



# The State of Venture Capital in 2019

The first quarter of 2019 saw \$75 billion<sup>1</sup> invested globally into venture capital-backed startups, representing growth of 6% YoY.

Although impressive, these figures are dwarfed by what the industry has achieved over the past decade. 2018's total financing of \$254 billion<sup>2</sup> was a 46% leap on 2017's numbers, having grown since 2008 at a CAGR of 17%<sup>3</sup>.

While the overall dollar investment volume keeps climbing, the number of deals made is in decline. An escalating feedback loop is perpetuating this trend:

- 1 There are fewer companies being funded.
- 2 Startups are raising larger rounds and staying private longer.
- 3 More growth and value upside is remaining inside private markets.
- 4 Rising numbers of "mega funds" are being raised to maintain private stakes.
- 5 Earned reputation allows the best funds to raise more and access more mature deals.

The number of seed deals are falling<sup>4</sup> due to there being fewer fundable companies and larger funds focusing more on mature investments.



A quality > quantity, winner-take-all mentality has bid up valuations across all rounds.

### Global Pre-money Valuation Increases 2010-18<sup>5</sup>

Seed:	\$3 million > \$7 million (2.3x)
Series A:	\$6 million > \$20 million (3.3x)
Series B:	\$19 million > \$58 million (3.1x)

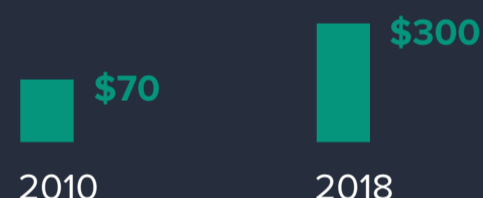
More powerful \$500+ million "mega funds" have been raised, which reinforces firms' advantages.

**36%** of unicorn investors hold

**75%** of all unicorn investments<sup>7</sup>

Staying private longer results in bigger eventual exits to investors and capital recycling effects.

### Global VC Exit Proceeds<sup>6</sup> (in \$ billions)



## Moving Forward: Issues Impacting the VC Industry

### OPPORTUNITIES



#### New Frontiers

The geographic spread of successful startups has widened. In 2019, there are 26 countries home to unicorns, an increase from 9 in 2015<sup>8</sup>.



#### Micro Funds

Europe is the only territory with fewer micro funds (11% of global funds) relative to larger ones (22%)<sup>9</sup>.



#### IPOs Cooling

70% of US IPOs have negative earnings: Dot-com bubble territory<sup>10</sup>.



#### Geopolitics

Antitrust breakups, security concerns, and higher trade barriers loom.

### THREATS