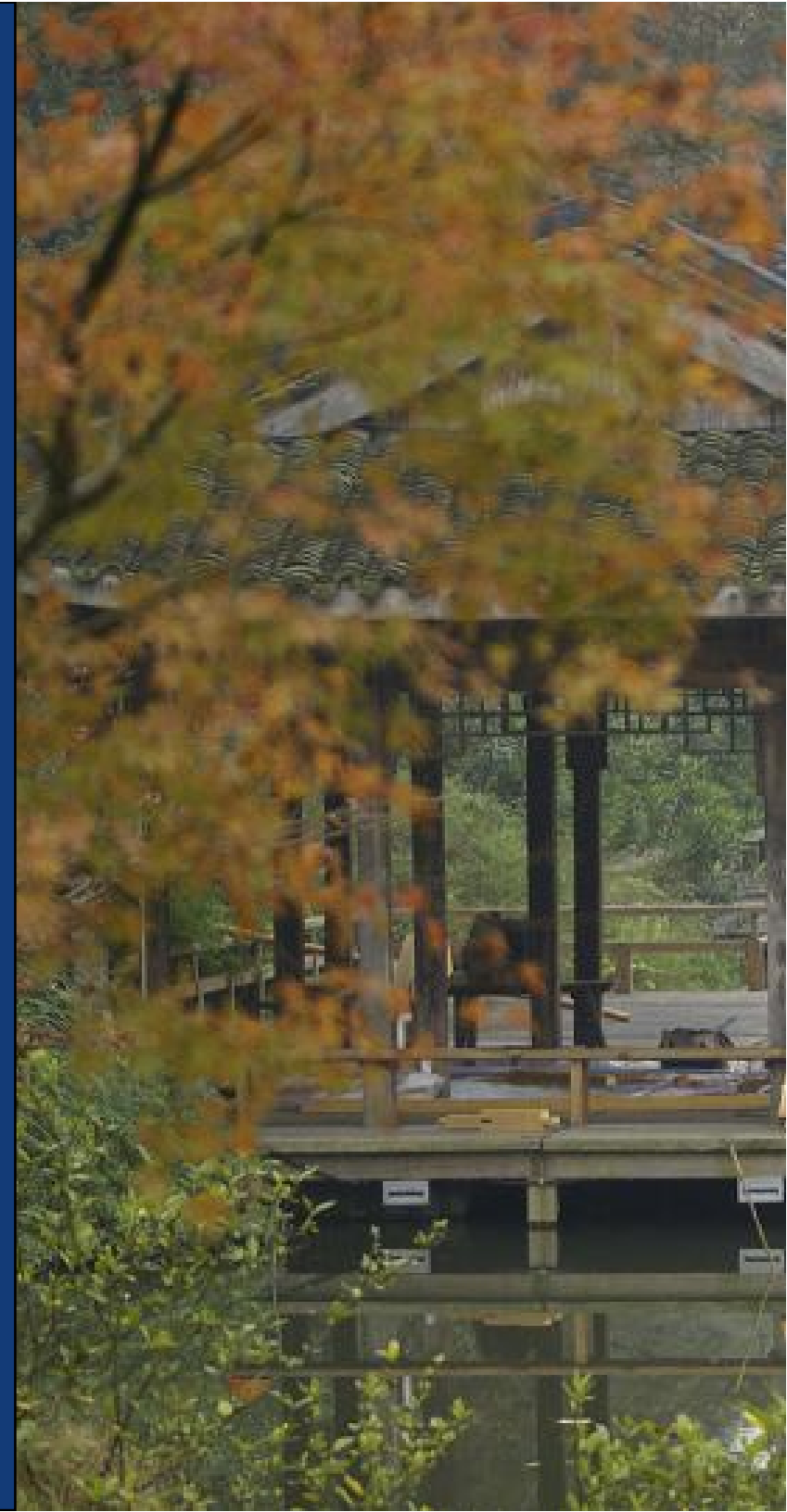




China Unicorns & Current Funding Environment

Bruno Bensaid

**Silicon Dragon Shanghai Conference
16 Sept 2015**



布鲁诺 | Bruno | @brubrushanghai



- ▶ Investment banker, former VC
- ▶ Angel Investor
- ▶ Community builder
- ▶ Mentor to incubators & Startups
- ▶ Advisor to Government Agencies, Media, Universities, Funds...

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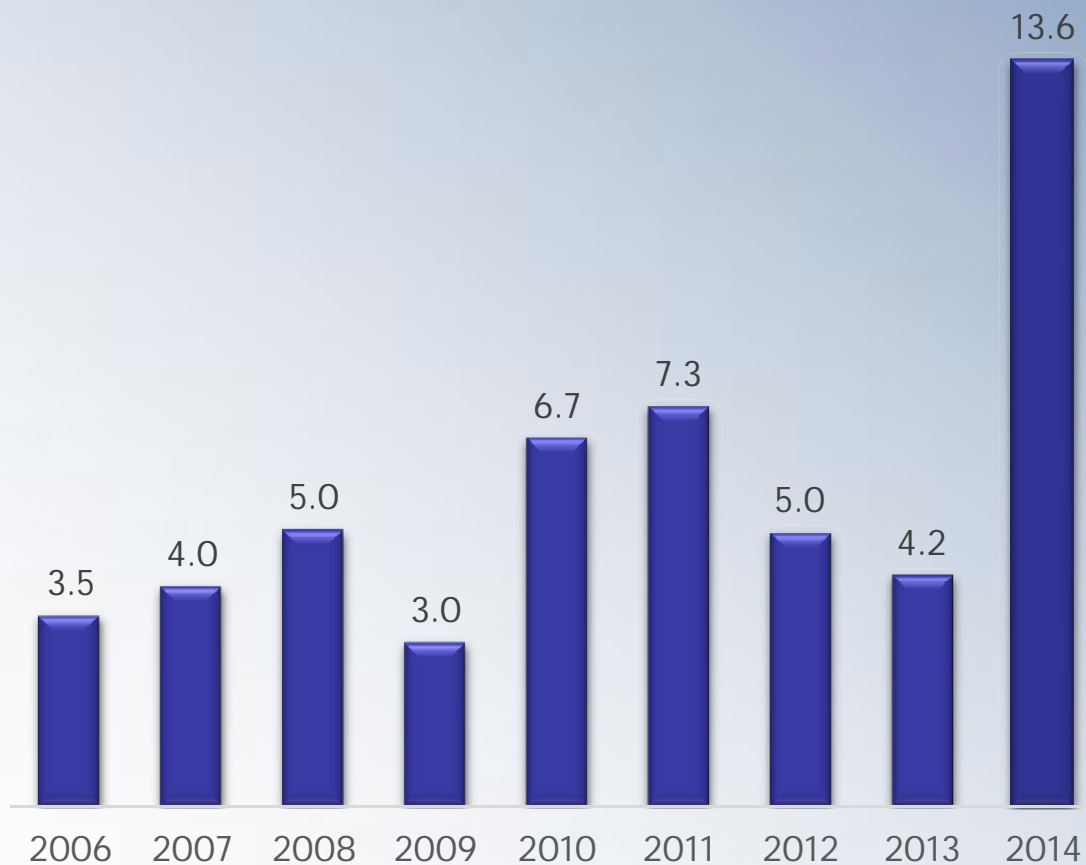
福布斯中文网
Forbes

AVCJ
ASIAN VENTURE CAPITAL JOURNAL

GSMATM

Large VC rounds financed Marketplace, Mobile and E-commerce plays in 2014 and H1'2015

China VC investments (Bil USD)



	Dianping.com	\$850M
	Meituan	\$700M
	Kuaidi Dache	\$600M
	Meizu	\$590M
	Enlight Media	\$383M
	Ele.me	\$350M
	To8to	\$200M
	Youxinpai	\$200M
	Imgo.tv	\$200M

Deal fever in H1'2015, but Dumb Deals funded too

- Hot money pouring into the startup ecosystem:
In H1'2015, investment in early-stage tech startups in China reached US\$ 2.2 Bil - up three time year on year - from US\$648 Mil H1'2014.
- ***“Many dumb deals got funded”***
“Chinese companies listed on domestic stock markets, encouraged by their rising share prices, raced to put more money into all kinds of startups—including those that lacked compelling ideas or business plans”.

Amidst Chinese slowing Economy, Shanghai Composite Index went down 42% in 3 Months

Shanghai Stock Exchange Composite Index (SHCOMP) is down from 5,166 (June 12, 2015) to 3,005 (Sept. 15, 2015)



Some VCs' quotes, following the crash...

- *"I've been telling our companies that in the second half it's going to be a bit tougher to raise [funds]. In the last year and a half we've seen valuations on the angel side quadruple [...] **so things will probably slow down a bit**"*
- *"**I believe the domestic Chinese (VC funding) market is set up for a valuation correction in the pre-A stage.** With public market contractions, **later stage funds will start to be more affected first, this will eventually trickle down to pre-A stages as well.**"*
- *"The recent crash hasn't substantially impacted how we view the Chinese startup market". **"It doesn't change the way we operate, (but) we will be more sensitive on pricing especially in later stage investment.** We'll probably go early, and invest in earlier stages: seed, A, B.*

Is Winter coming for high valuations and easy rounds?

- Meituan expected \$15 Bil valuation but to \$10 Bil instead (still up from \$7 Bil post-money round in January 2015)*
- Carlyle no longer interested in buying Mogujie. WSJ estimates they could raise in a down round (\$1.6 Bil post-money valuation) compared with \$2Bil est. valuation (\$300 Mil from Ping An Ventures under discussion earlier on)*
- Various testimonies coming from early-stage startups talking about **“selective” investment patterns from investors**

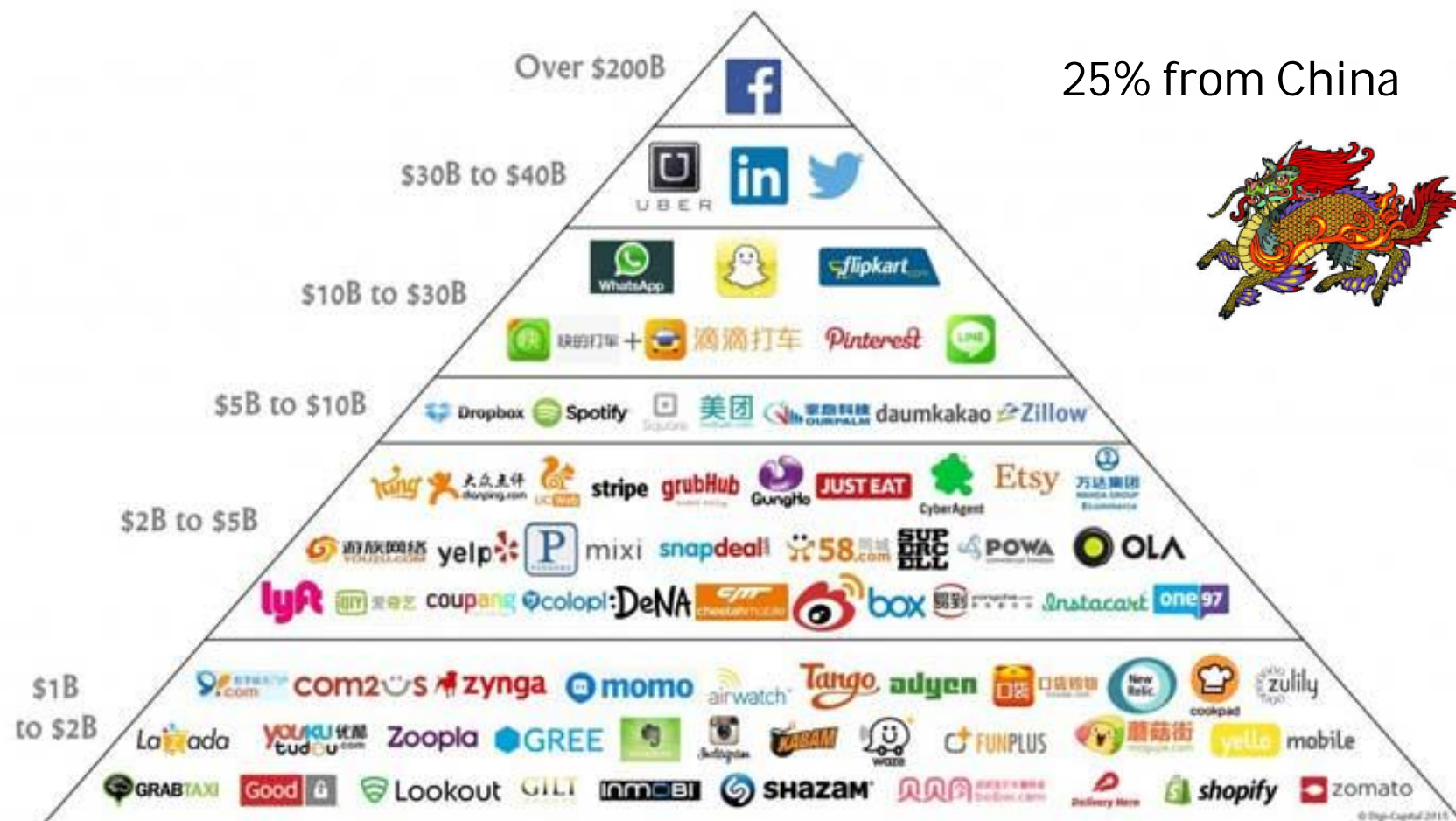
Unicorns (麒麟 QiLin in Chinese)



Venture-backed with Valuation > US\$ 1 Bil

China Unicorns make up for ¼ of the world's Unicorns

Digi-Capital™ Mobile Internet Unicorns Q1 2015



Some of the well-known China Unicorns



Founded April 2010
\$1.1 B latest round (Dec. 2014)
Now valued \$46 B



Founded in Sept 2010 and Aug 2012
Last funding rounds: \$2B (July)&\$1B (Sept)
Group valued at \$17.5bn (Sept 1205)



Founded in 2013
\$931M funding
Val \$8B (Jun 15)



Founded in 2012
\$485M funding
Val.\$10B (May 15)



Founded in 2006
\$105M funding
Val \$8-10B (May 15)



Founded April 2003
\$1.04B funding
Val \$4B (Mar 15)



Founded Nov 2014
\$1.6B funded
Val.\$7B (Mar 15)



Founded in 1999
\$200M funding
Val \$2B (Sept14)



Founded in 2003
\$900M funding
Val. \$3B (Sept 14)



Founded in 2008
\$360M funding
Val \$2.3 B (Sep14)



Founded in 2011
\$212M financing
Val \$1B (Jun 14)



Founded in 2007
\$570M financing
Val \$3B (Jul 15)



联想控股成员企业
Founded in 2005
\$242M financing
Val. \$1.6B (Jun 15)



Founded in 2011
\$155M financing
Val. \$1B



Founded in Dec 09
\$128M financing
Val \$1B (Jun 14)

Note: valuation figures are estimates exc. when disclosed by companies

What fuels the growth of China's Unicorns

- Homegrown Innovation (yes, it's real, baby!)
- Monopolies up for grab (banking, transportation, insurance, and soon telecommunications?...)
- Everything Mobile (574 Mil smartphones 2015, 700 Mil 2018)
- Online – Offline integration (O2O)
- Commoditization (Xiaomi...)
- Platforms and Ecosystems (Wechat, DJI in drones)
- Online payment infrastructure ready (Alipay, Lakala...)
- Deep pockets: battle of the BATX + emergence of new class of investors with longer horizons or new portfolio strategies (Insurance Companies, Social Security funds, Corporate players and funds, M&A Tech funds, hedge funds...)

The Future of China's Unicorns

- Liquidity (Secondary? IPO?) will become sensitive
- Internationalization (for the fittest)
- M&A and divestment of non-core assets (could become Unicorns too!)
- Institutional Investors shifting focus (of asset class) or withdrawing their funds from GPs?
- For some: oblivion or downgrade to Pony state is inevitable (*who remembers Weibo?*)

Tencent's Wechat has become THE platform no-one can avoid, driving a huge ecosystem behind it



Connecting a half billion people
just got more personal



Disrupting the whole hardware economy, nothing less...

"Xiaomi is a software and ecommerce company that just happens to manufacture hardware" Hugo Barra, VP International, Xiaomi



Didi-Kuaidi (backed by Tencent/Alibaba) is fighting its way up against Uber China (backed by Baidu and others) with loads of cash



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Chinese Offline Payments Giant Lakala -> From hardware innovator to a full-fledged diversified financial services company



Drone Developer DJI develops its own ecosystem and fuels investments in the budding drone economy

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