Cooley

Venture Financing Report

Q2 2018 – Invested Capital Spikes as Valuations Hold Steady

Commentary from Stephen Kraus of Bessemer Venture Partners

On deal terms: Generally, the terms have been company and entrepreneur favorable for a long time now, and they continue to remain that way.

On the proliferation of late-stage investors: It's created this downward movement on stage of financing, and therefore upward pressure on what a normal Seed or Series A round looks like.

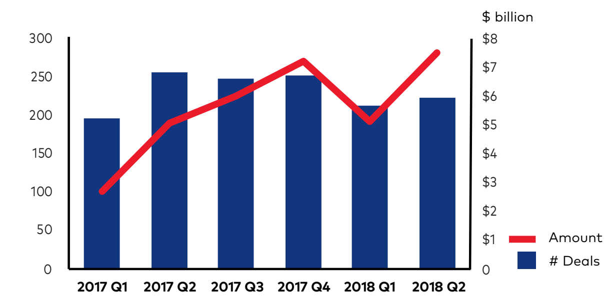
On Bessemer's response to the influx of capital: We're doing a lot more earlier-stage investing. The key to moving earlier is to know when to double down on your winners.

On fewer IPOs: There's a lot more talk about companies staying private, and I don't necessarily think that's a bad thing … by definition if you have more time to mature, you should be more predictable and stable in your growth profile and earnings potential, which is generally more attractive to public market investors over the long term.

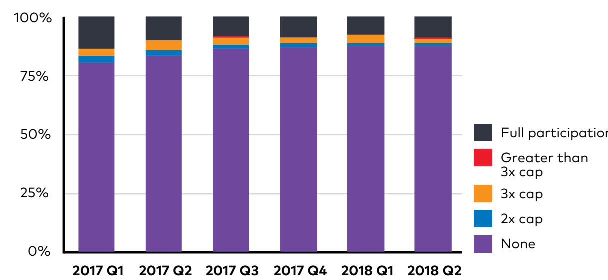
Read Cooley's full interview with Stephen Kraus on Cooley GO. cooleygo.com

In the second quarter of 2018, both deal volumes and aggregate dollars raised remained at historically high levels. In Q2 2018, Cooley handled 224 disclosable deals, representing more than $7.5 billion of invested capital. This is the highest level of invested capital we have seen in a calendar quarter since the inception of this report. In Q2 2018, 86% of all transactions were up rounds, the highest percentage since Q4 2015. Median pre-money valuations remained strong in Series B and C financings, but cooled a bit in Series A and D+ deals.

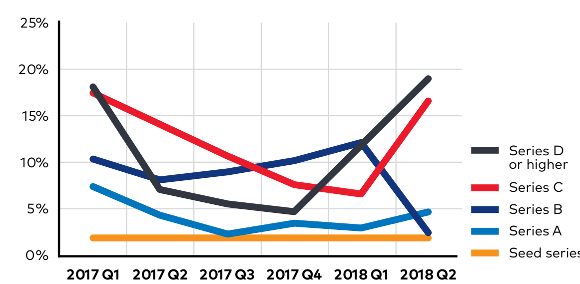
Total Deal Volume and Aggregate Dollars Raised



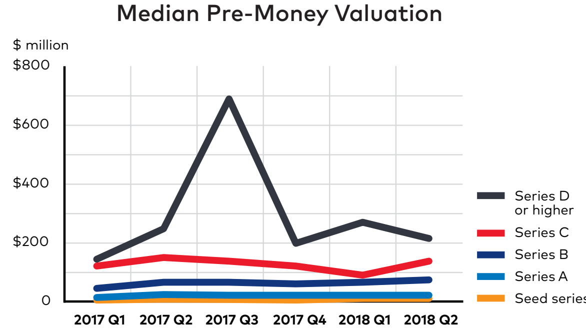
Liquidation Preference: Participation Features



Pay to Play



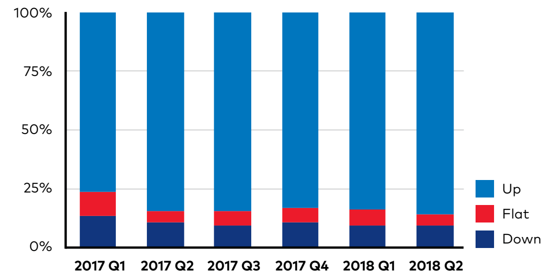
Median Pre-Money Valuation



Deal terms during the quarter continued to be company-friendly. Consistent with recent quarters, we saw just 9% of deals with full participating liquidation preferences. We also noticed decreases in the percentage of deals structured in tranches and in recapitalization transactions. However, the data did show an increase in the use of pay-to-play provisions in later stage deals.

For more venture financing trends, view our interactive data visualization on Cooley GO: cooleygo.com/trends

Up, Down and Flat Rounds



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 one of our Cooley lawyers.

About Cooley

Cooley's lawyers 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 13 offices in the United States, China and Europe.

cooley.com

Practice co-chairs

Matthew Bartus .... +1 650 843 5756
Pat Mitchell .... +1 617 937 2315

Beijing	Henry Yin	+86 10 8540 0699
Boston	Joshua Rottner	+1 617 937 2338
Colorado	Noah Pittard	+1 720 566 4240
London	Ryan Naftulin	+44 (0) 20 7556 4540
Los Angeles	Nick Hobson	+1 310 883 6413
New York	Stephane Levy	+1 212 479 6838
Palo Alto	Danielle Naftulin	+1 650 849 7118
Reston	Andrew Lustig	+1 703 456 8134
San Diego	Karen Anderson	+1 858 550 6088
San Francisco	Rachel Proffitt	+1 415 693 2031
Seattle	Sonya Erickson	+1 206 452 8753
Shanghai	James Lu	+86 21 6030 0603
Washington, DC	Brooke Nussbaum	+1 202 728 7115