

Venture Capital: The Year of the Red Unicorns

For the first time, Chinese start-ups have attracted more funding than their US counterparts

According to a Preqin/INSEAD report, China's venture capital market has seen meteoric growth recently, and in 2018, for the first time, Chinese start-ups have attracted more funding than US-based firms*: in the first half of the year, \$56bn was invested in China-based early-stage companies, leaving the US in second place with \$42bn. While the US is home to the greatest number of venture capital unicorns** – 162 out of 321 that exist globally – five of the 10 largest unicorns are based in China. This includes Ant Financial Services Group, the largest venture capital unicorn of all, currently valued at \$150bn. China-based companies also account for three of the five largest IPOs of venture capital unicorns, including the largest – Alibaba Group, which had a value of \$231bn when it held its IPO in 2014.

For more information and analysis, see the full *The Year of the Red Unicorns* report here:

<http://docs.preqin.com/reports/The-Year-of-the-Red-Unicorns-A-Preqin-and-INSEAD-Study-November-2018.pdf>

Christopher Elvin, Head of Private Equity:

“China’s emergence as a hub of innovation and entrepreneurship has been the major venture capital narrative of the past five years. Conditions in the country are well-suited to promote large technology firms – China boasts more mobile phone users than any other country, and technology like ecommerce and mobile payments are deeply embedded in the lives of many people. With several unprecedentedly large funds in market to raise capital for investment in the sector, the prospects are bright for further developments in the China-based startup market.”

Key China Venture Capital Facts:

- In H1 2018, \$56bn was invested in venture capital in China. **This saw it surpass the US industry for the first time**, as \$42bn was invested there in the same period.
- **The pace of growth has been fast.** In 2010 China-based early-stage companies secured just \$4.6bn in venture capital funding – in 2017 they secured \$64bn.
- Of the 321 venture capital-backed unicorns currently active worldwide, 98 are based in China while 162 are based in the US.
- **Five of the 10 largest venture capital unicorns are based in China**, including Ant Financial Services Group which is the largest and currently valued at \$150bn.
- Additionally, in terms of company valuation at IPO, **three of the top five IPOs of venture capital unicorns were for China-based companies.** Alibaba Group is the largest of these, with an IPO valuation of \$231bn.

**Excludes add-ons, grants, growth capital/expansion, mergers, PIPE, pre-IPO, secondary stock purchases and venture debt.*

*** Venture capital unicorns are privately held, venture capital-backed companies with valuations of USD 1bn or more.*

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