

Q2 2024 Venture Financing Report – Deal Count and Invested Capital Up at Most Stages and Median Pre-Money Valuations Increase for Early- and Late-Stage Rounds; Percentage of Down Rounds Declines

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Cooley handled 253 reported venture capital financings in Q2 2024, representing \$6.8 billion of invested capital and our largest deal count since Q4 2022. Both deal count and invested capital increased from Q1 2024. In Q2 2024, deal volume increased slightly across all stages of financing, aside from Series C deals. We saw the largest increase in deal volume in Series Seed and Series A deals, which climbed to a combined total of 182 deals in Q2 2024, up from 135 in Q1 2024. Invested capital increased for early- and late-stage deals (Series D or higher) in Q2 2024, but decreased for mid-stage deals (Series B and Series C). Series D and later rounds showed the biggest growth in invested capital, which increased from \$1.2 billion in Q1 2024 to \$2.2 billion in Q2 2024. Capital invested in Series B and Series C rounds decreased from a combined \$3 billion in Q1 2024 to \$2 billion in Q2 2024.

Median pre-money valuations increased for Series Seed and later-stage financings, with the most significant increase seen in Series D and later rounds, which rose to \$989 million in Q2 2024 from \$339 million in Q1 2024. Meanwhile, median pre-money valuations decreased for Series A, B and C rounds, with the largest decrease seen in Series C, declining from a \$175 million median in Q1 2024 to a \$130 million median in Q2 2024. The percentage of deals with pre-money valuations greater than \$100 million (at all stages) decreased to 28% of deals in Q2 2024, down from 35% of deals in Q1 2024.

The percentage of down rounds decreased notably during the quarter from 33% of deals in Q1 2024 to 22% of deals in Q2 2024, but still remained high relative to pre-2023 data. The percentage of deals representing up rounds increased to 74% in Q2 2024 as compared to 64% in Q1 2024, marking the first time since Q2 2023 that up rounds have represented more than 70% of deals for the quarter.

In Q2 2024, the percentage of deals involving a recapitalization dropped to 1.6% of deals, as compared to 2.5% of deals for Q1 2024. This is the lowest percentage of deals with a recapitalization since Q1 2023. In contrast, the percentage of deals with a pay-to-play provision increased from 7.9% of deals in Q1 2024 to 8.7% of deals in Q2 2024, representing the highest percentage of deals with a pay-to-play provision observed since the inception of this report in 2014 and only the second time in this report's history that the percentage of deals with a pay-to-play provision has exceeded 8%.

Despite the increase in pay-to-play transactions, the percentage of deals with a 1x liquidation preference and the percentage of deals with nonparticipating preferred stock represented 95% and 94% of deals, respectively, for Q2 2024, indicating that these terms remain favorable to companies.

Spotlight on technology

The deal volume and invested capital for tech company venture financings saw a slight increase in Q2 2024 to 138 reported deals, representing \$3.5 billion in invested capital. Despite slight increases, deal volume and invested capital for tech company financings

still remained below the highs observed in 2021 and early 2022. The average reported deal size of venture financings for tech companies declined slightly to \$25.2 million in Q2 2024, down from \$26.1 million for Q1 2024. These Q1 and Q2 2024 averages are comparable with the averages seen in Q3 2022 through Q3 2023, but still lag behind the high average deal sizes witnessed in 2021 and the first half of 2022.

Spotlight on life sciences

In Q2 2024, the deal count for life sciences company financings increased to 69 reported deals from 49 deals reported in Q1 2024, while invested capital decreased slightly to \$2.2 billion from the \$2.4 billion reported for Q1 2024. Reported average deal sizes for venture financings of life sciences companies also decreased in Q2 2024 to an average deal size of \$31.9 million, compared to \$48.1 million in Q1 2024. The percentage of life sciences company venture financings structured in tranches increased to 32% of reported deals in Q2 2024, representing only the 10th quarter in the history of this report that this percentage has exceeded 30%.

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