Venture funding for startups still surging

July 23 2015, by Rob Lever

People look at Xiaomi's Mi4i smart phone and Mi Band during their launch in New Delhi on April 23, 2015

Investors pumped some $32.5 billion into more than 1,800 venture-backed companies around the world in the past quarter, amid feverish interest in tech startups, a survey showed Thursday.

The report by the research firm CB Insights and the consultancy KPMG suggests the boom in funding for tech firms—the vast majority of the startups—shows no signs of abating.

The report said venture investors are hunting for "disruptive technologies and applications" along with new "on-demand" startups—delivering goods and services ranging from groceries to house cleaning.

"This trend, which escalated with Uber and Airbnb, is now expanding into new verticals and well beyond North America," the report said.

North American firms got the lion's share with some $19 billion spread over 1,100 deals, the report showed. Asia garnered some $10.1 billion, outpacing Europe's $3.2 billion in the April-June period.

The deals have also been getting "fatter" according to the survey, with the average investment for "late-stage" firms at $74 million, and more than 30 investments of over $100 million.

Employees of online lodging service Airbnb work in the Airbnb offices in Paris on April 21, 2015

More 'unicorn' births

The number of billion-dollar startups or "unicorns" also grew in the quarter, with 24 of these created in the quarter.

Internet and mobile communications startups accounted for 65 percent of all deals in the quarter, and other software firms took in five percent. Other key sectors were health care and consumer products and services.

KPMG's Arik Speier said the boom is being fueled by consumer demands for new services from smartphones.

"The consumer wants everything to be instant these days," he said.

"If you tap your phone you want the transaction done. I am a true believer in on-demand companies that deal with supply and demand and create the platform that connects the two sides of the equation. This momentum will likely continue and expand."

Brian Hughes at KPMG said the availability of private venture capital is helping many startups remain private instead of seeking a stock market listing.

"If you told a company that they could raise almost the same amount of money at the same valuation in a private financing versus a public one there is no question that companies would often choose to stay private longer," Hughes said.

"Staying private gives the company more latitude to do what they need to do to grow their business for the long term."

The high-value startups which are still private include Uber, worth more than $40 billion, Airbnb ($25 billion) and Snapchat ($15 billion). Non-US firms among the unicorns include China's Xiaomi ($46 billion) and drone maker DJI ($10 billion).

Over the first six months of 2015, venture funding amounted to $59.8 billion, poised to overtake the $88.3 billion in 2014, according to the report.

"While many analysts are predicting a slight decrease in venture capital investment in the months ahead, we believe the strength of such fundamental growth drivers have created strong conditions for continued VC investment," the report said.

"Even with a possible slowdown, 2015 is shaping up to be a record year."