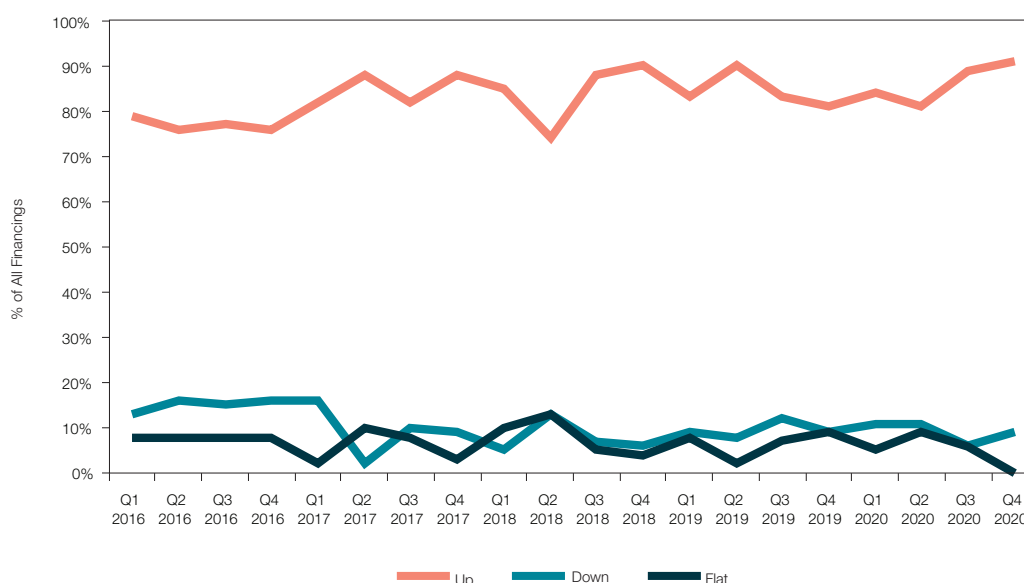


**THE ENTREPRENEURS REPORT**

## Private Company Financing Trends

# From the Wilson Sonsini Database: Financing Trends for Full-Year 2020

**Up and Down Rounds by Quarter****In This Issue**

**Financing Trends for  
Full-Year 2020** ..... Pages 1-6

**Private Company Financing  
Deal Terms** ..... Page 4

**Bridge Loans** ..... Page 5

**Bridge Loans - Deal Terms...** Page 6

**UK Q4 2020 Investment Update.....**  
Pages 7-8

The COVID-19 pandemic brought major business disruptions and market volatility in 2020, but even so, deal volume, valuations, and amounts raised in venture financings kept pace with or even exceeded pre-pandemic years. Pre-money valuations for early-stage financings also remained strong in the last quarter of 2020, resulting in full-year median pre-money valuations meeting or surpassing those of the prior four years. Series C and later financings notched record-high pre-money valuations and amounts raised in 2020, particularly in Q4.

Likewise, amounts raised through bridge loans remained strong in Q4

2020, resulting in the highest full-year median amounts raised in the last five years.

**Up and Down Rounds**

Up rounds increased from 89% of Series B and later financings in Q3 2020 to 91% of such financings in Q4—the highest percentage in the last five years. Meanwhile, the share of down-round financings also increased, from 6% in Q3 to 9% in Q4. Flat rounds were nonexistent in Q4, down from 4% in Q3.

**Valuations**

Median pre-money valuations increased for all but Series B financings

(Continued on page 2)

## THE ENTREPRENEURS REPORT: Private Company Financing Trends

in Q4 2020. Median pre-money valuations for Series Seed financings ticked up from \$7.1 million in Q3 to \$9.0 million in Q4, while Series A valuations also increased, from \$27.8 million in Q3 to \$34.9 million in Q4. The full-year 2020 median pre-money valuations for early-stage rounds remained strong, with pre-money median valuations for Series Seed and Series A deals landing at \$9.0 million and \$30.0 million, respectively—the highest Series A full-year median valuation of the last five years.

The median pre-money valuation for Series B rounds slipped from \$98.0 million in Q3 to \$80.0 million in Q4, but remained above the Q1 2020 median of

\$72.8 million. The full-year 2020 median pre-money valuation for Series B rounds landed at \$96.0 million, surpassing the Series B full-year median valuations of the last five years.

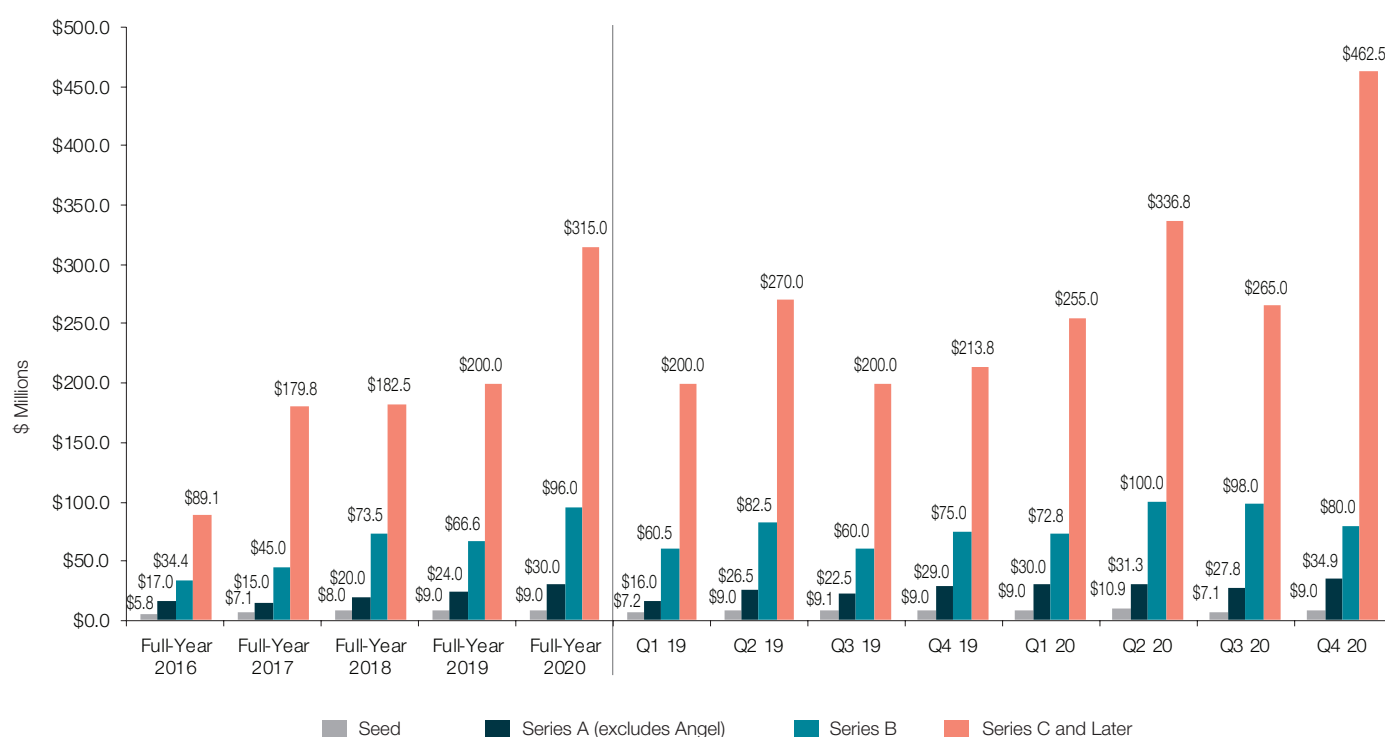
Strong pre-money valuations throughout 2020 and an above-average number of unicorn deals led to a banner year for late-stage financings. The Q4 2020 median pre-money valuation for Series C and later financings was a record \$462.5 million, significantly up from \$265.0 million in Q3 and exceeding the last highest median valuation of \$336.8 million, set in Q2 2020. The full-year 2020 median pre-money valuation for Series C and later financings of \$315.0

million represents a nearly 60% increase from the 2019 high of \$200.0 million, and is two-and-a-half times that of full-year 2016, which had a median of \$89.1 million.

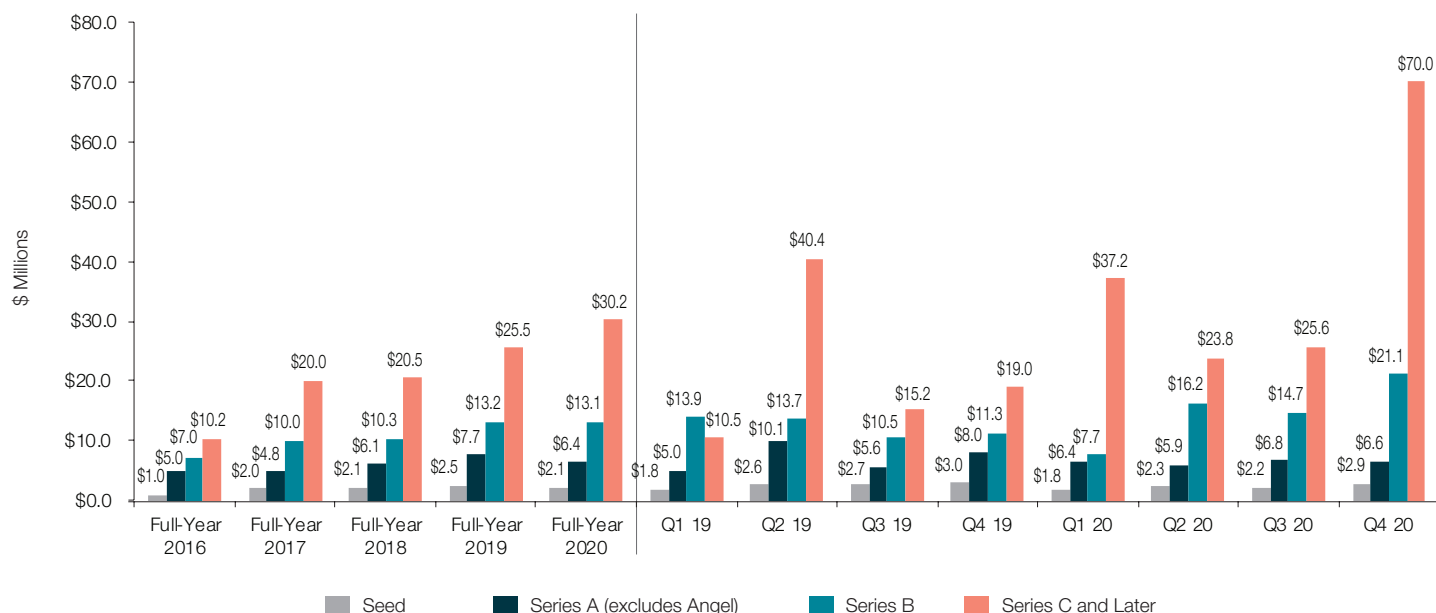
### Amounts Raised

Full-year 2020 median amounts raised remained strong compared to prior years. Median amounts raised for Series Seed financings increased from \$2.2 million in Q3 2020 to \$2.9 million in Q4. Median amounts raised for Series A financings dipped slightly, from \$6.8 million in Q3 2020 to \$6.6 million in Q4. The full-year 2020 Series Seed and Series A median amounts raised were \$2.1 million and

## Median Pre-Money Valuation



## Median Amount Raised – Equity Financings



\$6.4 million, respectively, slightly lower than the full-year 2019 medians, but higher than the five-year medians of \$2.0 million and \$5.3 million, respectively.

The median amount raised for Series B financings increased from \$14.7 million in Q3 to \$21.1 million in Q4. The full-year 2020 Series B median amount raised was \$13.1 million—nearly matching the full-year 2019 high of \$13.2 million.

For Series C and later transactions, the median amount raised in Q4 more than doubled from that of the prior quarter, rocketing to \$70.0 million from \$25.6 million in Q3. The full-year 2020 median amount raised for Series C and

later transactions surpassed that of the previous year, but not as dramatically, landing at \$30.2 million as compared to \$25.5 million in full-year 2019.

### Deal Terms – Preferred

Sixty-three percent of all post-Series A rounds had *pari passu* liquidation preferences in 2020, the same as in 2019. Looking only at down rounds, those with senior liquidation preferences decreased, from 63% in 2019 to 56% in 2020. Meanwhile, the percentage of down rounds with *pari passu* preferences increased from 37% in 2019 to 44% in 2020.

The percentage of financings with no participation increased slightly, from 85% in 2019 to 88% in 2020. Broad-based weighted average anti-dilution remained steady at 95% in 2020, as compared to 94% in 2019. The use of redemption rights also remained steady, at 13% of 2020 financings, similar to 14% in 2019.

Further detailed data on deal terms are set forth in the table on page 4. To see how the terms tracked in the table can be used in the context of a financing, we encourage you to draft a term sheet using our automated [Term Sheet Generator](#), which is available in the Emerging Companies section of the firm's website, [www.wsgr.com](http://www.wsgr.com).

Private Company Financing Deal Terms (Wilson Sonsini Deals)<sup>1</sup>

	2016 All Rounds <sup>2</sup>	2017 All Rounds <sup>2</sup>	2018 All Rounds <sup>2</sup>	2019 All Rounds <sup>2</sup>	2020 All Rounds <sup>2</sup>	2016 Up Rounds <sup>3</sup>	2017 Up Rounds <sup>3</sup>	2018 Up Rounds <sup>3</sup>	2019 Up Rounds <sup>3</sup>	2020 Up Rounds <sup>3</sup>	2016 Down Rounds <sup>3</sup>	2017 Down Rounds <sup>3</sup>	2018 Down Rounds <sup>3</sup>	2019 Down Rounds <sup>3</sup>	2020 Down Rounds <sup>3</sup>
<b>Liquidation Preferences - Series B and Later</b>															
Senior	38%	35%	31%	35%	35%	36%	31%	28%	30%	32%	41%	63%	36%	63%	56%
<i>Pari Passu</i> with Other Preferred	57%	62%	69%	63%	63%	62%	66%	72%	68%	67%	45%	38%	64%	37%	44%
Junior	1%	0%	0%	1%	0%	0%	0%	0%	1%	0%	5%	0%	0%	0%	0%
Complex	4%	3%	0%	2%	1%	2%	4%	0%	2%	1%	9%	0%	0%	0%	0%
<b>Participating vs. Non-participating</b>															
Participating - Cap	9%	6%	5%	5%	4%	10%	7%	5%	5%	6%	22%	31%	7%	5%	0%
Participating - No Cap	11%	10%	7%	10%	8%	13%	11%	7%	12%	8%	4%	19%	14%	32%	24%
Non-participating	81%	84%	88%	85%	88%	77%	82%	88%	83%	86%	74%	50%	79%	63%	76%
<b>Dividends</b>															
Yes, Cumulative	6%	7%	7%	5%	10% <sup>4</sup>	7%	9%	9%	6%	10% <sup>4</sup>	22%	13%	23%	11%	25% <sup>4</sup>
Yes, Non-cumulative	73%	78%	61%	56%	79% <sup>4</sup>	78%	78%	62%	67%	83% <sup>4</sup>	70%	81%	69%	79%	69% <sup>4</sup>
None	21%	16%	32%	39%	10% <sup>4</sup>	15%	13%	29%	28%	7% <sup>4</sup>	9%	6%	8%	11%	6% <sup>4</sup>
<b>Anti-dilution Provisions</b>															
Weighted Average - Broad	92%	94%	94%	94%	95%	92%	96%	94%	99%	98%	91%	100%	100%	89%	76%
Weighted Average - Narrow	1%	2%	2%	0%	1%	1%	1%	3%	0%	2%	0%	0%	0%	5%	6%
Ratchet	1%	0%	0%	0%	1%	2%	0%	0%	0%	0%	0%	0%	0%	5%	6%
Other (Including Blend)	3%	1%	1%	1%	1%	3%	1%	1%	0%	1%	9%	0%	0%	0%	0%
None	3%	3%	3%	4%	2%	2%	1%	2%	1%	0%	0%	0%	0%	0%	12%
<b>Pay to Play - Series B and Later</b>															
Applicable to This Financing	5%	2%	4%	2%	3%	3%	2%	1%	1%	3%	9%	6%	0%	16%	6%
Applicable to Future Financings	1%	0%	1%	1%	1%	1%	0%	1%	1%	0%	0%	0%	0%	0%	6%
None	94%	98%	95%	97%	93%	96%	98%	97%	99%	97%	91%	94%	100%	84%	88%
<b>Redemption</b>															
Investor Option	11%	12%	8%	11%	10%	20%	19%	10%	14%	8%	9%	20%	14%	21%	19%
Mandatory	2%	7%	1%	3%	3%	3%	9%	3%	3%	2%	0%	0%	0%	5%	6%
None	87%	81%	91%	86%	88%	77%	72%	87%	82%	90%	91%	80%	86%	74%	75%

<sup>1</sup>We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding.<sup>2</sup>Includes flat rounds and, unless otherwise indicated, Series A rounds.<sup>3</sup>Note that the All Rounds metrics include flat rounds and, in certain cases, Series A financings as well. Consequently, metrics in the All Rounds column may be outside the ranges bounded by the Up Rounds and Down Rounds columns, which will not include such transactions.<sup>4</sup>The 2020 increase in the number of transactions reported as including dividends resulted in part from a change to our reporting methodology.



## THE ENTREPRENEURS REPORT: Private Company Financing Trends

**Bridge Loans**

The median amount raised in pre-Series A bridge loans increased from \$0.98 million in Q3 to \$2.00 million in Q4. The median amount raised for post-Series A bridge loans also rose, from \$2.10 million in Q3 to \$3.74 million in Q4. The full-year 2020 median amount raised for both pre- and post-Series A bridge loans marked the highest annual medians of the past five years, at \$0.71 million and \$2.63 million, respectively.

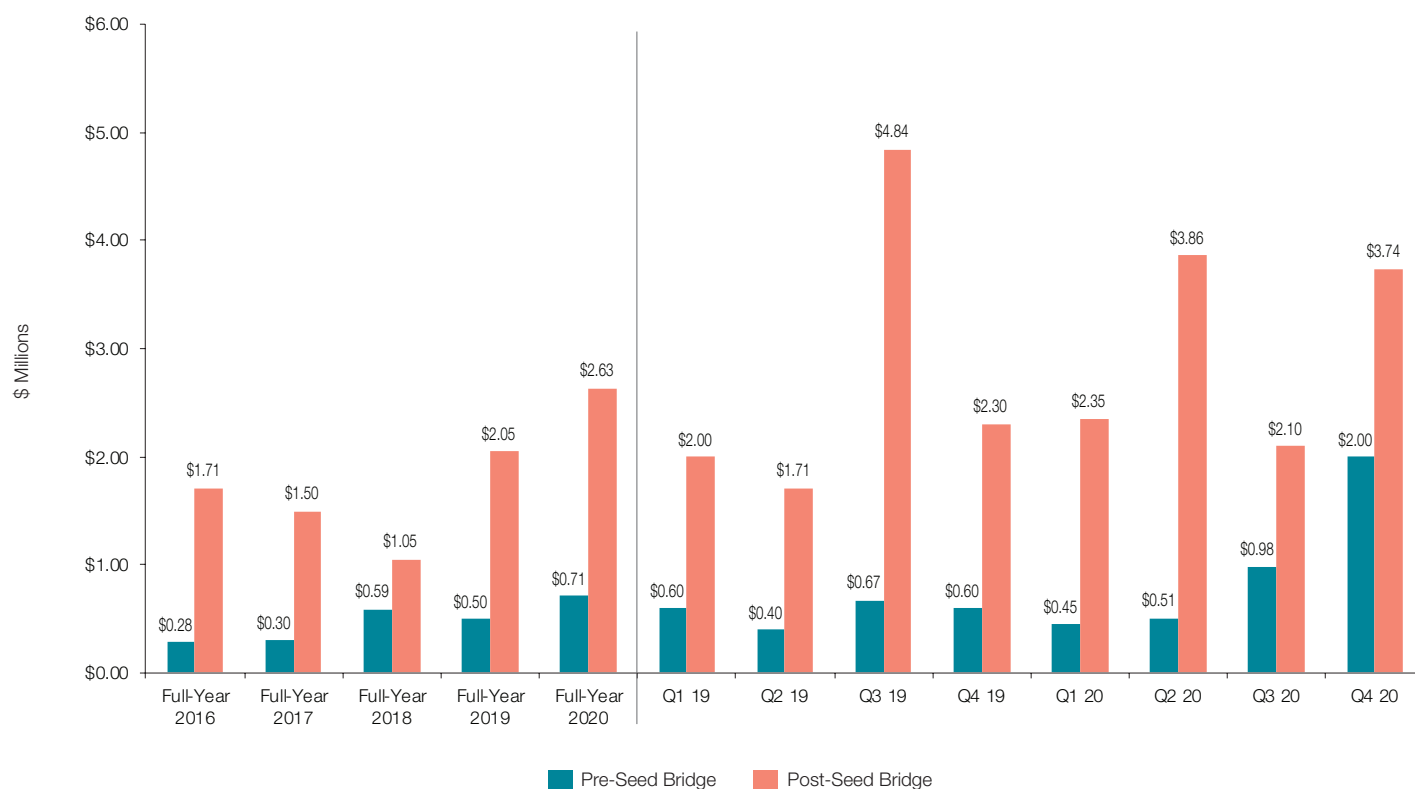
**Deal Terms – Bridge Loans**

The percentage of pre-Seed bridge loans with maturity periods of 12 or more

months increased from 87% in 2019 to 90% in 2020, with 85% of loans having interest rates below 8%, as compared to 87% in 2019. The percentage of pre-Seed bridge loans that are convertible to equity at discounted prices increased from 68% in 2019 to 78% in 2020, and the percentage of such convertible loans receiving a discount rate of 20% or more on conversion also increased, from 81% in 2019 to 89% in 2020.

The percentage of post-Seed bridge loans with maturity periods of 12 or more months remained steady at 73% in 2020, as compared to 74% in 2019, with 54% of loans having interest rates below 8% in 2020, as compared to 70%

in 2019. The percentage of post-Seed bridge loans subordinated to other debt dipped slightly, from 49% in 2019 to 46% in 2020. The percentage of post-Seed bridge loans subject to a price cap also decreased, from 51% in 2019 to 36% in 2020. The percentage of pre-Seed bridge loans that are convertible to equity at discounted prices dropped slightly, from 81% in 2019 to 79% in 2020, but the number of such convertible loans receiving a discount rate of 20% or more on conversion narrowly increased, from 73% in 2019 to 75% in 2020.

**Median Amount Raised – Bridge Loans**

## Bridge Loans – Deal Terms (Wilson Sonsini Deals)<sup>1</sup>

Bridge Loans	2016 Pre-Seed	2017 Pre-Seed	2018 Pre-Seed	2019 Pre-Seed	2020 Pre-Seed	2016 Post-Seed	2017 Post-Seed	2018 Post-Seed	2019 Post-Seed	2020 Post-Seed
Interest rate less than 8%	76%	75%	67%	87%	85%	52%	56%	65%	70%	54%
Interest rate at 8%	19%	17%	22%	4%	11%	30%	27%	25%	22%	30%
Interest rate greater than 8%	5%	8%	11%	9%	4%	17%	17%	10%	8%	16%
Maturity less than 12 months	17%	22%	21%	13%	11%	29%	41%	21%	26%	27%
Maturity at 12 months	5%	8%	13%	9%	11%	23%	19%	26%	14%	13%
Maturity more than 12 months	78%	69%	67%	78%	79%	49%	41%	53%	60%	60%
Debt is subordinated to other debt	20%	28%	23%	27%	13%	45%	33%	47%	49%	46%
Loan includes warrants <sup>2</sup>	8%	0%	4%	2%	4%	17%	16%	18%	8%	12%
Warrant coverage less than 25%	80%	N/A	0%	100%	100%	23%	43%	33%	80%	67%
Warrant coverage at 25%	0%	N/A	0%	0%	0%	15%	14%	11%	0%	0%
Warrant coverage greater than 25%	20%	N/A	100%	0%	0%	62%	43%	56%	20%	33%
Automatic conversion into equity on qualified financing <sup>3</sup>	N/A	94%	98%	100%	100%	N/A	93%	96%	96%	92%
Voluntary conversion into equity on qualified financing <sup>3</sup>	N/A	6%	2%	0%	0%	N/A	7%	4%	4%	8%
Conversion rate subject to price cap <sup>4</sup>	79%	74%	69%	69%	68%	29%	34%	25%	51%	36%
Conversion to equity at discounted price <sup>5</sup>	82%	89%	83%	68%	78%	74%	76%	85%	81%	79%
Discount on conversion less than 20%	12%	16%	23%	18%	11%	25%	20%	20%	27%	25%
Discount on conversion at 20%	76%	74%	60%	63%	69%	49%	50%	48%	57%	46%
Discount on conversion greater than 20%	12%	10%	17%	18%	20%	26%	30%	33%	16%	29%
Conversion to equity at same price as other investors	13%	3%	14%	12%	13%	19%	24%	6%	11%	17%

<sup>1</sup> We based this analysis on deals having an initial closing in the period to ensure that the data clearly reflects current trends. Please note the numbers do not always add up to 100% due to rounding.

<sup>2</sup> Of the 2016 post-Seed bridges with warrants, 33% also had a discount on conversion into equity. Of the 2017 post-Seed bridges with warrants, 60% also had a discount on conversion into equity. Of the 2018 post-Seed bridges with warrants, 45% also had a discount on conversion into equity. Of the 2019 post-Seed bridges with warrants, 71% also had a discount on conversion into equity. Of the 2020 post-Seed bridges with warrants, 44% also had a discount on conversion into equity.

<sup>3</sup> The 2017 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$2M and \$10M, respectively. The 2018 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$3M and \$5M, respectively. The 2019 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$3M and \$8M, respectively. The 2020 median dollar threshold for a qualified financing in pre- and post-Seed bridges was \$3M and \$10M, respectively.

<sup>4</sup> The 2017 median price cap in pre- and post-Seed bridges was \$10M and \$25M, respectively. The 2018 median price cap in pre- and post-Seed bridges was \$8M and \$40M, respectively. The 2019 median price cap in pre- and post-Seed bridges was \$9M and \$35M, respectively. The 2020 median price cap in pre- and post-Seed bridges was \$8M and \$47M, respectively.

<sup>5</sup> Of the 2016 post-Seed bridges that had a discount on conversion into equity, 8% also had warrants. Of the 2017 post-Seed bridges that had a discount on conversion into equity, 13% also had warrants. Of the 2018 post-Seed bridges that had a discount on conversion into equity, 11% also had warrants. Of the 2019 post-Seed bridges that had a discount on conversion into equity, 7% had warrants. Of the 2020 post-Seed bridges that had a discount on conversion into equity, 7% had warrants.

# Beauhurst

## UK Q4 2020 Investment Update

Thanks to investment via the Future Fund, Q4 2020 saw 532 equity investments announced to the media, just shy of the all-time record of 533 in Q3 2020. These investments totaled £2.92B, up 21% from Q3, and narrowly surpassing the Q1 total of £2.82B. Pretty impressive for a year that was plagued by a global pandemic.

Further, just as the figures from Q3 have increased since we reported them last November, Q4 figures could still rise as further rounds are announced.

### The Impact of Coronavirus

One might suspect that the majority of this funding fell into the category of “survival finance,” deployed to companies that have been negatively impacted by the coronavirus and lockdown measures with the aim of helping them through the tough times. But our data shows that not to be the case.

By Q4 2020, just 1% of equity deals were secured by severely impacted companies, and 9% by moderately impacted companies that faced serious disruption to their operations. Just over half (55%) were secured by low-impacted companies that have been able to continue normal operations, albeit possibly with safety measures, such as working from home, in place. This means that just over a third (34%) of deals went to positively impacted businesses, or businesses that were once in a negative situation but are now in the clear.

Although this may indicate that investors are turning their backs on hard-hit businesses, the trend is most likely driven by the lessening impact of the coronavirus. With the implementation of each lockdown or change in tiers, businesses have been able to adapt better and are now a little more prepared for COVID-19-related restrictions. This means that

fewer businesses will be blindsided by lockdown measures, as we all were in Q1. Back then, 36% of funding went to negatively impacted businesses, compared to 10% in Q4.

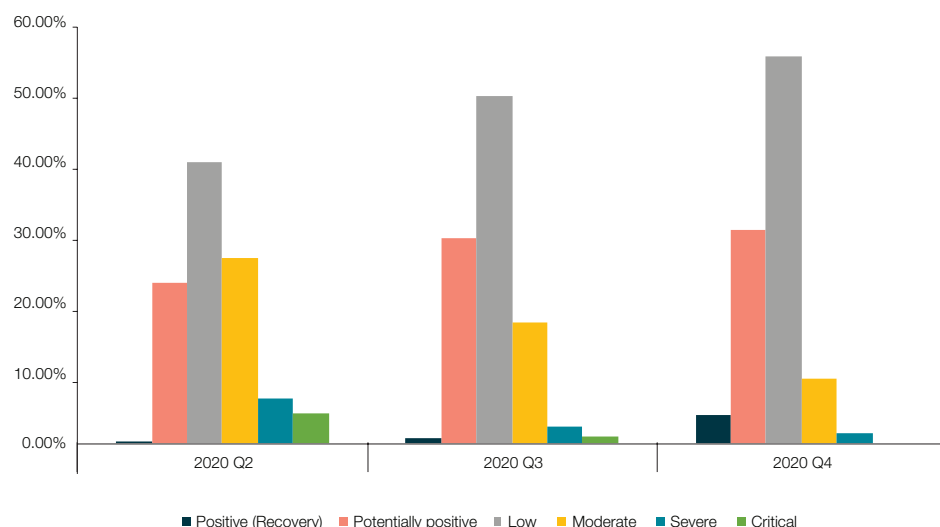
The rollout of the vaccine program has symbolized a light at the end of the tunnel for companies up and down the country. This has increased investor confidence in the high-growth space, evident in the cessation of a four-quarter-long drop in first-time deals. One hundred twenty-five first-time deals were closed in Q4 2020, marking a 12% rise from Q3. This means that first-time rounds—which are the riskiest for investors and not eligible for the Future Fund—made up 23% of all investments in Q4, up from 21% in Q3, although not quite on par with Q1 (25%).

### Investment at Different Company Stages

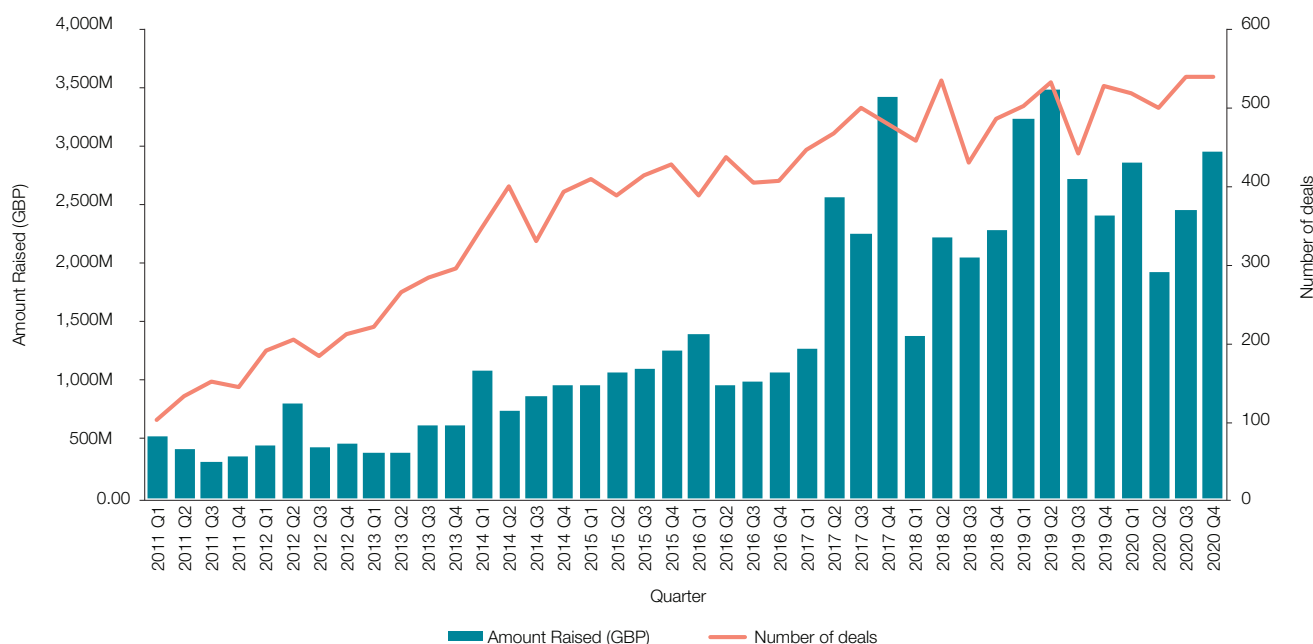
Aside from the established stage, the amount raised through Q4 rose at every stage of evolution, bringing the average ticket size up with it. Companies in the seed stage—which tend to have just a handful of employees and uncertain product-market fit, and are predominantly seeking funding from angels or the crowd—saw a 95% increase in deal value between Q3 and Q4, despite a mere 6% rise in deal numbers. At the end of Q4, there had been 225 seed-stage deals totaling £275M, for an average deal size of £1.22M, up from £660K in Q3—an increase of 85%.

Businesses in the venture stage of evolution—companies that have significant traction and are likely seeking funding from VCs—saw a 15% increase in average deal size. Growth-stage businesses—with

### Impact of Coronavirus



## Number and Amount Raised



substantial revenues, multiple offices, and a valuation in the millions—saw a 31% increase in average deal size. Meanwhile, established businesses—which have been around for more than a decade, have a global presence, and may well be a household name—experienced a 20% drop in average deal size. This stage of evolution tends to see the greatest fluctuation in deal sizes, so this isn't a cause for concern. Across the board, the average deal in Q4 totaled £5.50M, just shy of the £5.53M seen in Q1 2020, but well below the record £7.17M in Q4 2017.

### Looking to the Future

Overall, Q4 offered a positive end to a truly tumultuous year, and stands the UK's high-growth ecosystem in good stead for 2021.

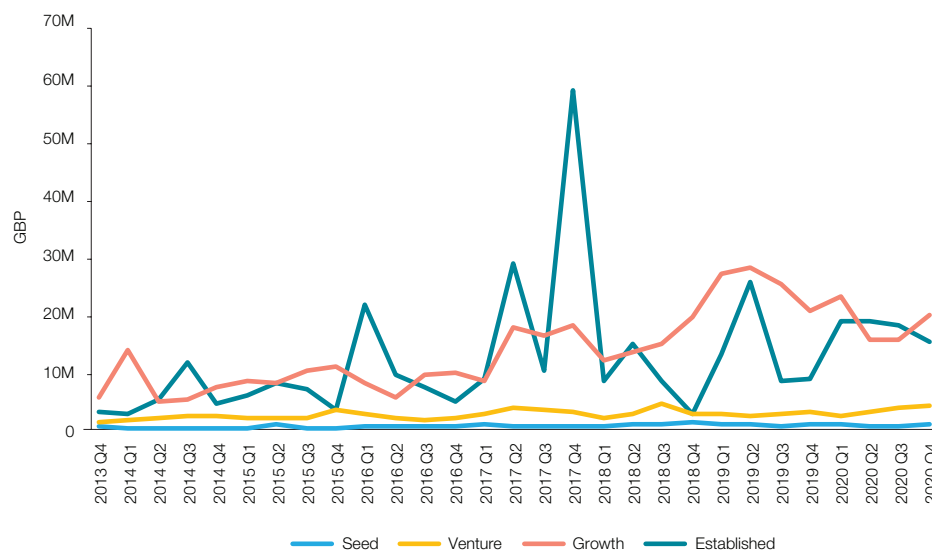
At Beauhurst, we remain very positive. Great businesses are made in times of crisis, and many have adapted or even pivoted in order to survive and thrive through a year that put enormous

emphasis on remote work and digital solutions.

On top of that, budding entrepreneurs have been spending an exceptional amount of time at home, working on

new innovations and business ideas. At the moment, that's an unknown quantity of soon-to-be robust, ambitious companies in the pipeline, ready to raise in 2021.

## Average Deal Size by Quarter





### About Beauhurst

Beauhurst is a searchable database of the UK's high-growth companies. We report on all equity fundraisings in the United Kingdom, both those announced in the press and those that go unannounced. Alongside this, we track all grants awarded to UK companies, as well as their financial accounts, key people, accelerator attendances, university spinout events, management buy-ins, and more. Through this private research and data curation, we have built a database of more than 30,000 high-growth private companies in the UK, many of which are solving global problems and pioneering new technology.

[www.beauhurst.com](http://www.beauhurst.com)

### Wilson Sonsini Methodology

- The Up/Down/Flat analysis is based on Wilson Sonsini deals having an initial closing in the period reported to ensure that the data clearly reflects current trends.
- The median pre-money valuation is calculated based on the pre-money valuation given at the time of the initial closing of the round. If the issuer has a closing in a subsequent quarter, the original pre-money valuation is used in the calculation of the median for that quarter as well.
- A substantial percentage of deals have multiple closings that span fiscal quarters. The median amount raised is calculated based on the aggregate amount raised in the reported quarter.

This report is based on detailed deal data provided by the firm's corporate and securities attorneys and analyzed by the firm's Knowledge Management department.

For purposes of the statistics and charts in this report, our database includes venture financing transactions in which Wilson Sonsini Goodrich & Rosati represented either the company or one or more of the investors.

# WILSON SONSINI

650 Page Mill Road, Palo Alto, California 94304-1050 | Phone 650-493-9300 | Fax 650-493-6811 | [www.wsgr.com](http://www.wsgr.com)

Austin Beijing Boston Brussels Hong Kong London Los Angeles New York Palo Alto San Diego San Francisco Seattle Shanghai Washington, DC Wilmington, DE

For more information on the current venture capital climate, please contact any member of Wilson Sonsini Goodrich & Rosati's emerging companies practice. To learn more about Wilson Sonsini's full suite of services for entrepreneurs and early-stage companies, please visit the emerging companies section of [wsgr.com](http://wsgr.com).

**For more information about this report or if you wish to be included on the email subscription list, please contact [EntrepreneursReport@wsgr.com](mailto:EntrepreneursReport@wsgr.com).**

**There is no subscription fee.**

This communication is provided as a service to our clients and friends and is for informational purposes only. It is not intended to create an attorney-client relationship or constitute an advertisement, a solicitation, or professional advice as to any particular situation.

© 2021 Wilson Sonsini Goodrich & Rosati, Professional Corporation. All rights reserved.