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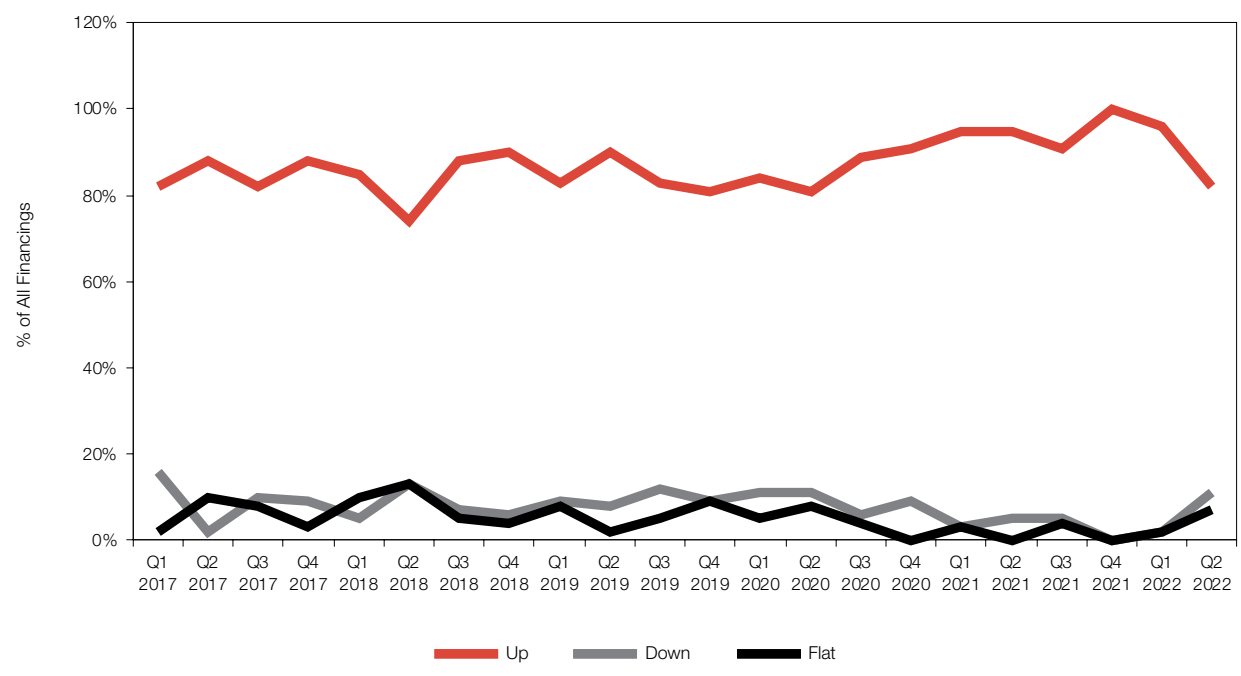
THE ENTREPRENEURS REPORT

PRIVATE COMPANY FINANCING TRENDS

1H 2022

From the Wilson Sonsini Database: Financing Trends for 1H 2022

Up and Down Rounds by Quarter



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The second quarter of 2022 revealed a more challenging venture capital market for Series B and later financings, resulting in a notable decrease in median pre-money valuations and amounts raised compared to Q1 2022. The decline in Series B and later pre-money valuations produced an uptick in down-round financings, which ended a record streak of six consecutive quarters with over 90% up rounds per quarter. Yet notwithstanding the difficulties faced by later-stage companies in fundraising, Series Seed and Series A rounds saw

impressive gains in both median pre-money valuations and amounts raised compared to the prior quarter—nearly reaching or surpassing the quarterly highs achieved in 2021.

In Q2 2022, the median amounts raised for both pre- and post-Seed bridge loans tumbled from the record highs reached in Q1 2022.

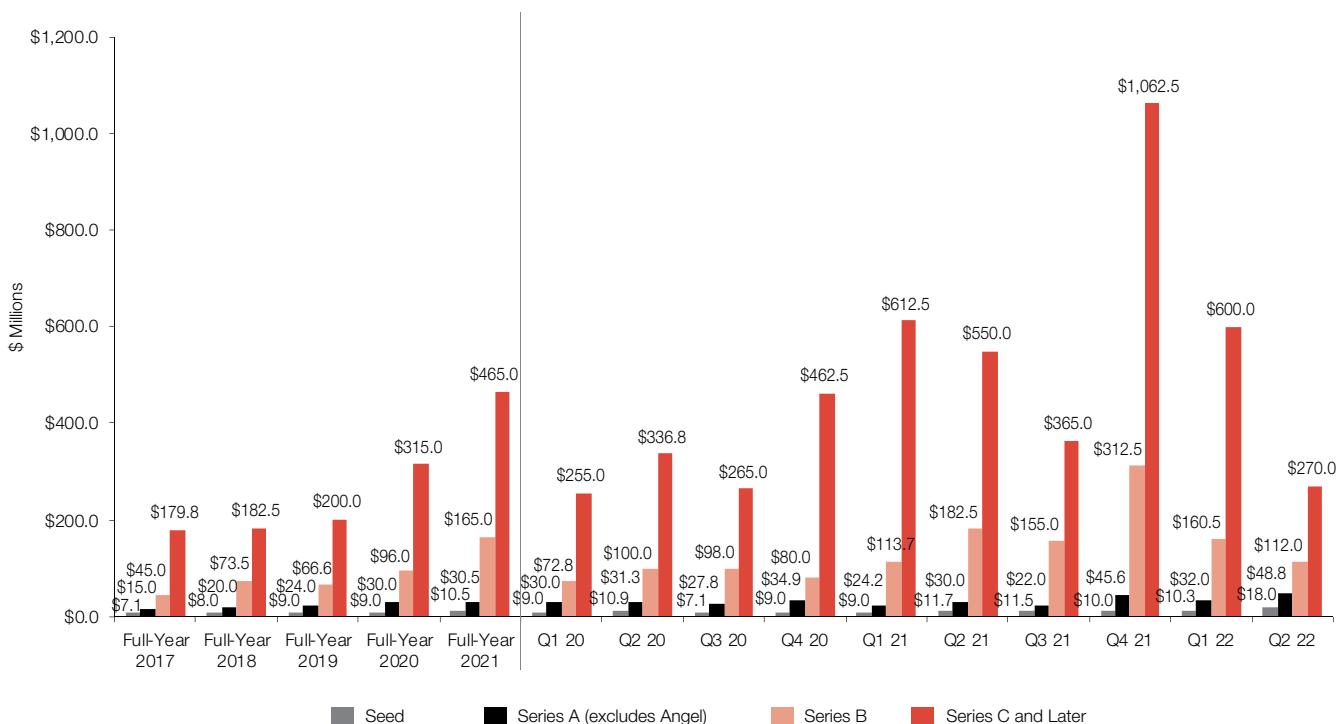
Up and Down Rounds

Eleven percent of Series B and later financings were down rounds in Q2

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Median Pre-Money Valuation



2022, which is the largest share of down rounds in a quarter since Q2 2020, the beginning of the COVID pandemic. The percentage of flat rounds also increased, from 2% in Q1 to 7% in Q2, leaving up-round financings at 82%—a notable decline from the prior two quarters, in which up rounds constituted 96% (Q1 2022) and 100% (Q4 2021) of all financings.

Valuations

Median pre-money valuations for early-stage financings reached all-time highs in Q2 2022. The median pre-money valuation for Series Seed financings reached a record high of \$18.0 million in Q2 2022, compared to \$10.3 million in

Q1 and \$10.5 million for full-year 2021. Series A median pre-money valuations also saw impressive gains, increasing from \$32.0 million in Q1 2022 to \$48.8 million in Q2, which surpassed the previous high of \$45.6 million in Q4 2021.

The Series B median pre-money valuation continued to decline from the high reached in Q4 2021 (\$312.5 million), dropping from \$160.5 million in Q1 2022 to \$112.0 million in Q2—similar to the Q1 2021 median of \$113.7 million.

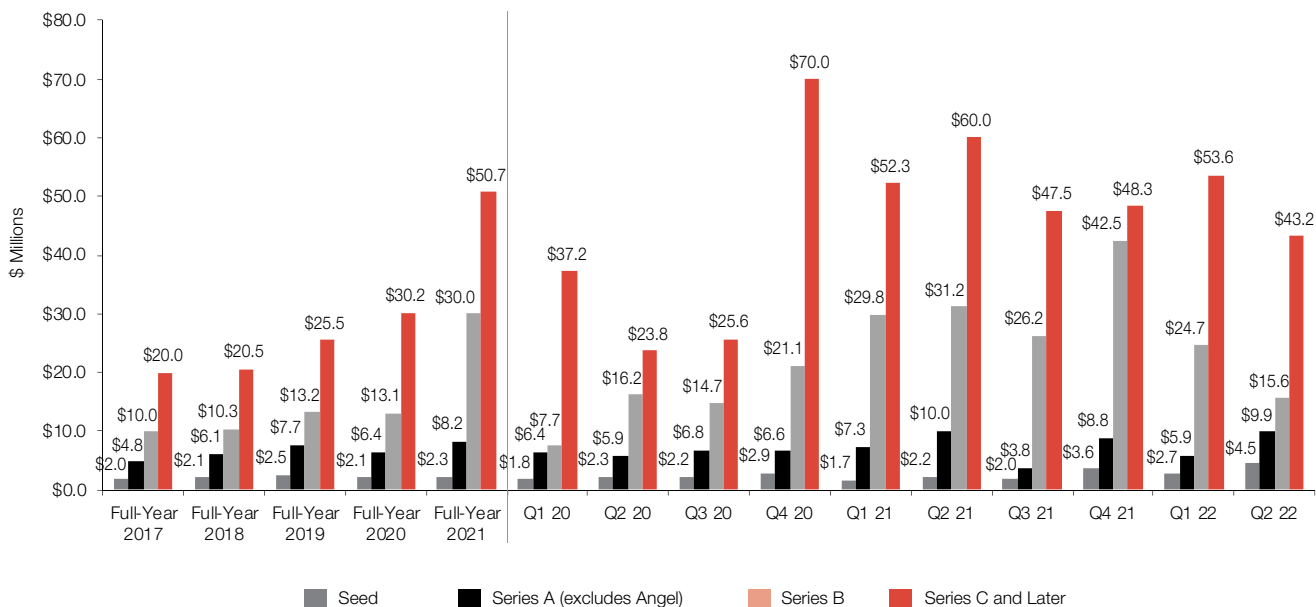
The Q2 2022 median pre-money valuation of Series C and later rounds followed a similar trend, landing at \$270.0 million, as compared to \$600.0

million in Q1 2022, a low not seen since Q3 2020 at \$265.0 million and nearly 75% below the high of over \$1 billion reached in Q4 2021. This decline was mirrored on the Nasdaq, which reported in its Second Quarter 2022 Review that in Q2 the Nasdaq 100 Index fell 30% below the all-time high reached in Q4 2021, and posted the worst first half in 20 years.

Amounts Raised

Similar to early-stage median pre-money valuations, early-stage median amounts raised increased from the prior quarter, but drifted downward for Series B and later rounds. The median amount raised for Series Seed financings increased from \$2.7 million in Q1 2022 to \$4.5 million in

Median Amount Raised - Equity Financings



Q2—the highest quarterly median in the last five years. The median amount raised for Series A financings also grew, from \$5.9 million in Q1 2022 to \$9.9 million in Q2 2022, nearly matching the previous high of \$10.0 million in Q2 2021.

In contrast, the median amount raised for Series B financings fell from \$24.7 million in Q1 2022 to \$15.6 million in Q2, a low not seen since Q3 2020 at \$14.7 million. Likewise, the median amount raised for Series C and later transactions decreased from \$53.6 million in Q1 2022 to \$43.2 million in Q2, landing between the 2020 and 2021 full-year medians of \$30.2 million and \$50.7 million, respectively.

Deal Terms - Preferred

Deal terms continued to be company-favorable in 1H 2022. Seventy-three percent of all post-Series A rounds had *pari passu* liquidation preferences in 1H 2022, similar to the 75% seen in 2021. The percentage of financings with non-participating preferred remained stable

at 91% in 1H 2022, as compared to 90% in 2021. Broad-based weighted average anti-dilution ticked up to 99% in 1H 2022, as compared to 97% in 2021. The inclusion of redemption provisions dipped slightly, from 10% in 2021 to 8% in 1H 2022.

Further detailed data on deal terms are set forth in the table on page 4. To see

how the terms tracked in the table can be used in the context of a financing, we encourage you to draft a term sheet using our automated [Term Sheet Generator](#), which is available in the Emerging Companies section of the firm's website, www.wsgr.com.

SAFE Financings

Raising money on Simple Agreements for Future Equity (SAFEs) is popular among emerging companies due to their simple, largely company-favorable terms. The median amount raised for SAFE financings continues to climb from 2021's \$1.03 million, increasing from \$2.00 million in Q1 2022 to \$2.60 million in Q2. In 1H 2022, 41% of SAFE financings included a discount, and the median discount was 20%. Ninety-five percent of SAFEs included a valuation cap, up from 86% in 2021, and the median valuation cap was \$20.0 million, which shows that SAFEs are being used primarily for early-stage financings. Thirty-six percent of SAFEs included both a valuation cap and a discount, and 32% of SAFEs that were issued used the "Most Favored Nations" form of SAFE, doubling from 2021's 15%, suggesting that an increasing number of investors anticipate that the early-stage landscape could become more investor-favorable in the coming year.

THE ENTREPRENEURS REPORT: PRIVATE COMPANY FINANCING TRENDS

Private Company Financing Deal Terms (Wilson Sonsini Deals)¹

	2017 All Rounds ²	2018 All Rounds ²	2019 All Rounds ²	2020 All Rounds ²	2021 All Rounds ²	1H 2022 All Rounds ²	2017 Up Rounds ³	2018 Up Rounds ³	2019 Up Rounds ³	2020 Up Rounds ³	2021 Up Rounds ³	1H 2022 Up Rounds ³	2017 Down Rounds ³	2018 Down Rounds ³	2019 Down Rounds ³	2020 Down Rounds ³	2021 Down Rounds ³	1H 2022 Down Rounds ³
Liquidation Preferences - Series B and Later																		
Senior	35%	31%	35%	35%	24%	27%	31%	28%	30%	32%	23%	23%	63%	36%	63%	56%	50%	75%
<i>Pari Passu</i> with Other Preferred	62%	69%	63%	63%	75%	73%	66%	72%	68%	67%	76%	77%	38%	64%	37%	44%	50%	25%
Junior	0%	0%	1%	0%	1%	0%	0%	0%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0%
Complex	3%	0%	2%	1%	0%	0%	4%	0%	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Participating vs. Non-participating																		
Participating - Cap	6%	5%	5%	4%	4%	1%	7%	5%	5%	6%	4%	1%	31%	7%	5%	0%	0%	0%
Participating - No Cap	10%	7%	10%	8%	6%	7%	11%	7%	12%	8%	7%	9%	19%	14%	32%	24%	0%	25%
Non-participating	84%	88%	85%	88%	90%	91%	82%	88%	83%	86%	89%	90%	50%	79%	63%	76%	100%	75%
Dividends																		
Yes, Cumulative	7%	7%	5%	10% ⁴	5%	6%	9%	9%	6%	10% ⁴	6%	6%	13%	23%	11%	25% ⁴	0%	0%
Yes, Non-cumulative	78%	61%	56%	79% ⁴	56%	56%	78%	62%	67%	83% ⁴	65%	62%	81%	69%	79%	69% ⁴	57%	100%
None	16%	32%	39%	10% ⁴	39%	38%	13%	29%	28%	7% ⁴	29%	32%	6%	8%	11%	6% ⁴	43%	0%
Anti-dilution Provisions																		
Weighted Average - Broad	94%	94%	94%	95%	97%	99%	96%	94%	99%	98%	98%	100%	100%	100%	89%	76%	100%	100%
Weighted Average - Narrow	2%	2%	0%	1%	1%	0%	1%	3%	0%	2%	1%	0%	0%	0%	5%	6%	0%	0%
Ratchet	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	1%	0%	0%	0%	5%	6%	0%	0%
Other (Including Blend)	1%	1%	1%	1%	0%	0%	1%	1%	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%
None	3%	3%	4%	2%	1%	1%	1%	2%	1%	0%	0%	0%	0%	0%	0%	12%	0%	0%
Pay to Play - Series B and Later																		
Applicable to This Financing	2%	4%	2%	3%	3%	3%	2%	1%	1%	3%	3%	1%	6%	0%	16%	6%	17%	25%
Applicable to Future Financings	0%	1%	1%	1%	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	6%	0%	0%
None	98%	95%	97%	93%	97%	97%	98%	97%	99%	97%	97%	99%	94%	100%	84%	88%	83%	75%
Redemption																		
Yes, Redemption	19%	9%	14%	13%	10%	8%	28%	13%	17%	10%	15%	15%	20%	14%	26%	25%	17%	0%
None	81%	91%	86%	88%	90%	92%	72%	87%	82%	90%	86%	85%	80%	86%	74%	75%	83%	100%

¹ We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding.² Includes flat rounds and, unless otherwise indicated, Series A rounds.³ Note that the All Rounds metrics include flat rounds and, in certain cases Series A financings as well. Consequently, metrics in the All Rounds column may be outside the ranges bounded by the Up Rounds and Down Rounds columns, which will not include such transactions.⁴ The 2020 increase in the number of transactions reported as including dividends resulted in part from a change to our reporting methodology.

THE ENTREPRENEURS REPORT: PRIVATE COMPANY FINANCING TRENDS

Bridge Loans

Median amounts raised decreased for both pre- and post-Seed bridge loans in Q2 2022. The median amount raised in pre-Seed bridge loans declined from \$2.75 million in Q1 2022 to \$1.51 million in Q2. The median amount raised for post-Seed bridge loans also decreased, from \$4.00 million in Q1 2022 to \$1.50 million in Q2.

Deal Terms – Bridge Loans

Pre-Seed bridge loans had shorter maturity periods in 1H 2022, with 50% having maturity periods of less than 12

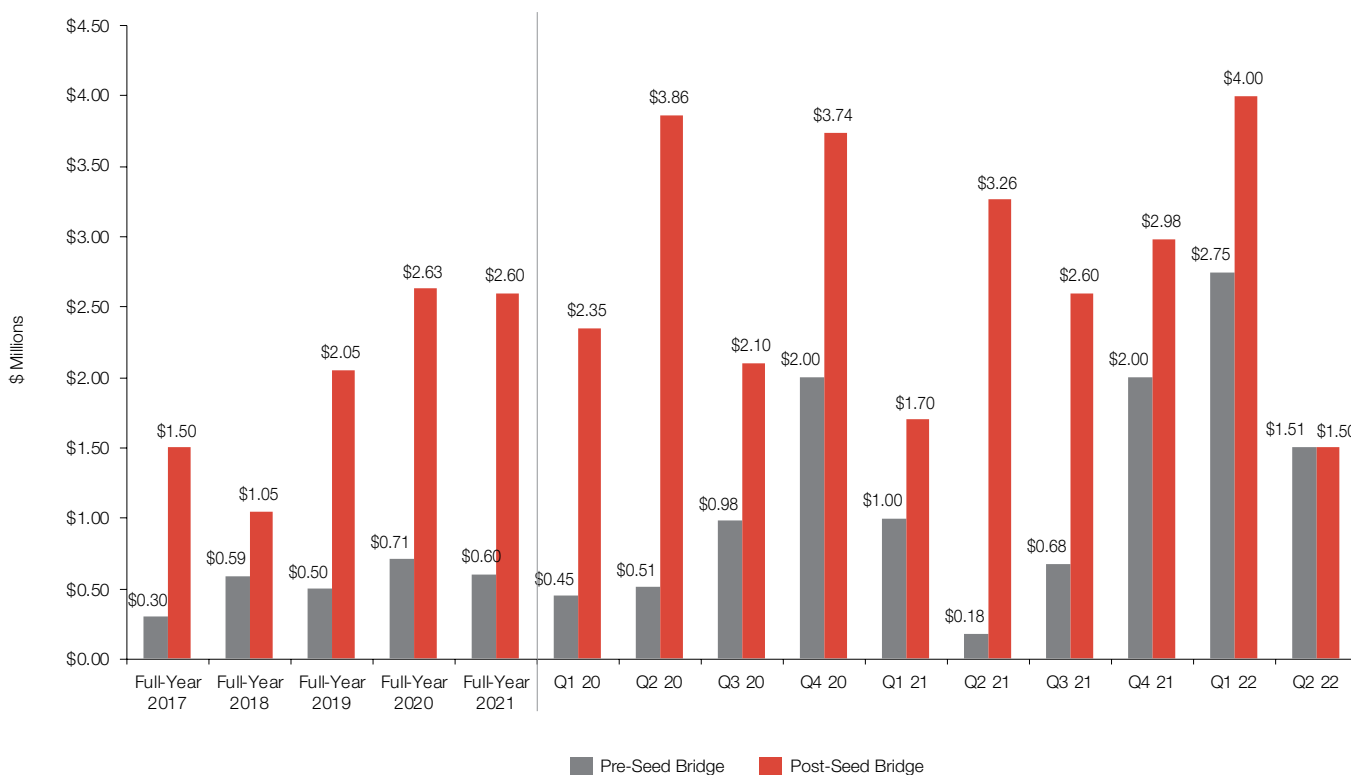
months, up from 14% in 2021. Interest rates ticked up, with 33% of bridges having interest rates at 8% or higher, compared to 10% in 2021. Thirty-three percent of the pre-Seed loans that closed in 1H 2022 offer discounts on conversion to equity, a sharp decline from 75% in 2021.

The percentage of 1H 2022 post-Seed bridge loans with maturity periods of more than 12 months increased from 58% in 2021 to 69% in 1H 2022, with 84% of loans having interest rates less than 8% in 1H 2022, as compared to 69% in 2021. The percentage of post-Seed

bridge loans subordinated to other debt decreased slightly, from 48% in 2021 to 45% in 1H 2022. The percentage of post-Seed bridge loans subject to a price cap fell significantly, from 52% in 2021 to 24% in 1H 2022.

Seventy-nine percent of post-Seed bridge loans closed in 1H 2022 are convertible to equity at discounted prices, up from 70% in 2021, but the number of such convertible loans receiving a discount rate of 20% or more on conversion decreased slightly, from 79% in 2021 to 74% in 1H 2022.

Median Amount Raised – Bridge Loans



THE ENTREPRENEURS REPORT: PRIVATE COMPANY FINANCING TRENDS

Bridge Loans - Deal Terms (Wilson Sonsini Deals)¹

Bridge Loans	2017 Pre-Seed	2018 Pre-Seed	2019 Pre-Seed	2020 Pre-Seed	2021 Pre-Seed	1H 2022 Pre-Seed	2017 Post-Seed	2018 Post-Seed	2019 Post-Seed	2020 Post-Seed	2021 Post-Seed	1H 2022 Post-Seed
Interest rate less than 8%	75%	67%	87%	85%	90%	67%	56%	65%	70%	54%	69%	84%
Interest rate at 8%	17%	22%	4%	11%	5%	33%	27%	25%	22%	30%	24%	4%
Interest rate greater than 8%	8%	11%	9%	4%	5%	0%	17%	10%	8%	16%	7%	12%
Maturity less than 12 months	22%	21%	13%	11%	14%	50%	41%	21%	26%	27%	25%	27%
Maturity at 12 months	8%	13%	9%	11%	5%	0%	19%	26%	14%	13%	18%	4%
Maturity more than 12 months	69%	67%	78%	79%	81%	50%	41%	53%	60%	60%	58%	69%
Debt is subordinated to other debt	28%	23%	27%	13%	14%	25%	33%	47%	49%	46%	48%	45%
Loan includes warrants ²	0%	4%	2%	4%	0%	0%	16%	18%	8%	12%	6%	19%
Warrant coverage less than 25%	N/A	0%	100%	100%	N/A	N/A	43%	33%	80%	67%	0%	33%
Warrant coverage at 25%	N/A	0%	0%	0%	N/A	N/A	14%	11%	0%	0%	0%	0%
Warrant coverage greater than 25%	N/A	100%	0%	0%	N/A	N/A	43%	56%	20%	33%	100%	67%
Automatic conversion into equity on qualified financing ³	94%	98%	100%	100%	100%	100%	93%	96%	96%	92%	96%	100%
Voluntary conversion into equity on qualified financing ³	6%	2%	0%	0%	0%	0%	7%	4%	4%	8%	4%	0%
Conversion rate subject to price cap ⁴	74%	69%	69%	68%	71%	100%	34%	25%	51%	36%	52%	24%
Conversion to equity at discounted price ⁵	89%	83%	68%	78%	75%	33%	76%	85%	81%	79%	70%	79%
Discount on conversion less than 20%	16%	23%	18%	11%	20%	0%	20%	20%	27%	25%	21%	26%
Discount on conversion at 20%	74%	60%	63%	69%	60%	100%	50%	48%	57%	46%	63%	32%
Discount on conversion greater than 20%	10%	17%	18%	20%	20%	0%	30%	33%	16%	29%	16%	42%
Conversion to equity at same price as other investors	3%	14%	12%	13%	15%	67%	24%	6%	11%	17%	25%	21%

¹ We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding.

² Of the 2017 post-Seed bridges with warrants, 60% also had a discount on conversion into equity. Of the 2018 post-Seed bridges with warrants, 45% also had a discount on conversion into equity. Of the 2019 post-Seed bridges with warrants, 71% also had a discount on conversion into equity. Of the 2020 post-Seed bridges with warrants, 44% also had a discount on conversion into equity. Of the 2021 post-Seed bridges with warrants, 100% also had a discount on conversion into equity. Of the 1H 2022 post-Seed bridges with warrants, 20% also had a discount on conversion into equity.

³ The 2017 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$2M and \$10M, respectively. The 2018 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$3M and \$5M, respectively. The 2019 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$4M and \$8M, respectively. The 2020 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$3M and \$10M, respectively. The 2021 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$4M and \$10M, respectively. The 1H 2022 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$10M and \$15M, respectively.

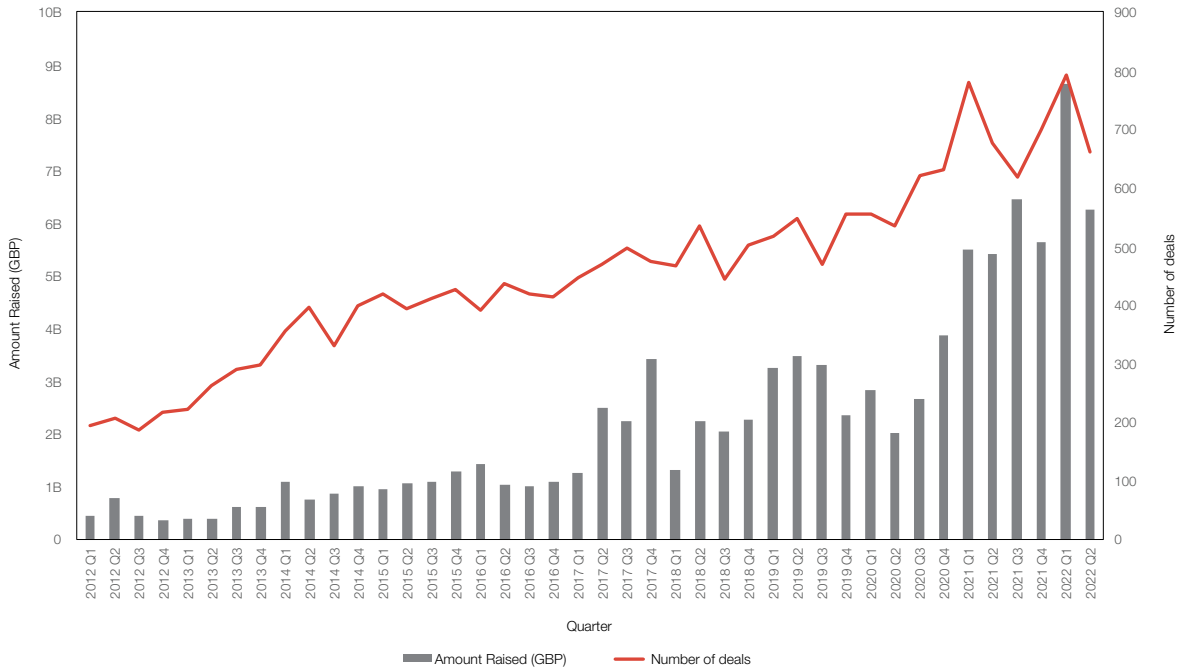
⁴ The 2017 median price cap in pre- and post-Seed bridges was \$10M and \$25M, respectively. The 2018 median price cap in pre- and post-Seed bridges was \$8M and \$40M, respectively. The 2019 median price cap in pre- and post-Seed bridges was \$9M and \$35M, respectively. The 2020 median price cap in pre- and post-Seed bridges was \$8M and \$47M, respectively. The 2021 median price cap in pre- and post-Seed bridges was \$12M and \$47M, respectively. The 1H 2022 median price cap in pre- and post-Seed bridges was \$35M of the purchase price and \$73M, respectively.

⁵ Of the 2017 post-Seed bridges that had a discount on conversion into equity, 13% also had warrants. Of the 2018 post-Seed bridges that had a discount on conversion into equity, 11% also had warrants. Of the 2019 post-Seed bridges that had a discount on conversion into equity, 7% had warrants. Of the 2020 post-Seed bridges that had a discount on conversion into equity, 7% had warrants. Of the 2021 post-Seed bridges that had a discount on conversion into equity, 3% had warrants. Of the 1H 2022 post-Seed bridges that had a discount on conversion into equity, 5% had warrants.

Beauhurst

UK Equity Market Update, H1 2022

Number of Deals and Amount Raised



Record Amounts Raised by High-Growth UK Companies

H1 2022 saw a record £14.9B invested into high-growth companies in the UK across 1,456 announced equity rounds. The number of deals was up 10% over the previous half (1,319) and just shy of the record set in H1 2021 (1,460). Meanwhile, deal value was up 23% from H2 2021 (£12.1B) and up 37% from H1 2021 (£10.9B). Much of this increase has come from a handful of very large deals: 62 megadeals (equity investments worth £50M+) were announced in H1, of which 29 were gigadeals worth £100M+.

Investment activity was weighted toward the beginning of the year, with Q1 2022 seeing more deals and more pounds

invested than any other quarter to date. A massive £8.64B was deployed in Q1 across 793 rounds, compared to £6.25B in Q2 across 663 rounds.

First-Time Fundraisings on the Upswing

First-time fundraisings are a good indicator of the overall health of the high-growth ecosystem. So, after a six-year decline in the rate of first-time deals being completed in the UK, we were delighted to see a huge uptick in H1 of last year. The number of companies securing their first-ever equity round reached record levels (445), likely resulting from the delayed completion of deals halted by COVID-19 and increased investor risk appetite.

After a drop-off in H2 2021 (362), it seems first-time fundraisings are rising once again. H1 2022 saw 394 first-time deals—up 9% from the previous half—worth £1.1B in total equity funding for UK start-ups. We hope to see this upward trajectory continue over the next few years, as early-stage investment rounds are crucial for nurturing the next generation of innovative businesses in the UK.

Angel Investment Activity Reaches New Heights

Once again, private equity and venture capital firms were by far the most active investors in high-growth UK companies. They participated in 730 announced equity rounds in H1 2022, accounting for 50% of deals. The next

THE ENTREPRENEURS REPORT: PRIVATE COMPANY FINANCING TRENDS

most common investor type was angels, with individual business angels participating in a record 353 deals during the half, while angel networks participated in 156.

Meanwhile, crowdfunding also remains an important part of the UK's equity funding landscape, with 281 rounds facilitated by crowdfunding platforms in H1—primarily Seedrs and Crowdcube. The only major fund type not to see an increase in activity during the half was corporates, which participated in 147 deals in total.

Regional Disparities Deepen

Several regions secured record deal numbers during the half, including London (753), the South West (81),

the North East (52), and Yorkshire and The Humber (52). A massive 52% of the equity deals announced in H1 went to London-based companies—the largest proportion on record. These fundraisings accounted for 68% of all pounds invested, with three in four megadeals going to the capital. At the other end of the scale, Northern Irish companies raised the smallest proportion of deals during the half, with just 1%.

Fintech Remains the UK's Top-Performing Sector

Fintech has held onto its crown as the UK's top high-growth tech sector, with 172 announced equity investments in H1. In second place was artificial intelligence, which secured a record 162

deals during the half. These two sectors have consistently outperformed other high-growth sectors in recent years, including the likes of digital security and life sciences. The UK's cleantech sector is edging closer to the top spot, however, with an impressive 140 deals announced in H1. And in terms of deal value, cleantech companies secured a massive 18p of every £1 invested this year—up 167% from H2 2021.

Looking to the Future

We remain cautiously optimistic for the year ahead, as the UK's most ambitious start-ups and scaleups seem to be faring well against macroeconomic headwinds so far—with more capital being deployed than ever before.

About Beauhurst

Beauhurst is a searchable database of the UK's high-growth companies. We report on all equity fundraisings in the United Kingdom, both those announced in the press and those that go unannounced. Alongside this, we track all grants awarded to UK companies, as well as their financial accounts, key people, accelerator attendances, university spinout events, management buy-ins, and more. Through this private research and data curation, we have built a database of more than 45,000 high-growth private companies in the UK, many of which are solving global problems and pioneering new technology.

www.beauhurst.com

Venture Finance Trends with Wilson Sonsini and Nasdaq Entrepreneurial Center

Every quarter, Wilson Sonsini joins the Nasdaq Entrepreneurial Center and special guests for a virtual event titled “Venture Finance Trends.” The event provides insight into the venture financing outcomes discussed in the latest edition of *The Entrepreneurs Report*. Our experts share details directly from the publication and discuss what the numbers mean for the year ahead.

For more information and to register for upcoming sessions, please visit <https://thecenter.nasdaq.org/>.

Wilson Sonsini Methodology

- The Up/Down/Flat analysis is based on Wilson Sonsini deals having an initial closing in the period reported to ensure that the data clearly reflects current trends.
- The median pre-money valuation is calculated based on the pre-money valuation given at the time of the initial closing of the round. If the issuer has a closing in a subsequent quarter, the original pre-money valuation is used in the calculation of the median for that quarter as well.
- A substantial percentage of deals have multiple closings that span fiscal quarters. The median amount raised is calculated based on the aggregate amount raised in the reported quarter.

This report is based on detailed deal data provided by the firm’s corporate and securities attorneys and analyzed by the firm’s Knowledge Management department.

For purposes of the statistics and charts in this report, our database includes venture financing transactions in which Wilson Sonsini Goodrich & Rosati represented either the company or one or more of the investors.



If you’re a founder, entrepreneur, or venture capitalist, be sure to check out our digital hub for unparalleled access to a wide range of free legal resources, tools, and insights—including an [FAQ](#) section for founders!

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Wilson Sonsini has 18 offices in technology and business hubs worldwide. For more information, visit wsgr.com/offices.

For more information on the current venture capital climate, please contact any member of Wilson Sonsini Goodrich & Rosati’s emerging companies practice. To learn more about Wilson Sonsini’s full suite of services for entrepreneurs and early-stage companies, please visit the emerging companies section of wsgr.com.

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