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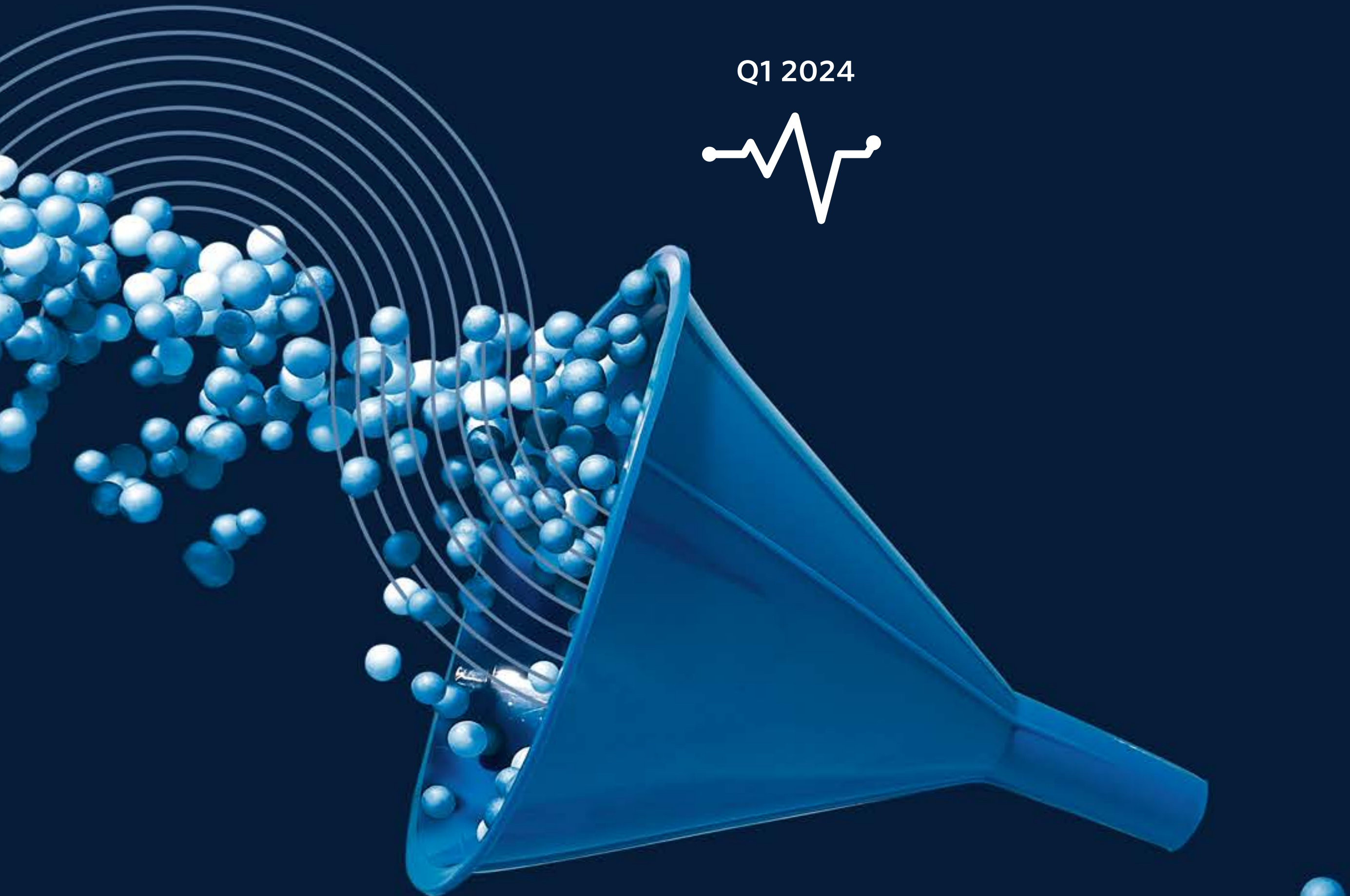
Venture Monitor

Q1 2024



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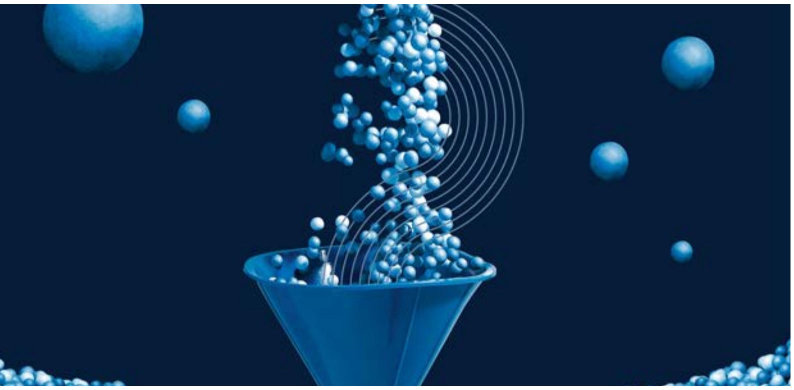
The definitive review of the US venture capital ecosystem



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Executive summary

The first quarter of 2024 did not start on a high note for the US venture capital community. There is usually a bit of a seasonal rise that accompanies Q1, but with $36.6 billion invested across 3,925 deals, Q1 deal activity remained relatively on pace with the past year. However, it would be a mistake to hyperfocus on the results of a single quarter whose results were a bit farther left on the bell curve than usual. The venture capital (VC) business cycle effectively reset in recent years, and as of early 2024, it still appears to be searching for its level.

Despite low capital outflows, venture capital did not enter 2024 with a lack of capacity. Years of strong fundraising combined with low levels of investment in recent quarters mean that the sector is sitting on well over $300 billion in dry powder. This relative abundance of capital contrasts sharply with the lack of investment over Q1, but it is best viewed in the context of dramatic shifts to the geopolitical, regulatory, and macroeconomic environments going back to the windfall years of 2021 and 2022. Those changes have been extensively documented in prior editions of this report. However, this edition better contextualizes the market's current defensive climate.

A defensive investment climate is distinguished by investors' reduction in activity and focus on their existing portfolios in the face of relative abundance of demand and opportunities for new investments. This contrasts with a slow market, wherein demand for capital is minimal. In Q1, the capital demand/supply ratio hit an average of nearly 2.0x across all stages, with the venture-growth ratio peaking at 2.2, its highest level in at least a decade. Furthermore, insider-led rounds are currently more common than they have been in years, and first-time financings are at multiyear lows. Finally, pre-seed/seed rounds are at their lowest relative share than at any time in the last 10 years, and later rounds are up commensurately. Investors seem to be circling their wagons and making sure their most promising companies are positioned for success before they make new bets.

While technologies like AI and next-generation computing present a variety of opportunities, several regulatory issues are making it harder for America's innovators to operate effectively. The White House is proposing a new march-in framework under the Bayh-Dole Act that would greatly expand the government's ability to seize intellectual property (IP) developed with any federal support. If implemented, this would make many of America's finest research institutions off-limits to the private sector and effectively negate many of the government's recent investments in technology commercialization. Additionally, the congressional logjam preventing the modernization of the research & development (R&D) tax credit is an unforced error that is reducing America's ability to compete in high-tech industries. Currently stuck in the Senate, the proposed legislation would enable companies to deduct research expenses over a single year rather than requiring amortization over periods better suited for mature businesses. If passed, this bill would allow R&D-intensive businesses to focus on bringing innovations to market, rather than spending money on administrative overhead.

Even a good harvest pales in comparison to a windfall, and if 2023 had not followed the two biggest years in the history of venture capital, it would have been viewed as an exceptionally strong year, coming in just 4.2% below 2020's total activity. Anecdotally, 2024 is not expected to break records for investment activity, but there is tremendous potential roiling beneath the surface of a relatively calm market. Between an increasing number of mature portfolio companies and exceptional levels of dry powder, the market is not lacking in possibilities for exit or investment, but the sparks that reignite the market will probably be visible only in hindsight.

On the positive side, some parts of the market have already moved from anticipation to action. Capital calls are reportedly up in Q1, and the year has already seen some notable exits. Less positively, some proposed government actions would force founders and investors to spend more time on paperwork and less time building the industries of tomorrow. It is too early to tell where 2024 is going, but the game is on, and America's VCs are ready for it. In 2022, our world changed; in 2023, we accepted it was not changing back; and in 2024, we are building what is next.

Bobby Franklin
President & CEO
NVCA

Bobby Franklin is the President & CEO of NVCA, the venture community's trade association focused on empowering the next generation of transformative US-based companies. Based in Washington, DC, with an office in San Francisco, NVCA acts as the voice of the US VC and startup community by advocating for public policy that supports the US entrepreneurial ecosystem.

NVCA policy highlights

Introduction

Capitol Hill is off to a rocky start in 2024, with lawmakers racing against multiple government funding deadlines and bipartisan agreement proving elusive with the 2024 election approaching. Nonetheless, federal agencies advanced a series of rulemakings impacting the venture ecosystem. This page provides an overview of NVCA's current policy priorities and their states of play.

March-in rights

In late 2023, the US Department of Health & Human Services and Department of Commerce announced of a whole-of-government plan to review federal march-in authority under the Bayh-Dole Act. This draft framework would effectively expand "march-in rights" to almost any IP developed with federal government support. NVCA has advocated strongly for the value of the private sector in supporting the commercialization of IP developed with federal support. Actions have included: responding to the National Institute of Standards and Technology's (NIST's) Request for Information (RFI), sending a letter voicing strong opposition to the proposed framework to the White House, meeting with executive and legislative staff, speaking at congressional events, and engaging with a multistakeholder coalition to educate the public on the potential negative impact this proposal would have on the venture ecosystem.

Since the release of the framework, about 40 members of Congress have engaged the administration through letters or meetings to voice their concern about potential impacts of this ham-fisted regulatory overreach.

R&D credit

Earlier this year, the House of Representatives passed a strong bipartisan tax package that would allow startups to immediately deduct rather than amortize domestic R&D costs over five years. NVCA has been committed to efforts to restore immediate deductibility of domestic R&D costs. Unfortunately, the package faces an uphill climb in the Senate due to the expansion of the child tax credit and associated "pay-fors" in the package. On February 28, Senate Finance Committee ranking member Mike Crapo (R-ID) released a statement opposing the package in its current form.

Despite opposition from Republican senators, Majority Leader Chuck Schumer may bring the bill to the Senate floor for a vote in early April. If the legislation can clear the Senate, it will be sent to the president's desk and signed into law. We are urging venture investors and startups to utilize our R&D Advocacy Toolkit to urge the Senate to pass the bipartisan tax package, The Tax Relief for American Families and Workers Act of 2024 (H.R.7024).

AI update

Policymakers remain in the early stages of grappling with the implications of the rapidly evolving AI landscape. NVCA has launched an AI Working Group focused on regulatory and legislative issues critical to the future of this technology area. The Working Group will inform NVCA's policy agenda regarding AI issues to ensure that the voice of the startup ecosystem is heard in upcoming debates on Capitol Hill and federal agency rulemakings. Further, the Working Group will serve as a forum to discuss major issues in AI policy and how they impact startup business activity, coordinate federal strategy, and organize potential outreach campaigns.

NVCA has also launched a landing page to serve as a centralized hub of information on AI, offering resources to help venture investors and portfolio companies stay informed about the latest policy developments from Congress, the White House, and the private sector.

FinCEN's Anti-Money Laundering Rule

On February 15, 2024, the US Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) published a notice of proposed rulemaking that would impose anti-money laundering/countering the financing of terrorism (AML/CFT) compliance obligations on Securities and Exchange Commission (SEC)-registered investment advisers (RIAs) and exempt reporting advisors (ERAs) pursuant to the Bank Secrecy Act (BSA). If implemented, advisors would have 12 months to comply with the new requirements after the final rule goes into effect.

NVCA is developing a comment on behalf of the VC community to submit before the April 15, 2024, deadline. In addition, we are meeting with congressional and agency staff to convey the negative impact of this rule. We are anticipating two further rulemakings covering a potential Customer Identification Program and a rule concerning beneficial ownership information collection.

Key components of FinCEN's proposal include:

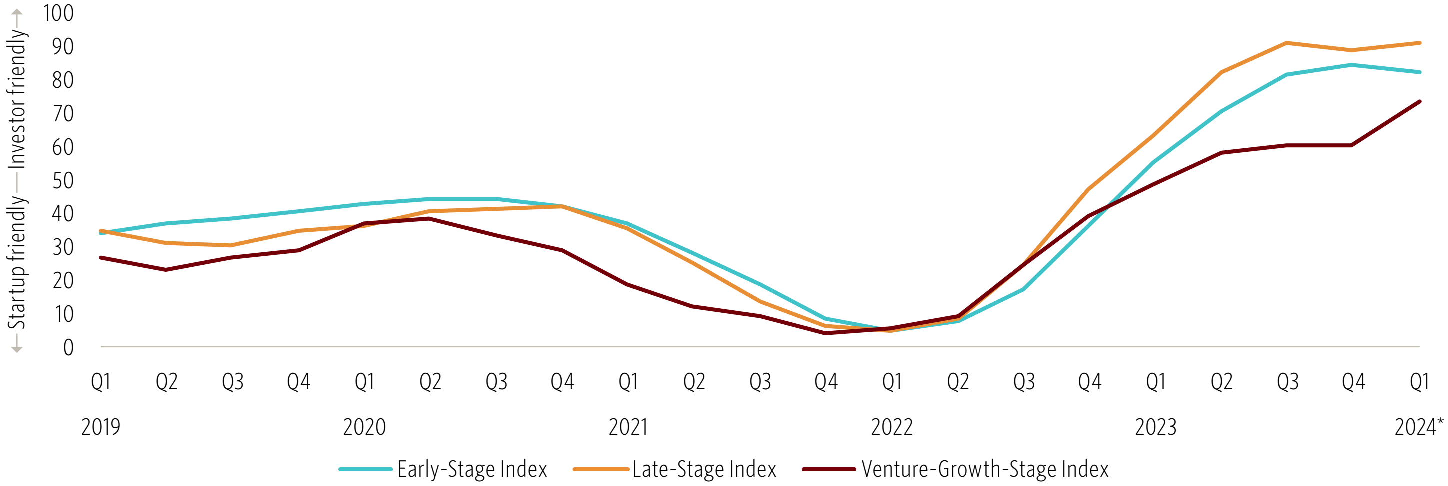
- Requiring RIAs and ERAs to implement an AML/CFT program and file certain reports, such as Suspicious Activity Reports, with FinCEN.
- Keeping records relating to the transmittal of funds—for example, complying with the Recordkeeping and Travel Rule.
- Fulfilling other obligations applicable to financial institutions subject to the BSA and FinCEN's implementing regulations.
- Applying information-sharing provisions between FinCEN, law enforcement government agencies, and certain financial institutions to investment advisors, along with subjecting investment advisors to the "special measures" imposed by FinCEN pursuant to Section 311 of the Patriot Act.
- FinCEN would delegate its examination authority to the SEC consistent with FinCEN's existing delegation to the SEC of the authority to examine brokers and dealers in securities and mutual funds for compliance with the BSA and FinCEN's implementing regulation.


9:41
Good morning, Rosie
Relaxation
Meditation

Market overview

The US venture market has reached peak investor friendly

VC Dealmaking Indicator by quarter



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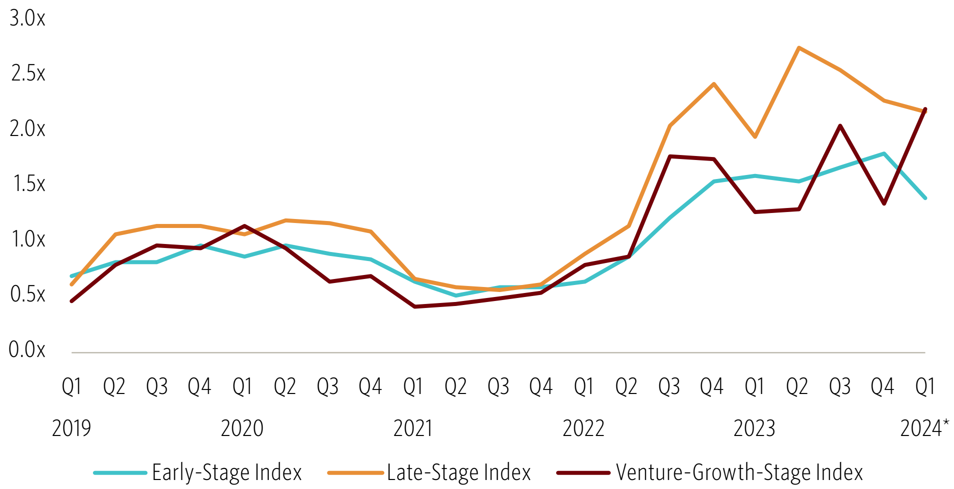
Late stage still showing largest gap in capital availability

VC capital demand/supply ratio by quarter



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Market slowdown

The venture market slowdown has not shifted significantly over the past few quarters. The beginning of 2024 was met with some residual optimism, but that did not translate into meaningful growth in activity. Market headwinds continue to enforce their will on financial markets. Inflation within the US has been sticky in its last-mile descent to the Federal Reserve's (Fed's) 2% target. Consumer Price Index (CPI) figures rose during January and February (March figures have not been reported as of writing), with the 12-month consumer price increase hitting 3.2%. With that data, it has become increasingly unlikely that rates cuts will occur during the first half of the year, which should continue the pressure on public markets and VC-backed initial public offerings (IPOs).

Overall, venture continued in Q1 as an incredibly investor-friendly market. Our Dealmaking Indicator highlights how quickly the venture market swung into investor favor and how strong the market has been in its lean toward investors. We have noted the increase in down rounds during recent quarters, but share price has not been the only compromise by founders.

Investors have increasingly added downside protective terms, such as cumulative dividends and liquidity multiples into term sheets, enabled by the lower investor competition and the increased competition on the company demand side.

The US VC-backed company count now sits above 55,000 companies—with late-stage and venture-growth-stage figures doubling since 2018—highlighting competition for capital in a market two years into a slowdown. In contrast to the manic market of 2021, investors now have more choice. Benchmarks for deals have increased, and stronger companies are able to compel investment, while struggling companies are likely facing final judgment. With expectations of a recession fading, a soft landing likely would not suddenly increase the supply of capital, but it could provide a healthy market for platform add-ons and small-market mergers & acquisitions (M&A) to consolidate sectors and talent.

Exacerbating the problem of high company count is the lack of capital on the supply side. The venture-growth-stage capital demand/supply index jumped to 2.2x, highlighting the chasm between company needs and investor willingness to invest. Volatility in the model highlights either individual large investment bias or the opposite, a lack of outlier investments in the market. This quarter shows the latter. During Q1, megadeals (rounds that are at or above $100 million) totaled $17.2 billion, which is roughly $40 billion less than the Q4 2021 high.

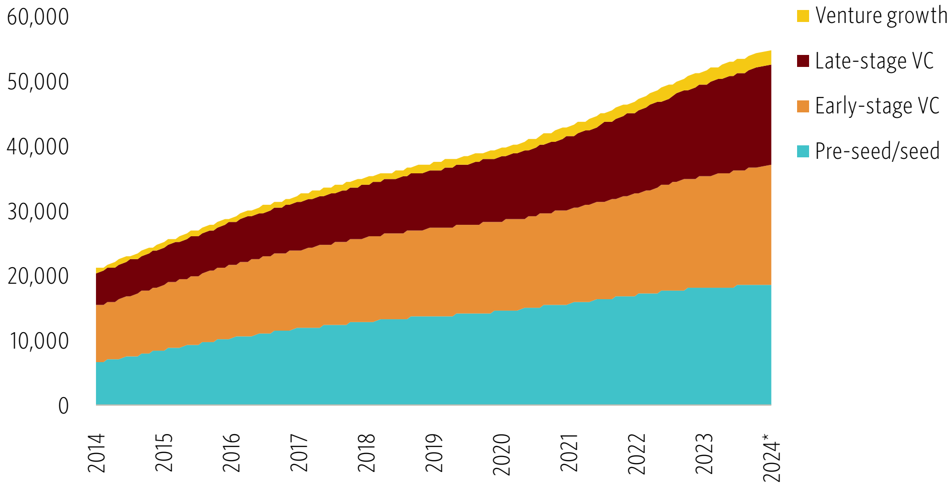
Until market factors push crossover funds back into venture, a large capital availability void will remain. There is little reason to foresee this occurring anytime soon, with IPO activity remaining low, and cost of capital remaining high.

Public market performance

While the S&P was positive across the quarter, the performance of our VC-Backed IPO Index was less than stellar. The index has severely underperformed the S&P and NASDAQ since the slowdown began, and it remains down more than 40% since the beginning of 2022, though the rebound seen during that past few quarters has closed the gap that has opened over the past couple years. This highlights the riskiness that VC-backed companies present to the market. A large majority that have gone public have done so with high losses. The premium on growth that VCs place leaves these companies ill-suited for risk-averse markets. Instacart's stock has increased above its IPO price, but Klaviyo has fallen below by roughly the same amount. New public market tech entrants Reddit and Astera Labs had strong debuts—and have held or pushed further their first day pops. This is a positive sign for IPOs, and points toward more risk appetite in the market, but there remains a gap between buyers and sellers due to the valuations in the venture market a couple years ago.

Company inventory continues to grow

VC-backed company count by stage (smoothed)



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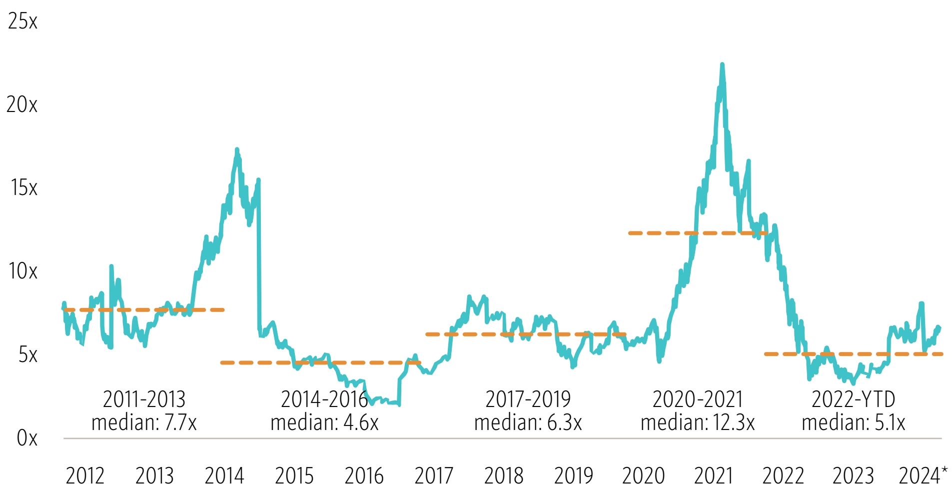
Public multiple expansion benefits potential IPOs

VC-Backed IPO Index price/sales multiple



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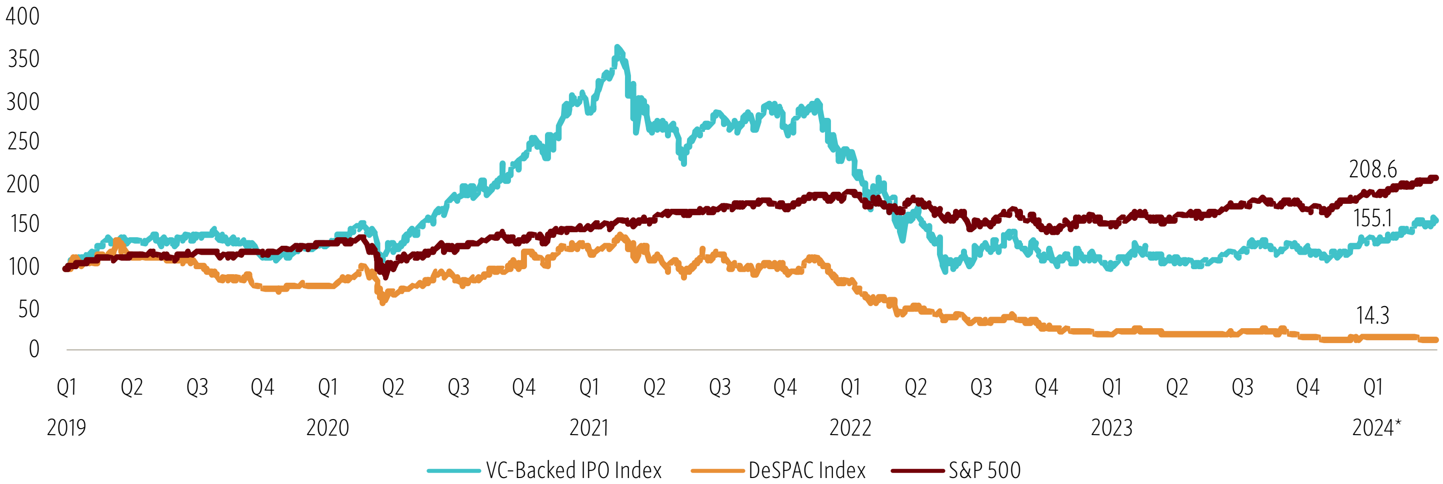
IPO Index falls back in line with S&P 500

Quarterly VC-backed IPO Index and DeSPAC Index values versus S&P 500 (rebased to 100 in 2019)



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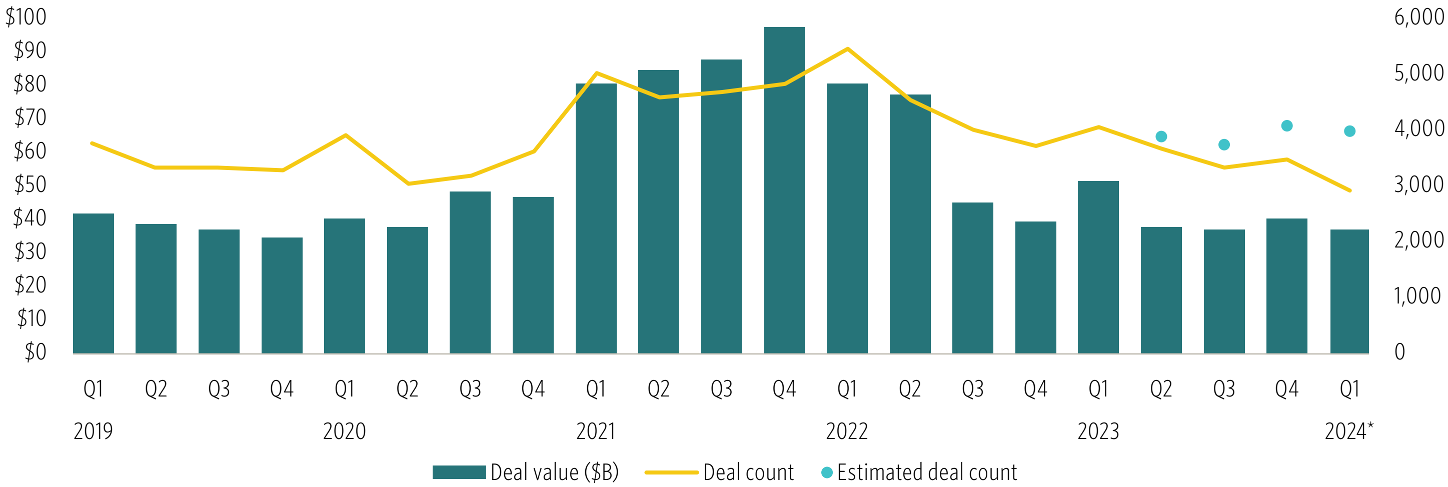
Due to the headwinds still present, it has become more necessary for companies to move significantly toward profitability while maintaining growth. Each of the unicorns that have gone through an IPO over the past few quarters has shifted toward EBITDA positive, or has generated a net profit in the quarters leading up to their listing. With recession fears fading, though still around, showing growth and a movement toward profit can keep investors engaged with the story of a company's future growth. Overall, VC-backed companies have not created nearly as much value post-IPO over the past couple years than they did in the years prior.

Dealmaking

Quarterly deal value lowest since 2018

VC deal activity by quarter



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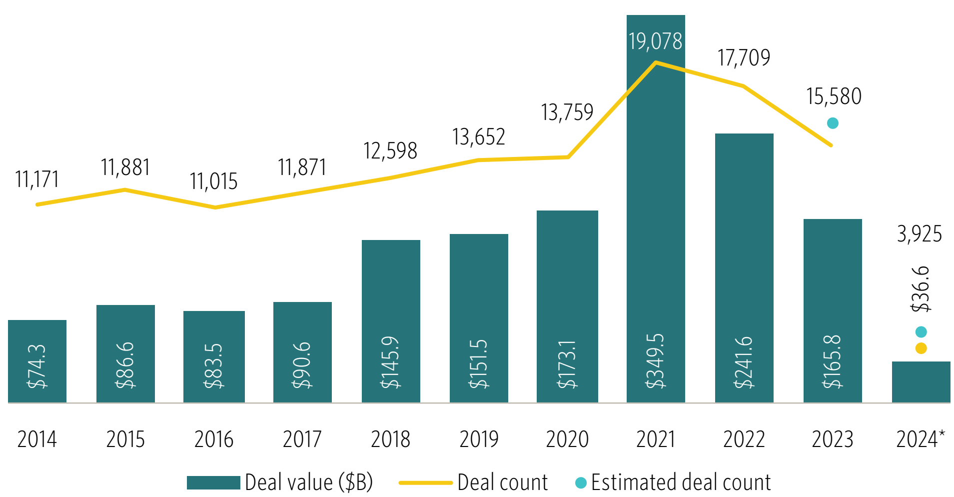
Continued slowness in dealmaking in Q1

In Q1, the pace of dealmaking continued to slow. Deal value dipped QoQ but was roughly the same as Q3 2023. At the late and venture-growth stages, where a significant portion of large deals historically takes place, there has been an uptick in capital supply shortage. Our capital demand/supply model indicates that as of Q1 2024, for every $2.20 needed by venture-backed startups at the venture-growth stage, only $1.00 is being provided from the investor side.

Deal activity off to slow start

VC deal activity



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The sluggish dealmaking pace has trickled down across the venture lifecycle, and nascent startups were not immune from the headwinds. The quarterly first-time financing deal value settled at $3.1 billion in Q1, roughly on par with the pre-pandemic level. During the same quarter, $2.6 billion was deployed at the pre-seed/seed stage, where quarterly deal value slumped by 39.0% compared to Q1 2023. Deal value at the early stage surfaced a slight QoQ increase, notching $10.2 billion in Q1. Like their nascent counterparts, mature startups faced the sobering reality of a capital-availability crunch. At the late stage, deal value rose steadily over the past four quarters, although the Q1 2024 figure fell below the level from the same quarter a year ago by 17.0%. At the venture-growth stage, quarterly deal value has taken a free fall in Q1, landing at $4.7 billion.

In a highly investor-friendly environment, VCs can and have become highly selective with deals. Some commit only to companies that profile perfectly for their investment strategies. Strong companies with solid technology, healthy financials, and proven metrics for future growth have more negotiating power if multiple groups of investors are competing for a space on the cap table. However, in many cases where the investors are trying to fill a syndicate, founders likely face the predicament of aggressive terms that try to lock in a return multiple. With syndicate formation, having investors with varying capacities—for example, small funds that are tapped out versus large players sitting on a pile of uncalled LP commitments—and expected timelines for exits creates different tensions and motivations. The dynamic is particularly pronounced in a liquidity draught.

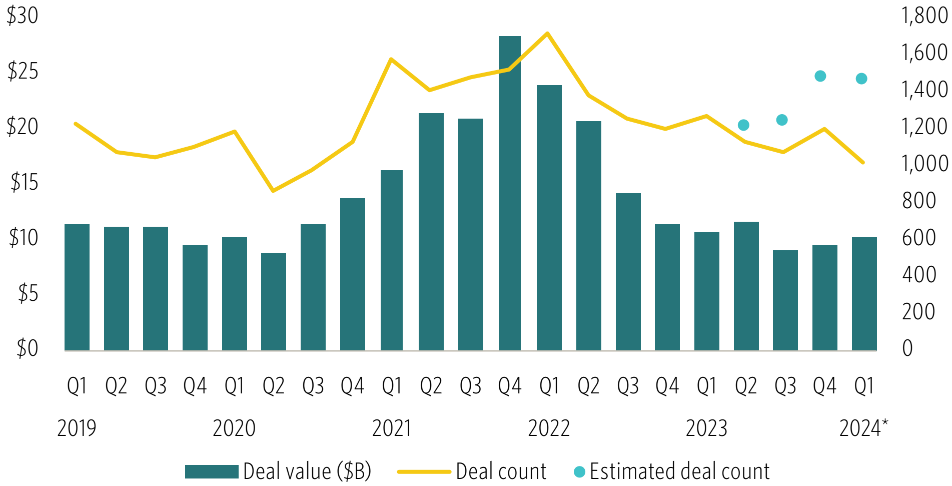
Amid a harsh fundraising climate, companies that are struggling to hit the next inflection point have realized that they may not be able to raise a subsequent round or bridge financing. VCs might opt to find a home for those subpar assets, such as by winding them down or making an exit via a strategic acquisition. Those processes take time to materialize and can become a drag on dealmaking momentum. Similarly, it typically takes a few months for investors to return from the holiday season, reconnect, and fill a pipeline of deals all the way to close.

The nascent stages stumble

In Q1, we observed a significant drop in deal count and value at the pre-seed and seed stages. The sharp decline contrasts with trends from recent quarters, wherein pre-seed and seed activity held up relatively robustly. Related to the point we made earlier, earlier-stage companies that have been stuck in a standstill between pre-seed and seed or between seed and Series A may not be able to achieve the next milestone. A focus on lean operations adds to challenges for businesses to balance growth and cost reduction. Nascent companies have fewer options when it comes to cost reduction. Hitting the next inflection point is a particularly challenging mission while trying to maintain capital efficiency.

Early stage running into roadblocks

Early-stage VC deal activity by quarter



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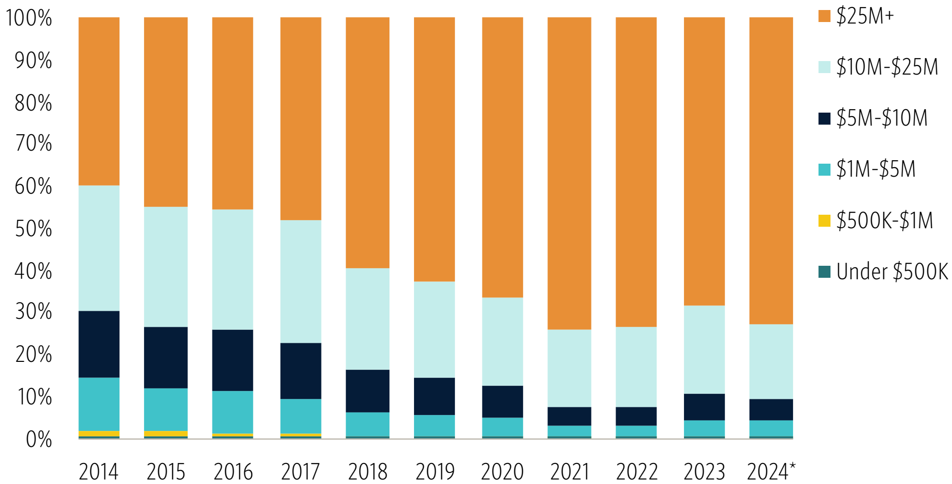
Early stage remains under pressure

Share of early-stage VC deal value by size bucket



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In line with what we saw across the venture lifecycle, investors have become cautious and selective when doing deals, and the bar has gone up. Regardless of the ways in which VCs diligence deals, the criteria has become more stringent, and investors prefer to either double down on the best-performing portfolio companies or invest in the highest-quality companies that have demonstrated traction and product-market fit. This wariness has also translated into an increase in extension rounds.

An ongoing challenge faced by earlier-stage companies, particularly those located outside of the largest four ecosystems in the US—the Bay Area, Los Angeles, New York, and Boston—is characterized by heightened reservation from smaller funds. With smaller AUM, those funds naturally have limited reserves for follow-on rounds. Those funds might be tapped out when their portfolio companies raise a subsequent financing round, when new investors look for continued support from insiders as a sign of commitment and confidence, thus leading to a feeling of uncertainty around the ability to successfully build a syndicate for a future round.

The way that VCs advise their early-stage portfolio companies has shifted from a few years ago but has been largely the same over the past couple of quarters. Overall, investors scrutinize the cost structure and focus on building solid business fundamentals. For nascent software companies, VCs emphasize the importance of capital efficiency and value creation, where a company is projected to be able to control their own destiny if they can hit cash flow break-even or achieve profitability.

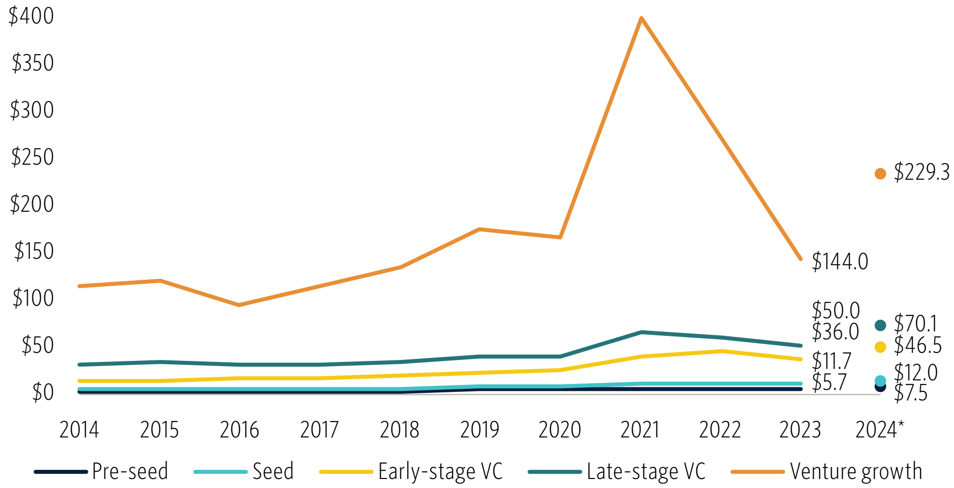
Slight valuation uptick due to a different camp of companies raising

On a positive note, the median pre-money valuation for venture-backed startups surfaced an upward trajectory from the 2023 annual level across the venture lifecycle, despite the overarching slowdown in deal momentum. The increase is most pronounced at the venture-growth stage, where the median valuation figure ascended from $144.0 million to $229.3 million, denoting a hefty 59.2% expansion.

Delving into the data, we see that the promising trend has the caveat of a survivorship bias. The median valuation climbed likely because only high-quality companies are finding

Valuations get boost in Q1

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



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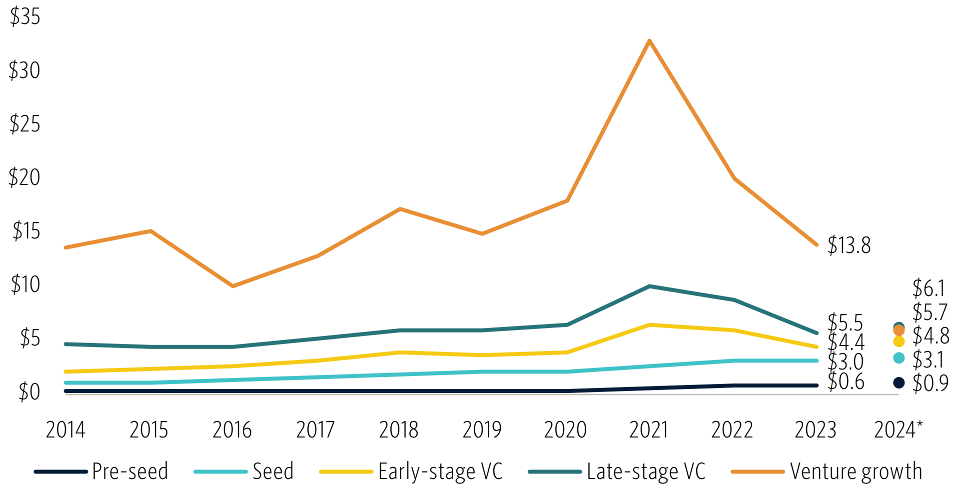
Deal sizes flat

Median VC deal value ($M) by stage



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success in securing equity financing in a challenging environment. Valuation trends from 2023 reflect a significant correction across the venture lifecycle, aside from seed. Many of those companies experienced the pain of a valuation drop as market reverted toward postpandemic normalcy; some had to raise in a challenging climate before they could adjust their business operations to deliver more promising and compelling cash flow and growth projections. During Q1, some investors indicated that they saw a different set of companies doing "authentic raises." By demonstrating organic growth metrics, those startups managed to maintain or expand the price of the last round and have thus been able to gain traction from investors.

Life sciences[1]

In line with trends from the broader venture ecosystem, we observed a slowdown in healthcare dealmaking during the past two years, following the pandemic-fueled capital exuberance. Yet the healthcare sector differentiates itself from the rest of the market by demonstrating many unmet needs that could have a profound impact on society, particularly around disease diagnosis and treatment. On top of the immense opportunity set for disruption within healthcare, investor enthusiasm around AI adoption in drug development further speaks to the demand for better solutions in biotech through groundbreaking innovations.

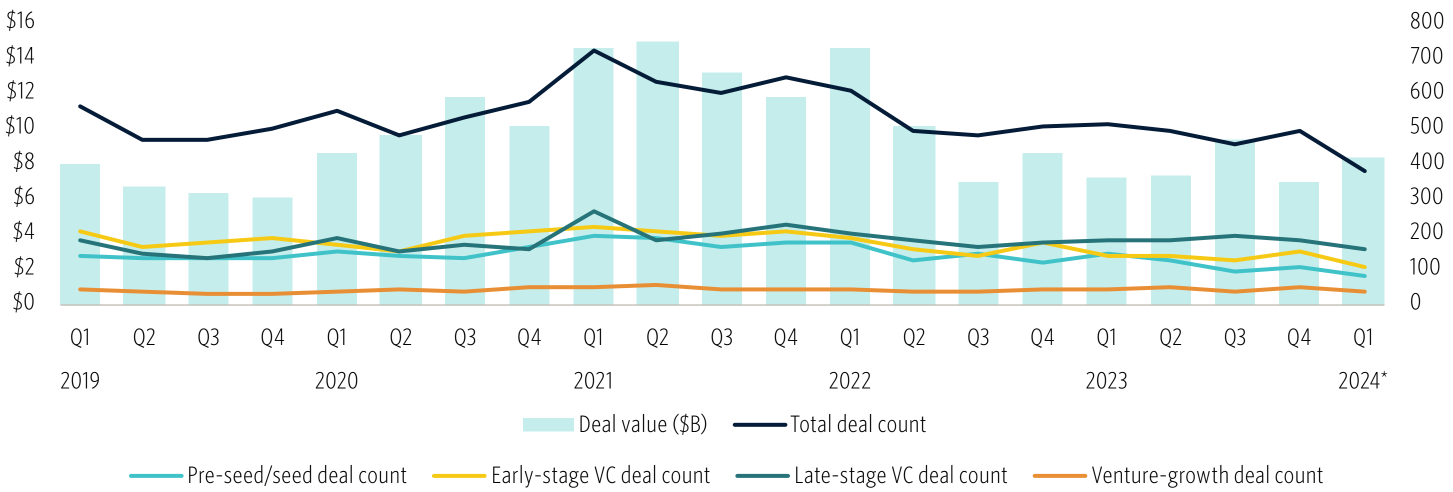
Compared to their tech counterparts, healthcare companies did not experience as significant of a valuation blip amid the 2021 market frenzy. As a result, the sector has not been subjected to the same level of price correction during the ensuing period.[2] Nonetheless, the healthcare space experienced several challenges that led to heightened investor caution, a flight to quality (in the form of proven metrics), and a decline in VC deal and exit momentum throughout 2023.

Within healthcare, biopharma businesses may not fit the playbook of how VCs typically de-risk deals. During periods of market stress, investors revert to business fundamentals and focus on helping portfolio companies cut spending and get on track to cash flow break-even or profitability. However, many biopharma startups are pre-revenue and need to burn a significant amount of capital while making advances clinically. Biopharma startups have a high-risk profile as they go through the rigorous and expensive journey of clinical trials. A high level of uncertainty around getting approved by regulatory bodies further adds to the risk of potential losses from an investor return standpoint. For early-stage biopharma startups, the combination of the inherent risks associated with pursuing innovative therapies and a lack of viable paths to profitability—even though the highly successful ones could become blockbusters with new drug discovery—has led to a shrinking investor appetite when the cost of capital has gone up across the board. As our Q4 2023 Biopharma Report pointed out, biotech investment trends have surfaced a flight to quality, wherein investors prefer writing checks to fewer startups with mature clinical data.

Companies operating in select subsectors of healthcare have also encountered headwinds as their main buyers struggled through the pandemic. For example, the medtech sector often sells into a hospital environment. Since the onset of the pandemic, hospitals went through a series of challenges with staffing and their balance sheets. Struggles from a buyer standpoint signal additional hurdles for medtech startups.

Life sciences sees lowest deal count in years

Life sciences VC deal activity by quarter



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1: In the Venture Monitor report, the life sciences dataset includes the life sciences vertical as well as the industries of pharma & biotech and healthcare devices & supplies. Note that healthcare services & systems is not included in how we define "life sciences." A "life science"-tagged company could have multiple industry tags such as healthcare devices & supplies and pharma & biotech.
2: There might be a data bias from companies under-reporting for down rounds or insider-led deals.

Enterprise SaaS

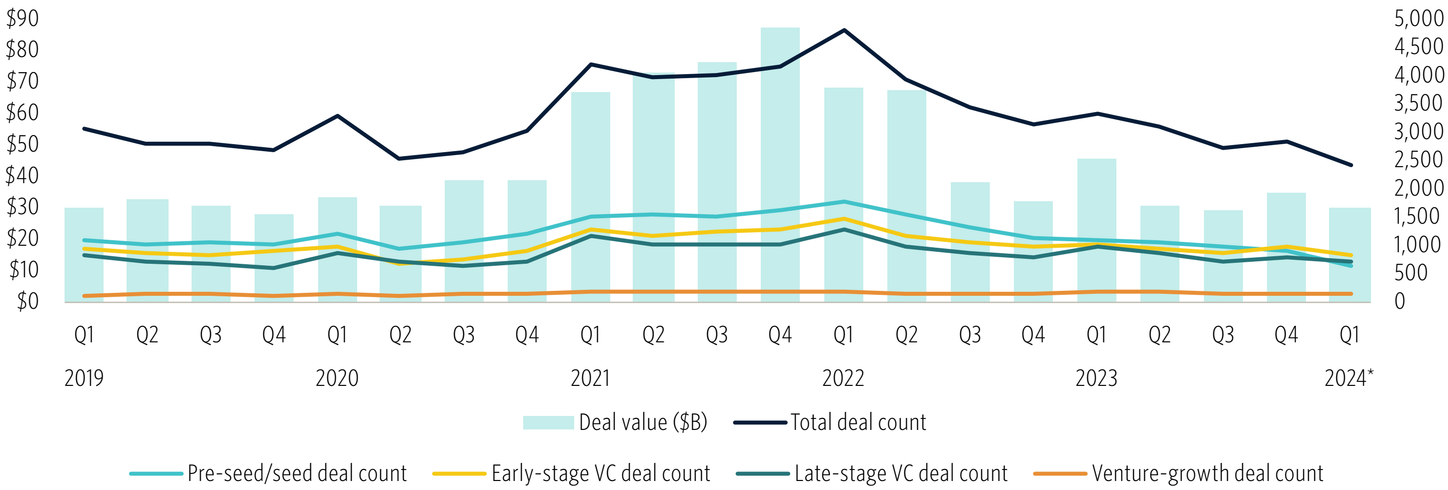
Corporate software spending is susceptible to changes in broader market sentiment, as discussed in our [Q4 2023 Launch Report: Enterprise SaaS](). With tempered optimism for revenue outlooks and a softened pace of growth, businesses across the board have become more cautious with budgeting. This pattern is evident in corporations being highly selective with software purchases and license renewals. Meanwhile, the promise of AI has become a disruptive force within the enterprise software-as-a-service (SaaS) landscape. Well-established, large enterprises have been carefully weighing their options between aggressive cost-cutting by using legacy applications or betting on the revolutionary prospect of AI by experimenting with the latest technology.

Over the past couple of quarters, the enterprise SaaS universe has experienced bifurcated drivers of buyer appetite. On one hand, tech companies have conducted a series of layoffs since 2022 to improve margins. In 2023, about 1,200 tech companies laid off more than 260,000 employees in aggregate.[3] Such cost-reduction measures have meant fewer seats from an enterprise software end-user standpoint. Corporate buyers have also become more uncertain over the past two years. We saw a softening of corporate investments in certain types of enterprise applications such as enterprise resource planning (ERP) and knowledge management systems (KMS). On the other hand, during times of economic strain, the drive toward efficiency is much more pronounced, thereby encouraging greater adoption of automated systems. Some companies might opt to double down on software that leverages the next-generation or on-the-horizon technology to boost productivity in the long term versus taking the more expensive approach of growing headcounts or sticking to existing suites that are lower cost and standardized.

A combination of budget constraints and corporations' inclination to shy away from placing large bets on dual- or repeated-use software likely points to future success of large platforms. Given how corporations have generally tightened their belts for software purchases, it is difficult for internal stakeholders to pitch for budget allocated to buy an additional software package that offers a better version of what the business has already spent money on. In this case, either corporate end users will have to wait until the next budget cycle to get a more cost-effective software, or decision-makers lean toward signing on a large platform—Microsoft being a prime example—that offers a suite of products under the same brand. Despite this seemingly inexorable trend, the market remains frothy as the biggest potential spoiler is the aggressive adoption and implementation of new and disruptive AI offerings. Despite potential hurdles from financial and regulatory standpoints, corporations—including top incumbents themselves—are keen to invest in developing and integrating generative AI (GenAI) capabilities to capture the next wave of digital transformation.

Just $20 billion invested in tech during Q1

Tech VC deal activity by quarter



PitchBook-NVCA Venture Monitor • Geography: US • *As of March 31, 2024

3: "Companies w/ Layoffs," Layoffs.fyi, April 4, 2024.

Thus, we believe three sets of startups are well positioned to continue growing and take up market share from top incumbents such as SAP, Microsoft, and Oracle. The first set is comprised of nimble, fast-moving, pure-play companies that can adopt, leverage, and apply AI to their core products where it makes the most sense. Despite their sheer market dominance, industry incumbents will be in a vulnerable position if they cannot respond to the AI wave in a timely manner. The second group of future winners is characterized by disciplined, efficient growth. Those companies are close to reaching or have already reached cash flow break-even, are mindful of managing burn, and are also willing to double down on reinvestments that will allow them to continue growing market share. By closely tracking essential analytics—metrics such as net churn, net revenue retention (NRR), and loan/value ratio (LTV) to customer acquisition cost (CAC) ratio—and executing on a plan for market domination, businesses that have cracked the code for the trade-off between growth and burn are well positioned to become the next generation of market leaders. In addition, businesses that help enterprises with expense monitoring and management could play positively into the current downturn. An example is Zylo, a software spending reduction platform that helps enterprises map, identify, and manage software licenses. Its unique business model enabled the company to capitalize on the overall cost-cutting trend.

For fintech software, we expect to see increased regulations for the subsector regarding the development and integration of AI. The evolution of fintech applications benefits from the tailwind of strong unmet demand from financial institutions with legacy systems that struggle to keep up with the fast pace of tech advancement. However, a core reason for the slow adoption of the latest technology for financial institutions is the fear that GenAI's inaccuracy could lead to adverse impacts on consumers, with major regulatory consequences for the financial institutions. AI is an agent of both the vendor that programmed the language and the financial institution that deploys it, versus being an independent decision-maker. Alongside the slow application of GenAI (traditional AI & machine learning has been implemented in fintech for a long time), enhanced regulations down the road will shape the way the technology is implemented in a field that has historically been heavily regulated.

A WORD FROM J.P. MORGAN

Our views on venture

Economic momentum, still-too-hot inflation, and strong labor markets have persisted through the first part of 2024, leaving the Fed in no hurry to cut rates. Even so, there are some signs of spring in exit markets.

Since the beginning of the year, market expectations have recalibrated to a later and shallower path of Fed rate cuts. Although the outlook for terminal real rates that underpin valuations has ticked up only slightly, higher projected Treasury issuance to fund fiscal deficits, combined with declining demand from price-insensitive buyers like central banks, could contribute to greater interest rate volatility over the medium term and a steeper yield curve.

Meanwhile, US election rhetoric is heating up and ongoing military conflicts in Europe and the Middle East keep near-term uncertainty and geopolitical risks elevated.

Interestingly, history tells us that past presidential elections do not appear to coincide with slowdowns in capital markets or M&A activity. We are cautiously optimistic that the recent pickup in issuance and deal volumes from low levels could build throughout the year.

Regarding IPO activity, markets are generally tracking in line with our expectations for a phased reopening. First-quarter volumes mark a notable uptick from 2022 and 2023, even though levels overall remain light relative to historical averages. Additionally, the profile of the recent IPO cohort—scaled, profitable—looks very different than it did in 2021, leaving the sizable backlog of venture-backed companies aiming to IPO largely intact.

The recovery of exit markets over the coming quarters will be key for reigniting and normalizing activity earlier in the venture lifecycle. In the meantime, founders will need to continue to focus on the basics: balance growth with profitability, manage cash burn, and be opportunistic in raising liquidity with realistic valuation expectations.

Amid the macroeconomic crosscurrents and exit market green shoots, the funding environment for late-stage companies remains challenged; the rate of down rounds continues to rise.

The venture ecosystem has experienced a meaningful unwinding since late 2021; we think we could be in the latter innings of this process as funding activity appears to be leveling off around 2019 to 2020 levels and valuations are resetting lower. The prevalence of down rounds and bridge down rounds continued to climb in the first few months of the year. In Q4 2023, more than one in every five late-stage transactions was a down round, according to Aumni.[4, 5] This trend has also persisted in early-stage transactions, where down rounds have climbed to nearly 9% of deals. Aumni data indicates that convertible bridge rounds in early 2024 saw greater than 25% of valuation caps below the last priced round valuation.[6]

Within the tough funding environment, Dave Reich, Head of Innovation Economy Debt Solutions at J.P. Morgan, notes that private credit is more actively providing growth capital for later-stage scaled companies. Reich counsels that companies should consider the risks of this route of funding, or any form of debt, including a clear understanding of the lender's expectations for debt repayment. Further, if leverage is excessive, it could complicate future equity raises when the markets ultimately rebound.

Ginger Chambless
Head of Research, Commercial Banking

Ginger Chambless is a Managing Director and Head of Research for JPMorgan Chase Commercial Banking. In this role, she produces curated thought leadership content for commercial banking clients and internal teams. Her content focuses on economic and market insights, industry trends, and the capital markets.

Additional contributors:
Pamela Aldsworth
Head of Venture Capital Coverage
Andy Kelly
Managing Director, Venture Capital Coverage

4: Aumni, a J.P. Morgan company, is a leading provider of investment analytics software to the venture capital industry.
5: "Aumni Venture Beacon: Year End 2023 Report," Aumni, a J.P. Morgan Company, n.d., accessed March 24, 2024.
6: Ibid.

Early-stage activity reflects cautious optimism on the part of investors. Seed valuations have been on an upward trend, though the range has widened, which speaks to greater investor selectivity.

According to Ashraf Hebela, Head of Startup Banking at J.P. Morgan, the pace of seed deals and valuation trends suggests the environment for startup funding continues to lean investor-friendly compared to 2020 and 2021. Given this backdrop, it is critical that founders be able to deliver a well-formed plan that includes a product road map, a financial model, and the level of hiring required to get to break even—all of which can help support a target valuation.

The attribute early-stage investors value most in the current environment is the founder's (and team's) profile in terms of relevant experience. A strong leadership team with a prior startup track record that is pursuing a large market opportunity is a favorable combination. Soft skills, such as resilience and being stubbornly motivated to succeed, are also important amid a turbulent market. Other considerations are the competitive landscape, as well as how much the technology has been de-risked, and how differentiated the startup's offering is in market. Factors that could hinder capital-raising efforts today include a lack of startup and industry experience, an undifferentiated solution, or if the technology is viewed as too early.

As venture markets have been broadly challenged over the past two years, emerging and diverse managers continue to present a compelling and differentiated approach to the ecosystem.

Jamie Kramer, Head of Alternative Solutions at J.P. Morgan Asset Management, chairs the investment committee for Project Spark, an initiative that invests in diverse, emerging venture managers. She notes that from 2020 to 2022, large institutions with embedded VC strategies made commitments to established manager peers versus emerging managers at a ratio of 5:1. This has created an overlooked opportunity for differentiated alpha in emerging managers.

Kramer finds that diverse managers tend to be highly motivated and bring a unique focus to solving problems within their own communities or ecosystems. For example, a veteran manager in Spark's portfolio has firsthand knowledge about intelligence gathering and the need for cybersecurity, especially in today's environment. This manager has backed a cybersecurity startup that utilizes patented AI-powered, deception-based active monitoring to detect, engage, and respond to malicious activity. Further, the manager has leveraged their network to support the company's engagement with large defense firms to build out sales of the product.

Another example in Spark's portfolio is a venture fund managed by two female GPs. The fund focuses on AI to improve healthcare options, while ensuring gender inclusivity and bias elimination. Specifically, one company has developed AI-enabled tools to forecast and monitor health conditions.

Diverse emerging managers can have access to differentiated deal flow that tends to be less crowded and enables them to make meaningful investments with smaller check sizes. They often look to add value beyond capital through networks and industry expertise.

PitchBook nvca

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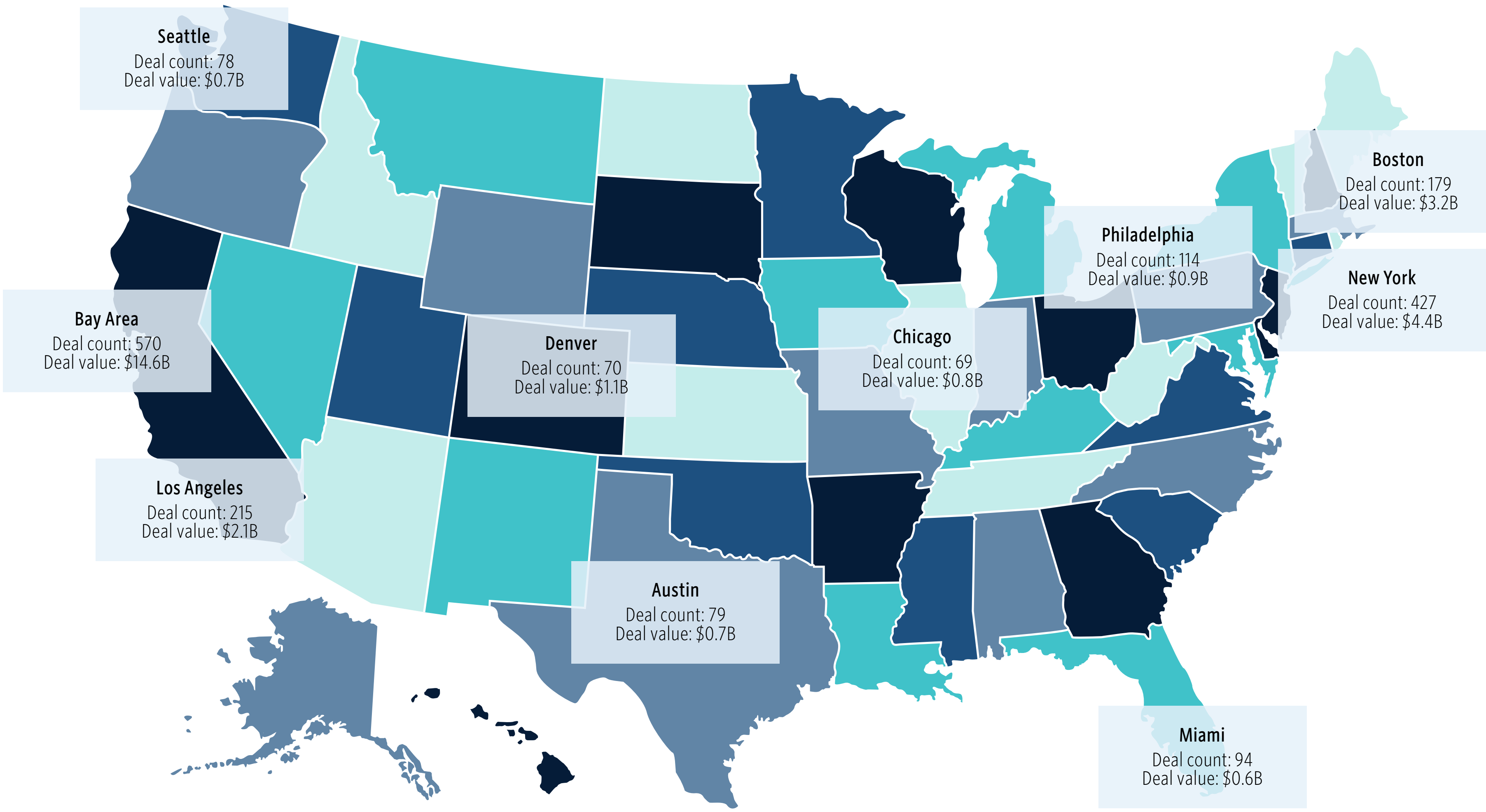
Regional spotlight

34.6% of deal count went to the Bay Area and NY

Q1 VC deal activity by ecosystem*



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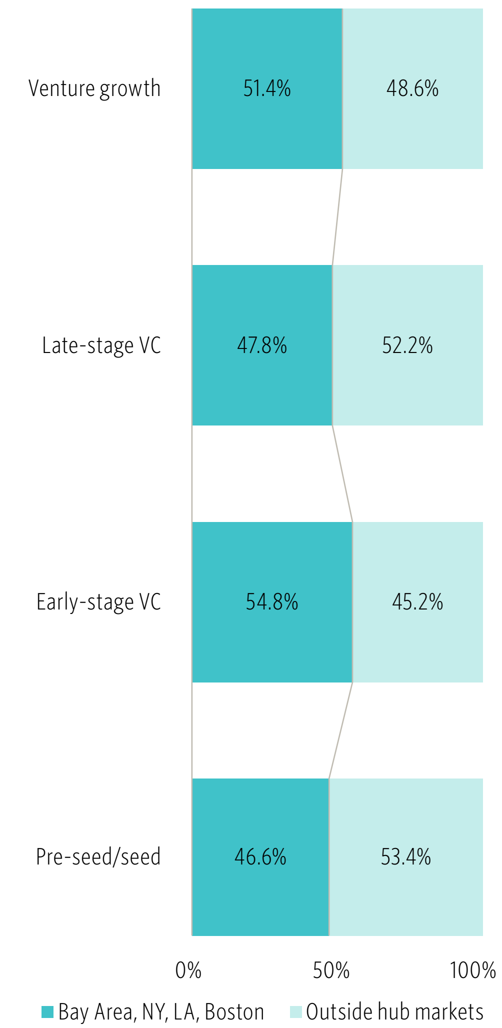
Deal count shift at pre-seed/seed

Share of VC deal count by market breakout*



PitchBook-NVCA Venture Monitor
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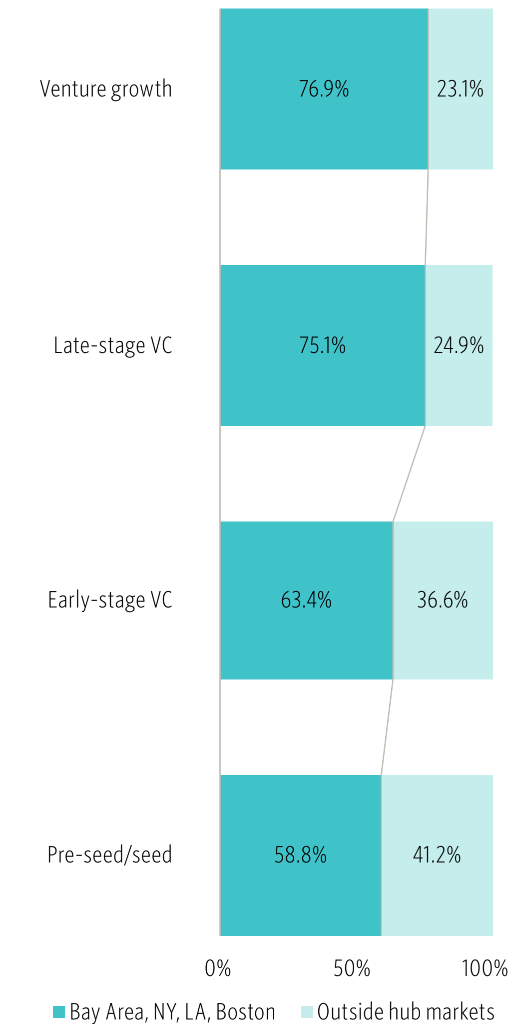
Deal value remains squarely centered on hubs

Share of VC deal value by market breakout*



PitchBook-NVCA Venture Monitor
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Miami

Miami has demonstrated staying power in its VC activity. Prior to the pandemic, its market was well below the top 10 most active, but Miami doubled its deal count from 2019 to 2022. Its local fundraising and the opening of investor offices in the market have kept Miami as the sixth-most-active VC market in the US. Through Q1, Miami closed nearly 100 deals.

New York

Though the Bay Area remains the largest VC market in the world, New York has developed into a strong runner-up, closing 75% of the number of deals that the Bay Area did in Q1. $86.2 billion has been closed by New York-based VC funds since the beginning of 2021, and New York is the only ecosystem other than the Bay Area to close more than $1 billion so far in 2024.

Austin

Austin deal count has had a sluggish start the year, with just 60 deals closed in Q1. That figure puts Austin at just 12.7% of its 2023 annual deal count, the lowest proportion of any of the top 10 markets. The closure of Techstars' Austin accelerator is another challenge to the market, and through Q1, Austin had just one fund close to replenish local capital availability.

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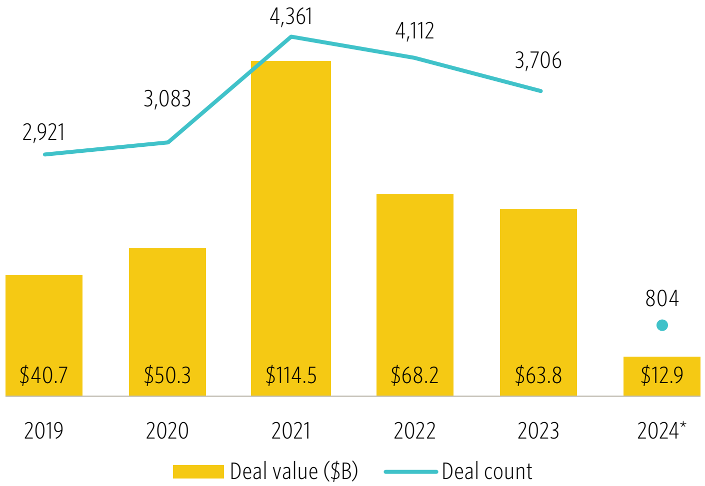
DEALS BY SECTOR

Fintech

Annualized deal value on track to exceed pre-pandemic level

Fintech VC deal activity



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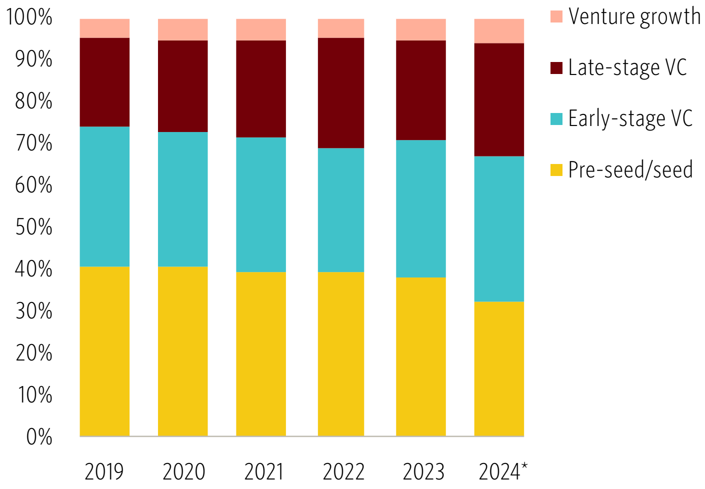
Late-stage and venture-growth startups garnering a growing share

Share of fintech VC deal count by stage



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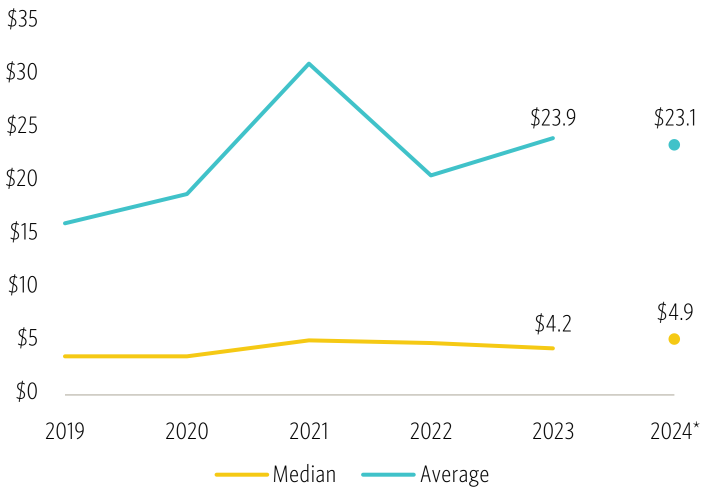
Median deal size ticks up, roughly on par with 2021 figure

Median and average fintech VC deal values ($M)



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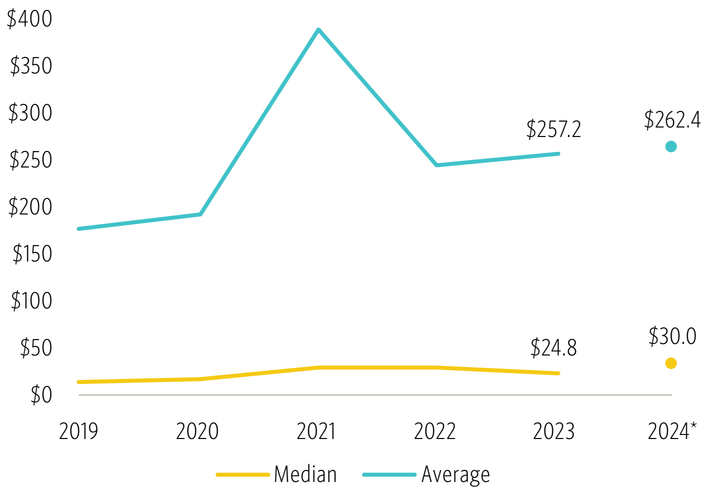
Median pre-money valuations notched the highest level in our dataset

Median and average fintech VC pre-money valuations ($M)



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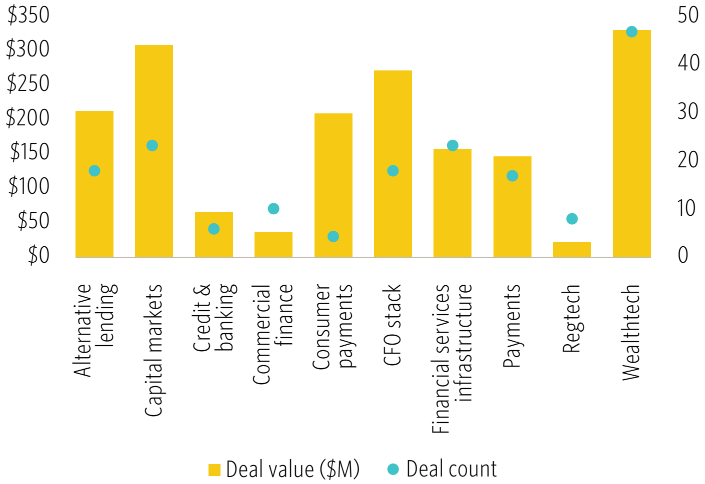
Fintech sector data is provided as part of our Emerging Tech Research coverage. The full Retail Fintech Report can be accessed here. The full Enterprise Fintech Report can be accessed here.

Wealthtech taking the lead for venture activity, followed by capital markets

Q1 2024 fintech VC deal activity by segment*



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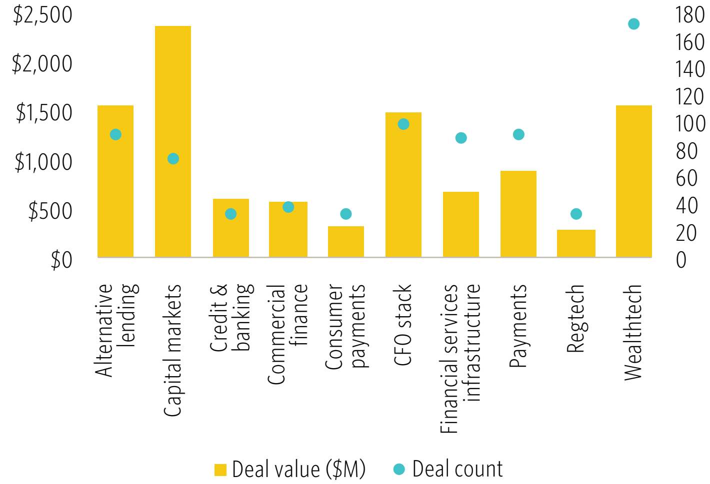
Neobanks continue to see low levels of funding compared to other fintech subsectors

TTM fintech VC deal activity by segment*



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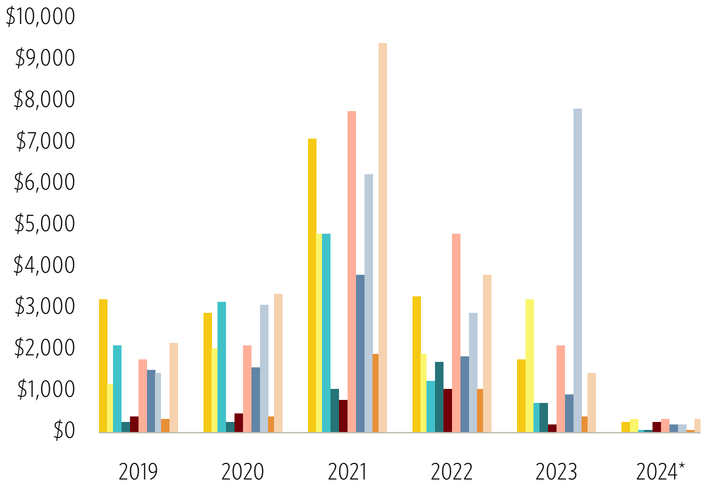
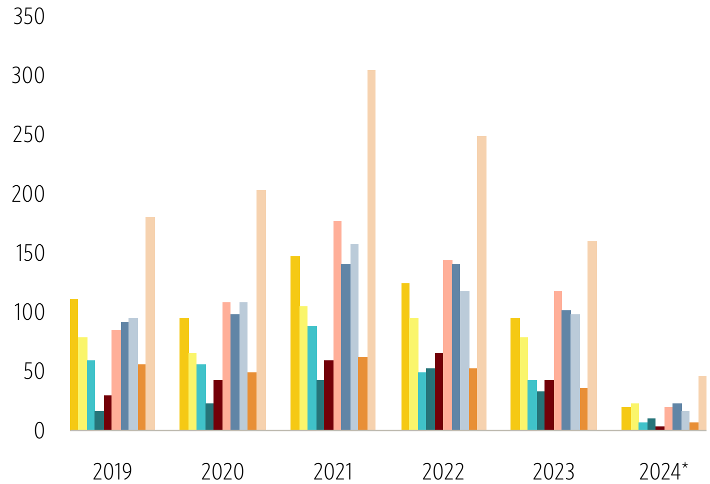
A large proportion of capital continues to be deployed to B2B startups

Fintech VC deal value ($M) by segment



Wealthtech, capital markets, and financial services infrastructure deal counts surge

Fintech VC deal count by segment



Alternative lending Capital markets Credit & banking Commercial finance Consumer payments

CFO stack Financial services infrastructure Payments Regtech Wealthtech

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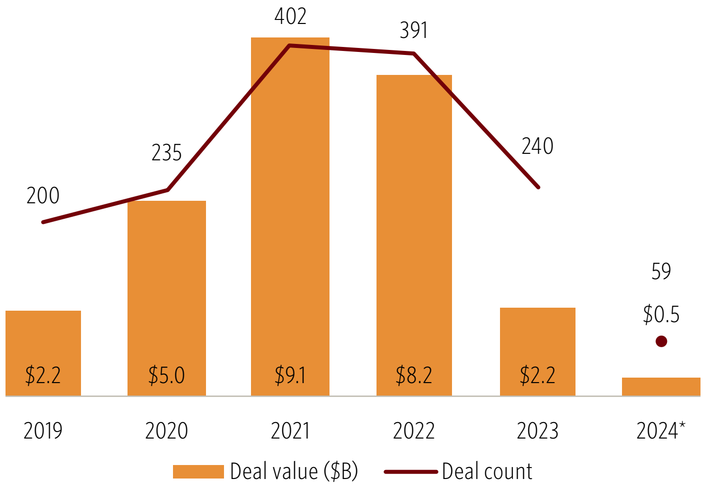
DEALS BY SECTOR

Gaming

Annualized deal value in on par with pre-pandemic activity levels

Gaming VC deal activity



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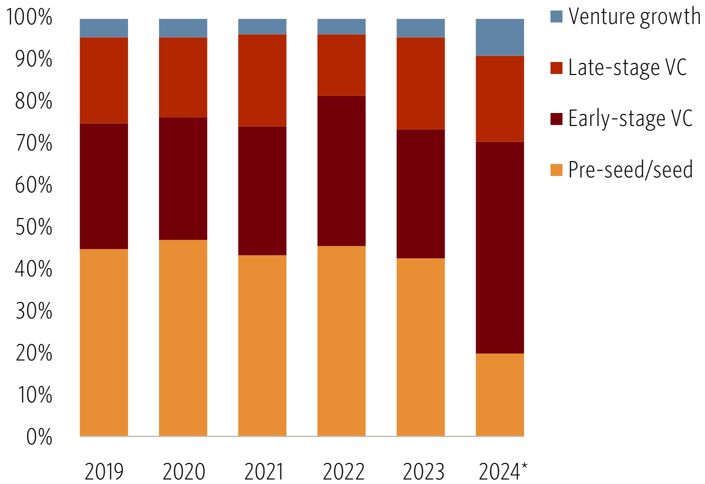
Early-stage deals leap forward in 2024

Share of gaming VC deal count by stage



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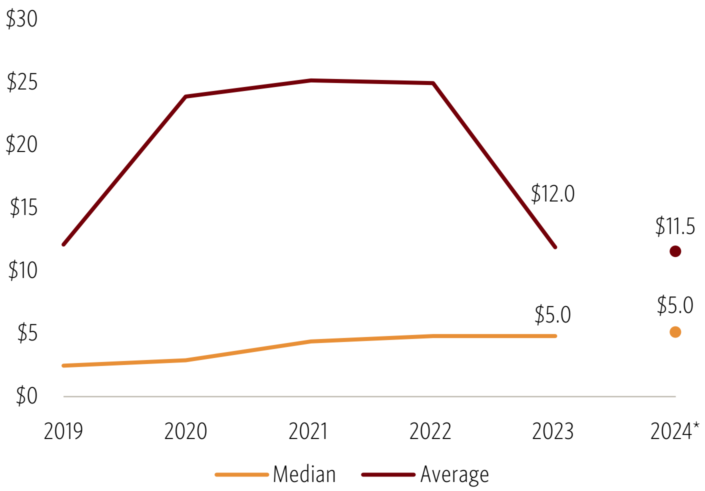
Median deal sizes are flat, a slight increase from 2020

Median and average gaming VC deal values ($M)



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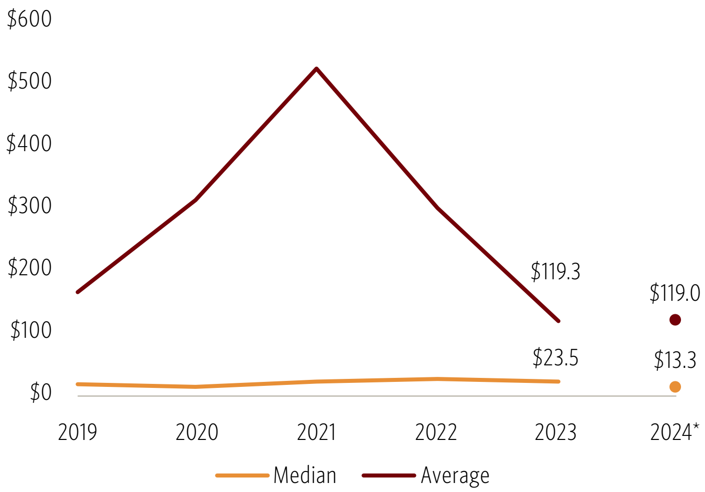
Median pre-money valuations slide in Q1

Median and average gaming VC pre-money valuations ($M)



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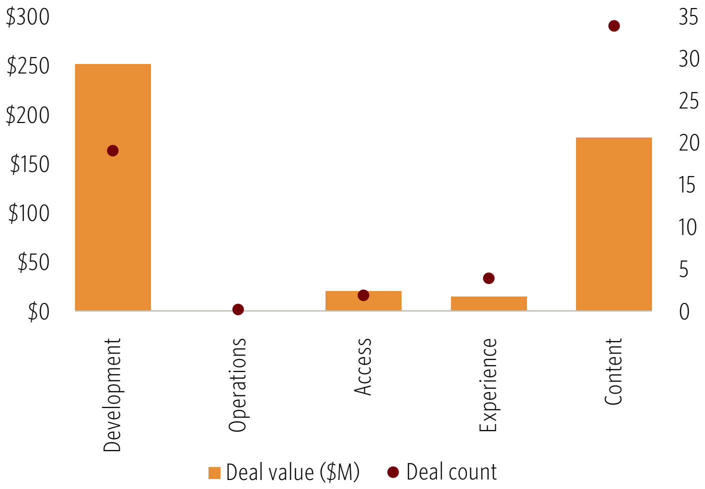
Gaming sector data is provided as part of our Emerging Tech Research coverage. The full Gaming Report can be accessed here.

Content leads in deal count, while development paces deal value

Q1 2024 gaming VC deal activity by segment*



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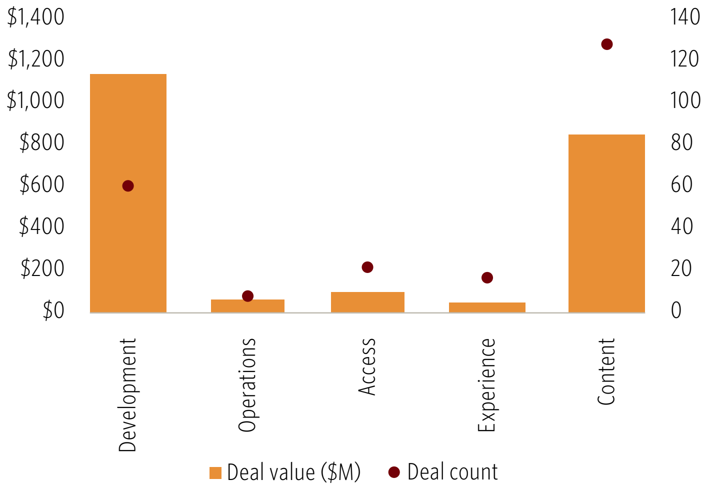
Investors place more bets on content developers in pursuit of the next hit title

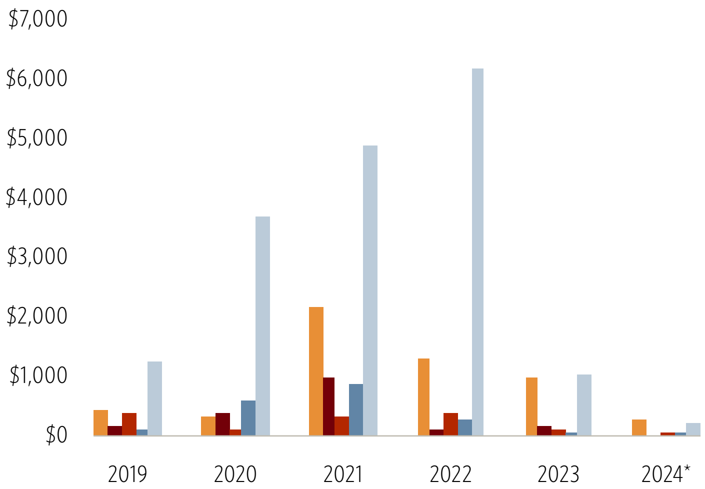
TTM gaming VC deal activity by segment*



PitchBook-NVCA Venture Monitor • Geography: US • *As of March 31, 2024

The chasm between content and development deal value narrows YoY

Gaming VC deal value ($M) by segment



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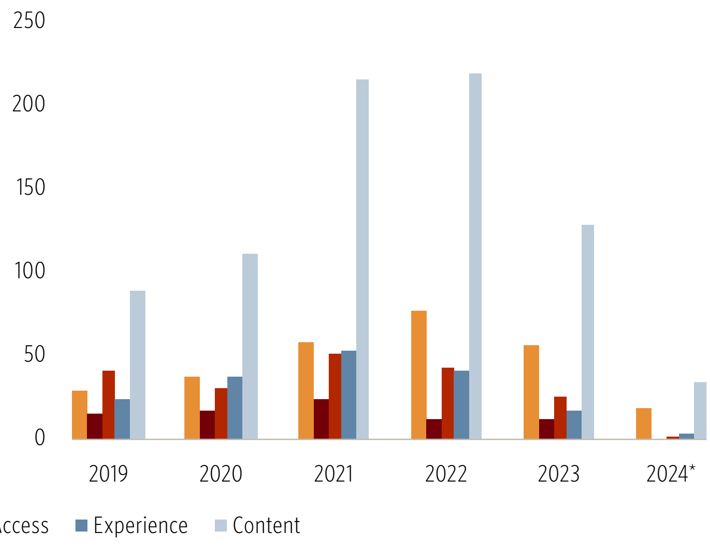
Investors flock to the edges, bets near binary on either content or B2B SaaS

Gaming VC deal count by segment



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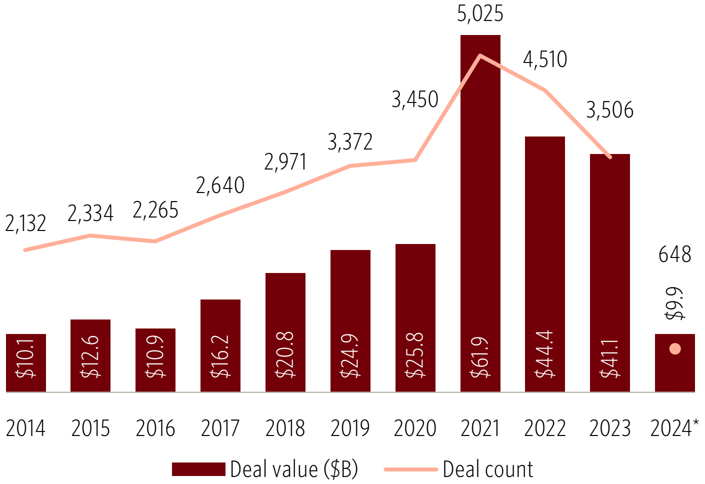
Female founders

Female founders' dealmaking remains low

VC deal activity in companies with at least one female founder



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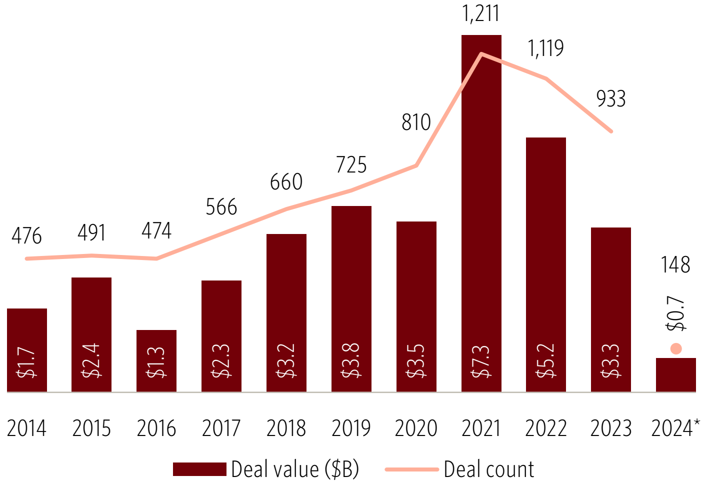
All-female-founded company investment below $1 billion

VC deal activity in companies with all-female founding teams



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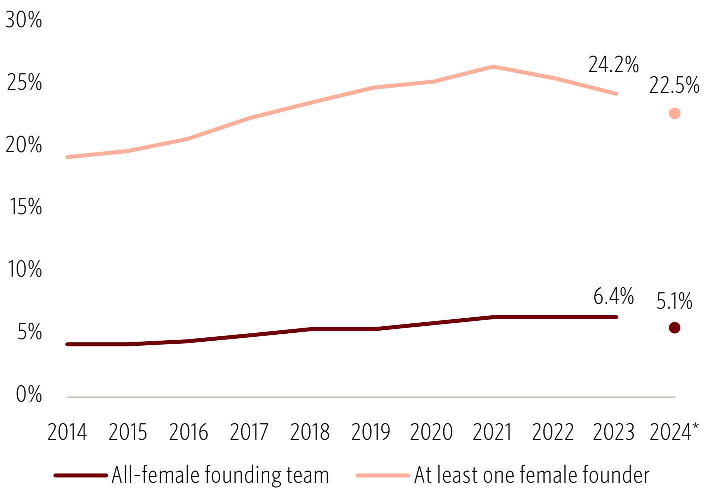
All-female founders' proportion of total deal count falls to 5.1%

Female-founded company deal count as share of all VC deal count



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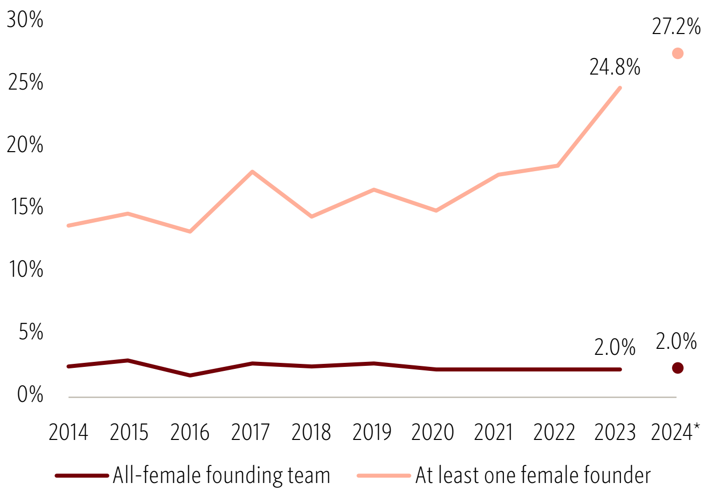
Large decline due to outsized financings in 2023

Female-founded company deal value as share of all VC deal value



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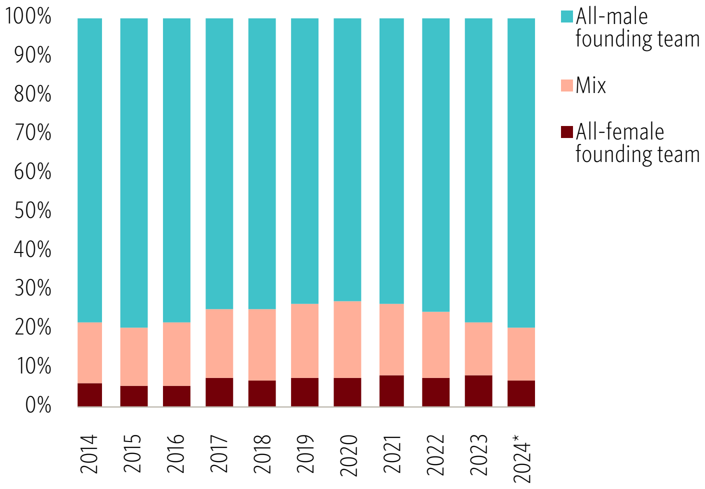
First-time financings on slow pace

Share of VC first-time financings by founder gender



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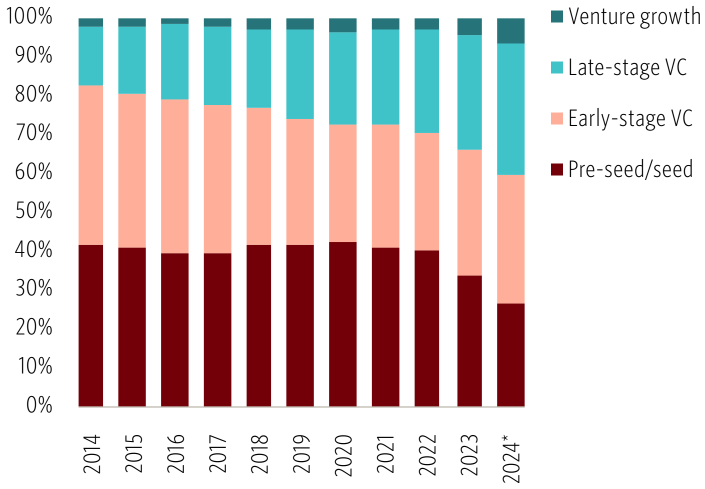
Fewer female-founded companies raising

Share of VC deal count for female-founded companies by stage



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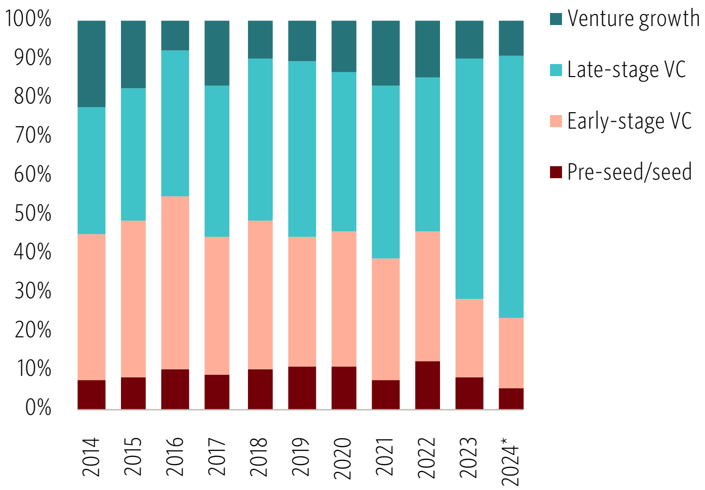
Large proportion of capital going to late stage

Share of VC deal value for female-founded companies by stage



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TTM fundings lean heavily toward New York

Top five CSAs by deal count for companies with all-female founder teams in Q1 2024*

Combined statistical area	Deal count
New York-Newark, NY-NJ-CT-PA	175
San Jose-San Francisco-Oakland, CA	103
Los Angeles-Long Beach, CA	71
Boston-Worcester-Providence, MA-RI-NH-CT	39
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA	31

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Note: San Diego MSA is excluded in Los Angeles-Long Beach CSA. Austin MSA is included in rankings alongside CSAs.

A WORD FROM DENTONS

M&A in 2024: Market expectations begin to reset with positive green shoots emerging

The markets are certainly not hot. The froth is off. The pace of dealmaking has slowed significantly, in good part attributed to the interest rate environment and pullback in the debt and equity capital markets, but notably in the range of pre-pandemic heights. All of this is further aggravated by enhanced regulatory scrutiny and global macroeconomic risk. Discouraging news and the harbinger of more bad news to come or the resetting of markets with many green shoots emerging that will rebound, as they historically always do, as capital is redeployed?

While these observations may reflect the consensus view of the markets at the moment, there are opportunities. Markets are settling now that we have greater visibility into the Federal Reserve's intentions with respect to interest rates and the economy remains fundamentally sound with strong GDP growth. Supply chain pressures and inflationary pressures continue to ease. Relatively strong cash positions on balance sheets and a good amount of dry powder that investors need to deploy capital are positive factors as well. While blockbuster deals reliant on leveraged debt may be on the wane for the moment and equity capital markets are soft, well-positioned emerging growth companies in the technology sector can still drive strategic growth through M&A activity. Companies with strong performance are primed to take advantage of the current market environment. Management teams that have been able to meet or exceed expectations/projections and at the same time build strong balance sheets will have the confidence of their boards and investors to accelerate strategic growth. This is particularly so where investors are looking to find exit pathways for portfolio companies.

Break through the siege mentality that can easily grip markets. Expectations as to price and principal terms have been shifting over the past 18 months to allow for more realistic negotiations around the table. A classic realignment. Prospective sellers are more aggressively factoring in operational and other market risk issues in considering whether it is a good time to consider engaging the markets. And with investors under some pressure to return capital, the stars might see the emergence of a market window for enhanced strategic activity.

Most importantly, management teams are continuing to scour channels for growth as customers throttle back spending. To meet growth expectations of boards and investors, management teams are increasingly looking at the landscape for select accretive opportunities. Again, not the blockbuster deals but rather the laser-focused tuck-in to fill a strategic gap. Given the stresses in the venture capital financing arena, some good values abound. Fatigued investors or those lacking the capacity or fortitude to invest in another round are stimulating some demand.

Victor H. Boyajian
Global Chair, Dentons Global Venture Technology and Emerging Growth Companies Group

Victor leads a global team focused on representing emerging growth technology companies, venture capital firms, corporate strategics, and private equity firms in a broad array of financings and strategic transactions from Silicon Valley to Boston and New York, and around the globe.

As always, sectors matter. The energy and infrastructure, including transportation, sectors riding the coattails of government policy shifts and massive federal investment activity are key areas to watch. Healthcare and life sciences, along with cybersecurity and the related defense and national security sectors, are sectors evidencing strength. Corporate venture capital seems a bit more bullish in its short-term outlook as it seeks to meet demand for innovation and growth from internal business partners.

In this environment, management teams will need to devote the requisite time to developing a cogent thesis for undertaking even a tuck-in acquisition. Investors are looking hard at the financial and market risks associated with any transaction and, to that end, undertaking longer and deeper diligence cycles. Past performance and future trajectories matter. First and foremost is profitability. Cash positions need to be strong to sustain the business as well as strategic acquisition activity, especially in a tight financing environment with little room for operational hiccups.

But the teams will need to get beyond the numbers. Efficient use of capital resources will be rewarded. Lack of strategic focus will be punished. And the critical reality of timing under current market conditions is a key consideration. How long will it take to realize operational synergies? What are the market risks attendant to an extended period of full integration?

Further, will the undertaking of strategic activities and the ultimate integration of any target distract management from its operational focus? Does the company have the ability to manage an expanded combined enterprise with the current management team? Strategic M&A activity can be an exciting way to drive growth, but it is essential that the right skill set exists around the table. And this is particularly so in view of global expansion. How does the management team based in the San Francisco Bay Area expect to manage a team of 150 people in the EU or Singapore? Does the company have not only the management skill set and time, but also the basic infrastructure to support? All of this brings additional, and quite significant, operational expense.

Keep in mind that if a management team has begun to socialize strategic opportunities with the board, the consensus to go forward may have shifted; one year or even just a few months could be an eternity in view of choppy markets facing headwinds. Those companies struggling to hit their numbers may notice that investors who were previously supportive of robust strategic engagement may be cooling a bit and asking management teams to slow down on M&A activities so as not to unduly stretch the balance sheet or distract management. Bottom line—keep the pulse of the board. In fact, consider having one of the board members serve as part of the core deal advisory team. This can act as a tremendous way to gauge ongoing interest and support in the realm of strategic undertakings. Strong performance is the ultimate way to build confidence around the table.

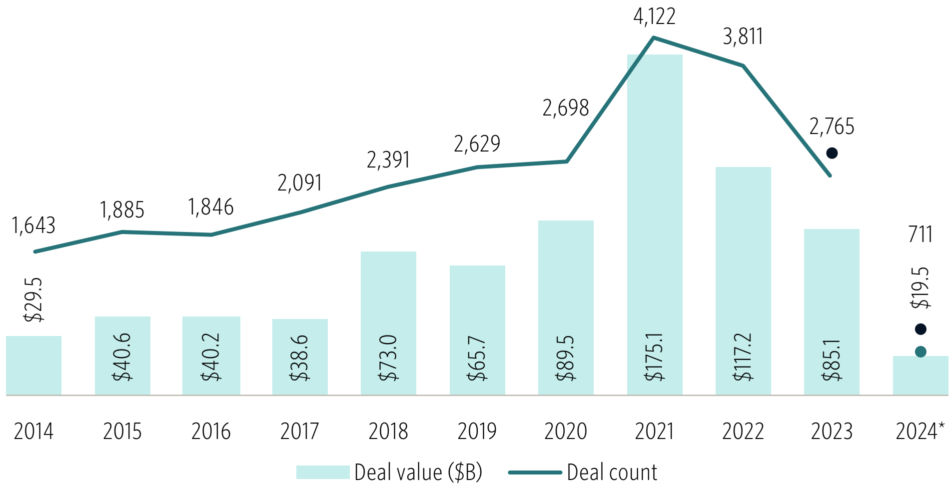
So overall a mixed bag, although markets seem to be more forward-looking than in the recent past with some positive developments emerging. Good opportunities are out there for those well positioned for the flight to quality.

Investor trends

In Q1, nontraditional investor participation in venture displayed divergent trends by deal count, with corporate venture capitalists (CVCs) and asset managers increasing their involvement as a proportion of all completed deals in the asset class, notching 24.1% and 7.9%, respectively. Also in Q1, the number of deals with other types of nontraditional investors as a percentage of overall US VC deals declined. Segmenting the data by deal value shows a similar picture, wherein deals with asset manager involvement ticked up marginally and deal value with CVC participation increased from 57.5% in 2023 to 60.8% in Q1 2024.

CVC activity ebbing on trend

VC deal activity with CVC participation



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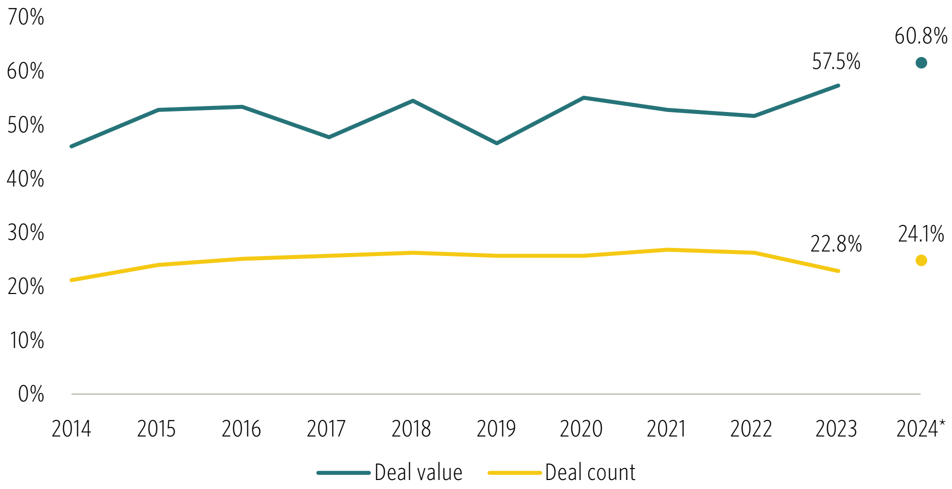
CVCs

In Q1, CVCs continued their active involvement in venture. During the quarter, CVCs participated in 24.1% of all US VC deals by deal count, denoting an uptick from the 2023 annual level of 22.8%, albeit remaining slightly below pre-pandemic figures. Sector-wise, commercial products & services and software garnered the largest two shares of deployed capital from CVCs. In Q1, commercial products & services deal value with CVC participation amounted to $6.1 billion, and software deals with CVC involvement totaled $4.2 billion. Startups operating in those two sectors that have solid technology, similar customer profiles, and healthy financial metrics present appealing investment opportunities for CVCs due to their strategic value. For example, enterprise SaaS incumbents may constantly be on the lookout for disruptive startups that are developing technologies that could complement their existing product offerings or have an overlapping client base.

Nearly quarter of deals include a CVC

VC deal activity with CVC participation as share of all VC deals



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Compared with other types of nontraditional investors, CVCs are uniquely situated for making investment decisions. CVCs that invest off the parent organization's balance sheet may be subject to macroeconomic shifts. This is partly because CVCs also need to pitch and explain their investment strategies and performance with internal stakeholders who are not investors. This additional factor explains why CVCs in general are less inclined to participate in down rounds. Marking down portfolios and incorporating those losses per accounting standards means that CVCs are more sensitive to valuation drops than their non-corporate-affiliated counterparts. From an internal discussion standpoint, CVCs prefer to have a clear-cut story to explain and pitch to internal stakeholders about their investment decisions.

Crossover

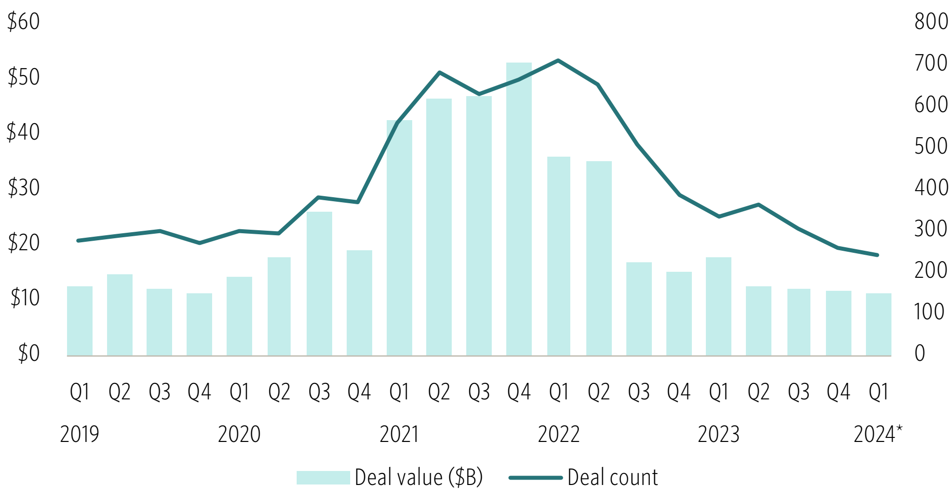
US VC deals with crossover investor participation experienced a steady QoQ decline since Q2 2023, settling at $11.3 billion across 241 deals in Q1 2024. In the past couple of quarters, deal value with crossover investor participation remained slightly below pre-pandemic levels. The cost of capital for crossover investors differs from that of CVCs. Crossover investors perceive opportunities in the underlying value of assets and can move fast when they see attractive upside potential in the long term. This group of investors also responds to multiple years of strong exit dynamics, which means that capital deployment from crossover investors potentially signals the end of an outsized exit draught. Should recent public listings bring about a reopened IPO window, particularly for tech companies, we expect to see a rebound in crossover participation in venture.

Crossover participation in VC has become an important piece of the late-stage and growth market. As companies look to stay private for longer, the large capital sums available from these investors are relied upon for support. Because VC remains an opportunistic strategy for crossover investors, their participation has been fleeting in the face of headwinds. These investors' ability to quickly shift strategies to best fit their returns leaves illiquid strategies such as VC at their behest.

At the height of the market in 2021, quarterly deal value participation from crossover investors was more than 4.0x the total from Q1 2024. The narrative of low capital availability has not been

Crossover pullback a hit to capital availability

VC deal activity with crossover investor participation by quarter



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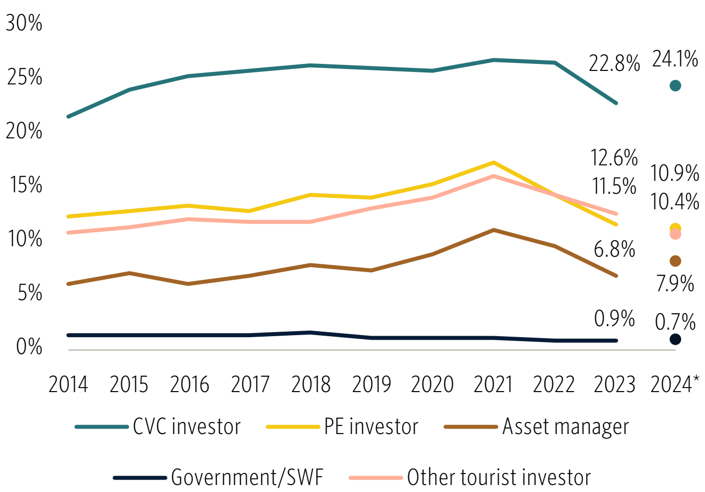
Most investor types fall out of VC deals

VC deals with nontraditional investor participation as a share of all VC deal count by investor type



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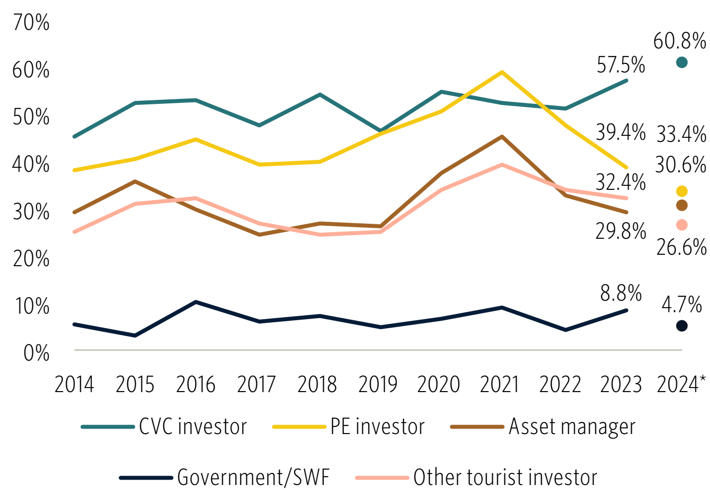
Capital participation remains high

VC deals with nontraditional investor participation as a share of all VC deal value by investor type



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due solely to VCs being more deliberate with their investment; a large portion of that void in capital supply has come from crossover firms, as they hold large portfolios of private companies that have become a weight on their returns.

Smaller versus larger VC funds

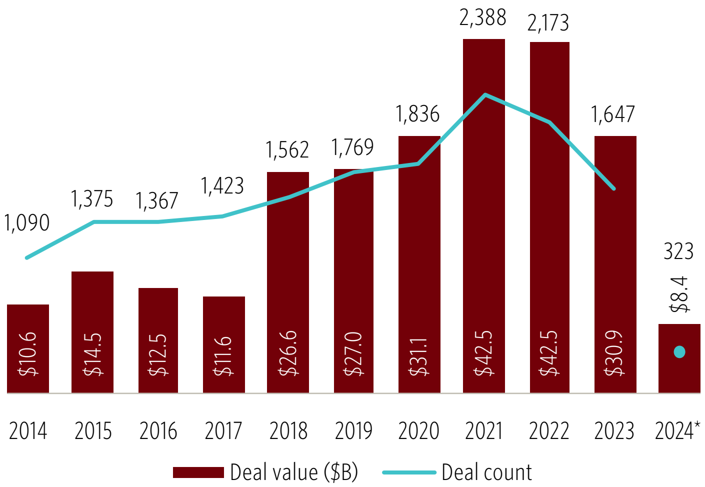
Over the past decade, there has been a proliferation of smaller-scale venture funds, often run by emerging managers. Those funds play an important role in the growing diversification of the venture landscape, deploying capital to nascent companies that may operate outside of the largest four ecosystems in the US. In this regard, those funds help propel the overall dealmaking momentum, writing checks at the earlier stages such as seed, and supporting entrepreneurs in parts of the US that struggle to compete with the two coasts in terms of infrastructure, talent pool, and capital availability.

Meanwhile, smaller funds ultimately cannot replace large players in terms of the latter's ability to write large checks to mature companies or startups operating in certain sectors such as biopharma that need significant cash infusion to facilitate growth or proceed with expensive R&D projects. In such cases, smaller funds do not have the capacity to be a meaningful participant for companies that need a capital injection of tens of millions of dollars or more.

The dichotomy between small funds and established, large-scale funds also plays out in syndication dynamics. When companies raise a follow-on round, new investors look for signs of continued support from insiders, but small funds often encounter the dilemma of lacking a substantial amount of reserves due to the inherent limitations of their fund size.

Venture debt

Venture debt struggling one year post-SVB
Venture debt VC deal activity



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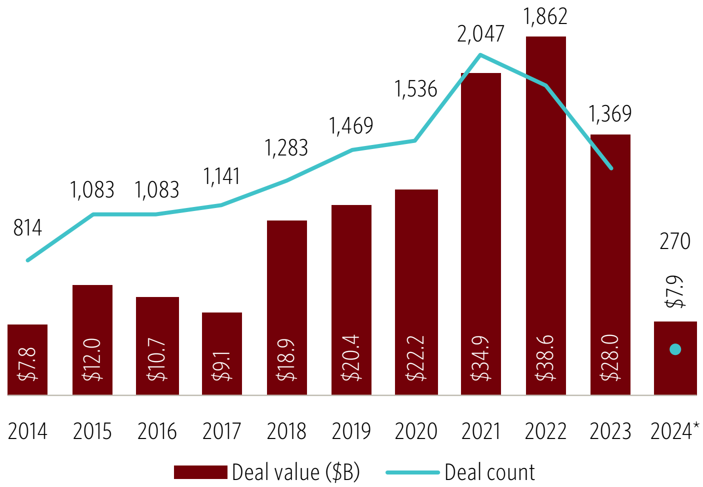
Tech loan value falls again
Tech venture debt VC deal activity



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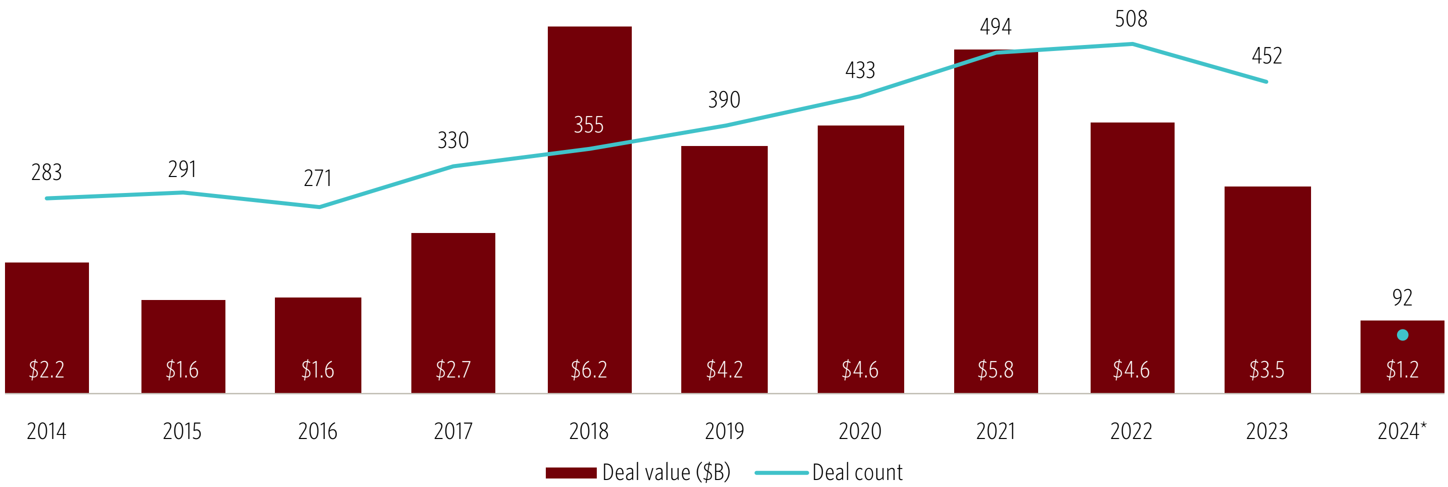
Healthcare loan value has started year slowly
Healthcare venture debt VC deal activity



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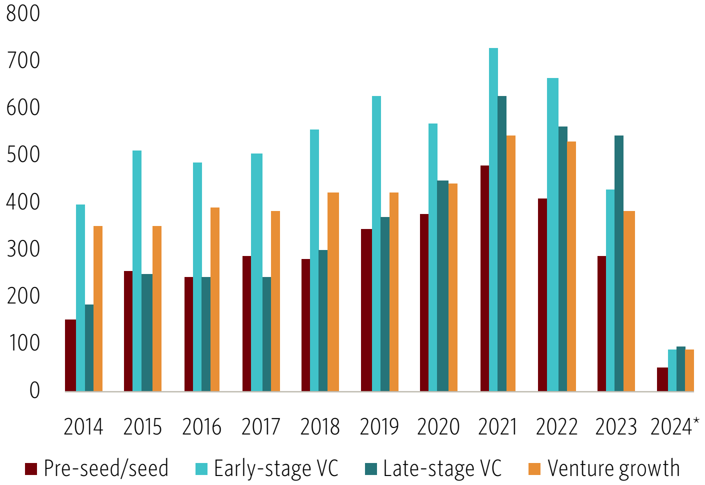
Late-stage lending keeping pace

Venture debt VC deal count by stage



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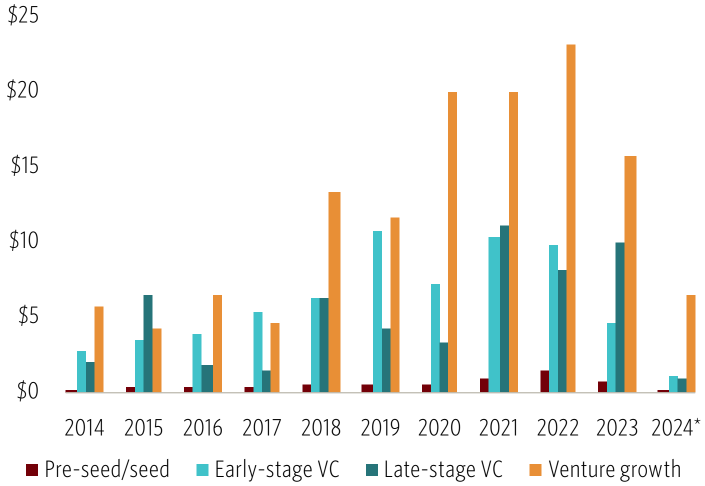
Low capital availability at late stage plays to debt's favor

Venture debt VC deal value ($B) by stage



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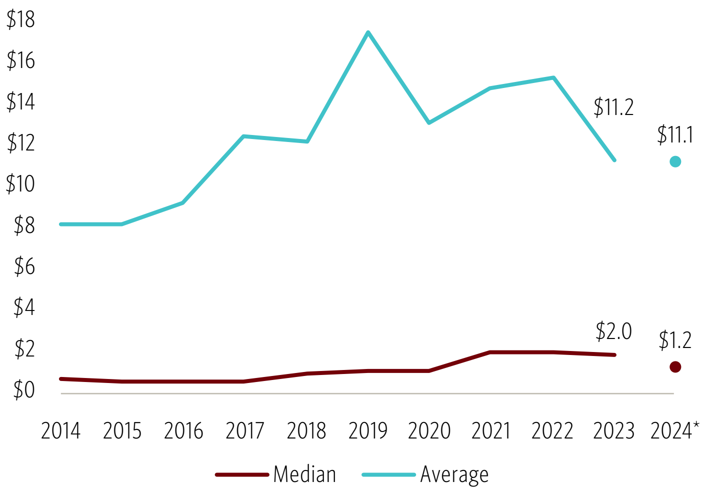
Without bank activity, loan sizes fall

Median and average early-stage venture debt deal value ($B)



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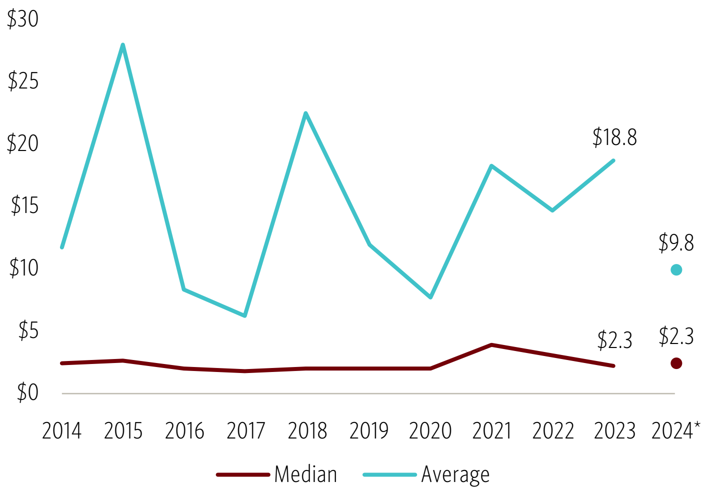
BDCs and nonbank funds boost late-stage loans

Median and average late-stage venture debt deal value ($B)



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A WORD FROM DELOITTE

Charting a path to an IPO: A strong finance function is vital

Heather Gates
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Deloitte & Touche LLP

With more than 30 years of financial services experience, Heather serves as the national Private Growth Leader, with oversight of the Deloitte Private, Emerging Growth Company, and Private Equity businesses within Audit & Assurance.

Jackie Artz
Smart Finance for Growth Companies co-lead and partner

Alex Jackson
Smart Finance for Growth Companies co-lead and partner

Darrin Stollow
UiPath lead client service partner and East Region EGC leader

While the IPO market remains relatively quiet, there are still opportunities for young companies to grow through acquisition and by attracting further rounds of VC. In such an environment, however, young companies need to have their financial function in tiptop shape. Heather Gates, who has been deeply involved in all aspects of startups and venture capital for over 30 years, has a vantage point into the matter that few get to enjoy. Read further to benefit from Heather's insights and from the deep bench of experience upon which she and her Deloitte team can draw.

The lay of the land: Bright spots and other opportunities

Let's start with some basics. One thing is certain: Exits via IPOs in the United States have fallen considerably off their highs of 2021—from over 1,000 that year to a mere 154 in 2023.[7, 8] While the IPO market is still pretty quiet, we're seeing an uptick in acquisition activity. Why? First, with valuations down, 2024 may see a clearing out of pipeline excesses. Second, organic growth remains challenging, so acquisitions are one way of growing. My gut instinct says 2024 could be the year of M&A and 2025 that of IPOs. And brisk M&A activity typically precedes an IPO surge, keeping in mind that some exits are awaiting a lowering of the currently high interest rates. Yet, the biggest damper on IPOs may be the turmoil of the upcoming election.

Looking at 2023, GenAI was the biggest bright spot for venture-backed startups. But I think there may be a slight pullback for two reasons: first, lack of a robust regulatory framework for AI; and second, a discrepancy between the high level of funding of some companies and their lack of maturity in the marketplace. Still, unlike the early internet, GenAI doesn't appear to have sucked the money out of the room. There's a lot happening in blockchain, fintech, and digital assets. And they seem to have a strong future.

Two sectors not to overlook? Cyber and cleantech & energy. Every day we read about phishing episodes, cyberattacks, and stolen identities. With emerging AI technologies, cyber may well be even more important. In regard to cleantech & energy, climate and mass migrations worldwide are likely to be on the agenda for governments and companies alike. This is especially true given the recently approved SEC's climate disclosure rules.[9] But no matter your industry, it always pays to have your house in order when the IPO opportunity comes knocking.

Where's your finance function headed?

Banking failures in the past year have prompted many startup boards to rethink their strategies. In the past, they would deposit 100% of the VC funds in a bank as collateral in return for a venture debt loan to expand their working capital. Now, boards may want to mitigate risk by depositing less in single banks. That could mean new cash management issues and an even more strategic role for the finance function.

Unfortunately, too often companies might build that function haphazardly. A clear road map for the finance function could be useful for when the business grows or has to downsize. Then there's another question: Do I hire more finance professionals, or do I rely on an intelligent automation (IA)—the broader umbrella under which AI lives—program to supercharge my existing team?

To me, the IA route seems to be shaped by three factors: the challenge of talent

7: "The Current IPO Market: Factors in Its Decline and Reversing the Trend," Forbes, Giri Devanur, February 1, 2023.
8: "The Best Performing US IPOs of 2023," Visual Capitalist, Marcus Lu, February 1, 2024.
9: "SEC Approves Rule Requiring Some Companies to Report Greenhouse Gas Emissions. Legal Challenges Loom," The Associated Press, Suman Naishadham, March 6, 2024.

acquisition and retention; deploying that talent to achieve a strategic value add; and wrangling and harmonizing disparate data. Unless you can do that, IA potentially won't deliver its full value. Of course, you need to have the right risk and fraud prevention measures and procedures in place before onboarding IA systems. In building their function, however modest in size, CFOs could benefit from a balancing of traditional financial responsibilities with strategic leadership and technological advances.

Does IA make sense for your finance function?

Depending on a number of factors, IA costs no more annually than one qualified financial professional. The difference is this: With IA, you can scale up and grow without adding headcount, something that may appeal to VC investors.

But there are also several practical issues to weigh. You would need to define the anticipated value and return on investment (ROI), notably how IA will likely affect revenue, cost savings, and customer/employee satisfaction. And don't overlook any possible changes to your risk profile or issues of integrating with your data systems. Once that's done, you will probably need to prepare for necessary change management, identify any ethical issues, and then choose a vendor. There's no denying it's a serious and complex process.

A variety of options for IA

There's no one-size-fits-all solution for IA. There's a variety of value-add processes available—from robotic process automation (RPA) that mimics human actions and can undertake data entry, invoice processing, and other rules-based procedures, to workflow automation that can streamline end-to-end processes by automating approvals, notifications, and task assignments. I've already touched on GenAI with its machine learning, natural language processing, and predictive analytics that enable data-driven decision making and process optimization. But GenAI can also supercharge other tasks—such as intelligent document processing that extracts, classifies, and validates information and data from PDFs and Word docs, among other things. Then there's cognitive automation that combines GenAI and human-like reasoning to address a number of complex tasks. And let's not neglect chatbots and virtual assistants to handle employee inquiries and streamline communications within the finance function itself. So how do you select your path forward? If you're uncertain, I'd suggest starting with process mining. It uses GenAI to help analyze your existing processes to identify inefficiencies, bottlenecks, and areas for improvement.

IA elevates the finance function

In using AI to enhance the quality of your data and information, you need first to determine the correct inputs and outputs by asking yourself, "Do we have the right variables in play?" Achieving the desired quality data and overall outcomes typically requires understanding exactly which processes you are automating, the requisite data needed, and the attending data security and compliance issues.

But here's the main takeaway: IA can help elevate the finance function by freeing up quality time. Time to focus on larger strategic business or technical accounting issues; to follow up on unexpected results; to engage in more thorough and thoughtful forecasting. And time to take a long-term perspective on the business, often free from the pressure of meeting an immediate deadline.

Finally, there are two other important points: One is that IA can help attract the necessary top financial talent. That's because a prospective employee can see that routine tasks are automated and that they have the opportunity to use their skills to the greatest effect. The other is VC funding. For more mature enterprises, an automated finance function often speaks volumes to VCs about efficiency, controls, and effective management. To help achieve sustained growth as a startup, the name of the game is funding. Consider Deloitte's recently launched Smart Finance for Growth Companies. This turnkey program combines UiPath's leading GenAI-powered automation software and Deloitte's extensive experience guiding growth companies and implementing technology transformations. Interested in learning more? Contact my team today.

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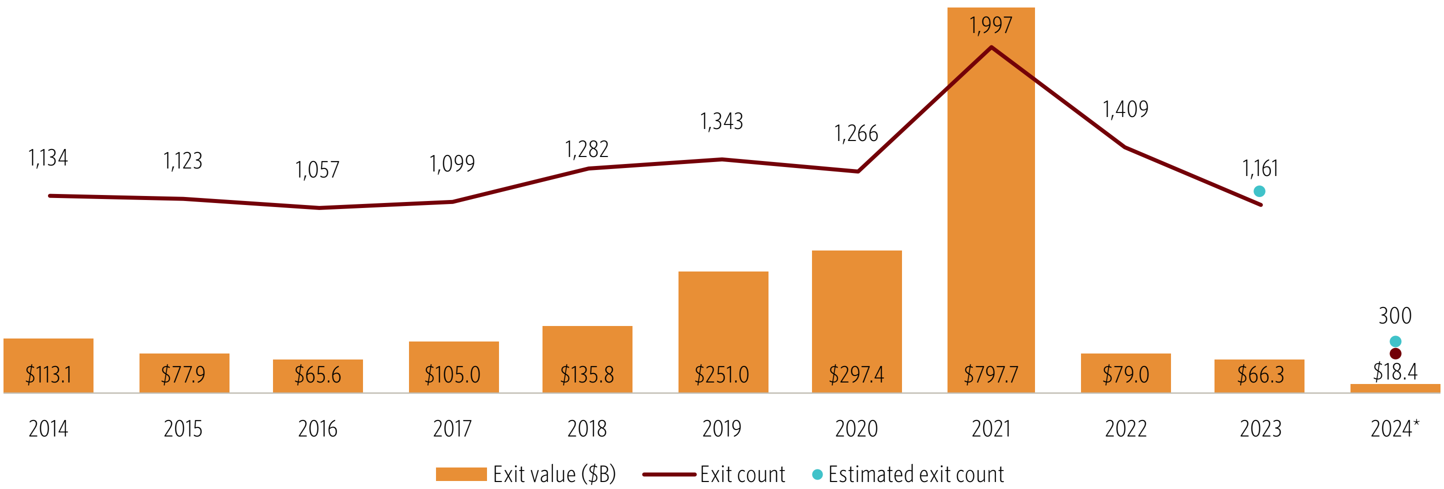
Exits

Reddit and Astera shine for VC

VC exit activity



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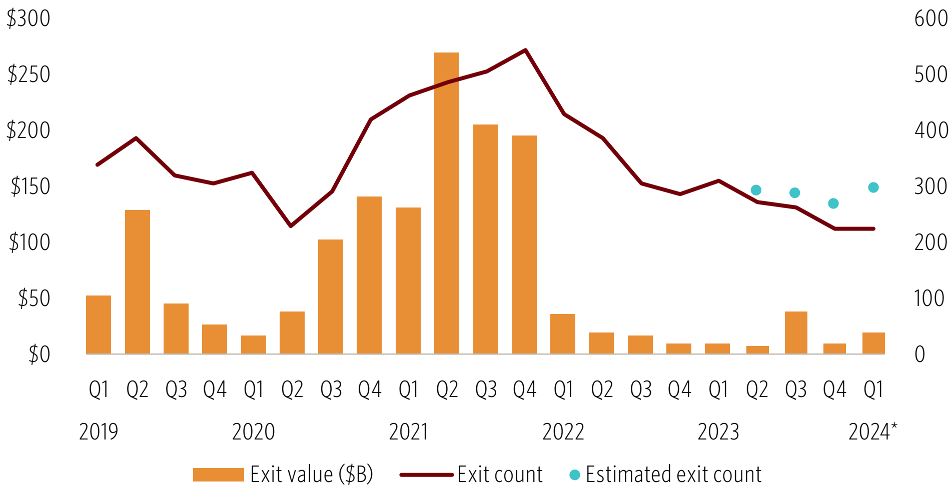
Reasons for optimism in slow quarter

Q1 will not be looked upon as a strong quarter for venture exits, but there may be more reason for optimism at the current moment than any point over the past two years. The $18.4 billion in exit value is still low, and it is a sum lumped within just a few exits. The major stories of the quarter are the IPOs of Astera Labs and Reddit, both of which had much stronger debuts than the anticipated IPOs of Klaviyo and Instacart in Q3 2023. Their IPO success shows that the stabilized macro environment may present further opportunities for companies to exit in the coming quarters.

Outside of a couple IPOs, exits slow

VC exit activity by quarter



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The hype of AI is not limited to the private markets. NVIDIA has shown that the promise of AI can translate into growth, though the $2 trillion business is not in comparable company sets for private companies. The question was if tailwinds would translate to VC-backed and, potentially, unprofitable startups. Astera Labs generated exit value of nearly $5 billion on $235 million in total investment. Though the company was unprofitable at the time of its IPO, it showed traits consistent with many VC-backed startups as a high-growth, high-upside company. Astera Labs spiked more than 72% on its first day of trading, generating sizable buzz for the industry.

While Astera may have been able to more directly ride AI tailwinds than Reddit, the social media company rode the sector's hype by detailing its data licensing prospects. Not only will Reddit provide API access to customers in order to discover emerging trends from discussions on its platform, but it will also license data to AI developers to train large language models (LLMs). Though the company continued to operate at a net loss, the opportunities of AI and of adding the data licensing as a revenue stream atop its advertising business were a large carrot for prospective investors to chase. After pricing at the top of its range, the company closed its debut up nearly 50% and has been able to hold that level.

Public markets showed strong performance in Q1—the S&P 500 and the NASDAQ were up double-digits—cementing positive momentum for VC-backed companies. However, how much that growth will translate into relieving the pricing pressure that many companies will face, especially those unable to showcase their ties to AI, remains to be seen. Even pricing at the top of its range, the IPO presented Reddit with a roughly 35% lower valuation than its previous private round.

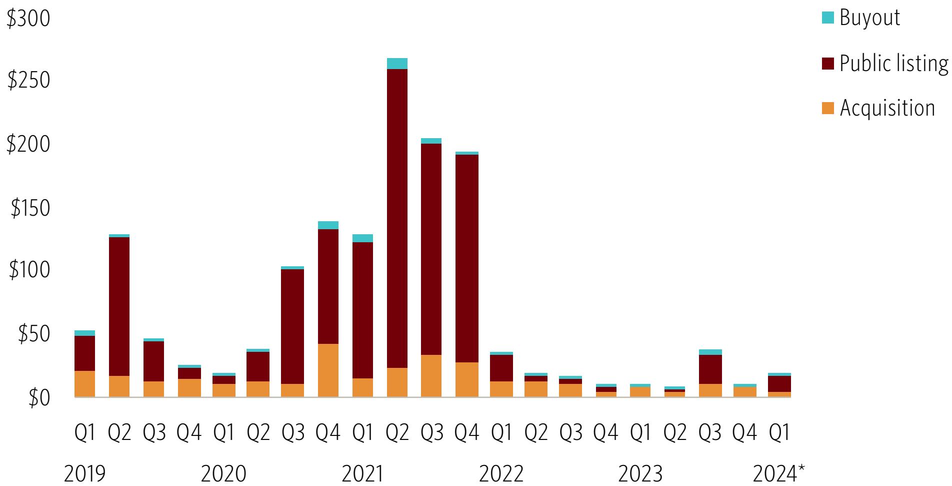
Ibotta, which filed its IPO registration after the Reddit and Astera IPOs, will be another notch needed to sustain momentum for a return of public listings. Though the company uses AI in its promotional distribution, it is not in a position to ride the tailwinds off the growth of AI in general. However, the company has turned its business profitable while showing 50% revenue growth YoY and increasing margins—though it has accumulated $210 million in aggregate losses. This may be more of the traditional unicorn filing that could push more company movement toward IPOs. Either way, AI will continue to be front and center within prospectus filings that come across over the next couple quarters.

The FTC and market conditions slowing M&A

The Federal Trade Commission (FTC) has been blamed for its aggressive stance on M&A, particularly that of Big Tech acquirers; it even opened an investigation into the OpenAI and Anthropic financings. Since the beginning of 2022, just 17 acquisitions of $1 billion or larger have been completed, though outside of 2021, the annual figures have remained roughly in line with previous years. The scrapped acquisitions of Figma and Maze Therapeutics, both of which noted the FTC as a contributing factor, likely cemented the commission's place as *persona non grata* within the venture industry. Though just two acquisitions of $1 billion-plus were completed in Q1, broader market conditions should also be highlighted for the pressure that the FTC has created for the M&A market.

Small-scale M&A cannot support VC

Quarterly VC exit value ($B) by type



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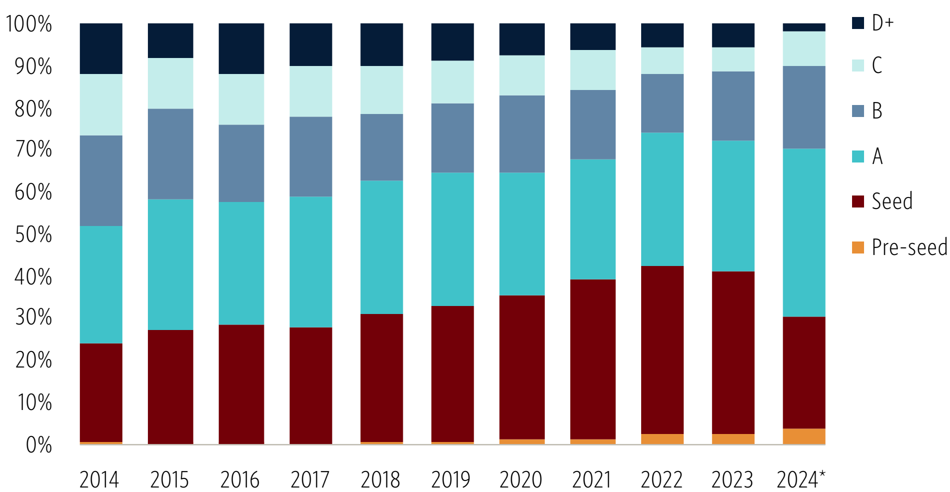
More companies exiting earlier

Share of VC round count by series where next round is an exit via acquisition



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The US economy has remained much more stable than anticipated by continually showing strong jobs figures and corporate earnings. However, the current environment is incredibly different from when many companies last raised investments. Across the board, there still exists a gap between buyer and seller price expectations. High-quality businesses may be attractive targets for corporations and PE shops that see a strategic fit. However, even some of these strong assets may have to take a haircut on the price tag. Continuing economic uncertainty, challenges in achieving cash flow break-even and scaling a business, and a potential push across a company's cap table for liquidity are among the considerations for a startup to hasten its process for finding a home.

Though M&A did increase quarter over quarter, a large majority were small, nonmaterial acquisitions. Just $6 billion of exit value was generated through M&A on the quarter—less than the average generated each quarter in 2023. Current market conditions should be a boost to middle-market deals and consolidation within crowded sectors, yet we have not seen a material increase in VC-backed company acquirers, nor have PE-backed add-ons increased significantly to date. Anecdotes of PE firms looking around portfolios continue to be just that for the moment.

There has been growth in the proportion of M&A being made after early-stage rounds. Nearly 90% of the acquisitions made in Q1 were made no later than right after the Series B financing. That figure has been steadily creeping up over the past decade, but with market pressure mounting on companies raising new rounds of financing, we expect more companies and early investors to be comfortable with exiting early to recycle some capital to funds.

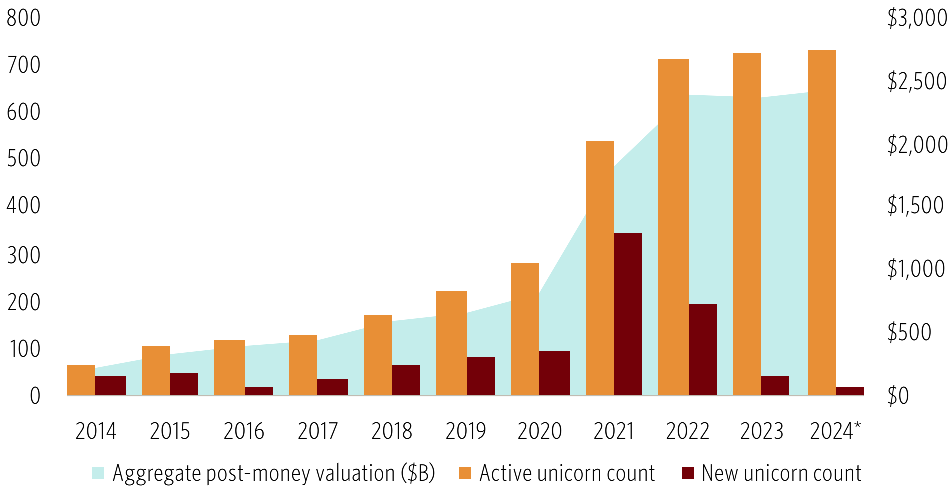
Lagging exit market pressuring unicorns

Though unicorns are a small segment of the overall US VC market, together they account for roughly two-thirds of the VC market value. They are also companies most in need of the IPO market to return to normal. The aggregate unicorn valuation has surpassed $2.4 trillion, and 731 companies now hold the title. Yet the few exits achieved by these companies have left the market with high values and few options.

The only unicorns to successfully exit in Q1 were Reddit and Astera Labs—though Udacity has agreed to an acquisition that is still subject to closing, and Ibotta filed for an IPO likely to take place in Q2. Momentum may be picking up for further exits, but the venture financing market is not poised to support excess deal activity for a

Unicorns account for $2.4B market cap

Unicorn count and aggregate unicorn post-money valuation ($B)



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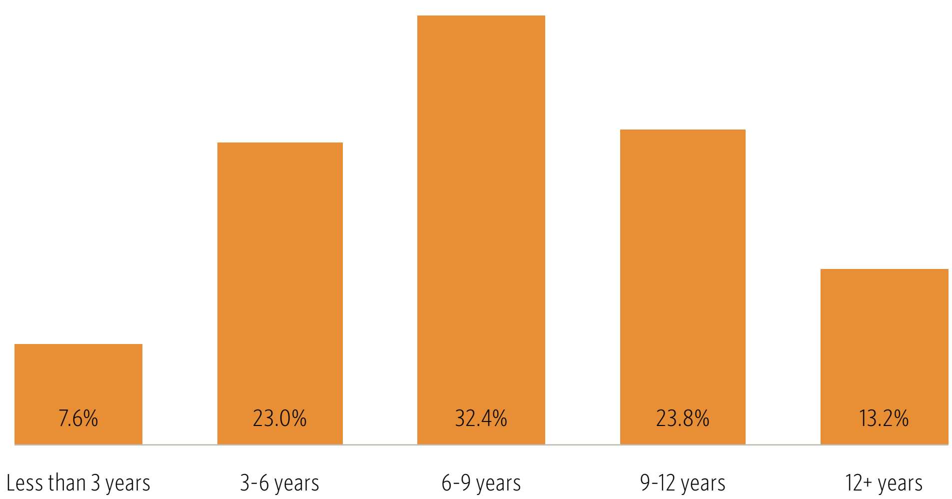
Hold times pushing fund timelines

Distribution of unicorn hold periods*



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large group of unicorns that decide they may need to shore up their balance sheets before listing out their finances to the public.

With the expectation that many of the unicorns raised at high multiples, their public counterparts have shown significant compression in the public market over the past five years. If we take a rolling look at the multiples that companies moving from the private to public market command, current multiples have shrunk significantly since many unicorns last raised funding. Formerly VC-backed SaaS companies have seen their multiple inch back up this year, but at 10.0x, they are trading at nearly 25% of the premium from a couple years ago. Not only will it be tough to exit under these conditions, but it will be similarly challenging to raise more private capital.

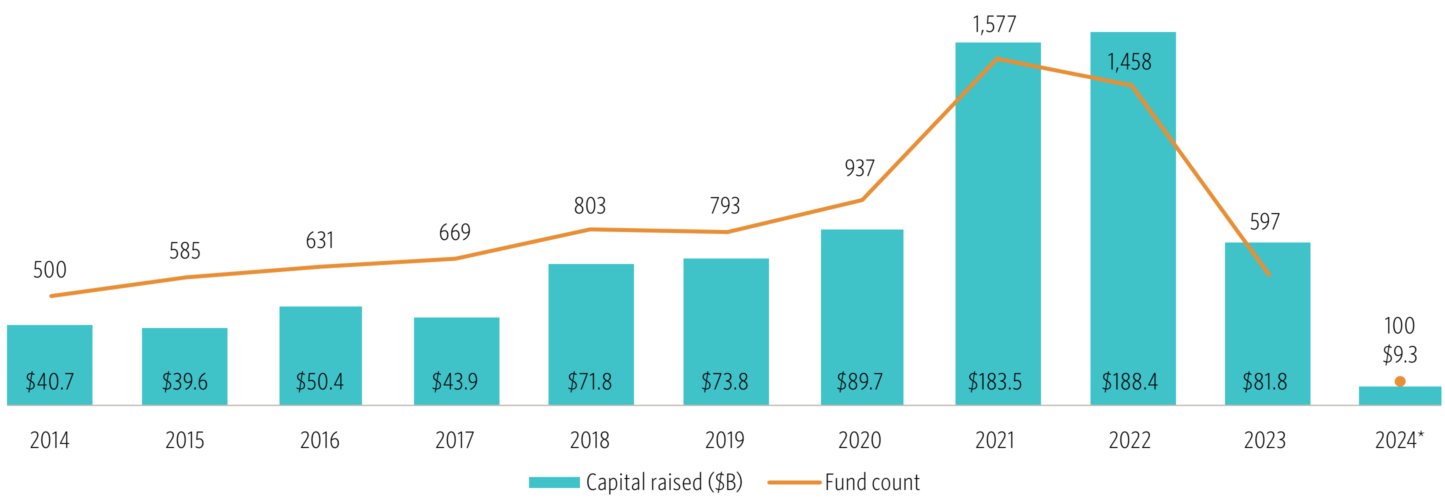
The term "unicorn" generates a wide variety of thoughts across the market. Regardless of the title bestowed upon billion-dollar valuations, the fact is that a small group of companies is responsible for a large portion of the paper gains that the market has used to incentivized LPs over the past few years. If those returns are unable to be realized, or if they are realized at a large discount, LPs could look to reduce allocation to the strategy. A large discrepancy between public and private market valuations has grown over the past few years because of the slow IPO market. Currently private VC-backed SaaS companies have an aggregate post-money valuation of $1.1 trillion, yet the public market cap of SaaS companies that have gone public over the past five years is just $329 billion. The "private for longer" mantra has left many companies in a difficult spot: too large to raise much additional capital in private, but unable to access new capital by going public in the current climate.

Unicorns have now been held within portfolios for an average of 8.1 years, which is well longer than normal VC-backed companies and thus increasing liquidity risk for many investors and LPs. Though realized returns of these companies could negate the pressure from extended hold times, pressured sales through available secondary options are not the ideal process for returns. We have also seen the pressure for exits manifest in alternative liquidity options. Stripe has raised multiple billion-dollar rounds to ease liquidity pressure for employees and early backers, and Databricks approved a secondary sale for employees. Instacart allowed employees to sell shares in the IPO. The longer that liquidity pressure builds, the more strained the top of the venture market will become.

Fundraising and performance

Q1 fundraising lowest in past decade

VC fundraising activity



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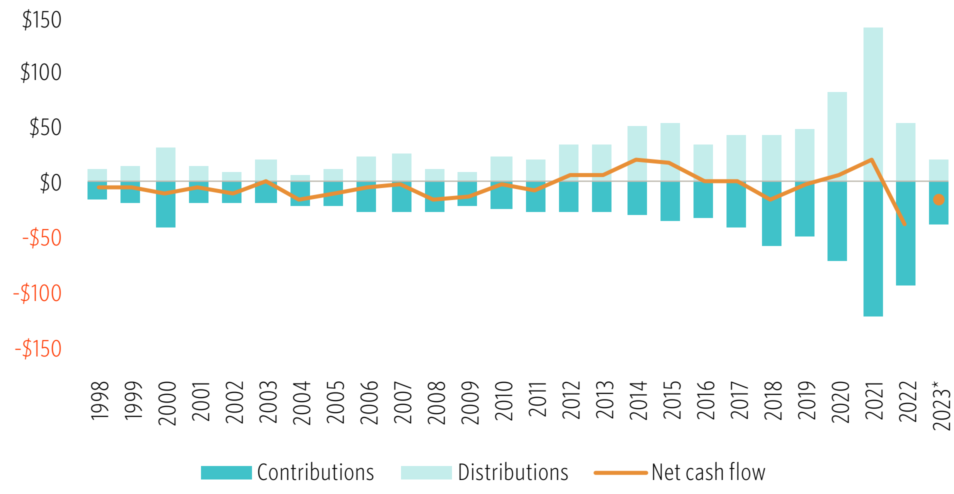
LP caution builds

The continued lack of liquidity from venture stifled fundraising activity in Q1, culminating in a meager $9.3 billion committed to 100 funds. Fund managers returning to market this year, many of which put off fundraising in 2023 in hopes of improved market conditions, are being met with increased resistance in the form of LP caution.

We have highlighted the emphasis that LPs place on cash distributions among current market conditions. The latest cash flow data shows that US VC net cash flows in 2022 and the first half of 2023 left a $54.8 billion hole in LP pockets, highlighting the strain that the lack of exits is putting on the venture market. Through Q3 2023, the US VC 12-month distribution yield as a percentage of net asset value (NAV) (five to 10 years) fell to a near-all-time low of 6.0%, well below the 10-year average of 17.3%. This is suggestive of how far return profiles have fallen and serves as justification for the added caution of LPs.

Large deficit in cash flows in 2023

VC cash flows ($B)



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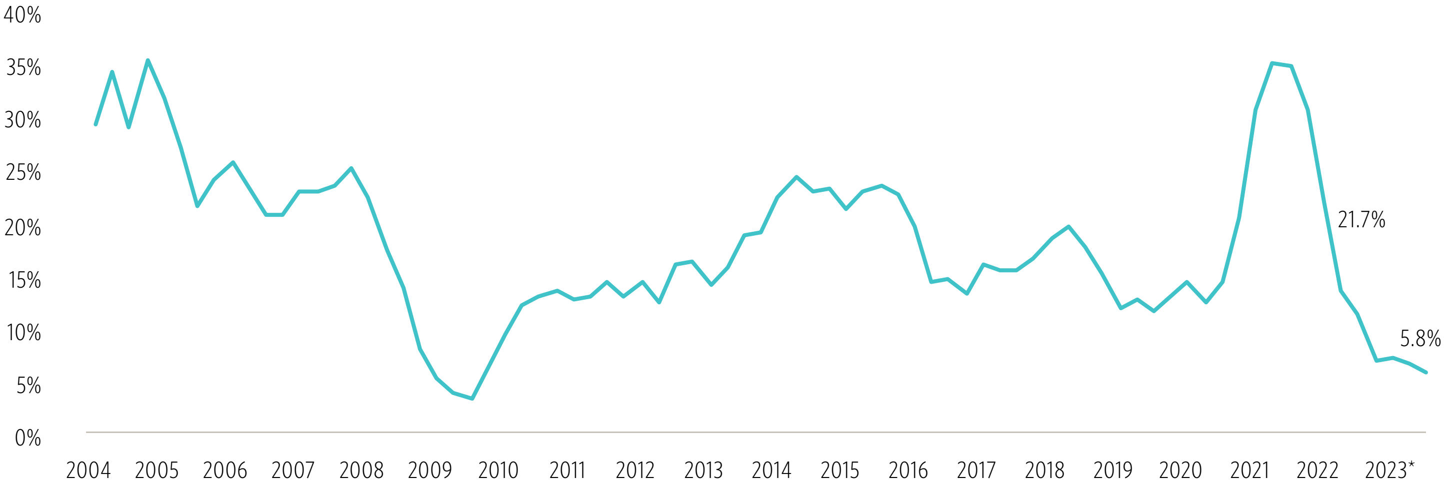
Coupled with the denominator effect's lingering symptoms steering LPs to reallocate capital in portfolios, LPs are spending more time conducting due diligence on new managers and re-evaluating managers they have already committed to determine whether they are sufficiently differentiated in terms of investment theses, networks, and

Distributions need to pick up pace

VC distributions as share of NAV for funds aged 5-10 years



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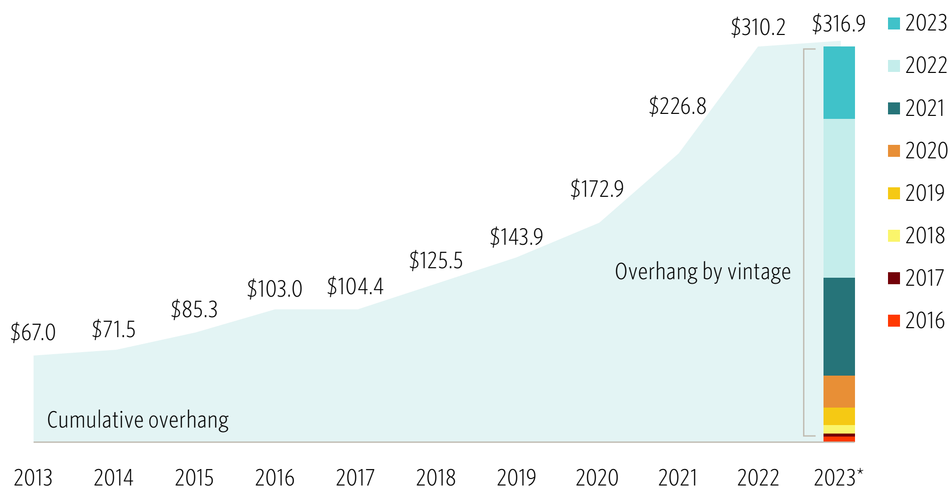
experience to drive strong repeatable returns. The market exuberance in recent years drove inefficiently sized funds and style drift, which have in turn likely shifted the return expectations of these funds despite strong track records.

After the global financial crisis (GFC), US VC fundraising did not recover meaningfully until 2012. The market was markedly different during that time, but newer LPs in venture that were burned by the market drop in 2022 may be wary of too quickly recommitting to the strategy. If this market ends up resembling that of the GFC, we still have a couple years of middling fundraising figures. This would drive consolidation of managers, as LPs choose where to continue committing, and would drag on dealmaking.

Dry powder continues to grow

VC dry powder ($B) by vintage



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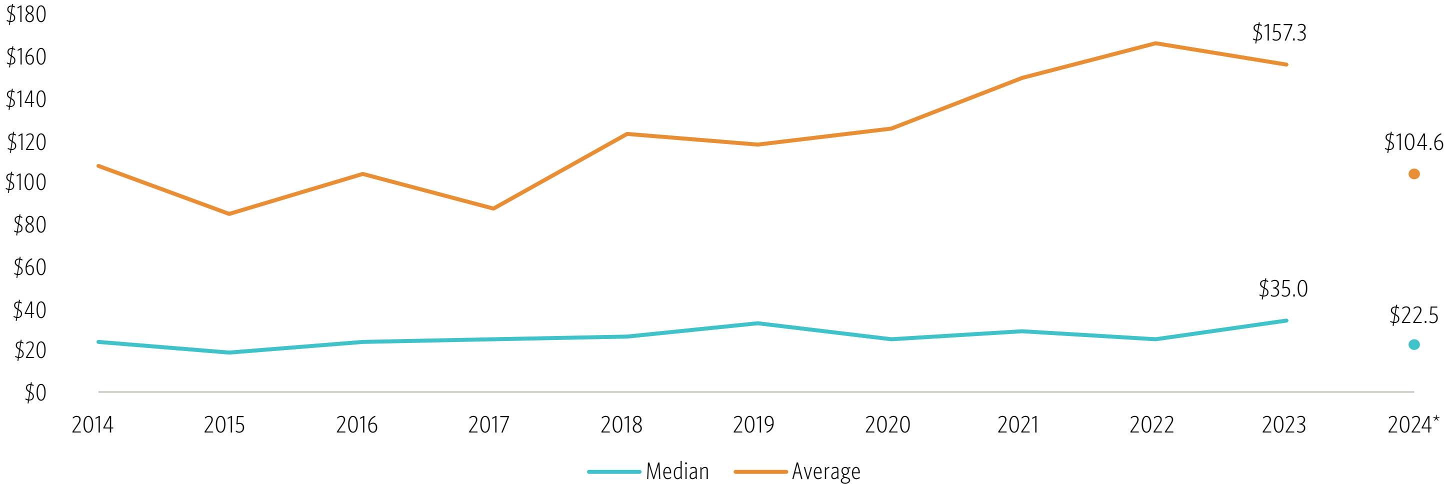
Dry powder remains at all-time high

While fund managers are tirelessly working to assuage LP caution and corral new commitments, they are sitting on a record high amount of dry powder, totaling $311.6 billion, and are deploying capital at a slower pace. Many do not even need to fundraise. Amid the elevated market volatility and the continued reconciliation of public and private valuations, many investors are taking a "wait-and-see" approach, deploying capital into fewer net new investments. As a result, $227.9 billion, or 73.1%, of US VC dry powder sits within 2020 through 2022 vintage funds. Investors are spending more time and capital supporting existing portfolio companies, thereby limiting the total capital outflows from funds. The dearth of exit activity, coupled with the retreat of nontraditional investors, has relaxed

Fund sizes decline swiftly

Median and average VC capital raised ($M)



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the once hypercompetitive dealmaking environment such that investors can spend more time evaluating startups and be more selective and slower in deploying capital.

Generally, record-high dry powder is a positive for the venture market as it signals a surplus of capital waiting to be invested in startups. The figure remains highly concentrated as well. Roughly 60% of the total is held by funds of $500 million or larger, and a full $124.5 billion is held by funds that closed on at least $1 billion. This concentration says more about recent years of fundraising than topline fundraising figures can. Record years of fundraising have led to a false sense of security that capital is ready to be deployed. Between 2021 and 2023, just 7% of funds accounted for nearly 60% of the capital raised. That small percentage of closed funds falls further when it is looked at as a proportion of firms. 3.6% of the firms that raised a fund between 2021 and 2023 raised 54.5% of the total commitments.

Moving back to the VC dry powder figure, the large amount of recent fundraising from so few investors highlights the disparity between the rising overhang and the actual activity occurring in the market. With so much concentration in large funds, individual investors right-siding their activity from the hyped market of 2021 pressures the market significantly more than expected.

While there are more small funds now than ever before, much of the capital crunch is beginning when larger funds are needed to support growth. The more pressured areas of the market rely on a small percentage of the actual venture firms and the crossover investors that have gone toward greener pastures.

Dry powder figures will likely plateau for the next few quarters of data. However, any material decline will likely not occur until late- and growth-stage financings pick up meaningfully. A fall in available dry powder may occur first toward the lower end of fund sizes. Just $29.6 billion (9.5%) is held in funds closed on less than $100 million. The slow fundraising market and pressure for these smaller funds to continue deploying capital to seed and early-stage deals may draw down reserves faster than new commitments can uphold capital availability.

Obstacles for first-time fund managers

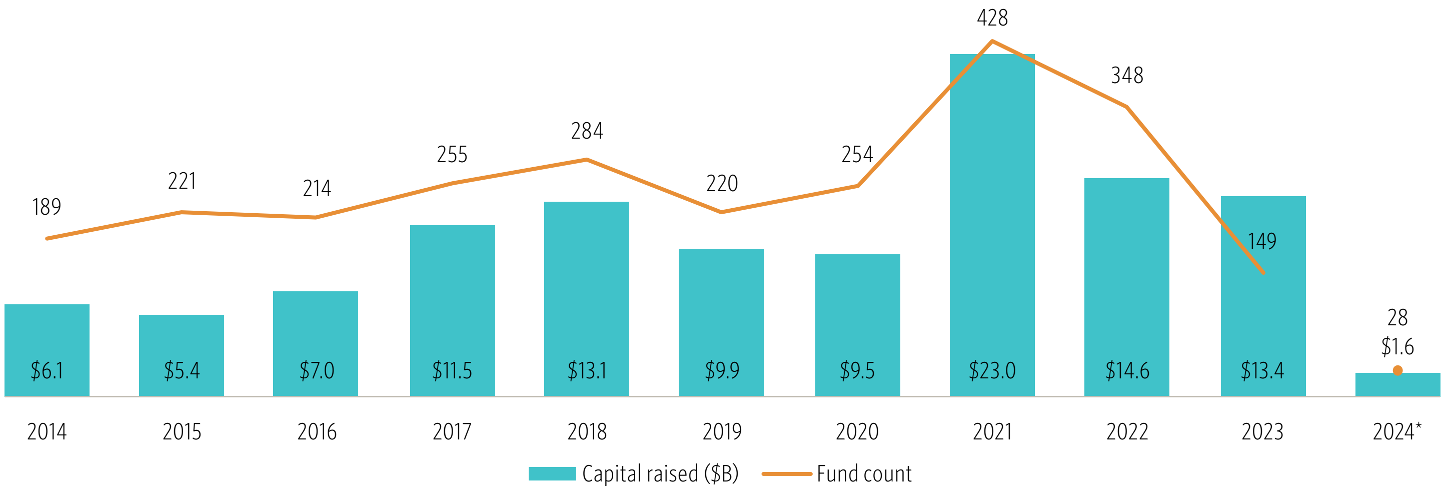
Macroeconomic headwinds have negatively impacted fund managers across the ecosystem, but first-time fund managers have faced more obstacles than their emerging and established peers in 2024 so far, resulting in just $1.6 billion committed to 28 funds through Q1. The largest obstacle faced by first-time managers is their lack of investment track records.

Amid market conditions that favor a fund manager's ability to curate liquidity for LPs, committing capital to a first-time manager could add unnecessary risk to an LP's portfolio.

One manifestation of the higher risks associated with first-time managers is their ability to close a follow-on fund. We found that 63.0% of first-time managers go on to raise a second fund. First-time managers that have found success in 2024 so far did so by leveraging their investment history while at other firms and startups. This resulted in the five largest first-time funds closed in Q1 receiving a total of $1.06 billion in commitments, which accounts for 67.0% of the total capital raised by first-time managers. While the trickle of additional first-time fund closures in the coming quarters will surely decrease this concentration, we anticipate the elevated caution of LPs and rigor in evaluating first-time managers to impede first-time fund count and capital raised through 2024.

New firms struggling to raise

VC first-time fundraising activity



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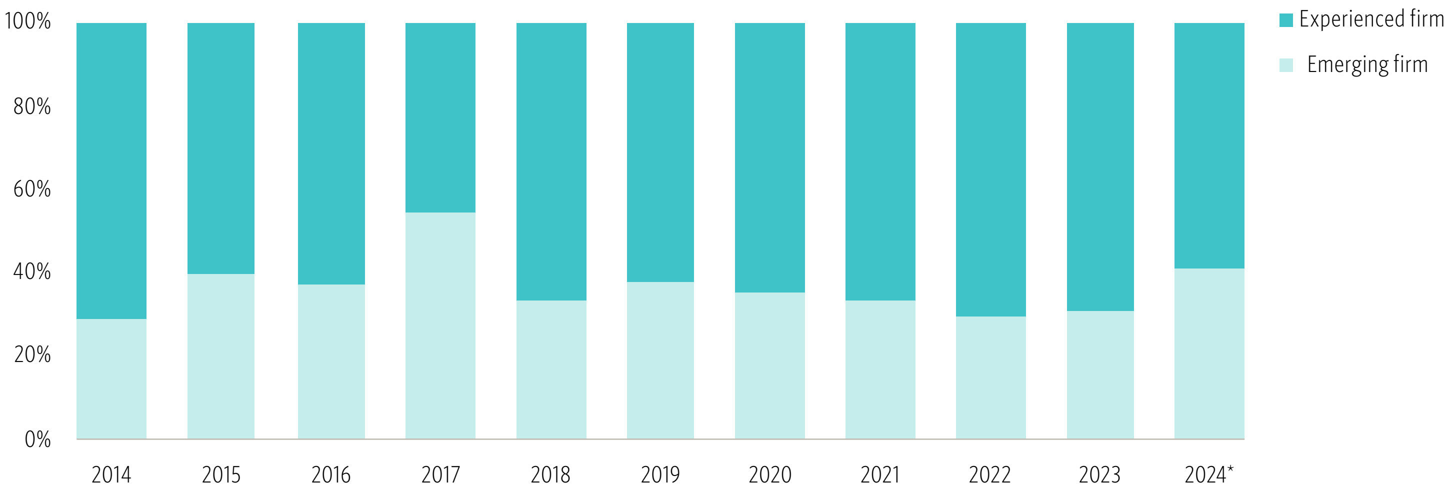
Both emerging and established managers challenged to raise

Share of VC capital raised by manager experience



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Q1 2024 US league tables

Most active investors pre-seed/seed*

1	Pioneer Fund	51
2	Y Combinator	20
2	Elevate Ventures	20
4	Alumni Ventures	19
5	Antler	18
6	Techstars	16
7	Everywhere Ventures	13
8	Sequoia Capital	12
9	Triangle Tweener Fund	11
9	Soma Capital	11
9	SOSV	11
12	IndieBio	9
13	Gaingels	8
13	FJ Labs	8
15	Andreessen Horowitz	7
16	Neo	6
16	TEDCO	6
16	MH Ventures	6
16	Liquid 2 Ventures	6
16	Greycroft	6
16	Guillermo Rauch	6
16	General Catalyst	6
16	AlleyCorp	6
16	Climate Capital	6
16	Big Brain Holdings	6
26	Pear	5
26	Trac	5
26	WestWave Capital	5
26	NGC Ventures	5
26	Plug and Play Tech Center	5
26	Launch Tennessee	5
26	Invest Nebraska	5
26	8VC	5
26	10X Capital	5
26	Asymmetric Capital Partners	5

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*As of March 31, 2024

Most active investors early stage*

1	Andreessen Horowitz	15
2	Y Combinator	14
3	ImpactAssets	12
4	FJ Labs	11
5	Techstars	9
5	Sequoia Capital	9
7	WndrCo	8
7	General Catalyst	8
7	Borderless Capital	8
7	Alumni Ventures	8
11	WAGMI Ventures	7
11	Khosla Ventures	7
11	Afore Capital	7
11	Aperiam Ventures	7
15	Entrepreneur Ventures (Fund)	6
15	Hashed	6
15	Quiet Capital	6
15	GV	6
15	Geek Ventures	6
15	ARCH Venture Partners	6
15	Coinbase Ventures	6
22	Black Angel Group	5
22	Ben Franklin Technology Partners of Southeastern Pennsylvania	5
22	Aza Ventures	5
22	BlackDragon	5
22	Bankless Ventures	5
22	Robot Ventures	5
22	Union Square Ventures	5
22	New Enterprise Associates	5
22	Nat Friedman	5
22	Pantera Capital	5
22	Pioneer Fund	5
22	Polychain Capital	5
22	HDS Capital	5
22	Elad Gil	5
22	Foresight Ventures	5
22	Amino Capital	5
22	BoxGroup	5

PitchBook-NVCA Venture Monitor
*As of March 31, 2024

Most active investors late stage*

1	Alumni Ventures	13
2	FJ Labs	9
2	General Catalyst	9
4	Techstars	6
4	RA Capital Management	6
4	ImpactAssets	6
4	10X Capital	6
8	Sands Capital	5
8	OrbiMed	5
8	HDS Capital	5
8	Calm Ventures	5
8	Andreessen Horowitz	5
13	Foresite Capital	4
13	Entrepreneur Ventures	4
13	Surveyor Capital	4
13	Triangle Tweener Fund	4
13	Western Technology Investment	4
13	Sequoia Capital	4
13	IAG Capital Partners	4
13	Gaingels	4
13	Khosla Ventures	4
13	Congruent Ventures	4
13	Connecticut Innovations	4
13	ARCH Venture Partners	4
13	Contour Venture Partners	4
13	Crosslink Capital	4

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Most active investors growth stage*

1	Capital Advantage Ventures	4
2	Perceptive Advisors	3
2	Palo Alto Growth Capital	3
2	Andreessen Horowitz	3
2	Bossanova Investimentos	3
2	General Catalyst	3
2	ImpactAssets	3
2	Kleiner Perkins	3
9	Calm Ventures	2
9	ARK Venture Fund	2
9	SymBiosis Capital Management	2
9	Denniston Family Office	2
9	Pura Vida Investments	2
9	Gaingels	2
9	Spur Capital Partners	2
9	Alumni Ventures	2
9	Cormorant Asset Management	2
9	Gilde Healthcare	2
9	BlackRock	2
9	Honeywell Ventures	2
9	RA Capital Management	2
9	ArrowMark Partners	2
9	Silver Lake	2
9	BAM Elevate	2
9	SV Angel	2
9	Memorial Hermann Foundation	2
9	Viking Global Investors	2
9	MicroVentures	2
9	Factorial Funds	2
9	Next Level Ventures	2
9	DCVC	2
9	Novo Holdings	2
9	Rally Ventures	2

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Most active accelerator/incubators in VC deals*

1	Y Combinator	37
2	Techstars	32
3	Plug and Play Tech Center	10
3	IndieBio	10
5	Neo	8
6	Nvidia	6
7	Breakthrough Energy	4
8	Expa	3
8	LifeX Ventures	3
8	AI Fund	3
8	Berkeley SkyDeck	3
8	Genesis Capital	3
8	Elemental Excelerator	3
8	Everest Ventures Group	3
15	Unreasonable Group	2
15	Maze X	2
15	Alchemist Accelerator	2
15	gener8tor	2
15	Ed3n Ventures	2
15	5G Open Innovation Lab	2
15	Wayra	2
15	Johnson & Johnson Innovation - JLABS	2
15	BrainTrust Founders Studio	2
15	LAUNCH Fund	2
15	Opus Faveo Innovation Development	2
15	Microsoft for Startups	2
15	Arka Venture Labs	2
15	Ben Franklin Technology Partners of Central and Northern Pennsylvania	2

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*As of March 31, 2024

Methodology

Deals

We include equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, VC firms, corporate venture firms, corporate investors, and institutions, among others. Investments received as part of an accelerator program are not included; however, if the accelerator continues to invest in follow-on rounds, those further financings are included. All financings are of companies headquartered in the US, with any reference to "ecosystem" defined as the combined statistical area (CSA). We include deals that include partial debt and equity.

Pre-seed/seed: When the investors and/or press release state that a round is a pre-seed or seed financing, it is tagged as such. If the company is under two years old and the round is the first institutional investment in the company, the deal will be tagged as pre-seed unless otherwise stated. Regulatory filings under $10 million for deals where investors are unknown are classified as seed unless pre-seed parameters are met.

Early stage: Rounds are generally classified as Series A or B (which we typically aggregate together as early stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Late stage: Rounds are generally classified as Series C or D or later (which we typically aggregate together as late stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Nontraditional investors: "CVC" includes rounds executed by established CVC arms as well as direct equity investments by corporations into VC-backed companies. "PE" includes VC deals by investors whose primary classification is PE/buyout, growth, mezzanine or other private equity. "Crossover" investors are a subset of nontraditional investors—specifically asset managers, hedge funds, mutual funds, and sovereign wealth funds—that have been active in VC investment across any stage. They are referred to as crossover as these investors are likely to be participating at the late stages directly prior to an exit.

Venture debt: The venture debt dataset is inclusive of all types of debt products raised by VC-backed companies, regardless of the stage of company. In mixed equity and debt transactions, equity is excluded when the amount is of known value. Financings that are solely debt are included in this dataset, though not incorporated into the deal activity dataset used throughout the report. Mixed equity and debt transactions will be included in both datasets.

Exits

We include the first majority liquidity event for holders of equity securities of venture-backed companies. This includes events where there is a public market for the shares (IPO) or the acquisition of majority of the equity by another entity (corporate or financial acquisition). This does not include secondary sales, further sales after the initial liquidity event, or bankruptcies. M&A value is based on reported or disclosed figures, with no estimation used to assess the value of transactions for which the actual deal size is unknown. IPO value is based on the pre-money valuation of the company at its IPO price. One slight methodology update is the categorical change from "IPO" to "public listings" to accommodate the different ways we track VC-backed companies' transitions to the public markets. To give readers a fuller picture of the companies that go public, this updated grouping includes IPOs, direct listings, and reverse mergers via SPACs.

Fundraising

We define VC funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional VC firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identifying as growth-stage vehicles are classified as PE funds and are not included in this report. A fund's location is determined by the country in which the fund's investment team is based; if that information is not explicitly known, the HQ country of the fund's general partner is used. Only funds based in the United States that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close.

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Why we teamed up

NVCA is recognized as the go-to organization for venture capital advocacy, and the statistics we release are the industry standard. PitchBook is the leading data software provider for professionals in venture capital, serving more than 4,000 customers across the private markets. Our partnership with PitchBook empowers us to unlock more insights on the VC ecosystem and better advocate for our evolving industry.

The PitchBook-NVCA Venture Monitor

Informed by PitchBook data, our quarterly Venture Monitors dive deep into venture capital activity and deliver insights to inform your investment strategy. PitchBook data also bolsters our annual year-in-review publication.

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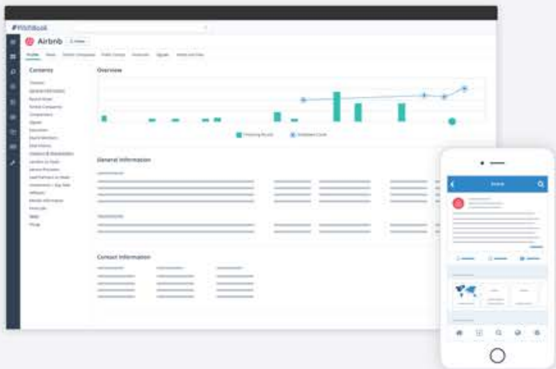

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