Venture Capital Insights® 2013 year-end

Global VC landscape, angel and incubator participation trends, and exit landscape

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Venture Capital Insights

This edition of the Venture Capital Insights analyzes global investment activity including Venture Capital initial equity rounds and fundraising by VC firms. It also examines the increasingly important role of angel investors and incubators as well as the global exit landscape for VC-backed companies.

Content overview:

1. Global VC landscape
   1.1 – Global VC investment activity
   1.2 – Global VC initial equity rounds of financing
   1.3 – Global VC fundraising activities

2. Angel and incubator participation trends

3. Global VC exit landscape – through initial public offerings (IPOs) and mergers and acquisitions (M&As)
Section 1: Global VC investment landscape
Analysis by investment activity, initial equity round of financing and VC fundraising activity
Section 1: Global VC landscape

Summary

1.1 Global VC investment activity

► Global VC investment activity was marginally up in 2013 and reached US$48.5 billion, a 2% increase compared to 2012, though still below 2011 and pre-2009 levels.

► Although the US economy showed strong signs of growth by the end of 2013, this is yet to be reflected in regional VC activity. While the total amount invested in the US in 2013 saw a marginal growth of 1% over 2012, the number of rounds fell by 5%. China recorded the lowest yearly total of amount raised, US$3.5 billion, since 2009.

► The Bay Area and New England have been the top two hotbeds for the past five years. Europe continued to attract small-ticket deals in 2013, indicating that VC investors continue to be cautious about making large investments in the region.

► Following historical trends, the technology sector continued to attract the major share of VC investment as well as number of deals in the US, Canada and Israel, while the consumer services sector continued to secure the bulk of VC investment and deals in Europe, India and China.

► Companies at the revenue-generation stage continued to dominate in terms of number of rounds as well as the proportion of VC investment, indicating the preference of VC investors for these “partially de-risked” companies across all geographies.
Section 1: Global VC landscape

Summary

1.2 Global VC initial equity rounds of financing

- Despite the slower activity in the US in 2013, both in terms of number of initial financing rounds and amount invested, the average deal size in the region primarily remained comparable to 2012 levels.
- The first round continued to dominate with highest number of initial financing rounds as well as amount invested recorded across geographies. Although the number of initial financings recorded in the second round increased for the US and Europe in 2013 as compared to 2012, the second round continued to see the lowest activity across all round classes.

1.3 Global VC fundraising activities

- In 2013, early stage fundraising activity remained strong in the US, recording the highest total value since 2009, whereas, for the Asia-Pacific region, fundraising activity continued its downward trajectory since 2011 for early-stage and multistage categories, and there was no late-stage activity in 2013.
Section 1.1: Global VC investment activity
Analysis by geography, hotbed, sector, stage of development and round class
Global VC investment
2013 VC investment activity marginally up from 2012; momentum expected to continue in 2014

Global VC activity – by amount invested and number of rounds

- Global VC investment activity was marginally up in 2013 and reached US$48.5 billion, a 2% increase compared to 2012. However, it remains below 2011 and pre-2009 levels, as recovery in the global economy continues to rebound and grow slowly.

- The last quarter of 2013 was significant, marking a quarterly increase over 3Q13 both in terms of deals and dollars. Amounts invested increased by 10% to reach US$13.5 billion with an 8% increase in the number of rounds (1,533). The quarter saw the largest number of rounds since 3Q11 and the highest proceeds in the last eight quarters.

- The outlook for VC investments will continue to grow at a modest rate in 2014, with venture-backed companies looking to benefit from the improving exit conditions. A strong IPO market and improved global economy will continue the momentum in 2014.

- 68% of the total global dollars invested were in the US, with 26% of the total global dollars invested in the Bay Area.

Source: Dow Jones VentureSource
VC investment by geography
Activity recovered after recording a drop of 13% in 2012; China recorded the lowest yearly total since 2010

► While the total dollars invested in the US in 2013 saw a marginal growth of 1% over 2012, the number of rounds fell by 5%. Although the US economy saw strong signs of growth by the end of 2013, with an upward revision in consumer spending, employment and continued policy support, this is yet to be fully reflected in regional VC activity.

► In 2013, European VC investment rebounded to above 2011 levels, largely driven by a positive economic scenario in the two largest European VC hotbeds – UK and Germany. In 4Q13, investment increased by 18% as compared to 3Q13.

► Chinese companies raised a total of US$3.5 billion in 2013, the lowest yearly total since 2009. Despite a 20% increase in the number of VC rounds, the dollar amount raised declined by almost 30%, compared to 2012. However, the recent reopening of the capital markets with over 700 IPOs in the pipeline is likely to give a boost to VC investment activity going forward.

Source: Dow Jones VentureSource
In Canada, 4Q13 fared the best among the last eight quarters in terms of both deal volume and dollars raised. Consequently, the amount invested in 2013 was up 11% over 2012, while deal volume increased by 23% during this period.

In 2013, VC activity revived in Israel in terms of deal volume after recording a considerable fall in 2012. The number of rounds increased by 18%, compared to the previous year, on the back of strong activity in the business financial services and technology sectors. In terms of proceeds, VC funds invested totalled US$1.7 billion, a 55% increase over 2012.

VC activity in India was largely in line with 2012 levels in terms of deal value and volume. While the number of deals fell marginally by 2% compared to 2012, the amount invested increased by 13%. An uptick in investment in the consumer services sector led to this increase in value.

Source: Dow Jones VentureSource
The Bay Area and New England have been the top two investment destinations for the past five years. In 2013, however, NY Metro, supported by consumer services sector deals, surpassed Southern California to rank third among global VC hotbeds and is close to overtaking New England in dollars raised.

Europe continued to attract small-ticket deals in 2013. The average round size in European hotbeds (except for Switzerland) remained the smallest across all global hotbeds, indicating that VC investors continue to be cautious about making large investments in the region.

In 2013, despite reduced VC amounts in Beijing, compared to 2008 levels, the average round size continued to be among the highest globally. This was primarily due to strong investment in later stage healthcare and information technology sectors.

* Top five hotbeds by amount invested; ** Total of 15 major VC hotbeds listed above
**VC investment by sector**

IT and consumer services dominate the global VC investment landscape in 2013

### By number of rounds (2013)

<table>
<thead>
<tr>
<th>Sector</th>
<th>US</th>
<th>Europe</th>
<th>China</th>
<th>Canada</th>
<th>Israel (all site)</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and financial services</td>
<td>90</td>
<td>48</td>
<td>13</td>
<td>5</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>651</td>
<td>304</td>
<td>123</td>
<td>28</td>
<td>20</td>
<td>79</td>
</tr>
<tr>
<td>Consumer services</td>
<td>718</td>
<td>296</td>
<td>101</td>
<td>68</td>
<td>68</td>
<td>60</td>
</tr>
<tr>
<td>Energy and utilities</td>
<td>71</td>
<td>229</td>
<td>20</td>
<td>26</td>
<td>3</td>
<td>34</td>
</tr>
<tr>
<td>Health care</td>
<td>99</td>
<td>288</td>
<td>6</td>
<td>8</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Industrial goods and materials</td>
<td>1,034</td>
<td>1,017</td>
<td>762</td>
<td>45</td>
<td>27</td>
<td>27</td>
</tr>
</tbody>
</table>

### By amount invested (US$m) (2013)

<table>
<thead>
<tr>
<th>Sector</th>
<th>US</th>
<th>Europe</th>
<th>China</th>
<th>Canada</th>
<th>Israel (all site)</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and financial services</td>
<td>7,487</td>
<td>1,170</td>
<td>348</td>
<td>210</td>
<td>367</td>
<td>405</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>5,500</td>
<td>2,056</td>
<td>199</td>
<td>136</td>
<td>160</td>
<td>87</td>
</tr>
<tr>
<td>Consumer services</td>
<td>909</td>
<td>463</td>
<td>26</td>
<td>125</td>
<td>30</td>
<td>36</td>
</tr>
<tr>
<td>Energy and utilities</td>
<td>8,634</td>
<td>1,850</td>
<td>229</td>
<td>136</td>
<td>128</td>
<td>280</td>
</tr>
<tr>
<td>Health care</td>
<td>797</td>
<td>75</td>
<td>75</td>
<td>18</td>
<td>70</td>
<td>16</td>
</tr>
<tr>
<td>Industrial goods and materials</td>
<td>8,673</td>
<td>1,444</td>
<td>762</td>
<td>45</td>
<td>910</td>
<td>53</td>
</tr>
</tbody>
</table>

### By number of rounds:

- While the information technology (IT) sector attracted the most rounds and investment in the US, Canada and Israel in 2013, the consumer services sector had the highest number of deals in the other three key markets – Europe, China and India. Software and consumer information services were the most active sub-segments for those two sectors.
- While software deals accounted for close to 70% of the total number of IT deals in the three markets, consumer information deals represented 63%, 55% and 47% of total consumer services deals in Europe, China and India, respectively.

### By amount invested:

- Following the historical trend, the IT sector attracted a major share of VC investment in the US, Canada and Israel, accounting for 26%, 44% and 55% shares, respectively, in 2013.
- The consumer services sector continues to secure the bulk of venture capital investment in Europe, India and China, indicating that venture investors still have a healthy appetite for consumer internet companies. The sector accounted for more than a 50% share in each of the two emerging economies; it contributed 28% of total regional proceeds in Europe.

Source: Dow Jones VentureSource
VC investment by stage of development
VC investors cautious; continue to make large investments at the revenue-generation stage

By number of rounds (2013)
- Companies at the revenue-generation stage continued to lead in terms of number of rounds, indicating the preference of VC investors across all markets for these partially de-risked companies.
- In 2013, activity at the start-up stage dropped from 2012 for the three key VC hotbeds – US (106 from 221 deals), Europe (41 from 53 deals) and China (10 from 12 deals).
- For China, the percentage of deals entered at the revenue-generation stage fell from 82% in 2012 to 78% in 2013. This is because VC activity at the product-development stage recorded a significant improvement in the region during 2013 (accounting for 12% of total deals compared to 7% in 2012).

By amount invested (US$m) (2013)
- The revenue-generation stage continues to attract the highest percentage of VC investment across all markets. The share of investment at the revenue-generation stage was higher than 70% in most markets. The percentage increased to more than 80% for both China and Israel in 2013.
- India saw revenue-generation stage investment decline to 63% of total investment in 2013, down from 82% in 2012. However, investment made at the profitable stage during the year was at 33%, which was significantly higher than 14% in 2013. This indicates that investors continue to be cautious and prefer investing in companies operating at the later stages of their business cycles.

Source: Dow Jones VentureSource

VC investment by stage of development
VC investors cautious; continue to make large investments at the revenue-generation stage

By number of rounds (2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Start-up</th>
<th>Product development</th>
<th>Revenue generation</th>
<th>Profitable</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>3%</td>
<td>23%</td>
<td>70%</td>
<td>4%</td>
</tr>
<tr>
<td>Europe</td>
<td>3%</td>
<td>20%</td>
<td>72%</td>
<td>5%</td>
</tr>
<tr>
<td>China</td>
<td>3%</td>
<td>12%</td>
<td>78%</td>
<td>7%</td>
</tr>
<tr>
<td>Canada</td>
<td>3%</td>
<td>20%</td>
<td>72%</td>
<td>6%</td>
</tr>
<tr>
<td>Israel (all site)</td>
<td>2%</td>
<td>24%</td>
<td>70%</td>
<td>3%</td>
</tr>
<tr>
<td>India</td>
<td>9%</td>
<td>85%</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>

By amount invested (US$m) (2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Start-up</th>
<th>Product development</th>
<th>Revenue generation</th>
<th>Profitable</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>1%</td>
<td>19%</td>
<td>75%</td>
<td>6%</td>
</tr>
<tr>
<td>Europe</td>
<td>0%</td>
<td>20%</td>
<td>73%</td>
<td>6%</td>
</tr>
<tr>
<td>China</td>
<td>0%</td>
<td>5%</td>
<td>81%</td>
<td>14%</td>
</tr>
<tr>
<td>Canada</td>
<td>1%</td>
<td>12%</td>
<td>78%</td>
<td>9%</td>
</tr>
<tr>
<td>Israel (all site)</td>
<td>2%</td>
<td>12%</td>
<td>85%</td>
<td>3%</td>
</tr>
<tr>
<td>India</td>
<td>0%</td>
<td>4%</td>
<td>63%</td>
<td>3%</td>
</tr>
</tbody>
</table>

VC investment by stage of development
VC investors cautious; continue to make large investments at the revenue-generation stage

By number of rounds:
- Companies at the revenue-generation stage continued to lead in terms of number of rounds, indicating the preference of VC investors across all markets for these partially de-risked companies.
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By amount invested:
- The revenue-generation stage continues to attract the highest percentage of VC investment across all markets. The share of investment at the revenue-generation stage was higher than 70% in most markets. The percentage increased to more than 80% for both China and Israel in 2013.
- India saw revenue-generation stage investment decline to 63% of total investment in 2013, down from 82% in 2012. However, investment made at the profitable stage during the year was at 33%, which was significantly higher than 14% in 2013. This indicates that investors continue to be cautious and prefer investing in companies operating at the later stages of their business cycles.
Investors in China focus on later-stage investments, versus the US, where investors focus on a strategy that is more balanced throughout the life-cycle of the company.

Median size by round class:
- Second and later-stage rounds continue to see high median deal sizes across all geographies, with China recording the highest median value in both the round classes. The median amount invested in China, however, declined from US$15.3 million in 2012 to US$10.0 million in 2013 at the second round stage, but remained at the same level (US$20.0 million) at the later stage during this period.
- Across the all markets, median deal values at the seed and first round stages fell or saw no change, compared to 2012. This indicates that investors continue to take a measured approach to earlier stage investing.

Median size by stage of development:
- The profitable stage recorded the highest median deal size across geographies, indicating a willingness to invest larger amounts in companies at the later stages of business development.
- At US$45.8 million, India recorded an all-time-high median value at the profitable stage in 2013 – the highest value ever seen in any market across all of the development stages since 2007.
- While median values across the different stages remained more or less in line with 2012 levels in most markets, China saw a significant drop in its deal size at the profitable stage, with its median value falling from US$30 million in 2012 to US$10 million in 2013.

Source: Dow Jones VentureSource
Activity remained low at the start-up stage across all markets. In 2013, while median round size remained insignificant for most markets, only two markets – the US and Europe – recorded considerable median sizes, although lower than 2012 levels.

In 2013, median rounds in Canada (US$1.1 million) and China (US$2.0 million) have continued their decline since 2011 (when median values were US$5.7 million and US$4.0 million, respectively). Israel recorded the highest median value during 2013.

During 2013, the median round sizes were nearly the same as seen in 2012 for most markets. The values were, however, below the levels seen in 2011.

The median round sizes in developing markets India and China, along with Israel, were much higher than the values recorded in US and European markets in 2013. For 2013, India recorded a particularly high median round.
Median VC pre-money valuations by industry

US companies recorded the highest valuations in most sectors, except for the consumer services and IT sectors in 2013.

In 2013, median pre-money valuations were the highest in the US in the health care sector (US$30 million), in China in the business and financial services sector (US$16 million) and in Europe in the consumer goods sector (US$8 million).

In the US, except for health care and consumer goods, the median valuations in 2013 declined across sectors, when compared to 2012. The largest decline (US$34 million to US$6 million) was in the industrial goods and materials sector for the same period.

For 2013, valuations of Chinese companies remained considerably below historical levels, across all sectors, as reflected by the lowest median pre-money valuations recorded in 2013 since 2007.

For Europe, 2013 median valuations were in line with values recorded in 2012 in almost all industry sectors.

Source: Dow Jones VentureSource
Section 1.2: Global VC initial equity rounds of financing
Analysis by stage of development and round class
Initial equity rounds of financing by stage of development
In 2013, activity in the US was below historical levels, in terms of both value and volume

**Start-up (by number of rounds)**
In 2013, the number of initial equity rounds of financing for the US and Europe – two of the most popular hotbeds for early stage investing – were at their lowest since 2007, perhaps reflecting a VC focus on exiting existing portfolio companies.

**Start-up (by amount invested in US$m)**
During 2013, despite a 54% fall in the number of initial rounds when compared to 2012, the average deal size in the US doubled to US$2.5 million versus US$1.2 million in 2012. In the US, the average deal size in 2013 was the second highest since 2007.

**Product development (by number of rounds)**
Except for the US and India, the number of initial rounds in 2013 increased across markets compared to 2012. In fact, four markets – Europe, Canada, China and Israel – reported the highest number of rounds at this stage since 2011.

**Product development (by amount invested in US$m)**
Average deal sizes in Europe and India increased 2x and 5x, respectively, in 2013 compared to 2012. The average size declined by 25% and 55% in Canada and China, respectively; however, it was nearly the same for the US and Israel.

Source: Dow Jones VentureSource
Initial equity rounds of financing by stage of development
Activity remained softer in most markets in 2013 compared to 2012 levels

### Revenue generation (by number of rounds)

The historical trend for the revenue generation stage recorded the highest number of initial rounds for the development stages in 2013. The US continues to lead, followed by Europe, although volume in both markets fell in 2013 over 2012.

### Profitable (by number of rounds)

In 2013, the number of initial rounds nearly doubled in China, compared to 2012. The Chinese market has recorded the highest number of initial rounds from 2007-2010 for all geographies; however, that trend has been declining since 2011.

### Revenue generation (by amount invested in US$m)

Activity remained soft across markets in 2013 compared to 2012, except for Europe and Israel. Although China reported the largest decline (63% drop) in 2013, the average deal size was still the highest for China (US$4.1 million), across markets.

### Profitable (by amount invested in US$m)

The activity continued to decline further in 2013 in the three major VC markets – the US, Europe and China. The year 2013 marked China’s return to the top position since 2011, when the US took over the lead in terms of amount invested.

Source: Dow Jones VentureSource
Initial equity rounds of financing by round class

Despite slow activity in the US, the average deal size in the region primarily remained in line with 2012 levels.

**Seed round (by number of rounds)**

After seeing an increase for the past three years in the number of initial rounds invested, the US and Europe dropped in 2013. However, the volumes still remain significantly higher than 2010 levels.

**Seed round (by amount invested in US$m)**

The average deal sizes for US (US$0.6 million) and Europe (US$0.4 million) largely remained unchanged in 2013 when compared to 2012, despite a fall in number of rounds.

**First round (by number of rounds)**

The first round continued to dominate, with the highest number of initial financing rounds recorded across geographies.

**First round (by amount invested in US$m)**

In 2013, the average deal sizes for most VC markets were more or less in line with 2012 levels. However, average value in Canada and China declined by 36% and 51%, respectively, during the same period.

Source: Dow Jones VentureSource
Average deal sizes in 2013, recorded a steep decline from 2012 in Canada (from US$27.2 million to US$2.3 million), China (from US$30.4 million to US$21.3 million) and India (from US$19.0 million to US$6.6 million).

During 2013, the number of initial rounds declined or remained the same across markets, compared to 2012, except Canada (the volume increased from 4 to 7 during the same period).

In 2013, the number of initial financings recorded in the second round increased for the US and Europe compared to 2012, although the activity remained significantly lower than that seen for other round classes.

Since 2011, the amount invested in the US continued its upward trajectory to reach US$42 million in 2013. However, VC activity in Europe saw a consistent decline in terms of amount invested in Europe, during the same period.
Section 1.3: Global VC fundraising activity
Analysis by geography
VC fundraising activity
Early-stage fundraising activity remained strong in the US in 2013

In 2013, 153 early-stage funds in the US raised US$9.4 billion, the highest total since 2009, both in terms of value and volume. This suggests, US investors will be able to make more investments in early-stage companies in 2014 and beyond. The fundraising activity for late and multistage focused funds was lower compared to last year.

In Europe, while VC fundraising activity at early stage softened in 2013, both in terms of value and volume, there was stability in the other two stages compared to 2012.

For the Asia-Pacific region, fundraising activity continued its downward trajectory begun in 2011 for early-stage and multistage categories, and there was no late-stage activity in 2013. Compared to 2012, the average fund size at early-stage dropped by almost 50% to US$33 million in 2013, and for multistage the average size saw a 31% increase to reach US$104 million.

Source: Dow Jones VentureSource
Section 2: Angel and incubator participation trends
Analysis by geography and stage of development
Section 2: Angel and incubator participation trends

Summary

Participation of angel investors and incubators continues to increase globally

► While historically the percentage of angel/incubator participation has been the highest in the US (12% in 2013), the trend is quickly catching up in other markets. For the last two years, the percentage of angel/incubator participation has been the highest in Canada (20%), followed by India (17%).

► However, Israel and China are two countries that have the lowest angel/incubator participation in overall VC investment.

One in every four start-up stage VC rounds in the US and Europe in 2013 was by an angel investor or incubator

► In the US and Europe, the start-up stage of VC rounds saw maximum participation by an angel investor or incubator in 2013, with a significant increase in the angel/incubator participation rate at the start-up stage to 25% and 27% from 15% and 9% in 2010, for US and Europe, respectively. However, the percentage share at subsequent stages of development was far lower for these regions.

► The highest angel/incubator participation in Canada in 2013 was at the product development stage (34%) and not at start-up stage, unlike other geographies.

► In China, at the revenue generation stage, there was a significant increase in angel/incubator participation (9 out of 244 rounds in 2013 as compared to just 4 out of 213 rounds in 2012).

► In Israel and India, the only two development stages that are attracting some interest from angel investors and incubators are product development and revenue generation, with no angel/incubator participation in the regions for start-up stage since 2010.
Angel/incubator participation trends
Participation of angel investors and incubators continues to increase globally

► Historically, the percentage of angel/incubator participation has been the highest in the US (12% in 2013). However, the trend is quickly catching up in other markets, reflected by their increasing percentage share of angel/incubator participation in 2013 over 2012.

► Over the last two years, the percentage of angel/incubator participation has been the highest in Canada (20% in 2013), followed by India (17% in 2013). However, Israel and China are two countries with the lowest angel/incubator participation in overall VC investment.

Source: Dow Jones VentureSource
In 2013, around 25% of VC rounds in the US and Europe at start-up stage were by an angel or incubator; however, the percentage share was far lower at all other subsequent stages of development.

In the US, the angel/incubator participation at the start-up stage has increased significantly from 15% in 2010 to 25% in 2013. In Europe, too, the uptrend since 2010 continued through 2013, with angel/incubator participation growing from 9% in 2010 to 27% in 2013.
Angel/incubator participation by stage of development

Canadian companies continue to attract significant angel/incubator interest

- Unlike other geographies, the highest angel/incubator participation in Canada in 2013 was at product development stage and not at start-up stage. Overall, the country recorded the highest angel/incubator participation among the other geographies for the last two years.

- In China, only six out of 85 start-up stage rounds since 2007 involved angel investors or incubators. At the revenue generation stage, there was a significant increase in angel/incubator participation (9 out of 244 rounds in 2013 as compared to just 4 out of 213 rounds in 2012).

Source: Dow Jones VentureSource
In Israel and India, product development and revenue generation are the only two development stages that are attracting some interest from angel investors and incubators.

In Israel, there was a significant improvement in 2013, when angels/incubators participated in 5 out of 123 rounds, across development stages, compared to just 1 out of 94 rounds in 2012.
Section 3: Global VC exit landscape – through IPOs and M&As
Analysis by median amount raised, median time from initial financing to exit and exit ratio quartile
Section 3: Global VC investment activity

Summary

US and Chinese markets remain popular with VC investors looking to exit through IPO route
► The US and China continue to be the most active markets for venture-backed IPOs in 2013, although the amount raised through IPO exits fell significantly in both the markets.
► In the US, despite nearly a 50% increase in volume, the amount raised fell by 27% in 2013 over 2012. For China, the IPO exit volumes dropped to levels last seen in 2008, primarily due to a year-long IPO ban in the country.
► In the US, the median amount raised prior to IPO in 2013 was a substantial $100.9 million.
► While in the US, time to IPO exit in 2013 marginally came down compared to 2012, for Chinese companies median time to IPO exit went up significantly from 2.4 to 3.9 years.
► Chinese VC-backed companies surpassed US companies in terms of median pre-IPO valuations in 2013.
► IPO exit ratios have continued to fall further in the US and China since 2011. Among the US, Europe and China, Europe was the exception, where 50th and 75th percentile exit ratios went up in 2013 compared to 2012, primarily due to higher valuations in Europe for VC-backed IPOs in 2013.

M&A exit ratios in 2013 improved across the US, Europe and Israel on the back of improved valuations and early exits
► Global economic uncertainty continued to impact M&A exits as reflected by declining numbers across markets, except for China.
► Among the US, Europe and Israel, the US saw the lowest exit ratio quartiles in 2013. For Israel, the third quartile exit ratio was 48.3, the highest in recent years.
► Except for the US, the median pre-money valuations were significantly higher than year-ago levels across markets. During 2013, the median valuations achieved recent high levels in Europe, China, Israel and India, indicating VC investment outlook largely remains positive in these markets.
► The median amount raised prior to M&A and median time to M&A exit declined in 2013 compared to 2012 for most VC markets - the exceptions being China and Canada.
Global VC-backed IPOs
The US and Chinese markets remain popular with VC investors looking to exit via IPO

Amount raised through IPO exits (US$b). Proceeds only include new shareholders.

US and China continue to be the most active markets for VC-backed IPOs in 2013, although the amount raised through IPO exits fell significantly in both geographies. Notably, for the US, the average listing size also decreased from US$224 million in 2012 to US$111 million in 2013. Biopharmaceuticals and the consumer information services sector, respectively, drove the IPO activity in the US and China, in terms of both value and volume.

Encouraging economic conditions supported a sudden increase in the number of venture-backed IPOs in the US. For China, however, the IPO exit volumes dropped to levels last seen in 2008, primarily due to the year-long IPO domestic exchange ban in the country.

Source: Dow Jones VentureSource

Note: Chart scales vary for the purpose of clarity.
Global VC-backed IPOs
In China, IPO exits declined in 2013 while pre-IPO valuations and amount raised pre-IPO went up

- In the US, the median amount raised prior to IPO in 2013 was a substantial $100.9 million. Among the US, European and Chinese companies, the US companies continued to raise the highest amounts of VC funding before exiting via the capital markets.
- With the Chinese stock exchanges closed for new IPOs for most of the year, the median time from initial VC financing to IPO exit increased to close to 4 years in 2013 from 2.4 years in 2012. In the US, time to IPO exit in 2013 decreased marginally compared to 2012.
- In terms of median pre-IPO valuations, Chinese VC-backed companies surpassed US companies, recording a median pre-IPO valuation of around US$400 million in 2013. The US continued the downtrend from 2012, while there was a trend reversal in both China and Europe.

Source: Dow Jones VentureSource
Global VC-backed IPOs
IPO exit ratios continue to fall further since 2011 levels in the US and China

► In the US, IPO exit ratios continued to fall further since 2011 levels in 2013, primarily due to a considerable drop in the amount of IPO valuation but significant increase in amount raised pre-IPO.

► China reported a similar situation as the US in 2013. Exit ratios in China hit a new low, with exit quartiles recording a steady decline since 2011

► Among the US, Europe and China, Europe was the exception, where 50th and 75th percentile exit ratios went up in 2013 compared to 2012. This was in line with higher valuations in Europe for VC-backed IPOs in 2013. Total amount raised through VC-backed IPOs in Europe was US$643 million, up from US$494 million in 2012.

Source: Dow Jones VentureSource
Global VC-backed M&As
M&A median pre-money valuations were the highest since 2007, for most VC markets

Except for the US, the median pre-money valuations were significantly higher than year-ago levels across markets in 2013. During 2013, the median valuations achieved recent high levels in Europe, China, Israel and India, indicating that the VC investing outlook largely remains positive in these markets.

Number of M&A exits

Global economic uncertainty continues to impact M&A exits, reflected by declining numbers across all markets, except for China. The number of exits increased from 11 in 2012 to 20 in 2013 in China.

Source: Dow Jones VentureSource

Note: Chart scales vary for the purpose of clarity.
Global VC-backed M&As
Median amount raised prior to M&A and median time to M&A exit declined in 2013 compared to 2012

Historically, the median amount raised prior to M&A has been the highest in the US, followed by Israel. In the US, Europe, Israel and India, the median values have declined compared to 2012.

Since 2010, the median time from initial VC financing to exit continued to be the highest for Israeli companies. However, median time in Israel came down in 2013 compared to 2012 levels, in line with all other geographies other than Europe.

Source: Dow Jones VentureSource

Note: Chart scales vary for the purpose of clarity.
Global VC-backed M&As
M&A exit ratios in 2013 improved across the US, Europe and Israel on the back of improved valuations and early exits

► Looking at the last three years of data for median M&A exit ratios, VC-backed companies in the US had been valued about 3.5 times on the funds raised prior to executing their M&A. In 2013, the median exit ratio was just slightly up from 2012.

► Among the US, Europe and Israel, the US saw the lowest exit ratio quartiles in 2013.

► Historically, Israel has recorded higher exit ratios than those in the US and Europe. In 2013, the third quartile exit ratio was as high as 48.3, the highest in recent years.

Source: Dow Jones VentureSource
Section 4: Top 10 VC investors in last 365 days
Analysis by amount invested and number of investments
## Top 10 VC investors

By amount of investment in last 365 days through 13 February 2014

<table>
<thead>
<tr>
<th>Investor</th>
<th>Number of investment rounds</th>
<th>Amount invested (US$m)</th>
<th>Acquired/merged companies (as a percentage of total)</th>
<th>Publicly held companies (as a percentage of total)</th>
<th>Year founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kleiner Perkins Caufield &amp; Byers</td>
<td>71</td>
<td>1,920</td>
<td>25%</td>
<td>25%</td>
<td>1972</td>
</tr>
<tr>
<td>Accel Partners</td>
<td>73</td>
<td>1,671</td>
<td>35%</td>
<td>14%</td>
<td>1983</td>
</tr>
<tr>
<td>Andreessen Horowitz</td>
<td>81</td>
<td>1,660</td>
<td>8%</td>
<td>3%</td>
<td>2008</td>
</tr>
<tr>
<td>Sequoia Capital</td>
<td>89</td>
<td>1,539</td>
<td>27%</td>
<td>19%</td>
<td>1972</td>
</tr>
<tr>
<td>Bessemer Venture Partners</td>
<td>53</td>
<td>1,440</td>
<td>37%</td>
<td>17%</td>
<td>1971</td>
</tr>
<tr>
<td>New Enterprise Associates</td>
<td>72</td>
<td>1,386</td>
<td>32%</td>
<td>19%</td>
<td>1978</td>
</tr>
<tr>
<td>Index Ventures</td>
<td>62</td>
<td>1,322</td>
<td>25%</td>
<td>6%</td>
<td>1992</td>
</tr>
<tr>
<td>Greylock Partners</td>
<td>51</td>
<td>1,269</td>
<td>39%</td>
<td>23%</td>
<td>1965</td>
</tr>
<tr>
<td>Google Ventures</td>
<td>80</td>
<td>1,160</td>
<td>9%</td>
<td>2%</td>
<td>2009</td>
</tr>
<tr>
<td>Institutional Venture Partners</td>
<td>21</td>
<td>1,110</td>
<td>38%</td>
<td>26%</td>
<td>1980</td>
</tr>
</tbody>
</table>

Notes:

1. **Sector focus**: software for all investors except for Index Ventures, for which it is consumer information services
2. **Round class focus**: first round for all investors except for Institutional Venture Partners, for which it is second round

Source: Dow Jones VentureSource
# Top 10 VC investors
## By number of investments in last 365 days through 13 February 2014

<table>
<thead>
<tr>
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<th>Year founded</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 Startups LP</td>
<td>133</td>
<td>206</td>
<td>9%</td>
<td>0%</td>
<td>2010</td>
</tr>
<tr>
<td>Sequoia Capital</td>
<td>89</td>
<td>1,539</td>
<td>27%</td>
<td>19%</td>
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<td>25%</td>
<td>1972</td>
</tr>
<tr>
<td>Intel Capital</td>
<td>69</td>
<td>937</td>
<td>35%</td>
<td>10%</td>
<td>1991</td>
</tr>
<tr>
<td>Index Ventures</td>
<td>62</td>
<td>1,322</td>
<td>25%</td>
<td>6%</td>
<td>1992</td>
</tr>
<tr>
<td>First Round Capital</td>
<td>59</td>
<td>635</td>
<td>23%</td>
<td>0.5%</td>
<td>2004</td>
</tr>
</tbody>
</table>

Notes:

(1) **Sector focus**: software segment for all investors except for 500 Startups LP, Index Ventures and First Round Capital, for which it is consumer information services

(2) **Round class focus**: first round for all investors except for Intel Capital, for which it is second round

Source: Dow Jones VentureSource
Definitions

**Incubators:**
Incubators are organizations, public or private, that support the entrepreneurial process and in general try to increase the survival rate for innovative start-up companies. The primary purpose of the incubator is to invest in privately held companies.

**Angel Investors:**
An angel group is defined as a group of accredited investors that make investment decisions based on the consensus of the membership.

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