

The top half of the image features the word "FENWICK" in a bold, white, sans-serif font in the upper left corner. The background is a dark, abstract graphic with a grid of thin white lines. Overlaid on this grid are several glowing, semi-transparent lines in shades of blue and orange, which appear to be data trends or market indicators. The overall aesthetic is high-tech and financial.

FENWICK

Silicon Valley
Venture Capital Survey
Fourth Quarter 2020

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Cynthia Clarfield Hess, Mark Leahy and Khang Tran

Background

Our survey analyzed the terms of 229 venture financings closed in the fourth quarter of 2020 by companies headquartered in Silicon Valley.

Key Findings

Valuation results have rebounded sharply from pandemic troughs to historical highs

- Up rounds exceeded down rounds 86% to 5%, with 9% flat in Q4, an increase from the prior quarter when up rounds exceeded down rounds 77% to 12%, with 11% flat. This quarter had the highest percentage of up rounds since Q2 2019 and the lowest percentage of down rounds since Q3 2015.
- The Fenwick & West Venture Capital Barometer™ showed an average price increase in Q4 of 125%, a significant increase from 76% in Q3 and the second highest average price increase recorded in a quarter since we began calculating valuation metrics in 2004.
- The median price increase of financings also rose sharply from 42% in Q3 to 83% in Q4, the highest median price increase recorded in a quarter in the history of this survey.

All series of financings, and Series D and E+ financings in particular, recorded stronger valuation results

- Valuation results across all series of financings improved in Q4 compared to the prior quarter. In particular, Series D and Series E+ financings recorded the greatest gains in average and median price increases compared to the prior quarter.

Valuations broadly strengthened across all industries

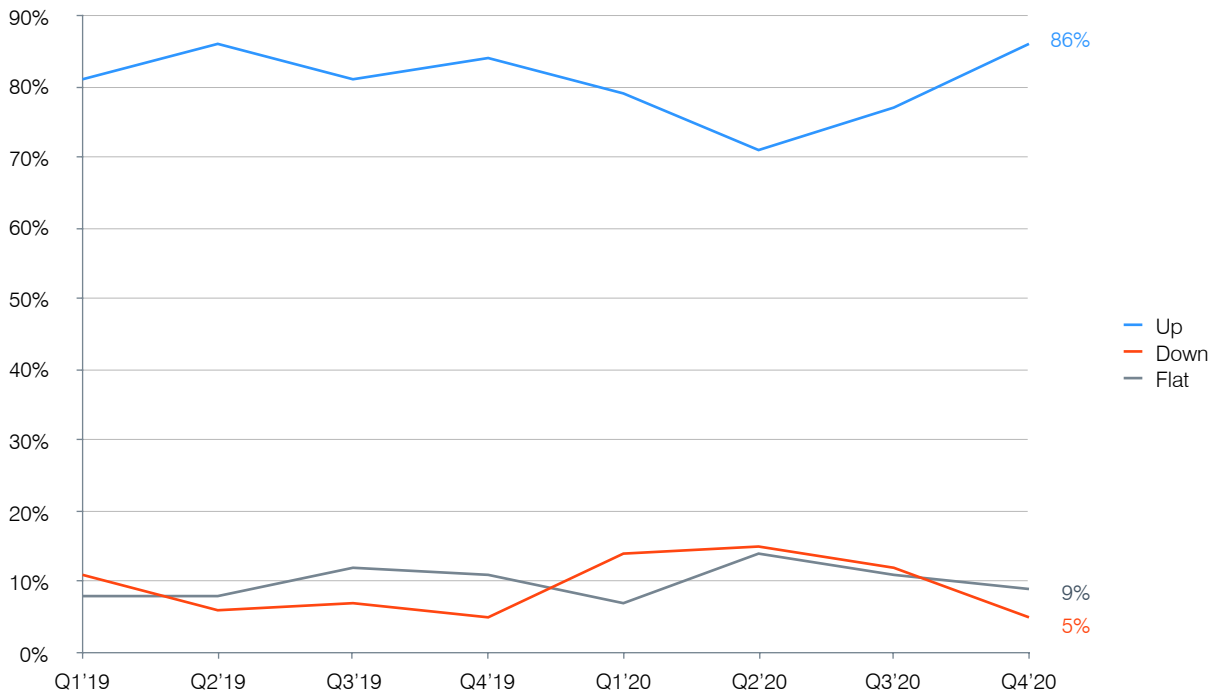
- Similarly, valuation results broadly strengthened across all industries in Q4 compared to the prior quarter. The software and internet/digital media industries again recorded the strongest valuation results in the quarter. The life science industry recorded valuation results that have surpassed pre-pandemic levels. Valuation results for the hardware industry have rebounded in the past two quarters from the lows recorded in Q2 2020, but remain down from pre-pandemic levels.

Use of senior liquidation preferences and participation rights declined

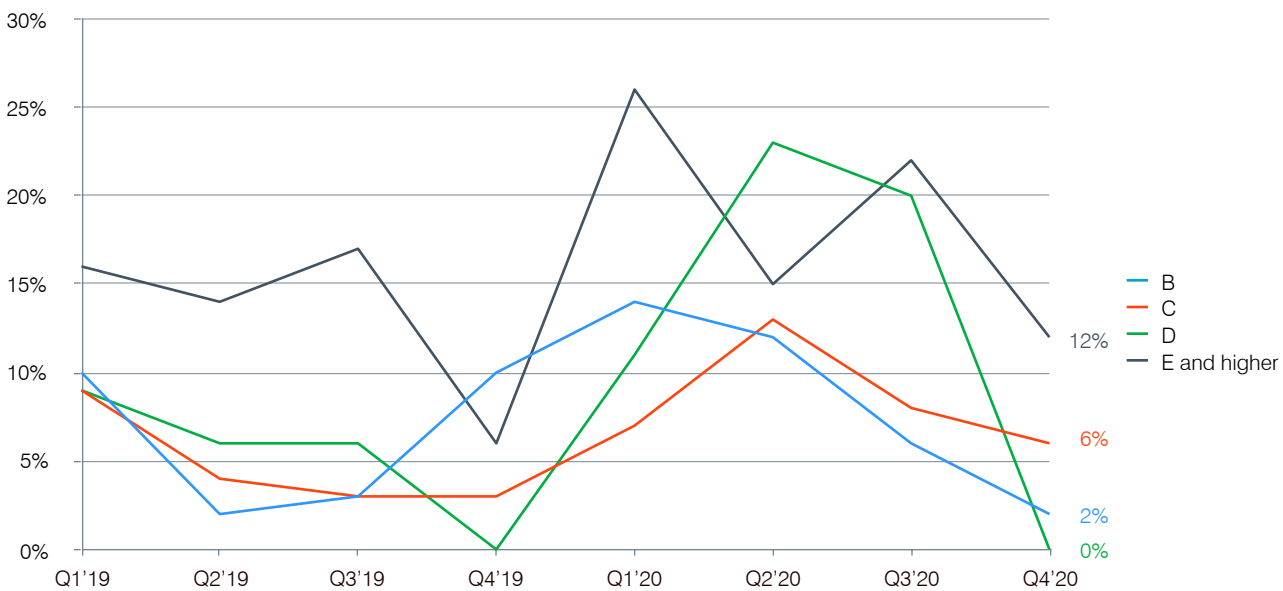
- The use of senior liquidation preferences and participation rights declined sharply in Q4 to the lowest percentages recorded in the history of this survey.

Fenwick & West Data on Valuation

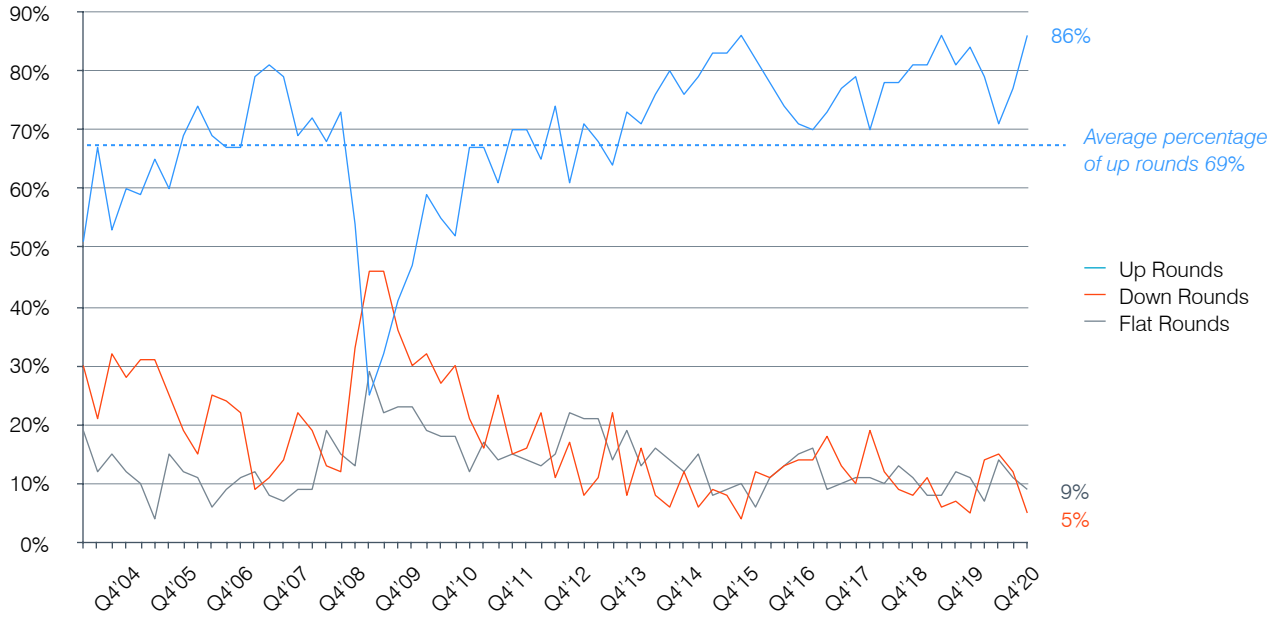
PRICE CHANGE—The direction of price changes for companies receiving financing in a quarter, compared to their prior round of financing were as follows:



The percentage of **DOWN ROUNDS** by series were as follows:



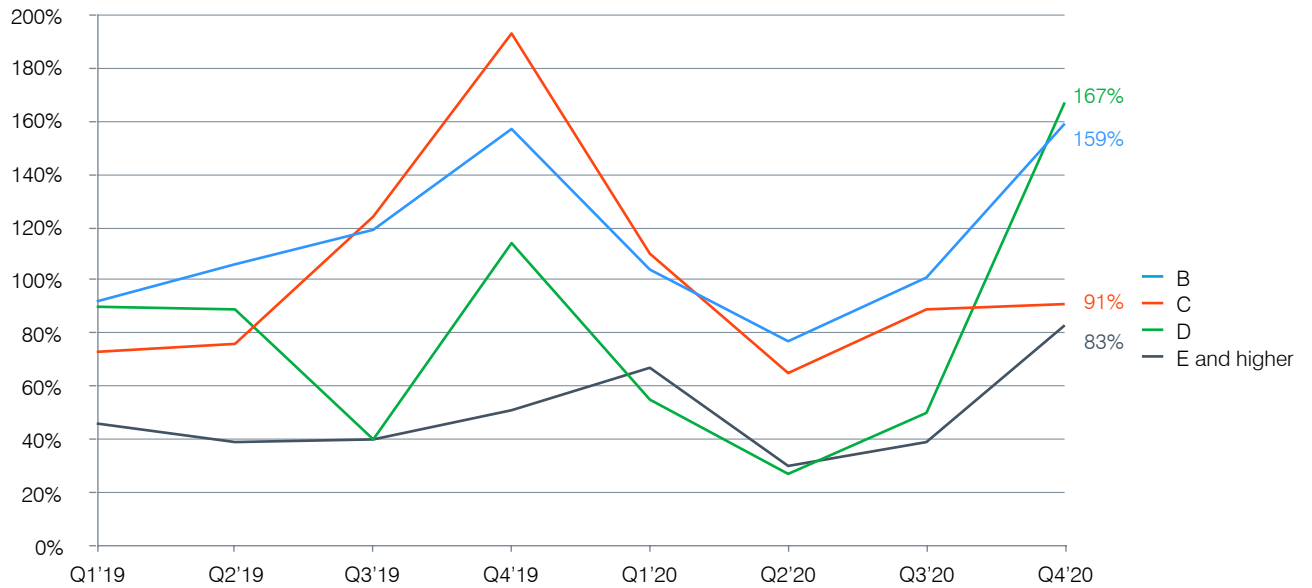
EXPANDED PRICE CHANGE GRAPH—Below is the direction of price changes for each quarter since 2004.



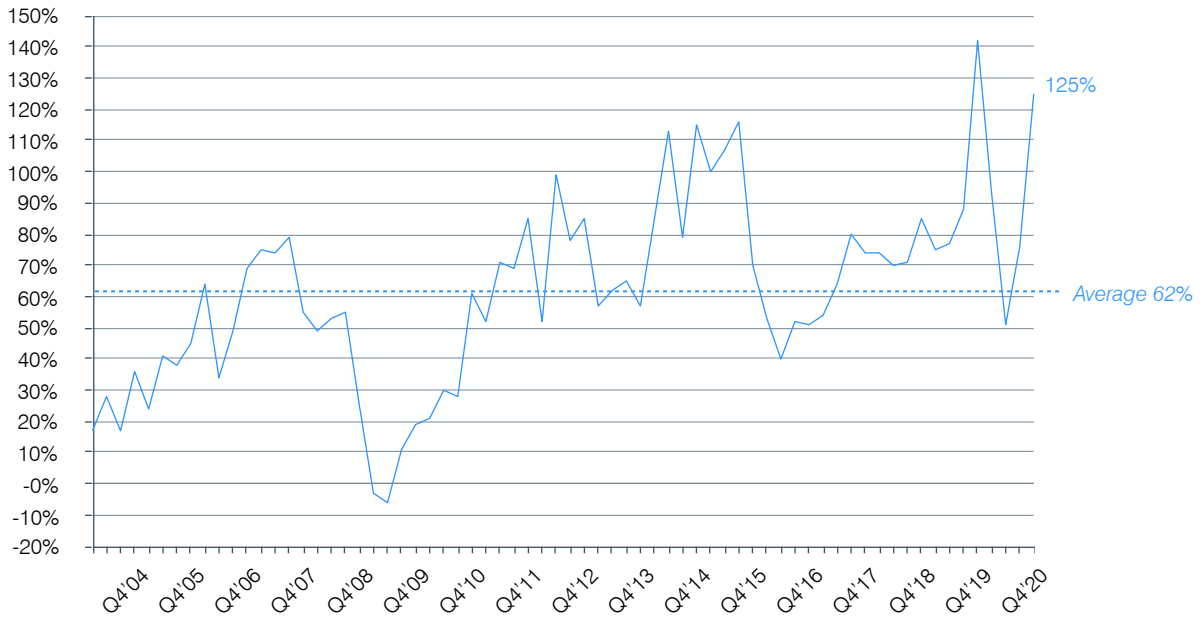
THE FENWICK & WEST VENTURE CAPITAL BAROMETER™ (magnitude of price change) — Below is the *average* percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the average, all rounds (up, down and flat) were included, and results were not weighted for the amount raised in a financing.



The Barometer results by series were as follows:



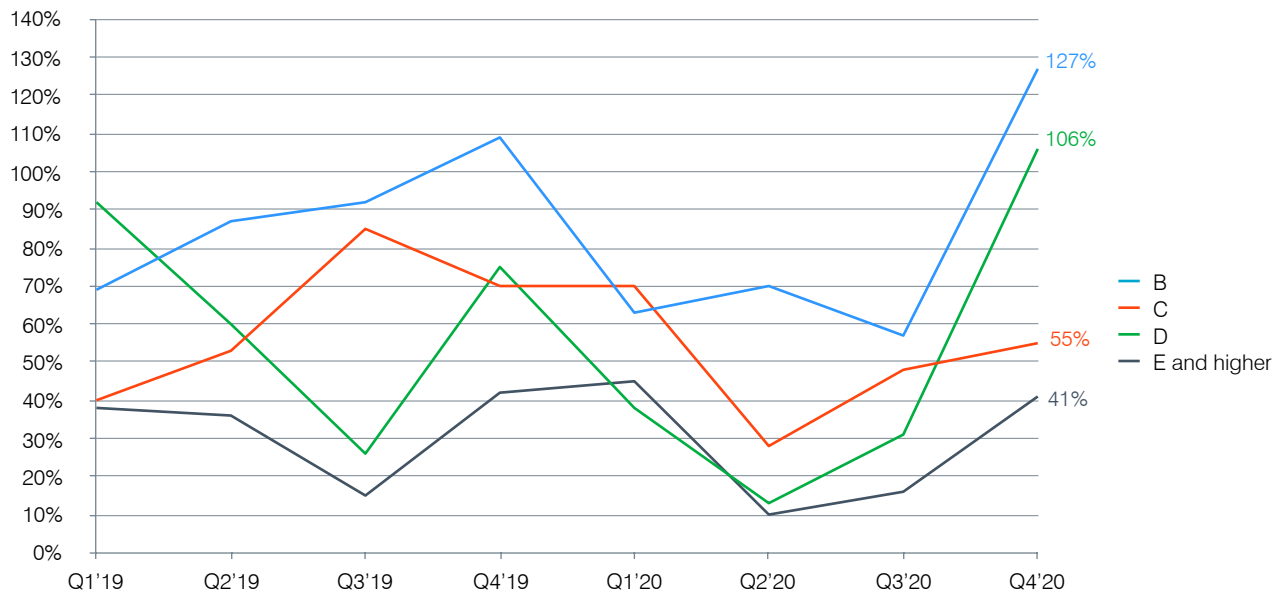
EXPANDED BAROMETER GRAPH—Below is the average percentage price change for each quarter since we began calculating this metric in 2004.



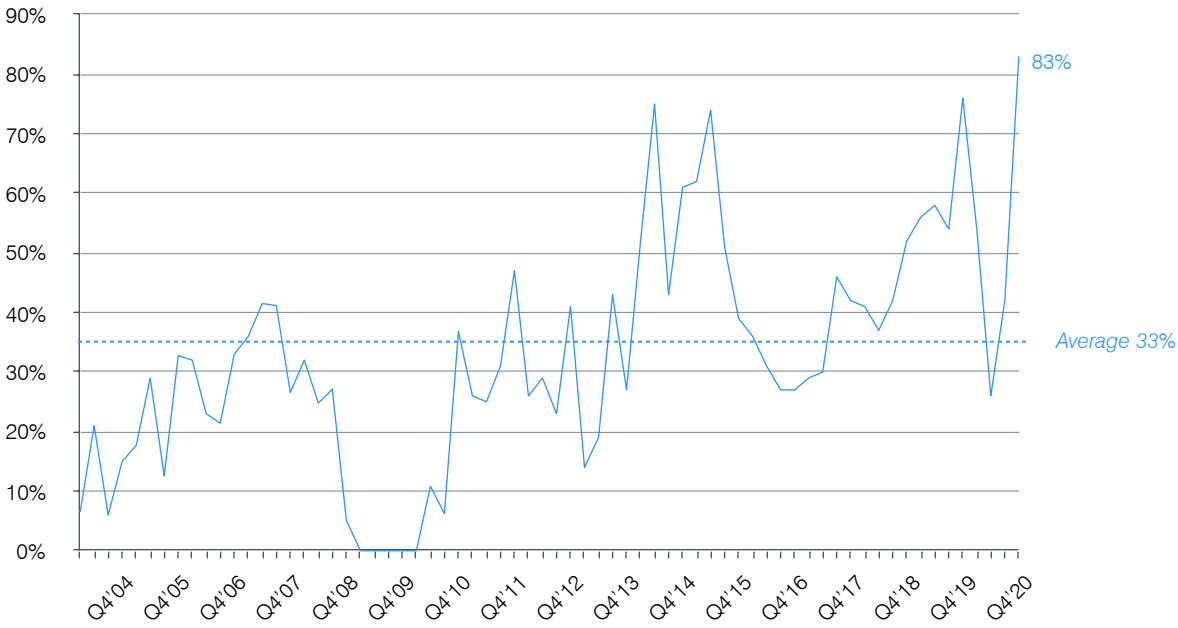
MEDIAN PERCENTAGE PRICE CHANGE—Below is the median percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the median, all rounds (up, down and flat) were included, and results were not weighted for the amount raised in the financing. Please note that this is different from the Barometer, which is based on average percentage price change.



The median price change results by series were as follows:



EXPANDED MEDIAN PRICE CHANGE GRAPH— Below is the median percentage price change for each quarter since we began calculating this metric in 2004.



RESULTS BY INDUSTRY FOR DIRECTION OF PRICE CHANGES AND AVERAGE AND MEDIAN

PRICE CHANGES—The table below illustrates the direction of price changes, and average and median price change results, for companies receiving financing in this quarter, compared to their previous round, by industry group. Companies receiving Series A financings were excluded as they have no previous rounds to compare.

Industry	Up Rounds	Down Rounds	Flat Rounds	Barometer	Median Price Change	Number of Financings
Software	88%	4%	8%	152%	96%	74
Hardware	75%	8%	17%	55%	40%	12
Life Sciences	87%	5%	8%	100%	76%	38
Internet/Digital Media	88%	6%	6%	132%	118%	32
Other	83%	0%	17%	86%	39%	12
Total all Industries	86%	5%	9%	125%	83%	168

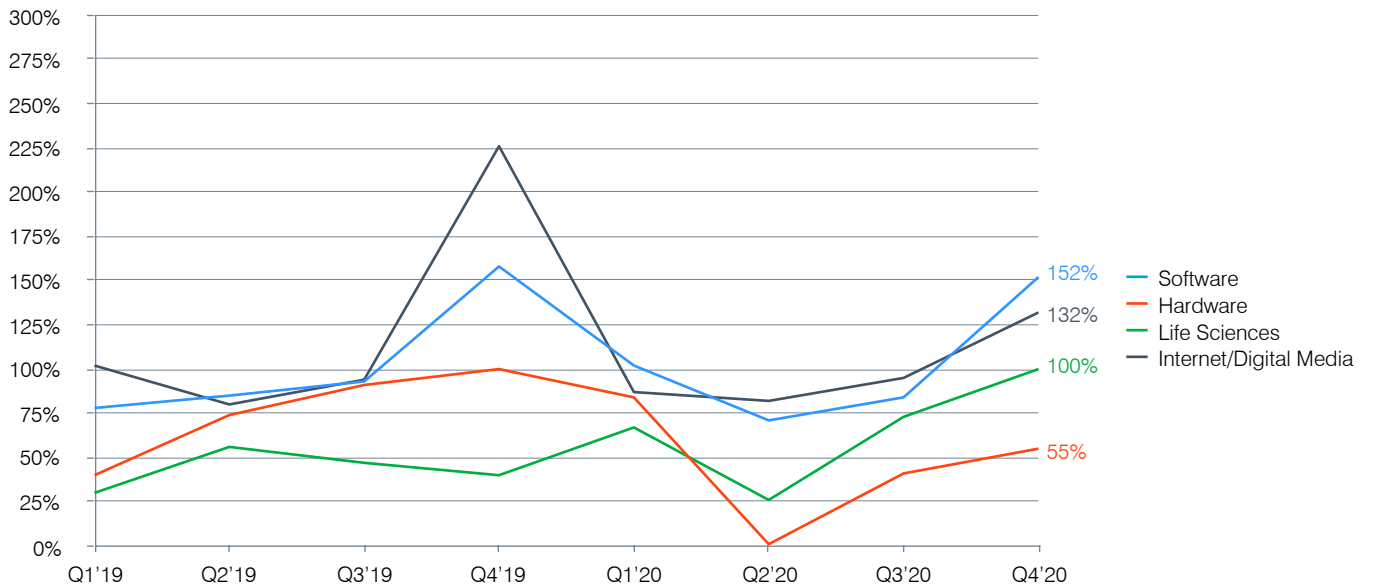
DOWN ROUND RESULTS BY INDUSTRY—The table below illustrates the percentage of “down rounds,” by industry groups, for each of the past eight quarters.

Down Rounds	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Software	12%	7%	9%	6%	13%	10%	13%	4%
Hardware	0%	0%	7%	8%	29%	20%	25%	8%
Life Sciences	27%	4%	0%	0%	25%	19%	8%	5%
Internet/Digital Media	5%	9%	8%	9%	0%	10%	4%	6%
Other	0%	7%	7%	0%	6%	31%	20%	0%
Total all Industries	11%	6%	7%	5%	14%	15%	12%	5%

BAROMETER RESULTS BY INDUSTRY — The table below sets forth Barometer results by industry group for each of the last eight quarters.

Industry	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Software	78%	85%	93%	158%	102%	71%	84%	152%
Hardware	40%	74%	91%	100%	84%	1%	41%	55%
Life Sciences	30%	56%	47%	40%	67%	26%	73%	100%
Internet/Digital Media	102%	80%	94%	226%	87%	82%	95%	132%
Other	120%	67%	93%	109%	115%	22%	45%	86%
Total all Industries	75%	77%	88%	142%	93%	51%	76%	125%

A graphical representation of the above data is below.

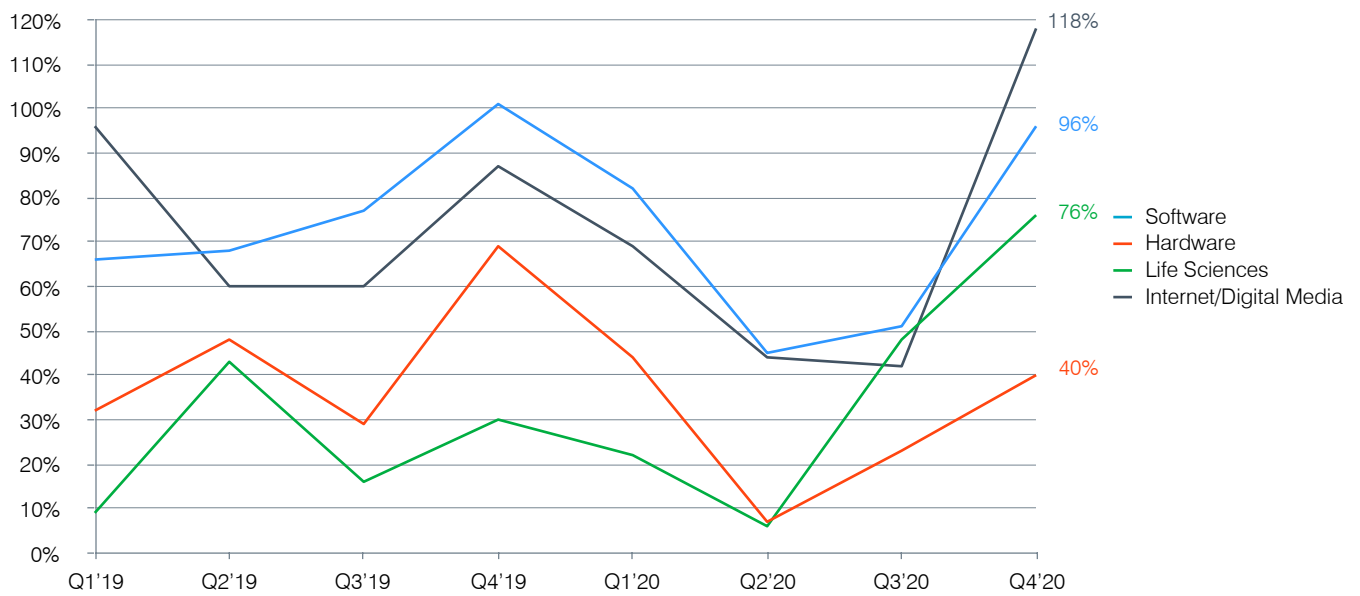


MEDIAN PERCENTAGE PRICE CHANGE RESULTS BY INDUSTRY — The table below illustrates the median percentage price change results by industry group for each of the last eight quarters. Please note that this is different than the Barometer, which is based on average percentage price change.

Median % Price

Change	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Software	66%	68%	77%	101%	82%	45%	51%	96%
Hardware	32%	48%	29%	69%	44%	7%	23%	40%
Life Sciences	9%	43%	16%	30%	22%	6%	48%	76%
Internet/Digital Media	96%	60%	60%	87%	69%	44%	42%	118%
Other	69%	60%	29%	114%	68%	5%	2%	39%
Total all Industries	56%	58%	54%	76%	54%	26%	42%	83%

A graphical representation of the above data is below.

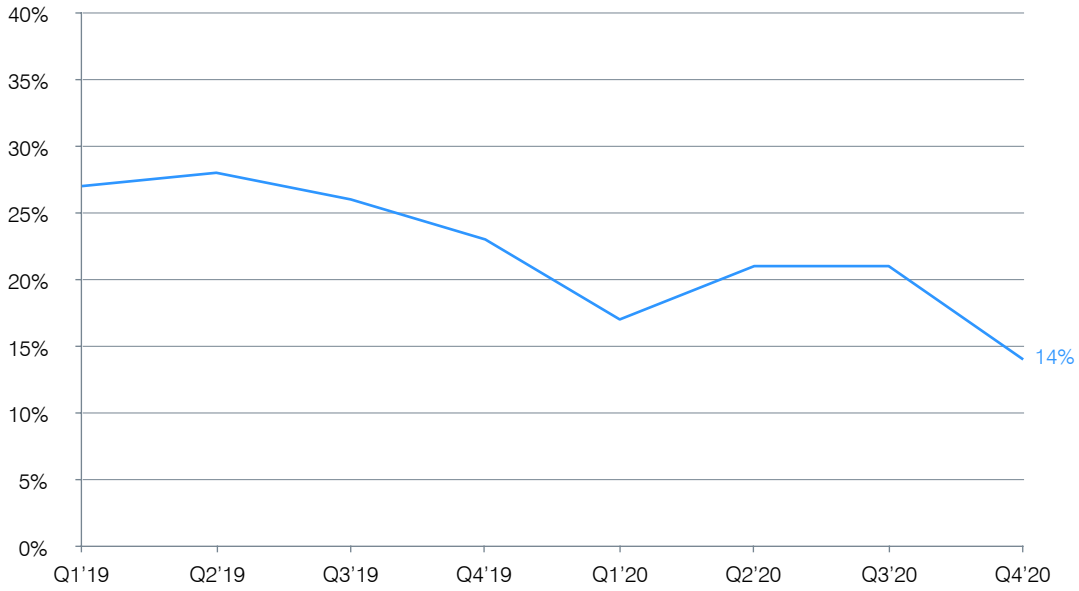


FINANCING ROUND—This quarter's financings broken down by series were as follows:

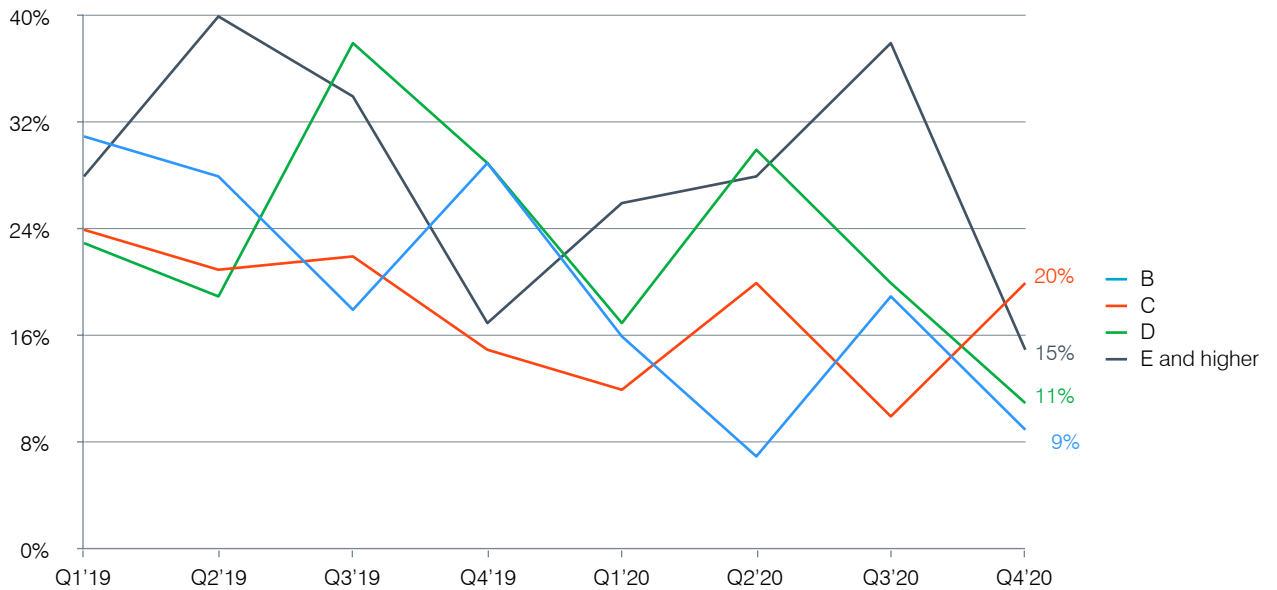
Series	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Series A	32%	26%	35%	39%	40%	22%	28%	27%
Series B	21%	25%	21%	22%	24%	21%	26%	25%
Series C	18%	22%	17%	18%	17%	20%	19%	22%
Series D	12%	7%	8%	11%	8%	15%	9%	12%
Series E and Higher	17%	20%	19%	10%	11%	23%	18%	14%

Fenwick & West Data on Legal Terms

LIQUIDATION PREFERENCE—Senior liquidation preferences were used in the following percentages of financings.



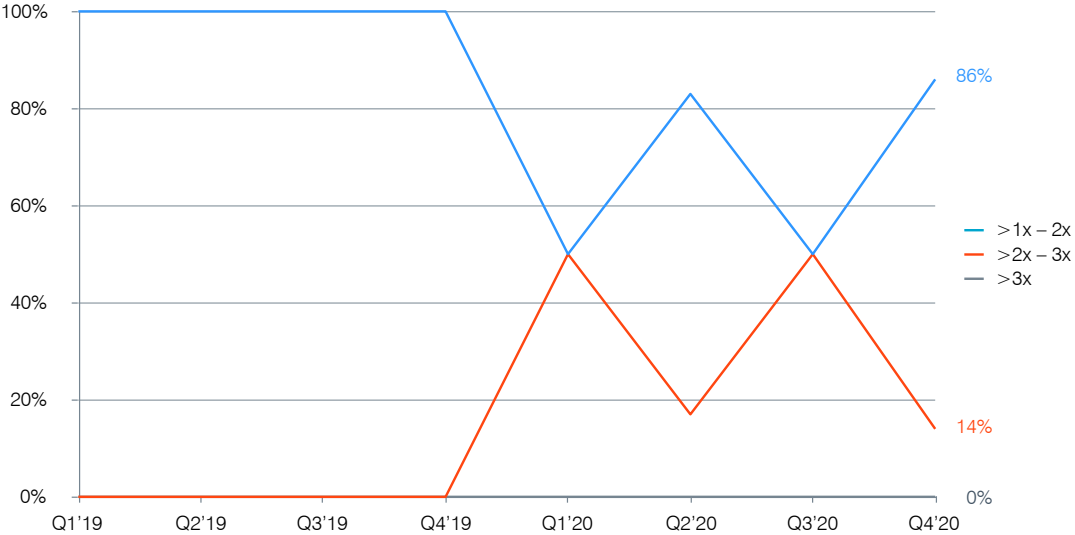
The percentage of senior liquidation preference by series was as follows:



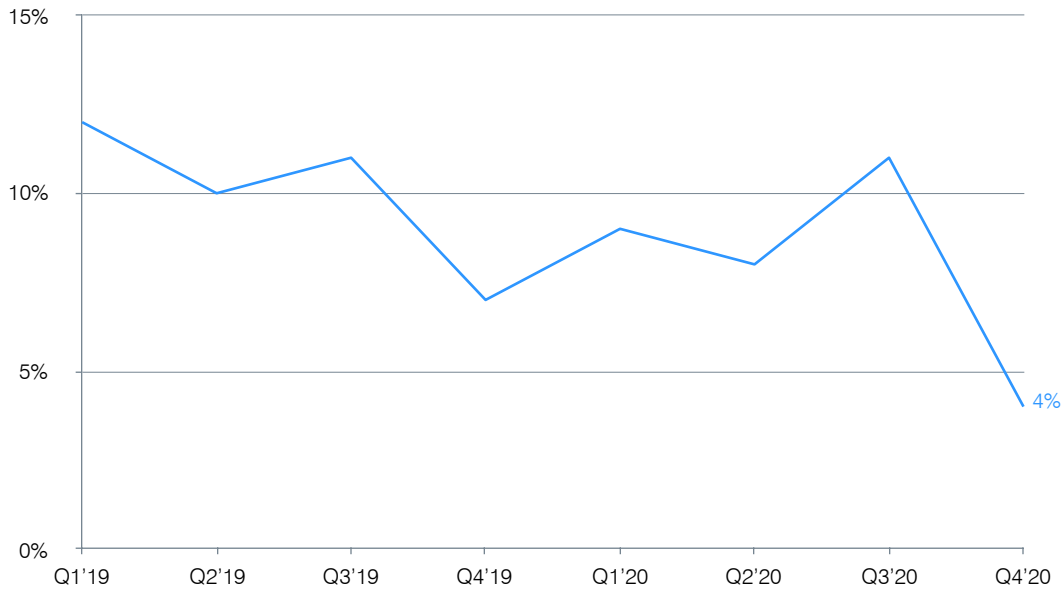
MULTIPLE LIQUIDATION PREFERENCES — The percentage of senior liquidation preferences that were multiple liquidation preferences was as follows:



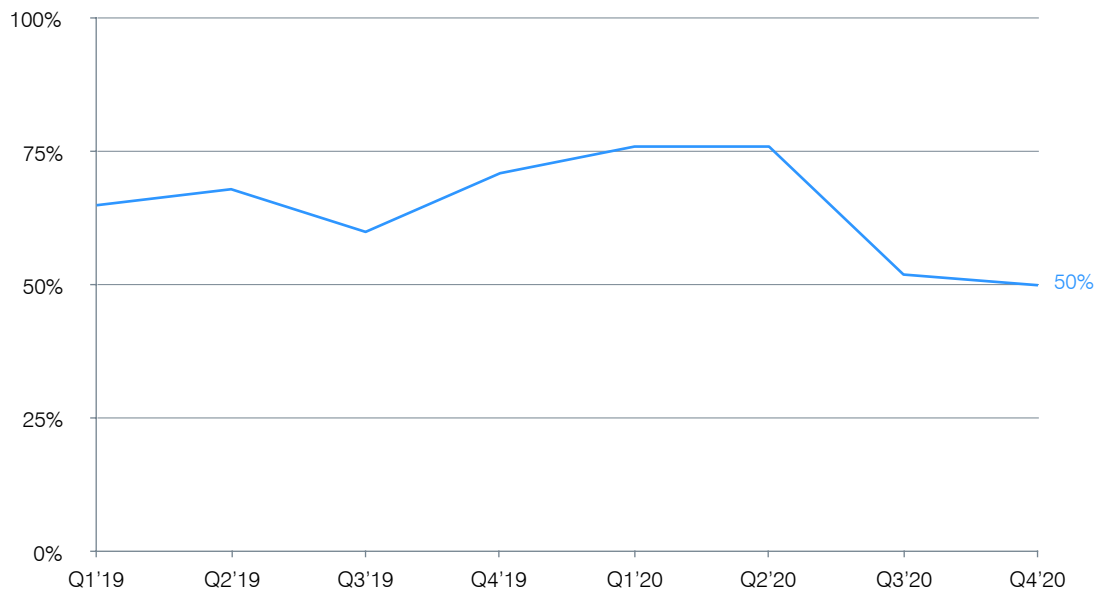
Of the senior liquidation preferences that were multiple preferences, the ranges of the multiples broke down as follows:



PARTICIPATION IN LIQUIDATION — The percentages of financings that provided for participation were as follows:



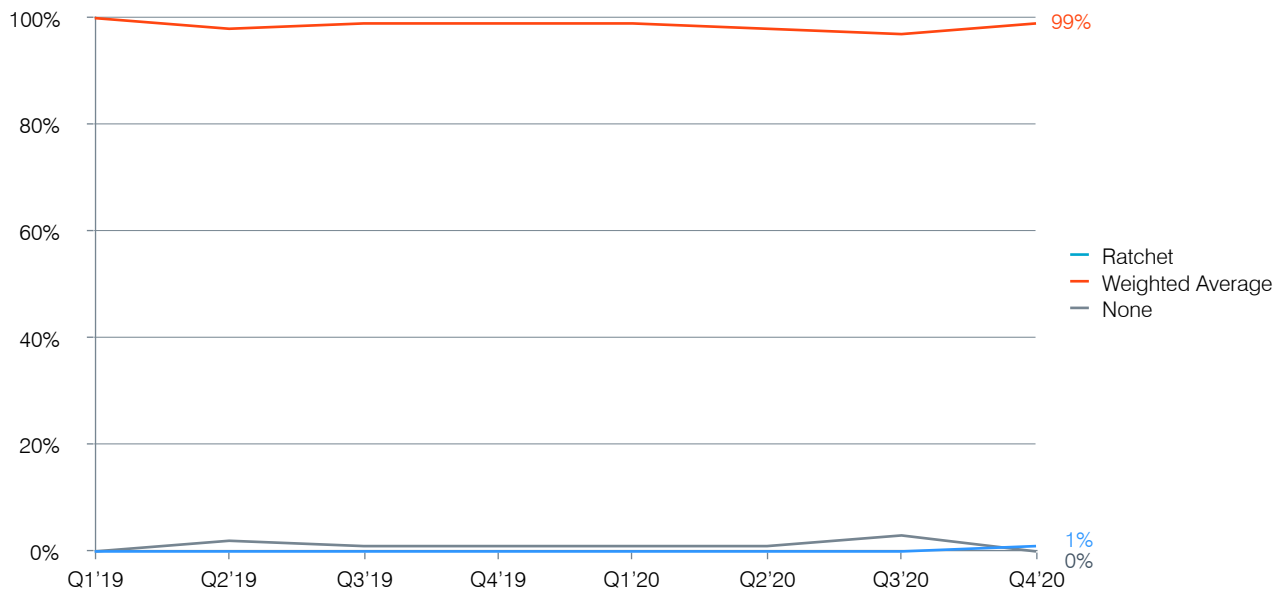
Of the financings that had participation, the percentages that were not capped were as follows:



CUMULATIVE DIVIDENDS – Cumulative dividends were provided for in the following percentages of financings:



ANTIDILUTION PROVISIONS –The uses of (non-IPO) antidilution provisions in the financings were as follows:

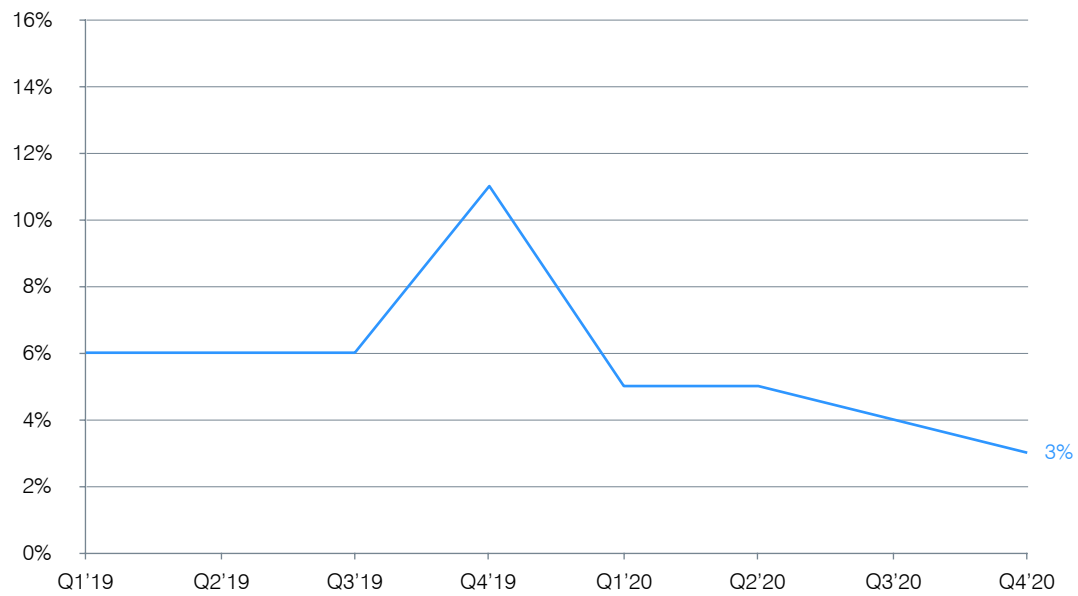


Please note that the chart above only applies to non-IPO antidilution provisions. In other words, the chart refers to antidilution provisions that protect the investor against a future venture financing at a price below what the investor paid. The chart does not include antidilution provisions designed to protect against an IPO at a price below the price paid by the venture investor (e.g., an IPO ratchet).

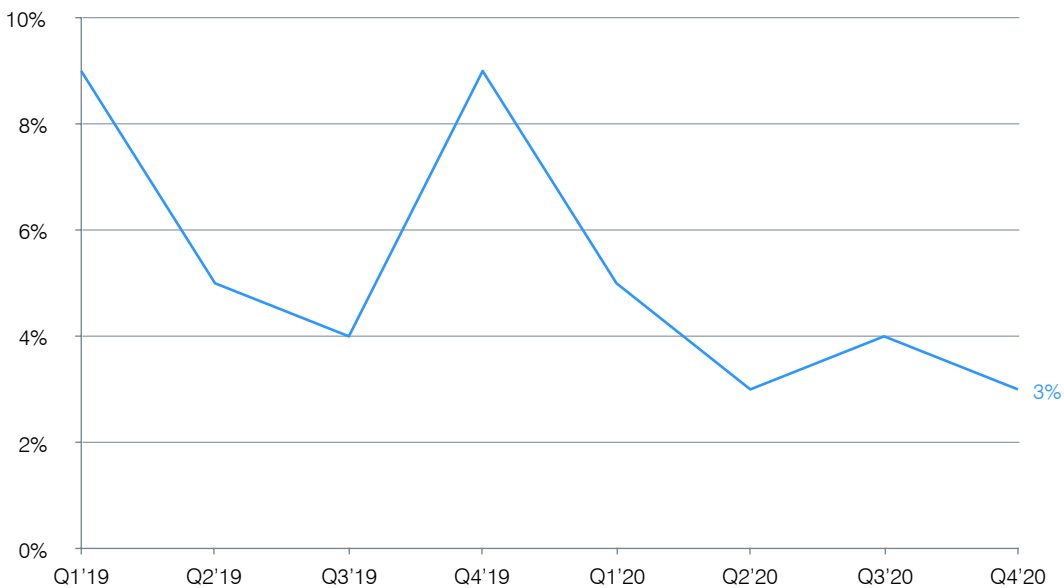
PAY-TO-PLAY PROVISIONS – The percentages of financings having pay-to-play provisions were as follows:



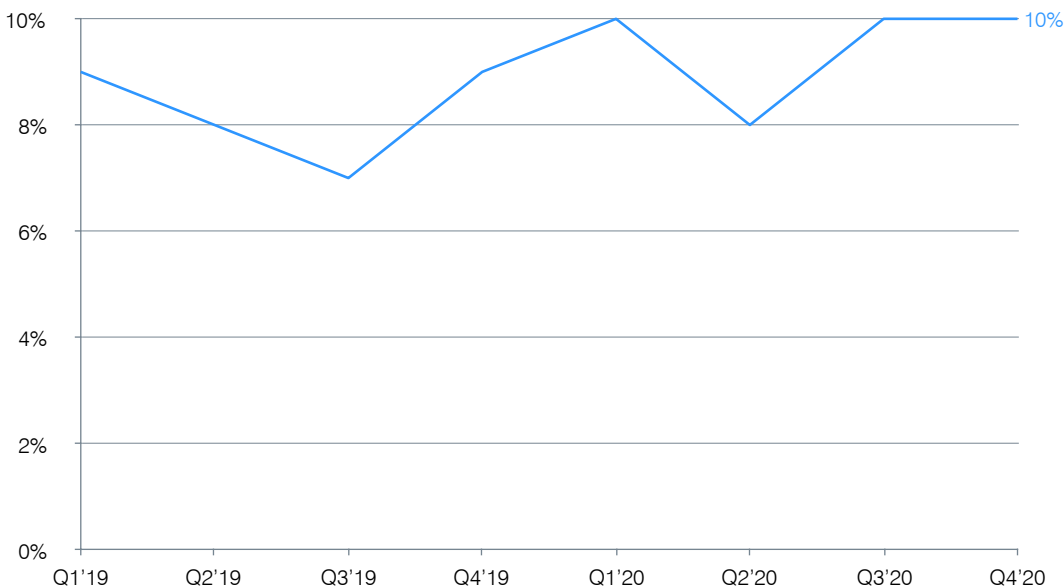
REDEMPTION – The percentages of financings providing for mandatory redemption or redemption at the option of the investor were as follows:



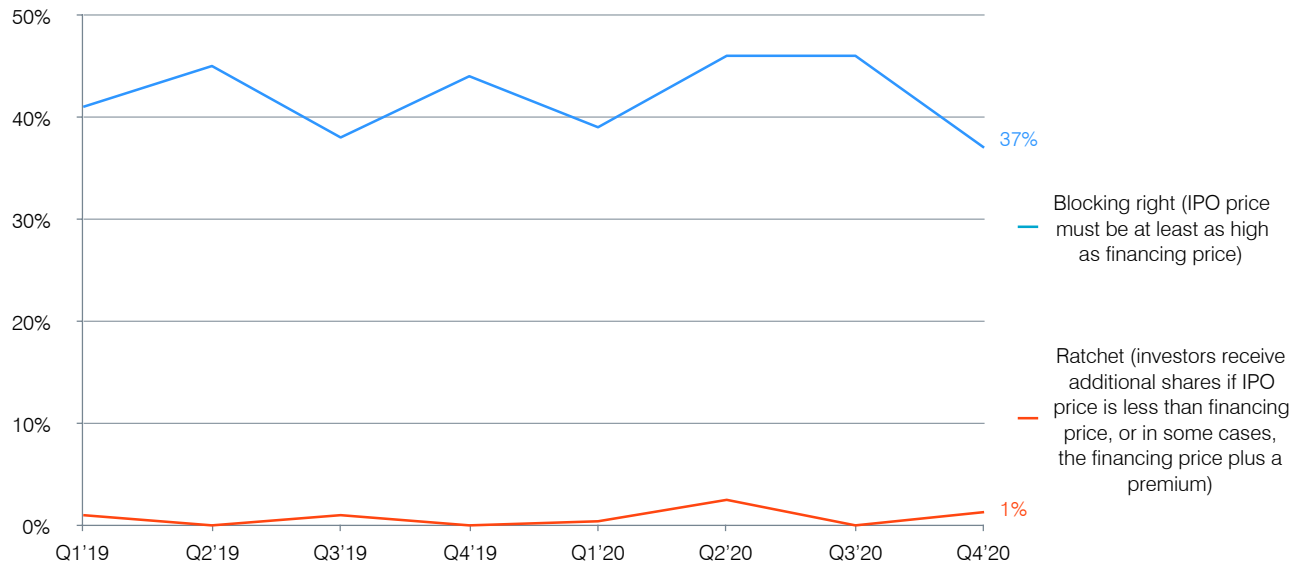
CORPORATE REORGANIZATIONS – The percentages of post-Series A financings involving a corporate reorganization (i.e. reverse splits or conversion of shares into another series or classes of shares) were as follows:



DUAL-CLASS COMMON STOCK – The percentages of financings with dual-class common stock structures, where there is one class of common stock with more votes per share than the other class, were as follows:



IPO DOWNSIDE PROTECTIONS – The percentages of financings with IPO downside protections were as follows:



About our Survey

The Fenwick & West 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/vcsurvey/sign-up. 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 and larger 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.

Note on 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, which was on average about 18 months prior. 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.

About the Authors



[Cynthia Clarfield Hess](#) is co-chair of Fenwick's startup and venture capital group. Recognized as among the best corporate lawyers by *Chambers USA*, Cindy has counseled technology companies on a broad range of corporate transactional matters, from formation matters and venture capital financings to mergers and acquisitions and public offerings, representing both companies and underwriters. She has worked with a wide range of high-technology clients – from established technology stalwarts to emerging companies developing disruptive technologies, which include some of the hottest and most innovative companies in the mobile, SaaS and social media spaces.



[Mark Leahy](#), co-chair of Fenwick's startup and venture capital group and a seasoned advisor to technology companies on a broad range of corporate transactional matters, provides legal solutions that advance his clients' business objectives. His practice focuses on venture capital financings, corporate governance, mergers and acquisitions, and public offerings. His expertise spans a wide range of technologies, including software, semiconductor, internet/e-commerce, and data management and storage.



[Khang Tran](#) supports the firm's knowledge management efforts by collecting and sharing knowledge and expertise across the firm, which in turn, is leveraged to improve the quality of legal services to the firm's clients.

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 & West.

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 fenwick.com/vcsurvey/sign-up.

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