



Global Corporate Venturing



THE WORLD OF CORPORATE VENTURING  
the definitive guide  
to the industry

2024

the world of  
corporate venturing



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# CVCs must show how they differ from VCs



**Maija Palmer**  
Editor

This year might be remembered as the one when corporate venture investors stopped trying to copy VCs and began to develop their own definition of success.

At least that would be the most positive outcome from a challenging year which has seen VC investment activity globally decline 30%, and many startup darlings of the past decade's boom have gone bust or been sold for nominal sums. UK digital healthcare company Babylon Health, once valued at \$2bn, filed for bankruptcy in August. US electric scooter company Bird, once valued at more than \$2.5bn, filed for bankruptcy protection in December. The severe market correction led the *Financial Times* to comment that VC had failed as an institutional asset class and could not escape its role as a cottage industry.

Corporate venture capital teams have not been immune to this difficult market. We have seen CVC-backed startup funding rounds fall 27% in 2023, with 3,894 such transactions last year compared with 5,339 a year ago. CVC leaders tell us that they have not stopped investing, but they focused efforts last year on supporting their existing portfolio companies, rather than in making new investments. Even where they are making new investments, timescales for finalising those deals have become much longer.

There has also been a slowdown in the creation of new CVC units by corporations. Whereas in 2022 we saw a record 122 new units created, this year we have seen just 65 emerge.

But new CVC units are still being created, so it would seem that corporate leaders have not lost faith with this tool for harnessing innovative ideas. Corporations >

such as Chilean paper company CPMP, US ride-hailing company Indrive and Korean steel company Posco, for example, launched new CVC arms last year. A fear of missing out on the wave of generative AI investments was a strong driver for setting up funds. IBM, Visa and Salesforce were among the companies creating large new AI-focused funds.

In some markets such as Japan and Brazil, we are seeing a strong rise of new CVC units, often with relatively small fund sizes – less than \$50m in many cases – and with a mainly domestic focus. These CVC teams may well do startup investments in a different way to the norms set in the past decade, mostly in the US.

### **NEW FOCUS ON VALUE**

Even among the more established CVC teams, we are observing a shift of focus, with more emphasis being put on what Liz Arrington at the GCV Institute likes to call “landing the value” corporate venturing. In other words, making sure the investor relationship creates some value for both the startup and the corporate backer. This might be simply some market insight or a full-blown commercial collaboration.

This means that a different type of corporate investor skillset is seen as valuable. At the height of the 2021 investment boom, investors focused mainly on who could bring in the most deals. The speed at which investment decisions could be made, and the number of high-profile deals that investors could bring in were, to a certain extent, the measures of success, regardless of the strategic logic of those investments. Aggressive dealmakers were king.

Now, however, so-called “platform” roles are becoming the hottest ticket in corporate investing. Platform >



CVC leaders tell us that they have not stopped investing, but they focused efforts last year on supporting their existing portfolio companies, rather than in making new investments. And timescales for finalising those deals have become much longer

refers, broadly, to all the activities in a CVC unit that are not directly to do with direct investment and board participation. These are all those activities from sourcing and due diligence to marketing, communications, talent recruitment and business development for a portfolio startup. In the annual Keystone survey of corporate venturing trends, we found that 40% of corporate venturing teams now have a business development function. A decade ago there was barely a name for this, now it has become one of the essential ways investors try to stand out from the crowd.

The shift is showing up in pay schemes too, where we are increasingly hearing about units that are shifting their financial upside structures so that they can include more of the platform specialists than might have been the case in the past.

It is not just corporate investors that are emphasising platform. One in eight people working in venture capital is now in a platform role, up from one in 16 in 2000, according to VC Platform's *The Power of Platform* report, which analysed metrics from 850 venture capital firms. VC firms with platform-focused team members tend to outperform peers in internal rates of return and return multiples.

But platform is where corporate venture investors might just have the advantage over VCs. They were never likely to outdo VCs on speed of deals, but with a deep bench of internal R&D experts, manufacturing experience and logistics networks, corporate investors can arguably offer startups a more effective "platform" experience than VCs.

Some of the features that were typically perceived as shortcomings of CVC – such as the fact that 67% still invest from the corporate balance sheet rather than from a separate, defined fund – can actually be strengths

## 40%

Of corporate venturing teams now have a business development function

>



Platform is where CVC investors might have the advantage over VCs. With a deep bench of internal R&D experts, manufacturing experience and logistics networks, corporate investors can arguably offer startups a more effective "platform" experience than VC

in this new era. Funding that does not come from a time-limited fund can be more patient, which is useful when backing deeptech startups with long trajectories to commercialisation. Investments in deeptech startups with sustainability solutions for industry was one of the dominant features of investment in 2023, alongside generative AI investments.

### A FULL TOOLKIT

Another trend in corporate venturing is the use of a number of tools to tap into innovation. It is not just equity investing in startups, but increasingly companies will also have venture clienting operations in which they become early customers for startups.

Some 40% of respondents in our annual Keystone survey said their company also had venture clienting operations. Venture clienting can be a good tool when a company needs to expand its capabilities quickly, for example, in a market undergoing rapid transformation.

Some 37% of respondents also had venture building operations, creating their own startup companies from scratch – either in the company or with the help of an external venture studio. How you do it does not matter, one corporate venture builder told us, it is the principle of wanting to build something new, rather than investing in a pre-existing startup that is the important distinction.

The ideal is for venture clienting and venture building to sit alongside equity investing, with each used according to what is most appropriate for the situation. This is another way that corporate venturing can be distinct from VC.

The CVCs surveyed were cautiously optimistic about prospects for next year, with nearly half convinced there will be large improvement in market conditions in 2024. A return to less challenging market conditions would definitely be welcome, but even better would be to see CVC investment teams come through the crisis with a much more defined operating model and sense of purpose.

CVCs have often been concerned with proving that they are just as good as VCs and not the “dumb money” that they are accused of being. It is time to leave that angst behind and acknowledge that yes, CVC money is different to VC money. And that is no bad thing. ■

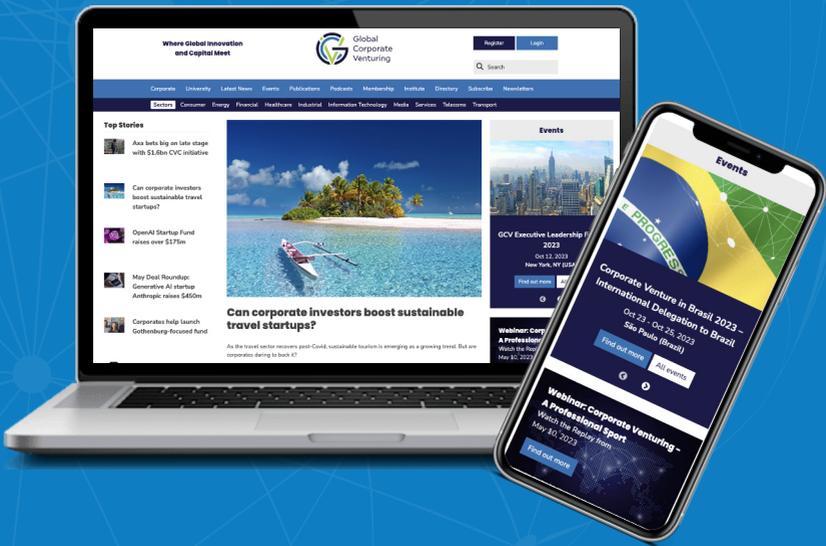
# 37%

Of respondents also had venture building operations



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# CVCs ready to meet growing expectations



**Jacqueline LeSage**  
Munich Re Ventures,  
managing general  
partner, chairwoman  
of the GCV Leadership  
Advisory Board

This year, 2023, was the year that CVC achieved escape velocity – when we demonstrated that we, as an industry, are here to stay.

While venture capital has never been dull, this was the most challenging of years, with high inflation impacting our parent companies, and the venture market resetting or failing to reset. It was also a thrilling year, with strong momentum around climate and cyber and the explosion onto the scene of generative AI. While last year I focused on the trouble ahead, there are now signs that the market may resettle in 2024 and CVCs are emerging from this rocky period stronger than when they entered it.

The numbers bear out this optimism. Despite the macro environment, there was still a steady stream of new CVC units spun out in 2023, approximately 65. Taking a wider view, the number of active CVCs operating globally has experienced approximately 10x growth over the past decade. This ongoing expansion in the face of market uncertainty supports my belief in not just the resiliency of CVC, but also its maturation and elevation into the ranks of the other central pillars of business operations.

## **CVC AS BUSINESS CRITICAL**

CVC may once have been viewed as either a luxury or an experiment at the periphery of an organisation. No longer. Now, just as companies understand that they need a marketing or engineering department, they also know that CVC is a critical ingredient in creating their future. They rely on CVCs for both innovation and partnering. CVCs are often viewed as the eyes and ears >

of the ecosystem, while the business units themselves take these learnings and put them into action. However, while CVCs often serve as the entry point for new technology or ideas into a corporate, they have also unquestionably become critical to driving engagement. Indeed, more than 40% of CVCs now have a strategic partnering platform.

The increasing importance of CVCs to the parent company showed up in the survey as resilience. More CVCs are making it beyond the milestone of the first three years. Of those surveyed, 60% were with CVCs that were more than four years old and 43% in the expansion stage of four to six years, a significant increase from 35% last year. And CVC funds are sizable, with 25% having funds larger than \$300m and 14% more than \$500m.

#### MATURATION OF THE INDUSTRY

In addition to the deeper entrenchment of CVCs into the innovation strategies of corporates, there is also a growing professionalism in the industry. Many new CVCs are being established with elements of best practice, likely learned from earlier pioneers in the market. More than half (52%) now aim for VC level returns. Just less than a third of CVCs operate in one of the more independent legal structures and, of those, 56% offer financial upside to their teams. In one of the more surprising statistics from the survey, more than half of CVCs use portfolio construction models. The operational chasm between institutional investors and CVCs draws ever smaller.

This is an exciting development, as macro-economic uncertainty means it is increasingly important for CVCs to excel at asset management – indeed, it is key to their stability and longevity. CVCs are always able to take shelter in the storm by leaning into their strategic value, but asset management considerations must be weighed now, too. This is a maturation of the industry that we should all feel proud to witness.

As the dust settles on the 2023 venture market, we as CVC practitioners can look towards 2024 with optimism. Our corporates expect a lot from us – more than ever before – and yet I believe our industry is ready to meet the challenge. ■



The operational chasm between institutional investors and CVCs draws ever smaller

# The Global Corporate Venturing Survey 2024

Liz Arrington Co-founder and managing director, GCV Institute

## SURVEY HIGHLIGHTS

**CORPORATE VENTURING IS GLOBAL BUT STILL WEIGHTED TO THE US**



**75%**

of corporations in our survey are domiciled outside North America, but 35% of CVC units are located there

**CVCs, EVEN LARGE AND MATURE ONES, ALSO INVEST IN OTHER FUNDS**



**47%**

take LP positions in VC funds for access to specialist expertise, new regions or earlier stages

**CVC TEAMS ARE SEEING LONGER SURVIVAL RATES**



**60%**

of CVCs have made it beyond the critical three-year mark

**FINANCIAL RETURNS ARE TABLE STAKES FOR CVC**



**56%**

more than half target the same level of financial return as VCs

**DIVERSITY IS STILL A WORK IN PROGRESS**



**58%**

of CVC teams are majority or all male and not ethnically or racially diverse

**MOST CVC FUNDS ARE NOT LARGE**



**59%**

a majority of funds have less than \$100m under management

**CVC INVESTMENT TERMS FOR STARTUPS ARE GETTING TOUGHER**



**76%**

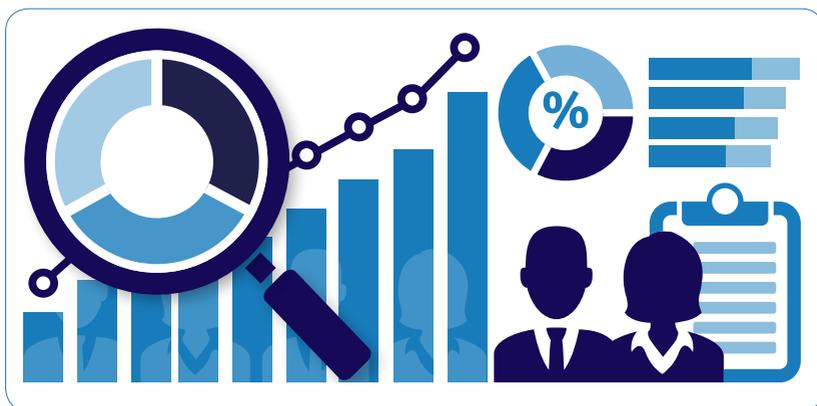
seek to negotiate investor-friendly special terms, up from 69% in 2023

**CVCs ARE INCREASINGLY WILLING TO INVEST IN SEED-STAGE COMPANIES**



**57%**

will now invest at seed stage, up from 48% in 2023



## ABOUT THE SURVEY

Annually, GCV Keystone conducts an in-depth global survey to provide an informed perspective on trends and best practices in corporate venturing programme strategies. It looks at processes and team designs for accelerating performance and overcoming the corporate ‘antibodies’ that inhibit CVC programme impact and resiliency. The survey provides an industry aggregate basis for the GCV Keystone benchmarking platform, which enables programme-specific filtering of the data by parent vertical sector and size, CVC maturity phase, investment focus, operating model, etc.

The 2024 survey delves into critical CVC building blocks including:

- Charter and funding
- Operating model
- Investment strategy
- Investment management
- Performance and portfolio management
- Team structure and compensation
- Diversity, equity and inclusion
- CVC technology stack

In 2024, GCV also provided support to the Private Equity and Venture Capital Association in Brazil (ABVCAP) and partnered with the Japan Venture Capital Association (JVCA) to conduct a survey of CVCs based and investing in Brazil and Japan, respectively.

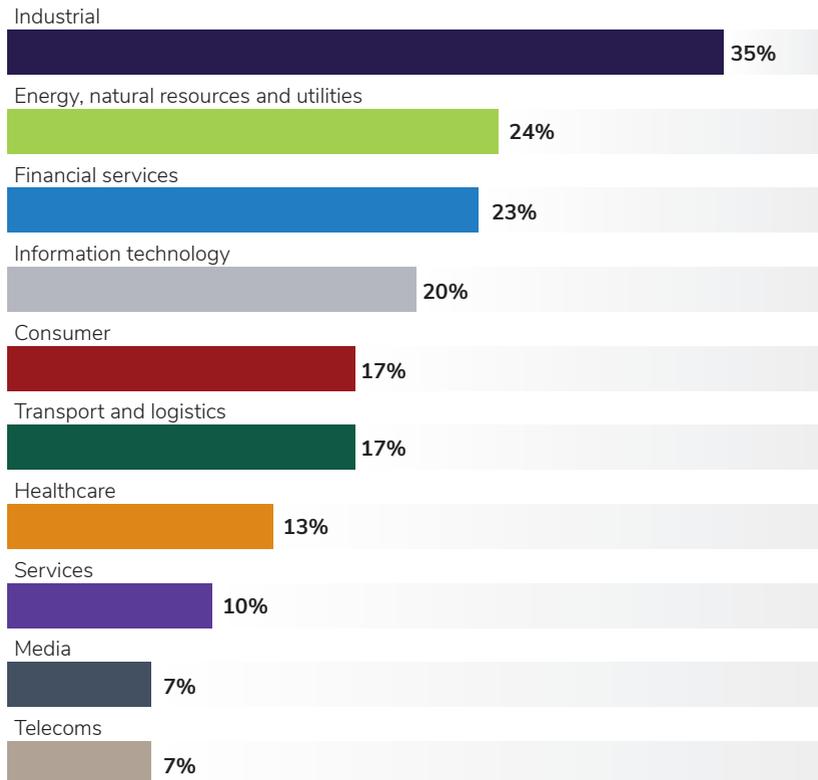


## CONTRIBUTING CVCs

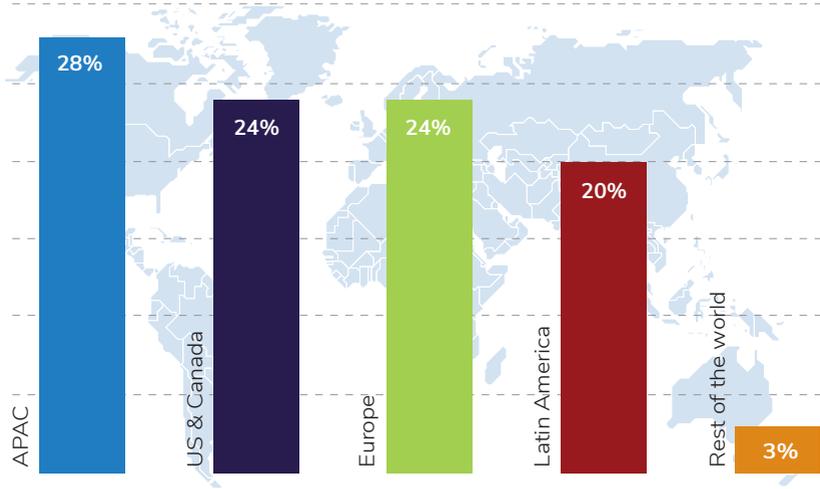
As corporate venture capital has become a mainstream weapon in the corporate innovation arsenal, the bar for professionalism has been raised and the CVC community continues to demonstrate commitment to sharing best practices and learnings.

This survey tapped GCV's access to the largest pool of CVCs globally, targetting a representative cross-section of industries, charters and programme maturity phases. Special efforts were made to ensure that input from >

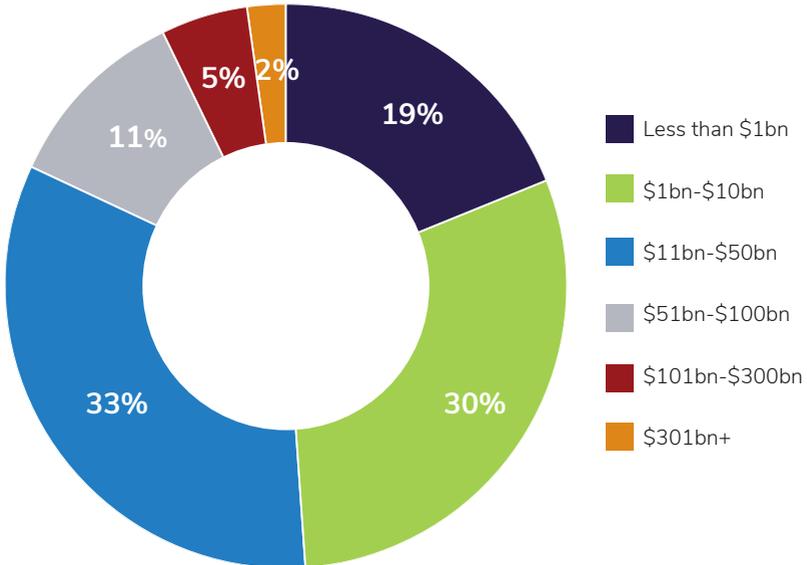
**FIG 1:** CVC PARENT INDUSTRY SECTORS



**FIG 2: CVC PARENT HQ REGION**



**FIG 3: CVC PARENT ANNUAL REVENUES**



both established CVC industry leaders and emerging programmes was included in the data set.

A total of nearly 500 individuals from 363 programmes contributed to this 2024 Keystone CVC benchmarking data refresh.

### ■ RESPONDENT CORPORATE PARENTS

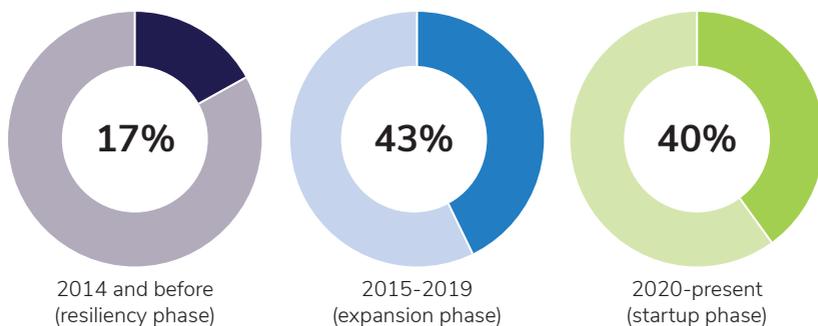
As every company has become a technology and data company, the survey sample reflects that most industries are now represented in the CVC landscape, with even mid-cap companies starting to punch above their weight with fund commitments that mirror their large-cap and mega-cap peers. The survey allowed participants to indicate that their parents serve multiple verticals, leading to high percentages for the industrial, energy, financial services and IT sectors. This year's survey showed a greater regional balance of corporates with nearly half (48%) domiciled in North America and Europe, 28% headquartered in Asia and 20% in Latin America.

### ■ RESPONDENT CVC PROFILE

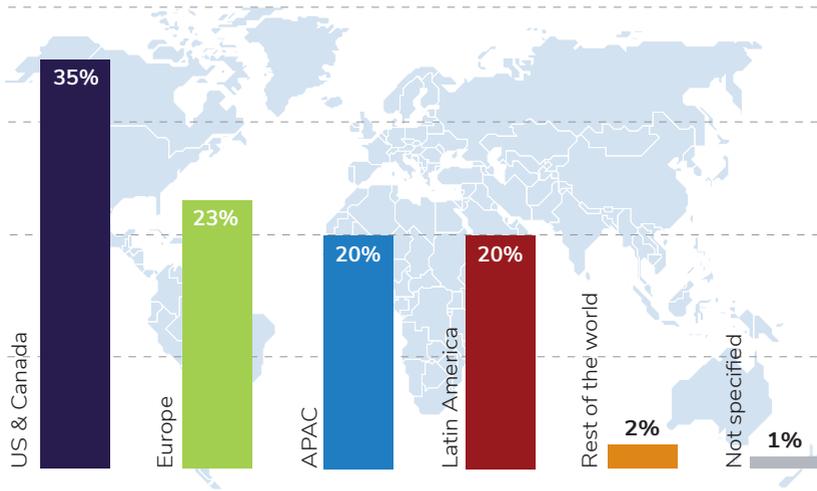
Although three-quarters of respondents' corporate parents are headquartered outside North America, 35% of CVC unit HQs (or significant operations) are in North America and 23% in Europe. The largest number (41%) invest globally, with North America the top investment priority for 27%, while 15% concentrate on Latin America, 9% on Asia and 7% focusing on Europe.



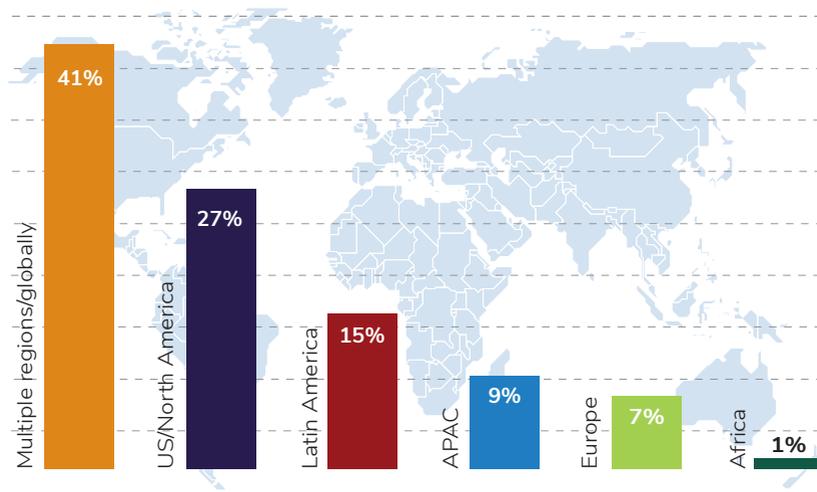
**FIG 4:** VC PROGRAMME MATURITY PHASE



**FIG 5: CVC PROGRAMME HQ REGION**



**FIG 6: TOP CVC REGIONAL INVESTMENT PRIORITIES**



Innovation goals, operating style, performance priorities and challenges vary as a CVC programme moves through its maturity cycle, impacting strategic and operating model decisions. There are indicators that more CVCs are surviving the three-year inflection point where historically many have failed. Of all the respondents, 60% are more than three years old, with 43% in 'expansion stage' (years four to six), up from 35% of the 2023 sample. The total percentage of expansion stage and resilient programmes (seven years or more) rises to 66% if responses from more nascent markets such as Japan and Brazil are excluded.

More corporate venturing programmes are also taking a full toolkit approach, integrating elements such as venture clienting or partnering (40%) and venture building (37%) with equity investing.



**FIG 7: CORPORATE VENTURING TOOLKIT ELEMENTS**

Corporate venture capital (strategic minority equity and fund investments)



Technology scouting (may be part of business units or R&D)



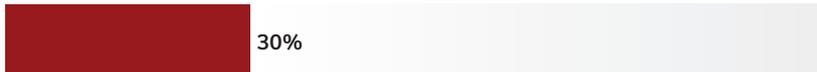
Venture clienting (focus on early startup customer relationships without investment)



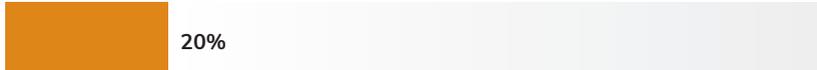
Venture building (internal startup creation)



Accelerators (cohort-based mentoring, industry insights, corporate resources for startups)



University and national labs programme (can incorporate scouting and acceleration)



## CHARTER AND FUNDING

Survey results show that most CVC charters continue to prioritise transformative innovation beyond the scope of established parent businesses, with preparing for future disruptions (Horizon 3) and creating new businesses (Horizon 2) top-rated for 70%. But enhancing existing business innovation with portfolio company partnerships (Horizon 1) was also highly rated by more than 60%.

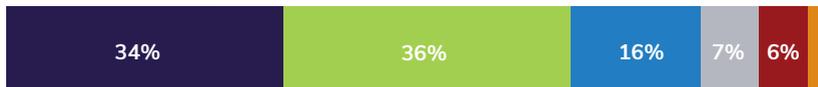
A larger number of newer units globally means that the survey skews slightly toward smaller funds with 59% reporting a current fund size of up to \$100m, and 55% total assets under management (AUM) of \$100m or less. If the large population of new units in Japan and Brazil are excluded, half of global respondents report AUM exceeding \$100m, with 34% in the \$101m-\$500m range and 28% above \$500m. >

**FIG 8:** CVC PROGRAMME CHARTER

Prepare for future disruptions (Horizon 3)



Create new businesses (Horizon 2)



Financial returns



Support existing business (Horizon 1)



5 = critically important and 0 = not relevant





# Informing Connecting & Transforming

the global corporate venture capital ecosystem

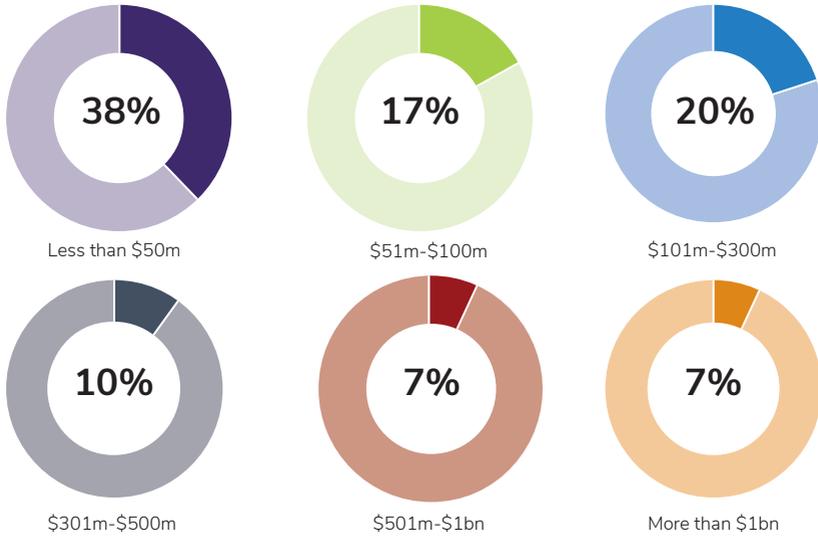


Global Corporate Venturing  
**Leadership Society**

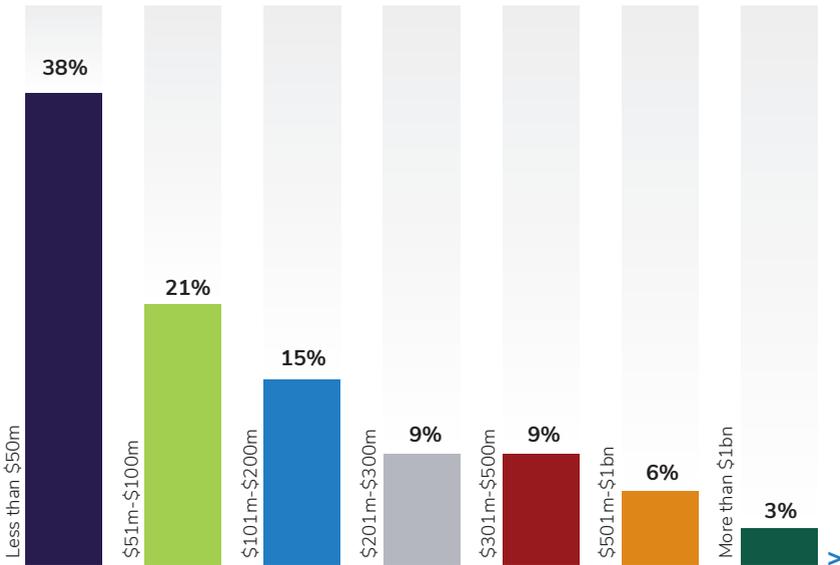


- Access to world-class corporate venture and innovation community and events
- Exclusive networking with the most influential corporate investors in the world
- Raise your portfolio's profile to increase customer base and dealflow opportunities
- Join global councils designed to move the industry forward in areas such as AI, Finance, Energy, Healthcare, Mobility, Consumer, Industry/Sustainability, Defence and more
- Shape and implement industry best practice and thought-leadership

**FIG 9: TOTAL ASSETS UNDER MANAGEMENT (AUM)**



**FIG 10: CURRENT FUND SIZE**



## LEGAL AND ORGANISATIONAL STRUCTURE

The past few years have seen the emergence of a range of CVC operating models, all of which are 'strategic,' even the fully independent GP/LP structure. Though the majority (68%) still invest from the corporate parent balance sheet, the number of units seeking resiliency through more independent legal structures continues to rise (32% up from 30% last year), including many newer programmes in emerging CVC markets.

Among balance sheet investors, the largest percentage (35%) make investments that are tightly aligned with BU priorities, while 22% have freedom to independently develop and execute on investment theses and insights. Just 10% invest without dedicated CVC units.

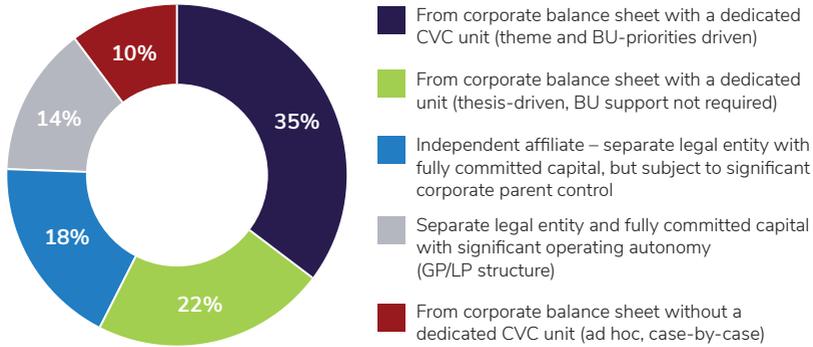
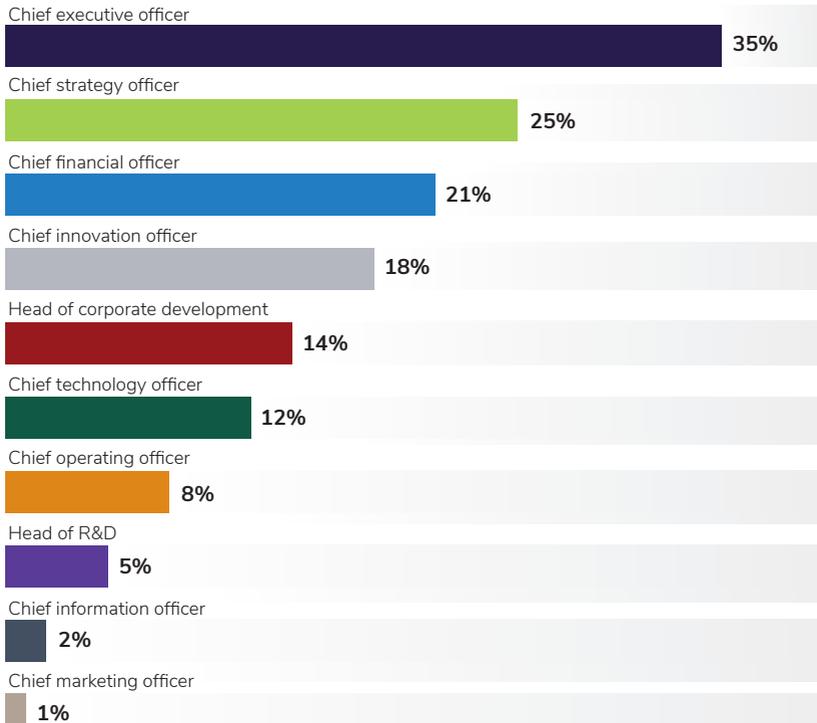
Given the increasingly mainstream role corporate venturing plays in corporate innovation, most respondents provide at least a matrix, or summary, report to a C-level executive, with 35% answering to the CEO, 25% to the chief strategy officer, 21% to the CFO and 18% to chief innovation officer.

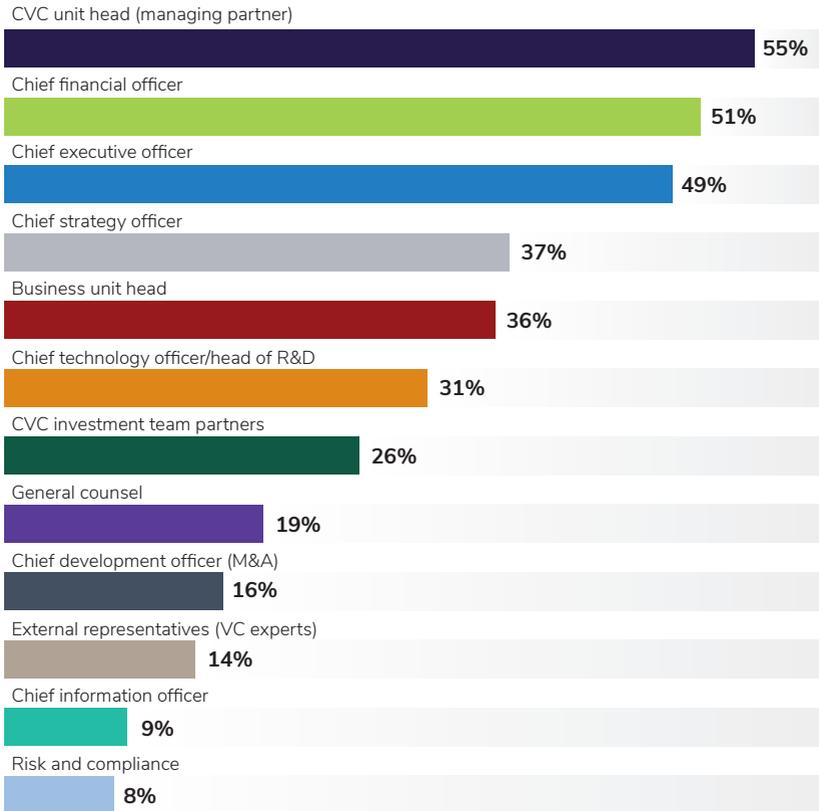
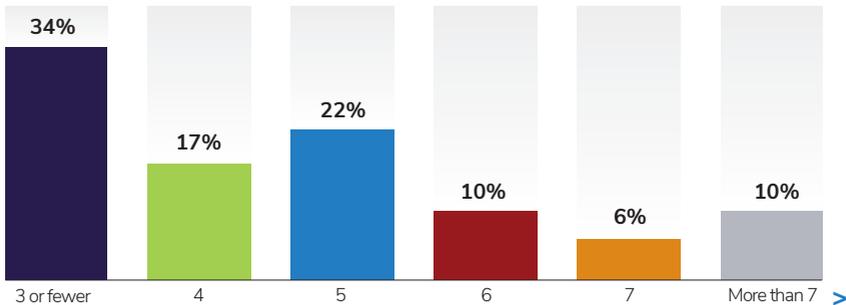
### ■ THE INVESTMENT COMMITTEE

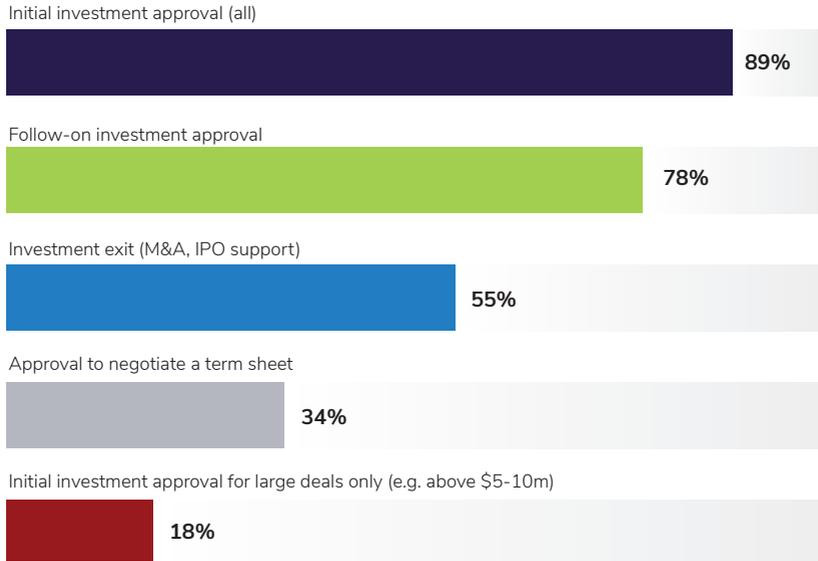
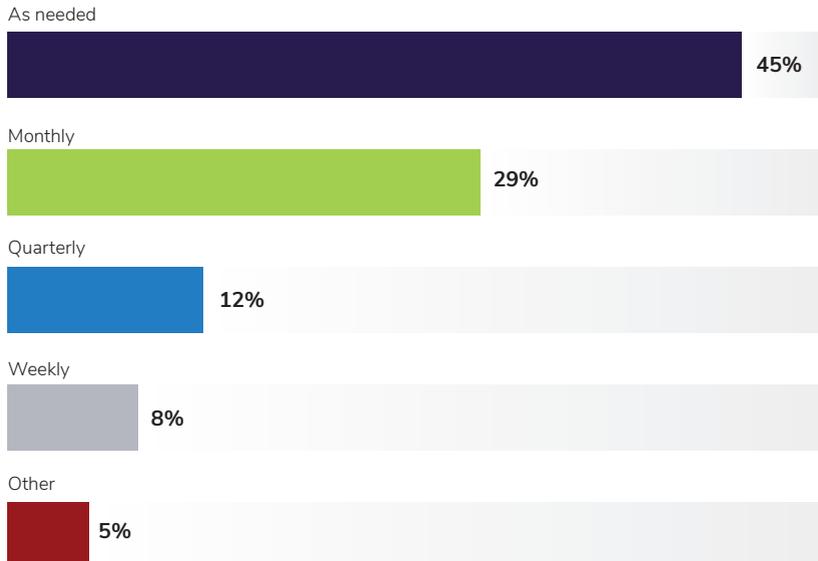
A trend to have streamlined investment committees (IC) continues, with 34% reporting that they have an IC of three or fewer (against 28% last year) and 74% fewer than five voting members. The majority count the CVC unit head along with the CFO as IC members. Almost half (49%) include the CEO, while the chief strategy officer, business unit head and CTO are seen in more than 30% of ICs. The more independent CVCs (26%) operate more like investment partnerships.

Just over half of ICs meet on a regular cadence, with 45% gathering as needed, which can be challenging to manage with busy C-level executives. Most ICs own decisions on initial investment approval (89%) and follow-ons (78%). However, 22% of CVC teams are now empowered to manage investments with 'lifetime' investment approval for startups that continue to perform. Around one in five (18%), typically mature programmes, have independent investment team approval rights for transactions below a certain size (for example \$5m-\$10m).



**FIG 11: CVC PROGRAMME OPERATING AND INVESTMENT MODEL****FIG 12: CVC REPORTING LINE (MULTIPLE SELECT FOR MATRIX REPORTING)**

**FIG 13: ROLES/FUNCTIONS ON CVC INVESTMENT COMMITTEE****FIG 14: INVESTMENT COMMITTEE SIZE (VOTING MEMBERS)**

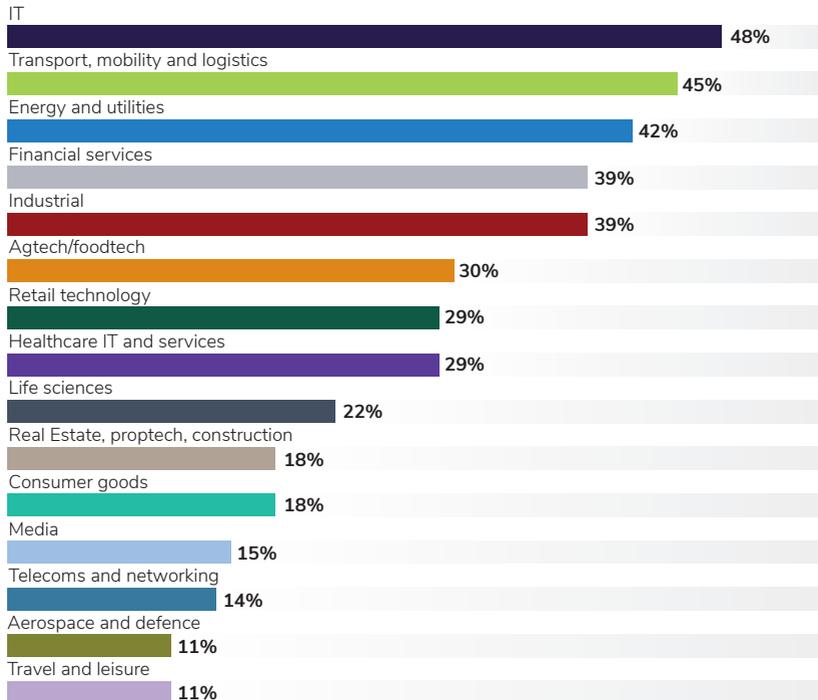
**FIG 15:** DECISIONS MADE BY CVC INVESTMENT COMMITTEE**FIG 16:** FREQUENCY OF INVESTMENT COMMITTEE MEETINGS

## INVESTMENT STRATEGY

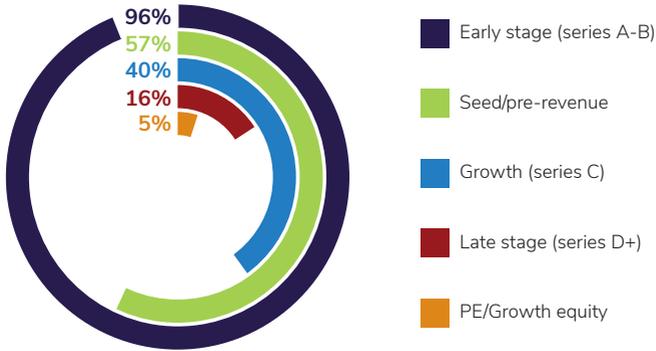
North America remains the top source of entrepreneurial talent for 75% of global CVCs, with 65% investing in Europe, half in Asia Pacific and 37% in Latin America. The Middle East and Africa are nascent sectors of CVC interest.

While CVCs invest in a range of sectors, many focus on areas where CVCs are well-positioned to add unique value and are preferred partners with domain, application and regulatory expertise, and the ability to support scaling. Top sectors include – IT/AI (48%), transportation/mobility (45%), energy (42%) and fintech (39%), as well as industrial, agtech/foodtech and healthcare/life sciences. >

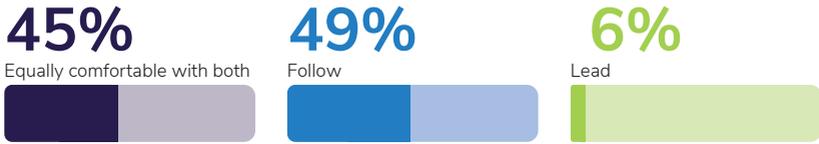
**FIG 17:** CVC INVESTMENT SECTORS



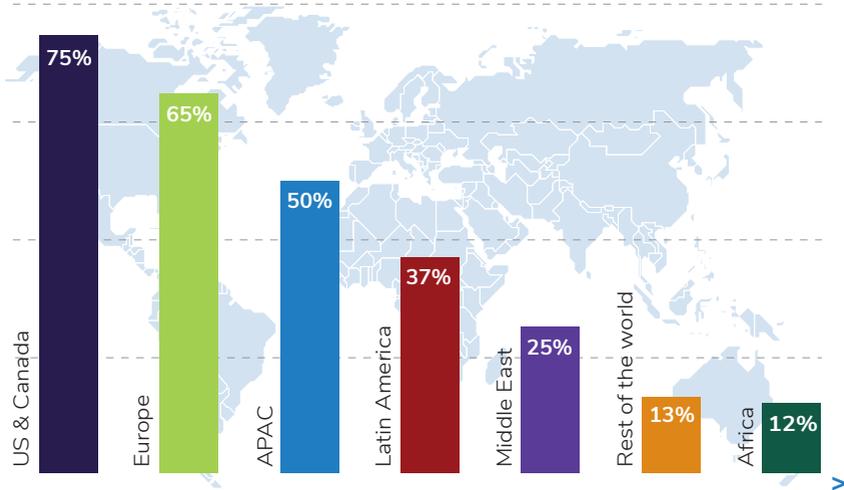
**FIG 18:** CVC INVESTMENT STAGES



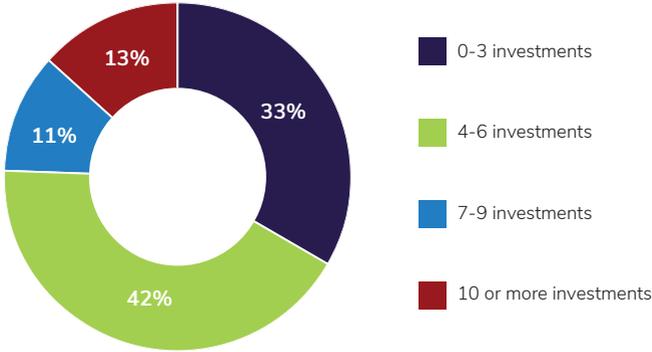
**FIG 19** INVESTMENT SYNDICATE ROLE



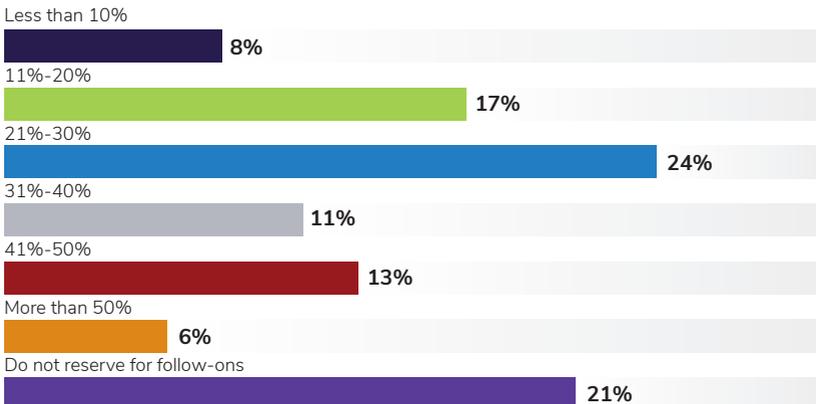
**FIG 20:** CVC INVESTMENT GEOGRAPHIES





**FIG 21:** NUMBER OF NEW CVC INVESTMENTS PER YEAR

More than three-quarters (77%) of survey respondents are active investors, with 42% looking to make four to six new investments per year, 11% looking to make seven to nine investments and 13% in more than 10 new startups annually. The sweet spot for the overwhelming majority (96%) is the early stage (series A or series B). However, a growing number of corporates – 57% this year compared with 48% last year – will also invest in seed stage or pre-revenue funding rounds. Around 40% will invest in growth stage/series C funding rounds, down from 53% last year.

**FIG 22:** PERCENTAGE OF FUND CAPITAL RESERVED FOR FOLLOW-ONS

With the rising professionalisation of the community, more CVCs are willing to lead rounds. Nearly half of respondents (45%) say they are equally comfortable leading or following, while 6% actively seek to lead. However, a significant number (49%) still prefer to follow an institutional VC lead. More than half reserve at least 21% or more for follow-on funding, though one-fifth still do not allocate capital for follow-ons.

### ■ STRATEGIC LP POSITIONS

LP fund positions, historically, have been seen as a passive investment vehicle for corporations who lacked skills or did not seek to build out a dedicated investment programme or team. That is no longer the case. Close to half of CVCs (47%) take strategic LP positions in VC funds for access to specialist sector expertise, expansion into new geographies, or drawing insights from very early-stage startups via seed funds. Of those with LP stakes, 40% have invested in more than three funds, with 23% holding three to five LP positions. The percentage with LP stakes is even higher (54%) for large, resilient programmes in mature CVC markets, and 63% of these units hold LP positions in more than three funds.

While most corporates seek to capture the value of these LP relationships through standing review meetings with GPs and access to co-investment opportunities, up to one-quarter of Japanese corporations will second corporate personal to learn from GPs in person. A small number of CVCs also second corporate resources to advise portfolio companies.



**FIG 23: CAPTURING VALUE FROM STRATEGIC LP STAKES**

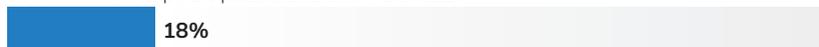
Standing investment sector, pipeline and portfolio review meetings with GPs (monthly, quarterly)



Co-investments in key portfolio companies

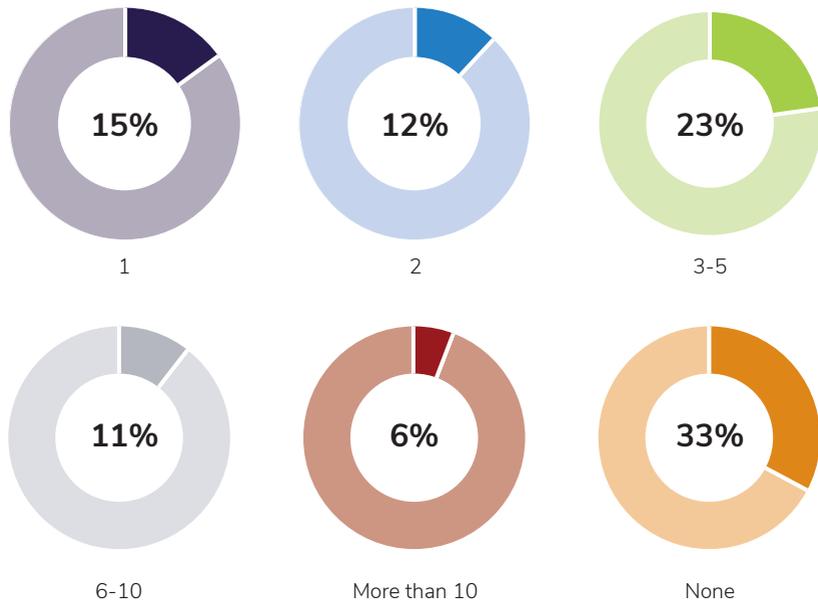
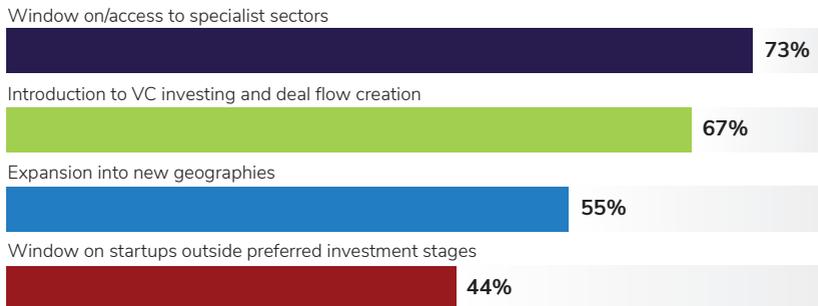


Secondment of corporate personnel to sit in VC offices



Secondment of corporate personnel to VC fund portfolio companies (as advisers, domain specialists)



**FIG 24:** LP POSITIONS IN OTHER VC FUNDS**FIG 25:** NUMBER OF STRATEGIC LP STAKES**FIG 26:** RATIONALE FOR VC FUND INVESTMENTS

## INVESTMENT MANAGEMENT

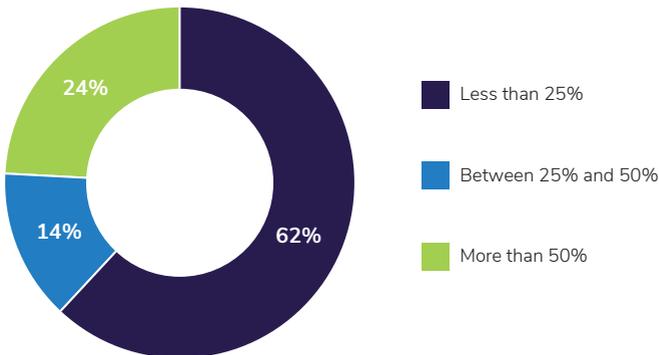
Given the early-stage investment focus of most respondents, 62% do not generally require business unit sponsorship or a commercial deal as a condition for investment, although engagement with the parent corporation is an important strategic metric for many CVCs. A quarter do call for a business unit sponsor for more than half of startup investments.

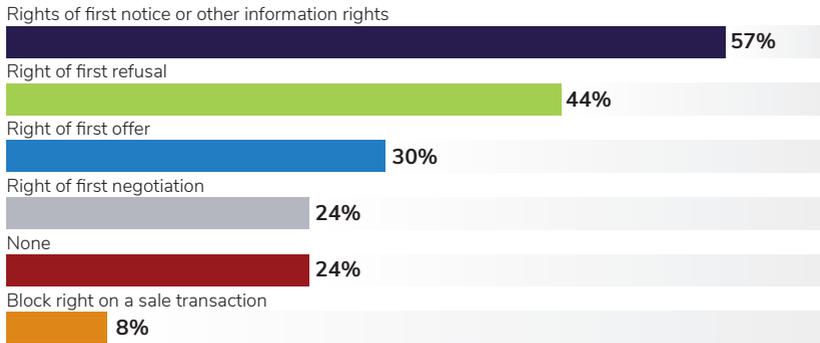
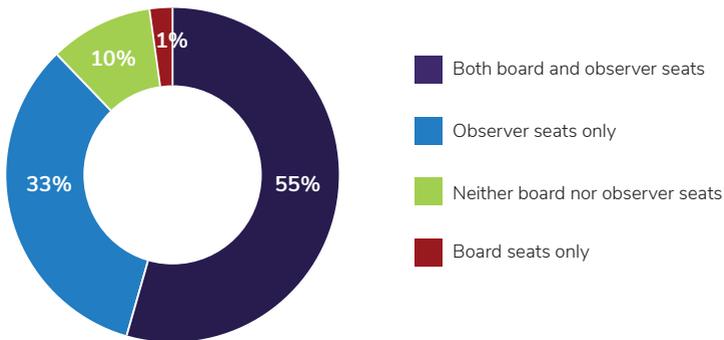
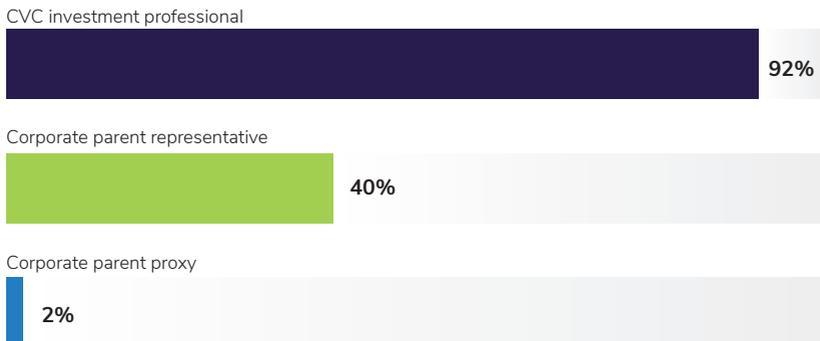
However, compared with last year, there is evidence of a trend toward asking for more strategic 'investor-friendly' terms, even among more established programmes. Only 24% (versus 31%) do not negotiate any special rights, while more than a half (57%) of CVCs ask for information rights, up from 50%. Meanwhile, 44% ask for right of first refusal, up from 37% and 30% ask for right of first offer, up from 21%. Nearly one-quarter (24%) ask for right of first negotiation, up from 12%.

To both provide and derive value from strategic investments, 88% of surveyed CVCs look for some form of board representation, with 55% taking both board and observer seats, 33% observer only, while 10% have neither. For 92%, the CVC investment professional holds the board or observer seat, though 40% will sometimes designate corporate parent representatives, most often as observers.



**FIG 27:** PERCENTAGE OF INVESTMENTS TIED TO BU SPONSORSHIP/COMMERCIAL DEALS



**FIG 28:** RIGHTS (RELATED TO PORTFOLIO COMPANY SALE) NEGOTIATED WITH INVESTMENTS**FIG 29:** PORTFOLIO COMPANY BOARD AND OBSERVER SEATS**FIG 30:** BOARD SEAT HOLDER

## PERFORMANCE AND PORTFOLIO MANAGEMENT

Measuring performance is one of the most challenging aspects of running a corporate venturing programme, with metrics (financial, strategic and operational) and dashboards guided by the CVC charter and informed by programme maturity phase, operating model and corporate culture. More than one-third of programmes with more than \$300m in assets under management now employ a dedicated chief operating officer or portfolio manager to handle reports to the parent corporation as well as other non-investment related functions.

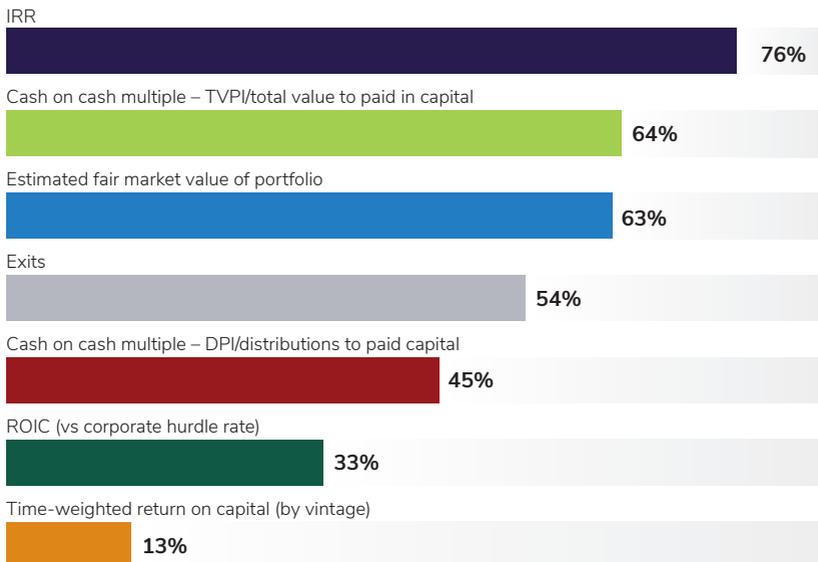
### ■ FINANCIAL PERFORMANCE

Competitive financial metrics tend to grow in importance with CVC programme maturity and scale and are seen as a necessary part of ensuring programme longevity.

Survey results show that standard VC metrics such as IRR (76%) and total value to paid in capital or TVPI (64%)

>

**FIG 31:** PORTFOLIO FINANCIAL METRICS TRACKED



**FIG 32: PORTFOLIO FINANCIAL PERFORMANCE TARGETS**

Top quartile VC financial returns (2.5x+, 25%+ IRR)



VC financial returns (1.6x-2.5x, 16%-24% IRR)



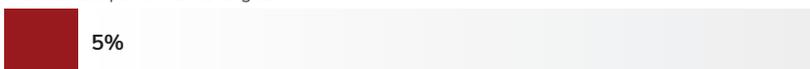
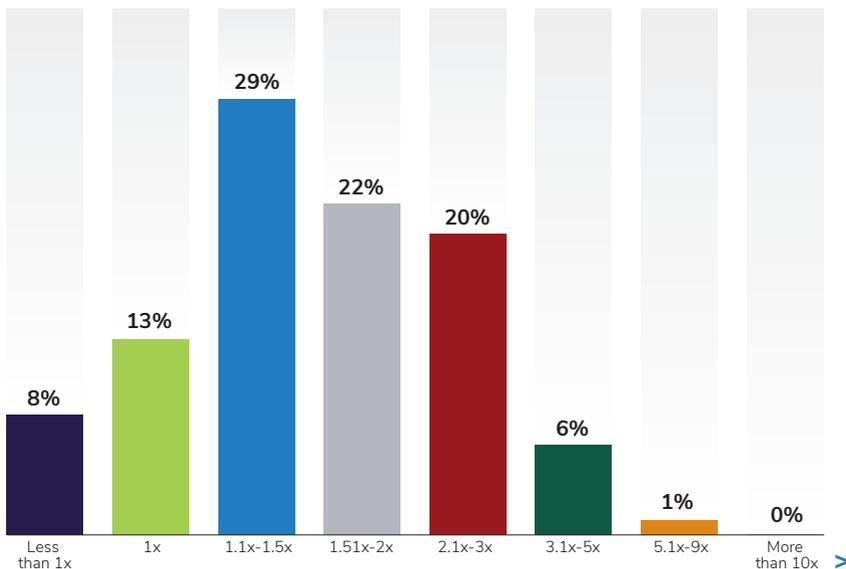
Less than VC financial returns (1x-1.5x, &lt;15% IRR)



Do not lose money (1x)



No financial performance targets

**FIG 33: CURRENT FUND TVPI**

are the language of financial performance for most CVCs. Other important metrics are estimated fair market value of portfolio (63%), exits (54%), distributions to paid in capital (45%) and return on invested capital against a corporate hurdle rate (33%).

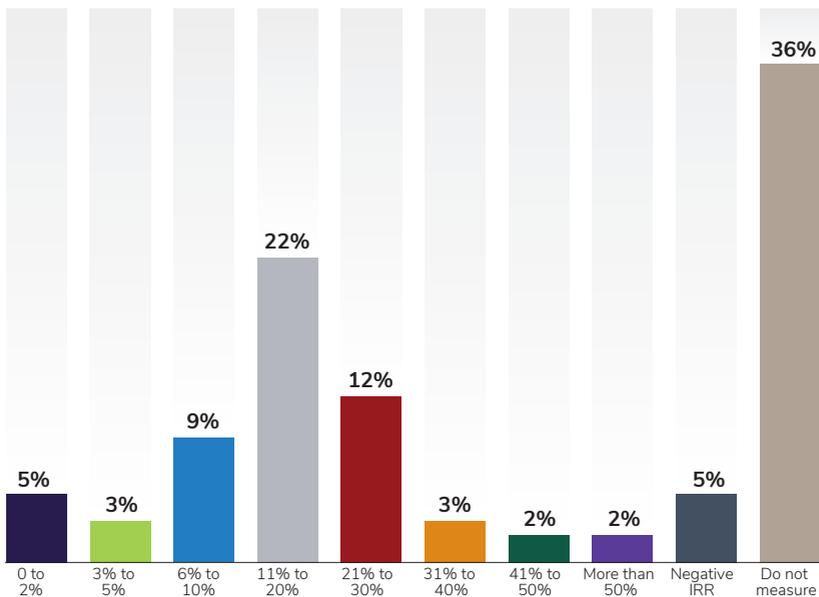
Almost all CVCs have financial performance targets, with 56% aiming for VC-level (1.6-2/5X, 16-24% IRR) or top quartile financial returns. This number rises to 61% if newer markets such as Japan and Brazil are excluded. The percentage with no financial performance targets fell by half to 5%.

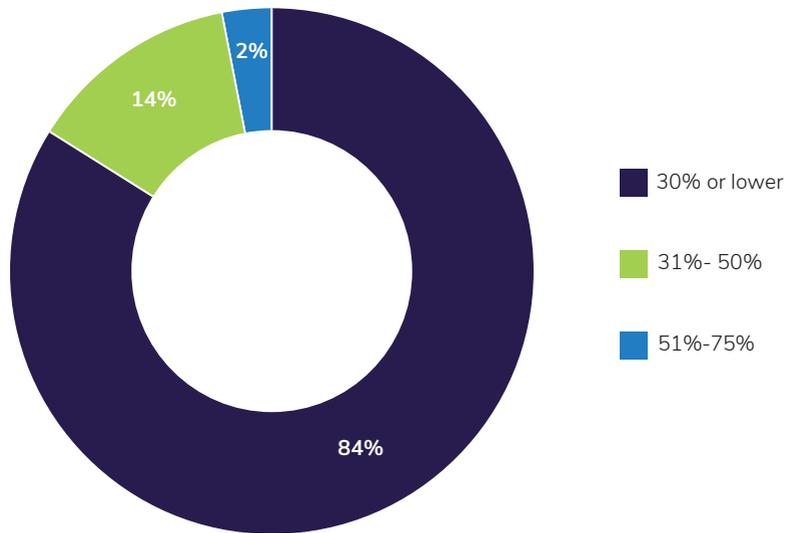
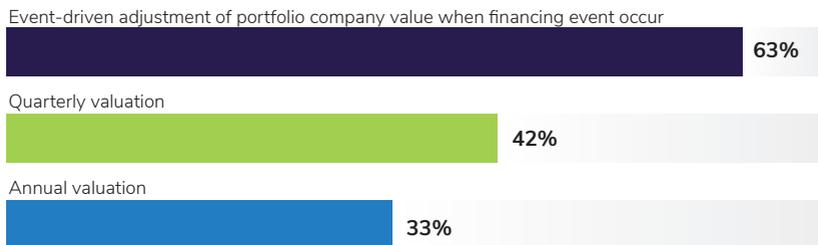
Across all markets, reported 2023 fund TVPI and IRR have dropped, with less than half of respondents achieving VC-level performance targets in the face of a challenging investment environment and an influx of new programmes. However, 63% of programmes more than four years old are meeting those VC-level performance targets. Recorded loss rates have not materially changed.

Financial portfolio management practices are becoming more sophisticated with more than half of respondents



**FIG 34:** CURRENT FUND NET IRR



**FIG 35:** USE OF VC FUND PORTFOLIO CONSTRUCTION MODEL FOR PLANNING, MANAGEMENT**FIG 36:** ADOPTION/INTERPRETATION OF IFRS ACCOUNTING STANDARDS**FIG 37:** CURRENT FUND LOSS RATE**FIG 38:** CVC PORTFOLIO VALUATION APPROACHES

using portfolio construction models for fund planning and management and looking to adopt and interpret CVC-specific IFRS accounting standards for valuation, impairment and investment classification. While 63% rely on event-driven activity to make valuation adjustments, 42% also perform quarterly portfolio valuations and 33% annual valuations.

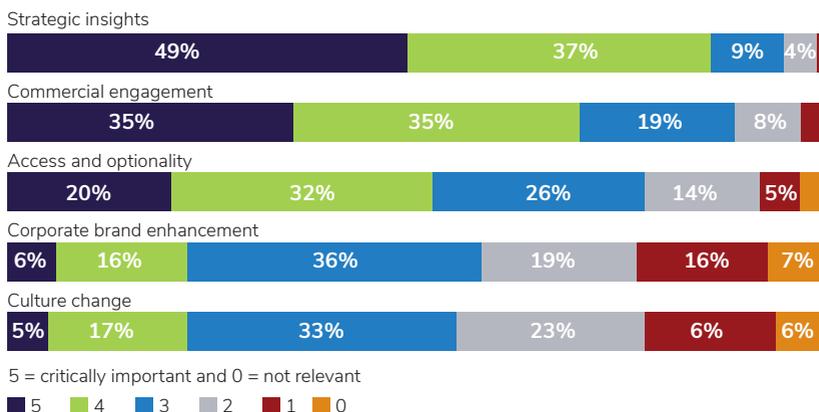
### ■ STRATEGIC PERFORMANCE

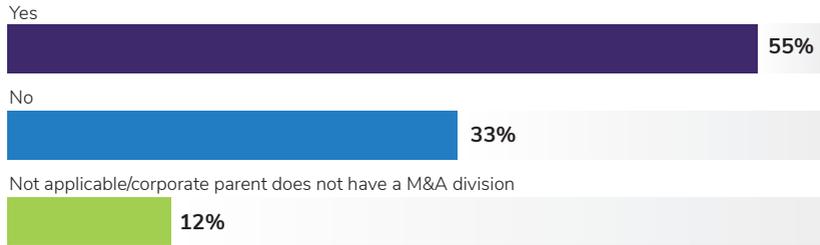
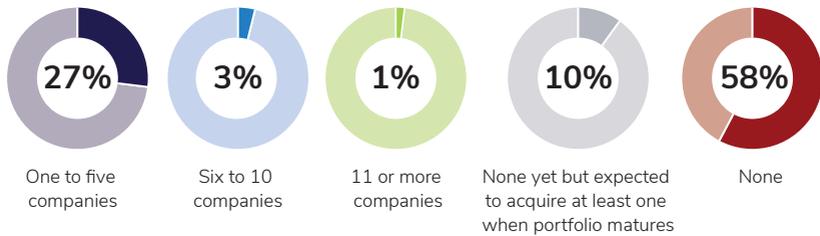
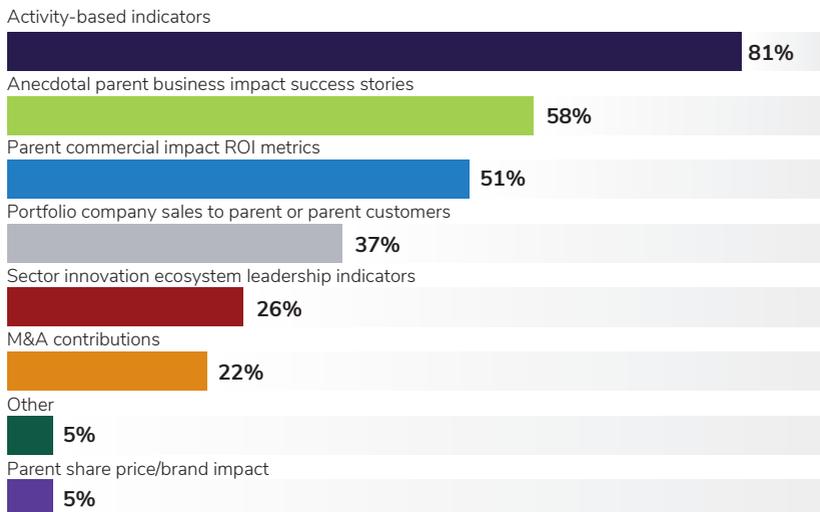
Strategic impact is *raison d'être* for most CVCs, but responsibility for achieving it is often shared with the parent corporation, making it challenging to define, track and communicate performance. As most CVCs have a mandate to find transformative ideas (Horizon 2-3), the ability to communicate insights and provide advice is the top strategic priority for the vast majority. Effective analysis and 'story telling' are seen as critical delivery capabilities.

Around 70% also focus on parent commercial engagement, the results of which are communicated through combination of 'activity metrics,' commercial impact ROI (revenues, savings, risk reduction and value of sales to parent) and illustrated with success stories.

Access and optionality are priorities for programmes with an M&A mandate. More than half (55%) of surveyed CVCs play some role in sourcing potential M&A candidates, but 68% have yet to see a portfolio company acquisition. >

**FIG 39:** STRATEGIC VALUE CATEGORIES



**FIG 40: CVC TEAM INVOLVEMENT IN CORPORATE M&A ACTIVITY****FIG 41: NUMBER OF PORTFOLIO COMPANY ACQUISITIONS BY CORPORATE PARENT****FIG 42: STRATEGIC PERFORMANCE COMMUNICATION APPROACHES**

## TEAM STRUCTURE AND COMPENSATION

Team size and structure are informed by CVC strategic innovation goals, programme maturity, operating model, fund size and portfolio strategy.

Most CVC programmes run lean – 74% have a team size of less than 10 professionals, with 42% staffed by three to five. However, there is growing evidence that CVC is becoming a professional career path rather than a management rotation with average years of relevant team experience now exceeding five years for 57% surveyed. Up to 40% report blended professional teams that combine:

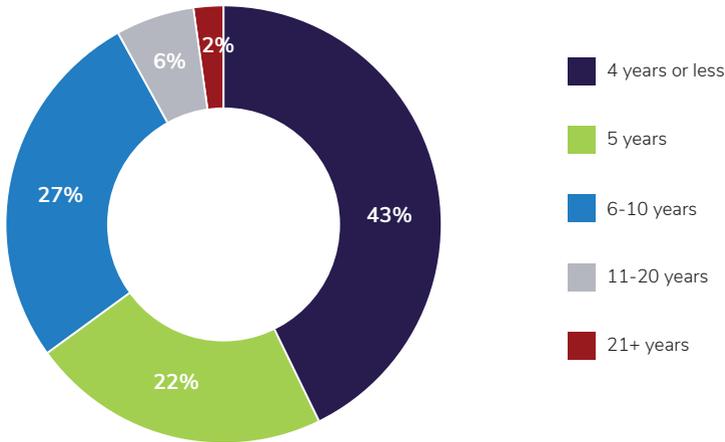
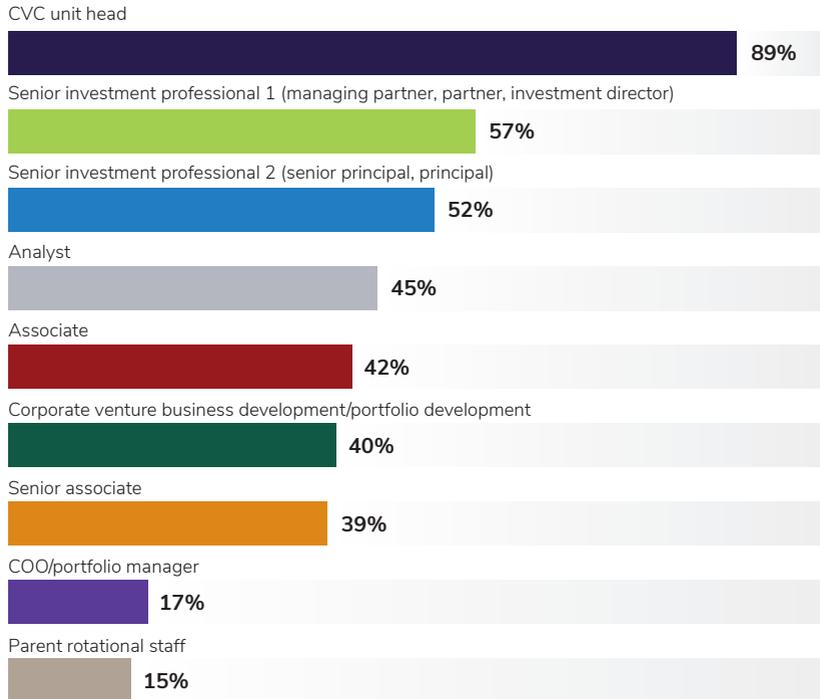
- A strategic investment function with standard VC-like roles often sourced from VCs, PE Firms and other CVCs
- A CVBD/portfolio development function (platform team) to facilitate parent and ecosystem engagement and often sourced from parent or management consulting.

While the role and capabilities of a CVBD team will vary depending on the CVC innovation charter, most are set up to provide access to parent resources via partnerships and supplier networks (86%), research and development and technical expertise (79%), as well as regulatory and

&gt;

FIG 43: CVC TEAM SIZE



**FIG 44:** AVERAGE YEARS OF RELEVANT EXPERIENCE ON CVC TEAM**FIG 45:** ROLES REPRESENTED ON CVC TEAM

**TABLE 1: NUMBER OF PEOPLE IN EACH CVC TEAM ROLE**

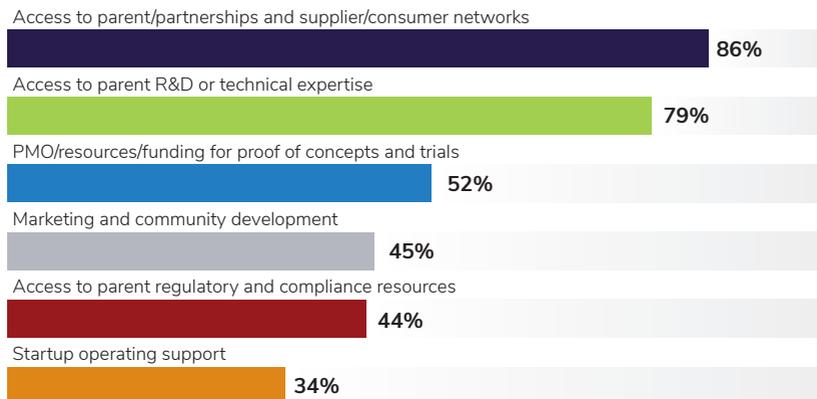
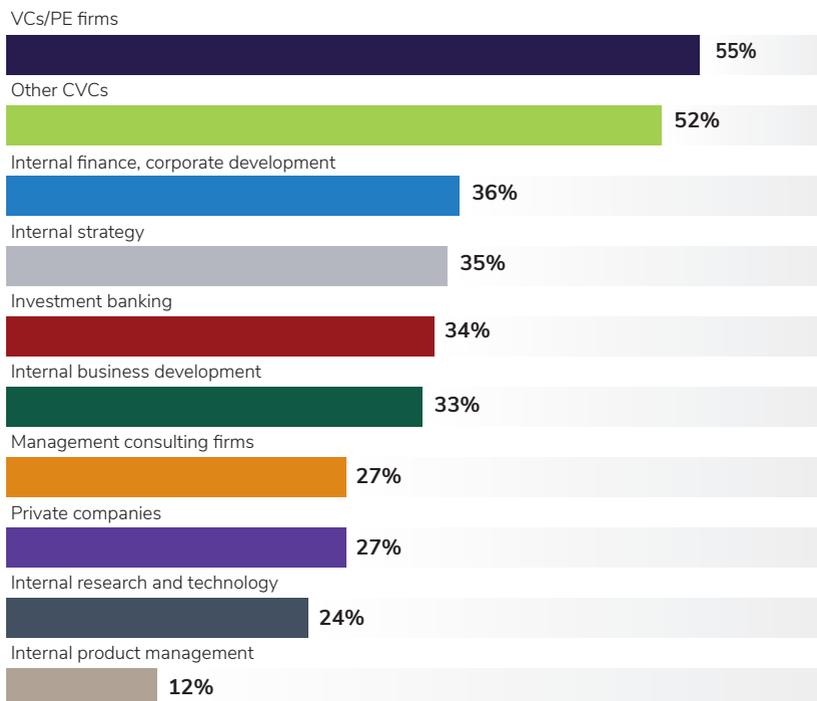
CVC TEAM ROLE	25th PERCENTILE	MEDIAN	75th PERCENTILE	MAXIMUM
Analyst	1	1	2	<b>10</b>
Associate	1	1	2	<b>15</b>
COO/portfolio management	1	1	2	<b>12</b>
Corporate venture business development/portfolio development ('platform' team)	1	1	3	<b>23</b>
CVC unit head	1	1	1	<b>5</b>
Parent rotational staff	1	1	4	<b>21</b>
Senior associate	1	1	2	<b>15</b>
Senior investment professional 1 (managing partner, partner, investment director)	1	2	3	<b>12</b>
Senior investment professional 2 (senior principal, principal)	1	2	3	<b>20</b>

compliance resources (44%). A growing number of CVCs are creating project management office resources and funding for pilots and proof of concepts (52%) and investing in marketing and community development teams (45%).

### ■ COMPENSATION

With CVC now 'main stage' in the toolkit for innovation and growth, corporations are acknowledging that to do it right takes specialists. CVC has become a 'professional sport' and career path. Recruiting and retaining a high-quality team is foundational to corporate venture performance and longevity. Corporations have multiple levers to apply in differentiated ways. Most rely on title or band-aligned base compensation, standard corporate bonuses (89%) and parent equity in markets such as the US (51%).

Compensation is the area where the survey shows the largest divergence among regions, programme maturity phases and operating models. Across all markets, 24% of CVCs have access to ('carry-like') financial upside schemes, with another 25% eligible for ad hoc performance bonuses. Custom analysis we have done at >

**FIG 46: CVBD/PORTFOLIO DEVELOPMENT TEAM CAPABILITIES****FIG 47: CVC TEAM MEMBER SOURCES**

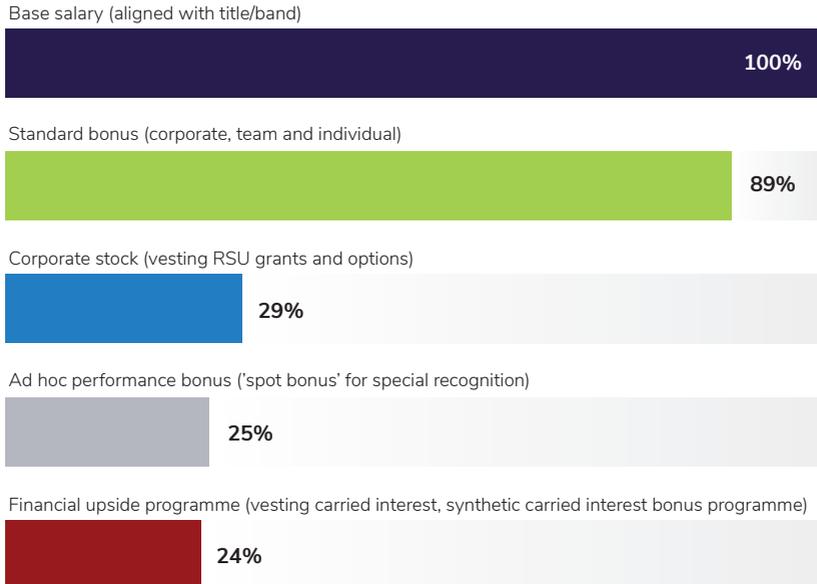
the GCV Institute using the Keystone survey data shows that financial upside plans are more likely to be included in compensation plans in more mature CVC markets (for example, where one-third of all funds have assets under management exceeding \$100m) and at units with more independent operating models (60%).

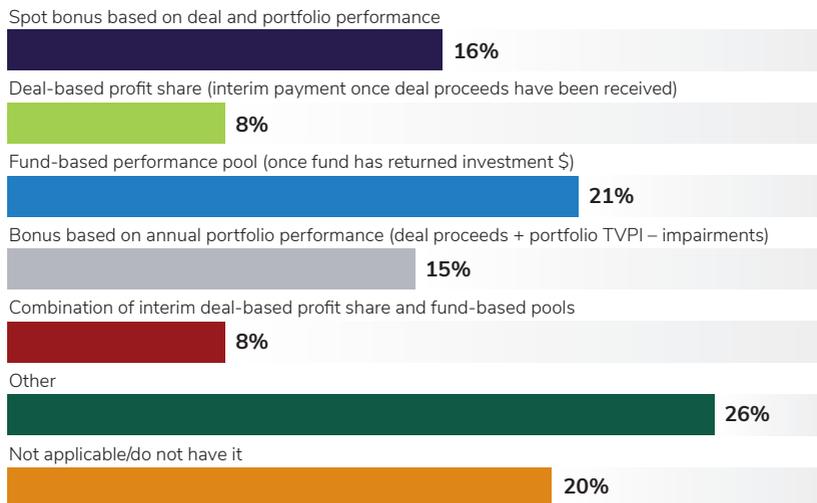
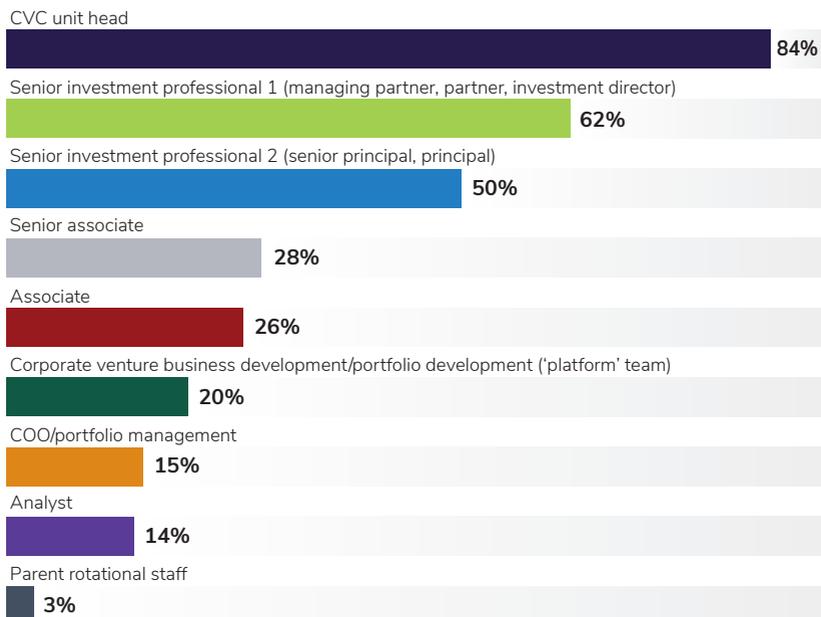
US-based CVCs which compete for talent with VCs or PE firms and other CVCs, appear to have access to the greatest range of long-term incentive (LTI) compensation levers. Close to half participate in corporate stock programmes (RSUs and options) and 30% are most likely to include some form of financial upside/synthetic carry programme as a key recruitment/retention tool.

The process for calculating financial upside (“carry”) pools and the timing for payment varies widely with 26% reporting that they do not rely on a recognised approach. Around 21% take a fund-based approach with profit sharing once all fund investment capital has been returned. Just 16% rely on a “spot bonus” system for rewarding exits, while 15% have an annual portfolio performance



**FIG 48:** CVC COMPENSATION LEVERS



**FIG 49: FINANCIAL UPSIDE (SYNTHETIC CARRIED INTEREST) CALCULATION APPROACHES****FIG 50: CVC TEAM ROLES PARTICIPATING IN FINANCIAL UPSIDE (CARRY) PROGRAMMES**

bonus pool and 8% incorporate a deal-based profit share that enables interim payments ahead of full fund returns.

Eligibility for carry pool participation starts at the principal level for half of CVCs, while 20% also include senior CVBD professionals and 15% reward the entire team, excluding parent rotational staff.

In the face of a challenging economic environment, cash compensation for CVC leaders has fallen for the top quartile, as have annual vesting corporate equity and 'carry' payments. US-based CVCs continue to have somewhat richer packages, although CVCs outside the US recorded the largest annual upside payments.



**TABLE 2: CVC UNIT HEAD – ANNUAL COMPENSATION (GLOBAL)**

CVC HEAD ANNUAL COMPENSATION	25th PERCENTILE	MEDIAN	75th PERCENTILE	MAXIMUM
Total cash compensation	\$180,000	\$310,000	\$500,000	<b>\$1.7m</b>
Base salary	60%	70%	80%	<b>100%</b>
Bonus	20%	30%	40%	<b>95%</b>
Vesting corporate equity	\$30,000	\$80,000	\$200,000	<b>\$1m</b>
Vesting financial upside – synthetic carry	\$45,000	\$130,000	\$750,000	<b>\$1.6m</b>

**TABLE 3: CVC UNIT HEAD – ANNUAL COMPENSATION (US)**

CVC HEAD ANNUAL COMPENSATION	25th PERCENTILE	MEDIAN	75th PERCENTILE	MAXIMUM
Total cash compensation	\$330,500	\$450,000	\$600,000	<b>\$1.7m</b>
Base salary (%)	50%	70%	75%	<b>100%</b>
Bonus (%)	25%	30%	50%	<b>95%</b>
Vesting corporate equity (USD\$)	\$40,000	\$150,000	\$250,000	<b>\$600,000</b>
Vesting financial upside - e.g. synthetic carry (USD\$)	\$85,000	\$130,000	\$315,000	<b>\$500,000</b>

## DIVERSITY, EQUITY AND INCLUSION

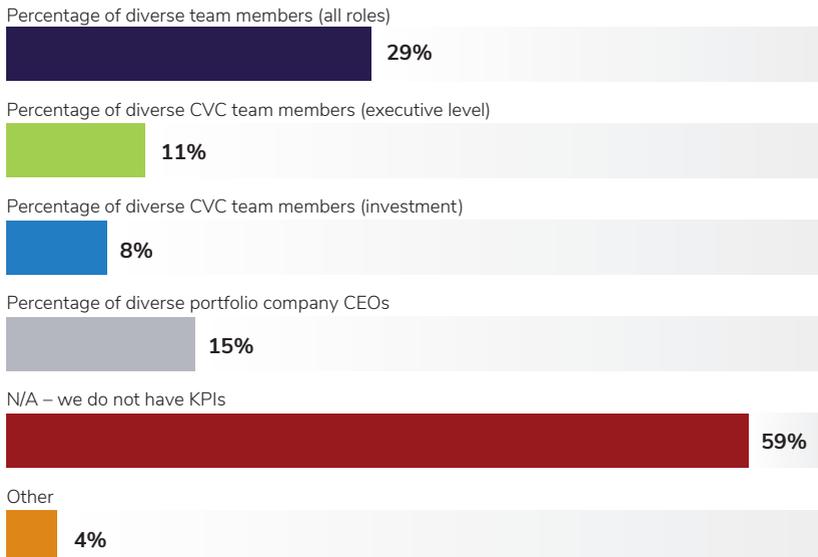
Though not a majority, 41% of respondents now include some diversity, equity and inclusion (DE&I) KPIs in their strategic scorecards. Around 29% explicitly track full CVC team KPIs and 15% look at portfolio CEO targets.

Globally, CVC teams are male dominated, though 42% are either majority female or relatively balanced. However, for 56% of CVCs, fewer than a quarter of their teams are racially or ethnically diverse.

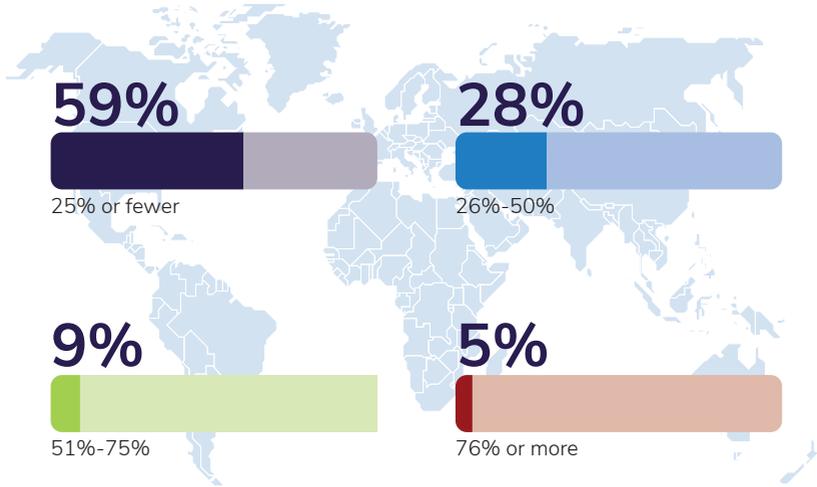
Portfolio company CEOs are overwhelmingly male with 81% of respondents reporting that less than 25% of their portfolio companies are led by female founders or CEOs. Track records are slightly better with respect to ethnic and racial diversity. Some 45% of CVCs report that at least 26% of their portfolio companies are led by diverse CEOs. Some CVCs are working to address portfolio company diversity more broadly with the formal adoption of legally binding DE&I clauses in deal documentation.



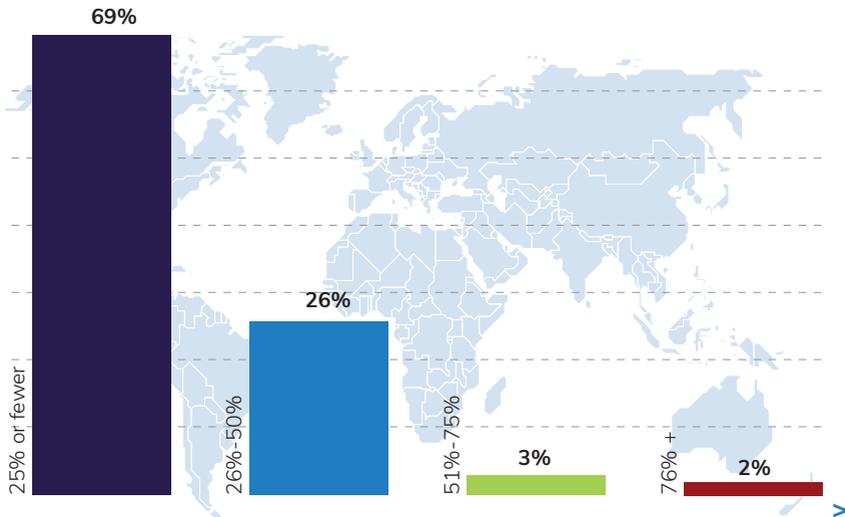
**FIG 51:** DIVERSITY, EQUITY & INCLUSION KPIS TRACKED



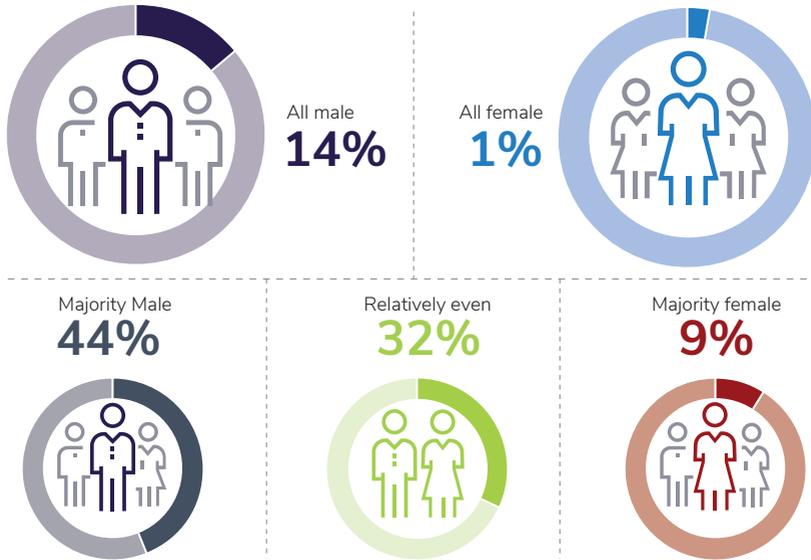
**FIG 52: CVC TEAM RACIAL AND ETHNIC DIVERSITY (% OF TEAM)**



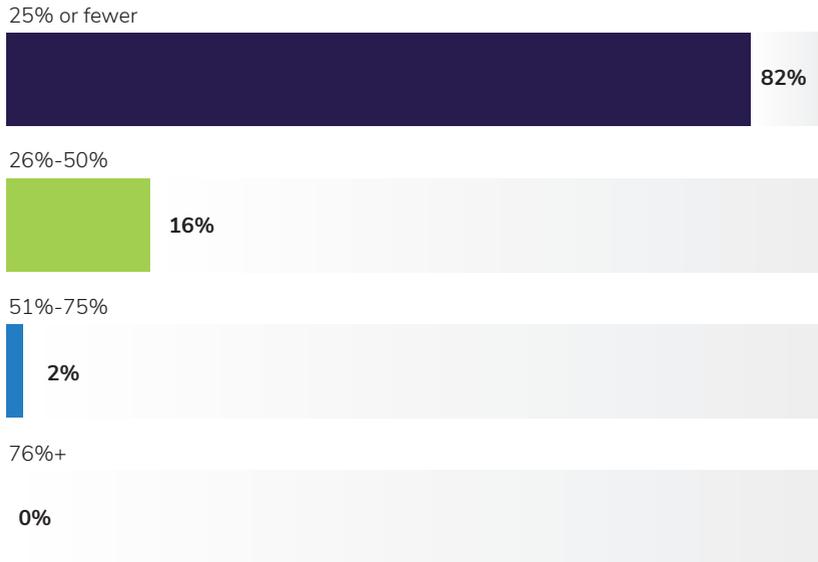
**FIG 53: PORTFOLIO COMPANY CEO RACIAL AND ETHNIC DIVERSITY (% OF PORTFOLIO)**



**FIG 54:** CVC TEAM GENDER BALANCE



**FIG 55:** FEMALE PORTFOLIO COMPANY CEOS (% OF PORTFOLIO)

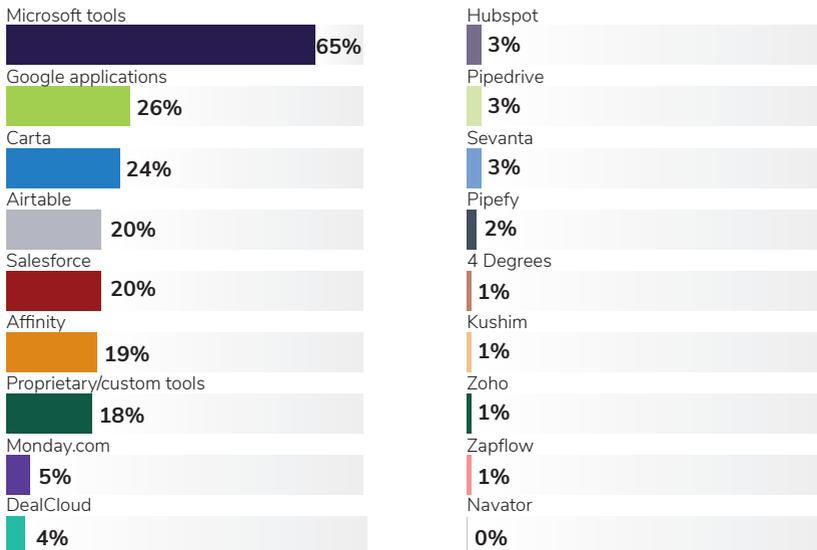


## CVC TECHNOLOGY STACK

Customer relationship and pipeline management was seen as the highest priority by respondents. However, parent engagement and project portfolio management and sourcing/deal flow automation are very important for 41% and 37% of respondents respectively. Data visualisation, while a high priority for 41%, was considered not at all important for 34%. Fund portfolio management is critical to those 35% of programmes with more mature operating infrastructure and AUM of more than \$300m.

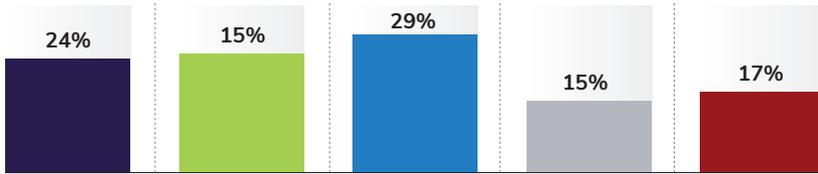
Given the breadth of operating models and activities that fall under the 'corporate venturing' umbrella, it is not surprising that horizontal tools such as Microsoft Office (65%) and the Google Suite (26%) along with custom/proprietary applications (18%) are among the frequently used tools. Use of Carta (24%), Airtable (20%), Salesforce (20%) and Affinity (19%) are also in double digits. Collaboration platform Monday.com was mentioned by 5%. >

FIG 56: CVC PROGRAMME APPLICATIONS USED

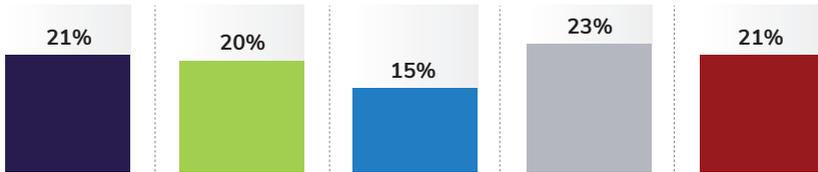


**FIG 57: CVC FUNCTIONAL AUTOMATION PRIORITIES**

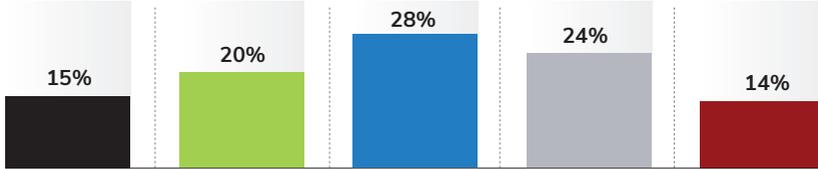
Sourcing/deal flow



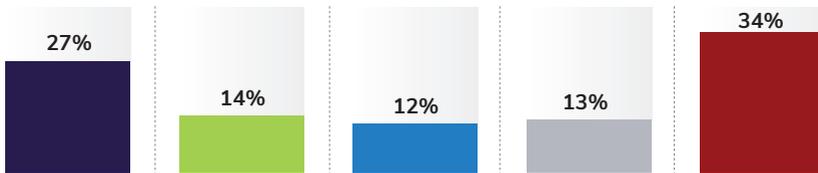
Parent engagement/project portfolio management



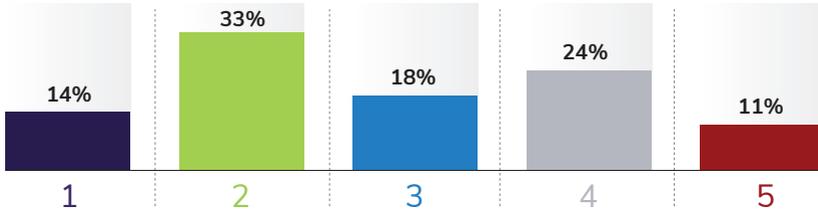
Portfolio management/investor management (integration with back end)



Executive-style reporting/data visualisation



CRM/pipeline



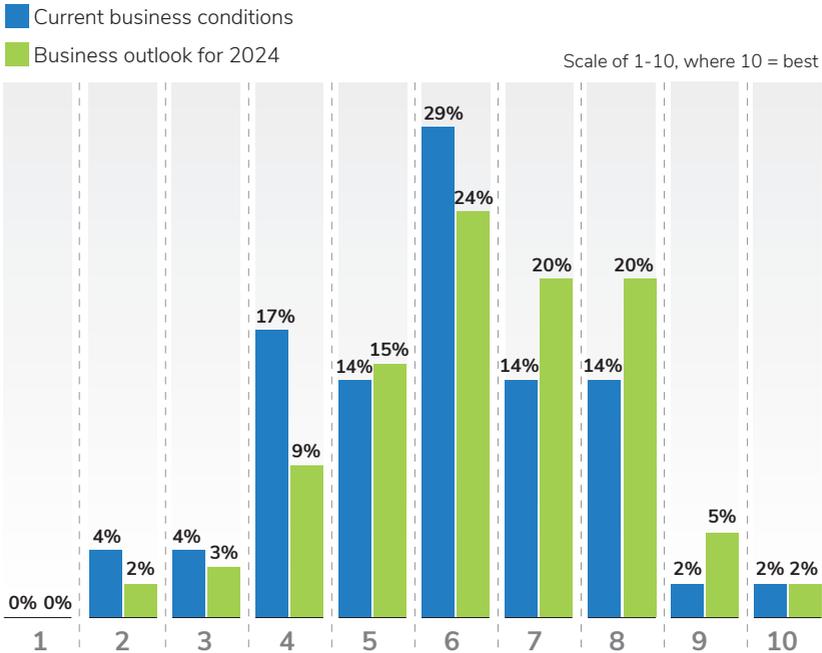
Rank order 1-5, with 1 being the most important/top priority



**CONFIDENCE INDEX**

After living through a challenging CVC investment environment, with slowing investment rates, falling valuations and a dearth of exits, there appears to be cautious optimism about the prospects for 2024. AI, sustainability and energy transition themes are attracting significant capital across the globe, with CVCs continuing to be active in more than 25% of VC deals. New CVC units are still launching, albeit at a slower pace than 2022 when a record 101 were launched.

The quarter of CVCs who are most pessimistic about current business conditions falls to 14% when assessing prospects for 2024. Nearly half (47%) believe that conditions will significantly improve in 2024, up from 32% in 2023. ■

**FIG 58:** ASSESSMENT OF BUSINESS CONDITIONS, AI



# Global Corporate Venturing Institute

The first specialized institute dedicated to corporate venturing industry advancement, staying power and impact

By CVCs, For CVCs - professional development & certification, benchmarking, community building

## Powering Corporate Venturing

The GCV Institute was established to unleash the collective power of corporations as strategic investors and innovation partners. The Institute supports the industry with professional development and certification informed by unique operational benchmarking and enhanced by powerful communities of practice.

## About the Institute Curriculum

Created by CVCs for CVCs, Institute professional development combines an expert-driven case study approach, cohort-based learning and mentored problem-solving to arm participants with common language, tools, and best practices for professional startup investment and partnering.

The Institute curriculum is designed to address CV team (VC and CVBD/portfolio development) professional development, as well as promote effective engagement with both parent and external stakeholders. The curriculum includes both overview and deep dive courses.

## GCV Keystone - Operational & Performance Benchmarking

The Institute's operational and performance benchmarking platform injects timely best practices data into the professional development curriculum. And it provides industry reference points for CVC strategic and operational planning with the ability to filter data to answer those tough 'it depends' questions

## Institute Course Goals and Features



### Informed

- Global CV industry data, insights, and best-practice case studies
- Leading CV "storytellers" discuss real real-world experiences in videos and live panels
- Seasoned CV program faculty and mentors

### Engaging (Cohort-based)

- Combination of self-paced (conceptual) and real-time (feedback-based) learning
- Community-driven, active application of concepts in peer breakouts and Q&A panels with CV experts

### ACTIONABLE

- Best practice solutions to address real world challenges
- Mentored, on-the-job problem-solving (deep dive courses)
- Professional CV library: extended access to Institute resources, tools, and templates
- Powerful communities of practice: alumni, CV experts, mentors

# Brazil's CVC sector begins to take off

**Liz Arrington** Co-founder and managing director, GCV Institute

- > As part of the GCV Keystone benchmarking survey we conducted a focused survey of Brazilian CVC units, together with the Brazilian Association of Private Equity and Venture Capital (ABVCAP), ApexBrasil, EloGroup, Fundação Dom Cabral, Slat Ventures and Wayra Brasil/Vivo Ventures, with responses from 42 investors.

Brazilian companies have only very recently begun to set up corporate venturing units, with three-quarters established within the past three years. Though most funds are relatively small – 54% of Brazilian CVCs manage a fund of less than US\$50m – corporate venture capital is already playing an outsized role in the Brazilian startup economy. Some 34% of all startup funding rounds in the country included money from corporate investors compared with 26% in North America.

Though the majority of CVCs in Brazil manage funds of less than \$50m (91% <\$100m), half are 'active investors' making more than four investments per year.

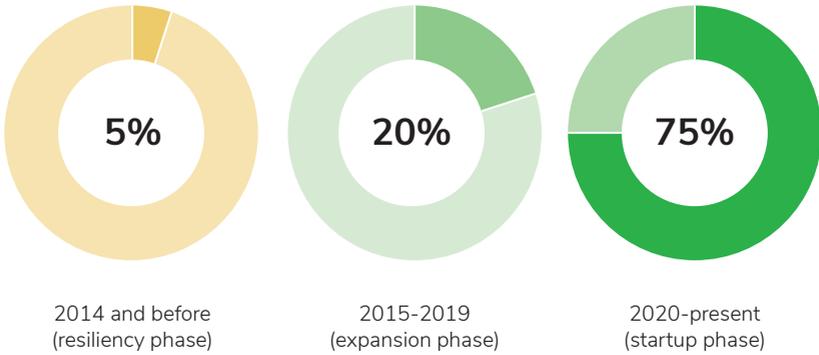
And despite having smaller funds than many mature global peers, Brazilian investors are avoiding the mistake of not reserving enough capital for follow-on rounds for their portfolio companies. Some 47% reserve more than 20% of their fund for future support.

Unlike many global CVCs who have transformational (Horizon 2-3) mandates, young Brazilian CVCs are more likely to have multi-horizon innovation charters balanced across supporting the current parent business and preparing for the mid-to-long-term future. This may reflect the need to establish strategic traction and earn early credibility with both parent and startup ecosystem.

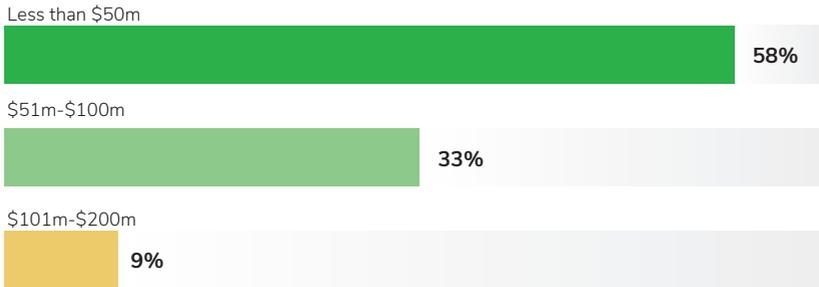
To execute on multi-horizon innovation charters, Brazilian CVCs use a variety of tools to tap into startup ideas in

>

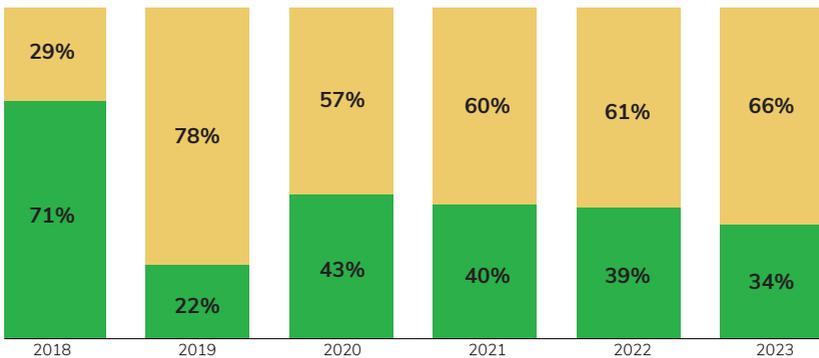
**FIG 1: CVC PROGRAMME MATURITY PHASE**



**FIG 2: CURRENT CVC FUND SIZE (\$ ALLOCATED FOR CURRENT PORTFOLIO INVESTMENT)**



**FIG 3: (%) OF CORPORATE VS NON-CORPORATE BACKED VC DEAL (\$) 2018-2023 (YTD)**



addition to having a minority equity investment arm. Almost half (48%) work closely with universities and national labs (Horizon 3), while 55% have venture clienting teams that develop customer relationships with startups (Horizon 1-2). Some 45% have venture building programmes to capitalise on internal innovation opportunities.

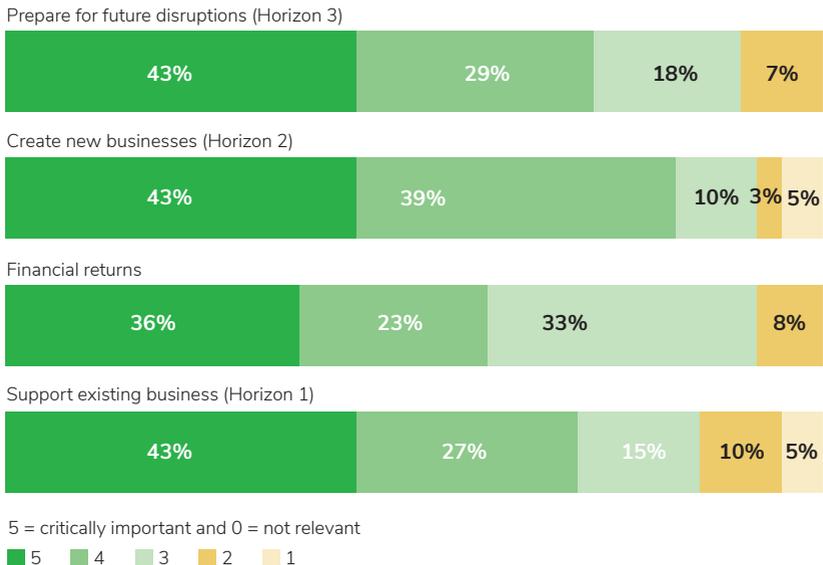
Most (70%) Brazilian CVCs are investing exclusively in Latin America, though 30% also deploy capital abroad, including a small number that look solely to North America for entrepreneurial talent.

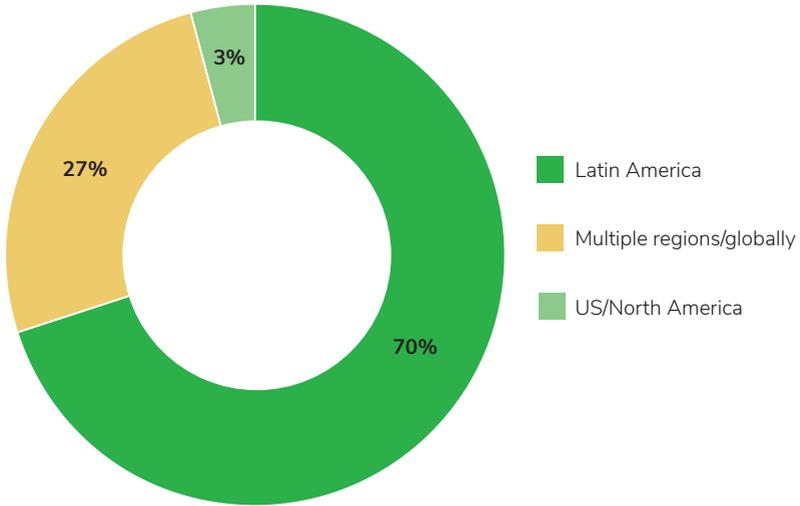
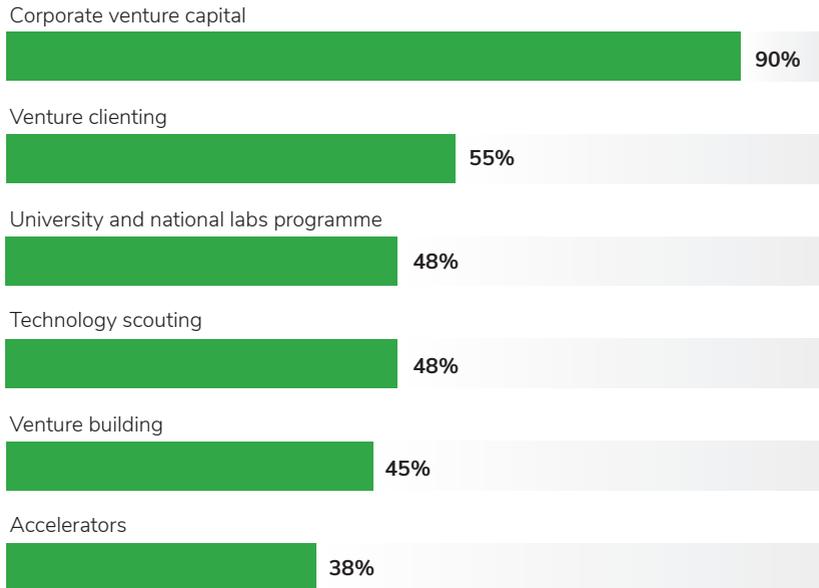
### ■ CVC OPERATIONS

More than 60% of Brazilian CVCs have been set up independent legal structures, with 44% structured in GP/LP formats (including outsourced VC as a service providers) and 18% as independent affiliates still under significant parent control. This is in contrast to two-thirds of global CVCs who invest from the corporate balance sheet.

Independence can bring advantages for a unit – they can often act faster on investments and limit the risk of budget cuts when parent company strategic priorities change. >

**FIG 4:** CVC PROGRAMME CHARTER PRIORITIES



**FIG 5:** REGIONAL INVESTMENT PRIORITIES**FIG 6:** PROGRAMMES IN THE CORPORATE VENTURING TOOLKIT

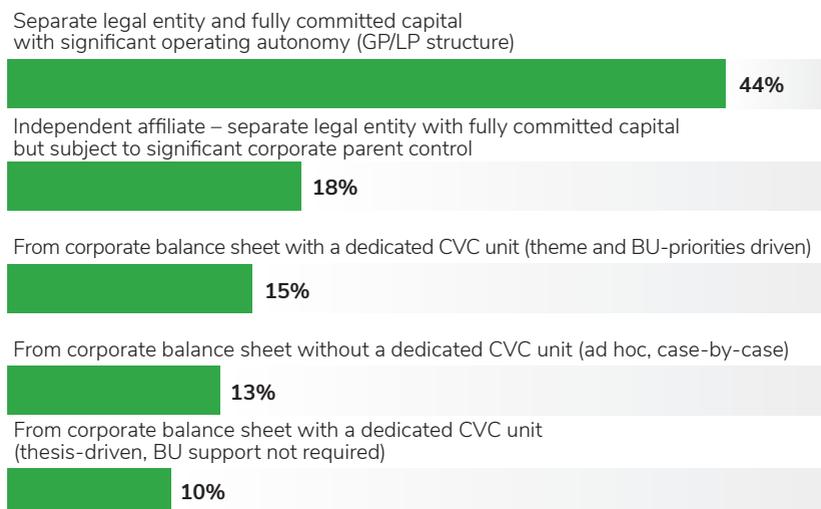
Most global CVC teams run lean – 71% have a team size of less than 10 professionals, with 37% staffed by between three and five. Brazilian CVC teams are even smaller, with 78% staffed by fewer than five and 55% reporting teams of three to five. Roles are similar to those found on global CVC teams, although Brazilian teams report lower average years of relevant experience and are weighted more toward junior investment team roles (analysts and associates) rather than senior investment professionals.

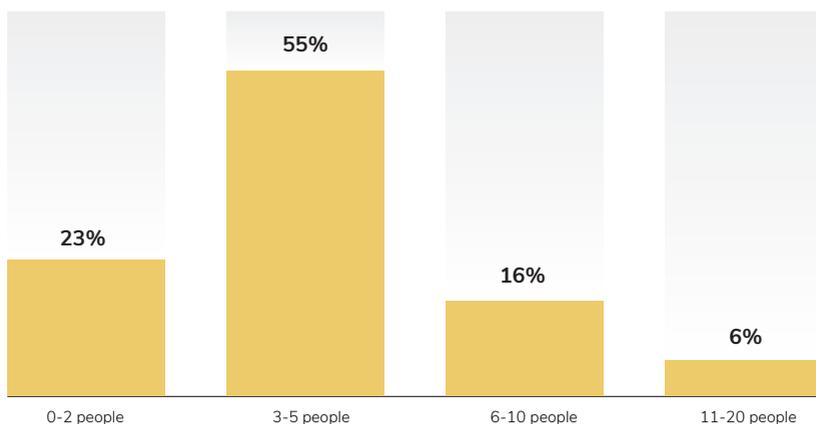
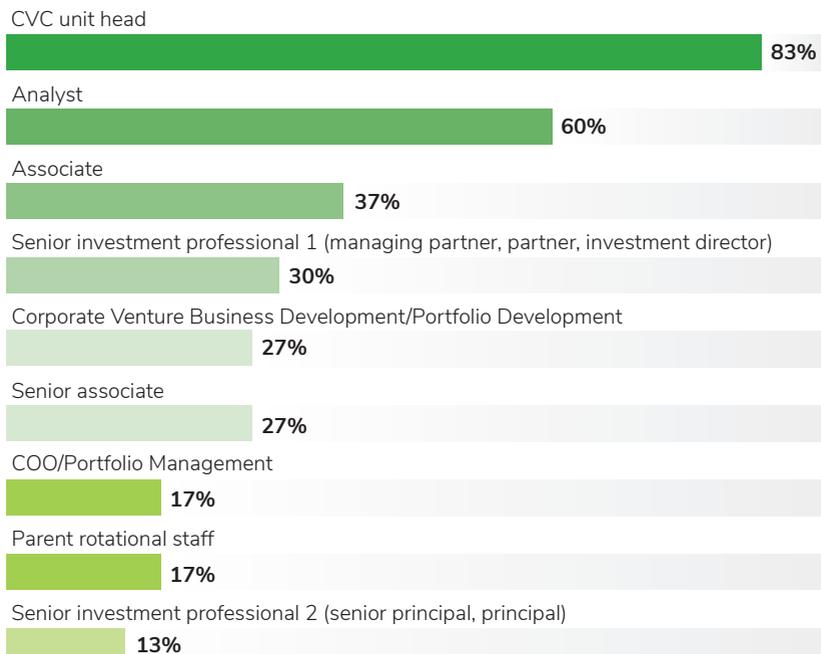
Only 27% include a business development (CVBD) function, which is often created when startup portfolios reach critical mass (seven to 10 companies).

More than half (53%) of Brazilian CVCs target at least VC level returns compared with 61% of all global peers in more mature markets. Keystone custom analysis shows that 83% of CVCs with similar 'independent' operating structures outside Brazil have VC-level or top-quartile performance targets, with the expectation that fund returns ultimately will cover the full cost of the programme and support longevity.

With most units at such an early stage, performance metrics are hard to gauge, but so far loss rates for Brazilian CVC units are in line with global trends. >

**FIG 7: CVC PROGRAMME OPERATING MODEL**



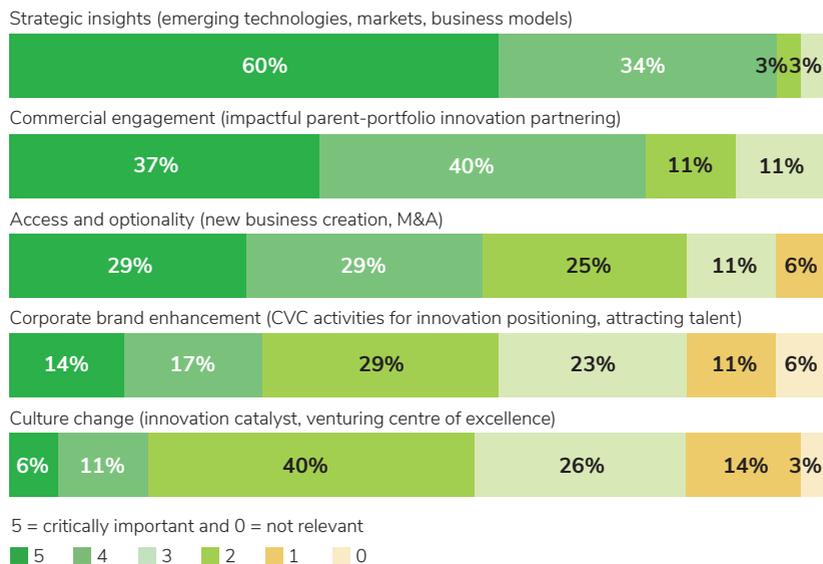
**FIG 8: CVC TEAM SIZE****FIG 9: CVC TEAM STRUCTURE**

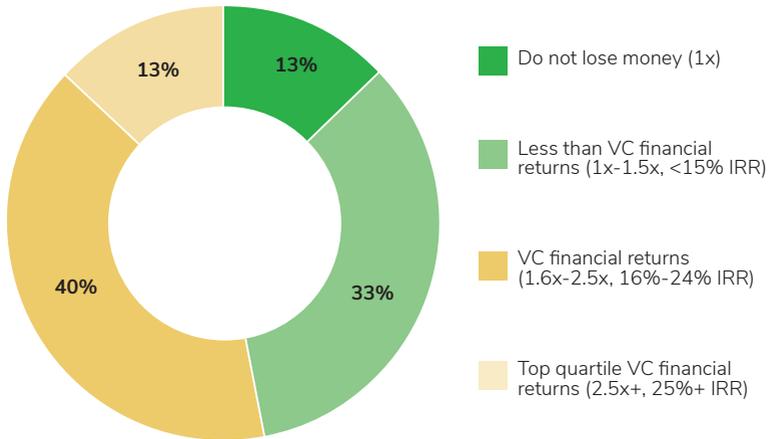
Strategic priorities for Brazilian CVCs are clearly aligned with their multi-horizon innovation charters. Like the majority of global peers, particularly those focused on innovation beyond the core business, CVCs in Brazil overwhelmingly see insights on emerging markets and technologies as their most important strategic contributions. However, most also recognise the importance of demonstrating traction within their first three years, so are actively seeking parent commercial engagement benefits from their investments in startups. Access and optionality is less important since the majority (54%) of Brazilian CVCs do not play a role in corporate M&A, and two-thirds have yet to see a portfolio company acquired.

Like global peers, the primary vehicles for communicating strategic performance tend to be activity-based indicators (94%) supported by impactful 'story telling' (68%). A surprisingly high percentage (53%) are taking on the challenge of reporting commercial impact (for example, revenues and savings) and portfolio company sales to parent (21%). ■



**FIG 10:** CVC STRATEGIC VALUE DRIVERS



**FIG 11:** PORTFOLIO FINANCIAL PERFORMANCE TARGETS**FIG 12:** STRATEGIC PERFORMANCE COMMUNICATION APPROACHES

Activity-based indicators



Anecdotal parent business impact success stories



Parent commercial impact ROI metrics



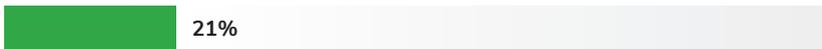
Sector innovation ecosystem leadership indicators



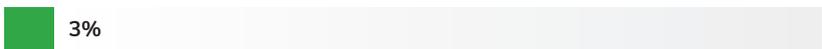
M&amp;A contributions



Portfolio company sales to parent or parent customers



Parent share price/brand impact



# Domestic focus boosts Japan's CVC scene

**Liz Arrington** Co-founder and managing director, GCV Institute

- > As part of the global GCV Keystone benchmarking survey and with support from the Japan Venture Capital Association (JVCA) we conducted a special focus analysis of Japan-domiciled corporate venturing units, with responses from 50 corporate investors representing a range of industries.

Japanese CVCs diverged from 2023 global trends in a number of interesting areas, with smaller 'independent subsidiary' funds, a more domestic focus and an operational emphasis on portfolio commercial engagement (Horizon 1), despite self-described 'transformational' charters (Horizon 2-3).

Japan has seen a rapid expansion of its corporate venturing ecosystem over the past decade. As a market where the potential value of corporates is well understood, Japan has one of the most active CVC communities outside the US. However, most of the CVC units we surveyed are still very young, with 55% of them founded within the past four years, compared with 36% in the 2023 global survey.

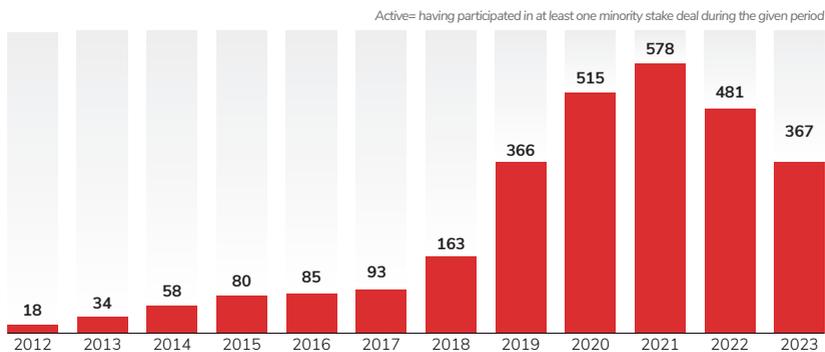
Japanese CVCs tend to be domestically focused. The Japanese market alone is the priority for 52% of the sample, although one-third also see North America or global markets as important targets.

## ■ CVC OPERATIONS

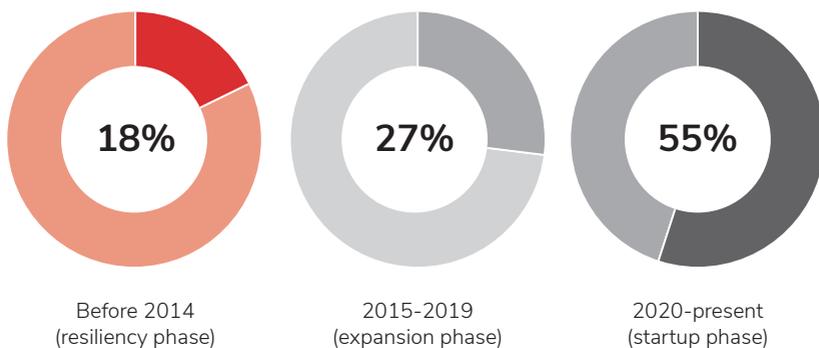
Given that Japanese CVCs tend to be earlier in their journeys than many global peers, the survey highlights that they are somewhat less likely to treat CVC as a 'professional sport' with its own specialist career professional teams, operating platforms and performance metrics.

Most global CVC teams run lean – 71% have a team >

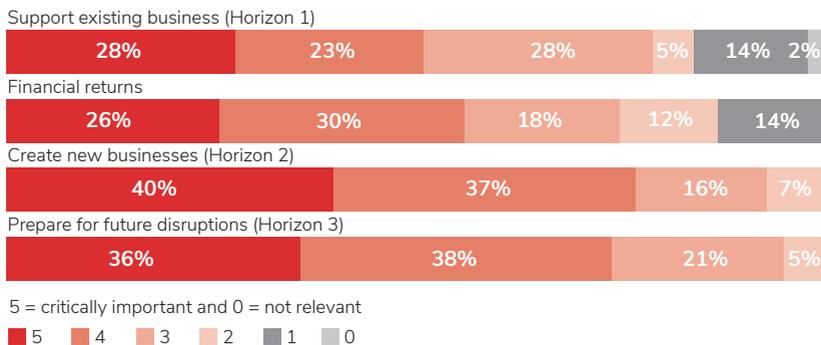
**FIG 1: NUMBER OF ACTIVE CORPORATE INVESTORS IN JAPAN 2012-23**



**FIG 2: CVC PROGRAMME MATURITY PHASE.**



**FIG 3: CVC PROGRAMME CHARTER**



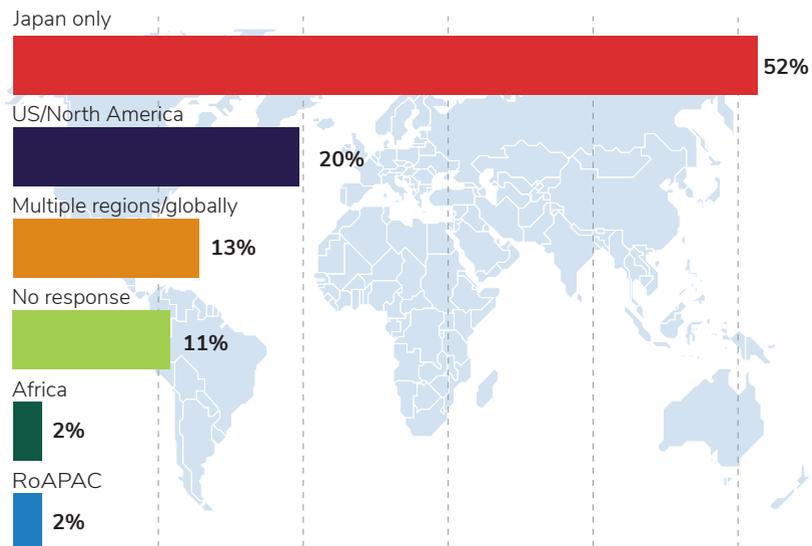
size less than 10 professionals, with 37% staffed by between three and five. For Japan survey respondents, teams are much larger, with 38% staffed by more than 10 and 66% reporting teams with more than six. Roles are similar to those found on global CVC teams, though with a larger percentage including parent rotational staff.

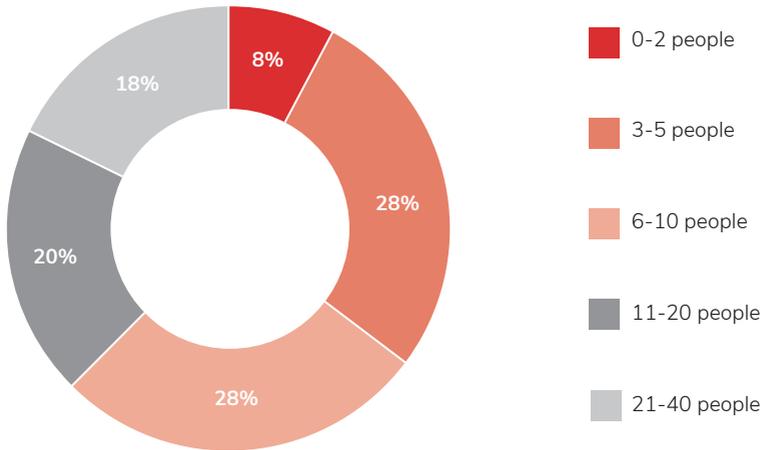
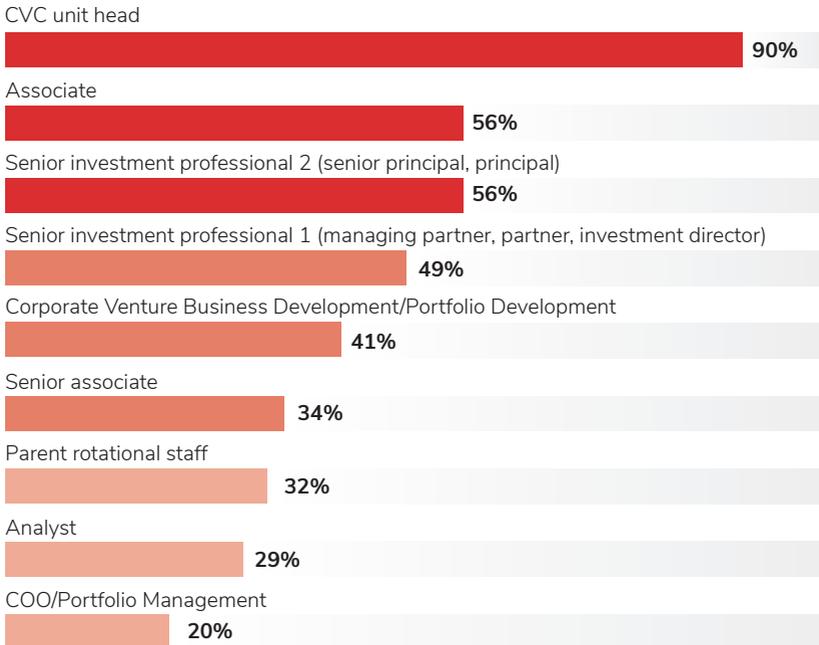
Forty-one per cent include a business development function, with emphasis on access to parent resource and capabilities. These tend to be the largest teams. Japanese CVC participants report lower average years of relevant experience and are more likely to be drawn from internal sources than global peers which recruit heavily from VCs and CVCs and investment banks, particularly for investment professionals.

In contrast to two-thirds of global CVCs who invest from the balance sheet, most Japanese CVCs (58%) are structured as 'independent affiliates,' although many (42%) are still subject to significant parent control.

However, Japanese corporate venturing units tend to put emphasis on strategic benefit, with financial targets set relatively low. Only 23% of our sample said they are >

**FIG 4:** TOP CVC REGIONAL INVESTMENT PRIORITIES



**FIG 5:** CVC TEAM SIZE.**FIG 6:** ROLES REPRESENTED ON CVC TEAM

targetting at least VC-level returns versus 64% of global peers. This is noteworthy given that CVCs with similar 'independent' operating structures outside Japan usually come with an expectation that financial performance serve as 'table stakes' for programme longevity.

Japanese CVCs recognise the importance of demonstrating traction within their first three years, so many (48%) are actively seeking parent commercial engagement benefits from their investments in startups. In contrast, the majority of global CVC programmes, particularly those focused on Horizon 2-3 beyond the core business, see insights on emerging markets and technologies as their most important strategic contributions. For Japanese respondents, strategic insights (33%), culture change (31%) and optionality/M&A (25%) are less critical. >

**FIG 7: CVC PROGRAMME OPERATING MODELS**

Independent affiliate – separate legal entity with fully committed capital but subject to significant corporate parent control



Separate legal entity and fully committed capital with significant operating autonomy (GP/LP structure)



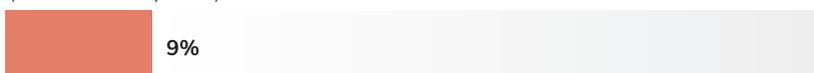
From corporate balance sheet with a dedicated CVC unit (theme and BU-priorities driven)



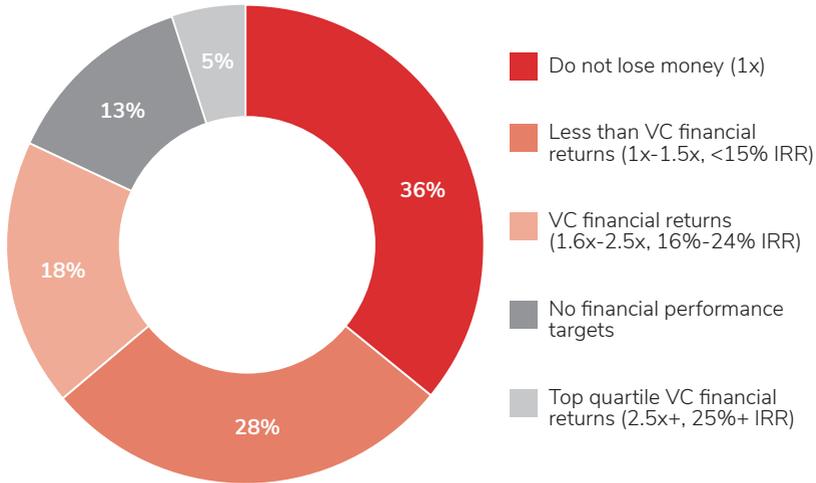
From corporate balance sheet with a dedicated CVC unit (thesis-driven, BU support not required)



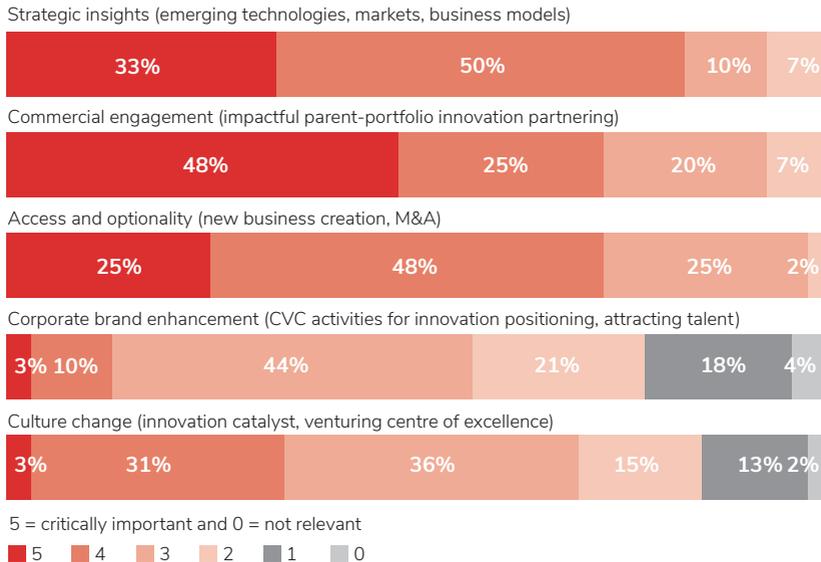
From corporate balance sheet without a dedicated CVC unit (ad hoc, case-by-case)



**FIG 8: PORTFOLIO FINANCIAL PERFORMANCE TARGETS**



**FIG 9: STRATEGIC VALUE CATEGORIES**

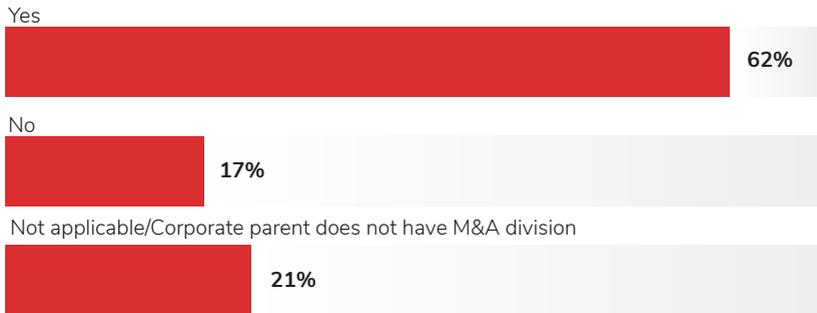


Like global peers, the primary vehicles for communicating strategic performance tend to be activity-based indicators (80%) supported by impactful 'story telling.' Interestingly, Japanese respondents are less likely to try to quantify commercial impact, despite being a top priority.

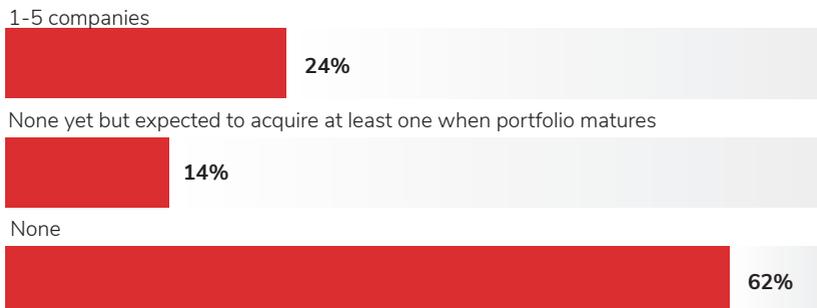
Sixty-two percent of Japanese respondents say they are involved in corporate M&A activity, but the same percentage have yet to see a portfolio company acquisition. ■

📌 The full Japan ecosystem report and survey analysis can be viewed online at <https://globalventuring.com/report/japans-cvc-industry-findsits-footing>

**FIG 10:** CVC TEAM INVOLVEMENT IN CORPORATE M&A ACTIVITY



**FIG 11:** FIGURE 11. NUMBER OF PORTFOLIO ACQUISITIONS BY PARENT



## The Curriculum

By CVCs, For CVCs - professional development & certification, benchmarking, community building

### CVC INVESTMENT PROGRAMS

- Cohort-based masterclass which explores key elements for designing, building and optimizing CVC programs
- Key industry terms and concepts are illustrated through best-in-class case studies and expert Q&A across multiple CV program types and maturity phases
- Explores nuances for CVCs in the VC investment process

### CV PARENT PARTNERING

- Cohort-based introduction to corporate venturing and innovation partnering
- Illustrates high-value corporate venturing approaches and concepts, interweaving all perspectives: CV teams, startups and parent partners
- Can be offered as custom program

### LANDING THE VALUE OF CORPORATE VENTURING

- Pod-based deep-dive course focused on developing 'end-to-end' investing strategies and building professional CVBD/portfolio development ('platform') programs for parent/ecosystem engagement
- Hallmark of course is custom Challenge project leveraging key course concepts and empowered by unique access to a luminary industry mentor

### CVC INVESTMENT BASICS

- Primarily self-paced introduction to the VC investment process with emphasis on nuances for corporates (CVCs)
- Uses industry models and best practice video case studies and resources
- Includes quarterly live online expert Q&A panels

### Institute Advisory Board



## FOCUS: US MARKET

**Liz Arrington** Co-founder and managing director, GCV Institute

- > CVCs based in North America constitute the largest and most mature community across the globe and, with 120 responding units, represent the largest component of the Keystone data set.

### CVC INFLUENCE IN VC ECOSYSTEM

**16%**

of North American VC deals include a CVC

### CVC FUND SIZE

**57%**

have assets under management exceeding \$100m

### CORPORATE VENTURING TOOLKIT

**37%**

have separate venture clienting programmes; 45% of equity investment units include business development or "platform" teams

### FINANCIAL PERFORMANCE TARGETS

**59%**

aim for VC level or top-quartile portfolio performance targets; 62% are meeting performance targets

### CVC COMPENSATION LEVERS

**50%**

award team members stock in the parent company as a retention incentive; 29% of units have a financial upside programme ('carry')

### CVC COMMUNITY MATURITY

**68%**

have cleared the startup phase hurdle; 52% are in 'expansion phase'

### CVC ROLE IN CORPORATE INNOVATION

**45%**

cite preparing for future disruptions (Horizon 3) as a top priority

### CVC OPERATING MODEL

**80%**

invest from the balance sheet, though 37% of those are thesis-driven (business unit support not required)

### TEAM SIZE AND STRUCTURE

**59%**

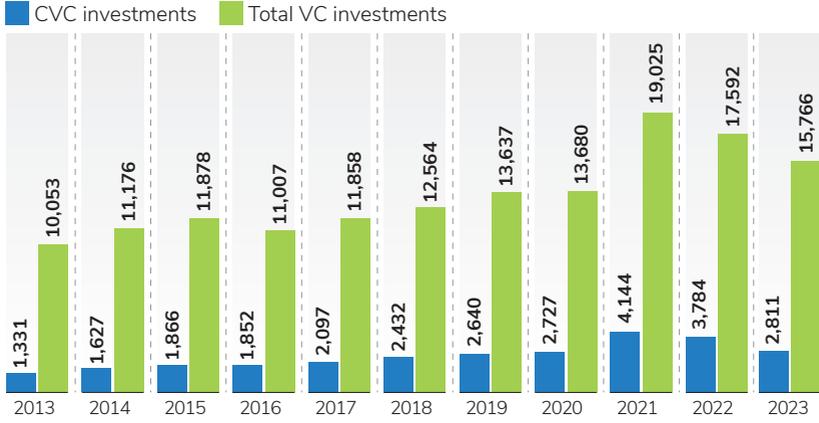
have teams of five or fewer members, with 59% averaging more than five years of experience

### DIVERSITY, EQUITY & INCLUSION

**45%**

track diversity, equity and inclusion metrics, though 67% of CVC teams are majority male and 59% are not ethnically or racially diverse

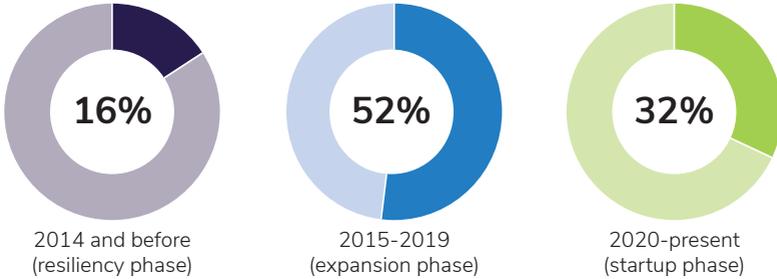
**FIG 1: CVC-BACKED STARTUP FUNDING DEALS VS TOTAL VC DEALS**



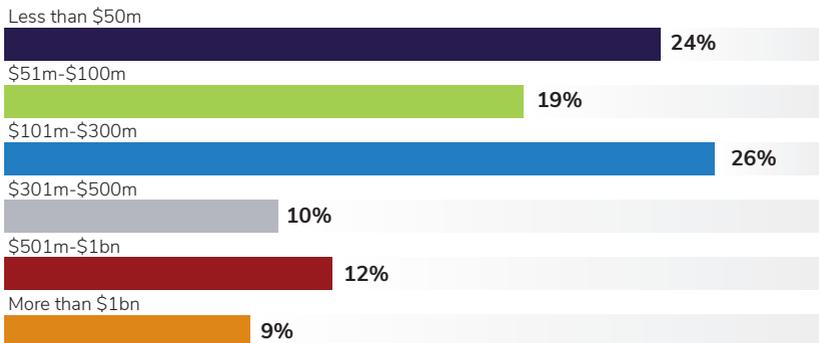
Source: PitchBook

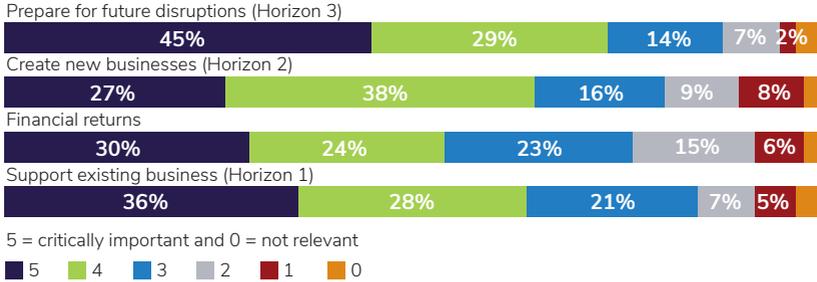
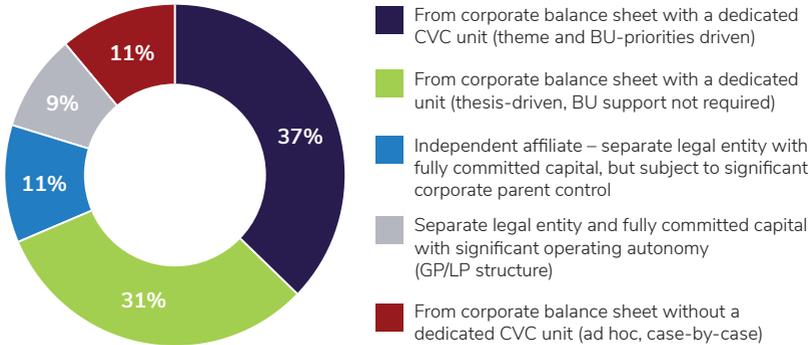
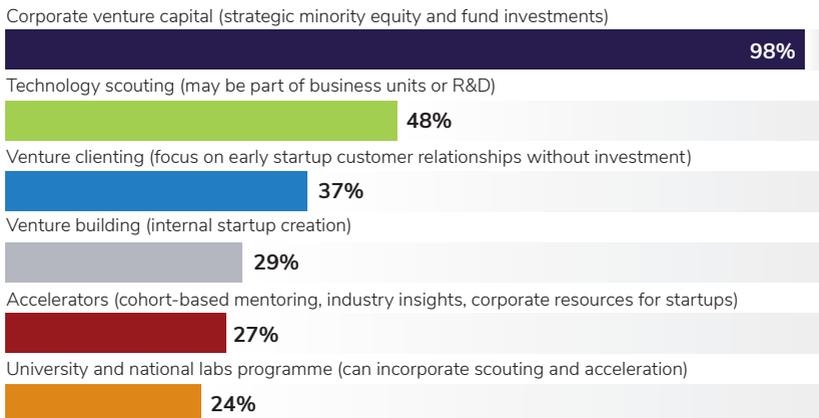
Note: 2023 figures estimated

**FIG 2: CVC PROGRAMME MATURITY PHASE**

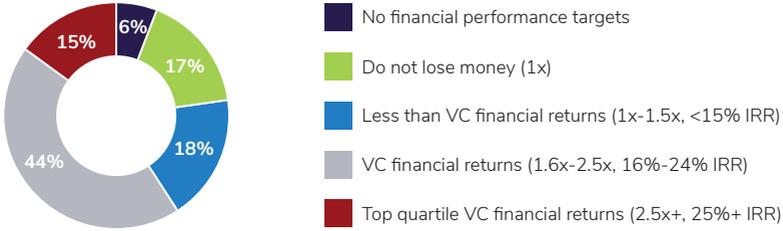


**FIG 3: CVC PROGRAMME TOTAL ASSETS UNDER MANAGEMENT (AUM)**

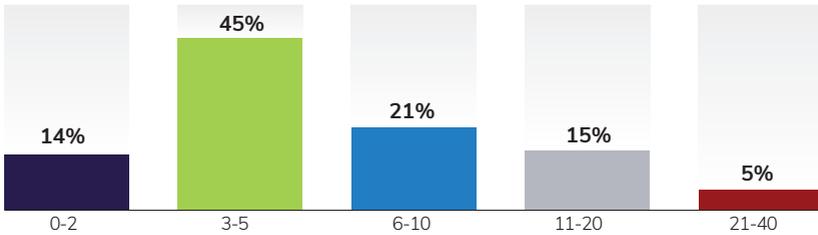


**FIG 4: CVC INNOVATION CHARTER****FIG 5: CVC OPERATING MODEL****FIG 6: CORPORATE VENTURING TOOLKIT**

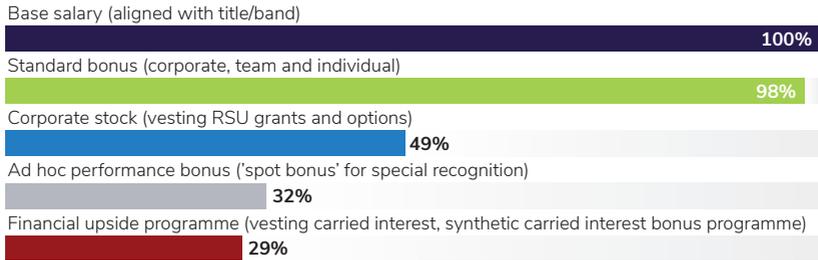
**FIG 7: FINANCIAL PERFORMANCE TARGETS**



**FIG 8: TEAM SIZE**



**FIG 9: CVC COMPENSATION LEVERS**



**FIG 10: DIVERSITY, EQUITY & INCLUSION KPIS**



## FOCUS: UK MARKET

**Liz Arrington** Co-founder and managing director, GCV Institute

- > The UK has Europe's second largest community of corporate investors. However, the Keystone Benchmarking survey captured only responses from 17 UK-based units, so this dataset may not provide the definitive picture.

### CVC INFLUENCE IN VC ECOSYSTEM

**15.4%**

of UK VC deals include a CVC

### CVC COMMUNITY MATURITY

**71%**

are established CVCs, with 47% in 'expansion phase' (years 4-6)

### CVC FUND SIZE

**53%**

have assets under management exceeding \$100m

### CVC ROLE IN CORPORATE INNOVATION

**59%**

cite preparing for future disruptions (Horizon 3) as a top priority

### CORPORATE VENTURING TOOLKIT

**35%**

have accelerators; 24% have separate venture clienting programmes; 35% include business development or "platform" teams

### CVC OPERATING MODEL

**82%**

invest from the balance sheet, with 64% of those driven by business unit needs and themes; 18% are structured as independent entities

### FINANCIAL PERFORMANCE TARGETS

**73%**

aim for VC level or top-quartile portfolio performance targets; 49% meet those performance targets

### TEAM SIZE AND STRUCTURE

**53%**

have teams of five or fewer investors; 73% of teams averaging more than five years of experience

### CVC COMPENSATION LEVERS

**33%**

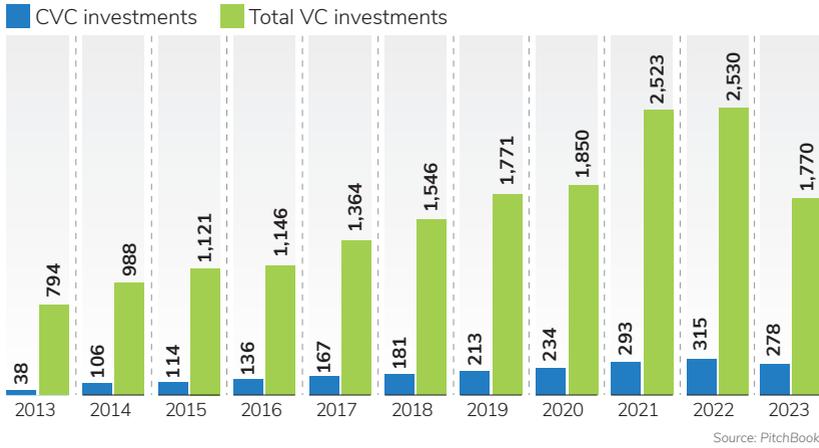
award team members stock in the parent company as a retention incentive; 27% of units have a financial upside programme ('carry')

### DIVERSITY, EQUITY & INCLUSION

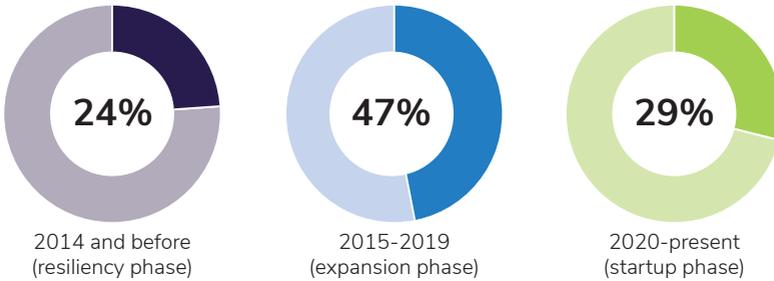
**57%**

do not track diversity, equity and inclusion metrics, though 60% of CVC teams are balanced or majority female

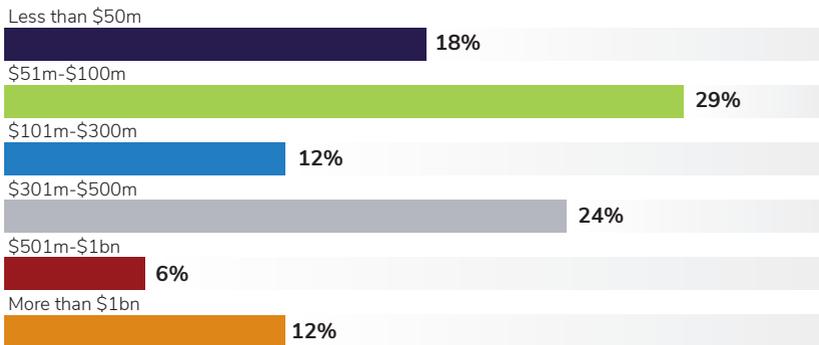
**FIG 1: CVC-BACKED STARTUP FUNDING DEALS VS TOTAL VC DEALS**

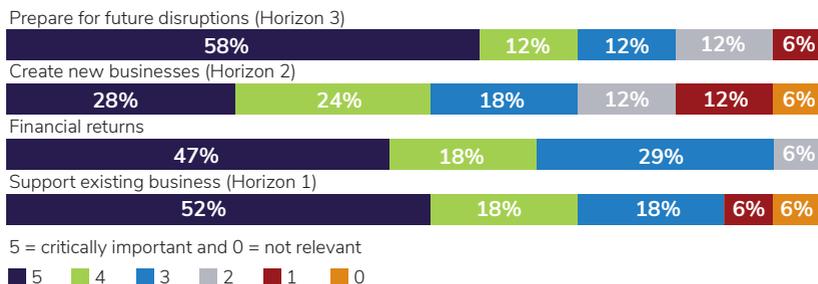
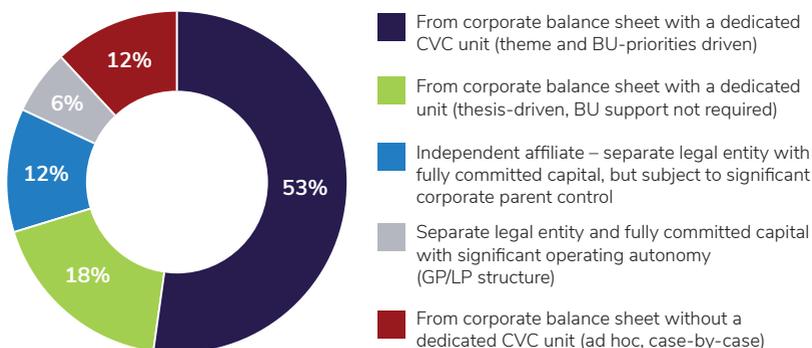
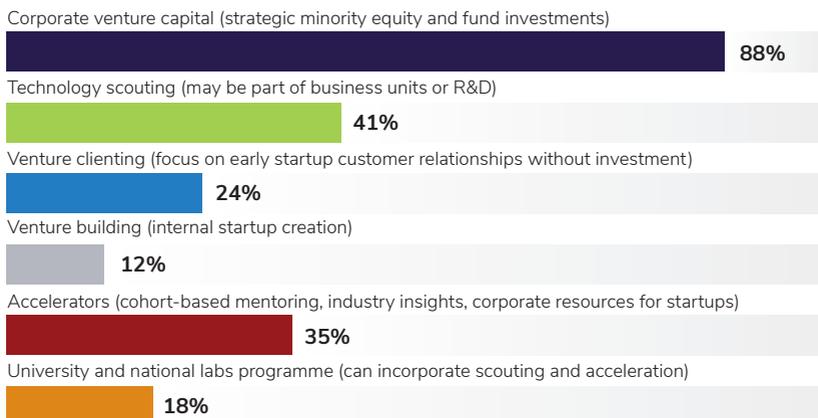


**FIG 2: CVC PROGRAMME MATURITY PHASE**



**FIG 3: CVC PROGRAMME TOTAL ASSETS UNDER MANAGEMENT (AUM)**

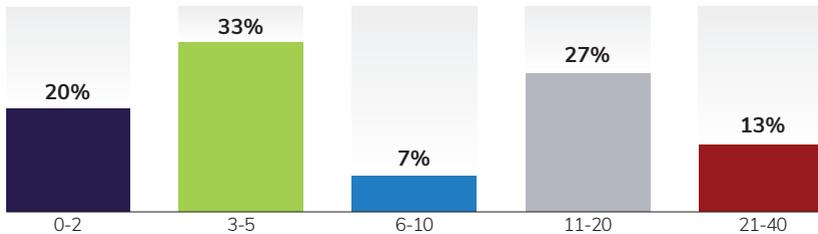


**FIG 4: CVC INNOVATION CHARTER****FIG 5: CVC OPERATING MODEL****FIG 6: CORPORATE VENTURING TOOLKIT**

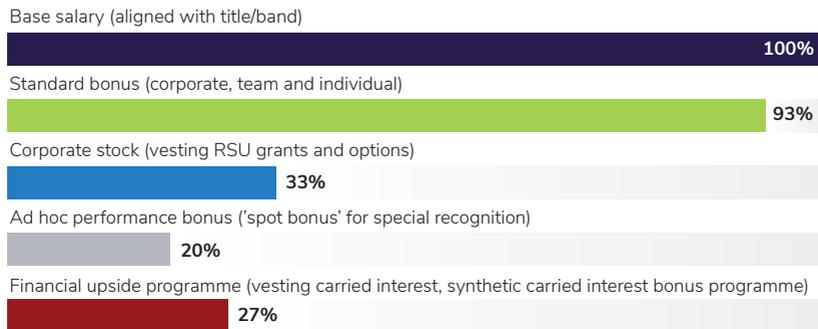
**FIG 7: FINANCIAL PERFORMANCE TARGETS**



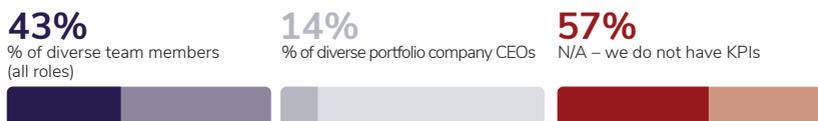
**FIG 8: TEAM SIZE**



**FIG 9: CVC COMPENSATION LEVERS**



**FIG 10: DIVERSITY, EQUITY & INCLUSION KPIS**



## FOCUS: GERMAN MARKET

**Liz Arrington** Co-founder and managing director, GCV Institute

- > CVCs based in Germany constitute the largest community in Europe and with 23 responding units, represent the largest European component of the Keystone dataset.

### CVC INFLUENCE IN VC ECOSYSTEM

**14%**

of German VC deals include a CVC

### CVC COMMUNITY MATURITY

**82%**

are established CVCs, with 52% in 'expansion phase' and 30% having achieved 'resiliency'

### CVC FUND SIZE

**68%**

have assets under management exceeding \$100m

### CVC ROLE IN CORPORATE INNOVATION

**48%**

cite supporting the existing business (Horizon 1) as top priority

### CORPORATE VENTURING TOOLKIT

**48%**

have separate venture building programmes; 43% have venture clienting teams

### CVC OPERATING MODEL

**75%**

invest from the balance sheet, with 50% of those theme and business unit priorities-driven

### FINANCIAL PERFORMANCE TARGETS

**60%**

aim for VC level portfolio performance targets; 40% are meeting those performance targets

### TEAM SIZE & STRUCTURE

**48%**

have teams larger than 11 people, with 62% of team members having more than five years of experience

### CVC COMPENSATION LEVERS

**24%**

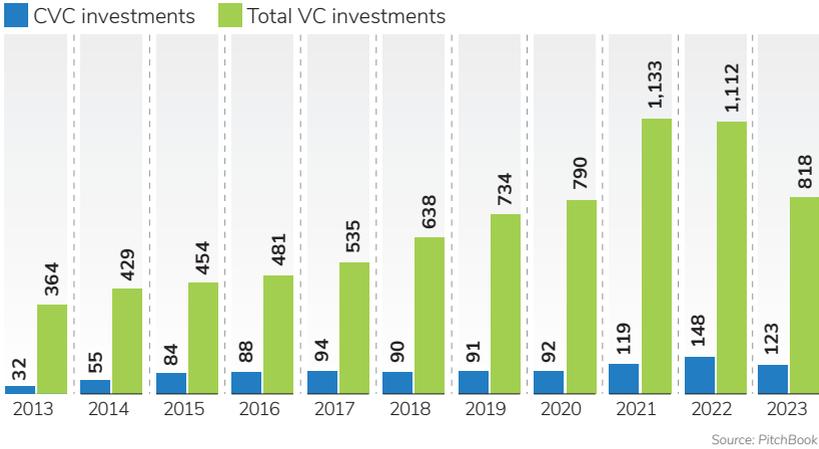
of units have a financial upside programme ('carry'); 18% award team members stock in the parent company as a retention incentive

### DIVERSITY, EQUITY & INCLUSION

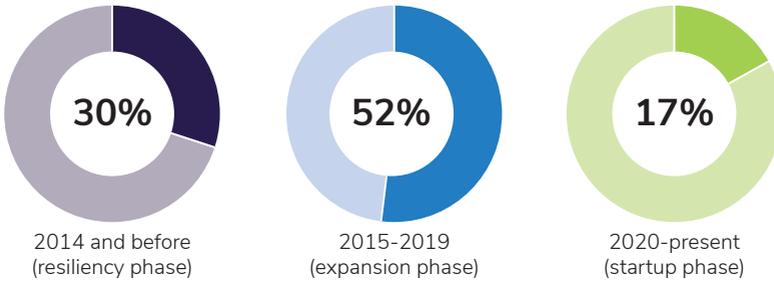
**64%**

do not track diversity, equity and inclusion metrics, though 53% of CVC teams are balanced or majority female

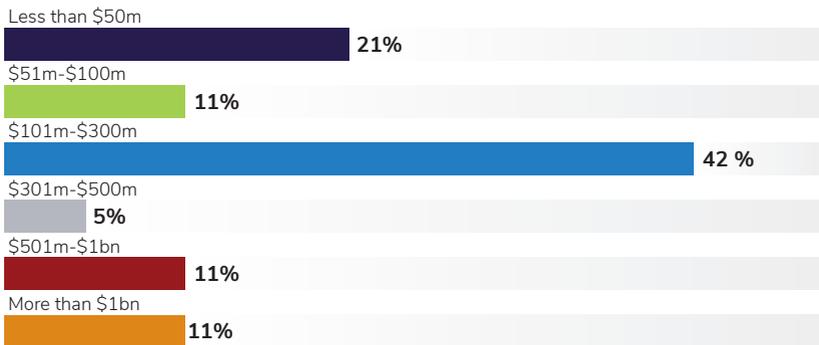
**FIG 1: CVC-BACKED STARTUP FUNDING DEALS VS TOTAL VC DEALS**



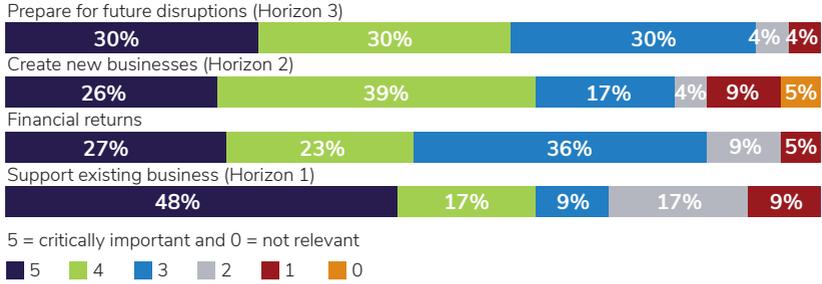
**FIG 2: CVC PROGRAMME MATURITY PHASE**



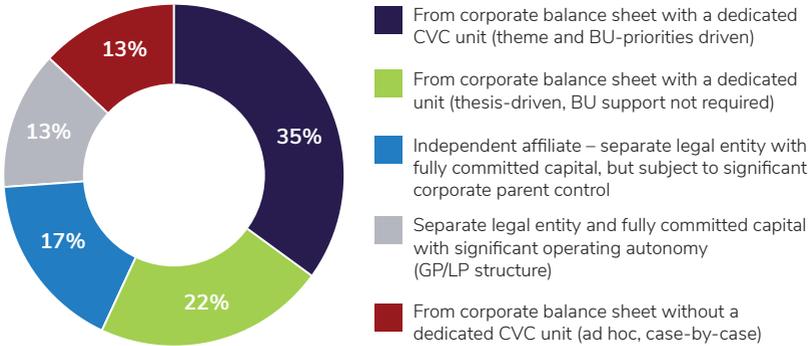
**FIG 3: CVC PROGRAMME TOTAL ASSETS UNDER MANAGEMENT (AUM)**



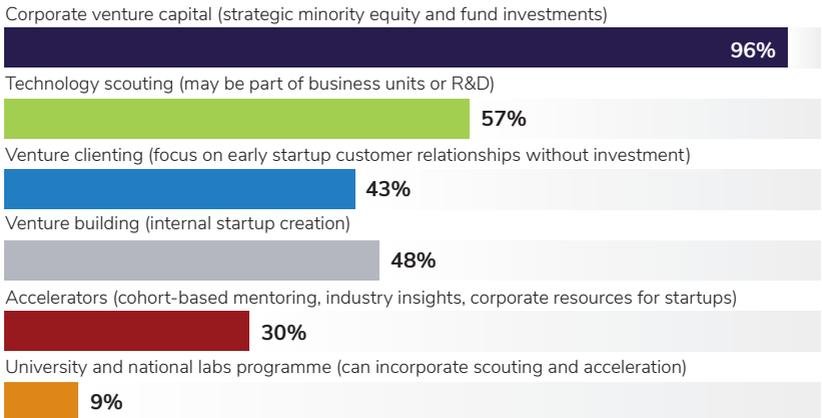
**FIG 4: CVC INNOVATION CHARTER**



**FIG 5: CVC OPERATING MODEL**



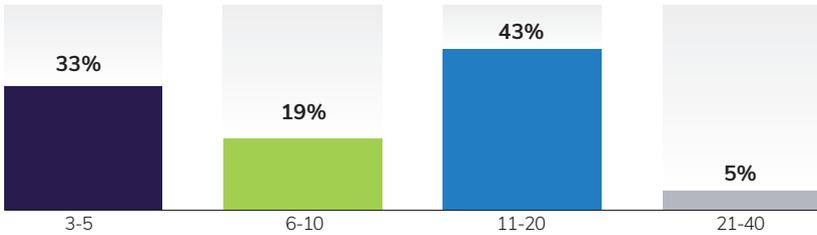
**FIG 6: CORPORATE VENTURING TOOLKIT**



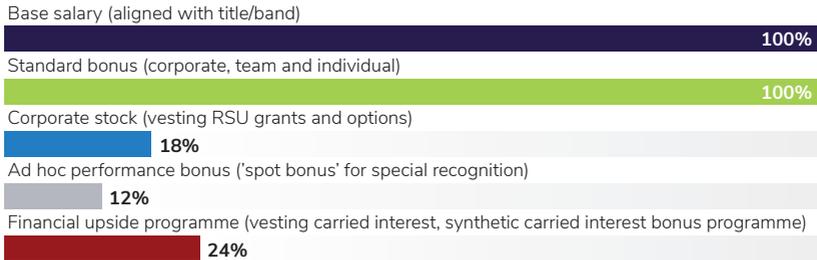
**FIG 7: FINANCIAL PERFORMANCE TARGETS**



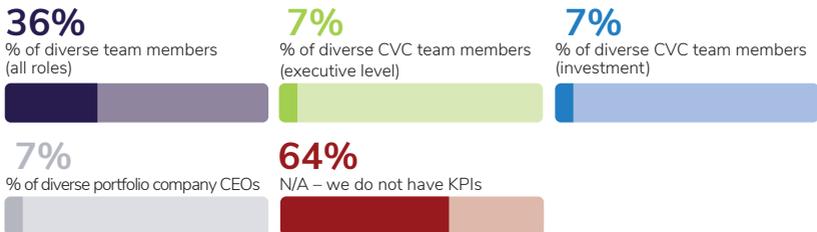
**FIG 8: TEAM SIZE**



**FIG 9: CVC COMPENSATION LEVERS**



**FIG 10: DIVERSITY, EQUITY & INCLUSION KPIS**



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# CVC-backed startups more likely to survive

Kaloyan Andonov Reporter and analyst and Maija Palmer Editor

Having a corporate investor decreases the chance of a startup going bankrupt and increases valuation on exit

Having a corporate investor halves the chance of a startup going bust and increases the exit multiple the business achieves when it is acquired or floats on the stock exchange. These are the conclusions from analysis of a global cohort of startups in the 10-year period between 2013 and 2023.

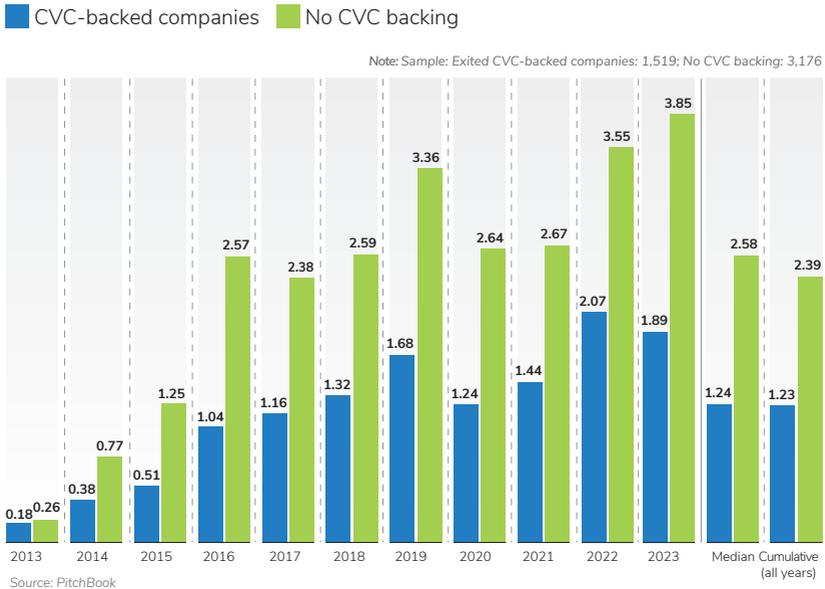
Corporate investment is becoming an increasingly prominent funding option for startups, with around one in five startup funding rounds including a corporate investor in 2022.

CVC investors can offer startups unique benefits. For example, they can provide practical business assistance, from lab access to distribution channels and introductions to customers.

Stephanie Downs, founder of Uncaged Innovations, a startup creating plant-based 'leather' from grain protein, recently secured investment from Jaguar LandRover's investment arm, Inmotion Ventures. She was pleasantly surprised by the carmaker's help in introducing them to potential customers. Downs is in talks with another investor, a manufacturing company, which could help get the plant-based 'leather' into production.

"Having a manufacturing company that could advise on this would be like suddenly having a manufacturing department without having to spend any money on building one," says Downs.

It is unclear, however, whether this type of help leads to materially different outcomes for startups backed by corporations. Looking at the statistics, the most noticeable impact is on a startup's ability to avoid bankruptcy. >

**FIG 1: COMPANIES GONE BANKRUPT AS PERCENTAGE OF COMPANIES RAISING DEALS IN THE SPECIFIC YEAR 2013-2023**

We examined PitchBook’s data between 2013 and June 2023, encompassing global VC transactions during the period. Companies were split into two groups. The first included startups that had raised at least one round backed by at least one corporate investor since inception and had raised a minimum of two VC rounds since 2012. The other group included companies that had not received any corporate backing in any round, but had raised at least two rounds since 2012.

There was a marked difference in bankruptcy rates >



Having a manufacturing company that could advise on this would be like suddenly having a manufacturing department without having to spend any money on building one

**Stephanie Downs**, Uncaged Innovations

for the two groups. In almost every year, nearly twice the number of non corporate-backed companies went bankrupt as those that were corporate-backed. It was also true on a median and cumulative basis. A company without a corporate backer appears two times more likely to fail than a company that has had at least one such investor on its cap table.

Bankruptcy rates should, in general, be treated with caution, as they can be slow to be picked up by database compilers. But, even if startup bankruptcy figures may be somewhat underreported, that affects both datasets and would not distort the overall comparison.

### **SURVIVAL INSTINCT**

One theory as to why corporate-backed startups are more likely to survive is that corporate investors may have better due diligence, especially for more technical companies. This is one of the reasons that investment company Foresight has partnered on deeptech investing with WAE, formerly Williams Advanced Engineering, the engineering consultancy that was spun out of Williams F1.

“It is that engineering expertise that gives us the confidence to invest in early-stage hardware companies. We can tap into their expertise for hiring the right technical team, their understanding of the challenges of bringing a hardware product market, their understanding of the IP strategy,” says Andy Bloxam, managing director of the Foresight Venture Capital team.

Corporate backing may also help validate a startup, making it easier to raise further funding.

“Many investors take comfort from the idea of a strategically aligned corporate, which understands the market. That can help pull rounds together and that would feed into the rates of survival,” says Bloxam. >



Many investors take comfort from the idea of a strategically aligned corporate, which understands the market. That can help pull rounds together and that would feed into the rates of survival

**Andy Bloxam**, Foresight Venture Capital

Paul Drysch, chief executive and co-founder of PreAct Technologies, a lidar technology startup, says the company started to see more traction from other corporates, after attracting insurer State Farm as an investor.

“Having a company such as State Farm invest in you provides additional credibility. Once State Farm showed interest, it almost incentivised other insurance companies to want to knock on the door and talk with us,” says Drysch.

“A CVC investor is seen as a validation of market demand,” says Downs. “That validation is something that other investors always ask about.”

### HIGHER VALUATIONS ON EXIT

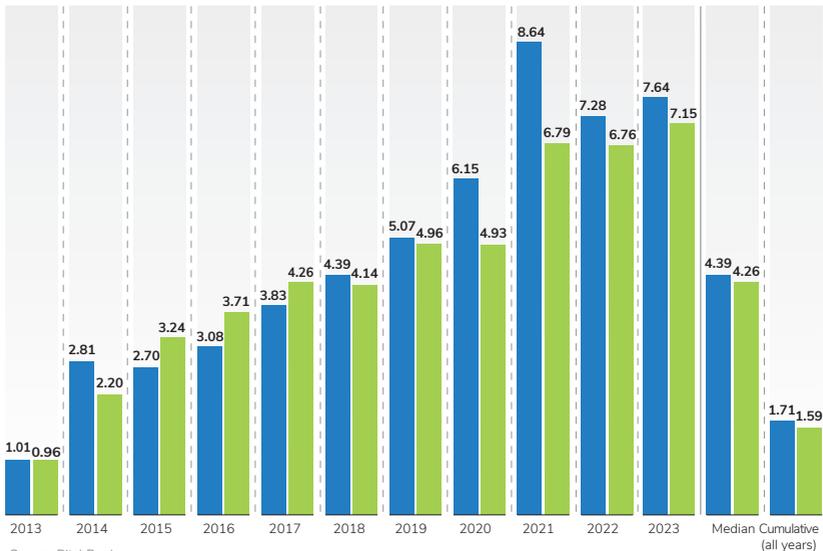
Our analysis showed that corporate backing made little difference to whether a startup was acquired or listed on the public market. Corporate backed or not, roughly one in 25 portfolio companies is likely to score an exit in any given year.



**FIG 2: COMPANIES EXITED AS PERCENTAGE OF COMPANIES RAISING DEALS 2013-2023**

■ CVC-backed companies ■ No CVC backing

Note: Sample: Exited CVC-backed companies: 6,201; No CVC backing: 6,045



Source: PitchBook

Where corporate-backed companies do seem to have an advantage, however, is in acquisition multiples. We looked at the ratio of deal value to the startup's earnings before interest, tax, depreciation and amortisation (EBITDA) and found that from 2018 onward this has been higher for corporate-backed companies. The only exception was 2022, when multiples were the same for both groups. Each of the years analysed contains at least 30 instances for each cohort where both the exit size and the EBITDA of the acquired company are known.

Are these companies achieving higher valuations because corporate investors are stepping in acquirers – perhaps overpaying in the process?

Corporate investors do have a reputation for overpaying on deals, says Wim Ponnet, founder and CEO of sports, media and entertainment company FanTechCap, who was previously chief strategy officer and chief commercial director at Endemol Shine Group. He has been on both sides of the corporate-startup divide in a career that also includes Yahoo and Coca-Cola.

“The reality is that you very often overpay for things,” he says. “In my corporate role I have done that.”

But it is actually relatively rare for corporates to acquire portfolio companies. In our most recent survey of corporate venture units, a majority (57%) reported that none of their portfolio companies had been acquired by the corporate parent.

#### **PLAYING THE LONG GAME**

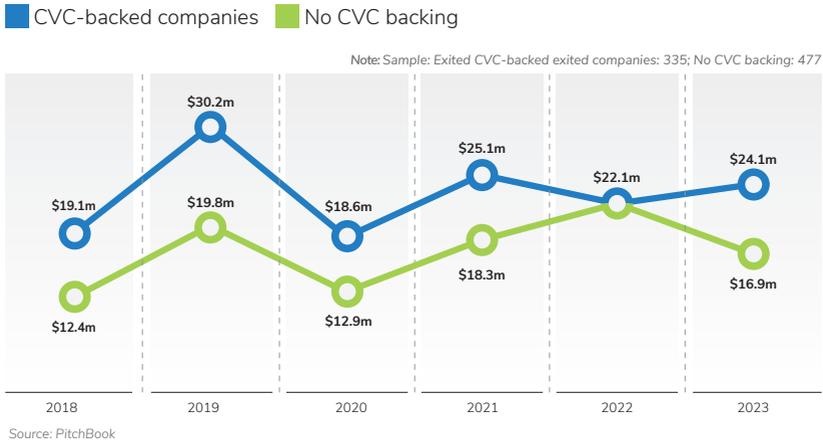
Another reason for higher exit multiples may be that corporate investors can wait longer for an exit.

Babur Ozden, whose digital knowledge platform company Maana was backed by Aramco, Chevron, Conoco, GE, Intel and Shell, says corporate investors >



Return on investment for a CVC is multi-dimensional. ROI not being measured solely by the size of the financial exit, enables CVCs to nurture [portfolio companies] more firmly, albeit slowly

**Babur Ozden, Maana**

**FIG 3: EXIT SIZE\_EBITDA MULTIPLES FOR EXITED COMPANIES 2018-2023 (\$m)**

often allow startups more time to grow and establish themselves before going for a sale. Ozden sold Maana in 2021, nearly a decade after it was founded.

“Return on investment for a CVC is multi-dimensional. ROI not being measured solely by the size of the financial exit, enables CVCs to nurture [portfolio companies] more firmly, albeit slowly,” he says.

There are downsides to corporate investment. CVC units can end up being somewhat inconsistent investors, pulling away when the priorities at the parent corporation change.

“They can be very dependent on the overall strategic direction of the parent company, which can change, particularly in downturns. What was strategically important two years ago when the corporate led the series A round can change so that it no longer wants to follow [in the next fundraising round],” says Bloxam.

“If it is non-core to the business, the startup can sit there like an orphan,” says Ponnet.

Startups – quite reasonably – have concerns that a corporation writing a large cheque may have too much influence over them. Not every startup-corporate relationship is successful. But the data would suggest that having a corporate backer does, ever so slightly, improve the odds of a startup doing well. ■

# Benefits of taking LP positions in VC funds

Maija Palmer Editor

Finding funds that are willing to collaborate and engage with their limited partners is one of several pieces of advice for fund-of-funds investing

Corporate venture funds not only make direct investments in startups, sometimes they invest in other VC funds – so-called fund-of-funds investments. This year's GCV Keystone annual survey of corporate venture units found that 47% of corporate venture teams take LP positions in other funds.

Sometimes new CVC units use this as a learning strategy, getting a feel for investing and the startup ecosystem. But it is not just newcomers that use LP positions. The practice was even more common at larger and more established units, with 54% of them investing in other funds.

## WHY CVC UNITS TAKE LP POSITIONS IN OTHER FUNDS

■ **Expertise** – Japanese pharmaceuticals firm Astellas Pharma has a CVC unit that invests directly in biopharma startups, an area in which it has plenty of expertise. But when the team wanted to invest in non-core, non-pharmaceuticals companies, it wanted to tap into a different knowledge base.

“We do not have the expertise to select the correct investments and support the portfolio companies. We wanted to work together with the VC funds, which already have domain expertise in specialised fields such as medical devices and digital,” says Chihiro Hosoya, head of the Rx+ Open Business Creation division of Astellas Pharma .

George Kellerman, managing director at Toyota's investment unit Woven Capital is mainly investing directly in startups but dedicated 10% of Woven's >

Photo: © Insung Yoon on Unsplash



\$800m fund to investments in other funds. He has taken nine LP positions so far, mainly in specialist funds – one dedicated to cybersecurity, for example, and another focused on logistics and the supply chain.

As Kellerman puts it, investing through a specialist fund can save companies a lot of time, as they do not have to learn the ropes of a new area themselves.

■ **Geographic coverage** – Kellerman set up Woven Capital during the covid-19 pandemic when it was difficult to hire people and get them to relocate to Japan. Investing in other funds was a way of being able to access deals in other countries more easily. He says that even without covid as a factor, he would have done the same.

“We never would have been able to cover the number of startups by ourselves. It really became a force multiplier for us,” says Kellerman.

■ **To make returns** – Unlike VCs, corporates rarely invest just for a financial return. All the same, it is wise for a corporate venture unit to ensure a certain level of financial performance and taking LP positions in other funds can be a good way to hedge bets.

Kellerman says it is a nice side benefit to the fund-of-funds strategy. “Because we invested in nine funds

&gt;

across multiple geographies and multiple industry sectors, we now have very good diversification in our portfolio. Our returns are not likely to be huge, but we are not likely to lose money either.”

■ **To avoid ruining your reputation** – when a corporation is not ready yet to move quite as fast as regular VCs in investing in the startup ecosystem, it can be better to stay one step removed and let someone else handle the deals.

“I have learned it is very difficult to support a portfolio company. Startups need money yesterday, but our corporate decisions can take four weeks – it does not really match,” says Astellas’s Hosoya. The risk is that a slow or indecisive corporate ends up simply annoying the community it wants to become familiar with. “It may actually be harmful to just play around with making direct investment efforts,” she says. It is better in these cases to let a VC fund handle deals.

#### **INVESTORS GET VALUE FROM CORPORATE PARTNERS**

“We work closely with our corporate LPs and consider the knowledge that we get from them to be part of our differentiation in the market,” says Katie McClain, partner and COO at Energize Capital, which has 12 corporates from a variety of sectors as LPs. “Our corporate LPs play a huge role in helping us both with our investment thesis and diligence, and then also often become customers of our portfolio companies.”

Corporates that start as simply LPs can become co-investors and collaborators further down the road, says John Banta, president and GP of Blue Venture Fund, which has 36 companies in the Blue Cross Blue Shield family healthcare insurance companies as backers. More than half of its LPs now have their own direct investment programmes.

&gt;



Our corporate LPs play a huge role in helping us both with our investment thesis and diligence, and then also often become customers of our portfolio companies

**Katie McClain**, Energize Capital



### GET THE MOST VALUE FROM THE LP ARRANGEMENT

Benefits from taking an LP position in a fund do not come automatically. Here are some tips on how to make the relationship work:

■ **Look for funds that are willing to engage and collaborate with their LPs** – “That was one of our decision-making criteria,” says Woven’s Kellerman. “The fund had to be willing to collaborate and cooperate with us. We wanted to make sure that there was a commitment.” Kellerman says this was easy in most cases, as VCs were often very keen for their portfolio companies to have access to Toyota.

■ **Corporate investors also need to be willing to engage** – “We are looking for that similar engagement on the other side of the fence,” says McClain. “We want to make sure that the corporates are engaged and are serious about it as well. We want to have someone who knows how to navigate the [corporate] bureaucracy, how to get to the right business units, make sure that the pilots are worth the startups’ time, energy and resources.”

■ **Hire a dedicated person to manage the interaction** – “I would make sure we had a dedicated person just

>



What I did not realise, and regret not planning for, was that some funds were going to be raising another fund and their expectation was that we would come into their next fund

**George Kellerman, Woven Capital**



to manage our fund-of-funds investments,” says Kellerman. “We get so much in-bound information from them. With some of them we have monthly meetings, some of them are constantly sending us potential deal flow. Just having somebody who can manage that on our side is invaluable.”

■ **Invest enough to get the rights you want** – The more you invest, the more decision-making power and information you will get. Energize’s McClain says investors in Energize Capital tend to invest somewhere in the range of between \$5m and \$15m each.

“If you are a \$15m investor, then you get to sit on our LP advisory council and if you are a \$5m investor, then we will come up with a more curated programme, monthly or quarterly calls,” she says.

■ **LP investments are long term, so budget accordingly** – Kellerman says that one regret that he has is that he made all of his fund-of-funds investments quickly and did not budget for investing in later funds raised by those same teams.

“My thinking was that we should get our fund-of-funds investments out of the way as quickly as possible in year one, if possible, year two at the latest,” he says. “What I did not realise, and regret not planning for, was that some of those funds were going to run through their funds in two or three years. And they were going to be raising another fund and their expectation was that we would come into their next fund. If I could go back and do it over, I would have allocated funds simply to go into later funds,” he says. ■

# How to take your CVC unit to the next level

Maija Palmer Editor

As corporate investment units get bigger, they need a mix of skillsets and career levels — and a good COO to manage them

“Anyone can do venture. If you have a logo and a chequebook, people will take your money, it is not that hard to do. But if you want to deliver impact, you have to have different skillsets. You need a really well-rounded team,” says Dave Stevenson, chief operating officer at MSD Global Innovation Fund.

Corporate investment programmes usually start small – more than 70% of the teams have less than 10 people, and those individuals tend to handle everything, from making the initial investments to helping the startups find joint projects with the parent company.

But as the investment portfolio grows, things get more complex. It makes sense to create a separate team to handle the liaison with the startups in the portfolio. The team often goes from being a small band of senior professionals to having more levels of junior staff who are learning the trade. This often happens around the time when a second – usually bigger – fund is raised. At this point the unit usually needs to appoint a chief operating officer, who can manage a varied team.

“You will know when you have acute needs around managing your own LP and managing your portfolio when stuff starts to get out of hand. That is where you need somebody to shepherd all of that,” says Stevenson, who handles this role at MSD, alongside his role as an investor. MSD Global Innovation Fund started in 2010 as a \$250m fund and has grown to be a \$500m evergreen investment vehicle. The team has 40 portfolio companies, managed by a team of 10.

CVCs at this inflection point face five main questions: >

Photo: © Alex Cooper on Unsplash



■ **A mature CVC unit needs a chief operating officer for your team** – “I like to joke that [the role is] not really the chief operating officer, it is really the chief other officer. I do all the stuff no one else wants to do. It is the financial reporting responsibilities and making sure we do the portfolio management aspect of reporting back to MSD, and making sure there are no surprises. It is the marketing and communications piece,” says Stevenson.

Stevenson still acts as an investor alongside his COO role. Alex Kamenetskiy, chief operating officer at Munich Re Ventures, on the other hand, does not invest, although he does sit on the investment committee. He takes on most of the management functions of the unit. Munich Re Ventures started in 2015 as a \$50m fund and has grown to have more than \$1bn of assets under management. It is still solely funded by Munich Re, but has an independent legal structure. It has 30 people in the team and 60 companies on the portfolio.

“It is all of the traditional functions of the CEO and CIO operations. I wear the CFO hat, as well as marketing and legal,” he says.

&gt;

■ **One of the key roles of the COO is to manage the junior team members** – “The junior investment professionals report to me, as well as part of our overall focus on development and talent, recruiting and retention,” says Kamenetskiy. Both he and Stevenson have made an effort to create an environment where younger team members can learn and develop.

“We wanted to make sure that there was consistent cross-functional development of our junior staff,” says Stevenson. “[To make sure] I do not have somebody getting pigeon-holed in one area and not getting developed in another.”

■ **Internal or external hires** – There is no simple answer to this, as a CVC unit needs to have a lot of different strands of expertise.

“We have ex-consultants, we have ex-investment bankers, we also have PhD molecular biologists and IT professionals. You need a variety of domains and expertise to build a well-rounded team that can meet the needs of the organisation,” says Stevenson.

But one of the trickiest questions for CVC group leaders is whether they should source people from inside the parent company or externally. MSD does a bit of both, possibly leaning more towards internal hires.

“In portfolio development it is critical for people to come from the inside,” says Stevenson. “You really need the deep network, the deep relationships and an understanding of how stuff gets done in a big corporate.”

On the investor side, it is more of a mix. “If you are starting a programme, you need a couple of people that have been around the block and run a venture programme before, so you will hire from outside, but you need to match that with internal people who can navigate the organisation,” he says.

The Munich Re Ventures team, on the other hand, is made up of only external hires. But it takes care to connect with the parent company by having people from the business development team embedded in the business units of Munich Re.

“We are also hiring more junior staff fairly early and as we scale and need people in more senior positions, we have someone that has been here for four years in a more junior role, who is able to step up,” says Kamenetskiy. >

■ **There is no silver bullet for incentivising the parent company to get involved with portfolio companies**

– corporate venture units usually want their portfolio companies to connect with the parent corporation on joint projects. But people in the parent organisation may not always have the time or incentive to pursue these. Trying to motivate everyone to work together is a big part of the COO role. Both Kamenetskiy and Stevenson admit there are no shortcuts to this.

“We are still looking for the right answer,” says Stevenson. Mainly, it is about finding like-minded people at the company who are interested in startups.

Munich Re has put in place a few structured programmes, such as internal insight councils involving senior managers at business units.

“We meet with them at least on a quarterly basis and talk about strategy, what we are seeing, what they are seeing. It is part of an ongoing, higher-level, strategic conversation about what is important and what is relevant,” says Kamenetskiy.

■ **The COO role is all about communication** – “We manage [MSD] like they are a traditional LP. So, there is monthly reporting and a lot of communication around what is in the portfolio, what we are seeing and where we are going to invest,” says Stevenson.

But even these more established corporate investment units fly under the radar of the corporate shareholders.

“We are not relevant to the shareholders. The impact to the dividend or the performance at this point has been minimal. The asset side of Munich Re is massive, so we do not move the needle yet,” says Kamenetskiy.

But this part of the role may be coming, as CVC becomes an even more established tool for companies. Kamenetskiy, certainly, is hopeful.

“It is an aspiration for us to matter [to Munich Re] from a balance sheet standpoint,” he says. ■



In portfolio development it is critical for people to come from the inside. You really need the deep network, the deep relationships and an understanding of how stuff gets done in a big corporate

**Dave Stevenson, MSD Global Innovation Fund**

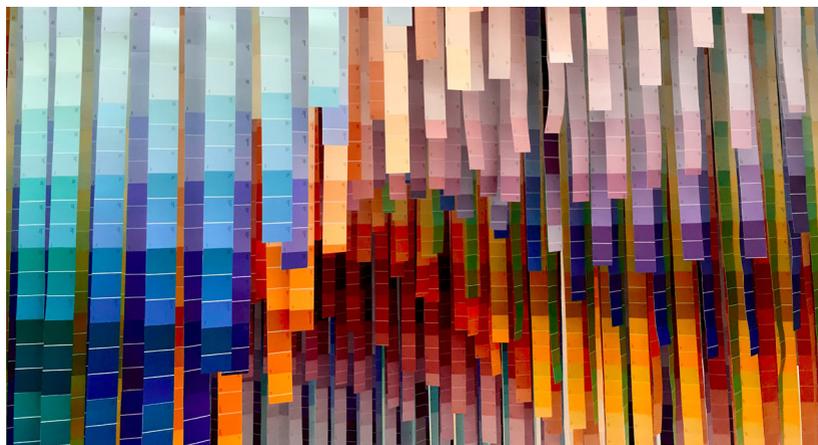


Photo: © John Schaidler on Unsplash

# How to improve diversity in CVC

Maija Palmer Editor

Diversity is still woefully lacking at most VC firms – and in the companies they back. Here are some ideas on how to change that from people who have done it

Representation of women and minorities is still woefully low in venture capital firms. There has been some small progress for women, however, with around 26% of investment professionals at US venture capital firms being female, according to figures from the National Venture Capital Association, up from just 15% in 2016.

The dial has hardly moved at all for black investors – they make up just 5% of investment professionals at US VCs. Asian investors make up around 22%.

This is despite the fact that studies have repeatedly shown that having diversity of thought among investment teams – and diversity in the startups they invest in – results in better performance.

“The data supports that by having diversity, equity and inclusion for founders and teams, you can actually do better. That is why diversity, equity and inclusion (DEI) matters,” says Sanjiv Parikh, managing director >

of Avanta Ventures, the investment arm of insurance company CSAA. Avanta has included DEI clauses into its investment documents since it was founded six years ago. They stipulate that all their companies have a DEI mandate and this is discussed at board level.

### SEEING NEW OPPORTUNITIES

Founders from different life situations and backgrounds are often excellent at recognising opportunities that others do not see, says Susan Viscon, vice president and executive director at Path Ahead Ventures, a fund and accelerator that backs founders of colour working in the outdoor space.

“I have one founder that I have worked with, Gloria Hwang, an Asian woman who has an incredible company, called Thousand Helmets,” she says. “People sometimes think about diversity as being niche or building just for a community. But her helmet is a great example of somebody who is thinking about an urban environment, versus people who were just thinking about road cyclists on 50-mile rides on the weekend.”

Some investors, such as Charles Hudson, founder and managing partner at Precursor Ventures, have built a business around finding and backing people who have been overlooked by the mainstream VC industry, finding, in the process, the undiscovered gems.

But building diversity, equity and inclusion into your investment practice does not happen by itself. Here are six tips for implementing effective DEI policies:

■ **Build your own investment team for diversity** – “We have intentionally tried to build an investment team that creates pathways into venture for people who do not normally get the opportunity. We have always had a majority, if not exclusively, female and mostly female women of colour investment team,” says Hudson. He believes there is no shortage of people from diverse backgrounds who would make good investors.

“There is lots of investment talent out there. They just need the opportunity to demonstrate their skill and abilities,” he says.

Even if your own investment team might be less diverse than you would ideally like, CVC units can tap into some of the diversity that might be present in their parent companies.

## 26%

Percentage of investment professionals at US venture capital firms who are female, up from 15% in 2016



■ **Rethink your networks and get into some new communities** – Investors sometimes say that they have no objection to backing startups led by women or minority founders, but they are just not seeing them. If this is happening, you need to revise what networks you are joining. Becoming part of a diverse community is one of the best ways to get a varied deal flow.

“You have to be in the flow of that community, not to just be transactional, but to show up each and every day over a long period of time, so that we build trust,” says Parikh.

■ **Drop the warm introduction requirement** – Many VCs will only speak to founders if they get a “warm introduction” or personal recommendation from someone they know. The trouble with that approach is that it can keep their networks narrow.

“Early on, we decided we would build a team of people whose primary responsibility was to respond to people who applied through the website, because not everybody will have the opportunity of having a warm introduction to us,” says Hudson.

The Precursor Ventures website has a section where anyone can contact them with a pitch. This approach takes a certain amount of resourcing, admits Hudson. There are two interns and one full-time person whose job it is to ensure that all the ‘cold’ submissions receive an answer within two weeks.

■ **Investors can do a lot to encourage diversity at their portfolio companies** – “It is not just at the point of investment,” says Trina Van Pelt, senior managing director at Intel Capital and head of the company’s DEI efforts. “We also think about how we expand diversity at the leadership stages over the lifecycle of our investment. It is pushing for diversity at board levels, making sure we are continuing to have a diverse slate of candidates for the management team. We very much focus at the leadership level, because that sets the tone and culture for the overall firm.”

■ **If you want people to take diversity seriously, measure it and link it to bonuses** – “What you choose to measure is the behaviour that you drive, says Van Pelt. She acknowledges that it can be difficult to measure the behavioural side, but Intel Capital looks at what both individuals and teams are doing on this.

## 5%

Percentage of black investment professionals at VCs in the US

## 22%

Percentage of Asian investment professionals at VCs in the US

>

“At the individual level, what are you doing to help drive diverse deals? Are you expanding the type of opportunities you are finding, or are you continuing to bring the same things from the same networks?” she asks.

“At an organisation level, we have direct numbers that we are tracking on a quarterly and overall basis,” she says, adding that achieving these goals has an impact on people’s bonuses.

■ **Investors need to be held more accountable for diversity** – DEI legislation is a confusing area. On the one hand, the US Supreme Court has recently ruled against affirmative action policies, a move which may stifle companies’ ability to consider racial diversity in hiring. On the other, the state of California is requiring all VC firms to disclose the race and gender of the founders of the companies they back.

So far, a lot of the work that VC investors have done on DEI is entirely voluntary and many feel that companies need to be held more stringently accountable.

“There is a lot of work still to be done. The progress has not been nearly as impactful as it needs to be,” says Parikh. “Some of the things such as measurement, do not really have any teeth today.”

Precursor’s Hudson says the LPs and funders of venture capital firms could be the ones that do the holding to account, directing money away from those companies that are only paying lip service to the diversity concept, and putting more into the ones that are genuinely having an impact.

“I really hope that the firms that are actually making a difference get more access to more capital and that the people who are only claiming to have an interest in doing this are held accountable for the results,” he says. ■



We also think about how we expand diversity at the leadership stages over the lifecycle of our investment. It is pushing for diversity at board levels, making sure we are continuing to have a diverse slate of candidates for the management team

**Trina Van Pelt**, Intel Capital



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The Leadership Society is comprised of CVCs from across the globe who recognize the individual and collective benefits of coming together to form a community that advances the industry in impactful ways. Members benefit from privileged access to the full range of GCV services – News and Analysis, Community and Events, and the GCV Institute – which enables them to successfully navigate today’s innovation and investment landscape.



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GCV news / website access	2 users	Unlimited users	Unlimited users
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Additional Institute course discount*	10%	10%	10%
GCV Keystone CVC benchmarking - annual survey report	Included	Included	Included
Discounts on GCV Keystone custom data slice, light touch advisory projects	10%	15%	15%
Event Partnership discount	10%	15%	20%
Institute Alumni and Members-only gatherings	Included	Included	Included
Invitations to various VIP sessions	Included	Included	Included
Access to industry sector Councils	Included	Included	Included
Right to showcase membership with GCV logo	Included	Included	Included
Assistance in arranging 1:1 meetings at GCV events	Included	Included	Included
GCV Global CVC Directory See 'who's who' in corporate venturing	Full Access	Full Access	Full Access
Portfolio Company Showcase	n/a	2	4
Advisory Board Seat	n/a	by invitation only	1
Branding on Leadership Society Marketing Materials	n/a	n/a	Included
<b>Annual</b>	<b>\$9,995</b>	<b>\$15,500</b>	<b>\$26,500</b>
<b>2 Years</b>	<b>\$17,500</b>	<b>\$28,000</b>	<b>\$50,000</b>



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# CVC investment value falls in tough market

Kaloyan Andonov Analyst and reporter

- > Number of corporate-backed startup investment rounds and the number of exits for corporate-backed companies declined sharply
- > Number of VC funds that corporates invested in as LPs fell to a historic low
- > Corporate investors continued a shift to investing in seed stage companies and smaller deals

## 43%

drop in dollar amount spent on deals in 2023 compared with the \$193.9bn the previous year

Corporates invested 43% less capital in startup funding rounds in 2023 compared with the previous year, and the number of active corporate investors fell by 27%, as many opted to wait out poor market conditions. The number of corporates taking LP positions in VC funds fell to its lowest level in a decade.

However, new corporate venture units are still being created at a steady rate and the declines of activity represent a return to 2020 activity levels, rather than signalling a collapse of the industry.

Corporate investors backed 27% fewer funding rounds in 2023, compared with the previous year, and the dollar amount spent on those deals dropped even more dramatically, down 43% to \$110.7bn compared with \$193.9bn the previous year.

This is broadly in line with the drop in the overall venture capital market. The number of VC funding rounds is down 30% year on year, and the dollar value of investments declined 43% to \$250.1bn.

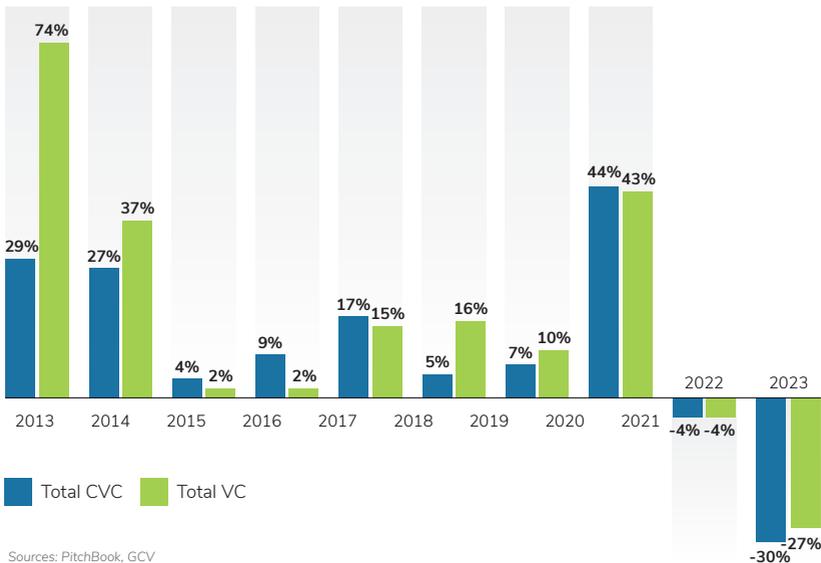
Events in 2023, from central banks raising interest rates to the collapse of Silicon Valley Bank, contributed to an uncertain market that kept corporate investment under strain.

However, deal numbers have returned to 2019/2020 levels of startup investment. This is seen by many in the market as a normalisation rather than a crash, following the extreme bull markets of 2020 and 2021.

## KEY TRENDS

- The number of corporate-backed startup investment rounds and the number of exits for corporate-backed companies declined sharply, but this is a return to 2019-2020 levels.
- Many investors put deals on hold in 2023. Some 44% of investors who were active in 2022 did not return to do another deal in 2023.
- Some 65 new CVC units were created in 2023, down from the record highs of 2021 and 2022, but in line with unit creation levels before 2020.
- The number of VC funds that corporates invested in as LPs fell the lowest level for a decade.
- A large number of the biggest corporate-backed funds were raised in China.
- Corporate investors continued a shift to investing in seed-stage companies and smaller deals.
- Corporate-backed deals fell in every sector except energy.
- The largest deals were in the energy transition, mobility and AI sectors.
- The US, China and India saw the sharpest falls in the number of corporate-backed funding rounds. France and the UK saw the smallest falls.

FIG 1: DEAL COUNT VC VERSUS CVC YEAR-OVER-YEAR GROWTH 2013-2023



Sources: PitchBook, GCV

There was evidence of some corporate teams tactically sitting out 2023. Only 56% of investors who had backed a startup in 2022 came back to do so in 2023.

The number of new VC funds that corporates backed as LPs also fell, down 54% to its lowest level for a decade. This reflects the decline of the general VC market, which has seen the number of new funds fall by 47% in 2023.

But new CVC units are still being formed. Some 65 new units were created in 2023. While this is down from a record 122 the previous year, this is a similar level of CVC formation seen before 2020.

No region escaped a decline in corporate-backed startup deals, but the US, China and India saw the sharpest declines. Fortunes also diverged across sectors, with energy deals remaining steady, while areas such as telecoms and media saw the sharpest decreases.

### CORPORATE-BACKED DEAL VALUE DROPS

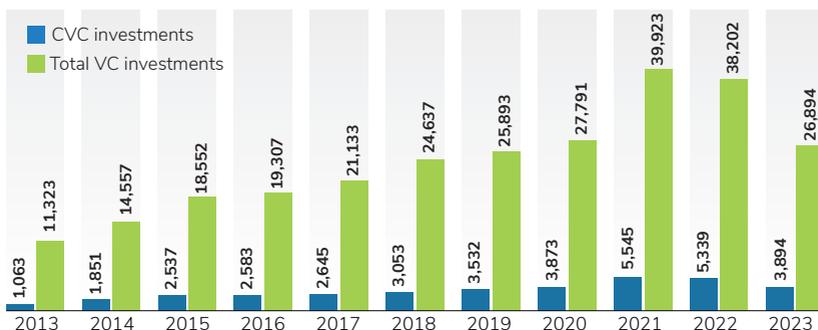
In 2023, GCV tracked 3,894 corporate-backed funding deals worth an estimated \$110.75bn of total capital raised. That was 43% down in dollar terms from the \$310bn tracked in 2022. Similarly, the number of deals came down 27% from 5,339 deals in 2022.

Both the number of corporate deals and estimated dollar value in 2023 was broadly comparable to those of 2020 (3,873 rounds; \$140.12bn) and 2019 (3,532 rounds; \$144.7bn).

The decline in CVC investing was in line with a 30%



**FIG 2: CORPORATE VERSUS TOTAL VC INVESTMENTS BY VOLUME 2013-2023**



Source: PitchBook, GCV

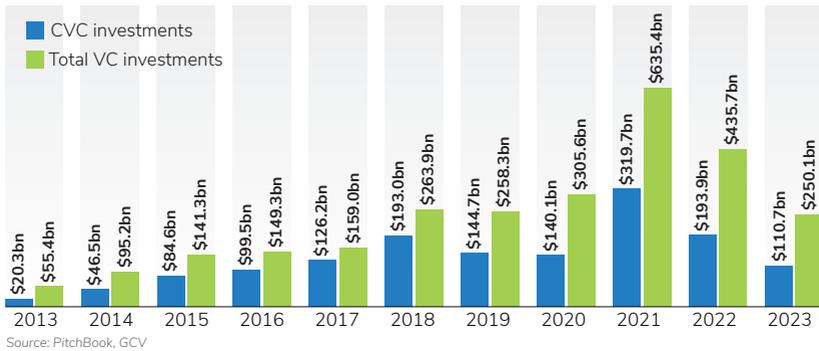
decline in venture capital deals, from 38,202 deals in 2022 to 26,894 by the end of 2023, according to data from PitchBook. The deal tally of the total VC market in 2023 was also comparable to that of 2020 and 2019, with 27,791 and 25,893 rounds respectively.

In the total VC global arena, estimated dollars invested in startup funding rounds went down 43% from \$435.7bn in 2022 to \$250.1bn in 2023.

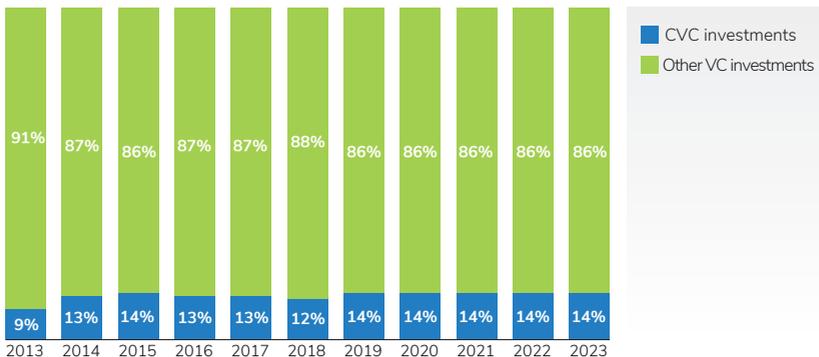
In both VC and CVC investments, the levels of both deal count and estimated dollar value have gone back to roughly 2019-2020 levels, justifying the notion that the ongoing correction has been a return to “healthier”, pre-bull market levels.

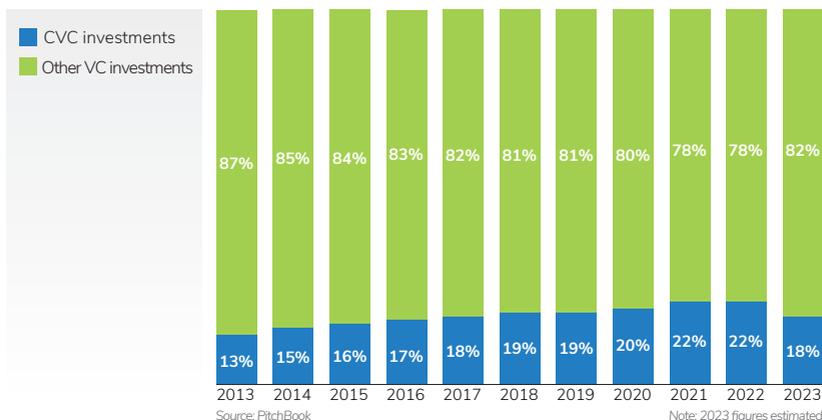


**FIG 3: CORPORATE VERSUS TOTAL VC INVESTMENTS BY TOTAL VALUE 2013-23**



**FIG 4: CORPORATE VERSUS OTHER VC INVESTMENTS BY VOLUME 2013-2023**



**FIG 5: CORPORATE VERSUS OTHER VC INVESTMENTS IN THE US BY VOLUME 2013-2023 (%)**

Around 14% of all startup funding rounds in 2023 included a corporate investor, a percentage that has been gradually increasing from around 9% a decade ago.

It is worth noting that the percentage of CVCs taking part in funding rounds can be higher in some markets such as the US, where 15-17% has been the norm. Our global percentage figure is also subject to some variation, as data providers such as PitchBook will update their reported funding round numbers, even beyond the year end.

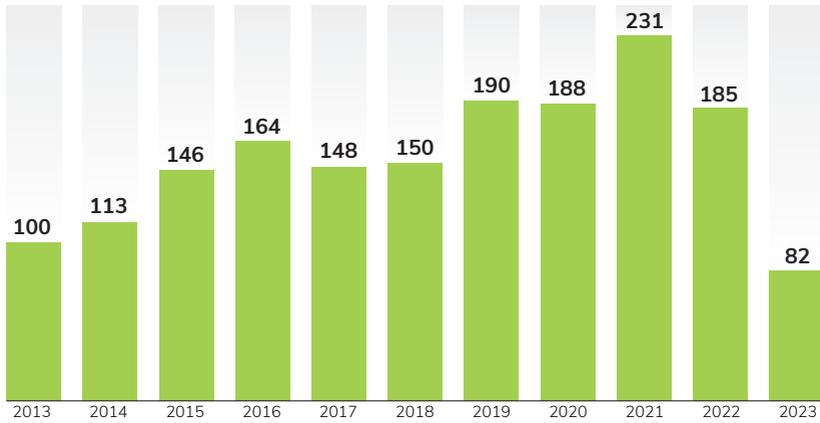
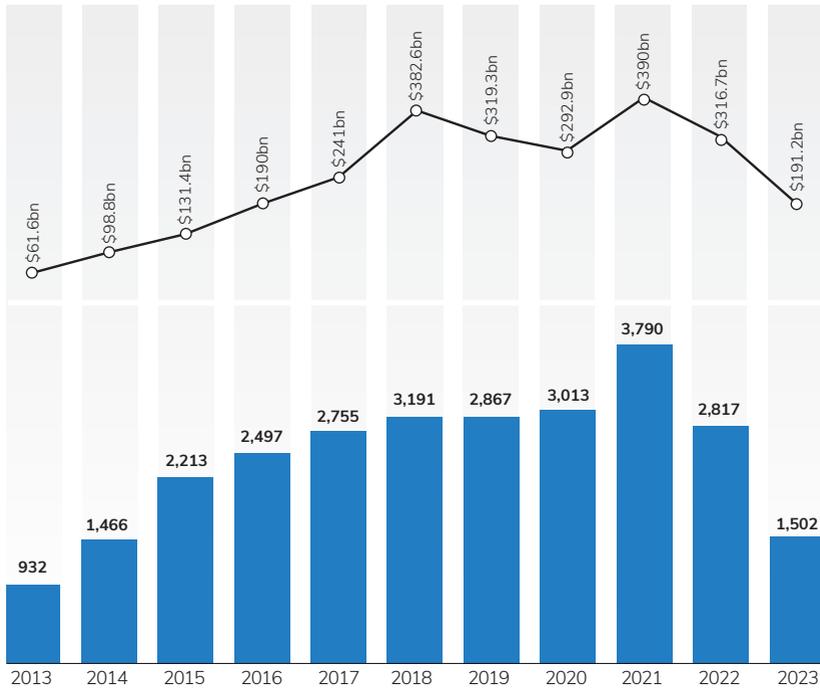
#### **CORPORATE LP INVESTMENT DROPS TO HISTORIC LOWS**

The rate at which corporate investors put money into other VC funds as LPs had already been slowing in 2022, but there was a further 54% decline in 2023, to the lowest level of activity in a decade we tracked just 82 new funds with corporate backing were raised in 2023, down from 185 the year before.

This partly reflects the general VC market, which has seen a steep decline in the number of new funds being created. Just 1,502 new VC funds were raised globally in 2023, down 47% from 2,817 the previous year.

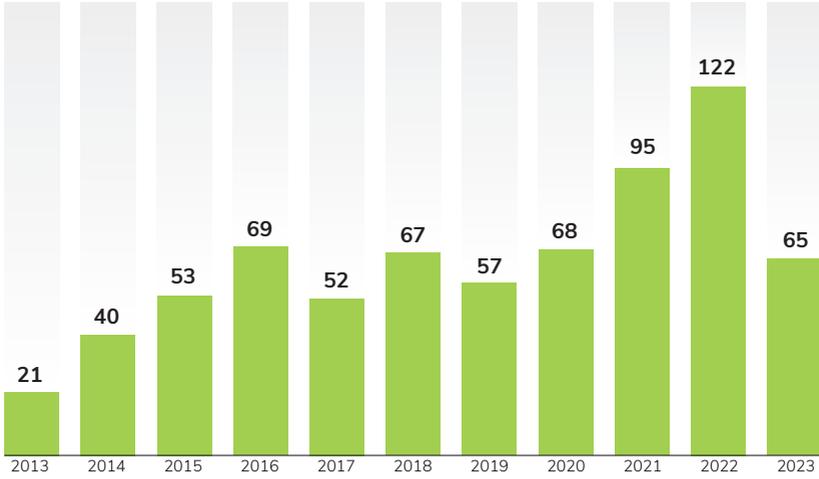
Despite the market uncertainty, new CVC units are continuing to be created at a steady rate. Around 65 new corporate venturing units were launched in 2023, down from the record high of 122 seen the previous year, but in line with levels seen in 2020 and 2019.



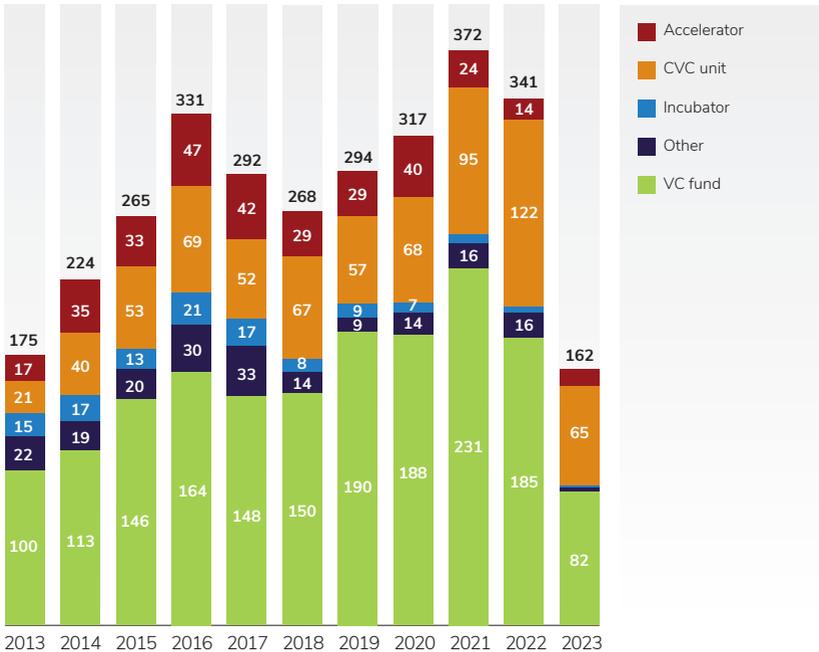
**FIG 6: NUMBER OF VC FUNDS WITH CORPORATE LPS 2013-2023****FIG 7: VALUE OF VC FUNDRAISING AND NUMBER OF VC FUNDS RAISED 2013-2023**

Source: PitchBook, GCV &gt;

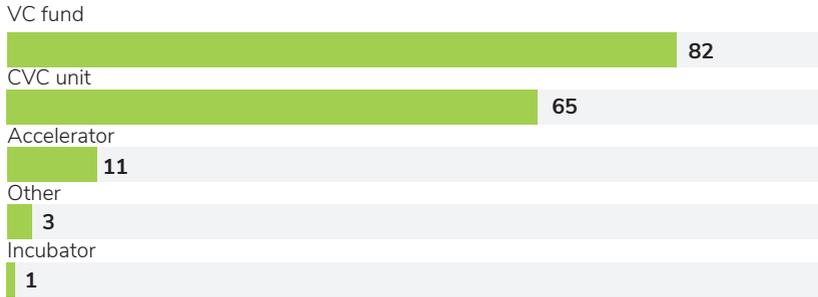
**FIG 8:** NUMBER OF CVC UNITS TRACKED 2013-2023



**FIG 9:** CORPORATE-BACKED FUNDING INITIATIVES BY TYPE 2013-2023

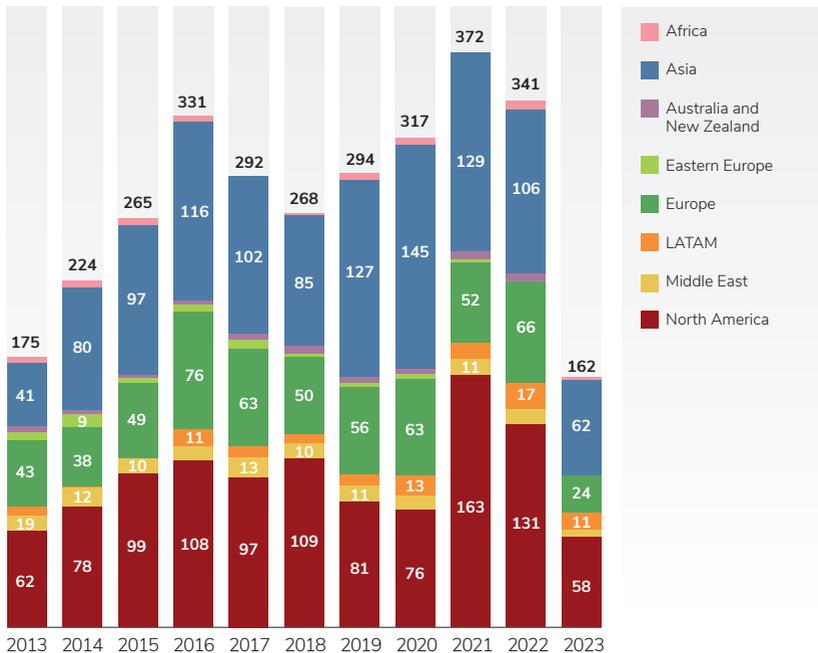


**FIG 10: FUNDING INITIATIVES BY TYPE 2023**

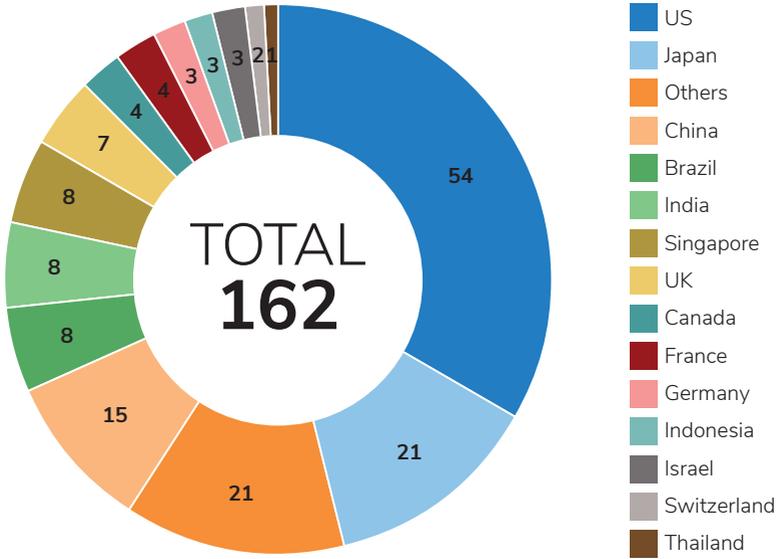


Most of the new funds and CVC units were set up in Asia (62), North America (58) and Europe (24). Asia was also noticeably leading in the list of top initiatives, where five of the top 10 were from China and Japan. >

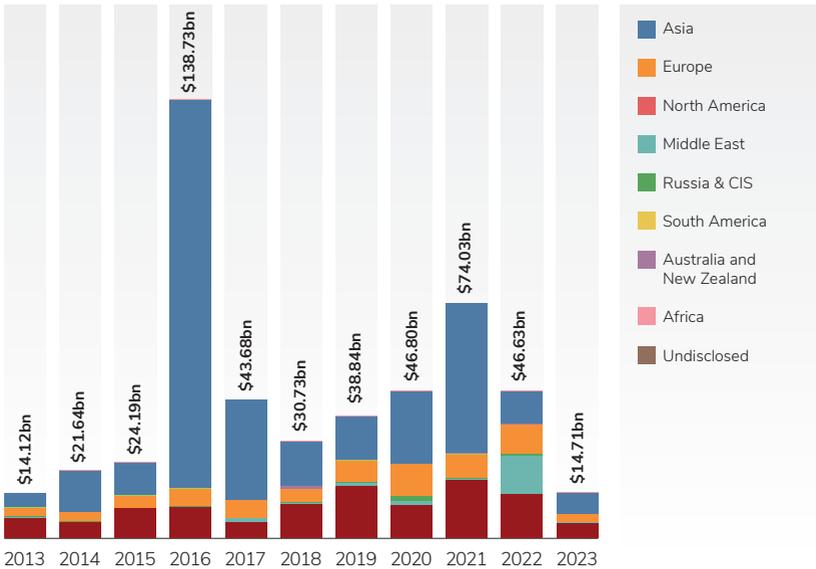
**FIG 11: CORPORATE-BACKED FUNDING INITIATIVES BY REGION 2013-2023**



**FIG 12: FUNDING INITIATIVES BY COUNTRY**



**FIG 13: VALUE OF FUNDS RAISED BY REGION**



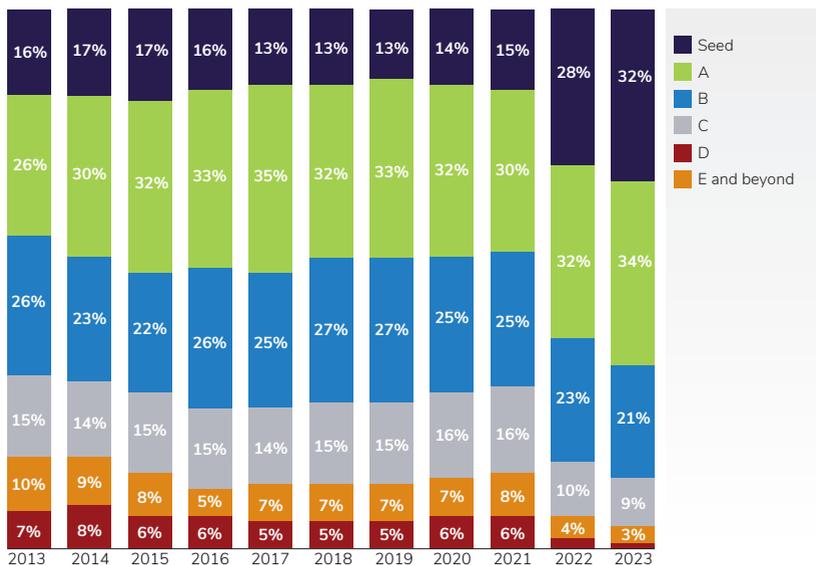
**THIRD OF CORPORATE DEALS ARE NOW AT SEED STAGE**

One of the reasons deal value fell much faster than deal numbers is because of the trend towards corporates backing smaller deals. Over the past two years, we have seen corporate investors become more willing to invest in seed and early-stage startups. The percentage of corporate-backed deals that were seed rounds has gone from 14-15% in 2021 to 28% in 2022 and 32% in 2023, making up nearly a third of all deals.

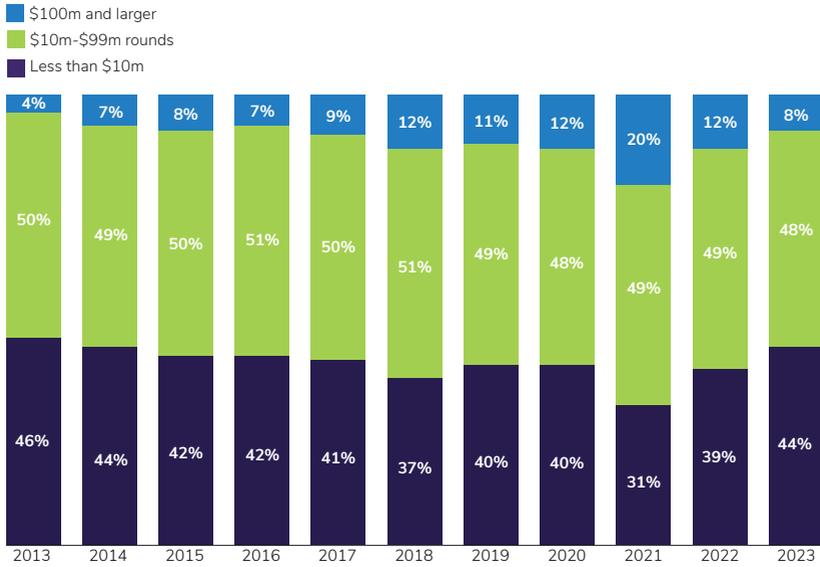
At the same time, there has been a significant drop in corporate investing in series C rounds, down to just 9% of all funding deals, compared with 16% in 2021.

Corporate investors are doing far fewer large deals. Rounds sized \$100m or larger accounted for only 8% of funding deals in 2023, down from 20% in 2021, returning to pre-2020 levels. Those sized \$10m or less made up 44% of disclosed dealflow last year versus 31% during the bull market of 2021.

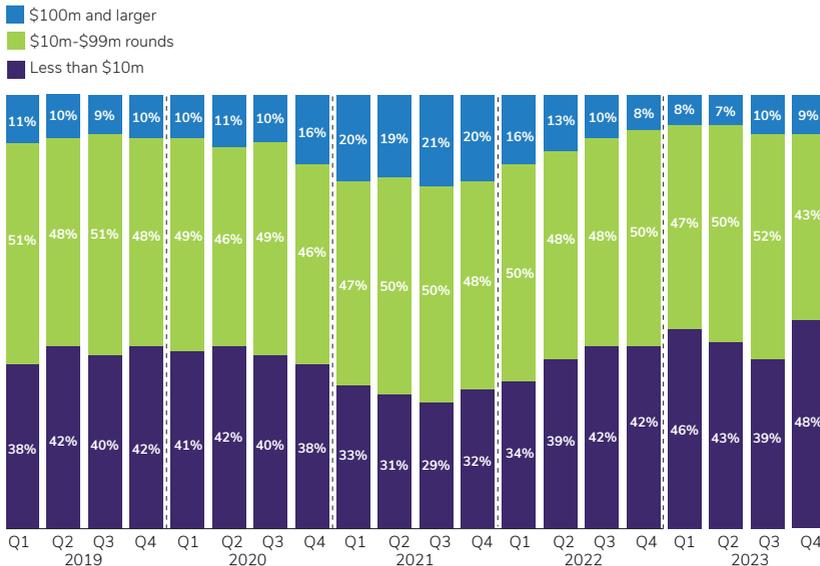
The same could be seen across deals when segmented by size on a quarterly basis. The relative share of deals sized >

**FIG 14: CORPORATE-BACKED ROUNDS BY INVESTMENT STAGE 2013-2023**

**FIG 15: CORPORATE-BACKED DEALS BY SIZE CATEGORY 2013-2023**



**FIG 16: CORPORATE-BACKED DEALS BY SIZE CATEGORY BY QUARTER 2019-2023**



below \$10m fluctuated between 40% and 50% throughout 2023. Meanwhile, the share of deals of \$100m or larger was between 7% and 10% of the total, having shrunk from 16% in the beginning of 2022 and 20% in 2021.

### ACTIVE CORPORATE INVESTOR NUMBERS DECLINE

One of the big questions hanging over corporate investors has always been whether they will remain active during tough economic times. Previous economic downturns have seen corporates retreat from startup funding. The data we are seeing on this is mixed.

In 2023, as investment levels dipped, we saw a decrease in the number of active corporate investors, that is, those who participated in at least one minority stake deal during the year. We counted 2,273 active investors in 2023, 17% down from 2,753 the previous year.

&gt;

**FIG 17:** RETURNING CORPORATE INVESTORS FROM 2022 INVESTING IN 2023

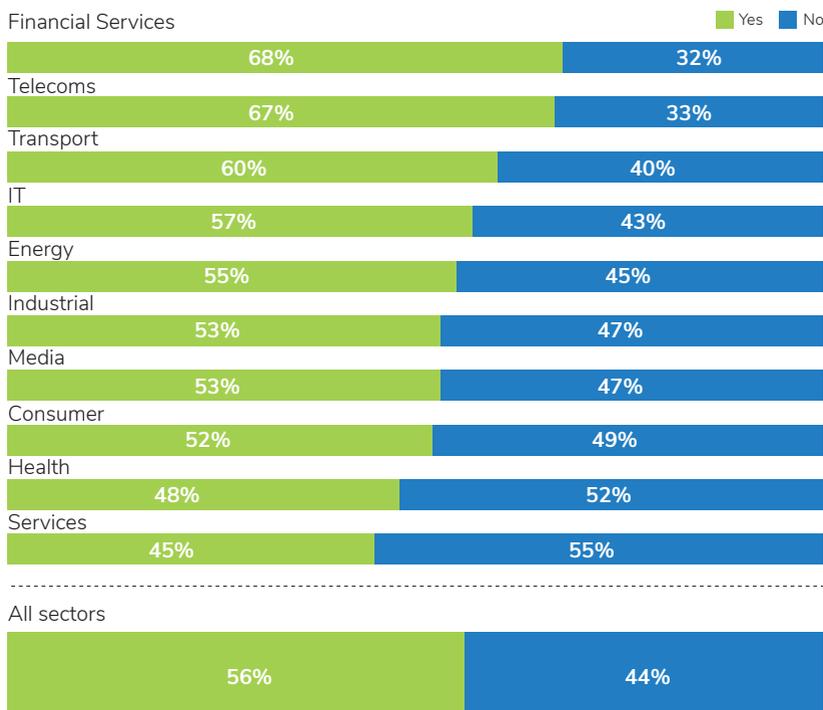
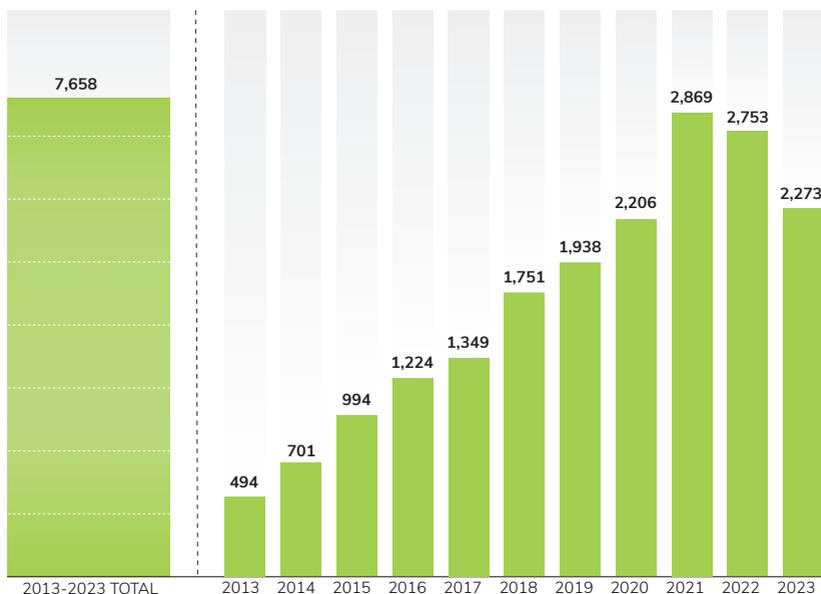


FIG 18: ACTIVE CORPORATE INVESTORS 2013-2023



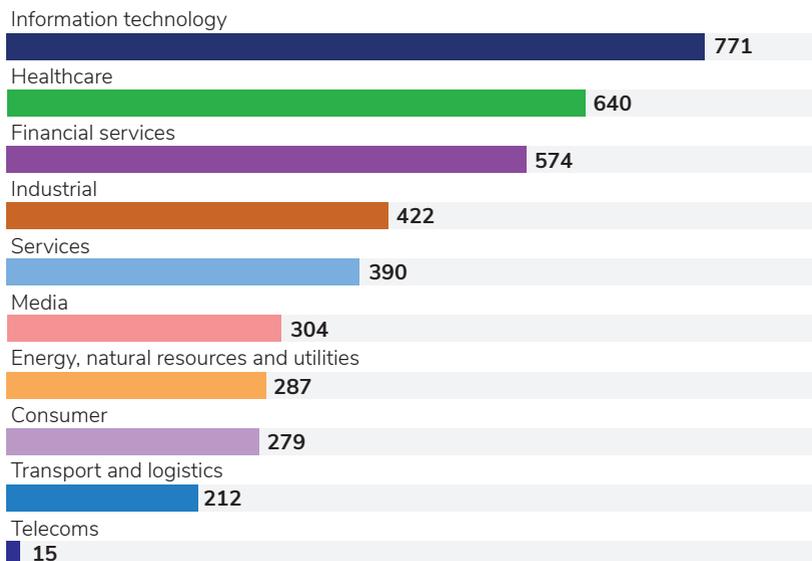
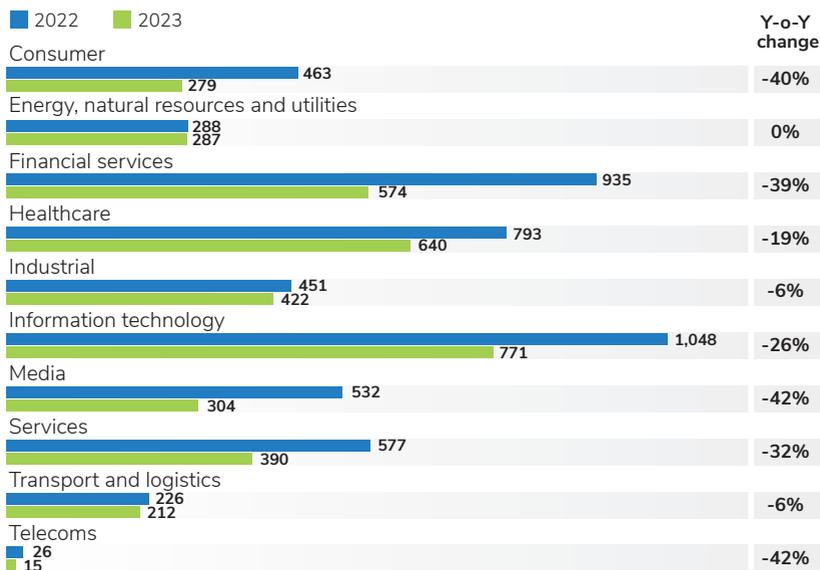
Anecdotally, we have heard from a number of previously active corporate innovation units that they held back from investments last year either because they focused attention on supporting existing portfolio companies or because they were waiting for the market correction to run its course.

However, the number of active investors is still comparable with that of 2020 and ahead of pre-pandemic levels. Since GCV started tracking corporate investment in 2011, we have tracked 7,600 distinct corporate investors – with or without a formal investment unit – which have taken a minority stake in at least one deal. The number of corporates actively investing in any given year has gone up more than four times from 494 in 2013.

Looking at the change between 2022 and 2023 shows that 56% of corporates that participated in deals in 2022 returned to take part in one in 2023.

Investors in the financial services and telecoms sectors were the most consistent repeat investors, with just more than two thirds returning for an investment last year. >



**FIG 20:** CORPORATE-BACKED DEALS BY SECTOR**FIG 21:** CORPORATE-BACKED ROUNDS 2022 VS 2023 BY SECTOR

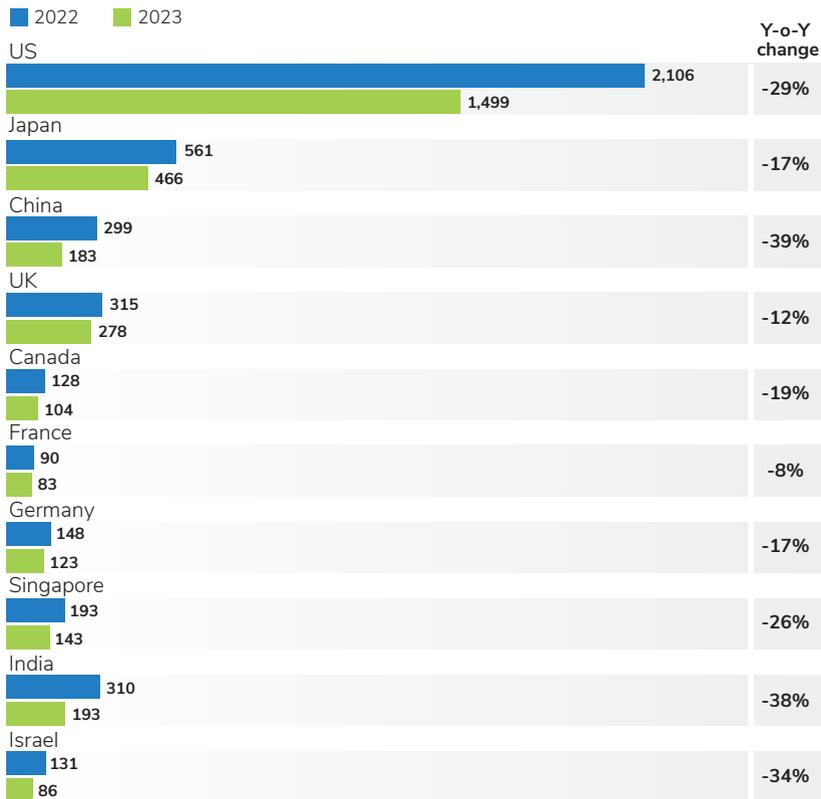
whereas funding rounds for telecoms sector startups fell 42%, media deals fell 42%, consumer deals fell 40% and financial services startup funding rounds were down 39%.

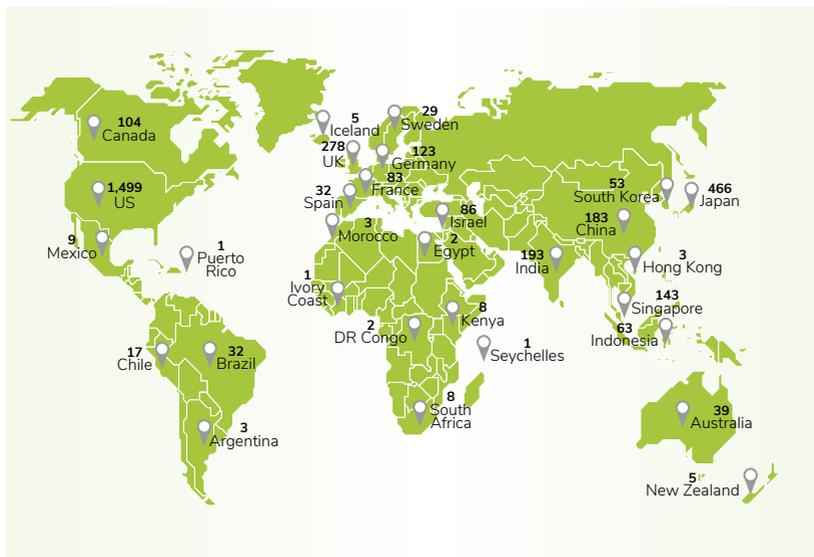
The relative stability of energy sector funding rounds, which remained flat, was due to an unceasing interest in renewable energy and cleantech. Agtech was the driver in industrial dealmaking and autotech in transport and mobility.

### US, CHINA AND INDIA SEE SHARPEST FALL IN DEALS

Around four out of every 10 tracked corporate-backed transactions in 2023 took place in the US (a total of 1,499). Other notable innovation geographies on the global scene >

**FIG 22:** CORPORATE-BACKED ROUNDS BY MAJOR GEOGRAPHY 2022 VS 2023



**FIG 23:** GLOBAL VIEW OF CORPORATE-BACKED DEALS 2023

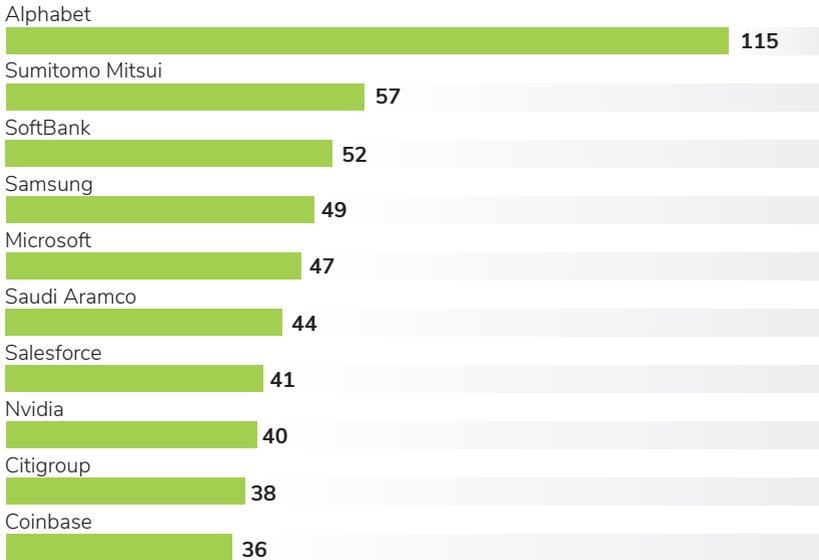
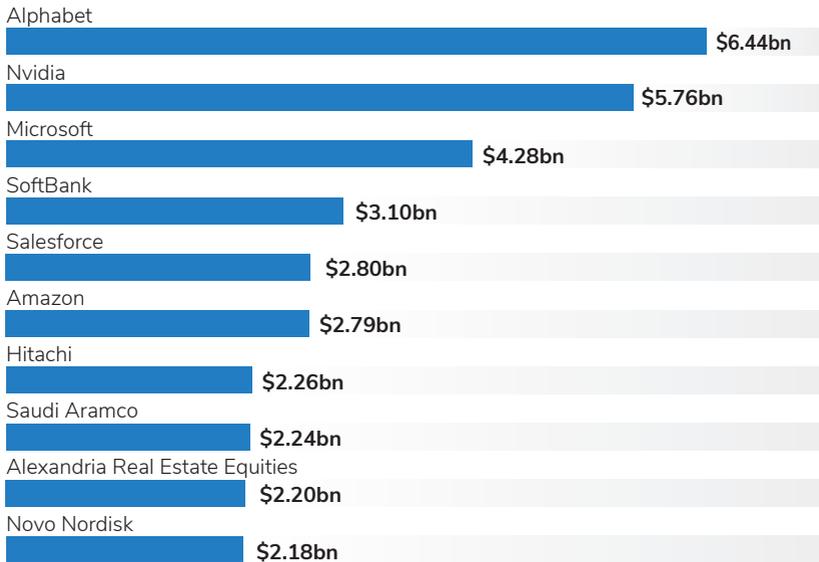
were Japan (466), the UK (278), India (193), China (183) and Singapore (143).

No geography escaped a fall in corporate-backed startup funding rounds, but there were notable differences in the severity of the decline. France and the UK saw declines of just 8% and 12% respectively. The US, however, saw a 29% decline year on year, while deals in China fell 39% and India saw a 38% drop.

#### TOP CORPORATE INVESTORS

The most active corporate investor for 2023 was Google's parent company Alphabet, with 115 investments, followed by conglomerate Sumitomo Mitsui with 57, telecoms and internet company SoftBank with 52 deals, electronics and semiconductors maker Samsung with 49, software maker Microsoft with 47 and oil and gas major Saudi Aramco with 44. The top three investors involved in the largest rounds were Alphabet, chipmaker Nvidia and Microsoft.



**FIG 24:** TOP CORPORATE INVESTORS IN 2023 BY NUMBER OF DEALS**FIG 25:** TOP CORPORATE INVESTORS IN 2023 BY TOTAL CAPITAL

**ENERGY, MOBILITY AND AI STARTUPS ON TOP**

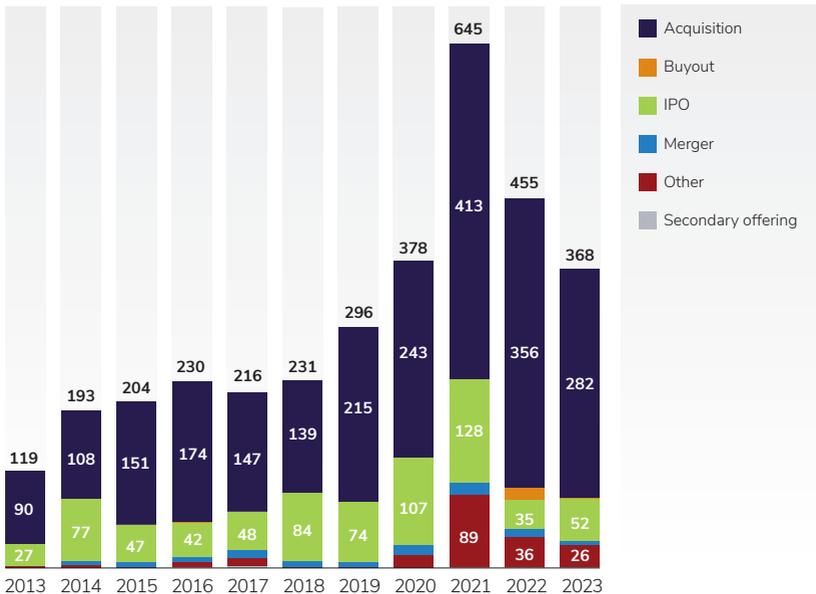
Despite a general decline in large deals, there were eight deals above the \$1bn mark in 2023. These deals reflected key trends – two of the 10 biggest deals of the year were funding rounds for artificial intelligence (AI) startups, five of them were for energy transition startups and two for transport and mobility companies. These are, in general, themes that have been most resistant to the down cycle.

**CORPORATE EXITS DROP**

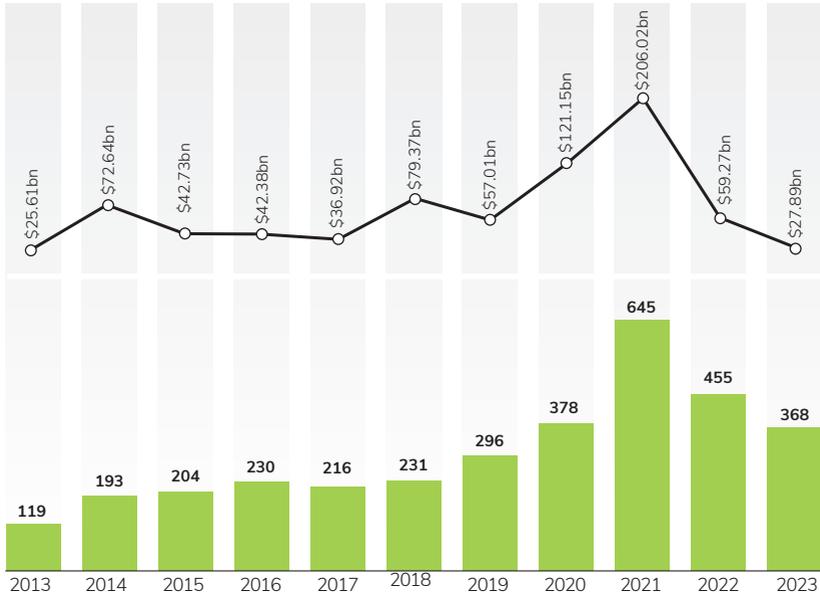
The decline in the number of IPOs and M&A transactions, which has been going on since 2022, continued through last year.

GCV tracked just 368 exits for startups with corporate venture backers, a 19% drop from the previous year's 455 and a far cry from the 645 recorded in 2021.

Most of the top exits in 2023 were acquisitions. The total estimated capital involved in the exits stood at \$27.89bn, 53% below the \$59.27bn registered in 2022. ■

**FIG 26: CORPORATE-BACKED EXITS BY TYPE**

**FIG 27: VALUE AND VOLUME OF CORPORATE EXITS 2013-2023**



**FIG 28: GLOBAL VIEW OF CORPORATE EXITS 2023**



## TOP DEALS OF 2023

- > The largest corporate-backed funding rounds came from the Chinese automotive sector
- > There were also sizeable deals in the cleantech and energy space, particularly in the US and Europe
- > Generative AI also pulled in some large rounds, with Microsoft and Nvidia investing most heavily in this megatrend in 2023

### **GTA**

China Electronics Corporation and Huada Semiconductor backed a \$1.8bn round for automotive chip manufacturer GTA, one of several Chinese semiconductor companies to raise big rounds this year. One of China's biggest tech challenges is that its semiconductor industry is lagging behind that of the US, South Korea and Taiwan. Thousands of Chinese chip designers, meanwhile, are shutting down each year as US trade restrictions bite.

### **LEAPMOTOR**

Chinese electric vehicle (EV) manufacturer Leapmotor, secured \$1.6bn from automaker Stellantis for a 20% stake. It also formed a joint venture to distribute Leapmotor's cars internationally. The funds will be used by Leapmotor to accelerate and expand global sales of its high-tech neighbourhood electric vehicles.

**ENERGYRE**

US-based EnergyRe, a renewable energy developer, secured \$1.2bn from backers including Novo Holdings, which will be used to fund a pipeline of wind and solar power projects. The funding came during a surge in activity that, in the US at least, was driven by tax cuts introduced by the Biden administration's Inflation Reduction Act.

**H2**

Electrified steel production process developer H2 raised \$1.6bn from investors including Hitachi Energy and Schaeffler to finance construction of a flagship plant in Sweden. The facility will produce steel using green hydrogen rather than coal, a method it claims can reduce the CO2 emissions of steel production by 95%.

**ROX MOTOR**

Chinese smart SUV developer Rox Motor raised \$1bn of venture funding from textiles and petroleum group Weiqiao Pioneering Group and Xiang He Capital. The funding will be used for vehicle development, one-stop die casting technology and smart manufacturing factory project. Previously, the company raised an undisclosed amount of Series E venture funding in a deal featuring Tencent Investment, reportedly putting its post-valuation at \$3bn.

**REDWOOD MATERIALS DEVELOPER**

US sustainable battery recycling tech developer Redwood Materials Developer raised nearly \$1bn in a series D round, featuring the Microsoft Climate Fund and Caterpillar Ventures, among others. The funding will be used to build capacity, expand domestic battery supply chain and allow customers to buy battery materials made in the US.

**VERKOR**

Low-carbon battery maker Verkor secured \$907m in funding to support the development in of a gigafactory in Dunkirk. It was part of a €2.1bn series C venture funding through a combination of debt and equity. The round featured corporate backers Sibanye Gold, Renault Retail Group, Crédit Agricole Assurances and Schneider Electric's SE Ventures.

**OCTOPUS ENERGY**

UK-based Octopus Energy received \$800m of capital in round featuring Origin Energy and Tokyo Gas Company, among other investors. The transaction reportedly valued the company at \$6.2bn. Octopus Energy produces and supplies solar, wind and tidal energy.

**INFLECTION AI**

Microsoft and Nvidia took part in a \$1.3bn round for Inflection AI, which is developing an AI language model software and generative AI tool designed for personal interactions. Microsoft also contributed to large rounds raised by Adept AI, Databricks, Typeface and D-Matrix, while Nvidia unveiled a newly formed CVC unit called Nventures, backing almost a dozen \$100m-plus rounds for AI startups.

**ANTHROPIC**

Anthropic, a generative AI software developer, received \$1.25bn in equity funding from ecommerce group Amazon. Amazon invested through a strategic partnership that will involve Anthropic's smart chatbot technology being made available to customers of its cloud services subsidiary, AWS. The terms of the transaction mean Amazon could ultimately up its commitment to \$4bn.

TABLE 1: TOP 10 DEALS OF 2023

Portfolio company	Round	Sector	Size
<b>GTA Semiconductor</b> <b>Investors:</b> China Electronics Corporation, China's state-owned Assets Supervision and Administration Commission, Huada Semiconductor, Shanghai Technology Innovation Fund, undisclosed investors.	Undisclosed	IT	\$1.8bn
<b>H2 Green Steel</b> <b>Investors:</b> Altor, AMF, AP2, Cristina Stenbeck's Ameriana, GIC, Hitachi, Hy24, Ingka Group, Just Climate, Kinnevik, Schaeffler, Vargas, Wallenberg Foundation.	Undisclosed	Industrial	\$1.61bn
<b>Leapmotor</b> <b>Investors:</b> Stellantis.	Undisclosed	Transport	\$1.6bn
<b>Inflection AI</b> <b>Investors:</b> Microsoft, Nvidia.	Undisclosed	IT	\$1.3bn
<b>Anthropic</b> <b>Investors:</b> Amazon.	Undisclosed	IT	\$1.25bn
<b>EnergyRe</b> <b>Investors:</b> Deutsche Bank, Elia Group, Glenra Capital, Novo Nordisk, PKA, Santander.	Undisclosed	Energy	\$1.2bn
<b>Rox Motor</b> <b>Investors:</b> Shandong Weiqiao Pioneering.	Undisclosed	Transport	\$1bn
<b>Redwood Materials</b> <b>Investors:</b> Capricorn Investment Group, Deepwater, Goldman Sachs, Microsoft, Omers, T Rowe Price.	D	Industrial	\$1bn
<b>Verkor</b> <b>Investors:</b> Bpifrance, CMA CGM, Credit Agricole, EIT InnoEnergy, Fonds Stratégique de Participations, Macquarie, Meridiam, Renault, Sibanye Stillwater.	C	Energy	\$907m
<b>Octopus Energy Group</b> <b>Investors:</b> Canada Pension Plan, Generation Investment Management, Origin Energy, Tokyo Gas.	Undisclosed	Energy	\$800m

## TOP EXITS OF 2023

- > The decline in the number of IPOs and M&A transactions, which has been going on since 2022, continued through last year
- > Some of the biggest deals were in healthcare, while AI-focused companies also featured among the biggest exits
- > Most of the top exits in 2023 were acquisitions

### **CARMOT THERAPEUTICS**

Pharmaceutical firm Roche agreed to acquire metabolic diseases treatment developer Carmot Therapeutics for \$2.7bn upfront and another \$400m in potential milestone payments. Previous backers of the company include pharmaceutical firm Amgen. Founded in 2008, Carmot is developing treatments for metabolic diseases, including obesity and diabetes with three clinical-stage candidates.

### **INVERSAGO PHARMA**

Canada-based Inversago Pharma – a developer of drug therapies for metabolic and fibrotic disorders, agreed to be acquired by Novo Nordisk for \$1.075bn. The acquisitions resulted in a payout for backers including pharmaceutical firms Amgen and FPWR.

### **KERECIS**

Iceland-based manufacturer of therapeutic products Kerecis was acquired by Coloplast for \$1.3bn. The company's therapeutic products speed up the healing of human wounds and repair tissue damage, using Omega3 fatty acids extracted from fish skin to reconstruct damaged tissue. Insurance provider Vatryggingafelag Islands is among the backers of Kerecis.

**SAKUU**

Sakuu, a US-based lithium-ion battery developer, announced plans to go public through a reverse takeover with Nasdaq-listed blank cheque company Plum Acquisition Corp I at a combined pro forma valuation of around \$705m. The company, which is backed by transportation equipment manufacturer Musashi Seimitsu, has developed platforms for the 3D printing of battery cells.

**CARBON ENGINEERING**

Carbon capture technology maker Carbon Engineering agreed to be acquired by its previous backer Occidental Petroleum for \$1.1bn, giving an exit to a number of corporates including aircraft maker Airbus, airline Air Canada, mining company BHP and oil and gas major Chevron. Carbon Engineering is a Canadian provider of clean energy services, employing direct air capture technology to capture and store CO<sub>2</sub> from the atmosphere or convert it into ultra-low carbon synthetic fuels.

**CHINESE ANT GROUP**

Chinese Ant Group took another partial exit from its holdings in India's payment processing service provider Paytm, selling a 10.3% stake to private investor Vijay Shekhar Sharma for \$628m. The company will not receive any proceeds from the offering. After the acquisition, Sharma will reportedly own a 19.42% stake in the company. In addition to Ant Financial group, Alibaba and Intel Capital are also shareholders in Paytm.

**INSTACART**

Personalised grocery shopping service Instacart went public on Nasdaq, raising \$660m in an upsized initial public offering. The company priced 22 million shares at the top of the offering's \$28 to \$30 range and saw its share price briefly top \$42 before closing at \$33.70. Beverage producer PepsiCo bought \$175m of shares through a separate public placement.

**MOSAICML**

US-based software infrastructure and AI training algorithms developer MosaicML agreed to an acquisition by Databricks for an estimated \$1.3bn. The company counted Samsung Next among its backers.

**PISMO**

In the fintech area, Brazilian cloud payment software developer Pismo was acquired for \$1bn by credit card company Visa. The company counted Amazon and Prudential among its backers.

**LOOM**

Messaging company Loom, which had backing from Slack, was bought by Atlassian for \$975m. Loom has built a video messaging platform with 1.8 million users across around 50,000 companies.

TABLE 1: TOP 10 EXITS OF 2023

Portfolio company	Sector	Exit type	Size
<b>Carmot Therapeutics</b> <b>Investors:</b> 5AM Ventures, Amgen, Deep Track Capital, Franklin Templeton Investments, Frazier Healthcare Ventures, Horizons Ventures, Janus Henderson Investors, Millennium Management, RA Capital Management, TCGX, The Column Group, VenRock, Willett Advisors.	Health	Acquisition	\$2.7bn
<b>MosaicML</b> <b>Investors:</b> AME Cloud Ventures, Atlas Ventures, Correlation Ventures, DCVC, E14 Fund, Frontline Ventures, Lux Capital, Playground Global LLC, Samsung.	IT	Acquisition	\$2.7bn
<b>Kerecis</b> <b>Investors:</b> Alvogen, Emerson Collective, HSBC, Icelandic Centre for Research, Kirkbi, LSV, Standard Treasury.	Health	Acquisition	\$1.3bn

Portfolio company	Sector	Exit type	Size
<b>Carbon Engineering</b> <b>Investors:</b> Air Canada, Airbus SAS, British Columbia Ministry of Economic Development, Chevron, Emissions Reduction Alberta, First Round Capital, Hutchison family office, i(x) Net Zero, Incite Ventures, Innovate Calgary, Lowercarbon Capital, Lowercase Capital, National Research Council of Canada, Natural Resources Canada, Occidental Petroleum, private investors, Rusheen Capital Management, Starlight Ventures, Sustainable Development Technology Canada, Synergy Growth, Thomvest Ventures, Western Economic Diversification Canada, WUTIF.	Energy	Acquisition	\$1.3bn
<b>Inversago Pharma</b> <b>Investors:</b> AdMare BioInnovations, Amgen, Fonds de solidarité FTQ, Genechem, Genesys Capital, New Enterprise Associates.	Health	Acquisition	\$1.1bn
<b>Pismo</b> <b>Investors:</b> Accel, Amazon, B3, Falabella, Headline, Prudential Financial, Redpoint Ventures, SoftBank.	Financial Services	Acquisition	\$1.08bn
<b>Loom</b> <b>Investors:</b> 1517 Fund, Elementum Ventures, Great Oaks Venture Capital, Slack, Y Combinator.	Media	Acquisition	\$975m
<b>Sakuu</b> <b>Investors:</b> Musashi Seimitsu Industry, Plum Acquisition Corp, Tessellate Ventures.	Transport	Other	\$705m
<b>Instacart</b> <b>Investors:</b> Aaron Levie, Adeyemi Ajao, American Express, Andreessen Horowitz, Augusta Investments, Canaan Partners, Coatue, Comcast, Counterpart Advisors, D1 Capital Partners, Dragoneer Investment Group, DST Global, Fidelity, FundersClub, G Squared, General Catalyst, Glade Brook Capital Partners, Haystack, Initialized Capital Management, Irving Investors, KG Investments, Khosla Ventures, Kleiner Perkins, Manhattan Venture Partners, private investors, Sequoia Capital, SV Angel, T Rowe Price, Thrive Capital, Tiger Global Management, Unilever, Valiant Capital, Valiant Peregrine Fund, Wellcome Trust, Whole Foods, Y Combinator.	Consumer	IPO	\$705m
<b>Paytm</b> <b>Investors:</b> Ant Financial	Financial Services	Acquisition	\$800m

## TOP FUNDING INITIATIVES OF 2023

- Only two of the top ten largest new corporate-backed funds were at or above the \$1bn mark
- Many of the largest new funds were set up by Chinese corporations

### **KWEICHOW MOUTAI**

Chinese alcoholic beverage maker Kweichow Moutai formed two unnamed funds sized at RMB5.5bn (\$777m) each, or a total of more than \$1.5bn. State-owned shipping firm China Merchants Group's Goldstone Investment unit is reportedly co-running the funds alongside China Merchants Capital and Citic Securities. The fund will invest in a variety of areas and sectors locally, including IT, biotechnology, new energy, advanced materials and industrial equipment.

### **KINGSOFT WUHAN**

China's Kingsoft Wuhan – a subsidiary of diversified software producer Kingsoft, teamed up with another Chinese corporate, consumer electronics manufacturer Xiaomi, to form a RMB10bn (\$1.4bn) fund that will invest in integrated chip developers. Kingsoft Wuhan provided approximately RMB500m as one of the LPs, while Xiaomi Wuhan invested RMB3bn. Xiaomi Beijing supplied RMB30m as the fund's general partner. Other LPs include Hainan Huaying Kaitai and Nano Star Ventures, respective subsidiaries of IT services firm Kaitai Technology and semiconductor producer Novosense Microelectronics.

### **FORTUNE CAPITAL**

Chinese Fortune Capital, an investment arm of media company Hunan TV & Broadcast, raised more than RMB5bn (\$702m) for its latest Chuangcheng Fund. The unit invests in hard-tech innovation and has been investing for two decades across Chinese IT, smart manufacturing and healthcare.

**SANOFI**

Drugmaker Sanofi, announced an additional multi-year commitment to its investment arm Sanofi Ventures, adding more than \$750m to the evergreen fund. Sanofi Ventures invests in areas including immunology and inflammation, rare diseases, oncology, cell and gene therapy and vaccine, as well as digital health and data science.

**BLOCKCHAIN CAPITAL**

Payment companies PayPal and Visa took positions as limited partners on two of Blockchain Capital's venture funds, totalling a war chest of \$580m. The unnamed Blockchain Capital funds will focus on centralised and decentralised finance, infrastructure and gaming, as well as consumer finance.

**SMITH POINT CAPITAL**

US VC firm Smith Point Capital launched its inaugural Fund I, seeking to raise \$400m. The vehicle was backed by cloud-based service provider ServiceNow, which acted as anchor investor. The VC firm was founded by Keith Block, former co-CEO of Salesforce. Smith Point will focus on enterprise software startups.

**GLOBIS CAPITAL PARTNERS**

Globis Capital Partners closed its Fund VII at ¥72.7bn (\$543m). The fund will reportedly seek to invest in scalable startups across all sectors looking to update large industries in Japan. Additionally, GCP opened a new office in San Francisco to strengthen support for the global expansion of its portfolio companies.

**CANADIAN RADICAL VENTURES**

Canadian Radical Ventures launched its Fund IV, dedicated to AI companies, with a target size of \$550m. TD Bank and media company Advance Publications backed the fund as LPs. Other backers include the ImageNet project founder Fei-Fei Li, former Google chief executive Eric Schmidt and Google Brain researcher Geoffrey Hinton. Radical Ventures is looking to invest in companies building AI models.

**CURIE.BIO**

Several biotech entrepreneurs launched a new venture capital vehicle called Curie.bio, sized at \$520m. The firm will serve as a seed investor, as well as a drug discovery co-pilot for founders. It features two entities – an investing vehicle that will provide seed-stage money to startups and another unit to help companies with various services. The initiative was backed by internet conglomerate Alphabet's GV, which invested alongside ARCH Venture Partners and a16z.

**SHANG QI CAPITAL**

Shang Qi Capital, the venture capital subsidiary of Chinese automotive group SAIC Motor, reached a RMB4.2bn (\$575m) second close for its new fund, whose target size remains undisclosed. The new fund, dubbed Shangqi Huirong Shangcheng Yihao Industry Fund, will invest in car electronics, semiconductors, renewable energy, autonomous driving, smart cockpits and low-carbon mobility. Founded in 2012, Shang Qi Capital boasts about \$5.1bn under management.

**TABLE 1: TOP CORPORATE-BACKED FUNDING INITIATIVES IN 2023**

Portfolio company	Type	Sector	Size
<b>Unnamed Kweichow Moutai Funds</b> Investors: Kweichow Moutai	CVC Unit	Multi-sector	\$1.55bn
<b>Xiaomi Beijing Fund</b> Investors: Industrial Securities Investment, Kaitai Technology, Kingsoft, Novosense Microelectronics, Tianjin Kaichuang, Xiaomi Wuhan, Yizhuang International Investment.	CVC Unit	IT	\$1.40bn
<b>Sanofi Evergreen Fund</b> Investors: Sanofi.	CVC Unit	Health	\$750m
<b>Chuangcheng Fund</b> Investors: Hunan TV & Broadcast.	CVC Unit	IT	\$705.6m
<b>Blockchain Capital Unnamed Funds</b> Investors: Paypal, Visa.	VC Fund	Financial services	\$580m
<b>Shang Qi Fund</b> Investors: China Henan Province Fund, Donghua Automotive Industrial, Huayu Automotive Body Components Technology, Jiangxi Province Fund, SAIC Motor Limited.	CVC Unit	Transport	\$575m
<b>Radical Ventures Fund III</b> Investors: Advance Publications, Canada Pension Plan, Eric Schmidt, Fei-Fei Li, Geoffrey Hinton, Public Sector Pension Investment Board, Radical Ventures, TD Bank, Wittington Investments.	VC Fund	IT	\$550m
<b>Globis Capital Partners Fund VII</b> Investors: Globis Capital Partners.	VC Fund	Multi-sector	\$543m
<b>Curie.bio Fund</b> Investors: Andreessen Horowitz, Alphabet, ARCH Venture Partners, Curie.Bio.	VC Fund	Health	\$520m
<b>Smith Point Capital Fund I</b> Investors: David A. Tepper, Hillman Company, ServiceNow, Solamere Capital.	VC Fund	Multi-sector	\$400m



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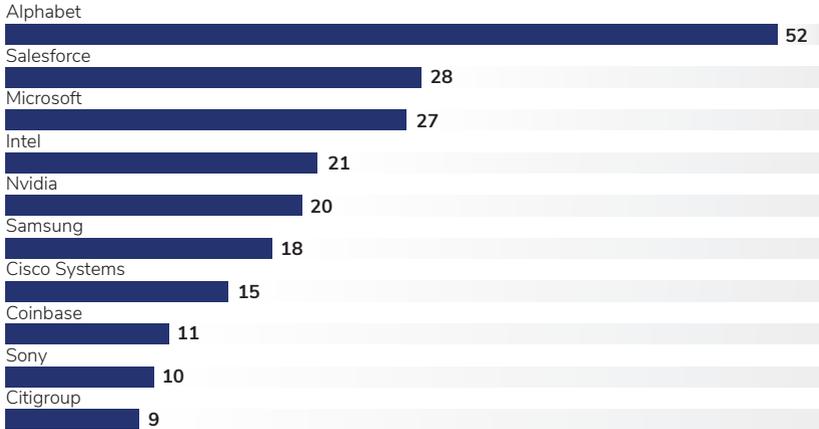
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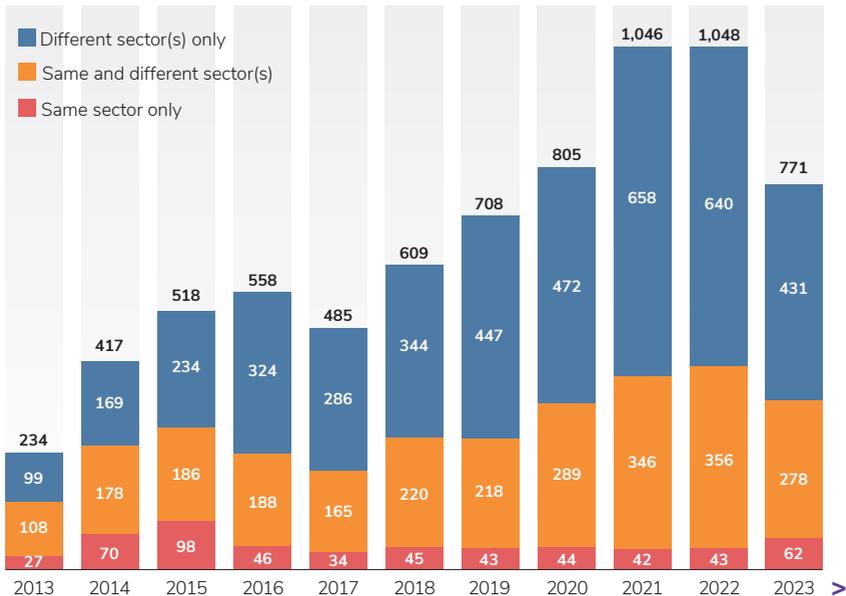


# Information technology

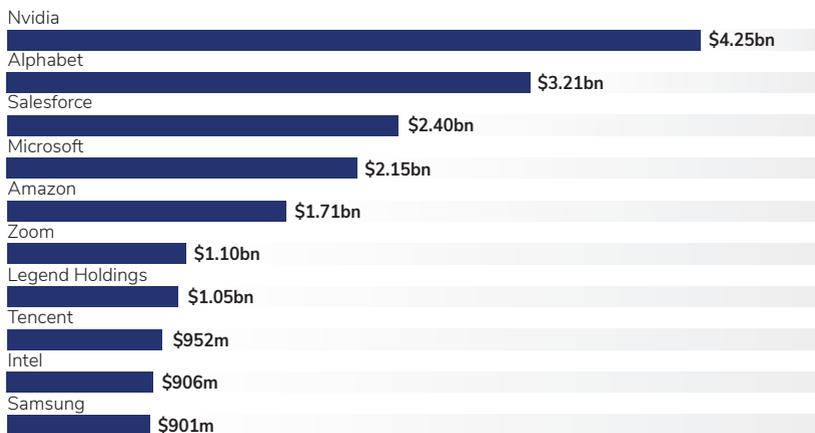
## TOP INVESTORS IN IT SECTOR (VOLUME)



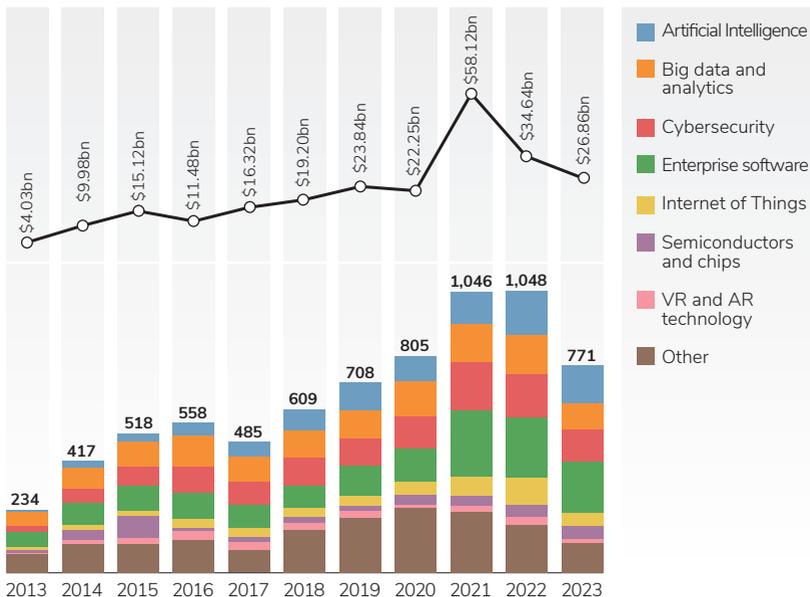
## DEALS IN IT STARTUPS BY CORPORATE BACKERS



## TOP INVESTORS IN IT SECTOR (VALUE)



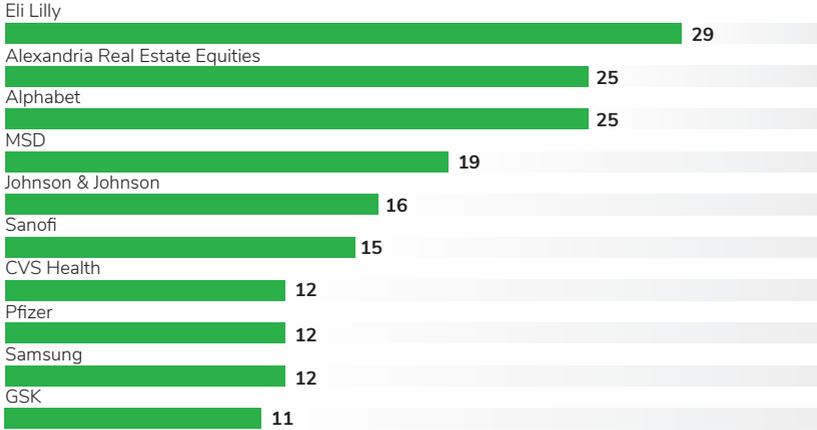
## CORPORATE-BACKED ROUNDS IN IT STARTUPS BY SUBSECTOR



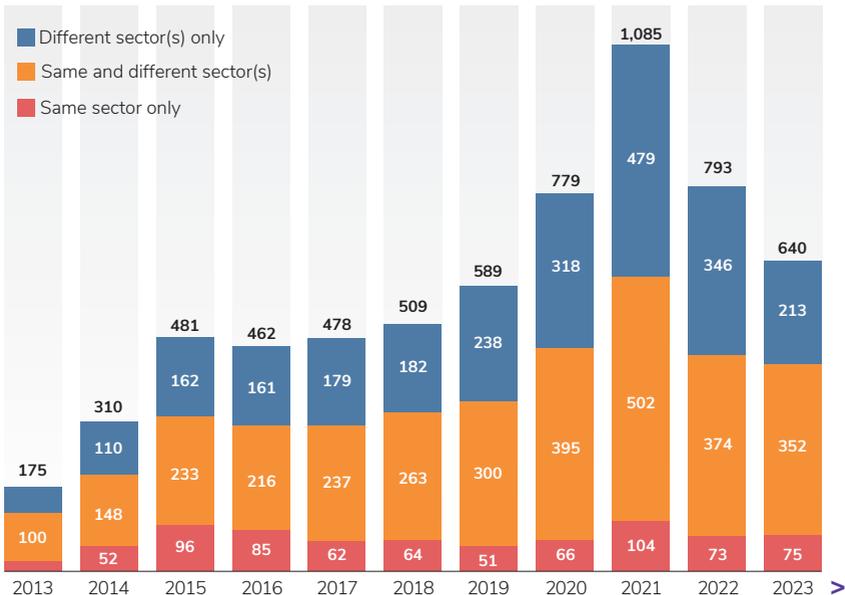


# Healthcare

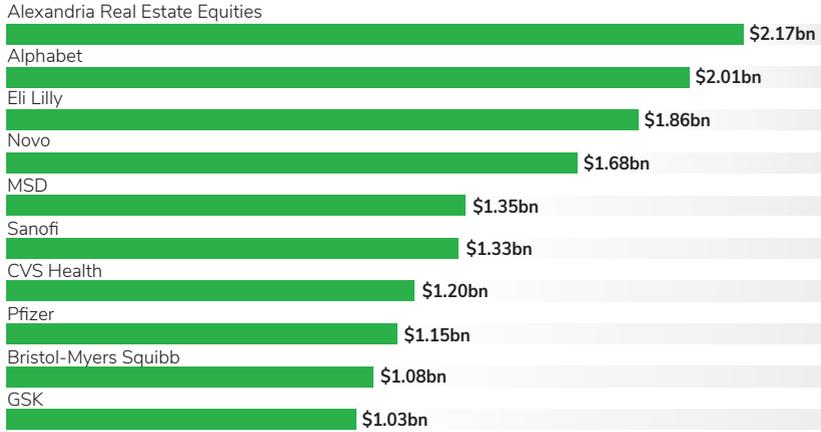
## TOP INVESTORS IN HEALTHCARE SECTOR (VOLUME)



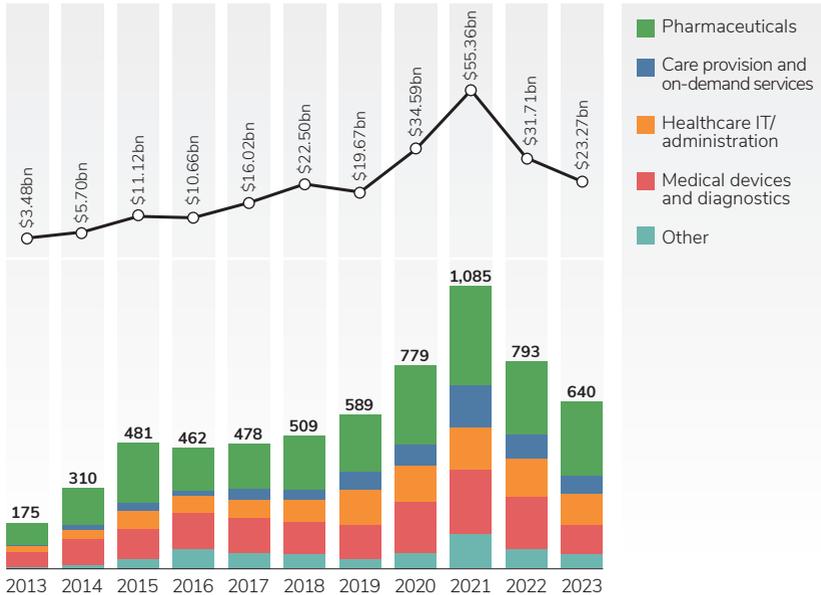
## DEALS IN HEALTHCARE STARTUPS BY CORPORATE BACKERS



TOP INVESTORS IN HEALTHCARE SECTOR (VALUE)



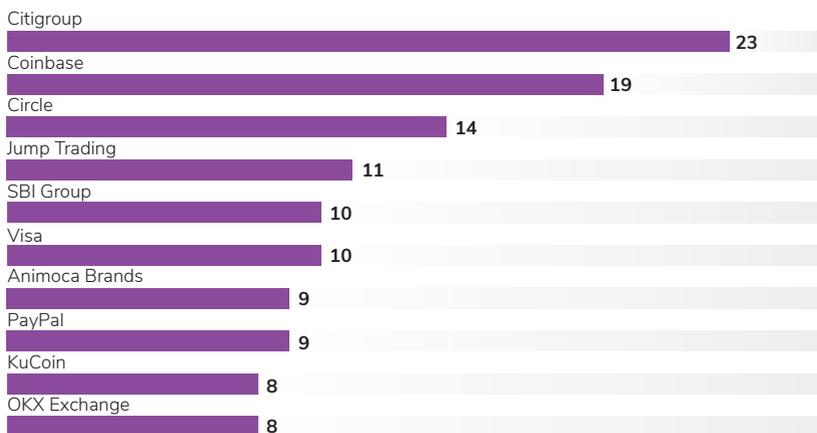
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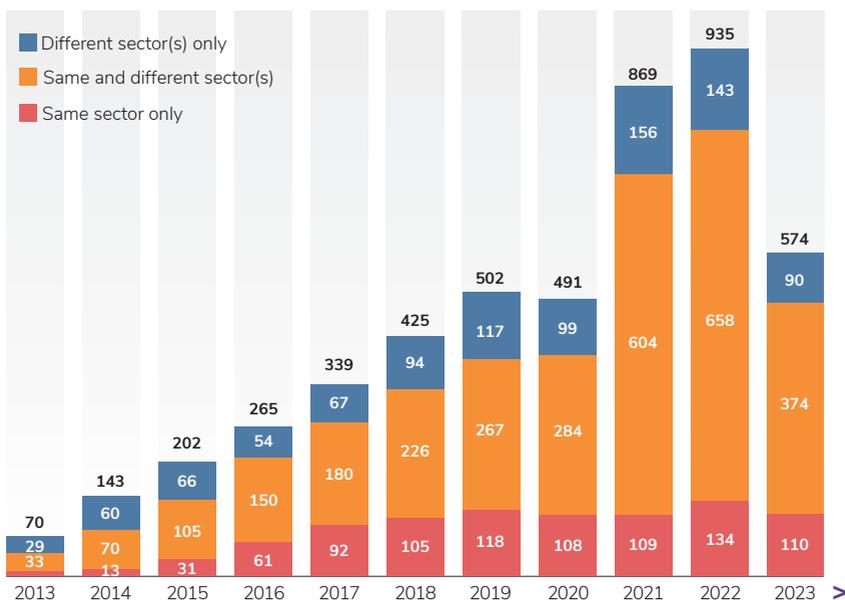


# Financial services

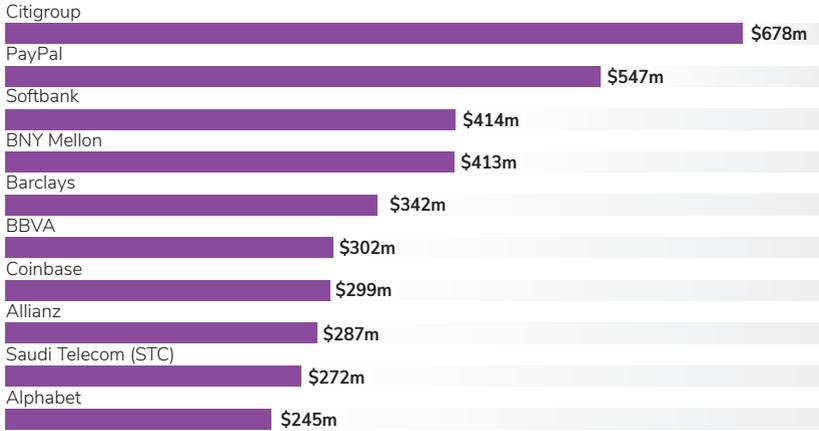
## TOP INVESTORS IN FINANCIAL SERVICES SECTOR (VOLUME)



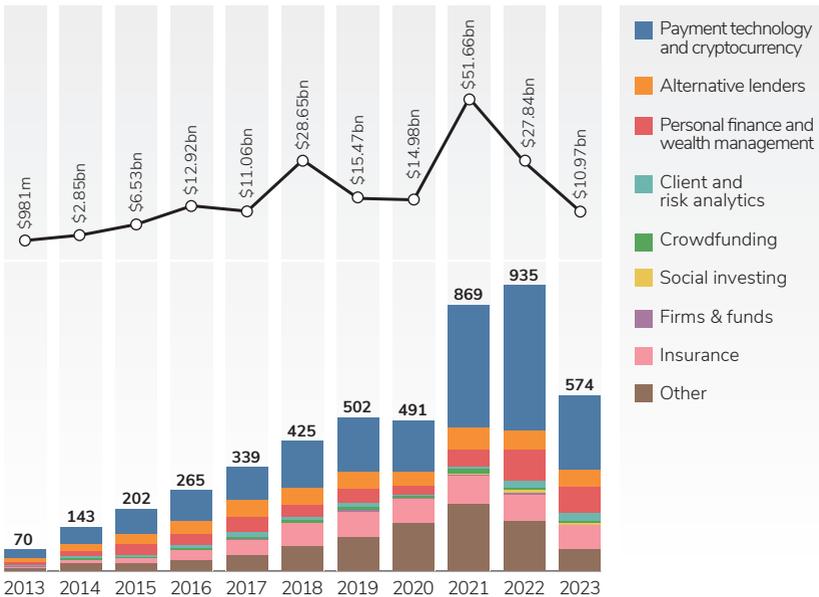
## DEALS IN FINANCIAL STARTUPS BY CORPORATE BACKERS



TOP INVESTORS IN FINANCIAL SERVICES SECTOR (VALUE)



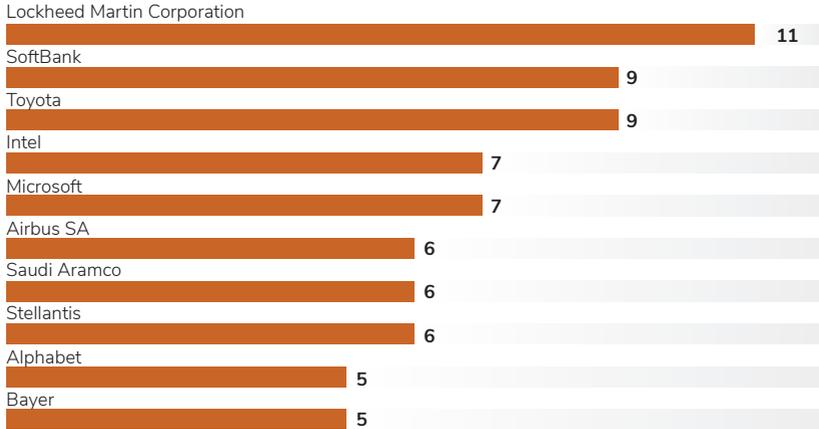
CORPORATE-BACKED ROUNDS IN FINANCIAL SERVICES STARTUPS BY SUBSECTOR



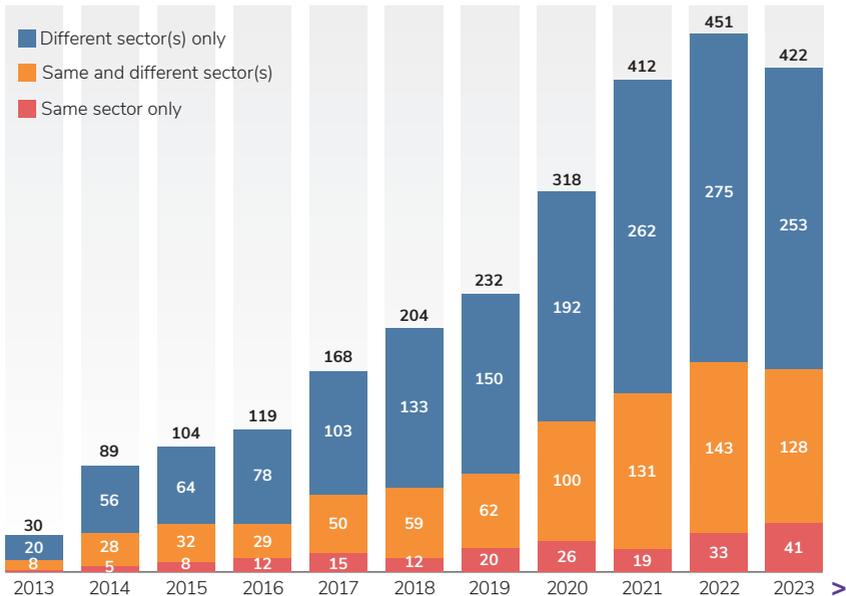


# Industrial

## TOP INVESTORS IN INDUSTRIAL SECTOR (VOLUME)



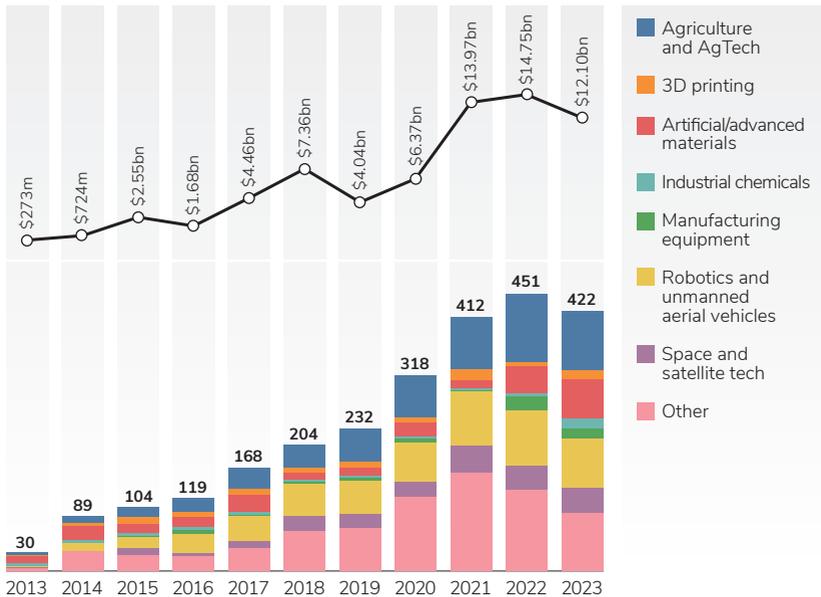
## DEALS IN INDUSTRIAL STARTUPS BY CORPORATE BACKERS



TOP INVESTORS IN INDUSTRIAL SECTOR (VALUE)



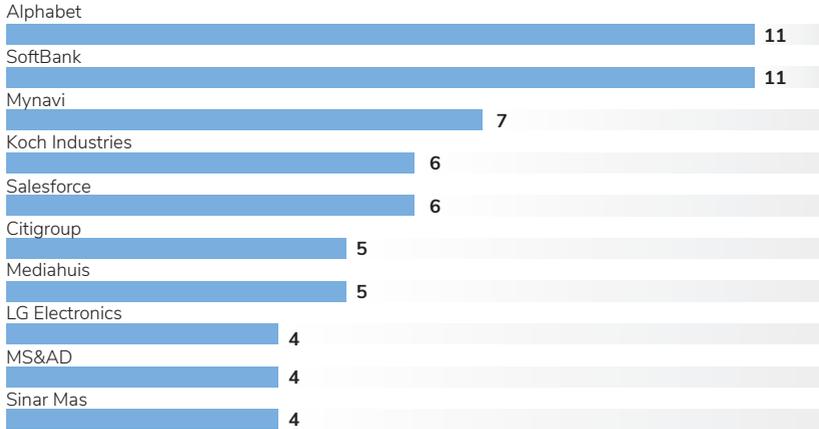
CORPORATE-BACKED ROUNDS IN INDUSTRIAL STARTUPS BY SUBSECTOR



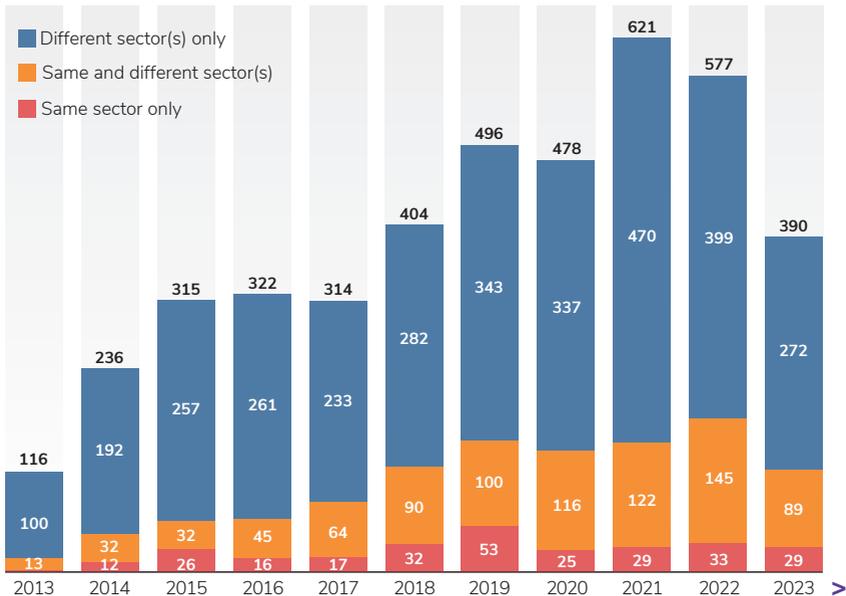


# Services

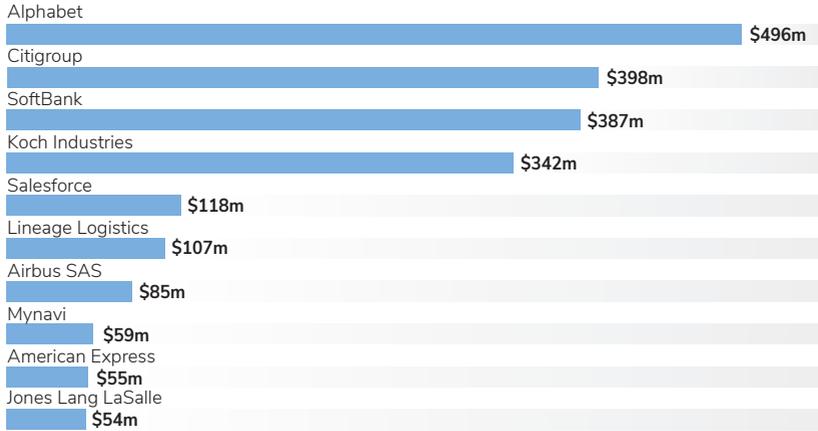
## TOP INVESTORS IN SERVICES SECTOR (VOLUME)



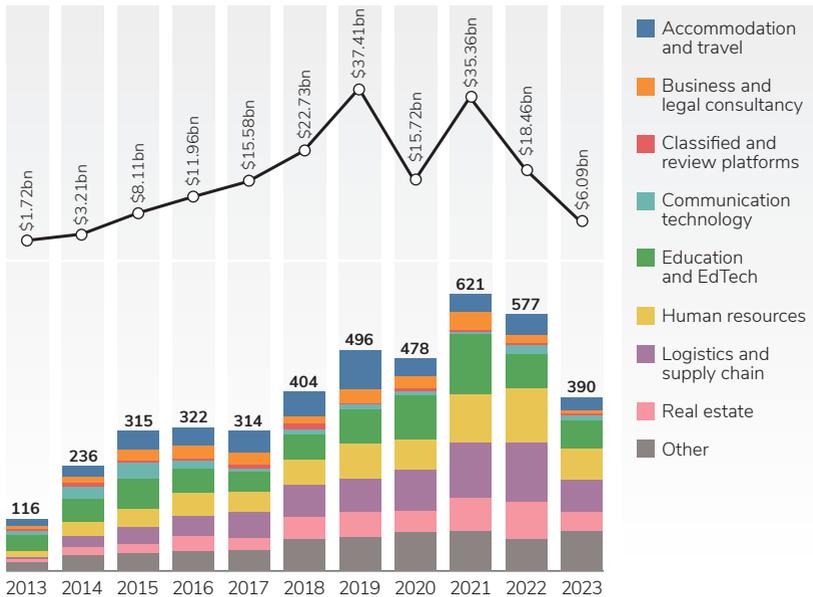
## DEALS IN SERVICES STARTUPS BY CORPORATE BACKERS



TOP INVESTORS IN SERVICES SECTOR (VALUE)



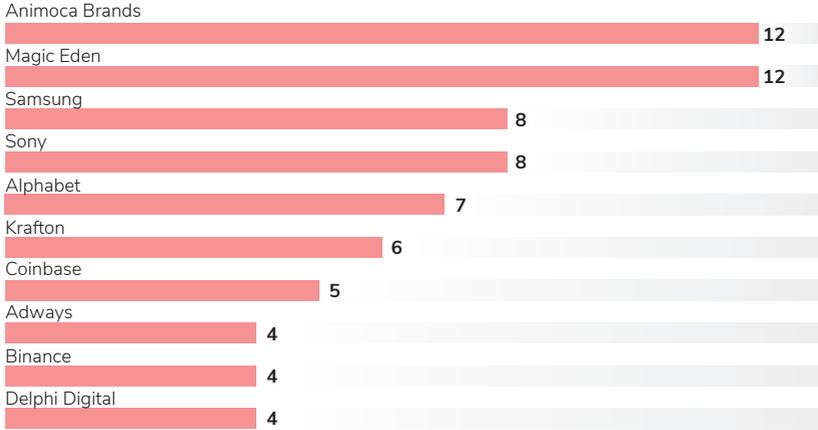
CORPORATE-BACKED ROUNDS IN SERVICES STARTUPS BY SUB-SECTOR



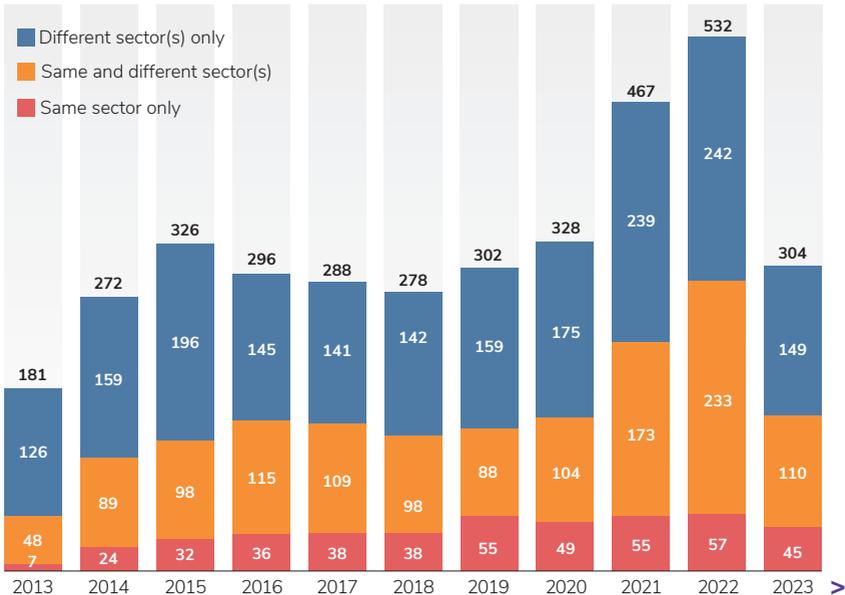


# Media

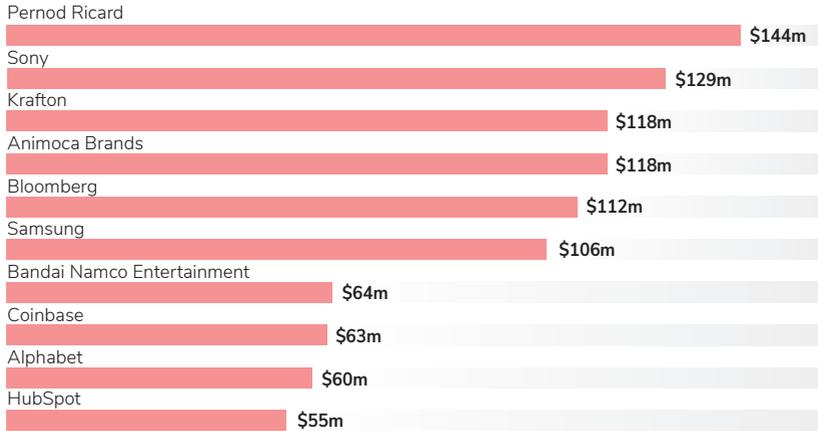
## TOP INVESTORS IN MEDIA SECTOR (VOLUME)



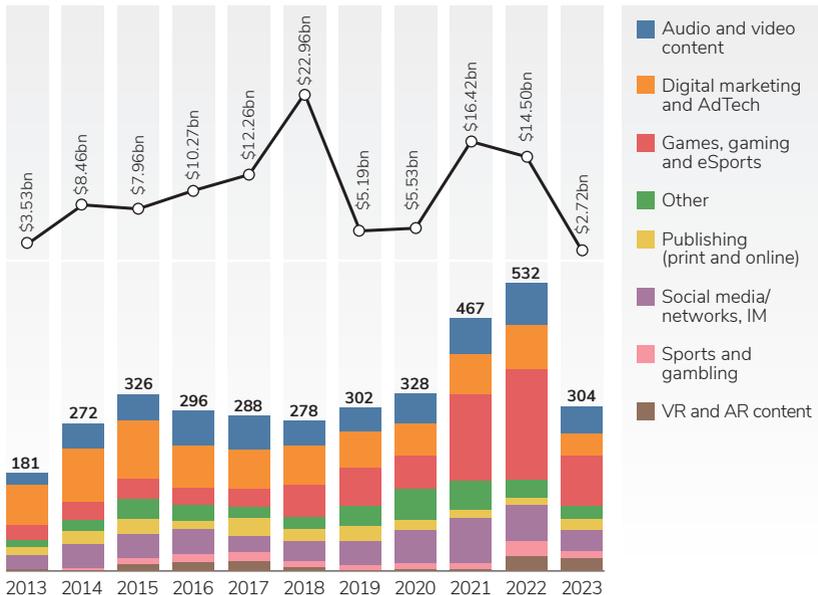
## DEALS IN MEDIA STARTUPS BY CORPORATE BACKERS



TOP INVESTORS IN MEDIA SECTOR (VALUE)



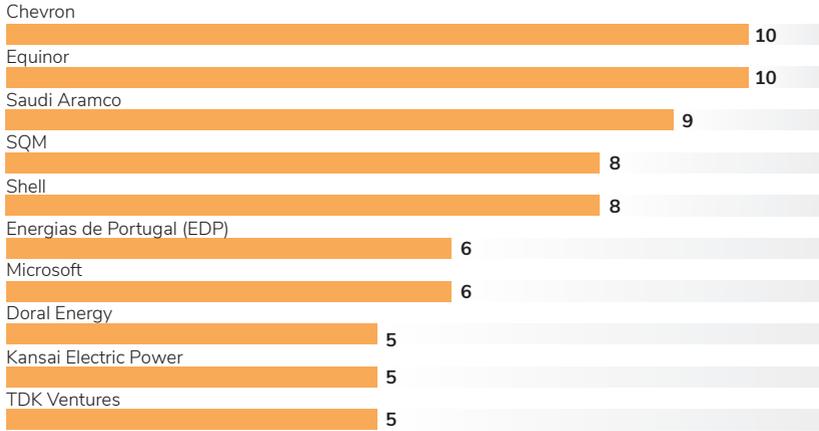
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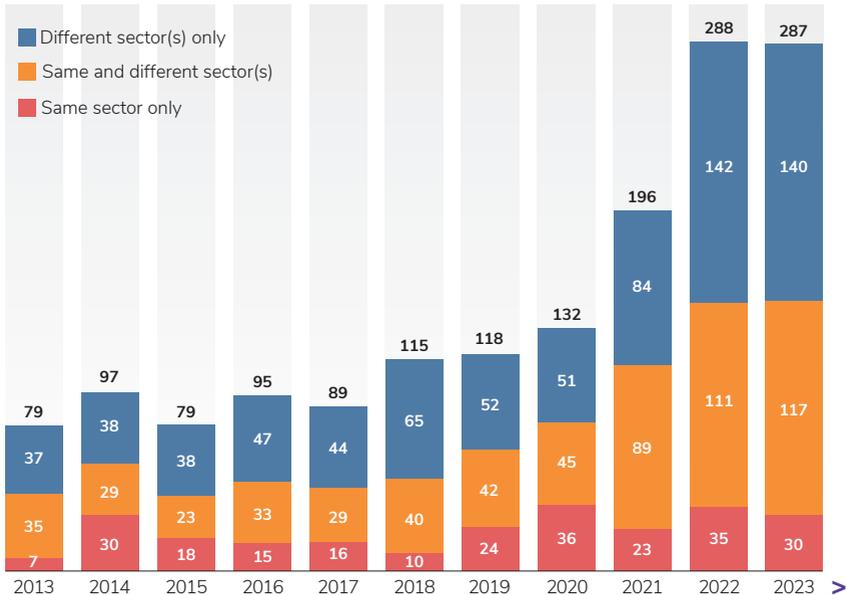


# Energy

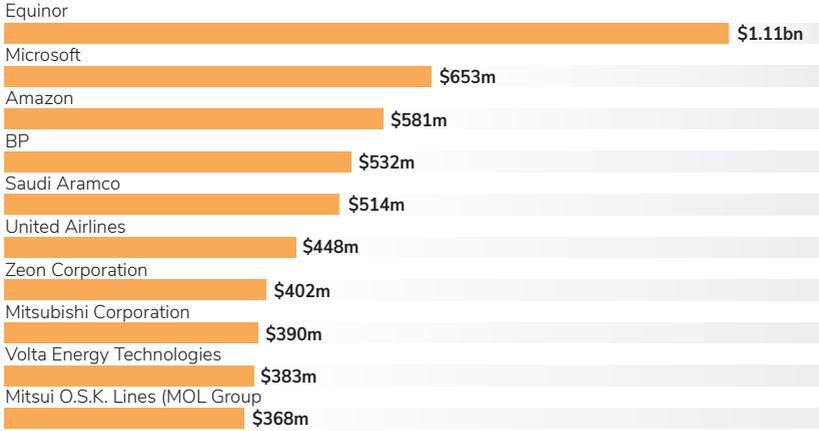
## TOP INVESTORS IN ENERGY SECTOR (VOLUME)



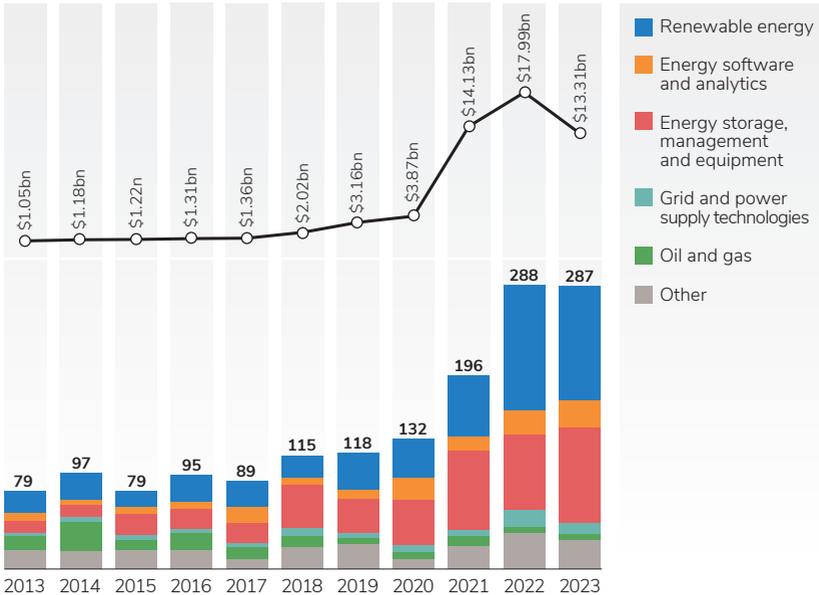
## DEALS IN ENERGY STARTUPS BY CORPORATE BACKERS



TOP INVESTORS IN ENERGY SECTOR (VALUE)



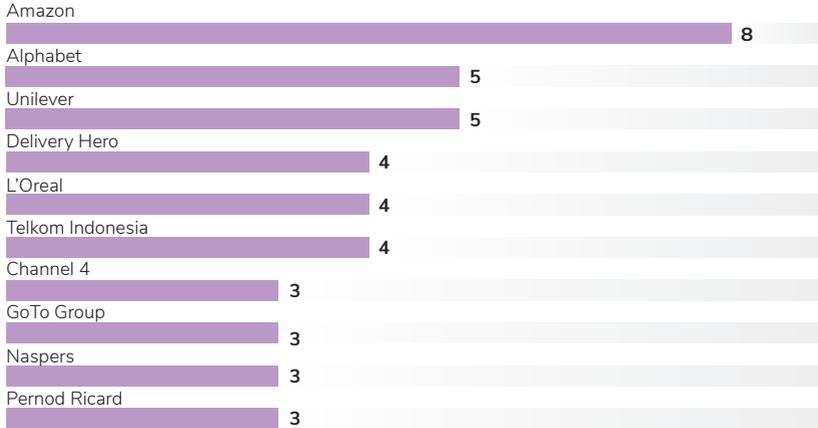
CORPORATE-BACKED ROUNDS IN ENERGY STARTUPS BY SUBSECTOR



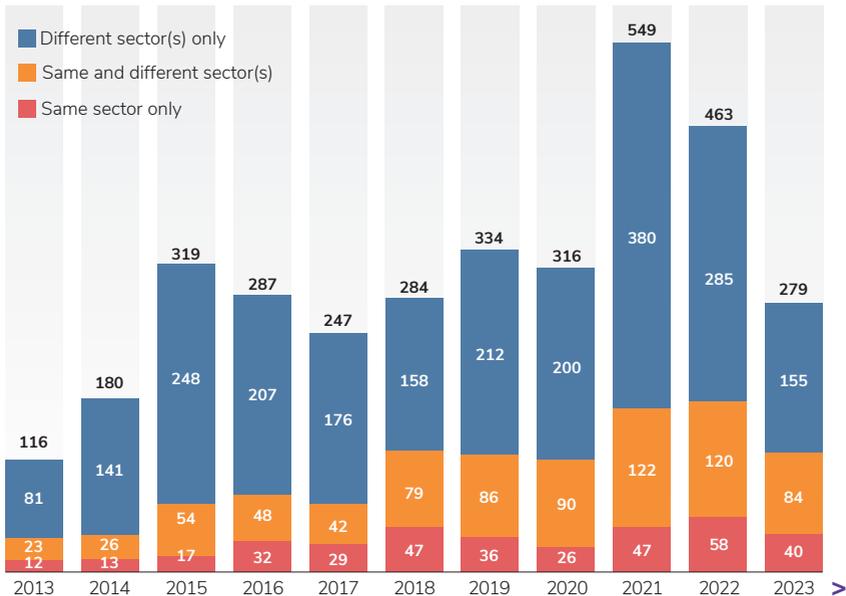


# Consumer

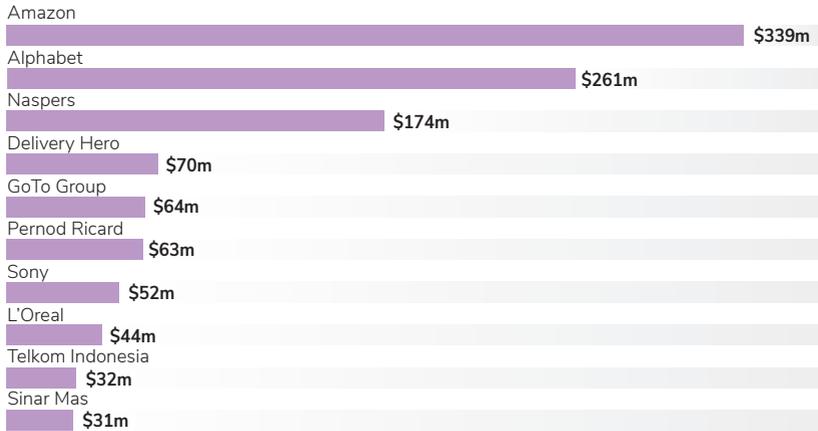
## TOP INVESTORS IN CONSUMER SECTOR (VOLUME)



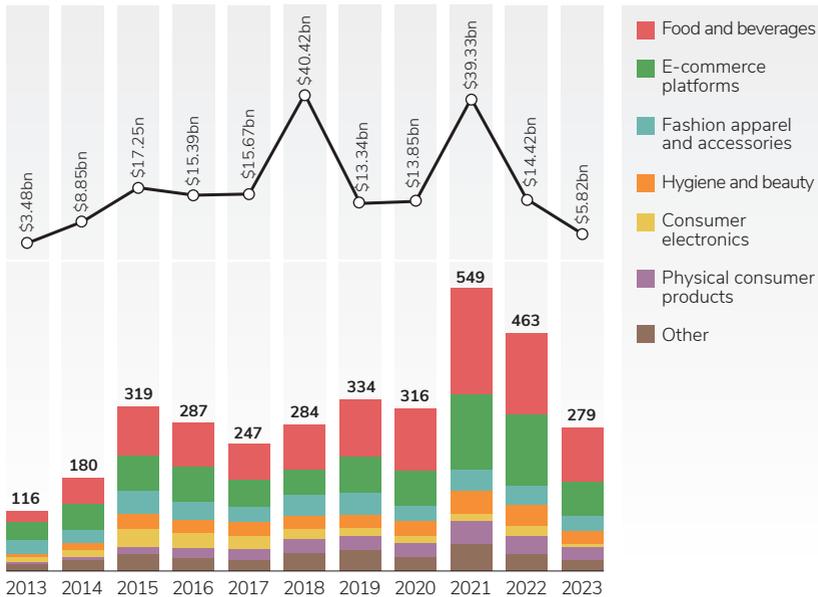
## DEALS IN CONSUMER STARTUPS BY CORPORATE BACKERS



TOP INVESTORS IN CONSUMER SECTOR (VALUE)



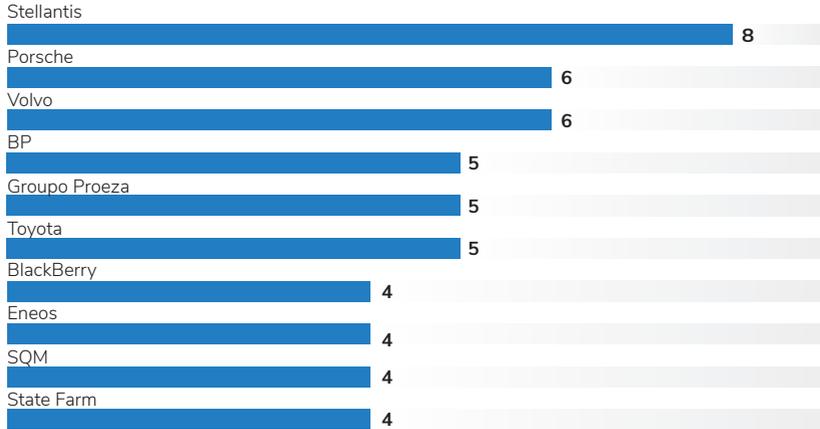
CORPORATE-BACKED ROUNDS IN CONSUMER STARTUPS BY SUB-SECTOR



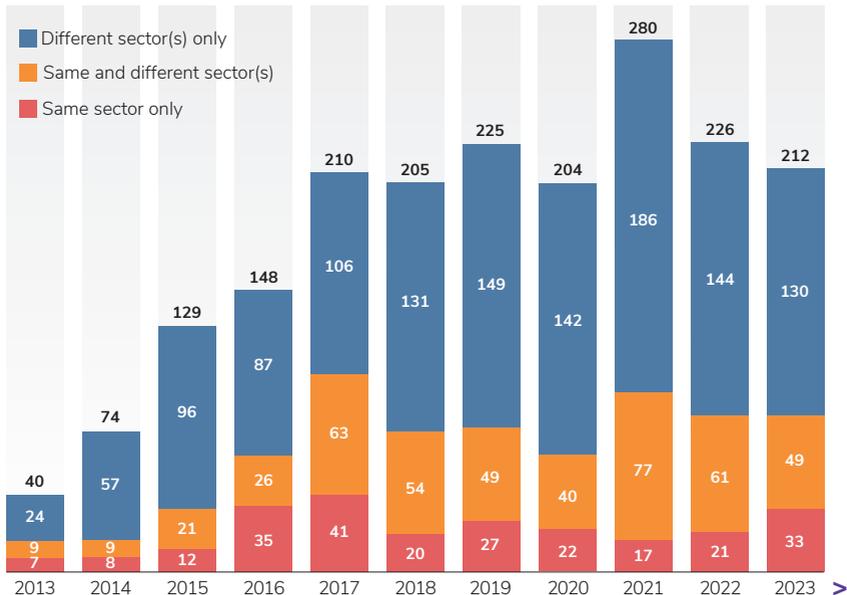


# Transport and logistics

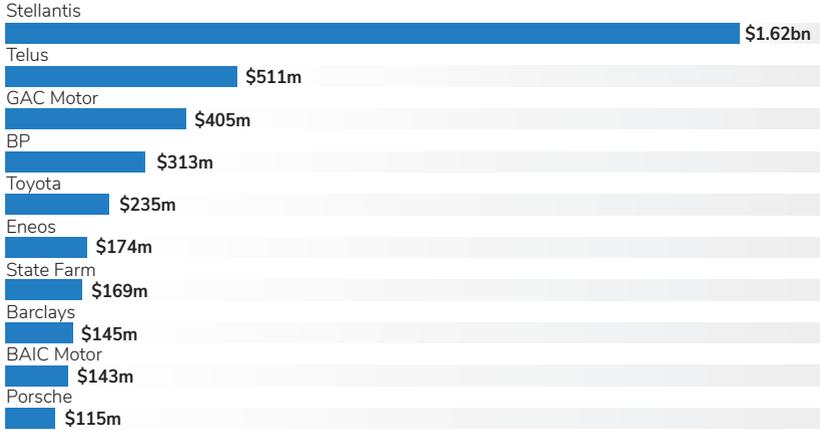
## TOP INVESTORS IN TRANSPORT AND LOGISTICS SECTOR (VOLUME)



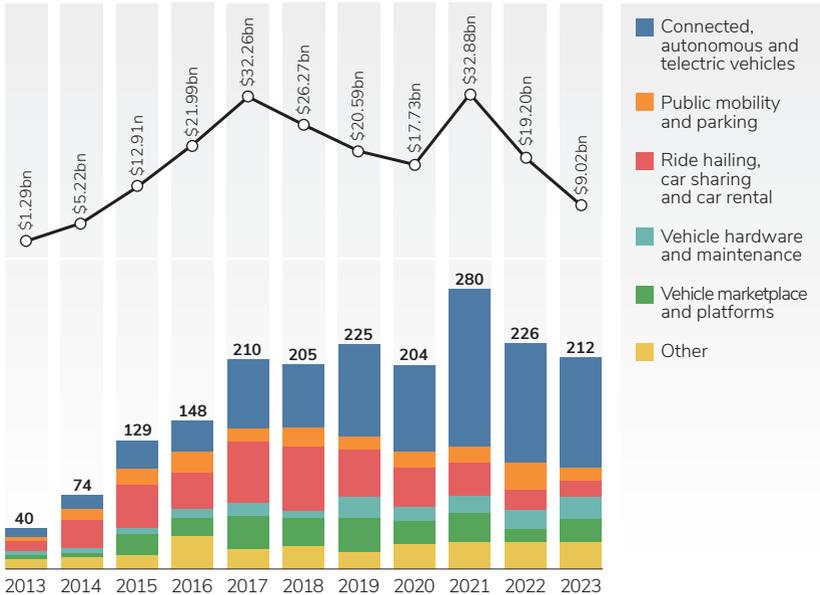
## DEALS IN TRANSPORT STARTUPS BY CORPORATE BACKERS



TOP INVESTORS IN TRANSPORT AND LOGISTICS SECTOR (VALUE)



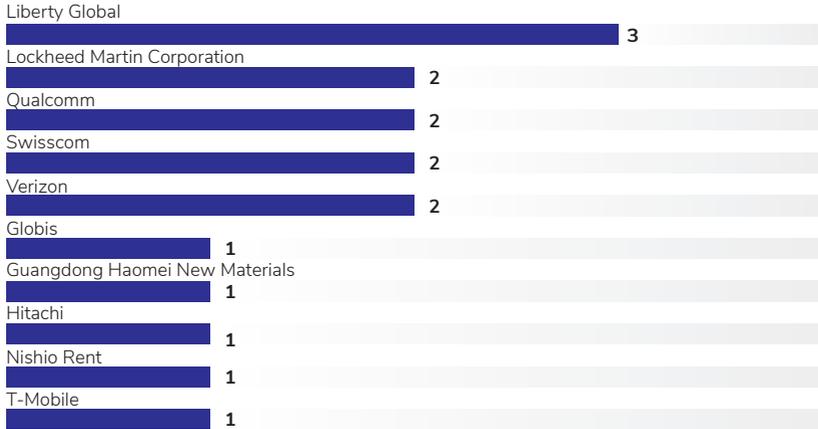
CORPORATE-BACKED ROUNDS IN TRANSPORT STARTUPS BY SUBSECTOR



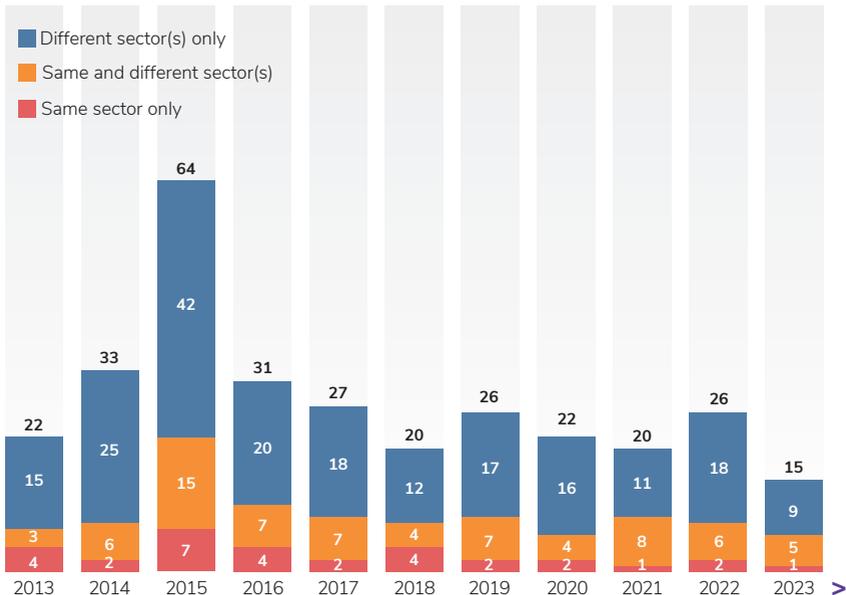


# Telecommunications

## TOP INVESTORS IN TELECOMMUNICATIONS SECTOR (VOLUME)



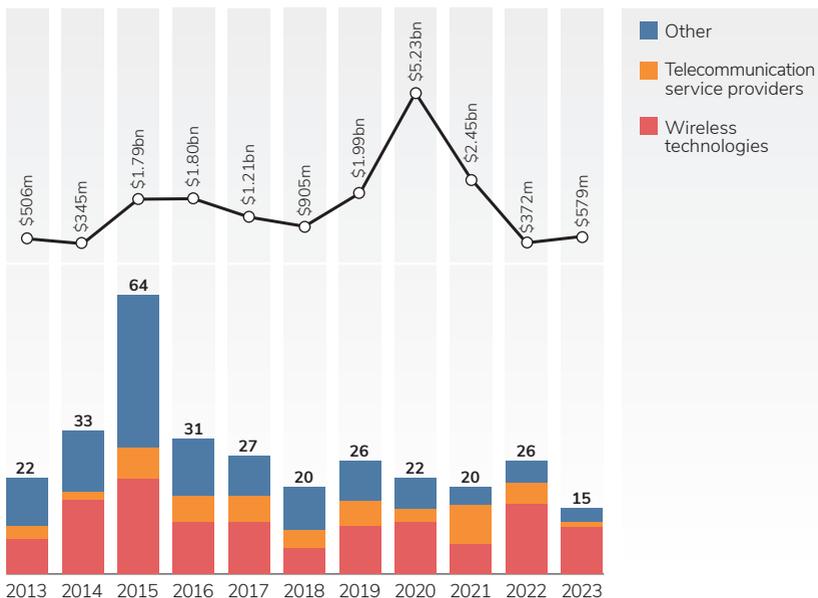
## DEALS IN TELECOMMUNICATIONS STARTUPS BY CORPORATE BACKERS



TOP INVESTORS IN TELECOMMUNICATIONS SECTOR (VALUE)



CORPORATE-BACKED ROUNDS IN TELECOMMUNICATIONS STARTUPS BY SUBSECTOR





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# CVCs grapple with push for VC-style pay

Kim Moore Deputy editor

As corporate venture capital units compete more with financial VC firms for talented investors, they are having to get creative on compensation packages

When JetBlue Ventures was set up seven years ago as the corporate venture arm of the US airline, it took the unusual step of structuring itself as an independent limited liability company while remaining a subsidiary of the parent corporation.

The founders chose this structure specifically so that they could pay staff a form of VC-style compensation known as carried interest. Carry, as it is also called, is the percentage of a private fund's investment profits that managers receive as compensation. It is the most common way to incentivise staff performance at private equity and financial venture capital funds.

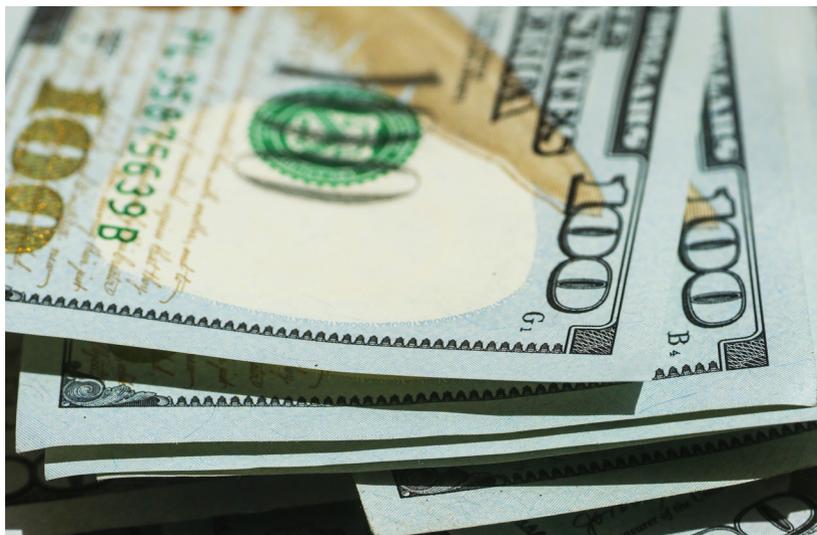
For corporate investment arms, though, carry can be a tricky construct. CVC units have to be structured independently of their parent, often as a limited partnership, to offer carry. Even then, it can be a tough sell for the corporate parent because of the chance that a CVC employee will earn more compensation than the CEO of the company. This can look bad to the mothership's management, board and shareholders.

## TO CARRY OR NOT TO CARRY

Nevertheless, more CVCs are offering carry, often in the form of a synthetic carried interest, to attract investment professionals from the banking and institutional venture capital sectors. As more corporate investment arms take on external limited partners as part of their funds, the need to hire investment professionals who will drive financial performance has become greater.

Sixty percent of CVC team members are recruited >

Photo: © Giorgio Trovato on unsplash.com



from VCs and private equity firms, according to GCV Keystone survey for 2023-2024. Sixty-three percent have carried interest or a synthetic form of carry.

“I have a lot of conversations with colleagues about carry because everyone wants it,” says Amy Burr, president at JetBlue Ventures. “It works for us because we have more of a venture focus than a lot of CVCs. Our goals are not tied to the mothership. They are tied to goals we have around fund performance, investments and a strategic initiative with our mothership.”

A poll carried out on LinkedIn by GCV in July 2023 found carried interest is highly valued by corporate venturing practitioners.

Most respondents to a separate CVC poll wish their CVC offered carried interest, although a lack of carry would not make them leave.

Offering carried interest to CVC staff is a no-brainer, says one head of a corporate venture capital unit who asked not to be named. “Carry is long-term in nature; it only becomes something when you monetise it. It is a retention programme, essentially,” he says.

In JetBlue’s case, its carried interest is triggered when >

an investment exits. But, before staff are paid out, the money generated from the exit has to pay back all its costs – the entire money invested in the company, as well as the fund money of the first year it was invested in. Once that happens, 80% of the money goes to JetBlue and 20% goes to the venturing unit. All staff at the unit above a certain level are eligible to receive carry, including the business development team.

After eight years in business the unit had its first carry-eligible exit that produced a staff pay-out in 2023, says Burr. "It can take a while to get there," she says.

For those funds that are not set up as independent CVCs with a general partner/limited partner structure, synthetic carry can be offered to staff. This type of compensation mimics true carry, but is usually paid out as a bonus that is treated as ordinary income and does not have the tax benefits of true carry.

#### DO NOT GET CARRIED AWAY

Despite the hype around carried interest, it should not be seen as the be-all-and-end-all. "Offering carry at a CVC should not necessarily be the north star," says Michael Yang, managing partner at Omers Ventures, the private equity investment arm of Canadian pension plan Omers. Yang, who used to be managing director at Comcast Ventures, points out that senior members of a CVC can make enough in fixed and variable compensation that their overall paycheck will rival that of a VC professional. "Unless you are at a massive AUM venture fund where your fees are impressive, being a VC is a tough way to make a living unless you can consistently deliver the returns. There are many VCs who have not seen the personal wealth creation that they had hoped for because of the nature of the markets," says Yang.

Carried interest often also has a long vesting period, meaning VC professionals will not receive full carry compensation unless they stay for a certain period of time. The vesting term for carried interest continues to grow and today is around 10 years, says Jody Thelander, founder and CEO of J. Thelander Consulting, a compensation consulting firm.

For many CVCs, the benefits of corporate ownership, >

## 55%

Percentage of respondents who have carry and believe it is important

## 15%

Percentage of respondents who have carry but do not think it is crucial

including not having to deal with the pressures of raising money for a fund like at a VC – especially in today’s tough economic conditions – outweigh the higher compensation you can earn at institutional venture firms.

“You can do well financially in a corporate – you get salary, bonus, stock, equity – and you do not have to fundraise,” says Bill Taranto, president of MSD Global Health Innovation Fund. “When you go to a private fund, unless you are a general partner and own the fund, partners do not earn that much money.”

For others, carry is not much of an issue when it comes to attracting talent. It is the lower base compensation that bothers people who come from a financial VC background. The CVC unit head who asked not to named says people who have a traditional VC compensation mindset do not get past the first round of interviews at his unit because it cannot match those expectations.

Offering stock in the parent is one good way of making up the financial gap in compensation. “Carry may not be the only competitive answer, particularly in a challenging VC environment,” says Liz Arrington, managing director of the GCV Institute. “Some industries such as financial services and life sciences may be able to offer extremely competitive base salary, bonus and benefits packages, and fast-growth technology sector compensation has long included generous parent equity programmes,” she says.

At JetBlue Ventures, the unit’s choice to offer carry instead of stock in the parent company has proven to be a mixed bag when recruiting, says Burr. “It can be a negative for people who are more corporate focused when they realise that they are not going to get stock in the mothership,” she says.

For those that cannot offer a base compensation that competes with VC firms, company perks such as being able to work remotely, the opportunity to travel, company discounts and better work-life balance can also attract VC investment professionals.

But, with more convergence around expectations for CVC investment professionalism, “the adoption of programmes that recognise financial performance will continue to rise”, says Arrington. ■

## 28%

Percentage of respondents who said they would leave for a job with carry

## 3%

Percentage of respondents who said they would not leave to seek carry



Photo: © krakenimages on urtplash.com

# Corporate funds take on external investors

**Kim Moore** Deputy editor

More money to invest, greater technology insights and better support for startups are some of the reasons corporates are bringing multiple limited partners

When United Airlines opened its Sustainable Flight Fund to outside investors, the fund doubled in size to \$200m just five months after its launch in early 2023. Today it has 13 limited partners, including several US airlines.

A clear benefit of opening up to external limited partners is the bigger pot of money that fund manager United Airlines Ventures has to invest in startups that develop sustainable aviation fuel. Having multiple partners, some of which directly compete with United for passengers, also sends a signal that airlines want to work together on a global climate problem, says Andrew Chang, managing director of the airline's corporate venture capital unit.

United Airlines is one of a recent wave of corporates that have launched funds open to outside investors. In >

a break with the traditional CVC playbook, some have even taken on institutional investors and operate more like their peers in the financial venture capital sector.

As more corporations see the benefits of having multiple LP funds, these types of structures are likely to become a more common part of corporate venture capital practice.

### LP STRUCTURES

There are four main ways that corporates do multi-LP fund structures: multiple LPs from the same group, multiple LPs from the same sector or taking on LPs from a variety of sectors with strategic goals and LPs from a variety of sectors that mainly seek financial returns from the fund.

■ **Multiple LPs from the same group** – one model that has been around for a while is when a corporation launches a fund that has multiple limited partners from its own company or a federation of companies that share a common brand. An example is Blue Venture Fund, a corporate venture programme in which 36 Blue Cross Blue Shield health plans invest in startups that have strategic value to the US health insurance plan affiliates.

■ **Multiple LPs from the same sector** – another model is when corporates come together from the same sector to do strategic investing. A recently launched fund in this category is Amberra, an investment arm for the largest banking and insurance groups in Germany.

■ **LPs from different sectors with strategic goals** – a variant of the multi-LP model is where the investors are from different sectors but they are focused on a specific area where their strategic interests converge. United Airlines' Sustainable Aviation Fuel fund is a good example of this.

■ **LPs from different sectors with financial goals** – a fourth multi-LP fund model, which splits the most from traditional CVC, is when a corporation sets up a fund that takes on limited partners from different sectors and often includes institutional investors seeking purely financial returns.

Sony Ventures chose to open its Innovation Fund 3 to between 10 and 20 external limited partners when it launched the fund in 2022. Limited partners in the >

¥25bn (\$165m) fund include Mizuho Group, Sumitomo Mitsui Trust Bank and Mitsubishi Estate. The head of Sony Ventures, Gen Tsuchikawa, said it plans to keep close ties with Sony.

### TESTING THE MODEL

TDK Ventures recently dipped a toe into a multi-LP fund with the idea of showing that this arrangement can work without leading to a separation between the parent company and the CVC unit.

“We want to prove the model of multi-LP,” says Nicolas Sauvage, president of TDK Ventures. “We want to prove the value to TDK, to the LP, and the governance.”

TDK Ventures started relatively small as it explores the model, launching the \$150m Fund EX1 in May to invest in energy and climate tech startups. The fund has two LPs: parent TDK and Amperex Technology Limited (ATL), TDK’s Hong Kong-based lithium-ion rechargeable batteries specialist.

Sauvage says ATL was chosen as an LP because of the value it can bring to portfolio companies in finding customers for its products or services. “If we are smart in selecting the right LPs to join the multi-LP fund, they are thinking from a go-to-market point of view. Anyone receiving investment from this multi-LP fund would get privileged access to the LPs which would bring them go-to-market more quickly,” says Sauvage.

### BENEFITS OF MULTI-LP FUNDS

Limited partners can get several benefits from joining a corporate fund. They can, for example, make portfolio companies customers for their own businesses or help them discover new markets.

For the CVCs, opening up their funds to external >



Anyone receiving investment from the multi-LP fund would get privileged access to the LPs which would bring them go-to-market more quickly

**Nicolas Sauvage**, TDK Ventures

investment can bring a degree of freedom. One of the issues it can help with is attracting and retaining talent, says Sauvage. This is especially the case in the highly competitive climate and clean energy sectors. CVCs are vulnerable to poaching of staff by financial VCs because they can pay better than corporate venture capital units. Having multiple-LP fund structure gives CVCs more flexibility to provide VC-like compensation, such as carried interest.

"In a sector that is very competitive, such as energy transformation, there are a lot of climate tech VCs that have billion-dollar-plus investments. This means they attract the best of the best in the ecosystem. A multi-LP fund structure allows us to recruit and retain the best talent," says Sauvage.

#### **SAFETY NET**

CVCs may also be attracted by the added safety net of a multi-LP fund structure. It is harder for the parent corporation to shut down a fund that has external LP money. CVC fund managers spend a lot of time explaining the value that corporate venture capital brings to the mothership. This time could be spent on other tasks with a multi-LP fund structure.

Dong-Su Kim, CEO of LG Technology Ventures, the investment arm of the Korean conglomerate LG, says sole LPs can have "too much influence on decision-making because they see it as their money. In a multi-LP fund, the fund manager has more control."

LG Technology Ventures manages several funds for LG subsidiaries. Each fund has a sole LP. But it recently set up a \$309m multi-LP fund to back AI, battery and mobility startups. It is financed by four of LG Group's subsidiaries: LG Energy Solution, LG Uplus, LG CNS and LG Chem. Kim says a clear benefit of multi-LP funds >



At LG Technology Ventures we have invested as an LP in financial venture capital funds and there are always insights that can be obtained from the perspective of the LPs

**Dong-Su Kim**, LG Technology Ventures



Nicolas Sauvage, speaking at the GCV Symposium in London in June 2023

are the added insights that several limited partners can bring to investment decisions.

“Even strategically, the interaction among multiple LPs can be very beneficial to LG. At LG Technology Ventures we have invested as an LP in financial venture capital funds and there are always insights that can be obtained from the perspective of the LPs.”

Having multiple LPs does, however, bring an extra layer of complexity that single-LP funds do not have to bother with. Multi-LP is not a small undertaking, says Sauvage. “There is so much governance and overhead to run a multi-LP fund,” he says.

Managers of multiple-LP funds have to make sure the investment team understand all partners’ interests and goals. And all limited partners have to agree on common goals. This reduces the risk of running into disagreements over investment decisions.

Despite the challenges, those who run these types of funds say the benefits outweigh the complexities. Being able to have the perspectives of various stakeholders can give funds a competitive edge in sourcing successful startups.

For United’s Chang, the chance to bring on external LPs brings benefits that are “immeasurable in terms of expanding the scope and nature of discussions. There is heightened credibility”, he says. ■



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# Business development is latest hot-ticket role

Kim Moore Deputy editor

Corporate investment units that have business development embedded in their teams tend to outperform those that do without

At one time it was the job of the investment team at a corporate venture fund to figure out how startups could partner with business units at the parent. Some CVC units may still operate this way.

But many CVC units have set up dedicated teams of business development specialists to take on the role of connecting startups with the mothership. It is a trend that started about five years ago and is now accelerating.

The economic downturn was a major factor in elevating the importance of the business development officer at CVC units. It is going to be difficult for the corporate parent to justify closing down a unit if its investments have proven to make money for business units.

“Over the past five to seven years, programmes that are most successful have been able to align investments with business development activity,” said Liz Arrington, co-founder and managing director of the GCV Institute, during a panel discussion she chaired on this topic at the GCV Symposium in London in June 2023.

Some CVC teams have embedded business development at the unit for several years. Shell Ventures started a business development side of its investment unit six years ago. The team has grown to seven as part of a 45-member team.

“When we started six years ago, we were a one-man show. But we realised the value we bring to the business is far bigger, so we needed to grow the team,” said Tjerk Joustra, general manager of global implementation management at Shell Ventures.

The investment arm of the UK-based oil and gas major >



Panellist discuss business development units in CVCs at the GCV Symposium in London

realised it needed a dedicated business development team to connect startups with the parent. Many investors, who generally were hired from outside the organisation, did not know the Shell business well and were not best placed to connect both camps. “Six years ago, we realised there is more value in deployment than in investment,” said Joustra.

The team has grown big enough that each business development staffer is assigned to a specific sector. One person will be tasked to uncover business opportunities for up to eight portfolio companies. Joustra’s team is not involved in scouting startups, but it does get involved in selection.

### THE NEXT LEVEL

Shell Ventures took business development to the next level recently by starting to connect startups with Shell’s customers. It set up a fund to help commercial partnerships develop. “We work with account managers to deliver solutions. That is part of their deliverable for the year,” said Joustra.

Since MSD Global Health Innovation Fund set up its version of a business development function over >

the past two years, it has entered 60 commercial agreements with portfolio companies. Before the business development function, it only had five agreements. It set up business development at the fund after it felt it was not getting enough “engagement” with the parent, said Bill Taranto, president of the CVC.

Swisscom Ventures has a two-person business development team that is a new function at the corporate venture unit of the Swiss telecommunications company. The unit’s investors used to undertake a business development role, making connections between its investments and the parent company. “Now we want to institutionalise this function,” said Rico Dähler, business development manager.

Having a business development team is also a selling point during fundraising. Many startups will be attracted to CVC investors that make it a point of introducing them to the parent’s business units. “In a competitive environment, we can say this is what we do. It is a way to bring interesting technologies into the company,” said Dähler.

Dähler’s team aims to come up with new services that drive revenue at startups, as well as the parent. With one portfolio company, it took free shares in the company in exchange for introducing the startup to competing telecommunications companies that could use the startup’s service.

One aspect of commercial contracts between startups and parent corporations is off the table, however. CVCs generally avoid demanding portfolio companies’ intellectual property (IP), which can break down relations between the two. “We do not ask for the IP of portfolio companies. It is a way for both parties to feel good about starting a partnership together,” said Dähler. ■

**60**

Number of commercial agreements MSD Global Health Innovation Fund has entered with portfolio companies since setting up its business development function



Over the past five to seven years, programmes that are most successful have been able to align investments with business development activity

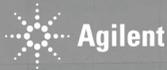
**Liz Arrington**, GCV Institute

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