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US VC Valuations Report

Q2 2021

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Click here for PitchBook's report methodologies.

Key takeaways

Both early-stage and late-stage VC valuations saw a sharp expansion across all quartiles in Q2. At the early stage, the median and average pre-money valuations both notched records in Q2 of $50.0 million and $105.4 million, respectively. Meanwhile, at the late stage, the median and average pre-money valuations in Q2 reached $160.0 million and $882.4 million, respectively, bringing the H1 2021 median and average to a record-high $130.0 million and $914.0 million. Increased economic confidence and a positive outlook for the second half of 2021, coupled with a surplus of capital from record levels of dry powder and an influx of nontraditional and crossover investors, have drastically buoyed VC valuations to new heights.

Nontraditional capital availability drives many trends across the ecosystem. Participation in late-stage crossover rounds by nontraditional investors has pumped yearly deal value to near-record highs. High activity in this space has also boosted the median pre-money valuation of late-stage deals with nontraditional investor participation to $235.5 million, 4.4x the valuation of deals without their investment.

Exit step-ups maintain Q1's historically elevated marks. Valuations of public listings continue to grow at a rapid clip, given the presence of outlier IPOs. However, within valuation step-ups, we have recorded record highs for strategic acquisitions. The median acquisition in 2021 was valued at over 2.2x its last private valuation as corporations maintained their appetite for startups to drive inorganic growth. Public listing step-ups were not far behind as this same search for growth from public market investors pushed the 2021 median step-up at public listing to 1.7x.

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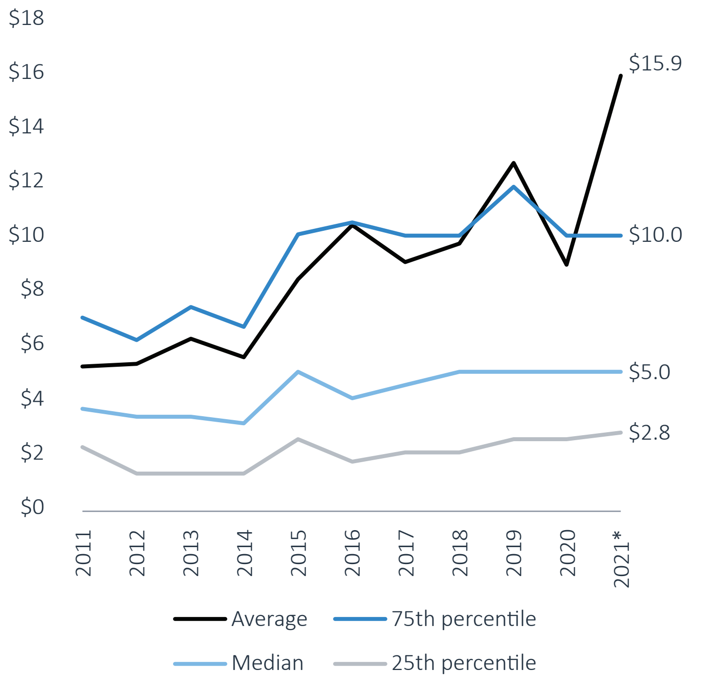
Angel and seed

Median angel valuations plateau

Angel pre-money valuations ($M) by quartile



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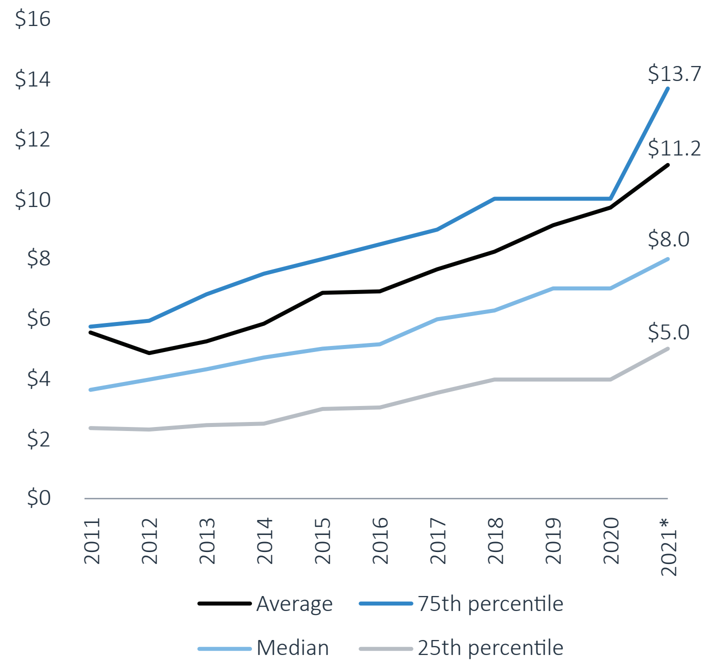
*As of June 30, 2021

Seed valuations moving higher

Seed pre-money valuations ($M) by quartile



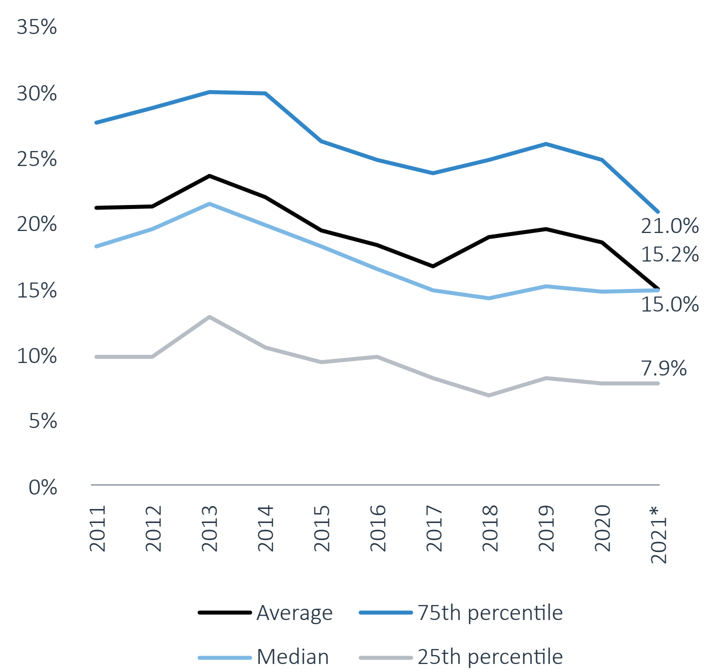
Source: PitchBook | Geography: US
*As of June 30, 2021

Through Q2 2021, angel and seed valuations have continued their respective recent trends. For angel investments, this means a steady median pre-money valuation of $5.0 million, while seed-stage investments have reached a median pre-money valuation of $8.0 million, further reinforcing the statistic that seed-stage valuations have not seen a YoY decline since 2009.

As with other stages, valuation statistics at the seed stage are heavily influenced by major tech hubs such as San Francisco, New York, Los Angeles, and Boston, where a majority of the seed-stage deal activity occurs. While these four locations contain more than half of all US venture activity, these markets are considerably more expensive in terms of VC. In fact, the median seed valuation within these areas has reached $10.0 million this year, roughly doubling over the past six years. When excluding these hubs from the dataset, the median seed valuation is just $6.5 million. While this lower median has grown over the past six years, its growth rate has been 50% less than the median seed valuation in the major hubs.

Angels acquiring steady stake

Percentage acquired at angel stage by quartile



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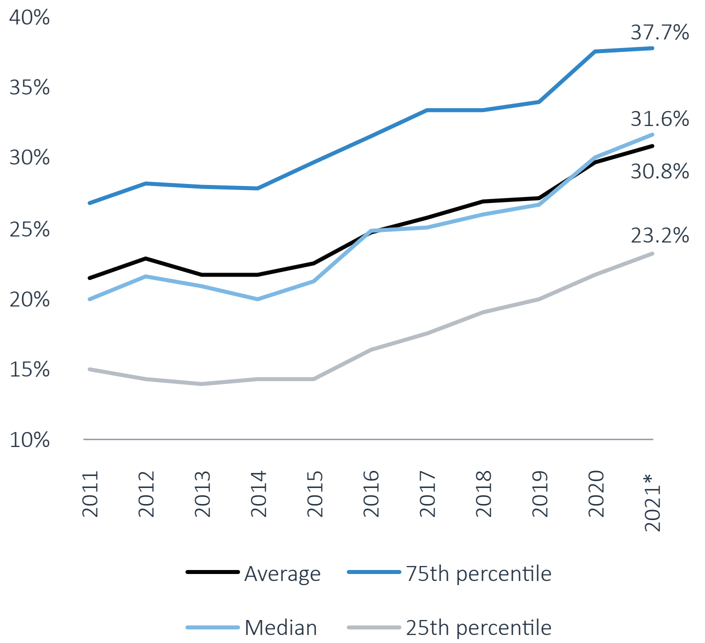
Large deals equaling larger stakes

Percentage acquired at seed stage by quartile



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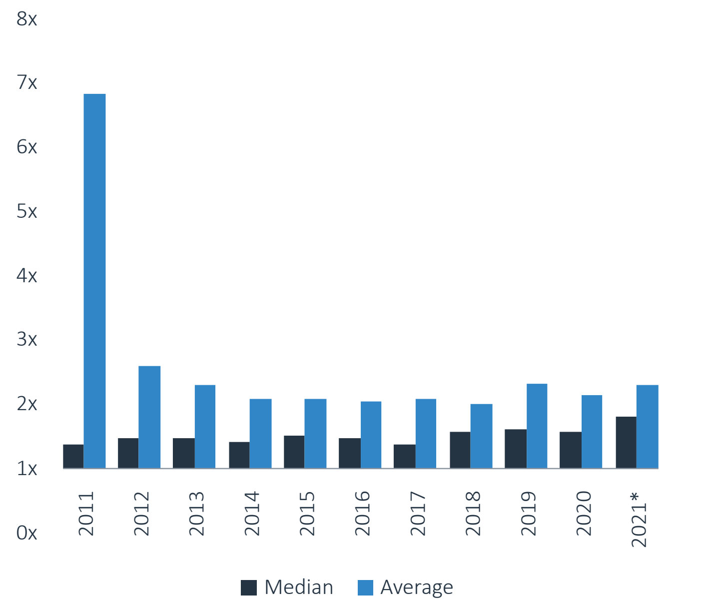
Seed deals showing strong step-ups

Median and average seed stage step-ups



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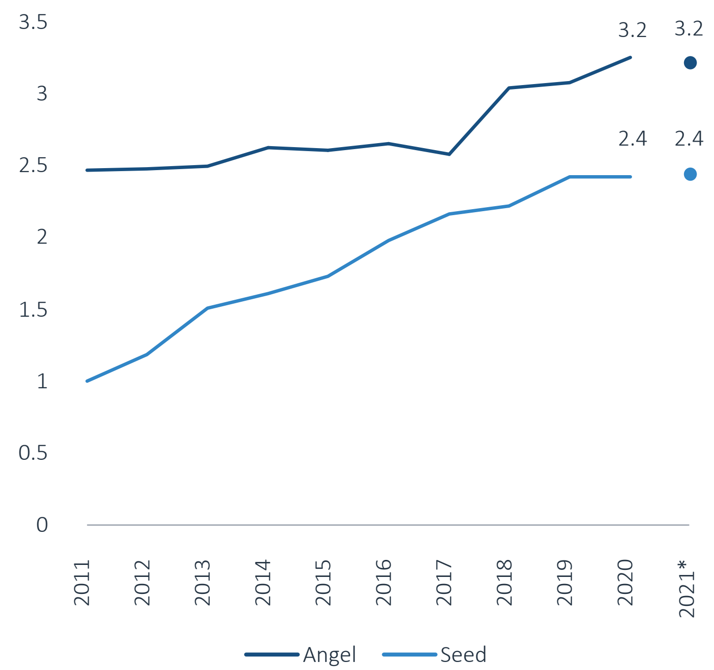
Though angel valuations have plateaued, it is likely not a cause for concern. Large investors can move up the venture timeline and influence seed sizes and valuations, while angel investors are void of institutional capital. Also, many angels likely invest in standardized deal sizes and valuations, limiting the range of these data points. These investors not only take on huge amounts of risk, but can also become severely diluted through a company's future equity raises, making increases in angel valuations difficult to take on.

However, a rising subset of investors is changing how individuals make investments. Solo capitalists, while not technically angels because they have raised a VC fund from investors, can maneuver within the VC market much as angels do. While this group is still relatively small, a continued increase in solo capitalists could affect future deal sizes and valuations that angel investors must take part in to secure deals.

Age of angel and seed companies stays high

Angel and seed median years from founding



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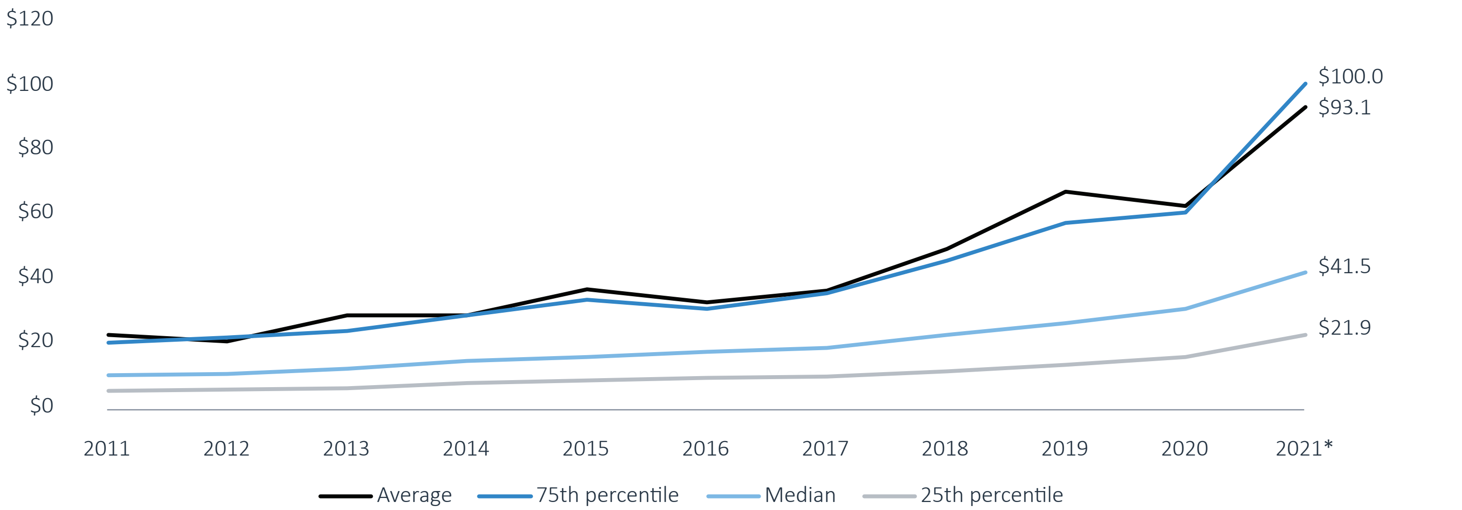
Early-stage VC

Sharp expansion in range as H1 median and average hit record highs

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



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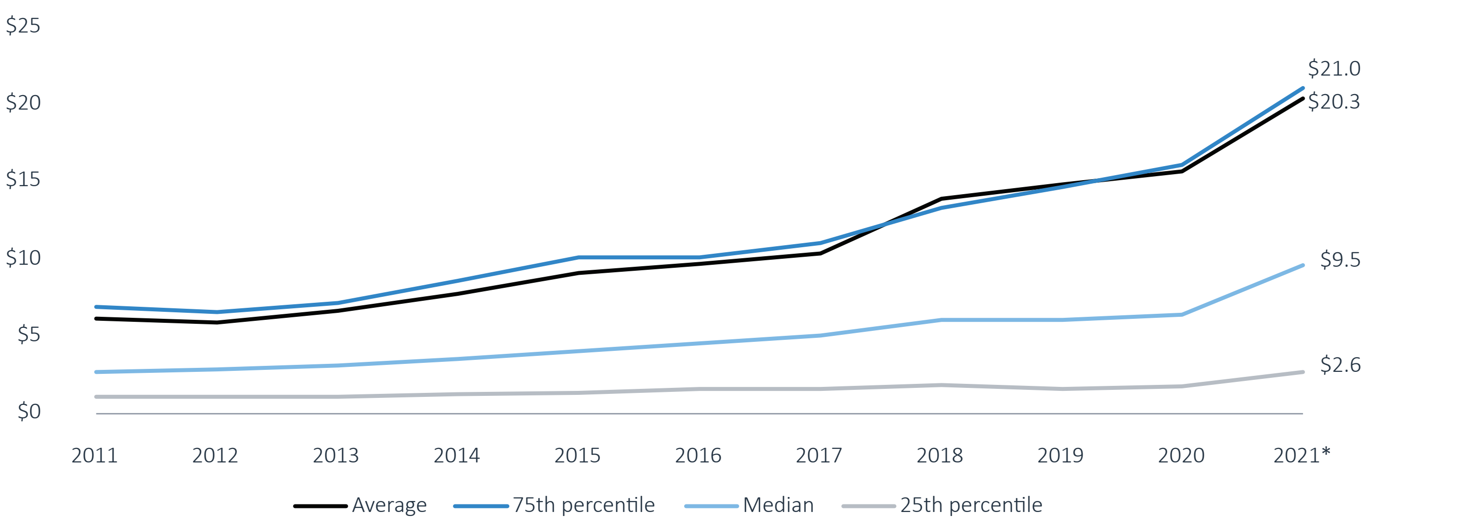
Early-stage VC pre-money valuations saw a sharp expansion across all quartiles in Q2. The median and average valuations for early-stage rounds notched records in Q2 of $50.0 million and $105.4 million, respectively, bringing the H1 2021 median and average to $41.5 million and $93.1 million. These values represent significant growth over full-year 2020's numbers, which were already all-time highs despite uncertainty and

Early-stage VC deal size quartiles show upward growth across the board

Early-stage VC deal sizes ($M) by quartile



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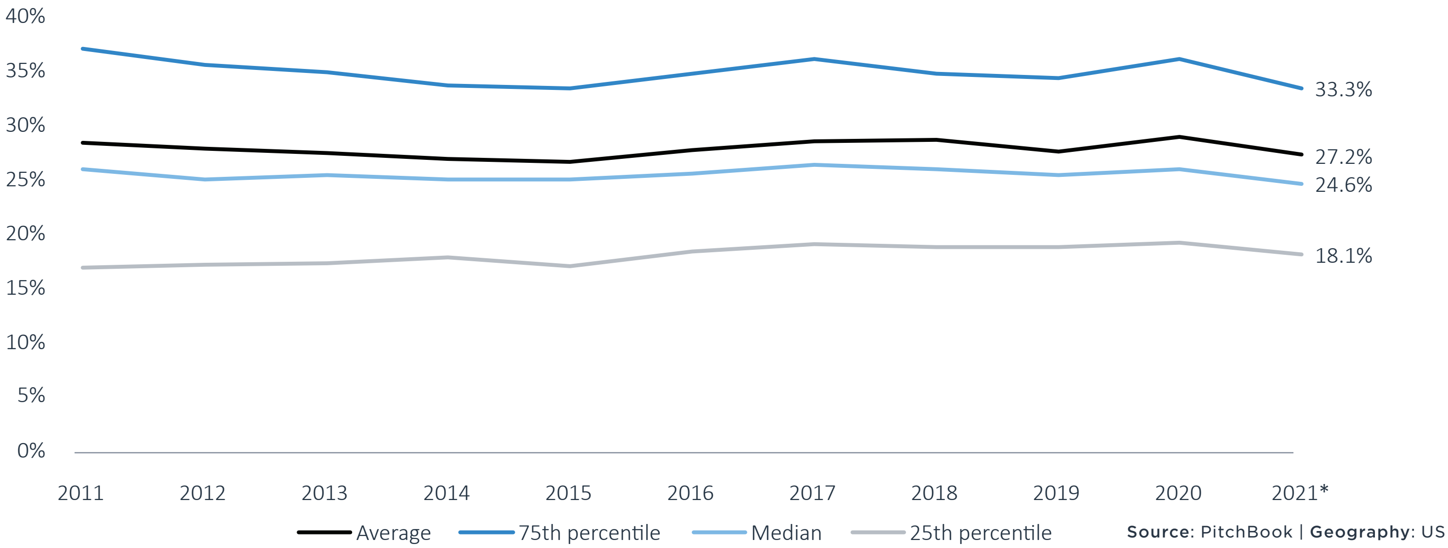
Increased deal competition seen as equity stakes shrink across all quartiles

Percentage acquired at early VC stage by quartile



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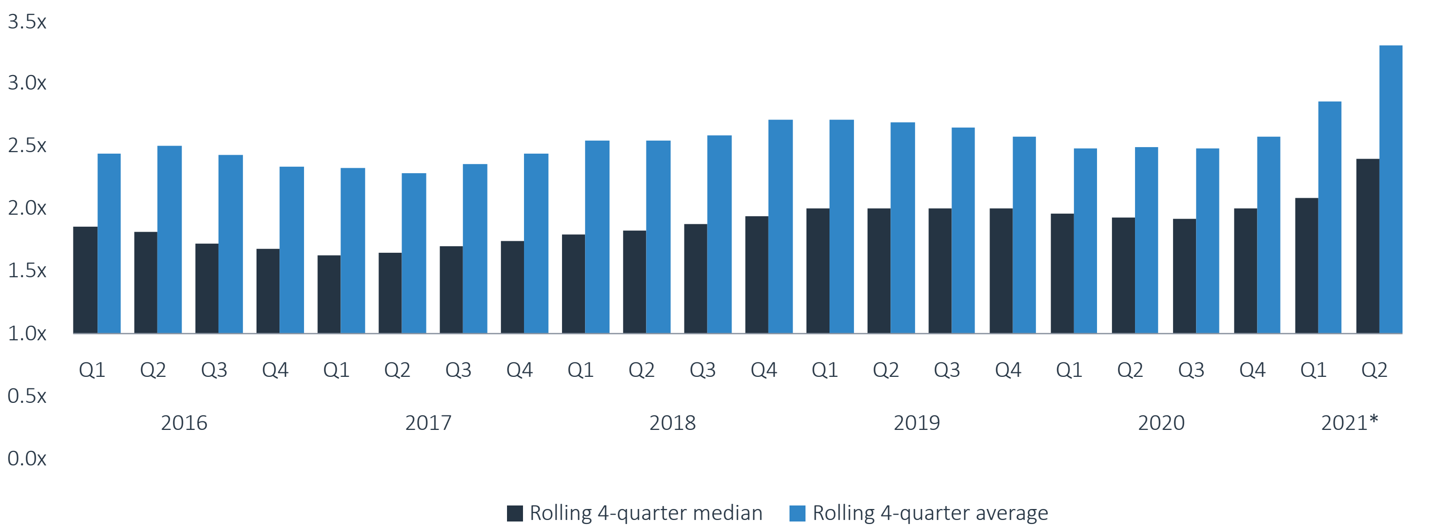
logistical difficulties caused by the COVID-19 pandemic. A combination of widespread vaccination rollouts, local reopening ordinances, and rebounding business travel in Q2 have restored economic confidence for many investors as they look to capture future growth in early-stage companies.

Rolling 4-quarter median valuation step-up hits record high of 2.4x

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



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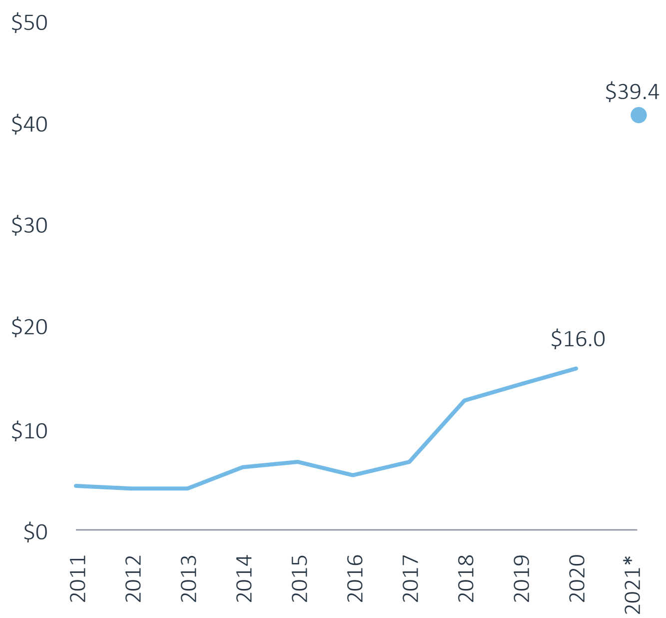
Velocity of value creation (VVC) in H1 shatters prior records

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



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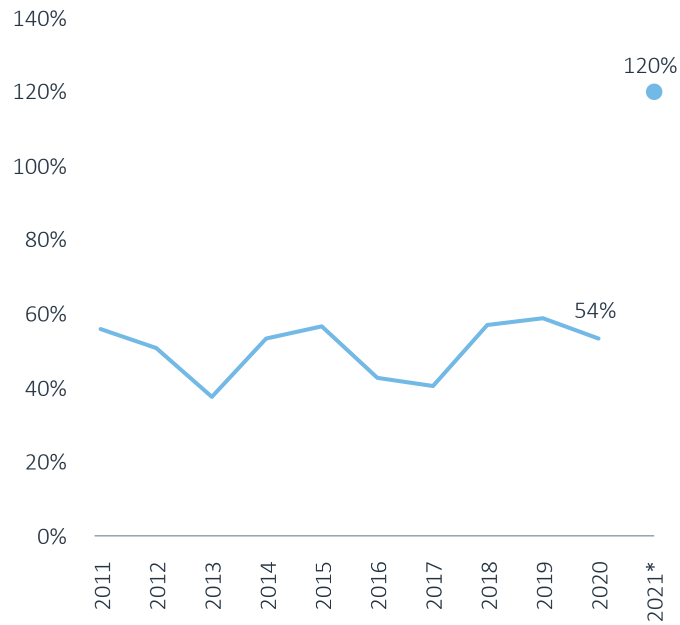
Relative velocity of value creation (RVVC) hits a record 120% in H1

Median early-stage VC RVVC between rounds



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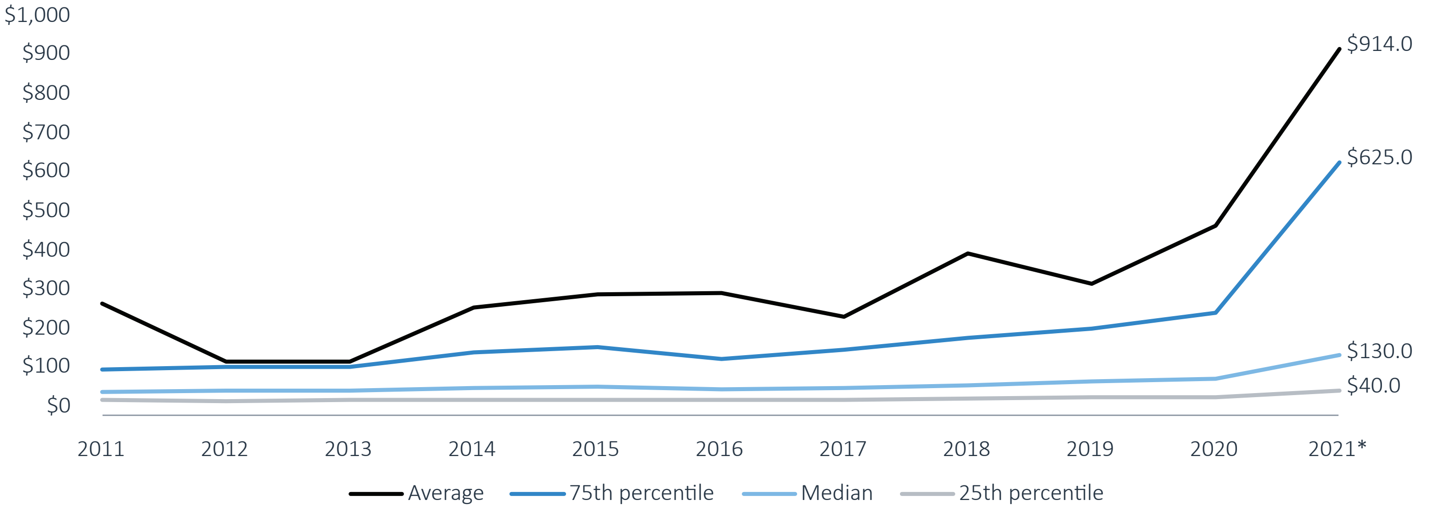
Early-stage VC deal activity tends to rely more heavily on in-person meetings than late-stage deal activity, given the need to build and prove out minimum viable products (MVP) to potential investors. As such, the resumption of in-person networking and deal sourcing events, alongside increased deal competition, has been a factor driving the outsized valuations seen at the early stage. Furthermore, early-stage VCs are armed with ever-growing pools of dry powder as the fervent exit environment of the last two years has boosted liquidity and realized returns for many investors. Also, the flood of crossover investors working their way up the venture lifecycle to the early stage has driven up valuations with their rapid dealmaking cadence, large check sizes, and boilerplate term sheets.

Fintech startups were a notable early-stage standout in Q2. Pipe, a Florida-based financial software startup focused on helping cloud services companies grow by providing nondilutive funding, raised an early-stage round at the highest pre-money valuation of the quarter—a $250.0 million round at a $1.75 billion pre-money valuation. The second highest early-stage valuation seen in Q2 was a $115.0 million Series B round at a $1.55 billion pre-money valuation for Ramp, a New York-based startup that has created a spend management platform. Many of the tailwinds experienced by fintech startups in the last few months can be attributed to positive activity from comparable companies—namely, Plaid's Series D round at a $13.0 billion pre-money valuation after its merger with Visa was scrapped and Stripe's Series H round at a $94.4 billion pre-money valuation, making it the most highly valued US-based startup.

Late-stage VC

Average late-stage valuation approaches $1 billion mark

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



Source: PitchBook | **Geography**: US
*As of June 30, 2021

Outsized late-stage VC financings have boosted late-stage pre-money valuations to new highs across all quartiles in Q2. The median and average valuation for late-stage financing rounds in Q2 reached $160.0 million and $882.4 million, respectively, bringing the H1 2021 median and average to record highs of $130.0 million and $914.0 million. While there are still two quarters left in the year, 2021 could be the first year that the average late-stage VC pre-money valuation cracks the $1 billion mark.

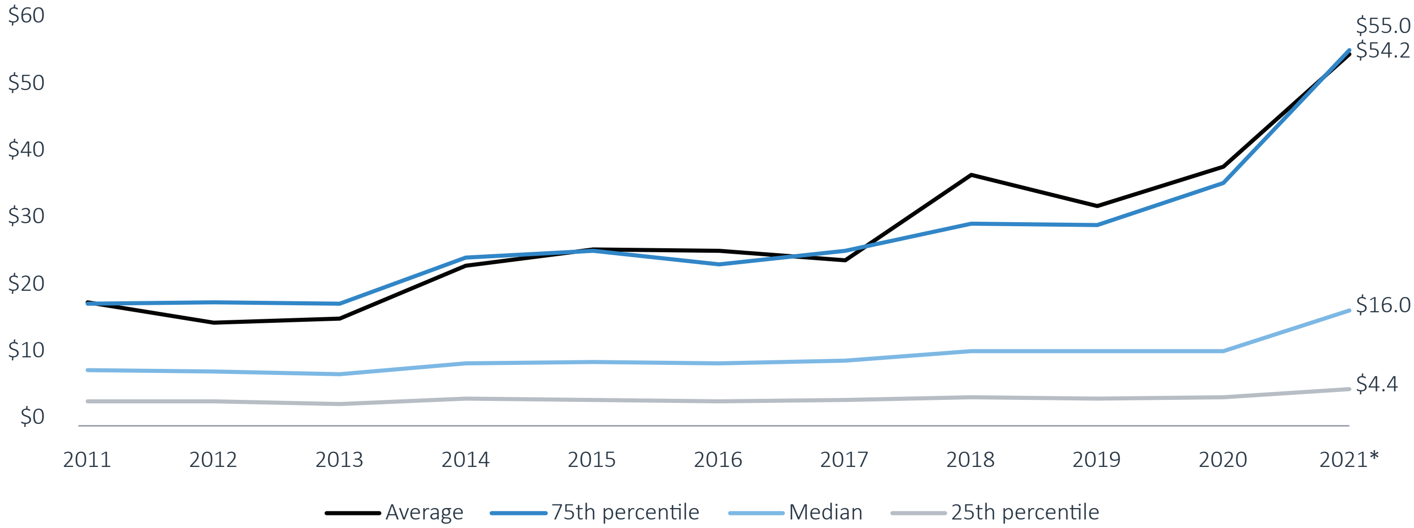
With the median and average late-stage VC deal size hitting record highs in H1 of $16.0 million and $54.6 million, respectively, investors are writing increasingly larger checks to acquire pre-IPO stakes in many of the ecosystem's hottest companies. Furthermore, when coupled with decreasing equity stakes and record-high rolling four-quarter valuation step-up multiples, as well as the surplus of capital availability from nontraditional investors entering the late-stage VC market, it appears that late-stage VC-backed companies are firmly in the driver's seat when it comes to dictating valuations and deal terms.

The fervor seen in the exit environment and the anticipation of a strong exit step-up multiple are certainly reflected in the valuations of many late-stage companies that are likely to consider an IPO, or another form of public listing, in the coming quarters. To note, two of the highest-valued late-stage VC deals in Q2 came attached to SpaceX's $1.2 billion round at a $73.2 billion pre-money valuation and Epic Games' $1.0 billion round at a $27.7 billion pre-money valuation. While neither company has formally disclosed plans to participate in a public listing, private investors continue to pile into late-stage rounds as they eagerly await a potential IPO.

Furthermore, H1's late-stage median VVC (velocity of value creation—the annual increase in valuation between rounds, measured in dollars) and median RVVC (relative velocity of value creation—the annualized percentage increase in valuation between rounds) indicate that late-stage companies are creating value at unprecedented levels, reaching records of $90.7 million and 77%, respectively. This ability to continue pushing valuations to new heights is indicative of the robust demand seen at the late stage.

Outsized late-stage financings boost late-stage VC deal size quartiles

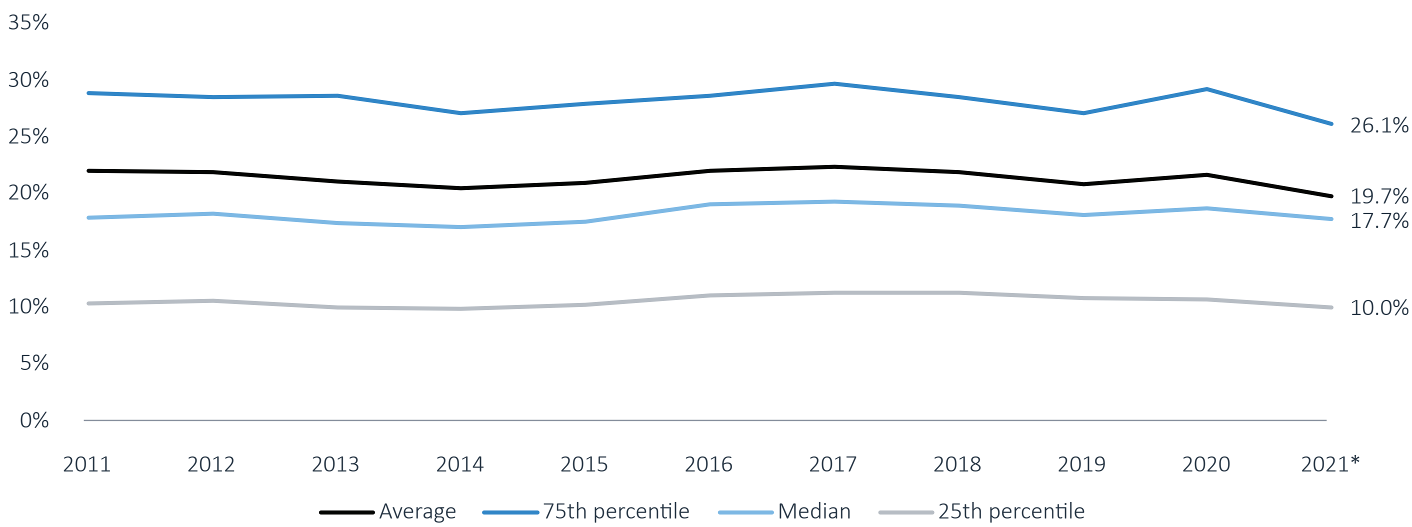
Late-stage VC deal sizes ($M) by quartile



Source: PitchBook | **Geography**: US
*As of June 30, 2021

Average late-stage equity stake dips below 20% for the first time

Percentage acquired at late VC stage by quartile



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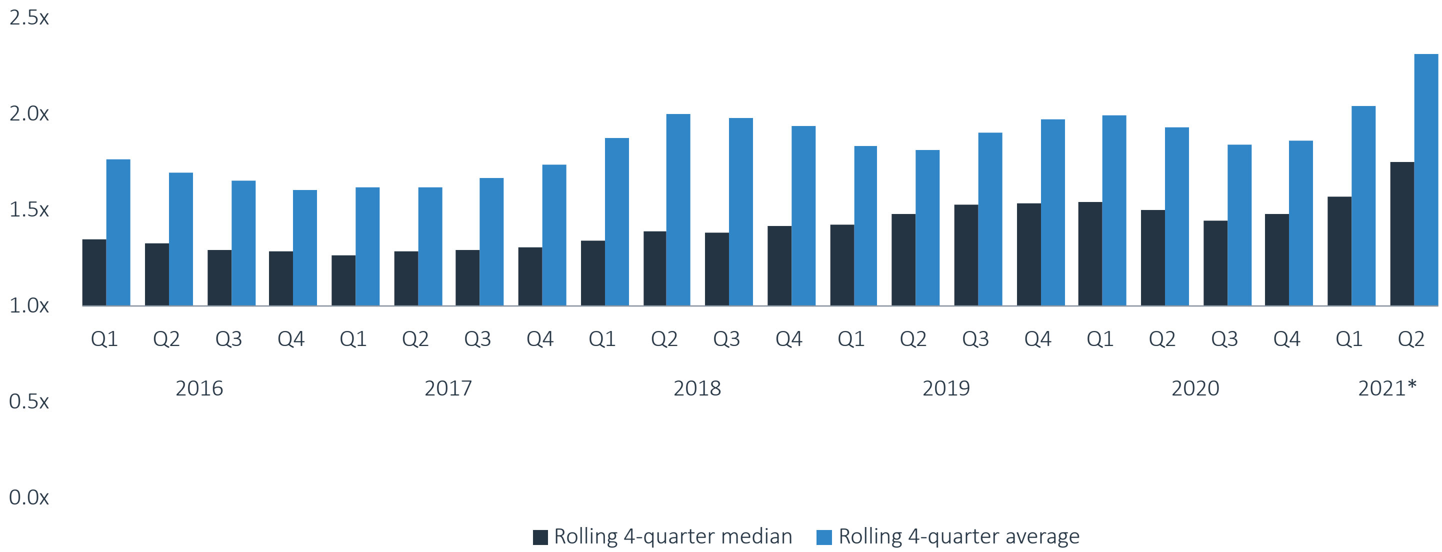
Rolling 4-quarter median valuation step-up hits record high of 1.8x

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



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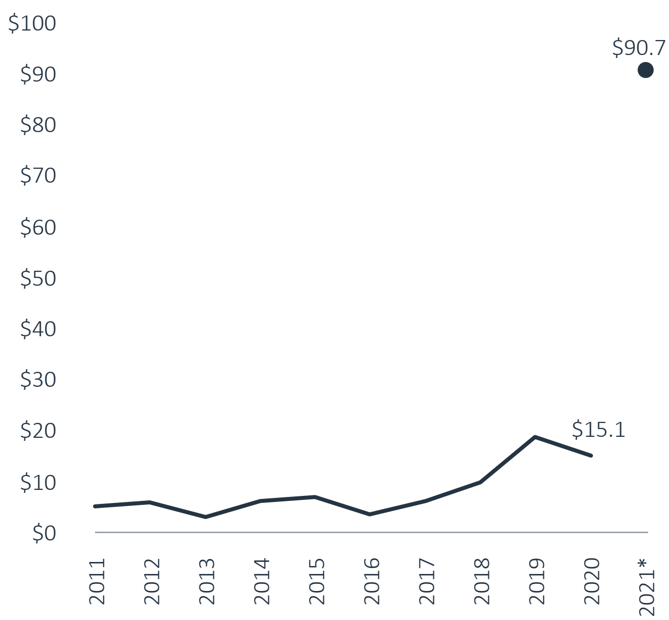
Median H1 VVC approaches $100 million with ballooning late-stage valuations

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



Source: PitchBook | **Geography**: US
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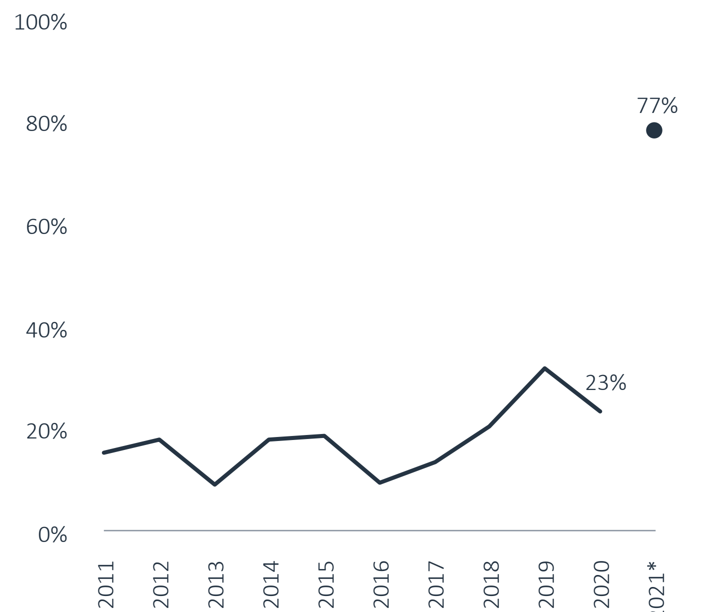
Median late-stage RVVC sets new record in H1

Median late-stage VC RVVC between rounds

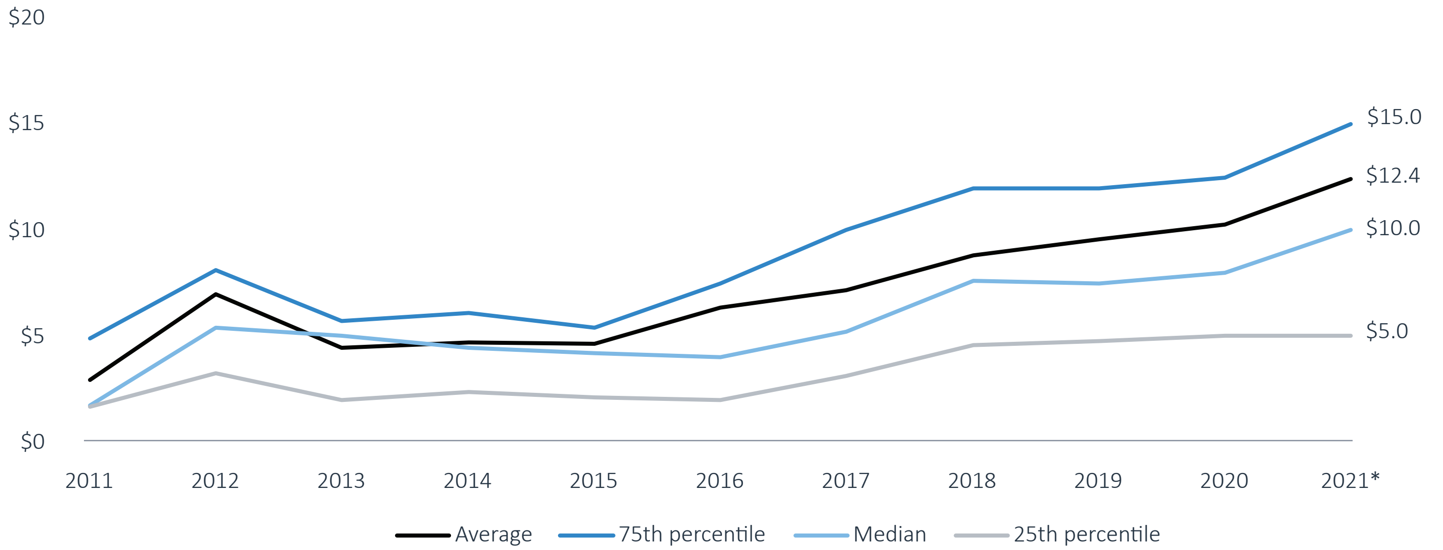


Source: PitchBook | **Geography**: US
*As of June 30, 2021

Spotlight: Biotech & pharma

Seed valuations advance across entire spectrum within biotech

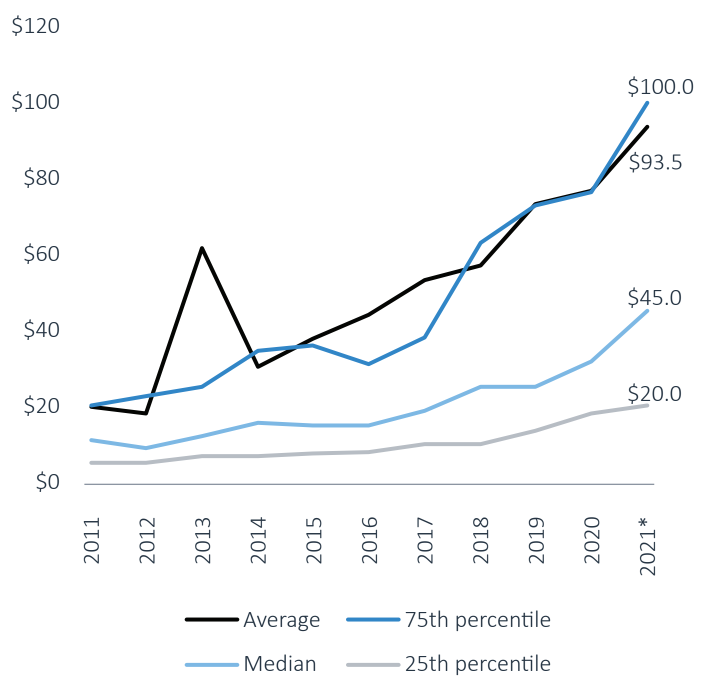
Biotech & pharma seed pre-money valuations ($M) by quartile



Source: PitchBook | **Geography**: US
*As of June 30, 2021

Top quartile deals distance themselves from median

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



Source: PitchBook | **Geography**: US
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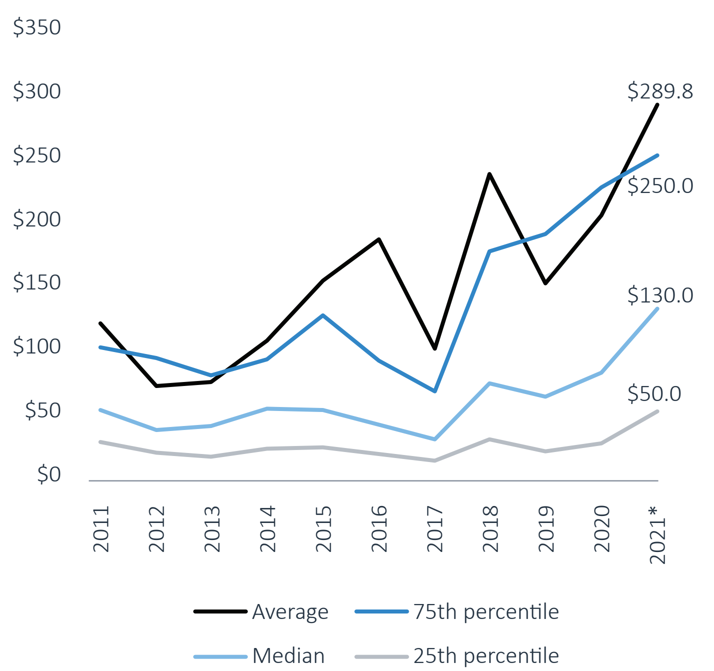
Investor demand for mature biotech businesses persists

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



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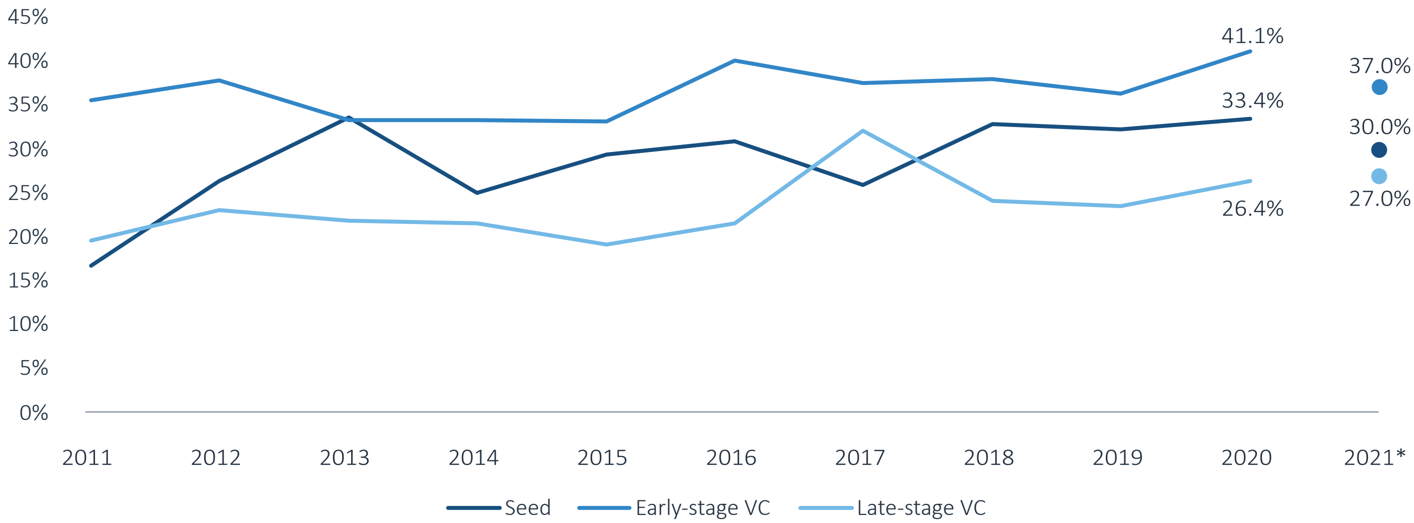
Percent acquired falls at seed and early stage

Biotech & pharma median percentage acquired by stage



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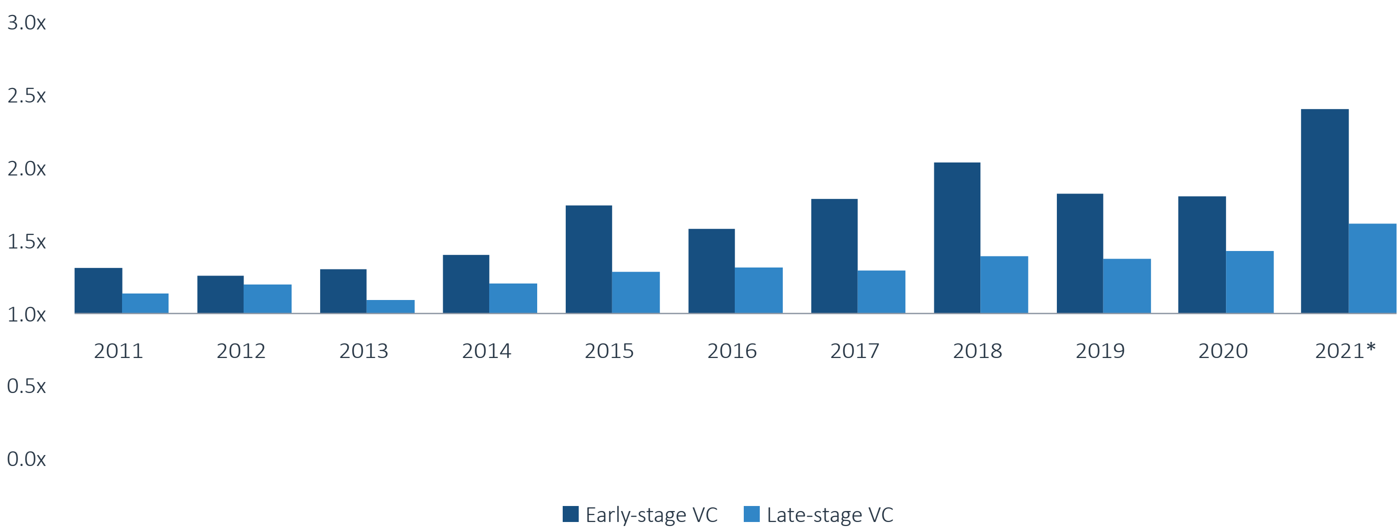
Biotech step-ups have seen massive growth in magnitude over last 10 years

Biotech & pharma median valuation step-ups by stage



Source: PitchBook | **Geography:** US
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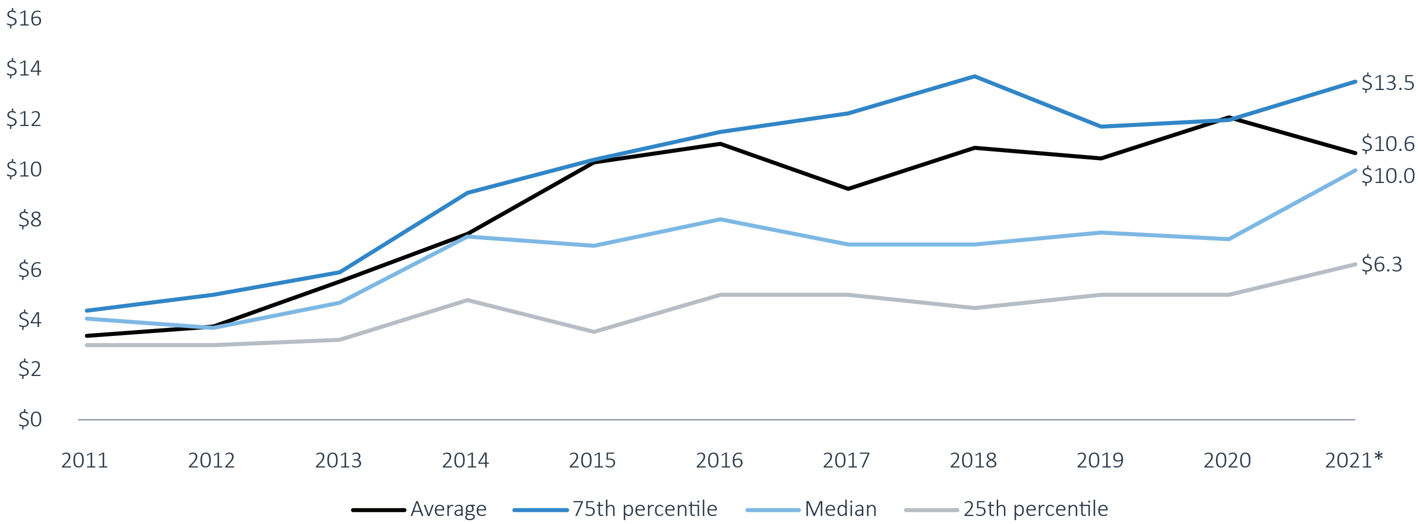
Spotlight: Mobility tech

Average seed valuation declines despite broader strength

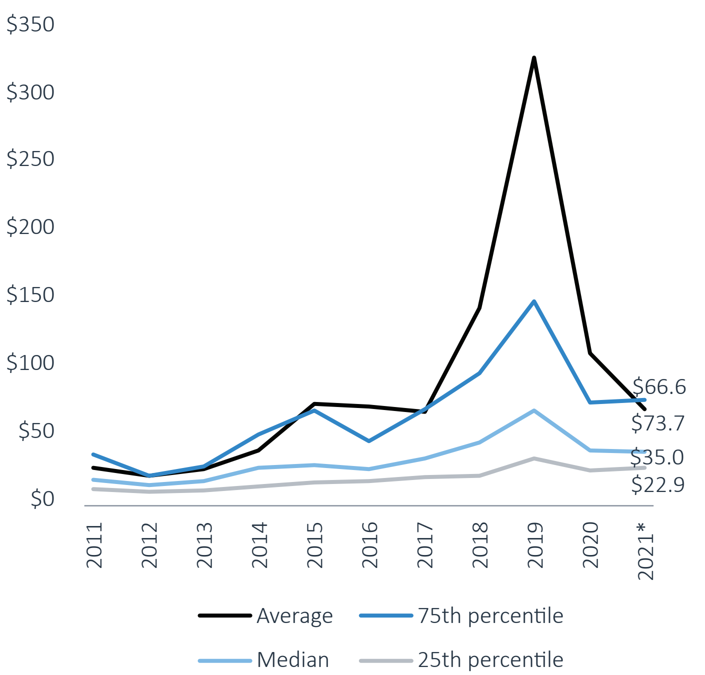
Mobility tech seed pre-money valuations ($M) by quartile



Source: PitchBook | **Geography**: US
*As of June 30, 2021

Dissipation of early-stage outliers serves to normalize early stage

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



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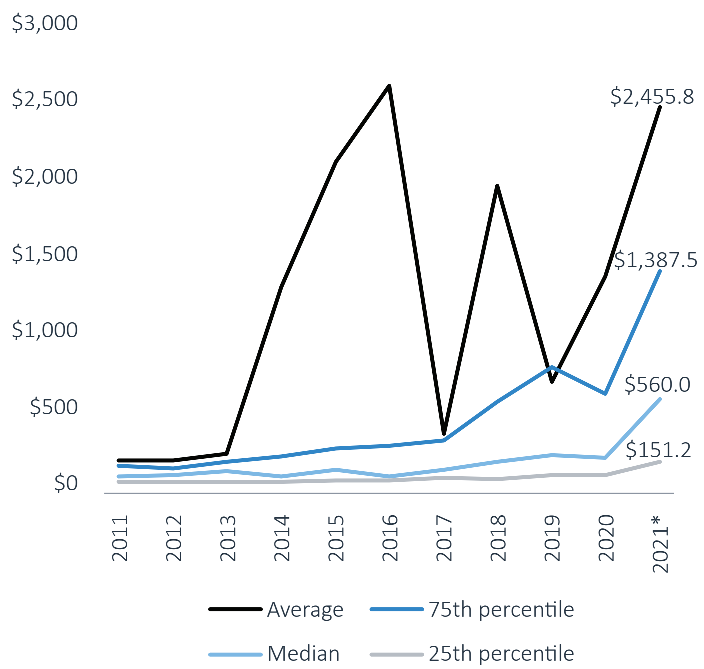
*As of June 30, 2021

Late-stage mobility top quartile tops $1 billion for first time

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



Source: PitchBook | **Geography**: US
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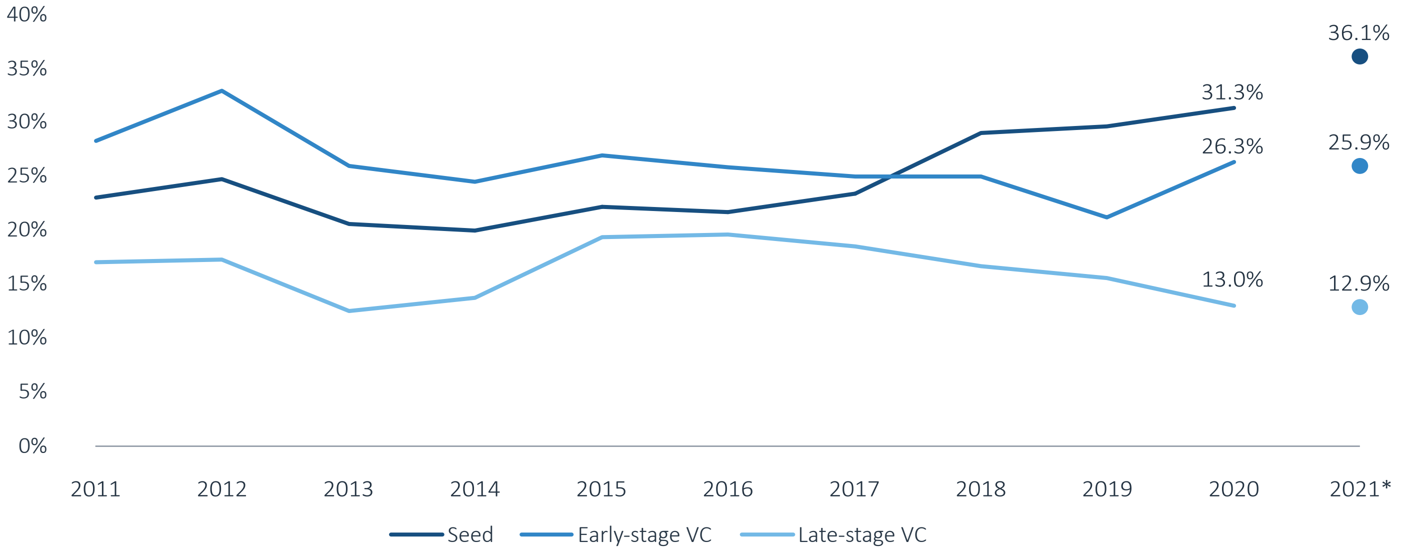
Late-stage stakes test record-low median

Mobility tech median percentage acquired by stage



Source: PitchBook | **Geography**: US
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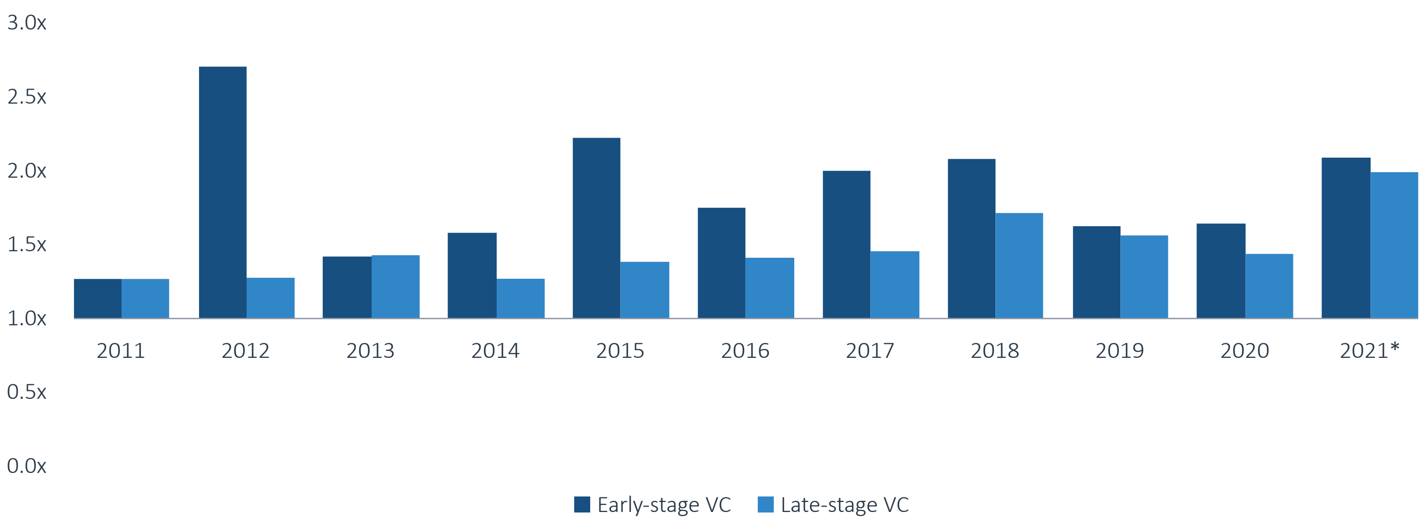
Median step-ups at both early and late stage top 2.0x

Mobility tech median valuation step-ups by stage



Source: PitchBook | **Geography**: US
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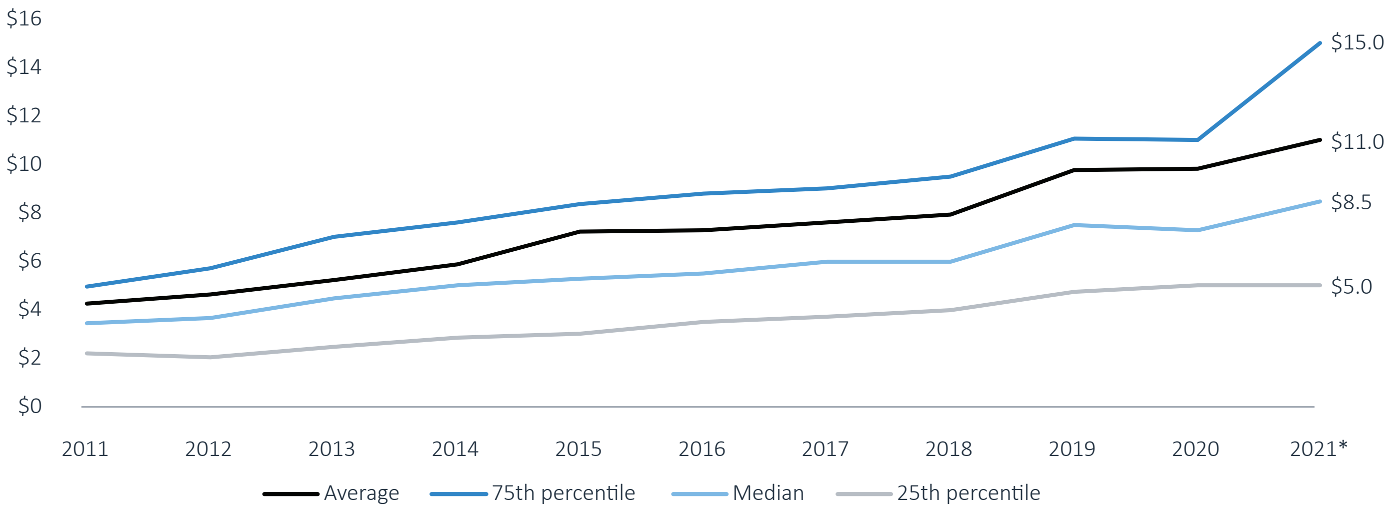
Spotlight: Enterprise tech

Demand for enterprise tech drives faster growth at the top quartile

Enterprise tech seed pre-money valuations ($M) by quartile



Source: PitchBook | **Geography**: US
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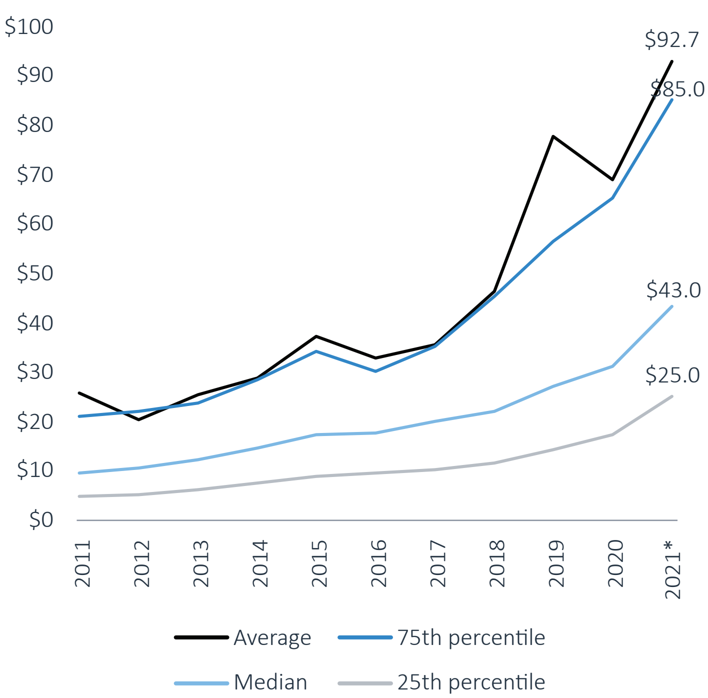
Early-stage valuations maintain steady uptrend through 2021

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



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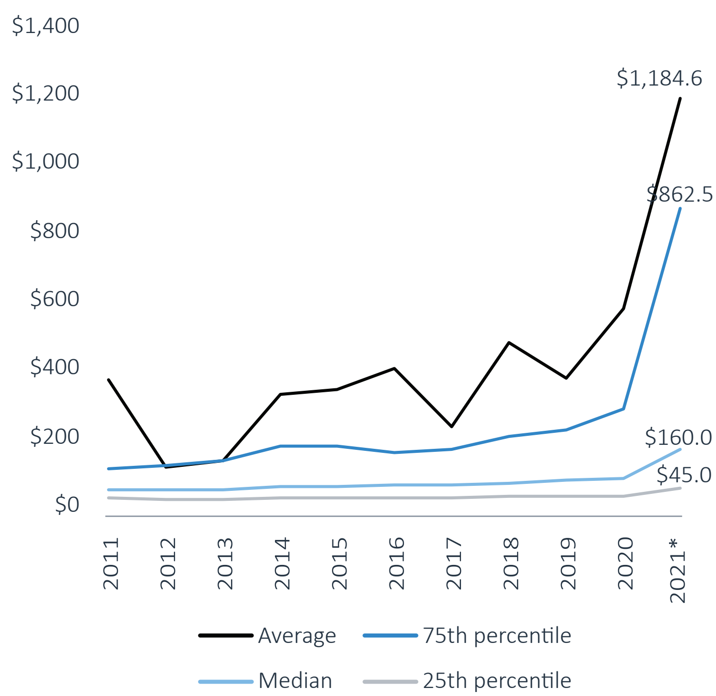
Public enterprise SaaS comps push late-stage valuations to new heights

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



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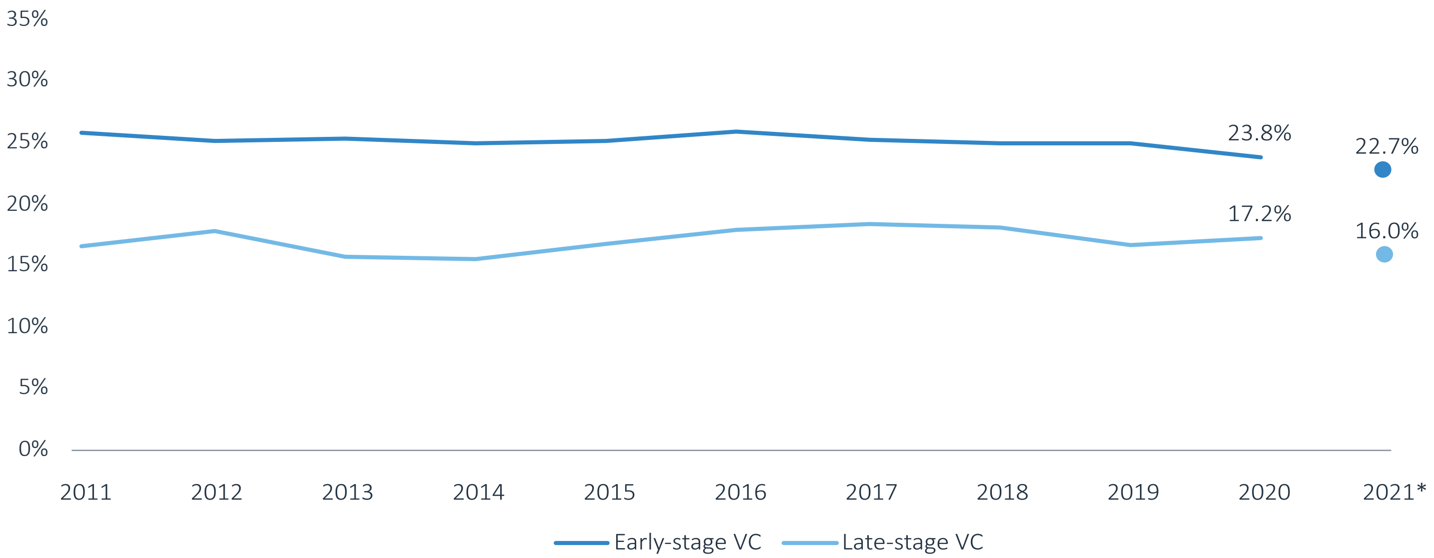
Enterprise investors' larger stakes at seed counteract rapid valuation growth

Enterprise tech median percentage acquired by stage



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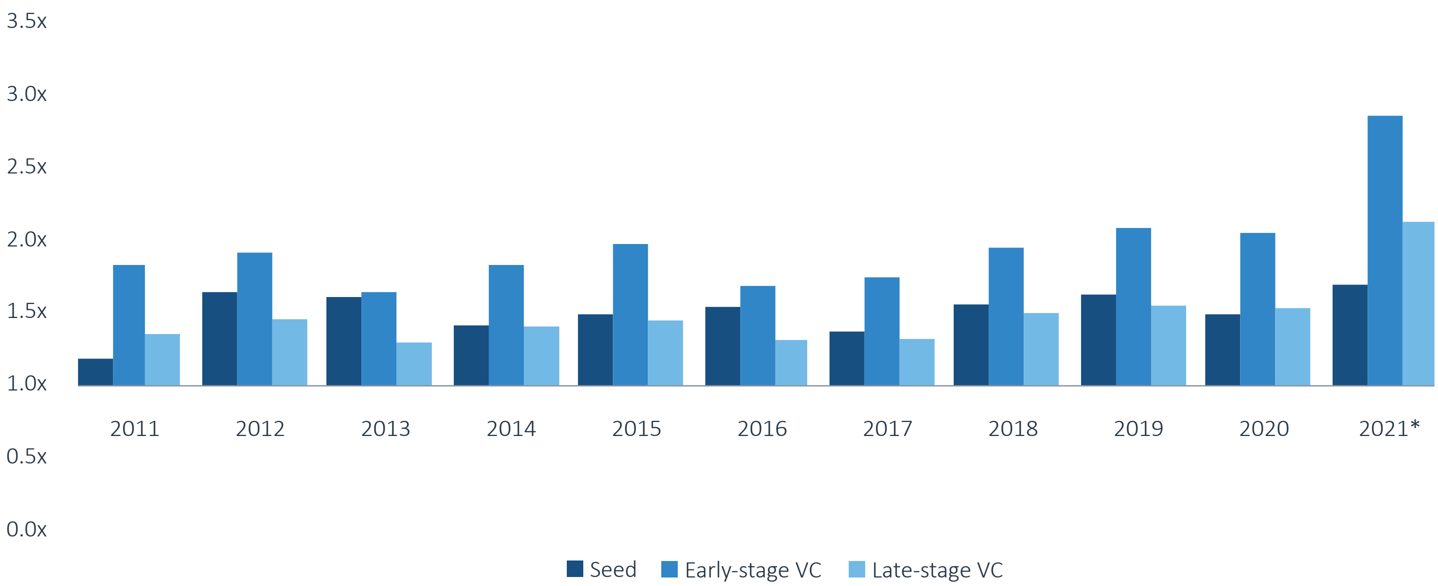
*As of June 30, 2021

Swelling capital availability brings early-stage step-up near 3.0x

Enterprise tech median valuation step-ups by stage



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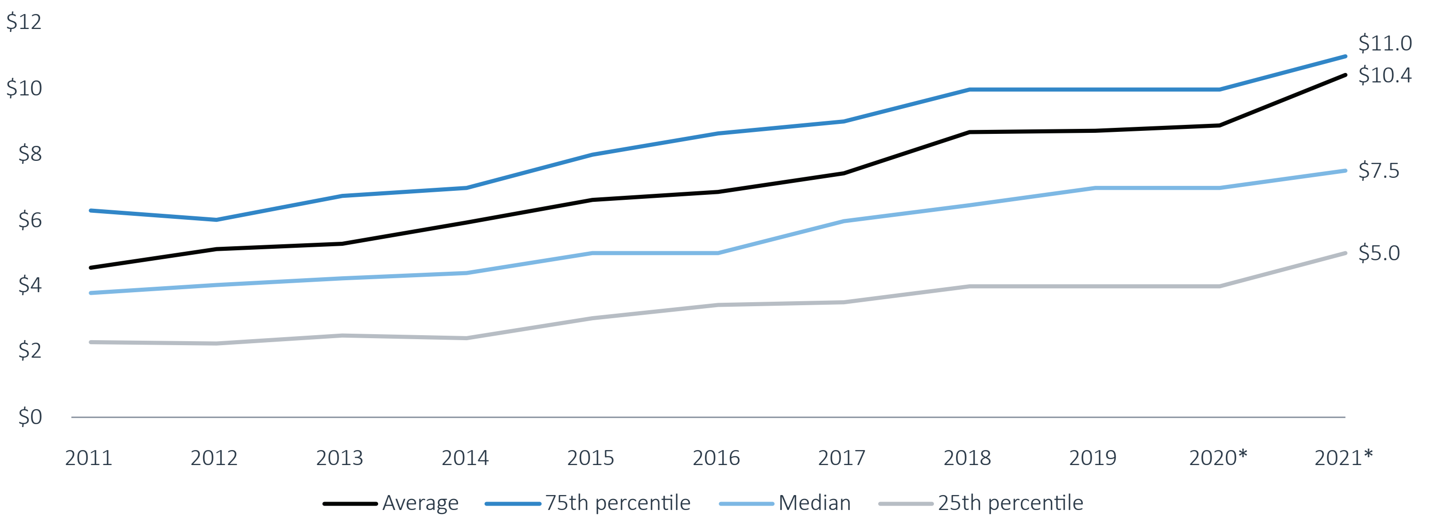
Spotlight: Consumer tech

Consumer seed valuations relatively flat compared to 2020

Consumer tech seed pre-money valuations ($M) by quartile



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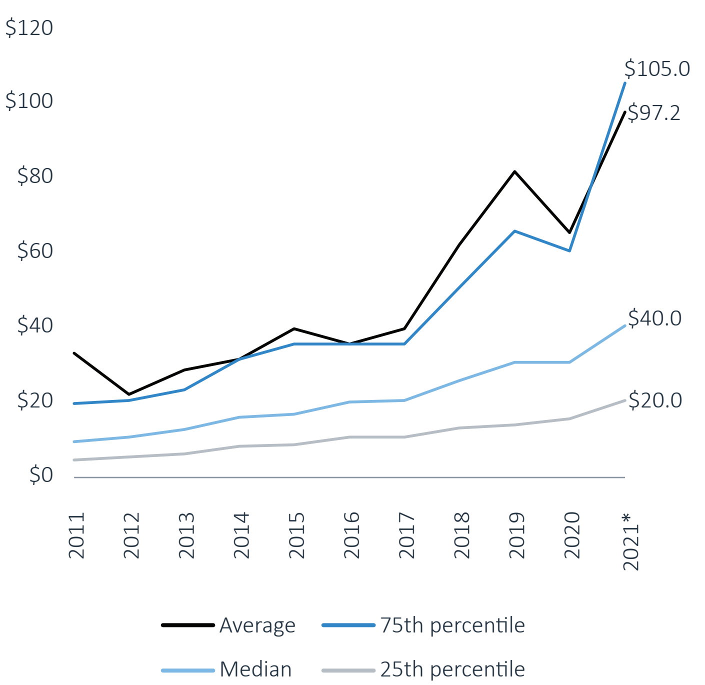
Top quartile early-stage deals top $100 million for first time

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



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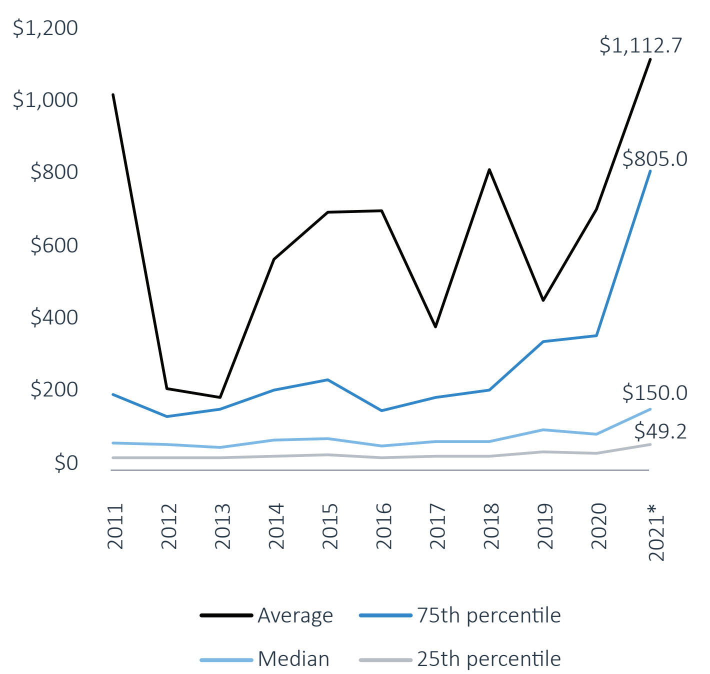
Developed consumer businesses see robust demand in 2021

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



Source: PitchBook | **Geography**: US
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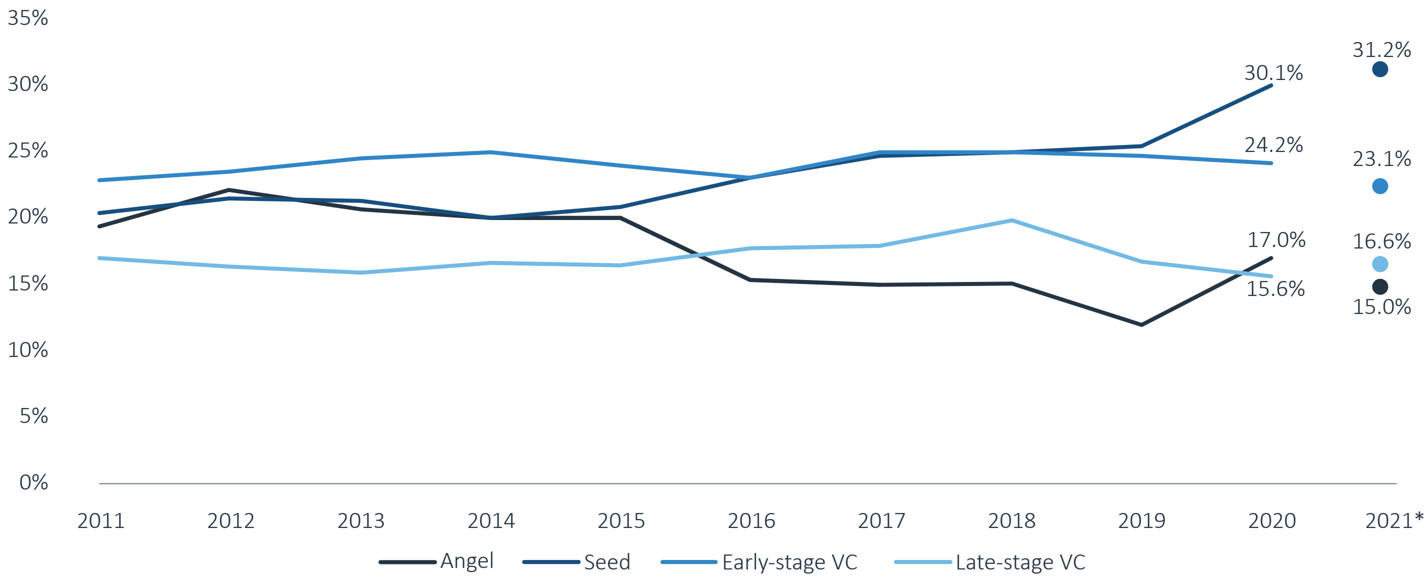
Equity stakes for consumer businesses remain flat YoY

Consumer tech median percentage acquired by stage



Source: PitchBook | **Geography:** US
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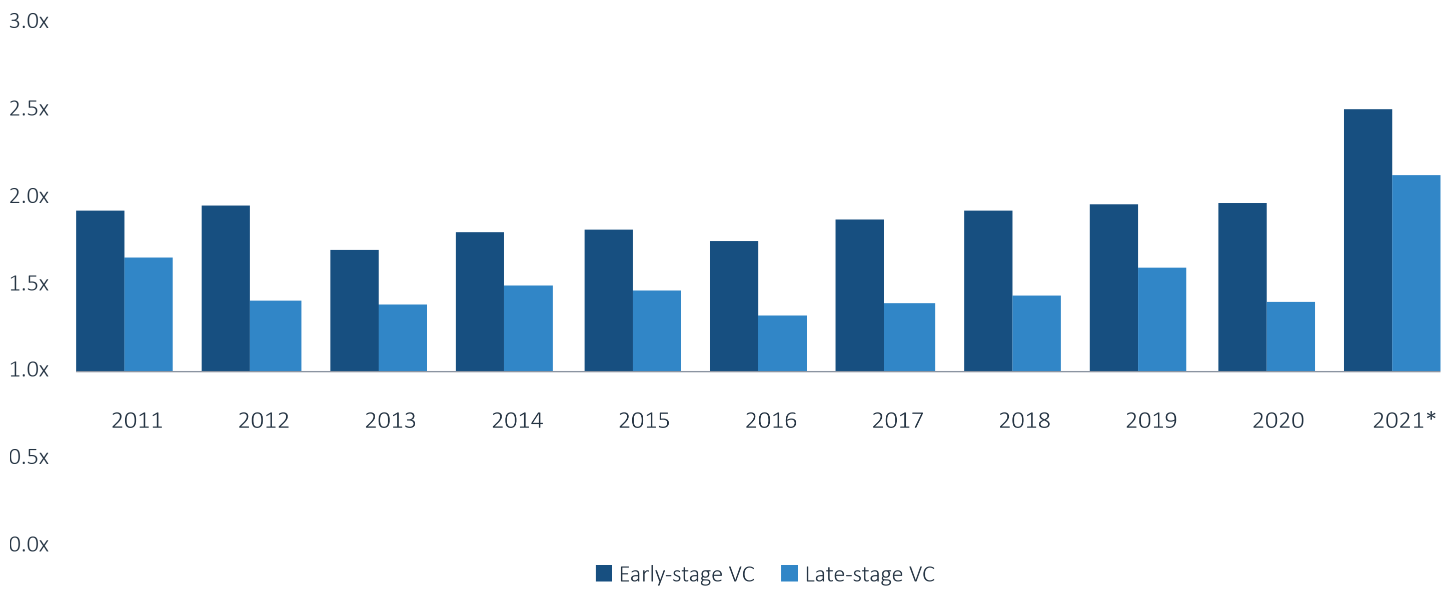
Massive capital investment totals in 2021 push step-ups above historic range

Consumer tech median valuation step-up by stage



Source: PitchBook | **Geography:** US
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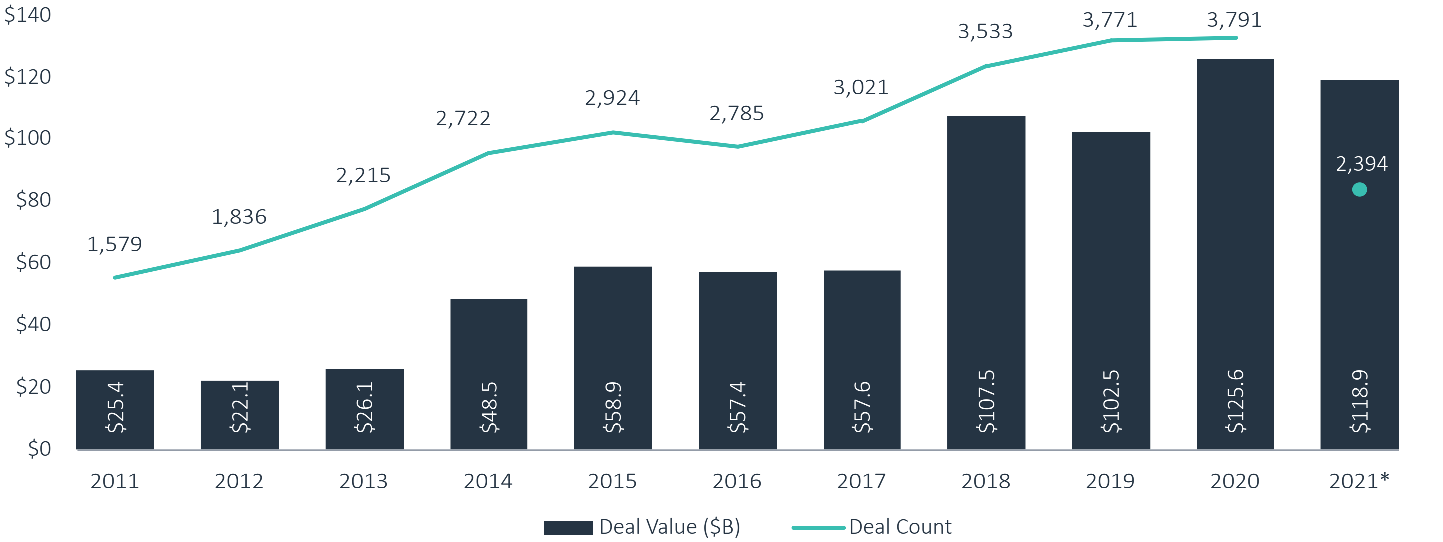
Nontraditional investors

Nontraditional investment becoming traditional

Nontraditional investor VC deal activity



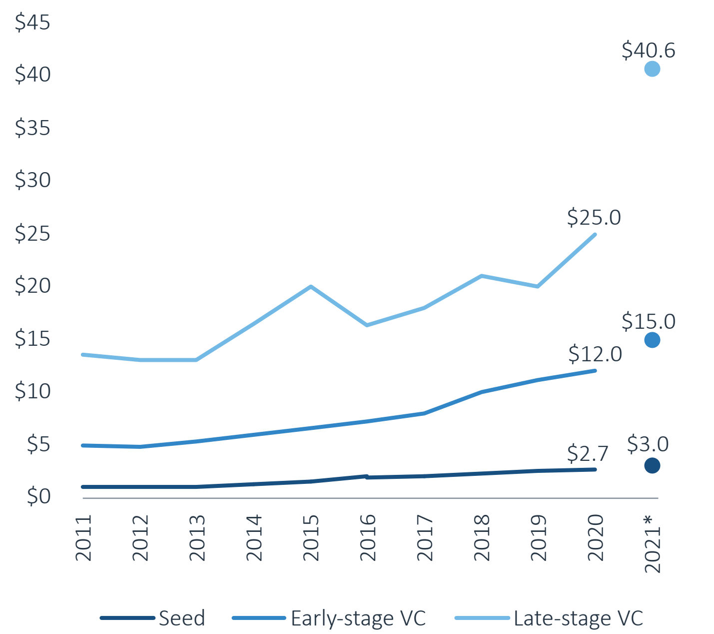
Source: PitchBook | **Geography**: US
*As of June 30, 2021

With venture investments by nontraditional investors becoming more commonplace in today's market, looking into how these deals influence trends is even more important. It is also crucial to note the biases present in the data, especially those brought on by typical investment strategies of these institutions. For example, nontraditional investors have invested more at the late stage in recent years, with many of these institutions making their first investment in a company in the round directly before exit. According to data from our Q2 2021 Venture Monitor Report, nontraditional investors participated in 350 more late-stage deals than early-stage deals in 2021. These deals also tend to be much larger in size than typical late-stage VC deals, surpassing $40 million at the median.

This naturally translates into higher valuations for deals with nontraditional investor participation. Through Q2, the median pre-money valuation of late-stage deals with nontraditional investor participation reached $235.5 million, 4.4x the median pre-money valuation of deals without their participation. This year, companies have raised rounds with some of the highest private post-

Nontraditional deal sizes keep marching north

Median VC deal size ($M) with nontraditional investor participation by stage



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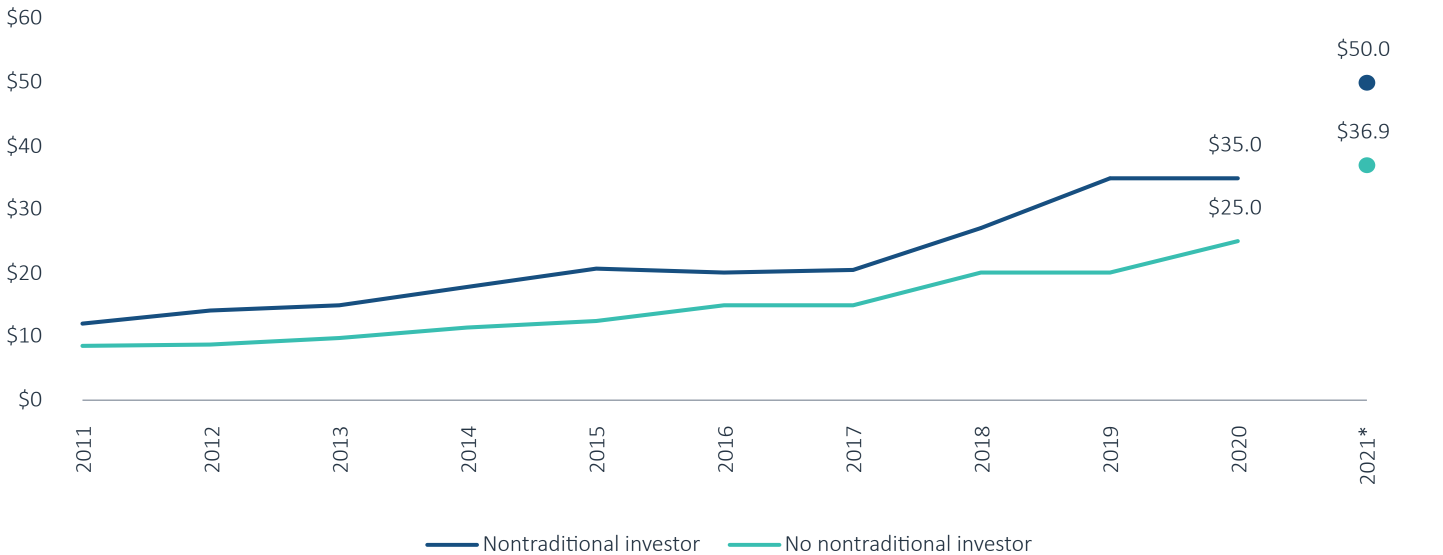
Nontraditional investors

Spread widens slightly

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



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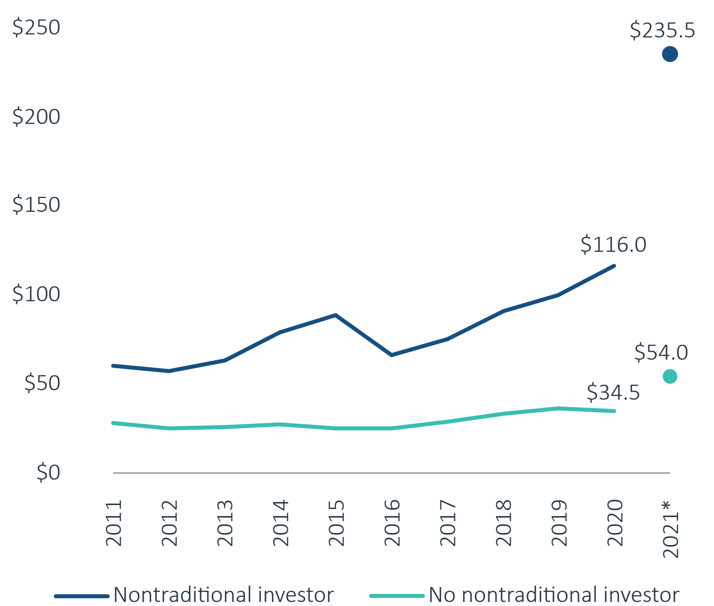
money valuations ever. These companies include Stripe ($96.0 billion), SpaceX ($74.3 billion), and Instacart ($39.0 billion), each of which received participation from nontraditional institutions. While these outliers will not skew a median statistic, they indicate just how much capital nontraditional investors have to invest with, which can enable them to be less restricted by price when compared to VC firms. It should also be noted that crossover firms participating in VC are entering a long-term investment. So, while near-term price movements are interesting, they are less important to these institutions' long-term strategies, which may also lead to inflated prices of nontraditional venture deals.

Crossover rounds boosting late-stage valuations

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



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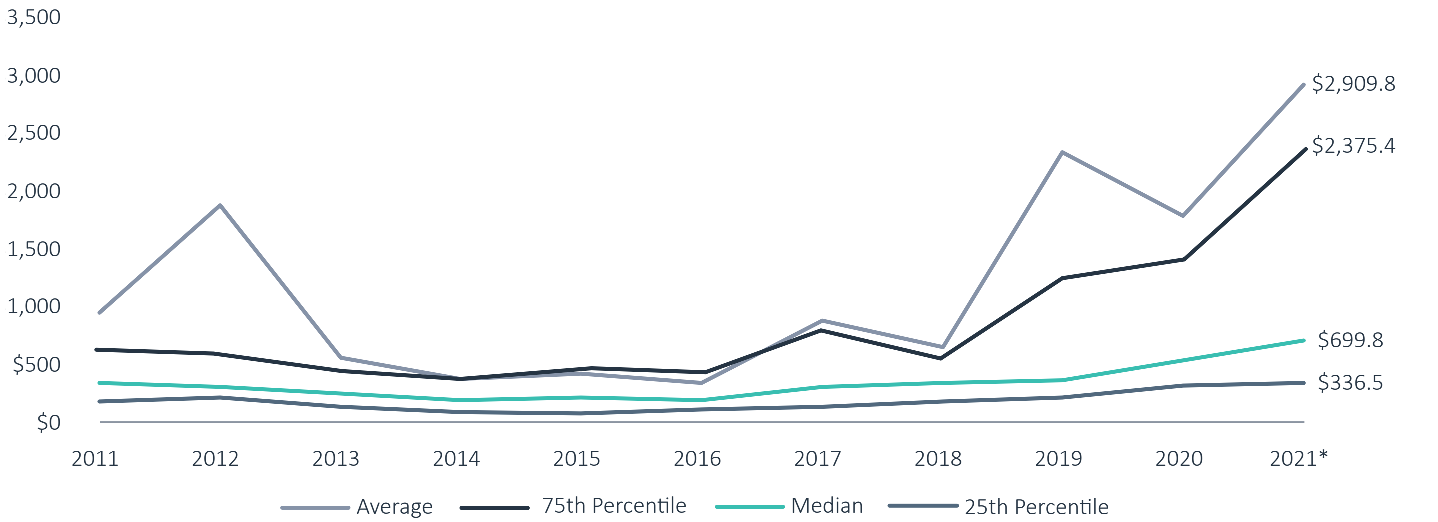
Liquidity

Outlier IPOs drive top end of public listing market to new heights

VC-backed public listing exit valuations ($M) by quartile



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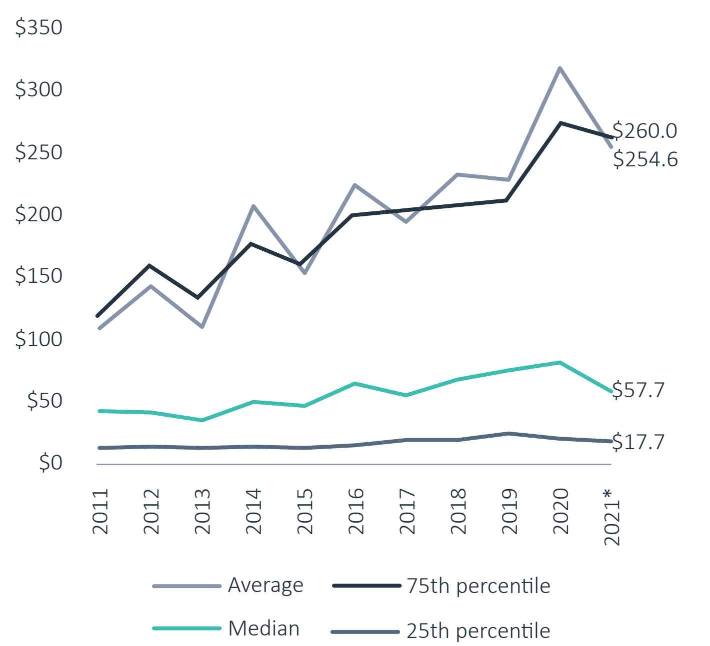
The IPO market maintained its hot streak in Q2 2021 on the back of economic recovery, which has pushed 2021 on pace to set a record for the most VC-backed IPOs since 2000. The number of IPOs is encouraging for the broader liquidity of the VC ecosystem. Just as importantly, public listings have remained an option for the largest VC-backed startups. For instance, the median public listing pre-money valuation rose to a new record of $699.8 million, while the average bounced up to $2.9 billion, surpassing the high-water mark from 2019. Driving growth of the average were the seven $10 billion-plus US public listings, nearly all of which were software businesses, that already closed in H1 2021. We only recorded three IPOs of this size in full-year 2019 and only five in 2020, so it is clear that 2021 is already a historic year for VC-backed public listings, which have created $372.0 billion of liquidity in just six months. Valuation step-ups for these go-public transactions have also been a bright spot for public listings, with 2021 notching a median 1.7x step-up over the last private valuation. This is the highest value in our dataset since 2009, although the median step-up in Q2 was down slightly QoQ to 1.6x.

Acquisition valuations have been slightly more tepid than the public listing front, with flat to down trends for all quartiles. The H1 2021 median and top quartile measured

Acquisition valuations plateau in H1 2021

VC-backed M&A exit valuations ($M) by quartile



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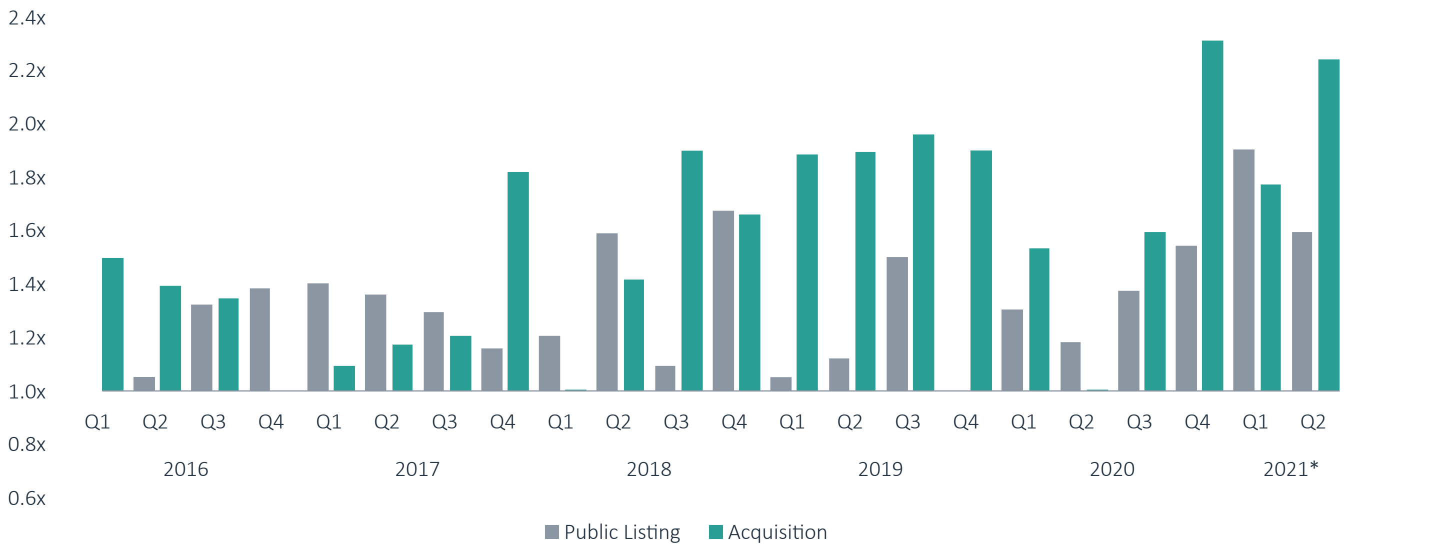
Step-ups temper from Q1 but remain historically high

VC valuation step-ups at exit



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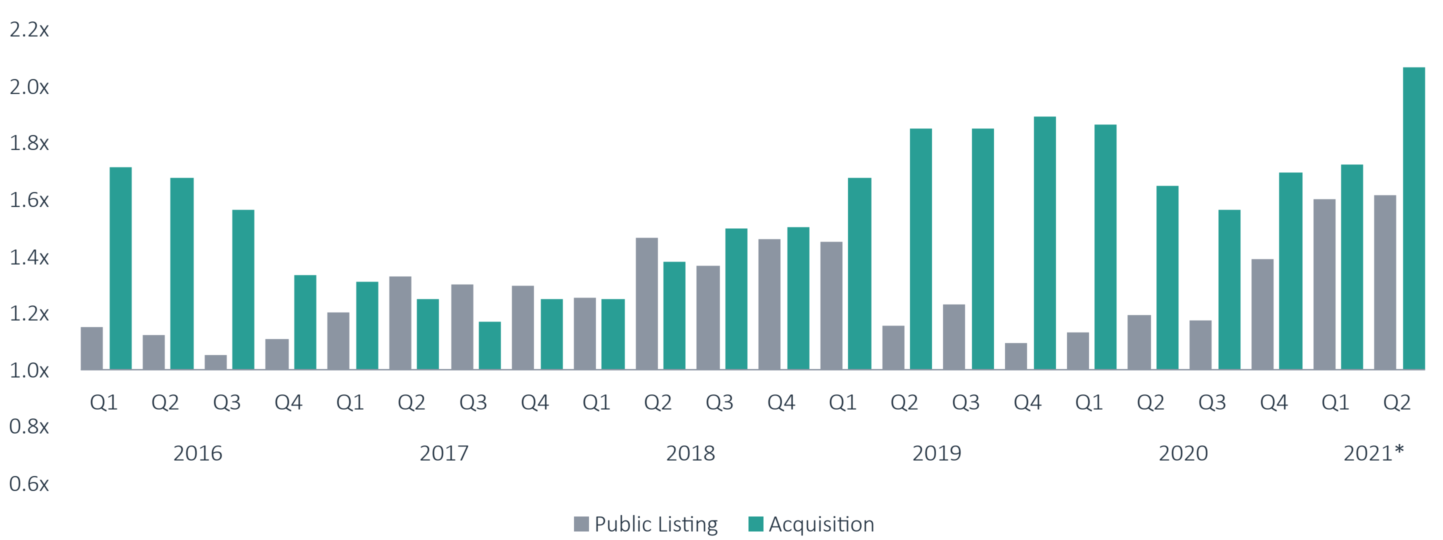
in at $57.7 million and $260.0 million, both of which represent a decline from full-year 2020's values. Despite those relatively small declines on the aggregate yearly basis, Q2 itself was much stronger than Q1 2021, feeding further into the recovery narrative. Even more crucially, the valuation step-up for those acquisitions saw a level of 2.2x through the first six months of this year—the highest annual acquisition step-up since 2006. The elevated step-ups for both public listings and acquisitions strongly illustrate the persistent demand from startup buyers we have seen through H1 2021, given the sustained low-rate environment, which we do not expect to wane this year.

M&A step-ups set new record on a rolling basis

Rolling 4-quarter VC valuation step-ups at exit



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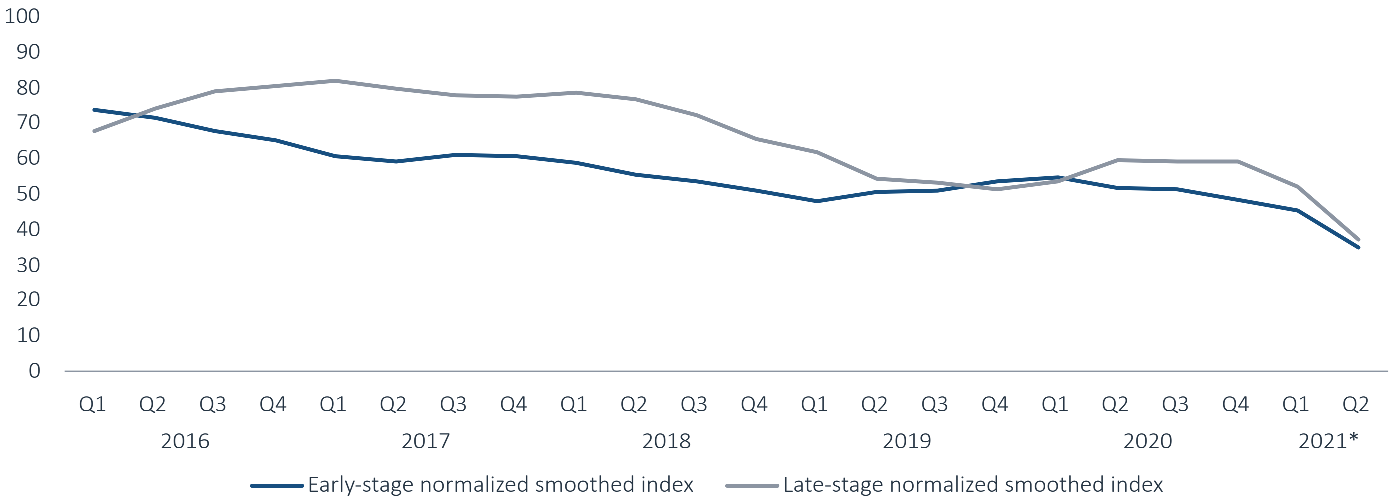
Deal terms

Founder-friendly terms continue to dominate

VC dealmaking indicator



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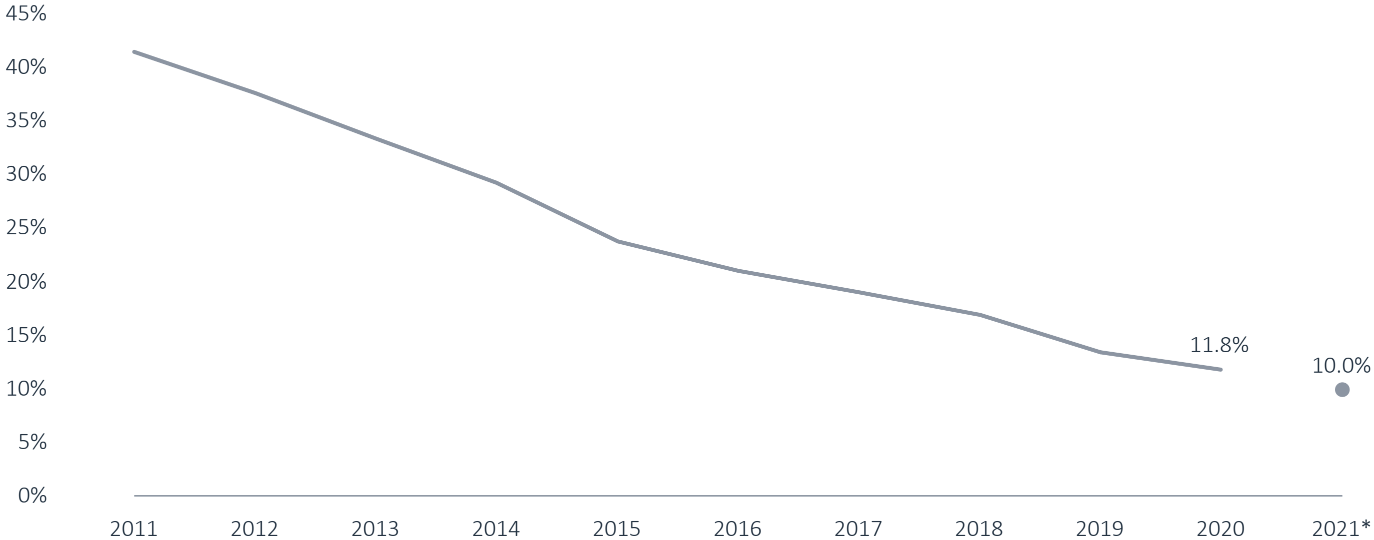
This quarter, we launched our VC Dealmaking Indicator, a new piece of research that quantifiably measures the startup or investor friendliness of the VC environment. This calculation includes consideration of liquidation participation, antidilution provisions, cumulative dividends, board seats, and more. The VC Dealmaking Indicator shows a long-term shift toward startup-friendlier terms over the last decade, particularly concerning cumulative dividends and liquidation participation.

As of the end of Q2 2021, the indicator showed a value of 35.0 for the early stage and 37.1 for the late stage, with lower values indicating higher startup friendliness. Early-stage companies have enjoyed a more founder-friendly environment compared to the late stage, maintaining a consistent gap since 2010. We attribute some of this to the beginnings of the "private-for-longer" phase that brought slightly more protections at the late stage as companies delayed exits longer than was typical for large VC-backed businesses in the early 2010s.

So far in 2021, the breakneck pace of VC activity across dealmaking, exits, and fundraising will likely allow many of the deal term trends to remain in place. Anecdotally, term sheets are coming extremely quickly for many deals as investors look to secure allocations as soon as possible and beat out the masses of investors that now make up the VC investor universe. This has particularly been the case with many high-profile solo capitalists, as well as with investing behemoth Tiger Global, which uses speed of commitments to set themselves apart from the pack—likely by standardizing a less restrictive set of deal terms. Competition remains rampant in the space and because of that, we expect protectionist terms to diminish or plateau at these low levels, while valuations sustain their current height.

Participation rights fall to new low

Percentage of VC deals including liquidation participation



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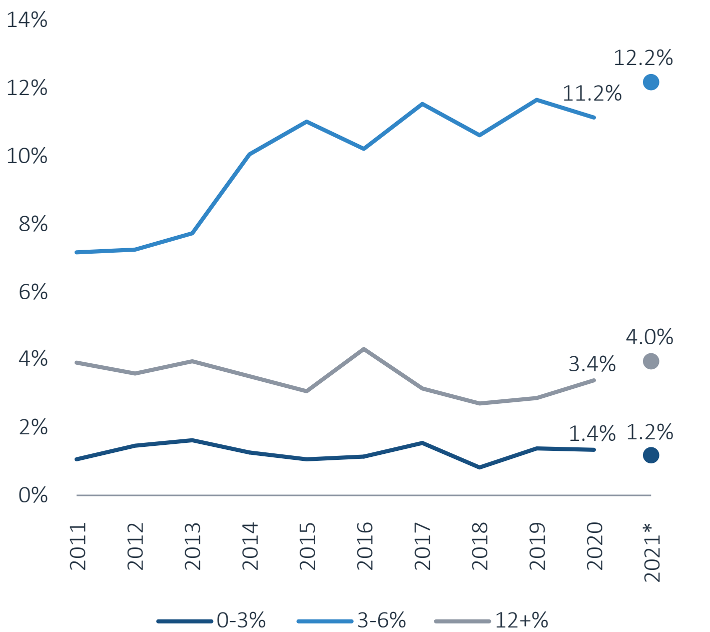
Below average dividend rates flourish

Dividend buckets (excluding 6% to 9%)



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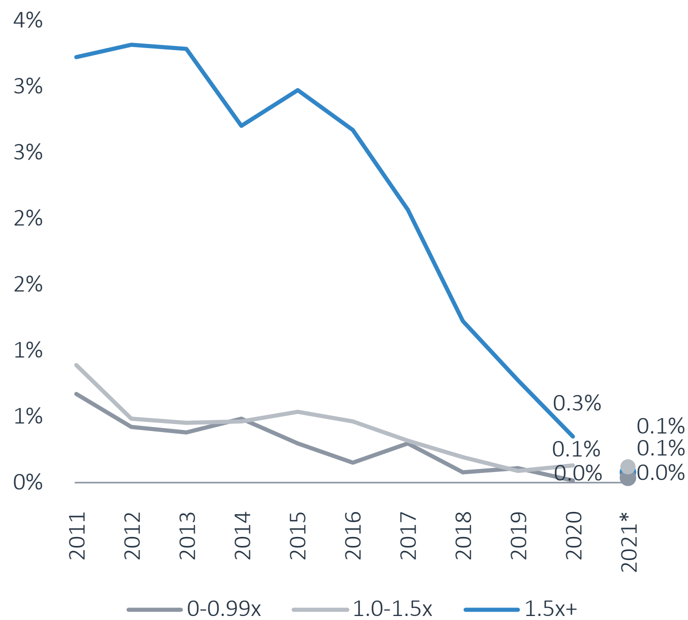
Almost no rounds deviate from 1.0x standard liquidation preference

Liquidation preference multiples (excluding 1.0x)



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