Cooley

Q1 2025 Venture Financing Report – Deal Volume and Invested Capital Generally Down Across All Stages of Financing; Lower Pre-Money Valuations for Series B and Higher

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Cooley handled 181 reported venture capital financings in Q1 2025, representing $14.6 billion of invested capital. While invested capital is at the highest amount seen since Q2 2022, deal volume is down significantly since last quarter and represents the lowest deal volume seen since Q4 2016. In Q1 2025, deal volume decreased by more than 20% across all stages of financing. Series C showed the most significant decline, with the number of deals decreasing from 33 in Q4 2024 to 14 in Q1 2025. Apart from late-stage deals (Series D and higher), invested capital also declined at all stages of financing, with Series C showing the largest decline, from $2.6 billion in invested capital in Q4 2024 to $1.6 billion in invested capital in Q1 2025. Due to a few very large late-stage rounds, invested capital for Series D and higher rounds rose to nearly $10 billion, the highest invested capital seen in late-stage rounds since Q4 2021.

Median pre-money valuations decreased across all Series B and higher rounds. The most significant drop was in Series C rounds, where the median pre-money valuation fell from $360 million in Q4 2024 to $164 million in Q1 2025. Series D and higher rounds also saw a decrease, with the median pre-money valuation dropping from $652 million to $544 million. The median pre-money valuations for Series Seed financings remained level with last quarter, while the median for Series A rounds saw a slight increase to $52.5 million from $47 million. The percentage of deals with pre-money valuations greater than $100 million (at all stages) remained high at 32% of deals in Q1 2025, down slightly from 35% of deals last quarter.

In Q1 2025, the percentage of deals representing down rounds and flat rounds increased, while the percentage of deals representing up rounds decreased. Down rounds represented 21% of deals, flat rounds represented 6% of deals and up rounds represented 73% of deals for Q1 2025. This compares to 18%, 2% and 80% for down, flat and up rounds, respectively, in Q4 2024.

After decreasing to less than 1% of deals in Q4 2024, the percentage of deals involving a recapitalization increased to nearly 2.7% of deals in Q1 2025. This is the largest percentage of deals involving a recapitalization since Q2 2023. The percentage of deals with a pay-to-play provision decreased slightly to 8.8% of deals in Q1 2025, compared to 9.2% in Q4 2024.

Liquidation preference structures continued to remain favorable to companies, with 94% of deals having a “1x” liquidation preference, and 95% of deals having nonparticipating preferred stock. The percentages of deals with redemption provisions and accruing dividends both decreased during Q1 2025. Deals with redemption provisions represented 2.8% of deals during the quarter, down from 6.2% of deals in Q4 2024, with accruing dividends represented in 4.4% of deals this quarter, down from 5.8% last quarter.

In PitchBook’s Annual Global League Tables for 2024, Cooley was named the #1 law firm in the US and globally for representation of companies in venture capital financings for the fifth consecutive year. PitchBook also designated Cooley as the most active firm in venture financings in the US overall, the second-most active law firm in venture financings globally overall, and the second-most active law firm in the US and globally for representation of investors in venture financings. In addition, Cooley was recognized as a leading life cycle firm as evidenced by its #1 ranking in the US for overall representation, and in the US and globally for representation of companies in the combination of venture capital financings, initial public offerings, M&A and private equity transactions. Cooley also received high rankings for representation at different deal stages, including a #1 ranking for late-stage deals. The firm also was recognized for number one rankings in venture capital financings across several industry sectors and multiple regions across the United States.

Spotlight on technology

The deal volume for tech company venture financings saw a decrease to 90 reported deals in Q1 2025 compared to 144 reported deals for Q4 2024. This is the lowest deal volume seen for tech company venture financings since Q4 2016. Conversely, the amount of invested capital for tech company venture financings increased significantly during the quarter, from $5.6 billion in invested capital for Q4 2024 to $11.3 billion in invested capital for Q1 2025, with the increase being driven by a few large late-stage financings. This is the largest invested capital for tech company financings seen since Q2 2022. Similarly, the average reported deal size of venture financings for tech companies increased significantly, from $38.8 million in Q4 2024 to $123.4 million in Q1 2025. This represents the largest quarterly average deal size seen for tech company financings in the history of this report (since 2014).

Spotlight on life sciences

In Q1 2025, both deal count and invested capital decreased for life sciences company financings, from 66 reported deals representing $2.4 billion in invested capital in Q4 2024 to 48 reported deals representing $1.5 billion in invested capital for Q1 2025. Reported average deal sizes for venture financings of life sciences companies also decreased in Q1 2025 to an average deal size of $30 million, compared to $35.4 million in Q4 2024. The percentage of life sciences company venture financings structured in tranches increased slightly to 27.1% of reported deals in Q1 2025, up from 25.8% of reported deals in Q4 2024.