

# Driving a stable startup in an unstable economic situation

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## ABSTRACT

The following research deals with issues related to the still current topic, which is the spread of coronavirus in the world and the impact of this factor on the working of startups.

## INTRODUCTION

We live in a times of constantly changing forecasts and models of accident development. When it comes to predicting next economic conditions it is really hard to find an accurate and detailed analysis. Sometimes, despite wide knowledge in a given field, one cannot be entirely sure whether the product we offer to the market will be well received and meet with high demand. Sometimes one seemingly insignificant factor that can completely reverse the economic situation is enough.

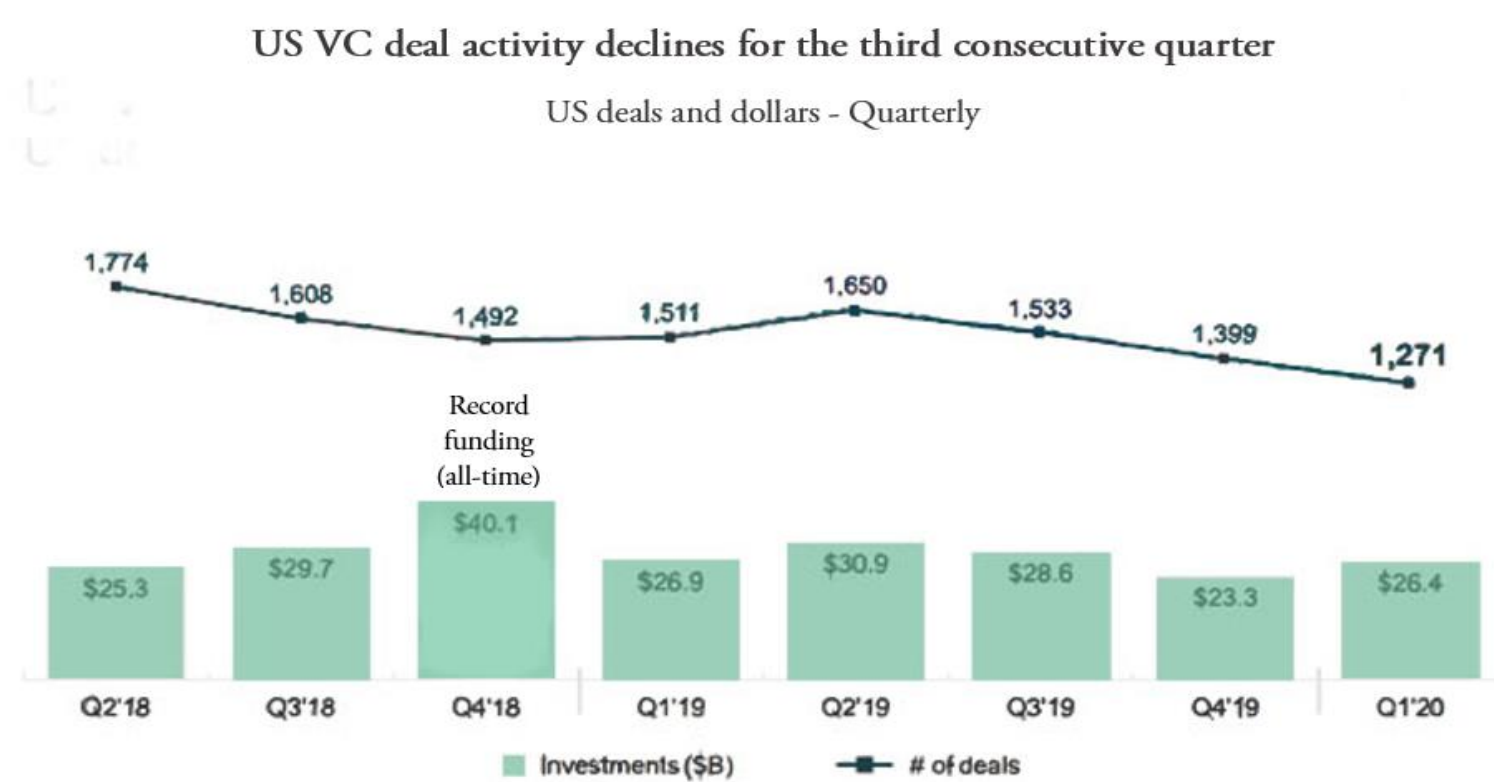
In this case, the factor, which was initially thought to limit its negative impact to only one area, quickly turned into a pandemic, which began to pose a real threat to the global economy.

To slow down the spread of the virus, many countries have decided to implement stringent regulations that would slow down the pandemic. The consequence of these actions was the closing of many service and catering outlets, cinemas, theaters and even parks until further notice. As a result, it has contributed to the economic recession and crisis in almost all sectors.

The coronavirus epidemic knocked out the market for young, innovative companies and their funds. But can the crisis also be a chance for success?

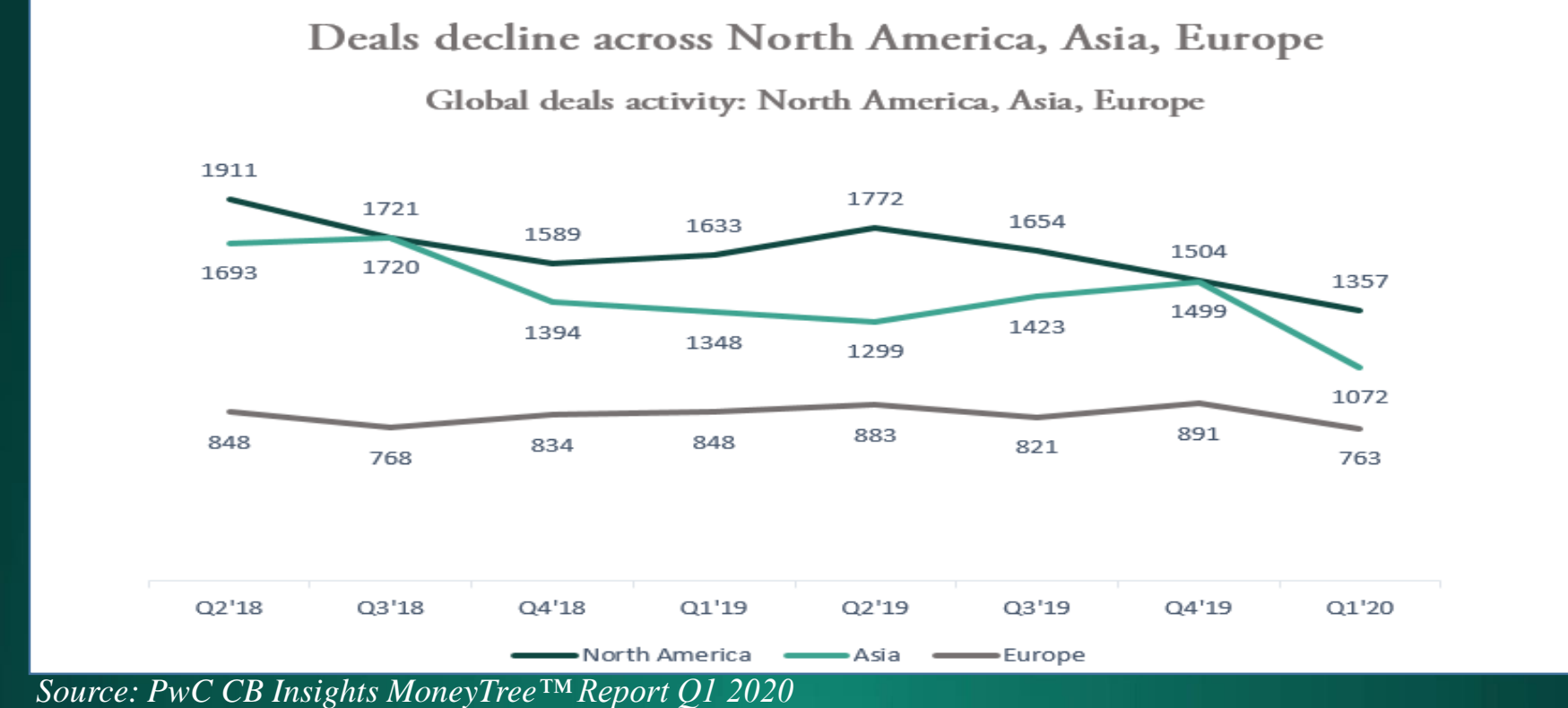
## ANALYSYS AND CONCLUSIONS

The Money Tree report for Q12020 prepared by PwC and CB Insights indicates the latest trends in financing Venture Capital around the world.



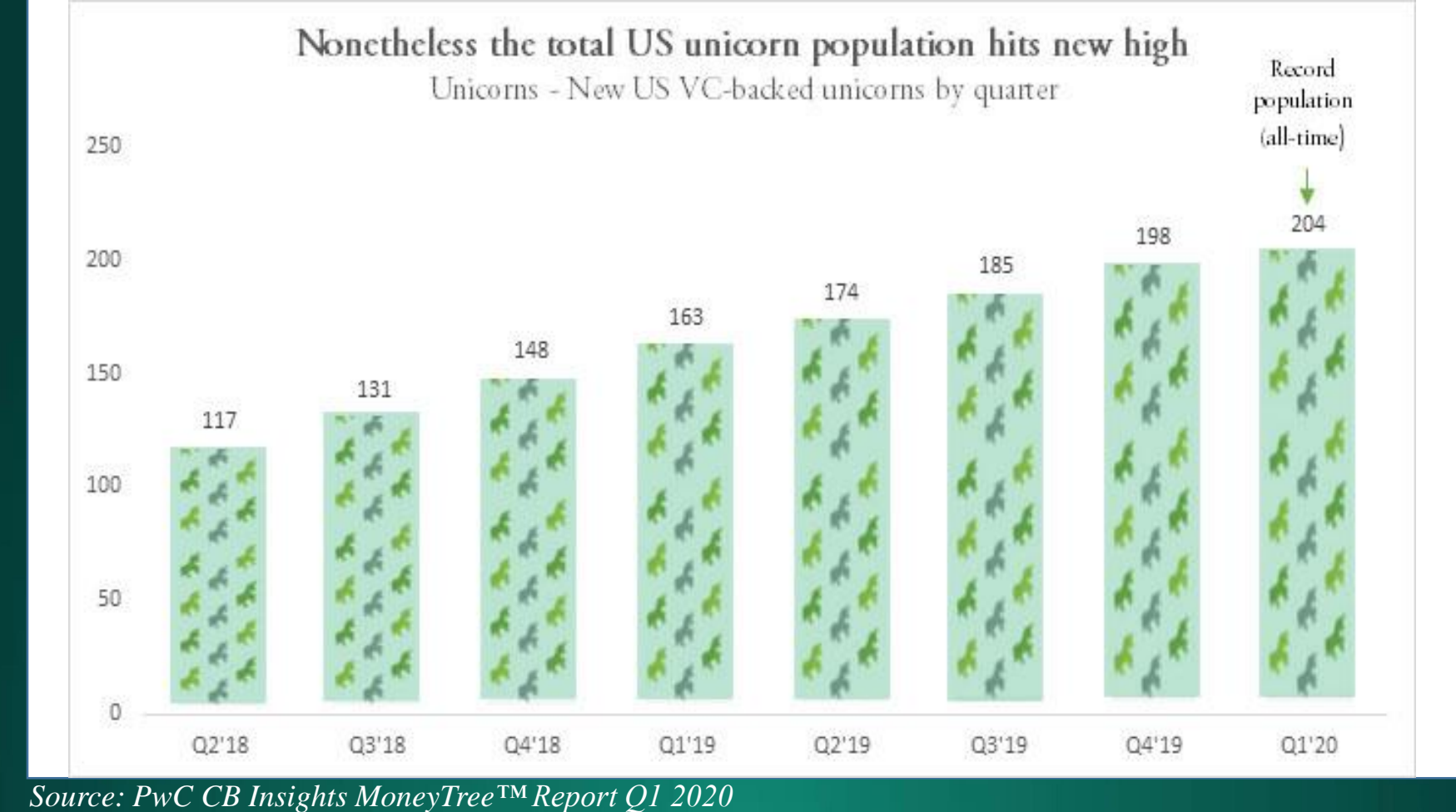
Source: PwC CB Insights MoneyTree™ Report Q1 2020

However, the largest decrease was recorded in Asia and Europe. In Europe, the decline in VC transactions has fallen by 14% percent, but the impact of the outbreak has hit the startup companies in Asia the most. There was a 28% decrease in the number of transactions there, which means a return to the level before 2017.



Source: PwC CB Insights MoneyTree™ Report Q1 2020

Interestingly, according to the same report, the increase in the number of Unicorns (which are privately held startups company valued at over \$1 billion) in the United States reached their new record in the same quarter.



Source: PwC CB Insights MoneyTree™ Report Q1 2020

Can a crisis for such companies also mean a chance for success?

As the history of 2008 shows, this is very likely. Even though the financial crisis has affected many enterprises in each sector, it turns out that at the same time startups were created, whose value today exceeds hundreds of billions of dollars. An example is Instagram, whose value in 2018 according to Bloomberg data exceeded \$100 billion. Among them are also all well-known Uber, Dropbox, Groupon, Whatsapp or even Pinterest. So history shows that great crises can also have positive effects. The outbreak of a pandemic creates an opportunity for the development of enterprises that will quickly diagnose and respond to the needs of the shaky market.

In fact, companies that seem to be doing well in the new situation have already started to appear on the surface. The report published at the end of March 2020 by PitchBook presents the 25 best-funded startups in the first quarter of 2020

Source: Pitchbook - As of March 31, 2020

Gojek	DEAL SIZE (millions, USD)	MARKET SEGMENT	DATE	HQ LOCATION
Kuaishou	\$3000	Ridesharing, food delivery	March 17	Jakarta
Waymo	\$2250	Social media	Feb. 11	Beijing
Generate Capital	\$1000	Autonomous cars	March 2	Mountain View, Calif
Yuanfudao	\$1000	Infrastructure financing	Jan.14	San Francisco
Grab	\$886	Online education	March 31	Beijing
Quibi	\$750	Ridesharing, mobile payments	Feb.25	Singapore
Juul	\$700	Media	March 3	Los Angeles
Chime	\$700	E-cigarettes	Feb. 6	San Francisco
Joby Aviation	\$590	Fintech	March 5	San Francisco
Revolut	\$500	Electric taxis	Jan. 15	Santa Cruz, Calif
Ziroom	\$500	Cross-border payments	Feb. 5	London
Impossible Foods	\$500	Apartment rental	March 4	Beijing
Lyell	\$493	Plant-based meat	March 13	Redwood City, Calif
Snowflake	\$478	Biotech	March 12	San Francisco
Pony.ai	\$462	Data storage	Feb. 7	San Mateo, Calif
Byju's	\$400	Autonomous cars	Feb. 25	Fremont, Calif
Toast POS	\$400	Online education	Jan. 9	Bengaluru
Viagogo	\$400	Restaurant software	Feb. 14	Boston
Scopely	\$400	Ticket marketplace	Feb. 13	Dover, Del
Via	\$400	Gaming	March 19	Culver City, Calif
Netskope	\$340	Ridesharing	March 30	New York
SpaceX	\$314	Cybersecurity	Feb. 6	Santa Clara
MiningLamp	\$300	Space technology	Jan. 3	Hawthorne, Calif
Bakkt	\$300	Big data	March 27	Beijing
	\$300	Cryptocurrency	March 13	Atlanta

Gojek is the company that ranks first. An Indian startup has managed to raise over \$3 billion this quarter and thus has become a leader among ridesharing and food delivery, which is not surprising, given that nowadays, in most countries, food services operate under the condition that food can be order only for takeout.

Among the companies that have benefited from the crisis are those in the online learning segment. Thanks to the closure of schools and forced remote learning, the Chinese startup Yuanfudao and the Indian Byju's were successfully broken out.

For those who spend quarantine browsing online resources of rentals offering access to movies and TV series such as Netflix, HBO Go or Hulu, it will not come as a surprise that startups from this segment appeared on the list. Although Quibi is an application that offers short movies adapted to fast consumption, nevertheless many smartphone users will confirm that they have often managed to spend more time watching the same looping videos lasting several minutes than the Netflix series.

The development of the epidemic is also conducive to the development of medicine, biotechnology and related companies. Among them, the Polish startup Immersion, despite not being on the list is also worth mentioning. According to firma.rp.pl, the company has recently received an order from the US government to create a platform that will allow training of medical personnel in the USA.

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