The Venture Climate

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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
VC Deal Activity

United States
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
The VC industry has fundamentally changed over the last decade

### VC Deal Activity

<table>
<thead>
<tr>
<th>Category (medians)</th>
<th>Early Stage in 2009</th>
<th>Seed in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deal Size</td>
<td>$3.0M</td>
<td>$2.1M</td>
</tr>
<tr>
<td>Pre-Valuation</td>
<td>$8.3M</td>
<td>$8.0M</td>
</tr>
<tr>
<td>Company Age</td>
<td>2.6 years</td>
<td>3.1 years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category (medians)</th>
<th>Late Stage in 2009</th>
<th>Early Stage in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deal Size</td>
<td>$6.2M</td>
<td>$6.5M</td>
</tr>
<tr>
<td>Pre-Valuation</td>
<td>$30.0M</td>
<td>$29.4M</td>
</tr>
<tr>
<td>Company Age</td>
<td>7.7 years</td>
<td>3.5 years</td>
</tr>
</tbody>
</table>

### Stage Typical Maturity Milestone in 2020

<table>
<thead>
<tr>
<th>Stage</th>
<th>Typical Maturity Milestone in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed</td>
<td>Minimum viable product (MVP) prepared and working on product/market fit. Have launched or are preparing to go to market</td>
</tr>
<tr>
<td>Series A</td>
<td>Achieved working product/market fit and have paying customers</td>
</tr>
<tr>
<td>Series B+</td>
<td>Mitigated many business risks (e.g. product, market, financial, team etc.) and are focused on accelerating growth</td>
</tr>
</tbody>
</table>
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.
Regional VC activity as proportion of national total
Median Distance (miles) between lead investor and target company by stage

VC Deal Activity

*data as of Q4 2019.
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).

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

Source: PitchBook | Geography: North America
*As of September 30, 2019
**As of December 31, 2018
### VC ecosystems with highest local capital ($M) per startup*

<table>
<thead>
<tr>
<th>VC ecosystem</th>
<th>Dry powder ($M)**</th>
<th>Active VC companies (#)</th>
<th>Dry powder per active VC company ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Jose-San Francisco-Oakland, CA</td>
<td>$56,956.2</td>
<td>4,711</td>
<td>$12.1</td>
</tr>
<tr>
<td>Boston-Worcester-Providence, MA-RI-NH-CT</td>
<td>$13,467.8</td>
<td>1,413</td>
<td>$9.5</td>
</tr>
<tr>
<td>New York-Newark, NY-NJ-CT-PA</td>
<td>$13,039.7</td>
<td>2,584</td>
<td>$5.0</td>
</tr>
<tr>
<td>Seattle-Tacoma, WA</td>
<td>$2,174.8</td>
<td>656</td>
<td>$3.3</td>
</tr>
<tr>
<td>Chicago-Naperville, IL-IN-WI</td>
<td>$1,425.1</td>
<td>539</td>
<td>$2.6</td>
</tr>
</tbody>
</table>

*Source: PitchBook | Geography: North America  
*As of September 30, 2019  
**As of December 31, 2018

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

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

*Source: PitchBook | Geography: North America  
*As of September 30, 2019  
**As of December 31, 2018

For more information on the methodology, access the full research report here.
“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

*data as of Q4 2019.
Female-founded companies as a proportion of total US VC deal activity (# & $)

*Data as of Q4 2019.
Venture Debt
United States
**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.

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<table>
<thead>
<tr>
<th></th>
<th>SBA loan</th>
<th>Convertible debt</th>
<th>Term loan</th>
<th>Revenue-based financing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size</strong></td>
<td>Up to $5M</td>
<td>Flexible</td>
<td>20%-30% of previous equity round for early-stage startups</td>
<td>Based on monthly revenue requirements or a fixed amount</td>
</tr>
<tr>
<td><strong>Maturity period</strong></td>
<td>18-24 months</td>
<td>Convertible securities without a debt piece may not have defined maturity period, simply conversion event triggers</td>
<td>3-5 years</td>
<td>3-5 years</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td>Prime + 2.25% for loans greater than $50,000 and maturity of less than 7 years</td>
<td>Low, can be around 1%-2%</td>
<td>Prime rate + 0%-4%</td>
<td>1.3x-2.5x repayment cap</td>
</tr>
<tr>
<td><strong>Collateralization</strong></td>
<td>All company assets + liens on personal assets</td>
<td>None</td>
<td>Assets and/or intellectual property</td>
<td>Assets and/or intellectual property</td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td>3.5% of the guaranteed portion for loans above $700,000</td>
<td>None</td>
<td>1%-2% origination, 0-3% exit</td>
<td>None</td>
</tr>
<tr>
<td><strong>Covenants</strong></td>
<td>None</td>
<td>None</td>
<td>Generally none</td>
<td>None</td>
</tr>
<tr>
<td><strong>Lender equity coverage</strong></td>
<td>None</td>
<td>Conversion discount on next round picture</td>
<td>Warrant coverage, 5%-20% of loan size</td>
<td>None</td>
</tr>
<tr>
<td><strong>Typical VC stage</strong></td>
<td>Must fit within “small business” definitions determined by the US Small Business Administration</td>
<td>Angel &amp; seed stage</td>
<td>Early stage to late stage</td>
<td>Pre-VC</td>
</tr>
<tr>
<td><strong>Typical lender types</strong></td>
<td>Small business investment companies and local banks</td>
<td>Angles and VC funds</td>
<td>Banks and venture debt funds</td>
<td>Specialized debt funds</td>
</tr>
</tbody>
</table>
Estimates of the total size of the venture debt market run around 10% to 15% of the total VC capital invested during a given year.
Angel & Seed Deal Activity
United States
VC Deal Activity

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

*Data as of Q4 2019.

Deal size ($M)

Pre-valuation ($M)

75th Percentile  Median  25th Percentile


$0.3 $1.1 $2.6 $2.9

$3.0 $10.0 $12.0


$0.3 $1.1 $2.6 $2.9

*Data as of Q4 2019.
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?](#)
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*. 

*Data as of Q4 2019.*
Angel & Seed US VC by sector (# and $)

VC Deal Activity

0% 20% 40% 60% 80% 100%


Software
IT Hardware
Consumer Goods & Recreation
Pharma & Biotech
HC Services & Systems
Commercial Services
Other
HC Devices & Supplies
Energy
Media

PitchBook
Early US VC deal activity by year

*data as of Q4 2019.*
Early US VC quartile breakdowns (deal size & pre-valuation)

**Deal size ($M)**

- 2009: $1.8
- 2010: $6.0
- 2011: $6.0
- 2012: $6.5
- 2013: $14.0
- 2014: $15.0

**Pre-valuation ($M)**

- 2009: $1.8
- 2010: $6.0
- 2011: $6.0
- 2012: $12.5
- 2013: $25.0
- 2014: $29.4
- 2015: $50.0
- 2016: $60.0

*data as of Q4 2019.*
Early US VC by sector (# and $)
Quarterly Early US VC deal count (#) by verticals

VC Deal Activity

[Graph showing quarterly VC deal activity by verticals from 2011 to 2019. The verticals include AI/ML, FinTech, HealthTech, Life Sciences, E-Commerce, and CleanTech.]
Late Deal Activity

United States
Late US VC deal activity by year

**Deal value ($B)**

- 2009: $20
- 2010: $20
- 2011: $24.3
- 2012: $24.3
- 2013: $24.3
- 2014: $51.3
- 2015: $51.3
- 2016: $46.3
- 2017: $48.8
- 2018: $87.7
- 2019*: $85.1

**Deal count**

- 2009: 2279
- 2010: 2279
- 2011: 2279
- 2012: 2279
- 2013: 2279
- 2014: 2279
- 2015: 2279
- 2016: 2279
- 2017: 2279
- 2018: 2597
- 2019*: 2597

*Data as of Q4 2019.*
Late stage US VC quartile breakdowns (deal size & pre-valuation)

- **VC Deal Activity**
- **Data as of Q4 2019.**
VC Deal Activity

Late US VC by sector (# and $)

- Software
- IT Hardware
- Pharma & Biotech
- HC Services & Systems
- Commercial Services
- HC Devices & Supplies
- Consumer Goods & Recreation
- Media
- Other

0% 20% 40% 60% 80% 100%

Quarterly Late US VC deal count (#) by verticals
Growth and PE Activity

United States
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).

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 $)

Year: 2009 - 2019

Sectors:
- Software
- IT Hardware
- Pharma & Biotech
- HC Devices & Supplies
- HC Services & Systems
- Commercial Services
- Media
- Other
- Consumer Goods & Recreation
- Energy

Percentage of Growth & PE Activity by Sector Over the Years
VC Fundraising
United States
US VC fundraising activity by year

Capital raised ($B)

Fund count


$41.9 $58.0 $46.3

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

*Data as of Q4 2019,
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.

*Data as of Q1 2019.*
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 ($)

VC Deal Activity

*data as of Q4 2019.
Non-traditional investors participate in VC deal count (#)

VC Deal Activity

- CVC investor
- PE investor
- Asset manager
- Government/SWF
- Other tourist investor

*Data as of Q4 2019.
VC Exits

United States
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.
The Secondary Market & Direct Listings

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

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

*as of 10/30/2019
Companies are raising less capital in IPOs relative to their valuation

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

*as of 10/30/2019
Estimated deal volume in the direct secondary market

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:

Source: NYYPEX. 2019 value is estimated.
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 IPOs for companies going public without formal underwriting support. These listings are unique in that that company does not raise new capital.
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