



GROWTH CAPITAL MARKETS CONTINUE EPIC BULL RUN

2018 marked yet another record year for global venture capital financing, with a total disclosed value of €165 billion raised across more than 12,500 transactions. Although this represents an average €13 million per funding round, the amounts raised in each round varied greatly, as this report will show.

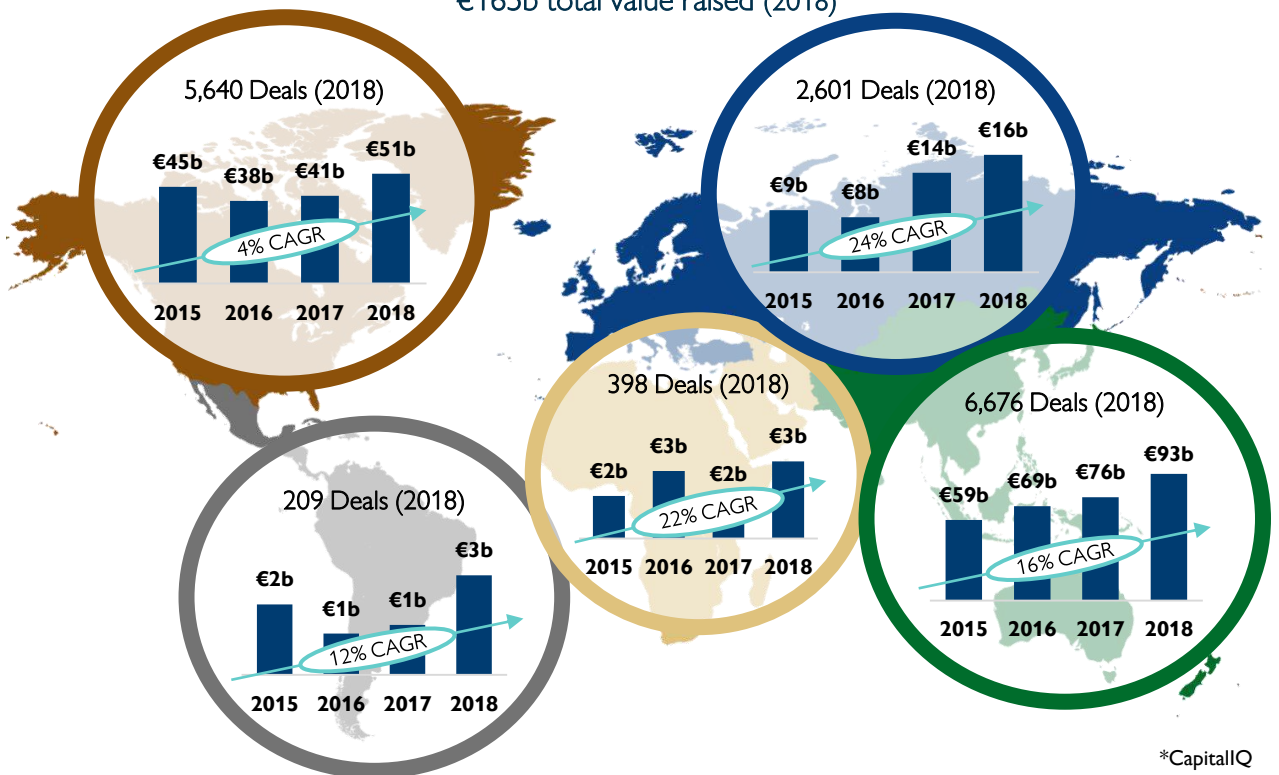
Over a four-year period, Europe walked away with the highest relative growth, witnessing a 24% CAGR over three years, with the number of deals having doubled since 2016. The proliferation in Europe of early stage funding rounds and the higher value they generate are the result of favourable government programmes, thriving tech hubs from Stockholm to Berlin, and a highly active and maturing investor environment.

Meanwhile, the Asia-Pacific region charted the highest growth in absolute value, propelled by the increasing prevalence of massive investment funds such as Softbank's \$100 billion Vision Fund and Tiger Global's new \$3.75 billion tech fund, both having contributed to some of the record 21 new Asian unicorns born this year. Giant growth funds like Softbank, which enter into bidding wars in Silicon Valley's competitive VC environment, are undoubtedly an additional driving force in the global upward trend in VC market values.

On a global scale, total transaction volume grew 5% per year from 2014 to 2018, while total value raised grew by 13%. This suggests that, while they are multiplying in number, more importantly funding rounds are becoming larger.

Global tech VC financing trend

12,524 Transactions (2018)
€165b total value raised (2018)



*CapitolIQ



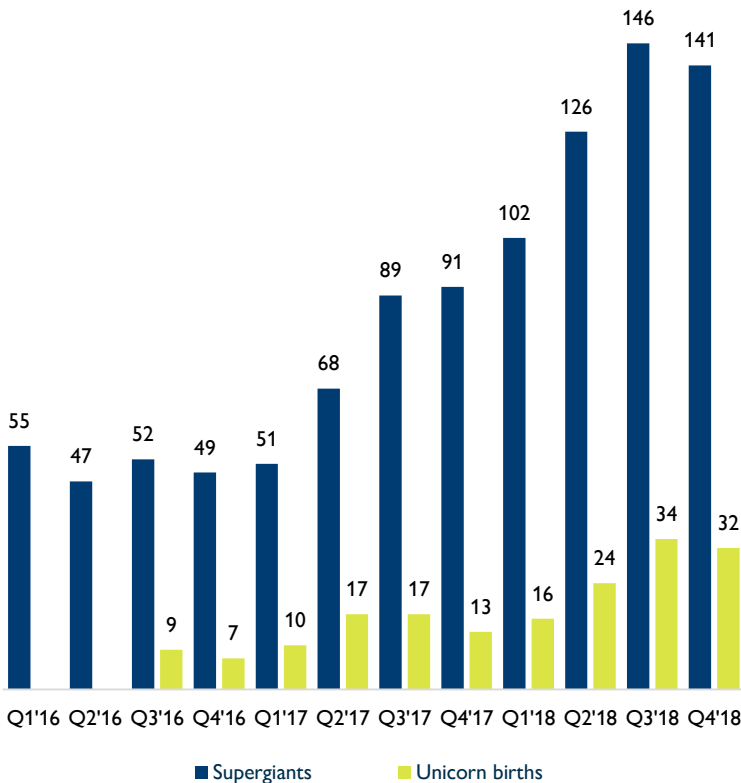
SUPERGIANTS AND UNICORNS BECOME REGULAR OCCURRENCE

“Supergiant” funding rounds – a term coined by Crunchbase – refers to venture capital rounds that generate funds in excess of \$100 million. Ten years ago, a supergiant fundraiser would have made headlines everywhere, and would occur only a few times every month. Recently, however, supergiant rounds have become entirely commonplace – in fact, 2018 saw more supergiant rounds than 2017 and 2016 combined, and as a result unicorn births reached an all-time high.

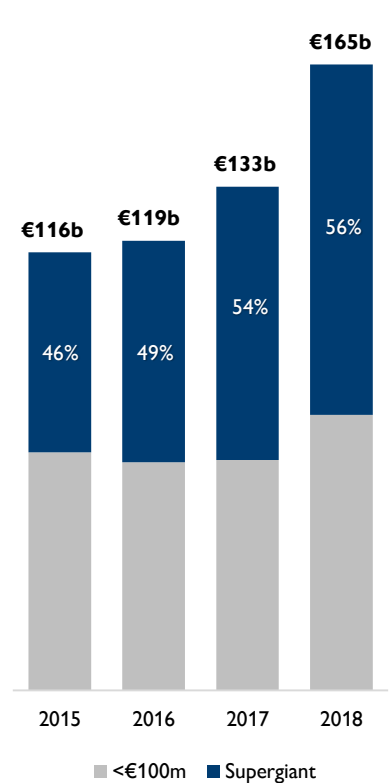
However, the chart below does not explain just how much money these companies command: in 2018, only 2% of all rounds worldwide were supergiant rounds, yet these same rounds secured a whopping 56% of the total value raised.

Reasons for this increase include the recent jump in the number of high-profile tech IPOs, hot M&A markets and high valuations across the board. In addition, since 2013 a wave of new unicorns such as Uber, AirBnB, Snap, Pinterest and Palantir have continued to grow privately through funding rather than IPOs. Indeed, access to capital at reasonable terms through ever-growing VC markets enables some of the most valuable tech unicorns to remain in private ownership – driving VC market data upwards. Overall, higher valuations, driven by both M&A and VC markets, are self-propelling as they facilitate \$100 million+ rounds and therefore lift up the entire market further.

Global volume of supergiant rounds & new unicorn births



Supergiant equity raised vs. smaller rounds



*Crunchbase, CapitalIQ

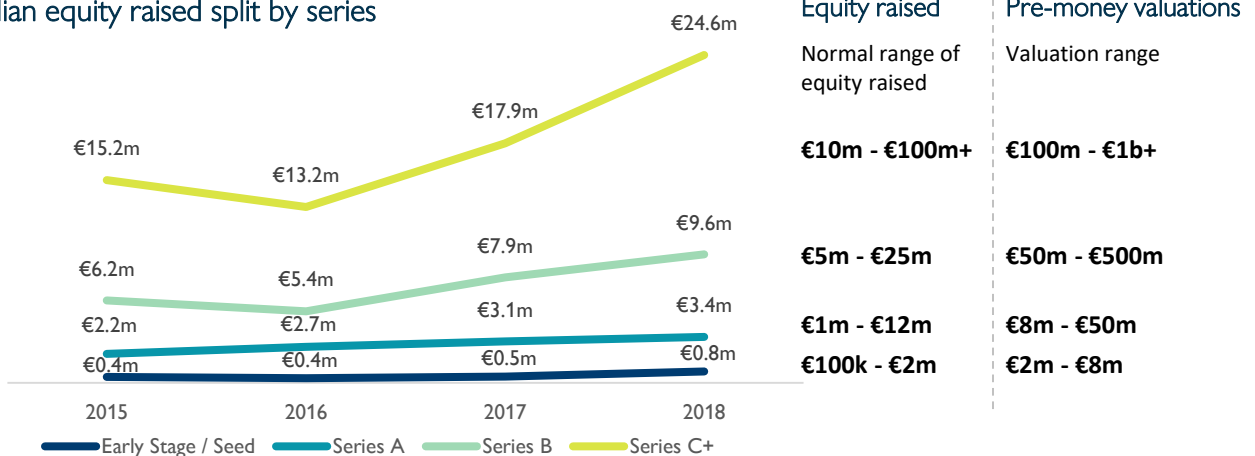


ROUND SIZE INCREASES ACROSS ALL FUNDING SERIES TYPES

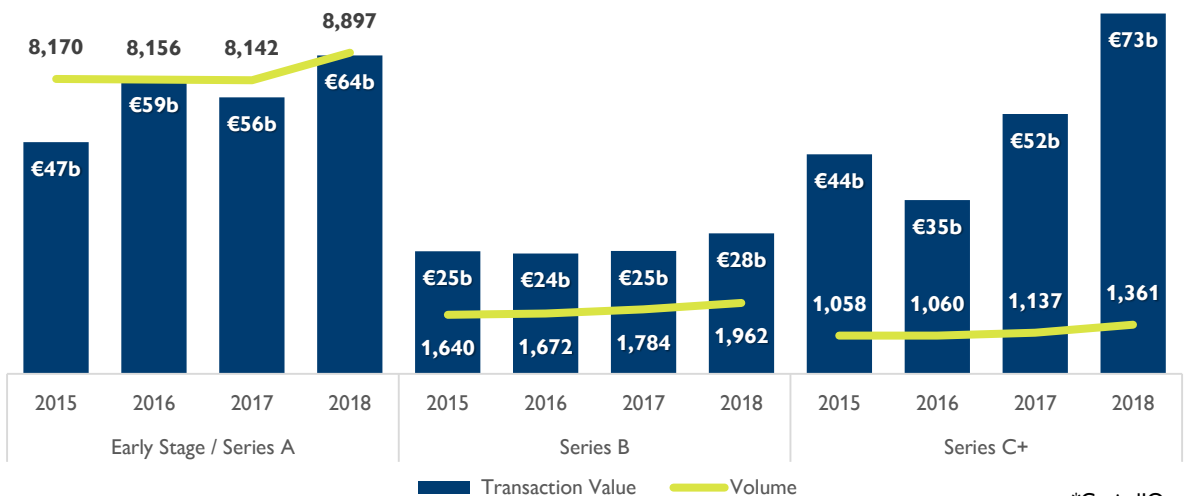
Early-stage and Series A funding continued its four-year upward trend in transaction volume, median round size and total equity raised. While for this stage round sizes are smaller (usually below €10 million), early-stage funding represent 73% of the overall market in terms of transaction volume. In fact, a study completed by Dealroom.co showed that only 19% of early-stage (seed-funded) companies reached Series A within 36 months. However, once they had successfully completed a Series A round, 63% of these companies made it to Series B.

Series B and onwards saw a significant increase in median equity raised since 2016, partly due to the surge of supergiant rounds. Later-stage rounds also witnessed growth in value of total equity raised, owing to massive rounds such as Ant Financial's €11.9 billion Series C, Grab Taxi's €2.5 billion Series H and SenseTime Group's €1 billion raise over two rounds in April and May. China and Asia-Pacific in general has been a large contributor to the mega-fundraises above €1 billion in 2018.

Median equity raised split by series



Global VC equity raised split by funding rounds










*CapitolIQ



TOP INVESTORS

Most active EU Investors (2.5yrs)

	# investments
 Index Ventures	92
 partech	90
 High-Tech Gründerfonds	74
 kima ventures	63
 Balderton capital	43
 octopus investments	38
 IEQT	38

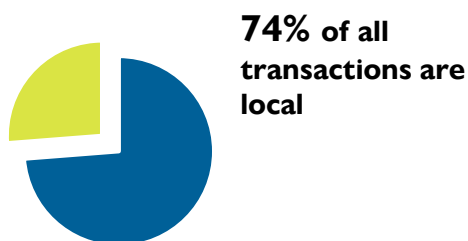
Most active US Investors (2.5yrs)

	# investments
 500 startups	398
 Y Combinator	374
 SEQUOIA	305
 techstars	221
 PLUGANDPLAY	188
 matrix PARTNERS	168
 Accel	163

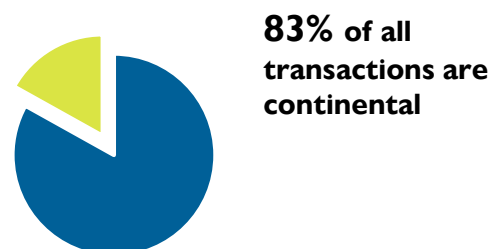
VCs prefer local investments

It's no surprise that VCs tend to invest locally, where they have geographical expertise and assets are around the corner. In the past 30 months, a total 74% of all investments made by VCs were within the home country of the investor and 83% were on the same the continent. This is fairly consistent globally, with over 80% of all investments made by European, American and Asian VCs with European, American and Asian VCs making over 80% of their investments within their continent.

VCs investing locally (within country of HQ)



VCs investing within continent





LARGEST TRANSACTIONS

HIGHLIGHTED TOP DEALS OF 2H2018

€2.6 billion 27 Oct	Beijing Bytedance receives \$3b in round led by Softbank at \$75b valuation
€1.7 billion 20 Nov	Coupang receives \$2b in follow-on round by Softbank
€855 million 31 Jul	WndrCo , a consumer tech investor, raised \$1b from consortium incl. Goldman Sachs & JP Morgan
€486 billion 02 Jul & 15 Nov	Automation Anywhere receives \$550m in series A incl. Softbank, NEA and GA. Valuation – \$1.8b
€435 million 18 Oct	Careem receives \$500m from investors incl. Kingdom Holding, Rakuten and Saudi Tech Ventures
€435 million 27 Aug	Uber receives an additional \$500m from Toyota at \$72b valuations
€435 million 17 Jul	Didi Chuxing receives \$500m from new investor, Booking Holdings
€370 million 21 Aug	Slack receives series H funding led by Dragoneer Inv. Group and General Atlantic.

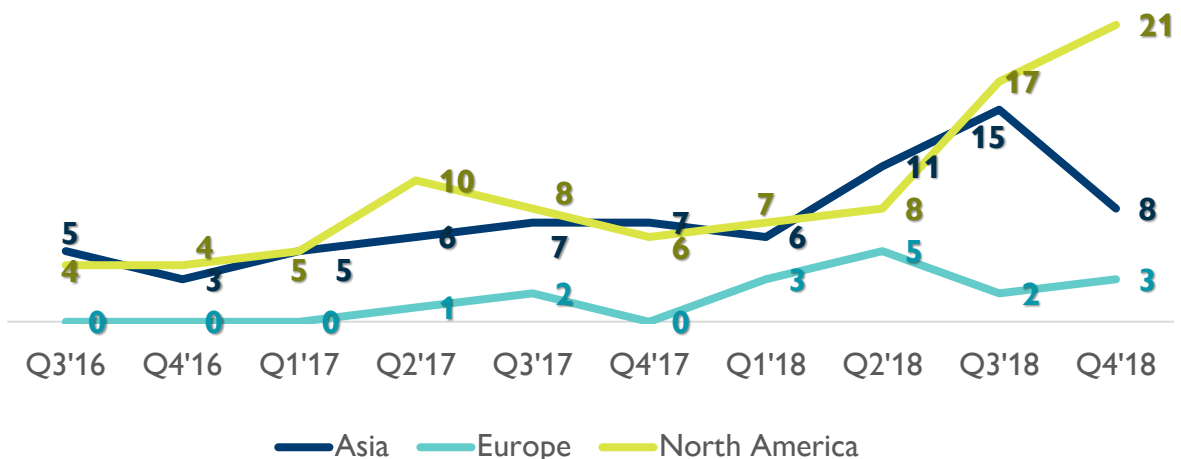
According to CBInsights, there are now 315 unicorns globally, with a cumulative valuation of over \$1,058 billion. The most valuable company on this list is Bytedance, a Chinese machine learning content platform which joined the unicorn list in 2017. Bytedance was valued at \$75 billion in its October 2018 fundraising in a round led by Softbank and joined by KKR and General Atlantic.



One of the latest additions to the unicorn list in 2018 was Seismic, the leading sales and marketing enablement solution provider. It received \$100m in funding in December in a Series H from Lightspeed Ventures, General Atlantic, T. Rowe Price, JMI Equity and Jackson Square Ventures.



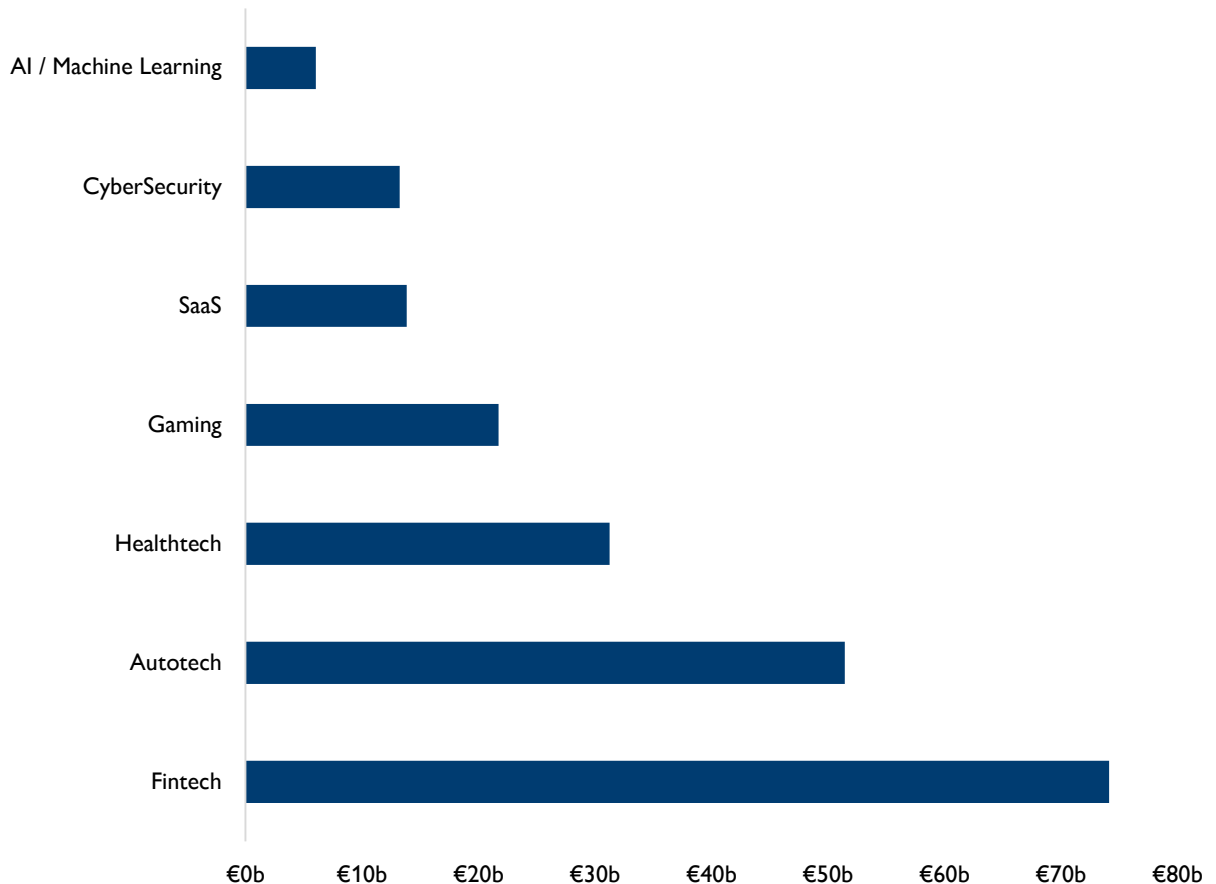
Global new unicorn births





IN WHAT SECTORS IS THE CAPITAL BEING DEPLOYED?

Total global fundraising 2015-2018



Total global fundraising 2015-2018

Venture capital tends to follow and invest into markets that see a high degree of disruption such as in mobility, insurance, finance, healthcare and retail or new technology platforms that have value across multiple verticals, such as AI, machine learning, BI and analytics. In today's environment, that basically means venture capital finds its way into every corner of almost every market where innovation occurs. While the latest trend and thereby large investments have been in fintech, there is a long tail of investments flowing into every sector.

The following sector highlights will cover some of the hottest sectors that have received large investments from VCs during 2018 and have several new unicorns added during the period. The following sectors include fintech, autotech, healthtech and cybersecurity.





FINTECH

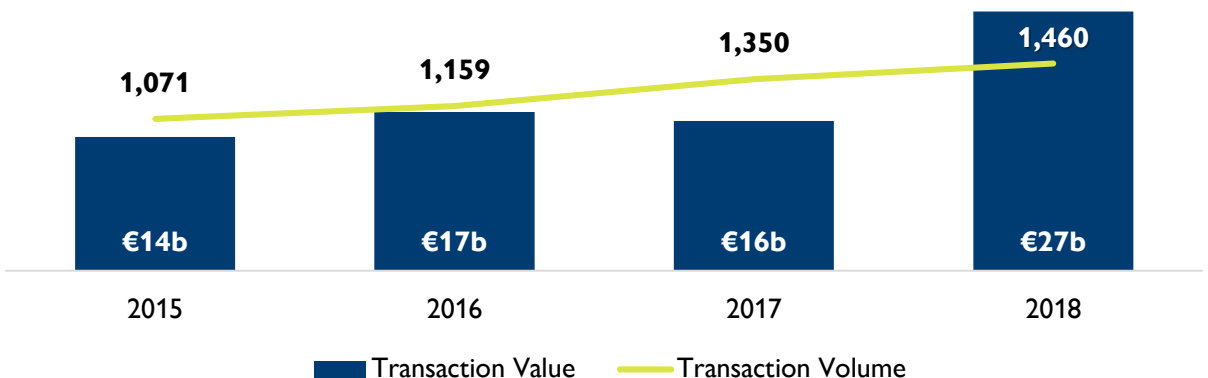
Consumer banking and payments heat up

Consumer solutions aiming to revolutionise the banking and payments industry received by far the most interest from fintech investors in 2018. After seeing the likes of Index Ventures, Creandum and Northzone join iZettle's €10m Series A round in 2011, investors watched as iZettle reached a \$500m valuation in 2017 and a planned IPO turn sale to PayPal in 2018 for \$2.2b.

Among the new unicorns generated through the massive rounds completed by Ant Financial or JD Finance this half-year were N26, Plaid Technologies, Viva Republica (Toss) and Monzo – consumer-focused fintechs which suggest that investors are still keen to replicate the success of iZettle and other consumer banking and payments solutions.

Overall, 2018 ended with a record year for global fintech VC investment. Transaction volume continued its upwards trend ending with 1,460 completed rounds and the total value raised ended at €27b (though this figure was heavily influenced by Ant Financial's €11.9b fundraising in Q2).

Global VC equity raised in Fintech



NEW UNICORN BIRTHS

N26

09.01.2019

Received €260m at €2.35b valuation in round led by Insight Venture Partners

PLAID

11.12.2018

Received \$250m at \$2.7b valuation in round led by Kleiner Perkins

Toss

09.12.2018

Received \$80m at €1.2b valuation in round led by Kleiner Perkins & Ribbit Capital

monzo

30.10.2018

Received £85m at £1b valuation from round led by General Catalyst & Accel

NOTABLE TRANSACTIONS IN 2018

coinbase

26.10.2018

Received \$300m at \$8b valuation from round led by Tiger Global

Klarna.

30.10.2018

Received \$20m at £2.5b valuation from new investor Hennes & Mauritz AB

ANT FINANCIAL

08.06.2018

Received \$14b in Series C round from existing shareholders



AUTOTECH

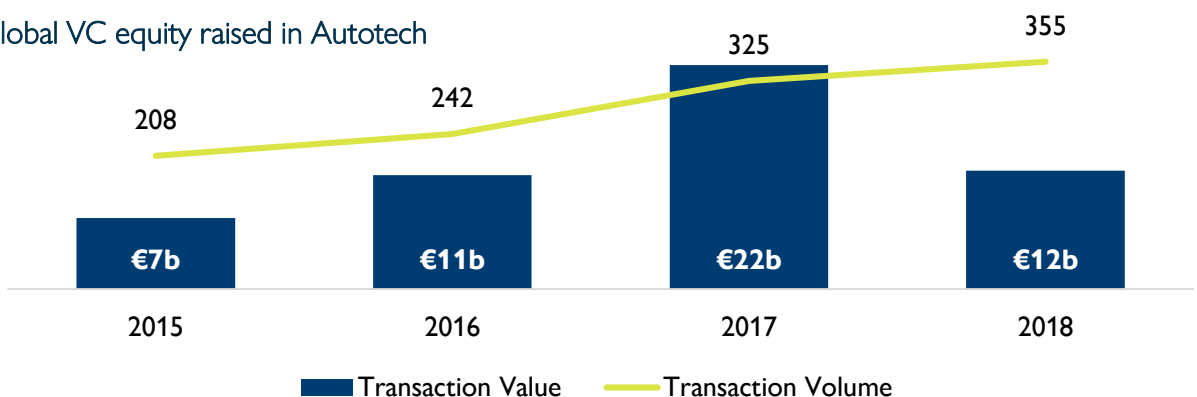
Investors seek anything that can bring the future of mobility to the present

What does 2019 hold for automotive technology? Vying for dominance amid a flurry of emerging technologies and markets, every OEM, Tier 1 supplier, autotech start-up and mobility player is keen to know.

At a glance, 2018 showed activity in virtually every functional area of the future car, from connectivity hardware to mobile parking and mobility apps. The broader automotive industry also experienced shocks that partially upended a few previously accepted truths about the sector. In July, long-time FCA leader Sergio Marchionne – also chief architect of the company’s remarkable and decade-long turnaround – passed away, leaving a sudden gap in an organisation since long defined by its talismanic *maestro*. Then, in November, the head of Renault-Nissan Carlos Ghosn – another leader credited with unrivalled industry acumen – was arrested in Tokyo on fraud charges.

Automakers, suppliers and technologists, however, march on. Adding to previous trends, 2018 saw the highest number of venture capital investments in car-related businesses on record. Total equity raised also remained strong, inching below the 2017 amount only because of a lack of mega transactions akin to Softbank’s 2017 VC investments of €8.4b into Didi Chuxing and €2.1b into GrabTaxi.

Global VC equity raised in Autotech



NEW UNICORN BIRTHS



06.02.2019

Received \$530m at \$2.5b valuation in round led by Sequoia Capital



17.10.2018

Received funding at \$1b valuation in round by current investors



02.08.2018

Received €504m at €3.1b valuation in round led by Primavera and Morningside



11.07.2018

Received \$102m at \$1b valuation in round led by Eight Roads and ClearVue

NOTABLE TRANSACTIONS IN 2018



19.12.2018

Received \$500m from Softbank Investment Advisers



17.08.2018

Receives \$70m from existing investors and new party AutoNation, Inc.



03.06.2018

Announced it will receive \$3b in round H, \$1b received in June from Toyota



HEALTHTECH

Investors see opportunity in the future of on-the-go healthcare

Healthtech is widely regarded as a durable and profitable industry and attracts keen interest from financial, regulatory, technological and social players because its implementation is inevitable: as Western healthcare systems become increasingly strained by the proliferation of lifestyle diseases, an ageing population and higher patient expectations, they are compelled to incorporate technology into their structure to improve accuracy, systems productivity and cost efficiency.

Investors are increasingly seeing the potential of this space, and as a result are backing technologies such as blockchain, data storage, artificial intelligence and patient information management. Meanwhile, in the age of ultra-connectedness at home or on-the-go, patient-oriented self-service technology continues to strike a note with investors, as exemplified by MDLIVE's \$50m million fundraise in October from Health Care Service Corp, Cigna and Health Velocity Capital.

NEW UNICORN BIRTHS



07.02.2019

\$100m at \$1b valuation in round led by OrbiMed Advisors



06.02.2019

\$88m at \$1b valuation in round by TPG Growth



16.10.2018

\$300m at \$1.8bb valuation in round led by Andreessen Horowitz



13.07.2018

\$250m at \$1.25b valuation in round led by Fidelity Management

NOTABLE TRANSACTIONS IN 2018



13.11.2018

\$220m in round led by Partner Fund Management, and was sold to Johnson & Johnson on Jan 23, 2019



01.08.2018

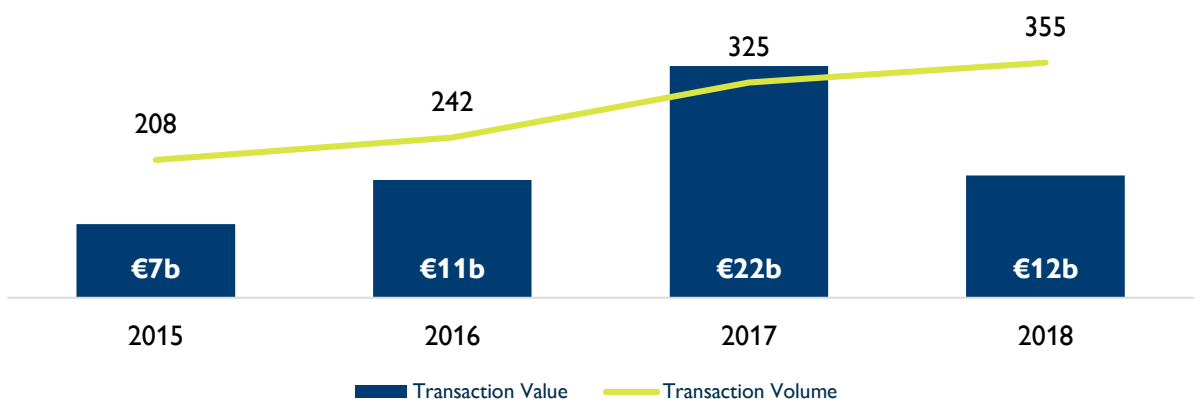
\$50m from existing investors and new party Health Velocity Capital



24.07.2018

Received \$300m from GlaxoSmithKline

Global VC equity raised in Healthtech





CYBERSECURITY

The future of our security will be run by AI and machine learning

Investors are betting big on anything that brings artificial intelligence, deep learning, machine learning, analytics, or really anything that brings automation into security. The amount of data, including video, generated globally is too vast for any system to analyse manually and will require AI and advanced tools to monitor.

Two start-ups that brought AI into security Cylance and SenseTime both made unicorn status. Cylance, provider of antivirus and endpoint security, was backed by Blackstone and was sold to Blackberry for \$1.5b in Nov. 2018. SenseTime, the Chinese deep learning face recognition platform, can use live video analytics to monitor, detect and track people and faces in crowds that traditional monitoring techniques completely overlook. SenseTime has received more than \$1.6b in funding to date and is valued at \$4.5b.

Overall Cybersecurity fundraising closed a strong 2018 with record volume of 332 rounds with a total value of €4.2b.

NEW UNICORN BIRTHS


18.12.2018

\$150m at \$1.2b valuation from consortium of new and existing investors


13.11.2018

\$169m at \$1b valuation in round led by Lightspeed Venture Partners


10.10.2017

\$73m at \$1b valuation in round led by Ningbo Xinda Hanshi, Tiantu and Temasek


17.05.2017

\$200m at \$3b valuation in round led by General Atlantic, Accel and Institutional Venture Partners

NOTABLE TRANSACTIONS IN 2018


19.12.2018

Cloud Constellation's Spacebelt received \$100m in Series B round from HCH Group.

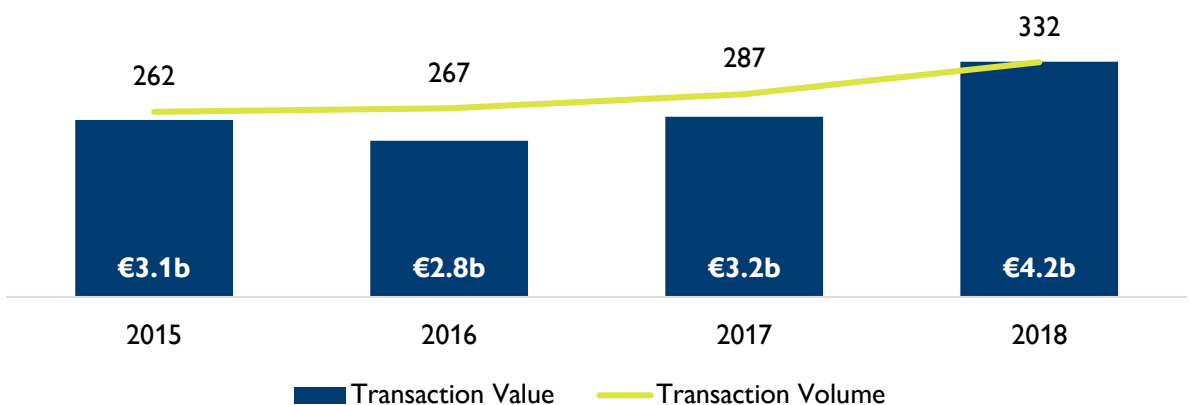

05.09.2018

\$295m in round led by WndrCo Holdings


31.05.2018

\$620m from new investors Silver Lake, Tiger Global, FIL and HOPU

Global VC equity raised in Cybersecurity



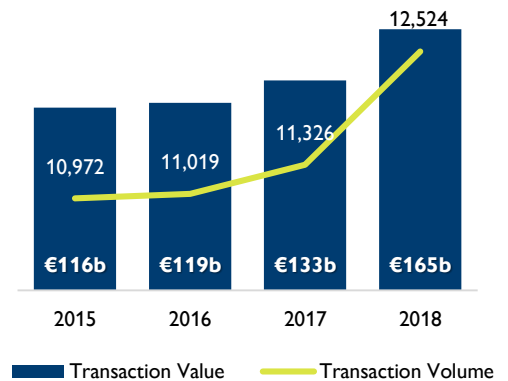


CONCLUSION & CONTACTS



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2018 witnessed the highest level of venture capital investment on record, both in volume and value terms. This included an unprecedented increase in the amount of supergiant rounds and new unicorn births in addition to growth in all median sizes of funding rounds. The total value of all unicorns has also inched above \$1 trillion according to CBInsights. This seemingly boomish growth can be explained by a new wave of start-ups causing extreme disruption in traditional industries as automotive, retail, security, and healthcare in addition to the larger start-ups continuing to fundraise from favorable private markets rather than seeking IPOs or M&A sale. While lights are bright green for the VC markets, this high growth in all metrics may also be a signal of overheating markets of increasingly cash-rich funds making increasingly risky investments.



Miro Parizek, Principal Partner

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- ✦ Artificial Intelligence
- ✦ Automotive Technology
- ✦ Cybersecurity
- ✦ Digital Marketing
- ✦ E-Commerce
- ✦ Enterprise Software
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