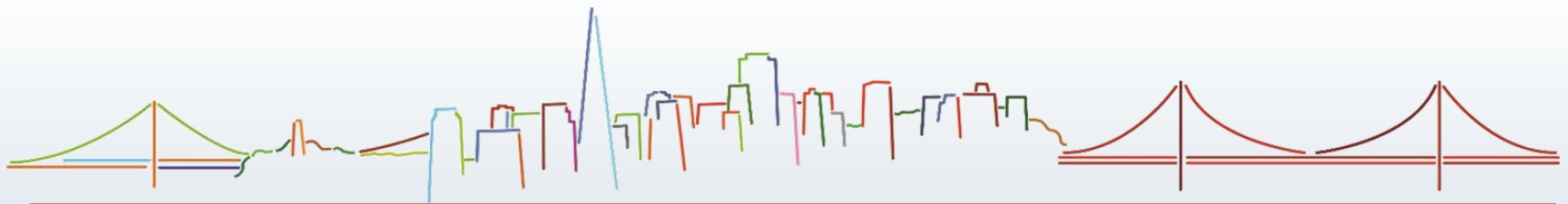

Venture Capital Research Report

Q2 2017





Executive Summary

VC market in the US

- Regional share of investment
- VC allocation by company growth stage



VC market in the SF Bay Area

- Annual VC investment in the SF Bay Area
- VC allocation by company growth stage
- Comparison of VC allocation: SF and the US
- Investment in the SF Bay Area: top cities
- Investment in the SF Bay Area: by industry



VC firm breakdown

- VC firms investing in US companies
- VC firms with HQs in the SF Bay Area
- Most active VC firms in the US
- Largest VC deals in the US

Executive Summary: The U.S.

- **VC activity across the country increased by 27.1% between Q1 2017 and Q2 2017.**
 - The number of deals decreased to 1,152 in Q2'17 (vs 1,206 in Q1'17), a decrease of 4.5%.
 - Quarterly investments progressed from \$14.5B in Q1'17 to \$18.4B in Q2'17, an increase of 27.1%.
 - VC investments increased for the third consecutive quarter even though number of deals decreased .
 - **As in Q1 2017, VC investments are still geared toward established companies.**
 - Expansion and later-stage companies accounted for 74% of total VC investments (vs 72% in Q1'17). Seed and early-stage companies account for only 17%.
 - The number of deals indicates that mature companies tended to account for fewer VC deals (33%) but with a larger amount invested (Median U.S. later-stage deal size is \$57M versus \$8M for early-stage) .
 - San Francisco continues to be the dominant region for VC funding at all stages.
 - **California captured 50% of national investments in Q2 2017 (vs 41% in Q1 2017) .**
 - California was distantly followed by New York with 14%, and Massachusetts with 8%.
-

Executive Summary: SF Bay Area

- **San Francisco Bay Area continues to be the largest recipient of VC investment in the U.S.**
 - 42% of national VC investments and 84% of California VC investments were done in the Bay Area; followed by the New York metro area (15%) and New England (8%).
 - The Bay Area also had the largest number of deals of any US region, accounting for 342 out of 1,152 total US deals.
 - **Internet remains the most prevalent industry in VC funding.**
 - Internet accounted for \$3.7Bn of VC investments, followed by Mobile & Telecommunications (\$1.3Bn) and Healthcare (\$0.99Bn).
 - **Conclusions**
 - VC investments increased for the third consecutive quarter while the number of deals decreased.
 - Mature startups continue to receive the majority of venture capital investments.
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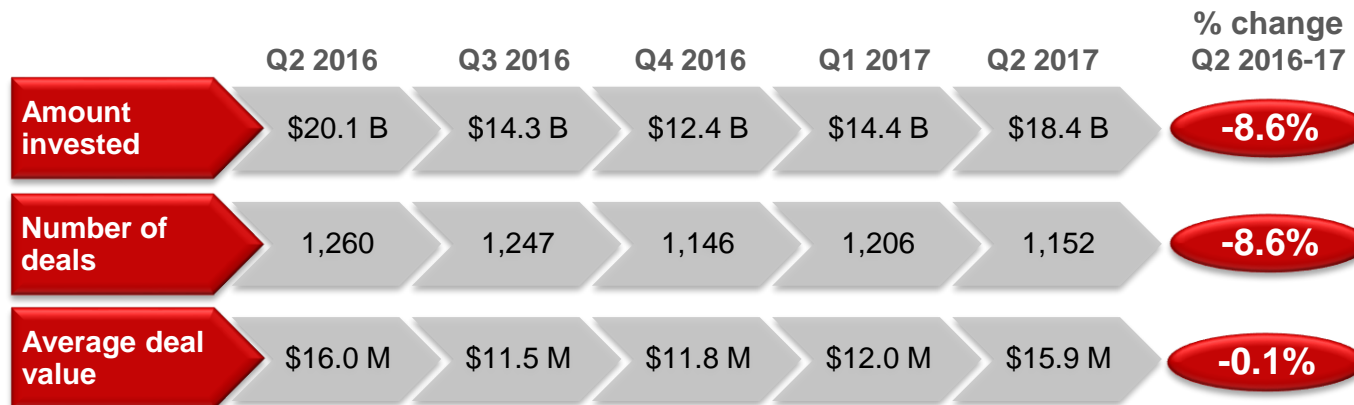


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VC market in the US

Q2 2017 saw an increase in VC activity in the US, both in the number of deals and in the amount invested. In comparison to Q1'17, average value of investments increased.

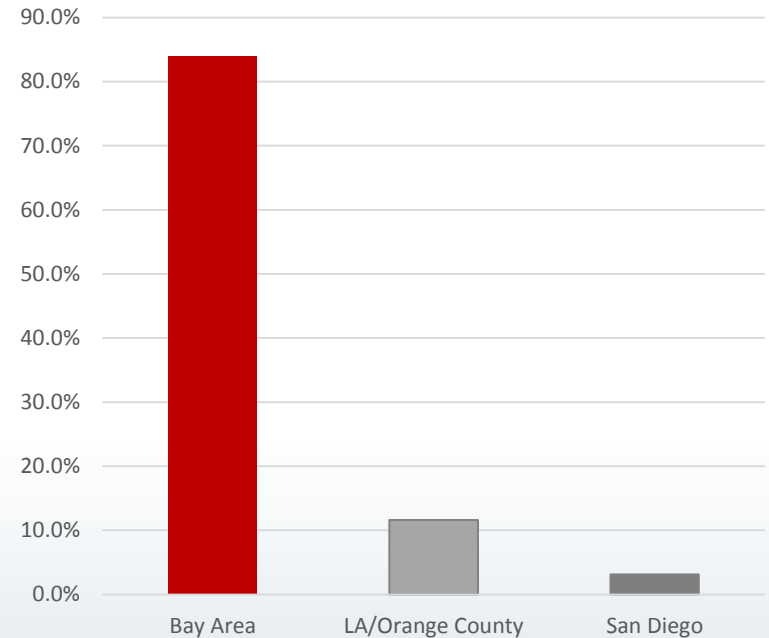
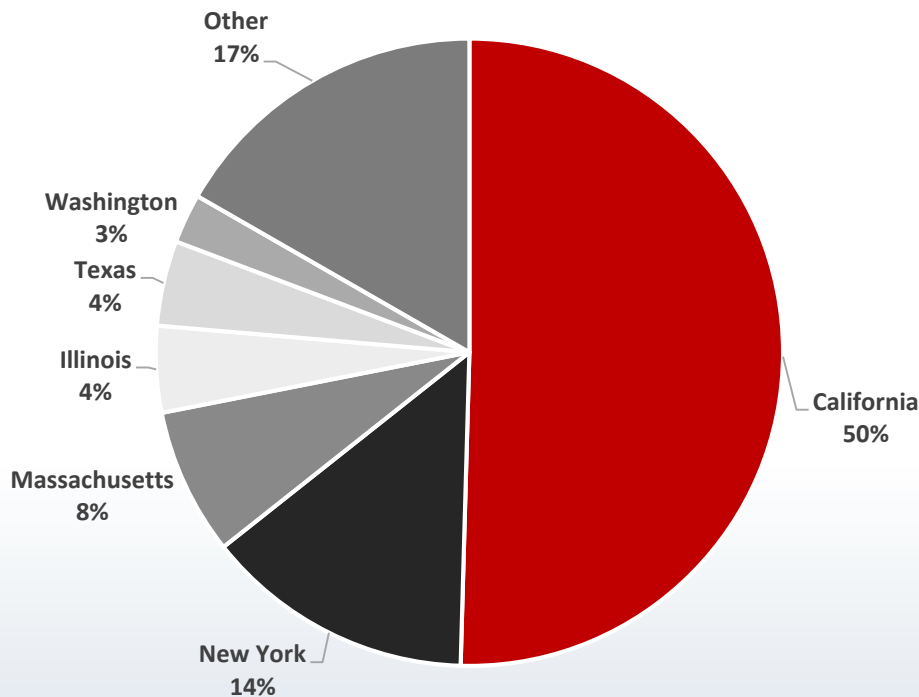


Over the year, VC investments declined by about 9% and the number of deals declined by the same proportion. De facto, the average deal value remained the same

Regional share of investment in the US

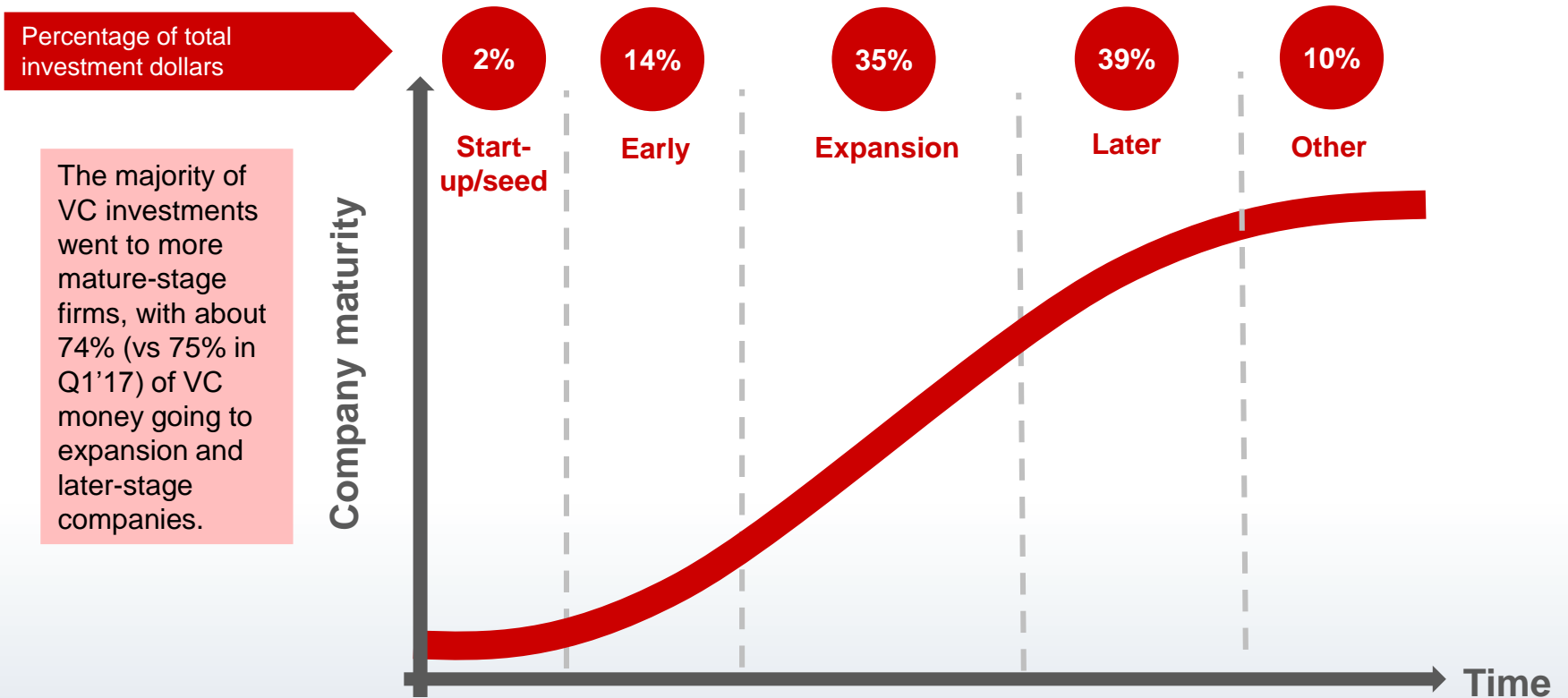
The San Francisco Bay Area is the single largest region for venture capital activity, receiving nearly half of all national investment.

The San Francisco Bay Area attracts 84% of total VC investment within California, and 42% of the national share.



VC allocation by company growth stage: U.S.

Expansion-stage and later-stage companies received the majority of VC investments in the US with 37% of VC investment going to companies at each stage. Early-stage companies received 14% of VC investment while seed stage companies received only 2%.



Data for Q2 2017

Source: CB Insights/KPMG Venture Pulse Report, MoneyTree™ Report



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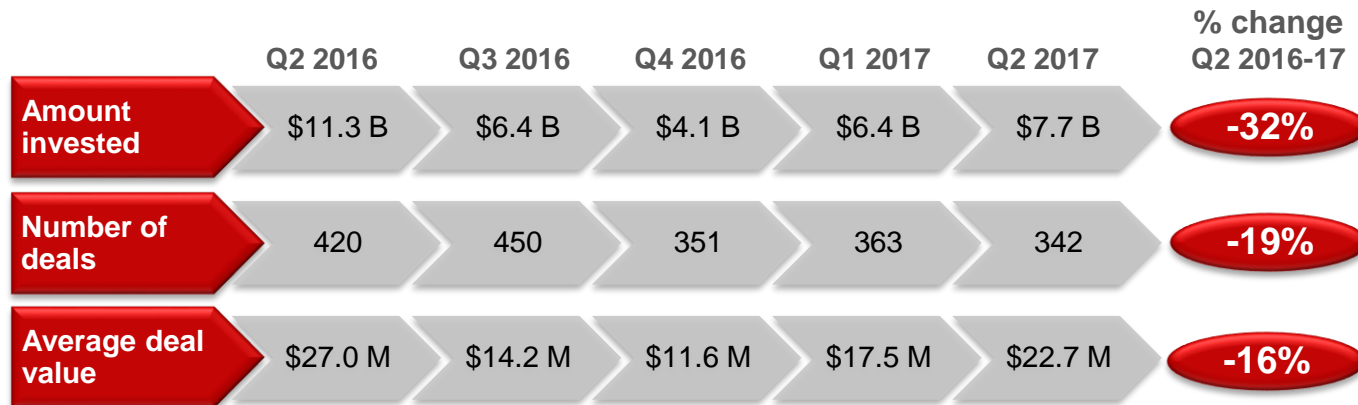


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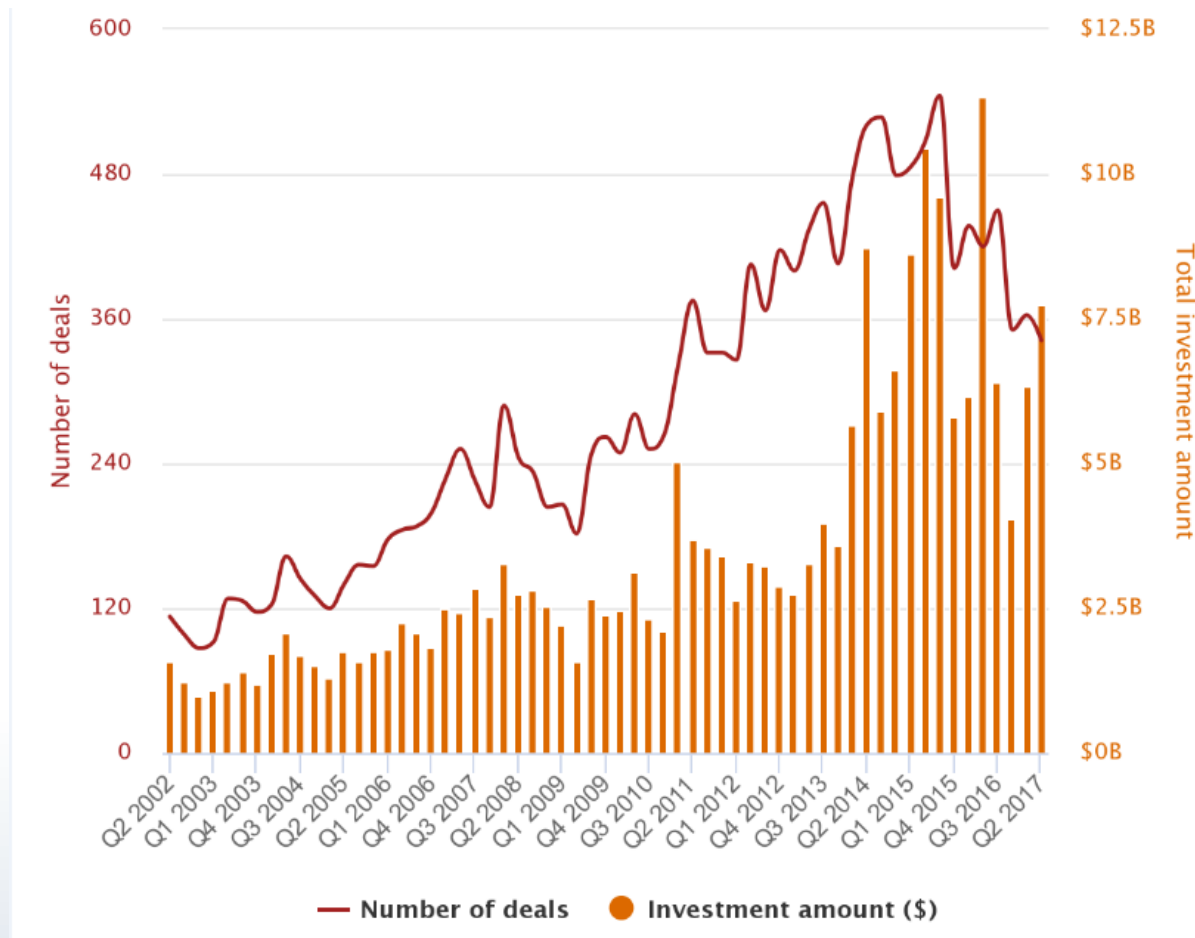
VC market in the SF Bay Area

While the amount of VC money invested has increased for the second consecutive quarter, the number of VC deals closed in the Bay Area has decreased.



Year over year, the number of deals has dropped by 19% while the amount invested in the SF Bay Area decreased by 32%. The average deal value has decreased by 16% due to the high comparative figures reported in Q2'16 (2nd highest quarter ever recorded in the Bay Area).

Annual VC investment in the SF Bay Area



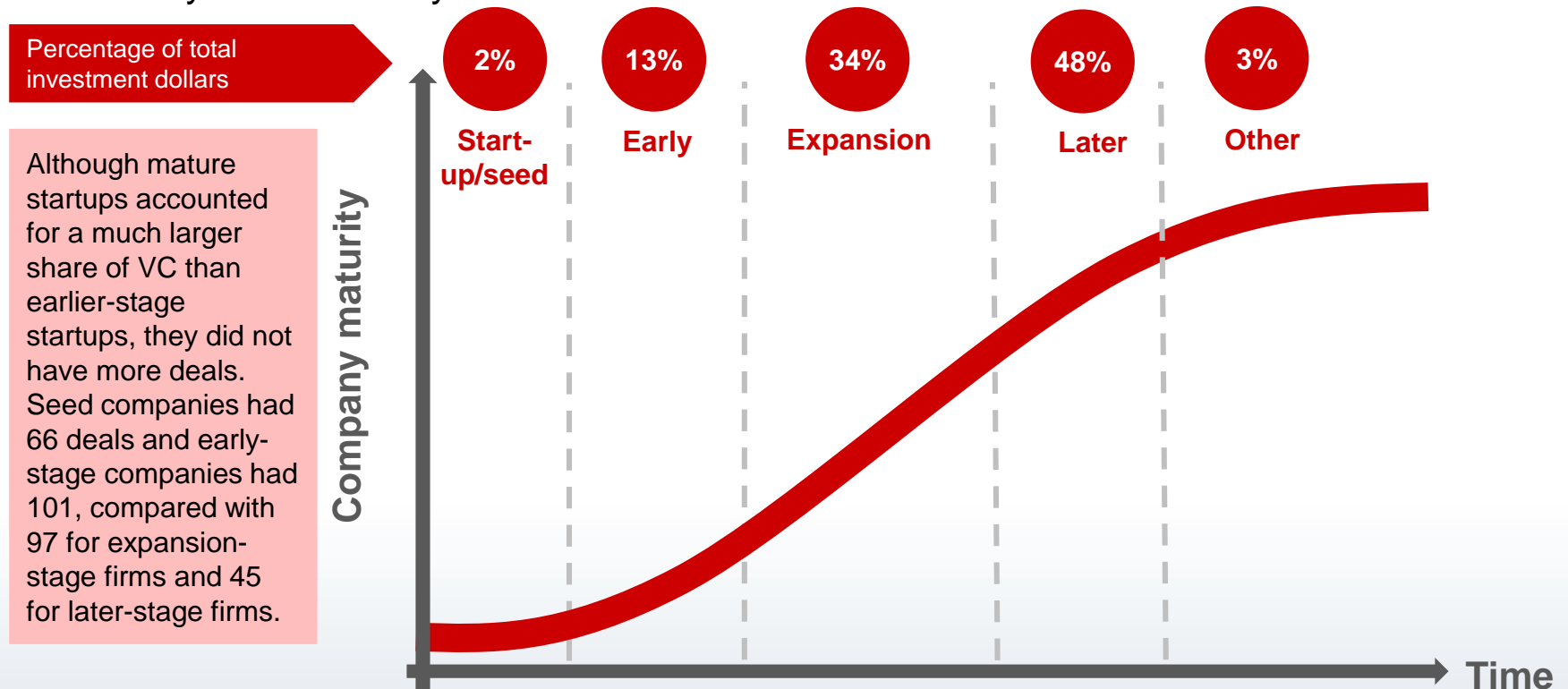
After two quarters of decline, VC investment has increased in Q1'17 and Q2'17.

Q2 also saw a reduction of the number of deals. Globally, VC firms have favored bigger deals with established companies.

Bay Area VC investments are on a positive trend due to a healthy macroeconomics environment, an anticipation of tax reduction and easy access to financing. Nonetheless, the VC market would have to face the quandary of a surplus of liquidity compared to the number of new ideas.

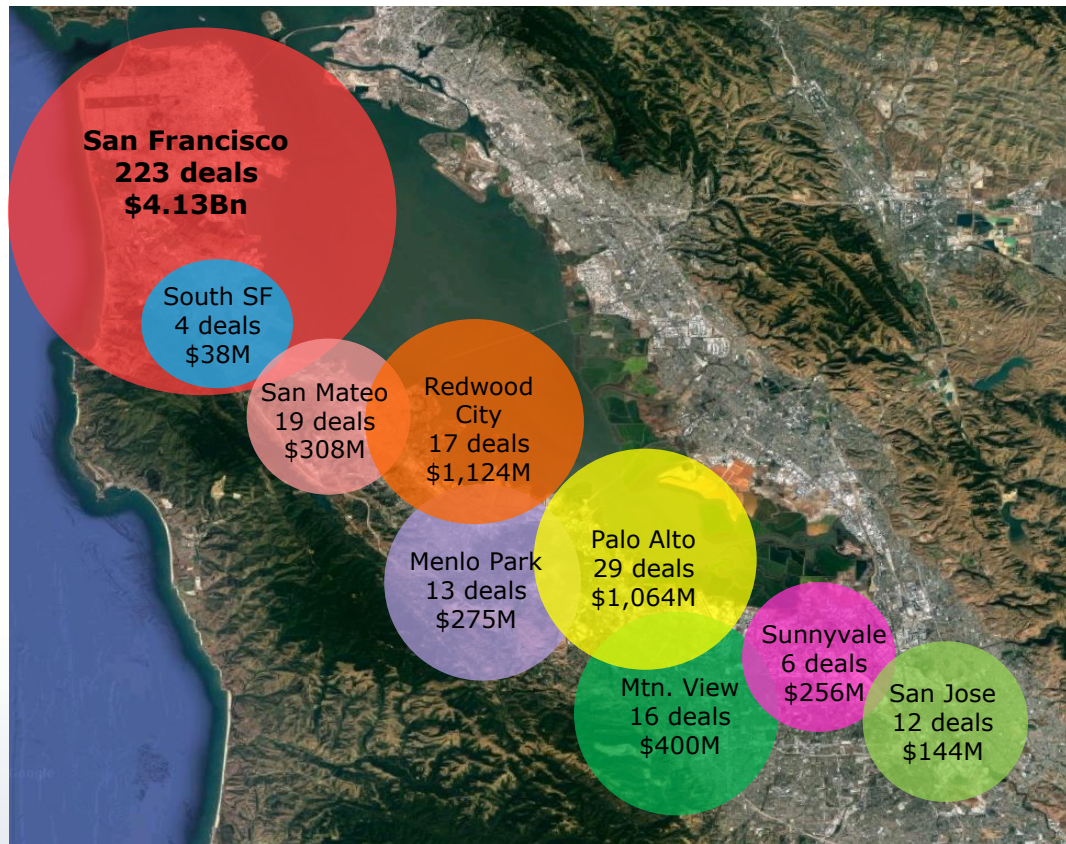
VC allocation by company growth stage: SF Bay Area

Compared with Q1'17, VC investments stayed in the same proportion excluding later stage which has increased significantly(+9 pts compared to Q1'17) to the detriment of expansion stage. Seed startups received a very small percentage of the investments both locally and nationally.



VC investment in the SF Bay Area: top cities

Companies based in San Francisco received \$4 billion in VC investment, 54% of the Bay Area total. SF firms also accounted for 223 of the 342 deals struck in the Bay Area.



VC investment in the SF Bay Area: top 10 industries

Internet, Mobile & Telecommunications and Healthcare were the three biggest industries for Bay Area VC investments in Q2 2017.

Industry	Amount Invested in Bay Area	Deals in Bay Area	Amount Invested in SF	Deals in SF	Industry as % of BA Investment	% Increase in Amount Invested in SF, Q1 to Q2
Internet	\$ 3,749 M	176	\$ 2,026 M	126	48.4%	3.8%
Healthcare	\$ 986 M	31	\$ 596 M	16	12.7%	6.2%
Mobile & Telecommunications	\$ 1,307 M	51	\$ 891 M	32	16.9%	50%
Computer Hardware and Services	\$ 151 M	8	\$ 80 M	5	2.0%	21.2%
Electronics	\$ 114 M	6	\$ 64 M	3	1.5%	220%
Industrial	\$ 344 M	9	\$ 90 M	5	4.4%	-2.2%
Software (non-Internet/mobile)	\$ 378 M	23	\$ 110 M	12	4.9%	89.7%
Consumer Products and Services	\$ 530 M	18	\$ 148 M	8	6.8%	54.2%
Energy and Utilities	\$ 49 M	3	\$ 6 M	1	0.6%	- 86.4%
Other	\$ 100 M	15	\$ 87 M	13	1.3%	335%
Financial	\$ 35M	2	\$ 35 M	2	0.5%	-
Total	\$ 7,743 M	342	\$ 4.13 B	223	100%	18%

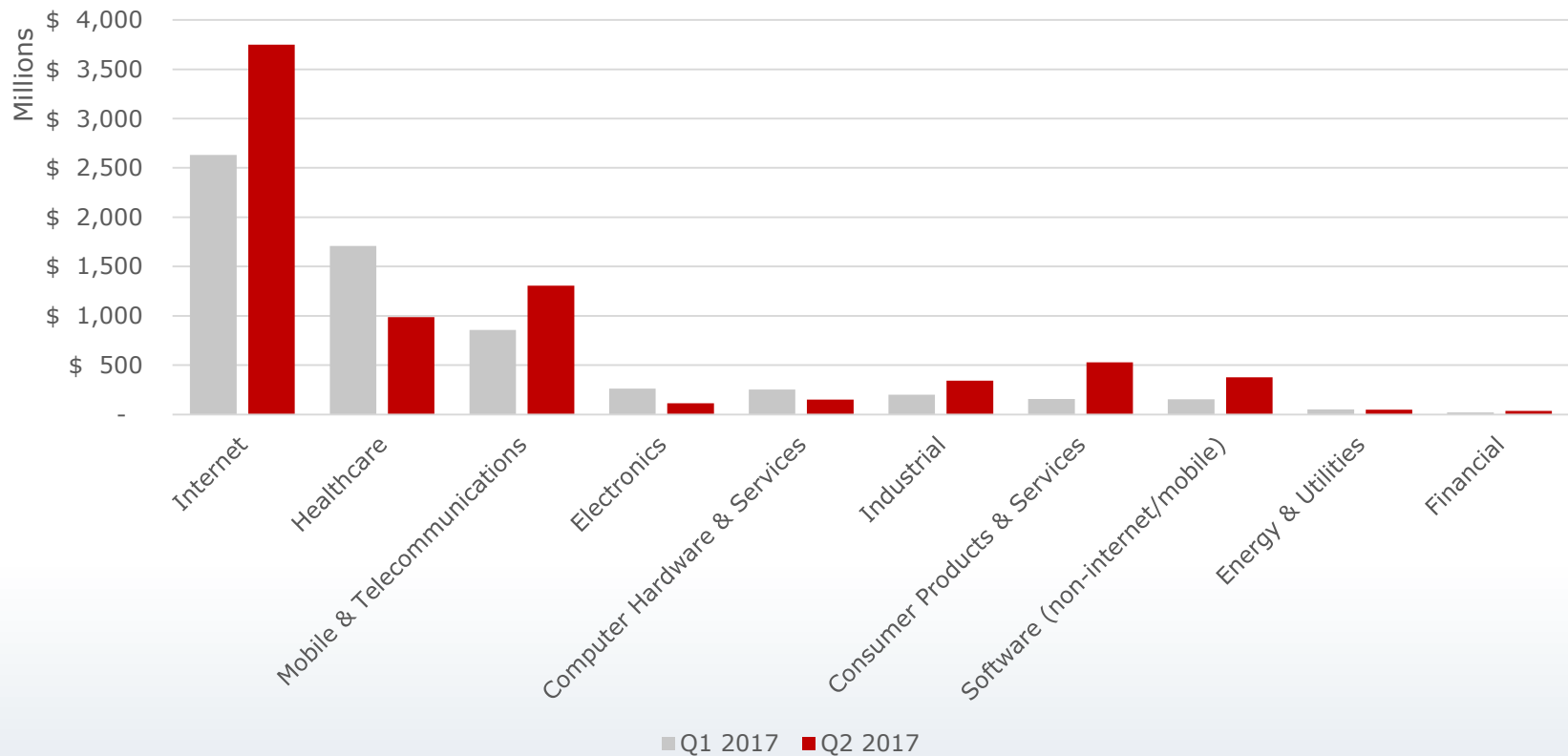
The top industry – internet – received almost half of all VC investments in the Bay Area. Internet alone accounted for **48%** (vs 55% in Q1'17) of total investments in SF.

Approximately 2/3 of all Bay Area deals were made with San Francisco-based companies.

The Q2'17 is marked by an increase of the amount invested in SF by **18%**.

Bay Area Investment by Industry: Q1'17 vs. Q2'17

With the exception of Healthcare, Electronics and Hardware, Bay Area VC investments increased for other industry sectors in Q2'17.





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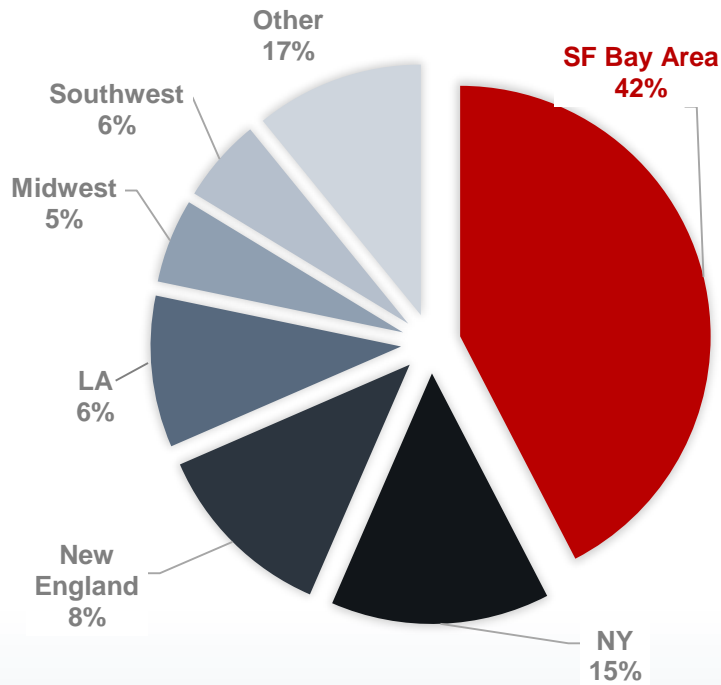


VC firm breakdown

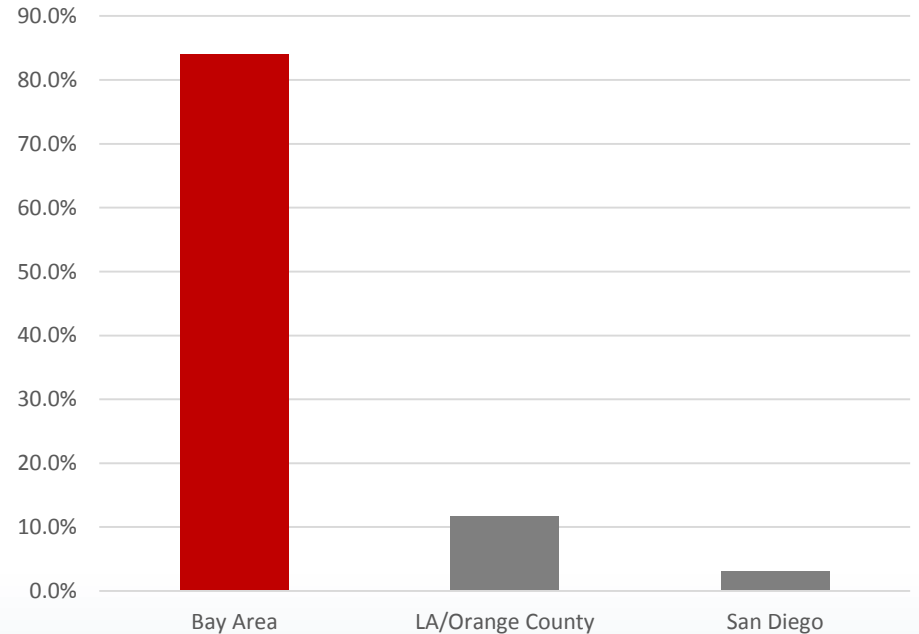
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VC firms investing in US companies

The SF Bay Area is home to about 85 percent of all VC firms in California.



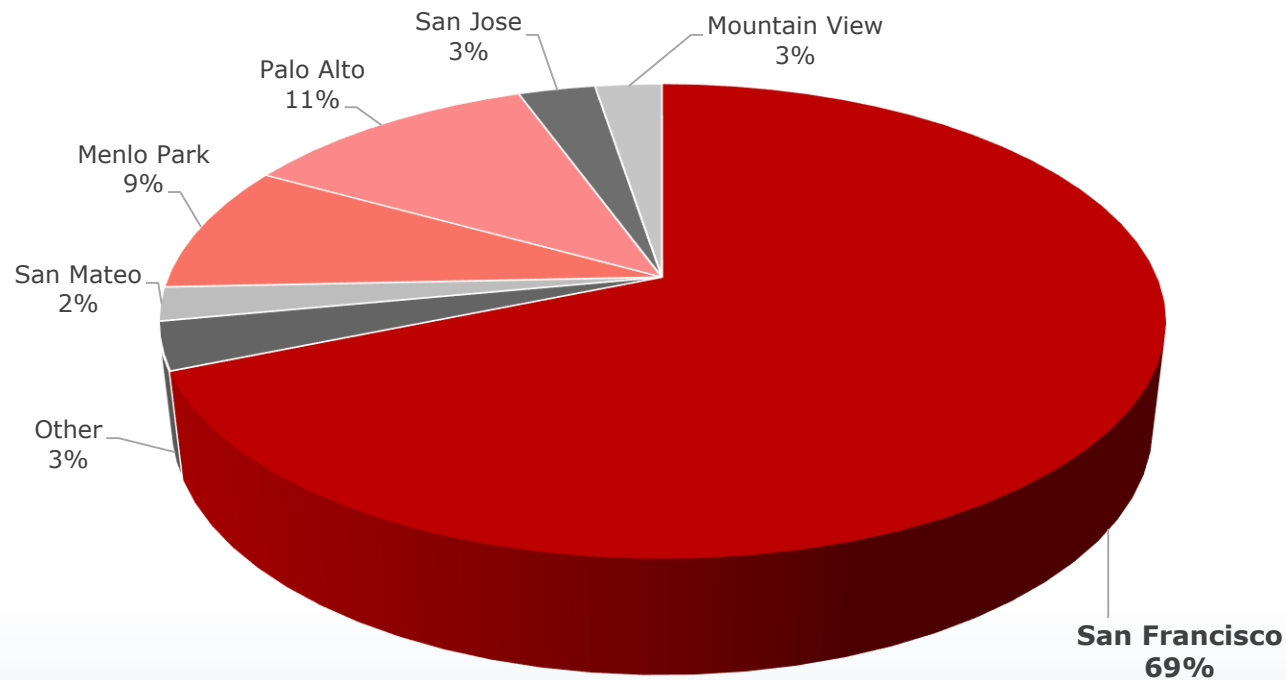
Nationwide



California

VC firms with HQs in the SF Bay Area

San Francisco, Palo Alto, and Menlo Park together are home to 90% of all VC firms located in the Bay Area in Q2 of 2017.



Most active VC firms in the US

San Francisco Bay Area is home to three out of the five most active VC firms in the US.

Firm	City	Number of Deals
New Enterprise Associates	Mountain View, CA	37
GV (Google Ventures)	Mountain View, CA	21
Kleiner Perkins Caufield & Byers	Menlo Park, CA	19
General Catalyst	Palo Alto, CA	19
Accel Partners	Palo Alto, CA	19

Largest VC deals in the US

The largest VC deal in the US involved a San Francisco company -Lyft- which had a total deal value of \$600M.

Company	Location	Sector	Value of Deal (\$)
Lyft	San Francisco, CA	Mobile Commerce	\$600M
Outcome Health	Chicago, IL	Internet	\$500M
Group Nine Media	New York, NY	Internet	\$485M
Houzz	Palo Alto, CA	Internet	\$400M
Guardant Health	Redwood City, CA	Biotechnology	\$360M