

FENWICK



Silicon Valley Venture Capital Survey

Second Quarter 2022

Silicon Valley Venture Capital Survey 2022

Background

Our survey analyzed the terms of 194 venture financings closed in the second quarter of 2022 by companies headquartered in Silicon Valley.

Summary

While the number of venture financings were down in the second quarter compared to the first quarter of this year, for companies we analyzed the funding climate showed resiliency across several other metrics.

Key Findings

Number of Q2 2022 financings down, but compared historically, more steady

- There were 194 venture financings among Silicon Valley companies in Q2—an 11% decrease from Q1 and a 32% decrease from Q4 2021. The number represents a 46% decrease year over year.
- However, compared to prior years, Q2 2022 financings were steadier: down 4.4% from Q2 2020 and down 9.8% from Q2 2019.
- There was an increase in Series C and D financings, while early- and late-stage financings experienced the biggest declines from the prior quarter.

Down rounds increased, but not by much

- Down rounds overall increased from 1% in Q1 to 5% in Q2 this year, while 4% were flat (versus 1% in Q1) and 91% were up rounds (versus 98% in Q1).

- Series C financings comprised highest percentage of Q2 down rounds (8%).
- There have been no down rounds this year for Series D or higher financings, among the companies we analyzed.

Price changes showed more of a pullback in Q2

- While there were few down rounds, the median percentage price increase across all rounds of financing showed a pullback from Q1 to Q2, from 186% to 136%.
- Series D and E financings had the biggest price increase slowdowns in Q2 from the prior quarter. Series D financings had a 163% median price increase in Q1 versus 84% in Q2, and the median price increase for Series E financings slowed from 104% in Q1 to 49% in Q2.
- The Fenwick Venture Capital Barometer™ showed an average price increase of 174% in Q2, down from an average price increase of 253% in Q1—with Q1 representing a high-water mark since we began tracking in 2005.

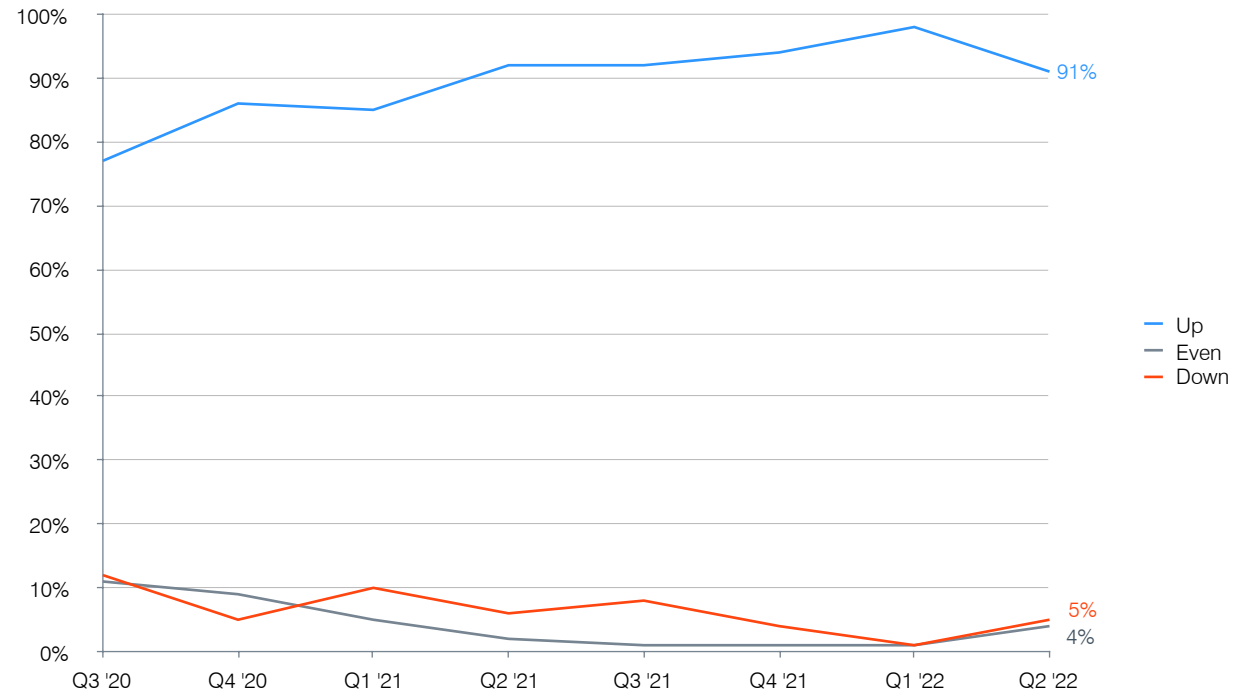
Life sciences sector showed strength in Q2; hardware faced headwinds

- Series B or higher life sciences companies' average percentage price change increased each of the last three quarters, from 123% in Q4 2021 to 166% in Q2 of this year. Their median percentage price change increased from 74% in Q1 to 123% in Q2.
- Hardware companies faced more headwinds, with the highest percentage of down rounds in Q2 among sectors (14%) and a median percentage increase in price per share compared to the prior round of financing of 53%—the only sector analyzed in Q2 not experiencing a 100% or greater median price increase from round to round.

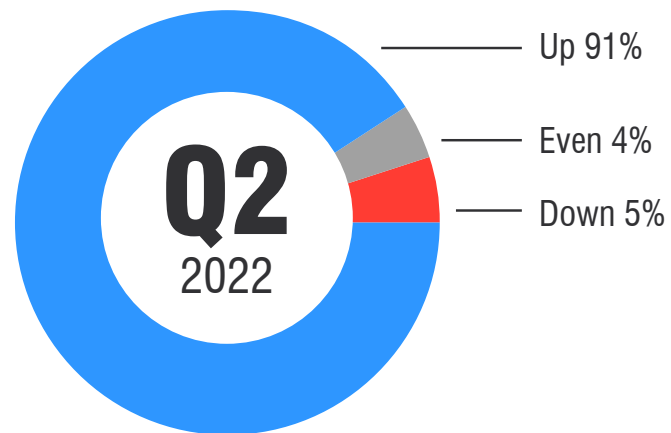
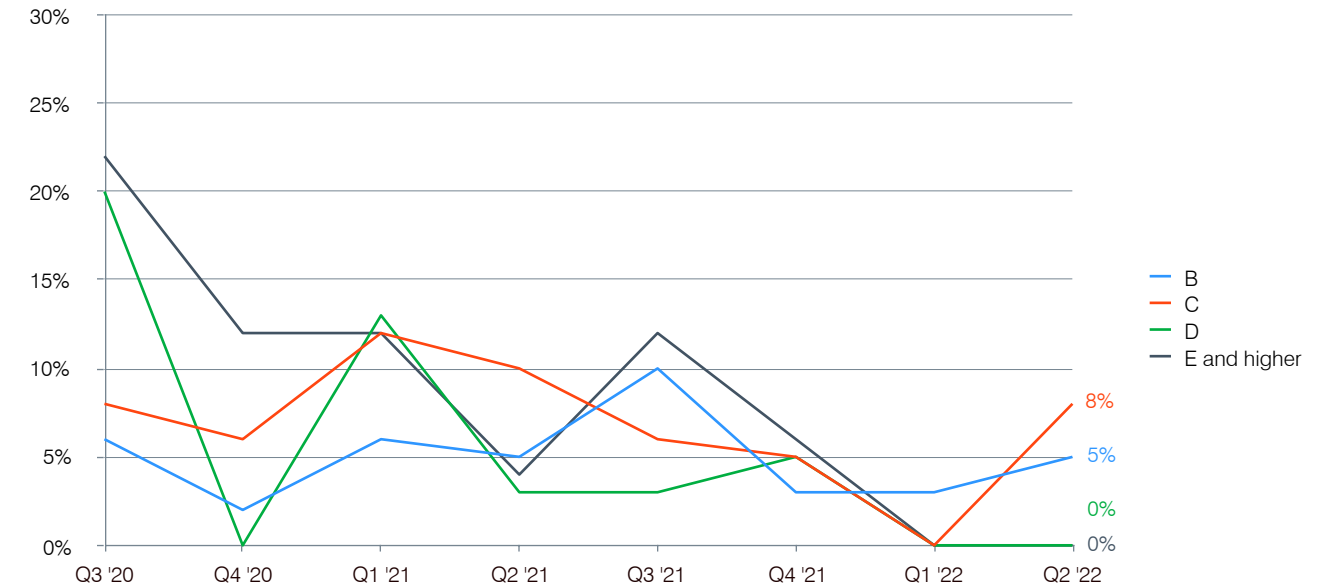
Fenwick Data on Valuations

Price Change

PRICE CHANGE—DIRECTION OF PRICE CHANGES WITH POST-SERIES A FINANCINGS COMPARED TO THE COMPANIES' PREVIOUS ROUND

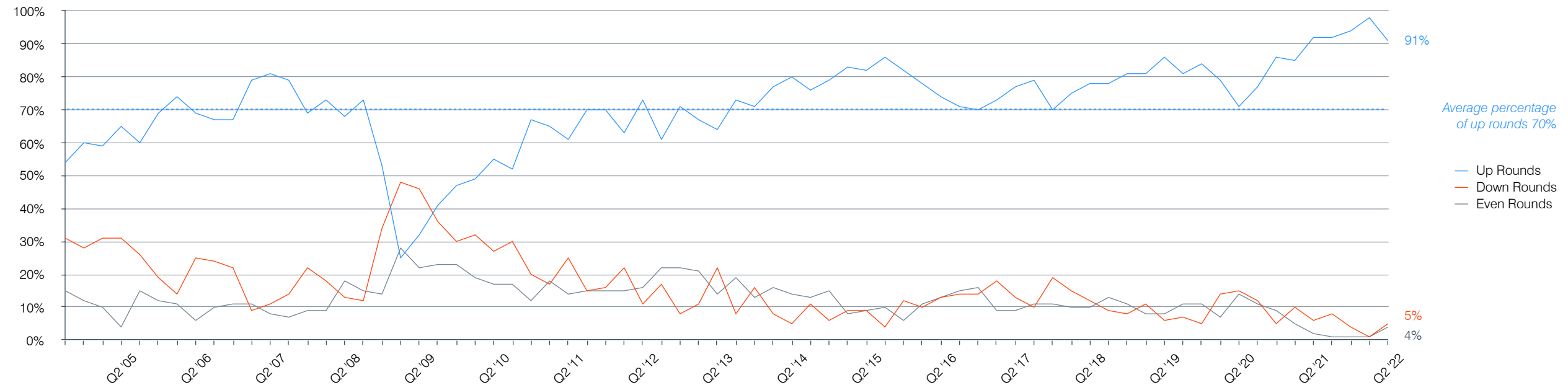


PERCENTAGE OF **DOWN ROUNDS** BROKEN OUT BY SERIES



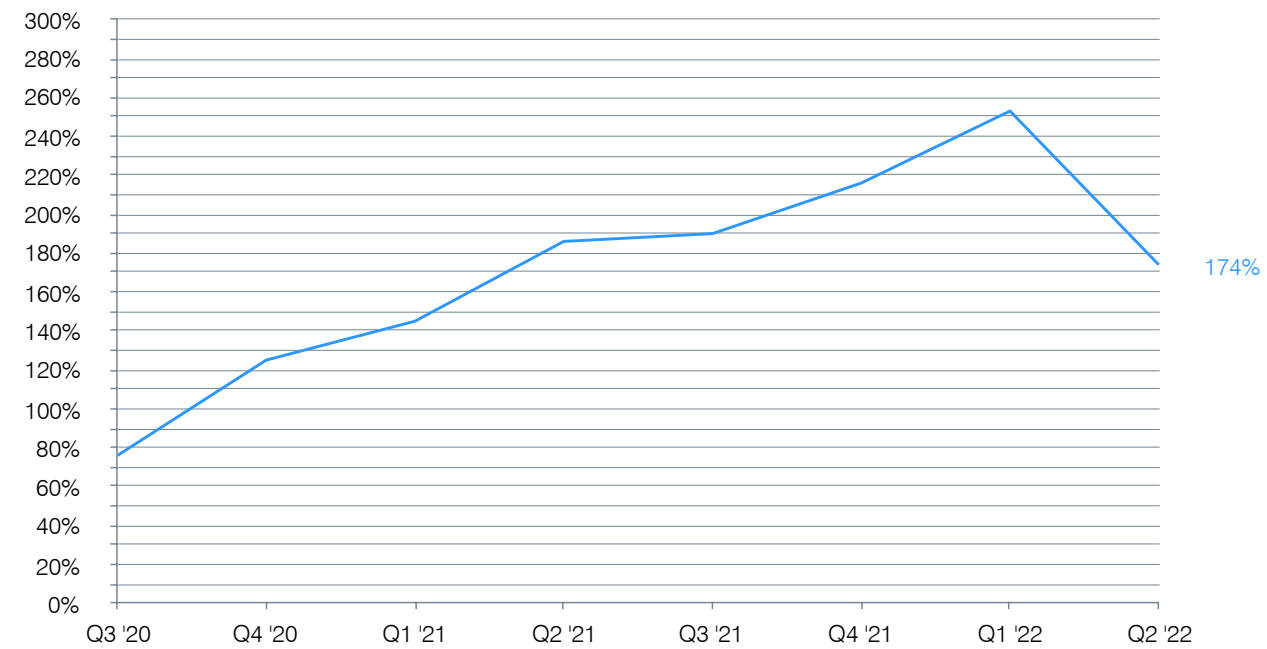
Price Change (continued)

EXPANDED PRICE CHANGE GRAPH—DIRECTION OF PRICE CHANGES WITH POST-SERIES A FINANCINGS COMPARED TO THE COMPANIES' PREVIOUS ROUND

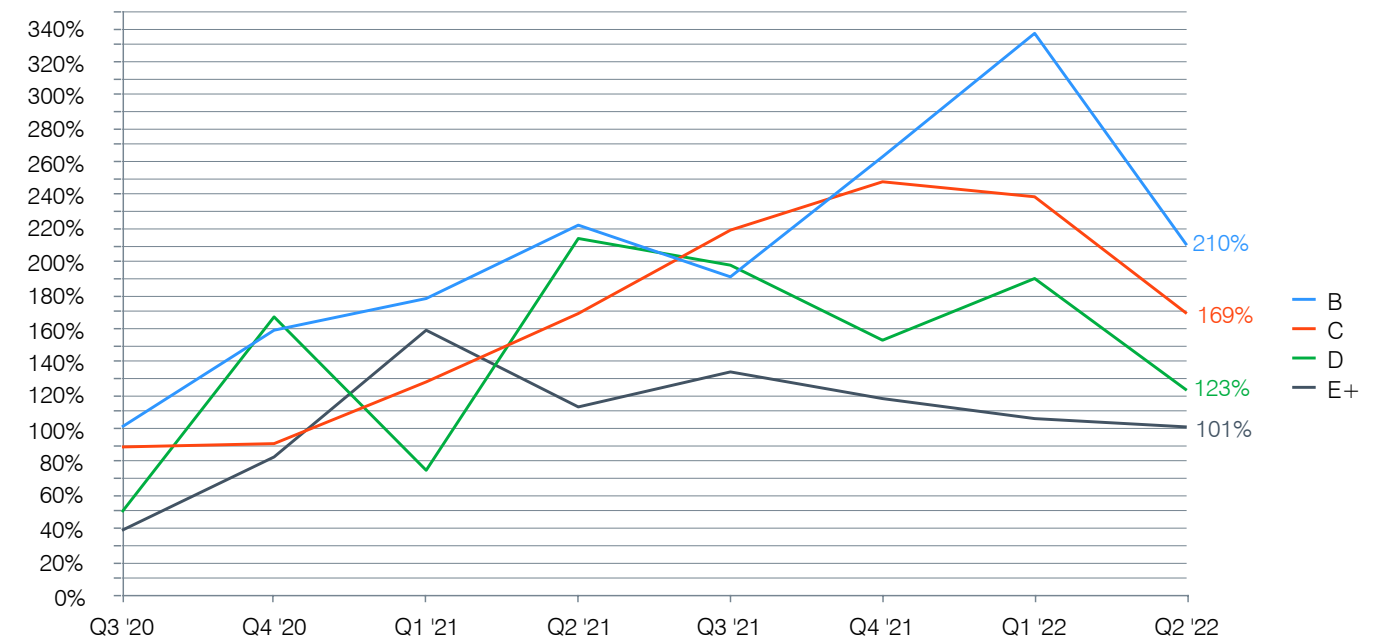


The Fenwick Venture Capital Barometer™

MAGNITUDE OF PRICE CHANGE—AVERAGE PERCENTAGE CHANGE BETWEEN THE PRICE PER SHARE AT WHICH COMPANIES RAISED FUNDS IN A QUARTER AND THE PRICE PER SHARE AT WHICH THE COMPANIES RAISED FUNDS IN THEIR PRIOR ROUND OF FINANCING. CALCULATION INCLUDES ALL ROUNDS (UP, DOWN AND FLAT). RESULTS ARE NOT WEIGHTED BASED ON AMOUNT RAISED IN THE FINANCING.

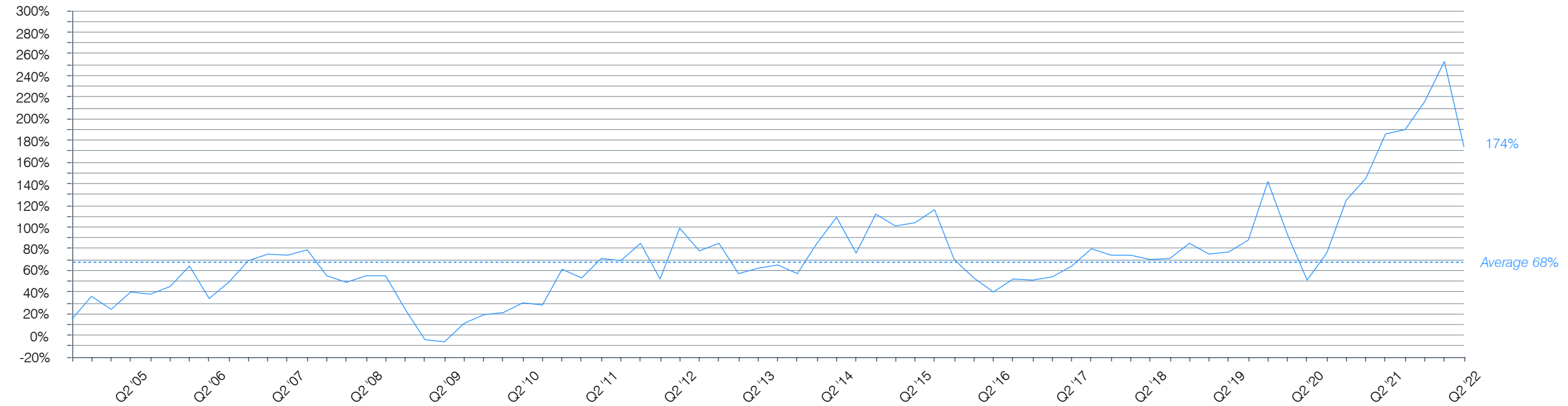


BAROMETER RESULTS BY SERIES



The Fenwick Venture Capital Barometer™ (continued)

EXPANDED FENWICK VENTURE CAPITAL BAROMETER™ —DIRECTION OF PRICE CHANGES WITH POST-SERIES A FINANCINGS COMPARED TO THE COMPANIES' PREVIOUS ROUND

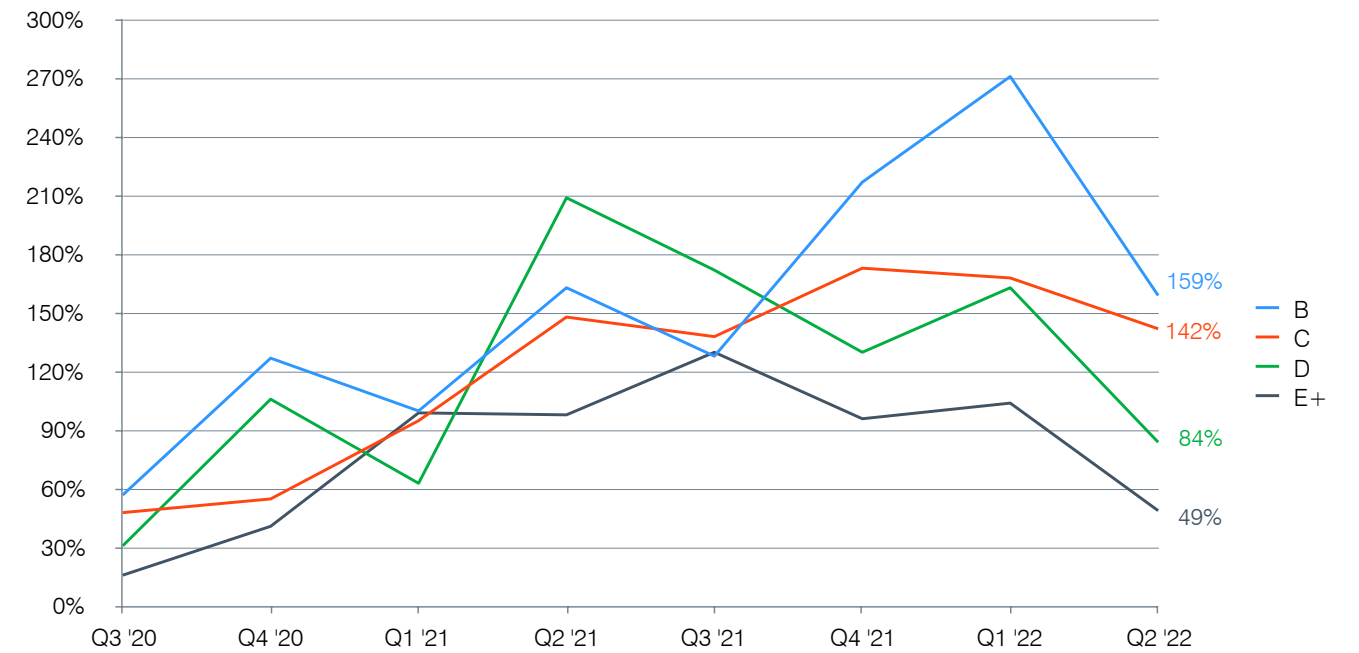


Median Percentage Price Change

MEDIAN PERCENTAGE PRICE CHANGE—MEDIAN PERCENTAGE CHANGE BETWEEN THE PRICE PER SHARE AT WHICH COMPANIES RAISED FUNDS IN A QUARTER AND THE PRICE PER SHARE AT WHICH COMPANIES RAISED FUNDS IN THEIR PRIOR ROUND OF FINANCING. CALCULATION INCLUDES ALL ROUNDS (UP, DOWN AND FLAT). RESULTS ARE NOT WEIGHTED BASED ON AMOUNT RAISED IN THE FINANCING.

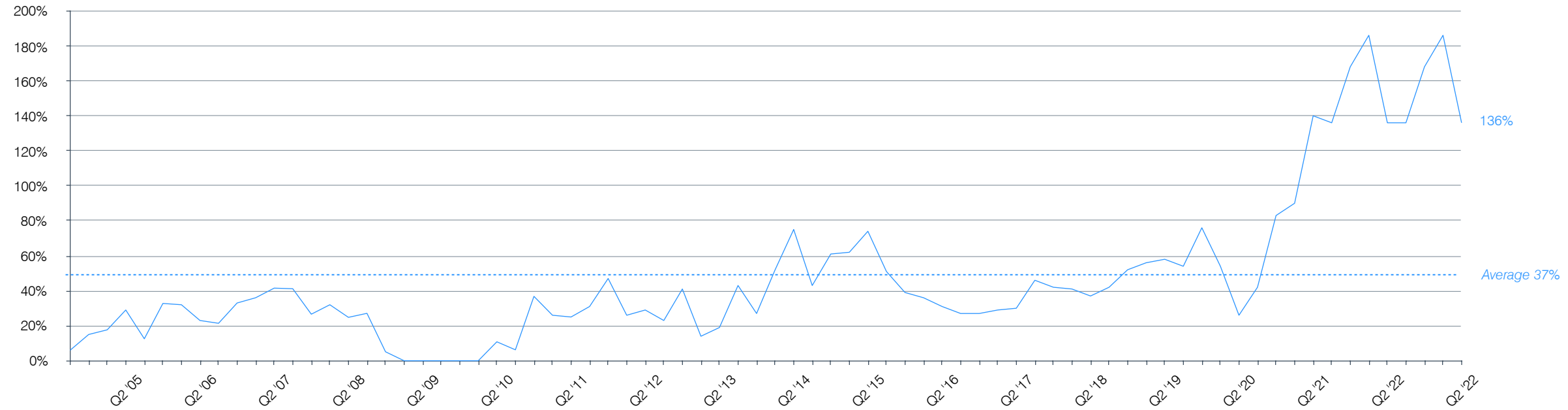


MEDIAN PRICE CHANGE RESULTS BY SERIES



Median Percentage Price Change (continued)

EXPANDED MEDIAN PRICE CHANGE GRAPH—MEDIAN PERCENTAGE PRICE CHANGE FOR EACH QUARTER SINCE WE BEGAN CALCULATING THIS METRIC IN 2004



Industry Results

AGGREGATE INDUSTRY RESULTS FOR QUARTER—RESULTS BROKEN DOWN BY COMPANIES' INDUSTRY FOR POST-SERIES A FINANCINGS

- DIRECTION OF PRICE CHANGES COMPARED TO THE PRIOR ROUND OF FINANCING (UP, DOWN AND FLAT)
- AVERAGE PERCENTAGE CHANGE IN PRICE PER SHARE WHEN COMPANIES RAISED FUNDS COMPARED TO THE PRIOR ROUND OF FINANCING
- MEDIAN PERCENTAGE CHANGE IN PRICE PER SHARE WHEN COMPANIES RAISED FUNDS COMPARED TO THE PRIOR ROUND OF FINANCING.

Industry	Up Rounds	Down Rounds	Flat Rounds	Barometer	Median Price Change	Number of Financings
Software	91%	5%	5%	191%	142%	85
Hardware	86%	14%	0%	76%	53%	14
Life Sciences	95%	0%	5%	166%	123%	20
Internet/Digital Media	100%	0%	0%	215%	169%	13
Other	88%	6%	6%	143%	105%	16
Total, All Industries	91%	5%	4%	174%	136%	148

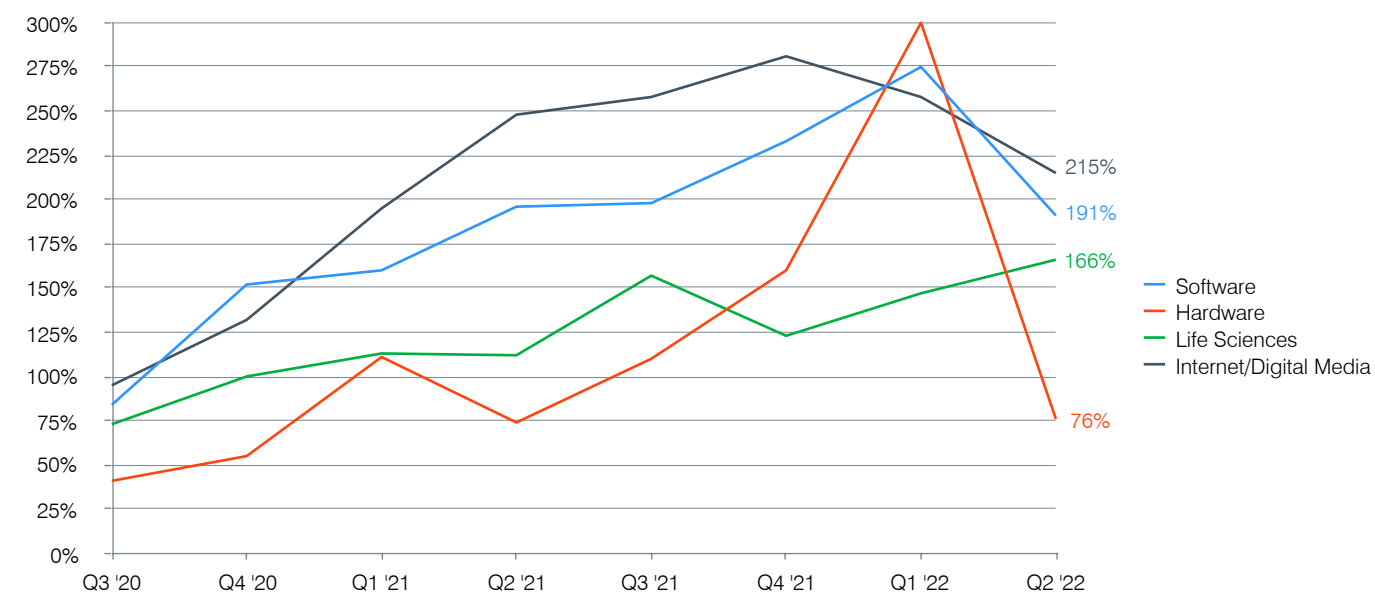
DOWN ROUND RESULTS BY INDUSTRY—PERCENT OF DOWN ROUNDS EACH QUARTER, BROKEN OUT BY INDUSTRY

Down Rounds	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22
Software	13%	4%	7%	6%	4%	2%	0%	5%
Hardware	25%	8%	22%	13%	27%	18%	0%	14%
Life Sciences	8%	5%	11%	4%	14%	10%	8%	0%
Internet/Digital Media	4%	6%	8%	6%	0%	0%	0%	0%
Other	20%	0%	10%	7%	10%	0%	0%	6%
Total, All Industries	12%	5%	10%	6%	8%	4%	1%	5%

BAROMETER RESULTS BY INDUSTRY—AVERAGE PERCENTAGE CHANGE IN PRICE PER SHARE WHEN COMPANIES RAISED FUNDS COMPARED TO THE PRIOR ROUND OF FINANCING, BROKEN OUT BY INDUSTRY

Industry	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22
Software	84%	152%	160%	196%	198%	233%	275%	191%
Hardware	41%	55%	111%	74%	110%	160%	300%	76%
Life Sciences	73%	100%	113%	112%	157%	123%	147%	166%
Internet/Digital Media	95%	132%	195%	248%	258%	281%	258%	215%
Other	45%	86%	115%	304%	166%	211%	263%	143%
Total, All Industries	76%	125%	145%	186%	190%	216%	253%	174%

GRAPHICAL REPRESENTATION OF THE ABOVE DATA

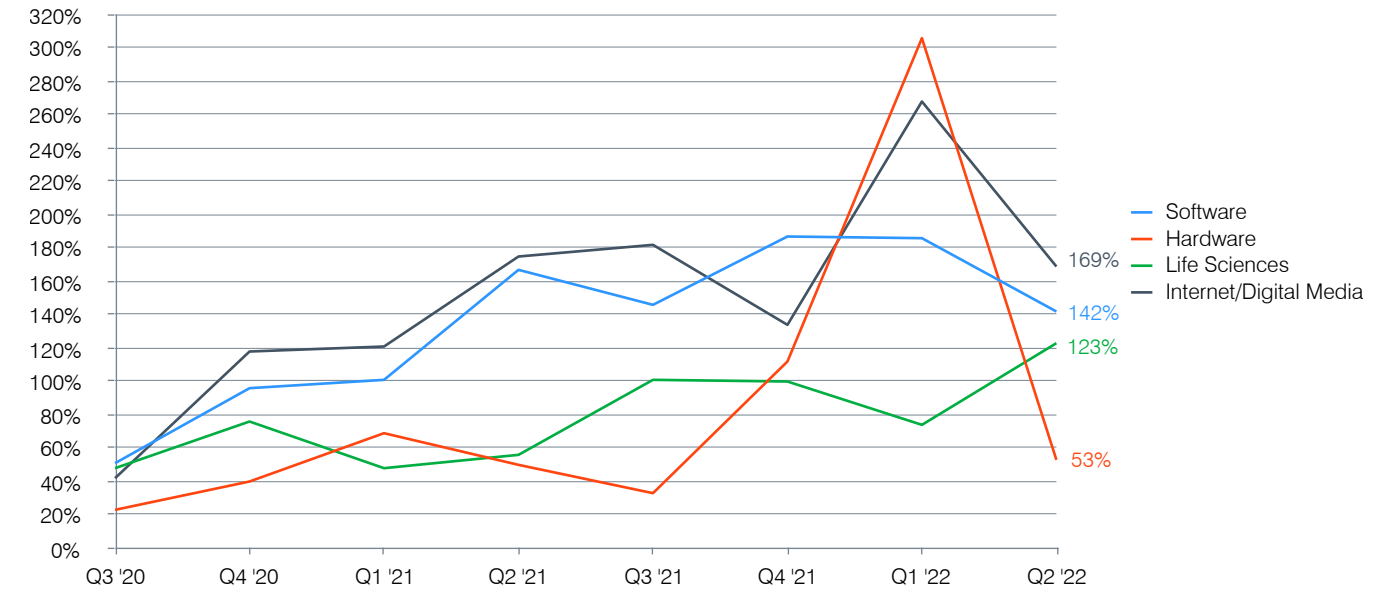


Industry Results (continued)

MEDIAN PERCENTAGE PRICE CHANGE BY INDUSTRY—MEDIAN PERCENTAGE CHANGE IN PRICE PER SHARE WHEN COMPANIES RAISED FUNDS COMPARED TO THE PRIOR ROUND OF FINANCING, BROKEN OUT BY INDUSTRY

Median % Price Change	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22
Software	51%	96%	101%	167%	146%	187%	186%	142%
Hardware	23%	40%	69%	50%	33%	112%	306%	53%
Life Sciences	48%	76%	48%	56%	101%	100%	74%	123%
Internet/Digital Media	42%	118%	121%	175%	182%	134%	268%	169%
Other	2%	39%	110%	260%	123%	203%	123%	105%
Total, All Industries	42%	83%	90%	140%	136%	168%	186%	136%

GRAPHICAL REPRESENTATION OF THE DATA ON THE LEFT



Financing Rounds

FINANCING ROUND—PERCENTAGE OF TOTAL FINANCINGS BROKEN DOWN BY SERIES

Series	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22
Series A	28%	27%	30%	29%	27%	24%	28%	24%
Series B	26%	25%	27%	31%	28%	28%	30%	32%
Series C	19%	22%	16%	17%	20%	23%	22%	26%
Series D	9%	12%	12%	9%	12%	13%	8%	10%
Series E+	18%	14%	16%	14%	13%	13%	12%	8%

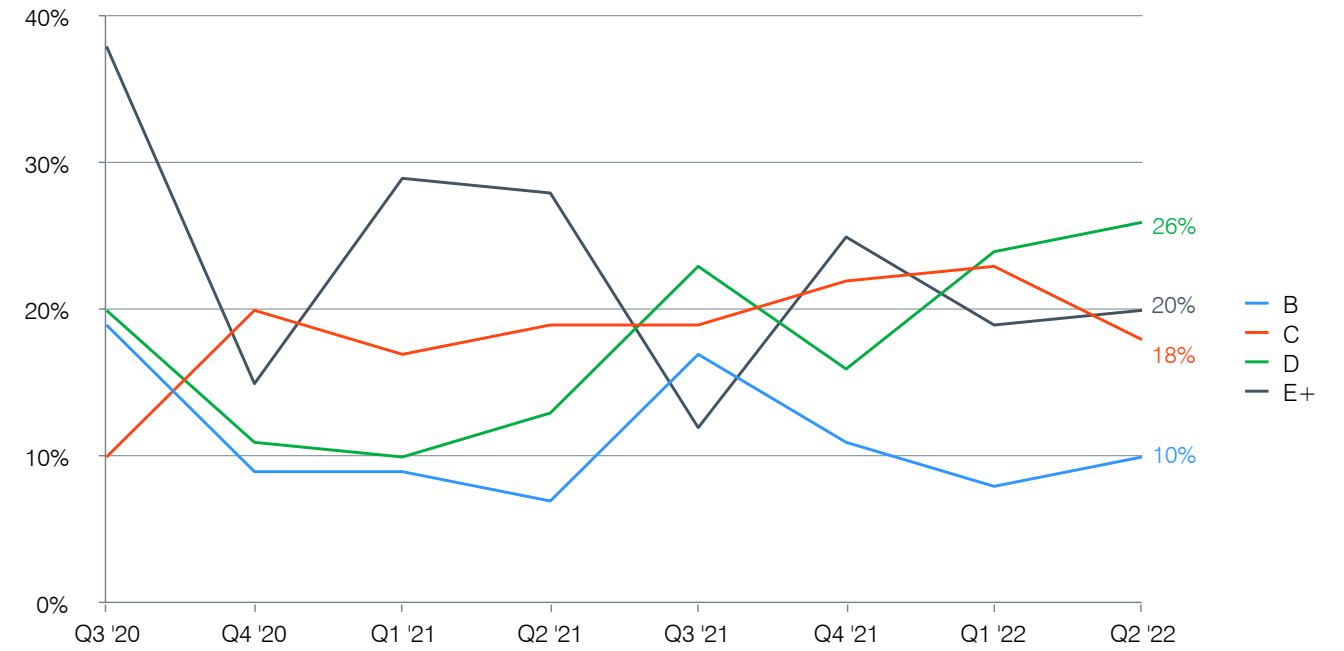
Fenwick Data on Legal Terms

Liquidation

SENIOR LIQUIDATION PREFERENCE—PERCENTAGE OF POST-SERIES A FINANCINGS WITH SENIOR LIQUIDATION PREFERENCE (LIMITED TO SERIES B THRU E+)

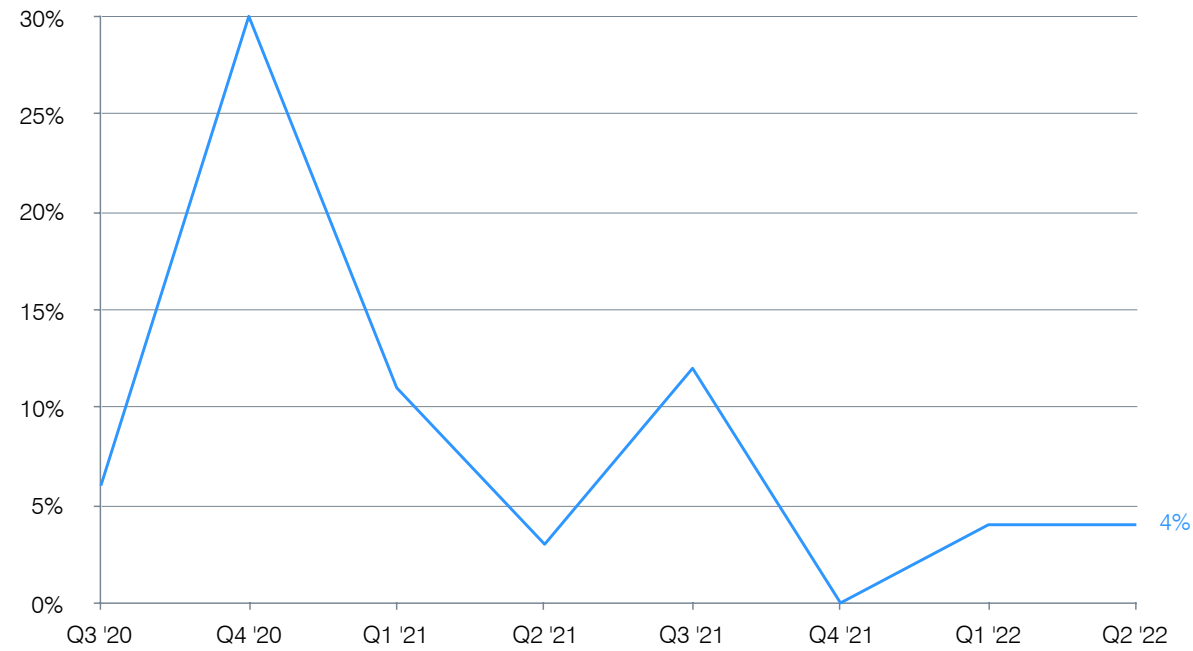


PERCENTAGE OF SENIOR LIQUIDATION PREFERENCES BY SERIES

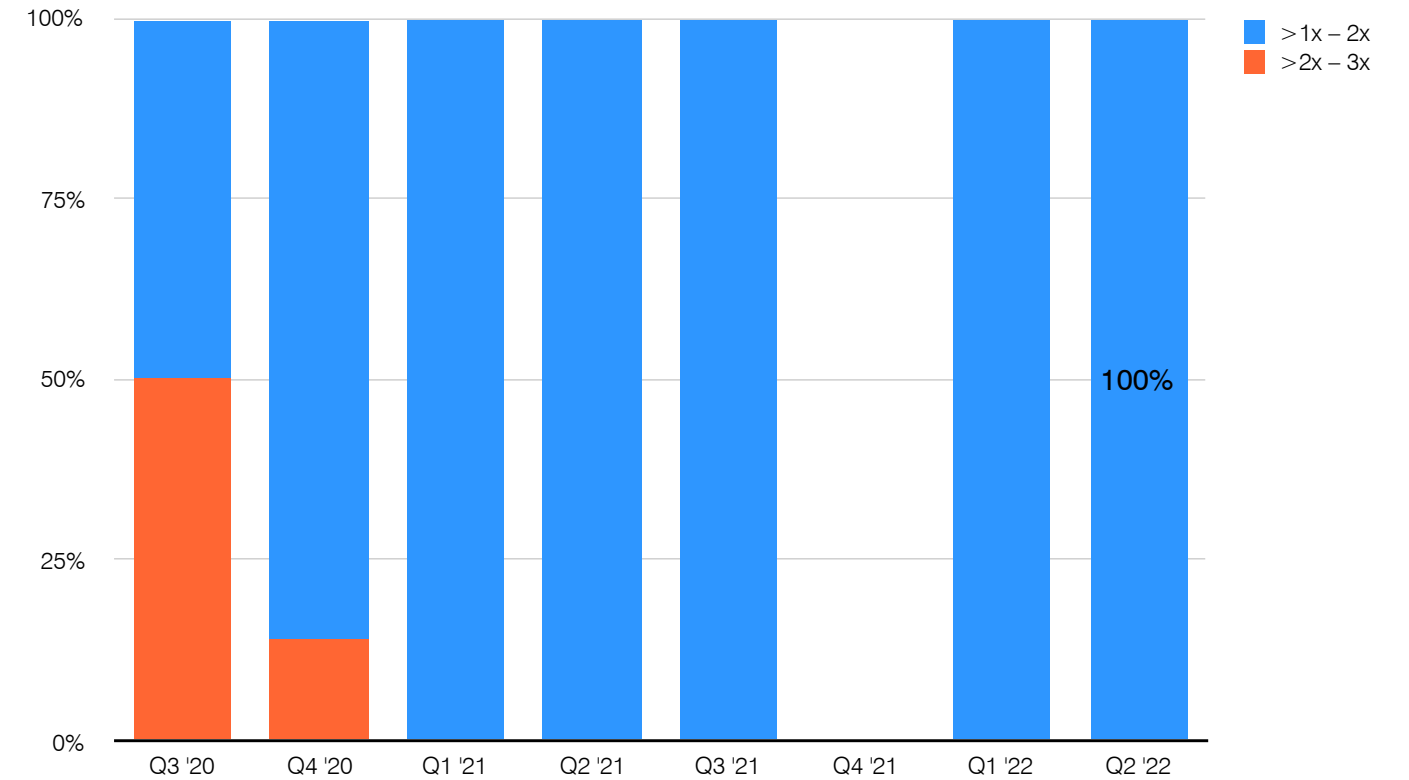


Liquidation (continued)

SENIOR LIQUIDATION PREFERENCE WITH MULTIPLE—PERCENTAGE OF FINANCINGS WITH A SENIOR LIQUIDATION PREFERENCE THAT INCLUDED A MULTIPLE GREATER THAN 1

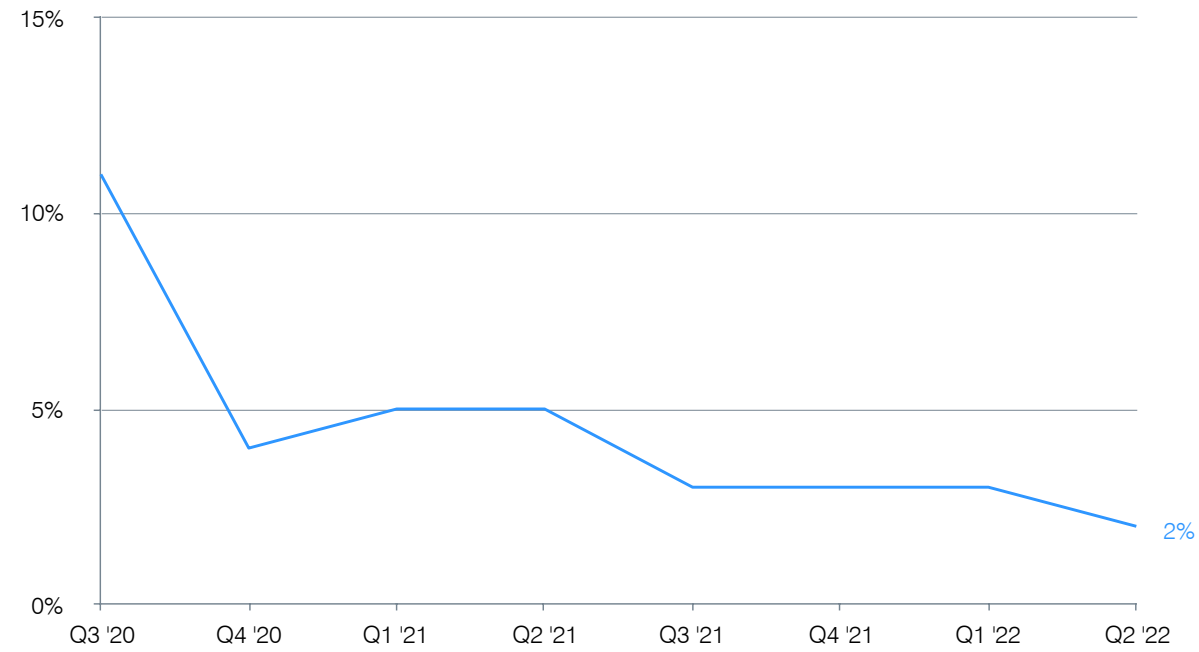


RANGE OF MULTIPLES—PERCENTAGE OF FINANCINGS WITH A SENIOR LIQUIDATION PREFERENCE THAT INCLUDED A MULTIPLE WITHIN THE SPECIFIED RANGE

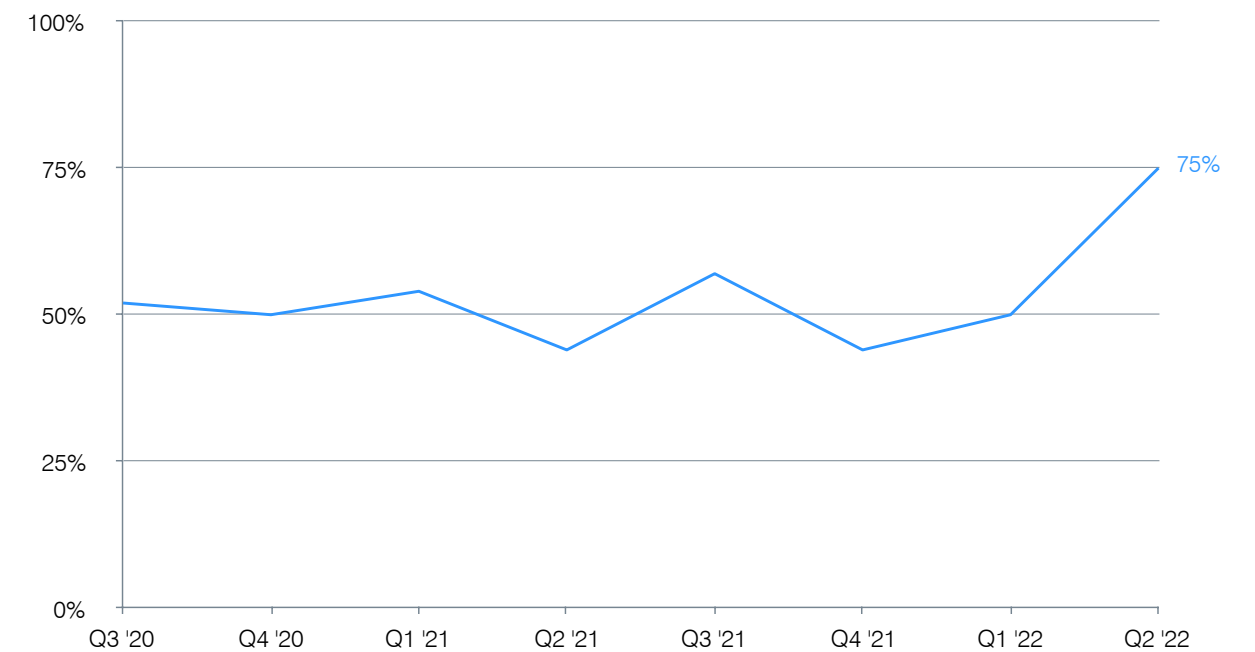


Liquidation (continued)

PARTICIPATION IN LIQUIDATION—PERCENTAGE OF FINANCINGS THAT PROVIDED FOR PARTICIPATION IN LIQUIDATION (INCLUDES ALL SERIES A THRU E+)

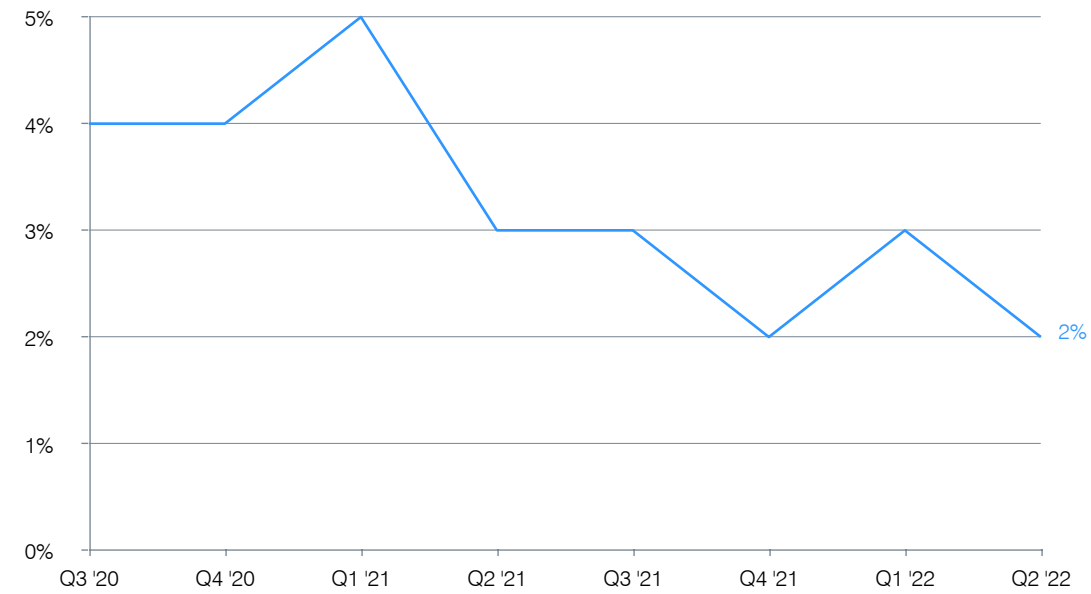


NO CAPPED PARTICIPATION IN LIQUIDATION—PERCENTAGE OF FINANCINGS THAT PROVIDED FOR PARTICIPATION IN LIQUIDATION THAT WERE NOT CAPPED (INCLUDES ALL SERIES A THRU E+)

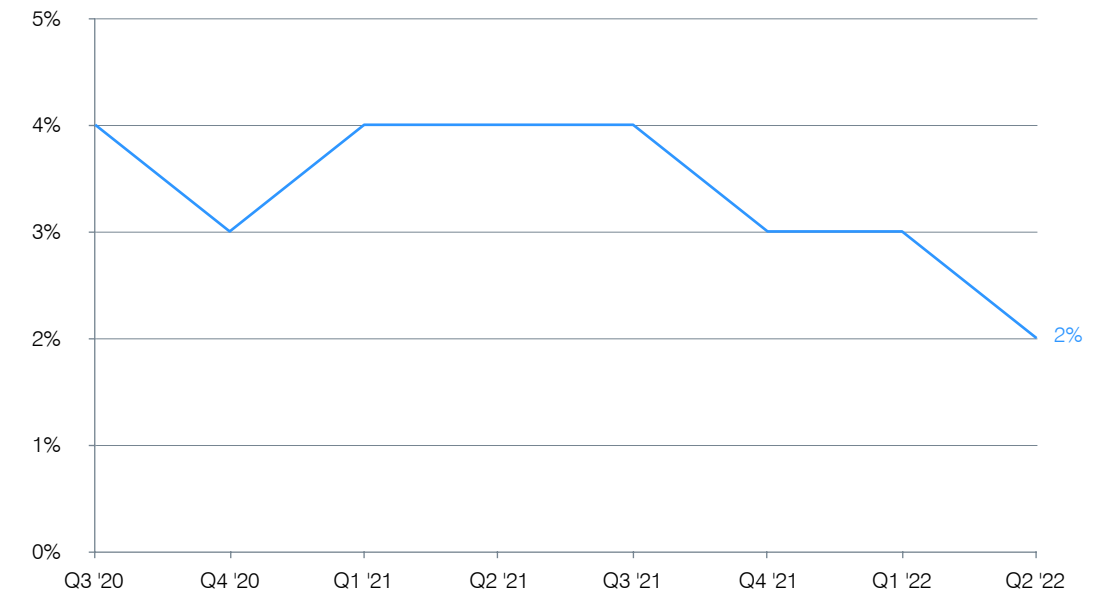


Other Terms

CUMULATIVE DIVIDENDS—PERCENTAGE OF FINANCINGS THAT INCLUDED CUMULATIVE DIVIDENDS (INCLUDES ALL ROUNDS SERIES A THRU E+)

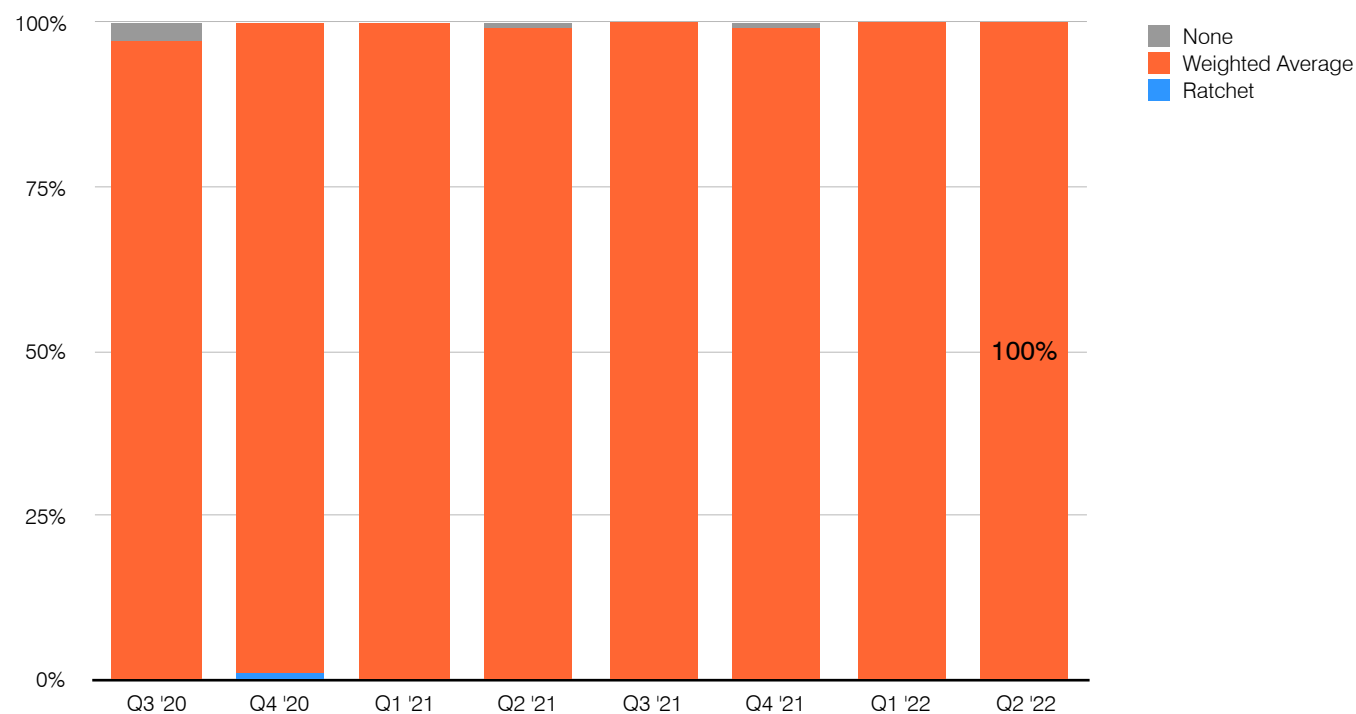


REDEMPTION—PERCENTAGE OF FINANCINGS THAT PROVIDED FOR MANDATORY REDEMPTION OR REDEMPTION AT THE OPTION OF THE INVESTOR (INCLUDES ALL ROUNDS SERIES A THRU E+)

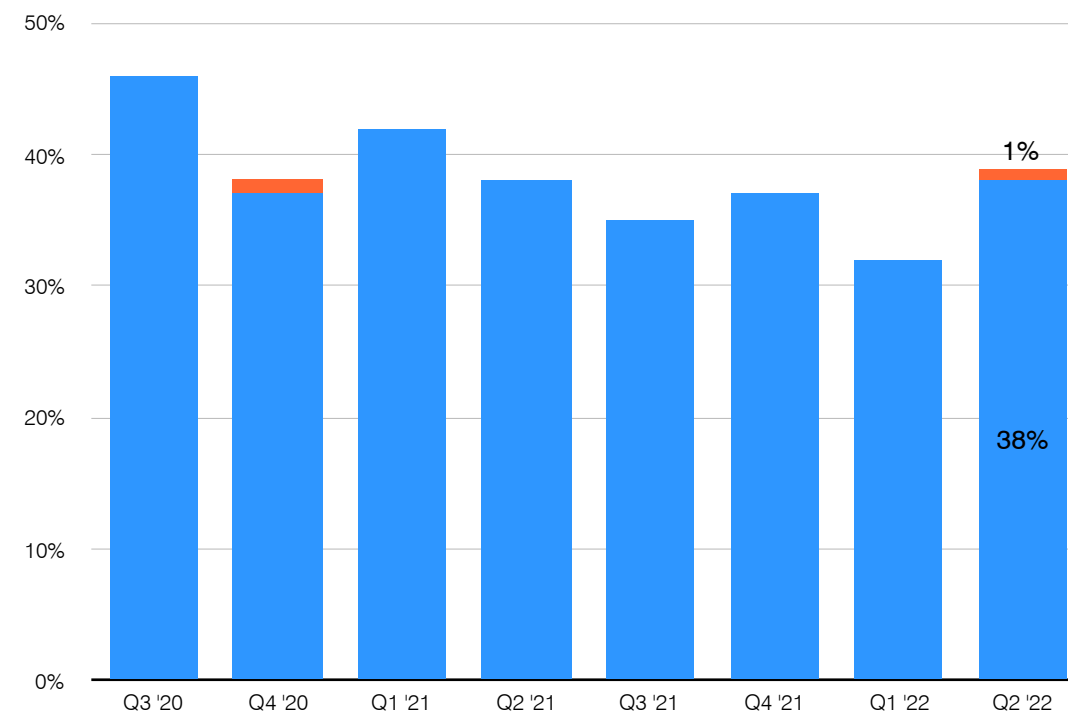


Other Terms (continued)

NON-IPO ANTIDILUTION PROVISIONS—PERCENTAGE OF FINANCINGS THAT INCLUDED NON-IPO ANTIDILUTION PROVISIONS (INCLUDES ALL ROUNDS SERIES A THRU E+) FOCUSED ON NON-IPO ANTIDILUTION PROVISIONS THAT PROTECT THE INVESTOR AGAINST A FUTURE VENTURE FINANCING AT A PRICE BELOW WHAT THE INVESTOR PAID. DOES NOT REFLECT ANTIDILUTION PROVISIONS DESIGNED TO PROTECT AGAINST AN IPO AT A PRICE BELOW THE PRICE PAID BY THE VENTURE INVESTOR, SUCH AS AN IPO RATCHET.



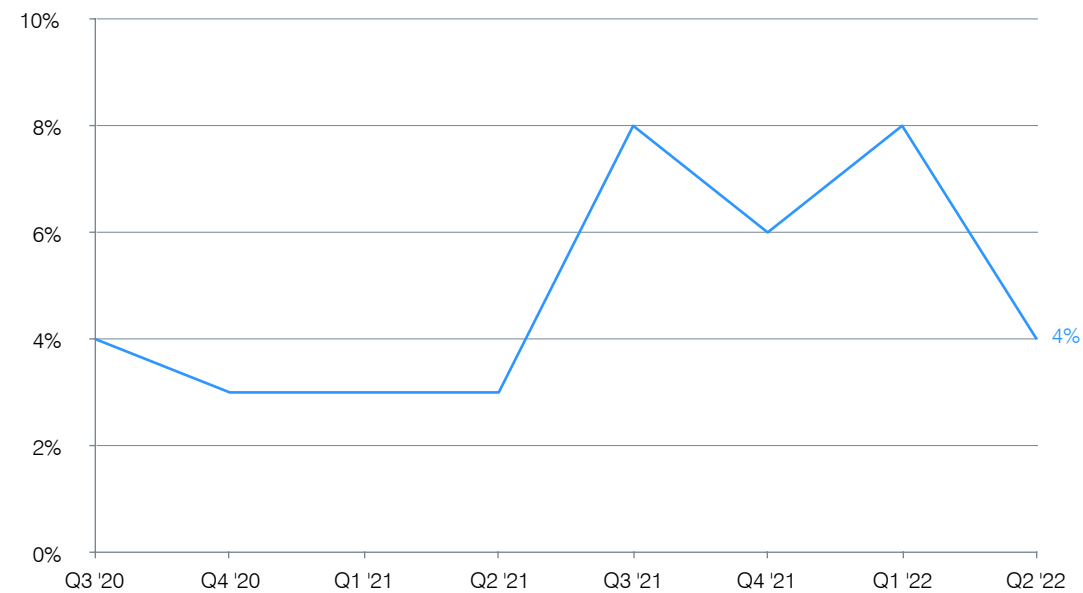
IPO DOWNSIDE PROTECTIONS—PERCENTAGE OF FINANCINGS THAT INCLUDED IPO DOWNSIDE PROTECTIONS (INCLUDES ALL ROUNDS SERIES A THRU E+)



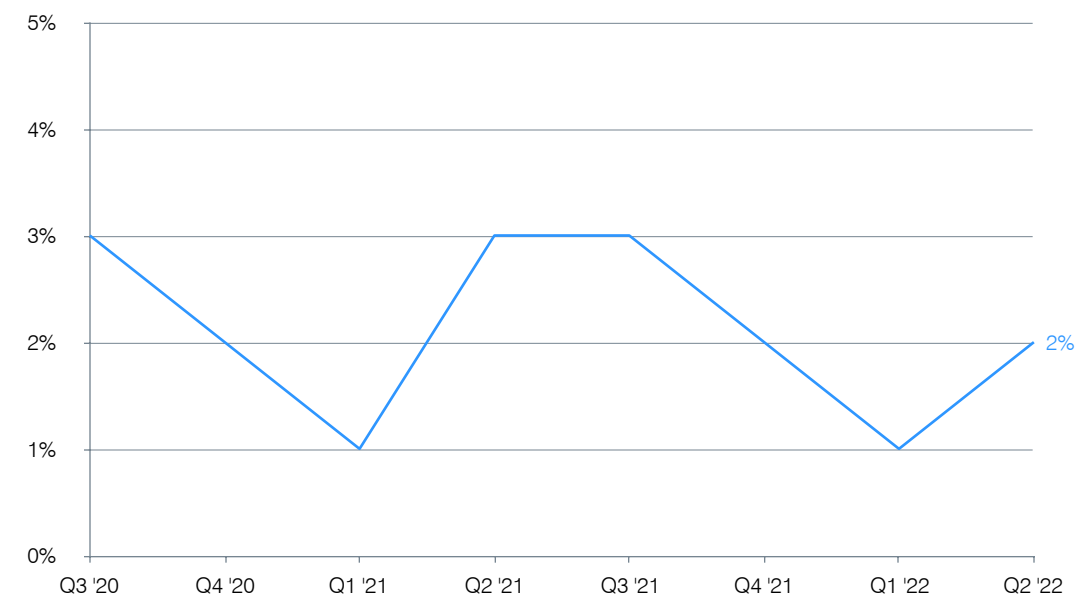
- Ratchet: Investors receive additional shares if IPO price is less than financing price or, in some cases, the financing price plus a premium
- Blocking Right: IPO price must be at least as high as financing price

Other Terms (continued)

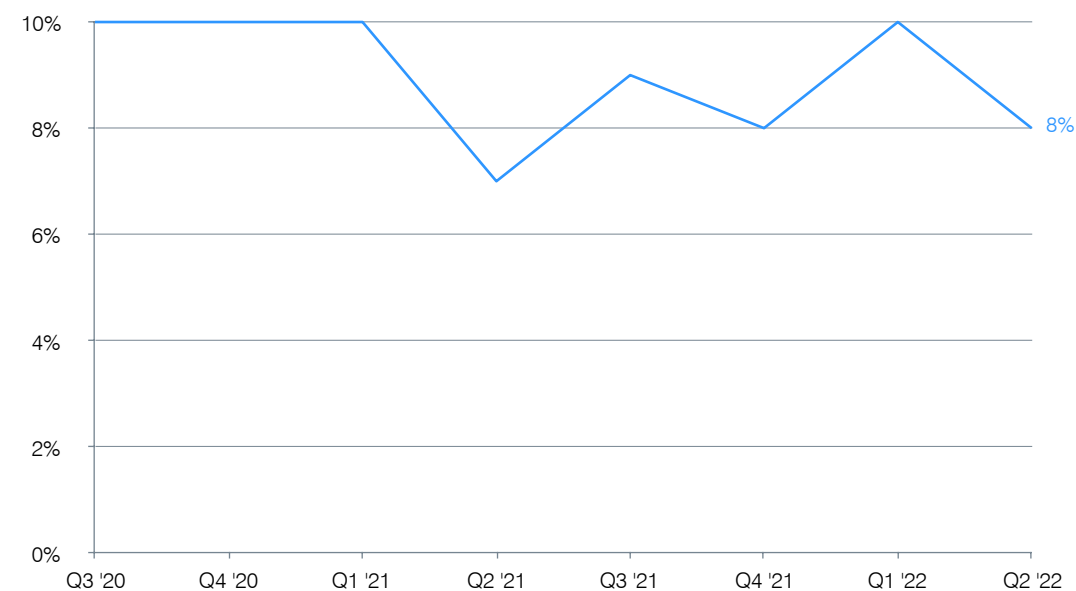
CORPORATE REORGANIZATION—PERCENTAGE OF FINANCINGS INVOLVING CORPORATE REORGANIZATION



PAY-TO-PLAY PROVISIONS—PERCENTAGE OF FINANCINGS THAT INCLUDED PAY-TO-PLAY PROVISIONS PROVIDING FOR CONVERSION OF NON-PARTICIPATING INVESTORS' PREFERRED STOCK INTO COMMON STOCK OR SHADOW PREFERRED STOCK



DUAL-CLASS COMMON STOCK—PERCENTAGE OF FINANCINGS WITH DUAL-CLASS COMMON STOCK STRUCTURES WHERE ONE CLASS OF COMMON STOCK HOLDS MORE VOTES PER SHARE THAN THE OTHER CLASS



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The Fenwick Team is “first class through and through. They are the best in the business for a fast-moving startup.”

—*Chambers USA*

Fenwick’s Startup & Venture Capital Team

Fenwick is one of the first technology law firms in the world. For 50 years, we have worked closely with technology and life sciences companies that are changing the world, as well as their investors. Fenwick provides a broad range of services to emerging companies. We currently represent 1,000+ VC-backed companies, including 70+ with valuations over \$1B. Our VC practice is ranked as one of the top in the U.S. by Dow Jones and *Chambers USA*. Our VC-backed clients include many of the world’s most notable private technology companies, for which the firm has advised in some of the largest venture capital deals in history.

Representative Venture-Backed Clients



About Our Survey

The Fenwick Venture Capital Survey has been published quarterly since the first quarter of 2002. Its goal is to provide information to the global entrepreneurial and venture community on the terms of venture financings in Silicon Valley.

The survey is available to all, without charge, by signing up at www.fenwick.com/subscribe. We are pleased to be a source of information to entrepreneurs, investors, educators, students, journalists and government officials.

Our analysis of Silicon Valley financings is based on independent data collection performed by our lawyers and paralegals, and is not skewed toward or overly representative of financings in which our firm is involved. We believe that this approach, compared to only reporting on deals handled by a specific firm, provides a more statistically valid dataset.

For purposes of determining whether a company is based in “Silicon Valley,” we use the area code of the corporate headquarters. The area codes included are 650, 408, 415, 510, 925, 916, 707, 831 and 209.

Disclaimer

The preparation of the information contained herein involves assumptions, compilations and analysis, and there can be no assurance that the information provided herein is error-free. Neither Fenwick & West LLP nor any of its partners, associates, staff or agents shall have any liability for any information contained herein, including any errors or incompleteness. The contents of this report are not intended, and should not be considered, as legal advice or opinion. To the extent that any views on the venture environment or other matters are expressed in this survey, they are the views of the authors only, and not Fenwick & West LLP.

Methodology

When interpreting the Barometer results, please bear in mind that the results reflect the average price increase of companies raising money in a given quarter compared to their prior round of financing. By definition the Barometer does not include companies that do not do follow-on financings (which may be because they went out of business, were acquired or went public). Accordingly, we believe that our results are most valuable for identifying trends in the venture environment, as opposed to calculating absolute venture returns. Please also note that our calculations are not “dollar weighted,” i.e., all venture rounds are treated equally, regardless of size.

Contact/Sign-Up Information

For additional information about this report, please contact Cynthia Hess at 650.335.7238; chess@fenwick.com or Mark Leahy at 650.335.7682; mleahy@fenwick.com at Fenwick.

To view the most recent survey, please visit fenwick.com/vcsurvey. To be placed on an email list for future editions of this survey, please visit www.fenwick.com/subscribe.

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