



The Venture Climate

James Gelfer, Lead Venture Analyst

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PitchBook: The leading resource for private and public market analysis

We track and analyse the public and private markets to provide more accurate, in-depth and proprietary data than any other source. Our award-winning software provides you with access to our data and the analytical tools you need to identify the right data points, discover opportunities and more.

Here's a look at what we track (as of November 2019)

1.96 M
companies

284 K
investors

1.1 M
deals

46 K
funds

2 M
professionals

54,000
Service Providers

300,000
valuations

29,000
LPs

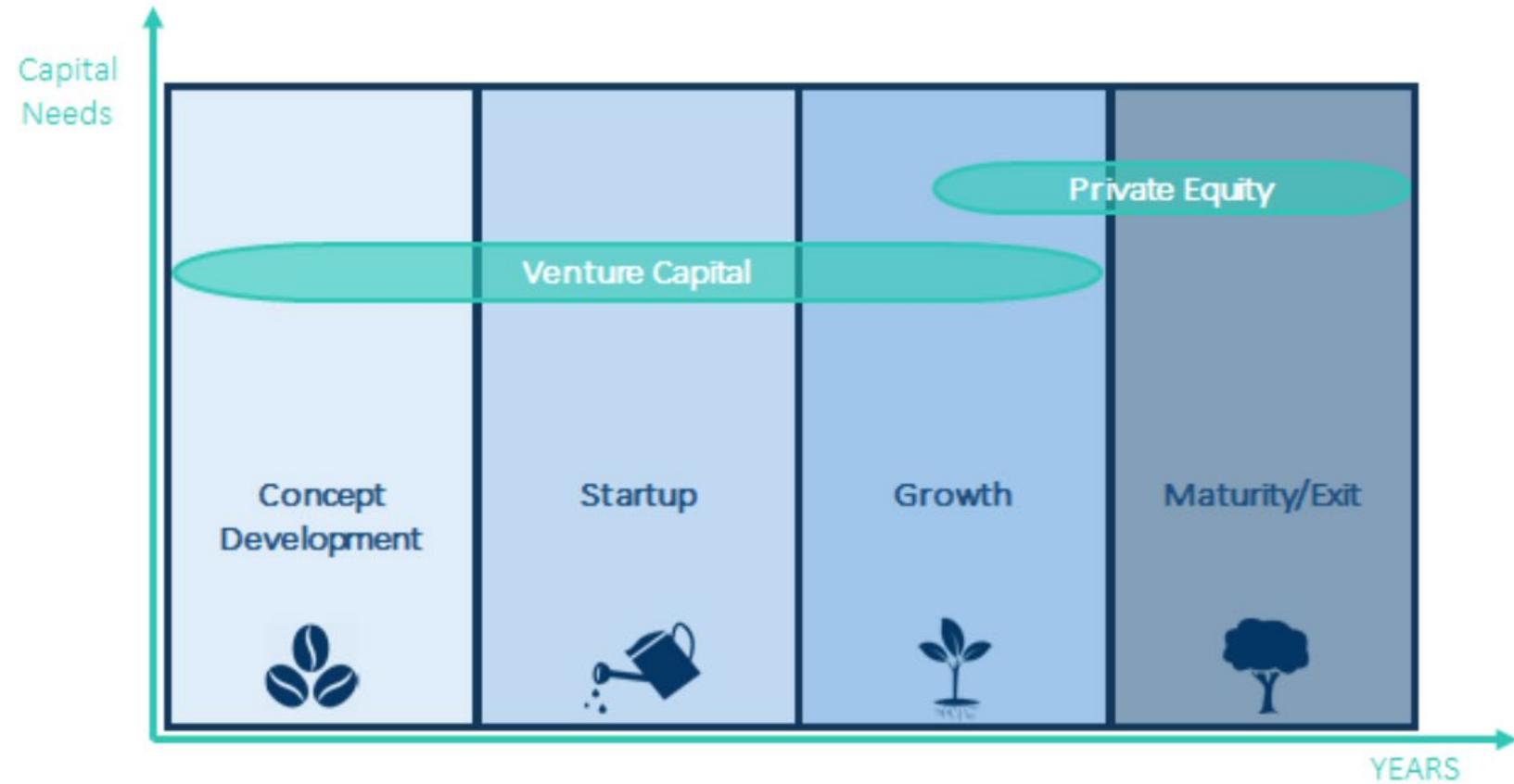


The screenshot displays the PitchBook software interface for 'The Climate Corporation'. The top navigation bar includes 'Primary Contact' (Jim McDonald JD), a search bar, and links for 'Private Company', 'LinkedIn', and 'Notes'. The main content area features a 'Contents' sidebar with sections like 'Timeline', 'General Information', 'Contact Information', 'Recent Notes', 'Similar Companies', 'Signals', 'Executives (25)', 'Board Seats (1)', 'Board Members (4)', 'Deal History (8)', '8. M&A', '7. Series C', '6. Series B', '5. Series A', '4. Conv. Debt', 'Investors (26)', 'Lenders on Deals (1)', 'Service Providers', 'Lead Partners on Deals (23)', 'Investments | Buy Side (5)', 'Affiliates', 'Market Information', and 'News'. The central area shows a 'Timeline' chart with data points for 2009, 2010, 2011, 2012, 2013, and 2014, with values ranging from \$0 to \$53.6M. The 'General Information' section provides a description of the company as a provider of weather coverage services and details its company status, noting a raise of GBP 100 million in 2016 and an acquisition by Monsanto in 2013.

VC Deal Activity

United States

The Lifecycle of a Company



Angel:
only individual investors or angel syndicates; no PE or VC firms involved

Seed:
self-described “seed” investments, often using convertible debt or equity deals <\$500k with a government filing.

Early Stage:
Series A or B, as indicated either by the series of stock

Late Stage:
Series C or later

VC Deal Activity

The VC industry has fundamentally changed over the last decade

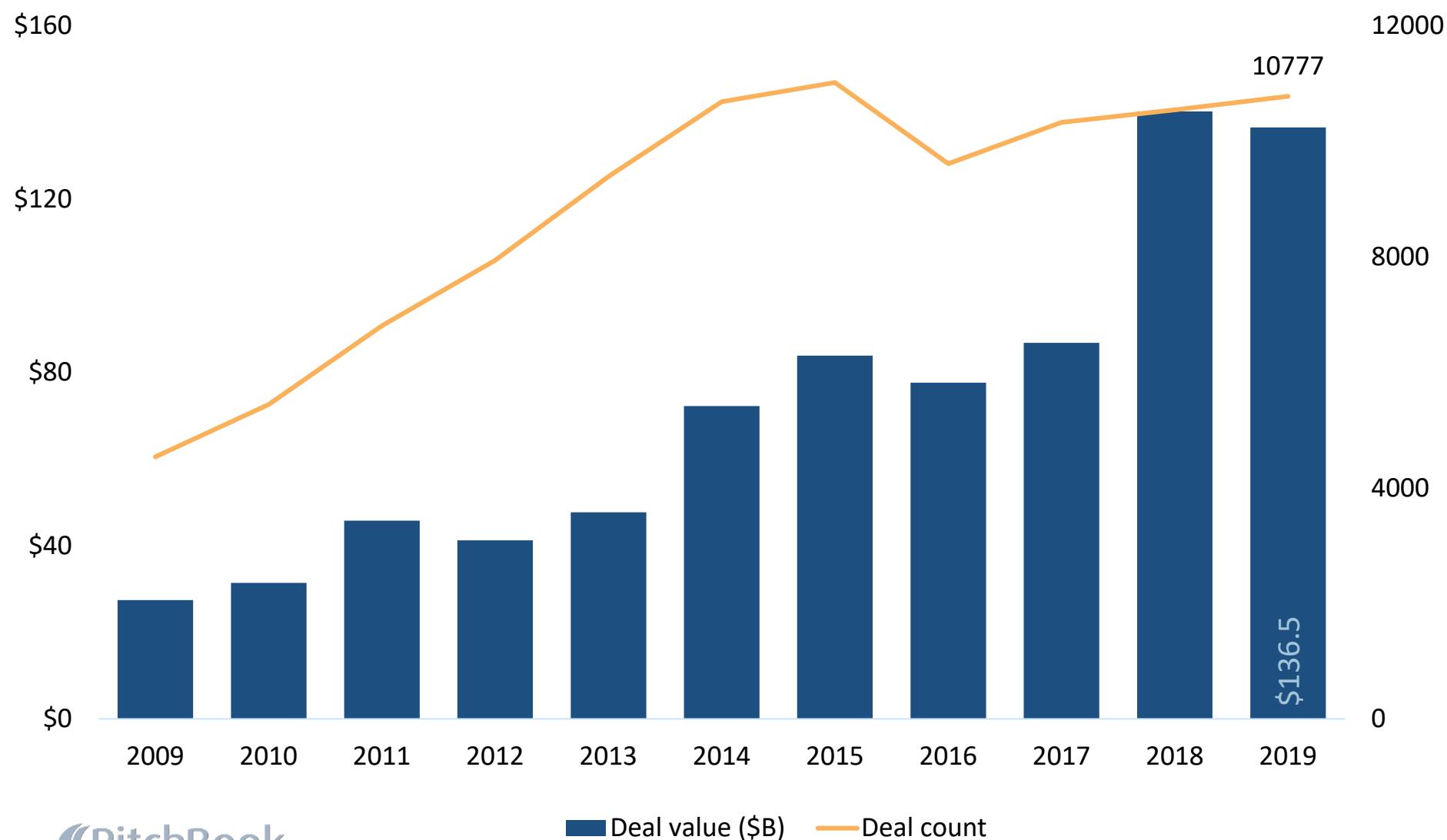
Category (medians)	Early Stage in 2009	Seed in 2019
Deal Size	\$3.0M	\$2.1M
Pre-Valuation	\$8.3M	\$8.0M
Company Age	2.6 years	3.1 years

Category (medians)	Late Stage in 2009	Early Stage in 2019
Deal Size	\$6.2M	\$6.5M
Pre-Valuation	\$30.0M	\$29.4M
Company Age	7.7 years	3.5 years

Stage	Typical Maturity Milestone in 2020
Seed	Minimum viable product (MVP) prepared and working on product/ market fit. Have launched or are preparing to go to market
Series A	Achieved working product/ market fit and have paying customers
Series B+	Mitigated many business risks (e.g. product, market, financial, team etc.) and are focused on accelerating growth

VC Deal Activity

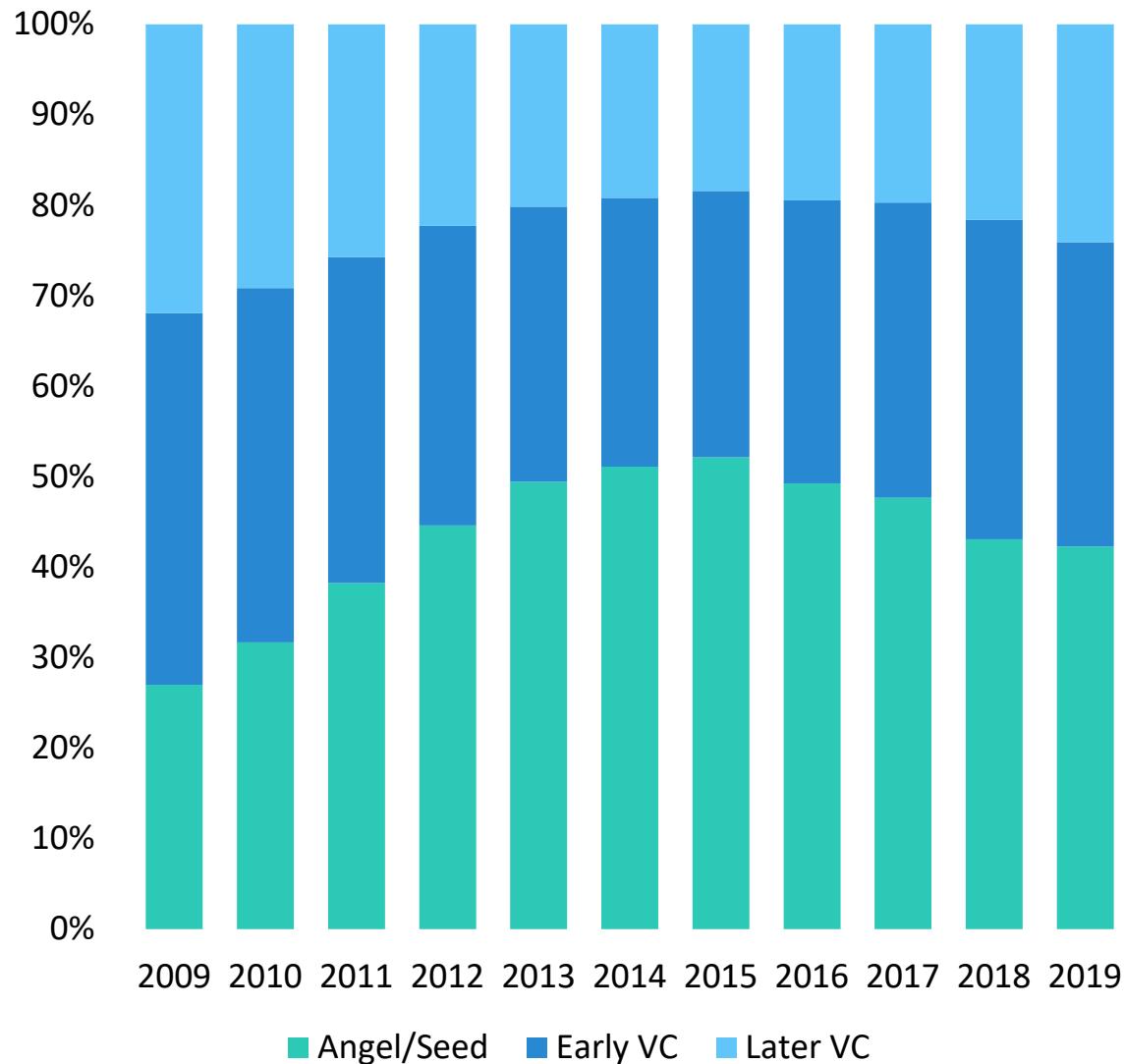
US VC deal activity by year



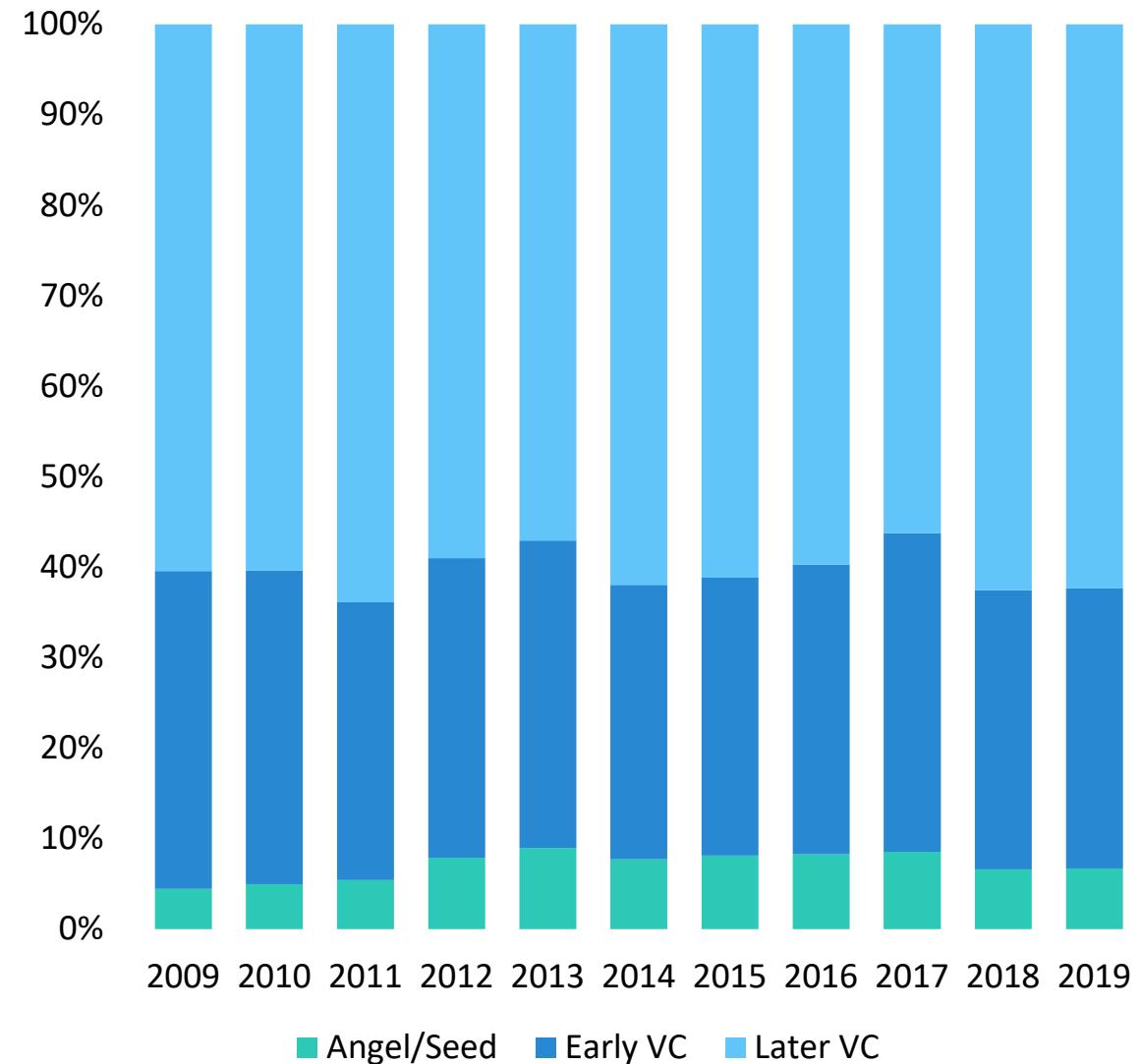
US VC deal count and value have continued their charge into record territory.

The vast amount of available capital resources continues to drive growth in deal sizes and valuations across nearly all stages of venture capital.

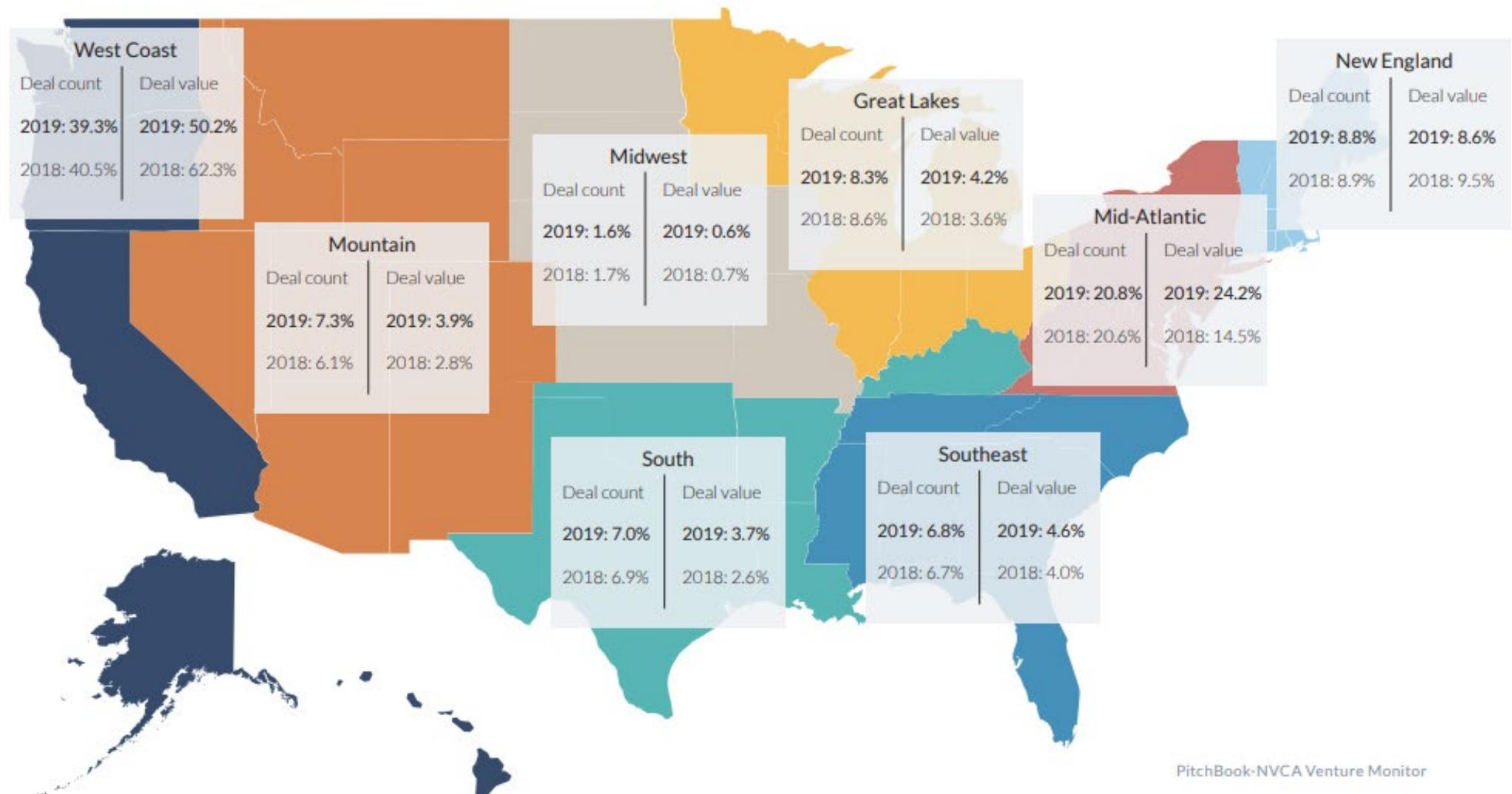
Early US VC by stage (#)



Early US VC by stage (\$)

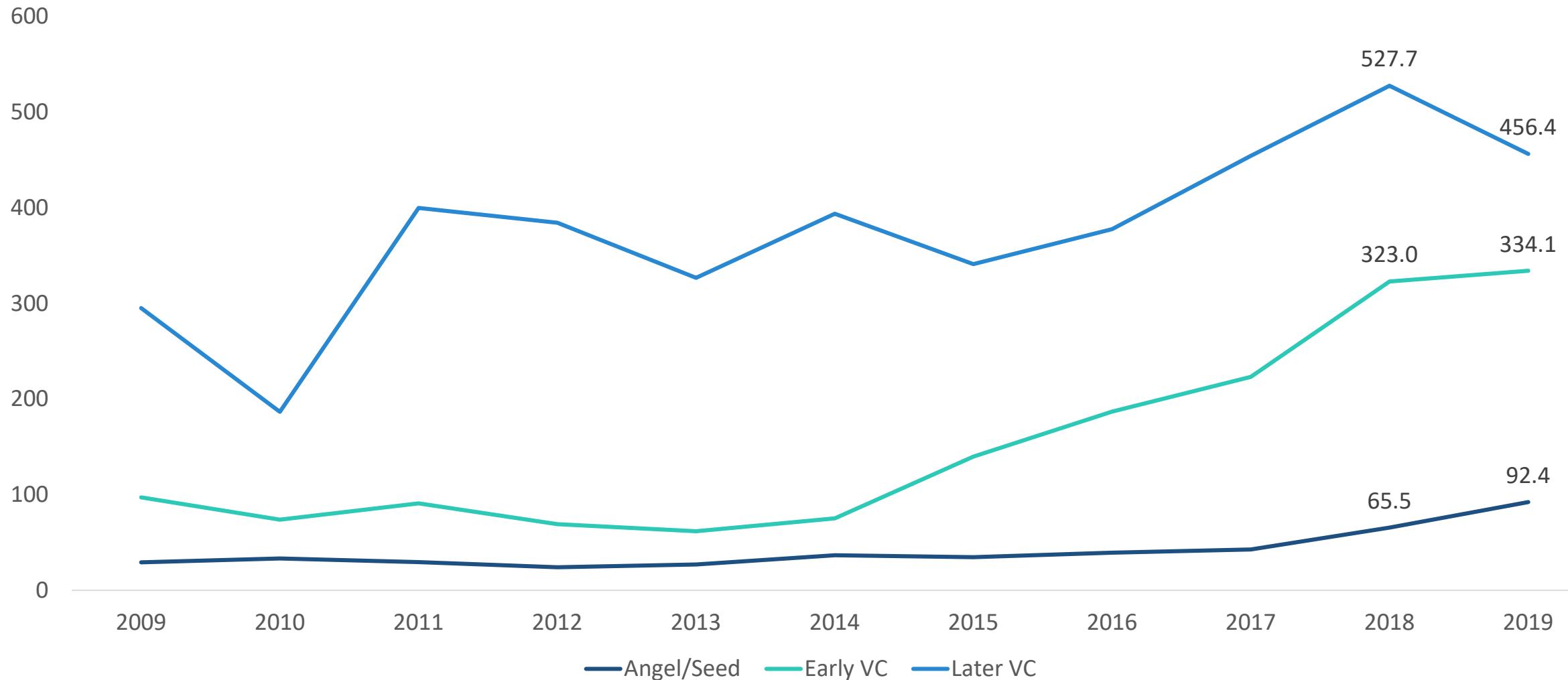


Regional VC activity as proportion of national total



PitchBook-NVCA Venture Monitor

Median Distance (miles) between lead investor and target company by stage



Most Active CSAs*

Combined Statistical Area (CSA)

is a US Office of Management and Budget (OMB) term for a combination of adjacent metropolitan (MSA) and micropolitan statistical areas (μSA)

Ecosystems in study	2019 deals in study	Funds closed (#) since 2015	Funds (\$M) raised since 2015	2018 dry powder (\$M)**
San Jose-San Francisco-Oakland, CA	1,169	524	\$114,362.0	\$56,936.2
New York-Newark, NY-NJ-CT-PA	550	201	\$25,241.9	\$13,039.7
Boston-Worcester-Providence, MA-RI-NH-CT	281	138	\$28,949.5	\$13,467.8
Los Angeles-Long Beach, CA	257	77	\$5,916.7	\$2,919.8
Seattle-Tacoma, WA	162	43	\$5,076.7	\$2,174.8
Denver-Aurora, CO	121	23	\$2,127.8	\$1,024.3
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA	107	33	\$2,905.7	\$1,324.0
Philadelphia-Reading-Camden, PA-NJ-DE-MD	102	14	\$946.4	\$195.5
Chicago-Naperville, IL-IN-WI	87	42	\$3,233.9	\$1,425.1
Atlanta-Athens-Clarke County-Sandy Springs, GA-AL	56	8	\$647.0	\$274.2
Salt Lake City-Provo-Orem, UT	44	17	\$1,108.0	\$439.0
Dallas-Fort Worth, TX-OK	43	10	\$237.1	\$77.8
Houston-The Woodlands, TX	43	5	\$234.1	\$180.6
Pittsburgh-New Castle-Weirton, PA-OH-WV	39	4	\$5.2	\$21.4
Raleigh-Durham-Cary, NC	38	12	\$632.4	\$281.6
Miami-Port St. Lucie-Fort Lauderdale, FL	35	7	\$108.6	\$87.5
Minneapolis-St. Paul, MN-WI	32	8	\$572.8	\$31.2
Portland-Vancouver-Salem, OR-WA	32	9	\$94.8	\$50.5
Detroit-Warren-Ann Arbor, MI	31	9	\$861.2	\$291.2
Indianapolis-Carmel-Muncie, IN	27	4	\$110.7	\$81.3
Nashville-Davidson-Murfreesboro, TN	26	11	\$479.7	\$220.7
Columbus-Marion-Zanesville, OH	24	10	\$768.1	\$248.1
Phoenix-Mesa, AZ	24	10	\$84.1	\$80.8
Madison-Janesville-Beloit, WI	18	6	\$54.3	\$39.3

Source: PitchBook | Geography: North America

*As of September 30, 2019

**As of December 31, 2018

VC ecosystems with most/least participation from local investors

VC ecosystems with highest local capital (\$M) per startup*

	Dry powder (\$M)**	Active VC companies (#)	Dry powder per active VC company (\$M)
San Jose-San Francisco-Oakland, CA	\$56,936.2	4,711	\$12.1
Boston-Worcester-Providence, MA-RI-NH-CT	\$13,467.8	1,413	\$9.5
New York-Newark, NY-NJ-CT-PA	\$13,039.7	2,584	\$5.0
Seattle-Tacoma, WA	\$2,174.8	656	\$3.3
Chicago-Naperville, IL-IN-WI	\$1,425.1	539	\$2.6

Source: PitchBook | Geography: North America

*As of September 30, 2019

**As of December 31, 2018

VC ecosystems with lowest local capital (\$M) per startup*

	Dry powder (\$M)**	Active VC companies (#)	Dry powder per active VC company (\$M)
Minneapolis-St. Paul, MN-WI	\$31.2	240	\$0.1
Pittsburgh-New Castle-Weirton, PA-OH-WV	\$21.4	154	\$0.1
Portland-Vancouver-Salem, OR-WA	\$50.5	236	\$0.2
Dallas-Fort Worth, TX-OK	\$77.8	272	\$0.3
Miami-Port St. Lucie-Fort Lauderdale, FL	\$87.5	291	\$0.3

Source: PitchBook | Geography: North America

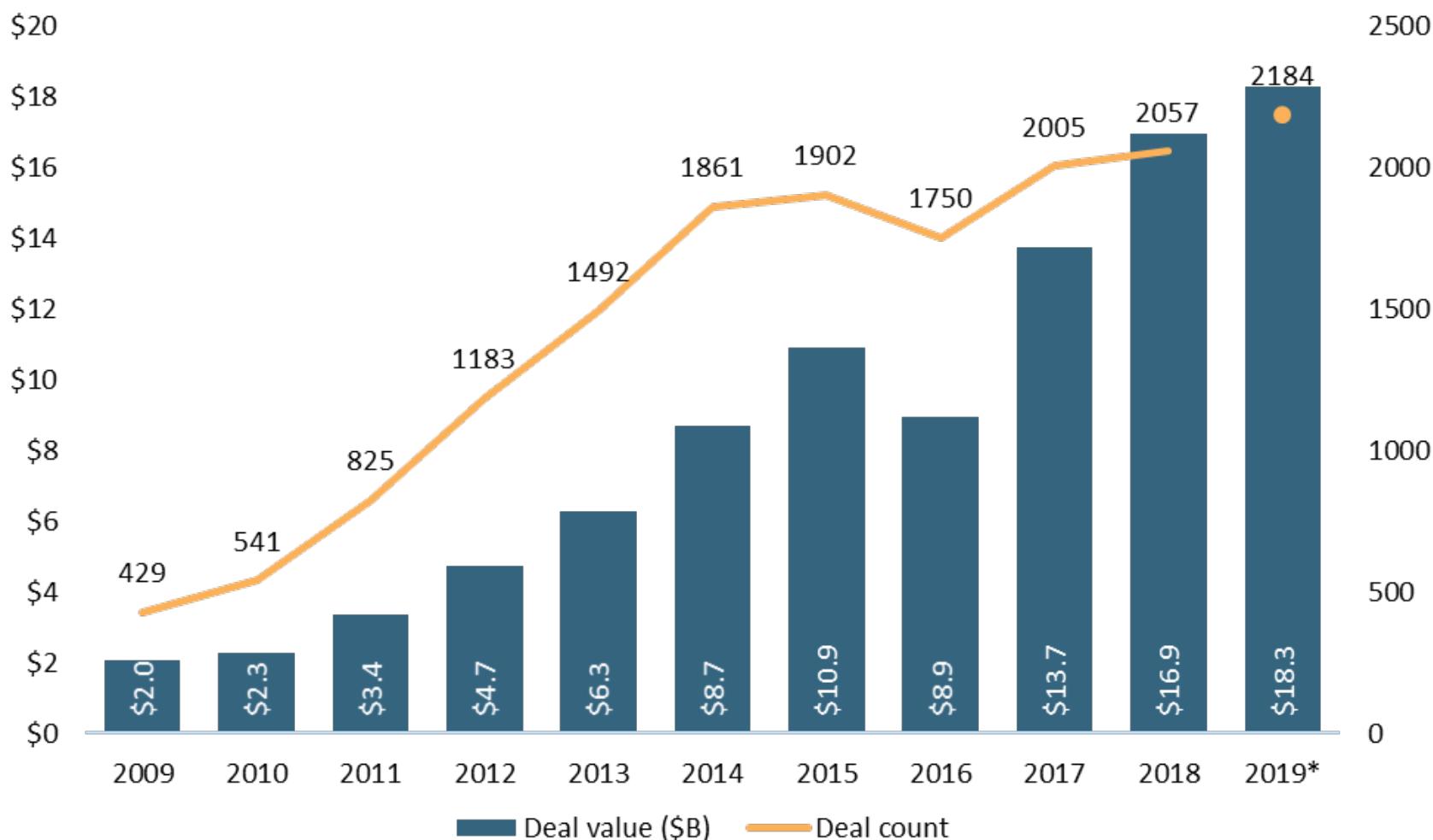
*As of September 30, 2019

**December 31, 2018

For more information on the methodology, access the full [research report here](#)

VC Deal Activity

US VC deal activity for female founded companies

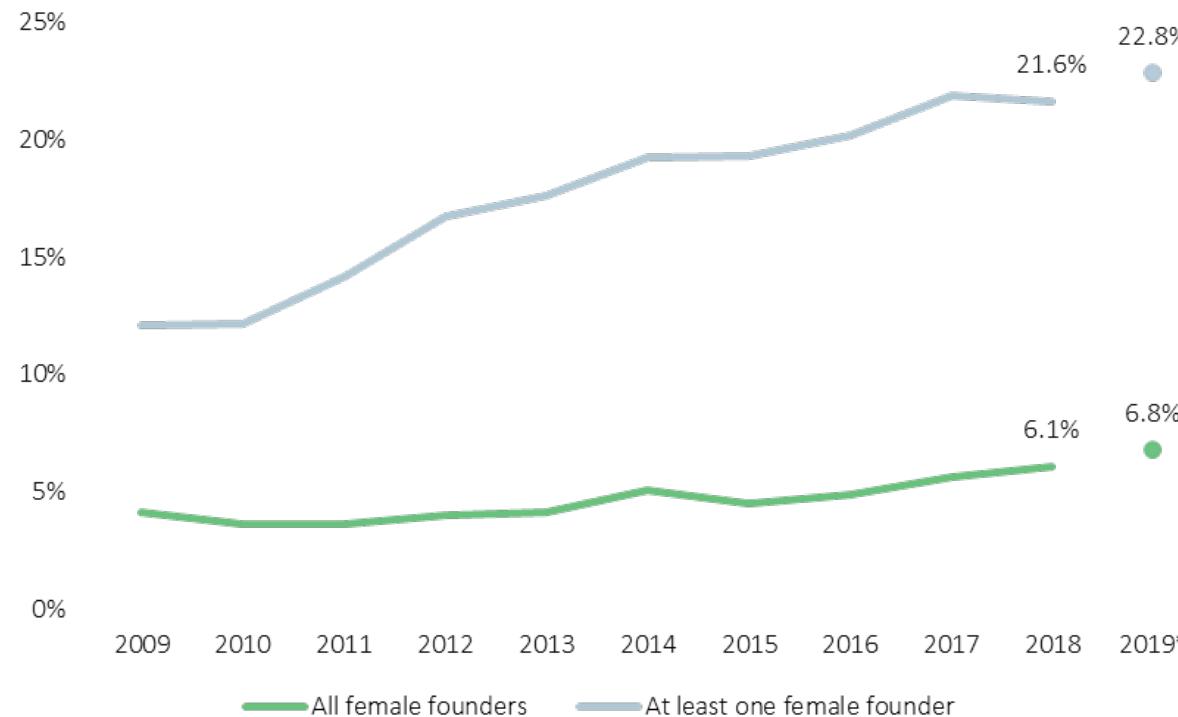


"The gradual rise in female-founded startups can be traced to several factors, including market awareness of the gender imbalance, stronger mentorship networks for women and more women entering the venture side of entrepreneurship."

[All Raise: Women in the VC Ecosystem](#)
report

VC Deal Activity

Female-founded companies as a proportion of total US VC deal activity (# & \$)



Venture Debt

United States

VC Deal Activity

US VC Debt

	SBA loan	Convertible debt	Term loan	Revenue-based financing
Size	Up to \$5M	Flexible depending on company stage	30%-50% of previous equity round for early-stage startups	Based on monthly revenue requirements or a fixed amount
		18-24 months		
Maturity period	7-10 years	Convertible securities without a debt piece may not have defined maturity period, simply conversion event triggers	3-5 years	3-5 years
	Prime + 2.25% for loans greater than \$50,000 and maturity of less than 7 years	Low, can be around 1%-2%	From banks: Prime rate + 0-4%	1.3x-2.5x repayment cap
Interest rate	Prime + 2.75% for loans greater than \$50,000 and maturity of 7 years or more		From funds: Prime rate + 5%-9%	
Collateralization	All company assets + liens on personal assets	None	Assets and/or intellectual property	Assets and/or intellectual property
	3.5% of the guaranteed portion for loans above \$700,000			
Fees		None	1%-2% origination 0-3% exit	None
Covenants	None	None	Generally none	None
Lender equity coverage	None	Conversion discount on next round picture	Warrant coverage, 5%-20% of loan size	None
	Must fit within "small business" definitions			
Typical VC stage	determined by the US Small Business Administration	Angel & seed stage	Early stage to late stage	Pre-VC
Typical lender types	Small business investment companies and local banks	Angels and VC funds	Banks and venture debt funds	Specialized debt funds

Venture Debt

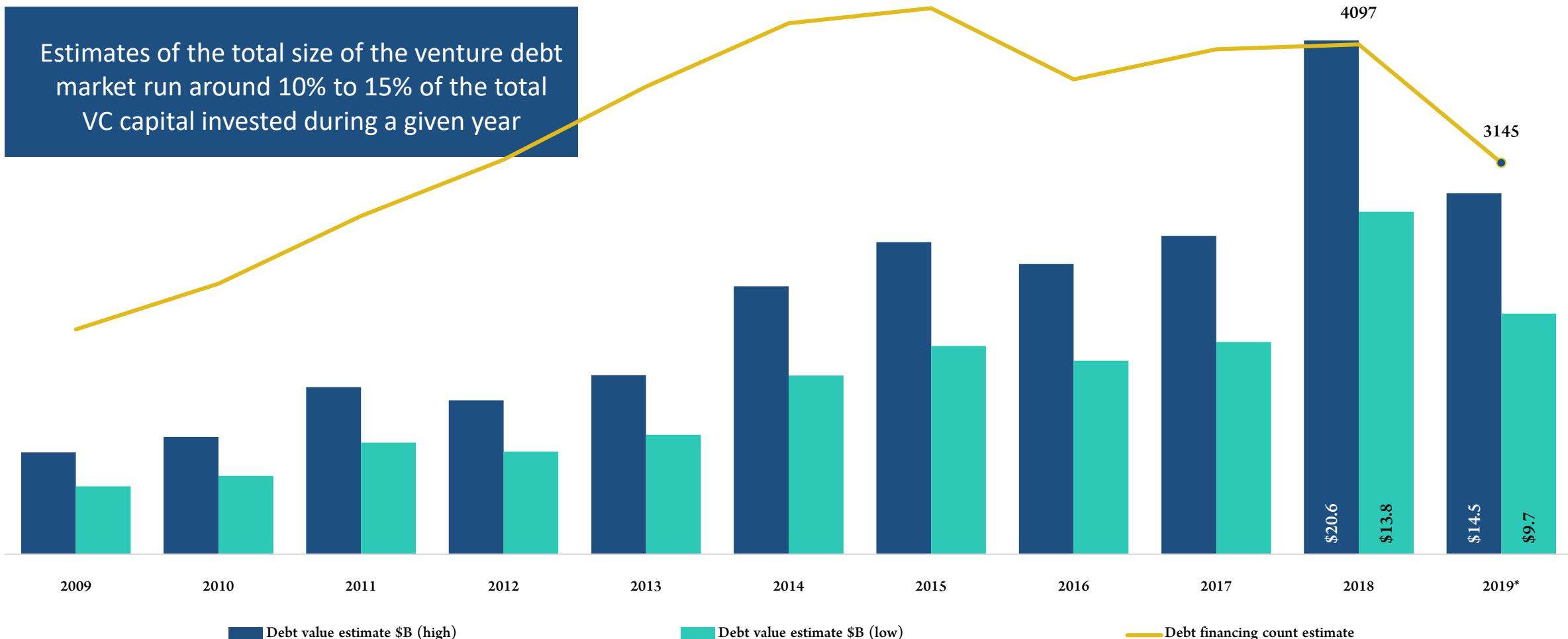
Venture debt is simply defined as lending to VC-backed companies, or debt financing used in lieu of VC financing.

Venture debt providers have become increasingly flexible in the structure and terms of loans, with diverse constructions used for different industries and investment stages, and warrants helping mitigate the risk involved while allowing lenders to participate in the upside of a borrower's growth. This includes but is not limited to: convertible debt notes, term loans, monthly recurring revenue (MRR) lines of credit, and/or revenue-based investment products acting unlike equity-based financings due to repayment terms or claims on future equity.

More information is available in our [Venture Debt Overview](#)

VC Deal Activity

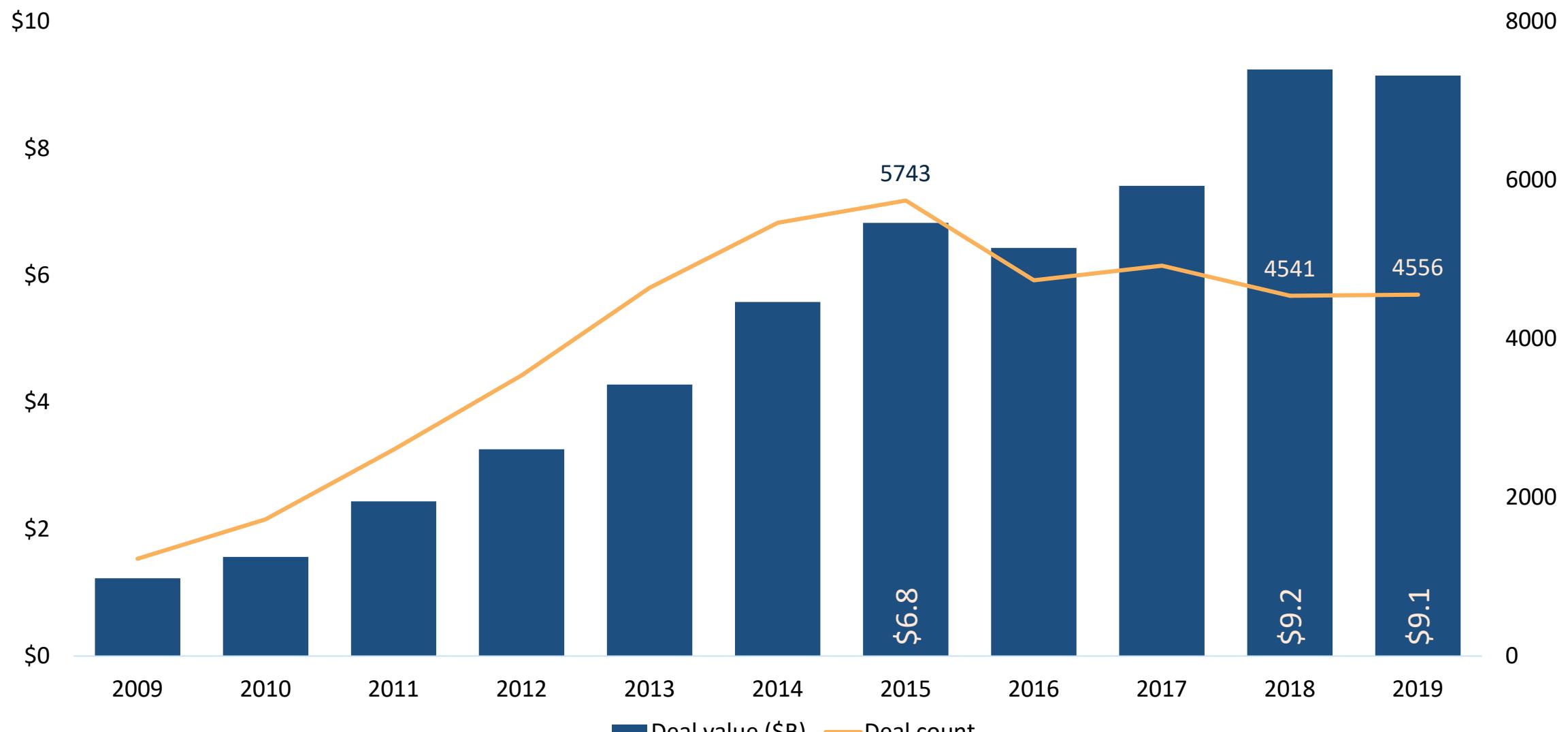
US VC Debt



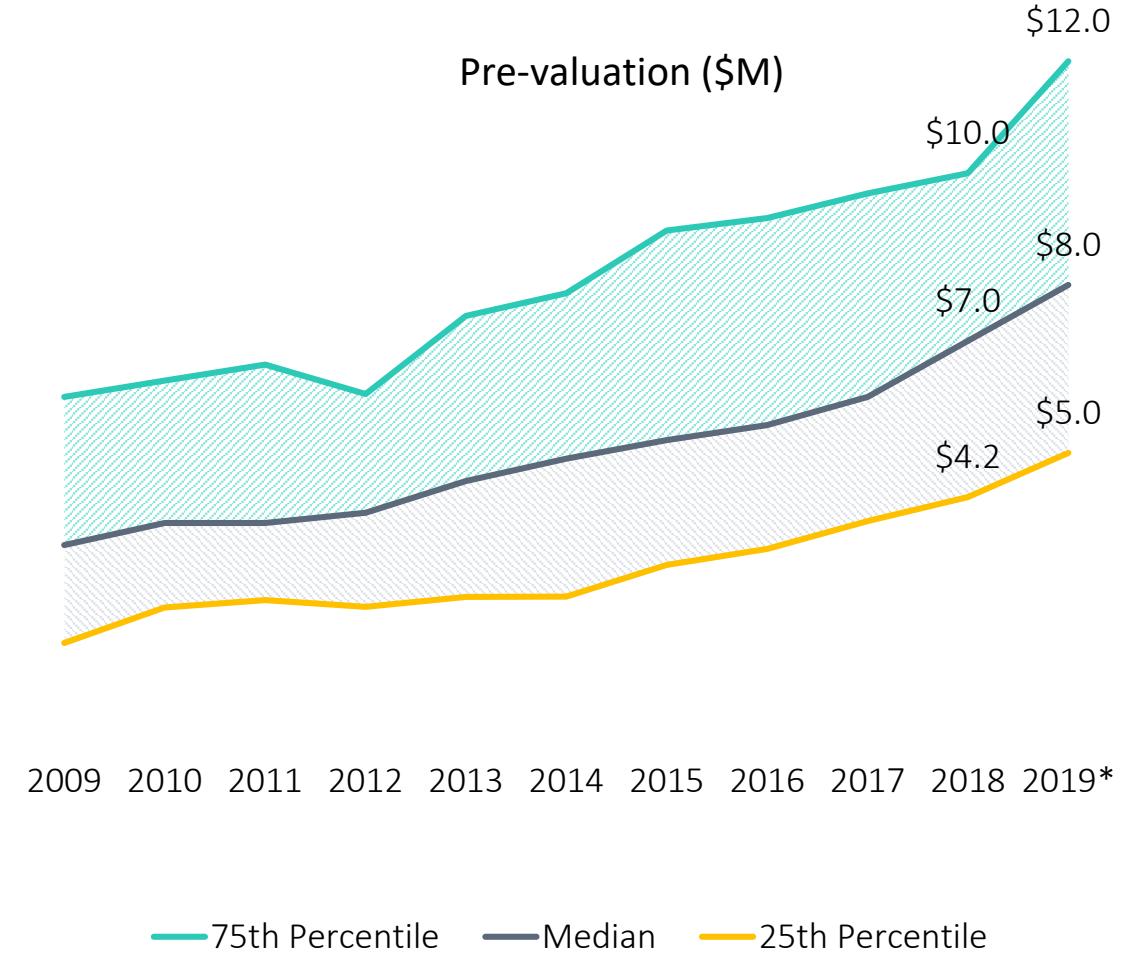
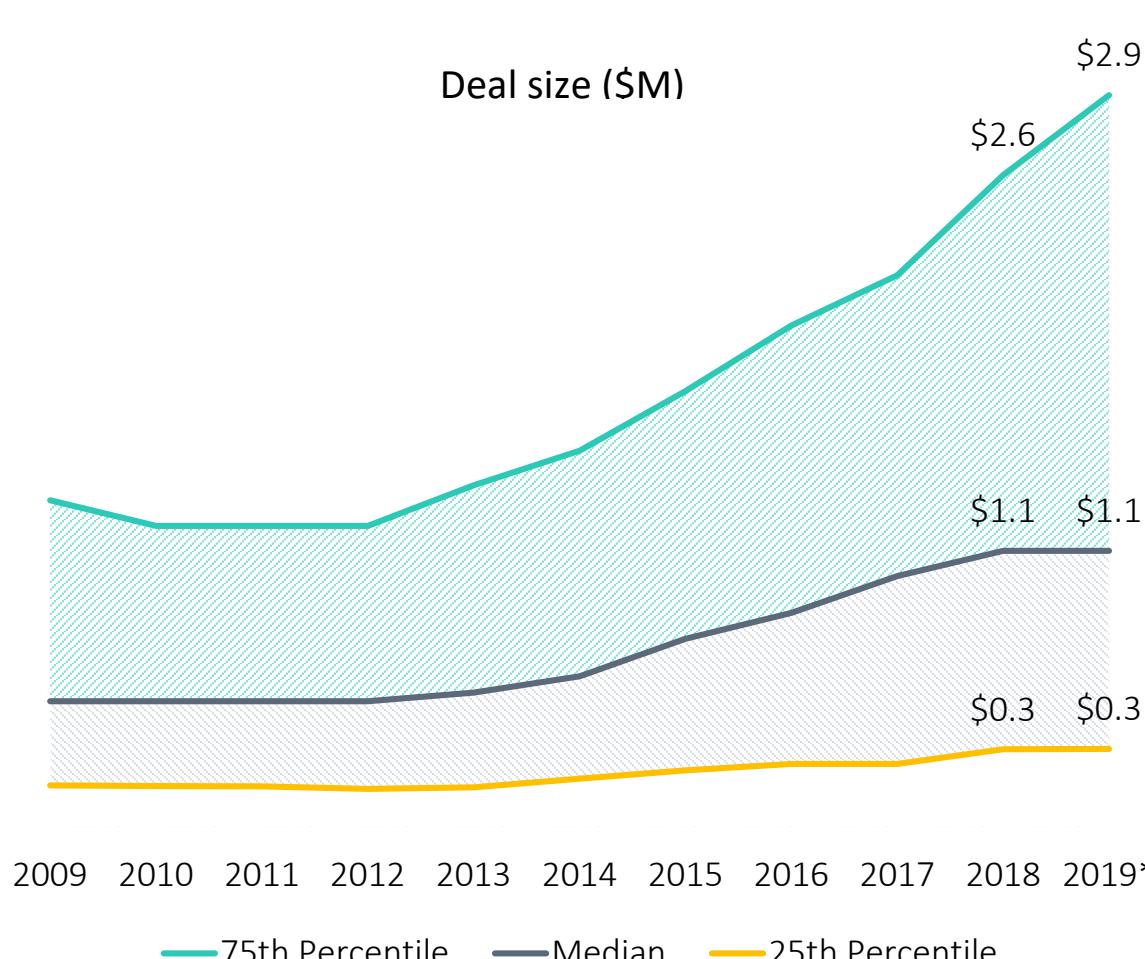
Angel & Seed Deal Activity

United States

Angel & Seed US VC deal activity by year

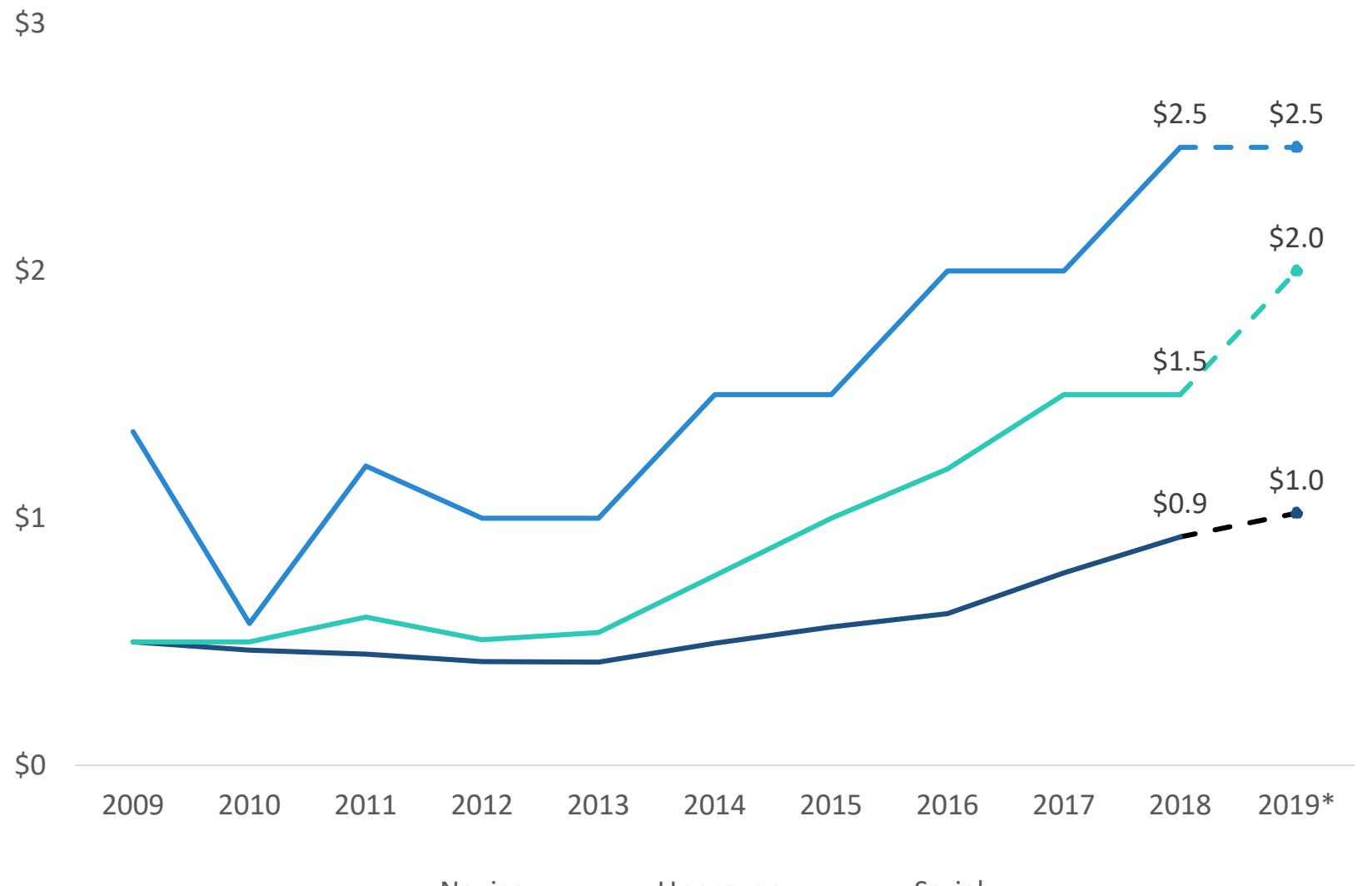


Angel & Seed US VC quartile breakdowns (deal size & pre-valuation)



VC Deal Activity

Median angel & seed US deal size (\$M) by entrepreneur class



Serial Entrepreneurs

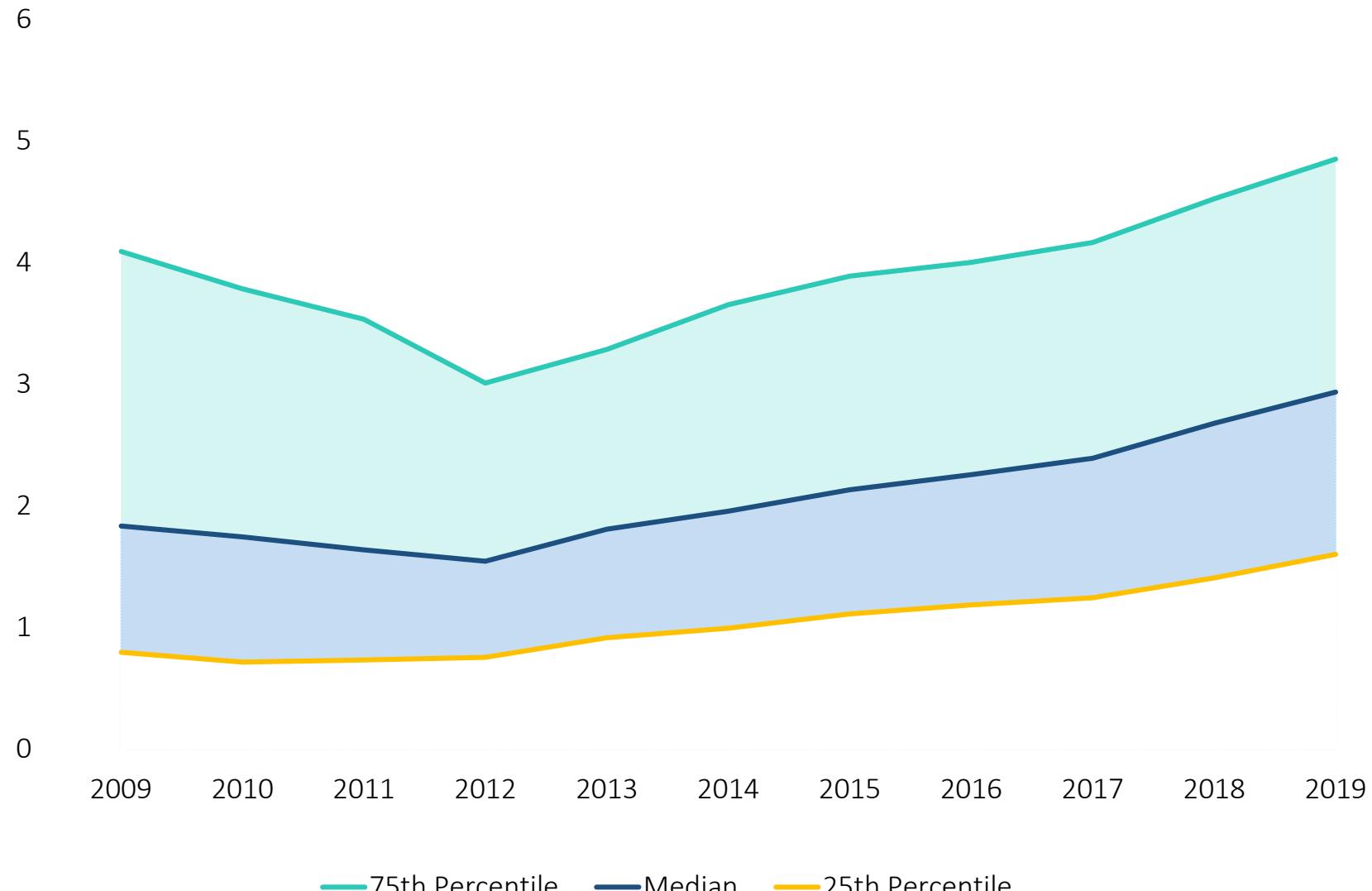
Our research has found that the prior experience of a founder has a material impact on VC fundraising. Specifically, serial entrepreneurs can raise more capital, more quickly and on better terms. We classify founding teams as follows:

- Serial Entrepreneurs: have successfully exited at least one business and have subsequently launched another business
- Unproven Serials: have founded at least two businesses but have not yet seen a successful exit
- Novice: first-time founders

More information and analysis can be found on our note, [Serial Entrepreneurs: Does Lightning Strike Twice?](#)

VC Deal Activity

Quartile distribution of angel & seed years since founding



Pre-Seed

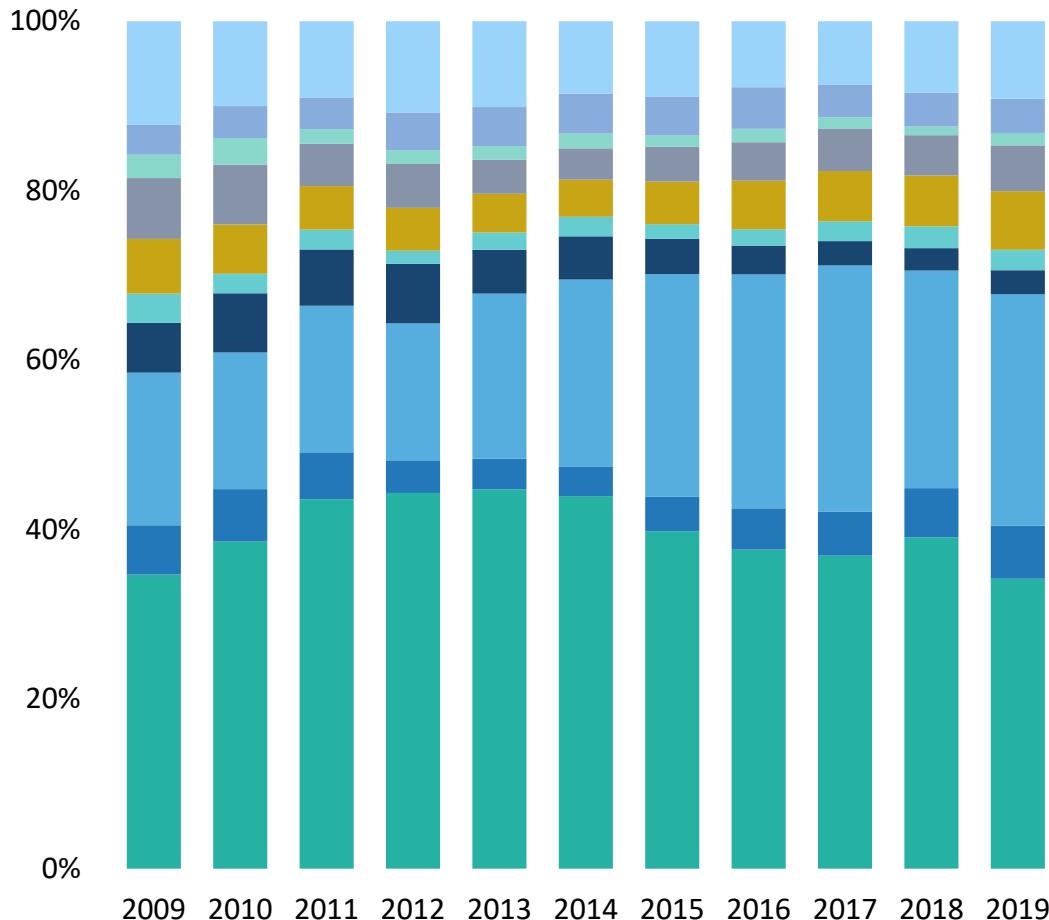
As the seed stage has matured, the “pre-seed” stage has emerged to provide capital at the pre-product stage or even before a company is incorporated.

Self-described pre-seed investors have generally classified deals at this stage as sized under \$1 million, with pre-money valuations ranging from \$3 million to \$5 million.

More information on the pre-seed strategy can be found in our full research note, [The Emergence of Pre-Seed](#)

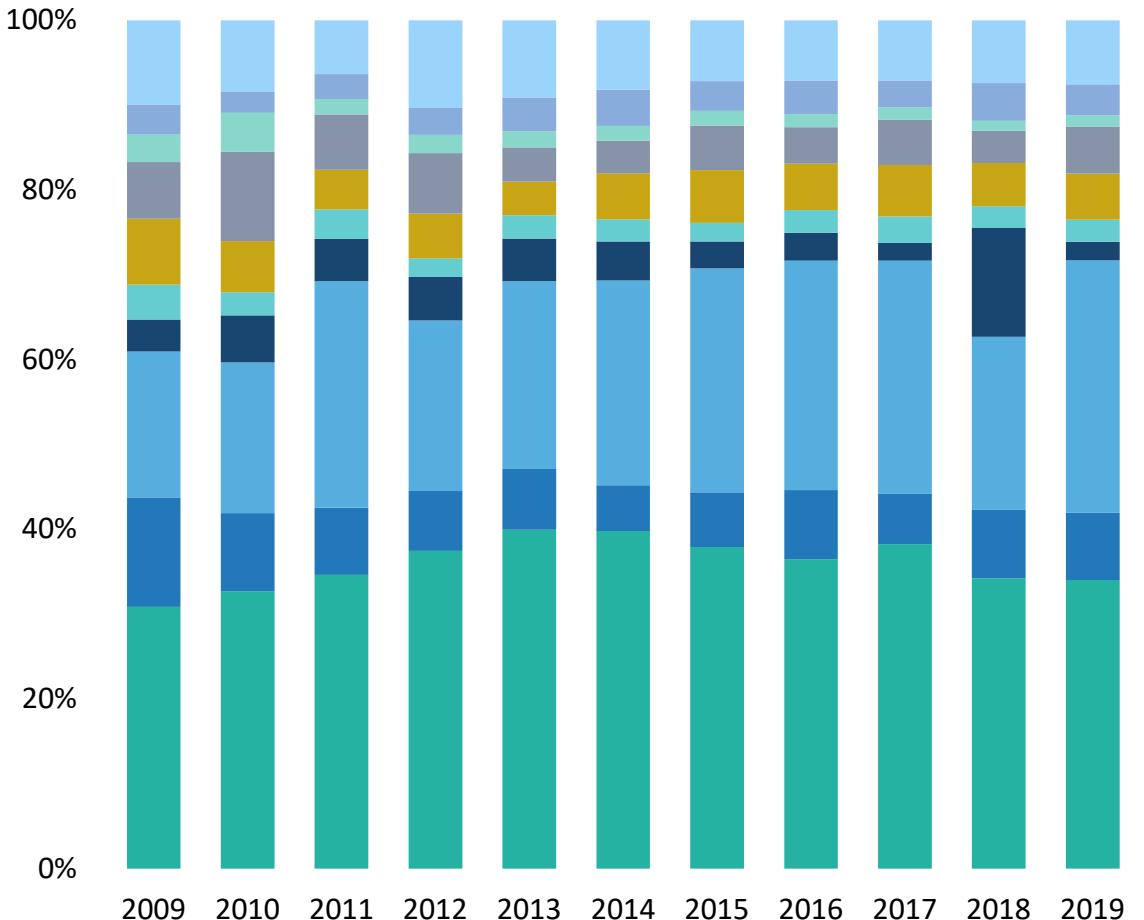
VC Deal Activity

Angel & Seed US VC by sector (# and \$)



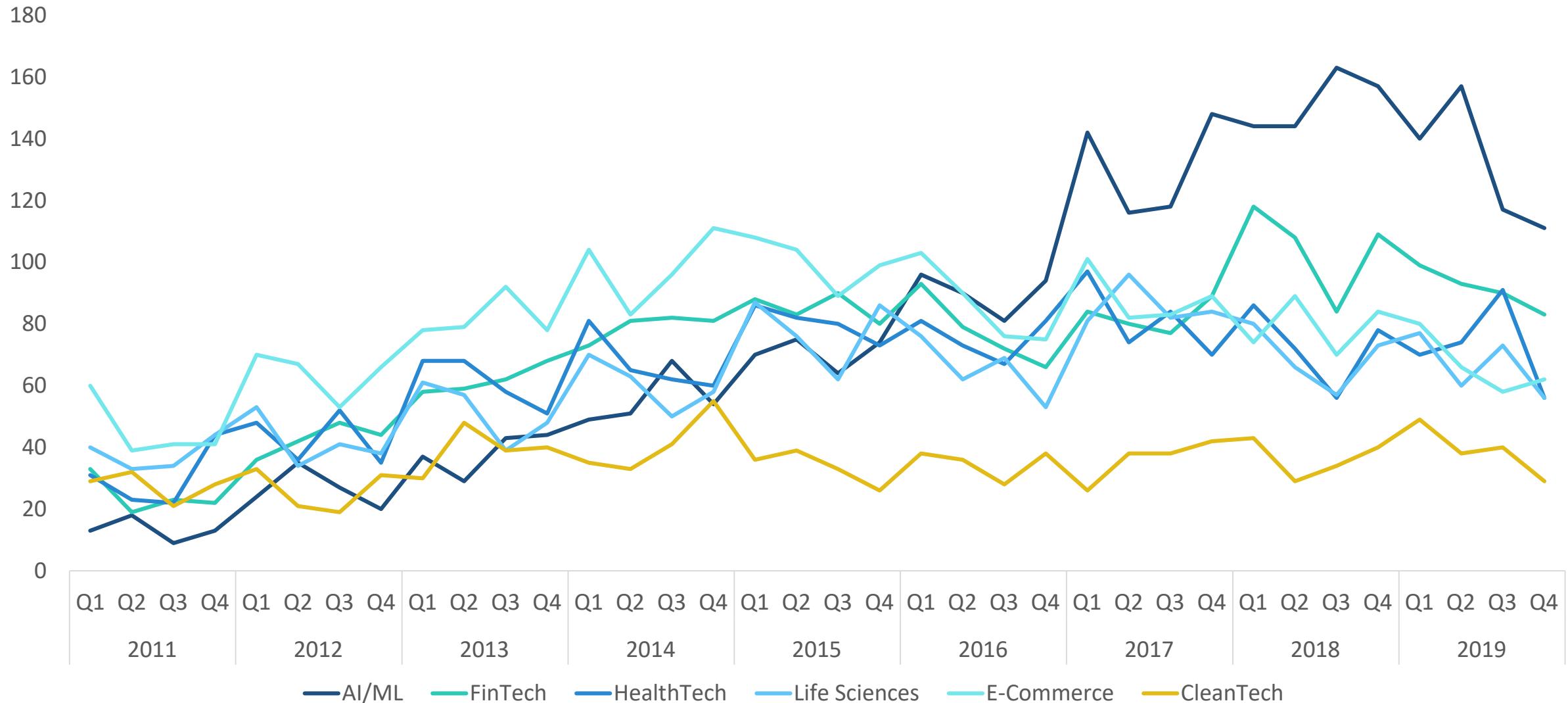
■ Software
■ IT Hardware
■ Consumer Goods & Recreation

■ Pharma & Biotech
■ HC Services & Systems
■ Commercial Services



■ Other
■ HC Devices & Supplies
■ Media
■ Energy

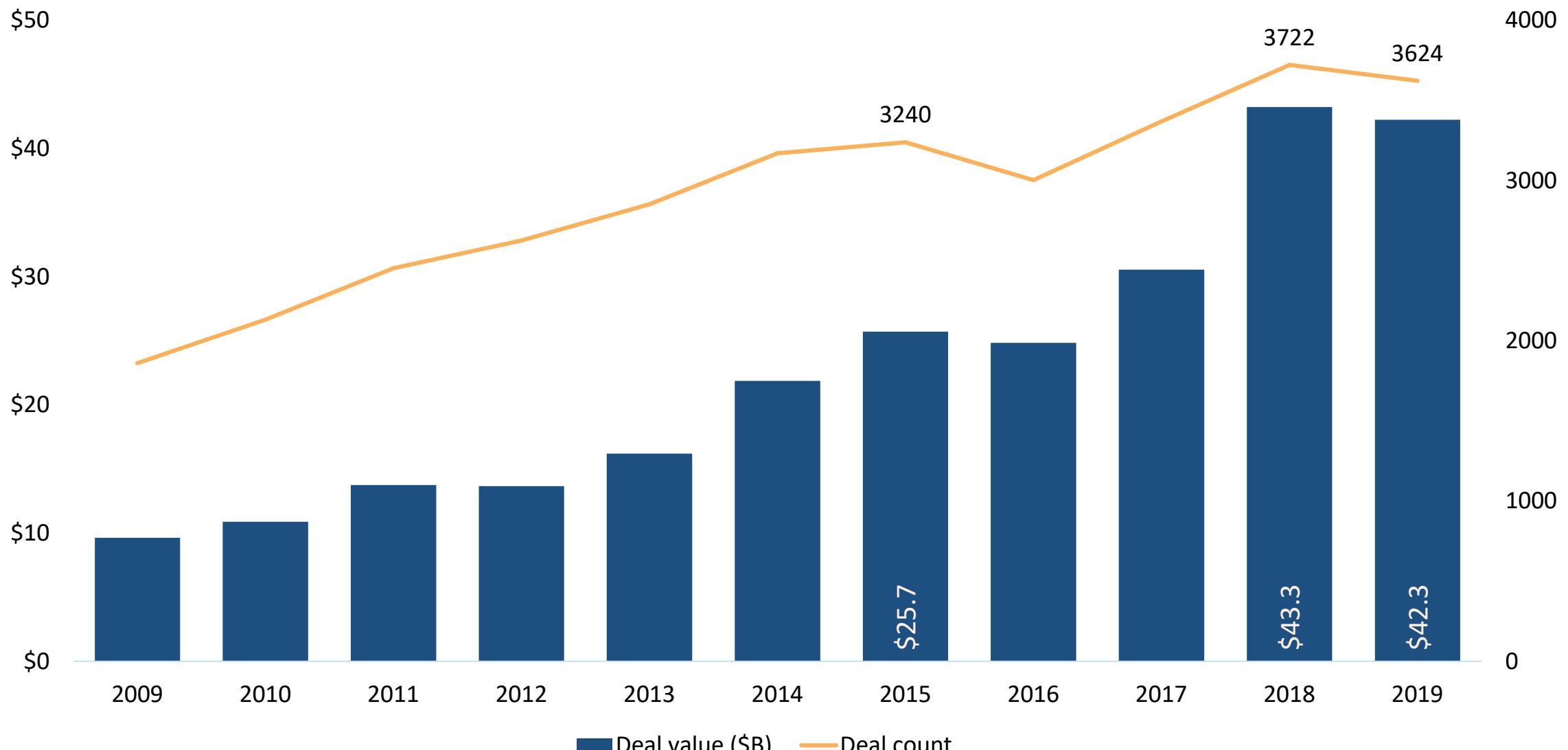
Quarterly Angel & Seed US VC deal count (#) by verticals



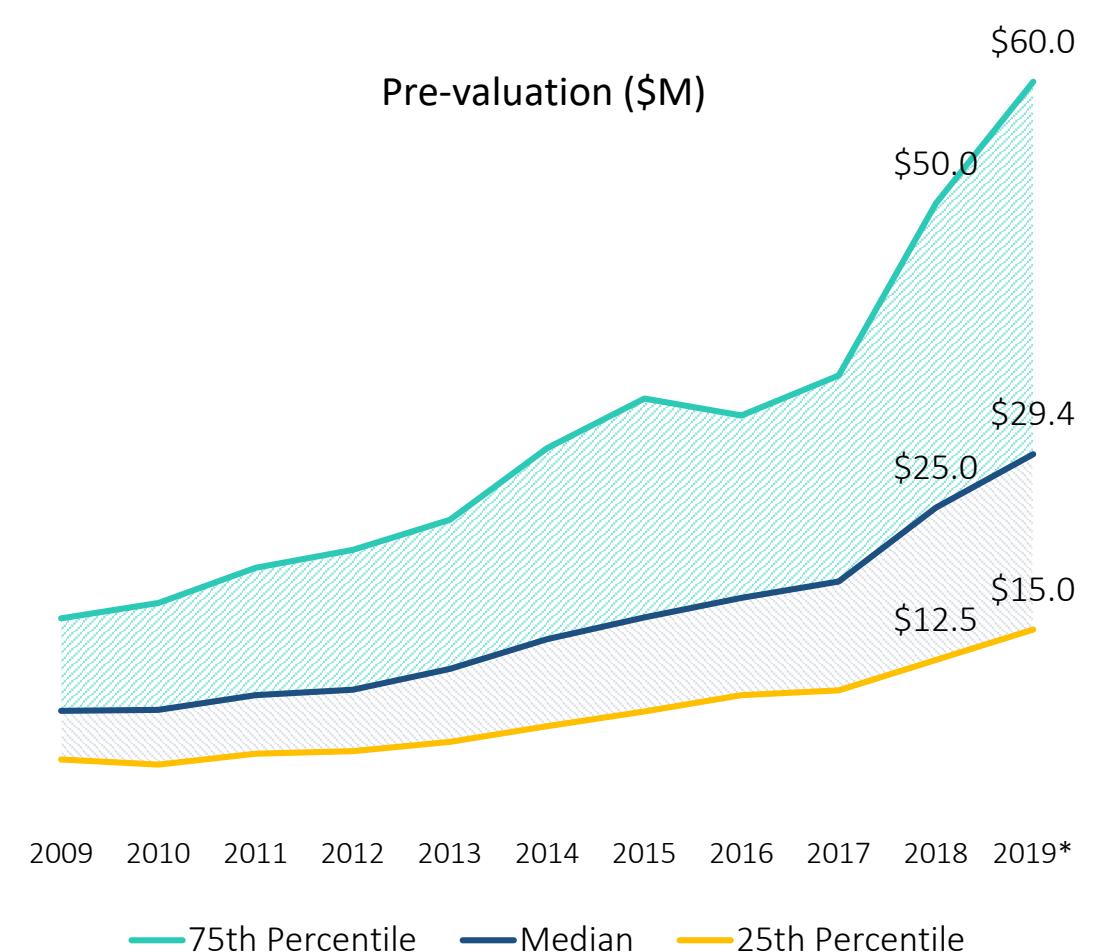
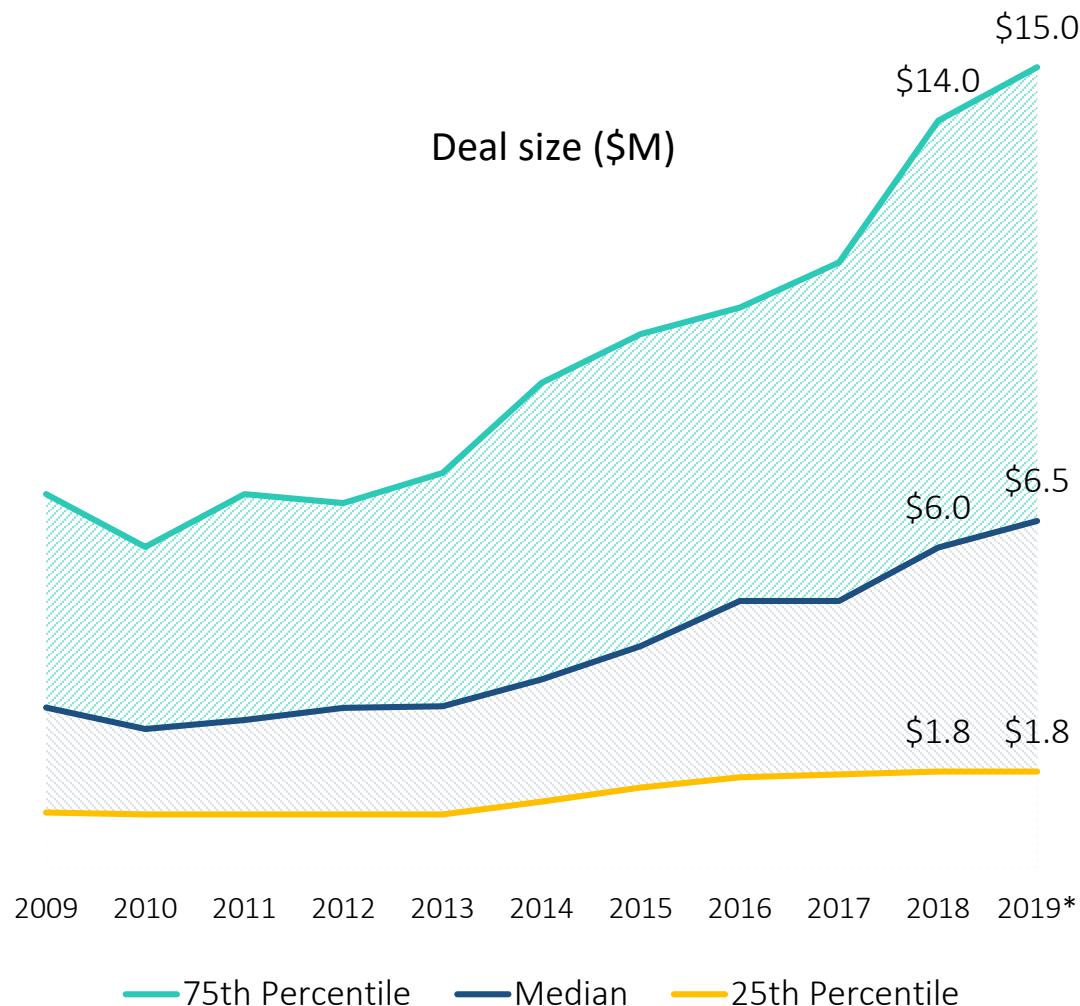
Early Deal Activity

United States

Early US VC deal activity by year

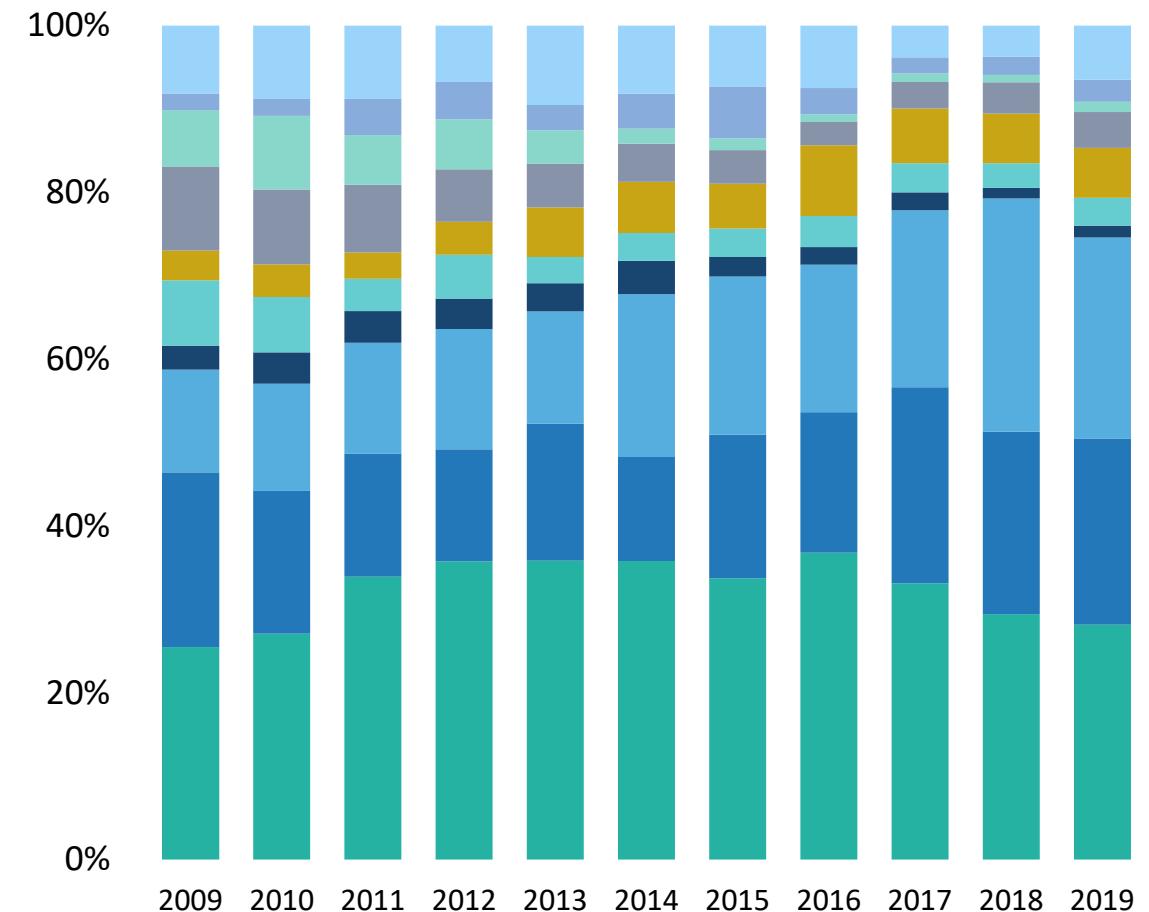
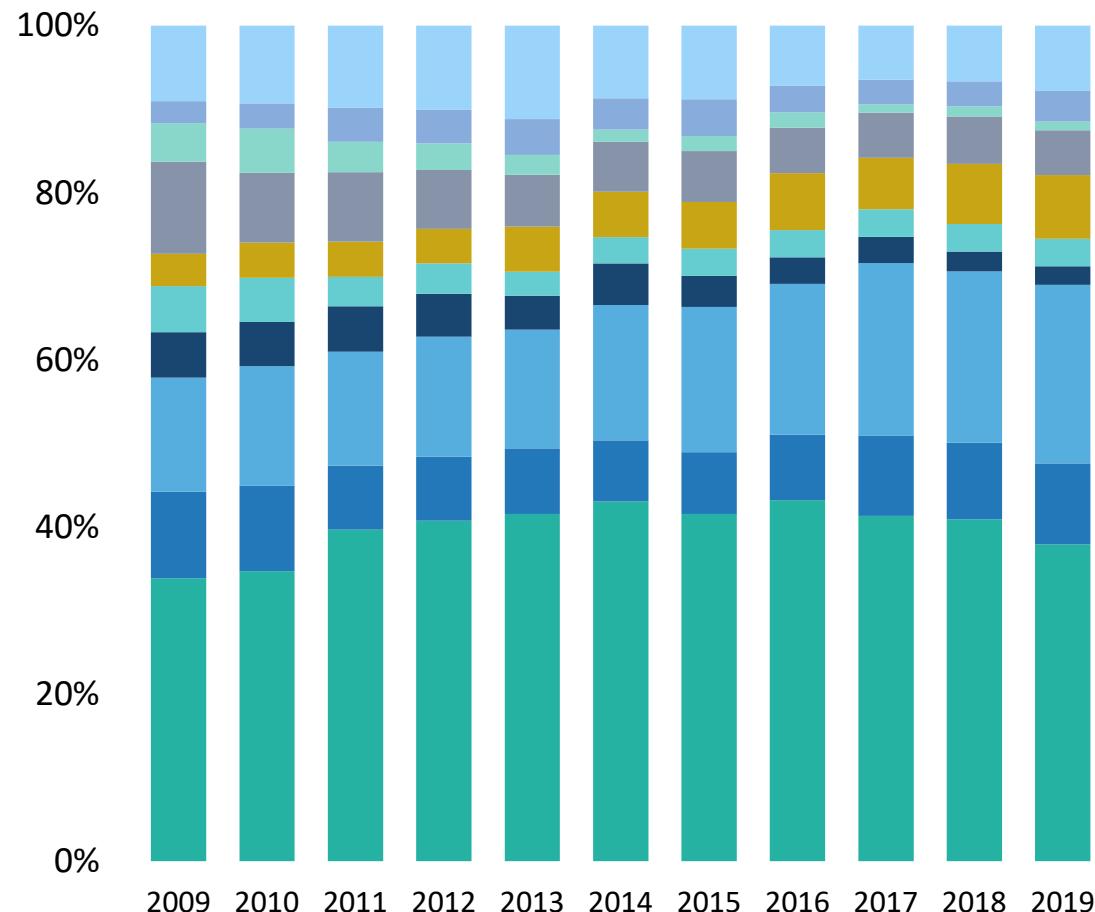


Early US VC quartile breakdowns (deal size & pre-valuation)



VC Deal Activity

Early US VC by sector (# and \$)



Software

IT Hardware

Consumer Goods & Recreation

Pharma & Biotech

HC Services & Systems

Commercial Services

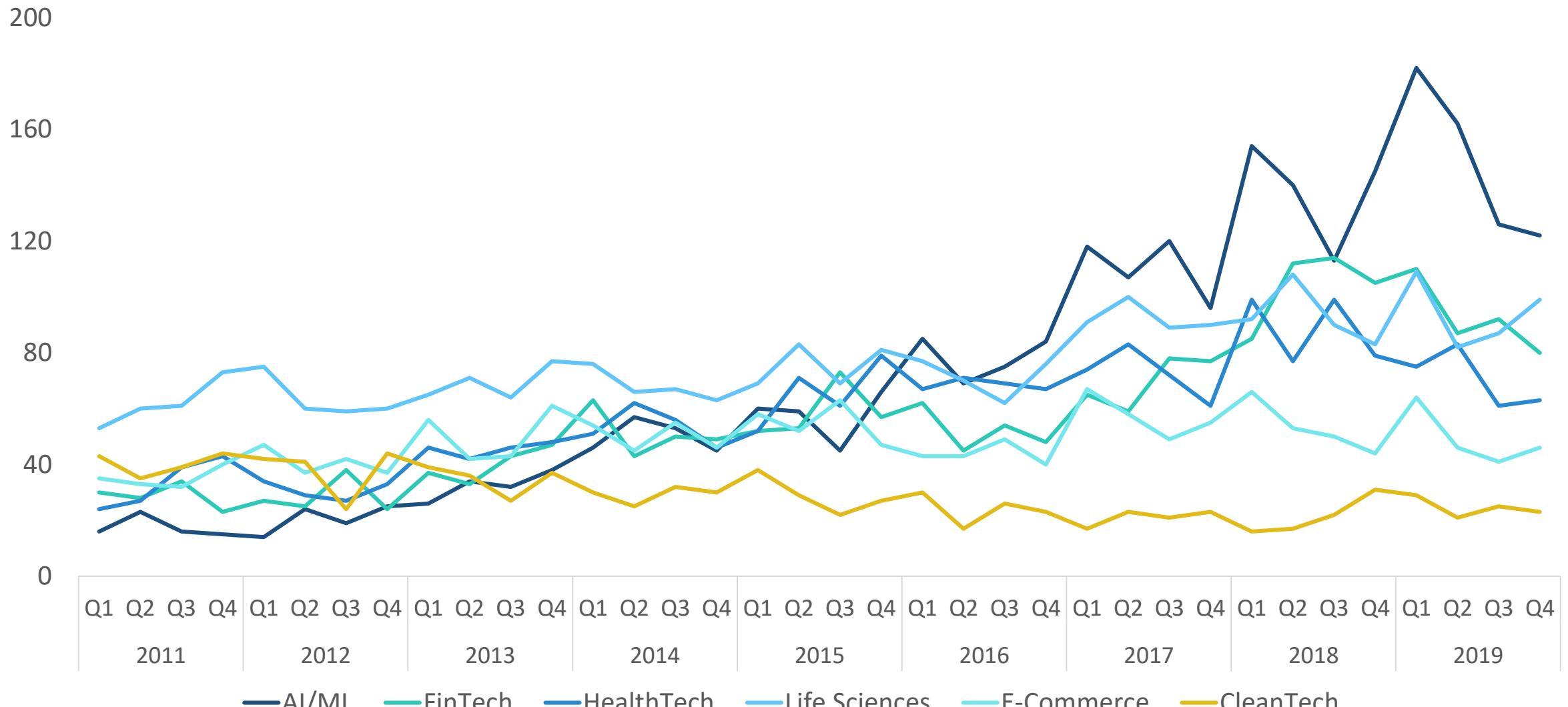
Other

HC Devices & Supplies

Media

Energy

Quarterly Early US VC deal count (#) by verticals



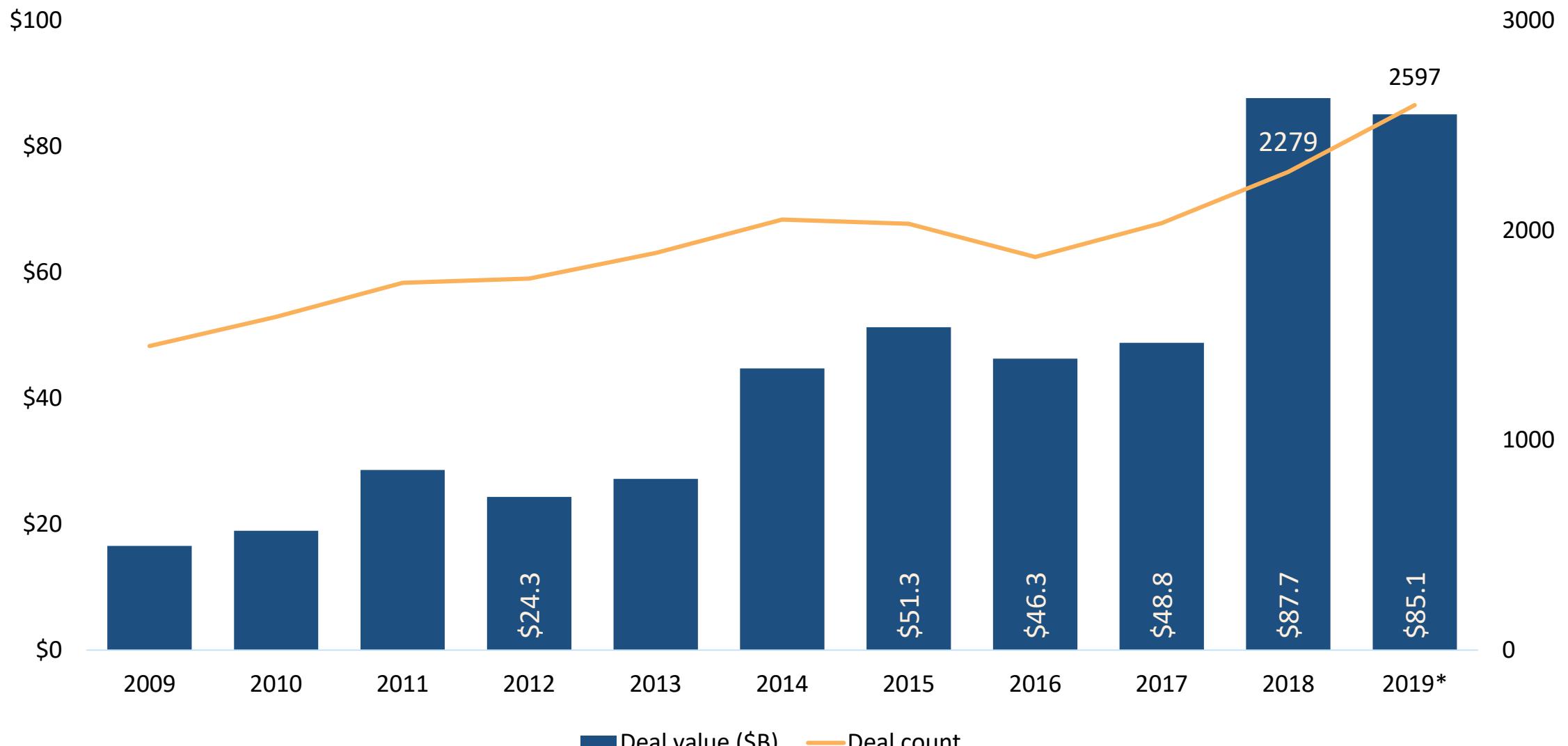
Late Deal Activity

United States



VC Deal Activity

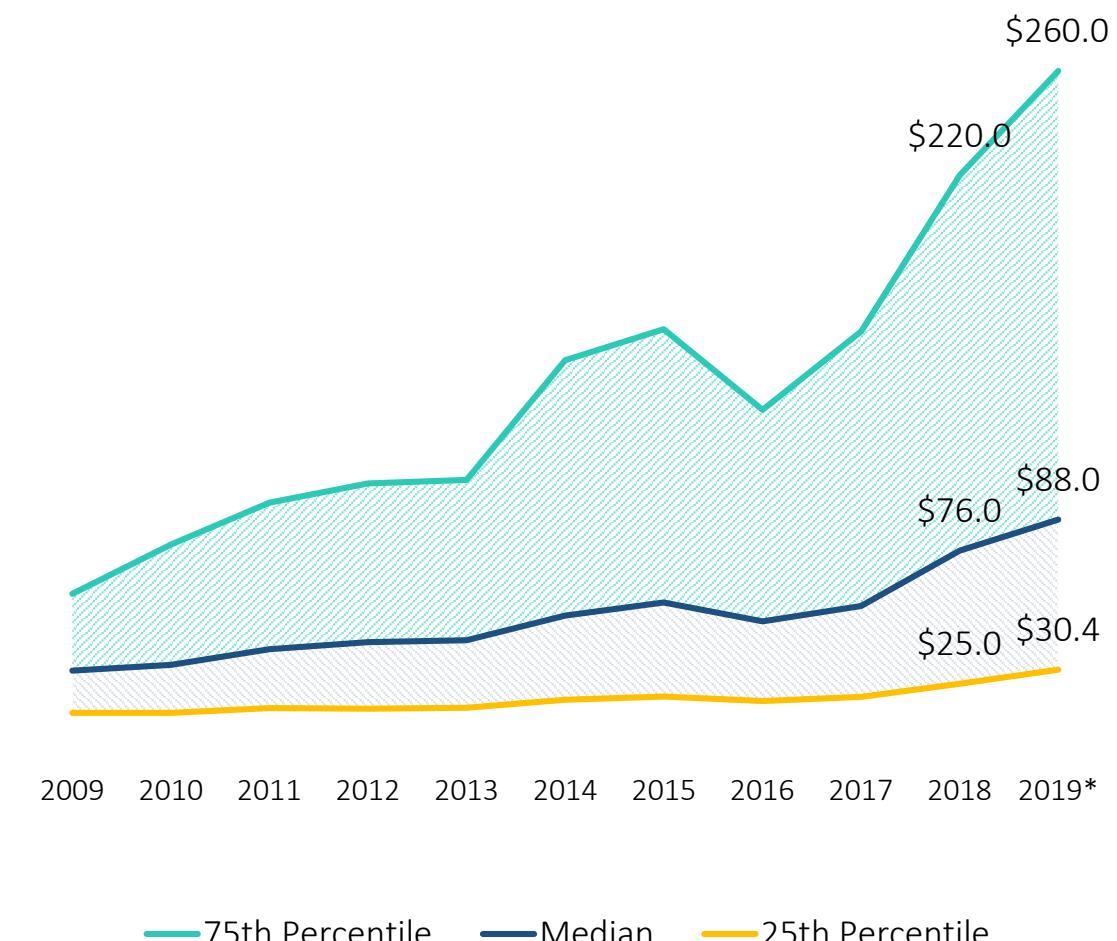
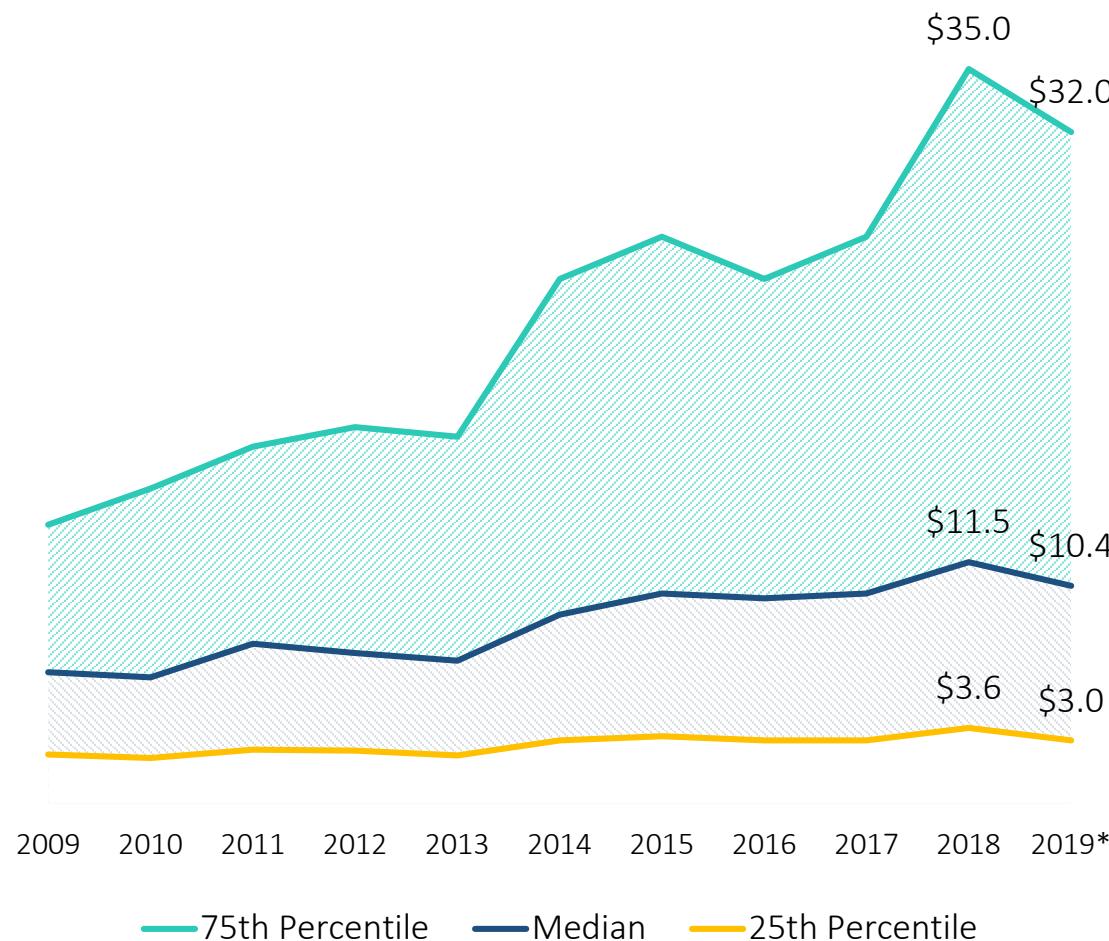
Late US VC deal activity by year



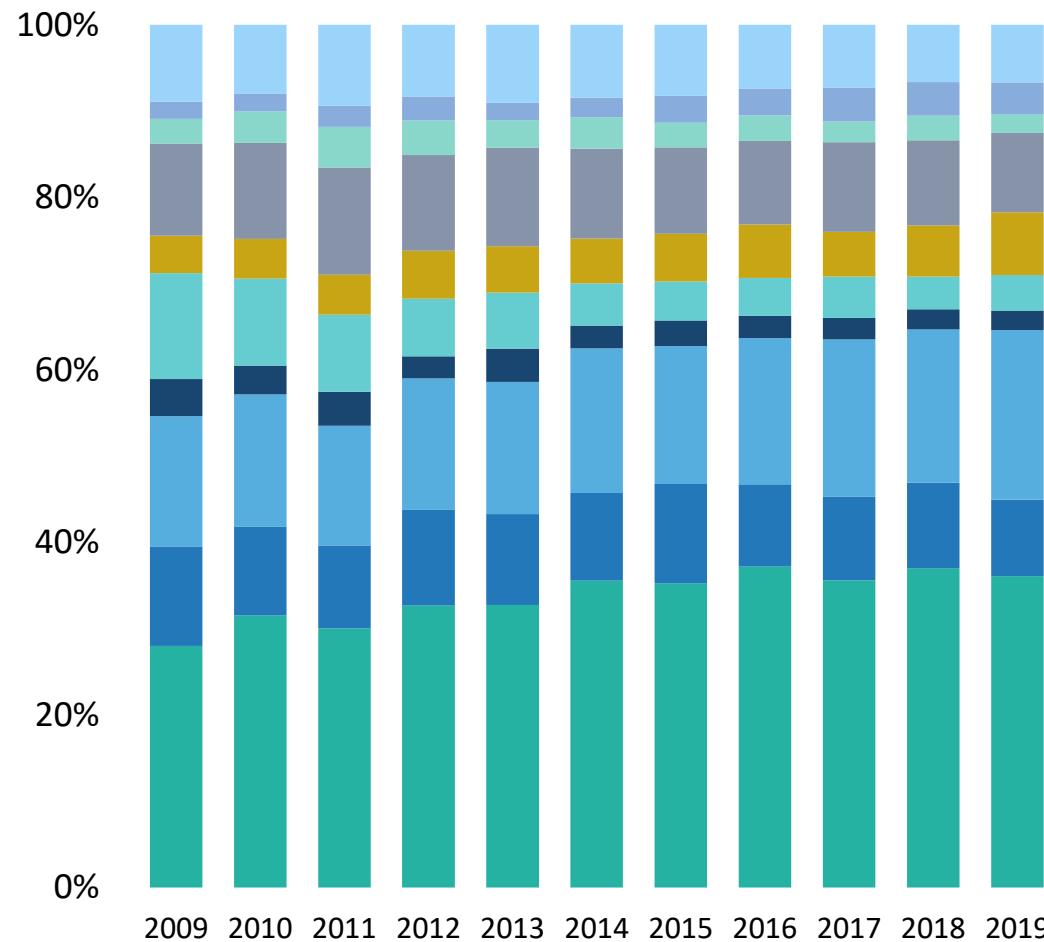


VC Deal Activity

Late stage US VC quartile breakdowns (deal size & pre-valuation)

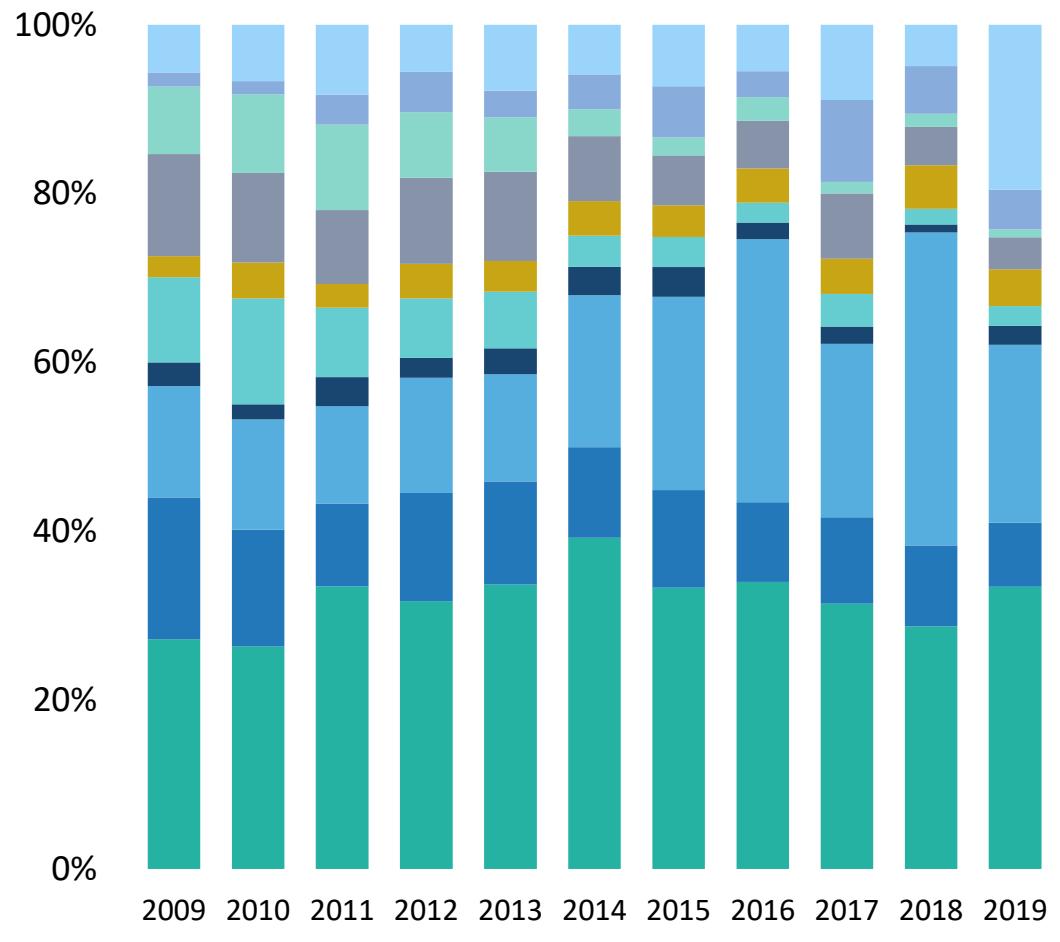


Late US VC by sector (# and \$)



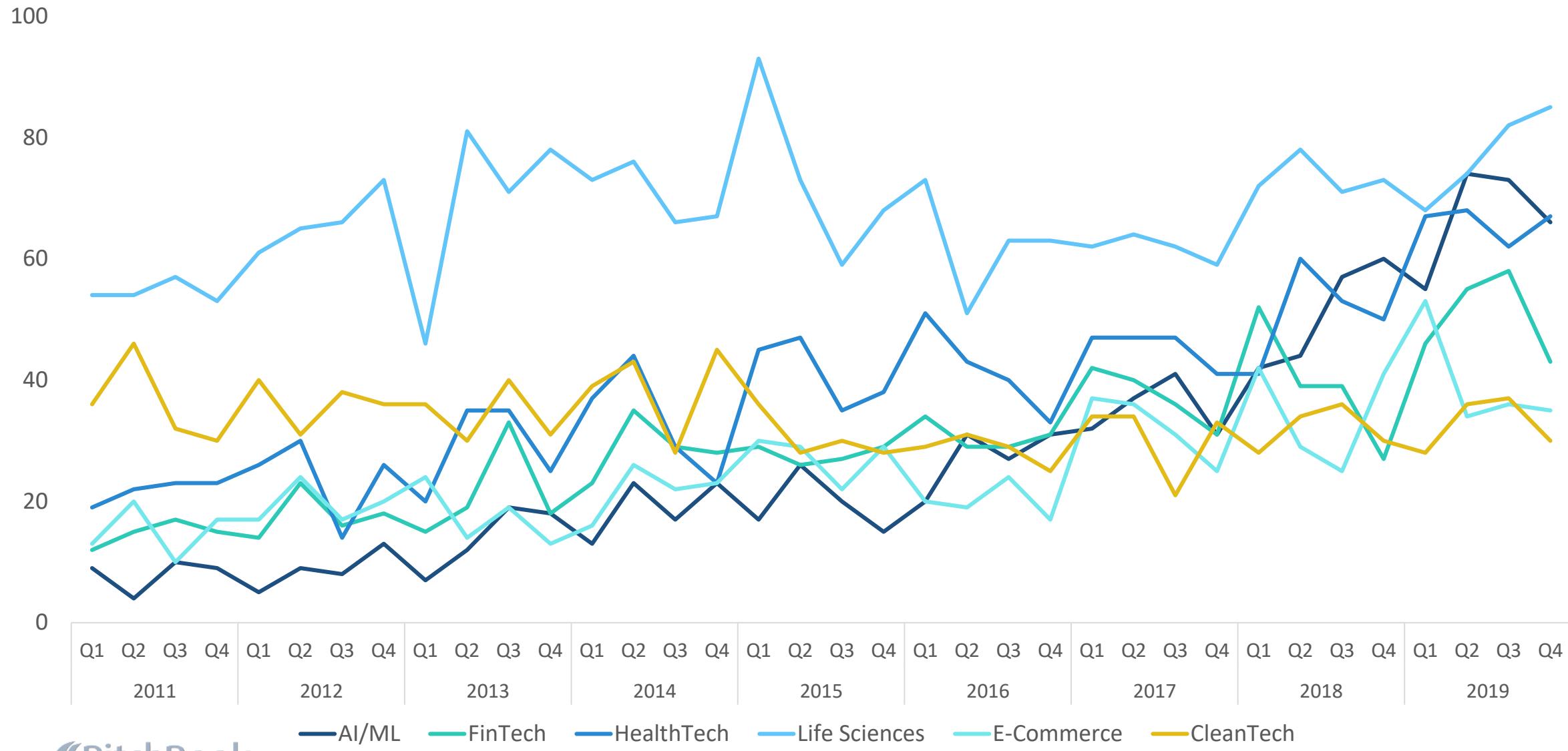
■ Software
■ IT Hardware
■ Consumer Goods & Recreation
■ Commercial Services

■ Pharma & Biotech
■ HC Services & Systems
■ HC Devices & Supplies



■ Other
■ HC Devices & Supplies
■ Media
■ Energy

Quarterly Late US VC deal count (#) by verticals



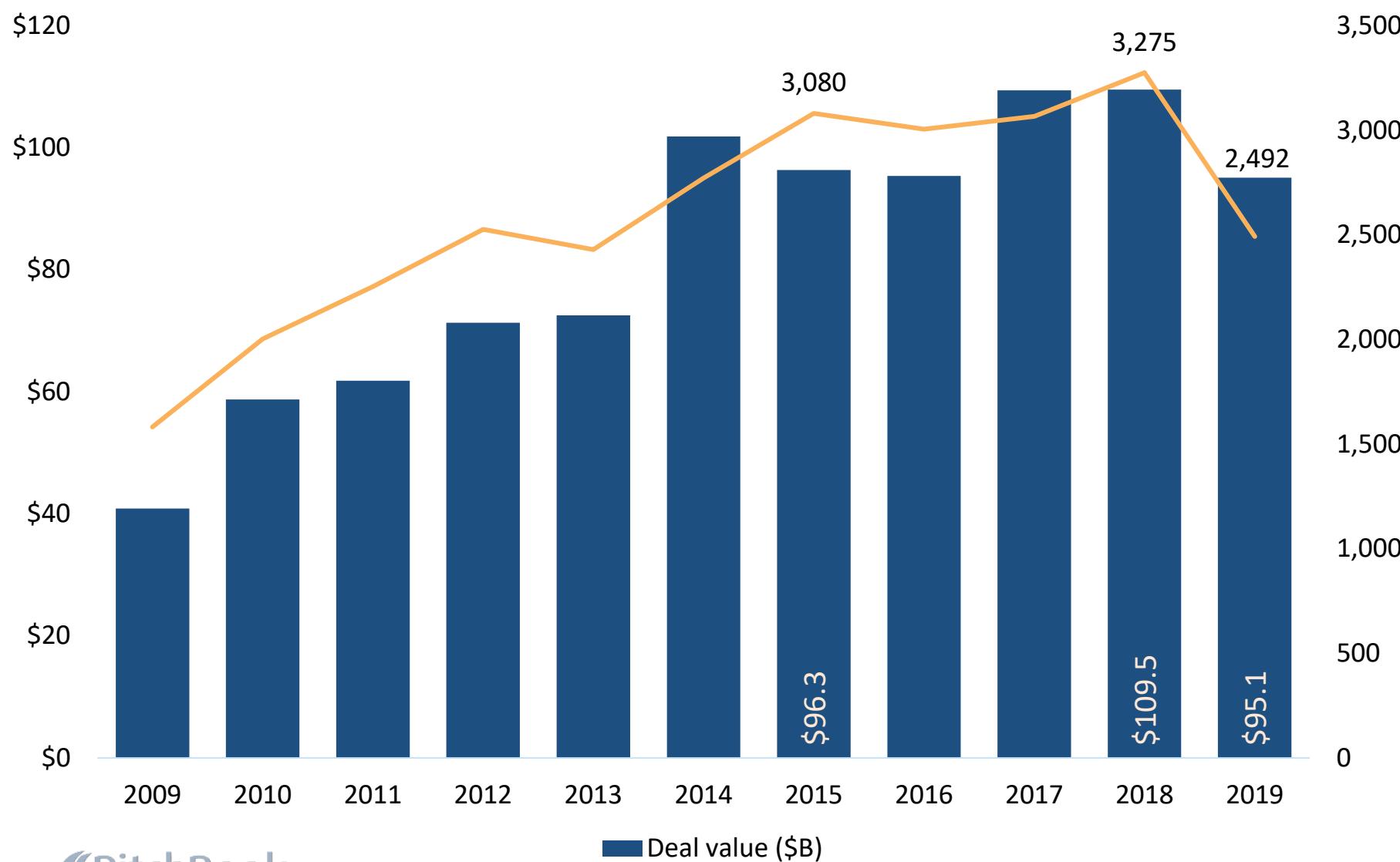
Growth and PE Activity

United States



Growth & PE Activity

Growth & PE US deal activity by year



Growth Equity

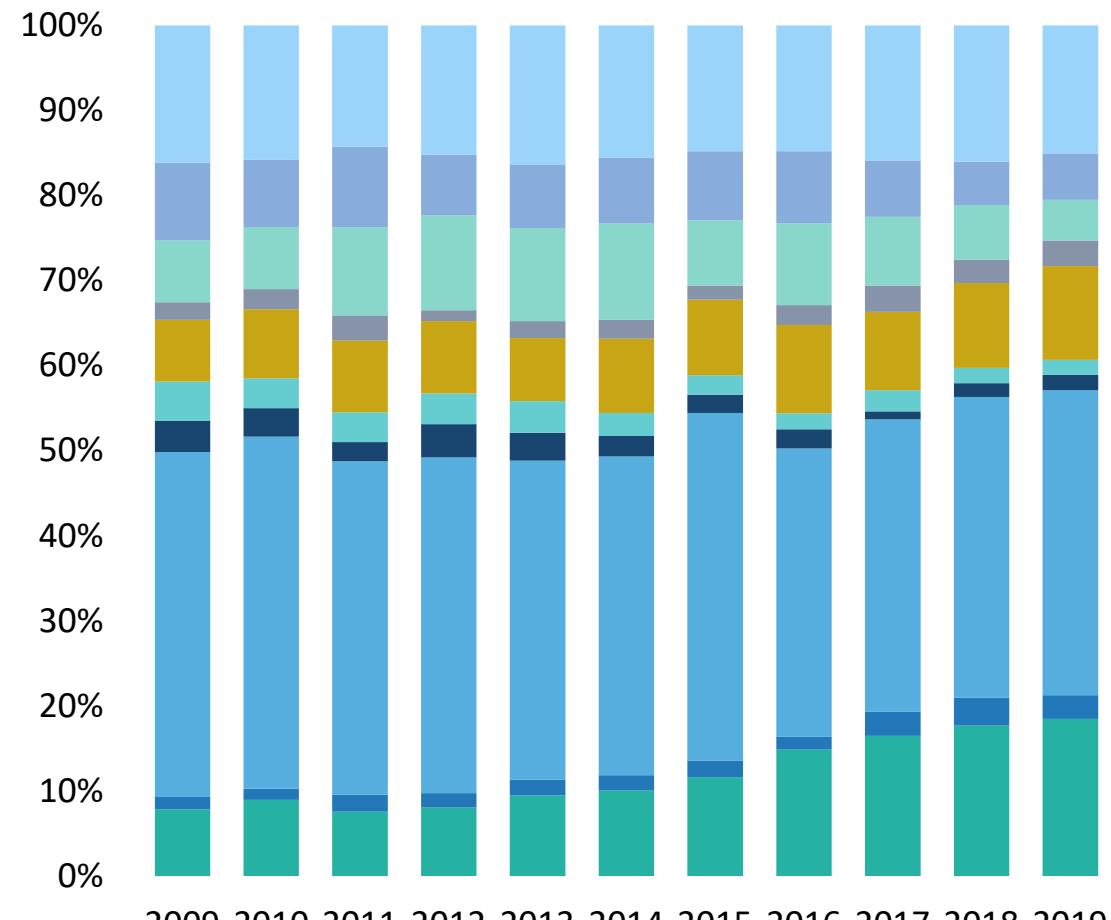
Growth equity is defined as non-VC-backed businesses receiving minority investments from financial sponsors. Companies receiving growth equity tend to be more mature, often with significant revenue (if not profits)

PE

Private equity (PE) here is defined as buyout transactions with a valuation of \$100 million or less

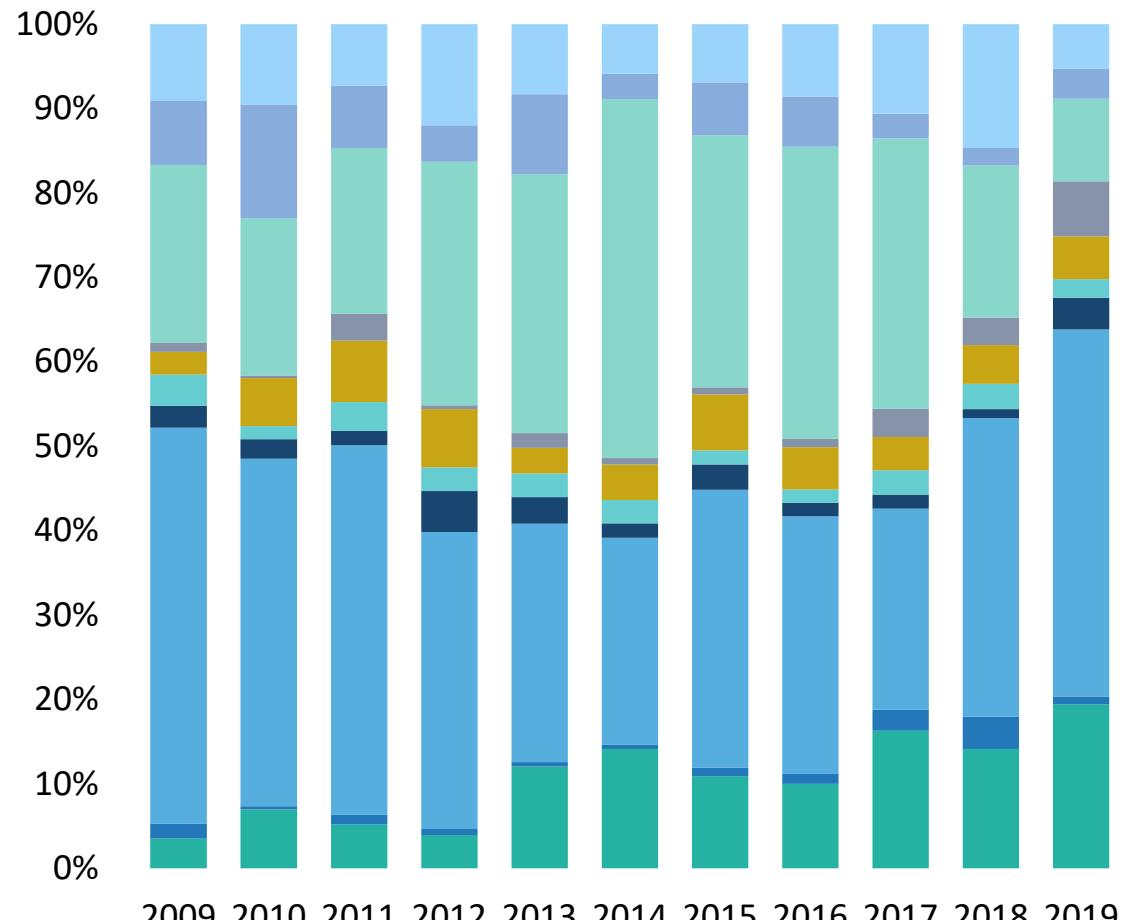
Growth & PE Activity

Growth & PE US VC by sector (# and \$)



■ Software
■ IT Hardware
■ Consumer Goods & Recreation

■ Pharma & Biotech
■ HC Services & Systems
■ Commercial Services



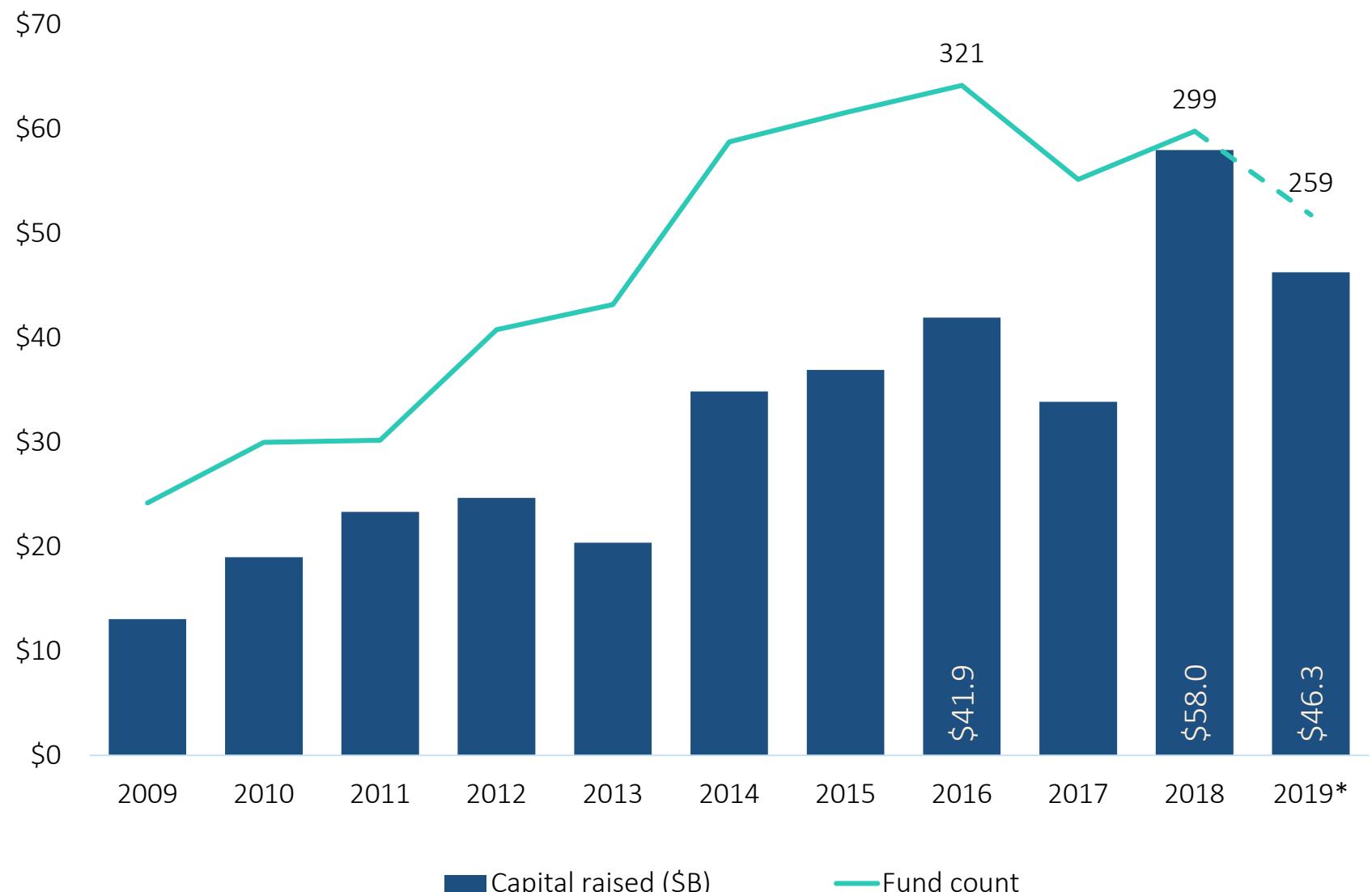
■ Media
■ Energy

VC Fundraising

United States

VC Fundraising

US VC fundraising activity by year



Public Pension Exposure

Average “Private Equity” allocation (of which VC is a subset) is:

~6% for private pensions

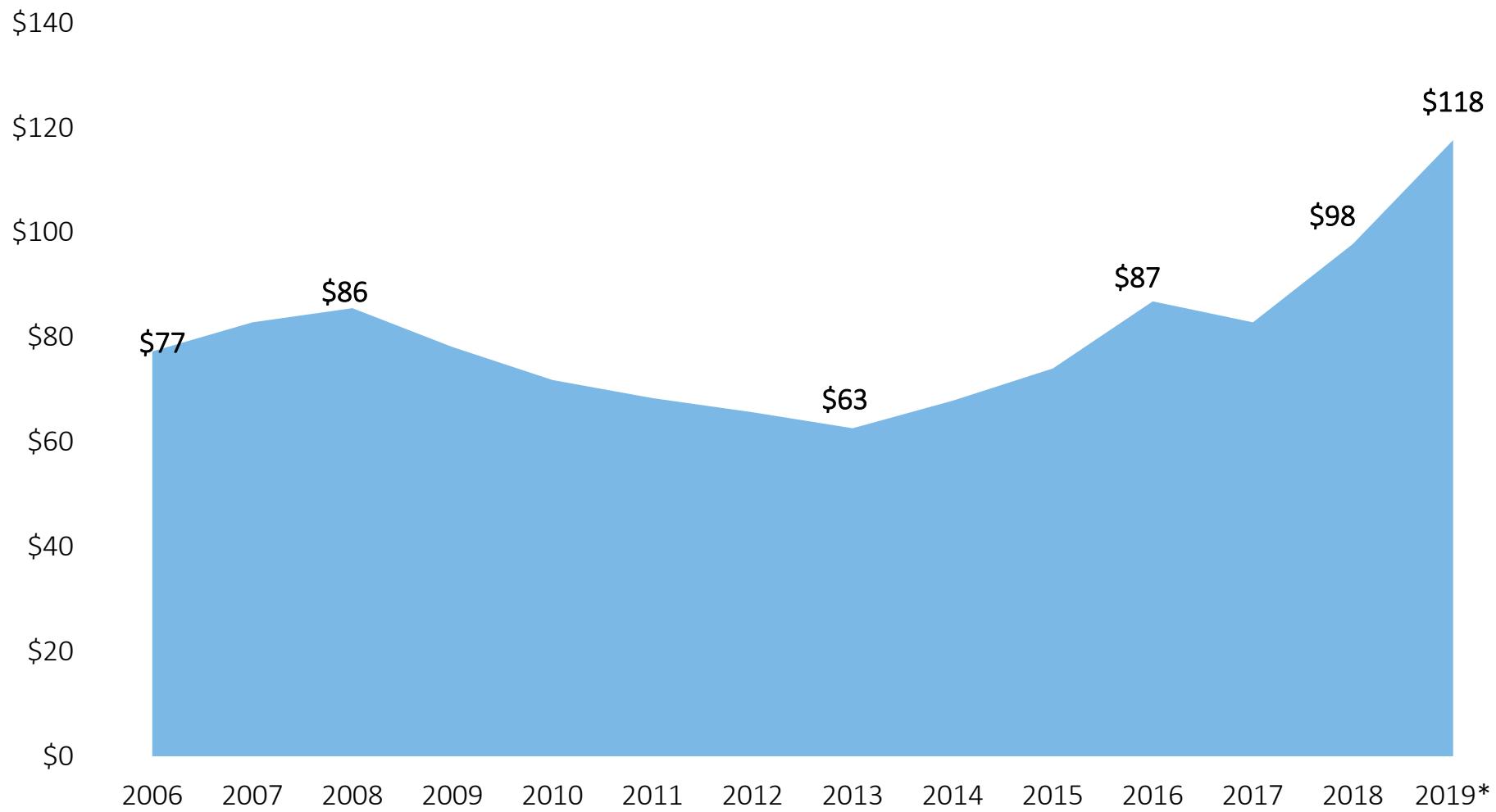
~20% for public pensions

The average fund commitment is **~\$25M**, and pensions have made fewer commitments to VC funds in recent years

Exposure varies greatly between different pensions systems, with California pensions having large relative & absolute allocations

VC Fundraising

US VC capital overhang (\$B)



Dry Powder

Dry powder is defined as capital committed to VC funds that has yet to be called down and invested by the GP.

Dry powder is not tantamount to total capital available to invest in startup companies, as much of the capital invested via VC comes from nontraditional investors that do not operate VC funds

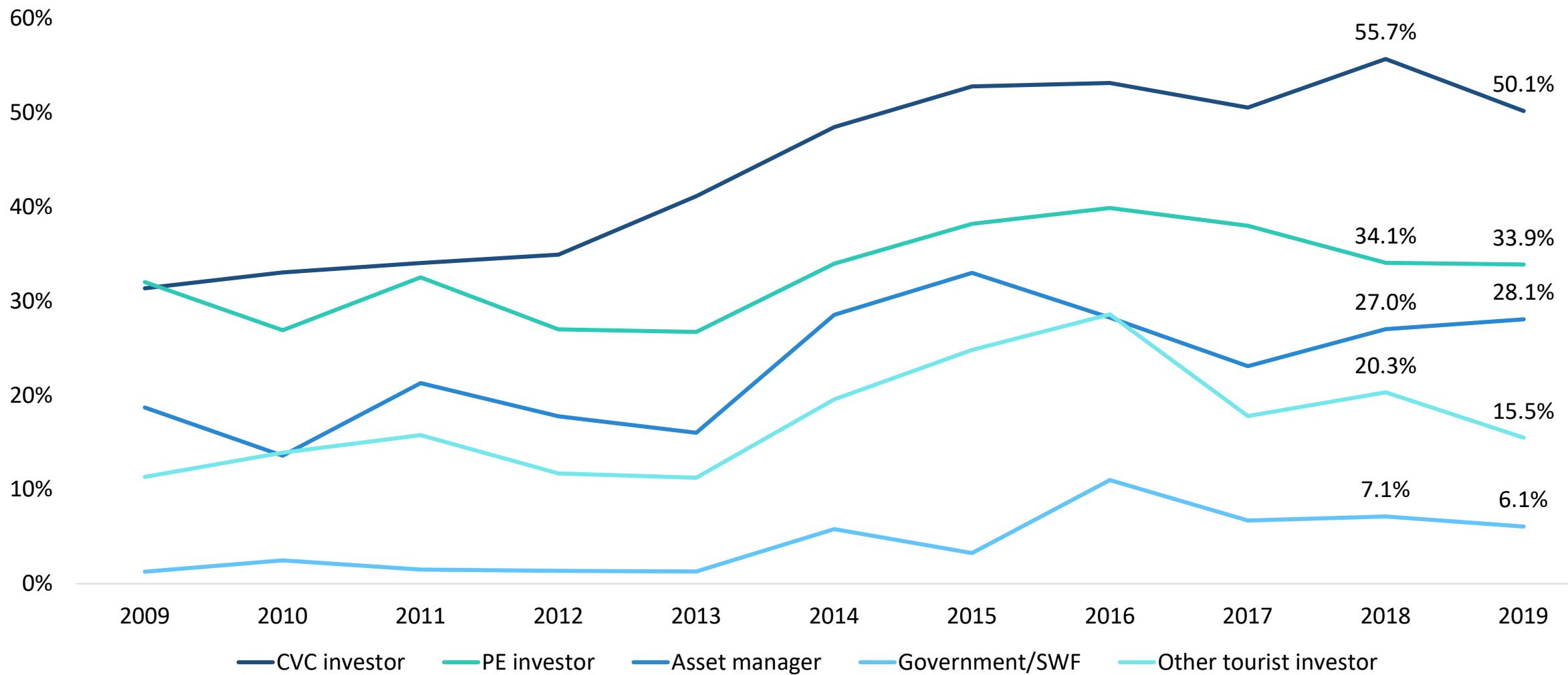
VC Activity with Non-traditional investors

United States

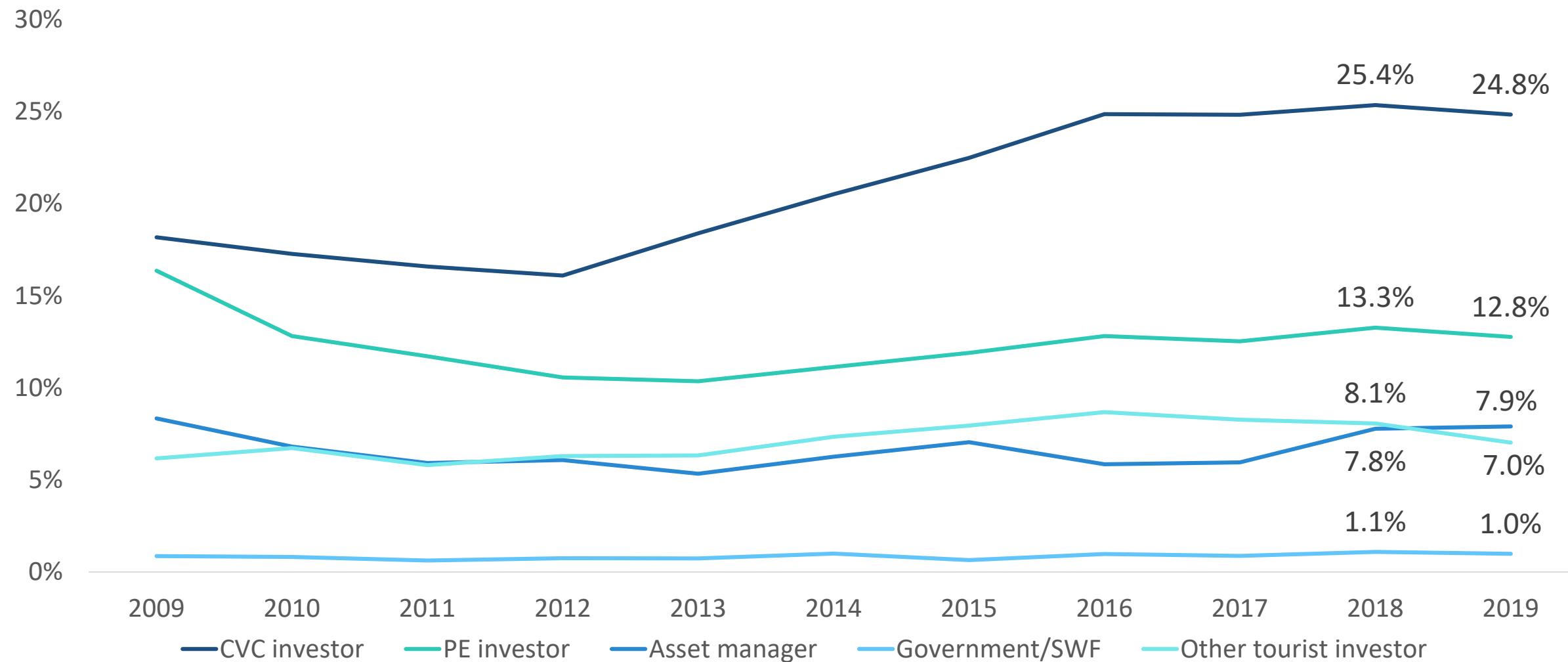
Entity Definitions

Corporate Venture Capital	corporate venture capital (CVC) includes rounds executed by established CVC arms as well as equity investments by corporations into VC-backed companies
Private Equity investor	“private equity” investors have a primary classification is PE/buyout, growth, mezzanine or “other private equity”
Asset Manager	fund managers not operating closed-end investment vehicles. This category primarily comprises mutual funds and hedge funds
Government/ SWF	any entity financed exclusively through the public sector, including sovereign wealth funds and economic development agencies

Non-traditional investors participate in VC deal value (\$)



Non-traditional investors participate in VC deal count (#)



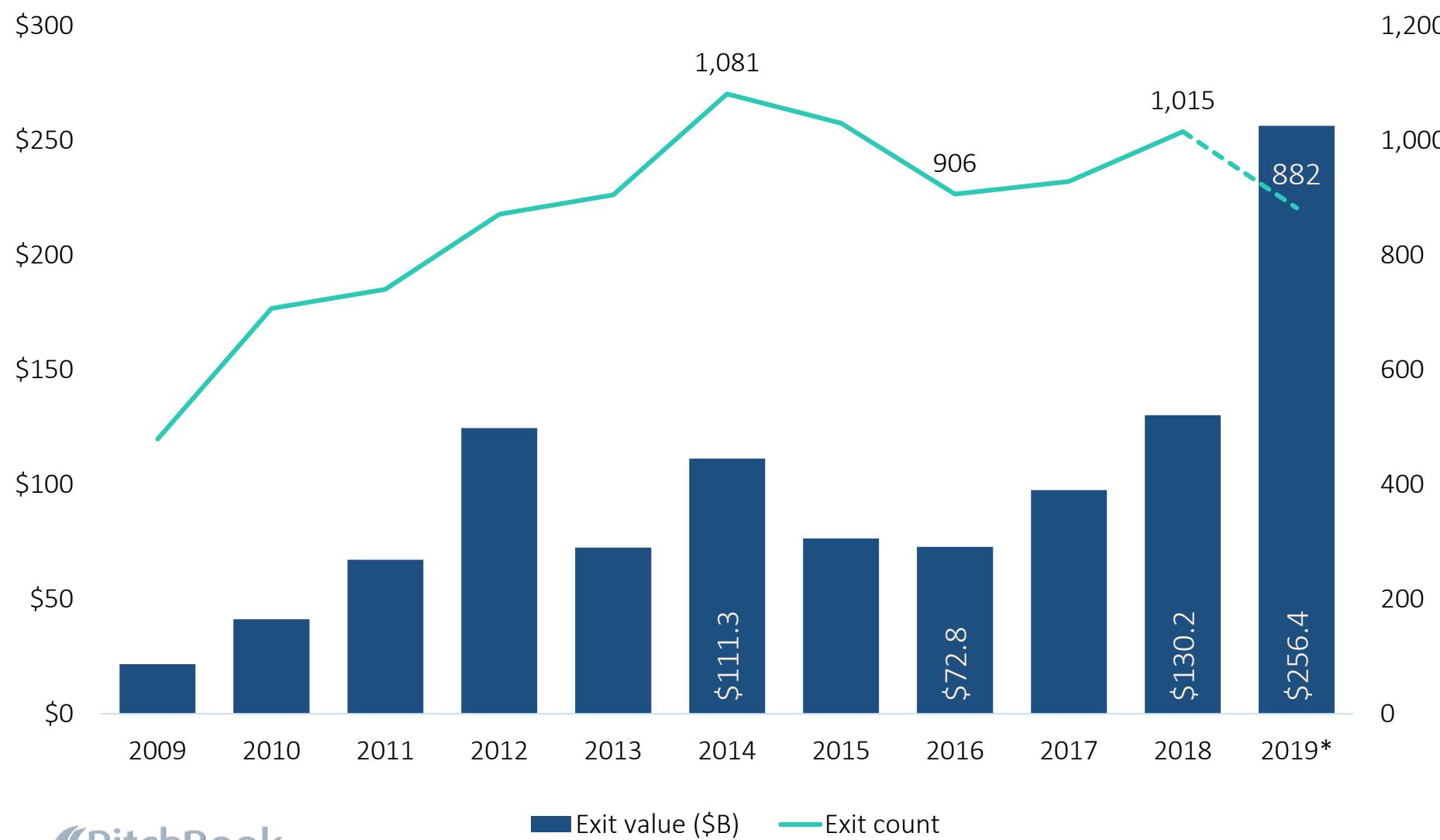
VC Exits

United States



VC Exit Activity

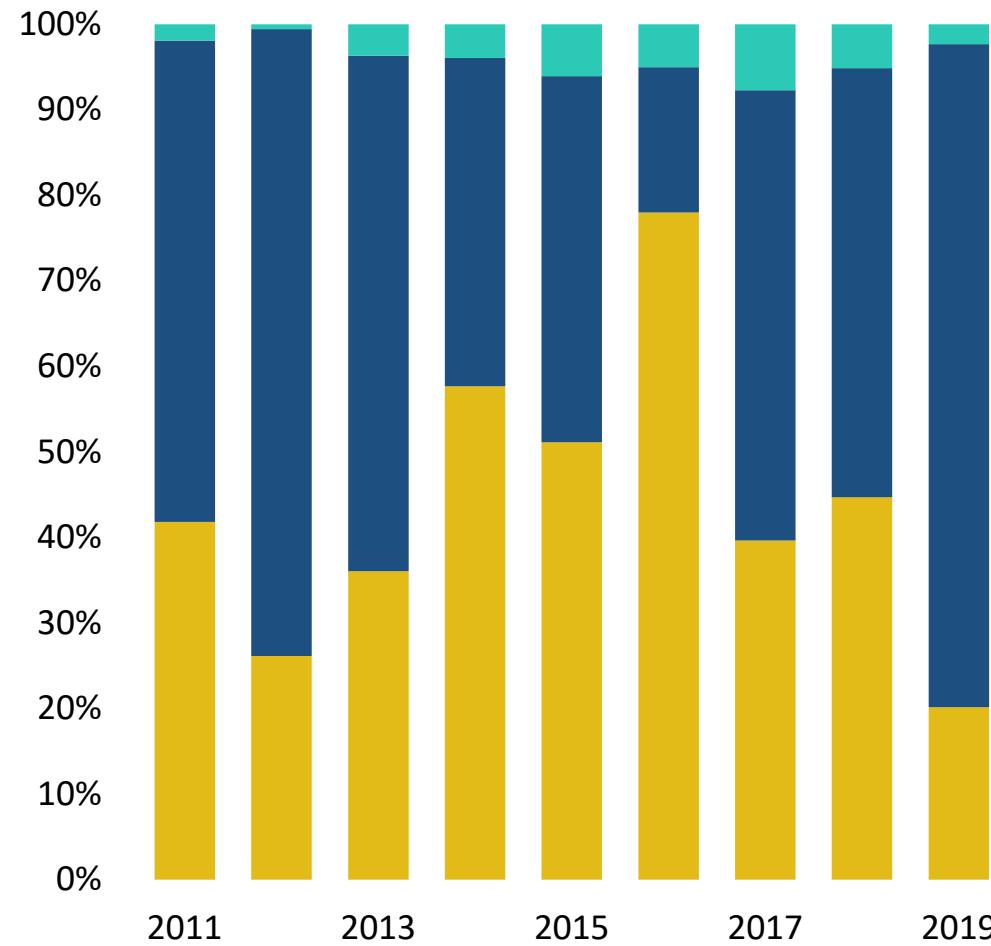
US VC exit flow by year



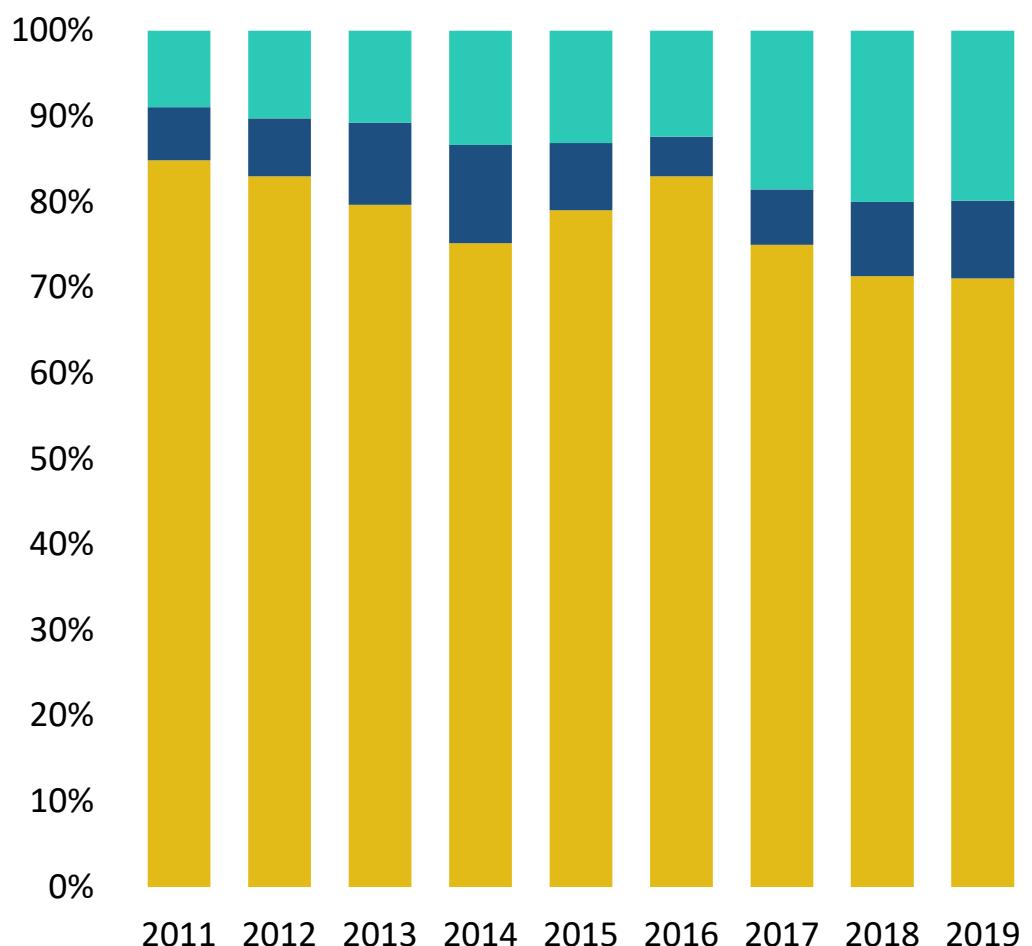
2019 sets new record for exit value

In recent years, IPOs have accounted for most of the capital exited from VC-backed companies. However, IPOs represent less than **10% of VC exits** annually, with most companies being sold to either a strategic acquirer or a financial sponsor.

US VC exits by type (\$)



US VC exits by type (#)



■ Acquisition ■ IPO ■ Buyout

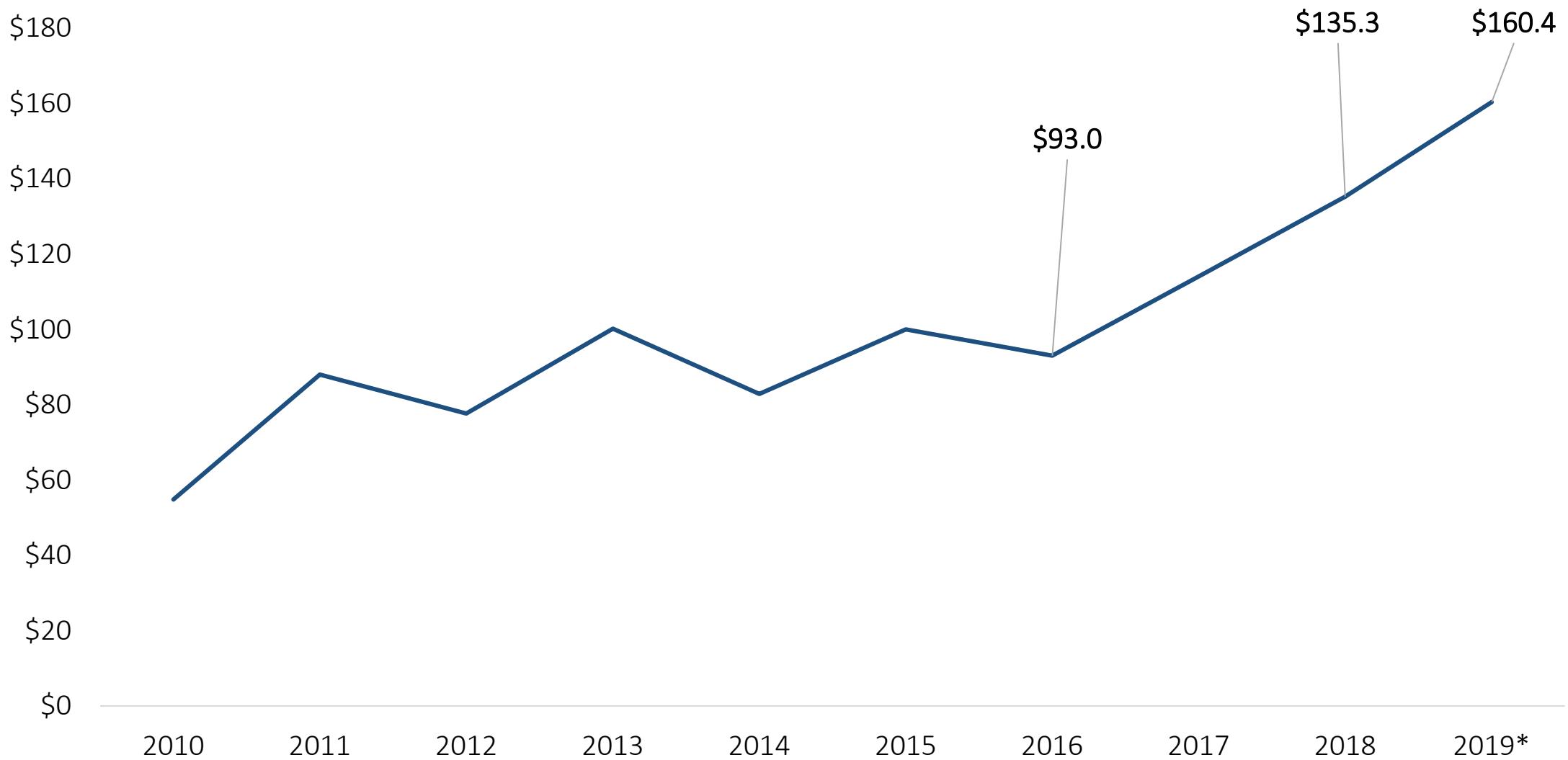
The Secondary Market & Direct Listings

United States



Median VC raised (\$M) at time of U.S. VC-backed IPOs

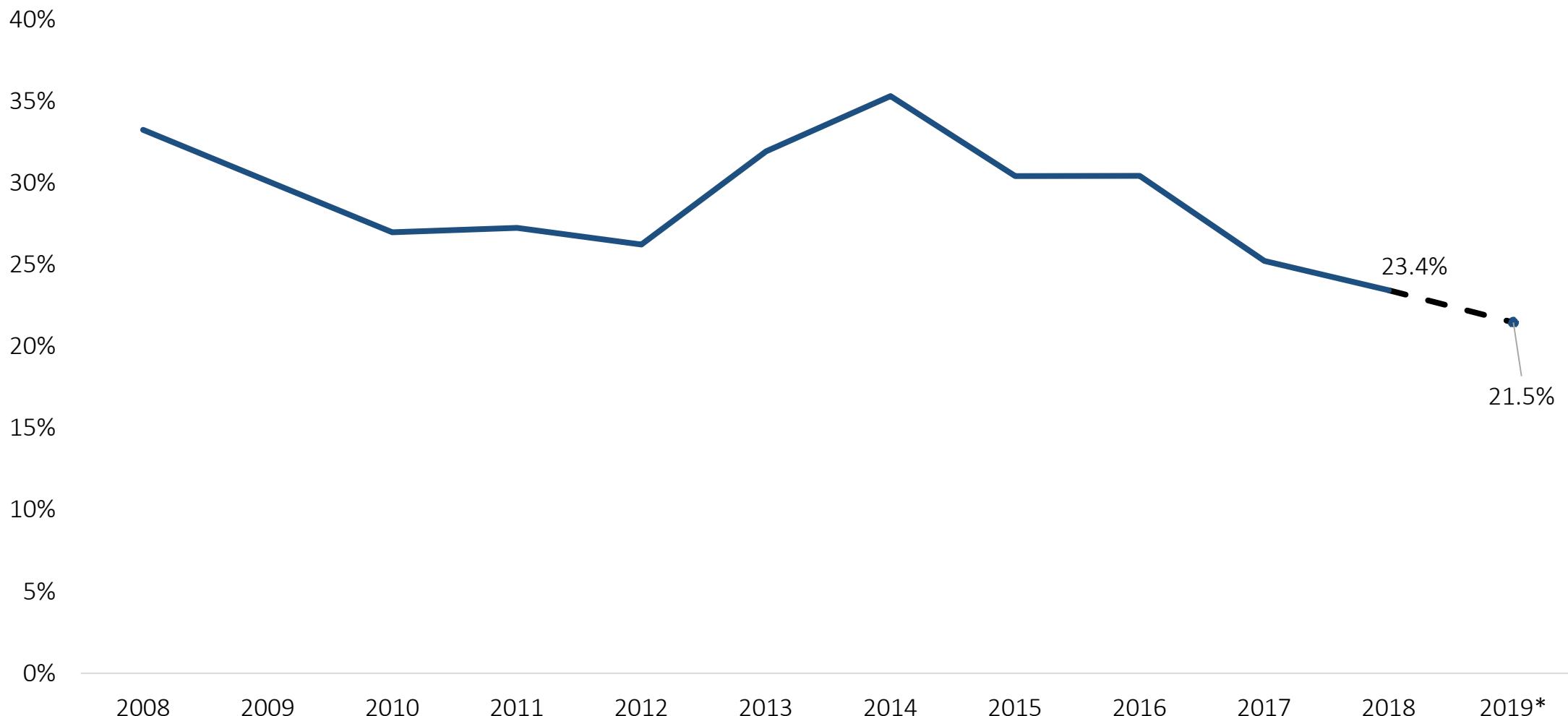
Most VC-backed companies raise \$100M+ before an IPO





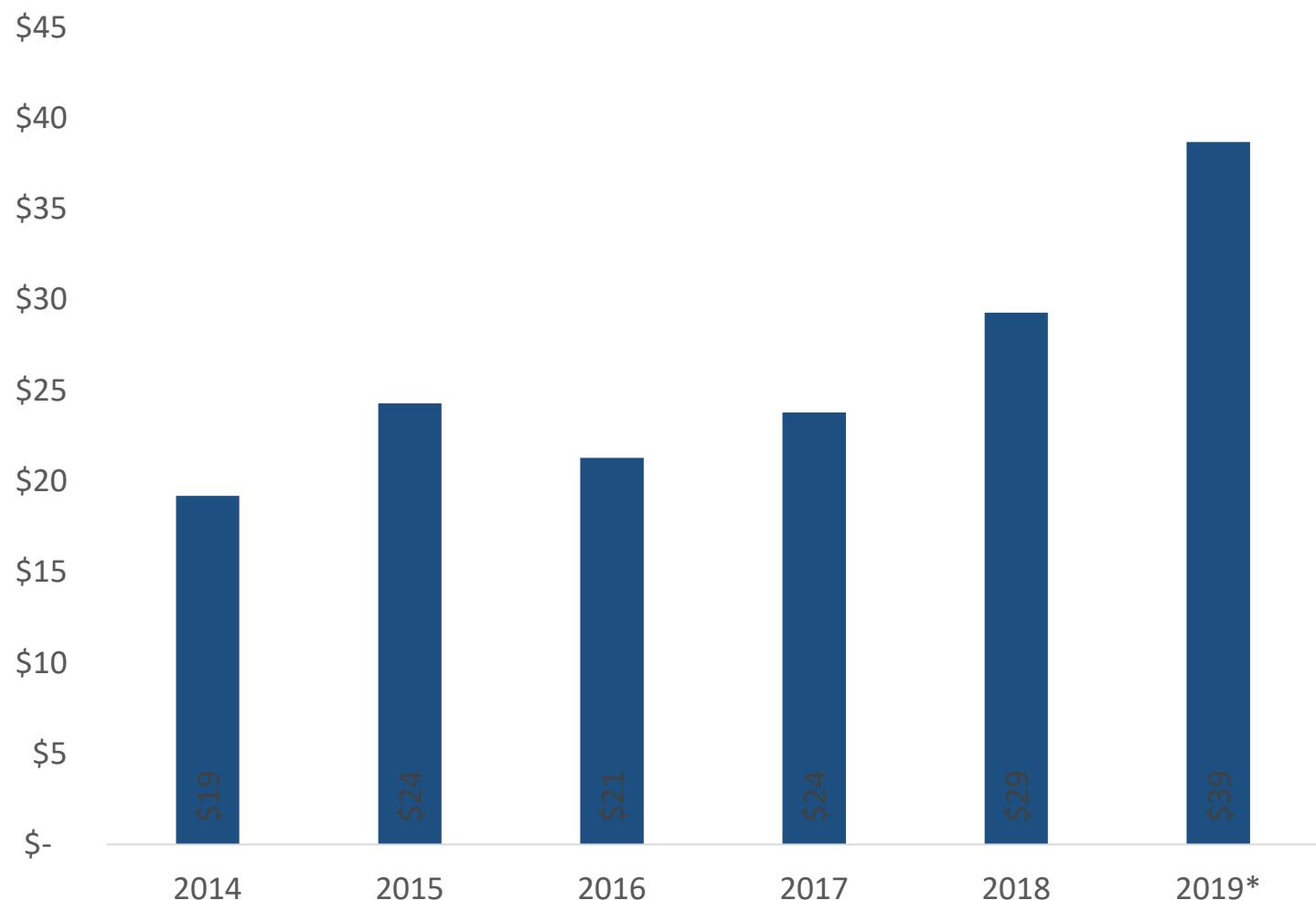
Median U.S. IPO offer size / pre-money valuation

Companies are raising less capital in IPOs relative to their valuation



US VC exits (\$) by type

Estimated deal volume in the direct secondary market

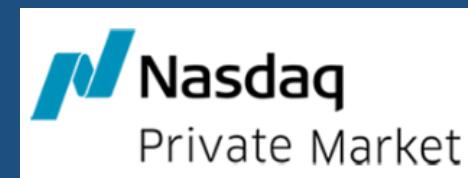


Direct Secondaries

Direct secondary transactions are when existing investors in private companies sell their shares to another investor (as opposed to traditional VC, where the company issues new shares). Due to the illiquid nature of private company shares, the direct secondary market serves as a mechanism to provide liquidity for those who own individual private company shares.

One of the main populations to utilize the direct secondary market are the employees of privately held companies.

Several exchanges are looking to serve this growing market:

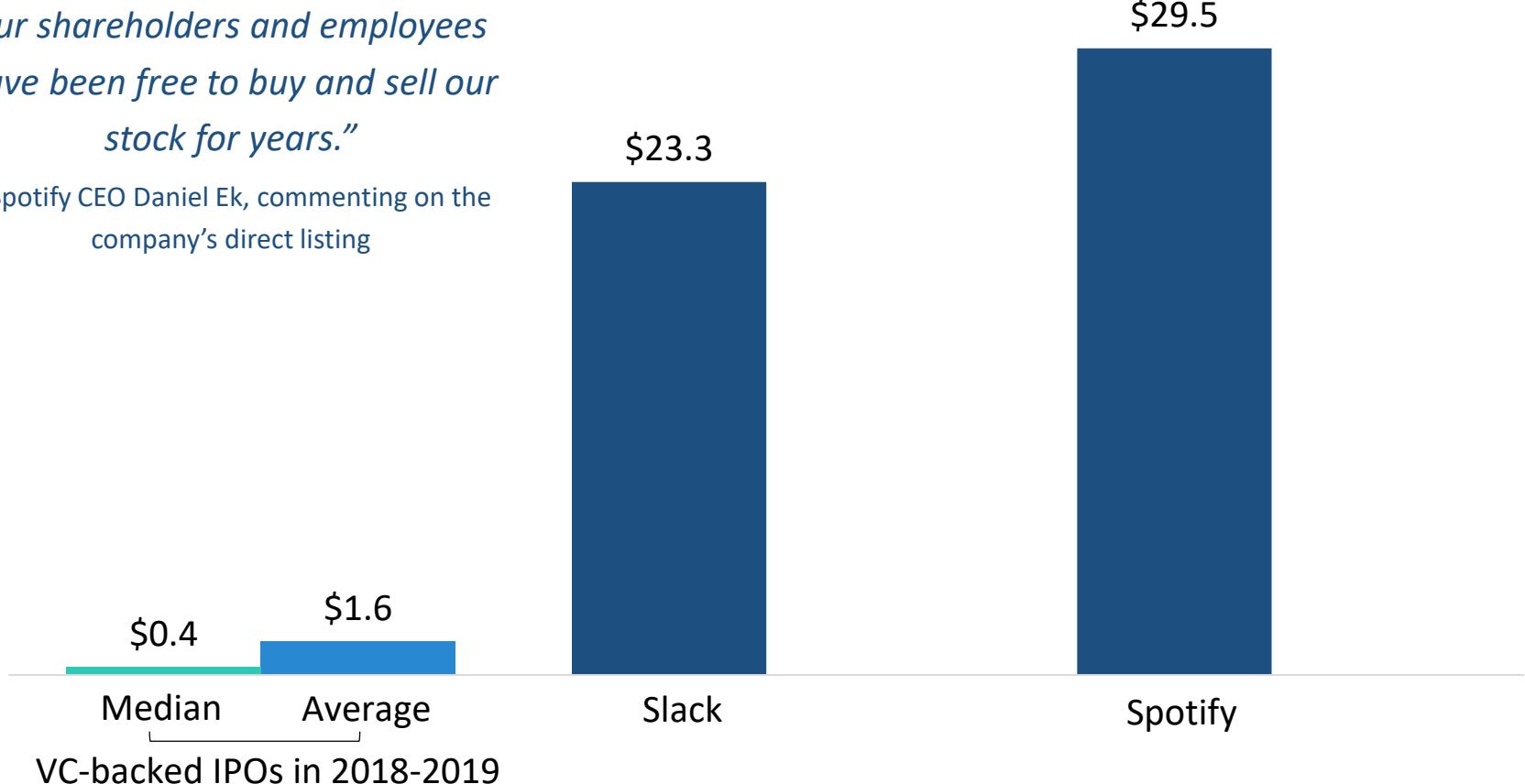


Comparison of pre-IPO pre-money valuations (\$B)

Spotify & Slack are the only two direct listings so far

“Spotify is not raising capital, and our shareholders and employees have been free to buy and sell our stock for years.”

--Spotify CEO Daniel Ek, commenting on the company's direct listing



Direct Listing

As private markets have evolved to better meet more-mature companies' liquidity and capital needs, many industry professionals have called into question the traditional IPO process.

Direct listings are an alternative to IPOs for companies going public without formal underwriting support. These listings are unique in that the company does not raise new capital.



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