

China Drives Record Venture Capital Dealmaking in Asia

2017 sees largest ever venture capital deal announced, but fundraising and exit activity fail to match pace

The boom in venture capital activity in Asia reached new heights in Q2 2017: the quarter saw a record \$47bn in deals announced, including the \$5.5bn financing of Didi Chuxing, which became the largest venture capital deal ever. In 2017 so far, Asia represents almost half of global venture capital deal value, the largest proportion of any region. However, fundraising and exit activity is not showing the same level of growth: Asia-focused venture capital fundraising peaked at \$11bn in Q3 2014, but since then has trended downward, and in Q1 2017 venture capital funds secured just \$1.8bn for the region. At the same time, exit activity for Asian venture capital-backed companies has been broadly level for several quarters, and has not approached the heights seen in 2014/15.

For more information, see the full *August 2017 Preqin Private Equity and Venture Capital Spotlight* here: <https://www.preqin.com/docs/newsletters/pe/Preqin-Private-Equity-and-Venture-Capital-Spotlight-August-2017.pdf>

Key Asian Venture Capital Facts:

- **Asia saw 2,166 venture capital deals announced in Q2 2017, worth a record \$47bn.** This included the \$5.5bn financing of Didi Chuxing, which is the largest venture capital-backed deal ever recorded by Preqin.
- In 2017 YTD, **Asia accounts for 31% of venture capital deals, and 47% of global deal value.** North America is the next most active region, accounting for 42% and 41% respectively.
- However, **fundraising has not grown at the same rate in recent quarters.** Activity reached a quarterly peak of \$11bn in Q3 2014, but saw a low of just \$1.8bn in Q1 2017.
- Similarly, **quarterly exit activity has remained level in the past 18 months.** Seventy-four exits were made in Q1 2016 for a combined \$4.8bn, but quarterly totals have not exceeded \$1.4bn since then.
- This may partially explain why Asia remains not as sought-after by venture capital investors. Two-thirds (66%) of investors will target North America in the coming 12 months, and the same proportion will seek investments in Europe. By contrast, **just 47% of investors are targeting Asia in the next 12 months.**
- This proportion is growing, however, and **51% of venture capital fund managers report that they are seeing increased interest from Asia-based investors.**
- This investor interest is served by 198 Asia-focused venture capital funds currently in market, which are seeking a combined \$69bn. These include the **CNY 300,000mn China State-Owned Capital Venture Investment Fund, which is seeking to become the largest venture capital fund ever.**

Felice Egidio, Head of Venture Capital Products:

“In the past few years, Asia has seen a rapid expansion in the number and value of venture capital financings made in the region. This has been driven primarily by activity in Greater China, with some companies becoming very large entities on par with the largest venture capital-backed companies in the US. This expansion reflects the rapid growth of several major economies in the region, which provides a wealth of new investment opportunities for venture capital fund managers.

However, this has not been matched in other areas of the industry, notably in the fundraising and exit environments. Slower exit activity means managers are not able to divest their holdings, and may slow their dealmaking activities in response. Equally, a lack from distributions from exits may deter investors from committing further capital, slowing fundraising further and providing less capital to managers for further acquisitions. While Asia’s dealmaking environment is extremely robust, its future successes relies on all parts of the venture capital industry operating effectively.”

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