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COVID 19 pandemic, the US presidential election, Brexit negotiations and trade tensions between the US and China, global VC investment remained very robust in Q4'20, ...

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Despite global uncertainty resulting from a number of ongoing events including the COVID 19 pandemic, the US presidential election, Brexit negotiations and trade tensions between the US and China, global VC investment remained very robust in Q4'20, with \$80.8 billion in investment across 5,418 deals. According to the Q4 2020 edition of the KPMG Private Enterprise Venture Pulse report, this strong performance helped drive annual global VC investment to \$300.5 billion – the second highest level of global VC funding ever, next to 2018 (\$329.7 billion).

The robust Q4'20 results were driven by a continued resurgence of investment

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“We all know that COVID-19 has been an incredible challenge this year in every region of the world. But with great challenge often comes great opportunity – and the tech sector has certainly seen that this year,” says Kevin Smith Co-Leader, KPMG Private Enterprise Emerging Giants Network, KPMG International. “The acceleration in digitization and changes in consumer behaviour have been significant. VC investment has followed suit. Heading into Q1'21, VC investment will likely remain very robust, particularly in areas like mobility, logistics and delivery, fintech, health and biotech, and edtech.”

Key Q4 2020 Highlights

- Global VC investment remained strong quarter-over-quarter, despite a drop from \$83.2 billion across 6,168 deals in Q3'20 to \$80.8 billion across 5,418 deals in Q4'20.
- The Americas accounted for more than half of VC investment globally during Q4'20, with \$41 billion of investment across 2,725 deals. Of this amount, the US accounted for \$38.8 billion across 2,526 deals.
- VC investment in Europe set a second straight quarterly record, with \$14.3 billion raised across 1,192 deals, compared to \$13.8 billion across 1,473 deals in Q3'20.
- VC investment in the Asia-Pacific region remained strong, rising slightly from \$24.5 billion in Q3'20 to \$25.2 billion in Q4'20.
- China accounted for the top five largest VC deals in the world during Q4'20, including Manbang Group (\$1.7 billion), Zuoyabang (\$1.6 billion), Yuanfudao (\$1 billion), Yungwang Wandian (\$907.1 million), and Enovate Motors (\$735.85 million).
- Global VC-backed exit activity reached a record high of \$189 billion in Q4'20 as the march of unicorn exits continued with high profile IPO exits of companies such as Airbnb, Doordash, and C3.ai.

Key 2020 Annual Highlights

- Global VC funding in 2020 was \$300.5 billion – up from \$281.6 billion in 2019 and

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during 2020, including a \$22 million for Series B or later rounds, compared to \$410 million in 2019. Other global median pre-money valuations were \$22 million for Series A, \$70 million for Series B, and \$180 million for Series C deals. Global median pre-money valuations for Seed stage deals held steady at \$6 million between 2019 and 2020.

- Global first-time venture financing dropped for the third straight year – to \$24.9 billion across 6,580 deals in 2020 from \$29.4 billion across 8,149 deals in 2019.

The Americas attracts over half of global VC funding in Q4'20, with \$41 billion of investment across 2,725 deals

VC investment in the Americas dipped slightly, from \$44.7 billion in Q3'20 to \$41.0 billion in Q4'20. The US attracted the majority of VC investment in the Americas, with \$38.8 billion in Q4'20, including the region's largest deals: a \$725 million raise by biotech company Resilience, a \$668 million raise by fintech Robinhood, a \$533.8 million raise by fintech Chime, and \$500 million raises by aerospace company Relativity Space and self-driving delivery company Nuro.

Despite a fifth straight drop in quarterly VC investment, VC investment in Canada was robust compared to historical norms at \$841.9 million in Q4'20. Canada saw \$3.8 billion in investment in 2020 – an amount second only to 2019's \$4.9 billion. While Brazil had a soft Q4'20 in terms of VC investment, it attracted a record \$2.2 billion in funding during 2020. Mexico, meanwhile, saw a record Q4'20 (\$625.5 million) for VC investment – including a \$397 million raise by automotive company Kavak.

Europe shatters annual record for VC investment on back of record Q4'20

Europe beat its previous annual high of \$41.9 billion in VC investment (2019), attracting \$49 billion in VC investment in 2020. Europe also saw a second straight quarter of record VC investment, with \$14.3 billion raised across 1,192 deals. France-

based agtech Ynsect attracted the second-largest deal this quarter in Europe (\$372

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regions (\$5.7 billion), and Israel (\$5 billion) all saw record amounts of annual VC funding in 2020.

Asia sees best quarter of the year, with \$25.2 billion in VC investment in Q4'20

In its strongest performing quarter of the year, Asia attracted \$25.2 billion in VC investment in Q4'20 – up from \$24.4 billion in Q3'20. VC investment in China continued to recover, with the \$19.8 billion raised by China-based companies in Q4'20 more than double the \$9.4 billion seen in Q3'20. China was the only country to see \$1 billion+ megadeals during Q4'20, including Manbang Group (\$1.7 billion), Zuoyabang (\$1.6 billion), and Yuanfudao (\$1 billion).

VC investment in India remained relatively robust in Q4'20, led by a \$660 million raise by Zomato. While VC investment dropped somewhat during the quarter, India saw deal volume rise to its highest level since Q1'18.

The future looks bright for VC market

Global VC investment is expected to remain quite high in Q1'21 given the large amount of dry powder in the market, low interest rates in many regions of the world, and the increasing drive of corporates for digital transformation. IPO and M&A activity is also expected to remain very robust as other unicorns look to exit.

“The level of IPO activity, particularly in the US, was incredible during Q4'20,” says Conor Moore, Co-Leader, KPMG Private Enterprise Emerging Giants Network, KPMG International. “Given the very successful IPO exits of several high-profile unicorns in Q4'20, we can expect an increasing number of exits in 2021, especially with the booming phenomenon of SPAC transactions. 2021 is set to be very exciting.”

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