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What is the future of VC exits?

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Relevant Reports

Q1 2023 PitchBook-NVCA
Venture Monitor Report

PitchBook Analyst Note:
Gaining an Edge in VC
Investment Selection

Q1 2023 Quantitative
Perspectives: Putting the
Pieces Back Together

How are you using the VC Exit Predictor?

A To find new investment opportunities

B To learn more about companies I'm interested in

C To keep track of my portfolio

D To find new business opportunities
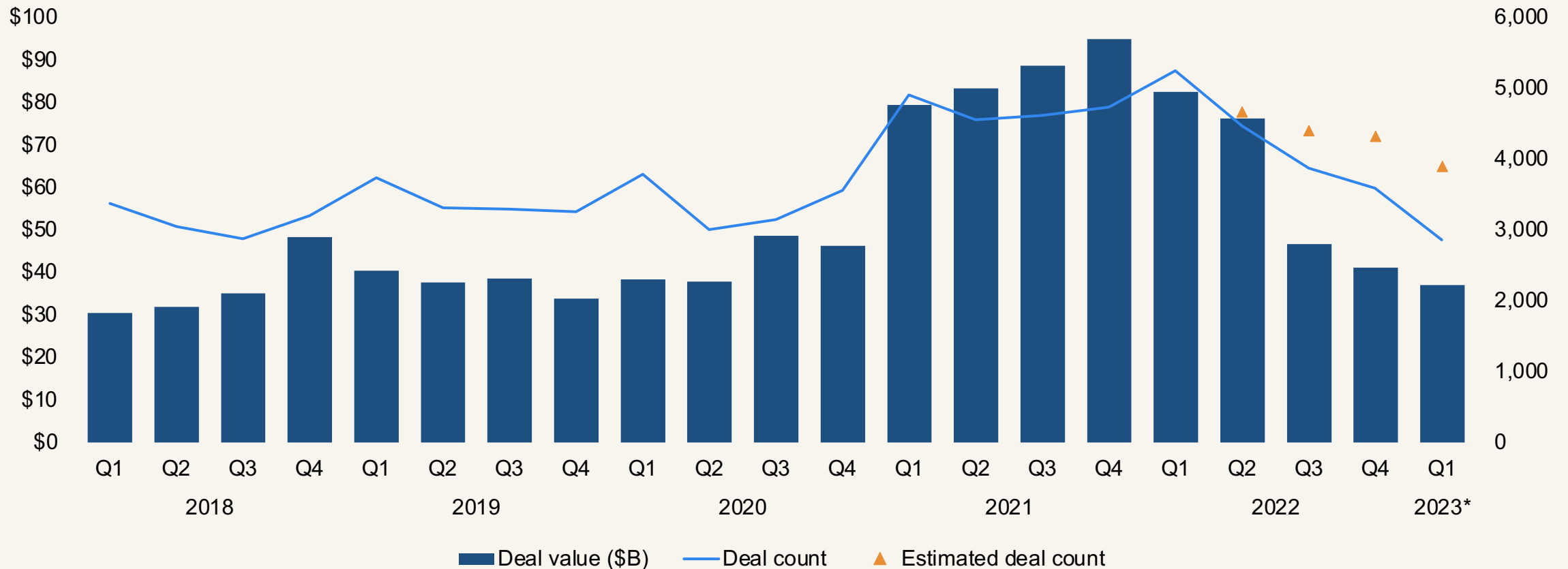
E I have not used the VC Exit Predictor

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Deal activity slowing back to pre-pandemic levels
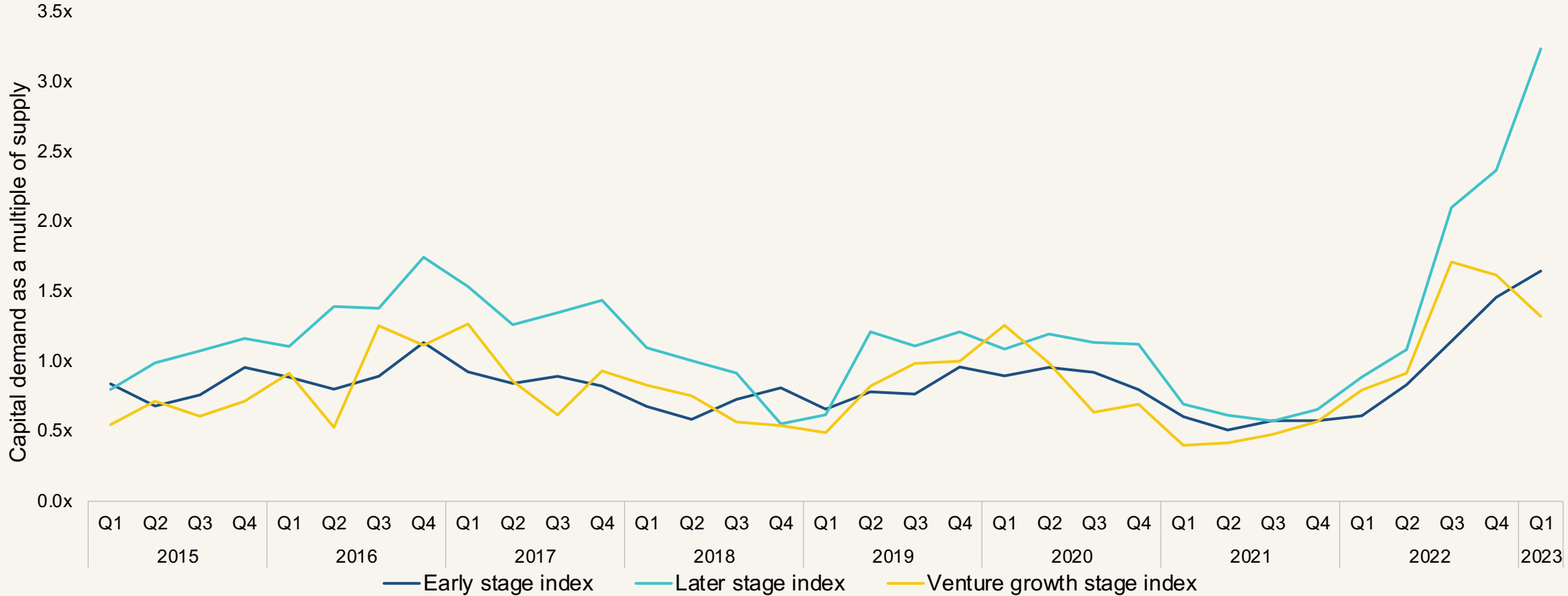
US VC deal activity by quarter

Legend: Deal value ($B) ■ | Deal count ── | Estimated deal count ▲

Patient capital continues to wait for valuation reset

Capital demand-to-supply ratio

Capital demand as a multiple of supply

Early stage index — Later stage index — Venture growth stage index

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VC-backed inventory at record level

US VC company inventory monthly

Legend:
- Smoothed angel and seed company count
- Smoothed early-stage VC company count
- Smoothed late-stage VC company count
- Smoothed venture growth company count
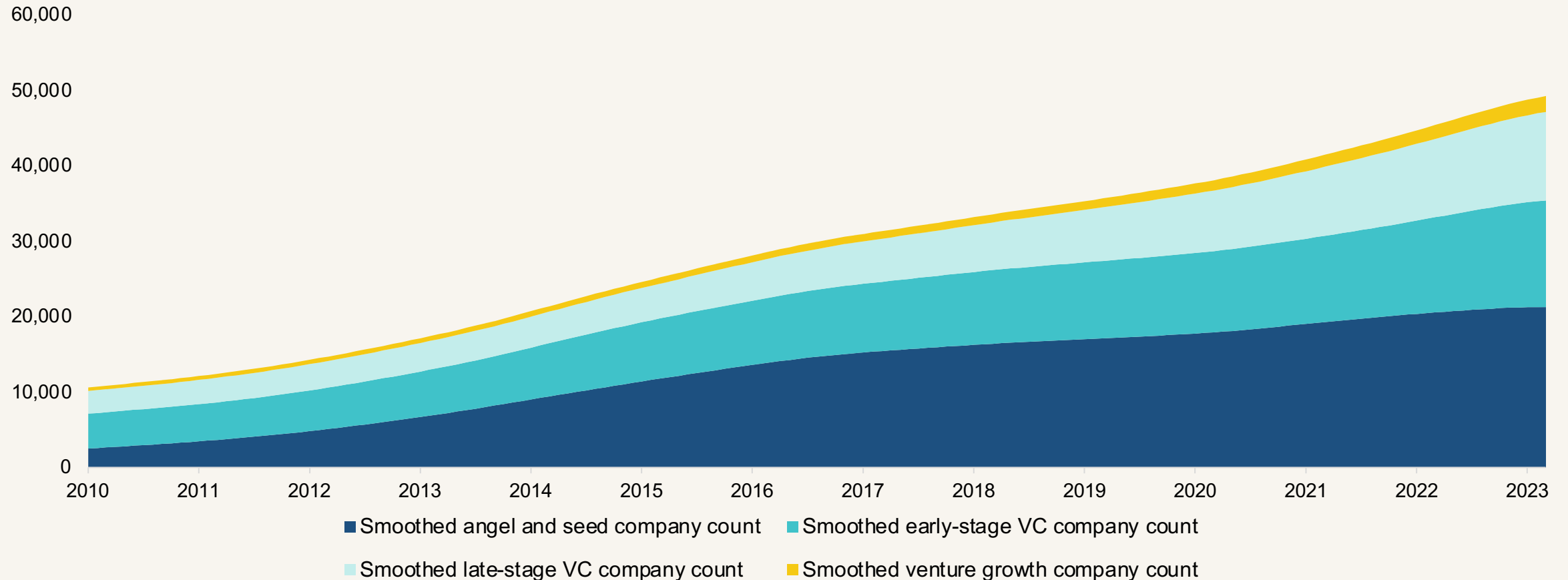
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The market is investor-friendliest we've seen

Dealmaking indicator, 2015 – 2023*

Early stage index — Later stage index — Venture growth stage index
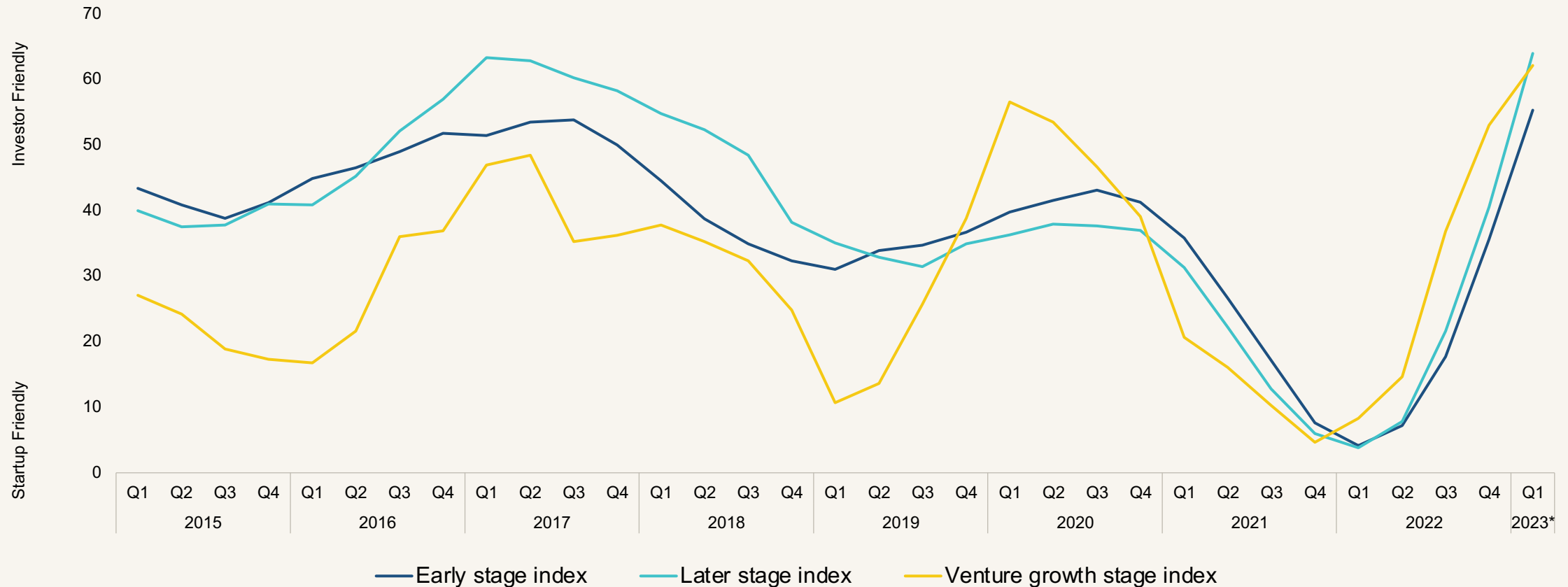
Pathway to exit less clear than seen in long time

Exit activity by quarter

Legend: Exit value ($B) — Exit count — Estimated exit count
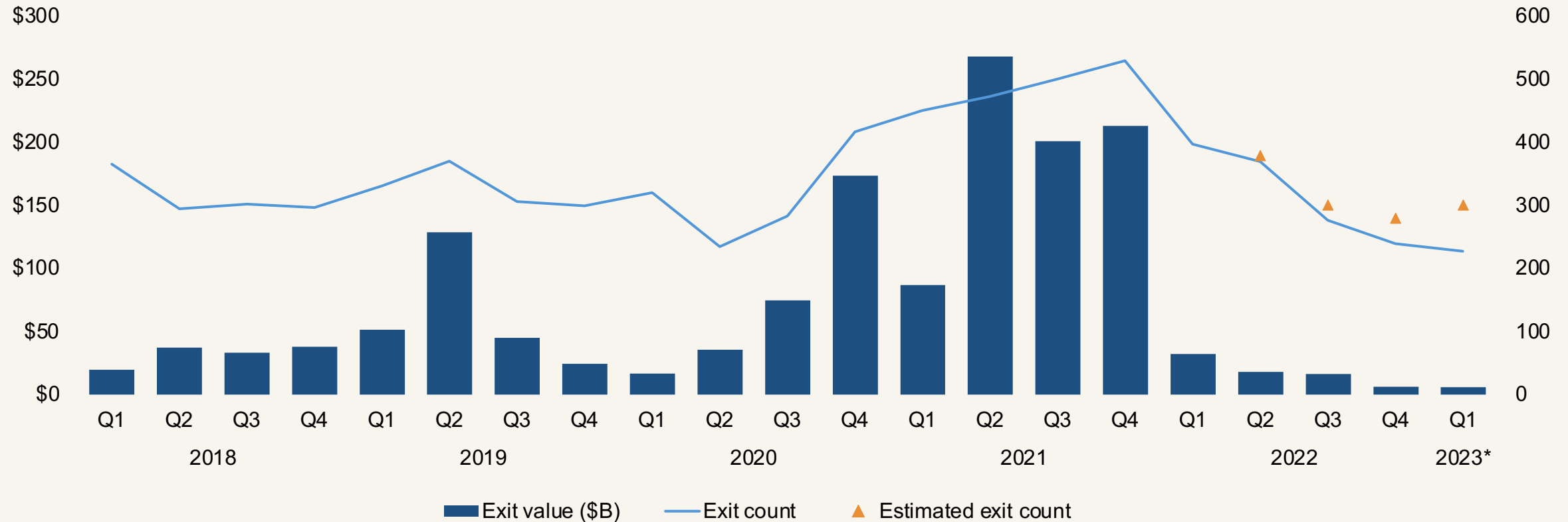
Building tools to help you win

Daniel Cook

Quantitative research at PitchBook

PitchBook's Institutional Research Group (PIRG)

Investor Style Summary

Portfolio Forecasting

VC Dealmaking Indicator

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Why are we building tools?

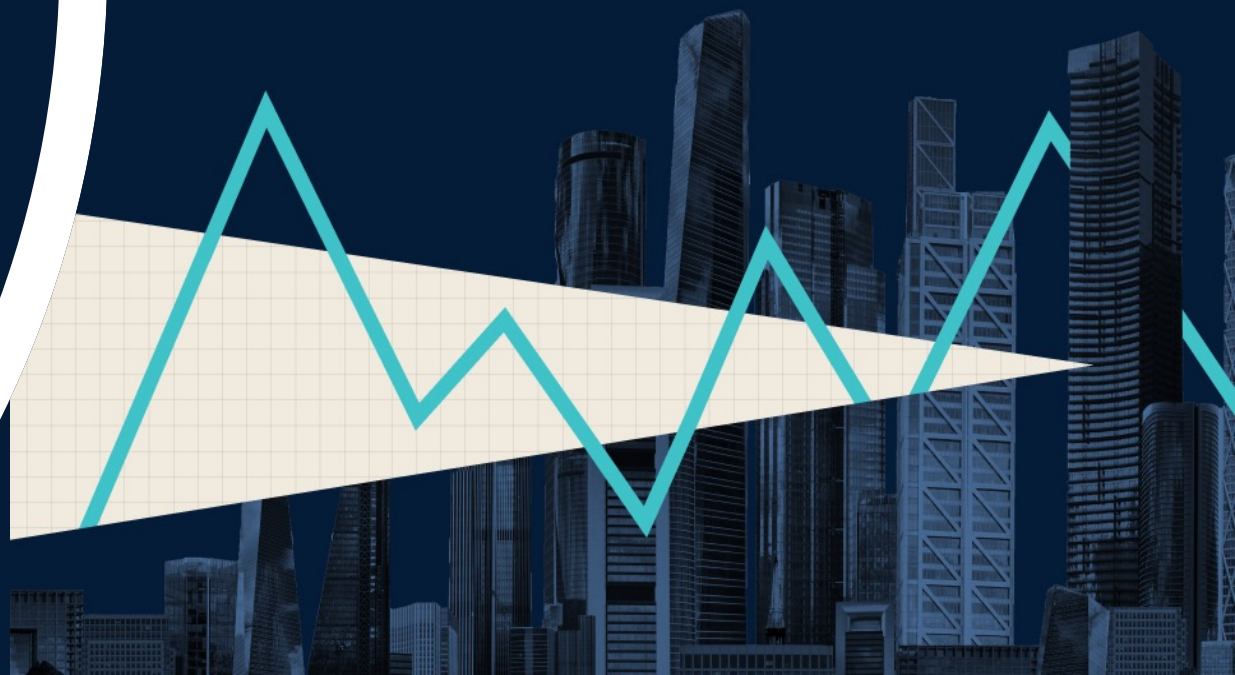**Unlock new and novel insights**

Understand what matters at a glance

What is the VC Exit Predictor?

PitchBook's VC Exit Predictor harnesses machine learning capabilities to synthesize information into two distinct data points—a predicted Exit Type & Opportunity Score—to inform better decisions and improve business outcomes. Our model leverage PitchBook's best-in-class data and historical trends to provide a forward-looking perspective on venture-backed companies, helping users find valuable investment opportunities quickly and easily.

Gain valuable insights with the VC exit predictor

Exit Type

The model predicts the probability that a venture-backed company will ultimately **be acquired, go public, or not exit** due to becoming self-sustaining or experiencing any event that prevents an exit.

IPO

- IPO: 80% Probability
- M&A: 15% Probability
- No Exit: 5% Probability
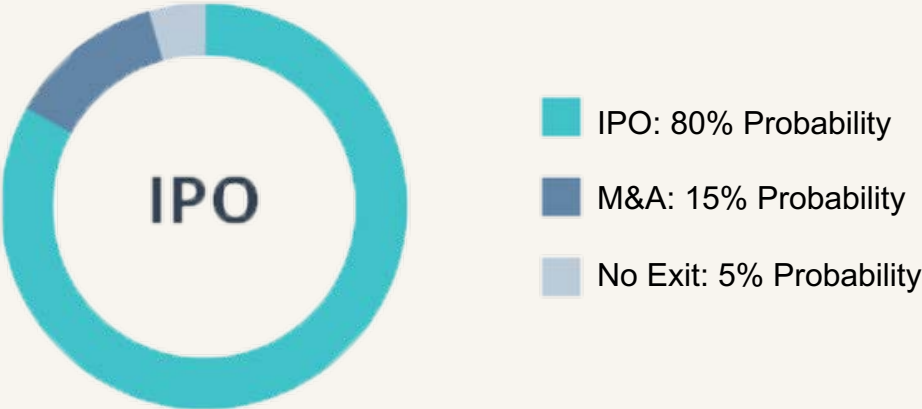
Opportunity Score

Compares the expected ROI in the next financing round of VC-Backed companies through an investment today.

The score calculates the expected IRR using our model's exit predictions, the company's stage, and PitchBook's historical return data.
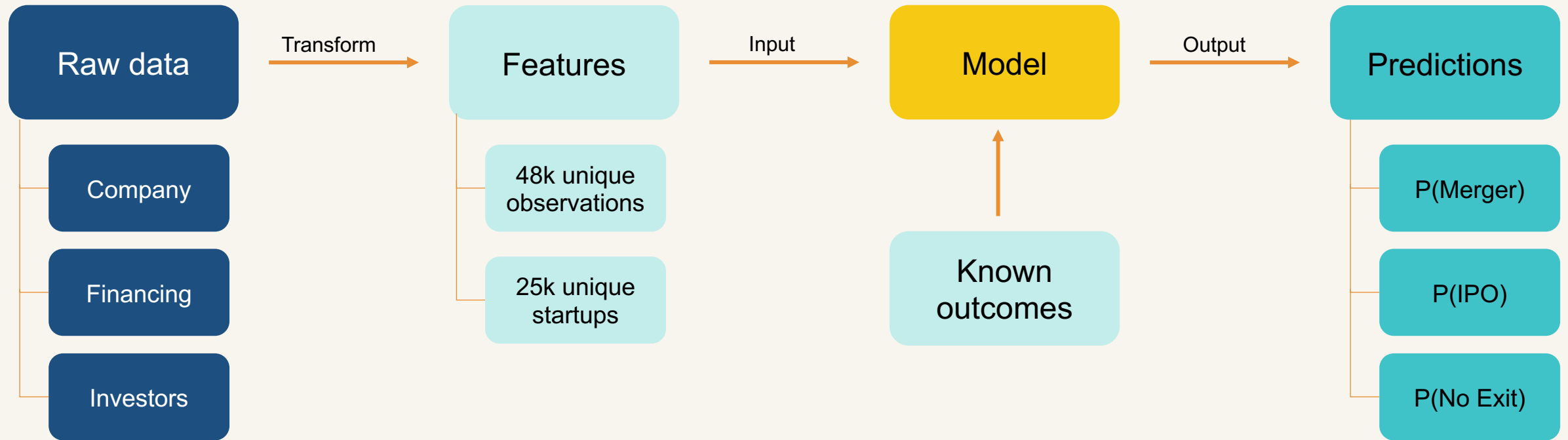
The value is presented as a percentile, so it is simple to compare, apples-to-apples, a company's expected rate of return against another company.

72 / 100

0   25   50   75   100

Out of 50,000 companies

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Model training

```
Raw data  ──Transform──▶  Features  ──Input──▶  Model  ──Output──▶  Predictions
```

Raw data	Features	Model	Predictions
Company	48k unique observations		P(Merger)
Financing	25k unique startups	Known outcomes	P(IPO)
Investors			P(No Exit)

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Model objective

```
┌─────────────────┐              ┌─────────────────┐              ┌─────────────────┐
│                 │   Compare    │                 │  Calculate   │                 │
│   Predictions   │ ──────────▶  │     Known       │ ──────────▶  │   Objective     │
│                 │              │    Outcome      │              │     score       │
└─────────────────┘              └─────────────────┘              └─────────────────┘
        │                                │
   ┌────┴─────────┐                 ┌────┴─────────┐
   │  P(Merger) = │                 │  Merger = 1  │
   │     75%      │                 │              │
   └──────────────┘                 └──────────────┘

   ┌──────────────┐                 ┌──────────────┐
   │   P(IPO) =   │                 │   IPO = 0    │
   │     10%      │                 │              │
   └──────────────┘                 └──────────────┘

   ┌──────────────┐                 ┌──────────────┐
   │ P(No Exit) = │                 │ No Exit = 0  │
   │     15%      │                 │              │
   └──────────────┘                 └──────────────┘
```

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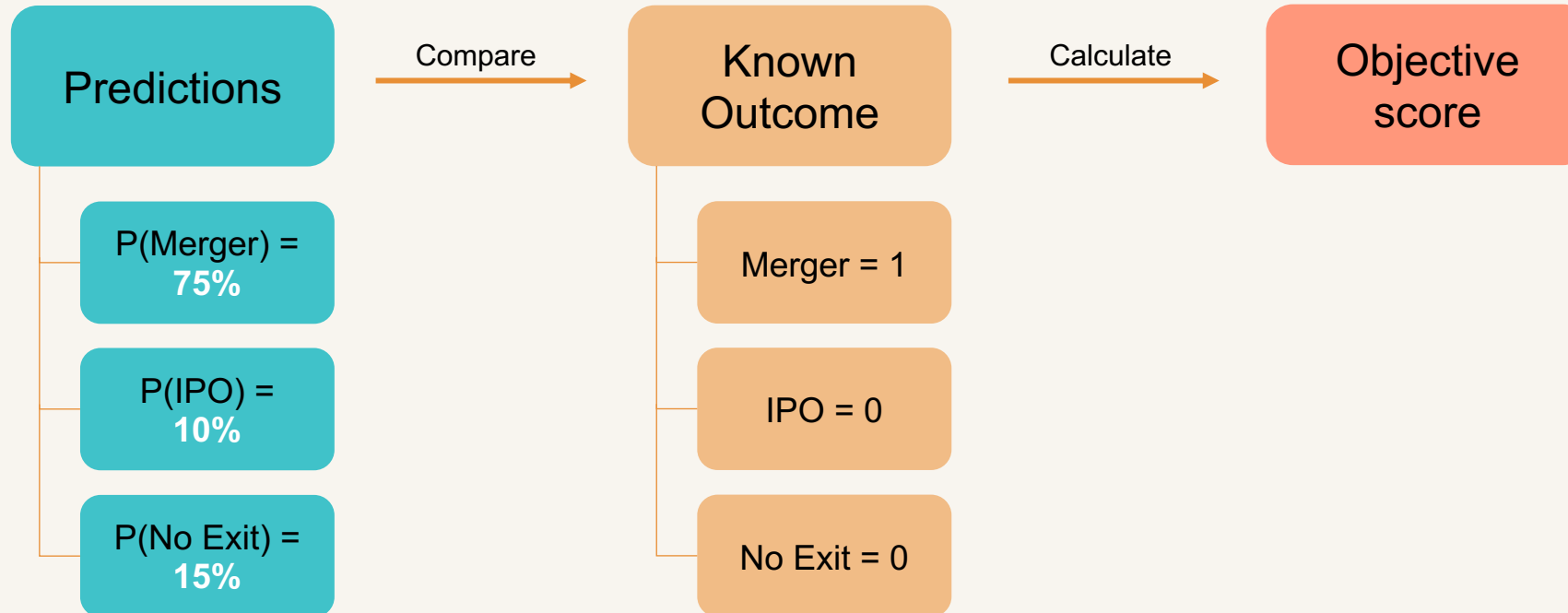
Model accuracy

Success vs. No Exit
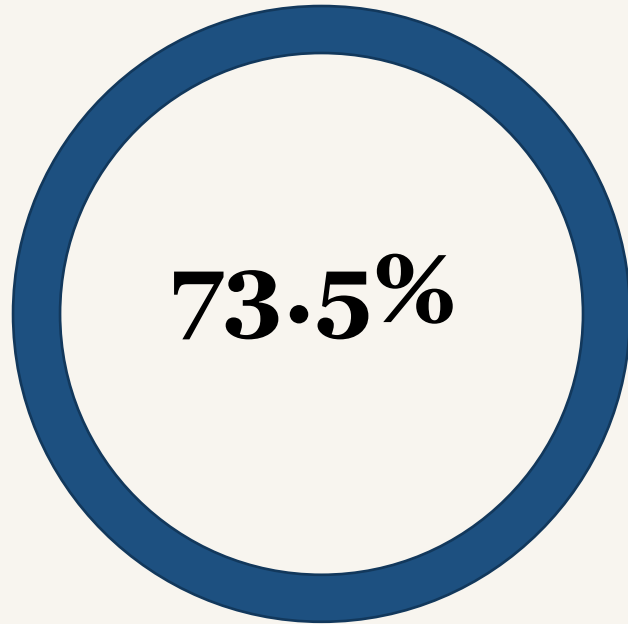
73.5%

M&A vs. IPO vs. No Exit

67.8%

Prediction confidence

Confidence		Accuracy*
High	Predicted prob > 78% →	87.5%
Medium	Predicted prob < 78% and > 55% →	72.9%
Low	Predicted prob < 55% →	62.5%

*Success vs. No Exit

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Opportunity score

Scoring Example: Company after series B

	Exit Probabilities	→	Weighted Avg. Exit Return	→	Standardized Score
IPO	45%		45% x 20%		
M&A	35%		35% x 15%		.73
Failure	20%		20% x 0%		
			14.25%		Percentile Ranking

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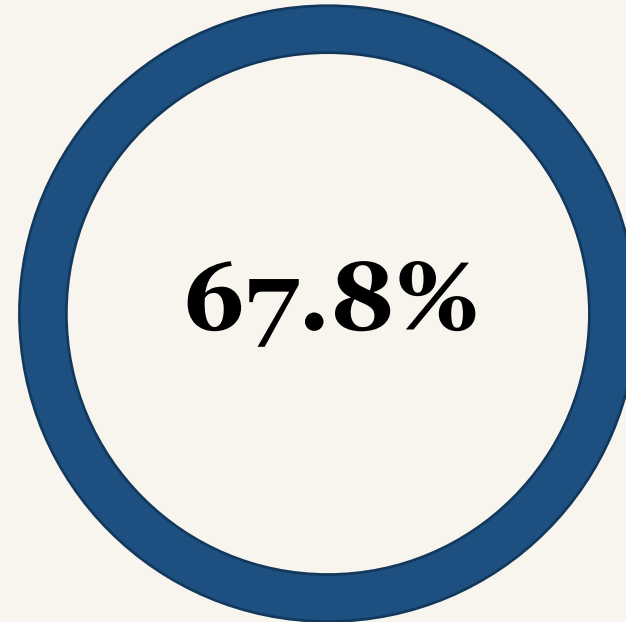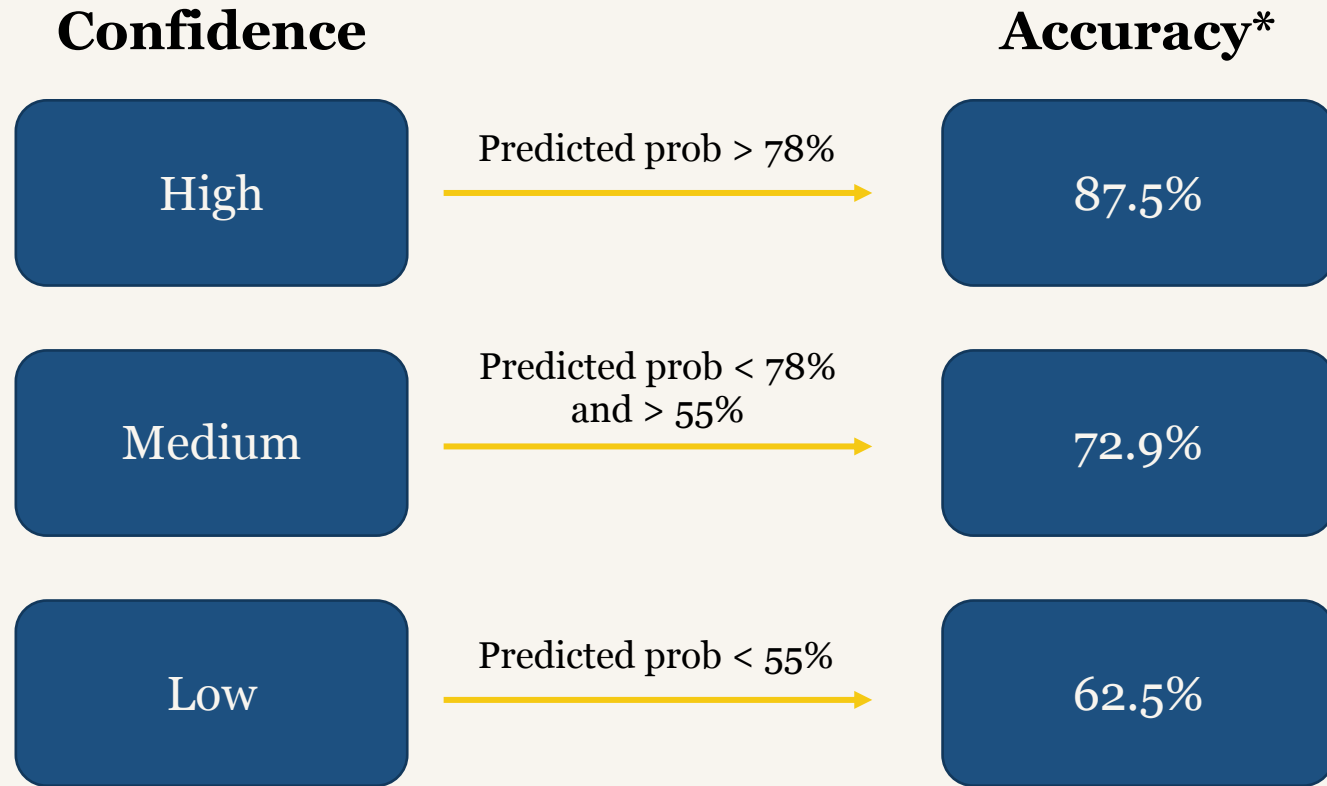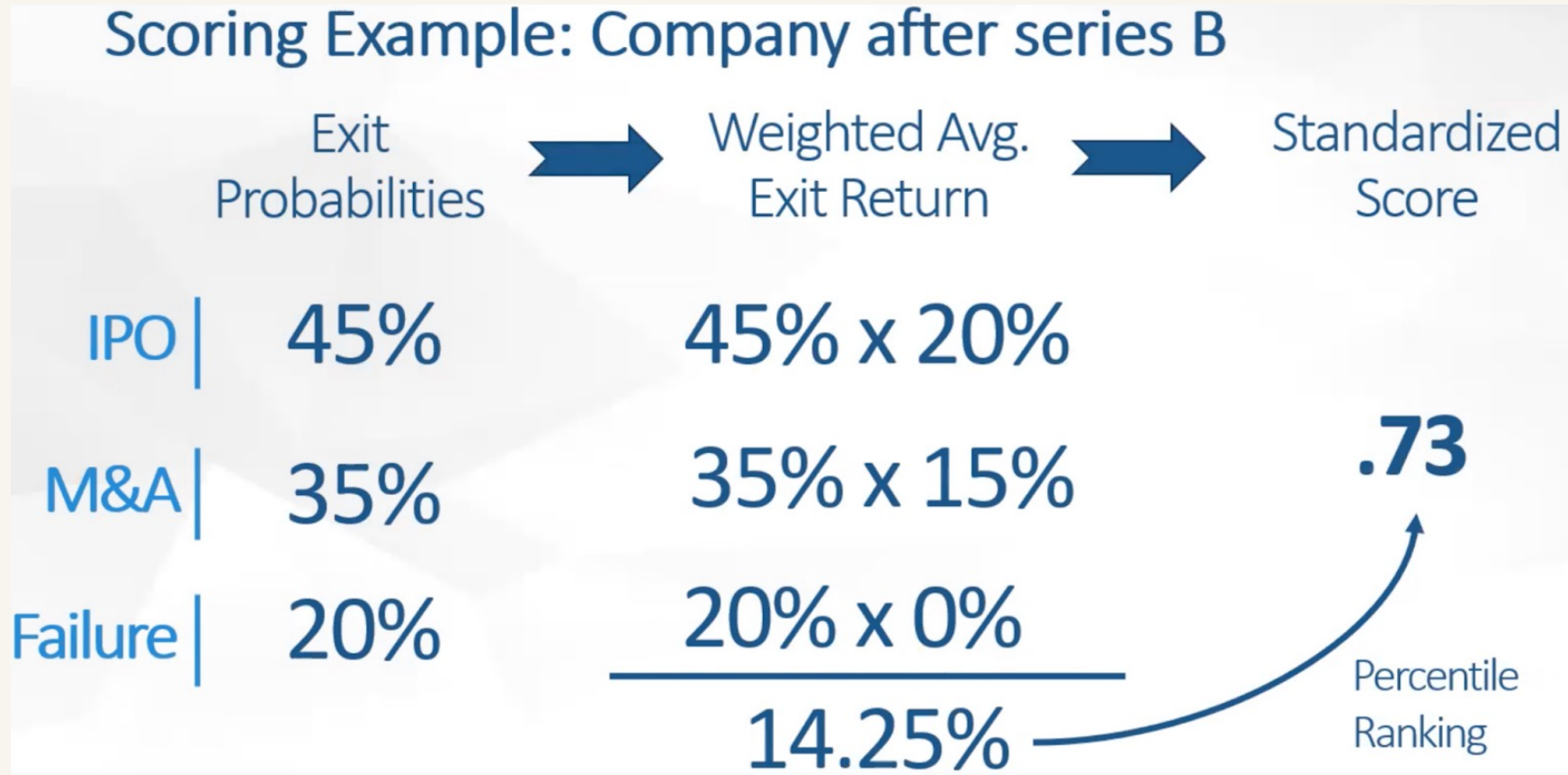
Deep dive into the VC Exit Predictor tool

McKinley McGinn

other stuff behind
the scenes

algorithm

ai and machine
learning
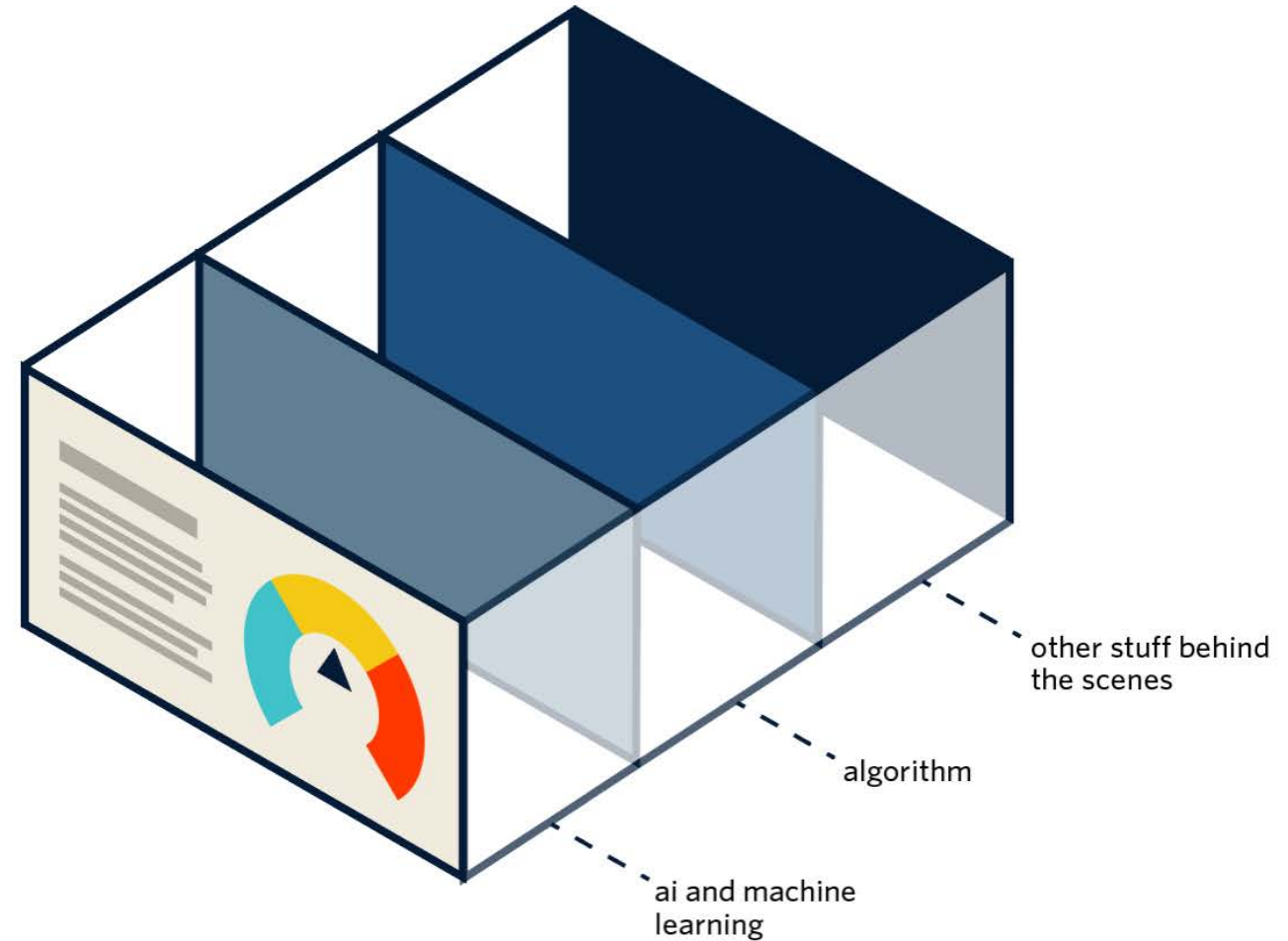
Success & exit type probabilities

- **Success Probability:** Likelihood a company will experience a successful exit

  - **IPO Probability:** Likelihood a company will experience an IPO exit

  - **M&A Probability:** Likelihood a company will experience an M&A exit

- **No Exit Probability:** Likelihood a company will NOT experience a successful exit

Exit Type

Evaluates VC-backed companies' likelihood of successful exit for investors and most likely exit type. Generated by machine learning algorithm. Learn more

IPO
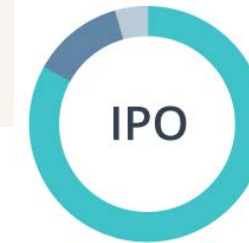
- IPO: 80% Probability
- M&A: 15% Probability
- No Exit: 5% Probability

Companies & Deals Search | 6,186 Companies

Company Details (0) ▾   Industry (1) ▾   Deal Criteria (0) ▾   Modify All Criteria (2)

Verticals: FinTech ×   Predicted Exit Type: Successful Exit ×   No Exit ×

Overview   Companies   Deals   Investors   People   Pivot Table ▾   Charts ▾   📊 Segment with Market Maps ▾   Go   📑 Notes (52)   ⊞ Edit table ▾   ⬇ Download ▾

0 Selected   Select All   Select Page

#	☐	Companies (6,186)	Success Class	Success Probability ↓	No Exit Probability	Predicted Exit Class	IPO Probability	M&A Probability	Primary Industry
1		Gojek Indonesia	Success	100%	0%	IPO	97%	3%	Other Services (B2...
2		Gusto	Success	100%	0%	IPO	97%	2%	Business/Producti...
3		Klarna	Success	100%	0%	IPO	99%	1%	Financial Software
4		Stripe	Success	100%	0%	IPO	96%	3%	Financial Software
5		Acorns	Success	99%	1%	IPO	96%	4%	Other Financial Se...
6		Anchorage Digital	Success	99%	1%	IPO	91%	8%	Financial Software
7		Blockchain.com	Success	99%	1%	IPO	72%	27%	Financial Software
8		Bolt Financial	Success	99%	1%	IPO	93%	6%	Business/Producti...
9		Brex	Success	99%	1%	IPO	93%	6%	Financial Software
10		Carta	Success	99%	1%	IPO	90%	9%	Financial Software
11		Chime	Success	99%	1%	IPO	92%	8%	Financial Software
12		ConsenSys	Success	99%	1%	IPO	95%	4%	Financial Software
13		Creditas	Success	99%	1%	IPO	93%	7%	Consumer Finance...
14		iCapital	Success	99%	1%	IPO	97%	2%	Media and Inform...
15		Navan	Success	99%	1%	IPO	72%	27%	Business/Producti...
16		Neon	Success	99%	1%	IPO	72%	27%	Other Financial Se...
17		Plaid	Success	99%	1%	IPO	83%	15%	Financial Software
18		Razorpay	Success	99%	1%	IPO	84%	15%	Financial Software
19		SpotOn	Success	99%	1%	IPO	93%	5%	Other Hardware
20		SumUp	Success	99%	1%	IPO	93%	7%	Other Hardware
21		toss	Success	99%	1%	IPO	96%	4%	Financial Software
22		Airwallex	Success	98%	2%	IPO	88%	10%	Financial Software
23		Alan	Success	98%	2%	IPO	84%	15%	Life and Health In...
24		Avant (Online Lending Firm)	Success	98%	2%	IPO	82%	15%	Consumer Finance...
25		Betterment	Success	98%	2%	IPO	75%	22%	Asset Managemen...

Opportunity score

- The Opportunity Score uses each exit type probability and historical average returns derived from cap table data to calculate an estimated internal rate of return (IRR)

- This score is normalized across all eligible Venture-backed companies and displayed as a percentile for simple comparison

Success Probabilities:
Abound – 92%
Stripe – 99%

Venture Financings:
Abound – 3 rounds
Stripe – 15 rounds

Opportunity Score:
Abound – 99
Stripe – 78

Peer-to-Peer Analysis

Peer-to-Peer analysis compares a company's Opportunity Score to those of the company's peers to interpret performance relative to others in the marketplace.

Industry	Vertical	Geography	Financing Details
All	FinTech	All	All

1st of 6,563 companies in this chart (99th percentile)

Stripe 78   Abound 99

Number of Companies / Opportunity Score

■ Bottom ■ Lower Middle ■ Middle ■ Upper Middle ■ Top ● Average ● Abound (Consumer Finance) ● Stripe

View Companies In Advanced Search

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Demo

Q&A

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