Cooley

Venture Financing Report

Q4 2019 - Another Record Year for Financings

Key insights from Qiming Venture Partners' Nisa Leung

On how US/China trade tensions are impacting VC investing: China tech and healthcare investments into the US have dropped 90% as a result of trade tensions. In the meantime, more European and Southeast Asian companies are fundraising in China.

On the economic impact of coronavirus: Many businesses are adversely impacted given China and, increasingly, many countries across the globe are taking a cautious approach to control spread of the virus. The financial market had one of its biggest drops since 2008. In some sectors, we have seen an uptick in their business, including online education, food delivery and, in the healthcare sector, diagnostic and lab tests, to name a few.

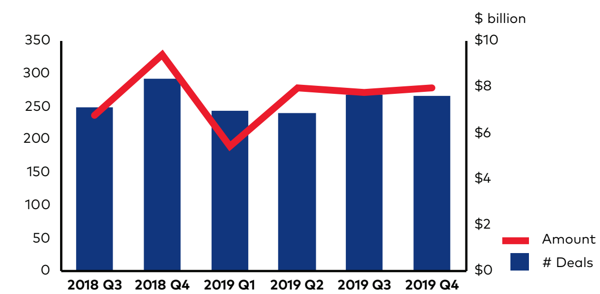
VC deal terms favoring investors: The investment pace has definitely slowed down in Q1 in China, but we are still seeing activities as investors perform their due diligence online and through video conference. One of our companies just closed a $100 million round, and one received six term sheets last week.

Read Cooley's full interview on Cooley GO.
cooleygo.com

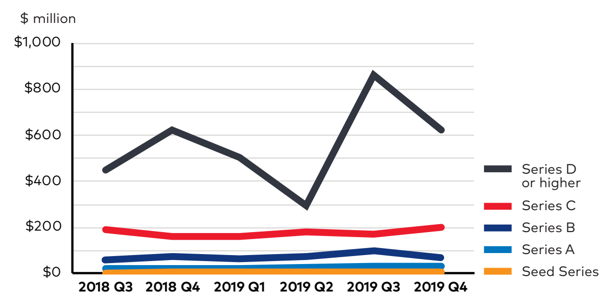
In the fourth quarter of 2019, deal volumes and aggregate dollars raised remained comparable to the robust levels seen throughout last year. Cooley handled 267 disclosable deals representing more than $7.9 billion of invested capital during the final quarter of 2019.

For the full year, we handled 996 disclosable deals representing more than $29 billion of invested capital. 2019 represented the high-water mark with respect to both deal volume and aggregate dollars raised in our 16 years of tracking this data.

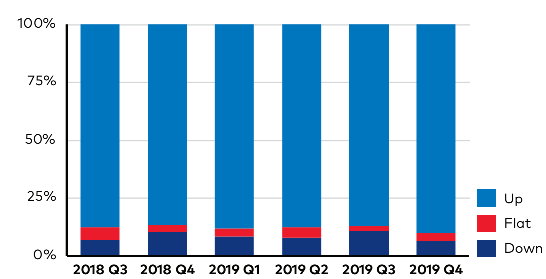
Total Deal Volume and Aggregate Dollars Raised



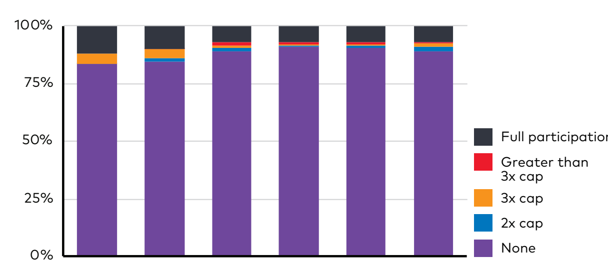
Median Pre-Money Valuation



Up, Down and Flat Rounds



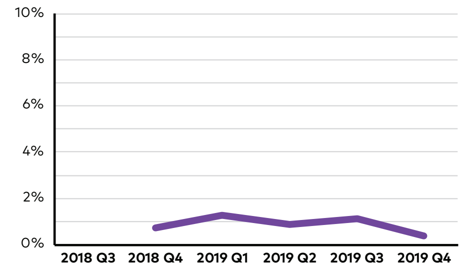
Liquidation Preference: Participation Features



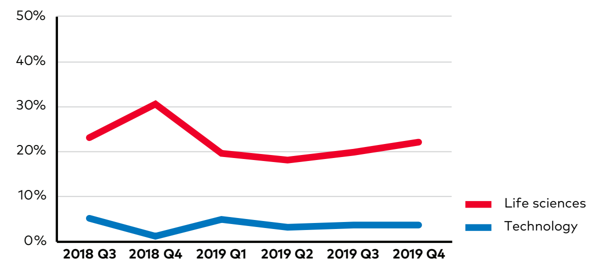
In Q4 2019, median pre-money valuations rose somewhat across early-stage deals, while declining partially in later-stage transactions. Of note, median pre-money valuations for Series A transactions reached $30.6 million – a new record, though this aligns with the general trend that Series A transactions are happening later in a company's life cycle than in bygone years, as well as the general trend in the increase in sizes and valuations of Series Seed transactions over the same time period.

Overall, deal terms remained company friendly. Up rounds accounted for 90% of transactions during the quarter, a level not seen for more than four years. The percentage of deals with no participating liquidation preferences remained high at 89% of all transactions. Additionally, the percentage of recapitalization transactions decreased in Q4. Transactions structured in tranches also remained low, with 4% of technology deals and 22% of life sciences deals utilizing the structure in Q4.

Recapitalization



Tranched



For more venture financing trends, view our interactive data visualization on Cooley GO: 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 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 1,100+ lawyers across 16 offices in the United States, Asia and Europe.

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