

WEBINAR

Venture Capital Year in Review and 2020 Outlook

February 6, 2020

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Phil Boyer - Crosslink Capital; Nils Bungler - Pear VC

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Webinar Guidelines

- Participants are in listen-only mode
- Questions are welcomed and will be answered as time permits
- Please submit questions via the Q&A feature

WEBINAR

Speakers



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Agenda

- US Deal Count and Value
- The Early-Stage Landscape
- 2019 Trends
- 2020 Outlook
- Other Themes for 2020



2019 Review

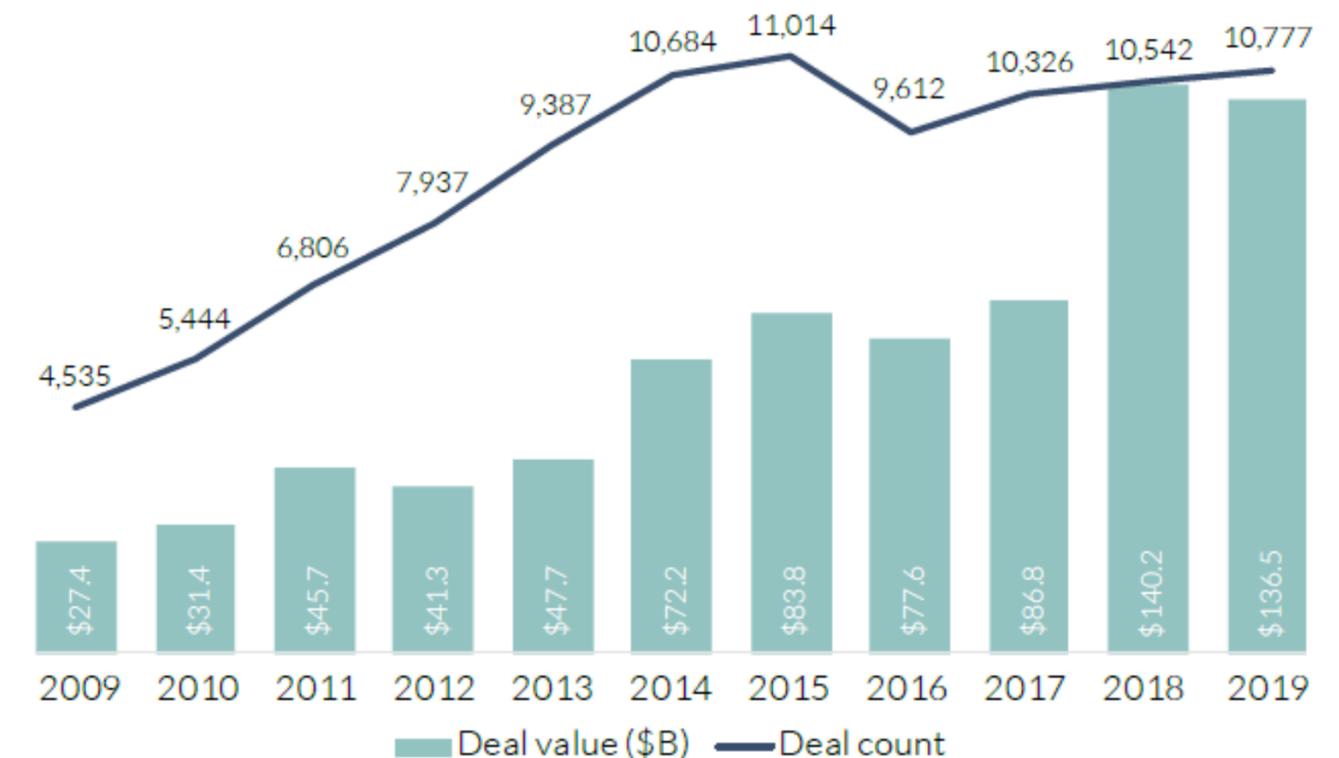


US Deal Count and Value

- 2019 strongly followed the record levels we saw in 2018
- 237 mega-deals in 2019, an 11.8% gain on 2018
- Nontraditional investors and new industry players (CVCs, sovereign wealth and PE funds) participated in more than 85.0% of those outsized deals, increasing deal competition

US VC deal value in 2019 rivals 2018's record

US VC deal activity



PitchBook-NVCA Venture Monitor

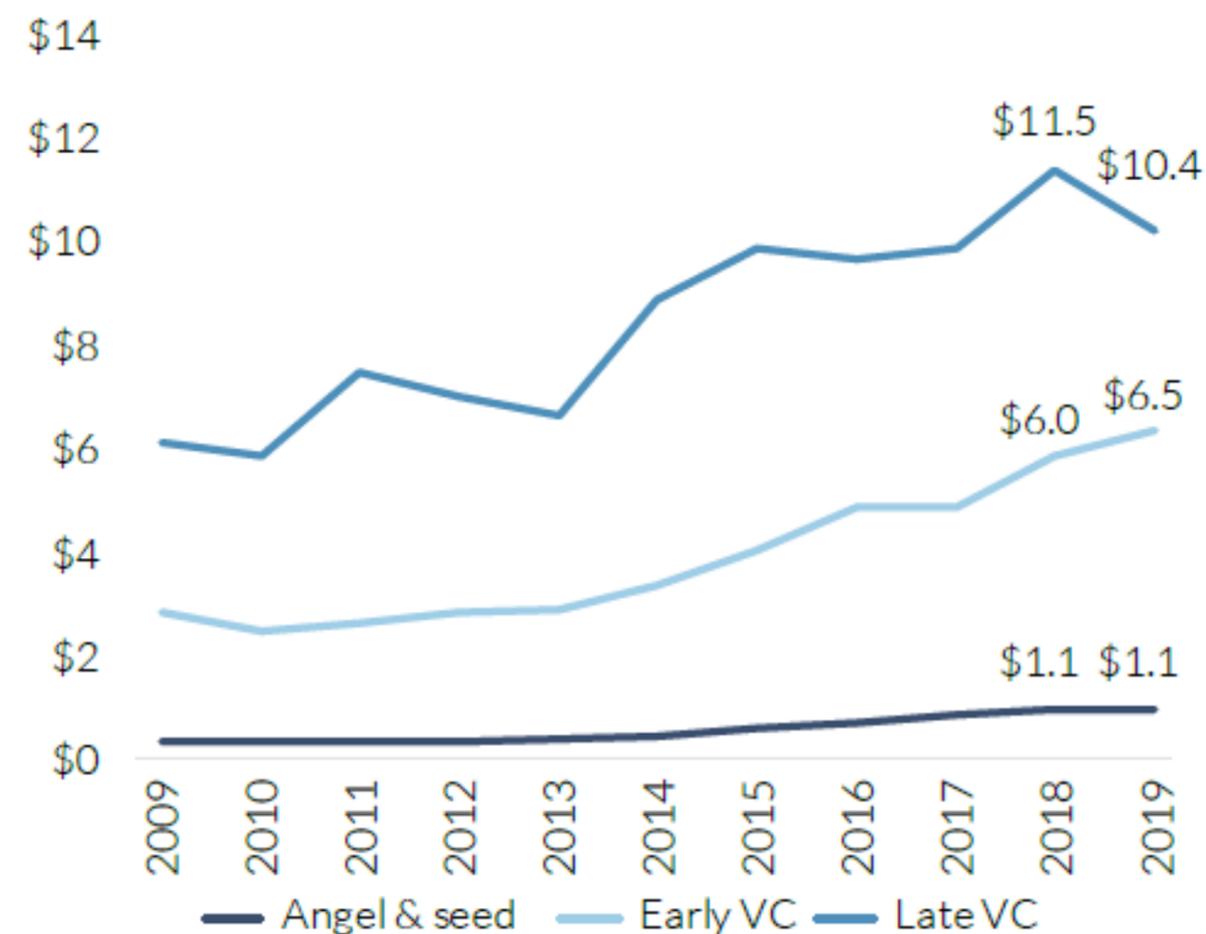


The Early-Stage Landscape

- Early-stage deals hit an unprecedented median size in 2019
- Early-stage deal numbers have increased, while angel & seed round deal activity were consistent with 2018
- Prevalence of alternative sources of capital (e.g., venture debt; crowdfunding) allows some startups to delay VC financing
- Valuations generally rising at all stages
- The median age of companies raising early-stage capital has reached 3.5 years, the highest on record

Early-stage deal sizes hit unprecedented level

Median US VC deal sizes (\$M) by stage



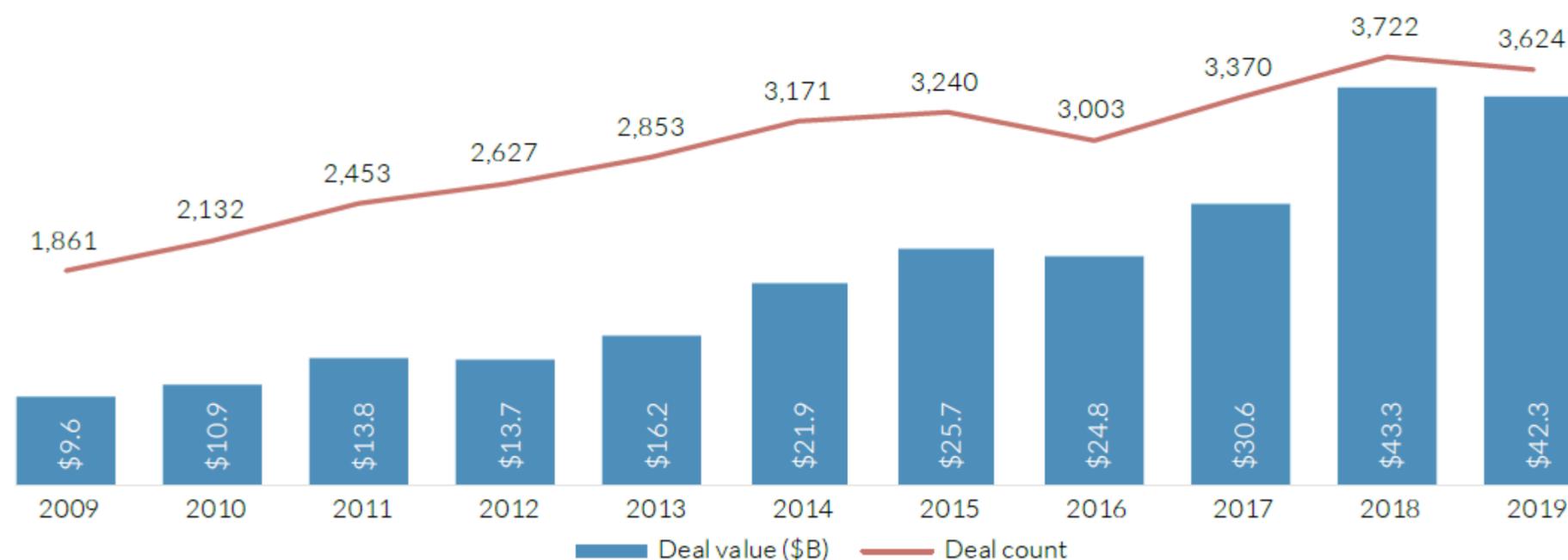
PitchBook-NVCA Venture Monitor



The Early-Stage Landscape

Early-stage investment continues at elevated levels

US early-stage VC deal activity



PitchBook-NVCA Venture Monitor

- With more than \$42 billion invested across over 3,600 deals, 2019 neared 2018's record highs for US early-stage VC investment
- Coincides with growth of VC fund capital raising, which reached the second-highest annual total in the past decade
- As startups stay private longer, investors seeking to ensure sufficient "dry powder" for follow-on financings



Other 2019 Observations

- Large funds getting even larger, due to the “Softbank effect” to scale up and compete
- Private companies staying private longer, which results in mature tech startups, with massive fundraising needs and capabilities
- Cloud computing continues to drive down capex
- Proliferation of pre seed/seed funds (a recent count had it approaching 1,000 micro funds)
- Various strong IPOs have padded VCs’ returns with record breaking exit values, though Q4 fizzled
- Emergence and increase of direct listings
- Increased government scrutiny of tech
- Increased investor focus on governance, compliance and “tone at the top”
- Record year for companies founded by women



2020 Outlook



Hot Sectors

- Healthtech
- Software
- Mobile (5G)
- Life Sciences
- E-commerce
- Cybersecurity
- Data Analytics / AI
- Consumer and SMB Fintech



2020 Outlook

- Big funds are getting bigger, and have significant capital to put to work
- Corporate VCs seeking to be strategic and smartly take advantage of strong balance sheets and seek low-interest-rate-bearing returns
- Proliferation of pre-seed and seed funds will continue to make capital accessible, though headwinds may be increasing
- Meaningful competition among investors to invest in attractive companies
- Focus on revenues and growth continues, and the path to profitability has taken on new significance
- Deal terms may start to edge toward being more investor-favorable
- CFIUS and foreign investment scrutiny has impacted the venture landscape and is expected to continue to increase
- M&A likely to continue to be the exit of choice, with IPOs and direct listings as possible routes



Questions

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