

The background of the slide is a composite image. The top half shows a clear blue sky with a few tall skyscrapers visible against it. The bottom half is a night-time aerial view of a city, likely New York City, with many buildings lit up and lights reflecting on the streets. A large, semi-transparent white rectangle covers the middle-left portion of the slide, containing the bank's logo and title. A solid blue diagonal shape cuts across the right side of the slide.

svb



Silicon Valley Bank

State of the Markets

Inside Views on the Health and Productivity
of the Global Innovation Economy

Q4 2020

State of the Markets

Q4 2020

4 **Macro:** A New Beginning
or Bubble Trouble?

8 **Private Markets – Fundraising:**
A Rising Tide

12 **Private Markets – Investment:**
Continued Divergence

17 **Exit Markets:** Flurry of IPOs;
M&A Muted (For Now)

21 **International:**
Blurring Boundaries?



Executive Summary

Venture Perseveres Amid Uncertainty

It's been nearly eight months since COVID-19 was declared a global pandemic. The world is facing health crises, economic uncertainty and the outcome of the US presidential election. Still, the public markets have rallied to pre-pandemic levels bolstered by Big Tech and unprecedented government stimulus. The venture flywheel continues to spin, even with challenges in building relationships and conducting due diligence remotely. Venture fundraising has seen its strongest year since 2000, leading to record dry powder. Startup investment has moderately slowed, especially for Series A deals, but has accelerated in areas benefiting from the new normal. Throughout, companies have pared back expenses and extended their cash runways in preparation for riding out worst-case scenarios. As many of these scenarios have yet to materialize, we are left with one of the strongest cohorts of companies we have seen; with lean operations, balance sheets flush with cash and refocused go-to-market strategies. On the exit front, Special Purpose Acquisition Companies (SPACs) continue to dominate the narrative, but don't let that distract from the recent flurry of VC-backed Tech IPOs, which were well-received by public market investors and achieved record multiples. In contrast, M&A has been surprisingly muted, though several recent prominent VC-backed acquisitions, like Twilio's announced acquisition of Segment, could be a sign that tides are changing.

This is all to say that the venture ecosystem is on a more stable footing than we expected at the start of the global pandemic. There are still plenty of hurdles to clear before the broader economy is back on track, but we believe that the innovation economy will remain resilient.

Bob Blee
Head of Corporate Finance
Silicon Valley Bank





Macro

A New Beginning or Bubble Trouble?

FAMGA Fuels Rebound

Following one of the steepest and quickest bear markets in history, public markets have surged to pre-pandemic levels on the back of record stimulus and optimism from investors because the worst-case scenario hasn't occurred. From the market bottom (March 23rd), the S&P 500 reached its previous peak (last seen on February 19th) in just five months, making it the third-quickest recovery in history.

Much of the rebound was driven by Tech as the industry benefited under the new normal of remote work and increased digitization. FAMGA¹, in particular, has been strong, outperforming the S&P 500 both in the bear market and through the recovery. FAMGA now comprises 23%² of the S&P 500 (by market capitalization), compared to 17%³ at the beginning of the year.

However, it is not all clear sailing. Volatility remains elevated and will likely persist as we head into the home stretch of 2020 with the uncertainty surrounding the result of the election in the US. Though markets have historically been positive in the back half of election years, regardless of which party wins, this election has proven especially polarizing and could make markets reverse course heading into 2021 and beyond.

Months Back to Previous Peak (S&P 500)

Bear Market	Bear Market Return	Length (Mos.)
Pre-WWII Nerves	-60%	45
Post-WWII Gloom	-30%	12
Red Scare	-22%	11
Cold War Fears	-28%	14
Credit Crunch	-22%	7
Vietnam Jitters	-36%	21
Nixon & OPEC	-48%	69
Volcker Crash	-27%	3
Black Monday	-34%	20
Gulf War	-20%	4
Dot-Com	-49%	56
Global Financial Crisis	-57%	49
Great Lockdown	-34%	5
Median Excluding Current		17

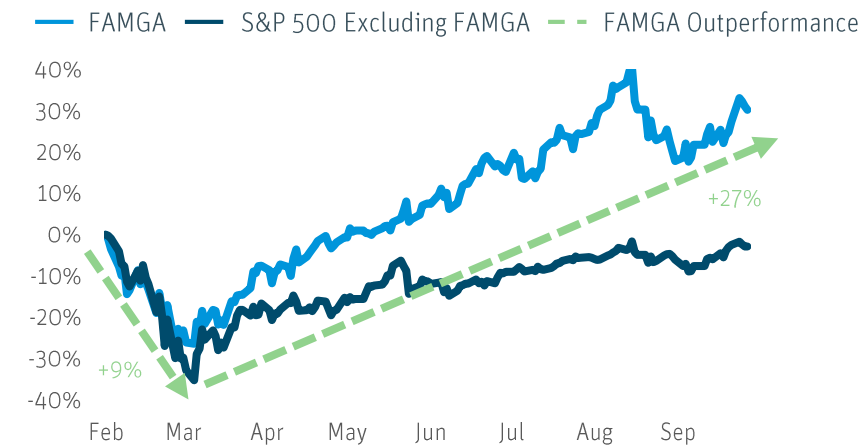
H2 of Election Year Returns (S&P 500)

Year	President	H2 Return
1976	Carter	3%
1980	Reagan	19%
1984	Reagan	9%
1988	H.W. Bush	2%
1992	Clinton	7%
1996	Clinton	10%
2000	Bush	-9%
2004	Bush	6%
2008	Obama	-29%
2012	Obama	5%
2016	Trump	7%
2020	?	?
Median ⁴ – Democrat		4%
Median ⁴ – Republican		6%

Scaling Aggregate FAMGA Market Cap²



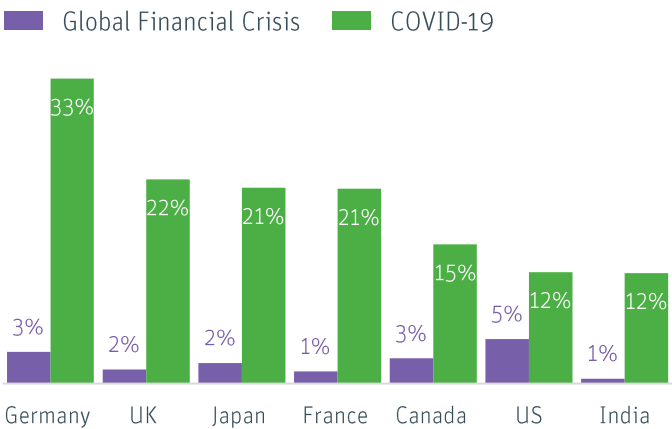
FAMGA Performance During Cycle⁵



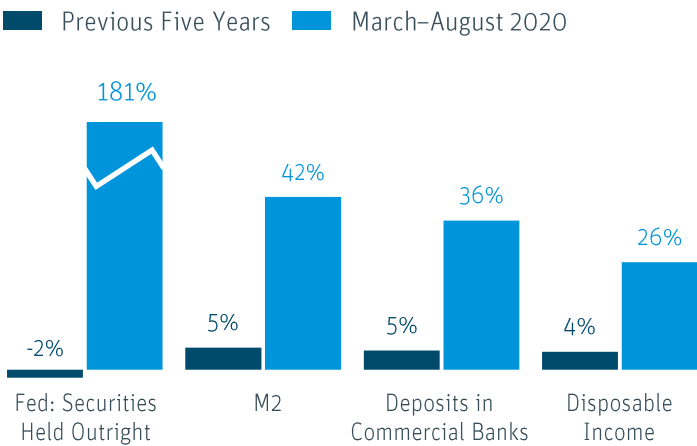
An Unprecedented Government Response

With their backs against the wall and the key tool of monetary policy — interest rates — already near zero, central banks used other tools such as forward guidance, open market operations and QE¹ to support the economy. Governments have also provided fiscal support that dwarfs support during the GFC². Between March and August, the US Federal Reserve increased securities held outright by nearly \$2.5T, and in the same timeframe, significant open market operations contributed to M2 money supply growth by nearly \$3.0T. The abundance of capital has flooded the public and private markets with trillions of dollars seeking returns, leading to concerns over a potential bubble and inflation. Yet with nowhere for the capital to go to generate a return, both private and public market valuations are unlikely to fall. This all despite weak employment and alternative economic indicators, demonstrating the economy is nowhere near full capacity. Between February and April, SVB saw Tech companies reduce credit card spending by 46%, and spending remains muted. Regarding fears of inflation, MMT³ and recent history suggest that major economies that have run large deficits with low-interest rates, such as Japan, have rarely experienced demand-pull⁴ inflation and instead have seen minimal cost-push⁵ inflation.

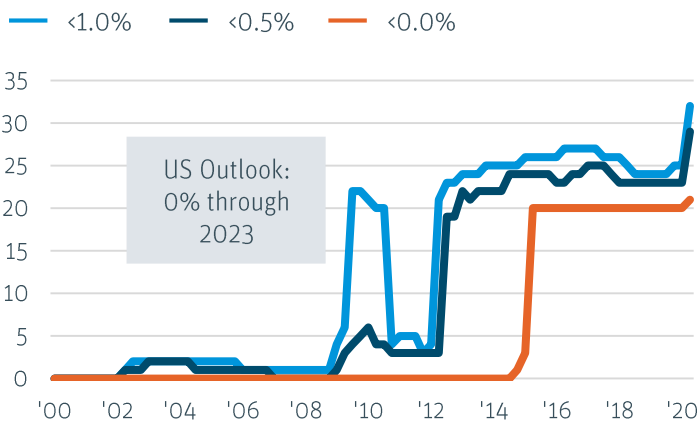
Fiscal Stimulus by Country (Percent of GDP)



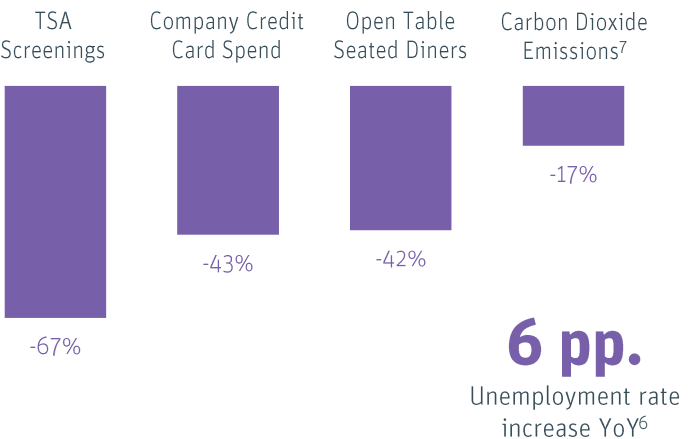
Compound Annual Growth Rates Pre- & Post-COVID-19



Number of Countries with Low Short-Term Interest Rates



Alternative US Economic Indicators Year-Over-Year (YoY)



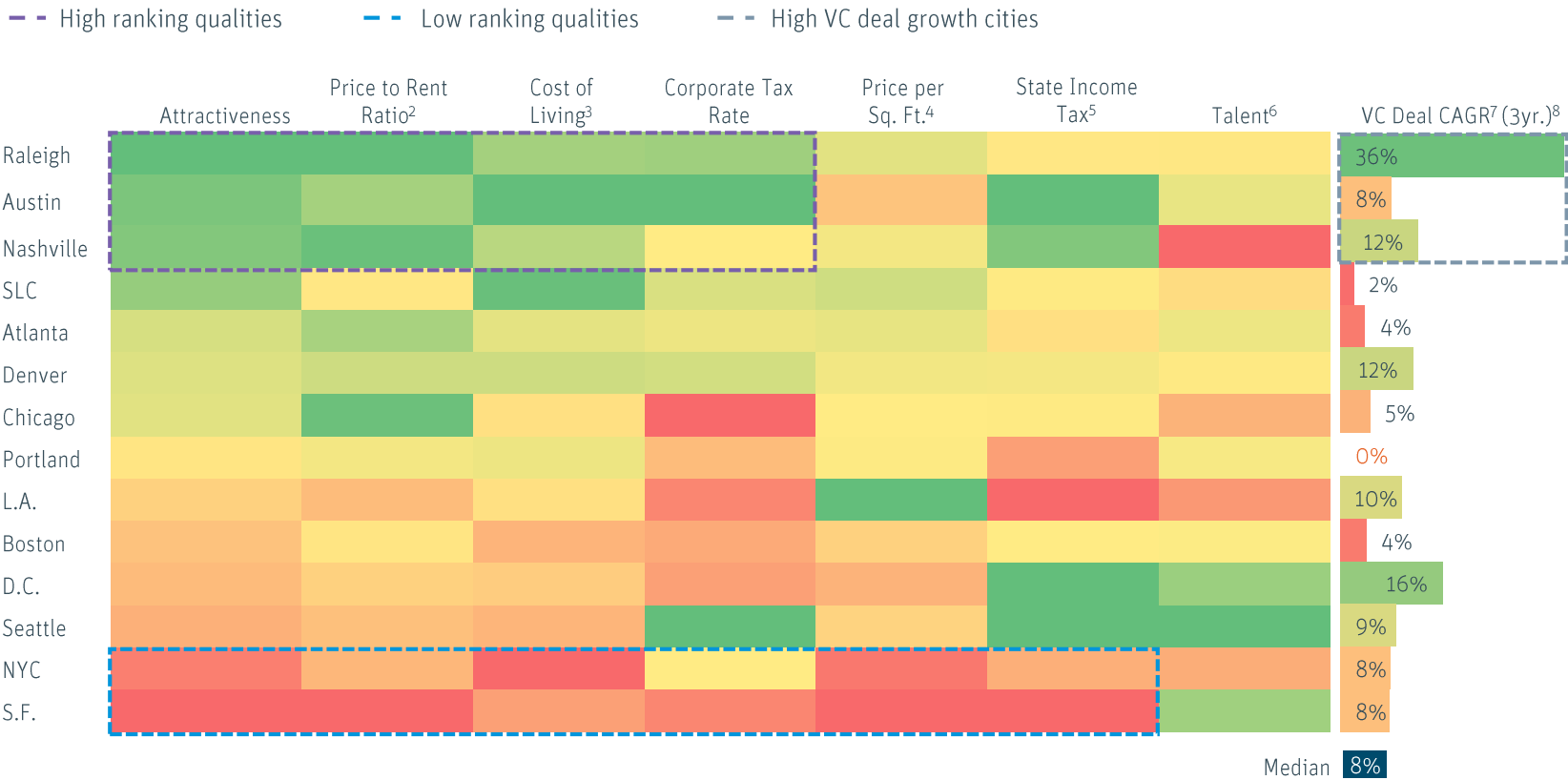
Sweet Home North Carolina?

With historically significant innovation hubs becoming less affordable and COVID-19 accelerating the virtual work trend¹, we are seeing companies reassess the value of maintaining and investing in centers with high-priced real estate. Proximity to talent and capital has been nullified by remote work and shifting employee priorities for affordability and lifestyle accommodations.

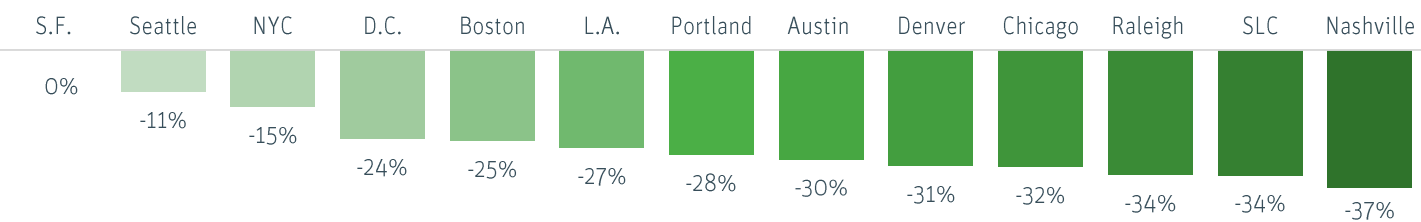
For example, in August, Pinterest paid \$89.5M to break the lease of its future 490,000 sq. ft. office space in San Francisco. Although this fee is staggering, it will save the social media platform more than \$440M in future lease payments as its employees work from home indefinitely.

Moving into 2021, we expect companies and employees to continue to migrate from expensive real estate locations to cities outside the traditional Tech hubs. High on the list of potential destinations are Raleigh, Austin and Nashville. For companies, potential estimated savings to overhead costs from relocating to these emerging hubs could reach upwards of 33%, based on reduced salaries and rental costs alone. For residents, these places offer affordable housing and a lower cost of living, as well as lower tax rates.

US City Heatmap



Overhead Cost Savings – Salary and Rent⁹



Notes:1) CBS reports 42% of employees currently work from home (August) vs. 14% before the pandemic. 2) Median housing price by annual rent. 3) Numbeo’s cost of living calculator. 4) JLL’s Q2 2020 United States Office Outlook. 5) Top marginal rate. 6) Percentage of bachelor’s degrees per person. 7) Compound Annual Growth Rate (CAGR) 8) PitchBook Data 2017–2019. 9) Calculated using Glassdoor’s average Software Engineer salary in the relative city and JLL’s US Office Outlook. Results are baselined to San Francisco.
Source: US Census, JLL Research, Economic Policy Institute and SVB Analysis.

Private Markets

Fundraising: A Rising Tide



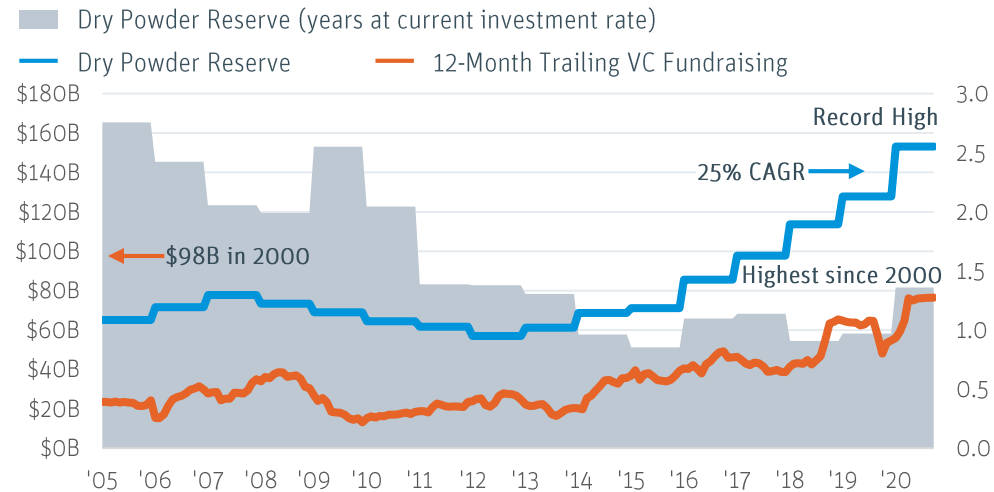
Private Markets' Rapid Rise

We expect VC fundraising to reach \$72B by the end of the year, the highest year since 2000, which topped \$98B¹. Rapid fundraising has pushed cumulative dry powder to a record high of \$152B. Yet at the current investment rate, this dry powder would last less than 1.4 years², down from 2.8 years in 2005 (when dry powder was 135% less than today's level).

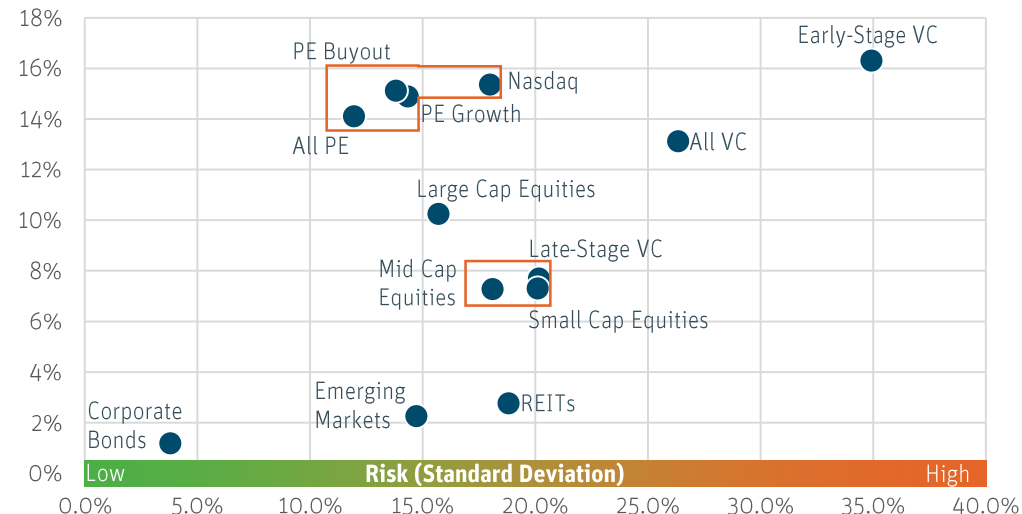
There are three primary drivers for the growth of VC fundraising. First, unprecedented monetary and fiscal support means more money in the economy seeking a return. Second, low interest rates mean low yields on fixed income securities, reducing their attractiveness. Third, volatility in public markets remains high, given significant uncertainty surrounding the economy, pandemic and politics, making it less enticing.

Between 2007 and 2009, the top 500 public plans reduced their allocation to equities by 12% while increasing their allocation to PE/VC by more than 4%. The last decade of available return data suggests that late-stage VC has a similar risk-return profile as small and mid-cap equities. Private Equity has a similar risk-return profile to the Nasdaq. The lines between public and private markets are increasingly blurred, contributing to the rise of both private market fundraising and crossover investors.

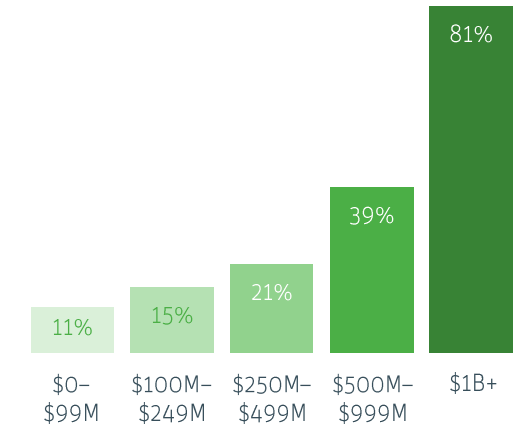
US VC Fundraising and Dry Powder



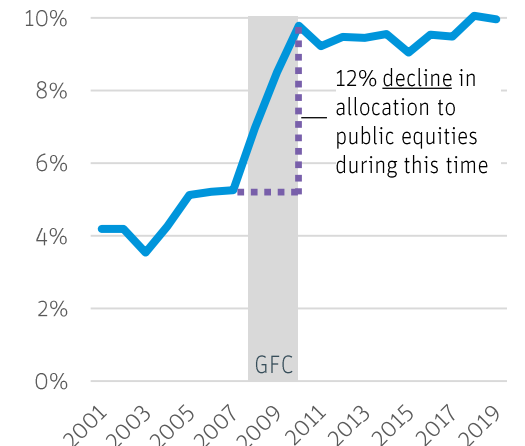
Risk and Return for US Asset Classes³



US Dry Powder Growth Rate by Fund Size (2020)



Top 500 Public Plans: Allocation to PE/VC

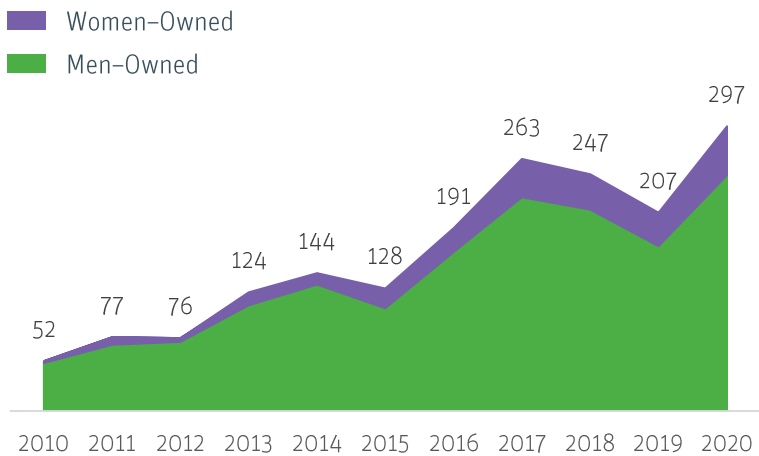


The Next Generation of Fund Managers

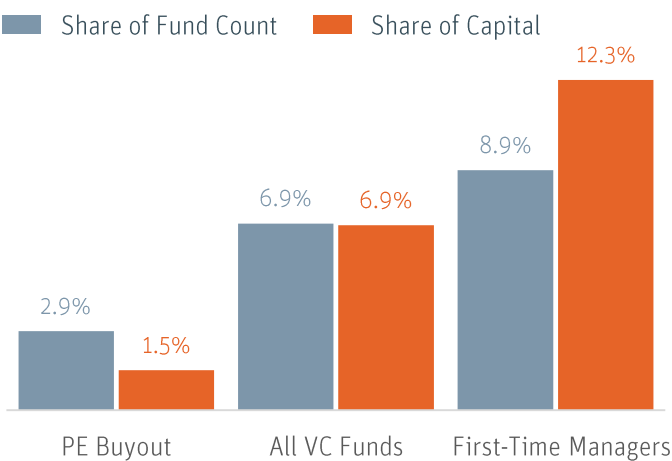
As the new decade unfolds, the next generation of fund managers will play a more prominent role in venture and its future. In recent years, a higher percentage of first-time funds are managed by underrepresented groups¹, as compared to all venture funds, indicating the future of VC is going to be more diverse. However, long-established venture funds lack this diversity as the share of diverse managers drops off. This is especially true as strategies change from small first-time funds, to large venture funds, to even larger growth equity funds.

However, with social justice top of mind for LPs, coupled with more data points showing that venture funds with diverse managers achieve similar — or better — returns than non-diverse ones, funds owned by underrepresented groups¹ could see an influx of capital. This has the potential to accelerate the current trend of the decentralization of venture capital by benefitting emerging innovation hubs and providing the opportunity for certain companies to access capital, expertise and talent that they otherwise would not have.

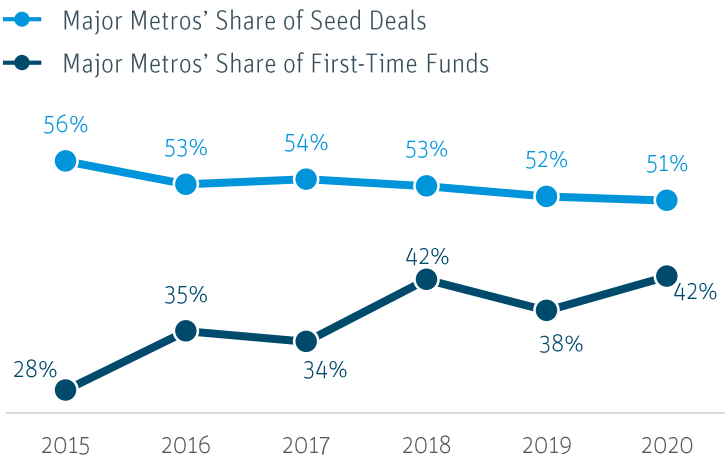
First-Time Funds By Vintage and Ownership²



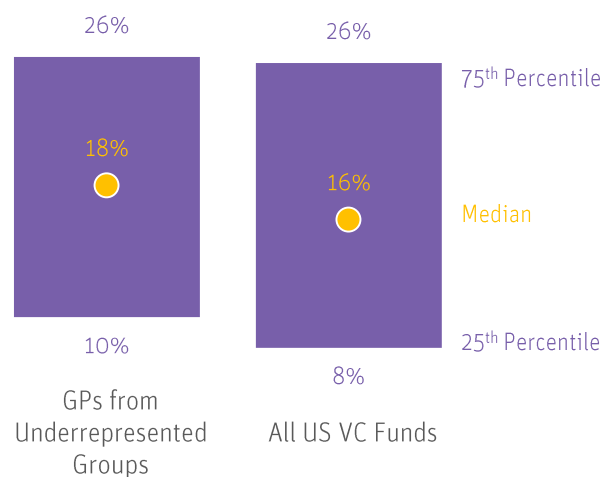
Share of Fundraising for Select Underrepresented Groups^{1,4}



Major VC Metros' Share of Seed Deals³



Net IRR for Select Underrepresented Groups^{1,5}



Like a Rolling (Venture) Stone

While traditional late-stage venture funds continue to grow in size and scope, there is a potential disrupter emerging at the early-stage. In February 2020, Angellist unveiled a new vehicle called Rolling Venture Funds¹. In its simplest form, it is a series of consecutively-formed-investment vehicles (each a “fund”) that raises money through a quarterly subscription from (accredited) investors.

The creation of Rolling Venture Funds represents another critical step in the democratization of early-stage venture — a trend that has only been accelerated due to COVID-19. This broader trend of democratization began to unfold over the last decade, with developments such as new operating structures, the Micro VC boom, data-driven capital-as-a-service and increased participation from non-traditional investors.

There are still plenty of question marks surrounding this new innovation and its long-term viability, but it does have the potential to play a significant role in the future of venture. Stay tuned as the “[Fourth Wave](#)” of venture continues to unfold.

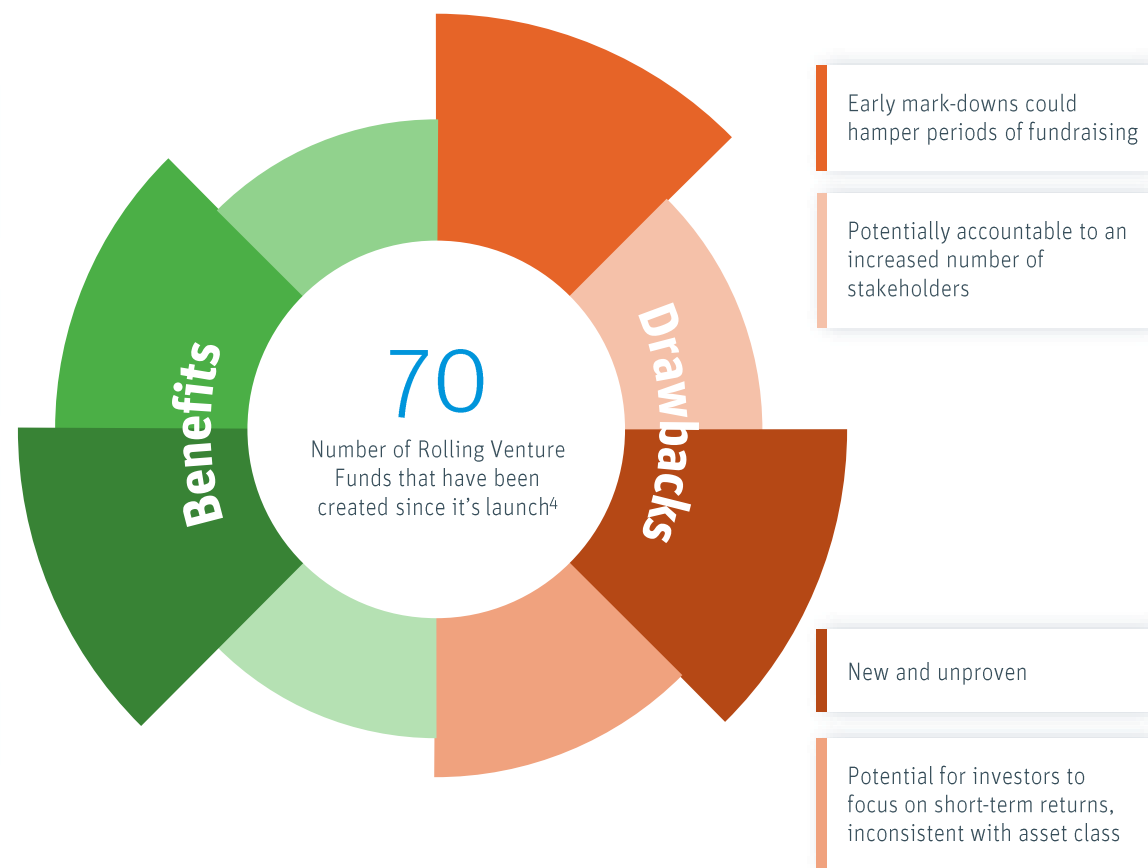
Funding Comparison² on Angellist

Funding required to start investing ~\$300K quarterly for 4 years



Fee Comparison³ of Funds on Angellist

Traditional VC Fund	Rolling Venture Funds
✓ No carry on your own LPs	✓ No carry on your own LPs
✓ 5% carry on AL LPs	✓ 5% carry on AL LPs
✓ Admin Fee: 1% of fund size (\$25K/year cap, charged to fund)	✓ Admin Fee: 0.15% annually of committed capital for a standard 10-year term





Private Markets

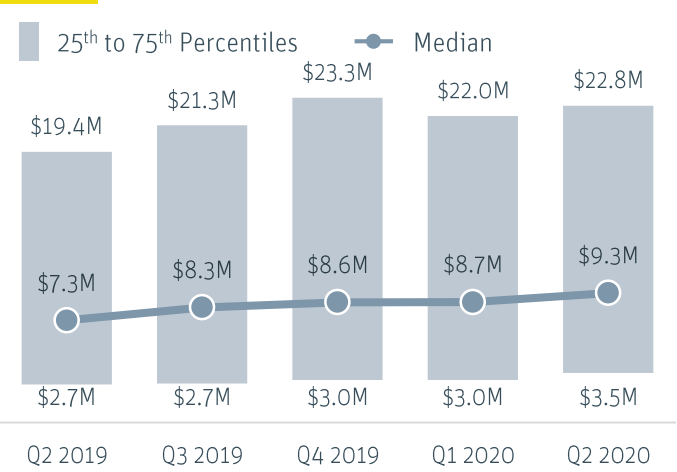
Investment: Continued Divergence

Operating on Another Level

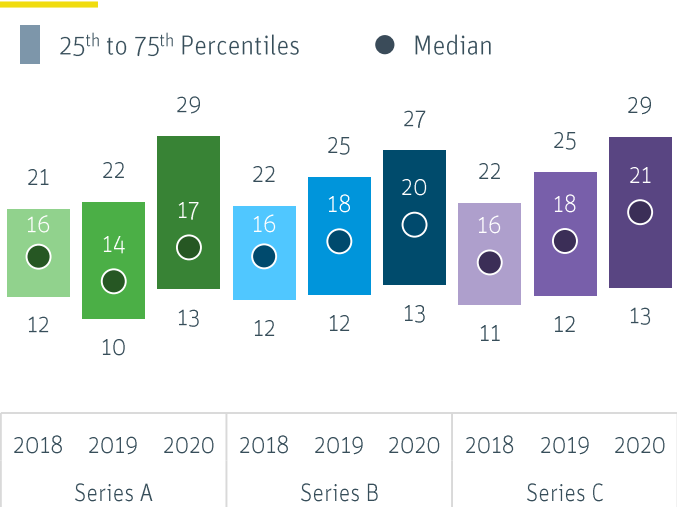
As noted in our last [State of the Markets](#) report, when the first wave of the pandemic hit startups were quick to cut headcount, halt nonessential projects and pare back forecasts. When looking at expense data for lossmaking companies¹, we saw this transpire as the median operating expense for each Tech vertical declined by mid-to-high single digits in the second quarter of 2020.

Cutting expenses, however, is just one side of the equation. The other is raising capital. Startups turned to investors to raise another round to extend runway through a potentially long period of uncertainty. However, investors had their own decisions to make in prioritizing which companies to support in an unpredictable economic environment, which was turning many industries from winners to losers almost overnight. In addition to equity, startups tapped the debt markets — opening credit facilities and drawing on current debt lines to extend cash runways. Debt utilization rates spiked in the first quarter, but have since declined with each successive quarter as companies were able to raise another equity round from investors or realized they didn't actually need the debt as their worst-case scenarios didn't become reality.

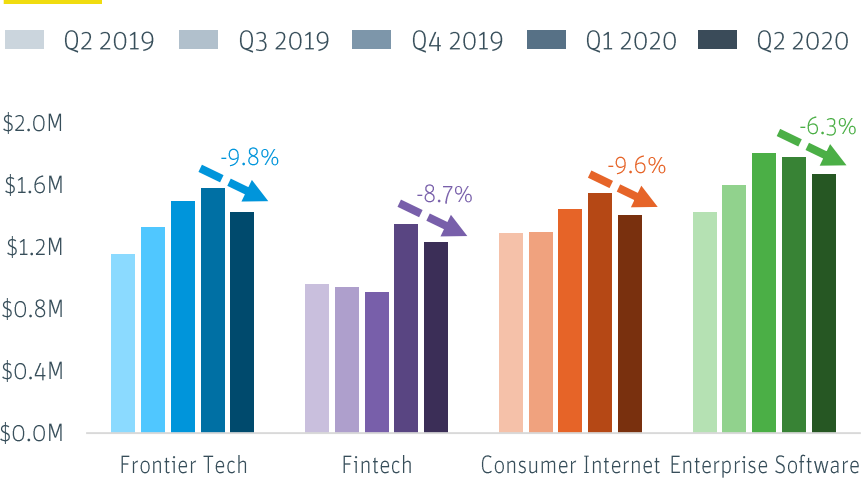
Median Cash of Lossmaking Companies¹



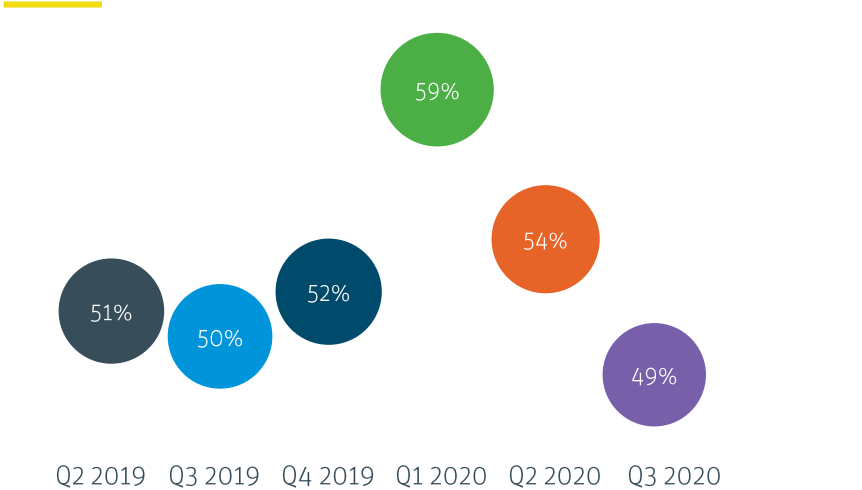
Months Since Last Round



Median Operating Expense by SVB Vertical¹



Debt Utilization Rates¹



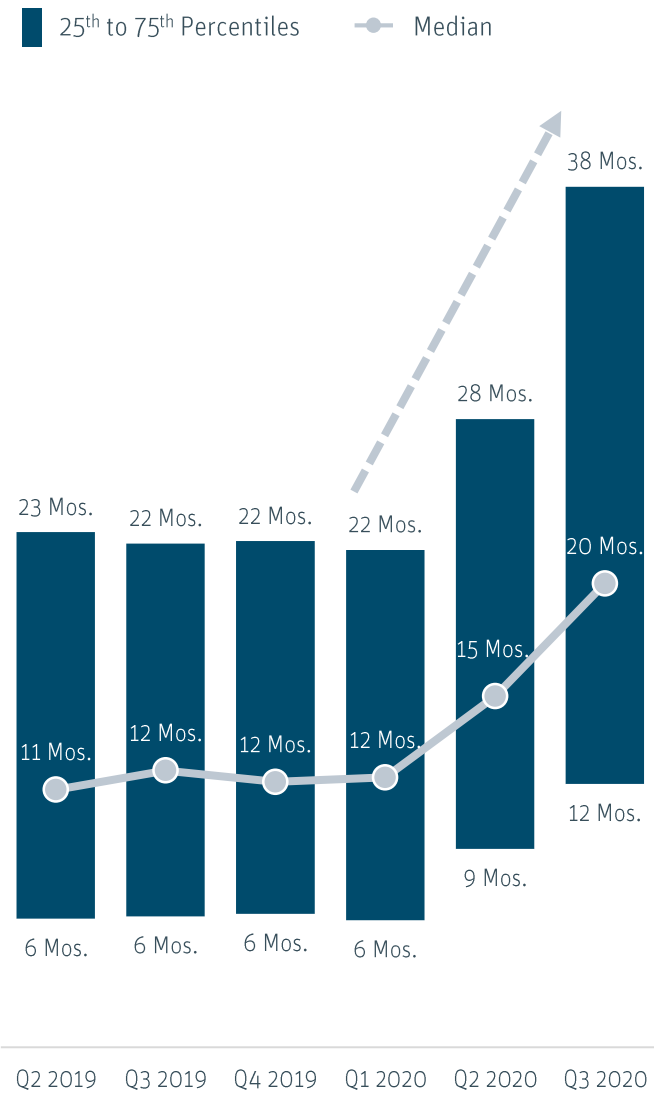
Clearing the Runway for Takeoff

Startups now have more cash on their balance sheets and simultaneously have less expenses, extending the cash runway to new heights. When looking at loss-making companies¹, the median cash runway has climbed to 20 months — moving toward the two year recommendation VCs are giving portfolio companies.

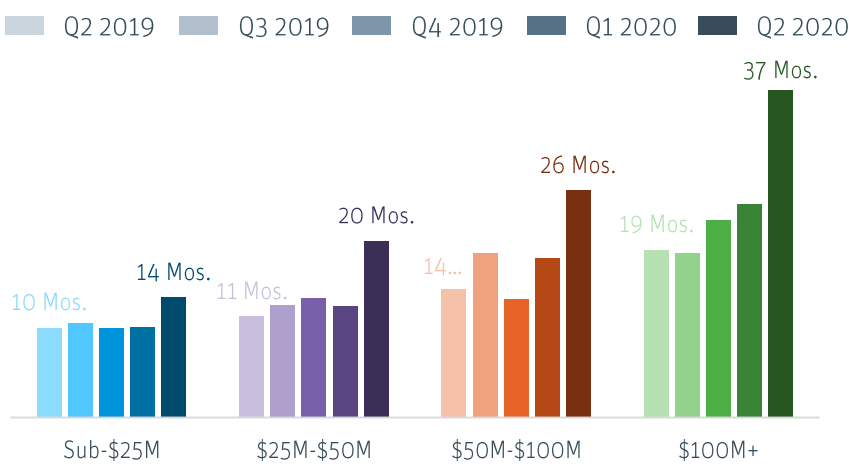
When breaking out cash runway by revenue bands and SVB verticals, a few notable trends became apparent. First, companies with a lower revenue scale have less cash runway than larger peers. This could be a function of these companies having less expenses to cut or struggling to raise more cash as investors may be hesitant to invest in a company with an unproven product or service. Second, the Frontier Tech vertical has less cash runway than other Tech verticals, which could be due to the types of companies in this niche that tend to be more capital intensive, making it harder to cut expenses.

Looking forward, the current cohort of startups — with leaner cost structures, more efficient operations and extra cash on their balance sheets to fund their operations longer or grow their business once the dust settles — should be one of the strongest in history. This scenario presents an exciting opportunity for venture investors and LPs, as a healthier innovation economy could lead to outsized future returns.

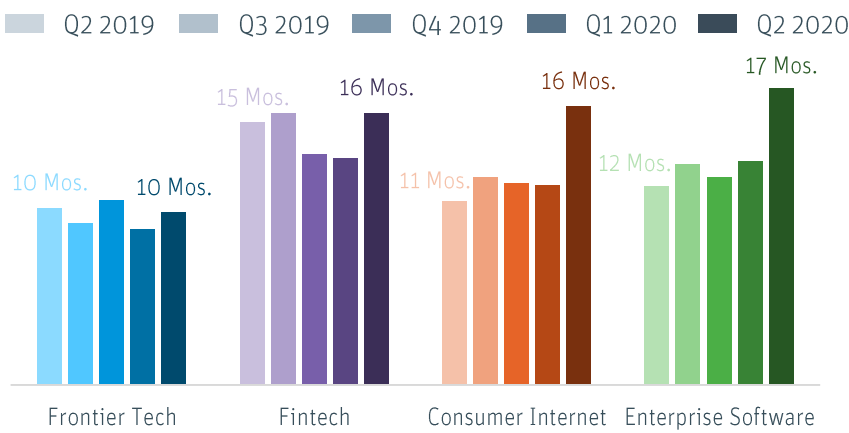
Cash Runway of Lossmaking Companies¹



Cash Runway by Revenue Band^{1,2}



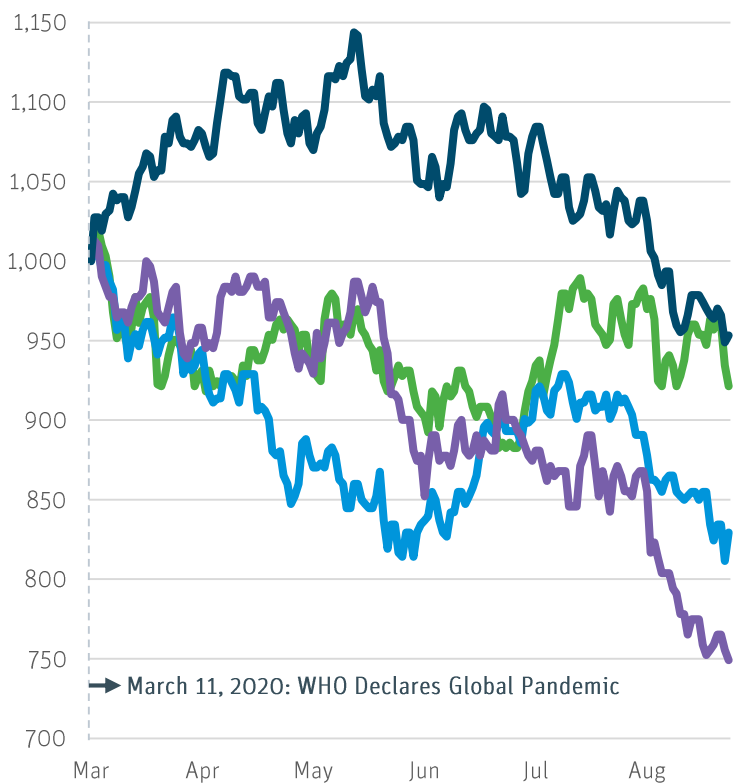
Cash Runway by SVB Vertical¹



The Bifurcation of VC Activity

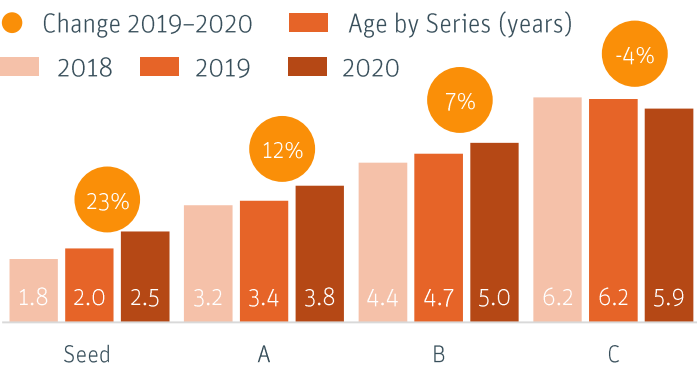
Since the start of the pandemic, VC deal activity has declined across all stages. However, late-stage and Angel activity has not experienced the sharp decline seen by Seed and Series A. A new cohort of Angel investors entering the ecosystem, given the many IPOs and M&A deals that provided liquidity to founders in 2019, has fueled this new cohort. Furthermore, Angel deals often rely more on preexisting relationships, making them easier to complete remotely. Late-stage companies did well early in the pandemic, as investors worked through deals in the pipeline and doubled down on promising portfolio companies to extend their runway for a looming recession. This led to a seven percentage point increase in follow-on investment's share of VC deal activity as compared to 2019. Late-stage activity was less impacted because it relies on fundamentals and hard data, as opposed to trusting a founder to deliver on an unproven product or service, as is typically the case at the early-stage. With decreased deal flow from less networking and difficulties building rapport over video conference, Seed and Series A activity has declined. The deals that are getting done are generally in companies where there is evidence of market traction.

Tech VC Deal Activity Indexed by Series¹



	Angel	Seed	Series A	Late-Stage
Share of all VC activity for 2020	17%	24%	16%	30%
Change in activity since March 2020	-8%	-17%	-25%	-5%
YTD pre-money valuation change	-2%	7%	4%	0%

Tech Company Age by Series²



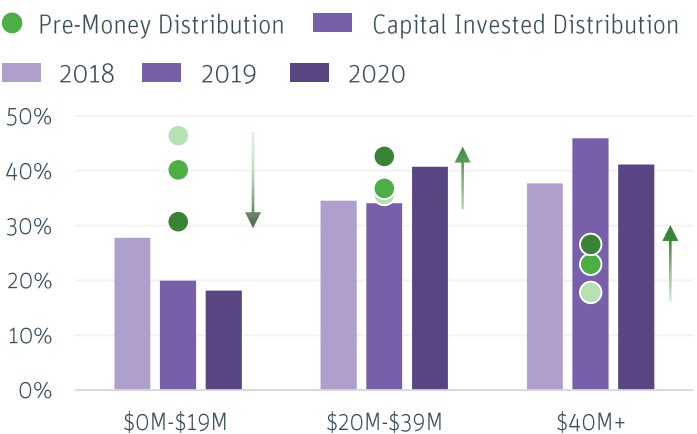
21% increase in time between Seed and Series A rounds³

7 percentage point increase in follow-on investments³

14 percentage point decline in capital going to early-stage startups³

74% of VC investment going to late-stage companies⁴

Series A Tech Deals by Pre-Money Bucket

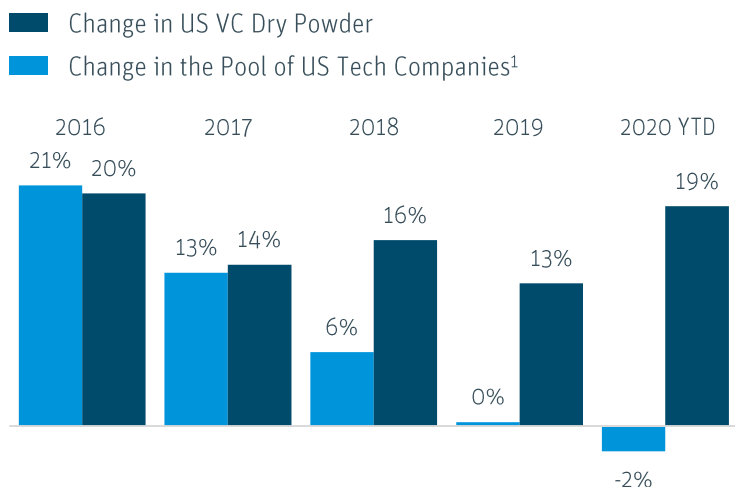


Market Awash with Low-Cost Capital

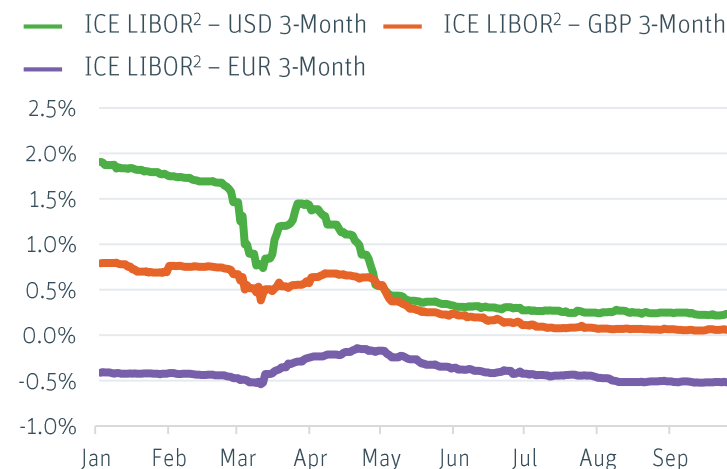
With capital allocations to private markets — measured by VC dry powder — rapidly growing, so too is the demand for companies suited for venture capital. However, since 2018 the supply of investible companies has declined, the opposite of the dry powder trend. This imbalance has fueled intense competition for the best deals and subsequently continued to support heightened valuations. As a result, the cost of equity for (certain) founders is relatively low, meaning they can achieve less dilution for an equivalent amount of capital. From an investor perspective, this change will likely decrease returns. The median Series C Tech company saw the amount of capital required to acquire a 20% stake increase 41% between 2019 and Q3 2020. This raises the question if exit values will increase proportionately to compensate investors.

Low interest rates have contributed to the boom in VC dry powder, but pressured debt providers. With benchmark interest rates near all-time lows and stiff competition for deals, debt financing has become an appealing option for startups. To adapt to this situation, many debt providers — like SVB — are creating products tailored to different operating models and their unique capital requirements.

Changes in VC Supply and Demand

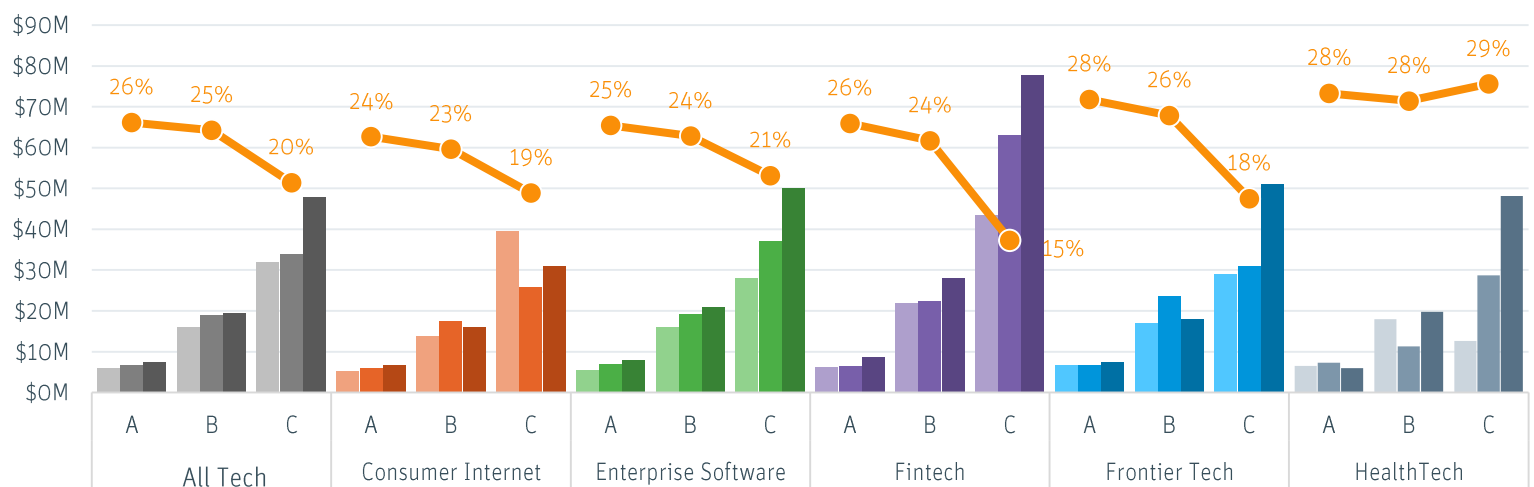


2020 Benchmark Interest Rates



VC Ownership and Equity Cost by Series and Sector

Amount of Capital Invested to Acquire 20% Ownership: 2018 2019 2020 Median Percent Acquired (2015–2020)



Exit Markets

Flurry of IPOs; M&A Muted (For Now)

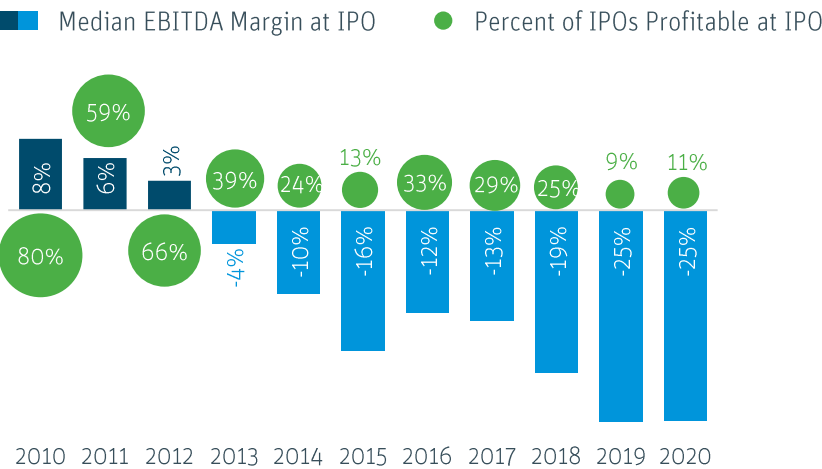
Summer Surge Ahead of Election

Despite most investors writing off 2020 as a lost year when the pandemic hit, this year has been one of the best for venture investors seeking liquidity from the public markets. Current figures stand at 18 VC-backed Tech IPOs so far in 2020¹, with an aggregate initial market capitalization of \$114B². This marks the third-best year (in terms of size) this decade, falling just behind 2012 and 2019, which each benefited from \$75B+ exits (Facebook and Uber).

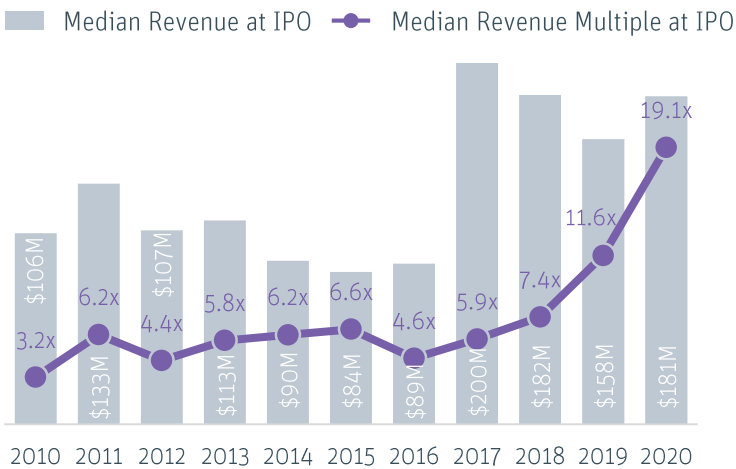
The financial profile of VC-backed Tech IPOs remains consistent as margin and revenue figures resemble 2019. Even as profitability gets more elusive, the stock performance of these companies has been strong, with most attaining a public valuation well above their last private round valuation and commanding the sort of revenue multiples we have yet to see this decade.

While the past three months have seen a surge in IPOs (78% of VC-backed Tech IPOs YTD¹ occurred in Q3, and 44% occurred in September), things will likely slow in the final quarter until management teams have a clearer picture of what the future looks like post-election.

EBITDA Margin and Percent Profitable at IPO³

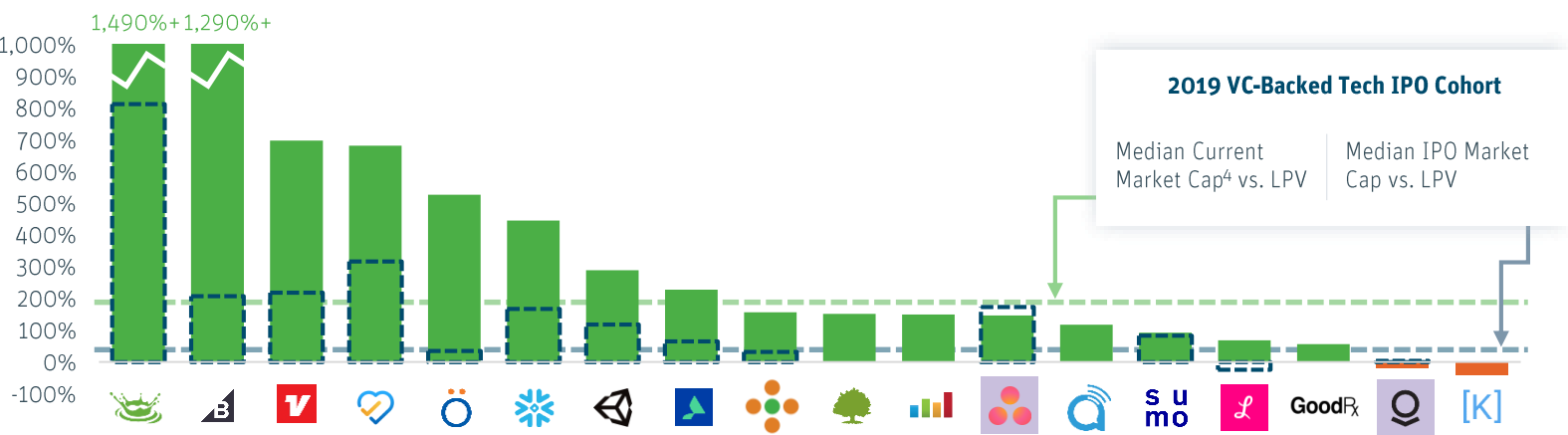


Revenue and Multiple at IPO³



VC-Backed Tech IPO³ Performance⁴ vs. Last Private Valuation (LPV)

Current Valuation vs. LPV IPO Market Cap vs. LPV Direct Listing



SPAC in the Saddle Again

SPACs have continued their tear this year, setting a new record for count and amount raised with each successive quarter. However, not all investors are embracing the reemergence of SPACs. Those that were around during the Global Financial Crisis (GFC) are calling another bubble, as they experienced a similar rapid rise (though on a smaller scale) before things came to a screeching halt.

When looking at the performance of companies following a de-SPAC since 2017, outcomes are extremely varied, with the median performance trending downwards. However, the future may be brighter — notable shifts in the industry have created more transparency and more creditability as reputable investors dabble in the space. While SPACs have been around for a while, the verdict is still out on whether this will become an established, legitimate exit route for VC-backed Tech companies or another fad.

US SPAC IPO Count, Average Size and Amount Raised¹

Aggregate Count Average Size Aggregate Amount Raised

222 Active SPACs **51** Announced Combinations **171** Seeking Target

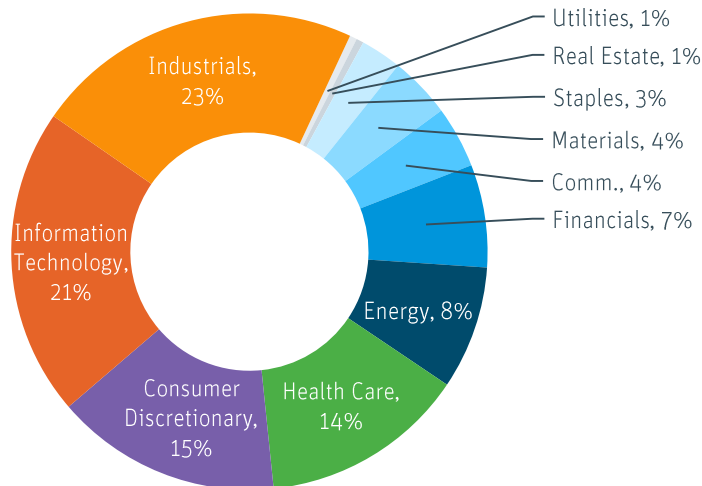


~11%
of current PE Buyout Dry Powder

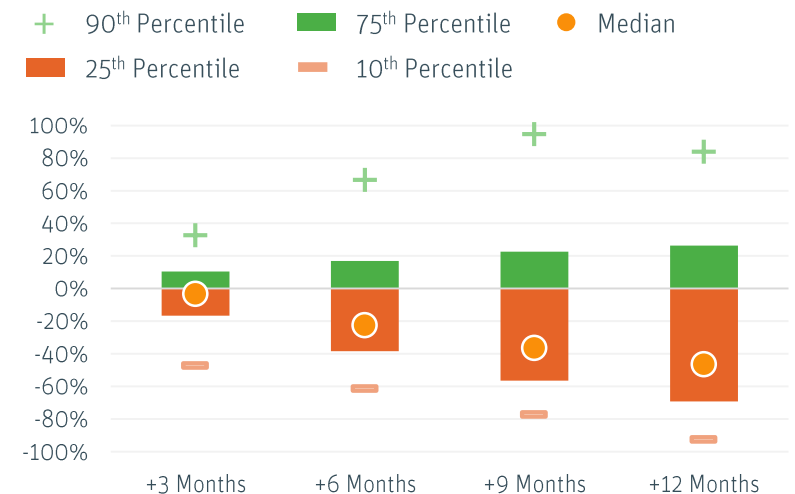
>2x
amount raised in '18 and '19 combined

>5x
amount raised by US VC-Backed Tech IPOs in 2020

Sector Composition of Mergers²



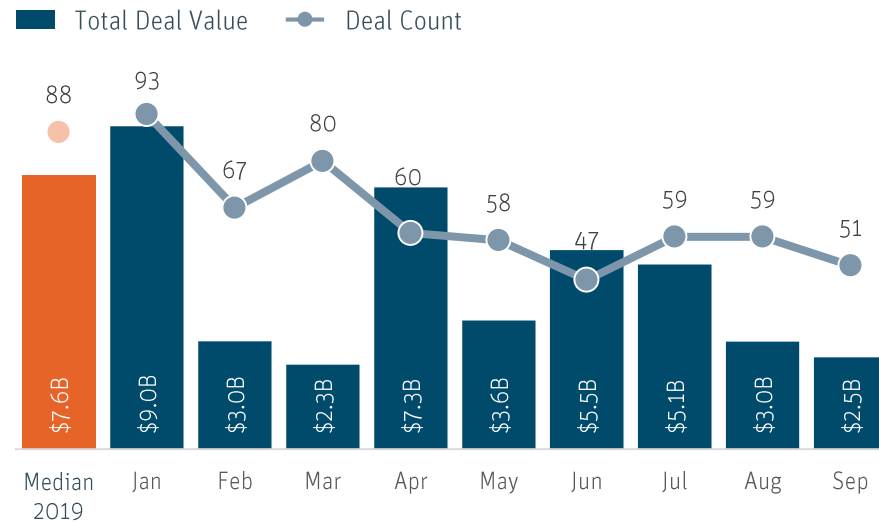
Relative Post-Merger Performance^{2,3}



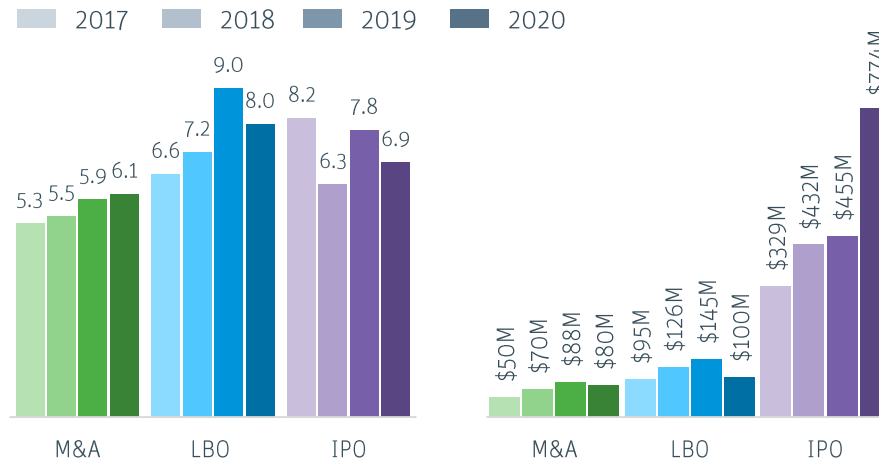
VC-Backed M&A Hits The Floor

As of Q3 2020, M&A activity is 31% lower than 2019. Three main factors — logistics, valuations and limited deal flow — are driving the slowdown. First, the logistics of doing remote M&A deals is challenging. Not only do M&A deals require building relationships between the target and acquirer, but they also involve the target shopping around for the best price, which necessitates meeting numerous parties. Second, as of Q3, late-stage VC-backed company valuations had increased 21% year-over-year, making it harder for acquirers to justify the high valuations, given generally weaker fundamentals. Third, simply fewer companies are looking to be acquired. With abundant cash in the system and the median runway for companies expanding 25% between Q2 and Q3, companies have less urgency to seek an acquisition for the remainder of 2020. While valuations have increased for late-stage VC and IPO deals, M&A and LBO deals have seen their median prices contract by 9% and 31%, respectively, highlighting the different motivations for doing a deal and the attractiveness of each option from a target's perspective. In turn, strong public market performance and valuations of recent VC-backed exits has made a public market exit via IPO, direct listing, or SPAC all the more enticing.

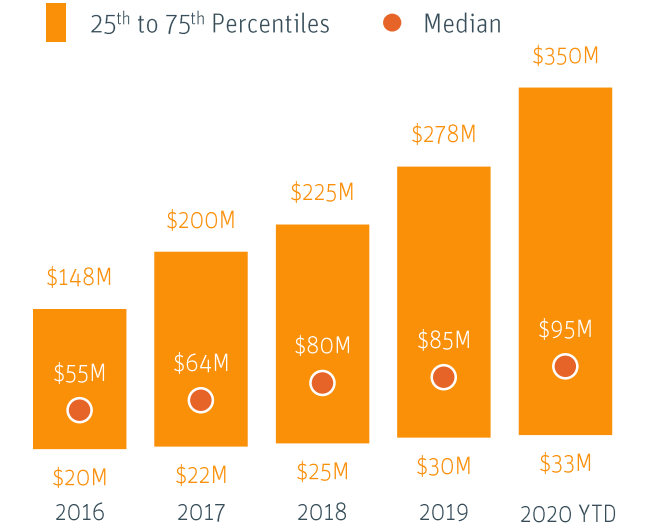
2020 M&A of VC-Backed Companies



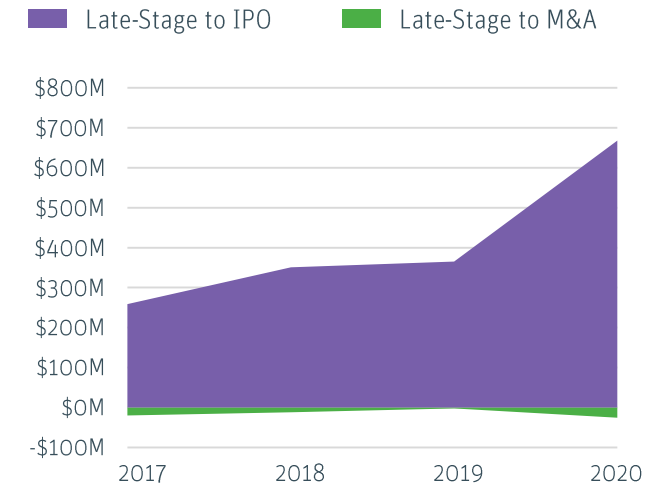
Median Age and Post-Valuation by Exit Type¹



Late-Stage Pre-Money Valuations



Valuation Spread²



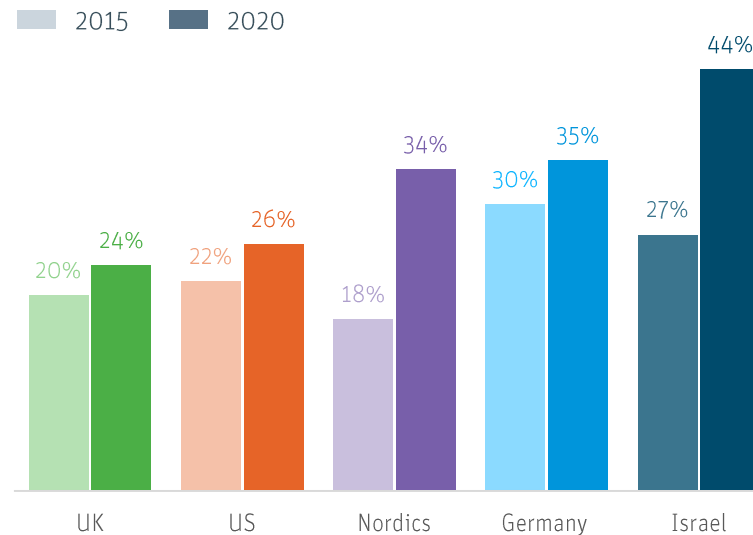
International Blurring Boundaries?

CVCs Venture Overseas

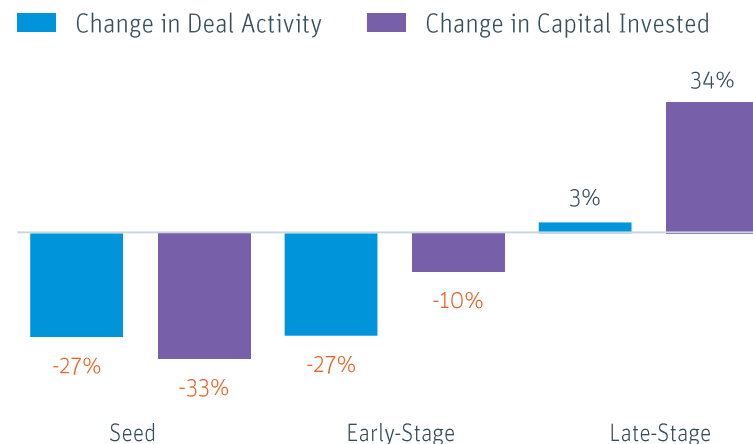
CVCs are participating in a larger share of VC investment across major global markets. While some anticipated an exodus of CVCs in the wake of COVID-19 and its economic fallout, this has not occurred. Strong public markets bolstered the balance sheets of many companies, enabling continued venture investment. Additionally, CVC has become entrenched in the corporate structure of many companies, with the majority of top CVC firms founded over a decade ago and already garnered buy-in from executive leadership. Finally, while distinct from CVC, R&D investment has significantly increased, signaling a prioritization of innovation — both organic and inorganic.

While corporate ventures have not retreated, they have significantly changed their stage preference. Seed and early-stage deals have declined significantly in 2020, while late-stage has grown. This trend reflects that of VC generally. Finally, CVCs operating companies often have a global presence, which boosts VC investment in many emerging markets. This is especially true in Israel where corporate participation far outpaces other markets.

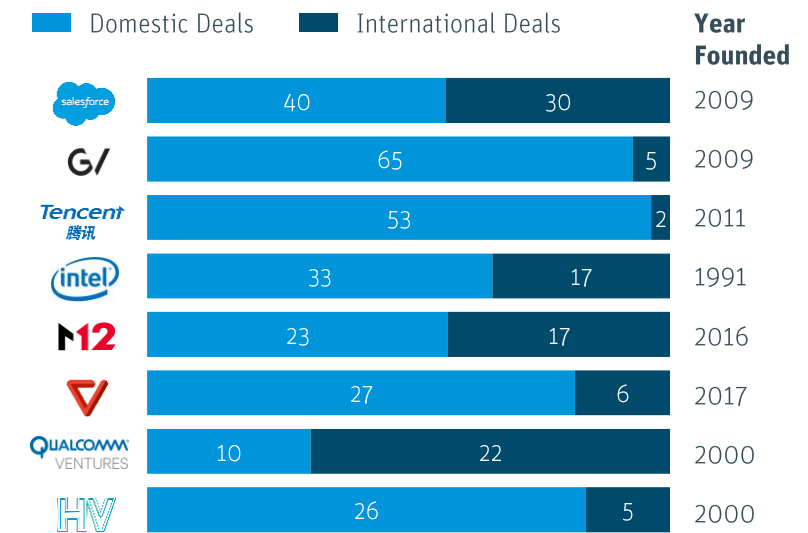
CVC Deal Participation Rate¹



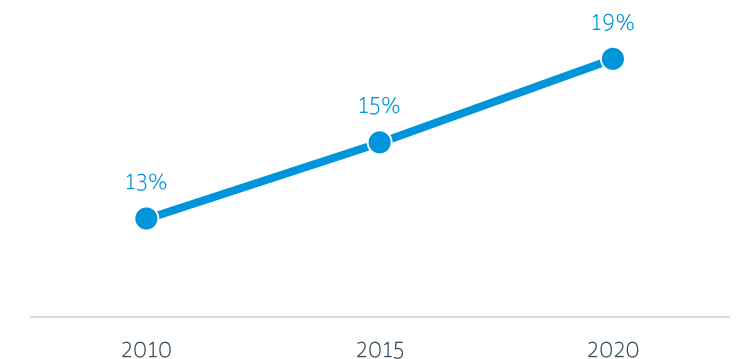
CVCs Activity (Jan–Sep 2019 vs. 2020)³



Most Active Global CVCs and Investments LTM²



Top 100 Tech Companies: R&D Share of Operating Expense

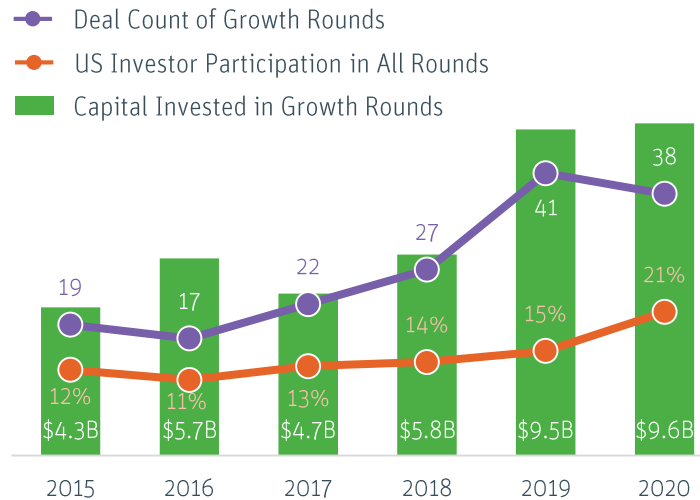


Euro-Stepping to New Heights

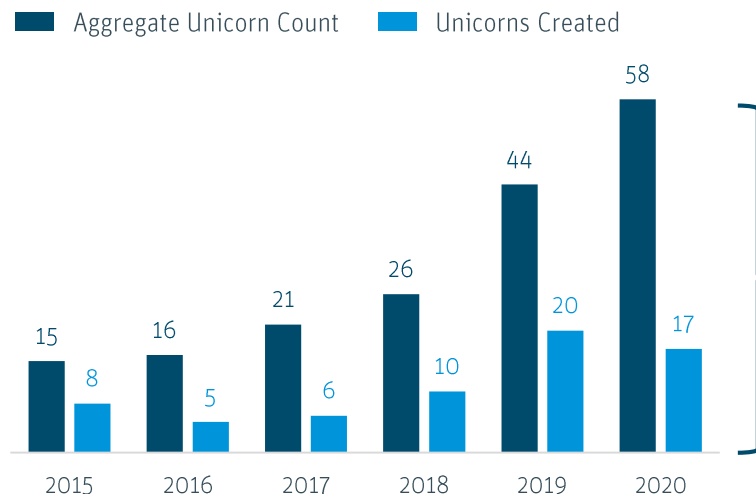
Growth rounds (defined as rounds of \$100M+) continue to dominate the European venture market, with more capital invested through Q3 than for all of 2019. Part of this phenomenon is the participation of local non-traditional investors — corporates, banks, family offices — in late-stage rounds, in addition to the increased participation of US investors. The latter point has been a notable trend in 2020, as US investors look across the pond for deal flow and more reasonable valuations. Additionally, the pandemic has partially leveled the playing field, stripping the local advantage of being able to meet in person, making European founders more accessible to overseas investors to build relationships for the next round of investment.

The increased late-stage activity — coupled with companies staying private longer — has pushed Unicorn creation to new heights, with Europe posting their largest count of Unicorns this decade. While the region has yet to achieve a major VC-backed exit this year, that doesn't mean it hasn't had its share of wins. Of the 18 US VC-backed Tech IPOs so far in 2020, one-third had at least one founder that was born or educated in Europe or the United Kingdom.

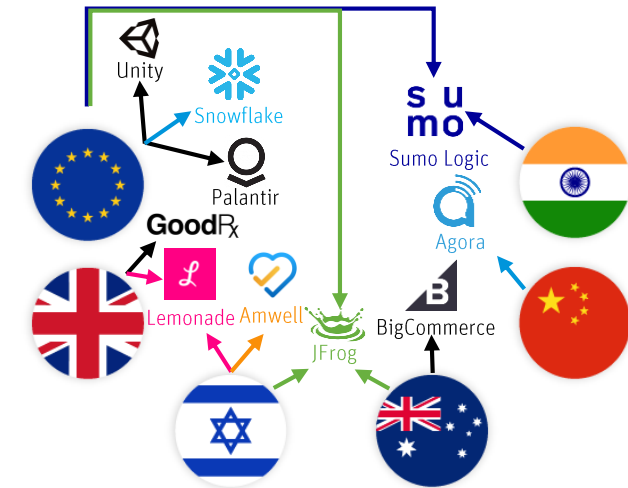
Europe Tech: Growth Rounds¹



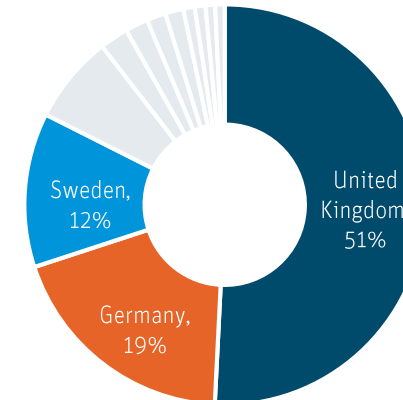
Unicorn Creation¹ and Breakdown of Current Unicorns by Country and Sector



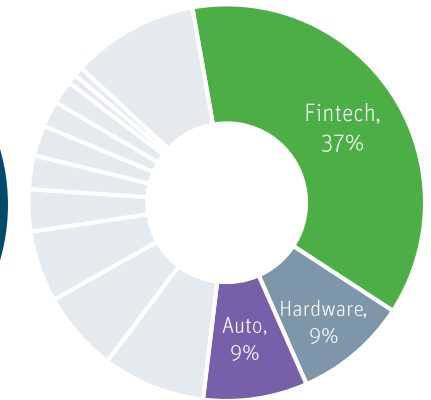
EMEA Influence² on US IPOs



Location of EU Unicorns



Sector of EU Unicorns



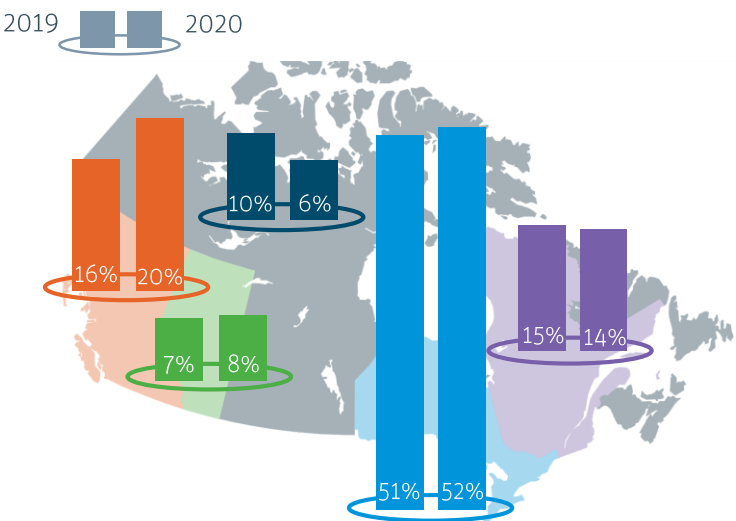
Canada Looks to Hit the Top Shelf

The Canadian venture ecosystem historically skewed toward the early-stage and centered around the greater Toronto area. However, as the venture ecosystem continues to mature, deal dynamics are evolving. British Columbia has seen the largest uptick in share of deal count this past decade, driven by strength in sectors outside the traditionally strong Canadian niches, such as esports and edtech.

The distribution of deal sizes has also shifted, with mid-sized (\$1M–\$10M) deals seeing a 10 percentage point increase in share and a steady decline continues for the number of sub-\$1M deals. While, this is generally in line with the long-term trend, it demonstrates the continued maturation of venture in Canada. Additionally, this may also be a function of events in 2020 accelerating this trend, as it has become harder for less-proven early-stage companies to raise in a COVID-weary world.

Despite all of the adversity 2020 has brought, Canadian venture saw a record amount of investment in Q2, with Q3 continuing at a healthy clip. This speaks to the resilience of the Canadian venture investment landscape and lays confidence in its continued growth and proliferation of the technology and innovation it produces.

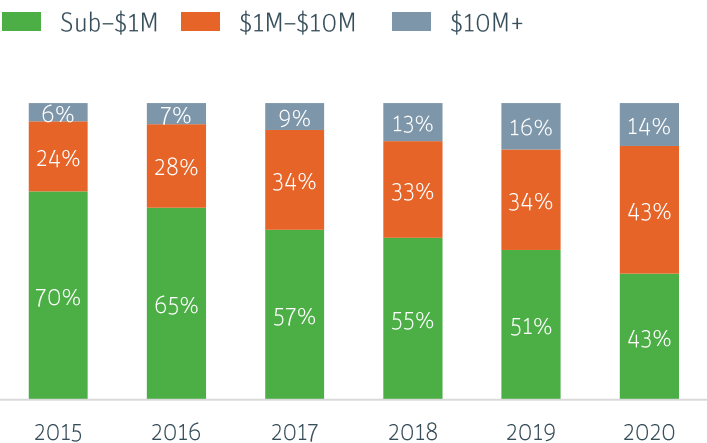
Share¹ of Canada Tech VC by Province



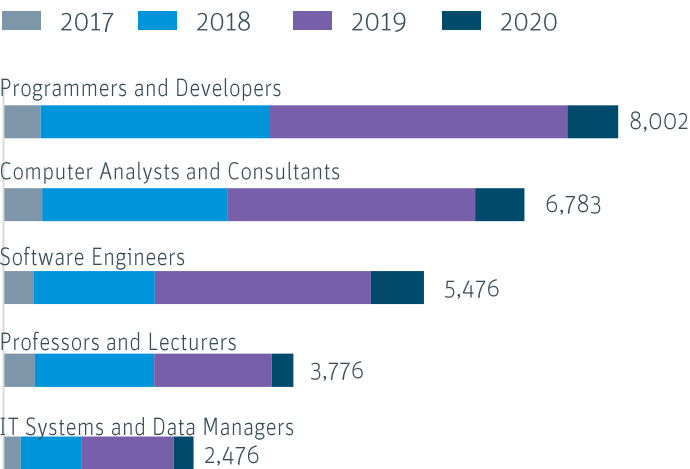
20 Largest Canada Tech Deals in 2020²



Share¹ of Canada Tech VC by Deal Size Band



GSS³ Program Approvals by Occupation



ChiNext in Line for Reform

Following the initial success of Shanghai’s Nasdaq-style STAR Market and in an attempt the revive an economy ravaged by COVID-19, China recently implemented capital market reforms for Shenzhen’s startup board ChiNext, modeled after rules used by the STAR Market. In addition to simplifying the listing process, the reforms also tighten disclosure requirements and give market forces a greater role in pricing shares.

Unlike the STAR Market, ChiNext is a decade-old board which previously had traditional Chinese market requirements. Similar to the STAR Market, it is geared toward high-growth innovation companies, but a more encompassing target demographic, including sectors such as entertainment, materials and manufacturing.

The reforms are also part of efforts to stay competitive with exchanges in the US and Hong Kong. The initial success of the STAR Market led to a surge in local listings. So far, the reception to the first batch of registration-based IPOs on the ChiNext board has been positive. If the ChiNext reform is successful, it may be a matter of time before these measures are applied to the entire market.

ChiNext IPO Reform



Expands Registration-Based IPOs



Stricter Information Disclosure and Delisting Requirements



Tougher Penalties for Market Violations

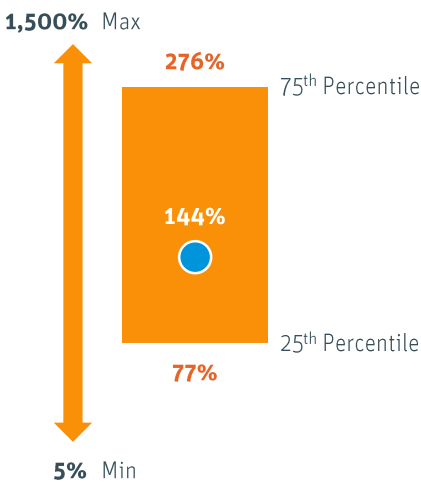


Widens Daily Trading Band



Allows Listings of Red-Chip Companies

ChiNext First Batch Performance²



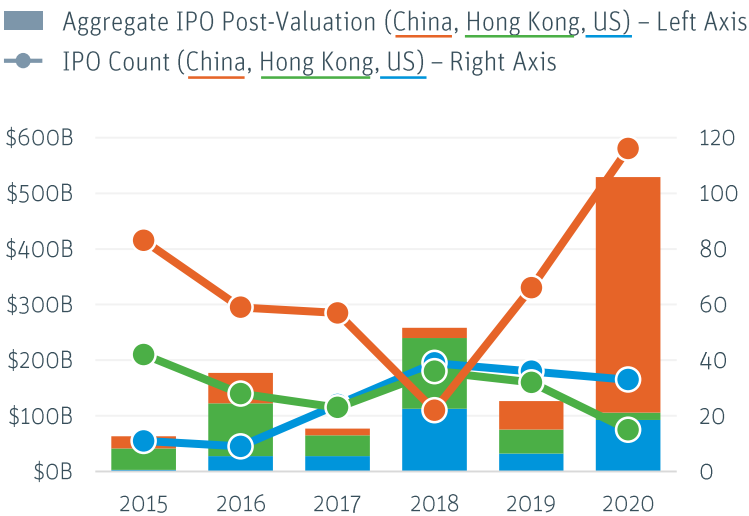
176%

Median First-Day Performance

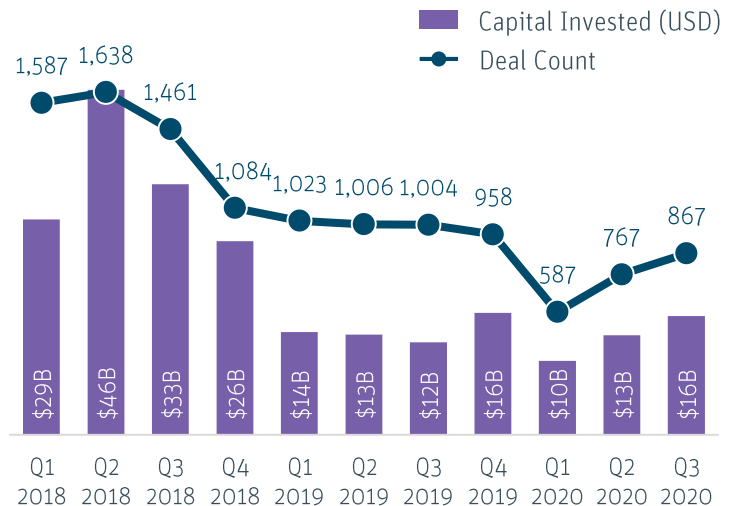
\$72B

Current Total Market Cap of Current Batch

China and HK IPOs by Country Exchange¹



China Venture Investment



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