improves efficiency – whether in health systems, the delivery of treatment or in the process of developing drugs. Zocdoc (\$130m) is a good example of this from Q3. Their technology is focused on providing a more efficient, internet-based scheduling solution for doctors. In June 2015, Pillpack, a startup that simplifies the lives of those taking multiple medications, raised \$50m. So whilst biotech has attracted large inflows due to potential future upside, investors

are continuing to back companies that are generating revenue in the market right now.

There are, however, a number of challenges in the healthcare investment landscape. The breadth and variety of healthcare sub-sectors means investment firms need to recruit heavily for academic talent in order to be true domain experts in every area of healthcare. To compound this, emerging consumer technology and digital health are playing an increased role in healthcare - for example, through wearables, activity tracking and data analytics. Finding the correct balance of expertise to invest in disruptive health businesses will continue to be critical to successful investing.

VC investors interested in the health technology space are also challenged with understanding the true valuation of start-ups. Some straightforward solutions such as emerging scheduling technologies have proven attractive for investors due to the clear and quantifiable upside. However as yet, it is uncertain how increased patient engagement through self-monitoring will change how healthcare is delivered. It is therefore difficult for investors to gauge which disruptive businesses will be successful in an emerging landscape. This leads to difficult valuations for businesses with particularly disruptive or novel innovation at their core.

Future focus

Looking forward, healthcare is expected to continue to be a strong attractor of VC investment globally. For many countries around the world, aging populations are driving public healthcare demand up significantly – forcing them to look for efficiencies and alternative methods of care in order to manage healthcare costs. As investors become more comfortable with the value offered by disruptive healthcare innovations, expect to see an increase in deal quantity and size in this space.

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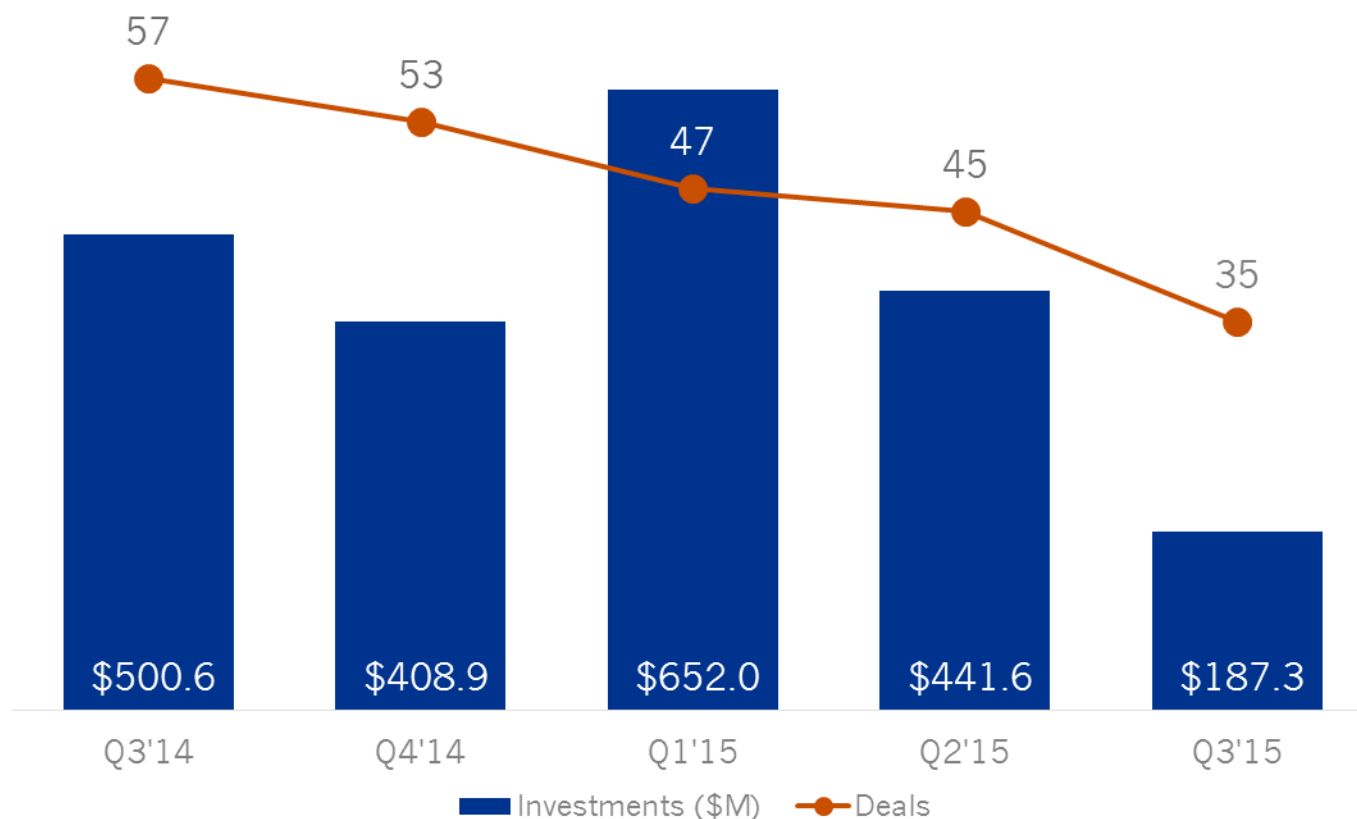


ED TECH VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q3'15

Ed Tech Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

Coursera

\$49.5 // Series C

BrightBytes

\$33M // Series C

Babbel

\$22M // Series C

Top Countries

United States

22 Deals // \$128.19M

India

4 Deals // \$7.65M

China

2 Deals // \$19M

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“Everyone is chasing really large deals. It’s the herd mentality. Those that are coming in late suddenly feel like they’ve been left out, not invited to the party, and they now need to buy the really expensive ticket to get into the party.”

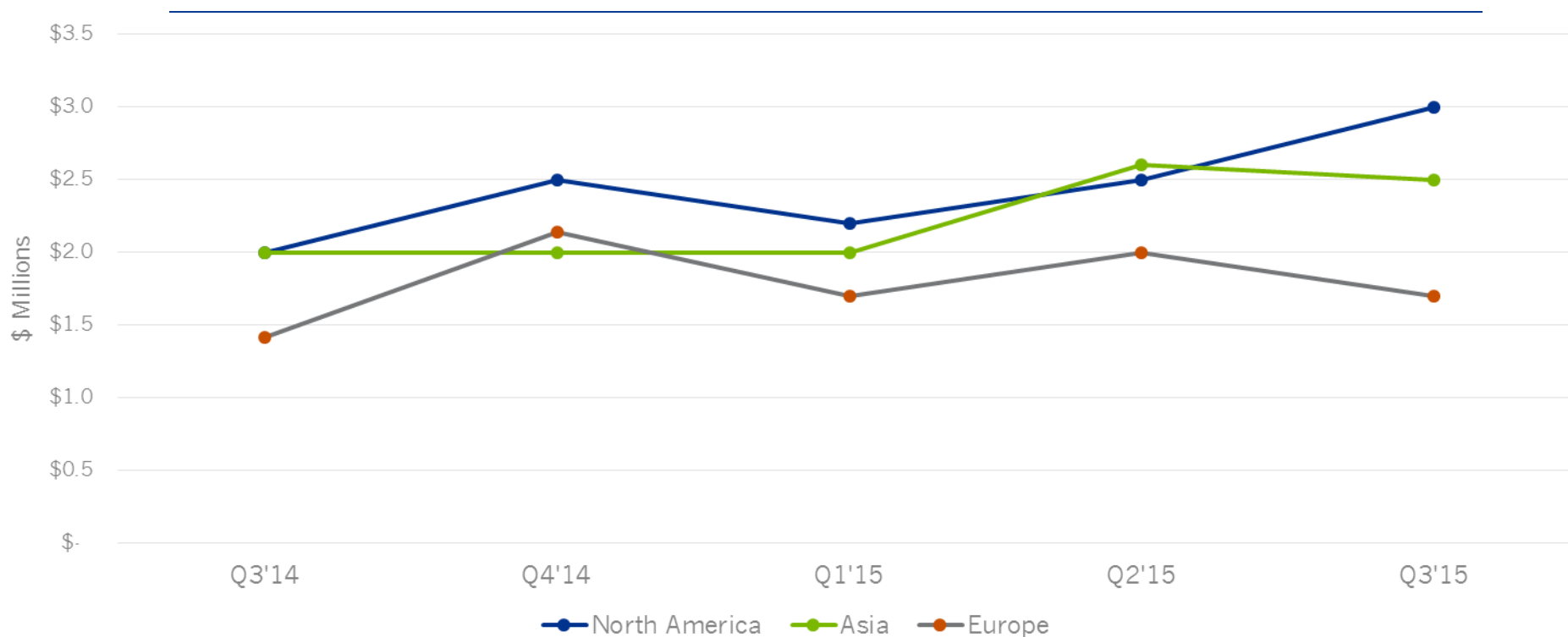


Francois Chadwick
*National Tax Leader
KPMG Venture Capital Practice
KPMG in the US*

EARLY-STAGE DEAL SIZE IN NORTH AMERICA LEAPS AHEAD OF ASIA, EUROPE

At ~\$2.5M, Asia early-stage deal sizes continued to remain significantly larger than in Europe, which has seen a median deal size ≤\$2M in 3 of the last 5 quarters.

Median Early-Stage Deal Size Continent Comparison Q3'14 – Q3'15



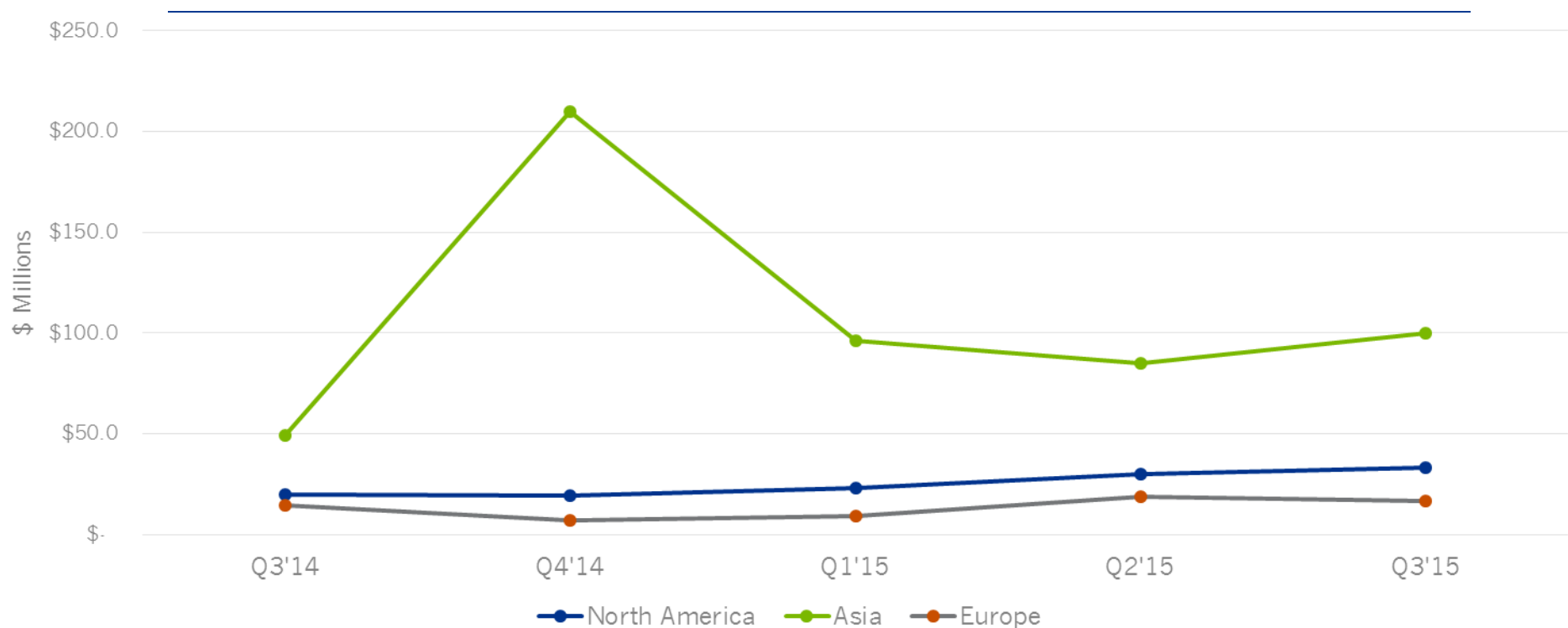
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

ASIA HAS THE LARGEST MEDIAN FOR LATE-STAGE DEALS

Median late-stage deals in Asia have been greater than both US and European medians for the last 5 quarters. After Q4'14 saw median late-stage deal size in Asia spike to \$220M behind big rounds including Xiaomi's \$1.1B financing, Asia deals once again hit \$100M+ in Q3'15.

Median Late-Stage Deal Size Continent Comparison

Q3'14 – Q3'15



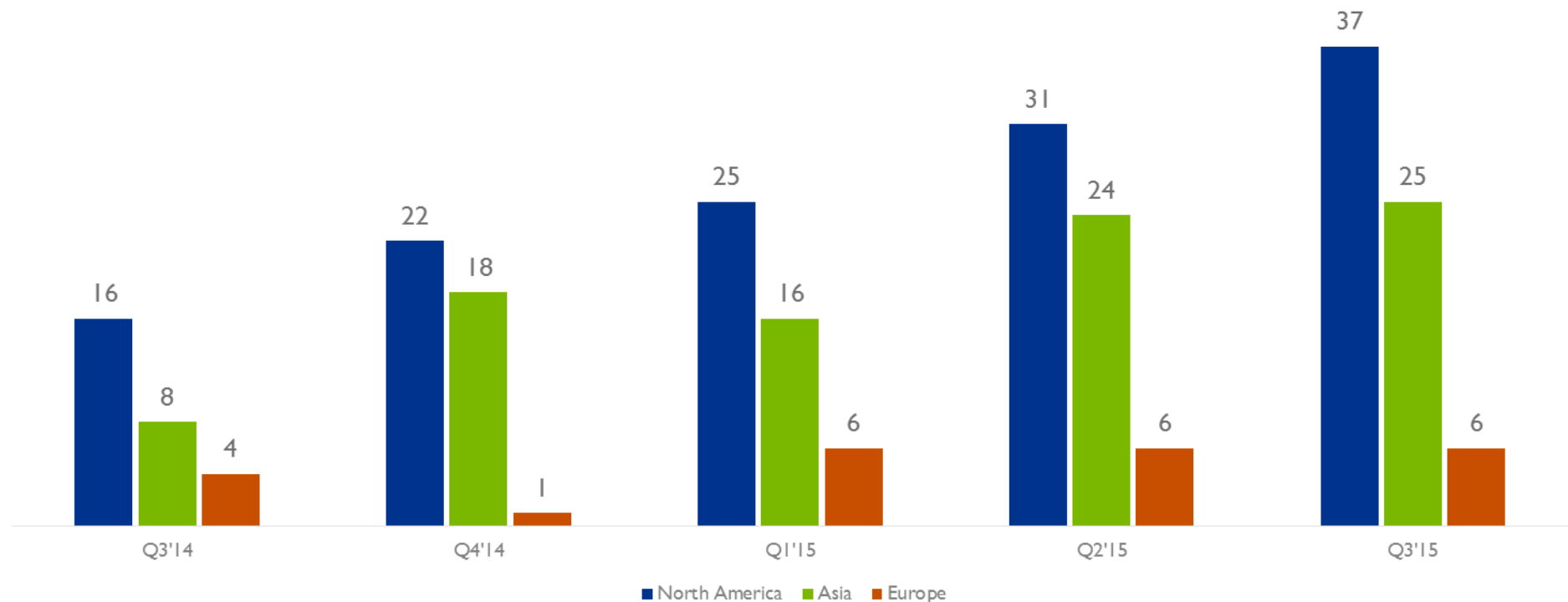
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THE RISE OF MEGA-ROUNDS CONTINUES: 170+ \$100M+ ROUNDS TO VC- BACKED COMPANIES IN 2015

Thus far in 2015 there have been over 170 \$100M+ equity financings to VC-backed companies. Q3'15 saw a combined 68 financings, with Asia seeing over 20 \$100M+ rounds for the second consecutive quarter. Overall the mega-rounds in Q3'15 raised over \$19B cumulatively.

\$100M+ Financings to VC-Backed Companies

North America vs. Asia vs. Europe, Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

“Companies are staying private longer due to the interest rate environment and the availability of capital. The Jobs Act has also had an effect by raising the threshold for when a company has to do public reporting (even as a private company). Companies are now able to raise money from more investors without having to disclose anything publically.”



Brian Hughes

Brian Hughes, Co-Leader, KPMG Enterprise Innovative Startups Network, and National Co-Lead Partner, KPMG Venture Capital Practice, KPMG in the US

'Unicorn' Investment Remains High

Big deals continued to drive investor interest during Q3, spurring 23 new unicorns globally: VC-backed companies with valuations above \$1 billion. With the establishment of 58 new unicorns during the first 3 quarters of 2015 (i.e. 12 in Q1, 23 in Q2, and 23 in Q3), the number of unicorns globally has already well exceeded the 38 new unicorns established during all of 2014.

North America led the unicorn charge in Q3-2015 with the emergence of 17 new unicorns, up significantly from the 12 new unicorns seen in Q2. Among the new unicorns in North America were Kik – an online messaging app company targeted at teens, and ZocDoc – an online scheduling company focused on doctors' appointments.

The number of new unicorns dropped in Asia during this quarter, going from 9 in Q2 to 3 in Q3. This decline may be a fallout from the economic slowdown occurring in China, although not necessarily given 2015 total deal value is still on pace to reach record highs. Among Asia's new unicorns were Ele.me – a food delivery service in China, and Guahao – a health-tech company also based in China.

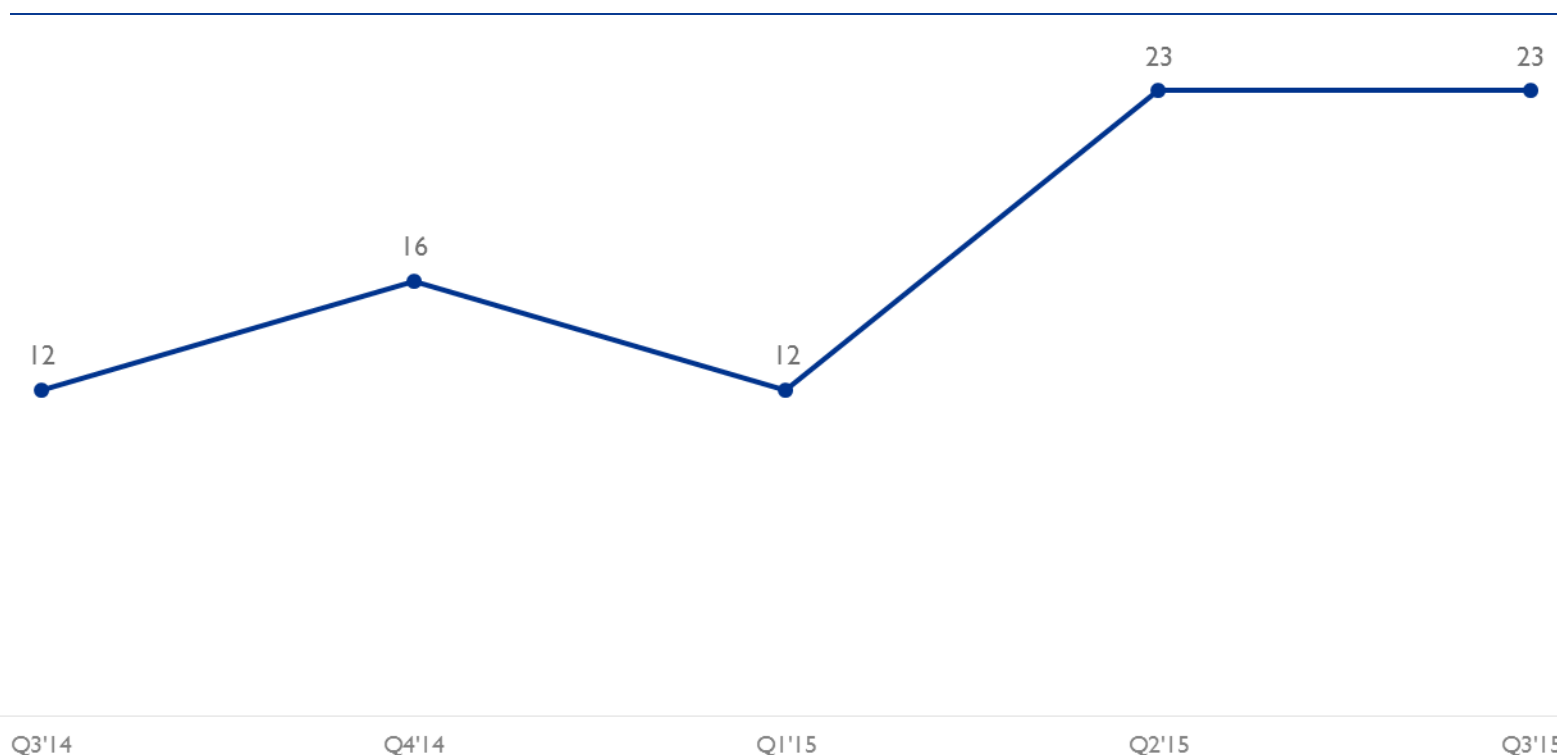
Europe maintained a steady investment pace with 3 new unicorns, making it the fourth quarter in a row that Europe has spawned either 2 or 3 new unicorns. Among the new European unicorns were France-based Blablacar – a long distance ride sharing service, and Hellofresh – a Germany-based recipe and food preparation company.

MORE THAN 45 VC-BACKED UNICORNS HAVE BEEN ADDED IN THE LAST TWO QUARTERS

The unicorn growth continues, with Q3'15 adding 23 unicorns, the same number as the previous quarter and nearly double the number added in the first quarter of this year. 46 new unicorns have been added in the last 2 quarters, which is more than the entirety of 2014 (which saw 38 in total).

VC-Backed Companies Entering The Unicorn Club

Q3'14 – Q3'15



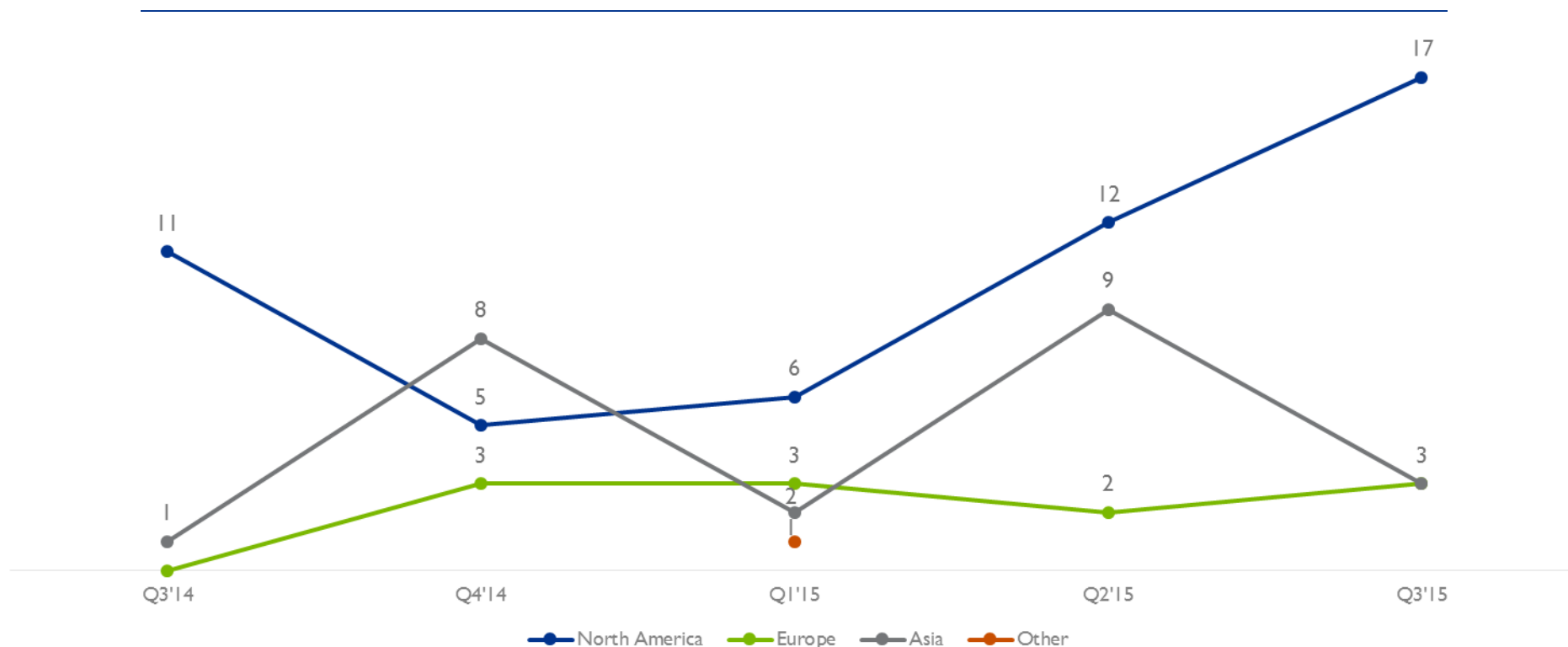
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

BILLION DOLLAR VC-BACKED COMPANIES THRIVE IN NORTH AMERICA, AS ASIA SLOWS

North America produced the majority of new unicorns, with 17 of the 23 coming from the area. Asia, which saw a spike in Q2'15 with 9 new unicorns, fell to just 3 this past quarter (possibly due to the economic slowdown in China). Europe has maintained a consistent pace, adding 2 or 3 new billion-dollar companies each quarter. South America saw one of it's first private billion-dollar companies with Sequoia-backed Decolar reaching unicorn status early this year.

VC-Backed New Unicorn Companies by Continent

North America vs. Europe vs. Asia vs. Other, Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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NOTABLE 'REST OF WORLD' Q3'15 FINANCINGS

Company	Round	Country	Select Investors
HotelUrbano	\$60M (Corporate Minority)	Brazil	Insight Venture Partners, The Priceline Group, Tiger Global Management
Prospa	\$60M (Series B)	Australia	AirTree Ventures, Entrée Capital, Ironbridge Capital, The Carlyle Group
Psafe Technologia	\$30M (Series D)	Brazil	Morgenthaler Ventures, Technology Partners, Redmile Group
Loggi	\$14.13M (Series B)	Brazil	Monashees Capital, Qualcomm Ventures, Dragoneer Investment Group
Restorando	\$7.5M (Series C)	Argentina	Atomico, Emergence Capital Partners, Kaszek Ventures, Storm Ventures
2degrees	\$7.13M (Growth Equity)	New Zealand	Trilogy Equity Partners
GuiaBolso	\$7M (Series B)	Brazil	e.Bricks Digital, Kaszek Ventures, Omidyar Network, Ribbit Capital
Kijenge Animal Products	\$6M (Venture Capital)	United Republic of Tanzania	Fanisi Capital
Beat the Q	\$5M (Series A)	Australia	Exto Partners, Reinventure
Resultados Digitais	\$4.5M (Series B)	Brazil	Astella Investments, DGF Investimentos, Redpoint e.ventures

SELECT VC-BACKED EXITS IN NORTH AMERICA

Company	Exit Type	Valuation	Select Investors
SunRun	IPO	\$1.7B	Foundation Capital, Accel Partners, Sequoia Capital, Madrone Capital Partners
Natera	IPO	\$872M	Sequoia Capital, Claremont Creek Ventures, Alafi Capital, Founders Fund
ScioDerm	Acquisition (Amicus Therapeutics)	\$847M	Morgenthaler Ventures, Technology Partners, Redmile Group
Teladoc	IPO	\$680M	Trident Capital, Cardinal Partners, HLM Venture Partners, Kleiner Perkins Caufield & Byers
GT Nexus	Acquisition (Infor)	\$675M	Megunticook Management, Warburg Pincus, BEA Systems



“It has become obvious that telemedicine is inevitable and that it will rapidly consume a large share of the estimated 1.2 billion ambulatory visits per year in the U.S.”

Malay Gandhi
Managing Director
Rock Health on Teladoc

Quote and image source: [Rock Health](#)

SELECT VC-BACKED EXITS INTERNATIONALLY

Company	Exit Type	Valuation	Select Investors
Dezima Pharma	Acquisition (Amgen)	\$1.55B	BioGeneration Ventures, Forbion Capital Partners, New Science Ventures
cCam Biotherapeutics	Acquisition (Merck & Co.)	\$605M	Arkin Holdings, OrbiMed Advisors, Pontifax, Roche Holding
Metaps	IPO	\$263M	Neostella Capital, Nippon Venture Capital, SMBC Capital, Fidelity Growth Partners Japan
Unruly Media	Acquisition (News Corp)	\$176M	Amadeus Capital Partners, Business Growth Fund, Endeit Capital
SupersonicAds	Acquisition (IronSource)	\$150M	SAIF Partners, 83North



“Unruly complements our traditional editorial and commercial expertise with contemporary insight into how people read, watch, buy and sell in the digital era”

Robert Thomson
Chief Executive,
News Corp on Unruly
Media Acquisition

Quote and image source: [News Corp](#)

In Q3 2015

NORTH AMERICAN

VC-backed companies raised
\$20.3 billion

North America Betting on Big Deals

Venture capital investment in North America rose slightly in Q3 2015 compared to Q2 2015, driven by a number of high profile mega-rounds, including over \$2B raised by Uber alone. At the same time, a trend toward private IPOs caused Series E+ deal share to reach a new high of 6 percent of all deals during Q3.

The focus on late stage deals may be impacting the availability of seed-stage funding. In fact, seed deal share decreased for the fifth straight quarter, reaching a low of 23 percent during Q3 2015.

Investor trends indicate somewhat of a herd mentality, with many in traditional VC markets focused on chasing very large deals. This, combined with companies taking more time to exit may be responsible for the ongoing decrease in seed-stage funding.

The focus on large deals in key geographies (e.g. Bay Area, Boston, NY) may spur a ripple effect in less-traditional VC markets. We expect that over the next few quarters, a number of smaller funds will be created to focus on non-core industry verticals and geographic markets. Austin is already leading the charge in this regard. Following focused government efforts and incentives to attract investment in the region over the past few years, we are now starting to see Austin-based companies offering liquidity events to their employees – letting them leave with sufficient cash in their pockets to invest in other companies, or to create a start-up themselves. This evolution is creating a strong environment for ongoing VC activity in the city.

Seeking new industries for disruption

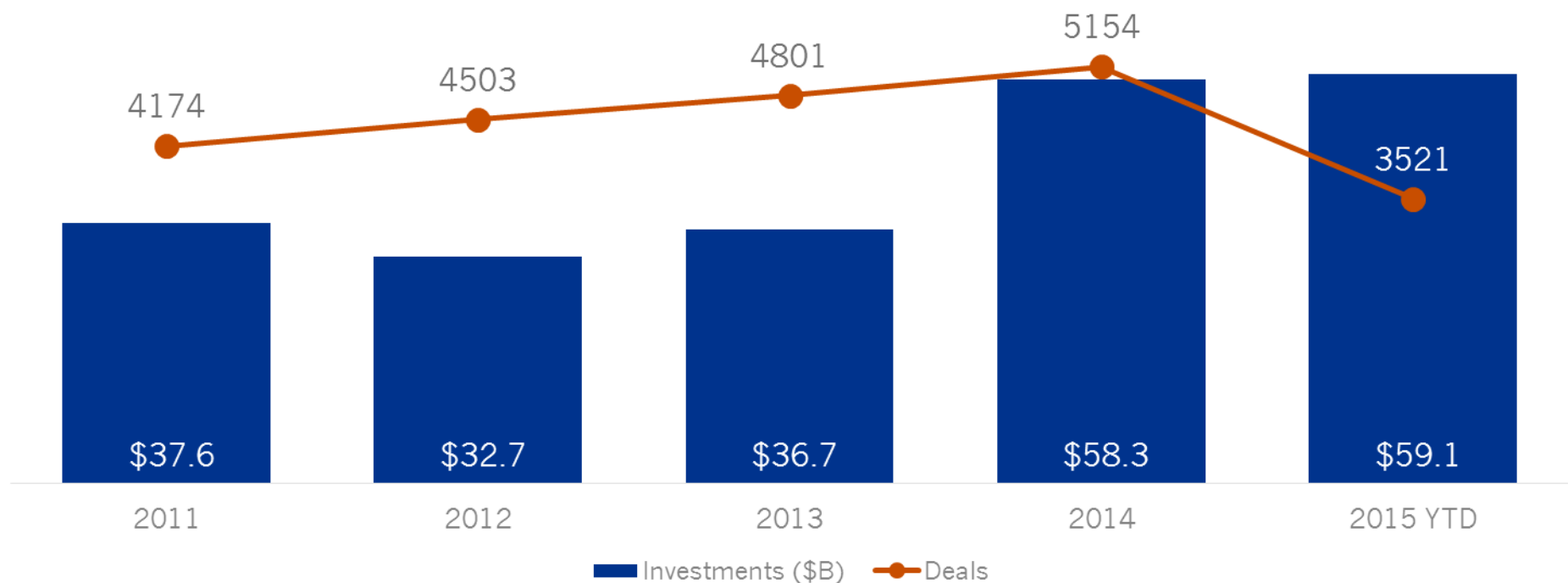
While internet and mobile led VC activity in Q3, healthcare deals also remained strong. As the North American market becomes saturated with companies focused on activities once considered disruptive (e.g. online grocery delivery), investors are focusing on finding other industries ripe for disruption. Among potential targets: healthcare and health tech, insurance and education. Healthcare investment is already gaining momentum, with further VC interest expected in the coming quarters.

NORTH AMERICA: \$59.1B ACROSS 3521 DEALS IN FIRST THREE QUARTERS OF 2015

In North America, the first 3 quarters of 2015 saw more funding than the entirety of 2014. Funding in North America is on pace to top 2014's high by 35%, however deal activity is set to fall below 2014's total at the current run-rate.

North American Annual Financing Trends to VC-Backed Companies

2011 – 2015 YTD (Q3'15)



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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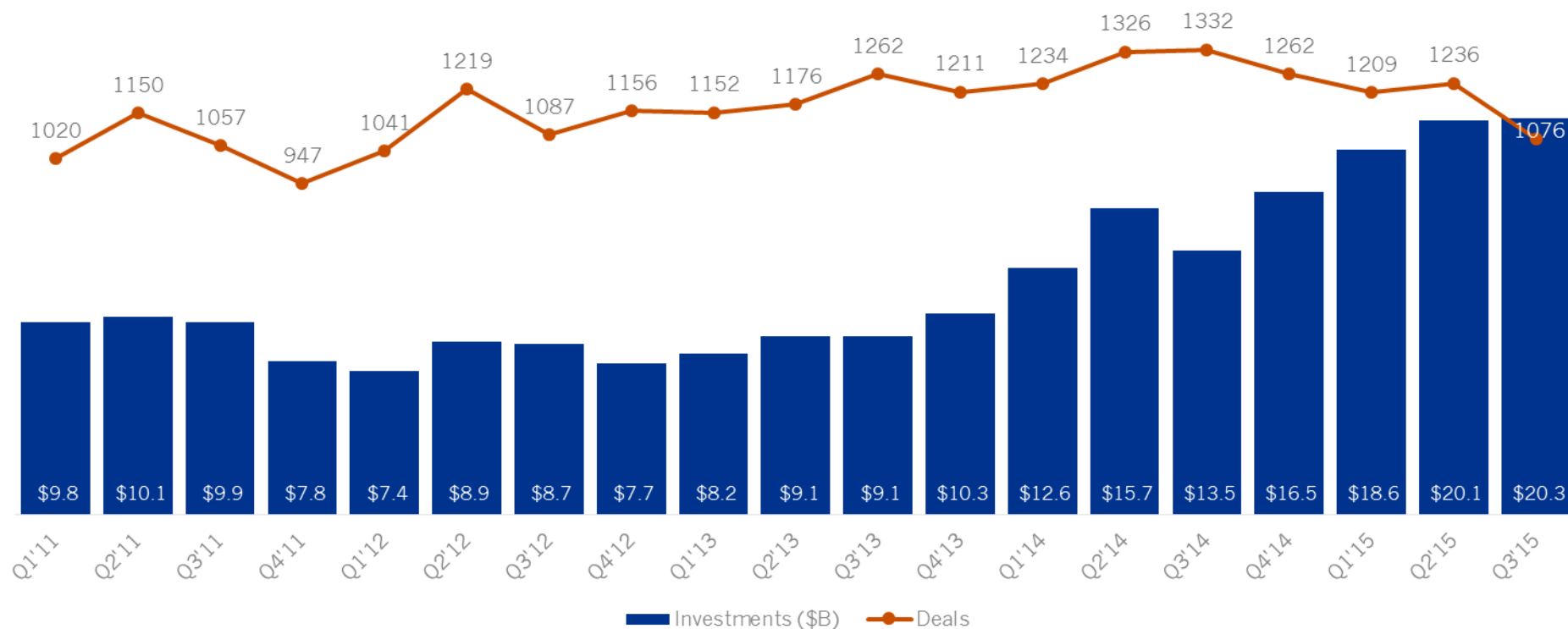
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FUNDING TO VC-BACKED NORTH AMERICAN STARTUPS HITS \$20B+ IN PAST TWO QUARTERS

Deal activity to VC-backed North American companies in Q3'15 fell to the lowest level since Q1'12. But funding continued to roar to new highs as Q3'15 clocked in at \$20.3B, rising for the fourth consecutive quarter.

North American Quarterly Financing Trends to VC-Backed Companies Q1'11 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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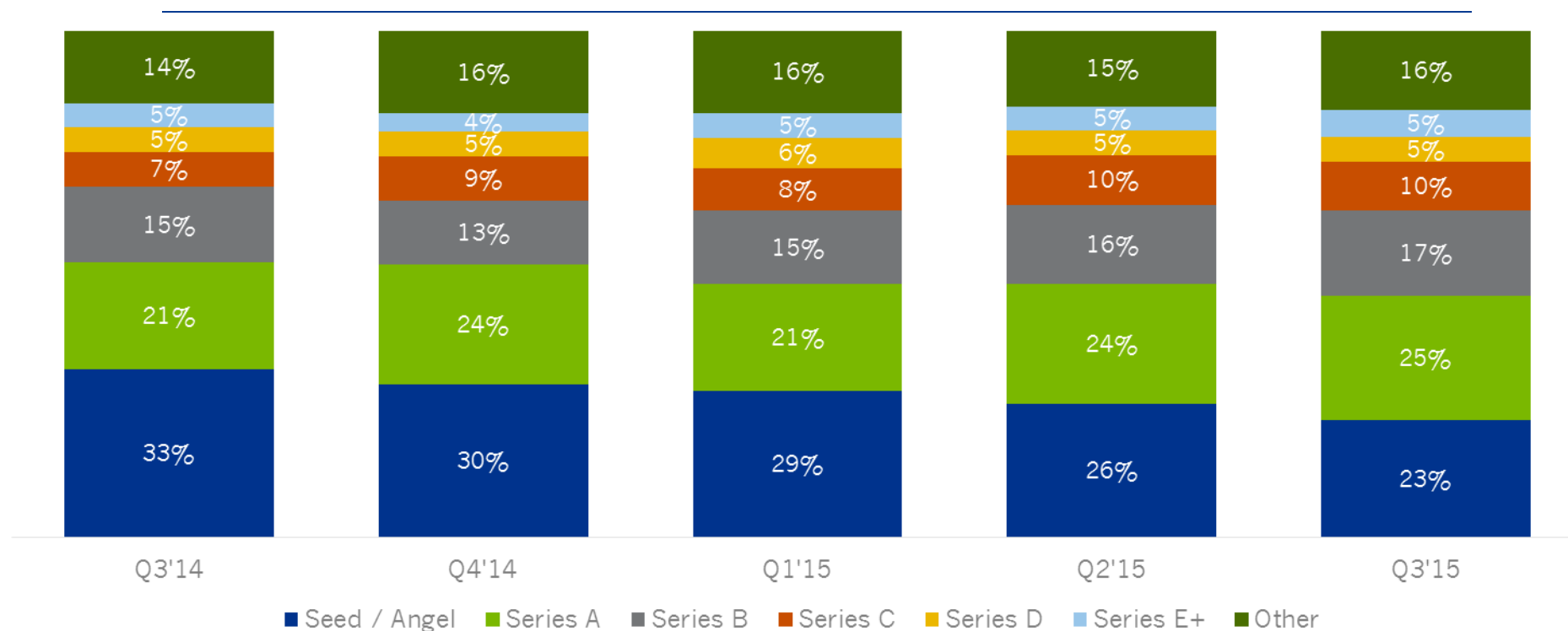
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SERIES A DEAL SHARE RISES TO FIVE-QUARTER HIGH AS SEED DECREASES

Early-stage deals into VC-backed North American companies had a mixed trend in Q3'15. While seed deal share fell to 23%, a five-quarter low, Series A activity surpassed seed to take one of every 4 deals.

North American Quarterly Deal Share by Stage Q3'14 – Q3'15



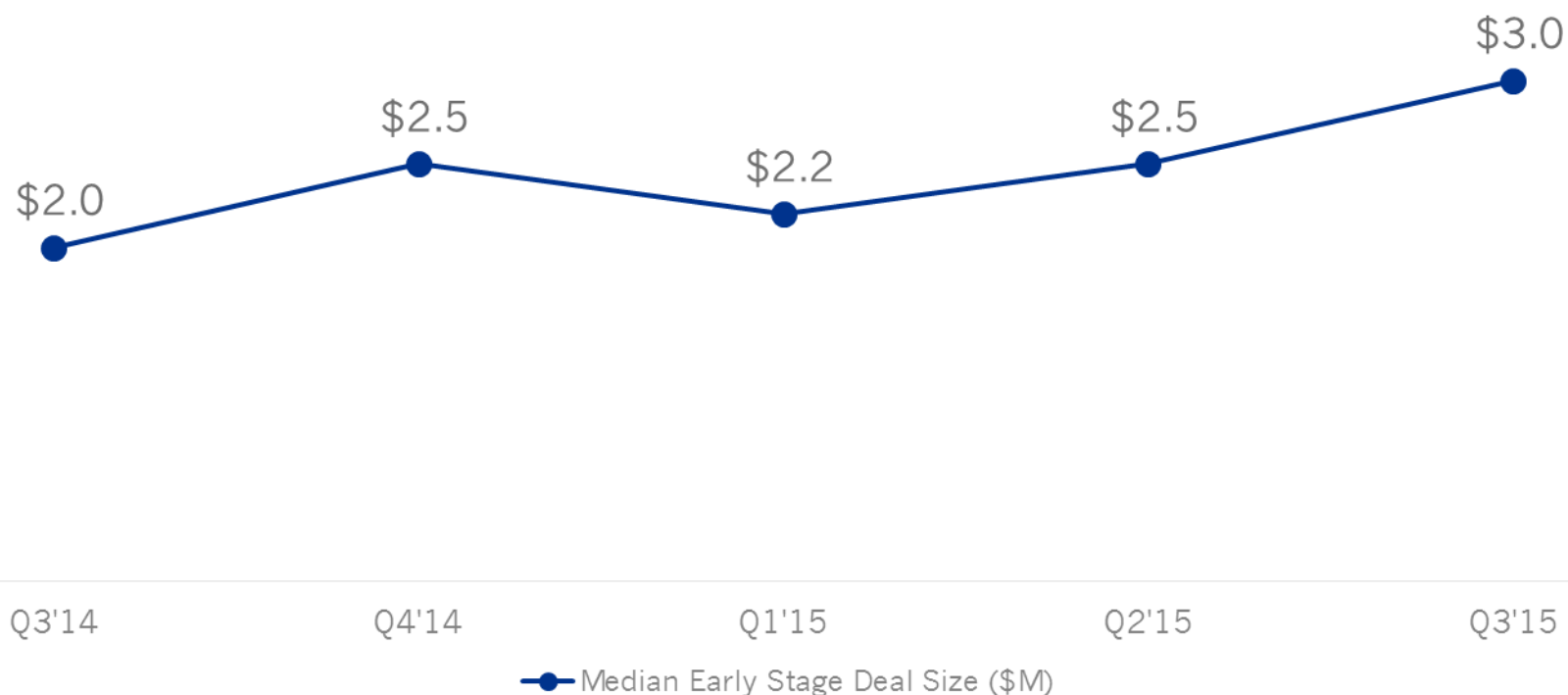
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

EARLY-STAGE DEAL SIZES ARE GROWING IN NORTH AMERICA

Median early-stage deals were \$3M in Q3'15, a five-quarter high and 20% higher than the same quarter last year.

North American Early-Stage Deal Size

Q3'14 – Q3'15



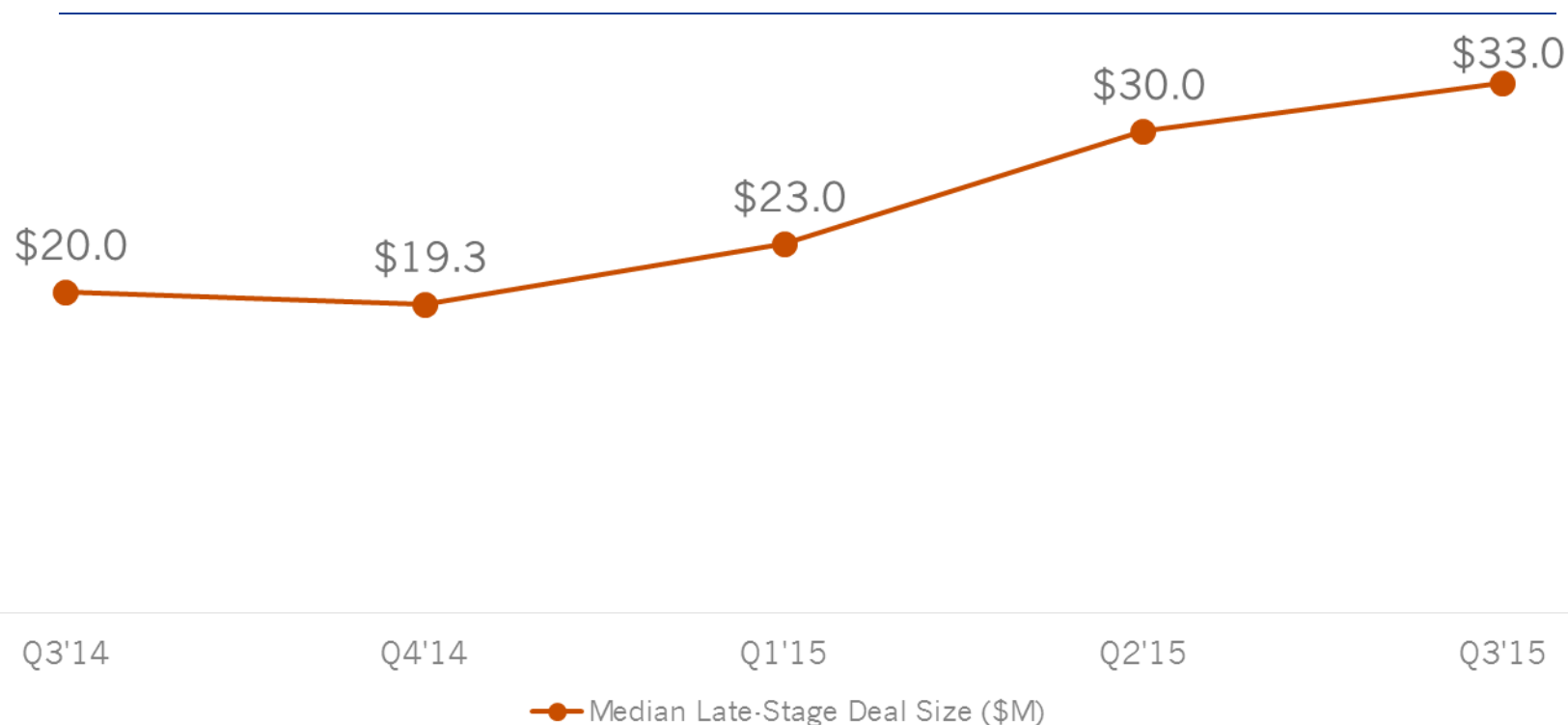
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

MEDIAN LATE-STAGE NORTH AMERICAN DEAL SIZE TOPS \$30M IN Q3'15

Behind a span of mega-rounds capped by a \$1B injection into student-lending startup SoFi, median late-stage deal size ballooned in Q3'15, topping the same quarter last year by 65%.

North American Late-Stage Deal Size

Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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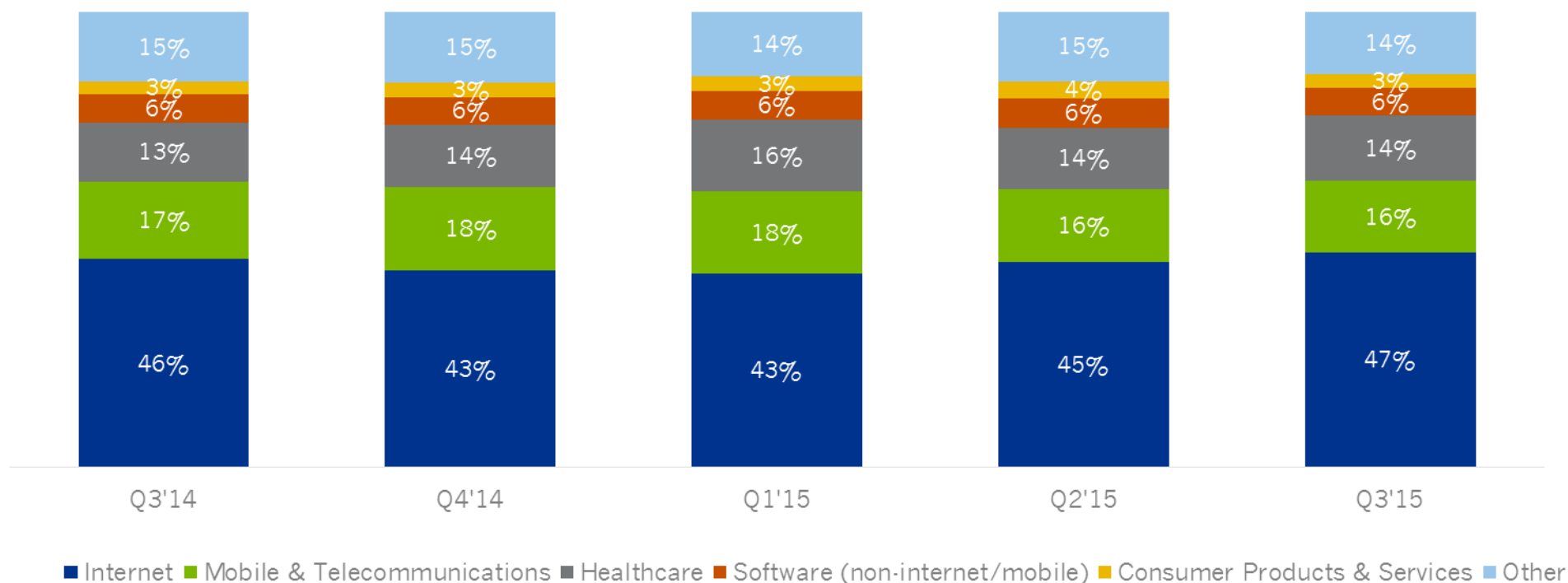
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VC-BACKED INTERNET COMPANIES CONTINUE TO TAKE THE MOST DEALS

Internet companies have consistently taken over 40% of all deals into VC-backed North American companies. All sectors remained relatively range-bound during the last five quarters.

North American Quarterly Deal Share by Sector Q3'14 – Q3'15



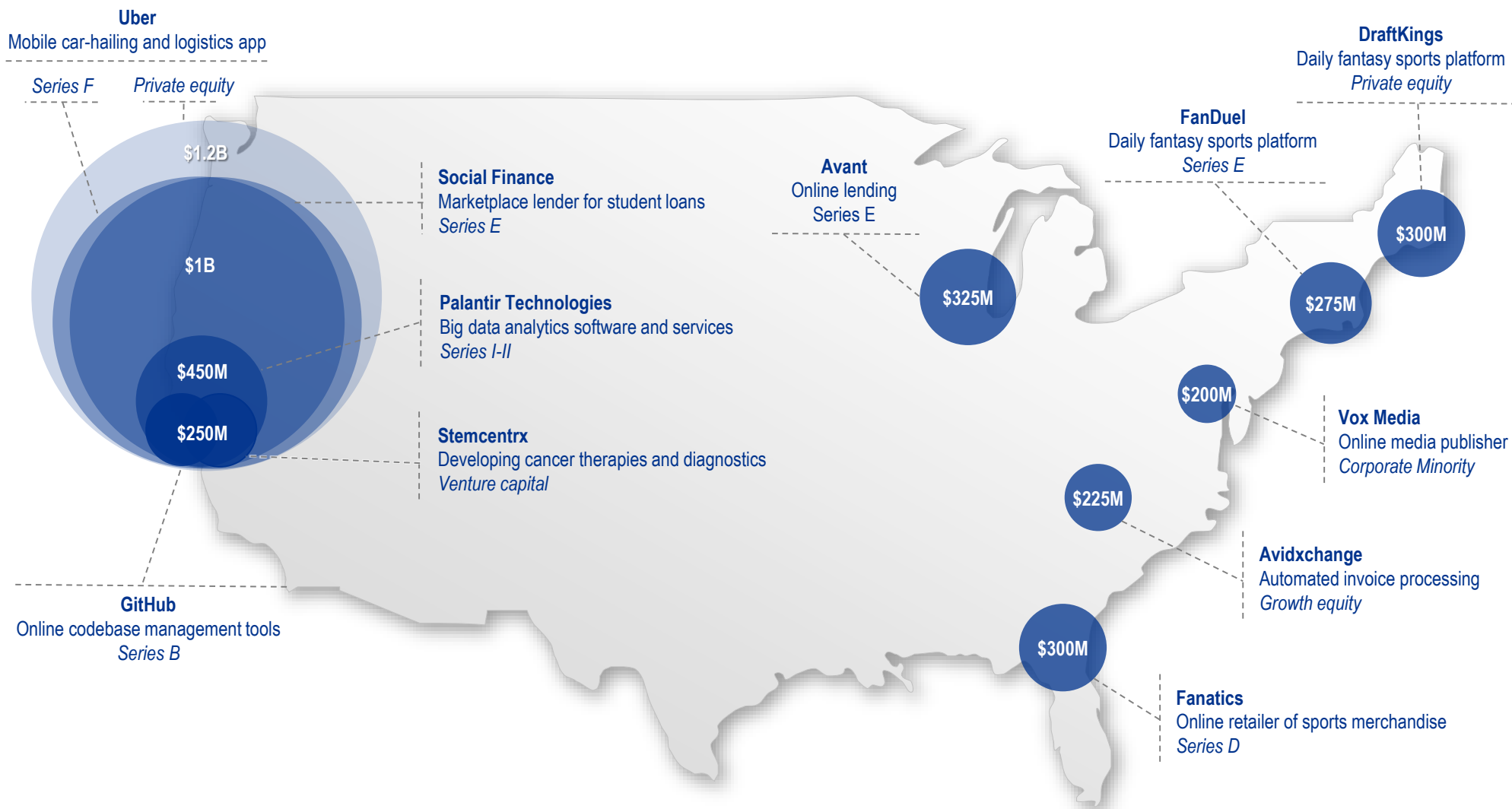
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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THE 12 LARGEST ROUNDS OF Q3'15 TOTALED OVER \$5.7B, MORE THAN 28% OF FUNDING IN NORTH AMERICA

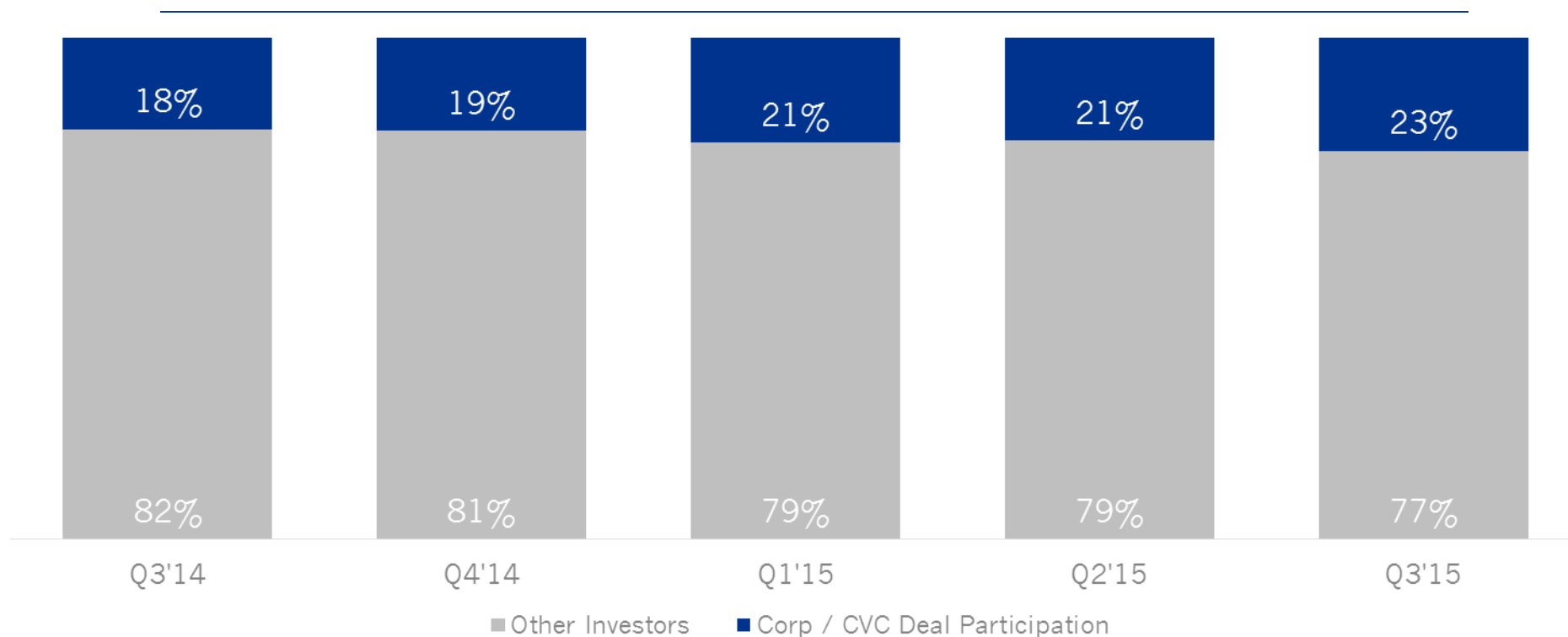


CORPORATE DEAL SHARE OF VC-BACKED NORTH AMERICAN COMPANIES RISES TO FIVE-QUARTER HIGH

In Q3'14, corporate investors participated in 18% of deals to VC-backed companies. The same quarter this year, corporate participation rose to 23% as more new corporate venture units continue to crop up.

CVC Participation in North American Deals to VC-Backed Companies

Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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NEA WAS THE MOST ACTIVE VC INVESTOR IN NORTH AMERICA IN Q3'15

New Enterprise Associates was the most active investor in Q3'15, after topping the most active investors in Q2'15 as well. Accel Partners ranked second, while Intel Capital rode a busy quarter to round out the top three.

Most Active VC Investors in North America Q3'15

Rank	Investor	Rank	Investor
1	New Enterprise Associates	9	Foundry Group
2	Accel Partners	9	Khosla Ventures
3	Intel Capital	11	Salesforce Ventures
4	Kleiner Perkins Caufield & Byers	11	Techstars Ventures
5	Sequoia Capital	11	The Social+Capital Partnership
6	Google Ventures	11	Formation 8
6	500 Startups	11	Battery Ventures
6	Andreessen Horowitz		

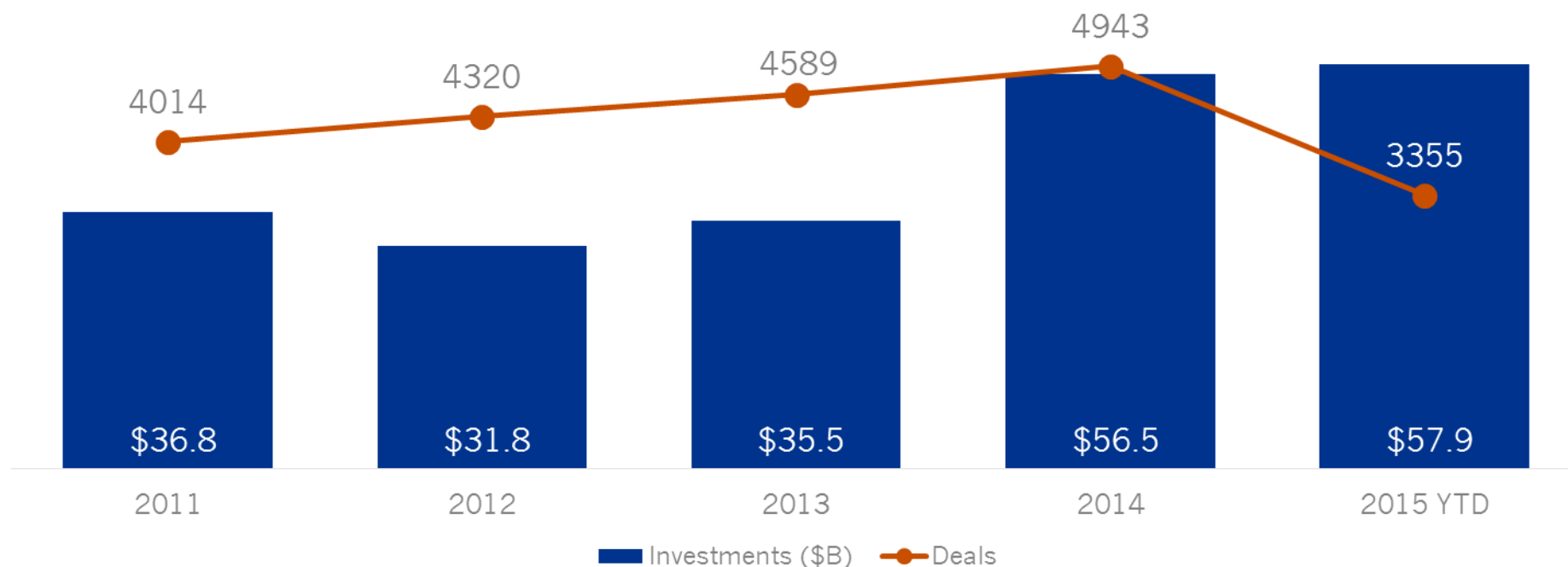
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

2015 YTD ALREADY BEATS 2014 US FUNDING TOTAL TO VC-BACKED COMPANIES

After a high of \$56.5B in 2014, 2015 is on track to reach five-year highs with \$57.9B already invested in the first 3 quarters of the year. While more dollars are being deployed in the US, deal activity looks to come in closer to 2013 levels at the current run rate.

USA Annual Financing Trends to VC-Backed Companies

2011 – 2015 YTD (Q3'15)



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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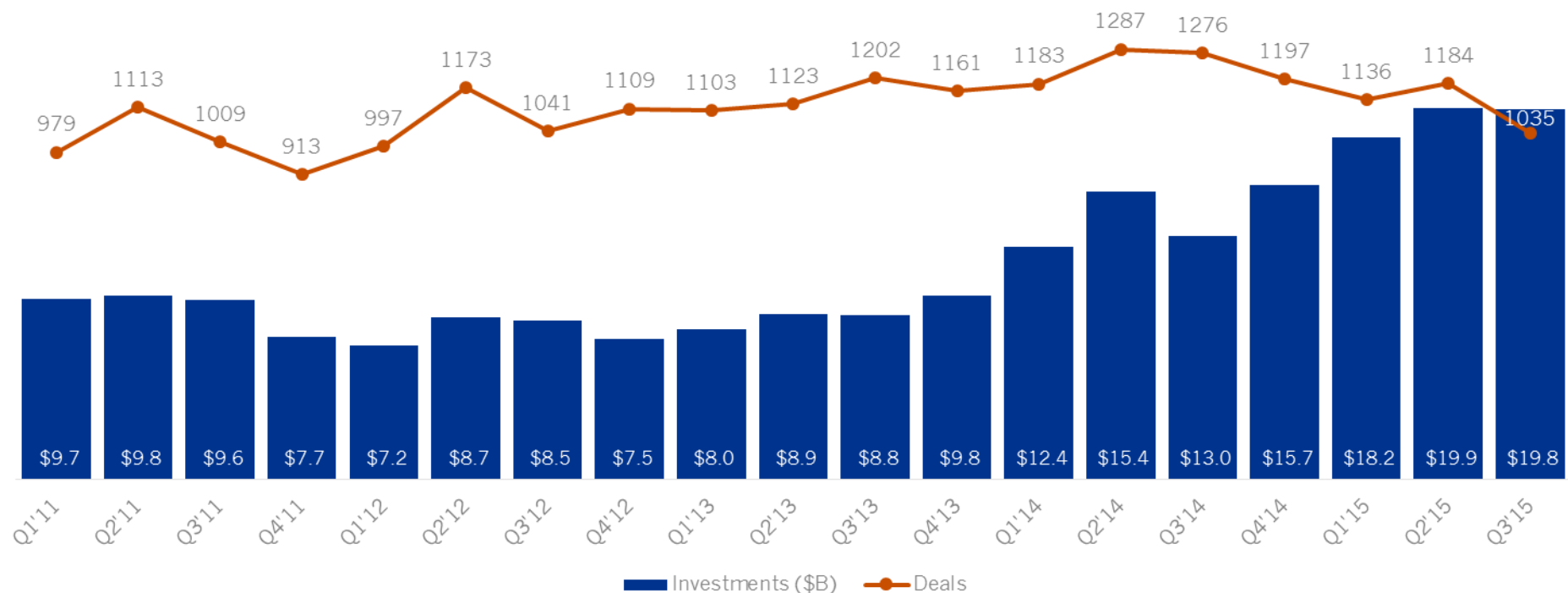


\$15B+ INVESTED IN US VC-BACKED COMPANIES IN FIVE OF THE LAST SIX QUARTERS

The US has seen more than \$15B invested in five of the last six quarters, including nearly \$20B in the two most recent quarters of 2015. Deals in Q3'15 dropped to their lowest point since Q3'12, as larger deals including to SoFi, Uber, Avant, DraftKings and FanDuel propelled US funding levels.

USA Quarterly Financing Trends to VC-Backed Companies

Q1'11 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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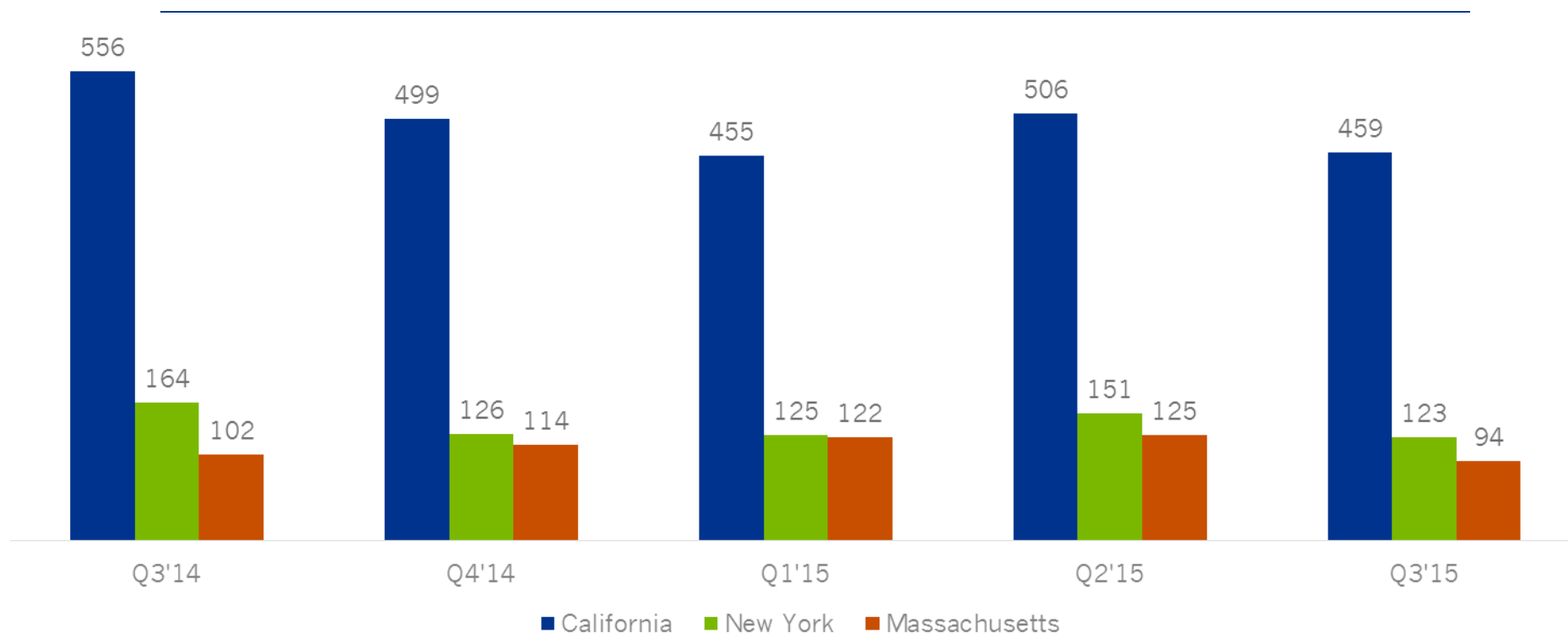


CALIFORNIA CONTINUES TO DOMINATE DEALS INTO VC-BACKED COMPANIES

While activity in California has slowed down, deals continue to top 400 per quarter and account for more than Massachusetts and New York combined. New York has now outpaced Massachusetts in each of the last 5 quarters.

Quarterly Deal Activity to VC-Backed Companies

CA vs. NY vs. MA, Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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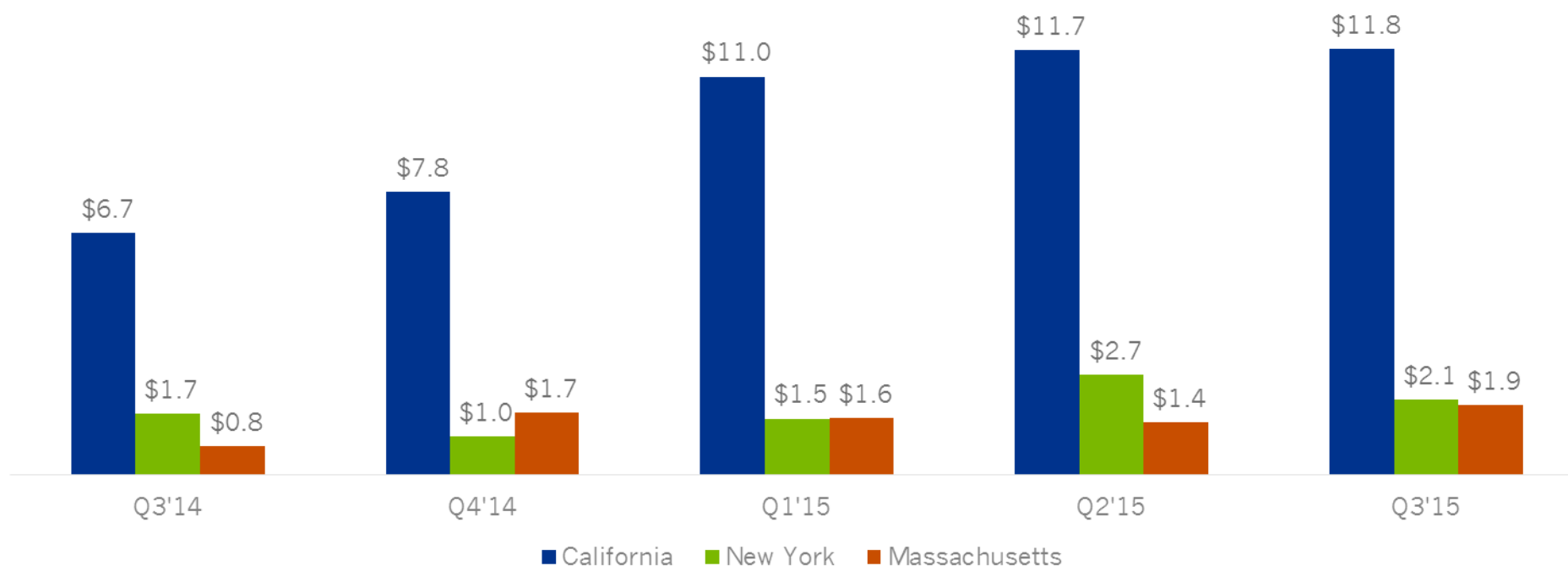


CALIFORNIA SEES THREE STRAIGHT QUARTERS OF \$11B+ INVESTMENT

California saw \$11.8B invested in Q3'15, close to 6x the amount invested in New York. After two quarters of Massachusetts beating NY, NY total funding topped MA for the second-straight quarter at \$2.1B to \$1.9B.

Quarterly Investment Activity to VC-Backed Companies

\$B, CA vs. NY vs. MA, Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

“Company valuations vary tremendously by location. A company in the Bay Area, may get a billion dollar valuation. Yet that exact same company, with the exact same metrics and economics - but in other parts of the country - will not get that billion dollar valuation.”



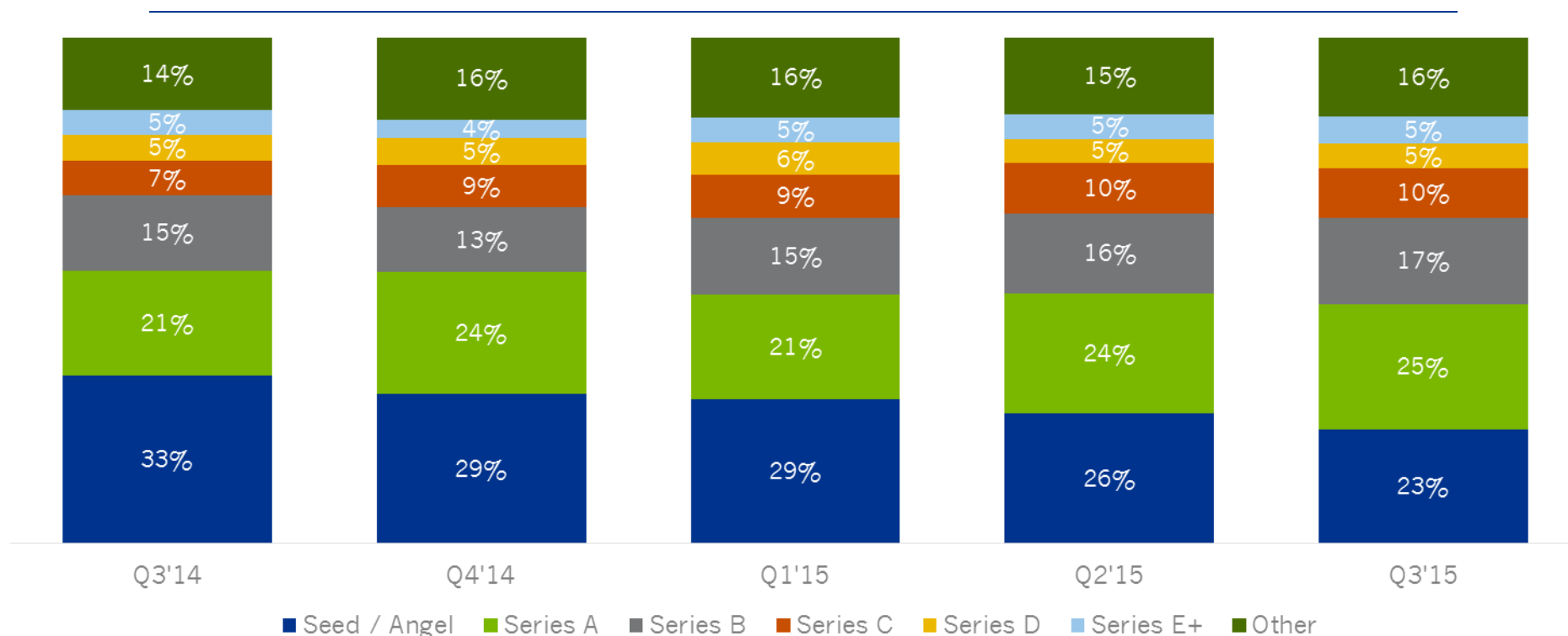
Conor Moore
*National Co-Lead Partner
KPMG Venture Capital Practice
KPMG in the US*

SEED DEAL SHARE HITS A FIVE-QUARTER LOW

Seed stage investments took less than a fourth of all deals to VC-backed companies in the US in Q3'15, dropping to a five-quarter low of 23%. Conversely, mid-stage (Series B - Series C) deal share reached a five-quarter high, accounting for 27% of all deals to US-based VC-backed companies.

Quarterly US Deal Share by Stage

Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

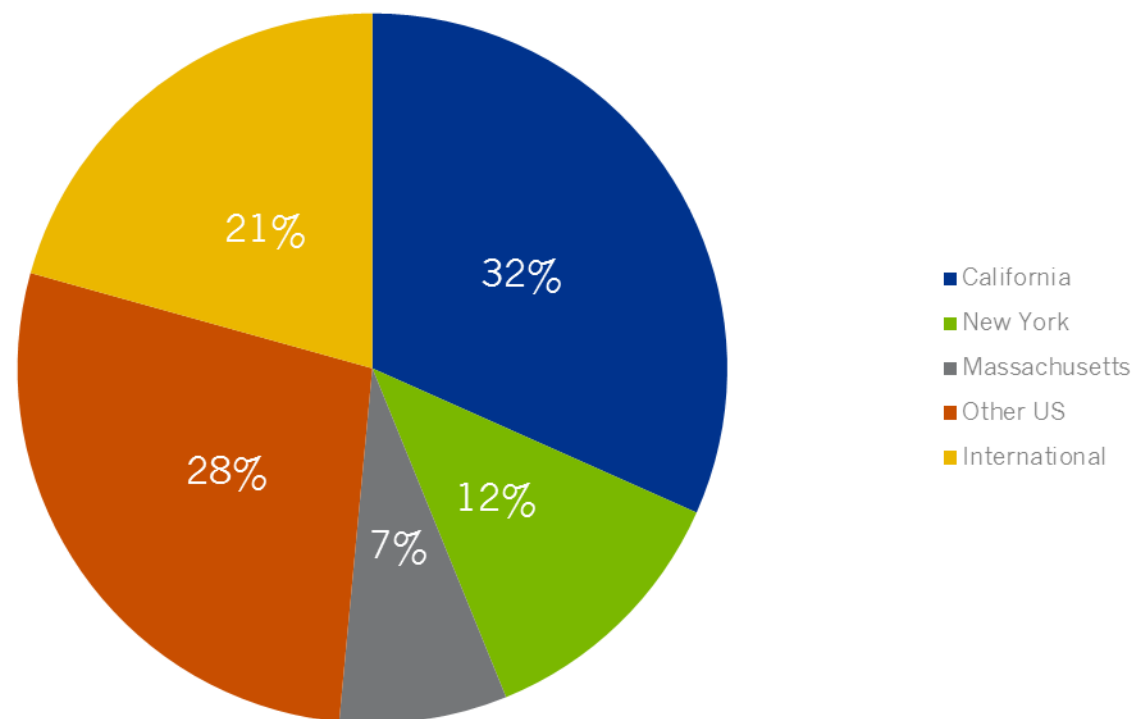
OVER HALF OF ALL VCS INVESTING IN THE US ARE BASED IN MAJOR MARKETS

Of all VCs that participated in a US investment in Q3'15, 51% were based in either California, New York, or Massachusetts.

California led all states with 32% of all active VCs calling the Golden State home, while Illinois, Texas, and Washington led the other VC states.

Investors from China, UK and Canada were most prevalent among international VCs.

HQ of VCs Investing in US Companies *As % of all VCs investing in US-based companies in Q3'15*



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

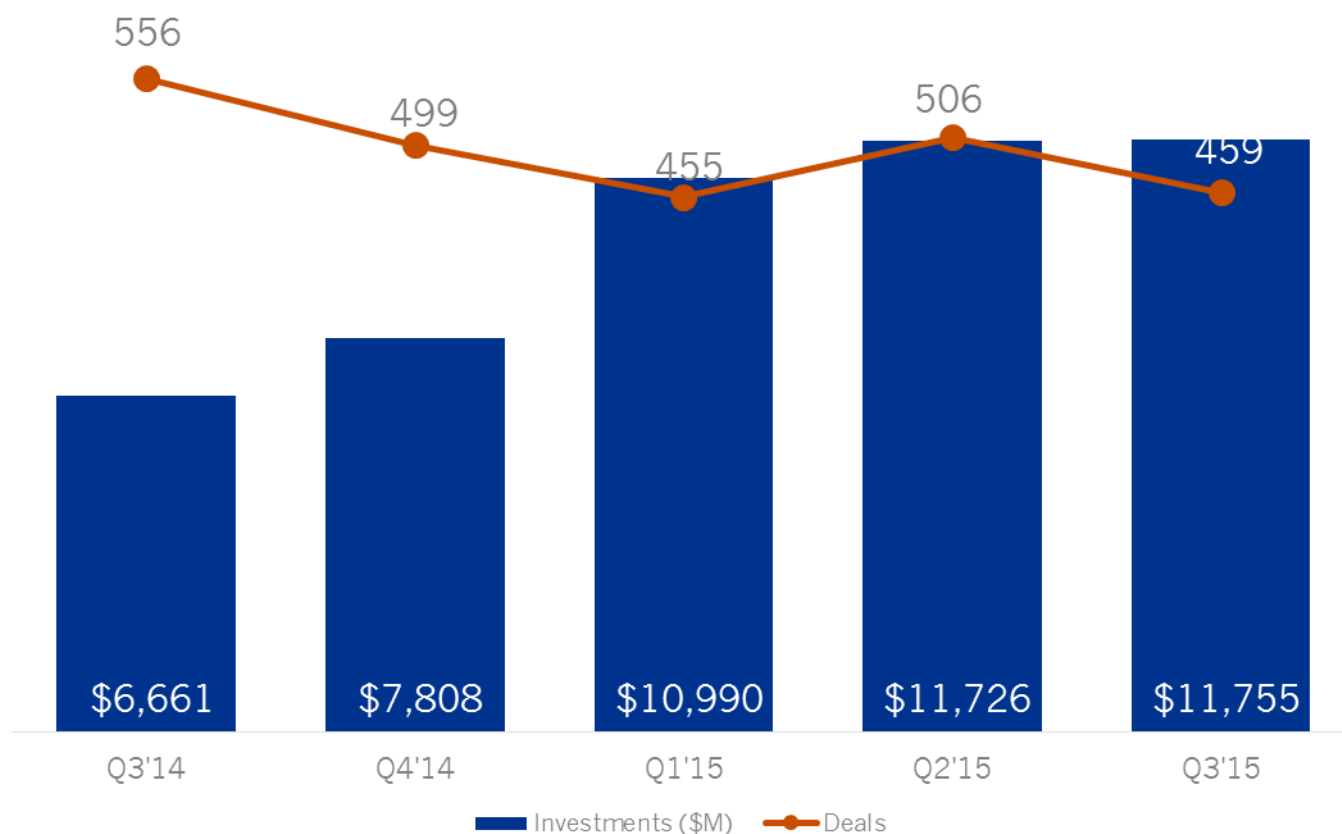
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CALIFORNIA VENTURE-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

California Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

Uber

\$1.2B // Private Equity

Social Finance

\$1B // Series E

Uber

\$1B // Series F

Top Cities

San Francisco

160 Deals // \$5.93B

Palo Alto

30 Deals // \$1.00B

Mountain View

26 Deals // \$578.7M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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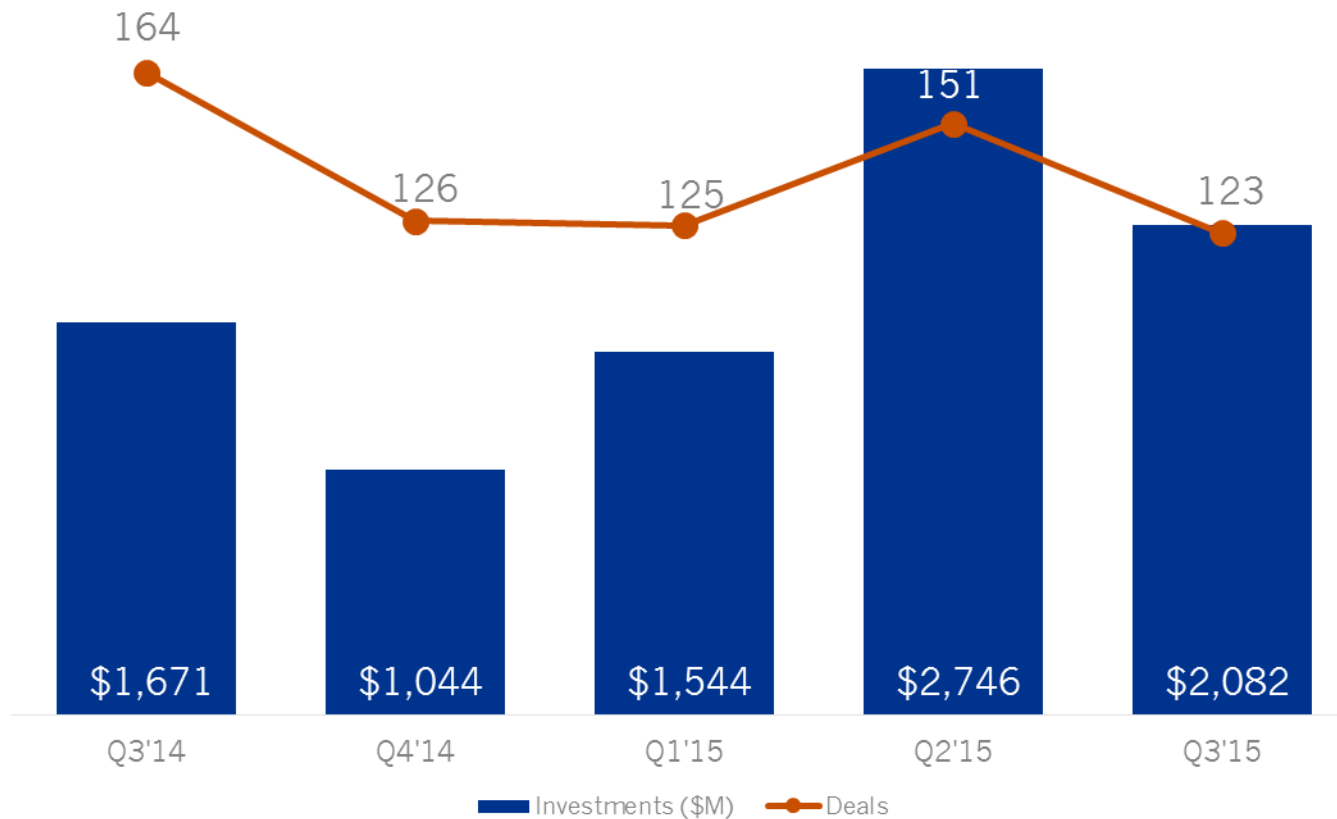
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NEW YORK VENTURE-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

New York Investment Activity VC-Backed Companies, Q3'14 – Q3'15



Top Deals

FanDuel

\$275M // Series E

Buzzfeed

\$200M // Corp Minority

ZocDoc

\$130M // Series D

Top Cities

New York

101 Deals // \$1.93B

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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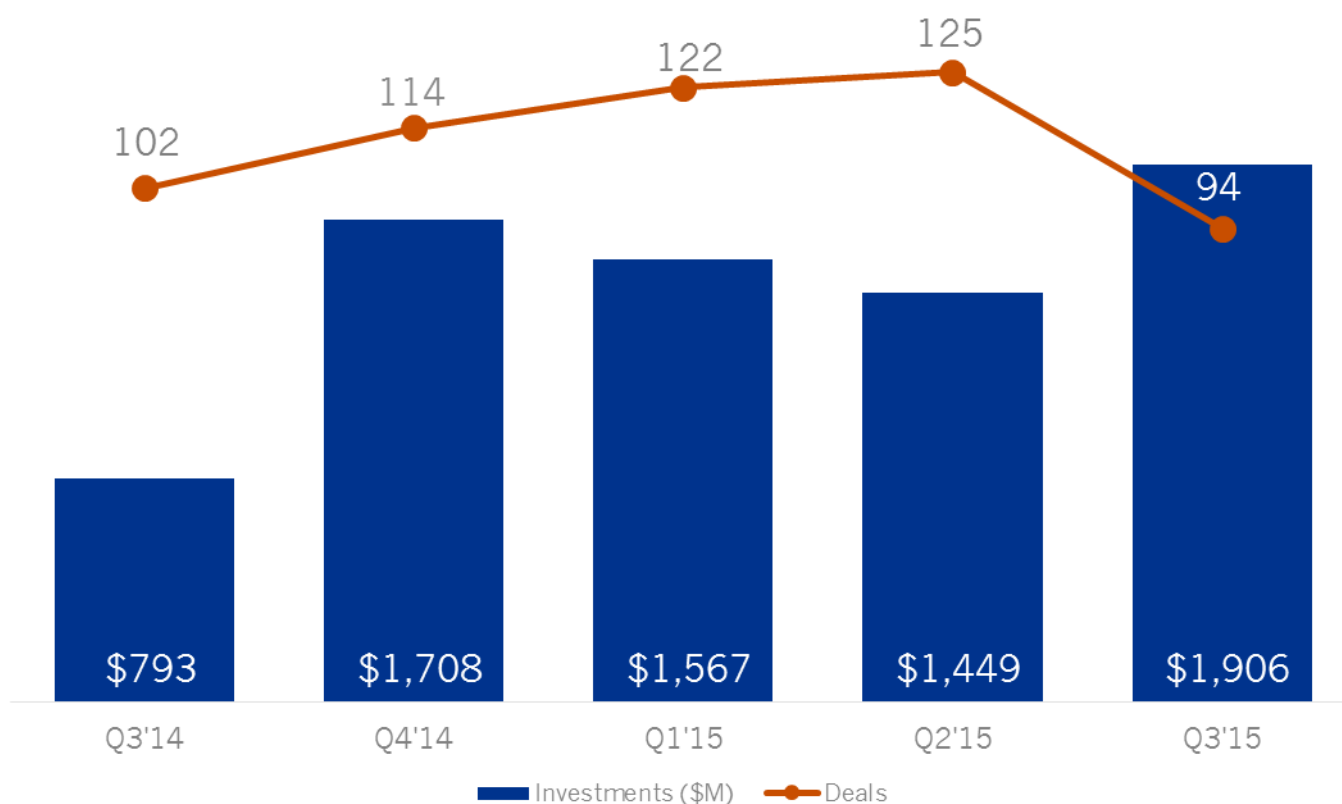


MASS VENTURE-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

Massachusetts Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

DraftKings

\$300M // Series D

Mevion Medical Systems

\$200M // Series H

Editas Medicine

\$120M // Series B

Top Cities

Boston

37 Deals // \$689.3M

Cambridge

17 Deals // \$537.1M

Waltham

9 Deals // \$227.3M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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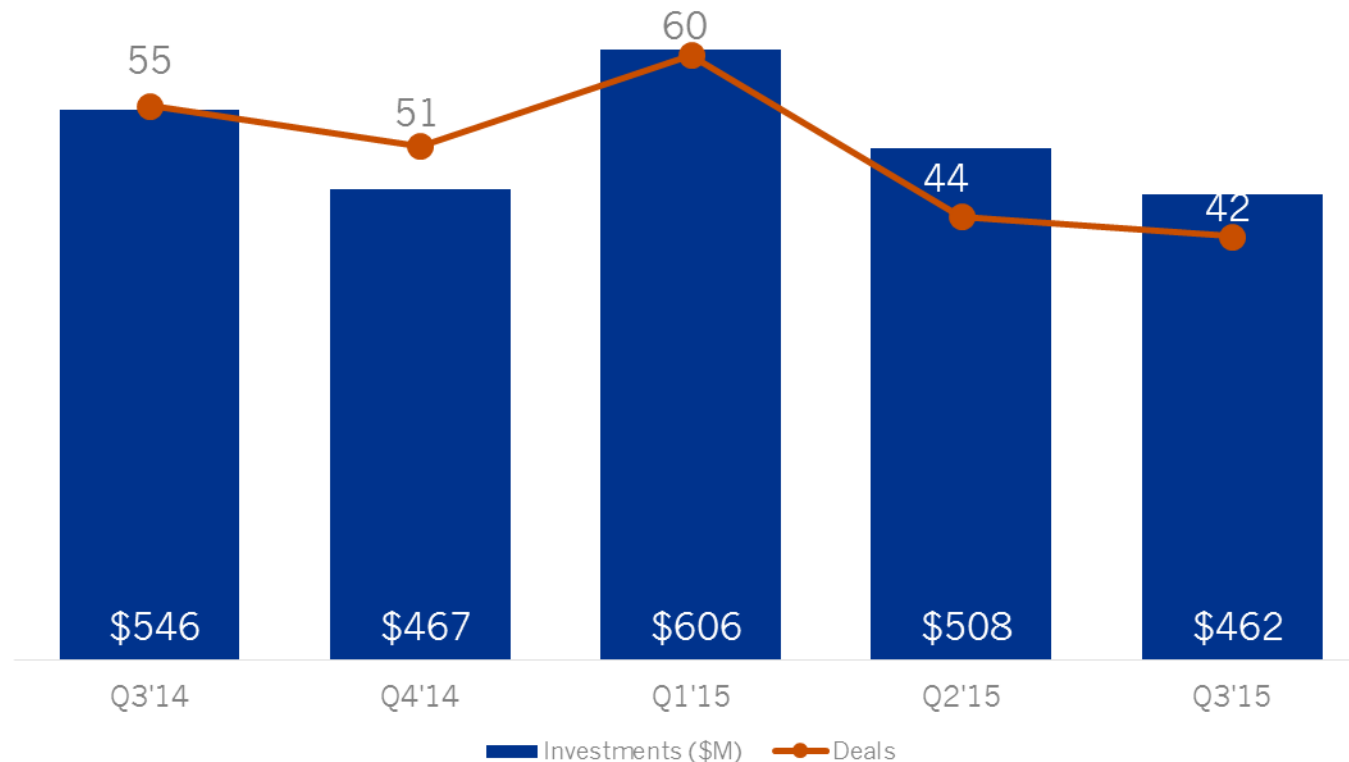


TEXAS VENTURE-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

Texas Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

AveXis

\$65M // Series D

Civitas Learning

\$60M // Series D

Vroom

\$54M // Series B

Top Cities

Austin

19 Deals // \$194.2M

Houston

5 Deals // \$86.1M

Irving

5 Deals // \$43.4M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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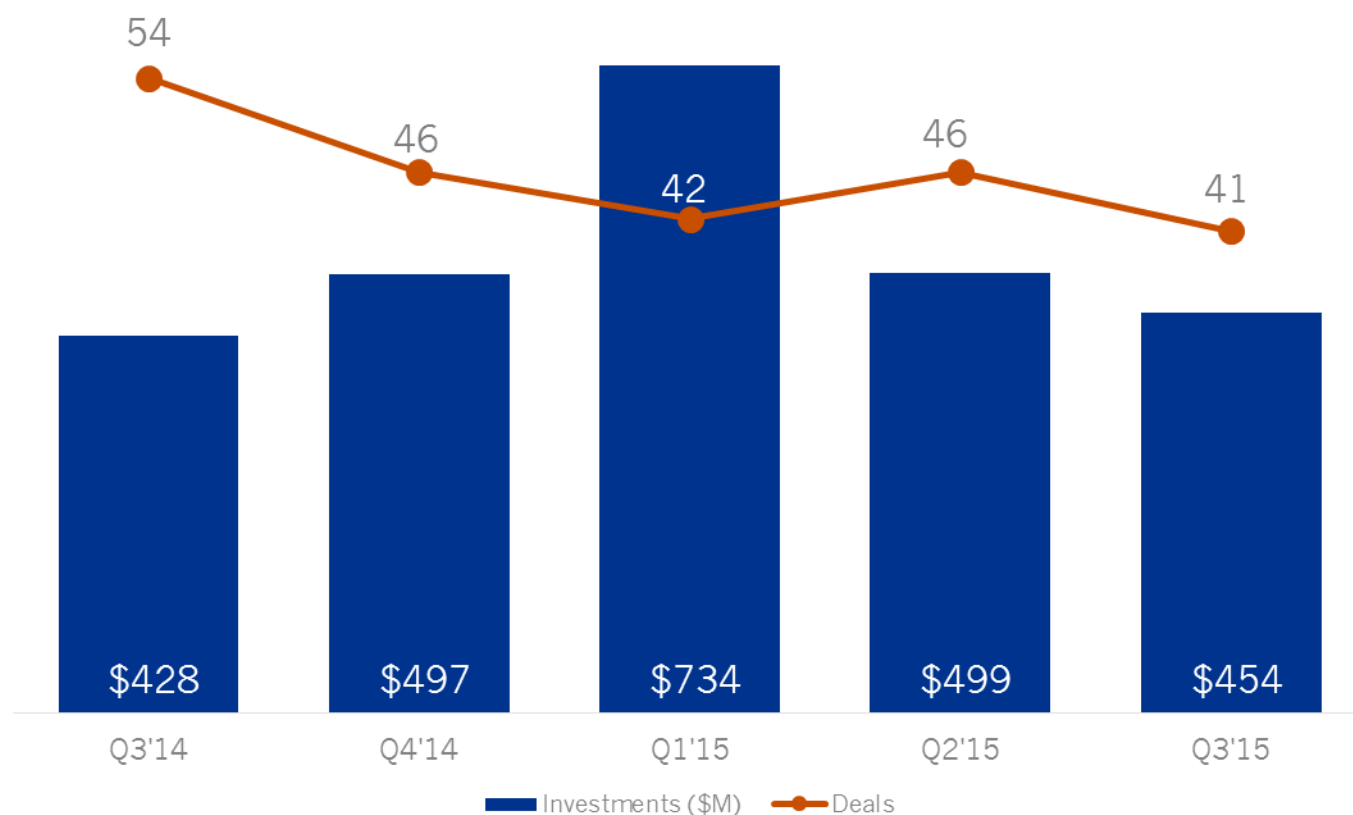


PACIFIC-NW VENTURE-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

Pacific Northwest Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

G5

\$76M // Private Equity

Avvo

\$71.5M // Series E

PicMonkey

\$41M // Growth Equity

Top Cities

Seattle

22 Deals // \$294.2M

Portland

4 Deals // \$41.5M

Redmond

2 Deals // \$14.0M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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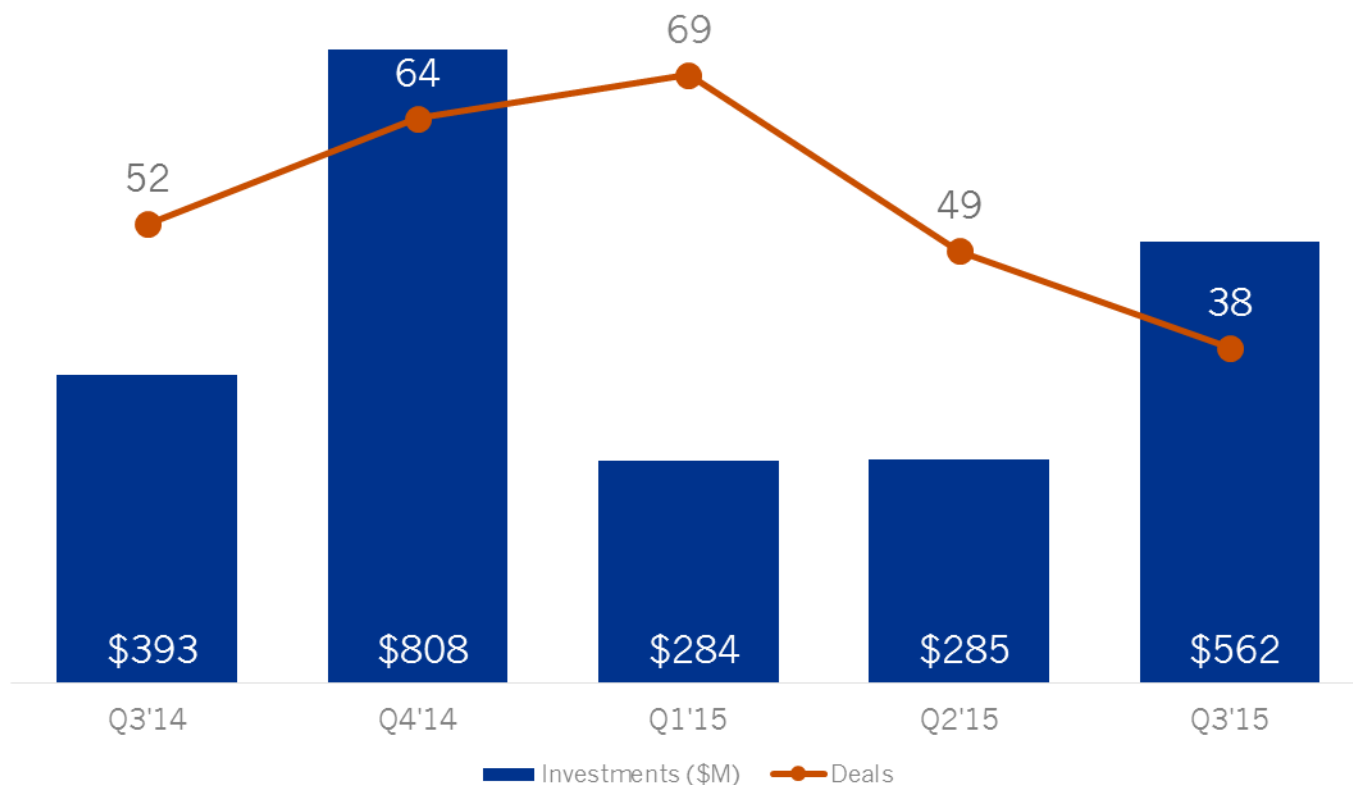
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CANADA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

Canada Investment Activity VC-Backed Companies, Q3'14 – Q3'15



Top Deals

Clearpath Robotics

\$122.4M // Private Equity

Intelix Technologies

\$61M // Series C

Lightspeed POS

\$50M // Corp Minority

Top Cities

Toronto

13 Deals // \$292.45M

Montreal

8 Deals // \$138.58M

Vancouver

3 Deals // \$23.25M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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In Q3 2015

EUROPEAN

VC-backed companies raised

\$3.5 billion

Europe Tops \$3B of Investment for Third Straight Quarter

Venture capital investment activity in Europe rose to \$3.5 billion in Q3 2015 – a 19 quarter high. Overall, funding topped \$3 Billion for the third straight quarter.

Unlike the US and Asia, seed-stage funding went up in Europe during Q3 – accounting for approximately 40 percent of funding activity during the quarter.

Mobile deals grew for the third straight quarter in Europe, while healthcare deals also gained traction thanks to the Immunocore deal in the UK and a number of other high profile deals. While still dominant, internet deals reached a five year low – suggesting that other industries may overtake it as the leader in VC interest in the near future.

Aligning tech and healthcare in the UK

Q3 2015 included a number of big VC-backed deals in the UK healthcare space – a trend expected to continue for the foreseeable future. Given the world class universities and research hospitals in the country, a strong ecosystem of healthcare innovation is developing in London and in university towns such as Oxford and Cambridge. In Q3, Immunocore was the biggest UK deal in the space – a company focused on biotechnology and developing innovative cancer treatments. From biotech to medical devices, all aspects of healthcare appear to be on the UK VC investment radar and are likely to attract value in the future.

Berlin: City of entrepreneurs

While Germany is still working to develop an innovation ecosystem in the country – Berlin stands out as a prominent example of success. Compared to other cities in the country, Berlin's low cost of living and lack of corporate powerhouses has created an environment attractive to millennials and other young entrepreneurs – leading to a booming start-up community. As a result, the city has grown into a hub of e-commerce, ed-tech and fin-tech innovation. Of the VC-backed unicorns in Europe, at least five are in Berlin.

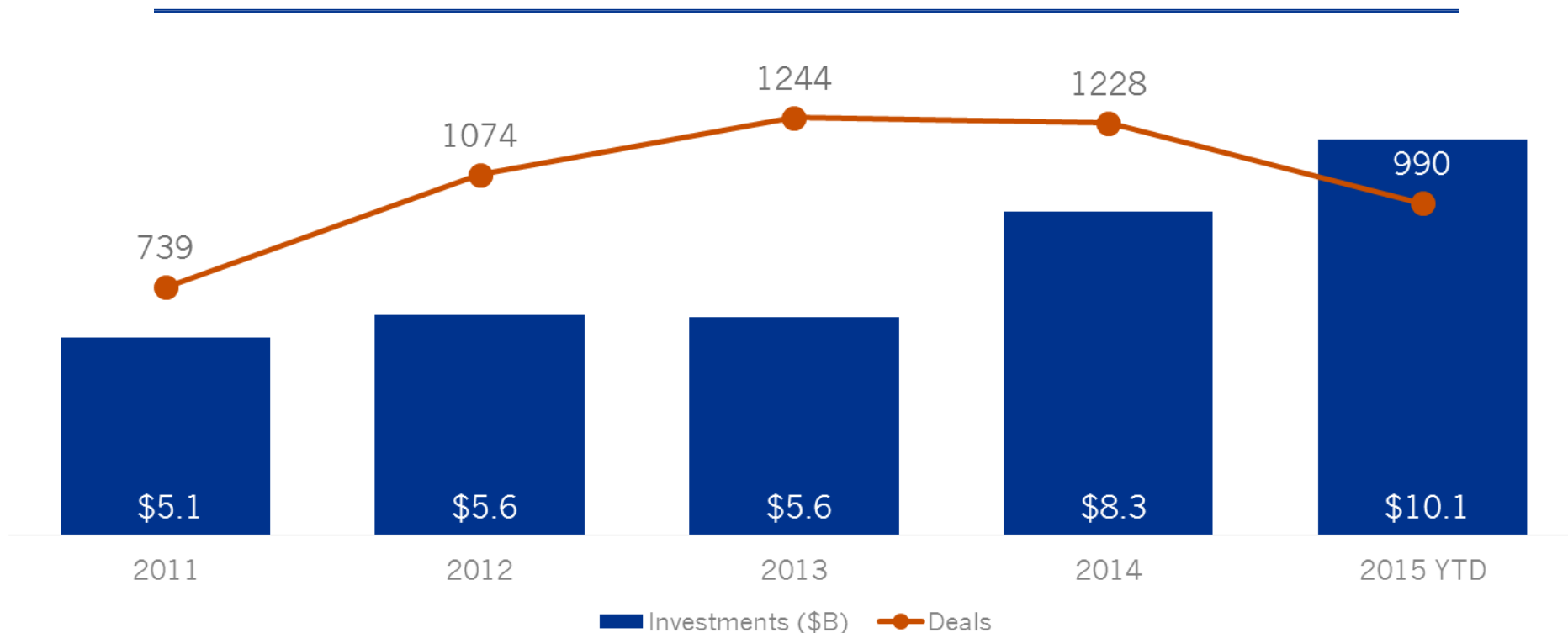
Berlin's success has attracted a lot of attention – not only from VC firms, but also from corporates. Over the past quarter and more, we've seen strong interest from traditional companies who want to understand and leverage the disruptive business models and digitalization work occurring in Berlin.

FUNDING TO VC-BACKED EUROPEAN COMPANIES ON PACE TO TOP 2014'S TOTAL BY OVER 60%

VC-backed companies in Europe have raised a total of \$10.1B through three quarters of 2015 across 990 deals. \$500M+ rounds to Delivery Hero, Spotify, and OneWeb have helped buoy funding totals, while at the current run rate, deal activity is on pace to reach multi-year highs.

European Annual Financing Trends to VC-Backed Companies

2011 – 2015 YTD (Q3'15)



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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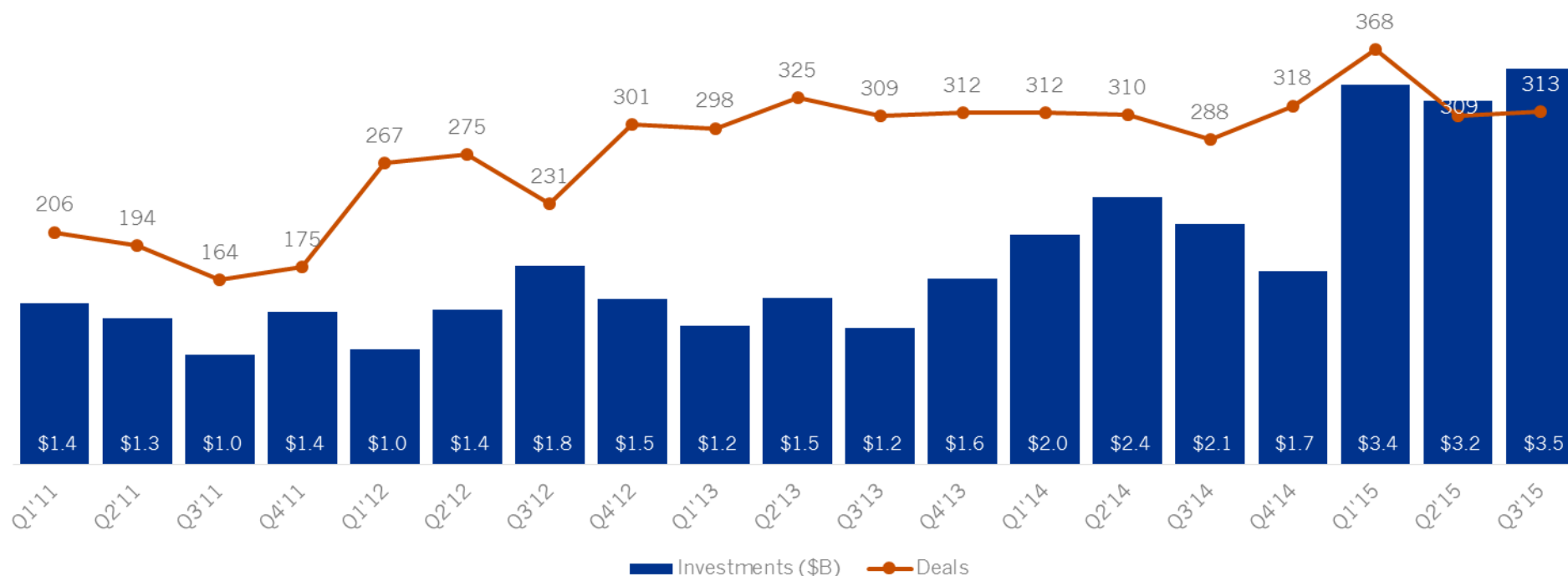
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QUARTERLY FUNDING TO VC-BACKED COMPANIES IN EUROPE REACHES MULTI-YEAR HIGH

Q3'15 was the third-straight quarter of \$3B+ invested into VC-backed companies in Europe, as funding totals reached \$3.5B, a 19-quarter high. The funding was helped by an all-time high for mega-rounds, as there were 6 \$100M+ rounds in Q3'15, including funding to BlaBlaCar, ImmunoCore, and others.

European Quarterly Financing Trends to VC-Backed Companies Q1'11 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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“We believe that we will see a renaissance of high tech engineering products, of hardware products, and of the ‘internet of things’ in Europe, and in particular in Germany, in the near future. It is a sleeping giant that has already started to wake.”



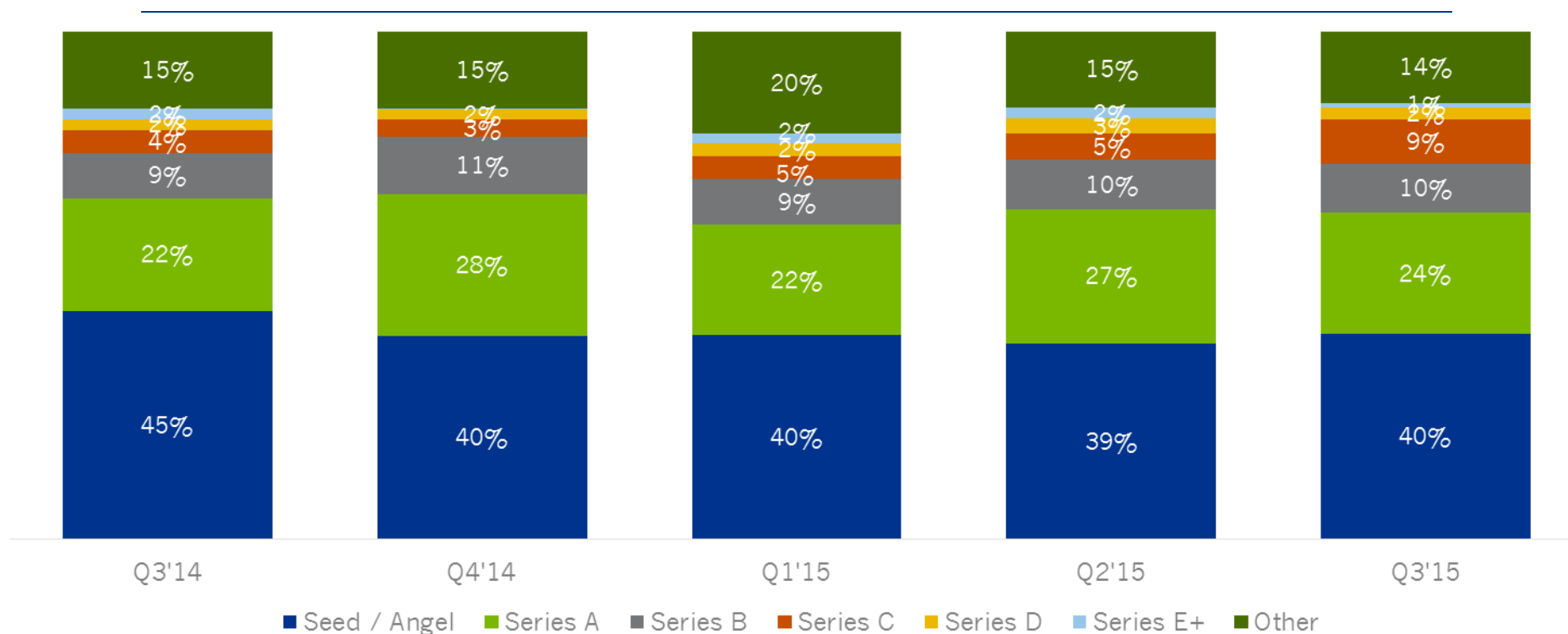
Tim Dümichen
Partner
KPMG in Germany

MID-STAGE DEAL SHARE REACHES FIVE-QUARTER HIGH IN Q3'15, SEED REMAINS LOW

Mid-stage (Series B – Series C) deals reached a five-quarter high in deal share in Q3'15 at 19%. Early-stage activity remained relatively range-bound, as 64% of all deals in Q3'15 were to those at the Angel – Series A stage.

European Quarterly Deal Share by Stage

Q3'14 – Q3'15



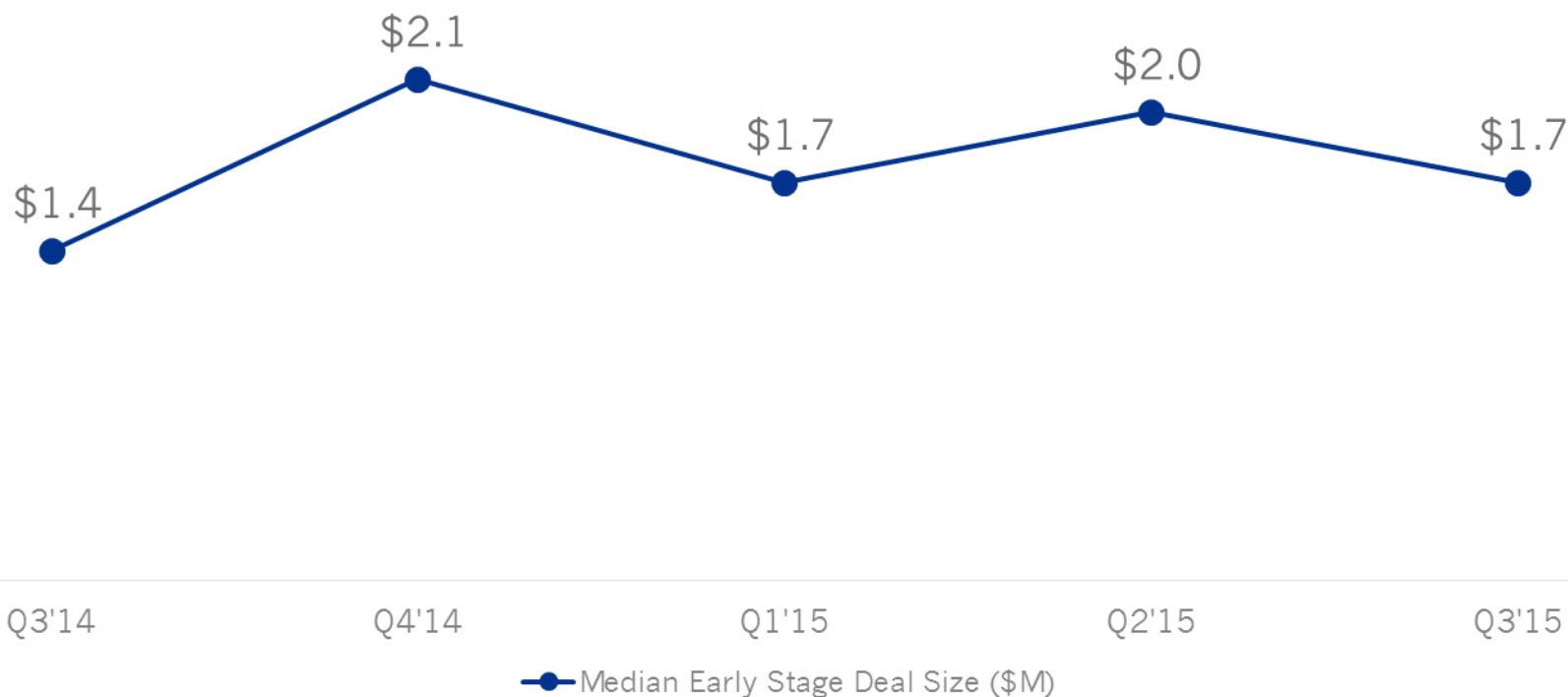
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

EUROPEAN EARLY-STAGE DEAL SIZES FALL BELOW \$2M ONCE AGAIN

As early-stage deal share fell from 66% in Q2'15 to 64% in Q3'15, so did the median deal size. The median deal size at the early-stage in Q3'15 fell below \$2M to \$1.7M, despite over 15 \$10M+ early-stage deals.

European Early-Stage Deal Size

Q3'14 – Q3'15



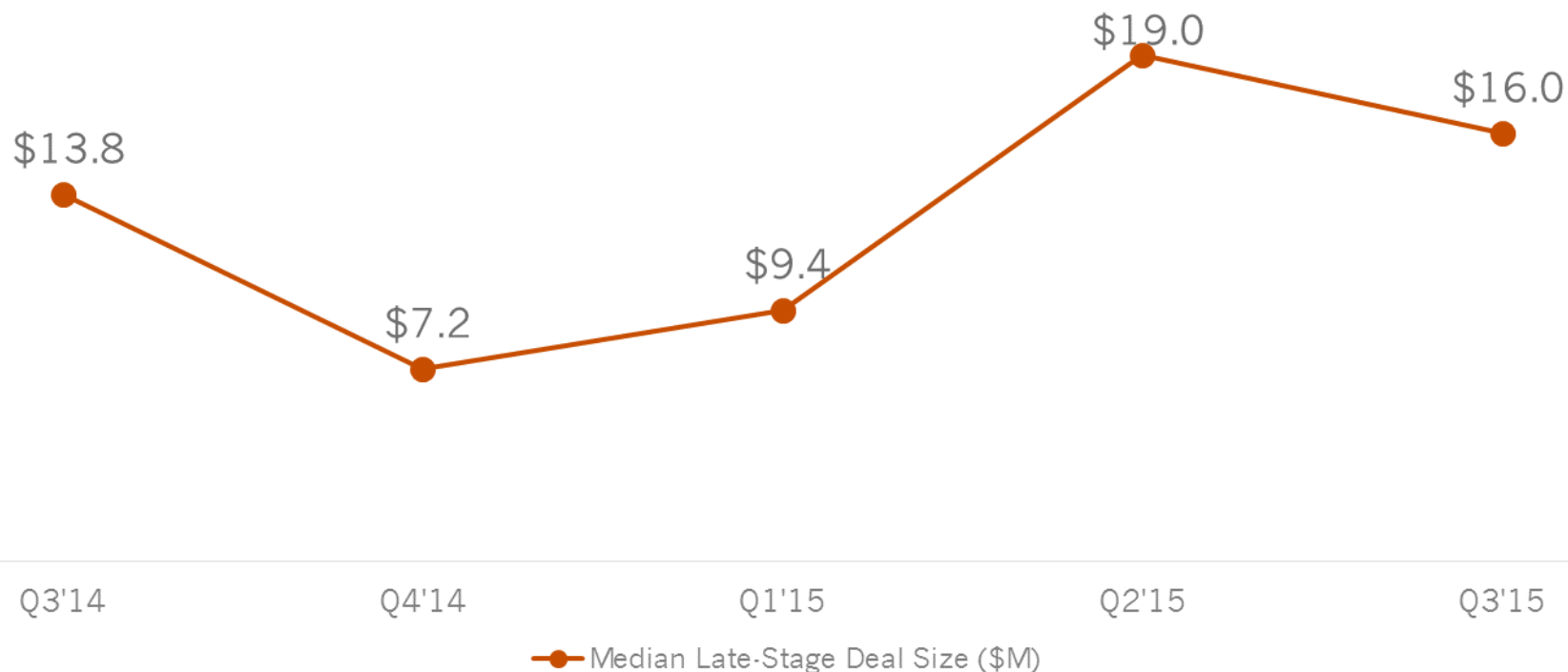
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

EUROPEAN LATE-STAGE DEALS POP IN LAST TWO QUARTERS

Late-stage deal sizes fell slightly versus Q2'15's high of \$19M to \$16M. Relative to Q4'14 and Q1'15's lower figures, the past two quarters have topped \$15M as larger late-stage financings have become more prevalent.

European Late-Stage Deal Size

Q3'14 – Q3'15



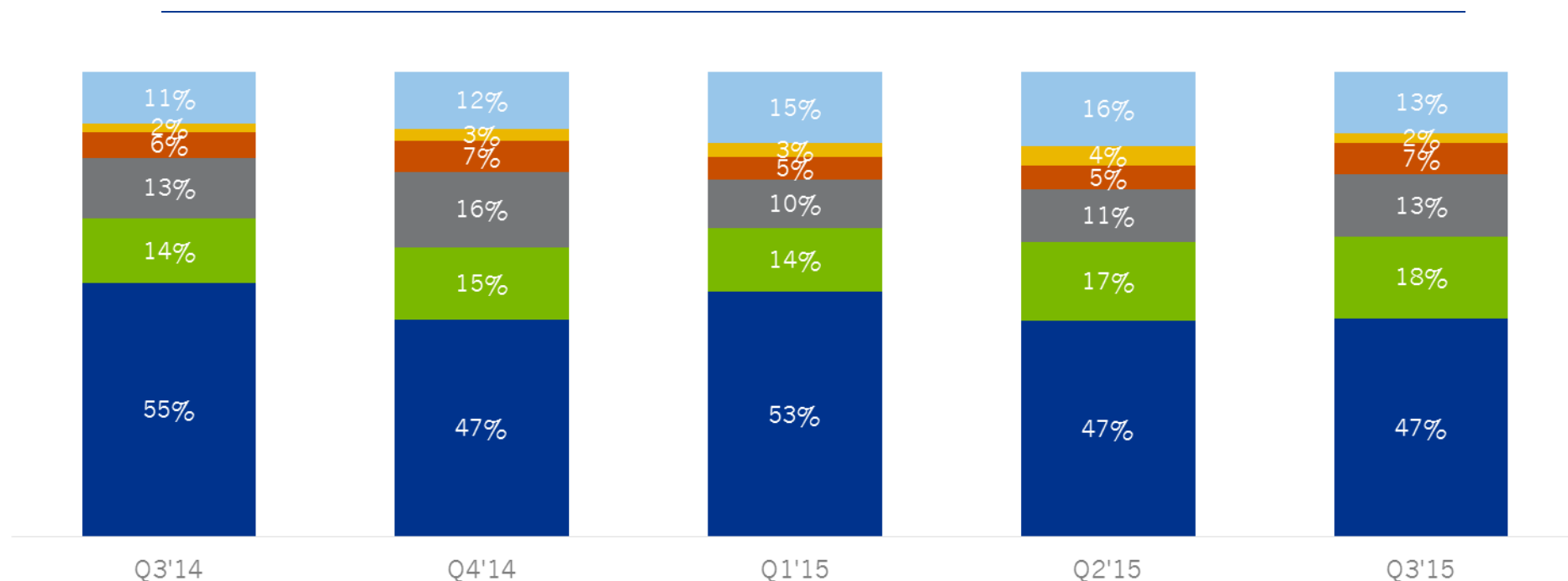
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

INTERNET AND MOBILE TAKE 65% OF ALL EUROPEAN VC-BACKED FINANCINGS

Tech continues to dominate the European VC investment landscape in 2015, as Internet and mobile deals took 65% of all deals to European VC-backed companies in Q3'15. Healthcare VC deal share in Europe was up slightly, accounting for 13% of all deals versus 11% in Q2'15.

European Quarterly Deal Share by Sector

Q3'14 – Q3'15



■ Internet ■ Mobile & Telecommunications ■ Healthcare ■ Software (non-internet/mobile) ■ Consumer Products & Services ■ Other

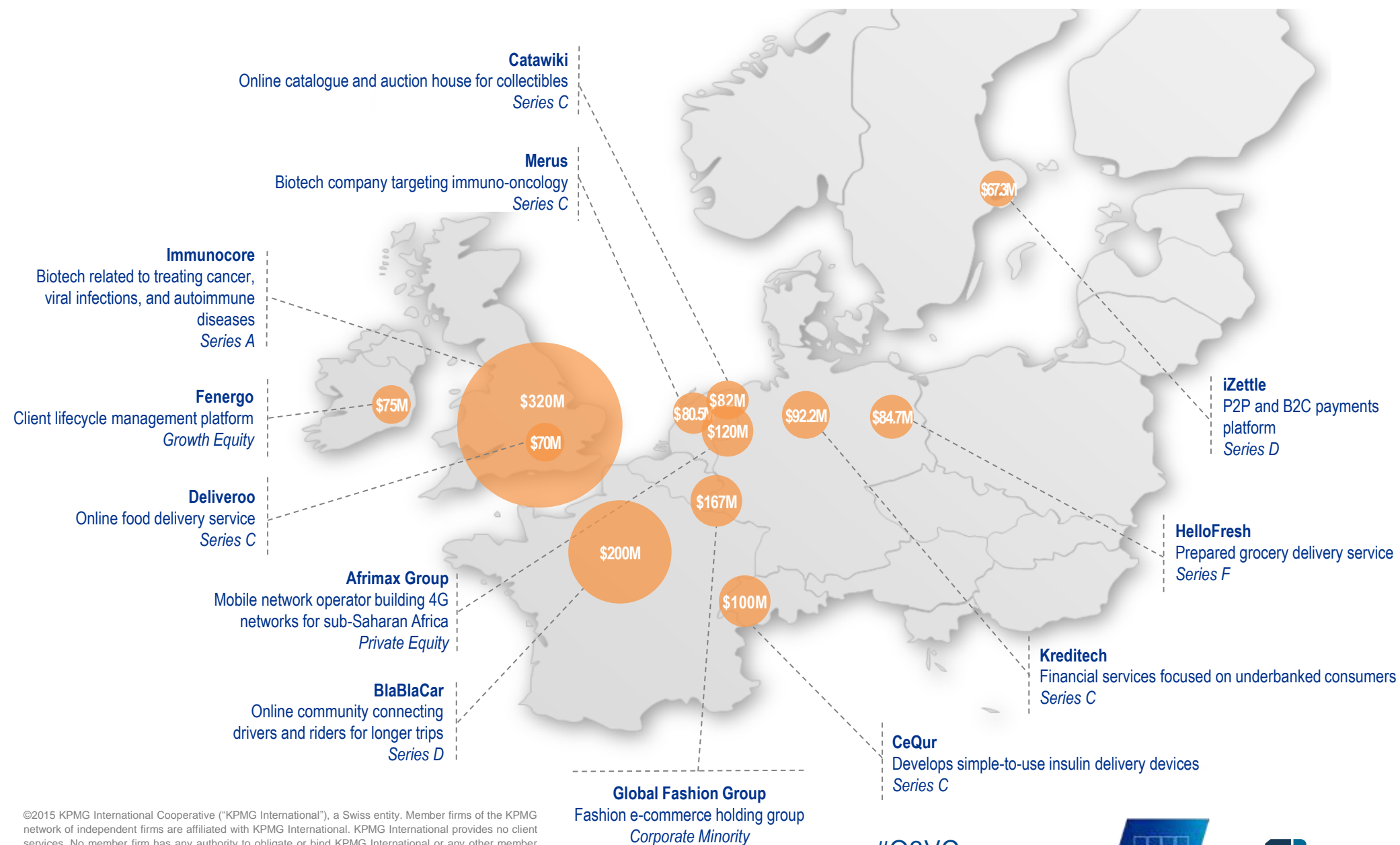
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THE 12 LARGEST EUROPEAN ROUNDS OF Q3'15 REPRESENTED MORE THAN \$1.5B IN FUNDING



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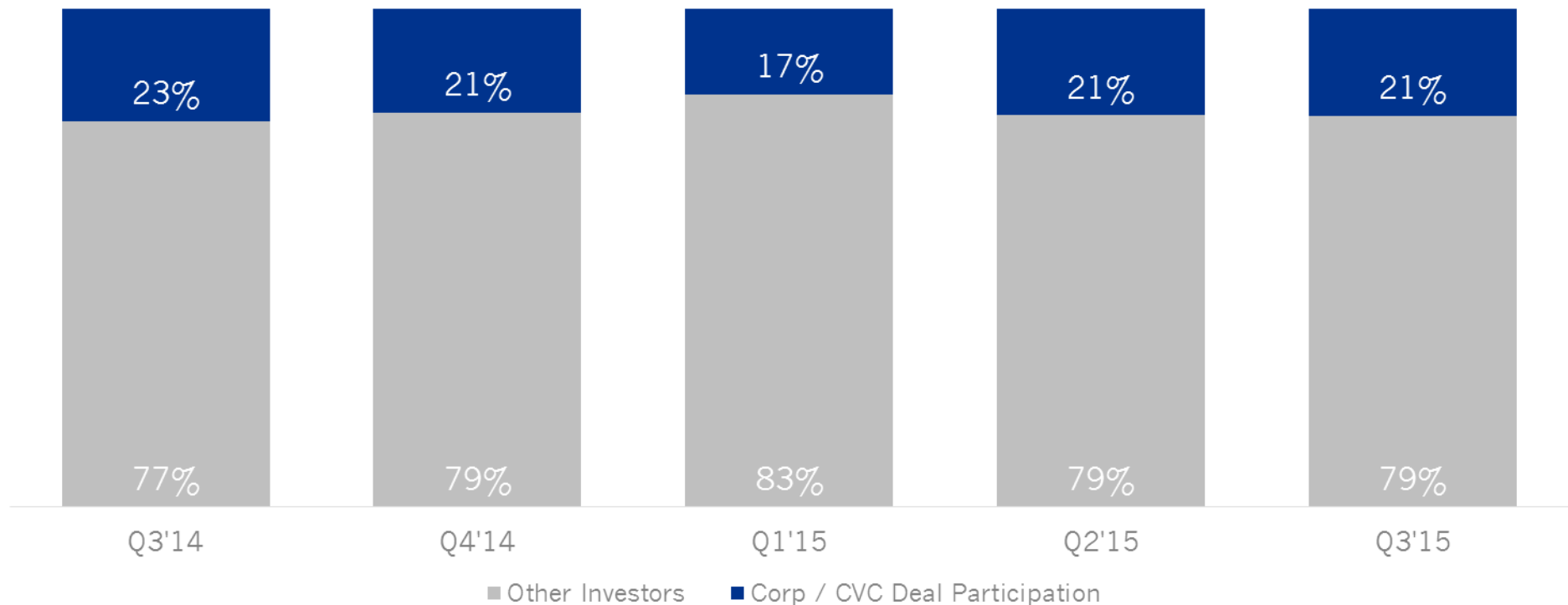
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CORPORATE PARTICIPATION TOPS 20% FOR FOUR OF THE LAST FIVE QUARTERS

Corporate investors participated in 21% of all deals to European VC-backed companies in Q3'15. Corporate participation has now topped 20% for 4 of the last 5 quarters. Notable Q3'15 deals by corporates include iZettle's \$67.3M Series D which included Intel Capital, as well as Pret d'Union's \$34.35M Series D which was led by Schibsted.

CVC Participation in European Deals to VC-Backed Companies Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

HIGH-TECH GRUENDERFONDS IS MOST ACTIVE VC INVESTOR IN EUROPE IN Q3'15

No investor was more active in Q3'15 than High-Tech Gruenderfonds. The German-based VC led all VCs with multiple early-stage bets on Biometrics, EBS Technologies, and payever, among others. Index Ventures, Business Growth Fund, and Balderton Capital rounded out the top 4.

Most Active VC Investors in Europe Q3'15

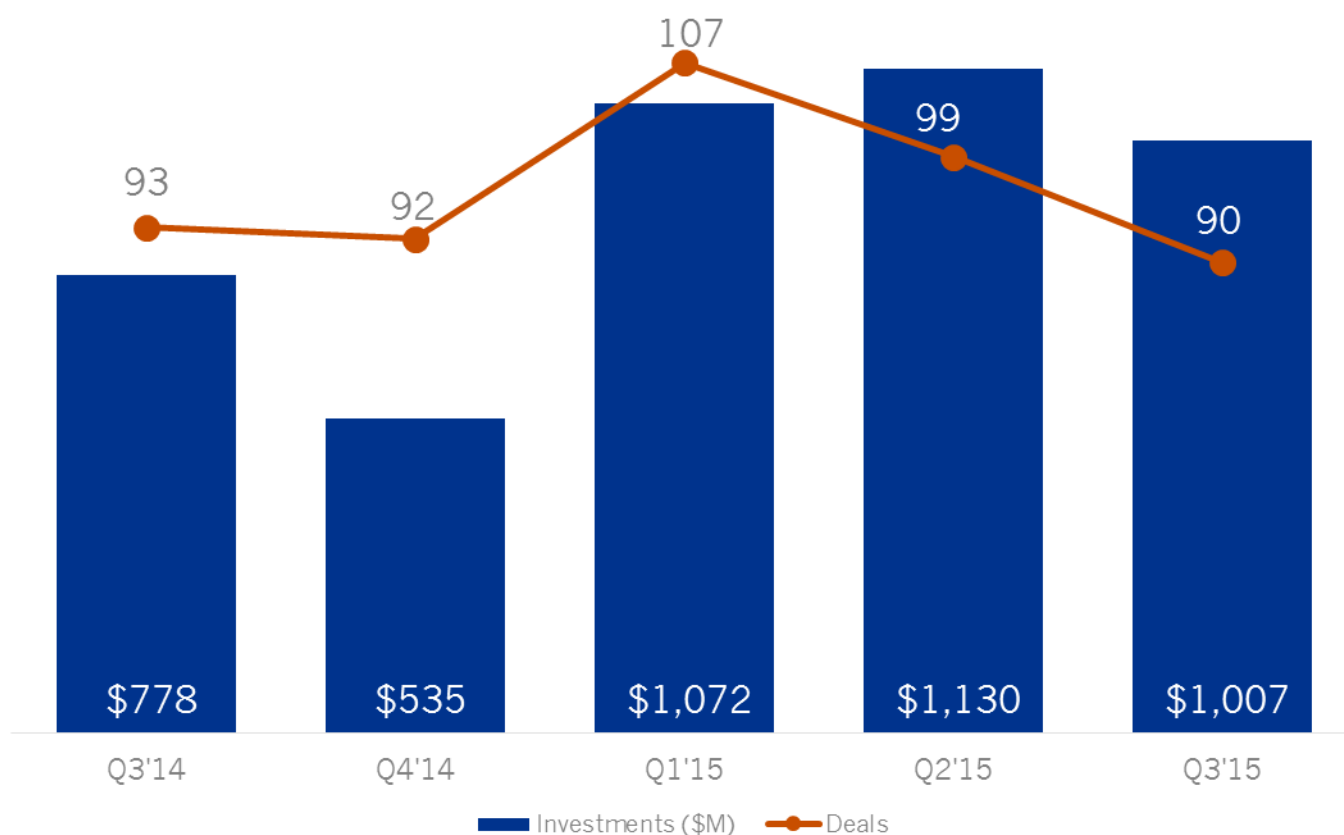
Rank	Investor	Rank	Investor
1	High-Tech Gruenderfonds	8	Accel Partners
2	Index Ventures	8	Point Nine Capital
2	Business Growth Fund	8	Mercia Fund Management
2	Balderton Capital	8	Inveready
5	Alven Capital	8	Global Founders Capital
6	Northzone Ventures	8	Insight Venture Partners
7	Imperial Innovations	8	Iris Capital
8	Ventech	8	Partech Ventures
8	Creandum		

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

UK VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

UK Investment Activity VC-Backed Companies, Q3'14 – Q3'15



Top Deals

Immunocore

\$320M // Series A

Deliveroo

\$70M // Series C

Secret Escapes

\$60M // Series C

Top Cities

London

51 Deals // \$480.9M

Newcastle Upon Tyne

4 Deals // \$10.1M

Oxford

3 Deals // \$69.3M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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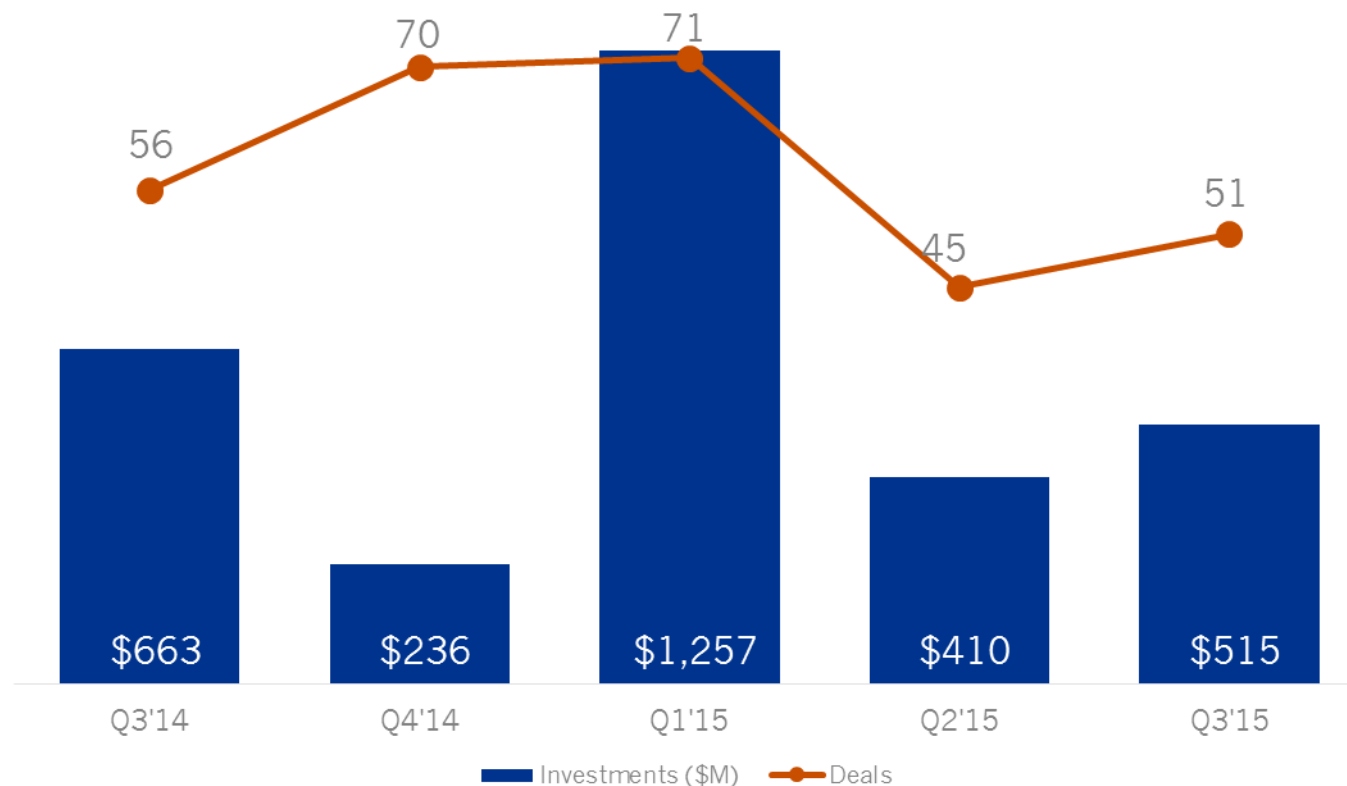


GERMANY VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

Germany Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

Kreditech

\$92.2M // Series C

HelloFresh

\$84.7M // Series F

Chrono24

\$27.8M // Growth Equity

Top Cities

Berlin

23 Deals // \$293.8M

Munich

4 Deals // \$52.2M

Hamburg

4 Deals // \$95.8M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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#Q3VC





In Q3 2015

ASIAN

VC-backed companies raised
\$13.5 billion

Asia on Pace for Banner Year

Following a very strong Q3 2015, Asia is on pace to reach a multi-year high in terms of both deal value and volume. Both deal volume and deal value rose significantly during Q3, led by the \$3B Didi Kuaidi deal – the biggest global deal for the quarter. Overall, late stage deals continued to drive VC activity across Asia in Q3, while seed deals as a percentage of all deals reached a five-quarter low.

Recently, while VC investment has been substantial, we have noticed a trend in Asia – and in China in particular – toward more conservative investments. Compared to the previous quarters, growth in China is slowing – leading many deal-makers to cherry pick their investments. While VC investors are still quick to spend money – the level of interest is softening.

Chinese government driving investment

This year and looking ahead into Q4, it is expected that the Chinese government will continue to focus on driving investment in innovation and entrepreneurship, especially in the technology sector. Recently, the government announced a \$10B investment fund to promote innovation activities in 16 cities within China. Much of this investment is expected to come in the technology sector.

The government is also hosting the *China Innovation and Entrepreneurship National Summit in October 2015* – the first major government-sponsored national summit focused on driving innovation and entrepreneurship across China. It will be interesting to see how VC investment evolves in China over the next few quarters as a result of the increasing government focus

on entrepreneurship and innovation.

Drive for disruptive and customer-focused business models in India

In India, there is a strong focus on disruptive business models aimed at enhancing customer choice and convenience – with VC activity growing across industries that drive customer value (e.g. e-commerce, fin-tech, healthcare, transportation, luxury retail). In addition to these, education technology is also expected to emerge as a key growth area. Transportation is gaining a lot of VC interest, with both Olacabs and Uber taking the stage during Q3.

The India market is diverse and evolving, with organized market share growing compared to the significant size of unorganized market share. As a result, the VC community needs to take a medium to long-term view in order to be successful. This may require constant funding for new businesses to become, and remain, a part of the top 3 to 5 businesses in each segment that will be able to survive and emerge as market leaders. At the same time, there are issues around high valuation expectations by new businesses in early rounds of funding, and rationalization to meet investors ROI expectations.

“Both deal volume and deal value rose significantly in Asia during Q3, led by China’s \$3B Didi Kuaidi deal – the biggest deal globally in the quarter. But, while VC investment has been substantial, we have noticed a trend in Asia – and in China in particular – toward more conservative investments.”



Arik Speier

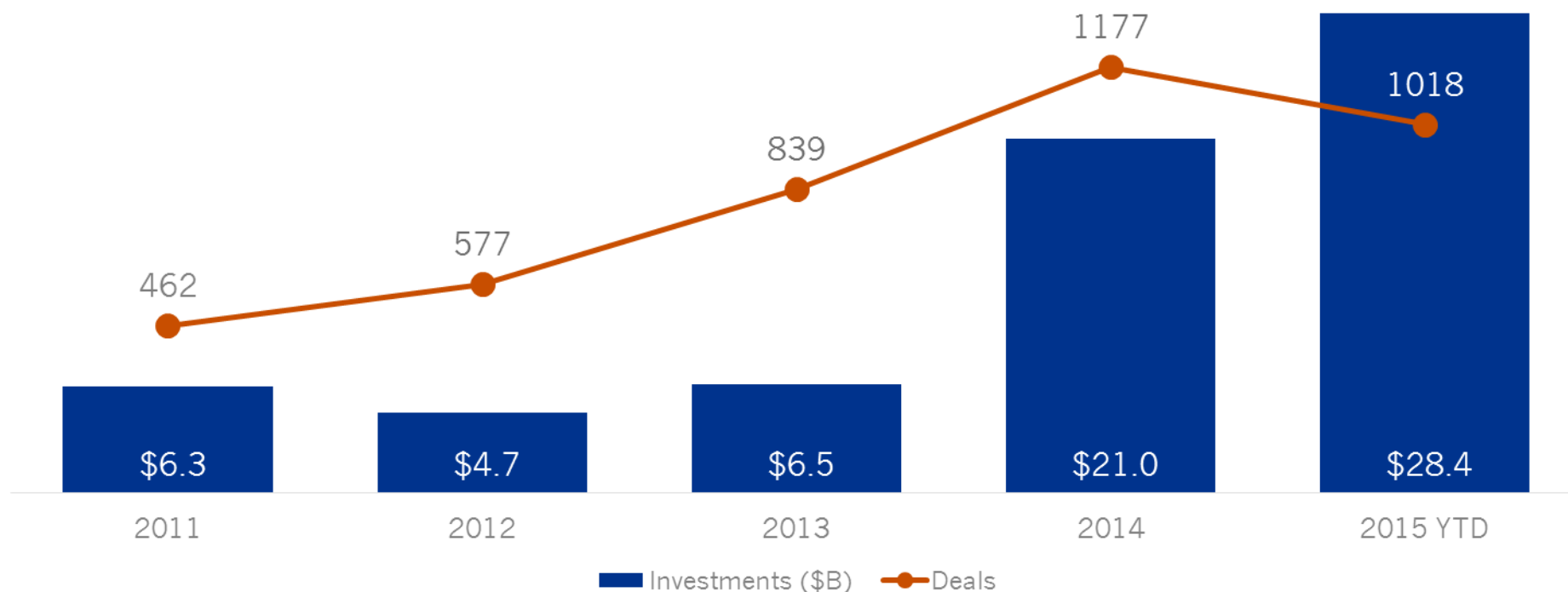
*Arik Speier, Co-Leader, KPMG
Enterprise Innovative Startups
Network and Head of Technology,
KPMG in Israel*

ASIA: FIRST THREE QUARTERS OF 2015 TOP ALL OF 2014 FOR FUNDING TO VC-BACKED COMPANIES

A mix of traditional VC money and hedge funds, private equity investors, and corporates have driven a massive amount of funding to Asian VC-backed companies in the past 2 years. Specifically, thus far in 2015 there have been over 60 financings of \$100M+. Deal activity also looks on pace to reach all-time highs.

Asian Annual Financing Trends to VC-Backed Companies

2011 – 2015 YTD (Q3'15)



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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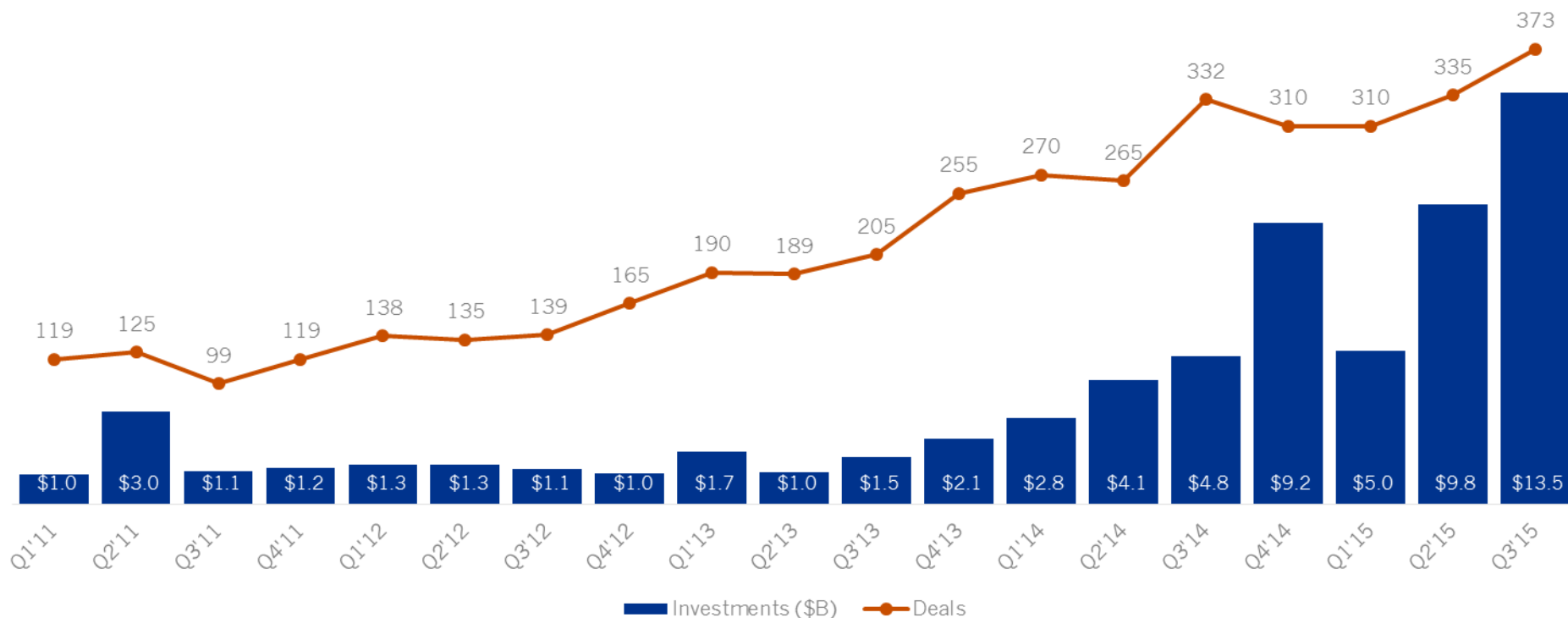
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ASIAN INVESTMENT TO VC-BACKED COMPANIES TOPS \$13B IN Q3'15, REACHES ALL-TIME HIGH

In the 3 months ending in September, Asian VC-backed companies led by firms such as Didi Kuaidi, LY.com, and One97 Communications raised \$13.5B across 373 deals. Q3'15's funding total was 181% higher than the same quarter a year prior. The \$3B raised by Didi Kuaidi alone topped most quarterly funding prior to 2014.

Asian Quarterly Financing Trends to VC-Backed Companies Q1'11 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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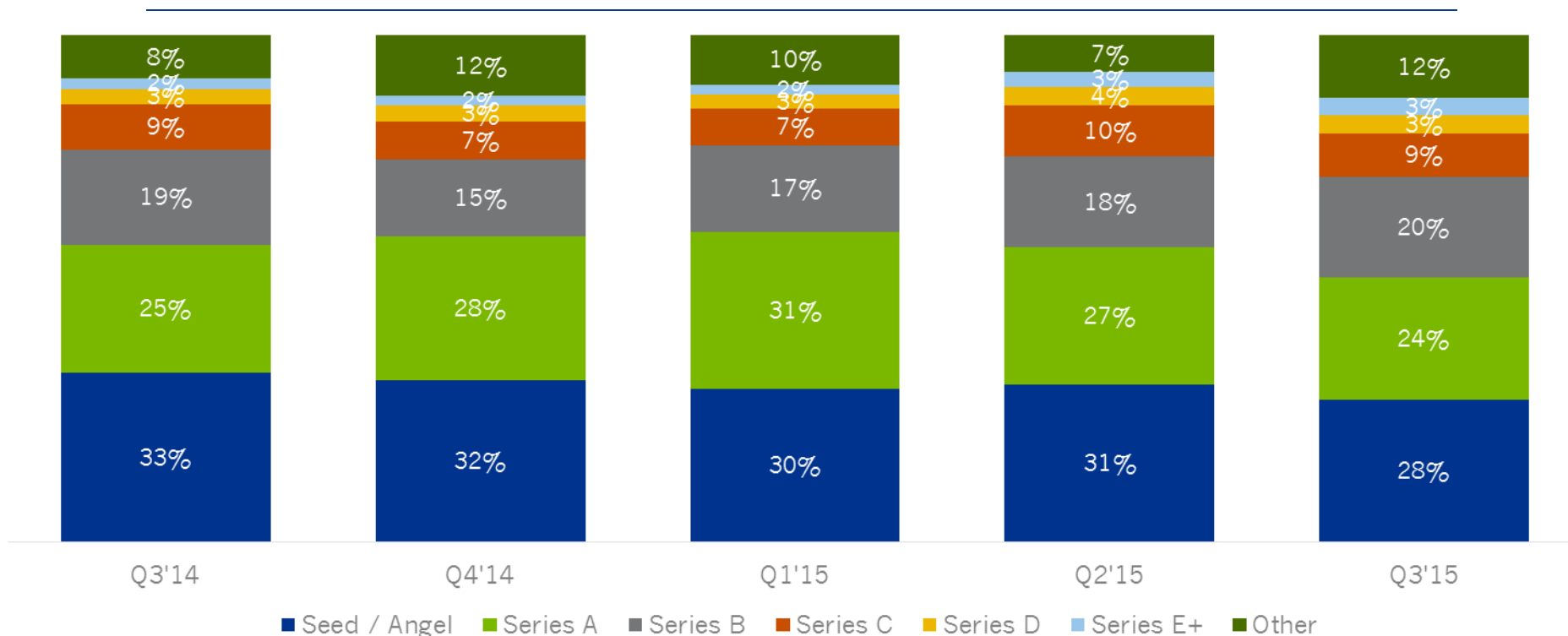


ASIAN EARLY-STAGE DEAL SHARE FALLS TO FIVE-QUARTER LOW

While late-stage companies are attracting huge, \$100M+ rounds, early-stage (Seed – Series A) deal share reached a five quarter low, accounting for just 52% of all deals to VC-backed companies.

Asian Quarterly Deal Share by Stage

Q3'14 – Q3'15



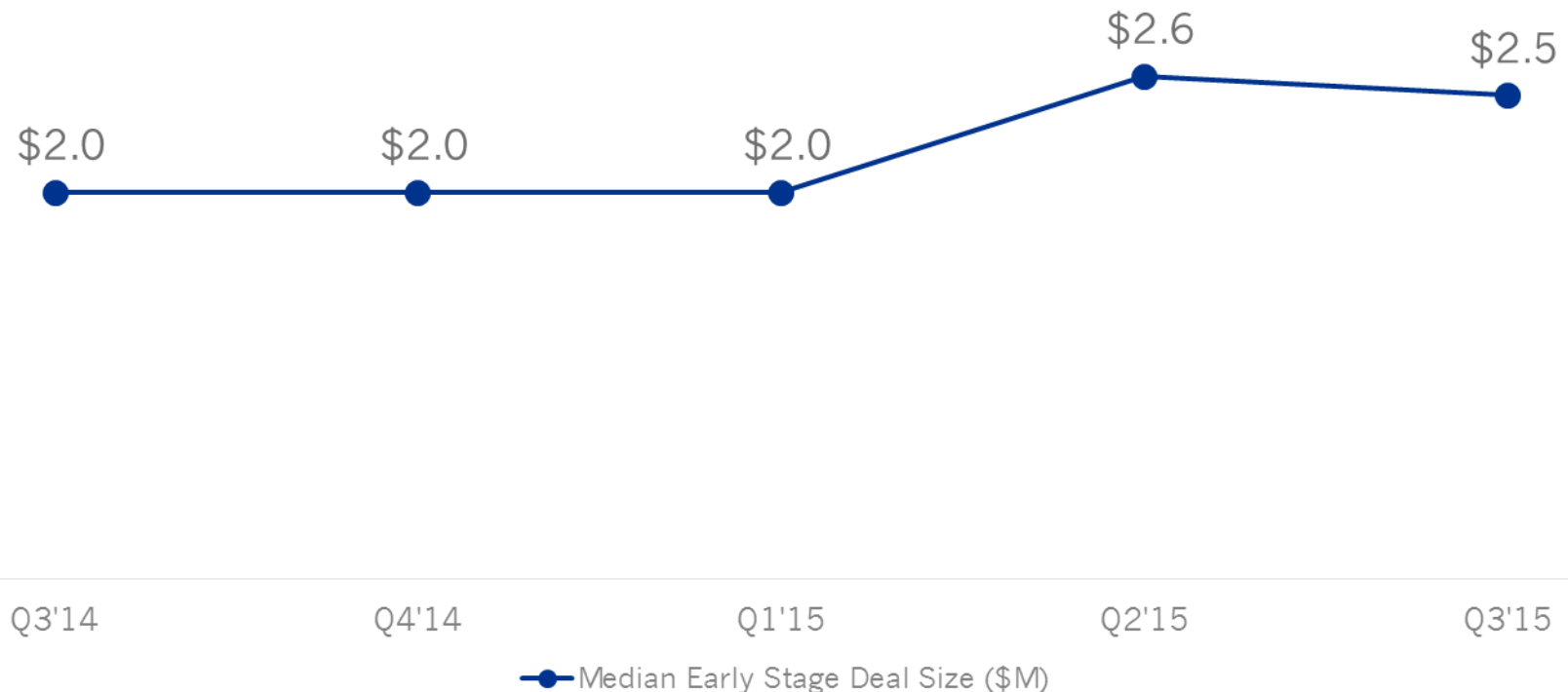
Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

EARLY-STAGE DEALS REMAIN AT \$2.5M+ FOR SECOND STRAIGHT QUARTER.

The median early-stage deal size in Asia reached \$2.5M+ for the second-straight quarter amid increased early-stage activity on an absolute numbers basis versus previous quarters. Overall, early-stage deals have been at or above \$2M for the past 5 quarters.

Asian Early-Stage Deal Size

Q3'14 – Q3'15

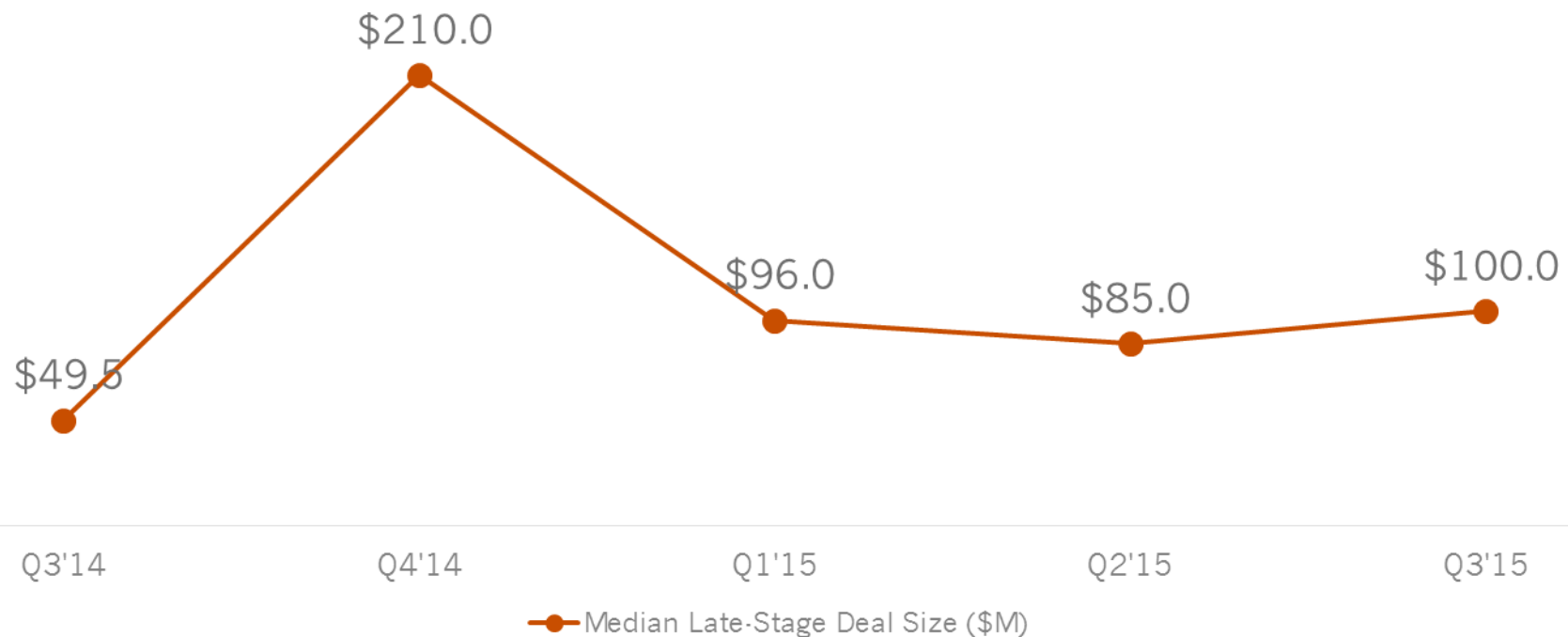


Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

MEDIAN LATE-STAGE DEAL SIZE IN ASIA REACHES \$100M IN Q3'15

The median late-stage deal size in Q3'15 reached \$100M due to the 25 \$100M+ financings to companies such as Didi Kuaidi, Ele.me, Snapdeal, and more. This was the second time in the past five quarters late-stage deal sizes have reached \$100M, the other being Q4'14.

Asian Late-Stage Deal Size Q3'14 – Q3'15

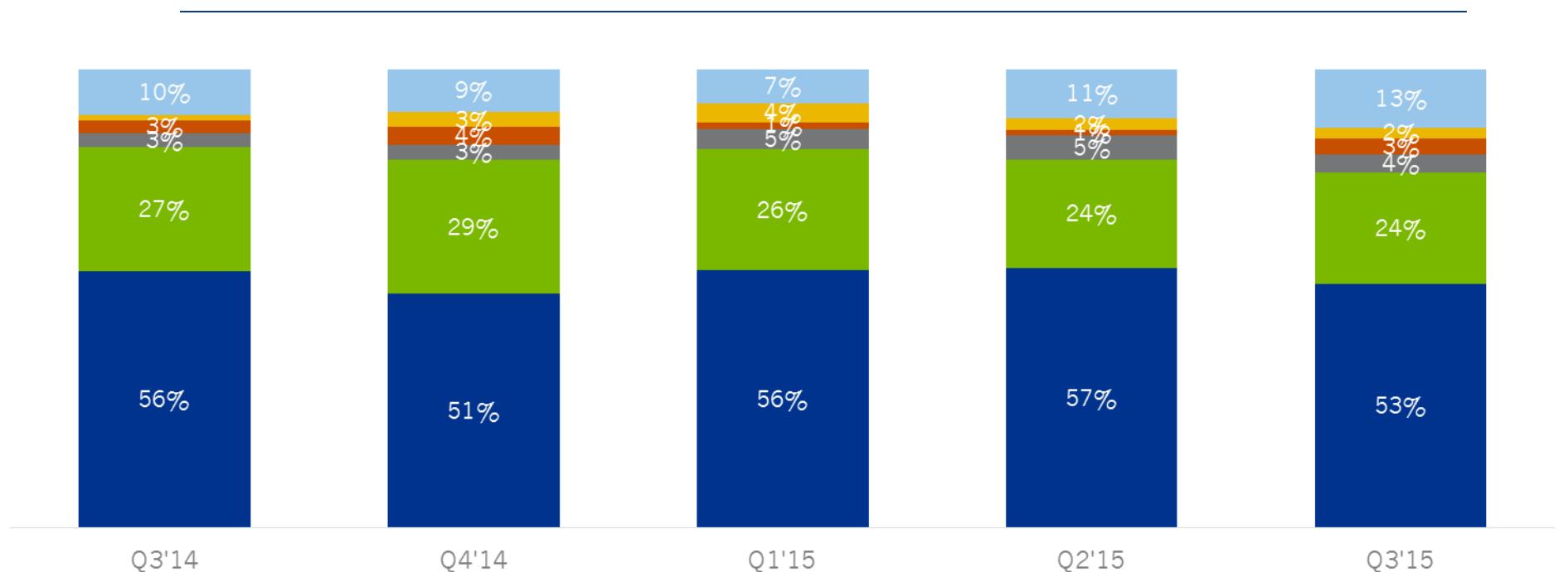


Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

INTERNET AND MOBILE DEAL SHARE FALLS TO FIVE QUARTER LOW

While internet and mobile companies still garner over three quarters of all deals in Asia, other sectors such as hardware, industrial, and financial, reached a five-quarter high in deal share at 13%.

Asian Quarterly Deal Share by Sector Q3'14 - Q3'15



■ Internet ■ Mobile & Telecommunications ■ Healthcare ■ Software (non-internet/mobile) ■ Consumer Products & Services ■ Other

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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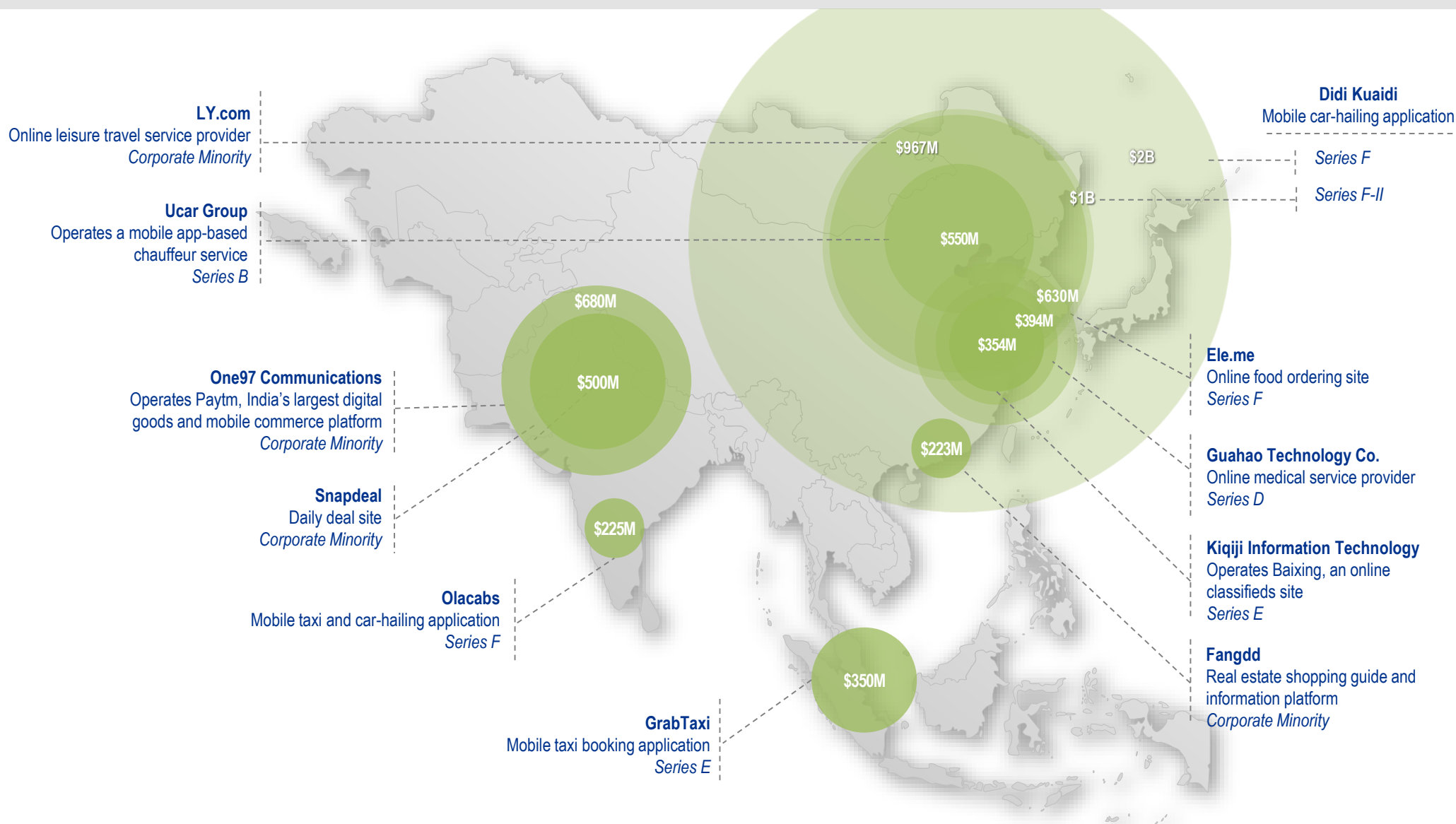


“We are seeing a phenomenal number of new businesses popping up all over India. The numbers run into the thousands. The economic opportunity is big in India and this, combined with headlines about strong valuations, is driving a wave of new graduates to become entrepreneurs.”



Sanjay Aggarwal
*Partner-in-Charge, KPMG
Enterprise, KPMG in India*

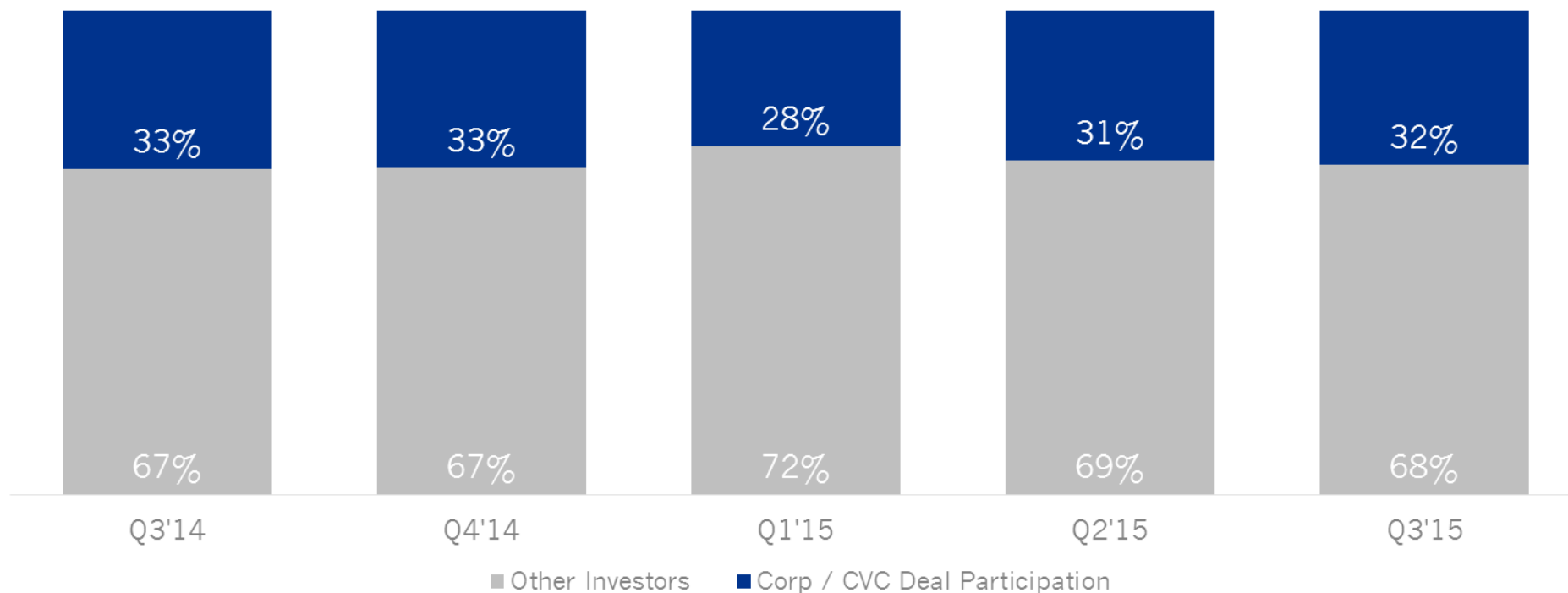
THE 12 LARGEST ASIAN ROUNDS OF Q3'15 REPRESENT MORE THAN \$7.8B IN TOTAL FUNDING



ASIAN CORPORATES REMAIN ACTIVE, ACCOUNT FOR NEARLY ONE-THIRD OF ALL DEALS

With the presence of Alibaba, Tencent, Baidu, Rakuten, and others, corporates reached 32% of all financing deals to Asian VC-backed companies in Q3'15. Corporates have participated in 30%+ of all quarterly Asian financings in 4 of the last 5 quarters.

CVC Participation in Asian Deals to VC-Backed Companies Q3'14 – Q3'15



Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

500 STARTUPS WAS THE MOST ACTIVE VC IN ASIA IN Q3'15

500 Startups was the most active VC in Asia in Q3'15, participating in a slew of early-stage rounds including deals to HappyFresh, CultureAlley, and Panoply.io. Sequoia Capital's China and India arms rounded out the top 3 with investments in Ele.me and Mia.com in China, and OYO Rooms and BankBazaar in India.

Most Active VC Investors in Asia Q3'15

Rank	Investor	Rank	Investor
1	500 Startups	9	Tiantu Capital
2	Sequoia Capital China	12	Saama Capital
3	Sequoia Capital India	12	Jungle Ventures
4	Intel Capital	12	IDG Ventures India
5	IDG Capital Partners	12	Matrix Partners China
6	Digital Entertainment Ventures	12	SAIF Partners
7	Kalaari Capital	12	East Ventures
7	Accel Partners	12	Northern Light Venture Capital
9	Legend Capital	12	Qualcomm Ventures

** Despite a high number of investments in Q3'15, Tiger Global Management is not included above as they are classified as a hedge fund.*

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“Overall we’ve seen a shift in China in the past quarter. Downward pressure on the economy has led a lot of companies to shift their focus from purely burning capital to gain market share towards building efficiencies and driving profit.”

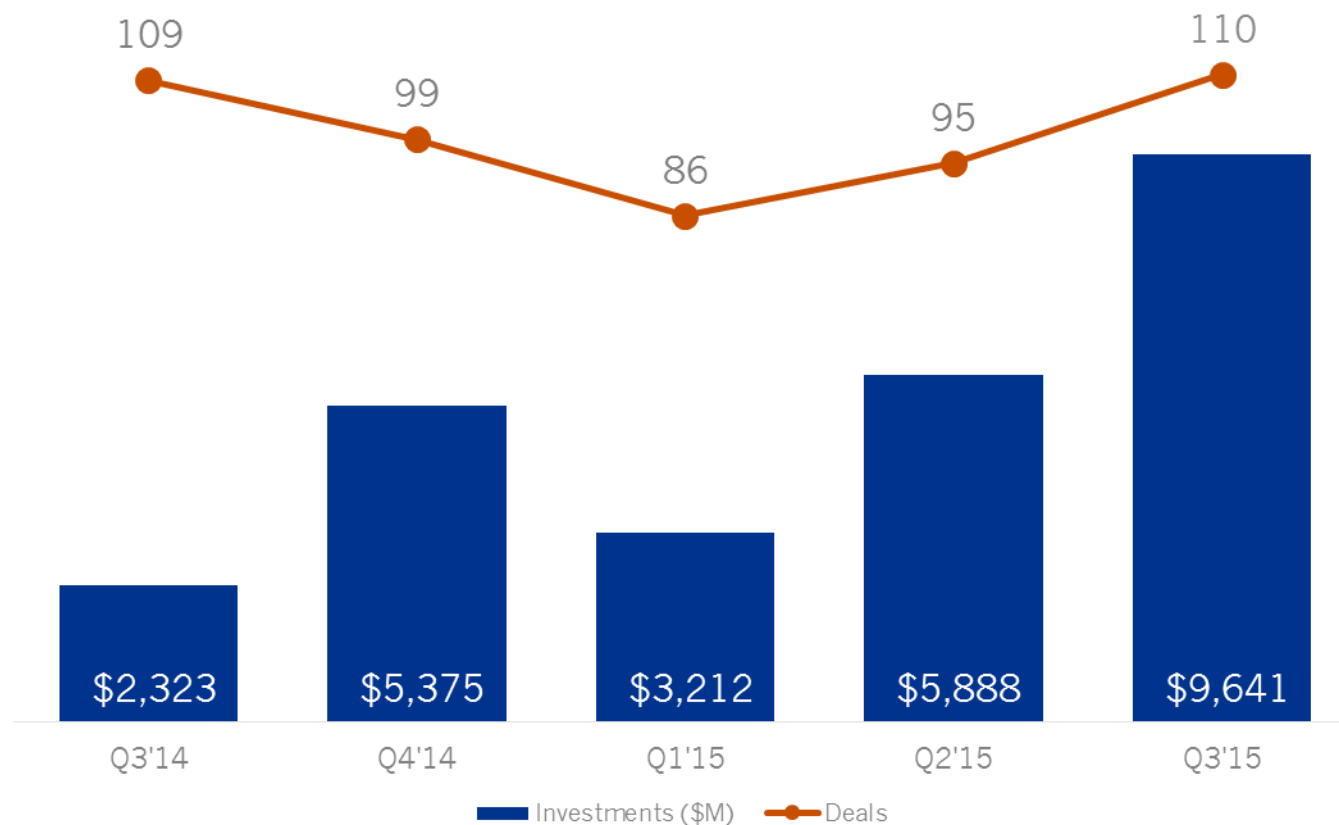


Lyndon Fung
U.S. Capital Markets Group
KPMG China

CHINA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

China Investment Activity VC-Backed Companies, Q3'14 – Q3'15



Top Deals

Didi Kuaidi

\$2B // Series F

Didi Kuaidi

\$1B // Series F-II

LY.com

\$967M // Corp. Minority

Top Cities

Beijing

33 Deals // \$1.33B

Shanghai

23 Deals // \$1.60B

Shenzhen

14 Deals // \$761.9M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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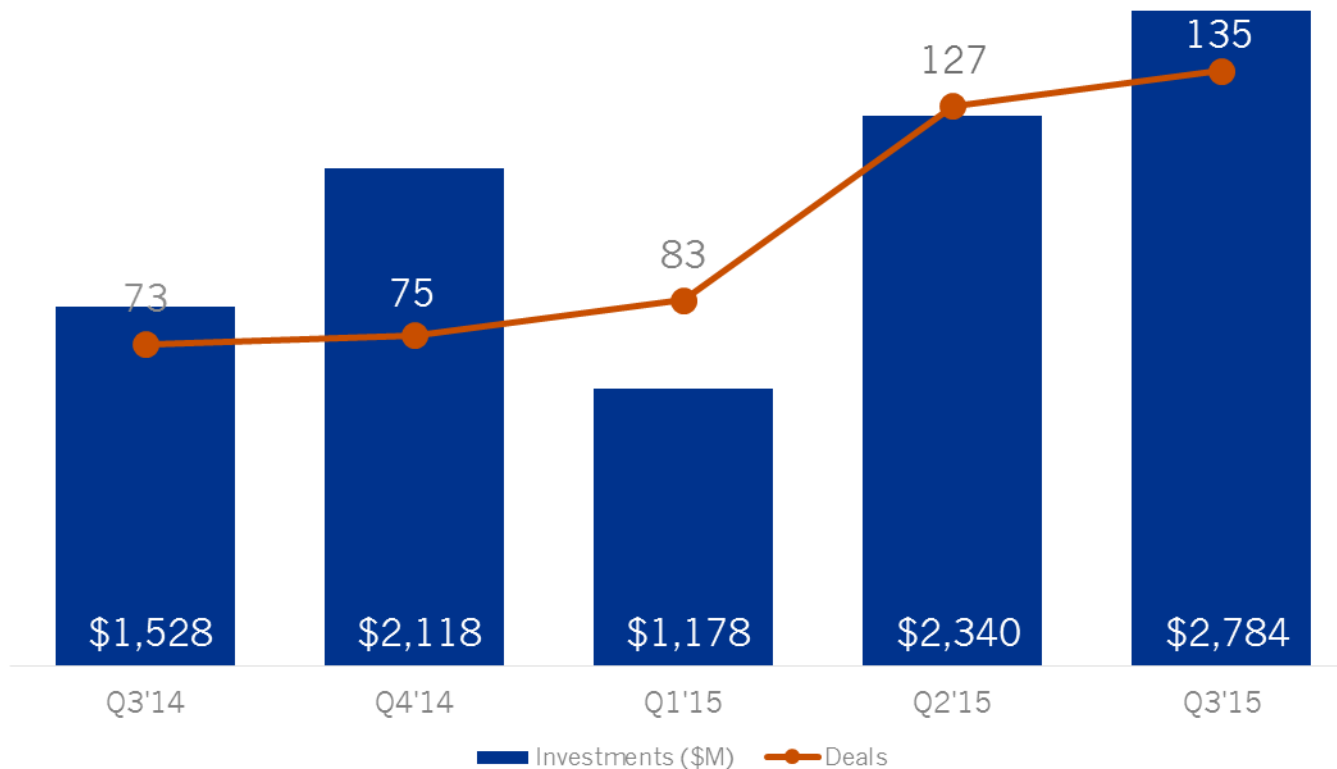


INDIA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Cities, Q3'15

India Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

One97 Communications

\$680M // Corp. Minority

Snapdeal

\$500M // Corp. Minority

Olacabs

\$225M // Series F

Top Cities

Bangalore

34 Deals // \$397.4M

Mumbai

28 Deals // \$413.1M

Gurgaon

20 Deals // \$250.2M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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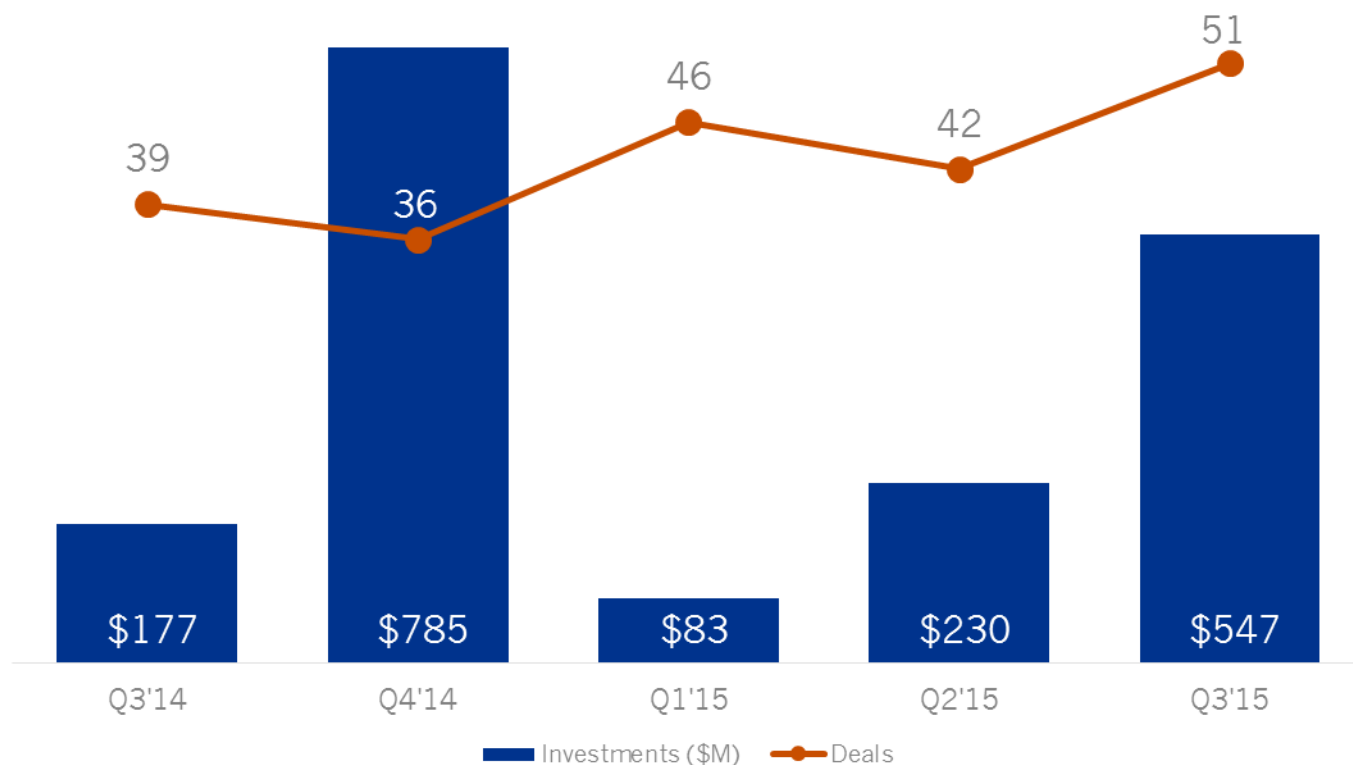


SOUTHEAST ASIA VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q3'15

Southeast Asia Investment Activity

VC-Backed Companies, Q3'14 – Q3'15



Top Deals

GrabTaxi

\$350M // Series E

iCarsClub

\$50M // Series C

Capillary Technologies

\$45M // Series C

Top Countries

Singapore

22 Deals // \$510.8M

Indonesia

15 Deals // \$16.4M

Malaysia

6 Deals // \$5.3M

Source: Venture Pulse, Q3'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) October 14, 2015

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METHODOLOGY – WHAT’S INCLUDED? WHAT’S NOT?

CB Insights and KPMG International encourage you to review the methodology and definitions employed to better understand the numbers presented in this report. If you have any questions about the definitions or methodological principles used, we encourage you to reach out to CB Insights directly. Additionally, if you feel your firm has been underrepresented please send an email to info@cbinsights.com and we can work together to ensure your firms’ investment data is up-to-date.

What is included:

Equity financings into emerging companies. Fundings must come from VC-backed companies, which are defined as companies who have received funding at any point from either: venture capital firms, corporate venture group or super angel investors.

- Fundings of only private companies. Funding rounds raised by public companies of any kind on any exchange (including Pink Sheets) are excluded from our numbers even if they received investment by a venture firm(s).
- Only includes the investment made in the quarter for tranching investments. If a company does a second closing of its Series B round for \$5M and previously had closed \$2M in a prior quarter, only the \$5M is reflected in our results.
- Round #s reflect what has closed –not what is intended. If a company indicates the closing of \$5M out of a desired raise of \$15M, our numbers reflect only the amount which has closed.
- Only verifiable fundings are included. Fundings are verified via (1) various federal & state regulatory filings (2) direct confirmation with firm or investor or (3) press release.
- Previous quarterly VC Reports issued by CBI have exclusively included VC-backed rounds. In this report any rounds raised by VC-backed companies are included, with the exceptions listed.

What is excluded:

- No contingent funding. If a company receives a commitment for \$20M subject to hitting certain milestones but first gets \$8M, only the \$8M is included in our data.
- No business development/R&D arrangements whether transferable into equity now, later or never. If a company signs a \$300M R&D partnership with a larger corporation, this is not equity financing nor is it from venture capital firms. As a result, it is not included.
- No buyouts, consolidations and recapitalizations. All three of these transaction types are commonly employed by private equity firms and are tracked by CB Insights. However, they are excluded for the purposes of this report.
- No private placements. These investments also known as PIPEs (Private Investment in Public Equities) even if made by a venture capital firm(s).
- No debt/loans of any kind (except convertible notes). Venture debt or any kind of debt/loan issued to emerging, startup companies even if included as an additional part of an equity financing is not included. If a company receives \$3M with \$2M from venture investors and \$1M in debt, only the \$2M is included in these statistics.
- No government funding. Grants, loans, equity financings by the federal government, state agencies or public-private partnerships to emerging, startup companies are not included.

KPMG ENTERPRISE INNOVATIVE STARTUP NETWORK FROM SEED TO SPEED WE'RE HERE THROUGHOUT YOUR JOURNEY



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About KPMG Enterprise

You know KPMG, you might not know KPMG Enterprise. We're dedicated to working with businesses like yours. It's all we do. Whether you're an entrepreneur, family business, or a fast growing company, we understand what is important to you. We can help you navigate your challenges—no matter the size and stage of your business. You gain access to KPMG's global resources through a single point of contact—a trusted adviser to your company. It's a local touch with a global reach.

The KPMG Enterprise global network for innovative startups has extensive knowledge and experience working with the startup ecosystem. Whether you are looking to establish your operations, raise capital, expand abroad, or simply comply with regulatory requirements - we can help. From seed to speed, we're here throughout your journey.

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