



THE ENTREPRENEURS REPORT

PRIVATE COMPANY FINANCING TRENDS

Full-Year 2021

Wilson Sonsini to Open Boulder Office



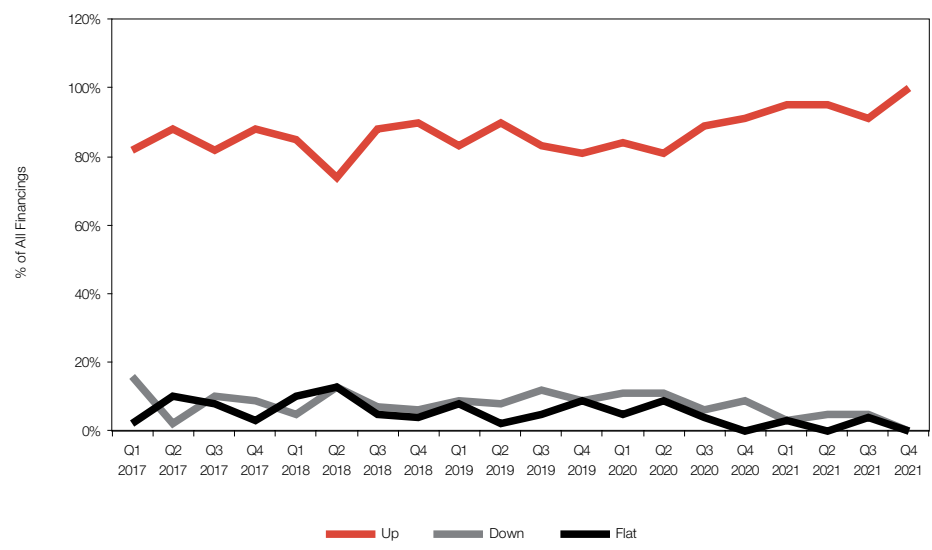
On February 1, 2022, Wilson Sonsini announced that it is opening an office in Boulder, Colorado, from which it will support the region's thriving life sciences businesses and other growth enterprises.

Scheduled to open during the first quarter of 2022, the new office will

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From the Wilson Sonsini Database: Financing Trends for Full-Year 2021

Up and Down Rounds by Quarter



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Implausible as it may have seemed a year ago, 2021 marked a second year of disruption caused by the COVID-19 pandemic, yet also proved to be a record year for venture financings, with valuations and total amounts raised reaching unprecedented highs. However, in early 2022, public market turbulence rocked technology stocks specifically, and the resulting decline in valuations may spill over into the private market and impact later-stage financings in particular.

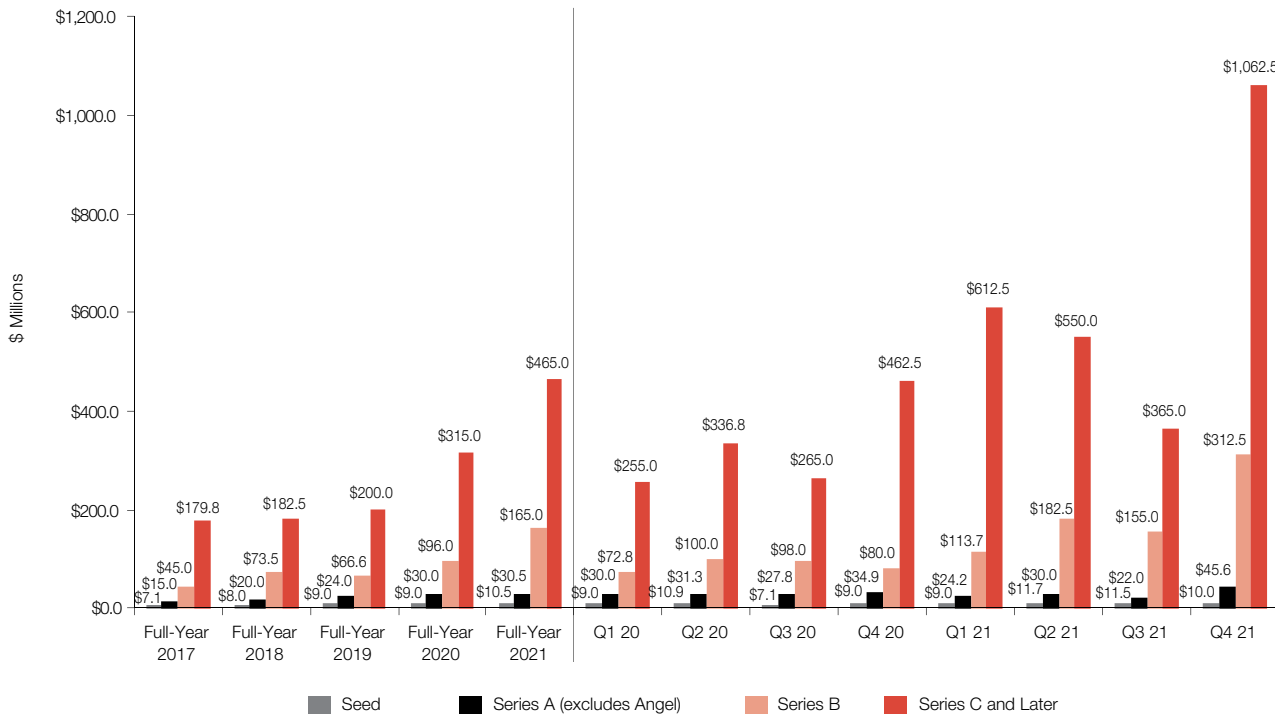
Full-year 2021 pre-money valuations increased across all rounds, reaching all-time highs. The fourth quarter registered

an especially dramatic increase for Series C and later rounds, with the Q4 2021 median pre-money valuation rocketing to over \$1 billion (\$1,062.5 million), nearly three times the Q3 median pre-money valuation of \$365.0 million and shattering Q1's previous \$612.5 million record. Full-year 2021 median amounts raised saw impressive gains, with the median amount raised in Series B rounds alone shooting up nearly 130%, from \$13.1 million in full-year 2020 to \$30.0 million in 2021. Q4 2021 median amounts raised also increased across all rounds compared to the prior quarter, but most notably for Series B rounds, with the median rising from \$26.2 million in Q3

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Median Pre-Money Valuation



to \$42.5 million in Q4, nearly matching the Series C and later Q4 median of \$48.3 million. Up rounds climbed to an all-time high in Q4 2021, demonstrating continued stability in the market as we enter 2022.

Amounts raised through pre-Seed bridge loans increased significantly in Q4 2021, and the median amount raised in post-Seed bridge loans also grew compared to the prior quarter.

Up and Down Rounds

Up rounds peaked at 100% of Series B and later financings in Q4 2021, surpassing the Q2 record-breaking high of 95% and marking the fourth consecutive quarter of greater than 90% up rounds, the longest streak in five years. There were no down-round or flat-round financings in Q4. Given the quarterly performance, when looking at full-year 2021, it is no surprise that up

rounds dominated, climbing to 95% of Series B and later financings, with down and flat rounds landing at 4% and 2%, respectively.

Valuations

Median pre-money valuations in Q4 2021 reached new highs across all post-Seed rounds, with Series C and later rounds registering the most notable increase.

The median pre-money valuation for Series Seed financings decreased slightly, from \$11.5 million in Q3 2021 to \$10.0 million in Q4, but the Series A median pre-money valuation more than doubled, from \$22.0 million in Q3 to \$45.6 million in Q4. The full-year 2021 median pre-money valuations for early-stage rounds remained strong, with pre-money median valuations for Series Seed and Series A deals landing at \$10.5 million and \$30.5 million, respectively—the highest Series Seed and Series A full-year

median pre-money valuations that we have ever recorded.

The Series B median pre-money valuation also doubled, from \$155.0 million in Q3 2021 to \$312.5 million in Q4, which represents again the highest quarterly median that we have tracked. The full-year 2021 median pre-money valuation for Series B rounds landed at \$165.0 million, surpassing the Series B full-year median valuations of the last five years.

The median pre-money valuation of Series C and later rounds saw the most impressive gain in Q4 2021. Specifically, the Q4 median pre-money valuation of \$1,062.5 million reflected a nearly three-fold increase from the Q3 median pre-money valuation of \$365.0 million. The full-year 2021 median pre-money valuation for Series C and later rounds also hit an all-time high of \$465.0 million.

Median Amount Raised - Equity Financings



Amounts Raised

Full-year 2021 median amounts raised reached all-time highs for all rounds, and Q4 2021 median amounts raised also saw increases from the prior quarter. The median amount raised for Series Seed financings increased from \$2.0 million in Q3 to \$3.6 million in Q4, the highest quarterly median in our database. The median amount raised for Series A financings more than doubled, from \$3.8 million in Q3 to \$8.8 million in Q4, the second-highest quarterly median in the last five years. The full-year 2021 Series Seed and Series A median amounts raised were \$2.3 million and \$8.2 million, respectively—the highest Series Seed and Series A full-year median amounts that we have recorded.

The Q4 2021 median amount raised for Series B financings was \$42.5 million, a significant increase from \$26.2 million in Q3, the highest quarterly median for Series B financings in the last five years. The full-year 2021 Series B median amount raised was \$30.0 million, more than double the full-year 2020 median pre-money valuation of \$13.1 million.

For Series C and later transactions, the median amount raised increased slightly, from \$47.5 million in the prior quarter to \$48.3 million in Q4. The full-year 2021 Series C and later median amount raised was \$50.7 million, nearly double that of full-year 2019.

Deal Terms - Preferred

Deal terms continued to be company-favorable in 2021. Seventy-five percent of all post-Series A rounds had *pari passu* liquidation preferences in 2021, notably higher than the 63% of such rounds in 2020. The percentage of financings with no participation increased slightly to 90% in 2021, as compared to 88% in 2020. Broad-based weighted average anti-dilution ticked up to 97% in 2021, as compared to 95% in 2020. The inclusion of redemption provisions dipped slightly, from 13% in 2020 to 10% in 2021.

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 in Silicon Valley due to their simple, largely company-favorable terms. The full-year 2021 median amount raised for SAFE financings was \$1.03 million. In 2021, 45% of SAFE financings included a discount, and the median discount was 20%. Eighty-six percent of SAFEs included a valuation cap, and the median valuation cap was \$13.8 million, which shows that SAFEs are being used primarily for early-stage seed financings. Thirty-one percent of SAFEs included both a valuation cap and a discount, and 15% of SAFEs that were issued used the "Most Favored Nations" form of SAFE.

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

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.

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Bridge Loans

Median amounts raised increased for both pre- and post-Seed bridge loans in Q4 2021. The median amount raised in pre-Seed bridge loans grew from \$0.68 million in Q3 to \$2.00 million in Q4, the same as in Q4 2020. The median amount raised for post-Seed bridge loans also increased, from \$2.60 million in Q3 to \$2.98 million in Q4. The full-year 2021 pre- and post-Seed bridge loan median amounts raised were \$0.60 million and \$2.60 million, respectively—both are the second-highest full-year medians in the last five years.

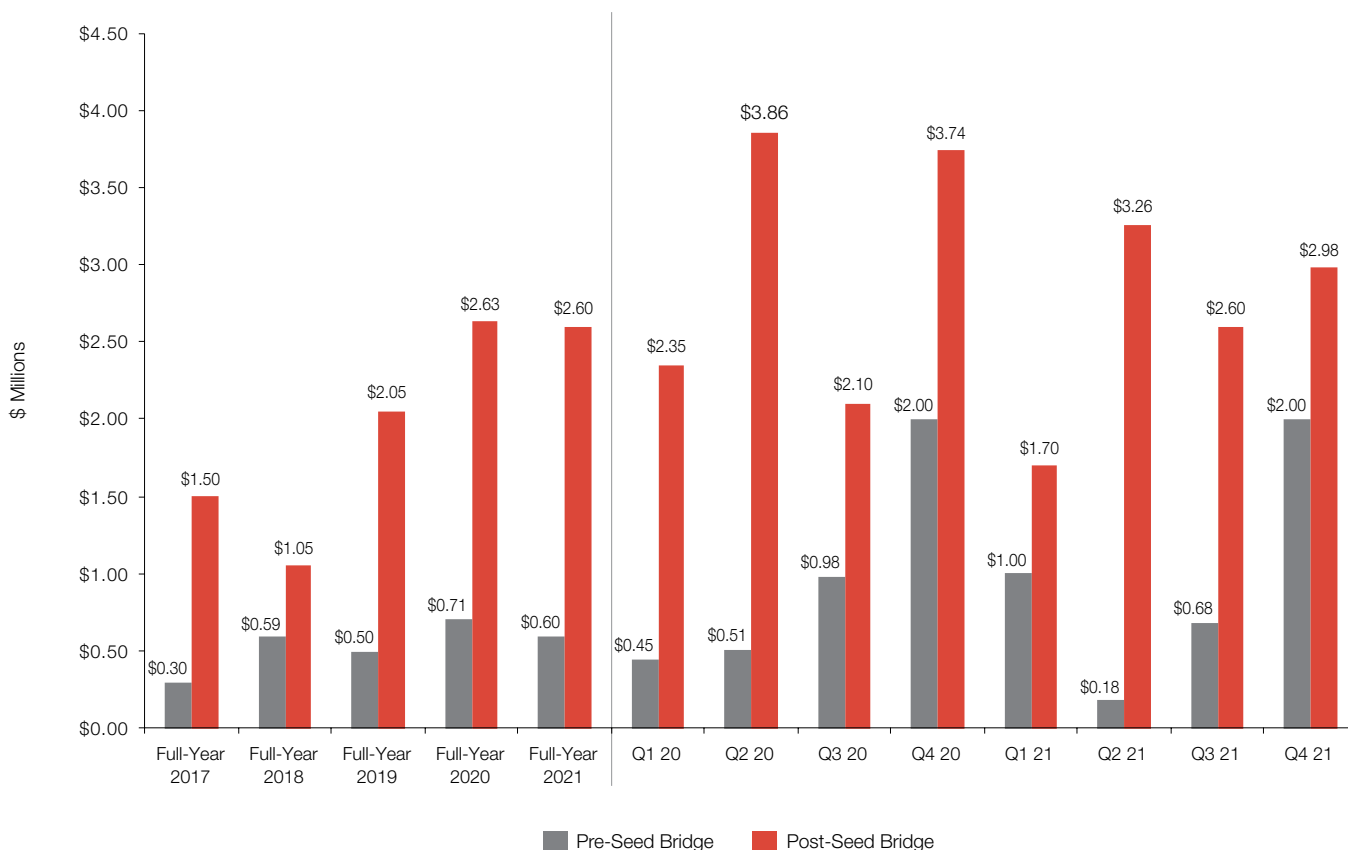
Deal Terms – Bridge Loans

Eighty-six percent of pre-Seed bridge loans in 2021 had maturity periods of 12 or more months, down from 90% in 2020, with 90% of loans having interest rates below 8%, as compared to 85% in 2020. The percentage of pre-Seed bridge loans that are convertible to equity at discounted prices decreased slightly, from 78% in 2020 to 75% in 2021, and the percentage of such convertible loans receiving a discount rate of 20% or more on conversion also decreased, from 89% in 2020 to 80% in 2021.

The percentage of 2021 post-Seed bridge loans with maturity periods of 12 or

more months increased slightly, from 73% in 2020 to 76% in 2021, with 69% of loans having interest rates below 8% in 2021, as compared to 54% in 2020. The percentage of post-Seed bridge loans subordinated to other debt ticked up from 46% in 2020 to 48% in 2021. The percentage of post-Seed bridge loans subject to a price cap increased, from 36% in 2020 to 52% in 2021. The percentage of post-Seed bridge loans that are convertible to equity at discounted prices dropped from 79% in 2020 to 70% in 2021, but the number of such convertible loans receiving a discount rate of 20% or more on conversion increased slightly, from 75% in 2020 to 79% in 2021.

Median Amount Raised – Bridge Loans



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Bridge Loans - Deal Terms (Wilson Sonsini Deals)¹

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

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.

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.

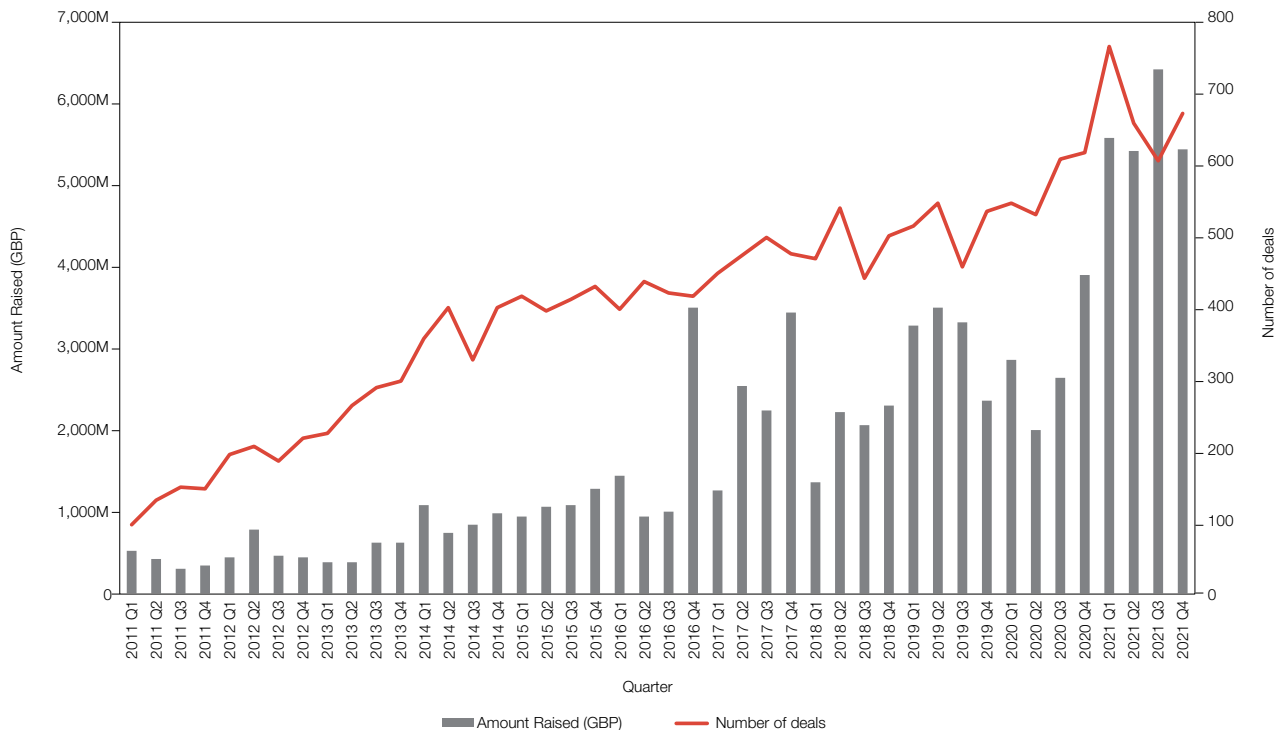
⁴ The 2017 median price cap in pre- and post-Seed bridges was \$10M and \$25M, respectively. The 2018 median price cap in pre- and post-Seed bridges was \$8M and \$40M, respectively. The 2019 median price cap in pre- and post-Seed bridges was \$9M and \$35M, respectively. The 2020 median price cap in 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.

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.

Beauhurst

UK Investment Update, Q4 2021

Number and Amount Raised



Despite the economic and political uncertainty of last year, investment in the UK private market persevered. We recorded a total of 2,679 announced equity deals in 2021, amounting to £22.7B worth of funding for private UK companies—two times the amount deployed in 2020, and three times the amount deployed in 2016.

While investment volume dropped off in Q2 and Q3 2021, following a very strong first quarter, it rebounded slightly in Q4, with 667 deals secured. The value of rounds remained more consistent throughout the year, although Q4 didn't

quite reach the heights of Q3's record £6.36B, landing instead at £5.39B.

Investment Climbs at the Venture Stage

Across every stage of evolution, deal volume increased between Q3 and Q4 2021, but this was most pronounced at the venture stage, which saw a 19% rise in the number of deals announced. Businesses at this stage have significant traction and a valuation typically in the millions. The venture stage also saw a 39% increase in amount raised in Q4, while every other stage instead saw a decline in the value of rounds.

Companies operating at the seed and venture stages secured the most deals in Q4 2021, with 221 and 309, respectively. This is compared to 100 rounds announced at the growth stage and just 37 rounds at the established stage. But it was growth-stage companies—those that have usually been around for more than five years and expanded to multiple offices—that raised by far the largest sum in Q4, a staggering £2.52B.

The Megadeals Keep on Coming

We've seen a steady increase in the size of equity rounds in the UK over the past decade, as the market continues to

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mature. Q4 2021 was no different, with the same proportion (26%) of deals coming in at less than £500K as those above £5M, compared to 36% and 17% in Q4 2020.

Megadeals (deals worth more than £50M) have also been increasing dramatically, with 112 announced throughout 2021—that’s a whopping 38% of the megadeals secured since 2011. Of the 28 megadeals that took place in Q4, 13 were “gigadeals” (investments of more than £100M). Our data also indicates that 87% of the megadeals that took place in 2021 saw participation from a foreign investor, while 71% saw participation from a U.S.-based fund specifically.

Amplifying the existing regional disparities in the UK investment landscape, 75% of megadeals in 2021 went to companies based in London. The remaining 25% was deployed

to other areas of England, with no megadeals announced in Scotland, Wales, or Northern Ireland. Taking into account all UK deals, however, most regions outside of London still saw growth in deal volume and value during 2021, particularly in the South West (up 48% and 232% between 2020 and 2021, respectively).

Fintech Takes the Crown Once Again

Several of the UK’s fastest-growing start-up sectors, including artificial intelligence (AI), life sciences, and cleantech, saw growing numbers of deals in 2021. Growth in cryptocurrencies plateaued somewhat, while companies operating in the digital security space saw a decline in deal volume during the year, despite a record quarter in Q1.

As expected, fintech retained its title as the best-performing sector throughout

the year, with 70 deals announced in Q4. Fintech businesses also made up 45% of the private UK companies that reached unicorn status last year (securing a valuation of \$1B or more). Fintech investment has declined in recent months, however, from a record 92 deals in Q1—it seems AI companies are putting up a tough fight for the top spot, with 69 deals secured in Q4.

Looking to the Future

In a year of cautious optimism and catch-up rounds, we’ve seen record levels of investment into the UK’s start-ups and scaleups, with the highest number and value of deals in any fourth quarter to date. Spread across a growing number of sectors, we’re excited to see how this influx of capital supports the country’s most innovative businesses to accelerate their growth in 2022.

Wilson Sonsini to Open Boulder Office

Continued from Page 1

be located in downtown Boulder. In November 2021, Wilson Sonsini announced plans to open an office in Salt Lake City. Including Boulder, the firm has a total of 18 offices—13 in the U.S., three in Greater China, one in Brussels, and one in London. Once open, the firm’s team in the Boulder office will include partners Vern Norviel and Tony Jeffries, as well as several associates and staff professionals.

“Our attorneys have established a strong base of relationships with the many

innovative entrepreneurs, companies, institutions, and investors in Boulder and other parts of Colorado and the Mountain West region,” said Doug Clark, managing partner of Wilson Sonsini. “Opening in Boulder reinforces our interest in expanding our life sciences and technology practice in that important market.”

According to a recent report from the Colorado BioScience Association, more than 700 life sciences companies are located in Colorado, and in 2021 they

raised a record \$2.4 billion in financing—twice the amount raised in 2020 and the fifth consecutive year that the total raised exceeded \$1 billion. Overall, Colorado companies raised \$6.5 billion in venture financing in 2021, according to PitchBook’s Venture Monitor report.

For more information, please see our [press release](#).

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 30,000 high-growth private companies in the UK, many of which are solving global problems and pioneering new technology.

www.beauhurst.com

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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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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