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THE LATEST TRENDS IN EMERGING GROWTH FINANCINGS

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PRESENTATION OVERVIEW

- OVERVIEW OF CURRENT EMERGING GROWTH FINANCING MARKET
- EARLY-STAGE INVESTMENT INSTRUMENTS
  - OVERVIEW OF CONVERTIBLE PROMISSORY NOTES AND LATEST TRENDS
  - OVERVIEW OF SAFES AND LATEST TRENDS
- TRENDS IN EMERGING GROWTH EQUITY FINANCINGS



OVERVIEW OF CURRENT EMERGING GROWTH FINANCING MARKET

CURRENT EMERGING GROWTH FINANCING MARKET

- Largest year on record for venture investment in 2018
- 1Q 2019 is the second-highest recorded quarterly capital investment total in the last decade
  - With $32.6 billion invested in US VC in 1Q, 2019 is posed to rival 2018's record capital invested
- Last few years' trend of fewer, larger venture deals continued/accelerated
  - $100 million investment rounds have become a common occurrence
  - Concern of "haves and have nots" in the startup ecosystem with continued reduction in deal count
- High level of investment and increasing valuations have resulted in companies continuing to stay private longer
  - Overallocation issues for some LPs
  - Despite this trend, annual fundraising hit an all-time high in 2018 - $55.5 billion
- Many VCs looking to emerging sectors that are congested with investments
  - Hot areas include cybersecurity, robotics, artificial intelligence & machine learning, next generation infrastructure and fintech
- Recent explosion in Corporate VC activity continued early in 2019

CURRENT EMERGING GROWTH FINANCING MARKET

- Many VC-backed unicorns have gone public or are expected to go public soon – Lyft, Uber, Slack, Airbnb, Pinterest and Postmates
  - VC-backed IPO activity has the potential to funnel billions back to venture firms and their LPs
  - IPOs may potentially lead to an exodus of talent that will leave to start new companies
- Exit market retained some of its momentum from 2018 through 1Q 2019
  - Highest quarterly value in 4Q 2018 since 4Q 2014 through a group of large acquisitions
  - The US government shutdown contributed to a slow 1Q for IPOs, but Unicorn IPOs may lead to IPO's proportion of exit value setting a new decade high in 2019

CORPORATE VC ACTIVITY

- Corporate venture capital, or CVC, is a form of venture capital where corporate funds are directly invested in external private companies
- CVC funds managed and invested by specialized divisions of a larger company, such as **GV** for Google and **M12** for Microsoft.
- More than a thousand major companies worldwide have launched a CVC fund
- In 2018, 2,740 CVC deals (32% increase from 2017) and $53.0 billion in investments (47% increase from 2017) globally
- CVC as:
  - Separate fund for return
  - Strategic investments for market intelligence
  - Pipeline for future acquisitions/investments
- Line between tech companies vs. non-tech, traditional companies becoming blurred

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