PitchBook

Q1
2022

US VC Valuations Report

PitchBook

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Introduction

Though interest rates, inflation, and public market volatility will likely have an impact on the VC market, little has changed in trends through Q1, as deal sizes and valuations remain high across all stages. This is not unsurprising, as the lag in private data would generally leave data trends insulated from immediate shifts in the market. Though sentiment has changed over the last quarter, the market has yet to see the full impact.

The average late-stage valuation has decreased by a wide margin from the highs of 2021. While this figure is influenced by outlier valuations, the substantial decrease hints that although deals are still being completed at a rapid pace, those financings with extremely high valuations are seeing a quick shift to a difficult market. Because the most highly valued companies are likely closer to the public market, those companies will feel the pains of market struggles first.

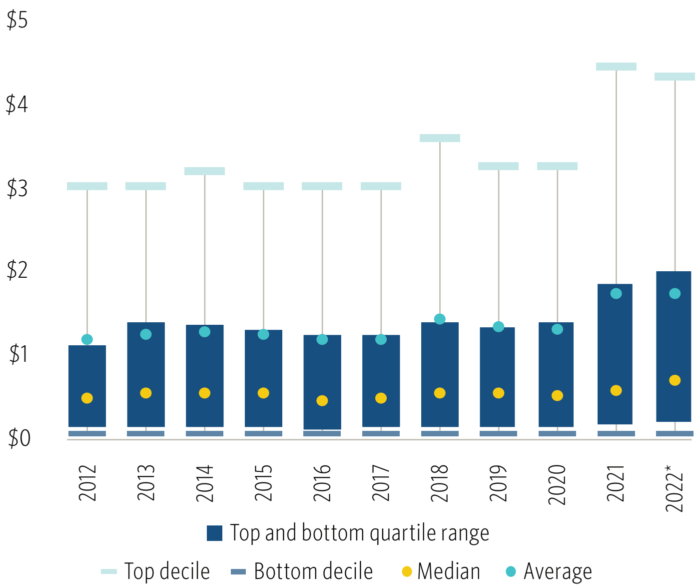
Down rounds continue to make up a very small portion of the deals completed, with just 5% of completed rounds in Q1 coming at a smaller valuation than a company's previous raise. This could change in coming quarters if headwinds persist, but before there is a significant growth in down rounds, the market will likely see a rebound of investor protective deal terms, which have largely been absent from venture rounds over the past few years. A change to a more investor-friendly market may help keep top-line valuations relatively high, even though the upside potential for founders would be more limited.

Though the exit market provided fewer opportunities in Q1, median exit values remained high. This suggests that fundamentally strong companies will continue to exit at lofty valuation increases. There is a growing group of billion-dollar companies in the private markets, thereby increasing the pressure to find exit routes even amid a tumultuous market.

Angel and seed

Angel deal sizes remain high

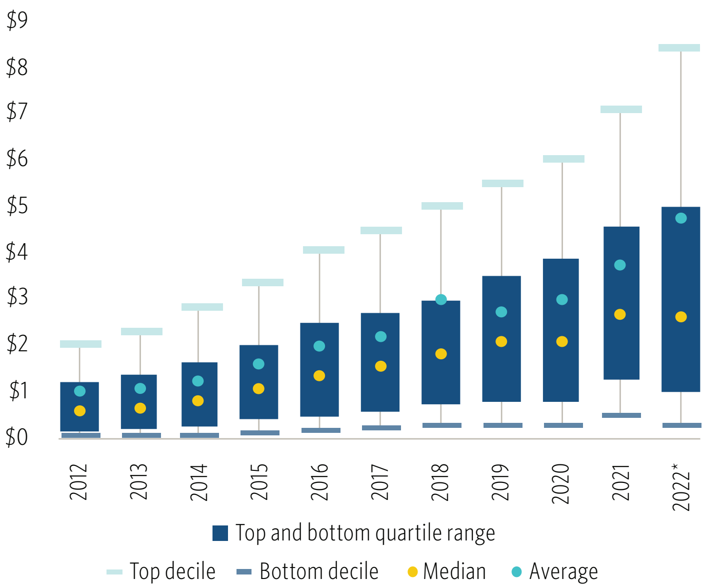
Angel deal value ($M) dispersion



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Competition still driving seed

Seed deal value ($M) dispersion



Source: PitchBook | **Geography:** US
*As of March 31, 2022

The angel and seed market has launched into 2022 riding the wave of momentum created over the past couple years. Deal sizes continued to show strength in the face of market headwinds—which include rising interest rates, high inflation, and geopolitical tension due to the war in Ukraine—with the median size increasing for both deal types in Q1. Acknowledging that valuations at these stages will likely be last to see any impact from increasing interest rates and public market volatility, it remains surprising that the median seed-stage pre-money valuation reached $11.5 million in Q1. Investors at seed are paying a higher price than they have over the past few years, as well. The median stake acquired has declined over the past couple quarters, likely due to an increase in competition at the seed stage, which is driving prices higher and creating a more founder-friendly environment. The record number of micro-funds (under $50 million) and growth of large multistage firms' participation at seed will likely keep prices elevated over the near term. The longer current headwinds persist, the further into the venture lifecycle the impacts will be felt. However, we do not expect to see much of this occur at the seed stage for a couple more quarters at the earliest.

Median seed pre-money valuation tops $11 million

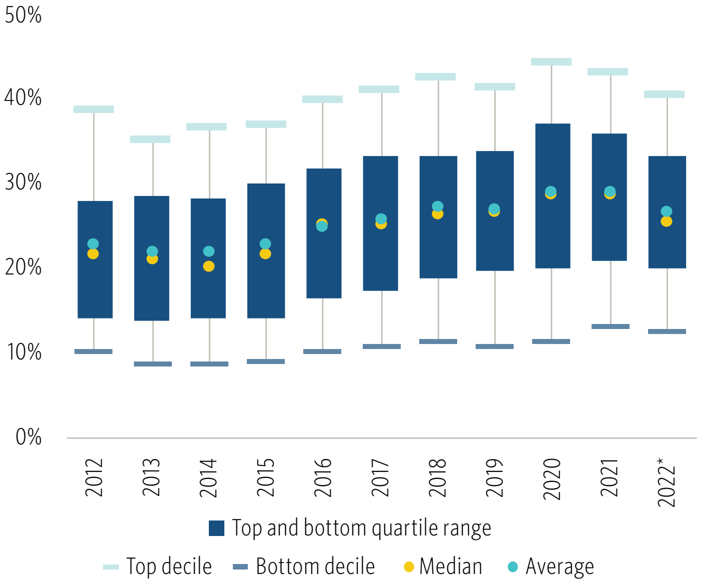
Seed pre-money valuation ($M) dispersion

Source: PitchBook | **Geography:** US
*As of March 31, 2022

According to our deal count estimates in the most recent edition of the PitchBook-NVCA Venture Monitor, Q1 was the most active quarter for angel and seed deals in our dataset. The increase in companies entering the venture lifecycle is a major net positive for the industry. Although, when the next round of funding is needed, this increase of companies could be looking at a much more difficult fundraising market.

Stakes acquired at seed declining

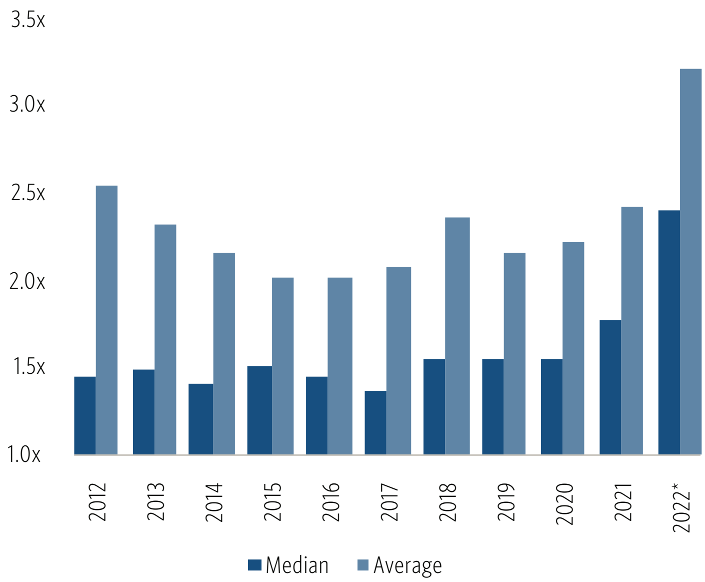
Percent stake acquired in seed deals dispersion



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Seed-stage step-ups high

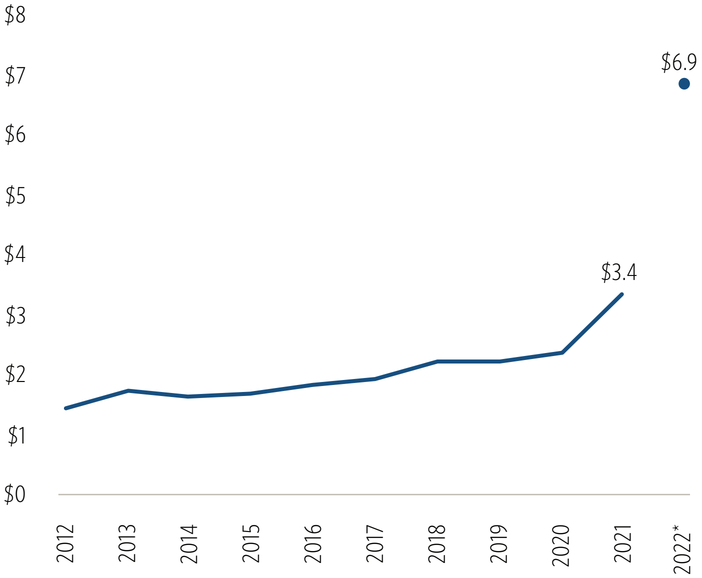
Median and average seed valuation step-ups



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Seed deals creating value faster than ever

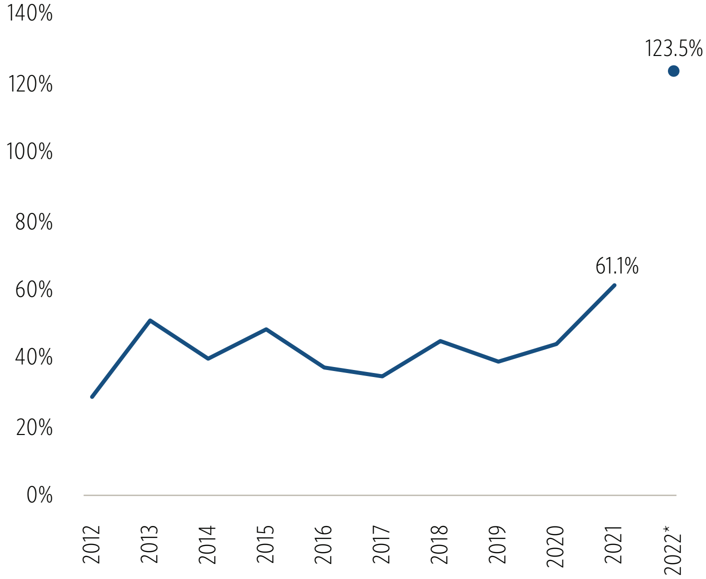
Median seed-stage VVC ($M)



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Seed RVVC jumps

Median seed-stage RVVC

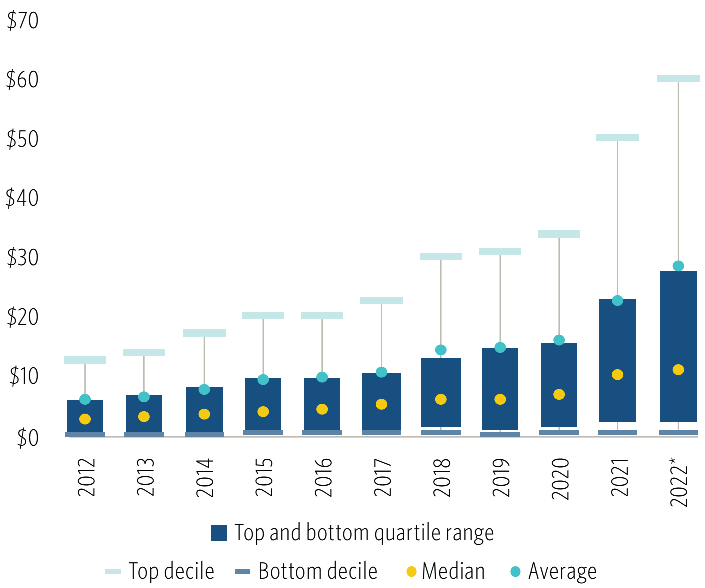


Source: PitchBook | **Geography:** US
*As of March 31, 2022

Early-stage VC

Early-stage deal sizes keep climbing

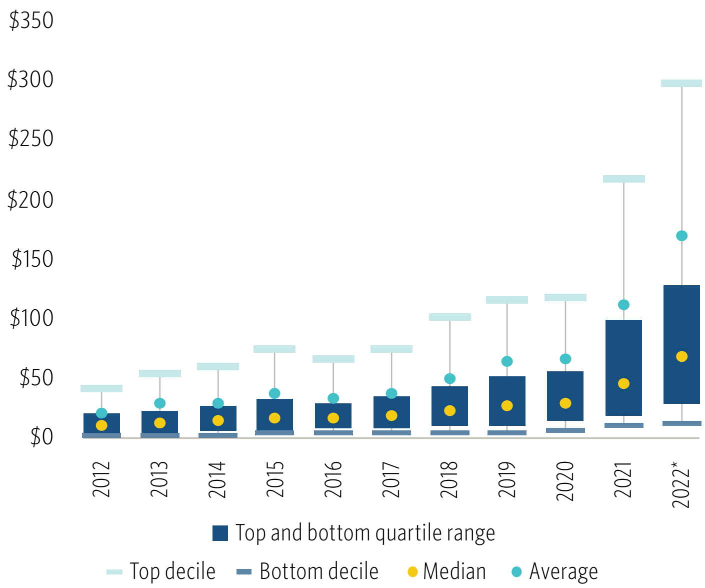
Early-stage VC deal value ($M) dispersion



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Valuations continue reaching higher

Early-stage VC pre-money valuation ($M) dispersion



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Early-stage deals are a bit more insulated from turbulence in the public markets than the late stage will be at the outset. The longer these headwinds persist, the further up the venture lifecycle changes will flow. In Q1, many early-stage trends continued to move as if nothing had changed. Deal count was strong, if not the highest we have seen, and deal sizes and valuations continued to grow. Q2 may look very different.

Early-stage companies added value at nearly the same pace as the late-stage companies that raised rounds in Q1, with the median velocity of value creation (VVC)—an annualized dollar figure of valuation growth—reaching $83.0 million. Well above 2021's full-year figure, the VVC indicates that the high multiples seen at the early stage over the past few years have yet to feel an impact from interest rates, inflation, or other headwinds in the market. On a percentage basis, the value creation for early-stage deals reached 231.2% in the quarter. This figure was heightened by the quick time between raises in Q1, which fell below one year at the median for early-stage companies.

Capital availability for the early stage could soften repricing. More than $230 billion in dry powder was available at the end of Q4 2021, and roughly $74 billion has been closed on by US VC funds since then.

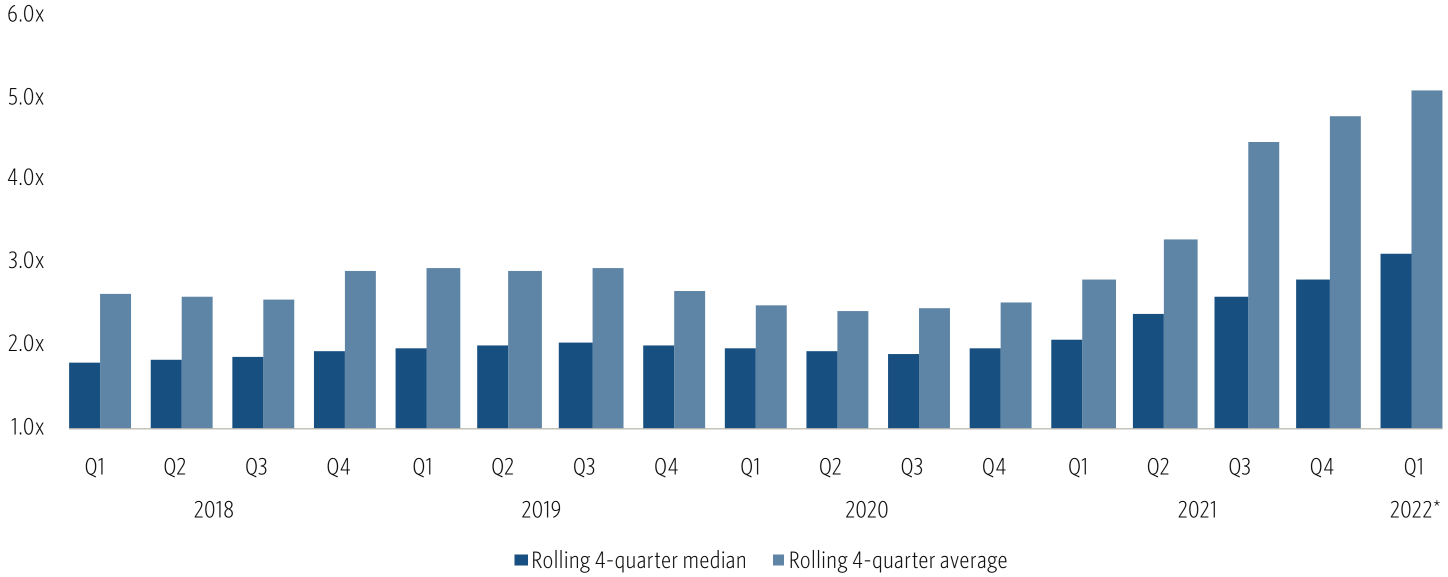
Stake acquisitions plateau

Percent stake acquired in early-stage VC deals dispersion

Source: PitchBook | **Geography:** US
*As of March 31, 2022

Valuations rolling higher

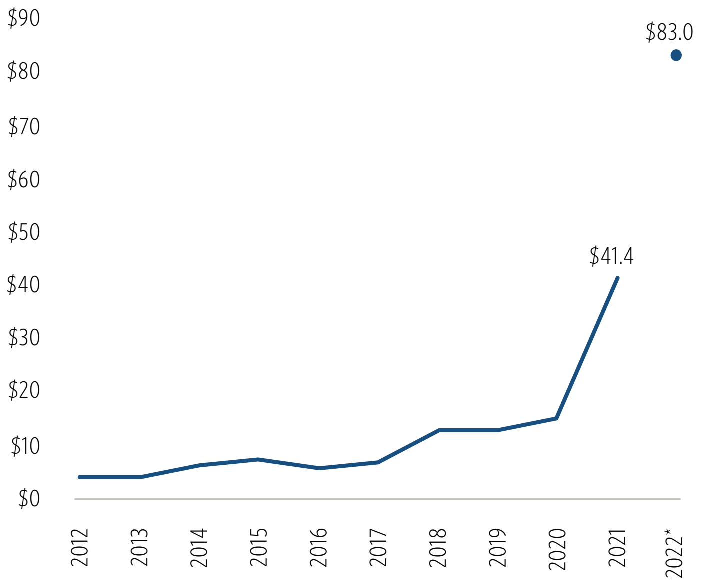
Median and average rolling 4-quarter early-stage VC valuation step-ups



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Early-stage VVC shoots up

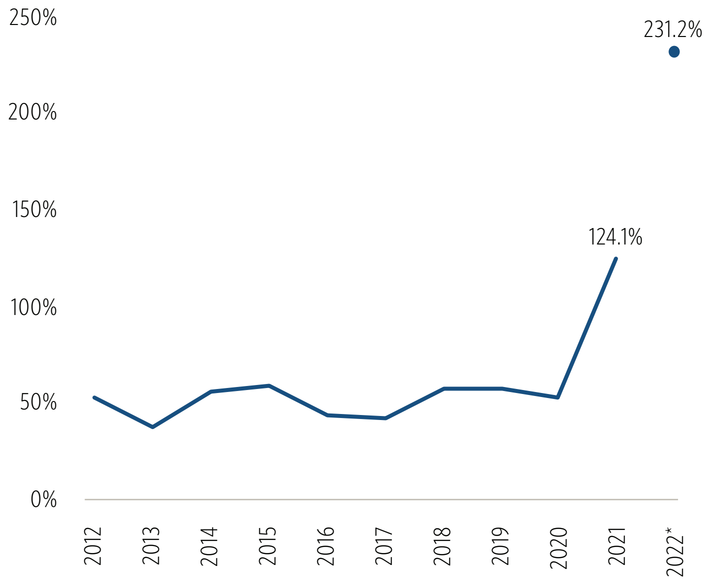
Median early-stage VVC ($M)



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Early-stage RVVC highest of any stage

Median early-stage RVVC

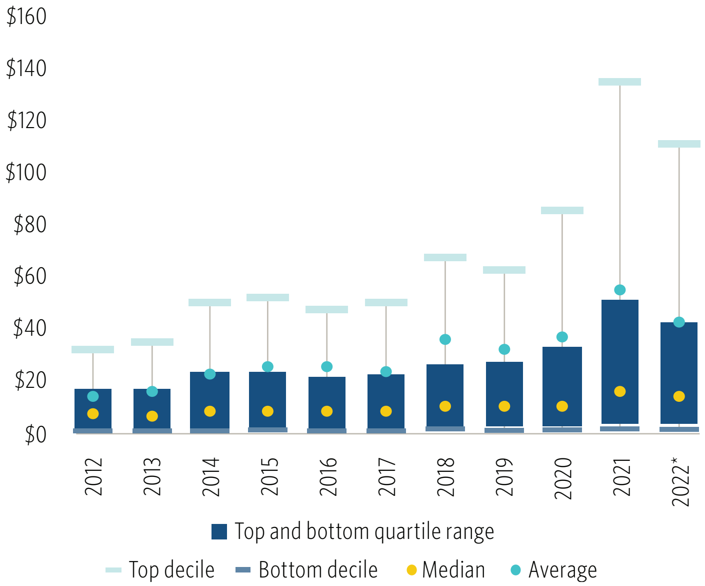


Source: PitchBook | **Geography:** US
*As of March 31, 2022

Late-stage VC

Late-stage VC deal sizes contract

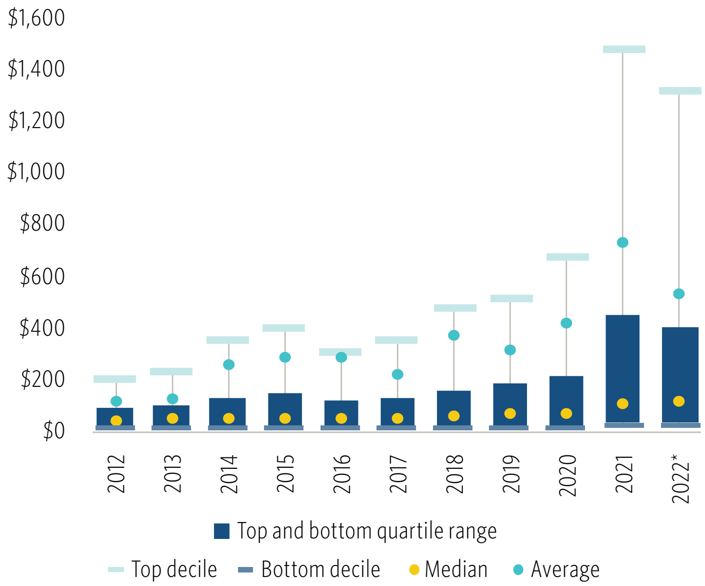
Late-stage VC deal value ($M) dispersion



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Despite slowdown, valuations still high

Late-stage VC pre-money valuation ($M) dispersion



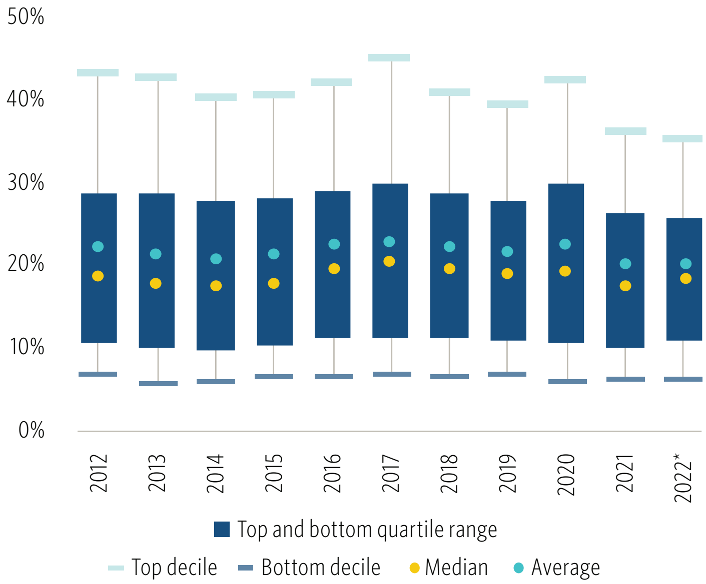
Source: PitchBook | **Geography:** US
*As of March 31, 2022

The lag seen in private data will keep much of the immediate impact of public volatility and increases in interest rates out of Q1's overall figures. In late-stage valuations, however, the impact of these headwinds is showing where we expected. The average late-stage pre-money valuation decreased from the highs of 2021, along with the top-decile figure. Companies closest to the public markets found a much different sentiment from investors, as tech stocks took the brunt of the market volatility over the past few months.

The median late-stage deal size also dropped from 2021's high. The $14.0 million figure from Q1 is one of the highest we have seen for any quarter in our dataset; in fact, it is higher than any quarter other than those of 2021. Again, it will take some time for continued headwinds to fully filter into the data. There is also a large amount of dry powder in VC mega-funds (sized $500 million or above) ready to bolster the late stage, and step-ups have remained high. A decreasing median valuation will not necessarily affect companies that have raised in the past few quarters at the height of the market. Therefore, we believe that late-stage companies raising in this slowing environment can still command high increases on their previous valuations.

Little change in stakes acquired

Percent stake acquired in late-stage VC deals dispersion

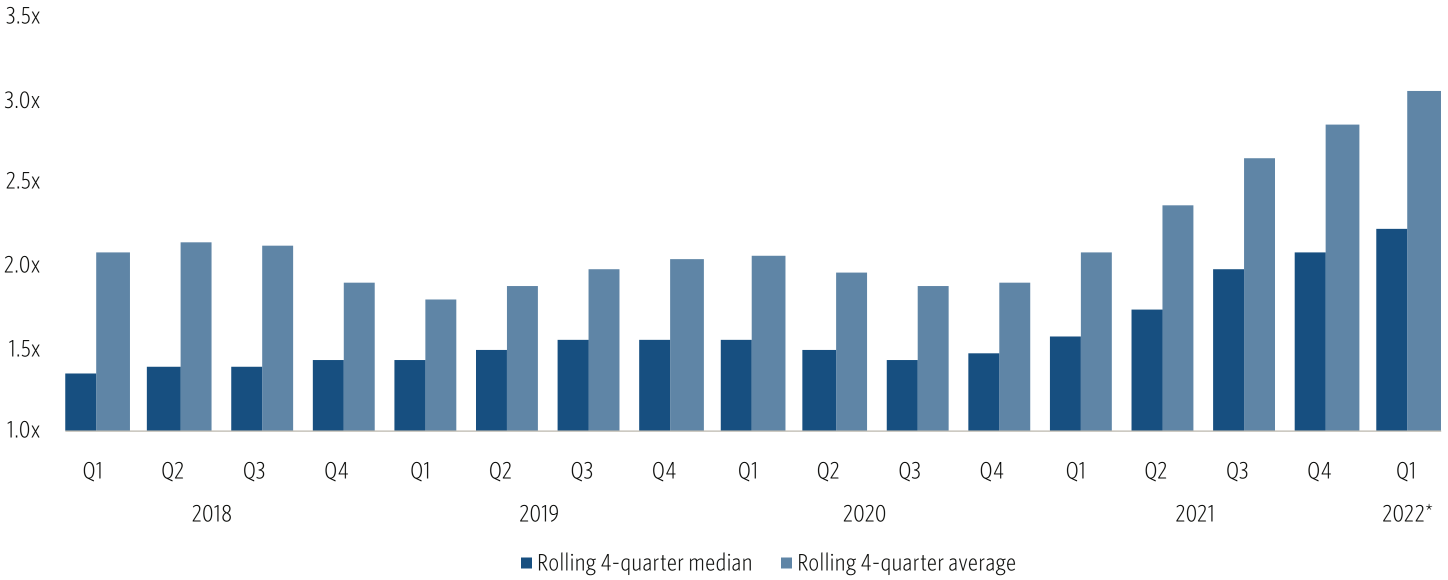


Source: PitchBook | **Geography:** US
*As of March 31, 2022

From the perspective of VVC, late-stage companies continue to see the highest growth at a whopping $87.1 million. This figure has jumped significantly in recent years as capital availability has driven companies to raise faster, and as competition has driven prices higher.

Late-stage step-ups continue climbing

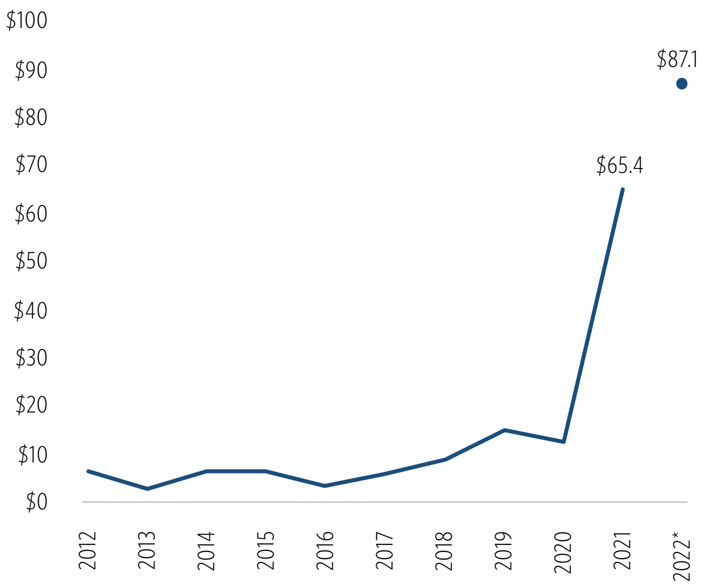
Median and average rolling 4-quarter early-stage VC valuation step-ups



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Median VVC continues to increase

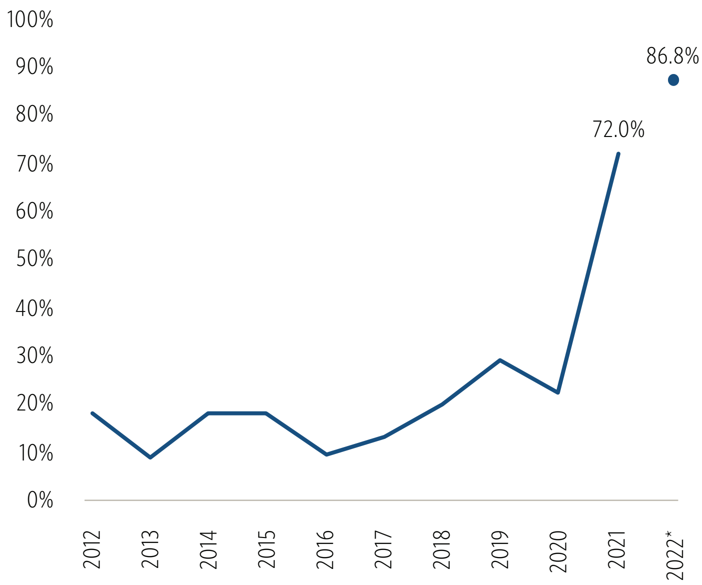
Median late-stage VVC ($M)



Source: PitchBook | **Geography:** US
*As of March 31, 2022

RVVC continues its growth at the late stage

Median late-stage RVVC



Source: PitchBook | **Geography:** US
*As of March 31, 2022

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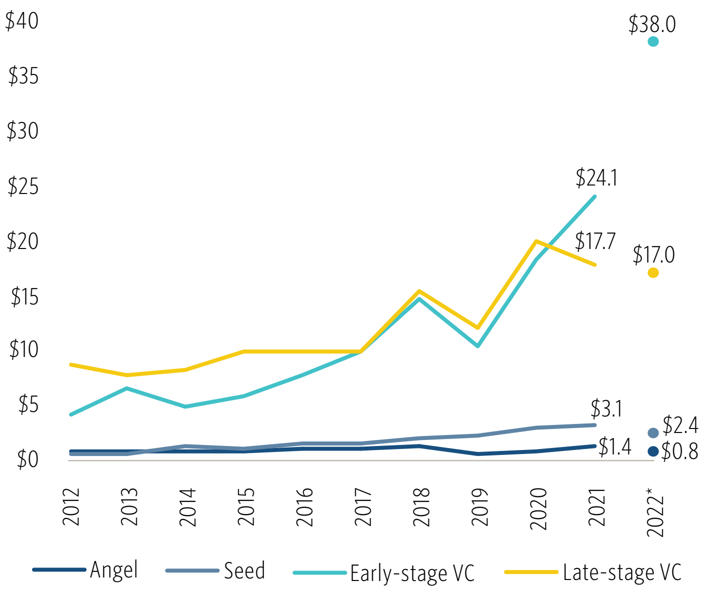
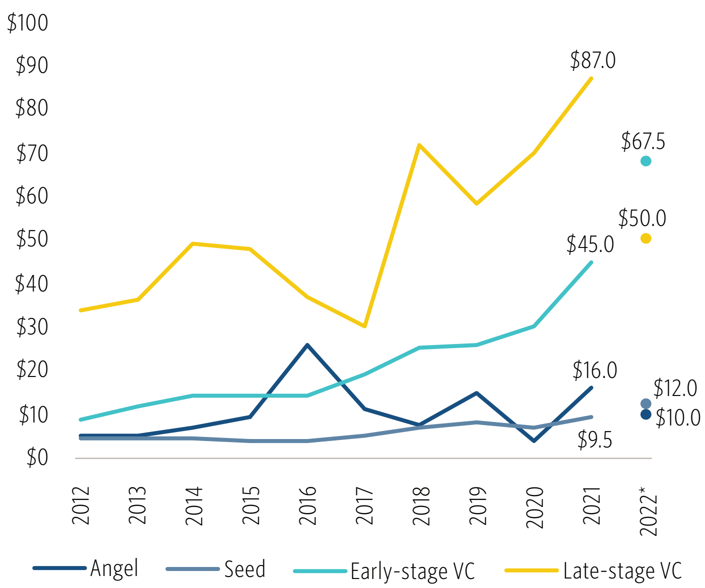
Biotech & pharma

Median deal sizes inverted early and late stage in Q1
Median biotech & pharma VC deal value ($M) by stage



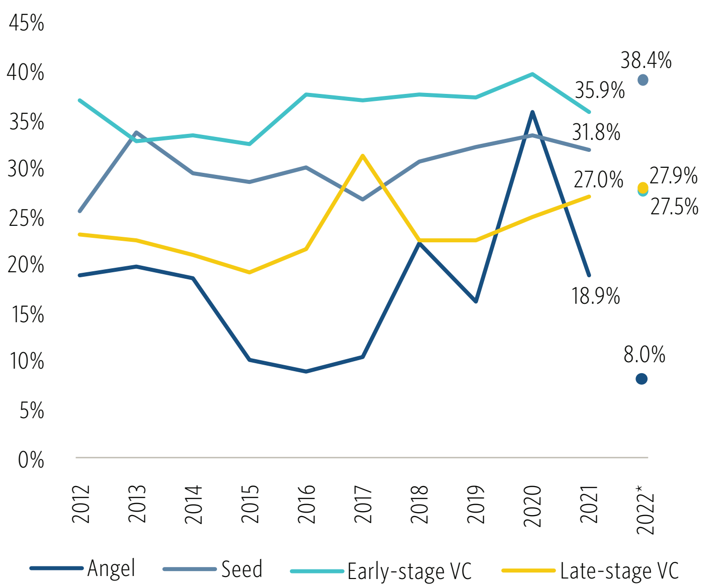
Source: PitchBook | **Geography:** US
*As of March 31, 2022

Early-stage valuations rising quickly
Median biotech & pharma VC pre-money valuation ($M) by stage



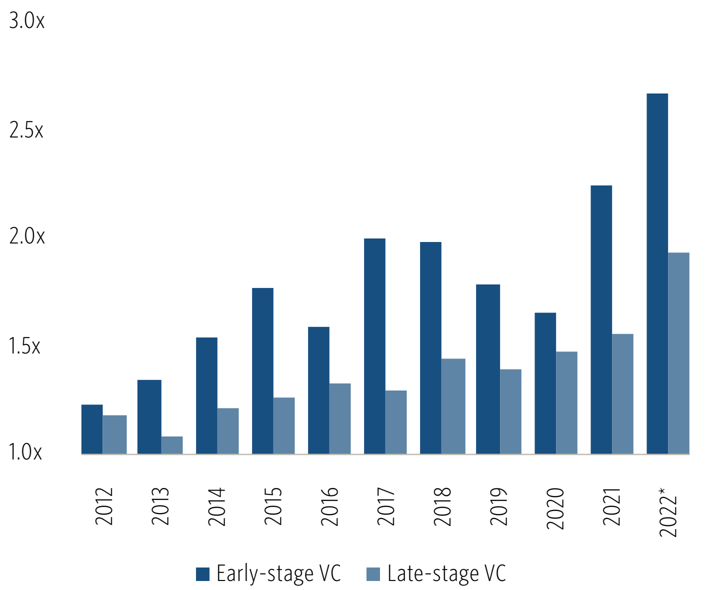
Source: PitchBook | **Geography:** US
*As of March 31, 2022

Little change in stake acquisition in the quarter
Median percent stake acquired in biotech & pharma companies by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Valuation step-ups rise further
Median biotech & pharma valuation step-ups by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

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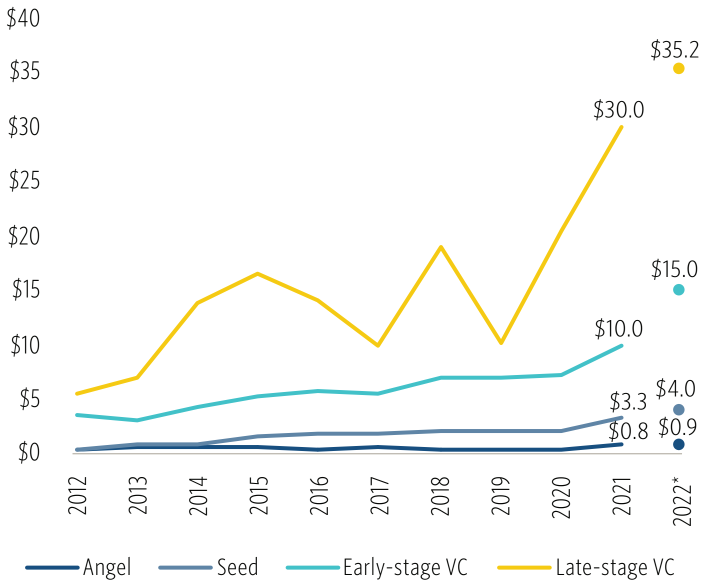
Fintech

Fintech continues its deal surge

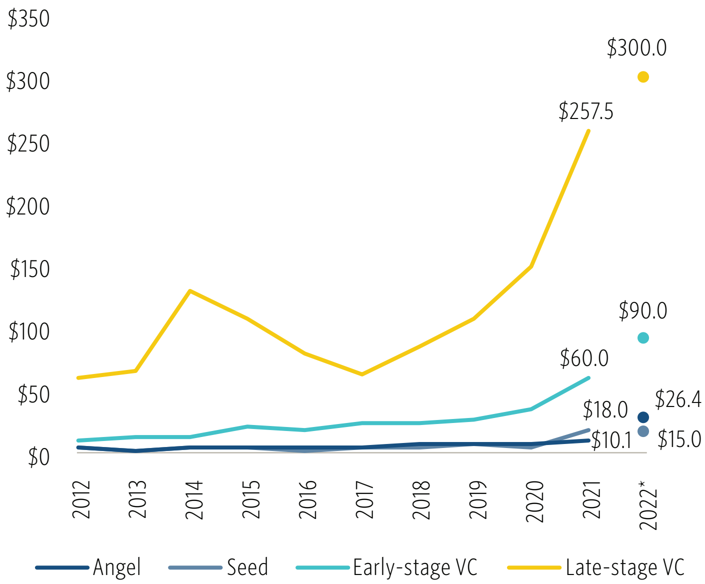
Median fintech VC deal value ($M) by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Valuations rising too

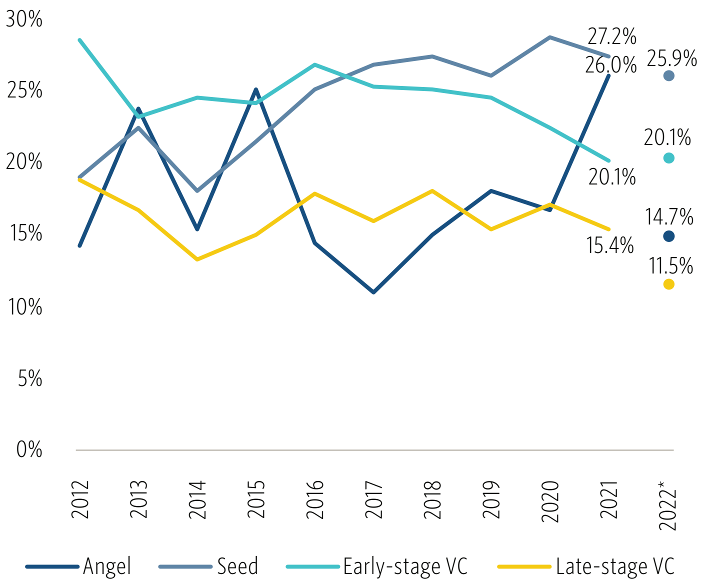
Median fintech VC pre-money valuation ($M) by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Stakes acquired fall below 2021 figures

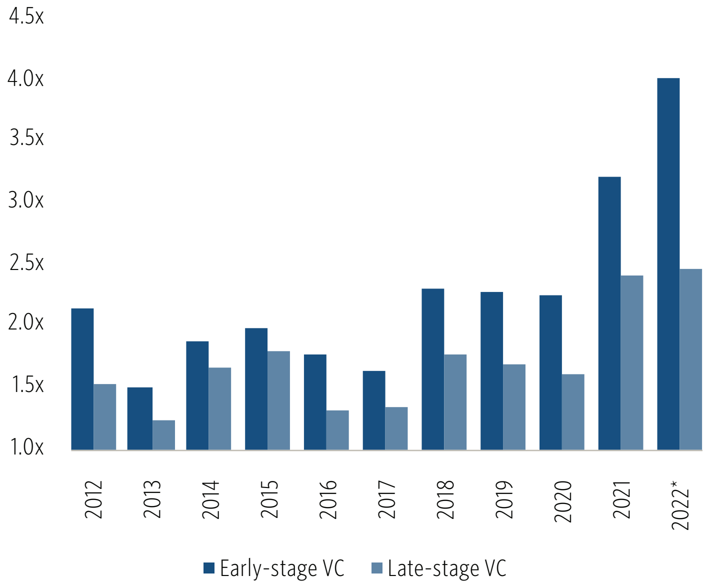
Median percent stake acquired in fintech companies by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Late-stage step-ups plateau

Median fintech valuation step-ups by stage

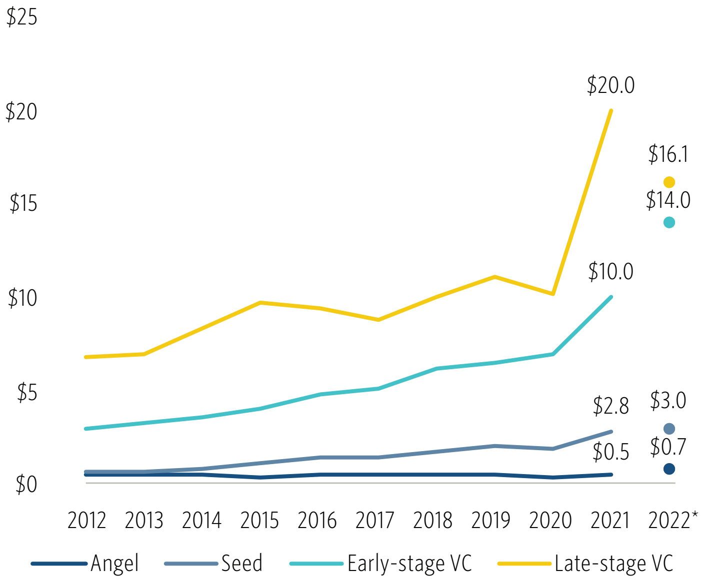


Source: PitchBook | **Geography:** US
*As of March 31, 2022

Enterprise tech

Late-stage enterprise tech feeling a pinch

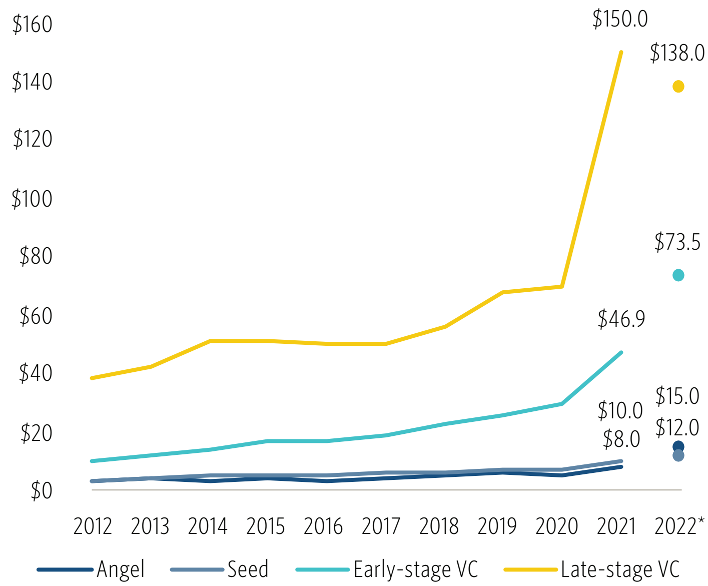
Median enterprise tech VC deal value ($M) by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Valuations slide at the top

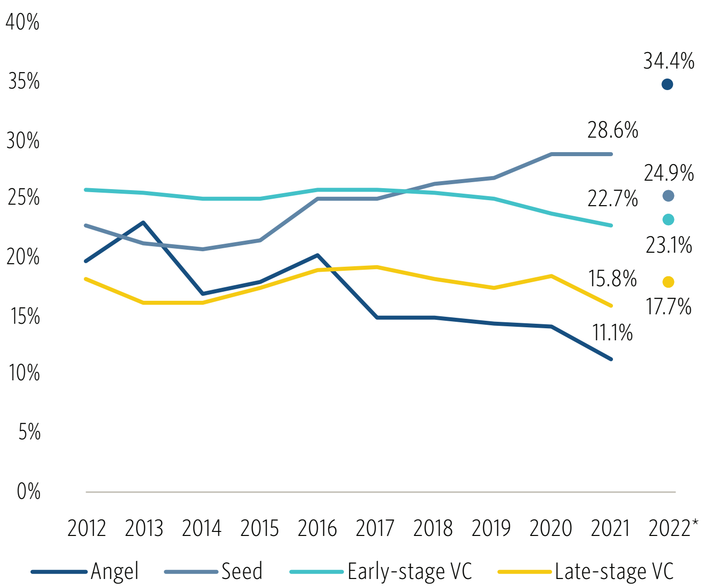
Median enterprise tech VC pre-money valuation ($M) by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Percent acquired rises at the late stage

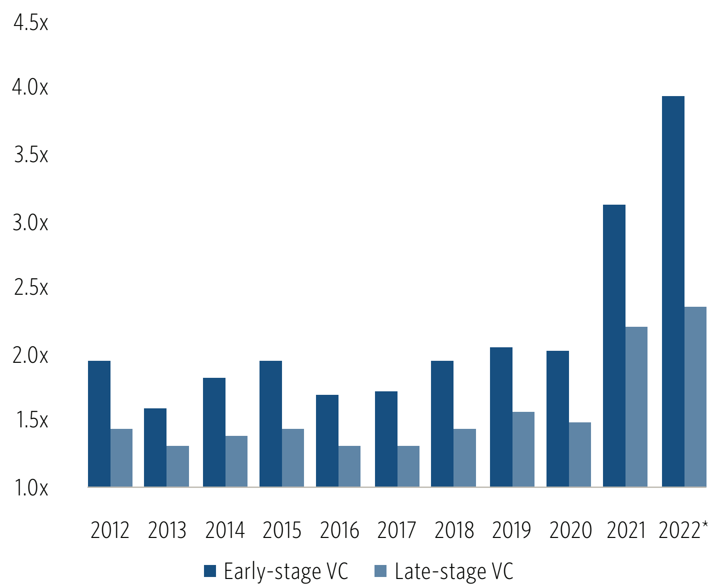
Median percent stake acquired in enterprise tech companies by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Enterprise tech step-ups continue growth

Median enterprise tech valuation step-ups by stage

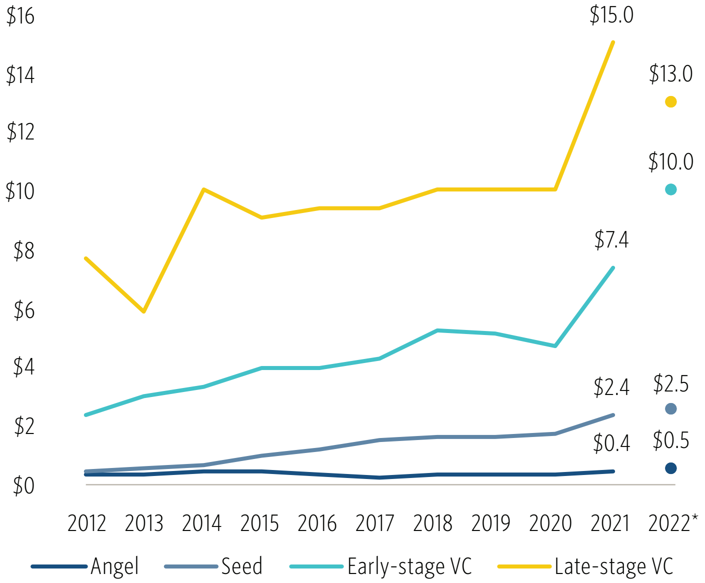


Source: PitchBook | **Geography:** US
*As of March 31, 2022

Consumer tech

Consumer tech seeing similar trends to enterprise

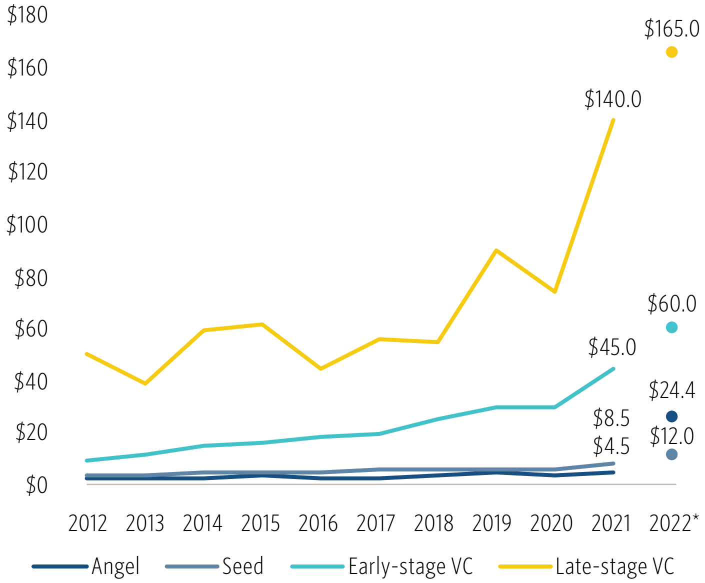
Median consumer tech VC deal value ($M) by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Median valuations continue rising

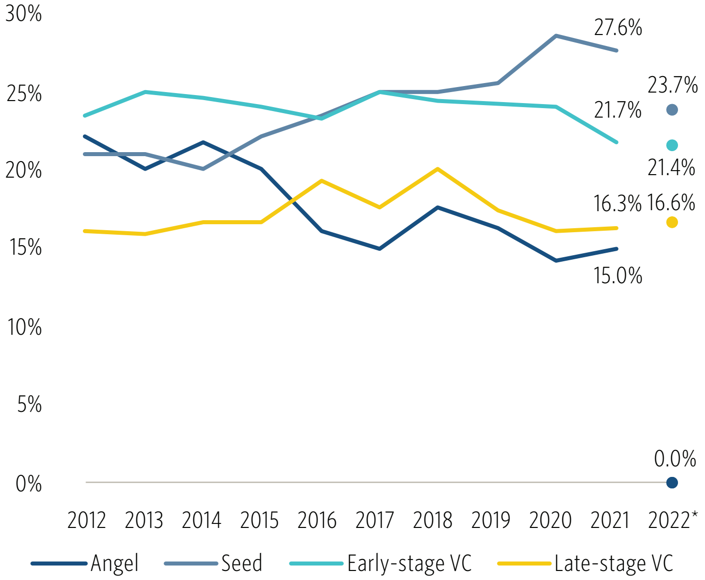
Median consumer tech VC pre-money valuation ($M) by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

No growth seen in stake acquisition

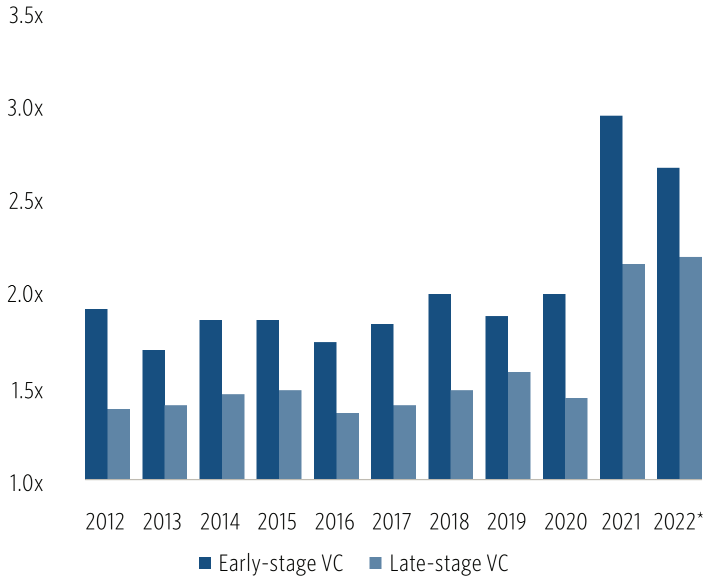
Median percent stake acquired in consumer tech companies by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Early-stage step-ups decline

Median consumer tech valuation step-ups by stage



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Nontraditional investors

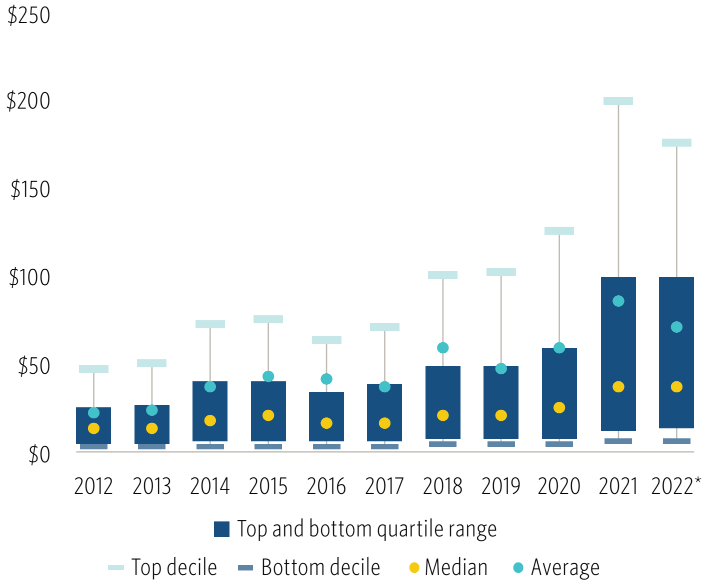
Nontraditional capital pressuring early VC deal sizes

Early-stage VC deal value ($M) dispersion with nontraditional investor participation

Source: PitchBook | **Geography:** US
*As of March 31, 2022

Late-stage deal sizes contract

Late-stage VC deal value ($M) dispersion with nontraditional investor participation



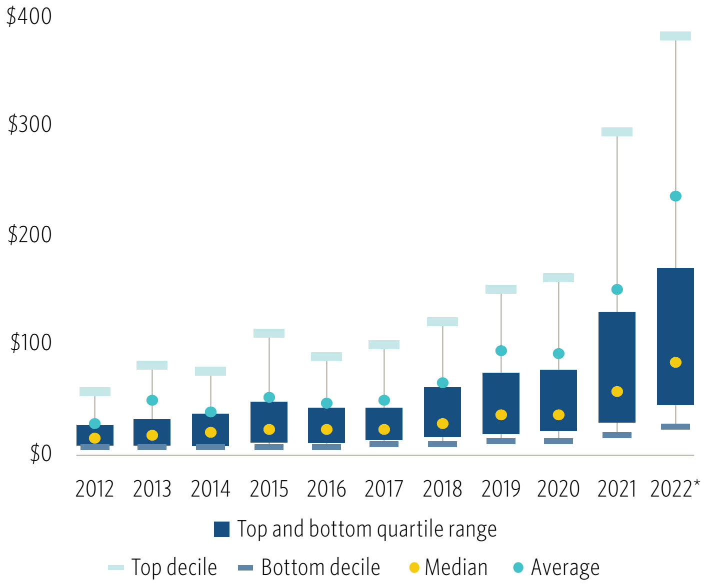
Source: PitchBook | **Geography:** US
*As of March 31, 2022

Nontraditional investors have captured intrigue in recent years for their increased participation in the private markets. With headwinds increasing, we are interested to see whether they will continue that activity level within the current market climate. So far, activity has remained high, but late-stage pre-money valuations from nontraditional deals have plateaued from 2021's median of $200.0 million. This indicates that at least the exuberance of 2021 has slowed. Indeed, the average late-stage VC deal size with nontraditional investor participation has declined, as well as the average valuation, suggesting that the largest deals that have driven these figures over the past couple years are not continuing to close. The number of VC mega-deals ($100 million and above) completed in Q1 was significantly off-pace from the total number closed in 2021. Mega-deals rely heavily on nontraditional capital, so the slowdown in these deals puts a spotlight on the very top of the market going forward. A pullback in mega-deals will show quickly in the data, as capital from these deals significantly inflates total dollars invested.

On their own, corporate VC (CVC) investors have continued to push into venture. Valuations on deals with CVC participation have also continued their rise, with the median late-stage pre-

Little has changed in valuation growth

Early-stage VC pre-money valuation ($M) dispersion with nontraditional investor participation

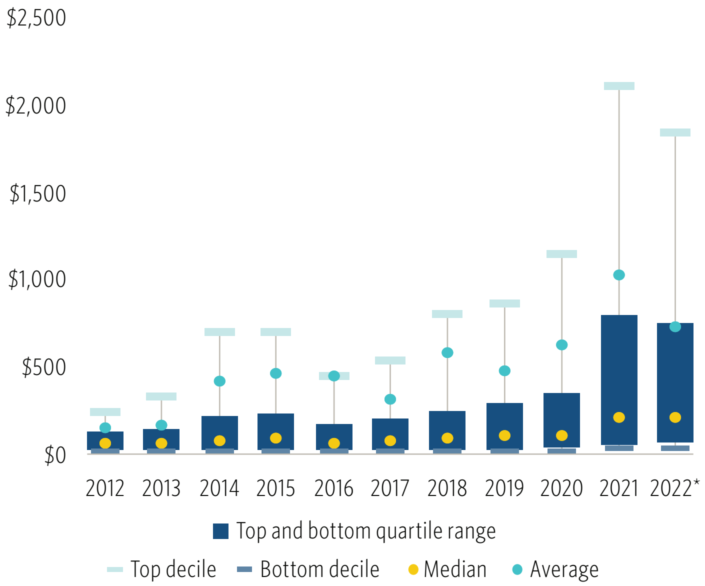


Source: PitchBook | **Geography:** US
*As of March 31, 2022

money valuation reaching $200.0 million in Q1, $125.0 million higher than deals without a CVC joining the cap table. Corporate investors have been more active in VC in recent quarters than ever before. Roughly 2,000 different CVCs participated in a venture deal in 2021, more than 400 higher than any previous year. Though headwinds will impact corporates differently on an individual basis, we believe that CVCs will continue to be highly active in venture, following broader VC trends.

Late-stage valuations feeling pressure

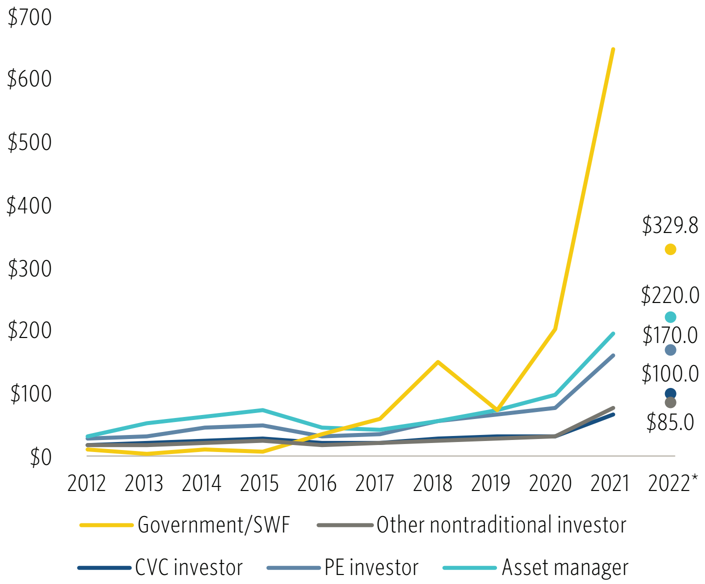
Early-stage VC pre-money valuation ($M) dispersion with nontraditional investor participation



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Valuations show slow growth across investors

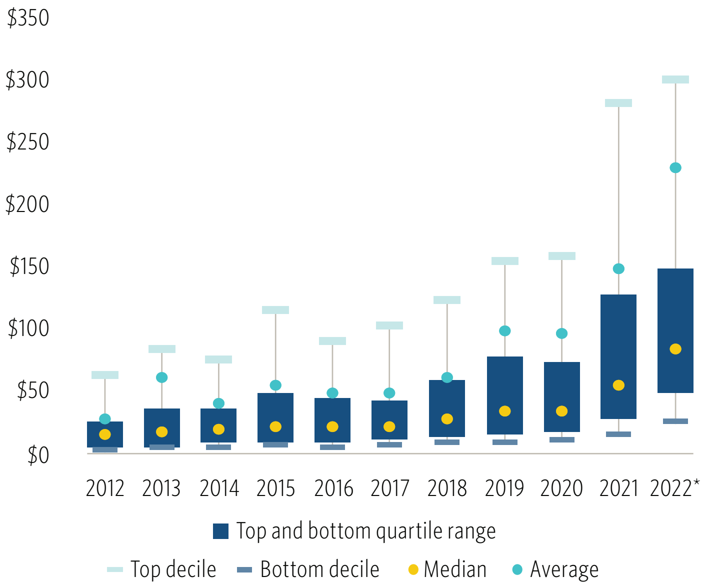
Median VC pre-money valuation ($M) by investor participation



Source: PitchBook | **Geography:** US
*As of March 31, 2022

CVCs continue to push into the early stage

Early-stage VC pre-money valuation ($M) dispersion with CVC participation



Source: PitchBook | **Geography:** US
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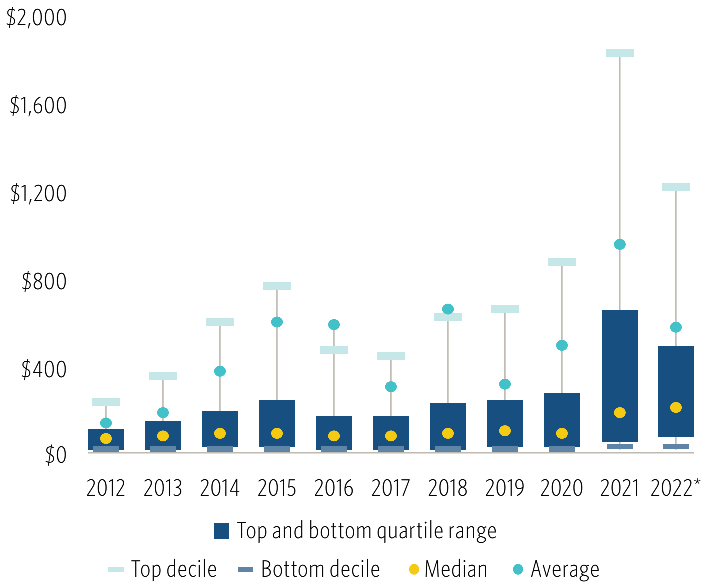
Late-stage valuations following broader trend

Late-stage VC pre-money valuation ($M) dispersion with CVC participation

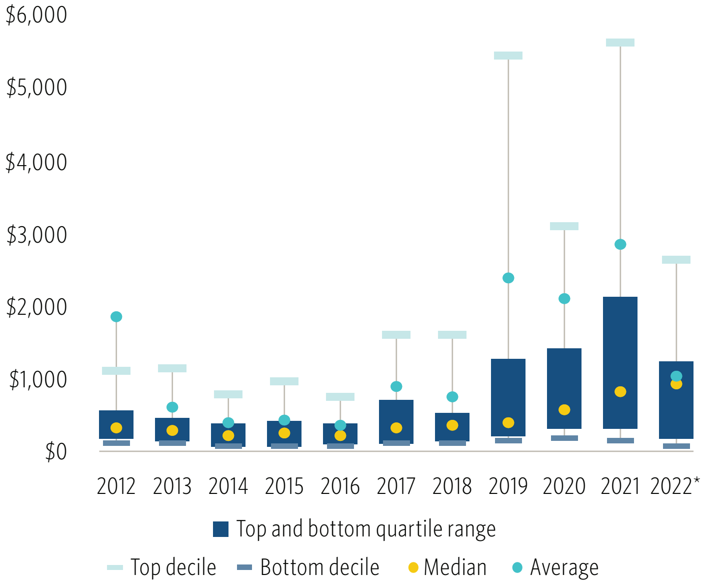


Source: PitchBook | **Geography:** US
*As of March 31, 2022

Liquidity

Weak start to 2022 for IPOs

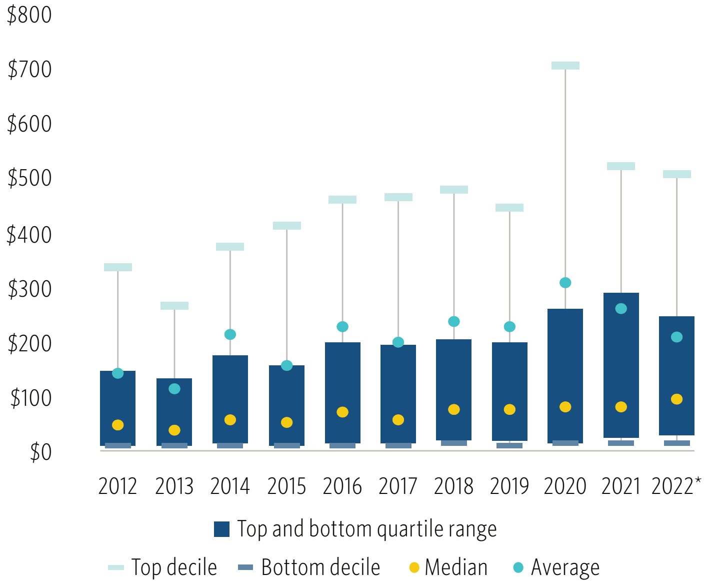
Valuation at exit via public listing ($M) dispersion



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Median acquisition boosts slightly

Valuation at exit via acquisition ($M) dispersion



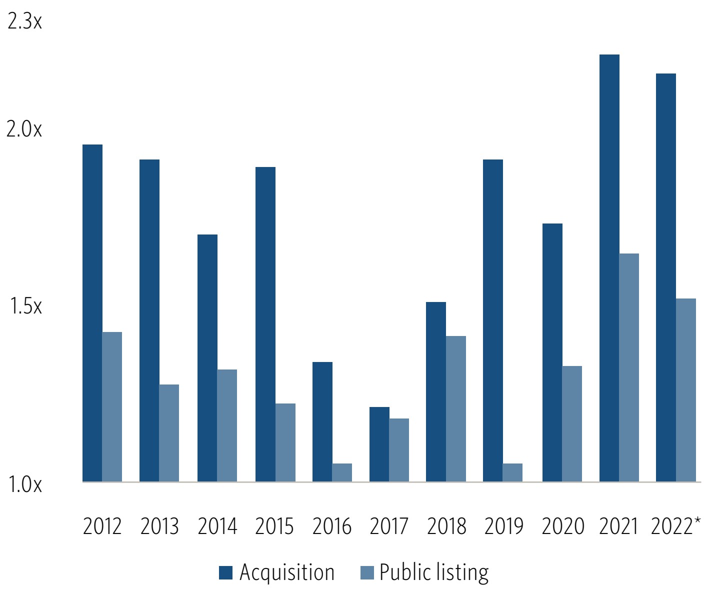
Source: PitchBook | **Geography:** US
*As of March 31, 2022

The Q1 2022 exit market did not present the opportunities that it had become accustomed to over the past year. Public listing valuations saw a significant decrease at the top, and the average public listing valuation fell to $993.1 million. While still elevated on a historical scale, this value represents roughly one-third of 2021's $2.8 billion. Q1 also marks the first time since 2018 that the average public listing valuation fell under $2 billion. Public market volatility, especially within tech stocks, was a major news story of Q1, so we expected to see this pullback in public listings by VC-backed companies.

However, valuation step-ups at exit have remained high. At 1.5x, the median step-up for Q1 remained one of the highest in our dataset. The rolling-four quarter step-up also reached its highest point; that figure has seen a non-stop growth since the first full quarter of the COVID-19 pandemic in 2020. For both public listings and acquisitions, the positive outlook comes from the continued rise in the median exit valuation. While exit valuations at the top of the market will have an outsized impact on the averages, many more companies will exit closer to the median. The median valuation at exit via acquisition reached $90.0 million in Q1, $14.0 million

Despite decline, exit step-ups remain high

Median valuation step-up at exit by exit type

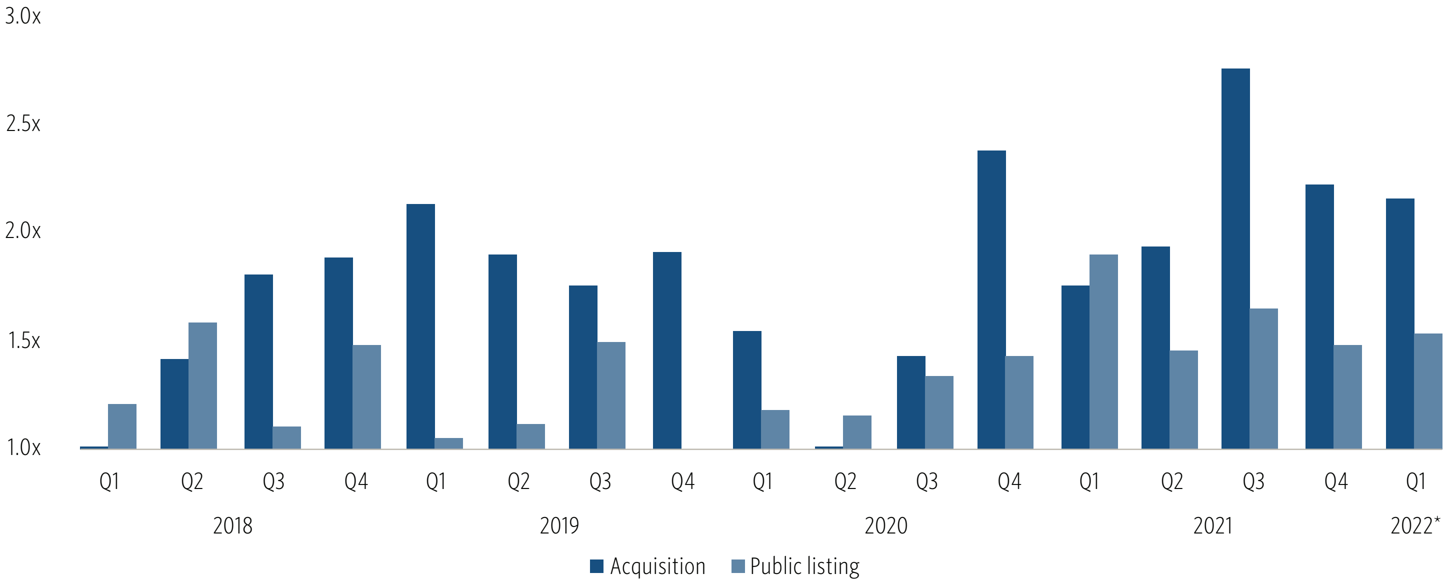


Source: PitchBook | **Geography:** US
*As of March 31, 2022

higher than any full-year figure in our dataset, and still with a statistically significant count. Continued headwinds may depress this figure, but for now, the core of the VC-backed exit market has continued to produce.

Exit step-ups similar to Q4 figures

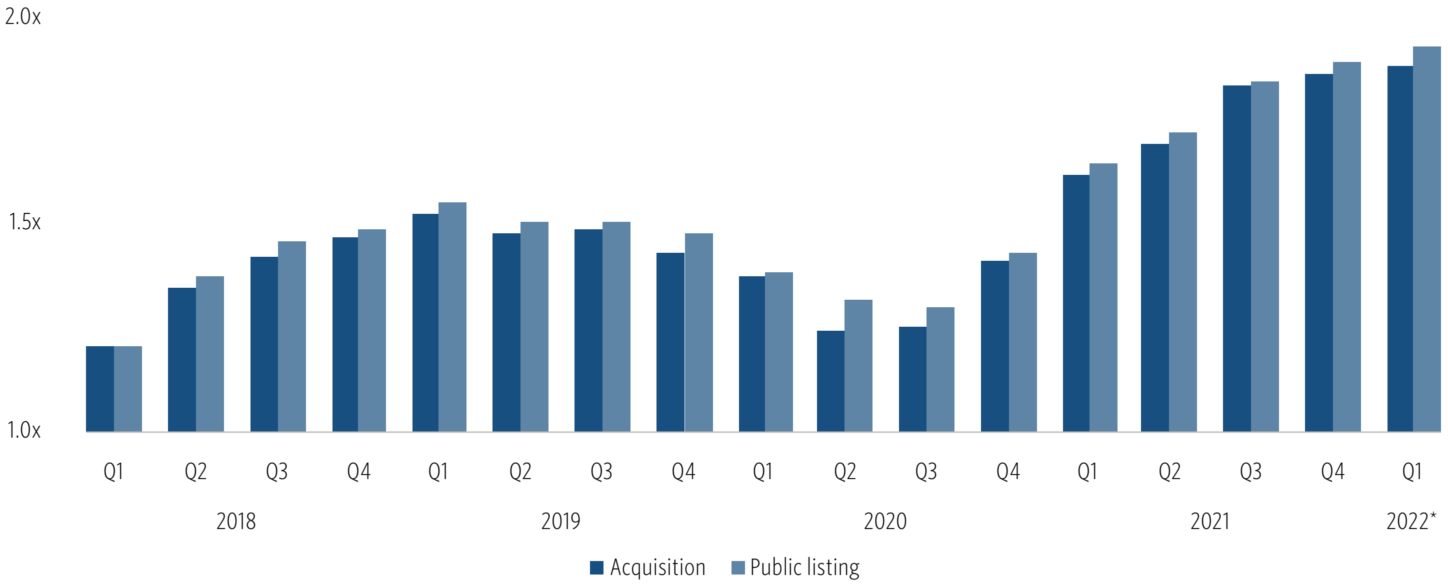
Quarterly median valuation step-up at exit by exit type



Source: PitchBook | **Geography:** US
*As of March 31, 2022

With rolling median, step-ups continue to grow

Rolling 4-quarter median valuation step-up by exit type



Source: PitchBook | **Geography:** US
*As of March 31, 2022

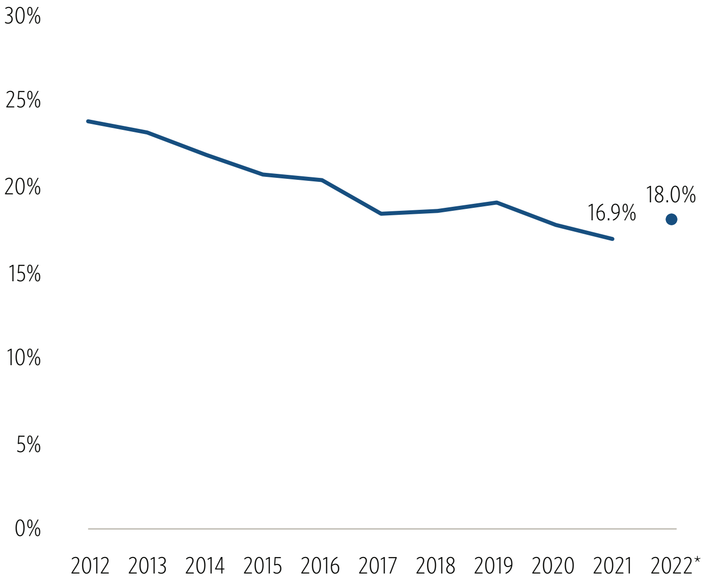
Deal terms

With the increased competition seen in the market due to enormous growth in capital availability and the number of active investors, protective deal terms had gone by the wayside for the past year. Securing a deal in the red-hot market likely necessitated the removal of risk-reducing terms. Liquidation multiples have all but gone from VC rounds, which continued in Q1; the average dividend continued its decline, falling under 7% for the first time. The lack of protective terms generally will not limit an investor's upside, but they do lower the floor. With valuations skyrocketing in recent years, current market headwinds will pose a risk to these values. We expect the dearth of protective terms to come into focus as investors are exposed to a declining exit market.

For much of the past decade, down rounds have been an afterthought in the venture market. In Q1, just 5.0% of the completed deals were at a valuation lower than the previous company financing. This figure has lowered almost hand-in-hand with the decline of protective deal terms, also due to increased competition within the market. The number of funds raised in the past few years will help retain the high number of investors, but inflation, interest rates, and other headwinds will likely cause investors to increase their scrutiny on deals, lowering the revenue multiples that valuations have been raised at in recent years. Before we see a wholesale increase in down rounds, however, we expect to see protectionist deal terms return to the market.

Cumulative dividends begin their comeback

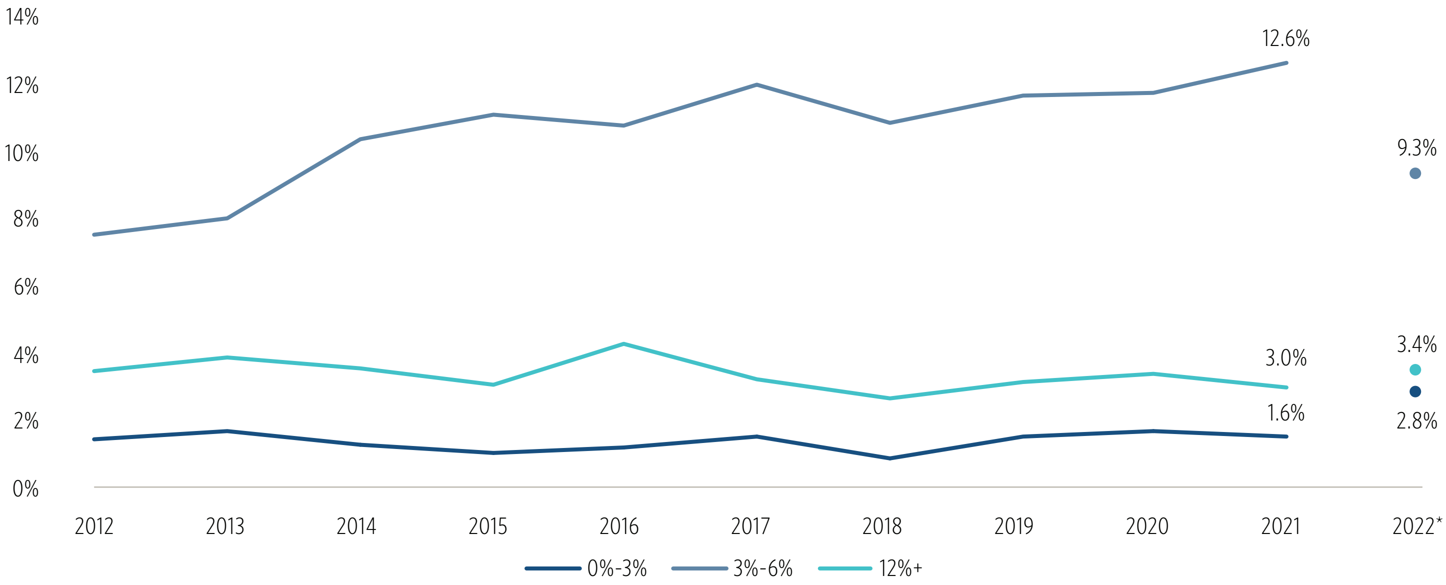
Deals with cumulative dividends as a share of all VC deals



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Spread of dividend percentage narrows

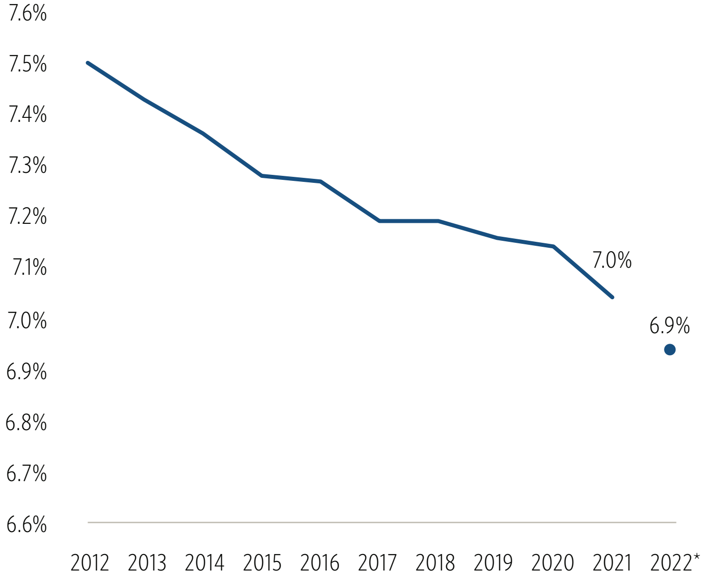
VC dividend buckets (excluding 6%-9%)



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Average dividend continues to decline

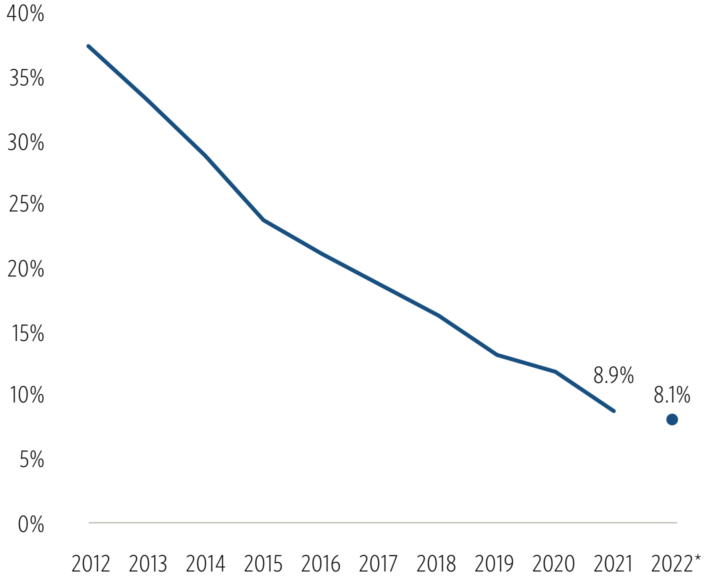
Average dividend share in VC deals



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Liquidation participation largely left out of deals

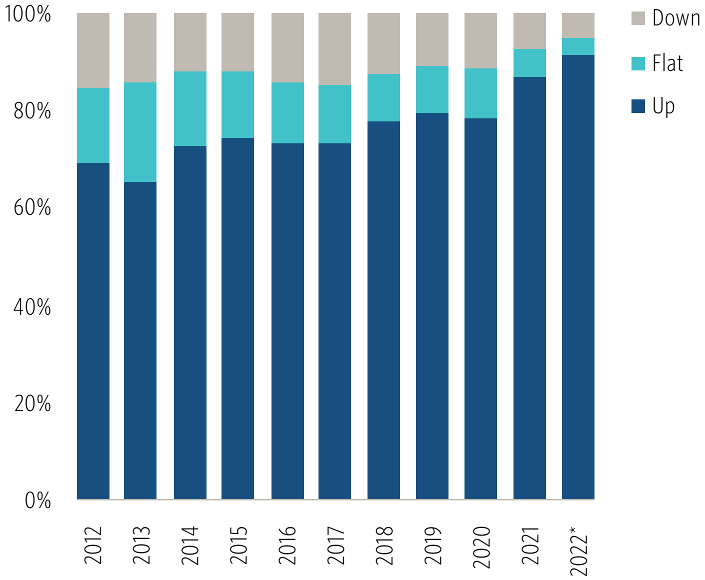
Deals with liquidation participation as a share of all VC deals



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Down rounds yet to increase

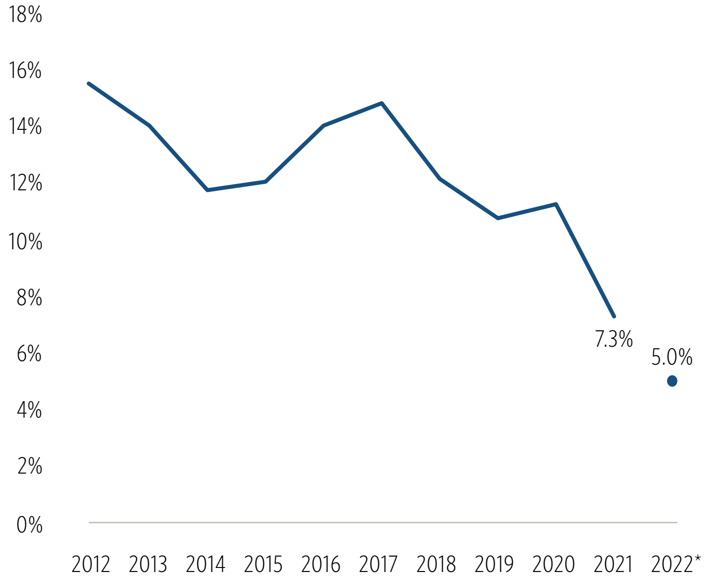
Share of VC deals with up, flat, or down rounds



Source: PitchBook | **Geography:** US
*As of March 31, 2022

Down rounds may start a comeback in Q2

Deals with down rounds as a share of all VC deals



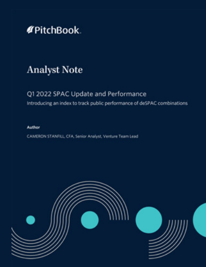
Source: PitchBook | **Geography:** US
*As of March 31, 2022

Additional research

Venture capital

PitchBook-NVCA Venture Monitor

Download the report here



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