

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 blue, abstract graphic consisting of 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 modern and technological.

FENWICK

Silicon Valley
Venture Capital Survey
First Quarter 2020

Silicon Valley Venture Capital Survey

First Quarter 2020

Cynthia Clarfield Hess, Mark Leahy and Khang Tran

Background

We analyzed the terms of 230 venture financings closed in the first quarter of 2020 by companies headquartered in Silicon Valley. This survey follows our recent [Silicon Valley Venture Capital Flash Report – First Quarter 2020](#), a special interim report which reported information on a monthly basis—rather than the typical quarterly basis—and highlighted changes in the Silicon Valley venture capital environment in light of the COVID-19 pandemic.

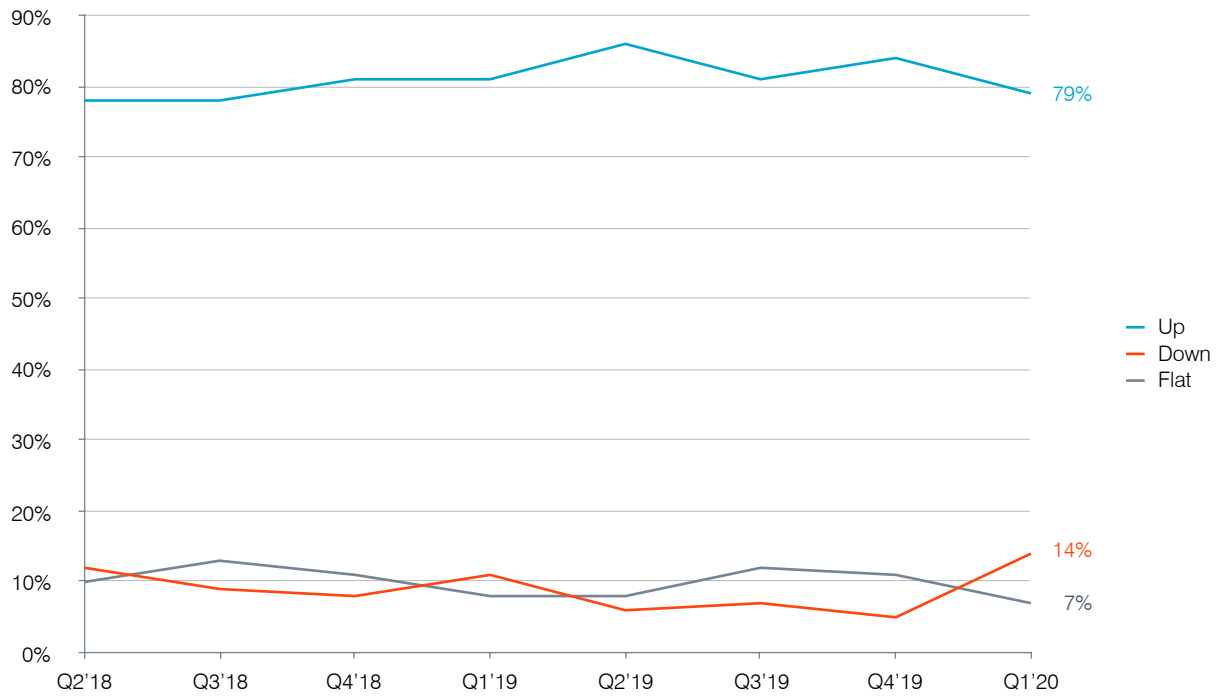
Overview of Fenwick & West Results

Valuation results in Q1 2020 declined both from the peak levels recorded in the prior quarter and over the course of the quarter.

- Up rounds exceeded down rounds 79% to 14%, with 7% flat in Q1 2020, a decline from Q4 2019 when up rounds exceeded down rounds 84% to 5%, with 11% flat. The percentage of down rounds was the highest since Q1 2018. There was also a small decline in the number of up rounds over the course of the quarter, from 81% in January and February to 73% in March.
- The Fenwick & West Venture Capital Barometer™ showed the average price increase declining from a record 142% in the prior quarter to 94% in Q1, still the second highest average price increase in a quarter since Q3 2015. However, the average price increase declined sharply as the quarter progressed, from 117% in January to 76% in February to 46% in March.
- The median price increase of financings was 55% in Q1, a decline from 76% in the prior quarter. The median price increase also declined over the course of the quarter, from 68% in January to 59% in February to 30% in March.
- The average price increases for Series B, C and D financings declined in Q1 compared to the prior quarter. The average price increase for Series E+ financing rounds increased moderately compared to the prior quarter, but declined sharply as the quarter progressed. The percentage of down rounds increased across each series of financing compared to the prior quarter. The percentage of Series E+ financing down rounds, in particular, rose to 26% in Q1 from 6% in the prior quarter.
- The software industry recorded the strongest valuation results in Q1, followed by the internet/digital media and hardware industries; however, their average and median price increases declined compared to the prior quarter. The average price increase for the life sciences industry increased moderately compared to the prior quarter, although the valuation results for the industry still lagged those for the other industries.

Fenwick & West Data on Valuation

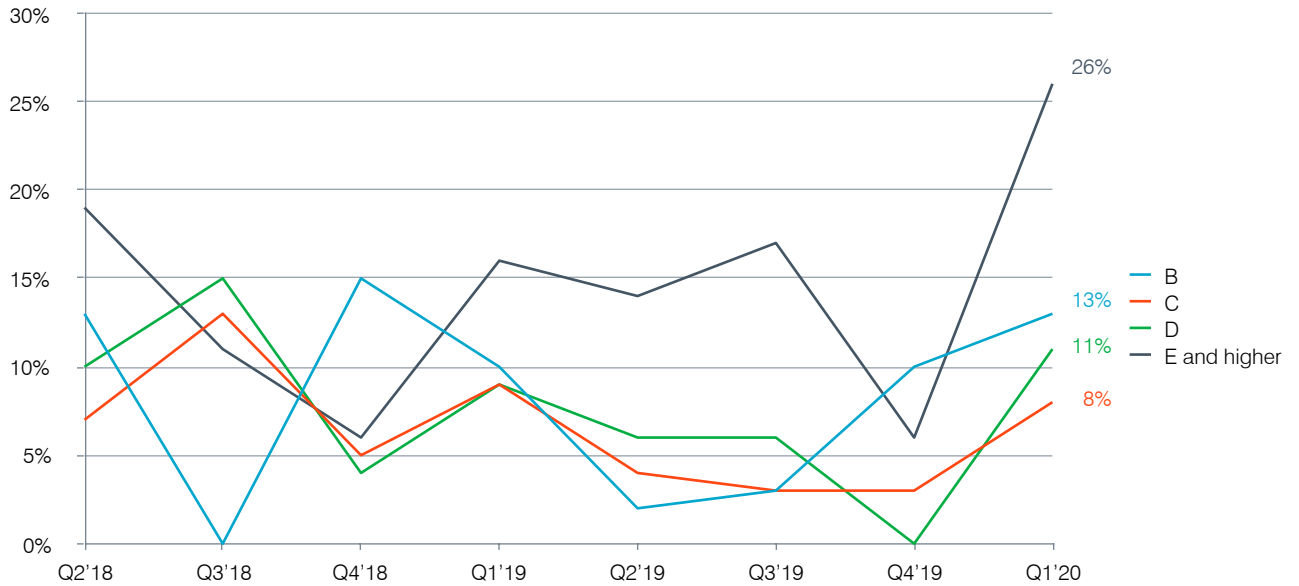
PRICE CHANGE—The direction of price changes for companies receiving financing in a quarter, compared to their prior round of financing is as follows:



RESULTS BY MONTH FOR Q1 2020

Price Change	January-20	February-20	March-20	Total Q1 2020
Up	81%	81%	73%	79%
Even	8%	0%	14%	7%
Down	11%	19%	13%	14%

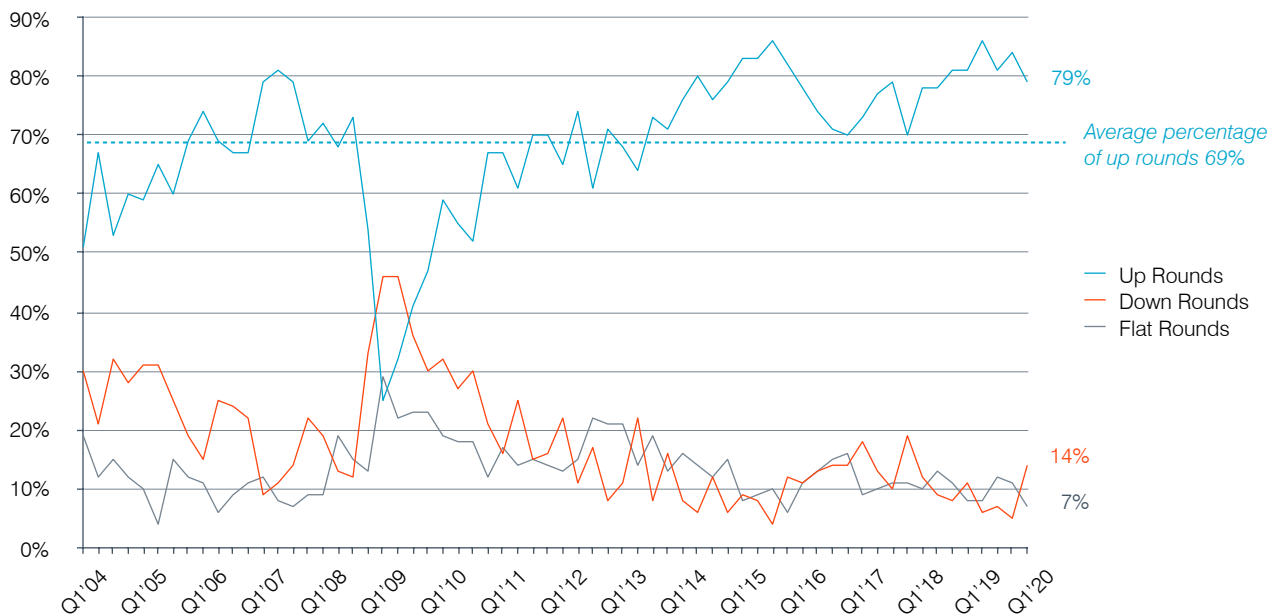
The percentage of **DOWN ROUNDS** by series were as follows:



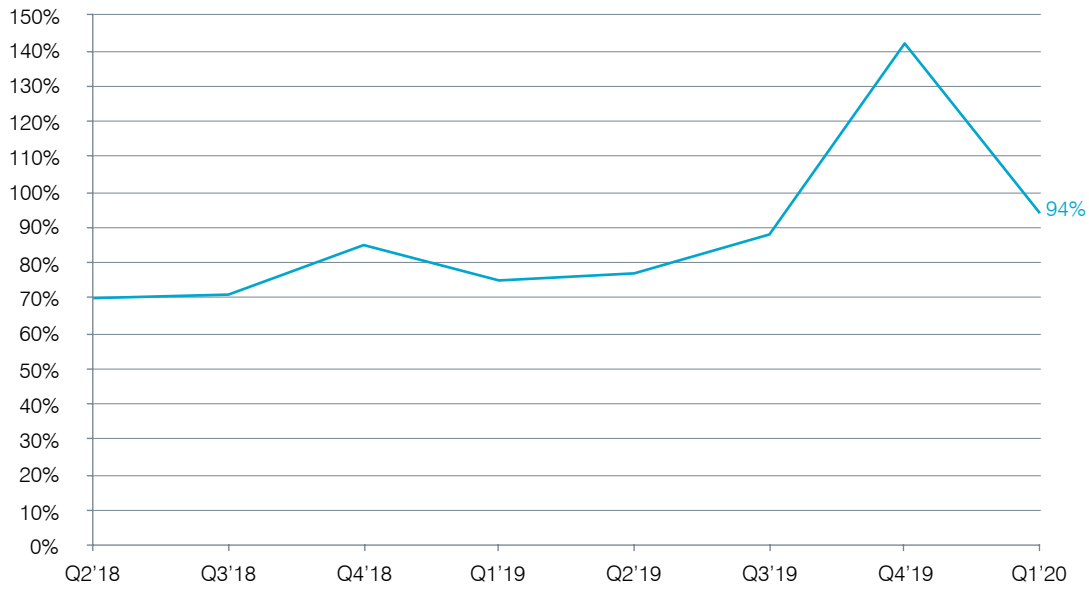
RESULTS BY MONTH FOR Q1 2020

Series	January-20	February-20	March-20	Total Q1 2020
Series B	13%	0%	23%	13%
Series C	8%	13%	0%	8%
Series D	0%	33%	0%	11%
Series E and Higher	23%	50%	13%	26%

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



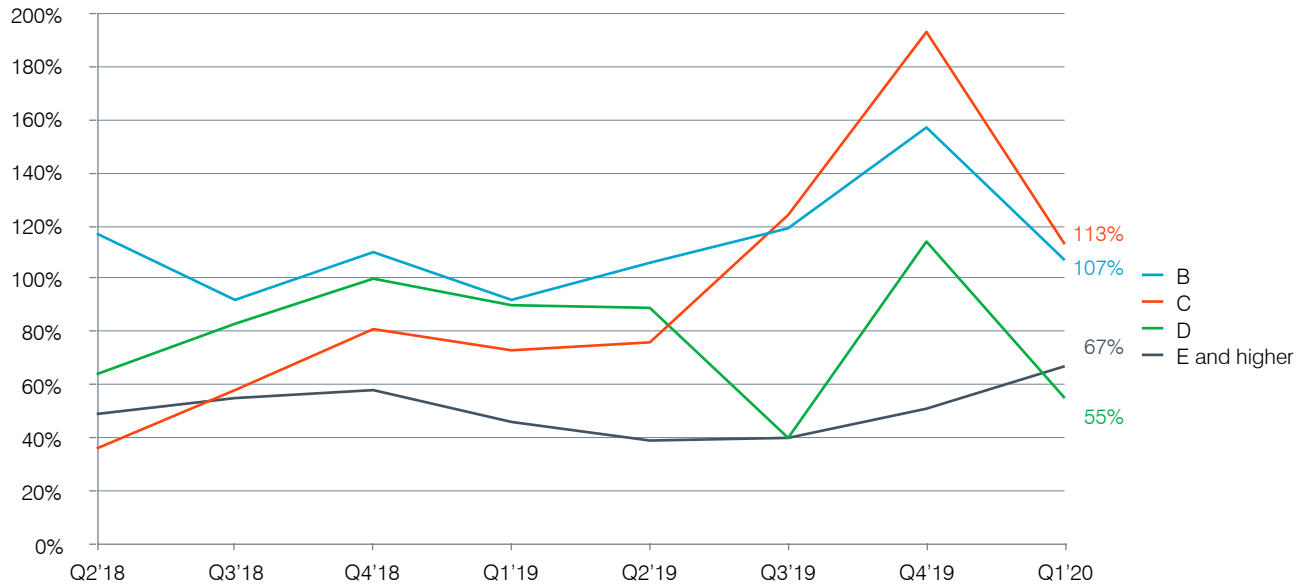
THE FENWICK & WEST VENTURE CAPITAL BAROMETER™ (magnitude of price change) — Below is the *average* percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating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



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
117%	76%	46%	94%

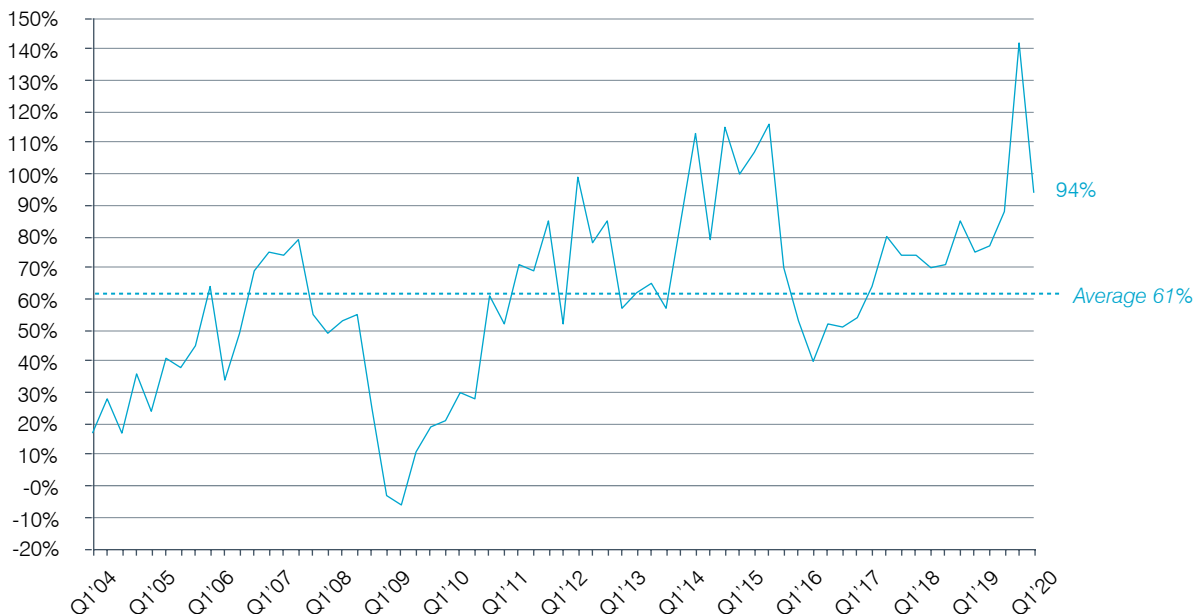
The Barometer results by series are as follows:



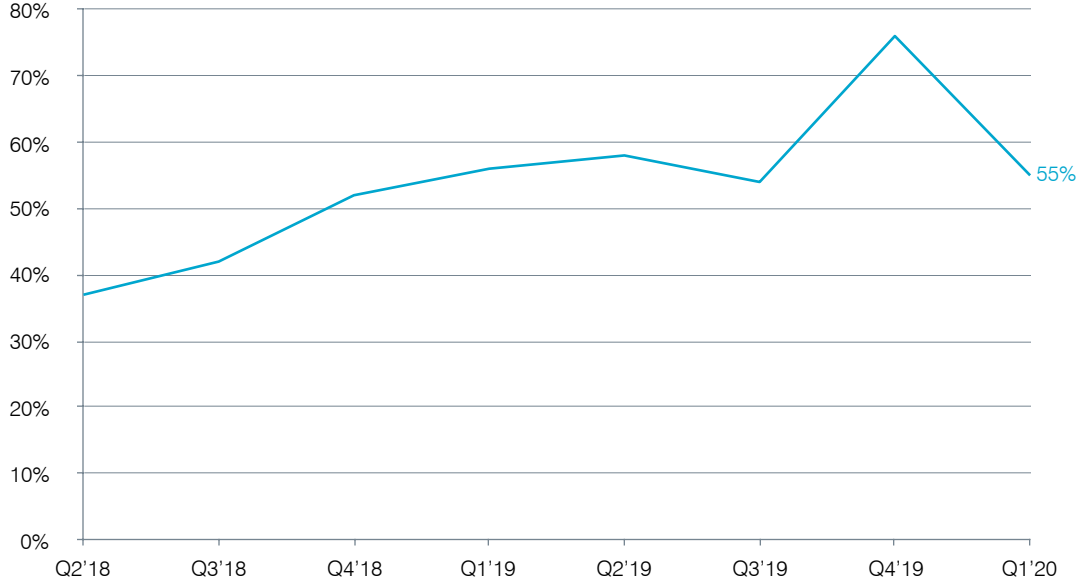
RESULTS BY MONTH FOR Q1 2020

Series	January-20	February-20	March-20	Total Q1 2020
Series B	125%	112%	46%	107%
Series C	128%	99%	66%	113%
Series D	81%	30%	25%	55%
Series E and Higher	103%	26%	39%	67%

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



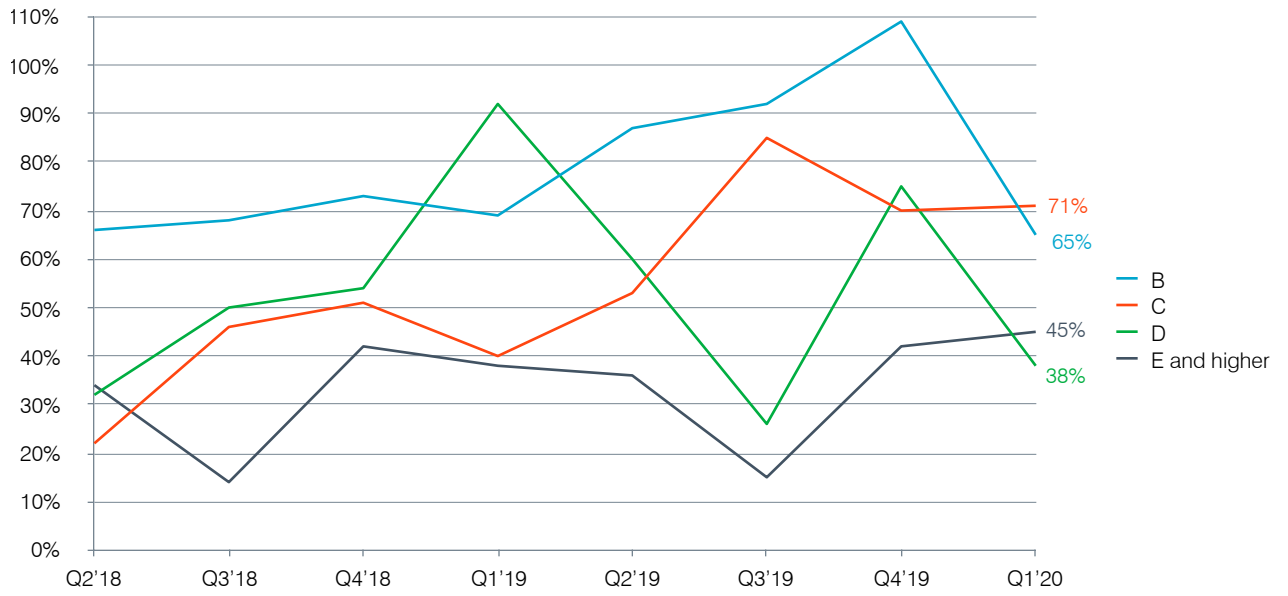
MEDIAN PERCENTAGE PRICE CHANGE—Below is the median percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the median, all rounds (up, down and flat) are included, and results are 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.



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
68%	59%	30%	55%

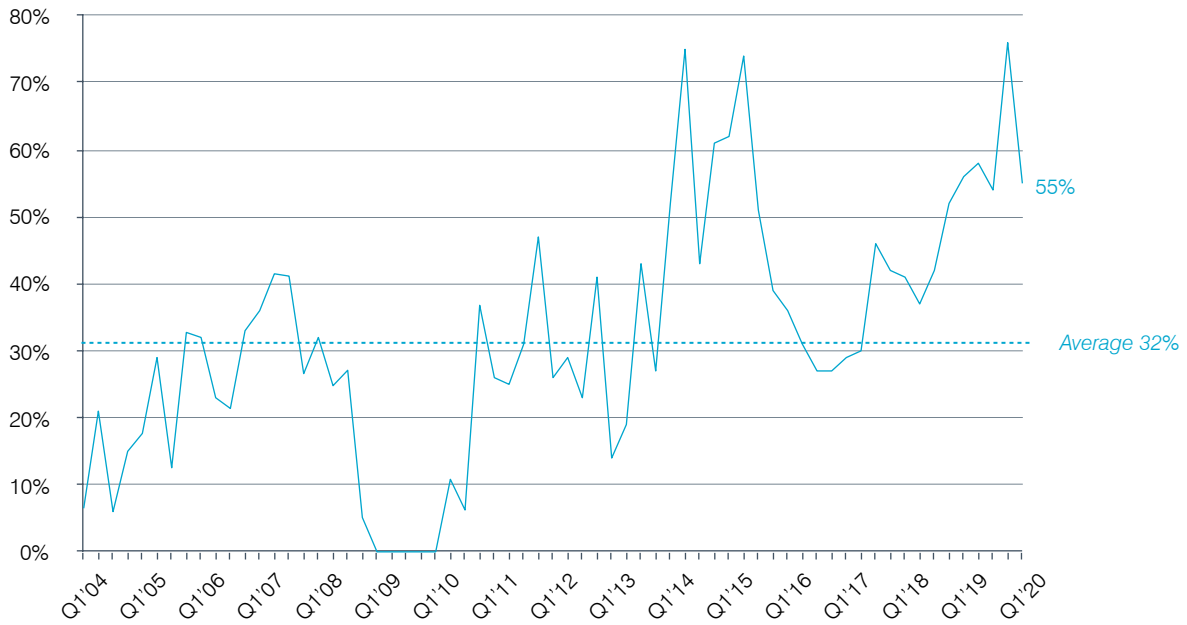
MEDIAN PERCENTAGE PRICE CHANGE BY SERIES.



RESULTS BY MONTH FOR Q1 2020

Series	January-20	February-20	March-20	Total Q1 2020
Series B	71%	75%	24%	65%
Series C	79%	85%	44%	71%
Series D	60%	45%	21%	38%
Series E and Higher	54%	23%	36%	45%

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 are excluded as they have no previous rounds to compare.

Industry	Up Rounds	Down Rounds	Flat Rounds	Average Price Change	Median Price Change	Number of Financings
Software	84%	11%	5%	106%	89%	61
Hardware	64%	29%	7%	84%	44%	14
Life Sciences	71%	25%	4%	67%	22%	28
Internet/Digital Media	82%	0%	18%	87%	69%	22
Other	88%	6%	6%	115%	68%	16
Total all Industries	79%	14%	7%	94%	55%	141

NUMBER OF FINANCINGS BY INDUSTRY AND MONTH FOR Q1 2020

Industry	January-20	February-20	March-20	Total Q1 2020
Software	36	12	13	61
Hardware; Electronics	8	3	3	14
Life Sciences	14	6	8	28
Internet; New Media	10	8	4	22
Other	11	3	2	16
Total - All Industries	79	32	30	141

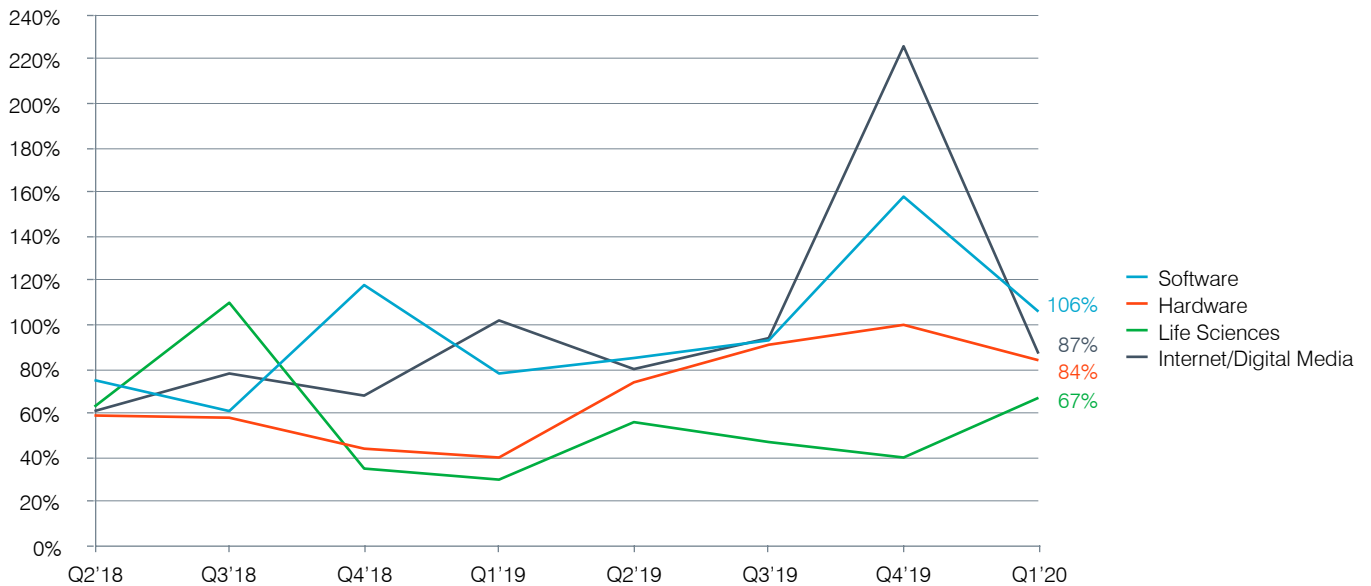
DOWN ROUND RESULTS BY INDUSTRY—The table below illustrates the percentage of “down rounds,” by industry groups, for each of the past eight quarters.

Down Rounds	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Jan-20	Feb-20	Mar-20
Software	14%	11%	3%	12%	7%	9%	6%	11%	6%	25%	15%
Hardware	5%	14%	26%	0%	0%	7%	8%	29%	38%	33%	0%
Life Sciences	10%	5%	11%	27%	4%	0%	0%	25%	29%	17%	25%
Internet/Digital Media	16%	5%	13%	5%	9%	8%	9%	0%	0%	0%	0%
Other	16%	5%	0%	0%	7%	7%	0%	6%	0%	33%	0%
Total all Industries	12%	9%	8%	11%	6%	7%	5%	13%	11%	19%	13%

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

Industry	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Jan-20	Feb-20	Mar-20
Software	75%	61%	118%	78%	85%	93%	158%	106%	130%	74%	61%
Hardware	59%	58%	44%	40%	74%	91%	100%	84%	108%	47%	58%
Life Sciences	63%	110%	35%	30%	56%	47%	40%	67%	69%	106%	32%
Internet/Digital Media	61%	78%	68%	102%	80%	94%	226%	87%	98%	99%	13%
Other	81%	70%	90%	120%	67%	93%	109%	115%	159%	-4%	50%
Total all Industries	70%	71%	85%	75%	77%	88%	142%	94%	117%	76%	46%

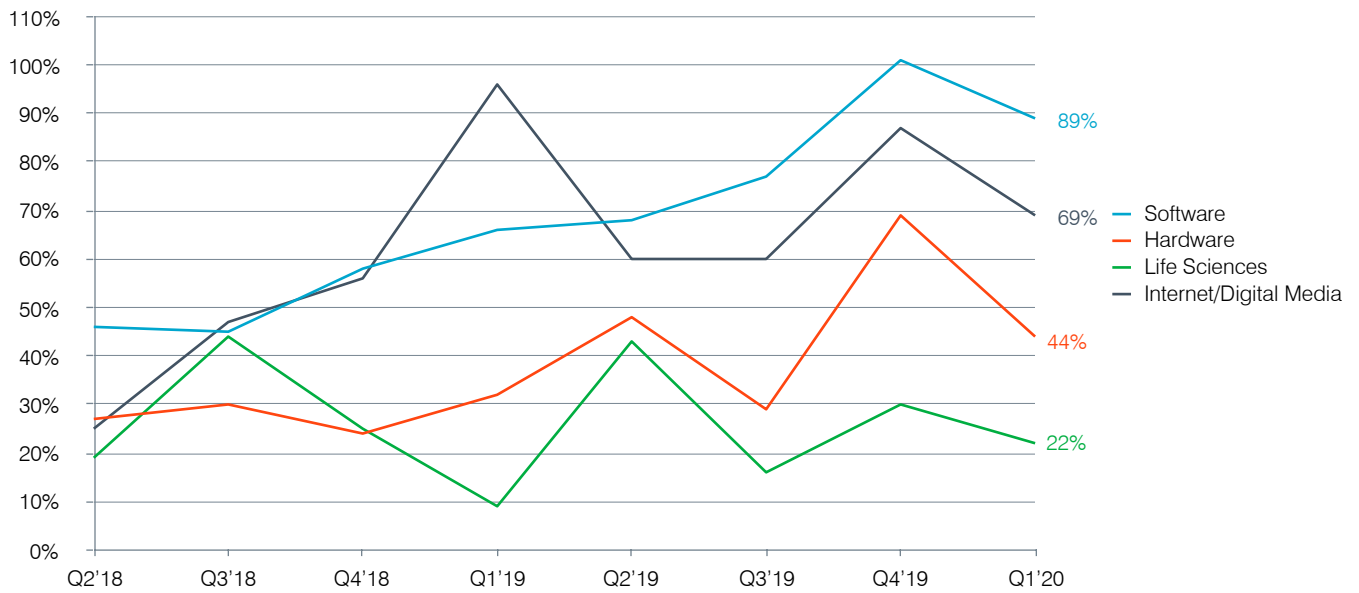
A graphical representation of the above data is below.



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	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Jan-20	Feb-20	Mar-20
Software	46%	45%	58%	66%	68%	77%	101%	89%	110%	65%	51%
Hardware	27%	30%	24%	32%	48%	29%	69%	44%	37%	37%	51%
Life Sciences	19%	44%	25%	9%	43%	16%	30%	22%	28%	17%	23%
Internet/Digital Media	25%	47%	56%	96%	60%	60%	87%	69%	68%	103%	8%
Other	53%	37%	48%	69%	60%	29%	114%	68%	76%	4%	50%
Total all Industries	37%	42%	52%	56%	58%	54%	76%	55%	68%	59%	30%

A graphical representation of the above data is below.



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

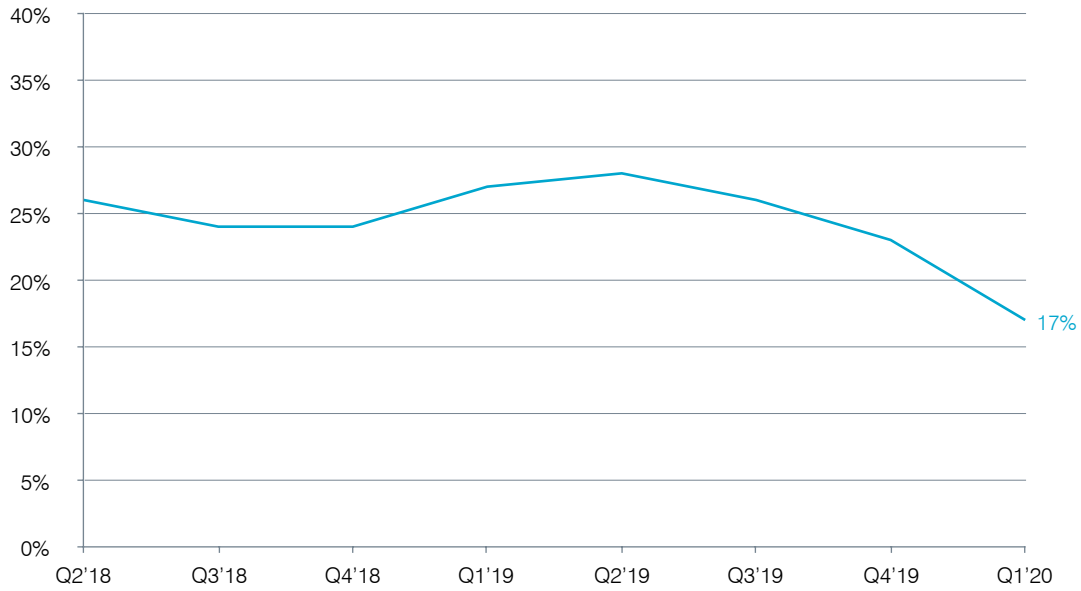
Series	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Jan-20	Feb-20	Mar-20
Series A	24%	27%	31%	32%	26%	35%	39%	39%	37%	47%	32%
Series B	24%	20%	20%	21%	25%	21%	22%	24%	25%	20%	30%
Series C	19%	18%	18%	18%	22%	17%	18%	17%	21%	13%	14%
Series D	13%	13%	11%	12%	7%	8%	11%	8%	7%	10%	7%
Series E and Higher	19%	22%	20%	17%	20%	19%	10%	12%	10%	10%	18%

NUMBER OF FINANCINGS BY SERIES AND MONTH FOR Q1 2020—This quarter's financings broken down by series and month are as follows:

Series	January-20	February-20	March-20	Total Q1 2020
Series A	47	28	14	89
Series B	31	12	13	56
Series C	26	8	6	40
Series D	9	6	3	18
Series E and Higher	13	6	8	27
Total All Series	126	60	44	230

Fenwick & West Data on Legal Terms

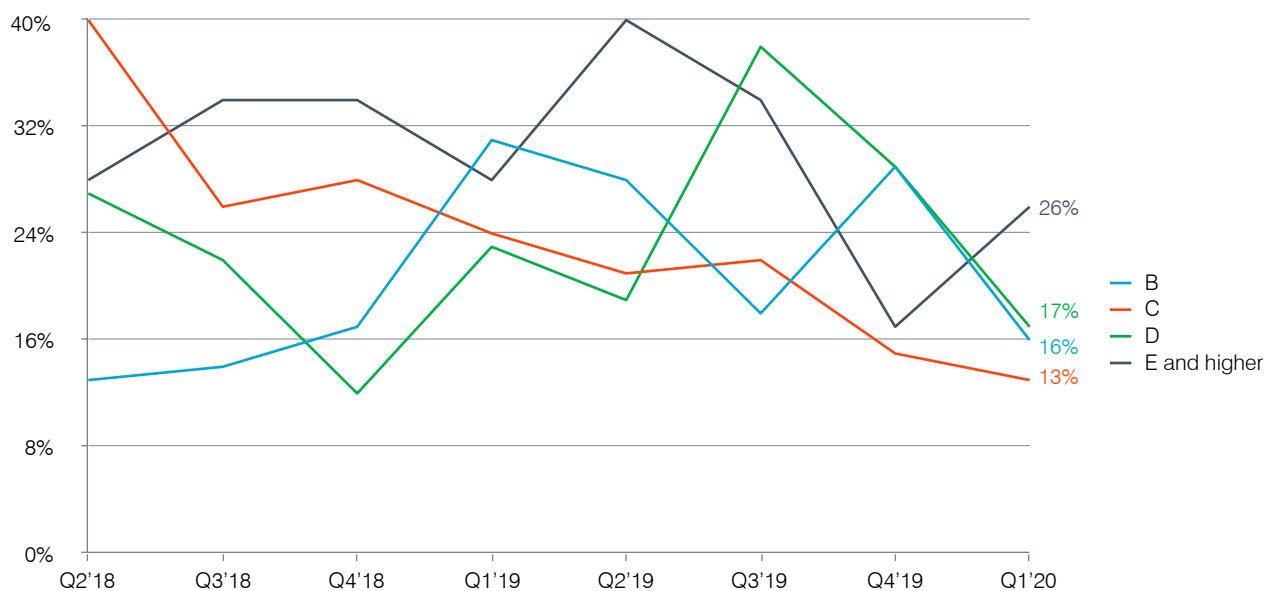
LIQUIDATION PREFERENCE—Senior liquidation preferences were used in the following percentages of financings.



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
16%	19%	17%	17%

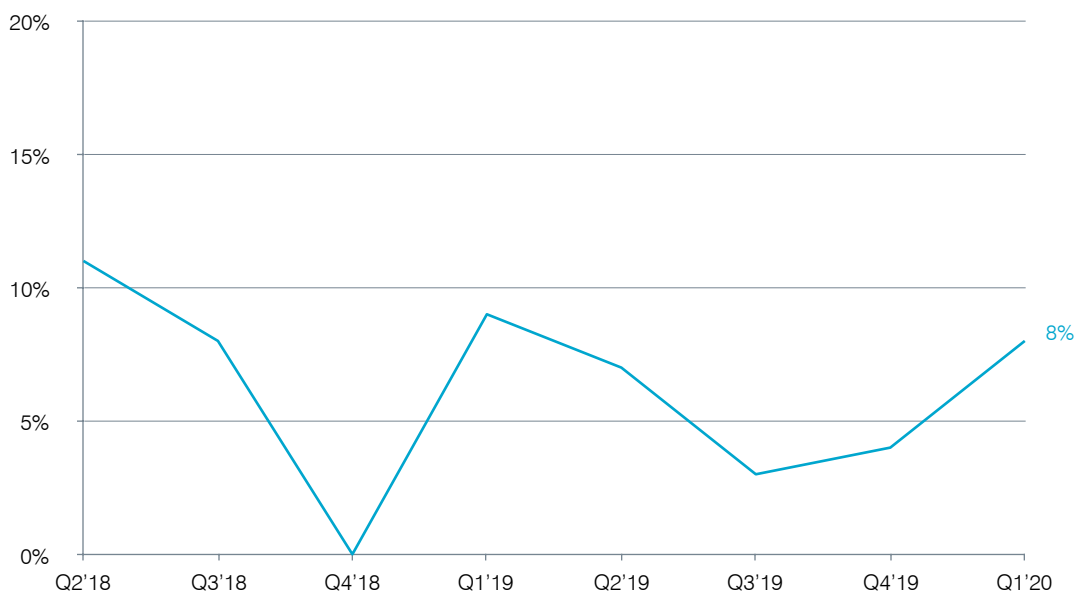
The percentage of senior liquidation preference by series was as follows:



RESULTS BY MONTH FOR Q1 2020

Series	January-20	February-20	March-20	Total Q1 2020
Series B	10%	25%	23%	16%
Series C	15%	13%	0%	13%
Series D	22%	17%	0%	17%
Series E and Higher	31%	17%	25%	26%

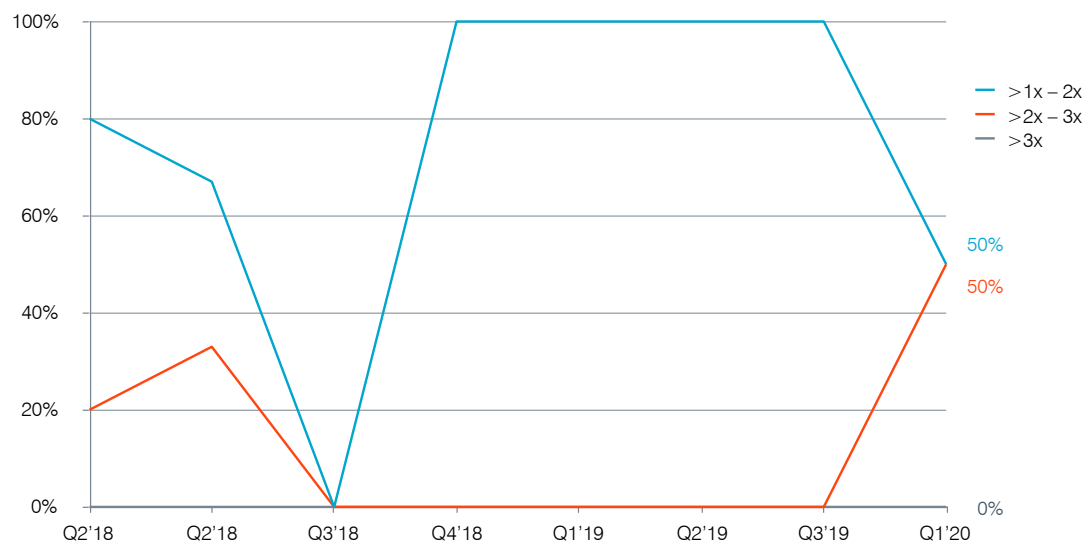
MULTIPLE LIQUIDATION PREFERENCES — The percentage of senior liquidation preferences that were multiple liquidation preferences was as follows:



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
8%	17%	0%	8%

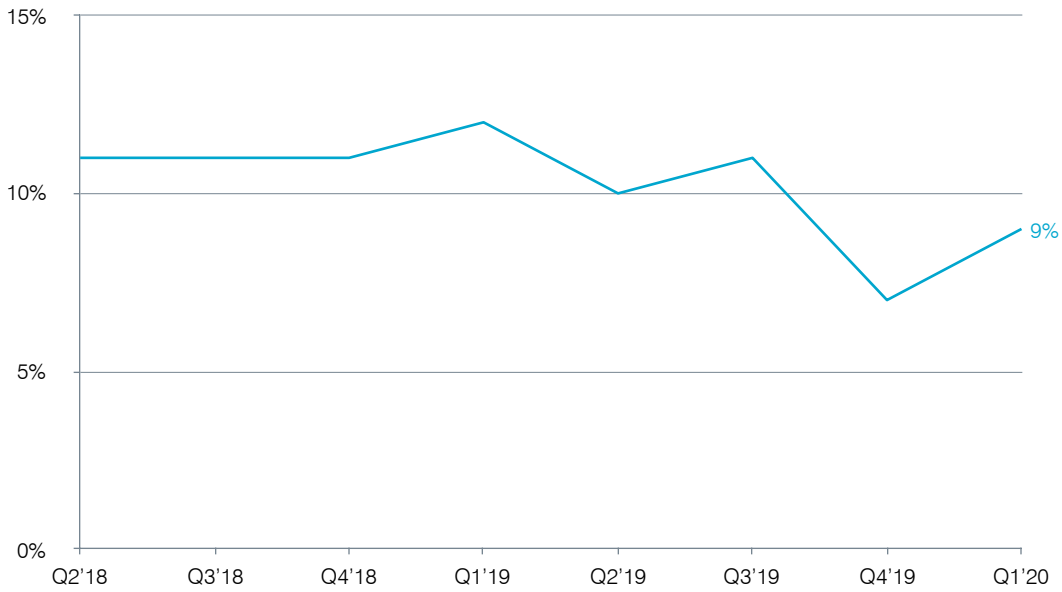
Of the senior liquidation preferences that were multiple preferences, the ranges of the multiples broke down as follows:



RESULTS BY MONTH FOR Q1 2020

Range of multiples	January-20	February-20	March-20	Total Q1 2020
>1x - 2x	100%	0%	N/A	50%
>2x - 3x	0%	100%	N/A	50%
>3x	0%	0%	N/A	0%

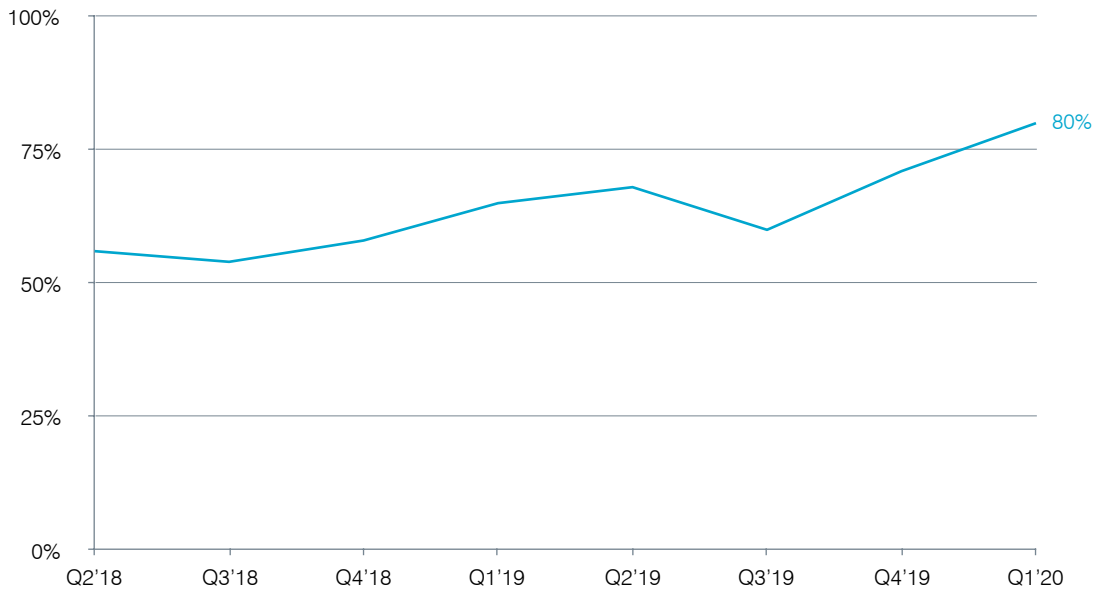
PARTICIPATION IN LIQUIDATION — The percentages of financings that provided for participation were as follows:



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
10%	5%	9%	9%

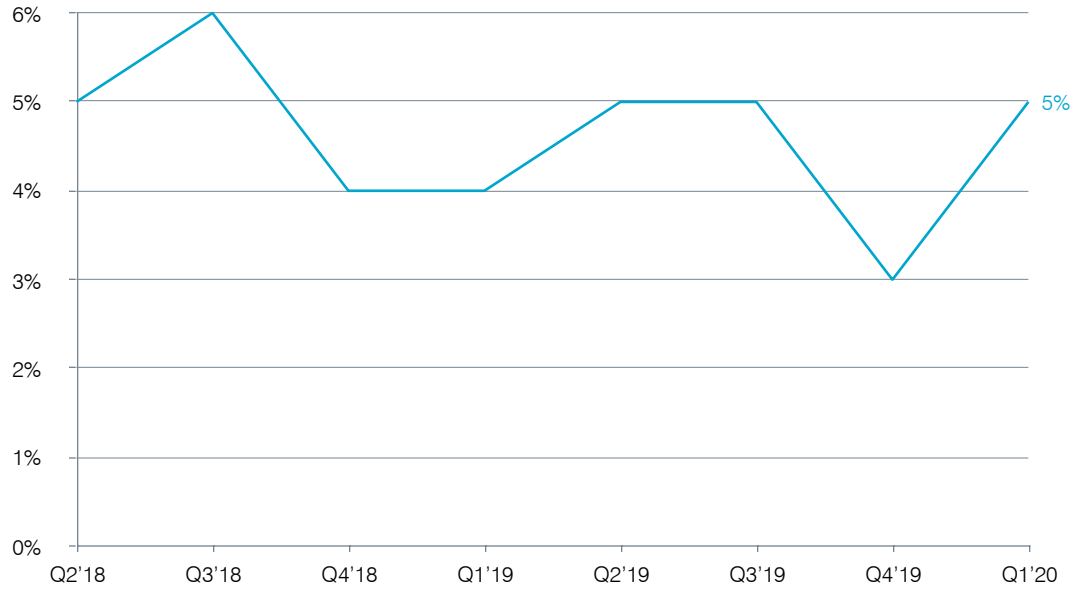
Of the financings that had participation, the percentages that were not capped were as follows:



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
85%	67%	75%	80%

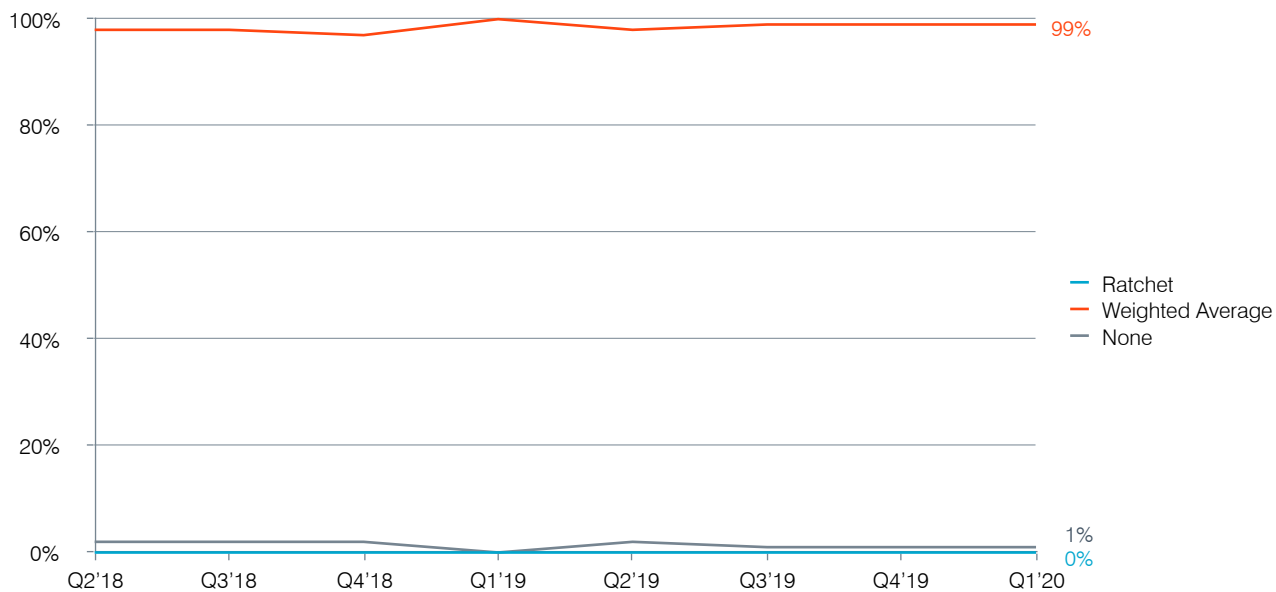
CUMULATIVE DIVIDENDS – Cumulative dividends were provided for in the following percentages of financings:



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
6%	3%	5%	5%

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

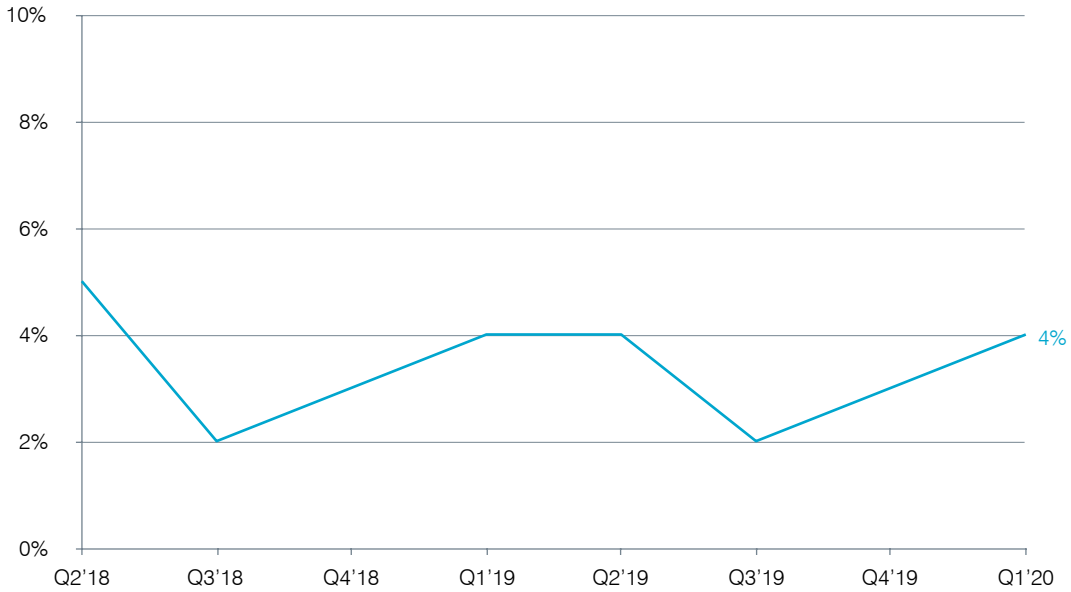


RESULTS BY MONTH FOR Q1 2020

Type of Provision	January-20	February-20	March-20	Total Q1 2020
Ratchet	0%	0%	0%	0%
Weighted Average	99%	100%	95%	99%
None	1%	0%	5%	1%

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).

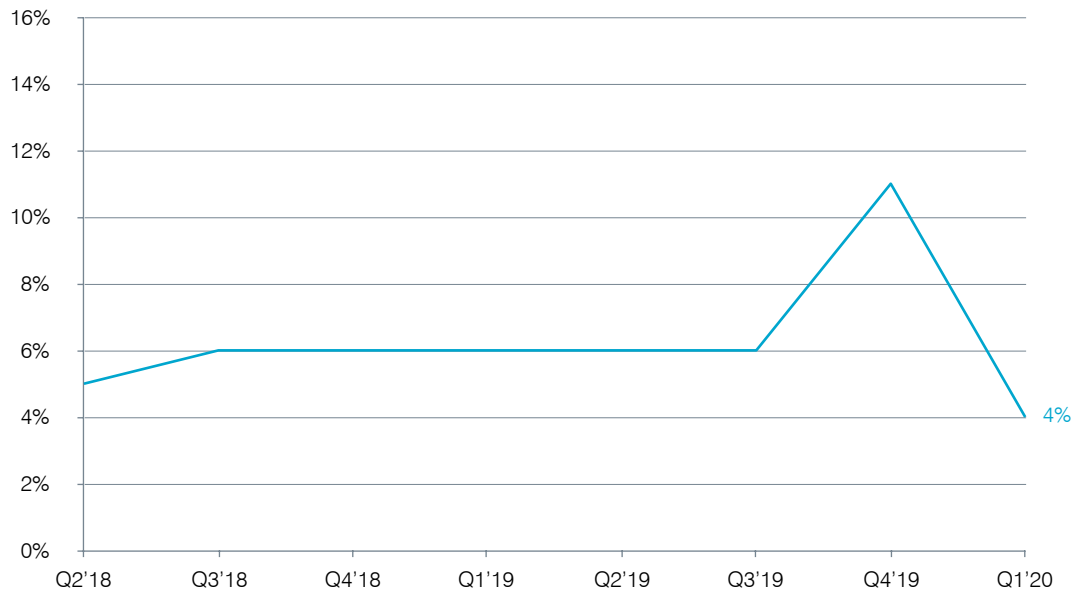
PAY-TO-PLAY PROVISIONS – The percentages of financings having pay-to-play provisions were as follows:



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
2%	8%	5%	4%

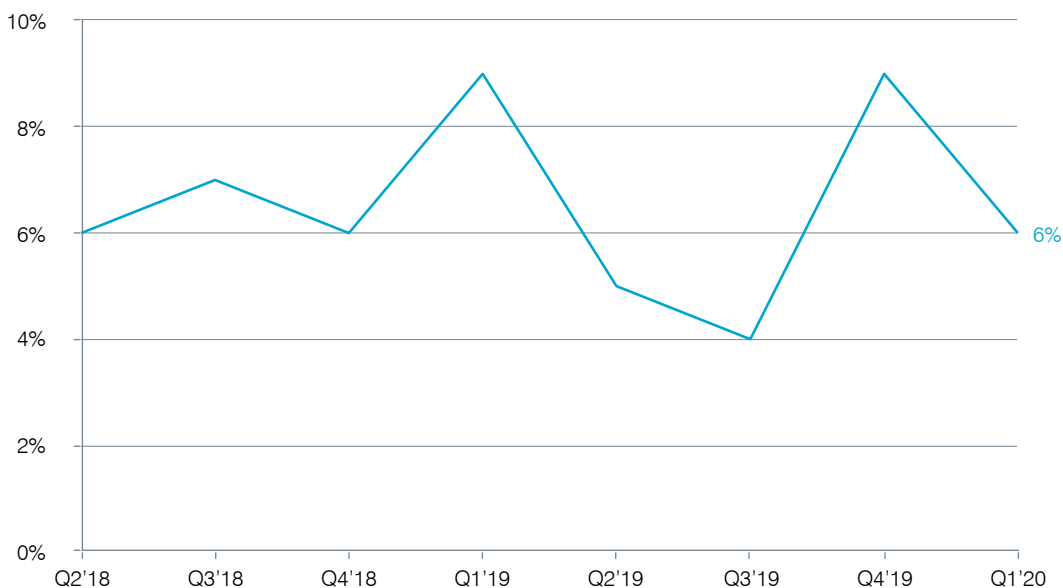
REDEMPTION – The percentages of financings providing for mandatory redemption or redemption at the option of the investor were as follows:



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
7%	2%	0%	4%

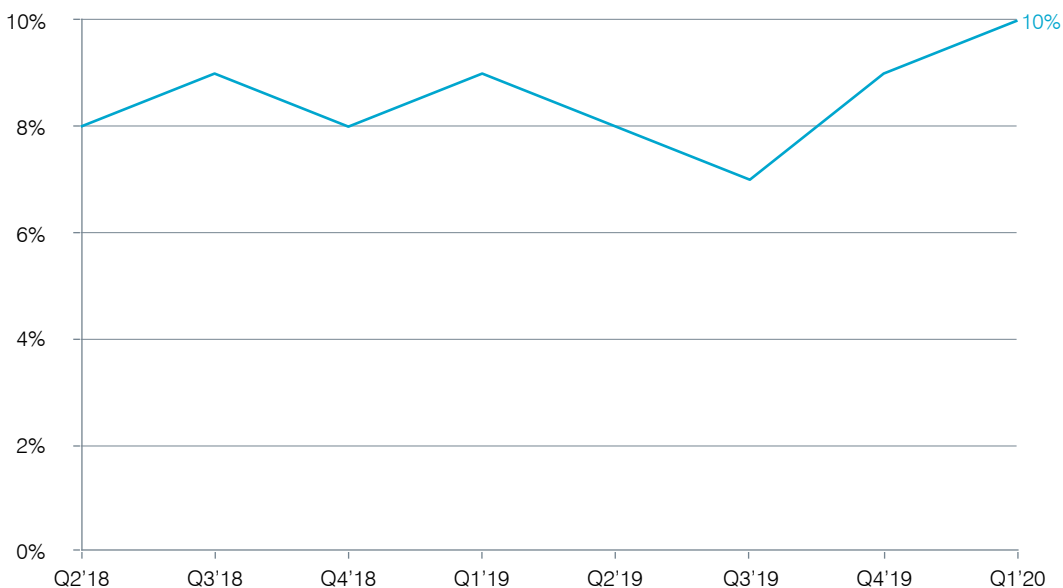
CORPORATE REORGANIZATIONS – The percentages of post-Series A financings involving a corporate reorganization (i.e. reverse splits or conversion of shares into another series or classes of shares) were as follows:



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
6%	5%	5%	6%

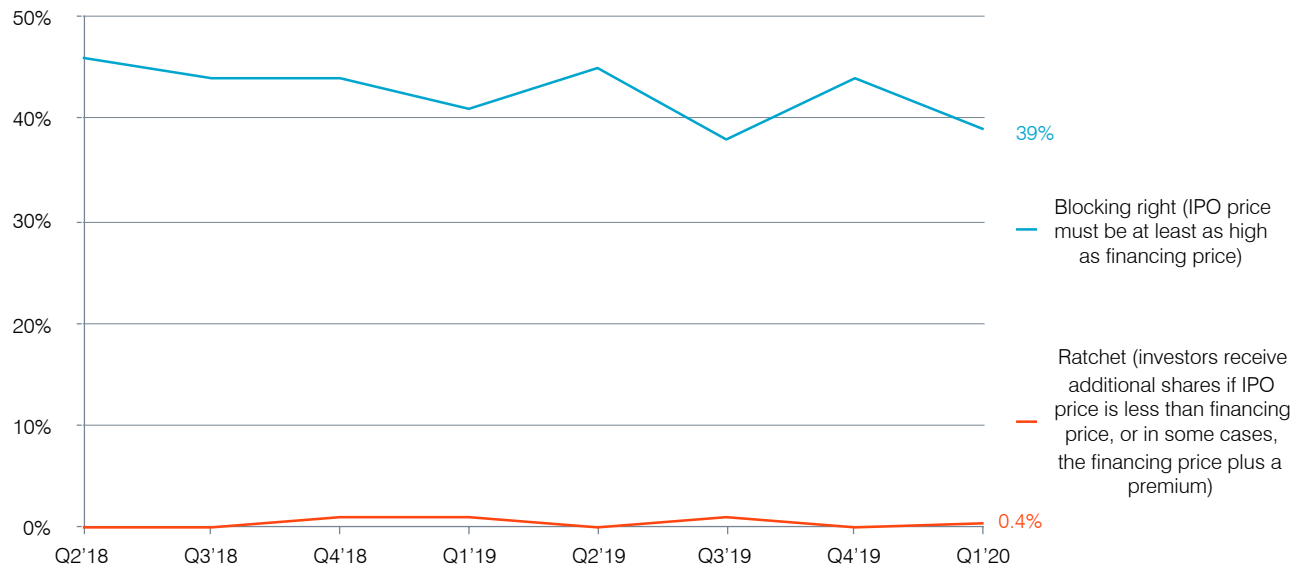
DUAL-CLASS COMMON STOCK – The percentages of financings with dual-class common stock structures, where there is one class of common stock with more votes per share than the other class, were as follows:



RESULTS BY MONTH FOR Q1 2020

January-20	February-20	March-20	Total Q1 2020
12%	10%	5%	10%

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



RESULTS BY MONTH FOR Q1 2020

Type	January-20	February-20	March-20	Total Q1 2020
Blocking right	41%	33%	39%	39%
Ratchet	0%	0%	2%	0.4%

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

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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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