

China Entrepreneurship Update @Stanford

— —

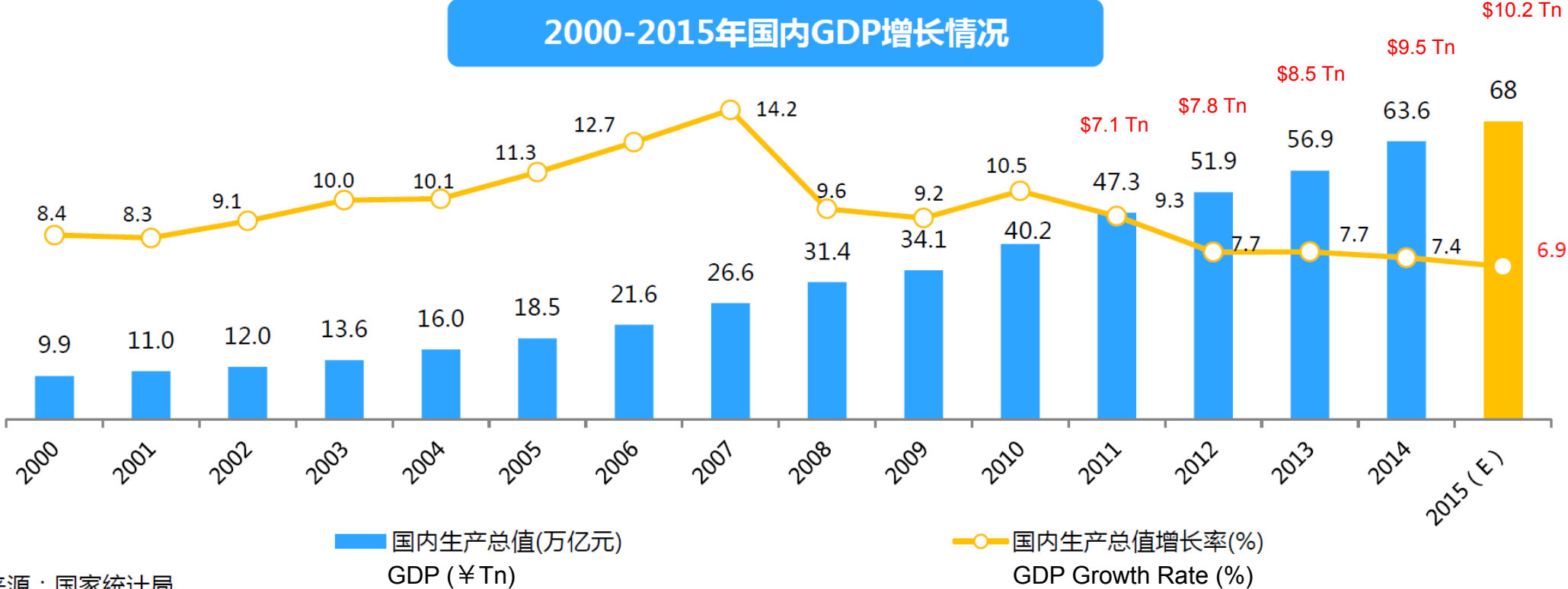
April, 2016
Hans Tung

Overview of Equity Investment in China

China's GDP growth powered by consumption upgrade, financial innovations, economic structural improvement and systematic and demographic transitions

China's GDP Growth 2000-2015

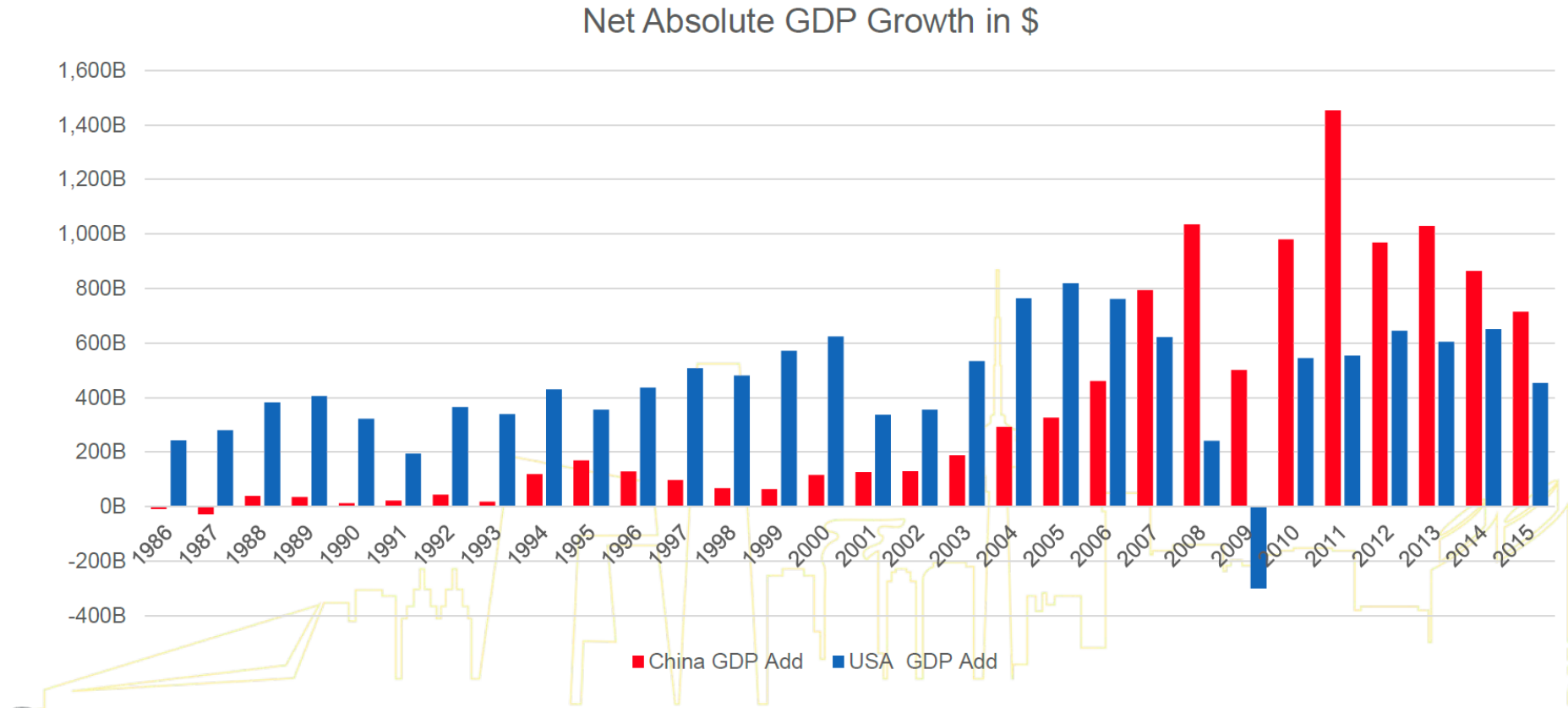
2000-2015年国内GDP增长情况



来源：国家统计局

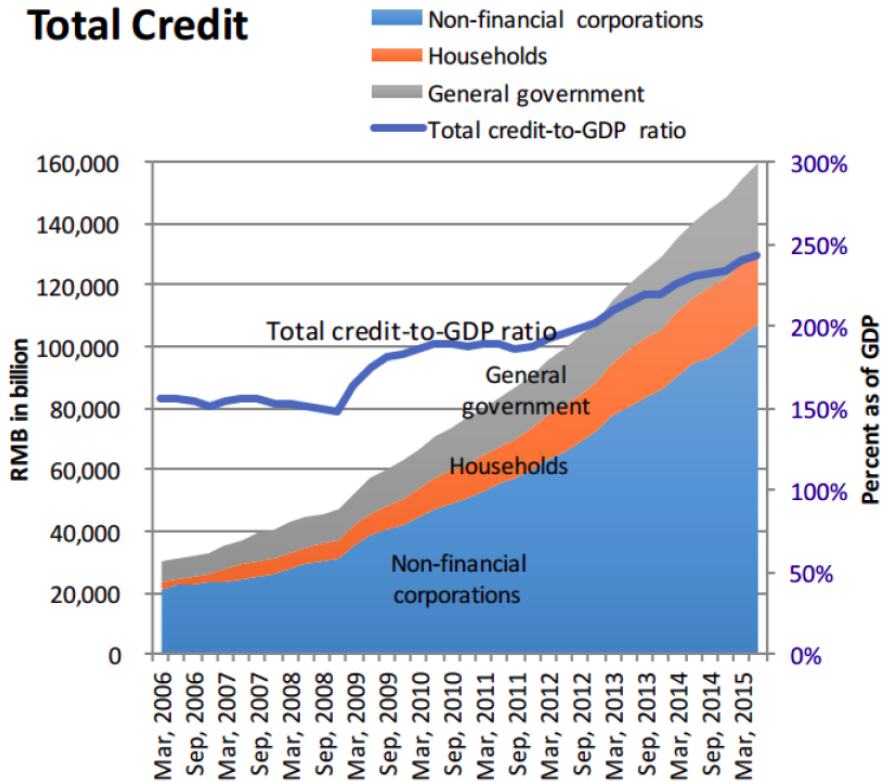
Chinese Economy: Still Adding 1 India Every ~3 Years

\$\$ added to chinese economy staggering



Chinese SOEs (Outside of Banking) Have Accumulated Lots of Debt since 2008 (vs \$18T for USA)

- “Over the past seven years, China has experienced one of the largest and most rapid debt build-ups of modern economic history—larger and more rapid than the credit expansion that preceded Japan’s crisis in the early 1990s and the one that led to the Great Recession of 2008”



Sources: BIS, National Bureau of Statistics, CEIC

Near Term Volatility; Long Term Up & Right if Reforms Work

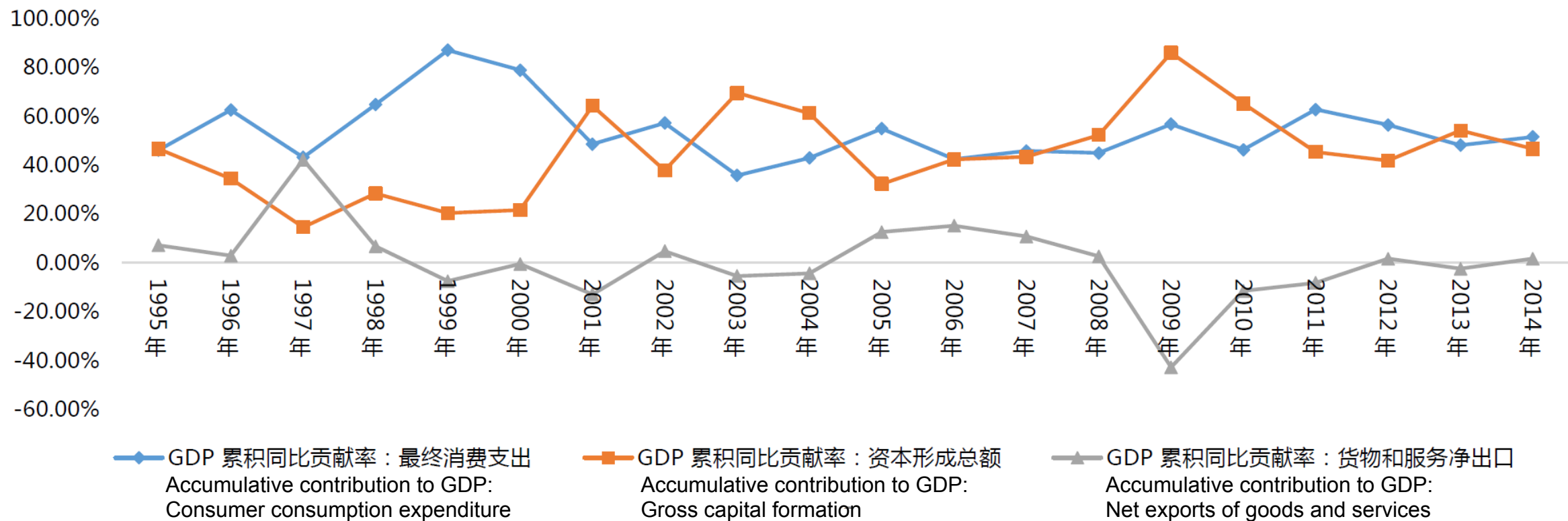
China Will Be Fine Over Time:

- Effective Top-Down Government, Dealt with Reforms in 1993-94; 2000-2002; 2008-2010
- Keep it w/in the System
- There is headroom for Consumer Debt
- Central Bank to Print Money (more RMB depreciation)
- Increased Efficiency to Come from Internet
 - ecommerce = 3% of GDP & growing
 - Internet stocks = 2% of market cap of all Chinese stock exchanges

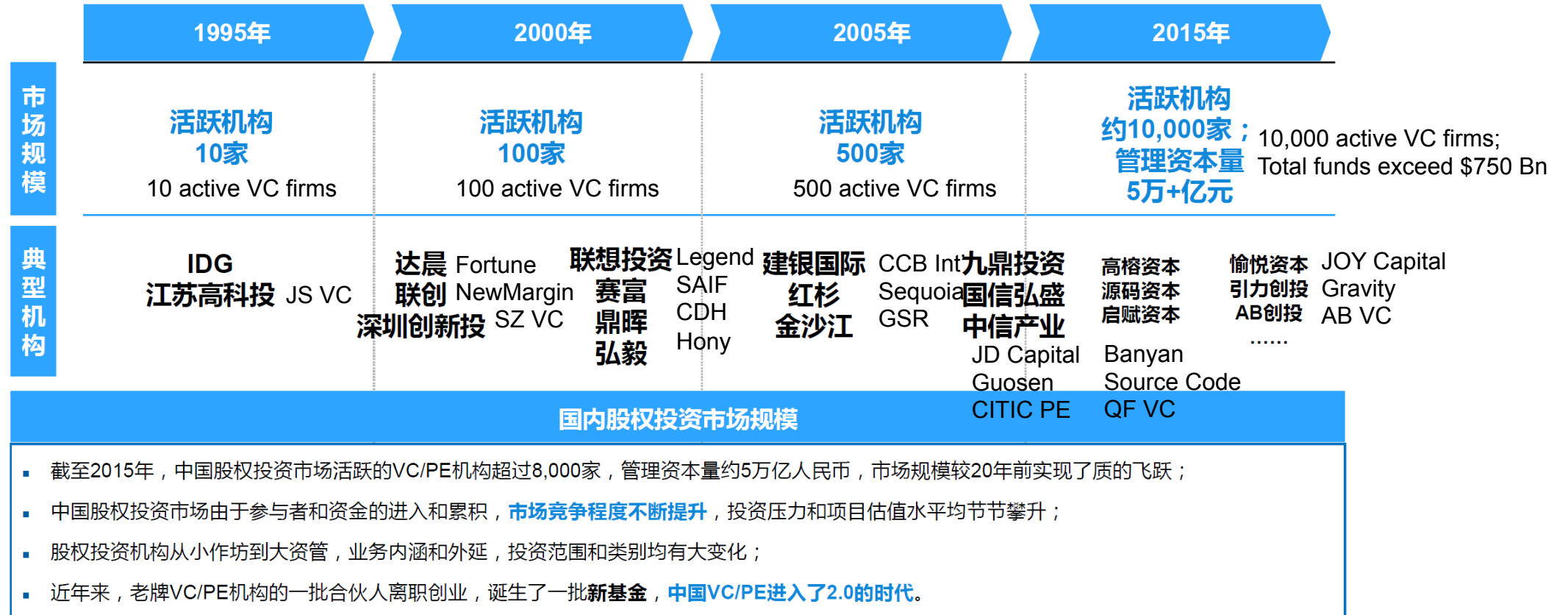
Consumer consumption expenditure is the main vehicle driving China's GDP growth

Contribution from final consumption expenditure to GDP growth is higher than contributions from investment and exports

最终消费对GDP增长的贡献率持续高于投资和出口



Investment market in China has experienced a tremendous growth in the past 20 years

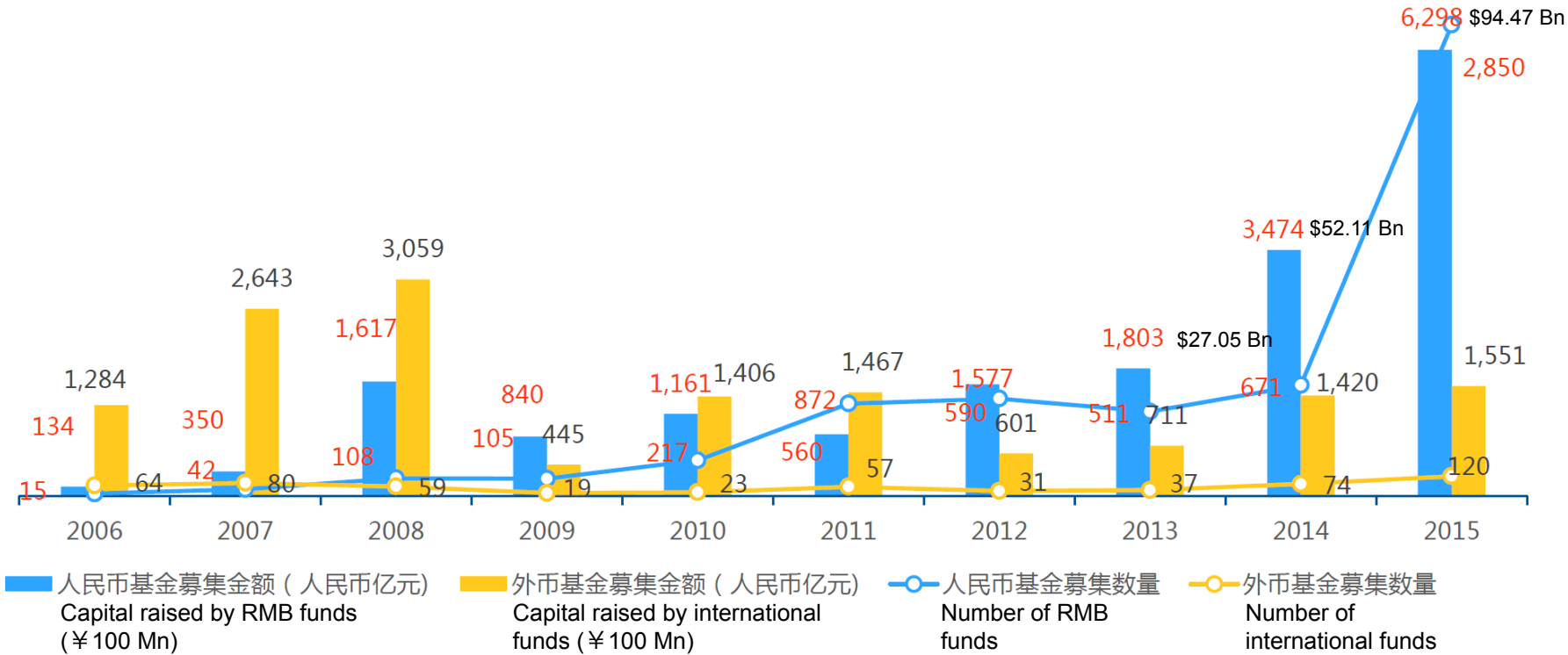


There are more than 8,000 active VC/PE firms investing in China in 2015 and they manages more than \$750 Bn capital

RMB funds vs. foreign currency funds in China's VC/PE market

Fundraising stats of equity investment funds in China 2006-2015 (angel, VC, PE)

2006-2015年中国股权投资基金募资情况 (RMB vs. 外币) (包括天使、VC、PE)

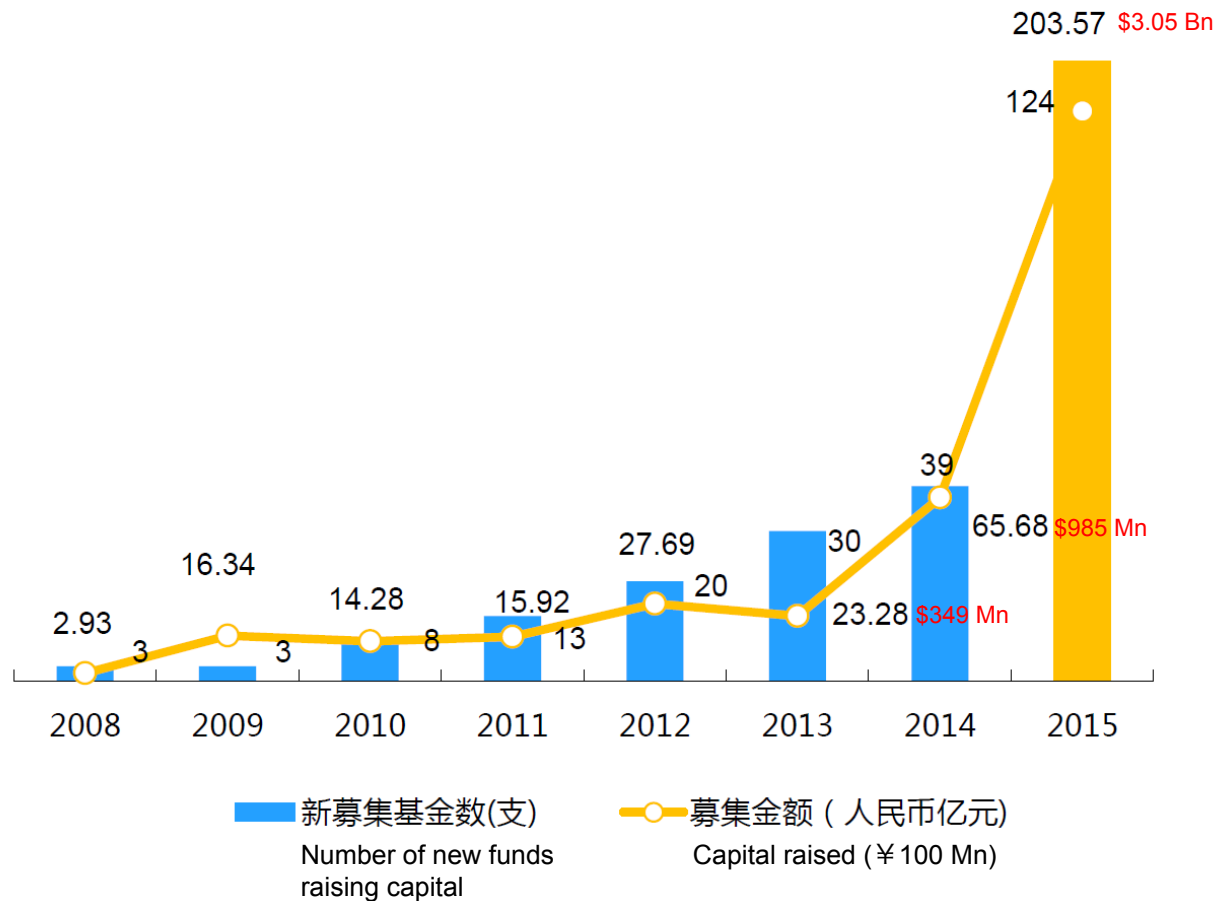


2015 Angel Investment Market in China

Angel investment grows fast in China

Fundraising amount change of Chinese angel investment (2008-2015)

中国天使募资总量的变化比较(2008-2015)

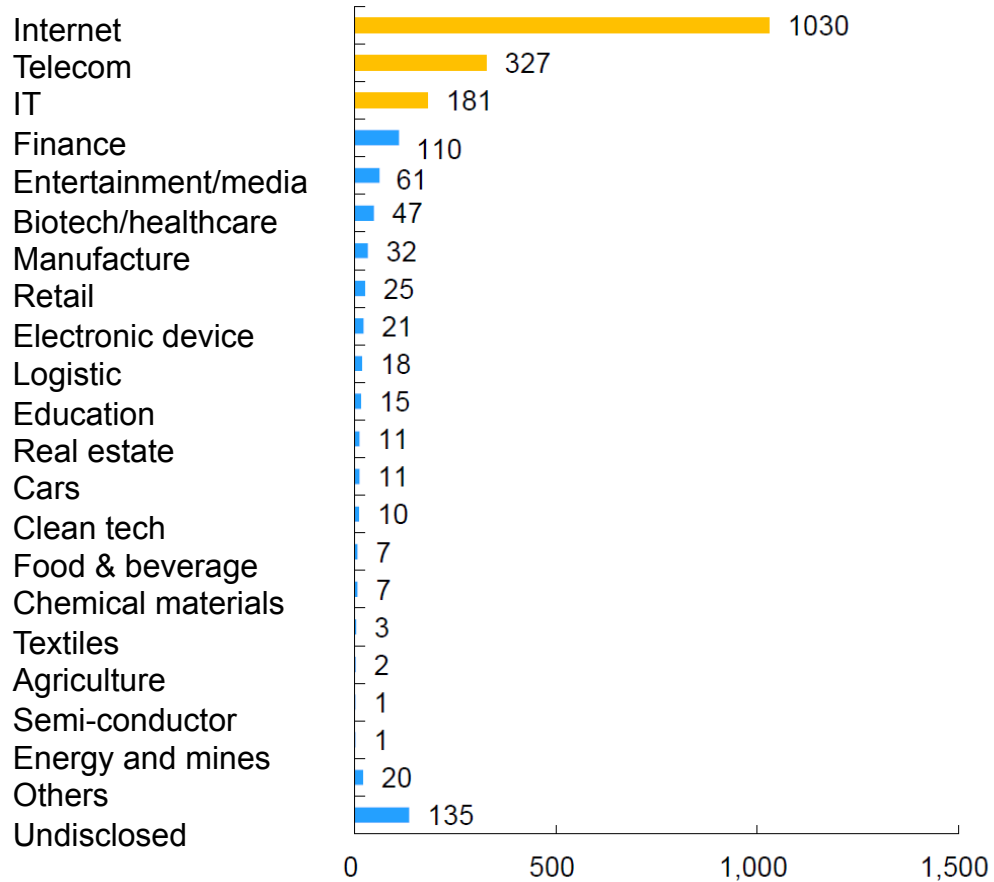


- Comparing to the capital raised in 2014, capital raised by Chinese angel investment in 2015 is 214.9% higher
- Chinese local angel investment erupted in 2015. Number of angel investments in 2015 exceeds the sum of all the investments before 2015.

TMT attracts most of the investment in China's angel investment

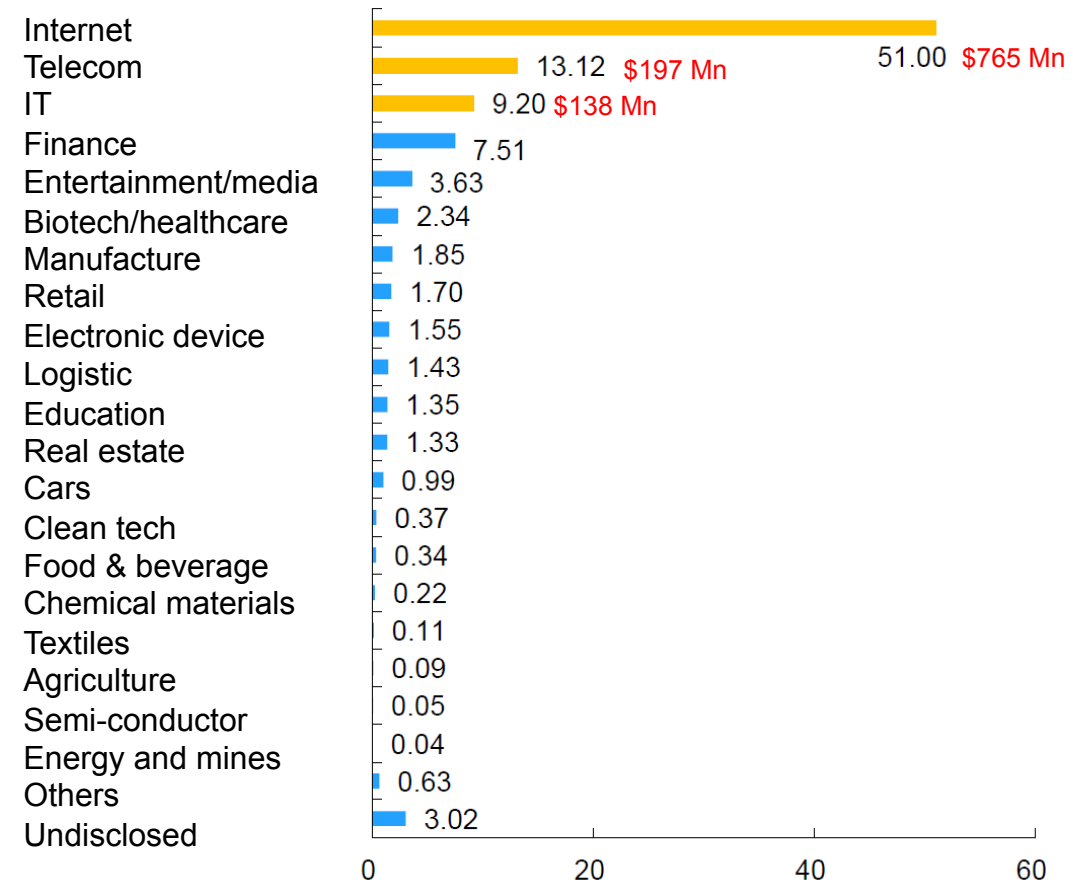
Number of Chinese angel investments by industry in 2015

2015年中国天使投资不同行业投资案例数（起）



Size of Chinese angel investments by industry in 2015 (¥ 100 Mn)

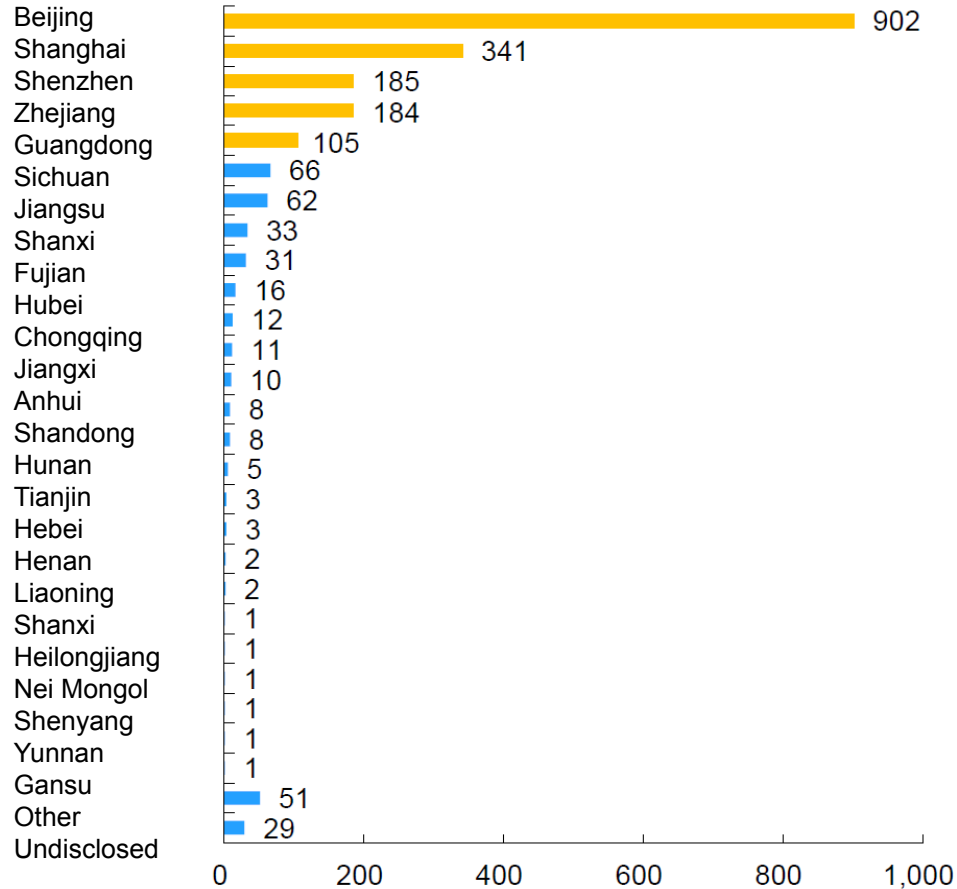
2015年中国天使投资不同行业投资金额（人民币亿元）



Beijing is the no.1 go-to place for angel investment, Zhejiang Province is one of the top 4 destinations

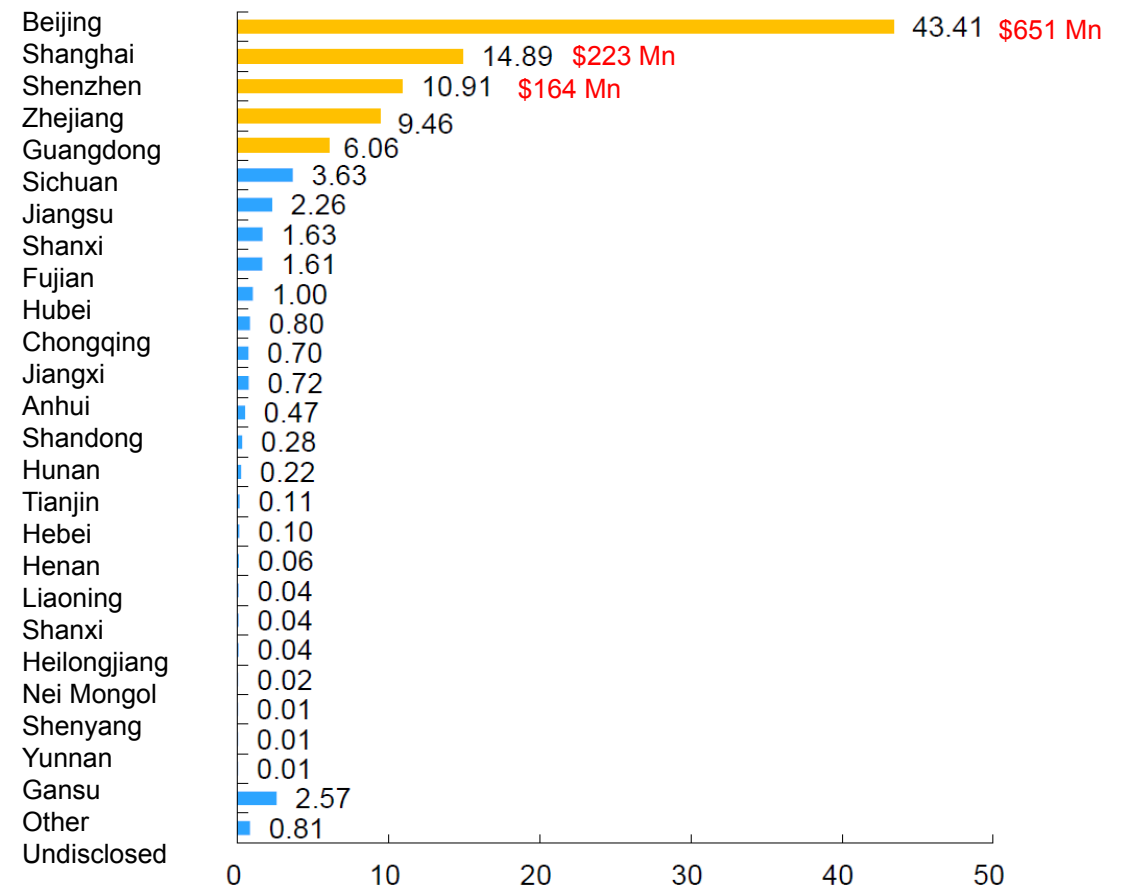
Number of Chinese angel investments by province in 2015

2015年中国天使投资不同地域投资案例数 (起)



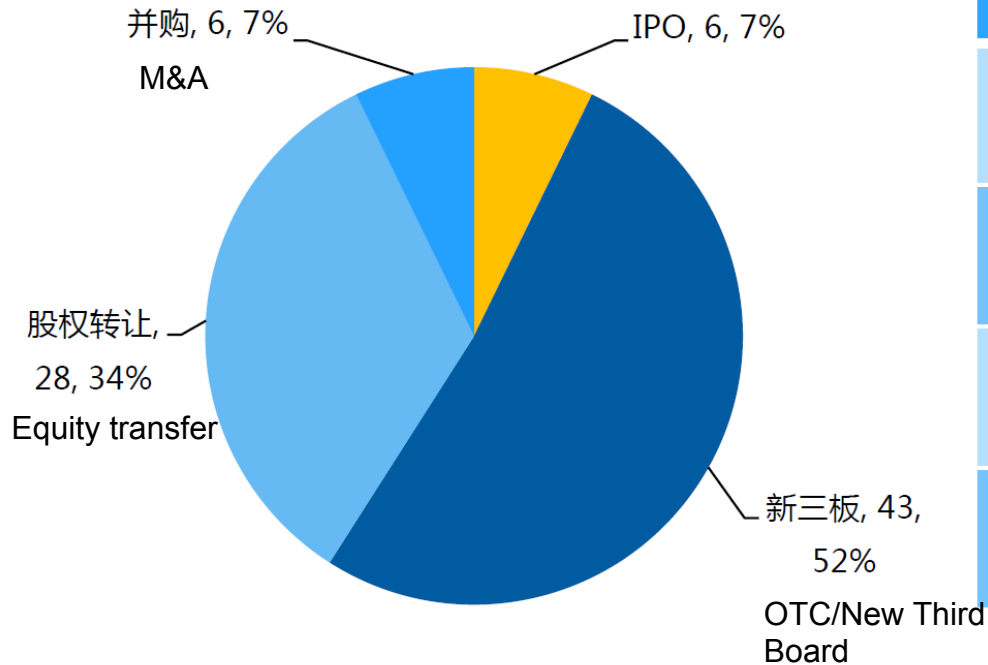
Size of Chinese angel investments by province in 2015 (¥ 100 Mn)

2015年中国天使投资不同地域投资金额 (人民币亿元)



Angel investors rewarded by investment exits, IPOs and companies listed on OTC/New Third Board

Exists of China's angel investments in 2015
2015年中国天使投资退出分布



企业	天使投资人/机构	投资时间	退出时间	退出方式	主营业务
迅游 Xunyou	周鸿祎	2007	2015.5.27	创业板 IPO Gem IPO	网络服务
暴风影音 Baofeng	蔡文胜	2010	2015.3	创业板 IPO Gem IPO	应用软件
中文在线 China All Digital Publishing	麦刚	1999	2015.1	创业板IPO Gem IPO	网络服务
中文在线	启迪之星 投资	1999	2015.1	创业板 IPO Gem IPO	网络游戏

Cap at IPO: \$29 Mn
Current Cap: \$180 Mn

Cap at IPO: \$ 150 Mn
Current Cap: \$394 Mn

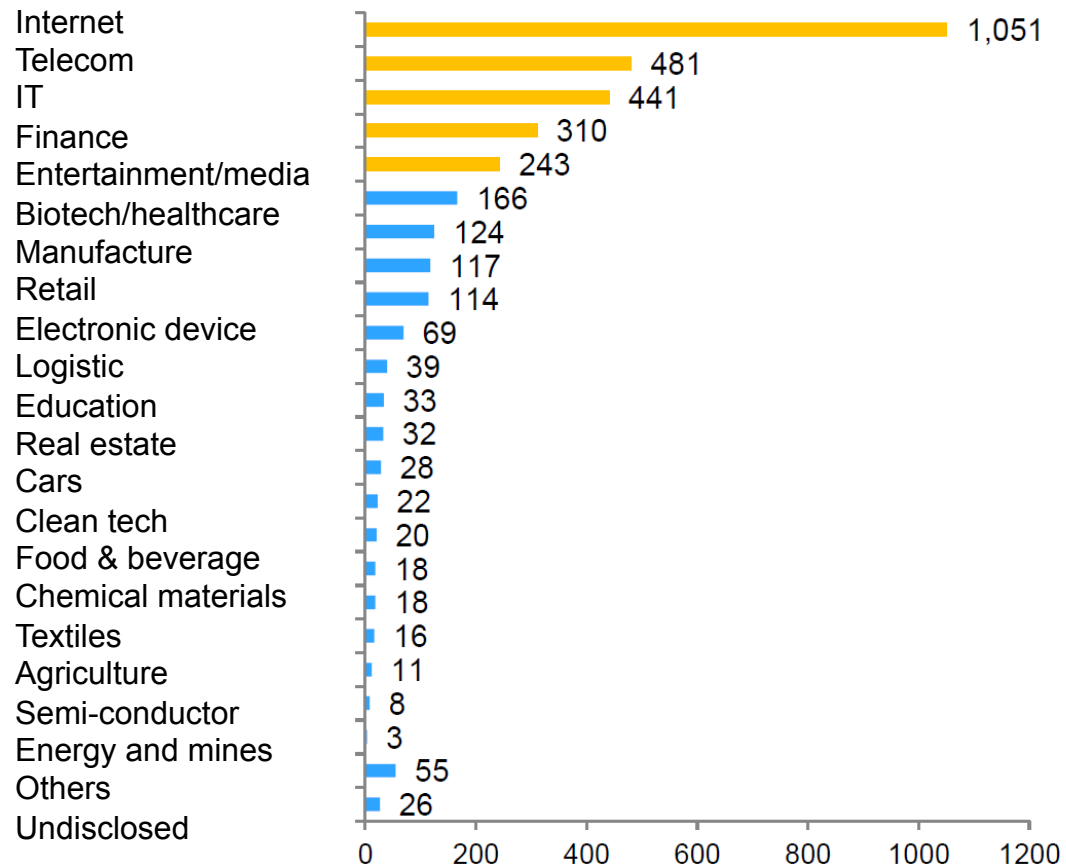
Cap at IPO: \$98 Mn
Current Cap: \$191 Mn

2015 VC Investment Market in China

Hot money is flowing into tech-enabled business, especially Internet companies

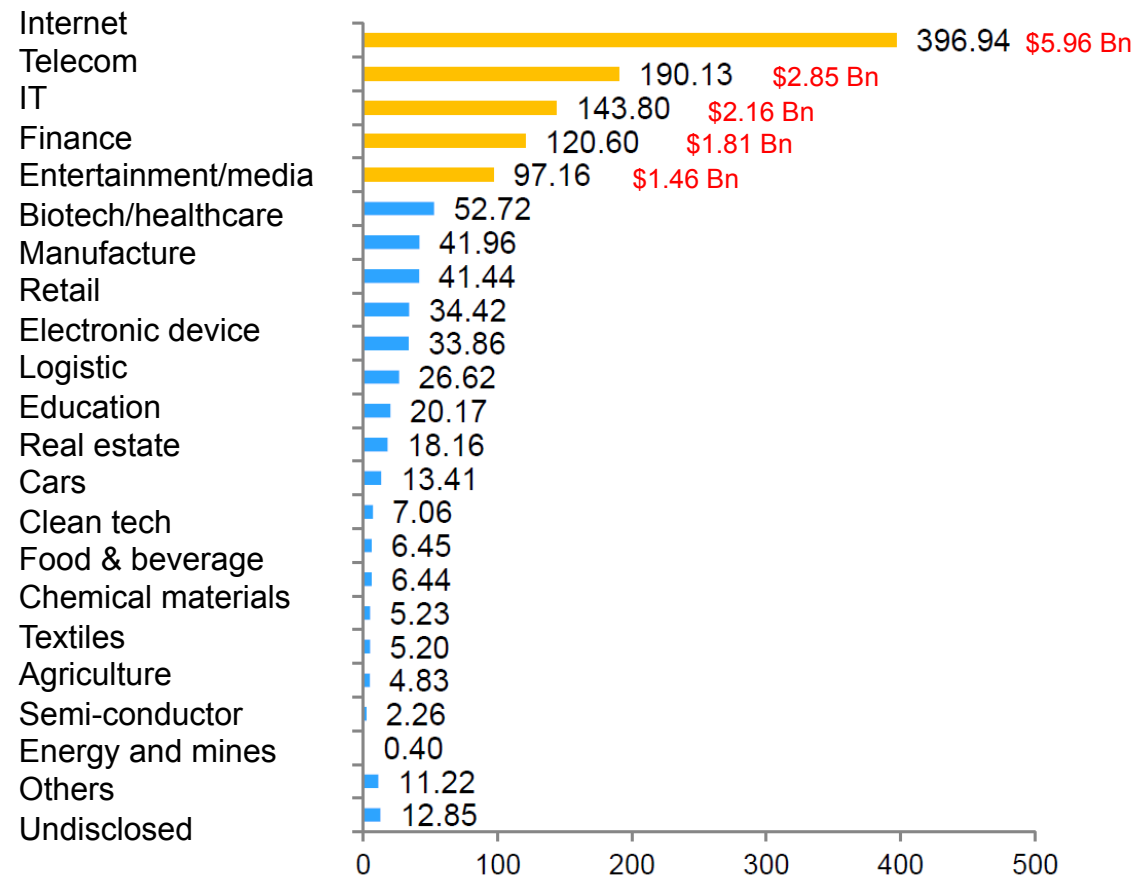
Number of Chinese VC investments by industry in 2015

2015年VC投资行业分布
(按案例数, 起)



Dollar amount of Chinese angel investments by industry in 2015 (¥ 100 Mn)

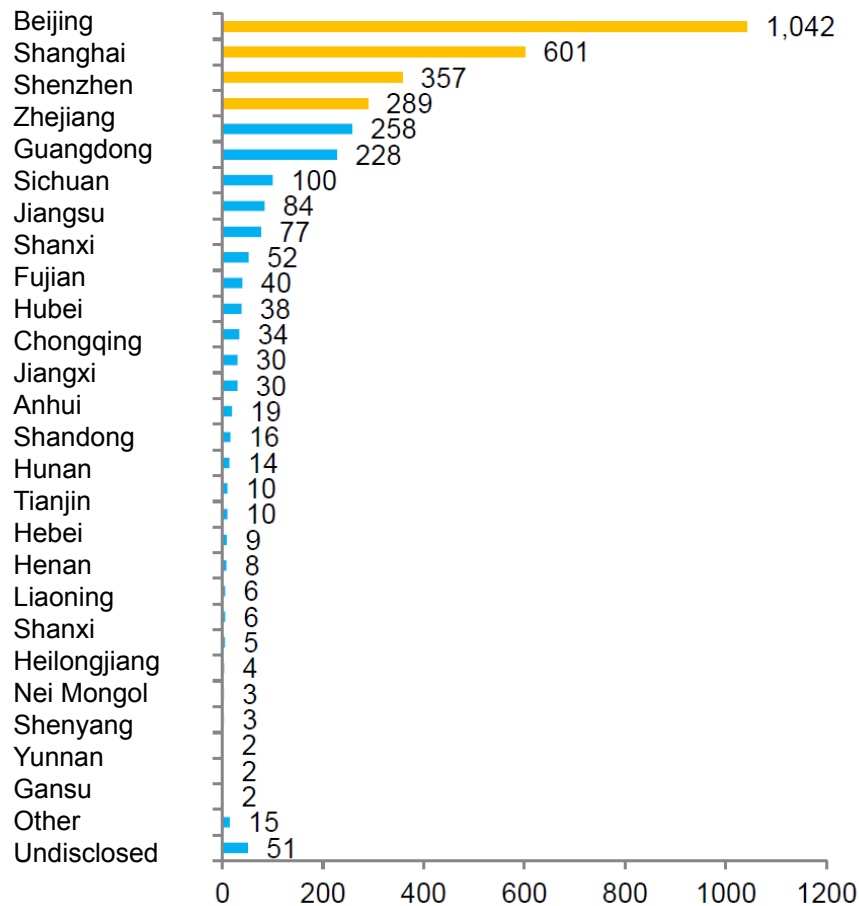
2015年VC投资行业分布
(按金额, 人民币亿元)



Capital favors Beijing, Shanghai and Guangdong

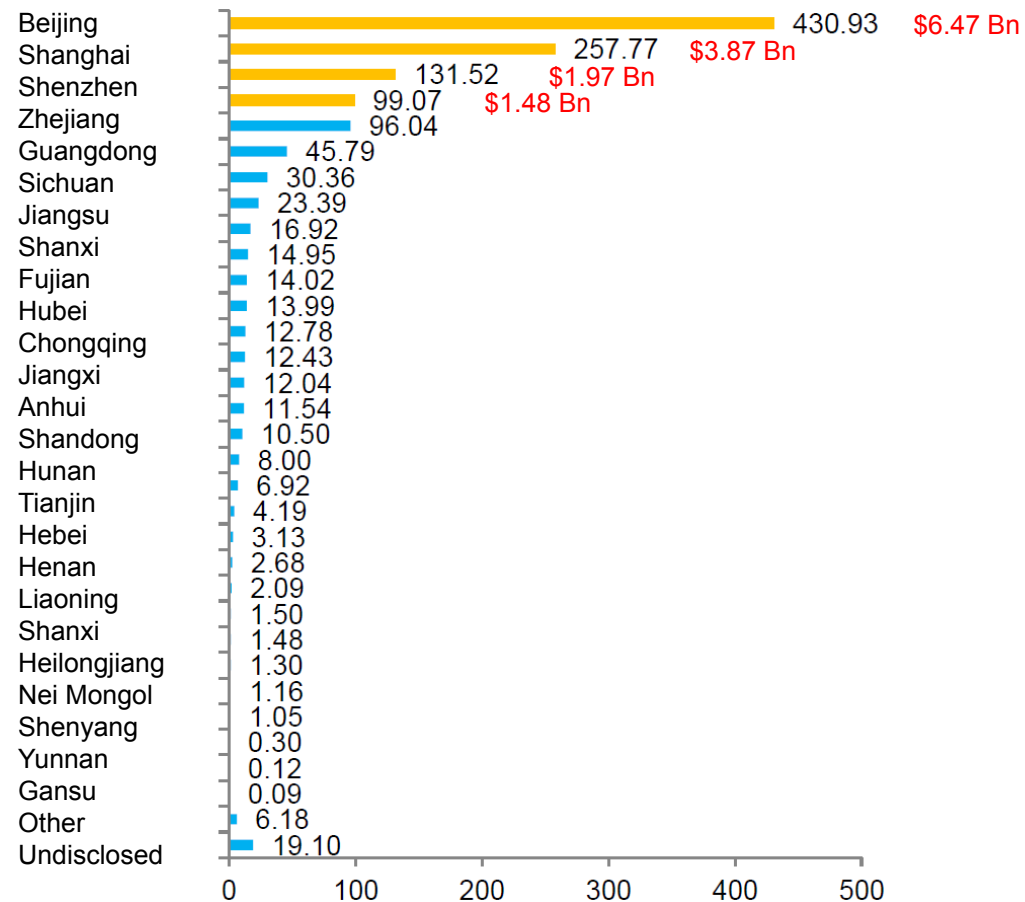
Number of Chinese VC investments by province in 2015

2015年VC投资地域分布
(按案例数, 起)



Dollar amount of Chinese VC investments by province in 2015 (¥ 100 Mn)

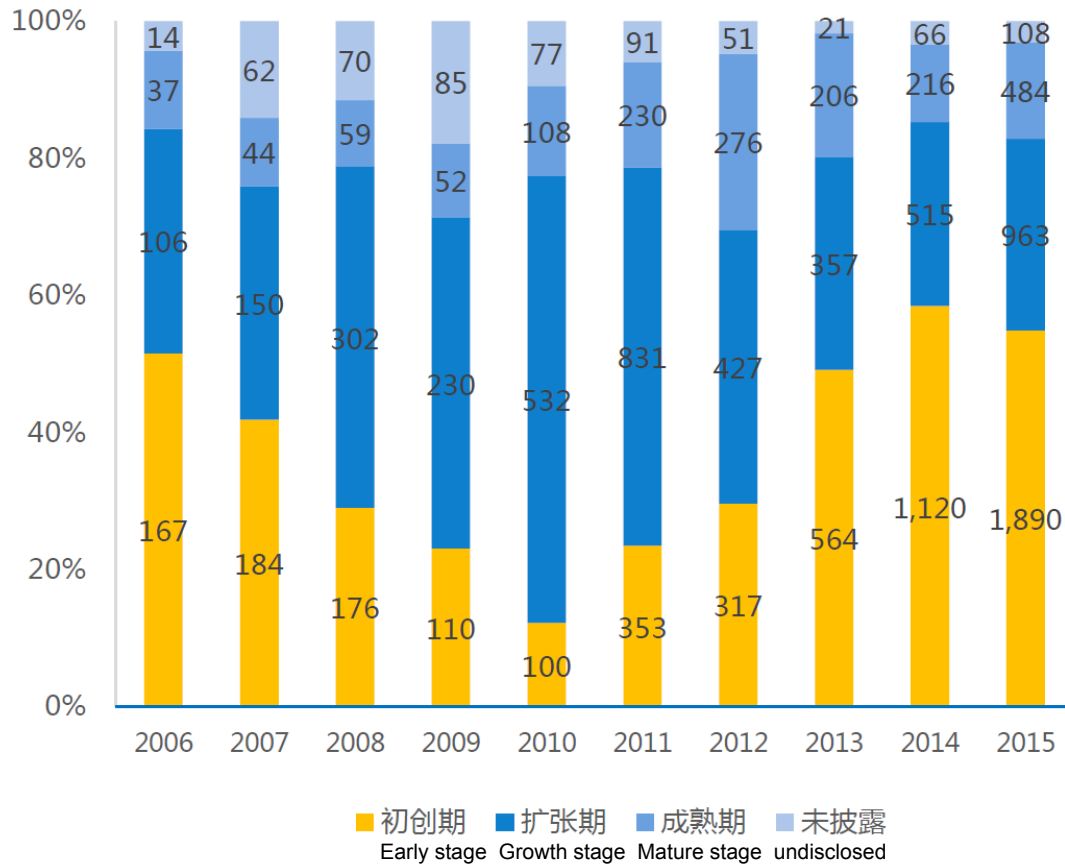
2015年VC投资地域分布
(按金额, 人民币亿元)



VC investment is focused on early stage, not enough investment in series B and after

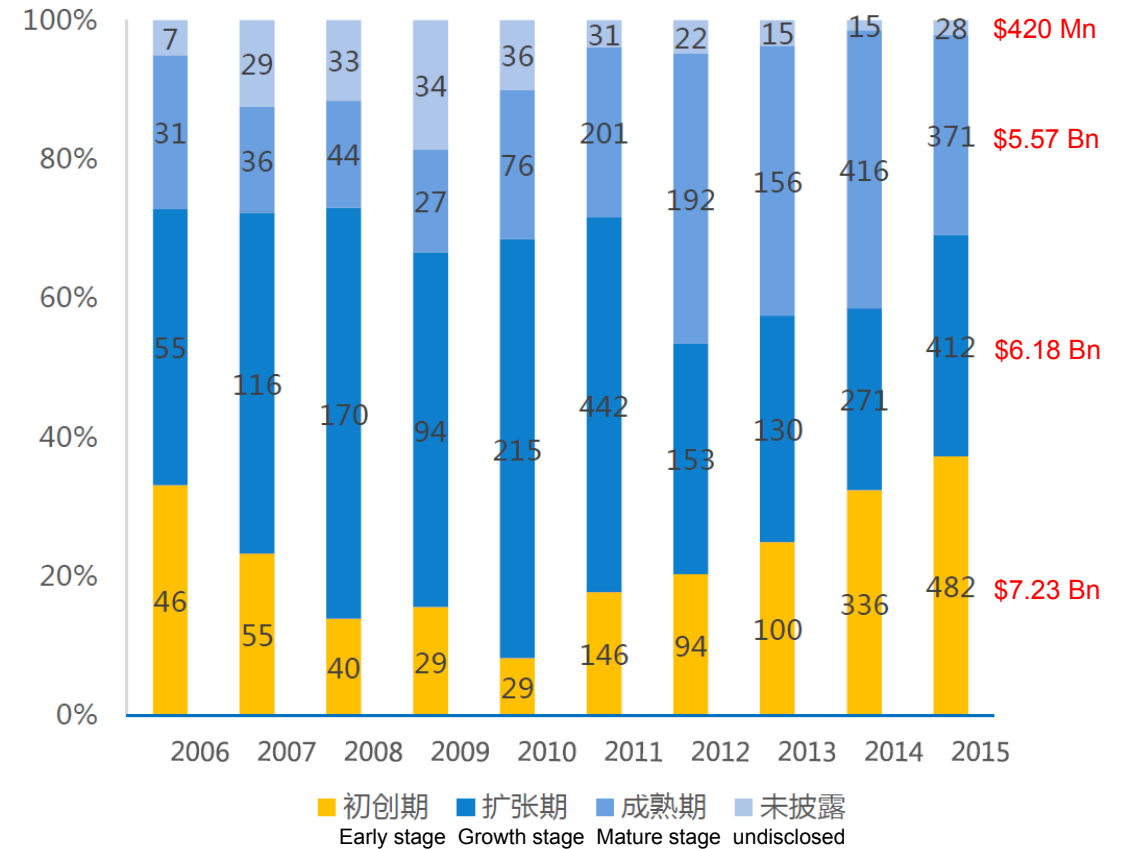
Number of Chinese VC investments by stage in 2015

2015年VC投资阶段占比分析
(按案例数, 起)



Dollar amount of Chinese VC investments by stage in 2015 (¥ 100 Mn)

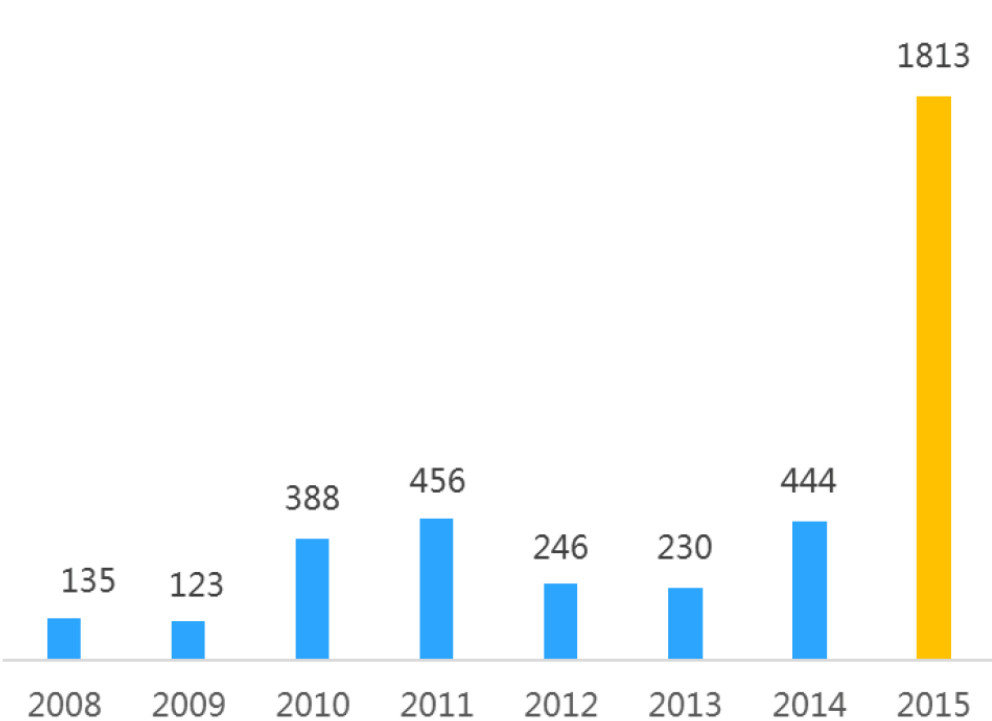
2015年VC投资阶段占比分析
(按金额, 人民币亿元)



Surge of investment exits

Number of VC exits in 2015

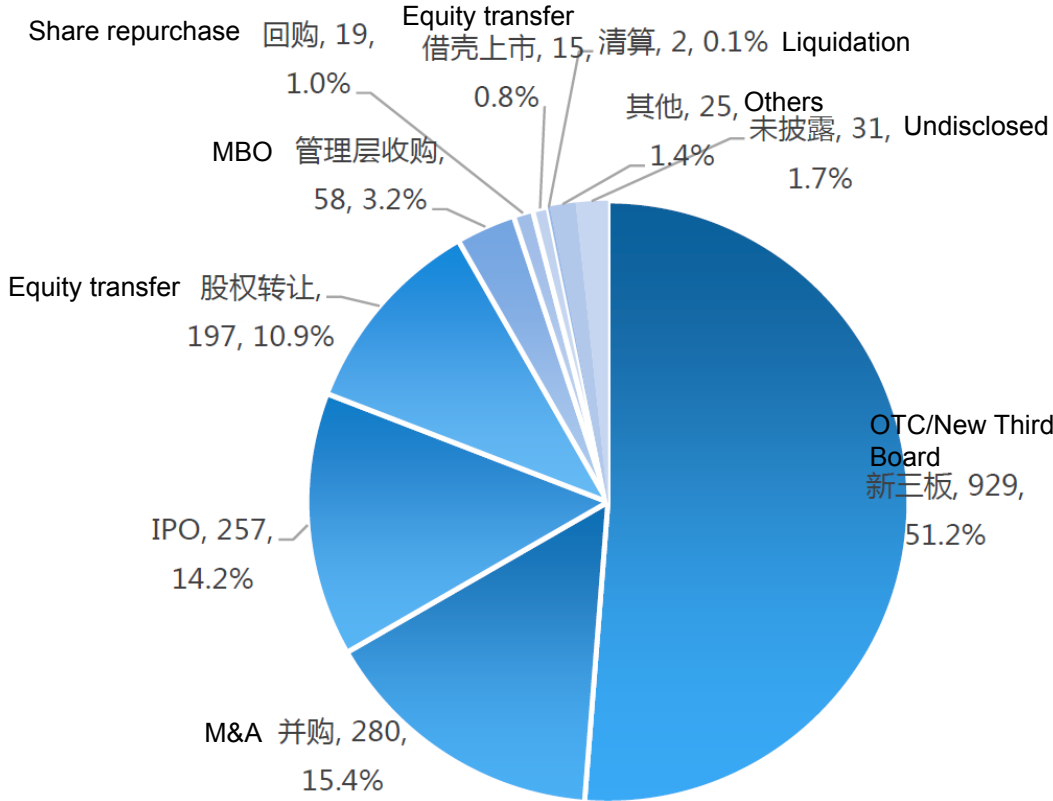
2015年VC退出数量情况



备注：1笔退出交易指1支创投基金从一家被投企业退出，如N支创投基金从1家企业退出，则记为N笔。

VC exits by type in 2015

2015年VC退出方式分布

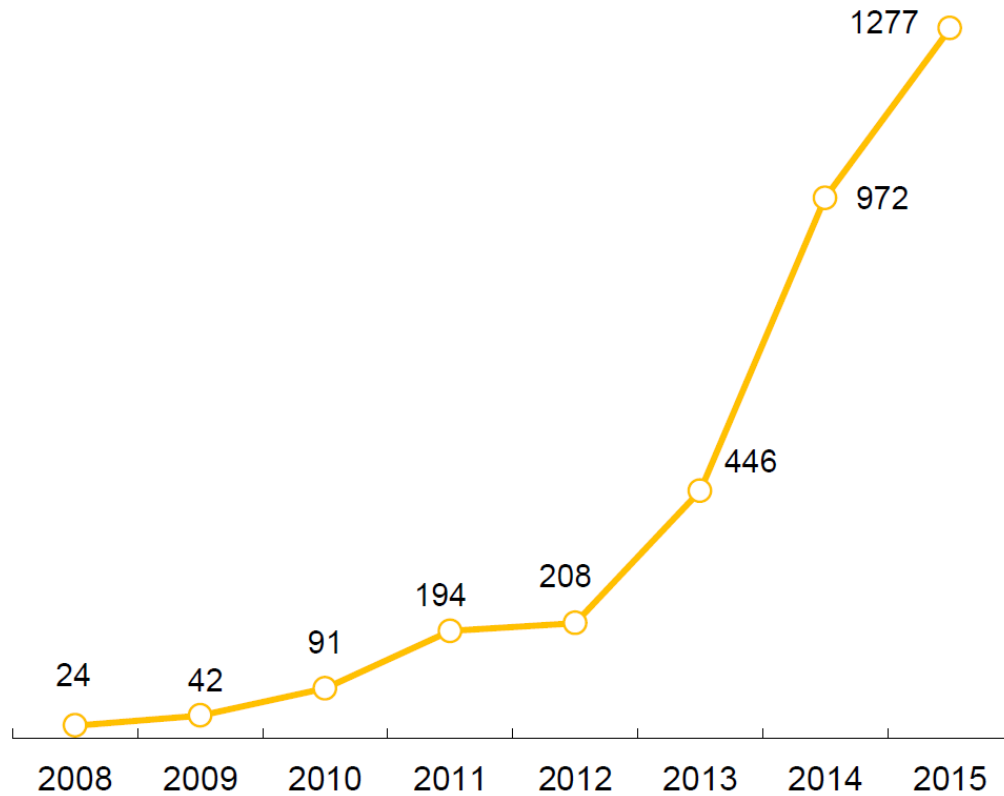


2015 M&A Activities in China

Internet companies partner with state-owned enterprises in M&A activities and push M&A activities to record high

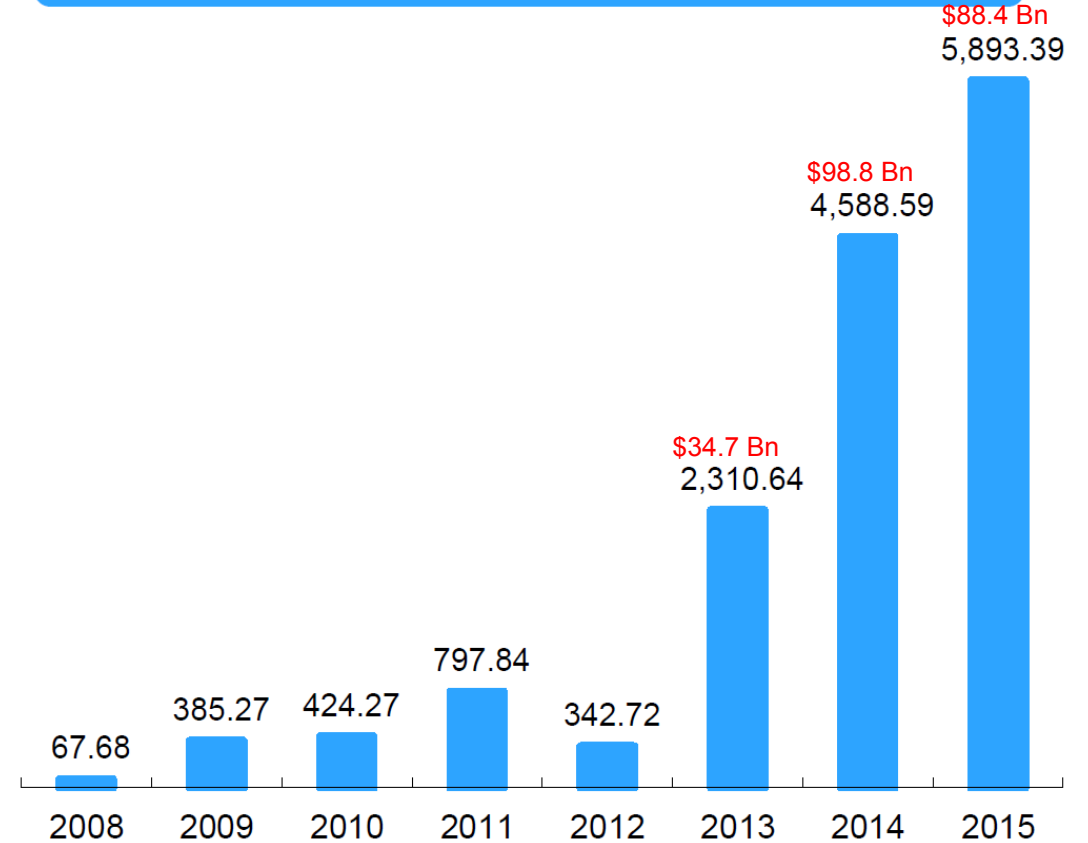
Number of VC/PE backed M&A 2008-2015

2008-2015年VC/PE支持企业并购情况
(按数量, 起)



Dollar amount of VC/PE backed M&A 2008-2015 (¥100 Mn)

2008-2015年VC/PE支持企业并购情况
(按金额, 人民币亿元)

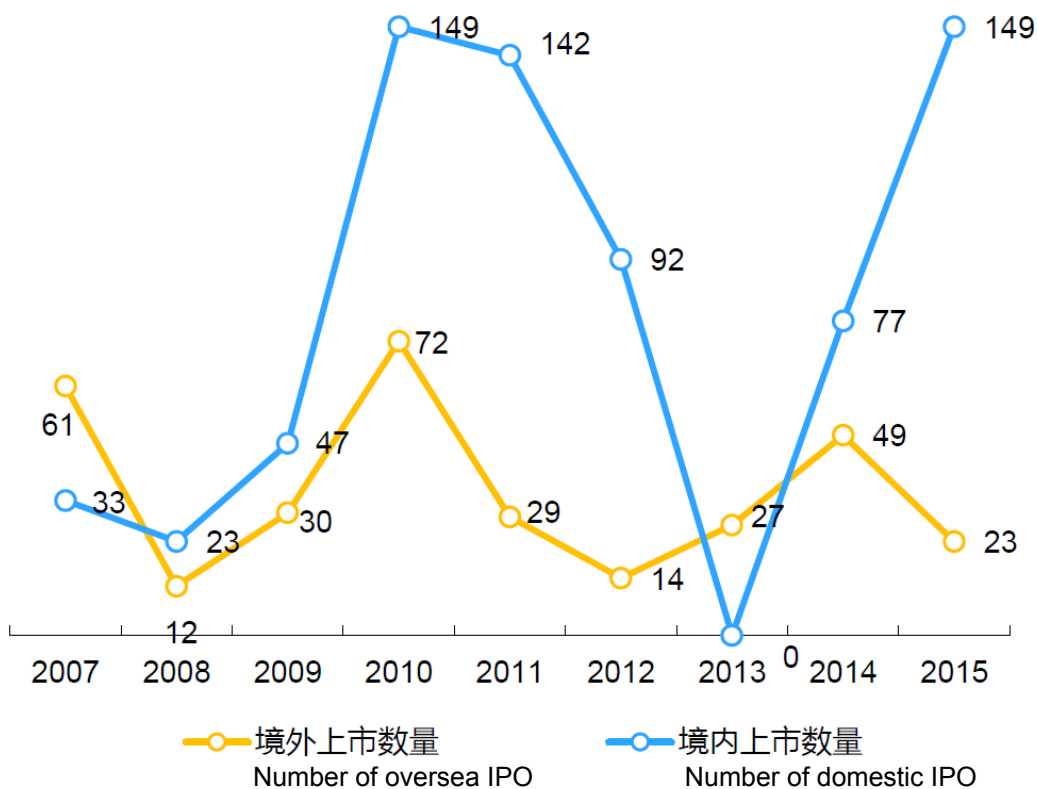


2015 IPO Activities

Domestic IPOs exceed overseas IPOs for VC/PE exits

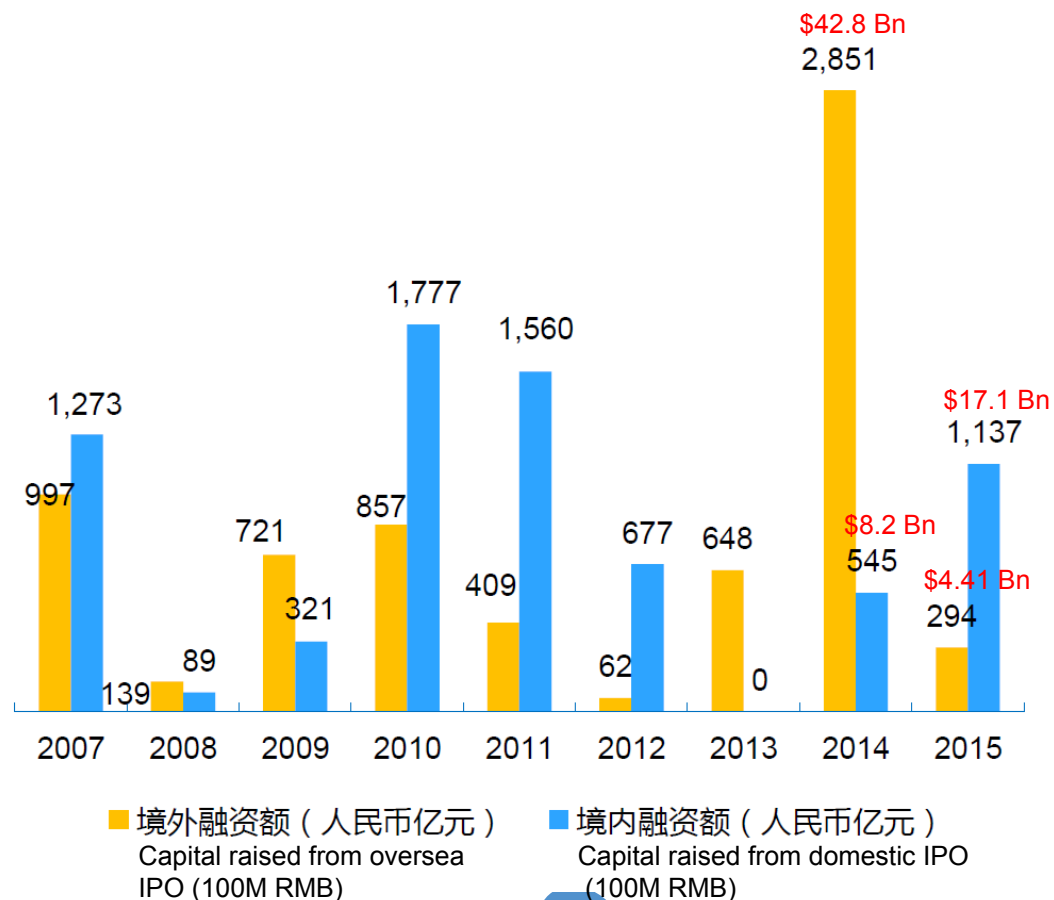
Number of VC/PE backed overseas IPO 2007-2015

2007-2015 VC/PE支持中国企业
境内外上市数量

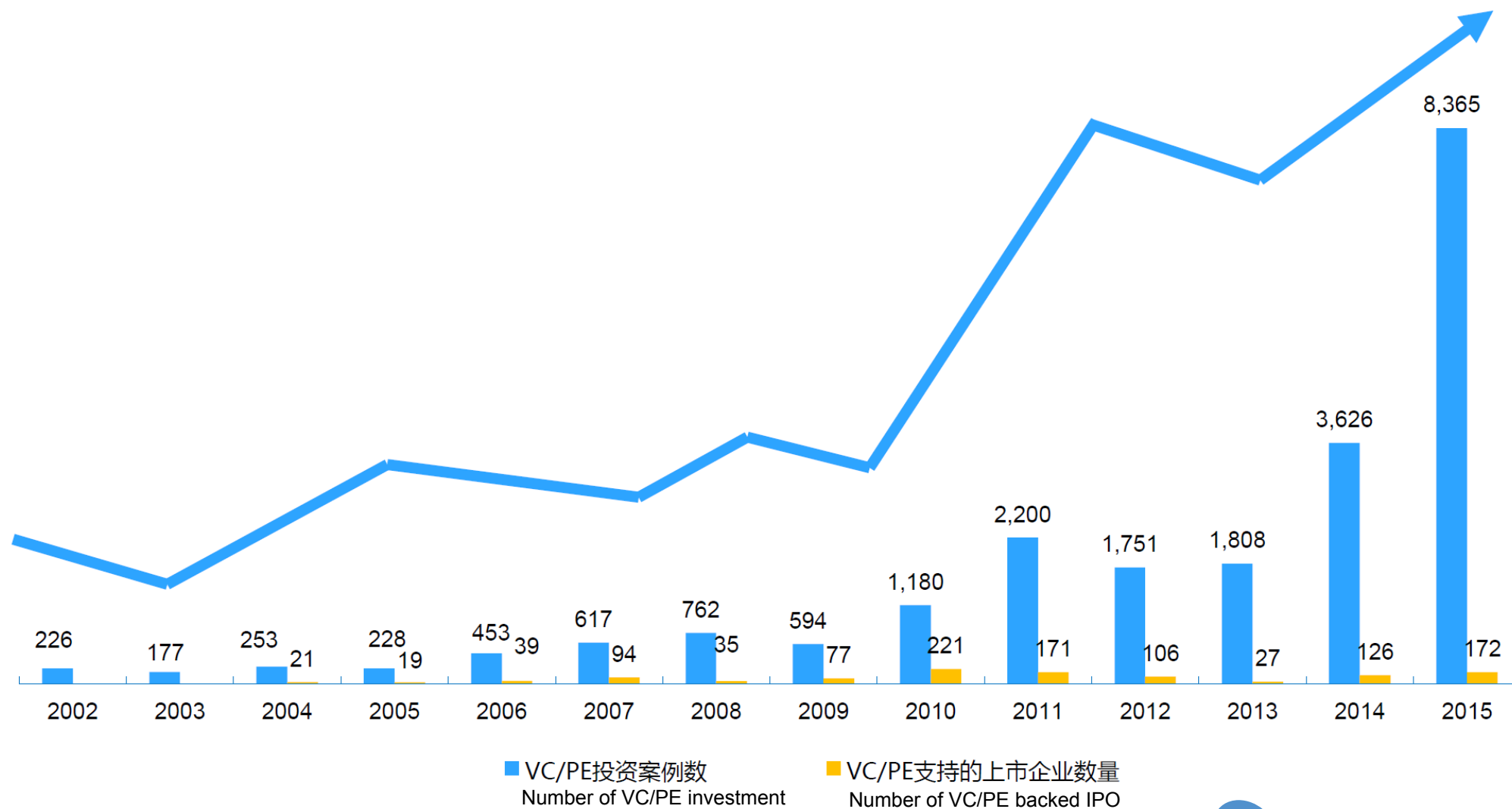


Dollar amount of VC/PE backed overseas IPO 2007-2015

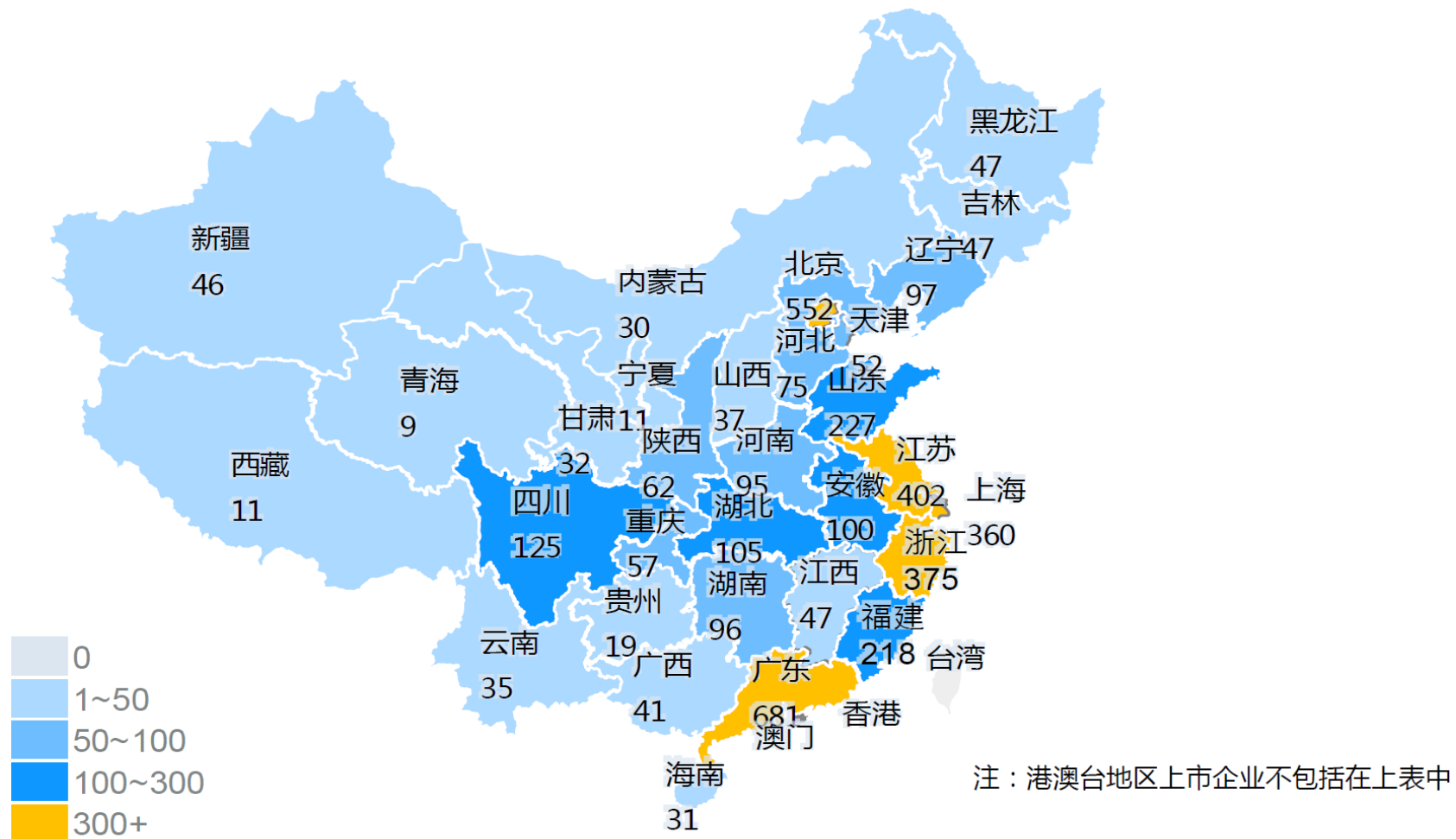
2007-2015 VC/PE支持中国企业
境内外上市融资金额



Number of IPOs vs. investments



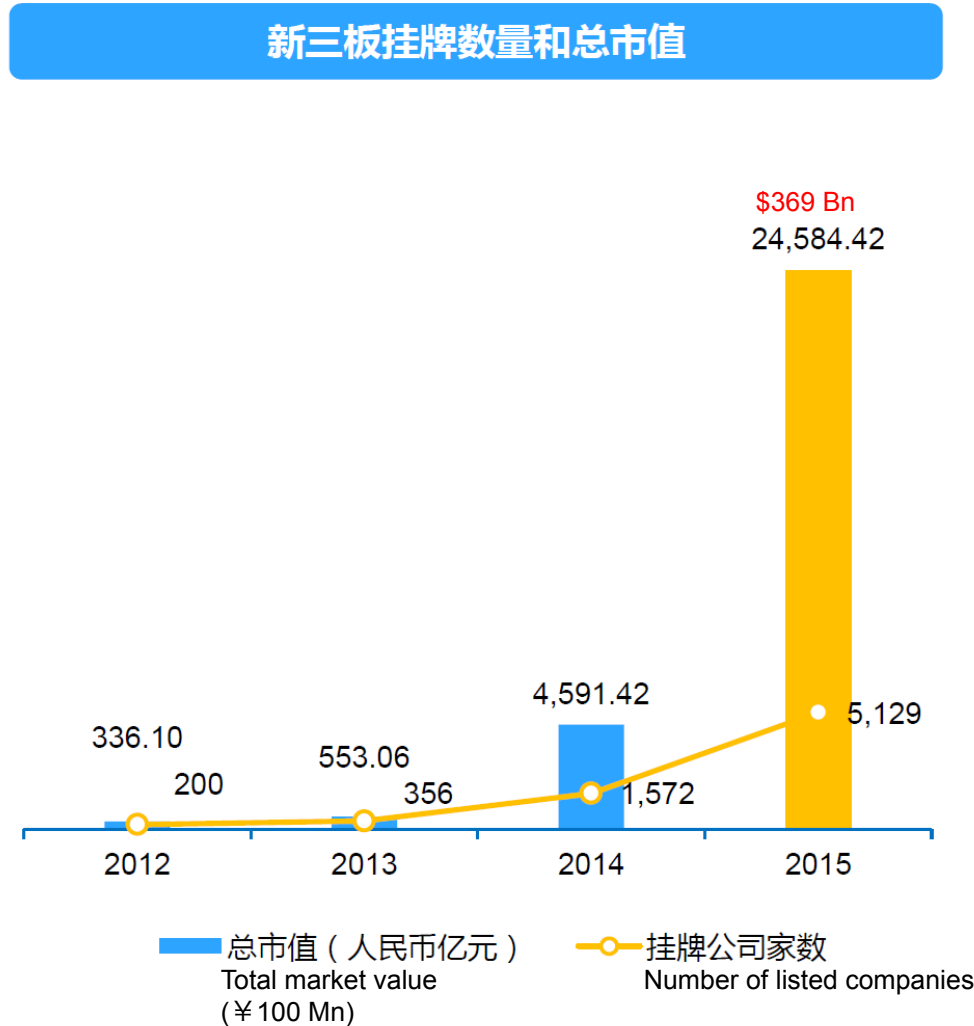
Guangdong has the most domestic IPOs, second by Beijing



2015 OTC/New Third Board Listings in China

5,129 companies are listed on OTC/New Third Board

Number and total market value of OTC/New Third Board listed companies

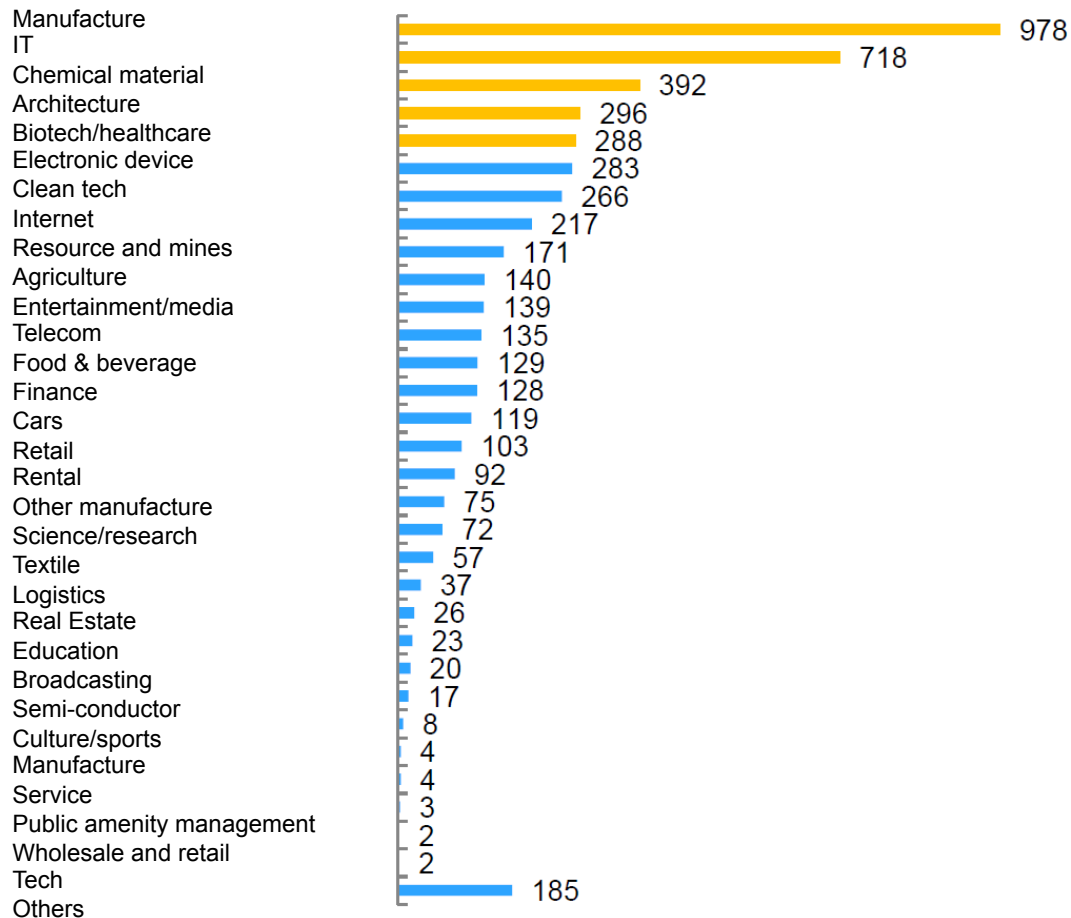


- 3,569 new companies were listed on the OTC Equity Exchange of China in 2015
- 296 Bn shares were issued on the OTC Equity Exchange by the end of 2015, with total market value of \$369 Bn. On average, market value of a listed company is \$71.85 Mn
- The average P/E ratio of OTC Equity Exchange is 47.32

Companies from the top 5 industries make up half of the listings

OTC/New Third Board listed companies by industry

新三板挂牌企业行业分布

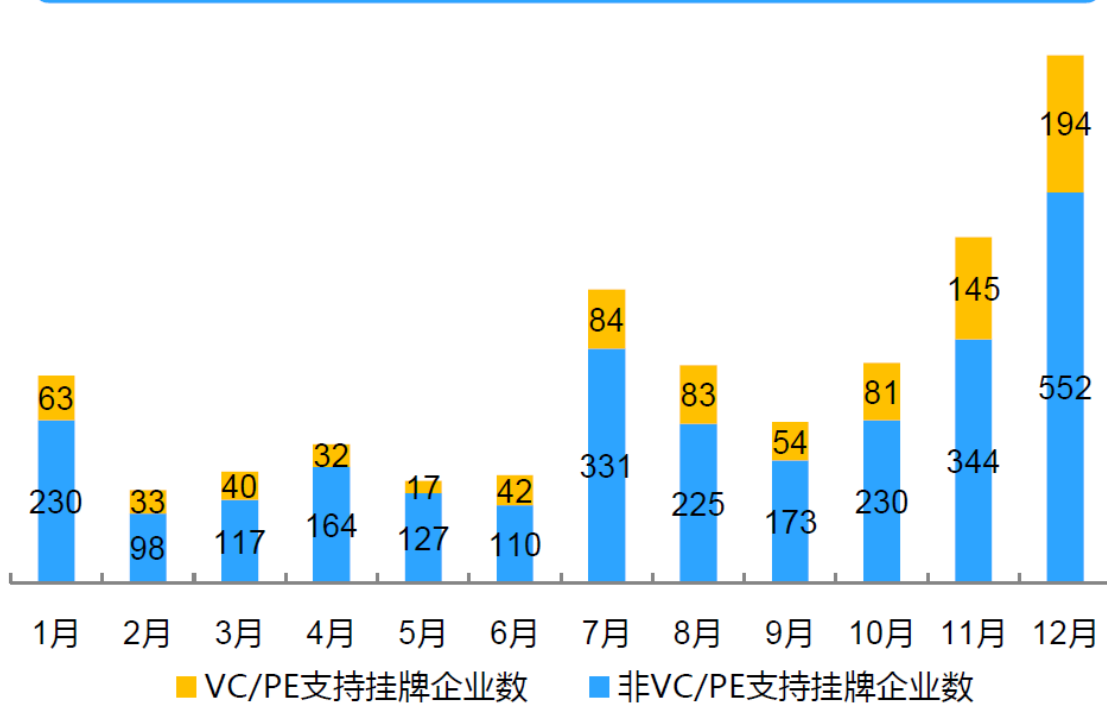


- The OTC/New Third Board market scaled up tremendously in 2014 and accelerated in 2015
- Manufacture and IT companies account for 1/3 of the total companies listed on this exchange

Less than 1/3 of the OTC/New Third Board listings are backed by VC/PE

Number of VC/PE backed listings by month in 2015

2015VC/PE支持新三板挂牌企业月度分布

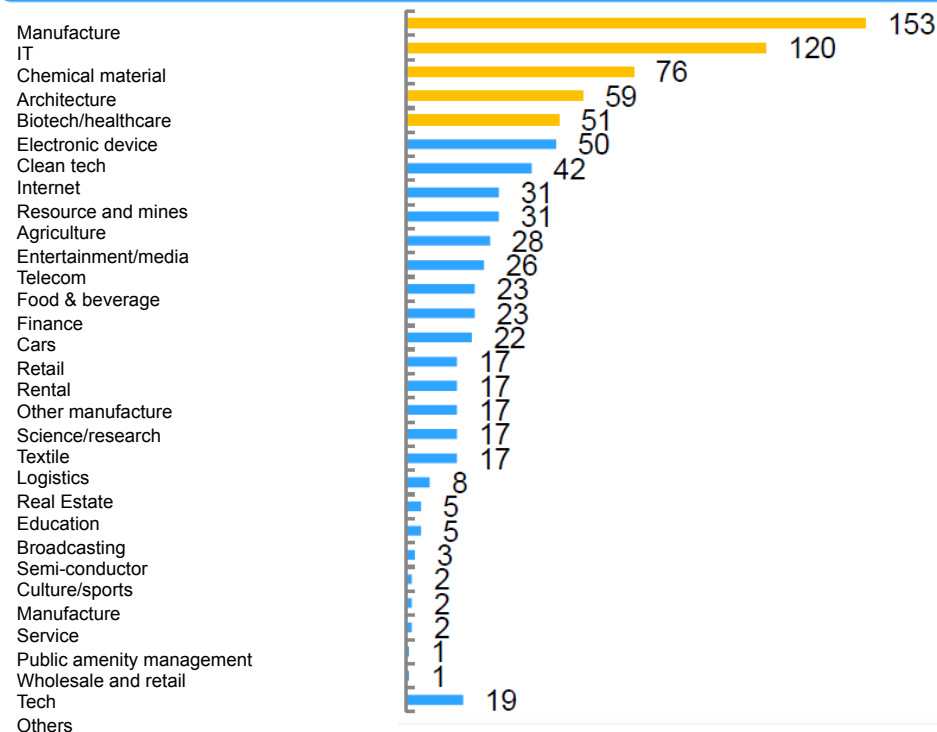


Number of VC/PE backed listings

Number of listings not backed by VC/PE

Number of VC/PE backed listings by industry in 2015

2015VC/PE支持新三板挂牌企业行业分布

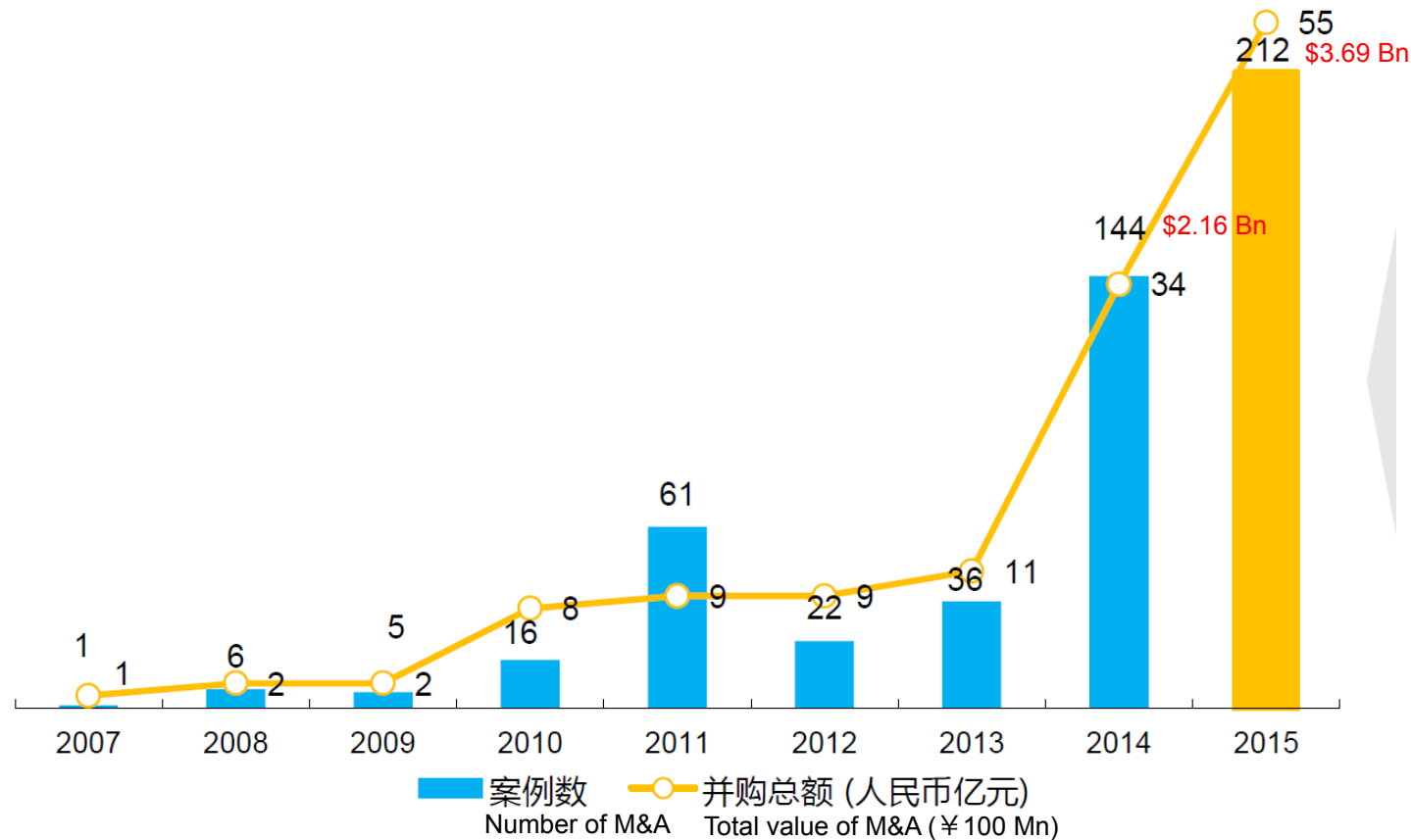


Recent Rends in the Market

M&A market erupted in the last two years

Number and dollar amount of M&A activities in China 2008-2015

2008年-2015年中国并购基金投资案例数量及金额



- Chinese local M&A activities erupted in recent 2 years. There were 34 M&A activities in 2014, 209.1% higher than 2013. 55 M&A activities happened in 2015, 46.9% higher than 2014

Huge opportunity existed in the privatization of China tech IPOs/China concept stocks

	上市市场	收到私有化要约时间	私有化进度	上市时间
天合光能	NYSE	2015.12.12	进行中	2006.12.19
爱康国宾	NASDAQ	2015.9.2	进行中	2014.4.9
艺龙	NASDAQ	2015.8.4	进行中	2004.10.28
麦考林	NASDAQ	2015.7.21	进行中	2010.10.26
欢聚时代	NASDAQ	2015.7.9	进行中	2012.11.21
当当	NASDAQ	2015.7.9	进行中	2010.12.8
海王星辰	NYSE	2015.7.6	进行中	2007.11.9
空中网	NASDAQ	2015.6.29	进行中	2004.11.5
陌陌	NASDAQ	2015.6.23	进行中	2014.12.12
中星微电子	NASDAQ	2015.6.22	已退市	2005.11.15
中国信息技术	NASDAQ	2015.6.22	进行中	2008.9.15
航美传媒	NASDAQ	2015.6.19	进行中	2007.11.7
奇虎360	NYSE	2015.6.17	已达成私有化协议	2011.3.30
乐逗游戏	NASDAQ	2015.6.15	进行中	2014.8.7
如家	NASDAQ	2015.6.12	已达成并购协议	2006.10.26

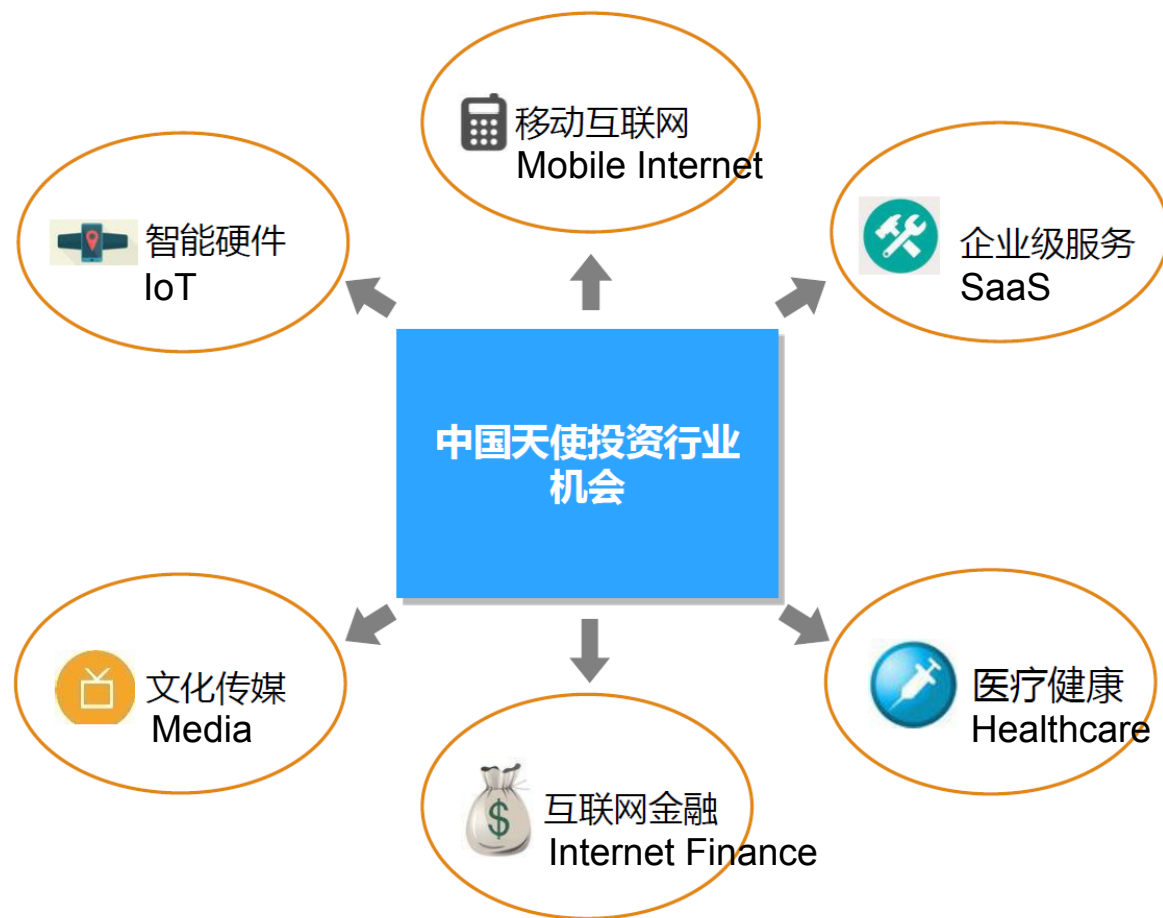
- 29 China tech IPOs/China concept stock companies received privatization offers in 2015
- On average, there are 3 VC/PE firms behind every privatization

← Momo: privatization participated by Sequoia China, MatrixPartners

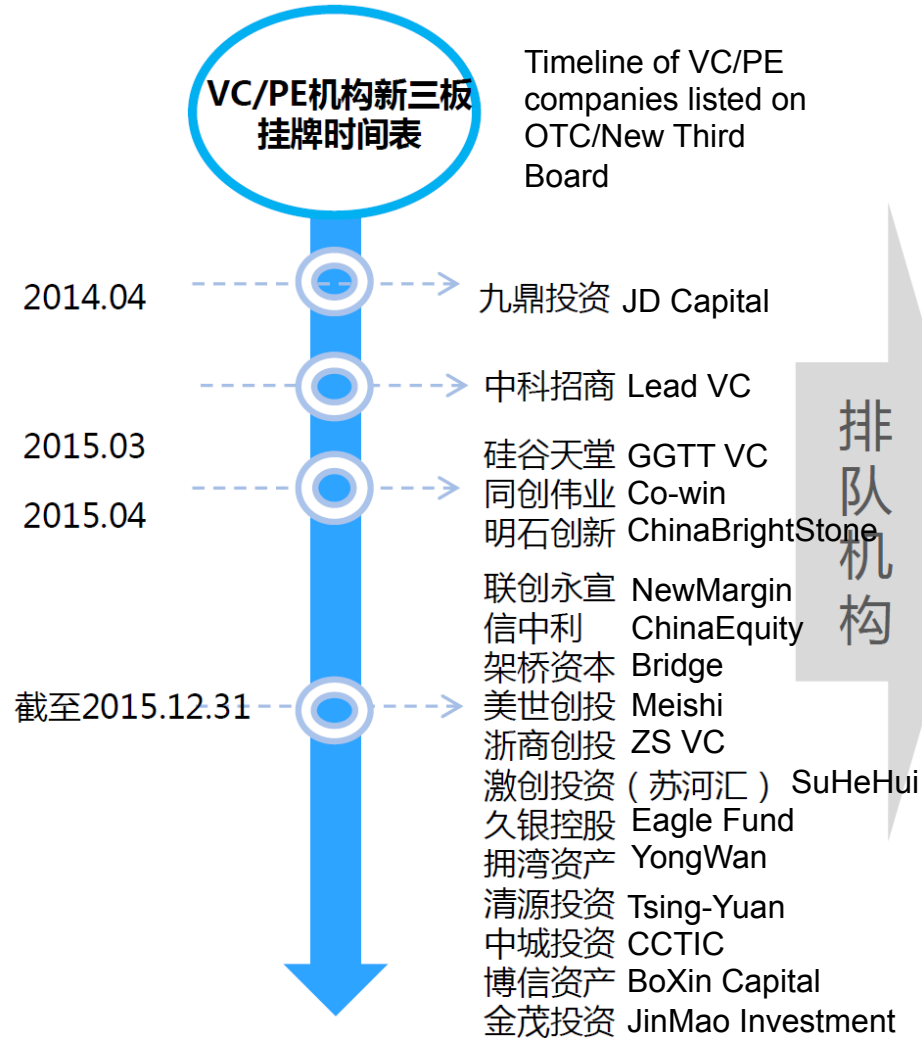
← Qihu: privatization participated by Sequoia China, Ping An Insurance, HS Capital

← Home Inn: privatization participated by Poly Victory

6 big areas of angel investment in China



Many VC/PE firms got listed on OTC/New Third Board. Regulatory institutions put a halt on VC/PE getting listed



机构名称 Firms in the funnel	机构所在地 Location
华软资本 China Softic	北京 Beijing
嘉富诚 JiaFuCheng	北京 Beijing
天星资本 TX Cap	北京 Beijing
荣盛泰发 ChinaTFund	北京 Beijing
君联资本 Legend China	北京 Beijing
九合投资 Unity VC	北京 Beijing
德同资本 DT Capital	北京 Beijing
中信资本 CITIC Capital	天津 Tianjin
原子创投 Atom Ventures	上海 Shanghai
涛石投资 TaoShi	上海 Shanghai
金晟硕业 JSFOF	深圳 Shenzhen
东方富海 OFC	深圳 Shenzhen
众投邦 ZhongTou8	深圳 Shenzhen
青域资产 QingYu	浙江 Zhejiang
科盛投资 KeSheng	江苏 Jiangsu
江苏高投 JS VC	江苏 Jiangsu
隆领投资 LongLing	福建 Shenzhen

Top 10 angel investment firms, half of them located in Beijing

Top 10 Angel investment firms in China 2015
2015年中国天使投资机构10强

排名	机构名称
1	真格基金 ZhenFund
2	创新工场 Innovation Works
3	险峰华兴 K2VC
4	联想之星 Legend Star
5	隆领投资 LongLing Capital
6	洪泰基金 Angel Plus
7	英诺天使基金 Inno Angel
8	阿米巴资本 AMIBA Capital
9	九合创投 Unity VC
10	梅花天使创投 Plum Ventures

Top 10 Angel investors in China 2015
2015年中国机构天使投资人10强

序号	姓名	机构名称	职位
1	徐小平	真格基金	创始人、主管合伙人
2	郎春晖	创新工场	联合创始人、管理合伙人
3	赵阳	险峰华兴	副总裁
4	刘维	联想之星	合伙人
5	蔡文胜	隆领投资	董事长
6	盛希泰	洪泰基金	创始合伙人
7	李竹	英诺天使基金	创始合伙人
8	王东晖	阿米巴资本	创始合伙人
9	王啸	九合创投	创始合伙人
10	吴世春	梅花天使创投	创始合伙人

来源：《清科-2015年度中国股权投资年度排名》

Local investment firms and international investment firms are doing equally well

Top 20 VC in China 2015

2015年中国创业投资机构20强

排名	机构名称	机构类型
1	达晨创投 Fortune	本土
2	深圳创新投 Shenzhen Capital Group	本土
3	红杉资本中国基金 Sequoia China	外资
4	经纬中国 MatrixPartners	外资
5	IDG资本 IDG	外资
6	毅达资本 Addor Capital	本土
7	蓝驰创投 Blue Run Venture	外资
8	君联资本 Legend China	本土
9	东方富海 OFC	本土
10	北极光创投 Northern Light Venture	外资
11	联创永宣 NewMargin Ventures	本土
12	元禾控股 Oriza	本土
13	同创伟业 Co-Win Capital	本土
14	启明创投 Qiming	外资
15	软银中国 SoftBank	外资
16	基石资本 Stone VC	本土
17	赛伯乐投资集团 Cybernaut	外资
18	赛富投资基金 SAIFPartners	外资
19	今日资本 Capital Today	外资
20	纪源资本 GGV Capital	外资

Best VC in China 2001-2015

2001-2015年历届中国最佳VC投资机构

	2015年
	2012年
	2014年
	2013年
	2006年
	2005年
	2003年
	2001年
	2011年
	2010年
	2009年
	2008年
	2002年
	2007年
	2004年