



Foreword

Technology-led disruption is the new normal for virtually every segment of the economy. It has profound implications for the way businesses organise themselves, serve customers and develop new products. Venture capital (VC) is a major driving force behind this disruption. Venture funds provide much of the investment necessary for technology start-ups to reach a scale where they can disrupt established corporations and eat into their revenues.

One way that incumbent Forbes Global 2000 businesses have responded to the emergence of agile, digital native competitors is by establishing their own corporate venture capital (CVC) arms so they too can engage with emerging technology companies. However, some traditional VCs have criticised these "lumbering giants" for moving slowly and driving up asset prices. Unfortunately, this commentary has sometimes been justified.

Nonetheless, corporate funding continues to grow and we expect direct corporate and CVC investing to account for 35 per cent of total global VC dollars invested by 2025. More importantly, as this paper outlines, large corporations can be valuable partners in scaling emerging technology companies. When managed properly, CVCs offer start-ups critical access to established channels to market, large customer bases, complementary products, brand endorsement and other capabilities, as well as funding.

This paper discusses the role of CVC within the wider VC sector from a number of perspectives and explores the reasons why corporations succeed and fail in this space. We describe the concept of Strategic Growth Investment – an approach that can bring tangible benefits and create exciting opportunities for corporate parents and the emerging companies with whom they partner.

Businesses must find ways to participate in the technology revolution that is changing the way we all live and work, or risk extinction. Only half of the Fortune 500 firms of 1999 remain as of 2015 and the pace of change is accelerating. We believe CVC offers an important innovation tool for corporate parents, however successful CVC groups are difficult to build and only those with significant long term investment in talent, relationships, capital and senior leadership attention will succeed.

Mark Sherman

mark.sherman@team.telstra.com
Telstra Ventures

Albert Bielinko

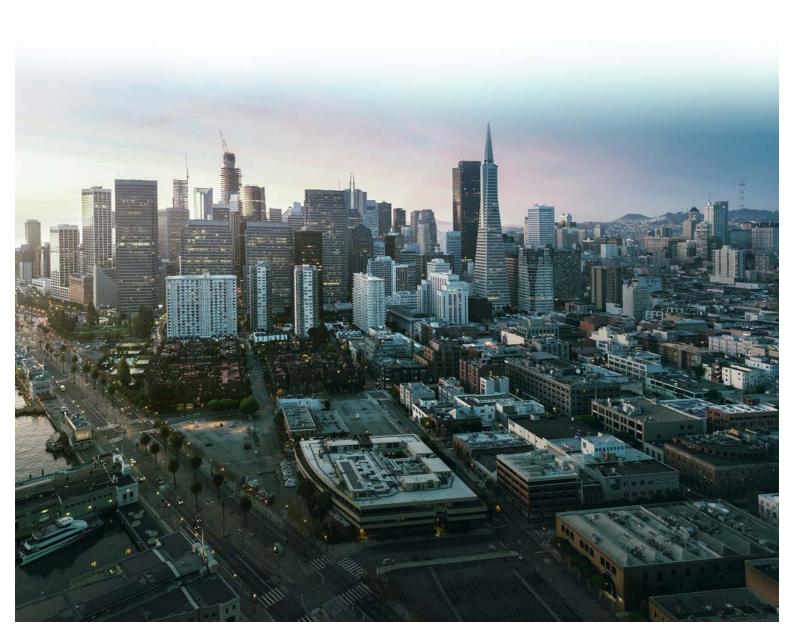
albert.bielinko@team.telstra.com

About Telstra Ventures

Telstra Ventures is the corporate venture capital arm of Telstra, one of the 20 largest telecommunications companies globally. Telstra Ventures has invested more than A\$250M in over 30 leading technology businesses that are strategically relevant to Telstra. It has generated more than A\$100M of revenue for its portfolio companies, with 7 liquidity events to date.

About the authors

This paper was written by Mark Sherman, who is the Managing Director for Telstra Ventures based in San Francisco, and Albert Bielinko who is based in Sydney. Ben Armstrong and Saad Siddiqui from Telstra Ventures also provided input.



Executive summary

Fuelling disruption

We are in an age of almost constant technological change, where disruption is the new normal. A great deal of credit for this disruption goes to the vibrant technology-driven start-up ecosystem. Traditional VC funds have fuelled the ability of small, agile companies to quickly bring innovative goods and services to market.

For many emerging companies, VC is a critical factor underpinning their business growth. The heroes of VC are almost market-makers in their own right. Their involvement brings a valuable endorsement of a start-up's potential, can generate further funding opportunities and can open doors to customer, channel, talent and corporate development opportunities.

Dumb vs smart money

Within the VC community, the role of CVC has ofter been maligned. It has been called slow, dumb money with thin value-add for investees. In some cases, this criticism has been justified. However, a group of strategic CVC arms has been steadily developing a strong track record for high quality investments in new businesses that are driving significant changes within their corporate parents. They provide attractive distribution channels, existing customer bases, access to complementary products and technical expertise for creative entrepreneurs. We call these Strategic Growth Investors.

Growing force

These Strategic Growth Investors are gaining prominence at a time of growth and diversification in the CVC industry.

According to the Global Corporate Venturing
Leadership Society, there are now over one
thousand CVCs teams and the number of active
CVC groups that made an investment in Q2 2016 is
almost double the same figure 4 years ago. CVC
has been increasing its share of overall venturebacked company funding. We believe direct
corporate and CVC investing will account for 35
per cent of total global VC dollars invested by
2025, up materially from the current level of ~28

Typology of corporate investors

We believe the CVC market will continue to segment into three types:

- Starter efforts small, new teams making two to five investments each year (US\$0.5M to US\$2M per deal) often with a less mature and predictable investment process and uncertain commercial value-add
- Credible CVC efforts established for more than 5 years, greater investment in terms of people and capital, with some predictability of process and value-add.
- Strategic Growth Investing groups world class efforts with well-established people, processes and value-add that form part of their parent company's long term strategy and offer thought leadership in relevant technology sectors.

The last group – Strategic Growth Investors – have the potential to be enormously effective for both corporations and entrepreneurs. They will only reach their potential however if they have certain characteristics, including access to sufficient capital to be an active investor, the ability and incentives to provide genuine commercial value beyond funding and the long-term support of their parent.



What makes a Strategic Growth Investor?

Some of the characteristics of Strategic Growth Investors include:

- 1. A significant capital commitment (minimum US\$50M per annum) so that they can be a regular investor and active participant in the technology ecosystem.
- 2. A long term commitment from the parent company based on an alignment with company strategy and an appreciation of the dynamics of venture investing.
- 3. Offering entrepreneurs genuine commercial value beyond the investment itself they are partners for growth through access to sales channels and customers.
- 4. Demonstrating their value by generating new revenues and business opportunities for investees as well as the parent company.
- 5. They are tightly focused on identifying and investing in ventures that are aligned to their parent's core business.



The corporate innovation toolkit and the growth of corporate venture capital

Summary

Technology is transforming the way we all live and work, creating opportunities and challenges for existing businesses. Many corporations face disruptive new competitors and growing customer expectations around digital services.

CVC is an increasingly popular approach in the company toolkit to foster or acquire the innovation they need to transform their businesses. Options available to corporations include CVC, accelerators, incubators, innovation labs, corporate development and M&A.

The number of CVCs globally is rapidly increasing. The number of active CVC groups who made an investment in Q2 2016 was almost double the same figure as four years ago. The dollar value of CVC investments is growing and CVCs are operating in more international markets. We expect direct corporate and CVC investing will account for 35 per cent of total global VC dollars invested by 2025.

Getting in on disruption

The scale of the digital disruption is staggering. Around the world, large established businesses in almost all industries are experiencing the effects of new competitors who use digital technology to challenge the status quo.

Mark Zawacki from 650 Labs has observed that the largest media company in the world is Facebook and it creates no content, the largest accommodation provider is Airbnb and it owns no real estate and the largest taxi company in the world is Uber and it owns no taxis. Digital technology also lends itself to achieving massive scale.

Figure 1. Largest companies in the world are tech companies



■ Tech company

Source: Bloomberg

^{*}Nasdaq peak during dot-com bubble. Note: Market caps are not adjusted for inflation

Figure 2. Digital disruption in action

Five examples:

Industry	Disruptors		Revenue disrupted (US\$)	Disrupted
1. Mobile handsets	É iOS	CIOFCNDI	\$75B	Motorola, Nokia, RIM, mobile operators
2. Advertising	Google	facebook.	\$45B	Broadcast and print media, big brands
3. Music	Ć	PANDORA	\$20B	Music retailers, distributors, labels
4. Movies	NETFLIX		\$6B	Movie retailers, content creators
5. Hospitality			\$6B	All major hotel chains globally
World's largest taxi comp	pany owns no taxis	UBER	World's largest movie house	owns no cinemas NETFLIX
World's largest accommo	odation provider owns	⊘ airbnb	World's largest software vend write apps	dors don't Google
World's largest phone co telco infrastructure	mpany owns no	◯ WhatsApp	World's largest recruitment a	gency is online Linked in
World's most popular me no content	edia owner creates	facebook.		

Source: Mark Zawacki from 650 Labs; www.650labs.com

Backing up these examples, recent Telstra research found that nearly three-quarters of companies surveyed across the Asia Pacific region see themselves as exposed to digital disruption. Around two-thirds are actively trying to disrupt industries themselves.

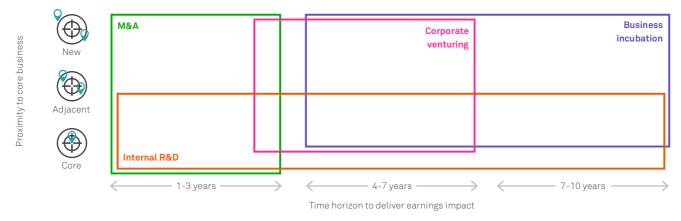
VC is one of the main forces driving digital disruption. Funding from traditional VC firms, like Sequoia, Benchmark and Andreessen Horowitz, has enabled start-ups to scale quickly and bring solutions to market that may not have otherwise been possible. Many of the most successful and transformative companies were venture-backed, including today's largest companies such as Alphabet (Google), Amazon, Apple, Facebook and Microsoft.

Stanford University Graduate School of Business recently released a paper on the macro benefits to the American economy from VC. They report that "VC-backed companies include some of the most

innovative companies in the world" and have been a prime driver of economic growth and employment in the USA for the past 20 years. They found that since 1979, 43 per cent of all publicly listed companies in the USA, representing 57 per cent of total market capitalisation and 82 per cent of research and development (R&D), were backed by venture capital.

So how can Global 2000 corporations compete with these digital native, VC-fuelled start-ups? In its recent report, the Boston Consulting Group identified a toolkit of options established companies are employing to become more innovative and bring in new technologies and business models. This includes accelerators and incubators providing short term support and resources to start-ups, innovation labs, hackathons and strategic partnerships, in addition to traditional M&A.

Figure 3. BCG's Corporate Innovation Toolkit



Source: Boston Consulting Group Perspectives

Incubators, Accelerators, Venturing and more

The corporate innovation toolkit includes, but is not limited to, the following options:

M&A Acquisition of usually more developed companies with existing businesses to add new revenue streams, capabilities and/or geographic presence.

Internal R&D In house product development focused on enhancing core products and services or building adjacencies.

CVC Minority equity investments to access new growth opportunities (particularly in new markets or geographies) and provide long- term visibility of new technologies and business models.

Increases strategic possibilities rather than filling short-term gaps in product or service offering

service offering.

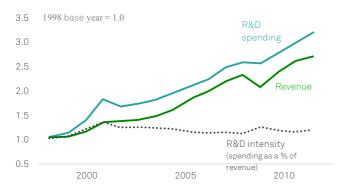
Business Supporting start-ups in early stages to contribute to building a long term product pipeline, attract talent, generate new ideas and encourage the broader technology ecosystem within the same physical location as the company.

An interesting case study is Newbridge Networks' affiliate model. After launching in 1992, it spun off over 20 start-ups with seed funding related to Newbridge's digital switching core. Founding employers owned equity and operated largely independently from the parent company, raising their own external VC funding. The results were outstanding: eight trade sales, six IPOs, two companies merged with other portfolio companies, Newbridge bought back three, and only two ventures failed. The affiliate model produced over a billion dollars in value at an investment cost of less than US\$100 million. iii

The popularity of newer innovation initiatives has gone a long way to replacing traditional R&D programs which sees companies attempting to develop new products and services in-house, largely without collaboration with other parties.

Consequently, despite the importance of new technology to so many businesses, corporate R&D investment is actually flat as a percentage of company revenues.

Figure 4. R&D spend as a percentage of revenue



Source: Bloomberg, CapIQ, Booz & Company

Of course, there is still a role for in-house innovation, although this too can involve corporations trying to mimic the operating approach of start-ups. Agile working practices like 'scrum' teams and 'sprints' are increasingly common as a way to quickly develop and test new products or business ideas. The focus is on getting a minimum viable product into the market as soon as possible, and then refining it, in contrast to a time consuming traditional 'waterfall' approach.

Even though tools for enhancing innovation are available, it continues to be very challenging for most large companies with a mature business model, operating hierarchy and workplace culture to become truly agile and disruptive. For a host of potential reasons – including the barriers posed by legacy systems and processes, fear of failure or insufficient risk appetite – in-house initiatives that lead to substantial disruption and scale well are rare.

Where CVC fits in

CVC offers significant value to large businesses by helping to solve their problem of how to gain access to innovative technology and overcome the limits of existing channels, products, customers, processes and business models. CVC also allows corporates to avoid over-committing capital or getting locked into lengthy integration programs.

By taking minority positions in a portfolio of emerging technology companies, CVCs allow companies to be more responsive to market changes and share resources and risks with other investors. Corporations greatly benefit from capital leverage. For example, where a start-up needs US\$100M to reach scale over five to 10 years, a company's contribution of US\$10M among a pool of investors gives them 10:1 capital leverage and limits their downside risk to a tenth of the cost of the project.

Clearly, CVC does have some short-comings. Lack of control, some inevitable failures and the time to reach critical scale are all potential downsides.

Nonetheless, for many Global 2000 corporations the benefits outweigh the negatives and CVC continues to grow.

According to CB Insights, corporations (including their CVC arms) participate in around 28 per cent of start-up deals globally (see Appendix 1). Since 2010, more than 366 new CVC groups have been formed (see Fig.6) and the number of active quarterly global CVCs has more than doubled since 2012. On top of this, investments where CVCs participate tend to be larger than traditional VC deals. In 2Q 2016, the average CVC deal size was US\$19M, compared to US\$13M overall (see Fig.7).

Figure 5. Quarterly global active CVC investors (Q1 2012 - Q2 2016)



Figure 6. Number of new CVC groups (2011 - H1 2016)

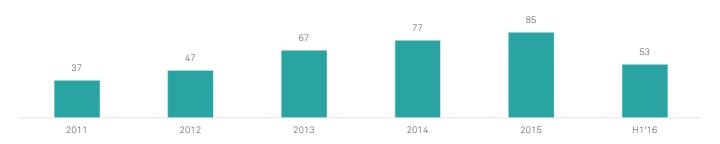


Figure 7. Global CVC vs. overall VC average deal size (Q1 2013 - Q2 2016)



Source: CB Insights

Given the growth rates, we forecast it will account for 35 per cent of total global VC dollars invested by 2025 (on a steady state basis). The key drivers of this increase are:

- Recognition of the acceleration of the creativedestruction innovation process.
- An increasing number of successful VCbacked companies globally, including those based outside the USA.
- Increasing number of CVC groups as more non-US companies, such as Alibaba, Tencent, Baidu, Roche, Siemens and Rakuten, invest in ventures.
- Volatility in the capital flows to and from the traditional funders industry and emergence of new competitive VC efforts at each stage in the ecosystem.
- The success of CVC efforts within many Global 2000 corporations.

The state of the corporate venture capital industry

Summary

The VC industry is fluid, with investment volumes and 'hot' sectors constantly changing. Investors need to think three to seven years ahead of an exit to maximise returns.

The US is still the global leader in VC funding but other regions, particularly Asia, are growing in importance. VC flows are now extremely global (as is successful company building).

New firms and types of investors also emerge frequently. Micro funds, angel funds, incubators, accelerators and crowdfunding are relatively new entrants. These trends mean the significant competition in the VC industry looks more intense than ever.

VC is, by its nature, a fluid industry. Sectors that were once hot – such as social, mobile, analytics and cloud – are maturing and giving way to others. Artificial intelligence (AI), virtual and augmented reality, machine learning and deep learning, drones and blockchain are all hot topics now.

The table below analyses the largest technology IPOs in recent decades to show the themes venture funds should have been investing in, and when, to maximise returns (see Appendix 2 for full list of IPOs). The key point is that the technologies driving IT IPO cycles are always changing. By definition VCs and CVCs are constantly having to learn about new technologies, customers, channels, teams and business models.

Figure 8. Examples of thematics VCs should have been investing in over time

1990	1995 2000 2005		2010	2015	
Data processing DST	Meb Infrastructure Search Data analytics Netscape Google Verisk			Chinese Internet Alibaba, JD, Weibo	Machine / Deep Learning, Al
Games GT Interactive	Ecommerce Amazon	Semiconductor manufacturing SMIC, Freescale	Analog / Digital Semis Avago, NXP, SMART	Games King	Virtual / Augmented Reality
Electronic Checks Checkfree	High Speed ISP @home, Northpoint	Mapping Navteq	Revenue Cycle Management Emdeon	Mobile Infrastructure Mobileye	Drones
CAD/CAM Dassault	Service Provider Billing Amdocs, Convergsys	Solar Suntech, First Solar, GT Solar	Chinese Games Changyou, Shanda	Consumer IoT GoPro, Fitbit	5G
High Bandwidth Switching Xylan	Fabless Semis Broadcom	Audio Dolby	Marketplaces Groupon	Fintech LendingClub, Square	NFV/SDN
Advanced Broadband Advanced Fiber	Electronics Manufacturing Services Celestica	Mobile Infrastructure Neustar	Global Internet Yandex, Ren Ren, Autohome	Developer Infrastructure Atlassian	Marketplaces
Network Architecture Service INS	Integration Software Tibco	BPO WNS, Genpact	Games Zynga	Next Gen Storage Pure	Converged Messaging / Bots
Networking Ciena	Optimcal Networking Sycamore	Virtualization VMware	Social LinkedIn, Facebook, Twitte	Cloud Apps rBox, Shopify	Containers / APIs / Microservices
ERP Software JD Edwards	CDN Akamai	SaaS NetSuite	SaaS Workday, ServiceNow, Veeva	Marketplaces Etsy, Grubhub	Security
Supply Chain Software i2	Travel search Priceline	Hosting Rackspace	Security Palo Alto, FireEye	HCIT Inovalon	Fintech
-	-	Security Arcsight	Software Infrastructure Splunk	SDN Arista	Increasing global investments in the above

Source: Factset raw data as analysed by Barclays TMT advisory group

Changing geography of capital

Silicon Valley is in many ways the spiritual home of technology start-ups and much of the VC funding and significant exits in the USA have come from that area. However, China (through innovators such as DJI, Lufax, Tencent and Xiaomi), Israel (e.g. Checkpoint, Imperva, Houzz, Infinidat and WeWork), the United Kingdom (e.g. Farfetch, Shazam, and Transferwise) and other countries are now making a significant contribution to digital disruption.

In the first half of 2016, GV (formerly Google Ventures) was the most active CVC unit globally. It invested in more than 30 companies, 17 per cent more than second-place Intel Capital. However,

the latter, like many investors, does not publicly disclose all of its investments.

Comcast Ventures, Salesforce Ventures and Cisco Investments rounded out the top five.

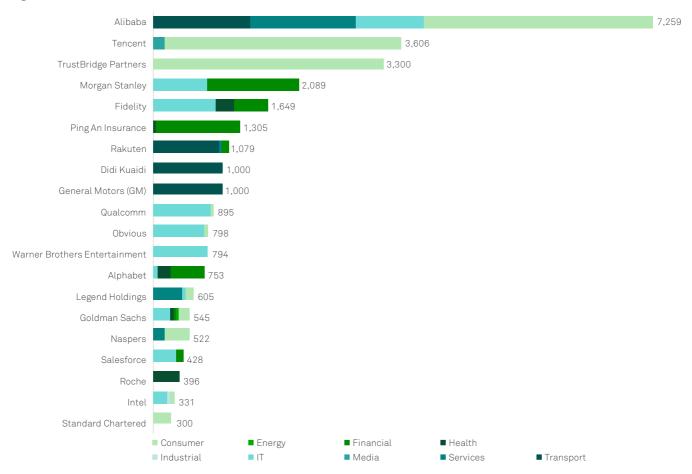
However, it may surprise some that in the first half of 2016, the largest investors were not Silicon Valley luminaries, but China-based internet and ecommerce giants. Alibaba participated in a handful of deals worth a staggering US\$7.2B. Similarly, Tencent invested more than US\$3.6B.

In figure 9, GCV Analytics highlights how active corporate investors have been in mega deals in Q1 2016. Capital is flowing globally and China is increasingly active in global VC deals. Consumer, financial services, IT and transport have been key areas of interest.

Between 2011 and the third quarter of 2016, Asia increased its share from 13 per cent of dollars invested in venture-backed companies to 28 per cent and Europe rose from 10 per cent to 11 per

cent, while the US fell from 76 per cent to 61 per cent. So while the US is undoubtedly still the global VC leader, Asia and to a lesser extent Europe are becoming increasingly relevant.

Figure 9. Q1 2016 investments (US\$)



Source: GCV Analytics

131 92 79 49 45 51 51 2011 2012 2013 2014 2015 2016YTD

■Asia

■North America ■Europe

Figure 10. Financings to VC-backed companies (by US\$B)

Source CB Insights. 2016 YTD as at Q3 2016

London VC Atomico reviewed 136 companies that reached a US\$1B plus valuation after IPO, sale or publicly-declared funding round over the past decade. They found 61 per cent of these companies were created outside the US Bay Area. With around a third of these so called 'unicorns' hailing from outside the US, this represents a change from the late 1990s when a significant number of VCs would not consider investments outside Silicon Valley.

Funding volatility

The supply of venture funding is volatile. It depends on factors including performance of public equity markets, interest rates, asset allocations of large capital pools and their appetite for growth and fund performance. Fund demands for capital are driven by significant technology changes, the creation of new entrepreneurial talent, changes in R&D programs etc. Given the above, the US VC industry has tended to have a mini boom to bust cycle every 5-10 years. For example, in 2006, US\$31B in VC was raised across 236 funds, while in 2010 this more than halved to US\$13B. In 2015, it was back up to US\$28B.

Figure 11. VC allocations

Other

Year / Quarter	Number of funds	Venture capital (\$M)				
2006	236	31,107.6				
2007	235	29,993.7				
2008	214	25,054.9				
2009	162	16,103.8				
2010	176	13,283.6				
2011	192	19,080.5				
2012	218	19,904.9				
2013	209	17,753.4				
2014	271	31,094.4				
2015	235	28,151.7				
4Q'14	85	6,205.6				
1Q'15	69	7,537.8				
2Q'15	81	11,081.7				
3Q'15	61	4,562.5				
4Q'15	46	4,974.1				

Source: Thomson Reuters and National Venture Capital Association

In this environment, new firms and types of investors emerge frequently, at each stage of the ecosystem. The US National Venture Capital Association reports that 93 first time funds were raised in 2015 – compared to only 38 in 1995. In recent years, new sources of early stage funding have emerged in the form of micro funds, angel funds, incubators, accelerators and crowdfunding. At the same time, corporations and public market

investors (hedge funds and mutual funds) have penetrated the middle and later stages, as summarised in the infographic below.

These trends of increasing diversification of the sources of capital, where funds and start-ups are based geographically and the types of investment are only likely to continue.

Figure 12. New entrants drive more intense competition

Source: Telstra Ventures analysis

Traditional VC ecosystem	Enter competition	Outlook				
Late Stage DAG Tiger General Atlantic T. Rowe Price Coatue VP Fidelity Norwest Passport Tenaya TCV Warburg Pincus Tiger T. Rowe Price To Autumn To The The To The T		Constant entry of new funds across all stages Andreessen Horowitz Index Shasta Social Capital Khosla Formation 8 First Round SignalFire Trusted Insight				
Middle Stage Menlo Trident NEA Canaan	Corporates Alibaba Comcast Google Intel Qualcomm Salesforce SAP Softbank Telstra Tencent	More competition				
Early Stage Accel Benchmark Greylock Lightspeed KPCB Sequoia SV Angel First Round	Incubators Y Combinator, TechStars, Dreamit, Capital Factory, Muru-D Accelerators 500 Startups, AngelPad, MakerLabs Micro funds Amplify, Wing, Floodgate, Lowercase Capital Crowdfunding Kickstarter, Indiegogo, RocketHub					

Value-add drives success for entrepreneurs and investors

Summary

There is fierce competition among investors to partner with the best emerging companies. However, entrepreneurs decide which investor to work with based largely on the value-add they provide. Value-add can be broken down into:

- Revenue growth opportunities
- People and connections
- Board governance; and
- Strategic insight.

CVCs and VCs differ in the type of value-add they provide. CVCs often provide rapid access to revenue through large customer bases, channels and complementary products, while VCs add most value in board governance and connections.

Exceptionally talented entrepreneurs are the scarce resource in the VC ecosystem. World class entrepreneurs such as Aaron Levie (Box), Sam Blackman (Elemental), Rehan Jalil (Elastica), Evan Spiegel (Snap), Keith Krach (DocuSign), Shridhar Mittal and Zuk Avraham (Zimperium), Tony Jamous (Nexmo) and Anil Mathews (Near) are creating significant equity value.

Competition among investors is fierce; Atlassian's co-founders said that prior to adding external VC investors, they had inbound interest from 80 VC firms. Attracting the best entrepreneurs and management teams is both a challenge and an opportunity for all VC groups.

Our thesis for building relationships with entrepreneurs is driven by:

- 1. A combination of traditional methods such as personal networks and industry conferences,
- 2. Filtering industry content focused on emerging technologies and,
- 3. Increasingly, machine learning-based on factors like website traffic, mobile downloads, revenue momentum, hiring and headcount momentum.

However, while sourcing target investees is important, entrepreneurs decide which investors they want to work with based on the value-add the investors can provide. This tends to manifest itself through revenue bearing commercial relationships, people and connections and board representation. While valuation, level of investment, terms, brand, platform stability and other factors will be relevant, we believe that value-add will be the primary differentiator going forward.



Value-add can be broken down into the following broad areas.

- Revenue growth opportunities. Some CVCs have multi-billion dollar IT budgets which make them potential customers as well as qualifiers. Having a sophisticated IT buyer invest can be a significant "stamp of approval". Some CVCs have numerous consumer, SMB or enterprise customers as well as direct, indirect and digital channel resources to connect to potential customers. Lastly, VCs and CVCs often have close relationships with potential customers through previous investments, CIO counsels and industry advisory boards.
- People. VC is a relationship-based industry.
 CVCs keep a close group of friends of the firm through entrepreneurs-in-residence (EIRs) and use other relationships to evaluate investments and source new opportunities for top executives. Additionally, many corporations have developed functional hiring capabilities around engineering, product, marketing and marcom functions.
- Governance and Strategy. VC and CVC groups can have a very positive impact on strategy

because of their expertise in particular fields. For example, some groups focus on industry trends, often leveraging networks to advise on strategic product roadmaps and business models. Other groups focus on functional benchmarking and best practices, particularly around marketing, product, UI/UX, etc. Finally, some CVCs and VCs arrange conferences to share ideas, benchmarks and best practices around sectors (e.g. cloud), buyers (e.g. CIOs) or general networking (e.g. cross portfolio).

CVCs add value in many ways, including helping portfolio companies navigate large corporations, making internal introductions to potential buying groups, shepherding business development and sales channel relationships and helping portfolio companies leverage corporate resources.

VCs add most value in providing board governance and in some cases strategic insight and introductions to customers, talent and corporate development opportunities. Below is a table that highlights areas where CVCs and VCs have added value for their portfolio companies. The chart is illustrative and not exhaustive. There is also some level of overlap between the two.

Figure 13. How CVC and VC value-add differs

CVC	Example of value added	VC	Example of value added
Telstra Ventures	Significant forward leaning IT buyer with billions in capex and opex budget. Access to emerging technology buyers and complementary enterprise, government and small business channels, including in Asia. Generating over A\$100M in revenue for portfolio in ~4 years	Andreessen Horowitz	Nine GPs and 125+ industry experts to support entrepreneurs with business development, marketing and communications, executive and technical talent, policy and regulatory affairs, and market and corporate development. For example, its market development team targets outreach to the Global 2000 and government agencies with 90 per cent+ network coverage across the top 10 companies in 16 different verticals
Intel Capital	Customer introductions	Sequoia	Executive Briefing Center (EBC) from the firm that has generated
	Joint R&D efforts	Capital	~9 per cent of Nasdaq market cap.; one of the best entrepreneur networks
	Intel Capital Technology Day		
GV	Corporate introductions Resources for engineering, recruiting, designing, physicians,	Kleiner Perkins	Hire design fellows to work with its portfolio companies
	data scientists, marketers (50 people listed on their website in this function)		
Cisco Ventures	Access to engineering talent, network of Channel Programs, Channel Partners, and Customer events such as Cisco Live!	Greylock	Introductions to first customers for Series A companies, run by Tom Frangione; also significant help with hiring
GE Ventures	Access to internal buyers and business development relationships	First Round	Platform team to support entrepreneurs. Internal digital network that allows portfolio companies to interact and help each other
Citi Ventures	Generated over US\$50M for portfolio Access to technology buyers	ff Venture Capital	25 person ff Acceleration Team, who provide accounting and finance, PR and branding, engineering, recruiting, community management, and business development services
Salesforce Ventures	Host multiple events for portfolio companies to meet each other and Salesforce executives. Induction in an online global partner platform; Every portfolio company has a product executive, product manager and solution engineer to provide support and advice	Sierra Ventures	CIO Counsel of 80 industry leading CIOs since 2004 led by Mark Fernandes
SoftBank	Broader market entry – Yahoo Japan; Yahoo Europe; WME Talent Agency in Japan; Alibaba JV in Japan; Sofi - helped with debt financing	Bessemer	State of the Cloud conference by Byron Deeter; seven person solutions team around CTO, Marketing and operations
Sapphire Ventures (SAP)	Business development (shots on goal), operational excellence (benchmarking), community and networking, events and exposure	Index Ventures	Dominic Jacquesson, Jacob Jofe; Executive Briefing Center (EBC) like capabilities for their portfolio

Source: Telstra Ventures analysis, publicly available material

CVC proving its worth through successful strategic growth investing

Summary

CVC has faced challenges including slow decision-making, lack of long-term commitment, misaligned incentive structures and poor relationships with entrepreneurs.

Despite this, CVC can be a valuable partner for emerging companies and a force for change within parent companies if executed well. Indeed, CVC has never been more important and perceptions of CVCs will continue to improve as some show great value.

We believe that the concept of Strategic Growth Investing will drive world-class CVC. The characteristics of this approach are that it:

- Acts as a catalyst for emerging companies' growth
- Provides large corporations with new products, customers, business models and leadership
- Leverages customers, market insights and substantial resources to invest in companies that are most likely disrupt their existing businesses
- Engages Global 2000 corporations to work with their customers to co-create new ideas, revenues and capabilities
- Generates senior support for disruptive innovation in Global 2000 corporations

Challenges of corporate investing

Some high profile VCs have dismissed CVCs (with whom they sometimes compete for investments) as "tourists". Fred Wilson from Union Square Ventures commented that "venture investing is not the best use of a corporation's capital and ... it is inevitable that it will produce sub-par returns at best and significant losses at worst".

However, it is wrong to dismiss an entire category of investment if it can genuinely help businesses grow. Whether a CVC is a tourist or a kingmaker will depend on if they generate real commercial value for their portfolio companies and themselves, and if they make considered investment decisions. Fostering trust-based relationships and delivering value for entrepreneurs is clearly value-additive

and many CVC parents are important customers and channels.

Historically, CVC has certainly faced challenges and this can lead to inconsistent performance. Some of the common issues include:

• Inconsistent presence in the market – in the context of a Global 2000 corporate, CVC alone will not move the needle with respect to their overall financial performance. Funding may depend on the ongoing financial health of the corporate parent. As a consequence, many companies have wavered in or out of the market, with damaging consequences.

- Slow to make decisions at times a lack of senior engagement or direct VC experience within CVC arms has drawn out investment decisions with corporations then losing out on "hot" investments in the face of significant VC competition.
- Relationships with entrepreneurs large corporations can lack experience with the needs and dynamics of start-ups and the broader technology ecosystem. This can mean that CVCs lack deep networks or the ability or interest to develop meaningful relationships with start-ups.
- Insufficient investment size Global 2000 corporations may start off making US\$0.5M to US\$2M VC investments per deal. This often results in little or no value for the emerging company or themselves and can see them being cut out of investments.
- Alignment of incentives corporate incentive structures might not reward the long-term development of ventures businesses, creating challenges with retention and incentivising the best investment behaviour amongst the ventures team.

However, these are all known issues and as CVC becomes more professional, it is becoming clear that they can be solved. It comes down to a recognition that VC is a long term game. In 2015, Forbes found that the average time from founding to IPO for software companies is 7.4 years. VII These investments are illiquid and the strategic and financial benefits may not be seen for several years. Large companies are now aware that they need to structure their CVC groups to accommodate these factors and appropriately tailor their investment stage and mandate.

So what does world class CVC look like?

For one, it is far more international – Global 2000 corporations will look around the world for the best technology and partner with local investors where helpful. It is substantial in terms of people, capital and resources, with corporations realising the emerging importance of this function. It

combines different channels and seeks to bundle product suites that help to deepen customer relationships, reduce churn, increase sales efficiency and broaden solutions to customers' challenges. It follows well-planned processes to take emerging products to market effectively. Finally, it will leverage machine learning and AI to understand the landscape and identify winners early. Great new companies are built through fantastic products that delight customers and exceptional people – finding these will be key to keeping corporations' customers engaged.

The hallmarks of **Strategic Growth Investing** include:

- CVCs catalysing emerging companies' early revenue growth. CVCs can materially shorten the time to reach global scale by providing powerful distribution channels and internal consumption. Additionally, the validation of a multi-billion dollar IT spender can also be influential in closing future sales.
- Investments that provide large corporations with new products, customers, business models and leadership, as well as finding strategic links between existing corporate assets and product lines with disruptive versions. Entrepreneurs and hungry teams will complement seasoned managers and established governance structures.
- Corporations working with their customers to co-create new experiences. A VC pipeline that complements existing business will greatly contribute to this process.
- executive sponsorship at the most senior levels of the Global 2000 corporate to ensure the adoption of new technologies in external channels or internally. Innovation, by its nature, is unplanned and adjusting the corporate plan to work with fast-moving companies can be challenging. This requires the buy-in of enterprises' most senior thought-leaders.

- Corporations using VC investment to create a champion / challenger environment within its own business units or its partner ecosystem.
 For example, GV owns a substantial stake in Uber. Alphabet and Uber ultimately compete in developing autonomous vehicles.
- Corporations leveraging their customers, market insights and substantial resources to invest in companies that are most likely disrupt their existing businesses. Corporations have the opportunity to leverage one of the last asymmetric information flows to make better investments. This is the marketplace for customer, channel, technology and product information where they have deep domain expertise. Finding potential investments is being commoditised by numerous information services firms (CB Insights, Mattermark, DataFox, Owler, Crunchbase, SimilarWeb, AppAnnie, etc.). Parts of the assessment are also being commoditised by these and other services. However, scaling up is an area that corporations have some inherent advantages.

How is Strategic Growth Investing different?

As stated above, established businesses have many inherent advantages over conventional VC investors due to their established channels, customer relationships and existing product suites. Commercial deals selling to the parent company or reseller contracts can be game changers for emerging companies. This can generate tangible revenue that increases the value of the start-up.

Start-ups have the inherent advantage of rethinking products, services and business models specifically in light of disruptive technologies. However, they lack the resources, channels and customer relationships to commercialise the opportunity quickly. There is significant opportunity for Strategic Growth Investors to bridge the new ideas of emerging companies into the channels, relationships and product suites of large corporations. This overlap is highlighted below.

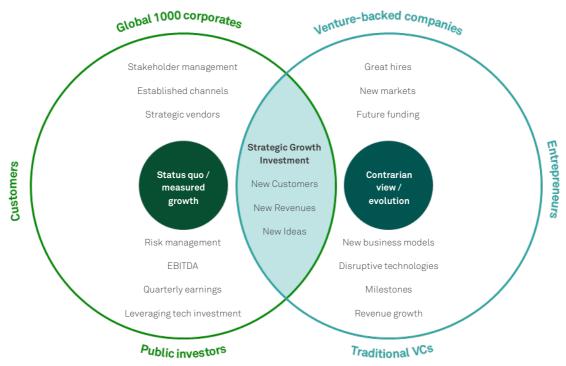


Figure 14. The Rosetta Stone for innovation and growth

Source: Telstra Ventures analysis

Strategic Growth Investing has the capacity to be enormously effective for both corporations and entrepreneurs. CVCs aspiring to be Strategic Growth Investors need to meet a number of criteria outlined below. Appendix 3 sets out some benchmarking data on some of leading CVCs.

Portfolio-wide capital commitment

In a competitive VC market, investments of only US\$0.5M to US\$2M with little to no commercial value are not sufficient. Major investors like Alibaba, Tencent, Google, Siemens, SAP, Salesforce and others are signalling the commitment needs to be at least US\$50M per year. Appendix 4 sets out a rough estimate of the annual capital deployed by leading VCs and CVCs.

Significant commercial value-add

VCs need to provide services in addition to capital as money is a commodity. Partners that create revenue opportunities via channel engagements and internal customers will be most valuable. Corporate introductions, acting as a reference customer, development and UX support, support in key hires, CIO advisory councils and portfolio benchmarking meetings will also add value.

Board and senior management level support

Forward-looking boards and leadership teams recognise venture investing is a way of structuring and developing future customers, channels, products, technologies and revenue streams. Their support for this long-term investment horizon in vital.

Incentive alignment

Similar to traditional VC firms, retention of investment staff is critical. Long term gain sharing

via carried interest has been the best way for general partners in traditional VCs to incentivise teams. Firms pursuing Strategic Growth Investing will either adopt this structure or lose to staff to those that do. Intel and Qualcomm have both suffered from recent senior defections due, in part, to less attractive longer term incentives.

Business alignment with KPIs oriented toward the generation of new revenue streams

Business units within parent corporations need to be motivated to seek new ideas and services for their customers to stay ahead of competitors. However, CVCs also need to be able to engage with innovators and push ideas without appeasing dozens of business unit managers.

A fund-of-funds investment strategy

Using a fund-of-funds approach can complement traditional deal sourcing, particularly in sectors and geographies that are difficult to cover directly. Almost all leading CVCs have a fund-of-funds program to support deal sourcing.

Data analytics to find and assess emerging companies

CVCs will have the quickest and most consistent success by partnering with emerging companies that aligned to corporate strategy. Forward-thinking VCs and CVCs are investing in data analytics that use leading indicators such as tracking talent movement to identify high performing companies. There will also be opportunities to share pipeline and portfolio information with partners in corporations' ecosystems.

Conclusion

The key challenge facing many large corporations is promoting innovation and generating new revenue streams effectively. There are competing demands, including existing customer relationships, channels, products, talent, capital deployment and senior management time. However, technology innovation and disruption continually requires large corporations to deliver new ideas, revenues or capabilities from internal activities or via external partnership, in order to thrive. CVC offers an efficient way to achieve this outcome.

We believe that CVCs, if managed correctly, can be extremely valuable partners in scaling emerging companies. Corporations possess advantages that can be attractive to start-ups – large customer bases, substantial channels, complementary products, thought leadership, talent and global footprints. The mutual success of a corporate relationship with a start-up comes down to planning, execution, incentive alignment and senior sponsorship.

At Telstra Ventures we have invested more than A\$250M across over 30 technology companies since 2012. We have generated revenues of more than A\$100M for our portfolio companies by reselling or using their products. Whispir, a Telstra Ventures portfolio company, is the leader in allowing anyone to create powerful communications applications including via partners like Twilio. Jeromy Wells, Whispir cofounder/CEO, said:

"CVCs' practical understanding of how their parent works is super valuable to their investees. When shared appropriately, these insights can materially improve the investee's likelihood of success. Our own experience as a Telstra Ventures portfolio company has proven the CVC model to be a very capital efficient way

to build our brand and scale our revenues. We have successfully leveraged Telstra Ventures' unique insights into how Telstra works that would otherwise have taken us valuable time to learn and navigate.

The key to our success has been a shared understanding of our joint go-to-market plan from the outset. We both invested the time required to implement operational structures that remove friction and maximise aligned organisational velocity. We set realistic performance expectations and ensured there was effective communications across both businesses."

Near, another Telstra Ventures investee, is the largest location intelligence platform and provides real-time information from over 1 billion devices to 300+ marquee brands. Founder and CEO Anil Mathews said:

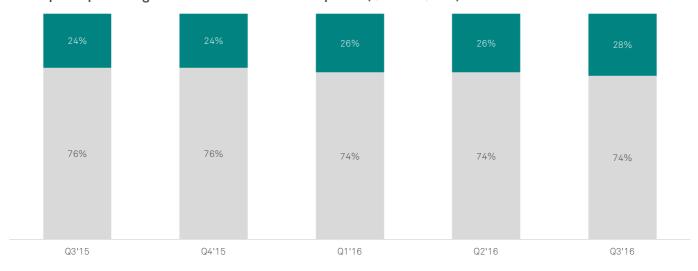
"As an entrepreneur you should look at what value comes beyond the initial money. It's not easy to get business units to align with the venture arm's vision, but when done right this can be the best outcome for a company. Telstra Ventures has been instrumental in strengthening our market leadership in the Asia Pacific region. So far, Telstra's investment was the biggest investment we received and over the past two years the total revenues from our Telstra relationship have been multiples of the investment itself."

CVC is a growing force in the funding mix for emerging companies. Telstra Ventures will continue to partner with world class emerging companies as a Strategic Growth Investor, bringing genuine value-add to our investee partners and the Telstra family as a whole.



Appendices

1. CVC participation in global deals to VC-backed companies (Q3 '15 – Q3 '16)



■ Corp / CVC deal participation ■ Other investors

Source: CB Insights

2. Top 20 IPOs by market capitalisation

1995

#	Issuer	Pricing Date	Ticker	Base Deal Value (US\$M)	Value (US\$M)	Market Cap (US\$M)
1	AVX Corp	08/14/95	AVX	484.5	557.2	2,244.0
2	Lexmark International Inc	11/14/95	LXK	342.5	393.8	1,392.0
3	Netscape Communications Corp	08/08/95	NSCP	140.0	161.0	1,069.0
4	DST Systems Inc	10/31/95	DST	462.0	531.3	1,050.0
5	MEMC Electronic Materials Inc	07/12/95	WFR	408.0	469.2	932.0
6	GT Interactive Software Corp	12/13/95	IFGM	140.0	150.3	830.0
7	ASM Lithography Holding NV	03/14/95	ASM	198.0	227.7	594.0
8	Objective Systems Integrators Inc	11/30/95	OSII	104.5	120.2	571.0
9	CheckFree Corp	09/27/95	CKFR	117.0	134.1	553.0
10	ESS Technology Inc	10/05/95	ESST	105.0	120.8	514.0
11	Diamond Multimedia Systems Inc	04/12/95	DIMD	110.5	127.1	457.0
12	UUNET Technologies Inc	05/25/95	UUNT	66.2	76.1	386.0
13	Gemstar International Group Ltd	10/10/95	GMST	36.0	41.4	360.0
14	AXS-One Inc	08/24/95	AXO	66.5	76.5	356.0
15	General Magic Inc	02/09/95	GMGCQ	77.0	88.6	335.0
16	BE Semiconductor Industries NV	12/04/95	BESIF	124.8	137.2	320.0
17	Ross Technology Inc	11/06/95	RTEC	49.0	56.4	285.0
18	Discreet Logic Inc	06/29/95	DSLGF	65.1	74.9	279.0
19	Pure Atria Corp	08/01/95	PRSW	46.8	53.7	263.0
20	Novadigm Inc	07/13/95	NVDM	37.5	43.1	252.0

#	Issuer	Pricing Date	Ticker	Base Deal Value (US\$M)	Value (US\$M)	Market Cap (US\$M)
1	Palm Inc	03/01/00	PALM	874.0	1,005.1	21,315.0
2	Infineon Technologies AG	03/12/00	IFX	5,204.9	5,855.6	21,073.0
3	Tycom Ltd	07/26/00	TCM	1,956.2	2,249.6	16,356.0
4	Corvis Corp	07/27/00	BWNG	1,138.5	1,287.0	11,975.0
5	Oni Systems Corp	05/31/00	ONIS	200.0	230.0	3,092.0
6	McDATA Corp	08/08/00	MCDT	350.0	402.5	2,981.0
7	Gemplus International SA	12/07/00	GEMP	375.5	426.4	2,867.0
8	Oplink Communications Inc	10/03/00	OPLK	246.6	283.6	2,779.0
9	Transmeta Corp	11/06/00	TMTA	273.0	314.0	2,683.0
10	ON Semiconductor Corp	04/27/00	ONNN	480.0	552.0	2,667.0
11	Handspring Inc	06/20/00	HAND	200.0	230.0	2,505.0
12	Viasystems Group	03/23/00	VSGI	924.0	924.0	2,478.0
13	CoSine Communications Inc	09/25/00	COSN	230.0	264.5	2,302.0
14	Avanex Corp	02/03/00	AVNX	216.0	248.4	2,251.0
15	Intersil Corp	02/24/00	ISIL	500.0	575.0	2,233.0
16	SAVVIS Communications Corp	02/14/00	SVVS	408.0	408.0	2,229.0
17	Axcelis Technologies Inc	07/10/00	ACLS	341.0	375.1	2,101.0
18	America Online Latin America Inc	08/07/00	AOLAC	200.0	216.5	2,083.0
19	ST Assembly Test Services Ltd	01/28/00	STTS	357.1	410.6	2,006.0
20	Luminent Inc	11/09/00	LMNE	144.0	144.0	1,872.0

#	Issuer	Pricing Date	Ticker	Base Deal Value (US\$M)	Value (US\$M)	Market Cap (US\$M)
1	Suntech Power	12/13/05	STP	395.7	455.1	2,170.0
2	Dolby Laboratories	02/16/05	DLB	495.0	495.0 569.3	
3	Spansion	12/15/05	SPSN	506.4	567.2	1,477.0
4	Neustar	06/28/05	NSR	605.0	695.8	1,314.8
5	Global Cash Access	09/22/05	GCA	224.9	256.0	1,127.0
6	Syniverse	02/09/05	SVR	231.9	281.9	1,082.7
7	SunPower	11/16/05	SPWR	138.6	159.4	1,076.6
8	OptionsXpress	01/26/05	OXPS	193.0	227.7	1,014.7
9	WebMD Health	09/28/05	WBMD	120.8	138.9	962.5
10	IHS	11/10/05	IHS	232.2	267.1	913.1
11	SSA Global Technologies	05/25/05	SSAG	99.0	113.9	716.4
12	China Techfaith Wireless	05/05/05	CNTF	141.8	141.8	713.0
13	Actions Semiconductor	11/29/05	ACTS	72.0	72.0	688.0
14	Saifun Semiconductors	11/08/05	SFUN	117.5	135.1	674.4
15	VeriFone	04/28/05	PAY	154.0	177.1	650.5
16	Heartland Payment Systems	08/10/05	HPY	121.5	139.7	583.3
17	DealerTrack	12/12/05	TRAK	170.0	195.5	575.4
18	American Reprographics	02/03/05	ARP	173.6	195.5	570.8
19	iRobot	11/08/05	IRBT	103.2	118.7	558.9
20	VistaPrint	09/29/05	VPRT	120.2	138.2	476.4

#	Issuer	Pricing Date	Ticker	Base Deal Value (US\$M)	Value (US\$M)	Market Cap (US\$M)
1	NXP Semiconductors	08/05/10	NXPI	476.0	476.0	3,489.5
2	Sensata Technologies Holding NV	03/10/10	ST	568.8	654.1	3,080.9
3	SMART Technologies	07/14/10	SMT	660.1	660.1	2,104.1
4	FleetCor Technologies	12/14/10	FLT	291.5	335.3	1,810.5
5	Tesla Motors Inc	06/28/10	TSLA	226.1	260.0	1,582.9
6	Elster Group	09/29/10	ELT	210.6	242.2	1,467.4
7	Green Dot	07/21/10	GDOT	164.1	188.7	1,467.1
8	Youku.com	12/07/10	YOKU	202.9	233.3	1,318.1
9	E-Commerce China Dangdang	12/07/10	DANG	272.0	312.8	1,246.6
10	Aeroflex Holding	11/18/10	ARX	232.9	267.2	1,110.4
11	SS&C Technologies Holdings Inc	03/30/10	SSNC	160.9	185.0	1,037.9
12	NetSpend Holdings	10/18/10	NTSP	203.9	234.5	965.5
13	JinkoSolar Holding Co Ltd	05/13/10	JKS	64.2	64.2	956.2
14	Soufun	09/16/10	SFUN	124.7	143.4	789.5
15	RealD	07/15/10	RLD	200.0	230.0	762.2
16	Qlik Technologies	07/15/10	QLIK	112.0	128.8	749.6
17	Mitel Networks Corp	04/21/10	MITL	147.4	147.4	739.2
18	Amyris	09/27/10	AMRS	84.8	97.5	687.7
19	RealPage	08/11/10	RP	135.3	155.7	685.4
20	QuinStreet Inc	02/10/10	QNST	150.0	150.0	673.7

#	Issuer	Pricing Date	Ticker	Base Deal Value (US\$M)	Value (US\$M)	Market Cap (US\$M)
1	First Data Corporation	10/14/15	FDC	2,560	2,817.2	14,064.5
2	Atlassian Corporation Plc	42259	TEAM	462.0	525.0	4,382.2
3	Fitbit Inc	06/17/15	FIT	731.5	841.2	4,114.4
4	TransUnion	06/24/15	TRU	664.8	764.5	4,000.2
5	Inovalon Holdings, Inc	42310	INOV	600.0	690.0	3,900.9
6	Black Knight Financial Services, Inc	05/19/15	BKFS	441.0	507.2	3,678.2
7	Pure Storage, Inc	42165	PSTG	425.0	488.8	3,157.9
8	GoDaddy Inc	03/31/15	GDDY	460.0	520.0	3,045.0
9	Square, Inc	11/18/15	SQ	243.0	279.5	2,951.5
10	Match Group, Inc.	11/18/15	MTCH	400.0	460.0	2,947.2
11	Etsy, Inc	04/15/15	ETSY	266.7	306.7	1,778.4
12	BoxInc	01/22/15	BOX	175.0	201.3	1,636.5
13	Shopify Inc	05/20/15	SHOP	130.9	150.5	1,265.4
14	Teladoc Inc	06/30/15	TDOC	156.8	180.3	703.9
15	Alarm.com Holdings Inc	06/25/15	ALRM	98.0	112.7	627.9
16	Rapid7, Inc.	07/16/15	RPD	103.2	118.7	604.6
17	Yirendai Ltd	12/17/15	YRD	75.0	75.0	575.0
18	CPI Card Group Inc	42226	PMTS	150.0	172.5	564.8
19	MINDBODY Inc	06/18/15	MB	100.1	100.1	547.6
20	Mimecast Limited	11/18/15	MIME	77.5	77.5	540.1

Source: Factset raw data as analysed by Barclays TMT advisory group

3. Benchmarking leading CVCs

		Inve	stments	_					(Offices	(colour	=HQ)			_
Investor	Team	Total	2015	AUM (\$M)	Mkt Cap (\$B)	AUM/Mkt Cap	SF Bay Area	Other US	ņ	Israel	India	China	Korea	Other	FoF*
Intel Capital	100	1,051	74	1,300	151	0.9%	1	1	1	1	1	2		6	Yes
GV	65	331	73	2,000	515	0.4%	2	2	1						Yes
Qualcomm Ventures	34	246	52	500	75	0.7%	1	1	1	1	1	1	1	1	Yes
Cisco Investments	32	227	18	2,000	143	1.4%	1			1	1	1	1	6	Yes
SoftBank Capital	17	217	38	2,800	58	4.8%	1	2							Yes
Samsung	15	186	22	913	180	0.5%	1	1						2	?
Comcast Ventures	16	154	31	770	149	0.5%	2	3							Yes
Deutsche Telekom	15	148	10	960	81	1.2%	1	2						1	Affiliate
GE Ventures	47	116	37	300	298	0.1%	1								Yes
Verizon Ventures	15	59	12	410	220	0.2%	2								Yes
SingTel Innov8	6	53	9	250	44	0.6%	2			1				1	Yes
NTT DoCoMo Ventures	7	49	8	312	92	0.3%	1							1	Yes
Swisscom Ventures	6	47	5	49	28	0.2%	1							2	Yes
Telstra Ventures	10	27	7	225	49	0.5%	1					1		2	Yes
Total	393	2,911	396	12,789	Average:	0.9%	18	14	3	4	3	5	2	22	

^{*}FoF = Fund-of-Funds, which means indirectly investing through other entities (e.g. VC fund managers) in addition to direct investments into technology companies

Source: Pitchbook with amendments based on web searches. Figures in in US\$ and are estimates only. Market capitalisation calculated as at 2/4/2016

4. Rough estimate of capital deployed annually by leading VCs and CVCs

Traditional VC	Capital deployed annually (US\$M)	CVC	Capital deployed annually (US\$M)
Accel	550 – 700	Comcast	750 – 850
Sequoia	650 – 850	Softbank	600 – 750
KPCB	450 – 550	Intel Capital	450 – 550
Lightspeed	400 – 500	Google	450 – 550
Greylock	250 – 400	Salesforce Ventures	350 – 450
Andreessen Horowitz	600 – 750	Cisco Investments	200 – 300

Source: Telstra Ventures rough estimate based on publicly available sources

ⁱ http://www.globalcorporateventuring.com/data/files/RisingStars2016.pdf.

[&]quot;Source: CB Insights. See Figure 5.

iii Special thanks to Marwan Forzley for compiling this from publicly available sources.

^{iv} We use the term "steady state" because public equity funds tend to come and go in the late stage side of the VC industry. Their involvement may take share from CVCs during boom IPO liquidity times. Additionally, CVCs themselves have historically come and gone as well.

^v Source: Global Corporate Venturing Analytics. Alibaba deals include: China Internet Plus, Cainiao, Magic Leap, Lyft, UCar, Guangdong Dadi, GoGoVan, Twiggle, Bona Film, YEECHOO, Shopline, Waniliyun Medical, Yiguo, Wlycloud. Tencent deals include: China Internet Plus, Meituan-Dianping, Discord, ibibo Group, Hammer & Chisel, New Oriental Xuncheng, Diffbot, Parkbees, ABC 360, World View, Linmon Pictures, Ningmeng Pictures, SoYoung Technology, Xinyang Technology, DouyuTV, Yuanbaopu, Xiahongshu. Global Corporate Venturing Analytics data may not include all deals.

vi See Tech Crunch, July 2015 and Harvard Business Review, March 2002.

vii Forbes, 24 February 2015.