

2013 Venture Financing in Review— Valuations Climb on Mixed Deal Terms

As 2013 came to a close, it marked a year of rising median pre-money valuations and a very mixed picture around financing deal terms. During 2013, we handled 385 financing transactions, representing more than \$4.2 billion of invested capital.

We witnessed a strong rise in median pre-money valuations during 2013 across all deal stages, with the exception of Series C transactions. In fact, median pre-money valuations in 2013 were higher than at any point in the last six years in Series A, B and D+ deals. Valuation increases were most pronounced in early-stage deals during the fourth quarter of the year. In Q4, median pre-money valuations for Series A transactions hit \$11 million, while Series B valuations reached over \$40 million. The data also show a decrease in the number of deals with median pre-money valuations greater than \$100 million.

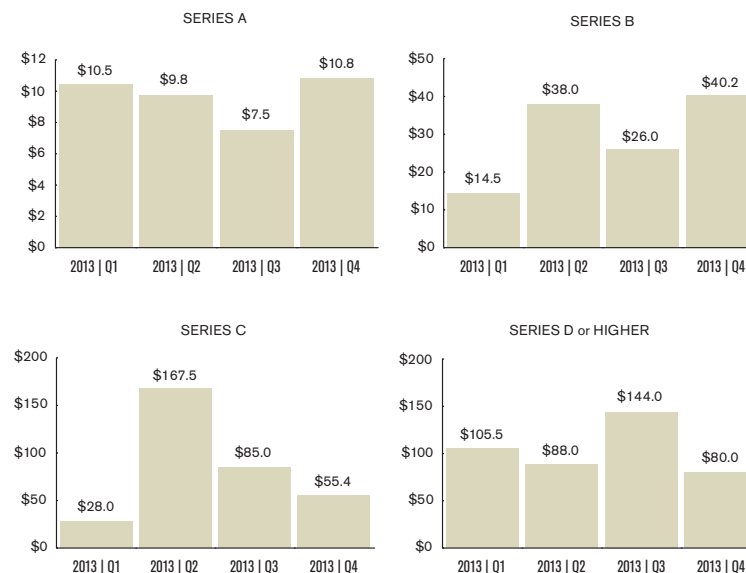
The percentage of up versus flat/down rounds remained historically high in 2013, as 71% of transactions were up rounds. Up round percentages were strongest in the second half of the year. In Q4, up rounds reached over 74% of all transactions.

During 2013, basic deal terms were somewhat mixed. Deals including fully participating preferred provisions in 2013 decreased to just 18% of transactions, a level not seen in the prior four years. However, the percentage of deals with a liquidation preference of 1x or less decreased across all deal stages in 2013, compared to the prior year. We witnessed a slight decrease in the percentage of recapitalization transactions during the year, as well as a slight rise in deals structured in tranches. The use of pay-to-play provisions increased slightly in 2013, notably in later stage deals.

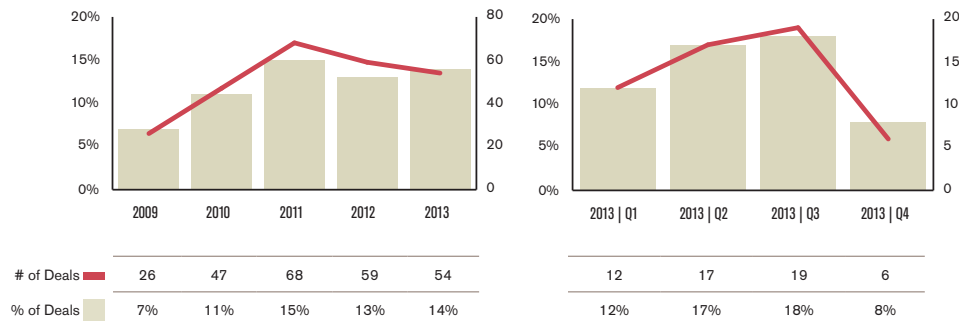
MEDIAN PRE-MONEY VALUATION (millions \$)—By Series. We saw median pre-money valuations increase across all deal stages in 2013, with the exception of Series C transactions.



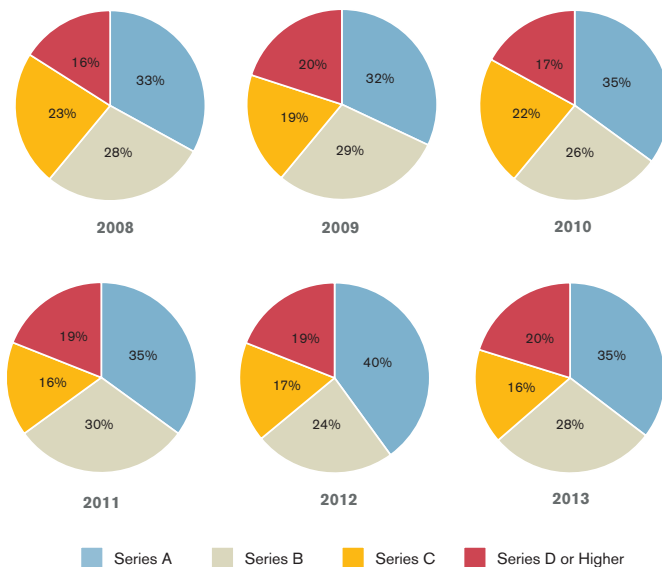
2013 MEDIAN PRE-MONEY VALUATION (millions \$)—Quarterly and By Series. In Q4, we saw median pre-money valuations rise markedly in early stage transactions. We witnessed valuation decreases in later stage deals during the quarter.



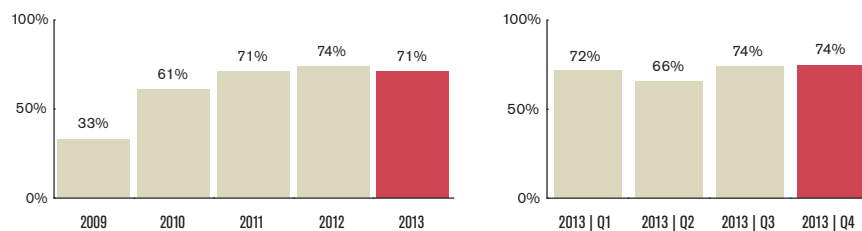
PRE-MONEY VALUATIONS OF MORE THAN \$100 MILLION—By Deal. The data point to a small decrease in the number of 2013 deals with a median pre-money valuation greater than \$100 million.



DEAL BREAKDOWN—By Series. 2013 saw an uptick in the number of Series B and D+ transactions over the prior year. The percentage of Series A and C deals fell slightly from 2012.

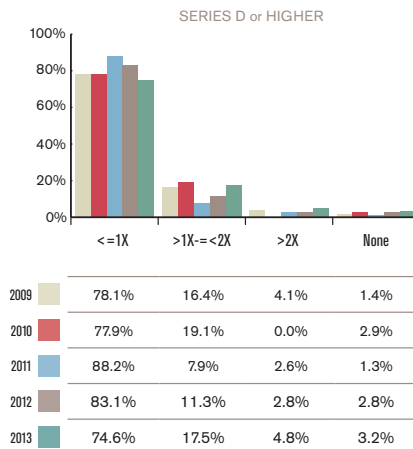
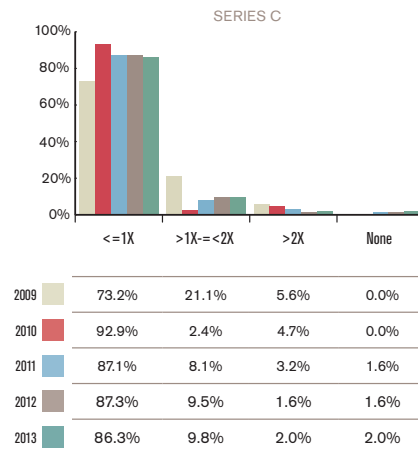
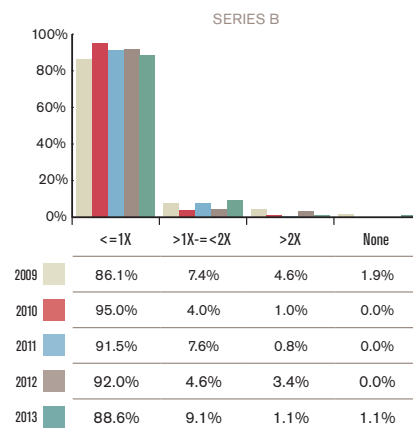
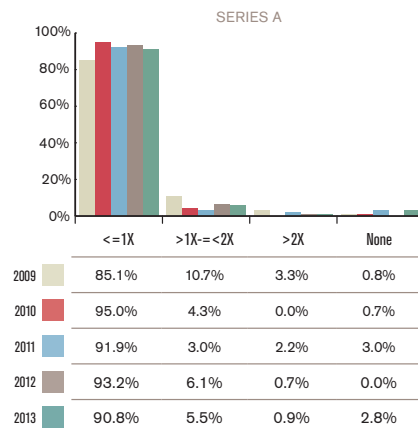


PERCENTAGE OF UP ROUNDS. The data show a continued high level of up rounds during 2013, with levels especially strong during the second half of the year.





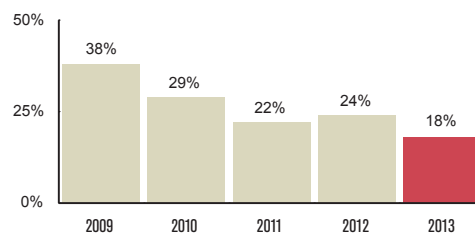
LIQUIDATION PREFERENCE—By Series. In 2013, the percentage of deals with a liquidation preference of 1x or less remained at relatively high levels (between 86% - 90%) in Series A–C stages.



LIQUIDATION PREFERENCE: PARTICIPATION FEATURES—By Series. There was a marked decrease in 2013 from the prior year in the percentage of deals with fully participating preferred provisions across all deal stages.

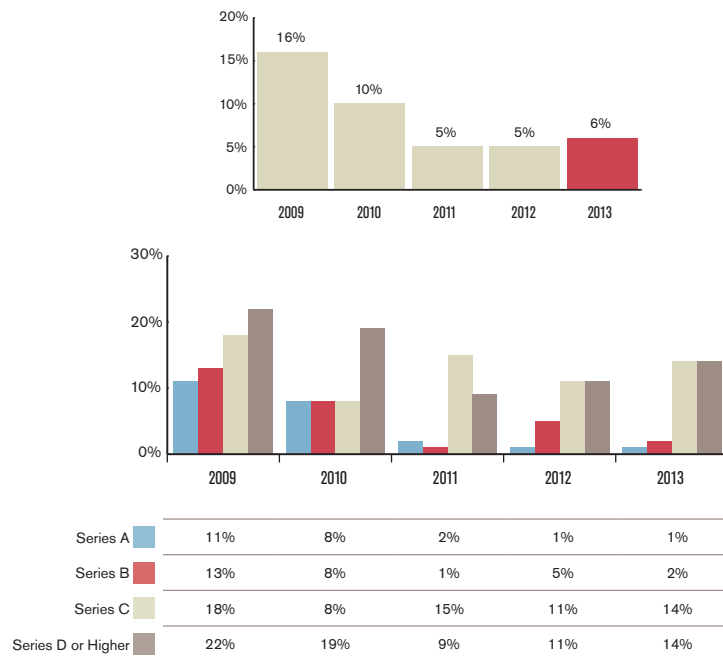


PERCENTAGE OF DEALS WITH FULLY PARTICIPATING PREFERRED—By Year.

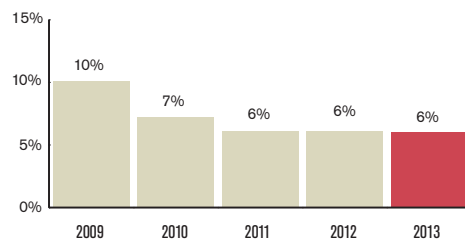




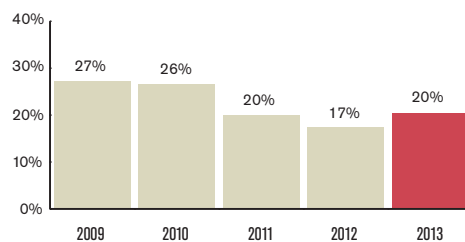
PERCENTAGE OF DEALS WITH PAY-TO-PLAY—By Year and Series. During 2013, there was a slight increase in the utilization of pay-to-play provisions, most notably in later stage deals.



RECAPITALIZATIONS—By Year. We observed a continued trend of fewer recapitalization transactions in 2013.



TRANCHED DEALS—By Year. The percentage of deals structured in tranches increased slightly from the prior year.

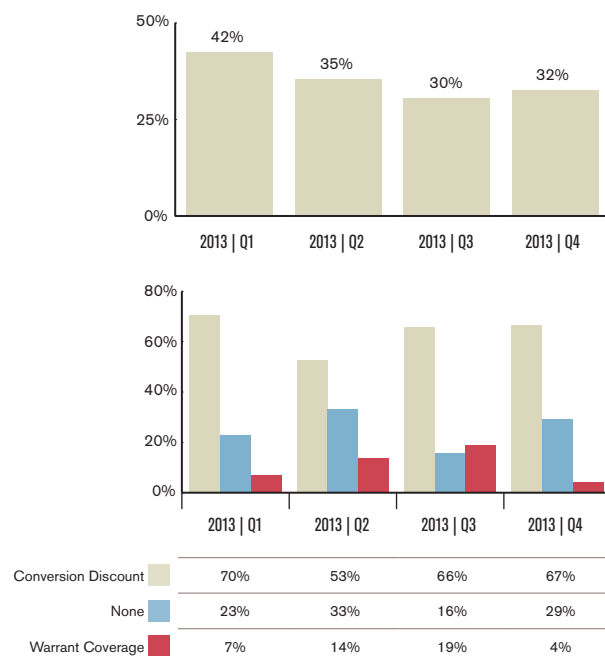




PERCENTAGE OF DEALS WITH DRAG-ALONG—By Year and Series. Utilization of drag-along provisions in 2013 decreased slightly to 69% of deals. The decrease was driven by Series D+ transactions.

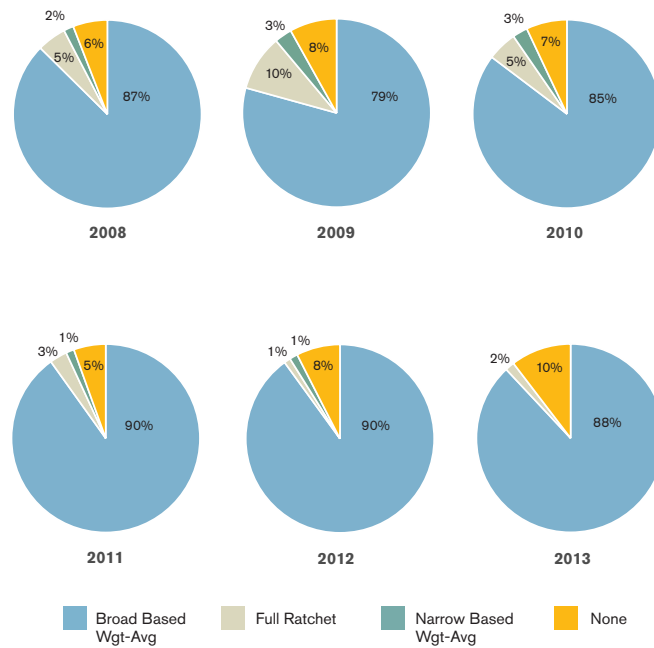


2013 INTERIM BRIDGE FINANCINGS—By Quarter. A significant percentage of 2013 deals were pre-ceeded by an interim bridge financing. Of all 2013 deals that had an interim bridge financing, more than 66% of these deals included a conversion discount, while 4% included warrant coverage. 29% of these deals did not include either a conversion discount or warrants.

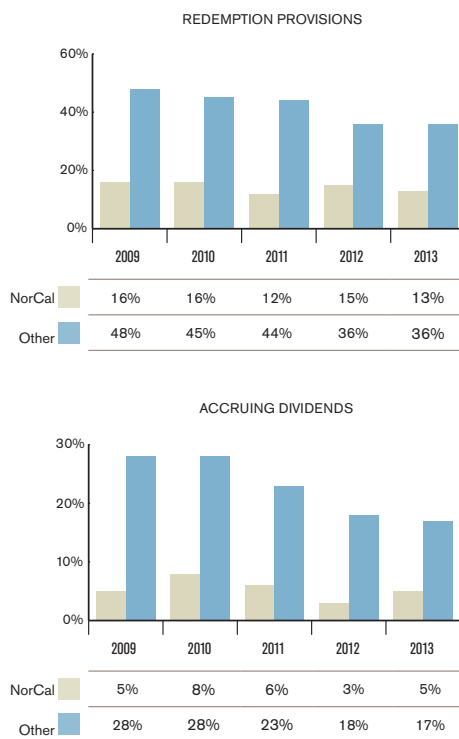




ANTI-DILUTION PROTECTION—By Year. Over the last three years, more than 88% of transactions included broad-based weighted average anti-dilution protection compared to 85% in 2010 and 79% in 2009. The chart below breaks out the percentage of deals with broad-based weighted average, narrow-based weighted average, full ratchet and no anti-dilution protection.



REDEMPTION PROVISION AND DIVIDEND PROVISION UTILIZATION—By Region. We continue to observe a gap in redemption and dividend provisions between San Francisco/Silicon Valley and other regions.



Quarterly analysis based upon 74 completed deals totaling approximately \$838 million in the fourth quarter of 2013, 105 completed deals totaling approximately \$1.05 billion in the third quarter of 2013, 102 completed deals totaling approximately \$1.19 billion in the second quarter of 2013 and 104 completed deals totaling approximately \$1.21 billion in the first quarter of 2013. Year-over-year analysis based upon 385 completed deals totaling approximately \$4.29 billion in 2013, 440 completed deals totaling approximately \$5.99 billion in 2012, 440 completed deals totaling approximately \$6.69 billion in 2011, 430 completed deals totaling approximately \$5.01 billion in 2010 and 397 completed deals totaling approximately \$4.25 billion in 2009. Please note our past deal numbers can change based on data not available at the time of the report.

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