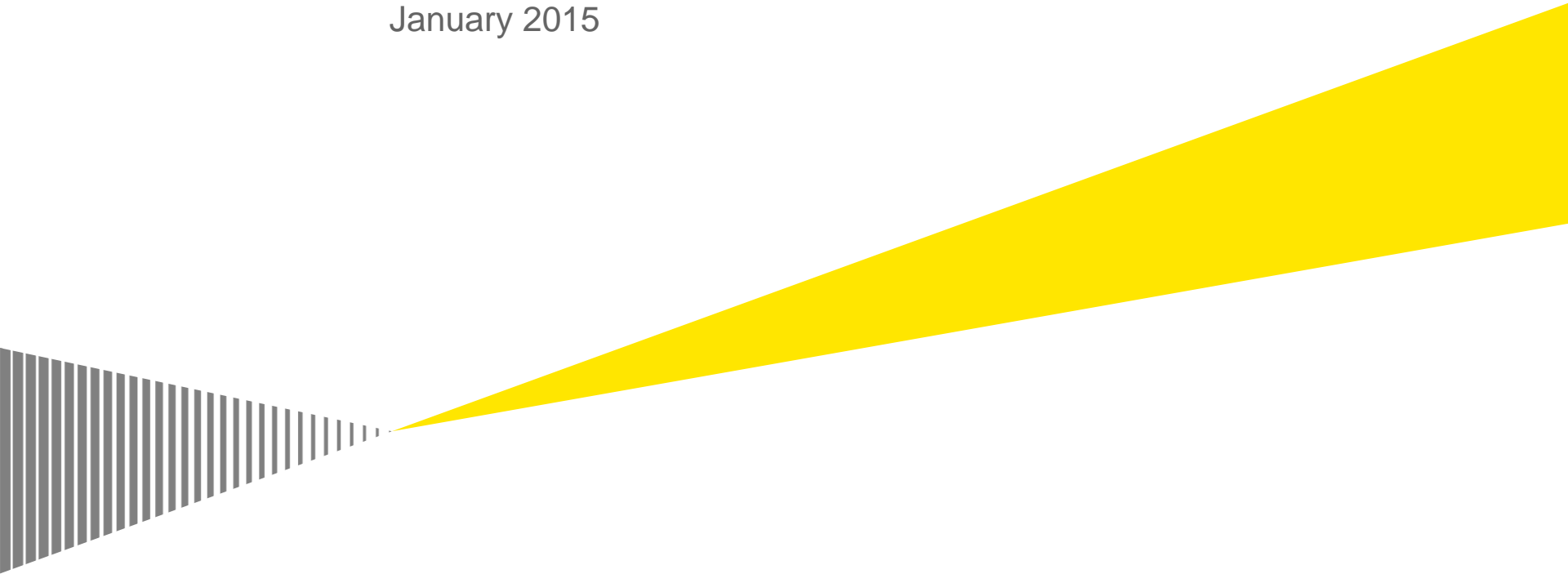


Venture Capital Insights[®] – 4Q14

Global VC investment landscape

January 2015



EY

Building a better
working world

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* All data contained in this is sourced to Dow Jones VentureSource unless otherwise noted.

Section 1: Global VC investment landscape

Analysis by geography, hotbed, sectors, stages of development and round classes



Section 1: Global VC investment landscape

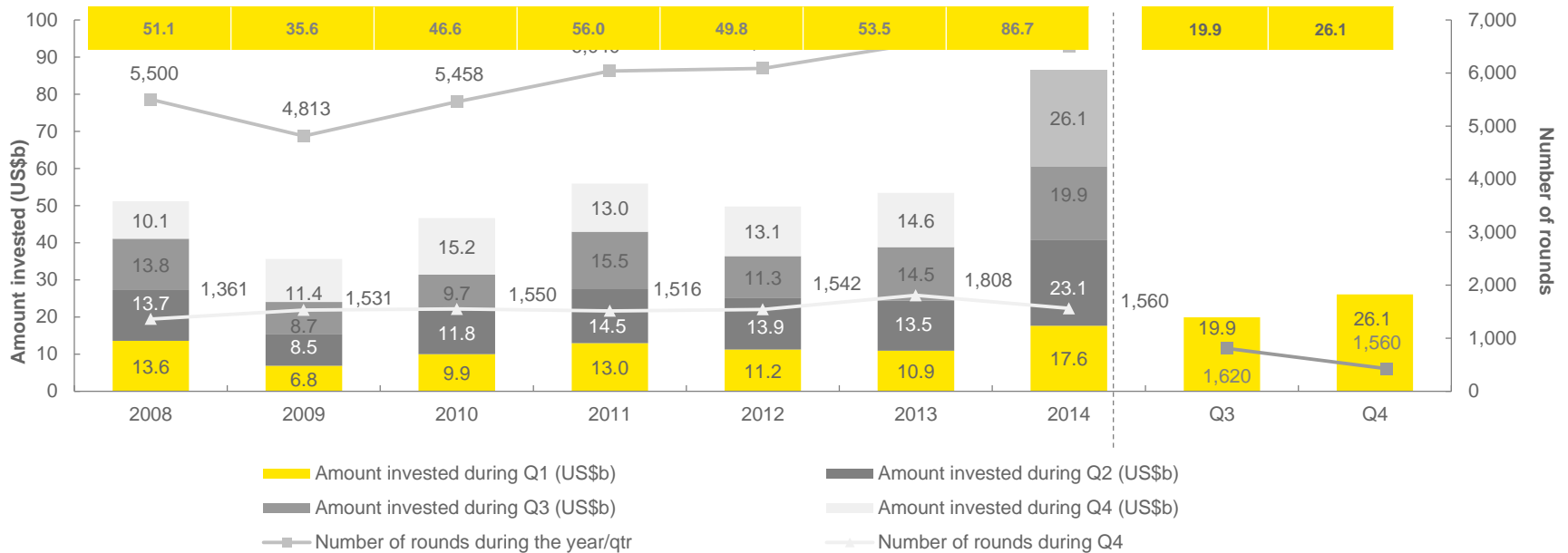
Summary

Global VC investment activity:

- ▶ 2014 was a record year in terms of VC investment activity. The year saw US\$86.7b invested in 6,507 deals, hitting the highest annual investment mark since 2000. Strong investment activity was seen in the second and fourth quarters of 2014, with both quarters recording more than US\$20b funding with more than 1,500 deals each.
- ▶ In terms of quarterly VC investment, the average deal size was the highest for 4Q14 (US\$16.7m) compared to the average values in 1Q08, which remained below US\$14m.
- ▶ In 2015, global venture capital-backed deal activity is likely to continue its current upward trend driven by a consistent pipeline of new IPO listings along with improved investor confidence.
- ▶ The Bay Area maintained its lead during 2014 with amount invested almost twice the levels seen in 2013. Beijing made a comeback in the top five hotbeds replacing UK, recording a 237% increase in the amount invested compared to 2013.
- ▶ The consumer services sector continued to lead the global VC landscape in terms of the amount invested in 2014 driven by large-sized funding deals of mobile-based platform companies such as Uber Technologies, Snapchat, Instacart and Flipkart International Private Limited.
- ▶ Investments at the later stage almost doubled in 2014 compared to the historical levels. A similar trend was also seen for investments made in companies operating at generating revenue stage.
- ▶ VC investors made larger investments in the early stage round classes as noted by the increased median deal sizes for most markets in 2014. During the year, the median deal size also increased across all stages of development, and across all VC geographies, compared to 2013.

Global venture capital investment

2014 was a record year in terms of VC investment activity; the highest since 2000



Global VC activity – by amount invested and number of rounds

- ▶ 2014 closed on a strong note in terms of global VC investment. With US\$86.7b funded through 6,507 deals, the year hit the highest annual investment mark in the last 13 years. Investment activity was particularly strong in the second and fourth quarters, with both quarters recording over US\$20b funding and each with over 1,500 deals for the quarter.
- ▶ 4Q14 was also the strongest quarter since 3Q00 in terms of quarterly VC investment. The last quarter of 2014 recorded US\$26.1b invested in 1,560 deals – a 31% increase in value despite a 4% decline in deal volume compared to 3Q14. Subsequently, the average deal size was the highest during 4Q14 (US\$16.7m) compared to the average values recorded since 1Q08 where it remained below US\$14m.
- ▶ The outlook for VC investing and VC-backed companies remains positive as improving economic conditions continue to support the global fundraising environment. In 2015, global VC-backed deal activity is likely to continue its current upward trend driven by a consistent pipeline of new IPO listings along with improved investor and general partner confidence.

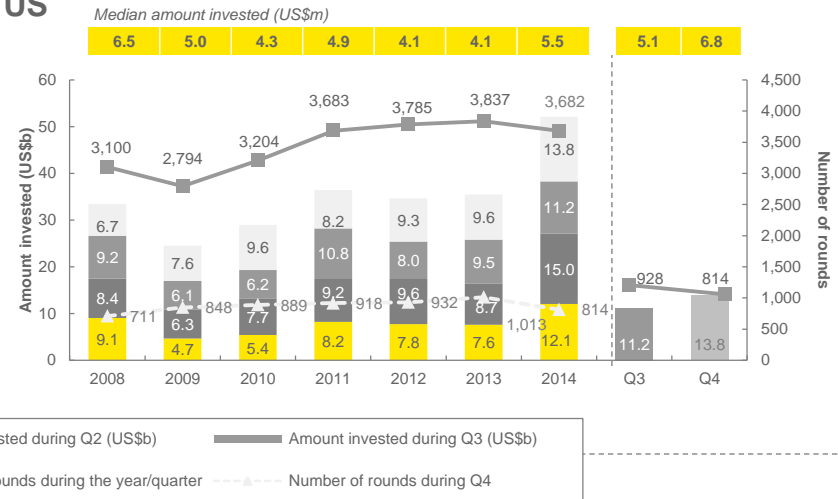
Note: Global total includes the US, Europe, Canada, China, Israel (all site) and India only.

Venture capital investment by geography

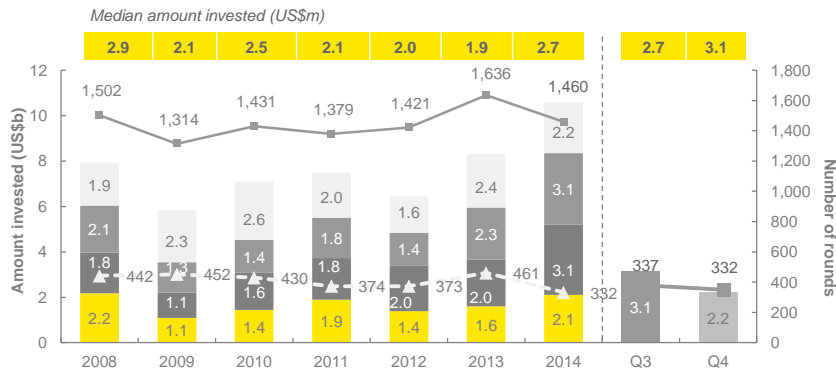
2014 had the highest level of VC investing seen in the US, Europe and China

- ▶ In 2014, VC funding was at its all time high for the three key VC markets – the US, Europe and China – compared to the levels seen globally in 2008. During the year, while investments increased by 47% and 27%, respectively, for the US and Europe, it almost tripled for China compared to 2013. Strong activity in the information technology and consumer services sector drove this increase in China.
- ▶ VC investment continued to be strong in the US and China during 4Q14 driven by few mega-deals that were more than US\$1b each with Uber and Beijing's Xiaomi Technology Co Ltd, leading the top quarterly deals, funding dropped by 29% in Europe, compared to 3Q14 due to slow activity across all industry sectors. Deal volume did not see much change in any of these markets.
- ▶ The current trend across the key VC markets suggests VC investing will maintain its momentum through 2015. As investor confidence continues to build with improving market conditions and investment returns on upswing, strong levels of investing is likely to be seen in the year to come.

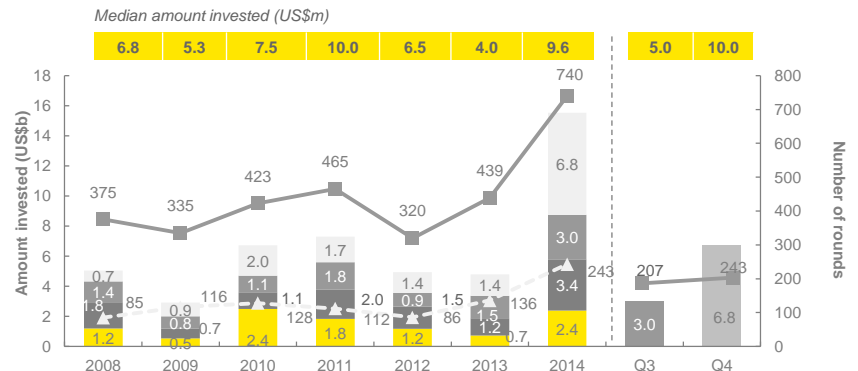
US



Europe



China

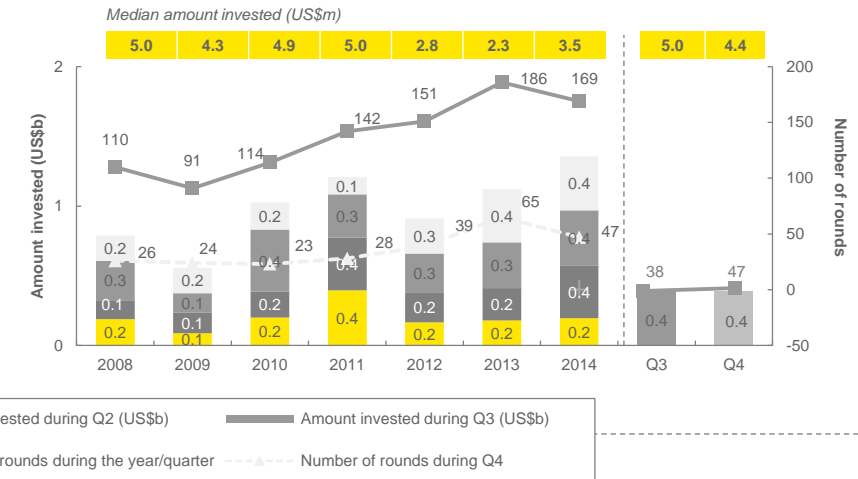


Venture capital investment by geography

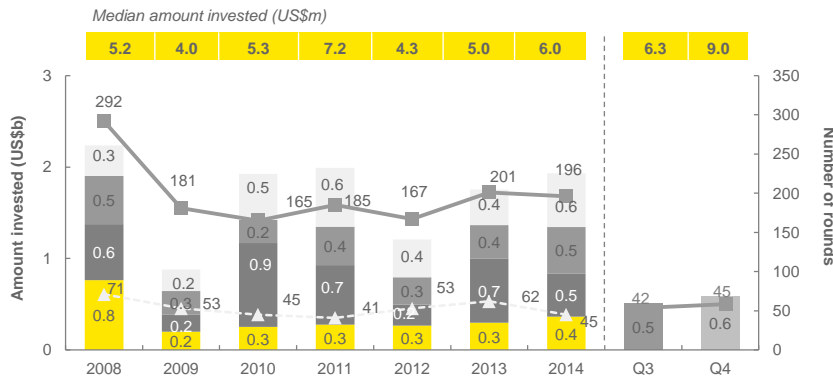
India continued to see a surge of VC activity in 4Q14 driven by consumer services sector deals

- ▶ During 4Q14, investment activity remained soft in the smaller VC markets namely, Canada and Israel. For both markets, the funding level in the last quarter of 2014 was mostly in line with the levels seen during 2Q14 and 3Q14. This was despite an increase in deal volume recorded during 4Q14 for both markets – 24% for Canada and 7% for Israel compared to the 3Q14.
- ▶ Even on a yearly basis, the growth in VC activity for Canada and Israel was relatively slower compared to other VC markets. During 2014, while Canada saw 21% increase in funding, Israel recorded 10% increase over the prior year, with a marginal change in deal volume.
- ▶ India was an exception, among the smaller markets, where VC investments continued on the upward trajectory in 4Q14 in India, closing the year with US\$5.2b through a total of 260 deals (highest aggregate value and volume since 2008). The two mega deals of nearly US\$700m of consumer services sector-based Flipkart.com and Snapdeal.com in 4Q14 drove 35% increase in investments compared to 3Q14.

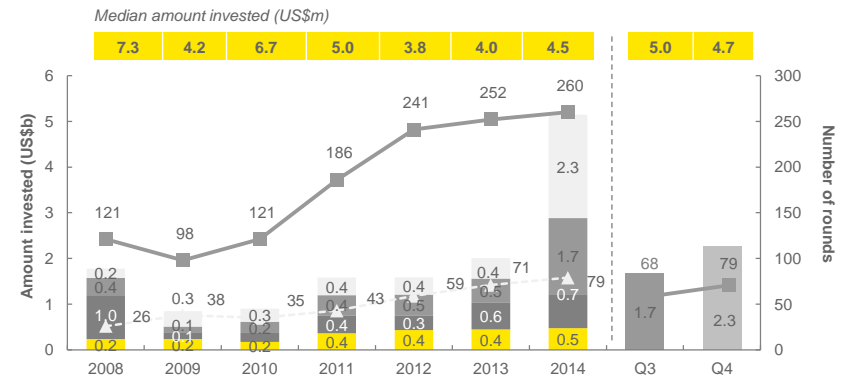
Canada



Israel (all site)

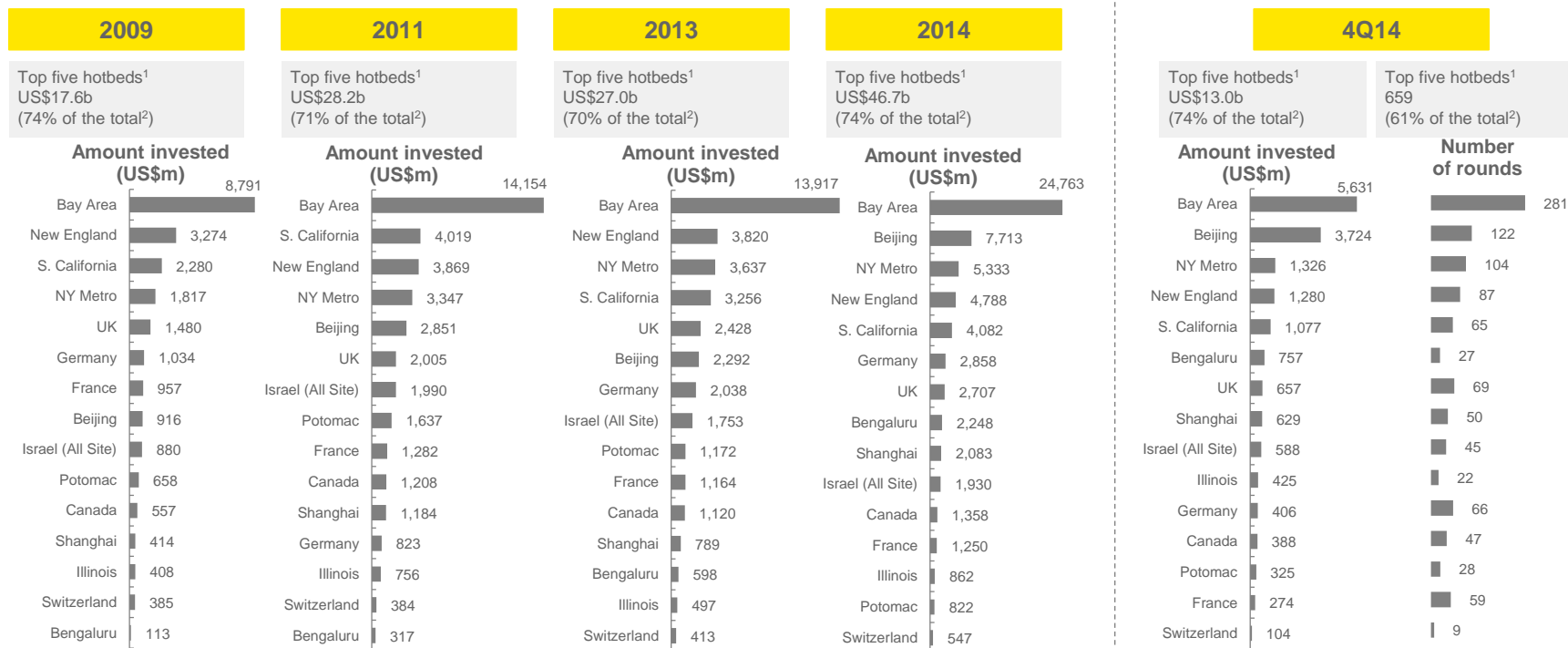


India



Venture capital investment by hotbed

Beijing was the second-most preferred VC destination after the Bay Area in 4Q14



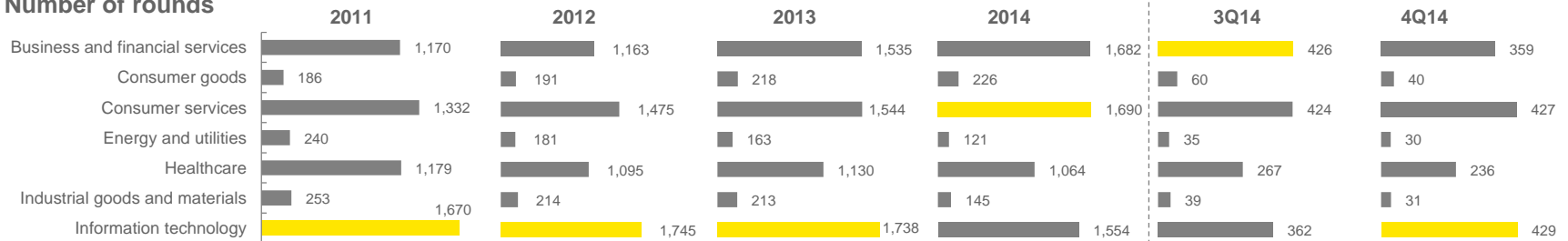
- ▶ With strong activity in the business and financial services and consumer services sectors, the Bay Area maintained its dominance during 2014 with amount invested, which was almost twice the levels seen in 2013 US\$24.7b in 2014 compared to US\$13.9b in 2013.
- ▶ During 2014, Beijing made a comeback into the top five hotbeds replacing the UK, recording a 237% increase in the amount invested compared to 2013. During the year, VC investors actively invested in the region particularly consumer information services sub-sector with a focus in the shopping facilitator space.
- ▶ In 4Q14, Beijing was the second-most preferred VC destination after Bay Area, reaching a 120% increase in VC funding when compared to the previous quarter due to significant investment activity in the consumer services and information technology sectors. During the current quarter, the hotbed saw a US\$1.1b deal in the software sector-based Beijing Xiaomi Technology, which was the largest deal in China and also the second-largest deal of the entire quarter.

Note: ¹ Top five hotbeds by amount invested. ² Total of 15 major VC hotbeds listed above.

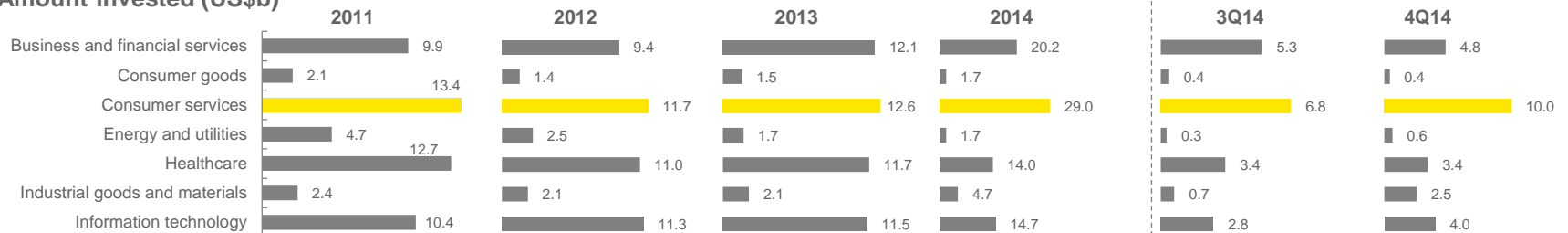
Venture capital investment by industry

Driven by big ticket deals, consumer services dominated in both value and volume in 2014

Number of rounds



Amount invested (US\$b)



By number of rounds:

- ▶ In 4Q14, the information technology and the consumer services sectors drove VC activity in deal volume. These two sectors recorded close to 430 deals each, cumulatively accounting for 55% of the total VC deals for the quarter.
- ▶ On a yearly basis however, VC investors preferred to invest in the consumer services sector in 2014 more than in the information technology, which was the leading sector for the last three years. With 1,690 deals, the consumer services sector led all sectors, closely followed by the business and financial services sector with 1,682 deals.

By amount invested:

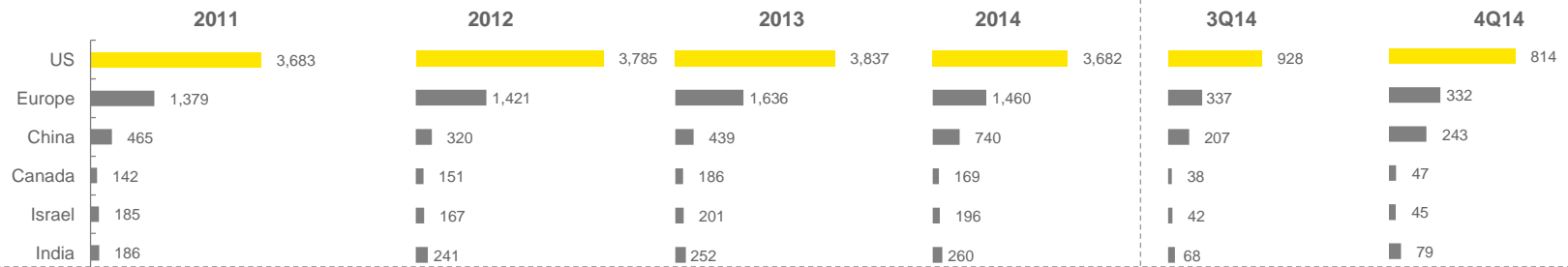
- ▶ Driven by large-sized deals of mobile-based platform companies such as Uber Technologies, Snapchat, Instacart and Flipkart.com, the consumer services sector continued to dominate the global VC landscape in terms of the amount invested in 2014. The sector attracted US\$29b of investment for the year – the highest amount invested in the sector in the last six years.
- ▶ The consumer services sector maintained its dominance during 4Q14 with deal value increasing by 46% over the previous quarter. The average deal size surged to US\$23.4m in 4Q14 from US\$16.1m in 3Q14 as the sector continued to attract bigger ticket deals in the current quarter.

Note: There are also some deals for which sector has not been assigned.

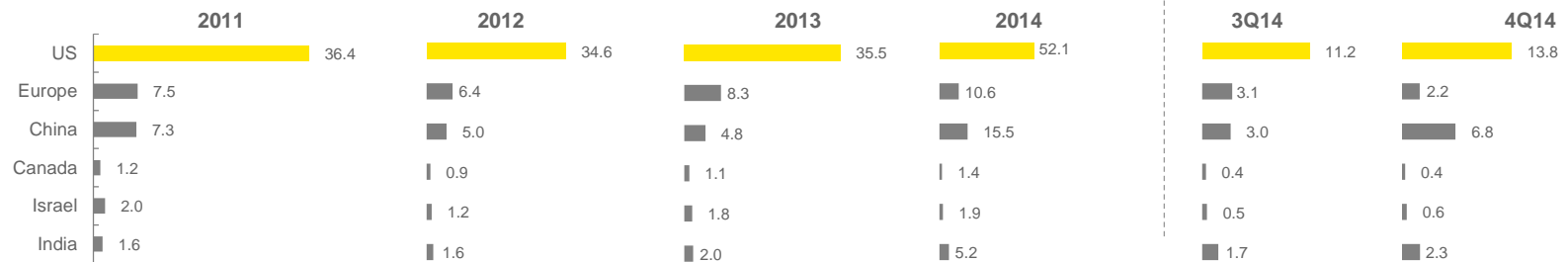
Venture capital investment by country

In 2014, VC investing in China and India surged to three times the levels seen in 2013

Number of rounds



Amount invested (US\$b)



By number of rounds:

- ▶ During 2014, the number of deals declined in all markets except for China and India, compared to 2013. China, in particular, saw a huge jump of nearly 70% in the deal volume largely driven by consumer services sector, the sector saw an influx of 248 in 2014 compared to 111 in 2013 of VC deals from consumer information services sub-sector in 2014.
- ▶ In the US, deal volume declined by 12% in 4Q14 compared to the previous quarter, as investors participated in a smaller number of deals in all industry sectors except for information technology. Europe also saw a marginal fall of 1% in deal volume, while deal activity increased in all other markets during the same period.

By amount invested:

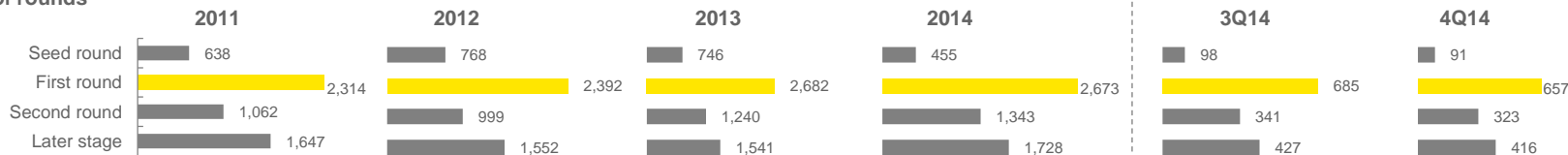
- ▶ Investment activity across markets flourished during 2014 as the year recorded the highest investment levels since 2000. In 2014, VC investors seemed particularly interested in the two emerging markets – India and China – both of which saw almost a threefold increase of in funding levels compared to 2013.
- ▶ The last quarter of 2014 was particularly strong in the US, China and India compared to 3Q14, these markets saw a few megadeals that closed near the end of the quarter. For other markets, VC investing slowed or remained at a similar level as seen in the previous quarter.

Venture capital investment by round class and stage of development

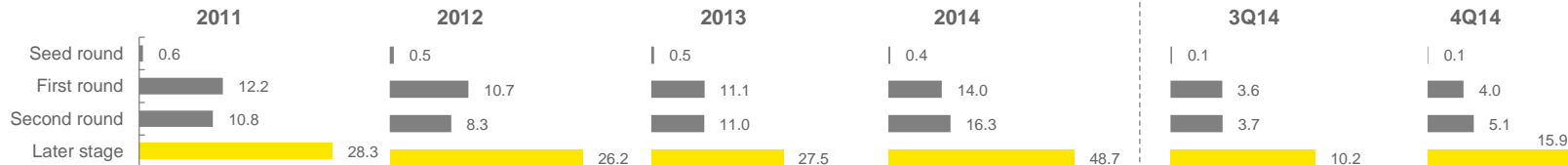
Investments at later stage almost doubled in 2014 compared to historical levels; a similar trend was seen for investments made in companies operating at generating revenue stage

By round class

Number of rounds

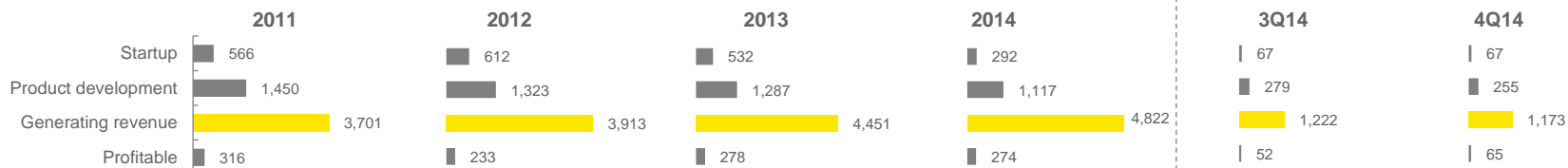


Amount invested (US\$b)

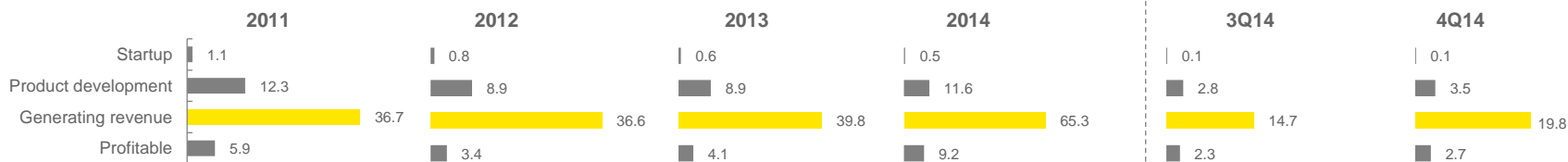


By stage of development

Number of rounds



Amount invested (US\$b)



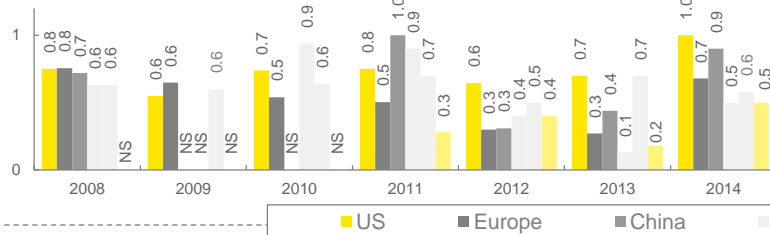
Median round size by round class

VC investors made larger investments in the early stage round classes as suggested by increased median deal sizes for most markets in 2014

Seed round (median round size in US\$m)

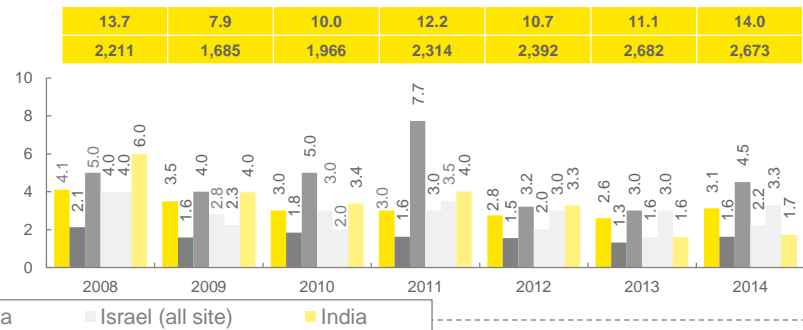
During 2014, the median deal size at seed round class stage increased in all markets except for Israel which saw a marginal decline with median value decreasing from US\$0.7m in 2013 to US\$0.6m in 2014, suggesting investor sentiment remains positive. VC investors preferred to make bigger investments in young startups globally.

Amount invested globally (US\$b)	2008	2009	2010	2011	2012	2013	2014
	0.3	0.2	0.3	0.6	0.5	0.5	0.4
No. of global deals	340	304	391	638	768	746	455



First round (median round size in US\$m)

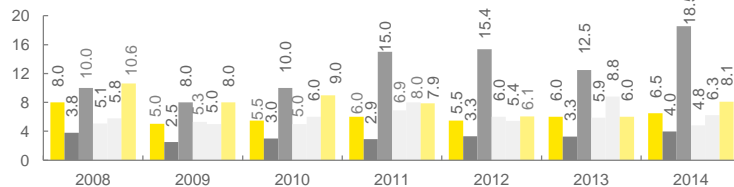
Investors made larger investments in early stage round classes in 2014, reflected by increased median round size in all VC markets. China saw the strongest growth of 50% in 2014, compared to 2013, followed by Canada, which saw 38% growth. While the US and Europe growth rate was almost 20% each, India and Israel, each showed a marginal growth rate of nearly 10%.



Second round (median round size in US\$m)

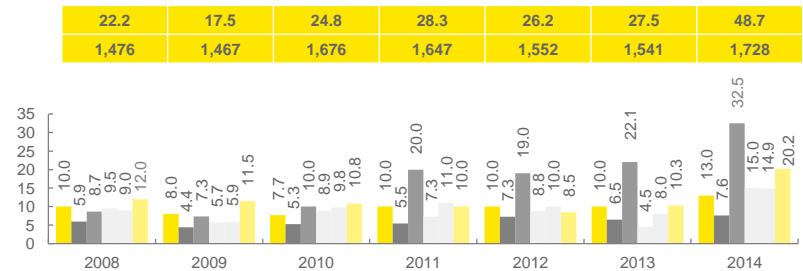
While the two mature VC markets – US and Europe – saw 8% and 22% increase, respectively in the median value in 2014, the two emerging economies – China and India – recorded 48% and 35% increase, respectively, over 2013. This reflects investor preference to make bigger investments in the emerging markets in anticipation of earning higher returns. The median value, however, declined by 19% and 29% in Canada and Israel respectively.

Amount invested globally (US\$b)	2008	2009	2010	2011	2012	2013	2014
	11.4	7.6	8.3	10.8	8.3	11.0	16.3
No. of global deals	1,084	1,025	1,054	1,062	999	1,240	1,343



Later stage (median round size in US\$m)

Median deal sizes grew significantly in 2014 compared to 2013, particularly in the smaller VC markets. The growth was the steepest in Canada, where the median value increased to almost 3.5x during 2014. For India and Israel the median value almost doubled to reach US\$20.2m and US\$14.9m in 2014 from US\$10.3m and US\$8.0m in 2013, respectively.



Note: Chart scales vary for the purpose of clarity.

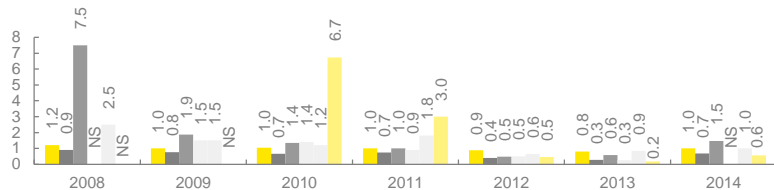
Median round size by stage of development

In 2014, median deal size increased for almost all VC markets, across all stages, compared to 2013

Startup (median round size in US\$m)

In 2014, the median deal size increased compared to 2013 for all VC markets, except for Canada for which the median values were did not have enough of a sample size to calculate a median. India and China saw the highest increase in median values seen in 2014, which were almost triple the size for in 2013, in both countries.

Amount invested globally (US\$b)	1.1	0.8	0.9	1.1	0.8	0.6	0.5
No. of global deals	370	376	358	566	612	532	292

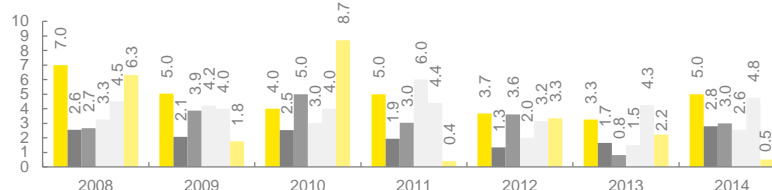


■ US ■ Europe ■ China ■ Canada ■ Israel (all site) ■ India

Product development (median round size in US\$m)

In the US, the median value rebounded in 2014 to reach 2011 levels after seeing a consistent decline over the past two previous years. Among other markets, China recorded the highest growth rate of more than 250% in 2014 compared to 2013. In Europe, Canada and Israel it stood at 69%, 71% and 12%, respectively. India was the only exception that saw close to an 80% decline in values for the same period.

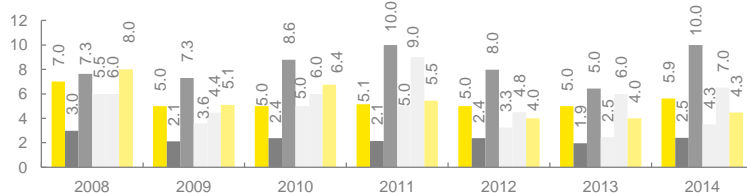
17.5	11.4	13.0	12.3	8.9	8.9	11.6
1,668	1,427	1,580	1,450	1,323	1,287	1,117



Generating revenue (median round size in US\$m)

Median deal size increased across all VC markets in 2014 compared to 2013. The increase was most significant in China and Canada, where median values almost doubled compared to levels of 2013. At US\$10m, the median value in China reached its highest level in six years. This is because majority of the Chinese companies which received larger/mega investments for the during the year were operating at generating revenue stage.

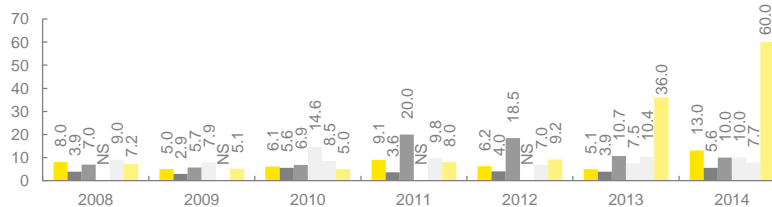
Amount invested globally (US\$b)	27.1	19.8	27.1	36.7	36.6	39.8	65.3
No. of global deals	3,035	2,698	3,159	3,701	3,913	4,451	4,822



Profitable (median round size in US\$m)

On the back of large-sized financing deals, the median values in the US and India increased in 2014 compared to 2013, to reach the highest levels ever seen since 2008. The median values increased even for Europe and Canada 42% and 33%, respectively during the same period. China and Israel were the only exceptions that saw median values declining by 7% and 26%, respectively in 2014 over the previous year.

5.4	3.5	5.6	5.9	3.4	4.1	9.2
416	302	359	316	223	278	274



Note: Chart scales vary for the purpose of clarity.

Section 2: Global VC exit landscape – IPO and M&A

Analysis by geography



Section 2: Global VC exit landscape – IPO and M&A

Summary

Global VC-backed IPOs

- ▶ 2014 saw increased IPO activity across all VC markets compared to 2013. In Europe and China, deal volume grew to 3x and 4x of levels seen in the previous year, respectively; the US recorded a growth of 42% for the same period.
- ▶ In 2014, Canada and Israel saw the highest number of IPOs since 2008, while India did not see any change in IPO deal volume.
- ▶ The US continued to dominate in terms of dollar amount raised via IPO, followed by China in 2014.
- ▶ Europe recorded the strongest growth in IPO proceeds more than 600% driven by the IPO exit of Rocket Internet AG, which raised US\$1.8b in the last quarter of 2014.
- ▶ The smaller VC markets also gained momentum during 2014, with Canada and Israel seeing their highest levels of IPO proceeds in the last six years.

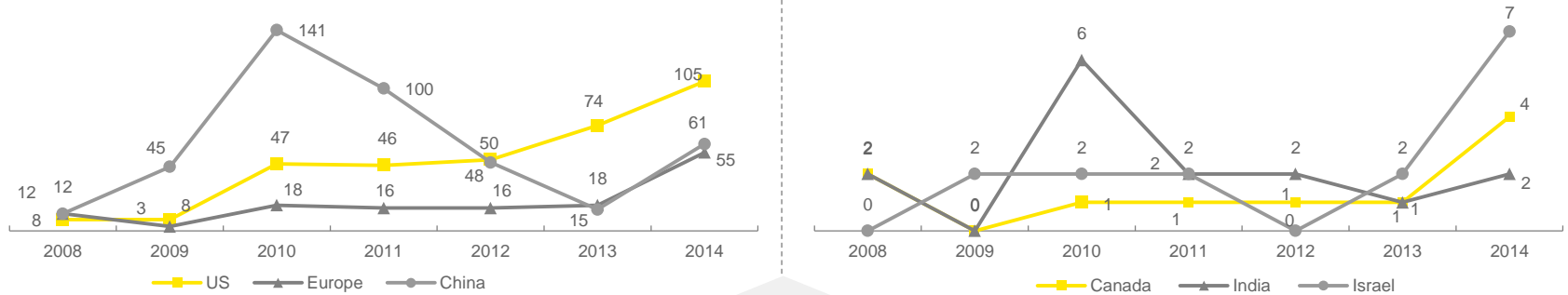
Global VC-backed M&As

- ▶ The US and Europe continued to see a high numbers of M&A deals in 2014, when compared to 2013, while the number of deals increased by 19% in Europe, the US saw a marginal increase of 8% during 2014.
- ▶ For other markets, including China, the number of M&A deals either declined or remained at the similar level compared to the last year. For China, despite a 17% decline in 2014, M&A deal volume during current year was much higher than the yearly totals of 2008–2012 period.
- ▶ For the two key VC markets – US and China – the amount raised through VC-backed M&A exits was at its all-time high in 2014 since 2008. Strong M&A activity in the US was lifted by a megadeal with WhatsApp Inc. being acquired by Facebook Inc., resulting in a post M&A valuation of almost US\$20.0b. Deals based in the software sector lead to 200% increase in China in 2014 compared to the previous year.

Global VC-backed IPO

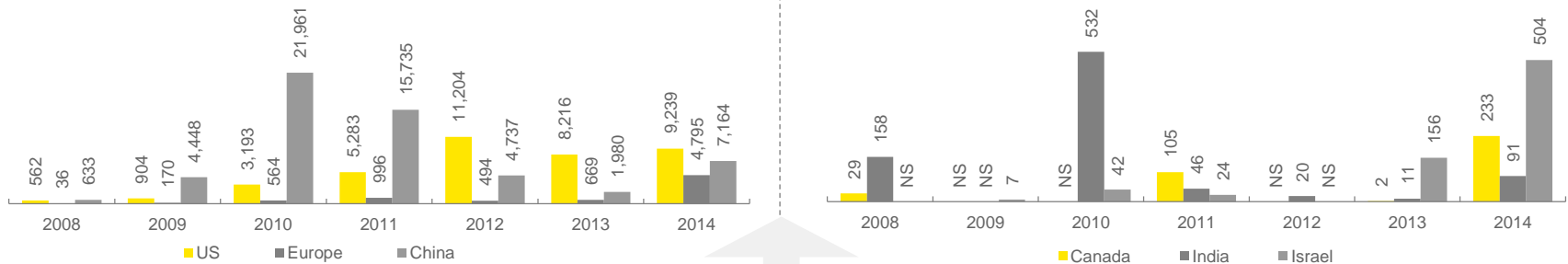
IPO activity grew across markets in 2014 with Europe recording the strongest growth compared to the previous year

Number of IPO exits



During 2014, IPO activity remained strong in the three key VC markets – the US, Europe and China – supported by improved economic conditions, better investment returns and high investor confidence levels. In Europe and China, deal volume grew to 3x and 4x of levels seen in 2013, respectively and the US recorded a growth of 42% for the same period. Canada and Israel recorded the highest number of IPO deals in 2014 since 2008, while India did not see any real change in IPO deal volume.

Amount raised through IPO exits (US\$m)



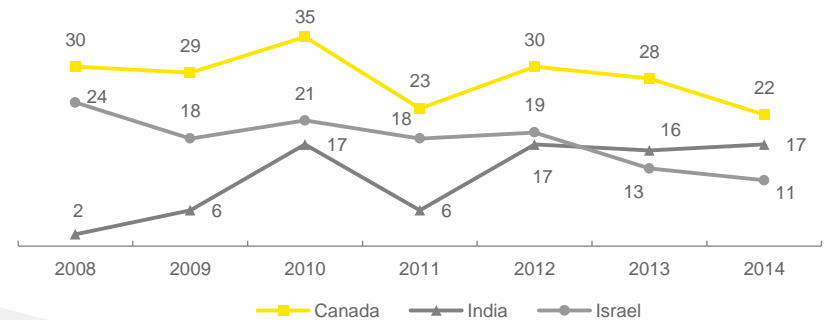
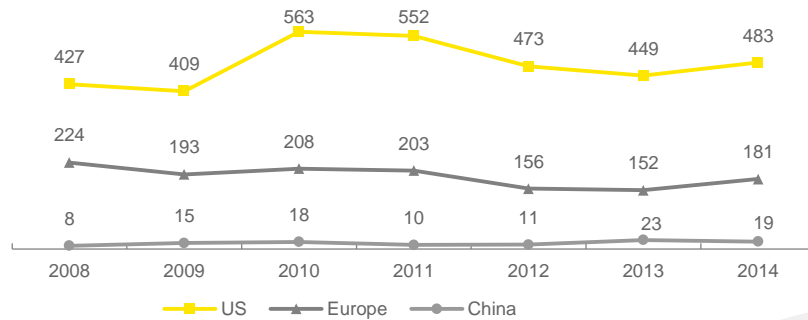
In 2014, the US maintained its lead in terms of dollar amount raised via IPO, followed by China. However, Europe recorded the strongest growth in terms IPO proceeds of more than 600% due to the IPO exit of Rocket Internet AG which raised US\$1.8b in the last quarter of 2014. The smaller VC markets also gained momentum during 2014, with Canada and Israel recording the highest levels of IPO proceeds in the last six years. After a slow activity in the past few years, IPO activity picked up in India during the current year proceeds grew to US\$91m in 2014 from US\$11m in 2013 and US\$20m recorded in 2012.

Note: Chart scales vary for the purpose of clarity.

Global VC-backed M&A

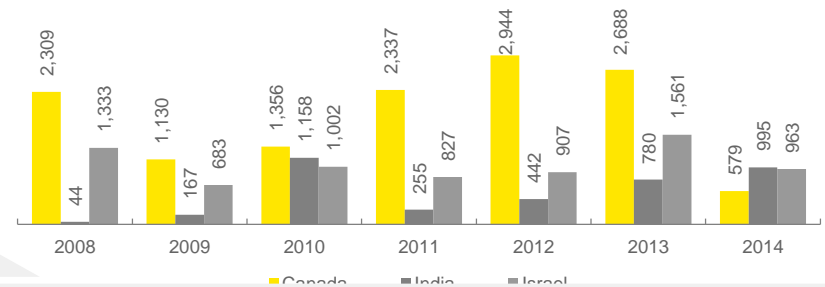
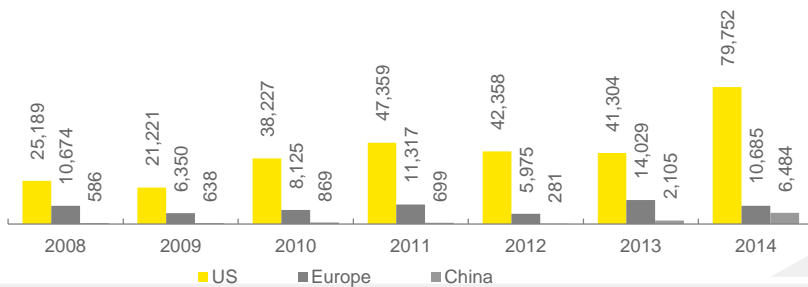
Amount raised through VC-backed M&A exits hits its record high since 2008 in 2014 for US and China, since 2008

Number of M&A exits



The US and Europe continued to see a higher number of M&A deals in 2014, across VC markets. Compared to 2013, while the number of deals increased by 19% in Europe, the US saw a marginal increase of 8% during 2014. For other markets, including China, the number of M&A deals either declined or remained at the similar level as seen in the previous year. For China, despite a 17% decline during current year, M&A deal volume in 2014 was much higher than the yearly totals of 2008–2012 period.

Amount raised through M&A exits (US\$m)



For the two key VC markets – US and China – the amount raised through VC-backed M&A exits was at its all-time high in 2014. A strong M&A activity in the US was driven by a megadeal of WhatsApp Inc., which was acquired by Facebook Inc., with a post M&A valuation of almost US\$20.0b, while software sector-based deals drove close a 200% increase in China in 2014 compared to the previous year. India saw an increase of 28% on the back of increased activity in the consumer services and information technology sectors.

Note: Chart scales vary for the purpose of clarity.

Appendix



Sector classification

Sector	Sub-sector
Business and financial services	Business support services
	Construction and civil engineering
	Financial institutions and services
	Wholesale trade and shipping
Consumer goods	Food and beverage
	Household and office goods
	Personal goods
	Vehicles and parts
Consumer services	Consumer information services
	Media and content
	Retailers
	Travel and leisure
Energy and utilities	Non-renewable energy
	Renewable energy
	Utilities
Healthcare	Biopharmaceuticals
	Healthcare services
	Medical devices and equipment
	Medical software and information services
Industrial goods and materials	Aerospace and defense
	Agriculture and forestry
	Machinery and industrial goods
	Materials and chemicals
Information technology	Communications and networking
	Electronics and computer hardware
	Semiconductors
	Software

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