

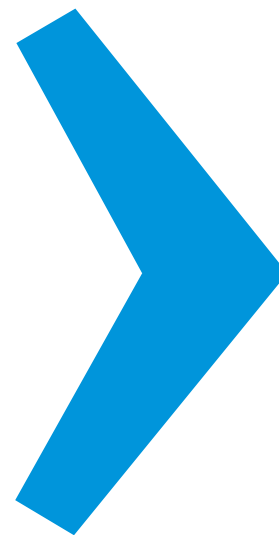
The background of the entire page is a photograph of three people in a modern office setting. On the left, a man with glasses and a grey button-down shirt is pointing with a white marker at a whiteboard. The whiteboard is covered in handwritten notes and diagrams in Chinese. To his right, another man in a dark hoodie and a woman in a grey sweater are looking at the whiteboard with interest. The office has large windows in the background showing a city view.

svb >

Silicon Valley Bank

# China Startup Outlook 2019

Key insights from the Silicon Valley Bank  
Startup Outlook Survey



# Startups are focused on innovating despite uncertainty

For the 10th year, Silicon Valley Bank is proud to present our **Startup Outlook Report**. The innovation economy has expanded greatly in the US and abroad in the past decade, and so has Startup Outlook. In our first report, we surveyed 300 people, most of them in California. The 2019 report includes the perspectives of nearly 1,400 technology and healthcare founders and executives primarily in major innovation hubs across the US, the UK, China and, for the first time, Canada.

In their responses this year, many startups tell us they expect business conditions to improve in 2019, and they are making plans to hire employees and raise capital. I love the fact that entrepreneurs are optimistic thinkers — after all, where would we be if they didn't have a positive outlook? At the same time, they are realistic about the challenges they may face, whether hiring top talent, planning exits during volatile markets or navigating geopolitical uncertainty (read: US-China trade tensions and Brexit).

Looking at the first report from 10 years ago, I noted that hiring top talent was a concern then — even with high unemployment rates coming out of the Great Recession. Today, we hear how hiring challenges affect businesses in every major innovation hub, whether due to unprepared workforces, immigration policies or competition with tech giants. Entrepreneurs seldom speak with one voice, but this report underscores the unified need to find solutions — or risk a slowdown in innovation.

A small but interesting measure highlights the speed of innovation: The report of 10 years ago did not mention, for example, AI, autonomous cars or blockchain — now pioneering technologies. This year, we asked respondents to predict what the most promising technologies will be a decade from now. **Check out the reports** to see what each country chose.

One more shift: Today, the innovation economy, with its size and complexity, is a key barometer of the overall economy in many places and is subject to macroeconomic tailwinds and headwinds. Whether 2019 will be a turning point for global economies is hard to know. But we do know that innovators are adept at uncovering opportunities and overcoming challenges. That is one constant I don't expect will change.

We hope you find useful takeaways in this report to help your company succeed. Thank you for your interest. Let us know what you think.



**Greg Becker**  
CEO, Silicon Valley Bank

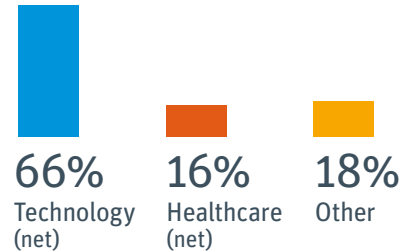
# About the Startup Outlook Survey

Our annual survey of startup executives offers insights into what is on the minds of technology and healthcare leaders. For the 2019 report, we received responses from startup executives in innovation hubs primarily in the **US**, the **UK**, **Canada** and **China**.

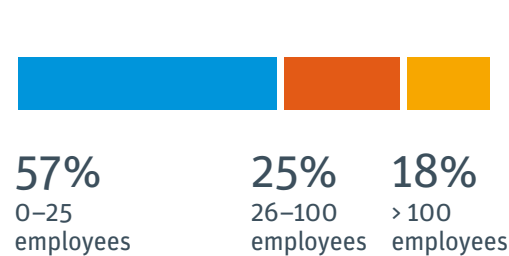
## Total respondents

1,377

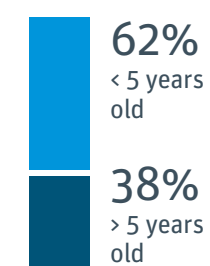
## Industry sector



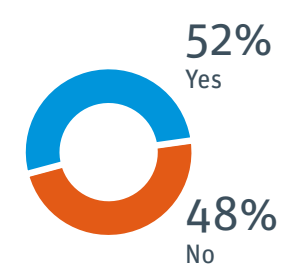
## Size



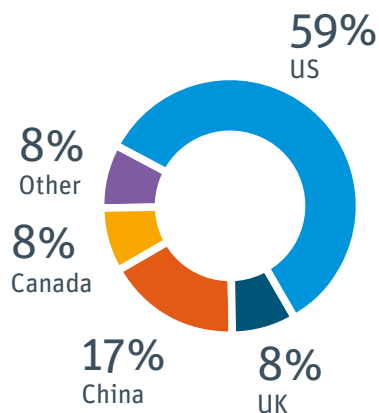
## Company age



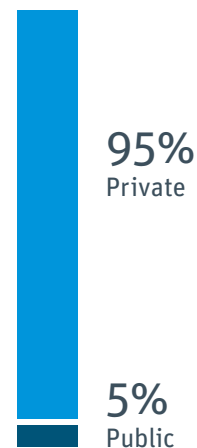
## Profitable



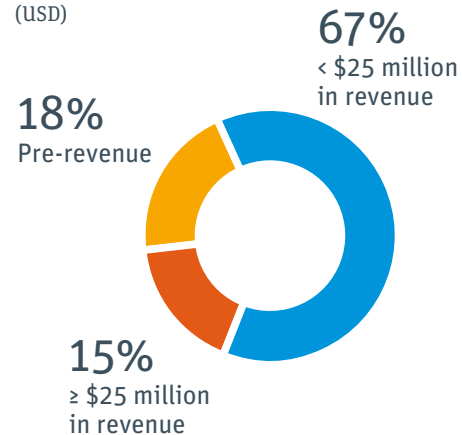
## Primary place of business



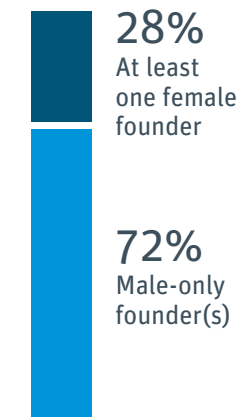
## Ownership



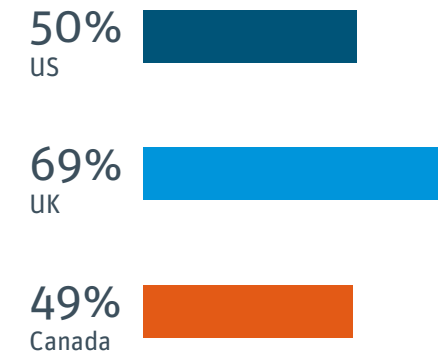
## Revenue stage (USD)



## Founder gender



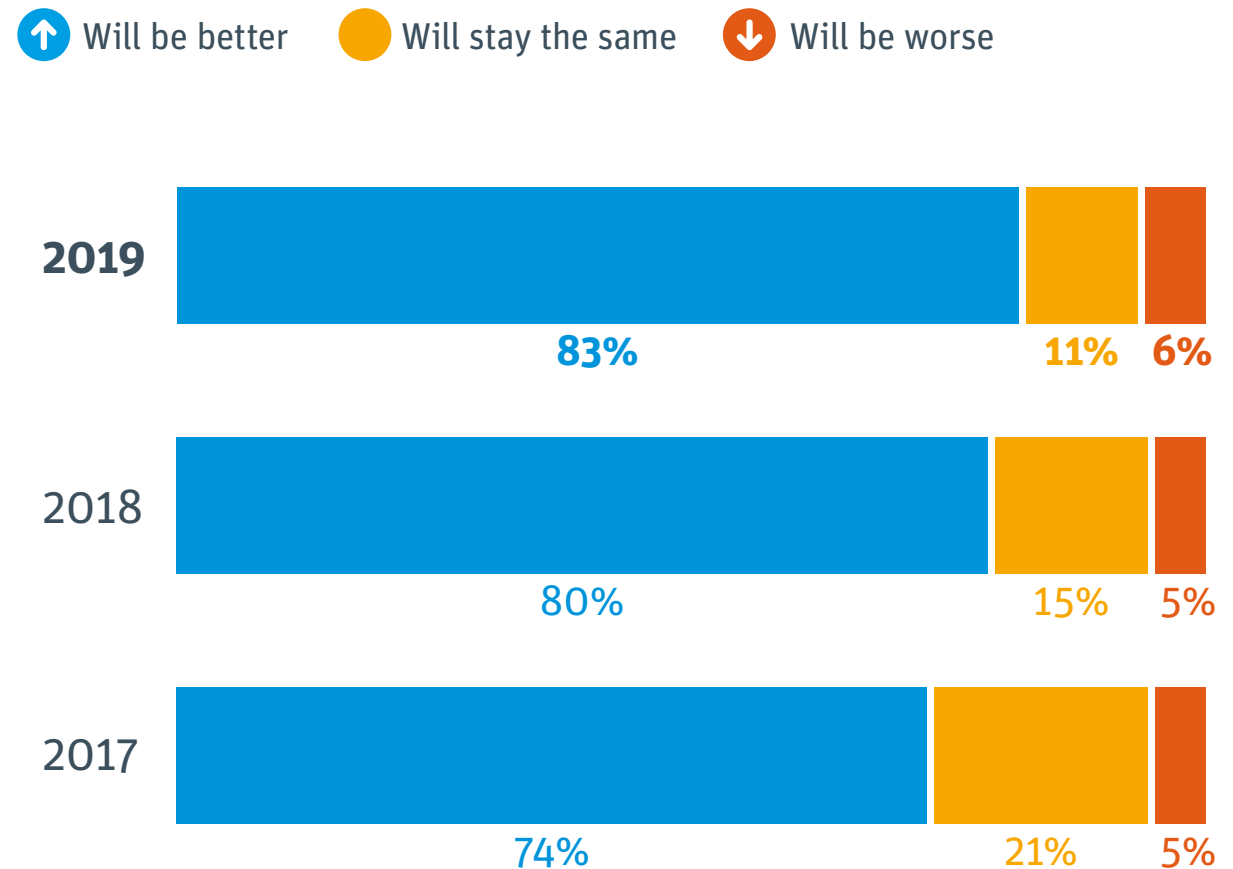
## Companies with at least one founder born outside their primary country



## Chinese startups say business conditions will improve

Although 8 in 10 Chinese startups think positively about 2019, reports of declining access to capital suggest that growth may be tempered.

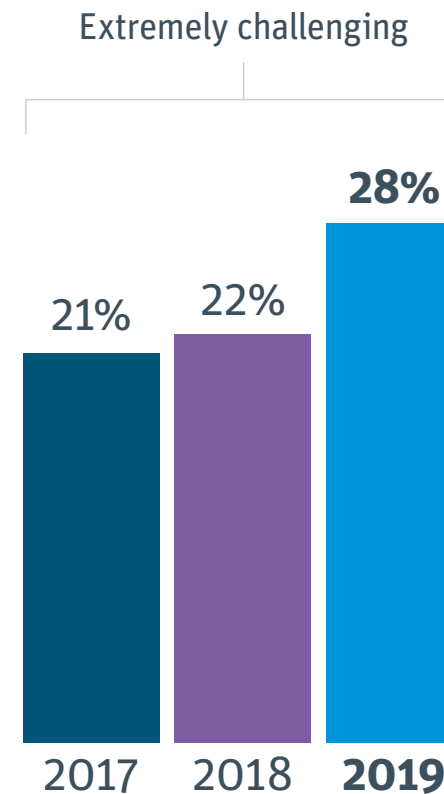
Describe your outlook on business conditions for your company this year compared with 2018.



## Fundraising grows more difficult

A growing number of Chinese startups say it is harder to raise capital, with 28 percent calling it extremely challenging. In comparison, 13 percent of US startups say it is extremely challenging. Investors may be pulling back somewhat, due in part to government actions around financial risk, and that affects some Chinese VC fundraising and investing. Companies with sustainable business models should still find support.

### What is your view of the current fundraising environment?

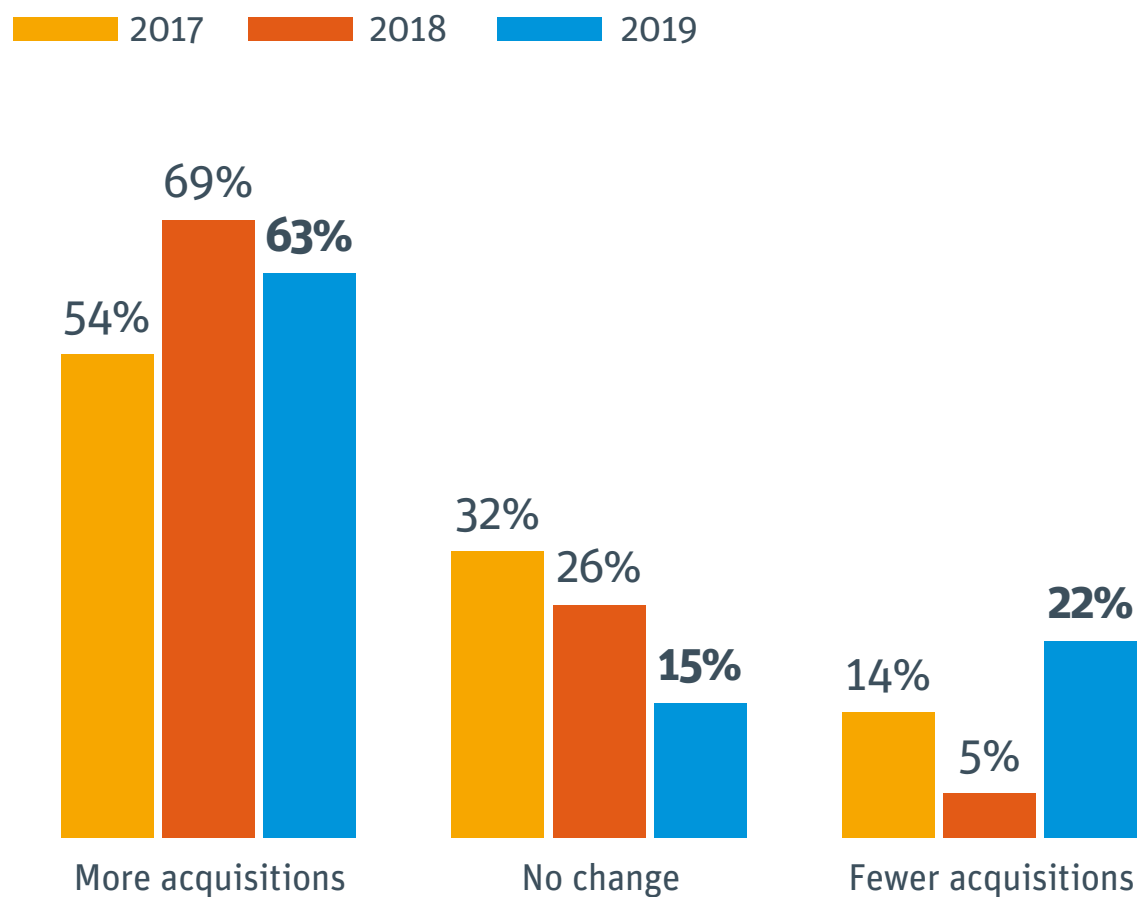




## Most Chinese startups say M&A will increase

About two-thirds of Chinese startups believe that acquisitions will increase in 2019, while nearly one-quarter expect M&A to decline.

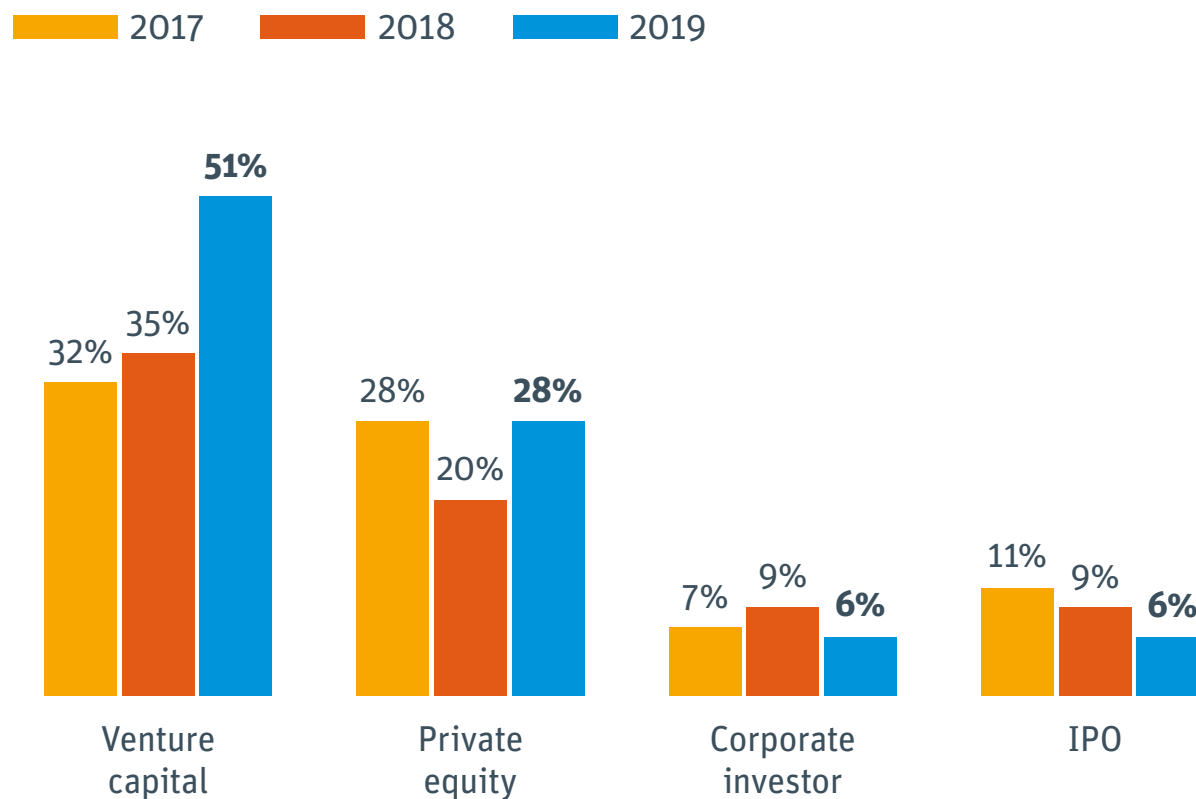
### How do you think the M&A market will change in 2019?



## VC is the expected next source of capital

Looking ahead, 51 percent of respondents expect their next source of funding to come from venture capital — a more traditional form of financing in China, particularly for later-stage companies.

### What do you expect to be your company's next source of funding?

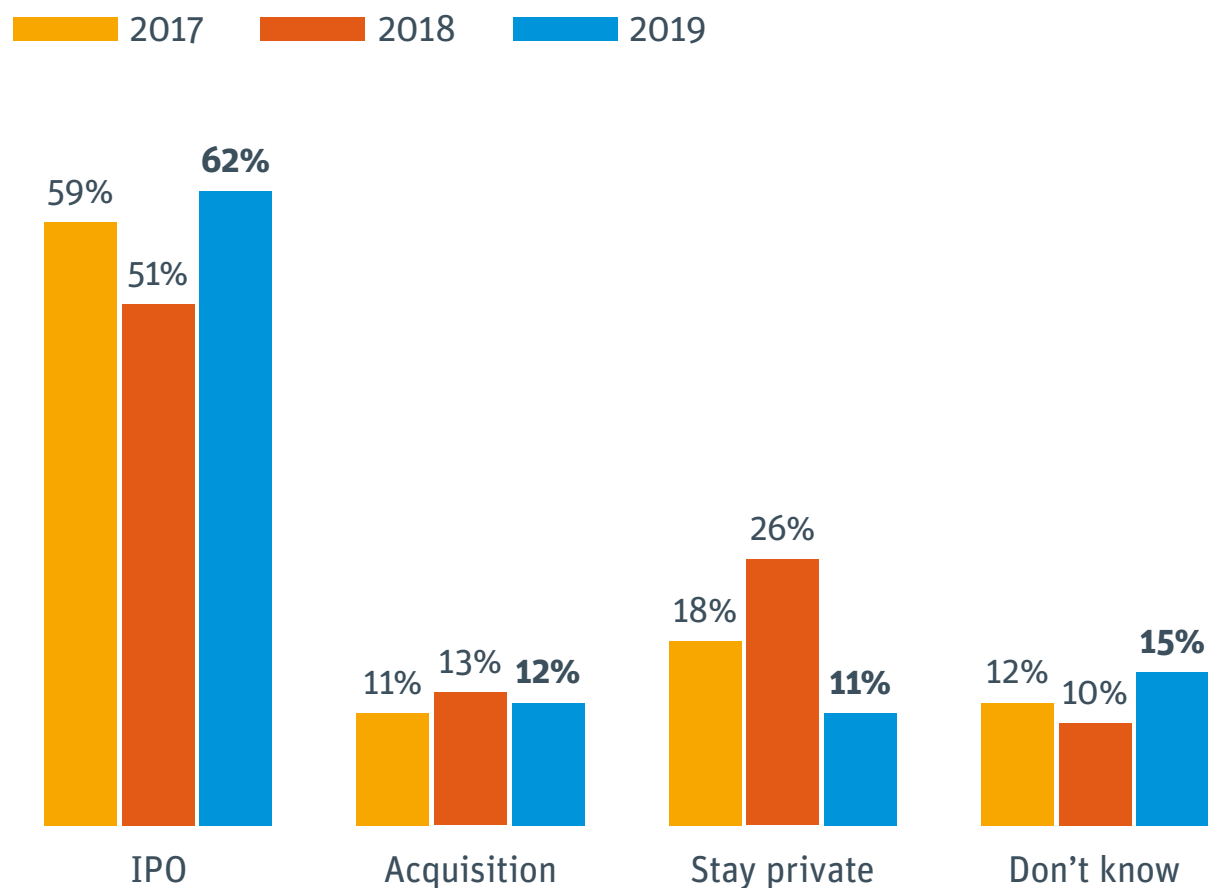


**Note:** Asked of private companies that successfully raised capital. Other sources of funding include bank debt, organic growth, mergers, government grants, crowdfunding and angel/micro VC/individual investors and represented 22% in 2017, 27% in 2018 and 9% in 2019.

## Most startups say IPO is their long-term goal

The majority of Chinese startups say they expect to eventually go public with an IPO. Fewer now expect to remain private. And, underscoring the difficulty of planning an exit, 15 percent say they don't know.

### What is the realistic long-term goal for your company?



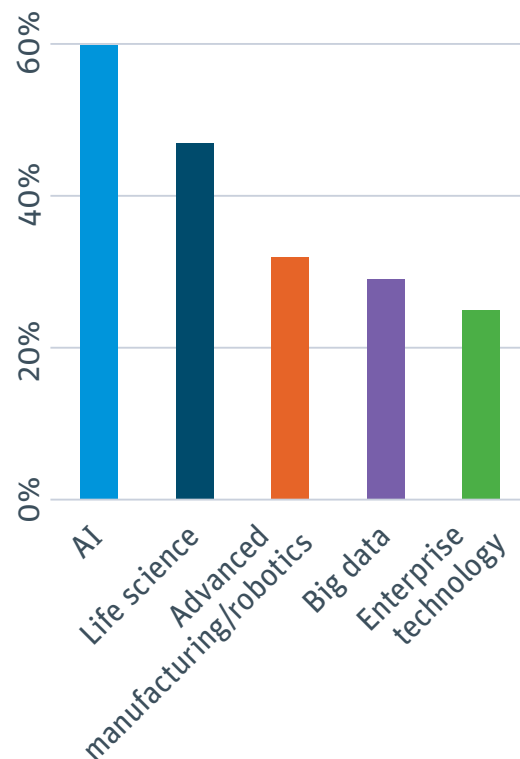


## AI is the most promising sector now – and in the future

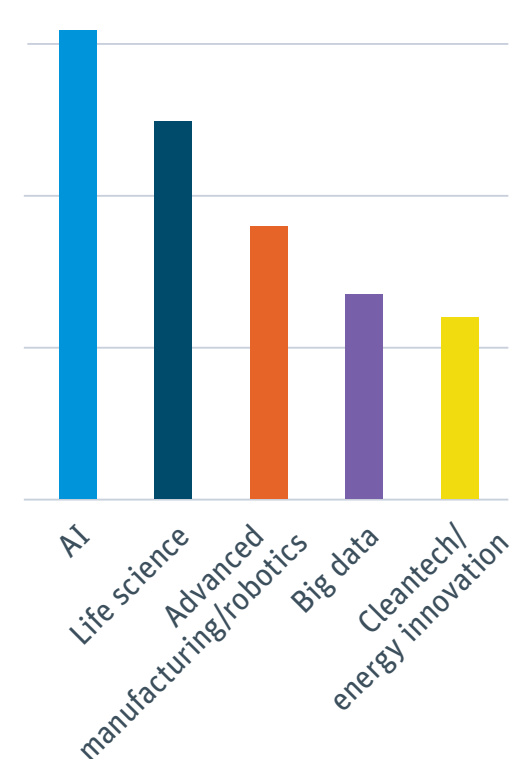
AI and life science are the top two areas that Chinese entrepreneurs say have the most promise today and a decade from now. Looking ahead, they say cleantech/energy innovation in particular will grow in promise.

### Which areas will be the most promising in the innovation economy?

2019



In a decade



**Note:** Respondents could choose up to three responses.

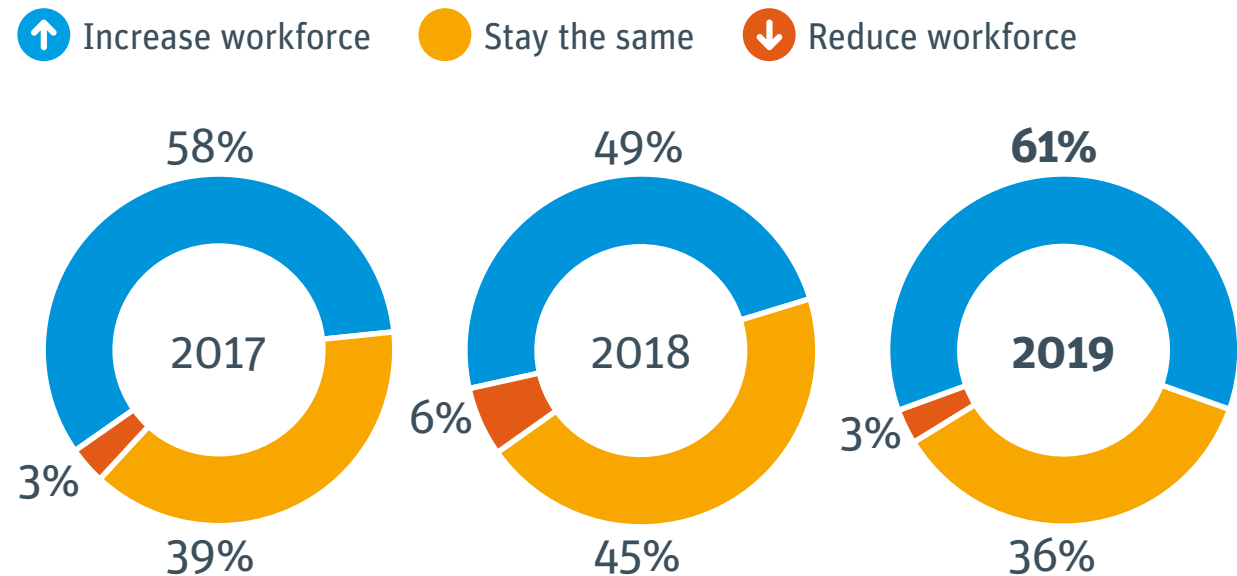
## Chinese startups plan for hiring

Six in 10 startups say they plan to add employees in 2019, but 32 percent recognize that it is extremely challenging to find talent with the necessary skills to grow their businesses. Another 60 percent say it is somewhat challenging. Startups are most in need of filling product development/R&D, technical and sales positions.

**“I hope there are favorable taxes or training subsidies to develop high-level talent. It is critical to improve education policies.”**

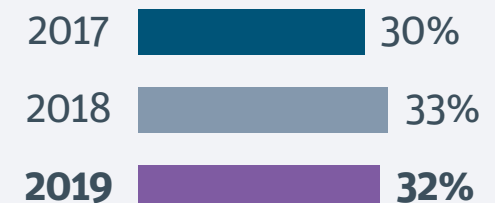
Entrepreneur, information security company

### What are your projections for hiring new employees in 2019?



**How challenging is it to find workers with the skills necessary to grow your business?**

Extremely challenging



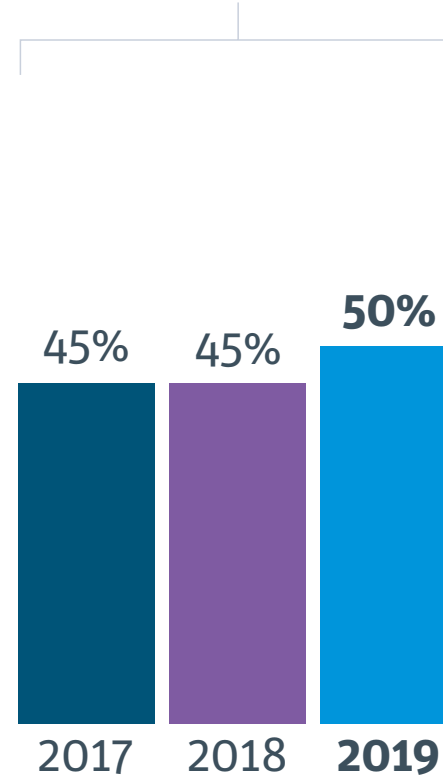
## Most Chinese startups have a woman in an executive role

Women in China have long held tech leadership positions. Now, 70 percent of Chinese startups have at least one woman in an executive position, and half have at least one woman on the board of directors.

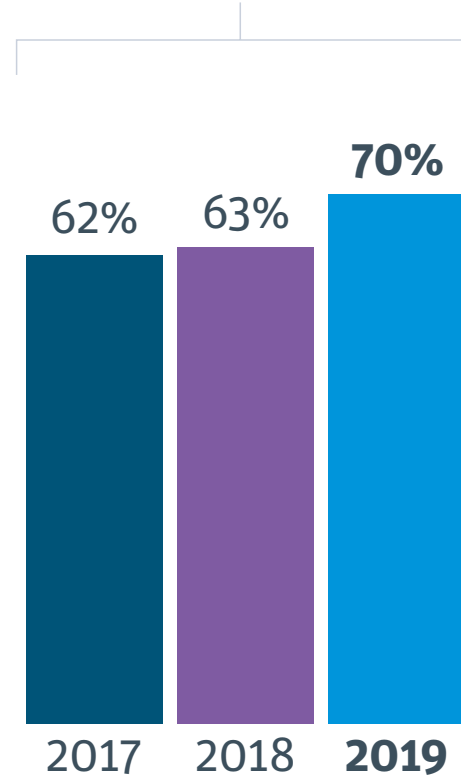
**SVB will publish an in-depth report on Women in Technology Leadership in H1 2019.**

### Percentage of startups with at least one woman in a leadership position:

Women on board of directors



Women in executive positions



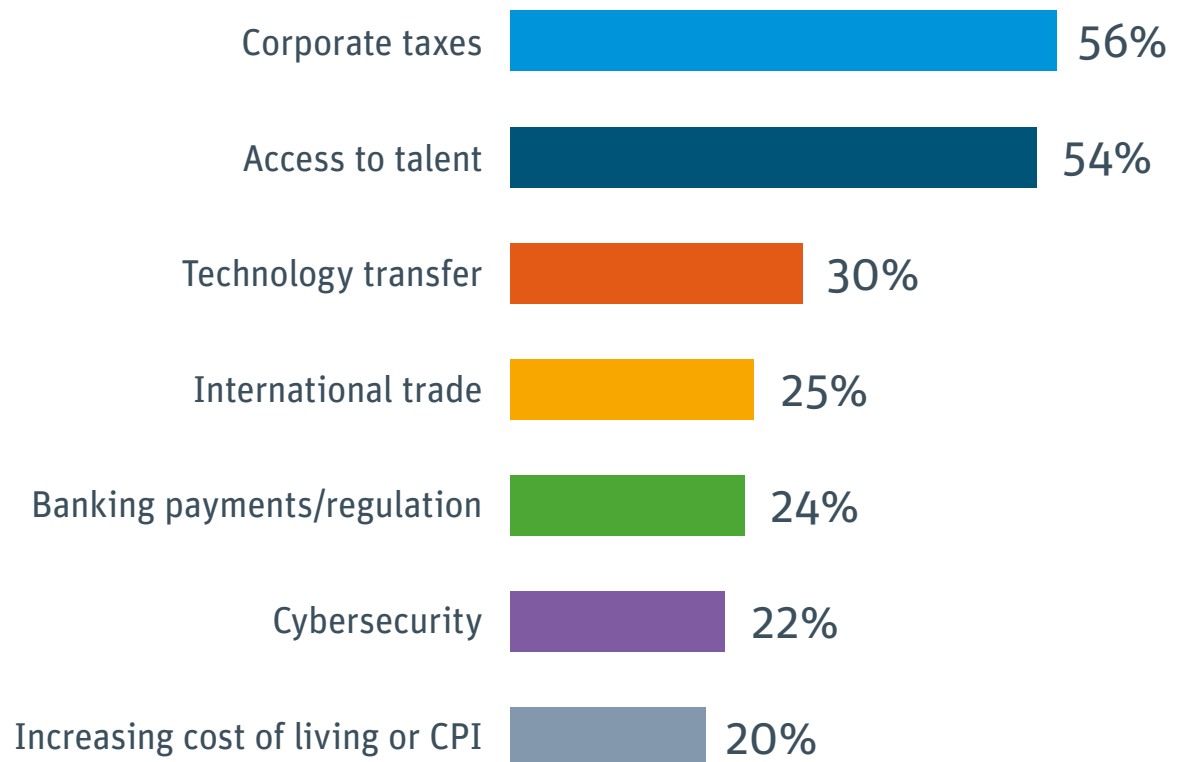
## Taxes and access to talent are top policy concerns

Corporate taxes and access to talent are the top two public policy issues that Chinese startups say have the most impact on companies like theirs.

**“Most of our budget is R&D to facilitate innovation and fuel industry breakthroughs. So we look forward to lower corporate taxes.”**

COO, software company

### What are the most important public policy issues affecting companies like yours?

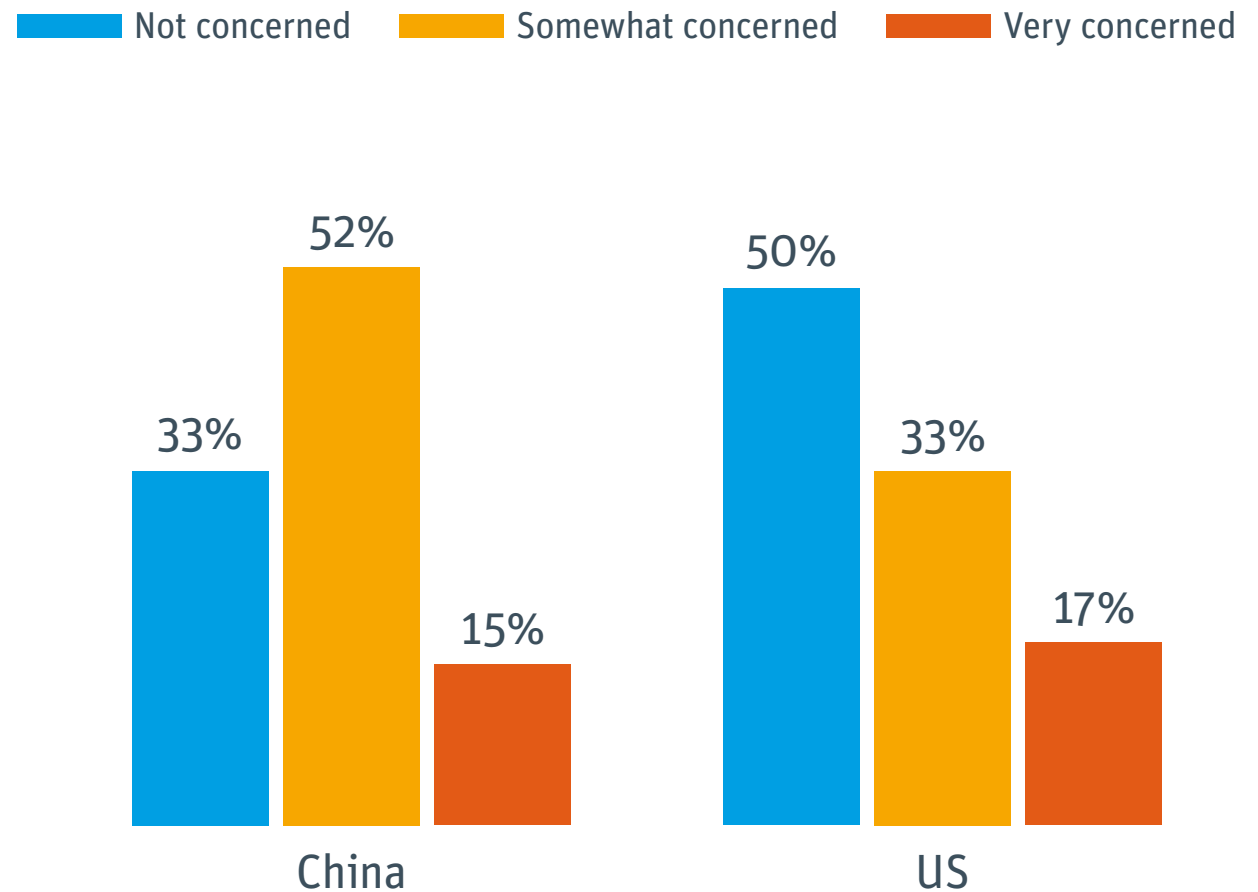


**Note:** Respondents could choose up to three responses.

## Startups say China-US trade policy will impact their business

Two in three Chinese startups say they are concerned that trade policy between China and the US will have a negative impact on their businesses. By comparison, 40 percent of US startups say they are concerned about a negative impact on their businesses.

How concerned are you that trade policy between China and the US will negatively impact your business in 2019?





## About Silicon Valley Bank

For more than 35 years, Silicon Valley Bank (SVB) has helped innovative companies and their investors move bold ideas forward, fast. SVB provides targeted financial services and expertise through its offices in innovation centers around the world. With commercial, international and private banking services, SVB helps address the unique needs of innovators.

Learn more at [svb.com/china](https://svb.com/china)