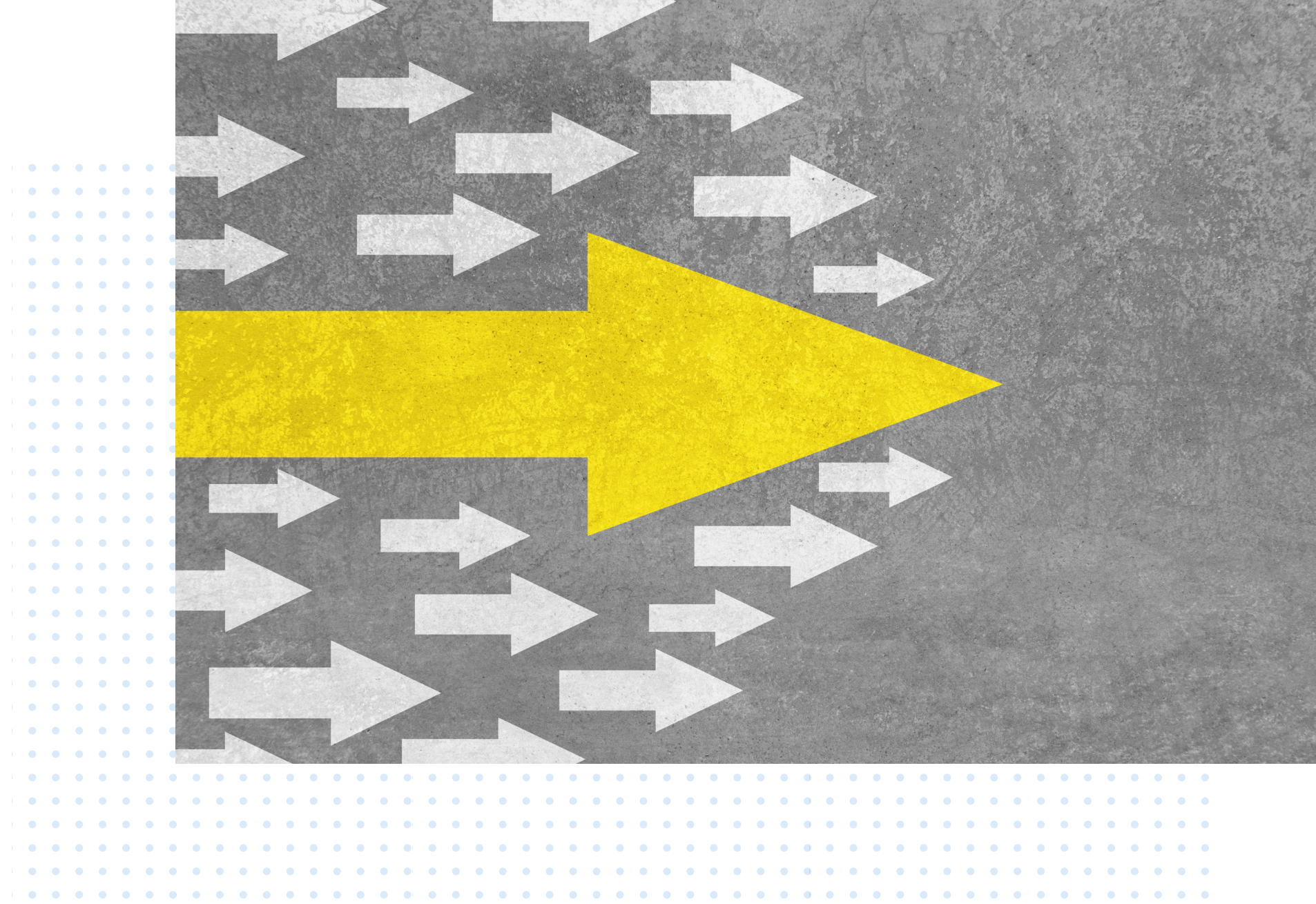


**FENWICK**



# Silicon Valley Venture Capital Survey

Third Quarter 2022

# Silicon Valley Venture Capital Survey – Third Quarter 2022

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## Background

Our survey analyzed the terms of 196 venture financings closed in the third quarter of 2022 by companies headquartered in Silicon Valley.

## Summary

The number of venture financings in Silicon Valley remained stable from Q2 to Q3, with a notable shift in financings by series, including a solid uptick in Series A financings in Q3.

Several metrics were relatively unchanged quarter to quarter, an exception being the marked drop across all series in the average price-per-share increase for companies raising funds in Q3 versus their prior financing round.

Historically speaking, part of the downward trend we see for 2022 is a return to normal from a spike in 2021. For example, our Fenwick Venture Capital Barometer™, which measures the direction of share price changes with post-Series A financings compared to the companies' previous round, showed an average share price increase of 122% in Q3 versus 174% in Q2. While this reflects a notable drop quarter to quarter, in the last five years (Q4 2017 through Q3 2022), the average share price increase among companies we track is 119%.

## Key Findings

### ***Uptick in Series A Financings Keeps Overall Number of Financings Steady from Q2***

- There were 196 venture financings among Silicon Valley companies in Q3, compared to 194 in Q2.
- There was a substantial uptick in Series A financings—from 46 in Q2 to 87 in Q3 (an 89% increase).
- The number of financings across Series B, C, D and E+ were down from Q2. The largest drop was in Series C financings, from 53 to 30—down 41%.

- This is a notable change from the first half of 2022, when from Q1 to Q2 there was an increase in Series C and D financings.

### ***Round-to-Round Price Changes Remained Consistent from Q2***

- Six percent of financings in Q3 were down rounds, 3% were up and 92% were even—consistent with Q2.
- Broken out by series, Series D down rounds experienced the biggest change, increasing from 0% of down rounds in Q2 to 8% in Q3.
- There have been no down rounds in 2022 for Series E or higher financings, among the companies we analyzed. This does not account for other mechanisms that could be used to effectively lower the valuation, such as the issuance of warrants.

### ***Price Changes Showed Marked Drop in Q3 from Prior Two Quarters***

- The median percentage share price increase across all rounds of financing showed a pullback from Q2 to Q3, from 136% to 98%—a 28% drop. Year to date, through Q3, the median percentage price increase has experienced a 47% drop.

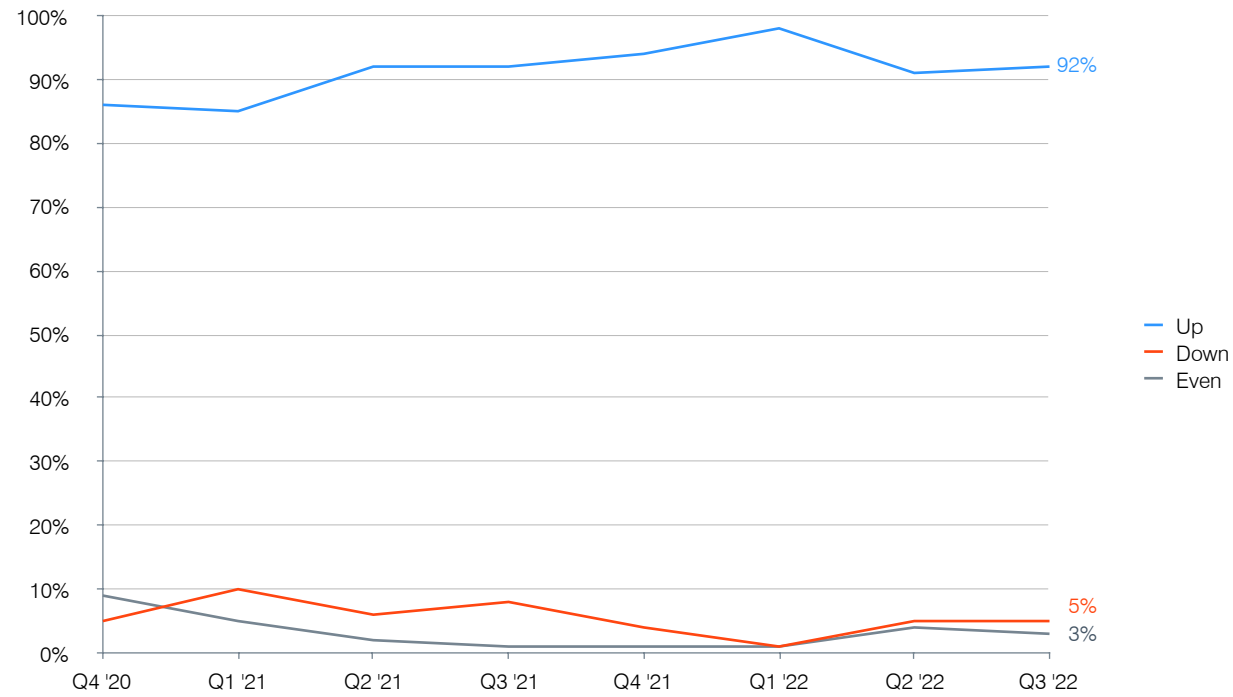
### ***Software and Life Sciences Sectors Active, But Facing Price Pressures***

- Software companies comprised the majority of post-Series A financings in Q3, with 52%, followed by 18% for the life sciences sector.
- While most active, these two sectors also experienced the greatest drop in average percentage change in price per share from prior rounds, quarter to quarter (software increases dropped from 191% to 109% and life sciences increases dropped from 166% to 83%).

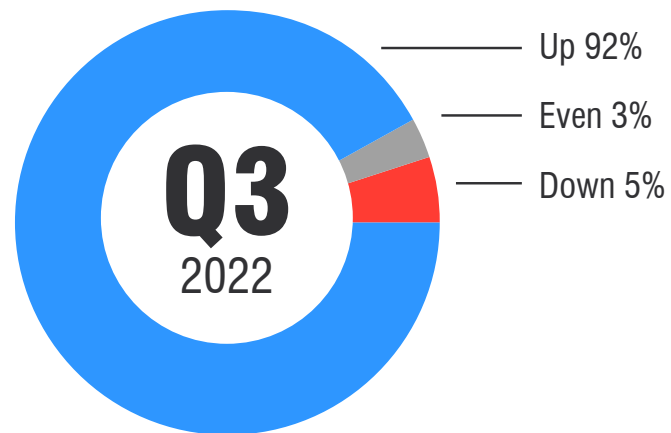
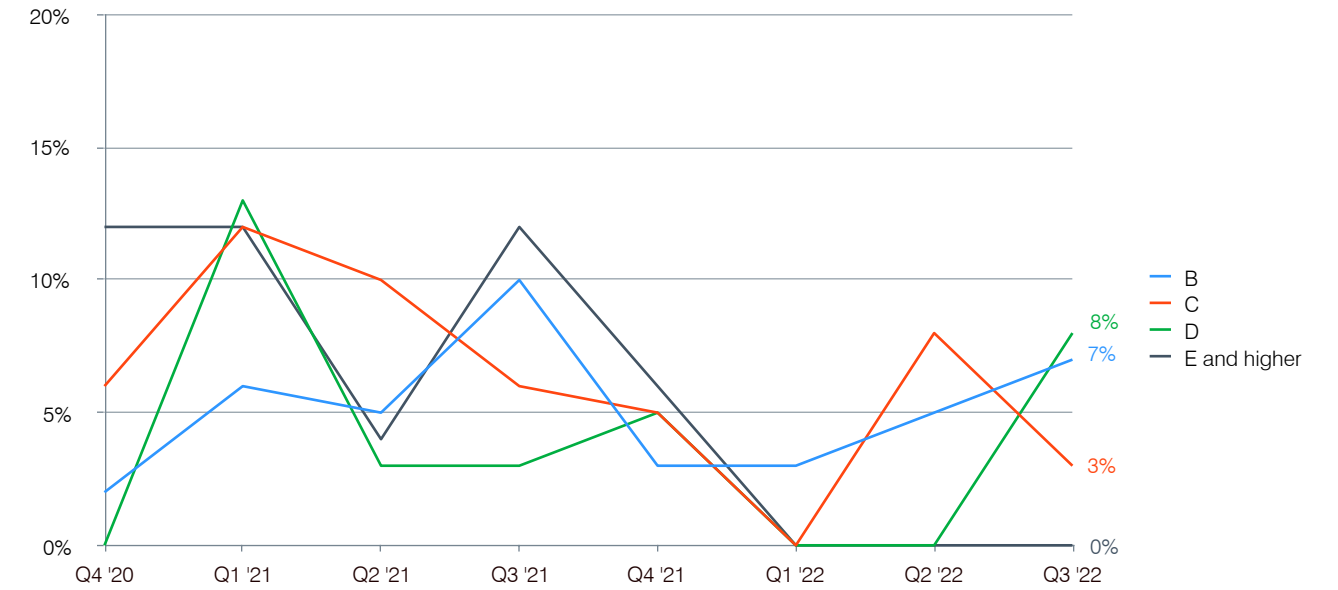
# Fenwick Data on Valuations

# Price Change

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



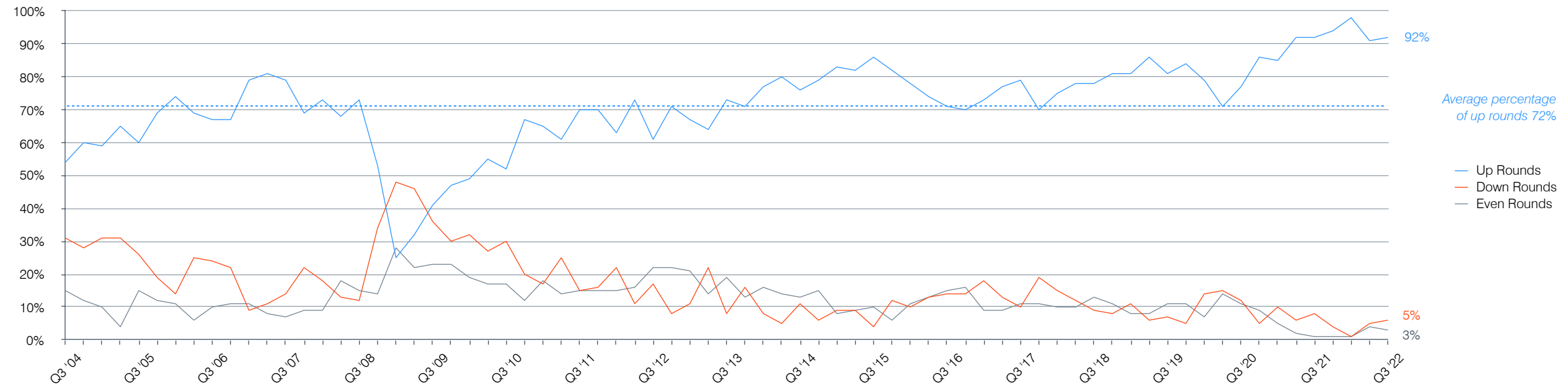
PERCENTAGE OF **DOWN ROUNDS** BROKEN OUT BY SERIES



# Price Change

continued

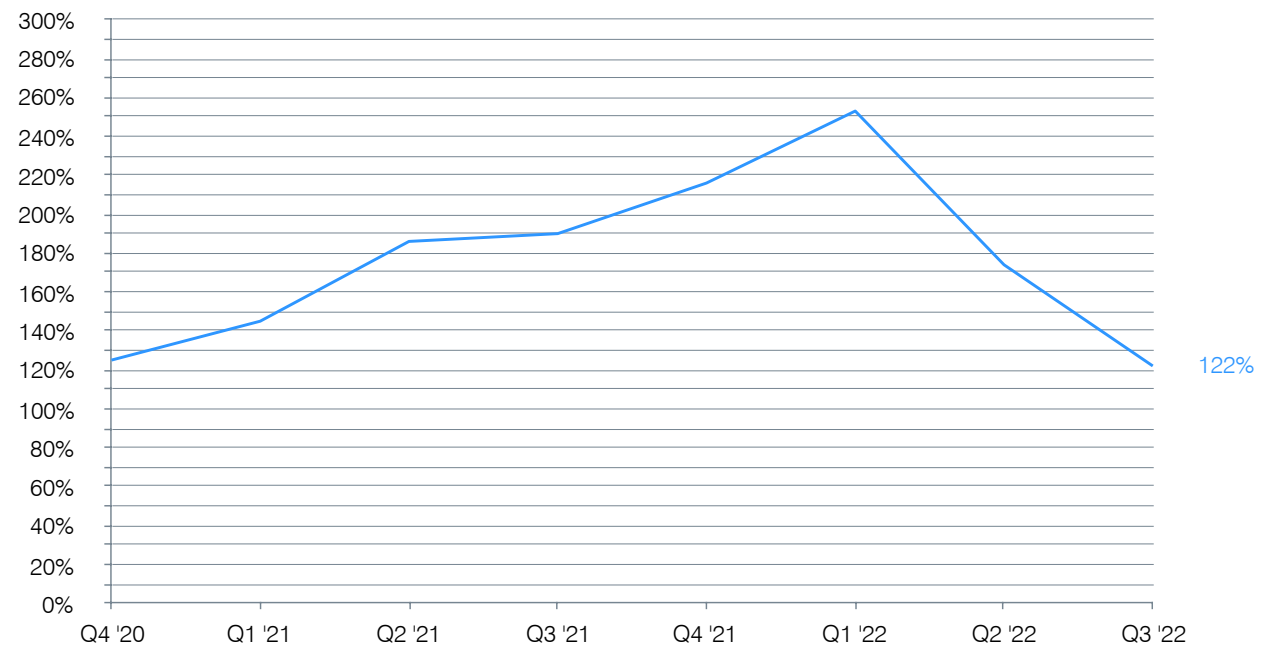
EXPANDED PRICE CHANGE GRAPH—DIRECTION OF PRICE CHANGES WITH POST-SERIES A FINANCINGS COMPARED TO THE COMPANIES' PREVIOUS ROUND



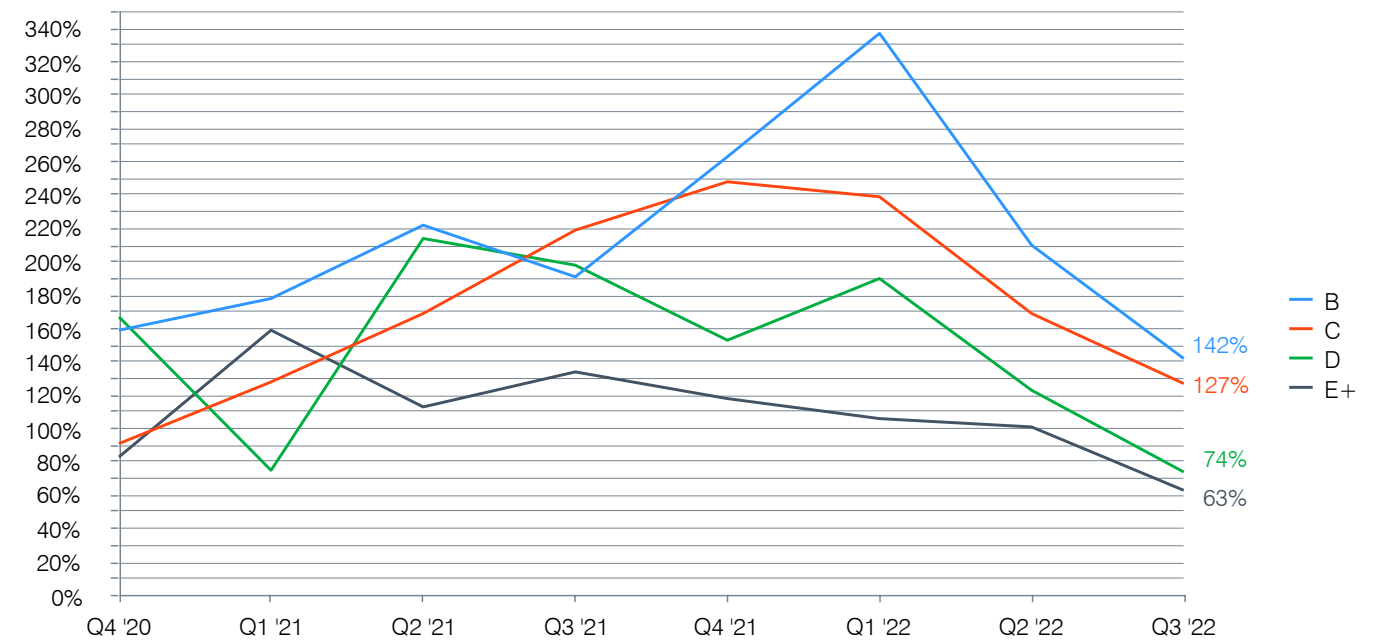


# The Fenwick Venture Capital Barometer™

**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.



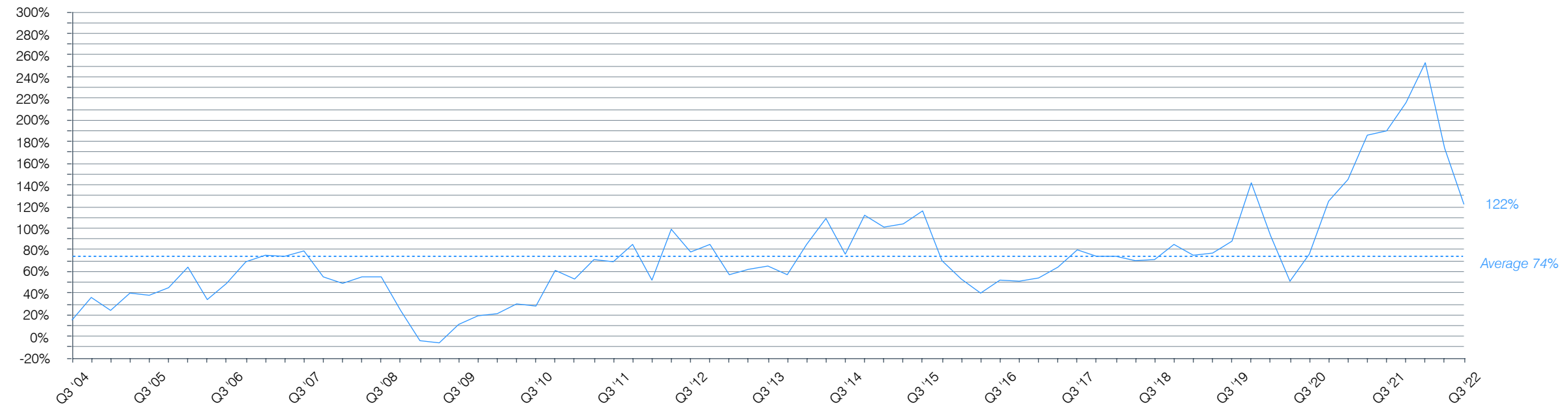
**BAROMETER RESULTS BY SERIES**



# The Fenwick Venture Capital Barometer™

continued

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

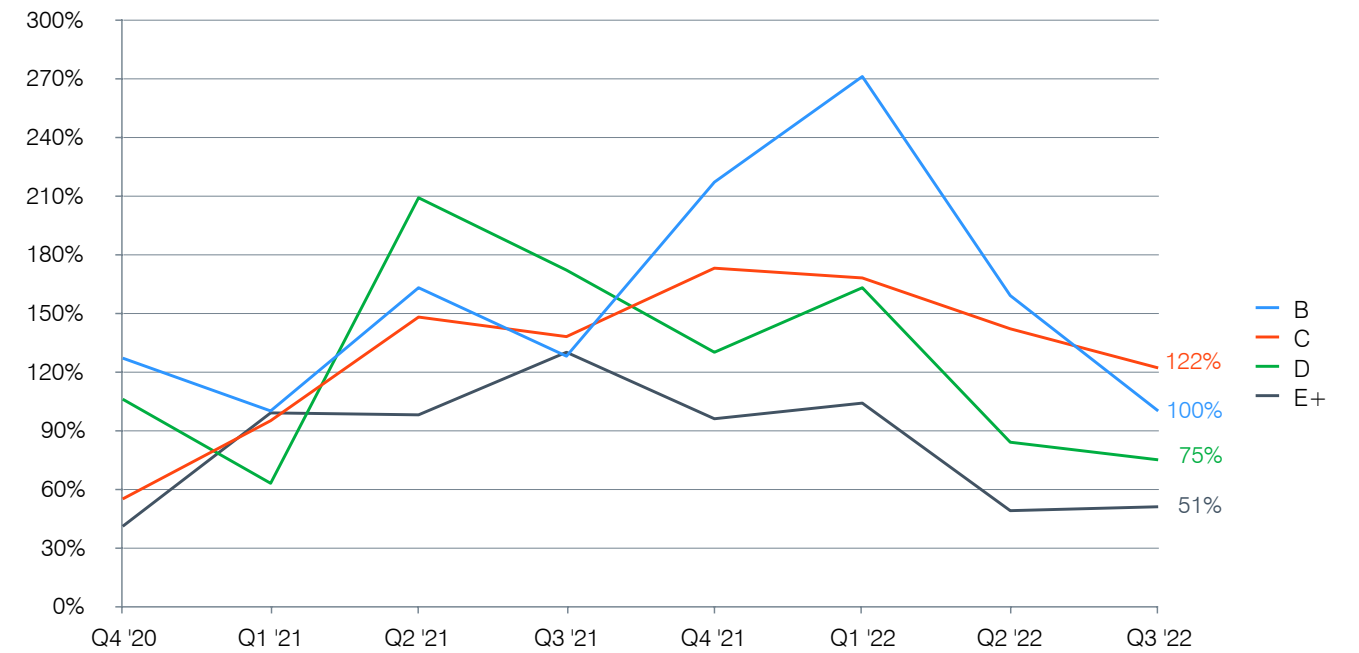


# Median Percentage Price Change

**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**

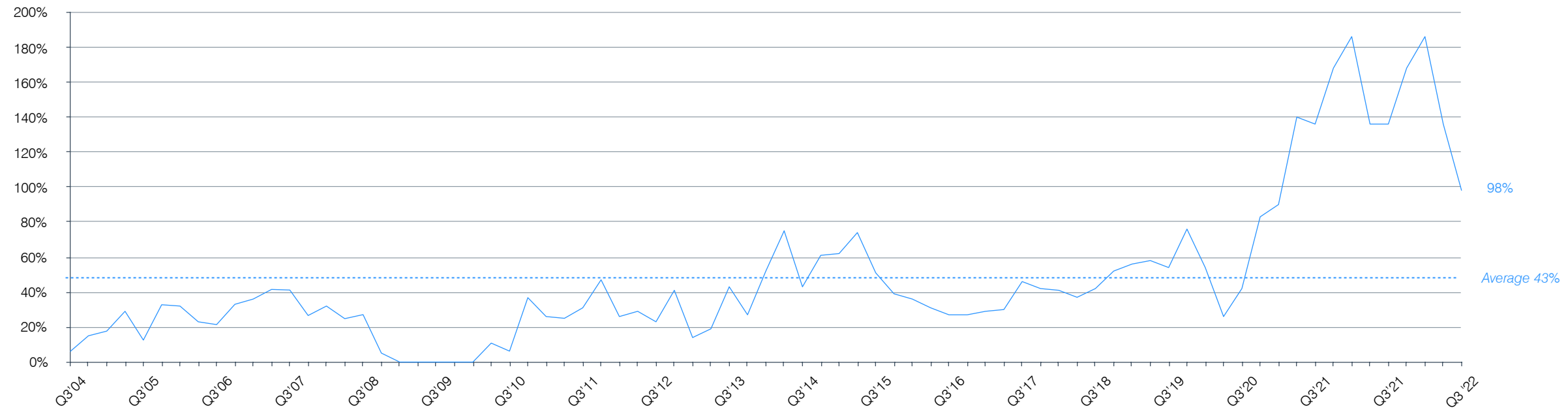




# Median Percentage Price Change

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	Number of Financings
Software	86%	9%	5%	109%	102%	57
Hardware	91%	9%	0%	189%	140%	11
Life Sciences	100%	0%	0%	83%	51%	20
Internet/Digital Media	100%	0%	0%	88%	88%	9
Other	100%	0%	0%	213%	174%	12
<b>Total, All Industries</b>	<b>92%</b>	<b>6%</b>	<b>3%</b>	<b>122%</b>	<b>98%</b>	<b>109</b>

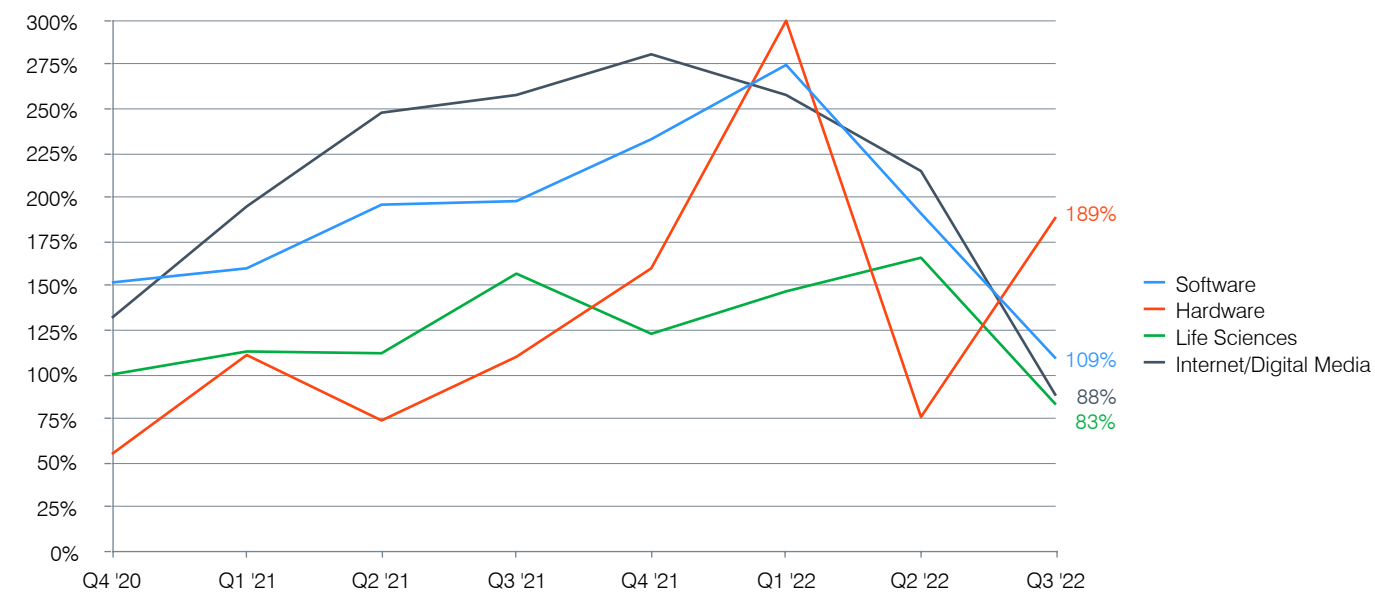
## DOWN ROUND RESULTS BY INDUSTRY—PERCENT OF DOWN ROUNDS EACH QUARTER, BROKEN OUT BY INDUSTRY

Down Rounds	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22
Software	4%	7%	6%	4%	2%	0%	5%	9%
Hardware	8%	22%	13%	27%	18%	0%	14%	9%
Life Sciences	5%	11%	4%	14%	10%	8%	0%	0%
Internet/Digital Media	6%	8%	6%	0%	0%	0%	0%	0%
Other	0%	10%	7%	10%	0%	0%	6%	0%
<b>Total, All Industries</b>	<b>5%</b>	<b>10%</b>	<b>6%</b>	<b>8%</b>	<b>4%</b>	<b>1%</b>	<b>5%</b>	<b>6%</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	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22
Software	152%	160%	196%	198%	233%	275%	191%	109%
Hardware	55%	111%	74%	110%	160%	300%	76%	189%
Life Sciences	100%	113%	112%	157%	123%	147%	166%	83%
Internet/Digital Media	132%	195%	248%	258%	281%	258%	215%	88%
Other	86%	115%	304%	166%	211%	263%	143%	213%
<b>Total, All Industries</b>	<b>125%</b>	<b>145%</b>	<b>186%</b>	<b>190%</b>	<b>216%</b>	<b>253%</b>	<b>174%</b>	<b>122%</b>

## GRAPHICAL REPRESENTATION OF THE ABOVE DATA



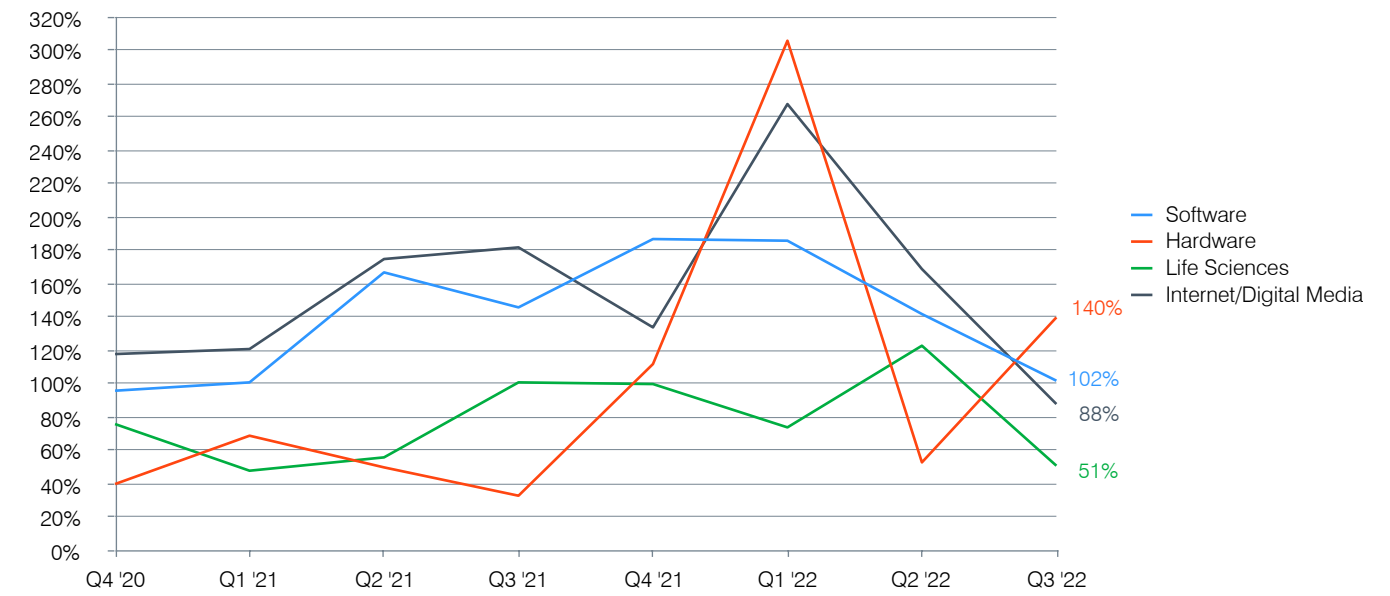
# Industry Results

continued

**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	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22
Software	96%	101%	167%	146%	187%	186%	142%	102%
Hardware	40%	69%	50%	33%	112%	306%	53%	140%
Life Sciences	76%	48%	56%	101%	100%	74%	123%	51%
Internet/Digital Media	118%	121%	175%	182%	134%	268%	169%	88%
Other	39%	110%	260%	123%	203%	123%	105%	174%
<b>Total, All Industries</b>	<b>83%</b>	<b>90%</b>	<b>140%</b>	<b>136%</b>	<b>168%</b>	<b>186%</b>	<b>136%</b>	<b>98%</b>

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



# Financing Rounds

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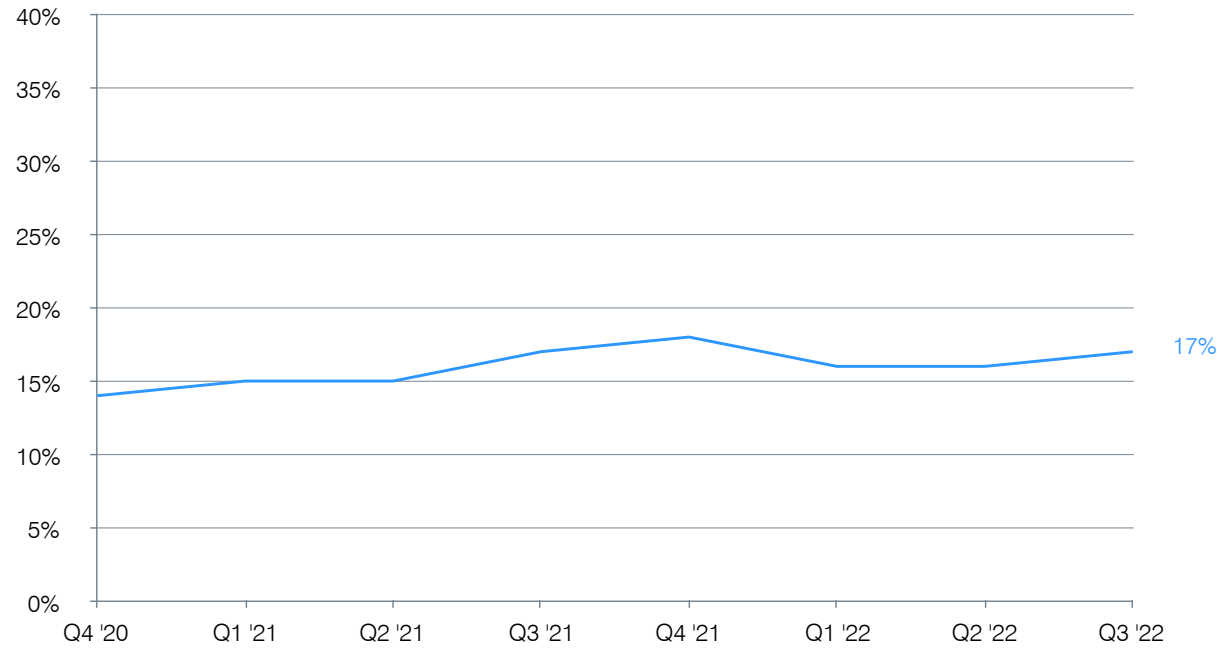
FINANCING ROUND—PERCENTAGE OF TOTAL FINANCINGS BROKEN DOWN BY SERIES

Series	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22
Series A	27%	30%	29%	27%	24%	28%	24%	44%
Series B	25%	27%	31%	28%	28%	30%	32%	28%
Series C	22%	16%	17%	20%	23%	22%	26%	15%
Series D	12%	12%	9%	12%	13%	8%	10%	7%
Series E+	14%	16%	14%	13%	13%	12%	8%	6%

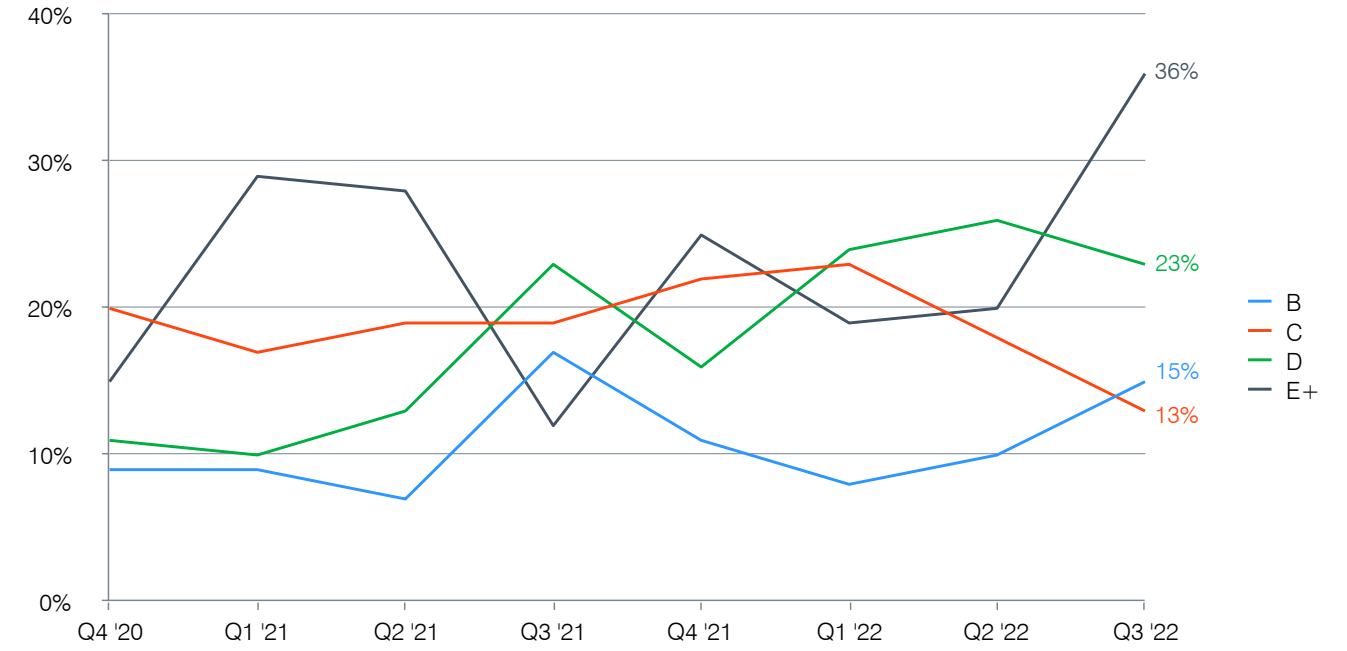
# Fenwick Data on Legal Terms

# 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**

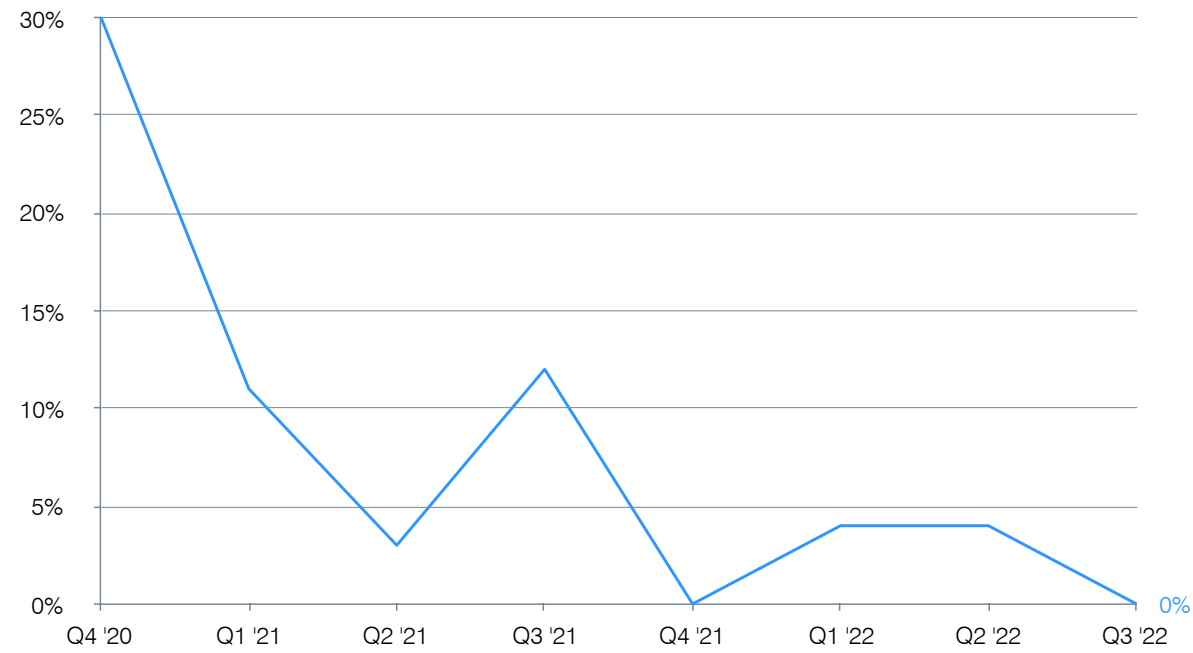




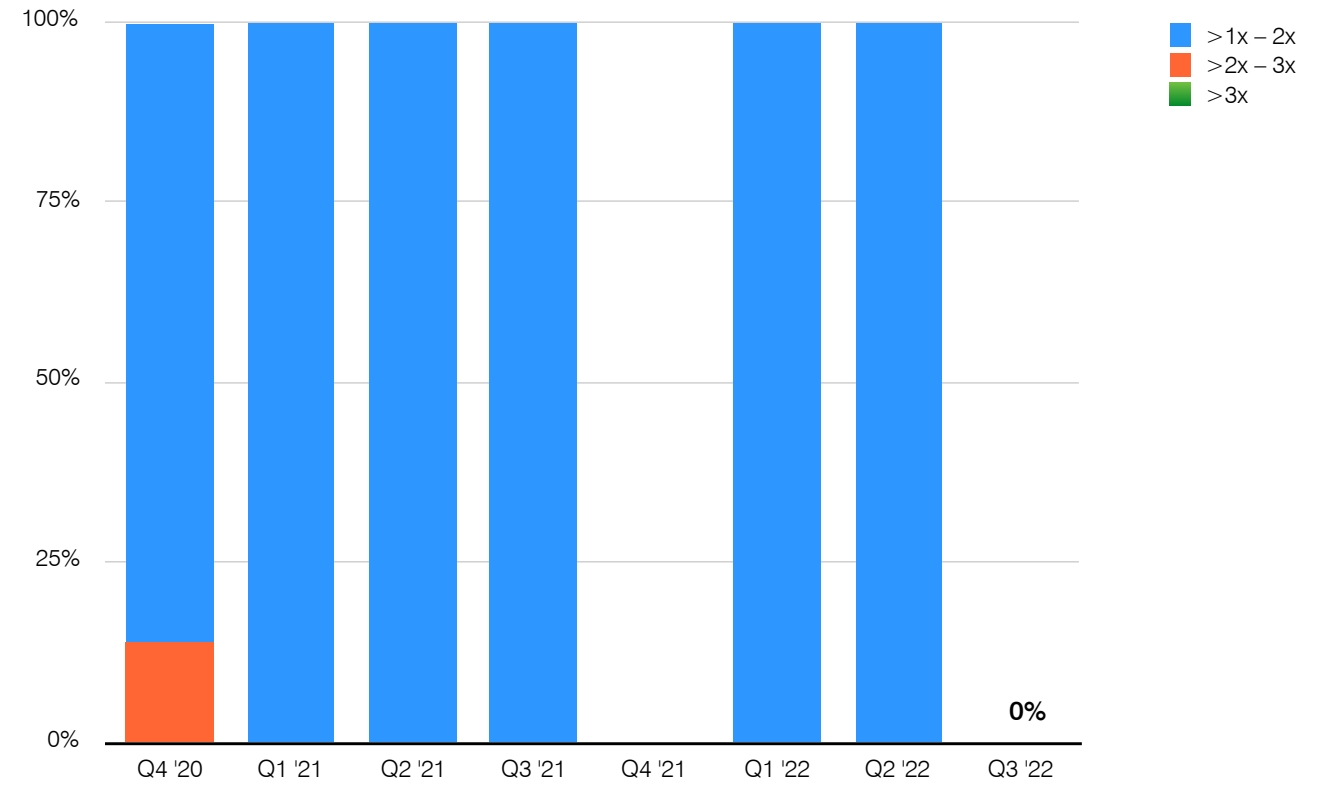
# Liquidation

continued

**SENIOR LIQUIDATION PREFERENCE WITH MULTIPLE**—PERCENTAGE OF FINANCINGS WITH A SENIOR LIQUIDATION PREFERENCE THAT INCLUDED A MULTIPLE GREATER THAN 1



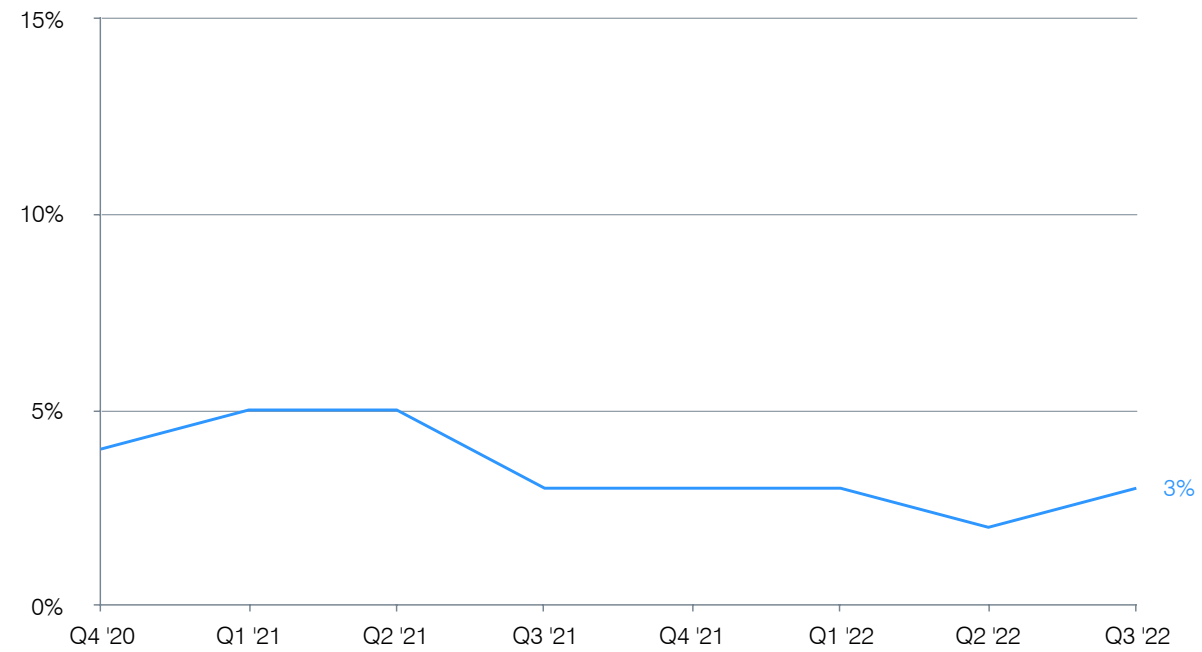
**RANGE OF MULTIPLES**—PERCENTAGE OF FINANCINGS WITH A SENIOR LIQUIDATION PREFERENCE THAT INCLUDED A MULTIPLE WITHIN THE SPECIFIED RANGE



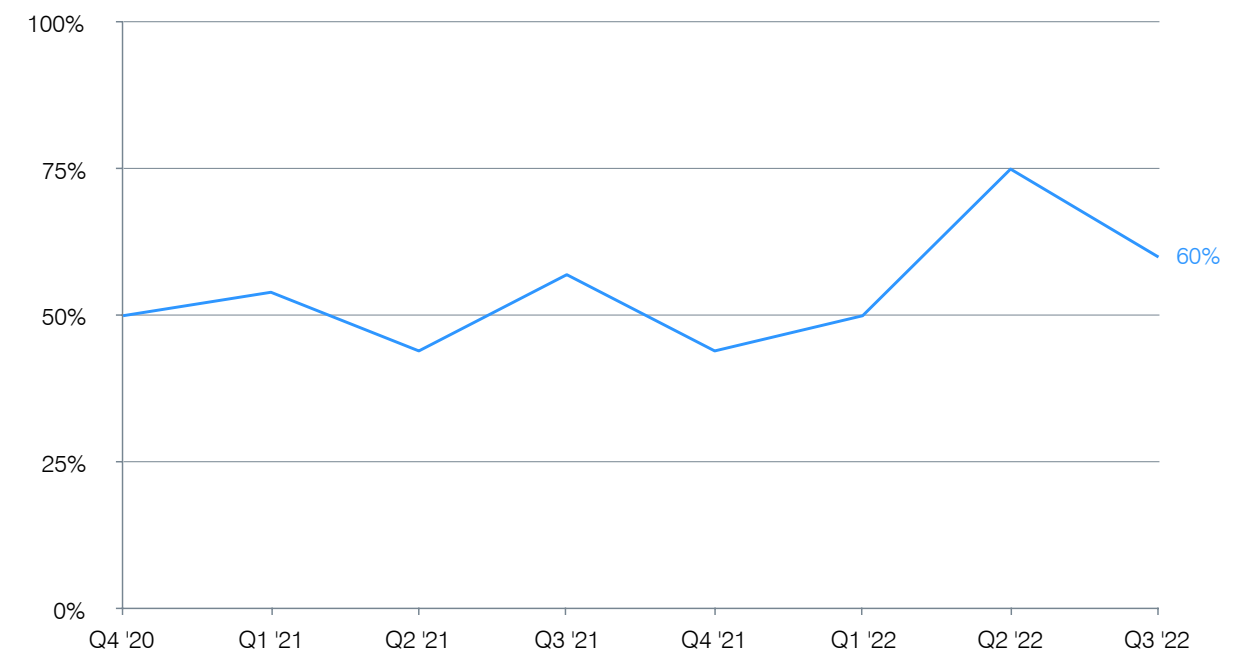
# Liquidation

continued

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



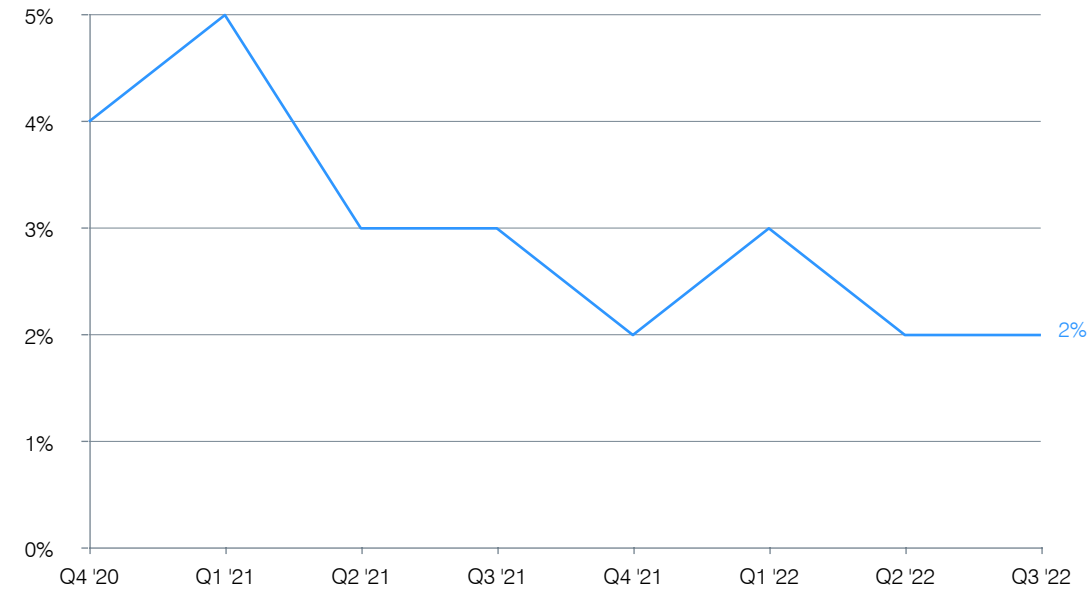
**NO CAPPED PARTICIPATION IN LIQUIDATION**—PERCENTAGE OF FINANCINGS THAT PROVIDED FOR PARTICIPATION IN LIQUIDATION THAT WERE NOT CAPPED (INCLUDES ALL SERIES A THROUGH E+)



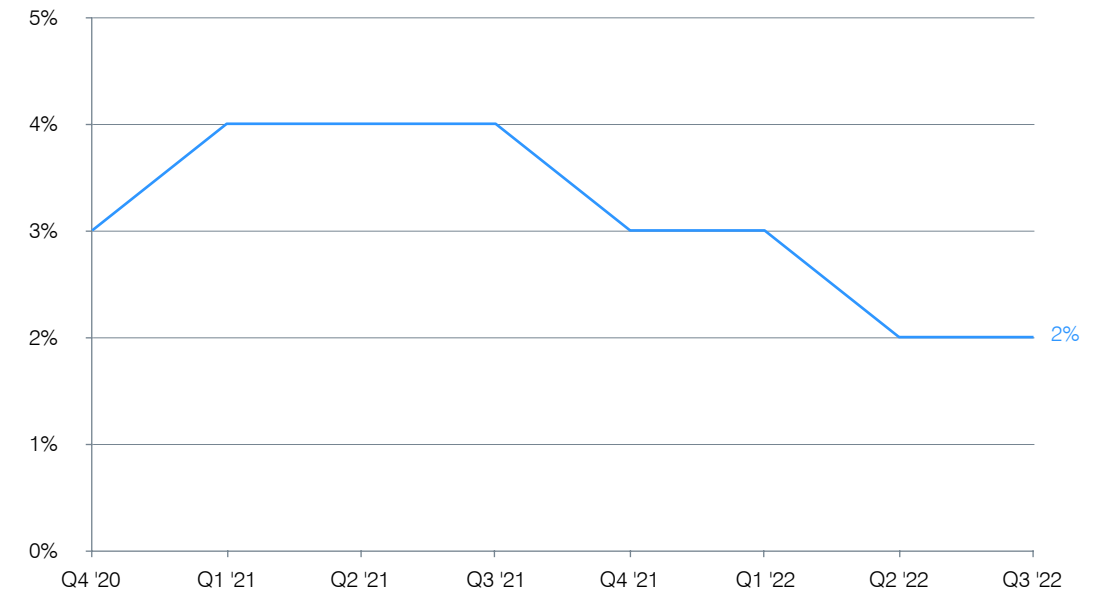
# Other Terms

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**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+)

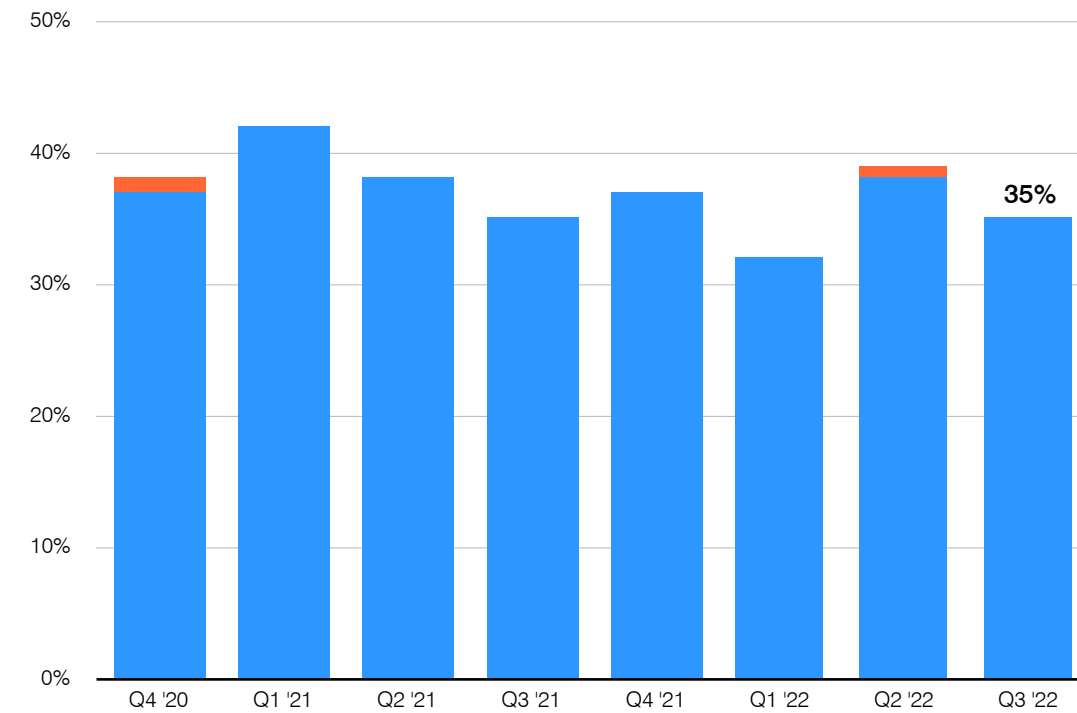
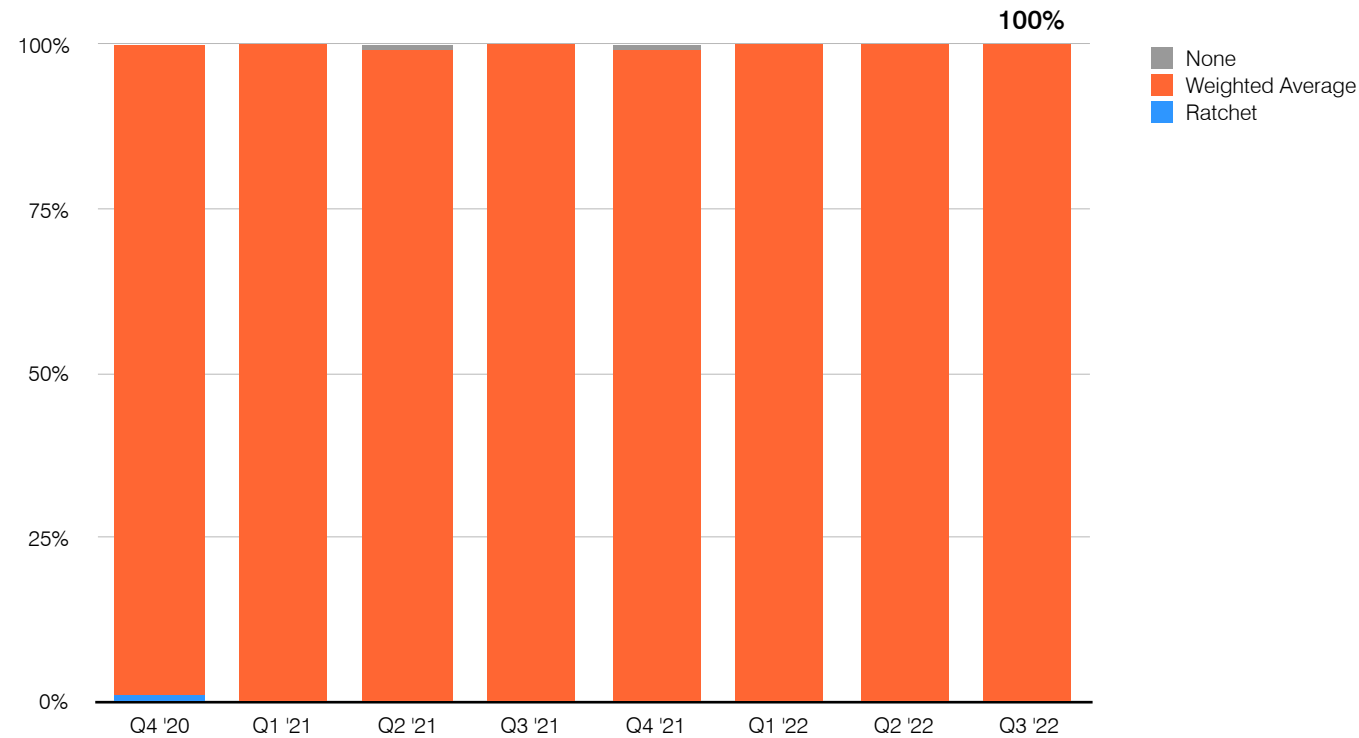


# Other Terms

continued

**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

continued

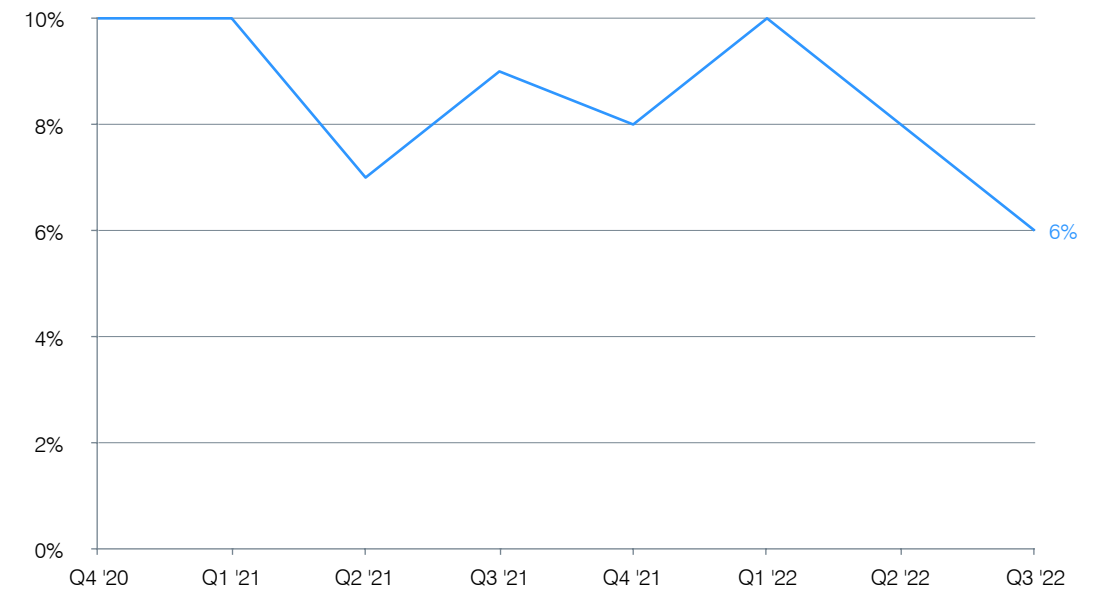
**CORPORATE REORGANIZATION**—PERCENTAGE OF FINANCINGS INVOLVING CORPORATE REORGANIZATION



**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 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 1,000+ 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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