PitchBook | nvca

Venture Monitor

Q2 2024

Sponsored by

J.P.Morgan

DENTONS Global Venture Technology

Deloitte.

Juniper Square

The definitive review of the US venture capital ecosystem

Sponsored by

Contents

PitchBook Data, Inc.
NIZAR TARHUNI Vice President, Institutional Research and Editorial
DYLAN COX, CFA Head of Private Markets Research

Analysis
KYLE STANFORD, CAIA Lead Analyst, Venture Capital
EMILY ZHENG Senior Analyst, Venture Capital
KAIDI GAO Analyst, Venture Capital

pbinstitutionalresearch@pitchbook.com

Data
COLLIN ANDERSON Data Analyst

Publishing
Report and cover design by **JENNA O'MALLEY**, **JOEY SCHAFFER**, and **MEGAN WOODARD**

National Venture Capital Association (NVCA)
BOBBY FRANKLIN President & CEO
SHILOH TILLEMANN-DICK Research Director
SAVANNA MALONEY Communications Manager

Contact NVCA
nvca.org
nvca@nvca.org

J.P. Morgan Commercial Banking
MELISSA SMITH Co-Head of Innovation Economy and Head of Specialized Industries
JOHN CHINA Co-Head of Innovation Economy
PAMELA ALDSWORTH Head of Venture Capital Coverage
GINGER CHAMBLESS Head of Research

Contact J.P. Morgan
jpmorgan.com/innovationeconomy

Dentons Global Venture Technology and Emerging Growth Companies Group
VICTOR H. BOYAJIAN Global Chair

Contact Dentons
dentonsventurebeyond.com
victor.boyajian@dentons.com

Deloitte & Touche LLP Audit & Assurance
HEATHER GATES Private Growth Leader

Contact Deloitte
hgates@deloitte.com

Juniper Square
JAY FARBER Head of Growth

Contact Juniper Square
junipersquare.com/vc
community@junipersquare.com

Executive summary

For the last two years, the dominant story in the venture market has been, "It is not what it was previously, but we are not sure what it is yet." While that lack of specificity can be unsatisfying for some, a generational market shift should not be taken lightly. Now, as the second quarter of 2024 comes to a close, some changes are starting to resemble trends rather than temporary volatility, meriting further examination.

The peak of the COVID-19 pandemic saw unprecedented levels of investment in a variety of technologies such as early-stage blockchain, autonomous vehicles, virtual reality, AI, and others. Regardless of cause, the initial flood of investment into these technologies has largely abated, and now investors are focused on supporting their most promising companies to maturity amid a historically challenging exit environment. This has meant more inside and continuation rounds with valuations under unprecedented levels of scrutiny.

Returning capital to LPs is another challenge in the current market. There have been many high-profile public listings and acquisitions in 2024, but those successes are particularly notable in light of the challenges being faced in all parts of the exit market. Mergers & acquisitions (M&A) typically make up the bulk of venture capital (VC) liquidity events, but the combination of increased regulatory scrutiny from the federal government and stockholders pushing strategic acquirers to engage only in transactions that will result in short-term accretion has resulted in a sharp decrease in activity. Public listings have been another part of the market wherein promising companies have held back from entering an uncertain market. While this has not prevented some exceptional actors from listing, the fact that median portfolio company ages are at or near decade highs across various stages highlights that founders and investors alike are taking their time with entering the public markets. The main growth area for exits in the current market has been buyouts, which are also at 10-year highs. When combined with reports of increased activity on the secondary markets, these changes in disclosed exit activity highlight the increased creativity of general partners as they seek to return capital to their limited partners.

As the market finds its footing, there has been a notable trend toward larger check sizes, both from LPs to GPs and from GPs to founders. While a variety of possible explanations exist, the most likely answer is that market players are placing a premium on confidence. Whether it is with established managers or founders with a successful track record, the market is investing in experience as it charts a new path forward.

The impact of nonmarket forces on VC over the last few years has been heavily chronicled, from the COVID-19 pandemic to the Russia-Ukraine war to rising geopolitical tensions in Asia. However, there are two market-oriented pieces of policy that are worth noting for their current and potential impacts on the market: interest rates and industrial policy. Currently fluctuating between 5.25% and 5.50%, the federal funds rate is at its highest point in decades and is not expected to come down anytime soon. That has led to a reduction in LP interest in venture funds because in a world with a 5.5% risk-free rate, GPs need to prove exceptional levels of value across all asset classes. This need for exceptional differentiation emphasizes the market's current premium on experience. Much has been made in these pages and others of the federal government's industrial policies enacted over the past several years. Programs like the State Small Business Credit Initiative (SSBCI), Inflation Reduction Act (IRA), and others have tremendous potential to influence an innovation ecosystem in the United States. However, much of their potential remains untapped, and while programs like the SSBCI have been significant in emerging ecosystems, the impact of bigger programs like the IRA and the CHIPS and Science Act remains to be seen.

Overall, the direction of the market appears to give modest cause for optimism, and—in hindsight—to be relatively predictable. In short, the market had to adjust to a major shock, and the first actors to recover from that shock have already established a successful track record. VC is still navigating choppy seas, but steady hands are finding a way forward.

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

Below is an overview of NVCA's current policy priorities and their state of play.

NVCA lawsuit prevails, stopping SEC's new Private Fund Adviser Rules

In June, NVCA welcomed the decision by the US Court of Appeals for the 5th Circuit vacating the Private Fund Adviser Rules issued by the US Securities and Exchange Commission (SEC).

"Today the court confirmed the SEC's limited statutory authority over private funds, forcing the commission to step back from its effort to adopt rules that delve deeply into how venture capital and other private funds work with sophisticated investors," said NVCA President and CEO Bobby Franklin. "While the SEC has a role to play in governing capital markets, these poorly considered rules risked interfering with the venture capital markets and startups that fuel America's exceptional dynamism and innovation. That's a gamble we simply shouldn't take. The court correctly drew a clear line around the SEC's authority, and we expect the commission to respect these new restrictions when developing future rules as well," added Franklin.

Venture capital makes significant contributions to the US economy, with more than $170 billion invested across 13,000-plus companies in 2023, and venture-backed companies creating jobs at eight times the rate of other businesses. The Private Fund Adviser Rules, however, threatened to stifle innovation, hinder investment, and curtail the growth of the entrepreneurial ecosystem. NVCA led a coalition of asset management associations in suing the SEC to prevent the adoption of the Private Fund Adviser Rules. The original petition for review can be found here.

Tax update

At the end of 2025, certain provisions of the Tax Cuts and Jobs Act (TCJA) of 2017 are set to expire, which will pave the way for congressional consideration of a broad tax package next year. Considering significant changes to the tax code will likely be contentious due to the partisan divide in Congress, this will further be complicated by growing concern over deficits, which are taking place on both sides of the aisle.

Republicans on the House Ways and Means Committee and the Senate Committee on Finance, which have jurisdiction over tax issues, have created internal working groups focused on specific areas within the tax code. These working groups will likely gather information from engaged stakeholders like NVCA and will make recommendations for inclusion in a legislative package. Laying the groundwork for this effort starts now, and we need to be well positioned to protect the VC ecosystem and to promote tax reform that incentivizes investment and innovation.

Meanwhile, the clock continues to tick on a fix this year for research & development (R&D). In January, the House of Representatives overwhelmingly passed a bipartisan tax package that includes a provision that allows startups to once again immediately deduct rather than amortize domestic R&D costs over five years. This provision is retroactive to 2022 and rolls back the amortization requirement that was part of TCJA.

Although Senate Majority Leader Chuck Schumer (D-NY) has repeatedly expressed his desire to bring the legislation to the floor in the coming months, the path forward remains unclear due to opposition from Republicans over the scope of the child tax credit and revenue offsets that are unrelated to R&D deductibility. Despite the headwinds, NVCA continues to engage with Congress to advocate for deductibility of domestic R&D and will update you on further developments.

AI update

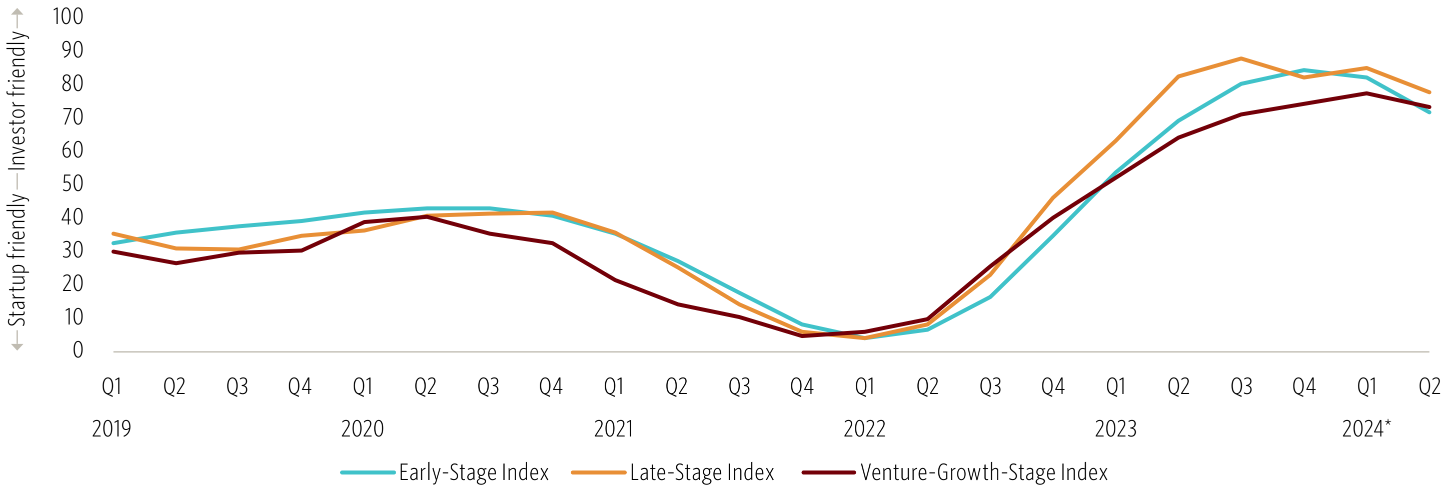
NVCA launched an AI Working Group comprising over 60 VCs. This forum convenes investors in shaping NVCA's emerging AI policy agenda, ensuring the startup ecosystem's representation in Capitol Hill debates and federal agency regulations. We are actively tracking, analyzing, and shaping key AI policy initiatives, including the CREATE AI Act, Generative AI Copyright Disclosure Act, and Senate bipartisan AI policy road map, as well as exploring engagement opportunities with policymakers like the newly established bipartisan House Task Force on AI.

In June, we sent a coalition letter to the Department of Homeland Security (DHS) Secretary Alejandro Mayorkas expressing our support and offering continued assistance in leveraging the International Entrepreneur Parole (IEP) program to attract and retain immigrant entrepreneurs, including those building new companies in critical and emerging industries like AI. This follows President Biden's AI executive order calling on DHS to "review and initiate any policy changes the Secretary determines necessary and appropriate to clarify and modernize immigration pathways for experts in AI and other critical and emerging technologies."

Market overview

Investors continue to have high leverage in this market

VC Dealmaking Indicator by quarter



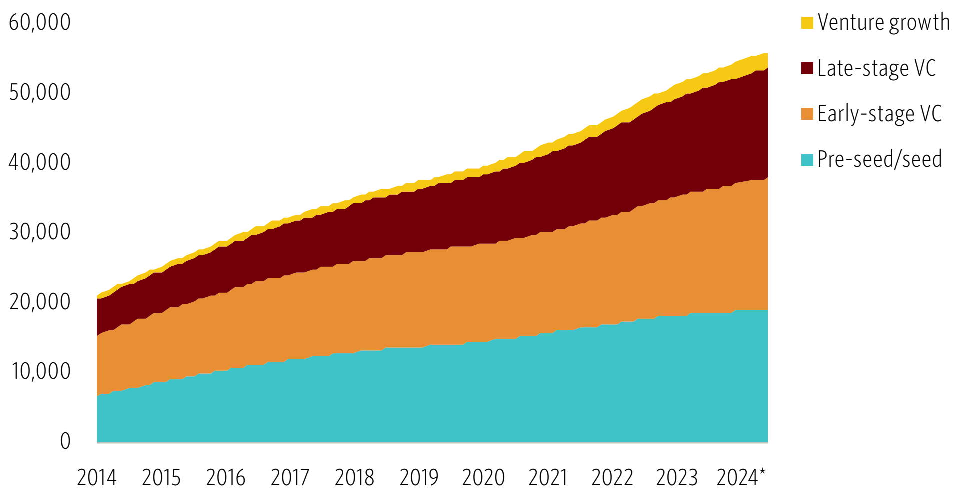
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Market plagued by uncertainty

In our Q1 report, a section was devoted to looking at the challenges brought on by the continued lack of exits within the VC market. The low distribution-to-AUM rates simultaneously highlighted the poor exit environment and the sheer size that the market has grown to over the past decade. 10 years ago, two unicorn initial public offerings (IPOs) in a quarter would have elicited an amount of hype much greater than that driven by Astera Labs' and Reddit's successful IPOs, even as those two IPOs heralded the potential comeback of listings at the time.

VC-backed inventory reaches 56,000

VC-backed company count by stage (smoothed)



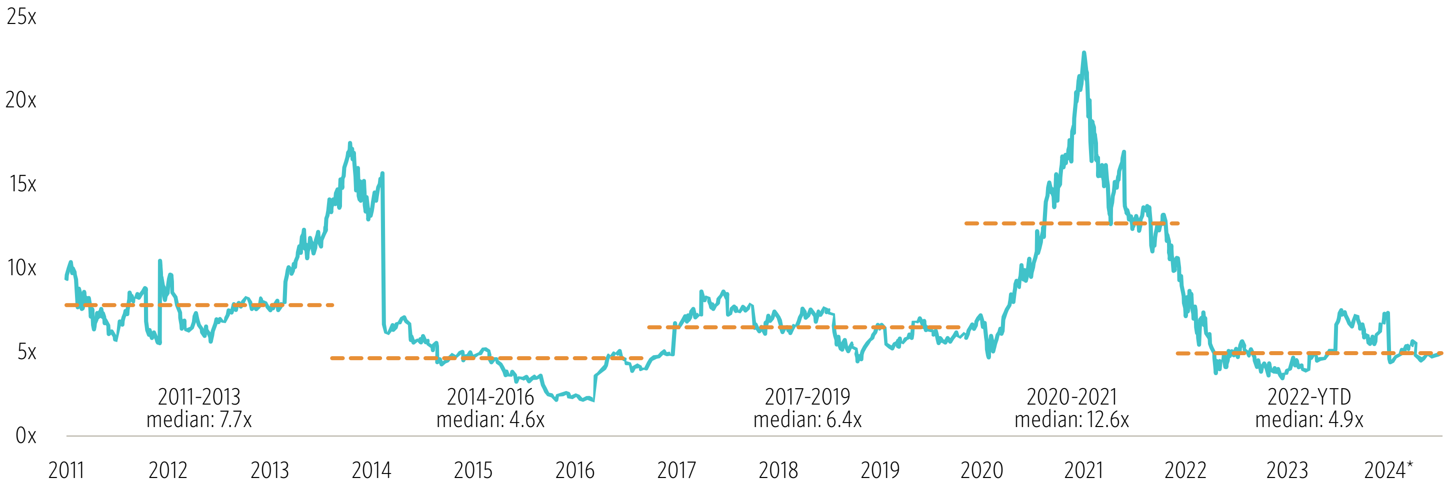
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Since Q1, the problems created by the drought of DPI have been further entrenched in the market, and emerging trends seen across the market, from liquidity measures to dealmaking activity, have a direct connection to the lack of DPI generated by managers over the past couple years. Once again, in Q2, two unicorns exited via IPO, generating hope, but without boosting the listing market as much as anticipated despite successful post-IPO performance. And also once again, in Q2, less than $30 billion in exit value was generated to turn into distributions back to LPs.

VCs have adapted to these challenges in several ways. Secondaries and alternative liquidity options receive a much larger part of the narrative in this market. Instead of being included in new primary rounds at a premium to the issue price, secondary sales

Multiples have not rebounded

VC-Backed IPO Index price/sales multiple



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 28, 2024

occur in off-market deals or are offered at steep discounts. The dealmaking slowdown has been caused by both the limited exit opportunities and also because investors need to preserve their dry powder so as to not run through available commitments and be forced to raise a new fund from LPs that are cautious about new commitments and want to keep their portfolios from becoming unbalanced toward VC.

The headwinds that launched the market slowdown in 2022 remain, and the pressures on the market have only increased. Inflation stickiness has caused the Federal Reserve (the Fed) to stay with its rate stance of higher for longer. Higher rates should translate to continued sluggish performance of the broader stock market outside of the largest companies that continue to push into record profits and market caps. Outside of the Magnificent 7, the S&P 500 has returned just 7.2% this year, while the small-cap Russell 2000 has been just barely positive.

The venture market has likely come to grips with this fate, but it takes time to filter through because the market is not priced daily, and dry powder in the form of VC commitments cannot be called all at once, nor is it likely to be voided without a significant economic disaster. VC market AUM has declined, hit by portfolio markdowns and down rounds, which reached an estimated 17.1% in Q1. The one-year rolling IRR for the venture market has been negative for the past six quarters of data.

Within the dealmaking arena, the US venture market is incredibly investor friendly, as investor protections have become prominent within term sheets. Even as our Dealmaking Indicator has returned to balance over the past couple quarters at the early and late stages, both remain deep in investor-friendly territory. Based on the fundraising activity and exit opportunity set, this imbalance should continue for the foreseeable future.

A WORD FROM J.P. MORGAN

Our views on venture

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

There is increasing optimism around the state of markets, though the higher-for-longer rate environment, geopolitical tensions, and US election cycle remain risks to the outlook.

Most macroeconomic indicators point to a soft landing, as consumers, businesses, and markets have handled inflation, elevated labor costs, and higher-for-longer interest rates much better than expected. As labor markets remain solid and inflation progress has slowed, the Federal Open Market Committee (FOMC) now expects only one 25-basis-point rate cut in 2024 and GDP growth of 2.1%.[1]

History tells us there is little correlation between election years and the timing or direction of Fed action. As the economy and inflation continue to normalize post-pandemic, the FOMC remains focused on the data to inform how it manages monetary policy in the context of its dual mandate of stable prices and full employment.

Risks associated with prolonged higher interest rates, geopolitical tensions, and election outcomes are difficult to predict, but it is unlikely that these are fully reflected in projections and market levels. It would not be surprising if markets get skittish in the lead-up to the November election. In the meantime, optimism has been in the air on the prospect of lower interest rates.

With rising equity markets and low volatility, the capital markets engine is restarting.

Keith Canton, Head of Americas Equity Capital Markets at J.P. Morgan, remains cautiously upbeat about where the IPO market is headed. IPO proceeds raised year to date are running comfortably ahead of last year's pace. Based on public filings and pipeline visibility, 2024 appears to be tracking to a $30 billion-plus year, including an expectation that activity will taper off into the election and year end. To put into context, this is notably higher than 2023's $19 billion of IPO volumes, but still below the $40 billion to $45 billion baseline trend pre-COVID-19.

Larger-than-normal valuation discounts for the 2024 IPO cohort have helped set the stage for mostly positive aftermarket performance. Historically, an IPO discount of approximately 15% to an issuer's public comparable set was typical. Year to date, these discounts have been in the 20% to 30% range.

Canton notes that even though scalability, durability, and profitability all remain important attributes, at the end of the day, the IPO market is a growth market, and growth rates continue to be a key valuation driver. Across cohorts, companies with stronger growth profiles consistently garner higher valuations than their lower-growth peers.

Regarding scale, run-rate revenues of $100 million might have been deemed "public company ready" for software companies in 2021. In the current market environment, to be considered sufficient and attract public company investors, that metric likely needs to be closer to $300 million to $400 million.

With only six tech IPOs through H1, there has been increased participation from consumer, industrial, healthcare, and financial services issuers. Importantly, investors have returned to viewing IPOs as a viable asset class. There have been encouraging signs that the market is broadening out beyond sector-specific portfolio managers. For example, we are seeing deep mutual fund and generalist portfolio manager participation.

Contemplating and preparing for an IPO can be an exhilarating time, but Canton advises companies to keep the long game in perspective. It is important to consider ahead of time how you want the market to view your company once

1: "Federal Reserve Issues FOMC Statement," Board of Governors of the Federal Reserve System, June 12, 2024.

public. Land on the key performance indicators (KPIs) you want to report on quarter in, quarter out, and start developing that narrative and tracking those metrics well ahead of IPO. Also, ensure you can predict and deliver on expectations in your financial model. Balance being aggressive with realistic in your projections, as public markets reward predictability and consistency.

Venture investment activity appears to be finding its footing in line with 2018 to 2019 levels.

Carly Roddy, Head of West Coast Private Capital Markets at J.P. Morgan, is seeing activity levels for later-stage private raises accelerate as the first wave of IPOs successfully comes to market. Private capital volumes are ahead of last year's pace, and we have seen renewed interest from crossover and mutual fund investors in leading rounds for late-stage private companies. Growth equity and private equity (PE) investors remain engaged with record dry powder to put to work and pent-up demand following limited deal activity the last two years.

Despite the uptick in investment activity in recent months, it is too early to say if this marks an inflection point. In addition, valuations have likely not fully reset lower, and trends are noticeably bifurcated by stage and sector. Data from Aumni, a J.P. Morgan company, indicates sequential improvement in early-stage post-money valuations and prevalence of down rounds over the past six months; however, the uptrend in down rounds for late-stage companies has yet to abate. A significant number of companies have not raised a follow-on round since 2021. Those historic valuations are unlikely to be fully supported in the current environment—an overhang we expect to be worked through over the coming quarters.

According to Roddy, even with down rounds representing an elevated 35% to 40% of Series C and later raises, companies are nevertheless taking advantage of the market reopening to raise primary capital and/or to help facilitate secondary liquidity for employees or earlier shareholders.

AI continues to be a prevalent theme in private capital markets, with several multibillion-dollar raises, representing 45% of year-to-date volumes.

Notwithstanding the improved capital markets environment, the lack of exits over the past two years has notably slowed the pace of VC fundraising in 2024.

The annualized run rate of VC fundraising in 2024 has dropped to the $35 billion to $40 billion range, roughly half of 2023's pace and the lowest since 2015, as the dearth of exits has hindered the recycling of capital into new funds. Combined with the valuation overhang for late-stage companies, we are generally seeing VCs being very patient around deploying capital. Dry powder reserves are high in absolute terms but toward the lower end of the last several years' range as a percentage of AUM.

Another trend coming out of the slower environment for venture is that fund lifecycles are stretching back out to three to four years from a low of two to 2.5 years in 2021. In many cases, we are seeing smaller fund sizes with longer durations. This is driving an elevated turnover dynamic of younger partners at larger firms, as the path to general partnership is evermore opaque.

Amid the challenging environment, Jeff Kaveney, Head of J.P. Morgan Private Bank's Fund Banking Group, has observed normal to slightly lower VC borrowing activity, with overall levels around pre-market disruption averages. There is little appetite among VCs for additional risk in the current backdrop given higher interest rates and the likely very gradual road ahead to harvesting the existing ecosystem of portfolio companies.

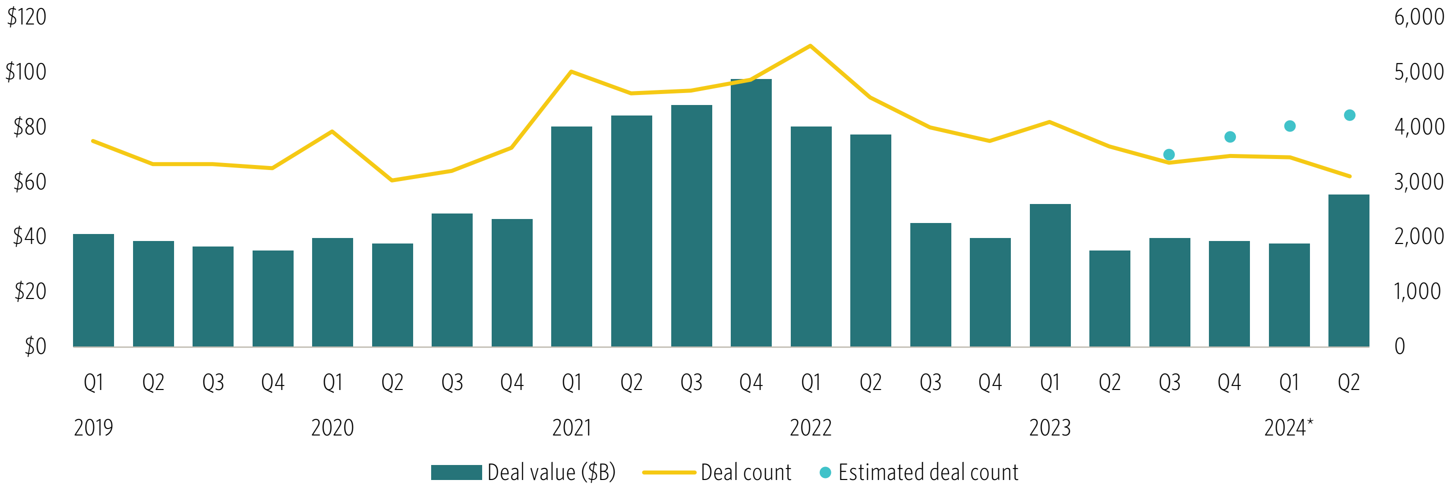
The fundraising environment has become increasingly competitive. We're continuing to see capital move into the market, but also a higher level of scrutiny from investors. LPs are becoming more selective, focusing on funds with a strong track record, clear differentiation, and robust value-add strategies.

Despite the competition, there are still ample opportunities for funds that can demonstrate unique value propositions and strong performance metrics. It's crucial to focus on sectors and companies that are resilient to interest rate fluctuations. This might include industries with strong cash flows or those less reliant on external financing.

Dealmaking

Deal activity expands for third straight quarter

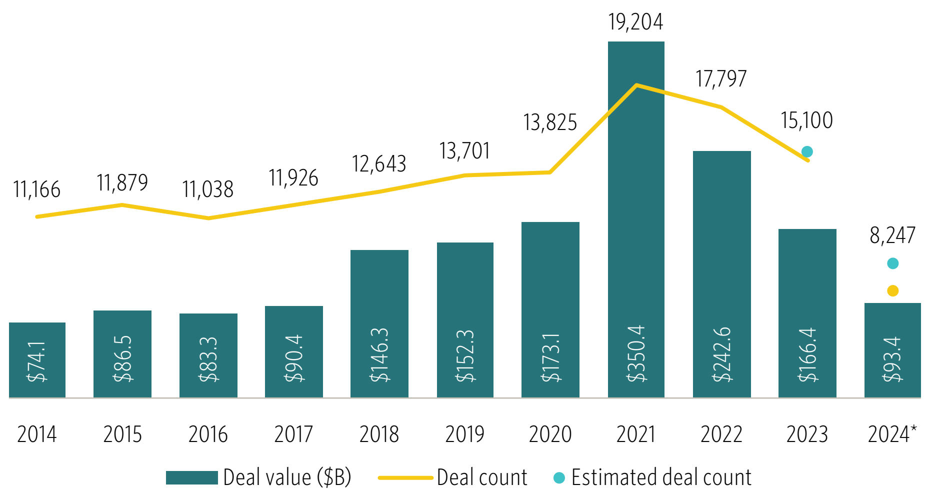
VC deal activity by quarter



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Large deals obscure capital availability

VC deal activity



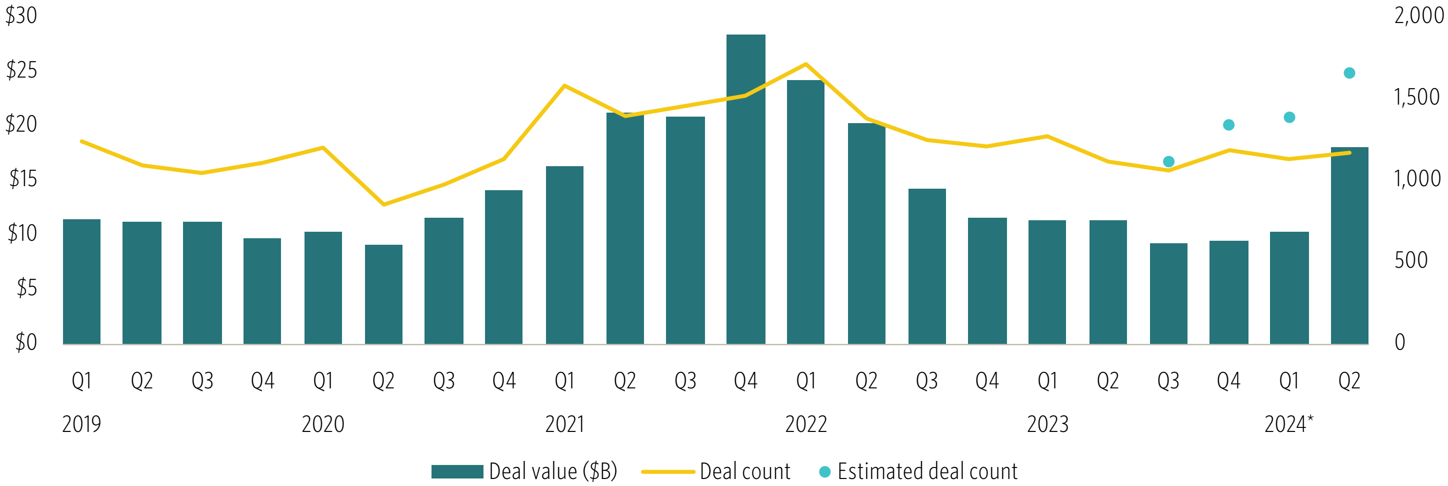
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Dealmaking data from Q2 reflects an uptick in US venture deal momentum. It is likely too early to claim a rebound in deal activity, however. The market likely has bottomed out, and companies that raised two to three years ago and had pushed out financing through cost-cutting measures are returning to the market for subsequent financing. During the quarter, $55.6 billion was invested across an estimated total of 4,226 deals. Quarterly deal count climbed to the highest level since Q2 2022. Quarterly deal value, on the other hand, ascended to an eight-quarter high. A few outsized deals propped up the elevated deal value during the quarter. CoreWeave's $8.6 billion Series C and xAI's $6.0 billion Series B made up 26.3% of Q2's total deal value. The third-largest deal, JUUL's venture-growth round, exceeded the $1 billion mark but is far smaller compared with the two largest deals, and hence does not move the needle for the aggregate quarterly venture deal activity. The two largest deals led the quarterly megadeal ($100 million-plus) value to ascend to $34.1 billion, the highest in nearly two years. The xAI deal also helps explain the bump in early-stage deal value, which experienced a 74.8% QoQ increase.

In Q2, the pace of dealmaking activity remained slow. The liquidity constraint scenario remained sticky, and fundraising continued to be challenging, given the lack of LP appetite. As a result, many VCs have slowed their pace of

Highest early-stage deal count since Q1 2022

Early-stage VC deal activity by quarter



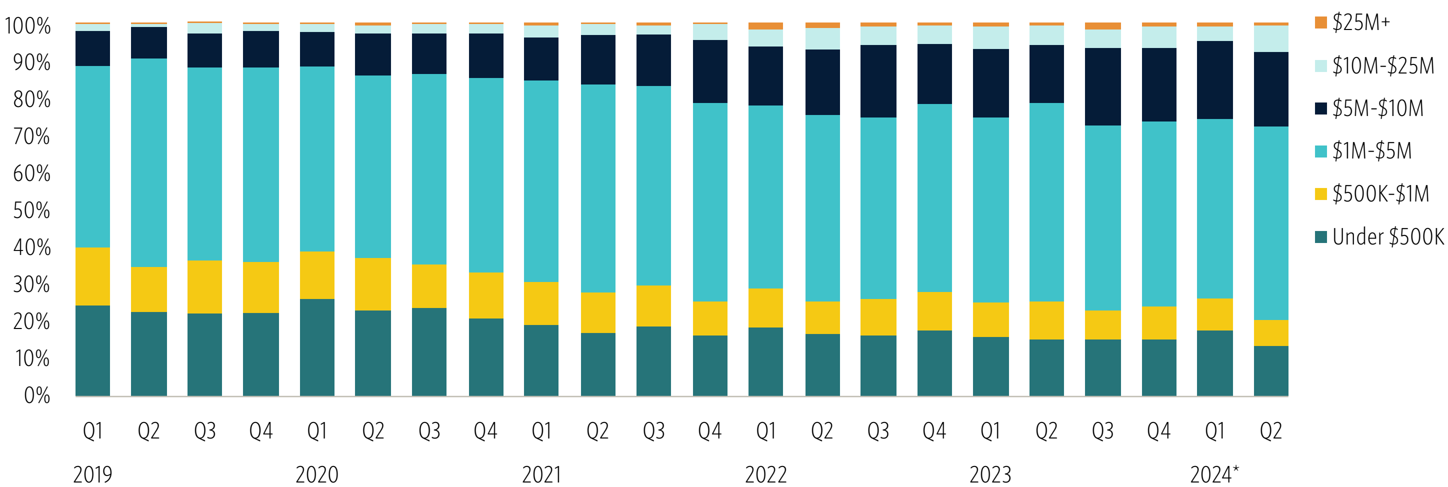
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

investment, both to stretch their current fund to last longer before returning to the market to raise a subsequent fund, and to spend more time with existing portfolio companies to help them navigate the tough waters of the equity financing market. In line with the past two years, in the current environment, deals are taking longer to close, and VCs are conducting thorough due diligence of potential deals and have a higher bar for deploying capital. First-time financing VC deal activity corresponds to the highly cautious investor sentiment. While $5.1 billion was deployed in Q2 to deals whose companies were raising venture financing for the first time, $1.0 billion, or nearly one-fifth of total first-time financing dollars, came from Xaira Therapeutics' Series A. Stripping out the outlier success from the data leaves quarterly first-time financing deal value consistent with the previous couple of quarters.

In Q2, $3.3 billion was deployed to the pre-seed and seed stages together, on par with pre-pandemic levels. Meanwhile, the dispersion of deal size on a quarterly basis reflects a pattern of larger round size. Q2 had the fewest sub-$1 million pre-seed/seed deals as a share of all pre-seed/seed deals with disclosed value since 2015. On the other hand, pre-seed/seed deals at or above $10 million as a share of overall deal count ascended to the highest level in

Pre-seed/seed deals getting larger

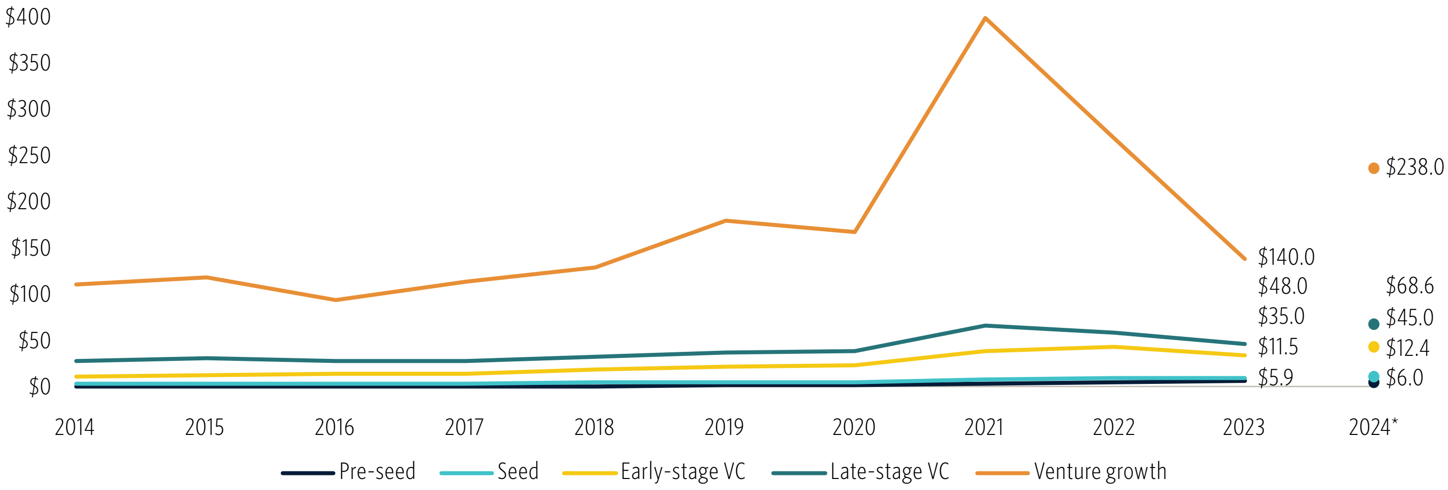
Quarterly share of pre-seed/seed deal count by size bucket



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Pre-money valuations bump up

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



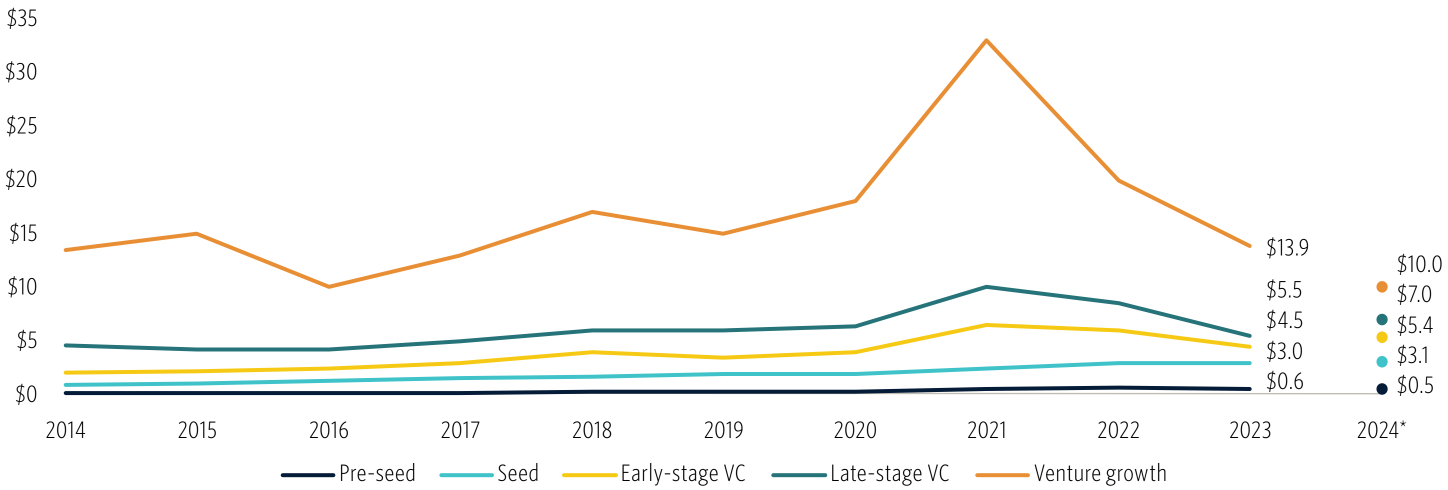
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

our dataset. The shift toward larger deals at the earliest stages of venture is likely due to a higher selection bar of new deals from an investor lens. VCs have become cautious and are committing to only high-quality companies that show a promising trajectory to hit product-market fit, as opposed to investing in numerous smaller deals.

In light of the elevated interest rates, the uncertainties around when the Fed will start cutting rates and the magnitude of those cuts, and the lack of overall rebound in the public market, mature companies at the later stages of venture continued to face financing pressures in Q2. While Q2's late-stage VC deal value sits at a relatively robust level, $8.6 billion of that $23.5 billion, or 36.6%, comes from CoreWeave's outsized Series C. The venture-growth stage shows a slightly more promising trend but is no exception to macroeconomic challenges. While Q2's venture-growth deal value is the highest since Q2 2022, annualized deal value is on track to match the level seen in 2023, which itself was a slow year for venture-growth rounds, should the

Deal sizes mostly increasing YoY

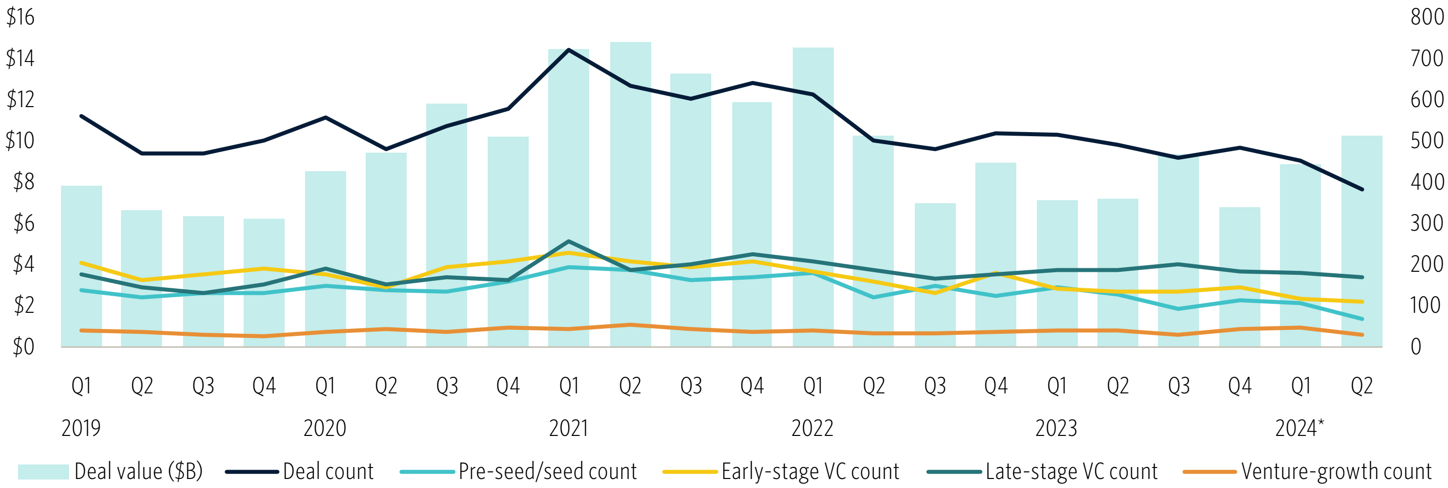
Median VC deal value ($M) by stage



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Life sciences sees strong quarter in Q2

Quarterly life sciences VC deal activity by stage



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

sluggish dealmaking momentum drag on. During the past decade, companies have been staying private for longer, partially because they have had access to capital, which helps sustain their business operations. The trend has been more pronounced in the past two years, during which mature startups have been waiting for public market multiples to rebound while striving to continue to grow and improve their financial metrics, as public investor appetite has shifted to solid unit economics and growth trajectory.

The overall upward trajectory of deal size and valuation attests to the investor mentality of quality over quantity for making investments. The median deal size ascended YoY across seed, early-, and late-stage VC, suggesting that companies may be more inclined to raise larger rounds to tide them through the financing winter, and that businesses that can raise in the current environment demonstrate solid fundamentals and traction, which enables them to secure large equity financing. The positive trend of pre-money valuations, wherein VC-backed startups across the lifecycle pushed up the YoY median valuation, corroborates the observation that good companies can always raise, irrespective of overall market conditions.

A caveat for the growth in deal size lies in the venture-growth stage, where the median deal value in 2024 YTD dropped to the lowest level since 2016. The consistent decline between 2021 and 2024 led to a pullback of nontraditional investors. This, coupled with the turnaround in market sentiment since the pandemic-fueled capital exuberance, left a massive void in the capital stack of the venture landscape. Compared with their more nascent counterparts, venture-growth companies are closest to the public market. Considering the sustained geopolitical volatility and macro uncertainty, many of those mature businesses have been struggling to secure a subsequent round, and some have prioritized profitability, so that those companies could "control their own destiny" before making a public debut.

Global Venture Technology

Innovation. Acceleration. Disruption.

Dentons Global Venture Technology
A top ranked boutique on a global platform

Top 10 | 2023

Victor Boyajian
Global Chair, Venture Technology Group
New York / San Francisco

Venture***Beyond.***
dentons**venture**beyond.com

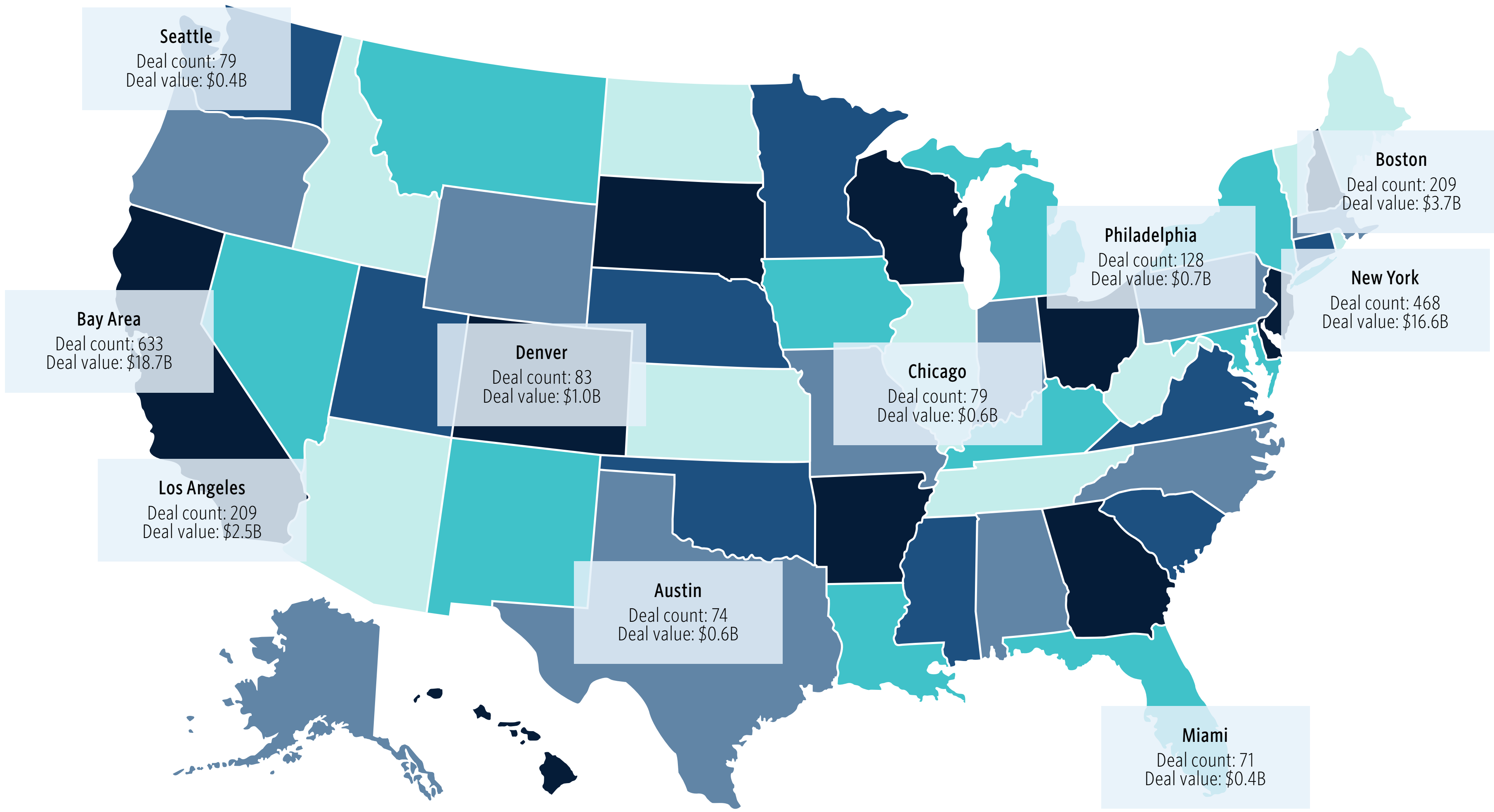
PitchBook nvca

Sponsored by J.P.Morgan DENTONS Global Venture Technology Deloitte. Juniper Square

Regional spotlight

Philadelphia surging behind major hubs

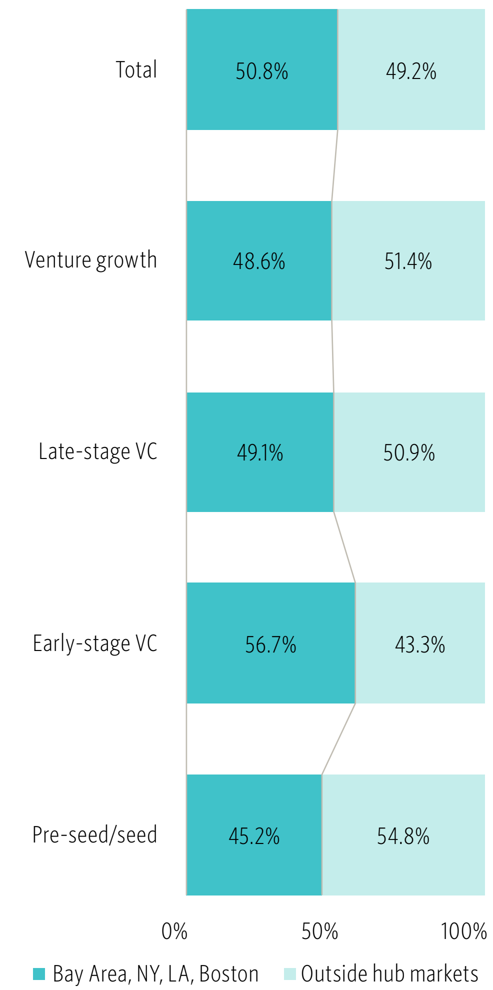
Q2 2024 VC deal activity by ecosystem*



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Early stage surprisingly weighted toward hubs

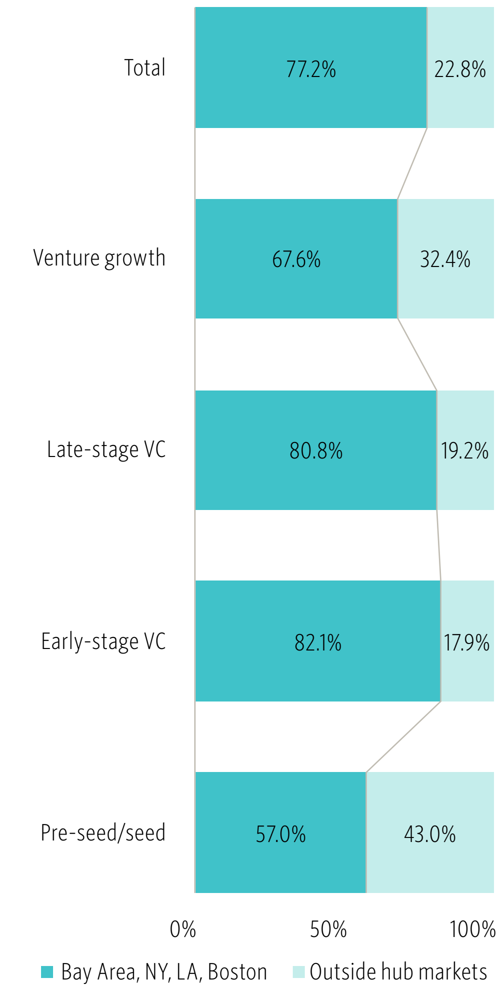
Share of VC deal count by market breakout*



PitchBook-NVCA Venture Monitor • Geography: US
*As of June 30, 2024

Large deals skewing deal value to hubs

Share of VC deal value by market breakout*



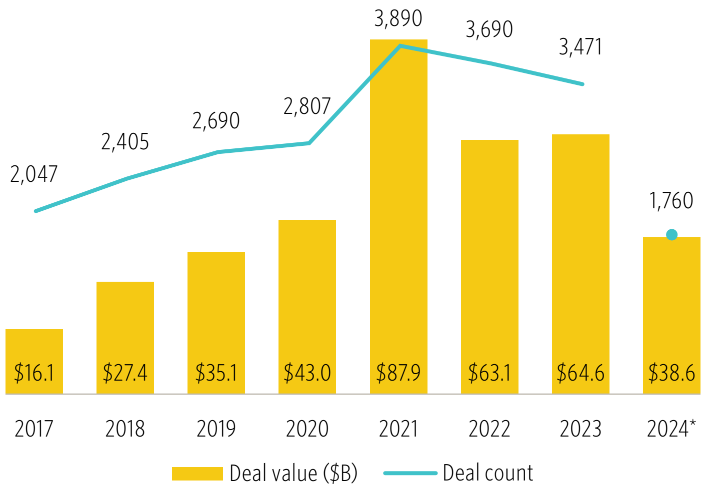
PitchBook-NVCA Venture Monitor • Geography: US
*As of June 30, 2024

DEALS BY SECTOR

AI & ML

Generative AI infrastructure megadeals sustain AI & ML deal value

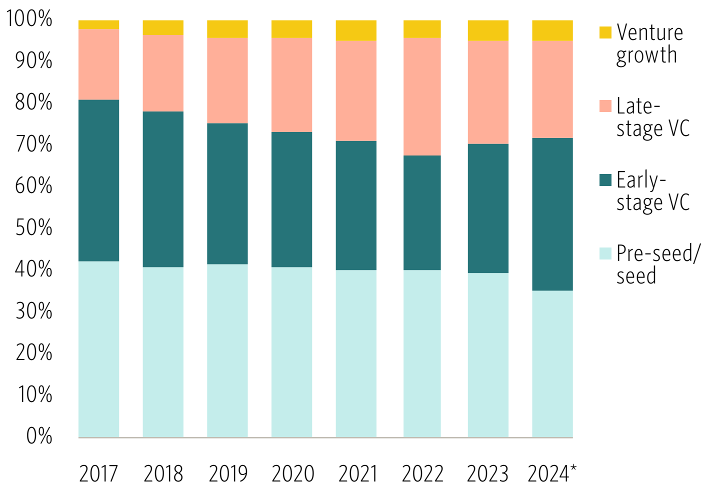
AI & ML VC deal activity



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Early-stage startups led by AI researchers continue to take market share from pre-GenAI unicorns

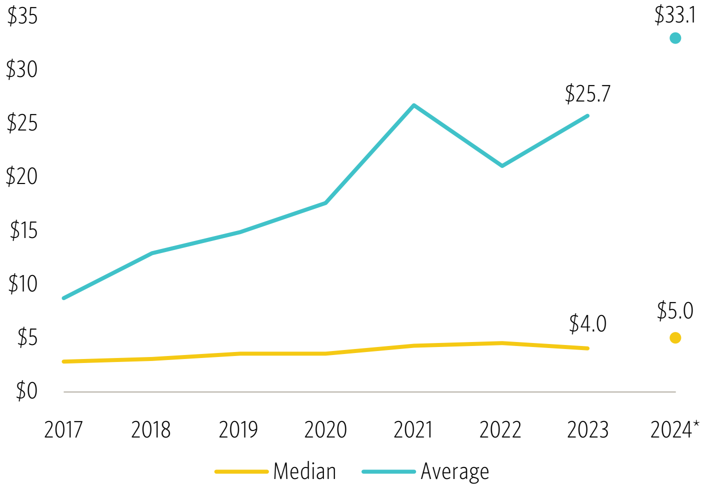
Share of AI & ML VC deal count by stage



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

AI infrastructure costs drive median and average AI & ML deal sizes to new highs...

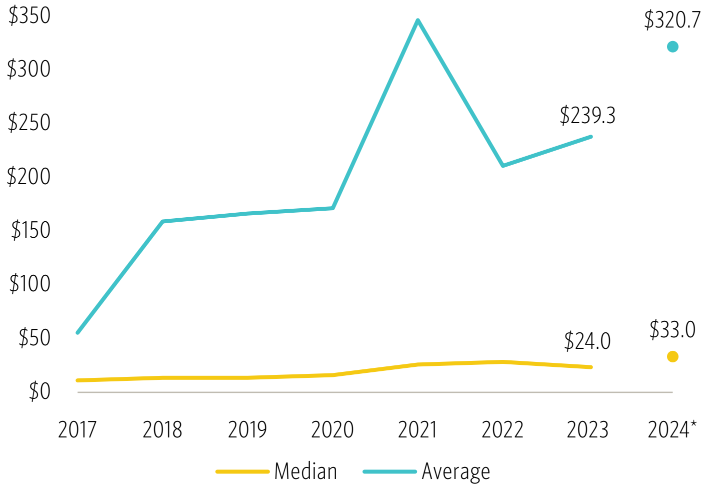
Median and average AI & ML VC deal values ($M)



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

...directly influencing the valuations of AI research leaders

Median and average AI & ML VC pre-money valuations ($M)

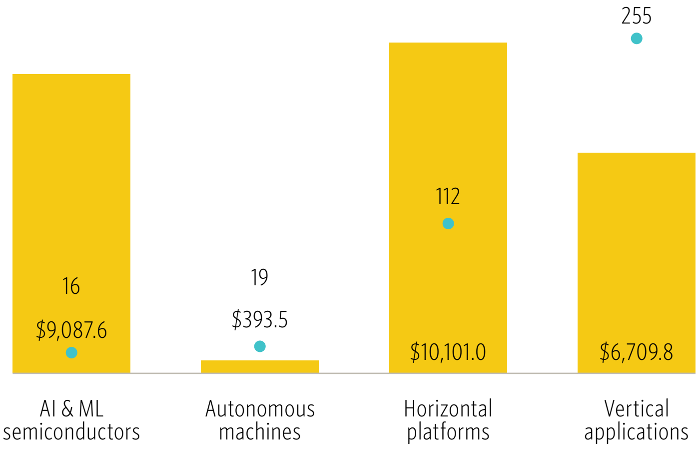


PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

AI & ML sector data is provided as part of our Emerging Tech Research coverage. The full Artificial Intelligence & Machine Learning Report can be accessed here.

GenAI infrastructure investment puts the historically leading vertical applications segment behind

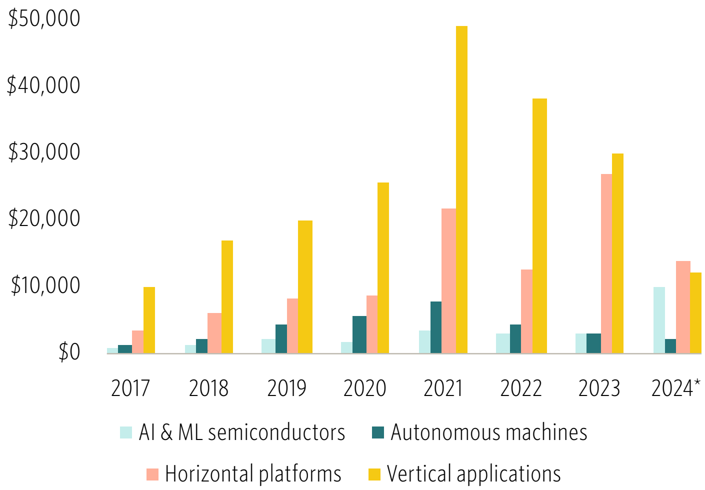
Q2 2024 AI & ML VC deal activity by segment*



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Horizontal platforms on pace to exceed vertical applications for the first time in 2024

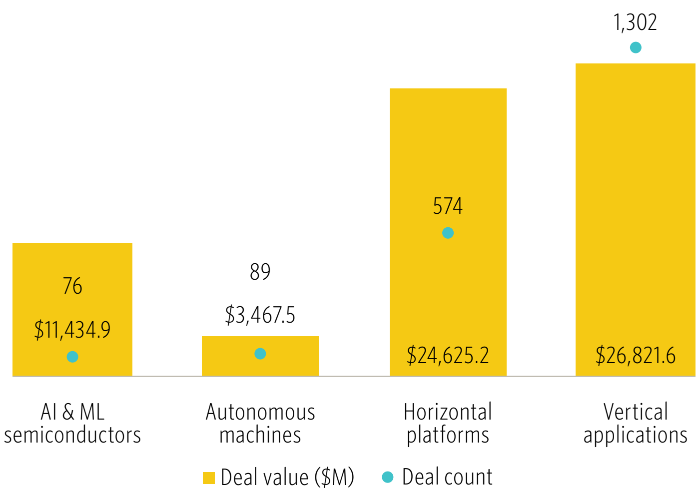
AI & ML VC deal value ($M) by segment



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Vertical applications have been well funded over the past year to bring AI to industry

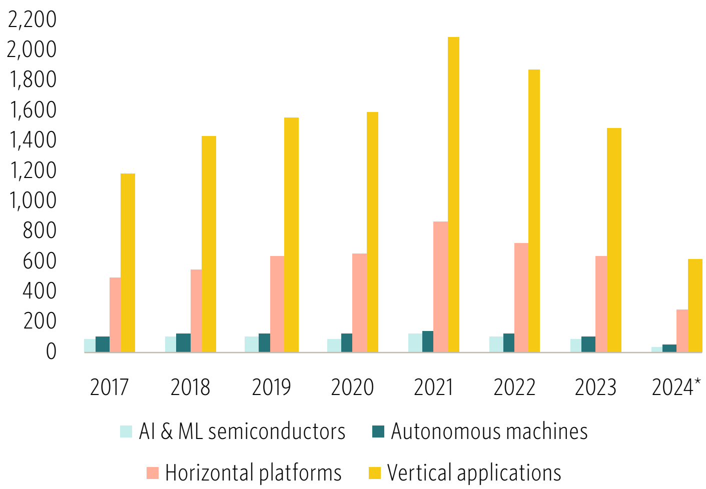
Trailing 12-month (TTM) AI & ML VC deal activity by segment*



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Outlier horizontal platform and semiconductor startups driving higher deal values with lower deal counts

AI & ML VC deal count by segment



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

AI & ML sector data is provided as part of our Emerging Tech Research coverage. The full Artificial Intelligence & Machine Learning Report can be accessed here.

A WORD FROM DENTONS GLOBAL VENTURE TECHNOLOGY GROUP

Channeling global turbulence and risk

***Victor H. Boyajian**, Global Chair of Dentons Global Venture Technology and Emerging Growth Companies Group, sat down with **Dan Schulman**, former CEO of PayPal, to discuss the challenges and opportunities arising from current global economic and technology trends.*

Boyajian: There's a lot going on in the world, particularly on the financial, social, and political fronts. Given the myriad of challenges companies are facing today, what are, in your view, the most problematic things you're seeing in today's complex environment?

Schulman: As I travel the world for the work I'm doing with the White House—the president and his top advisors—I've had the pleasure of speaking directly with the foremost CEOs in the country, getting their candid thoughts to better understand how the business community is feeling and handling all it is trying to navigate. In these conversations, we've discussed everything from trade to regulatory policy, economic policy, and, in particular, technology.

While the upcoming presidential election is certainly going to be a major catalyst, the number one thing top CEOs think is going to cause even more divisiveness in our country is technology—the impact that continued technological advances are going to have on unemployment rates, supply chains, and the global economy.

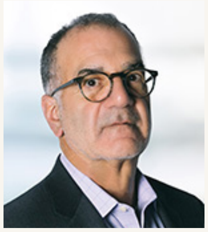
Boyajian: Where do you see globalization in the big picture here? In light of President Biden's recent strategy for how to build global security cooperation in the face of increased threats from China, Russia, and hackers, what does it mean for businesses?

Schulman: Cybersecurity is one of the biggest existential threats we face. The Democrats and Republicans seem to agree that this is an economic power race against China. One thing that confuses business leaders is exactly what that relationship with China will look like moving forward. We're seeing supply chains move out of China, although most CEOs suspect that will take several years to complete and will end up costing a significant amount. This is driving a lot of tension. The Chinese government is also showing its capability to infiltrate core infrastructure down to small and medium-size businesses, and no one is safe.

There are really only two types of companies: companies that have been breached or hacked and those that don't know they've been breached or hacked. There is no way, as CEOs, we can keep people out of our company's infrastructure. And there is no question that the Chinese government is already embedded in some of our country's critical infrastructure.

"Hacktivists" are responsible for a growing percent of cyberattacks and are mostly political in nature. Cybercriminals are responsible for a significant portion of cybercrime, and they are massively motivated to infiltrate companies to steal sensitive company information and personal data for profit. They are good and getting better. But the most dangerous threats are state-sponsored cyberattacks—those that are supported by governments against other nations. State-sponsored cyberattacks are an increasingly growing threat and the hardest kind of cyber threat to thwart.

Boyajian: Based on where tech is going, what does that mean in terms of policy, specifically foreign ownership of companies? How will it play out?



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. Consistently ranked a top 10 global law firm by PitchBook, the team is uniquely positioned to focus on global issues.

Dan Schulman
Former President and CEO of PayPal

Dan dedicates his career to transforming financial services to improve the financial health of billions of people, families, and businesses around the world. He is the former president and CEO of PayPal, and currently sits on its board. He previously held leadership roles at American Express, Sprint Nextel Corporation, Priceline Group, and AT&T, and is a life member of the Council on Foreign Relations.

Schulman: You don't need to own a company to have people embedded. If the Chinese government wants to infiltrate, it has already spent years compromising people in your company. When you do have scrutiny of foreign ownership, it's all about intellectual property. As good as the Chinese government is, the US is the best cyber practitioner in the world. But others are becoming increasingly sophisticated in their abilities. Foreign ownership is only one small piece of the puzzle. So much of regulation is political versus practical. There is a race—company versus company and country versus country—and that's what makes it so difficult to stop.

Boyajian: What do you see as the state of AI now and how do you see market structure evolving over time? It's difficult to see there not being a small number of frontier companies with the capital, investment, infrastructure, and distribution to dominate.

Schulman: The next generation of AI, ChatGPT-5, will be a freak-out moment for humanity. It will be as close to artificial general intelligence (AGI) as you can imagine; you won't be able to tell the difference. It's being trained on 40 trillion to 70 trillion parameters and will be 15x to 25x more powerful.

Boyajian: Why are you describing it as a freak-out moment?

Schulman: AI will basically be reasoning. It will understand why you are asking a question, and it will understand tonality. The implications are immeasurable. All of us will need to have conversations about what this means for our organizations. Of the CEOs I've spoken to, many have seen ChatGPT-5 and estimate that it will result in significantly fewer people in companies, anywhere from 15% to 35%. The biggest issue CEOs are wrestling with now is what the impact of this will be on company culture. It will impact efficiency and organizational structures; it will also disrupt value propositions and the way people "grew up" in organizations. None of us know yet what it will be like to be a human in this next generation of AI. It's a really difficult time to be thinking of anything long term.

Boyajian: As I sit around board tables, whether publicly traded or venture or private equity backed, directors are trying to figure out AI and how to manage risk around it. But there are other risks, like cyber and climate threats. I'd love to hear your thoughts on this.

Schulman: I don't think the world could be screaming any louder that things are really screwed up. It's a massive issue. For businesses, it's a supply chain issue. We've got hurricanes, typhoons, record temperatures, and other environmental events that disrupt the concentration of supply chains. There's a need now for companies to take a good, hard look at the diversity of their supply chains and understand where every component part comes from. AI will have a massive positive impact, as it will be focused on how we look at costs and the production of renewable energy. Datacenters to process AI power are likely to double, so we will need more energy capabilities. There are sure to be some interesting breakthroughs, and we'll start to see much more activity on the nuclear energy front.

Boyajian: As you talk to CEOs navigating all of today's complex challenges, what would you say are the key traits leaders need to have not only to get through these challenging times but also to excel?

Schulman: The most important leadership trait a CEO can have is to be as humble as you can possibly be. You do not know it all. Everything is changing very quickly. The minute you think you're the smartest person in the room, you're in the wrong room. Leaders need to be extraordinarily open to listening, learning, and thinking in a radically different way. ChatGPT-5 is 20x more powerful than anything we've seen. We are pretty close to AGI and need to be culturally ready. Business structure will change. Human resources, risk management structures, process management—it's all going to change radically fast. Boards will be asking questions. It's important to realize that it's all going to happen very fast.

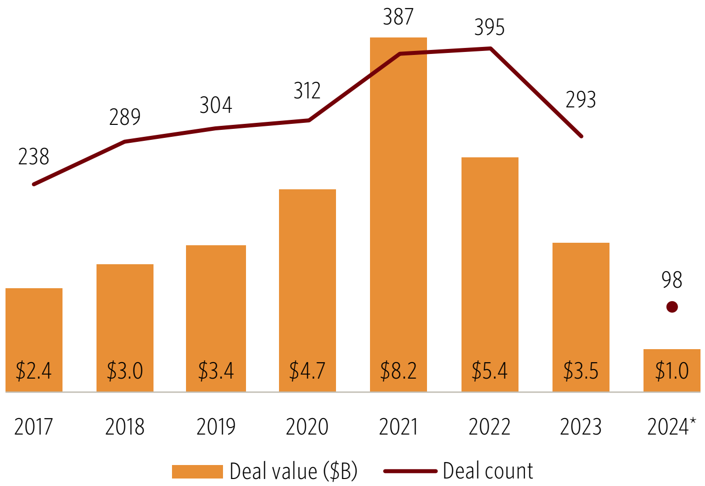
The opinions expressed by Dentons and Dan Schulman are their own and do not necessarily reflect the opinions of PitchBook Data.

DEALS BY SECTOR

Agtech

Agtech off to slow start in 2024

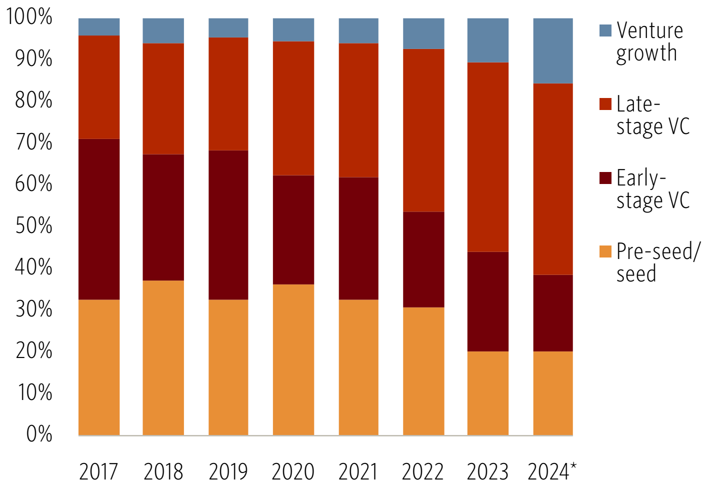
Agtech VC deal activity



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

More developed companies driving deal activity

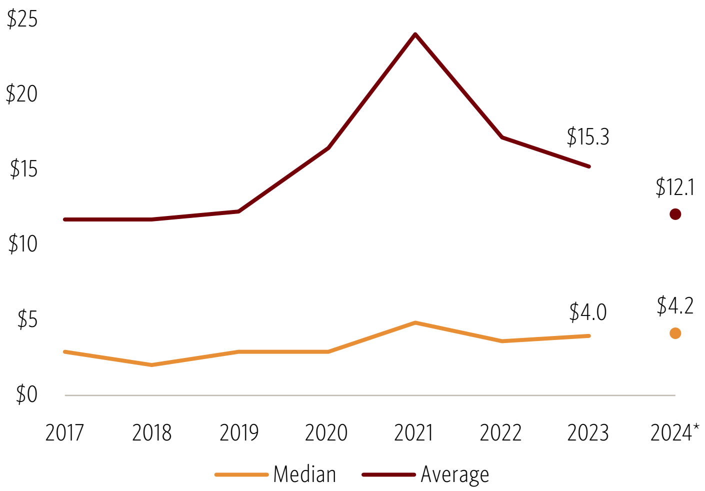
Share of agtech VC deal count by stage



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Deal sizes remain stable

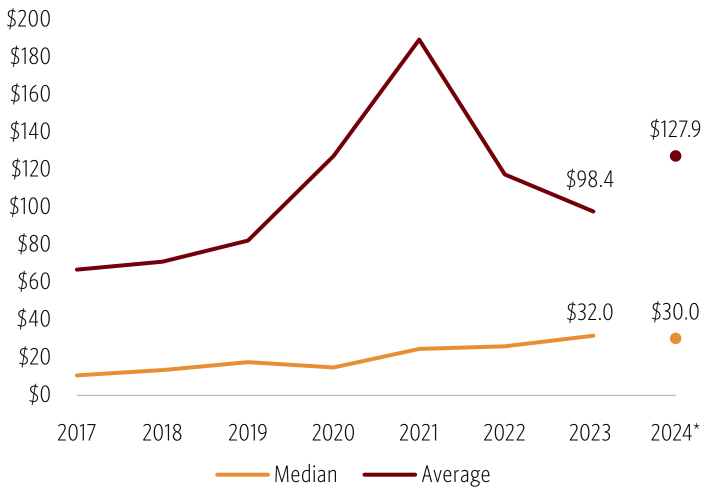
Median and average agtech VC deal values ($M)



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Average valuation increasing, but not near high

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

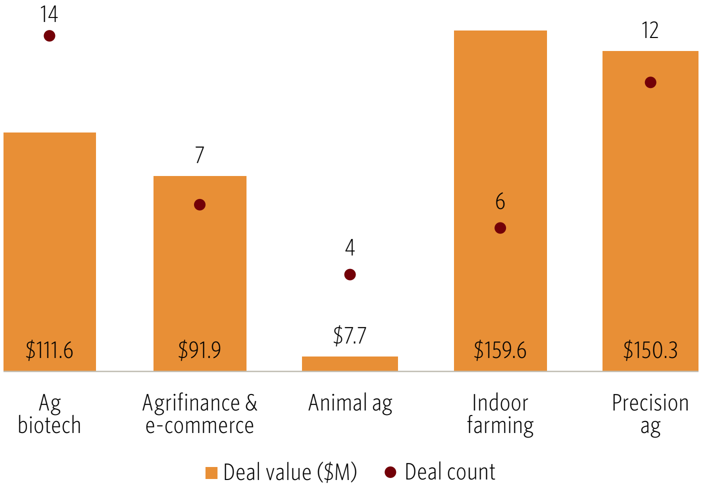


PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

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

Single deal driving 90% of deal value for indoor farming

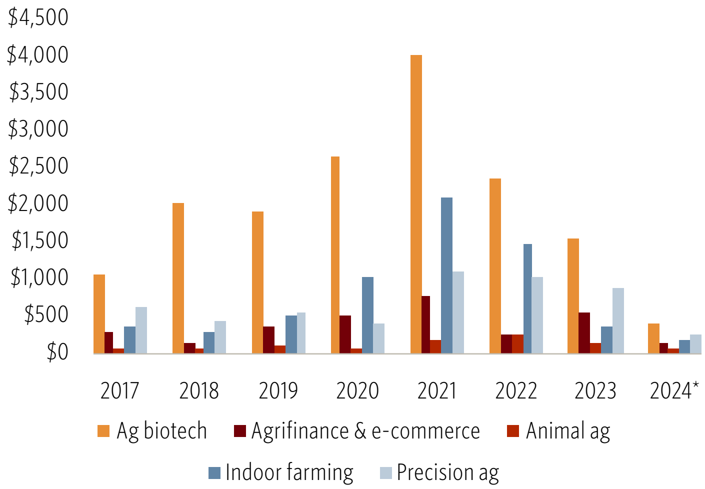
Q2 2024 agtech VC deal activity by segment*



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Precision ag falls after steady 2023

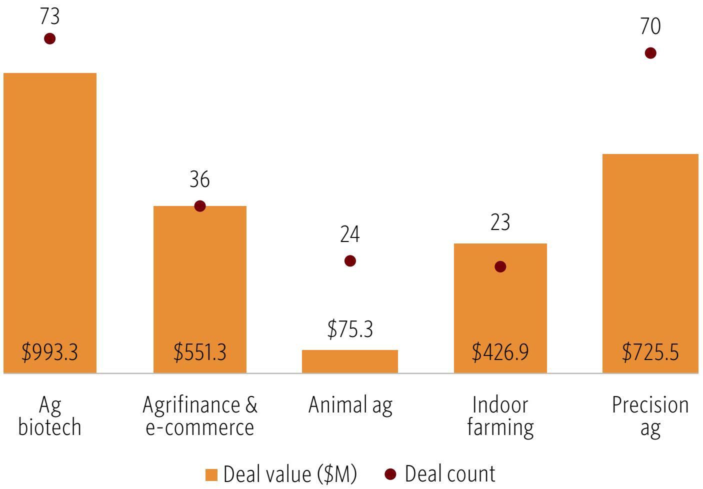
Agtech VC deal value ($M) by segment



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Ag biotech nearly hits $1 billion in TTM deal value

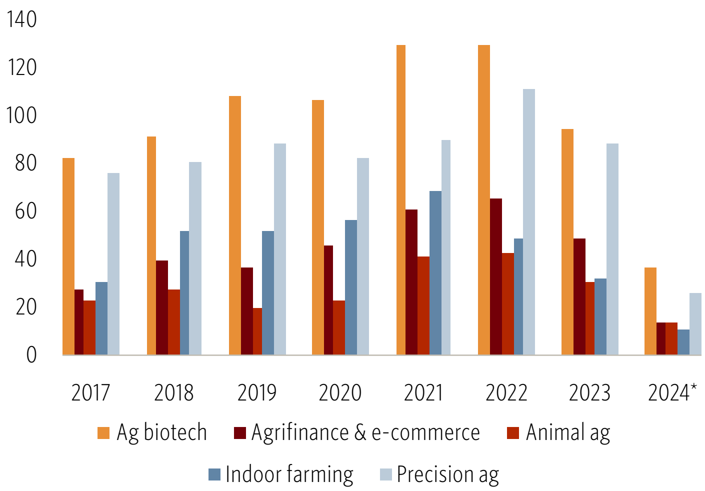
TTM agtech VC deal activity by segment*



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Agrifinance off to slow start relative to other segments

Agtech VC deal count by segment



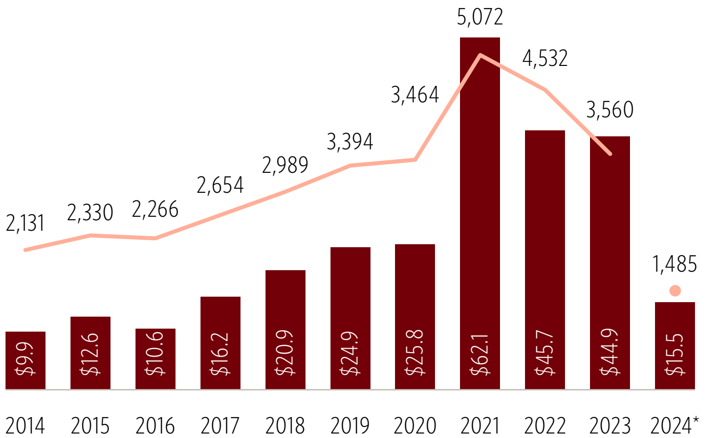
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

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

Female founders

Female founders' dealmaking remains low

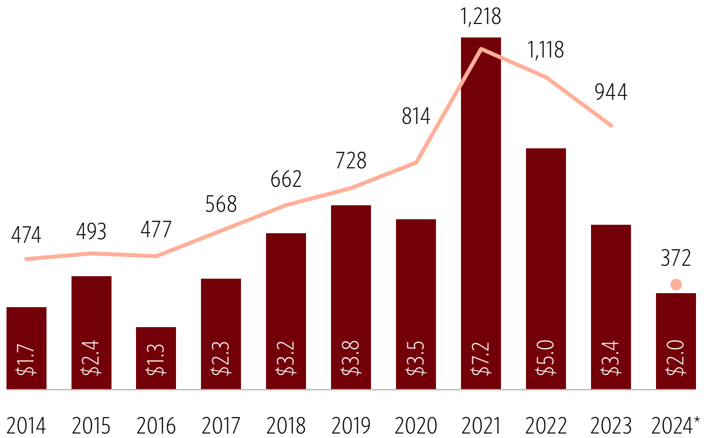
VC deal activity in companies with at least one female founder



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

All-female deal value surpasses $2 billion

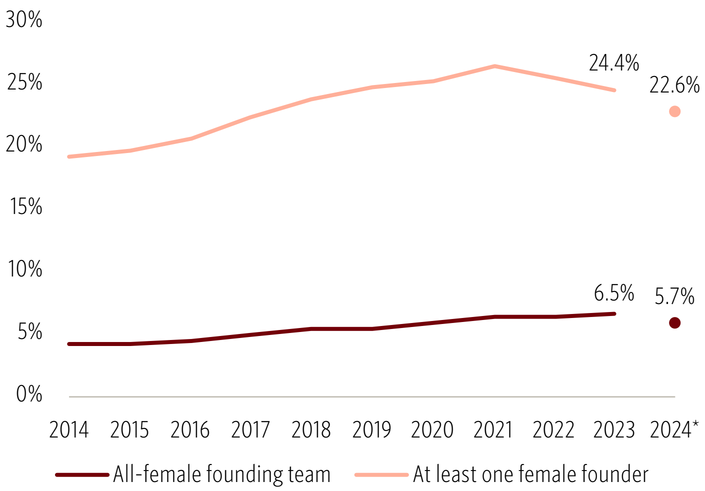
VC deal activity in companies with all-female founding teams



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

5.7% of deals have all-female founders

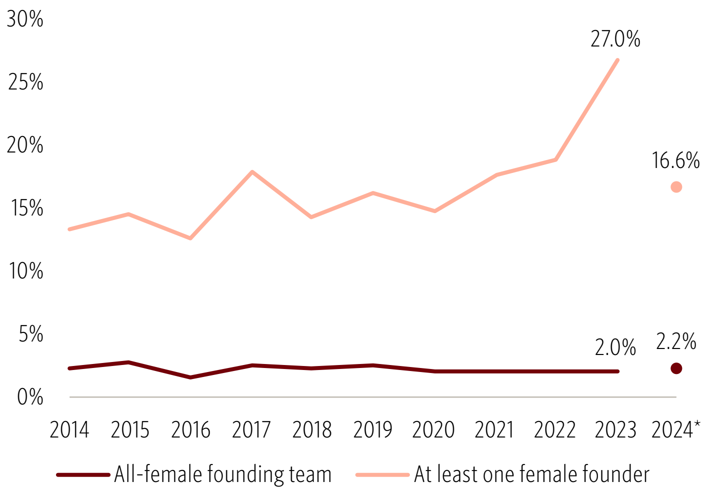
Female-founded company deal count as a share of all VC deal count



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Large decrease from outsized financings

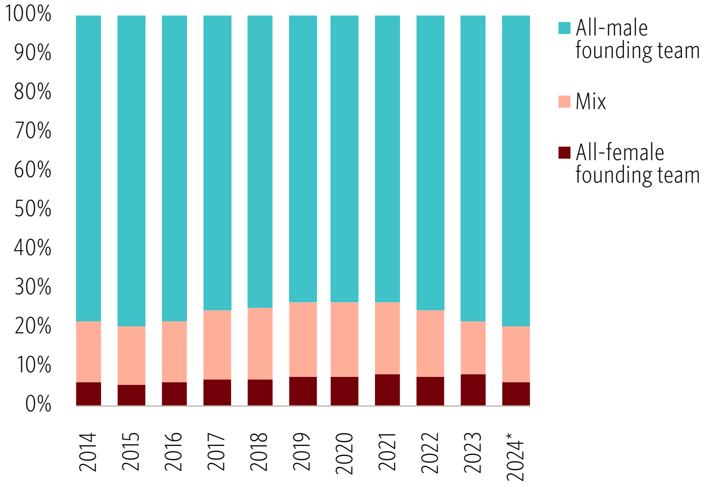
Female-founded company deal value as a share of all VC deal value



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

First-time financings decline

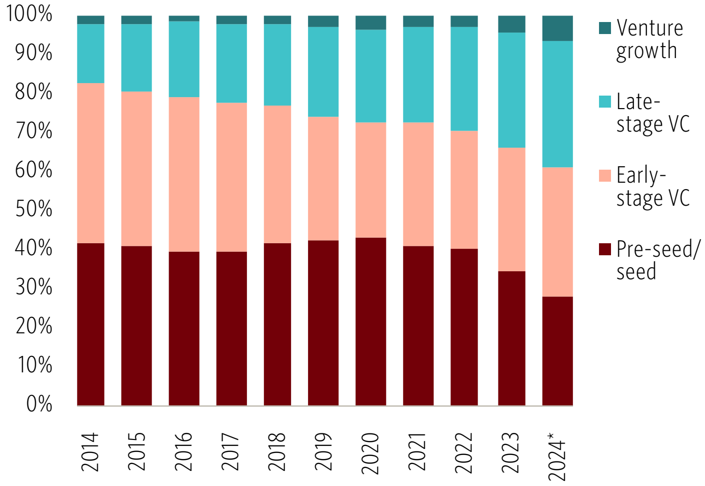
Share of VC first-time financings by founder gender



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Deal activity slows for most stages

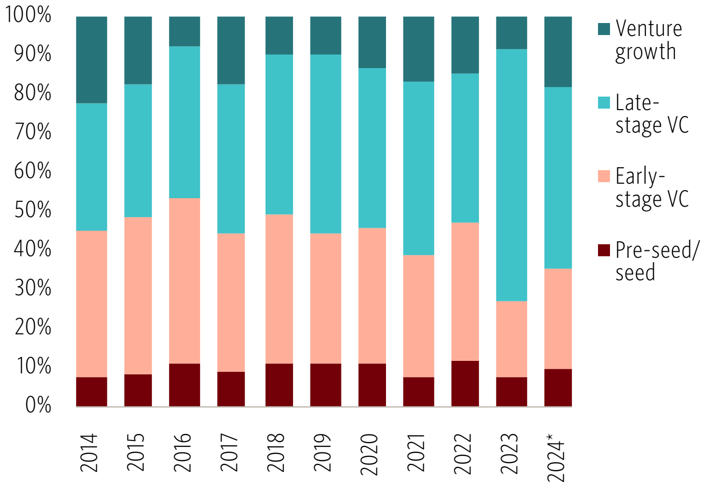
Share of VC deal count for female-founded companies by stage



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Late stage raises the most capital

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



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

New York leads quarterly deal count

Top five CSAs by deal count for companies with all-female founder teams in Q2 2024*

Combined statistical area	Deal count
New York-Newark, NY-NJ-CT-PA	227
San Jose-San Francisco-Oakland, CA	142
Los Angeles-Long Beach, CA	85
Boston-Worcester-Providence, MA-RI-NH-CT	47
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA	44

PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024
Note: San Diego MSA is excluded in Los Angeles-Long Beach CSA. Austin MSA is included in rankings alongside CSAs.

A WORD FROM DELOITTE

Internal controls: A company's not-so-secret weapon

Let's go back in time a few years. It's 2021, company valuations are sky-high, and an incredible amount of funding is being acquired across the board.[2] These types of peak capital-raising times are great, but you know that old saying: "What goes up must come down." Turns out, what's true for gravity is also true for the VC market.

Now back to present day. We're halfway through 2024, and the VC market remains besieged by tough conditions. IPO and M&A activity has decreased. The roaring 20s have lost their roar.

Fortunately, we have Deloitte's Heather Gates and Kirsten Vosen, with a combined 60 years of experience in the VC ecosystem. They provide their insights on the many factors that it takes to find capital in this tougher economic climate, including thoughts on the importance of strong internal controls—an integral part of operations that can help mitigate risk and add business value. For companies trying to navigate today's lean economic environment, it can mean the difference between thriving or nosediving. Venture further to learn our insights.

In 2024, it's survival of the financially fittest

The capital-raising market, from venture funds to PE, has experienced a roller coaster ride.[3] Despite abundant dry powder—funds ready for investment—investors have been hesitant to inject money into companies. External factors have come into play too, like global uncertainties, inflation, interest rate fluctuations, and upcoming elections.

However, recent lower valuations are leading to second looks from investors. We're starting to see a slight uptick in M&A activity. Looking ahead, we think the rest of the year could lead to a recalibration of valuations into more typical levels.

Some companies are preparing for potential IPOs, indicating a motivation to capitalize as market conditions begin to stabilize. Debt costs can play a crucial role in these decisions. Companies often pair equity rounds from VC or PE funds with venture debt rounds, a cost-effective way to extend their runway. However, recent banking challenges and rising interest rates have tightened the venture debt arena, making it more difficult for companies to secure additional funding.

Despite the downturn, resilient companies are set to emerge stronger, as we've seen in the past. This is where those internal controls we mentioned become so important. Proper internal controls give a company a clear picture of where it stands financially, while offering a level of financial transparency a cautious VC requires before funding.

Heather Gates
Audit & Assurance Private Growth Leader, 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.

Kirsten Vosen
Audit & Assurance Private Leader, Deloitte & Touche LLP

With more than 30 years of audit and accounting experience, Kirsten serves as the Audit & Assurance Private Leader, focused on strategic growth in the private segment. In addition, she serves as the Partner in Charge of Private Company Matters in the National Office Audit Group at Deloitte & Touche LLP.

Internal controls as a competitive advantage

Organizations need accurate information to make effective decisions. With the shift to cloud-based systems, access to data should be more precise and trustworthy. Internal controls provide essential checks and balances. You don't want the wrong data driving your strategic decisions. Properly implemented internal controls could contribute significantly to long-term success.

2: "IPO Process: Accounting and Considerations Guide," Deloitte, August 11, 2023.
3: "Reckoning Looms for Past VC Excesses as Market Forces Valuation Reset," PitchBook, Marina Temkin, May 19, 2022.

Private companies should focus on sound business decisions, not just for IPO prep. A good Enterprise Risk Management (ERM) system can prevent many errors when thoughtfully designed controls are aligned with identified risks.

Tech companies, for example, face complexities in accounting for revenue recognition and stock-based compensation. Industry plays a significant role in determining the requisite controls. A well-established internal control system has the potential to enhance credibility and attractiveness with investors. This might turn the tide in your favor, as it bolsters investor trust, and could pave the way for success.

Misconceptions about internal controls

Many believe that implementing internal controls can slow a business down, but this is a misconception. Rather than advocating for a full Sarbanes-Oxley Act (SOX) Section 404 environment, we suggest a well-executed internal controls risk assessment. When set up correctly, internal controls can help support and enhance business goals without necessarily requiring a large team.

Heather sums it up like this: "If it was up to me, instituting proper controls would be a cause for standing ovations at a company's quarterly meeting."

AI and the evolving nature of internal controls

Currently, we find most companies are focusing on AI's operational impacts. They appear to be gradually moving toward using it for accounting needs, taking careful baby steps. AI can certainly handle many basic tasks; it's a big time-saver in a lot of instances. Kirsten says, "Soon we will likely see it assist in the creation of sophisticated models for complex estimates."

Companies are using AI to analyze data, evaluate budget-to-actual controls, and generate insights that accelerate the close process. The tasks that can be automated will likely keep increasing. Kirsten says, "We think this could happen quickly, ramping up over the next few years." Get ready for AI to be your best friend at the office. Kirsten adds, "We'll be engaging in ongoing conversations with companies to help them stay up to date on new developments."

Deloitte experience with IPO readiness and regulatory compliance

Embarking on the journey from private to public is a complex process. At Deloitte, we've worked with more companies going public than any other firm during the boom times of 2021.[4] Our unparalleled experience and comprehensive roadmap can prepare you for an IPO. Start with our IPO Readiness Assessment to take the next step.

We pride ourselves on staying ahead of the curve. Our timely POVs, debriefs, and market insights are designed to inform you about new regulations or industry shifts. As soon as the Public Company Accounting Oversight Board rolls out updated guidelines, we'll relay this information to you in an easy-to-understand format. We're available to consistently serve you as you work through what matters. Leverage our deep pool of functional and subject matter experts throughout your journey.

We've only scratched the surface in this article on the topic of internal controls. Journey into our Private company guide to effective internal controls for even more insights.

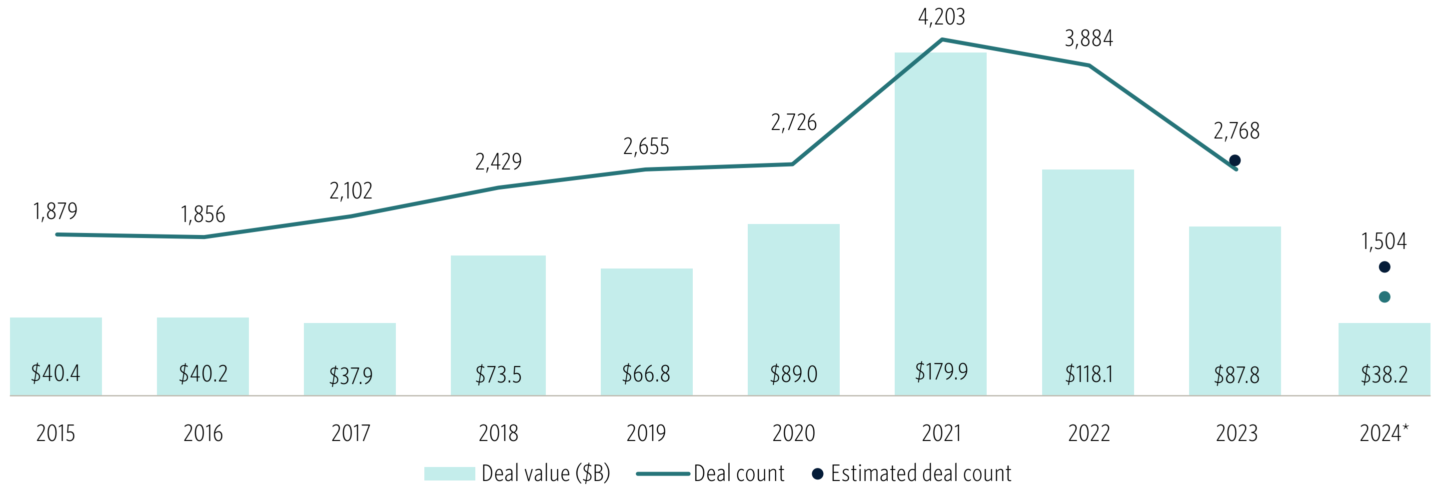
Harnessing the power of your internal controls could create significant external gains.

Contact our team today.

4: "Prepare Now for an IPO or SPAC Merger in the Next 24 Months," Deloitte, August 2023.

Investor trends

Corporate activity ticks up in absolute terms
VC deal activity with CVC participation

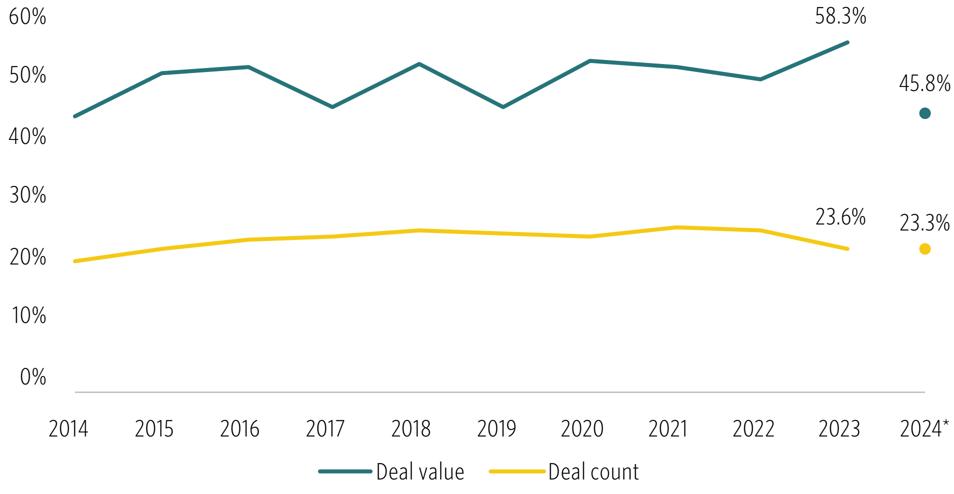


PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

CVC continues to slow

In Q2, corporate venture capital (CVC) activity dragged to its lowest share of total VC deals completed since 2014. Through the end of Q2, just 23.3% of completed deals included a CVC investor, highlighting the sensitive nature of CVC with regard to macro developments. Our data shows that just over 978 corporates have made a VC deal in the US so far in 2024, just 38.9% of the total unique CVCs that made a deal in 2021. Growth of that dataset is not necessarily linear, so the pace for the rest of the year could increase or decrease materially. That data does show the dependency risk and ability for CVCs to alter their investment pace or cease new investments due to outside factors and uncertainty.

Corporates shy away from VC
VC deal activity with CVC participation as a share of all VC deal activity



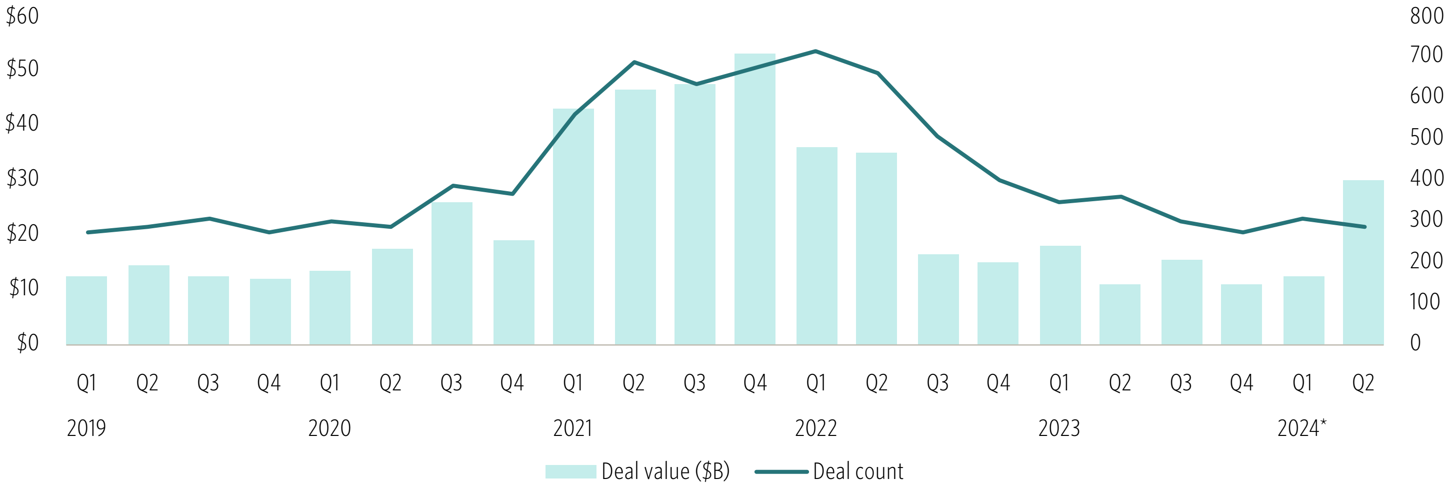
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Corporate profits have continued to grow in the face of the market uncertainty, which should supply corporate VCs with plenty of agility in continuing—or even increasing—activity in VC. For public corporates, investor sensitivity to risk aversion can curtail what could be construed as frivolous spending. Many CVCs also feel the same pressures as traditional VC investors as portfolios ballooned in recent years without returns being generated to offset the costs of the programs.

Nearly 62% of CVC deals through the first half of 2024 were made at seed or Series A. Though these are relatively smaller deals, these stages have not been immune from deal size increases. The high number of investments in younger, more nascent companies suggests that corporates are largely still

Crossover deal value booms

VC deal activity with crossover investor participation by quarter



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

looking for strategic returns alongside financial incentives. The investment in young companies and growing technologies provides opportunities for product integration or full acquisition, as well as early market data for developing product road maps.

It should come as no surprise that AI has been one of the most active verticals for corporate investment by both dollars invested and deals completed. While the OpenAI and Anthropic deals (both receiving heavy investment from Amazon or Microsoft) increased the annual deal value of CVC investment, more than 12% of Q2's completed CVC deals were into AI companies. If that figure holds through the rest of the year, it would be the highest annual proportion of CVC deals into the vertical—and it would be second only to software as a service, whose proportion has been cut marginally in recent years.

As corporates remain hesitant to push VC investment in the current environment, a change in that behavior should not be expected in the coming quarters. Especially for those without dedicated funds that have already been set aside, the increased cost of investment due to the high-rate environment decreases the near-term benefit that can be attained through the strategy. Because CVC can be turned on and off by changes in executives, the lack of returns in this environment does not exude the return profile necessary to sway those less familiar or confident in the long-term benefits of the strategy.

Crossover investors' tepid activity

Deal value associated with crossover rounds has picked up in aggregate for two consecutive quarters. The significance of this should not be lost on the market, as the area most strained for capital has been at the late and venture-growth stages, which have relied on crossover investors to service the stages' large capital needs in recent years. Deal count by these firms has failed to increase meaningfully, however. The deal count of roughly 300 deals completed in each of the past two quarters is less than half of the quarterly deal count from a few years ago.

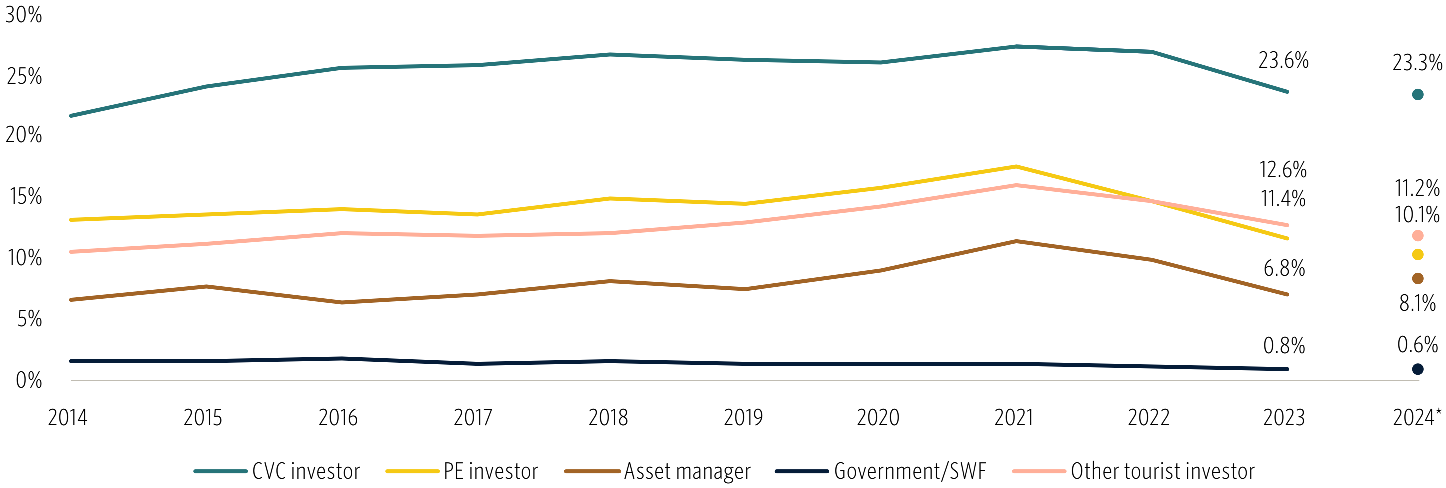
That crossovers investors have stemmed their leak out of venture should elicit questions around the reasoning. When crossover investment boomed, the strategy was an arbitrage—invest in the private companies staying private longer, and realize the increased gains when the company ultimately exited. Many crossover investors were left with large portfolios once the market's bottom fell out in 2022.

We have not yet seen a resumption of exit activity that would renew expectations of increasing liquidity, and no factors seem to be driving crossover activity. Valuation step-ups on deals with crossover involvement are not especially high. The percentage of their deals into AI companies tracks similarly to the broader market, and down rounds with crossover investment are not occurring at a higher rate.

Timing looks to be a large factor in stemming the decline of activity. Companies raising money from crossover investors in Q2 had not raised in a median time of nearly 1.75 years, the second-longest time since the

Nontraditional activity slows

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



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

previous round for a quarter's closed rounds in the dataset. In fact, the past three quarters show the three longest times between financings. Companies at the later stages of venture have been the most apt to lengthen runway and the most cautious to stay out of the market to stem further dilution. However, the longer the exit market freeze holds, the more companies will need to return to market. Crossover investors will continue to play a large role in unicorn and venture-growth-stage funding, but the uptick in crossover deal value should be taken with a grain of salt.

Large lenders entering VC

The aggregate venture debt total received a boost in Q2 with the $7.5 billion of debt raised by CoreWeave, which the company planned to spend quickly before returning to raise more capital through debt facilities.[5] The use case of the debt is interesting in itself. CoreWeave plans to use the entire debt facility this year to expand its datacenter footprint, purchase more NVIDIA chips, and expand operations outside of the US. The debt financing came alongside a $1.1 billion equity raise and less than a year after raising more than $2 billion in another debt transaction. CoreWeave's business model of leasing chip usage for AI applications diverges from what the venture market has become. While it focuses on AI, CoreWeave has become a hyperscaling company akin to the growth-at-all-costs mentality of 2021, opposite of the sustainable growth and profitability that the market has trended toward.

Perhaps even more interesting is the list of lenders that participated in the deal. Blackstone led the financing, while BlackRock, Coatue, Carlyle, DigitalBridge Credit, CDPQ, and other large lending houses participated. None of these firms have been mainstays in venture lending in recent years. Though the $7.5 billion debt total was likely unable to have been serviced by true venture lenders, large institutions have pushed further into the venture landscape with the private credit boom.

Blackstone created a $2 billion tech lending fund in 2022. BlackRock acquired venture lender Kreos Capital in 2023. Coatue raised $3 billion for a structured equity fund earlier this year. Such large lenders are not likely to take market share for early-stage lending, but they do highlight the change in the credit market's view toward later-stage companies and unicorns.

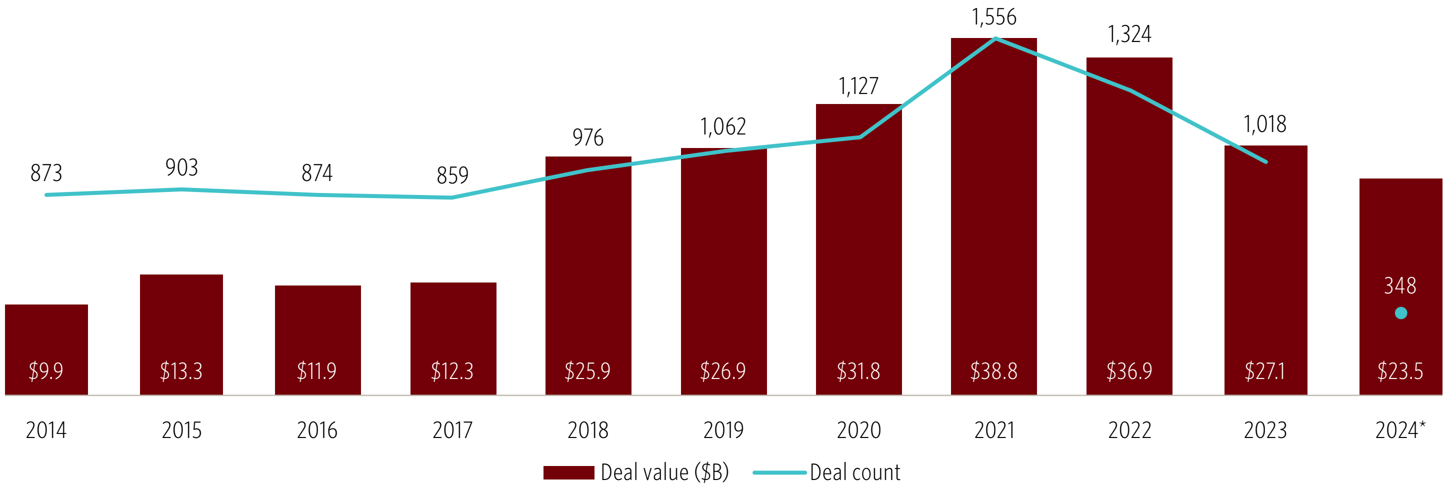
Broadly speaking, the venture lending market has been relatively quiet since Silicon Valley Bank collapsed over a year ago. High interest rates have pressured companies' ability to service interest rates and have caused hesitancy toward debt. On the opposite side of the table, lenders have increased their benchmarks for lending, noting that the slowdown in equity financing for the venture market increases risks to their own portfolios.

5: "CoreWeave Raises $7.5 Billion in Debt for AI Computing Push," The Wall Street Journal, Asa Fitch and Laura Cooper, May 17, 2024.

Venture debt

CoreWeave round boosts venture debt total

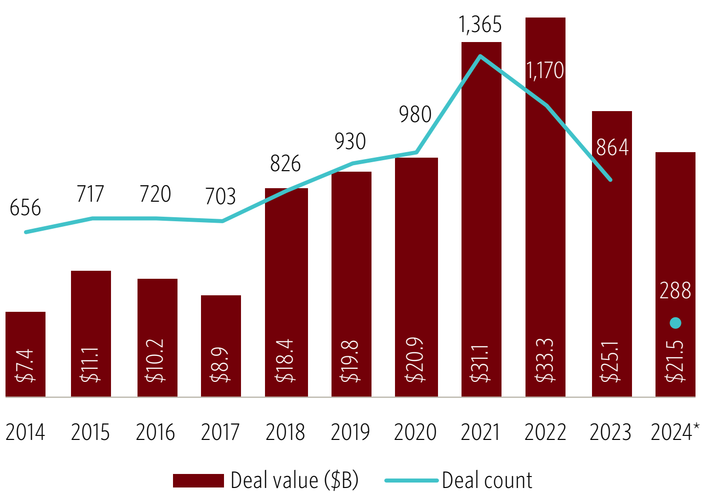
Venture debt VC deal activity



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Tech accounting for high proportion of debt deals

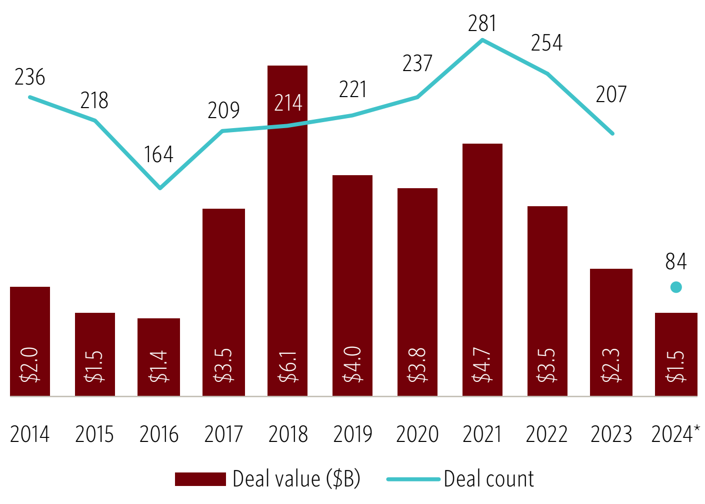
Tech venture debt VC deal activity



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Healthcare seeing large loans

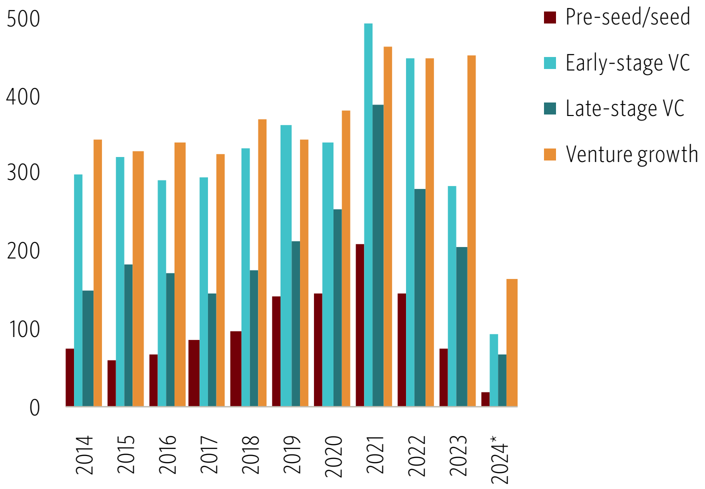
Healthcare venture debt VC deal activity



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Early-stage debt has not returned

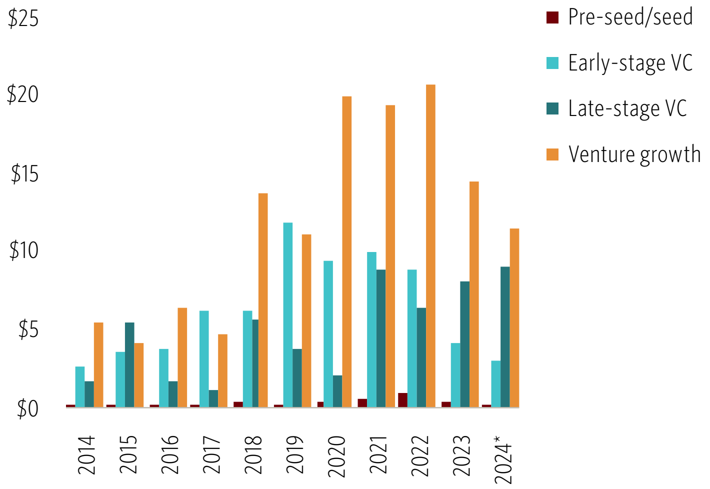
Venture debt VC deal count by stage



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Nearly half of debt focused on venture growth

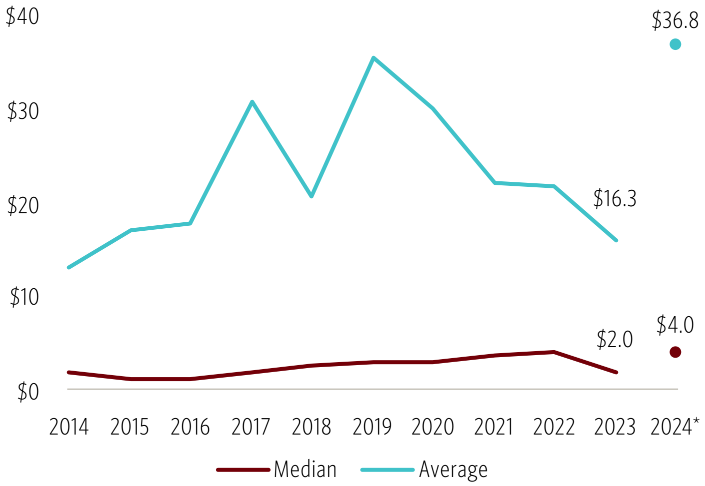
Venture debt VC deal value ($B) by stage



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Median early-stage loan has doubled 2023 figure

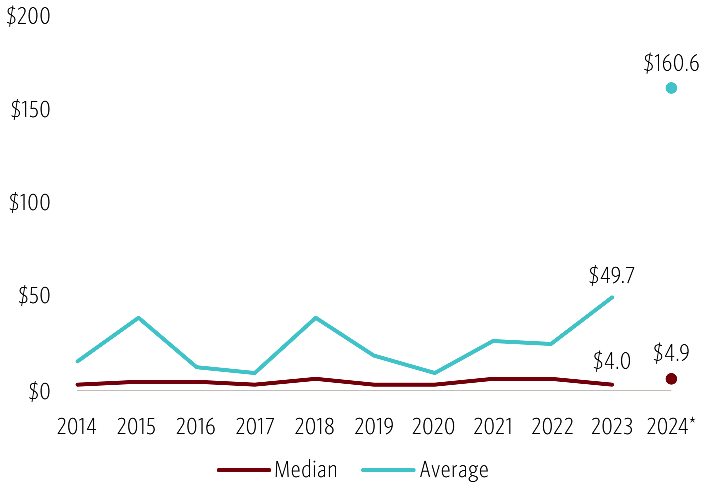
Median and average early-stage venture debt deal values ($B)



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

CoreWeave pushes up average loan size

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

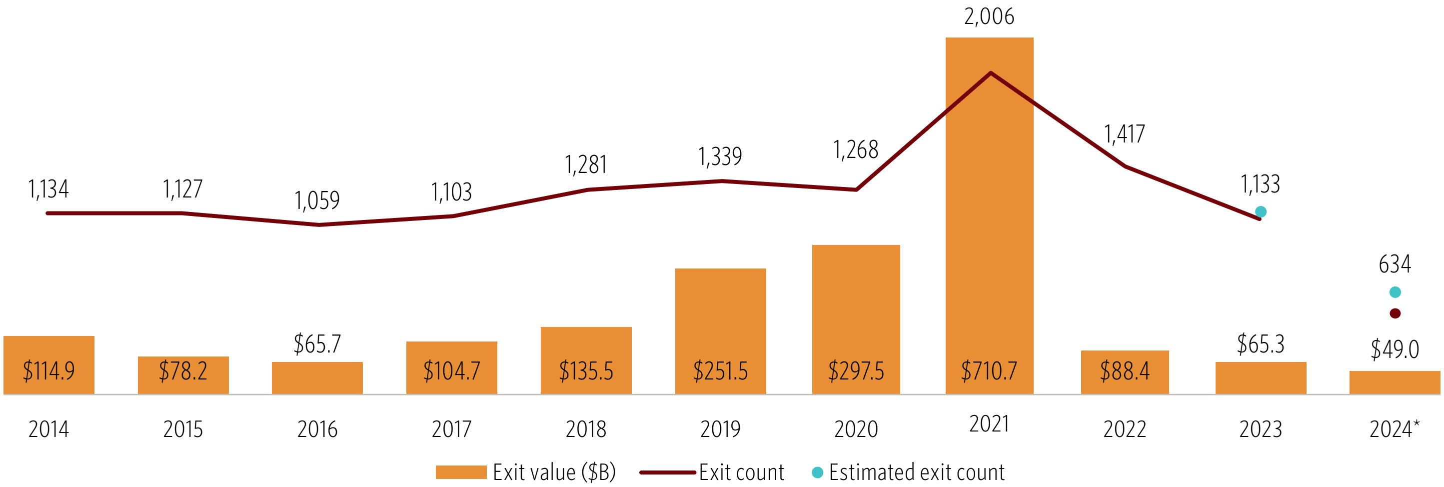


PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Exits

Small deals drive Q2 exit activity

VC exit activity



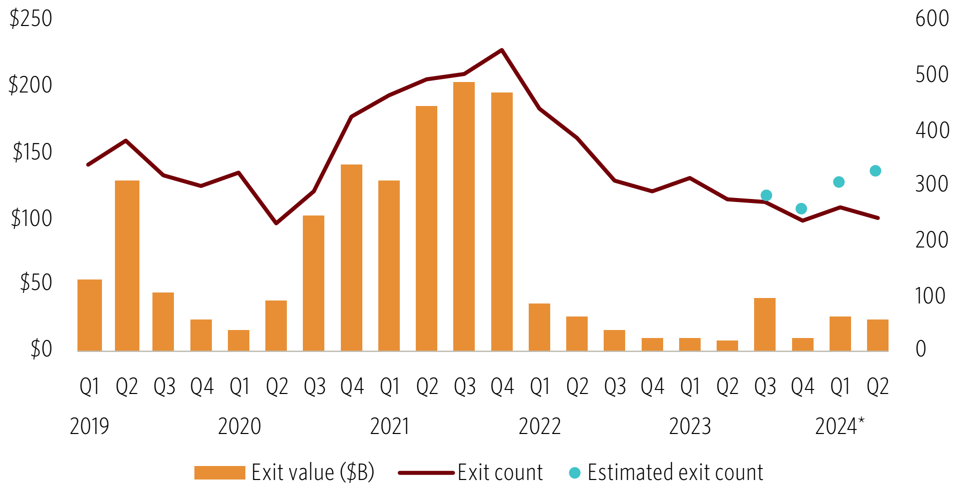
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

IPOS

The public market remains a difficult jump for VC-backed companies. Just 14 companies went public during Q2, most from the healthcare sector. Despite the high-profile debuts of Rubrik and Ibotta, the tech IPO pipeline has yet to begin to open up. No tech unicorns have filed for an IPO since the Ibotta debut. In the year to date, just 37 companies have gone public, a pace just slower than the past two years.

Exits remain slow despite high-profile IPOs

VC exit activity by quarter



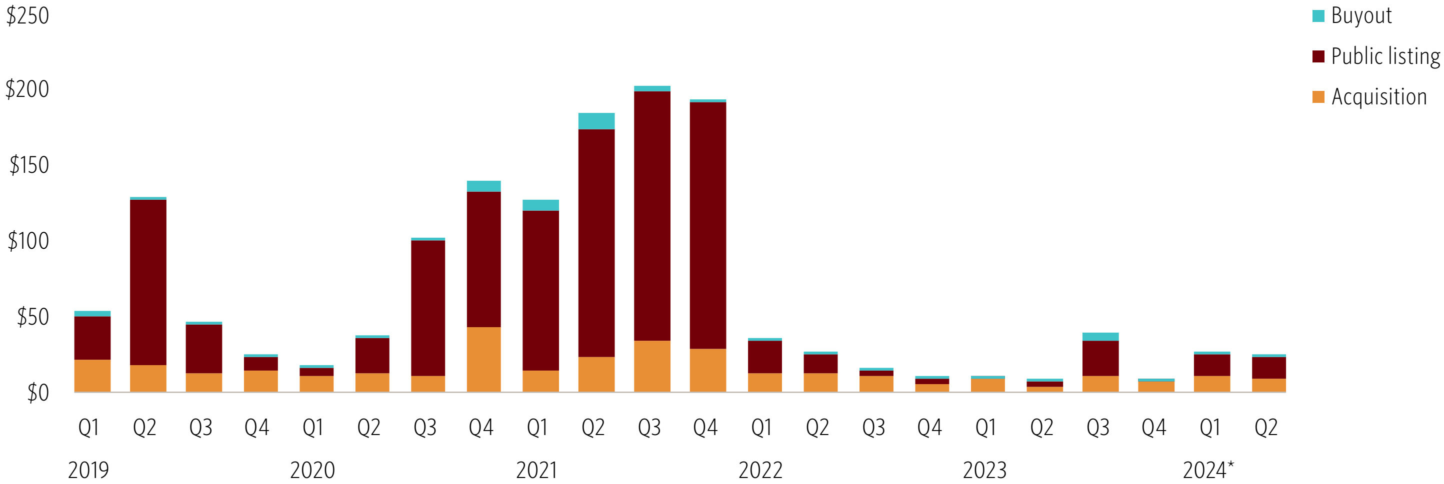
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

The post-IPO performance has been mixed for the four largest tech IPOs of the year—Ibotta, Rubrik, Astera Labs, and Reddit. At the time of this writing, two of these companies are currently trading above their IPO price. However, apart from Reddit, the post-IPO performance has been relatively lackluster. Rubrik debuted at $38 per share but has fallen below its IPO price of $32 per share, while Ibotta has declined roughly 25% below its IPO price despite a strong opening. Astera Labs has declined nearly 18% from its first-day opening price, though it remains well above its IPO price overall. Only Reddit is above its debut price, though it was down more than 15% at its trough a month after the listing.

Each of the companies opened well above its respective IPO price, and three of the four had adjusted listing ranges upward, noting the strong demand from investors. Yet the poor performance suggests that public

Small-scale M&A provide little relief to VC

Quarterly VC exit value ($B) by type



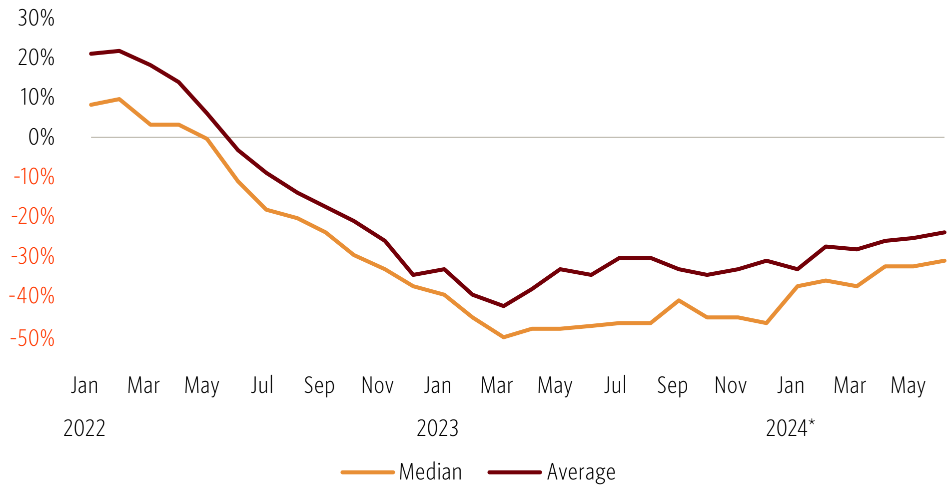
PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

investors remain risk averse in the uncertain environment. Inflation figures continue to be higher than what was hoped for, which has cause the Fed to push back expected rate cuts. The perceived strong public markets have been a bifurcated story. NVIDIA, Microsoft, and other megacap tech stocks are powering the market, with large gains on the year. However, the rest of the market has largely left much to be desired.

The multiples that public markets are placing on revenues continue to contribute to the poor market conditions for VC-backed companies. Our VC-backed IPO Index price/sales multiple continues to be around 5.0x, a level that would push many companies to accept lower valuations upon exit. Expanding multiples are unlikely until rate cuts begin, and a single 25-basis-point cut likely would not be the catalyst. We expect few VC-backed IPOs for the rest of the year. Indicators that may tell of a brighter horizon would be the continued decline of inflation figures, causing the Fed to stick to its narrative.

Secondary discounts have bottomed out

Median and average discount to last private round



Source: Zanbato • Geography: Global • *As of June 30, 2024

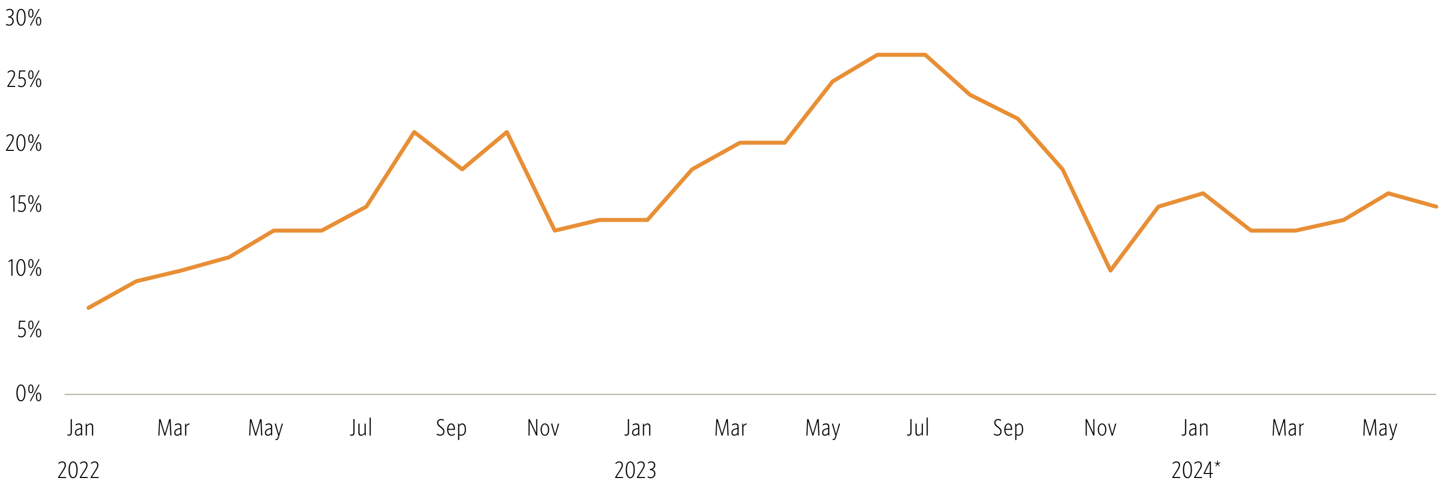
Secondaries

Secondary transactions continue to be an important action for liquidity in this market. Prices on secondary exchanges have continued to show prices moving back toward parity with the most recent private round valuations. This is a positive sign overall, signaling that the corrective actions the market took against valuations have at least somewhat been relieved as the market gets more comfortable with the outlook on inflation and interest rate changes.

According to data from Zanbato, the median and average discounts to the last round have decreased to 31% and 24%, respectively, inching closer to parity after bottoming at 50% and 42%, respectively, in March 2023. Even just six months ago, prices were

Price discrepancies continue with secondaries

Average bid-ask spread



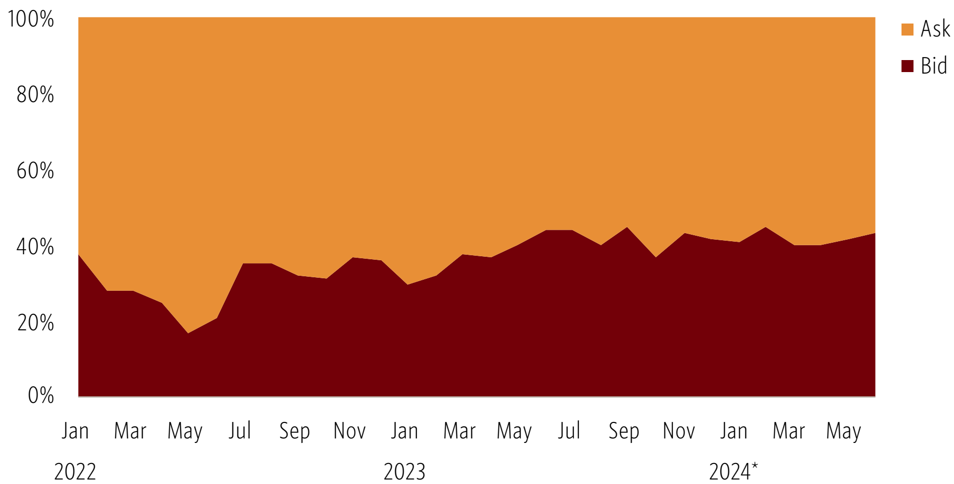
Source: Zanbato • Geography: Global • *As of June 30, 2024

significantly more buyer friendly at median and average discounts of 46% and 31%, respectively. As we noted in our [Q1 2024 US VC Valuations Report](), the ratio of buyers to sellers has continued to balance, releasing pressure on pricing.

Secondary exchanges have provided a necessary outlet for the many employees and early VC investors that have held on to shares for an extended period of time, which, for many companies, looks to become an even longer stay in the private markets. Hurdles for listing shares on private exchanges remain due to rights granted to other shareholders and restrictions on outside sales placed on most shares, but exceptions have increasingly been made in this environment.

Supply outweighs demand

Bid-ask ratio

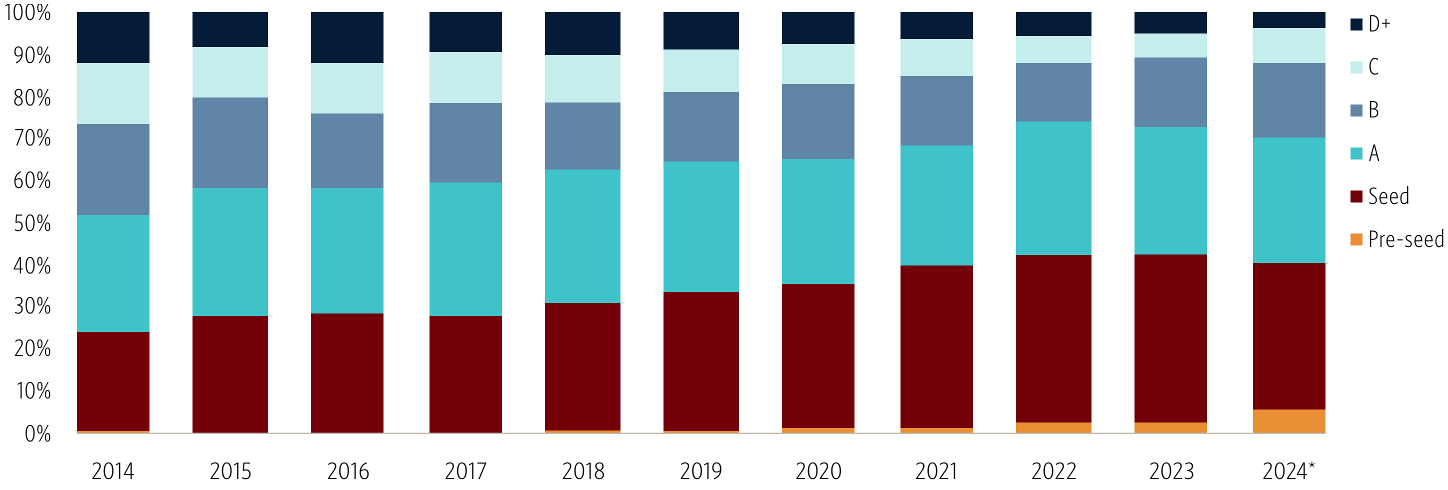


Source: Zanbato • Geography: Global • *As of June 30, 2024

Beyond secondary exchanges, StepStone's $3 billion fund to purchase existing startups' stakes is the largest VC-focused secondary fund raised. This not only highlights the appetite for selling off holdings, but also the quality of startups with shares looking to be sold. Unicorns that have been pushed to stay private because of the exit market slowdown are searching for liquidity options for early investors and employees. Databricks facilitated an employee share sale this year, Stripe provided a large tender offer to employees and early investors in 2023, and SpaceX regularly provides liquidity options—all alleviating the pressure caused by expiring options and liquidity needs. Each of those companies has been held in a VC portfolio for more than a decade, with SpaceX being held private for more than 20 years. None of the companies are likely to pursue a listing in the immediate future, yet providing liquidity to employees has been important.

Most exits are early stage

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



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

M&A

M&A may not land in the headlines of the VC-backed exit market as much as IPOs do, but it is the more common avenue for exits. Most M&A transactions are small and go undisclosed. In Q2, 90% of the M&A transactions were undisclosed. Companies included in those transactions had raised more than $3 billion in venture capital, averaging nearly $34 million per company.

It is not just large M&A that has disappeared; it is also middle-market add-ons that would provide a decent return to recycle capital back to LPs. Federal Trade Commission aggressiveness has been out of the narrative for a couple quarters, but even these deals would likely not have run afoul of the commission's stance. Instead, several factors are weighing on the core M&A of VC-backed companies. One factor is derived from the relative strength of VC valuations. The median early-stage valuation on closed deals has surpassed 2023's median. Some bias exists in the data due to collection factors, but the market has largely continued to pay higher prices than many expected, especially potential acquirers. With equity interest still high for strong companies, minimal pressure exists for those companies to exit instead of raising more capital.

That leaves more mediocre companies as targets, and these companies have not found favor from potential acquirers. With market uncertainty high, public corporates have been sensitive to investor sentiment, and the acquisition of companies that may not be immediately accretive to the bottom line could increase the tension of investors. Public market performance has largely been limited to a select group, with most strategic acquirers wading through the challenging market searching for efficiency to increase margins, rather than looking for growth in inorganic ways.

Though M&A has not been the bellwether return-generating exit avenue for the market, it plays a crucial role in returning capital to LPs and furthering the cycle of reinvestment. $19.4 billion has been generated through M&A YTD, which, while outpacing 2023, would be the second-lowest year for M&A exit value in the past decade. Though the lack of IPOs has received more of the narrative, the lack of M&A will have downstream impacts on the venture market.

A WORD FROM JUNIPER SQUARE

How to build a venture firm (for the long term)

A (still) stalled market

The $67 billion raised by venture funds in 2023 was the lowest annual total since 2017. While many hoped for a recovery in 2024, we at Juniper Square have yet to see hard evidence that anything has changed. Looking at our internal data on a "same-store sales" basis (ignoring new customers), capital raised is down about 11% in the first five months of 2024 versus 2023. Some GPs are reporting "green shoots" in the fundraising market, but it has yet to be seen in the pace and size of fundraising.

Everyone knows the perfect storm that contributed to this slowdown—high inflation, uncertainty around interest rates, and increased antitrust activity. The end result has been a lack of exit value or DPI. Limited liquidity has made LPs less willing and able to allocate capital back to VC funds.

While the IPO pipeline is beginning to move again—Astera Labs and Reddit were a few bright spots—more success stories are needed to free up investor capital. We are monitoring M&A activity and potential IPOs from Klarna, Databricks, Shein, and other VC-backed companies to gauge where the winds are blowing.

Work smarter, not harder

Over the last decade—until 2022 at least—commitments from LPs fell into the hands of anyone who could deliver a good pitch and a few paper markups. It might have been luck and timing as much as strategy, and many of those first-time funds could raise and operate successfully with minimal infrastructure.

10 years of growth allowed young firms to substantially grow their headcount and AUM. However, larger teams and multiple funds are now burdening firms that over-raised. As Meghan Reynolds, Head of Capital Formation at Altimeter, said in an episode of our podcast *The Distribution by Juniper Square*, "Organizational complexity is the enemy of returns."[6] Her take was that as organizations evolve and mature, the people who launched those funds get further away from dealmaking and investing because they are too busy managing the organization. Altimeter, which manages nearly $18 billion in AUM with fewer than 30 employees, understands how vital it is to continuously look for new technologies to drive operational efficiencies, allowing the key people to stay focused on investing and delivering for their LPs.

Or, as another GP told me, "We're focusing on what we can be good at, and we don't want to be good at fund administration. We want to be good at investing and serving our investors."

This is a good lesson for venture firms in any economic cycle, but it's critical now when capital is hard to come by—you don't need *more* people; you need the *right* people using the *right* tools to build a great firm.

The haves and have-nots of venture

Given the current landscape, many venture LPs are thinking, *"I can't invest as much as I want because I don't have the liquidity. But remaining loyal to the venture firms that have delivered great realized returns is vital for the long term."*

Jay Farber
Head of Growth

Jay Farber is Head of Growth at Juniper Square, where he leads the firm's venture capital practice, which includes clients like Greycroft, Ribbit, Energize, Rally, and Sway. Jay has been in the industry for nearly 10 years and is also a venture partner at F-Prime Capital.

These concerns have generated big swings on the GP side, creating a dynamic of haves and have-nots. Our venture clients with the longest, most impressive track records are still quickly closing large funds (one raised $800 million in less than three months), but emerging managers are struggling. As a result, these emerging managers are eager to find exit opportunities to return capital to LPs sooner and are scaling down their fund size goals for future fundraises. They are also jealously guarding the capital they have raised, with the deployment pace among most investors being just enough to stay in the market.

Transparency, visibility, accountability

One GP spinning out of a large VC firm told me a few weeks ago, "The best advice I've gotten is to make my fund seem like an inevitability." This advice, typically given to VCs raising their

6: "Trust, Talent, and Technology at Altimeter and TPG," Juniper Square, The Distribution Podcast, June 11, 2024.

first fund, also applies to firms looking to convince their investors that the performance they saw in early funds indicates a repeatable process, not luck. This perception is critical to LPs putting your firm on their "must re-up" list, especially when capital commitments are scarce.

While performance will always be number one, successful VC firms appreciate that every interaction can influence an LP's opinion of their firm. Firms must make each LP touchpoint delightful. Katie Riester, Managing Director and General Partner of Fund of Funds Investing at Felicis, told me that her team increased the communication rate over the last few years—formal updates approximately every 45 days, with informal interactions and visits even more frequent. "We write more frequent and shorter updates rather than longer letters. We aim for someone to read it in a few minutes and get the most important information. We want everyone on the same page."

Data management is key

However, making LP touchpoints delightful is particularly challenging for VC firms with smaller teams using disparate investor management tools. Outdated and disconnected systems are the enemy of effective internal data management. The best-run venture firms are supported by a universal lifecycle management system that spans fundraising, investor management, and fund administration. By pairing investor customer relationship management (CRM) data with financial position data in a single consolidated portal, VC firms can create an ecosystem where everyone—from finance to investor relations (IR) to the LPs themselves—can look at an investor's position across multiple funds, know their history, and understand the performance of that client's investments, ideally with no manual lift.

As keepers of the official books and records, fund administrators maintain that "source of truth" for most investor and fund data and, as a result, are critical partners in any data management strategy. Traditionally, VC firms needed to choose between working with a fund administrator who could bring innovation to the table but could only support smaller funds or working with a more traditional administrator with strong institutional chops but was overly reliant on outdated, third-party technology. For VC firms with high expectations for themselves and the experience they give LPs, the future must include administrators who specialize in working with more complex firms and can push the technology envelope to benefit LPs and internal stakeholders.

Frictionless fundraising

Fundraising is hard enough even when things are good. If a prospective investor is ready to invest, why add friction? Whether it be offline fund subscriptions or a 90s-era investment portal, these missteps can create concerns in LPs' minds about your ability to manage the internal operations of your fund. While you may not control market conditions, you can control your fundraising operations, and the right tools make all the difference. They lead to faster, frictionless closes, stronger LP relationships, and operational excellence for the life of your fund.

One of our clients, for instance, consolidated data and documents from seven primary systems into our universal platform, allowing them to better collaborate and work as a global IR group rather than fund-specific teams. Another client found that our integrated platform—which includes data rooms, investor CRM, reporting, and an investor portal—proved a boon for data governance across the organization, allowing their accounting team, fundraising team, and C-suite to see the same investor data and eliminate some of the risks of human error in moving information around.

What comes next?

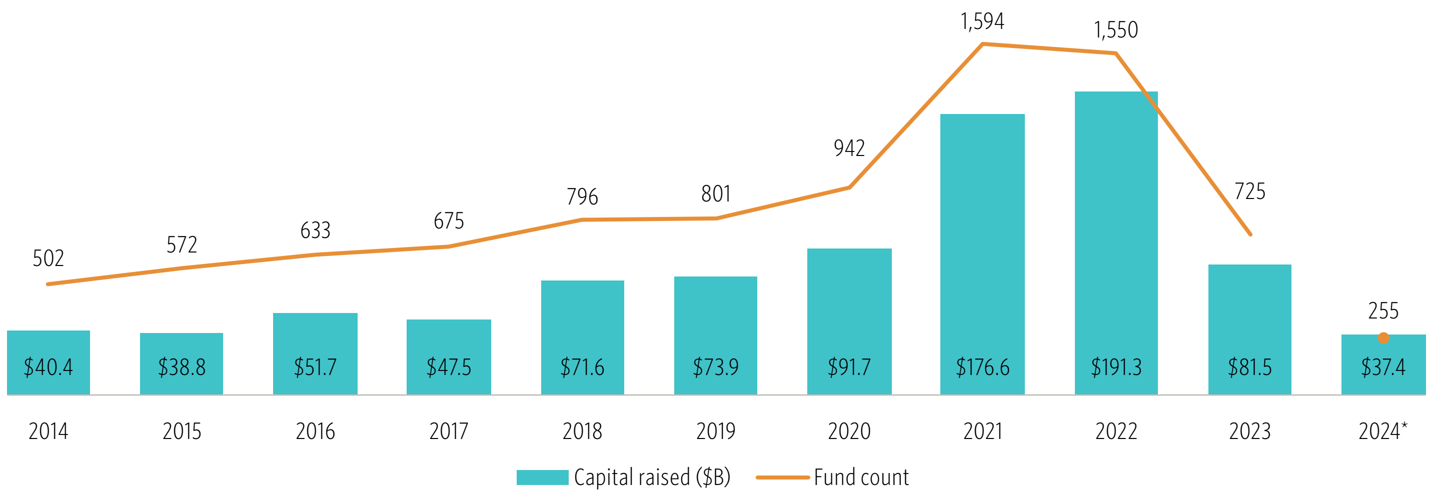
A once-in-a-lifetime shift is underway in the private markets. LPs are in the driver's seat and expect the technology venture firms offer to match the technology bar that the firm has set for potential portfolio companies.

We all know the basic rule from Investing 101: Get fearful when others are greedy, and get greedy when others are fearful. Those who raise capital today have the potential to see strong returns when the market recovers—and it will. Those who make it through today's gauntlet will be the face of the next generation of venture. I can't wait.

Fundraising

Fundraising on track to reach pre-pandemic levels

VC fundraising activity



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

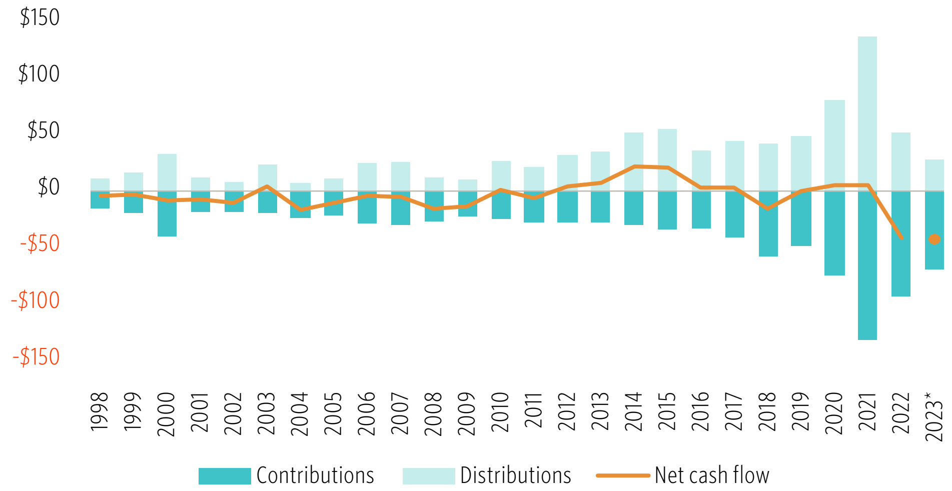
LP caution continues

The liquidity drought continues to stifle fundraising, with $37.4 billion committed to 255 funds YTD. If this pace continues, 2024 is on track to reach the lowest level of fundraising since 2019. LPs have become more selective and cautious in this muted VC fundraising environment, opting to spend more time on due diligence and preferring to allocate their available capital to more established managers.

The dearth of exits is straining the venture market. LPs often rely on cash distributions from exits to fund their subsequent investments. Consequently, many LPs have been focusing on DPI, because prior cash distributions are a concrete measurement of returns for investors, rather than future cash flow projections like IRRs that could vary in practice. As outlined in our Q3 2023 Global PitchBook Benchmarks, the median DPI for funds with vintage years 2019 to 2022 is 0.0x; it is below 1.0x for vintages 2015 to 2018. Therefore, the median investor in vintages 2015 to 2022 has not broken even yet. VC net cash flows have also been in a deficit since 2022, leaving LPs $42.9 billion in the red as they wait to realize returns.

Large deficit of cash flows weighs on LPs

VC cash flows ($B)

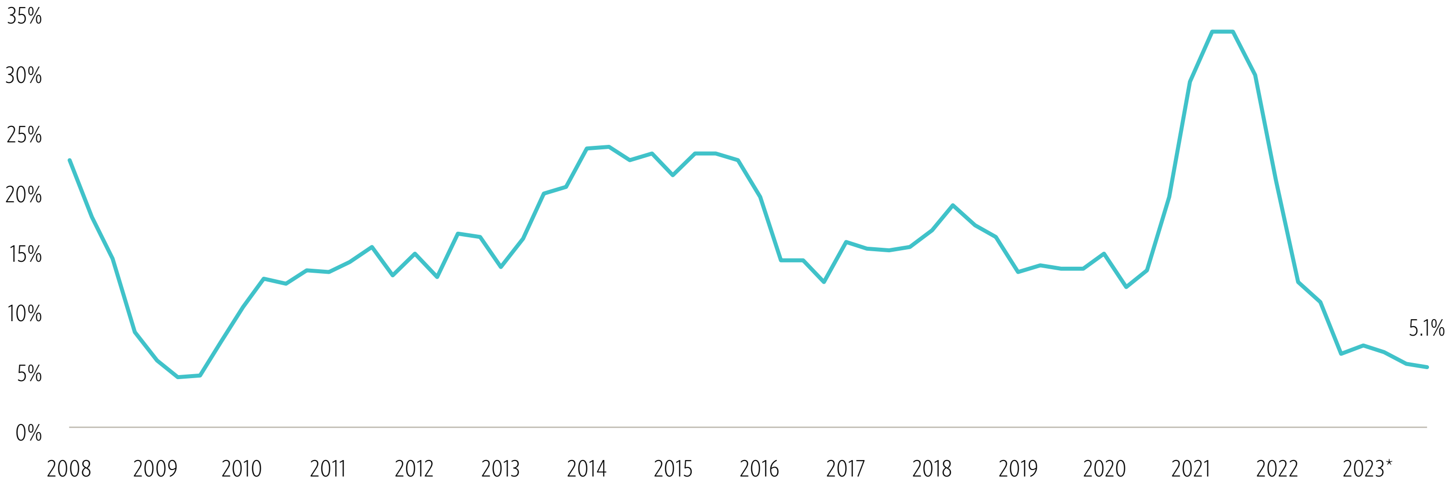


PitchBook-NVCA Venture Monitor • Geography: US • *As of September 30, 2023

This trend is further illustrated by the VC 12-month distribution yield as a percentage of net asset value (NAV) for funds aged five to 10 years, which fell to a near low of 5.1% in Q2, well below the 10-year average of 17.1%.

Distributions near decade lows

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



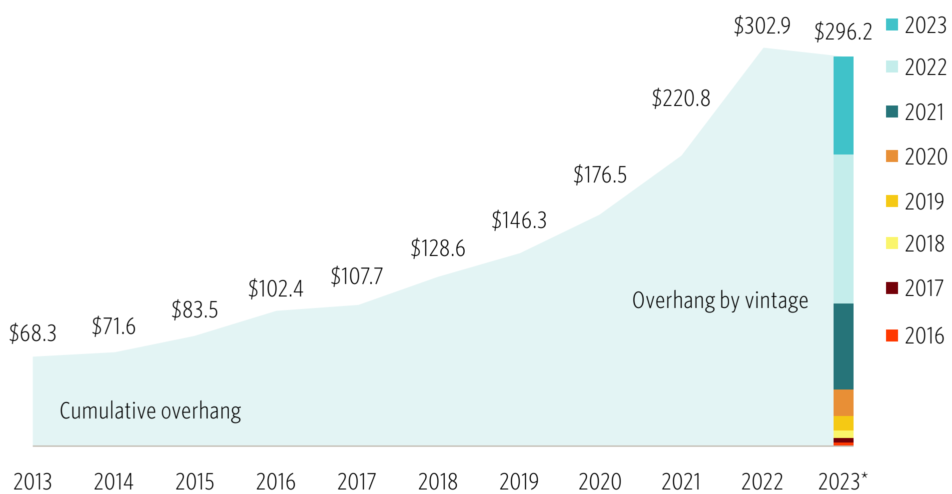
PitchBook-NVCA Venture Monitor • Geography: US • *As of December 31, 2023

Managers that have yet to deliver LP returns will have a difficult time raising additional funds, so many are opting to wait for a more friendly environment. Fundraising is occurring less frequently, with the median time between funds increasing from 1.5 years in 2022 to 2.5 years in Q2 2024.

Established managers have been more successful at capturing available capital, securing 77% of fund value YTD, the highest concentration in the last decade. LPs usually prefer established managers, as experienced firms have raised over 60% of the total fund value nearly every year for the past decade. This year's recent uptick reaffirms that LPs are now prioritizing experience to a greater degree. Over 63% of capital raised in 2024 so far is in funds of $500 million-plus, which is the second-highest percentage in the last decade, surpassed only by 2022. As outlined in our analyst note US VC Fundraising From an LP Perspective, LPs can spend more time on conducting due diligence with this slower environment. GPs that showcase unique skill sets, subject matter expertise, proprietary networks,

Dry powder remains elevated

VC dry powder ($B) by vintage



PitchBook-NVCA Venture Monitor • Geography: US • *As of December 31, 2023

and strong track records will be able to differentiate themselves as a value-add to LPs and founders.

However, even funds with name brands are not immune from fundraising struggles. Many have raised significantly smaller funds this year. Valar Ventures, co-founded by Peter Thiel, closed a $300.0 million fund in Q2. This is less than half the value of its previous fund, which raised $665.0 million in 2022. Tiger Global Management recently raised its smallest Private Investment Partners fund in a decade, closing in April at $2.2 billion, 63% less than its original target of $6 billion. IVP closed a $1.6 billion fund in Q1, which was more than an 11% decrease from its $1.8 billion fund raised in 2021. These fund managers likely had to settle for smaller sizes as fundraising timelines lengthened. GPs must choose between a rock and a hard place: requesting additional deadline extensions from their LPs or closing their funds below target.

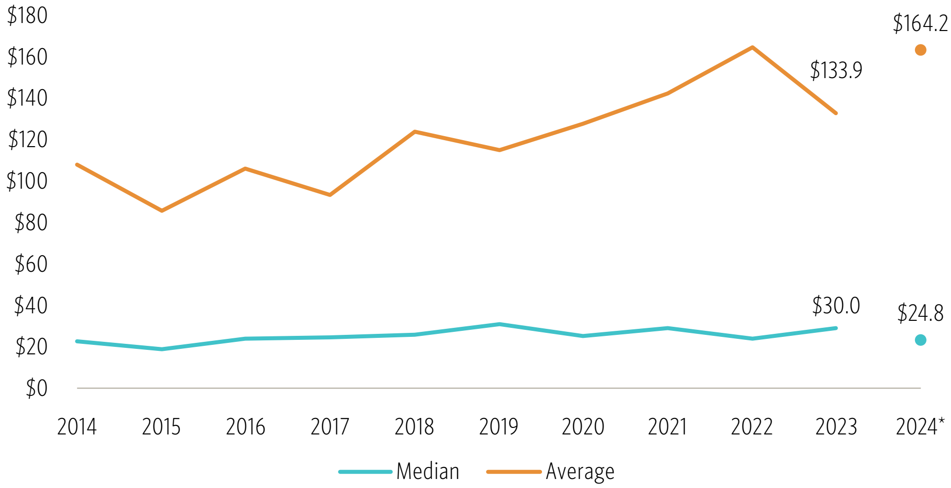
First-time managers are facing even more obstacles due to hesitant LPs. Through Q2, despite similar fund counts, emerging funds raised $8.6 billion, compared with experienced funds, which raised $28.8 billion. The opportunity cost of investing with managers that lack investment track records is incredibly high, especially in an elevated interest rate environment. Only 63% of first-time managers can raise a second fund, which is one metric we use to evaluate their success. Despite this current LP preference for more experience, historical data illustrates the value of investing with emerging managers. As outlined in our analyst note Establishing a Case for Emerging Managers, returns from emerging VC managers have consistently outperformed established managers since the late 1990s, but these returns are more volatile.

A long waiting game

Interest rates remain high, so valuation step-up multiples and fund performance have not had the chance to recover meaningfully yet. The Fed projects just one rate cut this year,[7] which is a significant drop from the six or more cuts that the market was forecasting at the beginning of the year. Interest rates were poised to be the cure for VC exits and fundraising's downward pressure. This hope will likely have to wait until at least 2025 and will be largely dependent on the frequency and magnitude of the Fed's cuts. LPs currently lack any incentives to add more capital to VC.

Large funds dominate fundraising

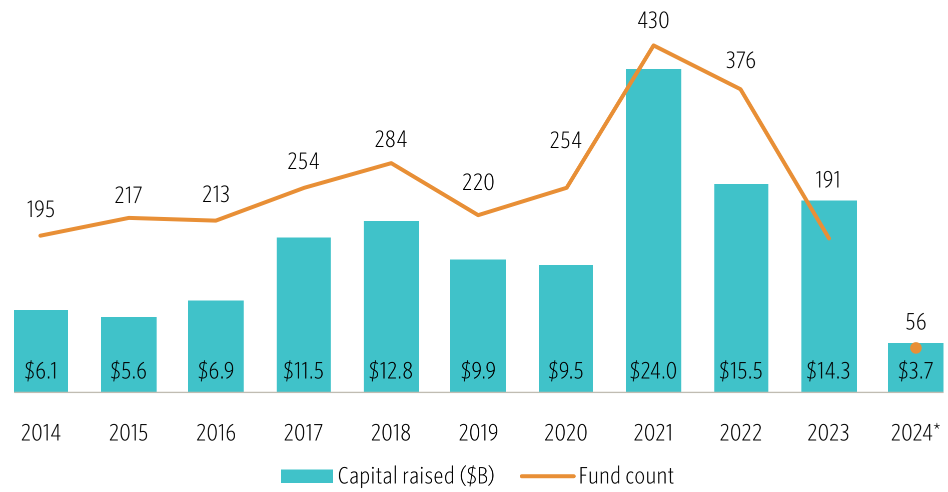
Median and average VC capital raised ($M)



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

New funds struggle to raise

VC first-time fundraising activity



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

More liquid, lower-risk investments are offering attractive yields, which decreases the need for alternatives to generate returns.

Fund managers are currently sitting on $296.2 billion of dry powder and have been slow to deploy capital. As a result, $199.3 billion, or 67%, of US VC dry powder is in 2020 through 2022 vintage funds. Despite this high figure, 58% of this available capital is concentrated in funds of $500 million or larger. Because these funds disproportionately focus on late-stage VC, larger companies are forced to rely on a small number of investors to sustain their growth. This concentration of late-stage funding has been accentuated by the pullback of nontraditional investors, which

7: "Fed Leaves Rates Unchanged, Sees Only One 2024 Cut Despite Inflation Progress," Reuters, Howard Schneider and Ann Saphir, June 12, 2024.

Stronger preference for experience

Share of VC capital raised by manager experience

PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Note: "Emerging firms" are defined as firms that have launched fewer than four funds. "Experienced firms" are defined as firms that have launched four or more funds.

previously provided another source of capital for mature startups.

The narrative will eventually shift from "wait and see" to "buy the dip," but the primary question is "when?" Many startups are nearing the ends of their runways as the equity financing market remains stagnant. This could be an opportune time for VCs with ample dry powder to start deploying capital at attractive price points, but only if interests align. Companies may need capital but are unwilling to raise a down round, while VCs want a larger stake for a lower price. The fundraising market will also take some time to adjust. Investors that bought shares at valuation highs will want to wait for these figures to recover. For the next few quarters, we expect dry powder values to stay steady until more liquidity becomes available and late- and growth-stage financings pick up their pace.

The race for AI

Unlike the rest of venture capital fundraising, funds focused on AI are closing regularly. According to the IDC, 2024 is a critical build-out year for the acceleration of AI technology. The global market is expected to double in the next three years to over $500 billion.[8]

Investor conviction in AI has been reflected in the emergence of AI-focused venture strategies. In the year to date, three VC funds with an AI specialty have each raised over $1 billion dollars. In April, Andreessen Horowitz closed a $1.25 billion venture fund focused on infrastructure and AI. The fund invests in founders and companies at every level of the AI stack, from core AI systems to developer tools to next-generation security systems. The fund hopes to capitalize on the emergence of AI-first companies, rather than on large incumbent vendors like Google and Meta, which have been early leaders in this space. In June, Cisco Investments, the global corporate venture investment arm of Cisco, launched a $1.0 billion AI investment fund that will focus on expanding the development of AI solutions and supporting the startup ecosystem. The company has made over 20 AI-focused acquisitions and investments over the last several years. Also in June, Kleiner Perkins announced KP Select III, a $1.2 billion fund with the tagline "Rise with the A.I."[9] This is a $200 million step-up from its previous Select II fund that closed in 2022.

Time will tell whether investors' enthusiasm over the AI trend will be justified by company fundamentals. For now, LPs' fear of missing out is outweighing their caution for the rest of venture.

8: "Worldwide Core IT Spending for GenAI Forecast, 2023-2027: GenAI Is Triggering Hyper-Expansion of AI Spending," IDC Research, Rick Villars, et al., December 2023.
9: "Announcing KP21 and Select III," Kleiner Perkins, June 28, 2024.

Q2 2024 US league tables

*Most active pre-seed/seed investors**

1	Antler	27
2	Elevate	22
3	Techstars	20
3	Pioneer Fund	20
3	Alumni Ventures	20
6	Y Combinator	18
7	Gaingels	17
8	Everywhere Ventures	14
9	Soma Capital	13
10	Sequoia Capital	12
10	SOSV	12
10	Climate Capital	12
10	Andreessen Horowitz	12
14	Plug and Play Tech Center	11
15	FJ Labs	10
15	500 Global	10
17	ImpactAssets	9
17	IndieBio	9
19	General Catalyst	7
19	Impellent Ventures	7
19	Better Tomorrow Ventures	7
22	Berkeley SkyDeck Fund	6
22	Keiretsu Forum Northwest	6
22	OKX Ventures	6
22	Service Provider Capital	6
22	Polychain Capital	6
22	Keiretsu Forum	6
22	Nat Friedman	6
22	Connecticut Innovations	6
22	Daniel Gross	6

PitchBook-NVCA Venture Monitor
*As of June 30, 2024

*Most active early-stage investors**

1	Soma Capital	56
2	Gaingels	31
3	Andreessen Horowitz	19
4	Sequoia Capital	16
5	Techstars	14
5	Lightspeed Venture Partners	14
7	Keiretsu Forum Northwest	13
7	FJ Labs	13
9	E14 Fund	11
9	MH Ventures	11
9	ImpactAssets	11
9	BoxGroup	11
13	Y Combinator	10
13	General Catalyst	10
15	Transpose Platform Management	9
15	Lux Capital	9
17	Pear	8
17	Mana Ventures	8
17	New Enterprise Associates	8
20	Morningstar Ventures	7
20	Bankless Ventures	7
20	Breakthrough Energy	7
20	Neo	7
20	Polychain Capital	7
20	Union Square Ventures	7
20	Pioneer Fund	7
20	Cogitent Ventures	7
20	8VC	7
20	Climate Capital	7
20	Alumni Ventures	7

PitchBook-NVCA Venture Monitor
*As of June 30, 2024

*Most active late-stage investors**

1	Gaingels	24
2	Keiretsu Forum Northwest	14
2	ImpactAssets	14
4	Techstars	13
5	Khosla Ventures	12
6	Alumni Ventures	11
7	Mana Ventures	9
7	FJ Labs	9
9	Keiretsu Forum	8
9	Sequoia Capital	8
9	F-Prime Capital	8
12	Y Combinator	7
12	Plug and Play Tech Center	7
14	Wellington Management	6
14	SOSV	6
16	Five Two Five	5
16	Hyperlink Ventures	5
16	RA Capital Management	5
16	PeakSpan Capital	5
16	Lockheed Martin Ventures	5
16	Accel	5
16	Founders Fund	5
16	Deerfield Management	5

PitchBook-NVCA Venture Monitor
*As of June 30, 2024

*Most active venture-growth investors**

1	Mana Ventures	6
2	Keiretsu Forum Northwest	5
2	MicroVentures	5
4	Gaingels	4
4	Accel	4
6	East River Venture Partners	3
6	BDT & MSD Partners	3
6	Greenoaks Capital Partners	3
6	RA Capital Management	3
6	8VC	3
6	Index Ventures	3
6	Band of Angels	3
6	.406 Ventures	3
6	Coatue Management	3
6	Sapphire Ventures	3
6	First Trust Capital Partners	3
6	Keiretsu Forum	3

PitchBook-NVCA Venture Monitor
*As of June 30, 2024

*Most active accelerator/incubators in VC deals**

1	Techstars	47
2	Y Combinator	37
3	Plug and Play Tech Center	23
4	IndieBio	15
5	Neo	13
6	StartX	8
7	Hailstone Labs	4
8	On Deck	3
8	StartupNV	3
8	Xontogeny	3
11	Expa	2
11	Visible Hands	2
11	Candaq Group	2
11	gener8tor	2
11	VU Venture Partners	2
11	Stonks	2
11	Atomic Labs	2
11	Pax Momentum	2
11	AI Grant	2
11	VCET Capital	2
11	STRIVE	2
11	Alliance DAO	2
11	Maze X	2
11	OneValley	2
11	Hacker Fellowship Zero	2
11	Alchemist Accelerator	2

PitchBook-NVCA Venture Monitor
*As of June 30, 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.

A perfect partnership: PitchBook and the National Venture Capital Association

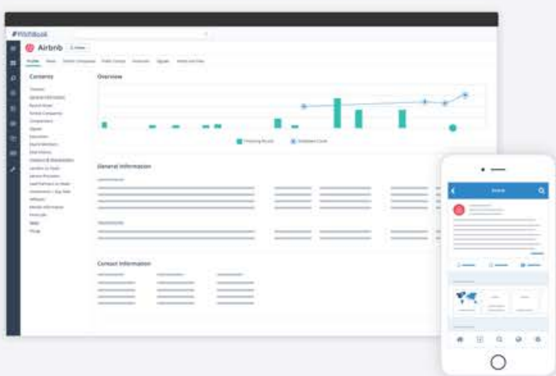
Why we teamed up

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.

THE PERKS OF PARTNERSHIP



The PitchBook Platform

As an NVCA member, your free access to the PitchBook Platform includes five advanced searches and five profile views per month.

Fundraise faster with targeted searches for limited partners who will likely be interested in your fund.

Conduct better due diligence by diving deep into a company's round-by-round financing history, executive team and market traction.

Price deals with confidence using pre- and post-money valuations, public and private comps, cap tables and series terms.

Find promising investors quickly by zeroing in on other firms or strategic acquirers whose investment preferences match your portfolio company.

More data. Less dough.

NVCA member firms are eligible for a one-time 10% discount on a new PitchBook subscription or their next subscription renewal, or one complimentary PitchBook seat for a subscription cycle.

Help us help you

We will email quarterly surveys to each member firm, which will give you the opportunity to report your activity to PitchBook. The data you provide will not only power PitchBook-NVCA reports, but also ensure your firm is represented accurately in the PitchBook Platform. If you'd like to send your quarterly activity report directly to PitchBook, email research@pitchbook.com.

Ready to get started with the PitchBook Platform? Go to pitchbook.com/nvca