

Q4 2016 - A Solid Close to a Strong Year of Financings

Commentary from Mark Suster



Mark Suster, partner at Upfront Ventures, discusses recent venture trends and what's ahead for 2017.

2016 saw the rise of the global investor: Out of Japan and China we saw a massive increase in

capital come into the US market.

Corporate VC involvement: Not only are there new CVCs, but they're writing much bigger checks.

Founder-friendly terms: Terms are shifting back to being founder-friendly. And salaries are on the rise. I'm willing to bet that option refreshes are also on the rise. I expect that to be true for 2017 and 2018 unless there's an unforeseen black swan.

Trump: Under the new administration, one other thing that is likely to happen is the repatriation of capital for the large corporates, including the global tech giants.

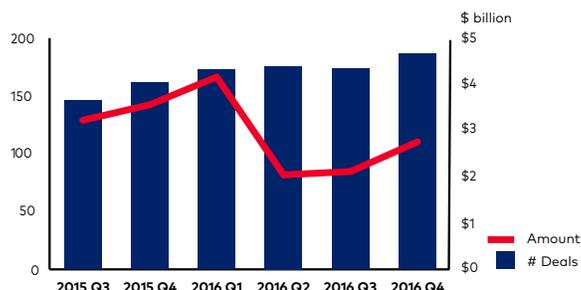
Read Cooley's full interview with Mark Suster on Cooley GO. www.cooleygo.com

In the fourth quarter of 2016, there were slightly higher deal volumes and aggregate dollars raised compared to prior quarters. In Q4 2016, Cooley handled 187 disclosable deals representing more than \$2.7 billion of invested capital. While deal volume increased by 18% compared to Q4 2015, the total proceeds decreased by roughly 23%.

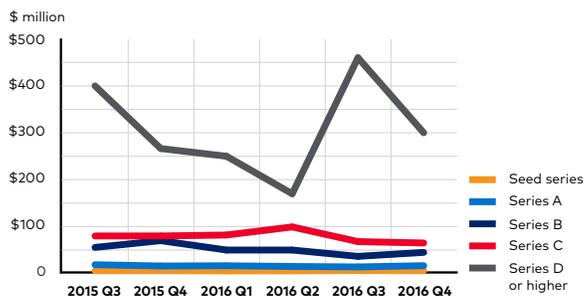
For the overall year, we handled 710 disclosable deals representing over \$11 billion of capital. In 2015, we handled 602 transactions representing over \$14 billion of capital. This followed the same trend as in Q4 where deal volume increased measurably in 2016, but overall deal proceeds decreased.

In Q4, we included seed-stage financings for the first time. In order to keep period-to-period comparisons accurate, we

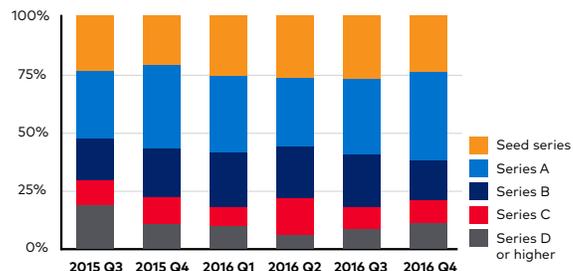
Total Deal Volume and Aggregate Dollars Raised



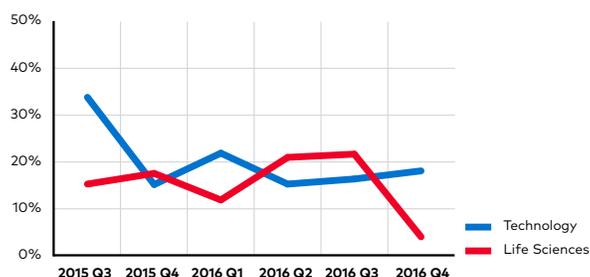
Median Pre-Money Valuation



Deal Breakdown



Pre-Money Valuation > \$100M

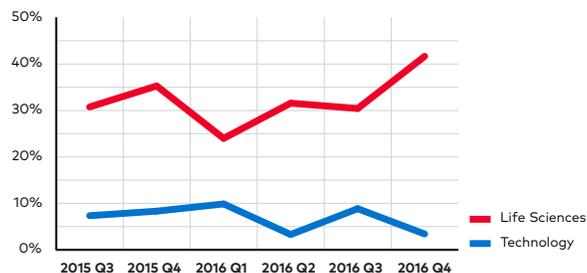


have also included them in the 2015 data referred to above. Over the course of the past two years, the median pre-money valuation for seed-stage financings was \$6 million and the median deal size was approximately \$2 million.

For Q4, we again separated out deal valuations by broad industry category to see differences, if any, between technology and life sciences companies. In this observation, it appears that although the percentage of overall deals with valuations of \$100+ million showed a slight increase when broken out by industry, the percentage of these larger deals differs greatly between life sciences and technology. For life sciences deals, the percentage of transactions with a valuation of \$100+ million decreased from 22% in Q3 to 4% in Q4. Technology deals with these valuations slightly increased from 16% in Q3 to 18% in Q4.

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 is quite different. Life sciences deals with tranching increased to 42% in Q4, while technology deals dropped to 3% in the same time frame.

Tranch



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.

About Cooley. Cooley's attorneys solve legal issues for entrepreneurs, investors, financial institutions and established companies. Clients partner with Cooley on transformative deals, complex IP and regulatory matters, and bet-the-company litigation, often where innovation meets the law.

Cooley has 900 lawyers across 12 offices in the United States, China and Europe.

Boston	Patrick Mitchell	+1 617 937 2315	Reston	Andrew Lustig	+1 703 456 8134
Colorado	Brent Fassett	+1 720 566 4025	San Diego	Tom Coll	+1 858 550 6013
London	Justin Stock	+44 (0) 20 7556 4260	San Francisco	Craig Jacoby	+1 415 693 2147
Los Angeles	David Young	+1 310 883 6416	Seattle	Gordon Empey	+1 206 452 8752
New York	Babak (Bo) Yaghmaie	+1 212 479 6556	Shanghai	Patrick Loofbourrow	+86 21 6030 0608
Palo Alto	Danielle Naftulin	+1 650 849 7118	Washington, DC	Mike Lincoln	+1 703 456 8022

www.cooley.com