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VC Funds Raised Over US$10B in 2010 with a Domestic Boom

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VC Funds Raised Over US$10B in 2010 with a Domestic Boom

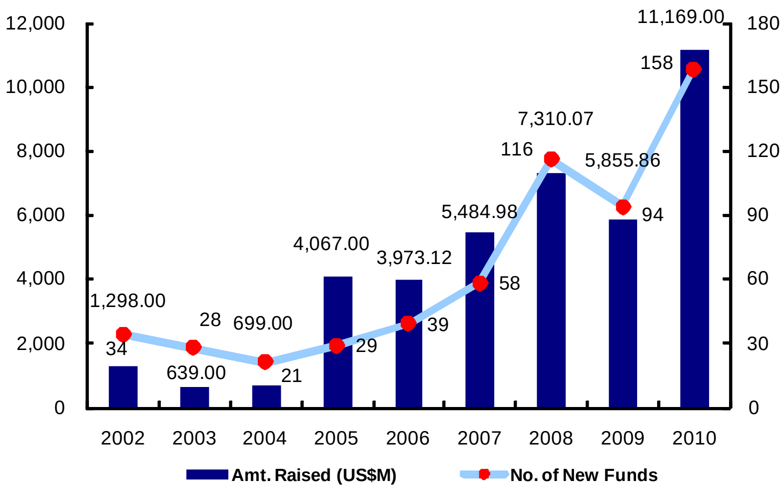
Released By Zero2IPO Research Center

The year 2010 is of historical significance for China VC market, which set new records in fundraising, investment and exit, as per the statistics of Zero2IPO Research Center, a prominent VC/PE research institution in Greater China.

In terms of fundraising, Chinese and foreign VC institutions showed incredible enthusiasm. To be specific, RMB funds further enhanced their leading position with over 90% in number of new funds. The VC investment witnessed substantial increases in number of deals and amounts, featured by policy-orientated and highlight-pursuing in industry breakdown, as Internet, clean-tech and bio/healthcare maintained the clear lead. In reference to the VC institution type, domestic VC institutions gained unparalleled activity in 2010 with higher investment proportion and outstanding exit boom. In addition, a wave was seen in Chinese enterprises' IPOs on US market.

In accordance with the data of Zero2IPO Research Center, 158 new funds were raised by domestic and foreign VC institutions in 2010, newly adding US $11.17B available for investment in Chinese mainland; in terms of investment, 817 deals were closed in China VC market, including 667 ones disclosing a total investment amount of US$5.39B. In terms of exit, the year 2010 posted 388 exits, among which 331 exits accounted for up to 85.3% in number of deal.

Figure 1 Year - on - year Comparison of Fundraising in 2002 - 2010



Source: Zero2IPO Research Center

Total fundraising amount of new VC funds exceeded US$10.00B

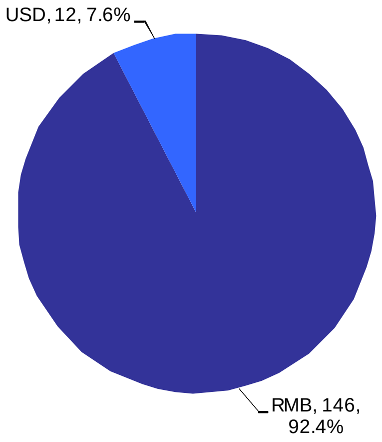
China VC market maintained momentum in terms of number of new funds and fundraising amount since 2002. Despite the overall downturn due to the financial crisis in the end of 2008, China VC market witnessed unparalleled enthusiasm even fever in fundraising since 2010. According to the data of Zero2IPO Research Center, the year 2010 garnered 158 new funds and US $11.17B, up 68.1% and 90.7% year-on-year, and even climbing by 36.2% and 52.8% from the record high in 2008. (See Figure 1)

During recent years, RMB funds definitely tend to outperform USD funds, due to such favorable factors as expansion of domestic LPs, perfection of policy climates and smooth exit channel. The year 2010 newly raised 146 RMB-denominated funds and US $6.87B in total, accounting for 92.4% and 61.5% of the full year, seeing further improvements from 89.4% and 60.9% in 2009. However, in reference to the average scale of funds, foreign currency funds maintained the lead. (See Figure 2 and Figure 3)

China VC market recorded over 800 investment deals for the first time and US $5.40B investment amount

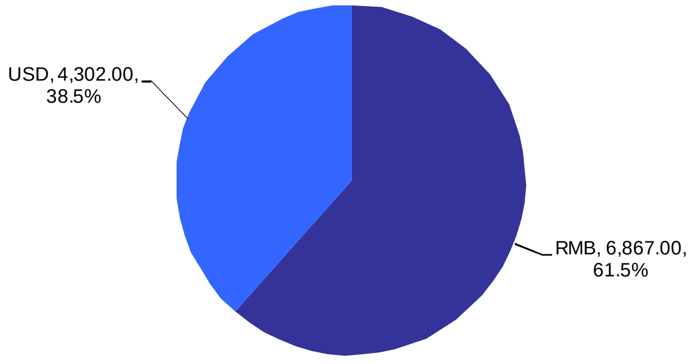
China VC market recorded over 800 investment deals for the first time in 2010. Specifically, 817 investment deals were closed, among which 667 deals disclosed a total investment amount of US $5.39B, outstripping

Figure 2 Distribution of New Funds in 2010 by Currency (By No. of Funds)



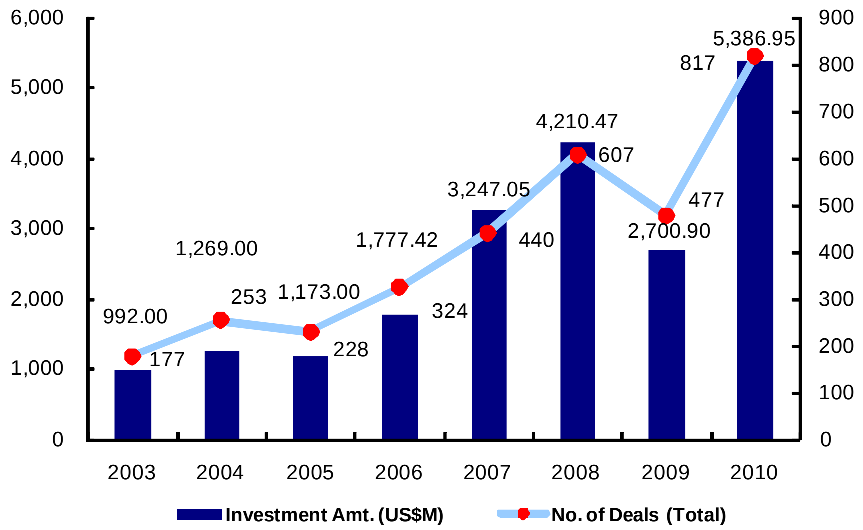
Source: Zero2IPO Research Center

Figure 3 Distribution of New Funds in 2010 by Currency (By Amt. Raised, US$M)



Source: Zero2IPO Research Center

Figure 4 Year-on-year Comparison of VC Investment in China in 2002-2010



Source: Zero2IPO Research Center

477 deals and US$2.70B in 2009, and eclipsing 607 deals and US$4.21B in 2008. (See Figure 4)

Internet, clean-tech and bio/healthcare took the lead

817 investment deals in China VC market during 2010 were scattered in 23 grade-1 industries. Internet, clean-tech and bio/healthcare maintained their leading position. (See Figure 5 and Figure 6)

The Internet sector hit new highs in number of investment deals and total investment amount in 2010 by securing 125 deals and US $717.90M investment, up 104.9% and 126.5% from 61 deals and US $317.00M in 2009. To be specific, the e-commerce sector had 52 investment deals. The investment in e-commerce was featured by further diversification in 2010 mainly distributed in apparel, consumer products, jeweler, cosmetics and group purchase. Furthermore, as an e merging sub-sector of e-commerce, group purchase sites had attracted more investments. With the increasing proportion of online consumption in the total volume of retail sales and market development in tier-2 or tier-3 cities, the e-commerce industry boasted substantial development space.

The clean-tech industry registered 84 investment deals and US $507.77M investment in 2010, up 58.5% and 42.7% respectively from 53 deals and US$356.00M in 2009. As the national government has further enhanced investment in environmental protection, "low-carbon economy" has been soon best-received by investors.

Domestic VC feasted on the beginning of boom

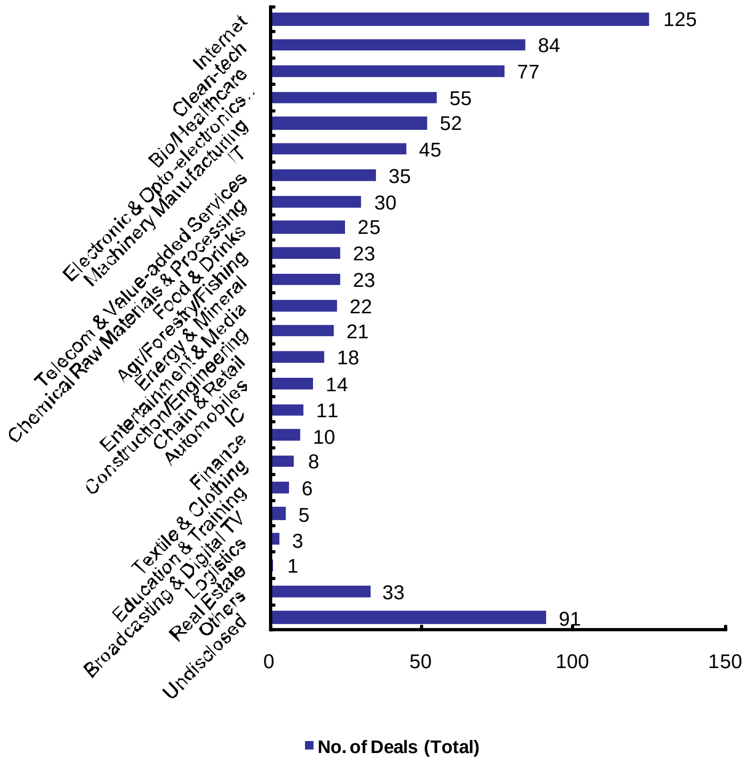
Since the financial crisis, foreign VC firms had slowed their investment, offering excellent opportunity for the development of domestic VC firms. In terms of domestic market, ChiNext and smooth exit channel on domestic capital markets has greatly accelerated the prosperity of domestic VC firms. The year 2010 witnessed further development of domestic VC with 526 deals and US$2.72B investment, accounting for 64.4% and 50.5% of the full year, and surging by 74.2% and 106.2% from 302 deals and US$1.32B in 2009. (See Figure 7 and Figure 8)

Domestic VC feasted on great achievements particularly due to the effect of ChiNext

Domestic and foreign VC firms completed 388 exits during 2010, a marked improvement from 123 exits in 2009. In terms of IPO exits, 157 VC-backed IPOs were involved in 331 exits, an 85.3% of the total, as Chinese enterprises generated an IPO wave on global markets in 2010. Besides the above, 20 exits were completed via trade sale, accounting for 5.2%; 20 exits via M&A, accounting for 6.2%; one exits via buy-back, a 0.3% of the total. (See Figure 9 and Figure 10)

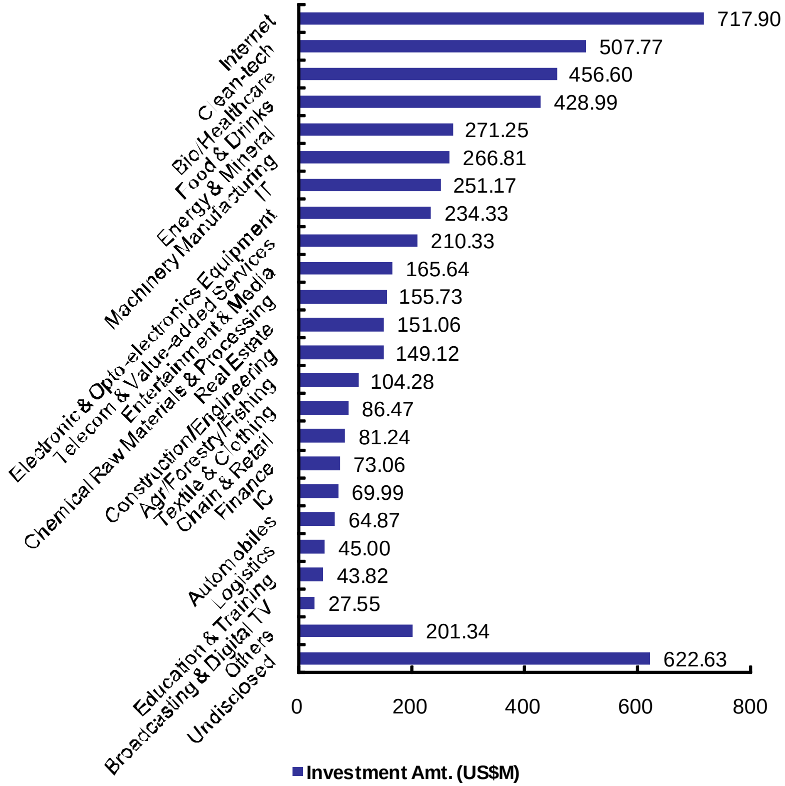
China VC market witnessed 331 exits involved in 157 VC-backed IPOs in 2010, over twice more than that

Figure 5 Industry Breakdown of VC Investment in 2010 (By No. of Deals)



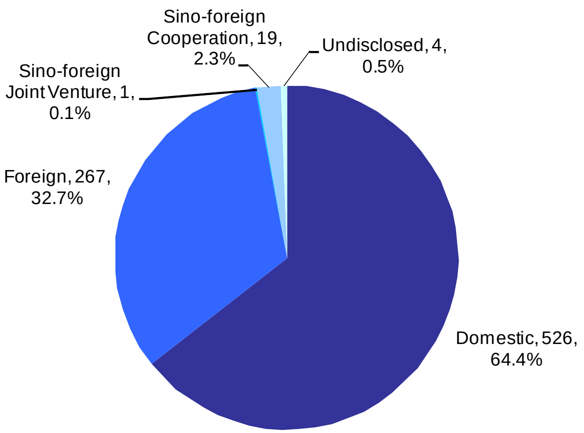
Source: Zero2IPO Research Center

Figure 6 Industry Breakdown of VC Investment in 2010 (By Investment Amt., US$M)



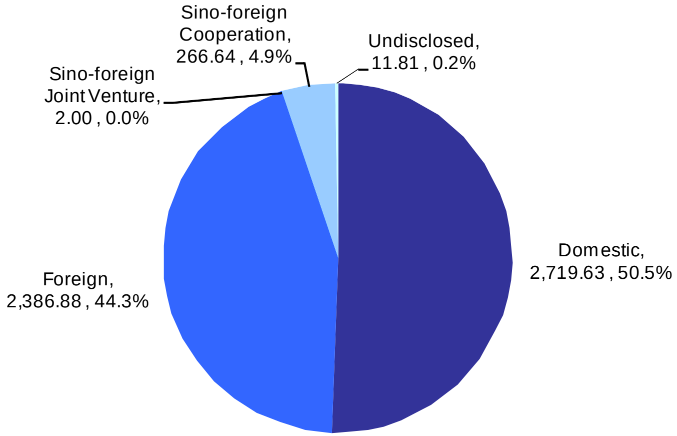
Source: Zero2IPO Research Center

Figure 7 Distribution of VC Investment by Institution Type (By No. of Deals)



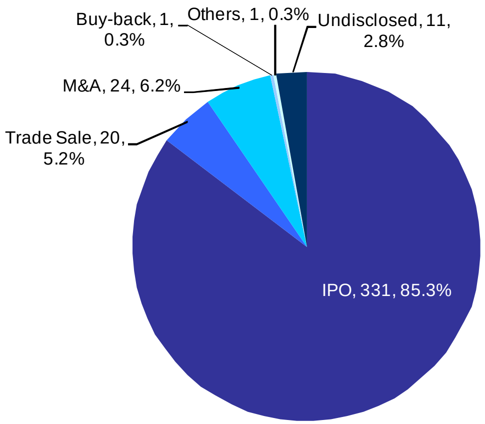
Source: Zero2IPO Research Center

Figure 8 Distribution of VC Investment by Institution Type (By Investment Amt., US$M)



Source: Zero2IPO Research Center

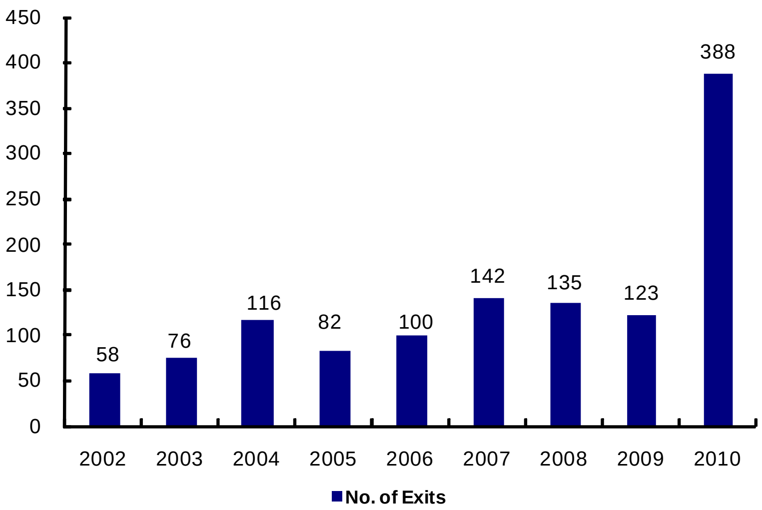
Figure 10 Distribution of VC Exist by Option in 2010 (By No. of Exits)



Source: Zero2IPO Research Center

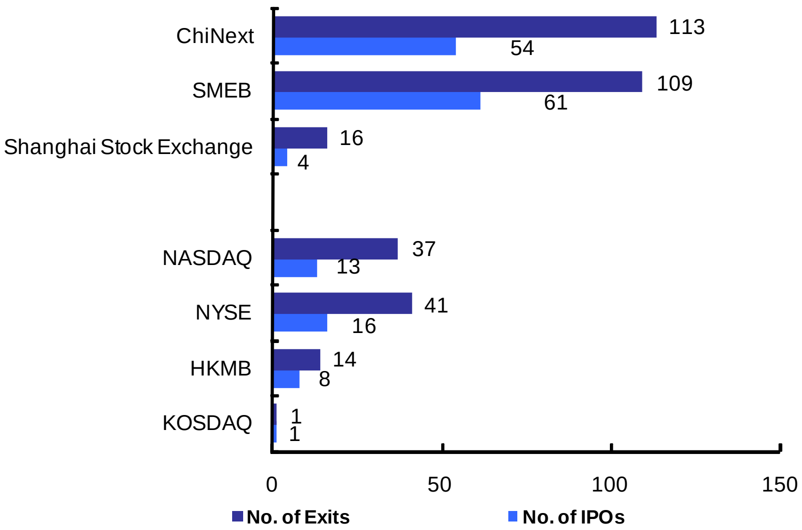
in 2009. In reference to domestic markets, due to the effect of smooth exit channels, the year 2010 saw 119 VC-backed IPOs and 238 exits, accounting for 75.8% and 71.9% of the total. On the other hand, the over seas markets registered 38 VC-backed IPOs and 93 exits, soaring by 280.0% and 416.7% from 10 IPOs and 18 exits during 2009. (See Figure 11)

Figure 9 Year-on-year Comparison of VC Exits in 2002-2010



Source: Zero2IPO Research Center

Figure 11 Market Breakdown of VC-backed IPOs in 2010



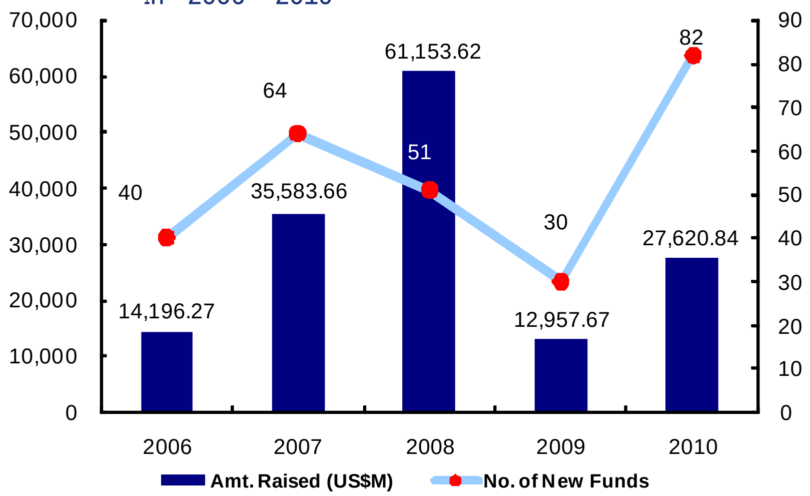
Source: Zero2IPO Research Center

China PE Market Showed Great Enthusiasm in 2010 with 82 New Funds, 363 Investment Deals & 167 Exits

Released By Zero2IPO Research Center

The year 2010 can be a landmark in the development of China PE investment market to an extent, by staging a strong recovery in China market after the financial crisis in 2008 and a fundraising and investment downturn in 2009. According to the latest data of Zero2IPO Research Center, a well-known VC/PE research institution in Greater China, China PE investment market hit record highs of fundraising, investment and exit deals in 2010, when 82 PE funds available for the investment in Chinese mainland completed their fundraising with total proceeds of US $27.62B; in addition, 2010 triggered an investment fever by closing 363 investment deals and a total transaction amount of US$10.38B; in terms of exit, 2010 saw 167 exits including 160 IPO exits, five exits via trade sale and two via M&A, outnumbering the record high of 95 exits in 2007.

Figure 1 Year-on-year Comparison of PE Fundraising in 2006-2010

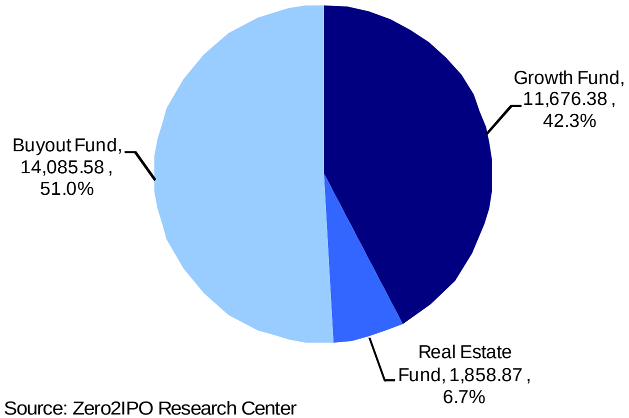


Source: Zero2IPO Research Center

Fundraising fever arose widening the gap between RMB and USD funds

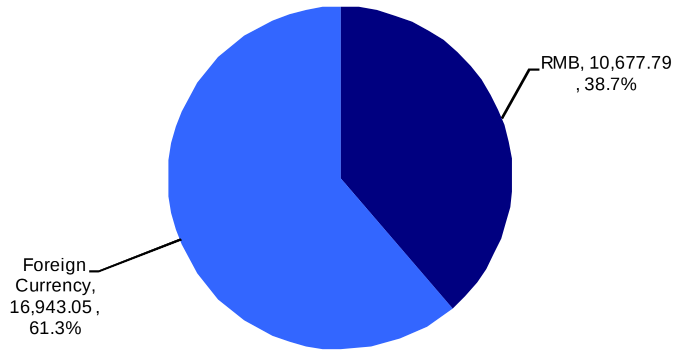
China PE market considerably picked up its fundraising enthusiasm in 2010, when 82 PE funds available for the investment in Chinese mainland successfully raised US $27.62B in total, 2.73 and 2.13 times respectively as many as that in 2009. Zero2IPO Research Center notices that the year 2010 witnessed decreasing scale in new funds, for the funds of less than US $200.00M accounted for 74.4% in 2010 climbing from 66.7% in 2009.

Figure 2 Distribution of New Funds in 2010 by Fund Type (By Amt. Raised, US$M)



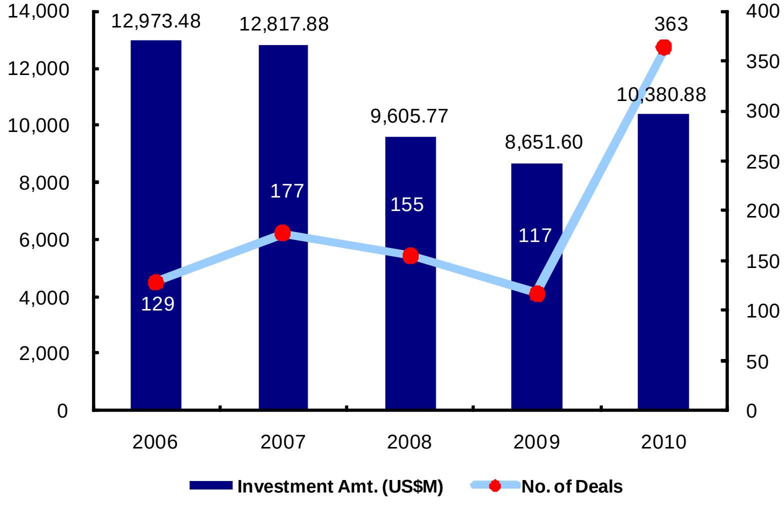
Source: Zero2IPO Research Center

Figure 3 Distribution of New PE Funds in 2010 by Currency (By Amt. Raised, US$M)



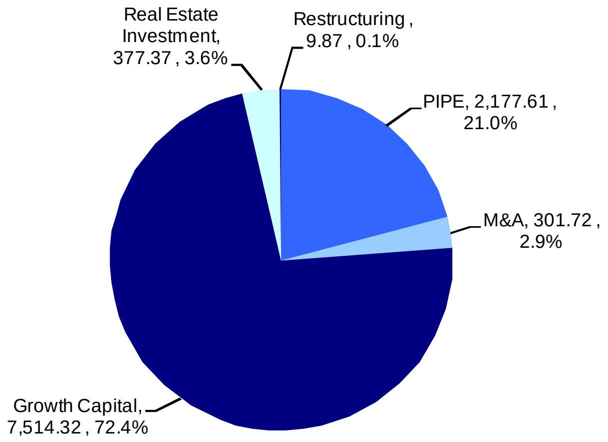
Source: Zero2IPO Research Center

Figure 4 Year-on-year Comparison of PE Investments in 2006-2010



Source: Zero2IPO Research Center

Figure 5 Distribution of PE Investments in 2010 by Strategy (By Investment Amt., US$M)

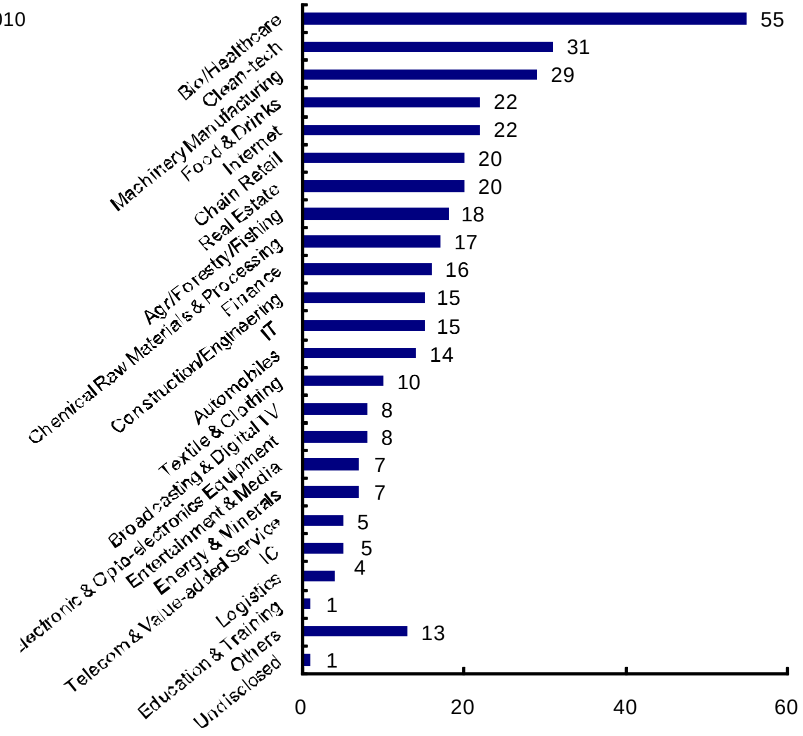


Source: Zero2IPO Research Center

In terms of the fund type, among these 82 newly raised funds, there were 68 growth funds, ten real estate funds and four buyout funds. As to the institution type, domestic emerging investment institutions staged an upsurge in raising real estate funds in 2010, when domestic PE firms boasted up to 90.0% and 80.0% respectively in terms of number of fund and amount raised.

RMB funds continued to gain steam in fundraising during 2010, further outstripping foreign currency funds in terms of number of funds. Totally 71 RMB funds had completed fundraising, with an aggregate amount of US $10.68B available. On the other hand, foreign currency funds raised only less than 20% of RMB funds in number of new funds in 2010, yet 1.59 times over RMB funds in terms of the aggregate amount.

Figure 6 Industry Breakdown of PE Investments in 2010 (By No. of Deals)



Source: Zero2IPO Research Center

In addition, 31 funds targeting US $12.21B were newly launched but uncompleted in 2010, among which RMB funds accounted for 80.6% and 79.3% respectively in number and target size.

PE funds saw great enthusiasm and diversifying tendency in investment

China PE market closed 363 investment deals in 2010, with an investment amount of US $10.38B, rep resenting 3.1 and 1.2 times over the levels in 2009. It is noteworthy that despite the steep increase in the number of investment deals, the year 2010 witnessed a weak improvement in the investment amount, merely achieving US$28.60M per deal on average, hitting a record low. From the perspective of the investment deals and institution type, domestic institutions generally garnered relatively small investment scale and few large-scale deals, while investment deals of over US$200.00B were mostly completed or participated by foreign-funded institutions.

In terms of investment strategy, institutions showed more diversification in 2010, as 363 investment deals included 325 growth capital deals, 19 PIPE deals (Private Investment in Public Equity), five M&A deals, 12 real estate investment deals and two restructuring deals. As for the number of investment deals, except for M&A investment deals slightly shrinking from the level in 2009, investment deals of other strategies all witnessed improvements.

Favorable policies led to a boom year for many industries

Many industries had benefited from the national industrial revitalization plans issued in 2010, seeing marked improvements in the ranking by the number of investment industries, among which the bio/healthcare industry took the lead with 55 investment deals, and clean-tech, machinery manufacturing, food & drinks, chain retail and agr/forestry/fishing industries followed with remarkable improvements in attentions and activity from investment institutions. The above-mentioned data had shown that PE investment market was greatly orientated by macro-economy policies. In terms of investment amount, in spite of more investees, the bio/healthcare industry produced relatively small transaction scale. In contrast, the machinery manufacturing and Internet industries closed many large-scale PIPE and M&A deals, topping other industries with a total investment amount of US$1.18B and US$1.11B respectively.

Figure 7 Industry Breakdown of PE Investments in 2010 (By Investment Amt., US$M)

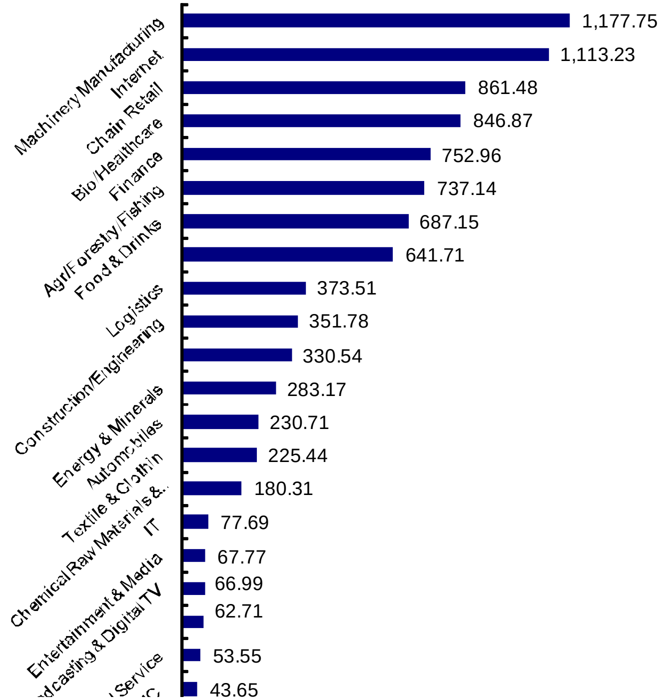


Figure 8 Geographic Breakdown of PE Investments in 2010 (By No. of Deals)