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The term "unicorn" was first used by Aileen Lee, the founder of Venture Capital Fund in 2013. In the article, Aileen Lee calculated the number of software startups founded in 2000, and found that only 0.07% of the companies reached a market value of US\$1 billion and became unicorns. CB Insights conducted further analysis by tracking the US tech startups' funding that was raised during the seed stage from 2008 to 2010 in the US and their status since their first-round funding to August 31, 2018. The research found that the percentage of these companies becoming unicorns is extremely low. Few are lucky to be merged and acquired by larger companies and the ones that continue to move onto the next stage were less and less each time. According to CB Insights statistical results, close to 67% of startups stagnate at a certain stage in the process of fundraising and fail to withdraw or increase the amount of follow-up fundraising; only 48% of startups continue to raise the second-round funding. It is noticeable that the number of companies which receive new fund decreases as they progress into the next round. Merely 15% of companies could enter the fourth round funding stage, which is aligned to the results of Series C round fundraising. Below are the key points based on the analysis of the tracked data from CB Insights.

### **The number of companies withdrawn through IPO or M&A increase by 2% compared to last year**

After the completion of the first-round funding, 534 out of the 1119 companies managed to progress into the second round. It was a 2% increase from 46% in 2017

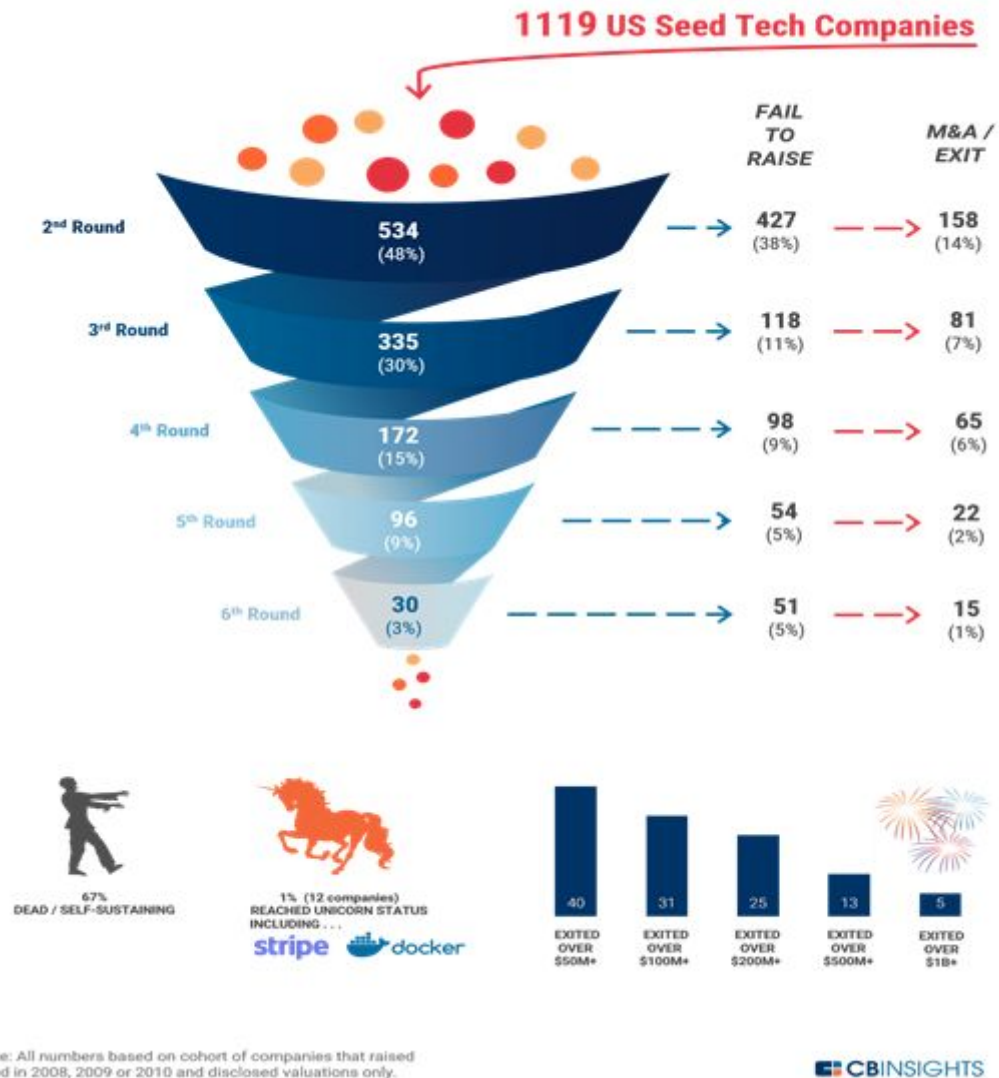
to 48% in 2018. Merely 3% (30 companies) of companies successfully entered the sixth round fundraising, which was 1% higher than the previous year. Overall, there are 1,119 companies received funding in the seed stage from 2008 to 2010. As of August 31, 2018, up to 67% of companies either became bankrupt or continued to survive on its own (i.e. no funding, nor bankruptcy). It may be a good thing for a company to survive, however, to the investors, survival without growth (or minor growth) may not be such a good thing. Companies who received a large capital injection would gain publicity, however, their cash flow performance or the profitability may not gain the same continuous disclosure. Moreover, some of them became zombie companies and continued to operate. As these companies were not IPO, therefore they had no obligation to disclose their company information. And because of the lack of "company death certificate" and no continuous monitoring, many of them went bankrupt with no official announcement.

### **Only 1.07% of the startups became unicorns**

The chance of becoming unicorns is low and only 12 companies, around 1% (1.07%), of companies were able to move up and became unicorns. Some of them are the most popular tech companies in the past 10 years, e.g. Uber, Airbnb, Slack, Stripe, Docker, etc. There were 13 companies exiting the market with more than US\$500 million in hand, such as Instagram, Zendesk and Twilio that are the leading companies in their fields.

Based on the research from "Asia Silicon Valley Investment Map Series", FINDIT focused on the investment trend in Taiwan, and the "Early Stage Venture Capital

Funds in Taiwan" collected all published startups venture capital funds information through various tech media since 2015 and the



data has been continuously updated. By monitoring the recent venture capital investment cases in Taiwan, it was found that from 2015 to 2017 the total accumulated cases were 281 and from January to August 2018, there were 58 transactions. If only focusing on the number of companies that received funding from 2015 to August 2018, there was a total of 273 startups with 339 transactions. Within these startups received venture capital funds, 53 of them received second-round

investment funds, which was around 20% (19.41%); 10 of them received third-round funding, which was Appier, CellWine, CoolBitX, SkyRec, The News Lens, TSSE, Taiwan Surgical Corporation, Navifus Co. Ltd., APRINOIA Therapeutics, and Zoek Inc. The percentage of going through a third round or more fundraising was 3.66%. Nonetheless, there were three startups managing to overcome these difficulties and raised four fundings, which was a probability of 1.1% and they were INSTO, KKday and Sky Rec. This shows that for startups in Taiwan it is also not an easy task to continuously proceed to the next funding round.

Sources: CB Insights, 2018/09/06

### It's another world after Series A

Based on CB Insights's tracked data from 2008 to 2010, although only half of the companies (48%) moved into the second round of fundraising, the possibility of further fundraising on subsequent rounds has increased. Over half (63%) of them could continue to raise funds after the second round and most of them were at Series B round. In other words, based on probability, Series B fundraising is easier in comparison to Series A fundraising. On average, from the second round to the fifth round, it takes around 20 months between each round. It drops by five months after the sixth round to 15 months, which is a feature for mature companies in the later stage. This also indicates investors' preferences towards low-risk investment items. The average investment size in the seed stage is US\$350,000 and the average value is US\$670,000. The medium transaction size and average value tend to increase with time. In the sixth round, the medium investment size is US\$40 million and the average value is close to US\$120 million.



## US Tech Companies That Raised a Seed Round in 2008, 2009, 2010

	Count	% of Previous Cohort	% of Original	Avg. Amnt. (\$M)	Median Amnt. (\$M)	Avg. Months in Between	Median Months in Between
Original Round	1119	***	***	0.67	0.35	***	***
2 <sup>nd</sup> Round	534	48%	48%	4.27	3.09	20	16
3 <sup>rd</sup> Round	335	63%	30%	11.09	7.30	20	18
4 <sup>th</sup> Round	172	51%	15%	23.57	15.4	20	18
5 <sup>th</sup> Round	96	56%	9%	56.85	25.00	20	19
6 <sup>th</sup> Round	30	31%	3%	119.83	40.00	15	13

Sources: CB Insights, 2018/09/06

Taiwan shall improve on the supply of investment including and after Series B round and strengthen the abilities of startups to expand into the global market

Although the data from CB Insights and the "Early Stage Venture Capital Funds in Taiwan" can't be compared directly due to different calculation basis, yet generally speaking, if startups in Taiwan want to be able to grow further, there are still a lot be done from the supply and the demand side of the investment.

Different from the results of CB Insights, out of the 273 companies that received venture capital funds from 2015 to 2018.08, only 25 of them continued into rounds after Series B fund, which was less than 10%. There were many cases with the undisclosed stage of investment funds, it was estimated that the majority falls into Series B round. However, even if these undisclosed cases were included in the calculation, it is still clear that the fundraising process for startups in Taiwan is relatively difficult, especially during Series B round which requires significant improvement on business operation. Therefore, the startups in Taiwan should not just provide the concept, but also demonstrate the feasibility of the technology,

production and sales channels and also the potential to expand to global markets to attract investors for more investment funds. If the startups only focus on the domestic market with no international outlook, it will be difficult to raise investment funds in the middle or later stage.

In terms of the supply of investment, since the size of the startups was not large in the past, there have only been large scale funds available such as China Development Financial Holding Corporation, CID Group, etc. If Taiwanese companies wish to target international markets, they must be backed by large scale capital investment. So far, the government has set up a government-funded investment company, Taiwan Capital, which has completed 2 funds raising on biotech and IoT areas and is expected to provide more funding support to startups and assist their expansion into the global markets. In addition, the government should also actively attract investors, introduce large scale international venture capitalists and private equity funds to Taiwan and invest in domestic startup projects with high potential.

From the probability point of view, it is not that there are no potential tech-type unicorns in Taiwan, but due to the scale, it does need efforts from the companies themselves and the support from the government in terms of funding, legislation and market expansion; it is only a matter of time for unicorns to appear. Most importantly, while these unicorns develop and expand, it brings a positive knock-on effect on the domestic market as a model to learn from, as well as actual benefits on the creation of employment opportunities. These should be the main reasons behind the inclusion

of unicorns into government policies. Without these add-on effects, the unicorns are merely a name without essence.