



1H 2016 VC Liquidity Report

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VC Exit Trends

1H 2016 SAW A SLOWDOWN IN EXIT ACTIVITY

The exit count in 1H 2016 looked vastly different from the year prior, falling 24.7% from 2H 2015 and putting this year on pace to record the fewest exits since 2011. The substantial drop can be largely attributed to frothy valuations coupled with a choppy public market—ultimately reducing investors' risk appetite for younger companies coming to market. The above-mentioned investor hesitancy has also forced late-stage companies to continue raising capital privately.

QUARTERLY NUMBERS REVEAL ROBUST EXITS

While 1H exit activity dropped dramatically across North America and Europe, overall exit value remained in line with 2015's tally. This occurrence is largely attributable to a number of large scale acquisitions, namely AbbVie's \$10 billion acquisition of Stemcentrx, which in turn inflated total exit value. The considerable acquisition sizes that were seen throughout the first half of the year demonstrated a shift in marketplace behavior, as corporate acquirers pivoted their interest toward quality over quantity.

VC Exit Trends

UNICORN DEALS CONTINUE TO OUTPACE UNICORN EXITS

Since 2014, the number of \$1 billion+ valuations has vastly outpaced the number of unicorn exits, and the gap appears to only be widening further into 1H. In the near future, unicorns may begin feeling pressure to exit, which could result in an IPO bottleneck. Moreover, we may see unicorns forced to accept deflated acquisition offers due to the limited number of companies able to dole out billions on a purchase, or choose to raise another private round at a lower valuation.

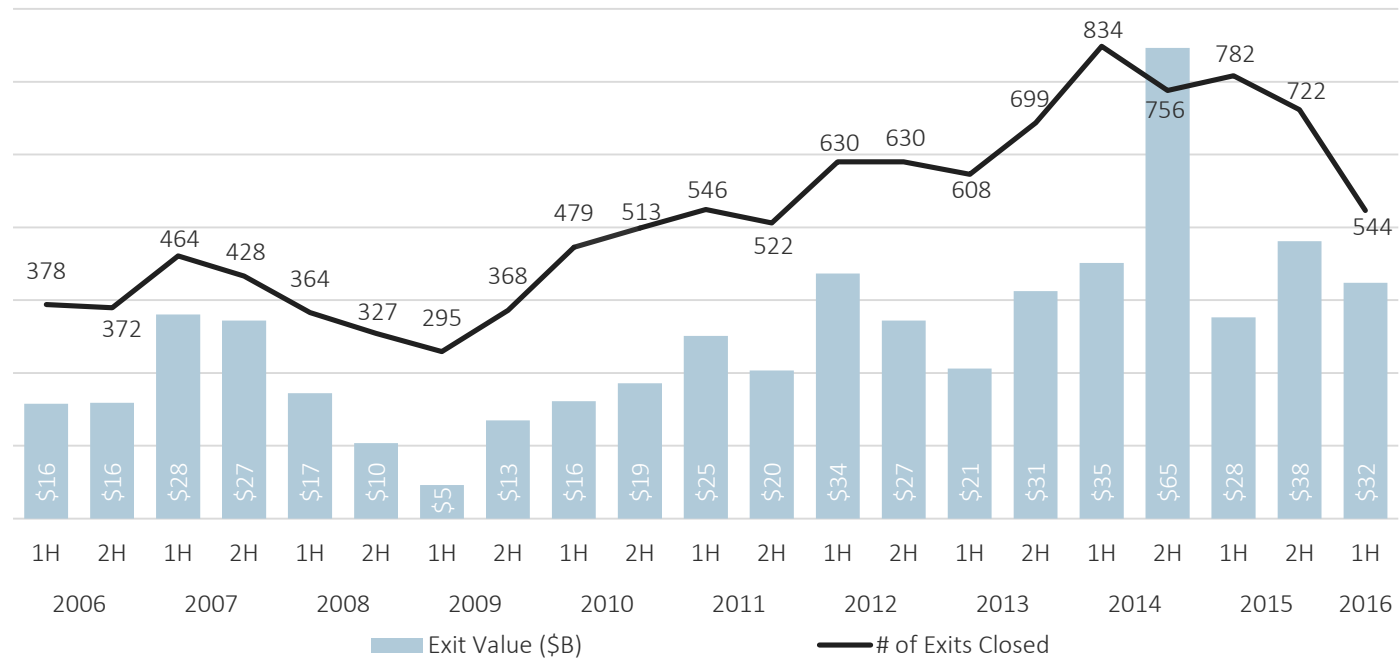
SPOTLIGHT ON PHARMACEUTICALS & BIOTECHNOLOGY

Fueled by corporate acquisitions, the pharma and biotech market saw \$17.5 billion in exit value across 46 transactions in the first half of 2016. The sector accounted for 54% of all VC-backed exit value during 1H 2016, but 80% of that total resulted from AbbVie's \$10 billion acquisition of Stemcentrx and AstraZeneca's \$4 billion acquisition of Acerta Pharma. Pharma companies looking to build pipelines have utilized M&A as a primary growth strategy, bidding on early-stage companies, which in many cases can make the economics of a transaction much more enticing and affordable.

| VC-Backed Exits Overview

Exits by Half-Year

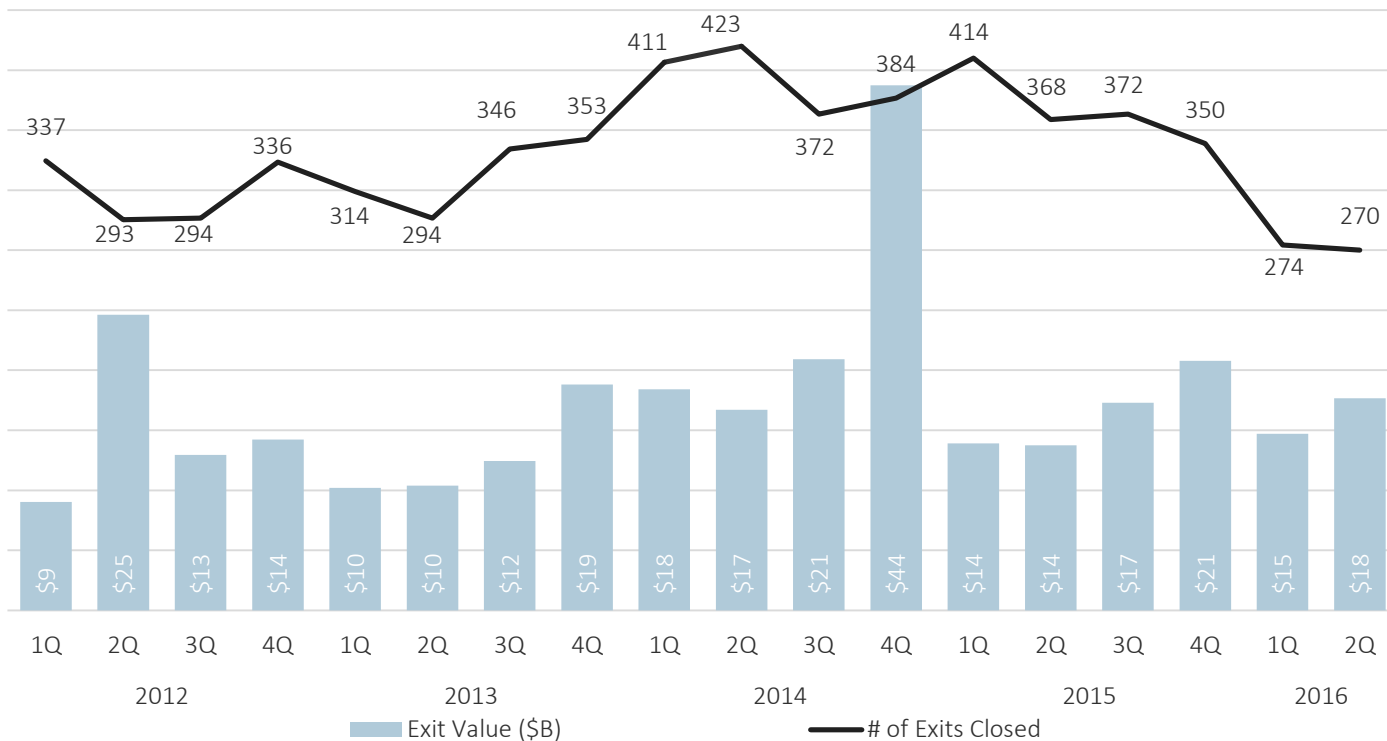
VC-backed exit activity was down by 25%, dipping to the lowest level since 2011
VC-backed exits by half-year



Source: PitchBook

Exits by Quarter

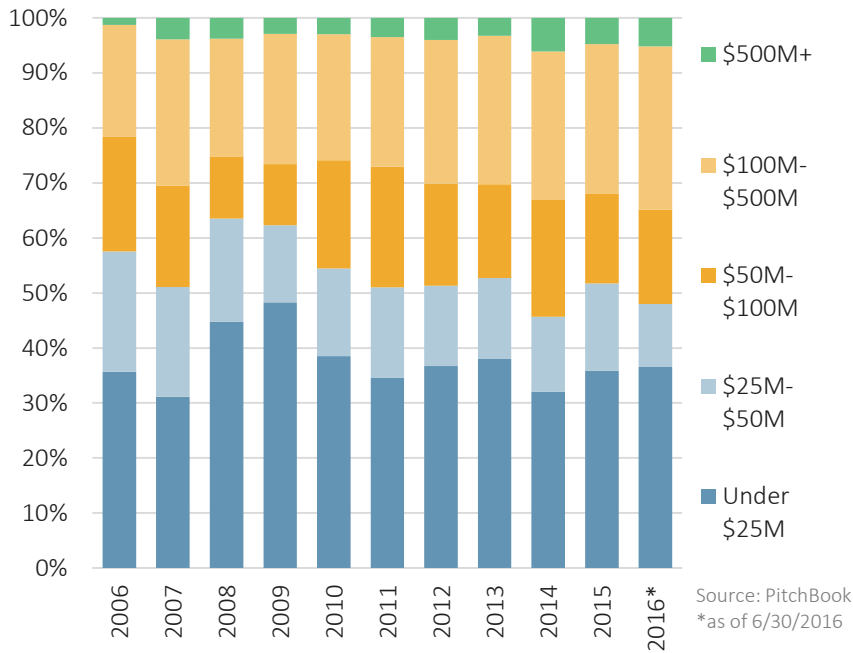
57% of total exit value in 2Q 2016 resulted from the \$10B Stemcentrx acquisition
VC-backed exits by quarter



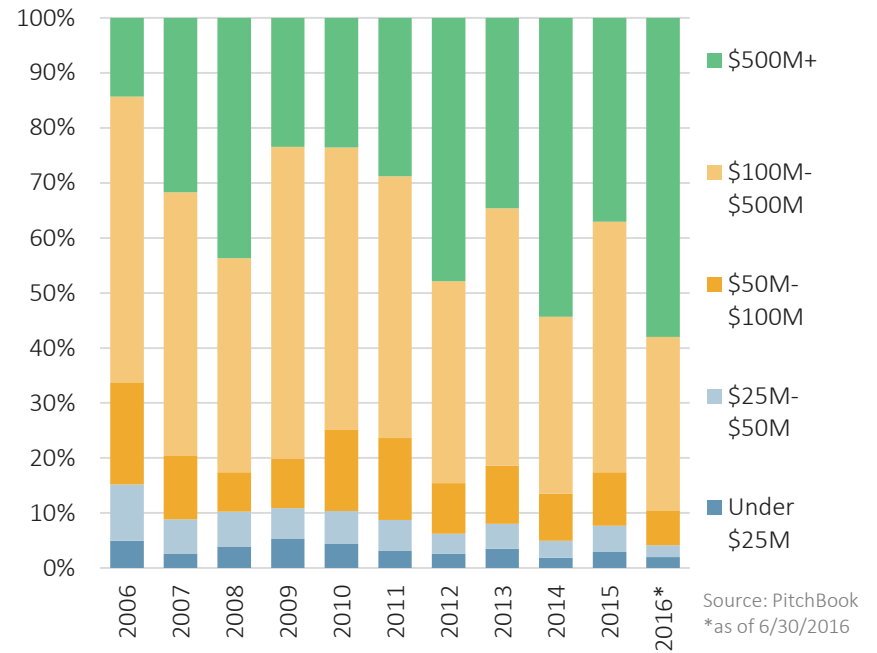
Source: PitchBook

Exits by Size

Deals valued between \$100M and \$500M accounted for 30% of completed exits in 1H
VC-backed exits by size (#)



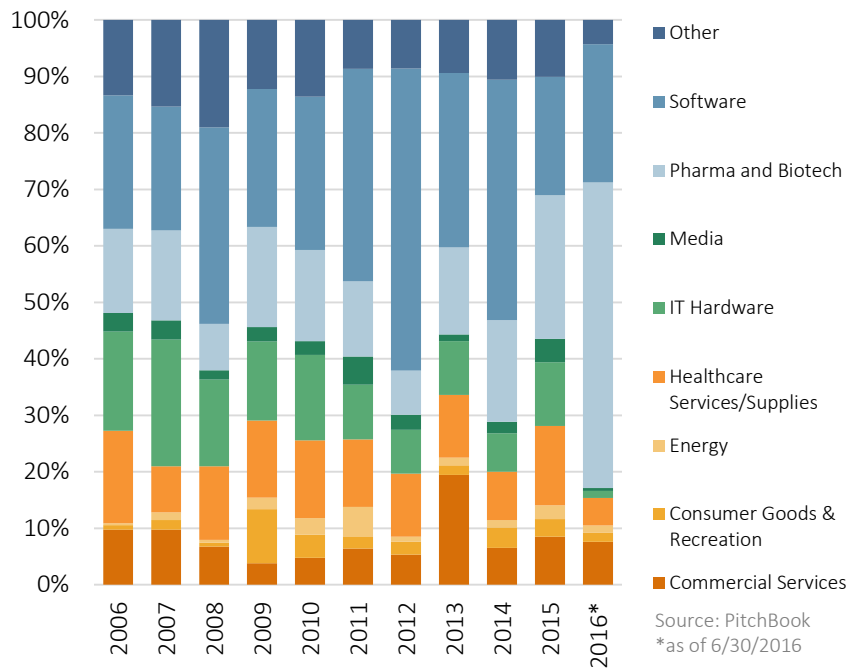
Though only nine exits of \$500M+ were completed, the bucket accounted for 58% of total exit value in 1H
VC-backed exits by size (\$)



Exits by Sector

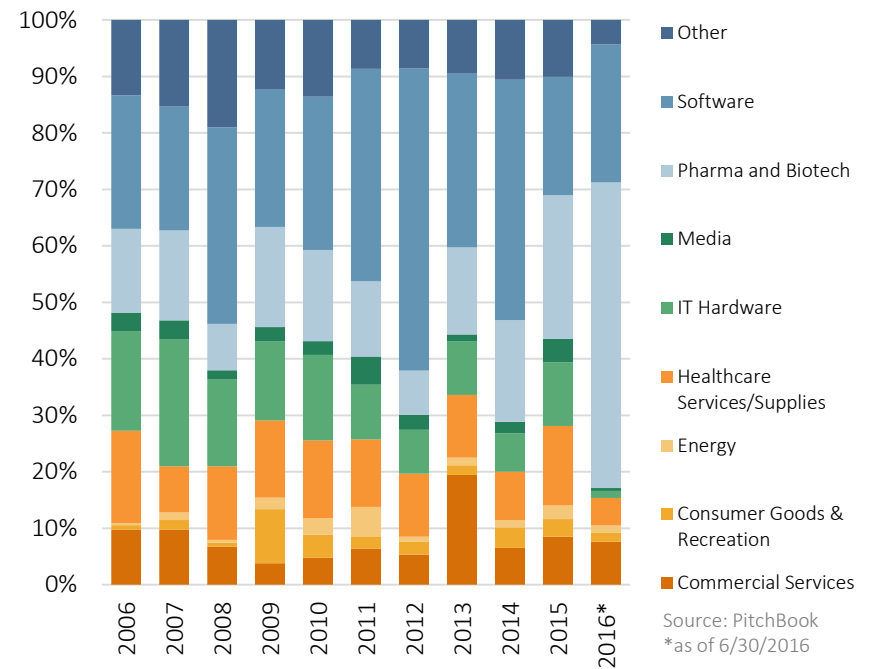
IT hardware exits have significantly declined over the past decade as software has become a focal point

VC-backed exits by sector (#)



Commercial services accounted for almost 20% of exit value, spurred by several \$500M+ deals

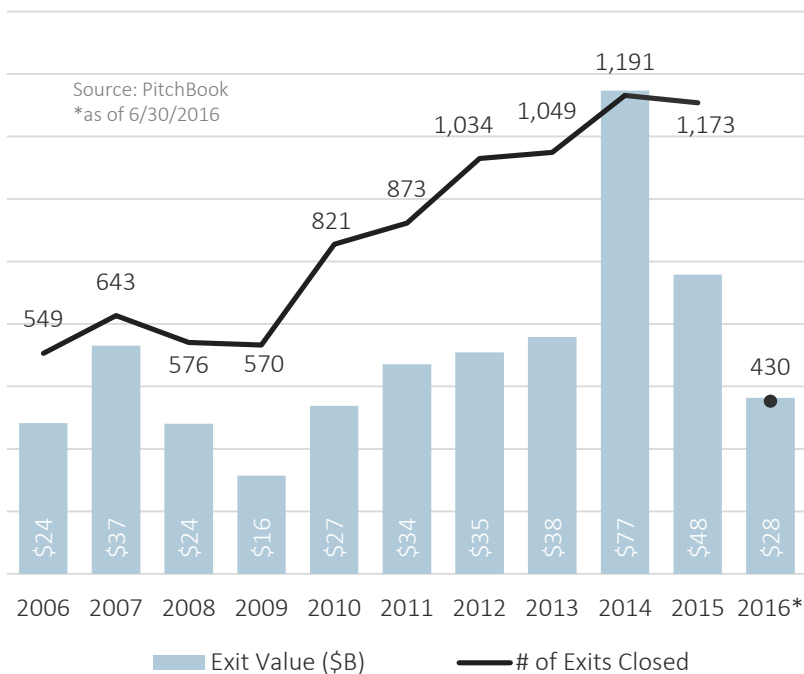
VC-backed exits by sector (\$)



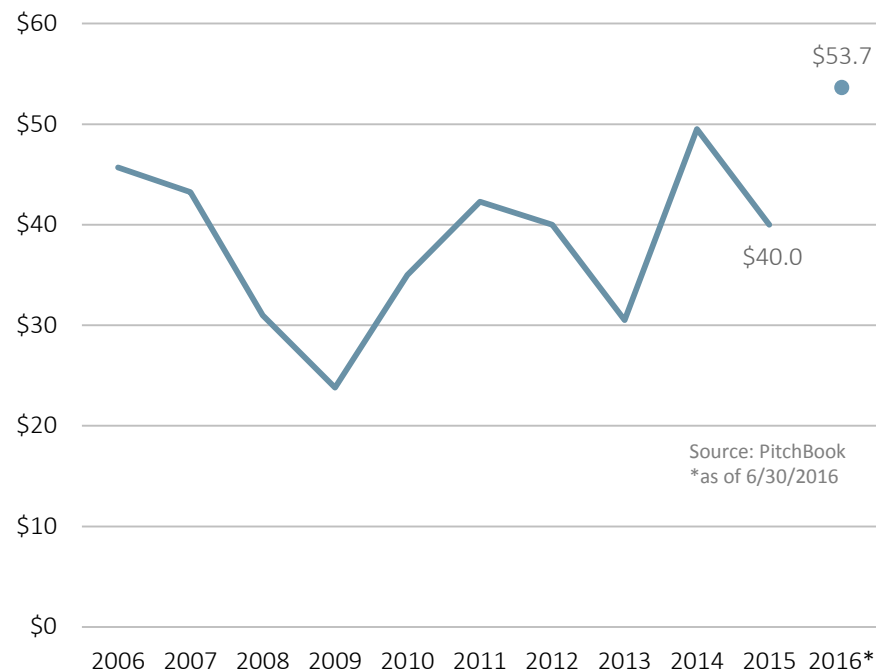
| Exits by Type

Acquisitions

While activity in the M&A market has declined immensely, transaction sizes have remained robust
Corporate acquisitions by year



The 34% jump in median acquisition size is a product of rising valuations and desperation driving corporate M&A
Median corporate acquisition size (\$M)

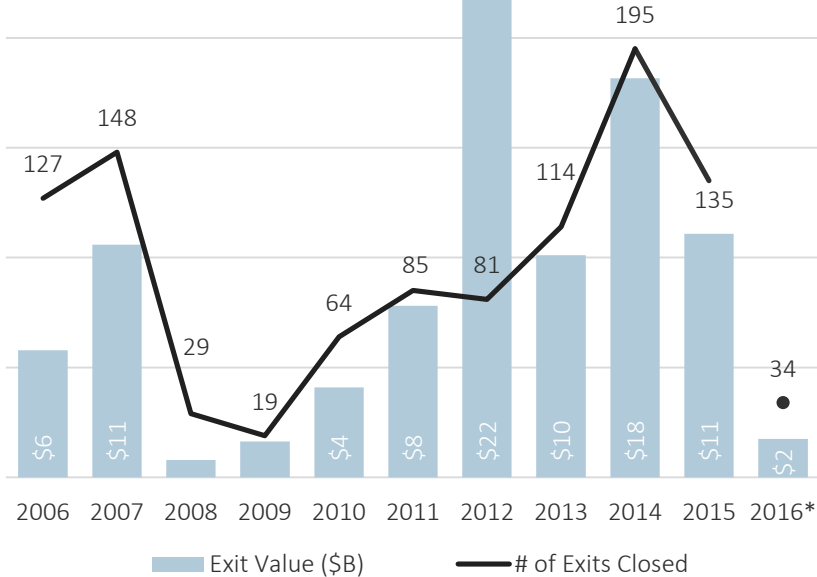


IPOs

IPO activity saw a substantial decline with just \$2B raised across 34 offerings

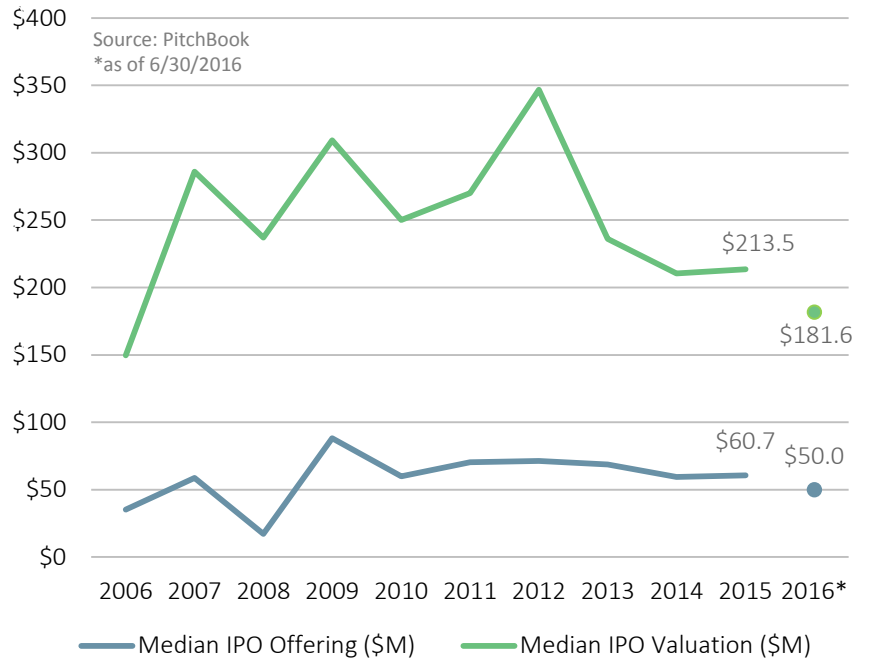
IPO activity by year

Source: PitchBook
*as of 6/30/2016



The median IPO offering amount fell to \$50M alongside a \$32M drop in median IPO valuation

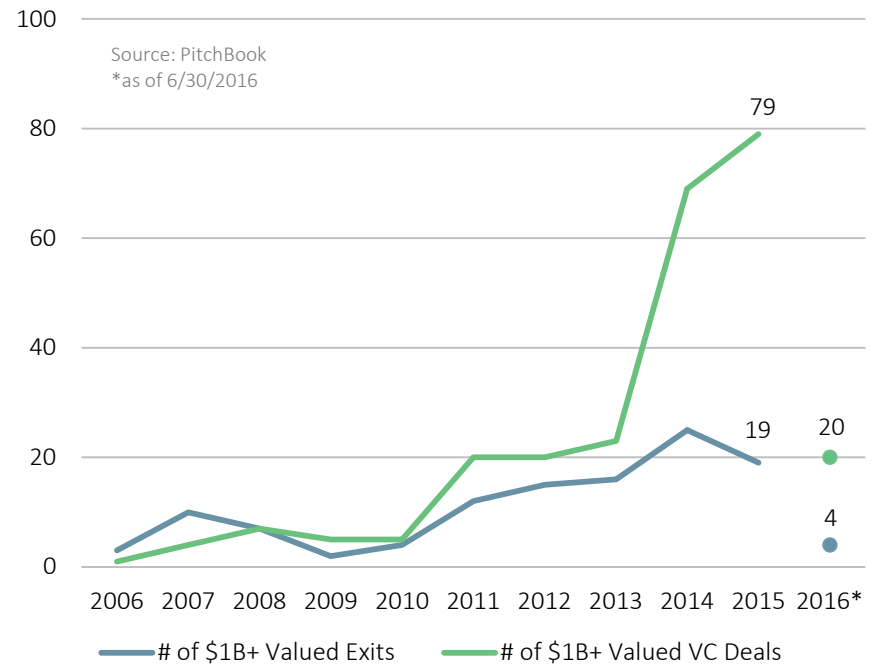
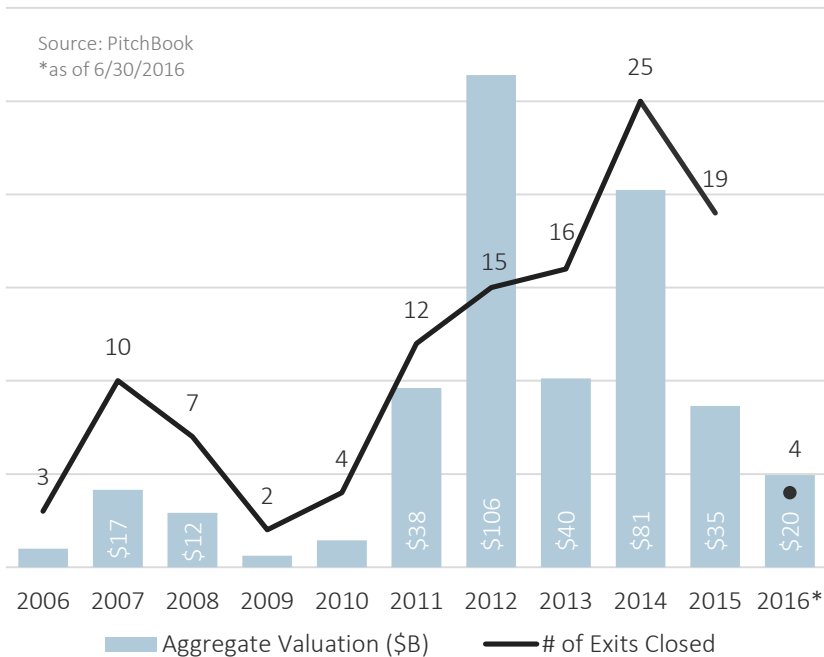
Median IPO size and valuation by year



\$1B+ Exit Activity

As the late-stage exit market remains depressed, only four \$1B+ exits were completed in 1H
 \$1B+ exit activity by year

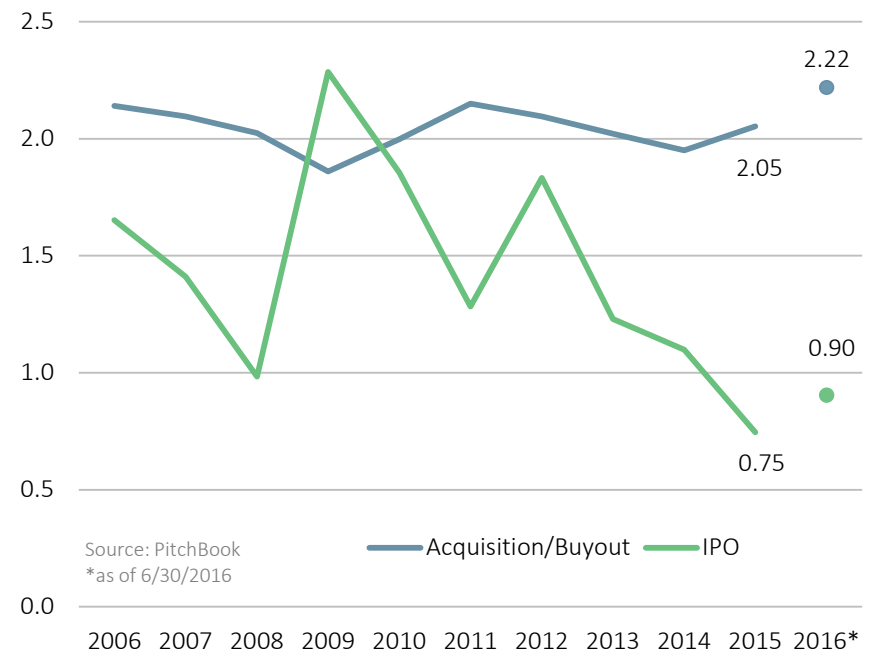
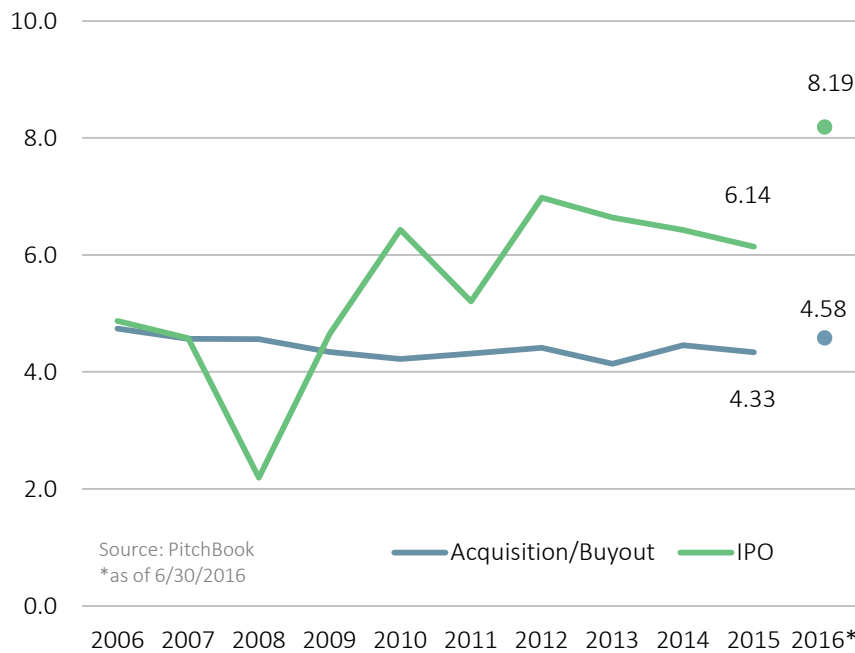
The number of \$1B+ VC valuations vastly outpaced the number of \$1B+ exits by a 5:1 ratio
 \$1B+ deals and exits by year



Time to Exit

As a larger concentration of companies opt to remain private, median time to IPO has increased by two years
 Median years from first VC financing to exit by year

The growing size of late-stage rounds is leading companies down a longer runway to exit
 Median years from last VC financing to exit by year





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