

FOREWORD

Dear Friends in the PE and VC industry,

It is my pleasure to add my thoughts to the Hunt Partners Survey of the ecosystem.

n what will be noted as a remarkable year in recent human history, the planet was forced to reset in many ways. Not surprisingly, Venture and PE investors devised strategies to cope with the uncertainties thrown up by the business models of the underlying portfolio companies. It also sharpened the new investment opportunity set given the need to be playing into sector or behavioural tailwinds that COVID forced upon the planet.

The survey made it apparent that investors chose to focus on a few well-defined strategies:

- Focus on the key value drivers in each fund's portfolio - this would protect capital and ensure that the internal tailwind beneficiaries rapidly raise more growth capital and leverage the opportunity set - edtech, digital finance, SaaS have been great examples of
- For new investments, focus largely on tailwind sectors - everything else can wait for mid 2021 and beyond
- The other opportunity for new investments were great value buys that were available, given short-term shocks to the business models but those that show great long-term potential once the covid dust settles.

As witnessed in the flurry of recent reporting about the US IPO market and winners and exits for marquee US funds, it's been a fantastic year for technology where the world has further adapted (at a forced pace) to a new normal where tech is seen as a massive enabler of moving economic growth to faster trajectories. This change, if embraced by developing markets like India, can become a superpower to the turbocharged growth that we need in the coming decade.

Intuitively, the survey also bore out that—in portfolio companies which successfully harnessed the uncertainties—their CEOs demonstrated a prevalence of specific behaviors: agility, resilience,

foresightedness, and calmness.

Interestingly—and perhaps counterintuitively in a pandemic—the survey indicated a significant portion of investors expected robust leadership hiring going into 2021. Investors presumed Boards and CEOs of portfolios would enhance leadership capabilities in functions that could 'move the needle': product and technology, revenue, and finance.

The post-vaccinated world of 2021 sets a new foundation for new enterprise formation across the board with even lower digital infrastructure costs than before and an even more educated consumer and enterprise user base who have the cheapest digital access in the world.

Successful companies have had their CEOs and boards adapt rapidly to this new reality, adjusting cost structures, shifting to a WFH culture, enabling more elements of the business digitally and extracting productivity from their teams at never before seen levels.

The ones which couldn't avert industry headwinds have also adapted well in certain cases and made tough decisions on conserving capital, attempting new sources of revenue and building for sustenance and revival of their underlying markets.

The arrival of vaccines have buoyed the optimism of consumers, businesses and investors in the final days of 2020. 2021 is poised to be an equally memorable year - with hopefully 10x more positivity than 2020.

Karthik B Reddy

Vice Chairperson, Executive Committee of the IVCA Managing Partner, Blume Ventures



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EXECUTIVE S U M M A R Y

Six months into the pandemic, Eric Salmon & Partners and Hunt Partners decided to gauge the posture and stance of institutional investors and to hear from them about their perception of the shortand medium-term impact of COVID-19.

We wanted to learn about how the venturefund investment community had braced for the economic fallout of the pandemic, how they viewed the investment ecosystem going forward, and how their existing portfolio companies had weathered the storm on the business and people dimensions.

Specifically, we wanted to hear from the VC firms across South East Asia, India subcontinent, and Western Europe about:

- Their outlook on investments going in 2021, both additional rounds in their existing portfolios and new-to-fund investments;
- The business and financial impact of the pandemic on their existing portfolios;
- And, for companies that continued to demonstrate robust metrics: the business and people strategies that worked;
- The leadership dimension at portfolio companies: behavioral competencies and skills that helped these companies ride out the choppy environment;
- The immediate- and medium-term leadership hiring outlook and succession planning practices.

To this end, the firms jointly launched—in September of 2020—a comprehensive research project culminating in this seminal report. The project consisted, broadly, of three elements: a primary survey conducted amongst the leaders, of venture capital firms, interviews and dialogue, and extensive secondary research. The survey targeted VC firms in three regions, viz. South East Asia, India Subcontinent, and Western Europe.

We have several noteworthy points from our project—as you will glean upon reading this report. First, during Q2CY20, investors and the leadership of portfolios—perhaps unsure of the long-tail of the economic impact of the pandemic—changed tactic

and took action to support the sustainability and survivability of the portfolios. Then, we learnt that investors are going to cherry-pick by reducing the number of investment transactions.

We also found that investors were planning to direct a greater portion of investible funds into new-to-fund companies. Looking at this holistically indicates VCs are planning larger ticket sizes and the corresponding increased shareholding. The sectors about which VCs are bullish: healthcare, cloud and SaaS, and B2B services.

The top-3 business strategies that investors concluded helped the portfolio companies navigate the uncharted territory were:

- Innovating on business models and enhance leveraging of technology;
- Prudent financial management and cost containment; and
- Enhanced communication and relationship management with all stakeholders

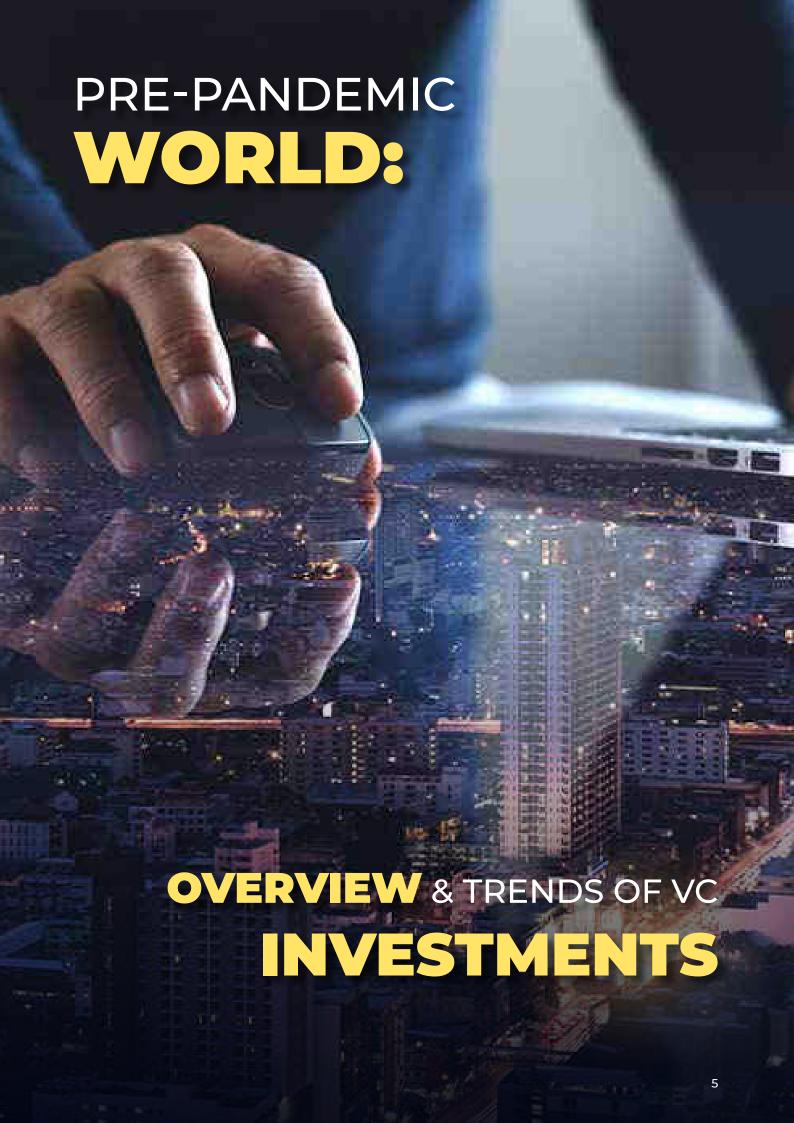
And on the important dimension of people and leadership, we learnt that leaders exhibiting the behaviors of agility, resilience, foresightedness, and calm, were successful in piloting their organizations through the fog. Interestingly—and perhaps counterintuitively in a pandemic—we found that over a third of VCs expected robust leadership hiring across a cohort of more than 50% of their existing portfolios.

In closing, our report aims to provide a rounded and objective interpretation of how the venture funding community is reacting—and addressing—the coronavirus pandemic. We trust you will find it an insightful, informative, and interesting read.

We are deeply grateful to all our survey respondents who made the time to engage and support this endeavor.

Arjun ErryPartner, Banking &
Financial Services, IT & ITES practice



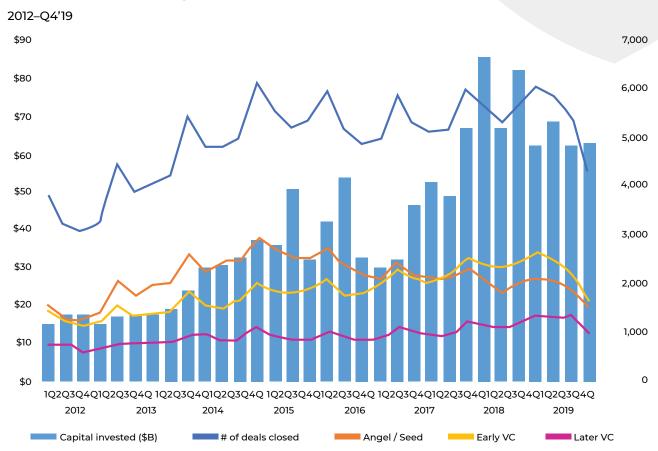


VENTURE CAPITAL GLOBAL SCENARIO

otal VC investment in 2019
declined compared to
2018's \$301.5 billion but
was significantly higher
than previous years.



Global venture financing



Source Venture Pulse. Q4'19. Global Analysis of Venture Funding. KPMG Private Enterprises. Data provided by PitchBook, 1/15/20. Note: Refer to the Methodology section on page 97 to understand any possible data discrepancies between this edition and previous editions of Venture Pulse.

VC investment by Regions

Asia: Overall VC investment in Asia remained relatively weak in 2019. There was a lack of massive mega-deals especially in China throughout 2019.



Europe: Along with UK, Germany and Israel, the Netherlands, France and Lithuania all attracted at least



one \$100 million+ deal. The increasing deal sizes highlight the growing maturity of the VC market across Europe.

Fintech drives Sectoral investment

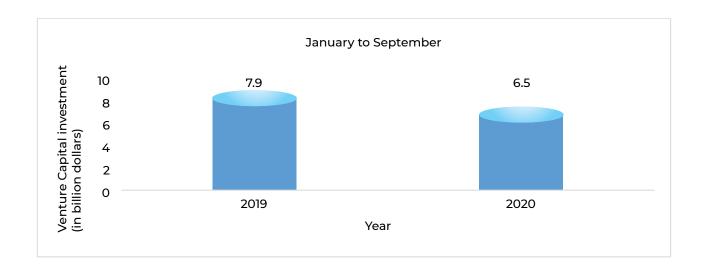
The popularity of **Fintech sector** increased in 2019 making it one of the hottest sectors of investment globally in Q4'19.

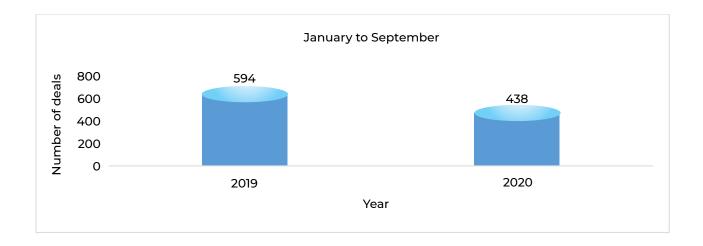




VENTURECAPITAL - **INDIA**

India has now emerged as one of the **top five start-up ecosystems** in the world. Venture Capital investments fell 18% in value (and 26% by volume) in the nine months ended September 2020 (\$6.5 billion across 438 deals) compared to the same period last year (\$7.9 billion in 594 deals).





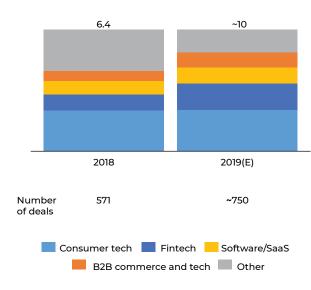
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Sectoral Interest

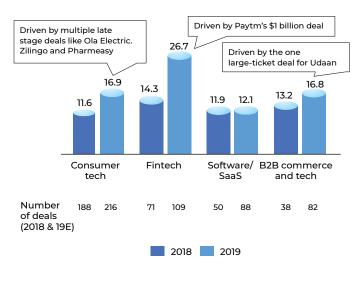
bout 80% of VC investment in 2019 was concentrated in four sectors — Various Consumer Services (tech enabled), Software/SaaS, Fintech and B2B commerce. Fintech continues to be one of India's strongest sectors for VC investment.

Split of VC investments by sector (\$B)



Note: Other includes BFSL, retail logistics, hospitality and more Sources: Bain VC deals database, Venture intelligence, AVCJ, VCCEdge

Average VC deal size by sectors (\$B)



Rise in Deal Volume and Average Size

ne of the primary drivers behind the growth of the VC industry in India was the increased deal volume along with an increase in average deal size which rose by 20% in 2019.



VENTURE CAPITAL - SOUTHEAST ASIA

According to Deal Street Asia, beyond closed funds, there are 61 VC funds currently in the market to raise capital for Southeast Asia, of which 49 are from VCs that are headquartered in the region, mostly in Singapore. Singaporean VCs launched 12 new funds this year with a total target of \$1 billion.

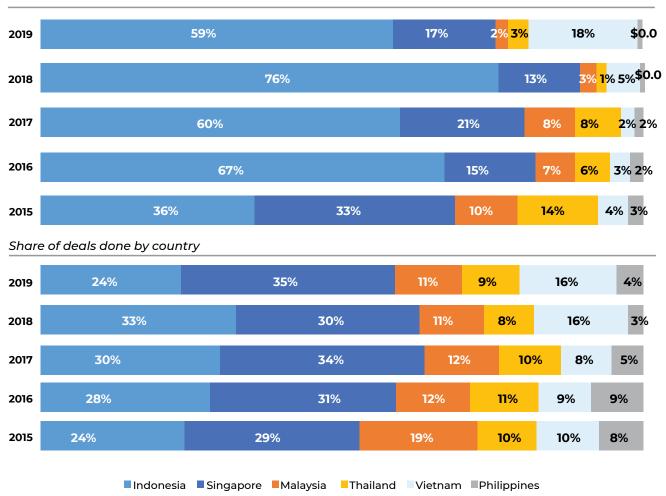
As of September, 14 funds had secured new capital worth \$1.3

billion, down from 18 funds and \$1.8 billion in the same period in 2019. Fifty-two startups in Indonesia had raised \$1.92 billion until the third quarter of 2020.

Investments by Country

hough Indonesia's share declined in 2019, it still emerged as the leader in Southeast Asia. For the first time, investment in Vietnam startups exceeded that in Singapore.

Share of capital invested by country



Source: https://www.dealstreetasia.com/stories/sea-vc-funds-q3-review-213985/

Investments by Sector

ulti-vertical' companies (such as Grab & Gojek) and online retail remained the most heavily funded sectors in 2019. Financial Services & Payments, Logistics

and Travel sectors continued to attract investment. Funding grew for emerging sectors such as healthcare and education.



Capital invested by sector, \$M

capital lifested by sector, \$14						
Proceed (US\$M)		2015	2016	2017	2018	2019
Multi-vertical		270	770	2,550	5,320	3,444
Retail		209	935	937	1,893	700
Financial Services	7	141	135	189	413	596
Travel and hospitality	13	78	176	400	51	525
Payments	26	86	115	115	250	433
Logistics	15	34	64	136	125	213
Healthcare	12	26	37	102	12	210
Education	7	12	9	16	60	208
Real estate and Infrastructure	2	9	17	53	263	168
Advertising and Marketing Technology	22	122	21	81	34	134
Entertainment/Non-Gaming	4	52	83	393	75	122
Business Automation	13	29	29	77	86	104
Local services	376	442	826	50	92	85
Employment	4	8	11	22	24	36
Entertainment/Gaming		11	11	5	4	18
Others		1	3	5	-	17
Comms & communities		16	48	0	10	3

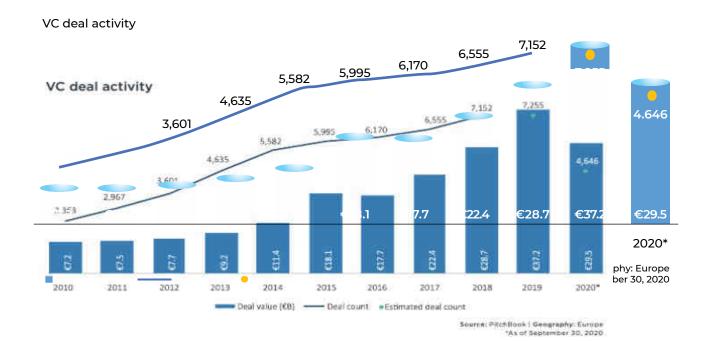
Source: https://www.cento.vc/wp-content/uploads/2020/02/Cento-Ventures-SE-Asia-Tech-Investment-FY2019.pdf

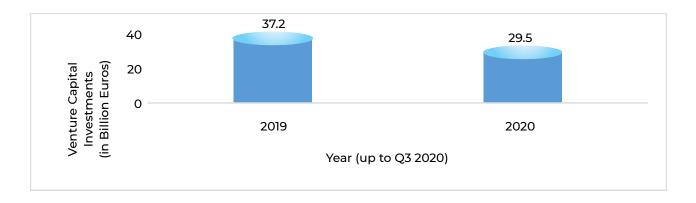


VENTURE CAPITAL - EUROPE

According to the latest report from Pitchbook, VC deals in Europe totaled €10.6bn in Q3 2020. That's one of the strongest quarters on record, bringing year-to-date

funding to €29.5bn and it seems on track to eclipse the €37.2bn raised in 2019.

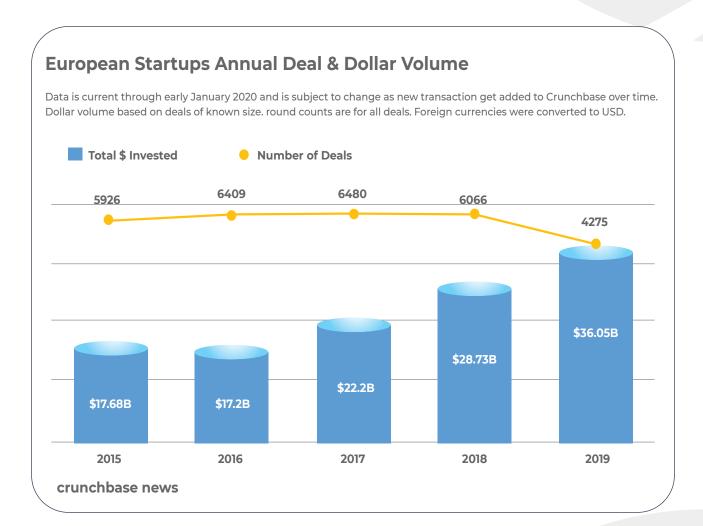




Upswing in Average Deal Size

he average deal size increased in 2019 as there were **fewer but larger deals** compared to 2018. Average deal size rose from \$4.74 million per deal in 2018 to \$8.43 million per deal in 2019 - **a growth of 78%.**

Investment Stage: Early stage deal counts - Series A and B - were on par at 1,000 rounds for both 2018 and 2019. Later stage deal counts were up by 16 percent year-on-year.



From our **primary research**, 67% of the investors in Europe anticipate completing less than five deals this year and 89% will invest less than 50% of their investments in their existing portfolio – a clear trend of fewer deals, higher stake in new ventures with an enhanced average deal size.

REAFFIRMING THE RESILIENCE:

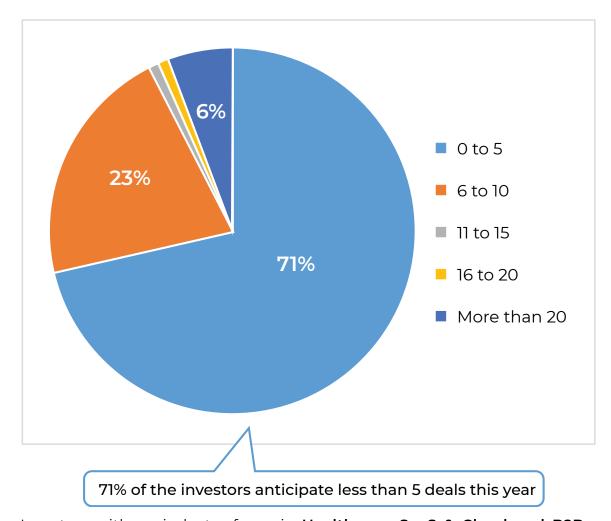


The overall global VC market funding in Q1'20 was down six percent relative to 2019 (Source: Crunchbase). Although the number of VC deals continued to decline in Q2'20, actual investment numbers remained fairly robust.

The former is corroborated by findings from our primary research study: 71% expect to make less than 5 deals this year.

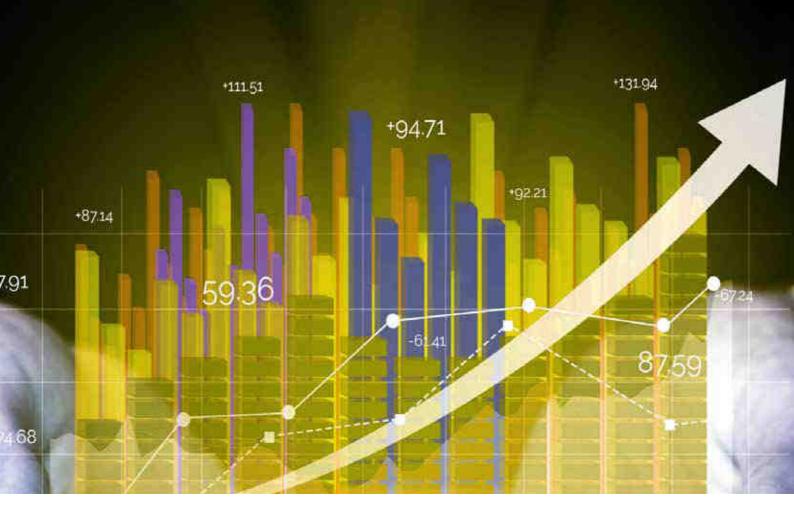
Deals anticipated this year (Primary Research)

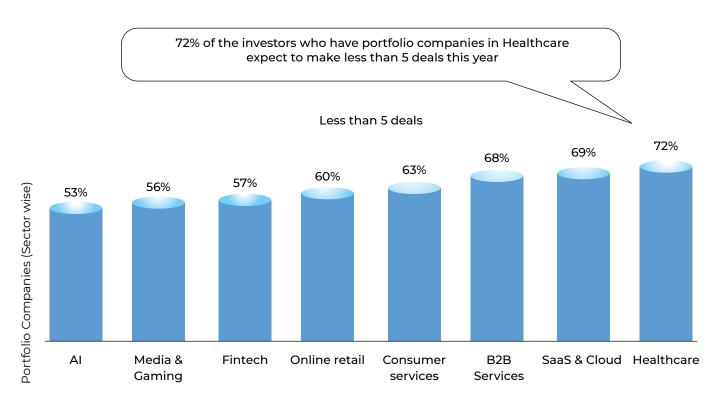
Q: How many deals do you foresee completing this year?



Investors with an industry focus in **Healthcare**, SaaS & Cloud and B2B services anticipate fewer deals this year.





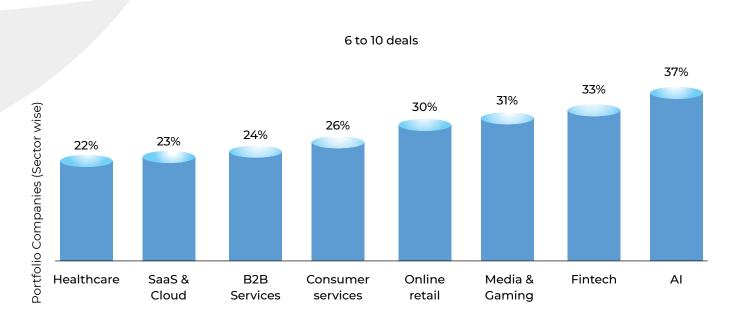


Al, Fintech, Media & Gaming and Online Retail emerged as industries skewed towards a slightly larger number of deals anticipated this year.

Number of Investors (in %)

Deals anticipated this year by Sector (Primary Research)

Q: How many deals do you foresee completing this year?



Number of Investors (in %)

nvestors from the sectors of Healthcare, SaaS & Cloud and B2B services (same sectors where fewer deals are anticipated this year) show a willingness to invest in new ventures as a significant proportion are planning to invest less than a fourth of their investments in

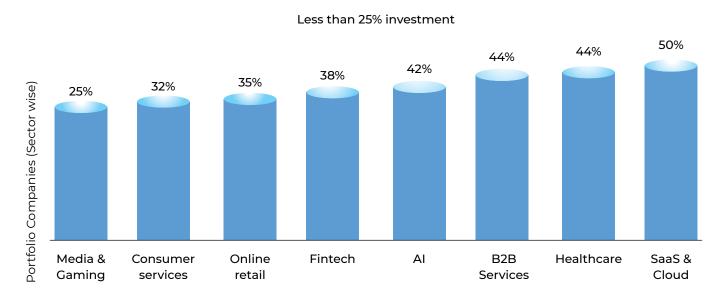
companies within their existing portfolio. Therefore, it is highly likely that these sectors will see fewer deals and greater investment in new ventures rather than funding of existing portfolios.



Investments into existing portfolio by Sector (Primary Research)

Q: This year, what percentage of your investments will be directed towards existing portfolio companies?

50% of the investors who have their portfolio companies in SaaS & Cloud sector will be directing less than 25% of their investments towards their existing portfolio



Number of Investors (in %)

Fewer Deals, Investments in New Ventures

Data from our primary research shows two key trends:

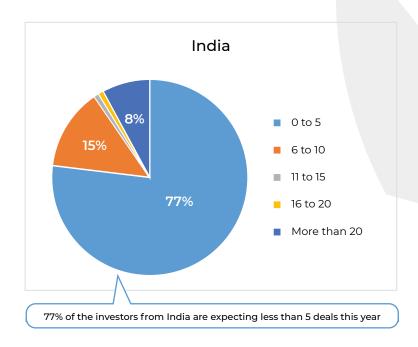
- More than three-fourths of Indian investors anticipate completing less than five deals this year
- 69% of the Indian investors will invest less than 50% of their investments in their existing portfolio

This means that a larger proportion of the funds of these investors will be invested in **new**

ventures. Therefore, there is a trend towards fewer deals but with a larger corpus outlay for new deals. This will lead to an increase in average deal size as well as enhance the proportion of the investor's stake in these companies. This is bound to provide the investors with a larger control in the decisions of such organisations, including hiring and leadership decisions, to an extent (covered in later sections). This trend is also observed in Southeast Asia and Europe from our primary research.

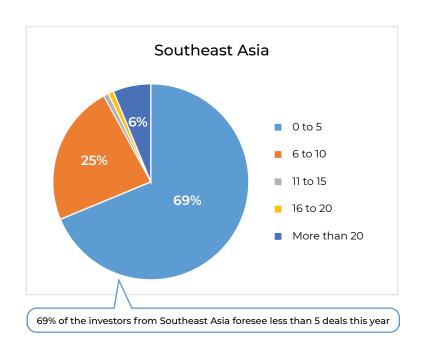
Deals anticipated this year (Primary Research)

Q. How many deals do you foresee completing this year?



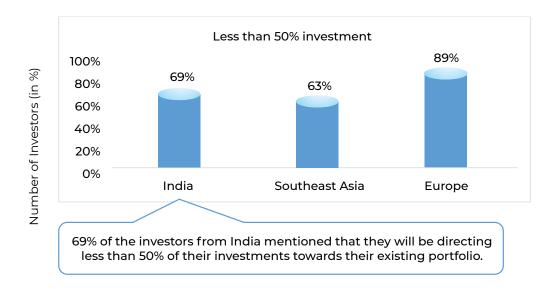
Deals foresee completing this year (Primary Research)

Q. How many deals do you foresee completing this year?



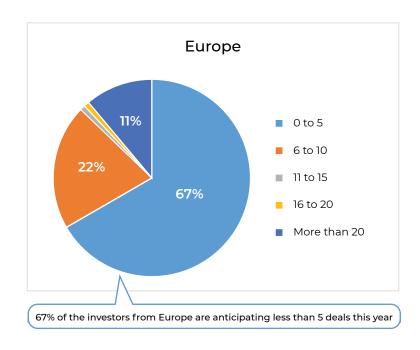
Investments directed towards existing portfolio companies by Region (Primary Research)

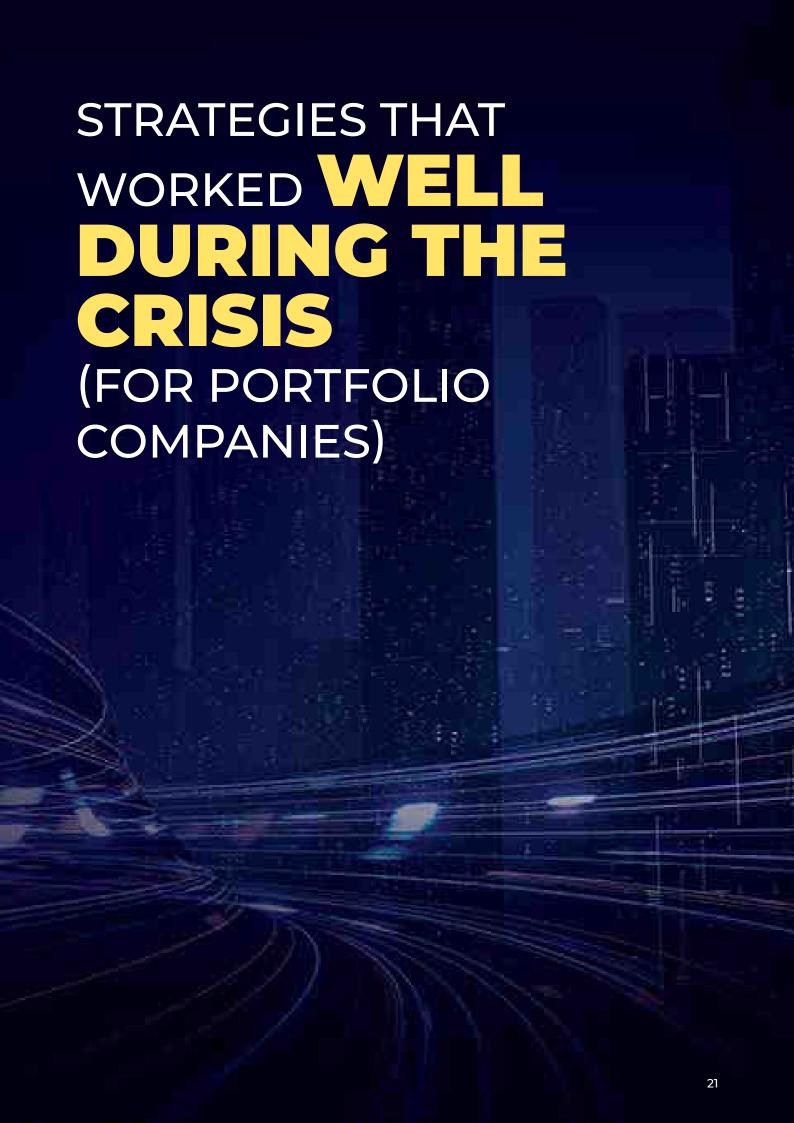
Q. This year, what percentage of your investments will be directed towards existing portfolio companies?



Deals foresee completing this year (Primary Research)

Q. How many deals do you foresee completing this year?





In our survey, we asked our respondents,

What did the portfolio company that fared the best during this crisis do differently than the rest?

- heir response can be clubbed into the following four broad themes. These are indicative of successful strategies for startups and organisations in the new business era.
- 1. Change or Innovation in the Business Model/ Leveraging of Technology and Agility: Successful startups were good at identifying **new opportunities** during the pandemic. They launched new products/services that were likely to benefit from the pandemic-induced demand. Additionally, investors claimed that such organisations were quick to take decisions and adapt to the changing scenario. They changed their business model slightly to take advantage of new customer needs. Technology and digitization have played a strong role for companies that adapted well and technology development also helped in improving efficiencies.
- 2. Financial Management: The crisis necessitated financial prudence and successful startups managed their finances well. They were conservative in cash usage and moved quickly to reduce costs as well as renegotiate certain fixed costs. These organisations focused on boosting key financial indicators such as margins, profitability and cash flows and monitored them regularly. There were a few who had strong cash reserves and this allowed them to leverage new opportunities.
- 3. Pandemic Provided a Tailwind: Some of the startups were in sectors that benefited from the situation. They belonged to impact sectors like Media and Gaming, Edtech, E-commerce and Healthcare and were able to capture a large amount of organic demand with people staying indoors. A few were involved with basic needs, food supply and pure SaaS which helped them gain customers organically. The surge of online transactions and digitalization proved beneficial for these companies. An investor mentioned, "one of my portfolio companies was into Edtech and provided online education tools to both students and parents". The lockdown and consequent impact on consumer behavior was a blessing in disguise for these startups.
- 4. Communication and Relationship Management: A few investors claimed that the success recipe for some of their startups included greater transparency with customers and suppliers and stronger focus and understanding of customer needs. They communicated regularly with their customers and managed to cross-sell various products/ services to their existing customers.

What Failed During the Crisis?

In addition to understanding strategies that worked, we also gauged the other side of the story and asked our respondents,

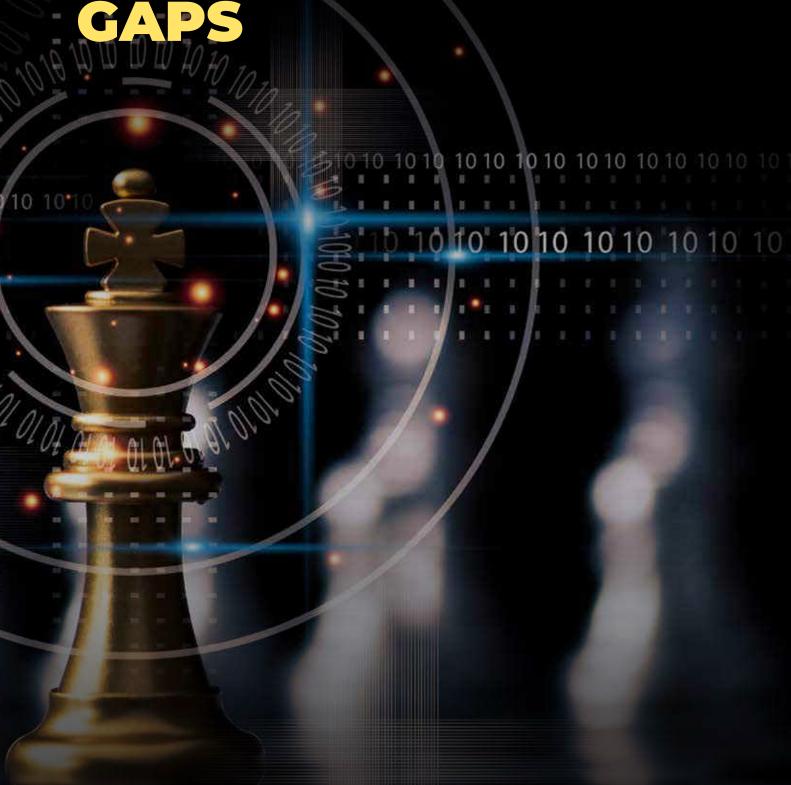
What did the portfolio company that fared the worst during this crisis do differently than the rest?

heir responses can be classified under the following three heads. It displays how lack of action, poor financial management and negative impact in certain sectors can spell disaster for some startups.

- Low Agility/Slow Decision Making: Some companies that suffered were either too slow to move or did not take any action and simply waited for the situation to improve. A few companies did not have a contingency plan in place and this came down to their leadership investors claimed that the management of these startups lacked learning agility and did not have the ability and courage to take quick decisions and plough ahead.
- 2. Poor Financial Management: Inability to manage cash flows as well as lack of funds proved to be a millstone for a few startups. An investor mentioned that one of his portfolio companies was in the middle of a fund-raising which was halted due to the pandemic. Another
- investor cited that a portfolio company "was greedier than others regarding their ongoing funding round." They did not close the round with interested international investors when they had the opportunity to do so. As the crisis hit, the investors withdrew and the round fell apart. One startup simply cut costs but did not do much else in terms of prudent financial and cash flow management.
- 3. Present in Sectors that offered low leeway:
 A few of the startups existed in sectors that
 were significantly impacted and the nature
 of the sector prevented them from generating
 alternative means of revenue. These were
 the Hospitality/HORECA sector and Travel &
 Tourism.



LEADERSHIP – TRAITS AND SKILL



Traits of a Successful Leader

n our research, we wanted to gauge what defines effective leaders and asked, "In this current crisis, what traits will define the successful CEO?" Responses of our investors can be classified under four main qualities:

- Agility
- · Resilience
- Foresightedness
- · Calm



Other themes that emerged were:

- · Adaptability
- · Transparency/Communication
- · Empathy/Compassion
- · Ability to Motivate/Boost Morale of employees
- · Clarity/Awareness
- · Fund/capital management
- · Flexible and being Assertive

Interpersonal and Leadership Competencies

One of the weakest areas according to the Survey, is the lack of Interpersonal and Leadership Competencies. In rough waters, the leadership and mentoring skills as well as empathy displayed by the ship's captain are tested severely. This was another area where a few startups were found wanting while those with effective leaders thrived.

 Developing Strong Relationships:

> Organisations with strong leaders were able to forge long term partnerships with investors, the business community and customers.

2. A Leader, A Mentor, with Empathy: Our respondents mentioned that startups required strong leadership especially during stressful times and this was a skill that might have separated the winners from the also-rans. An effective leader led from the front, demonstrated empathy and maintained open and transparent communication both internally and externally. In other organisations, the leaders displayed a lack of empathy with employees which led to a decline in motivation when it was most required. It was best summed up by one of our investors,

Companies where the CEO is not able to 'rally the troops', assemble and lead a motivated executive team suffer - internal cohesiveness and single-mindedness are critical at this time.



Skills and Functional Deficiencies

The current crisis also highlighted skills as well as need gaps in terms of deficiencies in expertise. In response to,

What skills or functional deficiencies has this crisis highlighted across management teams in your portfolio companies?

Respondents mentioned two broad skill types:

1. Agility and the ability to plan for a crisis and manage it well

- Investors claimed that the crisis
 highlighted the need to possess mental
 agility, cross-functional thought
 processes and pragmatism. They felt that
 some of the inadequacies were a lack
 of response/reactivity, 'a slowness and
 wishful thinking'.
- 2. Change and crisis management was a skill that was displayed effectively in some startups during the pandemic. Successful organisations conducted

better scenario planning, had an ability to adapt as well as think and plan for the long term when facing a crisis. Those who suffered displayed a traditional mindset coupled with an aversion to risk. Investors felt that a few of their portfolio companies had an inability to plan for extreme market scenarios such as this.

b. Financial skills:

Some key skills in this area were related to financial forecasting, fund raising and cash management. During the crisis, successful startups were able to raise funds while the greedy and the delusional didn't. An investor expressed that,

companies where the CEO is weak on fundraising had a hard time". Additionally, poor financial understanding crippled a few organisations as some costs that "were believed to be variable were actually found to be not variable

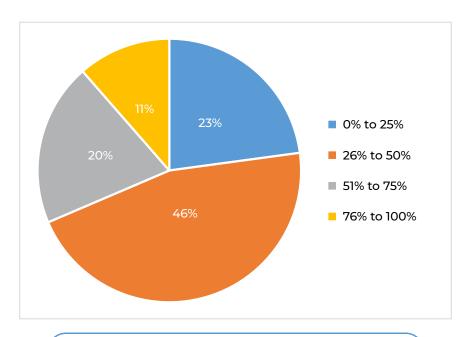


New Hiring

strong 77% of the investors in our research mentioned that more than a quarter of their portfolio companies – with nearly a third claiming more than half of their companies – are hiring. European VCs were more positive on the hiring front as 56% of them mentioned that more than half of their companies are still hiring. They were followed by investors in Southeast Asia and India.

Hiring in Portfolio companies (Primary Research)

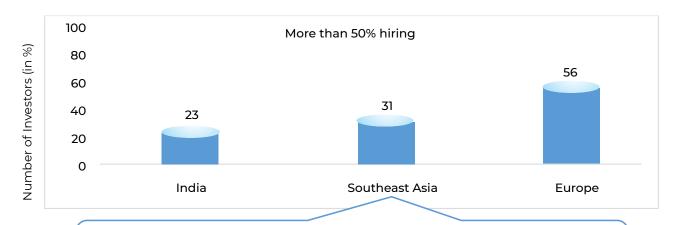
Q: What percentage of your portfolio companies are still hiring?



77% (46% + 20% + 11%) mentioned that more than 25% of their portfolio companies are hiring. Only 23% of the investors mentioned that less than 25% of their Portfolio Companies are hiring

Hiring in Portfolio companies by Region (Primary Research)

Q: What percentage of your portfolio companies are still hiring?



31% of the investors from Southeast Asia mentioned that more than 50% of their Portfolio Companies are hiring

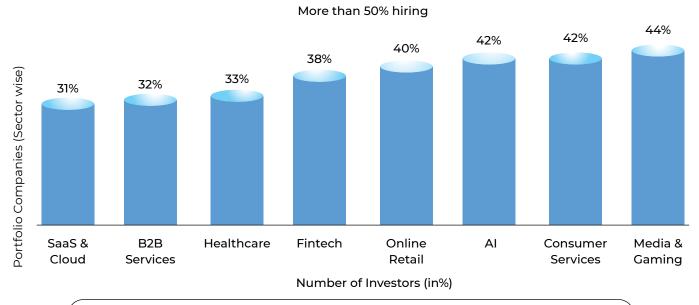
Media and Gaming, AI and Online Retail drive Hiring

rganizations in Media and
Gaming, Consumer
Services, Al and Online
Retail industries are
seen to be recruiting more actively
as 40% or more claim that at least
half of their portfolio companies are

hiring. Most of the investors across **SaaS & Cloud, B2B Services and Healthcare** claim that between a quarter and half of their portfolio companies are hiring.

Hiring across portfolio companies by Sector (Primary Research)

Q: What percentage of your portfolio companies are still hiring?



44% of the investors mentioned that more than 50% of their portfolio companies which are in Media and Gaming are hiring

Roles gaining importance and new roles

We asked our respondents,

Which executive role(s) is becoming paramount as a result of this crisis?

Below are the main roles mentioned by them.

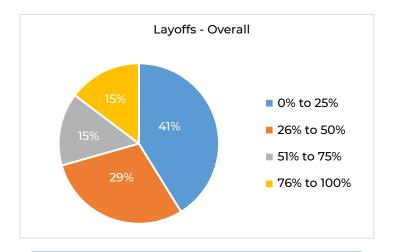
Finance & Risk: The CFO will need to help organizations on multiple dimensions – stabilizing the company financials in the near term, creating the right conditions for growth as the company emerges from the crisis and building financial resilience for the company during an uncertain future. Given the overall view on the market among the Survey respondents, building a successful Investor Relations program and ability to navigate fundraising activities should also be on the agenda for the finance leaders in 2021.

Chief Revenue Officer or Chief Business Officer: Takes care of achieving greater and sustained revenue growth. As business models and operating channels are impacted, CRO's mission will be to maximize revenues through alternative channels and strengthen both customer relationships and business partnerships.

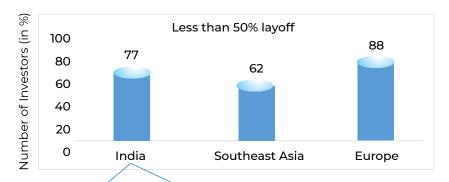
Chief Executive Officer: During the crisis, the CEO needs to focus on his core tasks for better clarity and effectiveness. The above leaders within an organization will provide ample support in their functional areas. The best case scenario is that the CEO is double hatting in setting a vision and mission for the company, and is also a "Change Agent" constantly seeking effectiveness and agility in business performance.

Layoffs

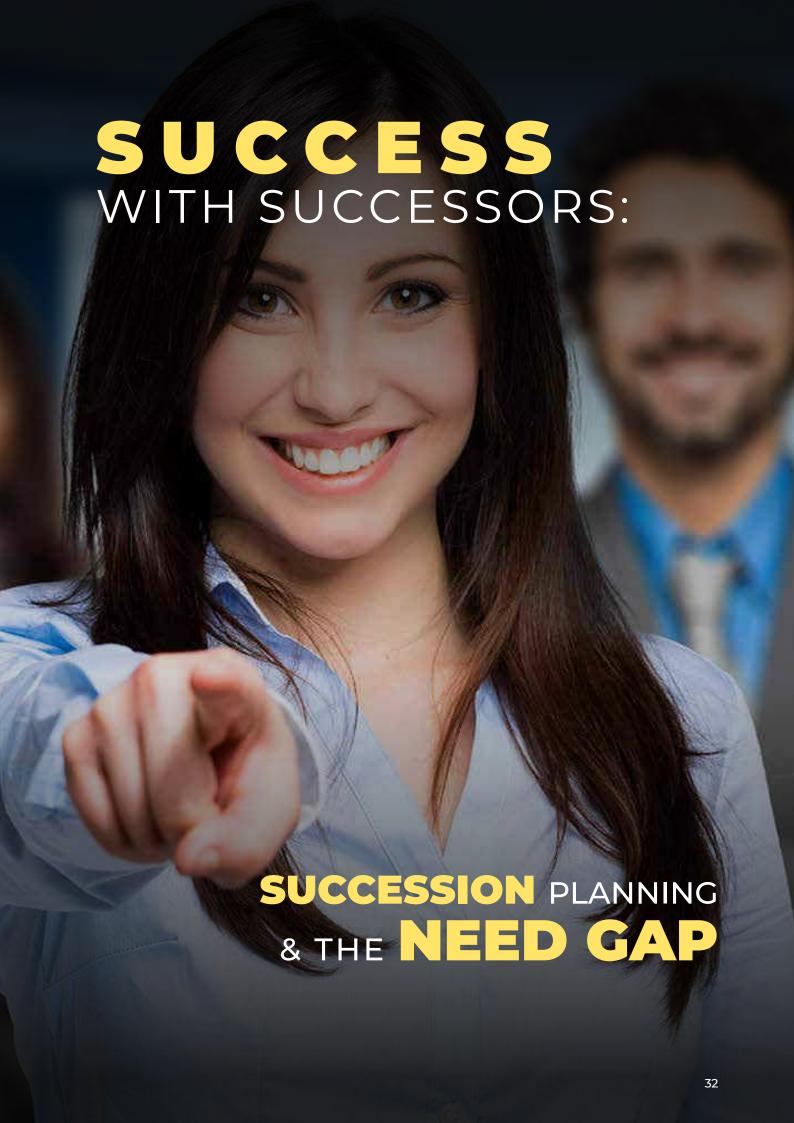
Among our investor sample, most respondents had less than 50% of their portfolio companies suffering layoffs. This was more significant in India and Europe followed by Southeast Asia.



41% of the investors mentioned that less than 25% of their portfolio companies resorted to lay-offs.



77% of the Indian investors had less than 50% of their portfolio companies resorting to layoffs



Succession Planning

Succession planning is a process of identifying and developing people with the potential to fill key business leadership positions in an organisation.

Over the years, technology organisations have changed their approach to succession planning. What used to be a rigid, confidential process of hand-picking executives is now becoming a more fluid, transparent practice that identifies high-potential leaders and incorporates development programs preparing them for top positions.

Lack of succession planning in high-growth companies

In the aggregate, high-growth companies do not invest the optimal effort in succession planning. This was borne out by our study: majority of investors were not satisfied with the current level of succession-planning preparedness of their portfolio companies.

Based on our experience helping high- growth technology companies to scale, succession planning is a growing trend. The interest in founder's succession is still very small compared to the amount of technology players successfully passing the "risky startup" stage of the business. The challenges and opportunities of succession planning, as we see it:

- "We want it yesterday!" Timing is key in a smooth planning and execution of the founder's succession. That involves founders being ready to pass the leadership responsibility to someone new. Founders often underestimate how much time it might take to approach the market and choose from a quality talent pool, hence we always suggest to start planning early.
- Wrong cultural fit is one of the major fears of any founder when choosing a successor. The company they have built is like their family

and welcoming someone new is comparable to a marriage proposal. The succession is not a like-to-like replacement, but a valid opportunity to enhance the organization by filling in the gaps in the expertise of the founding team.

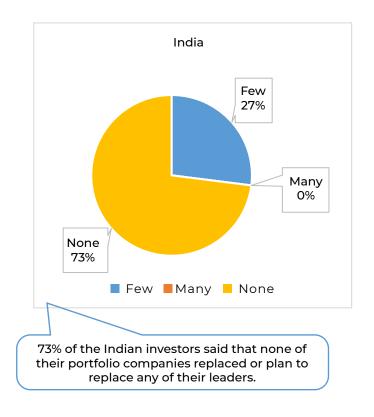
- Stakes are high, but there is so much more to gain. Founders succession is about bringing a new experience to the team. Often the new CEO who succeeds a founder comes with experience in a business with scale. It is not just an experience that is being brought to the table, but also the best practices and his or her track record of delivering results. People of such caliber are interested in building a business. Startups with the right growth profile are high on their list.
- The role of executive search and leadership advisory firms in developing talent pipelines for succession planning—is critical. More so, because the outreach to external talent needs to be both on a confidential and sustained basis.

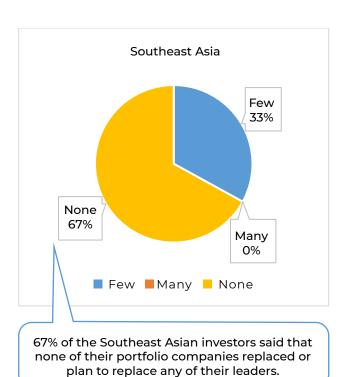
Leaders To Stay

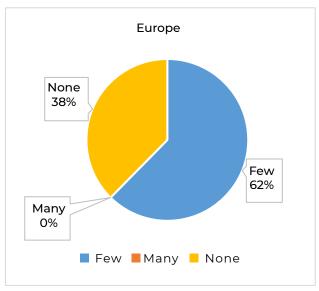
ur study reveals that investors most neither replaced nor are planning to replace any of the leaders in their portfolio companies. This is especially true in the markets of India and Southeast Asia with around 70% claiming they will maintain the current leadership. Additionally, from the previous section, we observed that new leadership roles are being created. These new senior roles will likely form the next level of leaders and be part of a succession plan.

Replacement of Leaders by Region (Primary Research)

Q: Have you had to replace or plan to replace any of the leaders of your portfolio companies in light of their recent performance?







Current Satisfaction Levels with Succession Planning

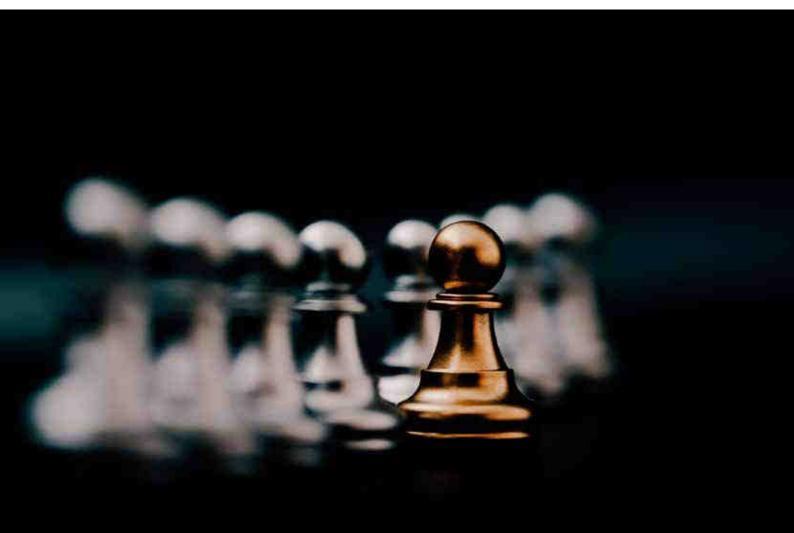
ith most investors looking to retain their leaders as well as play a larger role in key hiring decisions, an important question arises:



Results from our study show that investors are **not satisfied** with current succession planning practices. This concern cuts across sectors. At least two third of our respondents had issues with

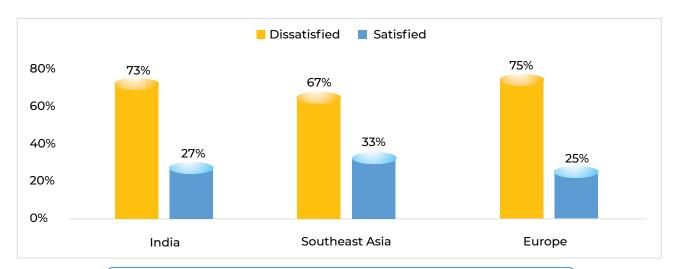
the current succession plans and pipelines.

how satisfied are investors with the succession planning practices in their ventures?

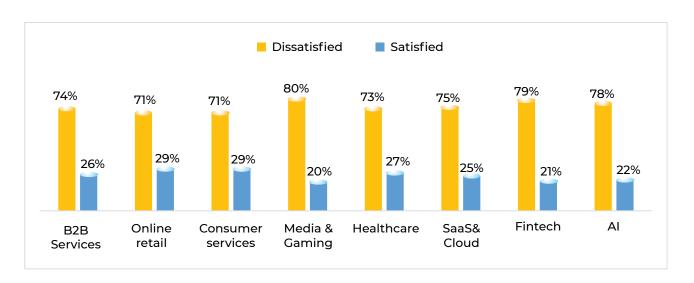


Satisfaction with Succession Planning Practices by Region (Primary Research)

Q: How satisfied are you with the succession planning practices in the boards where you sit?



73% of the investors from India and 67% from Southeast Asia are not satisfied with the current succession planning practices





The Time is Now

rganizations that failed to do comprehensive succession planning prior to the pandemic COVID-19 find they are at a disadvantage now. C-suite churn is at an all-time high. Consequently, there has been a spike in executive recruitment. Additionally, organizations are under pressure to have a plan in place for the

replacement of key leaders. If this is not addressed immediately, they could face the risk of gaps in their leadership teams as well as a significant loss of knowledge from the departing leaders. The demand for leaders who possess the skills to drive change in the new era will be critical.

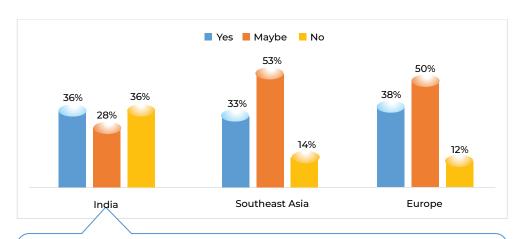
Executive Search Firms To Address the Talent Need Gap

ccording to our study, at least a third of the respondents in India, Southeast Asia and Europe are planning to take an executive search firm's guidance in the coming 12

months. An additional 50% or more in Southeast Asia and Europe and 28% in India claimed that they might consider this possibility.

Likelihood of using an Executive Search Firm by Region (Primary Research)

Q: Do you foresee using an executive search firm to help some of your portfolio companies in the coming 12 months?

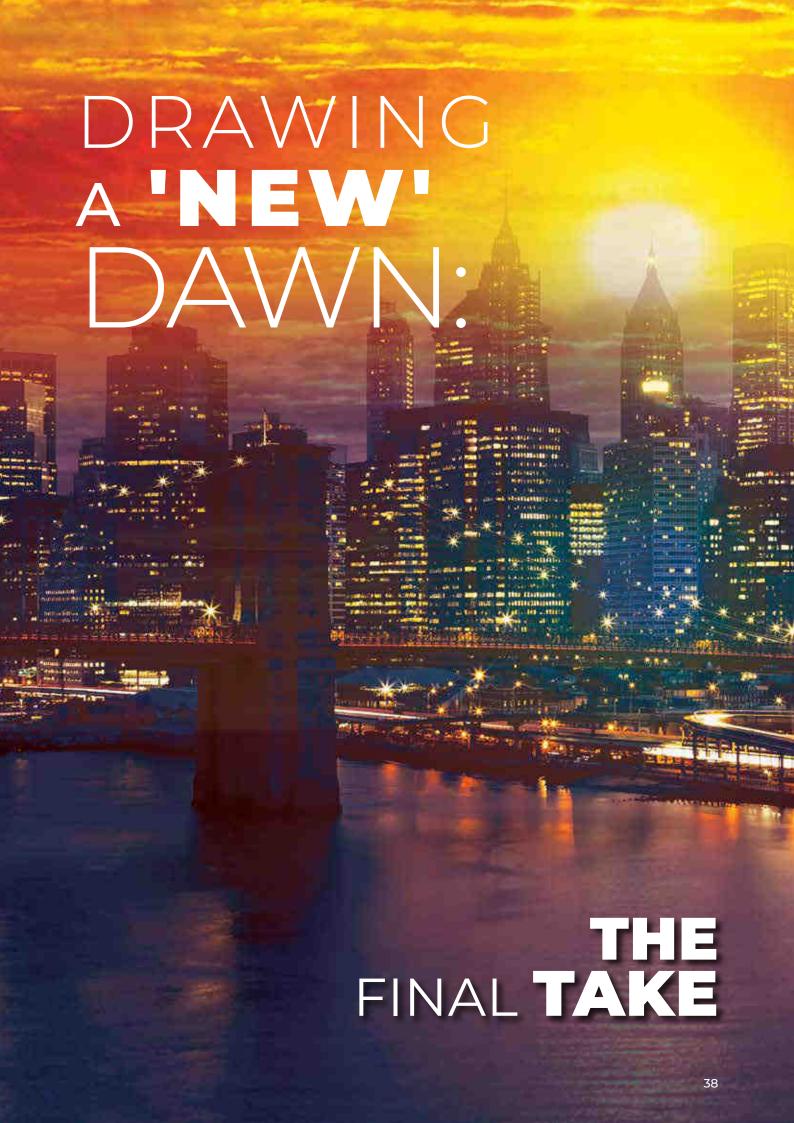


36% of the investors in India foresee themselves using Executive Search Firms to help their portfolio companies whereas another 28% mentioned that they might require Executive Search firms to help their portfolio companies

Three key conclusions can be drawn:

The survey identified several skills and expertise areas that are imperative to succeed in crisis management. These traits, skills and expertise areas need to be thoroughly evaluated during the hiring process.

We see a boost in demand for senior leadership hires from early January 2021 which makes us believe that companies are coming back to business- as- usual mode and plan for what is next. There is certainly a need gap in succession planning and investors have plans to plug this gap. Based on the survey responses, there is a strong likelihood of VC firms exploring the possibility of hiring an Executive Search firm to help their portfolio companies with succession planning.



Never let a good crisis go to waste

s an adage attributed to Winston Churchill, and later invoked by Rahm Emanuel, President Barack Obama's chief of staff, during the mortgage meltdown.

ith today's crisis giving it fresh relevance, the line has become something of a mantra among venture investors, ever in search of opportunities to back game-changing innovations. The recession of 2008-09 killed many businesses but also gave rise to companies like Airbnb and Uber. For opportunistic investors, falling valuations now represent a chance to invest in promising startups at a steep discount.

While many countries open up their economies and ease travel restrictions, there may yet be challenges with cross border deal making for some time. This may lead investors to focus more on opportunities in their local markets. At a time when most organizations are working remotely, the technology element is proving to be a saviour. Start-ups that are building solutions using artificial intelligence (AI), machine learning (ML) and deep learning are now picking up momentum. Investors want to focus on such companies along with those that provide automation, remote control and monitoring solutions, and the related businesses around them.

According to Silicon Valley's venture capitalist and co-founder of Sand Hill Group, M R Rangaswami, the next 10 years will be India's "golden moment" in key sectors like technology, pharmaceutical, e-commerce and manufacturing. He highlighted the US\$20 billion foreign investment in Reliance Jio during the COVID-19 lockdown as testament to this. He also commented that PE and sovereign funds from around the world will be looking at India as a hot destination for technology money

as the entire business ecosystem in India is adapting to new technologies like never before. The pandemic has forced everybody to go digital and India already has an advantage with a high market penetration of cell phones (currently over 500 million users and likely to grow to 966 million mobile users by 2023).

Southeast Asia saw a trend of rising secondary deals. But now, fund managers are coming close to the end of life for their current fund and a large number of secondary deals could be expected in the near future.

VC investment across Europe is expected to remain strong. VC investment in France is expected to grow more as health and biotech sectors continue to attract investors.

IMF managing director Kristalina Georgieva explained in a July 30 webcast that the global recovery is likely to be partial and uneven, happening in "different countries; different sectors, at different times." That uncertainty will be most pronounced among emerging and developing markets.

History shows that pandemics, like wars, accelerate many trends already underway as well as help initiate new ones. The post-COVID world will look different in ways we cannot be certain of. For emerging and developing economies, it will require navigational skill to avoid the deepest potholes coupled with imagination and agility to make the most of any opportunities it may present.



CKNOWLEDGEMENTS

unt Partners is a leading Leadership advisory firm covering the Europe-India-Asia corridor with a well-diversified portfolio of services viz. Executive Search, Board Advisory, Interim Management & Leadership Development. Founded in 2003, Hunt Partners maintain principal offices in Mumbai, Delhi and Beijing; and exclusive affiliate relationships with specialist firms in Asia, Europe, UK and USA.

Hunt Partners is an owner-managed firm, combining in-depth local knowledge with global expertise. The firm has specific industry expertise or "practices" building an extensive network and knowledge base in these areas. The leadership team includes professionals who have collectively more than 100 years of corporate experience both in India and globally. They provide search and bespoke advisory solutions for a select group of

global and regional clients. Hunt Partners is placed within the top-5 executive search & leadership development firms in India.

Hunt Partners, specializes in understanding the company's peculiar challenges in Leadership talent and empowering one to achieve big wins despite market complexities. The firm's relentless focus on the Indian talent economy over the last 15+ years has been equipped with a strong understanding of local markets and their underlying mechanics. Hunt Partners' people, culture, processes, and services together form a powerful framework that ensures superior results for their clients. The senior partners and team members not only excel in their field, but are also driven by empathy, and a genuine desire to help others succeed.



Arjun Erry
Partner
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Tehsin Danawala Amdani
Principal
Technology and Private Equity &
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bout Eric Salmon & Partners: Eric Salmon & Partners is a high-impact firm delivering leadership outcomes to global and regional clients through a coherent portfolio of services encompassing Executive Search, Talent Assessment, Team Effectiveness, and Board Advisory. Founded in 1990, Eric Salmon maintains offices in Brussels, Frankfurt, Geneva, London, Milan, Paris, Rome, Shanghai and Singapore; and collaborates with like-minded specialist firms in Australia, India, and the Americas.

Eric Salmon is a private partnership, acting as one firm. The firm has deep local expertise in the markets in which it operates and comes together collaboratively to serve a selected group of global clients. The firm has consultants with extensive industry and functional experience,

complemented with a future-oriented mindset to ensure new thinking is brought to every client. The firm works with startups and digital native innovators but strives to bring the leading-edge capabilities to established businesses.

Aside from compelling content, Eric Salmon brings a refreshingly nimble and agile approach to client relationships. Consultants are personally involved and engaged in challenging status quo. Increasingly, the firm is invited to advise on diagnosing leadership blockages at team and individual levels and to ultimately improve team dynamics and individual effectiveness. Such engagements often lead to succession planning and talent pipeline management, ensuring that steps are taken today to ensure and sustain success in the future.



Dimitri TsamadosPartner

Technology and Digital

practice



Elena Bagayeva
Partner
Technology and Digital
practice



Scope

he VC 2020 Report is composed of two distinct parts.

The first part is a business and sectoral outlook with hard facts. It sheds light on current and future trends in India, Europe and Southeast Asia. It gauges the impact of COVID-19 on organizations backed by VCs and key takeaways for organizations.

The second section addresses the softer people related issues of Hiring, Layoffs, Leadership and Succession Planning.

Methodology Primary Research

 Face-to-face interviews and online questionnaire distributed among the heads of the leading technology VC firms investing across India, Southeast Asia and Europe



- This study targeted VC firms investing across various technology sectors
- · Period of fieldwork was September-October 2020

Secondary Research

econdary research was conducted to support primary research findings using publications, articles and relevant reports.



Key topics covered in secondary research are:

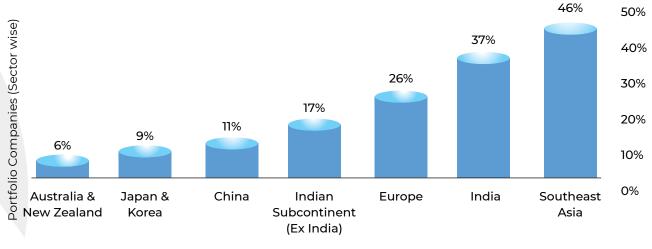
- Overview and trends of Venture Capital Investment firms focused on investing in high-growth technology companies operating across India, Southeast Asia and Europe
- · Impact of COVID-19 on Venture Capital Investments
- Talent trends related to senior leadership roles in highgrowth technology companies
- Hunt Partners and ES&P experience in succession planning and leadership advisory

Respondent Profile:

elow is the profile of the VCs that participated in the primary research followed by the questionnaire that was used to collect the data.

Portfolio by Geography (Primary Research)

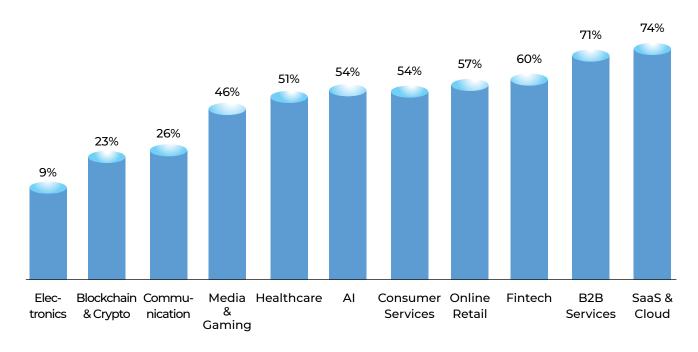
Q: What is your geographic focus?

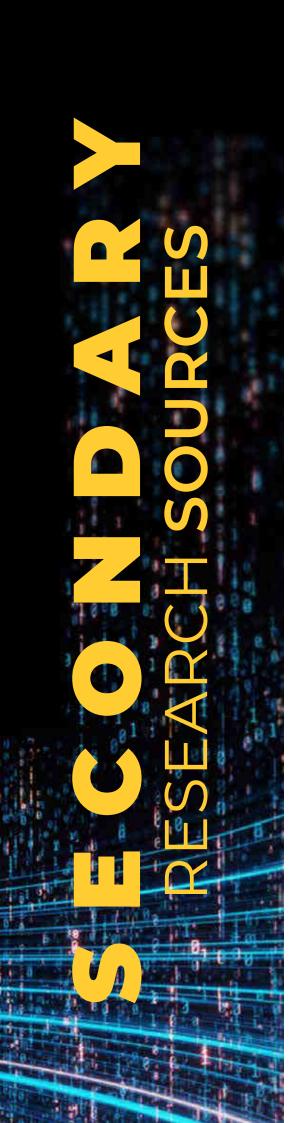


Number of Investors (in %)

Portfolio by Sector (Primary Research)

Q: What is your technology/industry focus?





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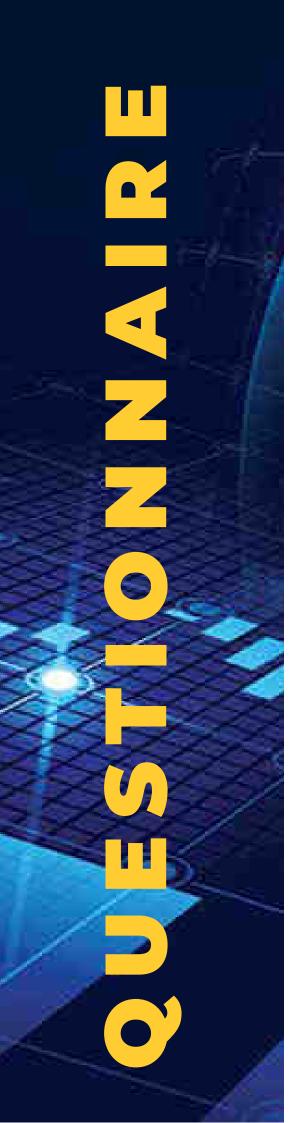
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- 1. At what stage do you invest? (Please select as many as apply)
 - a) Pre-Series
 - b) Series A
 - c) Series B
 - d) Series C
 - e) Last stage
- **2. What is your geographic focus?** (Please select as many as apply)
 - a) India
 - b) Southeast Asia
 - c) Indian Subcontinent (Ex India)
 - d) Others: Specify
- **3.** What is your technology/ Industry focus? (Please select as many as apply)
 - a) B2B Services
 - b) Online Retail
 - c) Blockchain & Crypto
 - d) Consumer Services
 - e) Media & Gaming
 - f) Electronics
 - g) Communication
 - h) Healthcare
 - i) SaaS & Cloud
 - j) Fintech
 - k) Al
 - l) Others: Specify
- 4. How many deals do you foresee completing this year?

Dropdown List -

Options: Numbers from 0 to 19

Last option: More than 20

5. This year, what percentage of your investments will be directed towards existing portfolio companies?

%

10	- 1	10	20	30	_I 40	_I 50	_I 60	70	80	90	100	

- 6. How do you expect your portfolio to be impacted by the current crisis?
 - a) Very negatively
 - b) Somewhat negatively

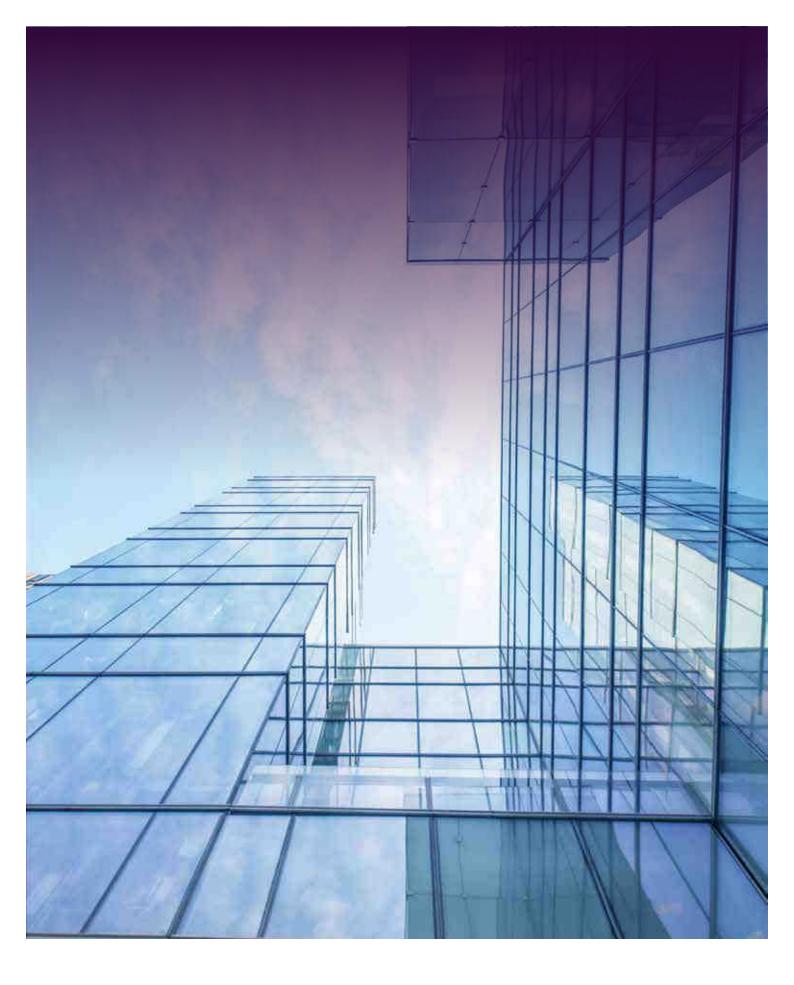
Confidential and Proprietary information of Hunt Partners

	e)	Very Positi	ively								
7.	What did the portfolio company that fared the best during this crisis do differently than the rest? Short Paragraph										
8.	What did the portfolio company that fared the worst during this crisis do differently than the rest? Short Paragraph										
9.	Wh	at percenta	ige of you	r portfoli	o compar	nies are st	ill hiring?	•			
0	%	10	20	30	40	50	60	70	80	90	100
L											
10.	Wh	at percenta	ge of you	r portfoli	o compar	nies have	had to re	sort to la	y-offs?		
0	%	10	20	30	40	50	60	70	80	90	100
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11	In t	his current	crisis wh	at traite v	vill defin	e the suc	essful CE				
11.		rt Paragrapl		at traits v	viii deiiii	e tile suct	essiui CL	.0:			
							_				
12.		ich executiv		is becom	ing parai	mount as	a result o	of this cris	sis?		
	Sho	rt Paragrap	h								
13.	. What skills or functional deficiencies has this crisis highlighted across management teams in									ms in	
	you	r portfolio d	company	?							
	Sho	rt Paragrap	h								
14.	Hov	v satisfied a	are you w	ith the su	ccession	planning	practices	in the b	oards whe	ere you sit	t?
	a)	Very Dissa	tisfied								
	b)	Dissatisfie	d								
	c)	Satisfied									
	d)	Very Satisf	ied								
15.	Hav	e you had t	o replace	or plan t	o replace	any of th	e leaders	of your p	ortfolio c	ompanies	in light
		ir recent pe	-	-	•	•				•	
	a)	None									
	a)	Few									
	a)	Many									
	a)	All									
16.	Do	you foresee	using an	executiv	e search	firm to he	lp some o	of vour po	ortfolio co	mpanies	in the
		ning 12 mon	_				•			•	
	a)	Yes									
	a)	Maybe									
	a)	No									
17	Wo	uld you like	to be cor	ntacted? i	if YFS. do	aive us v	our email	address			
.,.		rt Paragrapl			, ao	g us y	Ja: Jilidii				
	5.10										

unchanged

Somewhat Positively

c) d)



Address

Hunt Partners

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