



Venture Capital Update

Second Quarter 2020

Fundraising On Pace for Record Despite Economic Conditions

Executive Summary

The trend of the past few years has entailed larger but fewer investments in the venture capital (VC) space. Despite all the uncertainty in the market and the fact that the US has entered a recession, according to the National Bureau of Economic Research, venture capital firms haven't slowed the amount of capital they deploy to startups. In fact, the \$34.3 billion invested in the second quarter is still more than the quarterly average of the last three years. It is unsurprising, however, that the volume of deals is facing steep declines, given the current economic situation.

Exits, or cases in which a venture capitalist exits their investment through selling their stake in the company, are at extremely low levels, both in terms of value and volume. The stock market decline in March and April as well as the general decline in valuations over that period may have left many VC investors willing to extend their investment holding periods to wait for better conditions. In fact, during the second quarter, the number of exits is at a more-than-ten-year low, and the year is on pace to be the weakest for VC exits since 2011.

While investment volume and exit activity are the "bad" news, the "good" news is that fundraising hasn't slowed a bit. Though there are fewer VCs raising these funds, the amount of cash they are bringing in to invest is on pace to be a record in 2020. This will only add to the existing cash that is ready to be invested, referred to as dry powder, which is estimated at well over \$100 billion. This high level of cash, we expect, will support heightened investment values through the remainder of the year.

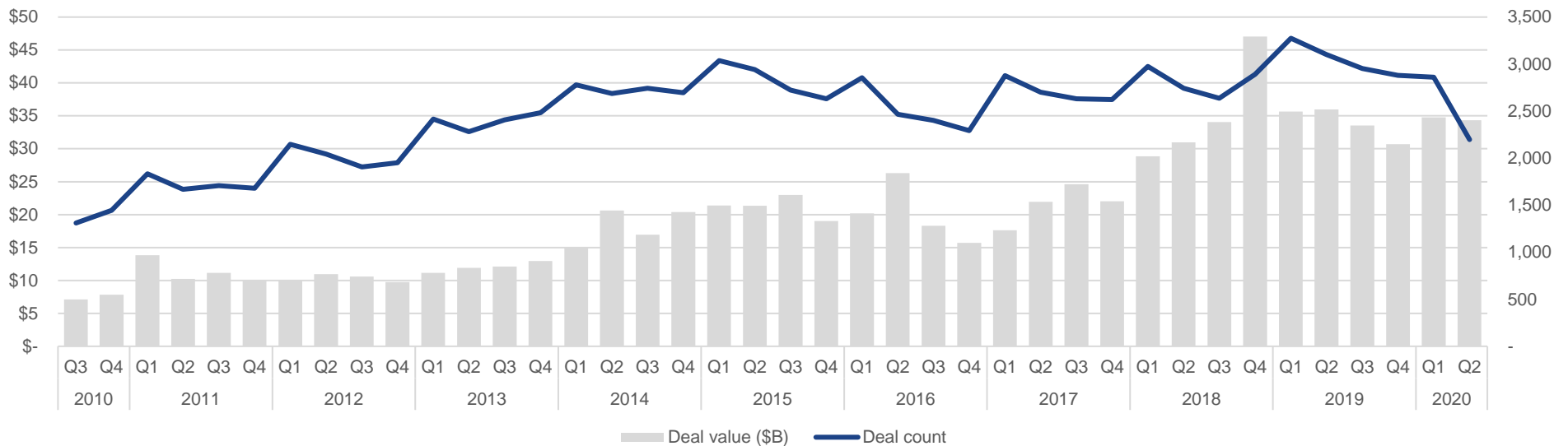
As always, contact us if you would like to receive information about activity in your specific industry or to discuss options for your business.

Q2 Venture Capital Highlights

- US VC investments totaled \$34.3 billion across nearly 2,200 deals, a decline of 1.3% in value but a steeper decline of 23.2% in volume from the first quarter
- Q2 value declined 4.5% year over year, and volume declined 29.2%
- Interest in earlier-stage VC deals demonstrated significant weakness during the quarter, while interest in late-stage VC investments helped buoy activity in the startup space
- Exits remained weak in the second quarter and are on track for the lowest level since 2011
- Despite slower investment and exit pace, fundraising has been robust thus far in the first half despite fewer funds raising this capital – total first half fundraising has already eclipsed most annual figures in the last decade

Deal Value Remains Elevated Despite Volume Dip

Quarterly US VC Activity¹



US VC Highlights

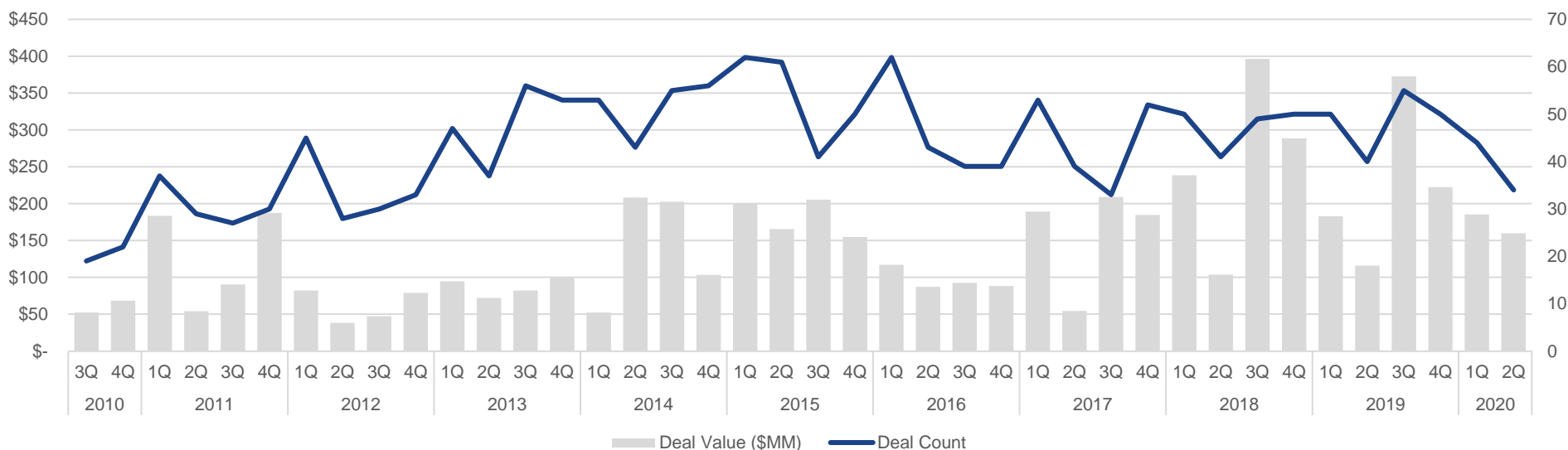
- Deal volume declined 23% from the first quarter, to nearly 2,200 deals, as COVID-19 created uncertainties
- Overall deal value, however, remained relatively strong, bolstered by 131 mega deals (deals valued over \$100 million), which accounted for \$32 billion of the \$34.3 billion value consideration during the second quarter
- Late-stage VC deals supported overall value, with the category's first-half value topping \$46.8 billion, which is nearly just as high as any full year prior to 2018
- Deal value will likely remain elevated given the levels of fundraising and the more than \$120 billion in dry powder (cash waiting to be invested) as of mid-year 2019 (latest data available)

Notable US Q2 Investments

Date	Target	Investor(s)	Investment (MM USD)
04/16/20	Stripe	a16z, General Catalyst <i>et al.</i>	\$ 850
06/22/20	Indigo Horticulture	FedEx, Flagship Pioneering, <i>et al.</i>	470
06/11/20	Sana Biotechnology	GV, Omega Fund, <i>et al.</i>	435
06/18/20	DoorDash	Fidelity Investments, PV Seed Fund, <i>et al.</i>	400
05/15/20	Samsara	Warburg Pincus, General Atlantic, <i>et al.</i>	400
05/06/20	GRAIL	Illumina, The Mark Foundation, <i>et al.</i>	390

Software Returns to Capture Most Midwest VC Investment

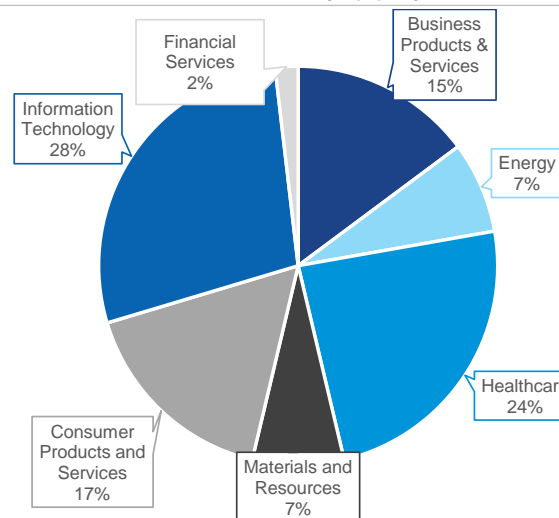
Quarterly Midwest VC Activity¹



Midwest VC Highlights

- Second quarter VC investments in the Midwest totaled \$160 million across 34 deals, down from Q1's \$186 million and 44 deals
- Value consideration increased year over year 38%, but deal count declined 15% during the quarter
- Information technology and healthcare garnered the most interest among venture capitalist investors, accounting for 28% and 24%, respectively, of Midwest deals
- Among sub-sectors, software accounted for 27.8% of Midwest deals, while healthcare technology systems and commercial services both accounted for 11.1% of deals, and pharmaceuticals & biotechnology accounted for 7.4% of deals.

Q2 Midwest Activity (#) by Sector

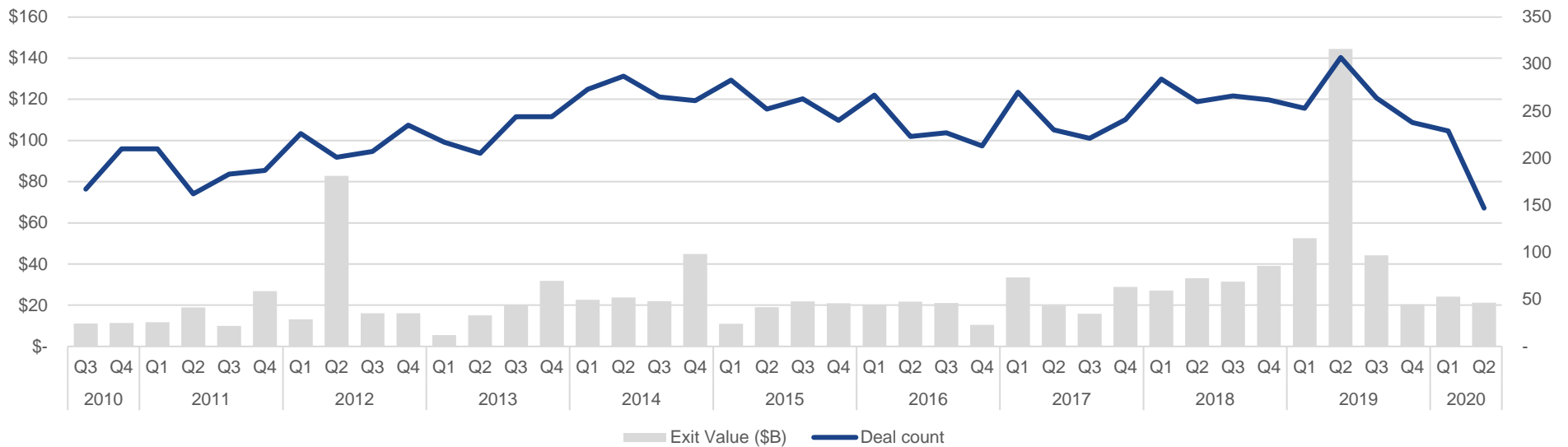


Notable Midwest VC Investments

Date Closed	Target	Investor	Target City	Target Description
04/22/20	TrueAccord	Undisclosed Investors	Lenexa, KS	Developer of a machine-learning debt-collection platform
04/30/20	ZAF Energy Systems	HOLT Ventures, <i>et al.</i>	Joplin, MO	Developer of next-generation, high-performance battery technologies
04/15/20	Vida (Decision Risk Analysis)	First Analysis, OSF Ventures, Rural Vitality Fund, <i>et al.</i>	Coralville, IA	Developer of a medical analysis platform intended to treat pulmonary care through intelligence
06/08/20	IDx	8VC	Coralville, IA	Developer of an AI system that autonomously detects diabetic retinopathy
06/25/20	CBD American Shaman	Undisclosed Investors	Kansas City, MO	Producer of ultra-concentrated, terpene-rich CBD oil
06/29/20	CompanyCam	Blueprint Equity	Lincoln, NE	Developer of a photo syncing application designed to help contractors manage fieldwork
04/02/20	SteadyMD	Pelion Venture Partners, Next Ventures, <i>et al.</i>	Saint Louis, MO	Developer of a healthcare application intended to pair doctors with patients
04/08/20	CoverCress	Fulcrum Global Capital, Hermann Companies, <i>et al.</i>	Saint Louis, MO	Developer of crop breeding techniques designed to provide soil cover for corn harvest and soybean planting
04/02/20	Lincolnway Energy	Undisclosed Investors	Nevada, IA	Provider of renewable energy through the production of locally owned ethanol
04/07/20	Kultevat	Undisclosed Investors	Creve Coeur, MO	Cultivator of Russian Dandelion, which allows the company to offer environmentally benign rubbers and feedstocks
04/20/20	Transportant	Missouri Technology, Wisconsin Investment Partners, <i>et al.</i>	Shawnee, KS	Developer of a real-time management platform for monitoring children on buses
06/19/20	TCARE	Aflac Ventures, Blu Venture Partners, <i>et al.</i>	Saint Louis, MO	Developer of a care management platform intended to improve the overall health of the caregiver and care receiver
05/11/20	Genesis Systems	Undisclosed Investors	Kansas City, MO	Developer of an industrial technology intended to provide sustainable water resource generation
06/29/20	Moberly Natural Crush	Undisclosed Investors	Moberly, MO	Producer of soybean meal and oil to be sold to natural food producers
05/08/20	BasicBlock	Emergent Ventures, Invest Nebraska, <i>et al.</i>	Omaha, NE	Developer of a mobile application to facilitate invoicing transactions
06/02/20	Pitchly	Ames Seed Capital, Twelve19 Ventures, <i>et al.</i>	Des Moines, IA	Developer of a data collaboration application that automates repetitive tasks
06/12/20	Mission Control GG	Undisclosed Investors	Saint Louis, MO	Developer of an esports platform designed to offer recreational gaming leagues among friends

VC Exits on Pace for 9-Year Low

Quarterly US VC Exit Activity¹



US VC Exit Highlights

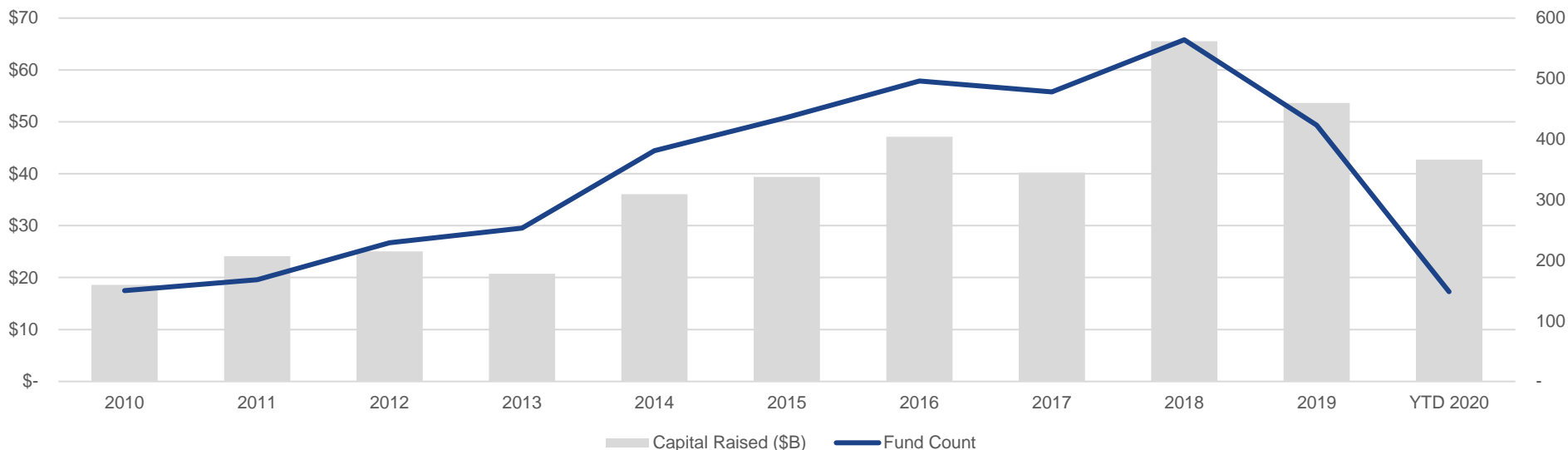
- Venture capitalists realized \$45.3 billion across 376 exits in the first half of the year (\$21.2B among 147 exits in Q2), which is on track to be the lowest level since 2011
- The low level of exits is overshadowed by a record-breaking 2019, which included notable exits from Uber and Slack among others
- Biotech companies realized the most exit value of any segment in the first half, surpassing software for the first time in ten years
- Private equity-led buyouts and initial public offerings declined as a proportion of exit types, while acquisitions increased
 - IPOs may increase as the stock market has recovered. The end of the quarter brought notable IPOs from Warner Music Group, Vroom, Royalty Pharma, and Albertson's

Notable US Q2 Exits

Date	Target	Investor(s)	Consideration (MM USD)
06/11/20	Corvidia Therapeutics	Novo Nordisk	\$ 2,100
06/25/20	ArcherDX	Invitae	1,400
06/28/20	Zoox	Amazon	1,300
04/08/20	HealthEdge	The Blackstone Group	730
05/12/20	Conga	Apttus	715
04/02/20	FuboTV	Facebank Group	610

First Half Fundraising Robust Among Fewer Funds

Annual US VC Fundraising Activity¹



US VC Fundraising Highlights

- Fundraising has been robust thus far in 2020, with venture capitalists on track to raise more than \$85 billion for the year
- The \$43 billion raised in the first half is already four-fifths of the total raised in all of 2019 (and more than any year in the last decade other than 2016, 2018, and 2019)
- Following the trend of the last few years, there have been more capital raised across fewer funds, and there has been a noticeable decline in fundraising for first-time fundraisers
- Fundraising efforts stemming from 2018 to the current period have led to record dry powder levels – as much as \$121 billion in mid-2019, according to PitchBook Data (based on most recent data)

Notable US Q2 Fundraises

Close Date	Fund	Size (MM USD)
04/09/20	General Catalyst Group X	\$ 2,300
04/14/20	Lightspeed Venture Partners Select IV	1,830
04/15/20	Lightspeed Opportunity Fund	1,500
04/02/20	Flagship Pioneering Fund VII	1,100
04/14/20	Lightspeed Venture Partners XIII	890
04/06/20	Deerfield Healthcare Innovations Fund II	840

Partners for Strategic Transactions

Overview

Skyline Advisors partners with growth stage and lower middle-market companies to successfully position for, and then execute, strategic transactions. Our experience includes sitting on all sides of the deal table – serving as investors in, executives of, members of the board of directors for, and advisors to high-growth companies that have successfully completed debt and equity financings, acquired other companies, and successfully exited through multiple avenues. This experience provides unique perspective on what you are undertaking, and what is required to ensure a smooth transaction and post-closing transition. Our principal's securities and real estate licenses enable a broad offering of services to ensure all strategic options are explored to optimize results.

Services

Mergers & Acquisitions

- Buy-side and sell-side
- Divestitures, spin-offs, and spin-outs
- Management buyouts
- Strategic partnerships

Corporate Finance

- Growth and acquisition capital
- Taking-private transactions
- Strategic investments
- Recapitalizations
- Debt financing (senior and subordinated)

Strategic Advisory

- Valuation analysis
- Due diligence
- Financial consulting and modeling

Industries Served

Industry agnostic with a key focus on the following:

- Industrials
- Food and agribusiness
- Technology
- Healthcare

Professionals

John Gustafson, CFA | 402-827-9905 | john@skyline-advisors.com

- 20+ years in investment banking, PE, and operations
- MBA – Northwestern University
- BS in Accounting – University of Nebraska-Lincoln
- Series 62, 63, and 79 securities licenses


Chris Moore | 402-213-6029 | cmoore@skyline-advisors.com

- 5+ years in investment banking and other finance experience
- MS in Finance – Tilburg University (the Netherlands)
- BS in Business Administration – University of Nebraska-Omaha


Select Transactions



Acquired by

Acquired by





Airport lighting division acquired by




Acquired by




Merged with




Strategic transaction with




Acquired by

