PitchBook nvca

Venture Monitor

Q4 2020

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Annual VC investment tops $150 billion for first time ever
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Massive IPOs drive record year for VC exits
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Established fund managers find success during pandemic to push fundraising to new highs
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The definitive review of the US venture capital ecosystem

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Executive summary

Despite facing macro headwinds from the COVID-19 pandemic for most of 2020, the US VC industry remained resilient on a broad level. Overall, 2020 posted record investment into high-growth startups, record capital raised by VC funds, and the second-highest year for VC-backed exit value. However, underneath the surface of those topline stats exists an increasingly concentrated industry with divergent outcomes for established players and newcomers.

Although late-stage deal count and value dipped in Q4, both metrics reached record annual highs, and late-stage companies accounted for 28.8% of total VC deal count and 66.7% of value in 2020. Their increased share of activity may have stemmed partly from investors turning much of their attention to supporting existing portfolio companies with capital infusions to maintain operations and accelerate growth. At the same time, mega-deals (largely buoyed by large, late-stage companies) also reached annual record highs for deal count and value, helping to drive up the median deal size across all investment stages.

On the other end of the investment cycle, seed-stage and first-time financing activity fell sharply, proving a more challenging fundraising environment for newer entrepreneurs. Female founders and entrepreneurs in the middle of the country, who have traditionally been underrepresented in VC funding, also felt the impact of investors largely allocating capital to existing portfolio companies or known relationships. Emerging VC fund managers have had a difficult time raising capital as well, with LPs seemingly unwilling to take risks on unproven investors and shying away from new relationships. Established firms secured nearly 75% of the total capital raised for venture funds in 2020, marking the highest share this cohort has held since 2012.

A big concern at the onset of the pandemic was the impact it would have on the exit environment for VC-backed companies, but high-profile exits in Q4 elevated 2020 to a banner year for liquidity. December saw the two largest VC-backed IPOs of the year—Airbnb and DoorDash—and the largest VC-backed acquisition with Intuit's $7.1 billion purchase of Credit Karma.

VC-backed companies fared relatively well post-exit in 2020, and financial markets seem to have accurately priced in the election outcome, with public markets hitting record levels after all the votes were counted. That markets remained strong heading into yearend bodes well for IPOs in 2021. Industry attention will also remain on special purpose acquisition companies (SPACs), which abound and have rapidly evolved over the past six months, becoming more flexible on terms due to competition. If SPACs are here to stay and deal terms remain favorable, then companies may be graced with another alternative to traditional IPOs, avoiding outsized "pops" that transfer wealth the wrong way.

At a sector level, biotech & pharma benefited from the race for a COVID-19 vaccine, rapid shifts from in-person treatments to telehealth, and other changes in medicine and healthcare prompted by the pandemic. Companies in the sector raised a record amount of capital in 2020, and the bull investment run is likely to continue in 2021. The tailwinds for biotech & pharma due to renewed interest in vaccines and antivirals may last for years. Other silver linings for sector trends include the acceleration of consumer adoption of e-commerce and delivery and the shift to a distributed workforce model. Many of these trends could persist even in a post-pandemic world.

On the heels of several years of high fundraising levels, the venture industry will start 2021 with $152 billion in dry powder. While uncertainty remains in the new year, the vast sum puts the industry in a strong position to deploy healthy levels of capital into promising startups.

NVCA policy highlights

The fourth quarter of 2020 brought long-awaited clarity on the future executive leadership of the nation with the election of Joe Biden. The incoming Biden administration has named numerous key nominees and high-level appointees, including many who will play a major role in shaping economic policy and overseeing regulations that will have an impact on the VC industry and startup ecosystem.

All this occurs amid the backdrop of a continuing pandemic that has generated a third surge of COVID-19 cases in the country, leading to record levels of hospitalizations and deaths. The FDA granted Emergency Use Authorization of two vaccines in December, one produced by Pfizer and BioNTech and the other produced by Moderna, beginning the rollout of the first domestic vaccinations against the novel coronavirus. These events provide hope that this immense public health emergency may abate in the near future, although "normalcy" likely will not return for some time.

In anticipation of the incoming administration, NVCA sent a letter to the president-elect in early December outlining how NVCA is prepared to work to support the Build Back Better agenda focused on job creation and economic recovery. The letter outlines policies that would hasten the recovery by encouraging startup activity and entrepreneurship. These policies include:

- **Immigration reform:** NVCA strongly supports the establishment of a US startup visa that facilitates new company formation by immigrant entrepreneurs. Startup visa legislation has strong bipartisan support and is widely recognized as a job-creation tool. NVCA also supports proper and effective implementation of the International Entrepreneur Rule. This Obama-era rule functions similarly to a startup visa by allowing immigrant entrepreneurs to launch new high-growth companies in the US rather than overseas. NVCA also encourages increasing the number of STEM visas issued, which would allow more of the world's brightest minds to remain in the US and help build the next cohort of premier US-based companies.
- **IGNITE American Innovation Act:** As part of a broad coalition of advocates for tech startups, NVCA continues to advocate for this bipartisan legislation, which would provide immediate liquidity to companies with less than 1,500 employees by allowing them to monetize up to $25 million in tax assets in the form of net operating loss carryforwards and R&D credits. The IGNITE bill is a major stimulus proposal focused specifically on the startup ecosystem that could help many startups survive the downturn and create new jobs.
- **American innovation policy:** Innovation policy is crucial to solidifying US leadership in future technological advancement. NVCA believes that a renewed commitment to federal basic research investment and promoting the successful transition of technological concepts from the federal lab into innovative products that can succeed in the marketplace are essential to a sound innovation policy. Passage of legislation such as the Endless Frontier Act, which would fund $110 billion for programs supporting basic research and encourage commercialization over five years, will help the US secure a leadership position in next-generation technology.
- **Climate change and sustainability:** Climate change and the transition to a more sustainable economy present both enormous challenges and opportunities. VC has a critical role to play in this transition by identifying, funding, and supporting entrepreneurs focused on unlocking new energy sources, creating tools for more efficient energy usage, and improving energy storage capabilities. NVCA is encouraged by numerous proposals in the Clean Energy Revolution plan, including using the federal government procurement system to drive toward 100% clean energy and zero-emissions vehicles and bolstering federal investment into clean energy R&D, both of which will support entrepreneurs in the US and help the nation lead the charge with preeminent energy and sustainability technologies.

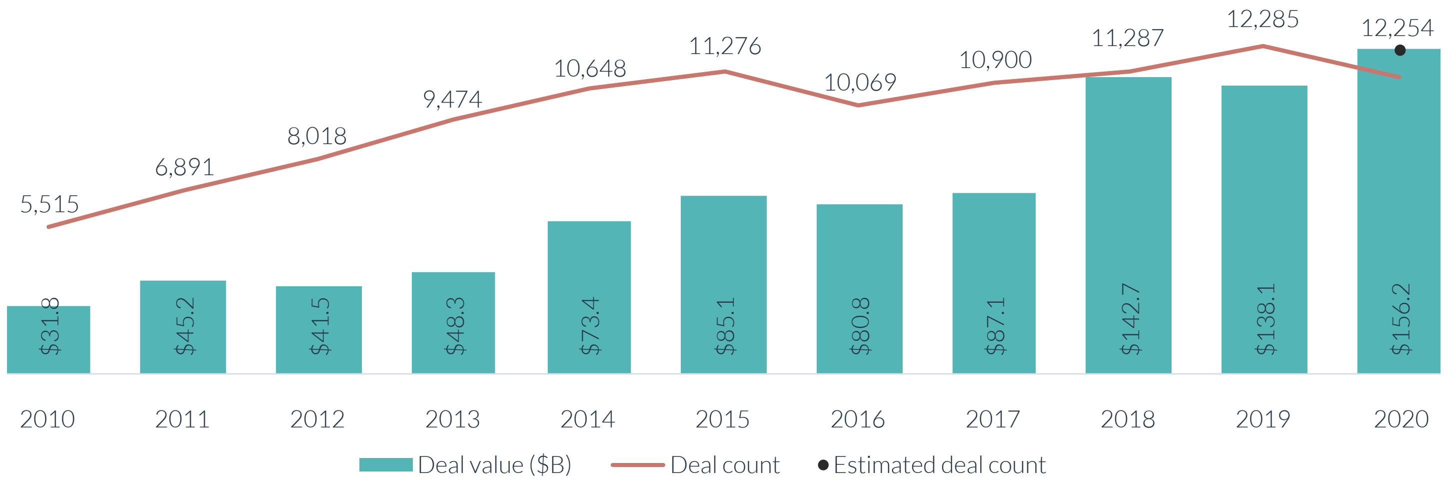
Bobby Franklin is the President & CEO of the National Venture Capital Association (NVCA), the venture community's trade association focused on empowering the next generation of transformative US-based companies. Based in Washington, D.C., with an office in San Francisco, NVCA acts as the voice of the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

Senate hearing on expanding US entrepreneurship outside traditional hubs: Finally, NVCA was delighted to have two member firms represent the industry during a Senate hearing in December to discuss the important issue of increasing the geographical diversity of VC activity in the US, a key priority for NVCA. Jan Garfinkle, former NVCA Board Chair and founder and managing partner of Arboretum Ventures, along with David Hall, Managing Partner at Revolution's Rise of the Rest Seed Funds, testified before Senator Thune and other lawmakers about exploring ways to expand investment to under-ventured parts of the country.

Overview

Deal value tops $150 billion for the first time ever

US VC deal activity (with deal count estimation)



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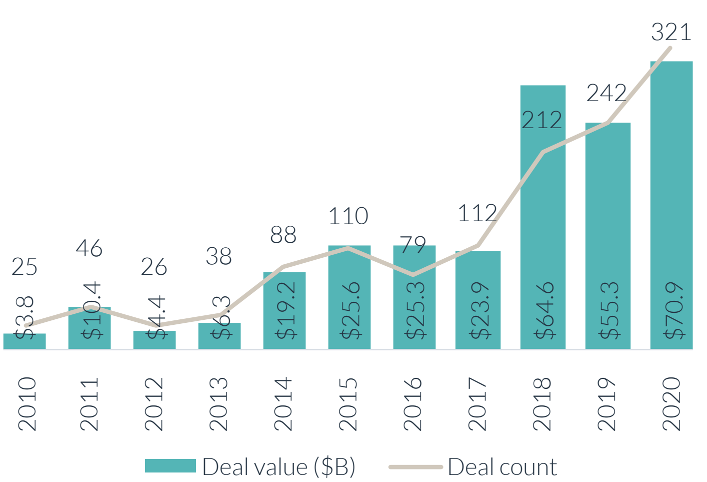
2020 set new US VC records in total deal value, exit value, and capital raised for VC funds. Investors deployed $156.2 billion into startups, liquidated $290.1 billion of value via exits, and closed on $73.6 billion in traditional VC funds. This trifecta of records, during a year characterized by a pandemic, demonstrates the resilience and long-term mindset of the VC industry at large.

A record 321 mega-deals closed in 2020, with late-stage companies contributing 265 to that sum. For perspective, just 242 mega-deals closed in 2019. In 2011, less than a decade ago, just 46 mega-deals closed. The closed mega-deals in 2020 accrued a total of $70.9 billion, surpassing the previous high-water mark of $64.6 billion set in 2018, and constituted 45.4% of total US VC deal value.

2020 seemed to mark a turning point in the search for more feasible alternatives for going public. Compared to 2019, the number of public listings of SPAC vehicles quintupled to 250, recording a 579.6% jump in the value raised at $75.1 billion. Direct listings managed to have a successful year, albeit with less hype. Palantir and Asana both went public via this route in 2020, marking the first year in which we witnessed

Robust year of fundraising by the largest VC-backed companies

US VC mega-deal activity



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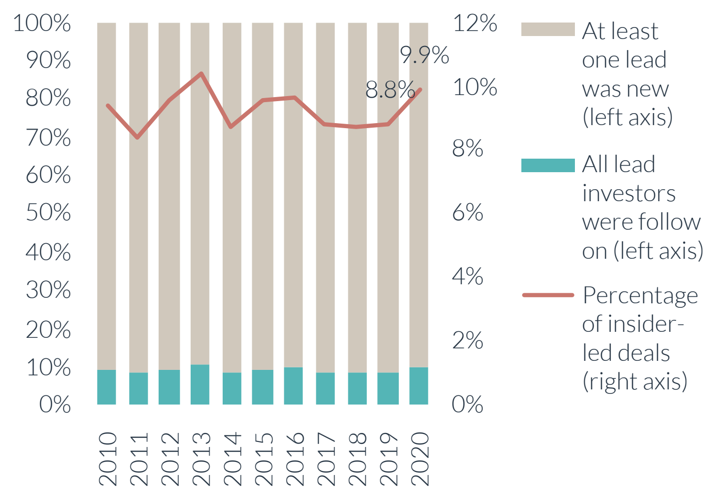
Insider-led deals jump in 2020

US VC deals (#) by lead investor status



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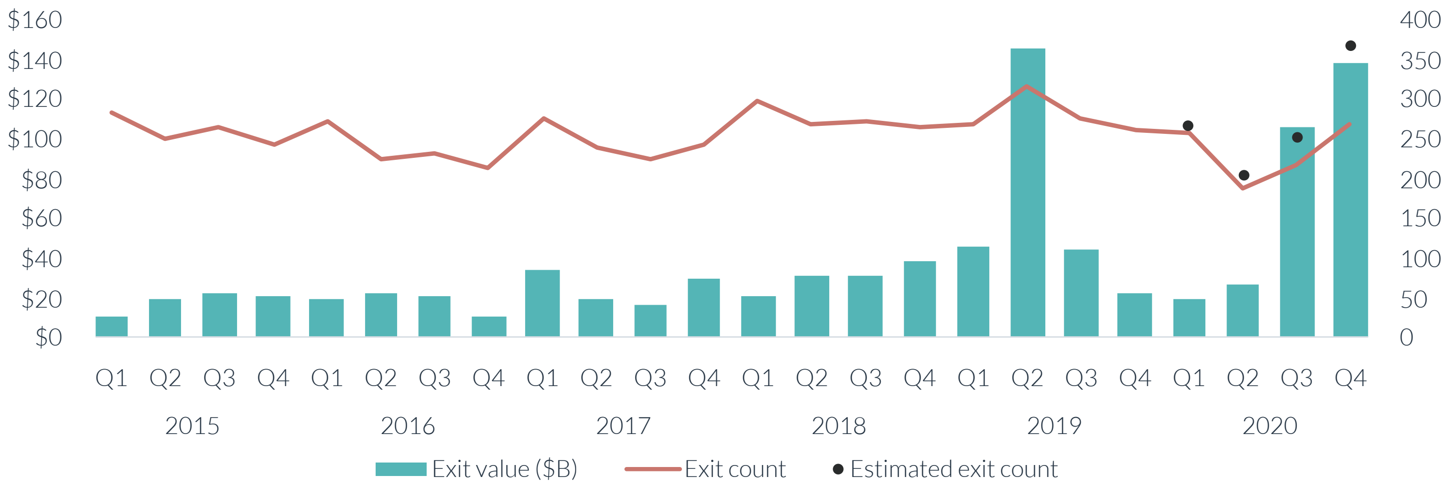
Massive rebound of exits in H2 2020 ushers in new heights

US VC exit activity (with exit count estimation) by quarter



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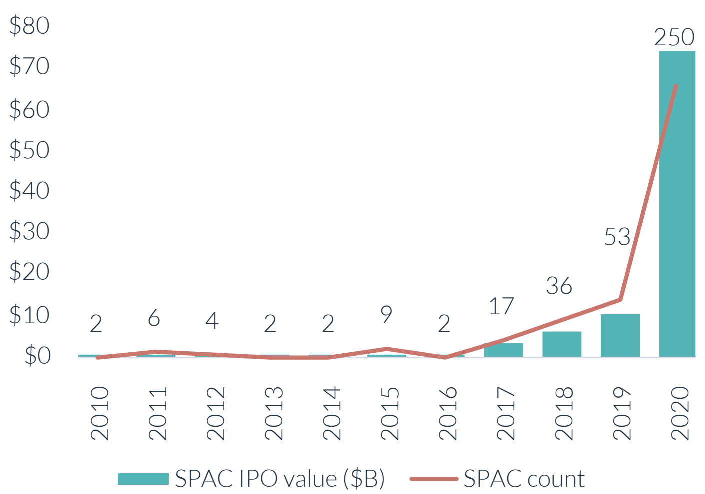
multiple billion-dollar direct listings, with both companies achieving positive results in the aftermarket. Furthermore, the SEC recently ruled positively on an NYSE proposal to allow concurrent primary shares to be sold in a direct listing, which should help level the playing field between direct listings and traditional IPOs.

The angel and seed stages seem nearly adjusted to the new market dynamics, with deal activity reaching its highest level since Q2 2015. The earliest stages of venture were hit hard at the outset of the pandemic as sourcing, diligencing, and investing in these companies went fully online after decades of leaning on in-person events and meeting to close deals. While the late stage held most of the attention in 2020 given COVID-19, many strong, young companies are still entering the venture pipeline.

VC fundraising netted a record $73.6 billion in 2020. Fundraising activity remained a hallmark of strength as the median and average VC fund size jumped in 2020 to $76.0 million and $235.8 million, respectively. Notable tailwinds bolstering the year's fundraising activity were public market liquidity from a strong IPO market, near-zero benchmark interest rates, and the large number of LPs underallocated to venture coming into the year. Furthermore, VC firms closed a record 44 mega-funds—vehicles totaling $500 million or more—in 2020, which was nearly double the 24 closed in 2019. Much of this is explained by the increasing share of capital raised by established VC firms (those that have raised four funds or more), as they had relatively more success navigating many of the headwinds dealt by market instability and the ongoing pandemic in 2020.

SPAC activity exploded in 2020 as some VCs join in

US SPAC IPO activity



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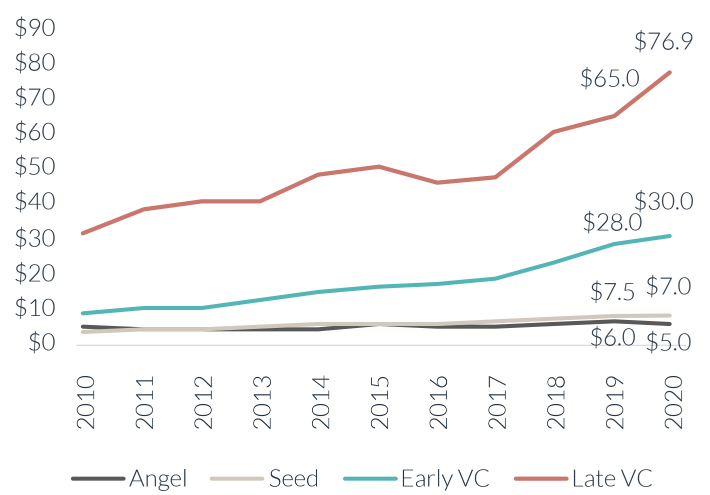
Valuation growth tapers outside of the late stage

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



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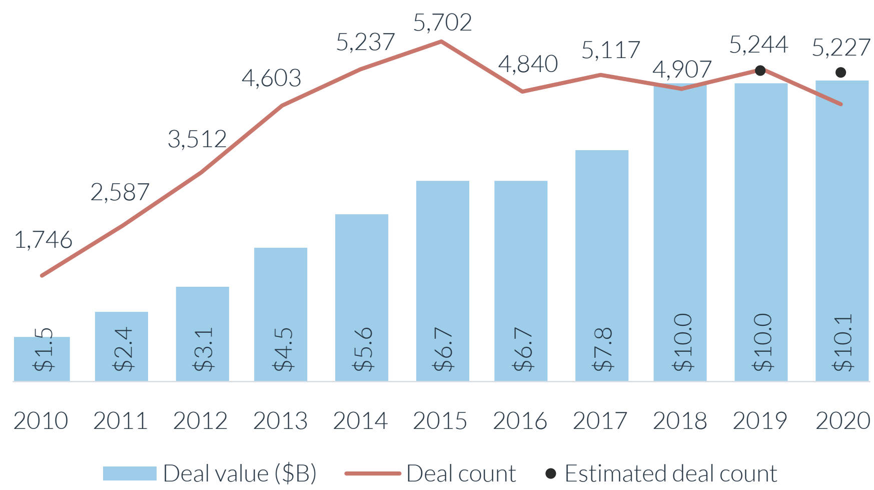
Angel, seed, and first financings

Angel and seed investments seemed the most jeopardized when deal processes shifted to teleconferencing software in 2020. Meeting founders in person is typically an important part of due diligence at this stage, as many companies lack the financial metrics or even a fully formed product to evaluate. However, the industry's transition to digital dealmaking has been relatively smooth and swift, and investors ultimately closed roughly the same number of angel and seed deals in 2020 as in 2019, according to our deal estimates.

Despite pandemic, 2020 activity was strong

US angel and seed deal activity (with deal count estimation)



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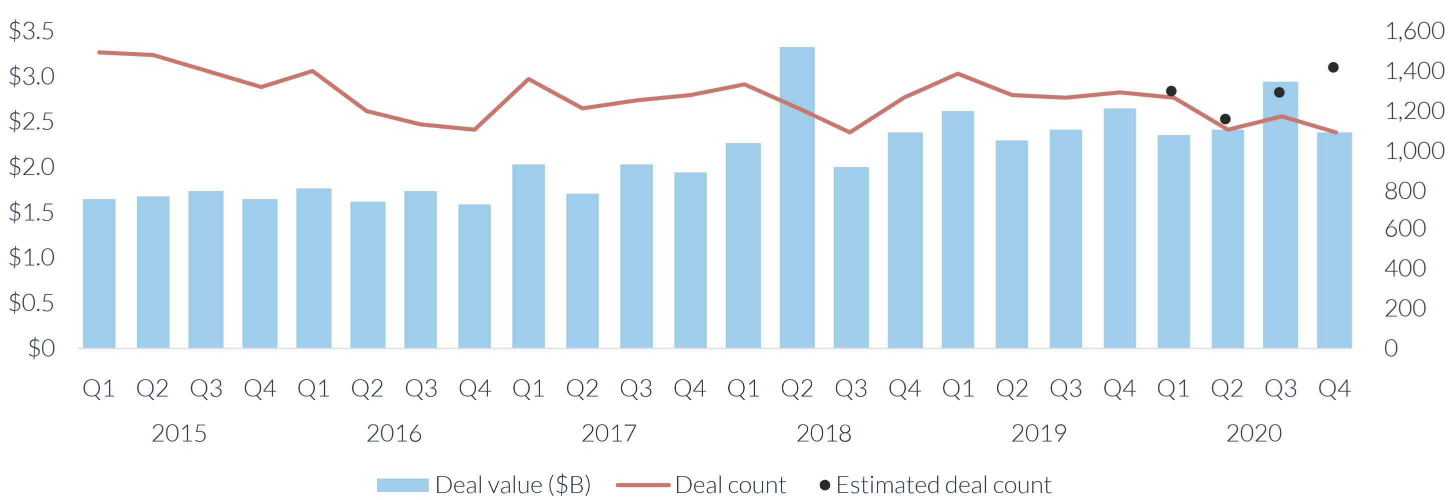
While we correctly predicted deal activity, our early-year prediction that angel and seed valuations would increase did not come to fruition. These were the only stages to see a decline in the median pre-money valuations from 2019, with 2020 marking the first time that seed valuations had waned since 2009. As valuations tapered, median and average deal sizes at these stages reached new highs. Angel and seed investments present substantial risk even during strong economic times. The convergence of deal size and valuation suggest that investors are looking to be compensated with a higher future return by taking larger stakes in the deals. While seed deals are a risky endeavor during normal climates, the economic headwinds of 2020 added more uncertainty to the investment stage. All said, the impact on valuations has been minimal given the industry's quick adaptation, with only Q2 data showing any evidence of pandemic-related slowdown.

The persistence of angel and seed investments is significant to the health of the broader VC ecosystem. As our past research has shown, local capital availability is at a premium early in companies' lives. If investors continue to use teleconferencing software to source, diligence, and invest in nonlocal companies, a large amount of capital could be unlocked for businesses headquartered

Activity picked up swiftly as the industry adjusted

US angel and seed deal activity (with deal count estimation) by quarter



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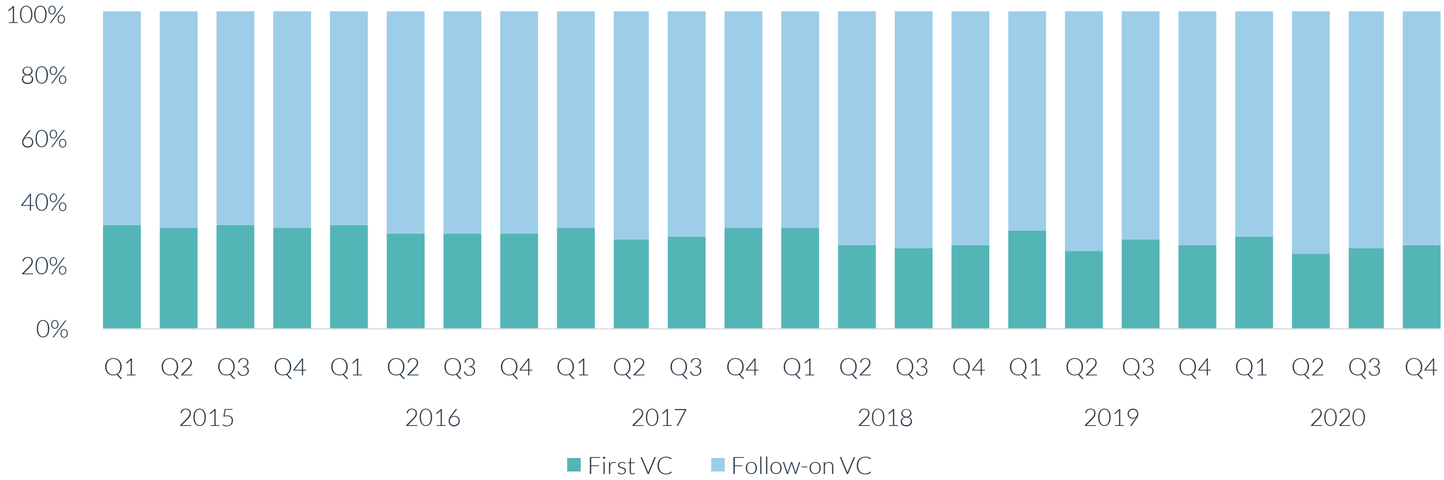
First-time financings adjusting to new investment climate

US first-time VC deals versus follow-on VC deals (#)



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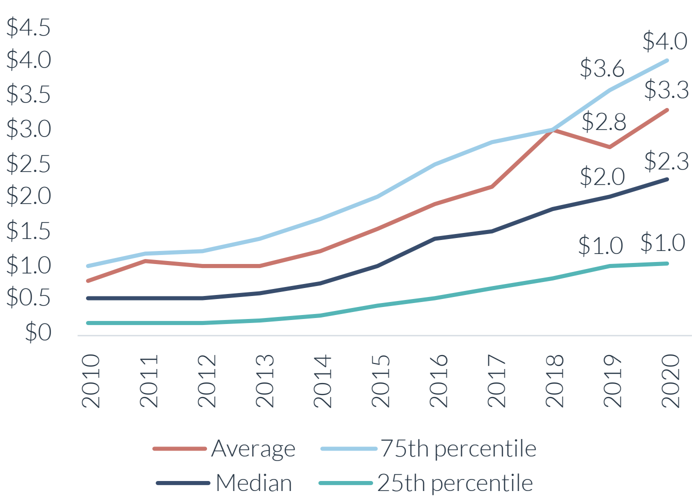
outside of traditional investment hubs. In fact, excluding our deal count estimate, in 2020 the Bay Area saw one of the largest declines in angel and seed deal counts of the 10 most active CSAs, realizing just 81.2% of its 2019 total. Atlanta, on the other hand, has already counted a 13.1% increase over 2019, nearing 100 completed angel and seed deals for the first time since 2014. The end of 2020 has been especially difficult on San Francisco, with strict lockdowns, rampant COVID-19 cases, and a migration of tech talent to other areas around the country, and we believe the year was a harbinger for investment trends to shift further outside of the region's venture hub.

2020 ended as a solid year for first-time financings despite headwinds. After a swift decline in Q2 at the onset of the pandemic, first-time financings have begun to return to past years' levels. The industry's move to teleconferencing software made meeting with investors easier, but finding those investors without in-person networking events challenged young founders without built-out networks. Though current figures show a decline in first-time financings relative to the past several years, lagged data may push 2020's total above 2019's 3,358, which would mark the highest annual count since 2015, which would be a surprising outcome given the overall climate in 2020.

Seed deal sizes rise unabated

Quartile distribution of US seed-stage deal sizes ($M)



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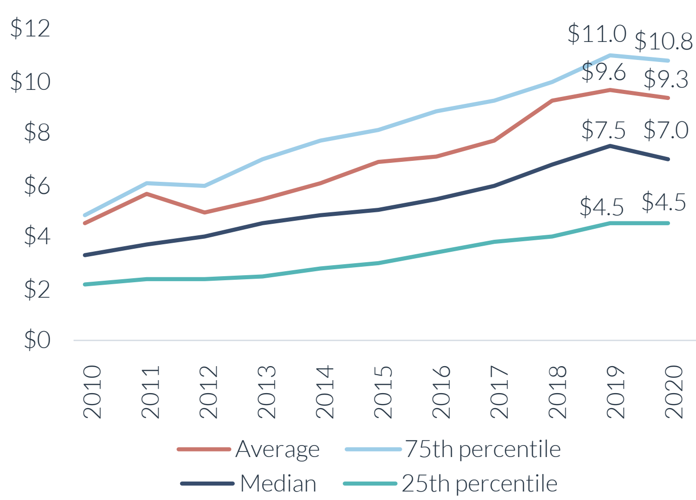
Seed valuations dropped YoY

Quartile distribution of US seed-stage pre-money valuations ($M)



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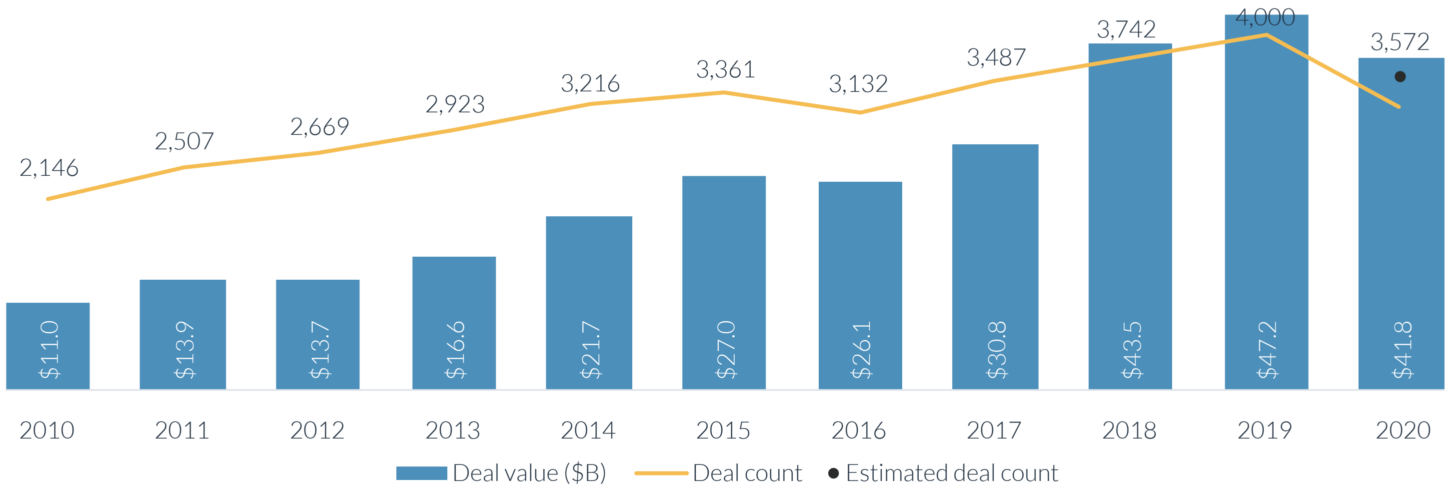
Early-stage VC

Total early-stage VC deal value in 2020 exceeds $40B for third consecutive year

US early-stage VC deal activity (with deal count estimation)



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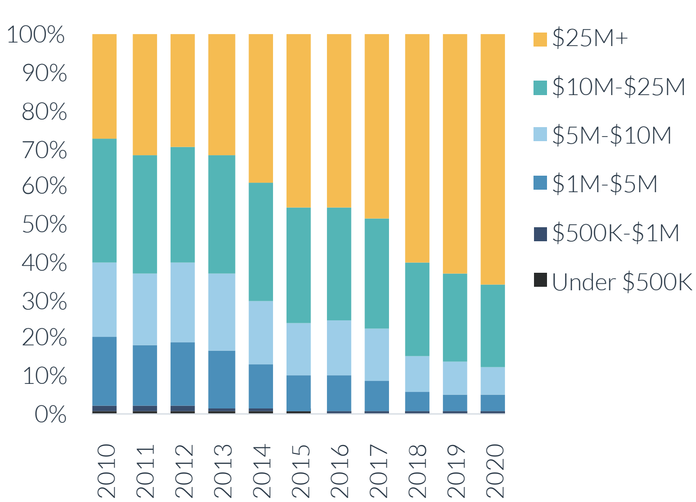
US VC deal activity at the early stage finished strong despite the year's tumultuous beginning. In Q4, investors deployed $11.3 billion across 686 Series A and B rounds. Our methodology estimates an additional 258 deals closed in the quarter as well. In 2020 overall, early-stage companies raised $41.8 billion across 3,195 deals (3,572 with our estimate). While these totals fall short of the records set in 2018 and 2019, early-stage deal value in 2020 exceeded the $40 billion mark for the third consecutive year.

Noteworthy early-stage deals in Q4 2020 include a $725.0 million round in San Diego-based Resilience led by ARCH Venture Partners and 8VC. The company aims to develop the next generation of life sciences manufacturing capabilities and epitomizes the tailwinds the biotech & pharma industry has seen throughout the year. Other notable deals include a $335.0 million round in Los Angeles-based LIVEKINDLY led by Blue Horizon Ventures in October. The company is a producer of plant-based food products, indicating that demand for bio-engineered meat alternatives has not slowed during a time when overall dealmaking has contracted. New York-

Early-stage financings exceeding $25M make up 65.7% of 2020 deal value

US early-stage VC deals ($) by size



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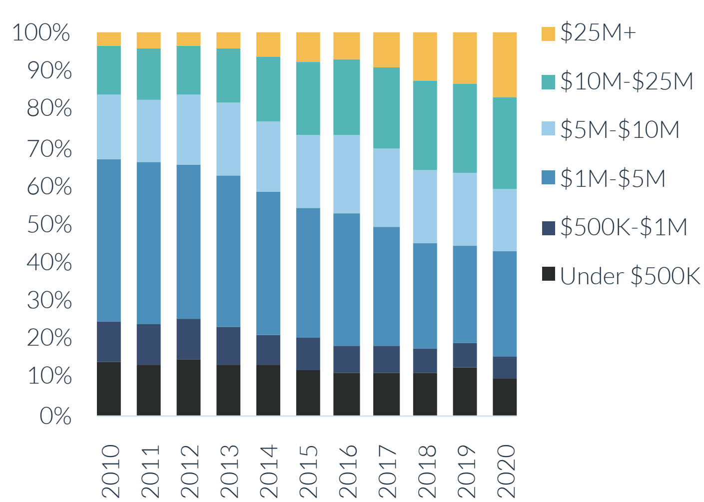
Percentage of deals exceeding $25M continues to grow

US early-stage VC deals (#) by size



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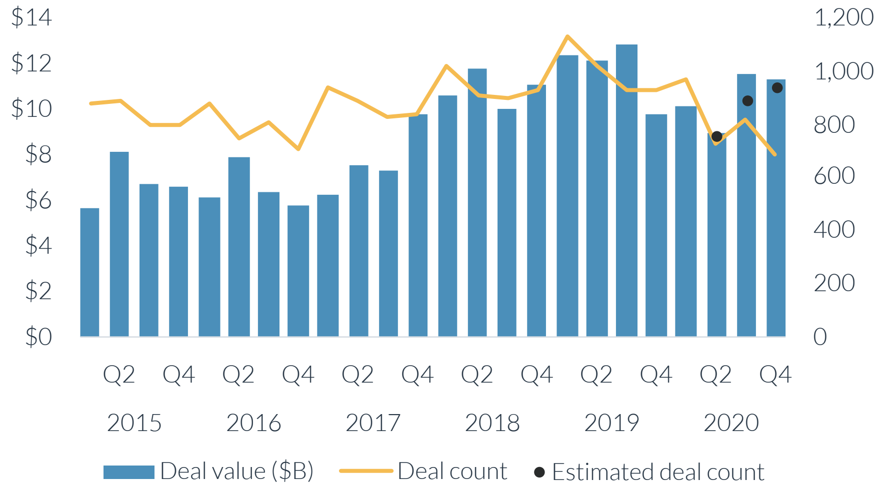
based Nuvation Bio, a biotech company focused on unmet oncology needs, also closed a sizable round in October, a $275.0 million Series A led by Omega Funds. The company has since announced a reverse merger with Panacea Acquisition (NYSE: PANA), a SPAC sponsored by EcoR1 Capital.

14 of the 25 largest early-stage VC deals to close in Q4 were within healthcare, a sector that the COVID-19 pandemic has buoyed. In each of the previous two quarters, healthcare represented 16 of the top 25 deals, the highest share recorded in our datasets. For perspective, the quarterly average from the past three years is about 12. That healthcare has ceded a small share of the top deals in Q4 potentially signals a recovery within other industries. While the pandemic posed minimal disruption to healthcare company development, particularly within the biotech & pharma space, it stymied company growth in other industries, especially in the travel & hospitality space. However, as more companies in adversely affected industries close new rounds of funding, we are beginning to see a restoration to the pre-pandemic early-stage landscape.

Q4 tracking to surpass Q3's bounce back in deal counts

US early-stage VC deal activity (with deal count estimation) by quarter



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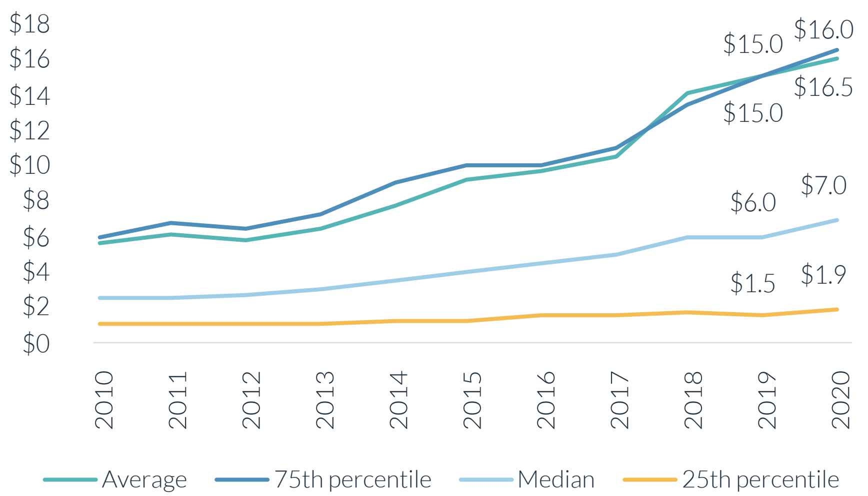
Increases in early-stage VC deal size seen across all quartiles

Quartile distribution of US early-stage VC deal sizes ($M)



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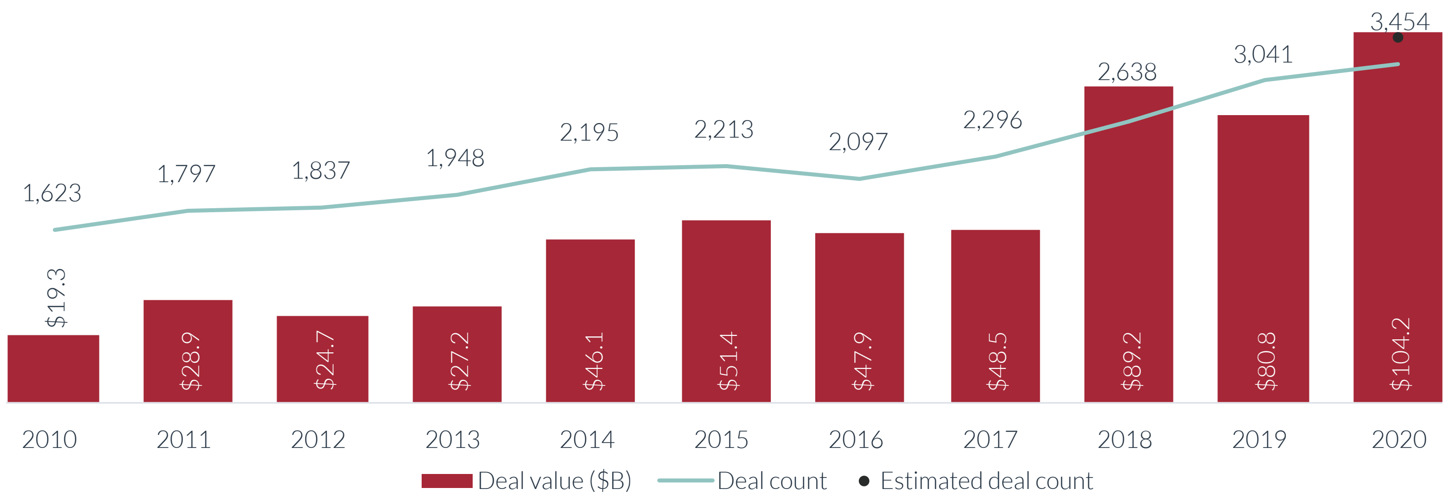
Late-stage VC

Late-stage activity sets new highs of value and count

US late-stage VC deal activity (with deal count estimation)



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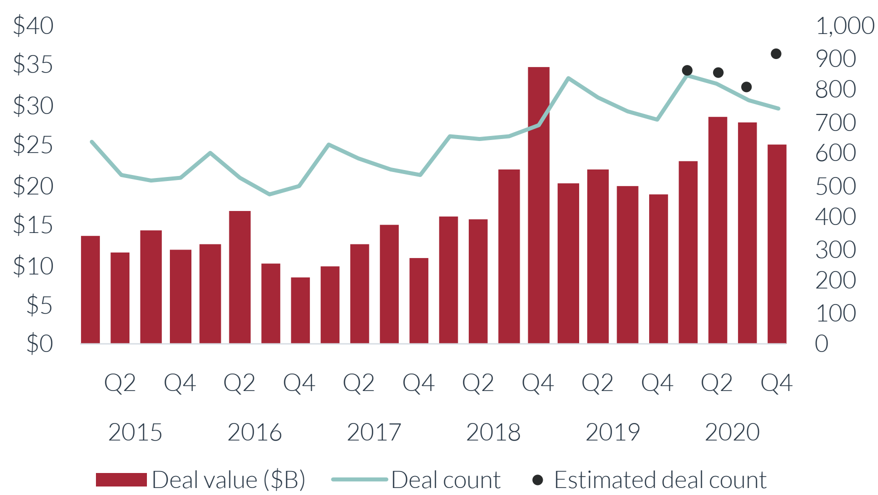
Late-stage companies have been the strongest piece of the venture ecosystem in 2020. We saw an uptick in both deal value and count for these mature startups, while totals for the rest of the market were flatter. For the first time ever, investors deployed over $100 billion in a single year to late-stage companies, which represented a record 66.7% of total US VC deal value. 2020 also marks the fourth consecutive year of increasing deal counts. We estimate 3,454 deals closed in total as capital continued to flow from both large VC funds and nontraditional investors. The sheer amount of capital available to late-stage companies has helped fuel the explosion of activity in the past three years. While many in the industry assumed that nontraditional investors would pull back from VC during the pandemic-induced crisis, we have only seen strength from these participants. The robust exit market from the past two years will continue to drive distributions back to LPs, reaffirming allocations to the strategy.

Consistent strength from the most mature VC-backed companies

US late-stage VC deal activity (with deal count estimation) by quarter



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A record 321 mega-deals closed in 2020, with late-stage companies contributing 265 to that sum. For perspective, just 242 mega-deals closed in 2019. In 2011, less than a decade ago, just 46 mega-deals closed. The closed mega-deals in 2020 accrued a total of $70.9 billion, surpassing the previous high-water mark of $64.6 billion set in 2018, and constituted 45.4% of total US VC deal value. The late stage already represents a sizable proportion of total US VC deal value year to year, and its share of the market has only increased as mega-deals flourish.

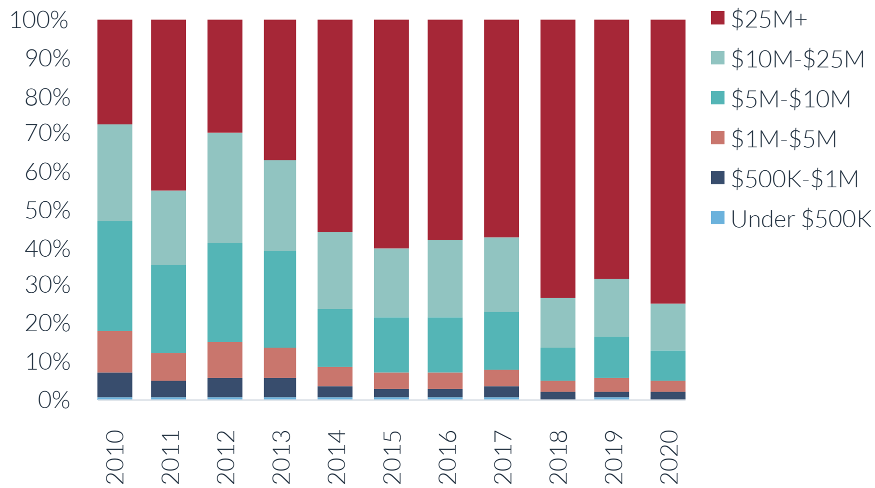
Investors have increasingly concentrated capital into mature companies for many reasons, among them now the shift to remote work and the complications to dealmaking that it produced. Late-stage companies tend to possess more concrete financial metrics and other operating datapoints relative to those in earlier stages of development. With this data, investors can more confidently complete a transaction without meeting the founders face to face, putting earlier-stage companies at a disadvantage. As COVID-19 vaccines roll out, we expect VC investors to return to pre-pandemic behaviors around due diligence in the near term.

That said, we expect some deals will still close using fully digital processes, which we believe have benefited companies in venture hubs outside the Bay Area and could enable greater geographic diversity in portfolios. The Bay Area recorded a 10-year low in proportion of total deal count in 2020, while CSAs such as Boston and Chicago recorded improving activity.

Mobility tech companies closed a handful of notable late-stage deals in Q4. Self-driving companies Nuro and TuSimple raised a $500.0 million Series C and $350.0 million Series E, respectively. Aerospace company Relativity Space raised a $500.0 million Series D to support its mission to create 3D-printed rockets. In addition to attracting ample late-stage capital, the advanced mobility tech space has become an area of concentration for SPAC combinations. In the next two years at least, we expect continued competition for deals between SPACs and late-stage investors, as SPACs try to reverse the "private-for-longer" trend that developed in the decade ending 2020.

Concentration forming at the top of the market

US late-stage VC deals ($) by size



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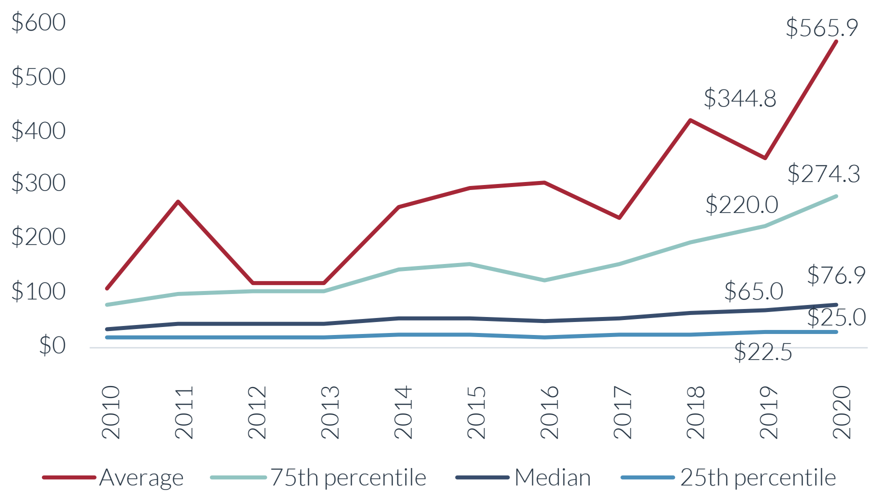
Investor demand at the stage buoys valuations

Quartile distribution of US late-stage VC pre-money valuations ($M)



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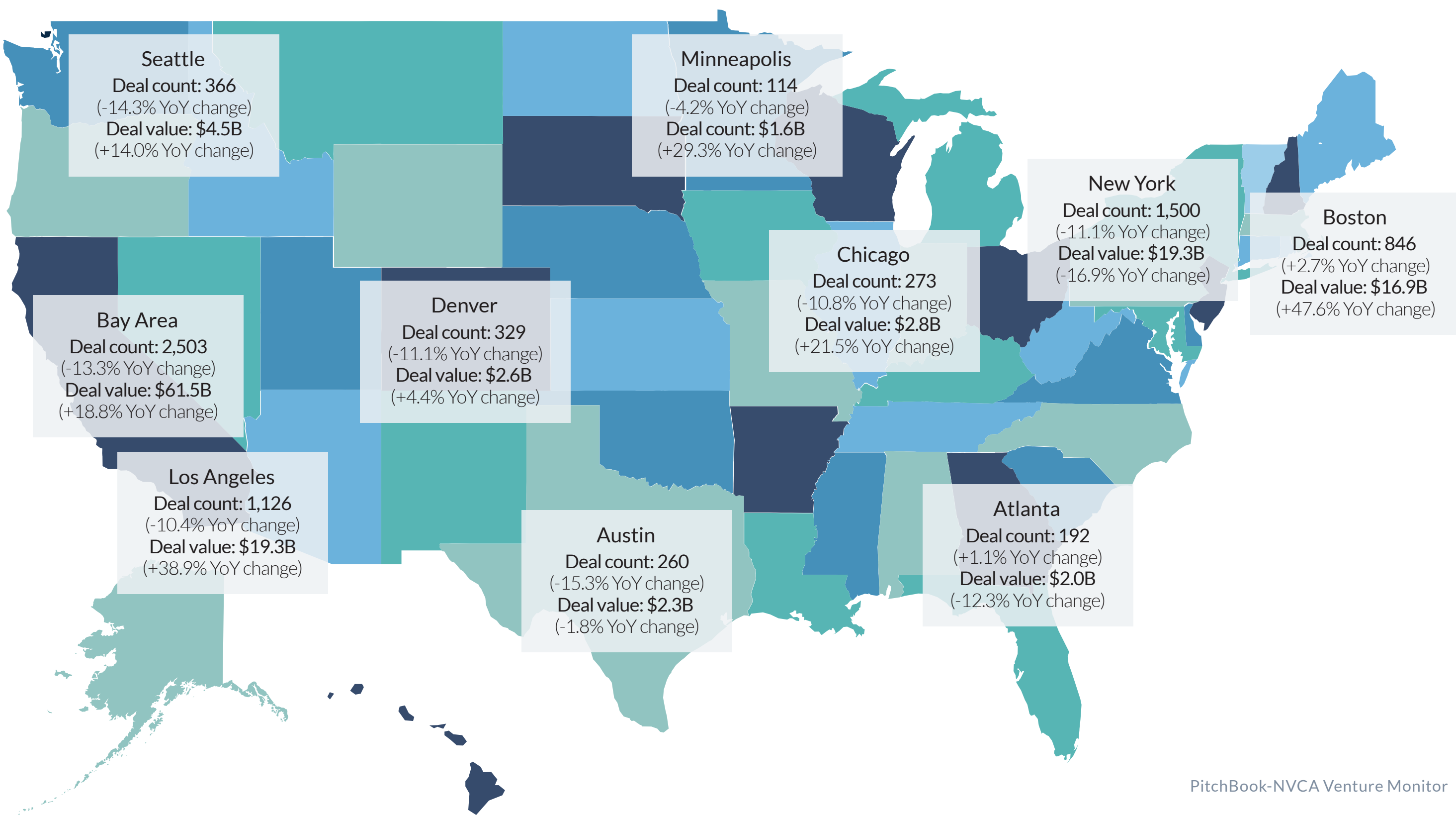
Regional spotlight

Ecosystems adapt to shifting industry trends

US VC deal activity in 2020 by CSA



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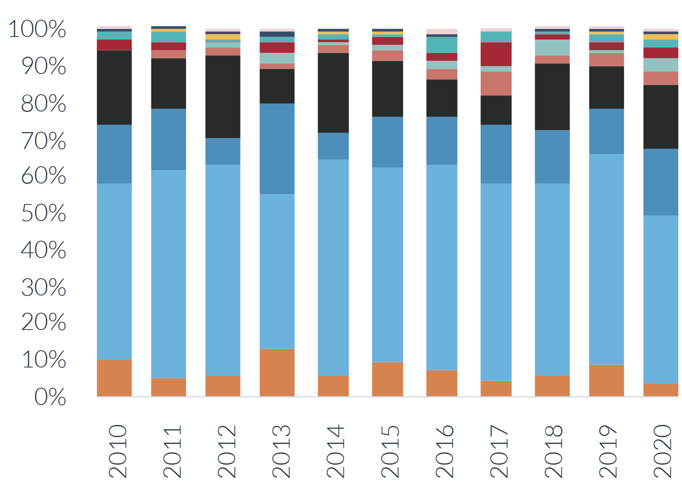
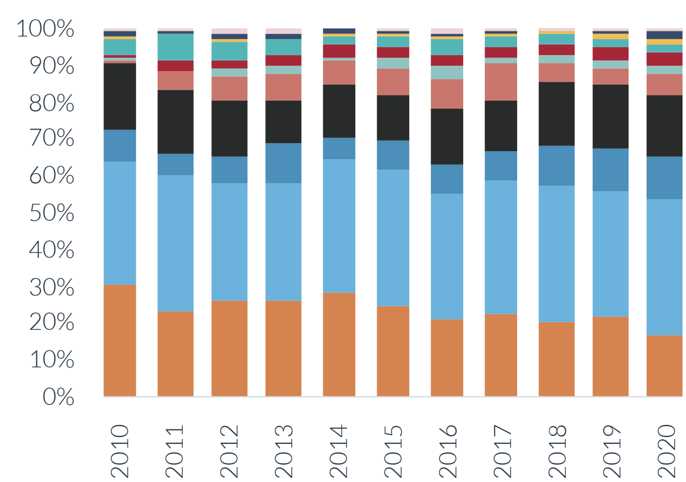
Despite record year for fundraising, capital still consolidates in main tech hubs

US VC funds ($) by CSA



Fundraising trends largely unchanged

US VC funds (#) by CSA



Nashville, Salt Lake City, Miami, Chicago, Washington, DC, Seattle, Los Angeles, New York, Boston, Bay Area, Other

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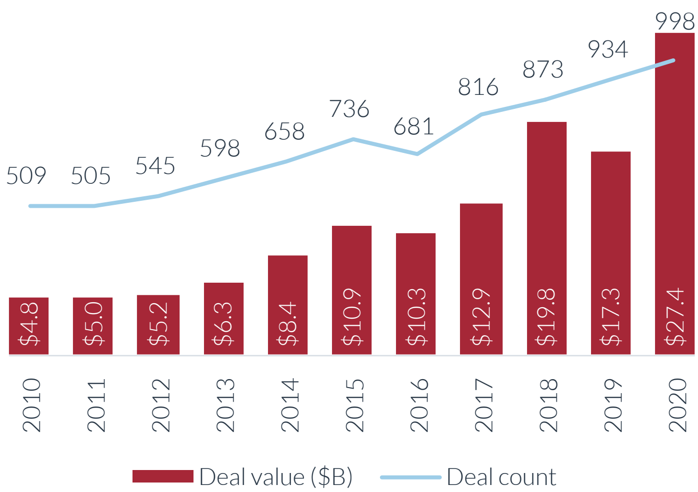
Deals by sector: Biotech & pharma

Record-shattering year for biotech & pharma

US VC biotech & pharma deal activity



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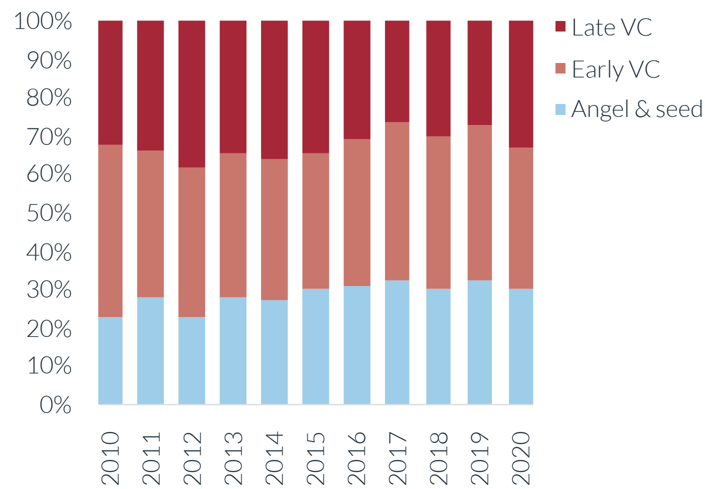
Near-even split of biotech & pharma deals across stages

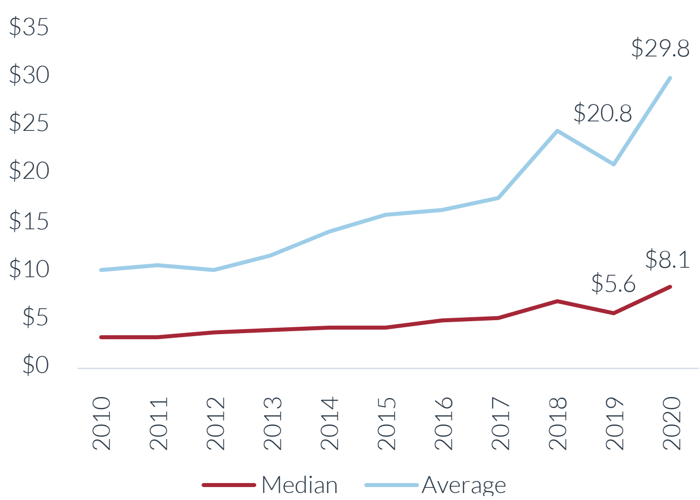
US VC biotech & pharma deals (#) by stage



PitchBook-NVCA Venture Monitor

Notable increases seen in both median and average deal size

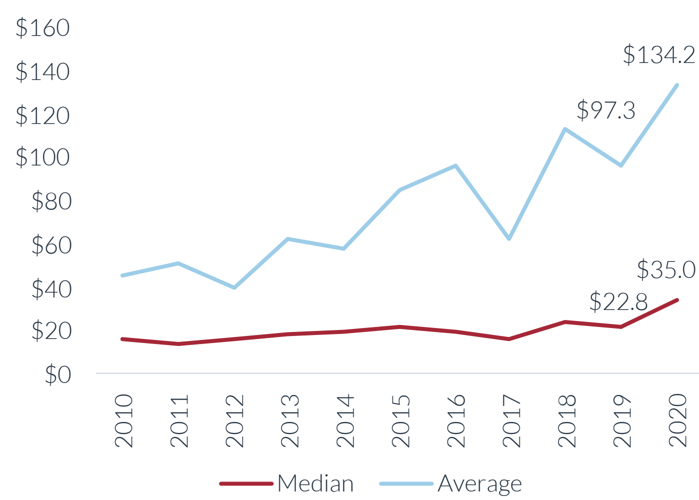
Median and average US VC biotech & pharma deal sizes ($M)



PitchBook-NVCA Venture Monitor

Median and average valuations sitting at all-time highs

Median and average US VC biotech & pharma pre-money valuations ($M)

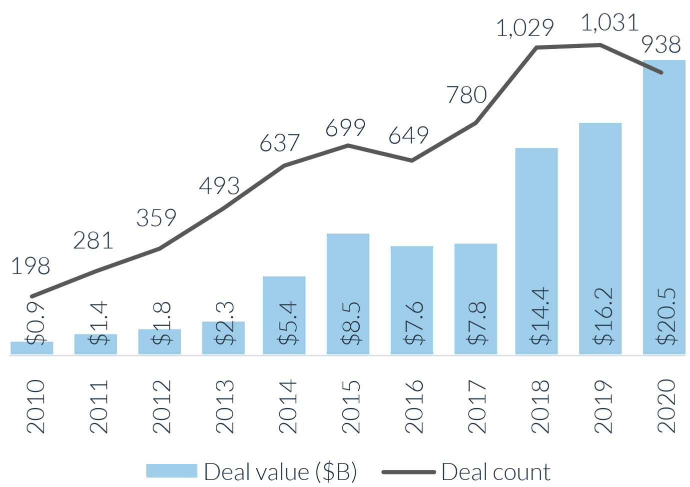


PitchBook-NVCA Venture Monitor

Deals by sector: Fintech

Fintech VC deals exceed $20B in record year

US VC fintech deal activity



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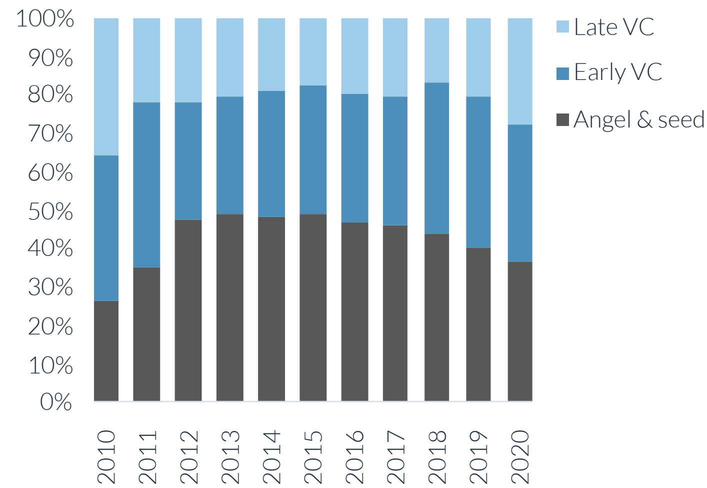
Angel and seed deal contraction offset by expansion of late-stage deals

US VC fintech deals (#) by stage



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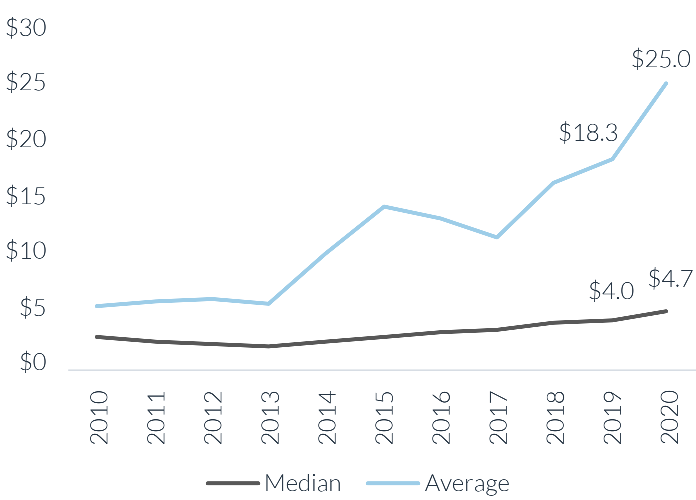
Several outsized deals push average higher

Median and average US VC fintech deal sizes ($M)



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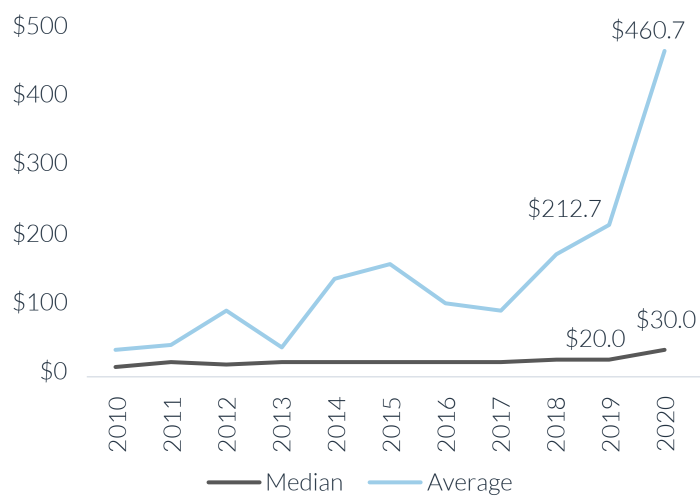
Frothy fintech valuations cause average to skyrocket

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

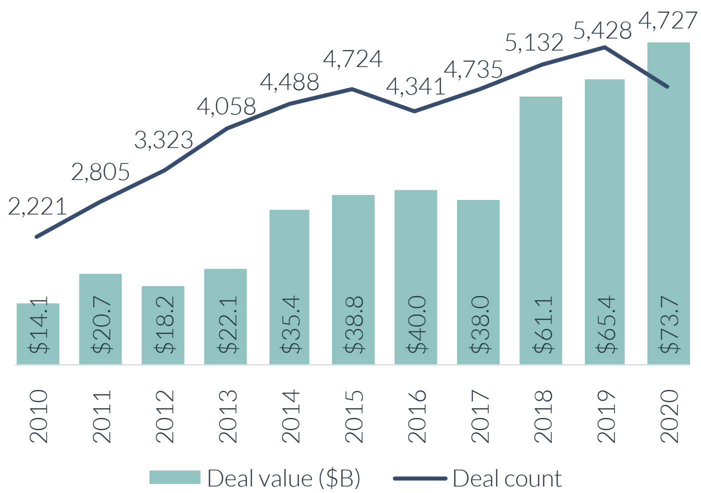


PitchBook-NVCA Venture Monitor

Deals by sector: B2B tech

B2B tech received record investment value in 2020

US VC B2B tech deal activity



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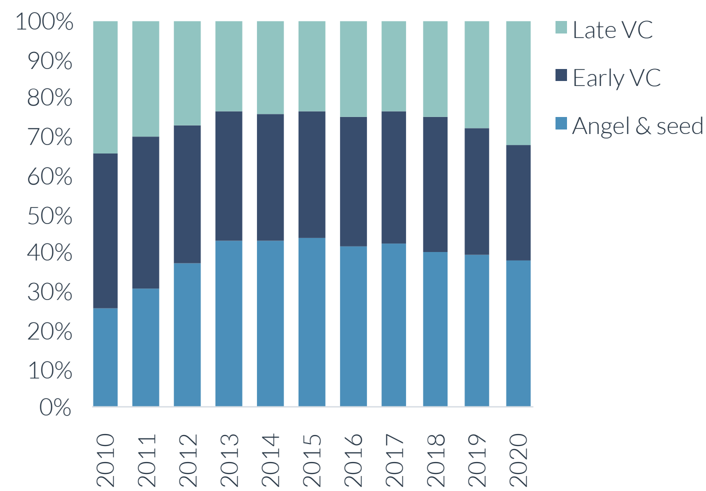
32% of B2B deals completed at late stage

US VC B2B tech deals (#) by stage



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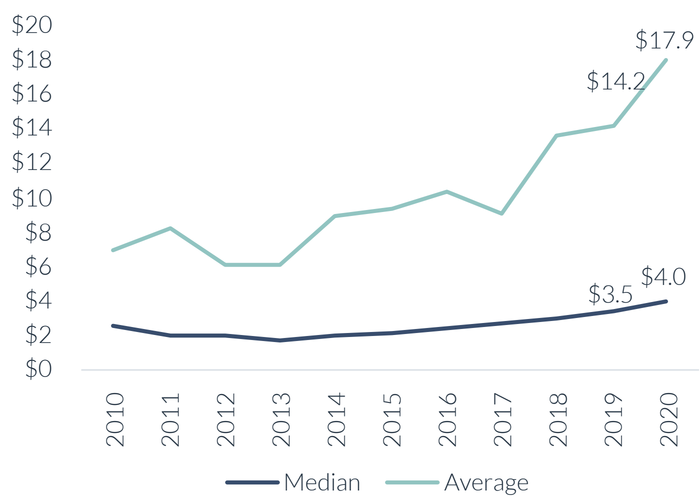
Average deal value up significantly

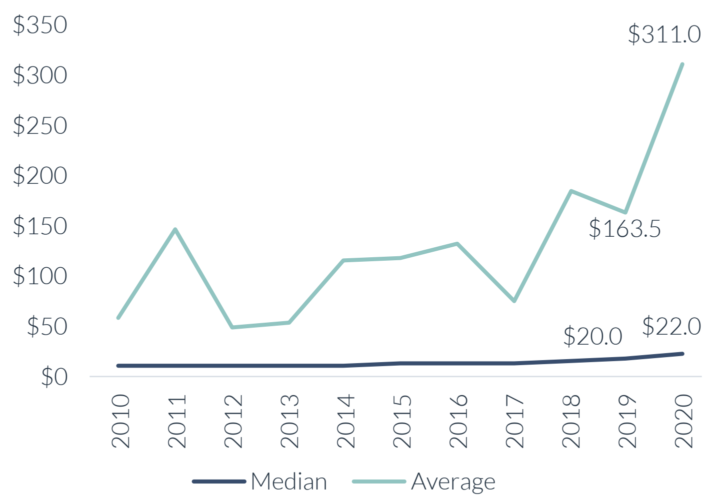
Median and average US VC B2B tech deal sizes ($M)



PitchBook-NVCA Venture Monitor

Average valuation surged

Median and average US VC B2B tech pre-money valuations ($M)



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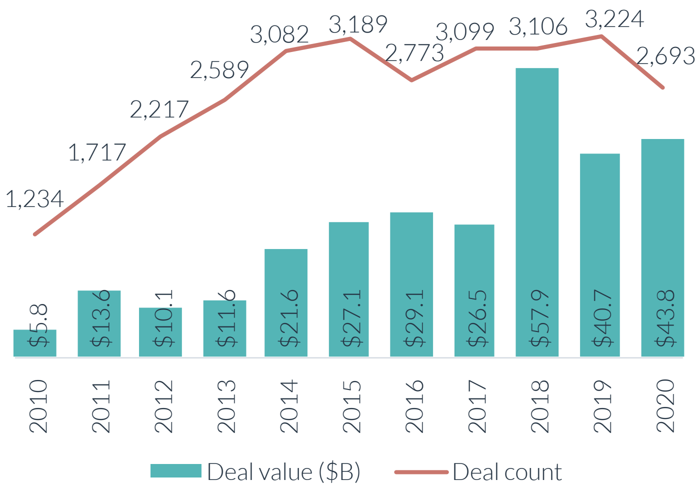
Deals by sector: B2C tech

Headwinds hit consumer tech

US VC B2C tech deal activity



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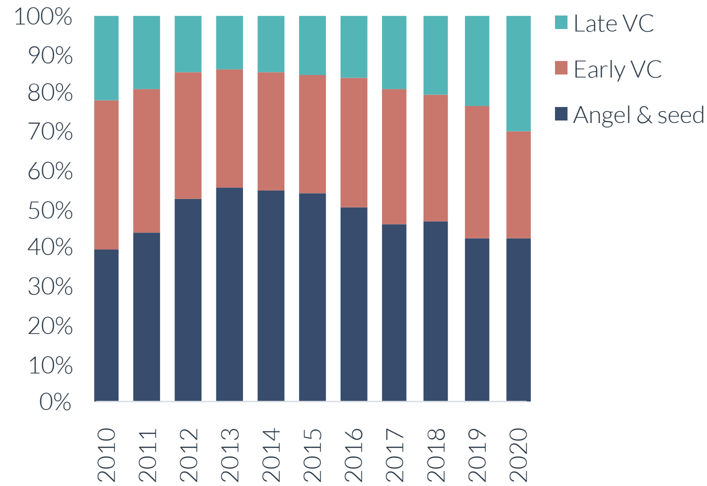
Broader stage trends match B2C tech

US VC B2C tech deals (#) by stage



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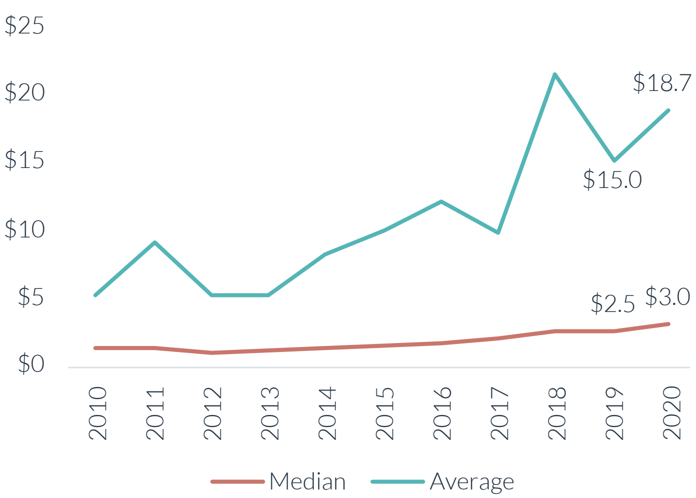
Deal sizes see bounce in 2020

Median and average US VC B2C tech deal sizes ($M)



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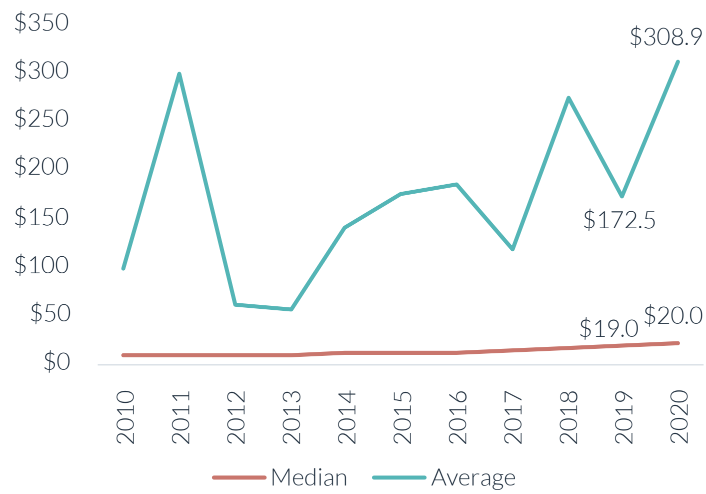
Average pre-money valuation reaches new high

Median and average US VC B2C tech pre-money valuations ($M)



PitchBook-NVCA Venture Monitor

SVB: Why SPACs now?

The return of the SPAC certainly made waves in 2020, leading many high-profile investors to sponsor tech-focused SPACs. We are taking a look at the phenomenon through the lens of what's in it for long-term investors. Exit activity across the board is making for a lot of happy investors, and SPACs have a lot to do with the tsunami of capital raised in the public markets in the second half of a most unpredictable 2020.

At the dawn of 2020, there was a lot of talk about direct listings and other alternative paths to take companies public. The traditional IPO had run its course, or so some opined. But few predicted how companies are SPACing their way to billion-dollar-plus valuations or how, even amid a pandemic, traditional IPOs are springing back to life.

SPAC activity in 2020 smashed records, involving 250 companies that collectively raised $75.1 billion, compared to 2019 when 53 SPACs raised $11.1 billion. In 2020, 102 traditional IPOs raised $222 billion.

Why SPACs now? The IPO process has seen little innovation, and for some companies thinking about going public, SPACs can provide useful tools to raise capital quicker and with fewer hurdles based on current market conditions. SPACs may offer an opportunity to obtain more price certainty and give founders a better idea of who the investors will be, helping the company weigh the value of short-term investors seeking a pop versus those with a longer-term goal to help a company grow over time.

Reid Hoffman, SPAC sponsor and LinkedIn co-founder, recently sat down with Silicon Valley Bank and clients to discuss this trend. In the second half of 2020, Hoffman and Mark Pincus, Zynga founder, launched two SPACs—Reinvent Technology Partners and Reinvent Technology Partners Z—targeting tech company mergers. Investors are looking at all these great private companies beginning to come out in the markets and asking, "'How do we have a starting position in them. How do we have a potentially larger position?' And that's part of the reason why there is … a sharp increase in the attention to SPACs, now also increasingly amongst more interesting investors," says Hoffman. In essence, SPAC investors are putting money into financial structures that act like buyout funds—in this case for a single company. A sponsor investor forms a shell company (sometimes called a blank-check company) through an IPO and sometimes includes additional investors, known as private investment in public equity (PIPE) investors, with the sole intent of buying a yet-to-be-identified company. In most cases, the SPAC has two years to identify a target company and take the company public through a reverse merger (referred to as deSPACing).

In other ways, the SPAC investor can be a public-market extension of the venture capitalist, an investor with a long-term vision who is not risk-averse and prefers to stick around for a while—in this case, after a company hits the public markets—to help it evolve. As Hoffman sees it, SPAC investing is "venture capital at scale."

The recent first-day price pops led by Airbnb and DoorDash have everyone rethinking pricing strategies. The huge gap between supply of public-ready companies and investor demand has become increasingly obvious. Consider that 19 IPOs by mid-December 2020 had doubled their share prices on the first day of trading—a feat not achieved in two decades.

SPACs provide an alternative pathway for strong but non-household name companies to enter the public markets.

DEVIKA PATIL
Managing Director of Venture Capital Relationships at Silicon Valley Bank

Devika is a Managing Director in SVB's Venture Capital Relationship Group. Her financial wheelhouse includes tailored strategic capital solutions and proprietary, operational, tactical industry insights. Prior to joining SVB in 2018, Devika was a VP and West Coast Corporate Banking head of the gaming and homebuilding group at The Royal Bank of Scotland. She launched her career at J.P. Morgan as an investment banker.

SUSAN WINTER
Head of Syndications at Silicon Valley Bank

Susan is Head of SVB's Global Loan Capital Markets, overseeing all lead distribution for Technology, Life Sciences, Sponsor Finance, Project Finance and Global Fund Banking syndicated financings. Prior to joining SVB in 2010, Susan was in investment banking at JPMorgan, Barclays and Blackstone, focusing on Sponsor Finance and High Yield Capital Markets, and in M&A.

For companies going public, "the IPO is not the end game. The IPO is actually the beginning of the next major phase," Hoffman says. But many traditional IPO investors today view their investments with an eye toward minimizing risk; they seek well-established companies that have thrived on huge VC and PE cash infusions. In contrast, Hoffman says, the SPAC process enables long-term investors, with a five- to 10-year view, to help companies reinvent themselves over time and adapt to changing marketplaces. "Taking smart risks to capitalize upon new opportunities that technologies are opening up … is in fact what is really important, and we need to be set up for that next decade," he adds.

The SPAC sponsor typically receives 20% of the pre-acquisition shares as compensation for top SPAC management and advisors to align them with the success of the SPAC. More commonly now, additional investors are recruited to put in additional PE capital before the target acquisition is identified. These PIPE investments are designed to help reduce risk for SPAC stockholders and may provide growth capital for the newly public company. In fact, the size of an acquisition today is typically five times the size of the original SPAC.

While the market is experiencing booming SPAC investor demand and an increased number of private companies willing to participate, there are many factors to consider for all roles in the SPAC deal: sponsor, PIPE investor, and target company.

When looking at the performance of companies following a deSPAC, since 2017, outcomes have varied. According to SVB research, the median performance has been trending downward, but the recent burst of activity should give more substantial clues in 2021. Some investors remember the emergence of SPACs during the global financial crisis (GFC) that came to a screeching halt after companies faltered or no target was ever realized.

Since then, there has been better hygiene in updating the structure to add investor protections, including adding warrants for investors, increasing transparency around the sponsors, and establishing trust accounts to protect the investments until a target company is identified.

The cost of the SPAC process (with the sponsor taking 20% of the shares off the top, completing the SPAC IPO, and then acquiring the target company to go public) will ultimately affect the dilution of shares of the founding team and early investors in the newly public company.

That's why Hoffman and others emphasize that SPAC investors should have a long-term perspective and a willingness to roll up their sleeves and take an active interest in the company, helping the company grow and increase valuation.

There is no one-size-fits-all strategy, but rather a variety of methods that can shape investor outcomes. Still, SPACs can diversify the investor pool. SPAC investments may provide Main Street investors access to VC-style investing, which is often otherwise limited to fund investors.

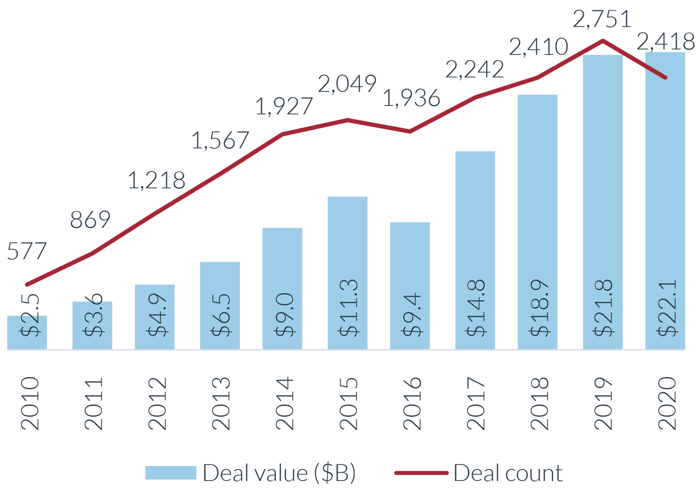
Additionally, SPAC investors will have a seat at the table before the target company goes public, and their experiences can affect how the eventual target enters the public markets. And if they stay involved, these investors may take on the equivalent role of a VC board, as long as they are in sync with the sponsor and company. That's why investors are advised to pick their SPAC partners and target companies carefully.

In the months ahead, we are sure to see new iterations, strategies, and regulations around exits evolve. Whether investors seek to realize value now or down the road, M&A, IPOs, and SPACs will play a role. From our perspective, it is advantageous to have capital flow options and innovation in fundraising with new or revised approaches, especially in a time of huge demand for new solutions to address global challenges.

Female founders

Despite headwinds, female-founded companies set record VC deal value

US VC deal activity for female-founded companies



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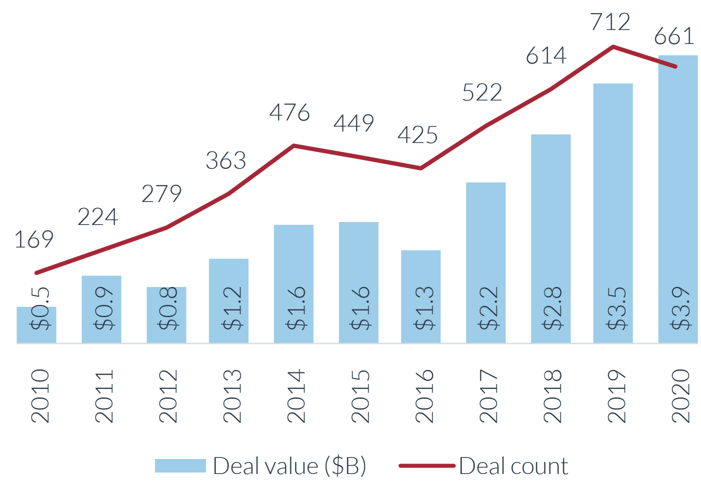
Companies with all female founders secured a record $3.9B in VC funding

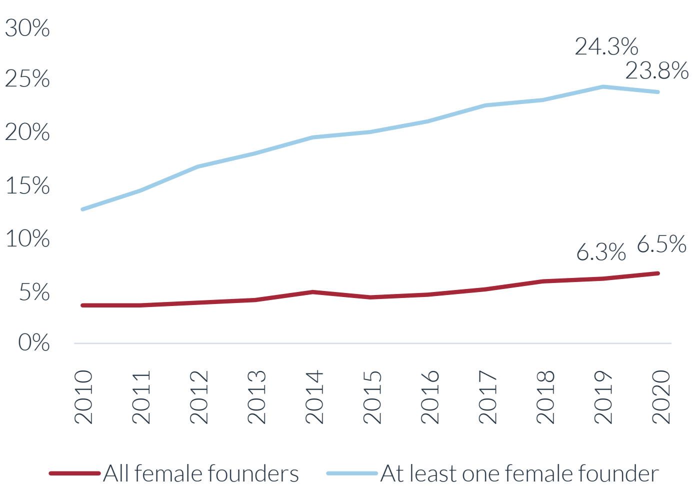
US VC deal activity for companies with all female founders



PitchBook-NVCA Venture Monitor

Nearly a quarter of all VC deals went to companies with at least one female founder

Female-founded companies as proportion of total US VC deals (#)



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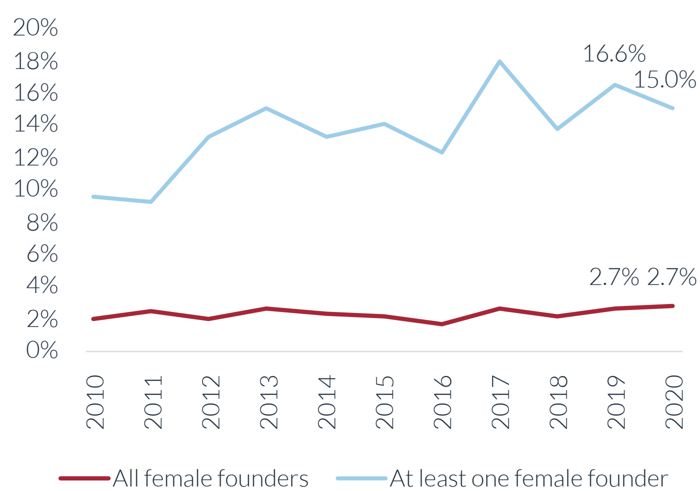
Deal value proportion sees stagnation

Female-founded companies as proportion of total US VC deals ($)



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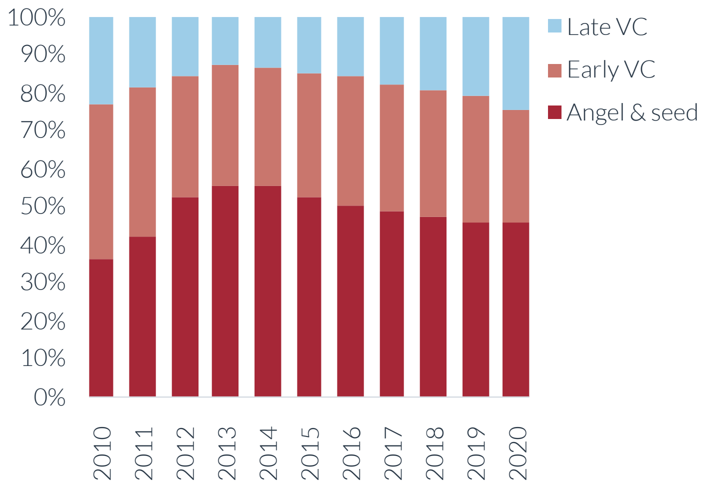
Early-stage share of deal count contracts

US VC deals (#) for female founded companies by stage



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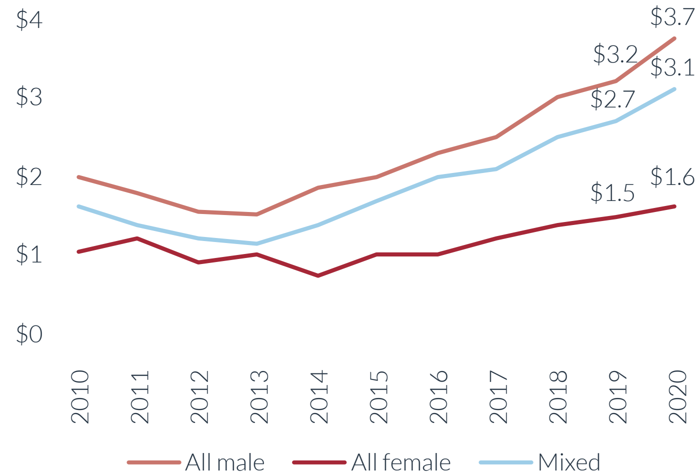
Growth in median deal sizes seen across all gender mixes

Median US VC deal sizes ($M) by founder gender mix



PitchBook-NVCA Venture Monitor

Top 5 US CSAs by deal value ($B) for companies with all female founders (2006-2020)

Combined statistical area	Capital raised ($B)
San Jose-San Francisco-Oakland, CA	$5.6
New York-Newark, NY-NJ-CT-PA	$5.3
Boston-Worcester-Providence, MA-RI-NH-CT	$2.4
Los Angeles-Long Beach, CA	$2.0
Other	$0.8

PitchBook-NVCA Venture Monitor

Top 5 US CSAs by deal count (#) for companies with all female founders (2006-2020)

Combined statistical area	Deal count
New York-Newark, NY-NJ-CT-PA	1,060
San Jose-San Francisco-Oakland, CA	1,005
Los Angeles-Long Beach, CA	580
Boston-Worcester-Providence, MA-RI-NH-CT	328
Seattle-Tacoma, WA	232

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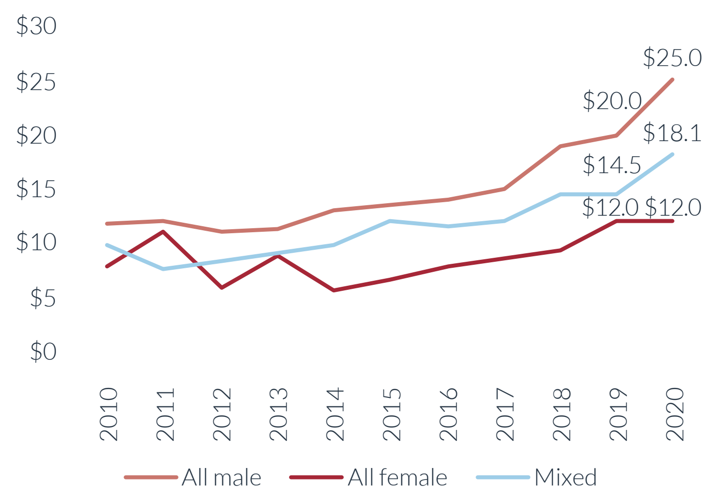
All female-founded valuations stay flat while mixed and all-male valuations increase

Median pre-money valuations ($M) by founder gender mix



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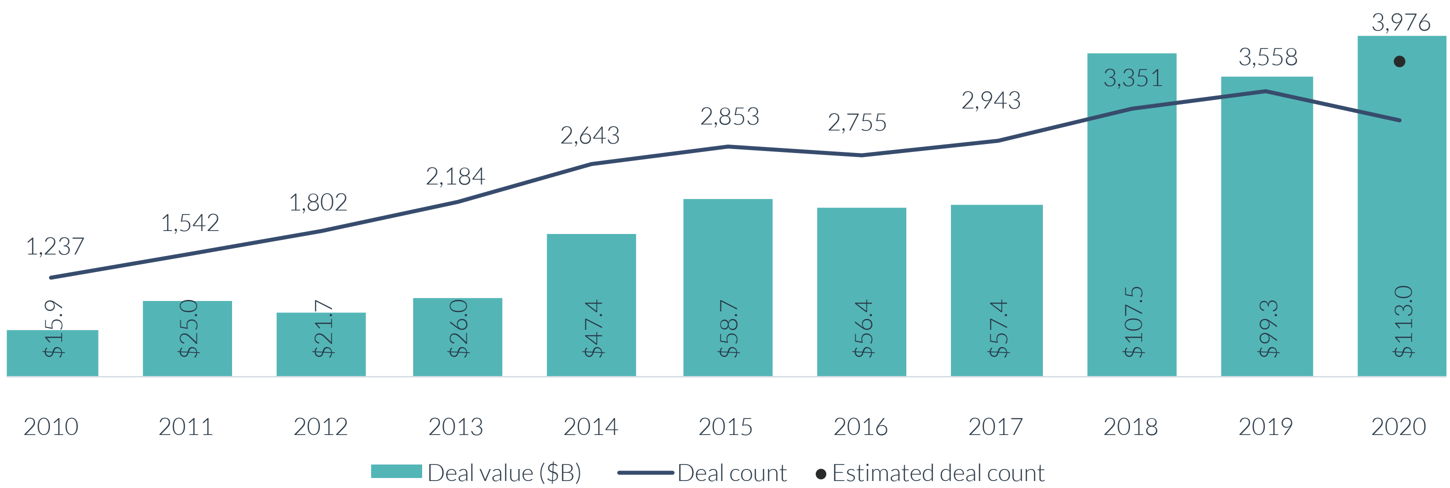
Nontraditional investors

Nontraditional investment reached new highs

US VC deal activity (with deal count estimation) with nontraditional investor participation



PitchBook-NVCA Venture Monitor

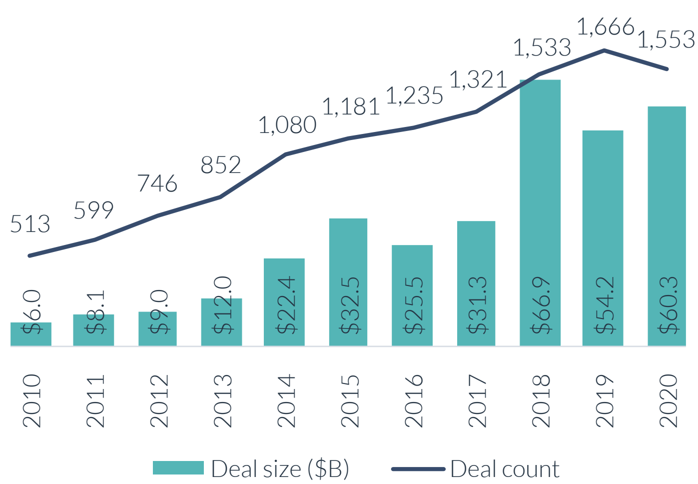
2020 turned into a banner year for nontraditional venture investment despite many predicting a pullback even before COVID-19's impact. We estimate that just under 4,000 deals with nontraditional investor participation closed in 2020, for a YoY growth of 11.7%, reaffirming these investors' commitment to the asset class.

Q4 marked the second quarter of 2020 in which over 1,000 completed deals included nontraditional investors. No quarter previously had reached that level. In 2020 overall, the total value of deals with nontraditional investor participation hovered around $100 billion for the third consecutive year, propelled largely by mega-deals.

Venture investment by these institutions has transformed over the past decade. As companies raise more capital in the private markets and grow larger than ever, large nontraditional investors have become necessary to fund the outsized deals occurring in today's market. In 2020, investors deployed nearly as much capital

Nontraditional investors leading more deals

US VC deal activity for deals led or solely financed by nontraditional investors



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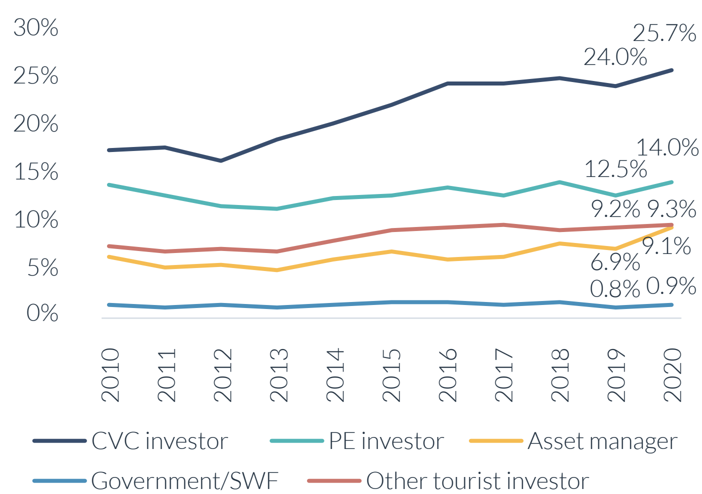
Participation rates up for nontraditional investors in 2020

Deals with nontraditional investor participation as proportion of total US VC deals (#)



PitchBook-NVCA Venture Monitor

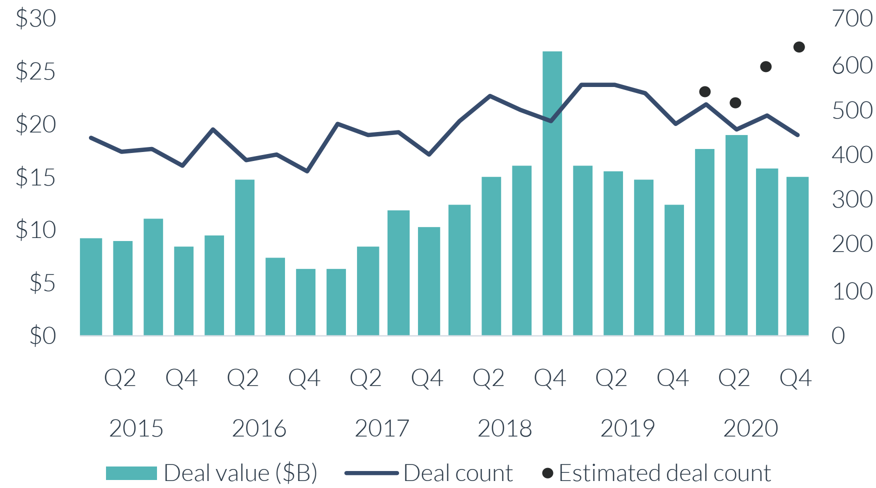
into mega-deals as US-based venture funds raised, showcasing how unsustainable the current market is for VC firms to support alone. Attractive growth opportunities have drawn many sizable equity managers into making private investments. For example, 67 US VC-backed companies have exited via IPO at a valuation greater than $1 billion in the past three years, a larger number than the entire decade preceding 2018.

Nontraditional investors are also now leading, or solely financing, deals at a greater pace than ever before. In 2020, they led more than 1,500 deals for the third consecutive year, or 48.7% of the total deals in which nontraditional investors were involved. In addition to being the second highest count of such deals that we have tracked, the total is especially notable given that it came in a year with severe economic headwinds and high levels of uncertainty around the future. Leading a venture deal requires a higher level of sourcing, diligence, negotiation, and general involvement, both before and after a deal has closed. As nontraditional investors build out venture-focused deal teams and grow their venture networks, we expect the number of deals led or solely financed by nontraditional firms to climb even higher, especially if a return to normalcy occurs sooner than later.

Rather than pulling back, as many predicted, large corporations strengthened their commitment to corporate VC (CVC) investment. Q3 and Q4 2020 recorded the highest number of deals with CVC participation in our datasets. Deals involving this investor type represented 25.7% of total US VC deal count and 47.8% of deal value. The accelerated adoption of technologies across all sectors in recent years and the hastening movement toward distributed workforces likely played major roles in corporations' continued activity within the strategy. The number of CVC programs within the US also expanded further in Q4. Slack has earmarked $50.0 million for its first solo fund, T-Mobile is reentering the venture market with its collaboration with Touchdown Ventures, Bentley Systems announced a $100 million fund, and recently public Snowflake announced a VC fund, to name a few. With the continued growth in the number of active CVC programs, we expect CVC investment to continue rolling at heightened levels in 2021 and beyond.

CVC activity ramped quickly in H2 2020

US VC deal activity (with deal count estimation) with CVC participation by quarter



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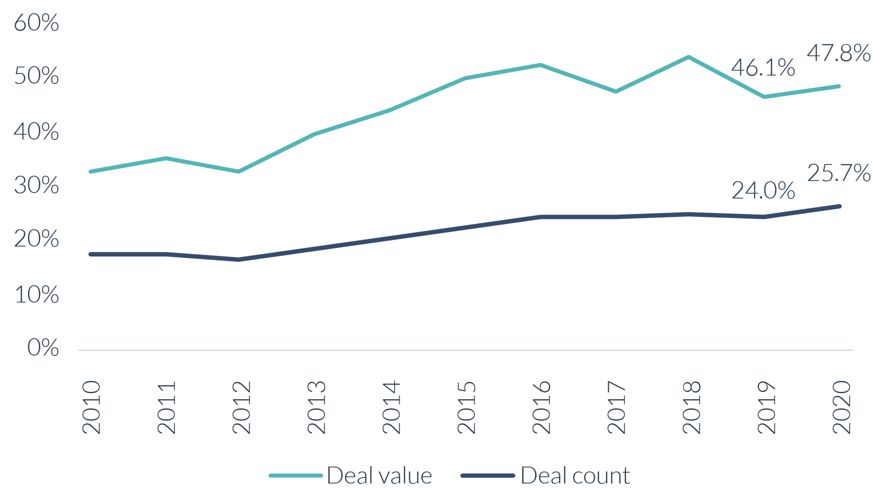
CVC participation remained strong despite pandemic

Deals with CVC participation as proportion of overall US VC deals



PitchBook-NVCA Venture Monitor

Velocity Global: Slow the cash burn for portco global expansion

Q&A with Rob Wellner

What is the global expansion outlook for VC-backed portfolio companies?

The COVID-19 pandemic created peaks and valleys for VC investments in 2020. Seed and early-stage deal counts dipped near the onset of the pandemic, as VCs applied a conservative approach and focused on existing portfolio companies and more mature late-stage startups. However, the number of deals rebounded in Q4, including for early-stage companies, indicating optimism for the year ahead as the workforce is vaccinated and markets open.

Historically, there is a strong correlation between funding and global expansion. In an assessment of 1,000 technology companies in the US and UK just before the pandemic hit, our 2020 State of Global Expansion™ report found that more than half of companies that received funding in the preceding 12 months said they planned to use it to expand to international markets.

While the pandemic has taken its toll on numerous businesses and sectors, global demand for tech companies' products and services is on the uptick. In early results for the updated 2021 report, 41% of tech companies report that global demand for their offerings increased in 2020.

So, while deal count is down, demand is up, and funding has begun to flow again as an expected catalyst for global expansion.

Can VCs feel confident funding portcos for global expansion? How do they balance global growth opportunity with the uncertainty of the pandemic?

In short, yes, VCs can confidently fund global expansion if the business case supports it. Increased global demand for products and services drives expedient foreign expansion. The hallmark KPIs remain: VCs seek to maximize ROI and market share but also to extend the runway by slowing the cash burn rate among their portfolio companies. The pandemic magnifies the performance metrics as VC keeps a close eye.

Flexibility feeds investor confidence. Regulations, travel bans, lockdowns, openings, and subsequent waves of COVID-19 challeng the creativity of growing companies exploring global expansion, particularly when it comes to hiring. A vaccine provides optimism, but 2020 taught us that we never know what is around the corner. Flexibility is paramount to navigate uncertain times and markets.

With a flexible approach to global growth, it is easy for portcos to start small, test new international markets, and remain agile to respond to changing conditions without setting up foreign entities. This idea of flexibility also extends to how portcos secure top talent. Remote teams are now standard practice domestically. But we often see that the best talent for fast-growing companies is located outside of their domestic market. Tapping international talent not only provides companies with highly skilled workers, but also allows companies to leverage local cultural knowledge, eliminate relocation costs, and provide regional expertise. With that said, when portfolio companies hire abroad, they must always prioritize compliance with local labor regulations and the protection of their intellectual property (IP).

What are the biggest risks for portfolio companies that expand abroad?

Compliance with local labor laws, IP protection, and sunk time and costs.

ROB WELLNER
Chief Revenue Officer

Rob is an entrepreneurial professional and applies more than 20 years of executive sales and business development experience to help companies reach their international strategic goals. He worked in Capital Markets for 12 years, acquiring a unique view on the challenges of global transactions. A graduate of Colgate University, Rob sits on the Board of Trustees for the National Multiple Sclerosis Society and is an Advisory Board member for Glialogix, a Bay Area biotech company.

Independent contractors are often attractive for their flexibility and availability, but there are risks associated with that approach if local labor regulations are not considered. Violations with local labor laws carry hefty fines and legal fees, be it employee classification, tax withholding, working hours, or salary regulations. A quick independent contractor compliance litmus test is that if an employer manages the contractor's day-to-day responsibilities, sets fixed working hours, or restricts the contractor from working with other companies, that worker is likely misclassified. Misclassification fines are as high as $350,000.

IP is one of the most valuable assets of a company and must be protected to safeguard copyrights, patents, trademarks, trade secrets—and investors. Overlooking the importance of this element puts future valuations at risk.

IP can be compromised or stolen if employment agreements are not properly drafted. For instance, independent contractor agreements often don't provide IP and non-compete protections. Without a locally compliant employment agreement or an in-country legal presence, it is notoriously difficult to enforce any IP clauses added to contractor agreements. A company embroiled in employment lawsuits is less attractive for investors, as is one that does not have proper IP protections in place. Skipping these essential safeguards leads to difficulty securing future funding rounds and quite possibly a loss of IP ownership, which puts the entire portco at risk of shutting down.

Finally, companies must ward off excessive costs in money and time. On average, foreign entity setup costs $20,000 in initial investment and often takes three to four months to establish, depending on the country and administrative process. That timeline is extended during COVID-19 as countries focus resources on pandemic response rather than entity bureaucracy. Additionally, annual maintenance costs to support the entity average $200,000. And if a company needs to exit, it often costs three times the initial investment to wind down the international operation.

On top of monetary costs, premature setup of an entity has large opportunity cost. Again, in the soon-to-be-released 2021 State of Global Expansion report, 1-in-3 C-suite leaders in tech companies say they spend more than 10% of their time managing global workforce operations such as compliance, global payroll, and benefits. That's expensive time that distracts executives from moving other growth initiatives forward.

How do companies mitigate these risks?

I counsel growing businesses on several options to fit their needs, but most companies funded by VC are best served with a flexible approach to global hiring.

Partnering with an International PEO provider is an increasingly popular option because of its speed and cost efficiency. Companies hire teams with boots on the ground in new countries in a matter of days. This solution is 60% more cost-effective than setting up and maintaining a foreign legal entity, which slows the burn rate and extends the runway for growing portcos.

In this model, the portco leverages the International PEO's existing global infrastructure without setting up foreign entities. They remain agile to test the viability of a market or exit and pursue a different location if initial results were not as expected.

Finally, this method negates the pitfalls of independent contractors and protects IP because it hires the supported employees on the portco's behalf using locally compliant employment contracts and becomes their legal Employer of Record. This alleviates the time suck on senior leaders by managing many of the operational and compliance needs for their global workforce, which allows leaders to focus on driving growth strategies.

Is International PEO replacing the need to set up foreign legal entities?

No. If a company is confident in its long-term presence in a market, a more traditional legal foreign entity could very well be worth the investment. Typically, an entity best serves an established company because setting up shop in a foreign country is costly and time-consuming.

International PEO provides the flexibility upfront to gain traction in new markets without a long-term investment. When companies see success, the option to set up an entity is always available, and supported employees are able to be transferred to it when the time comes.

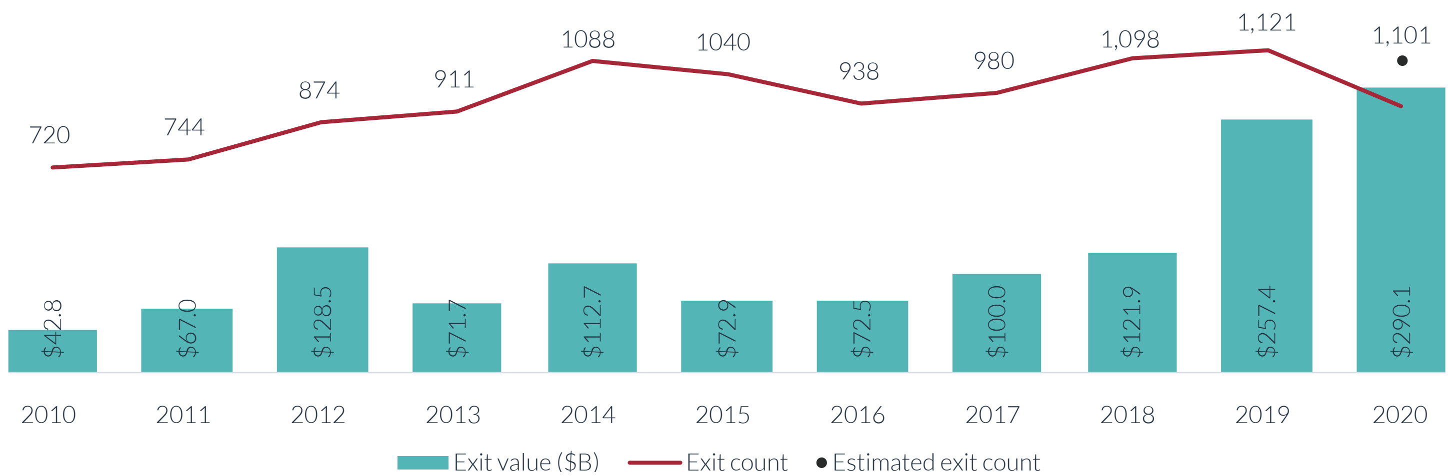
Do you expect a pandemic hangover to limit global expansion in the foreseeable future?

Moments of crisis or uncertainty force companies to evaluate their options and opportunities. VCs do the same. Many evaluated their portfolios to focus on companies with opportunity, be it tech companies that saw an uptick in demand during the pandemic, or players with a longer runway that need to weather the storm. No doubt some boardrooms have jitters about expansion. But for companies expanding, it is because of the pandemic, not in spite of it. Our research shows for 95% of US tech companies expanding, the pandemic prompted or accelerated their global expansion. If portfolio companies aren't expanding to global markets, their competitors are.

Exits

2020 sets new record with exit value on flat counts

US VC exit activity (with exit count estimation)



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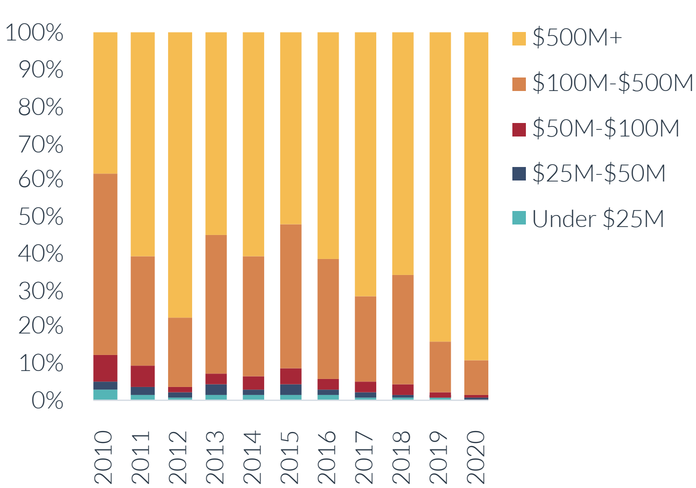
The US VC liquidity market exceeded expectations in 2020 despite the tumult characterizing the year. Aggregate exit value actually surpassed the historic total of 2019 at $290.1 billion, propelled largely by the opening IPO window in H2, while exit count remained essentially flat at 1,101. The strength of the venture exit environment was not isolated to IPOs, as M&A and buyout activity also proved resilient in 2020, especially on an exit count basis. However, similar to 2019, another round of massive IPOs drove total exit value as many companies comprising the early unicorn craze finally sought liquidity. Excepting a handful of biotech listings, IPOs ground to a halt earlier in 2020, and it looked as if many unicorns would encounter difficulty trying to drum up demand in the public markets. However, as the government and the federal reserve supplied stimulus and the broader stock market recovered demand from institutional investors for IPOs, the demand for growth companies resurged. Airbnb is a perfect example of this phenomenon; the company postponed its IPO given COVID-19's economic impact but later saw a recovery in its business and went forward with the listing in December.

Exits over $1B made up 79.5% of exit value in 2020

US VC exits ($) by size



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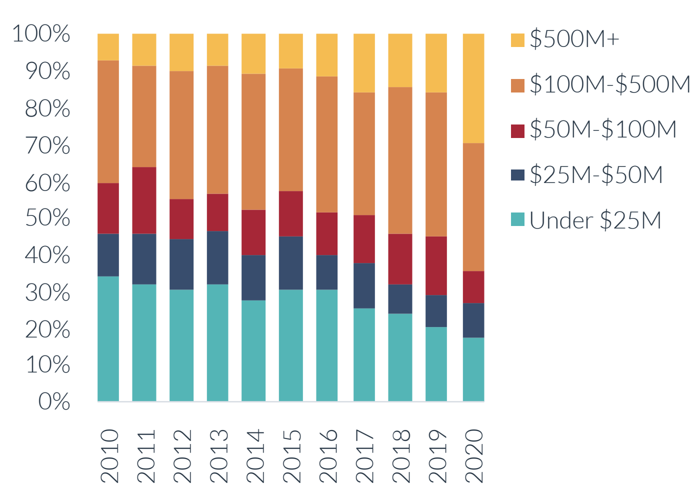
Largest exits expand to new level of dominance

US VC exits (#) by size



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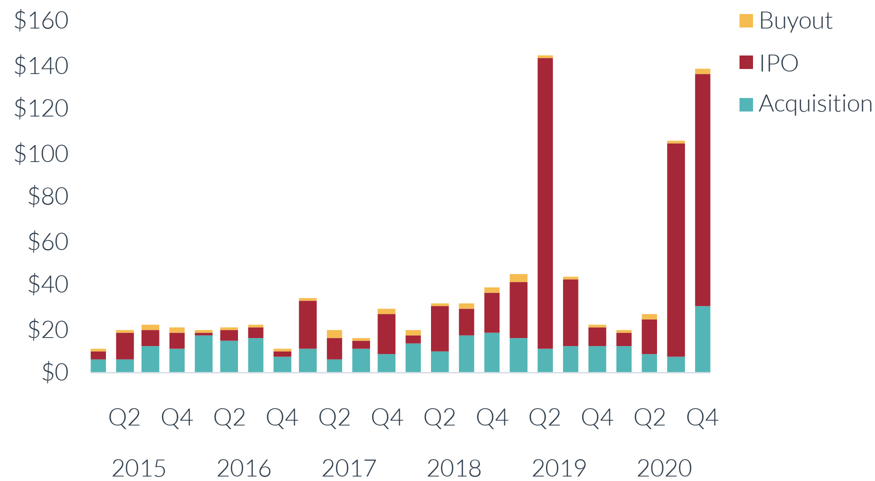
Surge of public listings in the second half of the year drives new highs

US VC exits ($B) by type



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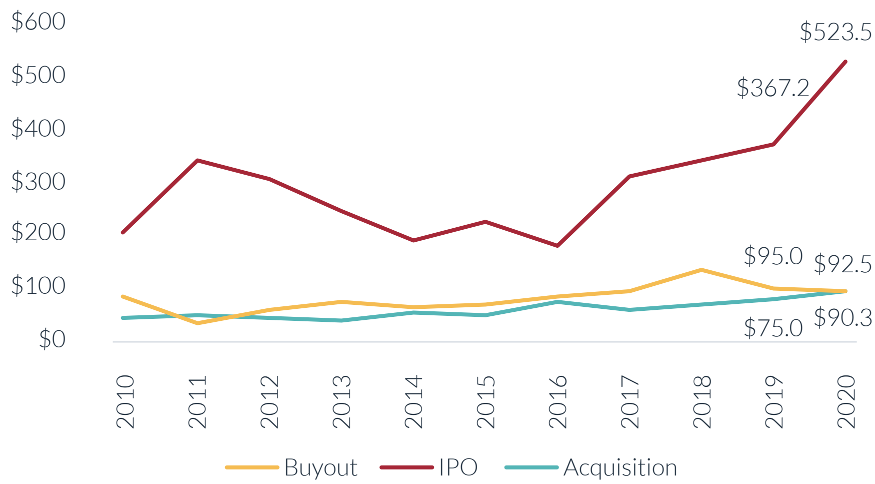
Public listing sizes continue to skew higher

Median US VC exit size ($M) by type



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Other noteworthy public listings in the quarter include the likes of Snowflake, DoorDash, Unity, Root Insurance, Palantir, and Asana. The IPOs of Airbnb and DoorDash in December brought the issue of IPO pops and general IPO mechanics squarely back into the spotlight. Both companies traded up over 80% relative to the IPO price on the first day of their debuts, calling into question how efficiently companies can transition to the public markets with the current IPO options available. Specifically, concerns surround the difficulties in judging investor hype and demand for growth businesses, which is further hindered by the limitations of the S-1, such as the inability to factor in future projections. As we have seen, this can cause a large valuation discrepancy for the younger and high-growth businesses that constitute much of the VC market. While a “perfect” pricing mechanism is unrealistic, 2020 seemed to mark a turning point in the search for more feasible process options in going public.

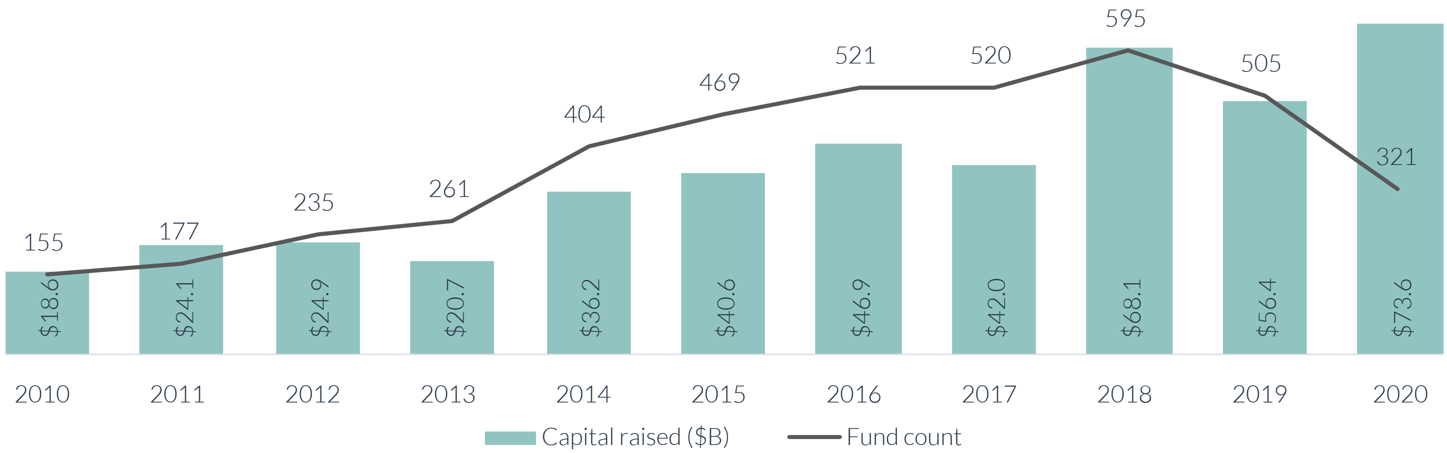
Out of the two main alternatives to the traditional IPO, SPACs and direct listings, the former had the more remarkable year. Compared to 2019, the number of public listings of SPAC vehicles quintupled to 250, recording a 579.6% jump in the value raised at $75.1 billion. While companies must make some concessions when merging with a SPAC, such as loss of control or increased costs, SPACs offer the ability to incorporate future projections more fully, which may allow for more rational pricing in the current market. We still expect most of the largest VC-backed businesses to go public via an IPO or direct listing to ensure maintenance of voting control and lower dilution in general. In addition to the impact as a potential exit route for VC-backed startups, a swath of VC firms rushed to sponsor new SPACs in response to the 2020 frenzy, including 5AM Ventures, Firstmark, Lux Capital, and Ribbit Capital, to name a few. SPAC sponsorships pose a new potential product offering for VC firms to position themselves as a “full-stack” funding provider, with the ability to back firms from idea phase all the way to their public market debuts. Just how many VC firms can viably pursue this approach is still unclear, as it might entail a change in legal structure, as well as a departure from the core investment strategy.

Direct listings managed to have a successful year, albeit with less hype. Palantir and Asana both went public via this route in 2020, marking the first year in which we witnessed multiple billion-dollar direct listings, with both companies achieving positive results in the aftermarket, which could encourage broader adoption of direct listings. In related news, the SEC recently ruled positively on an NYSE proposal to allow for concurrent primary shares to be sold in a direct listing, which should level the playing field between direct listings and traditional IPOs. The greater flexibility for the listing companies to raise capital in a direct listing will provide greater optionality and control over customizing their transition to the public market, which we expect to allow a wider group of startups to choose this route to public markets given the dilution benefits and overall transparency of direct listings.

Fundraising

2020 sets record for $73.6B in capital raised

US VC fundraising activity



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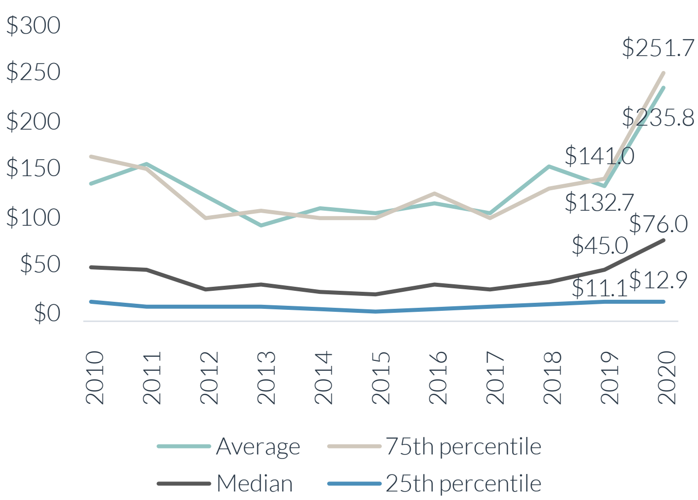
US venture fundraising activity remained a hallmark of strength in 2020. VC firms raised a record $73.6 billion across 321 funds, shattering 2018's previous record of $68.1 billion. Both the median and average VC fund sizes experienced notable jumps, rising to $76.0 million and $235.8 million, respectively. The dwindling number of closed funds year to year is partially responsible for the increasing fund sizes, with 2020 likely to record the lowest count in seven years. Notable tailwinds bolstering the year's fundraising activity were public market liquidity from a strong IPO market, near-zero benchmark interest rates, and the large number of LPs underallocated to venture coming into the year. Moreover, distributions back to LPs have been coming in at record levels, justifying increased allocations with good returns.

We observed a significant fundraising bifurcation in 2020 between established VC firms (those that have raised four funds or more) seeing much more success than emerging VC firms (those that have raised

Sharp fund size expansion across all quartiles

Quartile distribution of US VC fund sizes ($M)



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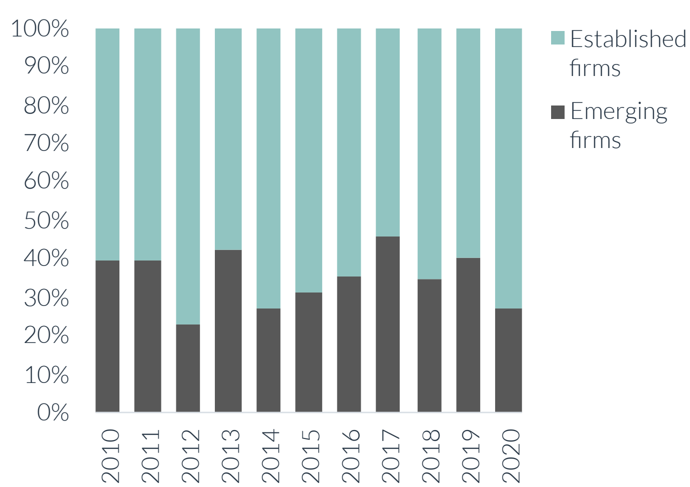
Established firms exceed 70% share of total fund value for the first time since 2014

US VC funds ($) by emerging and established firms



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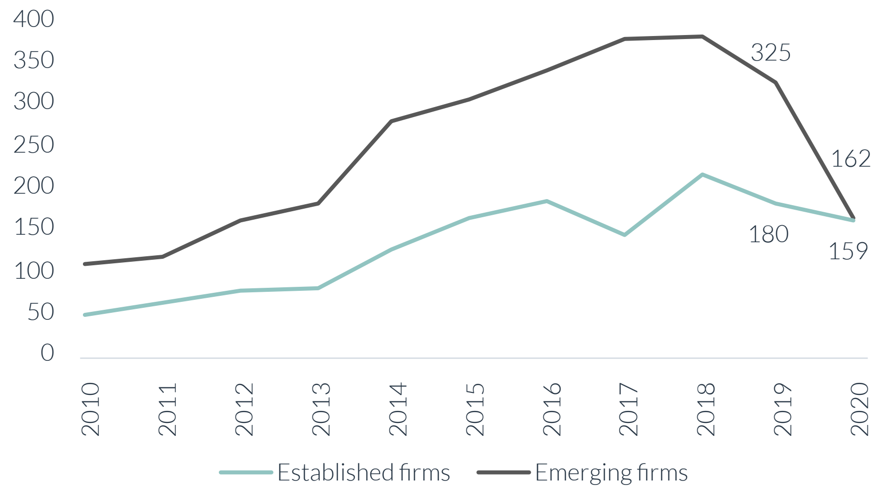
three funds or less). In terms of total funds closed, established and emerging funds achieved a level of parity in 2020, closing 159 funds and 162 funds, respectively, but in years prior, emerging firms had raised nearly twice as many funds as their established counterparts. Established firms represented more than 70% of total capital raised for the first time since 2014, and we project that its share will exceed 75% in 2021. VC firms closed a record 44 mega-funds—vehicles totaling $500 million or more—in 2020, which was nearly double the 24 closed in 2019.

Number of funds raised by emerging and established firms near parity

US VC funds closed (#) by emerging and established firms



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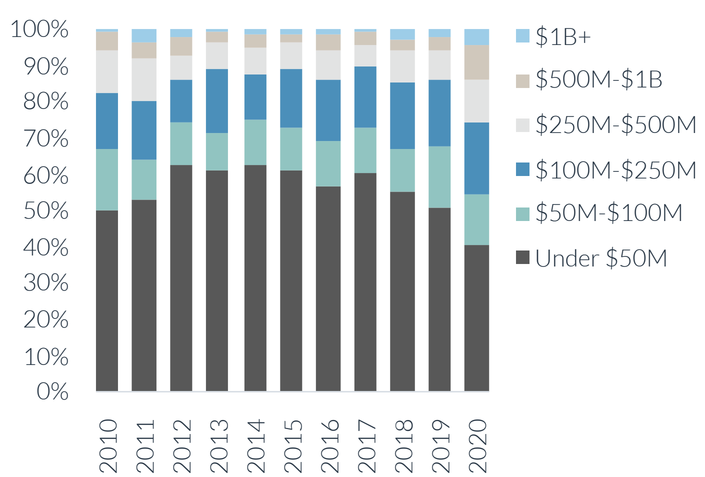
Because many in-person meetings between GPs and LPs were canceled due to the ongoing pandemic and growing uncertainty, LPs tended to favor and commit capital to GPs with strong relationships and solid past fund performance. Furthermore, the number of first-time funds closed in 2020 hit a seven-year low of only 50, and these vehicles raised just $3.9 billion, a far cry from the $6.0 billion and $10.8 billion raised by first-time funds in 2019 and 2018, respectively. The drop-off is a stark reminder of the difficulties emerging managers have faced in 2020, which was an otherwise record year for US VC fundraising. LPs likely to invest in emerging managers, such as family offices, are opportunistic in nature, and 2020 has afforded many liquid opportunities for investment, which could cause a pullback in venture investment.

Notable VC mega-funds that closed in Q4 include a pair raised by Andreessen Horowitz—a $3.2 billion LSV Fund II focused on late-stage investments and a $1.3 billion flagship Fund VII—as well as Lead Edge Capital's Fund V of $950.0 million, Canaan Partners' Fund XII of $800.0 million, and Scale Venture Partners' Fund VII of $600.0 million. All these firms are established fund managers with strong track records and LP bases that have allowed them to raise ever-larger funds. Their newly raised funds are their largest to date, with Canaan Partners' new fund tying its previous flagship fund for an all-time high.

A record 44 mega-funds raised in 2020

US VC funds (#) by size



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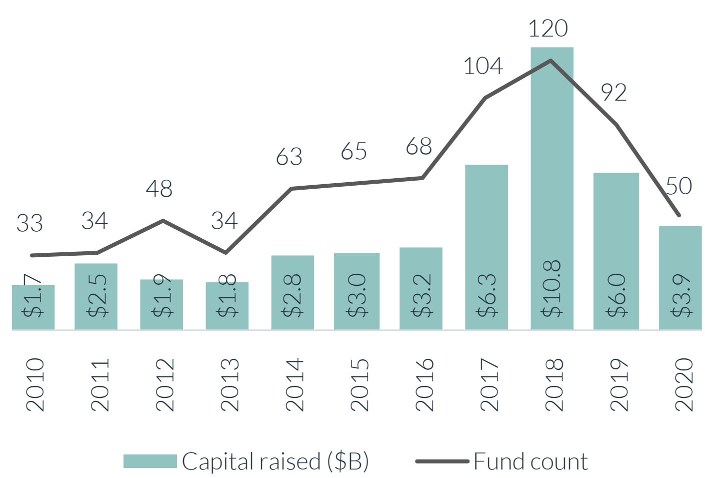
Seven-year low of 50 first-time funds raised $3.9B in 2020

US VC first-time fundraising activity



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Q4 2020 league tables

Most active investors angel & seed

1	Plug and Play Tech Center	16
2	SOSV	15
3	Y Combinator	12
3	Alumni Ventures Group	12
5	Village Global	11
5	Keiretsu Forum	11
7	Gaingels Syndicate	9
8	Ecliptic Capital	8
8	Connecticut Innovations	8
10	Shrug Capital	7
10	Supernode Ventures	7
10	Soma Capital	7
10	Revolution	7
10	Lightspeed Venture Partners	7
10	Liquid 2 Ventures	7
16	Climate Capital	6
16	Kishore Ganji	6
16	Active Capital	6
16	Portland Seed Fund	6
16	Techstars	6
16	VU Venture Partners	6
16	Right Side Capital Management	6
16	SaaS Ventures	6
16	Good Growth Capital	6
16	Khosla Ventures	6
16	Backstage Capital	6
16	Gradient Ventures	6

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Most active investors early stage

1	Keiretsu Forum	29
2	Sequoia Capital	19
3	Gaingels Syndicate	15
3	500 Startups	15
5	GV	13
6	Y Combinator	11
6	8VC	11
8	SOSV	10
9	Index Ventures	9
9	Founders Fund	9
9	Andreessen Horowitz	9
9	Alumni Ventures Group	9
13	General Catalyst	8
13	Liquid 2 Ventures	8
15	Operator Partners	7
15	Duke Angel Network	7
15	New Enterprise Associates	7
15	Techstars	7
15	Accel	7
15	Khosla Ventures	7
15	Kleiner Perkins	7

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Most active investors late stage

1	Keiretsu Forum	39
2	Tiger Global Management	16
2	Insight Partners	16
4	Gaingels Syndicate	11
4	Sequoia Capital	11
4	Bessemer Venture Partners	11
7	GV	10
7	Founders Fund	10
7	Alumni Ventures Group	10
10	PROOF (Virginia)	9
10	Sapphire Ventures	9
10	SoftBank Investment Advisers	9
10	Baillie Gifford	9
10	BlackRock	9
15	New Enterprise Associates	8
15	Norwest Venture Partners	8
15	RA Capital Management	8
15	Salesforce Ventures	8
15	8VC	8
15	Felicis Ventures	8
15	Andreessen Horowitz	8
15	Lightspeed Venture Partners	8
23	Wellington Management	7
23	T. Rowe Price	7
23	Qualcomm Ventures	7
23	Y Combinator	7
23	Perceptive Advisors	7
23	Keiretsu Capital	7
23	General Catalyst	7
23	Accel	7

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2020 league tables

Most active investors angel & seed

1	Alumni Ventures Group	55
2	Plug and Play Tech Center	53
3	SOSV	49
3	Y Combinator	49
5	Innovation Works	48
6	Right Side Capital Management	47
7	500 Startups	43
8	Elevate Ventures	38
9	Techstars	33
10	Connecticut Innovations	32
11	Gaingels Syndicate	29
12	Soma Capital	28
13	Village Global	27
14	Liquid 2 Ventures	26
15	Social Starts	24
16	BoxGroup	23
17	Kishore Ganji	21
17	Jumpstart Health Investors	21
19	Ulu Ventures	20
19	Mark Cuban	20
21	Operator Partners	19
21	Basecamp Fund	19
21	Service Provider Capital	19
21	Tech Coast Angels	19
21	Revolution	19
21	Keiretsu Forum	19
21	General Catalyst	19
21	Gradient Ventures	19

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Most active investors early stage

1	Alumni Ventures Group	61
2	Y Combinator	49
2	Right Side Capital Management	49
2	Keiretsu Forum	49
5	Andreessen Horowitz	43
6	Gaingels Syndicate	41
6	SOSV	41
8	Sequoia Capital	35
9	Founders Fund	33
10	GV	32
10	Greycroft	32
10	Invest Detroit Ventures	32
13	Flight Ventures	31
13	Lightspeed Venture Partners	31
13	500 Startups	31
16	Khosla Ventures	29
17	Liquid 2 Ventures	27
18	8VC	25
19	Canaan Partners	24
20	Index Ventures	23
20	Casdin Capital	23
20	Accel	23
23	Global Founders Capital	22
23	First Round Capital	22
25	New Enterprise Associates	21
25	General Catalyst	21
25	BoxGroup	21

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Most active investors late stage

1	Keiretsu Forum	61
2	GV	40
2	Insight Partners	40
4	Tiger Global Management	37
5	Gaingels Syndicate	34
5	Andreessen Horowitz	34
7	General Catalyst	33
7	Accel	33
9	Sequoia Capital	32
9	Khosla Ventures	32
9	Bessemer Venture Partners	32
9	Alumni Ventures Group	32
13	Salesforce Ventures	29
14	Lightspeed Venture Partners	28
14	New Enterprise Associates	28
16	Y Combinator	26
16	Founders Fund	26
18	T. Rowe Price	25
18	Norwest Venture Partners	25
20	SOSV	24
20	8VC	24
20	Battery Ventures	24
20	Baillie Gifford	24
24	Flight Ventures	23
24	SoftBank Investment Advisers	23
24	Bain Capital Ventures	23
27	Intel Capital	22

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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.

Angel & seed: We define financings as angel rounds if there are no PE or VC firms involved in the company to date and we cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than $500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

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.

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.

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

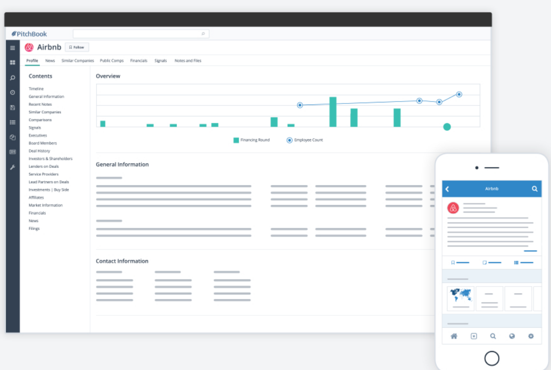
Why we teamed up

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



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