



PitchBook

Greater China Venture Report

H2 2021

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Note: Greater China is defined as China, Hong Kong, Macau, and Taiwan.

The accompanying Excel file contains additional charts and all underlying data for this report. [Download the XLS summary here.](#)



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Introduction

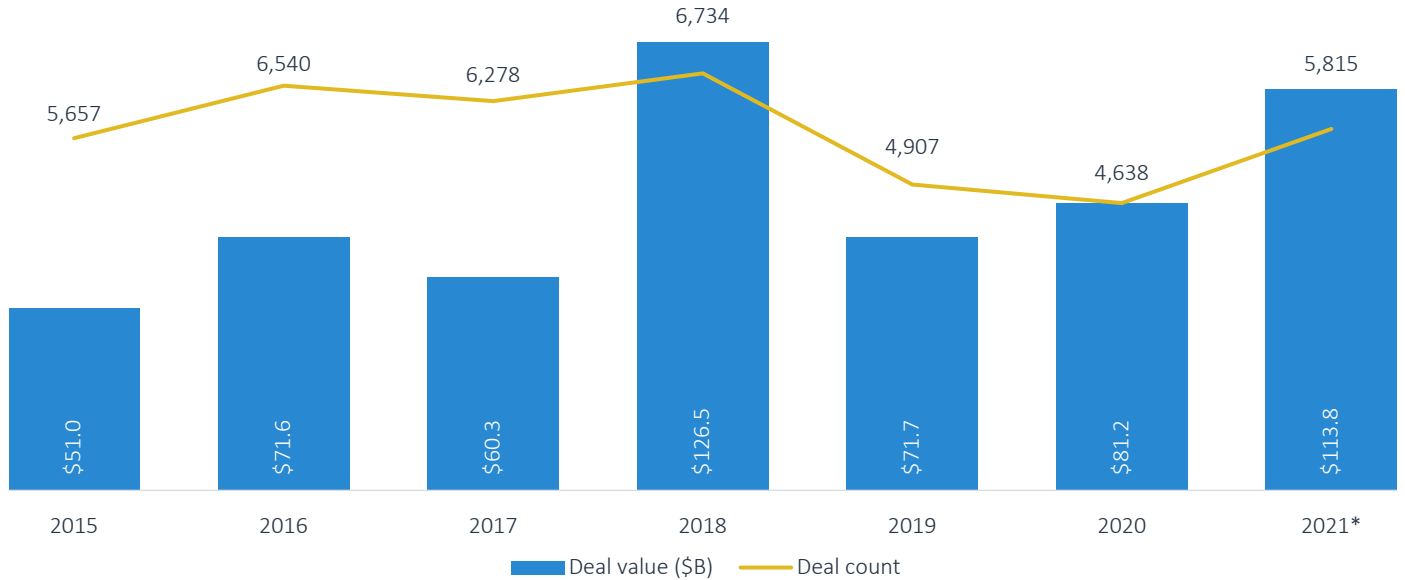
VC deal activity in greater China remains robust. Venture capital (VC) investment in Greater China achieved a near-record \$113.8 billion in 2021. Despite regulatory pressures from the Beijing Government, venture dealmaking in Greater China during 2021 showed resiliency, with the year coming in as the second-highest for deal value in our dataset. Completed deals also recovered from two years of declines with growth coming at each stage.

Investment continued to flow into Greater China from abroad during the year. More than 900 deals that included participation from a nondomestic investor were completed in the region, falling only below 2018 in that category. More than 3,700 nondomestic investors were active in Greater China during the year, only the second year to surpass that level.

Exits posted an exceptional year, but some uncertainty looms. Regulatory enforcement and the future for overseas listings for Chinese startups became a massive story during 2021, which introduces some concern around the availability of liquidity for the growing population of highly valued startups. Recent negative global public market performance, especially for growth assets, is another factor we're watching to determine the health of the IPO market in 2022

Overview

VC deal activity



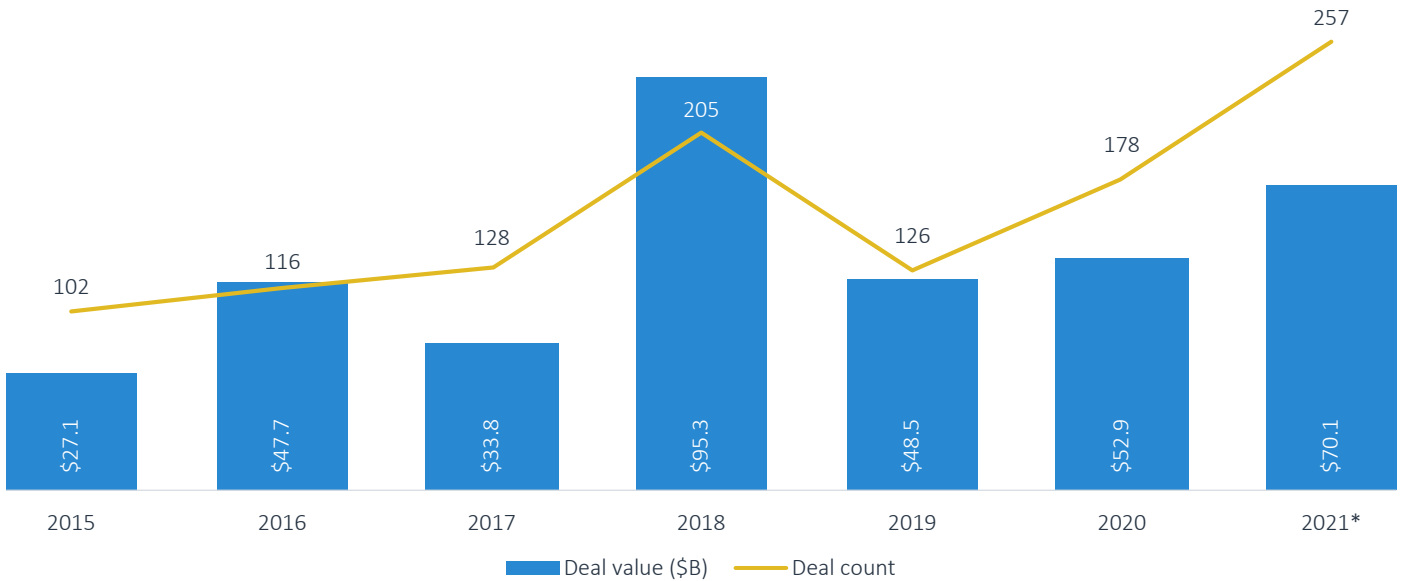
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

VC deal activity by quarter



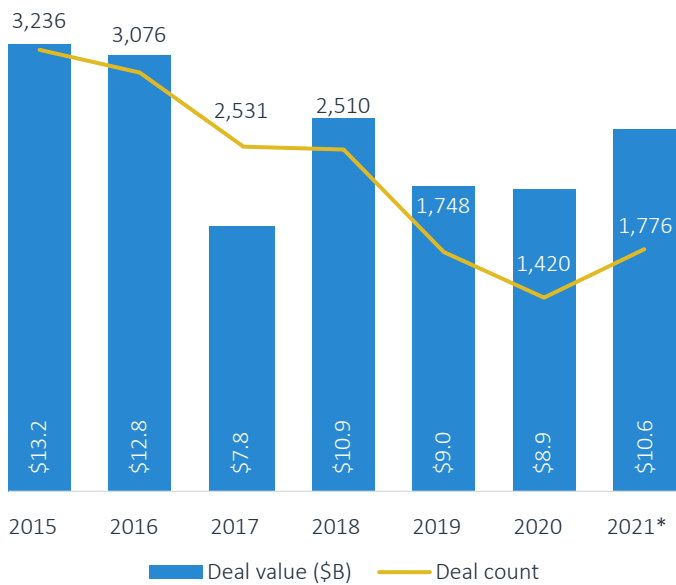
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

VC mega-deal (\$100M+) activity



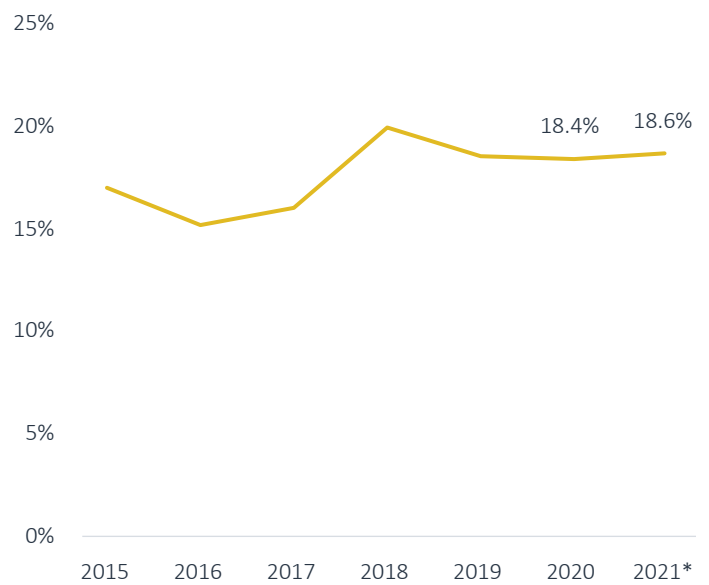
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

First-financing VC deal activity



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

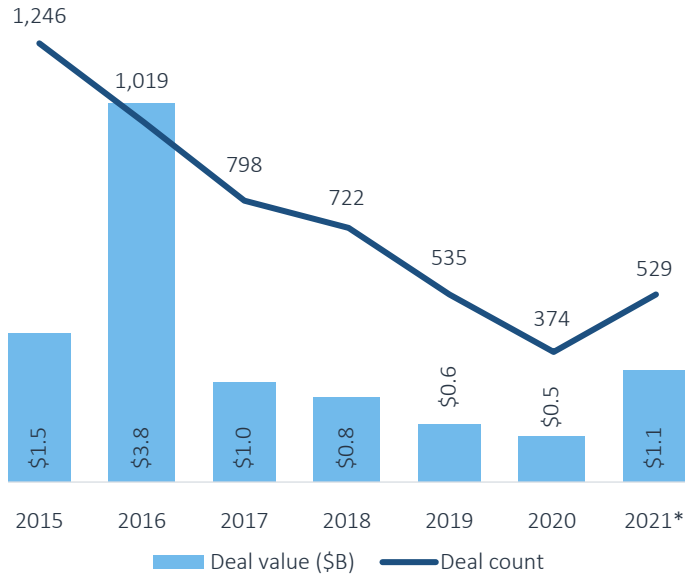
Deals with participation from investors outside of Greater China as a share of all VC deals



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

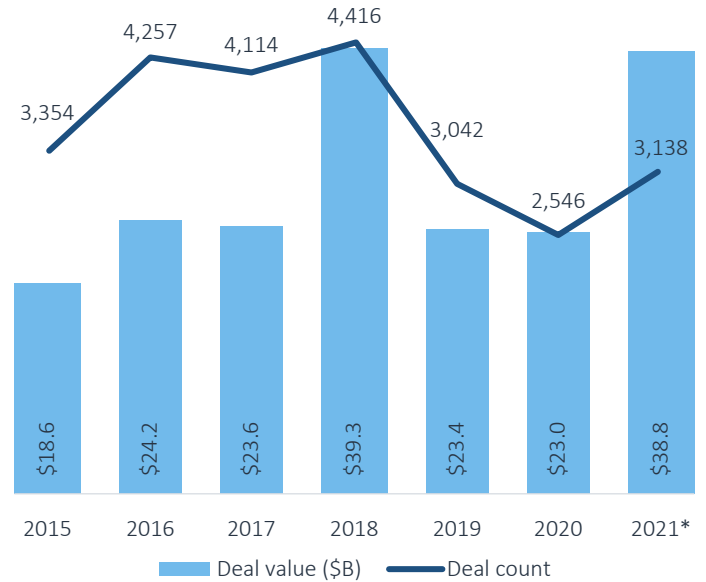
Dealmaking

Angel & seed deal activity



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Early-stage VC deal activity

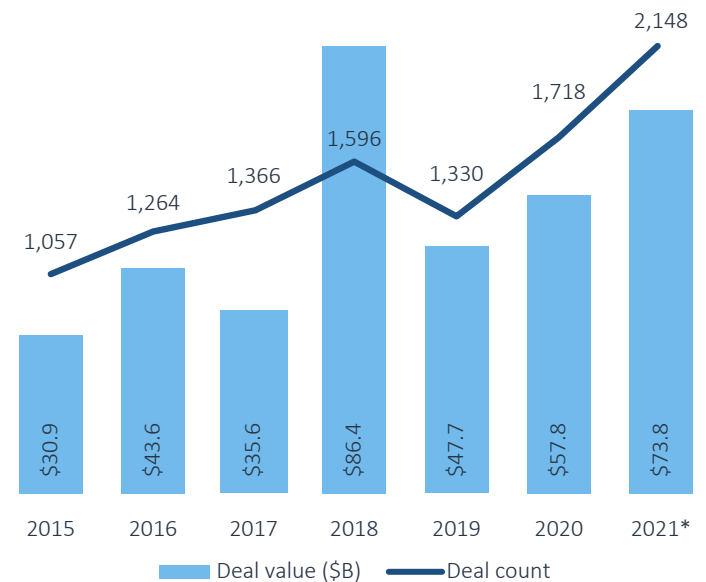


Source: PitchBook | Geography: Greater China
*As of December 31, 2021

VC investment in Greater China had a remarkable 2021, although it was shadowed by policy changes from Beijing that would have a major impact on investment within China, which drives a majority of the region's activity. The venture market saw an average of more than \$28 billion of capital investment per quarter, the highest figure since 2018. In total, \$114 billion—the second-highest total ever—was invested into the region across more than 5,800 deals.

In July, these figures appeared to be unattainable, given Beijing's policy shifts on overseas IPOs, which had sent the share prices of China-based US-listed public companies plunging. The government's tightening of regulations surrounding foreign IPOs should have drastically affected the area's venture market. That may still be the case, as we saw SoftBank and other large investors active in the region look to temper expectations and announce they would take a cautious approach to the region.

Late-stage VC deal activity



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Dealmaking

Uplifted by surging GDP growth, VC investment continued to flow in Greater China despite the government's actions. As in other regions during 2021, many areas of the venture market set new records during the year. Late-stage financings and mega-deals (\$100 million+) each set new records for deals completed. First financings, while not setting a record, did recover after declining numbers in 2019 and 2020.

Investment growth during the year was also spread across sectors, with an especially strong showing for biotech startups. Biotech & pharma investment count grew 31.9% year over year (YoY), and dollars invested grew 43.6% YoY, setting new records for each statistic. 34 of the completed deals in 2021 were classified as mega-deals, including three that exceeded \$700 million.

Investment from nondomestic investors also remained resilient despite pressures. 955 completed deals included participation from an investor headquartered outside the region, a significant increase over the previous two years. As private investment has become more global, Greater China remains a focal point of global investors. The 18.6% of deals involving nondomestic investors was a slight improvement from the past couple years, and the second-highest figure in our dataset.

Early-stage VC deal activity by quarter



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

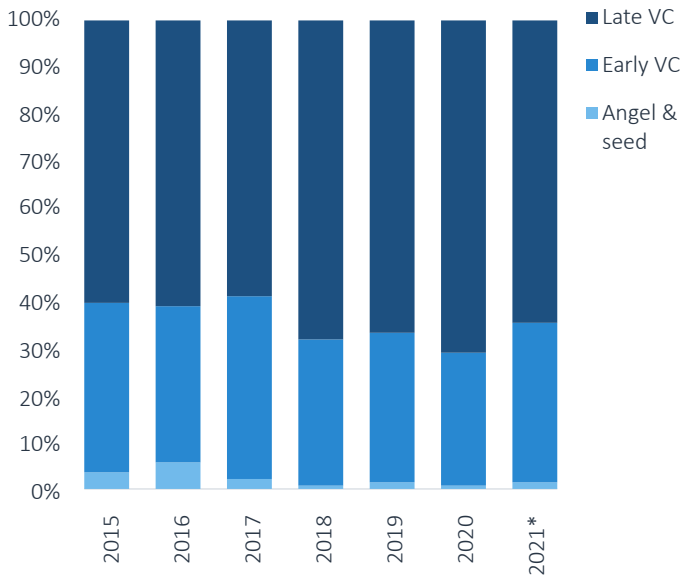
Late-stage VC deal activity by quarter



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

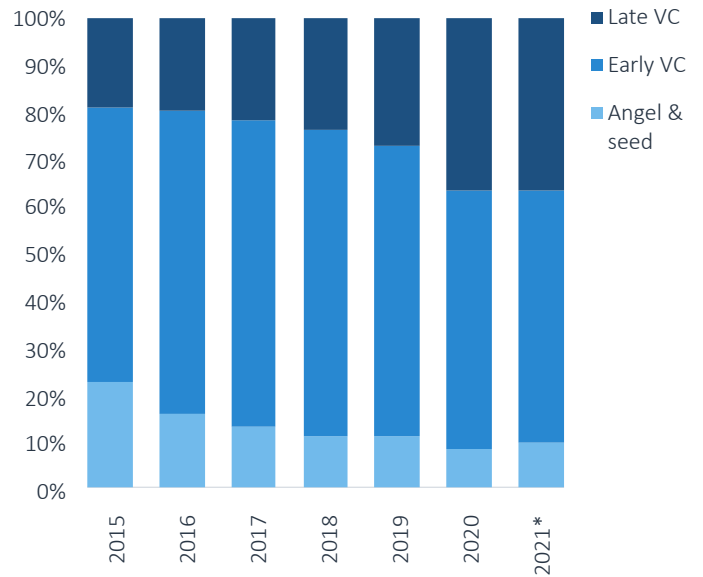
Dealmaking

Share of VC deal value by stage



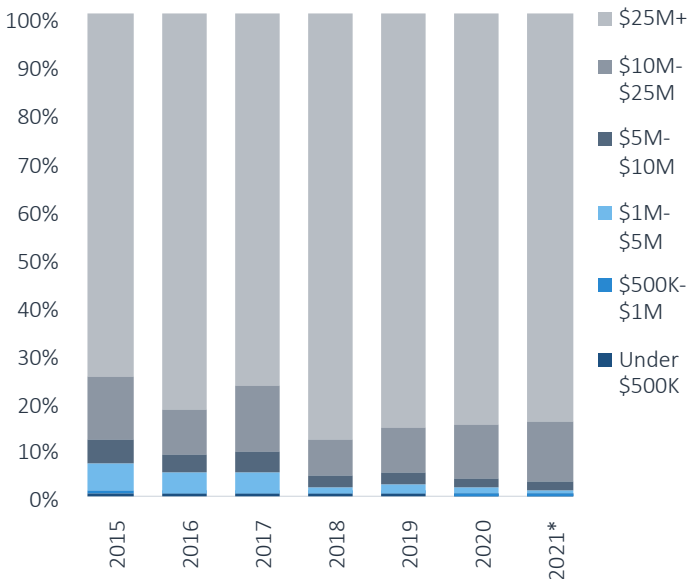
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of VC deal count by stage



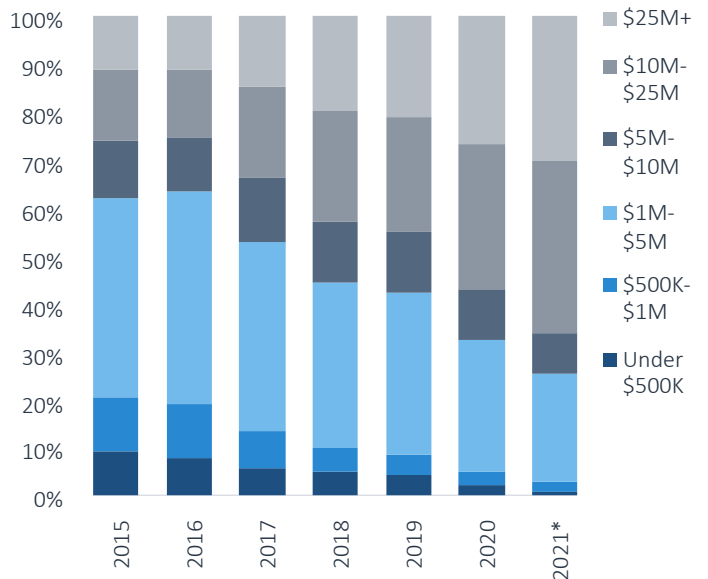
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of VC deal value by size



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

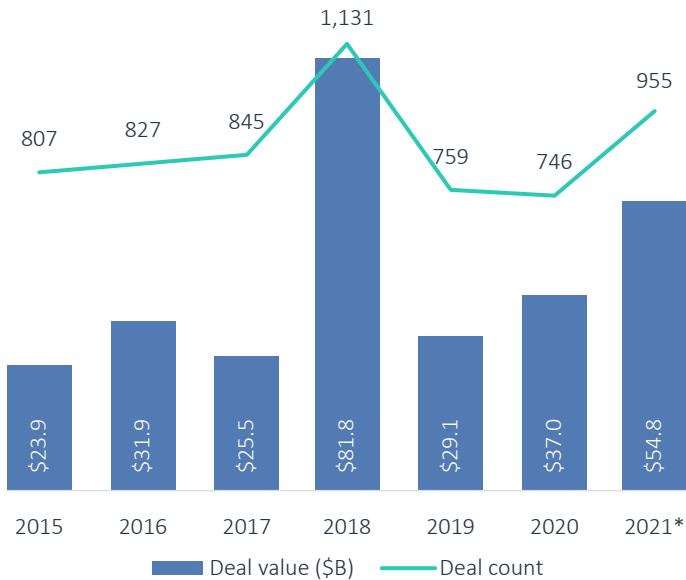
Share of VC deal count by size



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

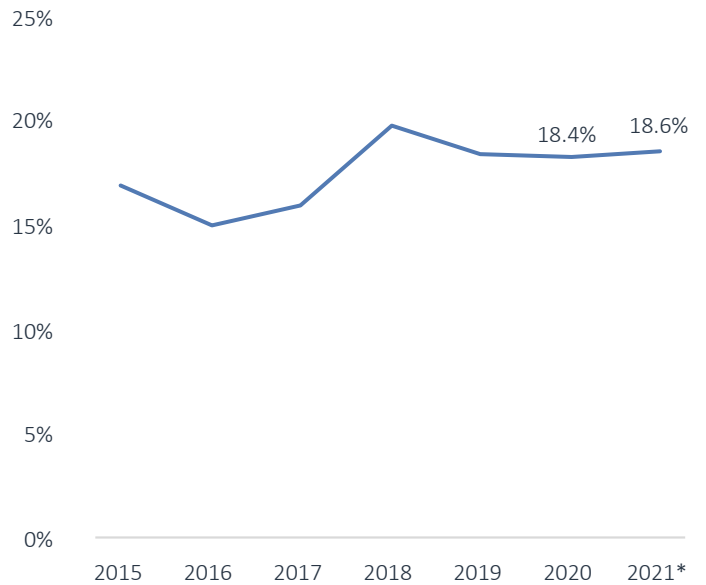
Investor breakdown

VC deal activity with participation from investors outside of Greater China



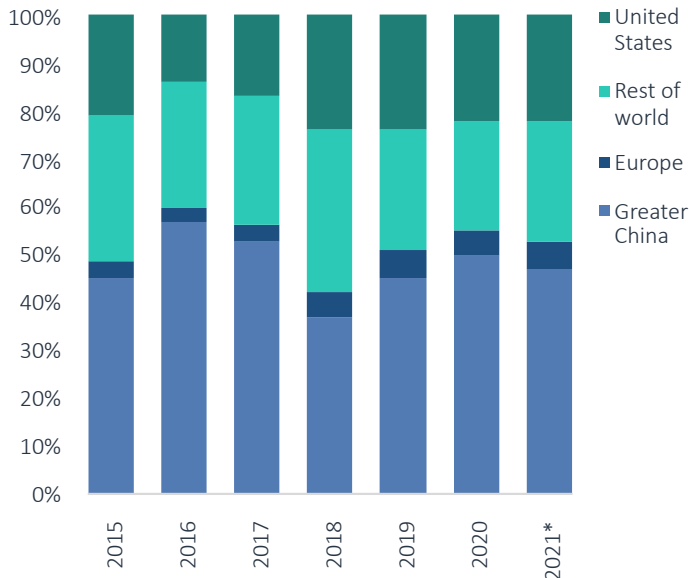
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Deals with participation from investors outside of Greater China as a share of all VC deals



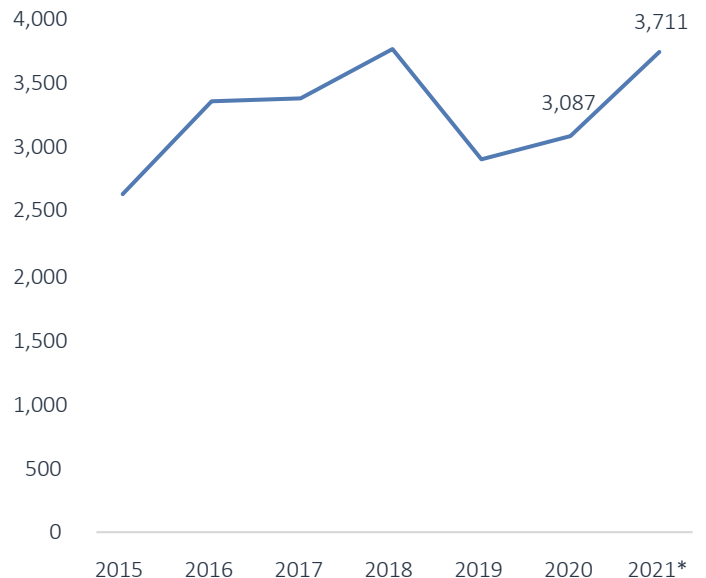
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of VC deals by investor region



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

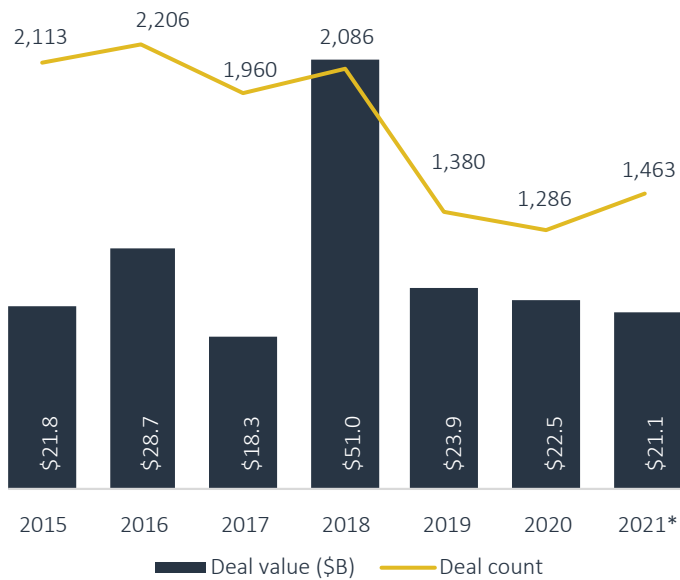
Number of unique VC investors



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

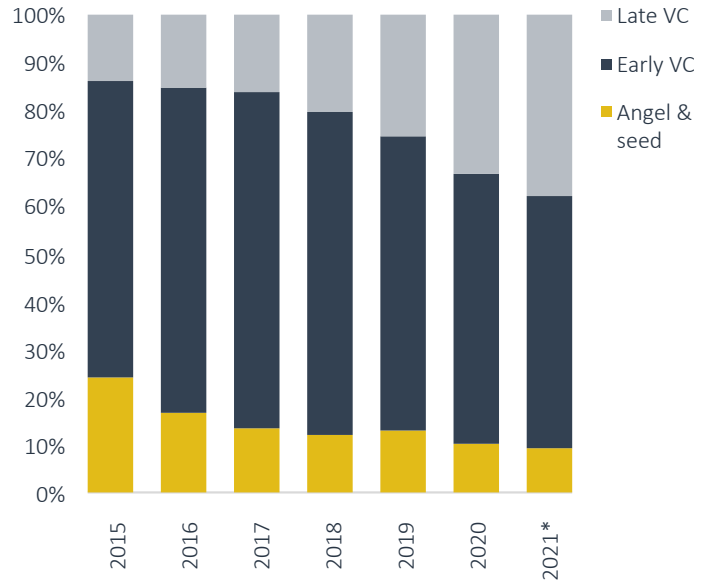
Deals by sector: Software

Software VC deal activity



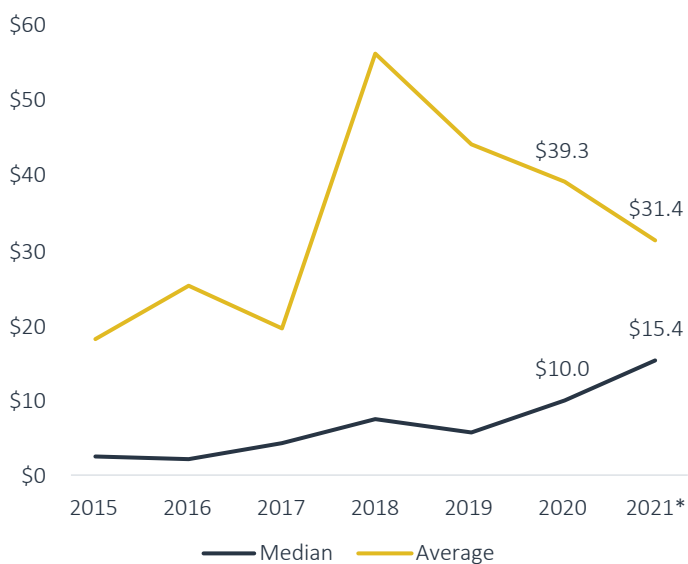
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of software VC deal count by stage



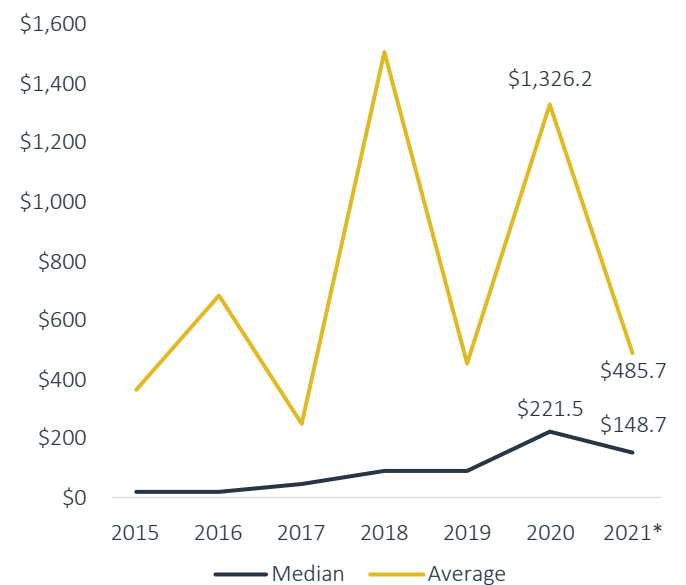
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Median and average software VC deal sizes (\$M)



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

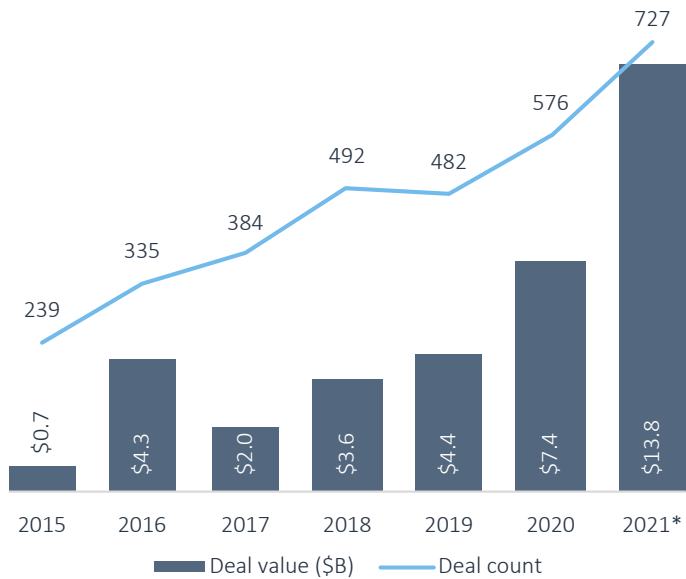
Median and average software VC pre-money valuations (\$M)



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

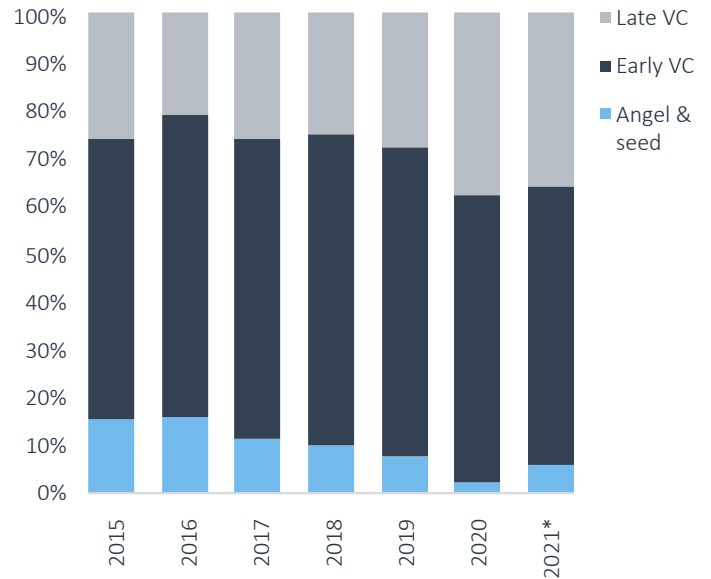
Deals by sector: IT hardware

IT hardware VC deal activity



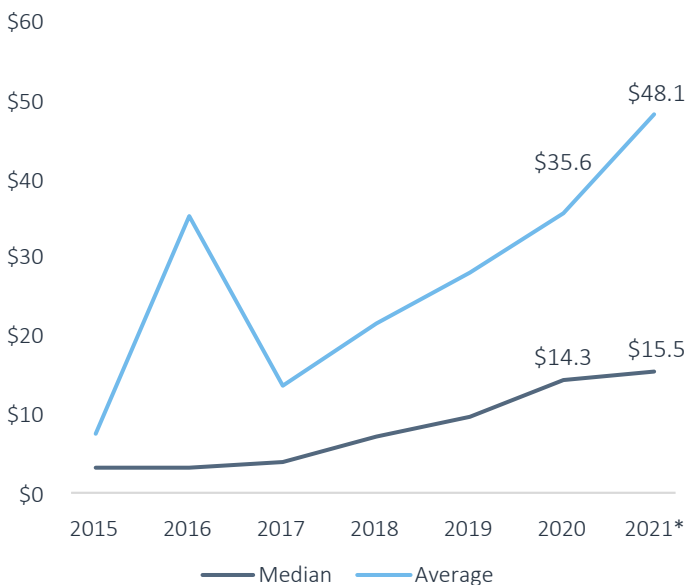
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of IT hardware VC deal count by stage



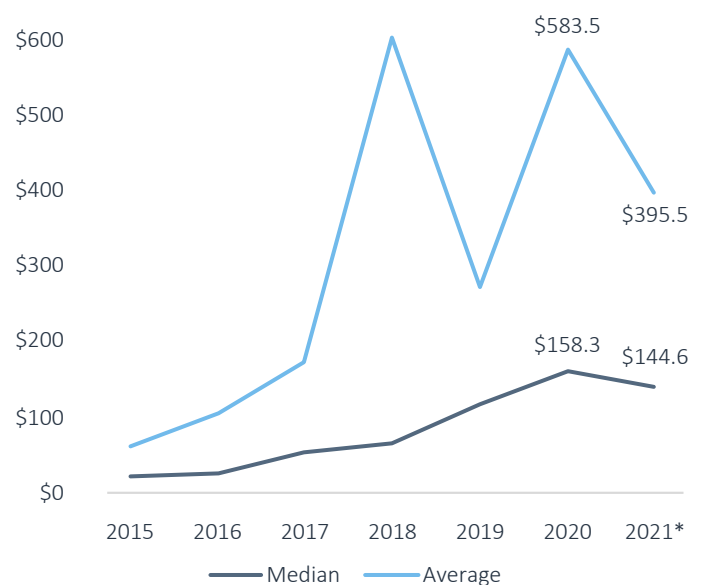
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Median and average IT hardware VC deal sizes (\$M)



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

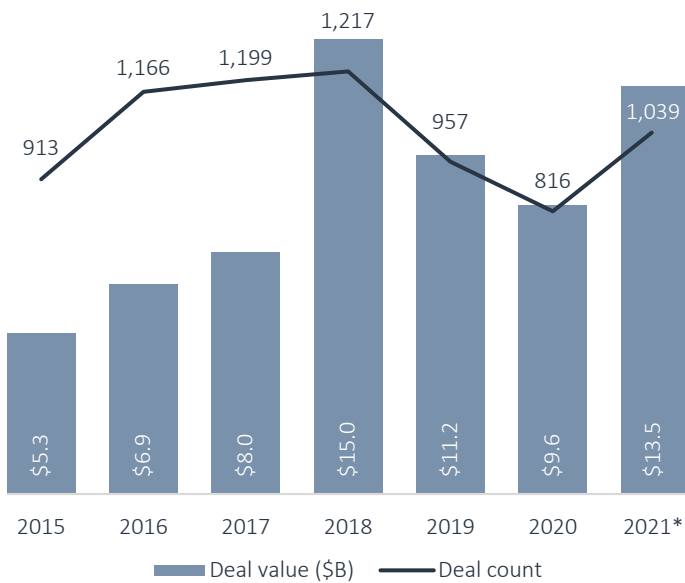
Median and average IT hardware VC pre-money valuations (\$M)



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

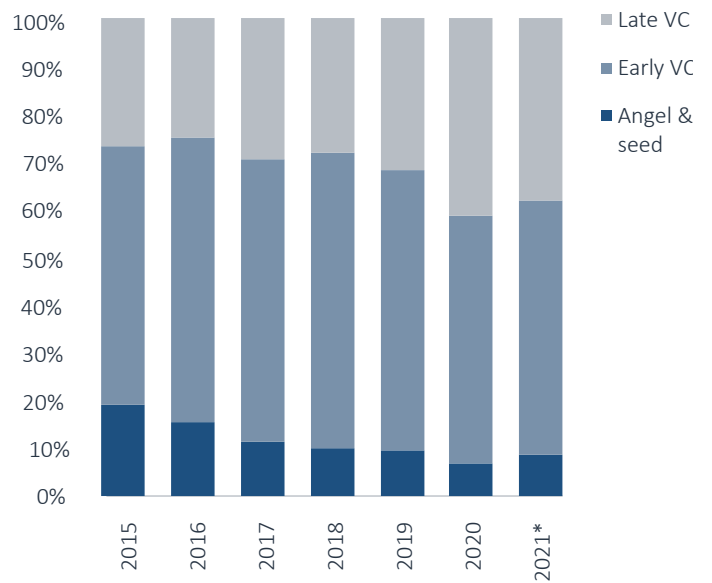
Deals by sector: Commercial products & services

Commercial products & services VC deal activity



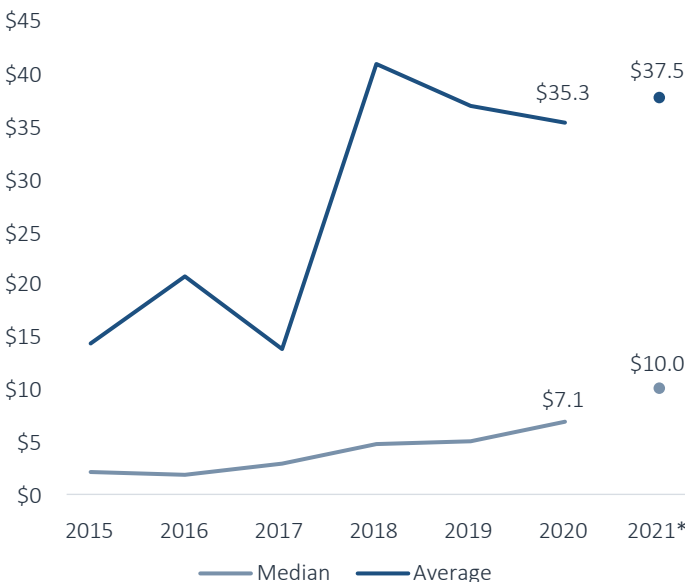
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of commercial products & services VC deal count by stage



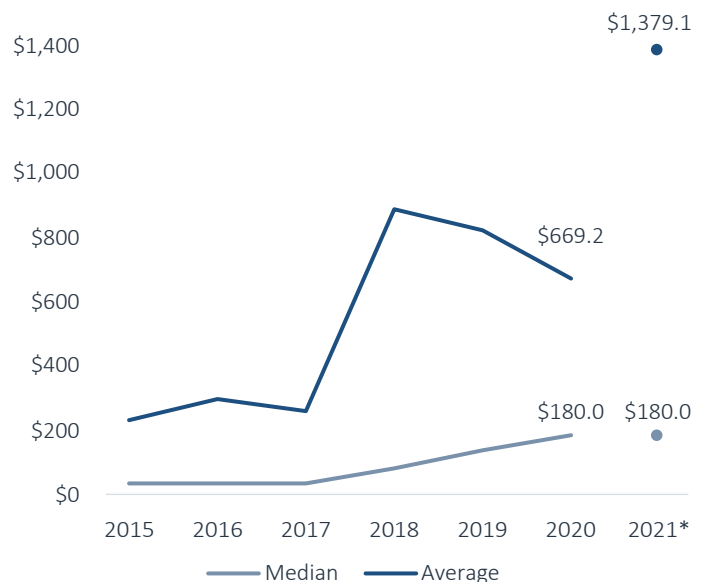
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Median and average commercial products & services VC deal sizes (\$M)



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

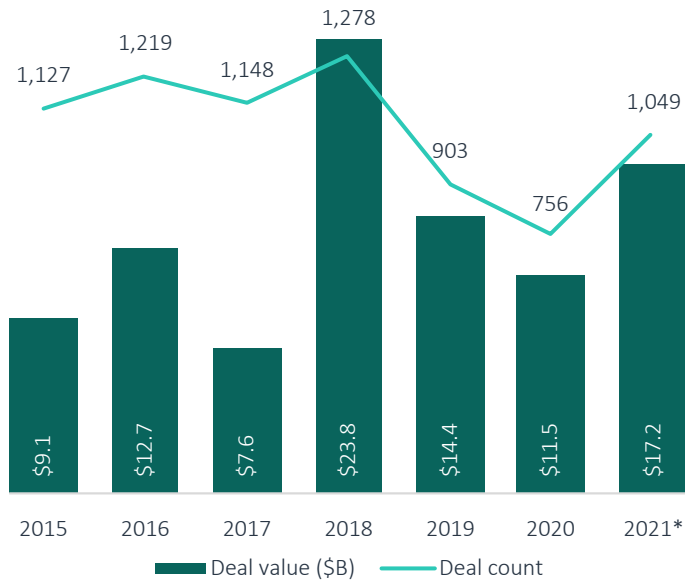
Median and average commercial products & services VC pre-money valuations (\$M)



Source: PitchBook | Geography: Greater China
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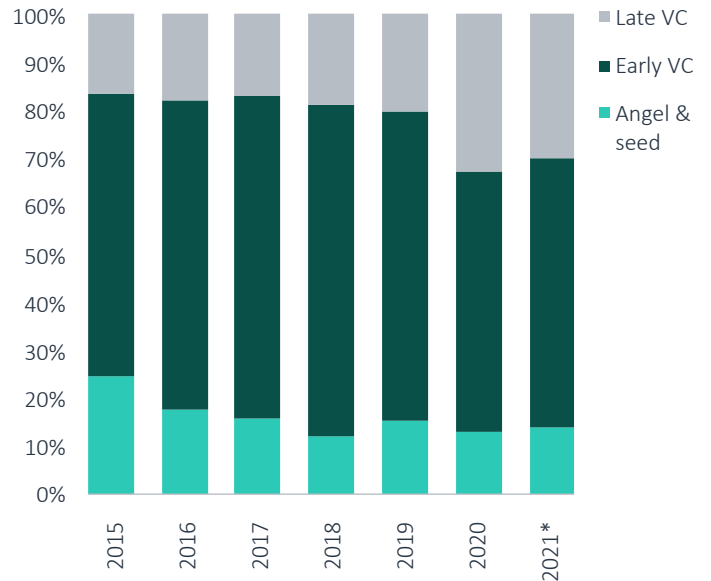
Deals by sector: Consumer goods & services

Consumer goods & services VC deal activity



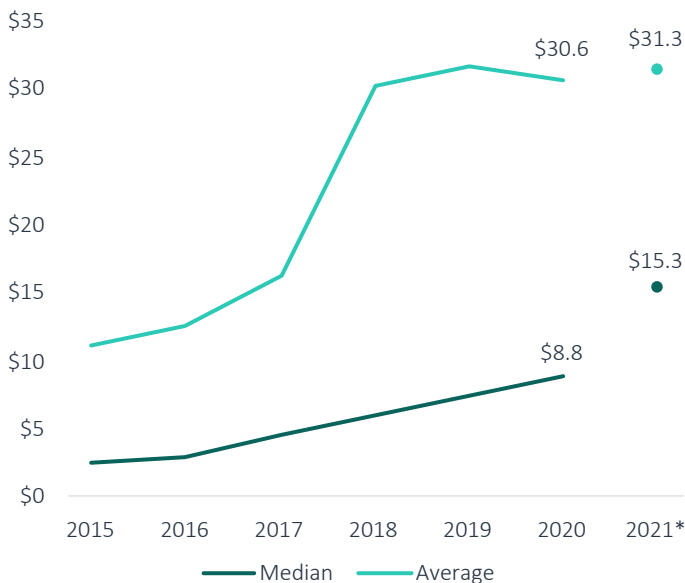
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of consumer goods & services VC deal count by stage



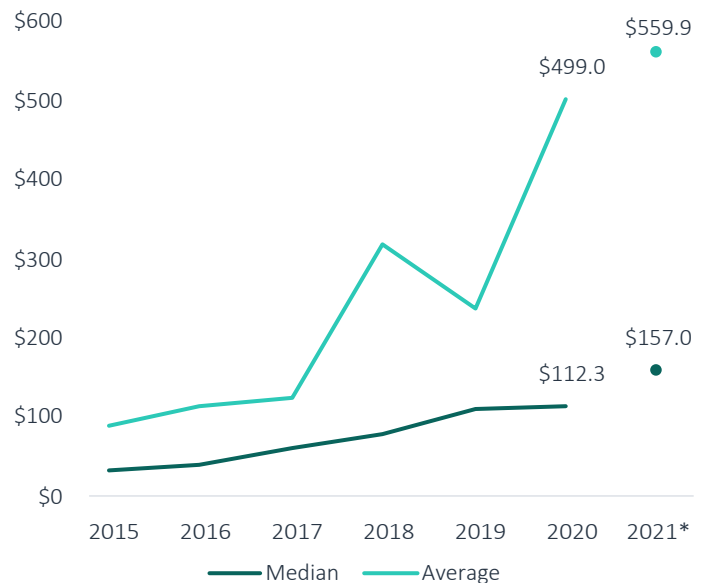
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Median and average consumer goods & services VC deal sizes (\$M)



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

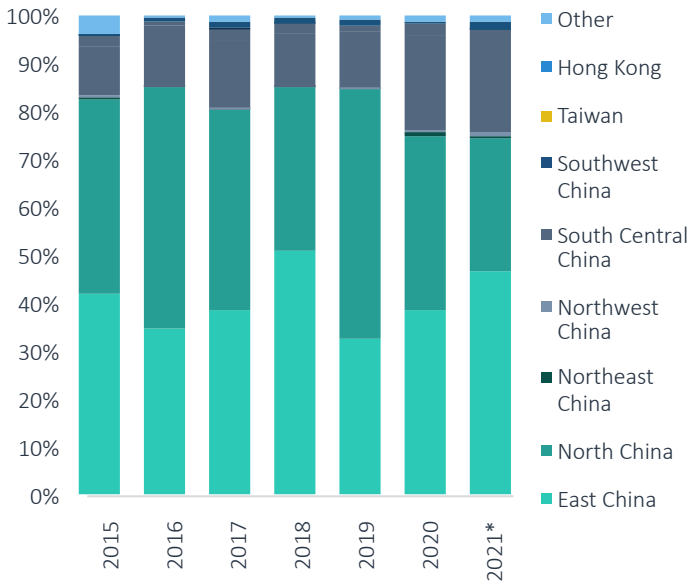
Median and average consumer goods & services VC pre-money valuations (\$M)



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

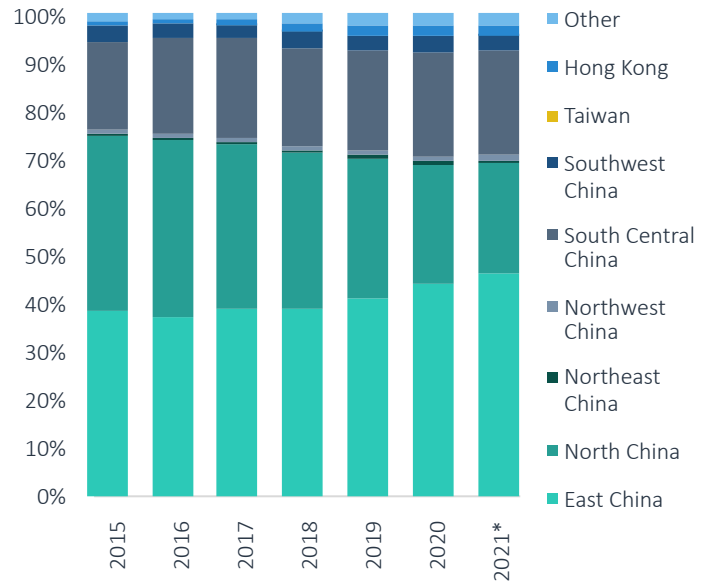
Deals by region and native currency type

Share of VC deal value by region



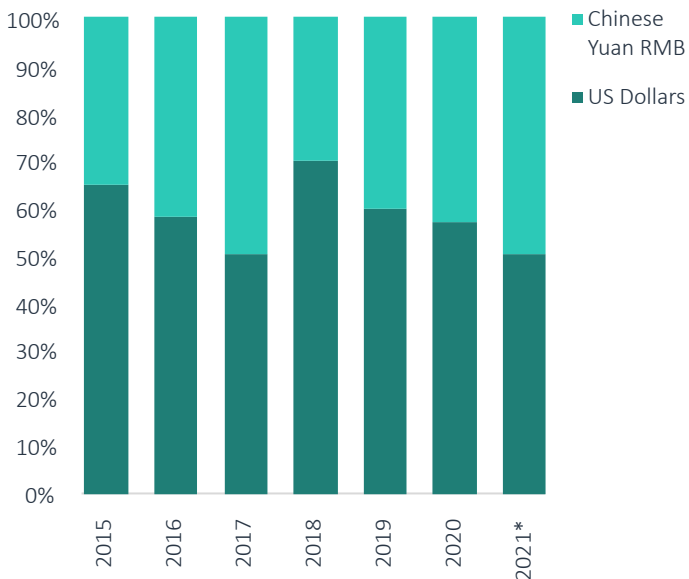
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of VC deal count by region



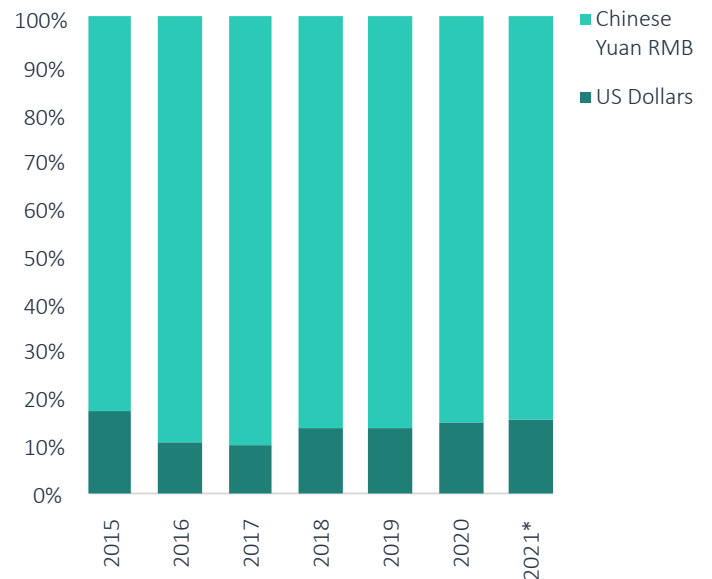
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of VC deal value by select native currency type



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

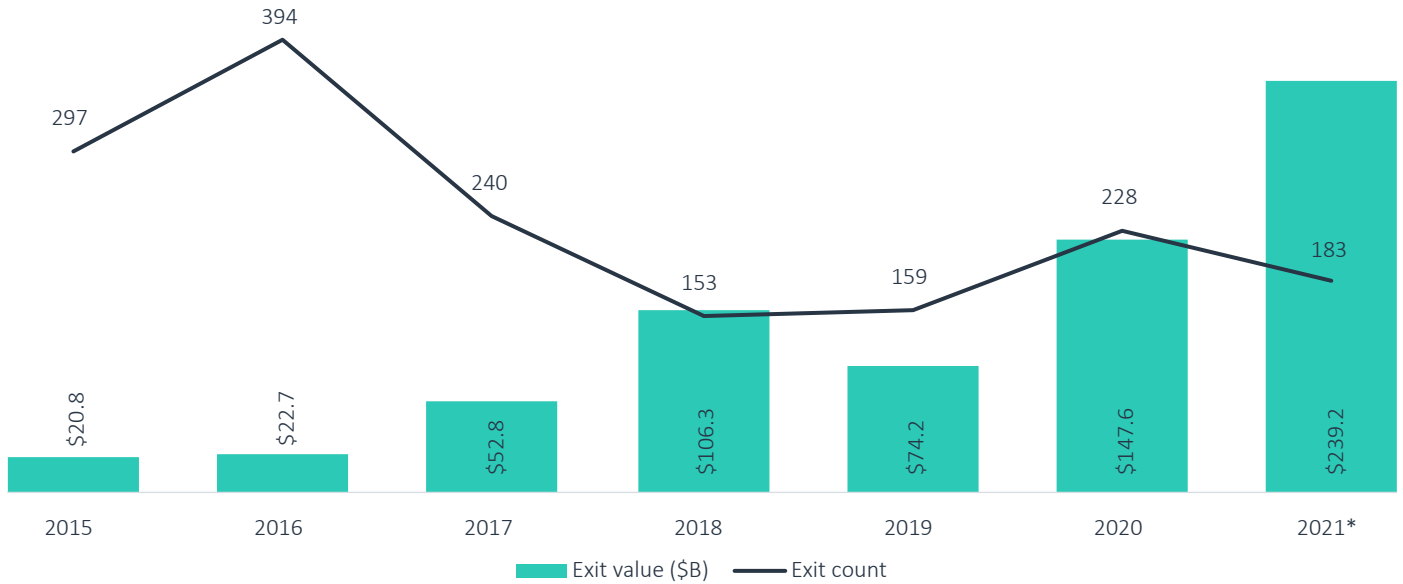
Share of VC deal count by select native currency type



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Exits

VC exit activity

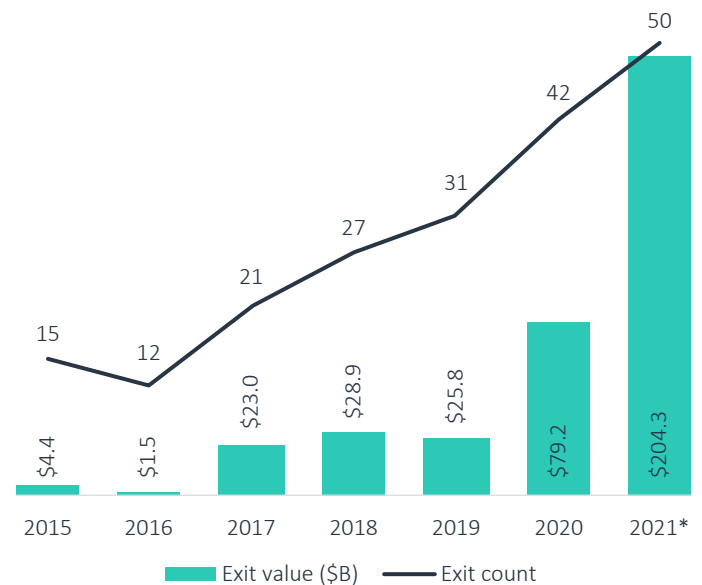


Source: PitchBook | Geography: Greater China
*As of December 31, 2021

VC in greater China recorded another strong year of exit activity in 2021, with a record \$239.2 billion becoming liquid across 183 exit events. This represents 62.1% YoY growth in terms of exit value, although on slightly less volume, implying a higher average exit size in 2021. It's also important to note that a significant portion of 2021's exit value came from public listings. This makes 2021 the third consecutive year with heavy concentration of exit value in exits to public markets, highlighting the reliance of VC liquidity on healthy public markets.

The number of Chinese businesses completing an IPO on US exchanges diminished in July, however, with a regulatory crackdown from both countries, which culminated in the delisting of DiDi from the NASDAQ exchange. The Chinese Securities Regulatory Commission (CSRC) stopped short of outright banning Variable Interest Entities (VIEs)—the structure used to list Chinese companies on US exchanges—and issued some clarifications on its stance, but many questions remain regarding the enforcement of these policies. The limited number of new IPOs of Chinese-based companies on US exchanges does cast some doubt on the amount of liquidity that can be expected in the future from this course, an especially crucial concern given how important IPOs have been for Chinese VC liquidity. However, the Hong Kong, Shenzhen, and Shanghai exchanges are still strong options for Chinese startups despite their more limited liquidity pools compared

VC exit activity with participation from investors outside of Greater China

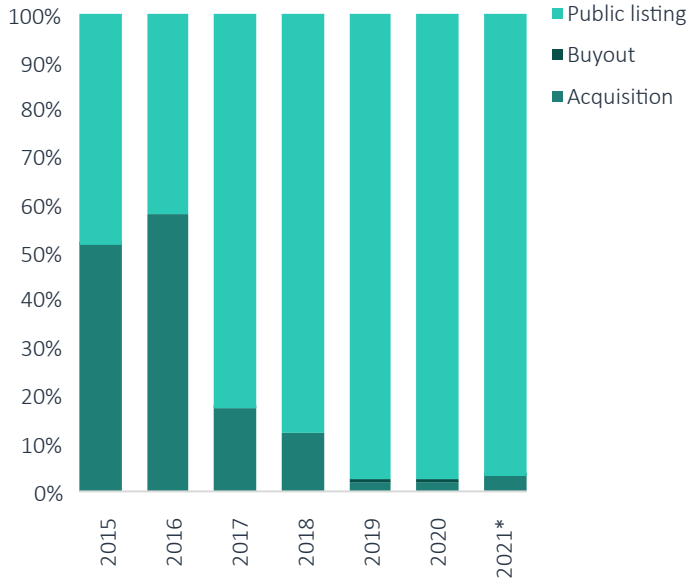


Source: PitchBook | Geography: Greater China
*As of December 31, 2021

to the US exchanges. There continues to be a growing number of highly valued Chinese startups moving through the VC lifecycle, but we will be watching the number of exits and valuations of those exits closely over the next few quarters as these dynamics continue to interact.

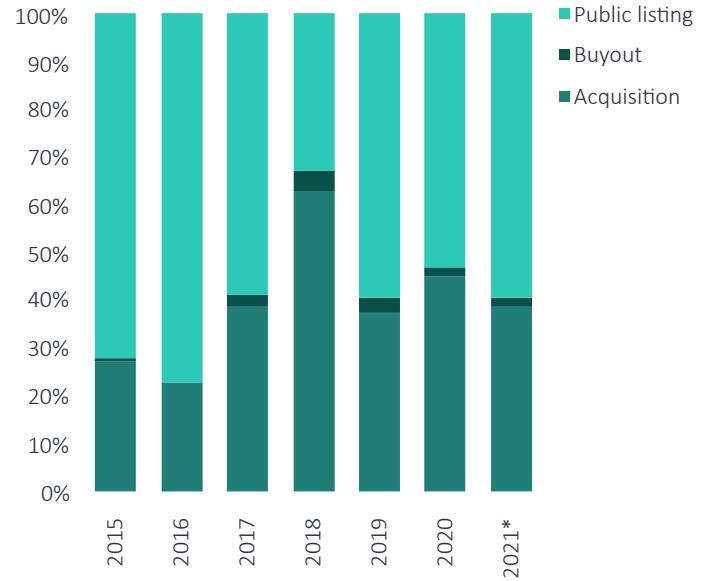
Exits

Share of VC exit value by exit type



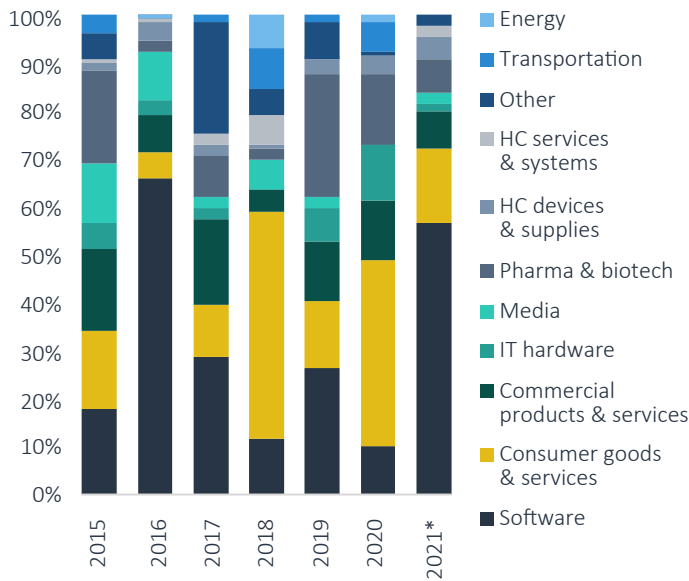
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of VC exit count by exit type



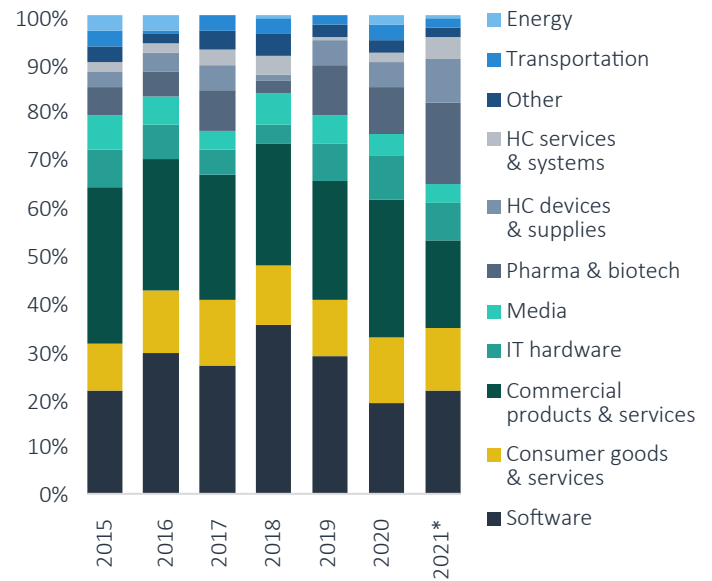
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of VC exit value by sector



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

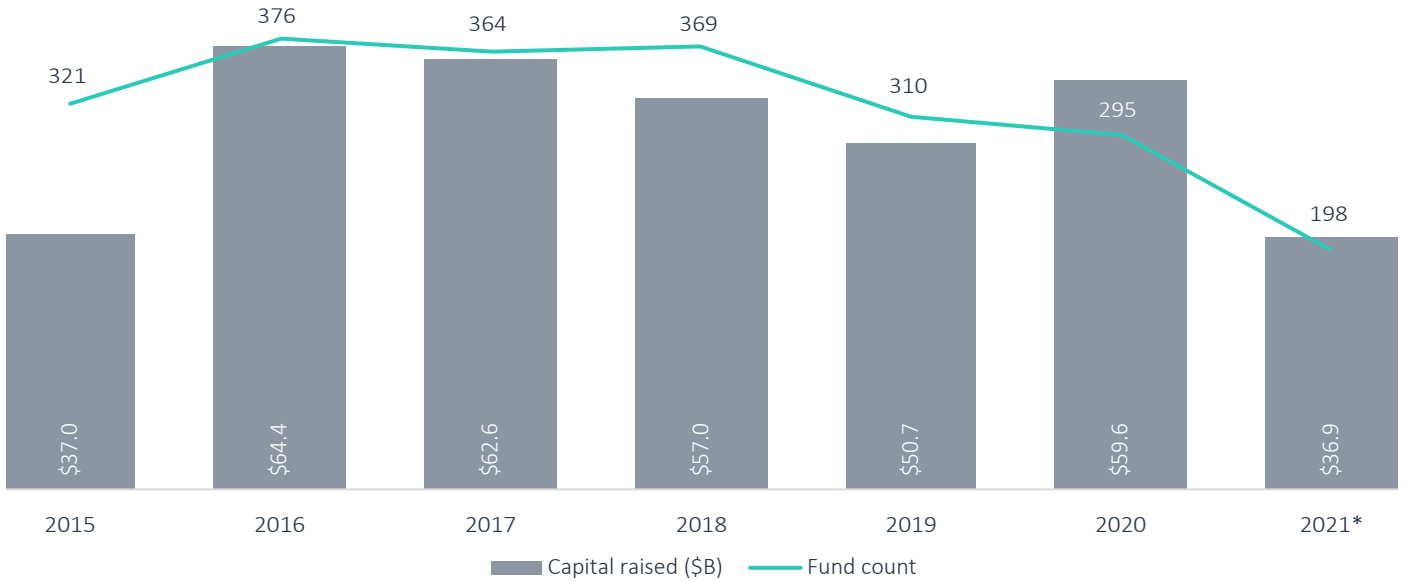
Share of VC exit count by sector



Source: PitchBook | Geography: Greater China
*As of December 31, 2021

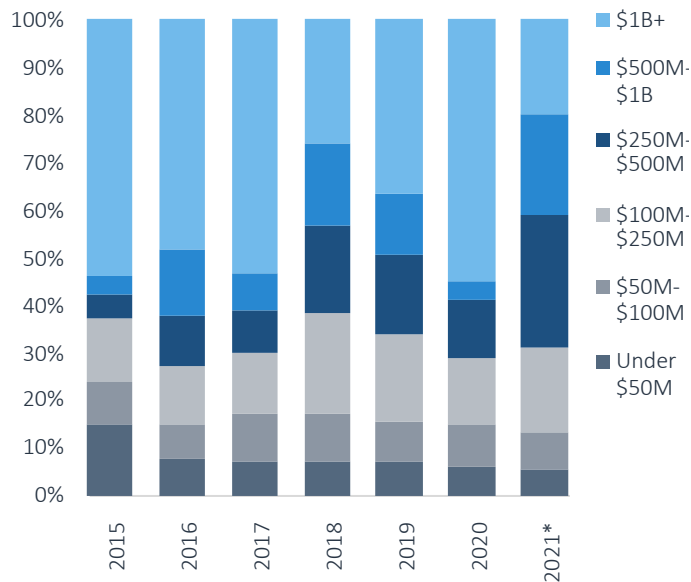
Fundraising

VC fundraising activity



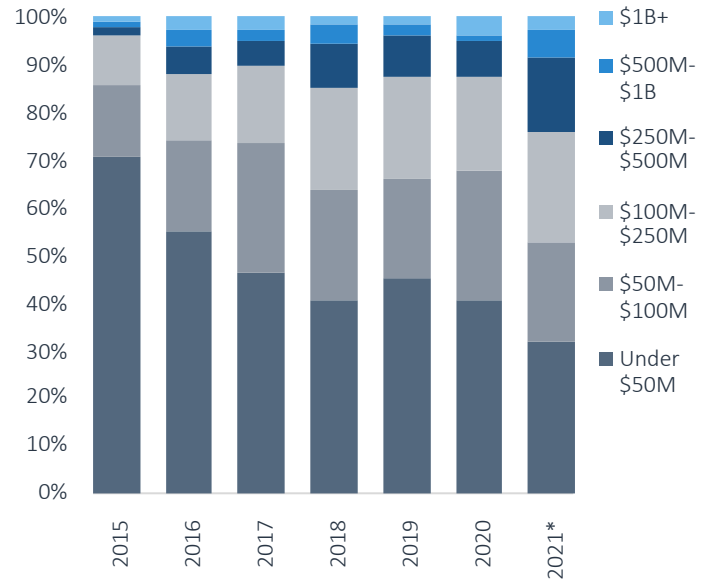
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of VC fund value by fund size



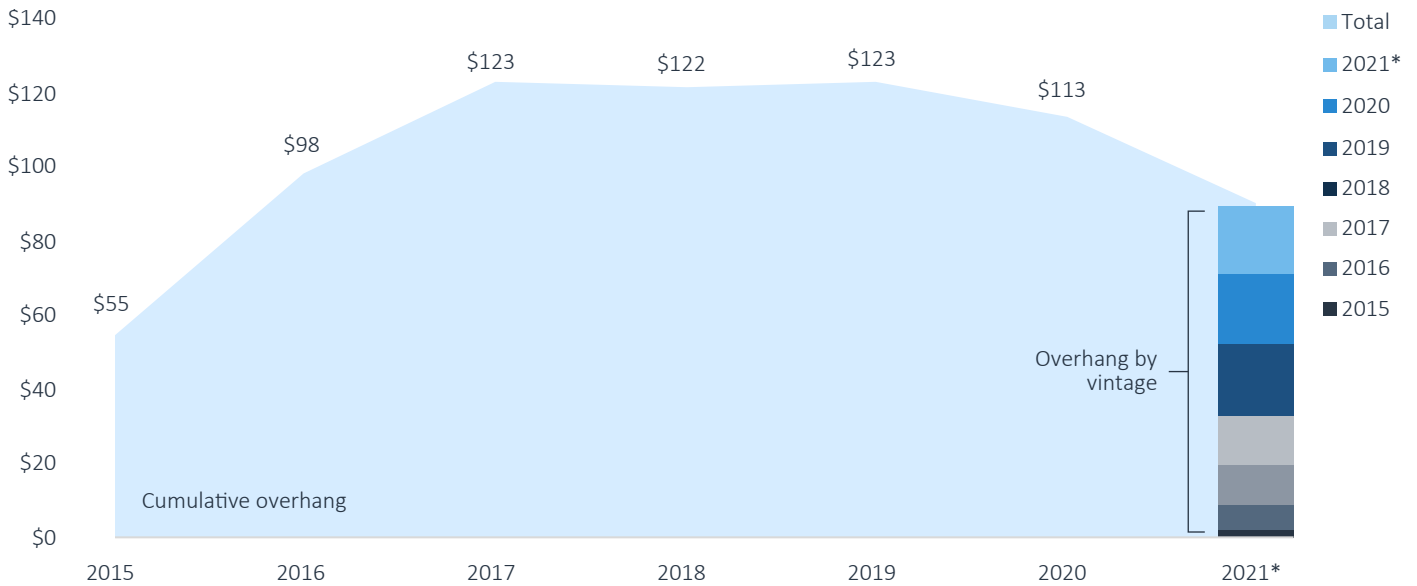
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Share of VC fund count by fund size



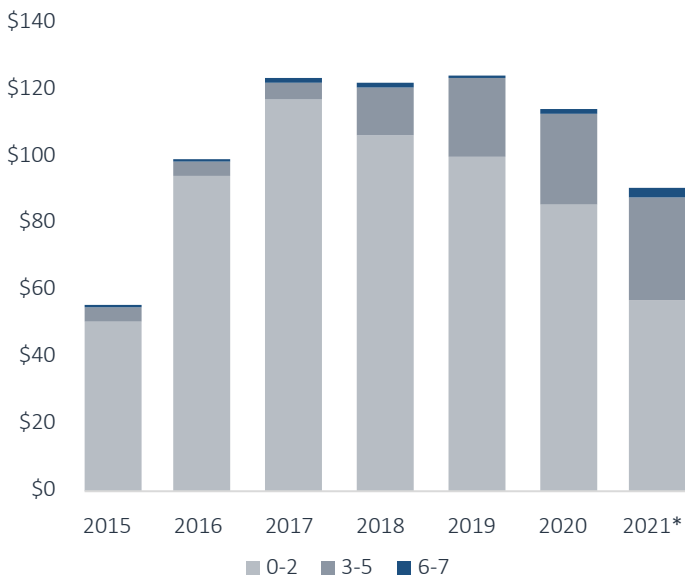
Source: PitchBook | Geography: Greater China
*As of December 31, 2021

Private capital overhang (\$B) by vintage year



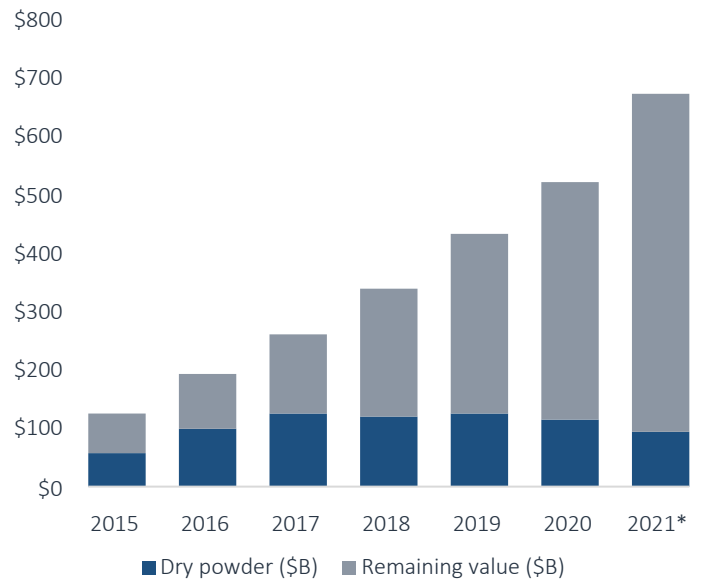
Source: PitchBook | Geography: Greater China
*As of December 31, 2020

Private capital overhang (\$B) by age bucket



Source: PitchBook | Geography: Greater China
*As of December 31, 2020

Private capital AUM (\$B)



Source: PitchBook | Geography: Greater China
*As of December 31, 2020

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