PitchBook

Q3 2022

US VC Valuations Report

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Contents

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Click here for PitchBook's report methodologies.

This is an updated version of the report, which had included global data in the Exits section.

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Key takeaways

Both the median and average late-stage VC valuations have taken a significant hit in 2022, a quick fall after the rapid rise seen in 2021. Public market multiples have compressed, causing the extended valuations garnered in 2021 to be exposed to a less welcoming market from equity investors. The shortage of capital is being exacerbated by the retreat of crossover investors and large nontraditional investors that have flooded VC in recent years. The largest deals in the market have been heavily reliant on capital from these investors, and now that there is less capital available, the unicorn market has all but disappeared this year.

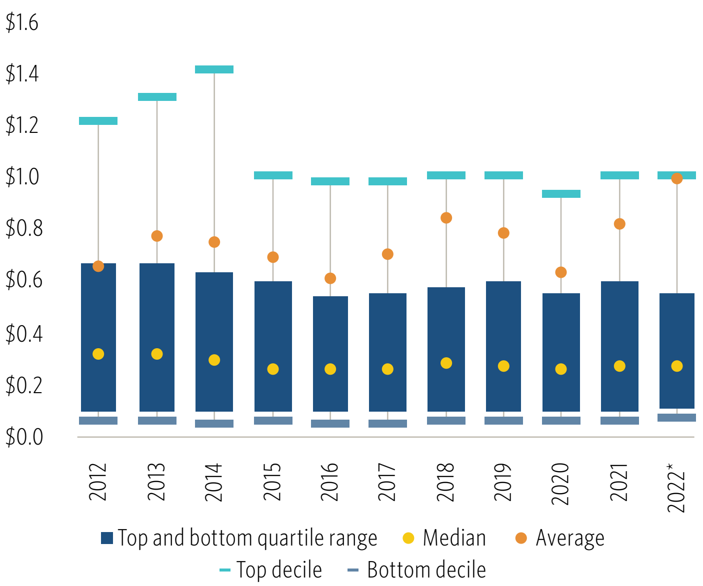
The backup at the late stage is being further impacted by the inability of companies to exit. The trapped value at the top of the market is at risk, as more than 1,200 unicorns operate globally. While exit valuation step-ups have remained relatively strong, there has been a severe lack of exit value generated. The average public listing valuation was $695.4 million, marking the first time it's fallen below $2 billion since 2019, landing near the 2018 average of $695.3 million. The median valuation has declined to just $338.3 million, the lowest figure in three years.

For all the turmoil at the latest stages of VC, seed and early-stage valuations have remained at the elevated levels achieved in 2021. In Q3, the median pre-money valuation for seed deals reached $10.0 million, while the median early-stage valuation came in at $45.0 million. Though there has been a slowdown in deal count at these stages, momentum from the market growth in recent years continues. The record number of closed funds and the high amount of dry powder are likely to help seed and early-stage venture much more than late-stage venture, as a high number of investors remain in their new investment period.

Angel and seed

Angel deal values largely unchanged

Angel deal value ($M) dispersion



Source: PitchBook | **Geography:** US
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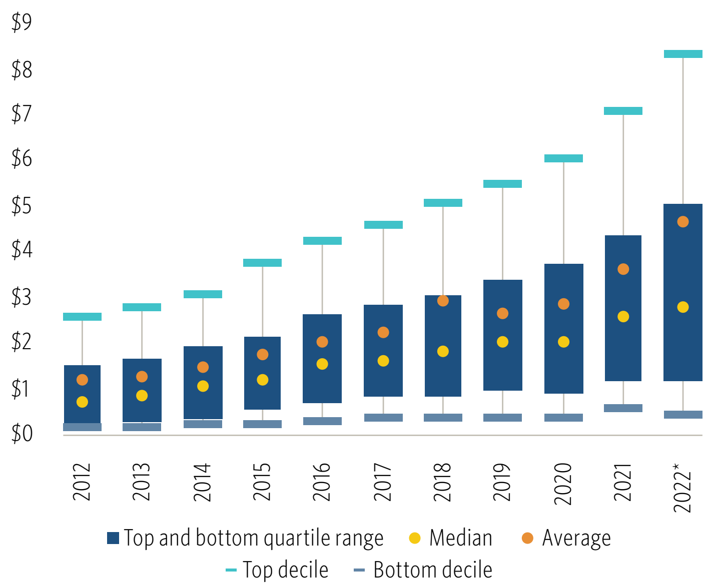
Seed deal values continue to rise

Seed deal value ($M) dispersion



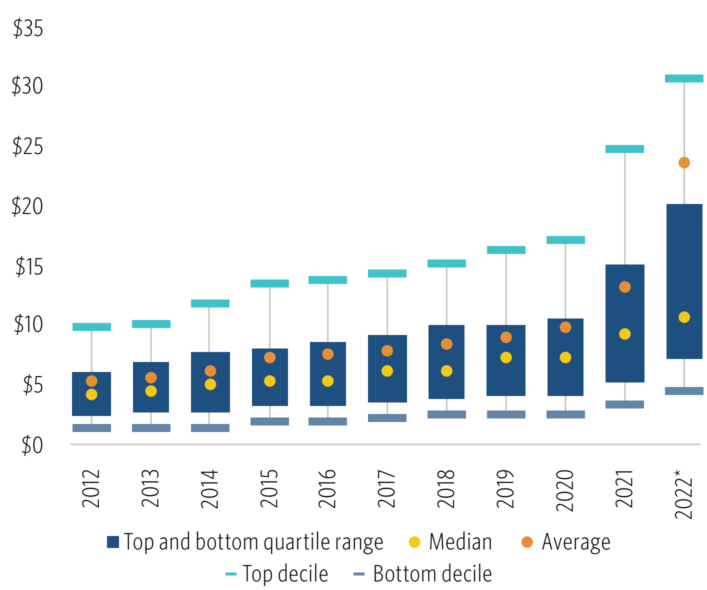
Source: PitchBook | **Geography:** US
*As of September 30, 2022

Seed investment continued to show its strength after several quarters of slowing deal activity in the broader venture industry. The median pre-money valuation for seed deals remained at $10 million, marking the fourth consecutive quarter of a double-digit median. The seed stage has benefited from significant fundraising by small funds over the past few years. More than $73 billion in dry powder was available in funds under $250 million as of June 30, 2022, a high amount of capital largely focused on the earlier stages of venture. Larger funds and nontraditional investors have also continued to invest heavily at the seed stage in recent quarters, pushing even more capital into the stage. Nontraditional investors participated in nearly $2 billion in seed deal value in Q3, marking the fourth consecutive quarter of this data point surpassing $1.8 billion. Nontraditional investor participation at the seed stage has set a new annual record of $6.7 billion in total deal value through Q3.

The longer economic woes extend, the greater the chance that the slowdown in VC increases the pressures on seed investments and valuations. Even at their heightened level,

Median seed pre-money valuation at $10.5 million in 2022

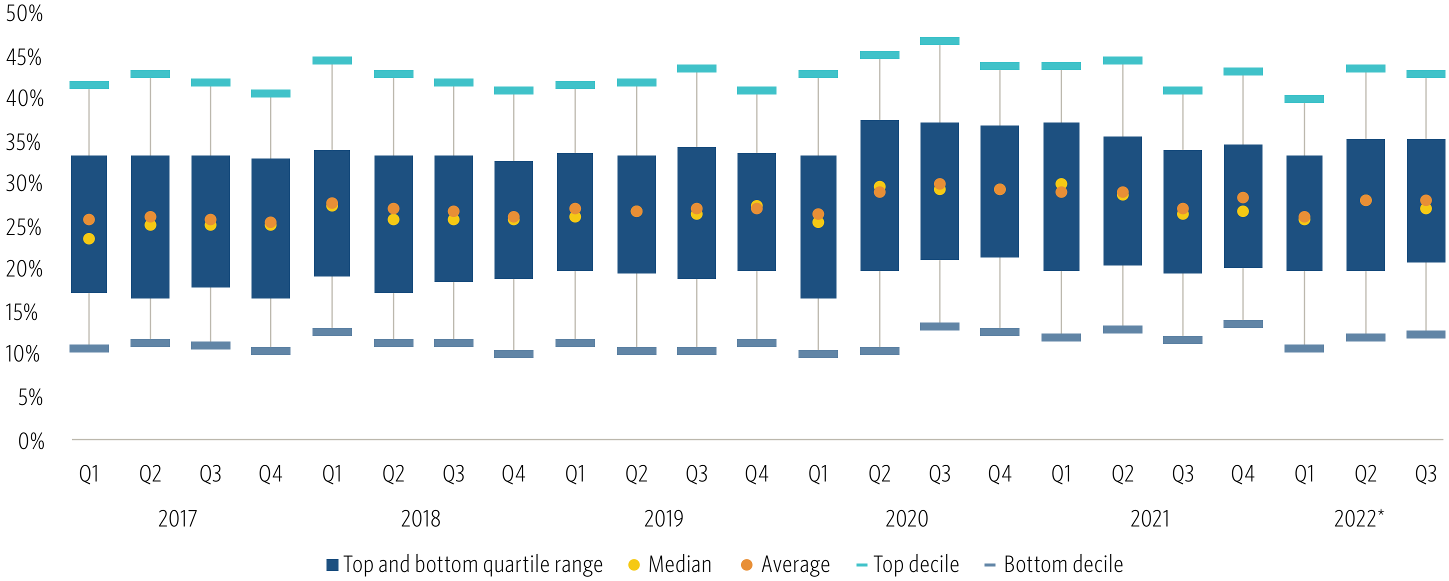
Seed pre-money valuation ($M) dispersion



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Median share acquired in seed deals dips

Seed share acquired dispersion by quarter



Source: PitchBook | **Geography:** US
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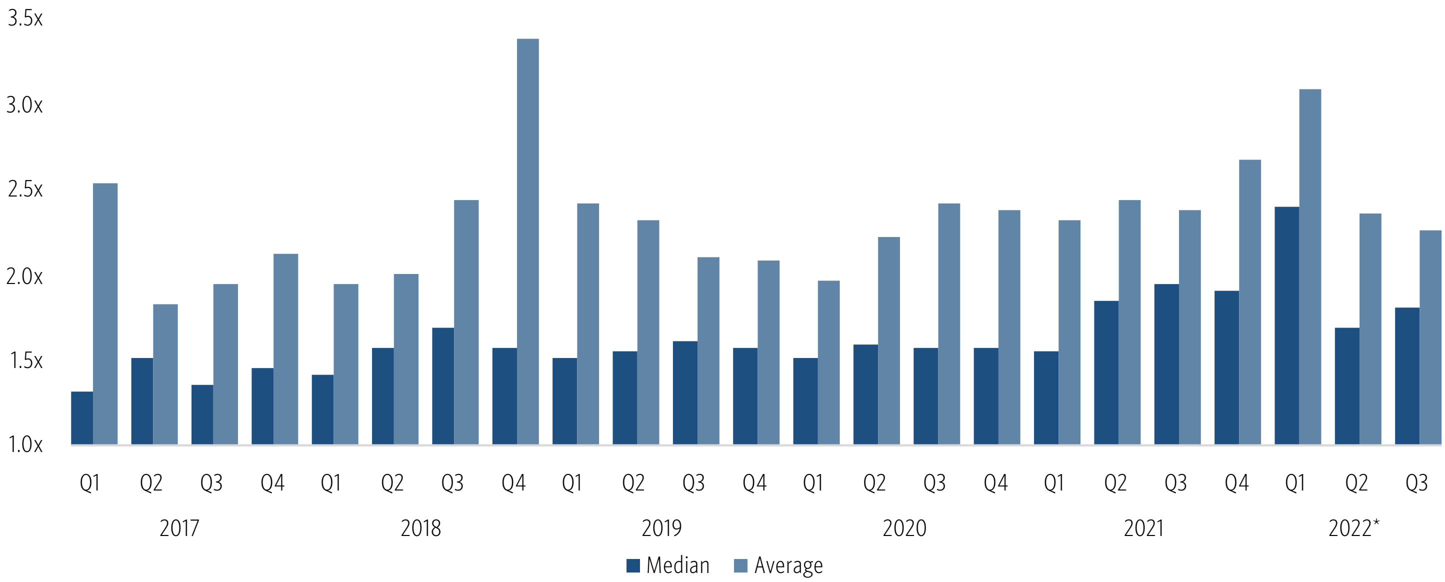
pre-money valuations have plateaued, while top-quartile and top-decile valuations have slowly pulled back. Diving deeper into the data, the growth of seed valuations hasn't been tied to the growth of the statistic in the Bay Area, New York, Los Angeles, and Boston regions, which accounted for roughly 49% of completed seed deals in Q3. The seed pre-money valuation outside of those four major hubs has grown even more in 2022, increasing by around 33% from the full-year 2021 data point. For the time being, the broader reach of venture has sustained the economic slowdown.

Median step-up rises QoQ

Median and average seed valuation step-up by quarter



Source: PitchBook | **Geography:** US
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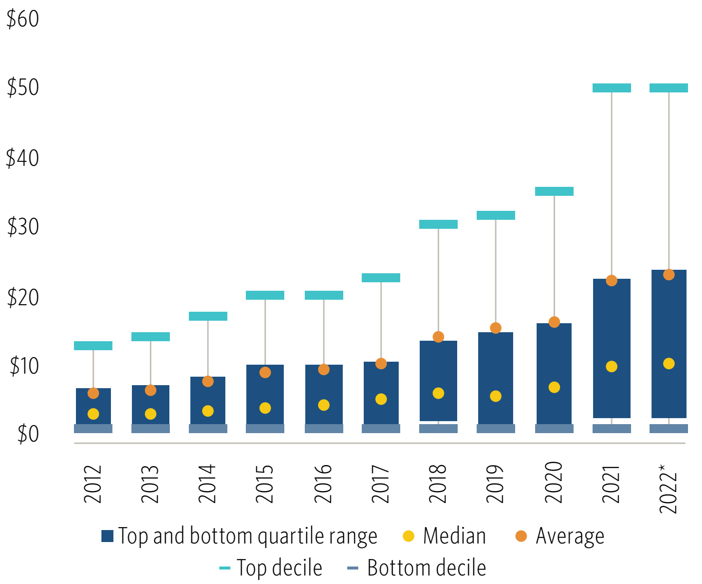
Early-stage VC valuations

Early-stage deal values defy market narrative

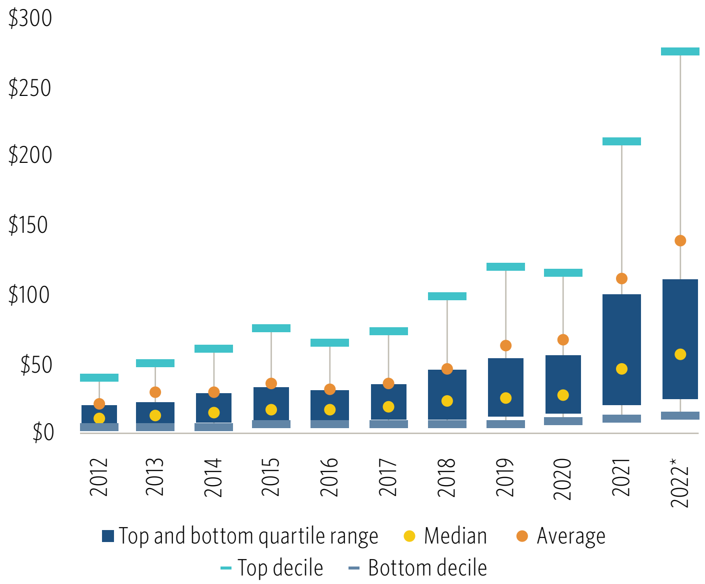
Early-stage VC deal value ($M) dispersion



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Early-stage valuations slide QoQ yet stay above 2021 YoY

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



Source: PitchBook | **Geography:** US
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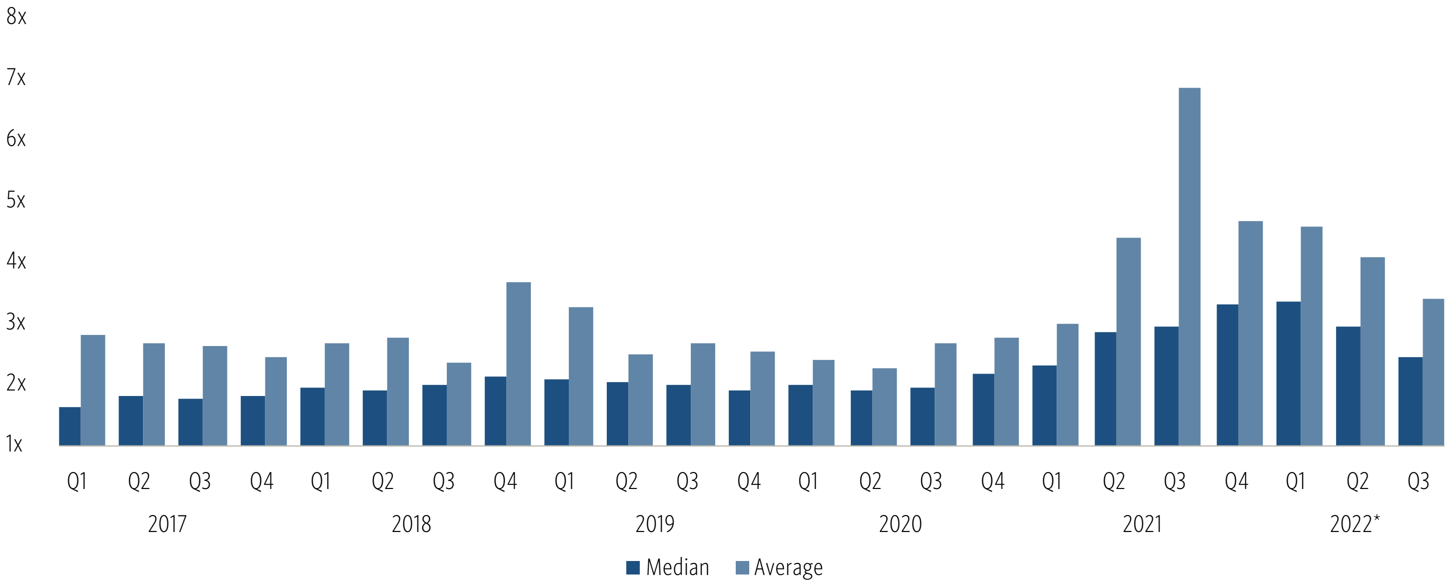
Early-stage VC has seen valuations decline a bit more than seed, yet median valuations continue to be much higher than figures seen prior to 2021. For context, the Q3 median pre-money valuation for early-stage deals was $45.0 million, a steep decline from the $60.0 million median in Q1 but still 50.0% higher than the highest quarterly figure prior to last year. These disparities continue to paint a complicated picture of the venture slowdown. On one hand, it's easy to see a major decline, but on the other, the venture market still looks stronger than it did any time before 2021. The top quartile valuation for the early stage also still remains double that of two years ago, an increase that seems unsustainable for the long term.

Early-stage valuation step-ups have also begun to show signs of a strong slowdown. In Q3, the median early-stage valuation step-up dropped to just 2.4x, down from 3.3x in Q1. The rolling four-quarter average step-up also decreased to its lowest level since Q2 2021. As more investors piled into the early stage and revenue multiples extended in both public and private markets, 2021 figures increased accordingly. These elevated valuation jumps have pressured companies to keep up the pace, but they also leave them exposed to potential down rounds. To combat this market weakness, many companies have likely opened prior rounds to add more capital without fully re-entering the equity raising market in a weakened economic climate.

Early-stage step-ups trending lower

Median and average early-stage VC valuation step-ups by quarter



Source: PitchBook | **Geography:** US
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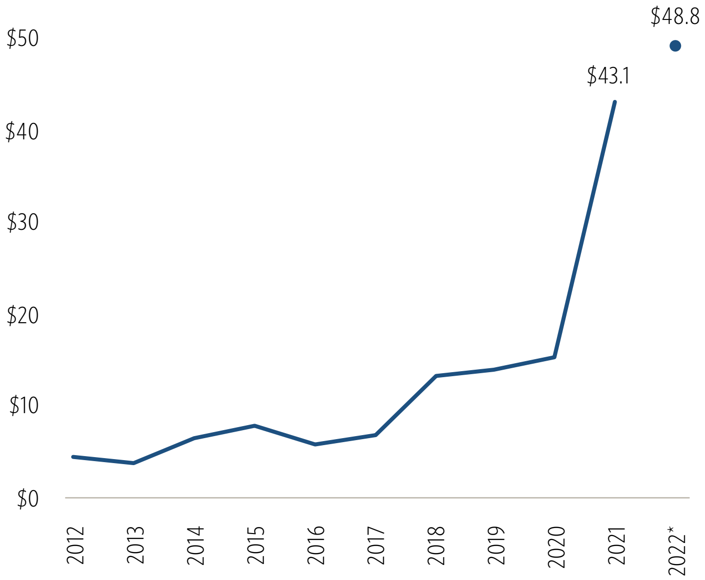
Early-stage companies continue creating more value

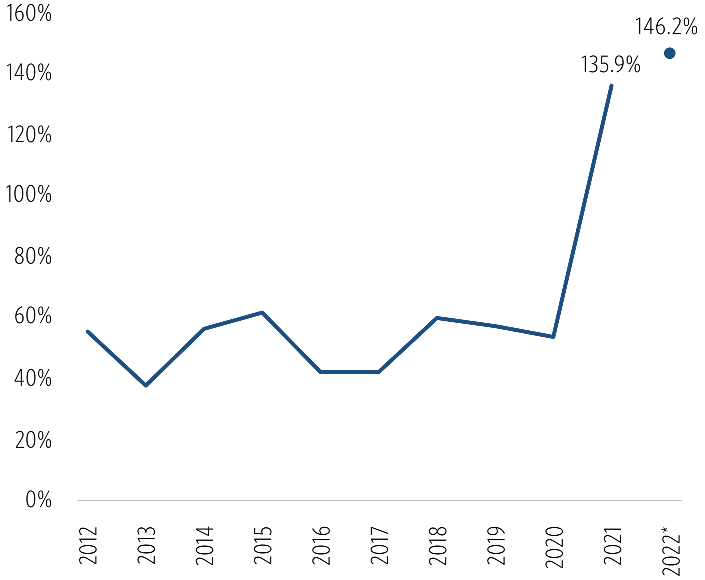
Median early-stage VVC ($M) between rounds



Source: PitchBook | **Geography:** US
*As of September 30, 2022

RVVC highest on record

Median early-stage RVVC between rounds

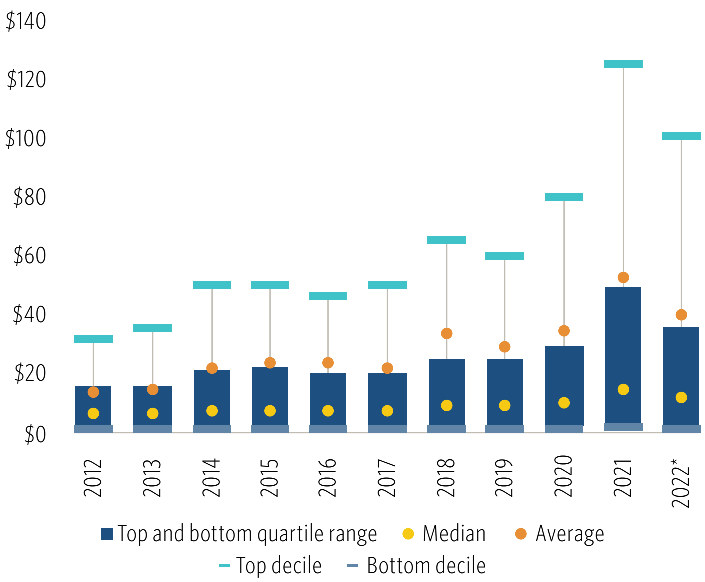


Source: PitchBook | **Geography:** US
*As of September 30, 2022

Late-stage VC valuations

Late-stage deal values slow significantly

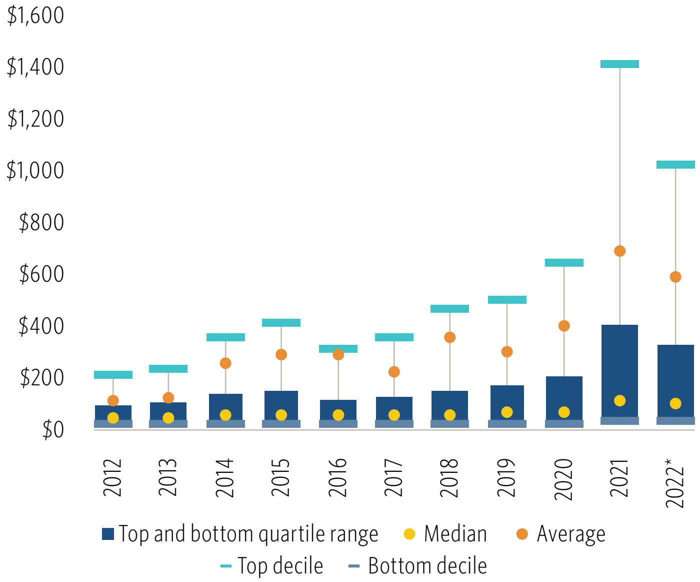
Late-stage VC deal value ($M) dispersion



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Late-stage valuations can't keep pace with 2021

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



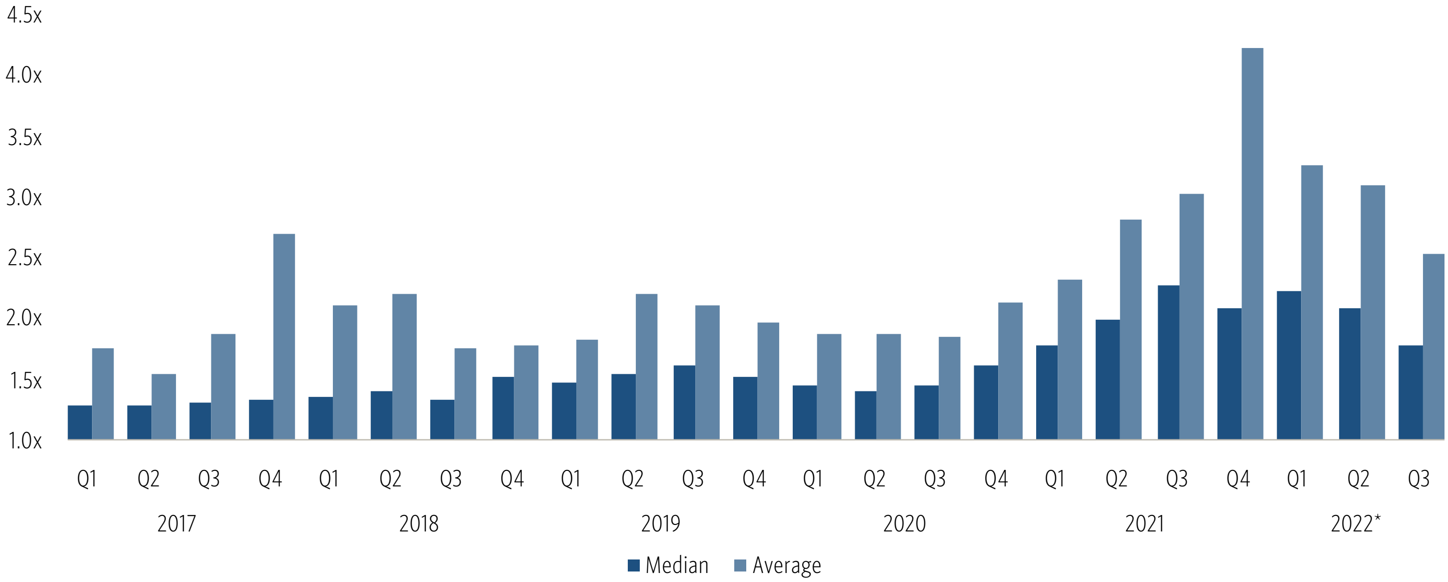
Source: PitchBook | **Geography:** US
*As of September 30, 2022

The late stage of venture has seen the impacts of volatility more than any other area of the market so far. Deal value at the stage fell to an 11-quarter low in Q3, notching just $24.9 billion, nearly $40 billion less than the quarterly high of Q3 2021. Late-stage deal counts have also declined significantly—down more than 20% from Q1 2022—though remain well above figures seen prior to the COVID-19 pandemic. Our data estimates that more capital is expected to be sought at the late stage this year than ever before, yet the availability from investors, especially large nontraditional institutions, seems likely to leave a large gap between the numbers. Nontraditional firms participated in more than $200 billion of late-stage financings in 2021; the capital crunch in the current market can easily be tied to the dearth of investment from these institutions.

The median late-stage valuation in Q3 fell to $71.0 million, a 29.0% drop from Q1. Rather than highlighting that valuations are simply falling, we believe the decline is also due to the top of the market all but disappearing. Crossover deal value participation in Q3 was 73.8% lower than the record high of $44.7 billion in Q3 2021, showcasing an extreme decrease in the amount of capital available at the latest stages of VC. In Q3, just 68 late-stage mega-deals were closed, which was 59 fewer than Q2 and 89 fewer than Q1. The top-decile late-stage valuation from Q3 was just 46.0% of the high-water mark set in Q3 2021, which topped out at $1.5 billion. Unsurprisingly, the median relative velocity of value creation (RVVC) and velocity of value creation (VVC) calculations have fallen for late-stage VC, the only stage to see a drop.

Median step-up lowest in six quarters

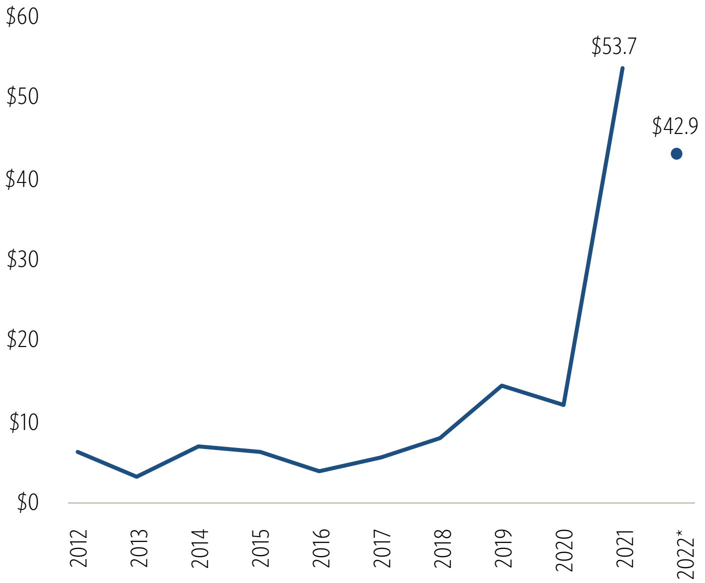
Median and average late-stage VC valuation step-ups by quarter



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Late-stage VVC sees notable decline

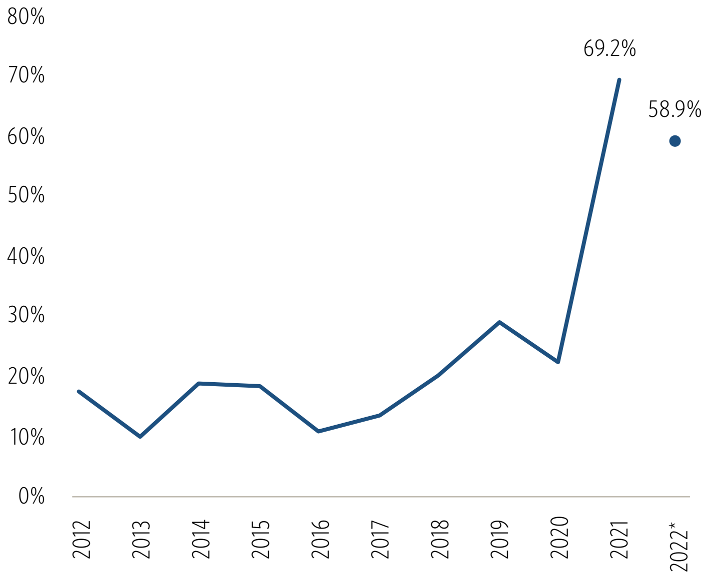
Median late-stage VVC ($M) between rounds



Source: PitchBook | **Geography:** US
*As of September 30, 2022

RVVC declines at late stage only

Median late-stage RVVC between rounds

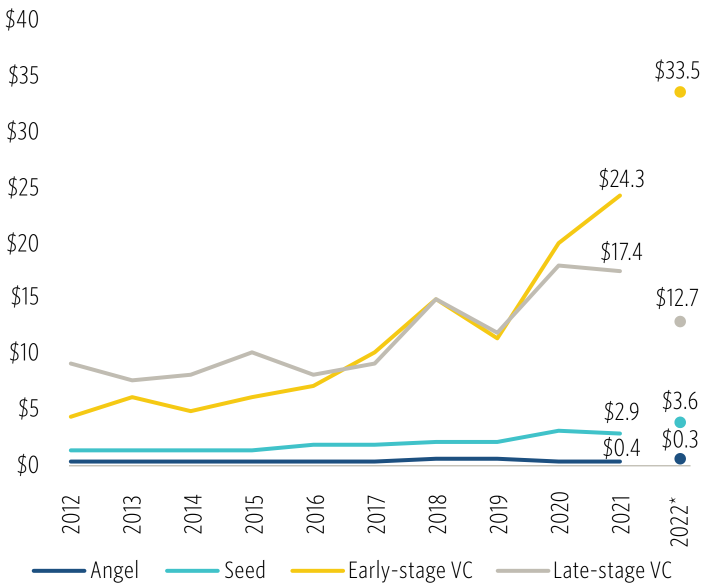


Source: PitchBook | **Geography:** US
*As of September 30, 2022

Biotech & pharma

Median early-stage VC deal value continues trend reversal

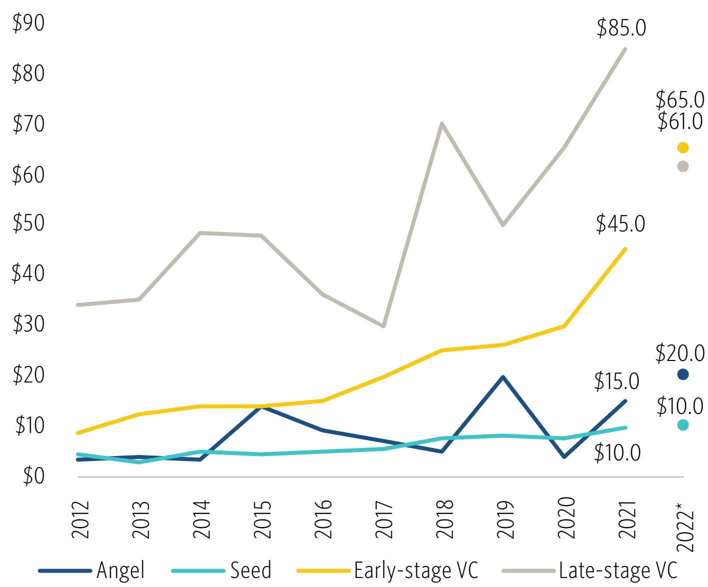
Median biotech & pharma VC deal value ($M) by stage



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Late-stage biotech valuations struggle

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



Source: PitchBook | **Geography:** US
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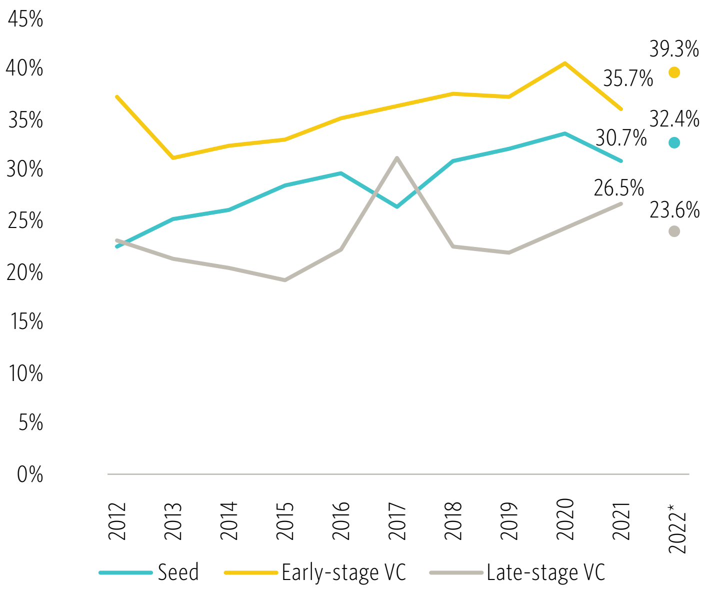
Biotech shares up in 2022

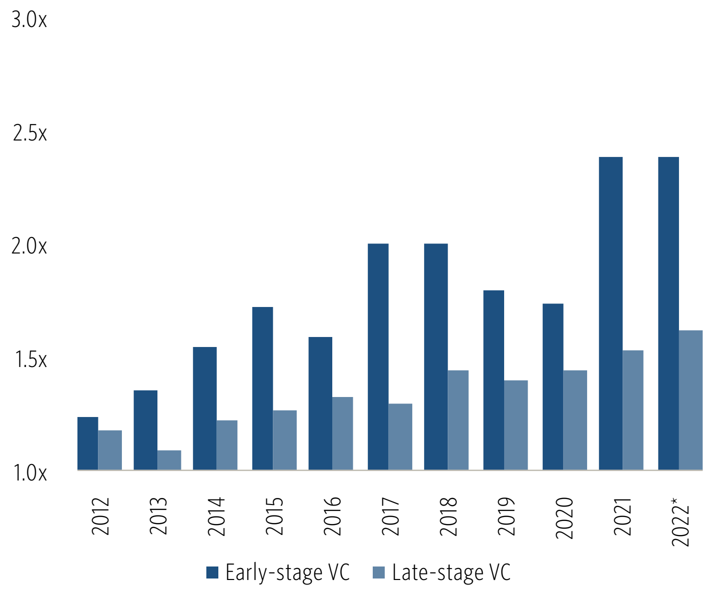
Median VC share acquired in biotech & pharma companies by stage



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Step-ups remain elevated

Median biotech & pharma VC valuation step-ups by stage



Source: PitchBook | **Geography:** US
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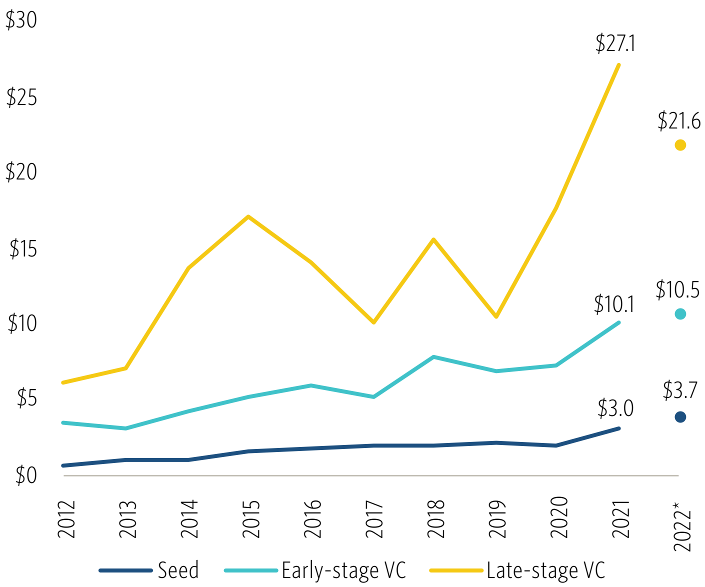
Fintech

Late-stage deal values dip

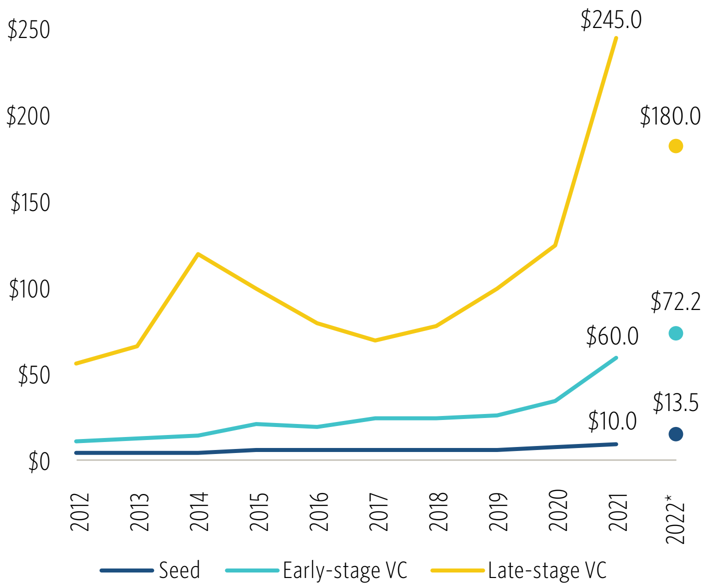
Median fintech VC deal value ($M) by stage



Source: PitchBook | **Geography:** US
*As of September 30, 2022

2022 late-stage fintech valuation down 26.5% YoY

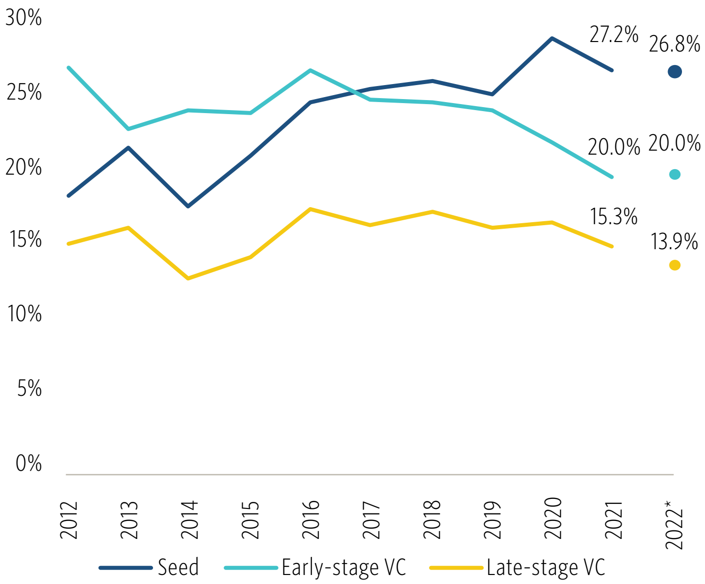
Median fintech VC pre-money valuation ($M) by stage



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Fintech shares down in 2022

Median VC share acquired in fintech companies by stage



Source: PitchBook | **Geography:** US
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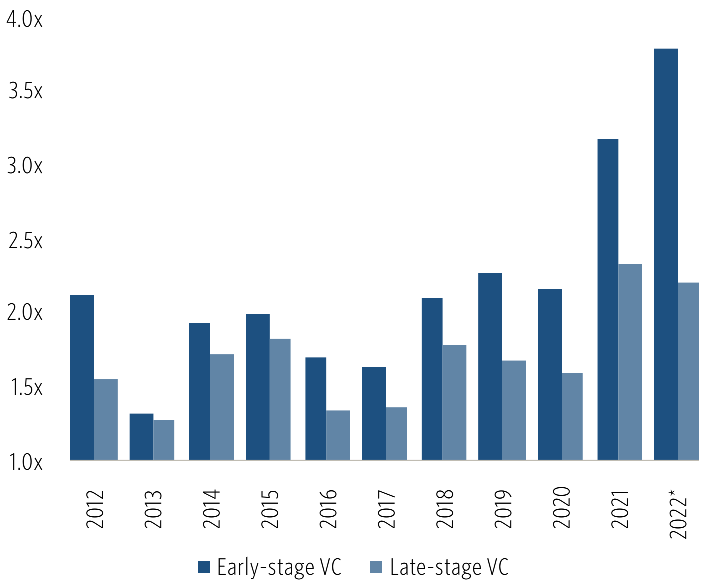
Step-ups undeterred by public sell-off in fintech

Median fintech VC valuation step-ups by stage



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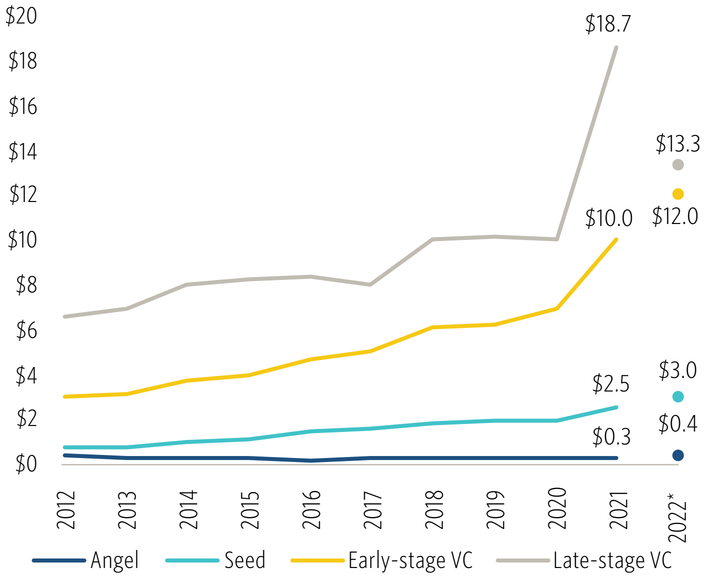
Enterprise tech

Late-stage deal sizes much lower than in 2021

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



Source: PitchBook | **Geography:** US
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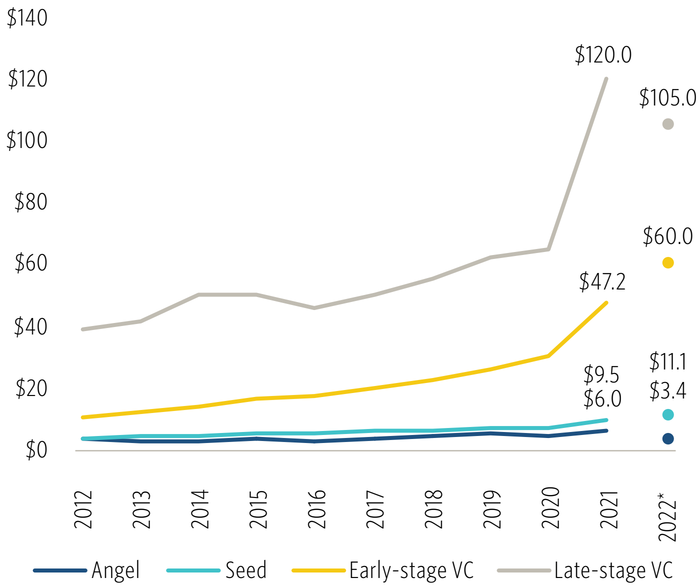
Early-stage valuations chug higher

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



Source: PitchBook | **Geography:** US
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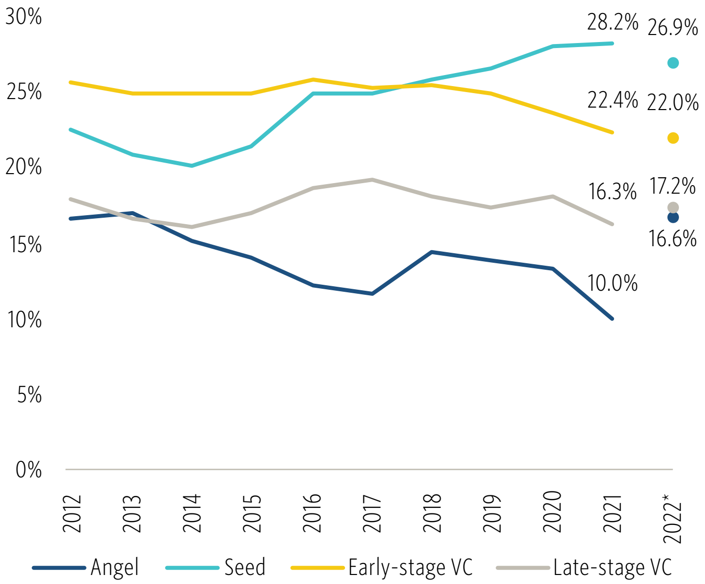
Late-stage investors are taking larger shares

Median VC share acquired in enterprise tech companies by stage



Source: PitchBook | **Geography:** US
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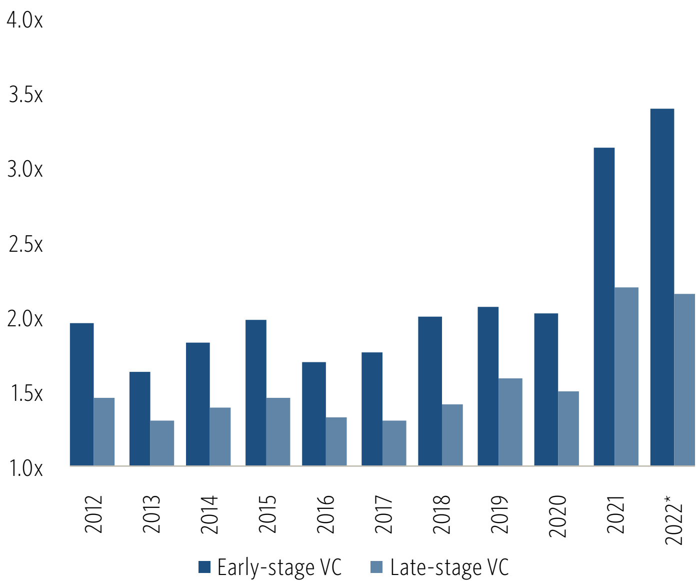
Late-stage step-ups still above 2x

Median enterprise tech VC valuation step-ups by stage



Source: PitchBook | **Geography:** US
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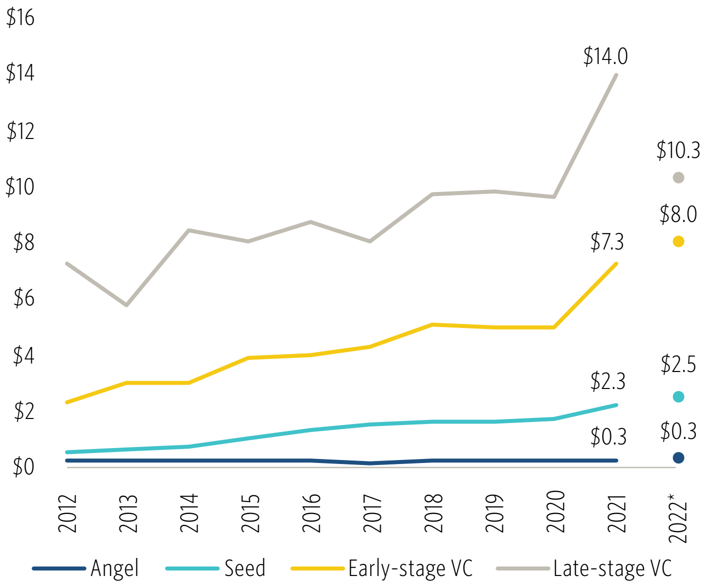
Consumer tech

Early- and late-stage median deal sizes are converging

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



Source: PitchBook | **Geography:** US
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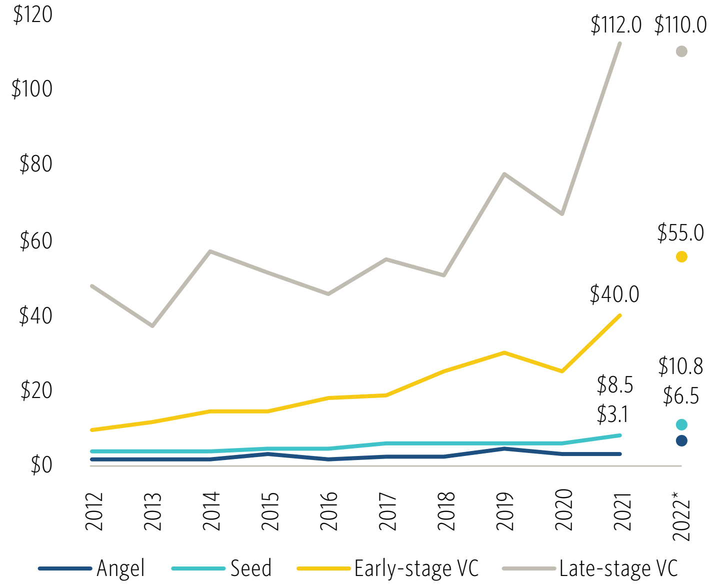
Late-stage valuations lay flat

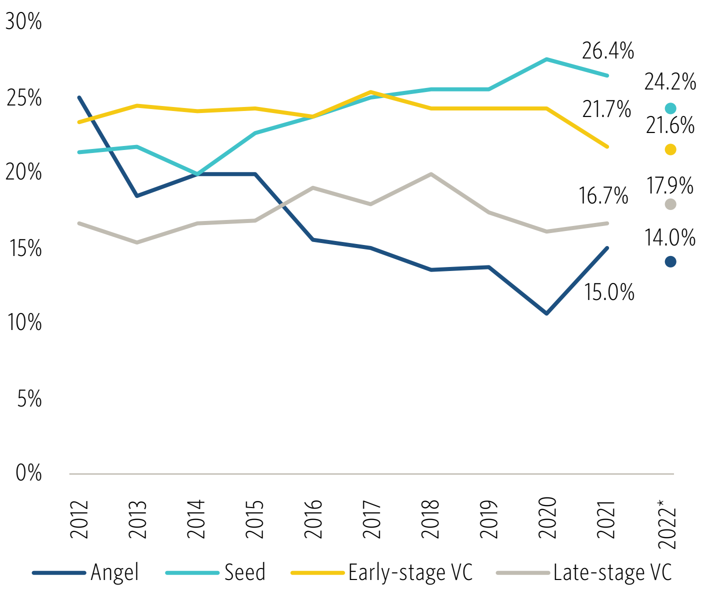
Median consumer tech VC pre-money valuation ($M) by stage



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Share acquisitions plateau at early stage

Median VC share acquired in consumer tech companies by stage



Source: PitchBook | **Geography:** US
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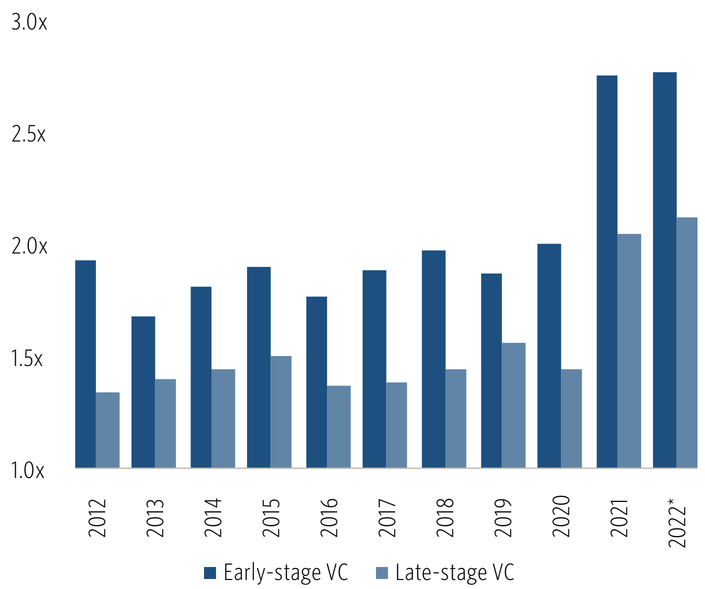
Early-stage step-ups increase YoY

Median consumer tech VC valuation step-ups by stage



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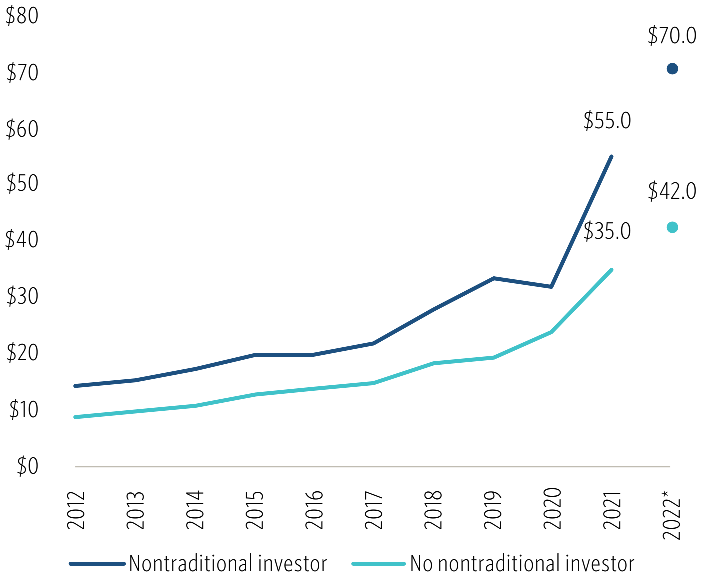
Nontraditional investors

Early-stage NTI deal valuations still up YoY

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



Source: PitchBook | **Geography:** US
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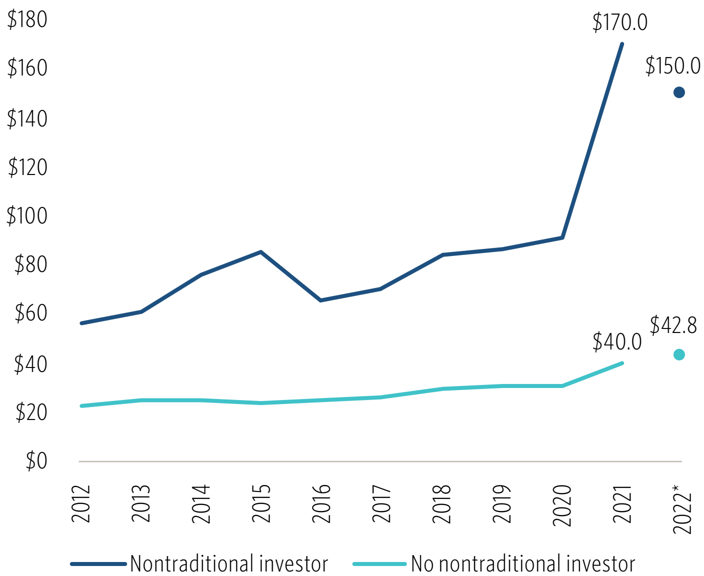
Median late-stage valuations of NTI deals fall in 2022

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



Source: PitchBook | **Geography:** US
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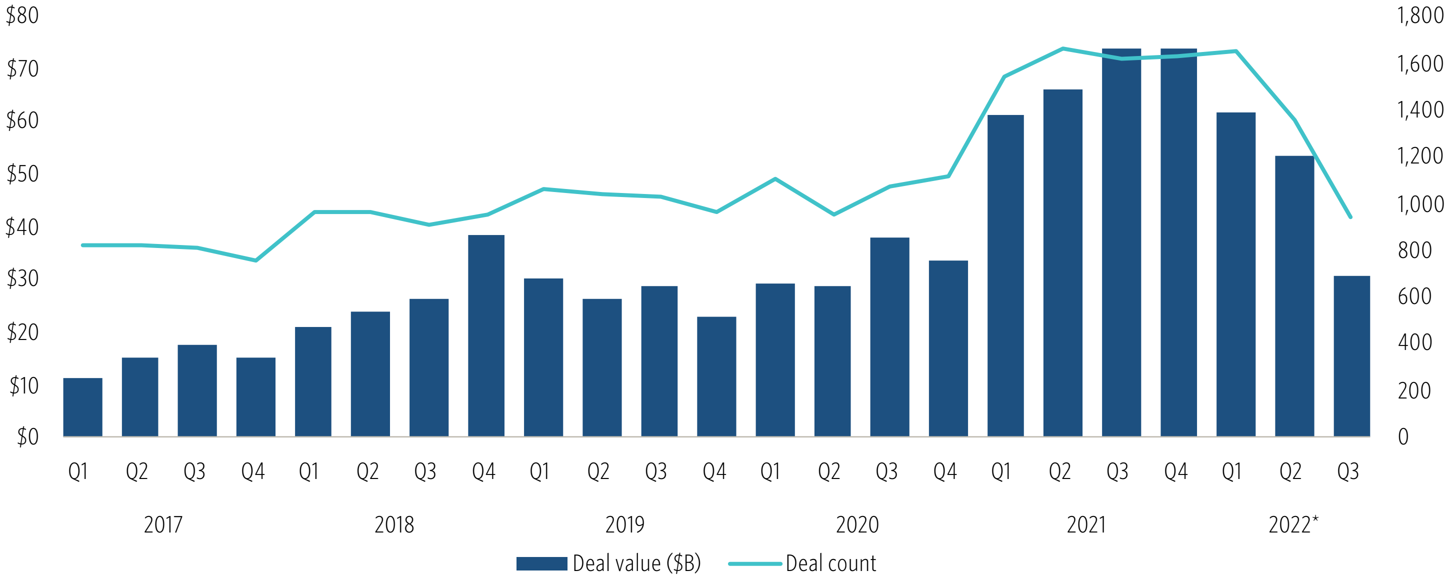
Nontraditional investor participation data provides a good view into the trends occurring within VC valuations because it shows the level of activity and deal value participation in the market from these institutions. Early-stage deals with nontraditional investor participation continue to see the median figure well above where it was in 2021, while at the late stage, the median valuation receiving nontraditional investor participation has fallen by $20.0 million. This again illustrates the slowing market at the late stage and the impact that nontraditional investment has had on the venture market in recent years. In 2021, $271.6 billion in deal value was generated through deals with these institutions, more than had been invested into the entire venture market any year prior. Broadly, nontraditional investors have slowed activity in both deal count and deal value in 2022, as quarterly deal count has fallen more than 27% since Q1, and Q3 deal value participation fell roughly $44 billion from the high in 2021. This is a trend we expect to continue, especially since much of the potential returns for this group remain locked in highly valued companies facing a difficult path forward due to economic conditions.

Corporate venture capital (CVC) has shown a somewhat different shift in strategy than the broader nontraditional investor group has. According to our Venture Monitor data, corporate VCs remain involved in more than 25% of all VC deals, which is in line with or higher than figures we have seen in recent years. One factor that changes CVC trends is that much of CVC investment occurs at the seed and early stage, two stages that have best weathered the downturn so far. For both investments, the median and average valuations of deals with CVC involvement have continued to grow in 2022. Early-stage deals with CVC participation have reached a median size of almost $19 million and a valuation of more than $70 million in 2021, YoY increases of 22.9% and 33.6%, respectively.

Nontraditional investor activity falling quickly

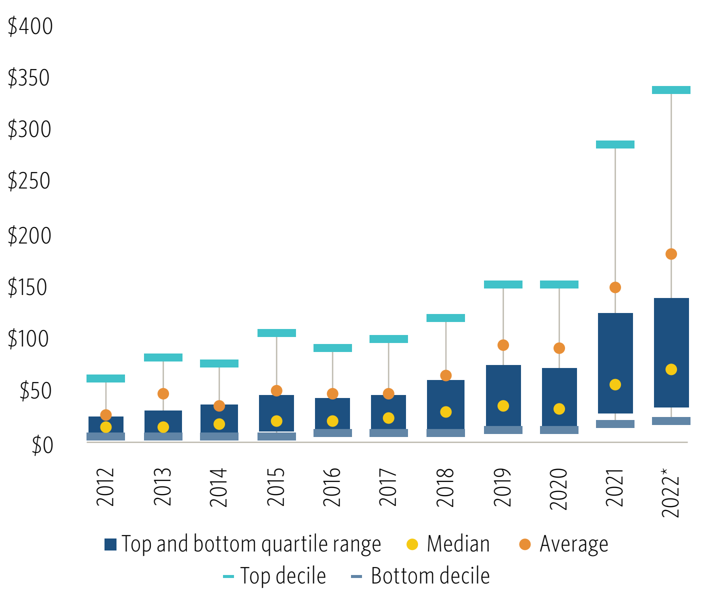
US VC deal activity with nontraditional VC investor participation by quarter



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Median early-stage NTI deal value reaches $18M

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



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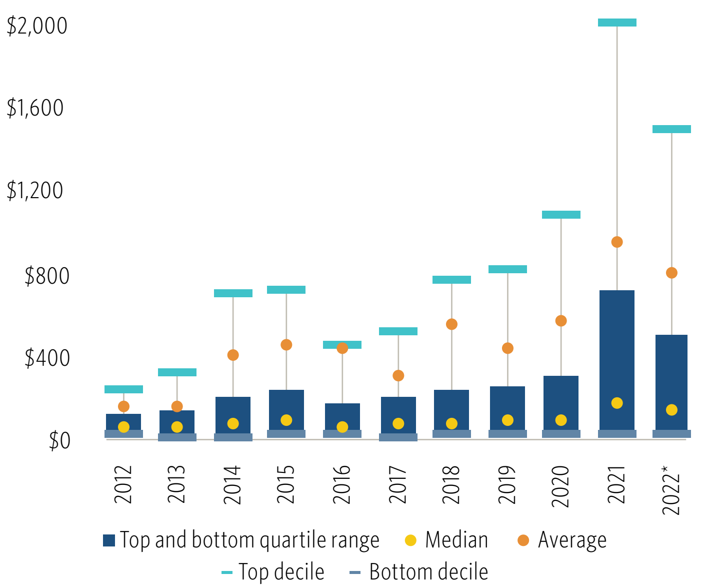
Top-decline late-stage deal has declines of 25% YoY

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



Source: PitchBook | **Geography:** US
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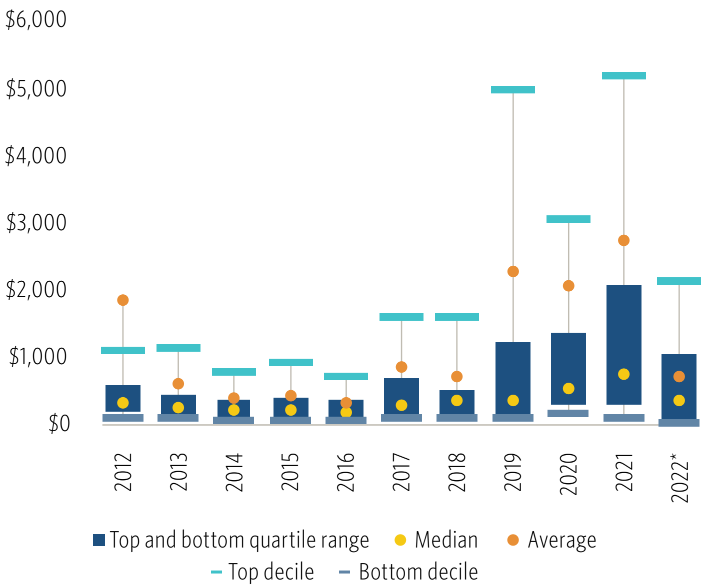
Liquidity

Public listing valuations take a hit in 2022

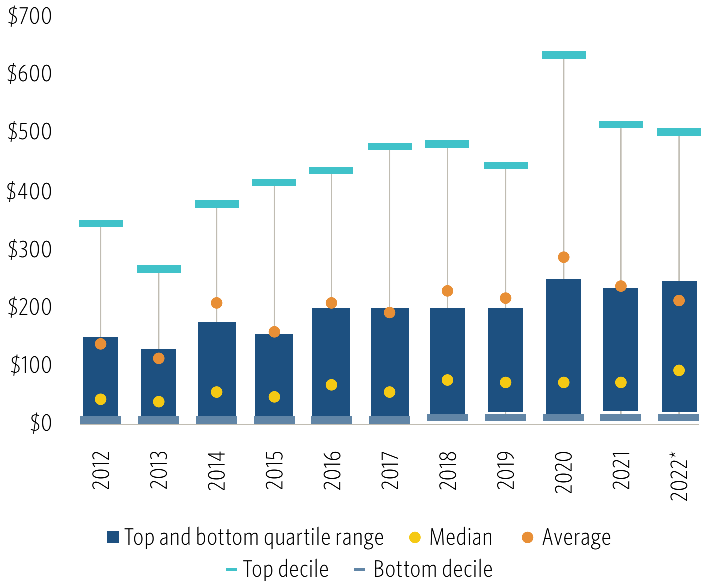
Valuation ($M) at exit via public listing dispersion by year



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Spread in acquisition price has stayed relatively unchanged

Valuation ($M) at exit via acquisition dispersion by year



Source: PitchBook | **Geography:** US
*As of September 30, 2022

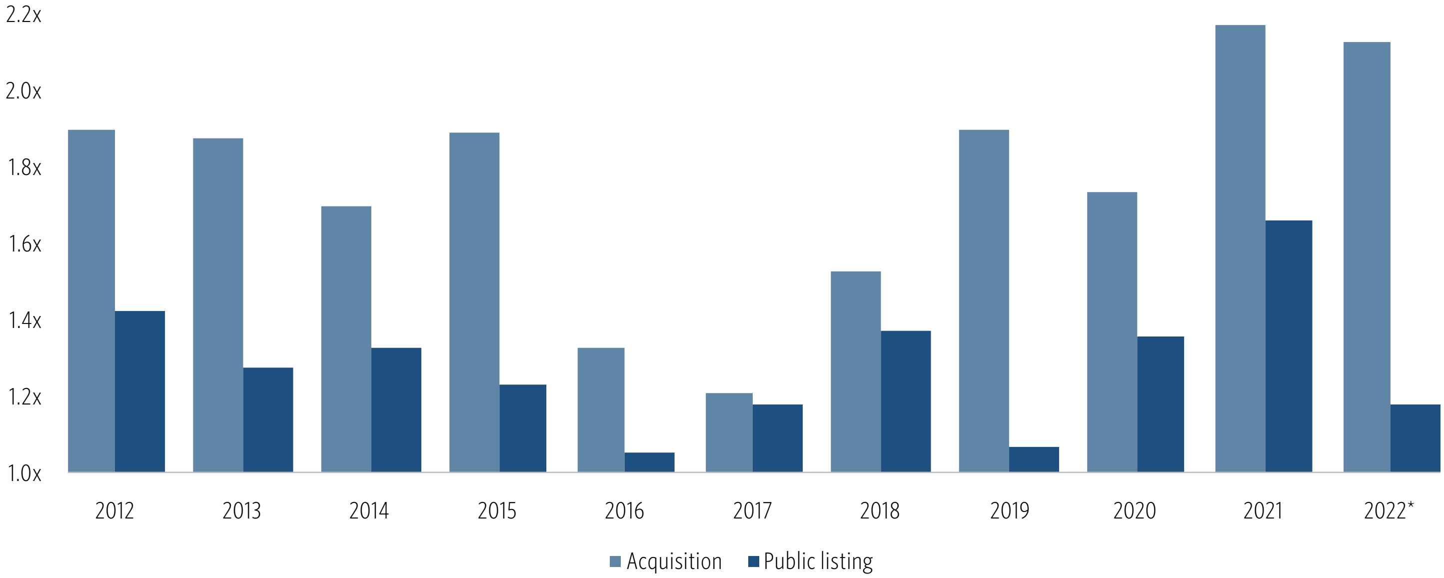
Unsurprisingly, VC exit valuations have suffered alongside the slow market in 2022. The median public listing exit valuation in 2022 declined to its lowest point in three years at $338.3 million, and the average has fallen below $2 billion for the first year since 2018. The huge tech exits that helped 2021 reach an unprecedented $781.5 billion in exit value have not been a part of the story in 2022. So far, just 43 public listings, consisting of IPOs and deSPAC transactions, have been completed, far below the 247 completed during 2021. The SPAC market, which became a major piece of the exit market in 2020 and 2021, has fallen flat due to regulatory scrutiny, poor debt markets necessary for financing, and lagging interest from investors. The poor post-completion performance of companies after they deSPAC won't help to revive the market.

The lone bright spot for major exits in Q3 was the announced acquisition of Figma by Adobe. While there remain significant challenges before closing this deal, which will likely receive strong scrutiny from regulators, at $20.0 billion, the deal is $6.0 billion larger than the rest of the Q3 exits generated in value. The deal isn't a precursor to increased exit activity, but if closed, it will be a win for the VC market.

Valuation step-ups for exits have remained relatively strong, though that is little consolation for companies and investors that haven't been able to find an exit pathway. The more concerning pieces of a slow exit market are the follow-on impacts, including low distributions to be recycled into the industry, and lagging performance from VC funds when they go back to the fundraising markets.

Q3 median acquisition step-up remains high

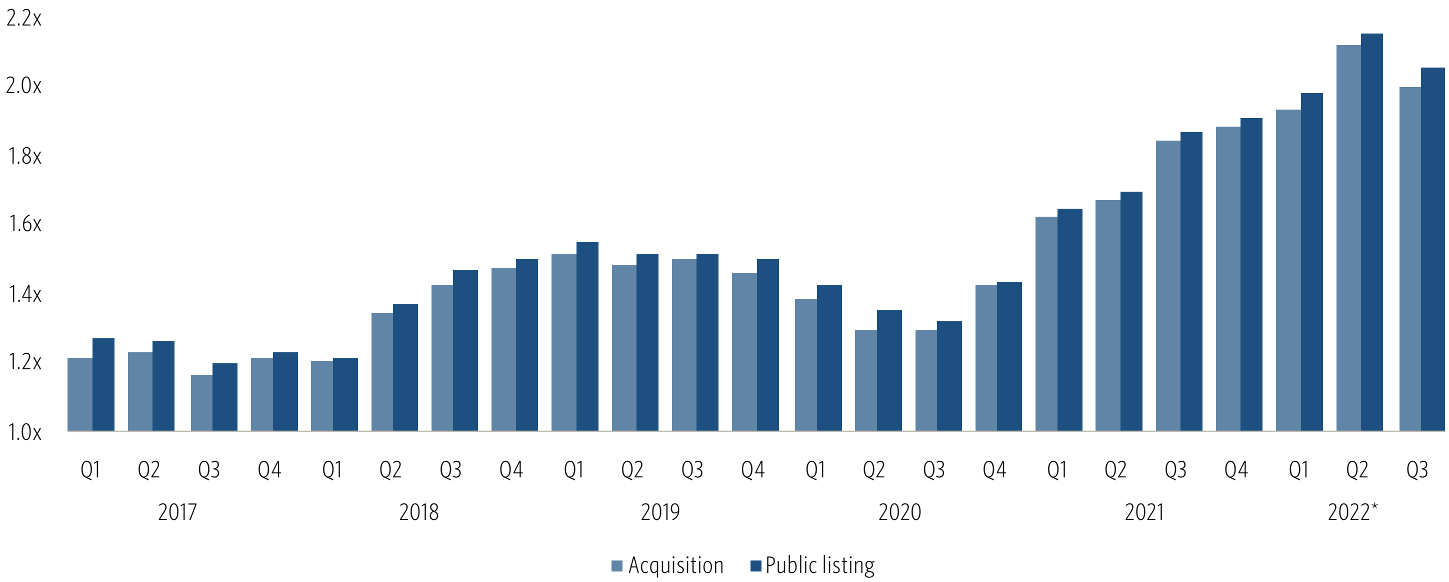
Annual median valuation step-up at exit by type



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Median step-up at exit plateaus

Rolling four-quarter median step up at exit by type

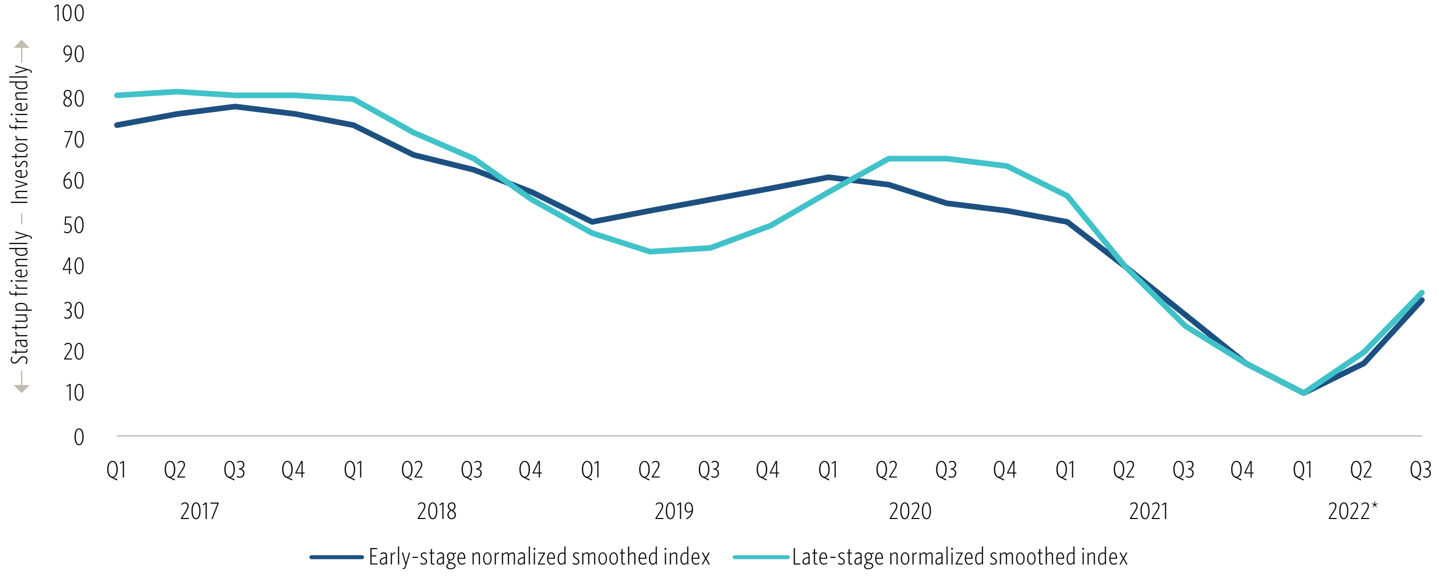


Source: PitchBook | **Geography:** US
*As of September 30, 2022

Deal terms

Markets becoming more investor friendly fast

VC Dealmaking Indicator by quarter



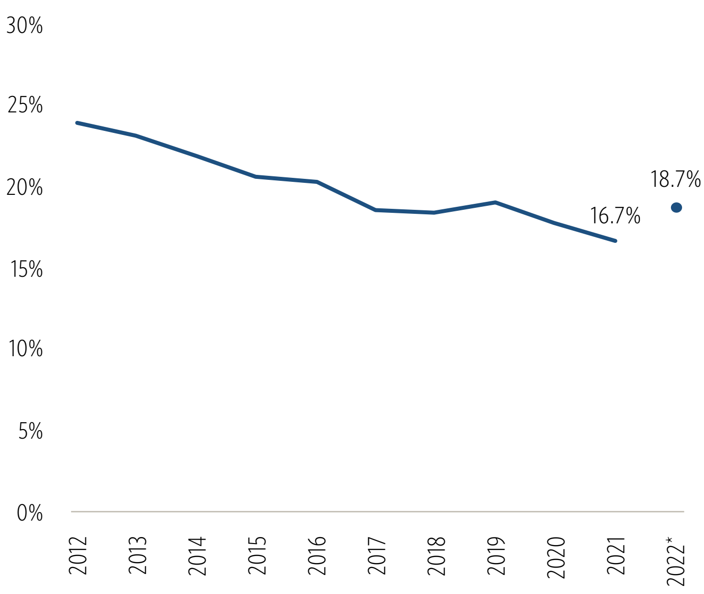
Source: PitchBook | **Geography:** US
*As of September 30, 2022

Our VC Dealmaking Indicator shows that the US venture market has quickly turned back toward being investor friendly. While that methodology includes comparisons over time for capital availability, it also includes changes to deal terms. More structured equity deals in a tough environment are expected, particularly when compared with the loose nature of dealmaking in 2021. Cumulative dividends, those that must be paid, have increased, a change from the trend seen over the past decade. This downside protection is just one of several expected to continue to show up in term sheets as the market moves back toward being investor friendly.

Down rounds have been expected to come back in a major way, especially as public multiples have contracted leaving private companies exposed with valuations that don't represent their business metrics. Though data is low for Q3, initial data shows that down rounds have indeed increased quickly. On an annual basis, the percentage of down rounds remains low, but the quick shift in proportions indicates that investors can expect down rounds to continue to pick up through the market slowdown. Though companies have alternative sources of capital, such as debt, that can extend runways without a priced round, this is generally reserved for strong underlying businesses. If the

Cumulative dividends helping protect investors

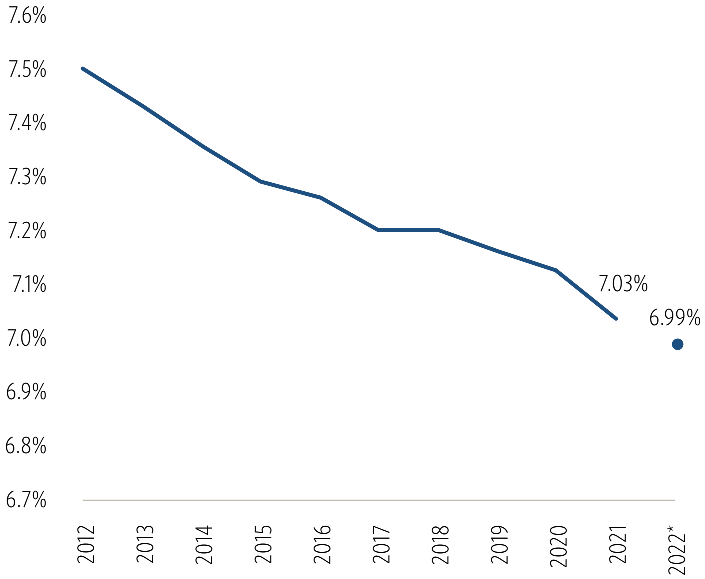
Deals with cumulative dividends as share of all VC deals



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Average dividend falls under 7%

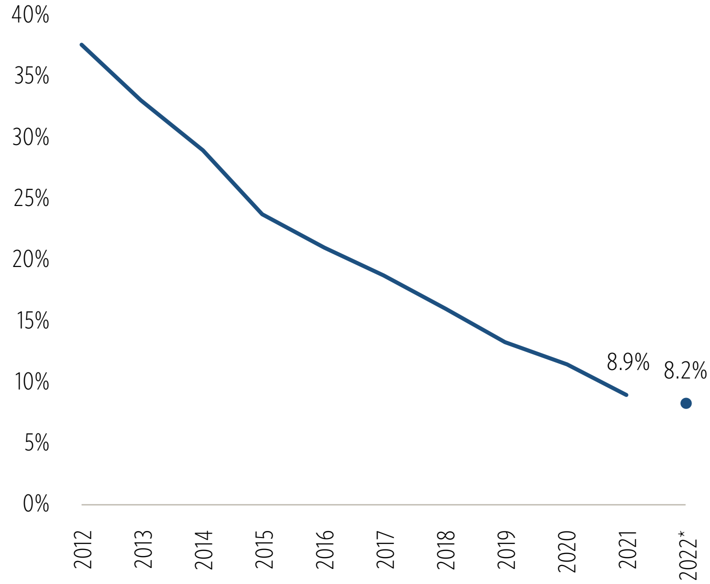
Average dividend



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Participating shares still decline by proportion

Deals with liquidation participation as a share of all VC deals

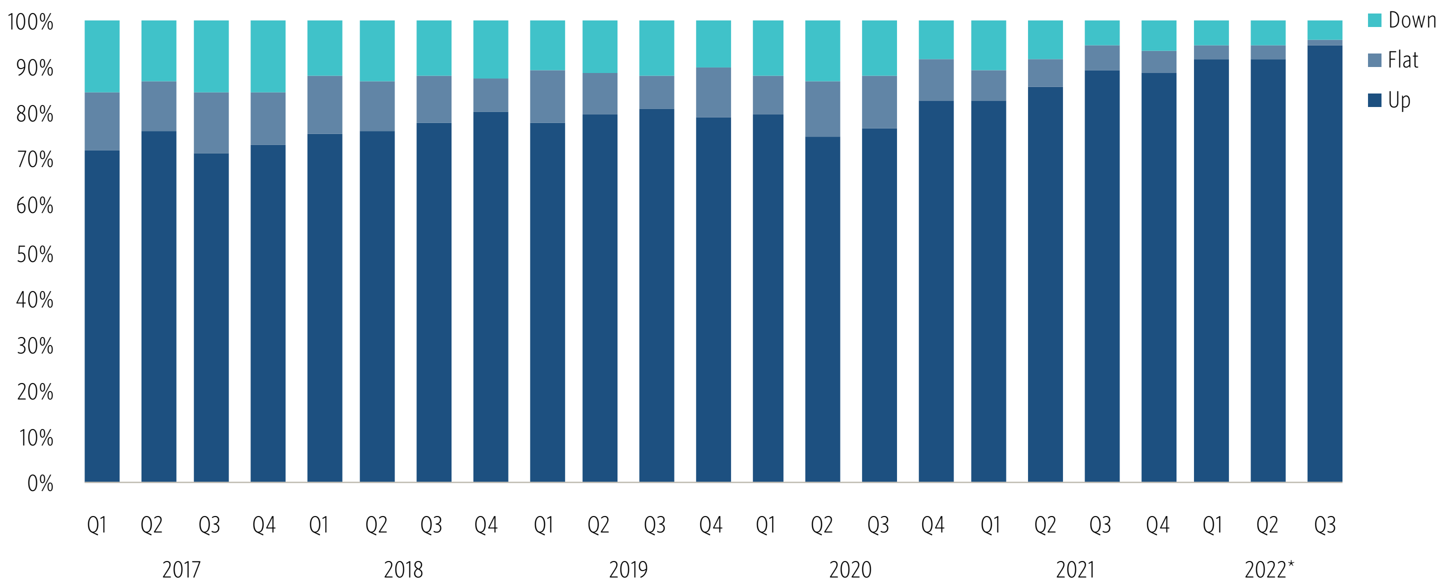


Source: PitchBook | **Geography:** US
*As of September 30, 2022

economy falls into a recession, the economic pain inflicted on many companies should manifest in down rounds—or outright failures—as debt will become less available. The growing group of unicorns seems especially prone to down rounds since comparable public companies have seen their market caps take swift drawdowns. Though layoffs can help extend runways too, eventually many unicorns will need to return to an equity raising market that is much less hospitable than the one in which they last raised capital.

Down rounds quickly shift toward increase

Share of VC deals by up, flat, or down rounds by quarter



Source: PitchBook | **Geography:** US
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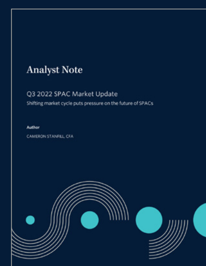
Additional research

Venture capital

Q3 2022 PitchBook-NVCA Venture Monitor

Download the report here



Analyst Note: Q3 2022 SPAC Market Update

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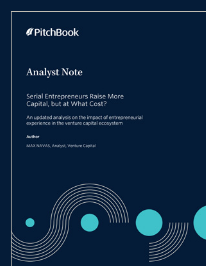

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