



WILMER CUTLER PICKERING HALE AND DORR LLP

WEBINAR

QuickLaunch University: Venture Capital Trends and 2021 Outlook

MARCH 18, 2021

Speakers: Gary Schall, Daniel Zimmermann, Melody Koh and Renata Quintini

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WEBINAR

Speakers



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Agenda

US Deal Count and Value
The Early-Stage Landscape
2020 Trends
2021 Outlook
Other Themes for 2021

A photograph of a business meeting. Several people are gathered around a table, looking at various charts and documents. The charts include bar graphs, line graphs, and pie charts. There are several yellow and pink sticky notes placed on the documents. A hand is visible pointing at a specific data point on one of the charts. The overall scene is professional and collaborative.

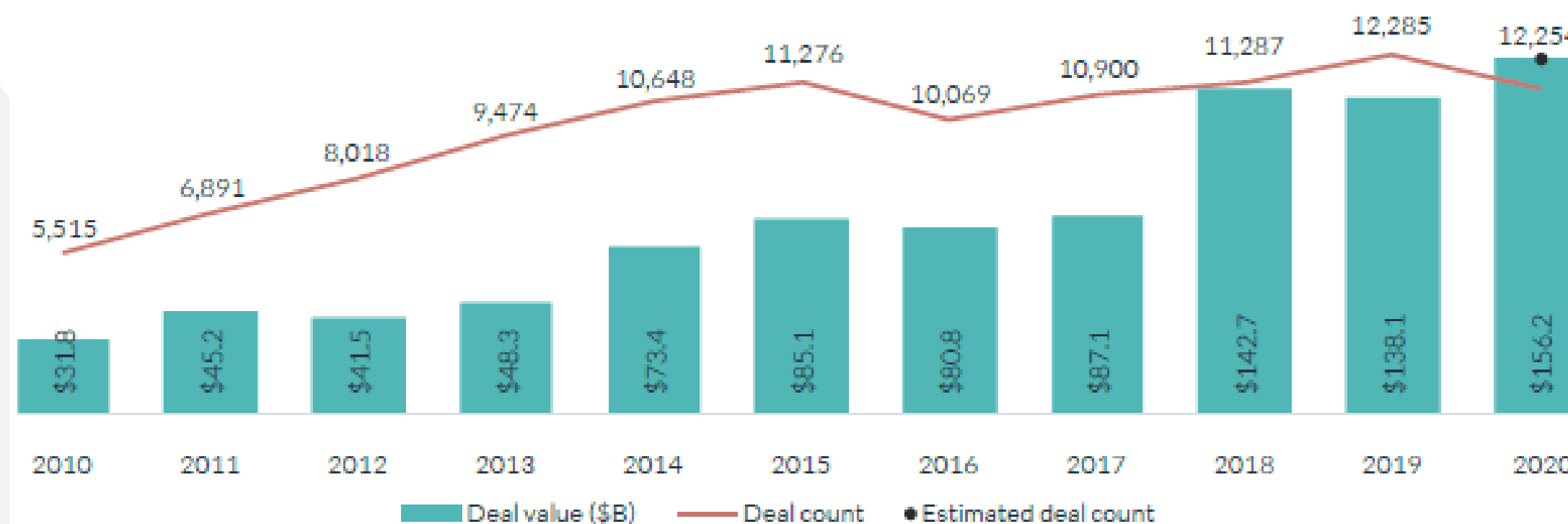
2020 Trends



US Deal Count and Value

- 2020 strongly followed the record levels of 2019
- A record 321 mega-deals closed in 2020, a 13.3% gain on 2019
- Nontraditional investors (CVCs, sovereign wealth and PE funds) led 1,500+ deals for the third consecutive year

Deal value tops \$150 billion for the first time ever
 US VC deal activity (with deal count estimation)



PitchBook-NVCA Venture Monitor



The Early-Stage Landscape

Total early-stage VC deal value in 2020 exceeds \$40B for third consecutive year
US early-stage VC deal activity (with deal count estimation)



PitchBook-NVCA Venture Monitor

- With more than \$40 billion invested across over 3,500 deals, 2020 neared 2019's record highs for US early-stage VC investment
- Coincides with growth of VC fund capital raising
- As startups stay private longer, investors seeking to ensure sufficient "dry powder" for follow-on financings

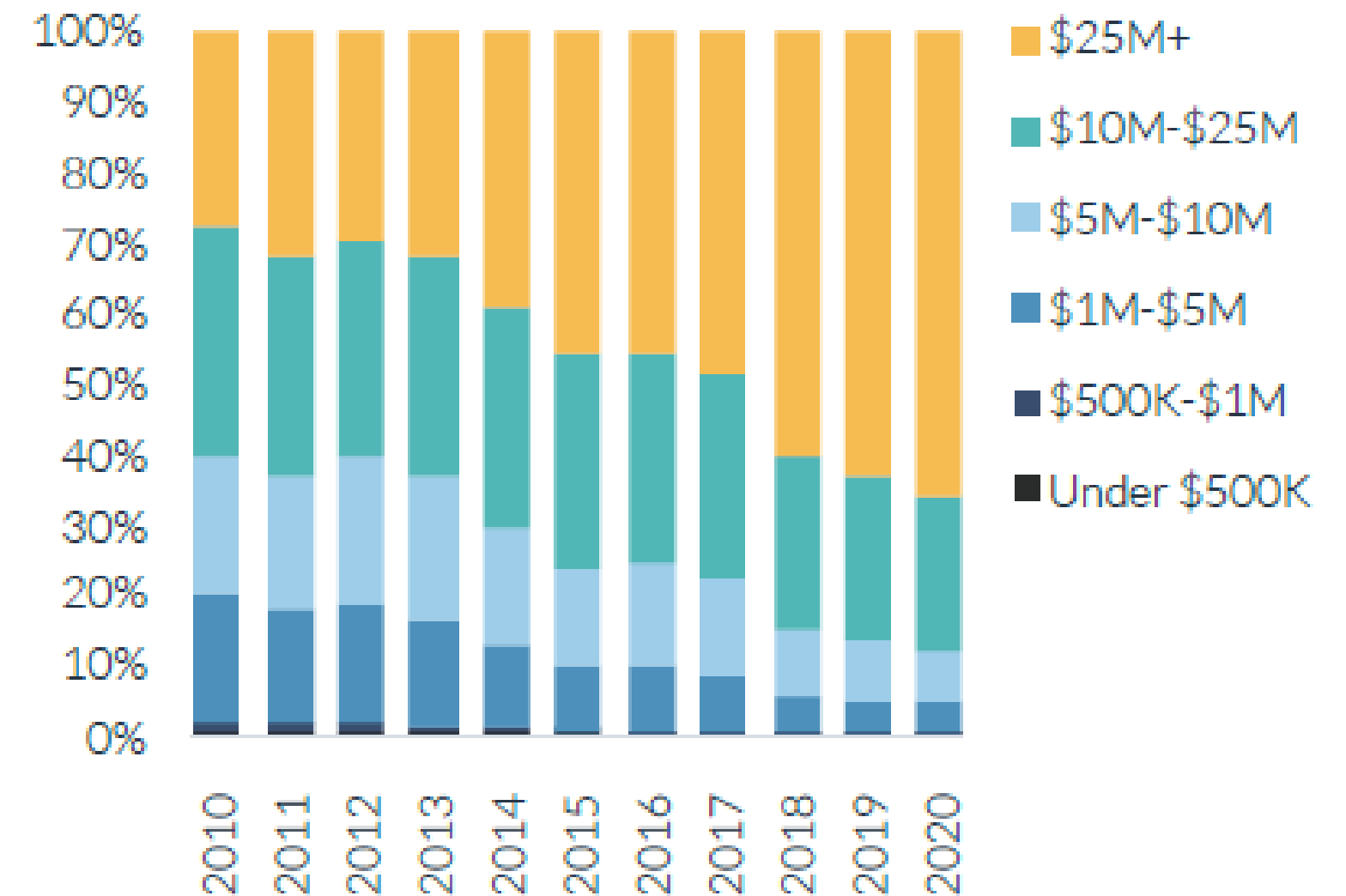


The Early-Stage Landscape

- Early-stage deals hit an unprecedented median size in 2020
- Early-stage, angel & seed round deal activity was consistent with 2019
- In Q4, investors deployed \$11.3 billion across 686 Series A and B rounds
- Prevalence of alternative sources of capital (e.g., venture debt; crowdfunding) allows some startups to delay VC financing

Early-stage financings exceeding \$25M make up 65.7% of 2020 deal value

US early-stage VC deals (\$) by size



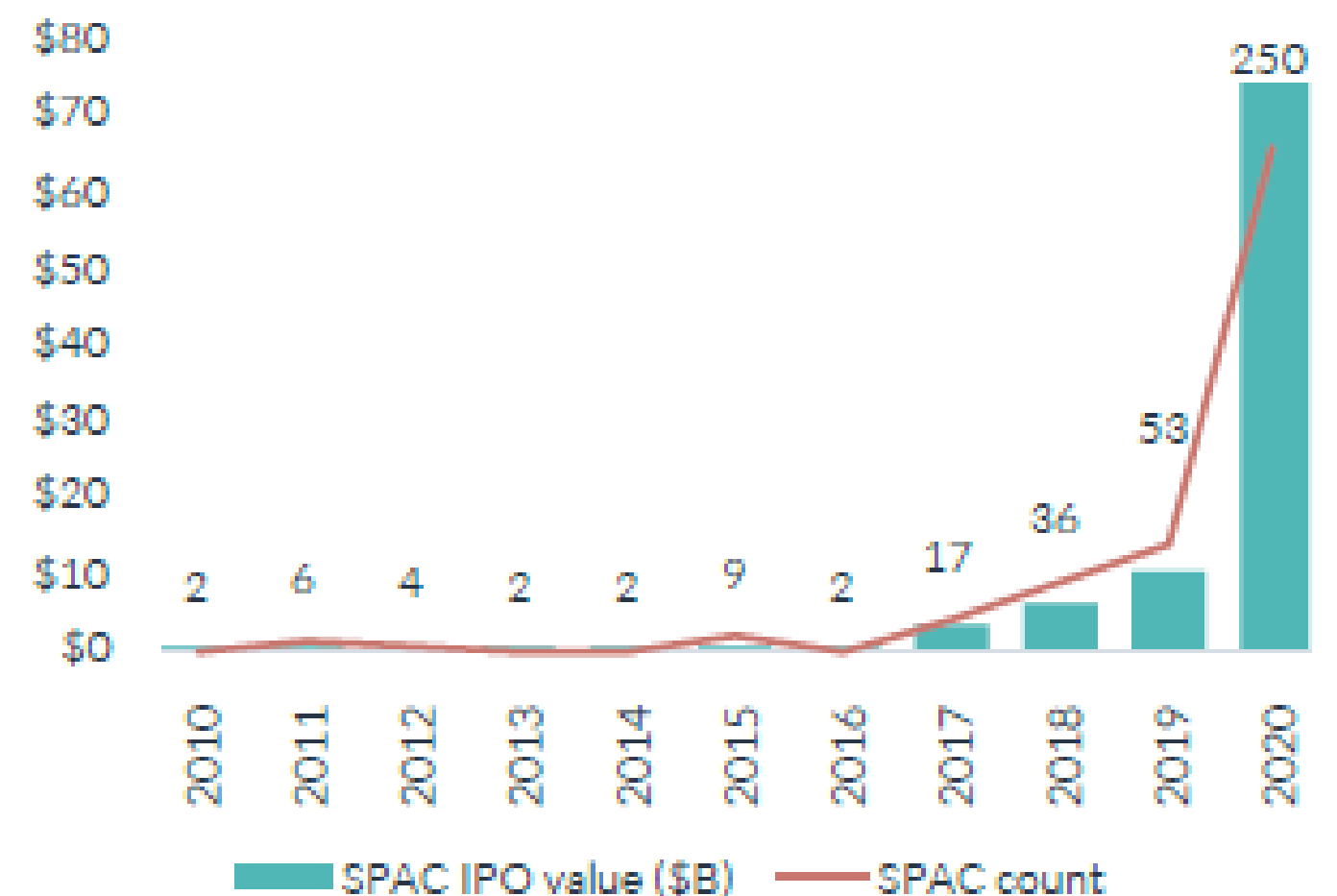
PitchBook-NVCA Venture Monitor



SPAC Activity

SPAC activity exploded in 2020 as some VCs join in

US SPAC IPO activity



FitchBook-NVCA Venture Monitor

- SPAC activity in 2020 smashed records, involving 250 companies that raised \$75.1 billion, compared to 2019 when 53 SPACs raised \$11.1 billion
- SPAC strategy and popularity in 2020



Other 2020 Observations

- Large funds getting even larger, due to the “Softbank effect” to scale up and compete
- Private companies staying private longer, which results in mature tech startups, with massive fundraising needs and capabilities
- Cloud computing continues to drive down capex
- Various strong IPOs have padded VCs’ returns with record breaking exit values
- Increase of direct listings
- Increased government scrutiny of tech
- Increased investor focus on governance, compliance and “tone at the top”
- Record year by deal value for companies founded by women

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2021 Outlook



Hot Sectors

- Healthtech
- Software
- Mobile (5G)
- Life Sciences
- E-commerce
- Cybersecurity
- Data Analytics / AI
- Consumer and SMB Fintech



2021 Outlook

- Big funds are getting bigger, and have significant capital to put to work
- Corporate VCs seeking to be strategic and smartly take advantage of strong balance sheets and seek low-interest-rate-bearing returns
- Pre-seed and seed funds will continue to make capital accessible, though headwinds may be increasing
- Meaningful competition among investors to invest in attractive companies
- Focus on revenues and growth continues, and the path to profitability has taken on new significance
- Deal terms will be consistent with 2020
- CFIUS and foreign investment scrutiny has impacted the venture landscape and is expected to continue to increase
- M&A likely to continue to be the exit of choice, with IPOs and direct listings as possible routes
- Competition among SPACs for quality deals will increase



Questions

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