PitchBook

US VC Valuations Report

Q1 2021

Contents

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Key takeaways

Both early- and late-stage VC saw sharp expansions in pre-money valuations as the rapid cadence of VC dealmaking from 2020 spilled over into Q1 2021. At the early stage, both the median and average pre-money valuation hit record highs in Q1, coming in at $40.0 million and $96.3 million, respectively. At the late stage, an abundance of outsized deals has boosted the median and average pre-money valuations to record highs of $122.5 million and $1.03 billion, respectively.

Companies that survived the COVID-19 pandemic are now raising venture financing rounds at valuations exceeding pre-pandemic levels. As key segments of the venture ecosystem have capitalized on the advantages of working from home, and as vaccine rollout has boosted morale and economic outlook, a growing number of attractive companies have emerged on the other side of the pandemic with stronger value propositions.

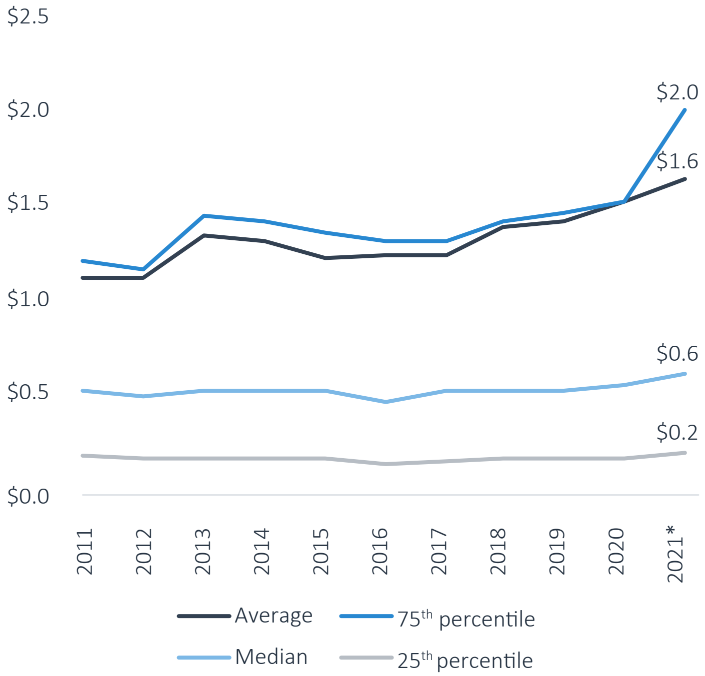
While headlining nearly 90% of the $100 million+ deals in Q1, nontraditional investors have continued to increase their activity in the US VC market. During Q1, these institutions participated in more than $57 billion in deal value, roughly 78% of the total deal value invested during the period. The participation in the market's largest deals is highlighted in the spread between the valuations of late-stage deals receiving nontraditional participation and those that do not, which surpassed $169 million in Q1.

Buyers continue to validate high private valuations via the exit market. Step-ups at exit for both public listings and acquisitions touch decade-high levels in Q1 2021 of 1.9x and 2.4x, respectively, illustrating elevated demand for VC-backed business from both public investors and corporate acquirers. The continued confluence of cheap capital along with broader economic recovery on the horizon has allowed buyers to pay up even over the rising private market valuations.

Angel and seed

Angel deal sizes grow slightly

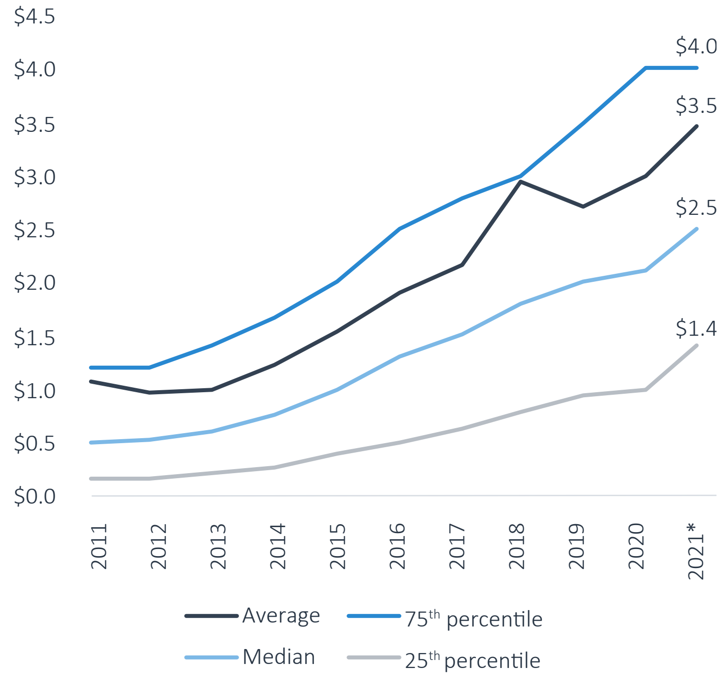
Angel deal size ($M) by quartile



Source: PitchBook | **Geography**: US
*As of March 31, 2021

Seed deals continue upward trend

Seed deal size ($M) by quartile

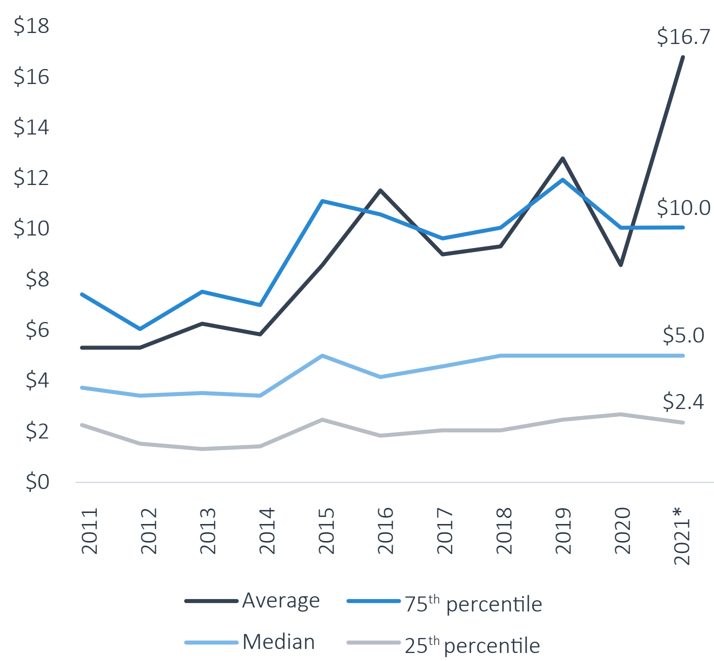


Source: PitchBook | **Geography**: US
*As of March 31, 2021

Despite the VC industry being heavily weighted toward late-stage deals in recent quarters, deals and capital have also flowed to angel and seed-stage companies in record fashion. In fact, Q1 was one of the most active quarters for these investments in terms of deal count in our dataset, while the stages saw more than $1 billion in deal value for the third consecutive quarter. However, while the valuations of early- and late-stage deals saw increases over 2020's full-year figure, angel and seed deals have seen their valuations plateau over the past few quarters at the median. While there have been outliers at this stage each quarter that have impacted the rising average of these figures, many companies raising capital at the angel and seed stage have little or no revenue with a limited track record of growth and are still developing their technologies and/or ideas. This leads many angel rounds to be priced more systematically through already delineated forms, such as simple agreements for future equity (SAFEs), for example. As such, we have not seen significant change in the stakes acquired in these transactions, as the median percentage acquired in angel deals during Q1 declined slightly from 2020 to 16.0% (-0.6%). However, there has been a significant growth

Average valuation skewed high

Angel pre-money valuations ($M) by quartile



Source: PitchBook | **Geography**: US
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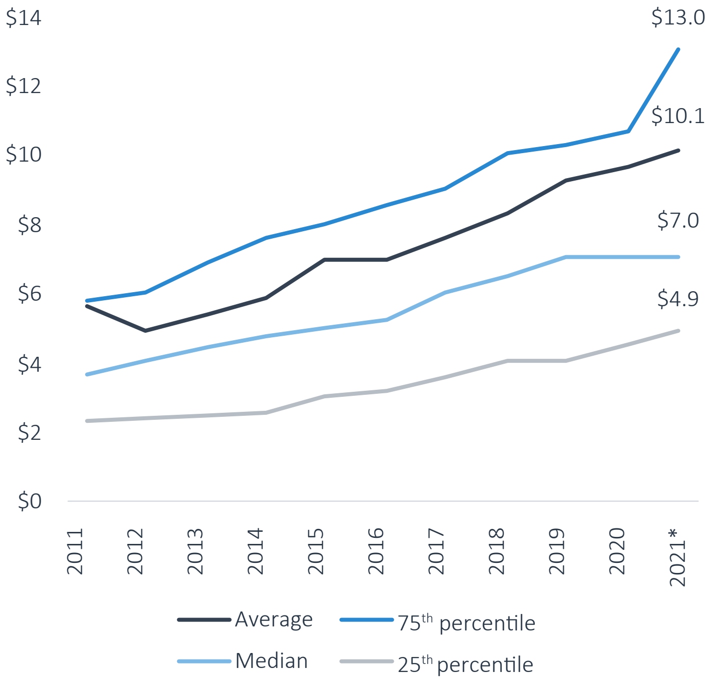
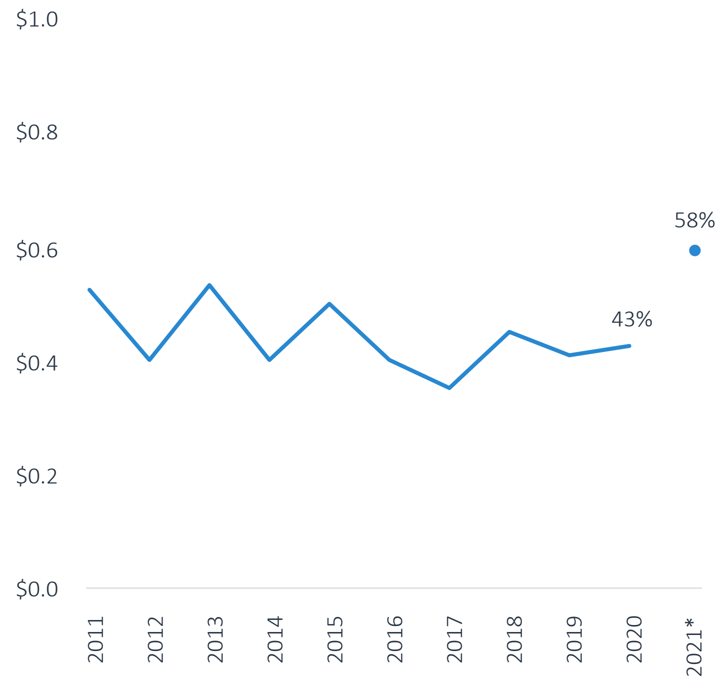
Angel and seed

Multi stage firms impacting valuations
Seed pre-money valuations ($M) by quartile



Source: PitchBook | **Geography**: US
*As of March 31, 2021

RVVC jumped in Q1
Median RVVC for seed deals

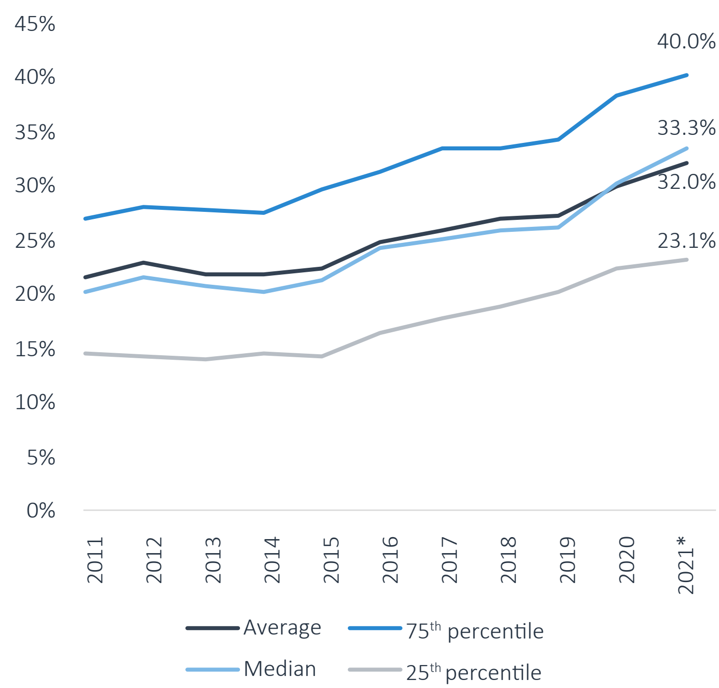


Source: PitchBook | **Geography**: US
*As of March 31, 2021

in the stake acquired during seed deals over the past several years. During Q1, the median percentage acquired soared to 33.3%, up from just 20% in 2014. This is likely due to the increased activity of large investors in these investments, leading to a rise in these deals' sizes while seeking more collateral in exchange for the higher risks taken at the stage.

The median RVVC (relative velocity of value creation—the annualized percent increase in valuation between rounds) at seed has seen significant growth in Q1, although not quite as high as early- or late-stage financings. Companies saw their valuations grow at an annualized rate of 58% from their previous round, a 15% jump over the rate recorded for the full year 2020. Enthusiasm for venture has moved well beyond the late stage, and with the growth in capital available for the industry, we expect this trend to manifest at the angel and seed stage as well. The rise of solo capitalists, changes to crowdfunding rules, and growth in rolling-fund allocations are trends that will impact activity at these earliest venture stages.

Larger deals bringing larger stakes at seed
Quartile distribution of % acquired at seed

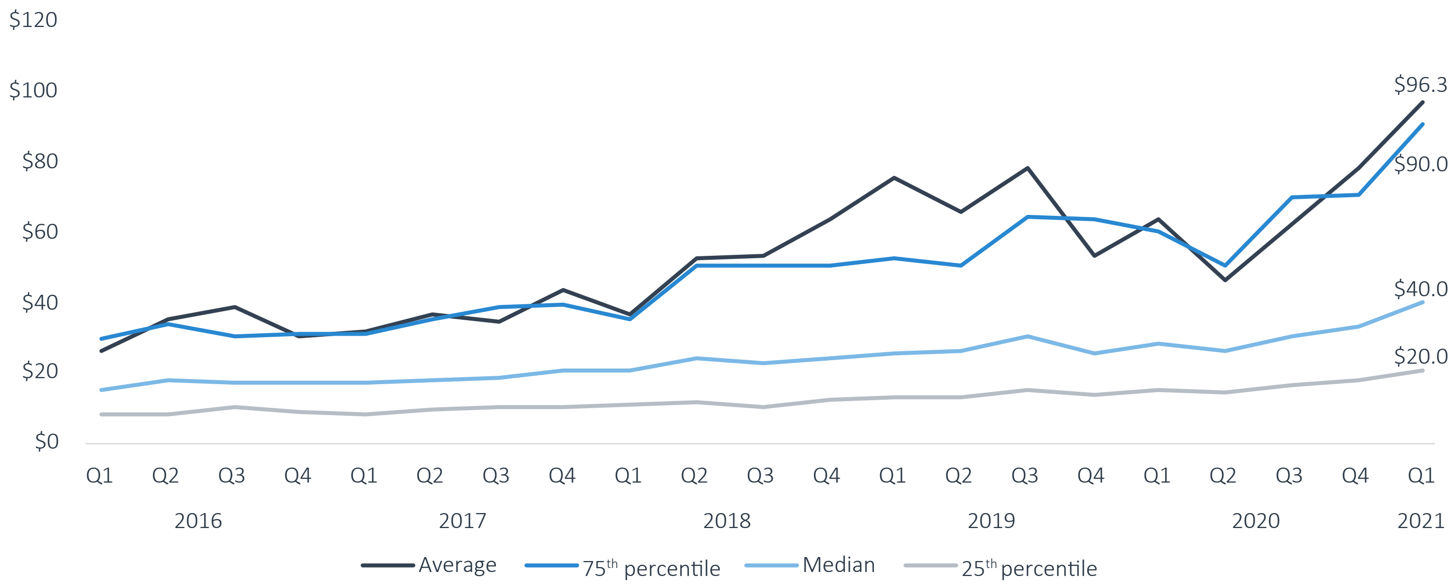


Source: PitchBook | **Geography**: US
*As of March 31, 2021

Early-stage VC

Sharp expansion in range as Q1 median and average hit record high

VC early-stage pre-money valuations ($M) by quartile

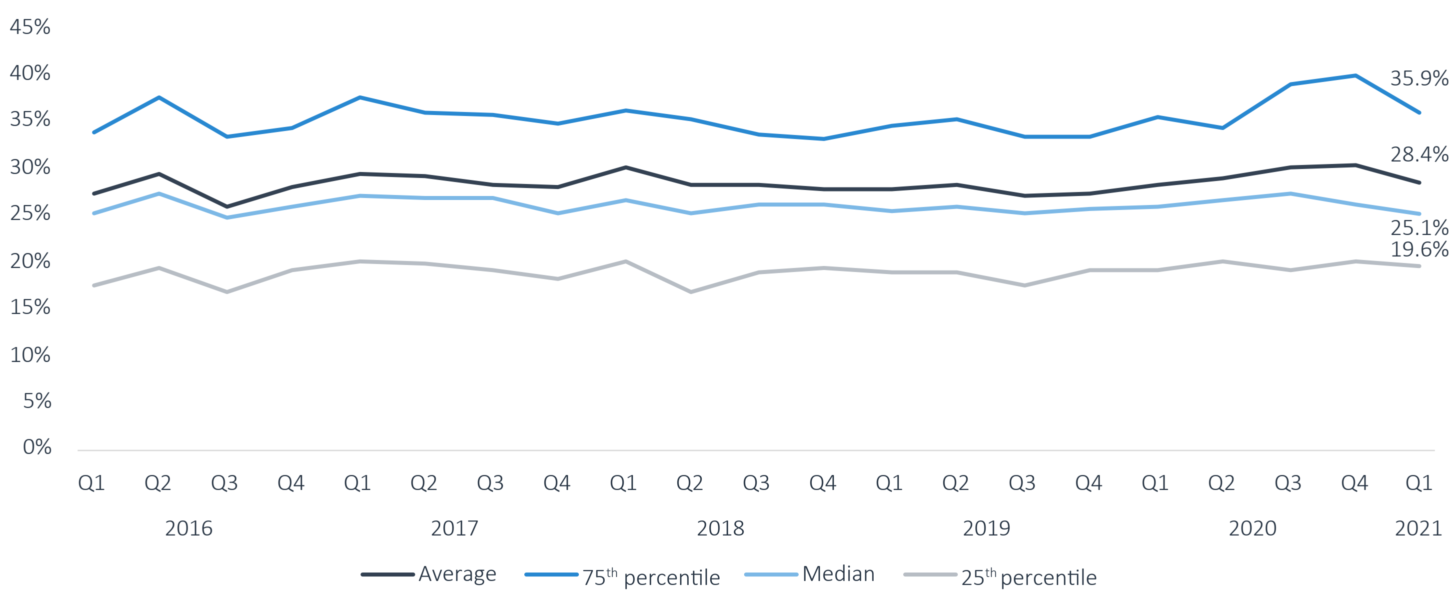


Source: PitchBook | **Geography**: US
*As of March 31, 2021

Early-stage valuations continued to expand as the rapid cadence of VC dealmaking from 2020 spilled over into Q1 2021. Both the median and average early-stage pre-money valuation hit record highs in Q1, coming in at $40.0 million and $96.3 million, respectively. This sharp expansion in the range of pre-money valuations, particularly at the top quartile, is attributed to the strength of companies at the early stages of the venture

Top quartile contracts sharply as median and average also dip

Quartile breakdown of % acquired for VC early stage by quarter



Source: PitchBook | **Geography**: US
*As of March 31, 2021

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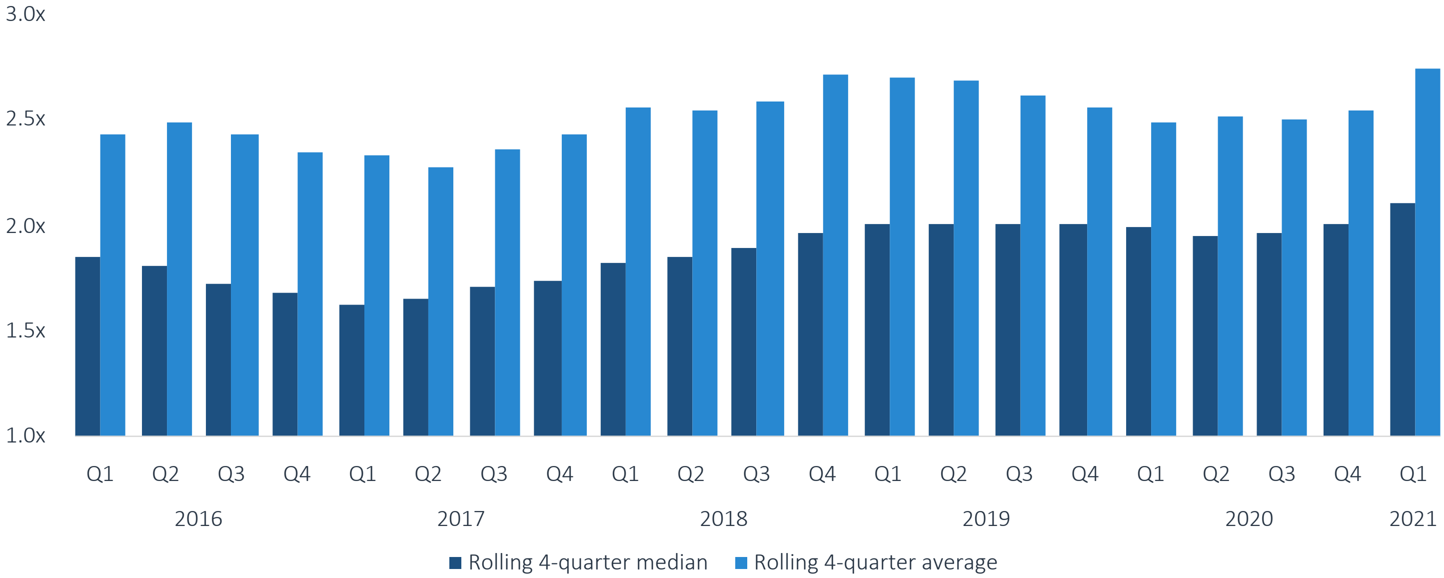
Early-stage VC

Rolling 4-quarter median valuation step-up hits record high of 2.1x

Rolling 4-quarter early-stage VC median and average step-ups



Source: PitchBook | **Geography**: US
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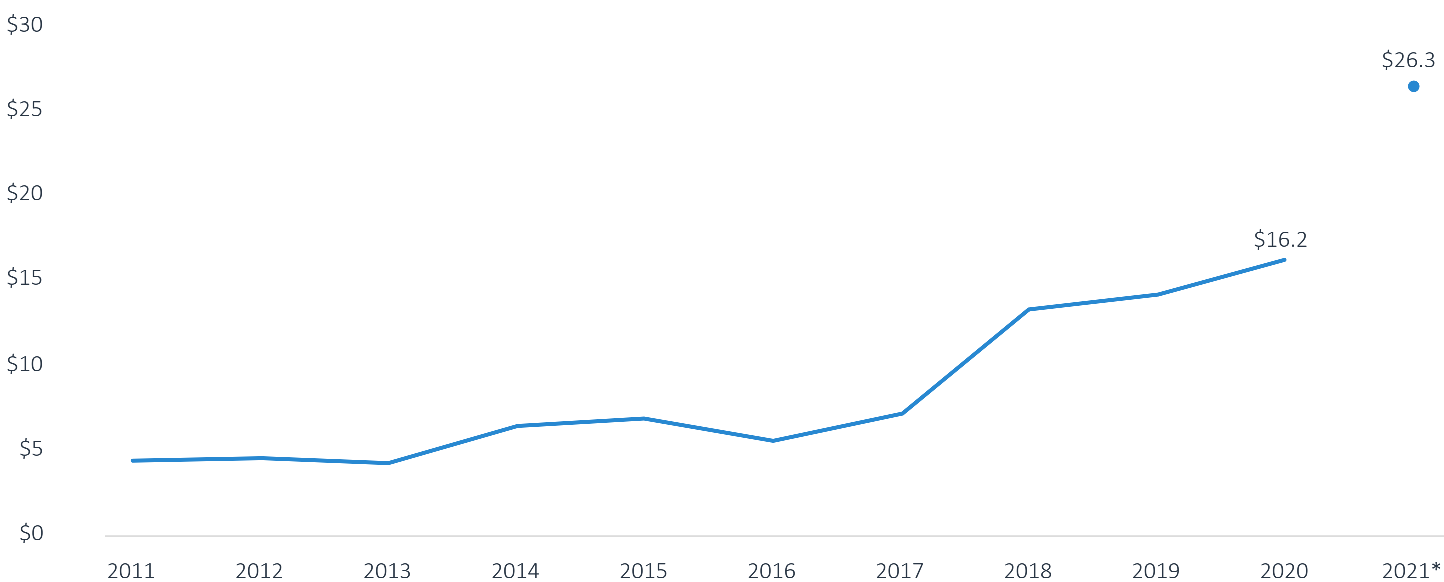
lifecycle. As key segments of the venture ecosystem have capitalized on the advantages of working from home, and as vaccine rollout has boosted morale and economic outlook, a growing number of attractive companies have emerged on the other side of the pandemic with stronger value propositions. Indeed, the time between early-stage rounds in Q1 2021 has dropped to 1.17 years—a level not seen since 2015—as companies are raising new financing rounds from a position of strength, not weakness.

Velocity of value creation (VVC) in Q1 shatters previous record

Median early-stage velocity of value creation between rounds ($M)



Source: PitchBook | **Geography**: US
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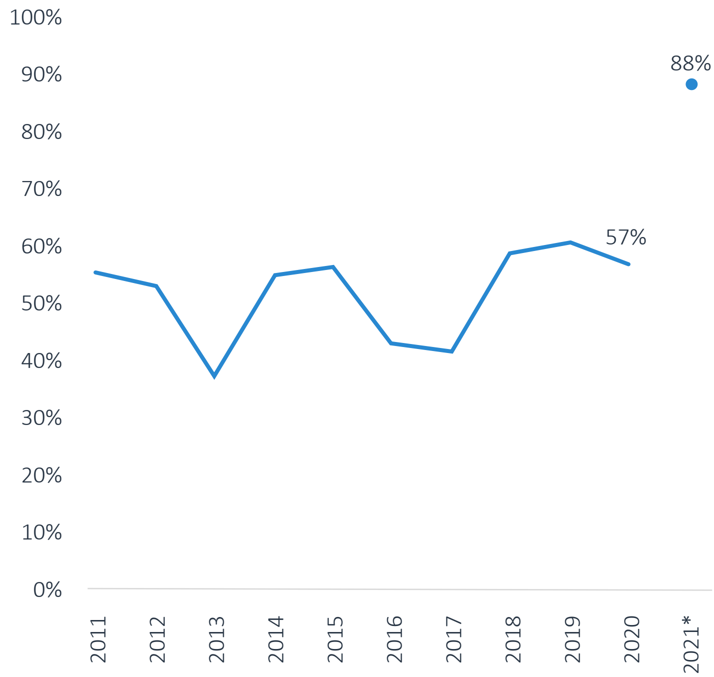
In fact, Q1 had 11 early-stage deals with pre-money valuations at or exceeding $500 million—the highest quarterly number ever recorded in our dataset. Data from our Q1 2021 PitchBook-NVCA Venture Monitor shows that Q1 deal value is also tracking to set a record high as deal activity has gone from strength to strength and largely rebounded to above pre-pandemic levels. Indeed, many early-stage investors recall Q1 2021 as one of the busiest quarters in their firm's history.[1] A notable early-stage VC deal with a sky-high valuation was a $170.0 million Series B in ABL Space Systems, completed at a $1.13 billion pre-money valuation. ABL is a developer of low-cost rockets designed to launch small satellites into orbit, which is an industry that has been buoyed by the recent enthusiasm for space exploration and space-enabled technologies.

Late-stage investors continue to invest earlier in the venture lifecycle, with an increasing number participating in early-stage financings. Investors who have traditionally focused on late-stage companies have developed an increased appetite for risk whetted by the stellar returns and strong multiples on invested capital (MOIC) associated with the plethora of unicorns that accessed the public markets in the last year, including Airbnb, Doordash, Roblox, and Palantir, to name a few. Indeed, participation in VC deals from crossover investors has continued to rise—with many even leading early-stage VC deals in Q1. Notably, biotech company EQRx's $570.0 million Series B included participation from prominent crossover investors such as Casdin Capital and Mubadala Investment Company. Lastly, Q1's velocity of value creation (VVC) and relative velocity of value creation (RVVC) values for early-stage financings have shattered previous records and set all-time highs, clocking in at $26.3 million per year and 88%, respectively.

Relative velocity of value creation (RVVC) in Q1 sets new record

Median early-stage relative velocity of value creation between rounds



Source: PitchBook | **Geography**: US
*As of March 31, 2021

1: "Silicon Valley's Deal Machine Is Cranking: 'I've Never Seen It This Frenzied,'" The Wall Street Journal, Heather Somerville, April 21, 2021.

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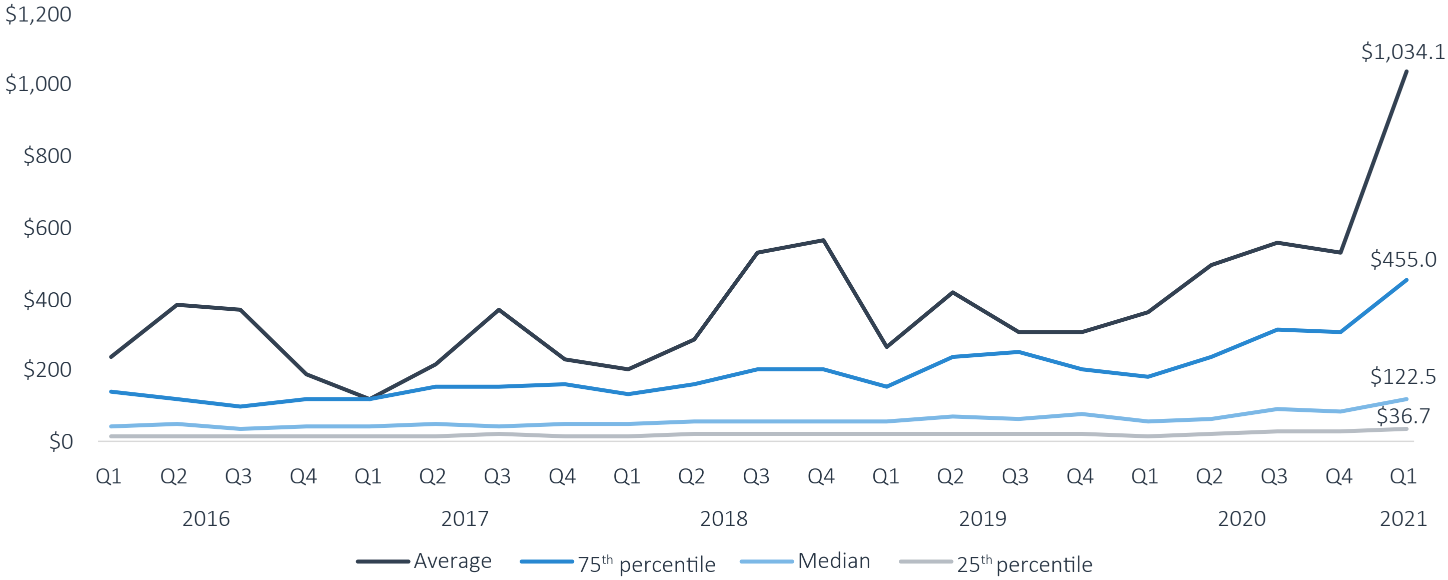
Late-stage VC

Outsized late-stage valuations push the Q1 median and average to new heights

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



Source: PitchBook | **Geography**: US
*As of March 31, 2021

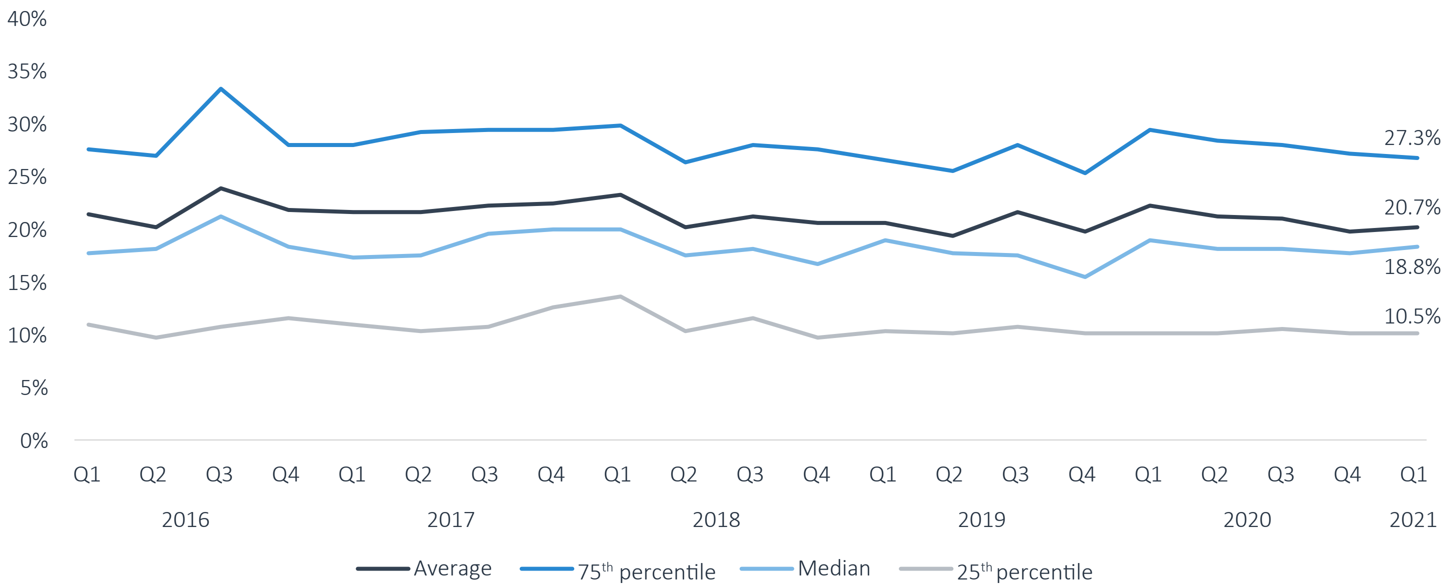
Late-stage valuations reached new levels in Q1 2021. An abundance of outsized deals has boosted the median and average pre-money valuations to record highs of $122.5 million and $1.03 billion, respectively. This marks the first time that the average late-stage valuation has exceeded $1 billion—an indication of how heightened valuations have been for late-stage VC deals in Q1. The proximity of late-stage financings to the IPO market has certainly played a role in these elevated valuations. Given that many late-stage deal valuations are loosely coupled with a company's potential market capitalization upon IPO, using public company comparables as a reference for their late-stage dealmaking has also significantly boosted valuations at this stage.

The increased flow of mega-deals within late-stage deals in Q1 has placed a premium on valuations, as swaths of nontraditional and crossover investors climbed onboard. Quarterly capital investment at the late stage has outpaced much of the industry as more than $50 billion of venture capital flowed into late-stage companies. Most notably, white-hot fintech Stripe's $600.0 million Series H in March 2021 drew a staggering pre-money valuation of $94.4 billion, crowning it as the most valuable privately backed company in the US. Late-stage companies raising crossover rounds (financings just prior to an IPO with participation from notable buy-side public equity asset managers) have been able to command lofty valuations as investors are eager to pay a premium to acquire ownership in companies while still private, as opposed to losing out on growth by waiting for an eventual IPO.

Late-stage companies continued to exhibit rapid valuation growth in Q1. The median and average rolling four-quarter step-up multiple for late-stage VC deals hit record highs of 1.6x and 2.0x, respectively. Further, Q1's velocity of value creation (VVC) and relative velocity of value creation (RVVC) values for late-stage financings have ballooned and reached a high-water mark, clocking in at $59.2 million per year and 70%, respectively.

Percentage acquired remains relatively steady throughout Q1

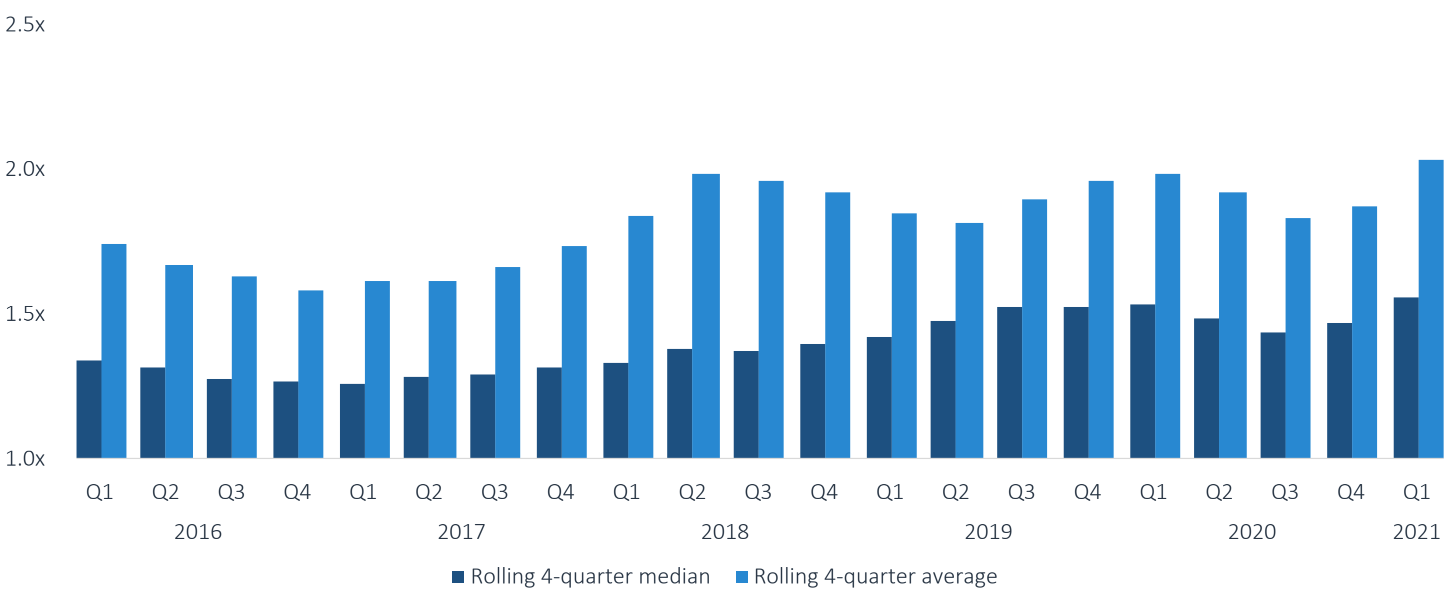
Quartile breakdown of % acquired for late-stage VC by quarter



Source: PitchBook | Geography: US
*As of March 31, 2021

Q1 deals boost rolling 4-quarter step-ups to record highs

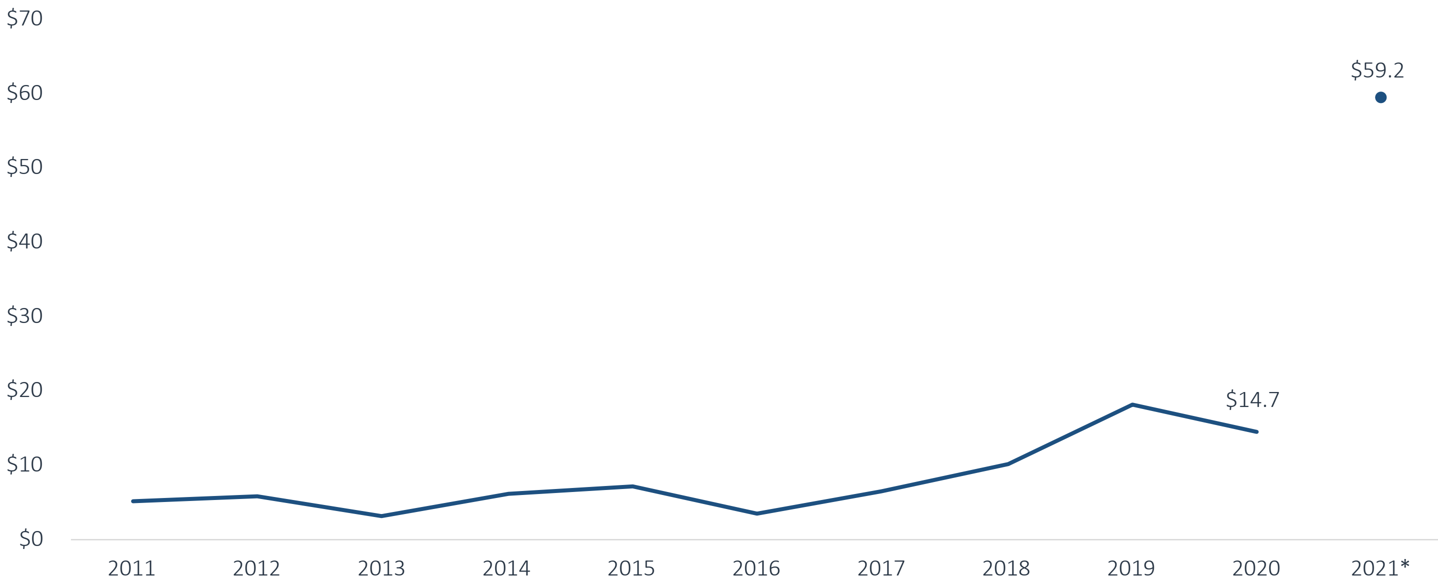
Rolling 4-quarter median and average step-ups for late-stage VC



Source: PitchBook | Geography: US
*As of March 31, 2021

Velocity of value creation (VVC) soars as late-stage VC deals are completed at sky-high valuations

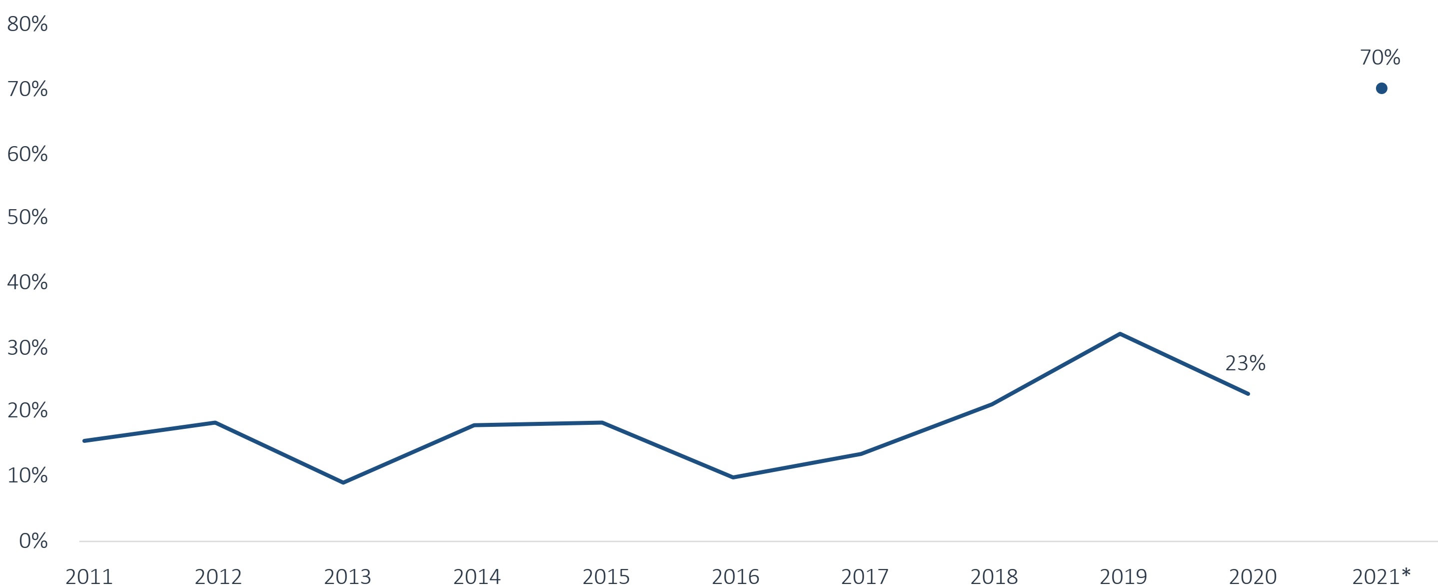
Median late-stage velocity of value creation between rounds ($M)



Source: PitchBook | **Geography**: US
*As of March 31, 2021

Relative velocity of value creation (RVVC) hits a record 70%

Median late-stage relative velocity of value creation between rounds

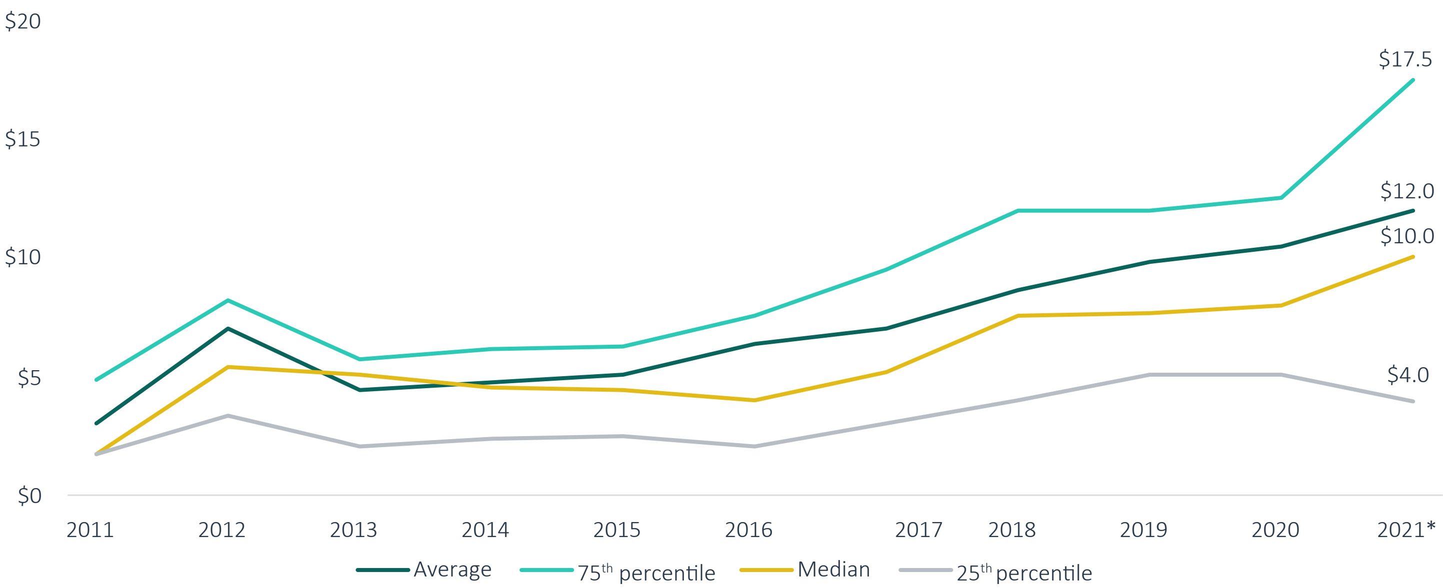


Source: PitchBook | **Geography**: US
*As of March 31, 2021

Spotlight: Biotech & pharma

Biotechs at the earliest stage of drug development see expansion in valuations

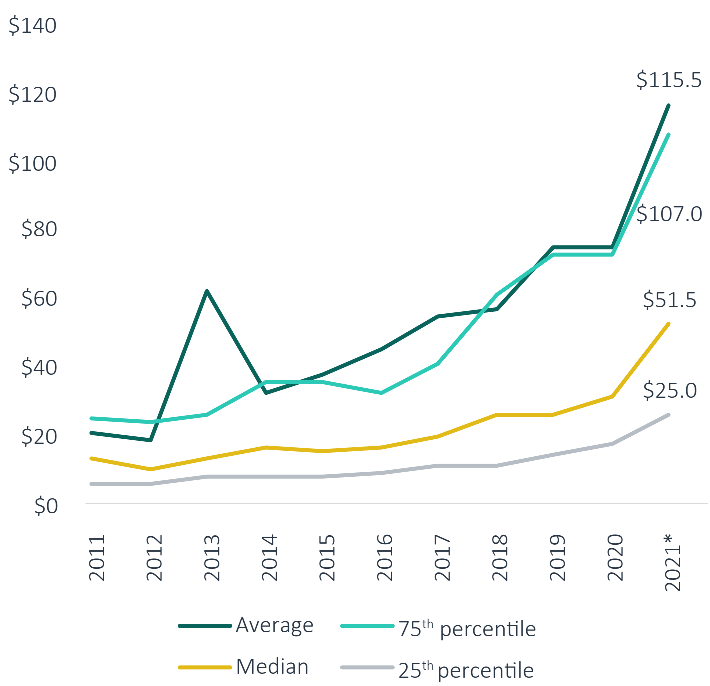
Biotech & pharma seed-stage VC pre-money valuations ($M) by quartile



Source: PitchBook | **Geography**: US
*As of March 31, 2021

Median and average both see notable jumps over 2020's records

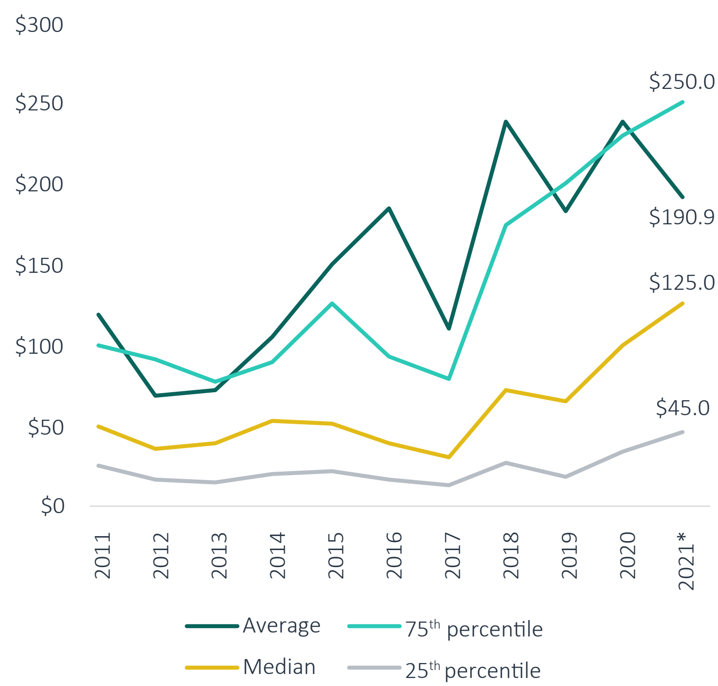
Biotech & pharma early-stage VC pre-money valuations ($M) by quartile



Source: PitchBook | **Geography**: US
*As of March 31, 2021

Late-stage average valuation drops while the median continues to climb

Biotech & pharma late-stage VC pre-money valuations ($M) by quartile

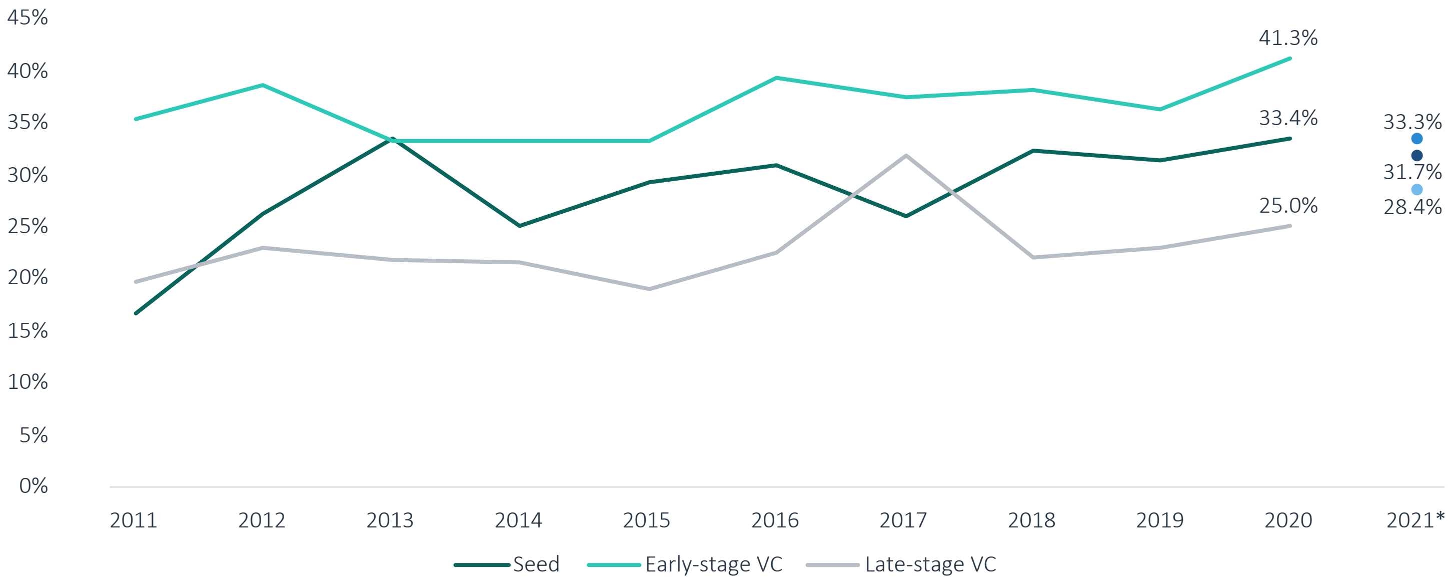


Source: PitchBook | **Geography**: US
*As of March 31, 2021

Spotlight: Biotech & pharma

Tightening of percentage of equity stakes seen

Biotech & pharma median proportion acquired by stage



Source: PitchBook | **Geography**: US
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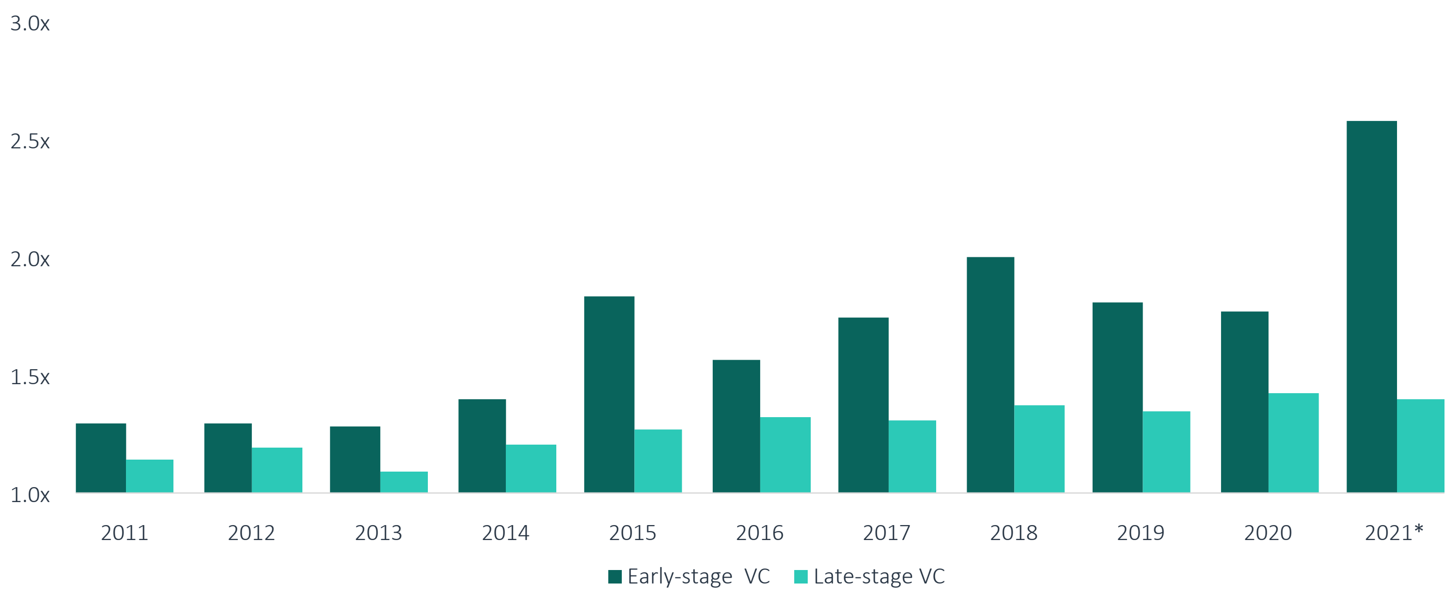
Median early-stage step-up shatters previous record

Biotech & pharma median step-up multiples by stage



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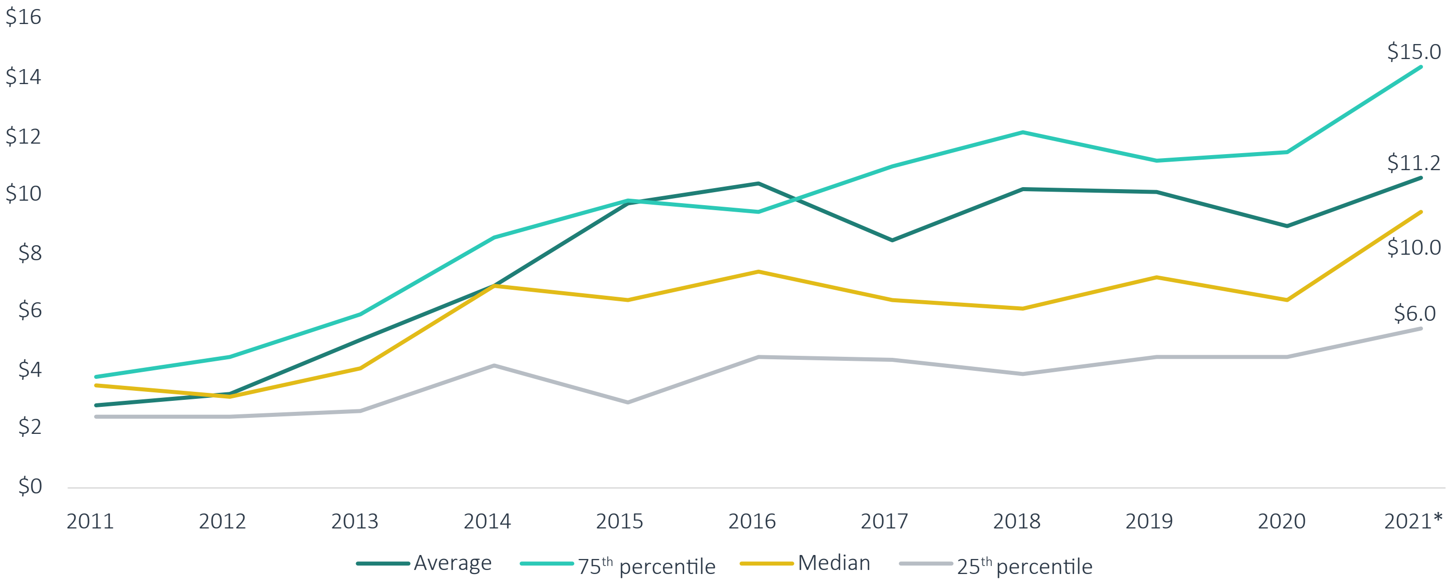
*As of March 31, 2021

Spotlight: Mobility tech

Q1 saw increases in seed-stage valuations

Mobility tech seed-stage VC pre-money valuations ($M) by quartile



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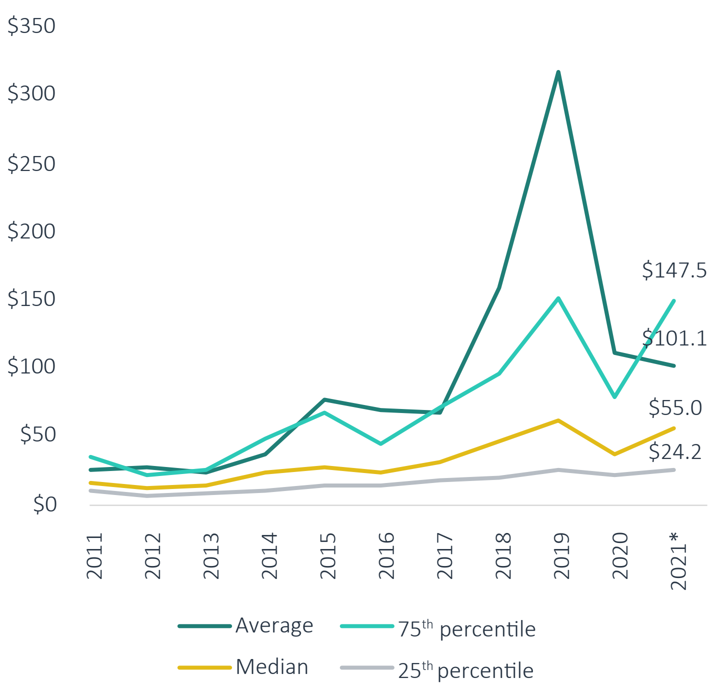
Expansion in early-stage valuations seen over 2020's numbers

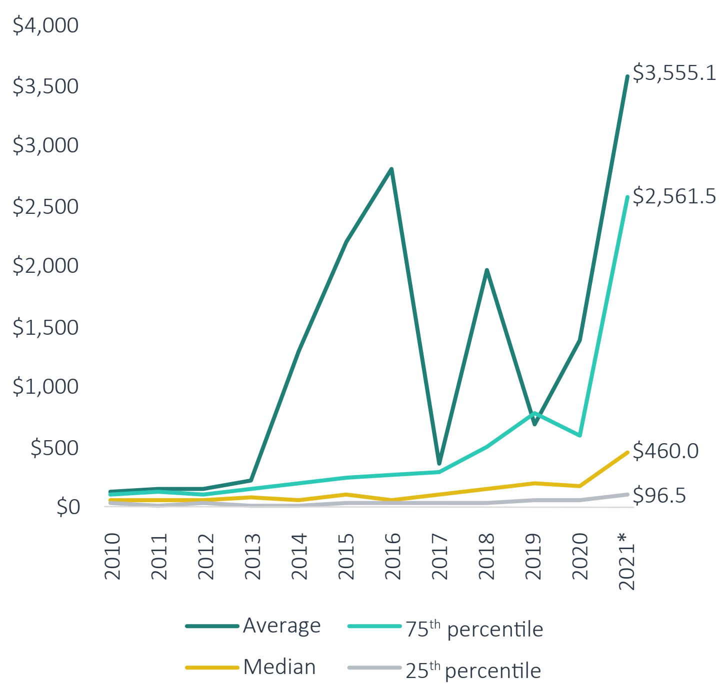
Mobility tech early-stage VC pre-money valuations ($M) by quartile



Source: PitchBook | **Geography**: US
*As of March 31, 2021

Top quartile of deals pushes average to new heights

Mobility tech late-stage VC pre-money valuations ($M) by quartile



Source: PitchBook | **Geography**: US
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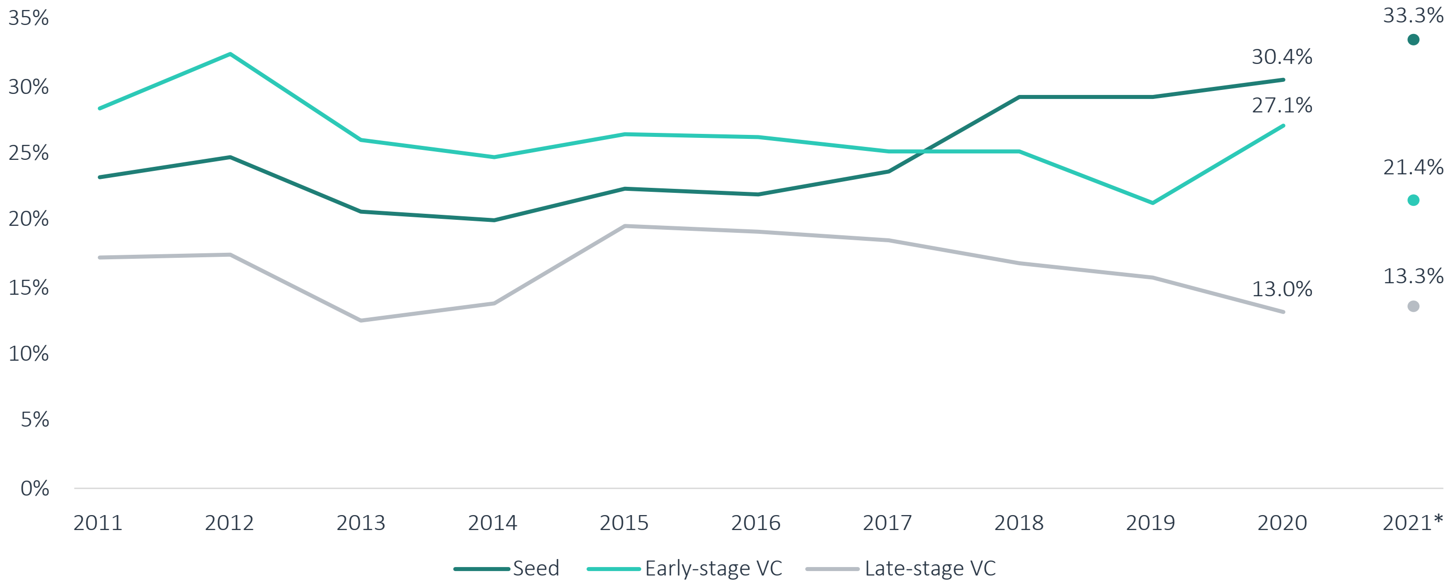
Investors continue to increase stakes at the seed-stage

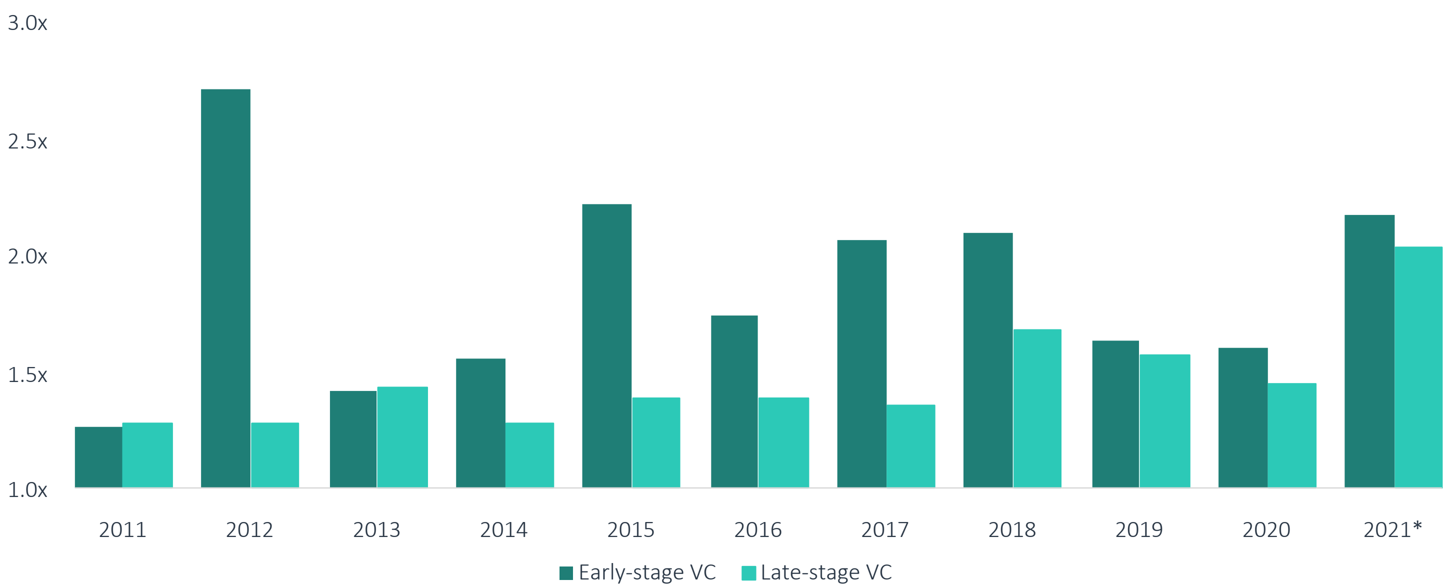
Mobility tech median proportion acquired by stage



Source: PitchBook | **Geography**: US
*As of March 31, 2021

Strong start to 2021 as step-up multiples reflect growing valuations

Mobility tech median step-up multiples by stage

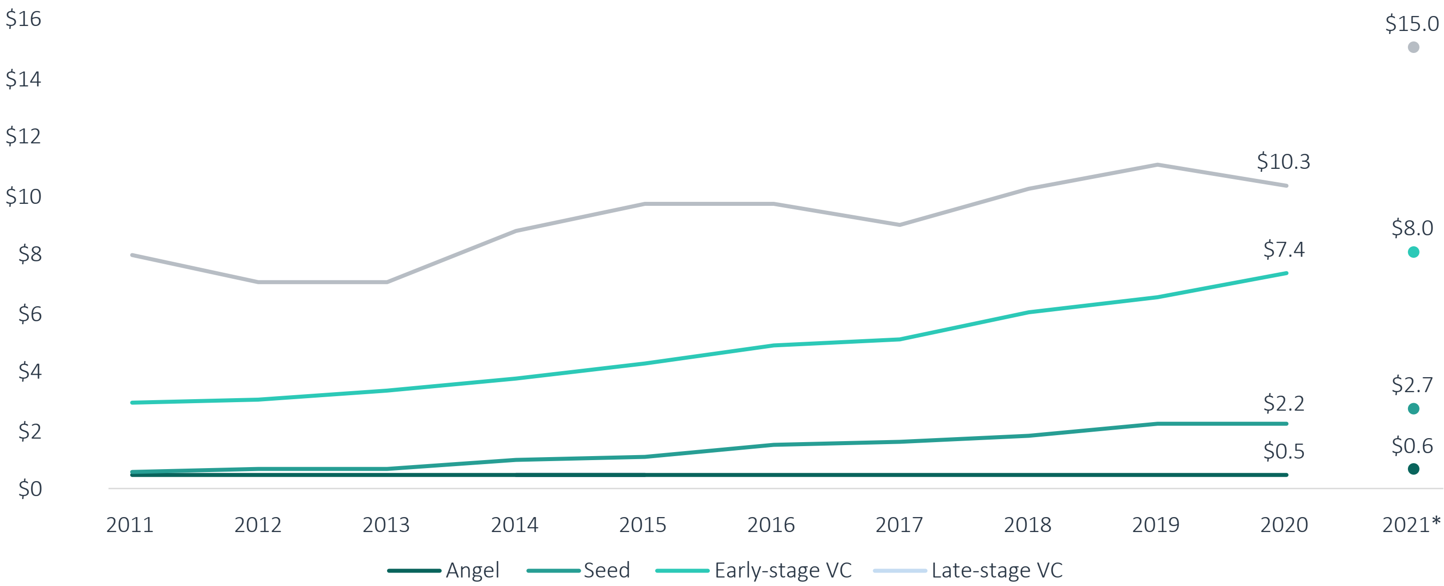


Source: PitchBook | **Geography**: US
*As of March 31, 2021

Spotlight: Enterprise tech

Late stage B2B valuations spike 50% in 2021

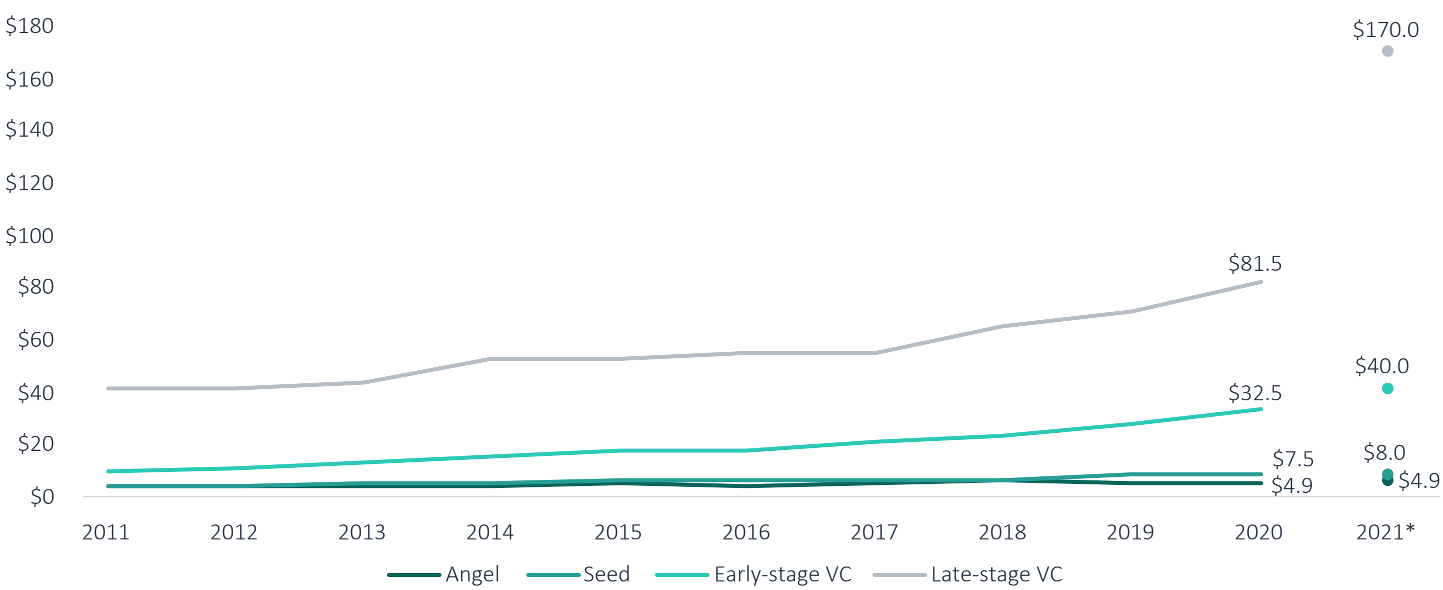
Enterprise tech B2B VC median deal size ($M) by stage



Source: PitchBook | **Geography**: US
*As of March 31, 2021

B2B valuations at premiums in 2021

Enterprise tech B2B VC median pre-money valuation ($M) by stage



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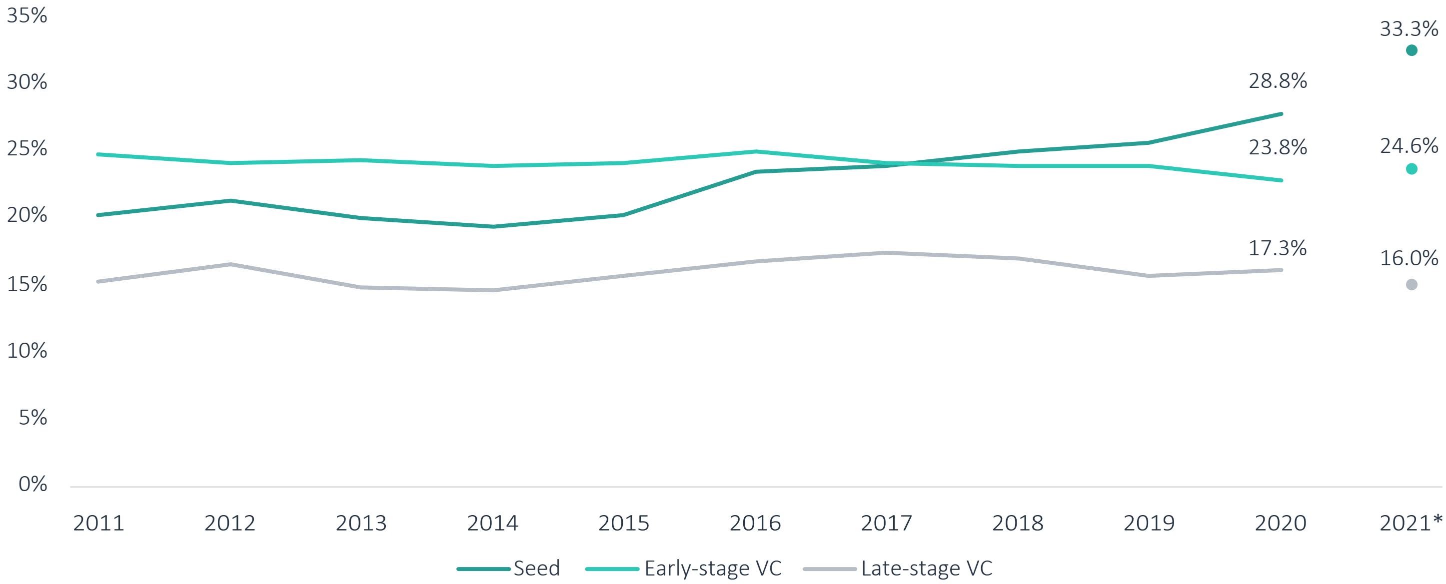
Seed stakes rise

Enterprise tech VC median % acquired by stage



Source: PitchBook | **Geography**: US
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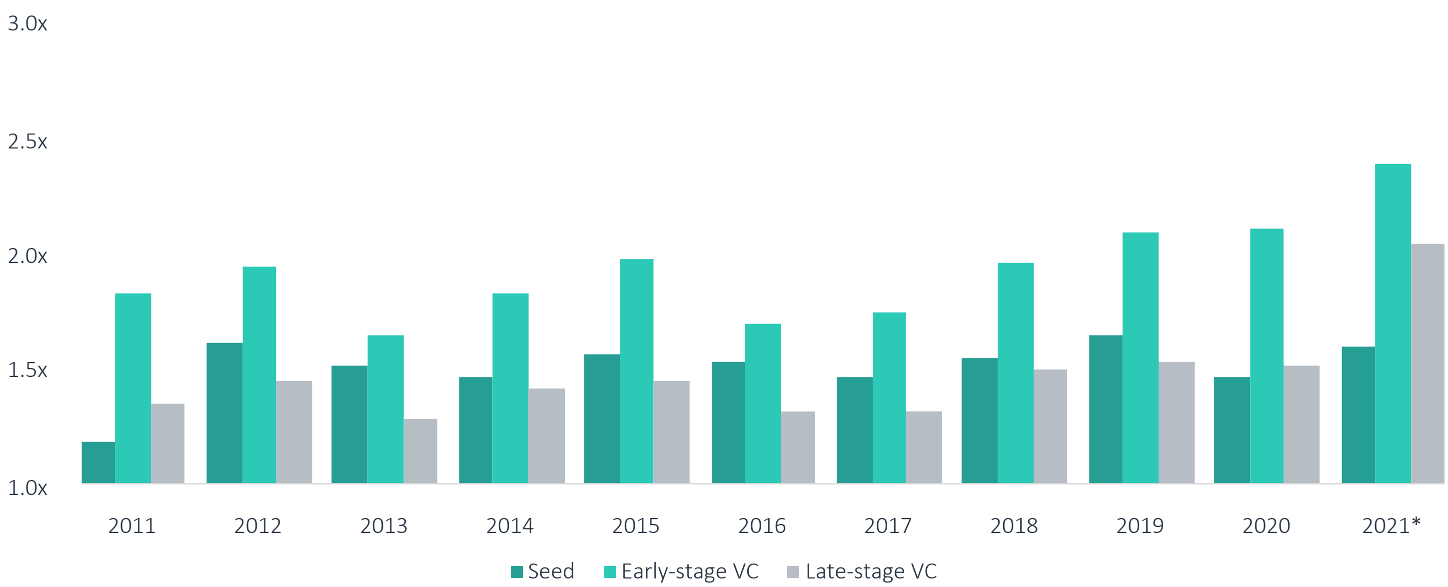
Step-ups continue upward trend

Enterprise tech VC median step-up by stage

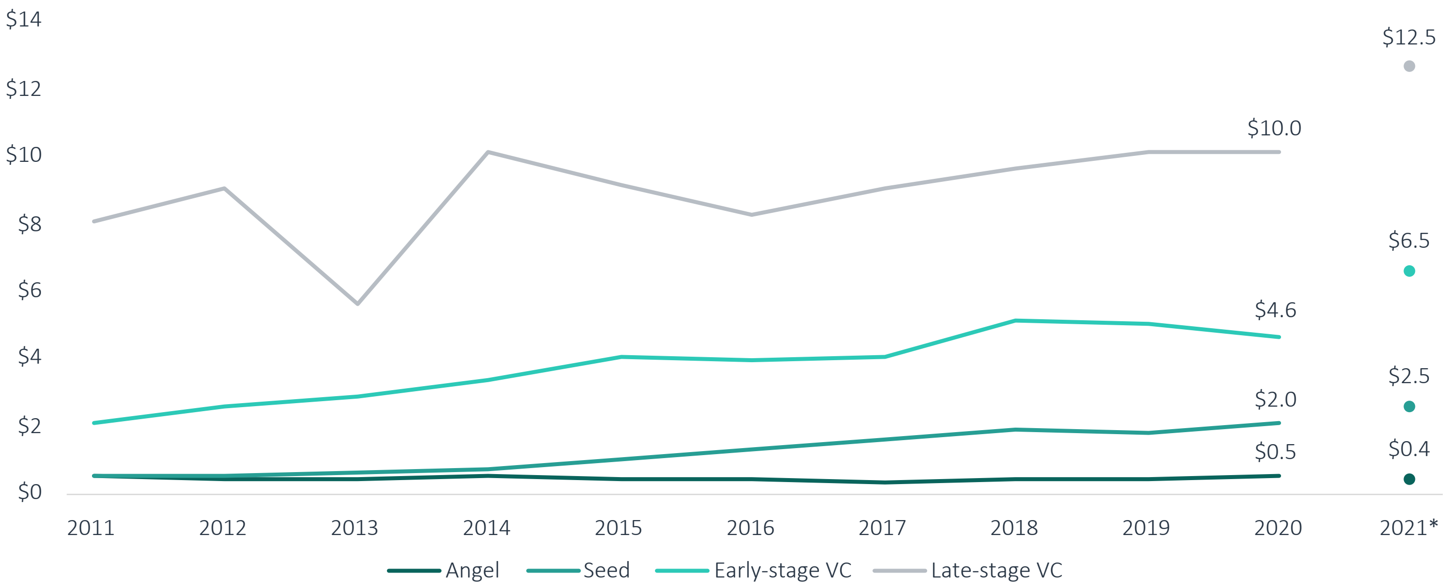


Source: PitchBook | **Geography**: US
*As of March 31, 2021

Spotlight: Consumer tech

B2C deal sizes following broader trends

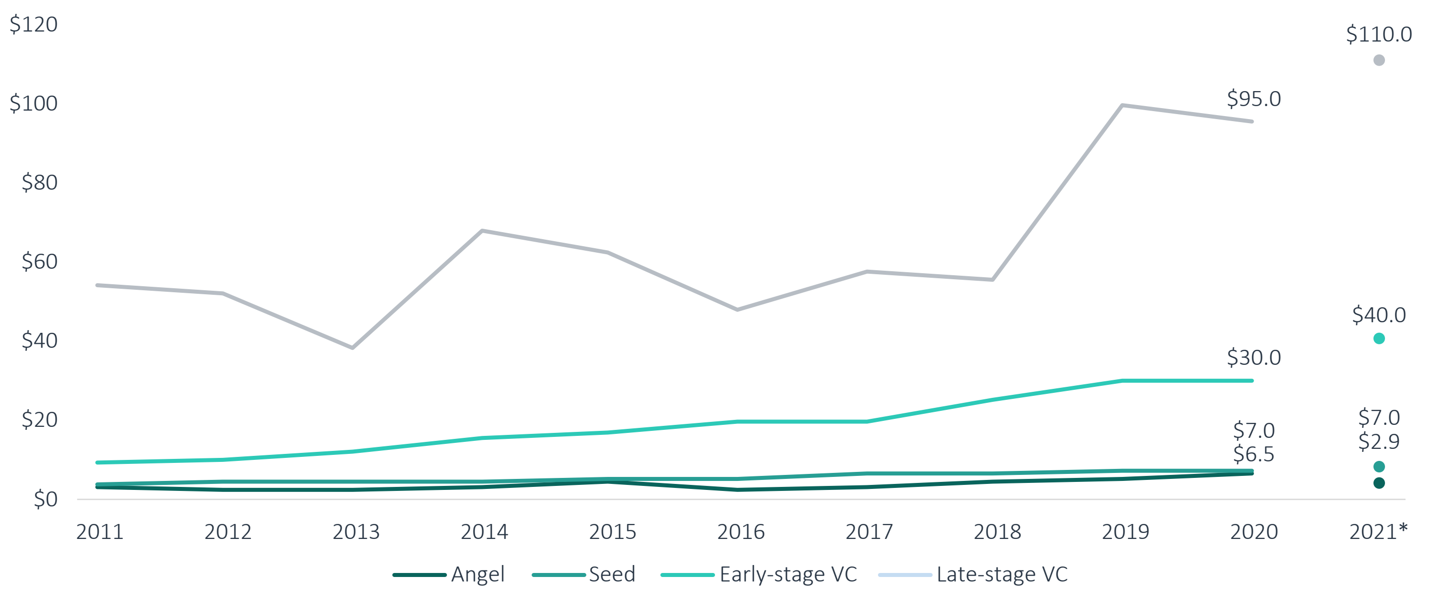
Consumer tech B2C VC median deal size ($M).



Source: PitchBook | **Geography**: US
*As of March 31, 2021

B2C valuations higher than 2020

Consumer tech B2C VC median pre-money valuation ($M) by stage



Source: PitchBook | **Geography**: US
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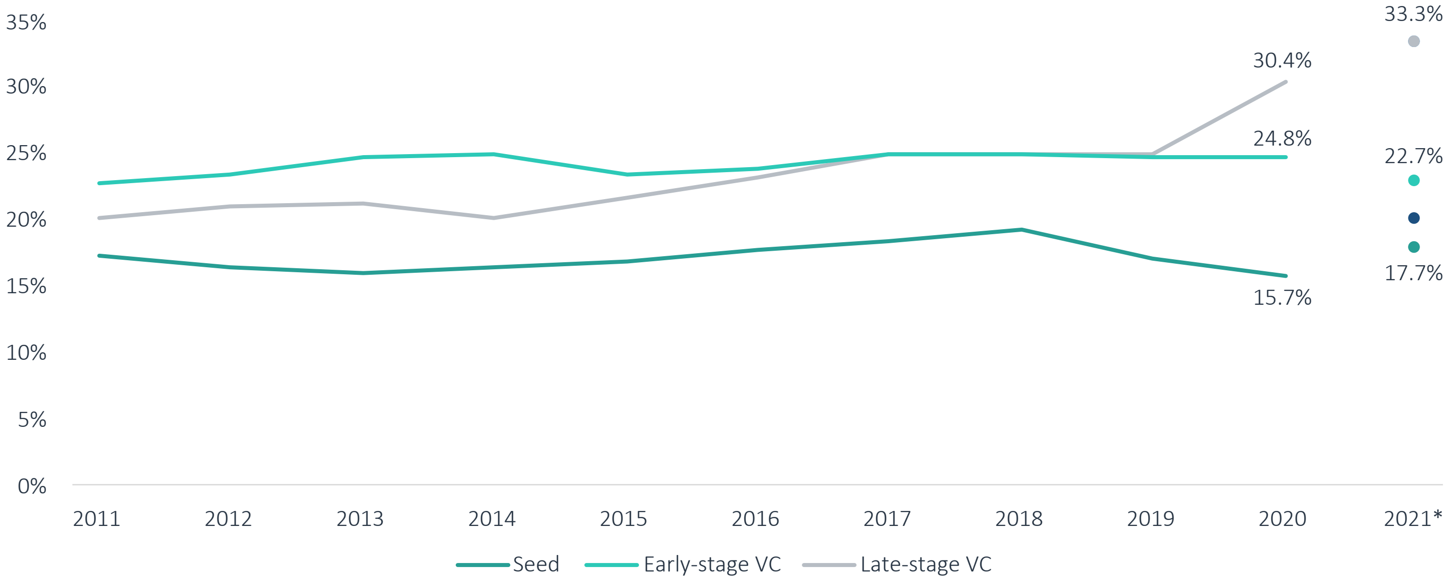
Acquired stakes have mostly plateaued

Consumer tech VC median % acquired by stage



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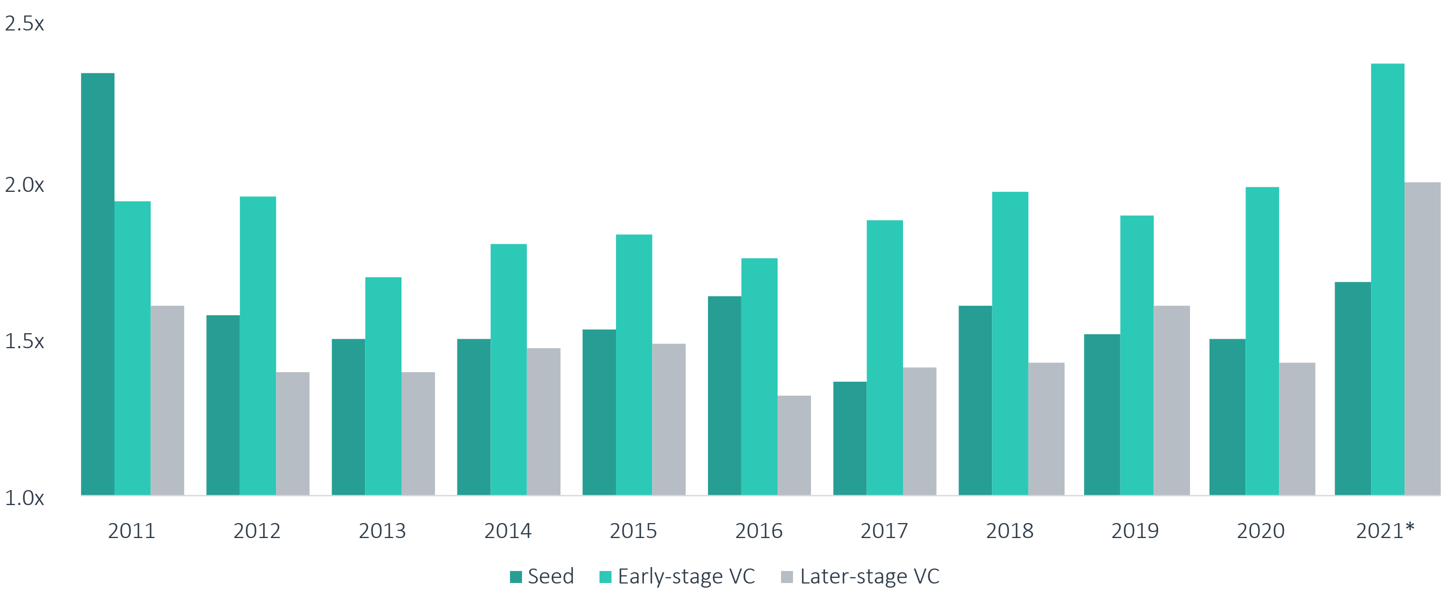
Late stage step-ups see massive jump in Q1

Consumer tech VC median step-up by stage



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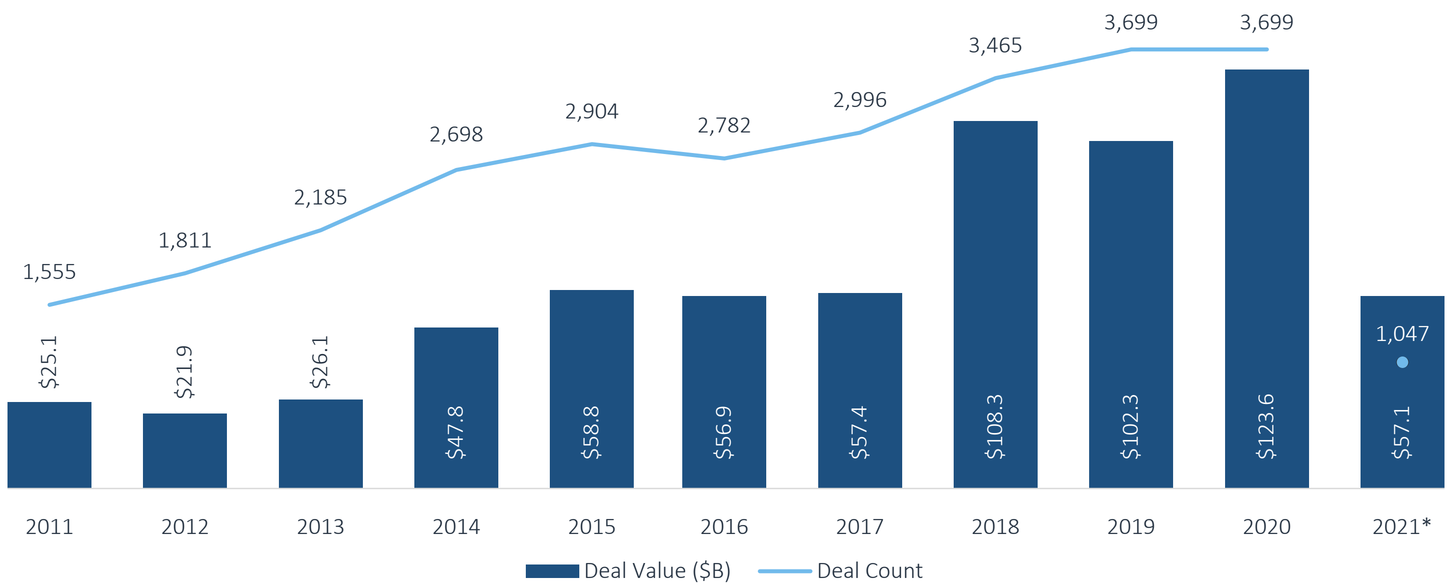
Nontraditional investors

Q1 was the most active quarter ever for nontraditionals

Nontraditional investor VC deal activity ($M)

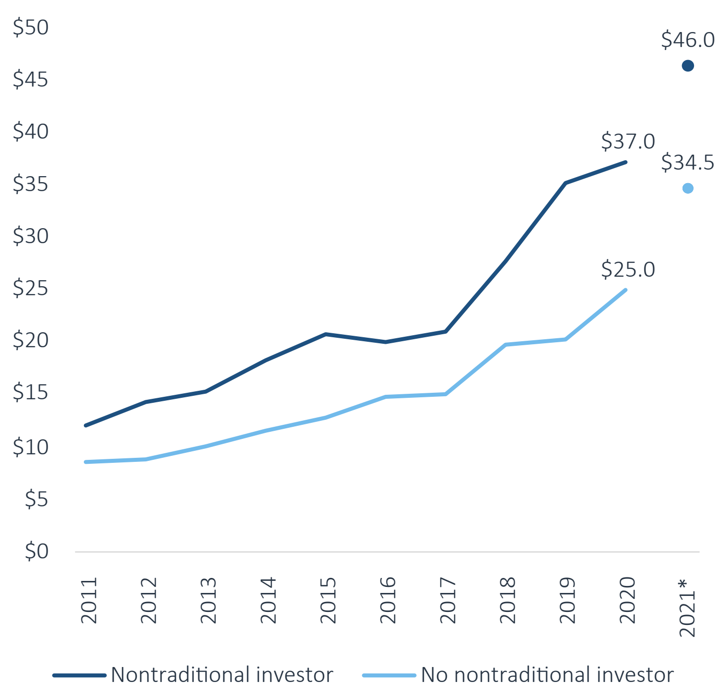


Source: PitchBook | **Geography**: US
*As of March 31, 2021

With valuations growing at every stage, it's not surprising to see the valuations of deals with nontraditional investor participation growing as well. More than 1,000 deals were completed by these institutions during Q1, claiming more than $57 billion in total deal value. This accounts for nearly 78% of the deal value from the quarter, driven by the heavy presence of these investors at the late stage, and especially within the largest deals. Valuations for late-stage deals with nontraditional participation have risen to a median of $219 million, nearly $170 million larger than in deals where these institutions do not invest. There is certainly bias in these figures, as many nontraditionals are investing out of larger capital bases and therefore need to participate in larger deals—or they are acting as additional capital to fill out an already large round. Additionally, there has been growth in the number of rounds in which nontraditionals have acted as lead investors, increasing the impact these institutions have on the industry. We expect increasing amounts of nontraditional capital to flow into venture, especially into the largest rounds, continuing to expand the late stage as companies look to extend growth in the private market.

Spread between deal valuations remains high

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



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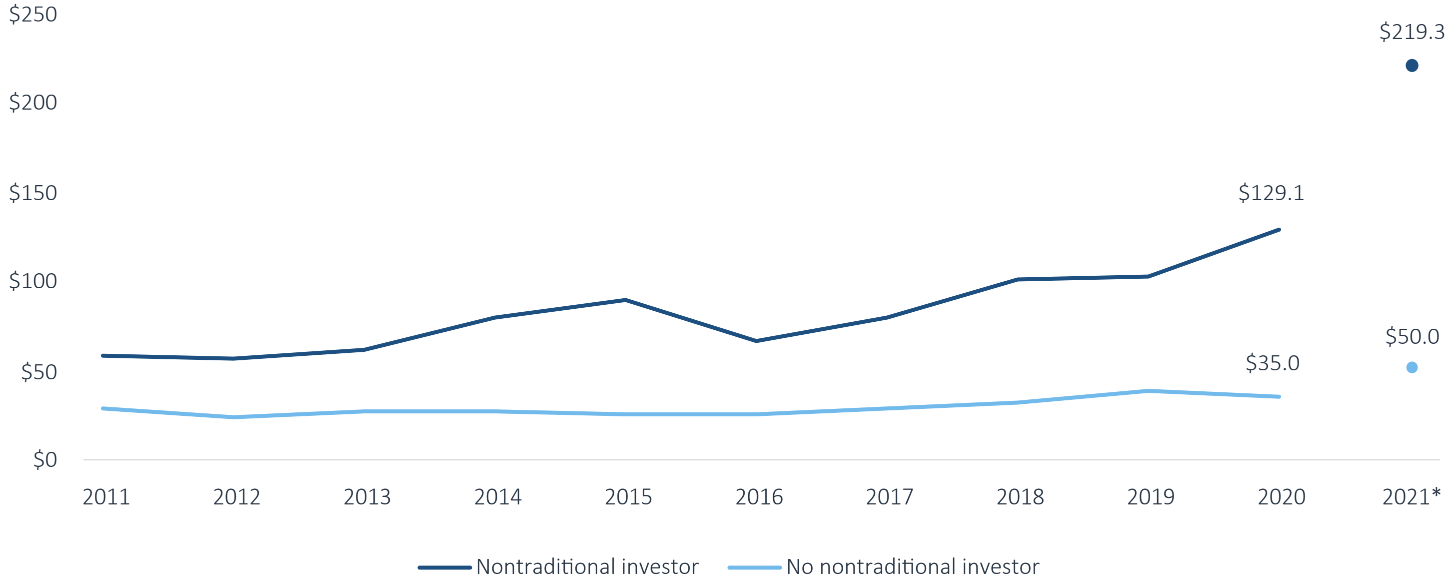
Late stage valuations skyrocket

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

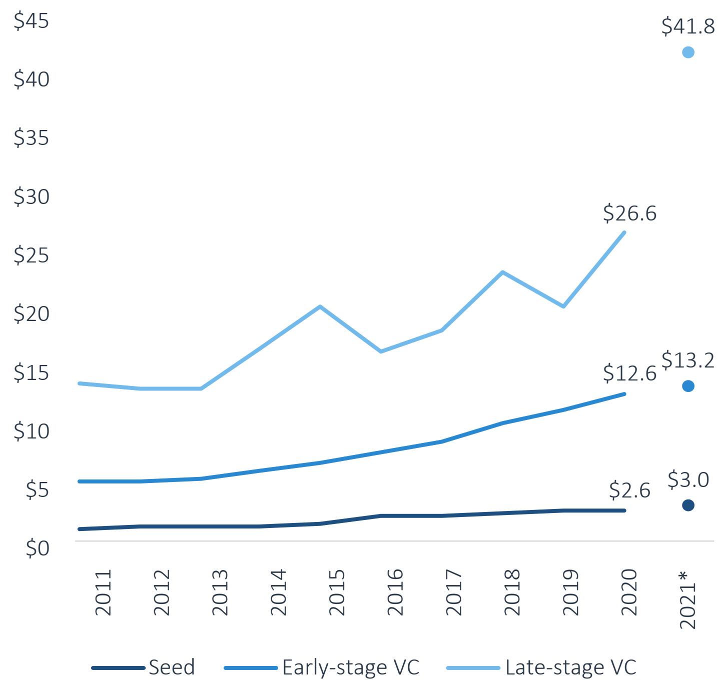


Source: PitchBook | **Geography**: US
*As of March 31, 2021

On its own, corporate venture has also seen marked growth in recent years, a trend that continued in Q1. The median valuation of corporate VC rounds grew at both early and late stages in Q1 over the full-year 2020 figures, reaching $50.0 million and $173.0 million, respectively. While CVCs have participated in many of the mega-deals, they are likely to have already invested in those companies as part of the trend toward early-stage investments. Corporations launching or reloading VC programs in Q1 include Xerox, which announced a $250.0 million fund, and Nationwide Insurance, which added $250.0 million to its venture program.

Nontraditional investors continue to participate in largest deals at each stage

Nontraditional investor median VC deal size ($M) by stage

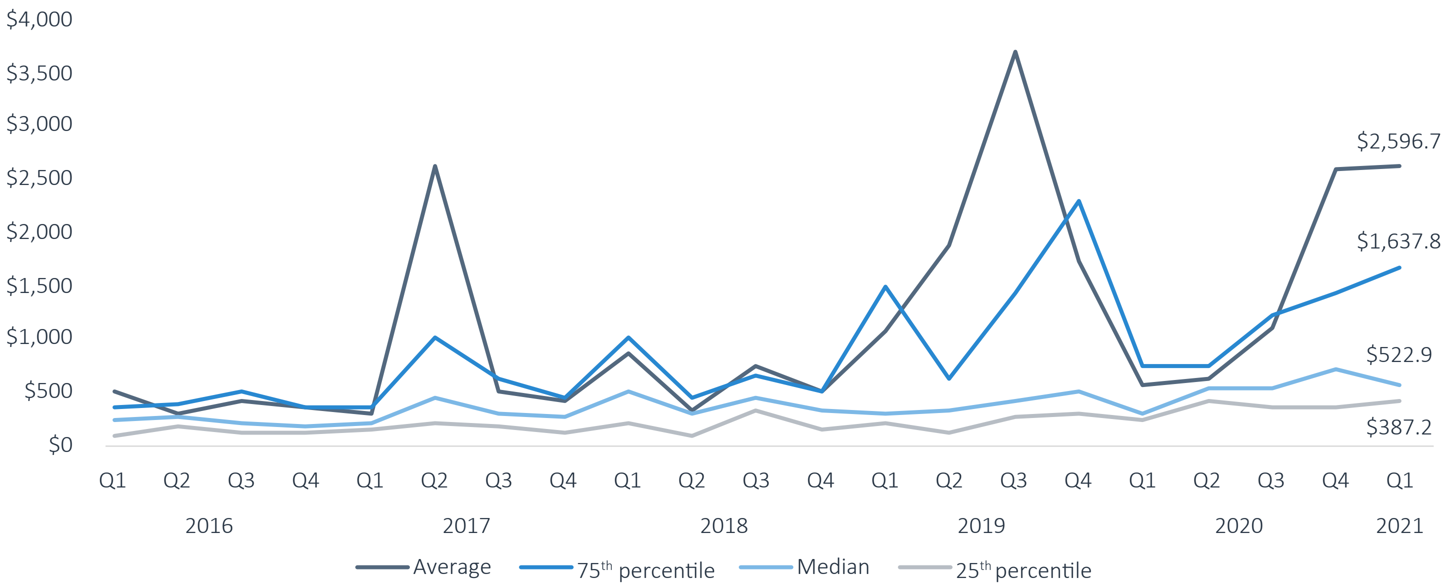


Source: PitchBook | **Geography**: US
*As of March 31, 2021

Liquidity

Outlier IPOs continue to drive elevated average public listing valuation

Exit value ($M) for public listings by quartile



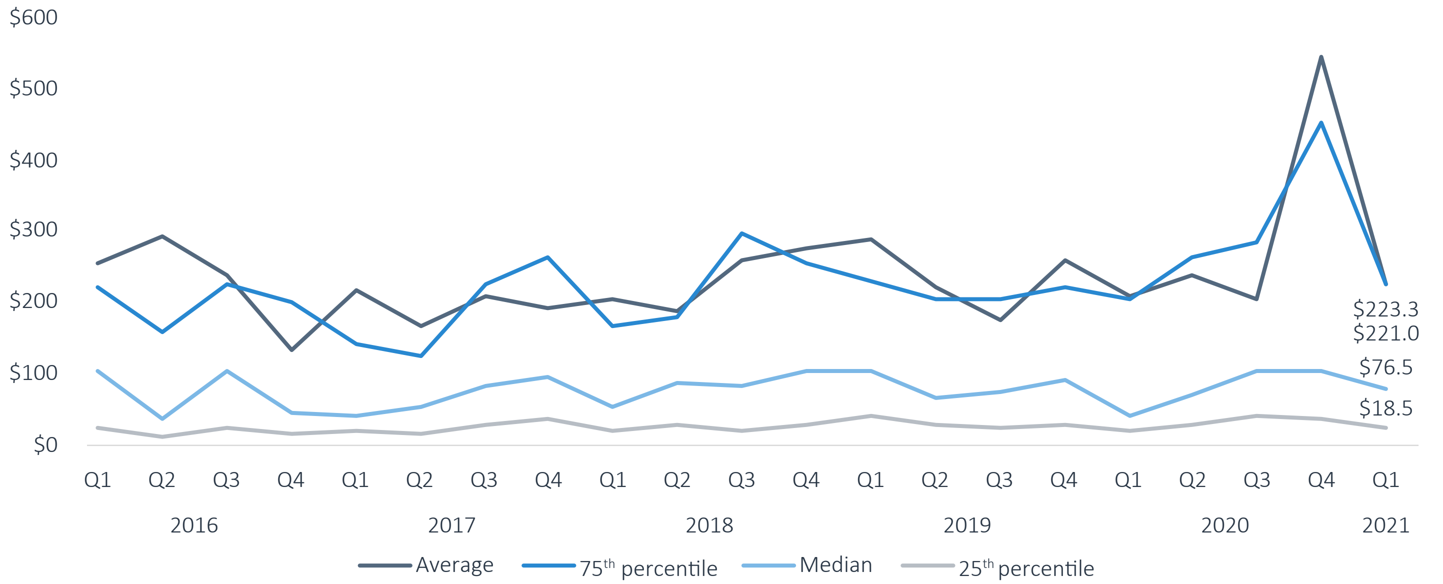
Source: PitchBook | **Geography**: US
*As of March 31, 2021

Q1 2021 was exemplified by rapid VC activity, and the exit market was no exception, especially for public listings. Given the surge in public markets, as well as the acceleration of SPAC (special purpose acquisition company) acquisitions, investor demand was robust for startups trying to make the jump out of private backing. The elevated volumes also allowed many companies to price their listing at very attractive valuations as the average and 75th percentile valuations remained historically high during the quarter. Outlier IPOs from the likes of Roblox, Tuya Smart, and Affirm helped to maintain the wide gap between the average and 75th percentile. Valuation step-ups in Q1 2021 for these listings also saw QoQ growth of 26.9% to 1.89x, the highest level since Q1 2015, illustrating the investor appetite for growth businesses even at significantly higher prices than what we have seen in the private markets. SPACs are obviously the new players in this part of the exit market, as that activity picked up quite significantly in the quarter, representing 14 out of the 50 VC public listings of the quarter.

Acquisition valuations at the aggregate have slipped slightly QoQ; however, there is still significant strength in that pathway for startup liquidity. Step-up metrics for acquisitions remained over 2.2x for the second consecutive quarter, signifying startups have been met with favorable terms when approached by strategic acquirers. Even more impressive is these increasing step-ups come in a period of massive private valuation growth that directly makes step-ups more difficult to achieve given the higher average denominator. We expect these historically high acquisition step-ups to continue in line with public market performance, as excess capital to acquire companies should stay elevated as long as earnings and cash flow growth remain strong.

Acquisition valuations temper QoQ but remain robust

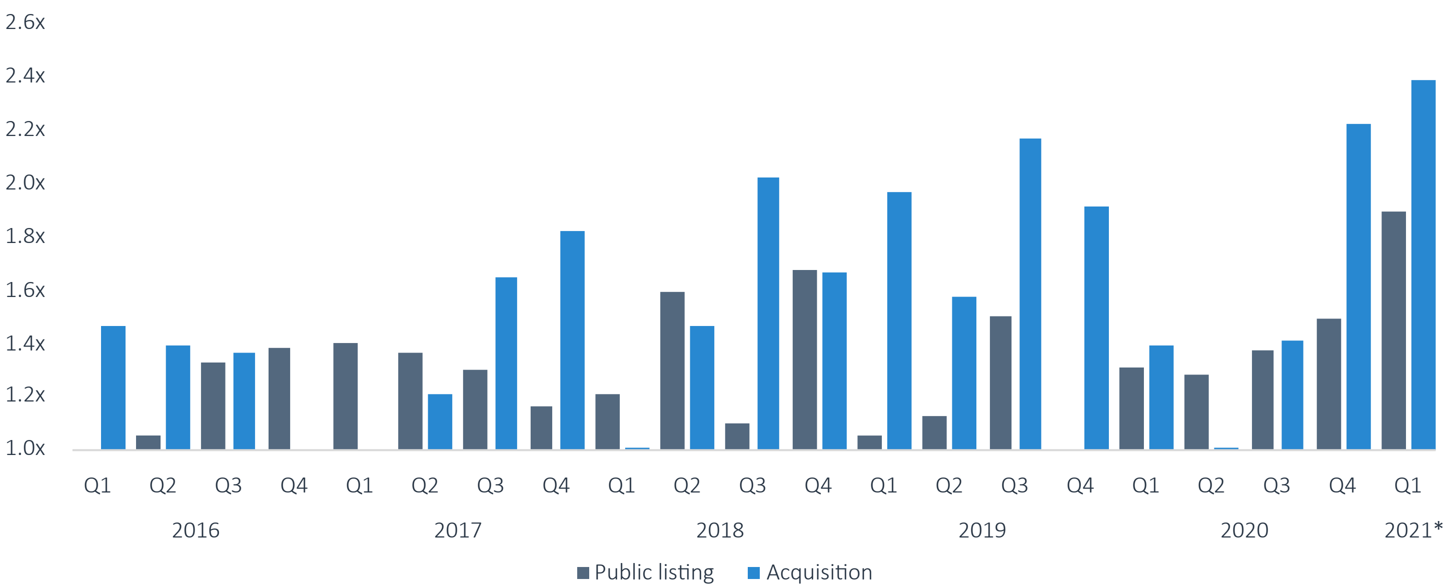
Quarterly exit value ($M) for acquisitions by quartile



Source: PitchBook | **Geography**: US
*As of March 31, 2021

Step-ups improve across total exit environment

Valuation step-ups at exit



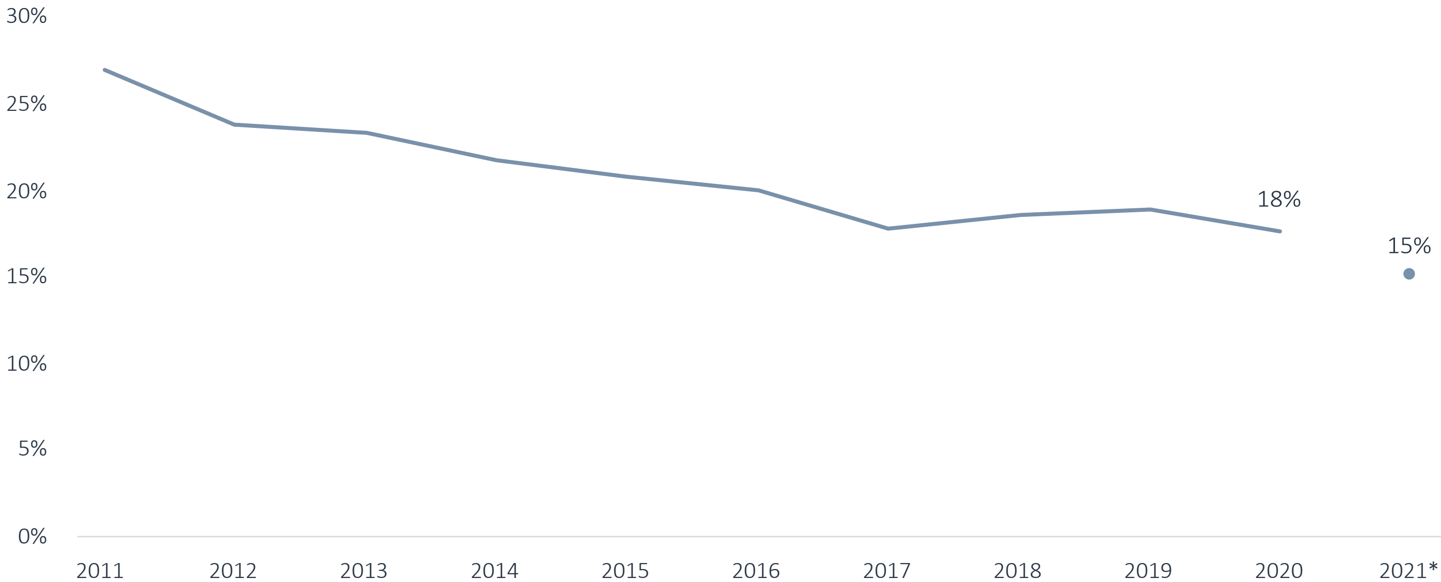
Source: PitchBook | **Geography**: US
*As of March 31, 2021

PitchBook

Deal terms

Cumulative dividends slide to lowest level on record

Percentage of VC deals with cumulative dividends



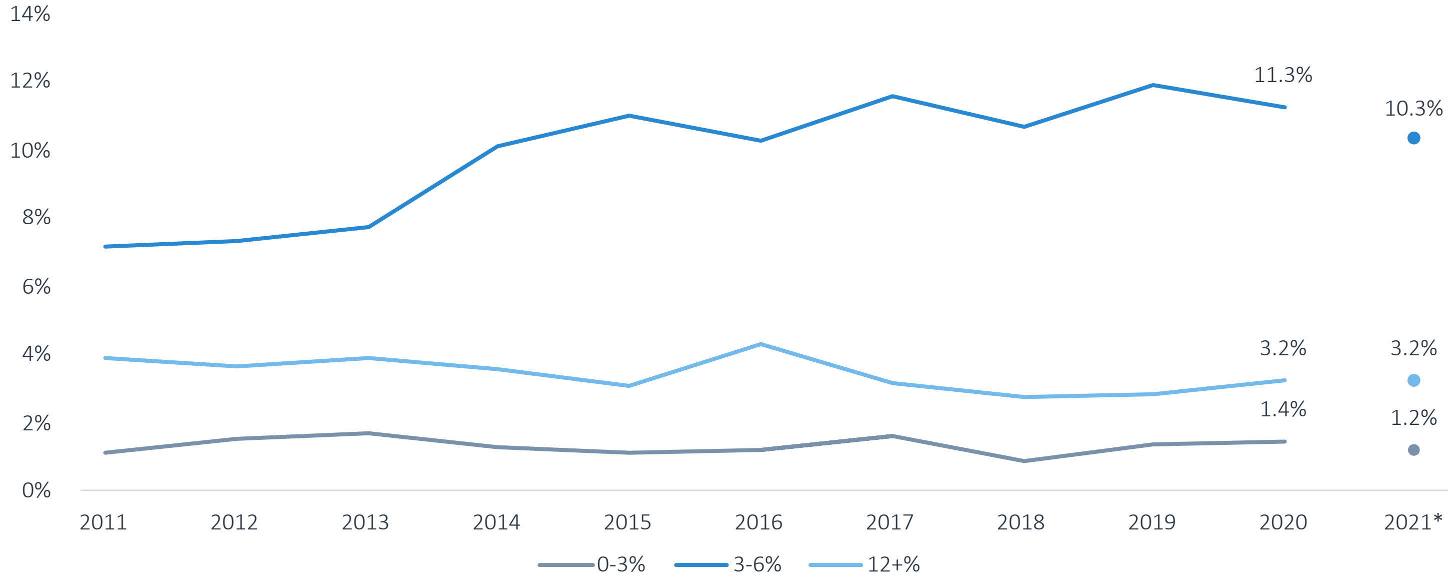
Source: PitchBook | **Geography**: US
*As of March 31, 2021

"Capital availability" has been the VC ecosystem's catchphrase the last few years as the strategy exploded from its niche within alternative investing to a machine that allocates more than $100 billion per year to innovative startups. This paradigm shift in VC has been categorized by the swelling of available capital, which started with larger VC funds, and has also set into motion a massive increase in VC participation from nontraditional investors such as mutual funds and hedge funds. The existence of abundant capital shifted the scarcity in this market from capital to investment opportunities, which has culminated in more founder-friendly terms making their way onto term sheets over the last five years.

The first quarter of 2021 was no exception to this longer-term trend, as nearly all of the more protectionist deal terms remained at the levels seen in 2020. Participation rates held steady at 12% of all transactions with cumulative dividends only included in 15%. Q1 posted a record quarter of dealmaking, fundraising, and exits, likely giving growing startups more bargaining power than ever, backed up by anecdotes of startups receiving multiple term sheets within days of starting the fundraising process. In this frenetic environment, it's easy to see how investors would be willing to make concessions to get allocations in these high-demand deals, which has led to the increased compression we see in protectionist deal terms. It remains to be seen if this is the result of over-exuberance from investors, which would lead to some kind of mean reversion to more investor-friendly terms if these companies don't live up to their high valuations, or if the market has fully evolved to a new normal.

Nonstandard dividends remain steady

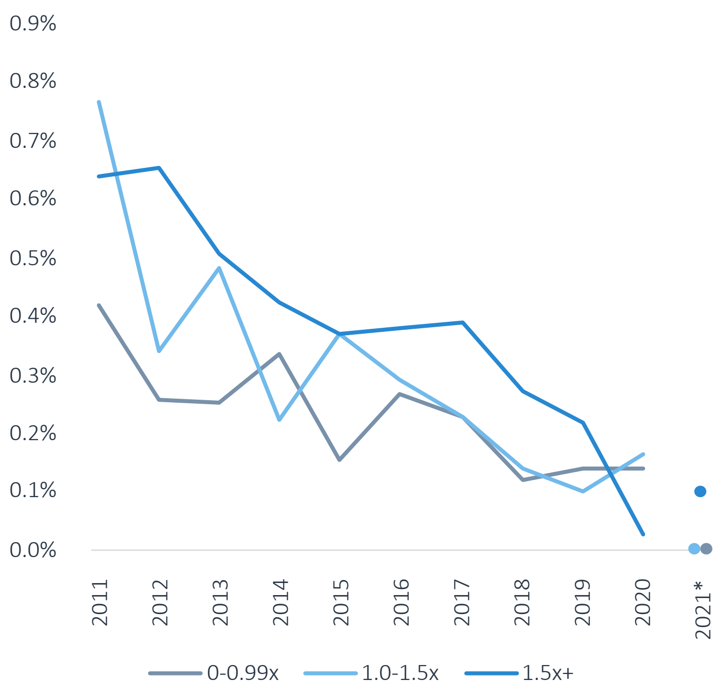
VC dividend buckets (excluding 6%-9%)



Source: PitchBook | **Geography**: US
*As of March 31, 2021

Liquidation preference over 1.0x approach zero

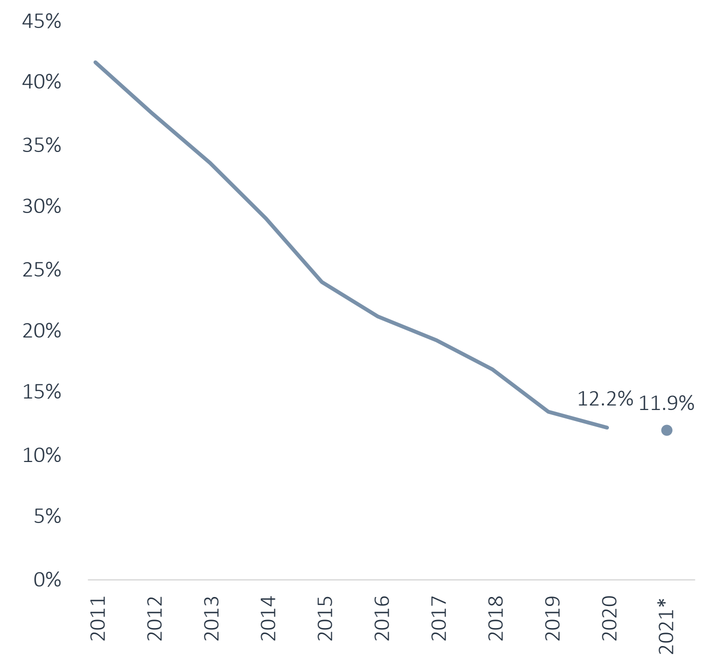
VC liquidation preference multiples (excluding 1.0x)



Source: PitchBook | **Geography**: US
*As of March 31, 2021

Liquidation participation sits at recent lows

Percentage of VC deals with liquidation participation



Source: PitchBook | **Geography**: US
*As of March 31, 2021