



Venture Capital Report

2025

Note From the Editors

This year's Venture Capital Report offers a detailed review of the US venture capital market, including a breakdown of venture financing activity by state, and analyzes key trends shaping the year ahead. We examine the recent uptick in VC funding "mega-rounds" and discuss the FTC's efforts to standardize non-compete laws across the country and what this means for new and emerging companies. We also track recent trends in convertible note and SAFE terms, venture financing terms, and VC-backed company M&A deal terms.

Please stay in touch by following the [WilmerHale Launch blog](#) and subscribing to our [mailing lists](#), which will keep you up to date on the latest developments involving emerging companies, startups and venture capital. You can also access this year's [M&A](#) and [IPO](#) reports for a deep dive into those areas.

Thanks for reading.



Eric P. Hanson
PARTNER
Vice Chair, Corporate Practice



C. S. Avery Reaves
PARTNER

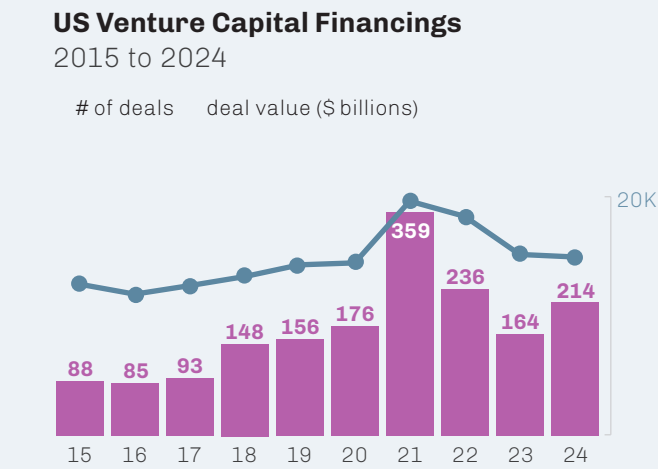
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US Market Review and Outlook

While venture capital activity remains well below its most recent peak in 2021 and 2022, the market rebounded by many measures in 2024, with the fourth quarter of the year seeing the highest quarterly amount of capital invested since the first quarter of 2022. There were more venture-backed IPOs and M&A transactions than in 2023, but the figure remains well below the totals seen in other recent years.

The number of reported venture capital financings decreased by less than 2% from 2023 to 2024, and the decline is likely to be largely erased once all 2024 deals have been reported. Total reported financing proceeds increased 31%, from \$163.6 billion in 2023 to \$214.3 billion in 2024, the third-highest annual proceeds figure on record, behind only 2021 and 2022.



14,721
venture financings in 2024,
a 1.5% decrease

\$214.3B
deal value in 2024,
a 31% increase

Equity Financing Activity

The number of reported venture capital financings decreased by less than 2% from 2023 to 2024, and the decline is likely to be largely erased once all 2024 deals have been reported. Total reported financing proceeds increased 31%, from \$163.6 billion in 2023 to \$214.3 billion in 2024, the third-highest annual proceeds figure on record, behind only 2021 and 2022.

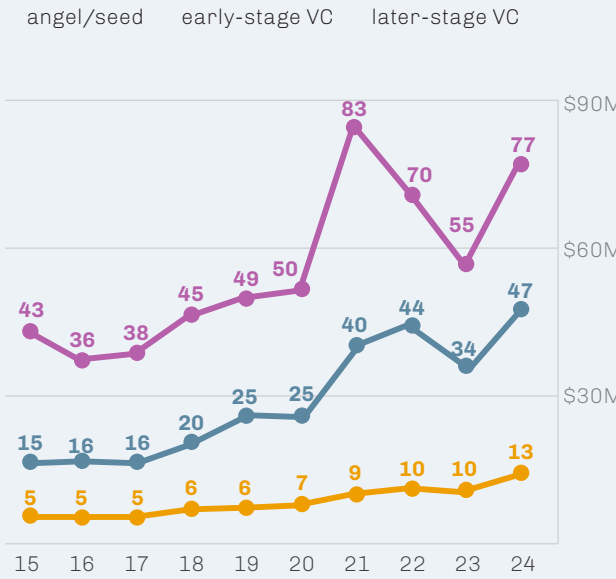
Overall, the median size of venture capital financings increased by 18%, from \$3.4 million in 2023 to \$4.0 million in 2024—the highest median in almost 20 years.

The median size of venture capital financings rose across market segments. The median size of angel and seed financings rose by 10% year-over-year to \$2.2 million. The median size of early-stage financings increased by 28% to \$7.5 million in 2024. The median size of later-stage financings increased by 31% to \$8.9 million.

The median financing size for healthcare and life sciences companies increased from \$4.1 million in 2023 to \$5.2 million in 2024—the highest level in over 20 years. Among technology companies, the median financing size rebounded from \$3.5 million to \$4.4 million—the highest level since 2007.

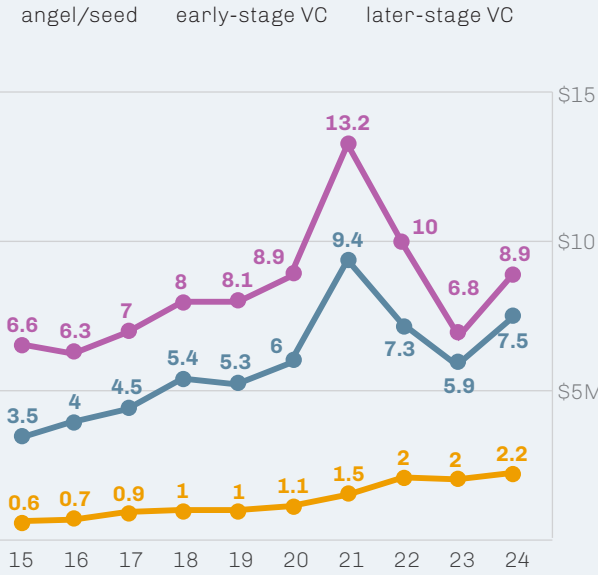
Median Pre-Money Valuation in US Venture Capital Financing

2015 to 2024



Median Size of US Venture Capital Financing

2015 to 2024



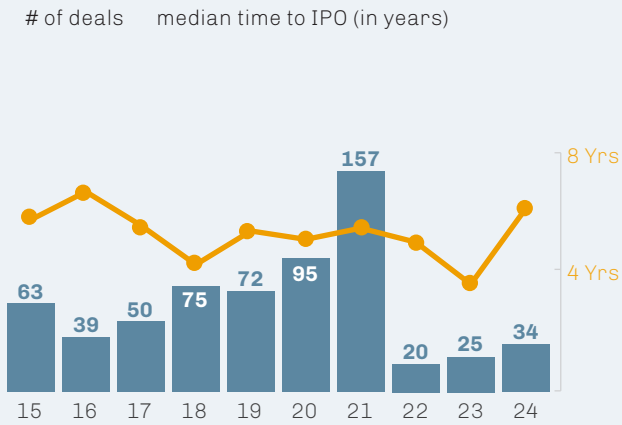
The number of financing rounds in which companies raised \$50 million or more increased by 28% year-over-year to 765 in 2024, but that total remains well below that of the halcyon days of 2021, when 1,644 deals occurred. The number of financing rounds of \$100 million or more increased by 49% year-over-year to 384 in 2024. The number of financing rounds of \$250 million or more increased by 35% year-over-year to 92 in 2024.

There were 16 billion-dollar venture financing rounds in 2024, compared to only 10 in 2023. The 2024 count trails only the total seen in 2021, which produced 22 billion-dollar venture financing rounds. The largest rounds in 2024 came from Databricks (\$10.0 billion), OpenAI (\$6.6 billion), xAI (with two separate \$6.0 billion rounds in May and December), Waymo (\$5.6 billion) and Anthropic (with two separate \$4.0 billion rounds in March and November).

Six of the billion-dollar rounds for 2024 occurred in the fourth quarter of the year, indicating momentum in the markets going into 2025. Early reports from the first half of 2025 show that the pace of financings has continued to pick up. At the time of publication, however, it is unclear whether trade tensions and continued market turmoil will slow or derail that momentum for the rest of 2025.

Venture Capital–Backed IPOs
and Median Time to IPO

2015 to 2024



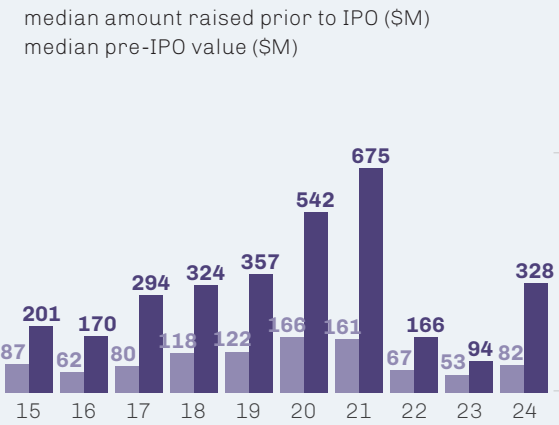
After declining from \$25.0 million in 2022 to \$20.0 million in 2023, the median pre-money valuation for all venture financings rebounded to \$30.0 million in 2024. The median pre-money valuation in angel and seed rounds increased by 30% to an all-time high of \$13.0 million in 2024. The median pre-money valuation in early-stage rounds increased by 39% year-over-year to a record \$47.2 million, the 2024 figure surpassing the previous high of \$44.0 million set in 2022. The median pre-money valuation in later-stage rounds increased by 39% year-over-year to \$76.5 million, behind only the \$83.0 million figure set in 2021.

From 2023 to 2024, the median pre-money valuation in the healthcare and life sciences sector increased by 48% to \$35.6 million. Among technology companies, the median pre-money valuation increased by 45% to \$29.0 million over the same period.

Angel and seed financings accounted for a slightly lower proportion of venture financings and proceeds in 2024 compared with 2023—36% of all venture financings (down from 39%) and 8% of all venture capital financing proceeds (down from 10%)—while the number of early-stage financings ticked up slightly, accounting for 31% of all financings (up from 29%) and 26% of all proceeds (equal to 2023). The number of later-stage financings remained roughly flat, accounting for 32%

Median Amount Raised Prior to IPO
and Median Pre-IPO Valuation

2015 to 2024



of all financings in 2024 (equal to 2023) and 66% of all proceeds (up from 65% in 2023).

California produced 32% of all venture financings in 2024 (4,730 financings) and 55% of the year’s proceeds (\$117.2 billion). New York, home to companies with 2,007 financings that raised \$25.3 billion in 2024, finished second in the state rankings, followed by Massachusetts, with 880 financings raising \$16.2 billion. The next most active states were Texas (with 788 financings raising \$6.7 billion), Florida (with 617 financings raising \$4.3 billion), Washington (with 442 financings raising \$3.6 billion) and Colorado (with 382 financings raising \$5.2 billion).

Liquidity Activity

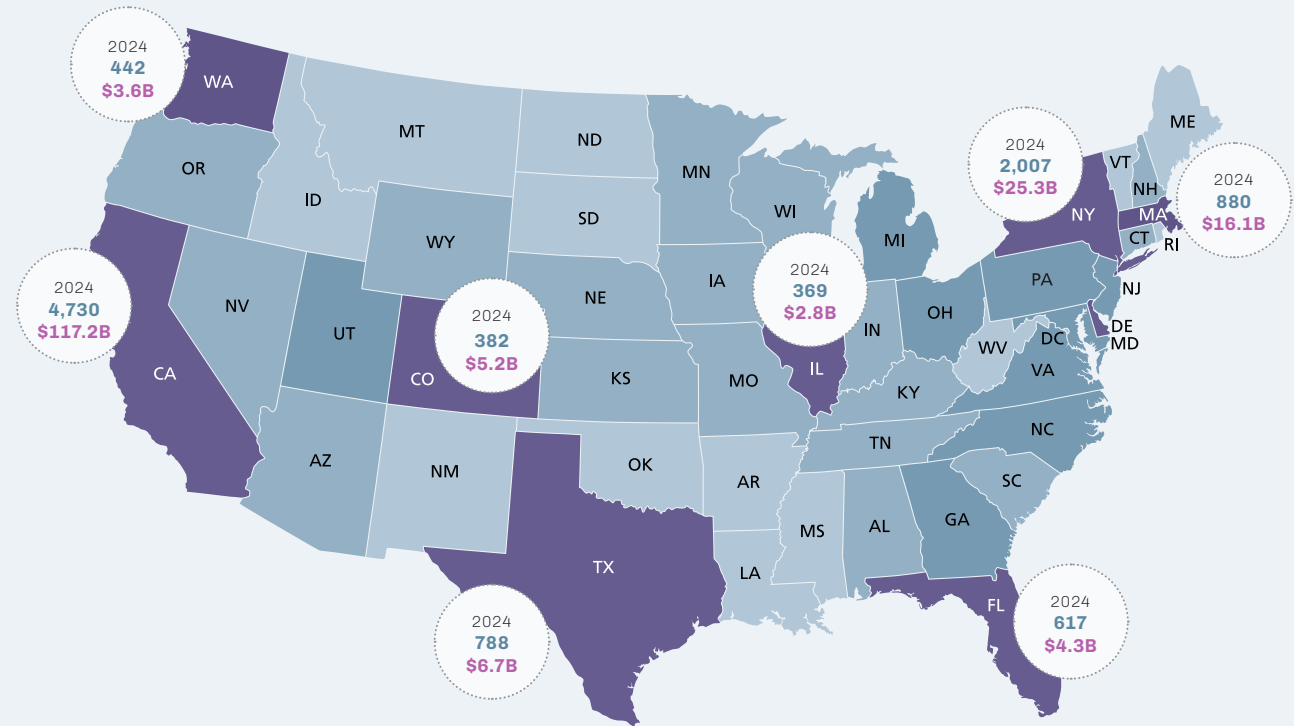
The number of US-issuer venture-backed IPOs increased to 34 in 2024 from 25 in 2023, but the 2024 total remains well below the median of 75 that prevailed over the five-year period from 2017 to 2021. Venture-backed companies accounted for 47% of all IPOs by US issuers in 2024, down slightly from 48% in 2023 and trailing the 58% that prevailed over the five-year period from 2017 to 2021.

Gross IPO proceeds raised by venture-backed US issuers increased from \$4.6 billion in 2023 to \$7.6 billion in 2024, but the 2024 total represents a fraction of the median of

VENTURE FINANCINGS BY STATE

2020-2024

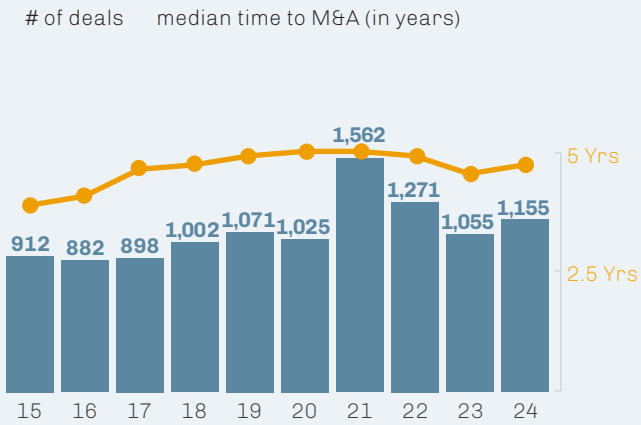
2,000+ 1,000 - 1,999 500 - 999 less than 200



Leading Venture
Financing States
2020-2024

	CA	NY	MA	TX	FL	WA	CO	IL	PA	NC
2024	4,730	2,007	880	788	617	442	382	369	292	258
2023	4,401	2,008	858	925	661	425	404	379	348	282
2022	5,730	2,432	1,063	1,084	842	567	493	462	455	336
2021	6,417	2,685	1,180	1,135	823	592	550	494	405	373
2020	4,615	1,732	939	834	502	426	447	383	363	249
2020-2024	25,893	10,864	4,920	4,766	3,445	2,452	2,276	2,087	1,863	1,498

Acquisitions of US Venture-Backed Companies and Median Time to M&A 2015 to 2024



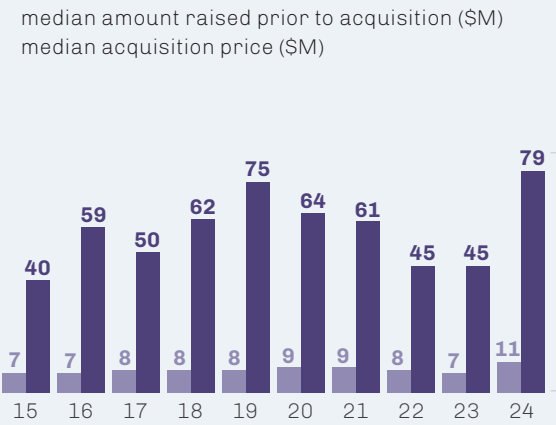
\$25.0 billion raised over the five-year period from 2017 to 2021.

For the third consecutive year, there were no billion-dollar IPOs by venture-backed US issuers. The largest venture-backed IPO in 2024 was the \$752 million offering by Rubrik, followed by the IPOs of Reddit (\$748 million), Astera Labs (\$713 million), ServiceTitan (\$625 million) and Ibotta (\$577 million). The largest venture-backed US IPO by a non-US issuer was the \$441.0 million IPO by ZEEKR, the largest IPO by a Chinese company in the US since 2021.

The median offering size for US venture-backed IPOs rebounded to \$105.0 million in 2024 from \$15.0 million in 2023, a figure that was skewed by an unusually high proportion of small IPOs. The 2024 median, however, is lower than the \$132.3 million median offering size that prevailed over the five-year period from 2017 to 2021.

In 2024, life sciences companies accounted for 36% of all venture-backed IPOs, down from their 42% market share in 2023 and from their 60% market share during the five-year period from 2017 to 2021. IPOs for technology companies accounted for 40% of all venture-backed IPOs in 2024, down from their 47% market share in 2023 but above their 35% market share between 2017 and 2021.

Median Amount Raised Prior to Acquisition and Median Acquisition Price 2015 to 2024



The median time from initial funding to IPO increased from 3.8 years in 2023 (an unusually short time, reflecting the influx of less-seasoned and smaller market-capitalization companies into the IPO market) to 6.5 years in 2024. This compares to a historical median of 5.4 years for all years from 2017 to the present.

The median amount raised prior to an IPO increased 56% to \$82.1 million in 2024, while the median pre-IPO valuation more than tripled, from \$94.3 million to \$328.1 million. As a result, the ratio of pre-IPO valuation to the median amount raised prior to an IPO increased from 1.8:1 in 2023 to 4.0:1 in 2024—the second-highest level in the past 10 years, behind only 2021 (a higher ratio suggests better returns to pre-IPO investors).

From 2023 to 2024, the number of reported acquisitions of venture-backed companies increased by 9% to 1,155. Over the same period, total reported acquisition proceeds increased by 52% to \$65.1 billion. The median time from initial funding to acquisition increased from 4.5 years in 2023 to 4.7 years in 2024 but was still generally consistent with the historical median of 4.8 years for all years from 2017 to the present.

The median acquisition price increased by 76%, from \$44.6 million in 2023 to \$78.5 million in 2024. The median amount raised prior to acquisition increased

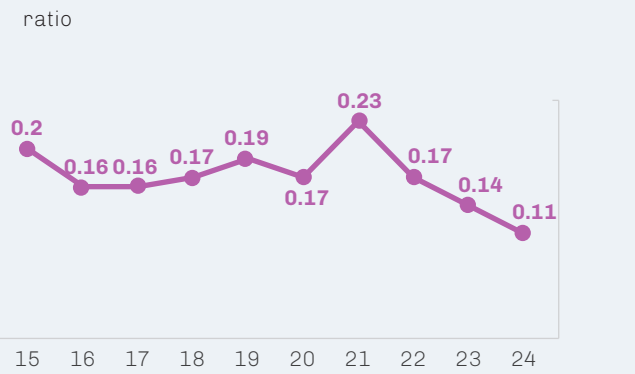
by 50% to \$11.1 million in 2024. The ratio of median acquisition price to median amount raised prior to acquisition increased from 6.0:1 in 2023 to 7.1:1 in 2024 (a higher ratio suggests higher returns to pre-acquisition investors).

Favorable market conditions that give rise to an increase in financing activity are equally likely to provide an environment conducive to exits. With the median time from initial equity financing to exit consistently approaching five years, one would expect the upswing in financing activity between 2019 and 2021 to have translated into higher exit counts in 2024 and 2025. Instead, the ratio of current-year exits to the number of VC financings three years prior has trended down since 2021.

There were 29 venture-backed companies that were acquired for at least \$500 million in 2024, up from the 22 in 2022 but down from the average of 33 companies per year that were acquired for that amount over the five-year period from 2017 to 2021. The year also produced 14 billion-dollar acquisitions of venture-backed companies, up from 11 in 2023 but down from the average of 16 between 2017 and 2021.

Based on the valuations achieved in company acquisitions and IPOs compared with the financing amounts required to achieve each type of liquidity event, 2024 marked the twelfth consecutive year in which returns to venture capital investors were likely higher in M&A transactions than in IPOs. In addition, liquidity has typically occurred more quickly from acquisitions, with

Current Year Exits to Early-Plus Later-Stage VC Financings Minus 3 Years 2015 to 2024



only two of the past 10 years seeing a higher median time from initial funding to acquisition than median time from initial funding to IPO.

This pattern, combined with the tendency of M&A transactions to yield the bulk of the purchase price in cash at closing—whereas IPOs generally involve a post-IPO lockup period and market uncertainty as to the timing and prices of subsequent distributions or sales—underscores why investors often prefer to sell their portfolio companies than to take them public.

The ratio of M&A transactions to IPOs for venture-backed companies declined from 42.2:1 in 2023 to 34.0:1 in 2024. Despite the decline, the ratio remains at a historically high level, largely due to IPO numbers being very low.

Total combined IPO and M&A exits increased by 10% to almost 1,200 deals in 2024, but one might have expected this count to be closer to 1,800 deals based on the historical ratio of current-year exits to the number of VC financings three years prior. The lower ratio in recent years suggests that either the recent market peak was and will remain an outlier for venture-backed companies to find acquirers or there may be pent-up demand for M&A in 2025 as companies run out of runway.

Finally, and relatedly, the number of venture-backed companies that completed bankruptcy or going-out-of-business deals increased from 1,431 in 2023 to 2,098 in 2024, compared to a historical median of 1,388 companies per year between 2017 and 2021. Although these figures likely understate the true counts, this increase of 46% year-over-year resulted in a historical high-water mark for companies going into bankruptcy or wind-down processes.

OUTLOOK

The US venture capital industry has always been cyclical, with the availability of capital appearing to swing at times from abundance to austerity and back again. The arrival of new technologies and fear of missing out drive some of the market ebullience, but the dynamics of global capital market conditions, where periods of easy money fuel high liquidity, also play a part. With the pullback of 2022 now firmly in the rearview mirror, results over the coming year will depend on a variety of factors, including the following:

- **Macroeconomic Conditions:** The US economic outlook entering 2025 was generally optimistic, with GDP growth remaining strong in 2024 and interest rates having come down from their recent high. The new administration’s policy objectives are likely to have varied impacts on the economy. The prospect of tax cuts and an easing of the regulatory environment should support growth. However, uncertainty regarding tariffs and potential protectionist countermeasures is likely to dampen overall investment levels and raise costs that will ripple throughout the global economy.
- **Financing Activity:** Total venture capital fundraising in 2024 was \$76.1 billion, representing a decline of 22% from the \$97.5 billion raised in 2023 and less than half of the approximately \$180 billion raised annually during 2021 and 2022. Despite the decline in fundraising activity, the lower level of investment activity over the past three years means dry powder remains at almost peak level. Certain segments of the market are likely to receive an outsize share of capital in the coming year, which may more than compensate for an investment environment that is still very selective. A more favorable exit environment, especially in the form of IPOs or large M&As, would ease broader liquidity in the market.
- **IPOs:** While the number of IPOs by venture-backed companies increased again in 2024, overall IPO market activity remains well below the levels seen prior to 2022. The mismatch between the valuations that venture-backed companies received at the peak of the market in 2021 and what public markets are willing to pay, however, continues to dissipate—companies are either growing into their elevated valuations or accepting more reasonable lower valuations. The market for larger venture-backed companies is also getting more crowded and making differentiation harder, which adds to the incentive to explore public markets.

Data Sources: SEC filings and PitchBook

Data compiled by Tim Gallagher, a senior corporate analyst in WilmerHale’s Corporate Practice.

- **Acquisitions:** Global and US M&A activity improved in 2024 but did so at a slower rate than had been anticipated at the start of the year. While the higher interest rate environment may remain for longer than hoped, investors can only wait on the sidelines for so long, and many observers have speculated that the change in administration to one with a different regulatory mindset may help spur activity.
- **Attractive Sectors:** Companies capitalizing on the digital transformation of business processes—including changes driven by the use of artificial intelligence—should continue to be attractive financing candidates. Persistent labor shortages and wage inflation should boost opportunities for companies that leverage robotics, automation, machine learning and voice technology. Opportunities also exist for companies transforming the broader healthcare industry, especially healthcare technology companies. Innovative life sciences companies, including those in the fields of cell therapy, gene therapy, precision medicine and machine learning-enabled drug discovery, should continue to appeal to investors. Agtech and greentech—particularly those companies aiding the longer-run economic transition away from fossil fuels—are among the other sectors that could garner investor interest.
- **Impact of SPAC IPOs, Reverse Mergers:** While the SPAC IPO market produced a fraction of the 613 SPAC IPOs seen in 2021, the number increased from 31 in 2023 to 57 in 2024. At the end of 2024, there were still 103 SPACs seeking business combinations. Some venture-backed companies may find a business combination with a SPAC a tempting alternative to a traditional IPO. Other venture-backed companies may elect to pursue reverse mergers with publicly traded companies, especially life sciences companies whose clinical research programs have suffered serious setbacks or failures. ■

Post-Mortem on the FTC’s Blocked Non-Compete Rule

By Andrew Stauber

In August 2024, a Texas federal court struck down a broad Federal Trade Commission (FTC) rule that would have banned the vast majority of employee non-competition agreements. While this means that employers do not need to contend with a ban on their ability to impose non-competes, they are back to reckoning with a legal landscape featuring a patchwork of varied and nuanced state laws.

For startup founders—particularly those with largely remote workforces—the complexity of complying with such a landscape raises a key question: *is it worth it?* While non-competes can be a valuable tool for protecting a growing company’s confidential information and goodwill (and are often favored by prospective investors and business partners), the significant variance among state non-competes laws (some of which include penalties for issuing non-compliant non-competes) and the oft-disputed question about which state’s law applies to a given employee or agreement can make the decision about whether to impose non-competes difficult for an emerging company.

Federal Efforts to Limit Non-Competes

In April 2024, the FTC attempted to implement a rigid uniformity to US non-competes law when it issued a final rule barring almost all employee non-competes. The rule had very limited exceptions, and it would have invalidated not only nearly all future non-competes but also existing non-competes. However, before the rule took effect, the federal courts blocked its enforcement. In *Ryan LLC v. Federal Trade Commission*, the US District Court for the Northern District of Texas struck down the rule, finding it exceeded the FTC’s authority and was arbitrary and capricious. Although the FTC appealed the decision (as well as similar decisions held by other federal courts in related cases), permitting it to continue to seek enforcement of the rule through the appellate court process, current FTC leadership appointed under President Donald Trump has indicated it will drop the appeal. With the FTC rule abandoned, we are back to the status quo.¹

¹ In addition to the FTC, the General Counsel of the National Labor Relations Board (NLRB) took the position in 2024 that employee non-competition agreements interfere with employees’ rights under Section 7 of the National Labor Relations Act and therefore are impermissible. However, following the transition to the Trump Administration, NLRB Acting General Counsel William Cowen announced on February 14, 2025, that the NLRB was rescinding the guidance that had articulated that position.

Current Non-Compete Enforcement Regime

Where does this leave employers? In the current landscape, employee non-competes are generally governed by state law. While the specifics of these laws vary, those states that permit non-competes will only enforce them to the extent they protect a legitimate business interest and are reasonable in scope of time, geography and restricted activities (unlike most other contracts that are presumptively valid in accordance with their terms). Case law and fact-specific analysis determines what is “reasonable,” making it difficult to predict whether a given non-compete restriction will ultimately be found valid and enforceable if contested.

In addition to this general requirement of reasonableness, many states have passed statutes imposing specific requirements for non-competes to be enforceable. For example, some states require that employers provide employees with additional consideration (beyond employment or continued employment) in exchange for them entering into a non-compete, while others mandate that certain notice periods be given to employees during which they can consider the non-compete. A number of states have also recently prohibited enforcement of non-competes against employees whose salaries fall below a certain threshold.

Finally, a growing contingent of states—currently California, Oklahoma, North Dakota and Minnesota—have banned employee non-competes. Some of these states—California, in particular—have also recently imposed laws to penalize employers that attempt to implement or enforce a void non-competition agreement. Additionally, recent California court decisions have held that employee non-solicitation provisions and overbroad confidentiality provisions (i.e., those that seek to protect confidential

A growing contingent of states—currently California, Oklahoma, North Dakota and Minnesota—have banned employee non-competes. Some of these states—California, in particular—have also recently imposed laws to penalize employers that attempt to implement or enforce a void non-competition agreement. Additionally, recent California court decisions have held that employee non-solicitation provisions and overbroad confidentiality provisions (i.e., those that seek to protect confidential information other than trade secrets) can run afoul of the state’s ban on non-competes because they unlawfully restrain employees’ ability to practice their profession.

information other than trade secrets) can run afoul of the state’s ban on non-competes because they unlawfully restrain employees’ ability to practice their profession.

Conflicting State Requirements

Further complications arise when disparate state laws conflict. An employee may move across state lines, triggering a disagreement about which state’s law should apply to their non-compete. Sometimes, these employee moves are an intentional effort to evade a non-compete—for example, when an employee with an otherwise enforceable non-compete moves to a state that bans non-competition agreements.

This tactic was put to the test in *DraftKings v. Hermalyn*, where an executive subject to a Massachusetts non-compete (defendant Hermalyn) resigned from his position with his employer (plaintiff DraftKings) and moved to California to work for a direct competitor, hoping to avail himself of California’s strong public policy opposing non-competition covenants. Immediately thereafter, DraftKings filed suit in Massachusetts, where the court issued an injunction—later upheld by the First Circuit—enforcing the non-compete and prohibiting the executive from performing certain competitive work for his new employer in California. In support of its decision, the First Circuit held that California’s public policy interests in having California law applied were not “materially greater” than Massachusetts’ similar interests.

While DraftKings was able to enforce its non-compete and stop the executive from evading his obligations, this case illustrates the complexity employers face when dealing with conflicting state laws about the enforceability of non-competes. A young startup with limited resources would have a particularly difficult time going to court to fight a non-compete through an injunction and an appeal, not to mention sustaining parallel litigation in several different jurisdictions (which DraftKings had to contend with when the executive filed his own action in California).

Contracting Around State Law

In an attempt to avoid the inherent complexities of different states’ non-compete laws, employers with a multistate workforce often seek to include in all their employee non-compete agreements a choice of law (and,

Recently, [the FTC] has indicated it will still scrutinize non-competes in certain instances and has announced a task force on unfair and anti-competitive labor market practices. As FTC Chairman Andrew N. Ferguson stated in a memorandum accompanying the announcement:

“Noncompete agreements, which employers can use to impose unnecessary, onerous, and often lengthy restrictions on former employees’ ability to take new jobs in the same industry after they leave their employment” are among the “notable examples of conduct that falls under the FTC’s jurisdiction.”

often, choice of forum) provision to ensure a consistent governing law. However, this practice also has its difficulties.

Many state statutes specifically prohibit choice of law provisions that deny an employee the statutory protections available in that employee’s home state. Even absent such explicit prohibitions, courts may view choice of law provisions as against public policy (particularly when attempting to enforce a choice of law provision that is friendly to non-competes in a jurisdiction that disapproves of non-competes).

Even when choice of law provisions will be enforced, the most common governing law is no longer necessarily the best option. Employers incorporated in Delaware, for example, have routinely looked to Delaware as the governing law to include in all employee non-compete agreements. Recently, however, this practice has become less attractive after a string of Delaware court cases have struck down (rather than modified) non-compete provisions after finding them to be overbroad, leaving the employees free to work for direct competitors.

What’s Next?

It is unlikely the Trump Administration will attempt to revive the non-compete rule. In its absence, state legislatures are expected to continue taking a leading role in regulating non-competes. The New York State Legislature attempted in 2023 to ban almost all non-competes by passing a sweeping non-compete bill. Although New York Governor Kathy Hochul ultimately vetoed this bill, similar efforts are likely in the wake of the failed FTC non-compete rule.

FTC Enforcement Still in Play

Also important to note is that, notwithstanding the failed non-compete rule, the FTC retains its authority to adjudicate unfair business practices in specific cases. Recently, it has indicated it will still scrutinize non-competes in certain instances and has announced a task force on unfair and anti-competitive labor market practices. As FTC Chairman Andrew N. Ferguson stated in a memorandum accompanying the announcement: “Noncompete agreements, which employers can use to impose unnecessary, onerous, and often lengthy restrictions on former employees’ ability to take new jobs in the same industry after they leave their employment” are among the “notable examples of conduct that falls under the FTC’s jurisdiction.”

Next Steps for Employers

Staying on top of non-compete requirements is both more challenging and more important after the FTC’s non-compete rule failed. Mitigating risk starts with understanding and keeping abreast of the non-compete laws in those jurisdictions where a company has employees. Employers should also remain apprised of any and all developments from the federal government, such as how the FTC task force proceeds. ■

The Rise and Fall and Rise Again of VC “Mega-Rounds”

Recent Trends in Large Venture Financing Rounds

Over time, there have been huge shifts in the amount of financing required to start and scale businesses. Advances such as cloud computing and open-source software have enabled technology startups to commence and grow their operations with less funding than historically required. At the same time, newly formed life sciences companies and AI-driven companies have not been so fortunate and can remain capital-intensive enterprises.

2015 was the first year to see 100 rounds in which companies raised \$100 million or more in venture financing. Increased participation by growth equity, crossover and hedge funds attracted by the lure of pre-IPO companies offering the potential for outsized returns contributed to the number of so-called “mega-rounds” raising \$100 million or more, which jumped from 111 in 2015 to 859 in 2021.

The number of rounds in which companies raised \$100 million or more fell by more than one-third to 529 in 2022, and then fell again by more than one-half to 258 in 2023. The number rebounded in 2024 to 384. Even though fewer than half as many financings of \$100 million

or more occurred in 2024 as did in the more favorable funding environment of 2021, 2024 still represents the third-highest annual figure on record.

California accounted for half of all rounds in which companies raised \$100 million or more in 2024. Three leading states—California, New York and Massachusetts—together accounted for three-quarters of the total “mega-rounds” in 2024.

In 2024, technology companies accounted for 41% of financing rounds of \$100 million or more, compared with 35% for healthcare and life sciences companies. By comparison, healthcare and life sciences companies accounted for roughly 25% of such rounds from 2021 to 2022.

Artificial intelligence and machine learning companies (which encompass companies across industries) accounted for 32% of financing rounds of \$100 million or more in 2024, up steadily from 26% in 2022 and 21% in 2020.

The following tables look in more detail at recent trends in large venture financing rounds. ■

Number of Large Rounds by Venture Financing Threshold

YEAR	\$50 MILLION	\$100 MILLION	\$200 MILLION	\$250 MILLION	\$500 MILLION	\$1 BILLION
2024	765	384	131	92	33	16
2023	598	258	90	68	20	10
2022	1,091	529	165	97	24	7
2021	1,644	859	336	223	70	22
2020	803	349	124	84	24	5
2020 to 2024	4,901	2,379	846	564	171	60

Number of Companies Raising Venture Financing Rounds of \$100 Million or More by State or Company Headquarters

YEAR	CA	NY	MA	TX	CO	WA	FL	US TOTAL
2024	193	57	39	11	13	9	10	384
2023	107	35	45	9	9	2	4	258
2022	233	59	66	20	19	18	19	529
2021	397	132	97	28	20	21	16	859
2020	181	39	39	12	6	9	3	349
2020 to 2024	1,111	322	286	80	67	59	52	2,379



































Number of Companies Raising Venture Financing Rounds of \$100 Million or More by Industry Group and in Artificial Intelligence & Machine Learning

YEAR	B2B	B2C	FINANCIAL SERVICES	HEALTH-CARE	TECH-NOLOGY	OTHER	US TOTAL	AI & MACHINE LEARNING
2024	39	17	20	135	156	17	384	124
2023	45	14	11	85	88	15	258	76
2022	44	44	42	124	241	34	529	140
2021	84	87	64	219	376	29	859	225
2020	30	42	27	111	130	9	349	75
2020 to 2024	242	204	164	674	991	104	2,379	640

Selected WilmerHale
Venture Capital Transactions

170+
venture financing
transactions in 2024

\$7.5B+
raised for leading
emerging companies
across industries in 2024

 \$50,000,000 <i>First Round</i> September 2023	 \$6,000,000 <i>First Round</i> May 2024	 \$15,600,000 <i>First Round</i> December 2024	 \$41,500,000 <i>Second Round</i> January 2024	 \$38,000,000 <i>Second Round</i> August 2024	 \$21,500,000 <i>First Round</i> August 2024	 \$8,900,000 <i>First Round Extension</i> April 2024	 \$14,400,000 <i>Seed</i> June 2024	 \$27,000,000 <i>Second Round</i> February 2025
 \$326,100,000 <i>First and Second Round</i> April and October 2024	 \$12,000,000 <i>Second Round</i> September 2024	 \$56,000,000 <i>Third Round</i> July 2024	 \$5,500,000 <i>Seed</i> December 2023	 \$15,000,000 <i>First Round</i> October 2024	 \$1,600,000 <i>Seed</i> September 2024	 \$6,000,000 <i>First Round</i> October 2024	 \$20,000,000 <i>Second Round</i> April 2024	
 \$6,000,000 <i>First Round</i> May 2024	 €4,000,000 <i>First Round</i> January 2024	 \$50,000,000 <i>Second Round</i> January 2024	 \$12,000,000 <i>First Round</i> April 2025	 \$33,000,000 <i>Second Round</i> May 2024	 \$25,000,000 <i>Second Round</i> June 2024	 \$6,500,000 <i>Seed</i> February 2025	 \$12,000,000 <i>Second Round</i> October 2024	 \$3,000,000 <i>Seed</i> July 2024
 \$7,500,000 <i>Seed</i> February 2025	 \$75,000,000 <i>Second Round</i> July 2024	 \$190,000,000 <i>Third Round</i> January 2025	 \$229,000,000 <i>Third Round</i> July 2024	 \$2,250,000 <i>Seed</i> November 2023	 \$39,400,000 <i>Third Round</i> July 2024	 \$41,000,000 <i>Fourth Round</i> June 2024	 \$34,000,000 <i>Second Round</i> December 2023	

Trends in Convertible Note and SAFE Terms

Based on hundreds of convertible note and SAFE (simple agreement for future equity) financing transactions we handled from 2020 to 2024, we have compiled the following deal data:

Deals With Purchase Agreement		2020	2021	2022	2023	2024
If included, a purchase agreement typically contains representations and warranties from the company (and possibly the founders).	% of deals	36%	50%	38%	53%	32%
Term*		2020	2021	2022	2023	2024
The term of the convertible note before it matures (in months).	Median Range	24 5–48	12 4–36	12 10–60	24 3–32	12 6–55
Interest Rate*		2020	2021	2022	2023	2024
The rate at which interest accrues during the term of the convertible note.	Median Range	5% 0.2%–8.5%	5% 0.2%–8%	6% 1.3%–8%	8% 5%–15%	8% 4%–12%
Deals With Security Interest*		2020	2021	2022	2023	2024
Convertible note investors sometimes require the company to provide a security interest in company assets.	% secured % unsecured	11% 89%	0% 100%	0% 100%	3% 97%	7% 93%
Deals With Conversion Discount		2020	2021	2022	2023	2024
Convertible note and SAFE investors often require that conversion in connection with an equity financing be at a discount to the price paid by new investors in the financing. A conversion discount is often coupled with a cap on the valuation at which conversion occurs.	% of deals	89%	85%	63%	66%	50%
	Range of discounts	15%–40%	10%–35%	10%–30%	10%–50%	10%–25%
	% with ≤ 20% discount	92%	94%	87%	71%	93%
	% with > 20% discount	8%	6%	13%	29%	7%
		40%	35%	47%	57%	50%
Deals With Conversion Upon Maturity Date*		2020	2021	2022	2023	2024
If a convertible note is outstanding at the time of maturity and is not otherwise paid upon maturity, it often converts into shares of the company's common stock or preferred stock. This conversion is most often at the election of the investor but may be mandatory.	% of deals	53%	59%	46%	77%	67%
	% with optional conversion	90%	80%	50%	88%	100%
	% with mandatory conversion	10%	20%	50%	12%	0%
	% that convert into: common stock	11%	10%	33%	12%	0%
		89%	90%	67%	88%	100%
Deals With Conversion Upon Company Sale		2020	2021	2022	2023	2024
If a convertible note or SAFE is outstanding at the time of a sale of the company, it often converts into shares of the company's common stock or preferred stock. This conversion is most often at the election of the investor but may be mandatory.	% of deals †	32%	50%	21%	50%	29%
	% with optional conversion	78%	90%	80%	94%	75%
	% with mandatory conversion	22%	10%	20%	6%	25%
	% that convert into: common stock	50%	80%	60%	31%	12%
		50%	20%	40%	69%	88%
Deals With Repayment Premium Upon Company Sale		2020	2021	2022	2023	2024
Convertible note and SAFE investors may require that they receive a multiple of the outstanding investment amount in connection with a sale of the company.	% of deals †	43%	50%	29%	53%	32%
	Median premium Range of premiums	2x 1.5x–3x	2x 1.25x–2.5x	1.5x 1.25x–2x	2x 1.5x–4x	2x 2x-4x
Deals With Warrant Coverage		2020	2021	2022	2023	2024
Investors sometimes receive a warrant in addition to their note or SAFE. The amount of company stock covered by the warrant is usually proportional to the investment amount, referred to as the warrant coverage.	% of deals	0%	5%	0%	16%	11%
	Coverage range	N/A	25% (one deal)	N/A	50%–100%	15%-145%
	% that cover common	N/A	100%	N/A	60%	67%
	% that cover preferred	N/A	0%	N/A	40%	33%
	% that cover common or preferred (depending on the circumstances)	N/A	0%	N/A	0%	0%

* Excludes SAFEs, which by their nature generally do not have maturity dates, interest rates or security interests.
† Excluding SAFEs, 42%, 53%, 38%, 73%, and 53% of convertible note transactions included conversion upon company sale and 63%, 53%, 54%, 77% and 53% of convertible note transactions included a repayment premium upon company sale for each of the years 2020 through 2024, respectively.

Trends in Venture Capital Financing Terms

Based on hundreds of venture capital financing transactions we handled from 2020 to 2024 for companies and investors, we have compiled the following deal data:

Deals With Multiple Liquidation Preferences		2020	2020 Range	2021	2021 Range	2022	2022 Range	2023	2023 Range	2024	2024 Range
A "multiple liquidation preference" entitles holders of preferred stock to receive more than 1x their money back before sale or liquidation proceeds are distributed to holders of common stock.	First round	0%	N/A	0%	N/A	0%	N/A	0%	N/A	0%	N/A
	Post–first round	3%	1.5x–2.25x	0%	N/A	2%	2x–3x	8%	1.5x–2x	7%	1.2x–2x
Deals With Participating Preferred Stock		2020	2020 Range	2021	2021 Range	2022	2022 Range	2023	2023 Range	2024	2024 Range
"Participating preferred" stock entitles holders to receive a stated liquidation preference plus a pro rata share (on an as-converted basis) of any remaining proceeds available for distribution to holders of common stock.	First round Total Capped	9%	2x–3x	9%	3x (one deal)	4%	N/A	5%	3x (one deal)	2%	3x (one deal)
	Post–first round Total Capped	10% 22%	1.25x–2x	6% 29%	2x–2.5x	10% 30%	1.5x–3.5x	16% 10%	3x (one deal)	3% 0%	NA
Deals With an Accruing Dividend		2020		2021		2022		2023		2024	
"Accruing dividends" are generally payable upon liquidation or redemption of the preferred stock, effectively increasing the liquidation preference of the preferred stock.	First round	9%		5%		2%		14%		0%	
	Post–first round	8%		11%		10%		18%		12%	
Anti-Dilution Provisions		2020		2021		2022		2023		2024	
A "full ratchet" anti-dilution formula provides that the conversion price of the preferred stock will be reduced to the price paid in the dilutive issuance, regardless of how many shares are involved in the dilutive issuance. In contrast, a "weighted average" anti-dilution formula takes into account the dilutive impact based upon the number of shares and the price involved in the dilutive issuance and the number of shares outstanding before and after the dilutive issuance.	First round										
	Full ratchet Weighted average	2% 98%		0% 100%		2% 98%		0% 100%		0% 100%	
	Post–first round										
	Full ratchet Weighted average	0% 100%		0% 100%		3% 97%		2% 98%		0% 100%	
Deals With Pay-to-Play Provisions		2020		2021		2022		2023		2024	
"Pay-to-play" provisions provide an incentive to investors to invest in future rounds of financing. Investors that do not purchase their full pro rata share in a future round lose certain rights (e.g., their shares of preferred stock may be converted into common stock at the then-applicable conversion rate or a more punitive rate, and they may lose director designation, registration or other rights).	Total	3%		3%		2%		12%		12%	
	% of total that convert into common stock	100%		83%		100%		100%		100%	
	% of total that convert into another series of preferred stock	0%		17%		0%		0%		0%	

Explanatory Note: "First round" refers to a company's first-priced preferred stock financing regardless of round designation.

Trends in VC-Backed Company M&A Deal Terms

We reviewed all merger transactions between 2020 and 2024 involving VC-backed targets (as reported in PitchBook) in which the merger documentation was publicly available and the deal value was \$25 million or more. Based on this review, we have compiled the following deal data:¹

Compiled by Joseph C. Minko, a special counsel in WilmerHale’s Corporate Practice

Characteristics of Deals Reviewed		2020	2021	2022	2023	2024
The number of deals we reviewed and the type of consideration paid in each	Sample Size	25	45	22	15	17
	Cash	60%	24%	41%	40%	53%
	Stock	8%	18%	5%	20%	12%
	Cash and Stock	32%	58%	54%	40%	35%
Deals With Earnout		2020	2021	2022	2023	2024
Deals that provided contingent consideration based upon post-closing performance of the target, achievement of milestones by the target or other contingencies concerning the value of target (other than balance sheet adjustments)	With Earnout	28%	42%	41%	27%	41%
	Without Earnout	72%	58%	59%	73%	59%
Deals With Indemnification		2020	2021	2022	2023	2024
Deals where the target's shareholders or the buyer indemnified the other post-closing for breaches of representations, warranties and covenants	With Indemnification					
	By Target’s Shareholders	88%	76% ²	86%	67%	65% ³
	By Buyer	32%	29%	68%	47%	24%
Deals With Representation and Warranty Insurance		2020	2021	2022	2023	2024
Deals that expressly contemplate representation and warranty insurance	With Representation and Warranty Insurance	68%	47%	50%	33%	41%
Survival of Representations and Warranties		2020	2021	2022	2023	2024
Length of time (in months) that representations and warranties survived the closing for indemnification purposes (subset: deals where representations and warranties survived the closing for indemnification purposes) ⁴	Shortest	12	12	12	12	12
	Longest	18	24	24	24	18
	Most Frequent	12	12	12	12 & 18 (tie)	18

¹ For certain transactions, certain deal terms have been redacted from the publicly available documentation and are not reflected in the data compiled in this table.
² Excludes two transactions that do not provide for indemnification but permit setoff against contingent consideration.
³ Excludes one transaction where representations do not survive closing, but seller is obligated to reimburse buyer for 50% of the damages buyer cannot recover due to the retention under its representation and warranty insurance.
⁴ Measured for representations and warranties generally; specified representations and warranties may survive longer.

Caps on Indemnification Obligations		2020	2021	2022	2023	2024
Upper limits on indemnification obligations where representations and warranties survived the closing for indemnification purposes	With Cap	100%	100%	100%	100%	100%
	Limited to Escrow ⁵	81%	90%	78%	80%	80%
	Limited to Purchase Price	0%	0%	0%	0%	0%
	Exceptions to Limits ⁶	95%	100%	89%	100%	100%
	Without Cap	0%	0%	0%	0%	0%
Escrows		2020	2021	2022	2023	2024
Deals having escrows securing indemnification obligations of the target’s shareholders (subset: deals with indemnification obligations of the target shareholders)	With Escrow	90%	91%	89%	90%	73%
	% of Deal Value					
	Lowest ⁷	8%	5%	7%	5%	7%
	Highest	15%	18%	15%	10%	10%
	Most Frequent	15%	10%	8%	6%	10%
	Length of Time (in months) ⁸					
	Shortest	12	12	12	12	12
	Longest	24	36	30	24	18
	Most Frequent	12	12	12	12 & 18 (tie)	18
	Exclusive Remedy	68%	53%	73%	56%	75%
	Exceptions to Escrow Limit Where Escrow Was Exclusive Remedy ⁸	92%	100%	91%	100%	100%
Baskets for Indemnification		2020	2021	2022	2023	2024
Deals with indemnification only for amounts above a specified “deductible” or only after a specified “threshold” amount is reached	Deductible	52% ⁹	71% ¹⁰	53% ⁹	80%	64%
	Threshold	29% ⁹	26% ¹⁰	32% ⁹	10%	36%
MAE Closing Condition		2020	2021	2022	2023	2024
Deals with closing condition for the absence of a “material adverse effect” with respect to the other party, either explicitly or through representation brought down to closing	Condition in Favor of Buyer	100%	97%	100%	91%	100%
	Condition in Favor of Target	24%	37%	29%	18%	40%
Exceptions to MAE		2020	2021	2022	2023	2024
Deals where the definition of “material adverse effect” for the target contained specified exceptions	With Exception ¹¹	100%	95% ¹²	100%	100%	100%

⁵ Includes two transactions in 2021 and one transaction in 2023 where the limit was below the escrow amount.
⁶ Generally, exceptions were for fraud, willful misrepresentation and certain “fundamental” representations commonly including capitalization, authority and validity. In a limited number of transactions, exceptions also included intellectual property representations.
⁷ Excludes transactions that also specifically referred to representation and warranty insurance as recourse for the buyer.
⁸ Length of time does not include transactions where such time period cannot be ascertained from publicly available documentation.
⁹ A “hybrid” approach with both a deductible and a threshold was used in another 10% of these transactions in 2020 and 11% of these transactions in 2022.
¹⁰ A 50/50 cost sharing approach was used in another 3% of these transactions in 2021.
¹¹ Generally, exceptions were for general economic and industry conditions.
¹² The only transaction(s) not including such exceptions provided for a closing on the same day the definitive agreement was signed.



CONTRIBUTORS



Eric P. Hanson
PARTNER
Vice Chair, Corporate Practice



C. S. Avery Reaves
PARTNER



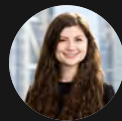
Andrew Stauber
PARTNER



Frank Wang
SENIOR ASSOCIATE




Karen Velez
ASSOCIATE



Michaela B. Rosen
SENIOR ASSOCIATE



Ben Goldfein
ASSOCIATE



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