



Silicon Valley Venture Capital Survey Fourth Quarter 2019

First Look

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Background

We analyzed the terms of 188 venture financings closed in the fourth quarter of 2019 by companies headquartered in Silicon Valley. The quarter recorded the highest average and median price increases in the history of our survey.

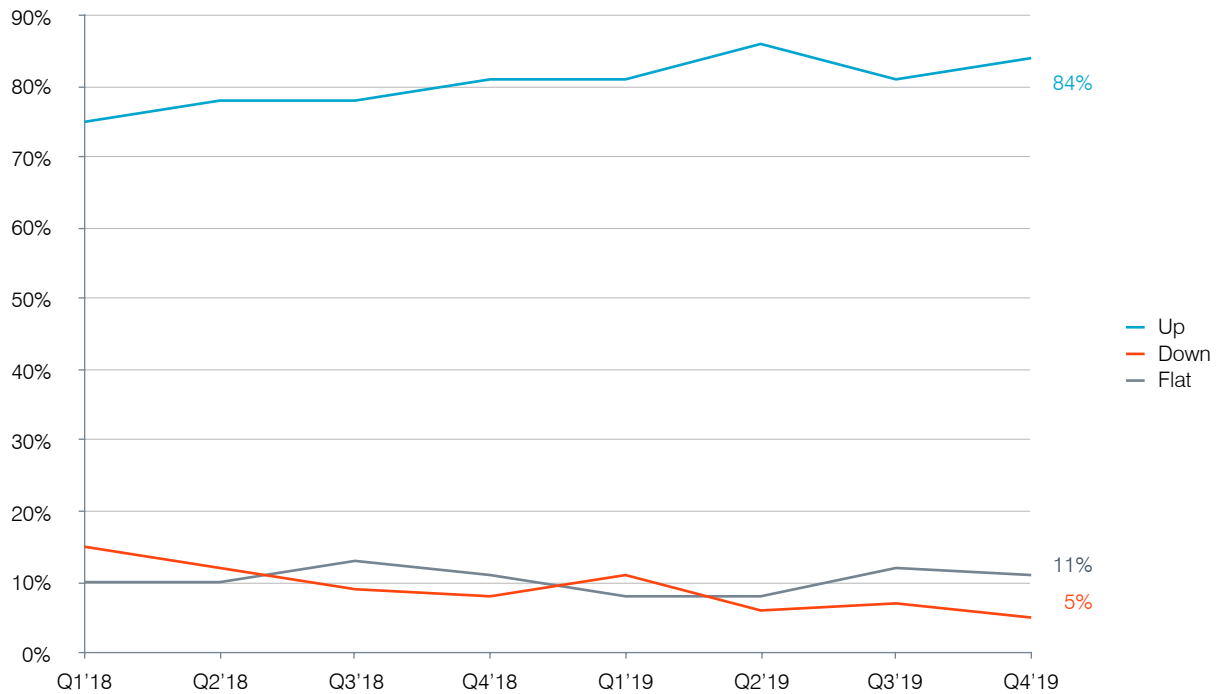
Overview of Fenwick & West Results

After modestly trending upwards over the past couple of years, valuation results spiked in the fourth quarter of 2019, with the highest recorded average and median price increases in the 16-year history of our survey.

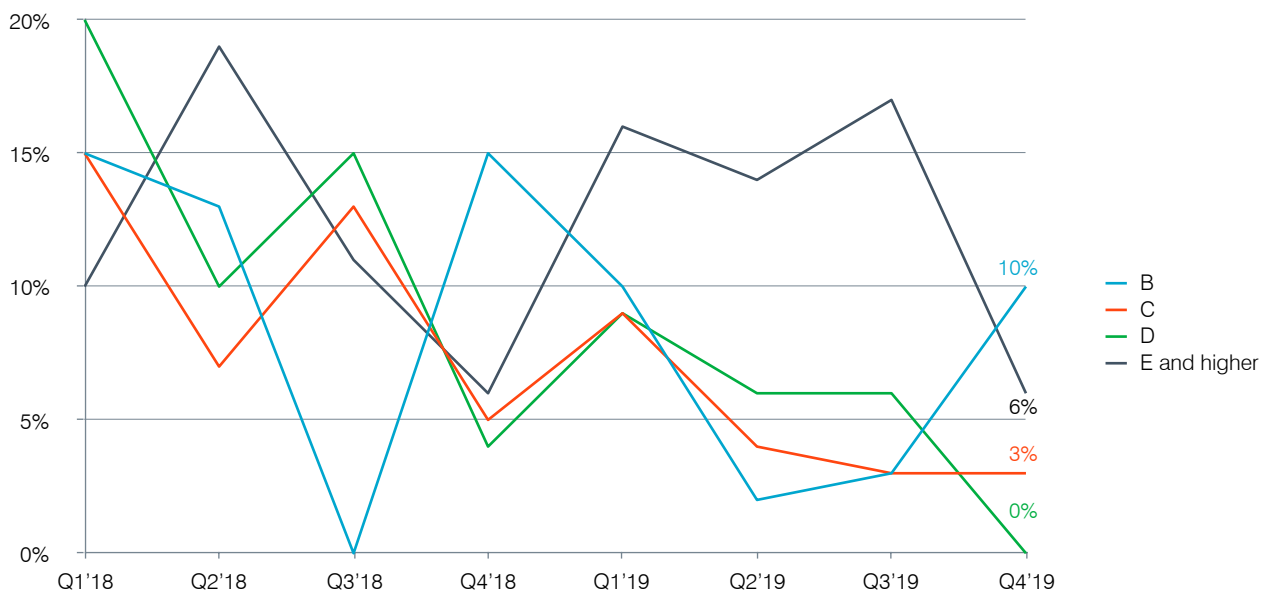
- Up rounds exceeded down rounds 84% to 5%, with 11% flat in Q4 2019, an increase from Q3 2019 when up rounds exceeded down rounds 81% to 7%, with 12% flat.
- The Fenwick & West Venture Capital Barometer™ showed an average price increase in Q4 of 142%, an increase from the 88% recorded in the prior quarter, and the highest average price increase in a quarter since we began calculating valuation metrics in 2004. The average price increase in the quarter was boosted by a Series C financing of a blockchain technology company with an over 3100% price increase from the prior round and a Series B financing of a VoIP company with a nearly 1500% price increase from the prior round. Excluding these two financings would yield an average price increase of 104%, which would still be the highest average price increase in a quarter since Q3 2015.
- The median price increase of financings also rose sharply from 54% in Q3 to 76% in Q4, the highest median price increase in a quarter since we began calculating valuation metrics in 2004.
- In a reversal of the prior two quarters, Series D financing rounds recorded considerably stronger valuation results compared to the prior quarter. Series B and E financing rounds were also stronger compared to the prior quarter, while Series C financings recorded a higher average price increase, but a lower median price increase, compared to the prior quarter.
- The internet/digital media and software industries recorded the strongest valuation results in Q4 and the valuation results of both industries were markedly stronger compared to the prior quarter. The hardware industry recorded more moderate improvements in valuation results compared to the prior quarter. The valuation results for the life sciences industry in Q4 lagged those for the other industries.
- The percentage of financings in the quarter providing for redemption at the option of the investors increased to 11%, the highest percentage since Q3 2015.
- The percentage of financings with cumulative dividends in the quarter was the lowest since Q4 2017.

Fenwick & West Data on Valuation

PRICE CHANGE—The direction of price changes for companies receiving financing in a quarter, compared to their prior round of financing is as follows:



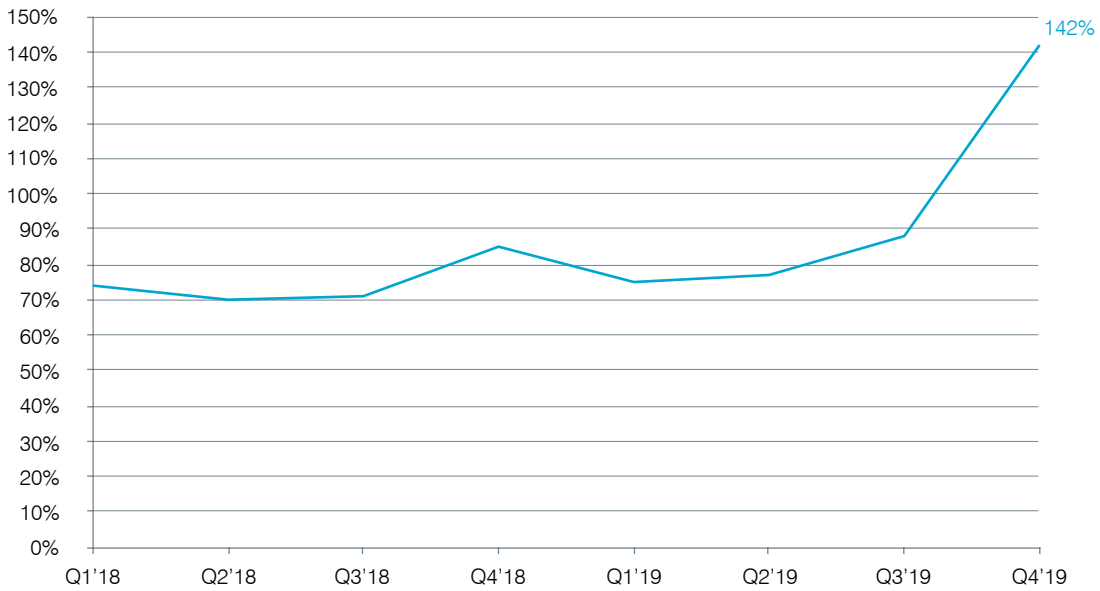
The percentage of **DOWN ROUNDS** by series were as follows:



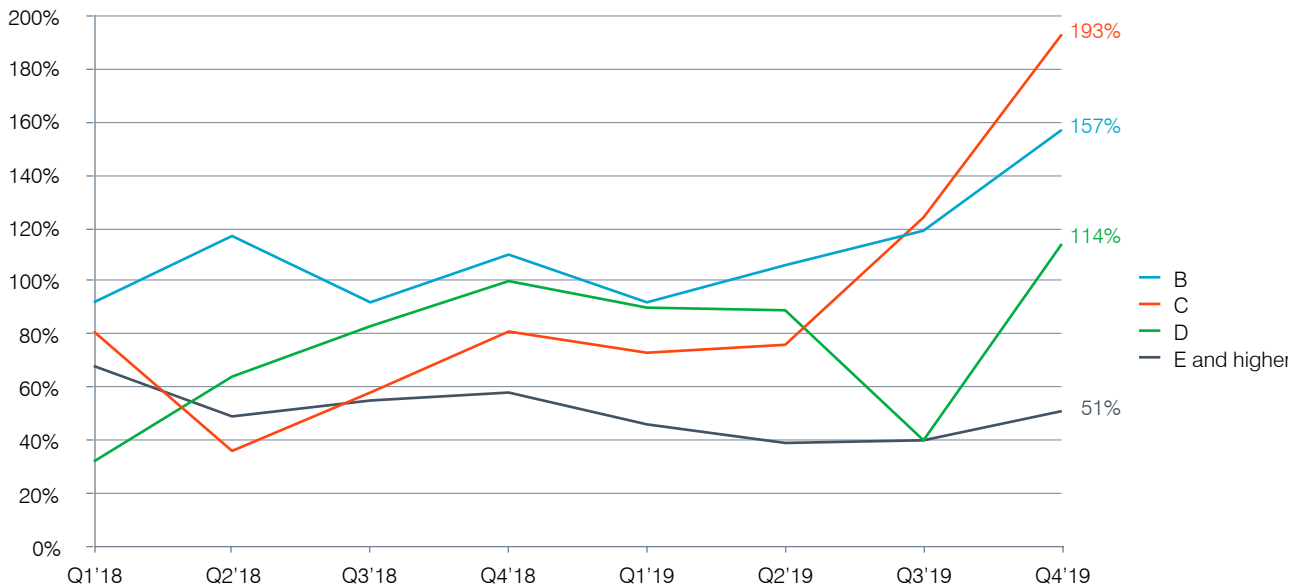
EXPANDED PRICE CHANGE GRAPH—Below is the direction of price changes for each quarter since 2004.



THE FENWICK & WEST VENTURE CAPITAL BAROMETER™ (magnitude of price change) — Below is the *average* percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the average, all rounds (up, down and flat) are included, and results are not weighted for the amount raised in a financing.



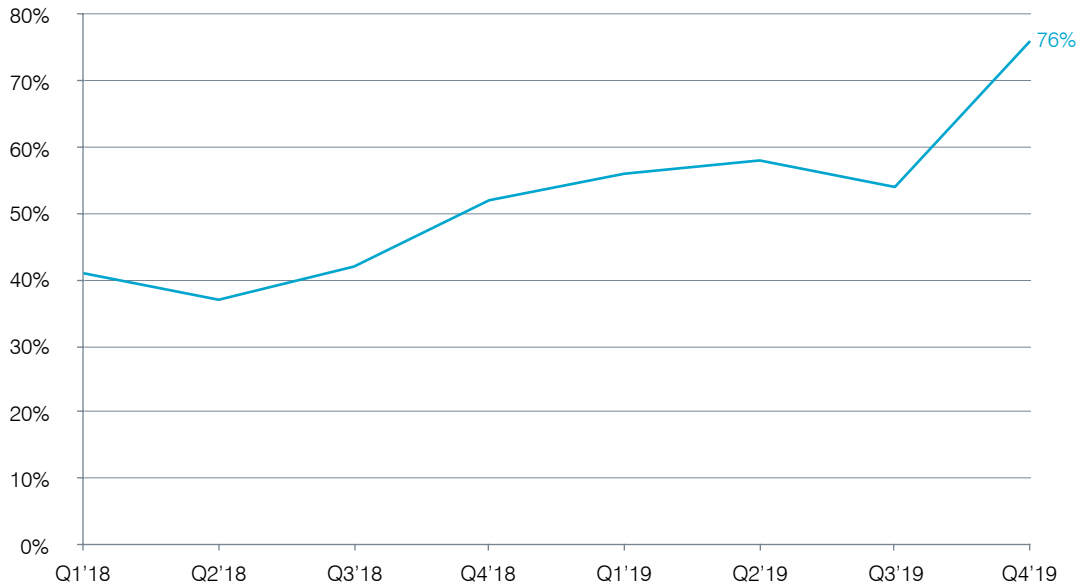
The Barometer results by series are as follows:



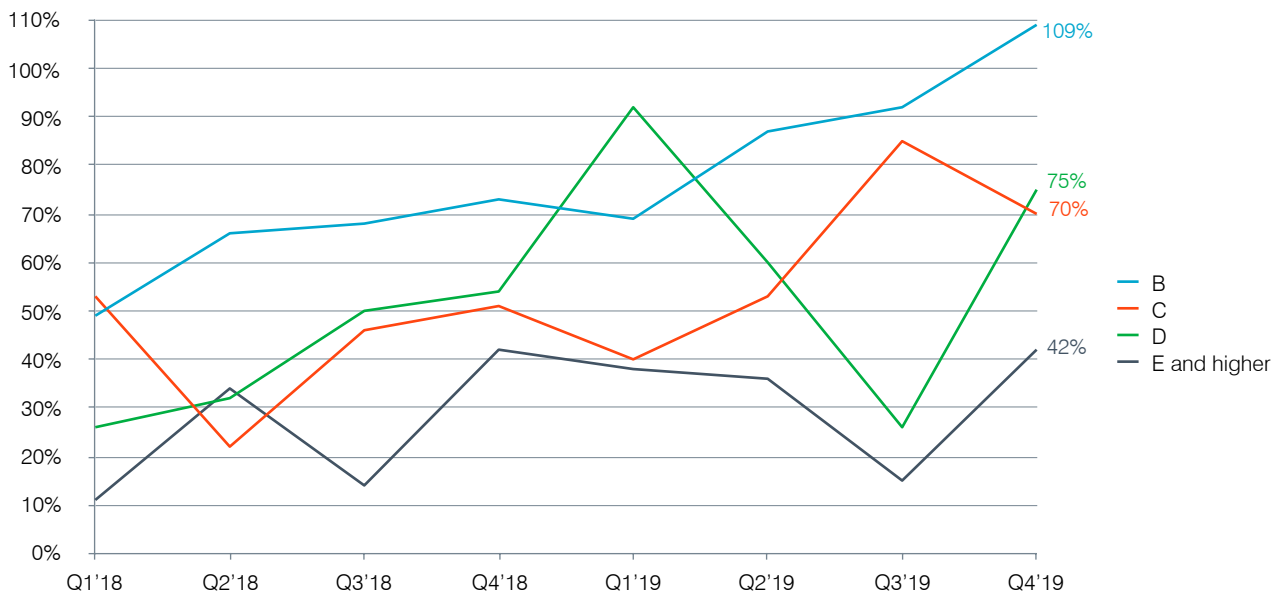
EXPANDED BAROMETER GRAPH—Below is the average percentage price change for each quarter since we began calculating this metric in 2004.



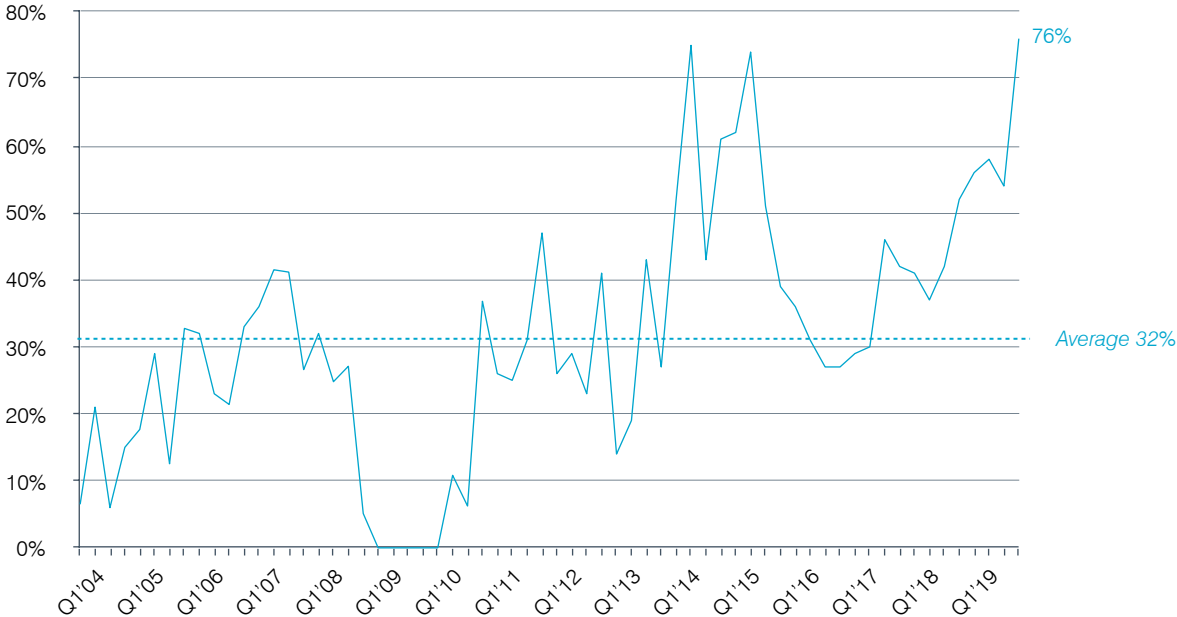
MEDIAN PERCENTAGE PRICE CHANGE—Below is the median percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the median, all rounds (up, down and flat) are included, and results are not weighted for the amount raised in the financing. Please note that this is different from the Barometer, which is based on average percentage price change.



MEDIAN PERCENTAGE PRICE CHANGE BY SERIES.



EXPANDED MEDIAN PRICE CHANGE GRAPH— Below is the median percentage price change for each quarter since we began calculating this metric in 2004.



RESULTS BY INDUSTRY FOR DIRECTION OF PRICE CHANGES AND AVERAGE AND MEDIAN

PRICE CHANGES—The table below illustrates the direction of price changes, and average and median price change results, for companies receiving financing in this quarter, compared to their previous round, by industry group. Companies receiving Series A financings are excluded as they have no previous rounds to compare.

Industry	Up Rounds	Down Rounds	Flat Rounds	Average Price Change	Median Price Change	Number of Financings
Software	87%	6%	8%	158%	101%	52
Hardware	69%	8%	23%	100%	69%	13
Life Sciences	84%	0%	16%	40%	30%	19
Internet/Digital Media	87%	9%	4%	226%	87%	23
Other	86%	0%	14%	109%	114%	7
Total all Industries	84%	5%	11%	142%	76%	114

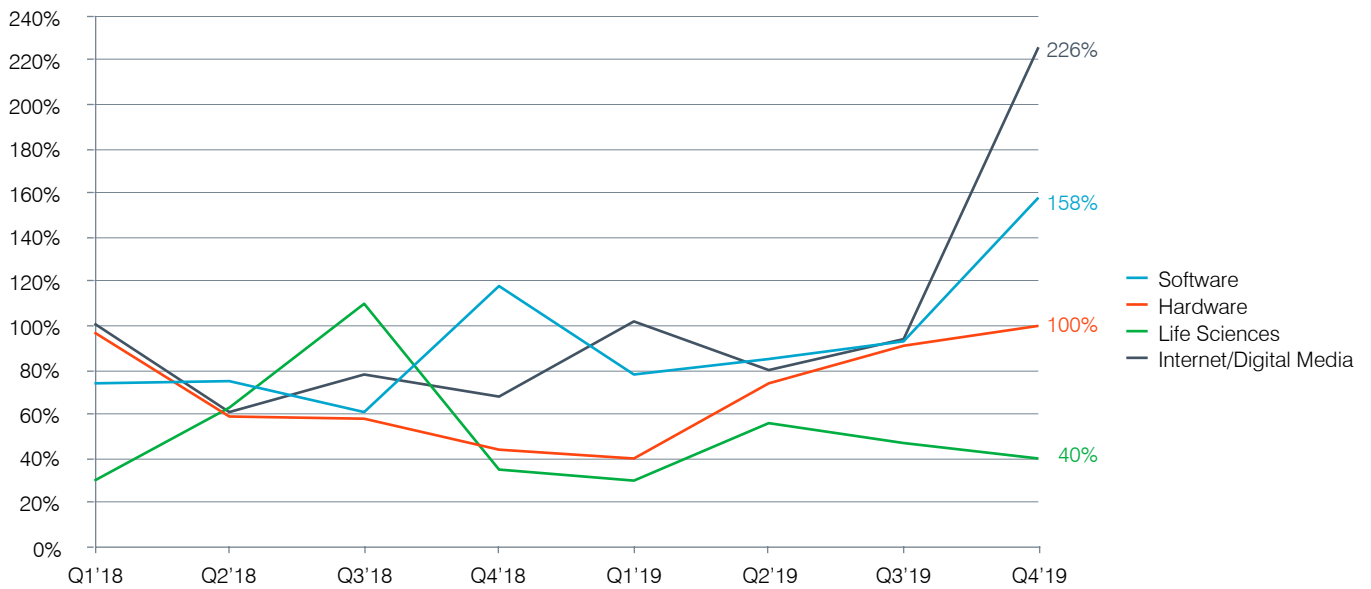
DOWN ROUND RESULTS BY INDUSTRY—The table below illustrates the percentage of “down rounds,” by industry groups, for each of the past eight quarters.

Down Rounds	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Software	16%	14%	11%	3%	12%	7%	9%	6%
Hardware	10%	5%	14%	26%	0%	0%	7%	8%
Life Sciences	16%	10%	5%	11%	27%	4%	0%	0%
Internet/Digital Media	17%	16%	5%	13%	5%	9%	8%	9%
Other	0%	16%	5%	0%	0%	7%	7%	0%
Total all Industries	15%	12%	9%	8%	11%	6%	7%	5%

BAROMETER RESULTS BY INDUSTRY — The table below sets forth Barometer results by industry group for each of the last eight quarters.

Industry	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Software	74%	75%	61%	118%	78%	85%	93%	158%
Hardware	97%	59%	58%	44%	40%	74%	91%	100%
Life Sciences	30%	63%	110%	35%	30%	56%	47%	40%
Internet/Digital Media	101%	61%	78%	68%	102%	80%	94%	226%
Other	72%	81%	70%	90%	120%	67%	93%	109%
Total all Industries	74%	70%	71%	85%	75%	77%	88%	142%

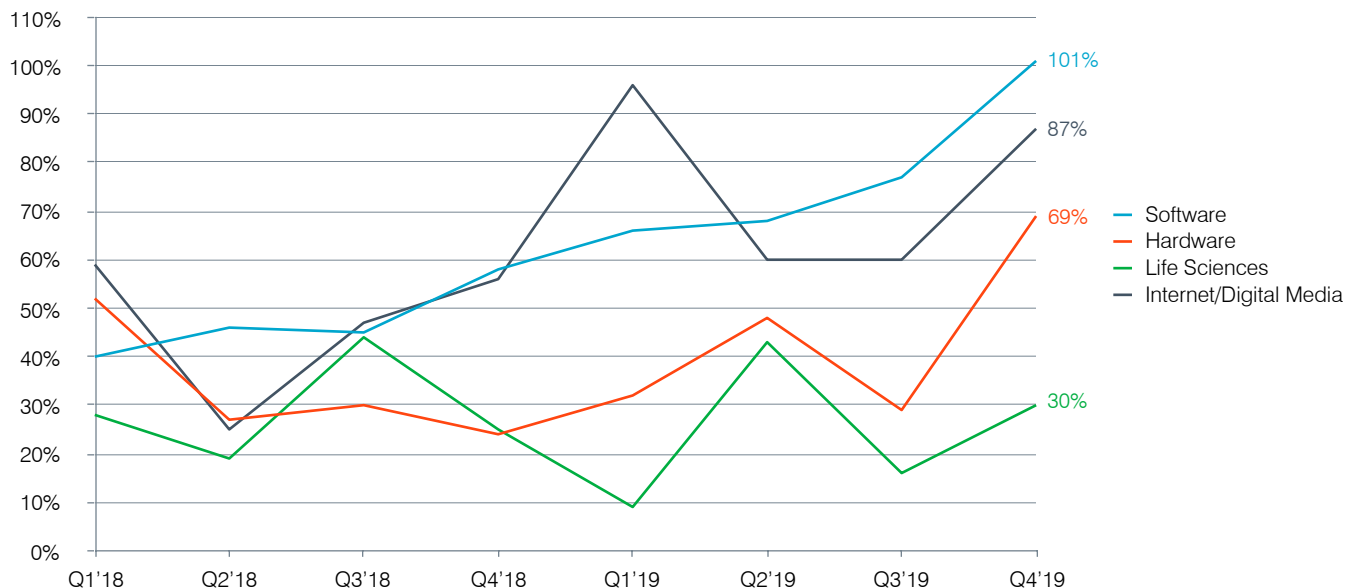
A graphical representation of the above data is below.



MEDIAN PERCENTAGE PRICE CHANGE RESULTS BY INDUSTRY — The table below illustrates the median percentage price change results by industry group for each of the last eight quarters. Please note that this is different than the Barometer, which is based on average percentage price change.

Median % Price Change	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Software	40%	46%	45%	58%	66%	68%	77%	101%
Hardware	52%	27%	30%	24%	32%	48%	29%	69%
Life Sciences	28%	19%	44%	25%	9%	43%	16%	30%
Internet/Digital Media	59%	25%	47%	56%	96%	60%	60%	87%
Other	35%	53%	37%	48%	69%	60%	29%	114%
Total all Industries	41%	37%	42%	52%	56%	58%	54%	76%

A graphical representation of the above data is below.

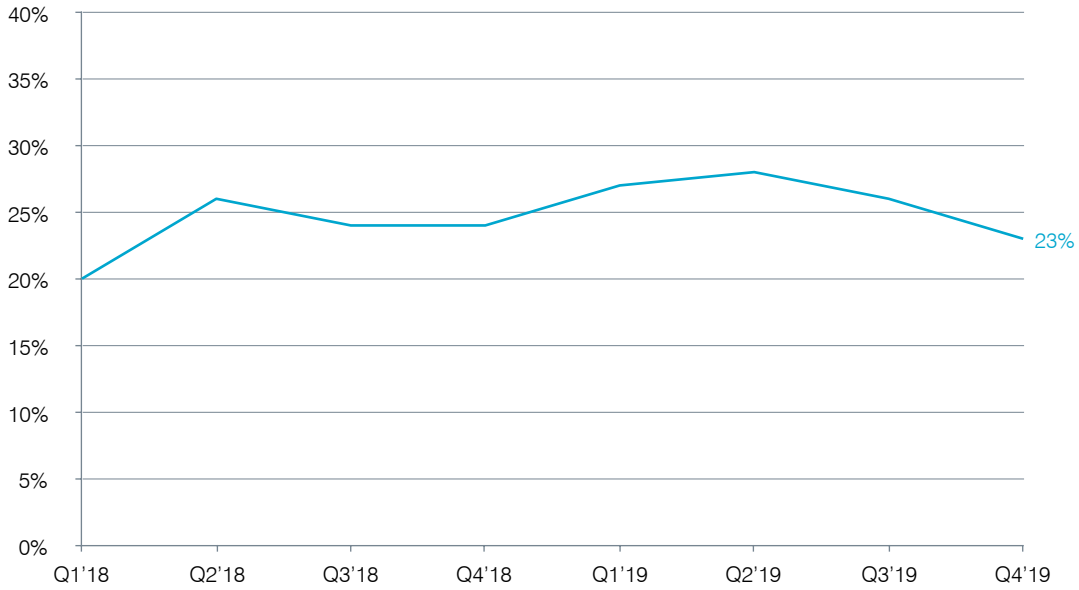


FINANCING ROUND—This quarter's financings broken down by series are as follows:

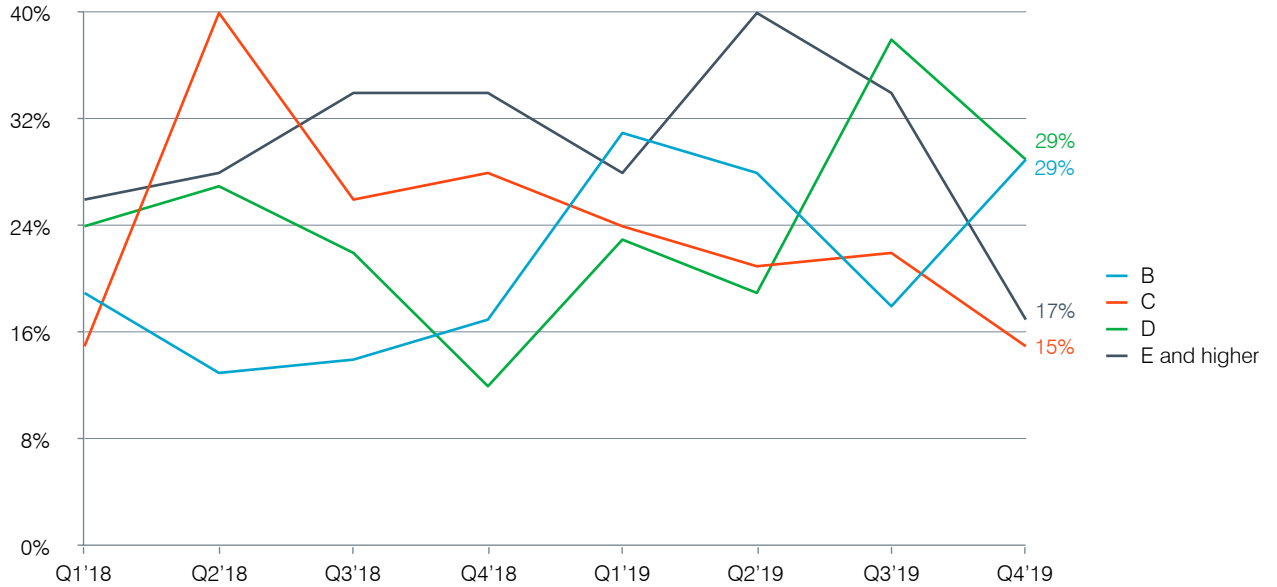
Series	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
Series A	25%	24%	27%	31%	32%	26%	35%	39%
Series B	27%	24%	20%	20%	21%	25%	21%	22%
Series C	21%	19%	18%	18%	18%	22%	17%	18%
Series D	13%	13%	13%	11%	12%	7%	8%	11%
Series E and Higher	16%	19%	22%	20%	17%	20%	19%	10%

Fenwick & West Data on Legal Terms

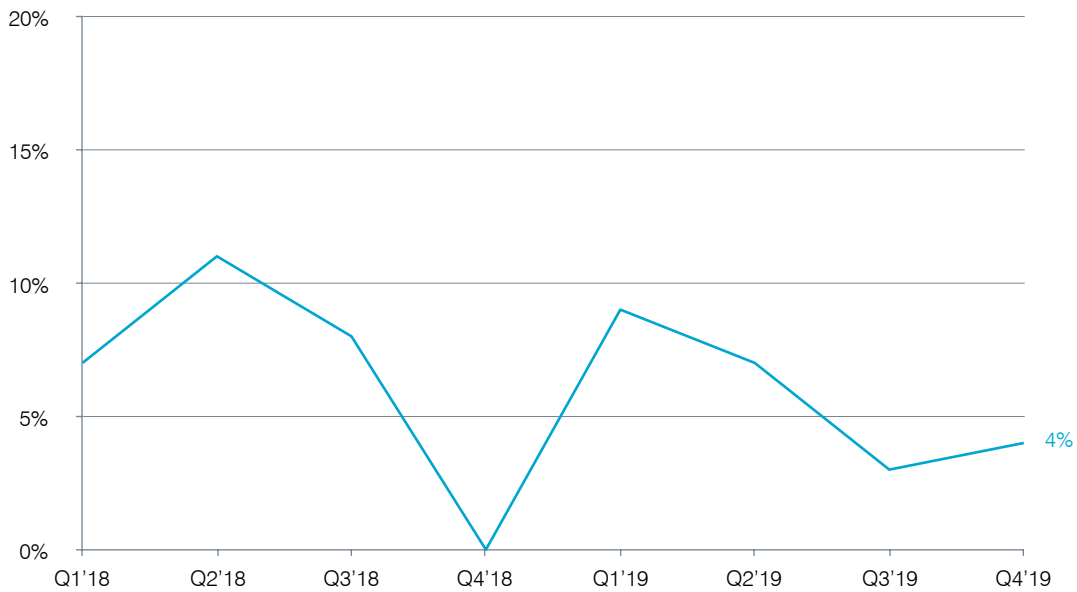
LIQUIDATION PREFERENCE — Senior liquidation preferences were used in the following percentages of financings.



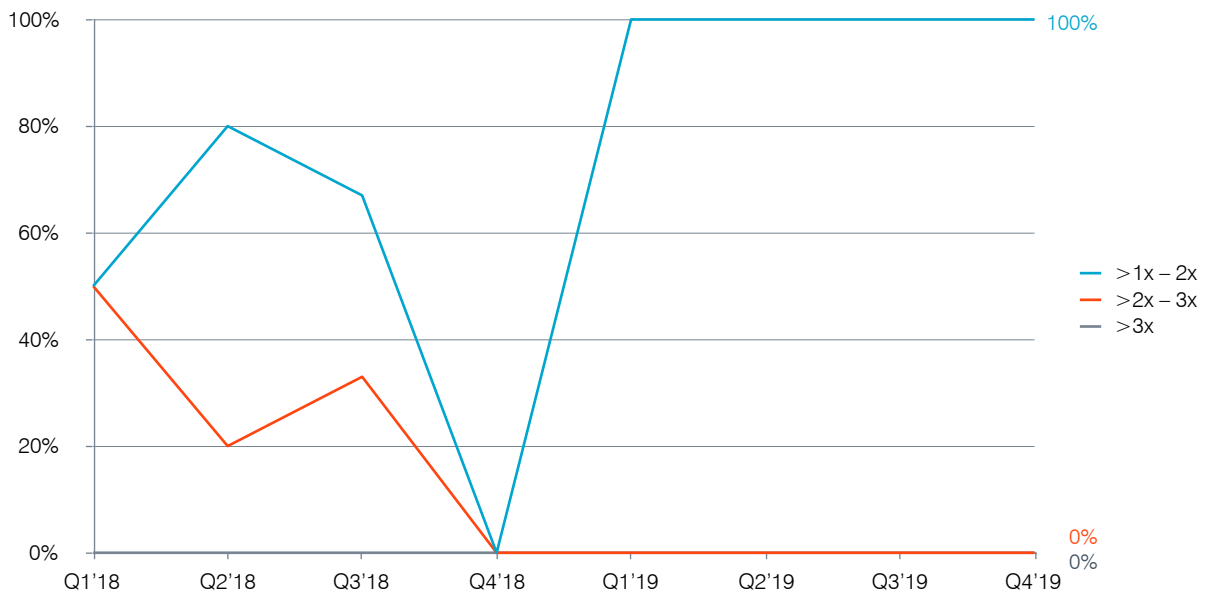
The percentage of senior liquidation preference by series was as follows:



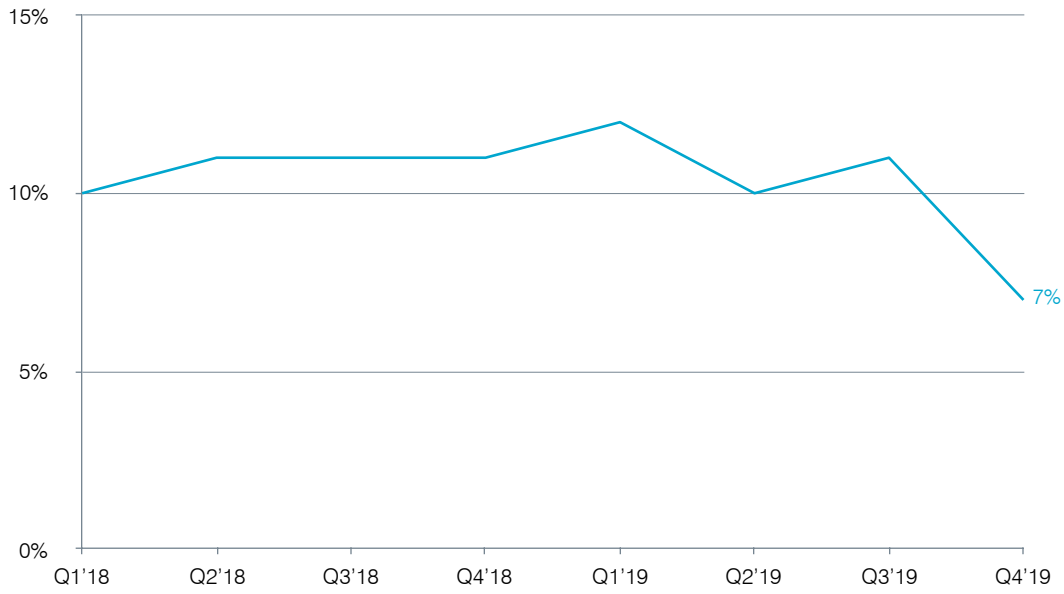
MULTIPLE LIQUIDATION PREFERENCES — The percentage of senior liquidation preferences that were multiple liquidation preferences was as follows:



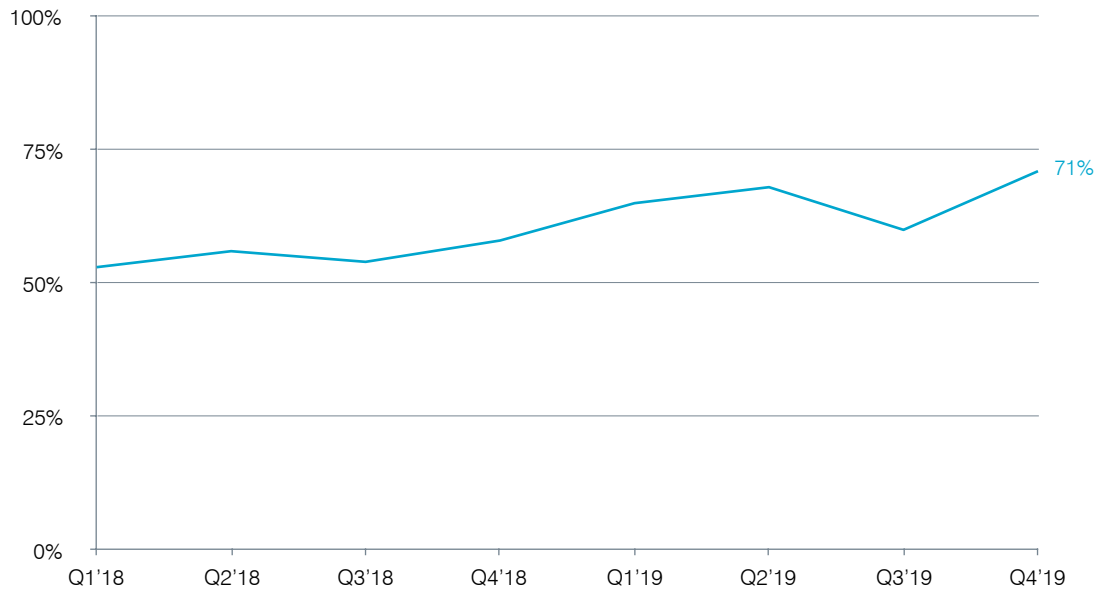
Of the senior liquidation preferences that were multiple preferences, the ranges of the multiples broke down as follows:



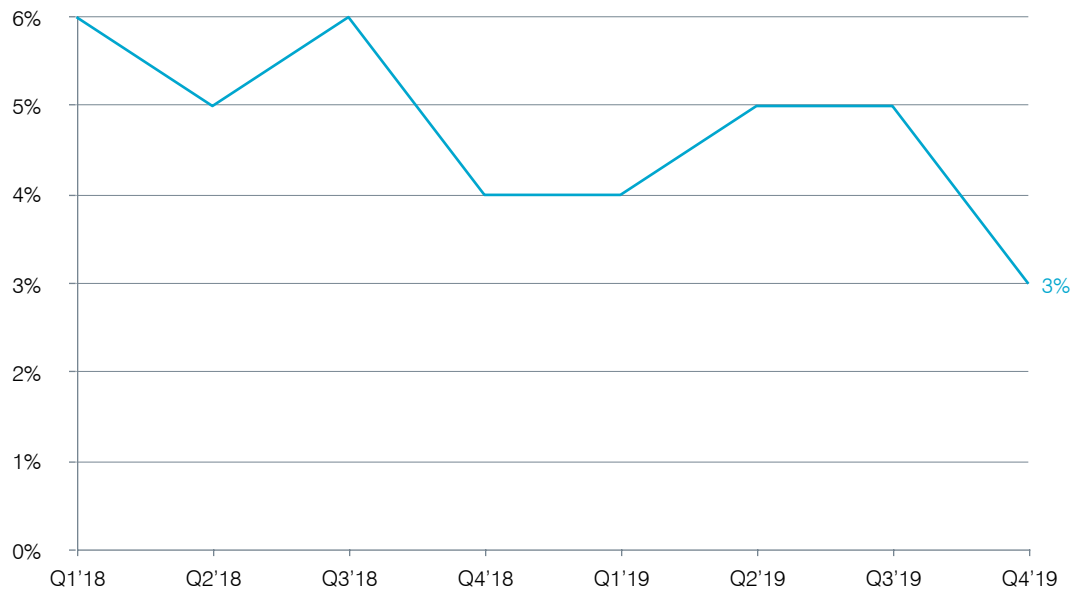
PARTICIPATION IN LIQUIDATION — The percentages of financings that provided for participation were as follows:



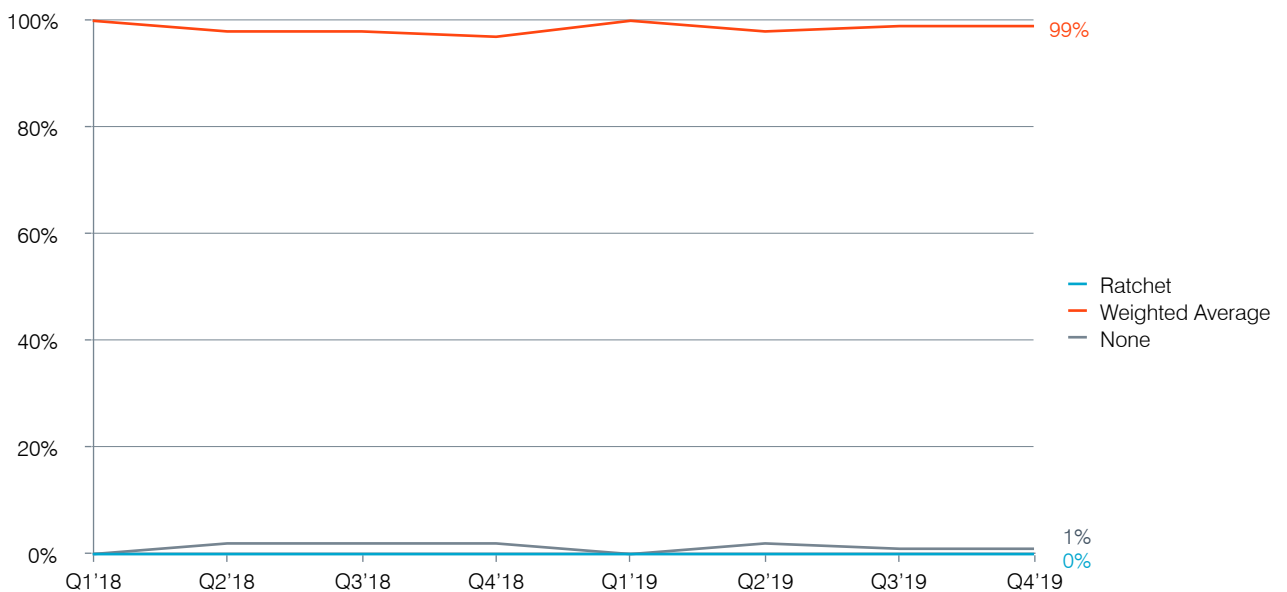
Of the financings that had participation, the percentages that were not capped were as follows:



CUMULATIVE DIVIDENDS – Cumulative dividends were provided in the following percentages of financings:

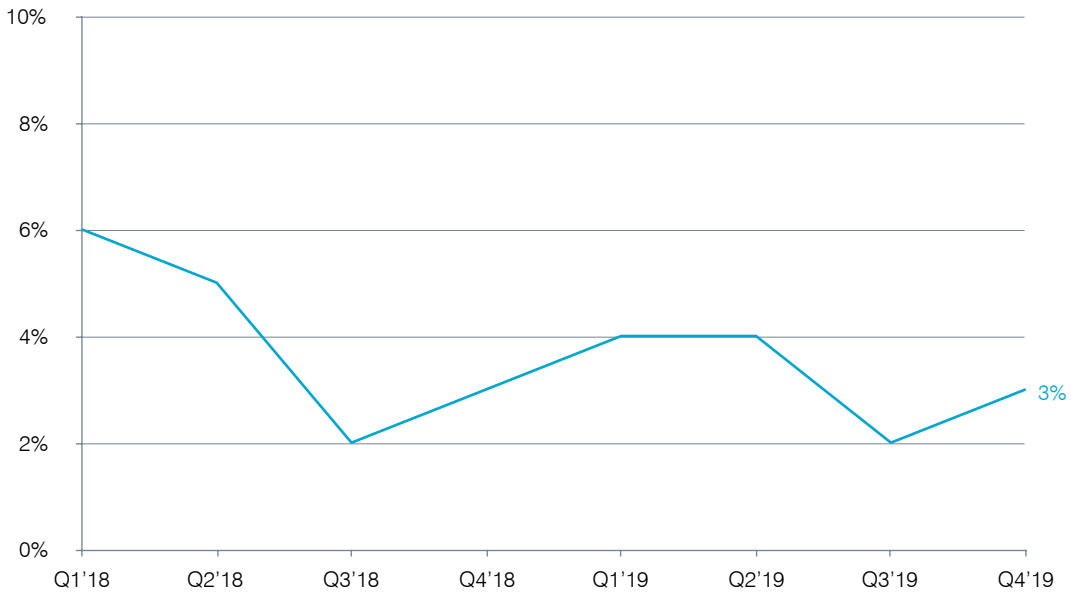


ANTIDILUTION PROVISIONS –The uses of (non-IPO) antidilution provisions in the financings were as follows:

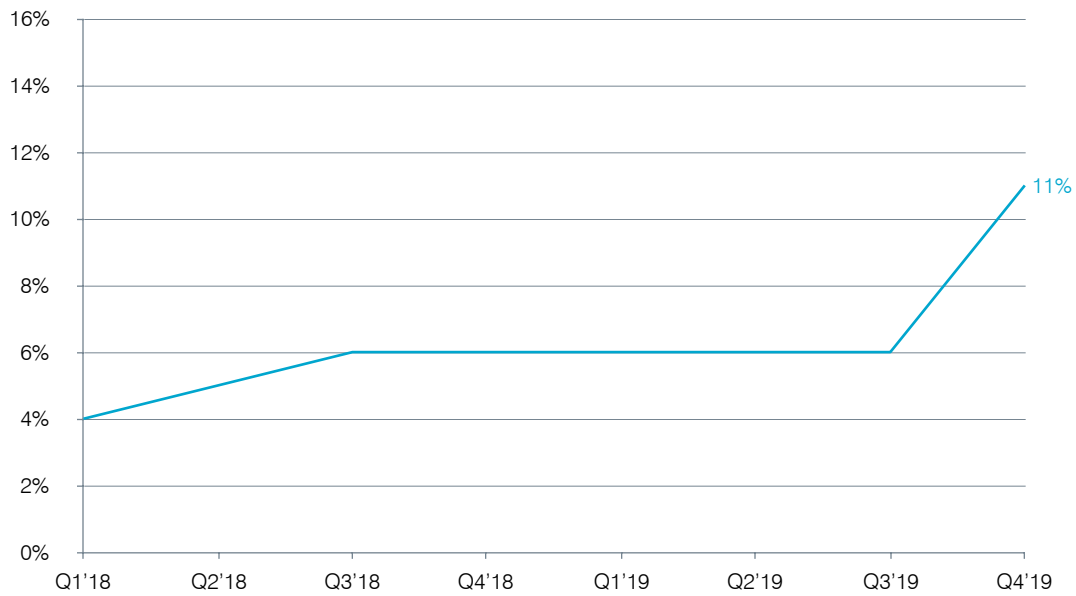


Please note that the chart above only applies to non-IPO anti-dilution provisions. In other words, the chart refers to anti-dilution provisions that protect the investor against a future venture financing at a price below what the investor paid. The chart does not include anti-dilution provisions designed to protect against an IPO at a price below the price paid by the venture investor (e.g., an IPO ratchet), because those provisions are generally only negotiated/included in very late-stage, high-value deals. We believe it would not be useful to provide a percentage of all financings that have IPO anti-dilution provisions, because it will provide a result that is artificially low. An analysis of IPO anti-dilution provisions is included in our Unicorn Survey, which by its nature is focused on late-stage, high-value deals.

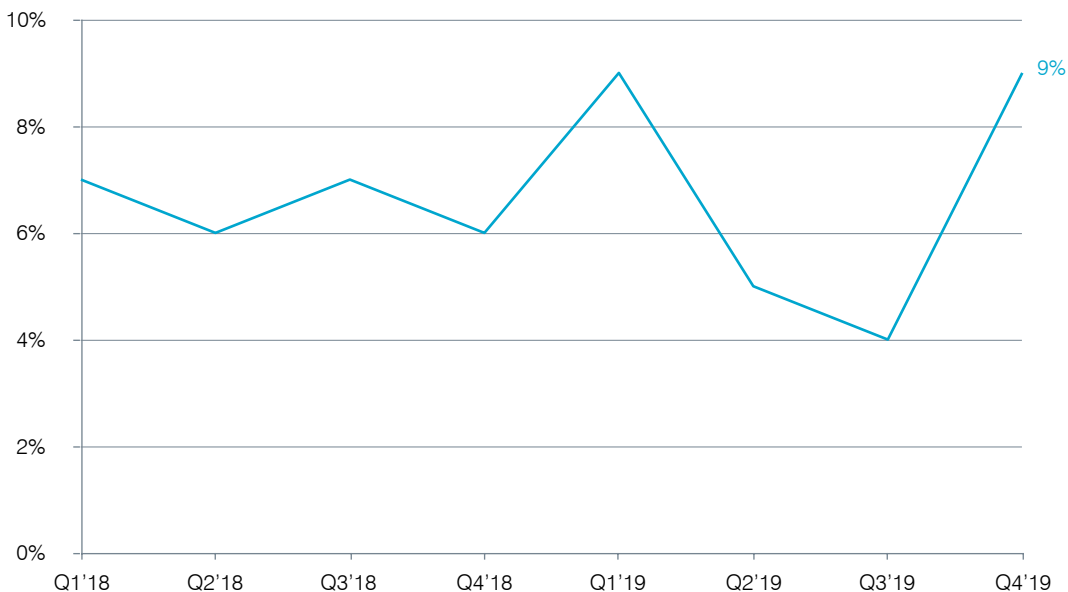
PAY-TO-PLAY PROVISIONS – The percentages of financings having pay-to-play provisions were as follows:



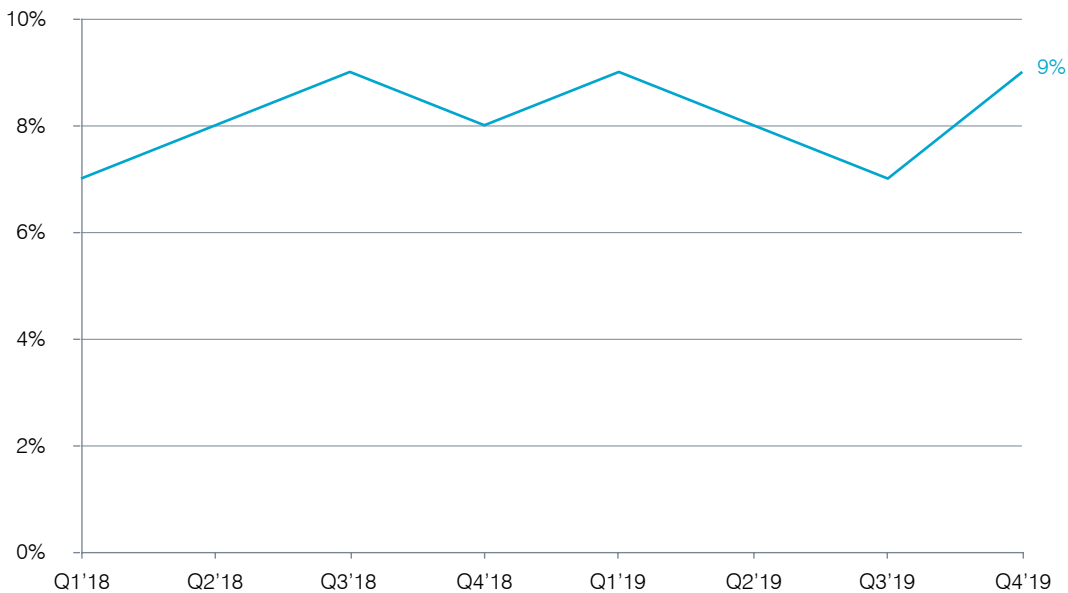
REDEMPTION – The percentages of financings providing for mandatory redemption or redemption at the option of the investor were as follows:



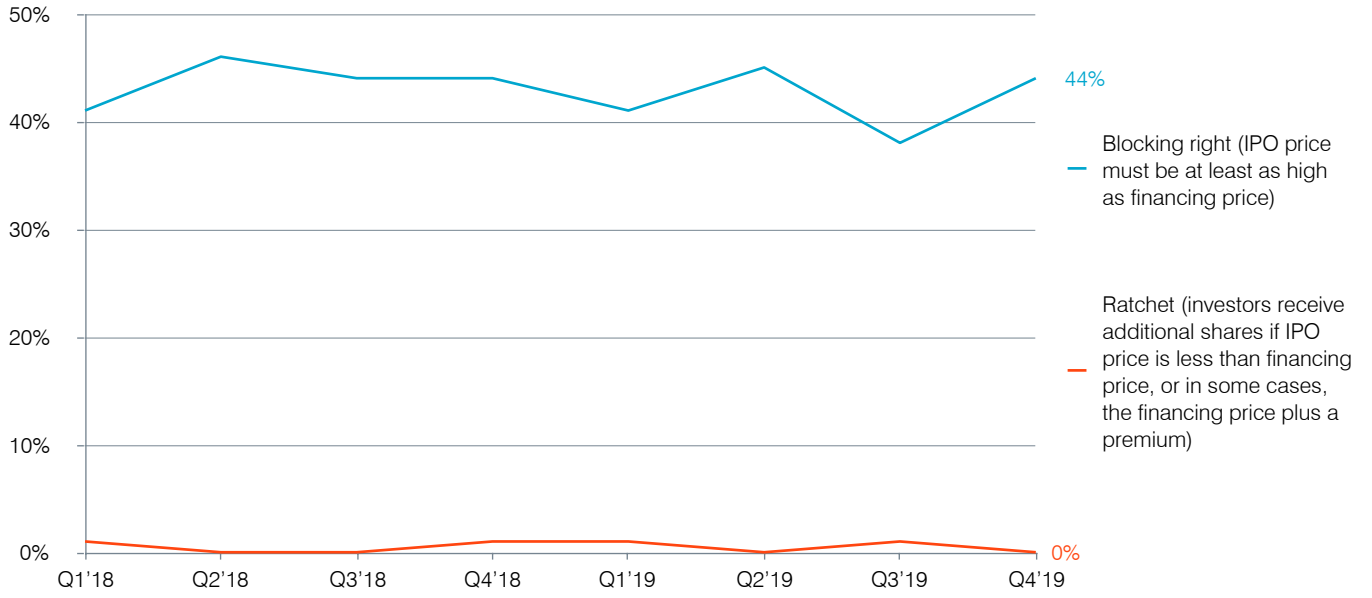
CORPORATE REORGANIZATIONS – The percentages of post-Series A financings involving a corporate reorganization (i.e. reverse splits or conversion of shares into another series or classes of shares) were as follows:



DUAL-CLASS COMMON STOCK – The percentages of financings with dual-class common stock structures, where there is one class of common stock with more votes per share than the other class, were as follows:



IPO DOWNSIDE PROTECTIONS – The percentages of financings with IPO downside protections were as follows:



About our Survey

The Fenwick & West 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/vcsurvey/sign-up. We are pleased to be a source of information to 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 and larger 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.

Note on 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, which was on average about 18 months prior. 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.

About the Authors



[Cynthia Clarfield Hess](#) is co-chair of Fenwick's startup and venture capital group. Recognized as among the best corporate lawyers by *Chambers USA*, Cindy has counseled technology companies on a broad range of corporate transactional matters, from formation matters and venture capital financings to mergers and acquisitions and public offerings, representing both companies and underwriters. She has worked with a wide range of high-technology clients – from established technology stalwarts to emerging companies developing disruptive technologies, which include some of the hottest and most innovative companies in the mobile, SaaS and social media spaces.



[Mark Leahy](#), co-chair of Fenwick's startup and venture capital group and a seasoned advisor to technology companies on a broad range of corporate transactional matters, provides legal solutions that advance his clients' business objectives. His practice focuses on venture capital financings, corporate governance, mergers and acquisitions, and public offerings. His expertise spans a wide range of technologies, including software, semiconductor, internet/e-commerce, and data management and storage.



[Khang Tran](#) supports the firm's knowledge management efforts by collecting and sharing knowledge and expertise across the firm, which in turn, is leveraged to improve the quality of legal services to the firm's clients.

Contact/Sign Up Information

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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 fenwick.com/vcsurvey/sign-up.

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