

Q4 2020 - A Record Close to a Turbulent Year

Key insights from Sean Barrett of HMI Capital



On going back to basics this year:

"HMI made its first investment in early 2009. ... Everything was for sale, and the experience taught us some important lessons – prioritize the best ideas and then invest in those

with conviction, focus on high-quality businesses that can compound through cycles, and think about investing outcomes as probabilistic rather than single pathways."

On a robust deal environment: "Q4 was the most active quarter we have seen in years. We believe the fourth quarter generally had more deal flow than usual due to political uncertainty and high valuations, coupled with lots of capital, making for a good supply-demand setup."

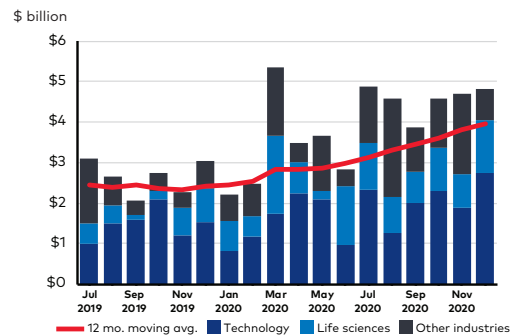
On putting money to work right now: "We've been selective, focusing on great companies that can grow for a decade or more. The base rate for decade+ compounders is not amazing, but if you can find them, your entry valuation doesn't matter so much. If you're wrong, it's a different story."

Read Cooley's full interview on Cooley GO.

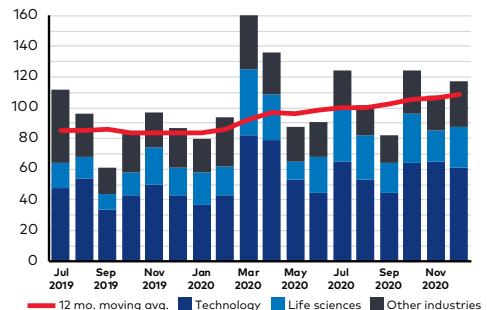
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Despite the COVID-19 pandemic and the continued economic and political uncertainty that marked the entire year, the final quarter of 2020 proved incredibly resilient amid record financing activity. In Q4, Cooley represented companies and investors in an aggregate of 349 disclosable deals, representing more than \$14.1 billion of invested capital. Both the number of disclosable deals and the invested capital surpassed levels of any quarter since the inception of our reporting in 2003. We handled more than 1,300 disclosable deals in all of 2020, representing more than \$47 billion of invested capital – also the highest for any year in our 17 years of reporting.

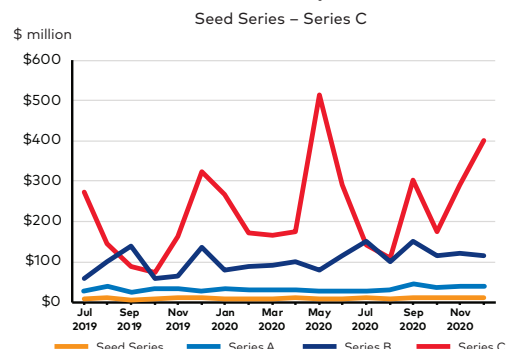
Amount Raised



Deal Volume



Median Pre-Money Valuation



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

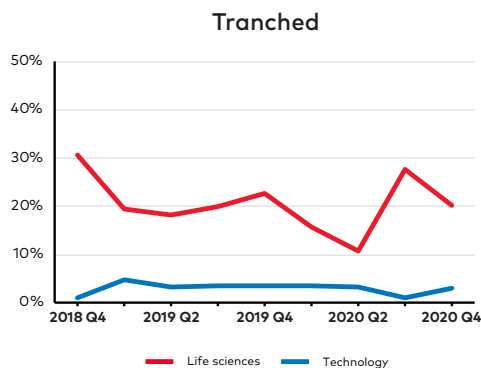
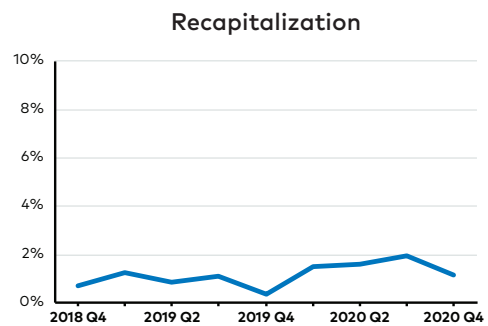
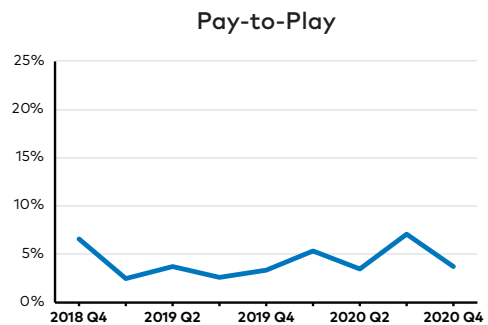
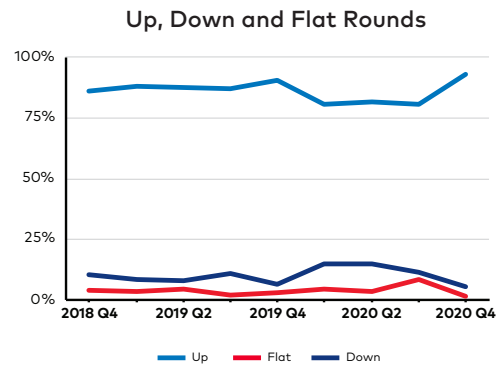
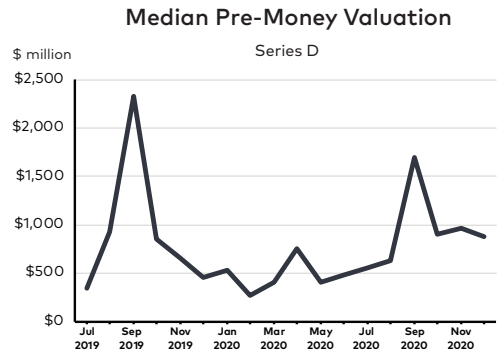
In Q4, median pre-money valuations remained robust, as was the case in prior quarters including, specifically, in both Series Seed and Series A transactions. Deal terms also continued to strongly favor issuers. Of particular note, 93% of all transactions in Q4 were up rounds, again a level not seen in any prior quarter in 2020. Up rounds in technology companies represented 98% of deals, while the percentage in life sciences deals was 80%. In another sign of the company-friendly environment, 93% of deals had nonparticipating liquidation preferences. Additionally, we saw a decrease in transactions utilizing pay-to-play provisions.

Spotlight on life sciences

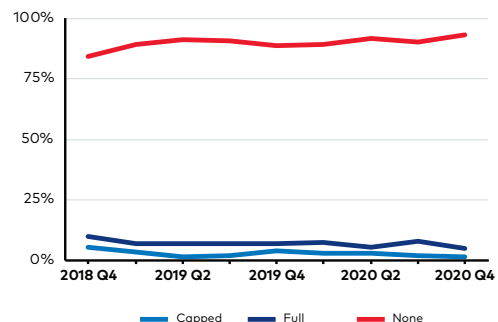
Closing out an unprecedented year, Cooley handled 79 disclosable life sciences company deals in Q4, representing an aggregate of \$3.2 billion in invested capital, up from \$2.8 billion the prior quarter. Deal sizes surged, with an average deal size of \$40 million in Q4, up from \$30.6 million in Q4 2019. Meanwhile, the percentage of life sciences deals structured in tranches dropped to 20.3%, down from 27.7% the prior quarter. To view more details on life sciences trends, use the "Life sciences" filter in our interactive data visualization. cooleygo.com/trends

Spotlight on tech

Cooley handled 190 disclosable technology company deals in Q4, representing 54.4% of overall deal activity and an aggregate of \$6.9 billion in invested capital, up from \$5.2 billion the prior quarter. The number of deals in the sector was up a staggering 39.7% over Q4 2019, reflecting the strength of the overall market through the close of 2020. To view more details on tech sector trends, use the "Technology" filter in our interactive data visualization. cooleygo.com/trends



Liquidation Preference: Participation Features



About the Cooley Venture Financing Report

This report 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.

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