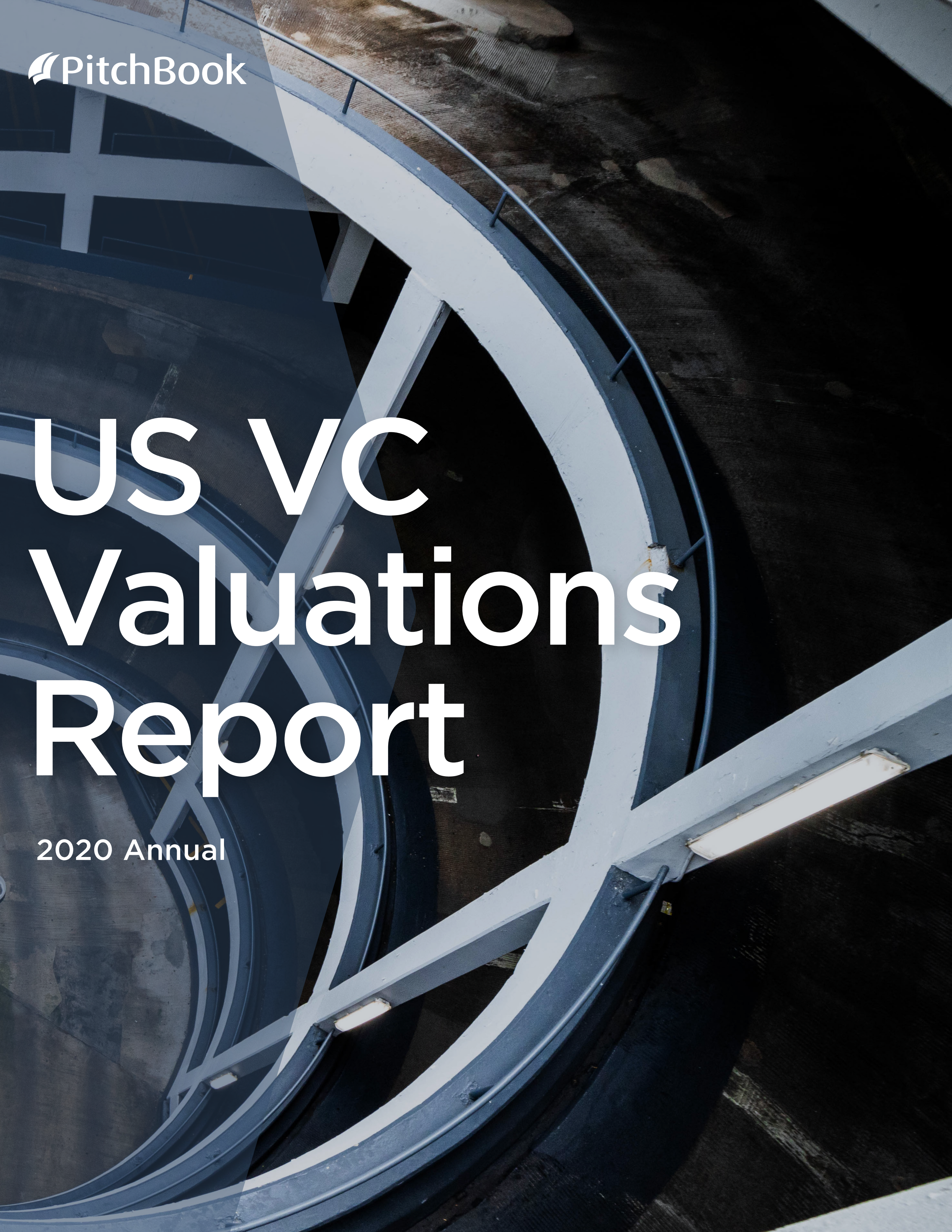
PitchBook

US VC Valuations Report

2020 Annual



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Contents

**One slight methodology update is the categorical change from "IPO" to "public listings" to accommodate the different ways we track VC-backed companies' transitions to the public markets. To give readers a fuller picture of the companies that go public, this updated grouping includes IPOs, direct listings, and reverse mergers via SPACs.*

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Click here for PitchBook's report methodologies.

Introduction

Both early- and late-stage VC valuations set record highs in Q4 2020. Robust dealmaking at both the early and late stages resulted in record pre-money valuations, with the early- and late-stage medians coming in at $35.0 and $120.0 million, respectively. Several outsized deals, along with the US equities market's rally and record levels of dry powder within the venture ecosystem, are responsible for this push. To note, velocity of value creation (VVC)[1] and relative velocity of value creation (RVVC)[2] at both stages have fallen YoY as value creation slowed during the pandemic.

During 2020, angel & seed-stage deals were the only investments within venture to show a decline in valuations. This is likely due to the pandemic-led economic uncertainty that caused investors to require a higher return on these riskiest investments, which manifested into the median stake acquired in these angel and seed transactions to increase over 2019's figures by 4.4% and 3.6%, respectively.

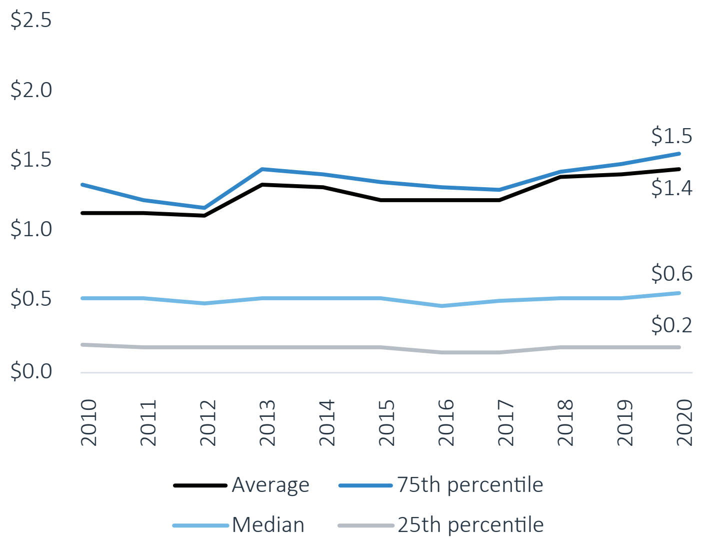
Finally, valuation step-up at exit improved on the back of strong demand from buyers. Valuation step-ups at exit had a robust year, with public listing step-ups improving YoY to 1.4x, while the acquisition step-up held at 1.7x—approximately the 10-year average. Elevated public market multiples, in addition to the increased volume of biotech IPOs, contributed to improving step-ups. As long as the current low interest rate environment continues, we expect these multiples to remain high as investors keep searching for growth.

1: VVC is the annual increase in valuation between rounds, measured in dollars.
2: RVVC is the annualized percent increase in valuation between rounds.

Angel & seed

Top-end deals continue to be expansive

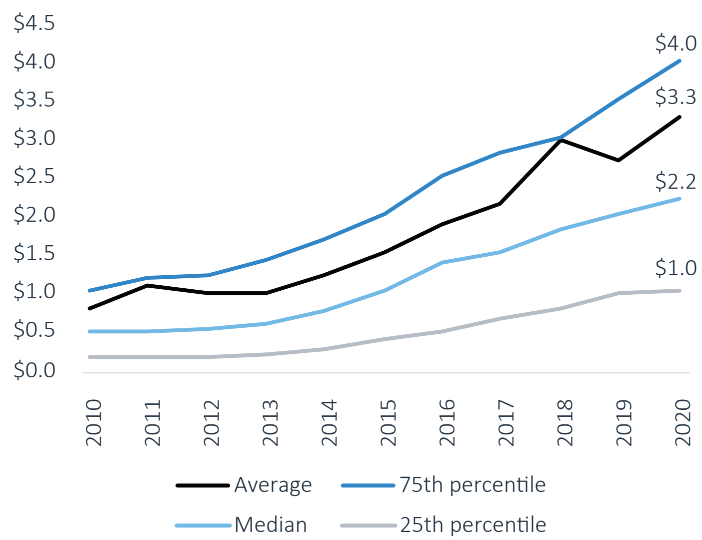
Angel deal sizes ($M) by year



Source: PitchBook | **Geography**: US

Competition drove seed size growth

Seed-stage deal sizes ($M) by year

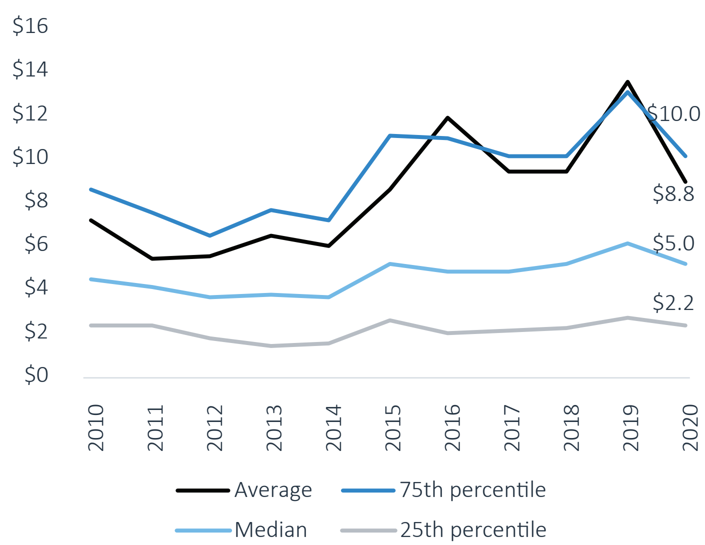


Source: PitchBook | **Geography**: US

Angel and seed investments were the only stages to not realize valuation growth during 2020. Both experienced year-over-year declines in the median pre-money valuations to $5 million (-16.7%) and $7 million (-6.7%), respectively. While this may seem counterintuitive given that deal sizes increased at each stage, the headwinds and instability that lingered over capital markets throughout the year pushed investors to require higher returns on these riskier investments. Indeed, the median percentage acquired by investors in angel and seed investments increased considerably to 19.4% and 28.5%, respectively. Should economic outlooks become less

Angel valuations experienced largest drop of any stage

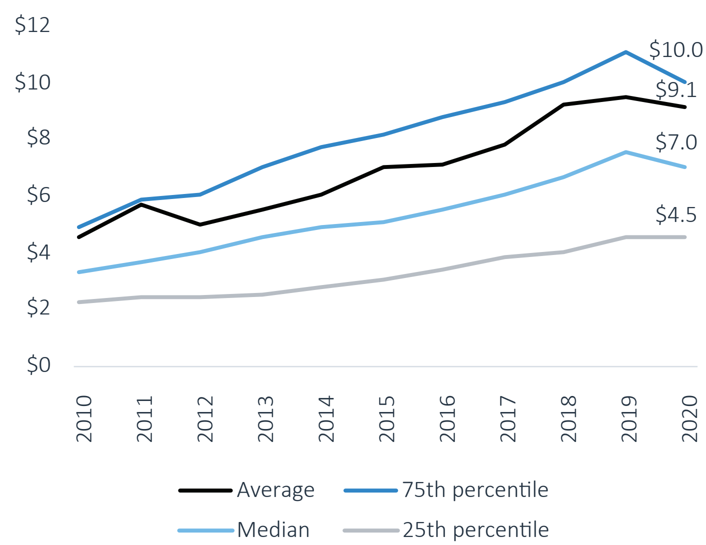
Angel pre-money valuations ($M) by year



Source: PitchBook | **Geography**: US

Seed valuations slackened as headwinds mounted

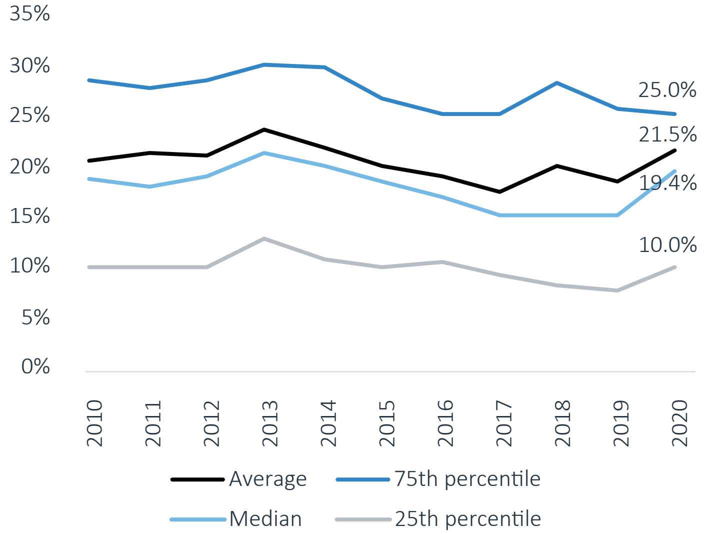
Seed-stage pre-money valuations ($M) by year



Source: PitchBook | **Geography**: US

Angel investors were compensated higher for risks

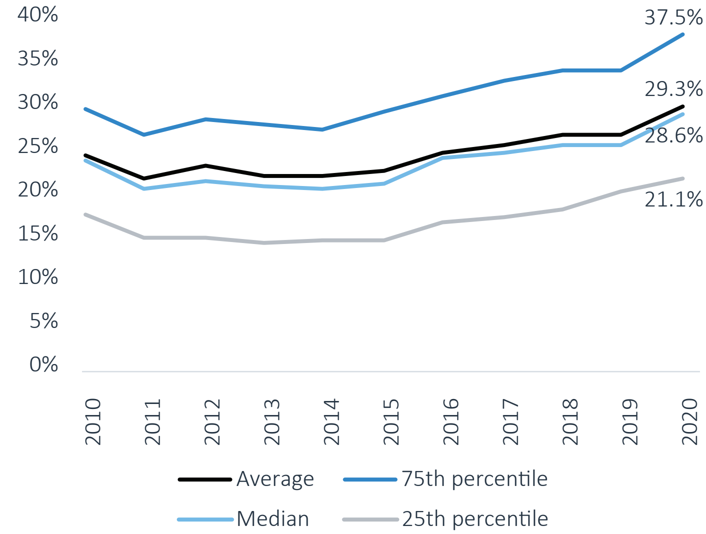
Proportion acquired for angel financings



Source: PitchBook | **Geography**: US

Larger deals drove higher stakes at seed stage

Proportion acquired for seed-stage financings



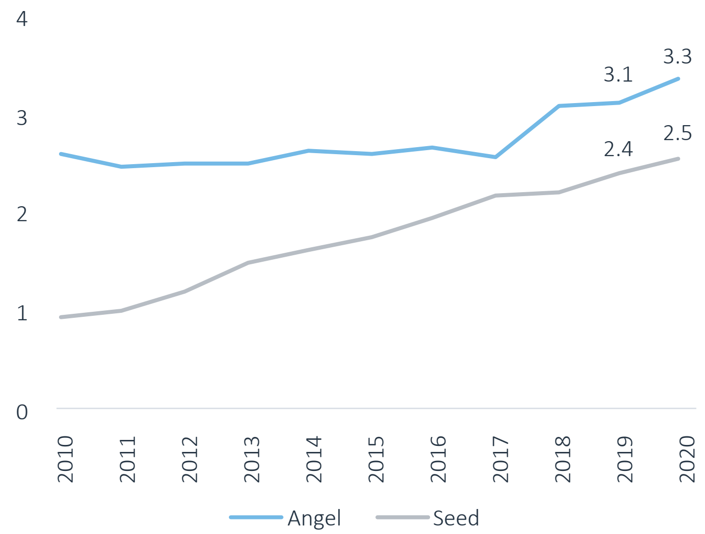
Source: PitchBook | **Geography**: US

gloomy and vaccine rollouts temper pandemic woes, we expect these figures will return toward 2019 levels in 2021.

However, the reset in valuations for angel and seed is likely a refreshing sight for many investors. As more investors focused on seed-stage companies, the price of these rounds pushed smaller investors to raise larger and larger funds in recent years to keep pace. Further, at the median, seed deals are now occurring 1.5 years later in a company's life than in 2010. Thus, though companies raising these rounds today have been in operation for longer than those of a decade ago, angel- and seed-stage companies likely still lack the revenue metrics and product-market fit that investors may want to justify the steep prices. In addition, large multistage funds continue to invest earlier in the venture lifecycle, thereby increasing competition for the top targets. This strategy shift by large venture funds—and even nontraditional investors—has been both a growing trend over the past several years and a major factor in the growth of seed-stage deal sizes and valuations.

Companies continue to enter VC lifecycle later

Median years from founding by stage



Source: PitchBook | **Geography**: US

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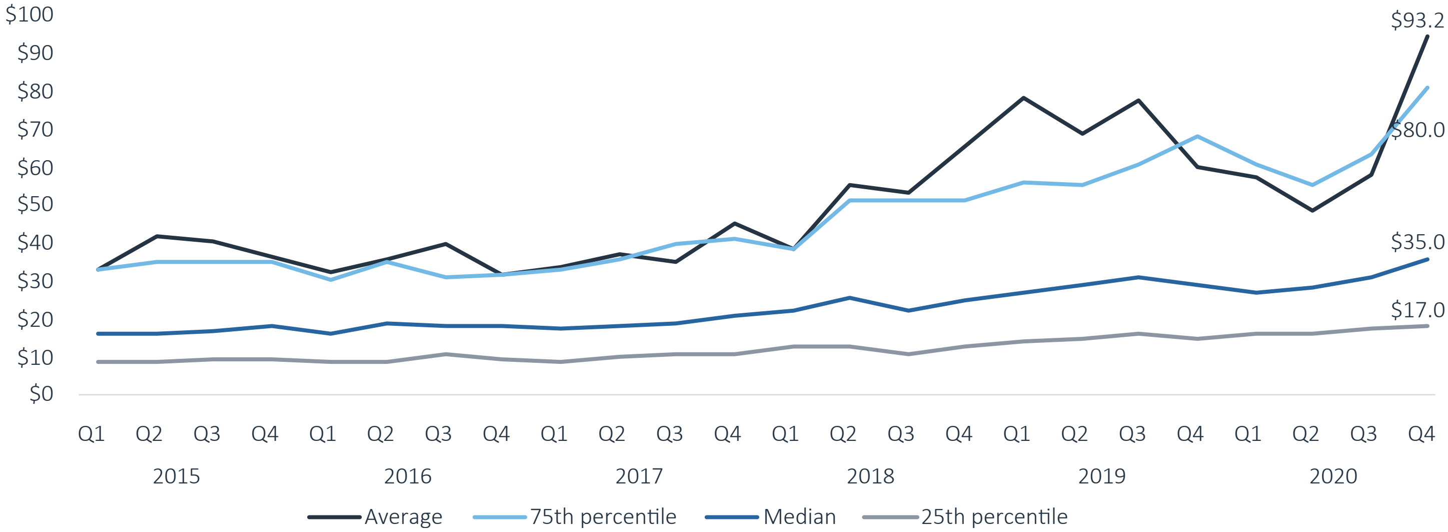
Early-stage VC

Range expands as both Q4 median and average show significant gains

Early-stage VC pre-money valuations ($M) by quarter



Source: PitchBook | **Geography:** US

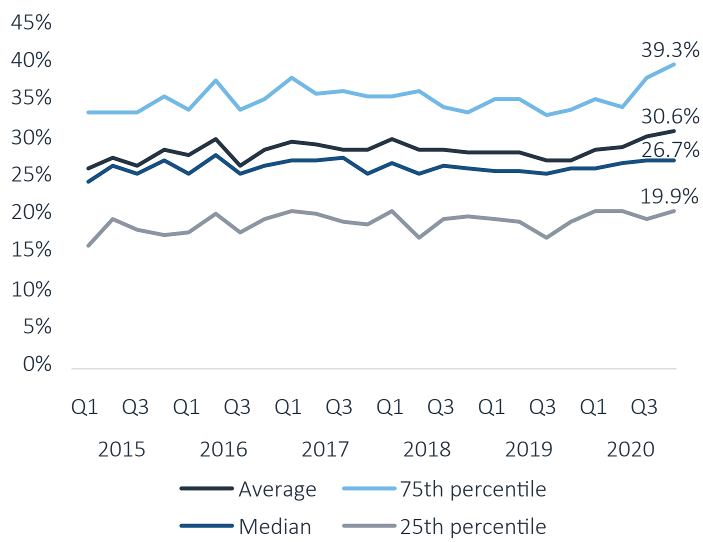
The median early-stage pre-money valuation continued to edge upwards in Q4 2020, ultimately reaching an all-time high of $35.0 million and bringing the yearly median to a record high of $30.0 million. This figure is nearly double the annual median from just five years prior, when the median early-stage valuation barely eclipsed $15.0 million. The recent run-up in pre-money valuations reflects not only startups' abilities to command lofty valuations, but also investors' willingness to finance promising early-stage ventures at higher valuations and for larger check sizes—particularly as the median early-stage deal size has reached an all-time high of $6.5 million in 2020.

Data from the quarterly charts shows an upward expansion of early-stage valuations in Q4 2020 when compared with previous quarters. Earlier in the year, in Q2's US VC Valuations Report, we noted that many VCs were worried about overpaying for early-stage companies, given the uncertainty fueled by the global COVID-19 pandemic and the possibility that dealmaking could come to a halt. Yet, a few quarters later, the industry has largely rebounded, and the much-feared fallout did not occur. In fact, based on full-year data from our Q4 Venture Monitor report, 2020 ended on a positive note—with VC dealmaking, fundraising, and exits all setting record highs.

With dry powder also at an all-time high, investors were more willing to deploy capital toward riskier plays in

Q4 sees upticks in both bottom and top quartiles of equity stakes

Proportion acquired for early-stage VC by quarter



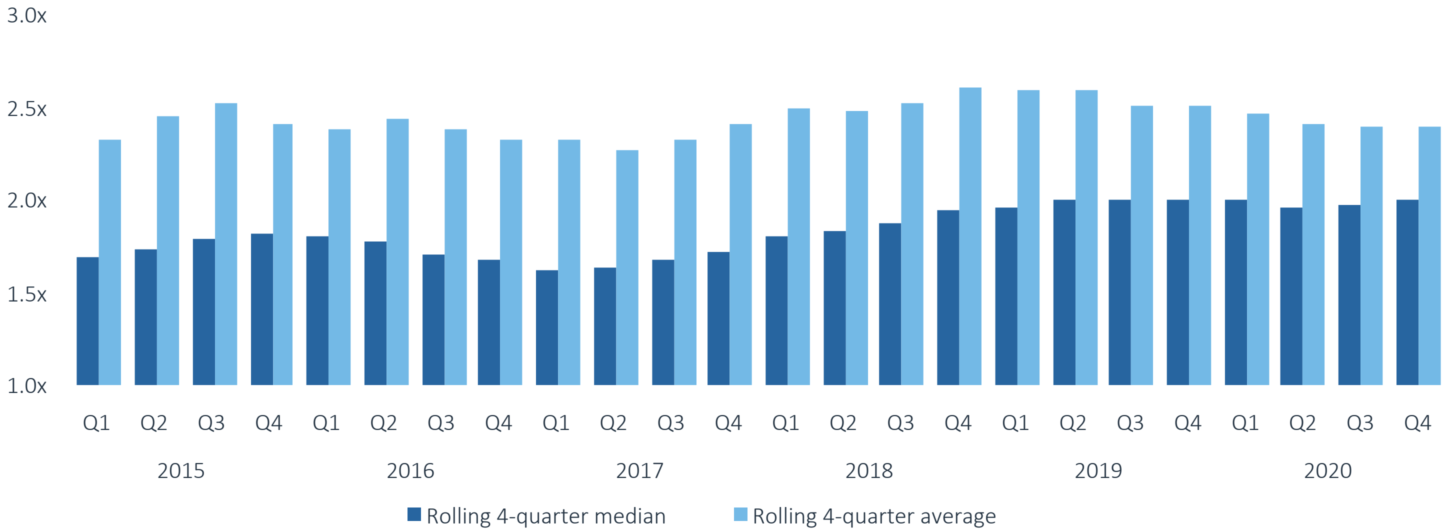
Source: PitchBook | **Geography:** US

Q4. Given the elevated technical and commercial risks compared with late-stage companies, as well as the need for larger checks than the seed stage, early-stage deals sit within a high-risk segment of the venture

Early-stage VC

Rolling 4-quarter step-up multiples tighten in recent quarters

Rolling 4-quarter median and average early-stage VC step-up multiples

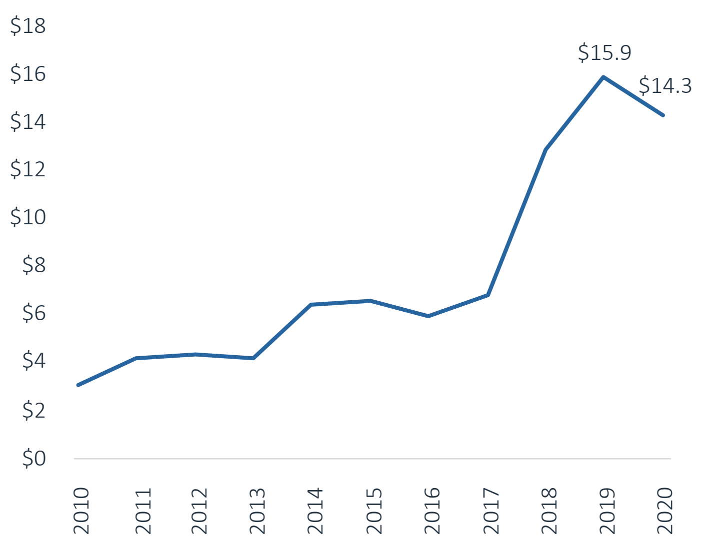


Source: PitchBook | **Geography:** US

lifecycle. As such, the range of early-stage pre-money valuations sharply expanded, with Q4's median and average valuations reaching $35.0 million and $93.2 million, respectively. When looking at full-year VVC and RVVC values for early-stage financings, 2020 data shows $14.3 million per year and 53.3%, respectively. While these numbers do not exceed 2019's values, the data demonstrates that value growth at the early stage is still sitting near the top of its range for the last decade.

VVC exceeds 2018's value but falls short of 2019's

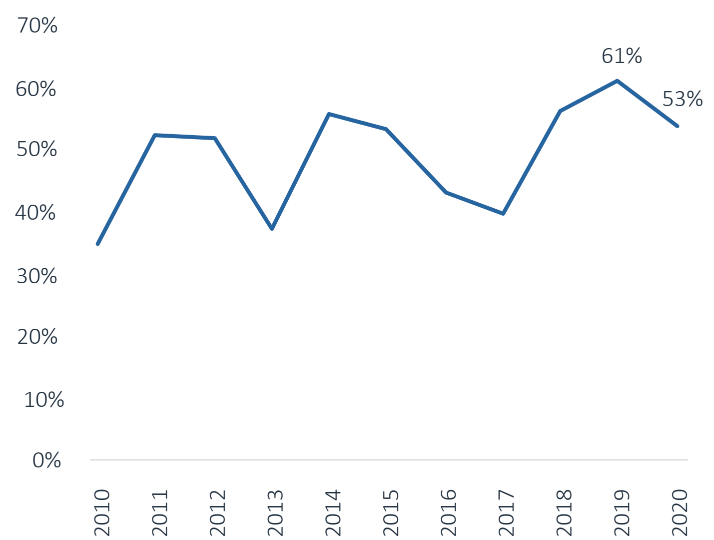
Median early-stage VVC ($M) between VC rounds



Source: PitchBook | **Geography:** US

RVVC lowers notably YoY

Median early-stage RVVC between VC rounds

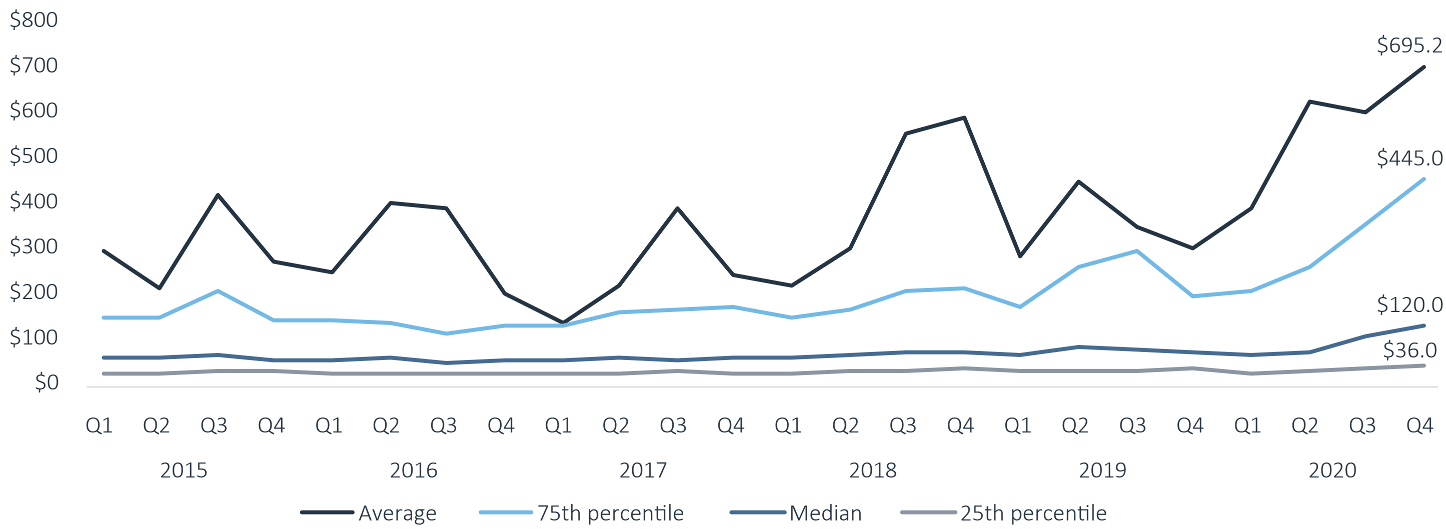


Source: PitchBook | **Geography:** US

Late-stage VC

Both median and average late-stage VC valuations set record highs

Late-stage VC pre-money valuations ($M) by quarter



Source: PitchBook | **Geography**: US

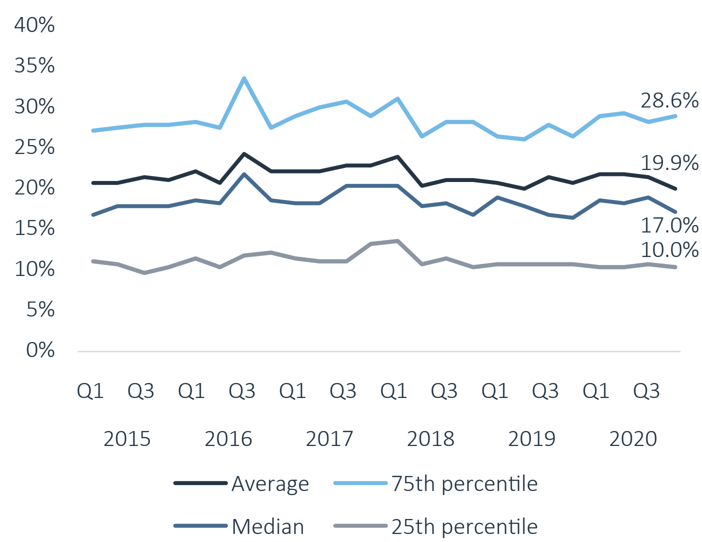
Late-stage valuations had a positive Q4 2020, with several outsized deals pushing the median and average valuations to new highs. When considering the US equities market's rally and its proximity to late-stage VC deals, along with the record levels of dry powder within the venture ecosystem, it is unsurprising that late-stage deals are commanding such high valuations.

The median late-stage VC pre-money valuation in Q4 2020 was $120.0 million, which exceeds the $100.0 million mark for the first time. In Q4, a handful of outsized late-stage deals done at frothy valuations—such as Instacart's $200.0 million Series H at a $17.5 billion pre-money valuation, Chime's $533.8 million Series F at a $14.0 billion pre-money valuation, and Robinhood's $668.3 million Series G at an $11.2 billion pre-money valuation—pushed the average to a sky-high $695.2 million.

Marked expansion of both the upper quartile and average of late-stage valuations can be attributed to the continued support of large nontraditional investors providing sizable chunks of capital via crossover or mezzanine financing rounds as late-stage companies consider going public. Furthermore, the high level of public comparables, along with public market investors' recent willingness to invest in less mature companies,

High demand for desirable late-stage VC companies lowers dilution

Proportion acquired for late-stage VC by quarter



Source: PitchBook | **Geography**: US

particularly via special purpose acquisition companies (SPACs), has contributed to the expansion at the top end of valuations. Data from our Q4 Venture Monitor report shows that late-stage VC financings surpassed $100.0

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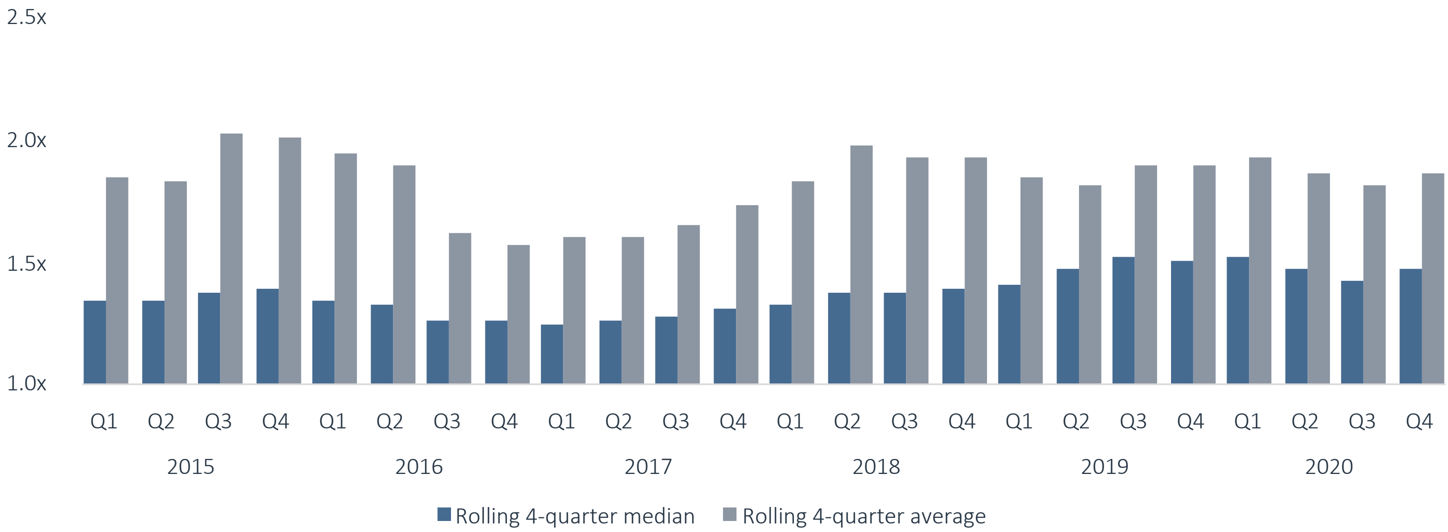
Late-stage VC

Notable increases seen in both median and average step-up multiples

Rolling 4-quarter median and average late-stage VC step-up multiples



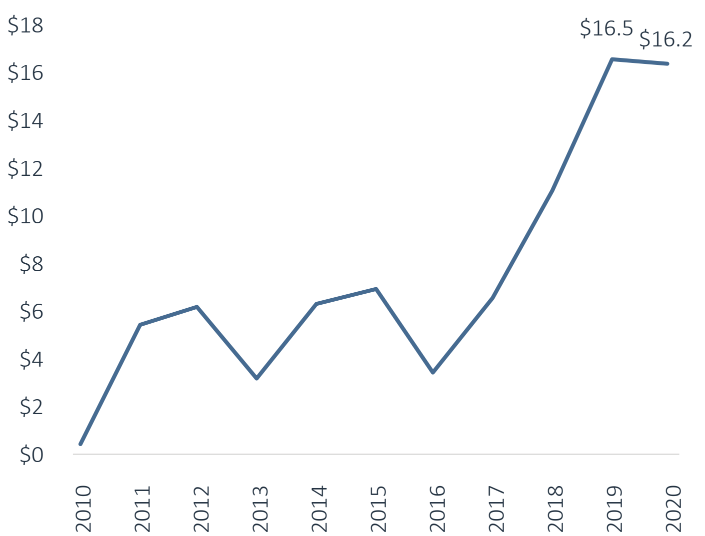
Source: PitchBook | **Geography**: US

billion in a single year for the first time in 2020, effectively doubling the deal value from just three years prior.

When looking at the full year's VVC, 2020's data shows a value of $16.2 million per year—just shy of 2019's $16.5 million per year. When considering the full year's RVVC, the data indicates a notable drop to 22.3% from 2019's 30.1%. Additionally, at a median, late-stage VC occurred about three months earlier in a company's life in 2020 than in 2017. As late-stage rounds grow and the median time between rounds continues declining, the ability to create value will likely plateau.

VVC slips slightly

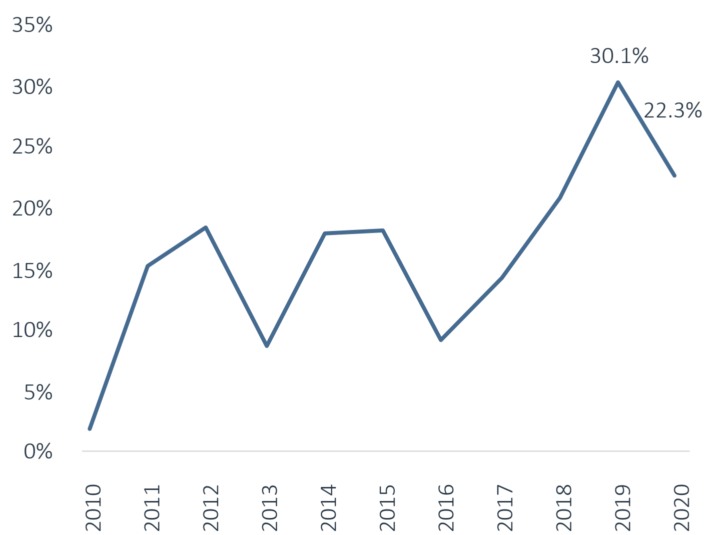
Median late-stage VVC ($M) between VC rounds



Source: PitchBook | **Geography**: US

RVVC lags 2019's high

Median late-stage RVVC between VC rounds



Source: PitchBook | **Geography**: US

Nontraditional investors

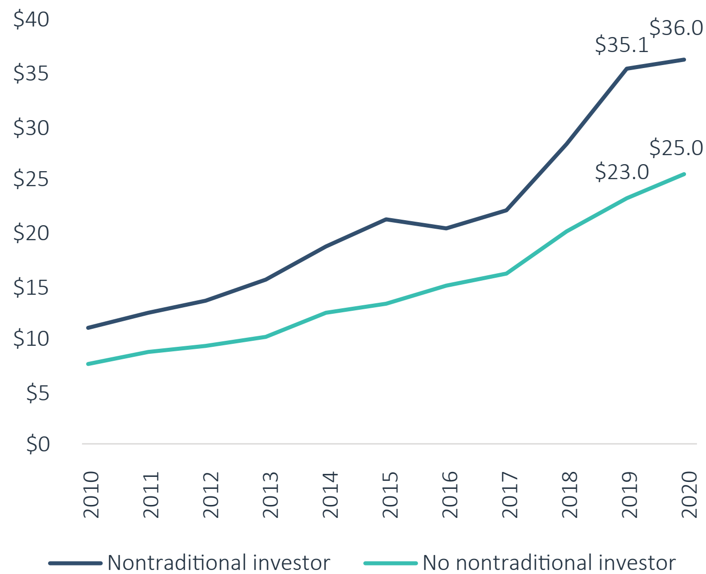
In 2020, nontraditional investors played a major role within the venture industry. As the late stage continued growing throughout 2020, these institutions participated in nearly all of the 321 completed mega-deals and a whopping $119.9 billion—73%—of all 2020 US VC deal value. Once thought of as an opportunistic strategy for nontraditionals, venture has grown into a common investment strategy with staying power—even through the height of the pandemic's impact on capital markets. These investors pull from a larger base of capital, which propels many of their investments into more expensive, high-profile startups. In 2020, the median pre-money valuation of late-stage investments with nontraditional participation was $100.0 million larger than deals without their involvement. The exit environment has also demonstrated the ability to support the high valuations that accompany these deals. In 2020, the median valuation step-up to exit was nearly 1.4x for public listings, a route many of these companies will likely choose.

As investment activity from nontraditional investors grew over the past several years, the number of deals led or solely financed by these funds also grew. This concurrent growth demonstrates an increase in venture sophistication and also hints at an overall increase in allocated time and effort into VC. In 2020, the average valuation of these deals led by nontraditional investors skyrocketed to nearly $700 million, though even this isn't the highest figure we've tracked for this data. These investors' ability to draw from a much larger pool of capital enables them to pay a higher price. However, it's worth noting that many of these deals are occurring in a set of the largest, most high-profile companies in the market and thus carry a lessened degree of risk than earlier-stage investments.

As a subgroup of nontraditional investment, the corporate VC (CVC) market wrapped up one of its strongest years ever in 2020, reaching over $72 billion in deal value participation across roughly 2,000 deals. Making up over half of 2020's nontraditional investments, corporates continued to jump into VC to both build emerging technologies into their current products and diversify research & development (R&D) across internal and external programs. Among the CVC programs launched or restarted in 2020 are T-Mobile Ventures, Xerox's (NYSE: XRX) new $250 million fund, and an investment program from the newly public Snowflake (NYSE: SNOW). During 2020, valuations for these deals continued the growth of recent years, despite early-

Nontraditional investors continue to pay higher price

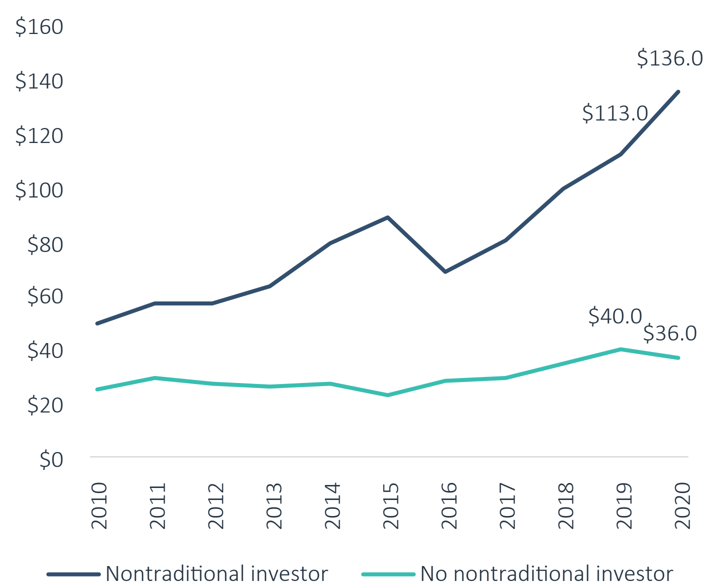
Median early-stage VC pre-money valuations ($M) by investor participation



Source: PitchBook | **Geography**: US

Nontraditionals participating in much larger late-stage deals than peers

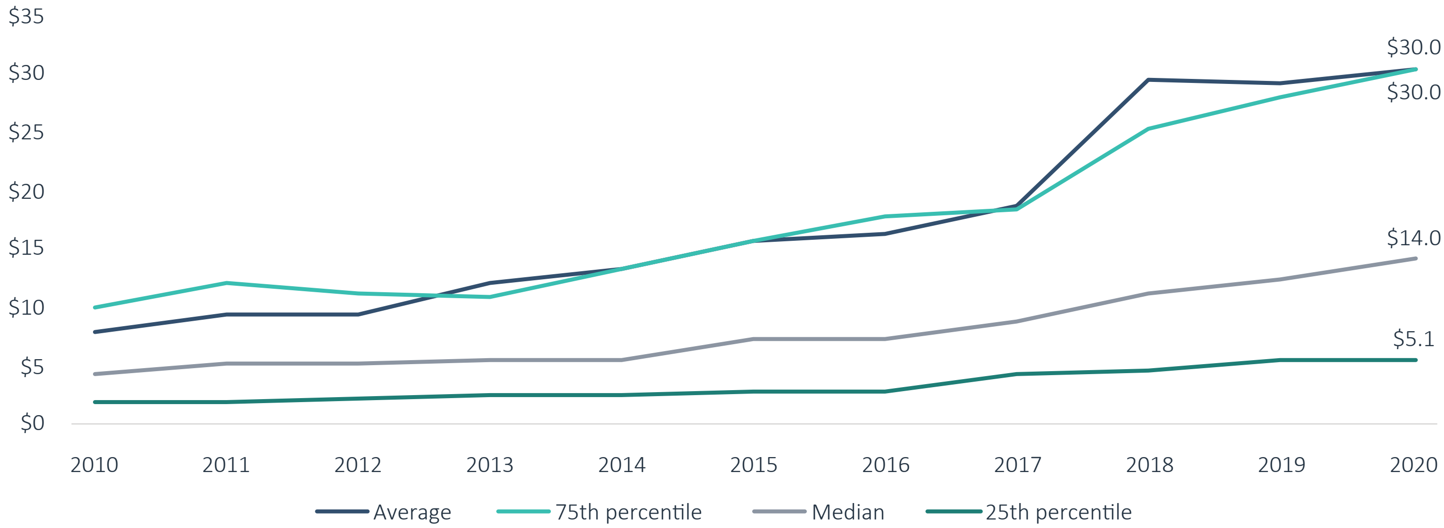
Median late-stage VC pre-money valuations ($M) by investor participation



Source: PitchBook | **Geography**: US

Nontraditional-led deals get larger

Early-stage VC deal sizes ($M) for rounds led or financed solely by a nontraditional investor

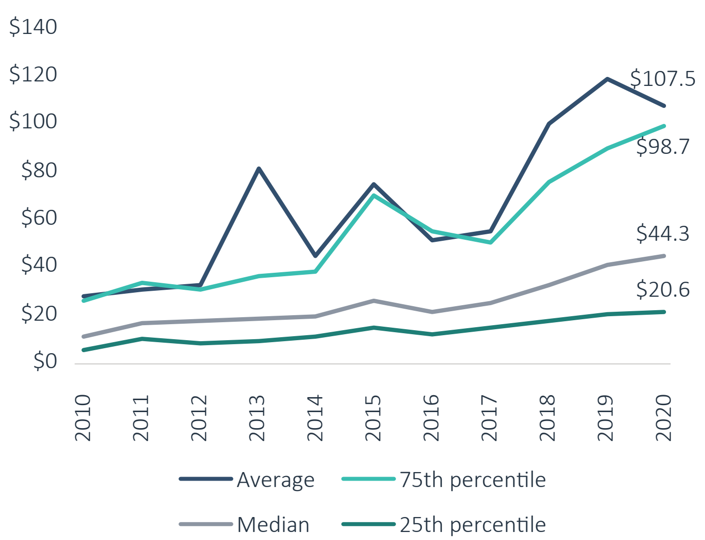


Source: PitchBook | **Geography**: US

pandemic fears that corporates would pull back from VC such as during the 2008 financial crisis. Since 2008, this market has developed into a more robust industry. With both US corporations flush with cash and high interest in new sectors and technologies, we believe that corporate VC will continue to flourish into an even more influential category within venture.

Nontraditional investors drove prices higher

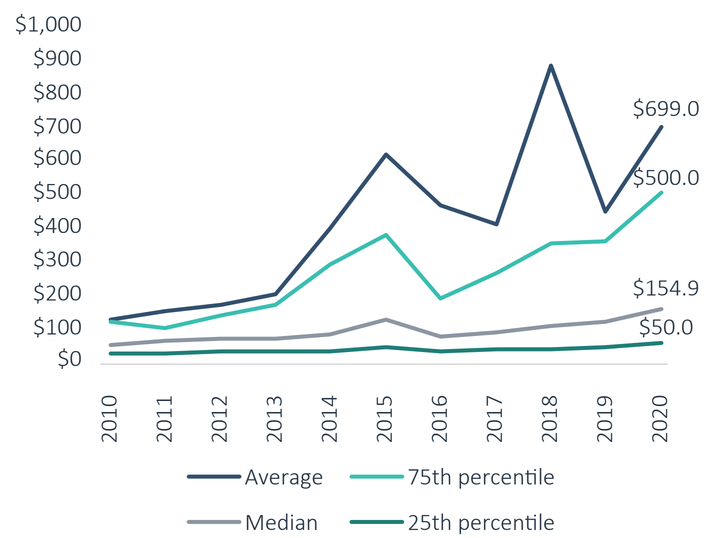
Early-stage VC pre-money valuations ($M) for rounds led or financed solely by a nontraditional investor



Source: PitchBook | **Geography**: US

Support for high valuations continued in 2020

Late-stage VC pre-money valuations ($M) for rounds led or financed solely by a nontraditional investor

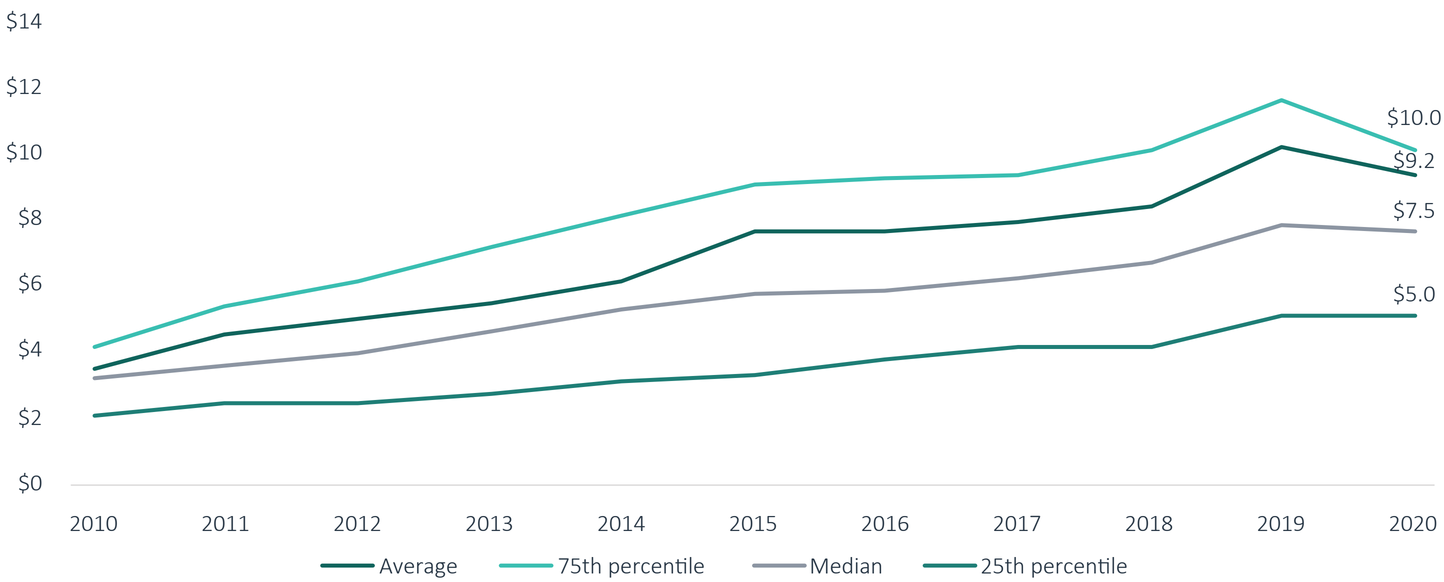


Source: PitchBook | **Geography**: US

Spotlight: Enterprise tech

Enterprise tech valuations dip at seed stage

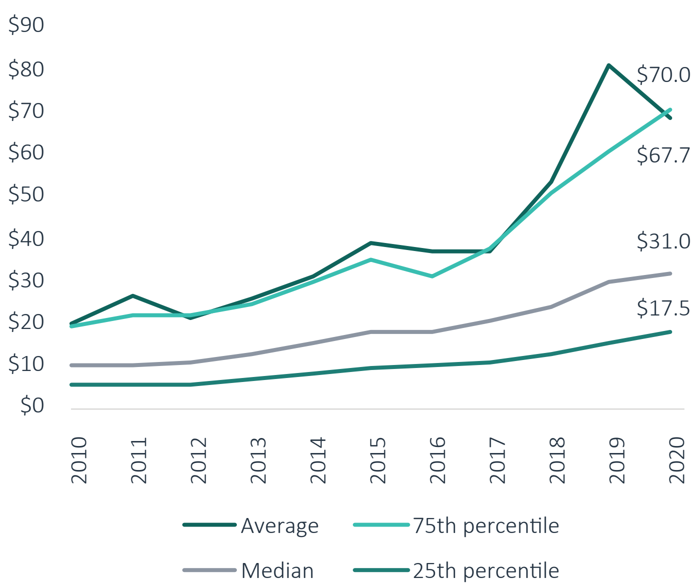
Seed-stage VC pre-money valuations ($M) for enterprise tech companies



Source: PitchBook | **Geography:** US

Early-stage companies see rise across quartiles

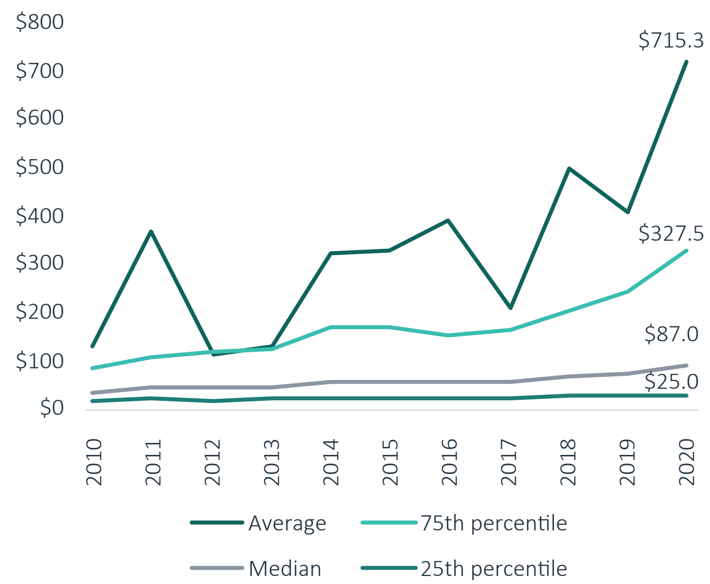
Early-stage VC pre-money valuations ($M) for enterprise tech companies



Source: PitchBook | **Geography:** US

Valuations come in hot for late-stage companies

Late-stage VC pre-money valuations ($M) for enterprise tech companies

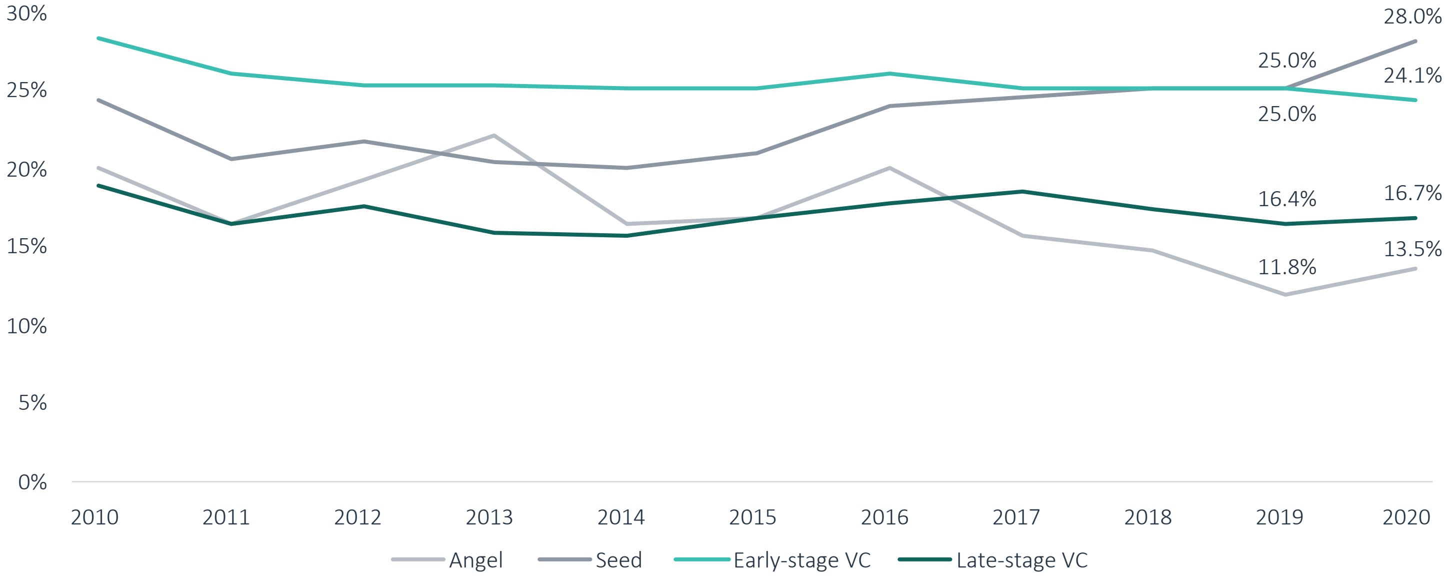


Source: PitchBook | **Geography:** US

Spotlight: Enterprise tech

Stakes acquired remained steady

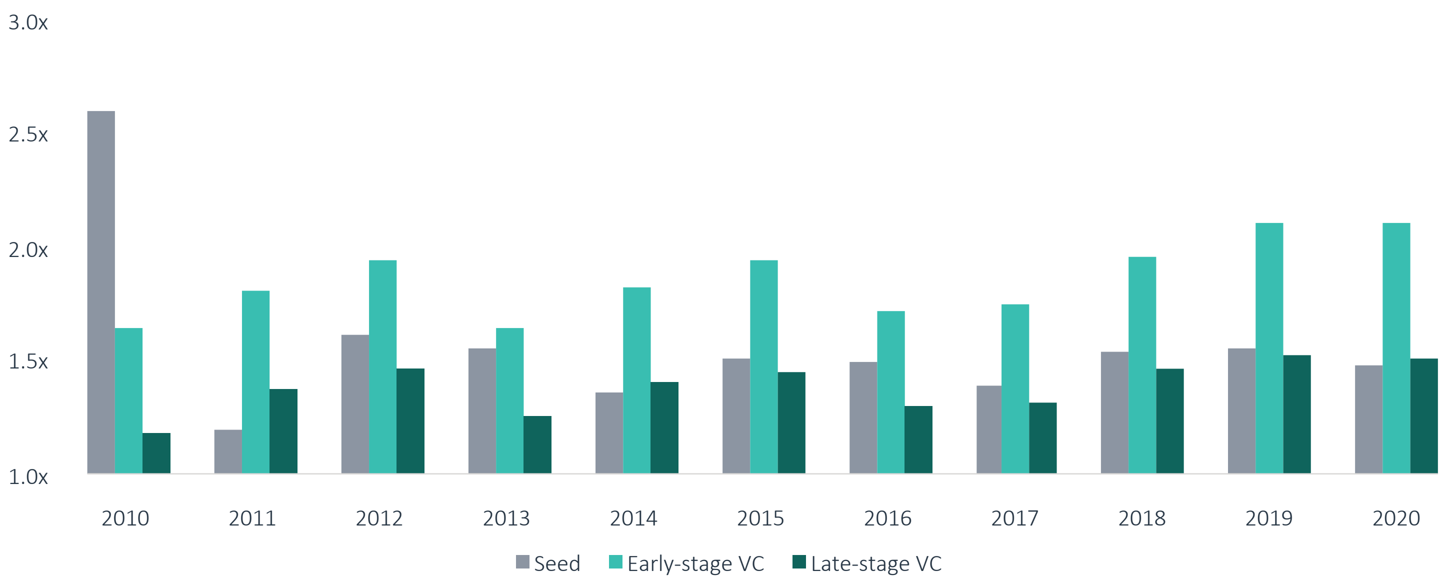
Median proportion acquired by VC stage for enterprise tech companies



Source: PitchBook | **Geography**: US

Enterprise tech step-ups remained strong as pre-money valuations grew in 2020

Median step-up multiples by VC stage for enterprise tech companies



Source: PitchBook | **Geography**: US

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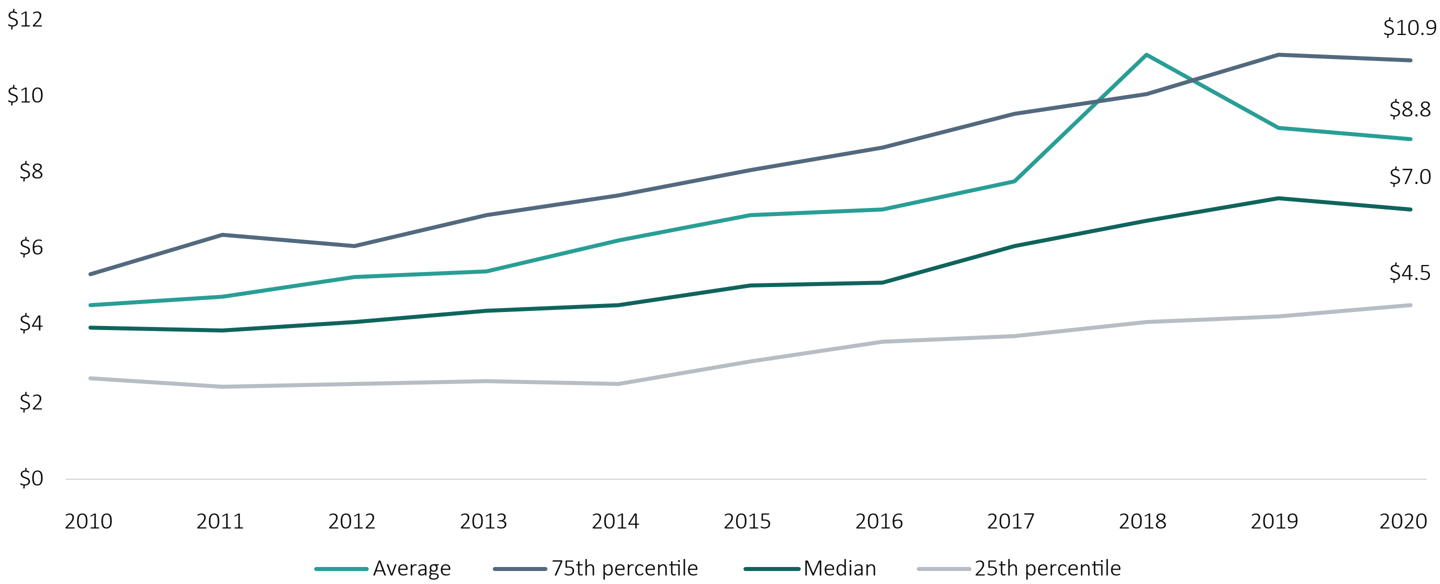
Spotlight: Consumer tech

Average seed-stage valuation dips for second consecutive year

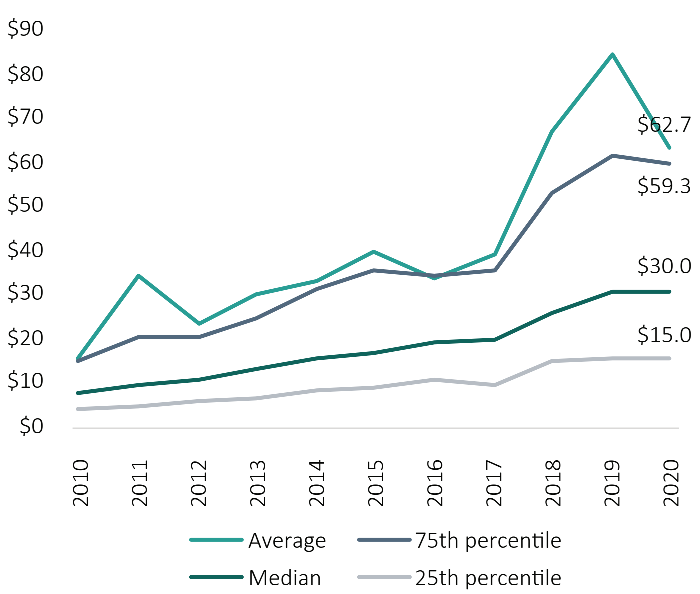
Seed-stage VC pre-money valuations ($M) for consumer tech companies



Source: PitchBook | **Geography**: US

Early-stage valuations are mostly flat

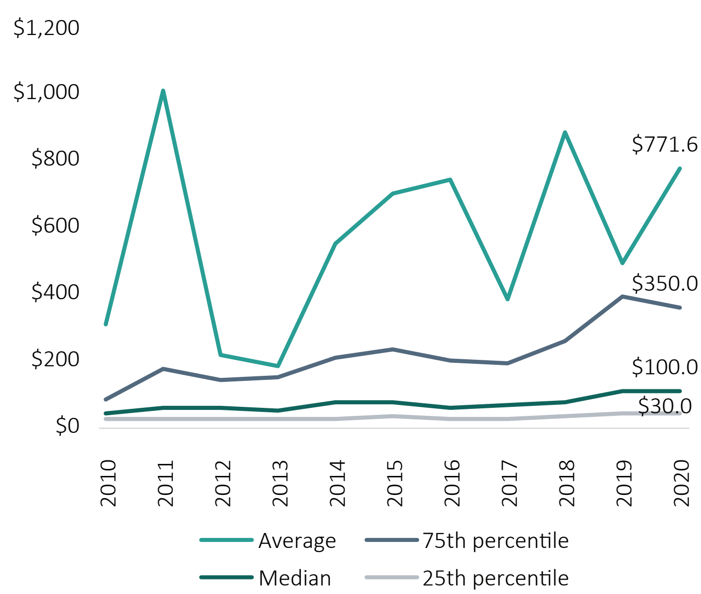
Early-stage VC pre-money valuations ($M) for consumer tech companies



Source: PitchBook | **Geography**: US

A wide spread emerges in late-stage valuations

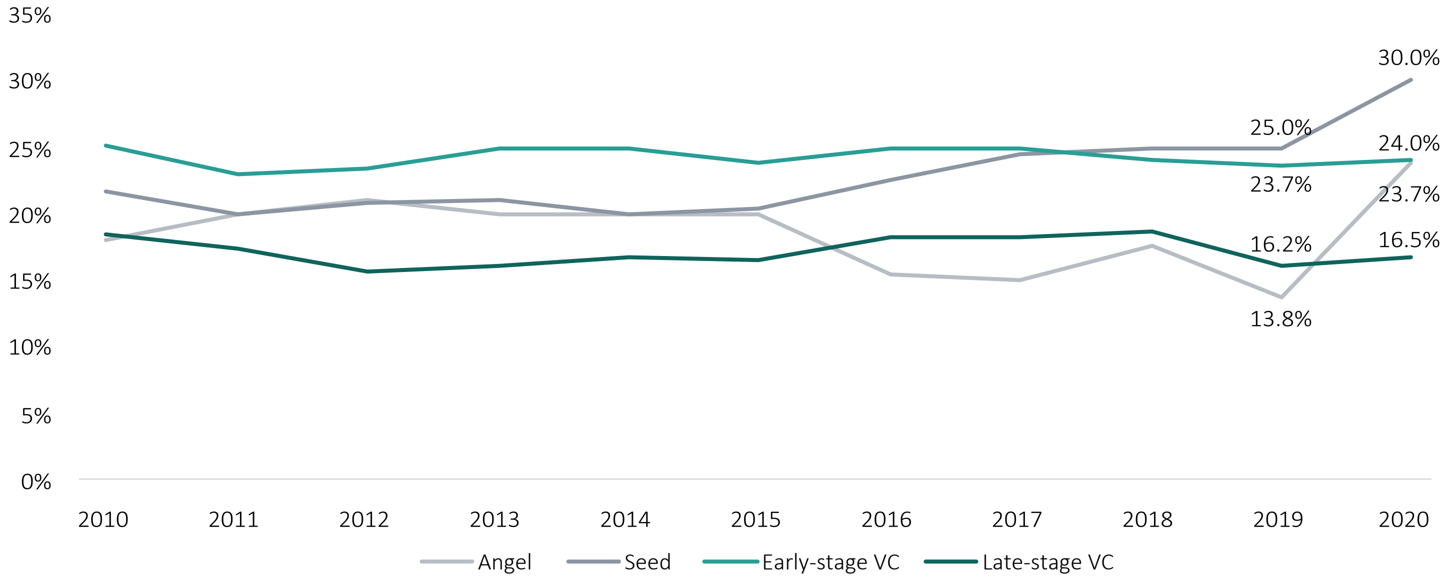
Late-stage VC pre-money valuations ($M) for consumer tech companies



Source: PitchBook | **Geography**: US

Significant rise seen in stake acquired in angel and seed rounds

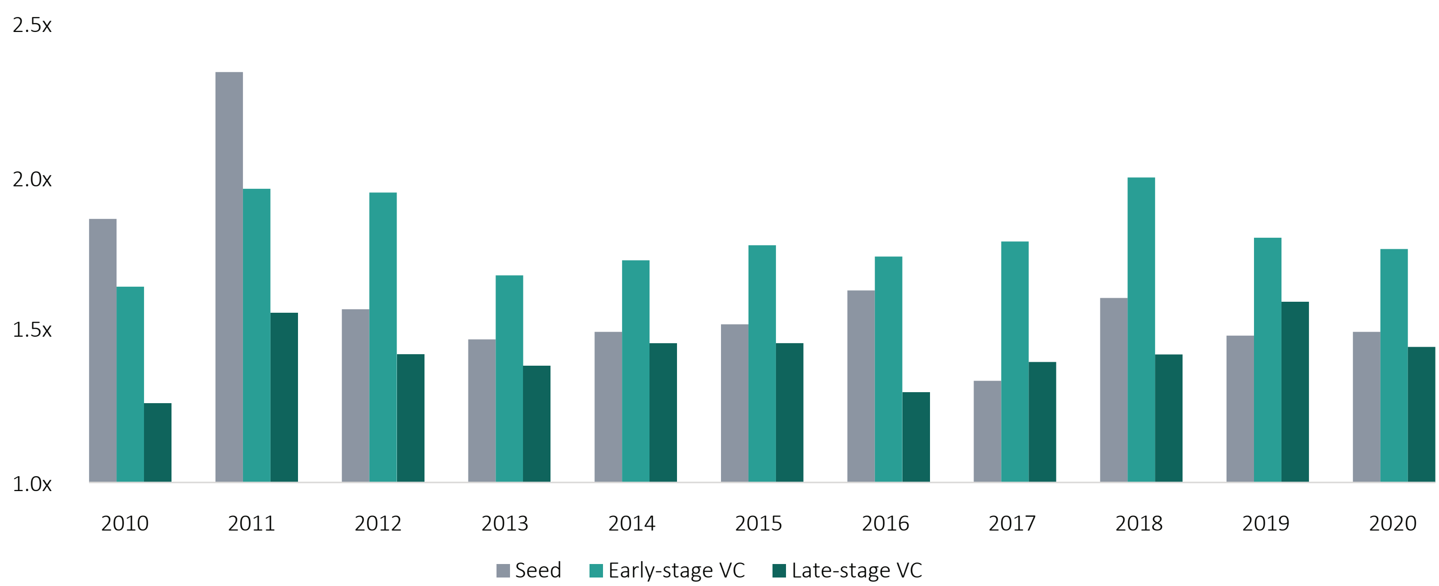
Median proportion acquired by VC stage for consumer tech companies



Source: PitchBook | **Geography**: US

Step-ups prove resilient amid pandemic

Median step-up multiples by VC stage for consumer tech companies

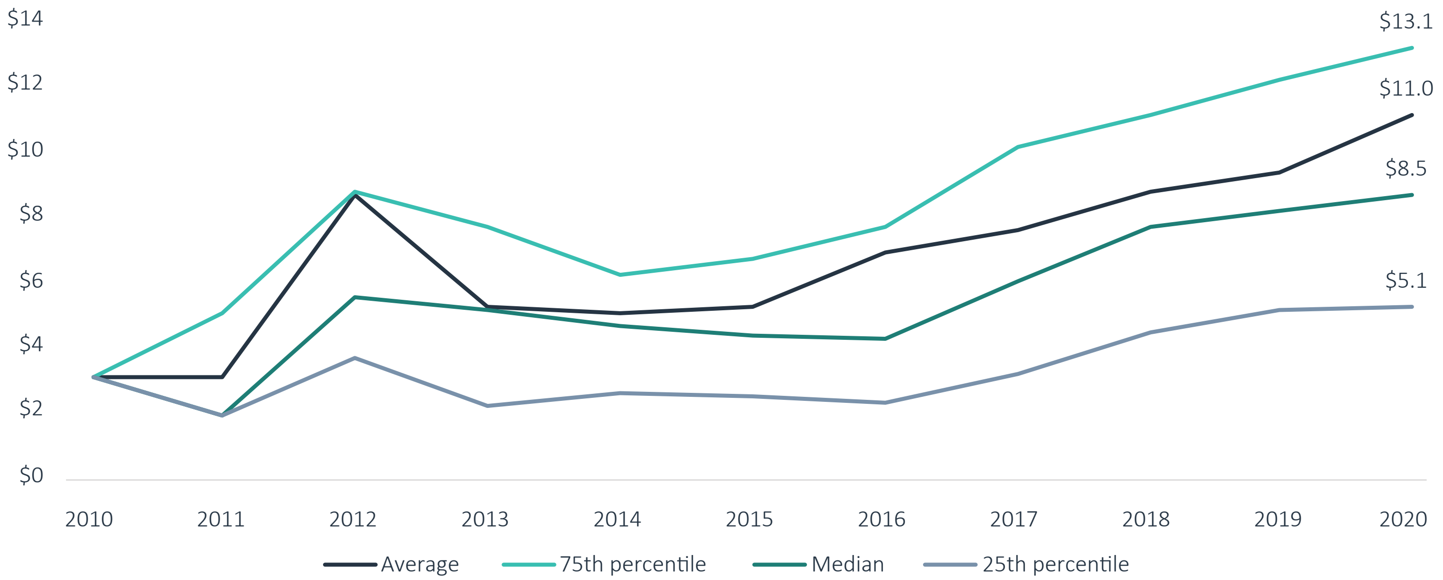


Source: PitchBook | **Geography**: US

Spotlight: Biotech & pharma

Focus on biotech sends valuations rising at seed stage

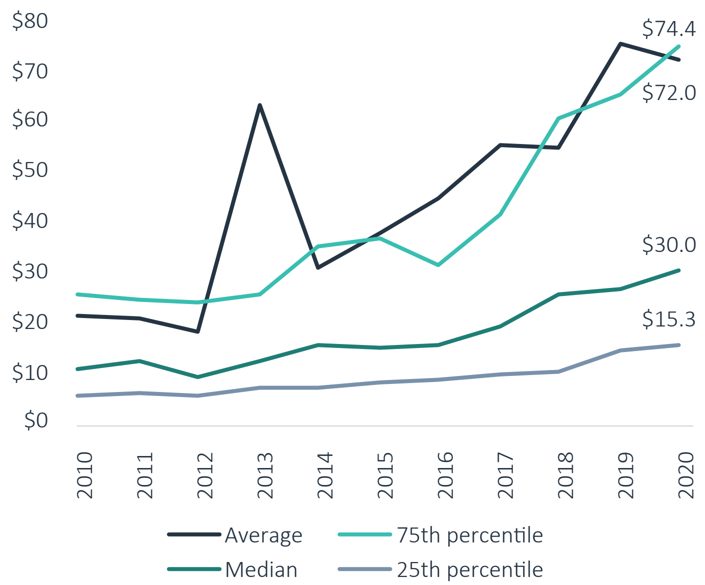
Seed-stage VC pre-money valuations ($M) for biotech & pharma companies



Source: PitchBook | **Geography**: US

Top quartile valuations surpass average in 2020

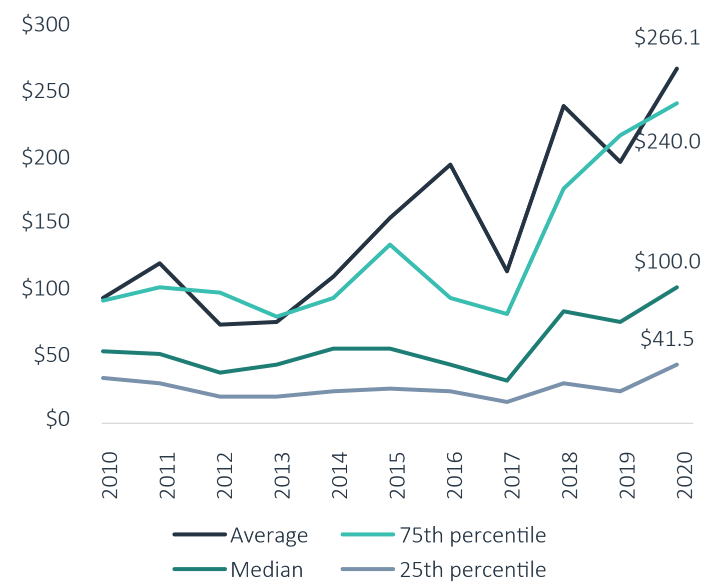
Early-stage VC pre-money valuations ($M) for biotech & pharma companies



Source: PitchBook | **Geography**: US

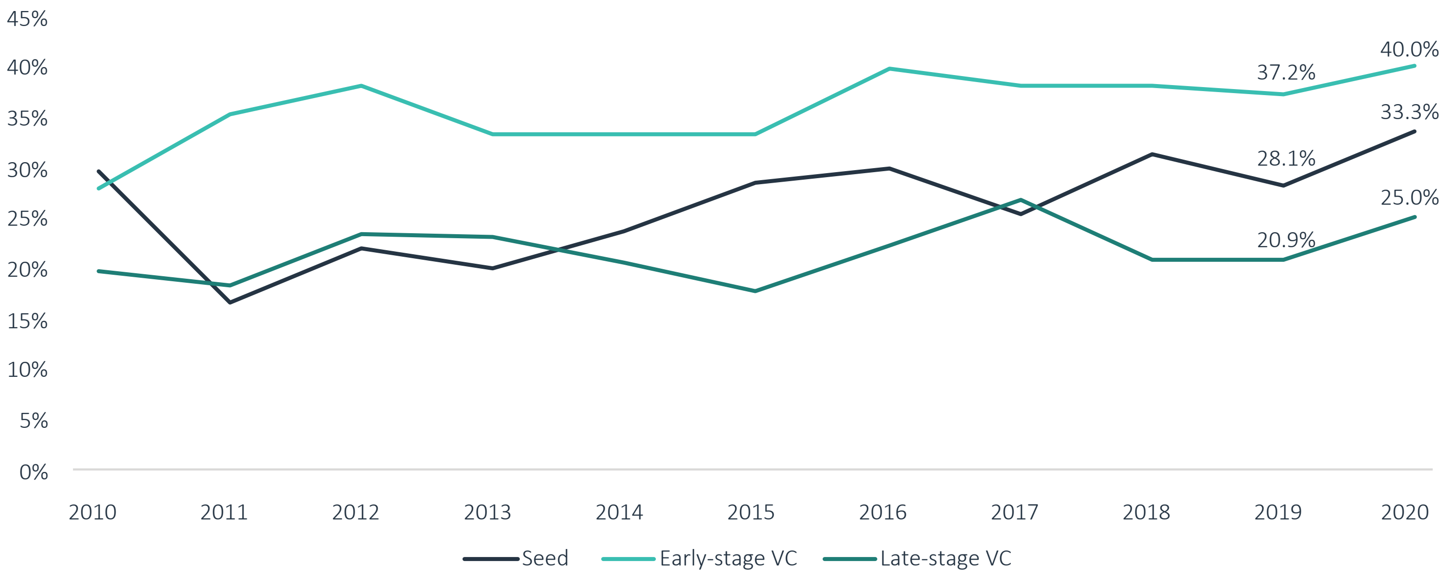
Late-stage valuations get boost at every quartile

Late-stage VC pre-money valuations ($M) for biotech & pharma companies



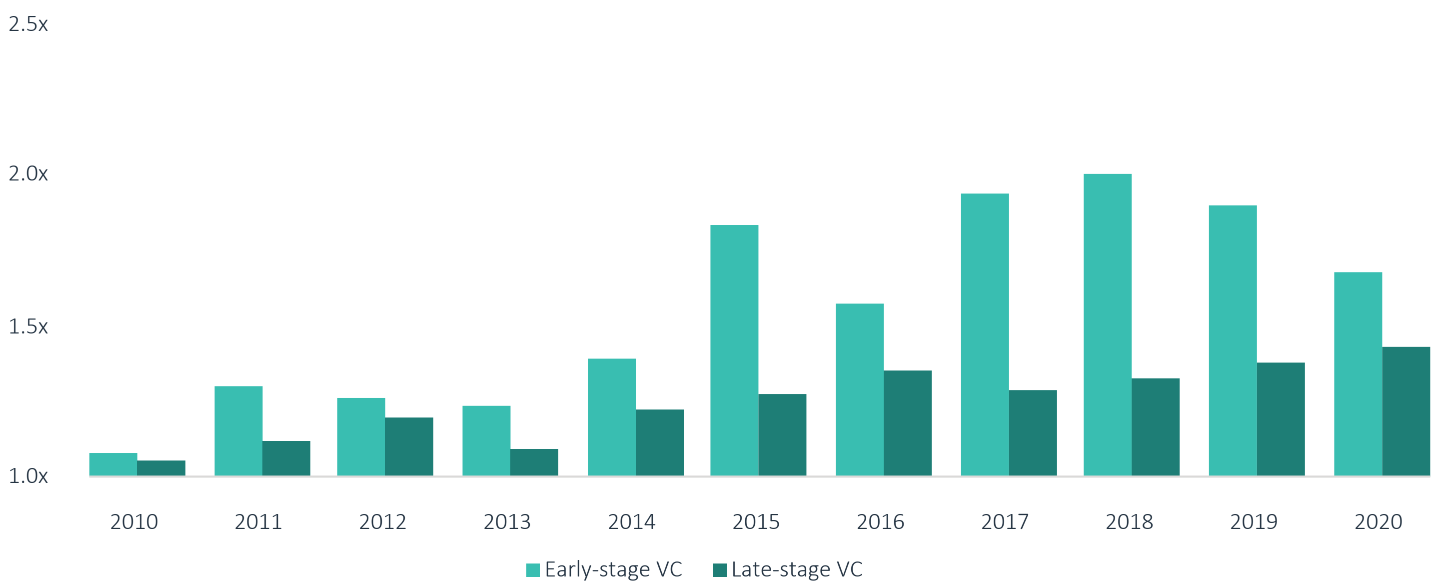
Source: PitchBook | **Geography**: US

Investors take larger stakes at all stages
Median proportion acquired by VC stage for biotech & pharma companies



Source: PitchBook | **Geography**: US

Though step-ups dipped, numbers still remain relatively strong
Median step-up multiples by VC stage for biotech & pharma companies



Source: PitchBook | **Geography**: US

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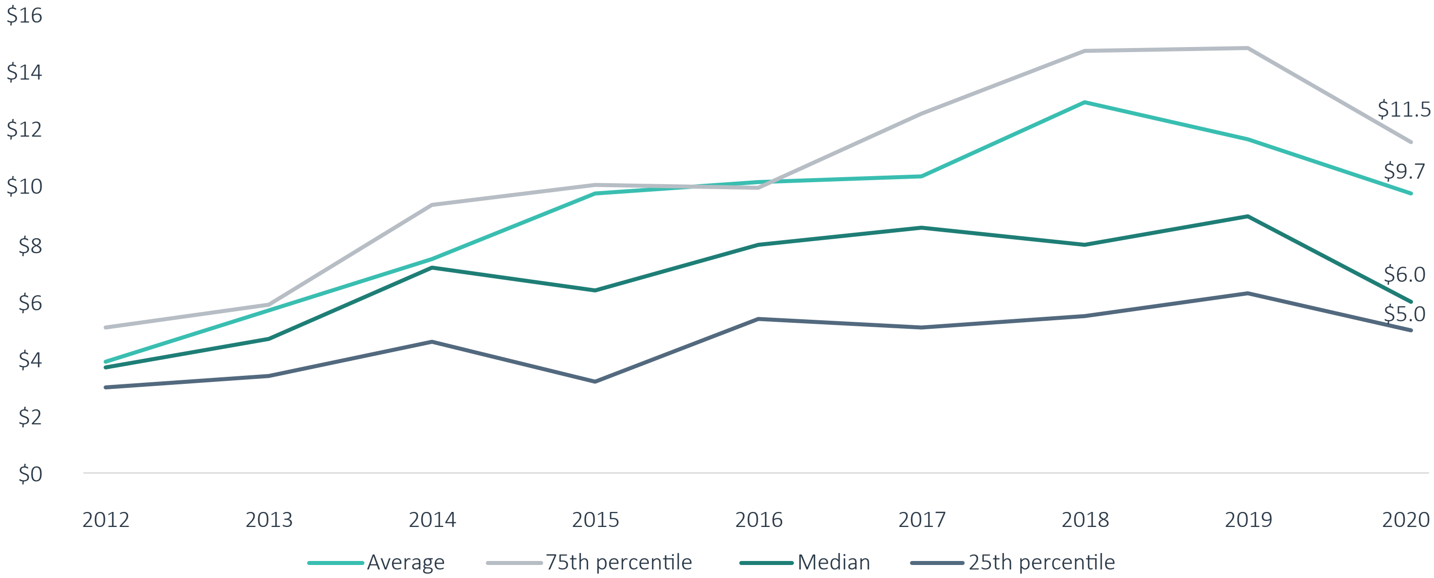
Spotlight: Mobility tech

Mobility tech companies' seed-stage valuations fall

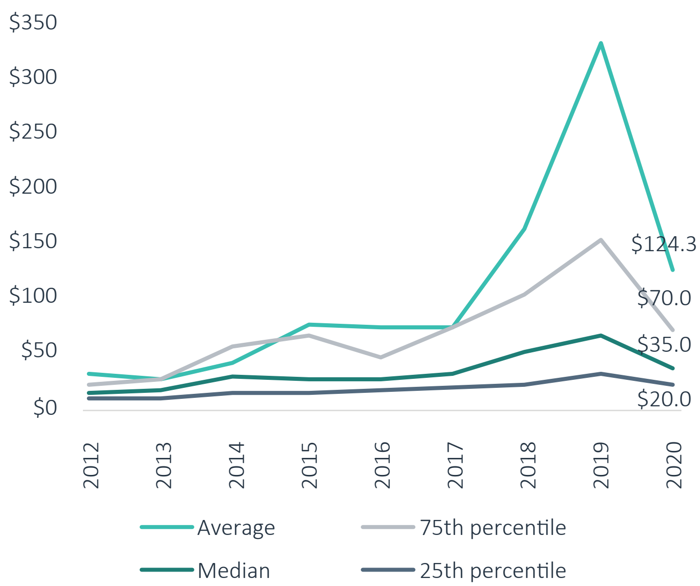
Seed-stage VC pre-money valuations ($M) for mobility tech companies



Source: PitchBook | **Geography:** US

2020's average early-stage valuations plunge

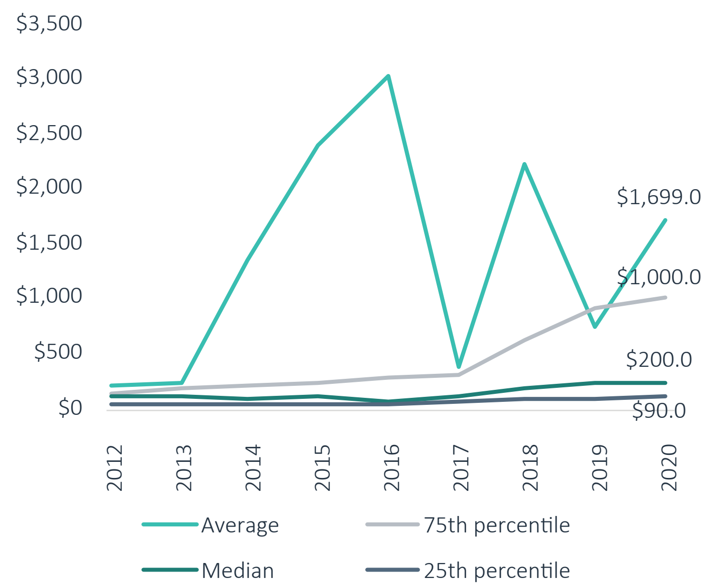
Early-stage VC pre-money valuations ($M) for mobility tech companies



Source: PitchBook | **Geography:** US

Largest companies' valuations skyrocket

Late-stage VC pre-money valuations ($M) for mobility tech companies

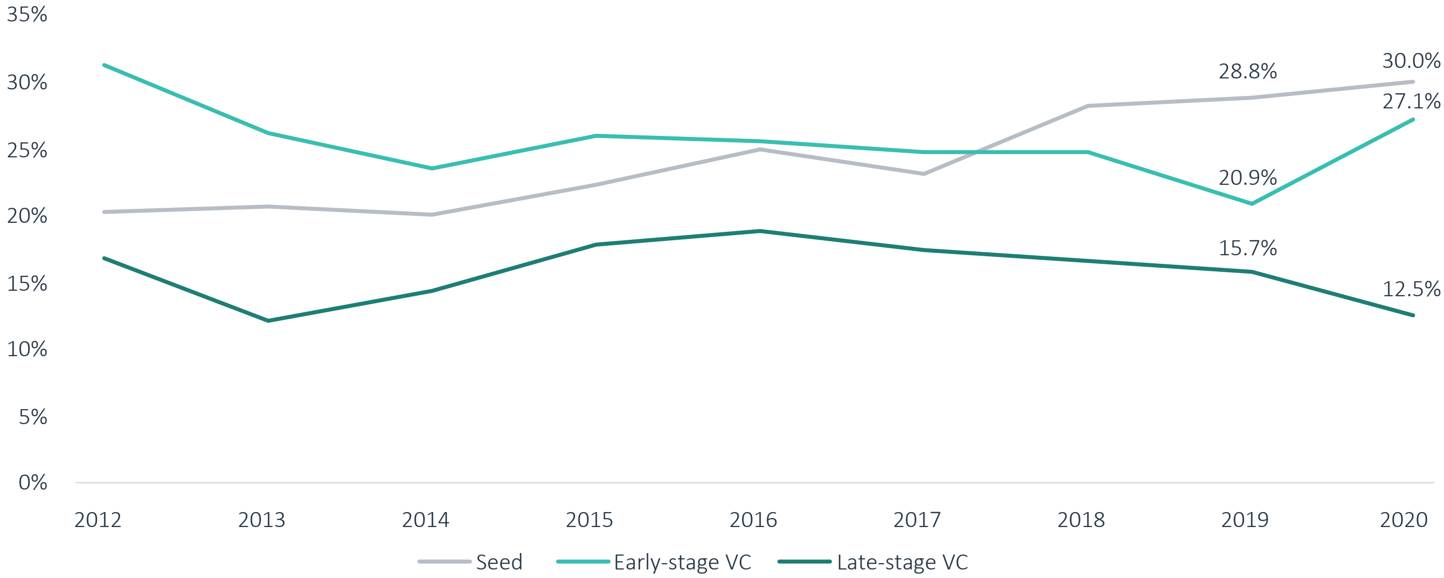


Source: PitchBook | **Geography:** US

PitchBook

Investors increase stakes in younger companies

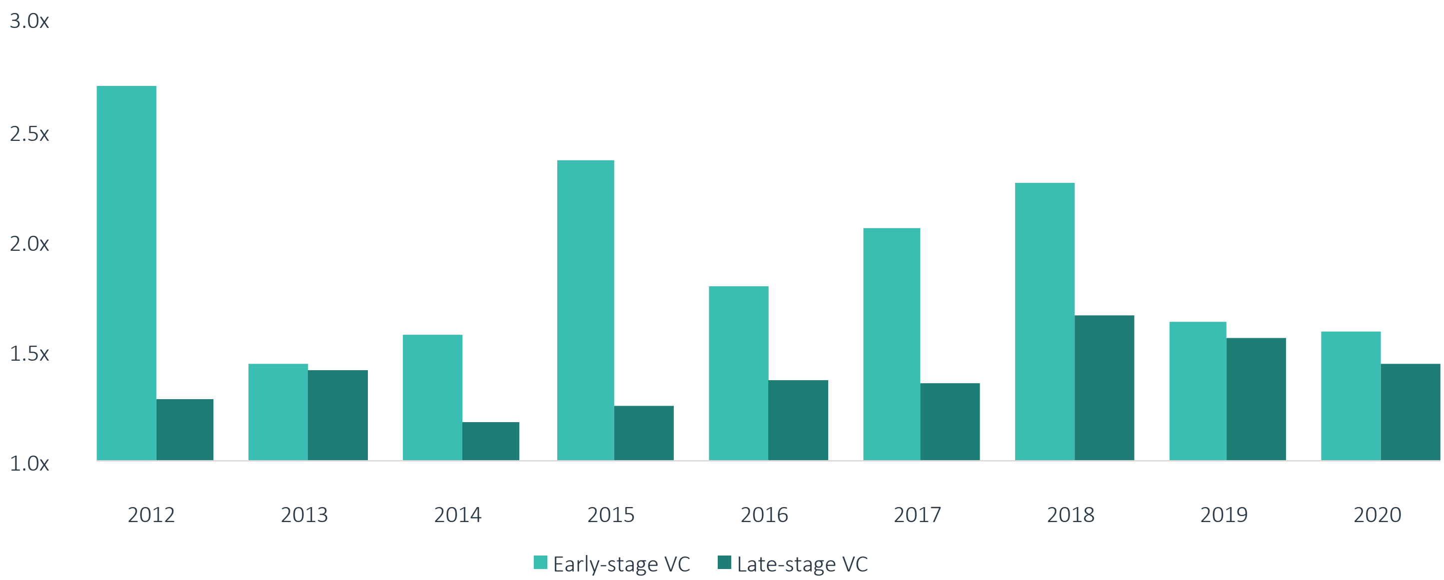
Median proportion acquired by VC stage for mobility tech companies



Source: PitchBook | **Geography:** US

Valuation step-ups lower as industry matures

Median step-up multiples by VC stage for mobility tech companies



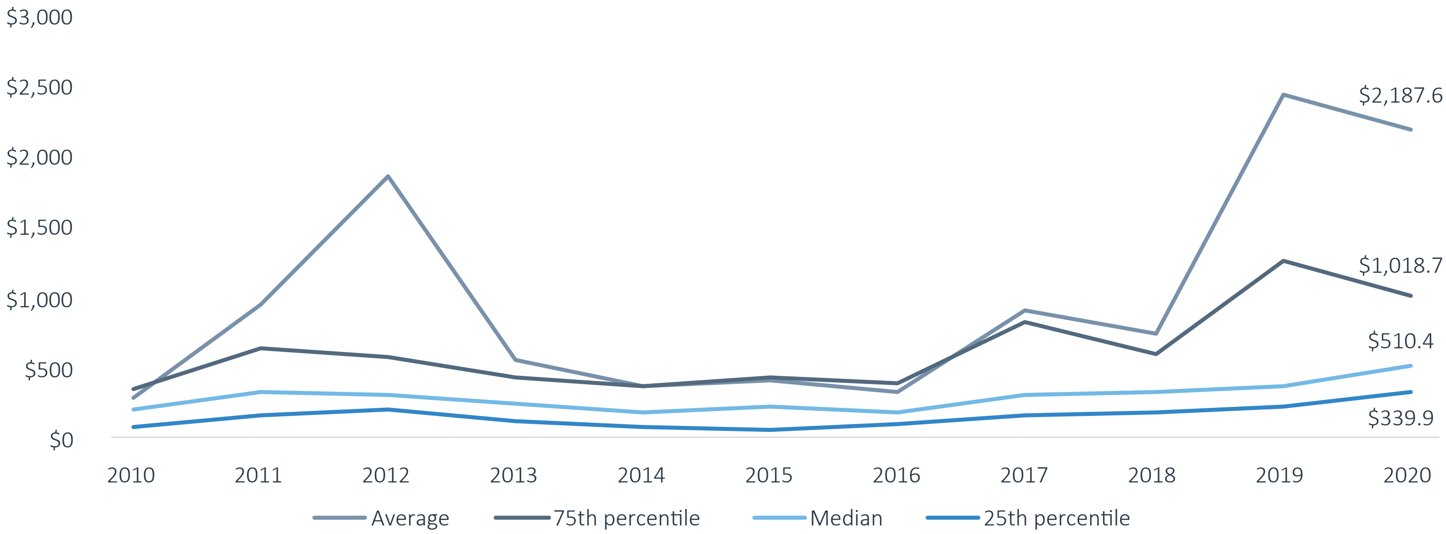
Source: PitchBook | **Geography:** US

PitchBook

Liquidity

IPO valuations hold steady YoY

Pre-money valuations ($M) for VC-backed public listings

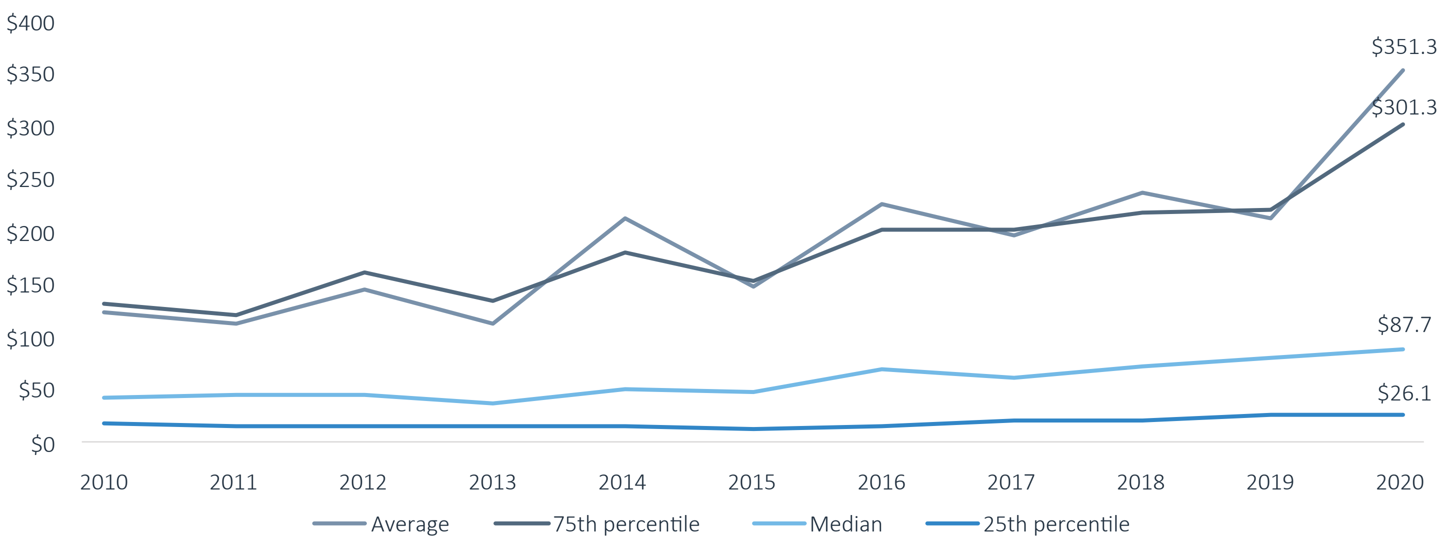


Source: PitchBook | **Geography**: US

As a flurry of massive IPOs helped set an all-time record for value exited in a single year, the success of 2020's exit market was one of the more surprising developments in the year's VC. Although we recorded slight declines in pre-money valuations at the average and top quartile for public listings, those statistics have climbed significantly from 2020's midpoint when there were only a handful of biotech IPOs breaching the public market. In 2020, the median public listing size increased to $510.4 million, a 39.0% YoY increase compared with a 12.4% YoY increase for the median valuation at acquisition—pushing this figure to $87.7 million.

Top of acquisition market sees massive spike

Pre-money valuations ($M) for VC-backed M&A



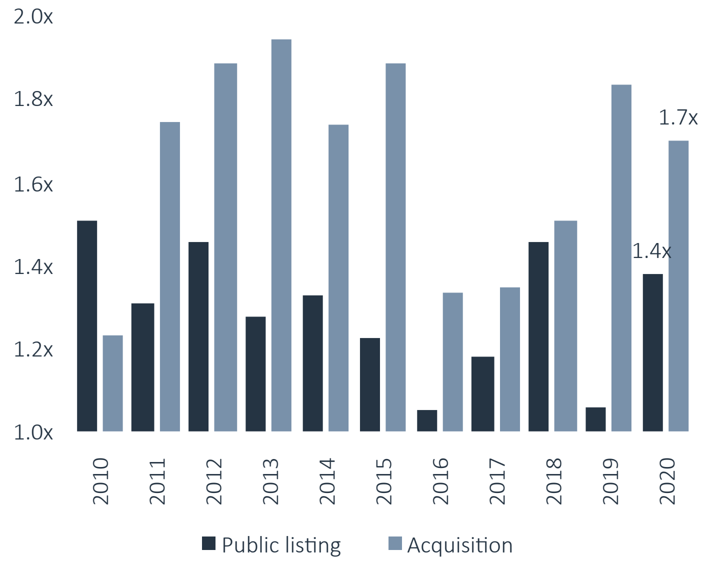
Source: PitchBook | **Geography**: US

Valuation step-ups at exit also had a robust year, with public listing step-ups improving YoY to 1.4x, while the acquisition step-up held at 1.7x—approximately the 10-year average. The strength in 2020's public equity multiples buoyed these step-ups, especially on the public listing front and specifically in relation to growth businesses. In 2020, VC valuations continued to climb. However, given the current low-return environment, corporate acquirers and public market investors are willing to pay similar or more favorable multiples to what companies are achieving in private markets.

Within the exit market, IPOs were the star of 2020. There were six $10 billion+ IPOs in 2020, which doubles 2019's number of exits of this size. Outsized IPOs from the likes of Airbnb (NASDAQ: ABNB), Palantir (NYSE: PLTR), and DoorDash (NYSE: DASH) were heavily weighted toward the end of the year. But the consistent flow of biotech IPOs throughout the year likely contributed to the growth in step-ups. Once again, much of this performance relative to the private market valuations relies on the elevated demand for high-growth opportunities from public market investors. Until we see a material decline in broader public equity prices or a shift in the macroeconomic climate, these elevated valuations should continue.

IPO step-ups improve given biotech mix

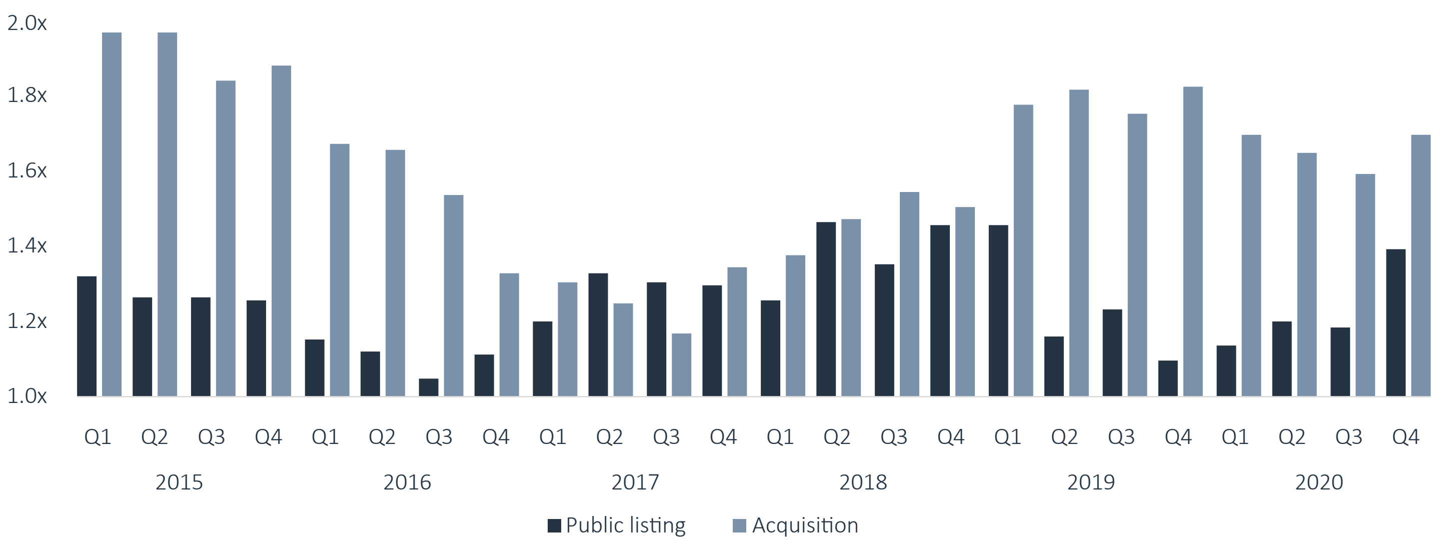
Valuation step-up multiples at VC exit by type



Source: PitchBook | **Geography:** US

Demand for VC-backed startups boosts step-ups across the board

Rolling 4-quarter valuation step-up multiples at VC exit by type

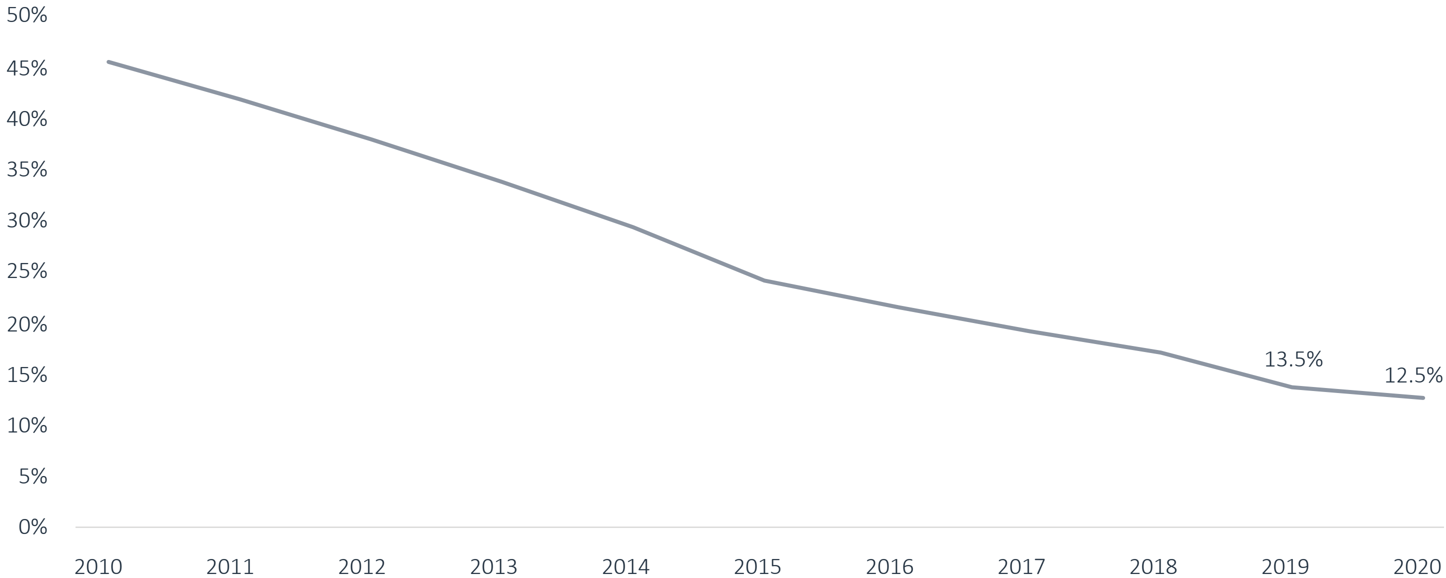


Source: PitchBook | **Geography:** US

Deal terms

Despite pandemic, projectionist deal terms continue long-term downtrend

Proportion of VC deals that include liquidation participation



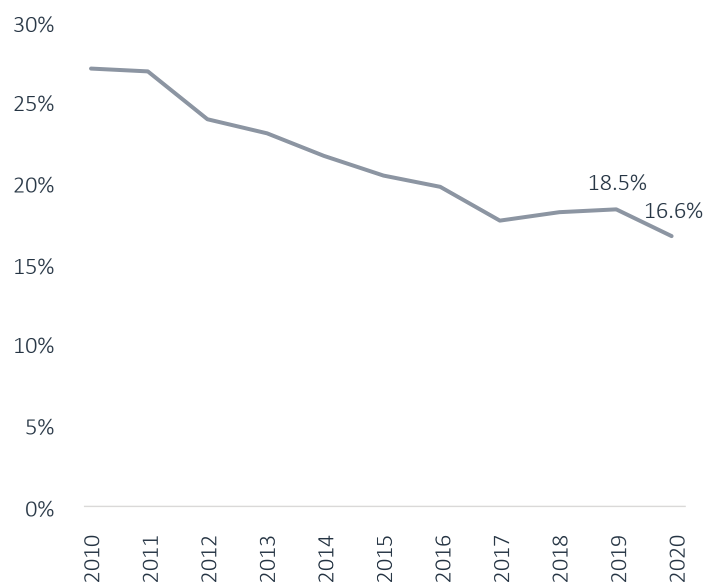
Source: PitchBook | **Geography**: US

Despite 2020's pandemic-led uncertainty, we still haven't seen a material change toward protectionist deal terms. In fact, by almost all measures, deal terms have continued their 10-year trajectory away from many of the most stringent terms. In 2020, liquidation participation was included in only 12.5% of deals, and cumulative dividends were down to 16.6% of deals from 18.5% in 2019. Unlike much of the Main Street economy, the pandemic-led VC market downturn was relatively brief. Investors quickly adapted to virtual investing, which contributed to the absence of a spike in protectionist deal terms. We believe that the long-term shifts in the venture capital market represent a stronger force than the potential short-term pressures from the pandemic.

The concurrent increase in VC's appeal and capital flow over the past decade has altered the dynamics between companies and investors. Low interest rates and the lack of easily accessible growth opportunities pushed US dry powder to $151.0 billion as of Q2 2020—doubling since 2014. Given that dry powder doesn't include nontraditional investor involvement, which has rapidly increased VC investment participation rates, this number is all the more impressive. We recently estimated

Cumulative dividends slip further

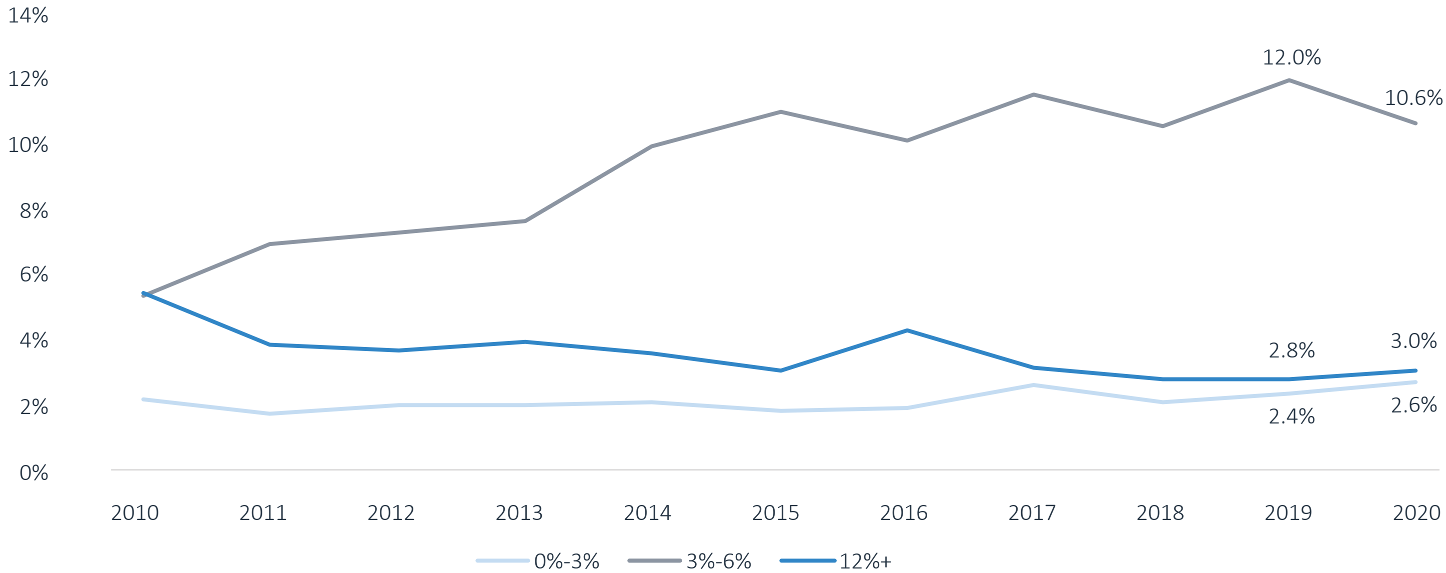
Proportion of VC deals that include cumulative dividends



Source: PitchBook | **Geography**: US

Nonstandard dividends maintain proportions

VC dividend percent buckets (excluding 6%-9%)

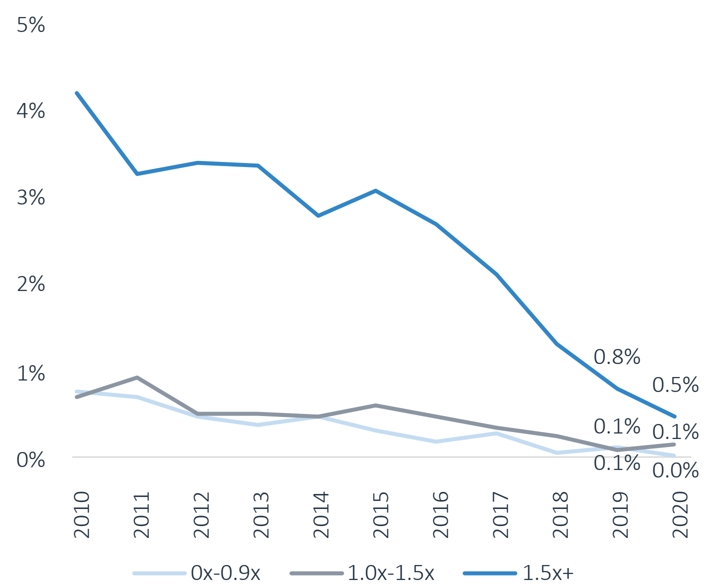


Source: PitchBook | **Geography**: US

nontraditional capital availability from investors such as asset managers, corporations, and LPs. We found this capital matched the amount of dry powder available in traditional VC funds, thereby doubling total capital available to startups. Further, the rise of SPACs in 2020 has provided another source of capital that may be allocated to VC-backed businesses. When combined with the drastic uptick in capital available to startups, the low number of new companies entering the VC landscape has shifted the scarcity from capital to ideas. Startups with an idea that is attractive to VC investors are now rarer than the capital available to execute on those ideas.

Preference multiples over 1.5x fall even further

VC liquidation preference multiples (excluding 1.0x)



Source: PitchBook | **Geography**: US