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Disruption as usual



China Unicorns

Where are their breeding grounds?

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China: Largest source of “unicorns” after the US

Trend and characteristics

- Compared with the US, China’s scientific research, especially basic research, is still in a catch-up phase. As a result, in the AI, hardware and biotech areas, the spending hasn’t yielded many unicorns yet.
- On the other hand, China’s consumer market is large, fast-growing, yet under-developed, providing rich soil for unicorns riding business model innovation.
- In the next few years, internet may continue to dominate, but AI/Big data and biotech should start to catch up.

China/HK listing regime overhaul

- Hong Kong and China both overhauled their listing regimes in 2018 to prepare for the next big wave.
- In Hong Kong, pre-revenue early-stage biotech companies and companies with different voting right structures are permitted for listing. A concessionary route to secondary listing for qualifying issuers was also created.
- In China, the China Depositary Receipt (CDR) was created, which solves the institutional bottleneck of getting foreign-registered Chinese companies back home and can be expanded in the future.

Unicorns by country – comparing China and the US

As at 20-Feb-19	Number of Unicorns		Aggregate Valuation	
	No.	%	US\$ bn	%
China/HK	93	29%	327	30%
US	156	48%	558	52%
UK	16	5%	40	4%
India	13	4%	38	4%
APAC X China X India	19	6%	65	6%
Europe x UK	21	6%	41	4%
Others	8	2%	12	1%
Total	326	100%	1,080	100%

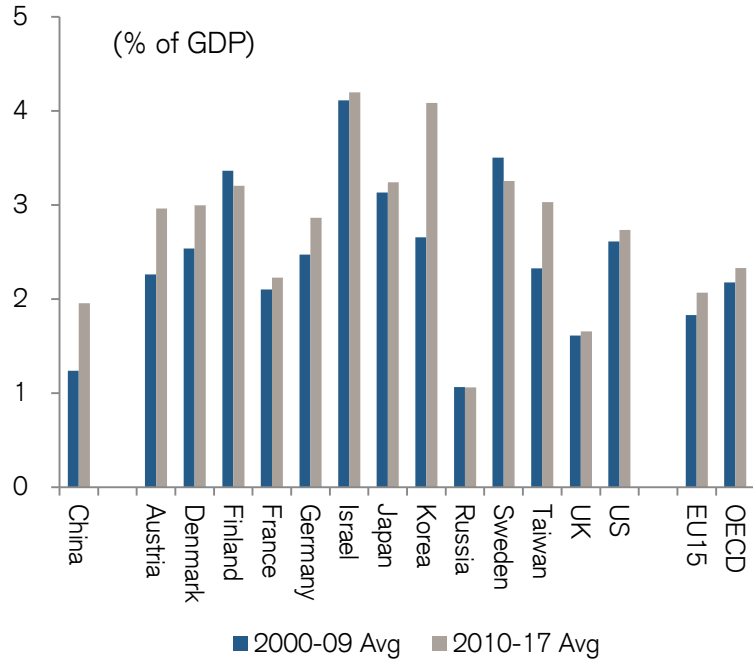
Source: CB Insights, Credit Suisse

	China			US			Others		
	No. of Deals	%	Avg. Valuation (US\$ bn)	No. of Deals	%	Avg. Valuation (US\$ bn)	No. of Deals	%	Avg. Valuation (US\$ bn)
Internet/eCommerce/O2O/Games	49	52.7	4.47	45	28.8	4.52	37	48.1	3.09
AI/Big Data/Robotics/Software	13	14.0	1.75	62	39.7	2.28	18	23.4	1.96
Fintech	7	7.5	3.11	16	10.3	3.87	12	15.6	1.96
Old economy	12	12.9	1.89	11	7.1	5.62	5	6.5	1.30
Hardware/Semi	5	5.4	4.21	6	3.8	4.26	1	1.3	2.00
Auto/Machine	3	3.2	2.86	2	1.3	11.25	0	0.0	0.00
Healthcare/Biotech	4	4.3	2.63	14	9.0	2.99	4	5.2	3.43
Total	93	100	3.51	156	100	3.58	77	100	2.54

*Old economy includes Property, Retailing, Construction, Logistic and Media. Source: CB Insights, Credit Suisse

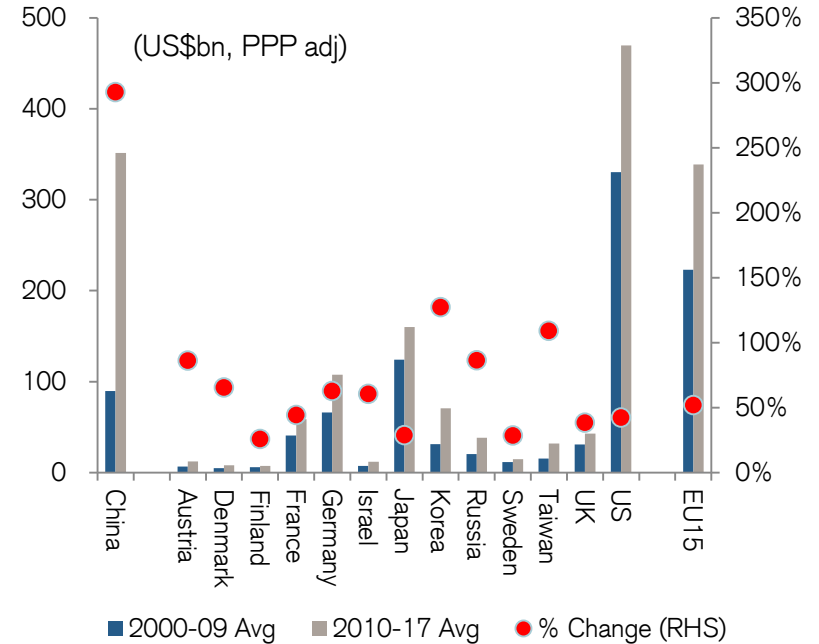
China's R&D spending compared to other economies

R&D as a % of GDP



Source: OECD, Credit Suisse

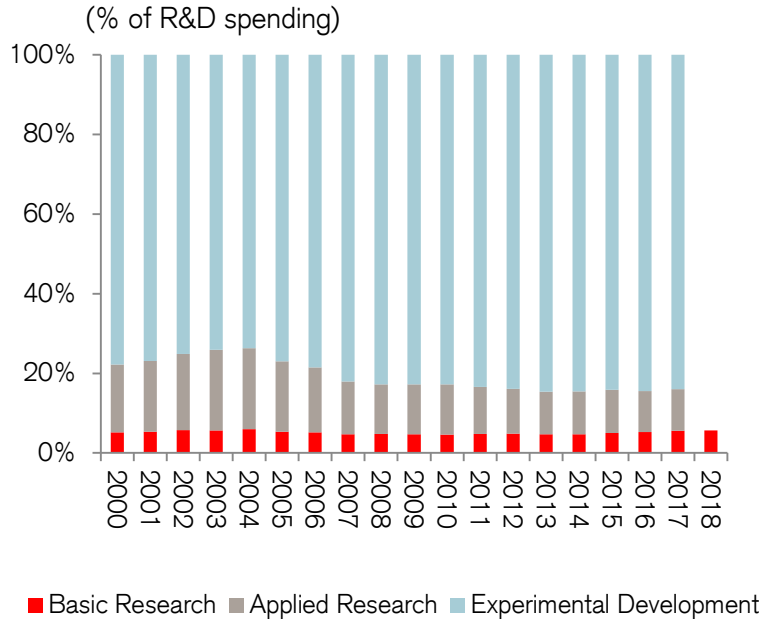
Average R&D spending per annum



Source: OECD, Credit Suisse

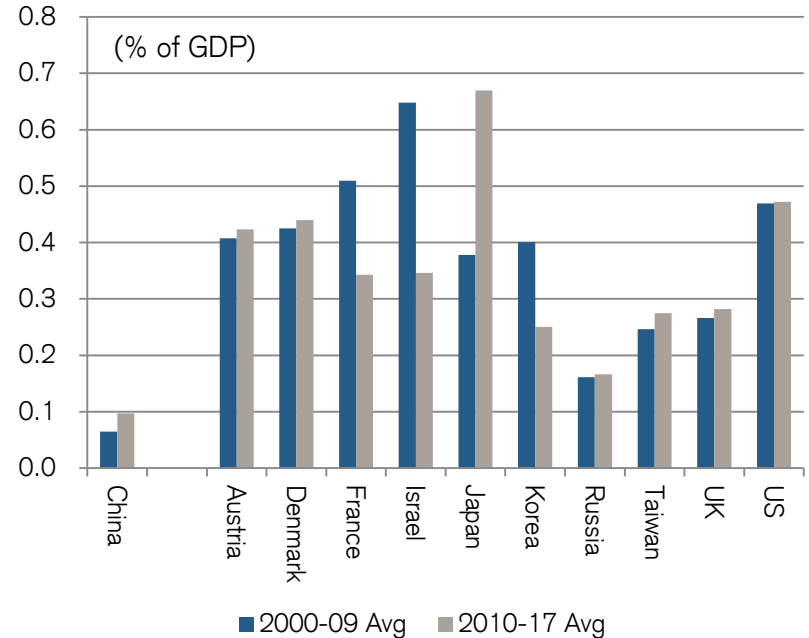
China is in a catch-up phase of basic research

China's R&D by research type



Source: OECD, Credit Suisse

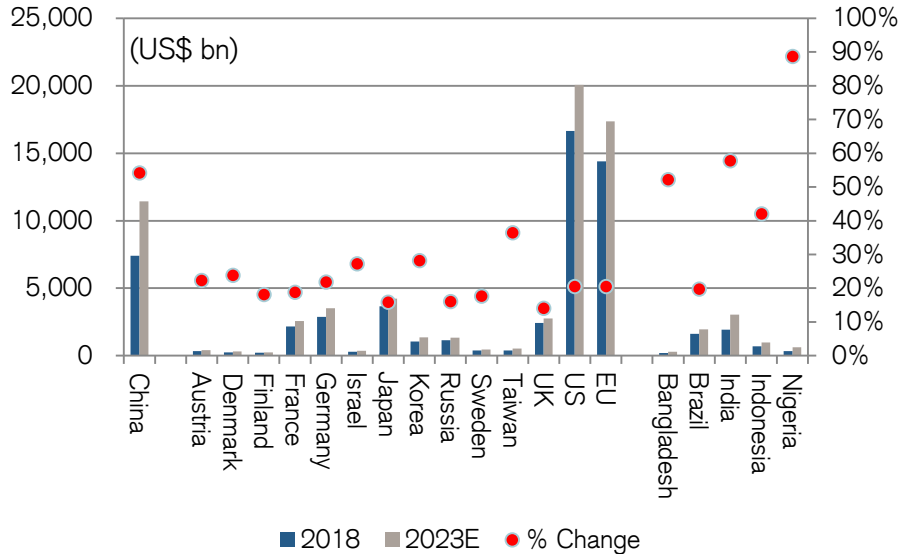
Basic research as a % of GDP



Source: OECD, Credit Suisse

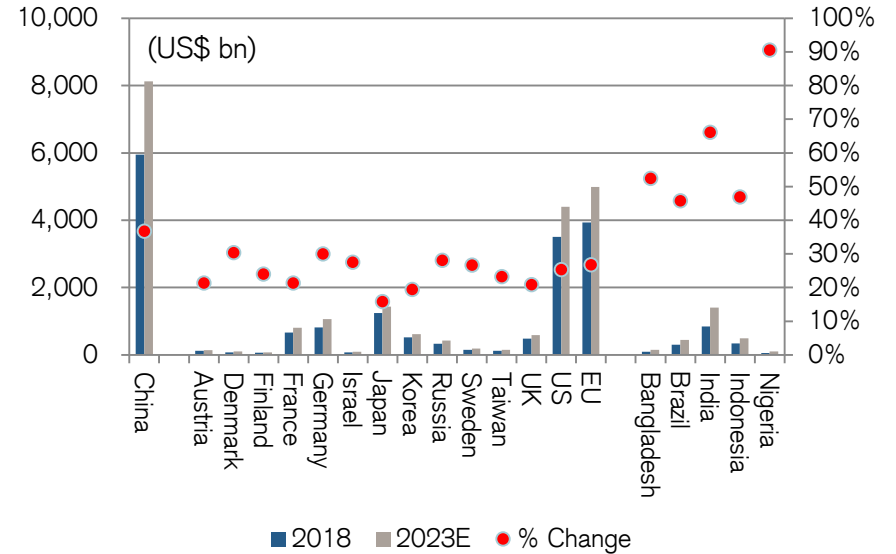
China's consumer market and investment market

China's consumer market compared to other major economies



Source: IMF World Economic Outlook Database October 2018, Credit Suisse

China's investment market compared to other major economies

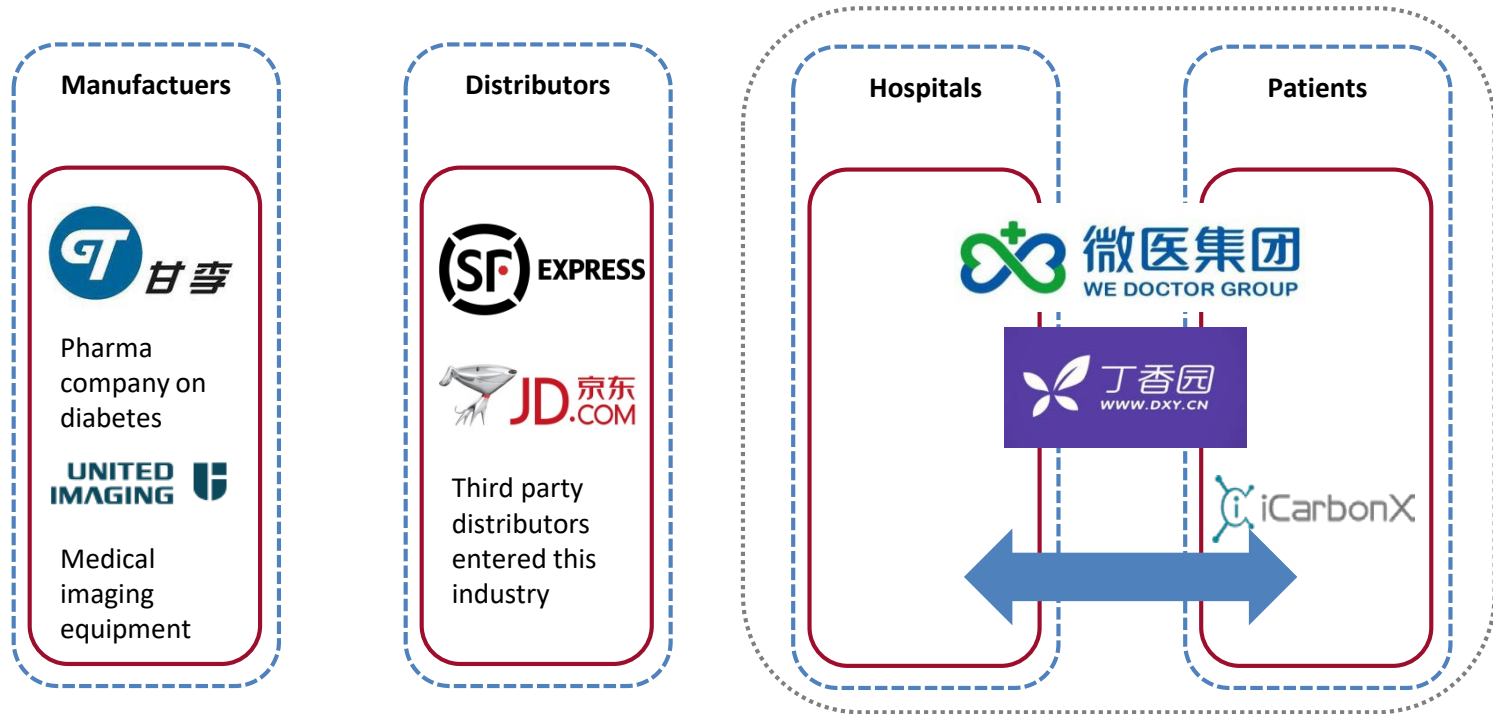


Source: IMF World Economic Outlook Database October 2018, Credit Suisse

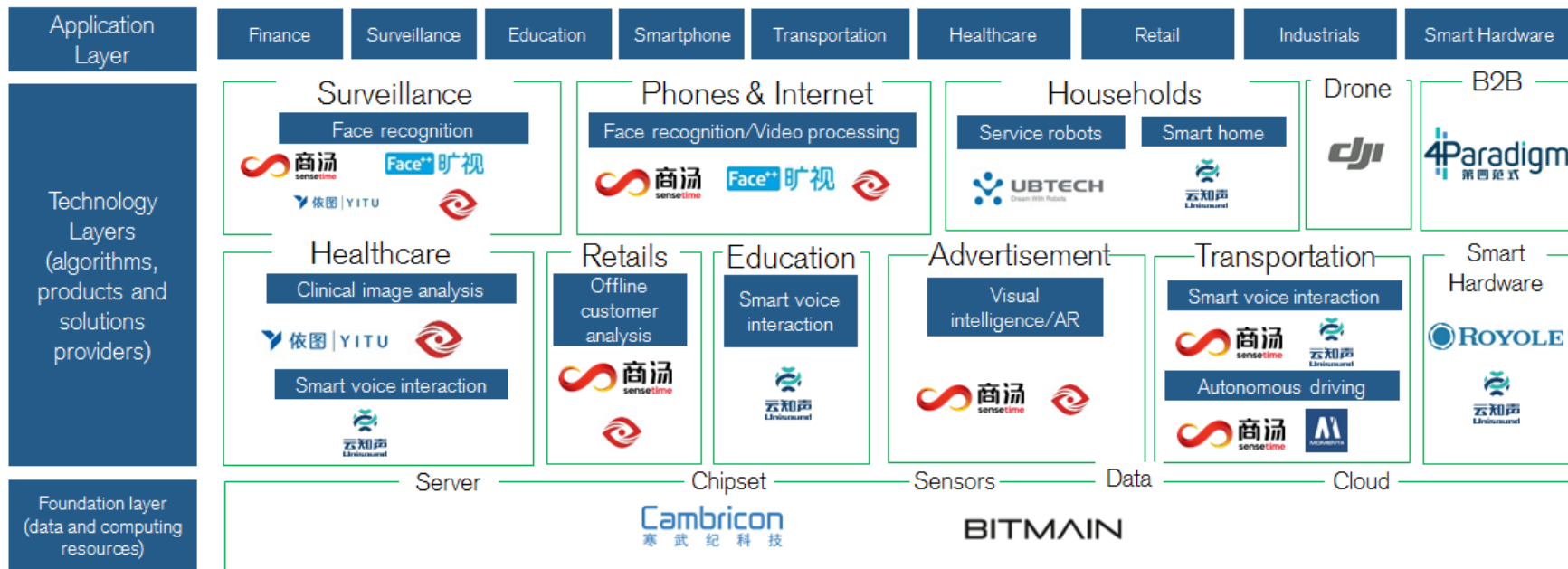
Sector highlights



Unicorns in the “Big health” value chain



Selected unicorns in China AI ecosystem



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