

Q3 2016 - Valuations Cool in Early Stage Deals

Q&A with Brad Feld



Brad Feld, co-founder of the Foundry Group, sat down with us to discuss his view on the state of VC investing.

Market outlook: "The existential freakout that occurred in January and February seemed like the

distant past with the lingering hangover being a clearer focus on valuation and overall funding needs from new investors."

Deal flow: "Most importantly from my frame of reference, the amount of activity at the early and seed stage seems to be extremely robust."

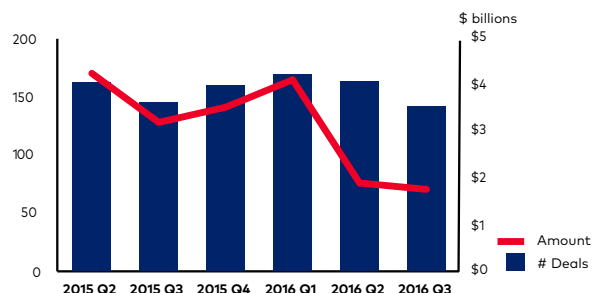
Exits: "M&A activity on one hand seems very lively, although it's less in everyone's face."

Advice to founders: "Yoda was right – do or do not, there is no try. Decide to do it. Then do the work."

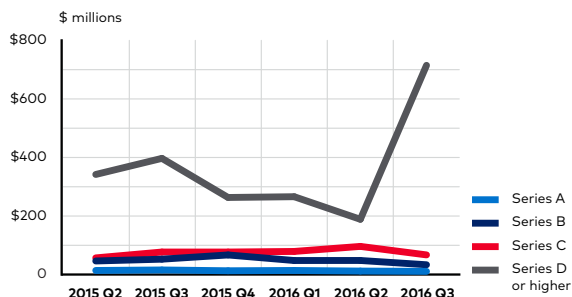
Read Cooley's full Q&A with Brad Feld on Cooley GO.
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In the third quarter of 2016, there were slightly lower deal volumes and aggregate dollars raised compared to prior quarters. In Q3 2016, Cooley handled 143 disclosable deals representing more than \$1.7 billion of invested capital. When aggregated across industries, our data pointed to a decrease in median pre-money valuations across all deal stages, with the exception of Series D+ transactions. A small number of very large, later stage deals in Q3 drove the average median pre-money valuation for Series D+ deals to \$718 million, a level not seen for over seven years. Three of these Series D+ transactions had valuations greater than \$1 billion. A potentially notable deal term shift is the decrease in percentage of deals with drag-along features in earlier rounds and an increase in percentage of deals with drag-

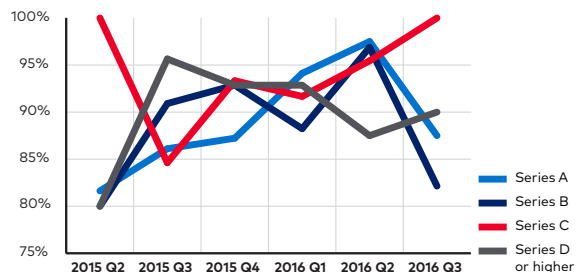
Total Deal Volume and Aggregate Dollars Raised



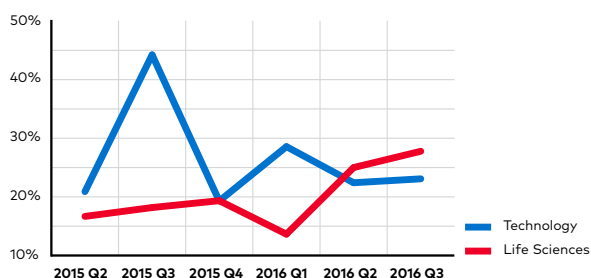
Median Pre-Money Valuation



Drag-Along



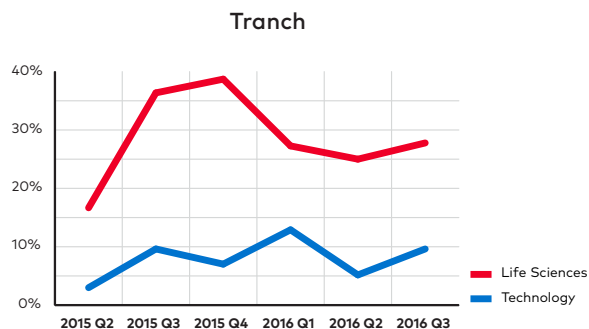
Pre-Money Valuation > \$100M



along features in later rounds. We will continue to monitor this trend.

For Q3, we also separated out deal valuations by broad industry category to see differences, if any, between technology and life sciences companies. In this preliminary observation, it appears that although the percentage of overall deals with valuations over \$100M looks to be relatively flat within the last three quarters, when broken out by industry, life sciences deals with these valuations actually increased from 14% in Q1 to 28% in Q3 while technology deals with these valuations were down slightly from 29% in Q1 to 23% in Q3.

We also looked at tranced transactions between industry categories. We note that while the percentage of deals with tranching is relatively steady as compared to earlier quarters within each broad industry category, the percentage of deals within industries that have tranching is quite different between life sciences companies, which have hovered around 28% of deals for the last few quarters, and tech companies, which have been closer to 10% in the same time frame.



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 attorneys listed below.

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