

## 2014 Venture Financing in Review— A Banner Year for Deal Volumes and Invested Capital\*

2014 marked a banner year for both total deal volumes and aggregate dollars raised. During 2014, we handled 540 disclosable financing transactions, representing more than \$9.5 billion of invested capital. Both numbers represent volumes not seen since the inception of this report over seven years ago.

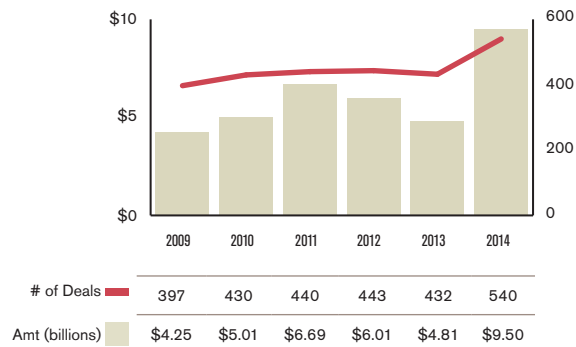
We witnessed an increase in median pre-money valuations across all deal stages in 2014. In fact, median valuations reached levels not seen in over six years. Valuation increases were most pronounced in Series A deals, where median pre-money valuations hit \$15 million in 2014. Series B transactions saw valuations increase to \$38 million. Deals with median pre-money valuations greater than \$100 million also rose to 18% of total transactions.

Also of note was the mix of deal types during the year. Series A transactions made up 44% of all financings in 2014, the highest level in over six years. This may correlate to a broader mix and sources of Series A funding being available to entrepreneurs. Additionally, the percentage of up versus flat/down rounds hit historical highs in 2014, as over 80% of financings were up rounds.

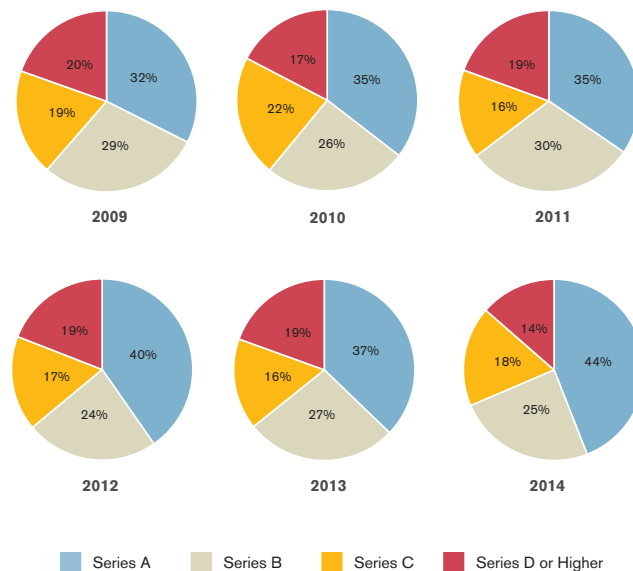
During 2014, basic deal terms reflected a company-friendly environment. The percentage of deals with a liquidation preference of 1x or less increased across all deal stages in 2014. We also saw a decrease in the percentage of deals including fully participating preferred provisions across all deal stages, with the exception of Series D+ transactions. The percentage of recapitalization transactions dropped to just 5% of deals during the year, while deals structured in tranches decreased to just 11% of transactions, a level not seen in six years.

### TRENDS IN FINANCIAL TERMS

**TOTAL DEAL VOLUME AND AGGREGATE DOLLARS RAISED.** We handled 540 disclosable financings in 2014 representing over \$9.5 billion of invested capital.

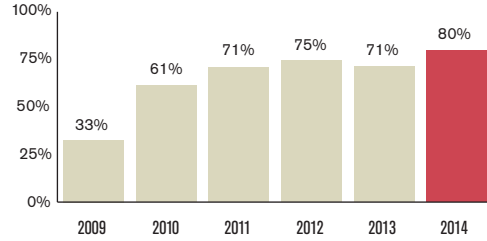


**DEAL BREAKDOWN—By Series.** 2014 saw a marked increase in the percentage of Series A deals completed, reaching 44% of all transactions.



\*Quarterly analysis based upon 103 completed deals totaling approximately \$1.4 billion in the fourth quarter of 2014; 125 completed deals totaling approximately \$1.8 billion in the third quarter of 2014; 189 completed deals totaling approximately \$3.7 billion in the second quarter of 2014 and 123 completed deals totaling approximately \$2.7 billion in the first quarter of 2014. Please note our past quarterly deal numbers can change based on data not available at the time of the report.

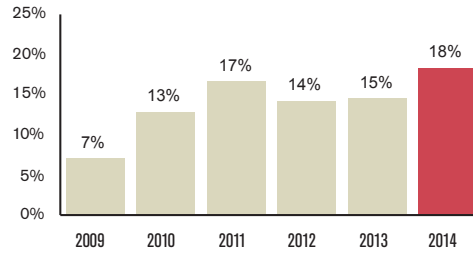
**PERCENTAGE OF UP, DOWN AND FLAT ROUNDS.** The percentage of up rounds reached 80% of transactions in 2014.



**MEDIAN PRE-MONEY VALUATION (\$ millions)—By Series.** We saw median pre-money valuations increase across all deal stages in 2014.



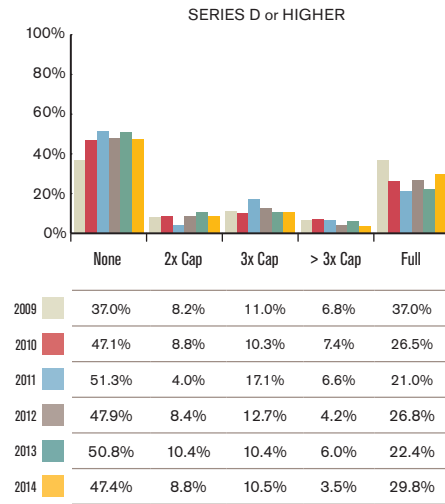
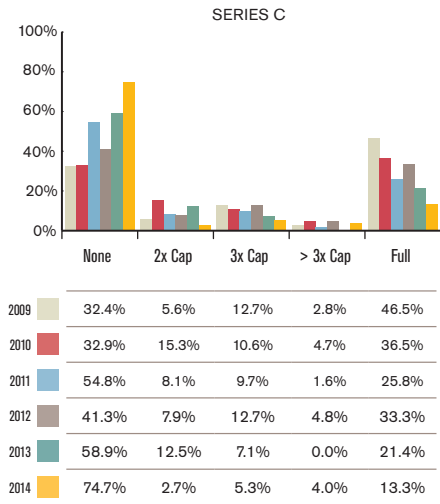
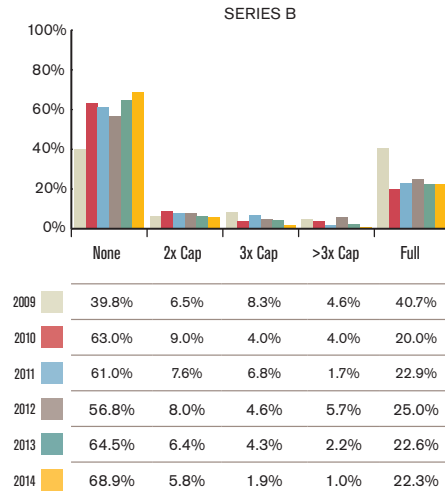
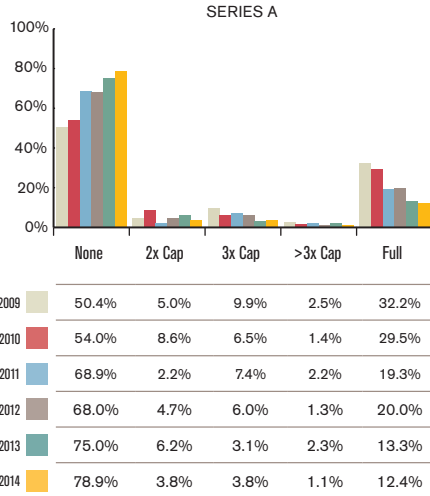
**PRE-MONEY VALUATIONS OF MORE THAN \$100 MILLION—By Deal.** The data point to an increase in the percentage of deals with a median pre-money valuation greater than \$100 million in 2014.



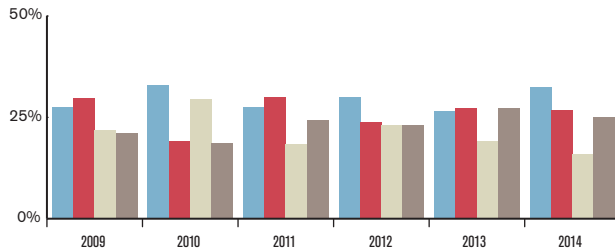
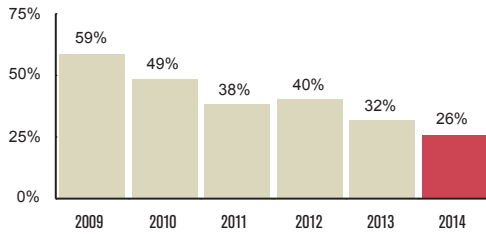
**LIQUIDATION PREFERENCE—By Series.** In 2014, the percentage of deals with a liquidation preference of 1x or less increased across all deal stages.



**LIQUIDATION PREFERENCE: PARTICIPATION FEATURES—By Series.** The percentage of deals with fully participating preferred provisions in 2014 decreased in all deal stages with the exception of Series D+ transactions.

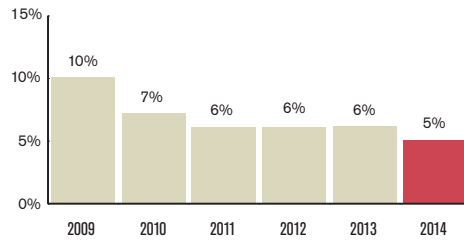


**PERCENTAGE OF DEALS WITH PARTICIPATING PREFERRED—By Year and Series.** Deals utilizing participating preferred provisions decreased to just 26% of transactions in 2014.

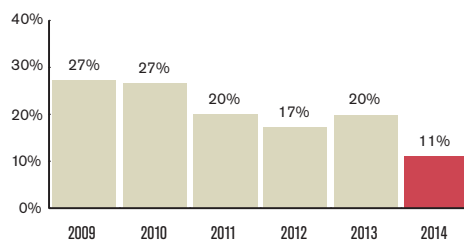


Series A	27.4%	33.0%	27.4%	30.0%	26.4%	32.5%
Series B	29.7%	19.1%	30.1%	23.8%	27.3%	26.7%
Series C	21.9%	29.4%	18.3%	23.1%	19.0%	15.8%
Series D or Higher	21.0%	18.6%	24.2%	23.1%	27.3%	25.0%

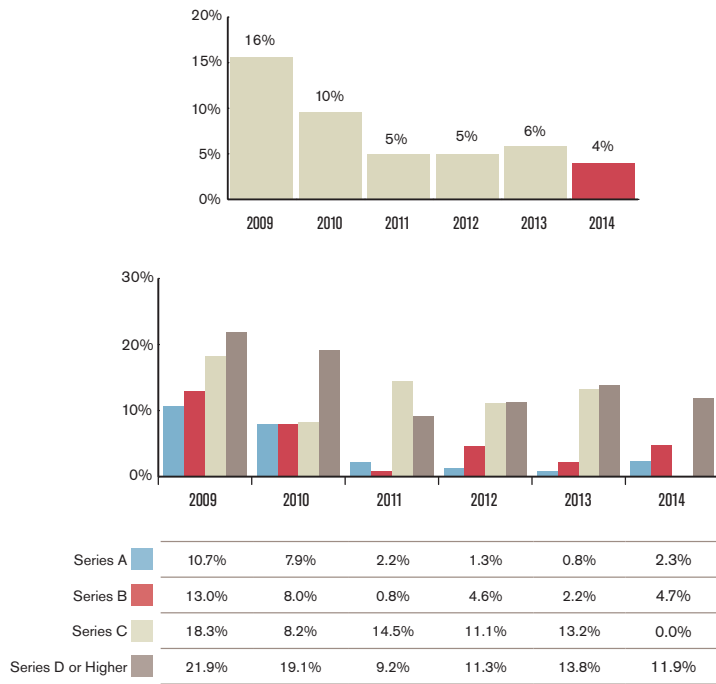
**RECAPITALIZATIONS—By Year.** We observed a continued trend of fewer recapitalization transactions in 2014.



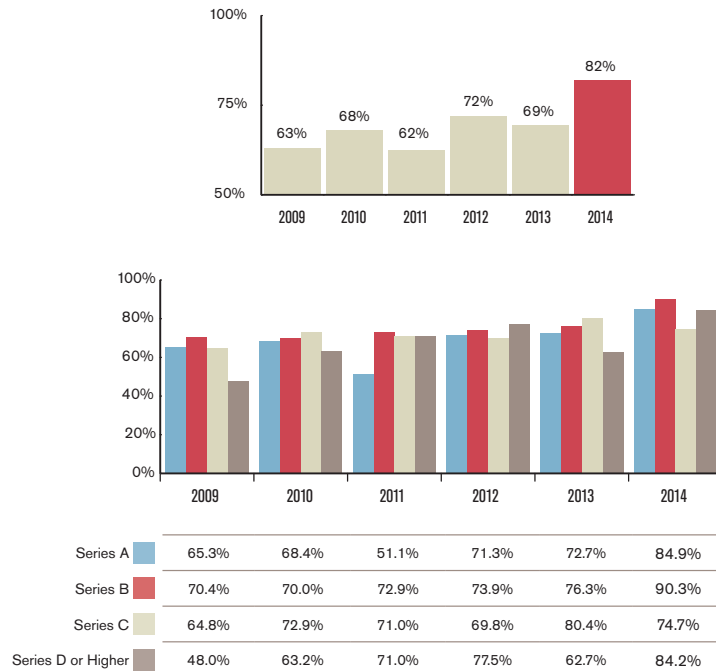
**TRANCHED DEALS—By Year.** The percentage of deals structured in tranches decreased significantly in 2014 from prior years.



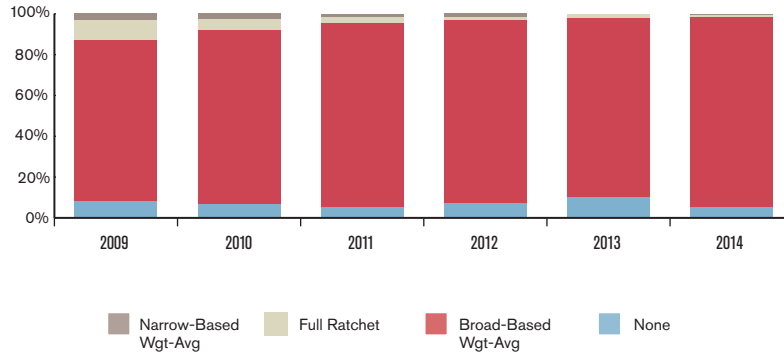
**PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Year and Series.** During 2014, there was a marked decrease in the utilization of pay-to-play provisions in later stage deals.



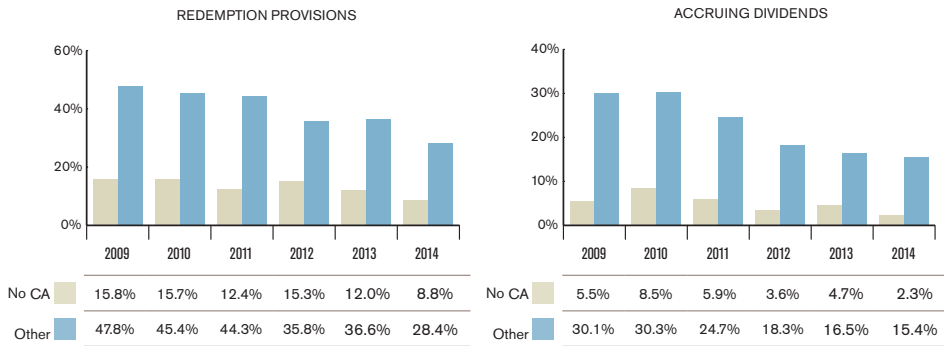
**PERCENTAGE OF DEALS WITH DRAG-ALONG—By Year and Series.** Utilization of drag-along provisions in 2014 increased to 82% of deals.



**ANTI-DILUTION PROTECTION—By Year.** Over the last year, more than 94% of transactions included broad-based weighted average anti-dilution protection. The chart below breaks out the percentage of deals with broad-based weighted average, narrow-based weighted average, full ratchet and no anti-dilution protection.



**REDEMPTION PROVISION AND DIVIDEND PROVISION UTILIZATION—By Region.** We continued to see a gap in the usage of redemption and accruing dividend provisions between SF Bay Area/Silicon Valley and other geographic regions during 2014.



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