

FENWICK



Silicon Valley Venture Capital Survey

Fourth Quarter 2023

Silicon Valley Venture Capital Survey – Fourth Quarter 2023

Background

Our survey analyzed the terms of 171 venture financings closed in the fourth quarter of 2023 by companies headquartered in Silicon Valley.

Summary

Fourth-quarter Bay Area venture capital financings remained largely flat from the preceding four quarters (average of 174). Q4 was also notably consistent with the prior quarter, aside from select data points.

The Fenwick Venture Capital Barometer™, measuring the average percentage share price change between rounds, has remained consistent since Q4 2022 (87% in Q4 2023).

Key Findings

Series B Financings Lead Growth, Other Series Largely Flat

Series B financings (55 in total) comprised 32% of all Q4 financings, up from 25% in Q3. Series A financings (80 in total) comprised 47% of all Q4 financings, falling slightly from 53% in Q3. Later stage financings (36 in total) comprised 21% of all Q4 financings, which is largely flat from 22% in Q3.

Down Rounds Grow Slightly

The percentage of down rounds grew slightly, continuing its upward trend from 1% of all financings in Q1 2022 to 13% in Q4 2023. This is the highest percentage of down-round financings since Q1 2020, when they jumped to 14% around the onset of the COVID-19 pandemic. Series E+ financings continue to be the most heavily impacted. Life science companies represented the greatest percentage of down rounds in Q4, at 26%.

Median Price Change Flat

Overall, median price change remained unchanged at 44% in Q4 compared to Q3. Software and internet / digital media companies continue to outperform other companies in median price change.

Pay-to-Play Provisions Flat

The share of financings that included pay-to-play provisions providing for conversion of non-participating investors' preferred stock into common stock or shadow preferred stock was 4% in Q4, which is consistent with the average level in the preceding four quarters.

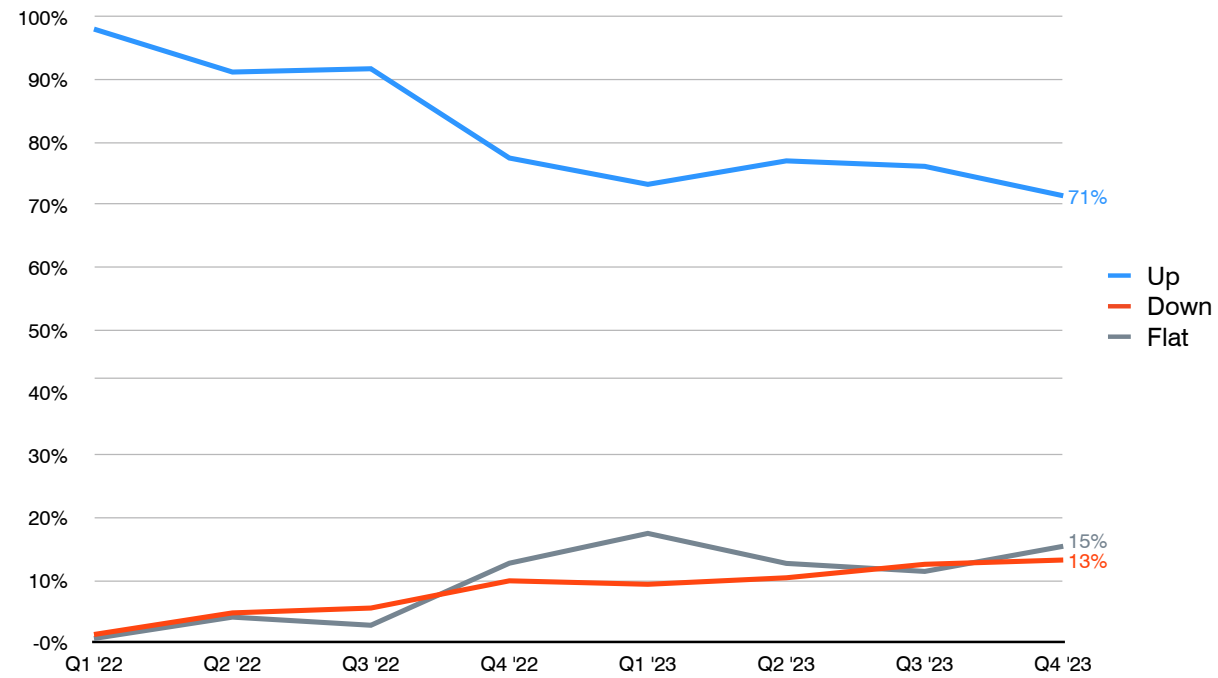
Fundraising Environment Remains Difficult

Overall, financing terms continue to be investor favorable, and the fundraising environment remains challenging, as evidenced by an elevated level in corporate restructurings (6% of all financings in Q4), the slight increase in down rounds and other key markers.

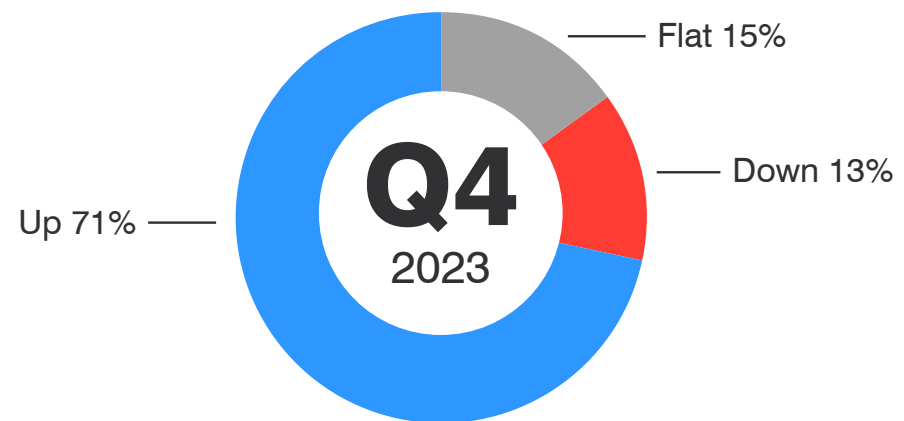
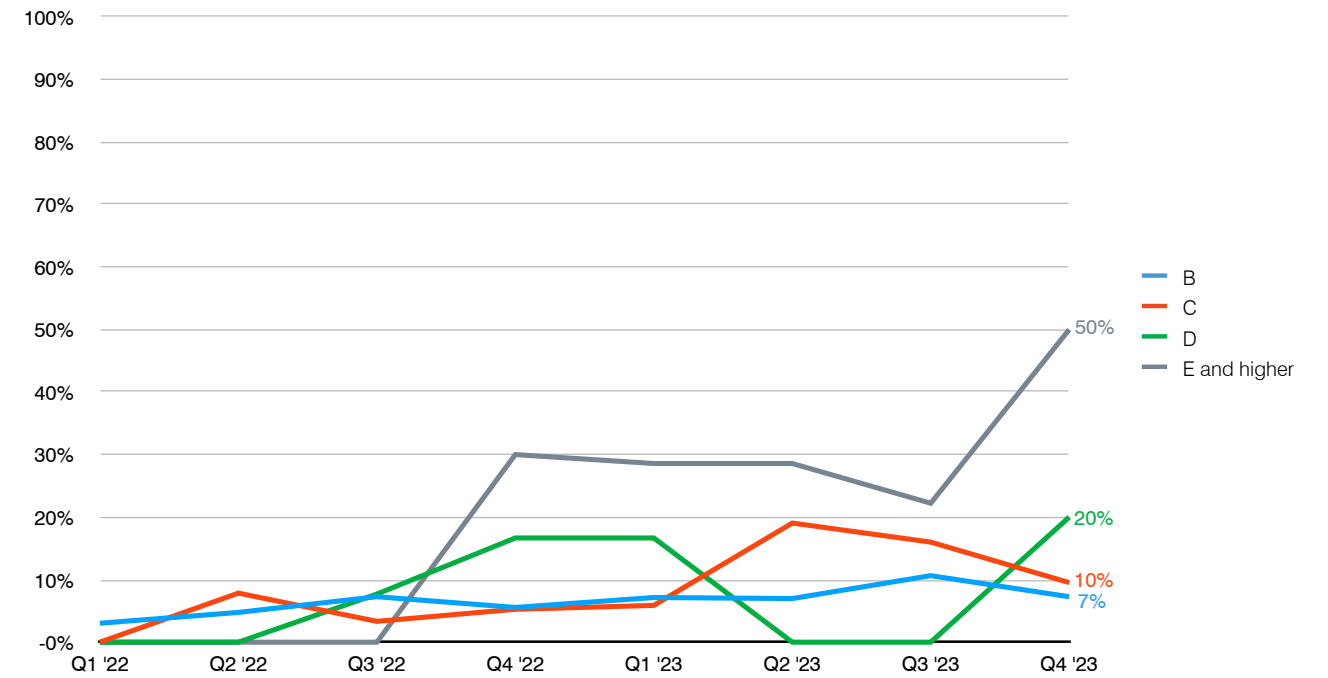
Fenwick Data on Valuations

Price Change

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



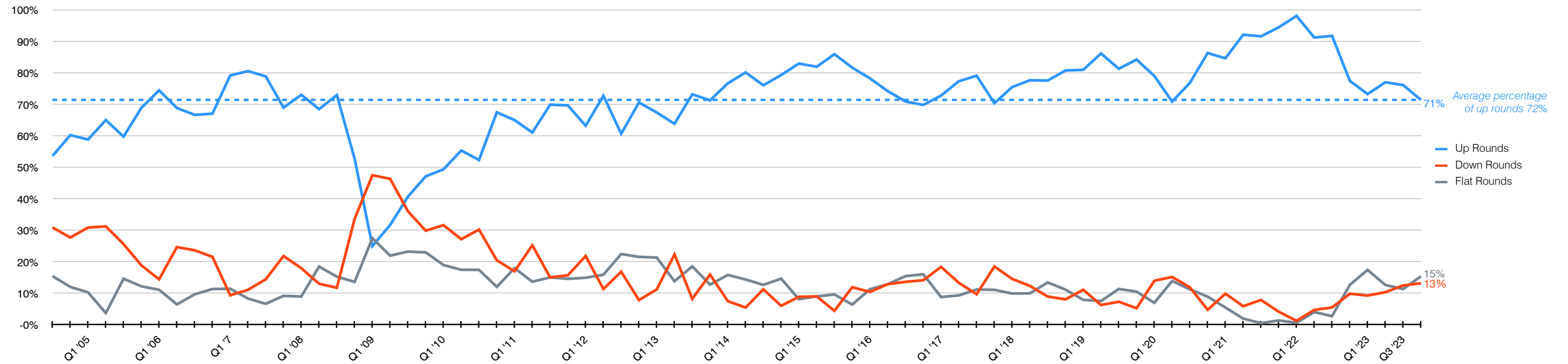
PERCENTAGE OF **DOWN ROUNDS** BROKEN OUT BY SERIES



Price Change

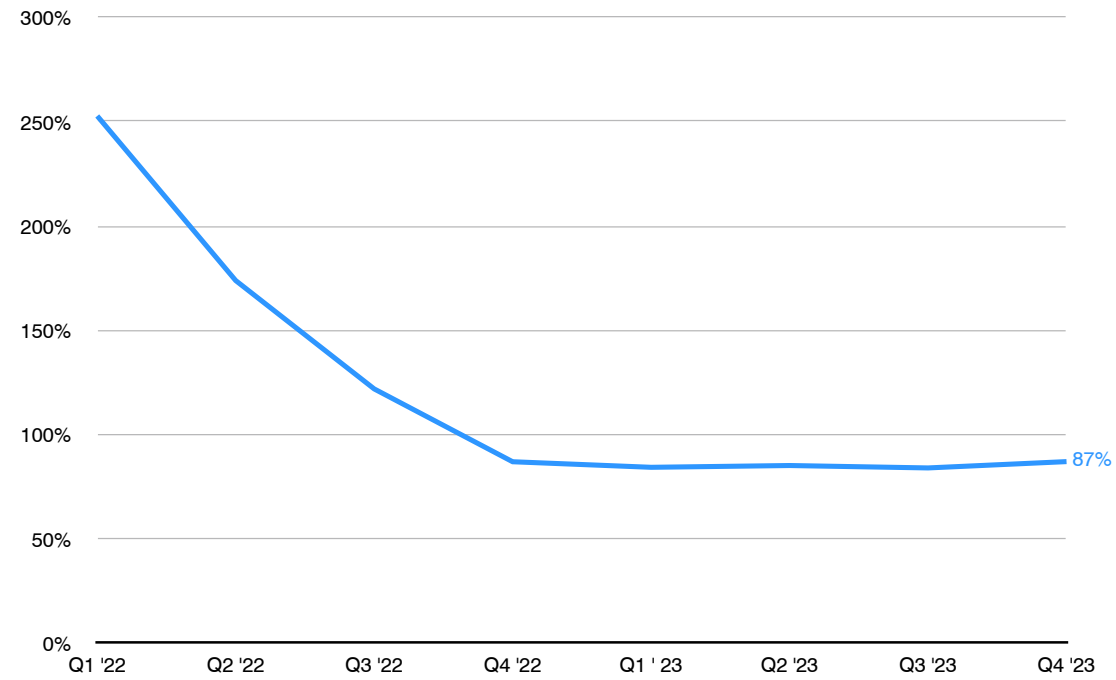
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EXPANDED PRICE CHANGE GRAPH—DIRECTION OF PRICE CHANGES WITH POST-SERIES A FINANCINGS COMPARED TO THE COMPANIES' PREVIOUS ROUND

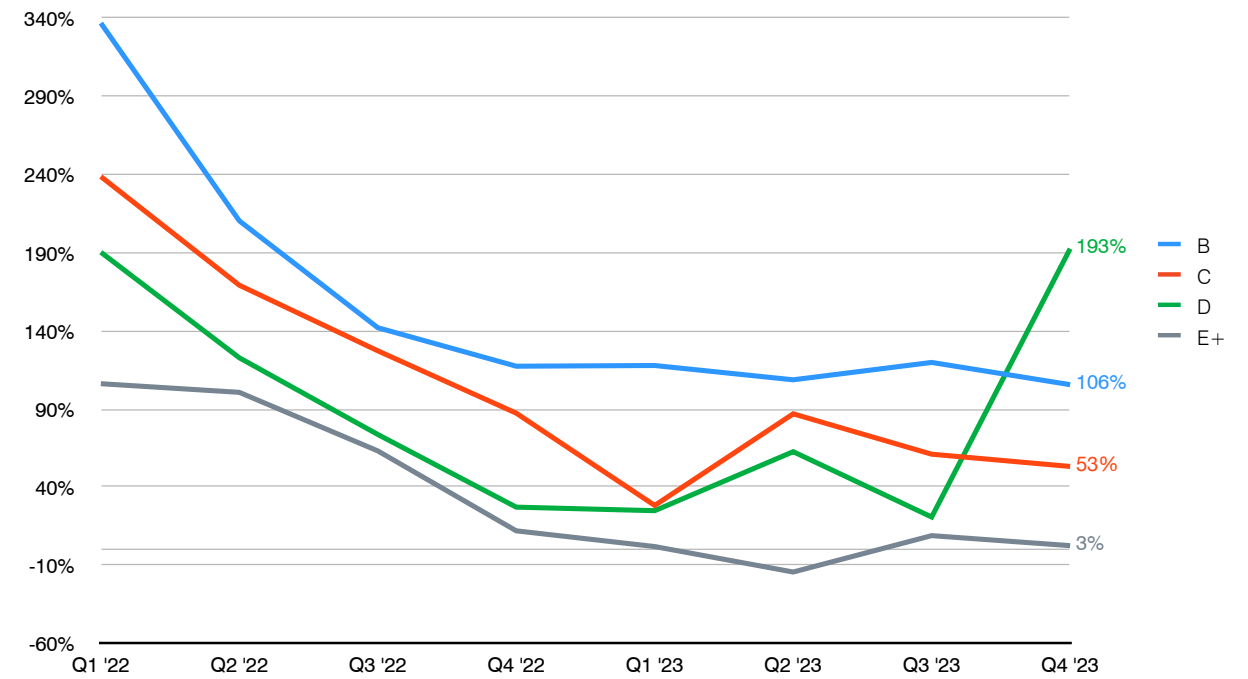


The Fenwick Venture Capital Barometer™

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.



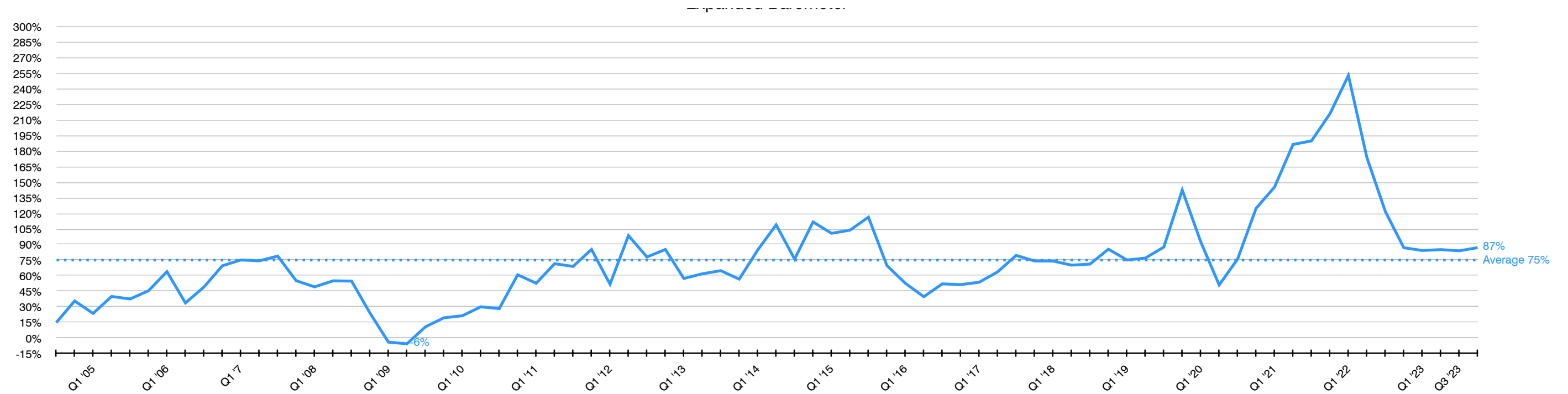
BAROMETER RESULTS BY SERIES



The Fenwick Venture Capital Barometer™

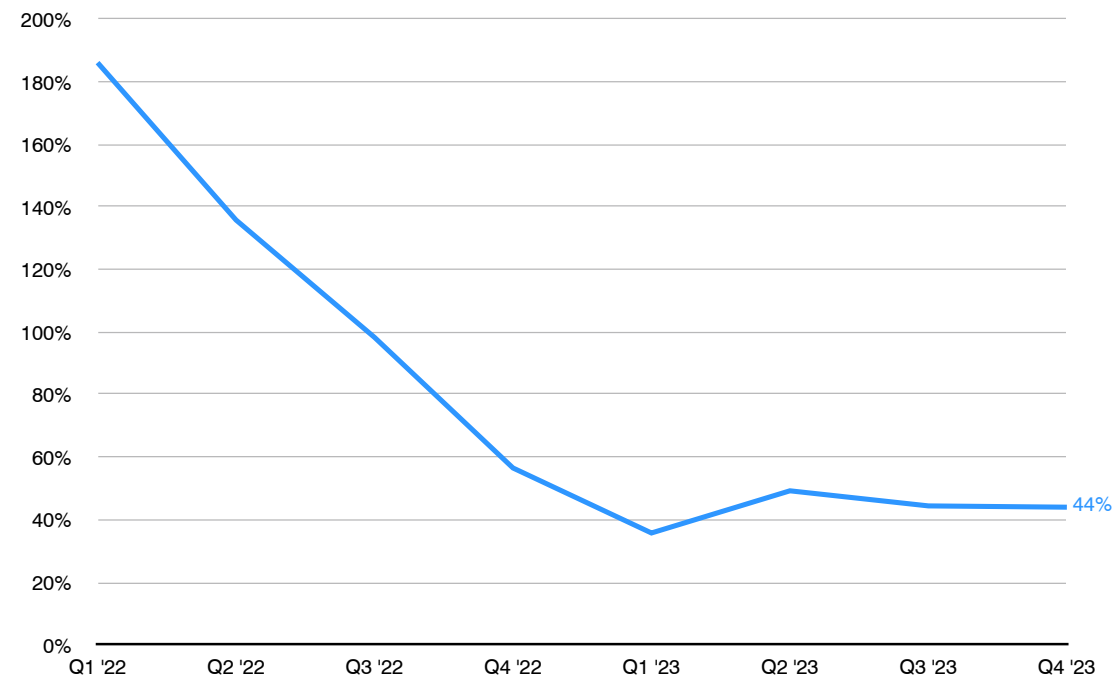
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EXPANDED FENWICK VENTURE CAPITAL BAROMETER™—DIRECTION OF PRICE CHANGES WITH POST-SERIES A FINANCINGS COMPARED TO THE COMPANIES' PREVIOUS ROUND

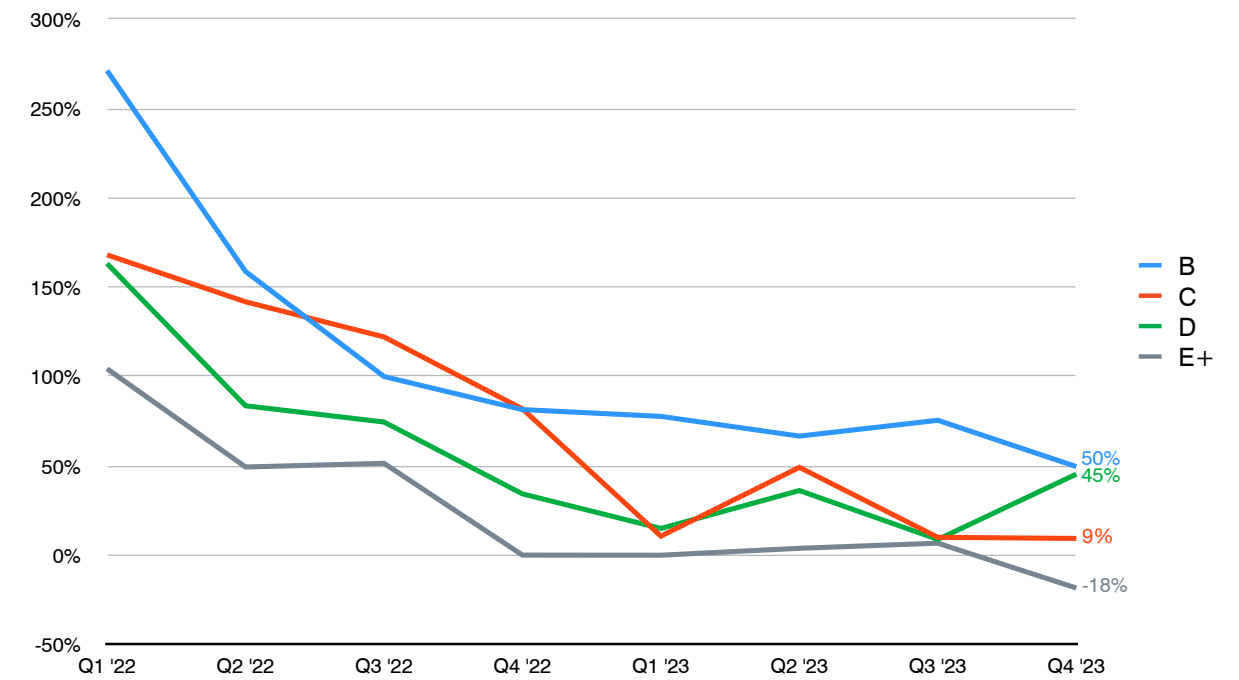


Median Percentage Price Change

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.



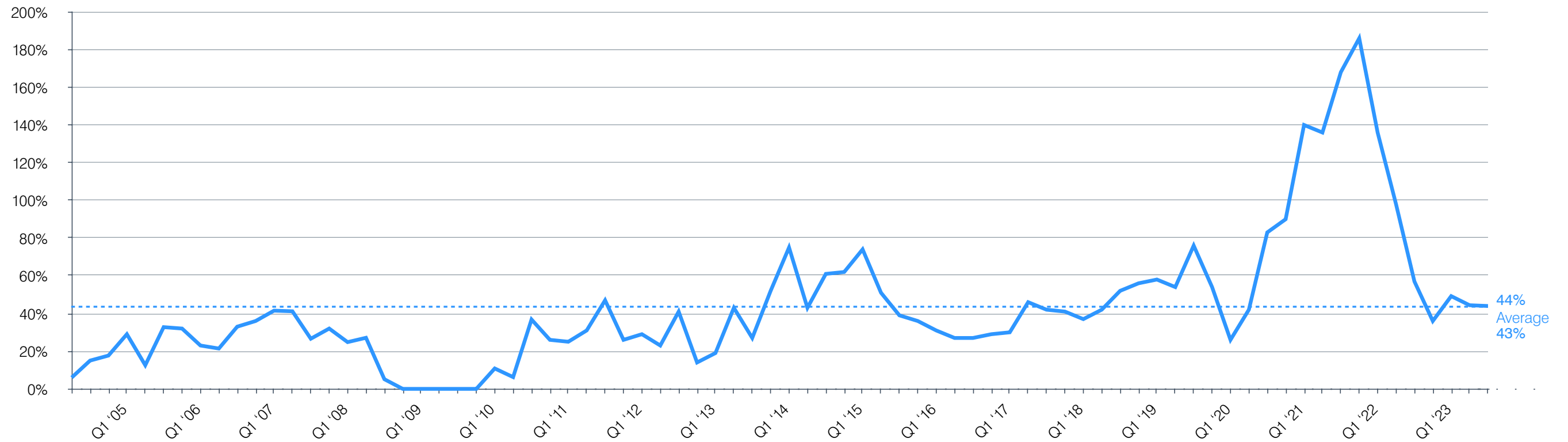
MEDIAN PRICE CHANGE RESULTS BY SERIES



Median Percentage Price Change

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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	77%	9%	14%	105%	50%	35
Hardware	55%	9%	36%	107%	1%	11
Life Sciences	65%	26%	9%	31%	25%	23
Internet/Digital Media	75%	8%	17%	78%	77%	12
Other	80%	10%	10%	140%	42%	10
Total, All Industries	71%	13%	15%	87%	44%	91

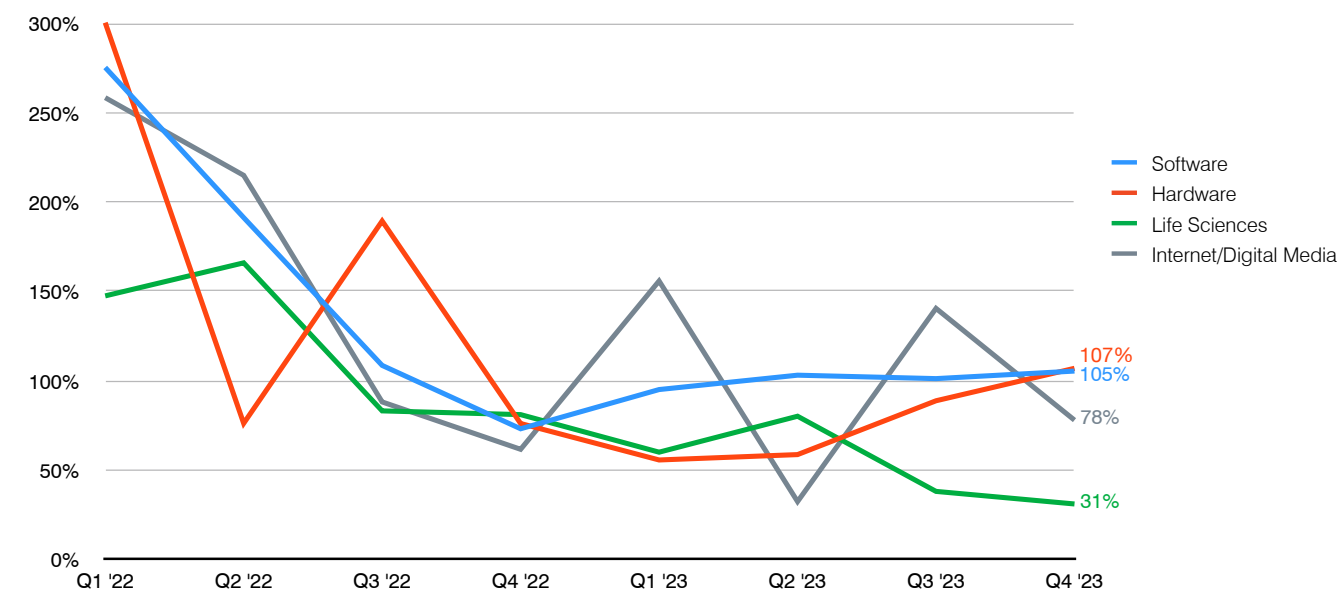
DOWN ROUND RESULTS BY INDUSTRY—PERCENT OF DOWN ROUNDS EACH QUARTER, BROKEN OUT BY INDUSTRY

Down Rounds	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23
Software	0%	5%	9%	4%	6%	7%	7%	9%
Hardware	0%	14%	9%	14%	0%	0%	27%	9%
Life Sciences	8%	0%	0%	15%	15%	8%	18%	26%
Internet/Digital Media	0%	0%	0%	14%	14%	40%	13%	8%
Other	0%	6%	0%	10%	25%	9%	14%	10%
Total, All Industries	1%	5%	6%	10%	9%	10%	13%	13%

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	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23
Software	275%	191%	109%	73%	95%	103%	101%	105%
Hardware	300%	76%	189%	76%	56%	59%	89%	107%
Life Sciences	147%	166%	83%	81%	60%	80%	38%	31%
Internet/Digital Media	258%	215%	88%	62%	156%	32%	140%	78%
Other	263%	143%	213%	161%	87%	87%	13%	140%
Total, All Industries	253%	174%	122%	87%	84%	85%	84%	87%

GRAPHICAL REPRESENTATION OF THE ABOVE DATA



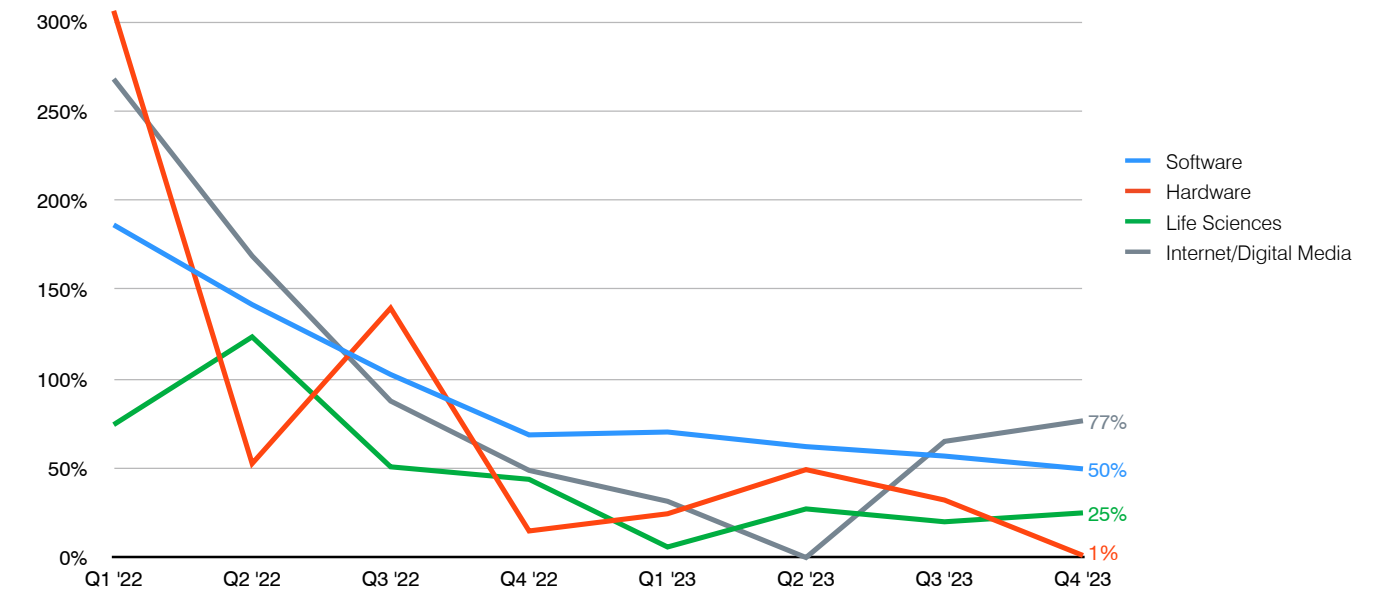
Industry Results

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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	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23	Q4 '23
Software	186%	142%	102%	69%	70%	62%	57%	50%
Hardware	306%	53%	140%	15%	24%	49%	32%	1%
Life Sciences	74%	123%	51%	44%	6%	27%	20%	25%
Internet/Digital Media	268%	169%	88%	49%	31%	0%	65%	77%
Other	123%	105%	174%	104%	61%	67%	8%	42%
Total, All Industries	186%	136%	98%	57%	36%	49%	44%	44%

GRAPHICAL REPRESENTATION OF THE DATA ON THE LEFT



Financing Rounds

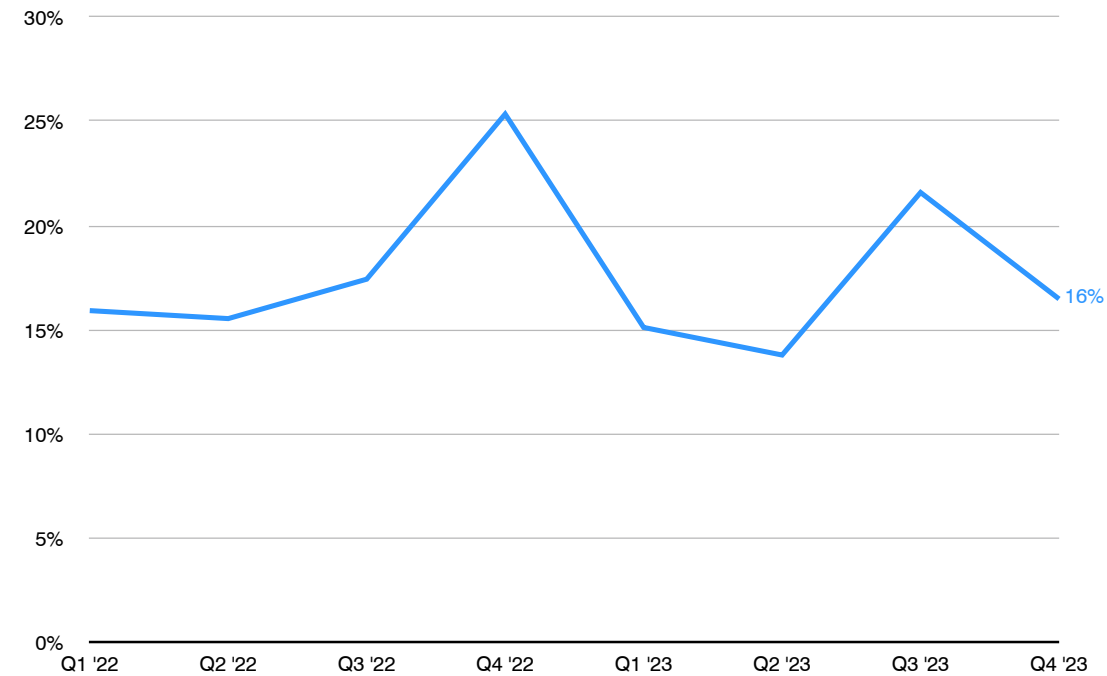
FINANCING ROUND—PERCENTAGE OF TOTAL FINANCINGS BROKEN DOWN BY SERIES

Series	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22	Q1 '23	Q2 '23	Q3 '23
Series A	28%	24%	44%	58%	51%	46%	53%	47%
Series B	30%	32%	28%	21%	32%	27%	25%	32%
Series C	22%	26%	15%	11%	10%	13%	13%	12%
Series D	8%	10%	7%	4%	3%	10%	4%	3%
Series E+	12%	8%	6%	6%	4%	4%	5%	6%

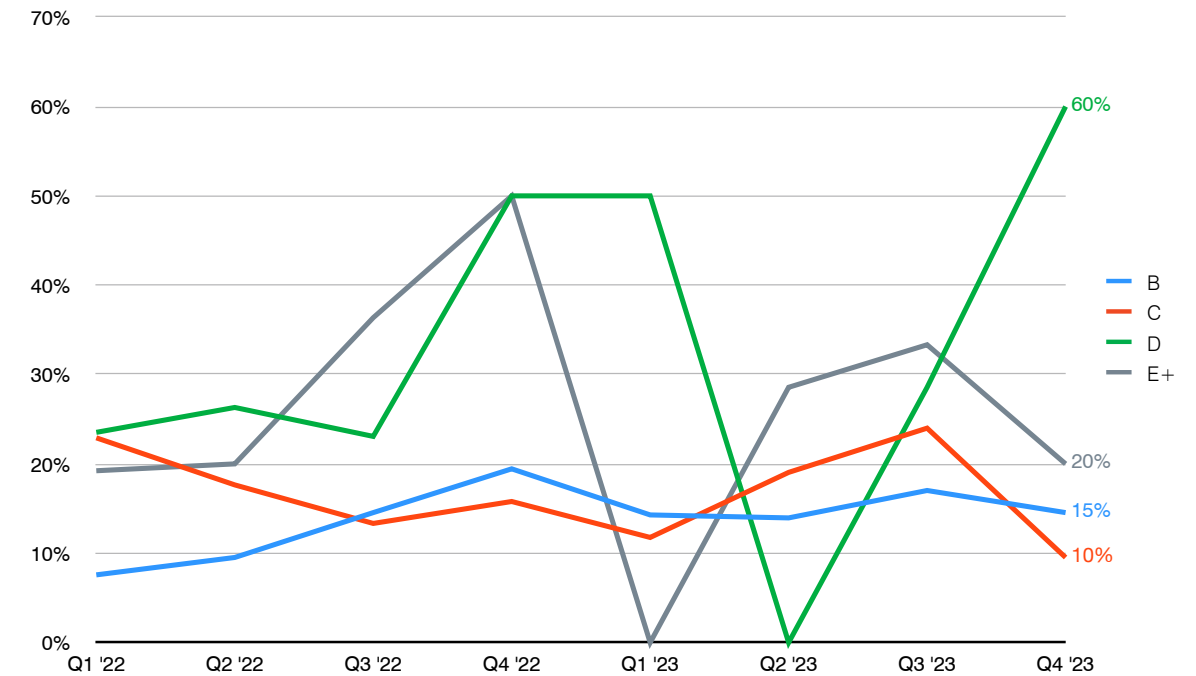
Fenwick Data on Legal Terms

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



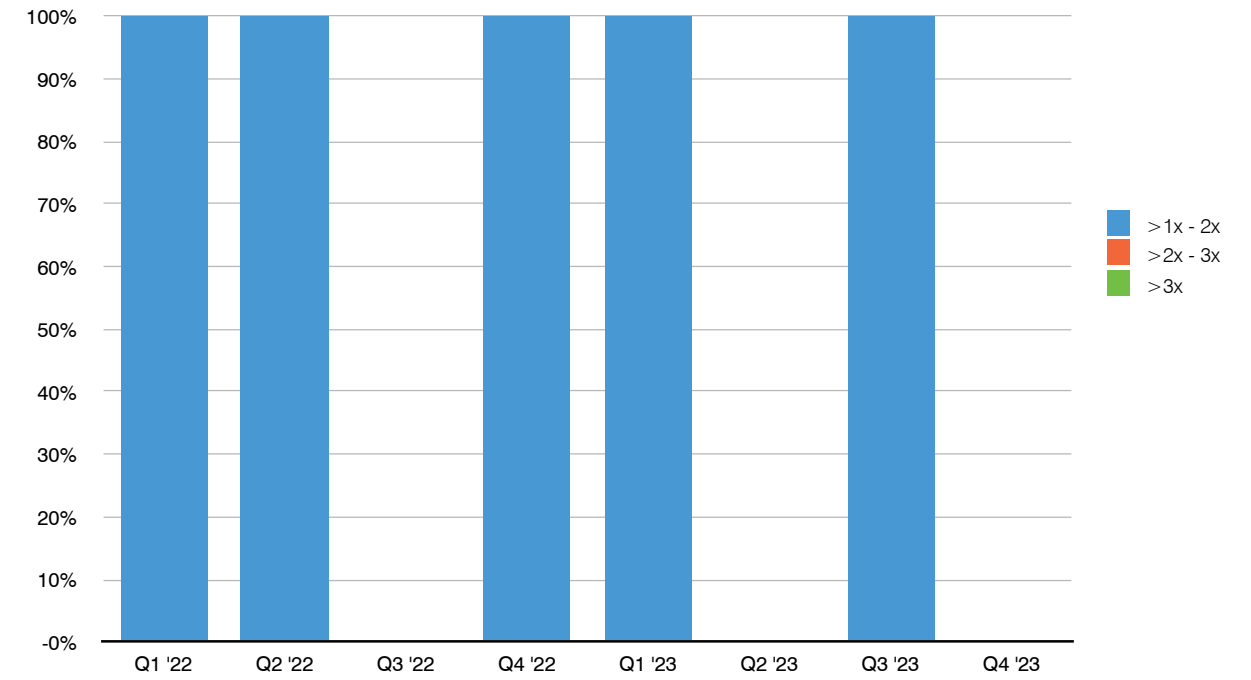
Liquidation

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



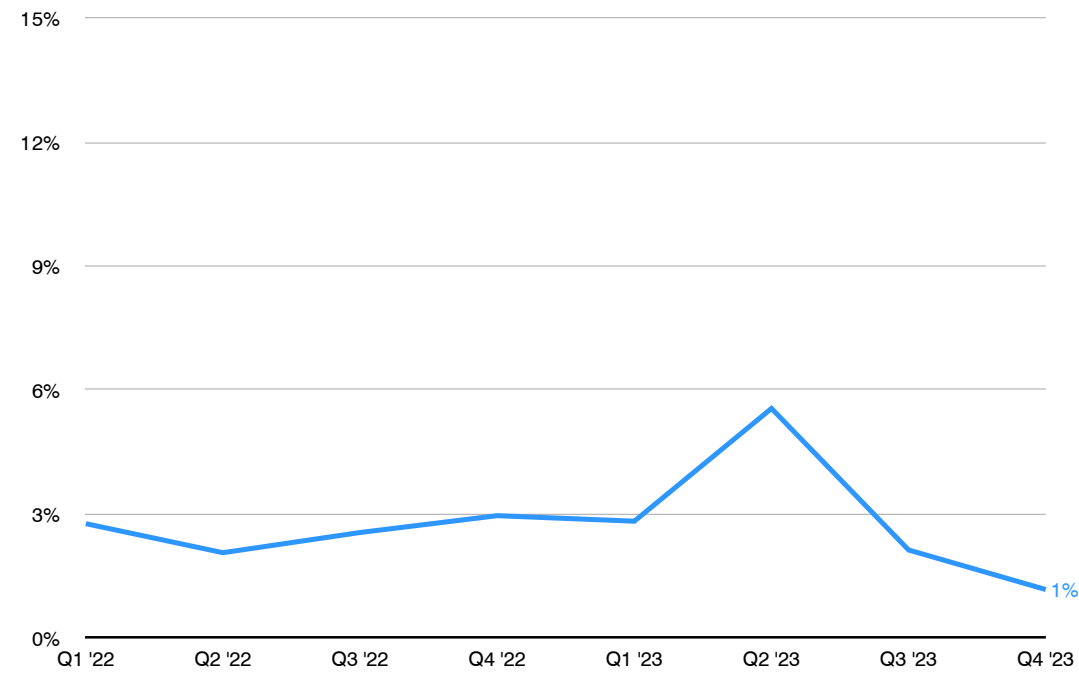
RANGE OF MULTIPLES—PERCENTAGE OF FINANCINGS WITH A SENIOR LIQUIDATION PREFERENCE THAT INCLUDED A MULTIPLE WITHIN THE SPECIFIED RANGE



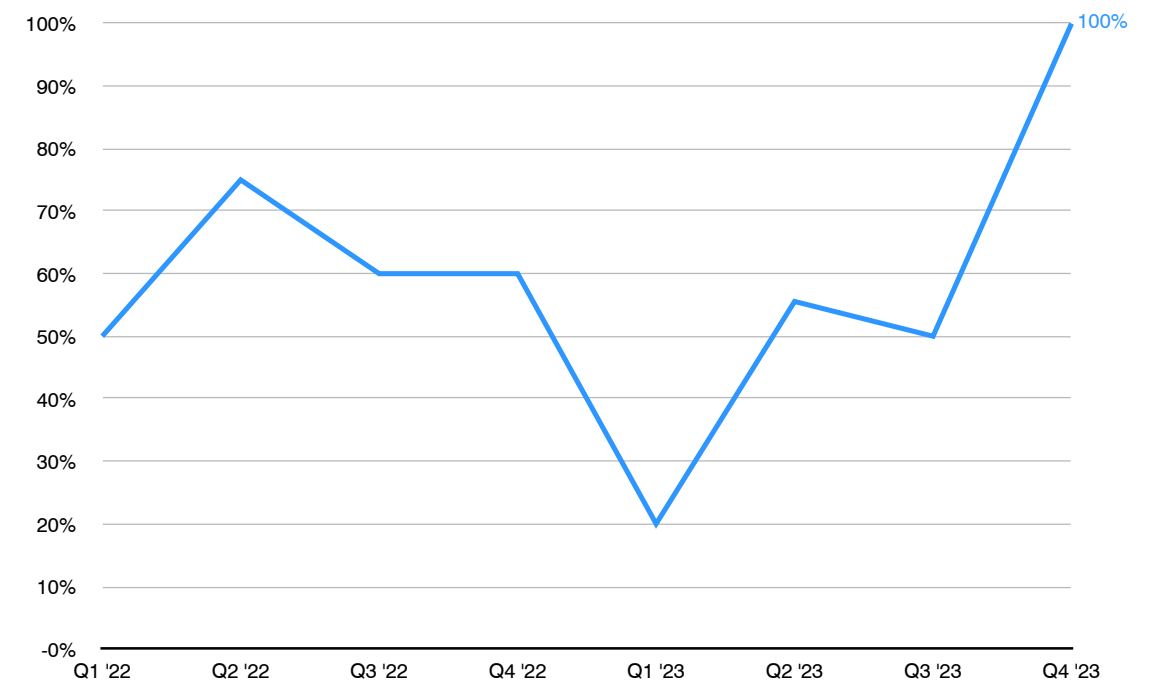
Liquidation

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

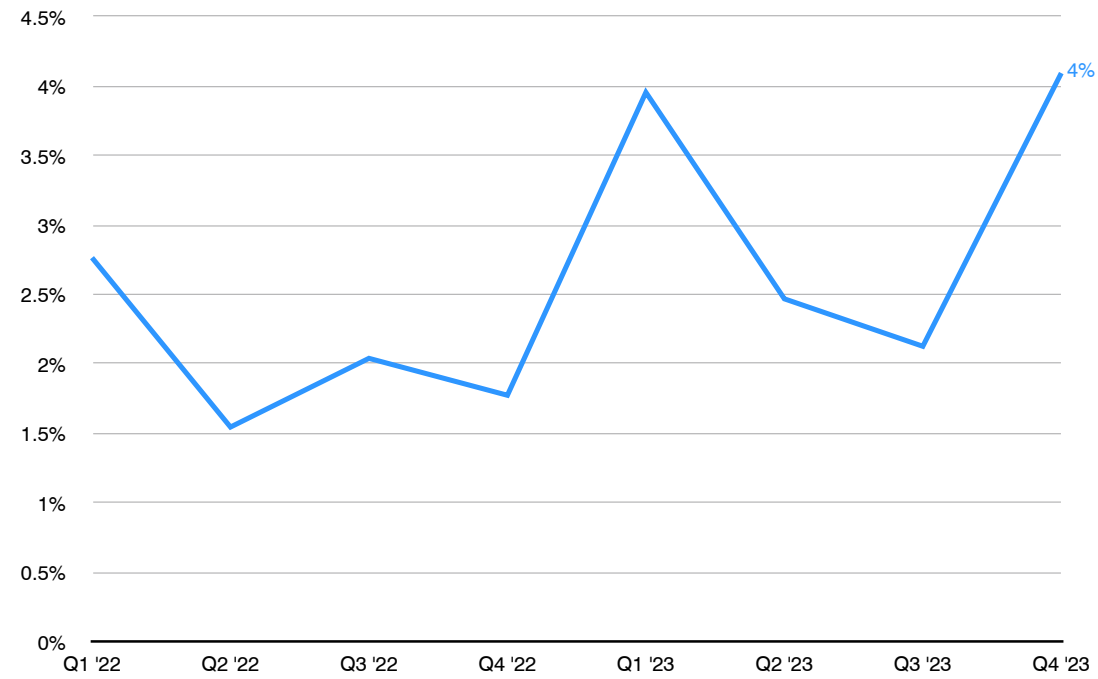


NO CAPPED PARTICIPATION IN LIQUIDATION—PERCENTAGE OF FINANCINGS THAT PROVIDED FOR PARTICIPATION IN LIQUIDATION THAT WERE NOT CAPPED (INCLUDES ALL SERIES A THROUGH E+)



Other Terms

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



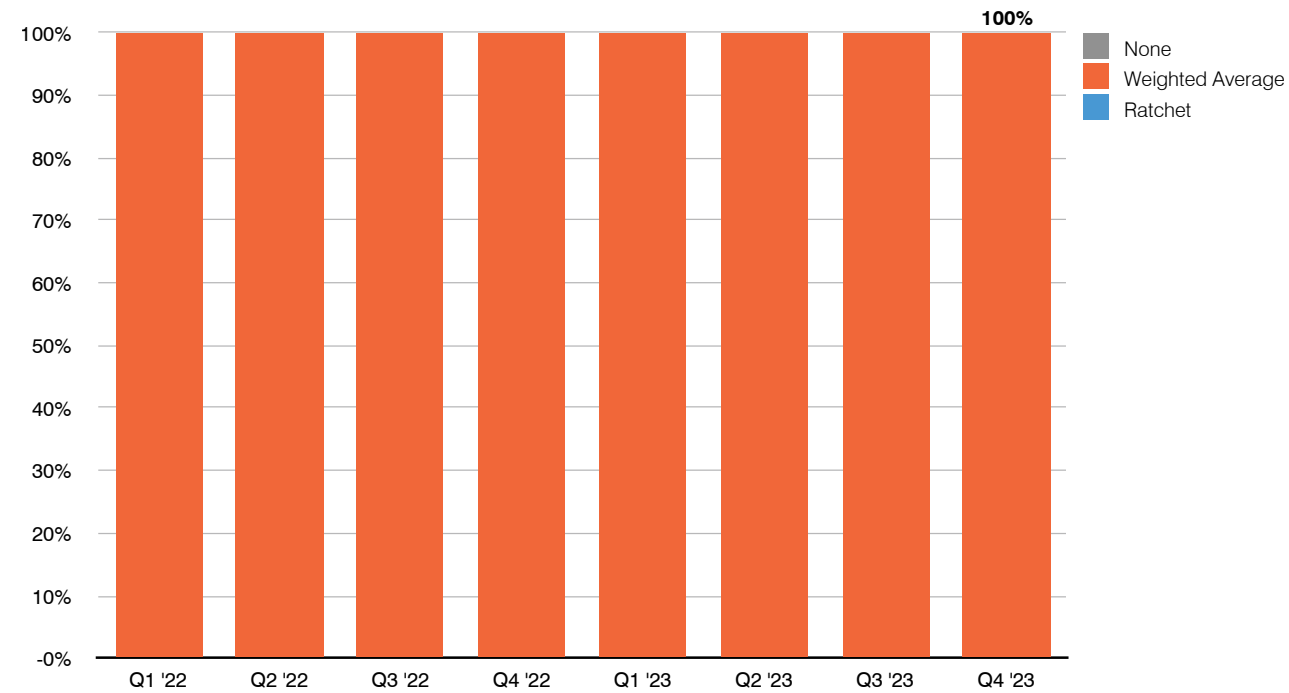
REDEMPTION—PERCENTAGE OF FINANCINGS THAT PROVIDED FOR MANDATORY REDEMPTION OR REDEMPTION AT THE OPTION OF THE INVESTOR (INCLUDES ALL ROUNDS SERIES A THROUGH E+)



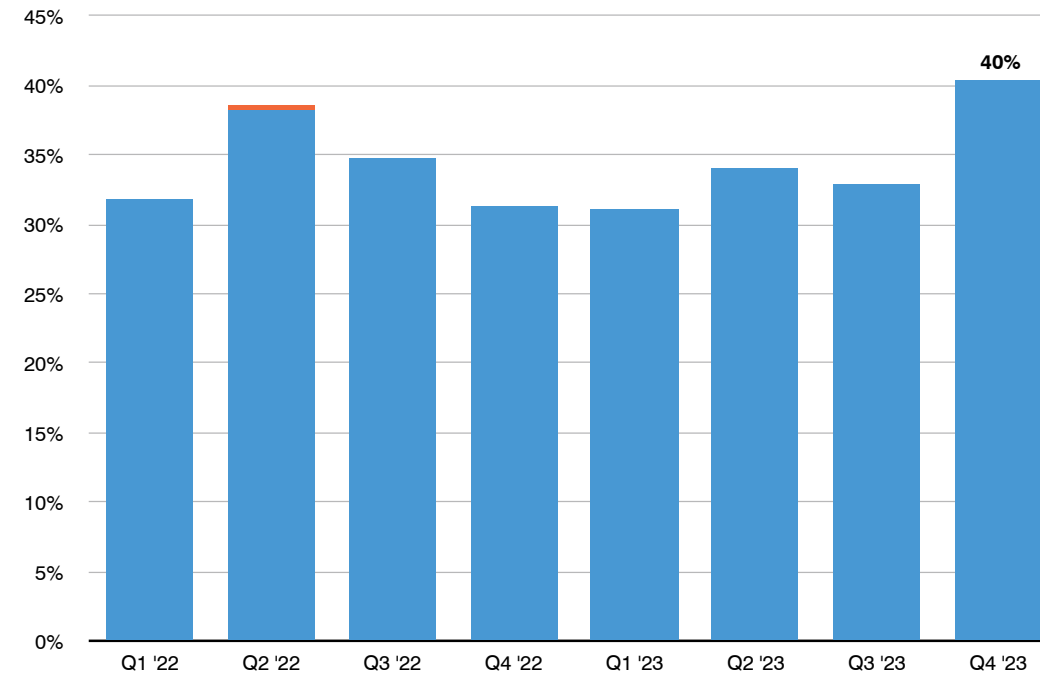
Other Terms

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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+)

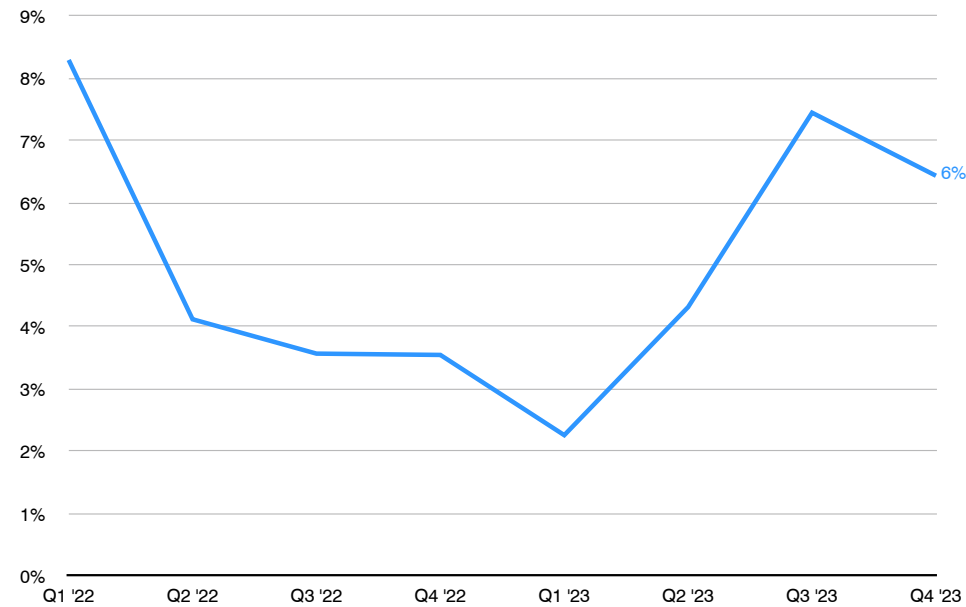


- Ratchet: Investors receive additional shares if IPO price is less than financing price or, in some cases, the financing price plus a premium
- Blocking Right: IPO price must be at least as high as financing price

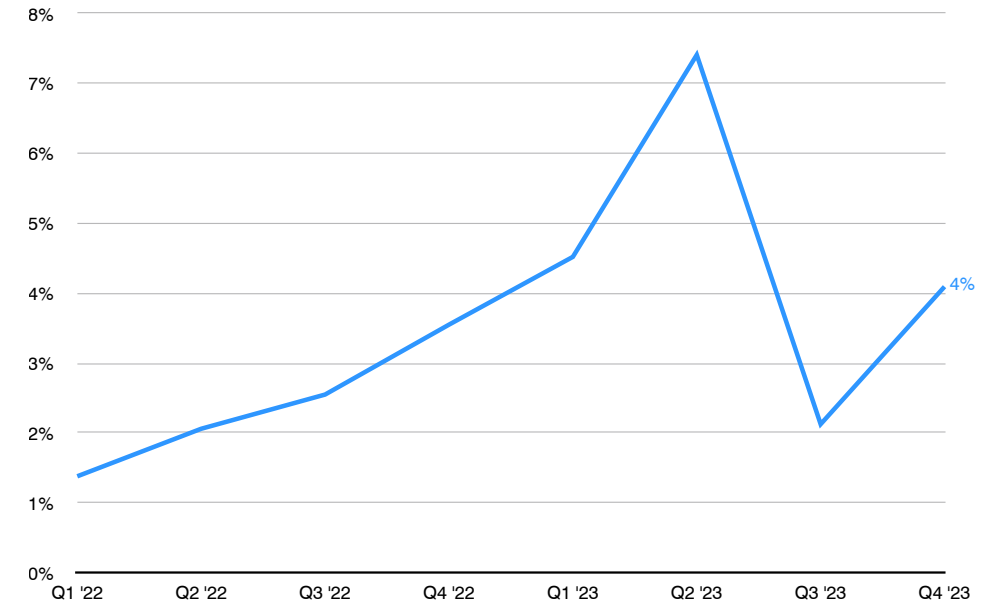
Other Terms

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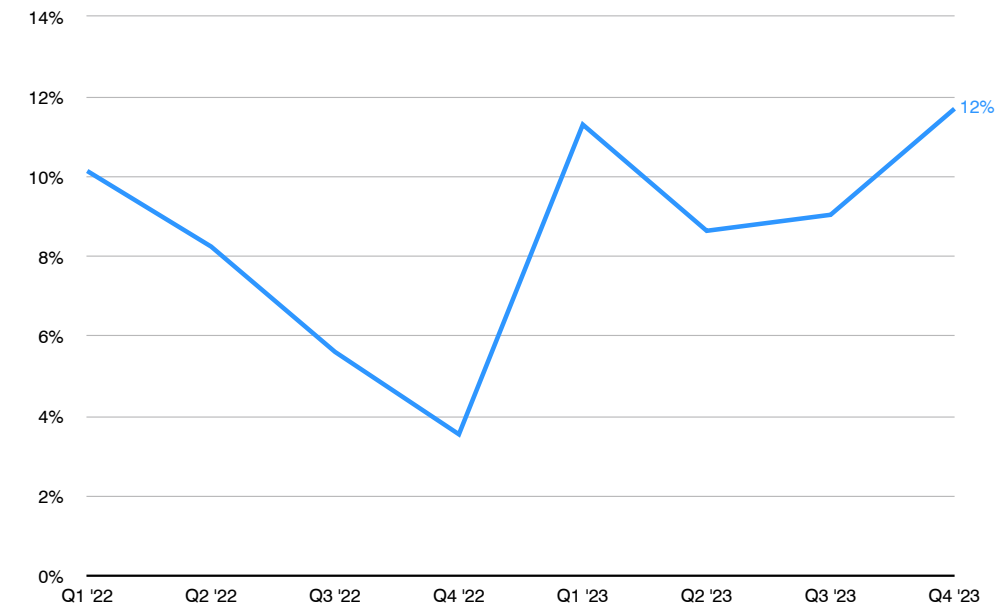
CORPORATE REORGANIZATION—PERCENTAGE OF FINANCINGS INVOLVING CORPORATE REORGANIZATION



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



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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

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 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

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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