

# FENWICK



## Silicon Valley Venture Capital Survey

First Quarter 2023

# Silicon Valley Venture Capital Survey – First Quarter 2023

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## Background

Our survey analyzed the terms of 177 venture financings closed in the first quarter of 2023 by companies headquartered in Silicon Valley.

## Summary

While Fenwick doesn't track fundraising volume, the drop in investments continues to be the headline for venture capital fundraising trends: according to Crunchbase, North American funding in the first quarter [was \\$46.3 billion](#)—a decline of 46% from the same period last year, though only a 13% decline from Q4 2022.

In our survey, the Q1 2023 data shows a leveling off in the total number of financings from the prior quarter—a 5% uptick, from 169 to 177. The biggest jump quarter to quarter was in Series B financings, from 36 in Q4 2022 to 56 in Q1 2023—a 56% increase. Given quarter over quarter the number of deals was flat and the fundraising volume was down, it is no surprise that average deal value across all series again dropped in Q1 (source: [Pitchbook](#)).

The Fenwick Venture Capital Barometer™, measuring the average percentage share price change between rounds, was 84% in Q1 2023, continuing its return to the long-term average of 74%. The most precipitous drops were in Series C and Series E financings, with the average price change for Series C financings falling from 87% in Q4 2022 to 28% in Q1 2023, and Series E financings falling from 12% average price change to a 2% average price change quarter over quarter.

## Key Findings

### ***Series A and B Rounds Dominated Financings***

Series A (91 total) and B (56 total) accounted for 83% of all financings in Q1, with Series A comprising 51% of the total.

### ***Up Rounds Showed Resilience***

Despite the continuation of a challenging fundraising environment, marked by macroeconomic uncertainty and recent bank failures, more than 91% of companies receiving venture financing in Q1 did so in an up round (73%) or even round (18%). The majority of down rounds were among later-stage deals, with Series D and E+ financings comprising 46% of such rounds.

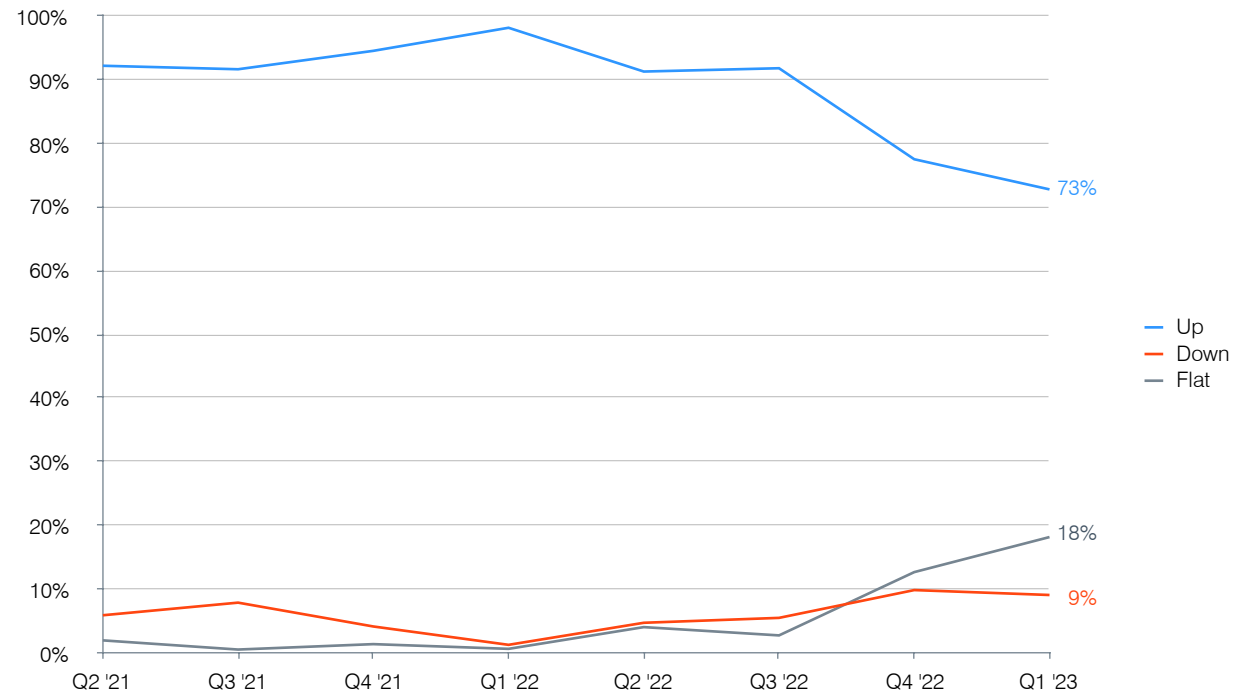
### ***Raising Funds, but at a Steeper Price***

Software (36), life sciences (20) and hardware (15) comprised the majority of post Series A financings by industry in Q1, though hardware and life sciences companies faced greater pricing pressure than the prior quarter as measured by a meaningful drop in average percentage change in price per share.

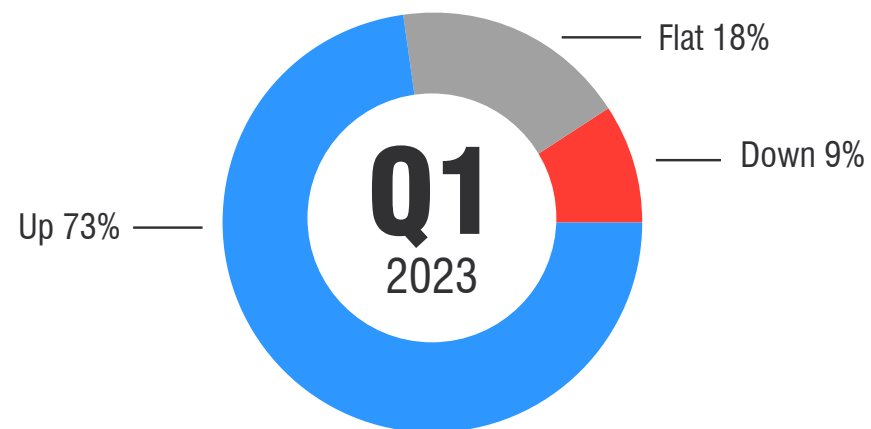
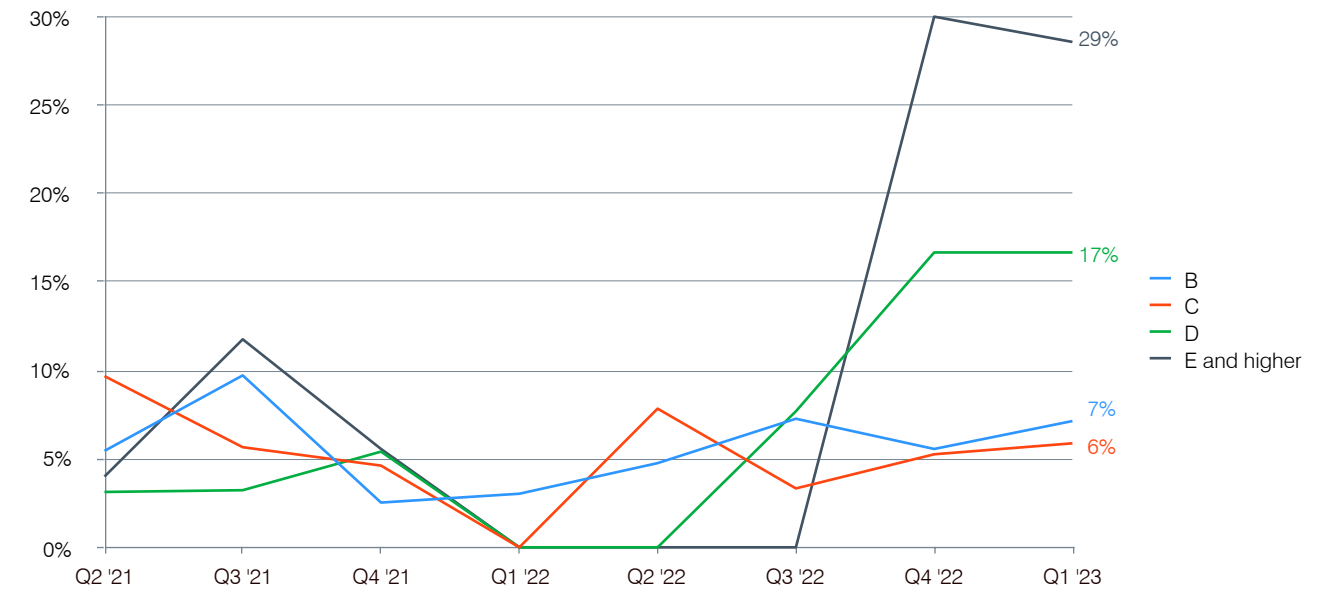
# Fenwick Data on Valuations

# Price Change

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



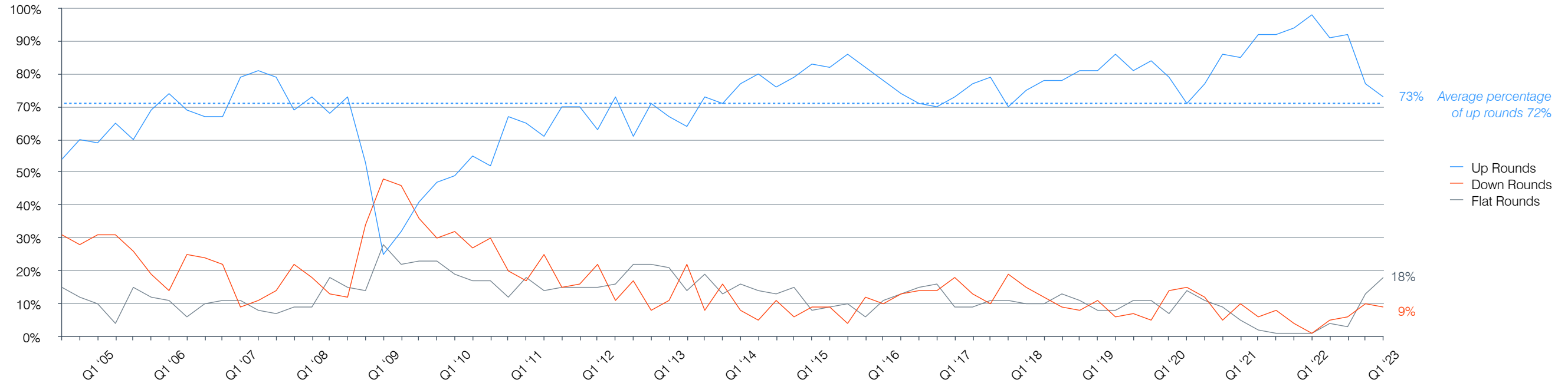
PERCENTAGE OF **DOWN ROUNDS** BROKEN OUT BY SERIES



# Price Change

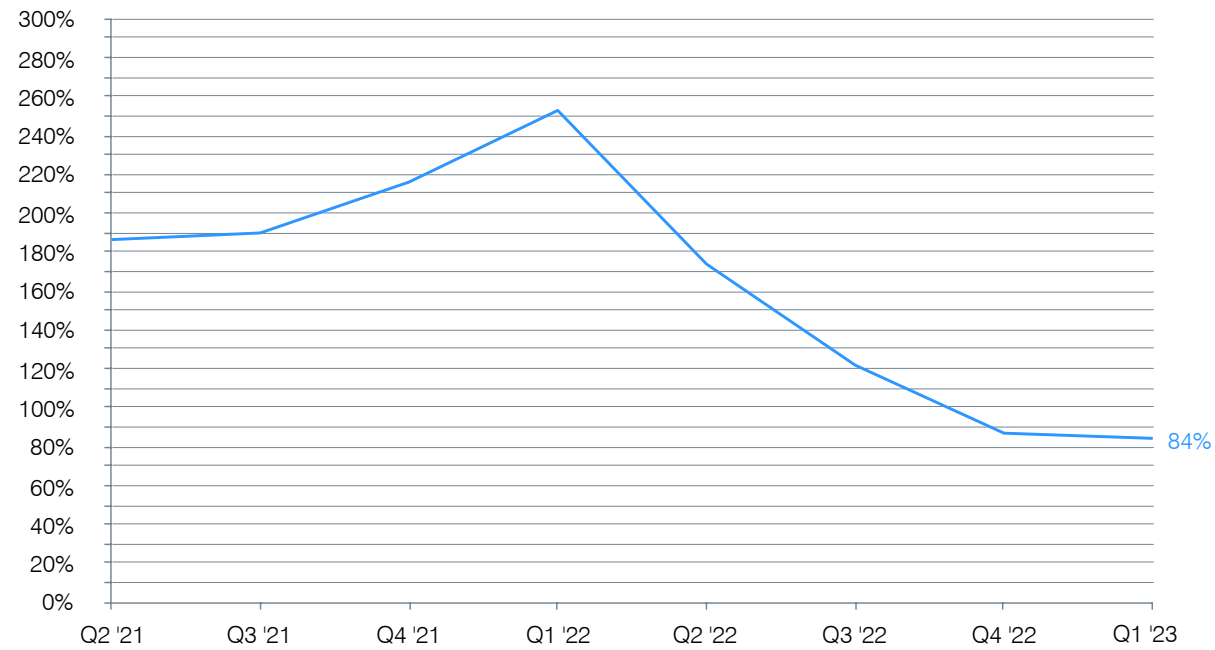
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EXPANDED PRICE CHANGE GRAPH—DIRECTION OF PRICE CHANGES WITH POST-SERIES A FINANCINGS COMPARED TO THE COMPANIES' PREVIOUS ROUND

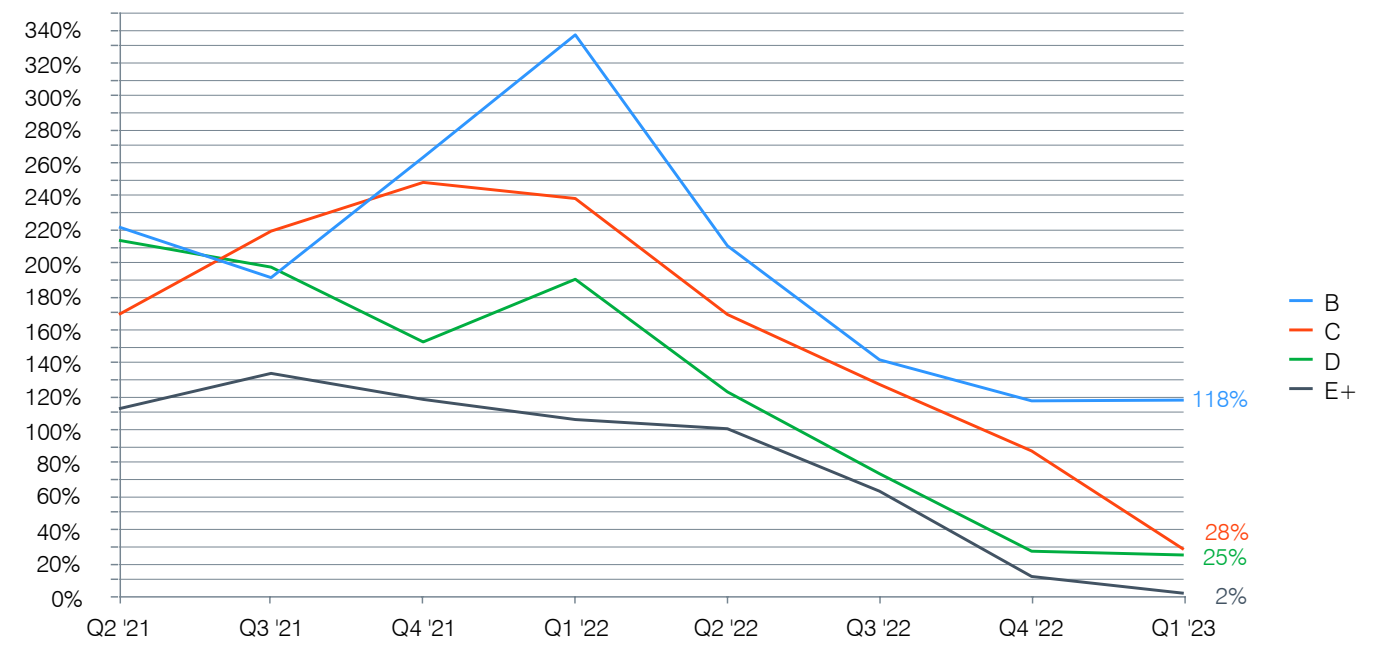


# The Fenwick Venture Capital Barometer™

**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.



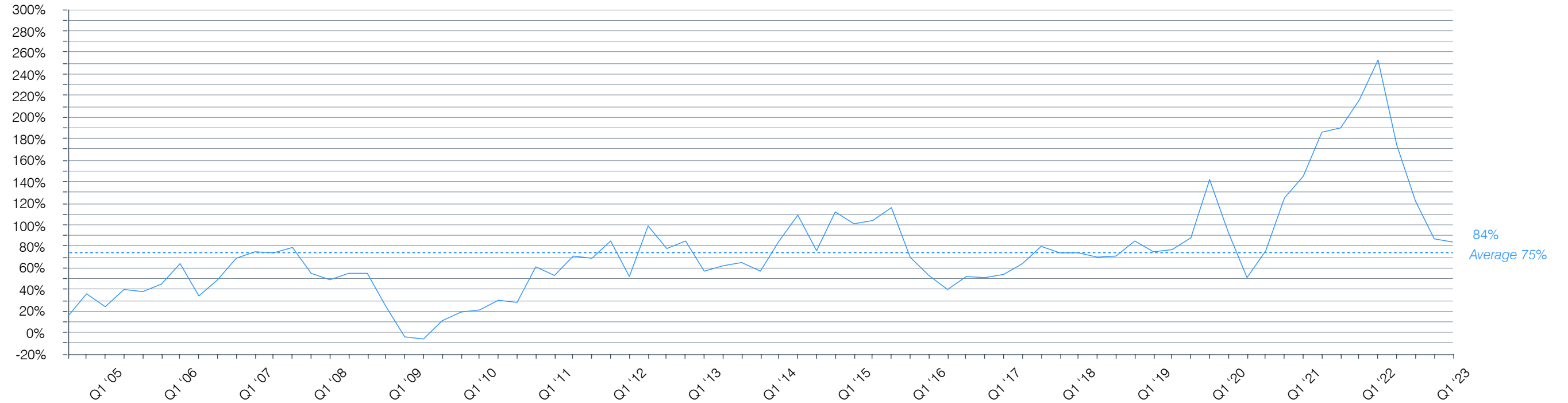
**BAROMETER RESULTS BY SERIES**



# The Fenwick Venture Capital Barometer™

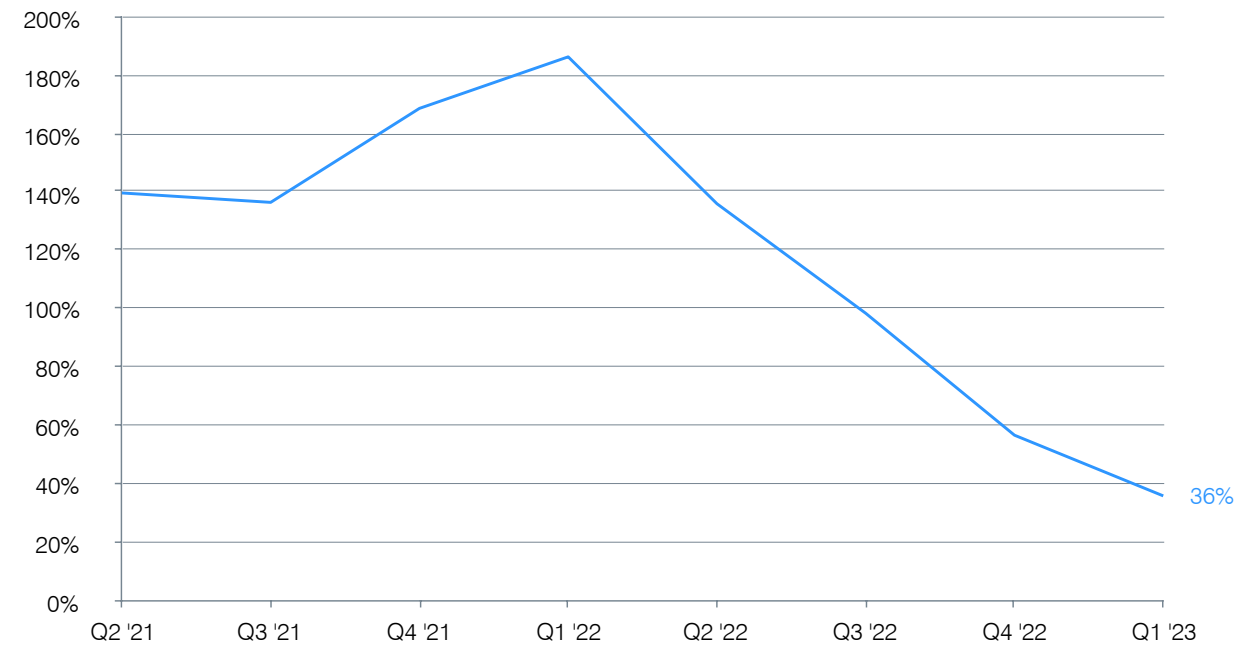
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EXPANDED FENWICK VENTURE CAPITAL BAROMETER™—DIRECTION OF PRICE CHANGES WITH POST-SERIES A FINANCINGS COMPARED TO THE COMPANIES' PREVIOUS ROUND

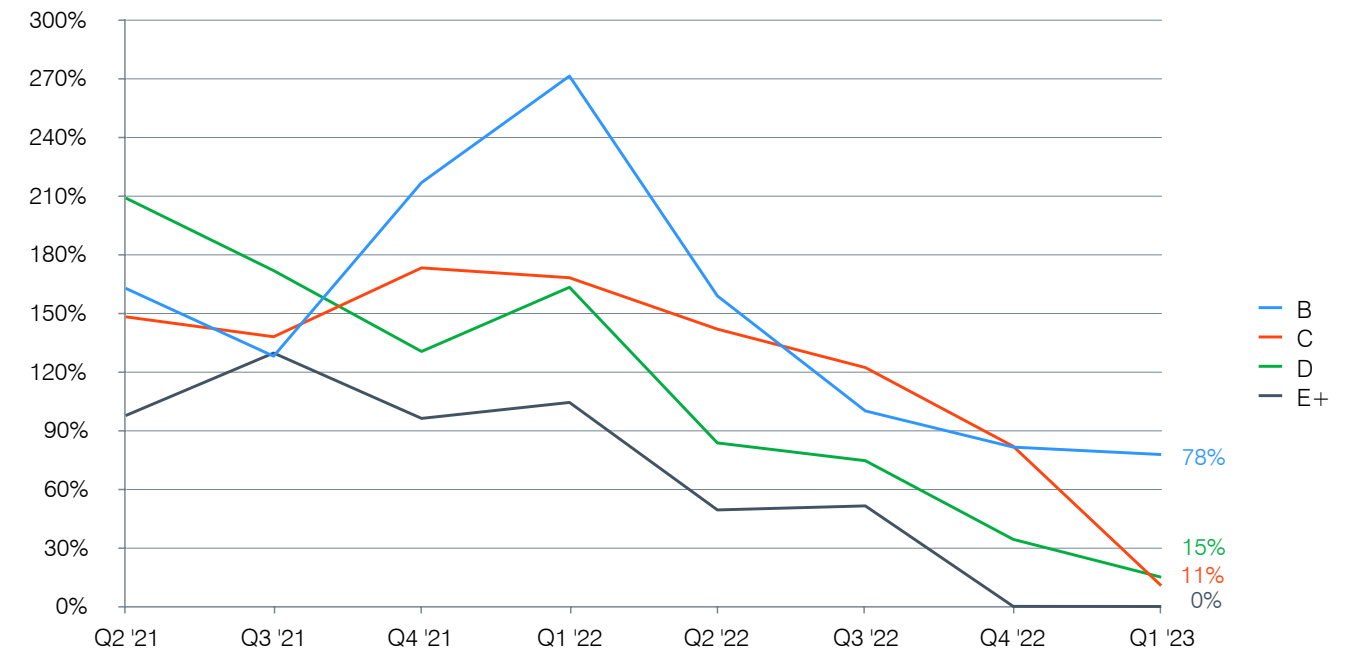


# Median Percentage Price Change

**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**

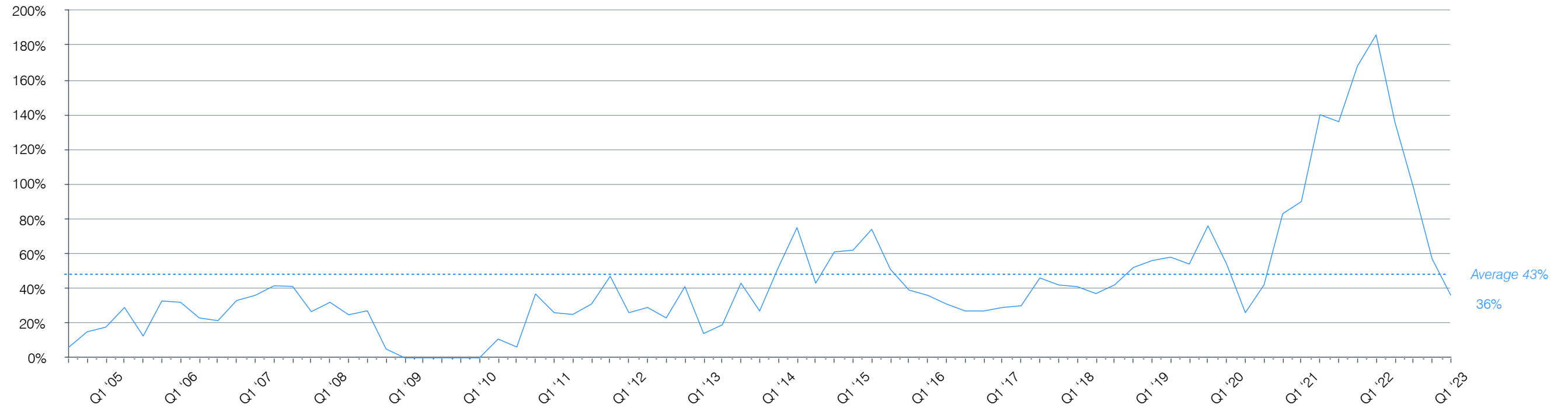




# Median Percentage Price Change

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	Post-Series A Financings
Software	89%	6%	6%	95%	70%	36
Hardware	73%	0%	27%	56%	24%	15
Life Sciences	50%	15%	35%	60%	6%	20
Internet/Digital Media	71%	14%	14%	156%	31%	7
Other	63%	25%	13%	87%	61%	8
<b>Total, All Industries</b>	<b>73%</b>	<b>9%</b>	<b>17%</b>	<b>84%</b>	<b>36%</b>	<b>86</b>

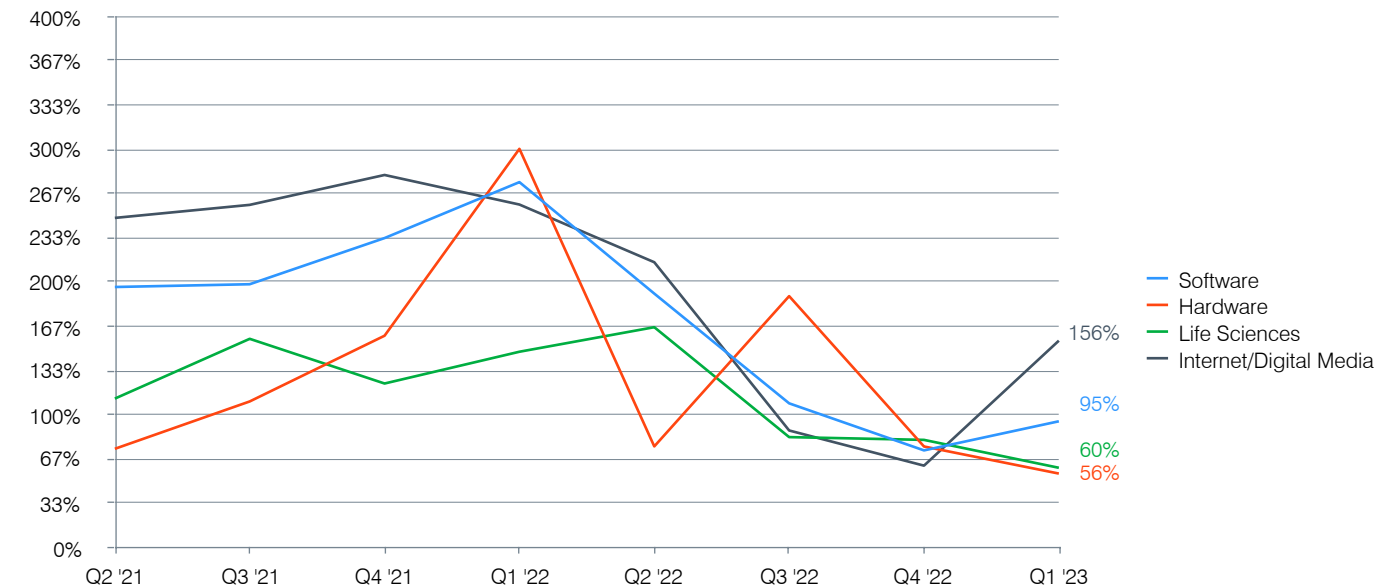
## DOWN ROUND RESULTS BY INDUSTRY—PERCENT OF DOWN ROUNDS EACH QUARTER, BROKEN OUT BY INDUSTRY

Down Rounds	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23
Software	6%	4%	2%	0%	5%	9%	4%	6%
Hardware	13%	27%	18%	0%	14%	9%	14%	0%
Life Sciences	4%	14%	10%	8%	0%	0%	15%	15%
Internet/Digital Media	6%	0%	0%	0%	0%	0%	14%	14%
Other	7%	10%	0%	0%	6%	0%	10%	25%
<b>Total, All Industries</b>	<b>6%</b>	<b>8%</b>	<b>4%</b>	<b>1%</b>	<b>5%</b>	<b>6%</b>	<b>10%</b>	<b>9%</b>

## 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	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23
Software	196%	198%	233%	275%	191%	109%	73%	95%
Hardware	74%	110%	160%	300%	76%	189%	76%	56%
Life Sciences	112%	157%	123%	147%	166%	83%	81%	60%
Internet/Digital Media	248%	258%	281%	258%	215%	88%	62%	156%
Other	304%	166%	211%	263%	143%	213%	161%	87%
<b>Total, All Industries</b>	<b>186%</b>	<b>190%</b>	<b>216%</b>	<b>253%</b>	<b>174%</b>	<b>122%</b>	<b>87%</b>	<b>84%</b>

## GRAPHICAL REPRESENTATION OF THE ABOVE DATA



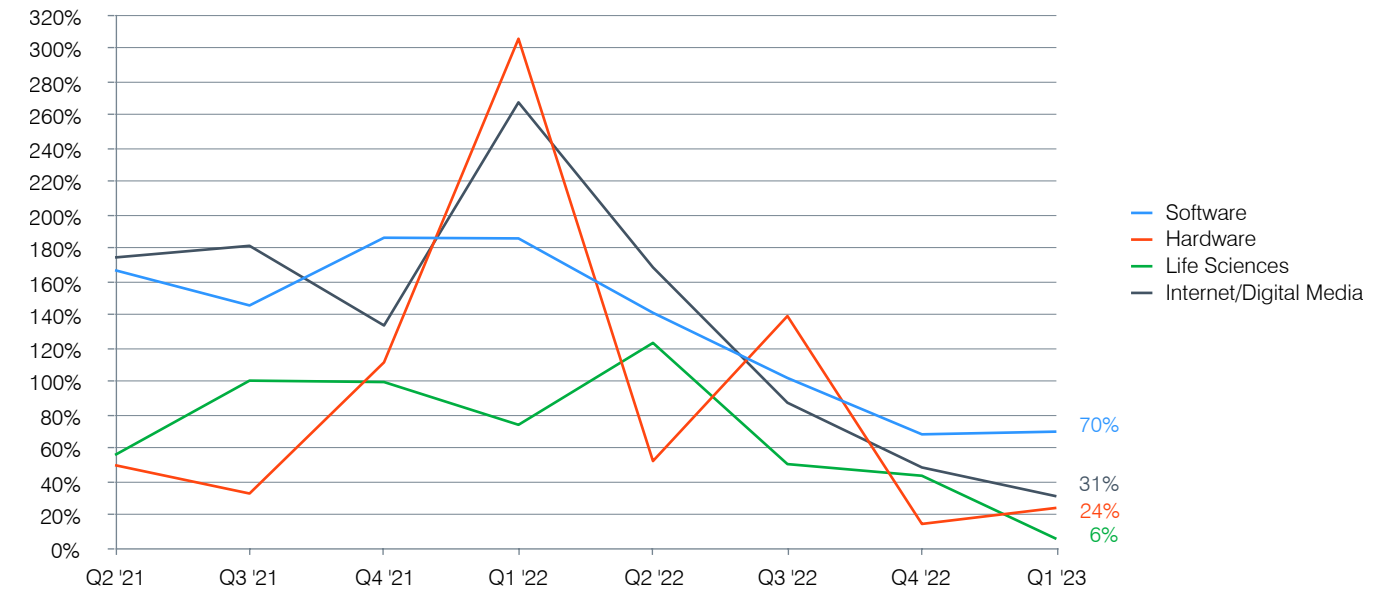
# Industry Results

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**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	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23
Software	167%	146%	187%	186%	142%	102%	69%	70%
Hardware	50%	33%	112%	306%	53%	140%	15%	24%
Life Sciences	56%	101%	100%	74%	123%	51%	44%	6%
Internet/Digital Media	175%	182%	134%	268%	169%	88%	49%	31%
Other	260%	123%	203%	123%	105%	174%	104%	61%
<b>Total, All Industries</b>	<b>140%</b>	<b>136%</b>	<b>168%</b>	<b>186%</b>	<b>136%</b>	<b>98%</b>	<b>57%</b>	<b>36%</b>

**GRAPHICAL REPRESENTATION OF THE DATA ON THE LEFT**



# Financing Rounds

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FINANCING ROUND—PERCENTAGE OF TOTAL FINANCINGS BROKEN DOWN BY SERIES

Series	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23
Series A	29%	27%	24%	28%	24%	44%	58%	51%
Series B	31%	28%	28%	30%	32%	28%	21%	32%
Series C	17%	20%	23%	22%	26%	15%	11%	10%
Series D	9%	12%	13%	8%	10%	7%	4%	3%
Series E+	14%	13%	13%	12%	8%	6%	6%	4%

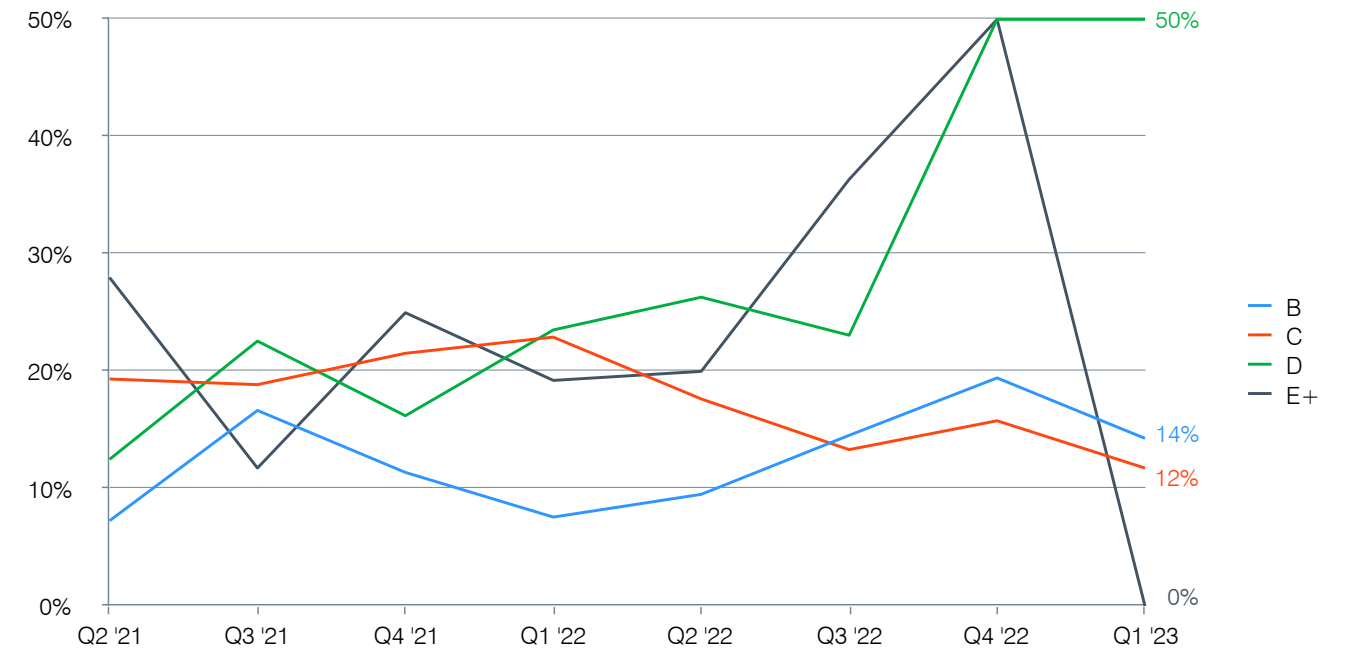
# Fenwick Data on Legal Terms

# Liquidation

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



**PERCENTAGE OF SENIOR LIQUIDATION PREFERENCES BY SERIES**



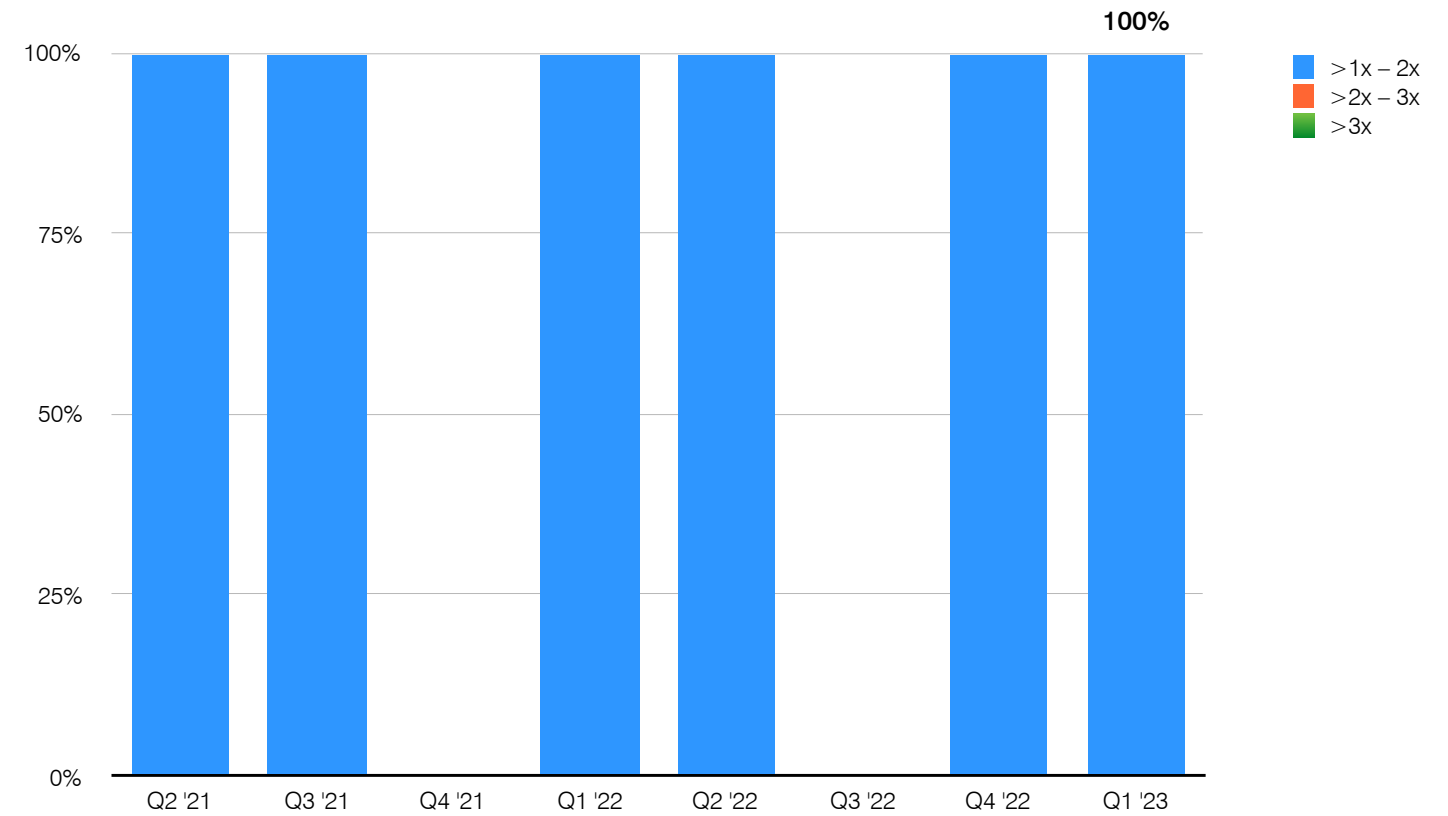
# Liquidation

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



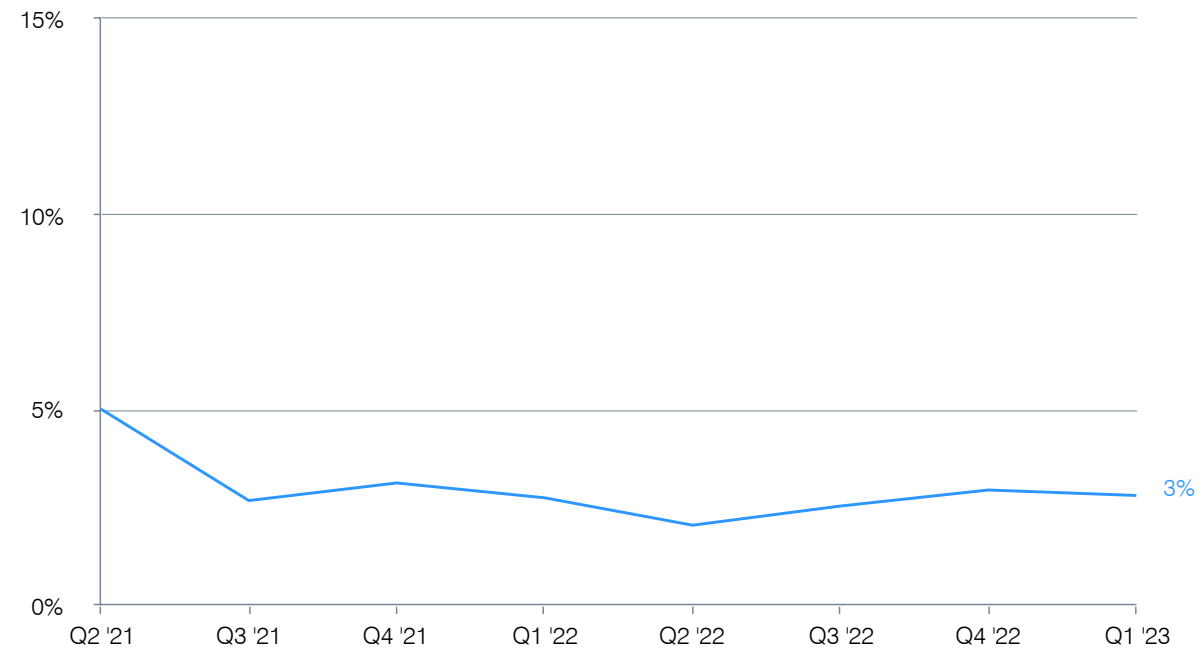
**RANGE OF MULTIPLES**—PERCENTAGE OF FINANCINGS WITH A SENIOR LIQUIDATION PREFERENCE THAT INCLUDED A MULTIPLE WITHIN THE SPECIFIED RANGE



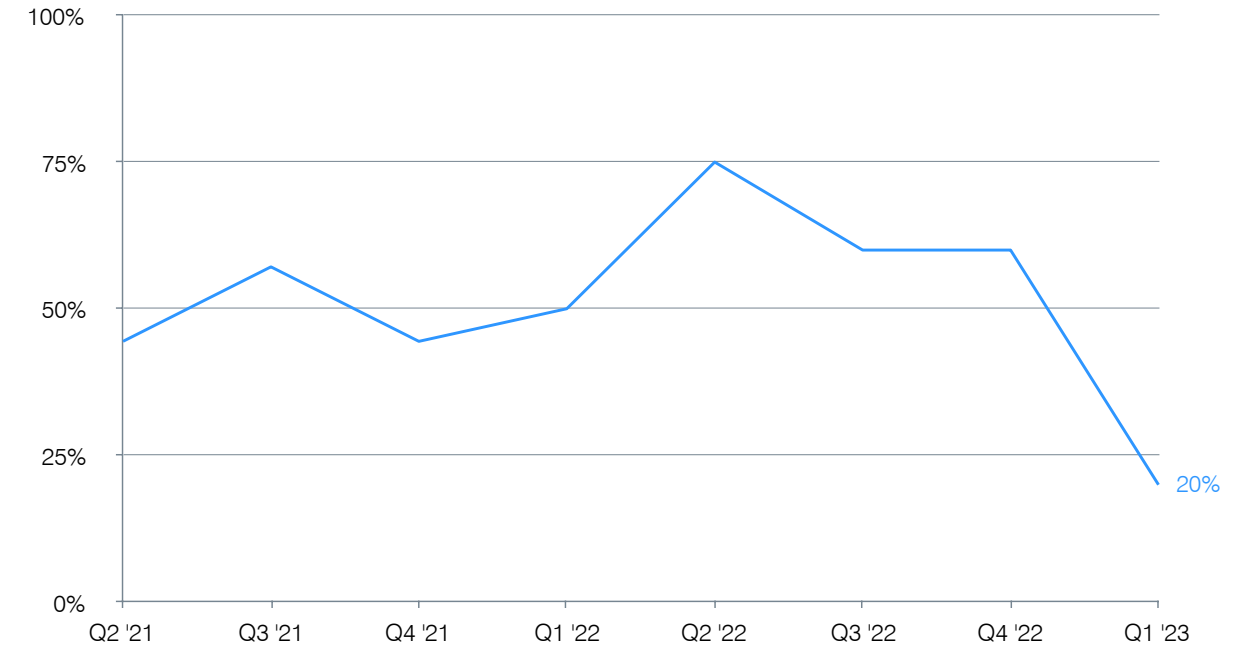
# Liquidation

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



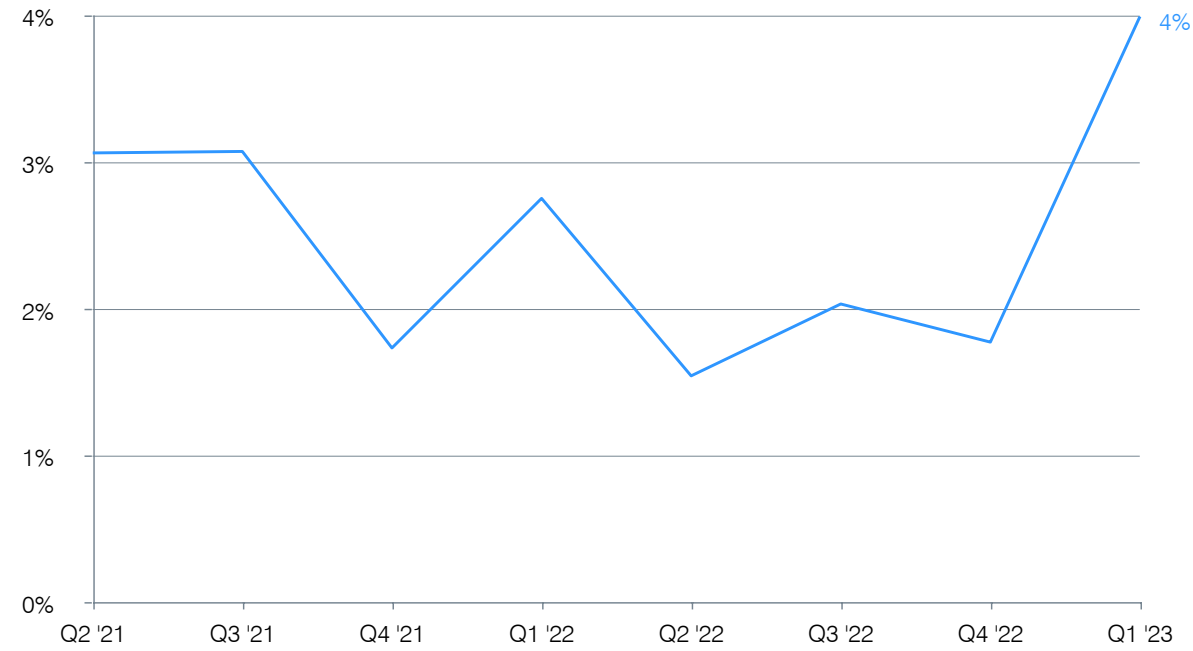
**NO CAPPED PARTICIPATION IN LIQUIDATION**—PERCENTAGE OF FINANCINGS THAT PROVIDED FOR PARTICIPATION IN LIQUIDATION THAT WERE NOT CAPPED (INCLUDES ALL SERIES A THROUGH E+)



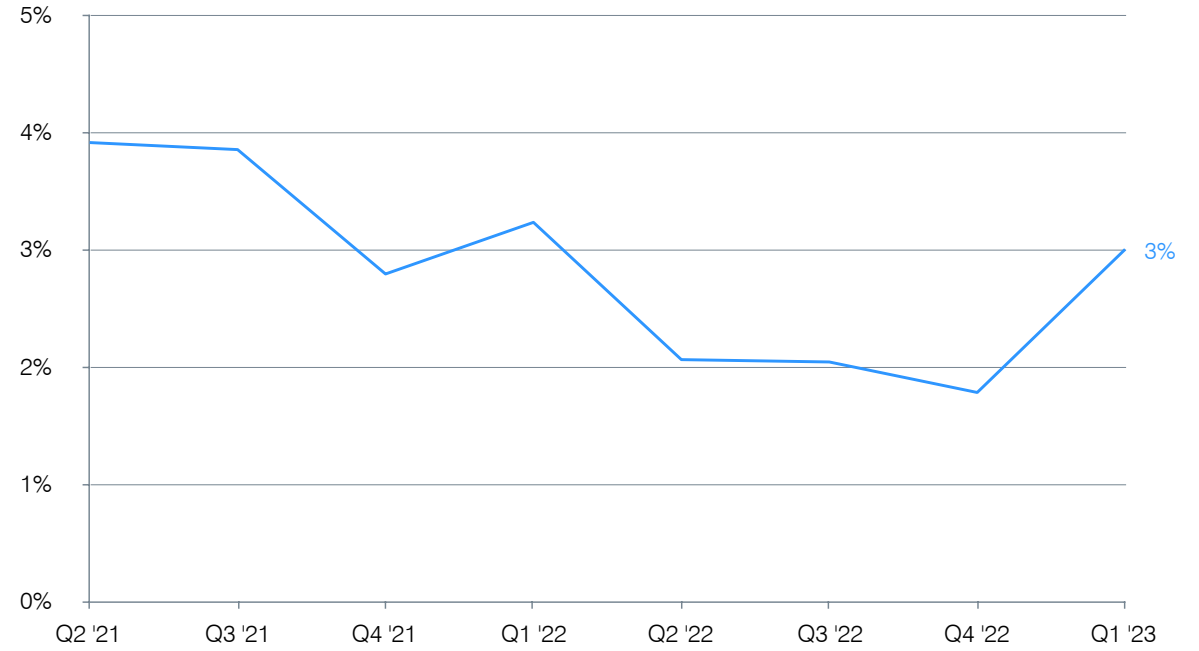


# Other Terms

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



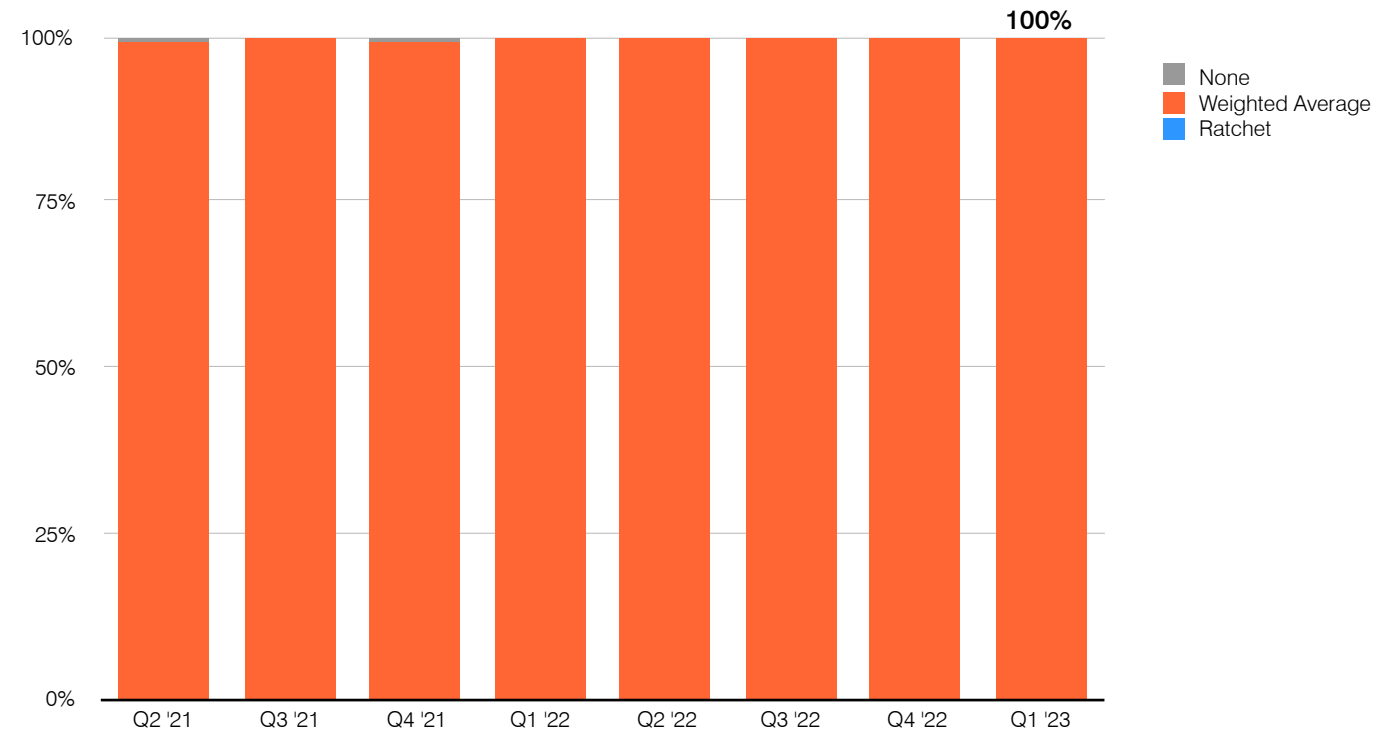
**REDEMPTION**—PERCENTAGE OF FINANCINGS THAT PROVIDED FOR MANDATORY REDEMPTION OR REDEMPTION AT THE OPTION OF THE INVESTOR (INCLUDES ALL ROUNDS SERIES A THROUGH E+)



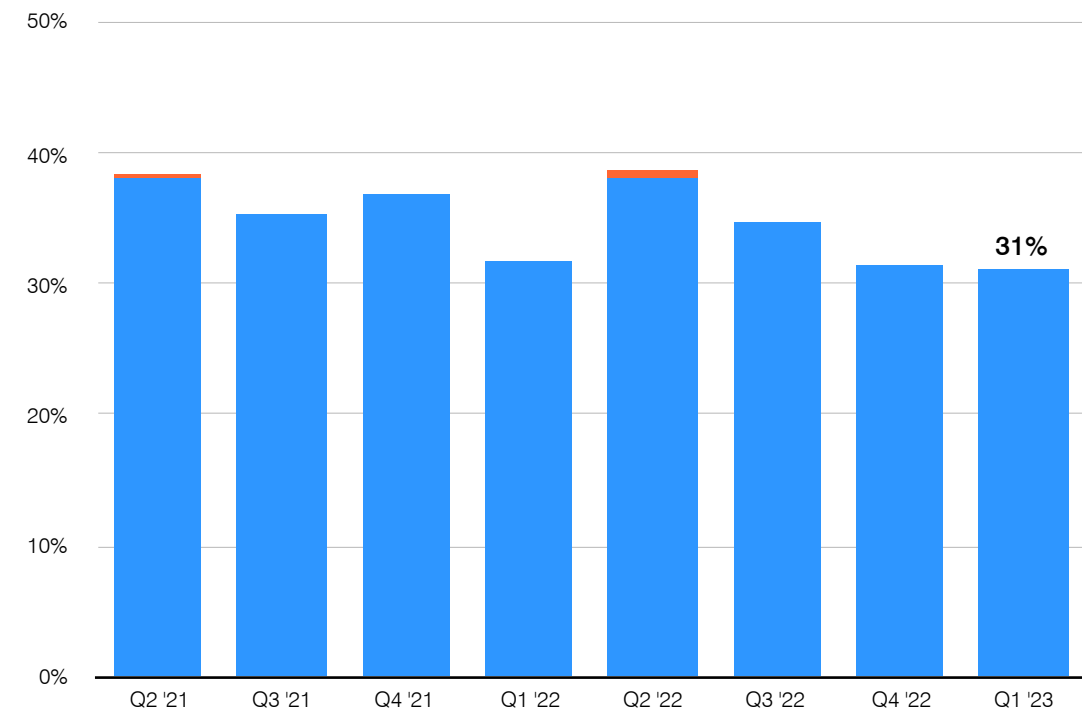
# Other Terms

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**NON-IPO ANTIDILUTION PROVISIONS**—PERCENTAGE OF FINANCINGS THAT INCLUDED NON-IPO ANTIDILUTION PROVISIONS (INCLUDES ALL ROUNDS SERIES A THROUGH 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 THROUGH E+)

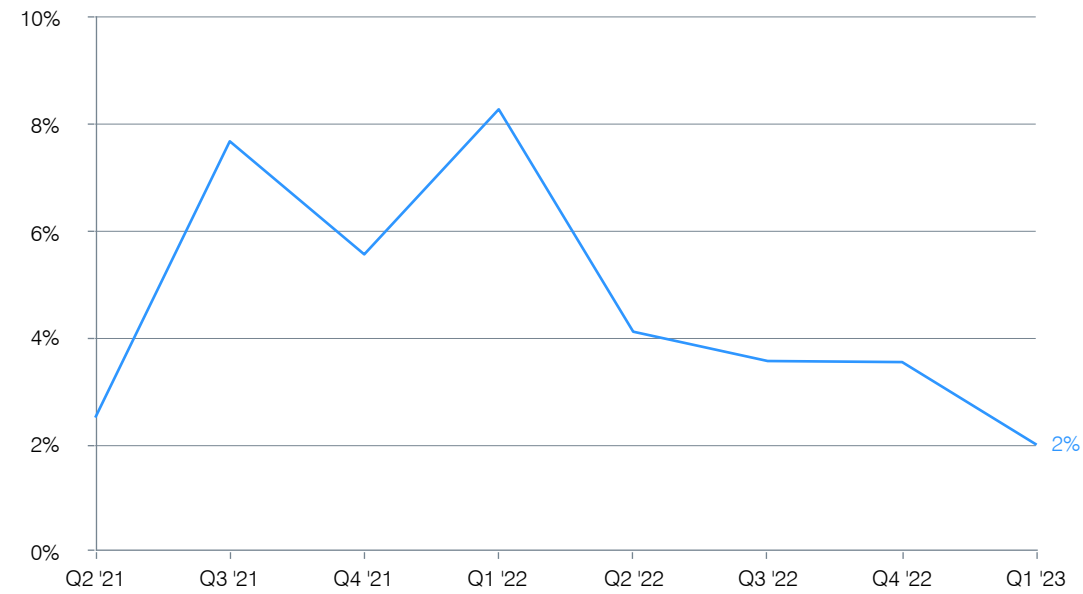


- Ratchet: Investors receive additional shares if IPO price is less than financing price or, in some cases, the financing price plus a premium
- Blocking Right: IPO price must be at least as high as financing price

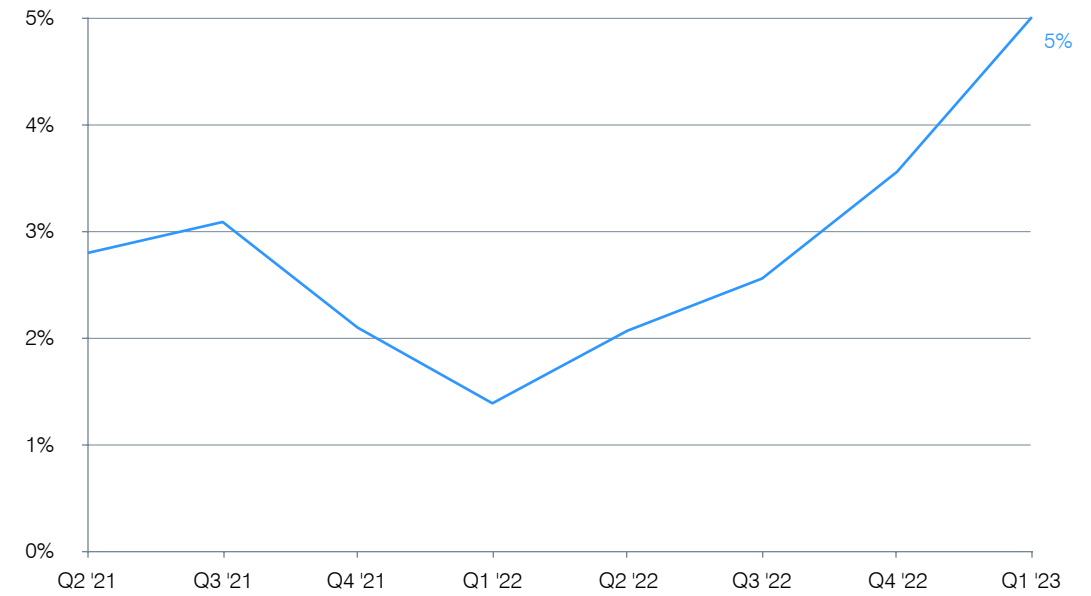
# Other Terms

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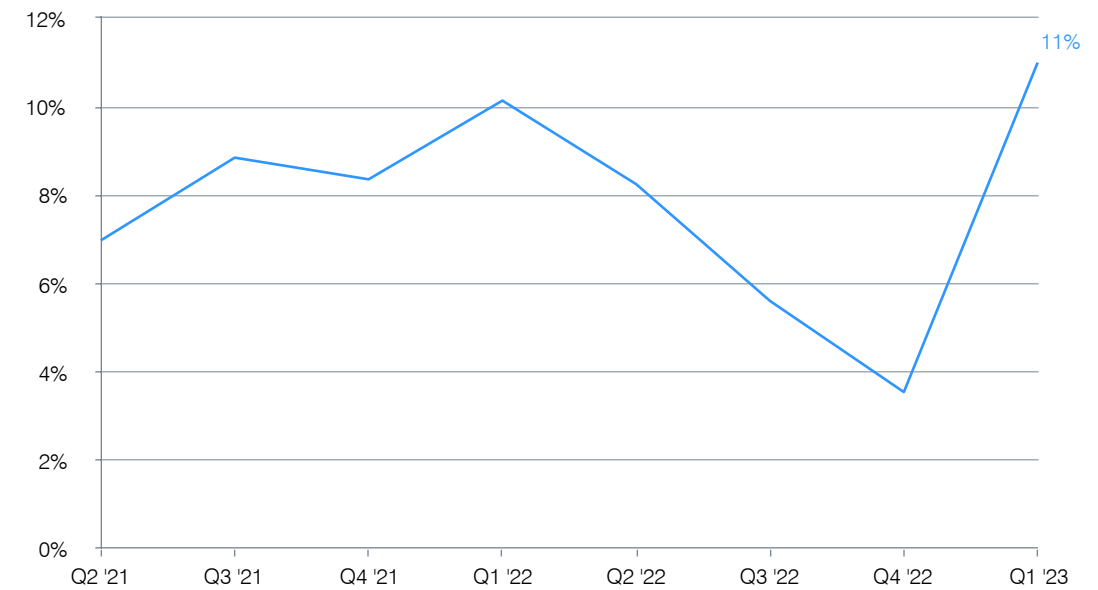
**CORPORATE REORGANIZATION**—PERCENTAGE OF FINANCINGS INVOLVING CORPORATE REORGANIZATION



**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



## Authors



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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

For over 50 years, Fenwick has helped some of the world’s most recognized companies become, and remain, market leaders. From emerging enterprises to large public corporations, our clients are leaders in the technology and life sciences sectors and are fundamentally changing the world through rapid innovation. We currently represent 1,500+ VC-backed companies, including many of the world’s most notable and 80 with valuations over \$1B. Our VC practice is ranked as one of the top in the U.S. by Dow Jones and *Chambers USA*, and Fenwick has advised on some of the largest venture capital financings in history.

## Representative Venture-Backed Clients



# About Our Survey

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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](http://www.fenwick.com/subscribe). We are pleased to be a source of information for 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

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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

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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

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

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

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