J.P.Morgan

Venture Beacon

Q1 2025 Report

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FENWICK

Executive Summary

- The venture capital landscape underwent significant transformation in Q1 2025, marked by strategic adjustments across deal structures, governance, and investment patterns. Deal sizes experienced broad-based compression, declining 7.5-31% quarter-over-quarter across most stages, though Series A and D+ valuations proved resilient with notable increases of 6.2% and 30%, respectively.
- Governance structures evolved meaningfully in Q1, with board sizes compressing to six members at Series C+ (from seven historically), while improved dilution levels indicate founders are maintaining stronger ownership positions despite market conditions.
- Artificial intelligence continued to dominate investment themes, commanding substantial premiums in valuation and capital raised while capturing 30% of early-stage activity and 60% of late-stage capital deployment.
- Mega deals ($100M+) maintained elevated levels but represented a smaller proportion of total rounds at 4.3% compared to the 2021 peak of 9.8%, while growing more distinct from conventional rounds with 7x larger capital raises and 8.8x higher valuations.
- Round dynamics reflected a shift toward supporting existing portfolio companies, with extension rounds climbing to 28.1% and follow-on investments rising to 24.4%. Time between rounds compressed to 21 months, suggesting an acceleration in fundraising cycles.
- Investor protection mechanisms gained prominence, accompanied by higher liquidation preference multiples and expanded pay-to-play provisions, indicating a strategic emphasis on downside protection amid market uncertainty.

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Contents

Foreword

by FENWICK

This edition of the J.P. Morgan Venture Beacon examines Series Seed through Series D+ venture deals in the US over Q1 2025. As we continue to partner with J.P. Morgan | Aumni and contribute to these quarterly reports, we're proud to arm investors with one of the most accurate, data-driven views of the venture capital ecosystem.

This report is derived directly from legal documents that underpin private market transactions, including equity financings, convertibles/SAFEs, secondaries, and more. In it, we cover amounts raised, valuations, down rounds, extension rounds, time between rounds, ownership rights, convertible notes, SAFEs, dilution, liquidation preferences, board governance structure, and more.

Drawing on our deep experience in the startup and venture capital ecosystem and working closely with companies, investors, and boards allows us to provide firsthand insight into market sentiment and financing strategies. As such, this report reflects the collective experiences of industry leaders navigating today's investment climate.

The first quarter of 2025 has been defined by recalibration, with strategic adjustments taking center stage. Yet, amid cautious market conditions, artificial intelligence remains a standout force. AI-driven companies continue to command premium valuations, reshaping industries and accelerating innovation.

The report also examines the evolving landscape of investor protections and governance structures—key factors in balancing risk and reward. As venture financing grows more nuanced, founder-friendly terms and strengthened legal frameworks play an increasingly vital role in shaping investment decisions. Our goal is to help you understand not just what's happening in the market—but why—empowering you to make more informed, strategic decisions with respect to venture transactions. We look forward to our continued collaboration with J.P. Morgan | Aumni and furthering the Venture Beacon's impact across the broader venture capital ecosystem.

Warm regards,

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About Fenwick and Its Startup & Venture Capital Practice

Fenwick is a leading law firm for startups and venture-backed companies, providing comprehensive legal counsel at every stage of growth—from formation and initial funding to IPOs and mergers. Purpose-built for technology and life sciences, we partner with some of the most innovative companies, offering strategic guidance on licensing, IP protection, executive compensation, M&A, and corporate governance. The firm is widely recognized for its industry-shaping work, consistently ranked as a top law firm for venture capital and emerging companies by *PitchBook*, *Chambers*, and *U.S. News & World Report*. Fenwick serves as trusted counsel to over 100 unicorns and over half of the U.S. tech companies valued above $15 billion, helping clients navigate fundraising, board governance, and exit strategies.

In addition to its market-leading Startup & Venture Capital practice, Fenwick provides sophisticated regulatory, litigation, and intellectual property counsel, supporting companies at every stage of growth as they scale, innovate, and address complex legal challenges.

For more information, visit Fenwick's website.

The Venture Beacon

After a cautiously optimistic end to 2024, the fundraising environment for venture-backed companies experienced a mild downturn in the Q1 2025, accompanied by a strategic recalibration by market participants through a mixture of enhanced legal term protections and changing investment patterns.

Equity financing benchmarks

Absolute values represent medians in Q1 2025. Relative values represent quarter-over-quarter change.

Stage	Capital Raised		Lead Investor Check Size		Pre-Money Valuation		Dilution		Board Size	
Series Seed	**$4.3M**	↓ *7.5%*	**$2.7M**	↓ *5.3%*	**$17.5M**	↓ *13%*	**20.0%**	*= 0 ppts*	**3**	*= 0*
Series A	**$11.6M**	↓ *12%*	**$7M**	↑ *8.7%*	**$58.3M**	↑ *6.2%*	**17.0%**	↓ *2.32 ppts*	**5**	*= 0*
Series B	**$20.2M**	↓ *31%*	**$10M**	↓ *30%*	**$102M**	↓ *37%*	**14.7%**	↑ *1.66 ppts*	**5**	*= 0*
Series C	**$42.7M**	↓ *8.2%*	**$21.6M**	↓ *1.7%*	**$314M**	↓ *26%*	**8.21%**	↓ *1.80 ppts*	**6**	↓ *1*
Series D+	**$70.2M**	↓ *15%*	**$32.8M**	↓ *7.7%*	**$1.27B**	↑ *30%*	**6.61%**	↓ *0.11 ppts*	**6**	↓ *1*

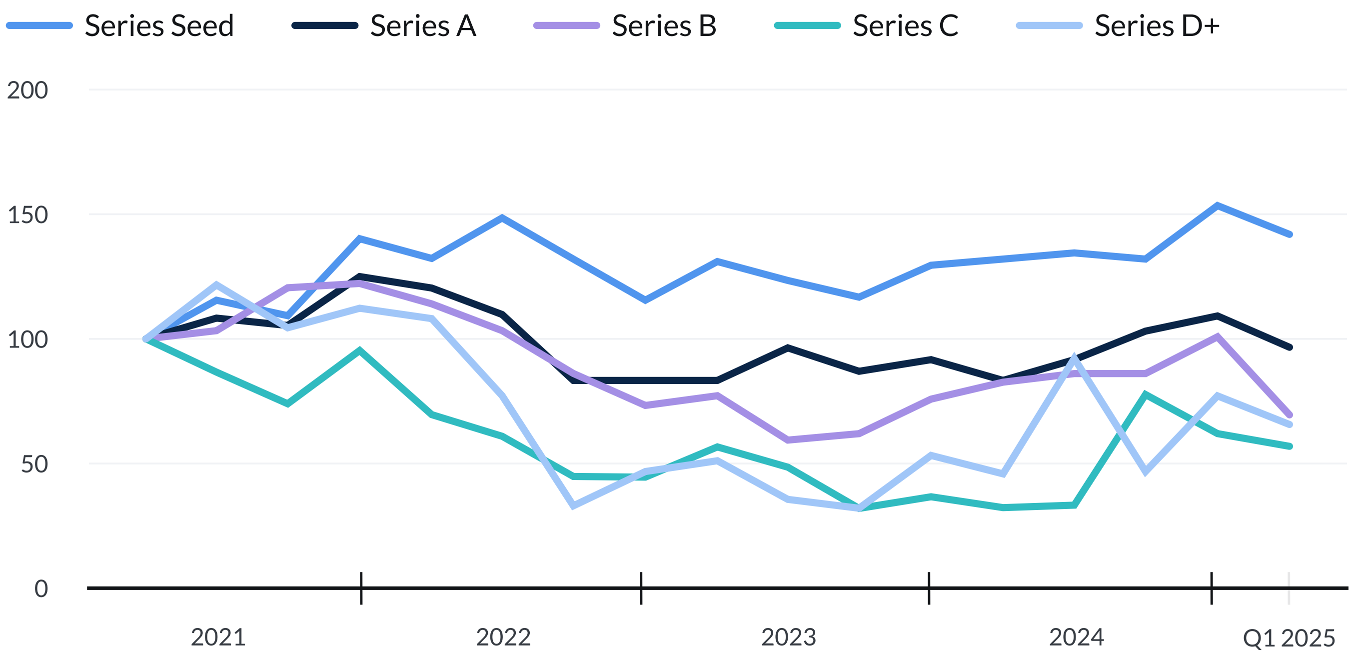
Deal sizes across all stages of companies declined compared to Q4 2024, with both early and growth-stage companies securing funding at generally lower valuations. Venture rounds decreased in size between 7.5% and 31% quarter-over-quarter, with valuations falling between 13% and 37%. Series A and Series D+ companies were the notable exceptions, growing by 6.2% and 30% quarter-over-quarter, respectively. The market adjustment was accompanied by a compression in lead investor check sizes across most stages, as investors appeared to adopt increasingly conservative deployment strategies amid persistent market uncertainty.

The median board size by stage, which is a generally stable statistic and does not frequently change, notably shrank to six members at Series C and beyond in Q1 2025, from a consistent seven in years prior. While the exact cause is unclear, the data may represent a move towards smaller boards for easier alignment and governance. Dilution, meanwhile, mildly improved in Q1 2025, suggesting that founding teams are retaining more ownership when raising capital, even in the current climate.

Overall, the data suggests venture firms are deploying less capital, making fewer deals, and focusing on quality teams. As a result, founders that do raise capital may be doing so from a position of leverage, retaining more ownership for themselves and existing shareholders.

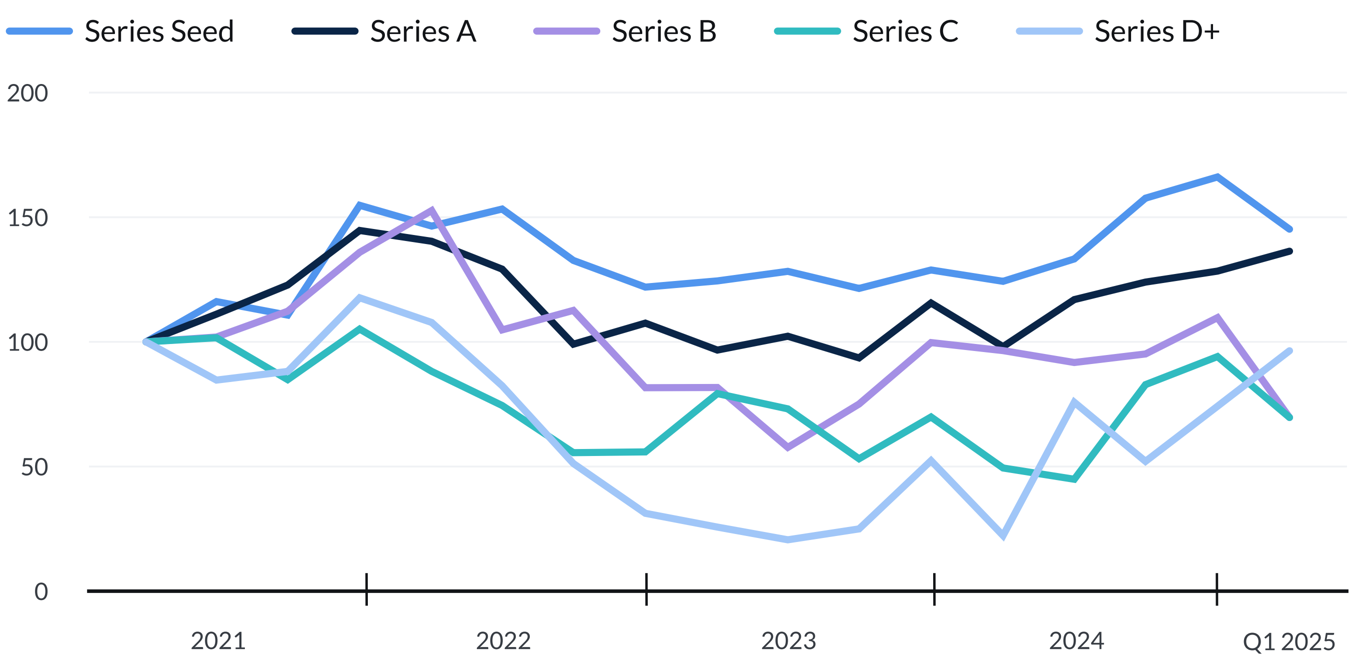
Indexed median capital raised (Q1 2021 = 100)

Deal sizes declined between 7.5-31% in Q1 2025 versus Q4 2024



Indexed median pre-money valuation (Q1 2021 = 100)

Series A and D+ valuations proved resilient with Q/Q increases of 6.2% and 30%, respectively



Artificial intelligence & mega deals ($100M+)

Artificial Intelligence (AI) continues to be a bright spot for the market in Q1 2025. At Series A, companies that apply AI technology are raising more capital and commanding higher pre-money valuations, extending a trend that emerged in 2023 and has only strengthened since.

AI-focused startups raised more capital and achieved significantly higher pre-money valuations in Q1 2025 compared to their non-AI counterparts in numerous sectors—outperforming from approximately 12% to over 150% on both metrics.

AI deals are also continuing to increase in prevalence. In Q1 2025, AI companies represented approximately 30% of deals at Seed and Series A, up from less than 15% in 2021. The concentration of capital in AI startups is even more pronounced at later stages, where AI companies attracted over 60% of all capital deployed in Series D and later rounds.

A common thread among market observers is the conversation around an AI-driven surge in mega deals, defined as equity financing rounds with $100M or more total capital raised. While early 2024 saw a surge of AI mega deals, levels have since moderated. AI deals represented less than 30% of mega deals over the past three quarters.

Mega deal levels have remained elevated over the past five quarters, but they still represent a smaller proportion of total financing rounds at 4.3%, compared to the market peak of 9.8% in 2021.

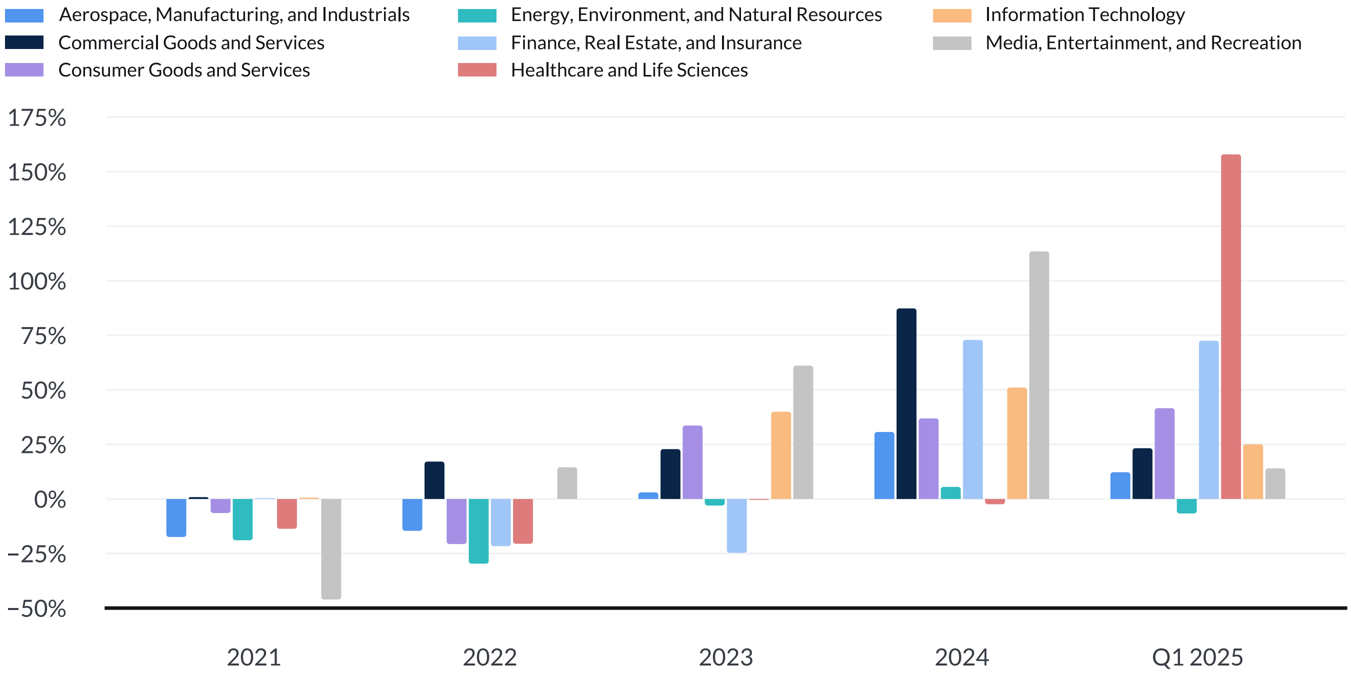
What has changed, however, is the stage at which mega deals are occurring. Over the last five years, mega deals have started happening earlier in the company lifecycle, with approximately 60% of mega deals in 2023 and 2024 happening at or before Series C. While the data show a reversal of this trend in Q1 2025, we believe this is due to comparing annual data with quarterly data, as mega deals are rare on a quarterly basis.

That said, the gap between a mega deal and a conventional equity financing round continues to widen. During the market peak in 2021, mega deals were only 3.5x larger than conventional rounds. However, by Q1 2025, mega deals had returned to 2018 levels—growing to 7x larger in terms of capital raised and commanding pre-money valuations 8.8x higher than conventional deals. Despite their increased frequency in recent quarters, Q1 2025 mega deals are clear market outliers in both size and valuation.

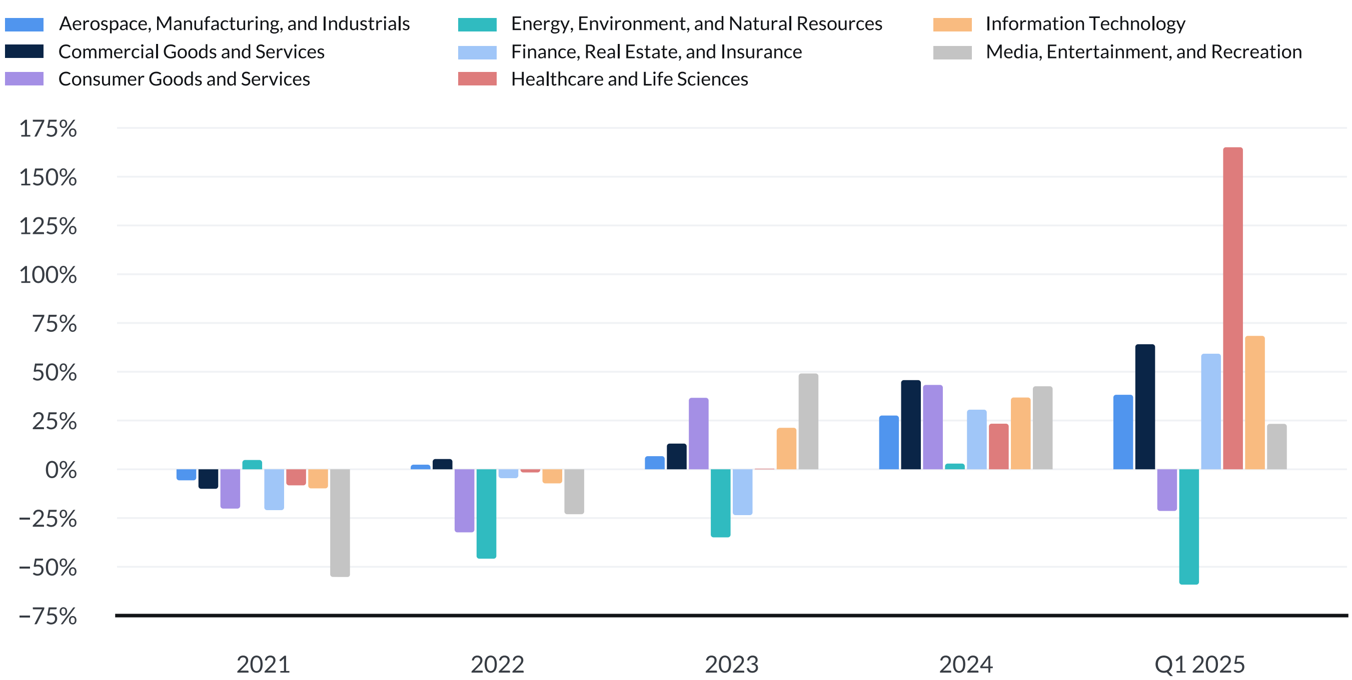
How to read the following charts: AI Premiums, Series A

- Each chart compares AI-focused companies versus non-AI focused companies, by industry
- Percentages indicate the amount of +/- premiums for AI focused companies during that period

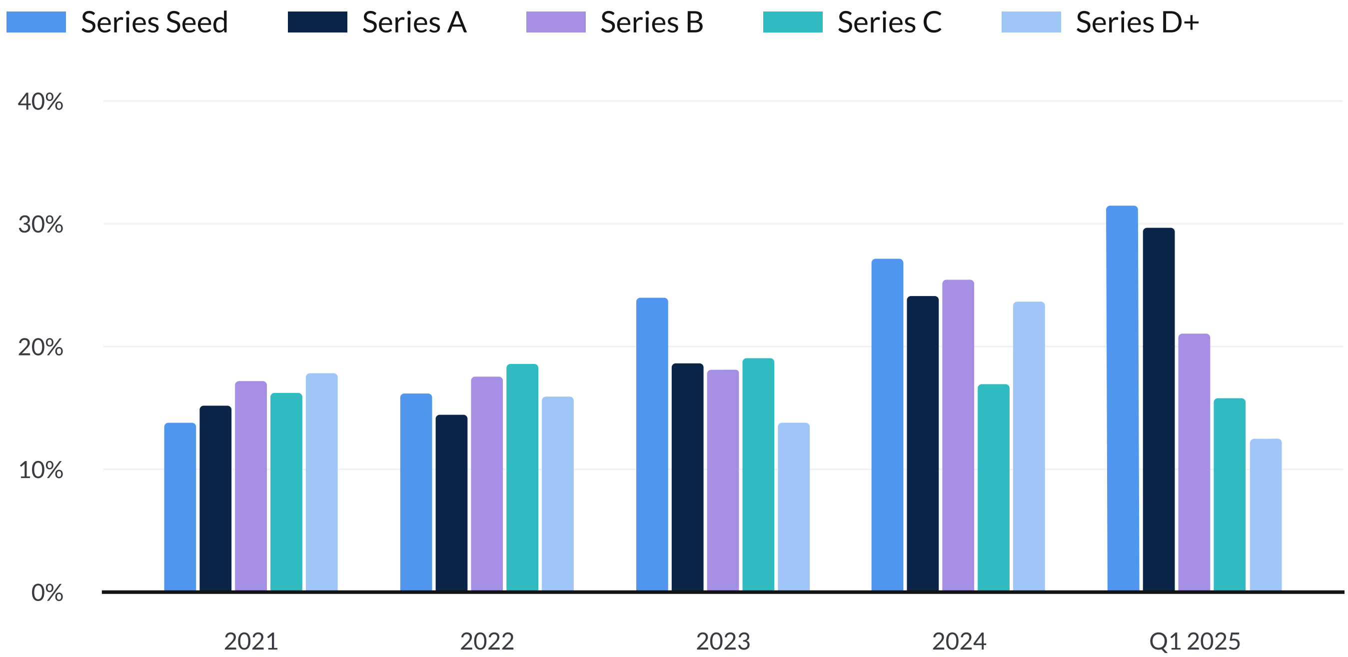
Capital raised by AI-focused companies at Series A versus non-AI focused companies in same industry



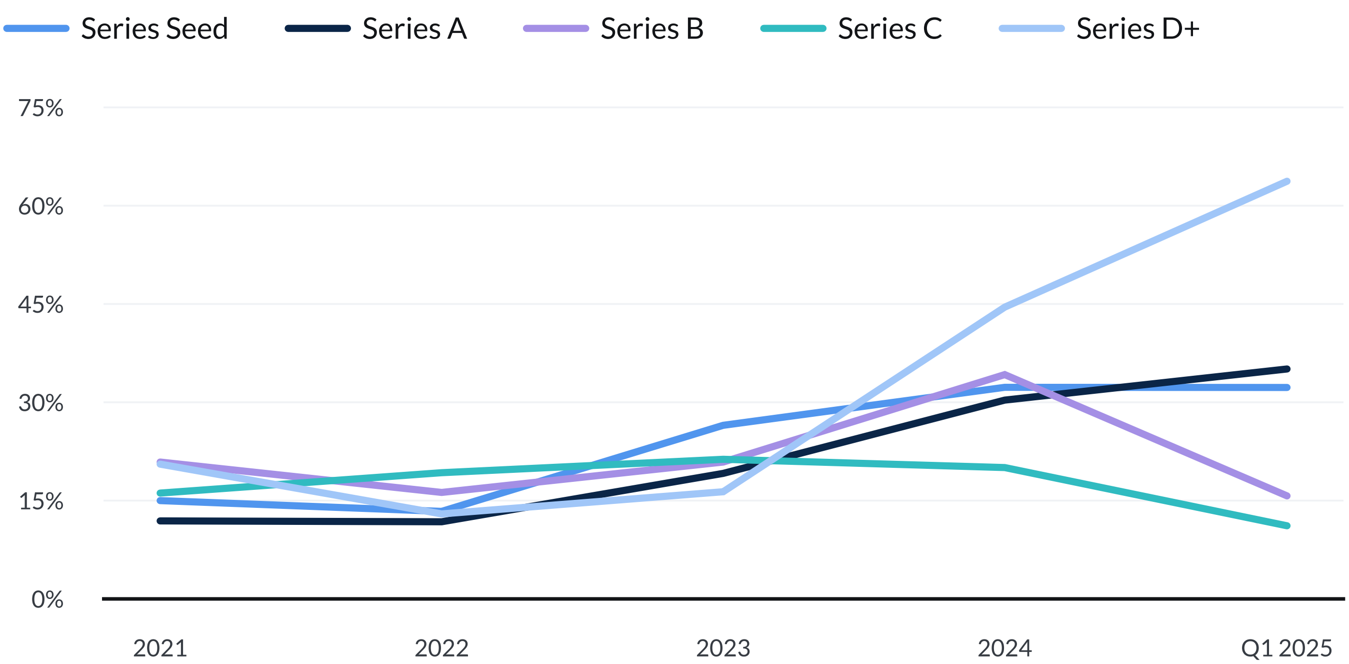
Pre-money valuations of AI-focused companies at Series A versus non-AI focused companies in same industry



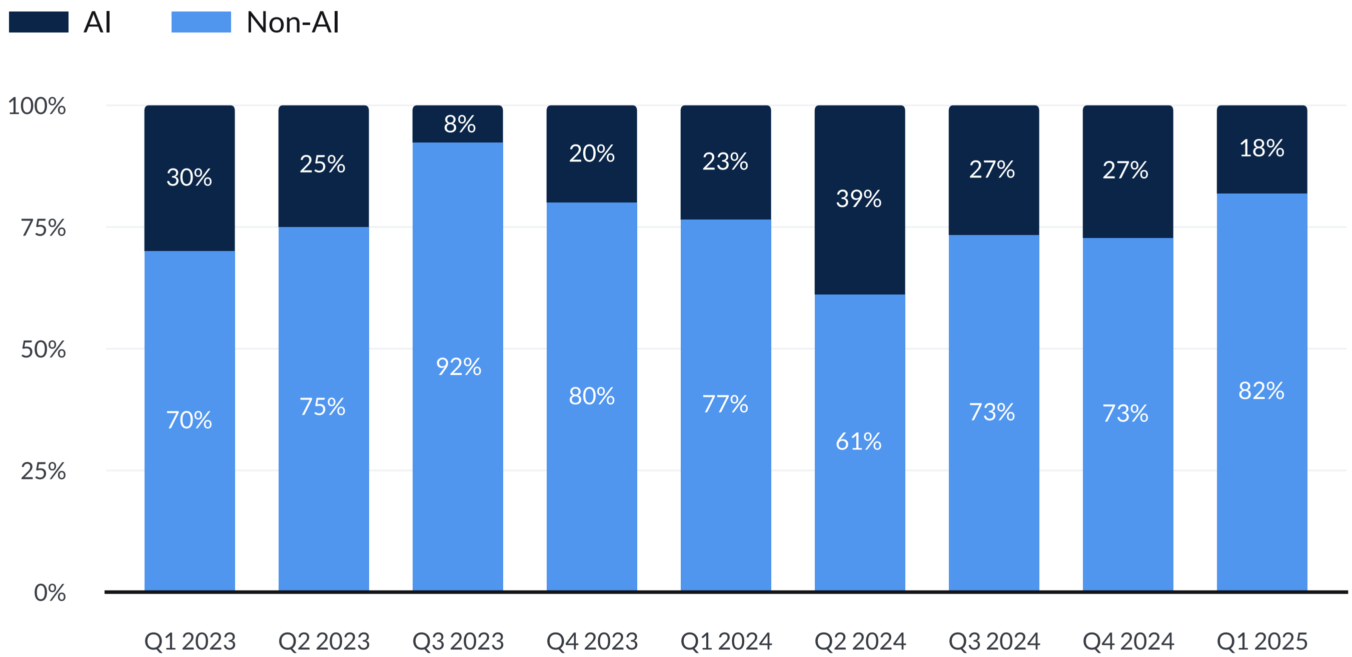
Prevalence of AI deals by stage



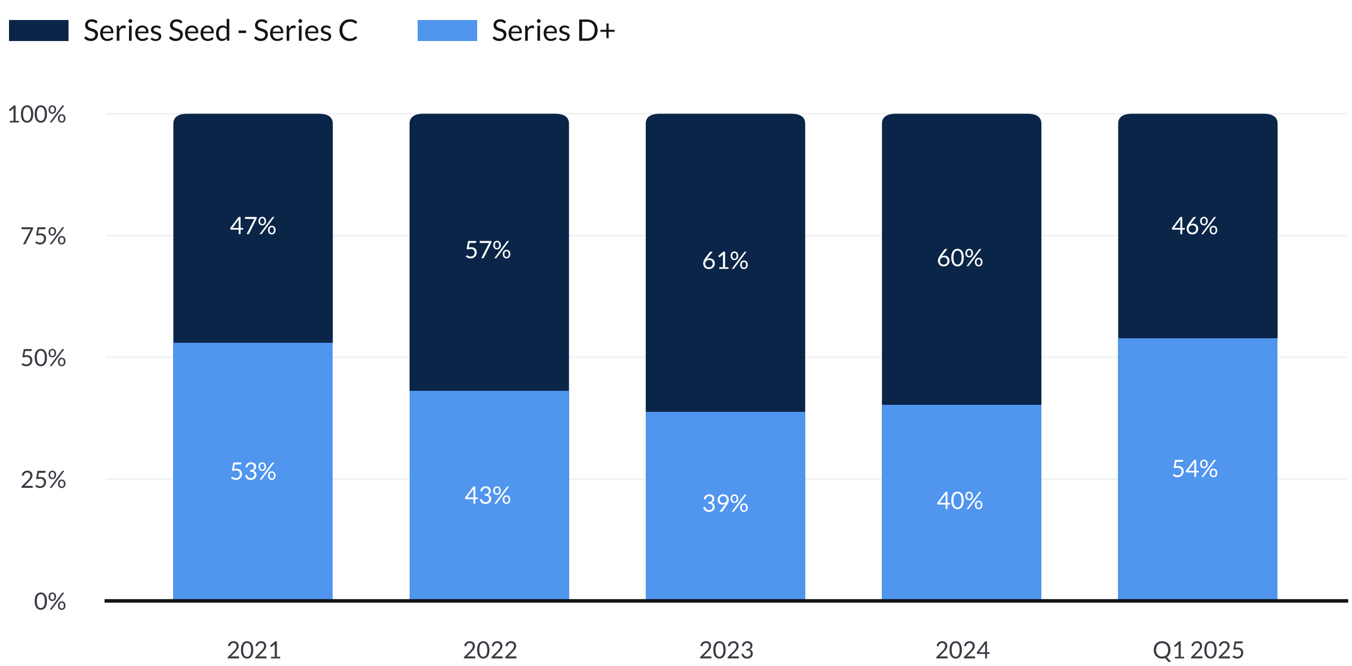
AI-focused companies' proportion of total capital raised, by stage



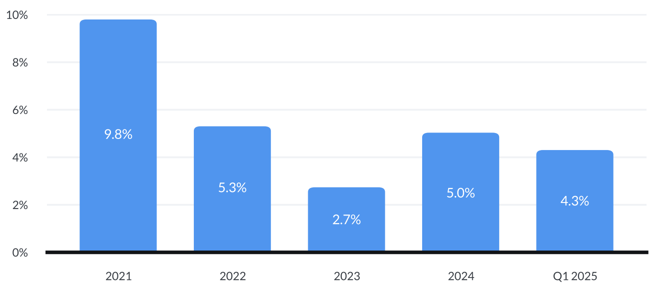
Prevalence of AI in $100M+ deals



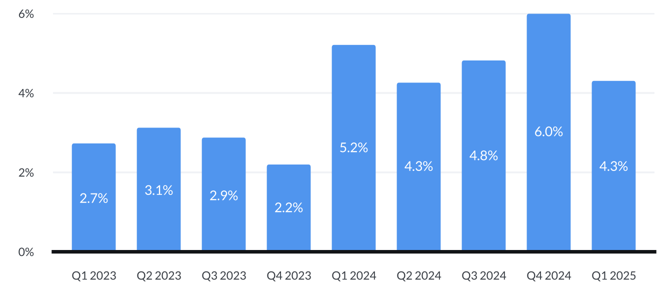
Stage of company at $100M+ raise



Prevalence of mega deals by year



Prevalence of mega deals by quarter

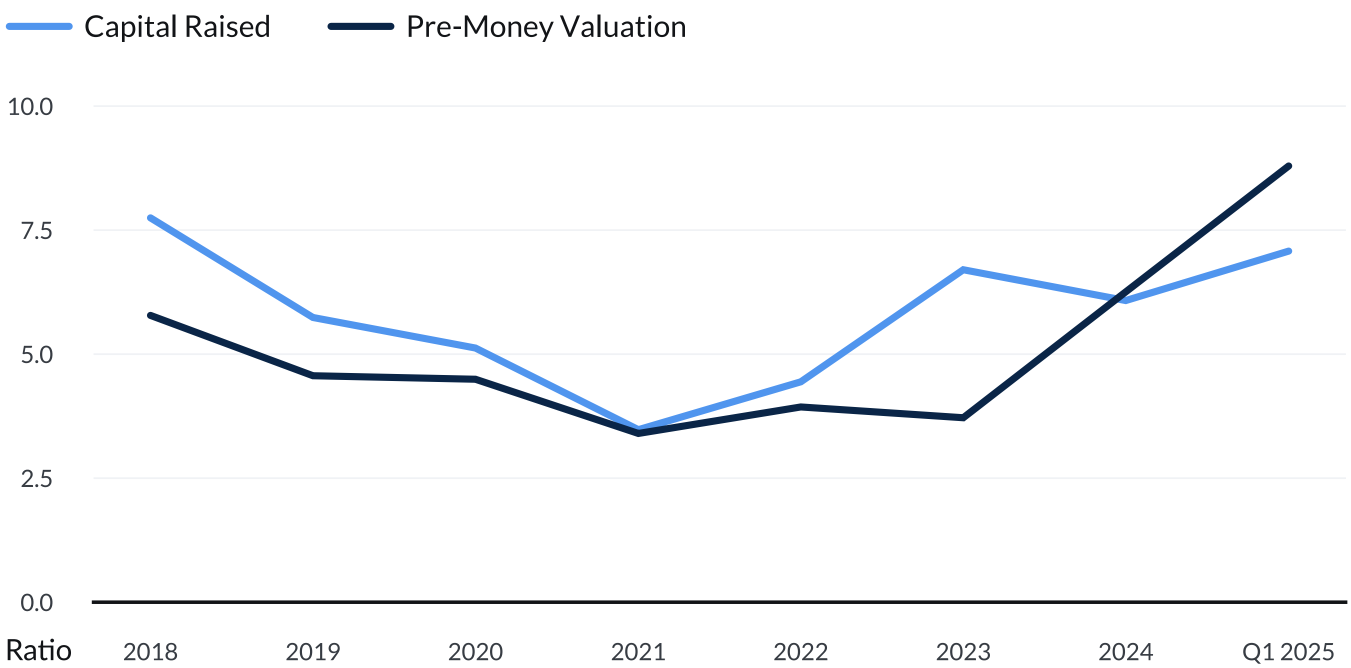


How to read the chart below: Mega-to-conventional deal ratios

- This chart compares the relative size of mega deals ($100M+ total capital raised) versus conventional equity deals (<$100M) for Series B+ rounds in the same time period
- Ratios are calculated separately for capital raised and pre-money valuations

Mega-to-conventional deal ratios

Q1 mega deals raised 7x more capital and had 9x higher pre-money valuations than conventional deals



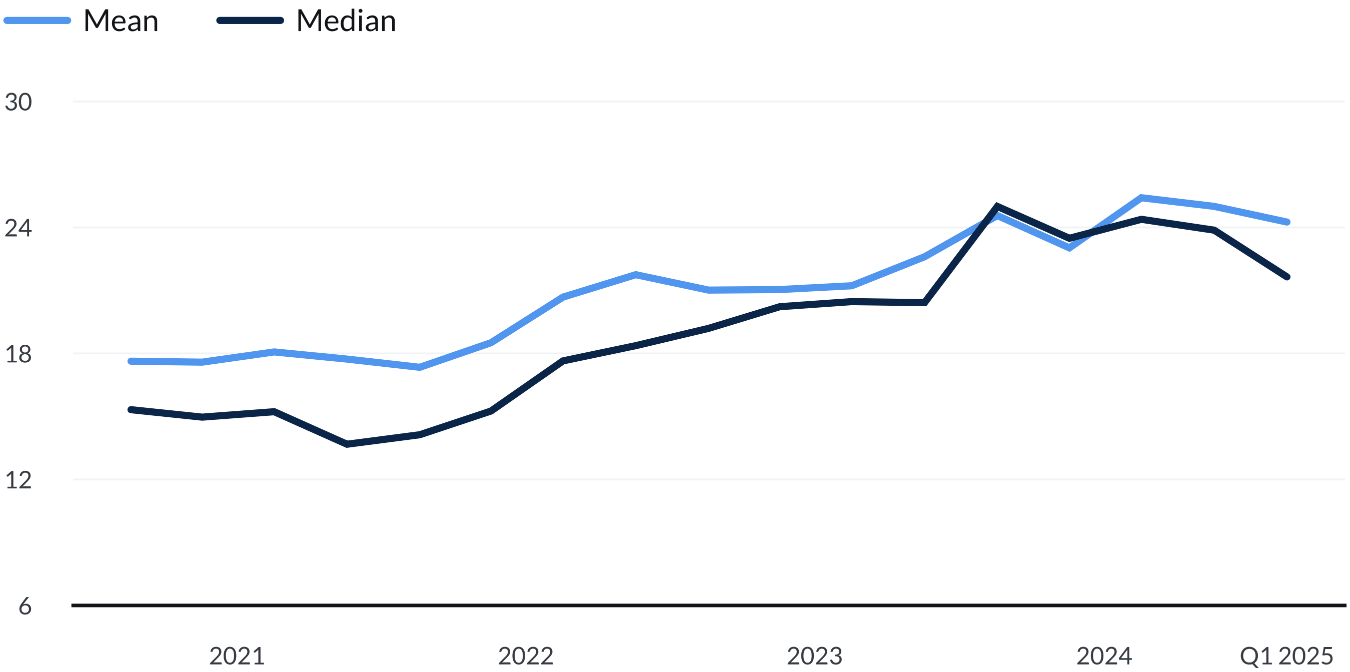
Round mechanics

Flat rounds remained stable for early-stage companies while declining at later stages in the first quarter of the year. Down rounds increased to 20.8% for Seed through Series B companies in Q1, from 18.5% in H2 2024, while Series C+ companies saw significantly fewer down rounds during this period. Down rounds for late-stage companies continued a general downward trend, declining from 33% in H1 2024 to 22.2% in Q1 2025.

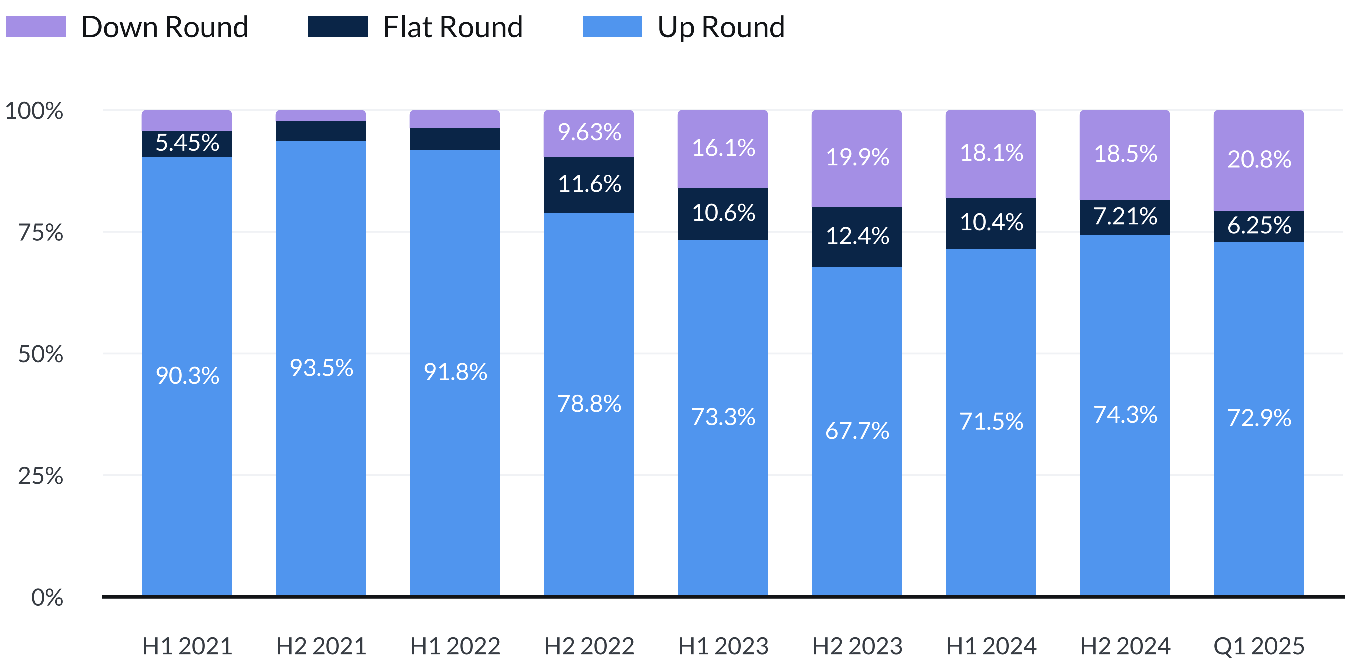
Extension rounds, by contrast, climbed during this period, from 22.5% in Q4 2024 to 28.1% in Q1 2025. Follow-on investments similarly rose from 21.3% in Q4 2024 to 24.4% in Q1 2025. These parallel increases suggest changing investment patterns, as investors direct more capital toward supporting their existing portfolio companies rather than seeking new investments.

The fundraising cycle for companies raising priced equity rounds accelerated in Q1 2025, with the median time between rounds decreasing to 21 months from 24 months in Q4 2024.

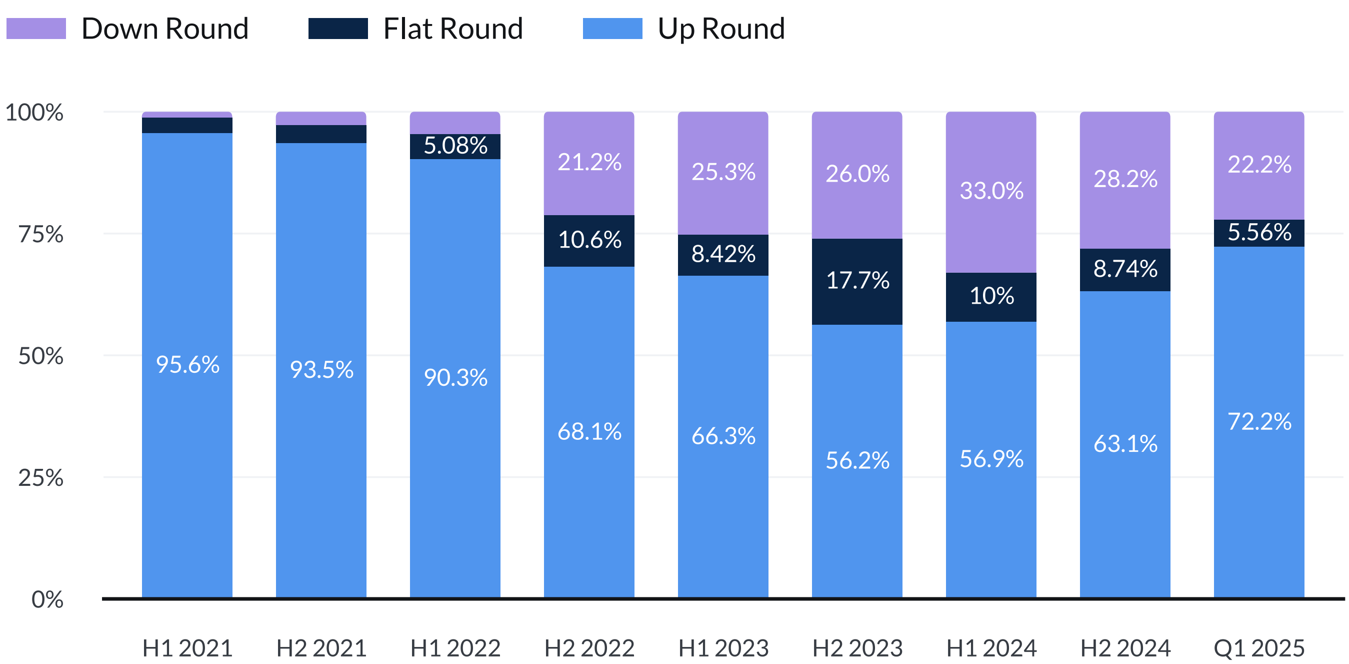
Months between equity financing rounds



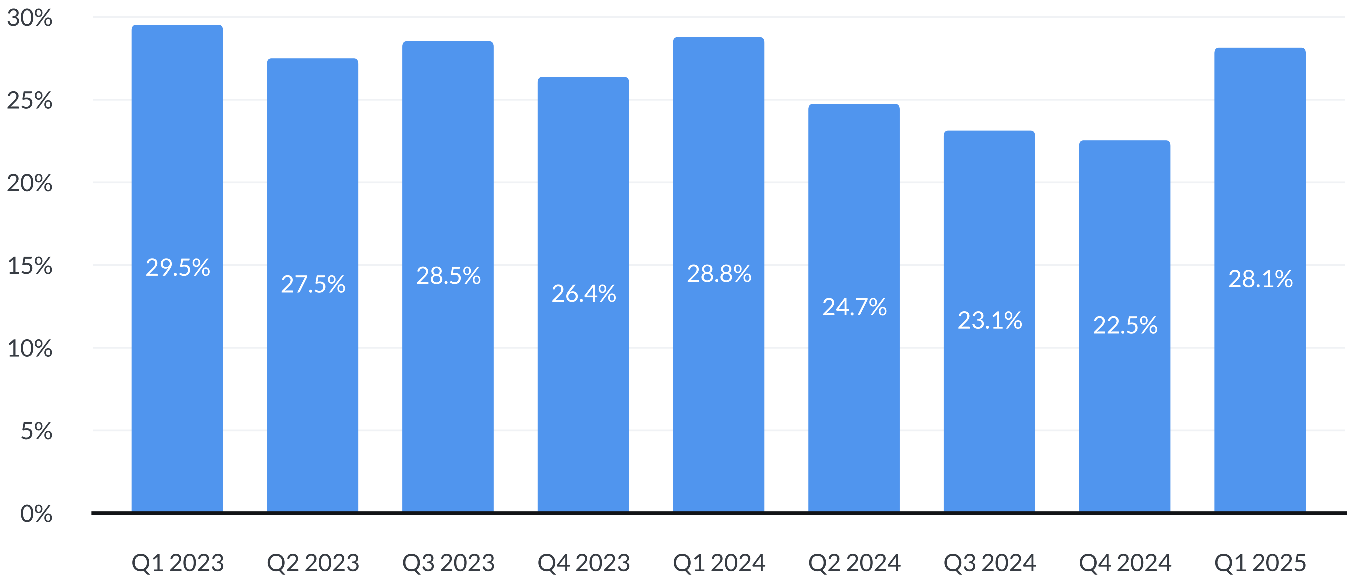
Up, flat, and down rounds for Seed, Series A, and Series B companies



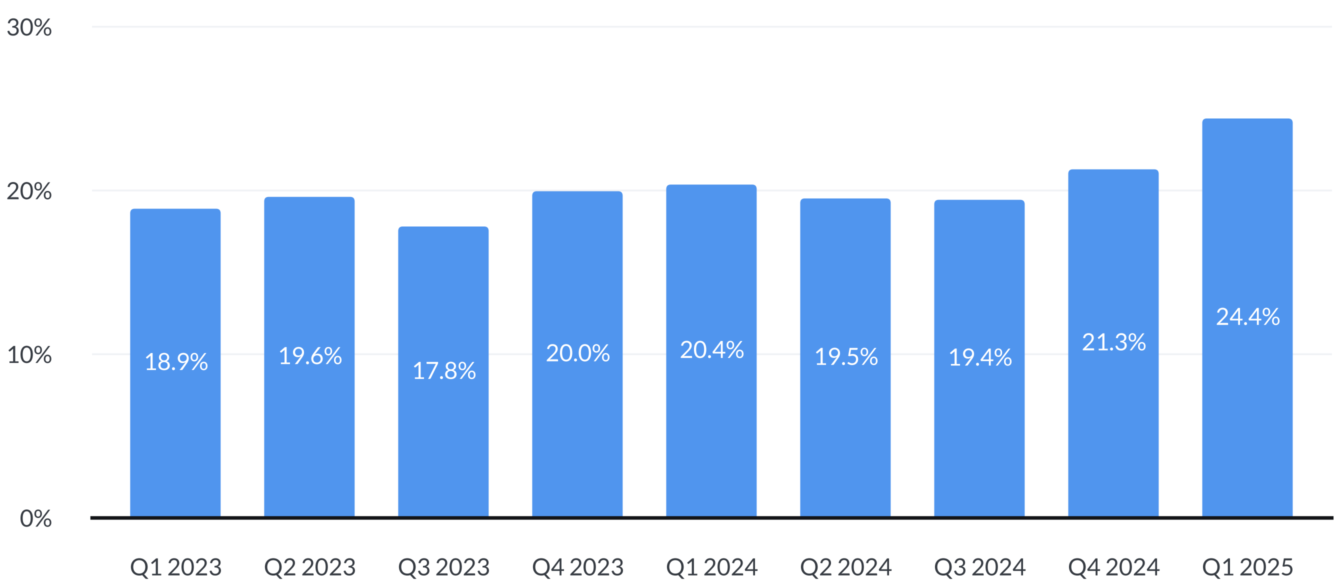
Up, flat, and down rounds for Series C+ companies



Prevalence of extension rounds



Prevalence of follow-on investments



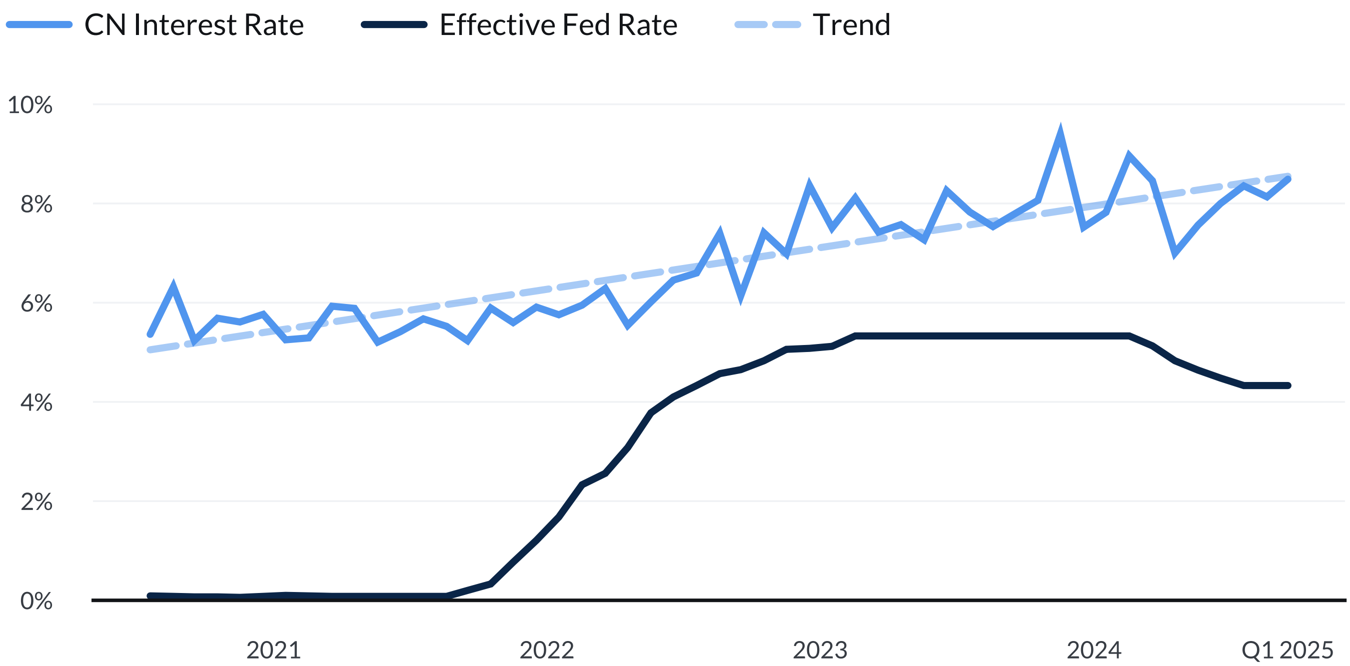
Convertible notes and SAFEs

Both convertible notes and SAFEs showed mixed results in Q1 2025. Investment amounts varied by deal size, while valuation caps declined significantly for deals over $5M. Despite the declining federal funds rate, convertible note interest rates moved higher between 200 and 300 basis points. Discount rates increased between 7.5 and 10.5 percentage points for larger deals across both instruments.

Cap-only SAFEs continued their upward trajectory in Q1 2025, representing 81% of all SAFE deals, up from 76% in 2024. This suggests valuation caps are increasingly being used as the standard pricing mechanism, despite the rising discount rates noted above.

Convertible bridge financing remains elevated thus far in 2025 as post-Series A companies seek alternatives to priced equity rounds or look to avoid setting potentially unfavorable valuations in the current market. Convertible issuance among post-Series A companies as a proportion of total convertibles declined modestly in Q1, but remains 30 percentage points higher than 2021 levels.

Convertible note interest rates vs. effective federal funds rate



Convertible note benchmarks

Absolute values represent medians in Q1 2025. Relative values represent quarter-over-quarter change.

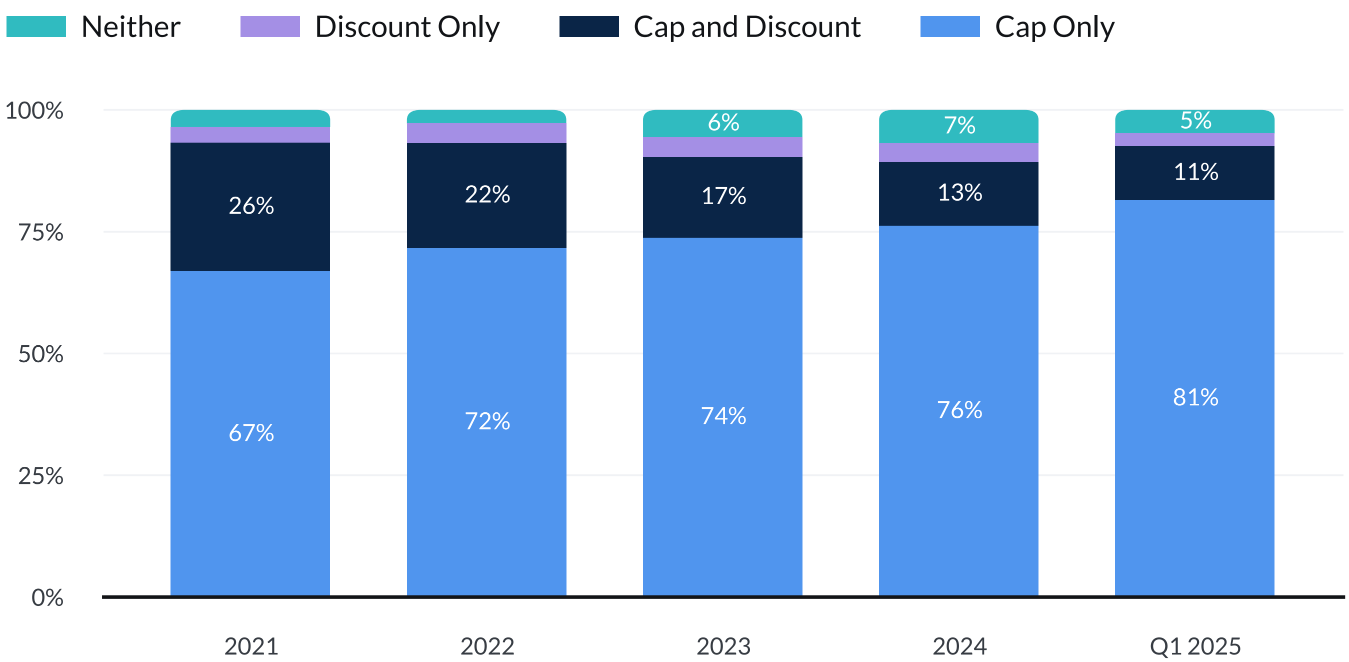
Investment Amount Range	Investment Amount		Valuation Cap		Discount Rate		Interest Rate		Interest Type
$50K and under	**$25K**	*↓ 7.8%*	**$15M**	*= 0%*	**20.0%**	*= 0 ppts*	**6.00%**	*↓ 200 bps*	**Simple**
$50K - $250K	**$175K**	*↑ 4.7%*	**$15M**	*↑ 22%*	**20.0%**	*= 0 ppts*	**8.00%**	*= 0 bps*	**Simple**
$250K - $500K	**$478K**	*↑ 37%*	**$50M**	*↑ 96%*	**20.0%**	*= 0 ppts*	**8.00%**	*= 0 bps*	**Simple**
$500K - $1M	**$750K**	*= 0%*	**$50M**	*↓ 44%*	**20.0%**	*= 0 ppts*	**9.00%**	*↑ 200 bps*	**Simple**
$1M - $5M	**$2M**	*↓ 3.4%*	**$75M**	*↑ 7.1%*	**20.0%**	*= 0 ppts*	**10.0%**	*↑ 200 bps*	**Simple**
Over $5M	**$7.13M**	*↓ 18%*	**$200M**	*↓ 80%*	**27.5%**	*↑ 10.5 ppts*	**8.00%**	*↑ 300 bps*	**Simple**

SAFE benchmarks

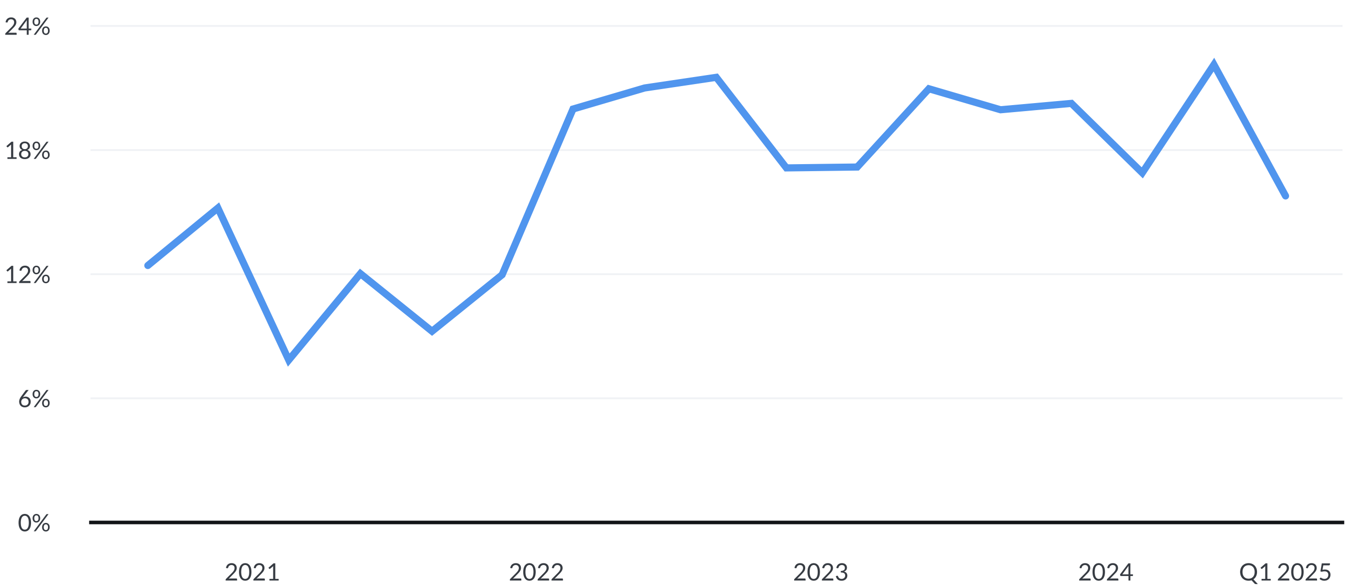
Absolute values represent medians in Q1 2025. Relative values represent quarter-over-quarter change.

Investment Amount Range	Investment Amount		Valuation Cap		Discount Rate	
$50K and under	**$25K**	*= 0%*	**$15M**	*↓ 20%*	**20.0%**	*= 0 ppts*
$50K - $250K	**$145K**	*= 0%*	**$20M**	*↑ 33%*	**20.0%**	*= 0 ppts*
$250K - $500K	**$350K**	*↓ 30%*	**$23M**	*↑ 15%*	**20.0%**	*= 0 ppts*
$500K - $1M	**$900K**	*↓ 0.96%*	**$15.5M**	*↓ 22%*	**20.0%**	*= 0 ppts*
$1M - $5M	**$2M**	*↑ 2.0%*	**$27M**	*↑ 20%*	**20.0%**	*= 0 ppts*
Over $5M	**$7M**	*↓ 78%*	**$190M**	*↓ 73%*	**22.5%**	*↑ 7.50 ppts*

Valuation caps and discounts in SAFEs before a priced round



Proportion of convertibles issued by Series A+ companies

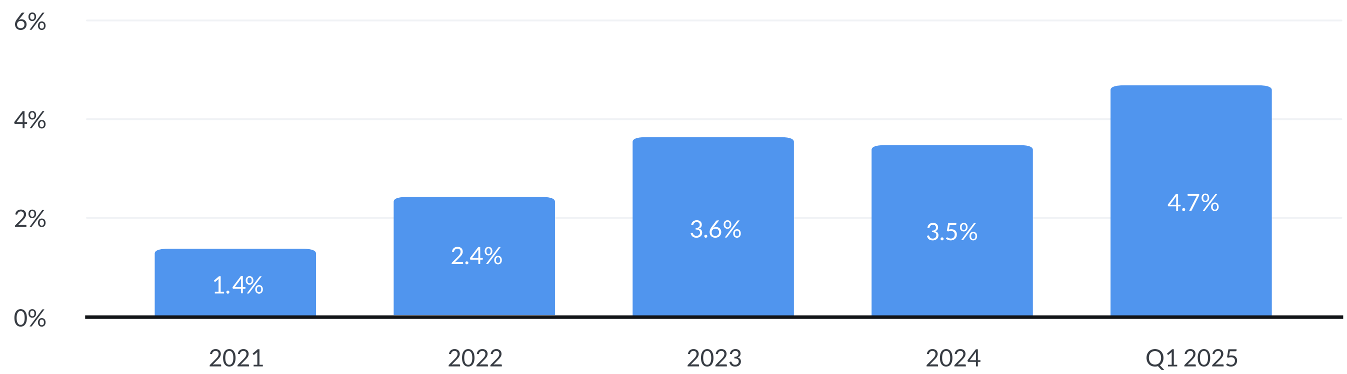


Legal terms and provisions

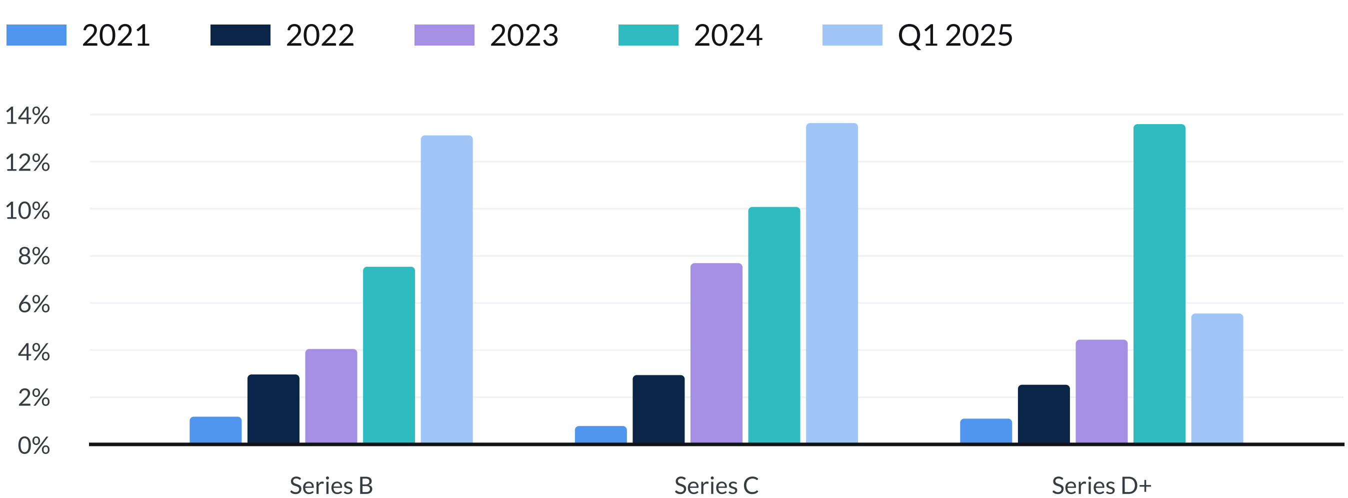
Q1 2025 brought significant shifts in equity financing terms. These shifts likely reflect investors seeking enhanced downside protection in an uncertain market environment, particularly as higher prevailing interest rates create competition for capital deployment.

Liquidation preference multiples greater than 1x saw increased adoption in Q1 2025, rising to 4.7% from 3.5% in 2024. Pay-to-play provisions maintained their upward trajectory in Series B and Series C rounds, continuing a trend that began in 2022, while showing a considerable drop in Series D+ deals in Q1.

Equity classes with liquidation preference multiple greater than 1x



Rounds with pay-to-play provisions



Final Remarks

Investors demonstrated increasingly cautious tactics in Q1 2025, pursuing seemingly contradictory but strategically coherent trends. Despite reduced overall capital deployment, investors simultaneously increased support for proven teams while strengthening downside protection through enhanced legal terms. This calculated approach was visible across multiple dimensions: streamlined governance through smaller boards, managed long-term dilution with preserved founder and shareholder ownership, and strengthened investor protection via higher liquidation preferences.

While overall activity has softened, bright spots remain—particularly in AI investments and for companies with strong fundamentals. Cautious investment strategies, coupled with evolving deal structures and terms, suggest a market that is recalibrating rather than retreating.

Thank you to all partners at Fenwick and colleagues at Aumni for their contributions to this edition of the Venture Beacon.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Methodology

Data sources

Aumni obtains primary data from third parties, including law firms, angel investors, VC firms, CVC firms, institutional investors, and others. All data contained in this report pertains to companies with jurisdiction in the United States and is aggregated from an anonymized database of source data. All data is de-identified prior to analysis by our research team.

Definitions

- **Artificial Intelligence Company** – A company that develops or employs artificial intelligence technology in their business model and/or product offering.
- **Capital Raised** – The total sum of new money raised in an equity financing round.
- **Conventional Equity Financing** – An equity financing round where the total capital raised is less than $100M USD.
- **Convertible After a Known Priced Round** – Issuance of a convertible note or SAFE after a known equity financing event.
- **Convertible Before a Known Priced Round** – Issuance of a convertible note or SAFE before a known equity financing event.
- **Convertible Conversion** – The conversion of a Convertible Security into equity.
- **Convertible Note** – A short–term debt instrument that converts into equity.
- **Convertible Note Interest Rate** – The interest rate at which a convertible note's principal will accrue interest over time.
- **Convertible Note/SAFE Purchase Amount** – The dollar value of an investment in a Convertible Note or SAFE.
- **Corporate Jurisdiction** – The state of incorporation for a legal entity. The location where the entity formed and registered its articles of incorporation.
- **Dilution** – The percentage decrease in ownership of a company due to the issuance of new shares.
- **Discount** – The discount a Convertible Note or SAFE holder receives on the share price relative to subsequent investors during the conversion of the security in an equity financing round.
- **Dividend Rate** – The total expected dividend payments from an investment, fund or portfolio expressed on an annualized basis plus any additional non-recurring dividends that an investor may receive during that period.
- **Down Round** - A financing event in which a company obtains a new pre-money valuation equal to or less than 95% of the post-money valuation of the previous financing round.

- **Drag Along Rights** – A legal provision that allows certain voting blocks of a company to force other shareholders to agree to a specific action, such as the sale of the company.
- **Early Stage** – Early stage comprises Series Seed, Series A, and Series B transactions.
- **Effective Federal Funds Rate** – The effective interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with one another overnight.
- **Extension Round** – When a company raises additional capital using similar terms as the most recent primary round.
- **Flat Round** - A financing event in which a company obtains a new pre-money valuation between 95% and 105% (exclusive) of the post-money valuation of the previous financing round.
- **Follow-On Investment** – A subsequent investment by an investor who has previously participated in an equity financing round in the same company.
- **Fully Diluted Ownership** – An investor's ownership as a percentage of the total number of shares outstanding for a company, assuming the exercise of all warrants and the exercise of all options, including those reserved but unissued.
- **Liquidation Preference Multiple** – The value by which the applicable liquidation preference will be multiplied to determine preferred returns upon a liquidity event.
- **Late Stage** – Late Stage comprises Series C and later transactions.
- **Lead Investor** – The legal entity identified as the lead investor in an equity financing or the one that purchased the largest number of shares.
- **Mega Deal** – An equity financing round where the total capital raised is greater than or equal to $100M USD.
- **Non-Cumulative Dividends** – Preferred shares for which dividends are not accumulated over time.
- **Non-Pari Passu** – Any liquidation preference seniority structure that deviates from the pari passu standard.
- **Pari Passu** – A liquidation preference seniority structure where all preferred shareholders across all financing stages have equal status.
- **Pay to Play** – A provision that penalizes investors for failing to participate in future rounds by forcing a conversion of preferred shares to common shares, as well as losing certain other rights.
- **Post-Money Valuation Markup** – The percentage change in post-money valuation from one stage of financing to the next, e.g., the change in valuation from Seed to Series A.
- **Post-Money Valuation** – The enterprise value of a portfolio company following the closing of an Equity Financing, calculated as the fully diluted share count of a company multiplied by the highest new money original issue price of any equity class issued in an equity financing.
- **Pre-Money Valuation** – The determined value of a company, usually via a 409A valuation, prior to the closing of an equity financing round.

- **Priced Equity Round** – A financing event where a company raises capital from institutional investors at a set price per share based on the fair market value determined through an independent 409a valuation.
- **Primary Round** – The first priced equity round of a specific class in the traditional venture capital sequence (Series Seed, Series A, Series B, etc.).
- **Purchase Amount Group** – Categories that group convertible notes and SAFEs according to the amount of capital invested in a given company by a distinct investor.
- **Qualified Financing Event** – A financing event that meets pre-determined criteria and triggers the conversion of convertible securities into equity ownership of the company.
- **Series D+** – All priced equity rounds named Series D or later are grouped into Series D+.
- **Simple Agreement for Future Equity (SAFE)** – A convertible security that allows investors to buy shares in a future-priced equity round.
- **Up Round** - A financing event in which a company obtains a new pre-money valuation equal to or greater than 105% of the post-money valuation of the previous financing round.
- **Valuation Cap** – A price ceiling at which a SAFE or Convertible Note will convert to stock ownership.

Methods and calculations

- **Currency Conversions** – Transactions in international currencies are converted based on the foreign exchange rate on the final closing date of the equity financing.
- **Indexed Values to Base Period** – The relative change in a value, where the initial value in a base period is set to 100, and all subsequent changes reference this initial value.
- **Mega to Conventional Deal Ratios** – The median value for Mega deals divided by the median value for Conventional equity financings during the same period. This calculation is performed on capital raised and pre-money valuations, constrained to Series B+ rounds.
- **Series Stages** – Series A through D+ stage names are based on the legal name of the round and are inclusive of shadow rounds, e.g., Series A is inclusive of Series A-1.
- **Time between Rounds** – The length of time, measured in months, between two sequential equity financing events for a given company. The final output is a median or a mean across all companies per quarter.

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