



Semiannual IPO and M&A outlook webcast - survey findings

January 2018

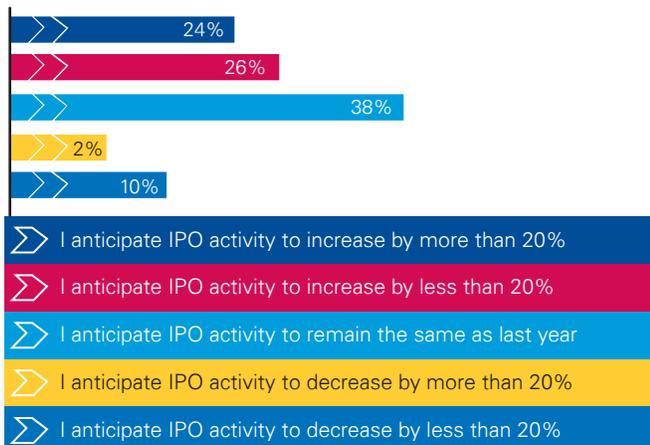


A replay of the Webcast can be found at www.kpmg-institutes.com/institutes/global-enterprise-institute. In 2017, venture capital (VC) investment in the United States soared past the \$83 billion mark, making 2017 the strongest year of VC investment since the dot-com bubble, according to KPMG LLP's recent **Venture Pulse report**. Conversely, the exit cycle subsided in 2017 as many firms chose to stay private longer. For the third year in a row, exits were down by both count and value, with the latter relatively more resilient, thanks to a still-strong, matured merger and acquisition (M&A) cycle. Given this decrease in exit events in 2017, will initial public offering (IPO) and M&A activity continue along this path or change course in 2018?

During a recent Webcast, we surveyed over 250 investors, startup executives, and industry professionals to get their perspectives on IPO and M&A activity for 2018. Despite 2017's decrease in exits, the collective outlook among our surveyed group seems to be positive for both IPOs and M&As.

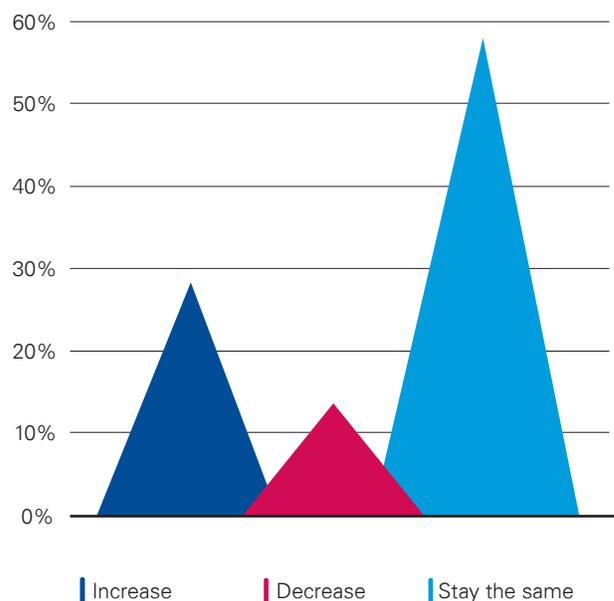
When compared to 2016, IPO activity in 2017 ticked up slightly. The outlook for IPO activity in the early part of 2018 is expected to remain positive, particularly for companies in the life sciences and biotech markets. Consistent with this belief, an overwhelming majority of industry professionals we surveyed also anticipate the positive trend for IPOs to continue in 2018 with nearly 90 percent having a positive outlook and more than half of those respondents hopeful for an overall increase in IPO activity.

Compared to 2016, the VC IPO window opened slightly in 2017. Do you anticipate VC-backed companies to keep up this IPO trend in 2018?



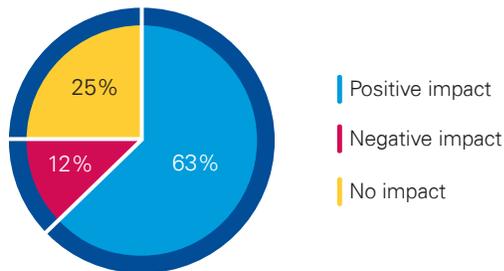
As a result of the healthy M&A cycle in 2017, the bullish case for M&A as a source of liquidity for venture-backed companies in the U.S. in 2018 is quite strong. Given this theory that M&A activity will increase this year, we asked respondents how valuations might be effected and almost 60% of the professionals we surveyed believe that M&A valuations for VC-backed companies will stay the same as last year.

In 2018, do you anticipate M&A valuations for VC-backed companies to:



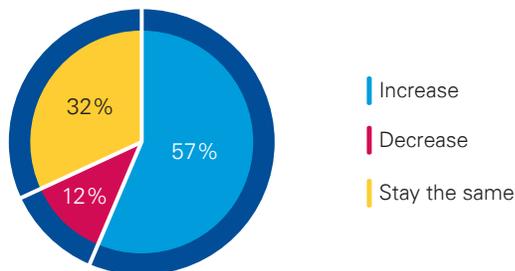
The newly passed tax reform legislation is expected to have a positive impact on VC investment, and could draw capital back from overseas. This could have a resonating impact on M&A and drive more liquidity. Almost two thirds (63 percent) of survey respondents also agree that the new tax reform would have a positive impact on VC investments in 2018. The new tax reform can be quite significant for startups seeking growth opportunities and for VC investors seeking liquidity.

Considering the newly passed tax reform legislation, what impact so you think it will have on VC investments in 2018?



Although concerns around the level of valuations persisted or became even more pronounced in 2017, venture-backed companies still enjoyed one of the most lucrative climates in history, with the late-stage driving an overall increase in median pre-money valuations to a new high for the decade. We asked respondents if they expect this trend to continue and 57 percent said that they anticipate an increase in valuations for private investment rounds in 2018.

In 2018, do you anticipate valuations for private investment rounds to:



In 2018, VC activity in the United States is expected to build off the optimism and momentum that returned to the market during 2017. Moreover, with a substantial backlog of unicorns, investors, and employees seeking much needed liquidity, a positive trend for exit activity may very well be on the horizon. The consensus among the industry professionals we surveyed aligns with this positive outlook.

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