

Venture Capital Deal and Exit Activity Suffers Drop-Off in Q3

Quarterly aggregate deal value drops from \$42bn in Q2 2016 to \$26bn in Q3, while the combined exit value also declines by \$15bn

Preqin's Q3 update on the venture capital industry finds that deal activity suffered its slowest quarter since Q4 2011, while the aggregate exit value was well down on levels seen in the past three quarters. Globally, 2,050 venture capital deals were announced worth a combined \$26bn, the lowest number of deals and aggregate deal value seen so far in 2016. Q1 and Q2 saw 2,607 and 2,335 deals with aggregate transaction values of \$39bn and \$42bn respectively, as fund managers sought to deploy the increasing levels of dry powder at their disposal. Although Preqin expects Q3 figures to rise by 5-10% as more information becomes available, the level of activity in the quarter looks set to fall considerably short of these totals.

The exit environment has also proved difficult for venture capital fund managers to navigate in Q3, with firms making 225 exits for a combined value of \$12bn. This represents less than half the total value seen the previous quarter, when 273 venture capital-backed exits generated \$27bn. Quarterly exit activity is comparable with the levels seen in Q3 2015, when 259 venture-capital backed exits were recorded worth a combined \$11bn. However, including this, in the past five years only four quarters have seen lower aggregate exit values than Q3 2016.

Other Key Venture Capital Deals and Exits Facts:

- **Deals by Region:** With global deal value falling sharply, it is unsurprising that **all regions saw declines in deal flow in Q3**. North America saw the greatest level of activity, with 784 deals worth a combined \$13bn, while Greater China recorded 476 deals, worth an aggregate \$7bn.
- **Deal by Industry:** **Internet-related deals attracted the greatest level of capital through Q3**, representing 23% of total deal value. The telecoms industry was the second most prominent industry through the quarter, representing 17% of aggregate value.
- **Investment Stages:** **A third (33%) of VC deals were made at the angel or seed stage in Q3**, with an average value of \$1.8mn, 18% higher than the average seen in 2015. A further 28% of deals were made at the series A stage, with the average value of these deals rising by 10% compared to last year.
- **Exit Types:** Trade sales generated the majority of both the number of exits (76%) and total exit value in Q3 (78%); 172 exits of this type were made for an aggregate \$9bn. **There were just 22 venture-capital backed IPOs in the quarter, worth an aggregate \$1.6bn.**
- **Exits by Region:** North America saw by far the most active exit environment through Q3, with 134 exits made for a combined \$10bn, 84% of the aggregate global exit value. **Europe accounted for a fifth of the number of exits made through Q3, despite seeing a total exit value of just \$0.9bn.**
- **Largest Deal and Exit:** Uber Technologies, Inc. represented the largest deal announced in Q3, with a \$1bn financing from Didi Chuxing. **The largest venture capital-backed exit in the quarter was the \$3.3bn sale of Jet.com to Walmart.**

To access further information and analysis, please see the factsheet that follows:

Comment:

"The venture capital industry has experienced a period of rapid growth in global deal flow through the past few years, and 2016 remains on track to be a record-breaking year. As such, one relatively quiet quarter of deal activity will not be overly concerning for industry participants, with investors maintaining their appetite for venture capital and fund managers looking to capitalize on the rapidly developing Asian market.

However, deal valuations and the exit environment remain long-standing concerns in the venture capital space. The influx of capital into the asset class has seen competition in the deal-side landscape intensify, so fund managers are having to work harder than ever to find attractive investment opportunities and make their exits. As the year comes to a close, participants will be hoping that activity rebounds to rival the levels of activity seen in the latter stages of 2015."

Felice Egidio – Head of Venture Capital Products, Preqin

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

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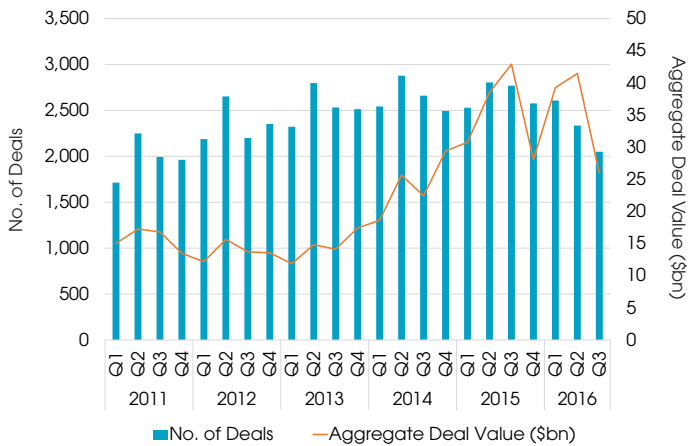
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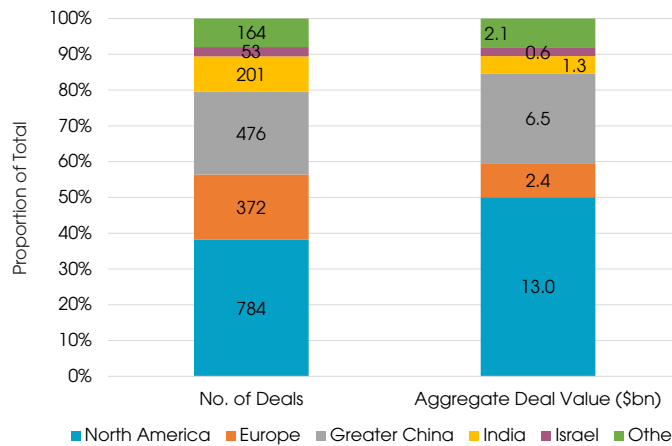


Fig. 1: Global Quarterly Venture Capital Deals*, Q1 2011 - Q3 2016



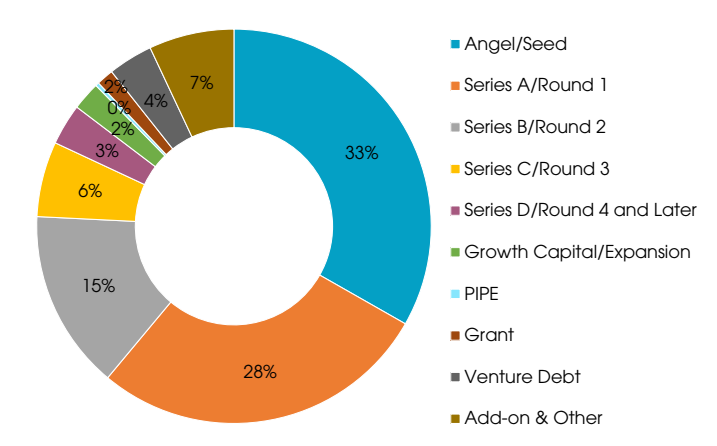
Source: Preqin Private Equity Online

Fig. 2: Venture Capital Deals* in Q3 2016 by Region



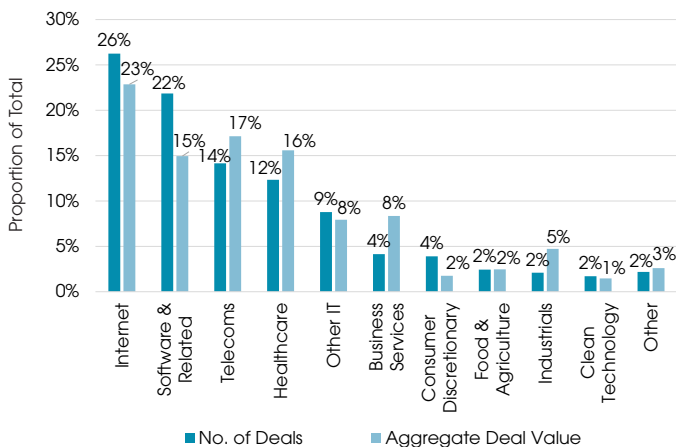
Source: Preqin Private Equity Online

Fig. 3: Number of Venture Capital Deals* in Q3 2016 by Investment Stage



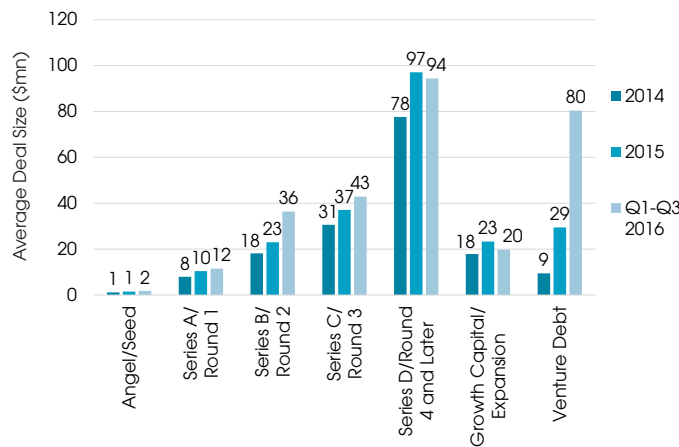
Source: Preqin Private Equity Online

Fig. 4: Venture Capital Deals* in Q3 2016 by Industry



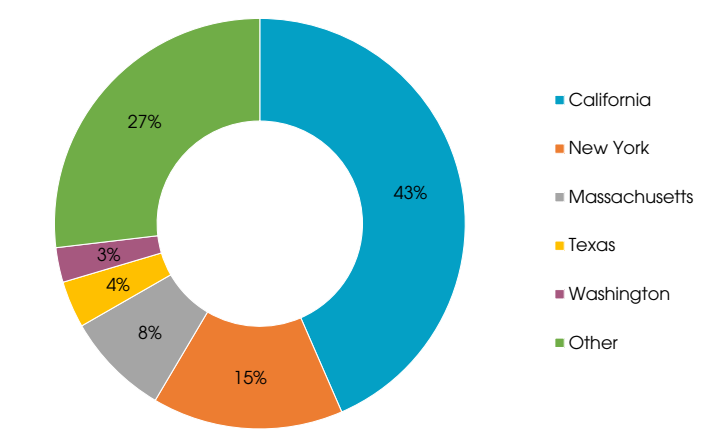
Source: Preqin Private Equity Online

Fig. 5: Average Value of Venture Capital Deals*, 2014 - Q1-Q3 2016



Source: Preqin Private Equity Online

Fig. 6: Number of US Venture Capital Deals* in Q3 2016 by State



Source: Preqin Private Equity Online

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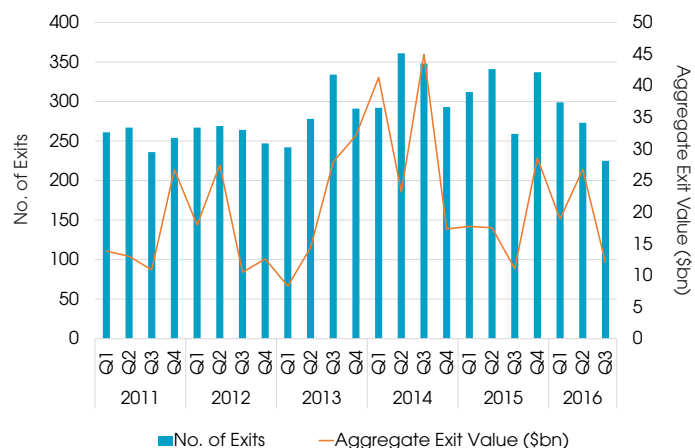
Fig. 7: 10 Largest Venture Capital Deals* Announced Globally in Q3 2016

| Portfolio Company | Deal Date | Investment Stage | Deal Size (mn) | Investor(s) | Industry | Location |
|--|-----------|-------------------|----------------|--|--------------------|-----------|
| Uber Technologies, Inc. | 01-Aug-16 | Unspecified Round | 1,000 USD | Didi Chuxing | Telecoms | US |
| Hangzhou BEST Logistics Technology Co., Ltd. | 08-Sep-16 | Unspecified Round | 760 USD | BOCI Private Equity, Cainiao, CDH Investments, CDIB Capital, China Development Bank Capital, China Huarong Asset Management, CITIC Private Equity Funds Management, Everbright Financial Holding Asset Management, Fosun International, Goldman Sachs, International Finance Corporation, Liyue Investment, Softbank China Venture Capital | Logistics | China |
| Grab | 20-Sep-16 | Series F/Round 6 | 750 USD | Softbank | Telecoms | Singapore |
| Airbnb | 22-Sep-16 | Series F/Round 6 | 555 USD | Google Capital, Technology Crossover Ventures | Internet | US |
| Go-Jek | 04-Aug-16 | Unspecified Round | 550 USD | Capital International, DST Global, Farallon Capital Management, Formation Group, KKR, Northstar Group, Rakuten Ventures, Sequoia Capital, Warburg Pincus | Business Services | Indonesia |
| Moderna Therapeutics | 07-Sep-16 | Unspecified Round | 474 USD | - | Pharmaceuticals | US |
| Qufenqi.com | 08-Jul-16 | Pre-IPO | 3,000 CNY | Beijing Digital Grid Technology Co., Ltd, Fenghuang Xiangrui Fund | Internet | China |
| RocketSpace Inc. | 03-Aug-16 | Series B/Round 2 | 336 USD | HNA Group | Financial Services | US |
| En Niu | 20-Sep-16 | Series C/Round 3 | 310 USD | Angel Plus, Guosen Hongsheng, HG Capital, Shenzhen Qianhe Capital, Tiantu Capital, Xinhu Zhongbao | Telecoms | China |
| Deliveroo | 05-Aug-16 | Series E/Round 5 | 275 USD | Bridgepoint, DST Global, General Catalyst Partners, Greenoaks Capital | Internet | UK |

*Figures exclude add-ons, grants, mergers, venture debt & secondary stock purchases

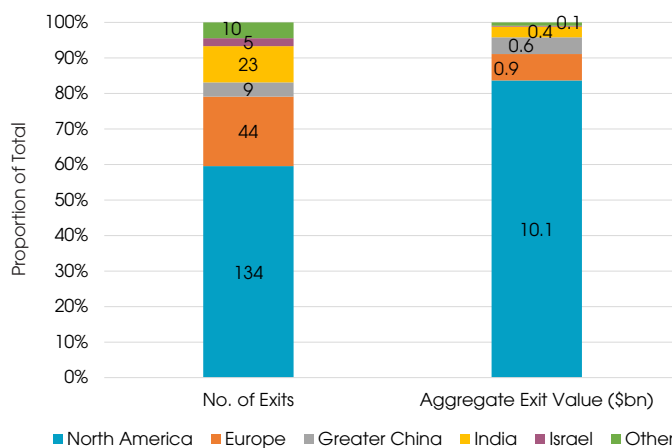
Source: Preqin Private Equity Online

Fig. 8: Venture Capital-Backed Exits, Q1 2011 - Q3 2016



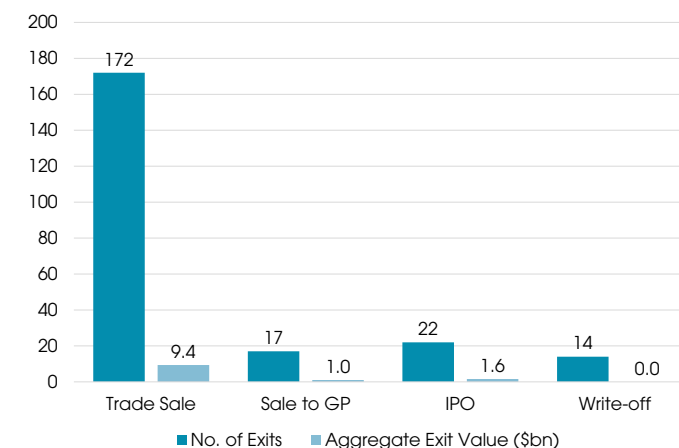
Source: Preqin Private Equity Online

Fig. 9: Venture Capital-Backed Exits in Q3 2016 by Region



Source: Preqin Private Equity Online

Fig. 10: Venture Capital-Backed Exits in Q3 2016 by Exit Type



Source: Preqin Private Equity Online

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Fig. 11: 10 Largest Venture Capital-Backed Exits Announced Globally in Q3 2016

| Portfolio Company | Date of First Investment | Investor(s) | Total Known Funding (mn) | Exit Type | Exit Date | Acquiror (Exit) | Exit Value (mn) | Industry | Location |
|------------------------------|--------------------------|---|--------------------------|------------|-----------|---|-----------------|-----------------|-------------|
| Jet.com | 29-Jul-14 | Accel Partners, Alibaba Group, Bain Capital Ventures, Coatue Management, Fidelity Investments, General Catalyst Partners, Goldman Sachs, GV, MentorTech Ventures, New Enterprise Associates, Norwest Venture Partners, Silicon Valley Bank, Temasek Holdings, Thrive Capital, Western Technology Investment | 570 USD | Trade Sale | 08-Aug-16 | Wal-Mart | 3,300 USD | Internet | US |
| Dollar Shave Club | 06-Mar-12 | Andreessen Horowitz, Battery Ventures, Comcast Ventures, Dragoneer Investment Group, Felicis Ventures, Forerunner Ventures, Kleiner Perkins Caufield & Byers, Pritzker Group Venture Capital, Shasta Ventures, Technology Crossover Ventures, Venrock, White Star Capital | 148 USD | Trade Sale | 19-Jul-16 | Unilever | 1,000 USD | Internet | US |
| Sagent Pharmaceuticals | 26-Sep-07 | Vivo Capital, Zhejiang Hisun Pharmaceutical Co. Ltd. | 153 USD | Trade Sale | 11-Jul-16 | Nichi-iko Pharmaceutical Co Ltd | 736 USD | Pharmaceuticals | US |
| Apigee Corporation | 01-May-05 | Accenture, Bay Partners, BlackRock, BlackRock Capital Partners, Focus Ventures, In-Q-Tel, Juniper Ventures, Norwest Venture Partners, Pine River Capital Management, Sapphire Ventures, Third Point Ventures, Wellington Management | 195 USD | Trade Sale | 08-Sep-16 | Google Inc. | 625 USD | IT | US |
| Quip | 30-Jul-13 | Benchmark Capital, Greylock Partners | 45 USD | Trade Sale | 01-Aug-16 | Salesforce.com | 582 USD | Software | US |
| Analogix Semiconductor, Inc. | 30-Jun-05 | DCM, Globespan Capital Partners, IDG Capital Partners, Japan Asia Investment Company, Keytone Ventures, Woodside Fund | 39 USD | Sale to GP | 22-Sep-16 | Beijing Shanhai Capital Management, China Integrated Circuit Industry Investment Fund | 500 USD | Semiconductors | US |
| Nervana Systems | 17-Apr-14 | Allen & Company, AME Cloud Ventures, CME Group Inc., Data Collective, Draper Fisher Jurvetson, Fuel Capital, Lux Capital Management, Omidyar Network, SV Angel | 24 USD | Trade Sale | 09-Aug-16 | Intel Corporation | 408 USD | Hardware | US |
| Takeaway.com BV | 09-Jan-12 | Macquarie Capital, Prime Ventures | 118 USD | IPO | 30-Sep-16 | | 328 EUR | Internet | Netherlands |
| Sequenom | 14-Jan-98 | AlpInvest Partners, Global Life Science Ventures, Lombard Odier Darier Hentsch, Merifin Capital, OMTI, Silicon Valley Bank, SR One, STAR Ventures, TVM Capital | 231 USD | Trade Sale | 27-Jul-16 | Laboratory Corporation Of America | 302 USD | Biotechnology | US |
| Mtime.com | 10-Oct-06 | CBC Capital, Eight Roads Ventures Asia, F&H Fund Management, Tiger Global Management, Wanda Cinema | 24 USD | Trade Sale | 28-Jul-16 | Wanda Cinema | 280 USD | Internet | China |

Source: Preqin Private Equity Online

Looking for more data and analysis?

Preqin provides information, data and research on the private equity and venture capital industry across fund performance, fundraising, fund managers, investors, deals, fund terms and more. If you have more detailed requests for private equity data or any questions, please contact us:

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