

Q1 2017 - Deal Volumes Slow as Terms Favor Investors

Commentary from Adam Valkin



Adam Valkin, managing director at General Catalyst, sat down with us to discuss his view on the state of VC investing.

Outlook on 2017: The market has really benefited from a new influx of capital. In the consumer space,

however, a lot of investors are taking it slower as they figure out what's next and when.

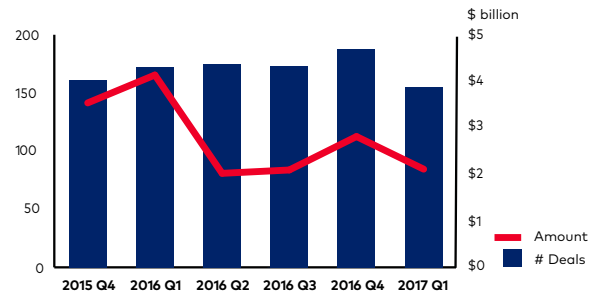
On geography: Venture capital is very local. The major innovation cities have ecosystems where one founder may lead us to another and where our companies benefit from our relationships with influencers, co-investors and talent

On nascent sectors: There is a lot of excitement about what the future will look like but also a lot of uncertainty. A question on people's minds is: What is the right timing to invest in new platforms?

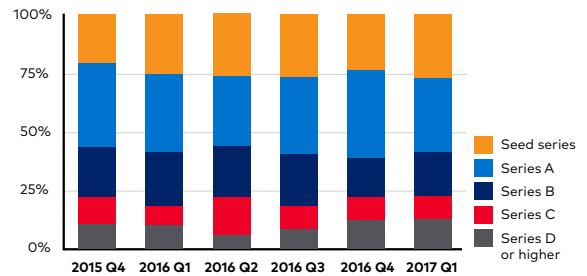
What's next: We are entering a phase in which a lot of entrepreneurs are thinking about a full-stack rebuild of the consumer experience.

Read Cooley's full interview with Adam Valkin on Cooley GO. www.cooleygo.com

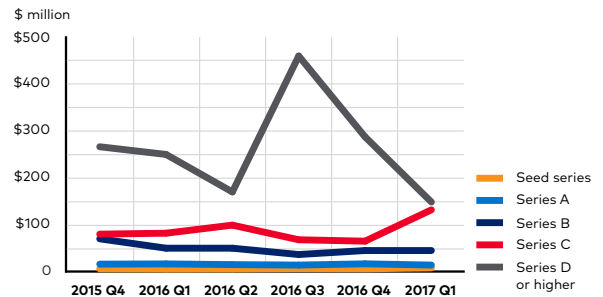
Total Deal Volume and Aggregate Dollars Raised



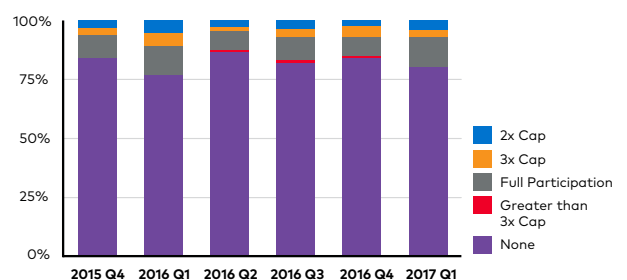
Deal Breakdown



Median Pre-Money Valuation



Liquidation Preference: Participation Features

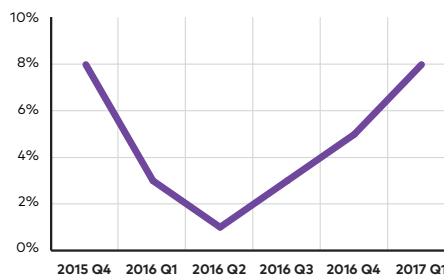


In the first quarter of 2017, both deal volumes and aggregate dollars raised decreased from prior quarters. In Q1 2017, Cooley handled 156 disclosable deals representing more than \$2.1 billion of invested capital. Deal volume was down by 17% from Q4 2016, while invested capital decreased by 25% from the prior quarter. Year over year, the deal volume was down by 10% from Q1 2016, while invested capital decreased by 49% relative to the same period in 2016. The mix of deals during the quarter remained relatively consistent to prior quarters. We saw a slight decrease in Series A and C deals, while a small increase was seen in seed, Series B and Series D+ transactions.

Median pre-money valuations increased slightly in seed deals, while decreasing in Series A and D+ transactions. Series C deals, however, included a meaningful increase in pre-money valuations jumping from a median of \$65 million in Q4 2016 to \$131 million in Q1 2017.

Deal terms during the quarter slightly favored the investor compared to recent quarters. For example, we saw increases in deals with full participating liquidation preferences, as well as increases in deals including pay-to-play provisions.

Pay-to-Play



For more venture financing trends, view our interactive data visualization on Cooley GO:

www.cooleygo.com/trends

About the Cooley Venture Financing Report. This quarterly summary provides data reflecting Cooley's experience in venture capital financing terms and trends. Information is taken from a subset of the transactions in which Cooley served as counsel to either the issuing company or investors. For more information regarding this report, please contact the Cooley lawyers listed below.

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