

Asia Attracts Record Venture Capital Investment in Q2 2016

All-time high aggregate deal value of \$17bn in Greater China drives continued growth in Asian venture capital industry

Preqin's latest research into the venture capital industry in Asia finds that Q2 2016 represents another record-breaking quarter, as the region saw \$19bn worth of transactions completed. It marked an increase from the total transaction value of \$17bn seen in the first quarter of the year, and is \$600mn higher than the previous high of \$18.5bn seen in Q3 2015. For the first time in Q2 2016, the amount of venture capital invested in Asia was greater than the aggregate value of deals in North America (\$17.5bn).

Greater China attracted the vast majority of venture capital investment in Asia over the quarter, as it saw \$17bn worth of financings, 87% of the aggregate deal value in the region. This represents a record quarter for the Chinese venture capital industry, up from the previous record aggregate deal value of \$14bn, which was seen in the previous quarter. The total value of VC transactions in India (\$1bn) saw a slight dip over Q2, down from the \$1.6bn seen in Q1 and well down on the record \$4.2bn seen in Q3 2015. The rest of Asia saw venture capital deals worth \$1.3bn take place over the quarter, up from the \$1.1bn seen in Q1, and approaching the record \$1.9bn seen in Q2 2015.

Other Key Asia Venture Capital Facts:

- **Biggest Deals:** The two largest venture capital deals of H1 were **financings for Didi Chuxing and Ant Financial, at \$4.5bn each**. All of the top five largest Asian venture capital deals in 2016 so far have been for Chinese companies.
- **Exit Environment:** Q2 2016 saw a slowdown in VC exit activity, with **41 exits completed for a combined \$0.7bn**, a significant downtick from Q1 when 66 exits were concluded for \$4.6bn. Overall, 107 venture capital-backed companies have been exited in H1 2016, down from 153 in the first half of 2015.
- **Biggest Exits:** Trade sales represented four of the five largest venture capital exits through the first half of 2016, but the largest exit was the **\$2.7bn March merger of YTO Express with Dayang Group**. YTO Express had received backing from Alibaba Group and YF Capital.
- **Fund Performance:** Venture capital performance in Asia has been consistently strong recently, **with median net IRRs for 2011-2013 vintage funds outperforming North America- and Europe-focused funds**. Asia-focused venture capital funds of vintage 2010-2012 have median net IRRs above 15%.
- **Fundraising Market:** Quarterly Asia-focused venture capital fundraising has seen significant variance since 2011, but recent quarters have seen consistently robust levels of capital raised. In Q1 2016, 13 funds raised \$3bn, and **in Q2 17 Asia-focused venture capital funds secured \$3.2bn** of investor capital.

To access further information and analysis, please see the **Preqin Private Equity Quarterly Update** below:
<https://www.preqin.com/docs/quarterly/pe/Preqin-Quarterly-Private-Equity-Update-Q2-2016.pdf>

Comment:

"The venture capital industry continues to go from strength to strength in Asia with the region attracting record levels of investment from fund managers, overtaking North America for the first time ever. Greater China remains the driving force behind this growth, accounting for more than four-fifths of the aggregate deal value and as such it was unsurprising that the region also registered its highest ever aggregate value of venture capital financings.

India is also developing within the venture capital industry, recording over \$1bn worth of deals for eight consecutive quarters. Meanwhile, other Southeast Asian economies such as Singapore and Indonesia are actively fostering their venture capital industries, and appetite among both investors and fund managers is growing as the start-up scene gains traction across the continent."

Felice Egidio – Head of Venture Capital Products, Preqin

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

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