

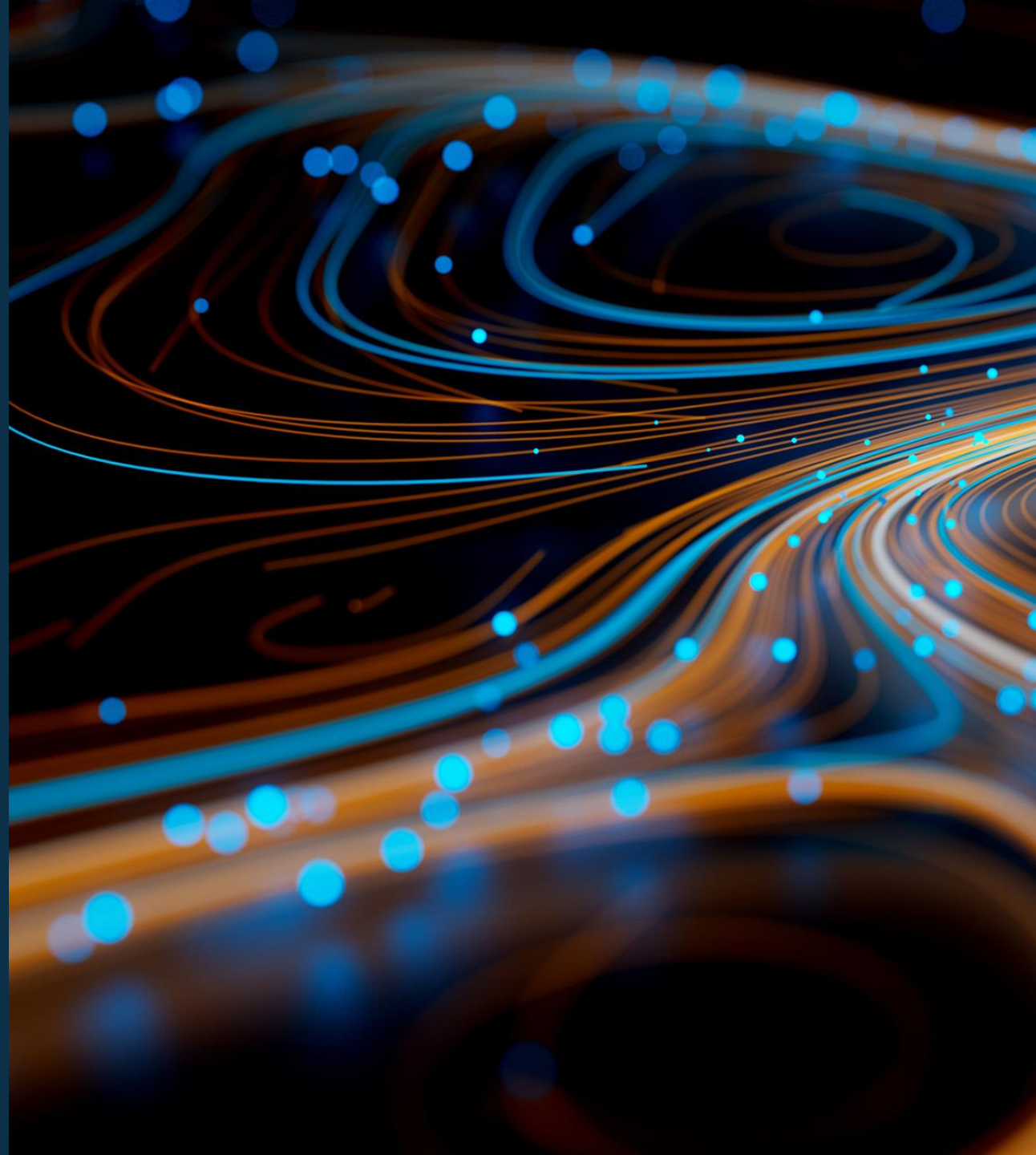


State of CVC 2023

A deep dive into the dynamics of the
corporate venture capital (CVC) ecosystem

October 2023

Additional data and analysis provided by



Corporate Venture Capital Funds Are All-Weather Investors

In 2023, CVCs find themselves at a crossroads. As venture capital markets soften, strategic value could make or break a fund. A majority of CVCs face their first pullback — 79% of CVCs surveyed were founded post 2014 — having grown up during an era of expansion in the innovation economy. The slowdown poses challenges to investors as exit markets are on ice, limiting liquidity. A full 80% of CVCs are anticipating down or flat rounds as valuation overhang persists among VC-backed companies.

Enter the third annual report on the state of CVC. We surveyed 209 CVCs about how they are responding to the current market. We also looked at two past years of responses.¹ Noteworthy trends include funds picking a side and drifting more strategic or more financial. While the elite group of bellwether² funds has become more financial, across the board, funds are leaning more strategic.

Motivations beyond strictly financial give CVCs an opportunity to step in and place bets for the long run. Will CVCs be able to take advantage of lower valuations and a less crowded market, or will they be forced to cut back as corporate parents struggle to see the value of venture investing? Three factors are at play. First, dependency risk: Funds are spending more time

managing their corporate parents in 2023 than in 2022 (page 20) which means less time spent investing. Funds with stronger support make on average seven more investments per year than funds with weaker support (page 25). Second, dormancy: The pullback in active CVC investors since 2022 is apparent (page 12). We see a 53% drop in active CVC funds year-over-year (YoY).³ This pullback isn't necessarily a bad thing, CVC funds, unlike traditional venture capital (VC) funds, can have more flexibility on when they decide to invest. Third, disconnect: Funds self-reported high NPS scores (page 24), yet a tougher market means CVCs face increased scrutiny. If fewer investments and fewer exits persist for a long period of time, corporate executives might call into question their CVC strategy.

Despite challenges, CVCs serve primarily as a sensor for their parent companies. Funds shared they were able to speed up time to market and decrease R&D spend thanks to strategic bets. We believe CVCs are positioned to maintain their status as all-weather investors. Businesses will need to innovate to remain competitive and will look to their CVC fund for insights and access to the latest technologies from AI, climate tech, robotics and beyond.



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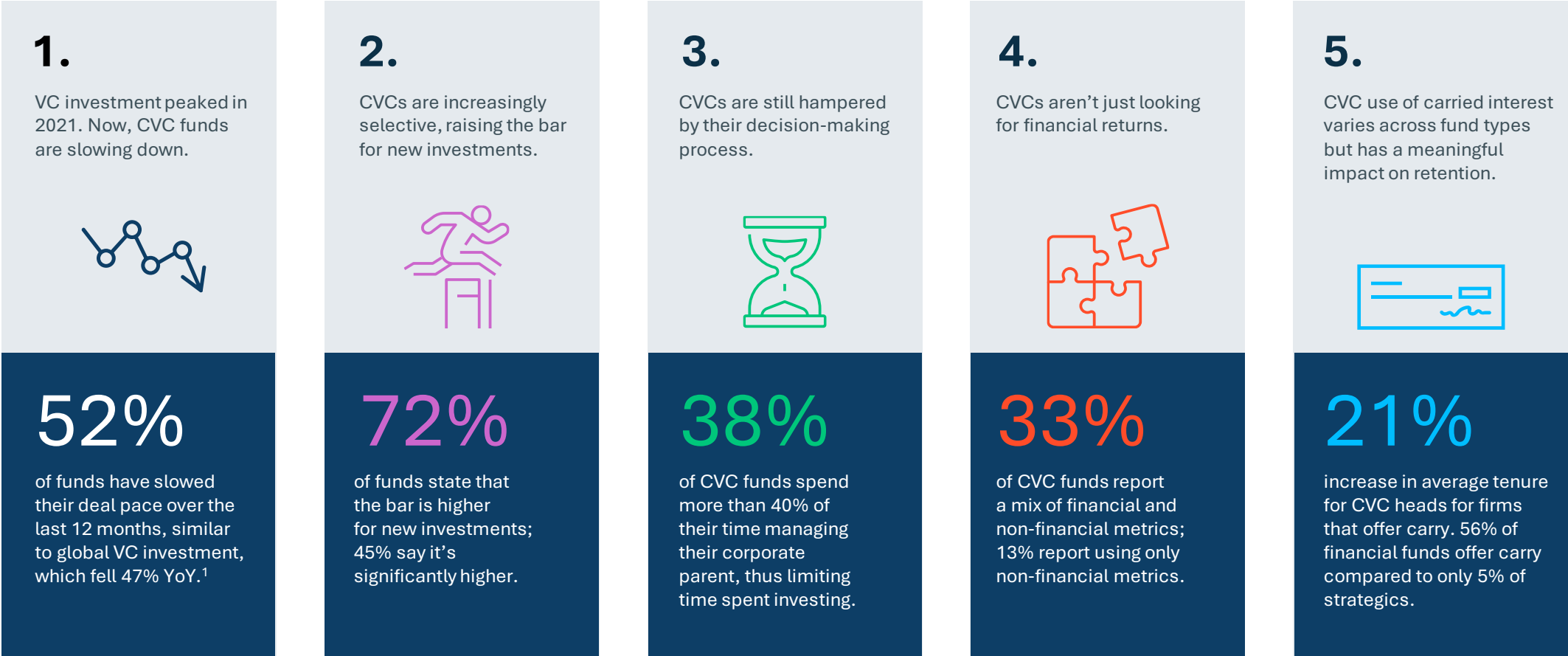
CVC Outlook





2023 CVC Survey Key Findings

Five Key Takeaways



About the Report and CVC Survey

Survey Participation Rates¹

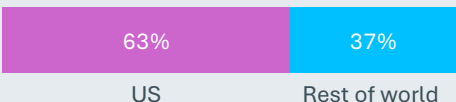
209 representing **19%** of all active² global CVCs, up from 164 last year.

accounting for **~\$7B** in capital deployed per year.

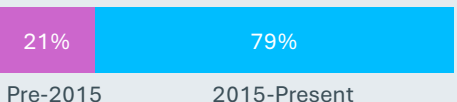
and over **38%** of Global CVC deals completed per annum.

CVC Survey Respondents Makeup

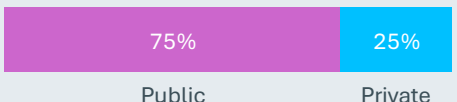
Headquarters of Parent



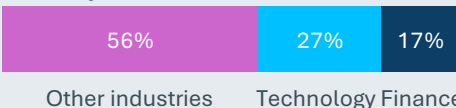
Year CVC Was Founded



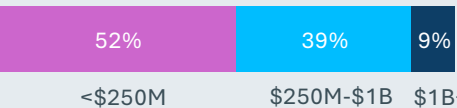
Ownership of Parent



Industry of Parent



Current AUM



Deals Per Year



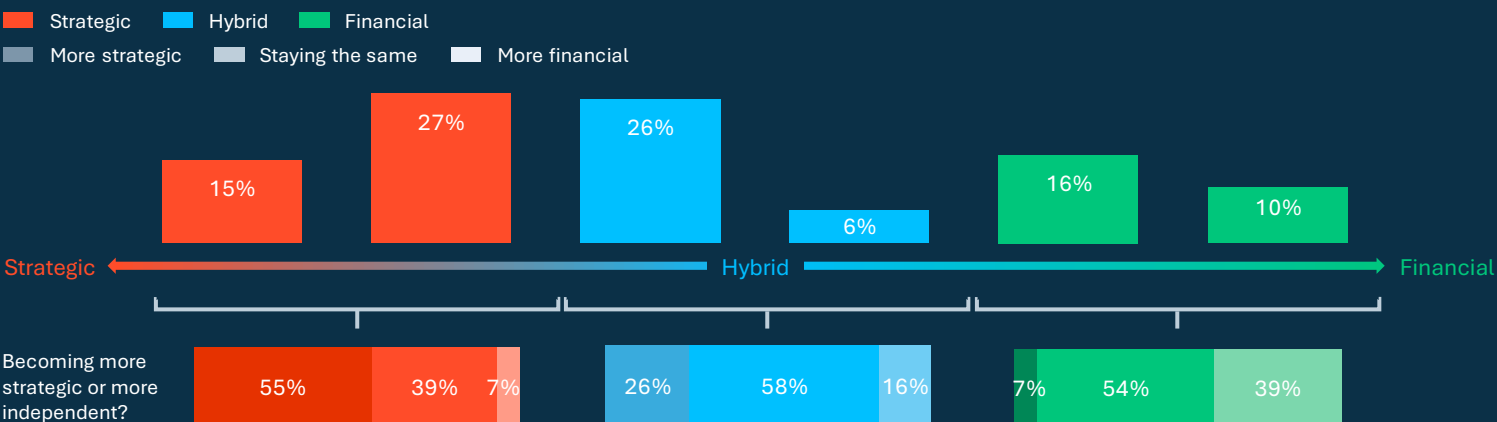
Broadly speaking, CVCs can be bucketed into three fund types, driven largely by their self-defined investment objective:

Strategic: 42% of funds invest for insight or value-add related to the corporate parent's goals; 80% of these funds have evergreen allocations from the balance sheet.

Hybrid: 32% of funds are a uniquely defined balance of strategic and financial; 68% have evergreen balance sheets.

Financial: 26% of funds consider only financial gain; 39% of financial funds are becoming more financially oriented, a signal that CVC funds can behave more like traditional VC funds.

Spectrum of CVC Fund Types by Survey Respondents³



CVC Bellwether Index

25 Funds

The CVC Bellwether Index¹ sets the bar for best practices.

While individual firms are not disclosed, these 25 elite CVCs were selected **based on three criteria**:



Fund Size

\$500M+
AUM



Deployment

\$100M+ Per
Year



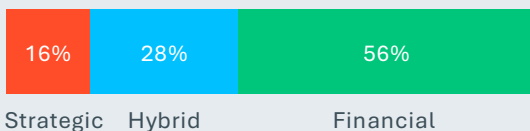
Reputation

In CVC
community

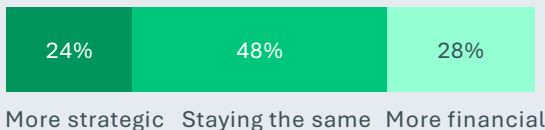
This cohort represents the North Star for both established and emerging CVCs and provides a leading indicator of market sentiment, investment velocity, progressive compensation structure, and decision-making autonomy.

Bellwether Funds ...

skew financial



are becoming more financially motivated



often take LP positions



set up formal capital reserves for follow-on investments



are active and lead deals

12

deals per year
median

88%

can lead deals

56%

write checks in two months
or less from first meeting

embrace VC comp models

56%

receive carried interest, which aligns
with a traditional VC model

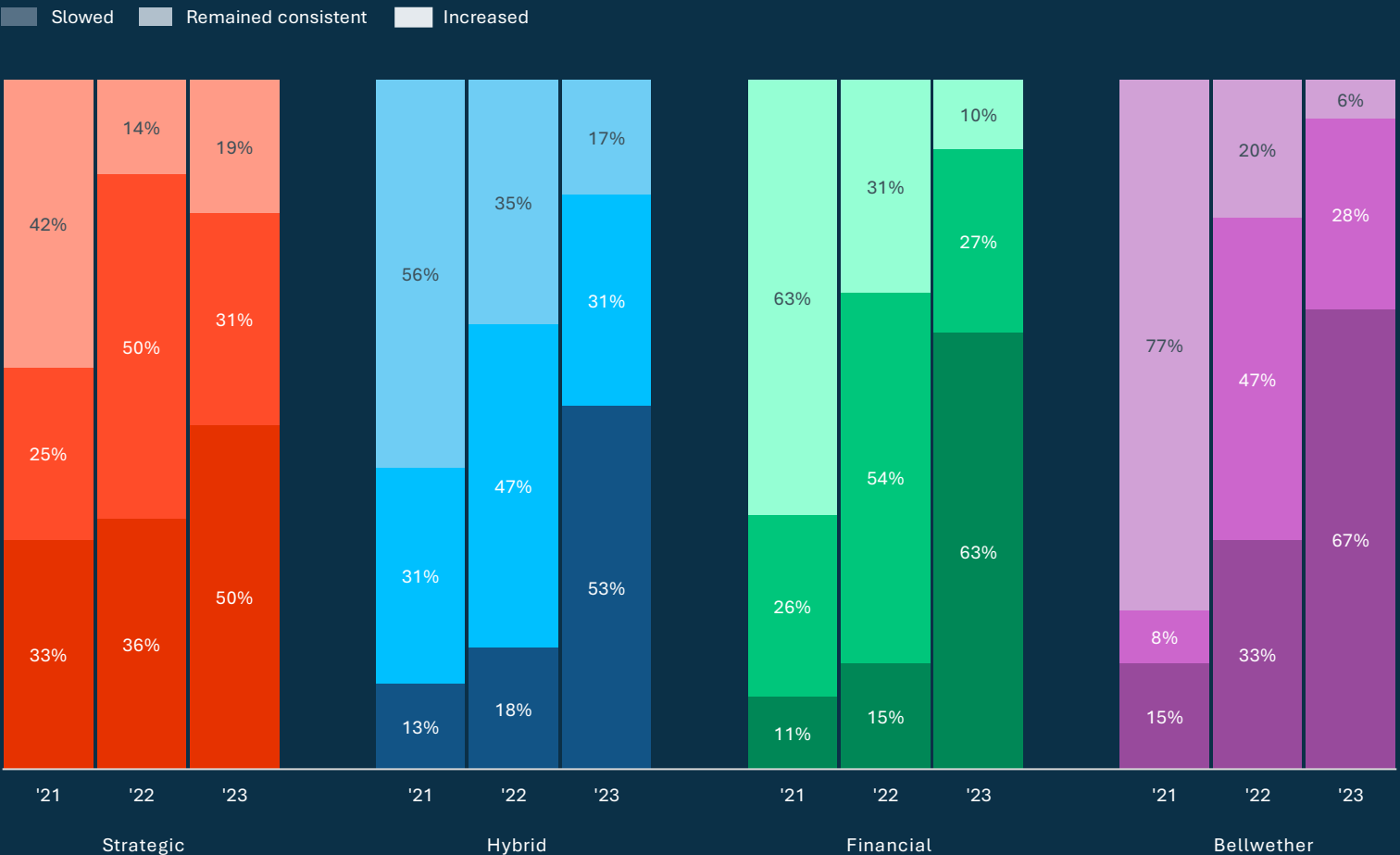
have investment autonomy

52%

of funds finalize investment
decisions without separate executive
investment committee approval

Three Years of Survey Data: CVCs Take Their Foot Off the Gas

Pace of Investment in Last 12 Months YoY Comparison^{1,2}



Three years of survey data yields a clear trend: CVCs are taking their foot off the gas. Venture investment in the current macro climate is characterized by lower valuations, fewer exits and investments across the board. CVC activity is no exception with the vast majority of respondents reporting a slower investment pace in 2023. This can be observed across mandates. **For example, 77% of bellwether funds increased their pace of investment in 2021 compared to 6% in 2023.**

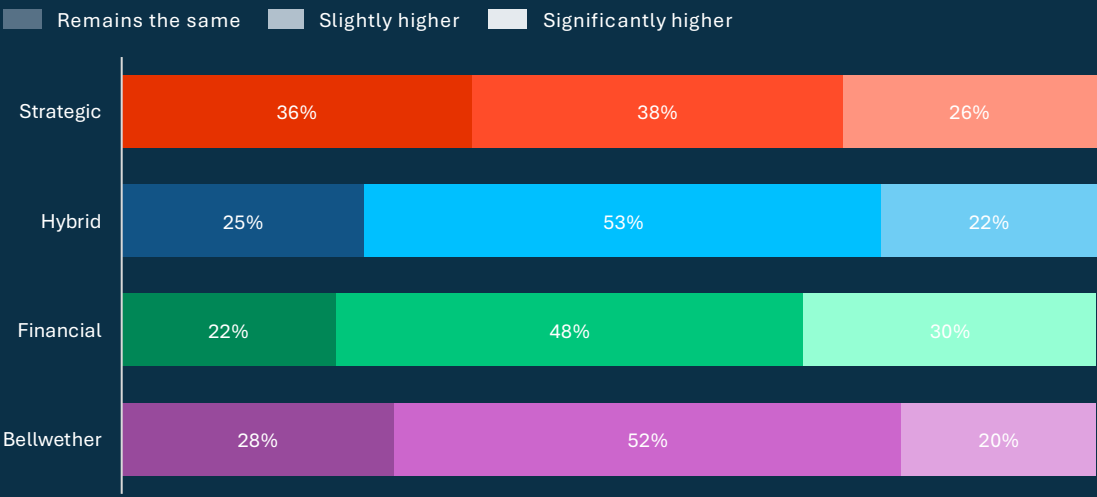
Notes: 1) CVC Bellwether: Index of 25 CVCs selected due to historical track record, current scale and investment velocity.
2) Based on survey respondents across the 2021, 2022 and 2023 surveys, funds that have responded all three years.
Source: CVC survey results (based on responses from 209 CVC funds) and SVB analysis.

CVCs and VCs in the Same Boat as the Tide Rolls Back From 2021

CVCs anticipate more frequent flat and down rounds, aligned with current trends witnessed in the innovation economy at large. However, the majority of CVCs signal an intention to support their portfolio with only 27% of CVC anticipate having to “orphan” an investment. This continued support points to the strategic value CVCs receive from their portfolio companies. Thus, they have an incentive to help their portfolio companies succeed despite financial risks.

This bearish outlook translates to additional scrutiny for new investments. But it could prove to be a reputation-making era for some CVCs. **While strategic value-add might have been a point of differentiation in a bull market, perhaps its true worth might shine when the chips are down.** CVCs may choose to stick with portfolio companies when traditional VC investors pull back.

Compared to 2022, is the bar higher for new investments?¹



CVC Portfolio Sentiment and Response to Investing Climate



Half of respondents said they made fewer investments in H1 2023 compared to H1 2022.



Notes: 1) CVC Bellwether: index of 25 CVCs selected due to historical track record, current scale and investment velocity.
2) When a fund ceases to support a portfolio company and writes it off.
Source: CVC survey results (based on responses from 209 CVC funds) and SVB analysis.



CVC Market Overview

Data and analysis provided by  PitchBook



CVC Is Caught in Venture's Slowdown

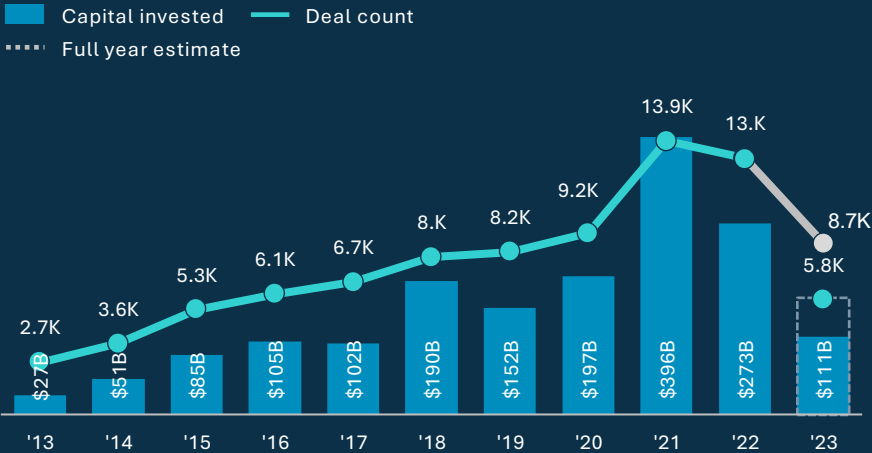


Kyle Stanford, CAIA
Lead Research Analyst, Venture Capital,
PitchBook

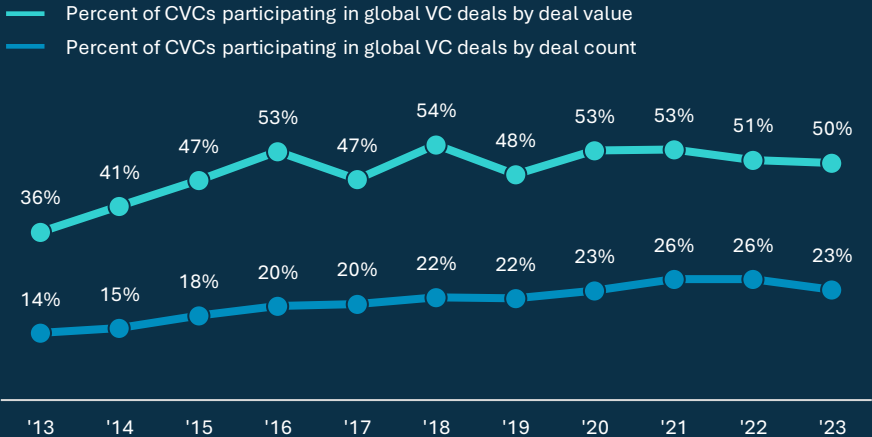
As the venture market slowed dramatically in 2022, CVC showed its staying power, continuing to participate in more than 25% of completed venture financings in the US. However, there has been a considerable slide in corporate venture investment over the past half year. Globally, just 5,800 deals, roughly, have included participation from a corporate arm, pacing the year for the lowest annual deal count since 2020. **On an annual basis, CVC participation in venture has fallen to its lowest level since 2015, at just under 24%.** It may not be a major decline, but it highlights the added challenges that corporate must clear in a volatile environment. The venture market has slowed, but CVC has slowed further.

This has been a distinct change in CVC. Corporate programs have ridden the wave of a growing venture market by pushing their expanding revenues to work over the prior few years. Globally, more than 2,300 CVCs were active in at least two investments during 2021 and 2022 — a figure 56% higher than the previous high-water mark of 2020. In general, startup investment has become a much larger piece of corporate growth initiatives by providing both data on emerging technologies and potential product partnerships. Financial returns of the VC market have been high over the past decade, which is an additional benefit for even strategically focused CVCs. CVC is no longer an occurrence relegated to the tech sector; it spans across emerging and legacy industries — an indication that corporates see the potential disruption from new technologies and fast-growing startups.

Global VC Deals With CVC Participation¹



Deals With CVC Participation as Proportion of Global VC Deals¹



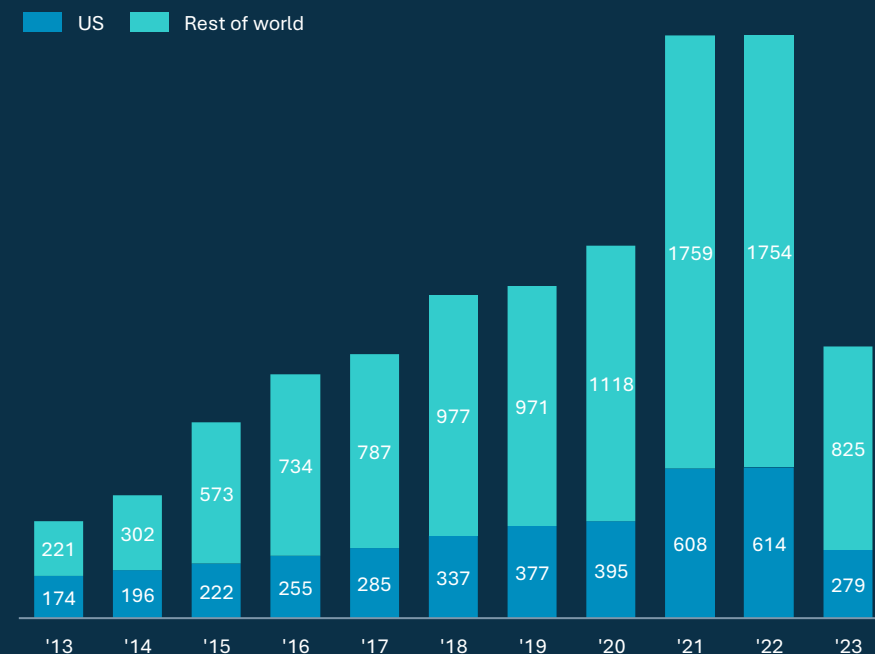
Dependency Risk, Dormancy Cloud CVCs

The more expansive CVC strategy has led to a more nascent group of investors, and 2023 has been a challenging year for global corporates. Dependency risk for corporate venture programs is especially high in these types of volatile markets. **A corporate strategy change, or the loss of an executive champion, can be painful reminders for CVC arms about how much they rely on factors outside of their performance for continued funding.** Newer investment programs may be most at risk here, but they are surely not the sole targets of strategy changes. Recently, Microsoft's M12 has restructured its strategy, refocusing the division under new leadership, while TotalEnergies closed its cleantech CVC fund during the year, selling off its portfolio despite gas prices keeping cash flow to the business high on a historical basis. These are just a couple of the CVC programs with new faces since the slowdown began.

Though references to the term “recession” during earnings calls have declined and, in some sectors, profits have soared, executives walk a fine line between appealing to investors and driving value through innovation. This often leads to a divergence between the market narrative and the true independence of corporate venture arms. Funds allocated to startup investment can always be reallocated. There, too, remains a high level of uncertainty in the market. Interest rate hikes may continue, albeit at a reduced pace, and inflation has been stubborn in the attempts to return it to target rates. Private markets — and venture especially — have borne the brunt of investor rotation to less-risky assets.

Dependency risk may not show up immediately in the form of closed or restructured CVCs; dormancy is more common. Budgets can be cut, thereby restricting activity levels, and the number of active CVCs in 2023 has fallen considerably. Though data is just through the end of August, only 1,100 corporates have remained active this year globally. This isn't an indictment of the strategy so much as a natural fluctuation in an evolving market.

Active Global Corporate Venture Capital Investors by Region^{1,2}



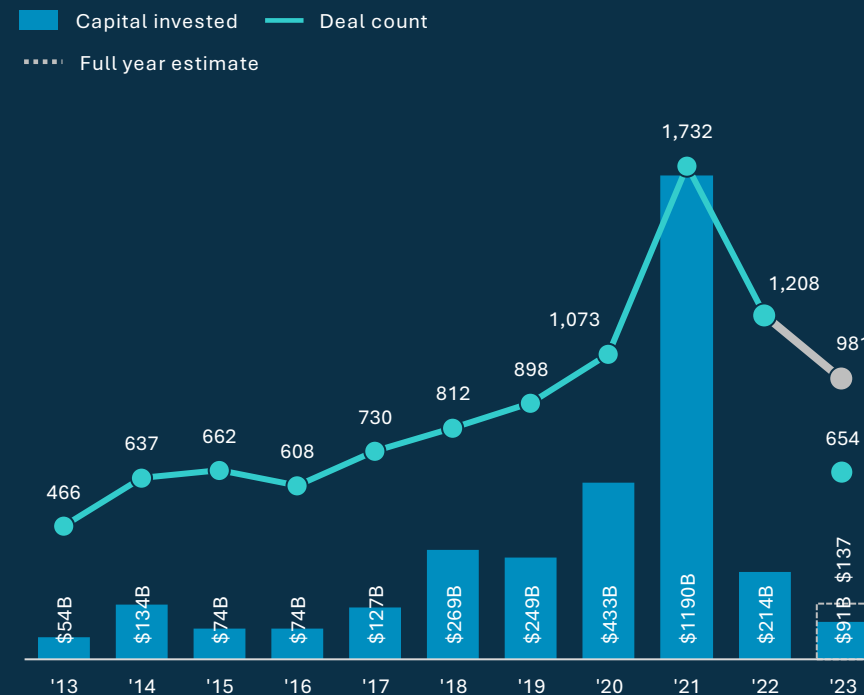
Returns Waiting to Be Unlocked

In all, corporate venture capital has developed into an important part of venture market development in recent years — one that is likely to rebound when the market turns around. Though 2021 levels of activity are likely not in the cards for either CVCs or traditional venture investors for some time, the additive strategy of corporate investment has shown that it can impact the growth, or continued incumbency, of corporations globally. The VC market itself has benefited from the partnership. Companies with CVC partnerships exit at a higher rate and go out of business less often than those without a CVC on their cap table.

The market's run-up to 2022 provided many opportunities for corporates to add a venture program or to add fuel to an existing one. While it is natural for the opposite reaction to occur during a market slowdown, the nascency of many CVCs has likely hastened the pullback of some CVCs — especially with the dire narrative that the venture market projected over the past year.

At the end of the day, returns are what matter, whether those be strategic or financial in nature. **Not only have S&P 500 companies that actively invest in startups outperformed the broader market over the long-term, but YTD performance has also outpaced the market.** From simply an investment ROI, in 2021 when exit activity reached its peak in the US, CVCs were present in 43% of the exit transactions which represented 84% of the total exit value generated. There still remains a large portion of potential financial CVC returns locked in as remaining value to be exited. The return of an IPO market or VC-backed M&A could have an enormous impact on previous CVC investments and drive future investment from CVC.

Global Exits of CVC-Backed Companies^{1,2}



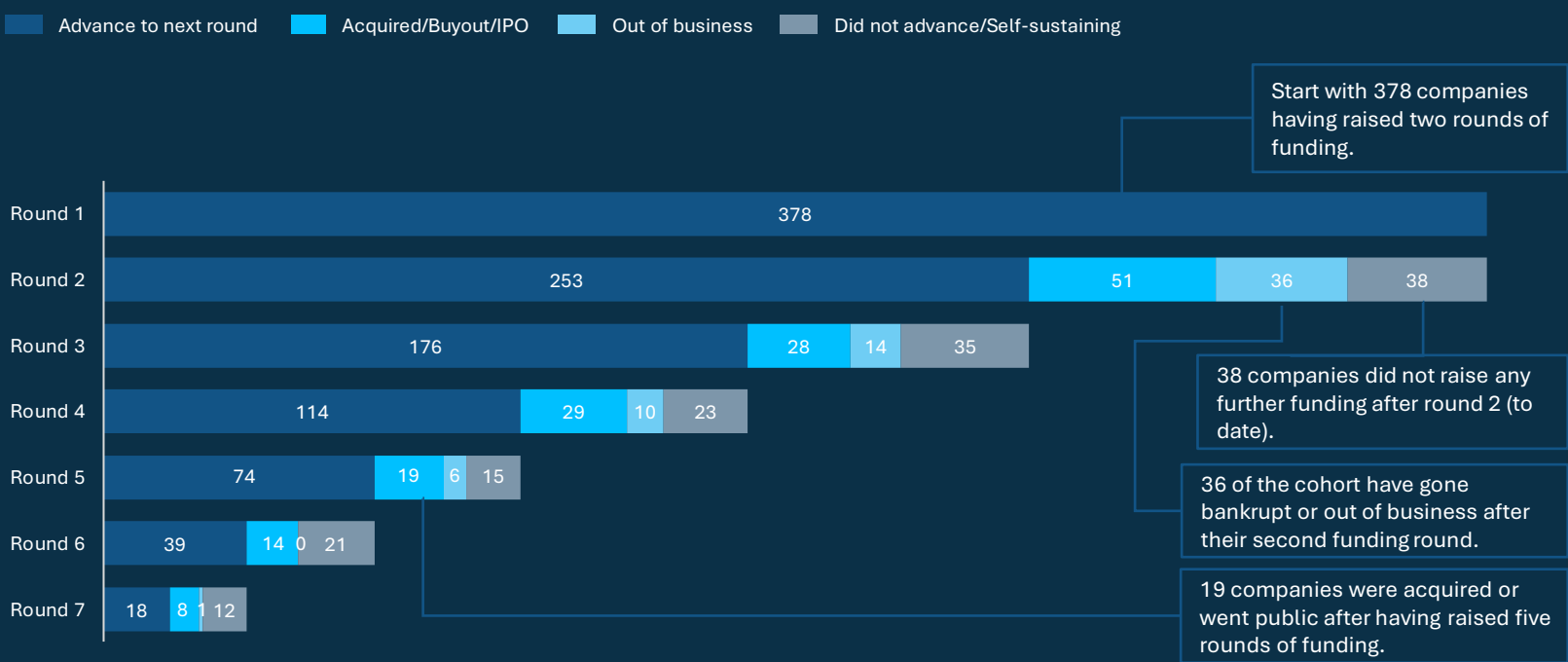
Outcomes of CVC-Backed Startups

Studying a cohort of deals that included CVC participation during their seed round² illuminates the benefits of having a CVC on the cap table. **Not only did companies move onto their next investment at a higher rate than companies without a CVC on the cap table of their seed financing, but they also reached a successful exit more often.**

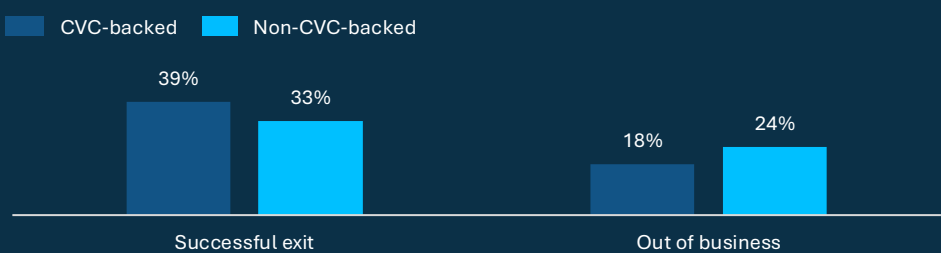
At nearly 40%, the number of companies reaching an exit more than doubled the proportion of companies that go out of business within the cohort. As the focus of non-VC firms has remained on later stages, more than 50% of CVC deals have occurred at the seed and early-stage where strategic benefits of access to emerging technologies and markets can be had.

When a funnel of all companies with a CVC on their cap table are taken into account, the positive outcome percentages increase further. While there is bias in that dataset from CVCs entering the cap table in the final VC investment, the funnel using seed deals shows an ability for CVCs to find successful companies early and benefit both financially from the exits and strategically from the partnership.

CVC-Backed Startups Funnel^{1,2}



Outcomes of CVC-Backed and Non-CVC-Backed Startups





CVC Fund Structure and Operations

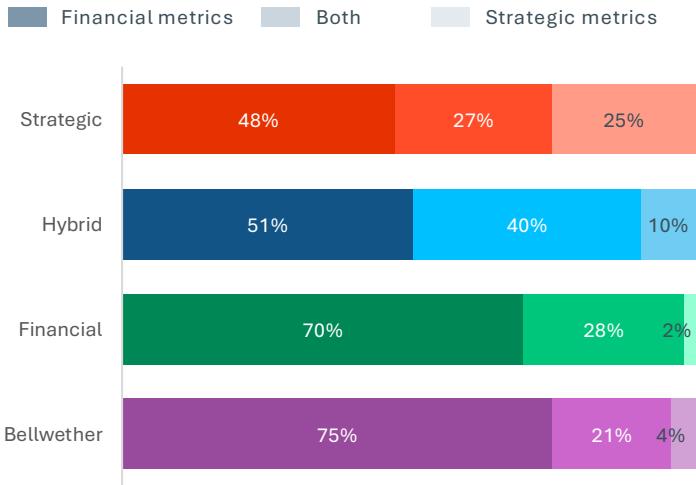
Financial Returns Aren't Always the Final Boss

They aren't just looking for financial returns. CVCs have a luxury that traditional VCs do not: Providing strategic value often outweighs providing financial return. So long as the CVC isn't bleeding cash, many CVCs continue to thrive despite tepid financial returns. CVCs need to demonstrate that they provide value to their parent company. Across surveyed funds, 55% of CVCs report purely financial metrics, while 33% report a mix of financial and non-financial metrics, and only 13% report using only non-financial metrics.

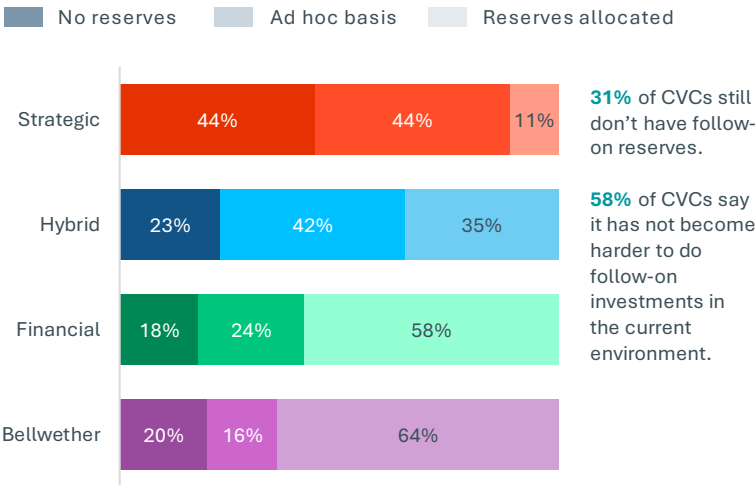
Top KPIs CVCs use to measure non-financial metrics include incremental revenue lift, R&D savings, new business unit creation and reduction of time to market. However, firms spoke candidly about the challenges of non-financial metrics. “As soon as you start quantifying strategic value, the calculations become so complex that determining a metric requires collaboration/concessions with internal teams. No one can trust them.” A way around this is by taking a holistic look at strategic value by providing case studies of success. “We made our first investment in AI in 2014, which gave our business insight into the market before starting to develop internal capabilities.”

Counterpart's CVC community Counter Club has seen a huge uptick in membership over the last 2-3 years as new CVCs have launched. However, the average CVC life span is currently around 3-4 years. Considering that startup companies typically have 7-10 years before an exit, a clear disconnect exists between CVCs and startups.

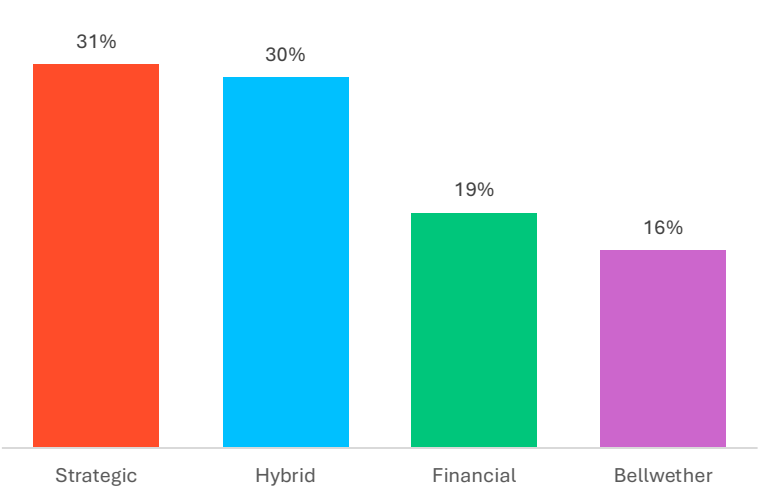
Metrics Reported to the Parent Company¹



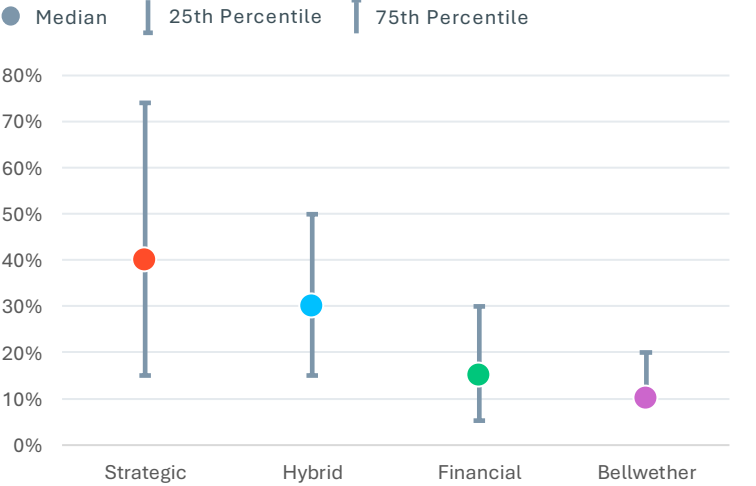
Use of Capital Reserves for Follow-On Investments¹



Share of Funds With at Least 50% of Investments Leading to a Strategic Outcome



Portfolio Companies That Have Commercial Contracts With the Parent^{1,2}



Notes: 1) CVC Bellwether: index of 25 CVCs selected due to historical track record, current scale and investment velocity.
2) As a percentage of total investments.
Source: CVC survey results (based on responses from 209 CVC funds) and SVB analysis.

Flexibility Is a Flex for CVCs

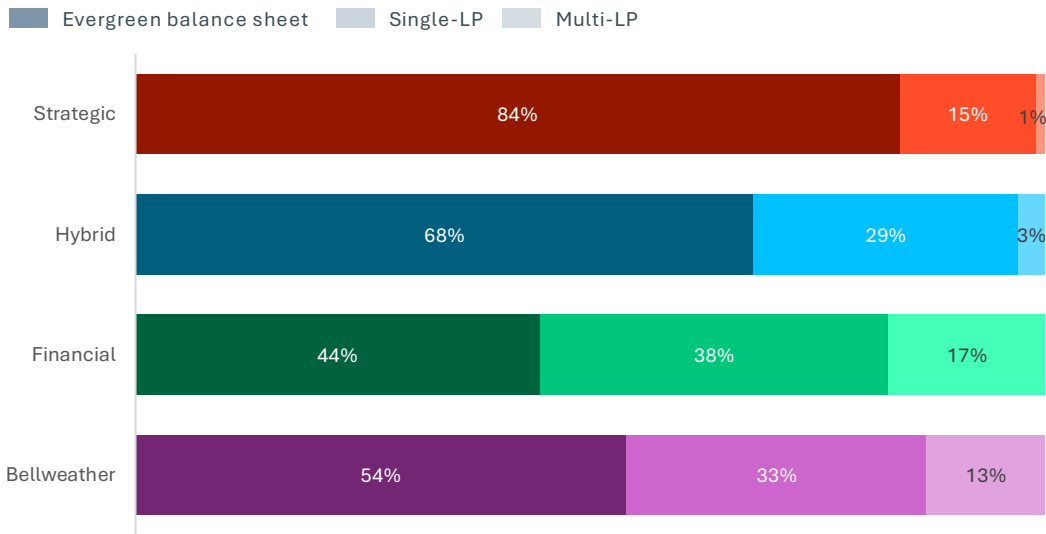
CVCs are broadly characterized by three fund types driven by their investment objective: strategic, hybrid, and financial. The reality is that this position is both subjective and constantly evolving with factors such as market conditions, stock price, executive sponsorship and perhaps most importantly, CVC leadership.

Much like a “key man risk” is for traditional VCs, dependency risk is a significant factor for CVCs and comes in two forms. First, CVC leadership dependency occurs when a CVC leader departs, exposing the firm to substantial changes or potential dormancy. Second, corporate executive dependency occurs when a change in corporate executive leadership brings a change in perspective on the CVC’s mandate. CVCs can be adversely affected by personnel change but have the good fortune of being easily resurrected when the corporate parent deems it fit to do so.

However, this risk is not consistent across all fund structures. **Balance sheet funds (evergreen funds) are more susceptible to changes at the parent than single or multi-LP funds which maintain a large degree of independence with a contractual obligation for funding from the parent.**

Since 2021, one factor that remains consistent across structure and type is an early-stage preference. Most CVCs are spending less time in late-stage deals, while on average 12% of CVCs are stage agnostic. Getting in early allows CVCs to have a front-row seat at the most emerging companies.

Fund Structure by CVC Type^{1,2}



14% of firms have considered moving funds off balance sheet in the last 12 months. Top drivers include:



Increased independence from the corporate parent

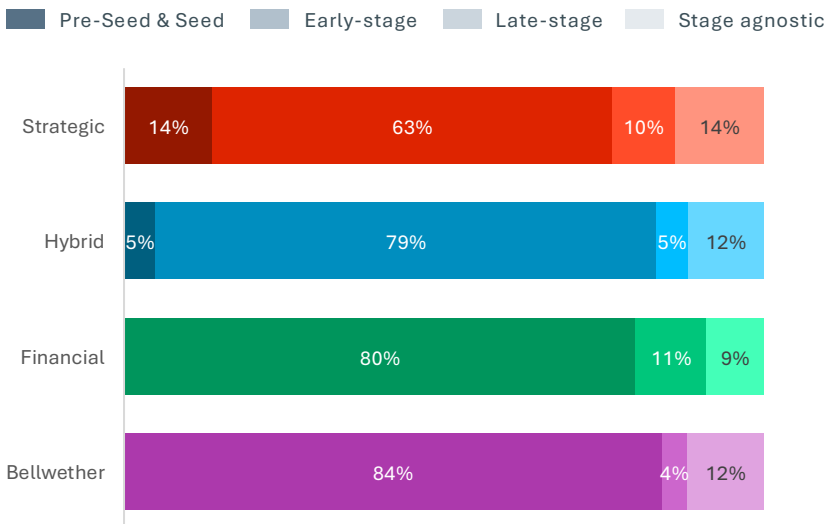


Broadening the investment scope

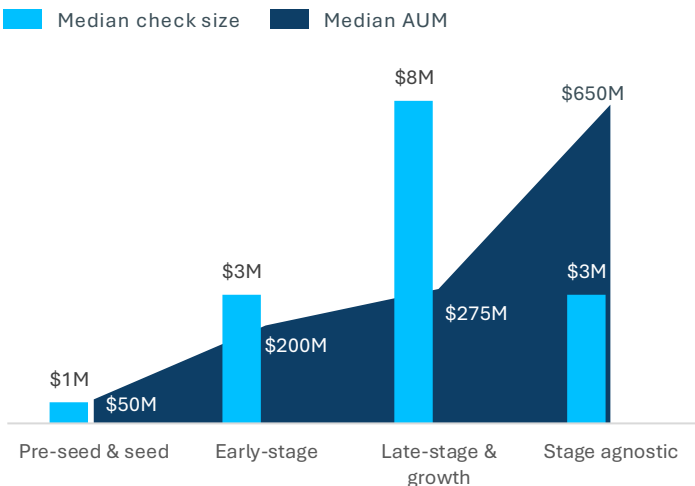


Compensation for the team

Stage Preference by CVC Type^{1,2,3}



Median AUM and Fund Size by Stage Preference³



Notes:1) CVC Bellwether: index of 25 CVCs selected due to historical track record, current scale and investment velocity.
2) Data labels not adding up to 100% is due to rounding. 3) Early-stage is defined as Series A and B. Late-stage is defined as Series C plus.
Source: CVC survey results (based on responses from 209 CVC funds), PitchBook and SVB analysis.

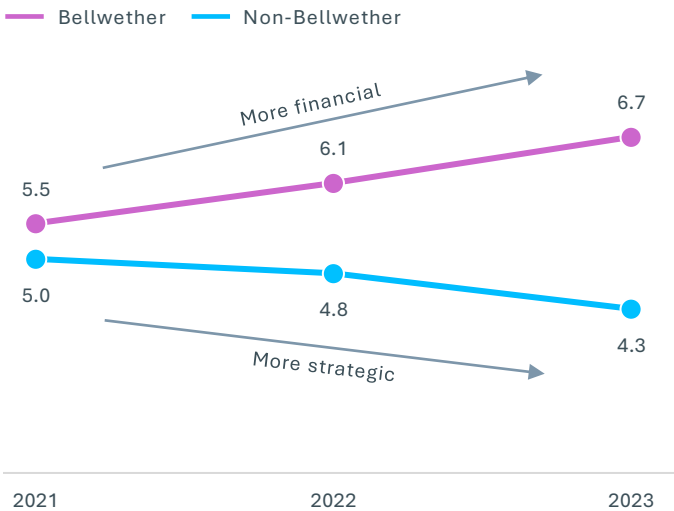
CVCs Pick a Side: Team Strategic or Team Financial

Over the last three years, most CVCs are leaning more strategic, while bellwether CVCs are embracing more financial mandates. In a tougher economic climate where financial returns are becoming harder to attain, strategic benefits have taken on greater importance to funds. In 2021, 50% of funds were hybrid. Now funds are leaning distinctly strategic or financial during a time of pullback, as hybrid CVCs can have competing incentive structures.

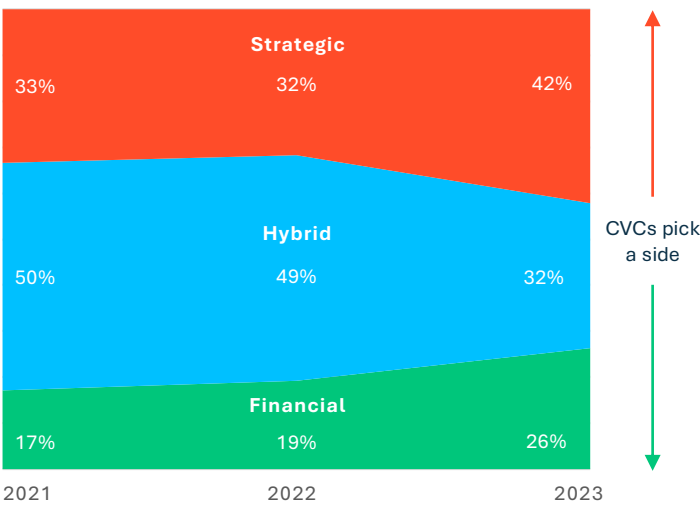
A major purpose of CVCs, even financially oriented CVCs, is to act as a sensor to understand emerging and future trends. CVCs are investing in startups to tap into trends and build adjacent businesses to avoid a Kodak or Blockbuster-like moment. Corporates from around the world are placing investors in key startup hubs like the San Francisco Bay Area to maintain relationships with startups, develop partnerships and establish commercial agreements.

While some CVC funds are grouped together with corporate development and M&A teams, most are distinctive. One example where it's grouped together is Cisco Investments. Given such, Cisco launched its independent CVC arm Decibel Partners in 2019 to pursue more financially oriented investments.

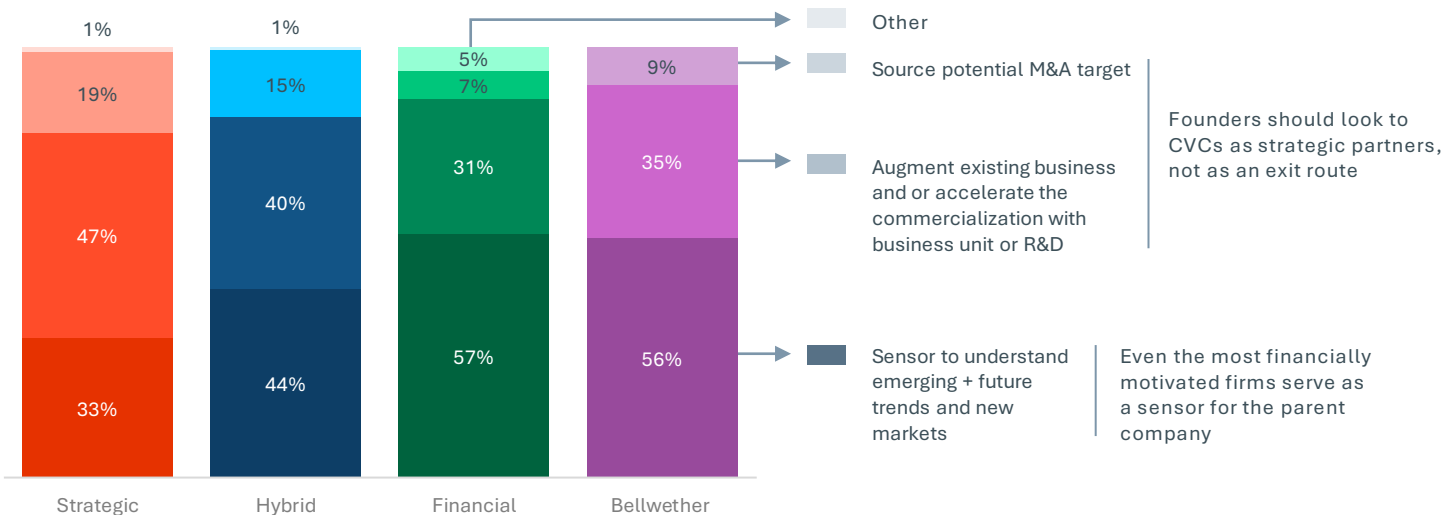
Average Strategic and Financial Score by Fund Type^{1,2,3}



CVC Fund Types Over Time^{2,3}



Goal of CVC by Fund Type^{1,2}



Notes: 1) "CVC Bellwether": index of 25 CVCs selected due to historical track record, current scale and investment velocity. 2) Based on survey question. Firms were asked if they are focused on strategic or financial returns. Firms self reported on a 10-point scale. 3) Based on survey respondents across the 2021, 2022 and 2023 surveys. Source: CVC survey results (based on responses from 209 CVC funds) and SVB analysis.

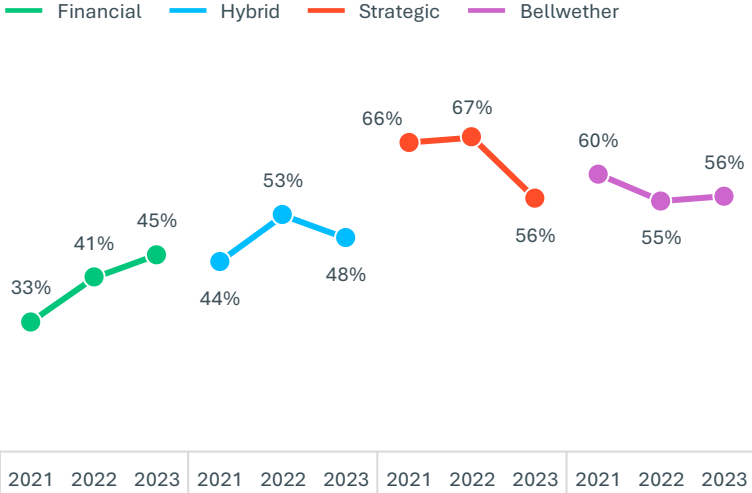
Are CVCs Still LP Fans?

Corporate LP investments into other fund managers represent a significant slice of the CVC fund’s activity. Typical reasons why CVCs make an LP investment are not surprising: to access deal flow, gain geographic exposure and diversify where the CVC team does not already have access.

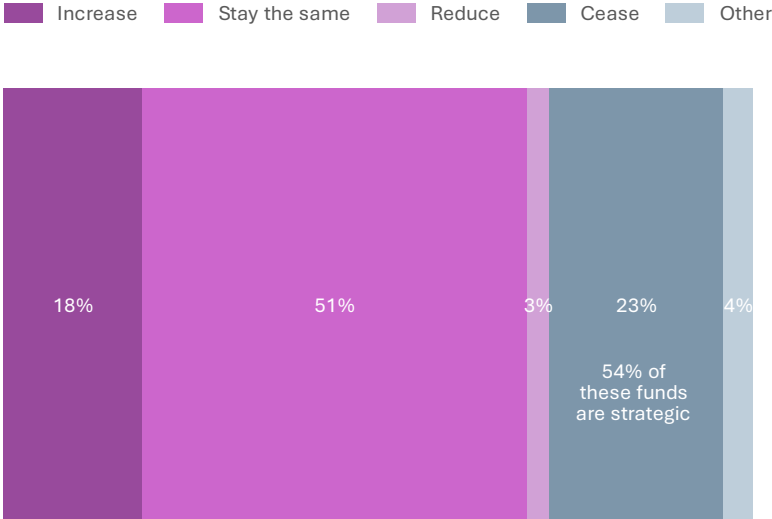
Some strategic and hybrid CVCs in this year’s survey have paused making LP investments. A possible explanation could be a general market pullback, which is consistent with the rest of the venture capital industry. If this trend continues into next year, funds may experience knock-on-effects. **Generally speaking, more active funds take more LP positions. If LP positions decline, we could expect slowing deal flow and more onus on the team to stay on top of current trends, conduct diligence and maintain a diverse pipeline.**

Financial CVCs continue to buck the trend with more financial funds taking LP positions than in prior years. Twenty-three percent of funds have said they are going to cease LP investing altogether — and over half of those funds are strategic funds. It will be interesting to see the results of LP checks written in the last two years. The returns — good or bad — could have a material impact on whether they decide to keep using this strategy.

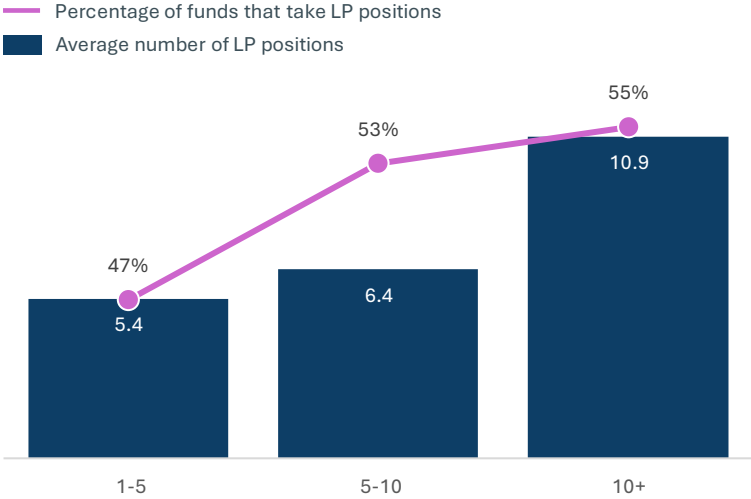
Percentage of Funds That Take LP Positions by Fund Type^{1,2}



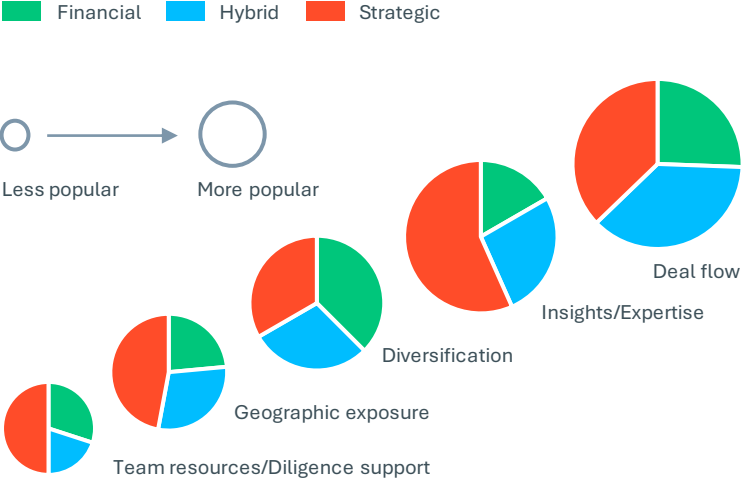
How CVCs Are Altering LP Allocations



LP Positions by Number of VC Deals Made per Year



Top Five Reasons for Taking LP Positions by CVC Fund Type



Notes: 1) “CVC Bellwether”: index of 25 CVCs selected due to historical track record, current scale and investment velocity. 2) Based on survey respondents across the 2021, 2022 and 2023 surveys.
Source: CVC survey results (based on responses from 209 CVC funds) and SVB analysis.

CVCs Need to Check With Their Parents

Strategic CVCs are spending significantly more time managing the corporate parent YoY and compared to CVCs with other mandates. **This can be a distraction to investors looking to source new deals.** Time spent managing the corporate parent can vary from working on behalf of portfolio companies to establishing commercial agreements, navigating procurement or legal departments and various other factors.

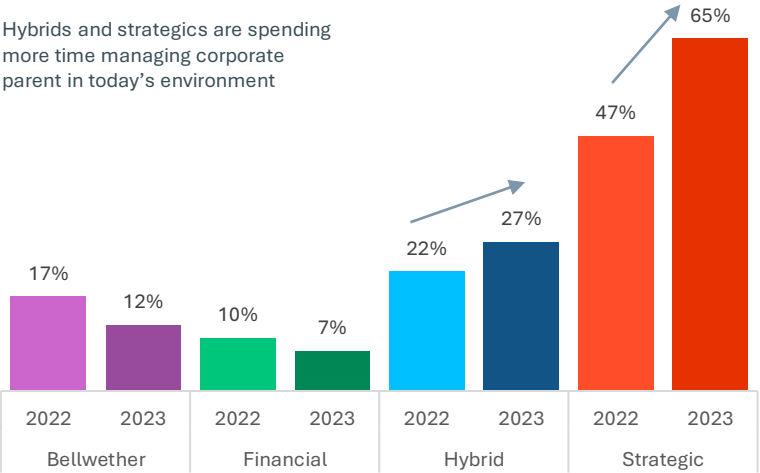
Financial and bellwether funds have gone in the other direction resulting in more time to source new deals and deploy capital. Financial and bellwether funds make up the largest portion of CVCs that have independence in the form of multi-LP fund structures. Thus their dependency risk on corporate HQ is significantly lower.

Strategic CVCs also require significant business unit engagement to make a new investment. This increased engagement also translates to a longer time between first meeting and check writing for strategic CVCs, which during 2021 may have hampered strategic CVC’s ability to write new checks.

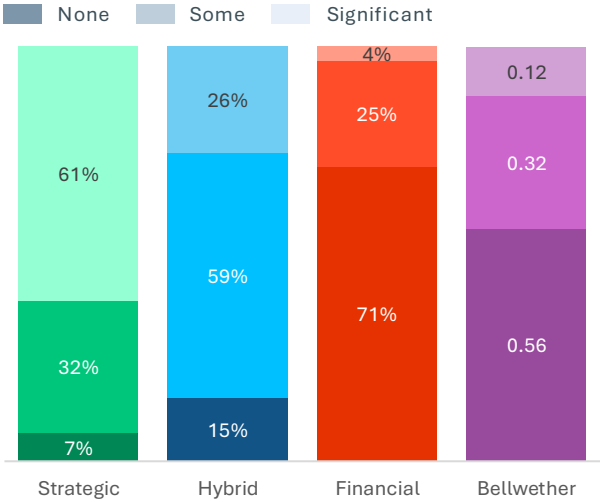
Investment committee (IC) approval is another hurdle that increases investment timelines. Bellwether funds are generally far more independent (with only 52% requiring IC approval), while practically all strategics require IC approval. This can be especially challenging for funds whose IC may only meet on a quarterly basis (17% of funds that require IC approval).

Percentage of Funds Spending at Least 40% of Time Managing Corporate Parent^{1,2}

Hybrids and strategics are spending more time managing corporate parent in today’s environment



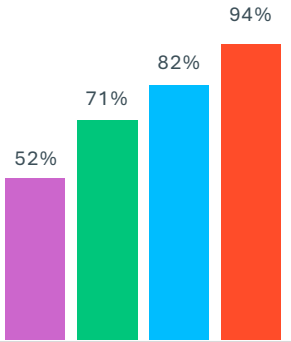
Level of Business Unit Engagement Required for an Investment¹



IC Approval by the Numbers¹

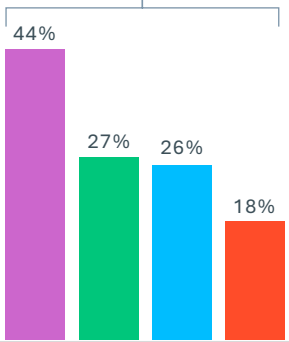
■ Bellwether ■ Financial ■ Hybrid ■ Strategic

Percentage of funds that require IC approval

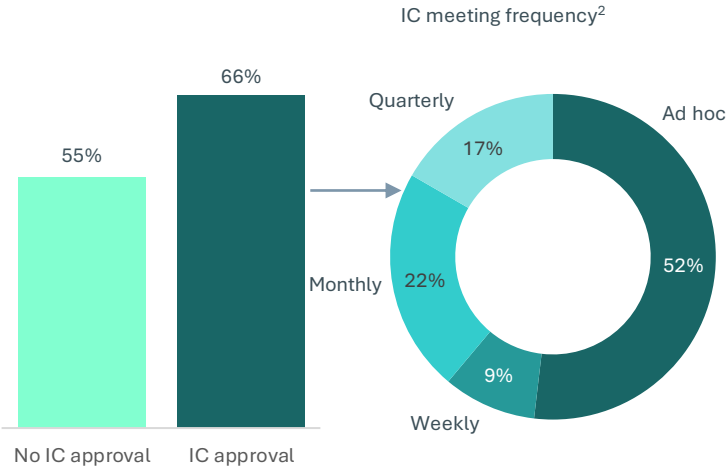


Percentage of funds with a threshold for IC approval

\$750K: Typical threshold



Percentage of Funds That Take >2 Months to Make Investments





Team Dynamics



CVC Team Dynamics

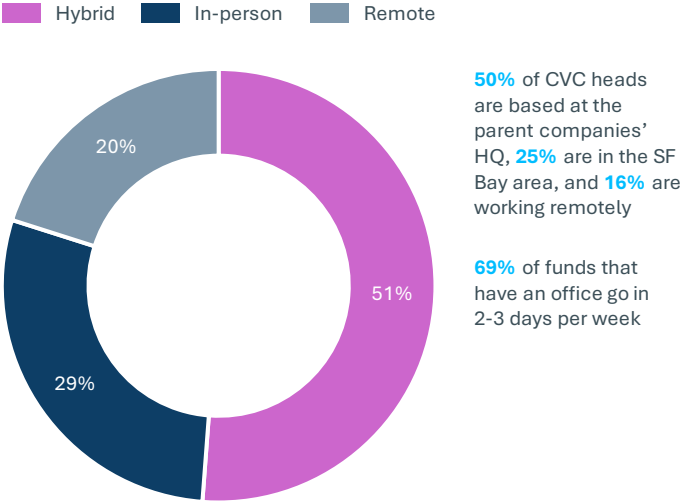
CVCs are still mostly embracing remote and hybrid work environments with 71% of fund employees dropping into the office 2-3 days per week or not at all — well above the national average of 41% for hybrid and remote work for all work environments in the US.¹ However for CVC heads, more work in the office with only 16% working remotely. **CVC heads are also more likely to be located at headquarters to keep a close relationship with the corporate parent.**

Given this close relationship, CVC heads have a long tenure relative to the age of their fund with 27% having been with the fund since inception. Turnover of the CVC head can be disruptive due to the loss of institutional knowledge gained from experience within the fund and relationships with the parent company.

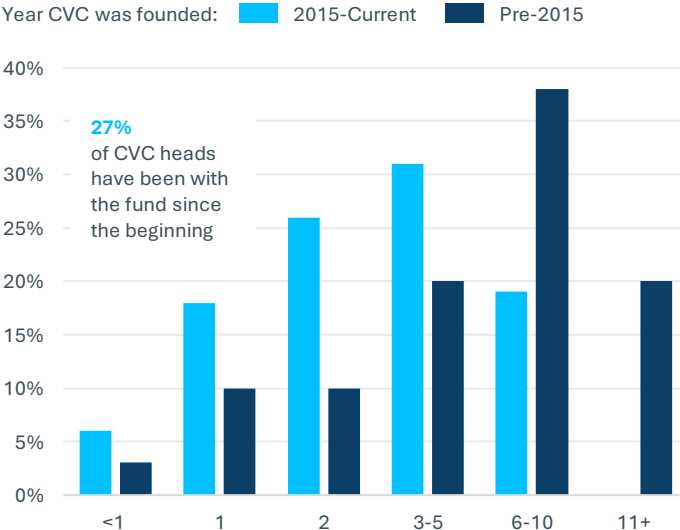
The percentage of female CVC heads remains flat compared to last year. However, when it comes to team makeup, representation of female and minority groups has seen a slight bump with 42% of CVCs sitting in the 25%-50% range.

When it comes to average team size, the sophistication of bellwether funds requires more people to deploy a significant amount of capital and lead deals. Across the board, fund personnel are evenly split between investors and business development. However, financial CVCs skew toward having more investors on staff considering their mandate.

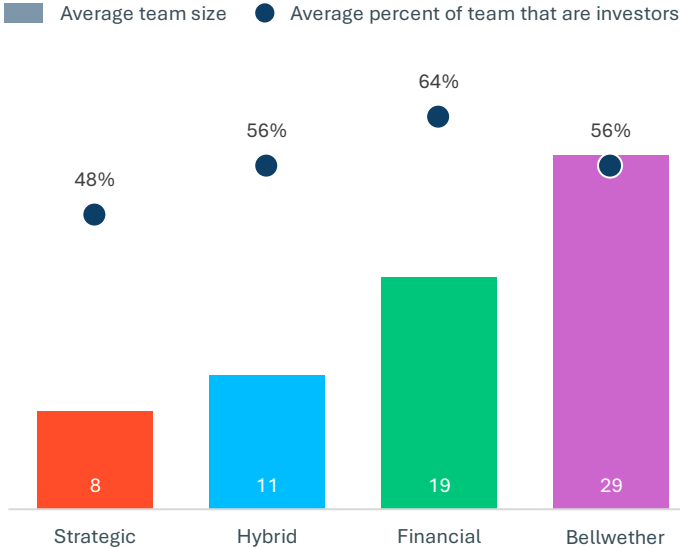
CVC Teams in Office



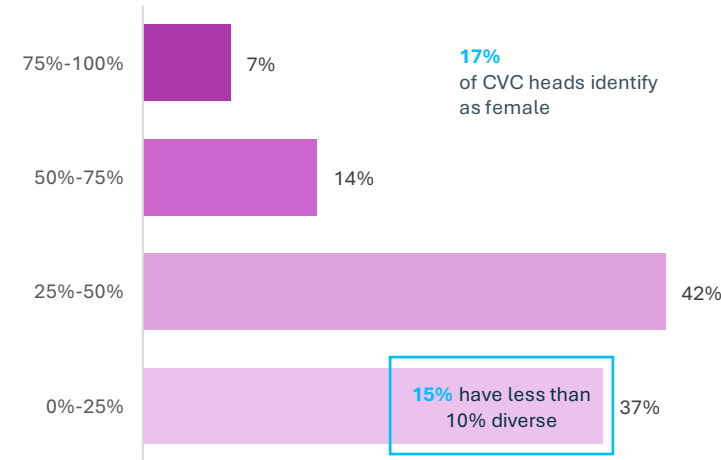
CVC Head Tenure by CVC Fund Age



CVC Team Makeup



Percentage of CVC Investors That Identify as Female or Minority



Growing Interest in Carry

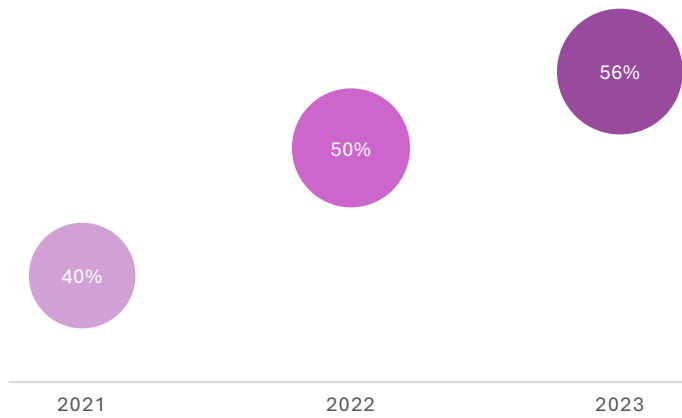
Carried interest (carry) is a compensation mechanism widely used by VC funds. CVCs however often do not offer carry potentially due to the lack of understanding, or incentive by the parent company.

Bellwether funds are changing this paradigm given their sophistication and understanding of the compensation structure. An increasing number are offering carry, with more than half doing so in 2023. **Over time, carried interest will become more commonplace for top-tier financial funds, given that offering carry is shown to lead to longer tenure for investors.**

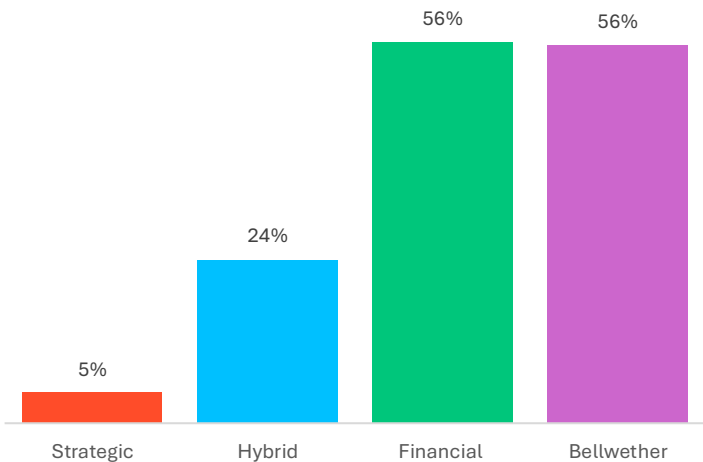
Most strategic funds do not use carry. Several of the surveyed funds cite that carry creates a misalignment of incentives if investors are compensated for their portfolio’s financial performance when the fund’s objective is not financially oriented. This reluctance is also driven by a fear that offering carry will cost too much for the parent company or simply be viewed as unfair.

Of the CVCs surveyed, only 24% receive carry. While 24% may seem low relative to traditional funds, it still represents a promising data point for CVC compensation. Counterpart Ventures estimates the percentage of funds that received carry was sub-10% 10 years ago, and for those that currently do not, some cited they receive other forms of compensation to retain top talent and drive the performance of the fund. Examples include shadow or synthetic carry,² bonuses and stock options.

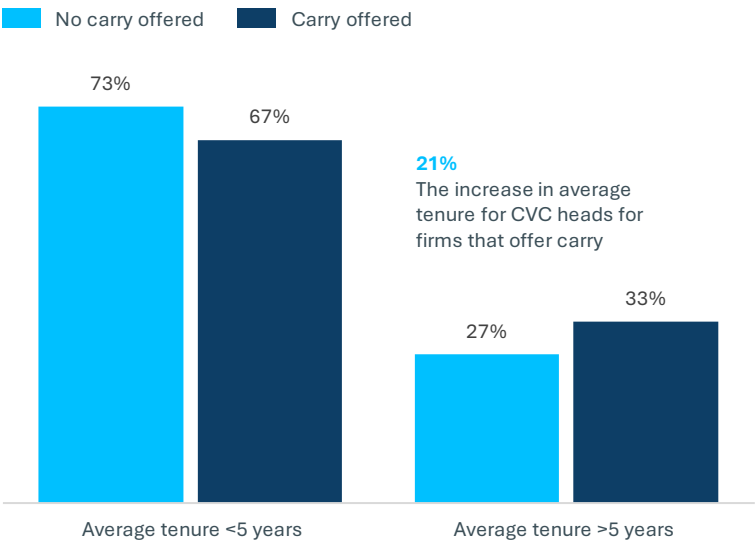
Percentage of Bellwether¹ Funds That Offer Carry



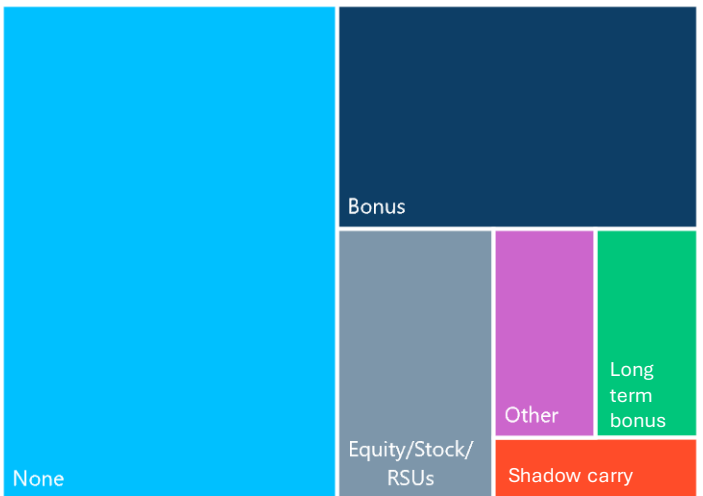
Percentage of Funds That Offer Carry by Fund Type¹



Average Tenure of Investors



Alternatives to Carry Offered^{2,3}



Notes: 1) “CVC Bellwether”: index of 25 CVCs selected due to historical track record, current scale and investment velocity.
2) Shadow or synthetic carry is a bonus pool created by carried interest dollars that can be distributed among members of a funds team, not just managing partners. Some models include guaranteeing payments while others do not. 3) RSUs = Restricted Stock Units
Source: CVC survey results (based on responses from 209 CVC funds) and SVB analysis.

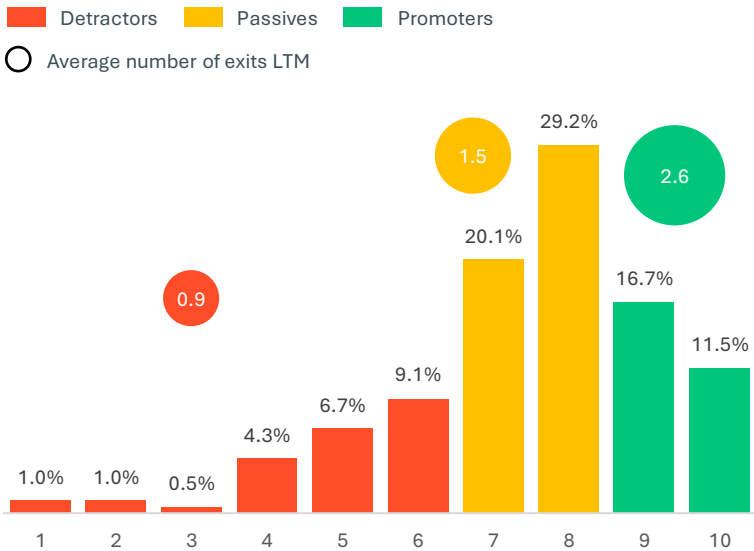
Do CVCs Need a Reality Check?

NPS score measures the support a CVC has within their organization. CVCs surveyed generally have a positive outlook on the support from the parent organization; 77% self-reported an NPS score of 7 or higher on a scale of 10. While this is a high average score across all types of CVCs, they skew highest among bellwether and financial CVCs. This score makes sense because bellwether and financial firms are more independent from the parent, which conveys a certain level of approval.

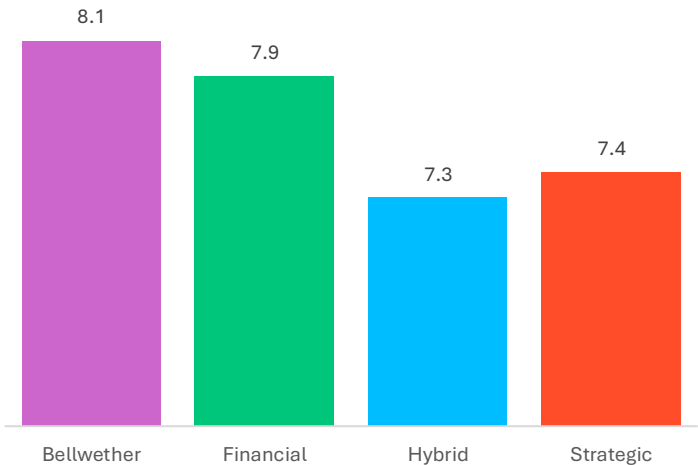
However, CVC should beware of the pitfalls of marking their own homework! **Perhaps CVC teams are broadly enjoying such levels of advocacy within their organizations, but it would be prudent to warn of the potential for “excessive positivity,” especially when coming down from the exuberant highs of venture activity of 2020 and 2021.**

From the data, it’s clear that funds with more exits, more established programs and faster investment pace have a higher NPS. If fewer investments and fewer exits persist for a long period of time, corporate executives might call into question their CVC strategy.

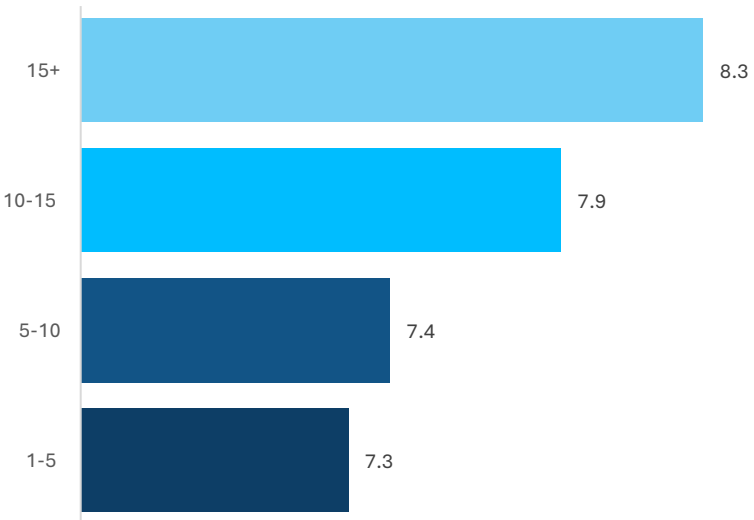
Distribution of NPS Scores



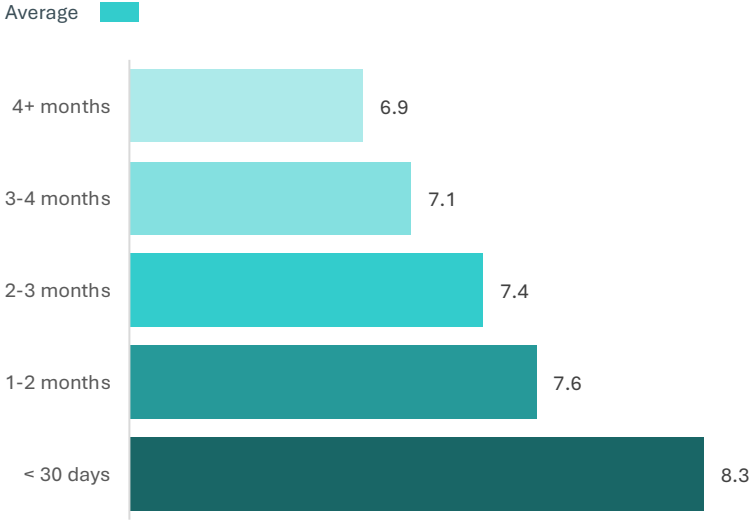
Average NPS Score by Fund Type



Average NPS by CVC Age



NPS Score by Time to Make an Investment



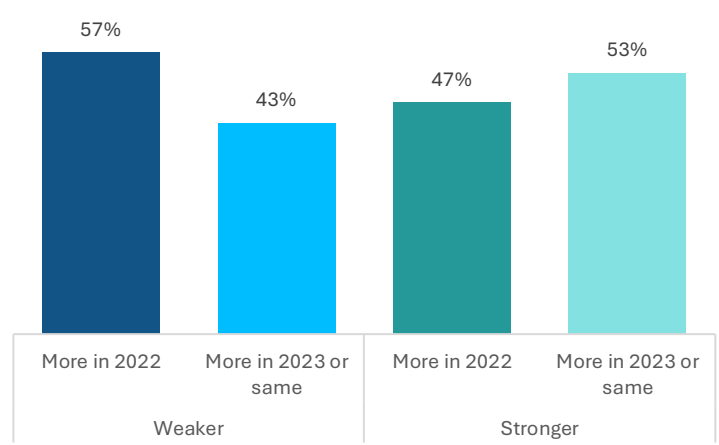
Behind Every Great CVC Is a Great Executive Sponsor

Executive support is key to the survival of a CVC. With that said, a CFO exit or change in command doesn't necessarily mean the CVC is on the chopping block with 88% signaling a strong likelihood of survival.

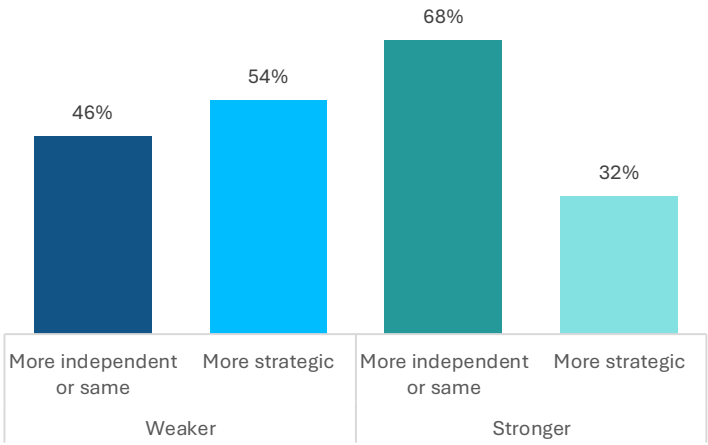
Historically CVCs have been a black box. Public company filings rarely call out CVC fund budgets or performance. Survey data is the best way to peer behind the curtain on how funds are granted investment authority. **Funds with stronger support are making more investments on average and are becoming more independent or maintaining their current level of autonomy.**

Funds that are more independent tend to have a sophisticated executive sponsor that understands the fund's structure. Funds that have weak support have less autonomy and lean closer to the parent. They may have to explain their decision-making process and have added layers of scrutiny, which slow deal pace. For funds with weak executive support, 63% spend over 40% of their time managing the corporate parent, taking time away from dealmaking.

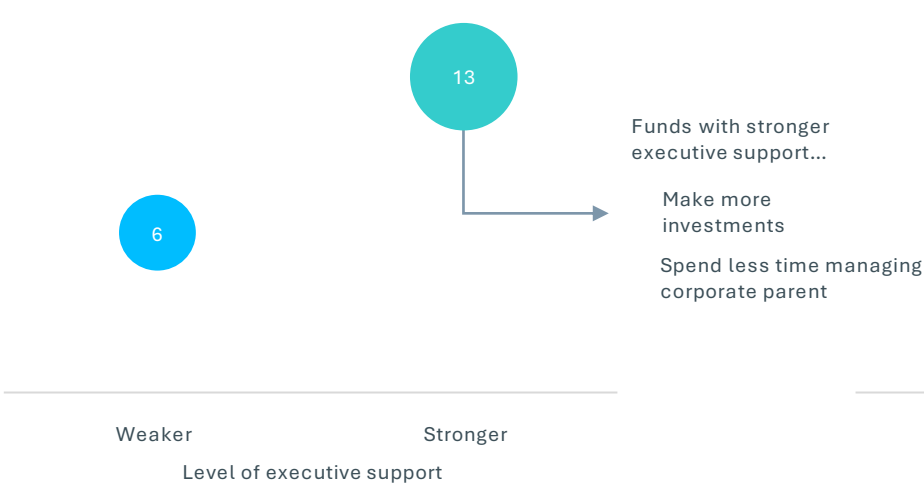
New Investments in H1 2023 vs. H1 2022 by Level of Executive Support¹



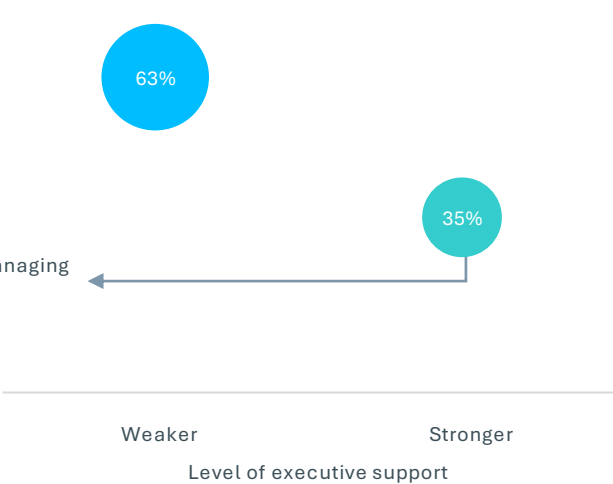
Shift in Mandate by Level of Executive Support¹



Average New Investments Per Year¹



Percentage of Funds Spending at Least 40% of Time Managing Corporate Parent¹



Notes: 1) Surveyed funds ranked their current level of executive support on a 10-point scale. Funds that ranked themselves 1-5 have weaker support than funds that ranked 6-10.
Source: CVC survey results (based on responses from 209 CVC funds) and SVB analysis.



CVC Outlook

CVCs Jump on Latest Tech

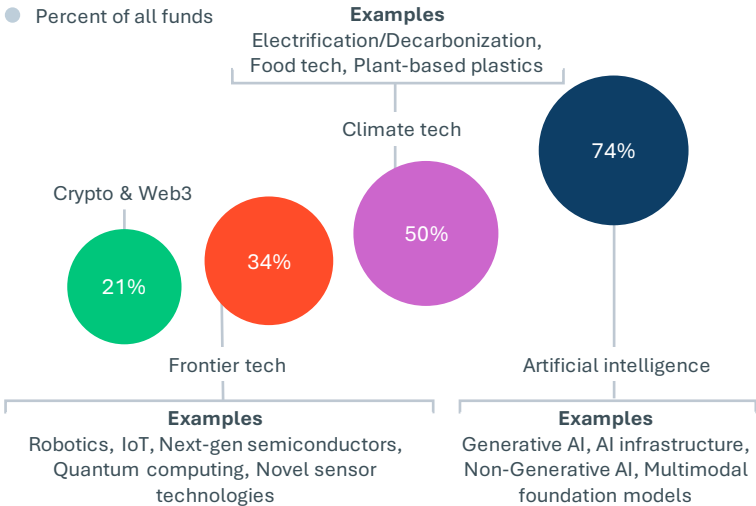
The top reason cited for the CVC’s existence is to act as a sensor for the parent company. It’s no surprise the technologies making headlines are top sectors CVCs watch.

AI took the world by storm when large language models became available to the public. Many of these recent breakthroughs have their roots in corporate sponsorship. Microsoft’s cumulative investment in OpenAI is reported to be \$13B. The share of US VC investment in AI companies jumped to 26% for the 12 months ending in Q2 2023, a 10% spike from the year prior. The sheer capital and access to compute required to support the development of large language models have meant that corporates have an outside role. Midjourney, for example, leaned on preexisting relationships with Google to help secure compute.

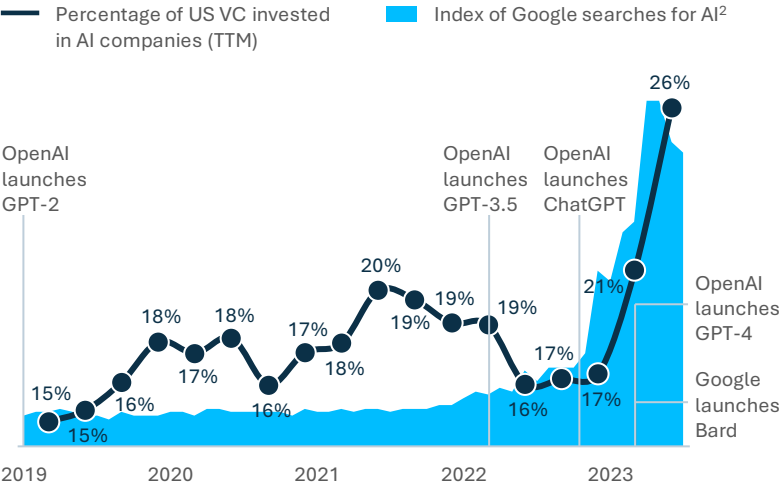
Climate tech is another great example of how businesses are using CVCs as a sensor to adapt with cutting-edge technologies. While only a few funds in our survey are dedicated climate funds, it was cited broadly. This indicates corporates are exploring avenues to address ESG goals and adapt to climate change.

Given CVC’s pivotal role in tying corporates to the latest technologies — even among financially focused funds — CVCs are positioned to maintain their status as all-weather investors. They will more than likely play a key role in shaping the next wave of technologies from AI to climate tech, robotics and beyond.

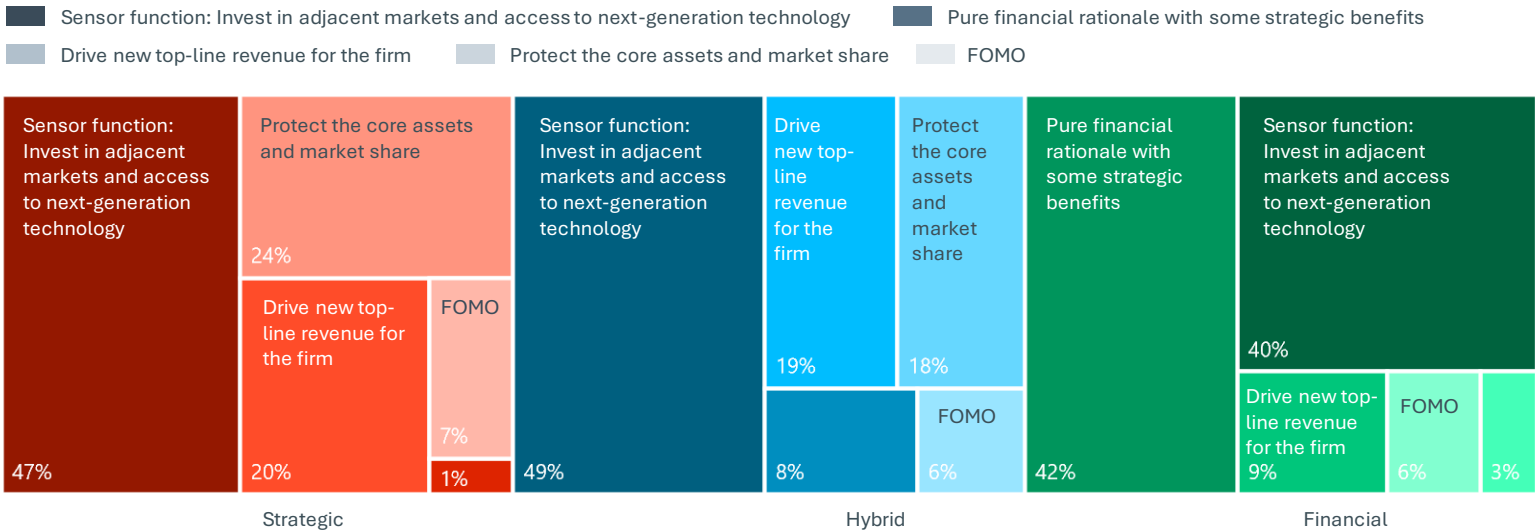
Top Emerging Tech Trends CVC Heads Are Watching



Key Milestones in Generative AI and Funding in AI¹ as a Percentage of Total VC



Main Reasons for Your CVC Fund’s Existence



Notes: 1) Deals include the PitchBook vertical “artificial intelligence and machine learning” as of July 17, 2023. TTM = Trailing 12 months.
2) Aggregated search terms for “artificial intelligence” indexed to 100 for the top search month since 2004.
Source: CVC survey results (based on responses from 209 CVC funds), [State of the Markets H2 2023](#) and SVB analysis.

Micro Benchmarking

Counterpart and Silicon Valley Bank are able to provide access to a fully anonymized dataset for the purposes of micro benchmarking CVCs.

We are able to provide this support to assist CVCs with further analysis relative to their industry, stage preference, check size and so on.

Our intent is to allow CVCs to slice and dice the data to arrive at your own conclusions.

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Founded in 2018, Counterpart Ventures is a San Francisco based venture capital fund investing in early-stage startup companies disrupting traditional industries. With its CVC roots, Counterpart provides access to potential enterprise customers and strategic partnerships for their founders. Investments focus on B2B SaaS, mobility and marketplace technologies that target conventional problems or fill missing gaps in large markets.

Our Counter Club community represents the most active and engaged network of CVC funds among any traditional VC firm. We galvanize the CVC industry through our events and discussions designed to share best practices for emerging corporate VCs. Given our successful CVC track records, we are the rare CVCs turned VCs with the ability to offer impartial advice to others. Visit our website for more information on how we invest and the Counter Club to become a member of our community:


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