PitchBook

2023

US

All In

Female Founders in the VC Ecosystem

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WILSON SONSINI

[1] Bureau of Labor Statistics, U.S. Department of Labor, Occupational Outlook Handbook, Securities, Commodities, and Financial Services Sales Agents, at https://www.bls.gov/ooh/sales/securities-commodities-and-financial-services-sales-agents.htm (visited Feb 2, 2024).

[2] VC Human Capital Survey, Fourth Edition, April 2023 by Venture Forward, NVCA, and Deloitte

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Contents

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Published on March 6, 2024

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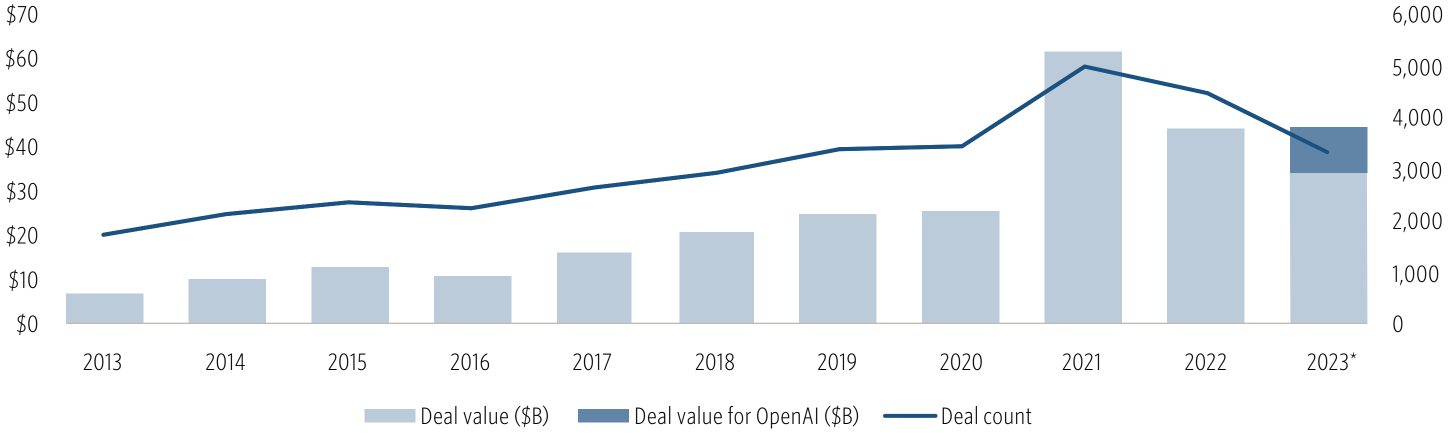
Executive summary

VC deal activity for female-founded companies



Source: PitchBook • Geography: US • *As of December 31, 2023

The *All In* report series presents data surrounding female founders and investors in the US venture capital ecosystem. There is a long path ahead for female founders to reach the levels of funding received by their male counterparts, and startups across the board face greater difficulty securing capital in the face of recent economic stressors. Banking system turmoil stemming from the collapse of Silicon Valley Bank and several other banks that served the startup community contributed to greater caution from commercial lenders, which, combined with high interest rates, reduced the accessibility of funding sources for founders. Slower venture fundraising and economic growth concerns also present challenges. Dealmaking trends illustrate how these conditions are impacting different founder groups.

The 2023 Nobel Memorial Prize in Economic Sciences was awarded to Claudia Goldin for her research on women's labor market participation, which underscores how sociopolitical factors come into play when examining disparities between gender groups.[1] Relatedly, in 2023, structural changes were introduced to the handling of diversity, equity & inclusion (DEI) initiatives in the US. Following the Supreme Court's ruling that struck down affirmative action in college admissions, greater scrutiny and legal challenges are being raised against diversity-focused initiatives and venture funds. The ripple effects of these ongoing proceedings will play out in the coming years and potentially impact certain channels used to bring traditionally underrepresented founders into the venture ecosystem.

Despite these recent headwinds, data reveals remarkable growth in cumulative deal activity for female founders over the past decade, as well as a growing share of the country's total activity. Female-founded companies continue to build in the face of difficulties; this report analyzes various data points to break down their presence throughout the venture process.

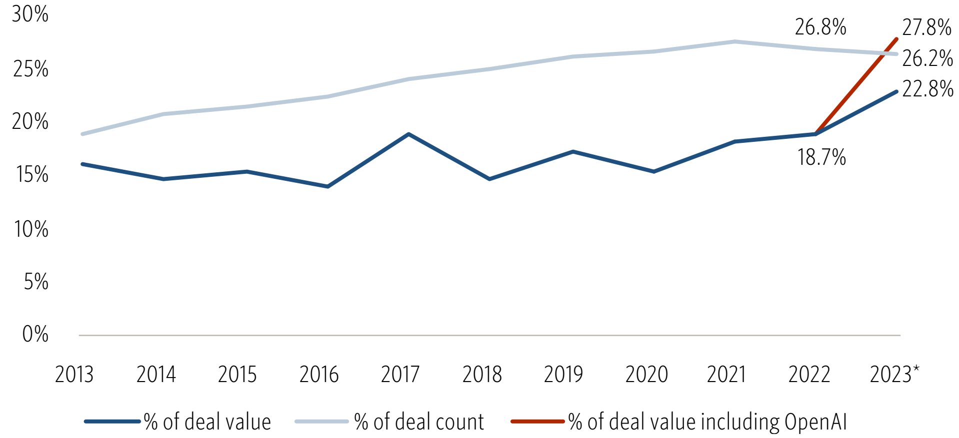
The *2023 US All In* report is made possible through sponsorships from Deloitte, Pivotal Ventures, and Wilson Sonsini, and we sincerely appreciate their support. Read on to hear how each organization is approaching the future of venture and engaging with female founders.

1: "Press Release," The Nobel Prize, October 9, 2023.

Overview

Female founders in the US fared relatively well in 2023, securing slightly more cumulative VC deal value than in 2022, despite mounting pressures from investors and the broader economy. However, the driving force behind the slightly higher total value in 2023 was OpenAI's $10 billion raise in Q1. The company presents an outlier in terms of the sheer size of the round, and its female founder left the company prior to this round. Therefore, we also examined the data excluding OpenAI, which actually reveals a moderate decline in cumulative deal value for female founders in 2023.

VC deal activity for female-founded companies as a share of all VC deal activity



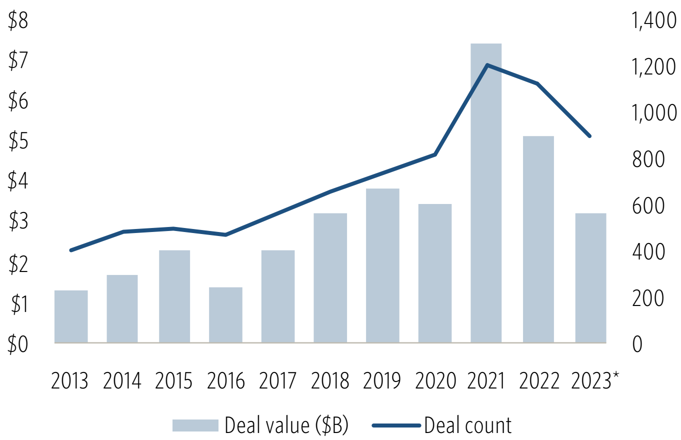
Source: PitchBook • Geography: US • *As of December 31, 2023

However, female founders still secured more capital in 2023 compared to 2020, marking the third-highest annual level on record and indicating resilience in the face of prolonged VC concerns. Driven by sizable rounds, momentum picked up in the second half of the year. A cautiously optimistic economic outlook for 2024, combined with emerging tech applications, has renewed some excitement for dealmakers following a period of uncertainty. Female founders' deal count declined by more than 25% in 2023, indicating that while investors continued to deploy capital, they became more selective. Similar trends took shape for all-male-founded companies and all-female-founded companies, though both categories closed less total capital in 2023 compared to 2020.

Notably, female-founded companies generated a record proportion of total VC deal value in 2023, at 22.8% excluding the OpenAI deal—a material uptick from the year prior.

There remains a wide gap between the amount of venture capital closed by female founding teams compared to all-male founding teams, and that gap

VC deal activity for all-female-founded companies



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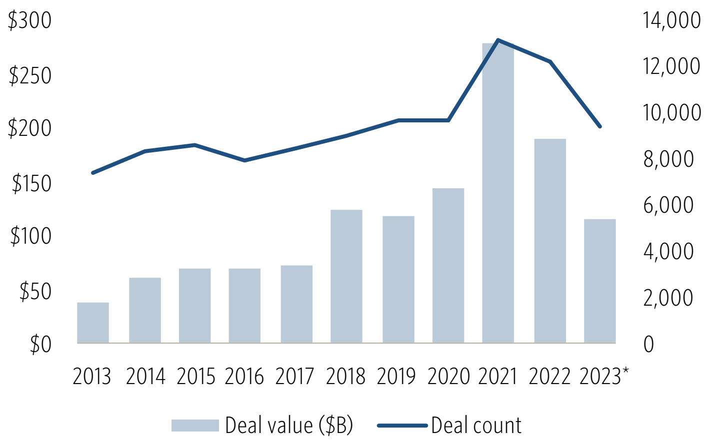
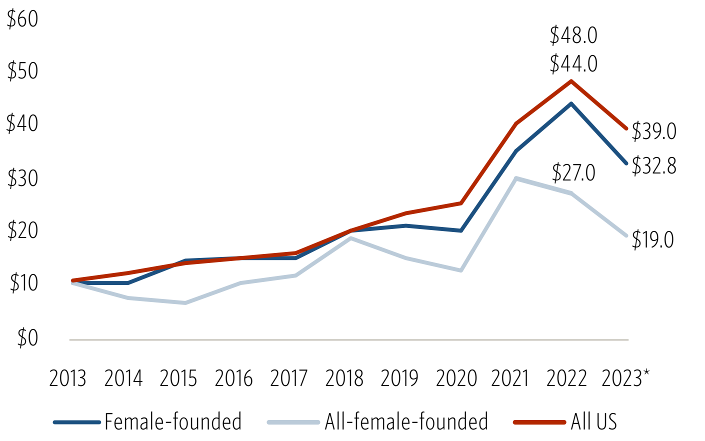
VC deal activity for all-male-founded companies



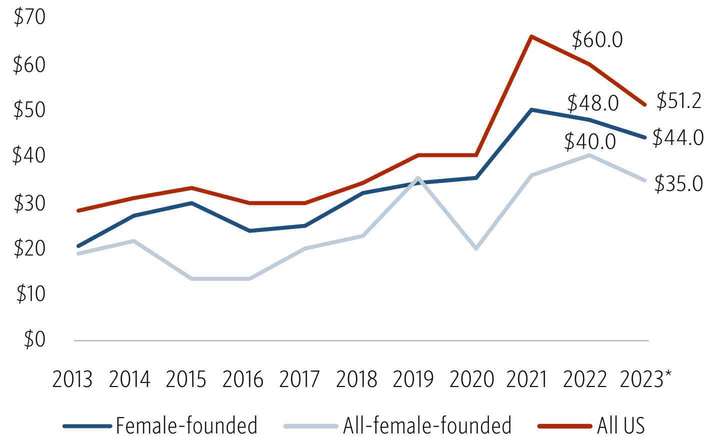
Source: PitchBook • Geography: US • *As of December 31, 2023

Median early-stage VC pre-money valuations ($M)



Source: PitchBook • Geography: US • *As of December 31, 2023

Median late-stage VC pre-money valuations ($M)

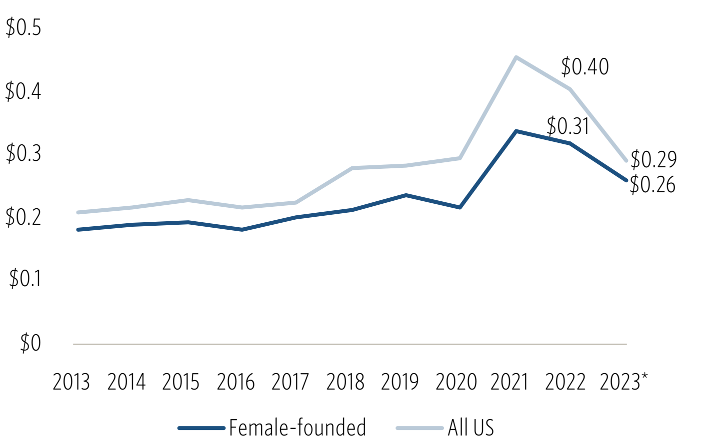


Source: PitchBook • Geography: US • *As of December 31, 2023

widens even further when we look at teams with all-female founders. With $3.2 billion invested in 2023, all-female-founded companies represent a single-digit percentage of total US VC activity. Their presence has grown notably over the years—collectively closing more than $3 billion each year since 2018 and crossing the $1 billion annual threshold for the first time in 2013.

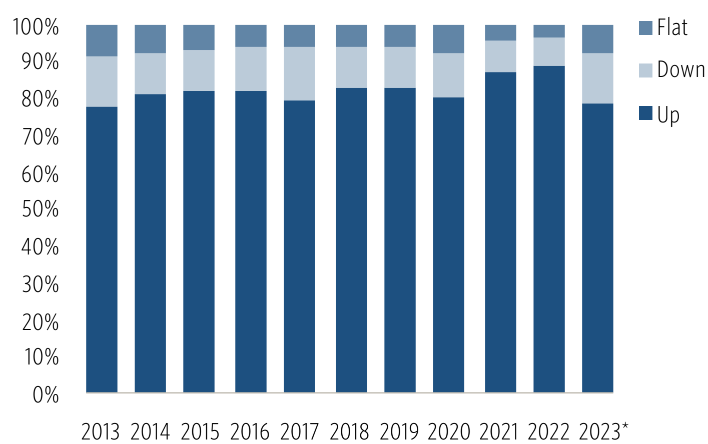
Cost control and runway extension in the face of less accessible capital remain the focus for most companies, including those that successfully close new rounds. The median VC burn rate—which is determined by the difference in capital raised and months between rounds—for all companies has dropped by more than one-third since 2021. Female-founded companies consistently log a median VC burn rate below the broader population, thus indicating a measured use of fresh capital driven by smaller check sizes or longer periods of time between rounds. Most companies managed to secure subsequent rounds at increasing valuations, though prolonged macroeconomic challenges led more companies to accept rounds at lower valuations in 2023, as evidenced by the equally increased proportion of down rounds for both the female-founded and broader company categories.

Median VC burn rate ($M/month)



Source: PitchBook • Geography: US • *As of December 31, 2023

Share of VC deal count for female-founded companies by up, down, or flat rounds



Source: PitchBook • Geography: US • *As of December 31, 2023

A WORD FROM DELOITTE

Female founders and investors in the US VC ecosystem

For women in VC, the future hasn't yet arrived

The numbers show slow progress—but the spread of meaningful DEI policies in VC firms offers hope for the future

Heather Gates
Audit & Assurance Private Growth Leader, Deloitte & Touche LLP

Imagine a 20-year-old woman, talented and passionate about science, technology, engineering & mathematics (STEM), now a sophomore studying computer science at a leading university. She'll graduate by 2026, get her first job, probably go back for a master's degree, then further her career with more jobs. 15 years from now, she might have the next great idea for launching a company to tackle a new technology that we can't even imagine now.

The question: When she goes out in search of venture capital, will she encounter women with the authority and experience to make investment decisions in the VC firms of 2035?

I've been looking at this question for years, and I'm confident that for that 20-year-old woman, the answer will be "yes." We've recently published the latest edition of Deloitte's "VC Human Capital Survey," conducted in collaboration with Venture Forward and the National Venture Capital Association (NVCA), and it shows continuing, albeit slow, progress for women at all levels of venture capital.

Among the 315 VC firms that we surveyed, representing $594.5 billion in assets under management (AUM), the survey found:

- Women make up 26% of the investment professionals in these firms, up from 23% in 2020 and 15% in the inaugural survey in 2016.
- Women are still woefully underrepresented: Among investment partners, only 19% are female, up from 16% in 2020 and 11% in 2016. Women are also far less likely to represent their VC firm on the boards of portfolio companies (20%), serve as a member of the firm's investment committee (20%), or serve as an owner of the management company (17%).
- Yet the ranks of women in junior-level investment positions are growing: 35% of those professionals were female in 2022, up from 33% in 2020 and 25% in 2016. So the pipeline for future senior investment professionals continues to fill.[2]

What I find most heartening in the 2022 survey is the growing commitment to formal, fully implemented programs in support of diversity, equity & inclusion (DEI). Almost half of the respondent firms have a diversity strategy (47%, up from 44% in 2020 and 15% in 2016), and nearly as many have an inclusion strategy (44%, up from 41% in 2020 and 17% in 2016). Those policies are more likely to be implemented, as 60% of firms said they either have a staff person or a team responsible for DEI (up from 55% in 2020 and 16% in 2016). In 2022, we asked for the first time whether firms had set specific DEI goals: Nearly two-thirds said that they already had goals (40%) or planned to implement goals within the next six months (23%).[3]

For that future female founder, this is great news—trends that all point in the right direction.

For *today's* female founders, unfortunately, the story is not so hopeful. Despite the gains for women in VC firms, we simply have not seen much impact on venture investing in female-founded companies. PitchBook's authoritative US VC female founders dashboard shows that companies founded solely by women scored only 2% of VC capital in 2023—a level that has scarcely changed since 2008 (and has never topped 2.8% in those 16 years).[4]

2: "VC Human Capital Survey, Fourth Edition," Deloitte, Venture Forward, and NVCA, April 18, 2023.
3: Ibid.
4: "US VC Female Founders Dashboard," PitchBook, accessed January 23, 2024.

(In underrepresented racial and ethnic groups, professionals of all genders face a similar picture: The 2022 survey shows gains for Asian/Pacific Islander and Hispanic professionals, but uneven progress in Black professionals in the industry. These groups also need aggressive DEI efforts.)

Funding barriers for female founders

Why aren't the gains we're seeing elsewhere in society being reflected in venture funding for female founders?

Part of the challenge is the nature of women-owned businesses and founders' approaches. Even when they found great businesses, women are less likely to swing for the fences. Instead of pitching their companies as the next Google or Meta, they may position them as incremental advances or "niche plays." Such modesty doesn't light up the scoreboard for venture funders seeking a healthy return on their capital.

Smaller ambitions are reflected in the size of VC deals that female founders do receive. Since 2008, PitchBook data shows that the share of venture deal count directed to companies founded solely by women has almost doubled, from 3.8% to 7%—not nearly enough, but steady progress. Yet the share of capital those companies collect has scarcely budged.

Women continue to face deeply entrenched attitudes of discrimination. An eye-opening examination of 2,000 venture-backed startups published in 2023 in Harvard Business Review found that women-owned companies that raised their first-round funding exclusively from female VCs were only half as likely to raise a second round as companies whose funding included a male partner. The researchers concluded that potential second-round investors viewed female founders as less competent—no matter what their other qualifications—when they were backed solely by women, as compared to female founders who had funding from men or a mix of men and women. Investors, the authors said, thought that gender determined their first-round funding, not business acumen.[5]

Such attitudes won't be eliminated until women (as well as professionals from underrepresented racial and ethnic groups) are holding seats on both sides of the table—and at the head of the table, in senior decision-making positions. So how will we get there?

Tomorrow's entrepreneurs deserve no less

Forward-looking firms should keep pushing for solid, meaningful DEI policies. Fortunately, our survey shows that the pressure is growing throughout the venture ecosystem. More of the VC firms in our sample are surveying employees to determine whether they feel accepted and valued (32% of 2022 survey respondents, up from 26% in 2020). More funders are focusing on DEI at portfolio companies (38%, up from 30% in 2020). And limited partners are pushing VC firms: Nearly half of surveyed VC firms say their limited partners asked for the firm's DEI details in the 12 months before the survey (47%, up from 41% in 2020).

Achieving equality will require VC firms to break old habits. Partners should reach beyond their familiar networks to recruit entry-level analysts. They can offer mentorship and development to female and underrepresented analysts and junior investment professionals.

Changing the VC ecosystem will take time. Funds work on 10-year cycles; turnover is low; entry into senior positions is limited. Only persistent, sustained effort will ensure that today's 20-year-old student will find the female support she'll want when she's ready to launch her transformative new company.

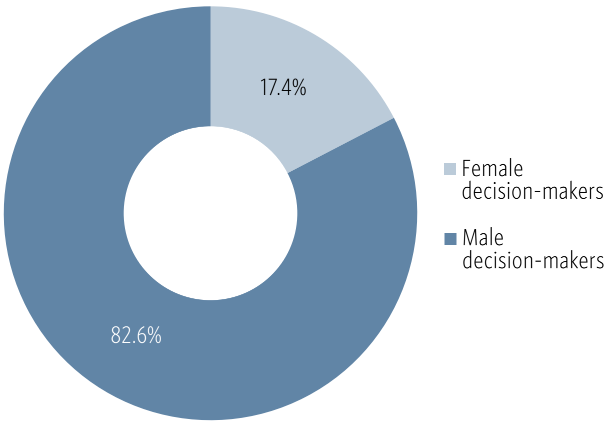
I certainly intend to keep up that effort—because that 20-year-old student is my daughter. She and her female peers deserve no less.

5: "For Female Founders, Fundraising Only From Female VCs Comes at a Cost," Harvard Business Review, Isabelle Solal and Kaisa Snellman, February 1, 2023.

Representation at the GP level

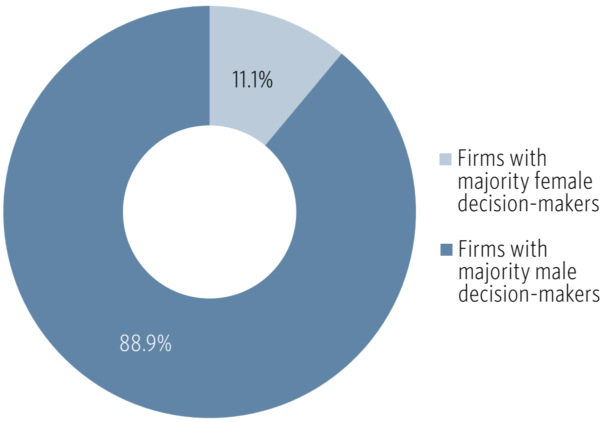
Firms with AUM of $50 million or more

Share of decision-makers in VC firms by gender*



Source: PitchBook • Geography: US • *On December 31, 2023

Share of VC firms with over 50% female decision-makers*



Source: PitchBook • Geography: US • *On December 31, 2023

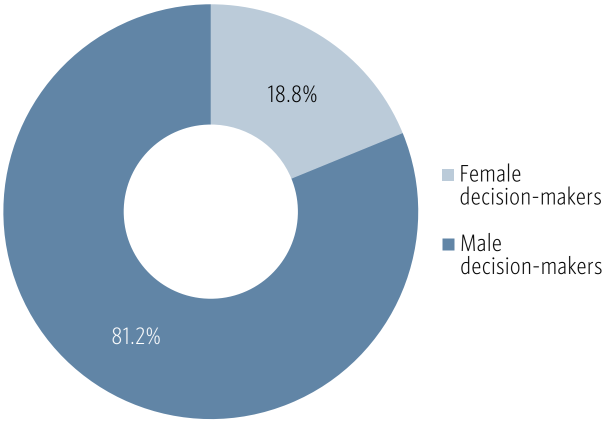
Rising through the ranks of a venture firm requires an understanding of founders' journeys and ability to generate returns. Representation of women in check-writing roles can expand opportunities for female founders by recognizing potentially overlooked teams and ideas. Data shows that the majority of VC firm decision-makers—which include partners, principals, and managing directors—are male.

For firms with AUM of at least $50 million, the proportion of female decision-makers experienced slight growth in 2023, reaching 17.4% compared to 16.1% reported in Q3 2022. Among smaller firms with AUM under $50 million, the share of female decision-makers is a bit higher, at 18.8%.

Regardless of firm size, the GP landscape is heavily male dominated. Growth in the number of female decision-makers could contribute to greater investment into female founders, alongside efforts to increase engagement and reduce gender biases from male investors.

Firms with AUM of less than $50 million

Share of decision-makers in VC firms by gender*



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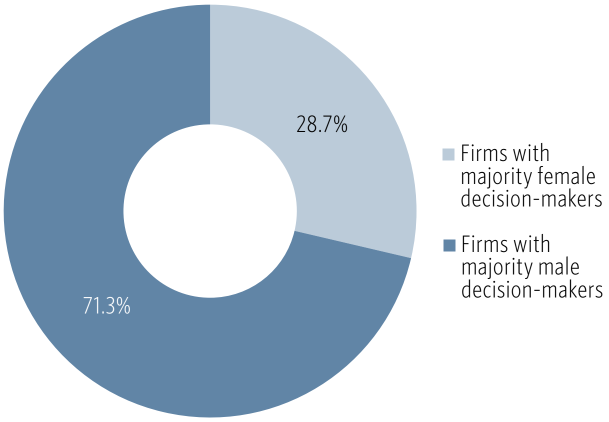
Share of VC firms with over 50% female decision-makers*



Source: PitchBook • Geography: US • *On December 31, 2023

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Female investor spotlight

Michelle Wie West is just getting started as an investor

Nearly 18 years after going pro, golf legend Michelle Wie West retired from the sport in 2023. Her athletic career was long and storied, from child prodigy to pro to US Women's Open champion. Today, her priorities have shifted to include investing, but the spirit of competition that fueled her golf career still runs deep.

Wie West's journey as an investor began in 2019, when she became an early backer of nontoxic cleaning product company Blueland and at-home fitness platform Tonal. In 2021, she partnered with PitchBook to take her investing game to the next level. Wie West's active portfolio includes seven companies with a median round amount of $2.5 million, according to PitchBook data.

"In golf and in investing, you've got to be able to ride the waves—the ups and the downs," she says.

Wie West tweaks her investing approach in real-time, midwave. Her learn-as-you-go style is harnessed in pursuit of peak performance. As a result, her methods are evolving.

Back your gut with data

Wie West dove headfirst into angel investing—*doing* first and learning along the way. "A lot of my early deals were based on a gut feeling," she says. Now, she cross-references data, tools, and metrics to validate her intuition. With more due diligence, she can have increased confidence about her next move. "Being more focused on numbers and really taking the time to digest big information helps me see what stands out, what's important, and what's not," she says.

Stay values-aligned, but follow your curiosity

Wie West's investment choices reflect her values. She cares deeply about supporting female-founded, minority-led startups, particularly those that contribute to making the world a better place for her daughter. With more experiences to draw from and better data to guide her, Wie West can more confidently integrate her curiosity into her philosophy as an investor.

In 2021, Wie West invested in Sportsbox AI, an AI-based golf coaching platform. Backing the vision of founder Jeehae Lee aligns with Wie West's mission as an investor. Curiosity fueled her interest in AI, and with the recent rise of ChatGPT, it's only growing. "I'm blown away by advancements in AI," she says. "It's incredibly fascinating."

Be the angel investor your founders need

Wie West understands the importance of relationship-building with the founders

Michelle Wie West

of her portfolio companies. Each founder has unique needs—specific areas where she can make a difference. "I beta test new products, help spread the word online, and even provide feedback from the perspective of a golfer," says Wie West. "Whatever they need—I keep my door open at all times."

Wie West's work as an investor is in the details, the incremental progress, the micromovements toward a successful result—not unlike the preparation she put in to becoming a world-class golfer. Her hole-in-one investing equivalent, the aspect of her work that really lights her up, is when her portfolio companies succeed.

"Seeing Blueland get picked up by Costco and Whole Foods, and seeing Supergoop! expand into new territories—there's nothing like it," she says.

For more data on female founders in the US, visit PitchBook's US VC female founders dashboard.

Female founders that Michelle Wie West is all in on

happyviking	BLUELAND	Supergoop!	SPORTSBOX AI
Venus Williams *Co-founder*	**Sarah Yoo** *Co-founder*	**Holly Thaggard** *Founder*	**Jeehae Lee** *Co-founder*

By the numbers

Examining deal activity for female founders within select verticals reveals notable trends and areas of opportunity.

AI & ML

Women are taking part in the generative AI boom, and not just at OpenAI. Competitor Anthropic and many other female-founded AI startups drove a sharp increase in AI & machine learning (ML) deal activity in 2023.

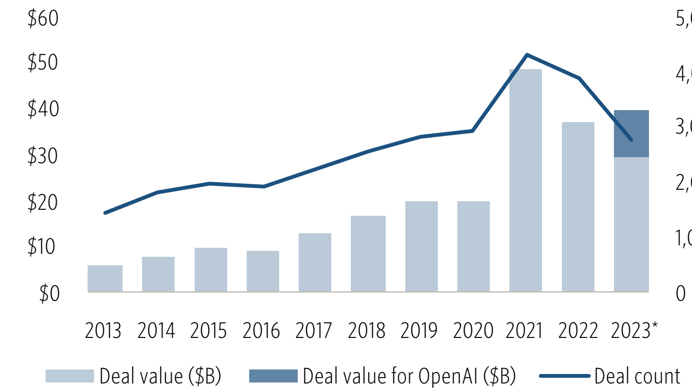
Media

Deal activity for female founders in the media space grew by more than 10% in 2022 when many other verticals saw declines. However, it experienced a more delayed correction in 2023 when deal value dropped by more than half.

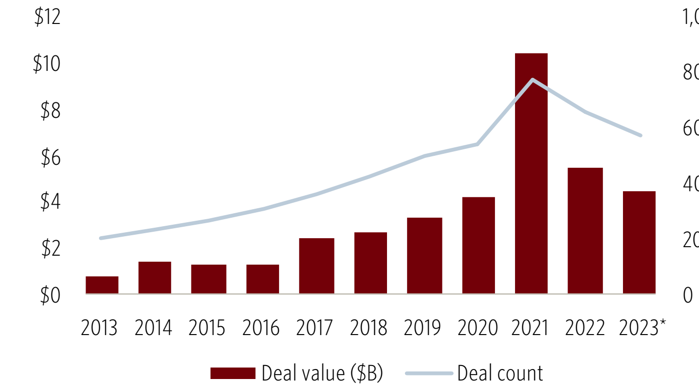
Biotech & pharma

Female founders in biotech & pharma consistently close billions of dollars in VC rounds each year, but in 2023, they faced headwinds, with deal activity declining for the second year in a row.

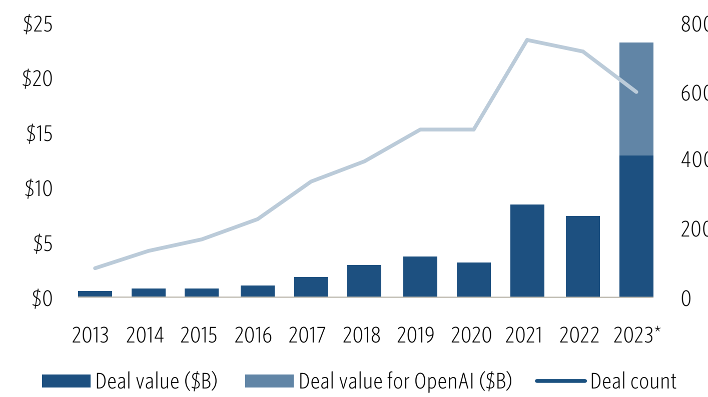
Tech VC deal activity for female-founded companies



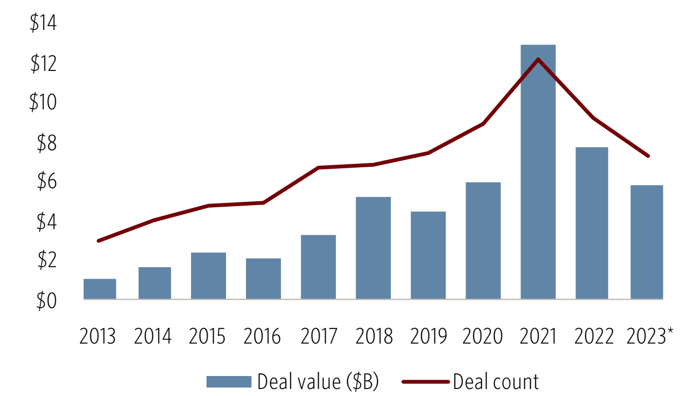
Healthcare (excluding biotech & pharma) VC deal activity for female-founded companies



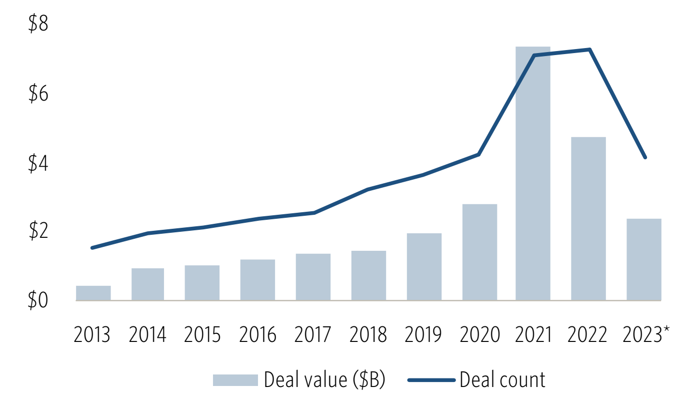
AI & ML VC deal activity for female-founded companies



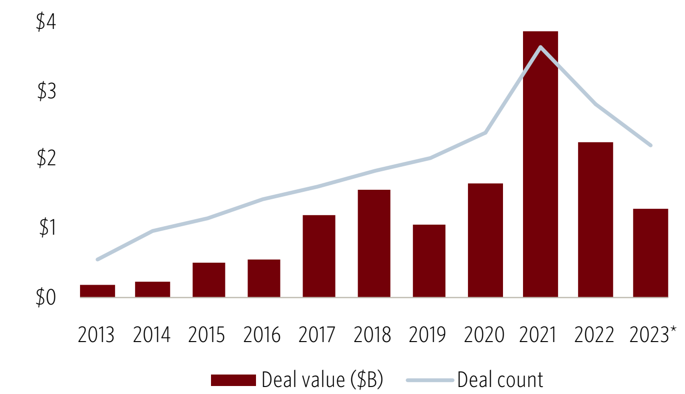
Biotech & pharma VC deal activity for female-founded companies



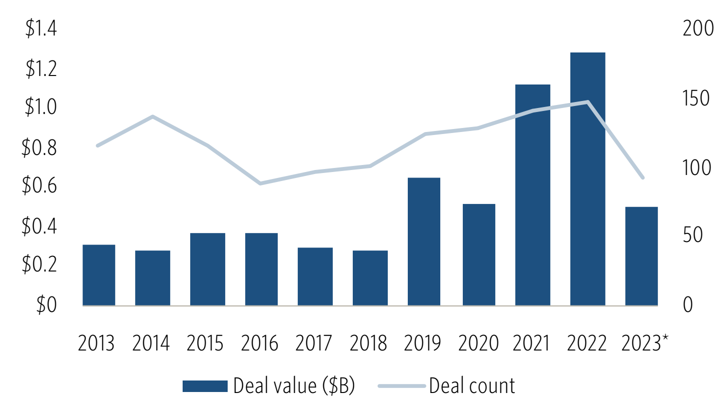
Fintech VC deal activity for female-founded companies



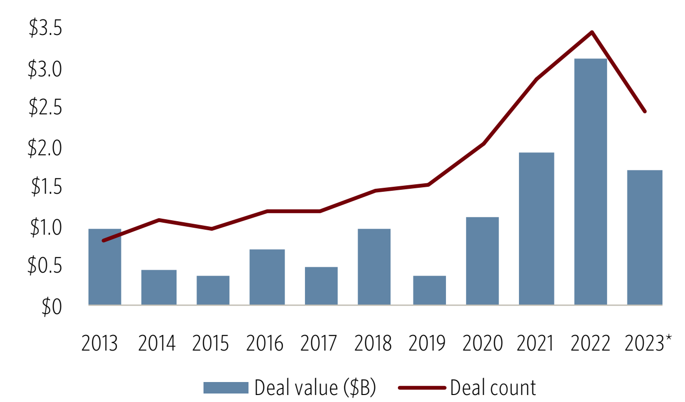
Cleantech VC deal activity for female-founded companies



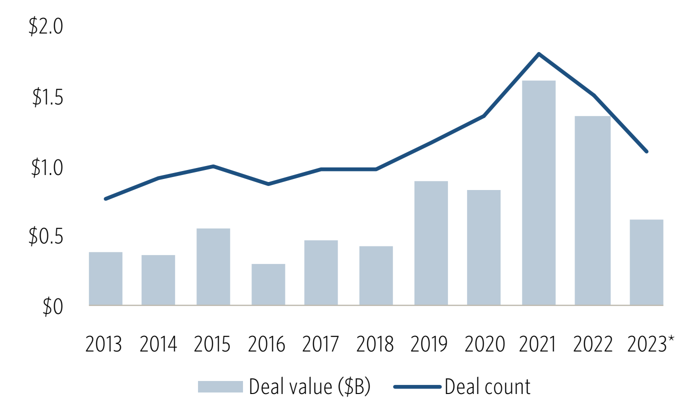
Media VC deal activity for female-founded companies



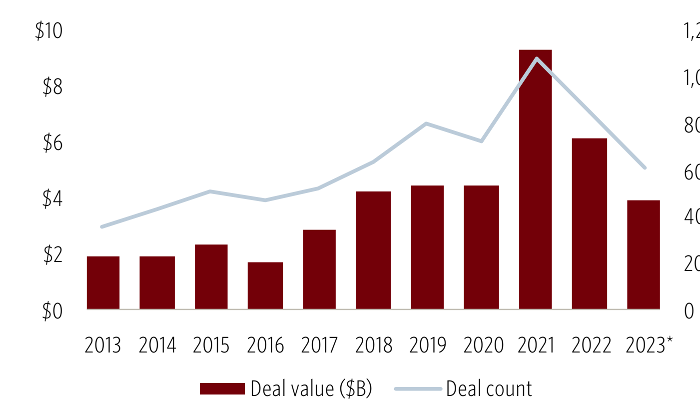
Cleantech VC deal activity for female-founded companies



Education VC deal activity for female-founded companies



Retail VC deal activity for female-founded companies



All charts
Source: PitchBook • Geography: US • *As of December 31, 2023

PitchBook

Around the country

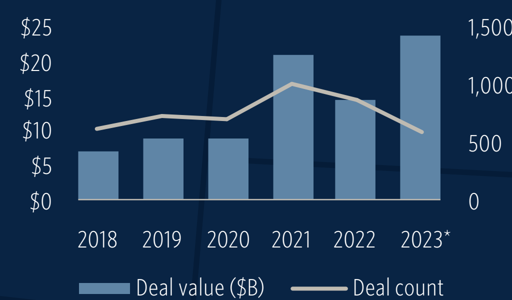
Bay Area

38.4%

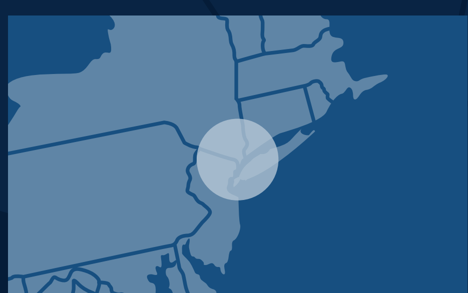
Proportion of total deal value for female-founded companies in the Bay Area

2022: 20.2%

Bay Area female-founded company VC deal activity



New York City

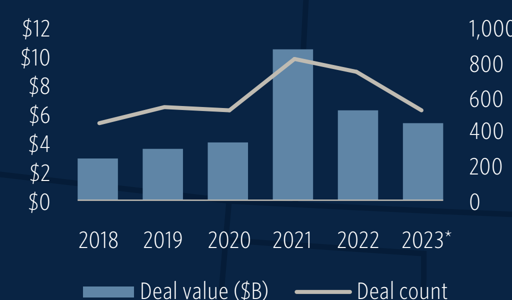


26.6%

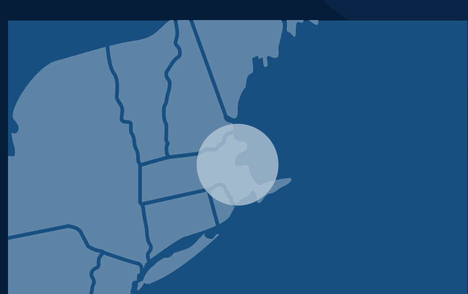
Proportion of total deal value for female-founded companies in New York City

2022: 20.3%

New York City female-founded company VC deal activity



Boston

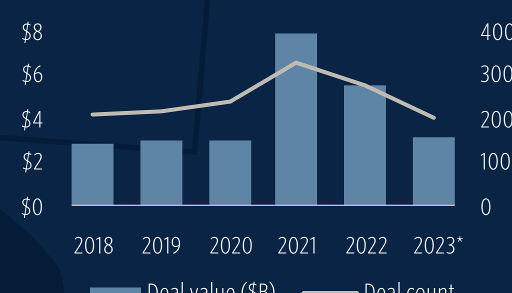


21.6%

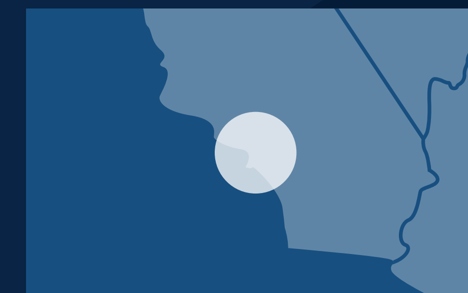
Proportion of total deal value for female-founded companies in Boston

2022: 26.5%

Boston female-founded company VC deal activity



Los Angeles

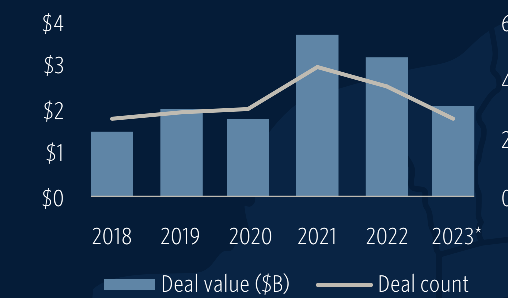


19.9%

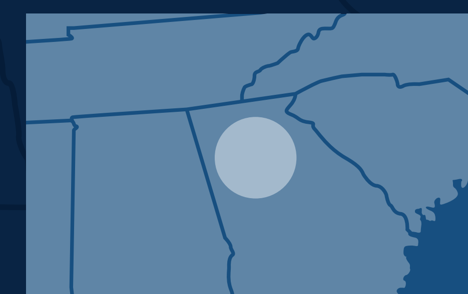
Proportion of total deal value for female-founded companies in Los Angeles

2022: 16.2%

Los Angeles female-founded company VC deal activity



Atlanta

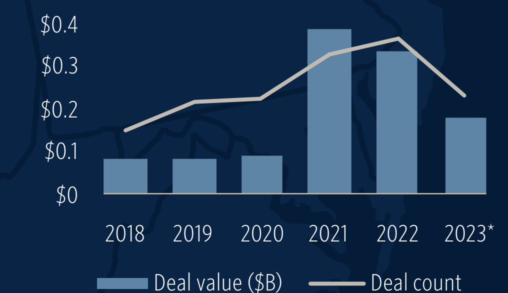


11.7%

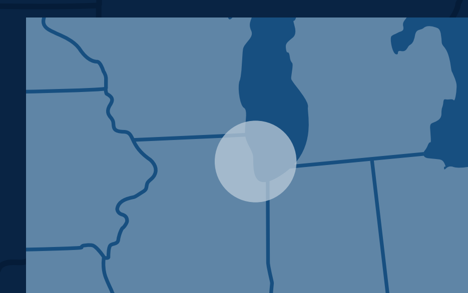
Proportion of total deal value for female-founded companies in Atlanta

2022: 16.3%

Atlanta female-founded company VC deal activity



Chicago

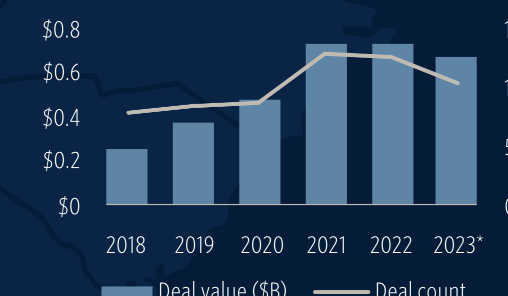


27.3%

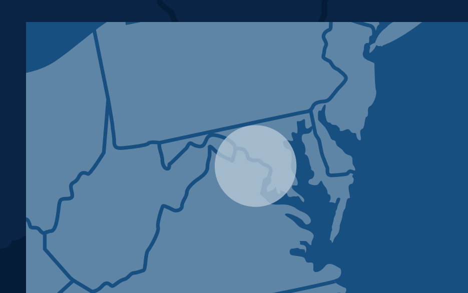
Proportion of total deal value for female-founded companies in Chicago

2022: 7.2%

Chicago female-founded company VC deal activity



Washington, DC

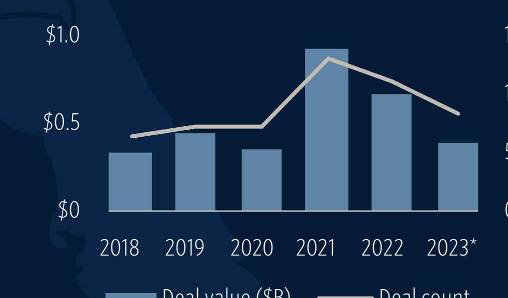


8.6%

Proportion of total deal value for female-founded companies in Washington, DC

2022: 16.1%

Washington, DC, female-founded company VC deal activity



All charts
Source: PitchBook • Geography: US • *As of December 31, 2023

A WORD FROM PIVOTAL VENTURES

Bridging the gap

Women-led funds are seizing opportunities others have missed

Erin Harkless Moore
Senior Director of Investments at Pivotal Ventures

Miriam Rivera
Co-Founder and Managing Director of Ulu Ventures

Promise Phelon
Founder and Managing Partner at Growth Warrior Capital

Erin Harkless Moore

In last year's *All In* report, I wrote that the conversation in venture capital circles had started to change for the better, with more inclusive practices finally climbing the industry's priority list. Important voices in VC were at last acknowledging that the old ways of doing things were keeping out women and people of color—and especially women of color—and that it was time for a new approach. "The challenge now," I said, "is to transition from believing in diversity and equity as principles to operationalizing them."

As it turned out, though, other challenges loomed as well. One year later, with efforts to promote diversity under attack across sectors, the conversation I'd hoped would continue to change has chilled instead. The industry is no longer talking about inclusion with the same ambition. Venture capital still has a diversity and equity problem, and my fear is that we aren't being bold enough about addressing it.

But there is another way to tell the story of 2023, one that is arguably even more important. Instead of a demoralizing story about stalled progress, we can and should tell a story about the women of color across the industry who have pushed ahead. That is a story that we, the diverse investment team at Pivotal Ventures, are proud to play a role in by betting big on funds led by women.

To celebrate the progress they are making every day, I invited two Pivotal-backed fund managers who have long been walking the walk to write about what they do, how they do it, and why. I'm inspired by the way they are seizing the opportunities that others have systematically missed and by the track records they are establishing to prove their theses. The thoughtful approach they take to their work, in my opinion, exemplifies the impact that meaningful diversity and inclusivity at leadership levels can have on our industry.

Miriam Rivera

When I worked at Google, one of the first questions we asked job candidates was which languages they could speak, read, and write. We needed trust to make deals around the world, and we built trust by being able to communicate authentically with everyone. The business case for diversity was obvious.

But I noticed that when immigrants on our team left to start their own companies, they'd go back to Brazil or China or India or Mexico to get the financing. Because they weren't getting it on Sand Hill Road. Biases in the VC industry were preventing visionary founders from other countries from getting support.

Founders from outside the United States no longer have as much difficulty raising money, but biases are still very much at play when it comes to who gets funding. Women and minorities with terrific business ideas aren't getting the chance to see how far those ideas can go. According to McKinsey, for example, Black and Latina women founders received just 0.1% of VC funding in 2022.[6] We started Ulu Ventures to help fill that massive gap.

At Ulu, we focus on seed-stage companies because that's when bias can have the greatest impact. If a company is already generating revenue and the trajectory is clearly up and to the right, it doesn't matter which color or gender the founders are; they'll get investment from their choice of funds.

But in the earliest period of a company's development, when the

6: "Underestimated Start-Up Founders: The Untapped Opportunity," McKinsey & Co., Vasanth Ganesan, et al., June 23, 2023 data is lacking, venture capitalists are much more likely to make bets based on affinity. Whom do they feel most comfortable with? Whose pitch makes the most sense to them? When it's a room full of white men asking those questions, it doesn't usually turn out well for women and minorities.

At Ulu, we specialize in taking affinity out of the equation. We strive to be data driven even before there is data for the traditional metrics. Our goal is to replace the shortcut of shared assumptions with the rigor of evidence for all the decisions we make. And the evidence shows that there are plenty of women and minority founders whose companies can change the world.

The customer and employee base in the United States is seismically shifting. For example, about 25% of Generation Z kids in the US are at least part Latino.[7] That is not the world that fostered the patterns that currently rule venture capital, but it is the world today's startups will need to serve. Ulu Ventures is trying to bridge that gap.

Promise Phelon

At Growth Warrior Capital, we are on a hunt for transformational ideas led by "dangerous founders."

Dangerous founders are underrated because they don't match an archetype. These rock stars are solving big problems, but due to their backgrounds, where they live, or the types of market they're attacking, they are not on the radar of traditional investors. They are characteristically obsessive, unapologetic, and relentless about exceeding customer expectations. They are dangerous because, despite how they are viewed, they are growing a material, venture-backable company.

We like when founders fly under the radar because we believe alpha lives in opportunities others cannot see. Dangerous founders have experiences and perspectives that most founders don't have. They've adapted to what it means to win because they simply had to.

I spent over 15 years as an operator in Silicon Valley. My first role was leading product at a company that was led by three seemingly incompatible founders attacking an unsexy problem. It went on to exit via IPO and create billions of dollars in enterprise value. Later, I was a C-level executive at a software-as-a-service (SaaS) human resources (HR) company started by a dangerous founder: Black, from Pittsburgh, and bringing a game-changing business model and tech to small- and middle-market HR. With few resources, he built a company that, even today, remains one of the most capital-effective I've seen. When raising financing, we pried open those doors and secured growth financing from discerning investors, and the company eventually sold for nine figures. There are plenty of dangerous founders out there, flying under the radar. I've built the Growth Warrior Capital team with the right combination of experiences to pursue these unique individuals.

These untapped opportunities are going to come from women, people of color, LGBTQ+ individuals, and those in markets and solving problems that are seemingly lower profile—that is, people from the kind of network we're building at Growth Warrior Capital. The companies they build, backed by an operator-led venture investor, can be massively successful.

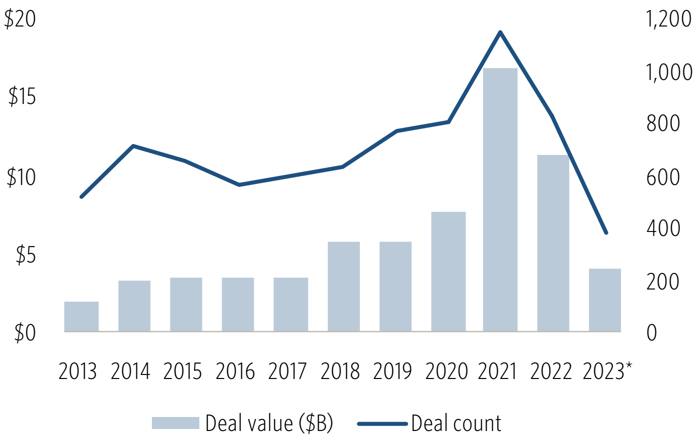
People tend to fall in with others who share their history or their outlook. We want to bolster our founders with resources, relationships, and experience that will take what they've started and turn it into a company that not only changes the game but has a generational impact.

We fight for dangerous founders—there's a reason "warrior" is in our name.

7: "On the Cusp of Adulthood and Facing an Uncertain Future: What We Know About Gen Z So Far," Pew Research Center, Kim Parker and Ruth Igielnik, May 14, 2020.

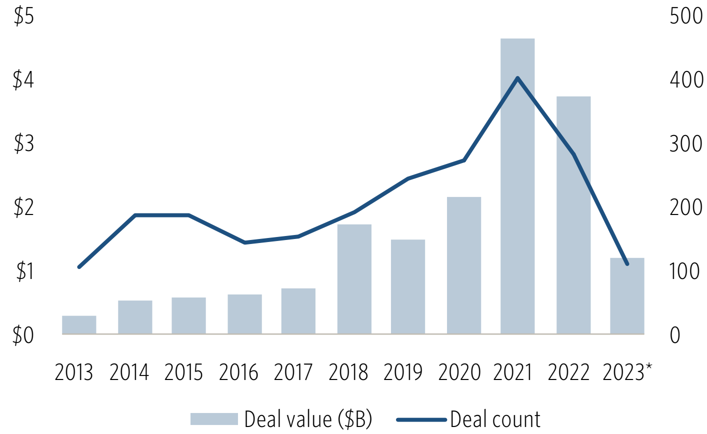
Female angel investment

VC deal activity for female-founded companies with angel investor participation



Source: PitchBook • Geography: US • *As of December 31, 2023

VC deal activity for female-founded companies with female angel investor participation

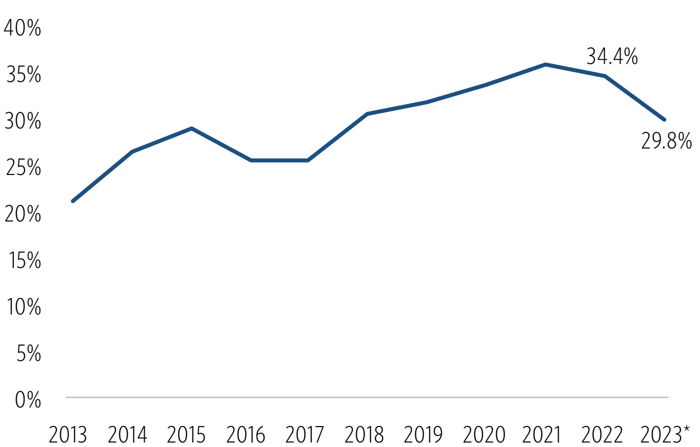


Source: PitchBook • Geography: US • *As of December 31, 2023

Angel investors can provide critical initial capital for founders looking to enter the venture space. They take on the heightened risk to support ideas they believe in and create a pipeline for VC firms. A growing number of women have stepped into angel investor roles over the past several years, offering early support for companies and increasing engagement for women in venture.

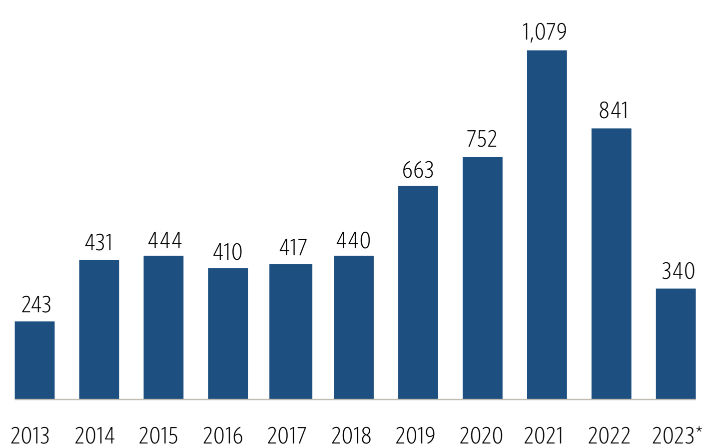
Many female angel investors took a step back in 2023, however, as evidenced by the number of active angel investors, which dropped by more than half. Given the current state of the larger dealmaking environment, new entrants may be deterred from starting new ventures, and investors are now more wary of risky bets that have a lower chance of securing subsequent sources of capital through institutional investors and lenders. As a result, deal flow for female-founded companies receiving any angel investments stalled in 2023.

VC deals with both female founder and female angel investor as share of all VC deals with female founder and angel investor participation



Source: PitchBook • Geography: US • *As of December 31, 2023

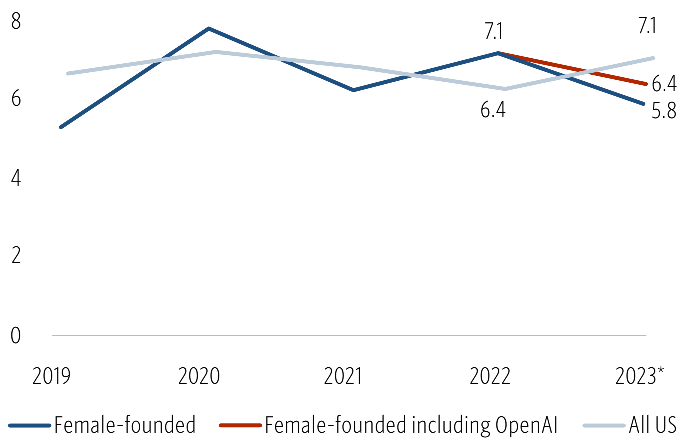
Active female angel investor count



Source: PitchBook • Geography: US • *As of December 31, 2023

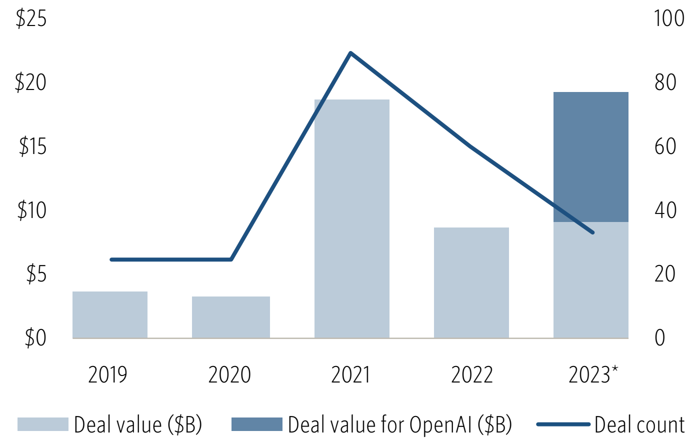
Female-founded unicorns

Median time (years) since founding for female-founded companies to reach unicorn status



Source: PitchBook • Geography: US • *As of December 31, 2023

Female-founded unicorn VC deal activity



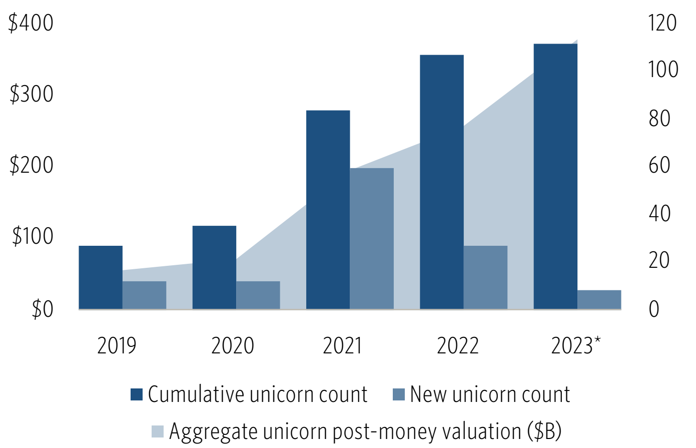
Source: PitchBook • Geography: US • *As of December 31, 2023

Following the venture euphoria of 2021, achieving unicorn status by raising a round at a post-money valuation of $1 billion or more has become an increasingly difficult feat. The pipeline of newly minted unicorns has undoubtedly shrunk, but several companies managed to defy the odds. The cumulative number of female-founded unicorns grew 4.7% in 2023, with more than 100 companies in the mix.

Deal value for these companies also grew in 2023 even after excluding OpenAI, demonstrating how investors are throwing their weight into their best-positioned portfolio companies in the current macroeconomic environment.

Momentum for unicorn status achievement certainly exists in areas like AI & ML and IT more broadly, as evidenced by their large presence on the list of top female-founded unicorns. Two digital health companies also made the list.

Female-founded unicorn count and aggregate post-money valuation



Source: PitchBook • Geography: US • *As of December 31, 2023

Top 10 female-founded unicorns by most recent post-money valuation*

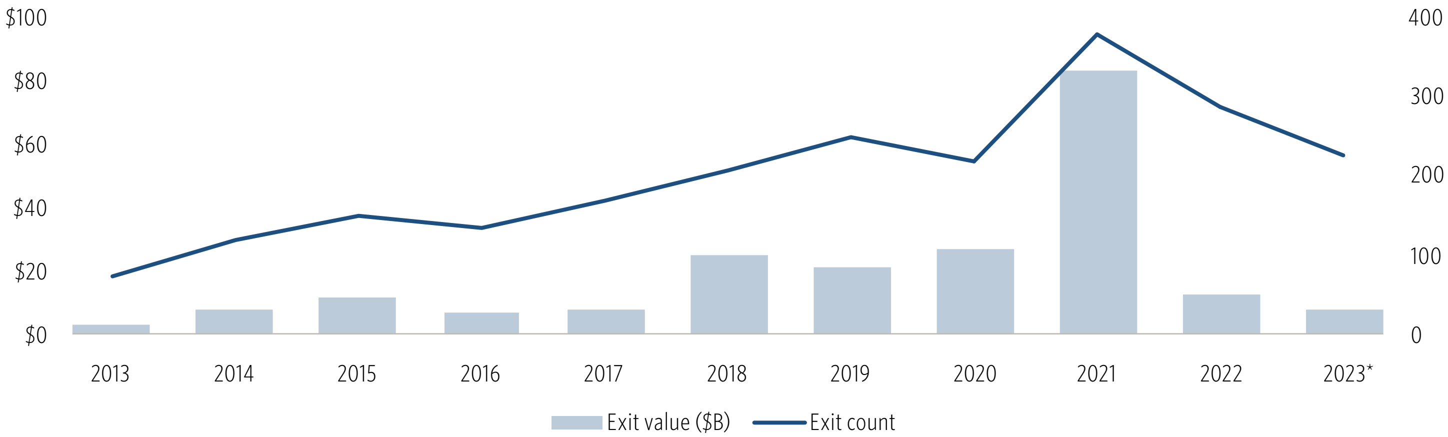
Company	Post-money valuation ($B)	Industry sector
OpenAI	$85.0	IT
Anthropic	$25.0	B2B
Deel	$12.0	IT
Topia	$11.0	IT
Talkdesk	$10.4	IT
Flexport	$8.0	IT
Scale AI	$7.3	IT
Automation Anywhere	$7.3	IT
Ro	$6.6	Healthcare
Cityblock	$6.3	Healthcare

Source: PitchBook • Geography: US • *As of December 31, 2023


16:55

The exit scene

VC exit activity for female-founded companies

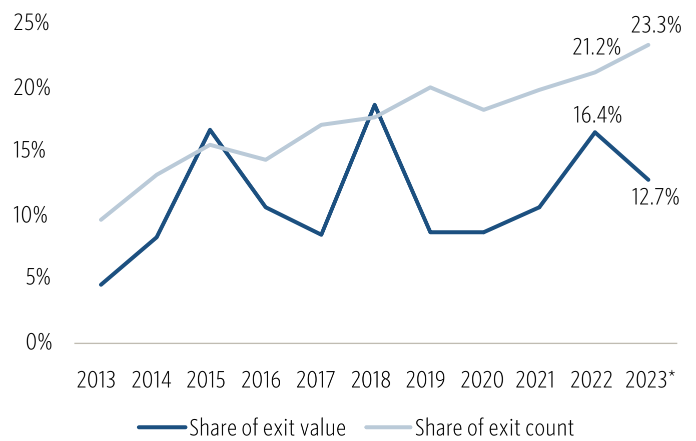


Source: PitchBook • Geography: US • *As of December 31, 2023

Exit strategies remain on pause for most companies, and the cumulative exit value for female-founded companies declined by more than one-third since 2022 to the lowest amount since 2016. Public market strength driven by a few technology giants has not yet translated into greater opportunities for new, smaller IPOs, and the rate of other exit types has not compensated for slower public listing activity. Although fewer companies exited in 2023 overall, female-founded companies accounted for a larger share of those that did. They reached a record 23.3% of total deal count and demonstrated a third straight year of growth in that metric.

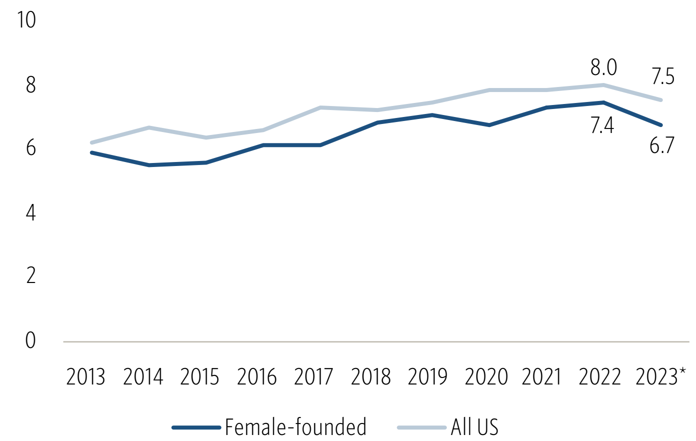
The median time to exit for female-founded companies remains slightly below the broader population, at 6.7 and 7.5 years, respectively. The ability to complete a timely exit is of critical importance for venture investors—especially in a tougher market—and female founders collectively exhibit strength in this regard.

VC exit activity for female-founded companies as a share of all VC exit activity



Source: PitchBook • Geography: US • *As of December 31, 2023

Median time (years) to exit for female-founded companies versus all US companies



Source: PitchBook • Geography: US • *As of December 31, 2023

A WORD FROM WILSON SONSINI

Looking backward and forward: A reflective dialogue on trends and opportunities for female founders

Dive into a compelling dialogue with two industry experts as they reflect on recent developments and discuss the road ahead for female founders.

Becki DeGraw
Partner, Corporate | Co-Lead, Emerging Companies Practice

Becki DeGraw practices corporate and securities law in the San Francisco office of Wilson Sonsini Goodrich & Rosati and is a co-leader of the firm's emerging companies practice. She serves as outside general counsel and advises technology and growth companies at all stages of development. Becki works closely with entrepreneurs to guide them through initial company formation issues, day-to-day corporate governance matters, financing transactions, and liquidity events.

Becki has extensive experience counseling investors of all sizes and stages of investment, including accelerators, family offices, venture funds, and corporate strategic investment arms. As a result, she has full coverage of the marketplace, from seed stage through growth equity. In addition, Becki has spearheaded Wilson Sonsini's specialized investor-focused team in this practice area.

Nina Achadjian
Partner, Index Ventures

Nina Achadjian is a Partner at Index Ventures, where she focuses on venture and growth investments in enterprise SaaS, vertical SaaS, and AI. Some of her investments include ServiceTitan, Gong, DeepScribe, and Class Companion.

Prior to joining Index, Nina was an FP&A Lead for Google's AdSense team, where she managed a multibillion-dollar book of business covering Amazon, IAC, and eBay. Nina started her career as a high-yield bond trader at Citigroup. She also started HIVE Ventures, the first seed venture fund focusing on Armenian entrepreneurs, where she invested in over 30 companies.

Nina graduated from Harvard University with a B.A. in government and is a recipient of the Michael C. Rockefeller Scholarship. Nina currently lives in San Francisco and enjoys watching football and Formula 1.

Becki: In your practice, what were the primary challenges you saw entrepreneurs/founders face in 2023? How have dealmaking expectations/attitudes for founders and investors changed over the past year?

Nina: For all of us, 2023 was a year of finding balance and getting back to basics. Founders have had to run tighter ships and strike a balance between profitability and growth. In a market where cash is harder to come by, runway is also a priority. Founders have faced tough decisions around spending and fundraising—weighing the need for capital versus maintaining control and independence. Finally, they've had to be thoughtful about talent. We've seen numerous layoff cycles as founders scale back their pace of hiring. The challenge is balancing core business profitability with strategic hiring to drive future growth.

Becki: Are there any specific hurdles you have noticed that disproportionately impacted female founders compared to the broader population?

The numbers tell the story, don't they? PitchBook data shows that all-female founding teams raised just over $3 billion in 2023—less than 2% of total funds raised. That's down from 2021 and 2022, both in dollars and percentages.

The data also shows an increase in venture capital raised for mixed-gender founding teams that include at least one female co-founder. You could say this is good news, but at the same time, it emphasizes the prevailing narrative that female founders fare better when partnered with a male co-founder.

Ultimately, we're not where we want to be as an industry, but I believe we're making some progress. Women are being taken more seriously than they were even just a few years ago—not only as co-founders but as sole founders, CEOs, and other top executive roles.

Becki: What sentiments are you hearing from investors regarding female-founded companies? How have their commitments to female founders changed over the past several years, if at all?

Nina: At Index, we invest in who people are, not just what they do. That has always meant a commitment to female founders, including recent investments in amazing entrepreneurs like Linda Lian (Common Room), Michelle Valentine (Anrok), Charmaine Chow (GetHarley), and Avery Pan (Class Companion), not to mention CEO Vidya Peters, who leads the team at DataSnipper. Beyond Index, it's encouraging to see other female founders garnering investment, such as Laura Modi (Bobbie) and Christina Cacioppo (Vanta), to name a few.

It's similarly inspiring to see top female investors leading the way for women in the industry. I'm thinking of investors like Sarah Guo, Kristina Shen, Nicole Quinn, Jess Lee, Aileen Lee, and Kirsten Green, among many others. Together, we're creating a network and community of women who can support one another as founders and leaders in tech.

Becki: Which sectors or technologies are you watching closely in 2024? Are there particular startups or founders you are most excited about?

Nina: AI continues to be a focus for Index. We've invested early in companies like Scale AI, Cohere, Discord, Notion, Intercom, Beamery, Figma, Hebbia, Gong, and others. Like many, we're closely watching how AI evolves, from the large foundational models to emerging tools and infrastructure (the so-called "picks and shovels") to the massive application layer. We expect AI to transform industries in the same way mobile and cloud computing did. Every business, whether it's consumer or enterprise, will need an AI strategy.

Beyond AI, we've stuck to our disciplined and curated approach to investing, and as a result, we feel well positioned to navigate the current environment. We have a firm foundation in enduring markets—cloud, software as a service (SaaS), infrastructure, fintech, community—and have successfully avoided crypto and other fads.

Key takeaways

The tougher capital-raising environment in 2023 affected the earliest and latest stages of the venture process in different ways. Angel investment activity declined, while unicorn activity grew.

In the previous edition of this report, which included data through Q3 2022, we reported that female founders in two categories reached their second-highest annual levels on record: those with angel backing and those that had achieved unicorn status. The tide shifted for the angel-backed category in 2023, with a material drop in deal activity, while the unicorn category experienced further growth. Prolonged macroeconomic concerns and slower fundraising have led investors away from riskier bets; they are focusing instead on portfolio monitoring and investing in companies with longer track records. The number of active female angel investors declined in 2023 as well. Momentum in this earliest stage of the venture life cycle will likely depend on a sustainable recovery in broader markets.

In 2023, venture dealmaking declined across the board for the second consecutive year. Female founders were impacted yet managed to secure a record share of total deal value.

Founders continued to navigate turbulence in 2023, and dealmaking activity declined for all founder gender groups. Data indicates that female founders collectively were not disproportionately impacted by these declines—in fact, their share of total deal value has increased each year since 2020, and this growth accelerated in 2023. Unique challenges faced by female founders are not invalidated by these figures; all-male founding teams continue to receive vastly larger total sums, but there are some signals of positive momentum to bridge the gap.

The GP landscape is male dominated, which means most female founders pitch to and engage with male investors.

Fewer than 20% of decision-makers at venture firms are women. Figures vary slightly depending on the size of the firm, with slightly greater representation among smaller firms and those with a certain industry focus. In most cases, though, the decision to invest in a female-founded company will be made by a male investor. Pitching to and engaging with the right investors can make or break a company, and more women in these roles could open doors for female founders.