

The background features a collage of business-related imagery. On the left, a blurred photo shows three business professionals in a hallway; a man in a suit is shaking hands with a woman in a red dress, while another woman in a blue suit stands nearby. The right side of the background is a red-to-orange gradient with a world map, network diagrams, and various business terms like 'MARKETING', 'INTERNET', 'TECHNOLOGY', 'FINANCE', 'COMMERCE', and 'ELECTRONICS'. A line graph with a red upward-trending arrow is also visible.

FENWICK

Silicon Valley Venture Capital Survey

Third Quarter 2021

Silicon Valley Venture Capital Survey 2021

Background

Our survey analyzed the terms of 260 venture financings closed in the third quarter of 2021 by companies headquartered in Silicon Valley.

Key Findings

Valuation results remain near historical highs

- Up rounds exceeded down rounds 91% to 8%, with 1% flat in Q3 2021, a moderate decline from the previous quarter when up rounds exceeded down rounds 92% to 6%, with 2% flat.
- The Fenwick & West Venture Capital Barometer™ showed an average price increase of 190% in Q3, the third successive quarter in which the average price increase has hit a new record high.
- The median price increase of financings declined moderately from a record high of 140% in Q2 to 136% in Q3.

Series C financings record historically strong valuation results

- Series C financings recorded the strongest valuation results in the quarter and the highest average price increase for that series of financing in the history of this survey. Series E+ financings recorded stronger valuation results in the quarter compared to the previous quarter, while Series B and D financings recorded moderately weaker valuation results compared to the previous quarter.

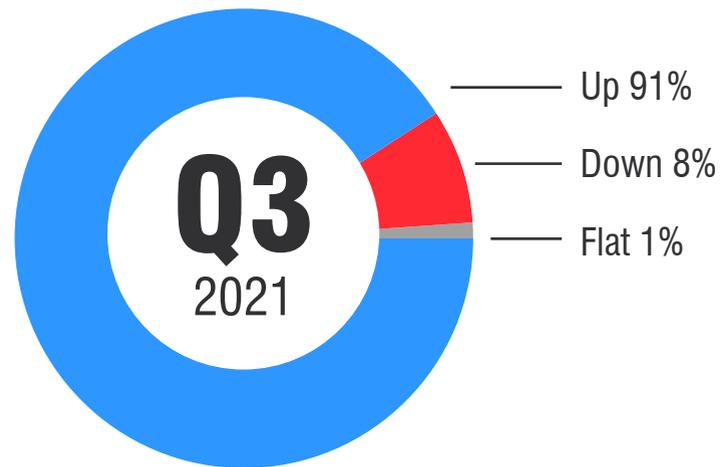
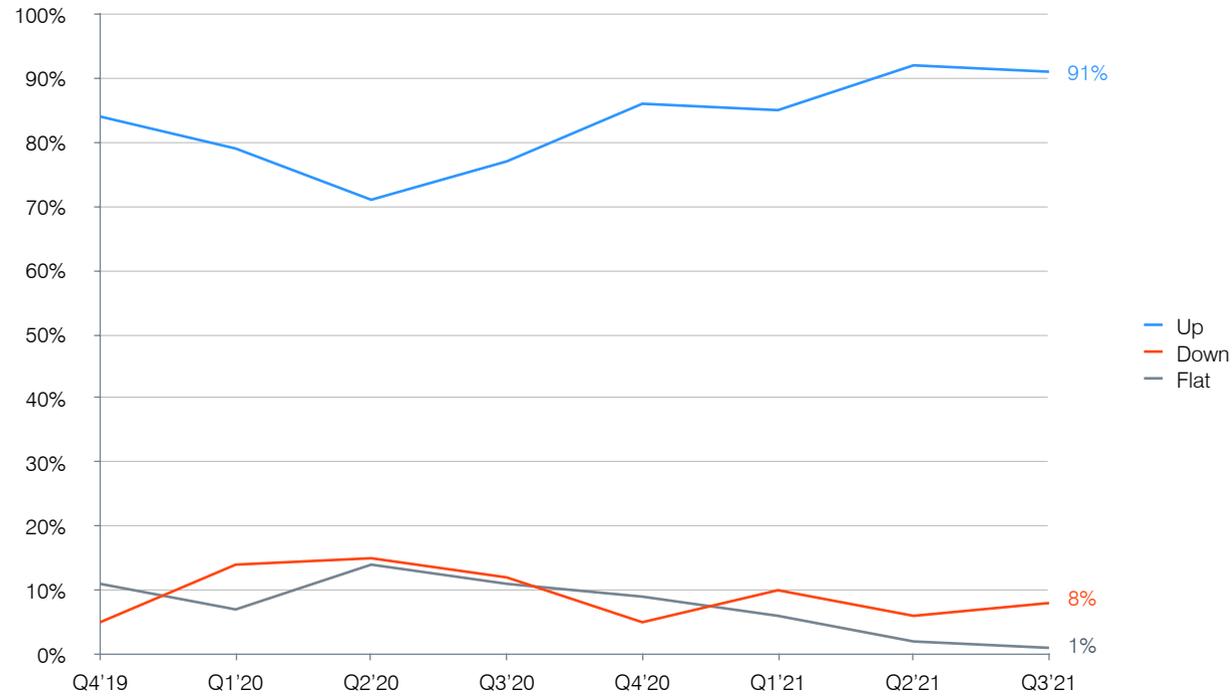
Internet/digital media and software industries again lead on valuations; valuation results for life sciences industry stronger compared to previous quarter

- As has been the case throughout 2021, the internet/digital media industry recorded the strongest valuation results in the quarter followed by the software industry. The life sciences industry recorded the greatest gains in average and median price increases compared to the previous quarter.

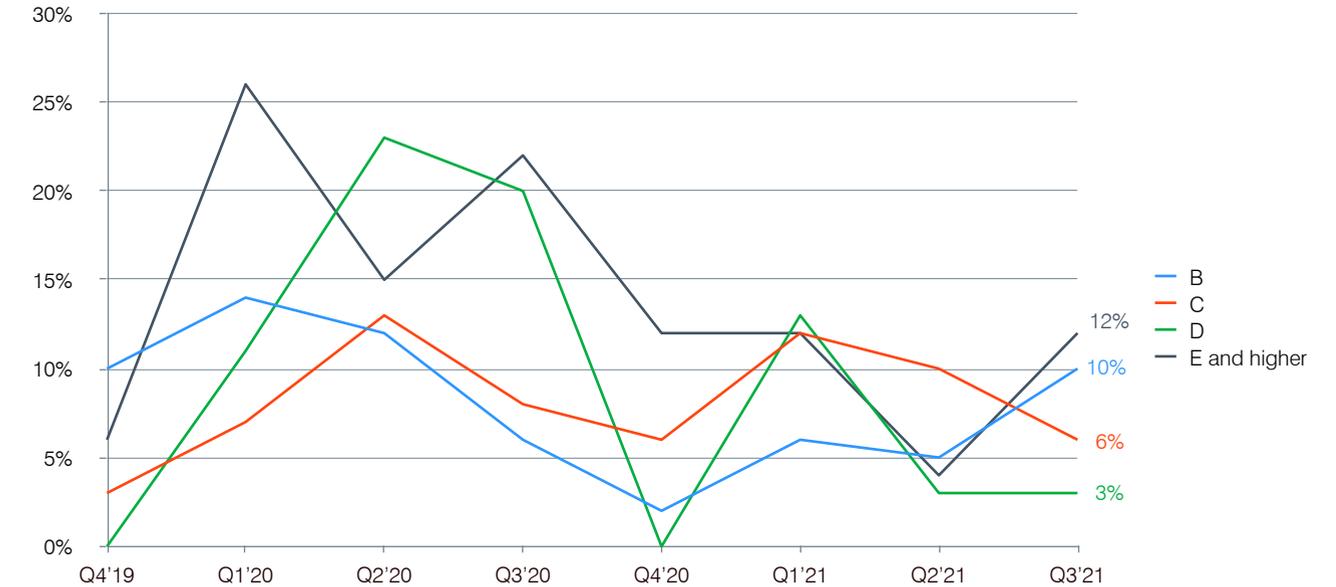
Fenwick Data on Valuation

Price Change

PRICE CHANGE—THE DIRECTION OF PRICE CHANGES FOR COMPANIES RECEIVING FINANCING IN A QUARTER, COMPARED TO THEIR PRIOR ROUND OF FINANCING WERE AS FOLLOWS:



THE PERCENTAGE OF **DOWN ROUNDS** BY SERIES WERE AS FOLLOWS:

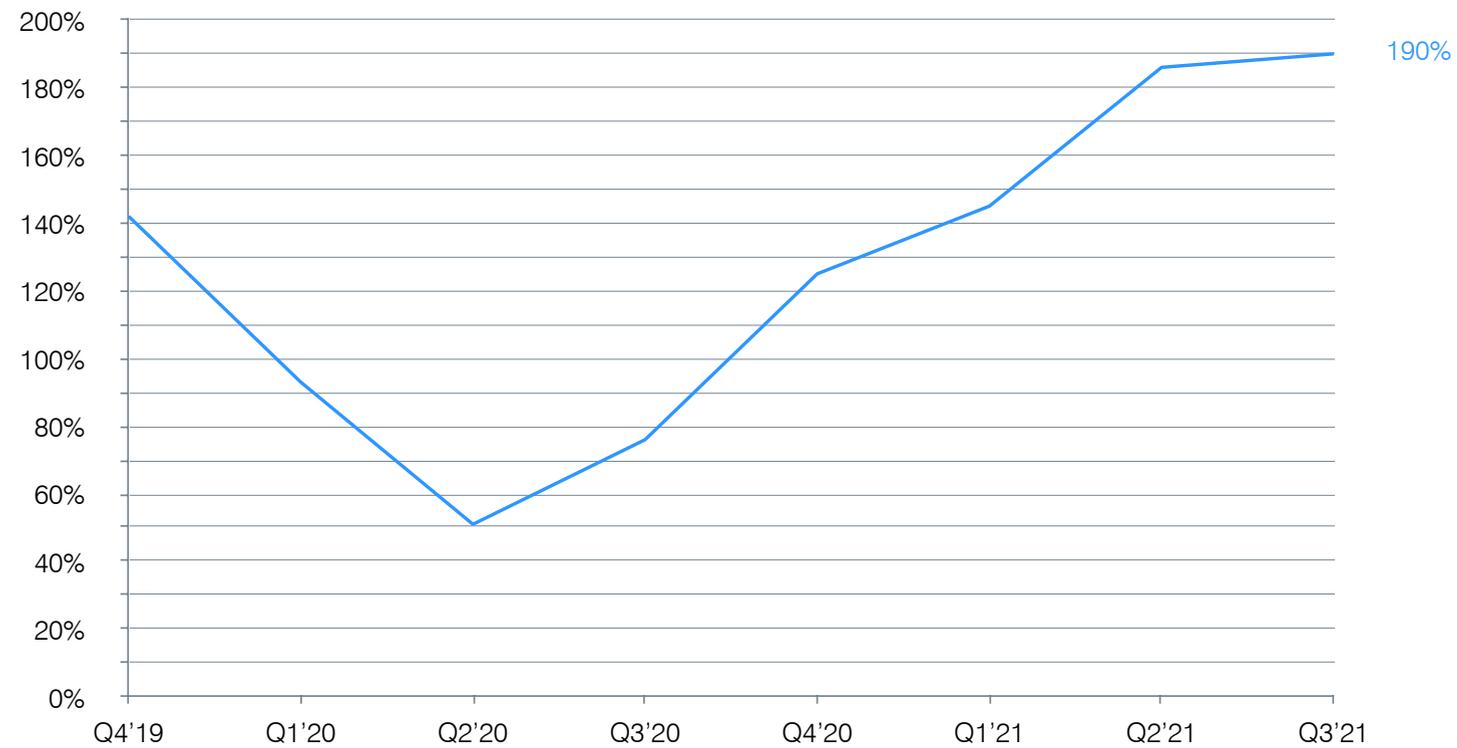


EXPANDED PRICE CHANGE GRAPH—BELOW IS THE DIRECTION OF PRICE CHANGES FOR EACH QUARTER SINCE 2004.

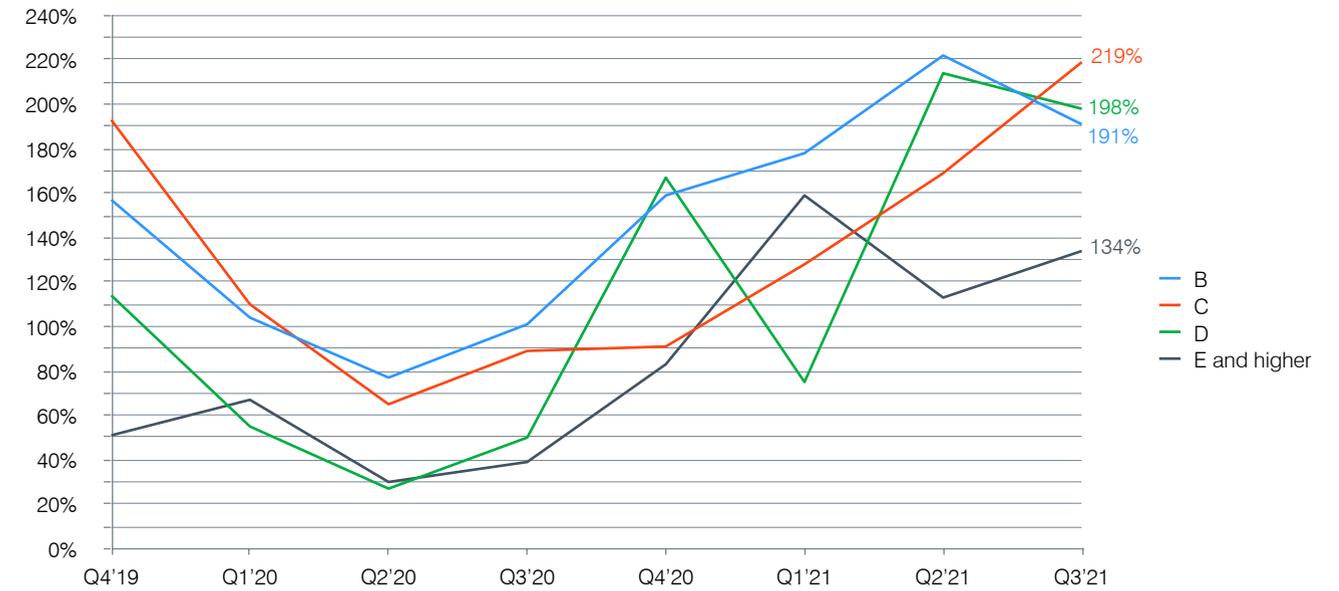


The Fenwick Venture Capital Barometer™

THE FENWICK 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) WERE INCLUDED, AND RESULTS WERE NOT WEIGHTED FOR THE AMOUNT RAISED IN A FINANCING.



THE BAROMETER RESULTS BY SERIES WERE AS FOLLOWS:



EXPANDED BAROMETER GRAPH—BELOW IS THE AVERAGE PERCENTAGE PRICE CHANGE FOR EACH QUARTER SINCE WE BEGAN CALCULATING THIS METRIC IN 2004.

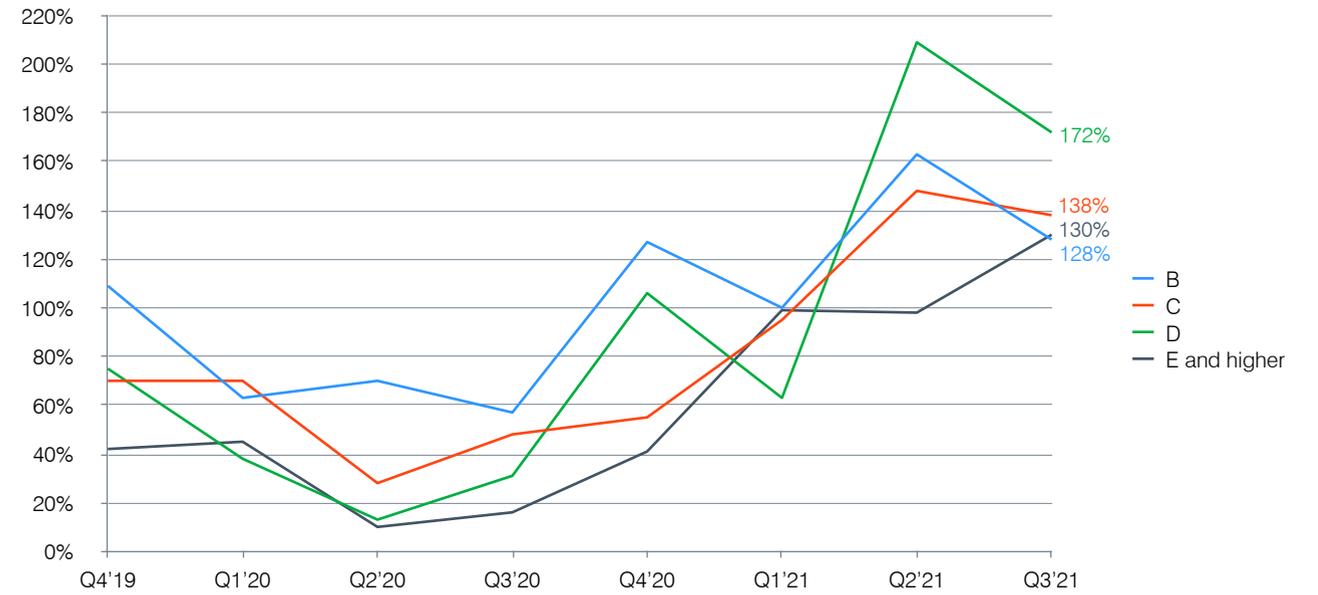


Median Percentage Price Change

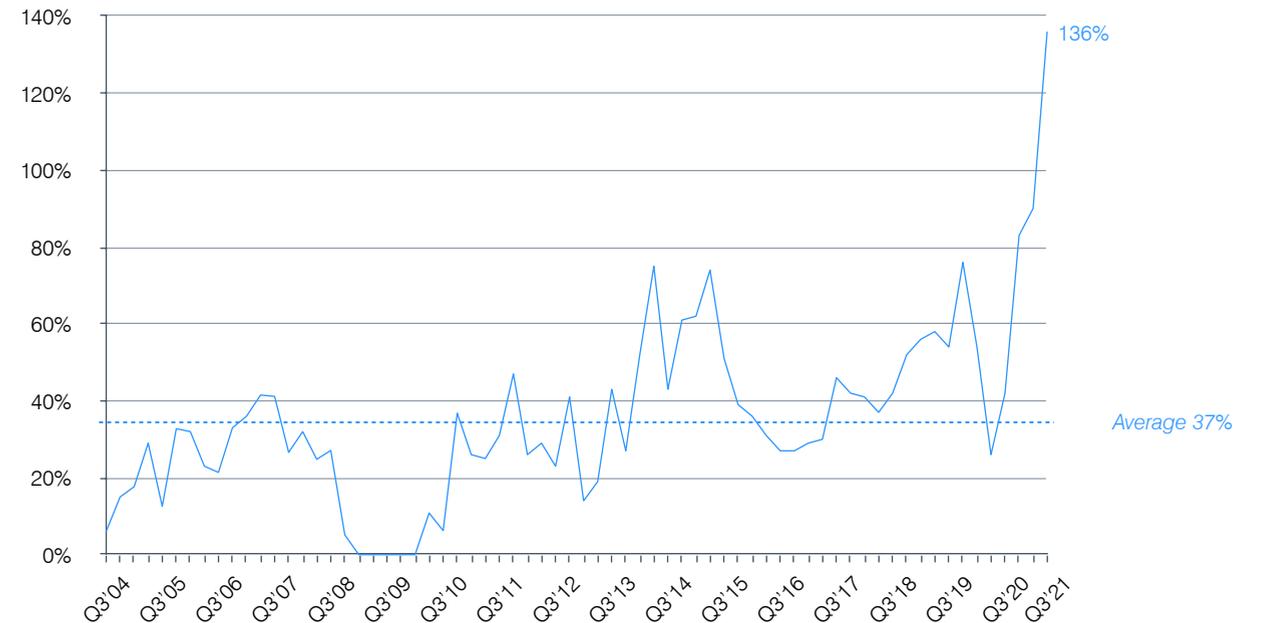
MEDIAN PERCENTAGE PRICE CHANGE—BELOW IS THE MEDIAN PERCENTAGE CHANGE BETWEEN THE PRICE PER SHARE AT WHICH COMPANIES RAISED FUNDS IN A QUARTER, COMPARED TO THE PRICE PER SHARE AT WHICH SUCH COMPANIES RAISED FUNDS IN THEIR PRIOR ROUND OF FINANCING. IN CALCULATING THE MEDIAN, ALL ROUNDS (UP, DOWN AND FLAT) WERE INCLUDED, AND RESULTS WERE 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.



THE MEDIAN PRICE CHANGE RESULTS BY SERIES WERE AS FOLLOWS:



EXPANDED MEDIAN PRICE CHANGE GRAPH—BELOW IS THE MEDIAN PERCENTAGE PRICE CHANGE FOR EACH QUARTER SINCE WE BEGAN CALCULATING THIS METRIC IN 2004.



Industry Results

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 WERE EXCLUDED AS THEY HAVE NO PREVIOUS ROUNDS TO COMPARE.

Industry	Up Rounds	Down Rounds	Flat Rounds	Barometer	Median Price Change	Number of Financings
Software	96%	4%	0%	198%	146%	90
Hardware	73%	27%	0%	110%	33%	15
Life Sciences	83%	14%	3%	157%	101%	35
Internet/Digital Media	100%	0%	0%	258%	182%	30
Other	90%	10%	0%	166%	123%	20
Total all Industries	92%	8%	1%	190%	136%	190

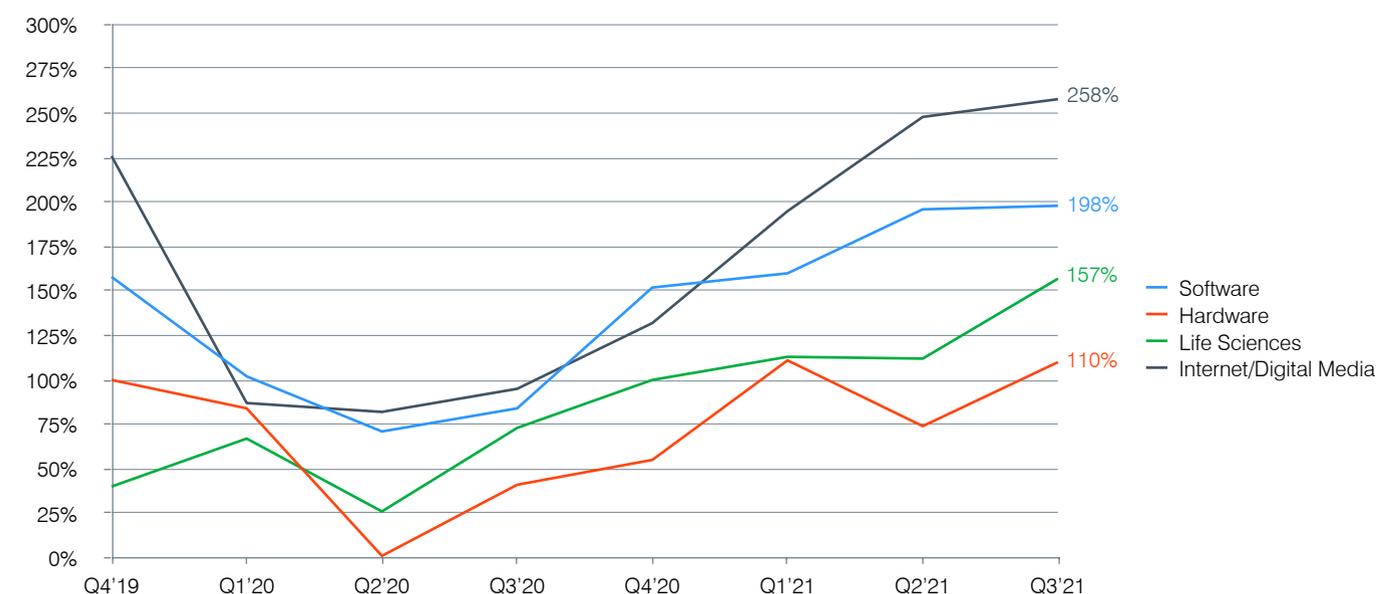
DOWN ROUND RESULTS BY INDUSTRY—THE TABLE BELOW ILLUSTRATES THE PERCENTAGE OF “DOWN ROUNDS,” BY INDUSTRY GROUPS, FOR EACH OF THE PAST EIGHT QUARTERS.

Down Rounds	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Software	6%	13%	10%	13%	4%	7%	6%	4%
Hardware	8%	29%	20%	25%	8%	22%	13%	27%
Life Sciences	0%	25%	19%	8%	5%	11%	4%	14%
Internet/Digital Media	9%	0%	10%	4%	6%	8%	6%	0%
Other	0%	6%	31%	20%	0%	10%	7%	10%
Total all Industries	5%	14%	15%	12%	5%	10%	6%	8%

BAROMETER RESULTS BY INDUSTRY—THE TABLE BELOW SETS FORTH BAROMETER RESULTS BY INDUSTRY GROUP FOR EACH OF THE LAST EIGHT QUARTERS.

Industry	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Software	158%	102%	71%	84%	152%	160%	196%	198%
Hardware	100%	84%	1%	41%	55%	111%	74%	110%
Life Sciences	40%	67%	26%	73%	100%	113%	112%	157%
Internet/Digital Media	226%	87%	82%	95%	132%	195%	248%	258%
Other	109%	115%	22%	45%	86%	115%	304%	166%
Total all Industries	142%	93%	51%	76%	125%	145%	186%	190%

A GRAPHICAL REPRESENTATION OF THE ABOVE DATA IS BELOW.

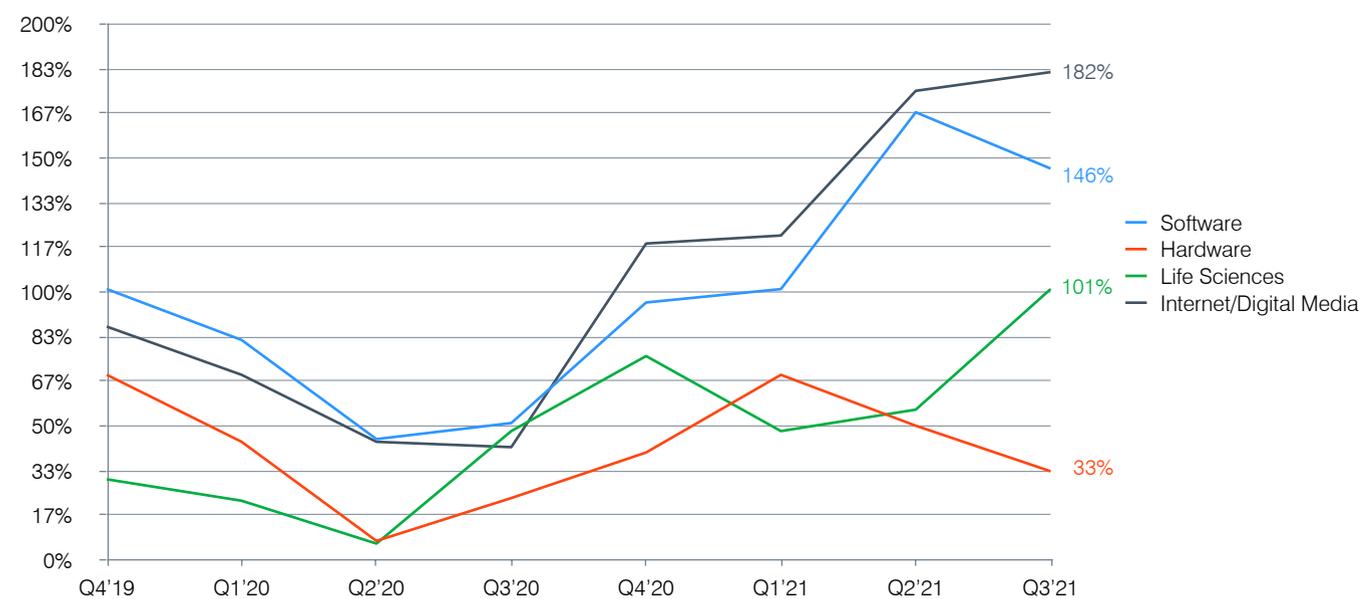


Industry Results (continued)

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	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Software	101%	82%	45%	51%	96%	101%	167%	146%
Hardware	69%	44%	7%	23%	40%	69%	50%	33%
Life Sciences	30%	22%	6%	48%	76%	48%	56%	101%
Internet/Digital Media	87%	69%	44%	42%	118%	121%	175%	182%
Other	114%	68%	5%	2%	39%	110%	260%	123%
Total all Industries	76%	54%	26%	42%	83%	90%	140%	136%

A GRAPHICAL REPRESENTATION OF THE ABOVE DATA IS BELOW.



Financing Rounds

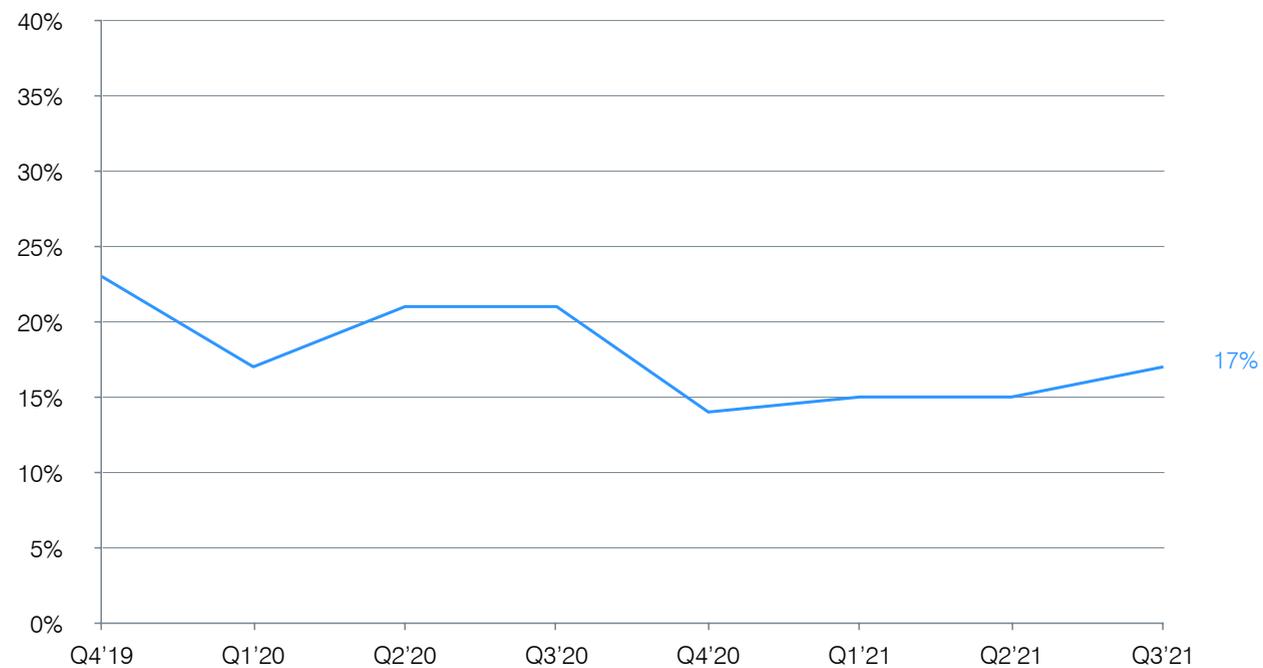
FINANCING ROUND—THIS QUARTER'S FINANCINGS BROKEN DOWN BY SERIES WERE AS FOLLOWS:

Series	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21
Series A	39%	40%	22%	28%	27%	30%	29%	27%
Series B	22%	24%	21%	26%	25%	27%	31%	28%
Series C	18%	17%	20%	19%	22%	16%	17%	20%
Series D	11%	8%	15%	9%	12%	12%	9%	12%
Series E and Higher	10%	11%	23%	18%	14%	16%	14%	13%

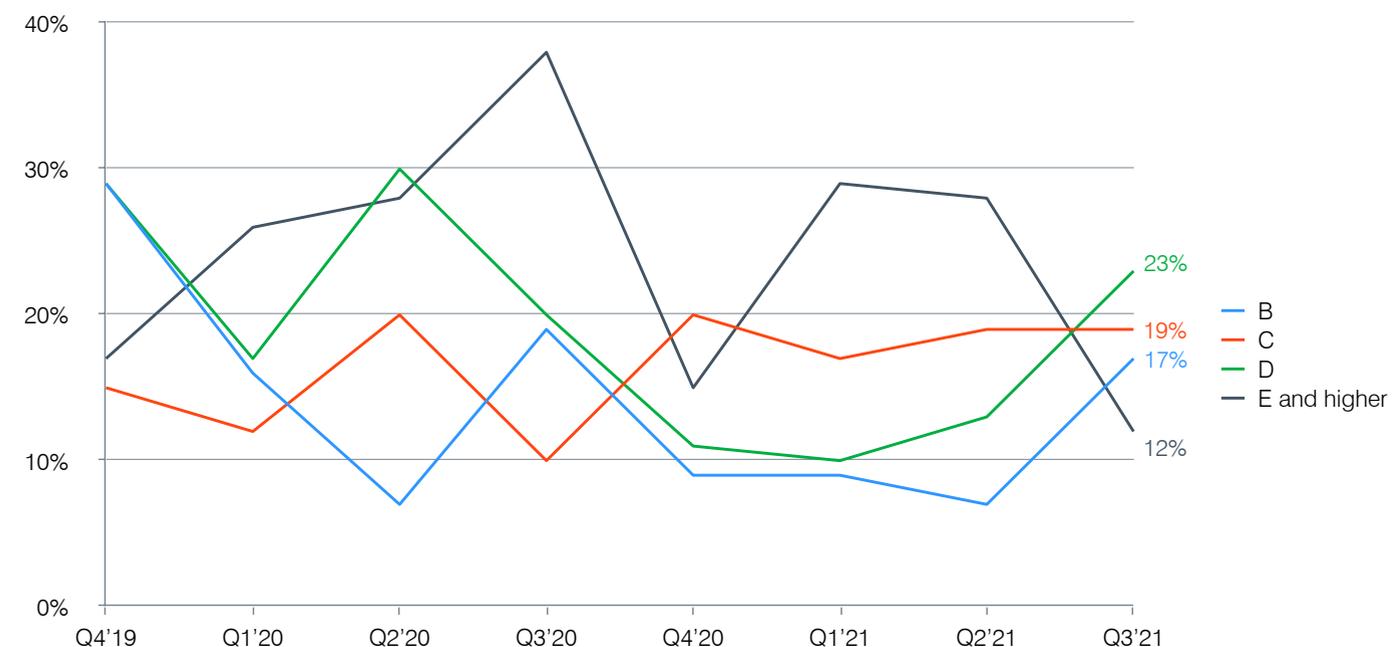
Fenwick Data on Legal Terms

Liquidation

LIQUIDATION PREFERENCE—SENIOR LIQUIDATION PREFERENCES WERE USED IN THE FOLLOWING PERCENTAGES OF FINANCINGS:

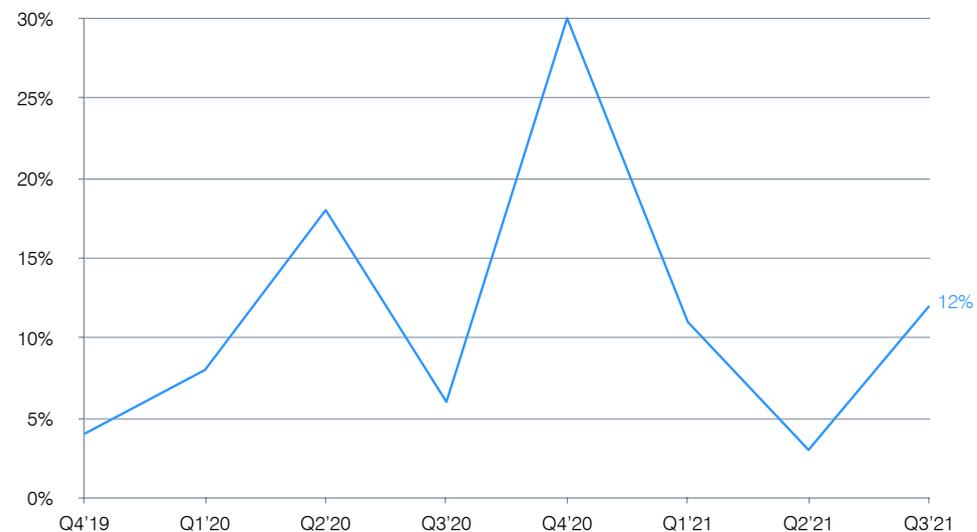


THE PERCENTAGE OF SENIOR LIQUIDATION PREFERENCE BY SERIES WAS AS FOLLOWS:

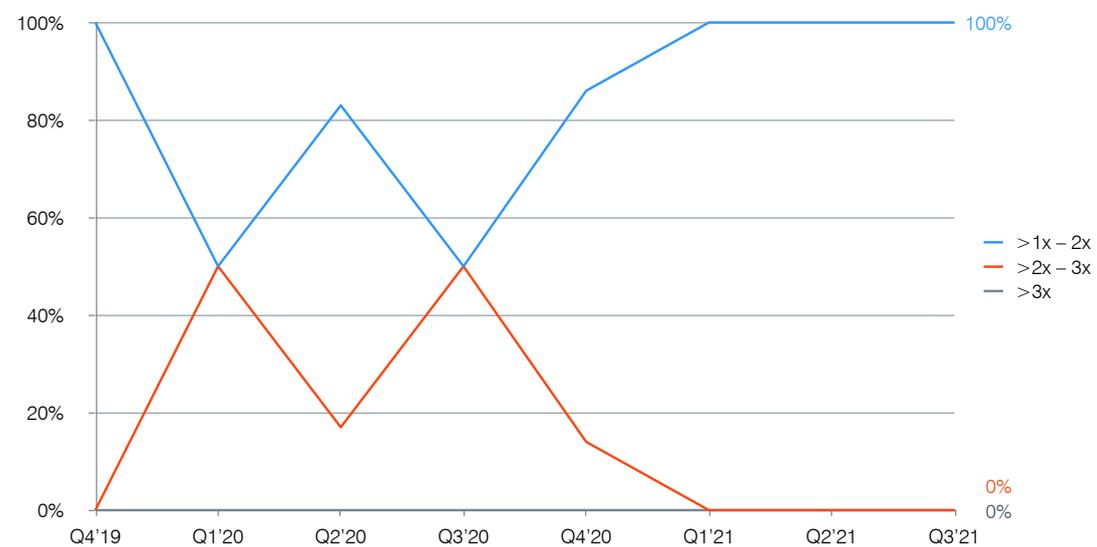


Liquidation (continued)

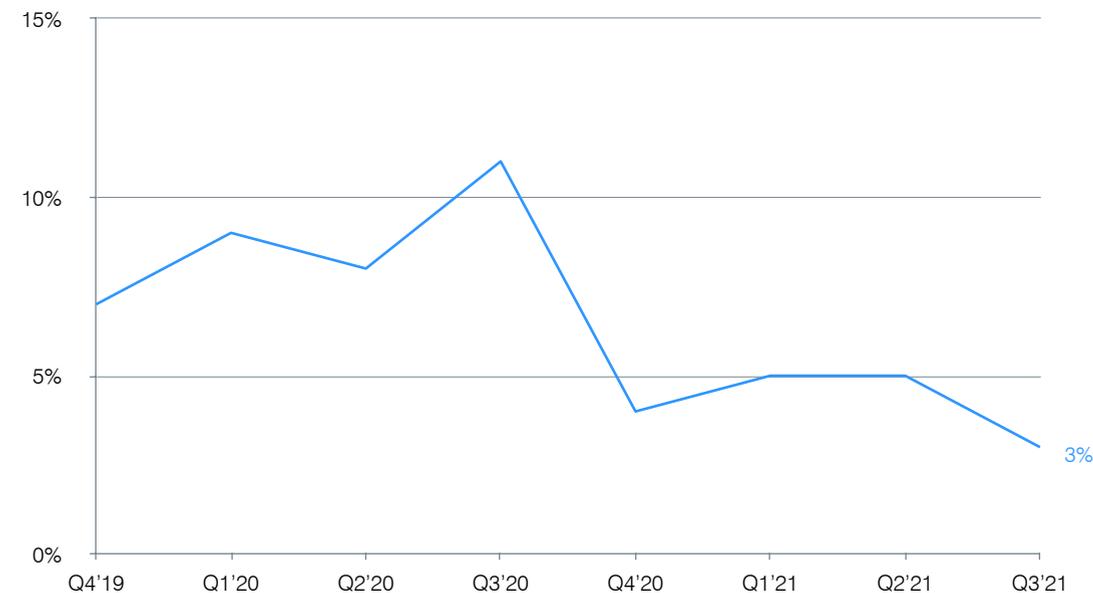
MULTIPLE LIQUIDATION PREFERENCES—THE PERCENTAGE OF SENIOR LIQUIDATION PREFERENCES THAT WERE MULTIPLE LIQUIDATION PREFERENCES WAS AS FOLLOWS:



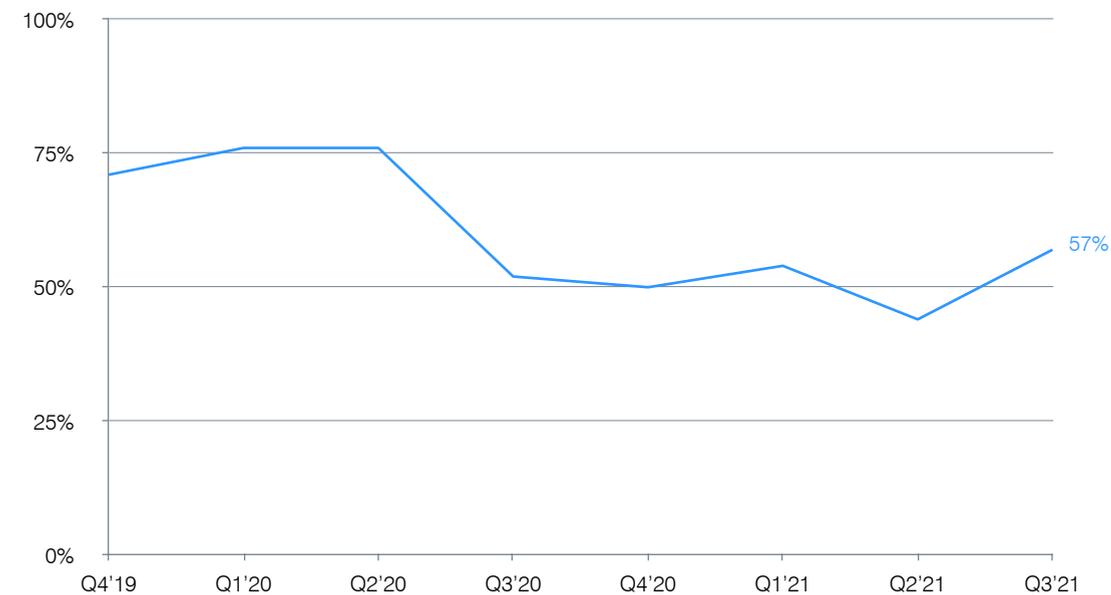
OF THE SENIOR LIQUIDATION PREFERENCES THAT WERE MULTIPLE PREFERENCES, THE RANGES OF THE MULTIPLES BROKE DOWN AS FOLLOWS:



PARTICIPATION IN LIQUIDATION—THE PERCENTAGES OF FINANCINGS THAT PROVIDED FOR PARTICIPATION WERE AS FOLLOWS:

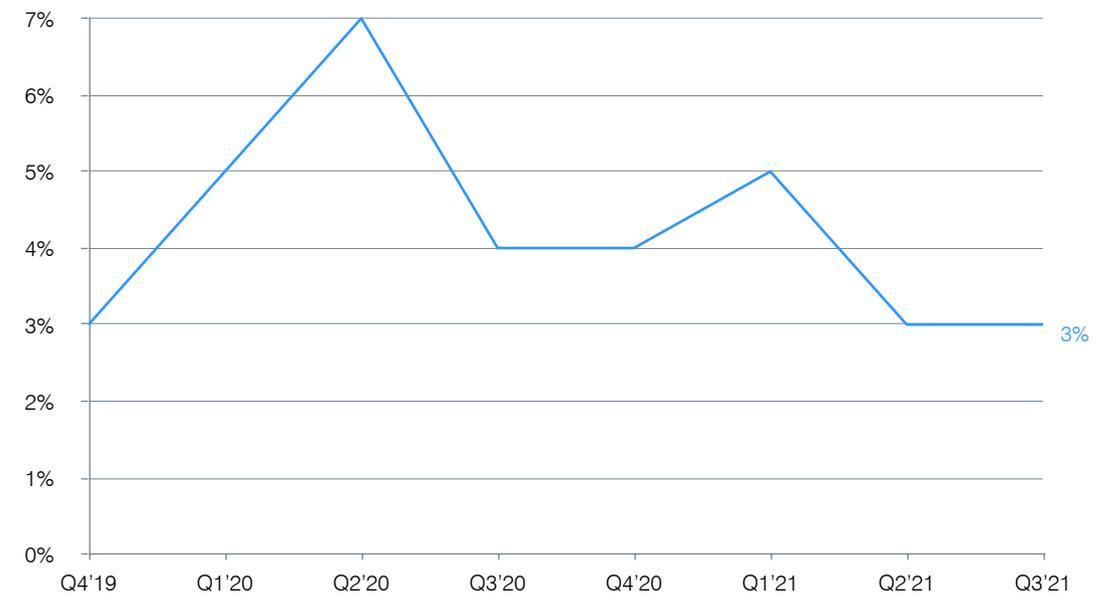


OF THE FINANCINGS THAT HAD PARTICIPATION, THE PERCENTAGES THAT WERE NOT CAPPED WERE AS FOLLOWS:

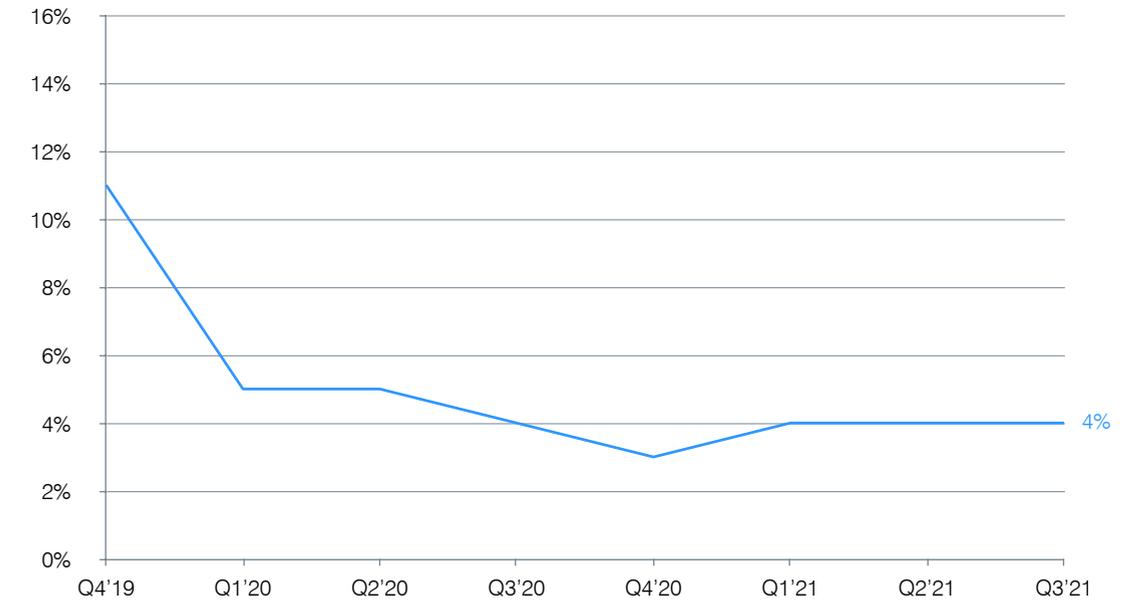


Other Terms

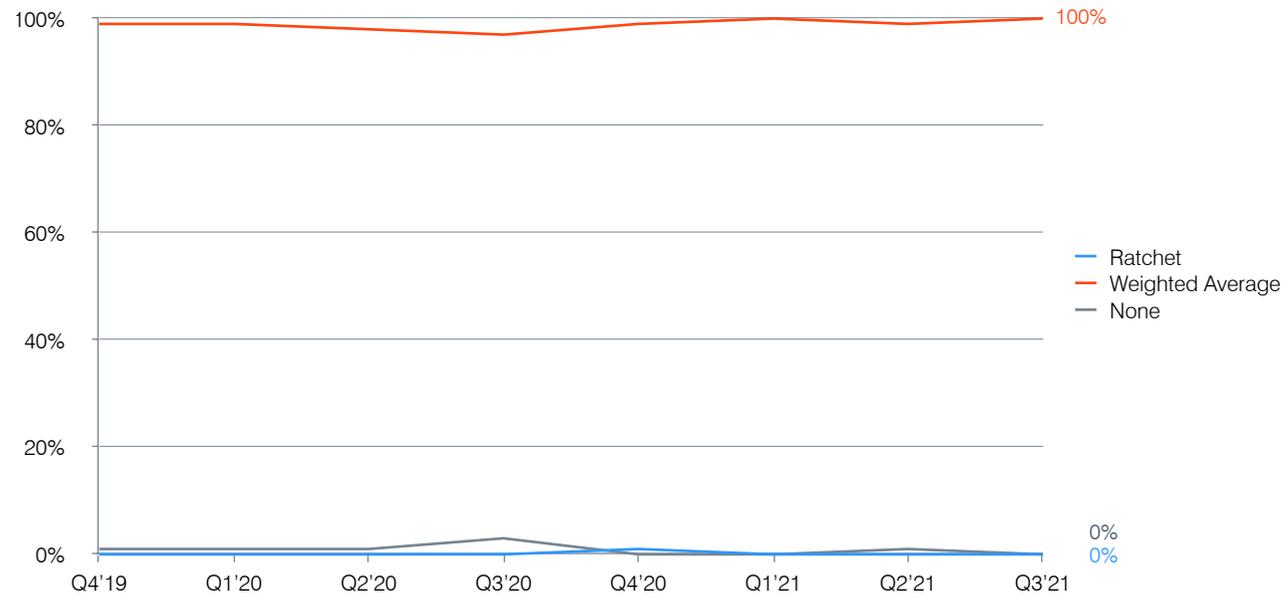
CUMULATIVE DIVIDENDS—CUMULATIVE DIVIDENDS WERE PROVIDED FOR IN THE FOLLOWING PERCENTAGES OF FINANCINGS:



REDEMPTION—THE PERCENTAGES OF FINANCINGS PROVIDING FOR MANDATORY REDEMPTION OR REDEMPTION AT THE OPTION OF THE INVESTOR WERE AS FOLLOWS:

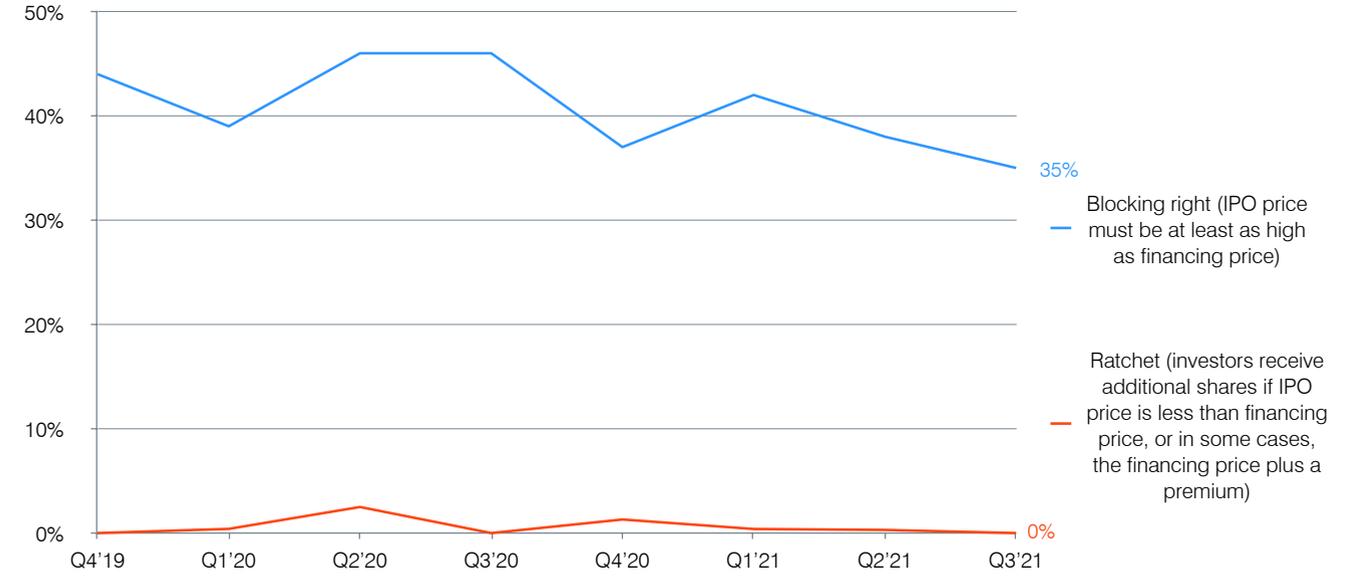


ANTIDILUTION PROVISIONS—THE USES OF (NON-IPO) ANTIDILUTION PROVISIONS IN THE FINANCINGS WERE AS FOLLOWS:

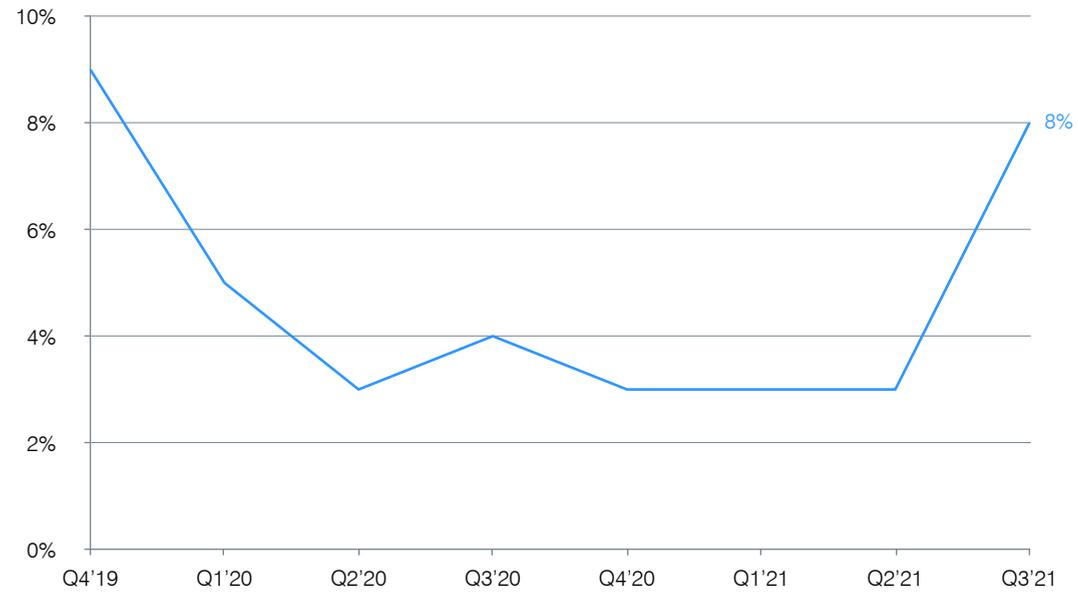


Please note that the chart above only applies to non-IPO antidilution provisions. In other words, the chart refers to antidilution provisions that protect the investor against a future venture financing at a price below what the investor paid. The chart does not include antidilution provisions designed to protect against an IPO at a price below the price paid by the venture investor (e.g. an IPO ratchet).

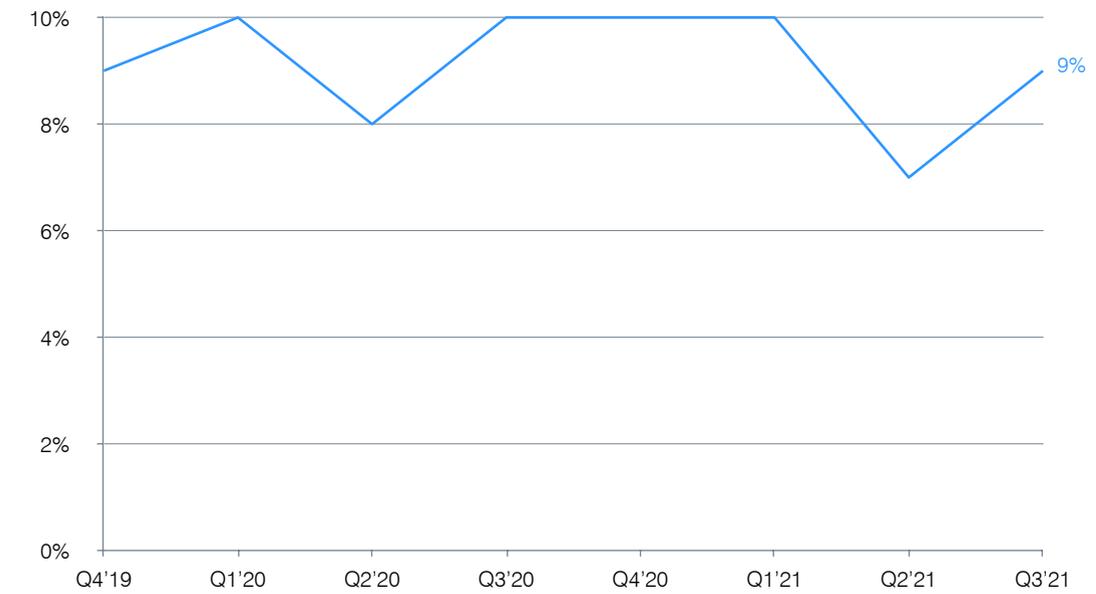
IPO DOWNSIDE PROTECTIONS—THE PERCENTAGES OF FINANCINGS WITH IPO DOWNSIDE PROTECTIONS WERE AS FOLLOWS:



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:

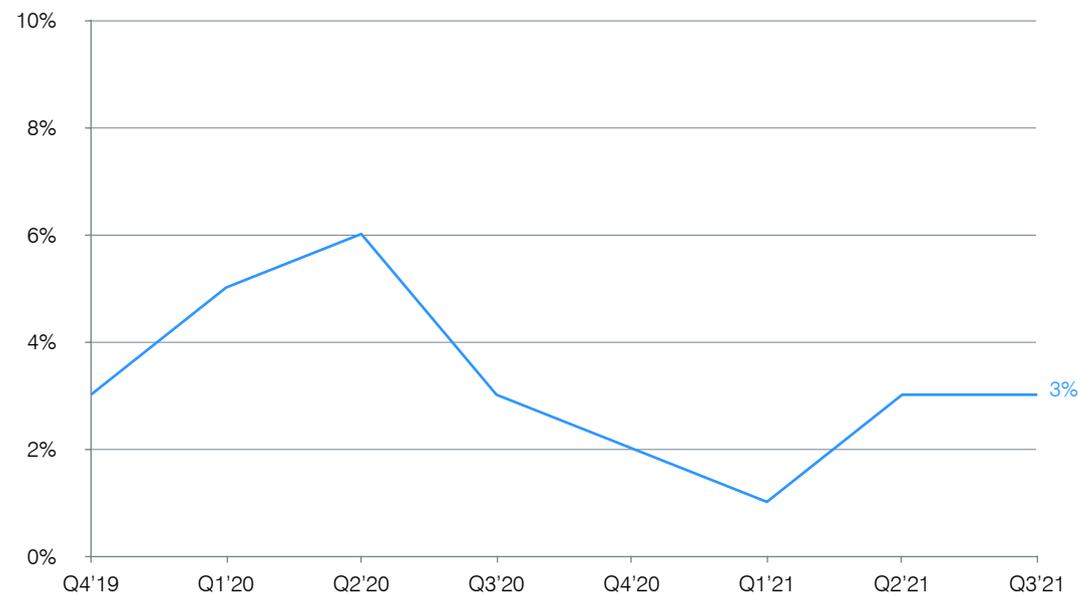


DUAL-CLASS COMMON STOCK—THE PERCENTAGES OF FINANCINGS WITH DUAL-CLASS COMMON STOCK STRUCTURES, WHERE THERE IS ONE CLASS OF COMMON STOCK WITH MORE VOTES PER SHARE THAN THE OTHER CLASS, WERE AS FOLLOWS:



**IPO
DOWNSIDE**

PAY-TO-PLAY PROVISIONS—THE PERCENTAGES OF FINANCINGS HAVING PAY-TO-PLAY PROVISIONS WERE AS FOLLOWS:



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Fenwick's Startup & Venture Capital Team

Fenwick is one of the first technology law firms in the world. For over 45 years, we have worked closely with technology and life sciences companies that are changing the world and the investors financing them. We currently represent 1,000+ VC-backed companies, act as primary legal counsel to 60+ VC-backed companies with valuations over \$1 billion and have long-standing ties to more than 300 venture capital investors. Our VC-backed clients include many of the world's most notable private technology companies, for whom the firm has advised in some of the largest venture capital deals in history.

Representative Venture-Backed Companies



“The best in the startups business. They are always on top of the current trends and provide the highest quality legal advice I’ve ever seen.”

–Chambers USA

About our Survey

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/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.

Disclaimer

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

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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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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