

THE BIG BOOK OF VENTURE CAPITAL

Q2 2024

IMAGE FROM ADOBE FIREFLY

Prompt given - "The venture sector was still 'in the woods' in Q1 '24, though we could see the sunlight. A quarter down the line, it feels like it will take us some time to get out of the woods. Stuck in this situation, we can either be optimists or not. We can analyze our current situation with the 'Glass half full or glass half empty' analogy."

Disclaimer

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Other important considerations:

- A conscious effort has been made to source meaningful content from the broadest possible sources, though universal coverage is impossible.
- Data in the VC industry is always lagged.
- It is imperative for readers to critically analyze all data and graphs, as they are sourced from third-party providers and can vary significantly in terms of their definitions, data scope, geographical context, or timeline.
- Readers are encouraged to explore the complete version of the article/report/blog linked to each image/graph on every page to gain a more comprehensive understanding of the content.
- This deck aims to focus on the strategic aspects of venture capital relevant to founders, GPs, and LPs (i.e., valuations, market dynamics, fundraising, portfolio, performance, etc.). This alone was a gigantic task. Hence, individual investment areas (ClimateTech, DeepTech, HealthTech, etc.) and their dynamics are not covered.

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This PDF contains interactive elements. All graphs are clickable and are linked to source articles/posts.

Thanks to the contributors

“Collaborate with people you can learn from.”

Venture industry experts I admire contributed their quotes to this deck. Their support resulted in a much better outcome in the end. I deeply appreciate their time and efforts.

Big thanks to Nicolas Sauvage from TDK Ventures for writing an insightful piece on topic of Corporate Venture Capital (CVC) 3.0. His initiative to bring CVC knowledge and insights together through the [CV-Insider](#) platform is an enormous value-add for our startup and venture community.



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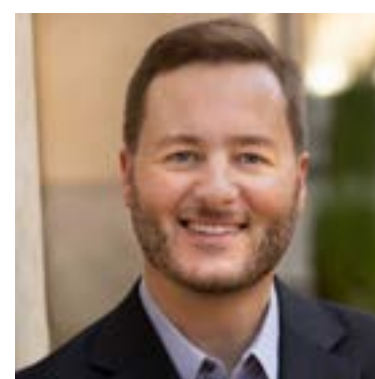
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(in alphabetical order)

CVC 3.0: Accelerating corporate venture capital's "superpowers"

In 2024, the Corporate Venture Capital (CVC) landscape evolved dramatically. The number of CVC firms skyrocketed to 2,500 worldwide—a tenfold increase from 15 years ago. CVCs are playing a pivotal and high-impact role in the global investment ecosystem, participating in over a quarter of all VC deals.

We're moving into a third era of CVC. The first era – CVC 1.0 – was categorized by direct investments. This meant corporations married their strengths with entrepreneurial innovation, integrating new technologies into the parent company. The second era – CVC 2.0 – marked a shift toward greater autonomy for CVCs, with increased flexibility and speed in decision-making and more startup support. The issue with CVC 2.0 is that autonomy led to a divided approach among CVCs – some prioritized financial returns and others provided strategic guidance, but they rarely excelled at both.

We've entered a third era of CVC, characterized by the discipline and best practices needed to target both high financial and strategic returns -- all while leveraging the parent company with evaluation and selection on par with leading top-tier venture capitalists. I call this CVC 3.0.

I'll touch on two areas in CVC with vast potential to benefit entrepreneurs - while delivering on the promise of strategic collaboration and bolstering the investment in clean energy.

Harnessing the power of the "Mothership" (parent company)

CVCs offer more than financial backing. By leveraging the resources of the Mothership, CVCs provide startups with unique strategic advantages. This support spans industry-specific expertise, access to extensive customer networks, and other resources that facilitate business scalability. When used effectively, these advantages are invaluable to emerging companies.

Effective parent-portfolio engagement hinges on aligning CVC investments with the parent corporation's objectives, identified during due diligence. This requires proactive steps from the entire CVC team—both investment and engagement— even before any investment is made. By soliciting feedback from relevant business units, the team ensures they are well-informed and prepared for collaboration, laying a foundation for mutual benefit. This unique function is specific to CVCs.

At TDK Ventures, our Engagement Team (also commonly called a Platform Team) is familiar with over 40 different TDK teams globally. The team facilitates connections that an early-stage entrepreneur would find difficult to establish independently, while possessing a deep understanding of both our portfolio companies and TDK's affiliated business groups. This expertise is built on thorough research and a genuine grasp of each portfolio company's business and solutions. Only with this knowledge can the Engagement Team identify and leverage potential synergies, ensuring mutually beneficial engagements.

CVC 3.0 calls for the rigorous application of the Engagement Team formula - for scale, financial return and startup founder success. Gone are the days of weak connections with the parent company.

Sometimes, thorough due diligence results in no investment due to a lack of VC-type returns. However, this does not prevent us from pursuing opportunities for the startup to engage in mutually beneficial collaborations with TDK companies and help them leverage the strengths of the Mothership without needing to invest, avoiding the compromises of CVC 2.0. This key benefit to the ecosystem is why we established a startup-liaison role at TDK Ventures from the very beginning, ensuring potential opportunities are shepherded whether we invest in a startup or not.

"Challenger Technologies" and the future of clean energy investment

This evolution to CVC 3.0 also presents an opportunity to more efficiently catalyze clean energy and green tech investments - areas crucial to the well-being of our planet.

The world faces challenges that demand a focused and collaborative effort. Entrepreneurs are at the forefront, driving innovation, but they need capital and support to scale. This is where CVCs excel, operating as both strategic and financial investors who can leverage the strengths of the parent company to support startups.

Scaling and commercializing climate tech startups is inherently challenging. While the world shifts its focus to renewable energy and moves away from fossil fuels, it's important to consider the intricate geopolitical dynamics at play. In an ideal globalized scenario, materials, energy, and technologies would flow freely across borders. However, today's reality is increasingly fragmented with significant barriers to the exchange of these essential resources.

Recent disruptions caused by the pandemic and various wars have highlighted the dependency of energy on global supply chains. As demand for critical clean energy minerals like lithium, cobalt, and graphite increases, nations may become less willing to share these resources, creating further bottlenecks.

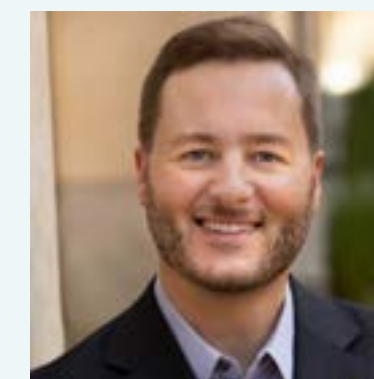
As materials critical to these technologies become more difficult to source, governments must incentivize these "challenger technologies" to meet emissions targets. The investment community – CVC and VCs alike – can lead the way by identifying, developing, and scaling these new technologies.

Challenger technologies backed by TDK Ventures include [Peak Energy](#), which is commercializing sodium-ion battery technology to serve growing market demand for energy storage, and [Type One Energy](#), which is developing a continuous fusion power plant to produce affordable, clean energy and replace coal power plants.

While challenger technologies may appear risky in an uncertain economy, ignoring them is even riskier at the portfolio level. This is because it leaves investors vulnerable to the systemic risks posed by a fragmented world.

CVCs can invest in challenger technologies because they also possess a unique "superpower"—patience.

As we enter this new era of CVC, the discipline of strategic and financial investment is increasingly vital. CVCs, with their unique ability to leverage parent company resources and long-term perspectives, are ideally positioned to support the next generation of clean energy and green tech innovations. By nurturing these "challenger technologies" and managing global supply chains, CVCs can ensure a sustainable future. The shift to CVC 3.0 is more than an investment strategy; it is a pivotal step towards securing our planet's future.



[Nicolas Sauvage](#)

TDK Ventures President

Author of the spotlight article - CVC 3.0

Contributor insights

Startup valuations and performance

“ As an investor operating out of North America and focusing on opportunities in India, we have the unique advantage of evaluating and interacting with founders across both geographies. Over the past year, despite a slowdown in deal activity, we observed a significant correction in startup valuations at the seed stage in the US.

However, seed deals in India remained robust, with relatively minor valuation adjustments. Traditionally, India has seen smaller seed round sizes, but we are now witnessing an increase, with seed rounds growing to \$1.5M-\$2M.

”



[Bhargavi Vijayakumar](#)

Partner - Java Capital

Startup fundraising

“ To date in 2024, 45% of LP capital has concentrated into only 5 multi-stage funds. In contrast, there lacks consensus across founders for which early-stage VCs to pick.

LPs are positioning to capture venture beta through traditional access, but to generate alpha, they must also effectively pick early-stage venture funds.

”



[Frank Tanner](#)

Director, Morgan Creek Capital Management

Contributor insights

Startup exits

- “ There has been a spike in strategic interest in SEA for the following reasons:
- To tap into the high growth; SEA's growth is on par with India
 - SEA is deemed to be neutral ground with US/ China tension
 - Realization that acquiring is more feasible and expedient compared to building given the fragmented nature of SEA

Despite challenging times, B2B tech exits have increased 5x in the last 3 years. Exits ranging from US\$50mm to close to US\$1bn with concentration is the US\$25mm to US\$200mm. With financial buyers joining the fray as more B2B tech companies become of scale, we expect this trend to accelerate. IPO is not the only path to exits.

”



Jeremy Tan

Co-founder, Tin Men Capital

Limited Partners

- “ The LP market continues to be challenging. With that said, corporate VCs are very much on the prowl for new tech (especially AI, deep tech) and are actively engaging with early-stage VC funds as a conduit to their portfolio companies.

”



Eric Woo

CEO, Revere

Contributor insights

Limited Partners

“ Overall family offices, especially in Europe are under allocated to PE/VC. All surveys out there seem to indicate that FOs are going to increase their allocation to that space, but lots of FOs have been burned in the past, and so this will come with caveats. Initially FOs have been burned by attempted early stage investing directly, which, in the main didn't turn out great. Then many FOs rushed into sexy sounding VC and growth funds in 2018-2021, which, I am sure are the topics of conversation at family dinners that cause chicken bones to be flung.

The trick here is that some families will want to have control of smaller managers, a personal relationship, or an angle they are familiar with, or on the other extreme this will turn into pure brand chasing. In any occasion, it's a good opportunity for fundraising from this LP class for both ends of the market.

”



Joel Sandhu

Partner - Top Tier Access

Limited Partners

“ The Indian deep-tech sector is ripe for investments, with many founders from renowned institutions building groundbreaking innovations. Agnikul's successful test launch of the world's first 3D-printed rocket engine has renewed interest in space tech, and significant government support to establish India as a key player in semiconductors are all positive steps in the right direction.

By supporting GPs focused on these transformative technologies, LPs can be part of the next wave of industry-defining disruptive startups emerging from India.

”



Bhargavi Vijayakumar

Partner - Java Capital

Contributor insights

Limited Partners

“ We are consistently seeing that the best founders including serial founders want to raise smaller initial rounds from VCs that are top in their industry vertical.

CVCs play a great place in the ecosystem and the best ones are doing their best to play alongside VCs with clean termsheets and limited or no strategic terms.

”



[Simon Lancaster](#)

GP & Founder - Omni Venture Labs

Limited Partners

“ The Indian startup ecosystem is in a sweet spot fuelled by innovation and a massive market. This has started attracting both Indian and multinational corporates.

Next quarter should see more corporates initiating their Corporate Venture Capital (CVC) programs to partner with startups.

”



[Utpal Doshi](#)

Partner - CVC, 100X.VC

Contributor insights

Venture business

“ Momentum continues to be a factor in venture capital investment, despite a number of teachable moments over the last few decades. From the dotcom boom, to crypto madness and even today's AI wave, there is clear evidence that if you are raising a fund to invest in a hot market then it is already too late.

The top performing funds tend to be generalists, who have capital available to deploy when an opportunity turns up — rather than trying to anticipate it.

”



[Dan Gray](#)

Head of Insights at Equidam

Venture Business

“ Repeatable exits and DPIs are essential for SEA VC to be self-sustaining and vibrant. Let's be transparent about SEA's shortcomings:

1/ Limited Capital Markets

- The region lacks deep and liquid markets, making it difficult to find buyers.

- IPO markets have been improving, but liquidity remains a big problem.

- Most end up going to the US to list their companies with mixed results

2/ Limited Secondary Market Opportunities

- The lack of developed secondary markets makes secondary transactions less frequent.

- Though the number of institutional buyers and the scale of secondary transactions are slowly increasing over time, it's not a sure thing and tends to take time for buyers to emerge.

With this landscape, the Exit Plan of Choice for most: Strategic M&As. Strategics interest for B2B tech have spiked in recent years driven by strong interest to tap into high growth in a neutral ground (US/ China tension). Consequently, we expect significant DPI in year 2 of our fund.

”



[Jeremy Tan](#)

Co-founder, Tin Men Capital

Q2 venture ecosystem snapshot

*“Glass half full or half empty?
Which side are you on?”*

In the Q1 '24 Big Book report, I mentioned the venture sector being 'in the woods,' though we could see the sunlight. A quarter down the line, it feels like it will take us some time to fully bounce back and clear out of the woods. Stuck in this situation, we can either be optimists or not. We can analyze our current situation with the 'Glass half full or glass half empty' analogy. How so, you ask?

Well, here is the thing. As optimists, we might look at positive signals like increased startup fundraising for the last two quarters, valuations making a comeback for most stages, continued strength in AI startup funding, global M&A picking up slowly, increasing participation of family offices, a few good-sized exits, and more. Meanwhile, pessimists can still linger on the negatives like decreasing deal numbers, venture fundraising still challenging for most fund managers, struggling IPO exit activity, weaker funding for areas like SaaS, and more.

So we are stuck with mixed feelings—not too happy or sad. The venture sector hasn't entirely stopped, and we are not running either. The pragmatic voice in me says—it's okay. The path isn't a straightforward recovery from the depths of the 2022-23 era. However, the sector has shown resilience, and we must build on this strength along the way.

QoQ = Quater on Quater. YoY = Year on Year

Startup fundraising

Venture capital investments have grown for two consecutive quarters, marking the first increase since 2021. Q2 saw a rise in global startup funding, driven by mega-rounds, in both QoQ and YoY. Despite an uptick in deal volume, the number of deals per quarter declined. The U.S. remains the leader in global startup fundraising, outpacing Europe by more than 2.5 times, while Asia experienced its lowest funding quarter since Q4 2015. In H1 2024, the U.S., U.K., and India saw increased investment volumes compared to H1 2023.

Mega deal fundraising has surged over the last two quarters. Although U.S. startup funding has rebounded, SaaS investments are cooling, reflecting poor performance in public sub-sectors (like Cloud). In contrast, AI investments continue to rise, reaching new highs and dominating the startup scene with higher valuations and larger rounds.

Seed-stage round sizes in the U.S. have increased 54% since 2019. Europe's deal sizes are also rising, nearing U.S. figures. However, the percentage of downrounds in Europe has increased. The Seed to Series A jump for startups remains an issue.

In 2024, smaller rounds with strategic investors have also gained interest from founders. They aim for a lean, agile approach, proving their concept and hitting milestones with minimal resources to attract further investment.

Priced rounds are more favorable for investors, with more dilution and lower valuations, compared to SAFE rounds. SAFEs remain common, but Notes are gaining popularity after a decline since 2020. VCs expect more capital to flow to startups over next 12 months, potentially uplifting the ecosystem.

Startup valuations

Valuations in the U.S. are rising. This positive trend in median pre-money valuations spans startups at all stages, confirming that good companies can secure funding regardless of market conditions. This valuation recovery trend is also partially seen in the European data.

Unicorn formation remains low without significant revival. Despite challenges, the total post-money valuation of U.S. unicorns increased in H1 2024. Countries like Mexico, UAE, and Singapore rank high in unicorn formation relative to total startups in these regions. California, Boston, and NYC account for 80% of U.S. numbers in unicorn exits.

Asia-Pacific and the U.S. regions lead in new startup formation. Valuation cuts persist in the challenging environment, affecting even acquired startups and startups that went public. The U.S. dominates large outcomes, with its share rising from 50% to 85% as we move from startups under \$250 million to centacorns.

Tech industry revenue growth has stalled at 10%, down from its 2021 peak. In SaaS, median revenue multiples remain below pre-COVID averages, and the gap between the top 5 and the median, while narrower than in 2020-2021, stays consistent.

Startup exits

Global M&A values are picking up, rejuvenating dealmakers. Deals are progressing but not exceeding the high expectations built at the start of 2024. This positive trend in global M&A could boost Tech M&A and help reduce the venture industry's exit backlog. The U.S. is leading in the overall M&A market, with deal values and PE-backed M&A up over 40%, despite a 25% drop in the total number of deals, reaching a four-year low.

The latest startup acquisitions indicate an ecosystem more open to M&A deals, though terms may be satisfactory only for some VCs. Different data providers offer varying M&A narratives. Mergers between startups have been common in the past, especially when funding for a particular startup area declines, prompting increased M&A discussions.

Most funded startups trade at a discount in the secondary markets, with a median discount of around 30%, and a quarter of startups trade at a premium. AI startups, particularly in the Foundational Model AI segment, were highly traded secondaries in H1 '24. Trading will likely increase in sectors adjacent to GenAI, including chips, infrastructure, and application technology.

Secondary markets are at a crucial growth point. With motivated sellers and improving startup quality, VC secondaries are attractively priced relative to their history. VCs are selling stakes and becoming secondaries fund managers, marking 2023-24 as a resurgence period.

Retail investors, typically less sophisticated than institutional ones, are eager to invest in big AI names. VCs use pro-rata rights to maintain ownership, creating SPVs to fund these purchases by raising money from HNWIs and charging fees. Company-led secondaries provide liquidity to early employees and founders, serving as a testing ground for pricing and demand, potentially leading to an IPO.

Talent

Tech layoffs in big tech and startups continue globally, but the number will decrease in 2024. 2025 could be a turnaround year for startup hiring. Unicorn startup talent is evolving in Europe. Before 2023, only 26% of Europe's unicorn founders had technical backgrounds. Now, most new founders have technical expertise and come from various countries. Remote talent became mainstream during the COVID era, especially for tech and startup jobs in engineering and IT.

Starting a business is challenging, and the current market is stressful for many founders, particularly those with families. Nearly 40% work over 60 hours a week, and 56% experience high stress levels.

Turnover at the largest U.S. VC firms is rising, indicating the end of rapid expansion among investment teams. From 2017 to 2022, the number of investors at the 500 largest U.S. VC firms grew by 77%, but growth slowed to 2% in the past 15 months. Layoffs, historically rare, have become more common. In this downturn, senior VC talent are leaving established funds to start their own VC firms.

Limited Partners (LPs)

Institutional investors like pension funds are major capital providers for private equity, but their venture capital contributions in Europe remain low. In Europe, government agencies lead as VC LPs, followed by corporates and HNWIs.

In 2024, U.S. nontraditional investor participation is on track to be the lowest since 2019. CVCs face similar trends but see strategic opportunities in lower valuations of startups. Conversely, nontraditional investors are recovering w.r.t VC activity in Europe, with CVCs now accounting for 50% of startup investments.

Corporations worldwide are increasingly setting up CVCs to invest in AI startups. Due to market challenges and regulatory pressures on M&As, Big 7 tech companies have shifted to more active participation in venture deals.

Despite having only 5% of their wealth in venture assets, about 50% of family offices globally invest in venture capital and plan to increase their allocations. However, these family offices often appear opaque to VC fund managers, making them difficult to reach. Middle Eastern family offices are gaining significant importance in the venture capital landscape, driven by increasing wealth and the influx of high-net-worth-individuals (HNWIs) to the UAE.

Venture business

The IPO drought has led to a potential nine-year low in venture fundraising, with only \$80.5 billion secured globally in H1 2024. The average time between VC fund closings is now the longest since 2018. Established and emerging managers have struggled, compounded by over \$700 billion in global dry powder. U.S. VC fundraising in 2024 is expected to remain below or at par with 2023 levels.

Emerging managers consistently raise less than half of the total U.S. VC funds. Established managers dominate in the U.S., with the top 5 funds raising 45% of the total in the first four months. First-time VC managers find it difficult to fundraise, relying on Friends & Family or HNWIs. Smaller funds face lower management fees (in dollar volume), smaller teams, and GPs must wear multiple hats. Changes in the venture landscape have challenged strategies of smaller funds, with larger VC firms taking more deals and increasing competition in DeepTech and AI areas.

Thirteen percent of venture managers have no plans to raise another fund, and 25% have delayed their plans. However, the percentage of VCs planning to not raise or delay fundraising has decreased recently.

Net capital distribution in VC funds has remained negative since 2018, indicating capital is locked up in the ecosystem. While venture capital will continue to grow, it may lose ground to other private market asset classes like private equity.

Secondaries, providing LPs with early exits, have gained traction as selling fund stakes becomes mainstream. This asset class grew during the 2022-2023 exit crunch, with VC managers now using continuation transactions for flexible portfolio exits. M&A discussions among VC firms are increasing, particularly for strategic reasons.

AI is a hot investment topic and is expected to change VC operations. AI tools can handle tasks like finding deals, writing preliminary due diligence, leaving VCs to focus on the human aspects.

In Europe, generalist fundraising is the dominant trend, with government agencies (37%) and corporate investors (13%) emerging as the top sources of funds. Notably, funds under €250.0 million now account for more than 50% of the capital raised. However, Europe's markets remain fragmented due to local regulations, hindering the development of deep capital markets similar to those in the U.S. Political changes also continue to present challenges to the creation of a unified market.



Rohit Yadav

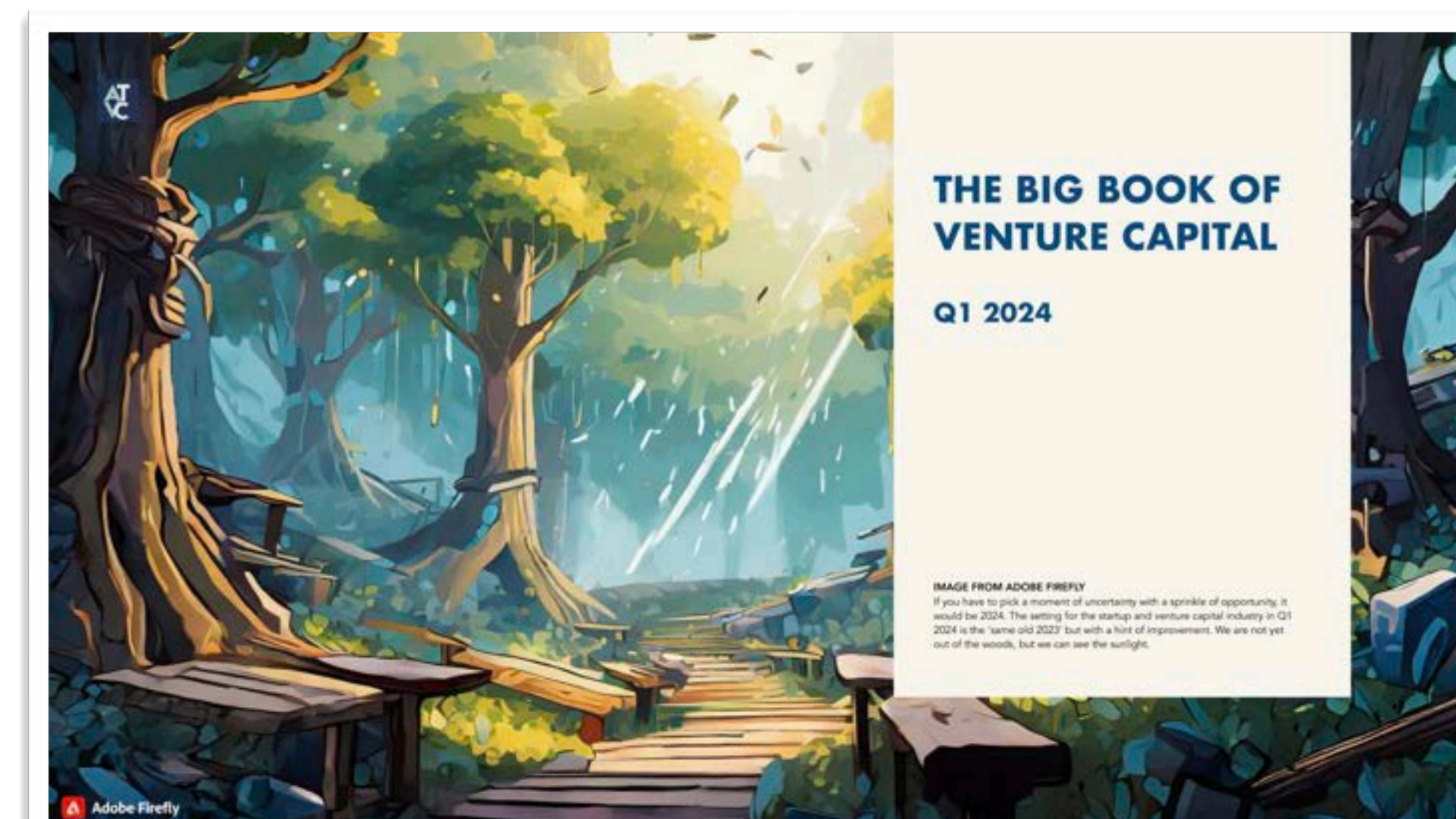
(Author - The Big Book of VC)

Report - The Big Book of Venture Capital - Q1 2024

Released in April 2024, the report ([Link](#)) aimed to highlight the key venture and startup ecosystem updates that happened in Q1 '24. Short snapshot of what's inside the report in below:

Overall, the startup and venture industry is definitely in a state of evolution and undergoing a business cycle reset. The setting in Q1 2024 is the 'same old 2023' but with a hint of improvement. We are not yet out of the woods, but we can see the sunlight.

- 📈 Valuation trends in 2024 gives hope for recovery. Q1 data showed a rebound in valuations.
- ✅ Uptick in the global startup investments. Overall, VCs anticipate increased investment in 2024.
- !⚠️ VC fundraising is still strained.
- 🔄 Q1 remained slow w.r.t exits, but there is much to hope for in 2024.
- 💡 Family offices are increasing investments in alternative assets, potentially strengthening the VC asset class in the long term.
- ⚙️ Venture asset class performance remains an issue w.r.t DPIs. VC cash flows are negative due to higher fund contributions than distributions.



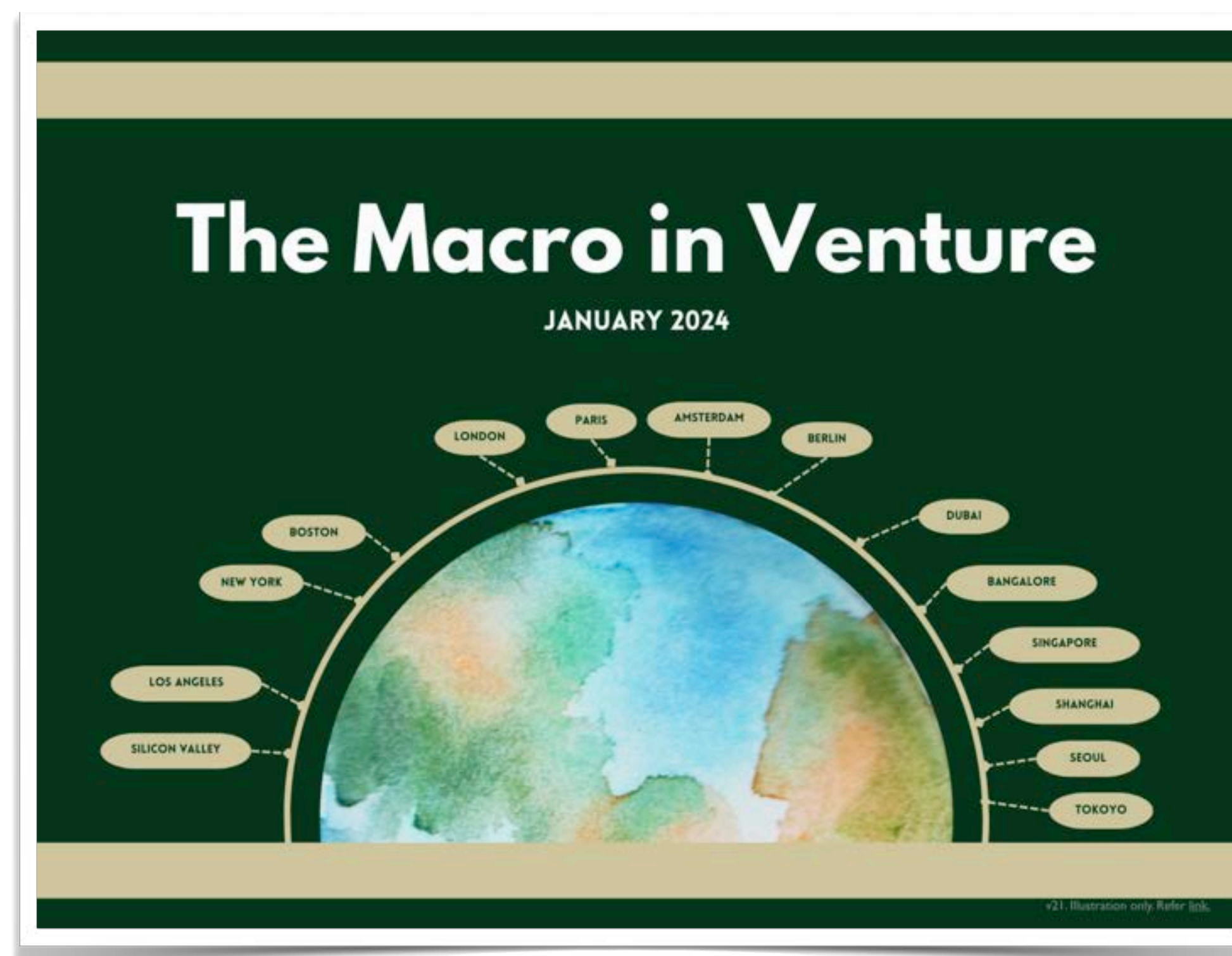
Report - The Macro in Venture

Released in January 2024, the report ([Link](#)) aimed to understand how the macro factors (geopolitics, elections, inflation, rates, consumption, and more) impact our startup and venture capital ecosystem, directly or obliquely. We often say that venture is a decade+ game, though we forget that short-term trends compound into long-term outcomes.

Key idea captured in the report was that of short term 'RRR' (Roll, Recession, and Rebound) scenarios.

Main topics covered in the report were -

- 🔄 Venture capital is a circular flow business.
- 🔑 Inflation remains a key short-term variable, and 'Roll' is the anticipated short-term scenario
- ➡️ Venture inflows - bump, but not a roadblock!
- 🏢 Venture business - suffering, but striving for an upgrade!
- 🔄 Venture outflows - down, but not disappeared!
- !?! Enough short-term macro risks to keep us on our toes in 2024



Report - The Big Book of Venture Capital - 2023

Released in December 2023, this 200+ page deck ([Link](#)) was a treasure trove of vital venture and startup insights into the entire year. It had something for everyone in the ecosystem, and the hope was that it helped to connect the dots and foster a better understanding of 2023.

Key idea captured in the report was that of an 'LLL' environment of 2023. A snippet from the report.

*A decade down the line, there will be founders and investors who will boost their credibility of having lived through 2023. It's THAT significant!
This year can be summarised in three words - Low, Limited, Lopsided ('LLL' environment)*

- **Low:** Valuations of startups in most stages went through their lowest levels.
- **Limited:** Capital availability and deployment became limited to only the best opportunities.
- **Lopsided:** The power remained in the investor's corner in 2023. It was lopsided towards the capital providers.

This LLL environment, in the end, is likely to benefit the larger ecosystem. The argument lies in the theory of 'booms and busts.' Without going into the nuances, the ecosystem needed a reset, and 2023 provided just that. Moving into 2024, I'm sure we have adapted to the realities and will scale up energetically in a newer set of circumstances.



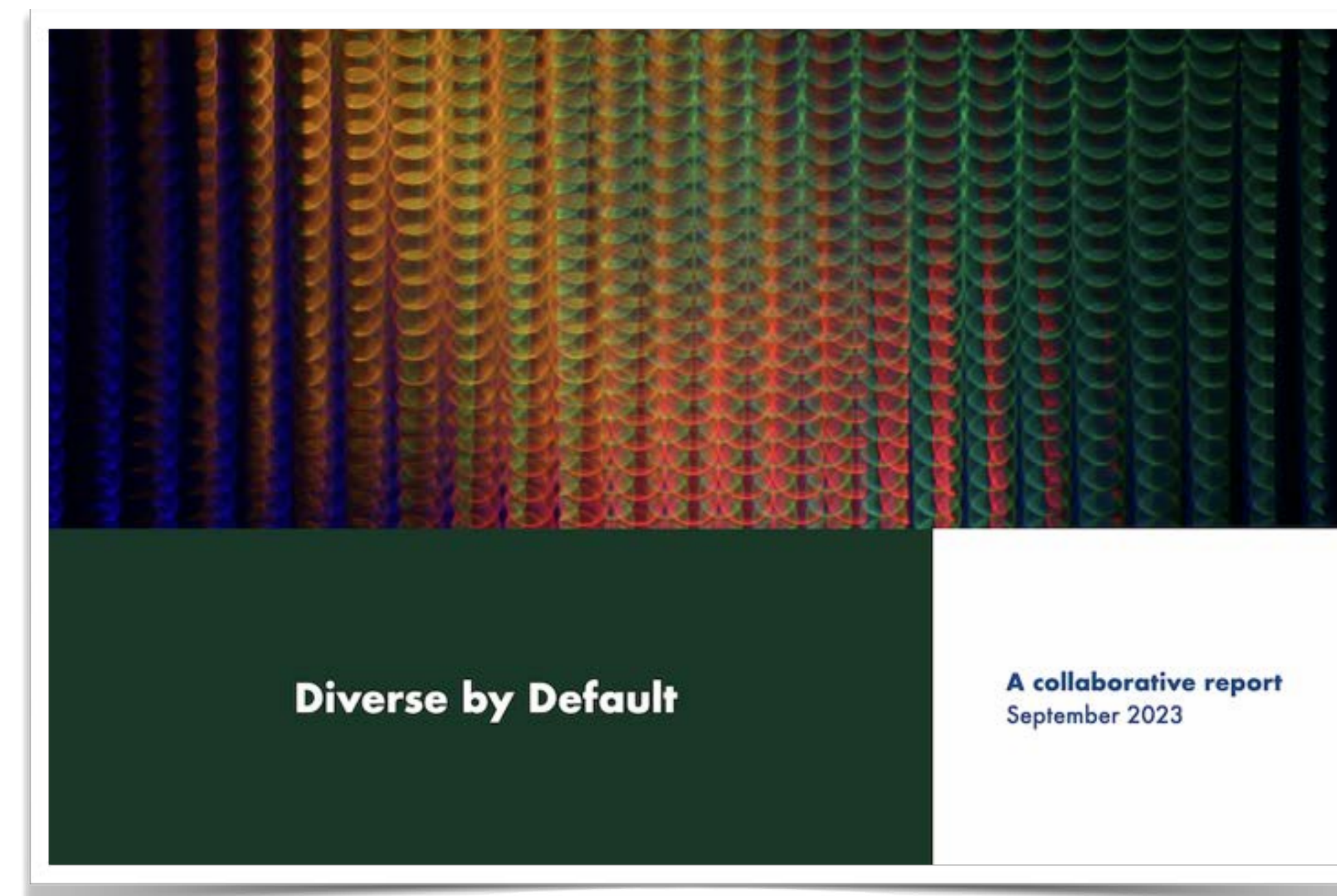
Report - Diverse by Default

Released in September 2023, this collaborative deck ([Link](#)) was dedicated to the startup and the venture capital ecosystem, giving tangible methods and frameworks for making diversity a default.

Key idea captured in report was that of 3 approaches mentioned below.

1. **For all ecosystem players** - follow an Awareness Action (AA) approach to kindle tough yet constructive conversations.
2. **For founders** - follow a Build Basics (BB) approach to strengthen your startup outcomes.
3. **For investors** - follow a Cautious Care (CC) approach to establish diversity-enabled pathways.

We know the 'What' of diversity issue. We understand the 'Why' of the diversity problem. So, the goal of the report was to present an all-encompassing view of forward-looking solutions with a pragmatic approach connected to reality.



SECTION

STARTUP FUNDRAISING

IMAGE FROM ADOBE FIREFLY

Prompt given - "The good news - venture capital investments into startups has grown for two consecutive quarters for the first time since 2021. VCs expect more capital to flow to startups in the coming 12 months. This positivity could become infectious and uplift the whole ecosystem. AI investments have consistently increased, reaching new highs."
Image made using 'Paper mache' and 'minimalism' techniques.



- **Startup fundraising data & news**

- Global startup fundraising
- Regional data
- Regional perspective / Change in VC investment levels
- Fundraising volume / Regional share
- Regional perspective / VC investment per capita
- Geographic distribution / City and stage perspective
- Number of fundraising deals
- Seed fundraising - Less deals but same overall volume
- VC investment expectation in the coming months
- Global - Mega fundraising deals data
- U.S. mega deal explosion
- Europe's active VC investor community shrinks
- Sectoral differences in fundraising
- Fundraising differences / Deals by stage
- We shouldn't make the fundraising look easy
- Fundraising advice
- VC feedback and Founder reactions
- AI startups reach new fundraising highs
- Crowdfunding
- Retail investors coming for Unicorns
- Fundraising advice

- Venture debt investments swell
- Is Europe's growth-stage funding gap a myth?
- Seed to Series A jump

- **Deal dynamics**

- Deal size - Global
- Round size - U.S.
- Early stage deal size (Europe)
- Should you raise a small round?
- Time between fundraise
- Up-rounds and Down-rounds
- SAFE rounds
- Convertible notes
- Are SAFEs safe?
- SAFE's vs. Convertible notes
- Startup deal friendliness
- Capital demand to supply ratio
- Critical criteria for startup evaluation
- Percentage Equity sold to investors
- Liquidation Preferences and Investor rights
- Additional insights, not to be missed!

Summary

Startup fundraising data and insights

Global startup fundraising

The good news - venture capital investments into startups has grown for two consecutive quarters for the first time since 2021. Global startup funding is up in Q2 16% QoQ and 12% YoY, driven largely by mega-rounds.

Fundraising data - Regional perspective

- The U.S. leads Europe in fundraising by more than 2.5X and has consistently captured the bulk of global fundraising.
- In Q2 2024, investors poured \$45.3 billion into U.S. and Canadian startups, a 30% increase QoQ and a 35% rise YoY.
- Asian region experienced its lowest quarter for funding since Q4 2015, with fundraising marking a 24% decrease QoQ and a 32% decline YoY.
- In 2021 and 2022, Asia was on par with or ahead of the U.S. regarding number of deals done. However, when data is analyzed based on stages, the U.S. leads in scale-up investments but has been giving away the share to other geographies at early stages.
- U.S., UK, and India - 3 out of top 5 countries for startup investments have increased their investments volumes in H1 2024 as compared to H1 2023.
- Fundraising patterns in both the U.S. and Europe show signs of increasing deal volume in the last two quarters. Though in both geographies the number of deals per quarter shows a downward trend.

- In terms of per capita startup investments, countries like UAE and Singapore lead the rankings. Developed ecosystems in Europe like France and Germany lag a lot as compared to their Nordic peers.

Seed fundraising - Less deals but same overall volume

Globally, Seed has been most resilient during the downturn, maintaining stability over last five quarters with approximately \$8 billion invested each quarter. Deals numbers have come down more than 20%.

VC investment expectation in the coming months

VCs expect more capital to flow to startups in the coming 12 months. This positivity could become infectious and uplift the whole ecosystem.

Mega deals

The fundraising amount for mega deals has increased in the last two quarters, although the number of deals has remained flat. In the U.S., the surge in mega deals is evident as more startups secure large funding rounds that were scarce last year. Surprisingly, this trend is dominated by BioTech and HealthTech companies, not just AI startups.

SaaS cooled off

Even as overall U.S. funding has rebounded, SaaS has been cooling. Public peers' sub-segments (like Cloud) aren't performing well on stock market, and startup fundraising reflects this, with lower investments in SaaS and Enterprise.

AI startup fundraising

AI investments have consistently increased, reaching new highs across all data providers. Whether it's a genuine game changer or driven by FOMO, AI currently dominates the startup scene with higher valuations and larger funding rounds.

Venture debt investments swell

Due to low valuations, startups are reluctant to raise equity. Venture debt extends startup's runway until the market improves. With less equity available, startups are turning to debt for operations, despite higher interest rates, to avoid share dilution.

Retail investors coming for Unicorns

Private assets have traditionally been off-limits to retail investors, accessible only to HNWLs meeting specific capital requirements. However, there's a growing call for retail investors to access the attractive returns of private markets. This is expected to lead to the creation of carefully structured vehicles that distribute risk across various private investments.

Deal dynamics

Deal size

- Everyone already knew that U.S. rounds were the biggest. However, the median deal size data from one data provider shows that rounds in Asia are consistently shown as higher than in Europe.
- In the U.S., median deal sizes have increased YoY across seed, early-, and late-stage VC, indicating a trend towards larger rounds to weather the financing winter. Companies raising funds now likely have solid fundamentals and traction. Seed stage round sizes have seen the most significant increase since 2019, up 54%, while late-stage startups are raising median rounds 10-15% lower than in 2019.
- Europe is seeing an increased impetus on deal dynamics. Metrics like deal size point upwards and move closer to the U.S. numbers. It was long in making considering European rounds remained cheap (from valuation and deal size standpoint) for a long time.

Should you raise a small round?

Regarding fundraising, advice varies among investors and operators. In 2019 and 2020, during ZIRP, larger rounds increased the likelihood of raising a Series A within a few years. This remained true in 2022. By 2024, smaller rounds with strategic investors have also gained interest from founders. Many now focus on building relationships with diverse investors, including angels

and micro-VCs, to gain capital, mentorship, and connections. They aim for a lean, agile growth approach, proving their concept and hitting milestones with minimal resources to attract further investment.

Time between fundraise

Given the current VC environment, the time taken to reach each fundraising stage is lengthening for the startups. However, the fundraising journey from 0-to-1 takes the maximum time (2 years is the median) and then tends to decrease.

Up-rounds and Down-rounds

In the U.S., the downround percentage is at par with 2023. The flat rounds percentage increased from 2023 and is now closer to the downround levels. However, in Europe, downrounds have actually increased as a percentage, and flat rounds are only minimal compared with the 2023 percentage.

SAFE rounds

SAFE investors are sticking to standard terms. Q1 2024 SAFE terms mirrored recent years. About 33% included a discount, down from 43% in 2023. Valuation caps appeared in 78% of SAFEs, similar to 2023. The increase in SAFEs with only a valuation cap (67% versus 58% last year) and higher cap values indicate better terms for early-stage startups. Discount rates remain consistent with 2023.

Percentage Equity sold to investors

For a long time, median Seed equity dilution has hovered around 20%. Equity per round given to investors decreases as startups progress through the fundraising stages.

Seed to Series A jump

The Seed to Series A chasm is one of the most concerning trends of the last few years. With a ratio of almost 1.2 in 2010, it has increased to 5 in 2024 - that means, for every 5 Seed rounds, there is one Series A round.

Valuation and round size dilution - U.S.

Priced rounds have more dilution (i.e., better for investors) and lower valuations (i.e., investors are going into more favorable rounds for their economics).

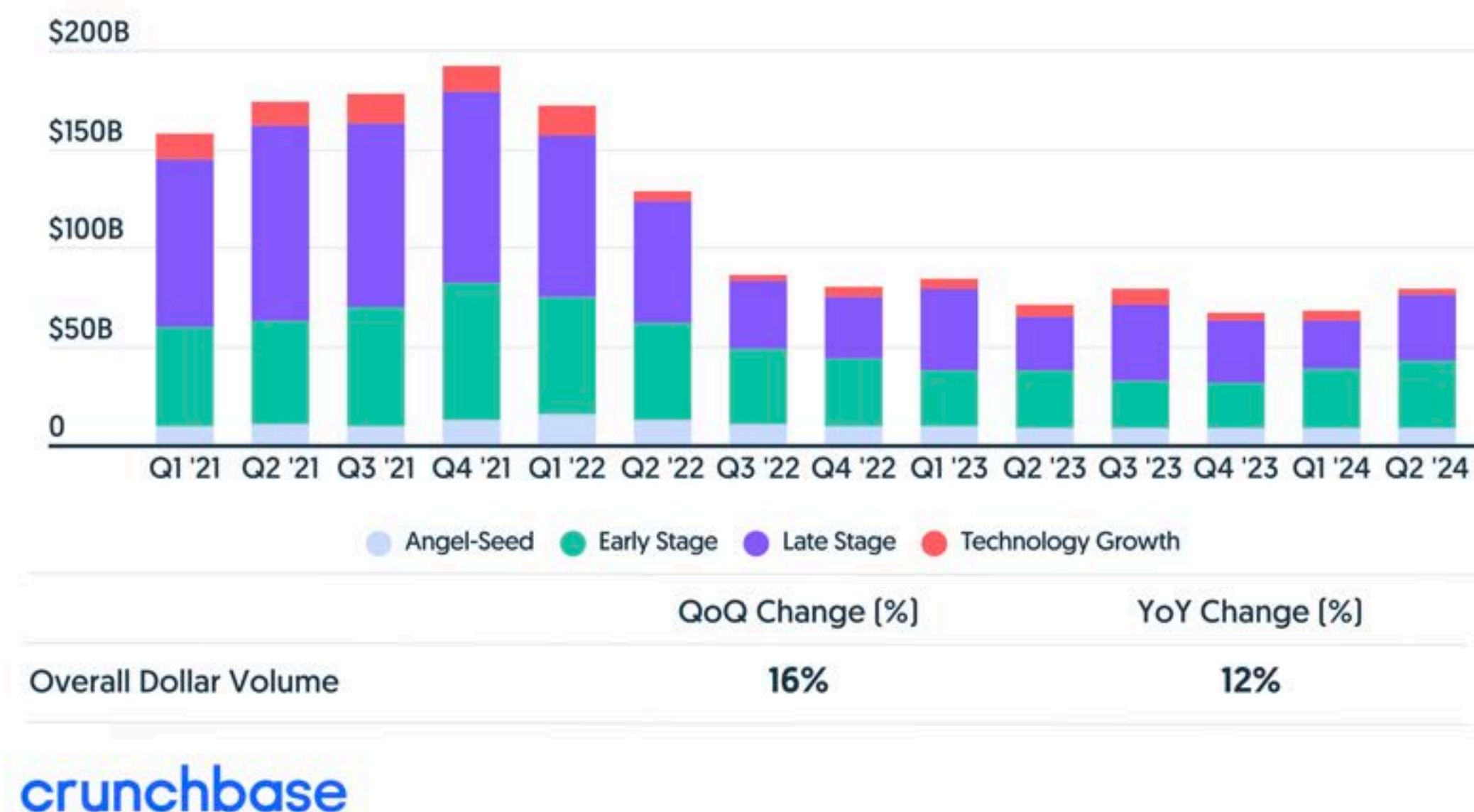
SAFE's vs. Convertible notes

Although SAFEs are still more common, convertible notes have become more popular over the past few quarters after their decline in usage since 2020. Their prevalence changes based on the startup area. Software-focused startups raise mostly on SAFEs. The prevalence of Notes starts to make a meaningful impact on the Hardware, Energy, and Medical sectors.

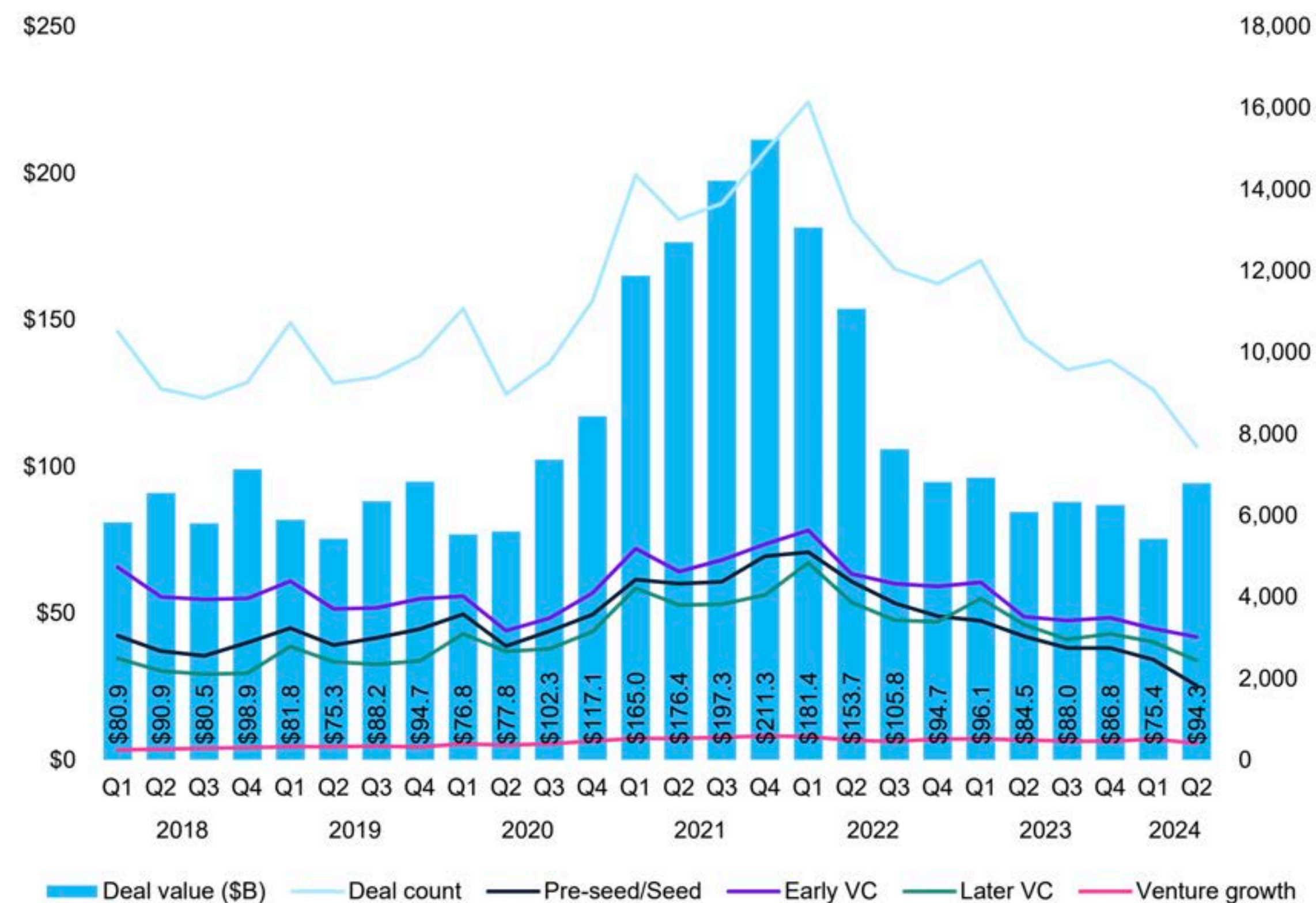
Global startup fundraising / 1

According to Crunchbase data - Global startup funding rose to \$79 billion in Q2, up 16% from the previous quarter and 12% from Q2 2023, driven largely by mega-rounds of \$100 million and above.

Global Venture Dollar Volume



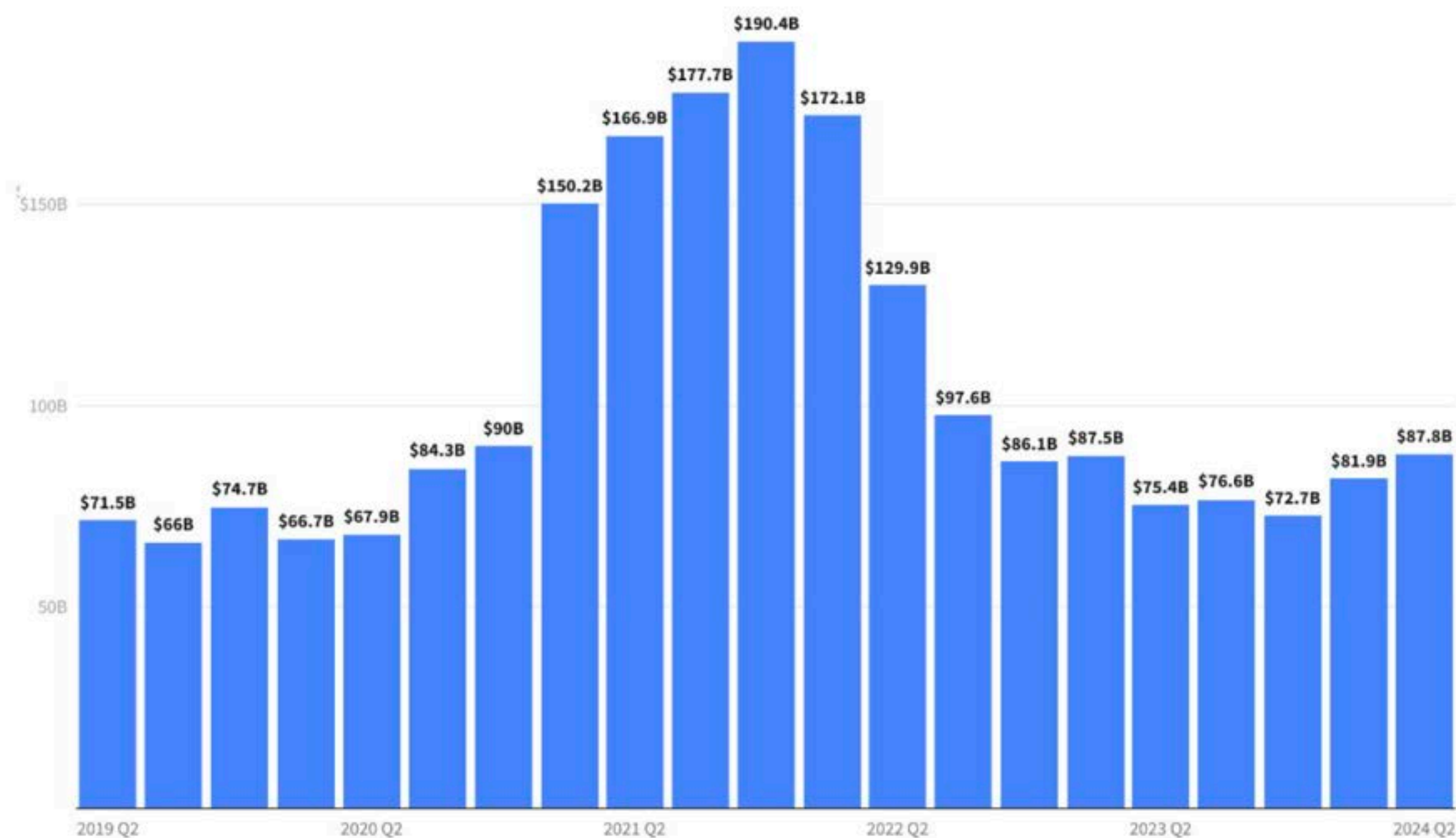
Global venture financing



Global startup fundraising / 2

According to Dealroom and CB Insights data, venture capital investments into startups has grown for two consecutive quarters for the first time since 2021. CB Insights data also shows this quarterly investment volume jump.

Global venture capital fundraising, quarterly numbers



dealroom.co

Global Quarterly equity funding & deals



CBINSIGHTS

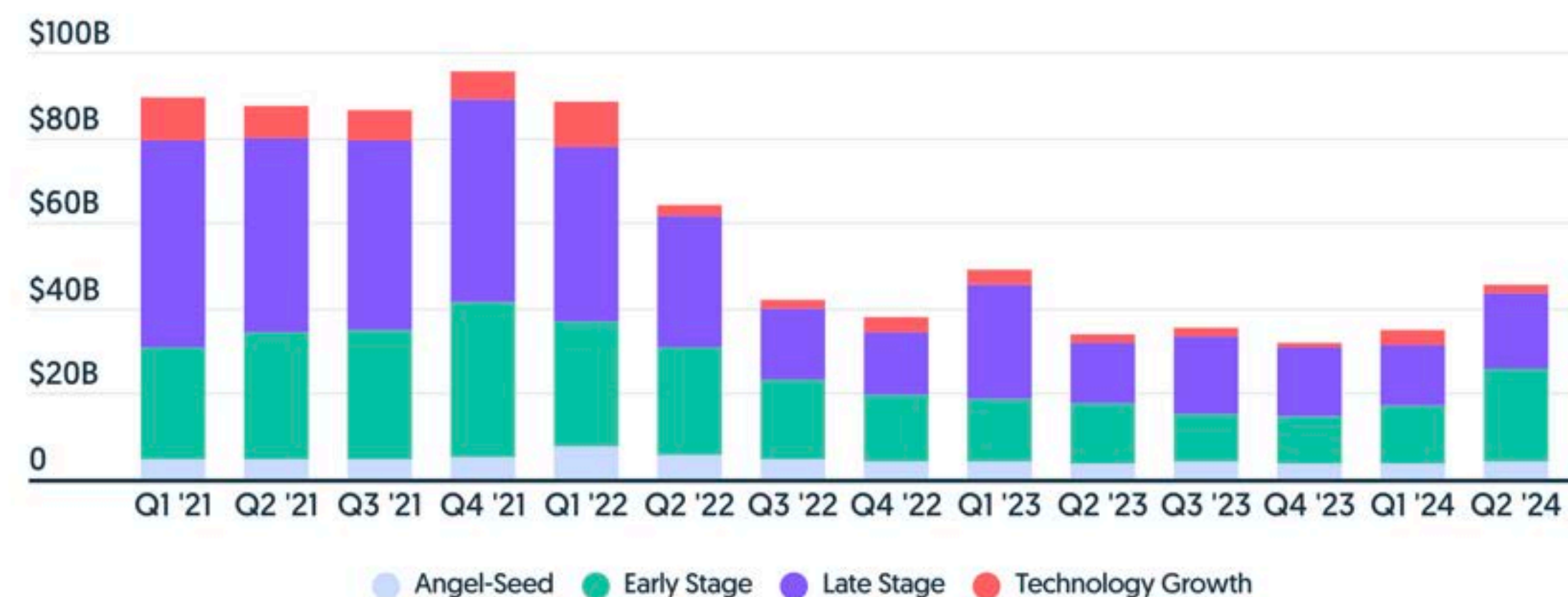
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Geographic focus of both charts = Global. 1st graph from Dealroom and 2nd from CB Insights. Click graphs for source post.

Fundraising volume / Regional perspective / 1

According to Crunchbase data - In Q2 2024, investors poured \$45.3 billion into U.S. and Canadian startups, a 30% increase from the previous quarter and a 35% rise from last year. Asian region experienced its lowest quarter for venture funding since the last quarter of 2015, with startups in Asia raising just \$14.6 billion, marking a 24% decrease from Q1 and a 32% decline compared to the same period last year.

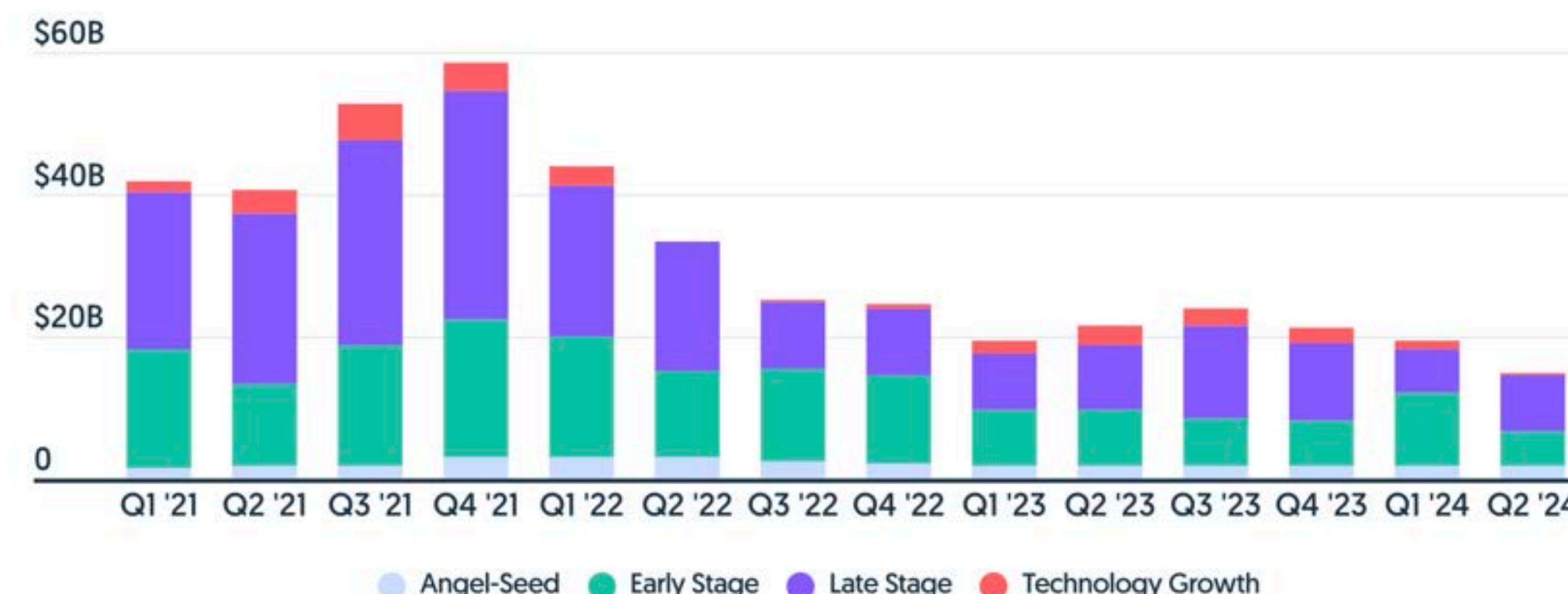
North America Venture Dollar Volume Through Q2 2024



	QoQ Change [%]	YoY Change [%]
Overall Dollar Volume	30%	35%

crunchbase

Asia Venture Dollar Volume Through Q2 2024



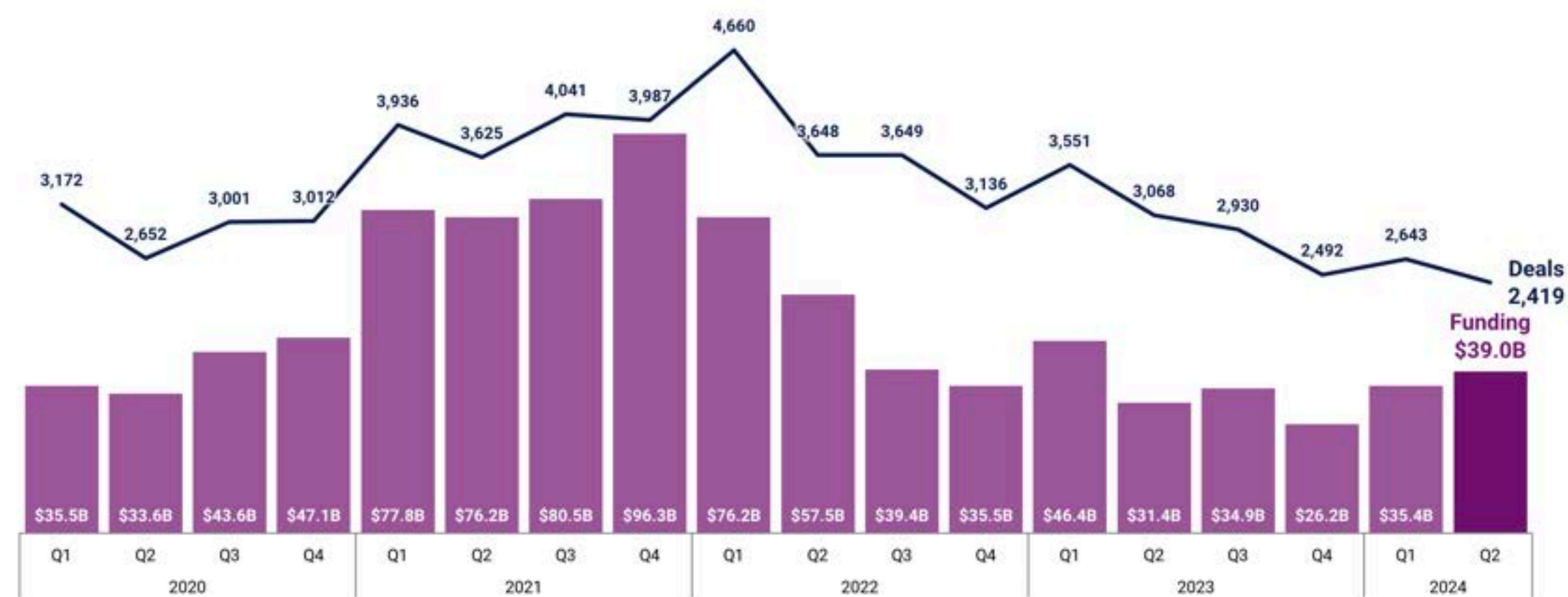
	QoQ Change [%]	YoY Change [%]
Overall Dollar Volume	-24%	-32%

crunchbase

Fundraising volume / Regional perspective / 2

Fundraising patterns in both the U.S. and Europe show signs of increasing deal dollar volume in the last two quarters. Though in both geographies the number of deals per quarter shows a downward trend.

U.S. - Quarterly funding & deals



Europe - Quarterly funding & deals



Both charts from CB Insights. Click graphs for source post.

Fundraising volume / Regional perspective / Change in VC investment levels

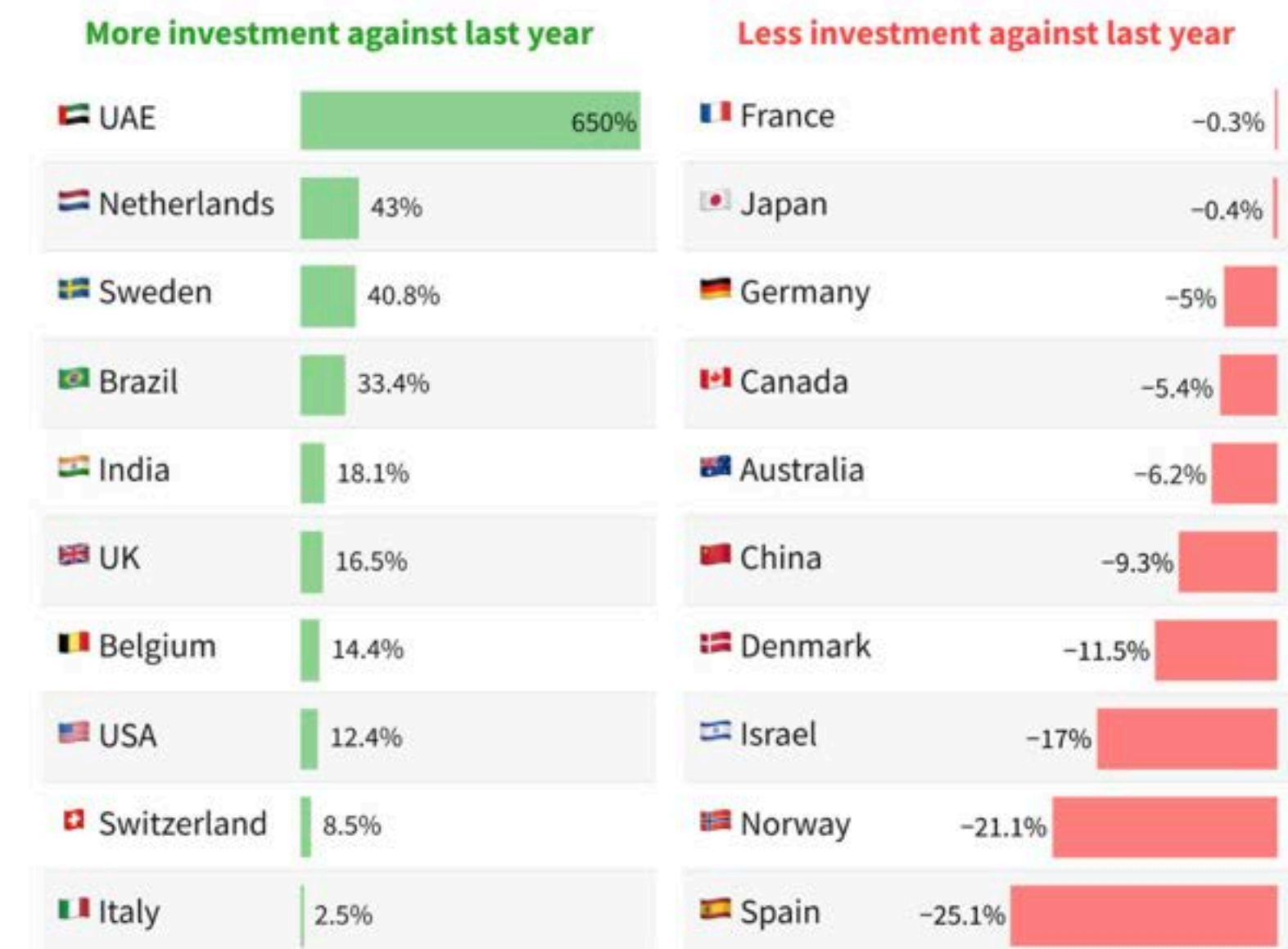
U.S., UK, and India - 3 out of top 5 countries for startup investments have increased their investments volumes in H1 2024 as compared to H1 2023.

Top Countries by H1 2024 Tech Funding

Country		Funding Amount
US		\$55.7 b
UK		\$6.8 b
China		\$6.2 b
India		\$4.1 b
Israel		\$3 b
Germany		\$2.8 b
France		\$2.8 b
Canada		\$1.7 b
Sweden		\$1.2 b
The Netherlands		\$1.2 b

Source: [Tracxn](#); India Tech - Semi Annual Report - 2024

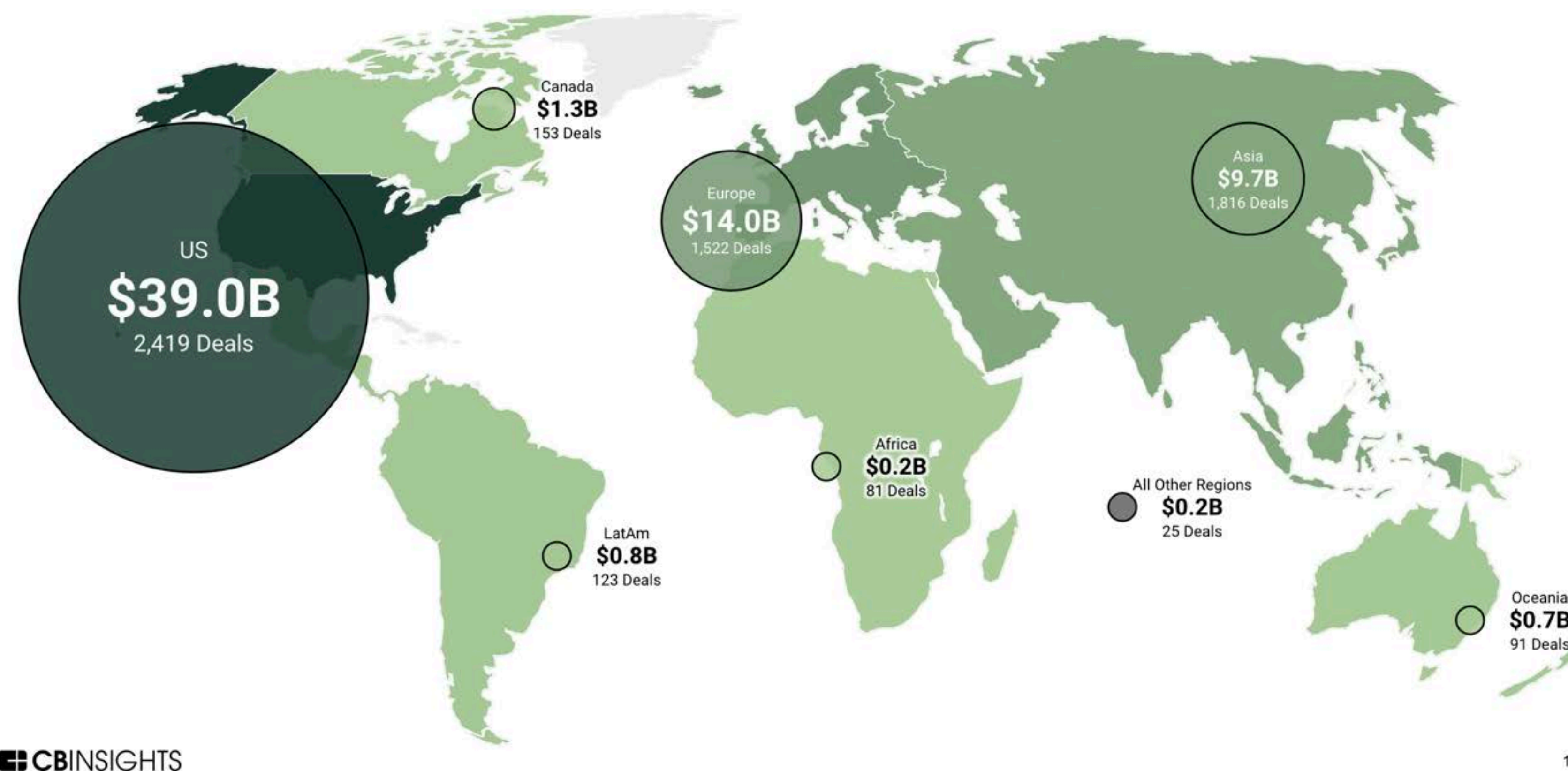
Change in VC investment levels (H1 2023 vs. H1 2024)



Fundraising volume / Regional share in fundraising

U.S. leads the second largest fundraising geography (i.e. Europe) by more than 2.5X

Funding & deals by global region in Q2'24

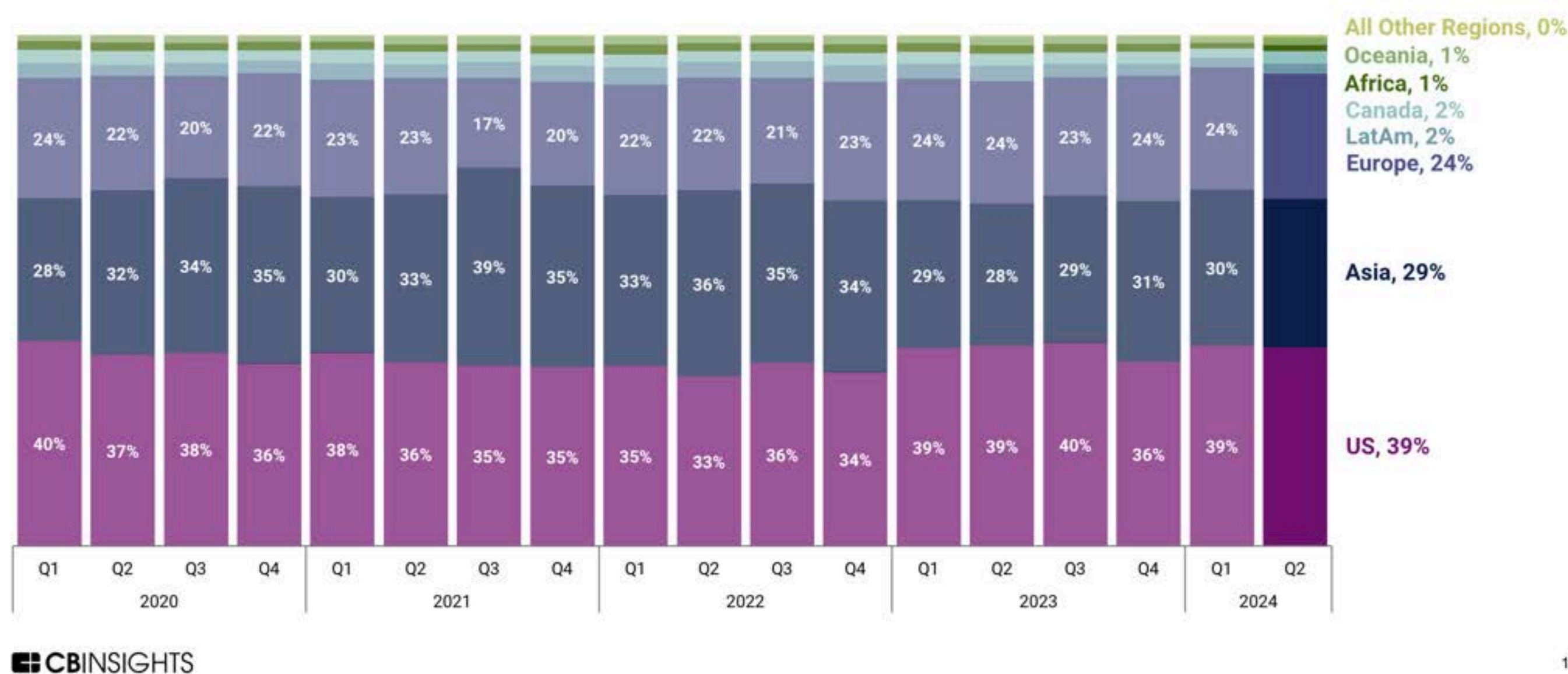


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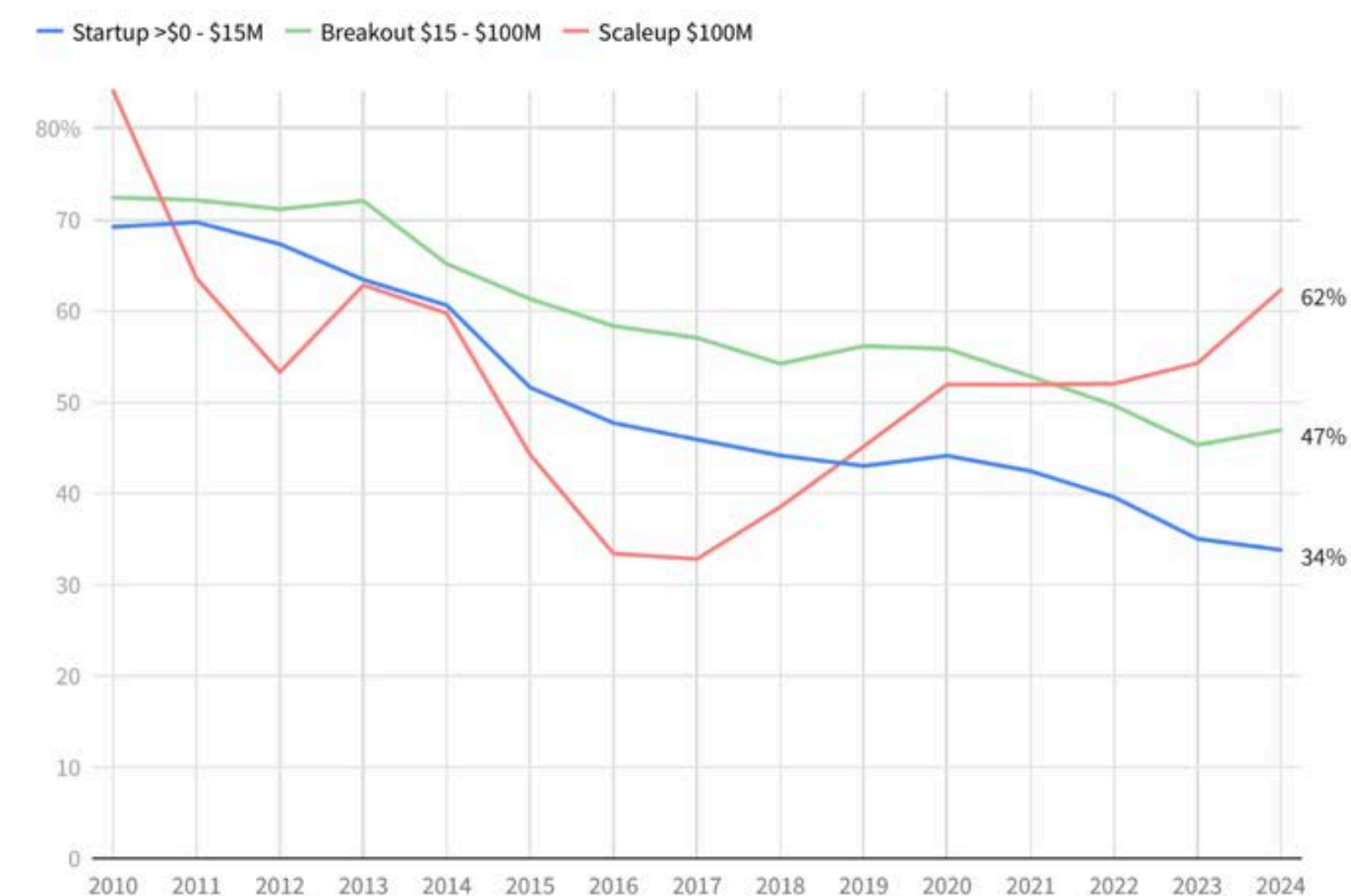
Fundraising volume / Regional perspective / Share in fundraising

The U.S. has consistently captured the bulk of global fundraising deal numbers and has been the leader. In 2021 and 2022, Asia was on par with or ahead of the U.S. regarding deal numbers. However, when data is analyzed based on stages, the U.S. leads in scale-up investments but has been giving away the share to other geographies at early stages.

Percent of quarterly deals by global region



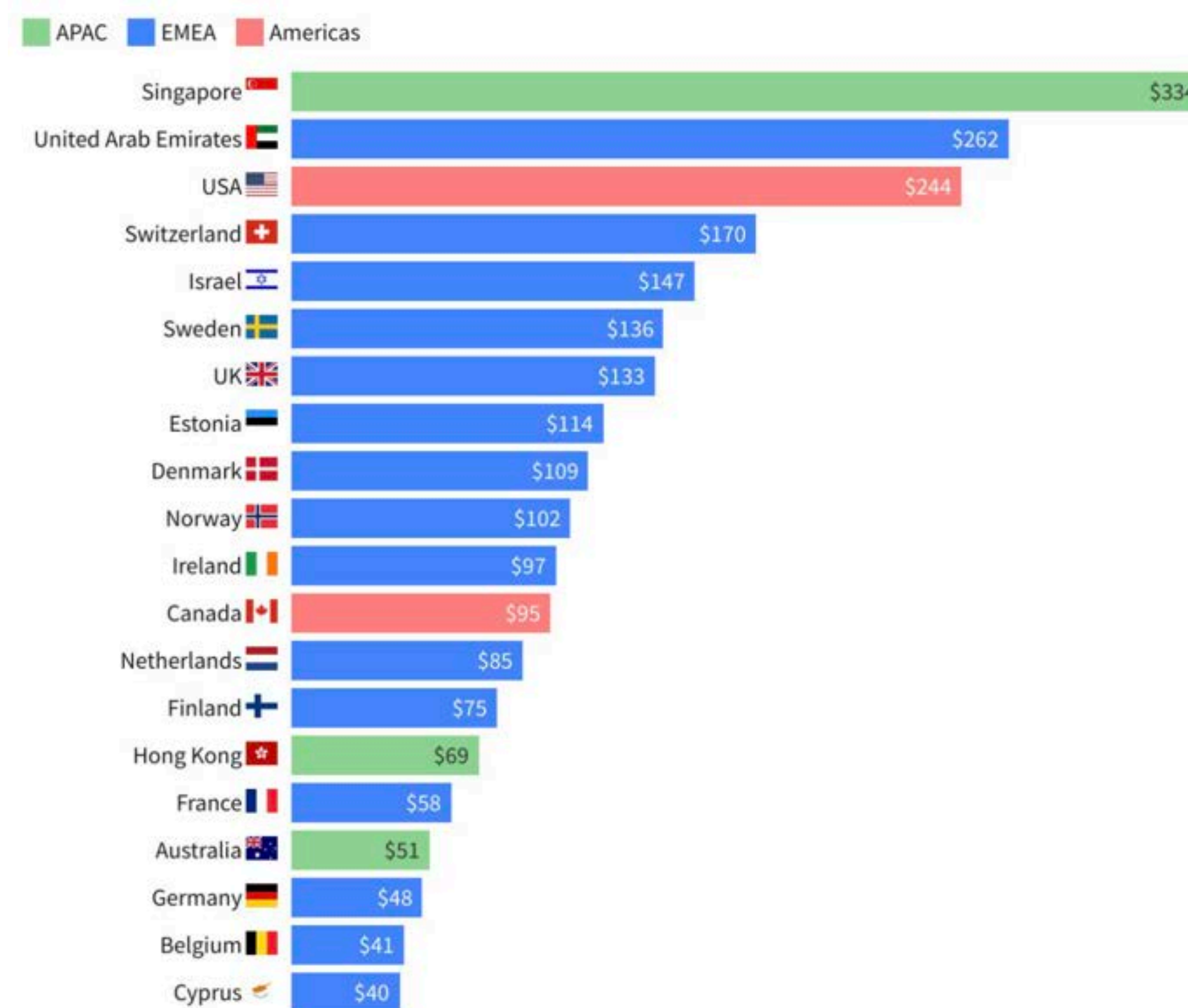
US share of VC investment by stage



Fundraising volume / Regional perspective / VC investment per capita

In terms of per capita startup investments, countries like UAE and Singapore leads the rankings. Developed ecosystems in Europe like France and Germany lag a lot as compared to their Nordic peers.

Top countries / VC investment per capital 2024



VC investment in 2024 divided by population numbers (World Bank). Countries under 1M inhabitants excluded.

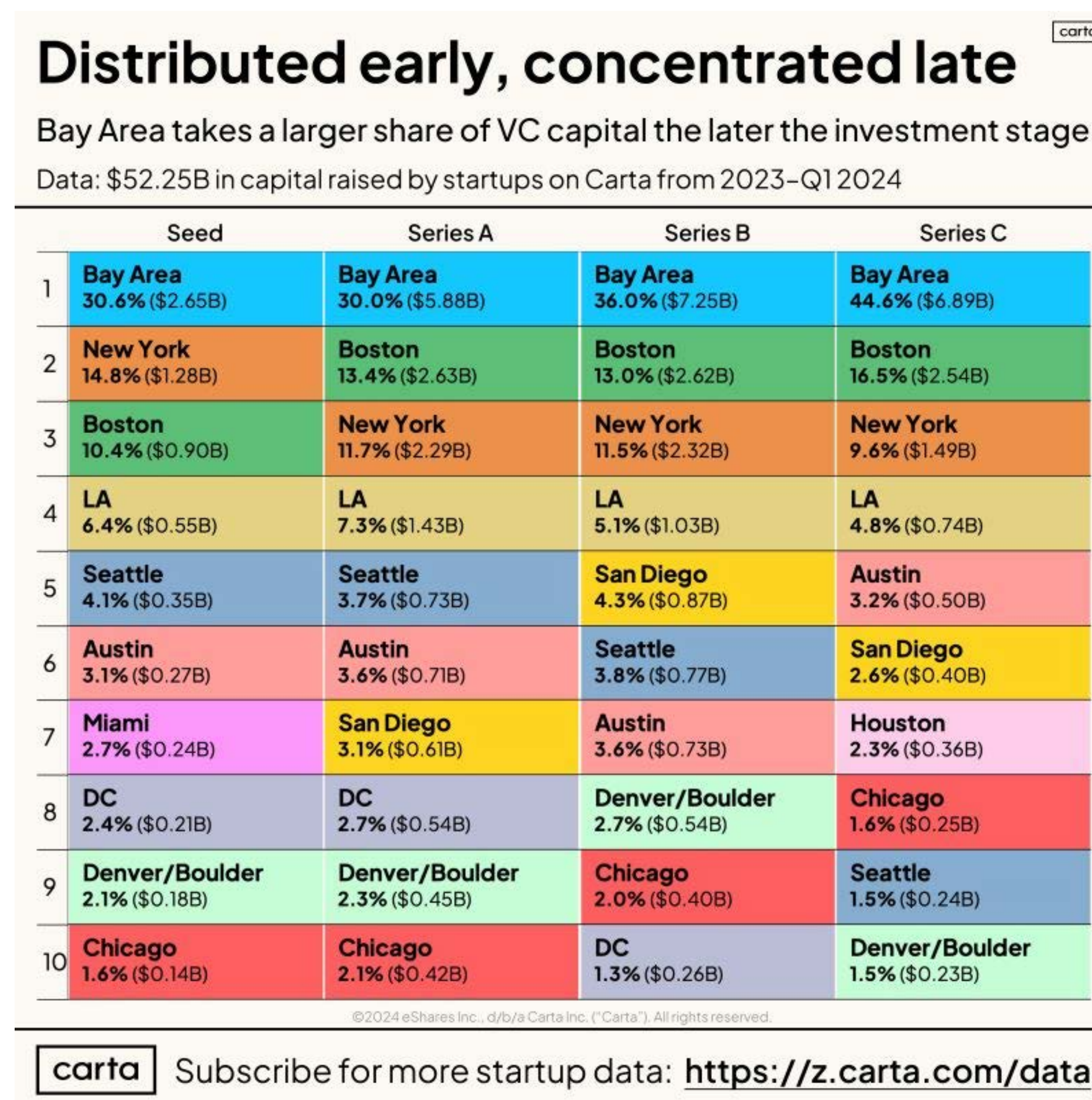
Source: Dealroom.co & World Bank

dealroom.co

Geographic focus of the chart = Global. Graph from Dealroom. Click graph for source post.

Geographic distribution of fundraising / City and stage perspective

While Bay Area leads in fundraising numbers at all stages, the margin increases considerably for later-stage investments in the U.S.



Number of fundraising deals / Regional data

According to Crunchbase data, the number of reported deals in Q2 fell to its lowest point in years for the North American region. Deal volume in Asia also continues to decline, with only 1,511 funding deals announced in Q2, marking a 15% drop from Q1 and a 27% decrease from Q2 last year.

North America Venture Deal Numbers Through Q2 2024



	QoQ Change [%]	YoY Change [%]
Overall Deal Volume	-14%	-32%

crunchbase

Asia Venture Deal Numbers Through Q2 2024



	QoQ Change [%]	YoY Change [%]
Overall Deal Volume	-15%	-27%

crunchbase

Seed fundraising - Less deals but same overall volume

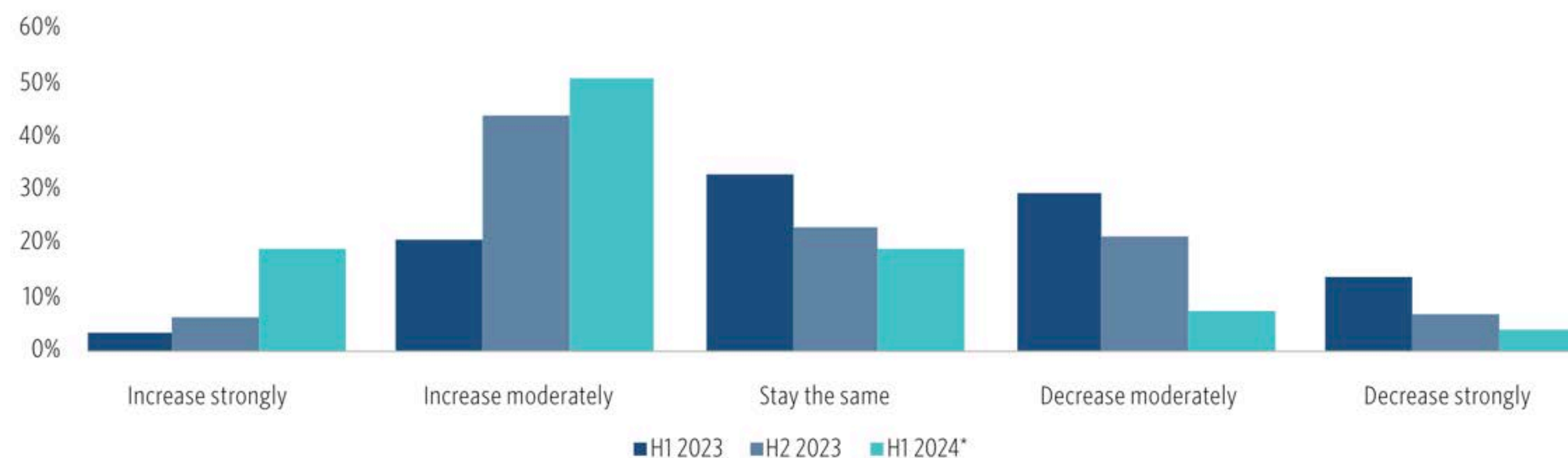
According to Crunchbase data - Seed funding has been the most resilient during the downturn, maintaining stability over the last five quarters with approximately \$8 billion invested each quarter. Deals have come down more than 20% from 4738 to 3769.



VC investment expectation in the coming months

VCs expect more capital to flow to startups in the coming 12 months. This positivity could become infectious and uplift the whole ecosystem.

Do you expect total dollars of VC investment in technology startups to increase or decrease over the next 12 months compared with the previous 12 months?



Source: PitchBook • Geography: Global • *As of May 13, 2024

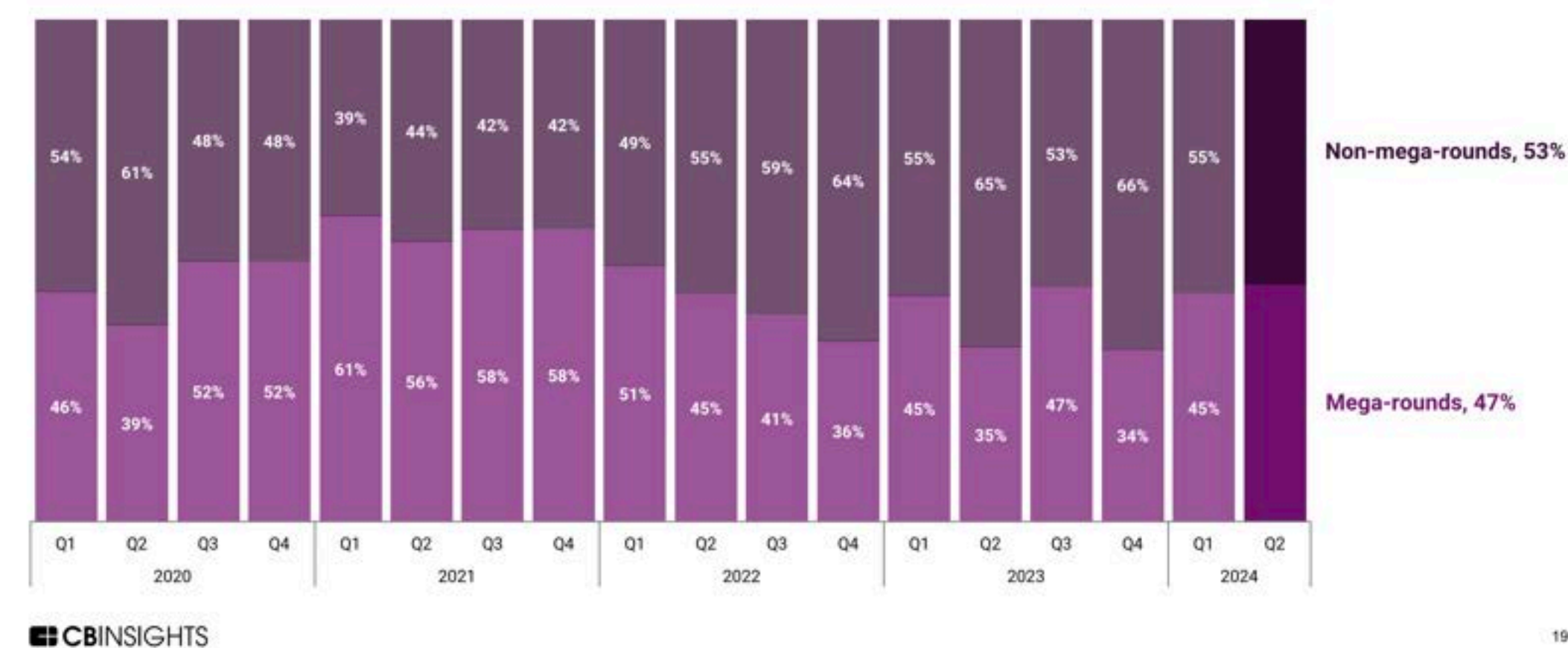
Mega fundraising deals data

Mega deals with the fundraising amount have increased in the last two quarters. However, w.r.t deal numbers remained flat.

Quarterly funding & deals from mega-rounds (deals worth \$100m+)



Quarterly mega-rounds as percent of funding

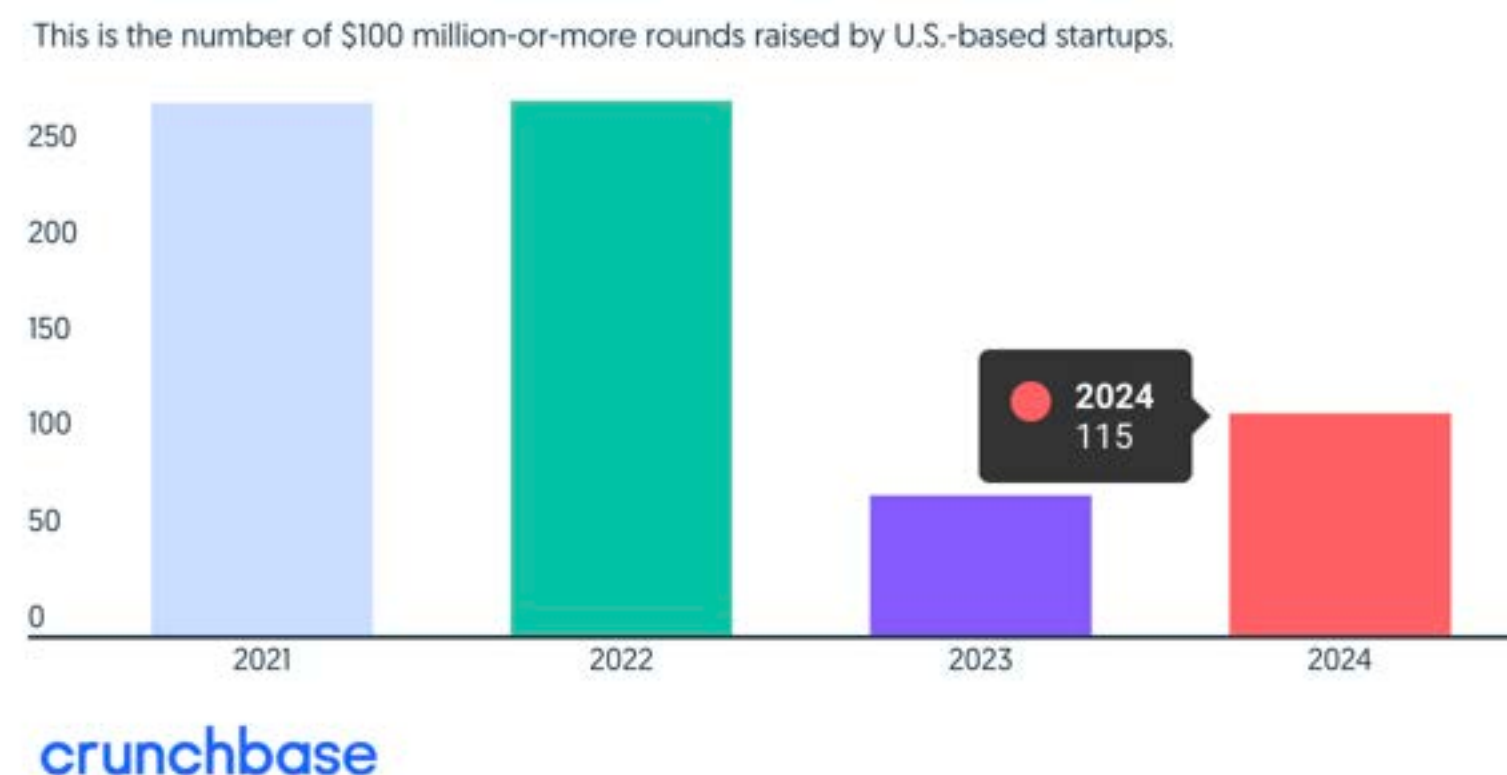


U.S. mega deal explosion

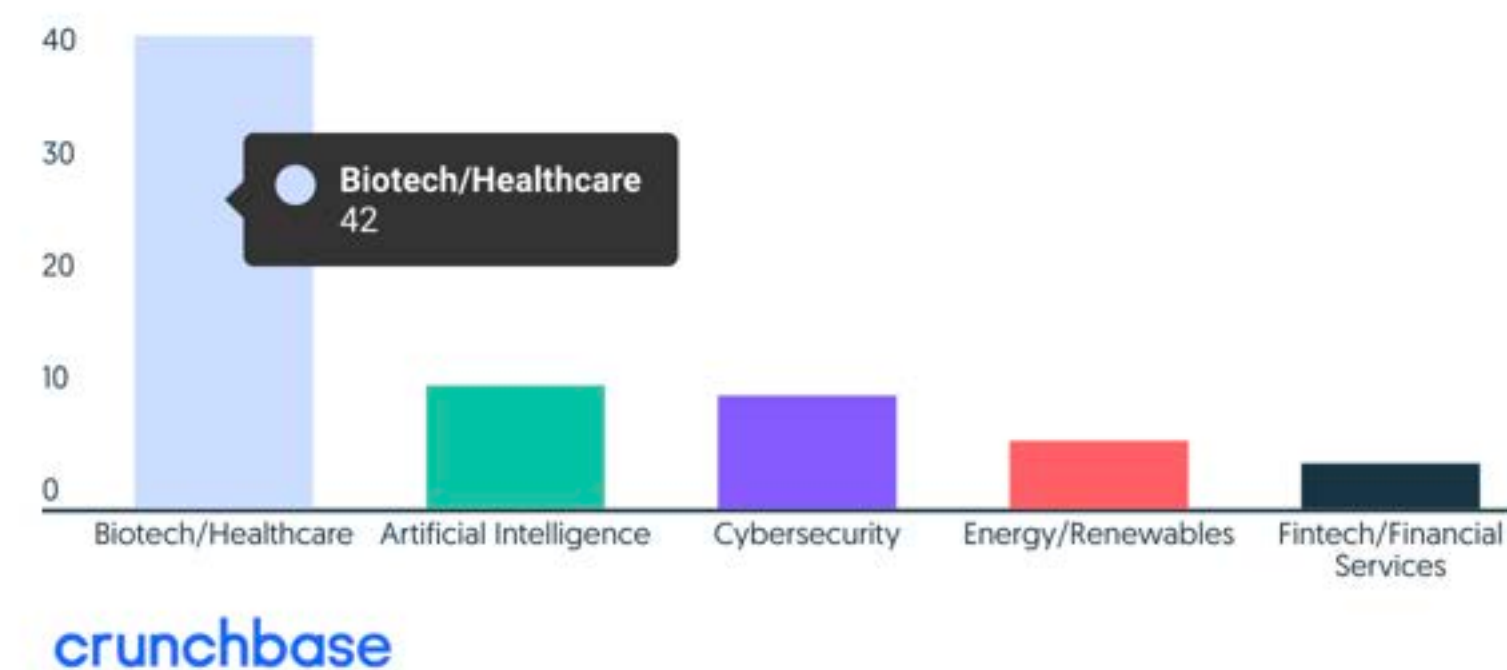
According to Crunchbase data - Although venture funding appears to be stagnating, more startups are securing large funding rounds that were scarce last year. Surprisingly, this trend is not dominated by AI companies; only 11 U.S.-based startups primarily focused on AI have raised such rounds this year.

Number Of Megadeals Through May 15 For The Past Four Years

2024 numbers are till mid-year



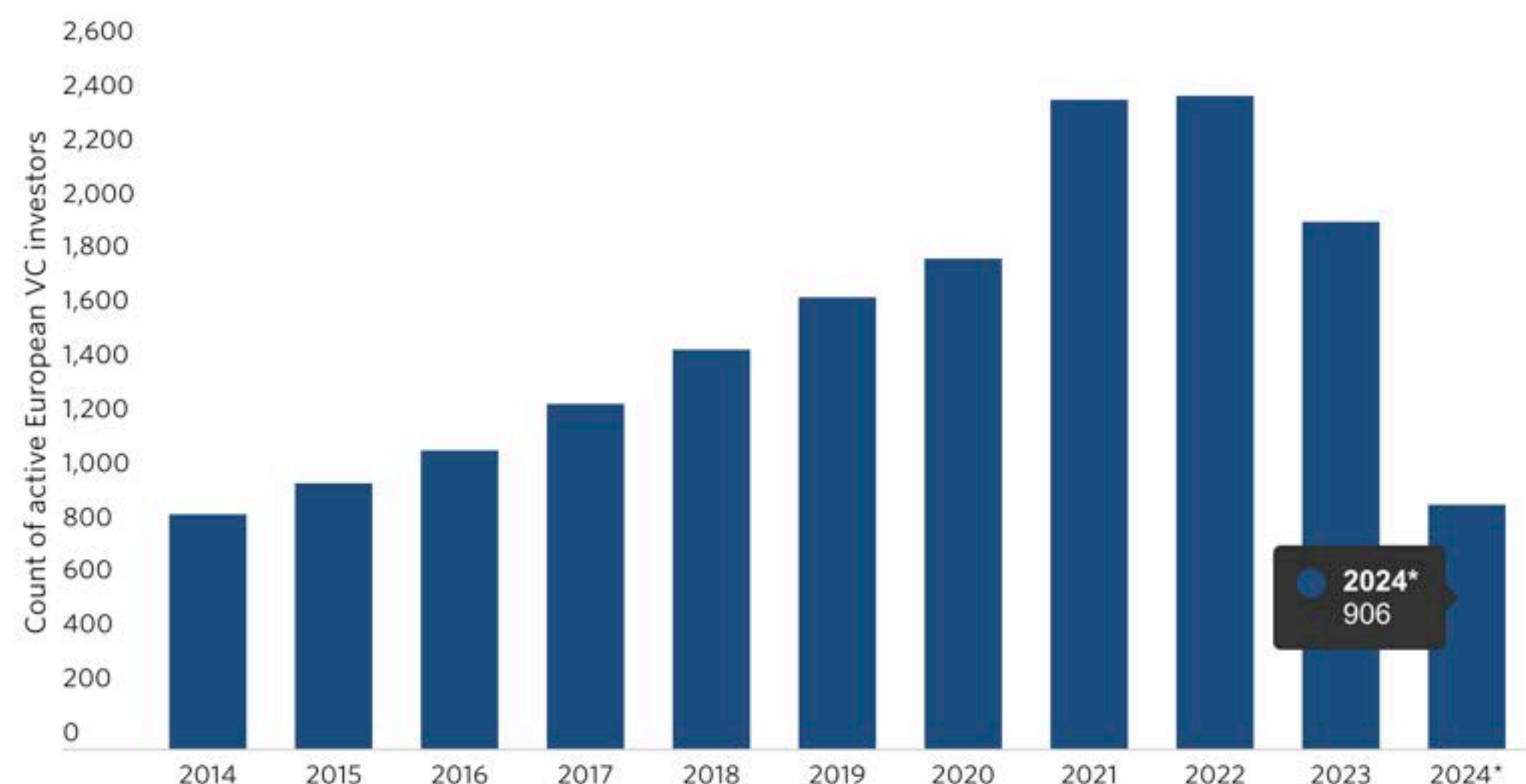
Megadeals through May 15 by industry



Europe's active VC investor community shrinks

With startup markets still not recovering 100%, this decline could be attributed to VCs playing cautiously and delaying investments on a need-basis in existing portfolio companies or startups they consider 'hot.'

Europe's active VC investor community shrinks



Source: PitchBook data

*As of June 10, 2024

** Active European VC investors have made two or more global VC investments in the last year and are located in Europe

Rebuttal and counter arguments of the PitchBook article (on the right)



Dan Bowyer [in](#) • Following

Partner at SuperSeed VC

1mo •

Lies, damned lies and statistics. The challenge with having an opinion based on all the pretty visuals, graphs and charts we see daily.

In my youth I was a D grade celebrity where I quickly learned how news organisations and 'the meeja' worked. The deals that got their stories, why, how and when they published, what spin really is.

Then Zuckerberg killed publishing and investigative journalism as we knew it. It's never recovered and we're still living in the backwash of an industry trying to find new business models.

At worst fuelling the rise of extremism and tribalism as the media learned to survive on building out a stronger 'them and us' narrative, which in turn drives furious eyeballs and therefore advertising revenue.

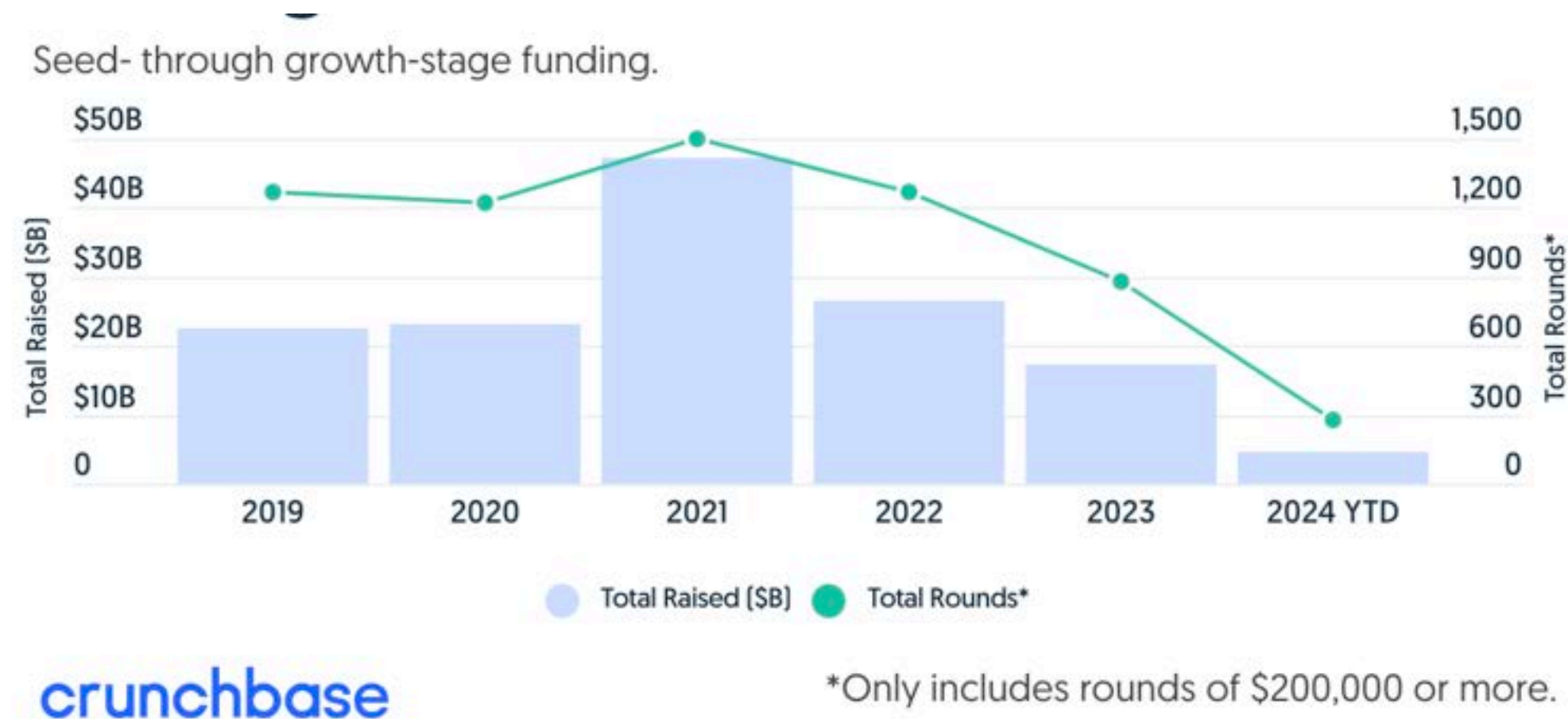
At best if I can call it that, even in VC, there's just so much nonsense. Even boring financial services and tech publications are full of unhelpful manipulations. You know the culprits.

How data is visualised, and the conclusions we're led to believe being one of my favourites. Context and truth be damned.

Sectoral differences in fundraising / 1

Even as overall U.S. venture funding has rebounded, SaaS has been cooling. The public peers' sub-segments (like Cloud) aren't performing well on the stock market, and private sector fundraising reflects this dynamic, with lower investments in SaaS and Enterprise.

US SaaS And Enterprise Software Startup Funding



BVP Nasdaq Emerging Cloud Index



Sectoral differences in fundraising / 2

While the previous charts highlighted the differences in the sectors, there are also differences at a geographical level. While 10-minute delivery startups have suffered in Europe, many of which have scaled back operations, it seems Indian geography is ripe for more disruption in this area.



Sheel Mohnot @pitdesi · 2d

India could be the only country that 10 min delivery startups work in.

Low labor costs, high density, not much big box grocery all help

Zepto started 3 years ago and has >\$1.3B in sales, supposedly good unit economics

DST and @anuhariharan leading a round at a \$3.6B valuation



Dealmaker

A Former YC Partner Makes a Big Bet on Rapid Delivery



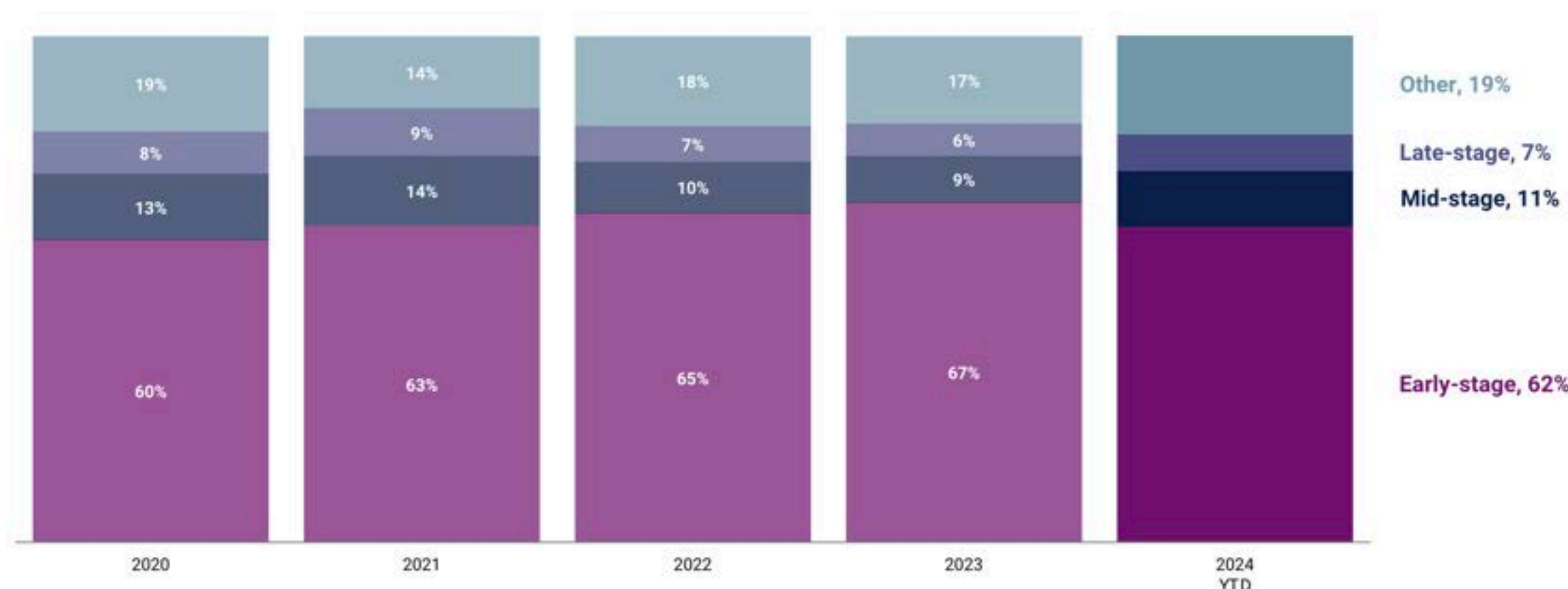
By Kate Clark

Jun 18, 2024 3:05 pm

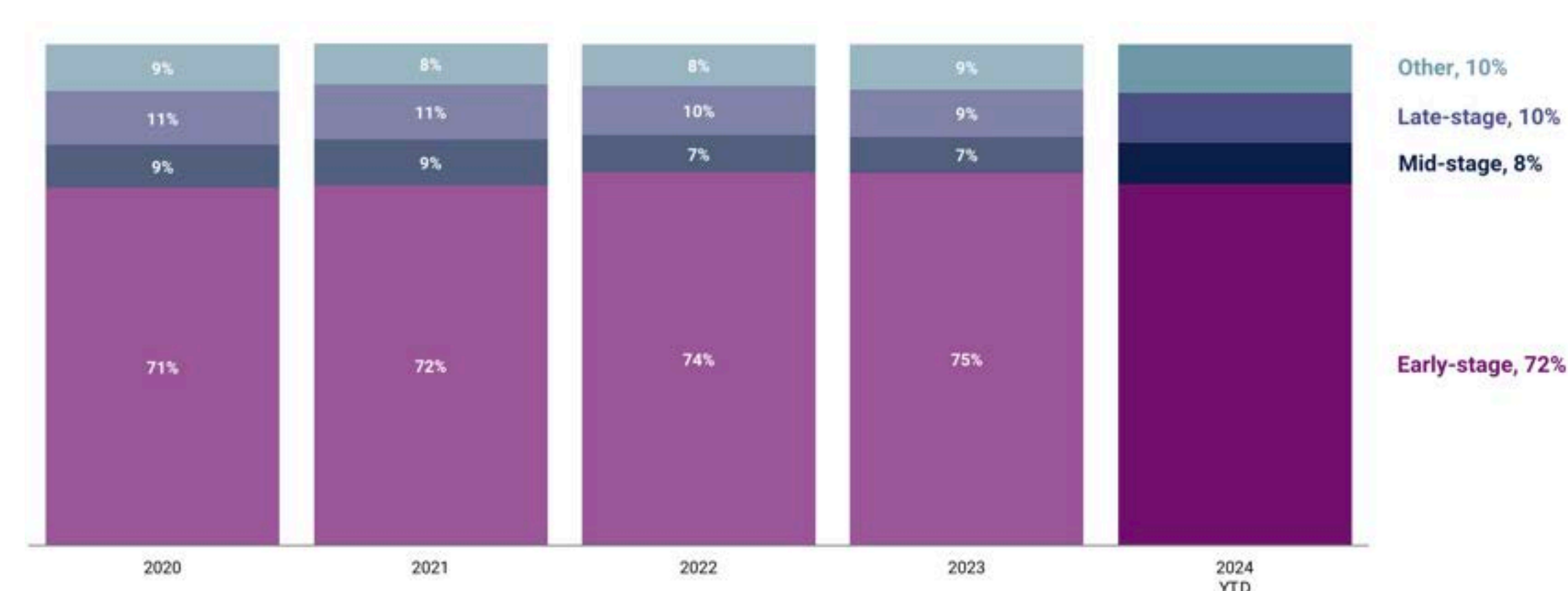
Fundraising differences / Deals by stage

In all geographies, early-stage startups capture the most significant chunk of the deal number every year. However, differences appear when we compare those numbers across geographies. The difference in the number of Early-stage deals between the U.S. and Europe is almost 10% across quarters.

U.S. - Annual percent of deals by deal stage



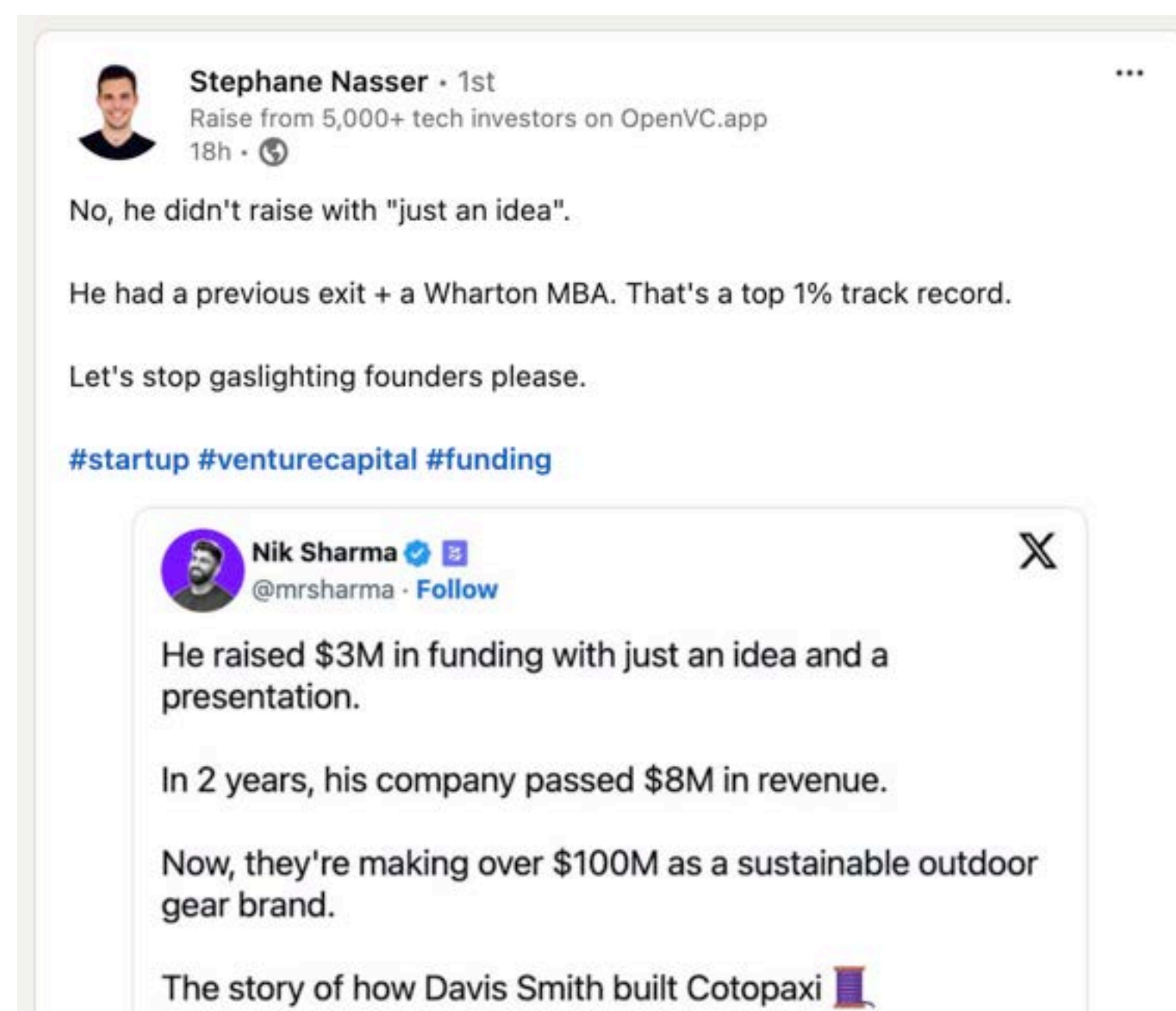
Europe - Annual percent of deals by deal stage



Geographic focus of 1st chart = U.S. and 2nd from Europe. Both graphs from CB Insights. Click graph for source post.

We shouldn't make the fundraising look easy

Fundraising is hard on regular days, rest alone doing fundraising in the current environment. So when a successful fundraise news makes it to the social media, the rest of the ecosystem should always understand the background (startup business area, founder's pedigree, etc.).



Startup fundraising advice



Meka Asonye • Following
Partner at First Round Capital
17h • 🌐

My friend [Sophia Lee](#) recently interviewed me on common early-stage fundraising mistakes — and how to avoid them.

Here are the most common mistakes for early stage fundraising that I shared:

1/ 💰 Asking for an unrealistic amount. Investors are going to dismiss you if you are asking for too much or too little. Avoid this by identifying what your business needs, calculating what you need to get to the next milestone, and researching benchmarks.

2/ 🎯 Targeting the wrong investors. Instead of throwing spaghetti at a wall to see what sticks, develop a target investor list. It's important to be able to determine whether or not an investor is a good fit for you.

3/ 📖 Failing to tell a compelling story. I recommend sharing your investor materials with experts in your field and others who are not to get unsolicited feedback. Practice makes perfect when it comes to storytelling. I recommend covering the following key points in any pitch deck: Problem, Solution, Unique Insight, Why Now, Vision/Promise, Go-to-market, and Team. Don't gloss over Team, it's the most important thing at the Seed stage.



Pablo Srugo • Following
Partner at Mistral | Seed VC
[View my blog](#)
19h • Edited • 🌐

I met a 1st-time founder who pitched 120 VCs—he closed \$2.7M in 5 weeks with demand for \$5M+. Here's his step-by-step guide to close a round:



Martin Tobias (Pre-Seed VC) ✓
@MartinGTobias

I received over 3,000 pre-seed startup pitches last year.

Most were raising the wrong amount of money (typically too little).

Here is my framework for figuring out how much to raise.



5:00 PM • Jun 11, 2024 • **89.7K** Views



Cash Allred • Following
Early-Stage Investor @ Antler | Tech, Startups, VC
[Book an appointment](#)
1w • 🌐

There are two kinds of "first meetings" with a VC.

Before you are actively raising, and while you are actively raising.
(Ignore the fact for a second that you are always raising)

In addition to building a relationship and selling the vision of your company, you should be asking good questions in these meetings.

In regard to questions... a few I would ask in a "pre-raise" meeting:

- Preferred verticals?
- Average check sizes for a lead or follow on?
- Ownership targets? Valuation ranges?
- Size of the fund and when it was raised (helps you know if they have \$\$)
- If they want to be on your investor email list - start showing them traction and progress

VCs won't put this on their website in enough detail to be helpful, and they will frame this answer depending on how interested they are in you. This data really helps and shows you are managing the process well.

VC feedback and founder reactions

Giving feedback is time-consuming for VCs, and in many instances, the Founders don't react appropriately to the situation. This creates even higher motivation to restrict oneself from giving negative feedback. Honestly, Founders should understand that any feedback is good feedback.



Geri Kirilova (she/her)
 @geri_kirilova · Follow

if you're a founder wondering why VCs don't always give feedback, at least one of the reasons is that sometimes we are rewarded with a barrage of abusive emails 🙄

Dear Geri,

Your advice was not requested and I dislike it very much.

Thanks, but no thanks!

Best Regards,

12:38 AM · Apr 19, 2022

 1K
  Reply
  Copy link

Read 299 replies



Steph from OpenVC 
 @StephNass

EVERY new VC wants to give feedback to founders.

 Then they get replies like that.

 Then they learn NOT to give feedback.

 It's one of these things where the newcomers are full of enthusiasm: "I'll be better than the old generation. I'll give feedback to everyone."

 Doesn't last very long...



Henri Pierre-Jacques 
 @hpierrejacques · Follow

Just had a Founder say "F**k you" after I passed via email

 Some forget how small this world is and that no's aren't personal. I deleted and will let karma do the reply

 Founders, do not make the mistake of writing your emotions in an email. There is ZERO upside and ALL downside

9:29 PM · Jul 30, 2023

 1.1K
  Reply
  Copy link

Read 185 replies



Vivek Sodera 
 @vsodera · Follow

During a call today, had a founder tell me to "f*ck off" after I politely and matter of factly gave him feedback on why I was passing on investing.

 (I previously sent him a rejection email with some feedback, but did a follow up call as a favor to him, per his request.)

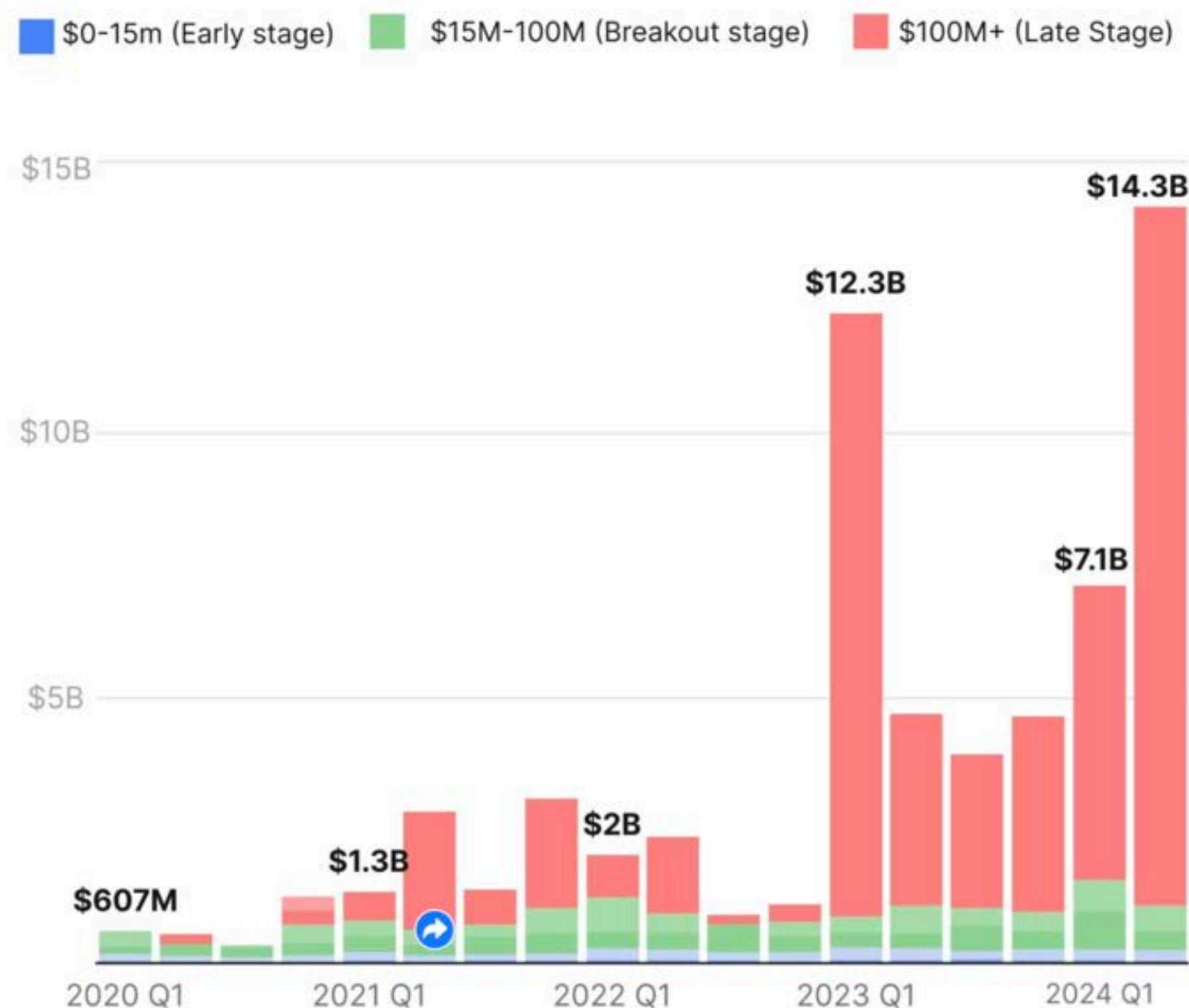
6:40 PM · Jun 14, 2024 · 128.7K Views

 136
  26
  287
  109

AI startups reach new fundraising highs

AI investments have been on a constant upward trajectory, whichever data provider we might look at.

Global Generative AI VC investment by stage



Source: Dealroom.co

Global Funding To AI Through Q2 2024

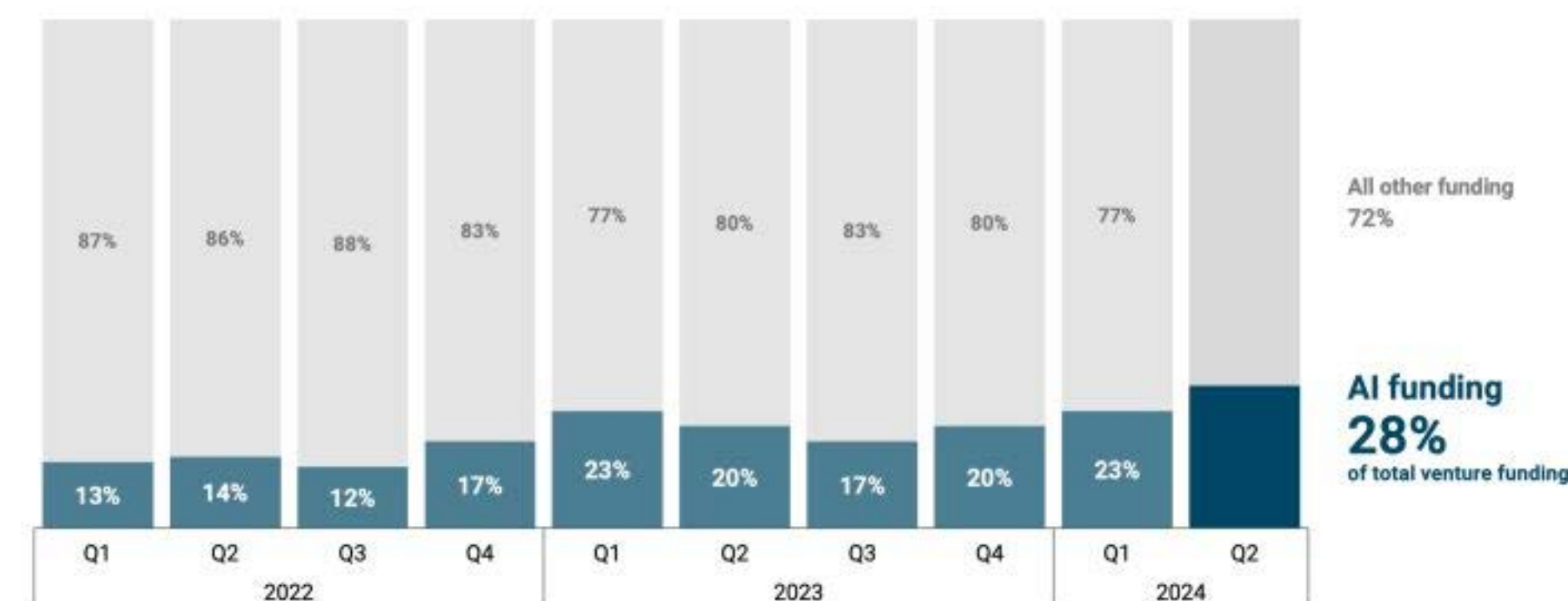


crunchbase



AI startups grab a record 28% of all venture funding in Q2

Equity funding to AI startups as a percentage of the overall venture market



State of Venture: Q2'24
Source: CB Insights

CBINSIGHTS

Geographic focus of all charts = Global. 1st graph from Dealroom, 2nd from Crunchbase, and 3rd from CB Insights. Click graphs for source post.

AI startups are raising larger rounds

Whether it's a real game changer or driven by FOMO, AI is currently dominating the startup scene with higher valuations and larger funding rounds. However, many startups might struggle to raise funds in their next rounds if their revenue growth declines amid ongoing market uncertainty.

Jun 10, 2024 - Business

For venture capitalists, it's about AI and then everything else



Dan Primack



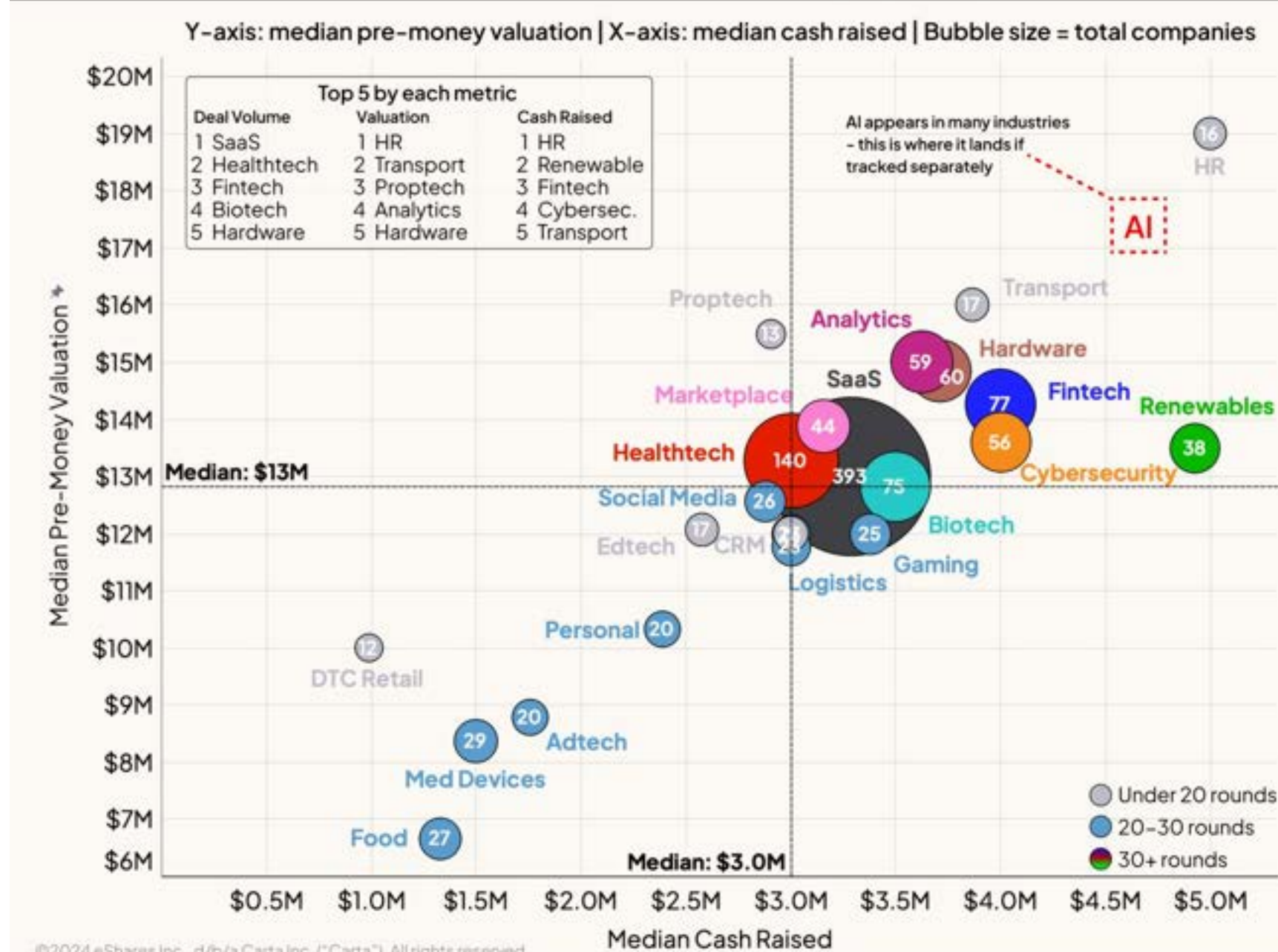
Amy Wu • Following
Partner at Menlo Ventures
2h • 🌐

- AI multiples will remain high. In many cases AI companies are raising large rounds because they are demonstrating remarkably fast revenue and user growth. However, retention remains a leading indicator of which products may reach true PMF (eg it is actually helping people do something 10x faster / cheaper / better) vs which are enjoying AI novelty. As soon as a company's growth declines from 2-3x to <50% many will struggle to raise a next round at such a high watermark. Understandably many are stockpiling funds while they can now

Seed Startups | Industry Map

How do industries compare in valuation and cash raised?

Data: 1,271 priced seed rounds raised Apr 2023–Mar 2024 | US primary rounds only



Free startup data in your inbox: <https://z.carta.com/data>

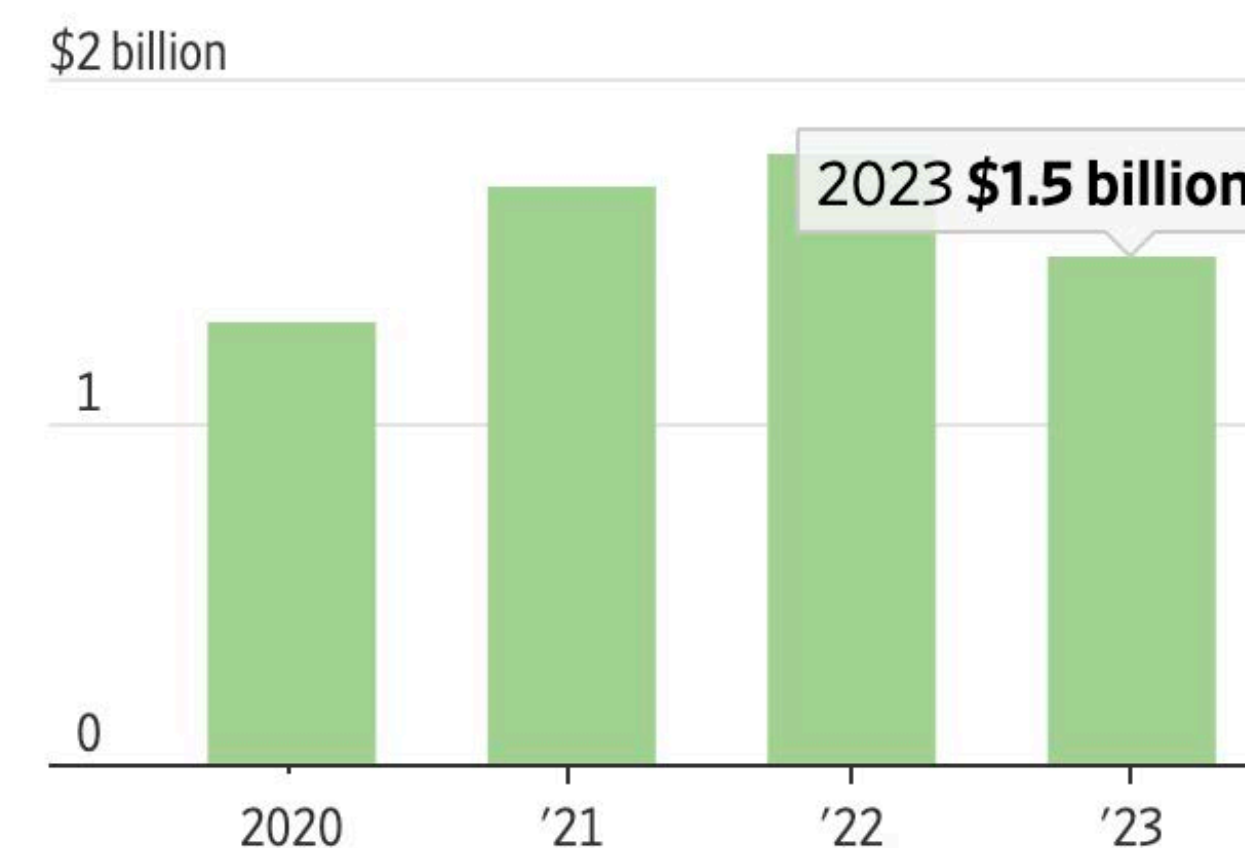
Is Crowdfunding delivering the bang for the buck?

Crowdfunding is a marketing game and startups adept at digital marketing are taking advantage of a regulatory exemption to promote their breakthrough products and secure significant funding from individual investors. Approved by the SEC nearly a decade ago, Regulation A allows smaller companies to raise up to \$75 million annually with fewer regulations than a traditional IPO. This exemption has enabled businesses to raise billions from hundreds of thousands of Americans with minimal oversight.

The Shortcut That Allows Risky Startups to Raise Billions From Rookie Investors

Crowdfunded companies pull in cash through sleek social-media promotions and mentions of Elon Musk

Regulation A crowdfunding proceeds



Note: For the 12-month periods ended June 30 of each year.

Source: Securities and Exchange Commission

Retail investors coming for Unicorns

Private assets have traditionally been off-limits to retail investors, accessible only to HNWIs meeting specific capital requirements. However, there's a growing call for retail investors to access the attractive returns of private markets. This is expected to lead to the creation of carefully structured vehicles that distribute risk across various private companies/startups.

ETF EDGE

Retail investors may be a step closer to investing in unicorns

PUBLISHED SAT, JUN 8 2024 • 11:00 AM EDT



Emily Glass

SHARE    

Fundraising advice

For a successful fundraising, founders need clarity regarding the investor landscape, how to approach them, how to run the fundraising process with them, and much more.



Obediah Ayton • Following

Director Dhabi Hold Co | Family Office | UAE Top 50 Most Connected | Cap...

[Request services](#)

2w • 🌐

Dear Start Ups & Emerging Managers, you must understand this, before you come to the UAE for Investment from a local Family Office 📌

Lastly...

If you are in Europe right now and you seek a UAE Family Office to lead your series A round, it is very unlikely.

If you are in USA right now and you seek a UAE Family Office to anchor your new fund, it is very unlikely.

So best start building that local consensus sooner rather than later, as half the world is coming to the UAE and the line to meet local Family Offices is getting longer.



Yoni Rechtman (He/Him) • Following

Principal at Slow Ventures

2w • 🌐

Like companies, investors have majors and minors.

For specialists the sector/theme is the major

For true generalists investing is the major and the sectors are minors

Choose wisely:

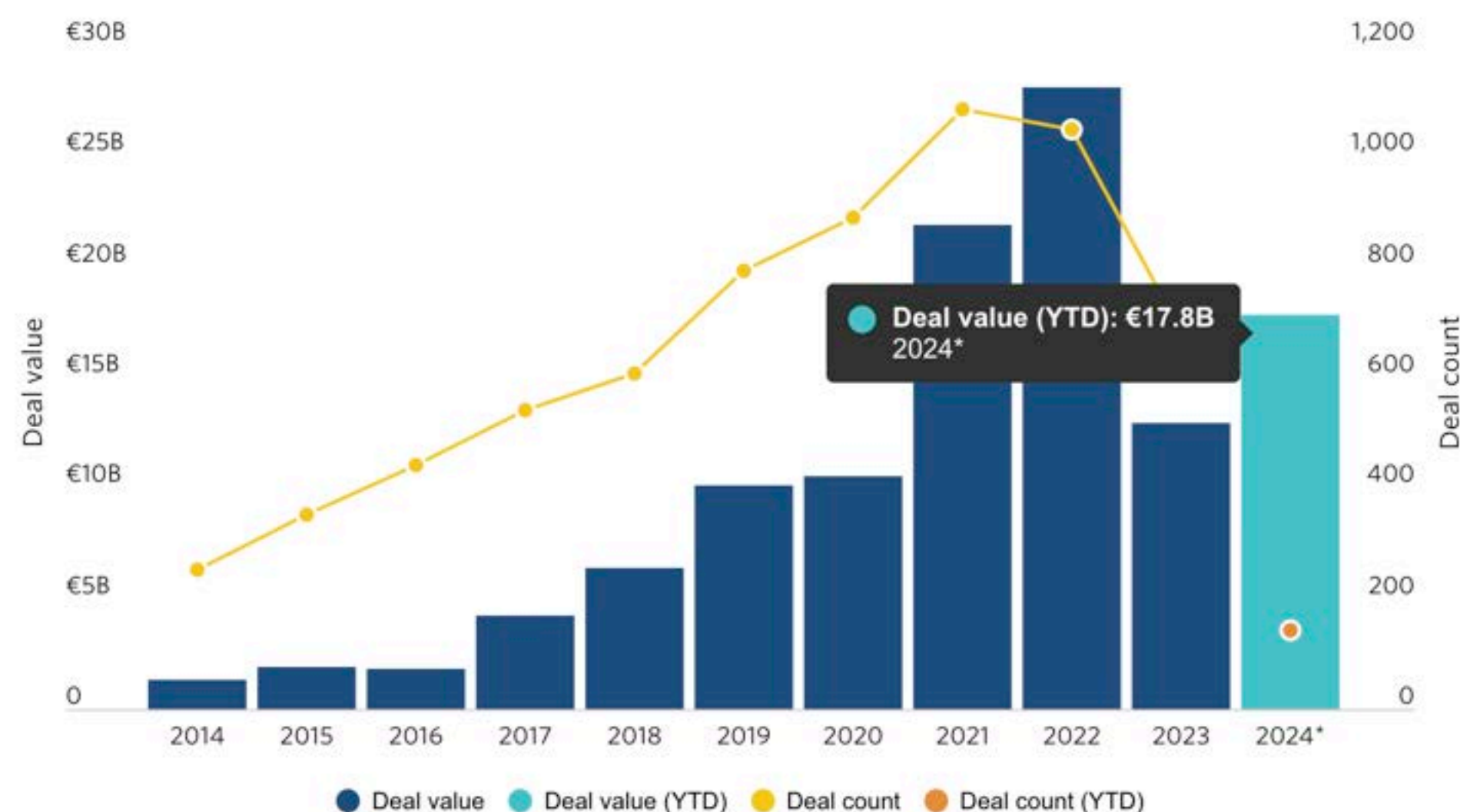
Founders, do you want POVs on your product or your stock?

VCs, which can you actually do well?

Venture debt investments swell

Due to low valuations, companies are reluctant to raise equity. Venture debt extends their runway until the market improves. With less equity available, startups are turning to debt for operations, despite higher interest rates, to avoid share dilution.

Europe - Venture debt investments swell in Europe



Source: PitchBook data
*As of June 27, 2024

U.S. - Tech accounting for high proportion of debt deals



PitchBook-NVCA Venture Monitor • Geography: US • *As of June 30, 2024

Venture Debt: What Is It And When Should Startups Use It?

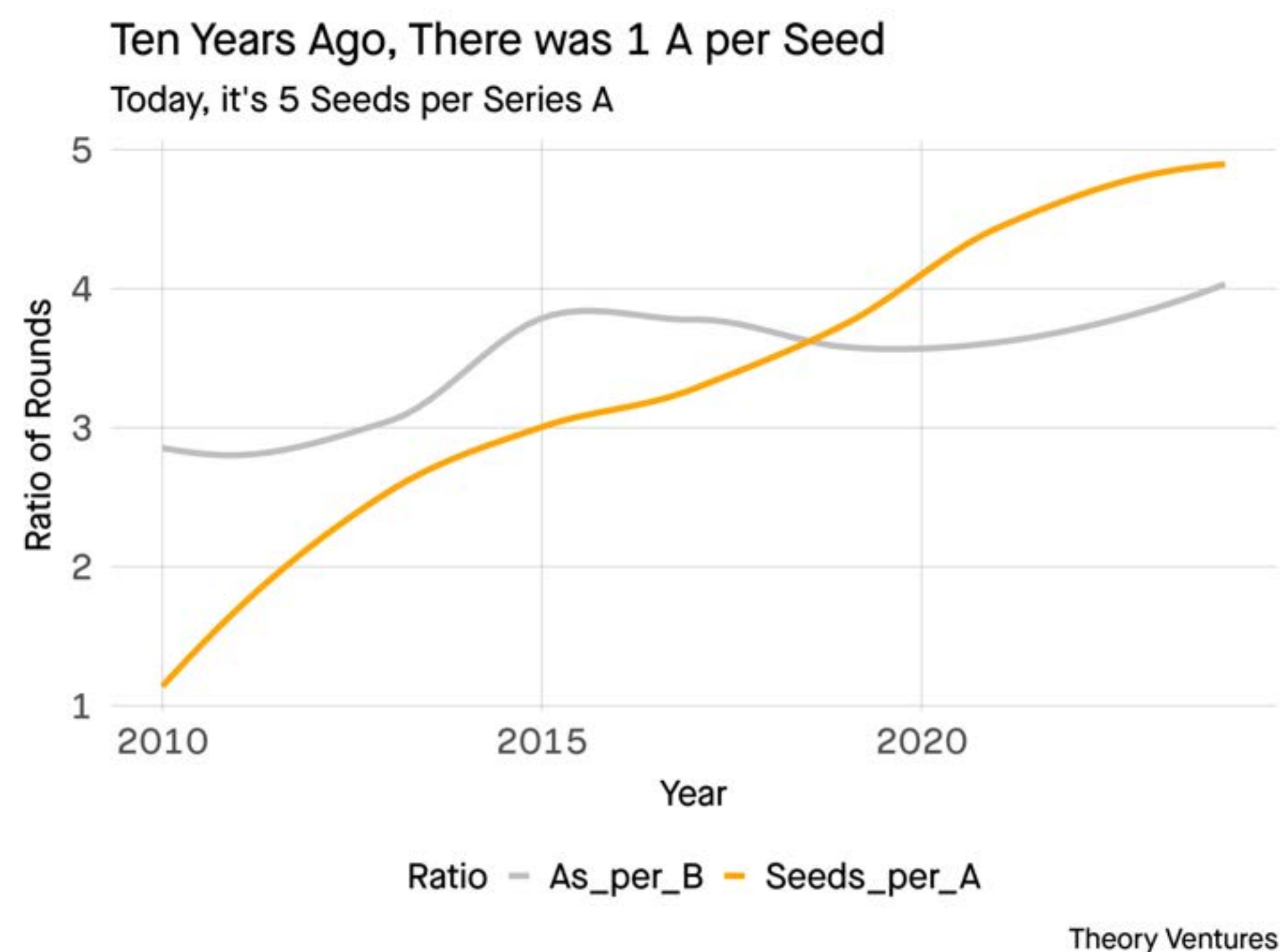


Sam Bogrov
Tau Ventures | MBA Candidate at Wharton

July 1, 2024

Seed to Series A jump

The Seed to Series A chasm is one of the most concerning trends of the last few years. With a ratio of almost 1.2 in 2010, it has increased to 5 in 2024 - that means, for every 5 Seed rounds, there is one Series A round.



The Series A Crunch or the Seedpocalypse of 2024



Tomasz Tunguz [in](#)
Venture Capitalist at Theory

June 21, 2024



Europe's growth-stage funding

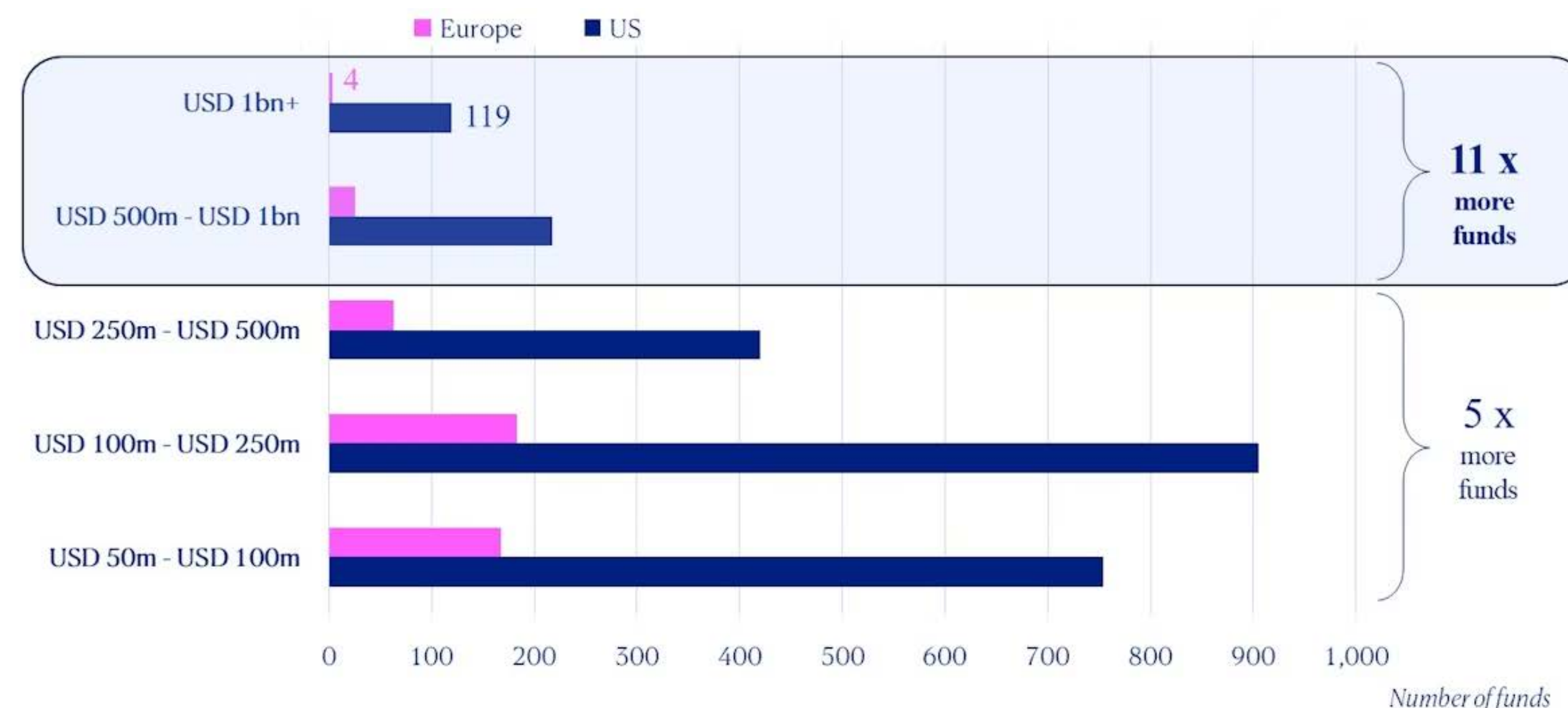
There is a growing debate among investors since last couple of years about the best EU tech companies are being funded by non-EU capital and this gap is increasing in the past two years. The unicorn rounds in most of the EU countries shows that the largest tickets are taken by US and Asian investors. Over the last decade or so, 80% of the financing rounds of top innovative EU companies have been led by US VC firms or by Asian corporate VC firms. However, Late-stage capital is becoming more readily available in Europe. Late-stage funding, which saw the sharpest declines in 2023 but rose almost 16% in value in Q1 2024.

Analysis June 21, 2024

Is Europe's growth funding gap a myth?

Policymakers and public funders bemoan the lack of growth capital in Europe. But do scaleups actually lack funding?

Anne Sraders, Amy Lewin and Miriam Partington 6 min read

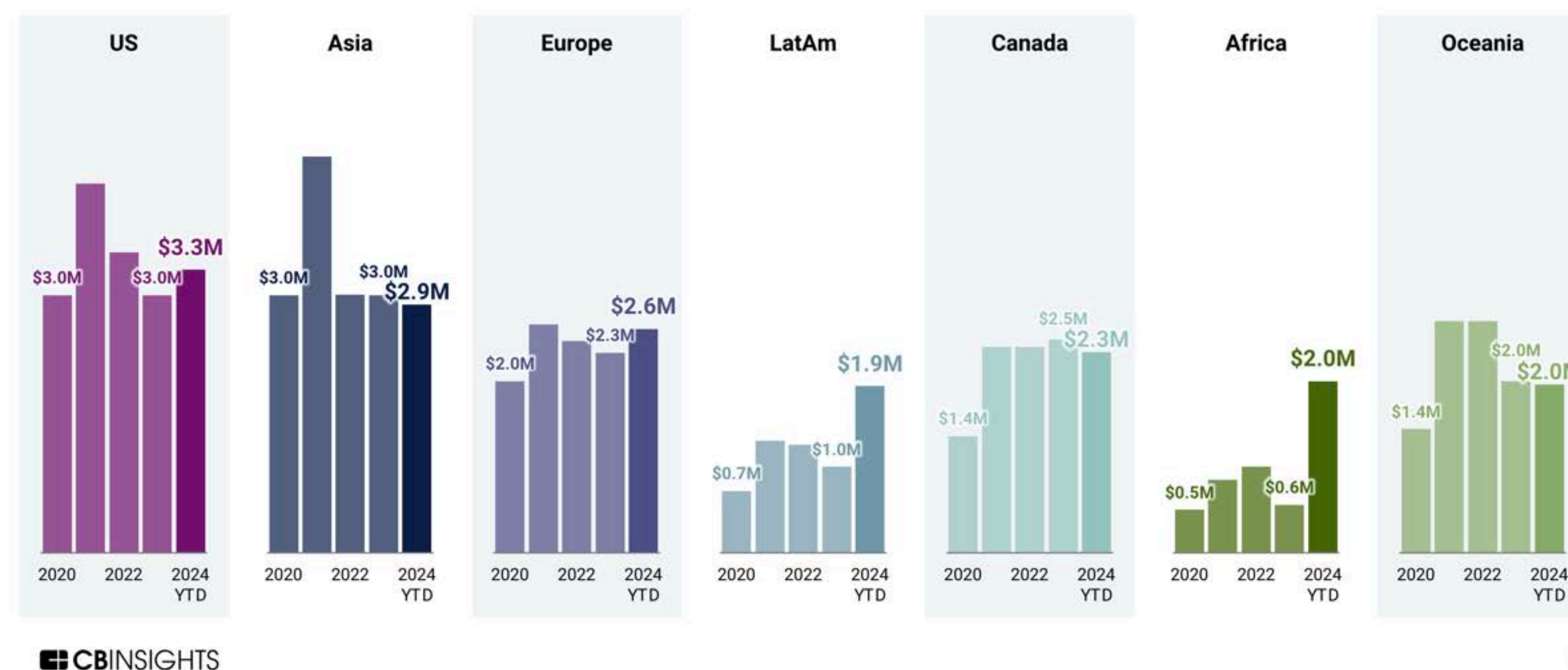


Source: Own calculations, based on data from Invest Europe, NVCA and PitchBook.

Deal size - Global

Everyone already knew that U.S. rounds were the biggest. However, the median deal size data from CB Insights is interesting to analyse as the rounds in Asia are consistently shown as higher than in Europe.

Annual median deal size by global region



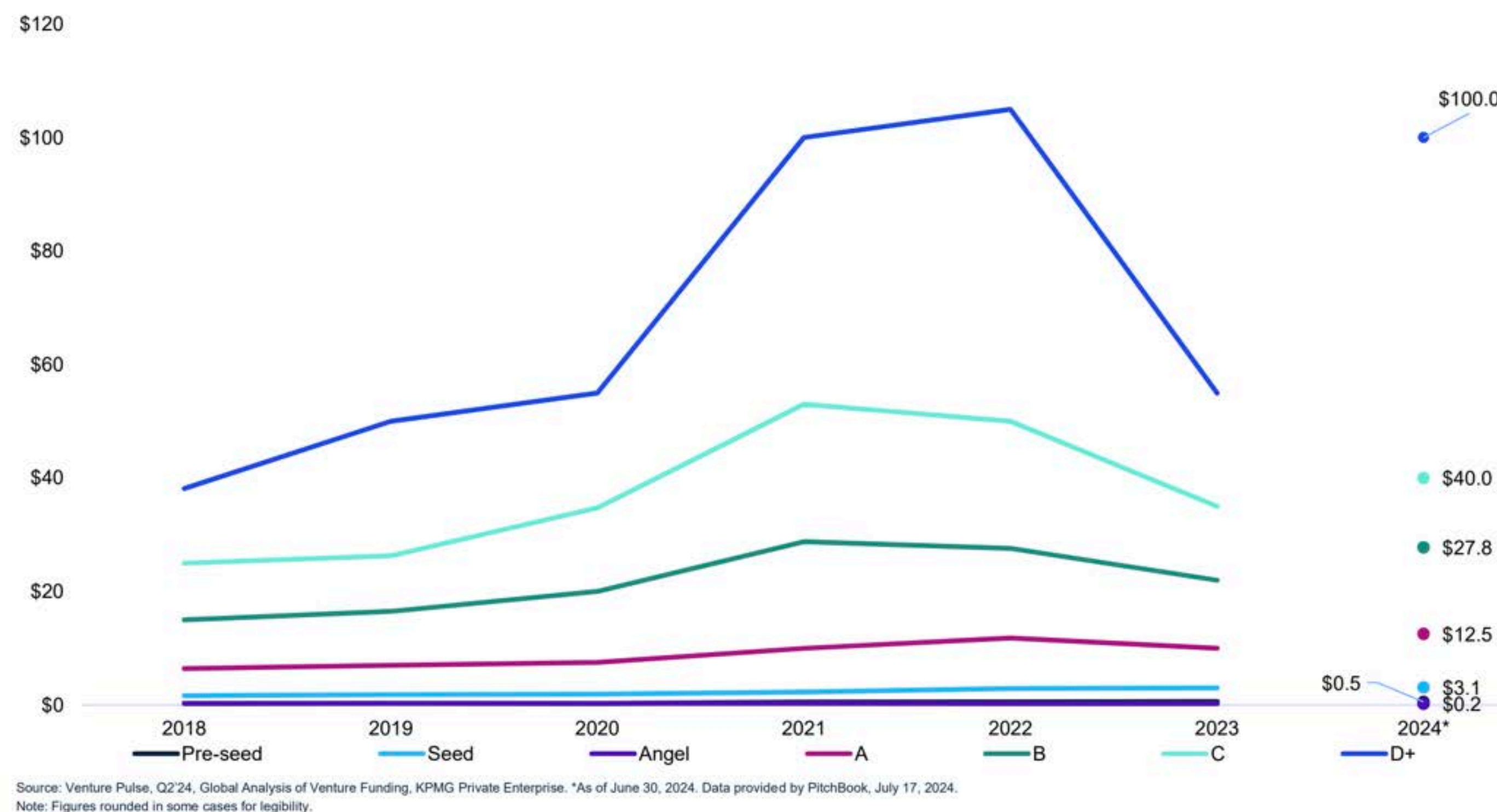
Round size - U.S.

In the U.S., median deal sizes have increased YoY across seed, early-, and late-stage VC, indicating a trend towards larger rounds to weather the financing winter. Companies raising funds now likely have solid fundamentals and traction. Seed stage round sizes have seen the most significant increase since 2019, up 54%, while late-stage startups are raising median rounds 10-15% lower than in 2019.

Median VC round size (€M)*

Evolution of venture round cash								
Median amount raised has grown significantly in early-stage venture								
Data: 21,320 rounds raised by US software startups on Carta 2019–June 2024								
Stage	Type	2019	Median amount raised by year, stage, and round type					% change from 2019
			2020	2021	2022	2023	H1 2024	
Seed	Primary	\$2.2M	\$2.2M	\$3.0M	\$3.5M	\$3.2M	\$3.5M	54%
	Bridge	\$2.4M	\$2.1M	\$3.0M	\$3.1M	\$2.8M	\$2.7M	12%
Series A	Primary	\$8.0M	\$8.2M	\$11.7M	\$10.8M	\$9.4M	\$9.7M	21%
	Bridge	\$5.0M	\$5.7M	\$5.0M	\$6.0M	\$5.0M	\$5.0M	0%
Series B	Primary	\$20.0M	\$20.1M	\$30.0M	\$25.0M	\$19.8M	\$23.9M	20%
	Bridge	\$9.0M	\$10.0M	\$10.0M	\$12.0M	\$8.8M	\$6.0M	-33%
Series C	Primary	\$30.0M	\$36.0M	\$57.1M	\$40.0M	\$25.5M	\$25.6M	-15%
	Bridge	\$12.1M	\$12.7M	\$20.3M	\$18.2M	\$15.0M	\$6.1M	-49%
Series D	Primary	\$50.0M	\$50.0M	\$92.2M	\$65.0M	\$48.4M	\$45.1M	-10%
	Bridge	\$30.0M	\$15.0M	\$28.6M	\$40.0M	\$12.8M	N/A	N/A
©2024 eShares Inc., d/b/a Carta Inc. ("Carta"). All rights reserved. -50% 0% +50%								
carta Subscribe for more startup data: https://z.carta.com/data								

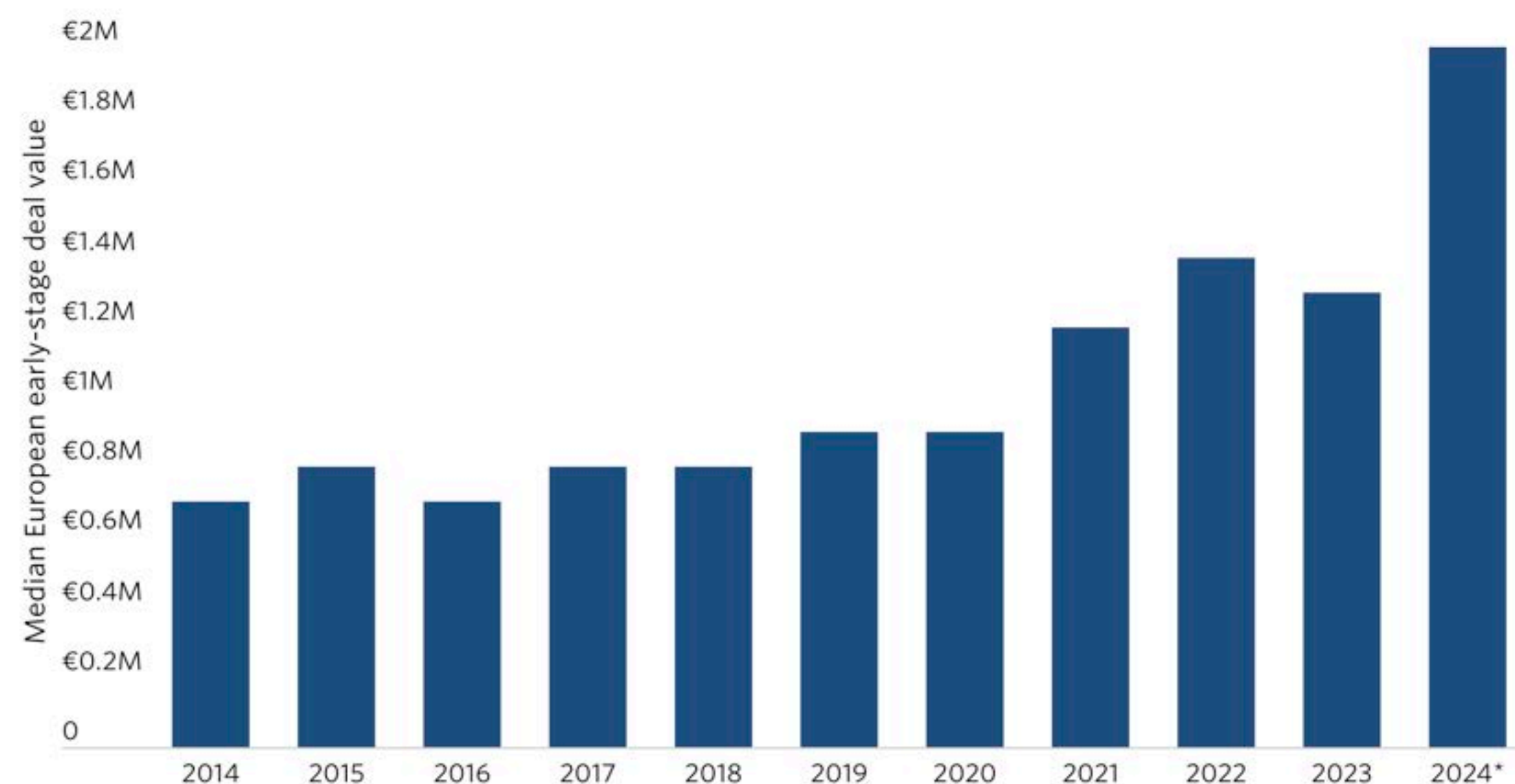
Median deal size (\$M) by series



Early stage deal size (Europe)

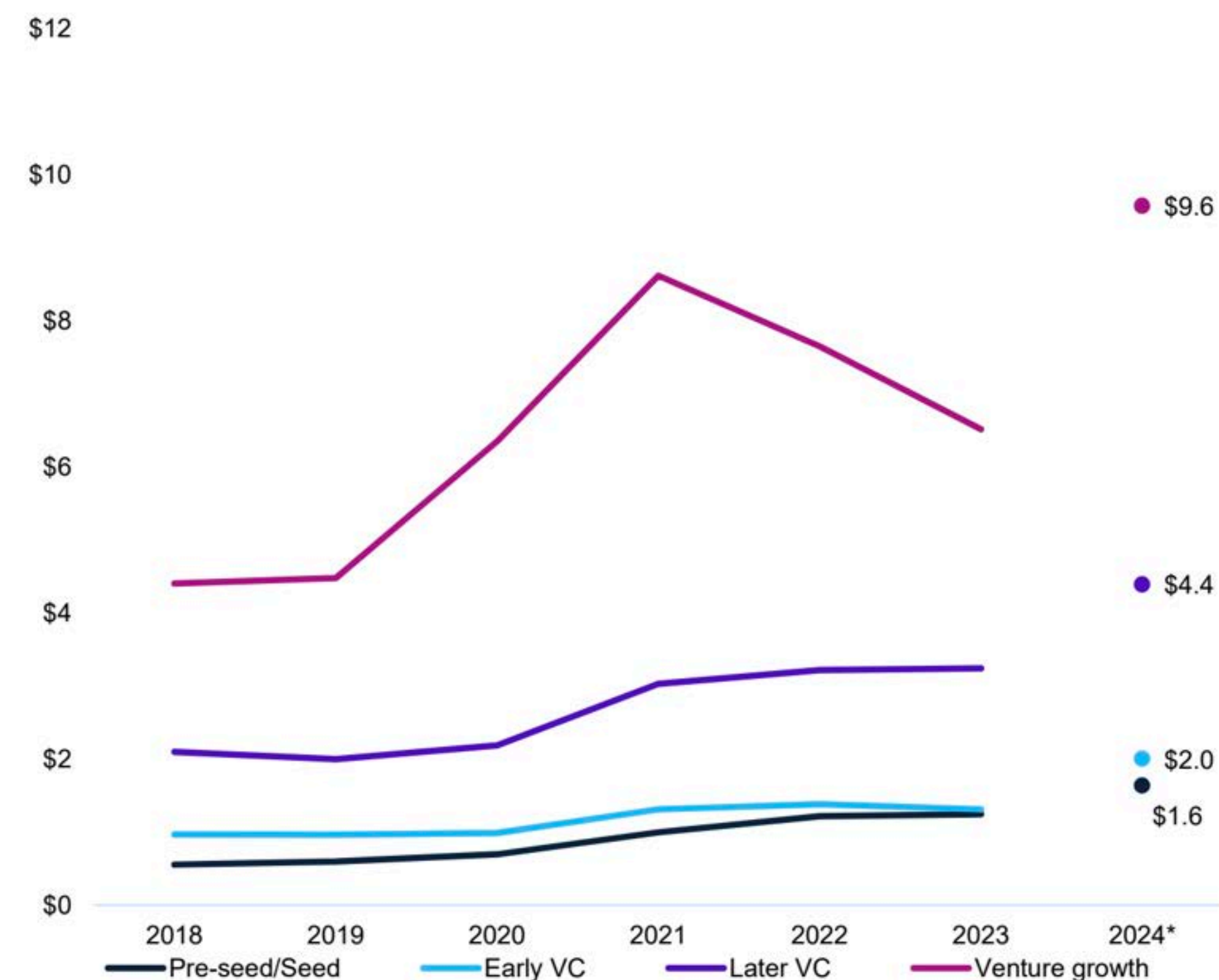
Europe is seeing an increased impetus on deal dynamics. Metrics like deal size point upwards and move closer to the U.S. numbers. It was long in making considering European rounds remained cheap (from valuation and deal size standpoint) for a long time.

Median deal size swells for early-stage startups



Source: PitchBook's Q1 2024 European VC Valuations Report
*As of March 31, 2024

Median deal size (\$M) by stage in Europe

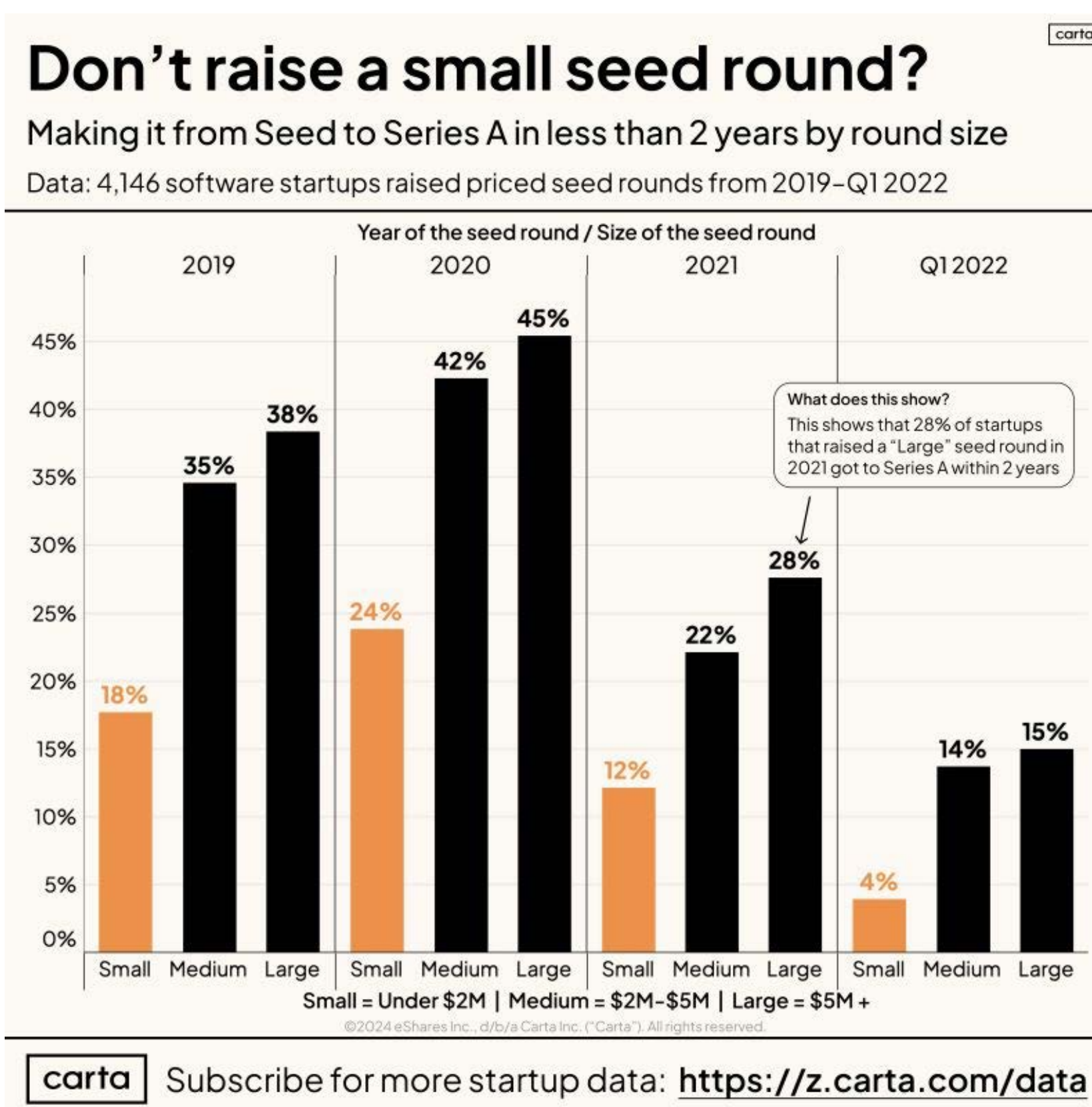


Source: Venture Pulse, Q2'24, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of June 30, 2024. Data provided by PitchBook, July 17, 2024.

Geographic focus of both charts = Europe. 1st chart from PitchBook and 2nd from KPMG. Click graph for source post.

Should you raise a small round?

Regarding fundraising, advice varies among investors and operators. In 2019 and 2020, during ZIRP, larger rounds increased the likelihood of raising a Series A within a few years. This remained true in 2022. By 2024, smaller rounds with strategic investors have also gained interest from founders. Many now focus on building relationships with diverse investors, including angels and micro-VCs, to gain capital, mentorship, and connections. They aim for a lean, agile growth approach, proving their concept and hitting milestones with minimal resources to attract further investment.



In 2024, many Y Combinator startups only want tiny seed rounds — but there's a catch

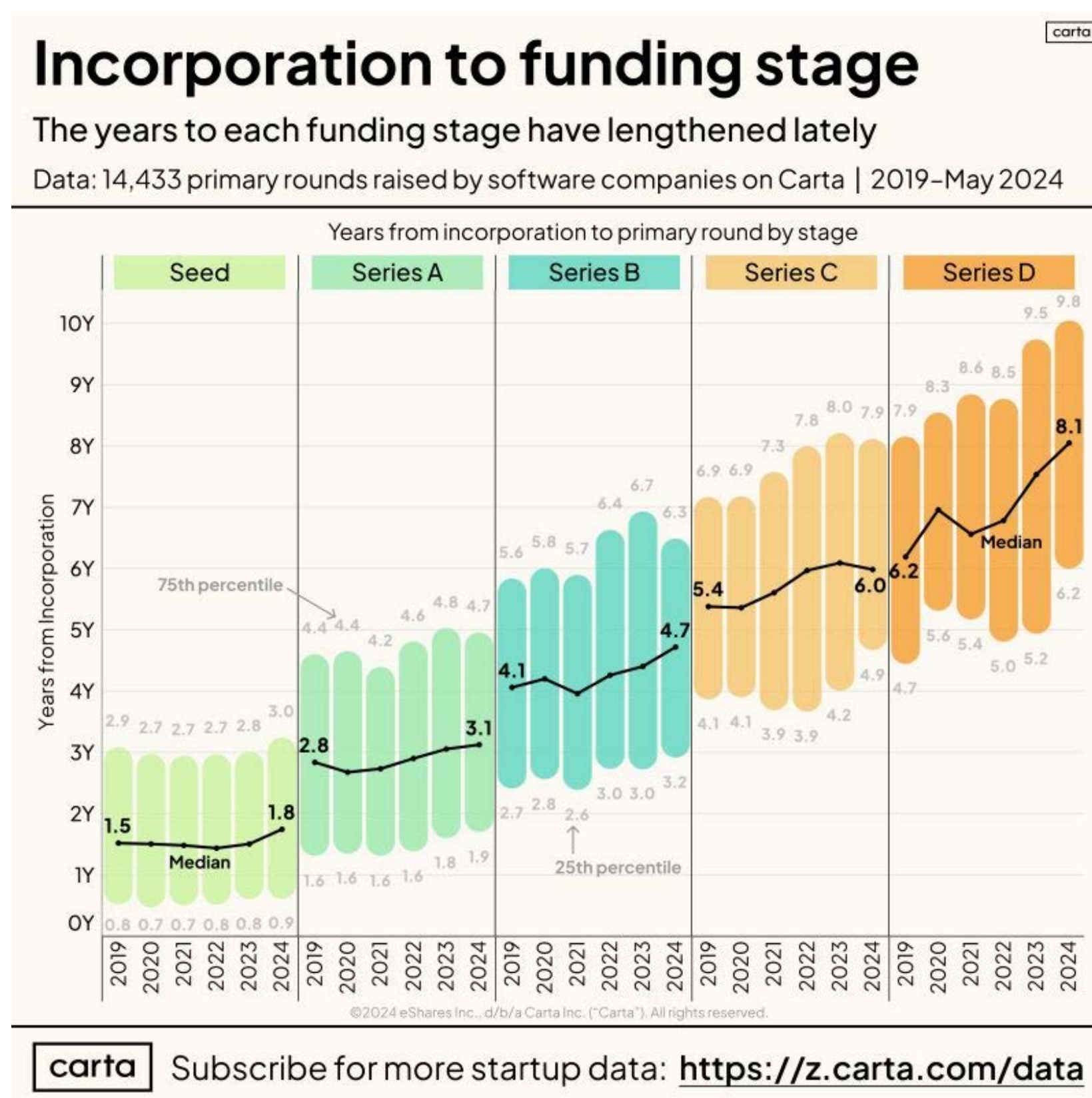
The terms they want are repelling many institutional seed VCs

Rebecca Szkutak / 12:20 PM PDT • June 7, 2024

Comment

Time between fundraise

Given the current VC environment, the time taken to reach each fundraising stage is lengthening for the startups. However, the fundraising journey from 0-to-1 takes the maximum time (2 years is the median) and then tends to decrease. As startups mature, their business case becomes more apparent to investors and more capital-demanding.



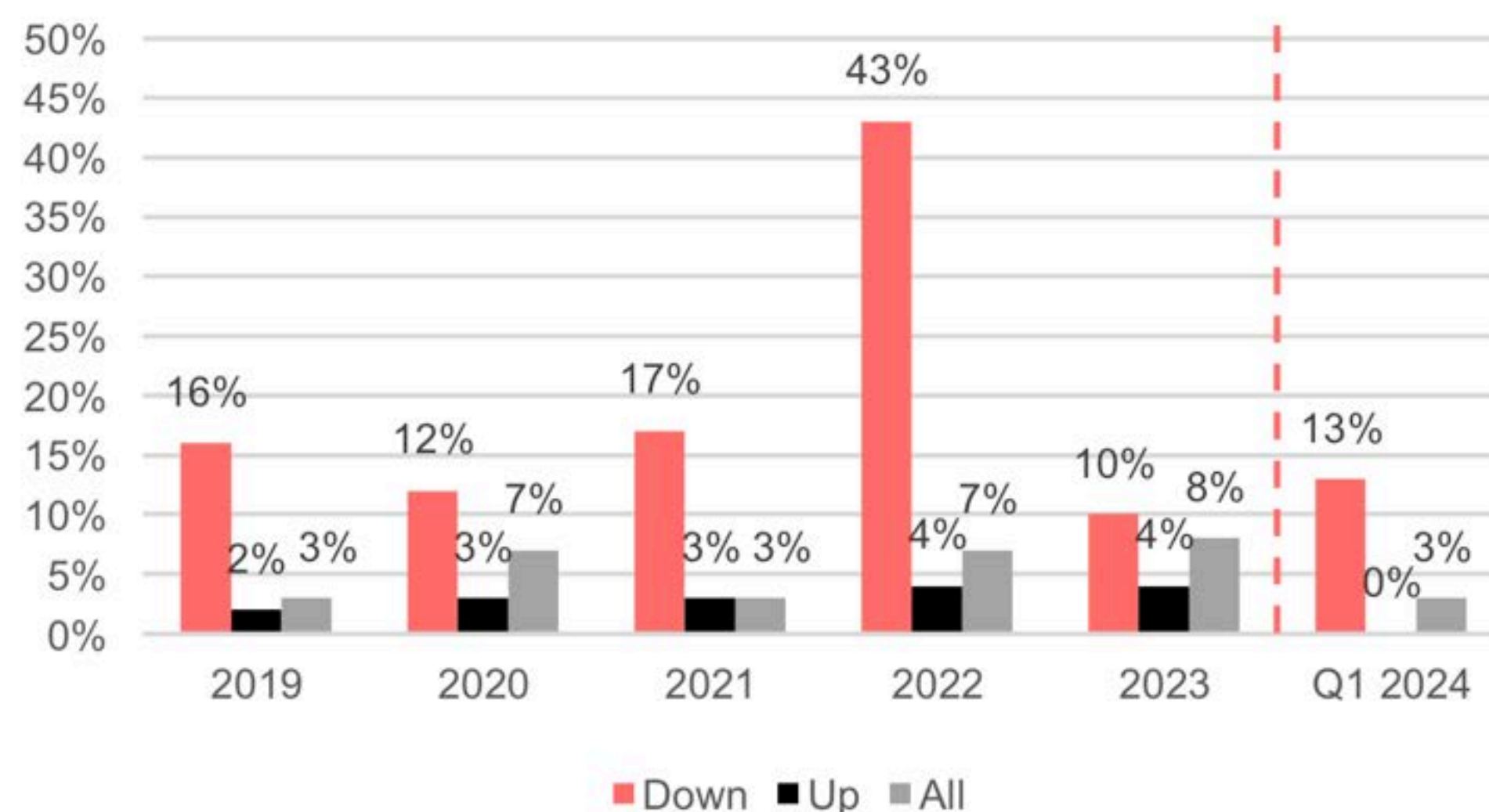
Median time (years) between VC rounds*



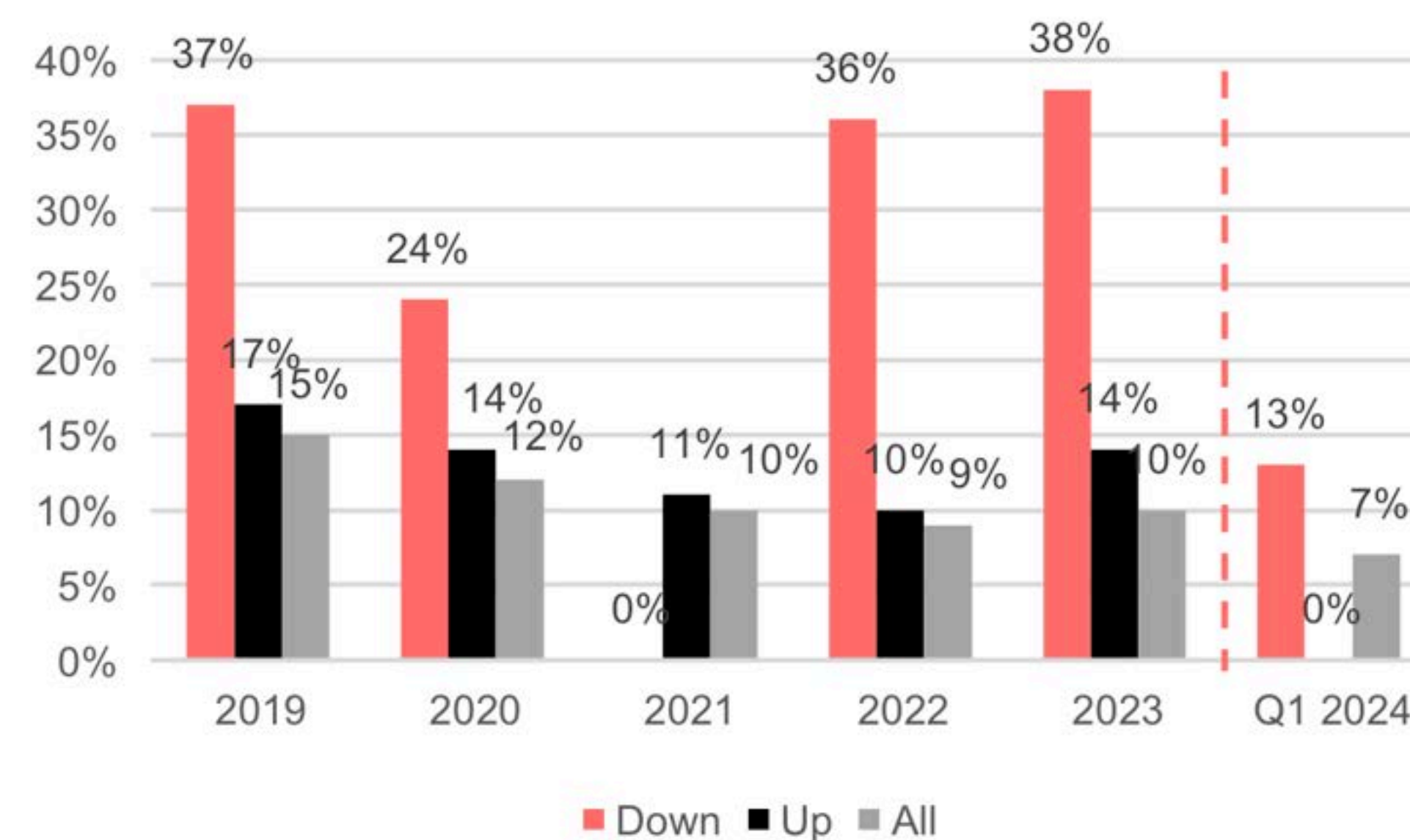
Deal dynamics / Up-rounds and Down-rounds / 1

Some investor-friendly terms remain common but are mostly limited to Down rounds. In Q1 2024, equity deal terms continued to evolve. Pay-to-plays, affecting existing investors who don't invest further, were included in only 13% of down rounds, down from over a third in 2022. Participating liquidation preferences, offering more upside in successful exits, also dropped significantly, featuring in just 13% of down rounds compared to 38% in 2023.

Deals with Pay to Play (Series B and Later Financings)

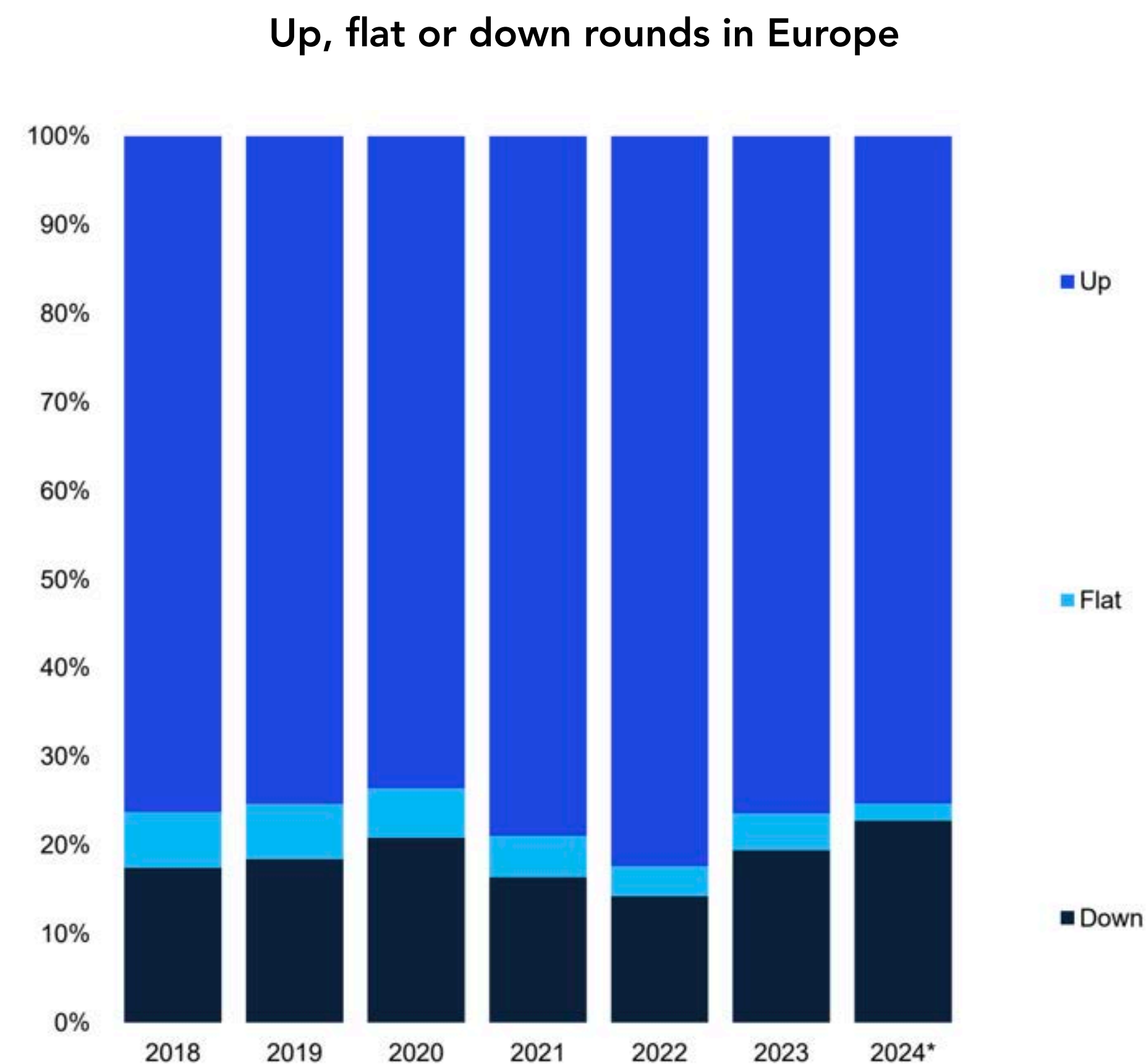
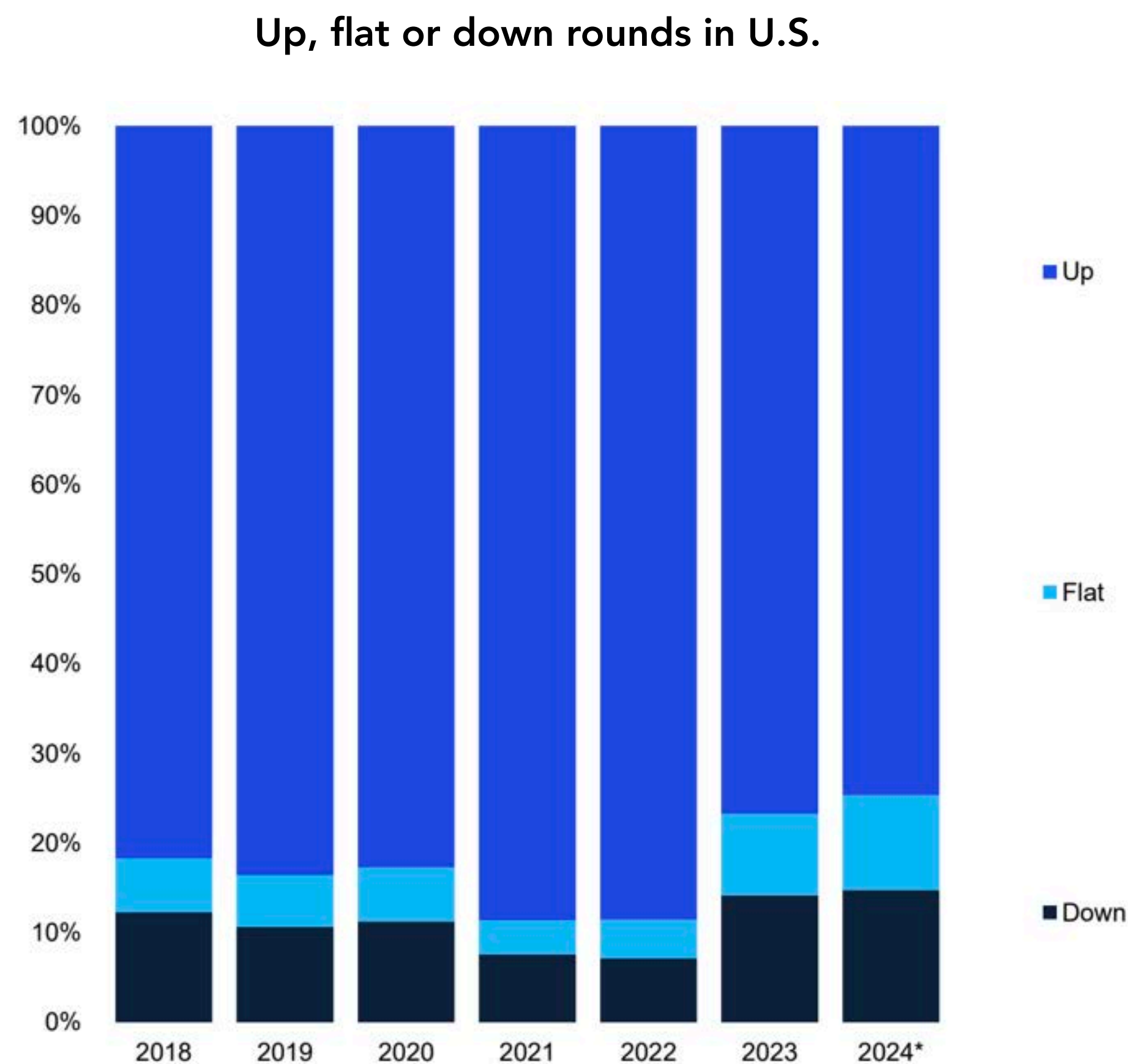


Participating Liquidation (All Preferred Stock Financings)



Deal dynamics / Up-rounds and Down-rounds / 2

In the U.S., the downround percentage is at par with 2023. Also, the flat rounds percentage increased from 2023 and is closer to the downround levels. However, in Europe, downrounds have increased as a percentage, and flat rounds are only minimal compared with the 2023 percentage.

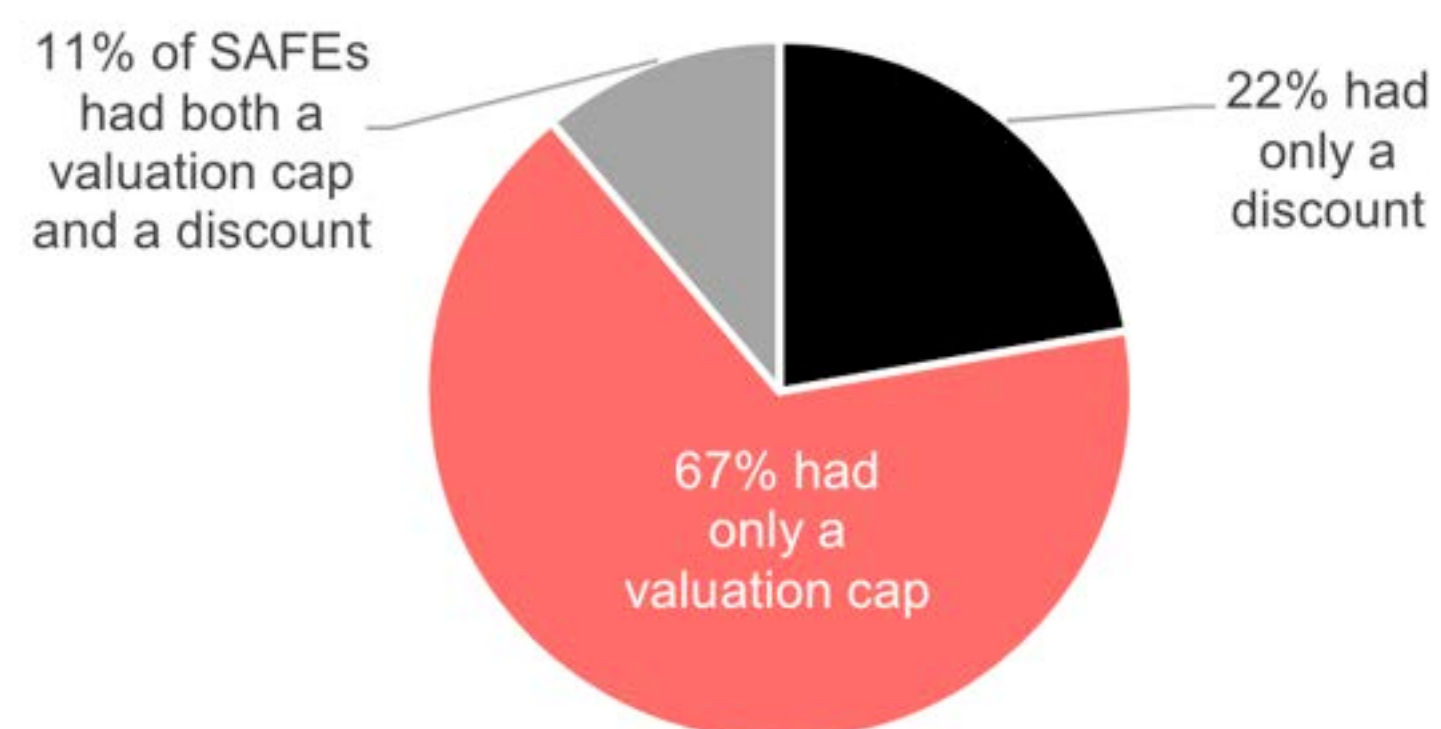


Geographic focus of the charts = 1st - U.S. and 2nd - Europe. Graphs from KPMG and PitchBook. 2024 data until June 30th. Click graph for source post.

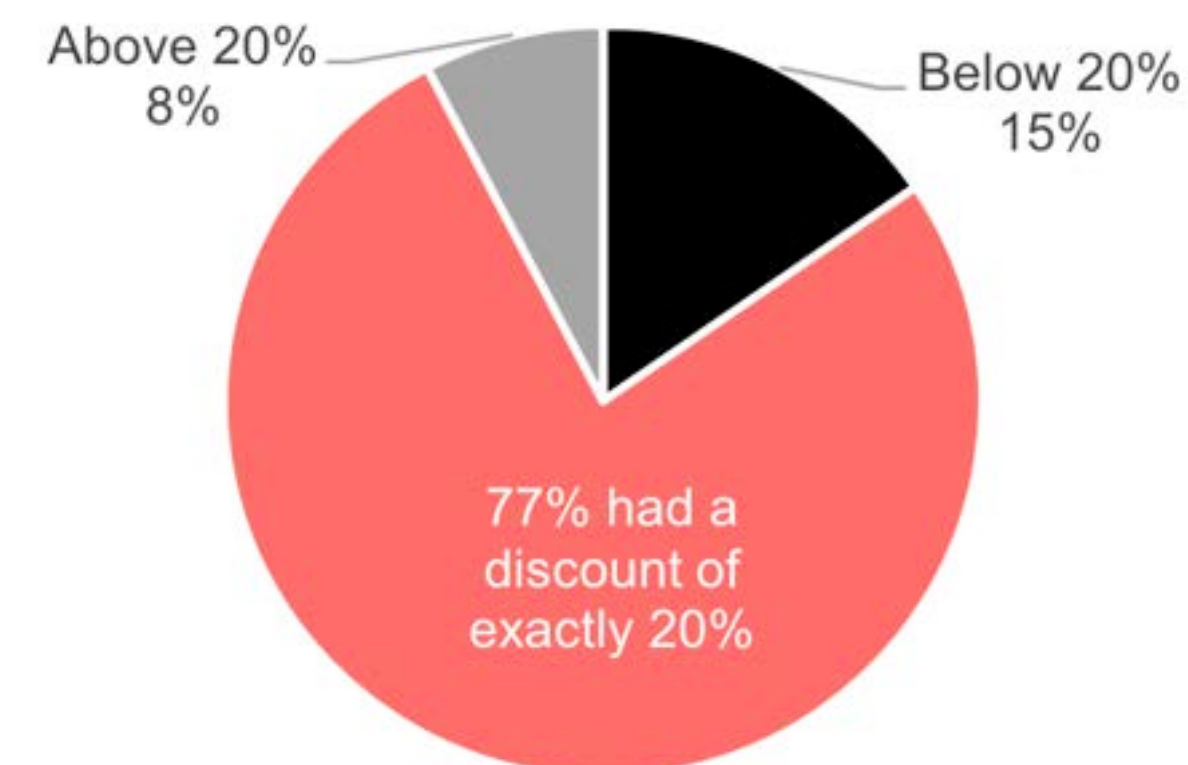
Deal dynamics / SAFE rounds

SAFE investors are sticking to standard terms. Q1 2024 SAFE terms mirrored recent years. About 33% included a discount, down from 43% in 2023 and 38% in 2022. Valuation caps appeared in 78% of SAFEs, similar to 2023's 80%, with the median cap rising to \$20 million from \$15 million. The increase in SAFEs with only a valuation cap (67% versus 58% last year) and higher cap values indicate better terms for early-stage startups. Discount rates remain consistent with 2023.

Valuation Caps and Discounts



Discount Rates



Deal dynamics / Convertible notes

According to Wilson Sonsini report, pre-seed and post-seed convertible notes amounts raised have trended upwards. Unlike the upward trend in equity financings, convertible note amounts have fluctuated recently. Q1 2024 saw a slight decrease in median amounts for both pre-Seed and post-Seed notes. Thriving startups are securing equity rounds as investors are willing to invest more, while struggling startups delay equity rounds and rely on bridge notes to stay afloat.

Pre-Seed – Convertible Notes (Yearly Comparison)



Post-Seed – Convertible Notes (Yearly Comparison)



Deal dynamics / Are SAFEs safe?

TECH

Keep it secret, keep it SAFE: Inside the growth of AI founders choosing uncapped notes to raise investor cash

Callum Burroughs May 24, 2024, 10:00 AM CEST

[Share](#) [Save](#)**Peter Walker** • 1st

Head of Insights @ Carta | Data Storyteller

3w •

Early stage startup fundraising has gotten super confusing - here's why:

The overriding reason is the expanded use of SAFEs.

**Chris Harvey** • 1st

Emerging Fund Lawyer

2mo •

Do SAFEs have a fundamental flaw? Yes—here are a couple of *major* ones:

1) Limited Conversion Rights: SAFEs convert into equity only during specific events such as an equity financing, sale, public listing, dissolution, or another exit scenario.

2) Lack of Control Mechanisms: There are no fiduciary obligations or stock veto rights. This means you can't prevent a founder from potentially engaging in bad actions like taking excessive salaries, stacking SAFEs, or hiding the ball with company financials.

**Chris Harvey** • 1st

Emerging Fund Lawyer

1mo •

The Death of the SAFE: Long live SAFE Preferred Stock!

What happens if the IRS finds that SAFEs are not available for QSBS tax treatment?

Valuation and round size dilution - U.S.

Carta data and analysis present a couple of interesting points. Priced rounds have more dilution (i.e., better for investors) and lower valuations (i.e., investors are going into more favorable rounds for their economics).

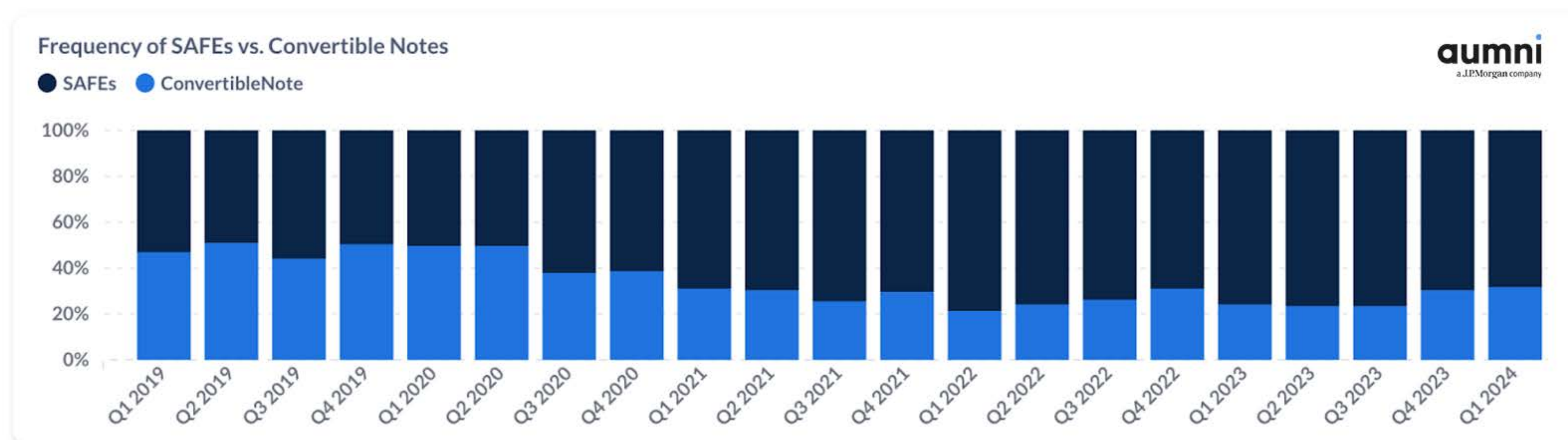
Seed & Pre-Seed venture benchmarks carta				
The mix of priced and SAFE rounds makes things confusing				
Data: 1,019 rounds raised by US software companies on Carta Jan 2024–May 2024				
	Round Name	Median Raised	Median Val or Val Cap	Median Dilution Range
BEFORE SEED	SAFES Angel Round	\$150,000	\$4M	3%–5%
	SAFES Small Pre-Seed	\$680,000	\$9M	6%–8%
	SAFES Big Pre-Seed	\$1,450,000	\$12M	11%–13%
SEED	Priced Priced Seed	\$3.3M	\$13.7M	20.7%
	SAFES SAFES Seed	\$3.4M	\$18M	17%–20%
AFTER SEED	Priced Priced Bridge	\$2.5M	\$17M	13.2%
	SAFES SAFES Bridge	\$1.4M	\$21M	6%–7%

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Deal dynamics / SAFE's vs. Convertible notes / 1

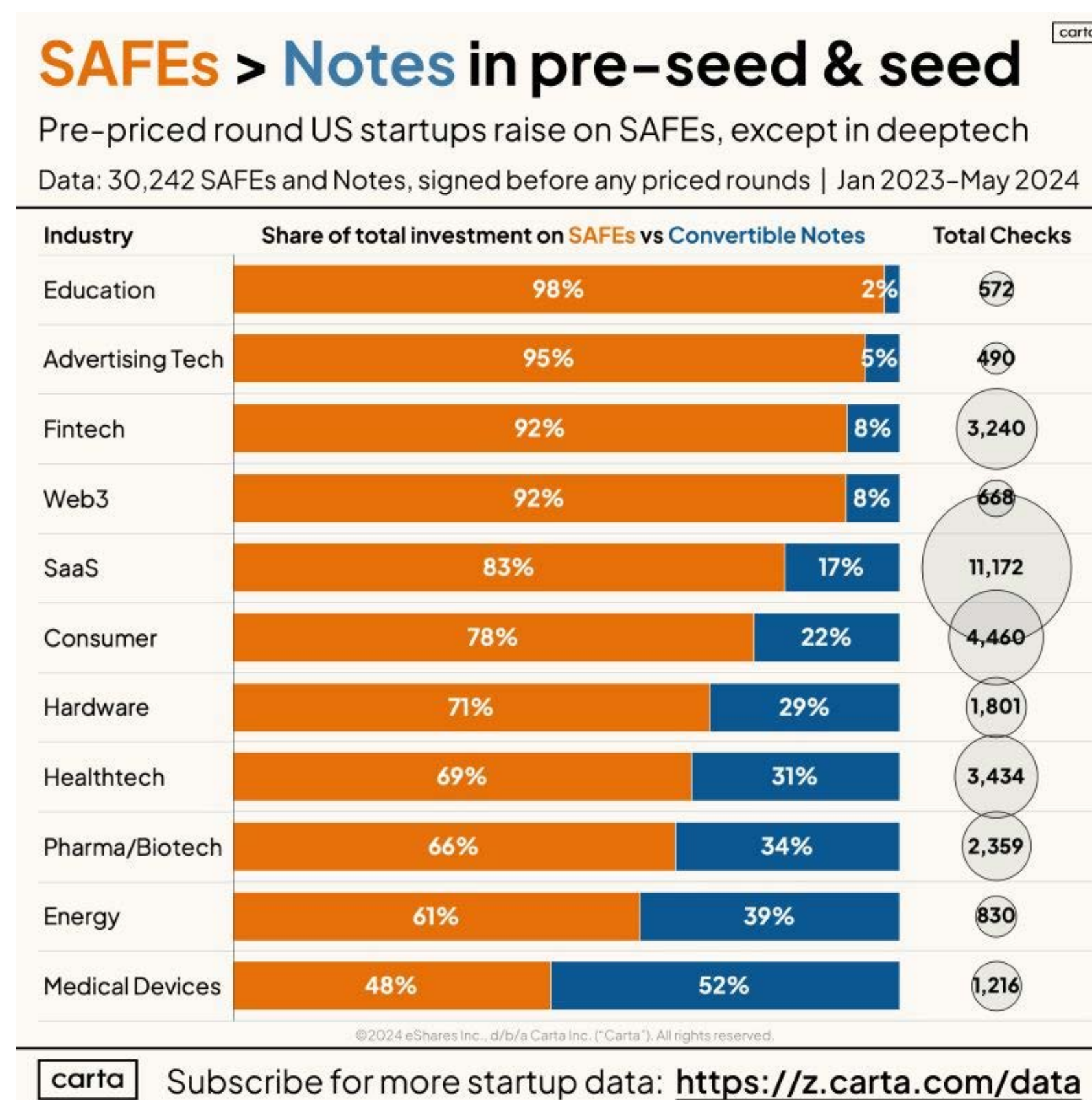
Although SAFEs are still more common, convertible notes have become more popular over the past few quarters after their decline in usage since 2020.



Geographic focus of the chart = U.S. Graph from Alumni. Click graph for source post.

Deal dynamics / SAFE's vs. Convertible notes / 2

As seen in the previous chart, SAFEs are more common. However, if we dig deeper, their prevalence changes based on the start area. Software-focused startups raise mostly on SAFEs. The prevalence of Notes starts to make a meaningful impact on the Hardware, Energy, and Medical sectors.



Geographic focus of the chart = U.S. Graph from Carta. Click graph for source post.

Startup deal friendliness

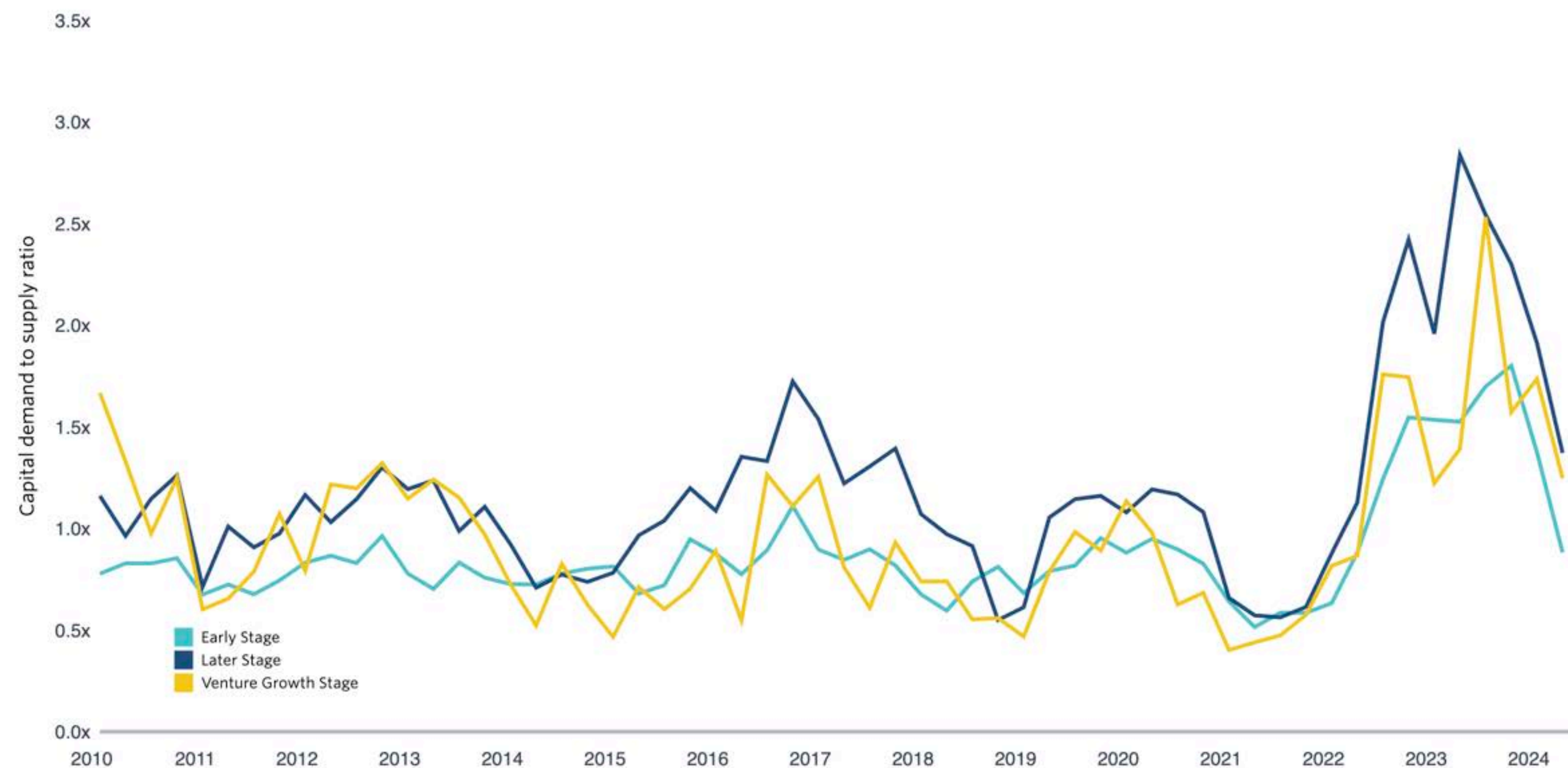
Deal-term friendliness is improving in favor of startups after reaching a peak (a lower value is startup-friendly) in 2023.



Graph from PitchBook. Click graph for source post.

Capital demand to supply ratio

The good news is that there seems to be a stark reversal in the capital demand-to-supply ratio. In some areas, like early-stage funding, it is itching closer to the long-term average.



Graph from PitchBook. Click graph for source post.

Critical criteria for startup evaluation

According to PitchBook survey - for the early stages, the founding team remains one of the key drivers for investment of a heavy margin. The second point looked at by investors is the Product-Market fit.

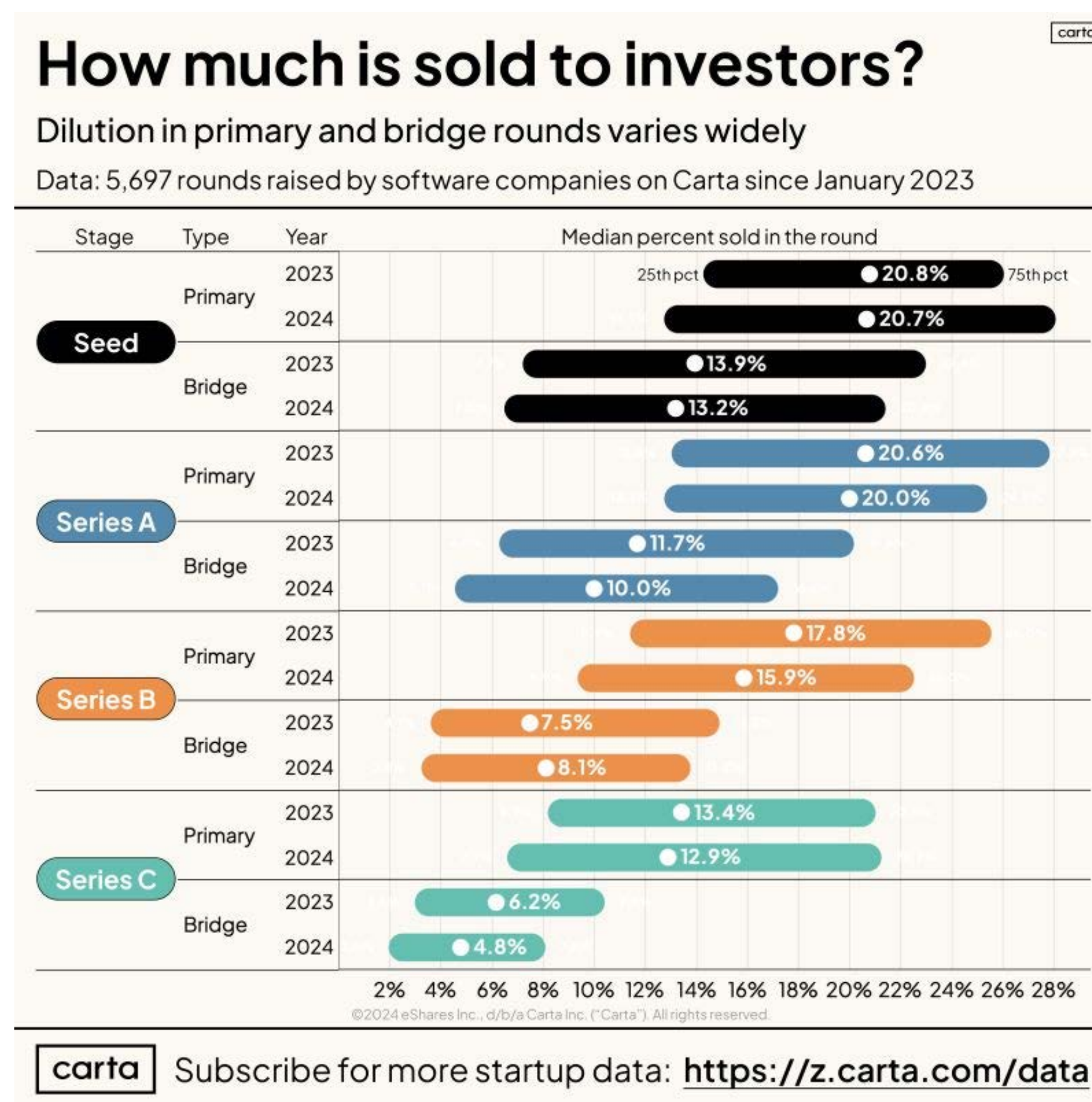
Question asked to investors - Rank the top five most important factors when evaluating a new early-stage investment.

Factor	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
An emerging technology	6	6	7	8	2
Cash runway	1	2	2	7	8
Existing investor base	0	0	2	3	7
Other	1	2	0	1	2
Path to profitability	2	3	7	10	11
Product-market fit	3	19	15	5	2
Revenue growth	3	2	6	10	8
The founders and leadership team	37	10	3	0	0
Total addressable market	2	6	8	5	9

Source: PitchBook • Geography: Global • *As of May 13, 2024

Deal dynamics / Percentage Equity sold to investors

For a long time, Median Seed equity dilution has hovered around 20%. Equity per round given to investors decreases as startups progress through the fundraising stages.



Deal terms - Liquidation Preferences and Investor rights



MOSTLY METRICS

6 JUN

Your Complete Guide to Liquidation Preferences

June's four part series on M&A negotiations at tech startups

[PREVIEW](#) • CJ GUSTAFSON • 8 MIN READ



Chris Harvey • 1st
Emerging Fund Lawyer
2w • Edited •

...

✓ How Investors Get a Seat at the Table + Drag-Along Rights

We've covered the Charter, SPA, and IRA, so now it's time for the Voting Agreement (VA). This agreement secures control over three key areas:

- Board Composition
- Drag-Along Right
- Bad Actors & Sanctioned Parties

Additional insights, not to be missed!

Rule of 50 and Venture Funding

David Cummings Entrepreneurship June 15, 2024 2 Minutes

Continuing from last week's post on the [Rule of 50](#), I received several comments and questions. The biggest and most important question concerns whether a Rule of 50 score equates to viability for funding. From a funding perspective for seed-stage and early-stage companies, founders looking to raise venture capital need to understand that a score of 50 in the Rule of 50 is typically not enough to raise money.

European angel investing grows up

The UK still leads when it comes to the total amount invested by angels — but smaller countries are catching up.

Zosia Wanat 4 min read



Asif Ahmed • Following
Head of Early Stage, Tech & High Growth | Advising venture backed found...
[Visit my website](#)
2w •

VC is no good for steadily growing companies.

I think its time Family Offices filled that void.

The truth is,

VC never claimed to be good for 'steadily' growing companies.

Venture Capital requires Venture Growth in Venture Time i.e.

- Can you become a substantial business
- With a hockey stick trajectory
- Within 7-10 years

This has always been the case.

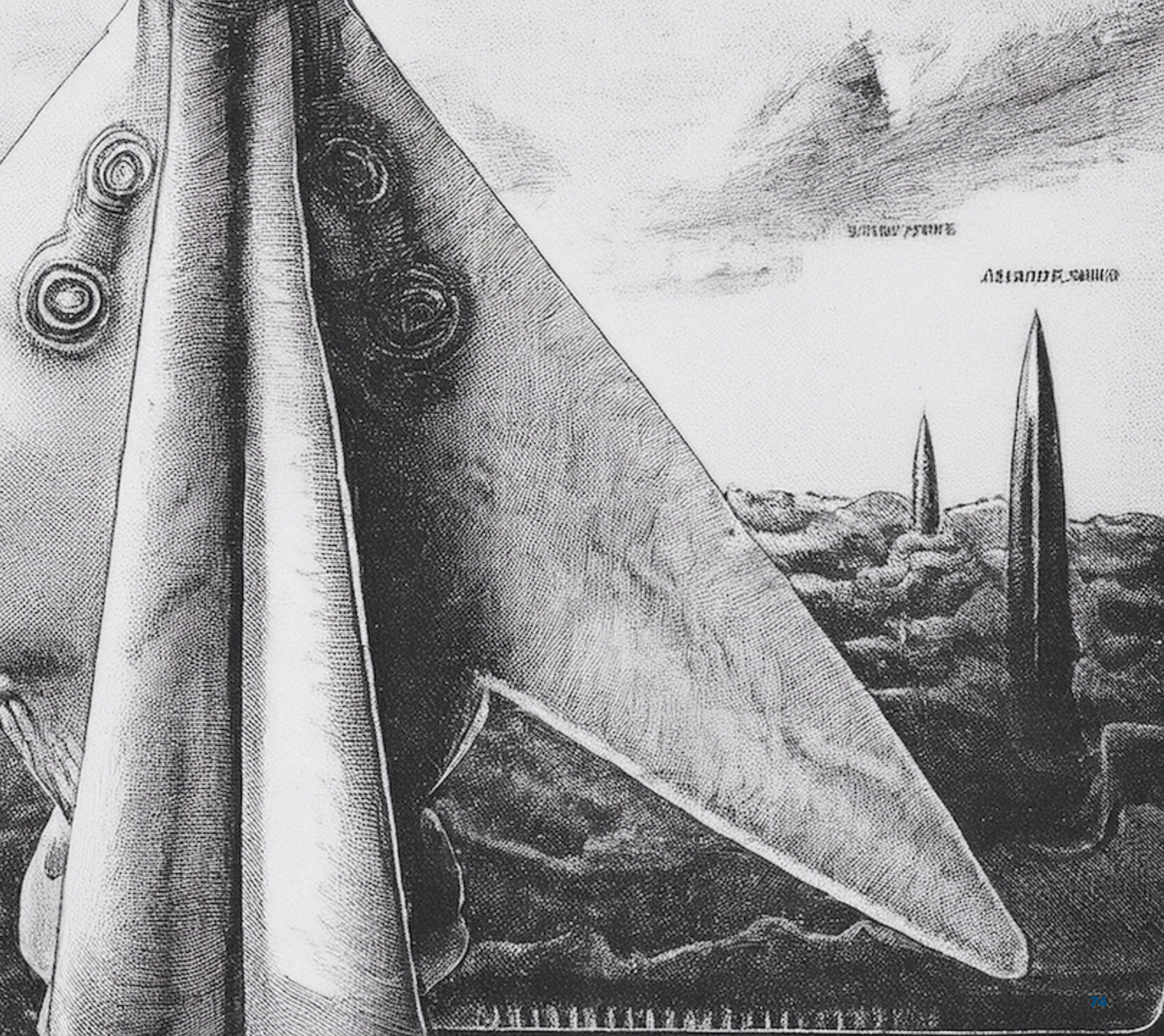
And whilst founders have always kind of known this, they've also kind of chosen to ignore it ... (in a sort of, if I don't look it, maybe it'll go away kind of way)

SECTION

STARTUP VALUATIONS & PERFORMANCE

IMAGE FROM ADOBE FIREFLY

Prompt given - "Seed valuations have recovered to 2022 levels while the growth stages valuations continue to stay low. AI startups continue to demand top valuations, with the most capital raised per round. Given the current challenging environment, startup valuation cuts continue to happen. Revenue growth for the tech industry has been stalling at 10%. Asia-pacific and North America continue to dominate the new startup formation rankings."



- **Valuations data**

- U.S. and Europe
- Europe - Late-stage valuations falter
- U.S. - Seed holds, but growth stage continues to stay low
- VC round multiples
- AI startup valuations continues to rule the charts

- **Unicorns**

- Unicorn formation / Global data
- Unicorn formation / Geographic percentage comparison
- Unicorns remains under pressure
- Unicorn exits remain highly concentrated
- IPO and post-IPO worlds are very different

- **Performance**

- New startup formation
- Valuation cuts
- U.S. is the land of large outcomes
- Revenue growth stalling at 10% for Tech industry
- Europe - UK far ahead in terms of revenue generating startups
- Revenue multiples continue to stay depressed
- VC-backed vs. Bootstrapped startups / ARR growth
- Is revenue multiple the right approach to valuation?
- Can secondaries provide a better valuation signal?
- What it takes to be a top performing startup
- Startup survival waterfall (Europe)
- Valuation dispersion

Summary

Valuations data

Valuations are readjusting to long-term averages.

Valuations in the U.S. are rising. This positive trend in median pre-money valuations spans startups at all stages, confirming that good companies can secure funding regardless of overall market conditions. This valuation recovery trend is also seen partially in the European data. Early-stage companies have seen median post-money valuations increase ~40% in the last six months, and even late-stage companies have seen ~10% improvement in PMVs over the same period.

In Europe, as well all stages saw valuations bump except late-stage where median valuations peaked in 2023 and are now seeing a reversal in Europe in 2024 as they fell 5.4% in Q1.

Seed holds valuation

One common theme of the past 1.5 years is the Seed stage's resilience from a valuation perspective. Seed valuations have, in fact, recovered to 2022 levels.

AI startup valuations continues to rule the charts

AI is the biggest story playing out in the startup world right now. It definitely can be seen from the valuations data of different providers. AI startups continue to demand top valuations with most capital raised per round.

In the U.S., the median Series A valuations for H1 back at an all time high, but the dispersion of valuation is highest ever. This signals that certain startups (likely AI ones) are able to command much higher valuations compared to others.

Unicorns

The number of unicorn formation continue to stay low without any significant upward revival. In the U.S., despite significant challenges, the total combined post-money valuation of unicorns continued to increase in first half of 2024.

Geographic percentage comparison

Although countries like Mexico, UAE, and Singapore might not appear in the top fundraising geographic ranking, they claim the top ranks when it comes to percentage unicorn formation relative to total startups.

Unicorn exits remain highly concentrated

Power law defines many inner workings of venture ecosystem. In terms of unicorn exits, three U.S. start-up centres (California, Boston and NYC) capture 80% of the numbers.

Summary

Startup performance data

New startup formation

One of the metrics used to gauge the health of a venture ecosystem's performance is new startup formation. A more robust pipeline depicts a healthy and dynamic ecosystem growth. Asia-Pacific and North America continue to dominate the rankings.

Valuation cuts

Given the current challenging environment, startup valuation cuts continue to happen. Even acquired startups and startups that have gone public have not been spared from the valuation downgrade pressures.

U.S. is the land of large outcomes

The US dominates large outcomes. Its global share of startups increases from 50% to 85% as startup's valuations rise from under \$250 million to centacorns. Also, a fact that everyone knows already - The Bay area holds a disproportionately large influence within the U.S.

Revenue growth stalling and multiples continue to stay depressed

Revenue growth for the tech industry has been stalling at 10%. The peak was in 2021, and it has been trending lower since then. In SaaS, revenue multiples play an important role in valuations. We see two ongoing trends: First, the median revenue multiple continues to stay below the pre-COVID average.

Second, the difference between the top 5 and the median, while now closer than in the 2020-2021 era, continues to stay at similar levels.

UK far ahead in terms of revenue generating startups

If we look at performance using the metric of the number of revenue-generating startups, the UK is securely placed at the top, with most startups generating USD 25+ million annually.

Rethinking valuation methodology

- Is revenue multiple the right approach to valuation? Valuation is both - science and art. Startups have never been an easy target for the valuation geeks. All valuation methods have pros and cons, and so do revenue multiples in the case of startups.
- Can secondaries provide a better valuation signal? On the last slide, we already mentioned that venture as an asset class is tricky from valuation perspectives. Given the recent surge in secondaries trading, the buy/sell price discussion may become a better indication for valuation exercise.

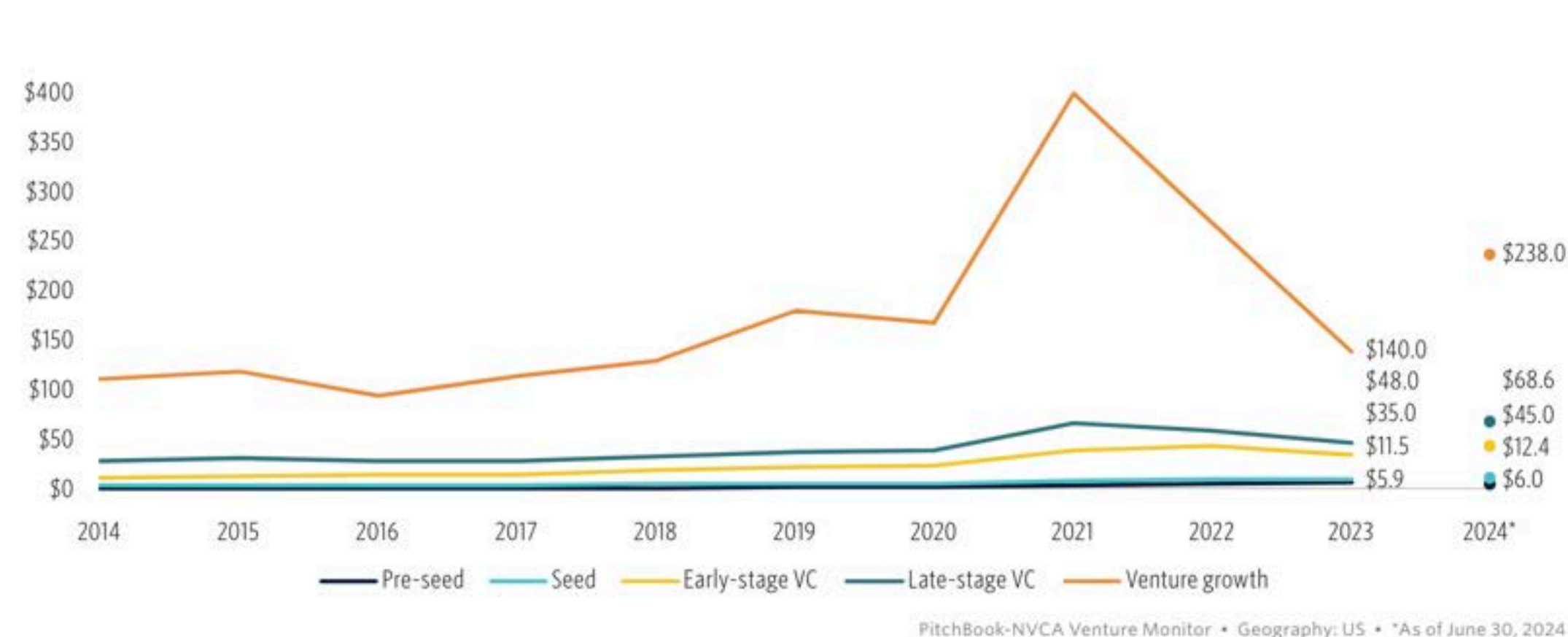
Startup survival waterfall - Europe

According to PitchBook analysis, most companies raise only 3 rounds i.e. roughly one in three startups completes three or more VC rounds. While companies with multiple rounds of fundraising (more than 3) do exist, they are outliers in the overall venture capital landscape i.e. only 8.2% secure five or more rounds of financing.

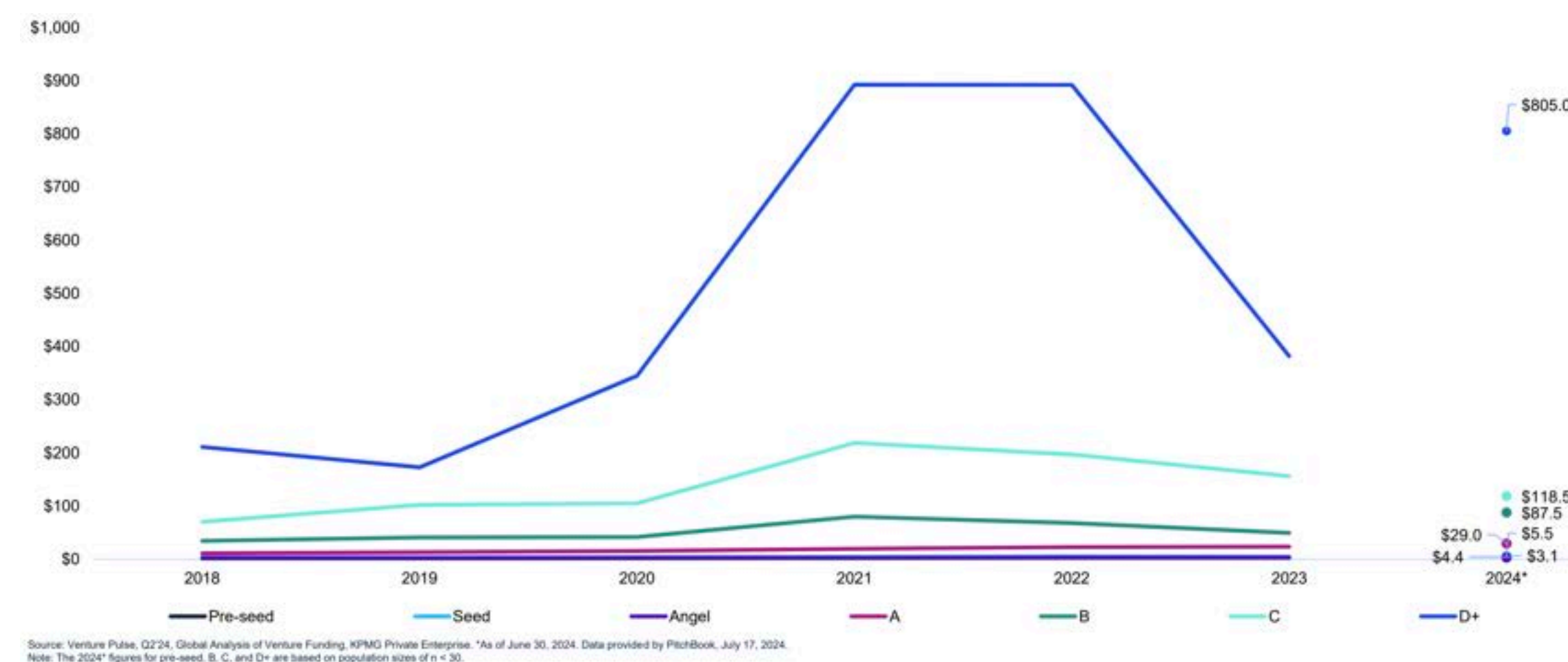
Valuations data / U.S. and Europe

Valuations in the U.S. are rising. This positive trend in median pre-money valuations spans startups at all stages, confirming that good companies can secure funding regardless of overall market conditions. This valuation recovery trend is also seen partially in the European data.

Median VC pre-money valuation (\$M) by stage in the US



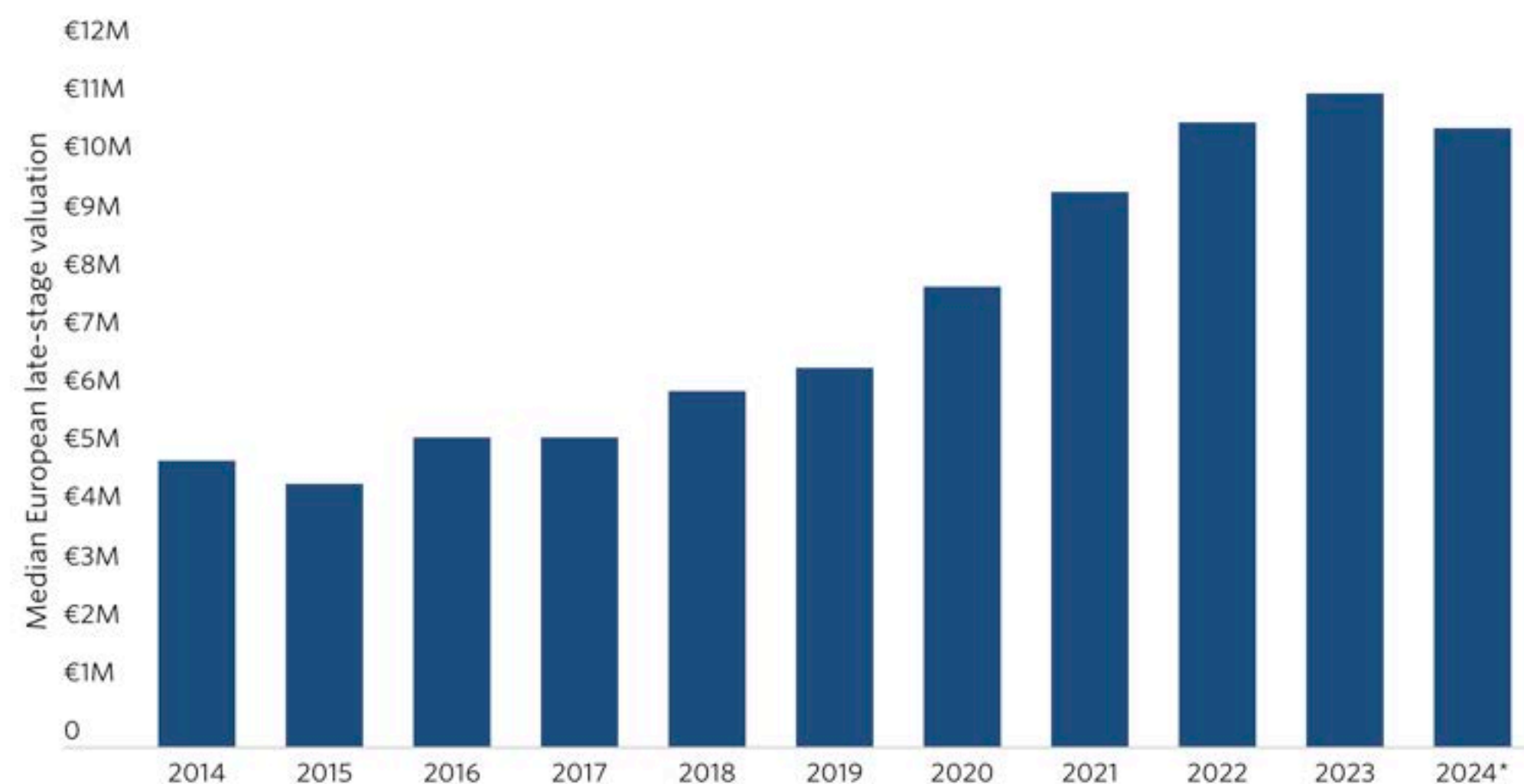
Median pre-money valuation (\$M) by series in Europe



Late-stage valuations - Regional perspectives

In Europe, late-stage median valuations peaked in 2023 and are now seeing a reversal in Europe in 2024 as they fell 5.4% to €10.6 million in Q1—the only stage to have suffered a drop. In the U.S., however, early-stage companies have seen median post-money valuations increase around 40% in the last six months, and even late-stage companies have seen around 10% improvement in PMVs over the same period.

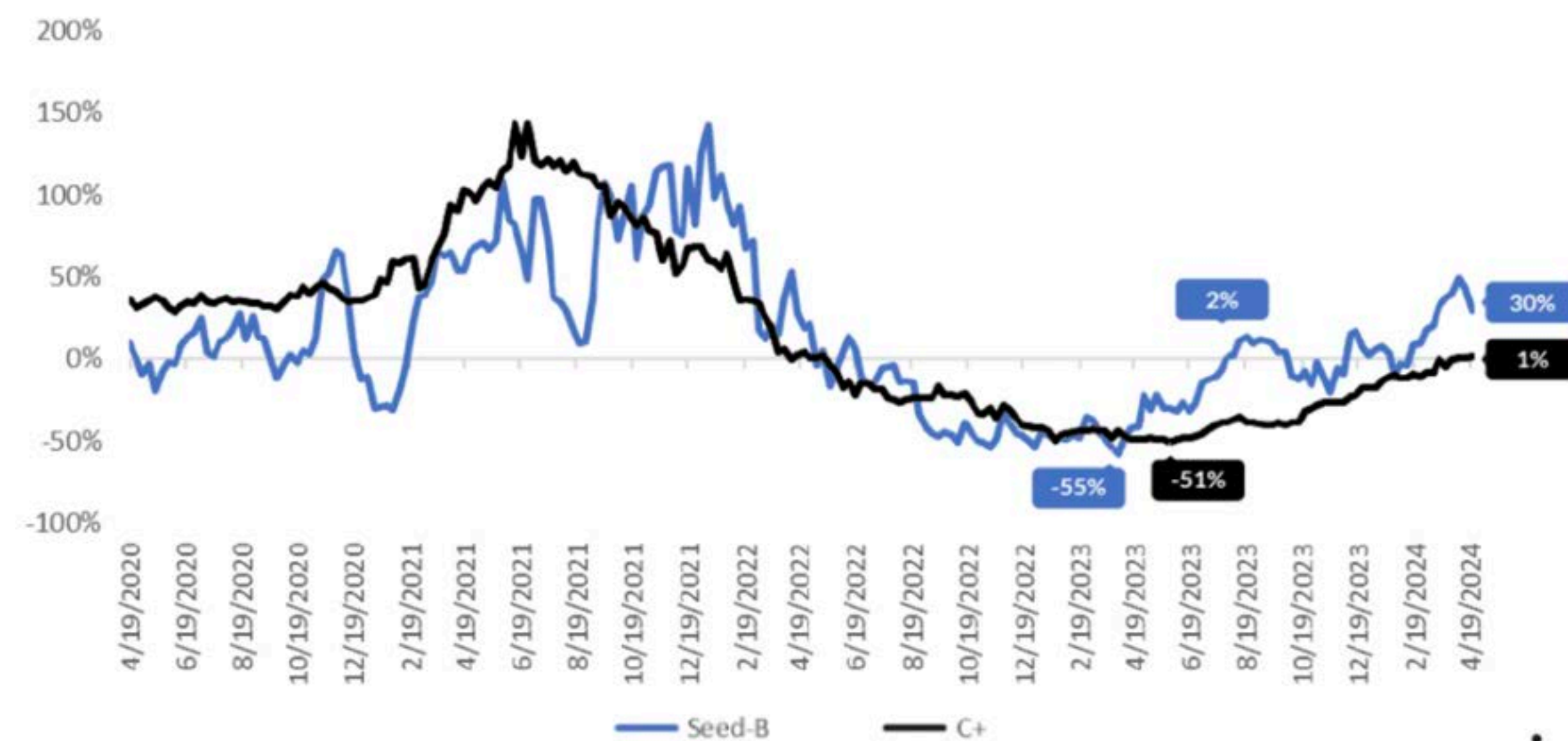
European VC valuations



Source: PitchBook's Q1 2024 European VC Valuations Report

*As of March 31, 2024

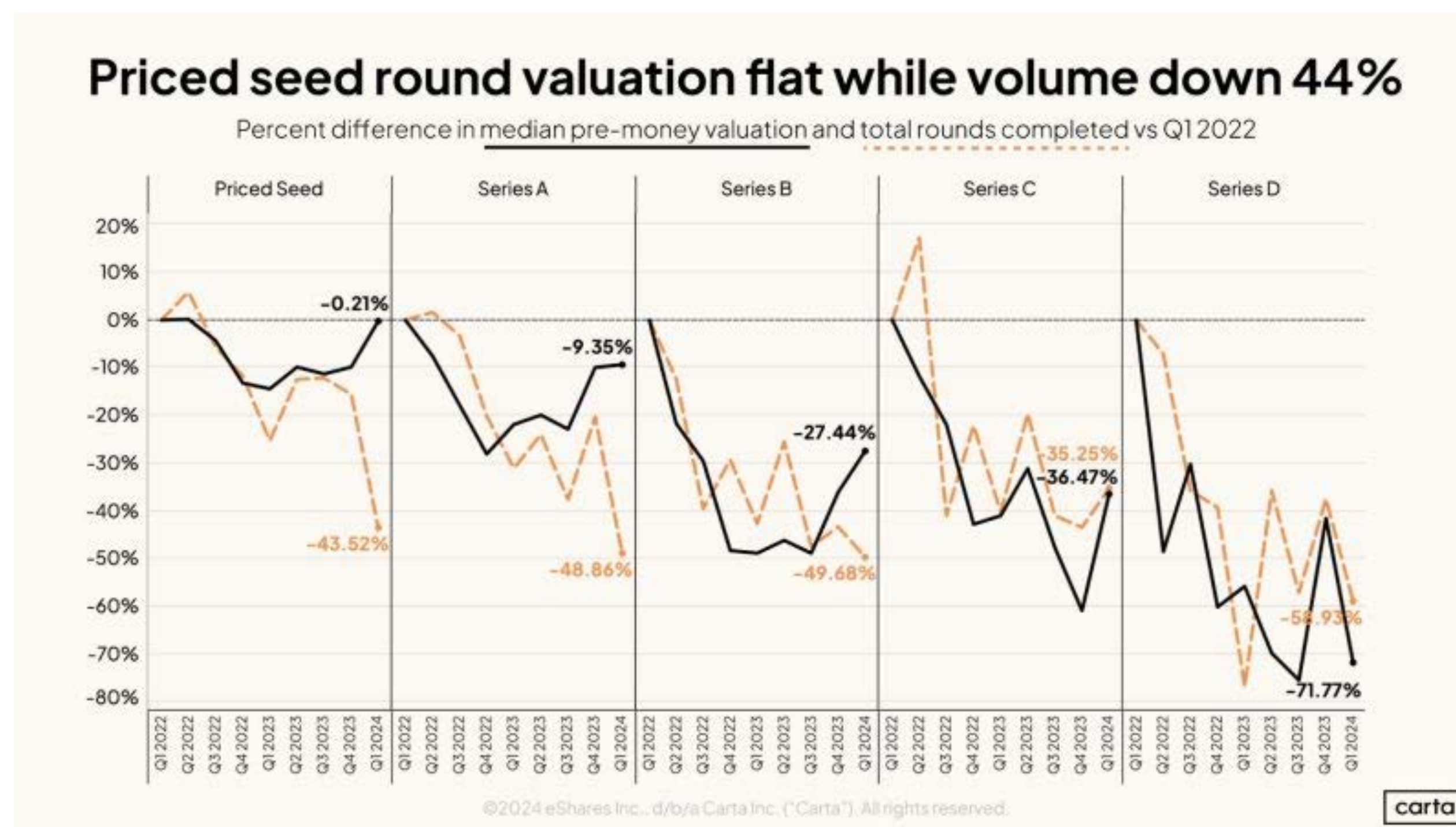
U.S. VC valuations



aumni
a JPMorgan company

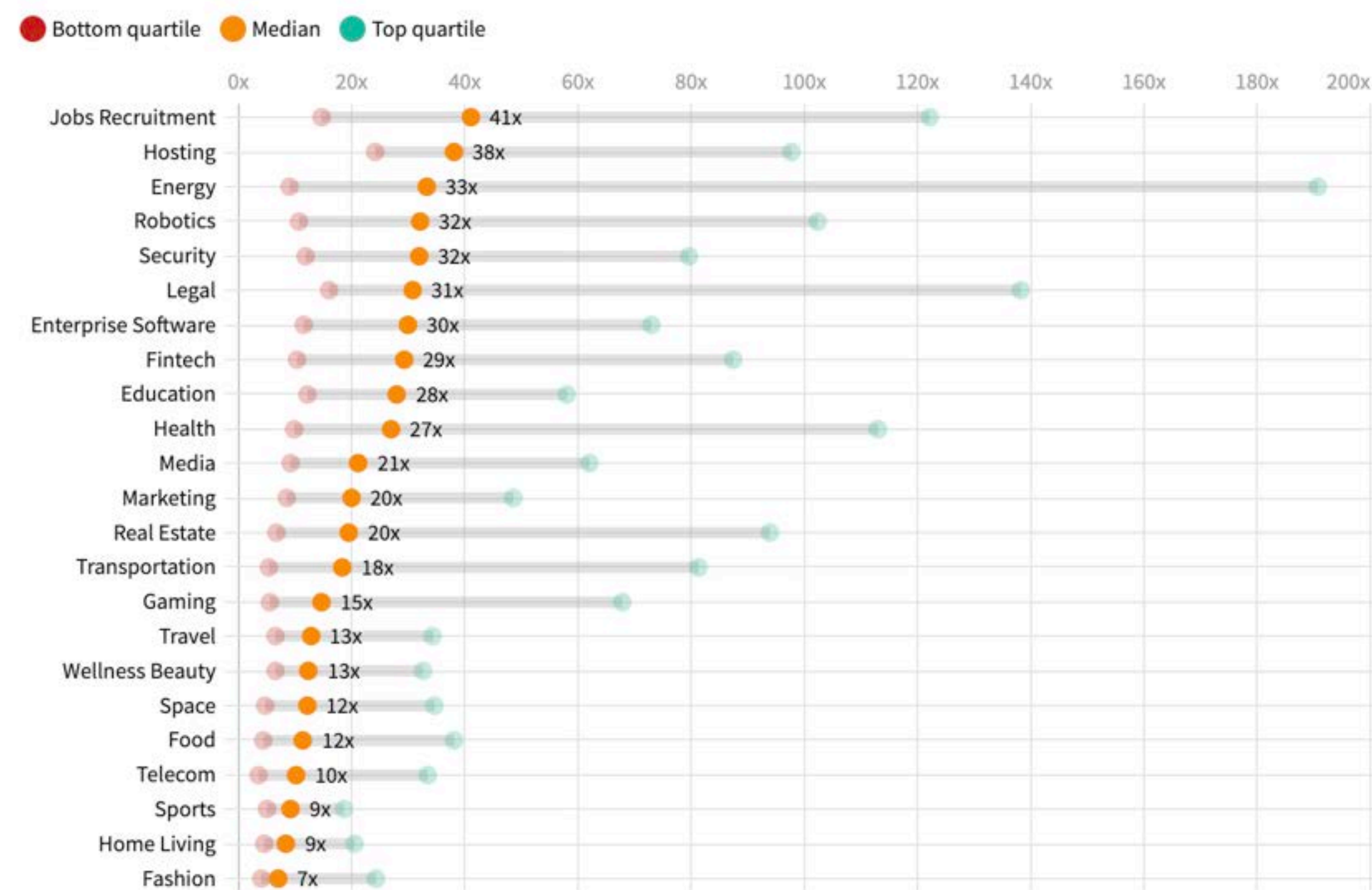
2022 comparison - Seed holds valuation, but growth stage continues to stay low

As compared to the 2022 valuation numbers, one common theme of the past 1.5 years is the Seed stage's resilience from a valuation perspective. Seed valuations have, in fact, recovered to 2022 levels while the growth stages continue to stay low.



Geographic focus of the chart = U.S. Graph from Carta. Click graph for source post.

VC rounds multiples data distribution by industry: EV / LTM Revenue

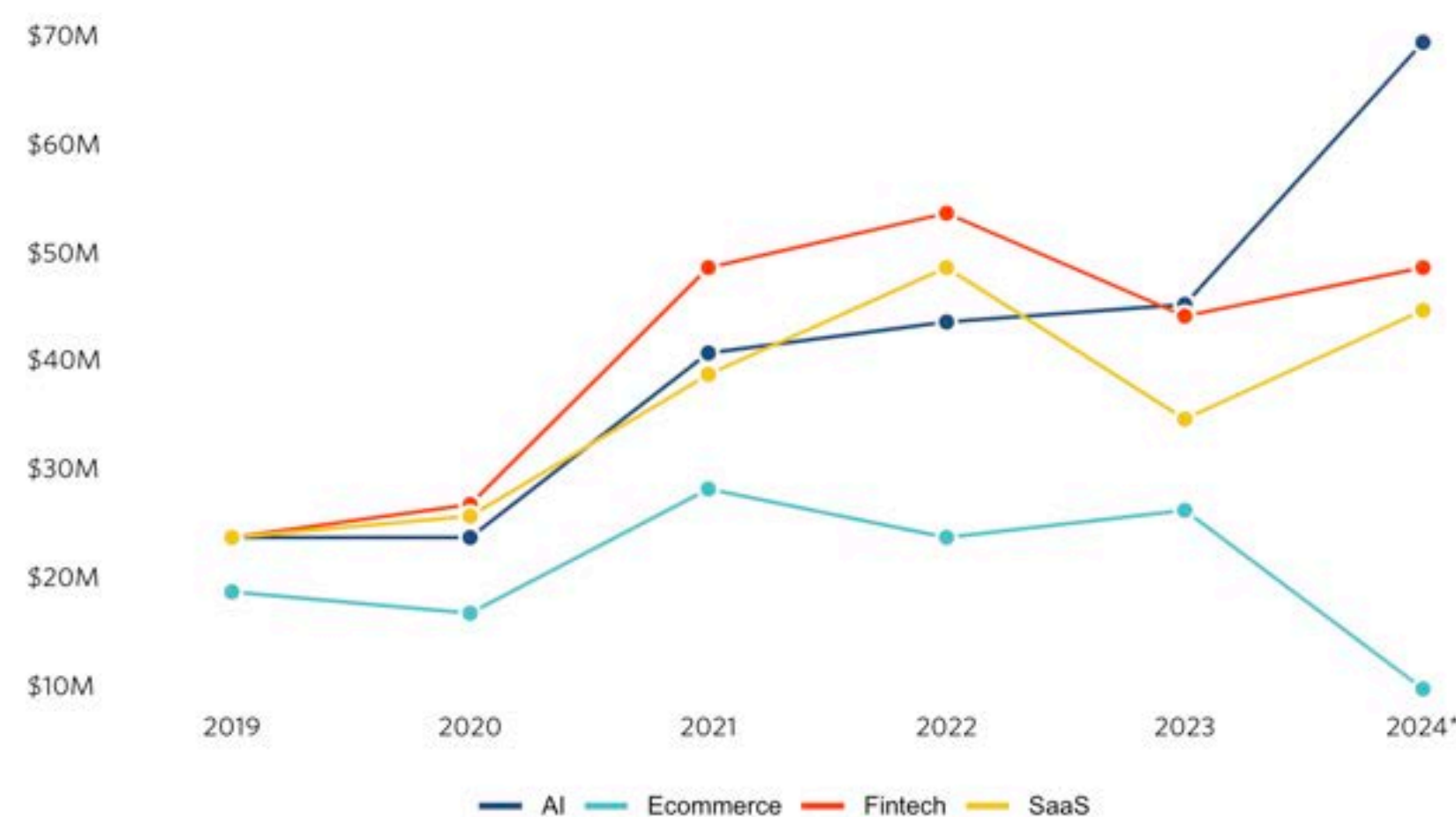


Source: [Dealroom.co](https://dealroom.co) • [Embed](#) • [Download image](#)

AI startup valuations continues to rule the charts

AI is the biggest story playing out in the startup world right now. It definitely can be seen from the valuations data of different providers. AI startups continue to demand top valuations with most capital raised per round.

AI jumps ahead in valuations



Source: PitchBook data
*As of March 31, 2024

THE HYPE TRAP: VALUATION FOR AI STARTUPS

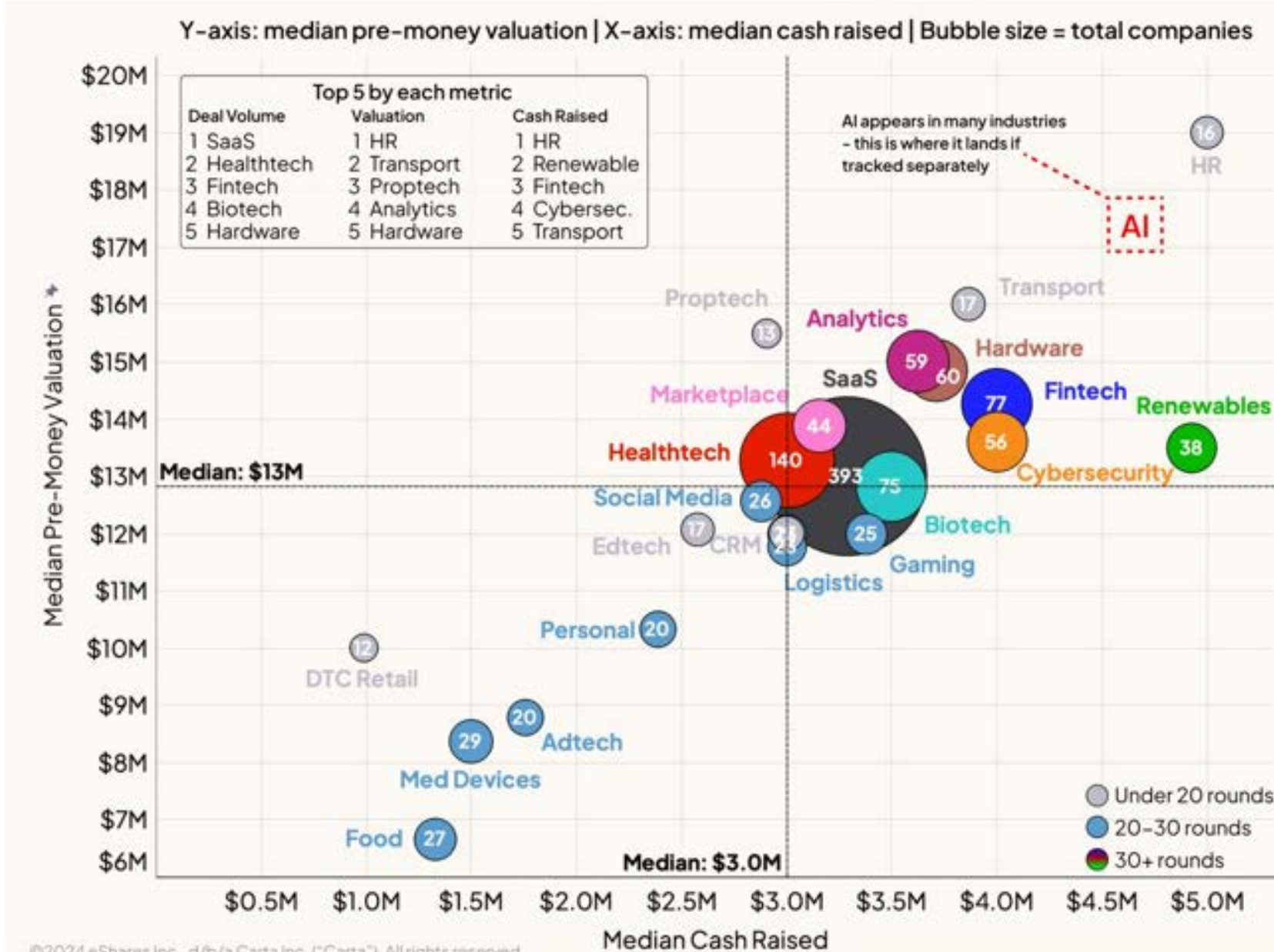
12 MAY 2024 • 0 COMMENTS • VALUATION, APPROACHING INVESTORS, TRENDS AND OPINIONS

BY DAN GRAY

Seed Startups | Industry Map

How do industries compare in valuation and cash raised?

Data: 1,271 priced seed rounds raised Apr 2023–Mar 2024 | US primary rounds only

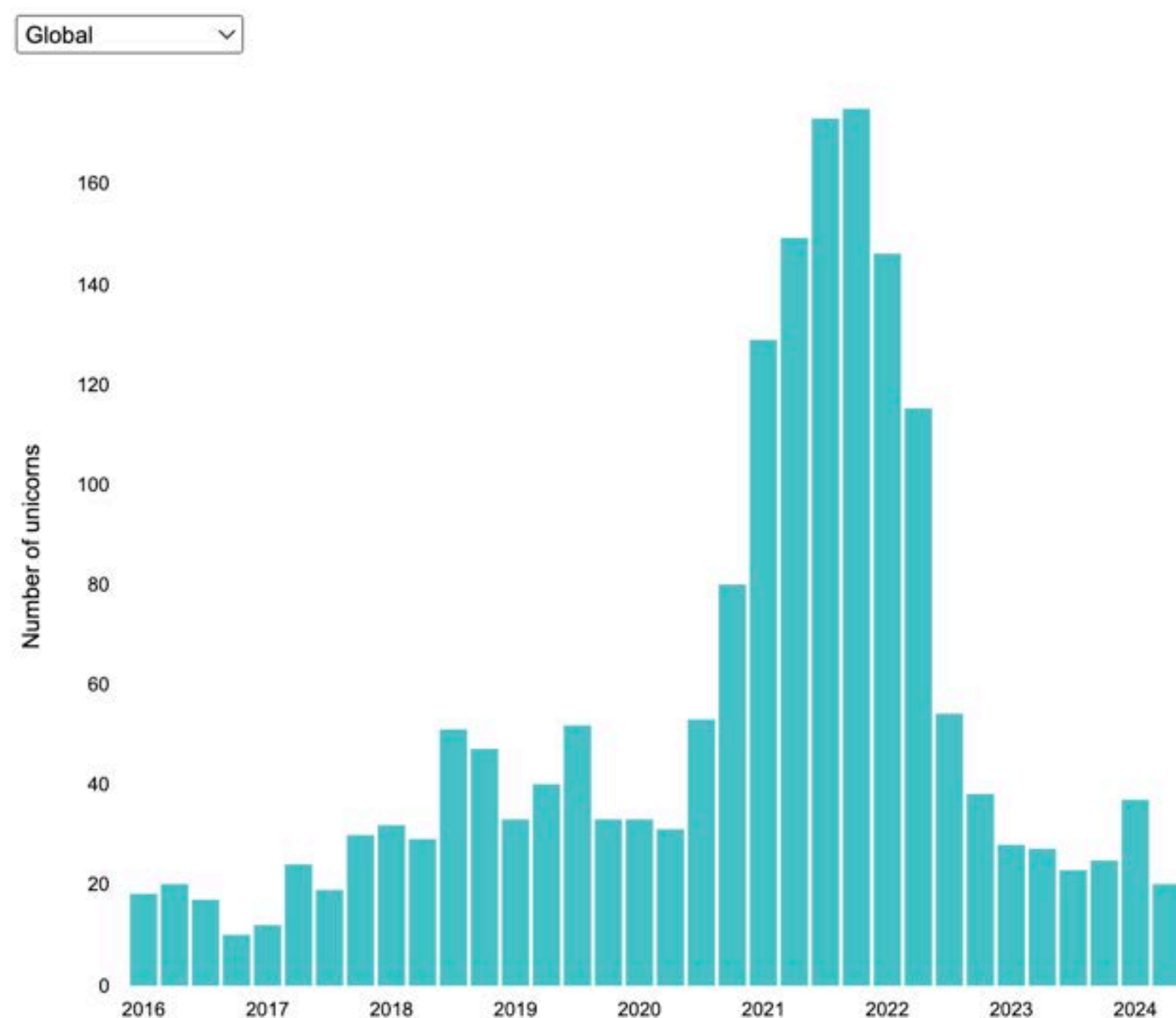


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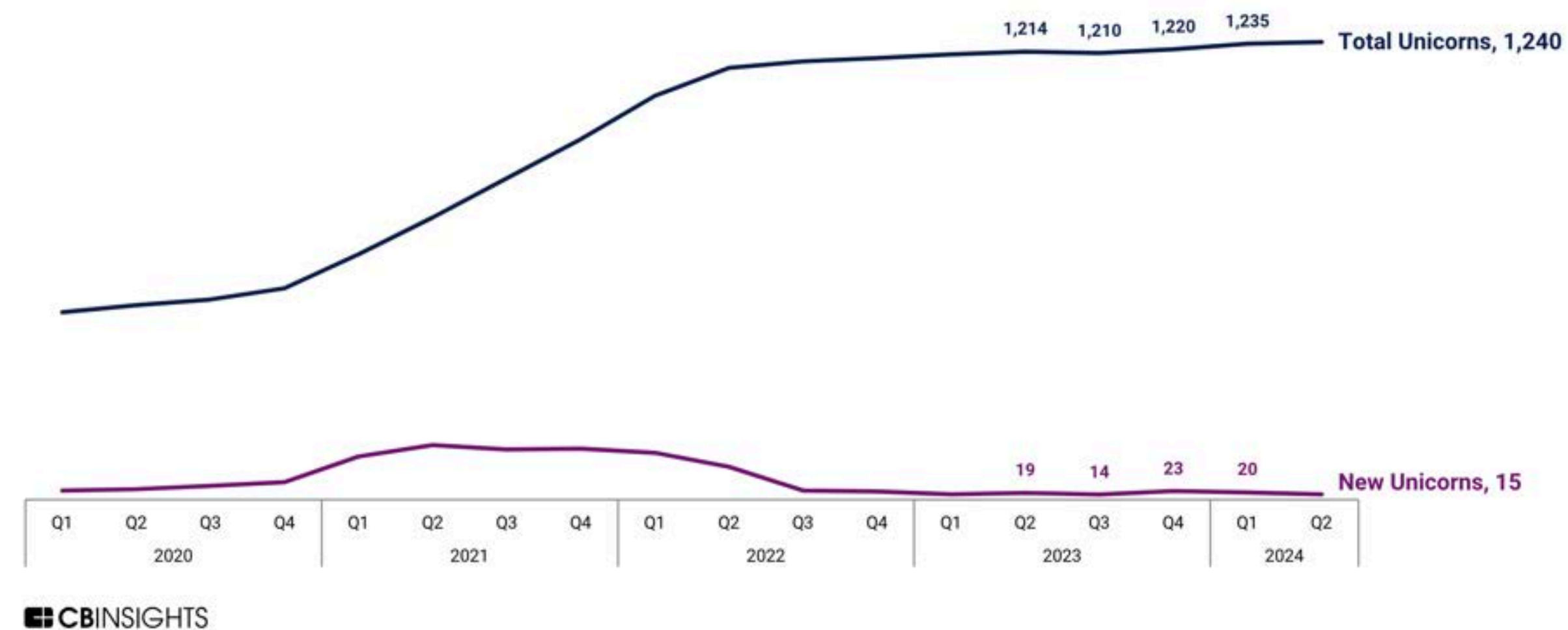
Free startup data in your inbox: <https://z.carta.com/data>

Unicorn formation / Global data

The number of unicorn formation continue to stay low without any significant upward revival.

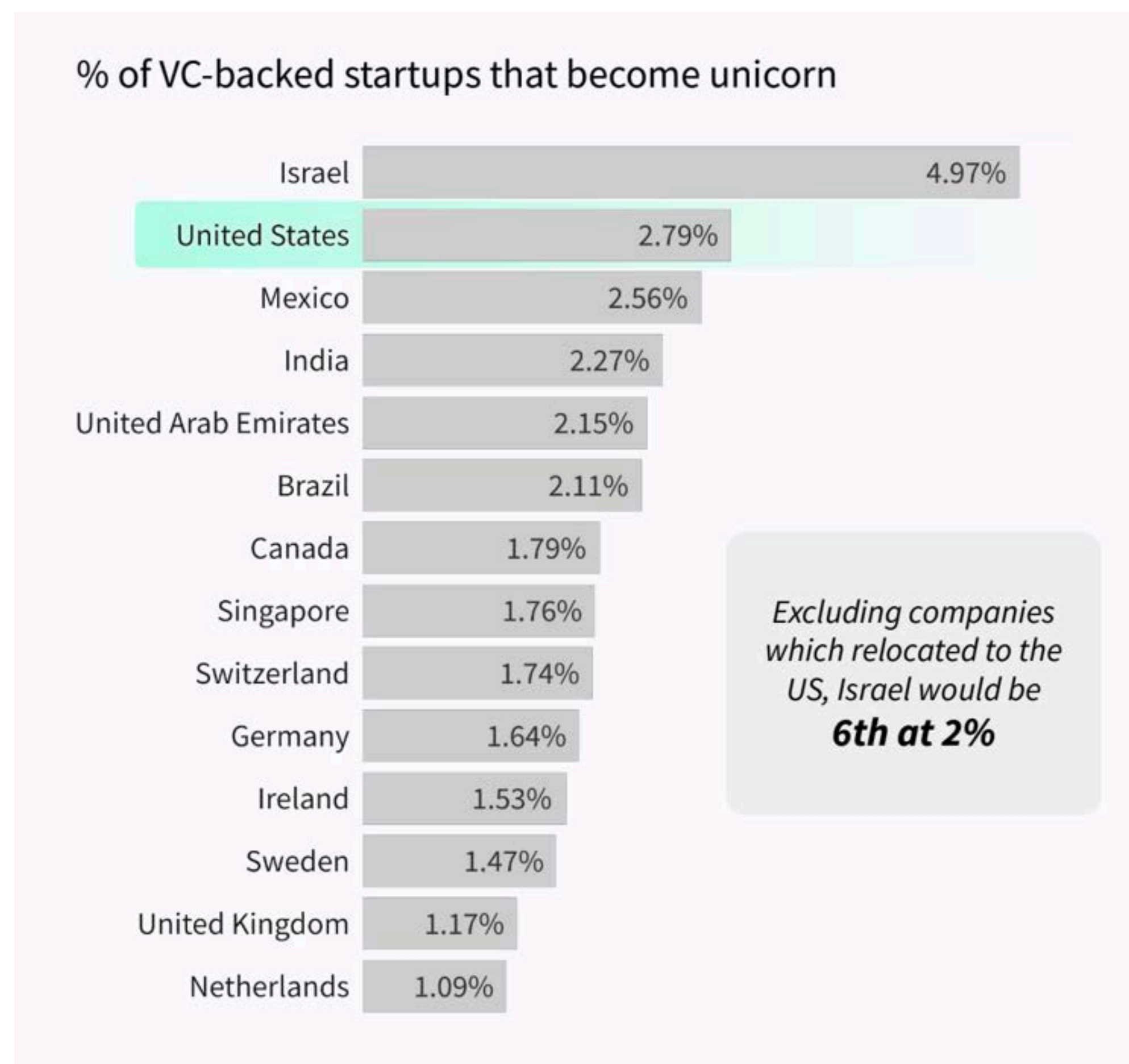


Quarterly new & total unicorns (private companies valued at \$1b+)



Unicorn formation / Geographic percentage comparison

Although countries like Mexico, UAE, and Singapore might not appear in the top fundraising geographic ranking, they claim the top ranks when it comes to percentage unicorn formation relative to total startups.

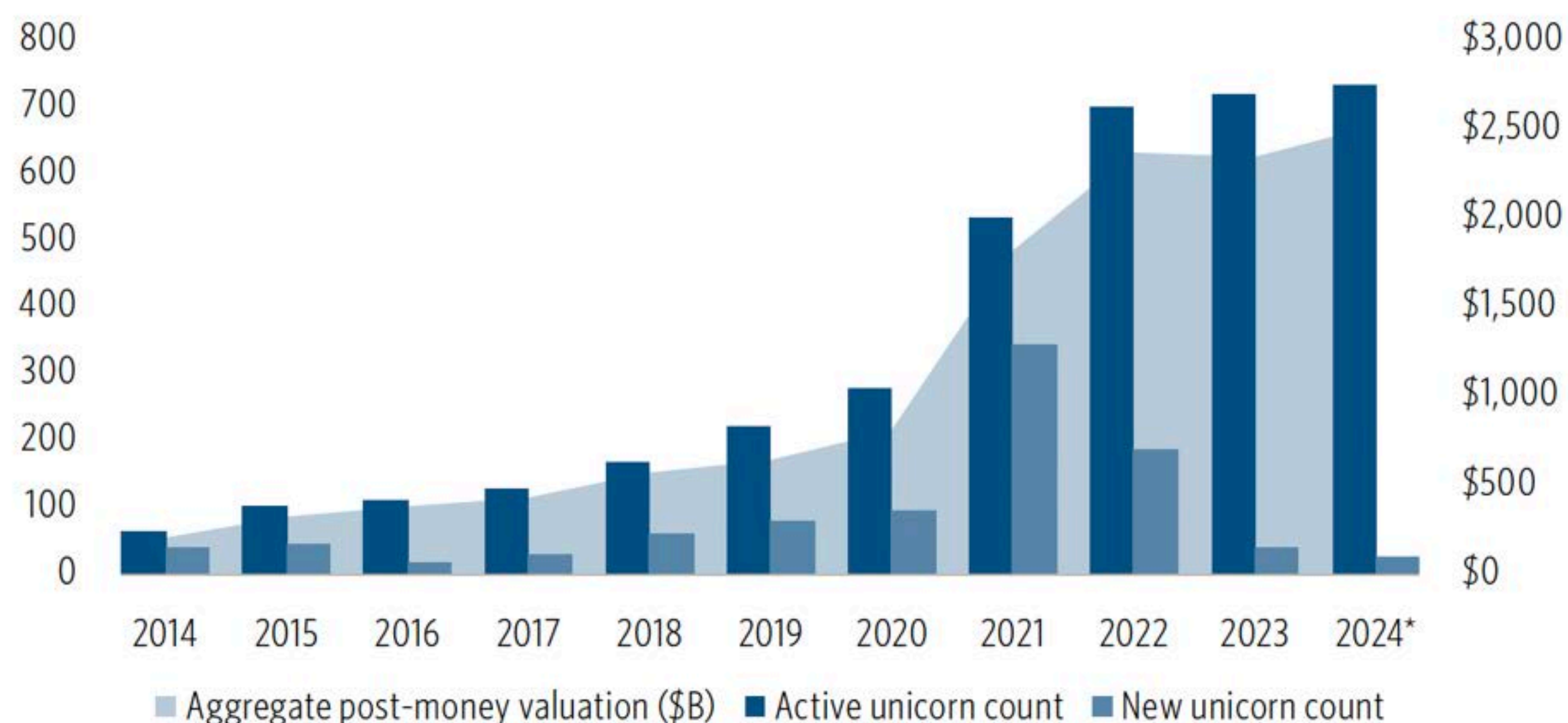


Geographic focus of the chart = Global. Graph from Dealroom. Click graph for source post.

Unicorns remains under pressure - U.S.

In the U.S., despite significant challenges, the total combined post-money valuation and number of unicorns continued to increase in the first half of 2024. According to Pitchbook - Decacorns are responsible for 37% of the value while making up only 5% of the population

Unicorn count and aggregate post-money valuation



Source: PitchBook • Geography: US • *As of May 23, 2024

Unicorn exits remain highly concentrated

Power law defines many inner workings of venture ecosystem. In terms of unicorn exits, three U.S. start-up centres (California, Boston and NYC) capture 80% of the numbers.



Jason Calacanis  • Following

I invest in 100 new startups a year... get a meeting with my team at launch....

[Book an appointment](#)

3w • 

According to [Jaime Matus](#), 60% of exited unicorns in the United States are from California.

If you throw in Boston and NYC, you get nearly 80%.

While that remains true, venture investors will focus on those cities as they hunt for alpha, Jaime argues.

IPO and post-IPO worlds are very different

There is a substantial difference in returns w.r.t point of entry in the case of an IPO. One would be far better off picking the stock at the IPO offer price.

Unicorn IPOs returns net of NASDAQ and S&P500



Data covers 1,110 US-based VC-backed companies that became unicorns in 1997-2021. Post-IPO investors' return is calculated as net return on a stock 180 days after it was bought at the first trading day's closing price. IPO investors' return is calculated as net return on a stock 180 days after it was bought at IPO offer price. Average returns are equally-weighted.

SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (06/2024)

@IlyaSTREBULAEV

Interesting quotes from the article

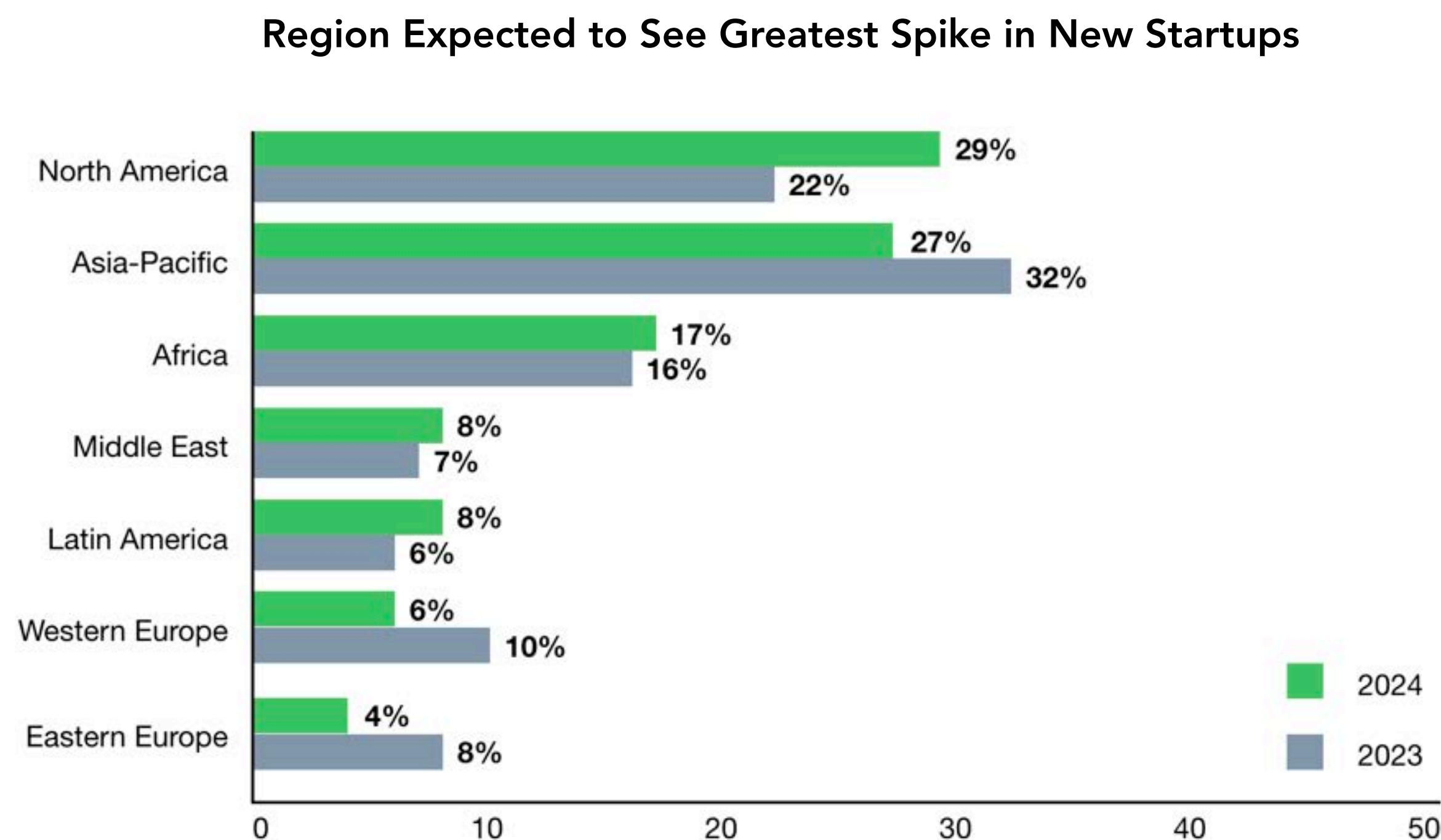
“

Buying unicorn stock at the IPO offer price beats the market by 21% on average in the first 180 days, relative to NASDAQ and S&P 500 indices. However, for investors who bought stock at the first trading day's closing price, returns lag behind the market by 17% on average.

”

New startup formation

One of the metrics used to gauge the health of a venture ecosystem's performance is new startup formation. A more robust pipeline depicts a healthy and dynamic ecosystem growth. Asia-Pacific and North America continue to dominate the rankings.



Valuation cuts

Given the current challenging environment, startup valuation cuts continue to happen. Even acquired companies and startups that have gone public have not been spared from the valuation downgrade pressures.

May 31, 2024 - Business

Vista Equity writes off PluralSight value, after \$3.5 billion buyout



Dan Primack

News June 12, 2024

Graphcore investor cuts stake valuation by 45%

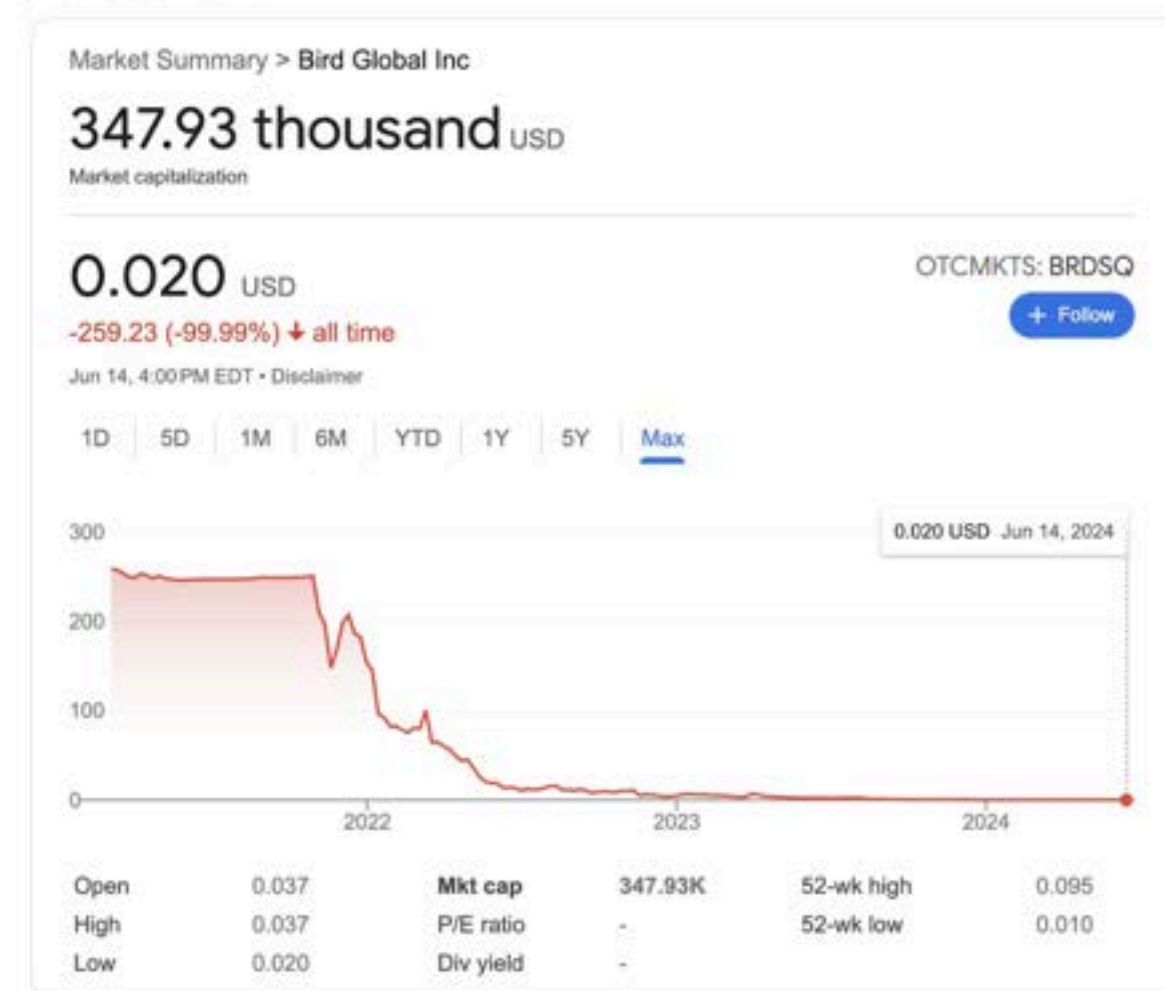
Molten Ventures' move comes amid speculation that an acquisition of the UK company could be imminent

Kai Nicol-Schwarz 3 min read



Kyle Harrison @kwharrison13 · 6d

Breaking news: The scooter company, Bird, is up for sale for less than a pre-seed round.



TECH

Fintech firm Nium cuts valuation by 30% in new funding round, eyes 2025 IPO

PUBLISHED TUE, JUN 4 2024 11:00 PM EDT | UPDATED FRI, JUN 7 2024 7:42 AM EDT



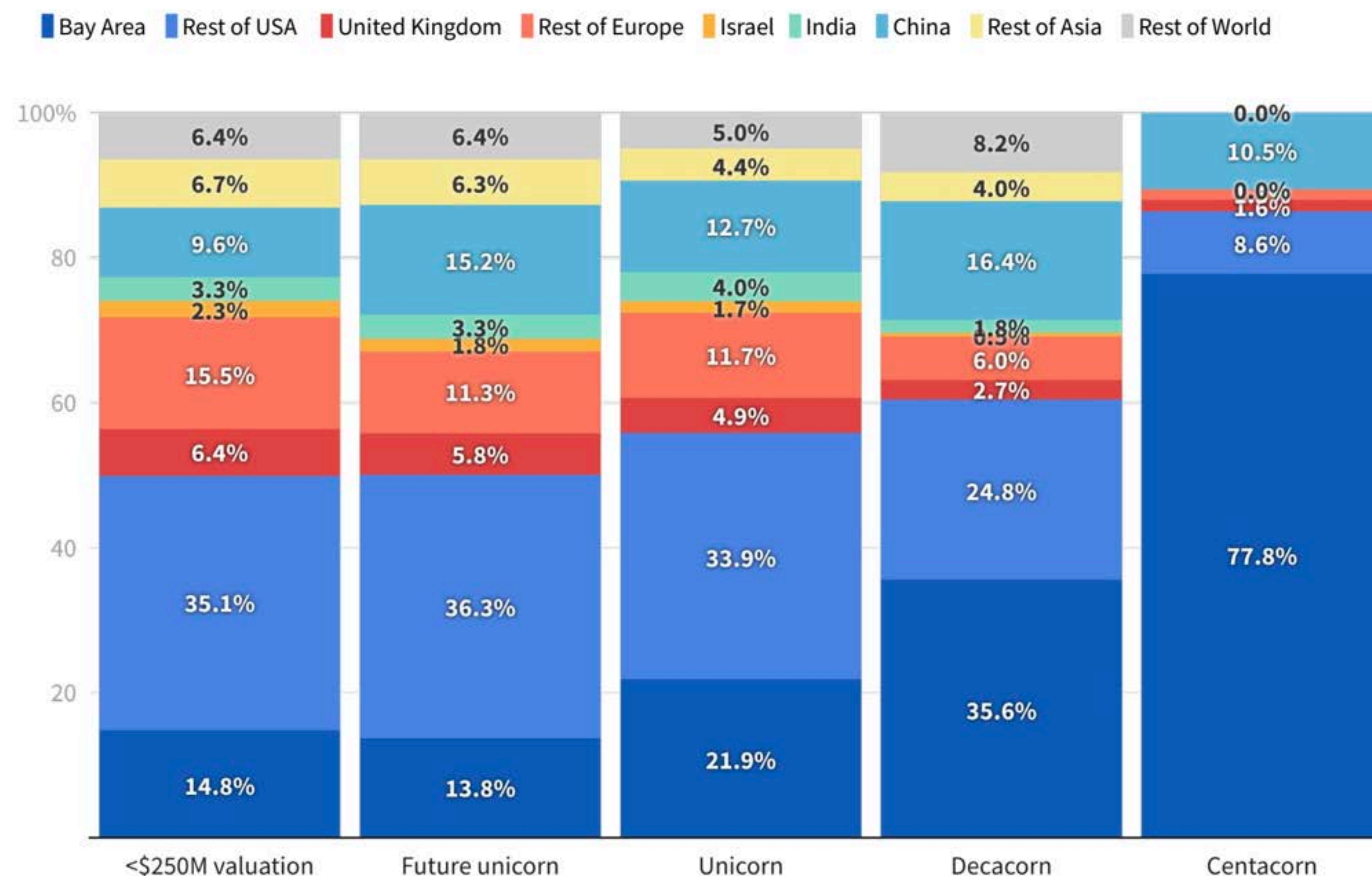
Ryan Browne
@RYAN_BROWNE_

SHARE f X in

U.S. is the land of large outcomes

The US dominates large outcomes. Its global share of startups increases from 50% to 85% as startup's valuations rise from under \$250 million to centacorns. Also, a fact that everyone knows already - The Bay area holds a disproportionately large influence within the U.S.

Combined enterprise value of all public & private tech companies since 1990 by location



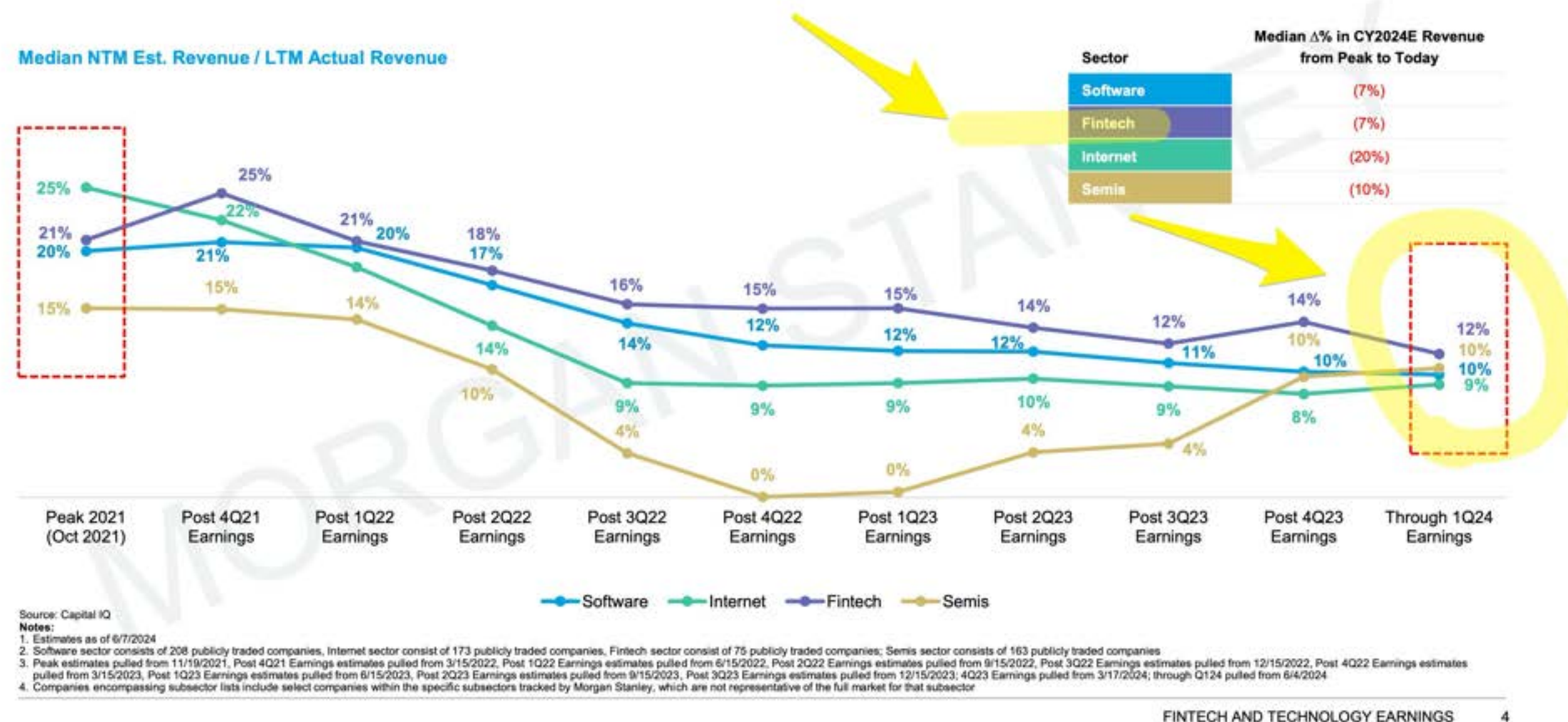
Geographic focus of the chart = Europe. Graph from Dealroom. Click graph for source post.

Revenue growth stalling at 10% for Tech industry

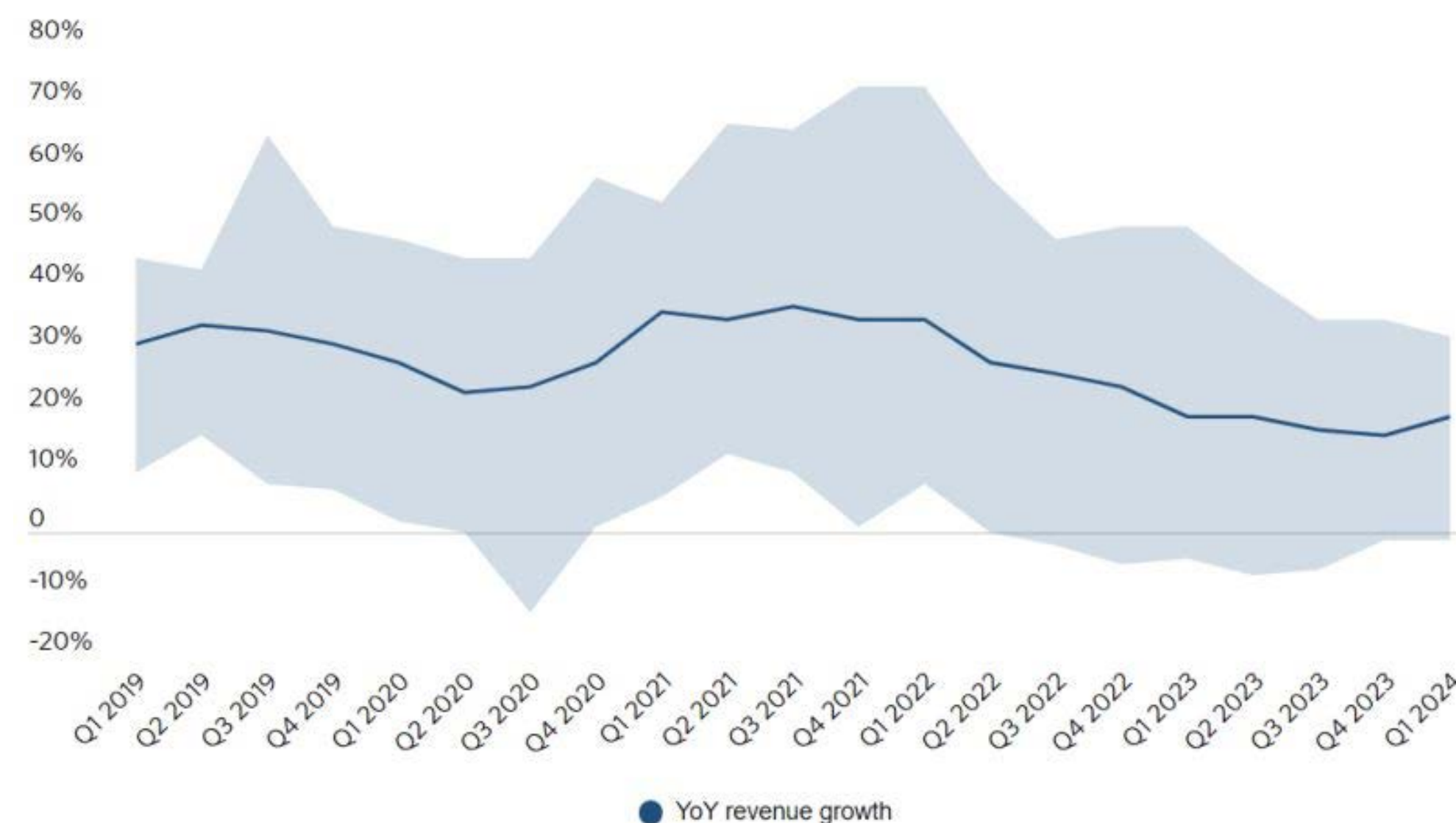
We can look at different data sets or startup categories (as given below), but the underlying theme remains the same. Revenue growth for the tech industry has been stalling. The peak was in 2021, and it has been trending lower since then.

Morgan Stanley

10% Revenue Growth is the New Center Of Gravity for Tech



Revenue growth dispersion of US VC-backed IPO SaaS companies by quarter



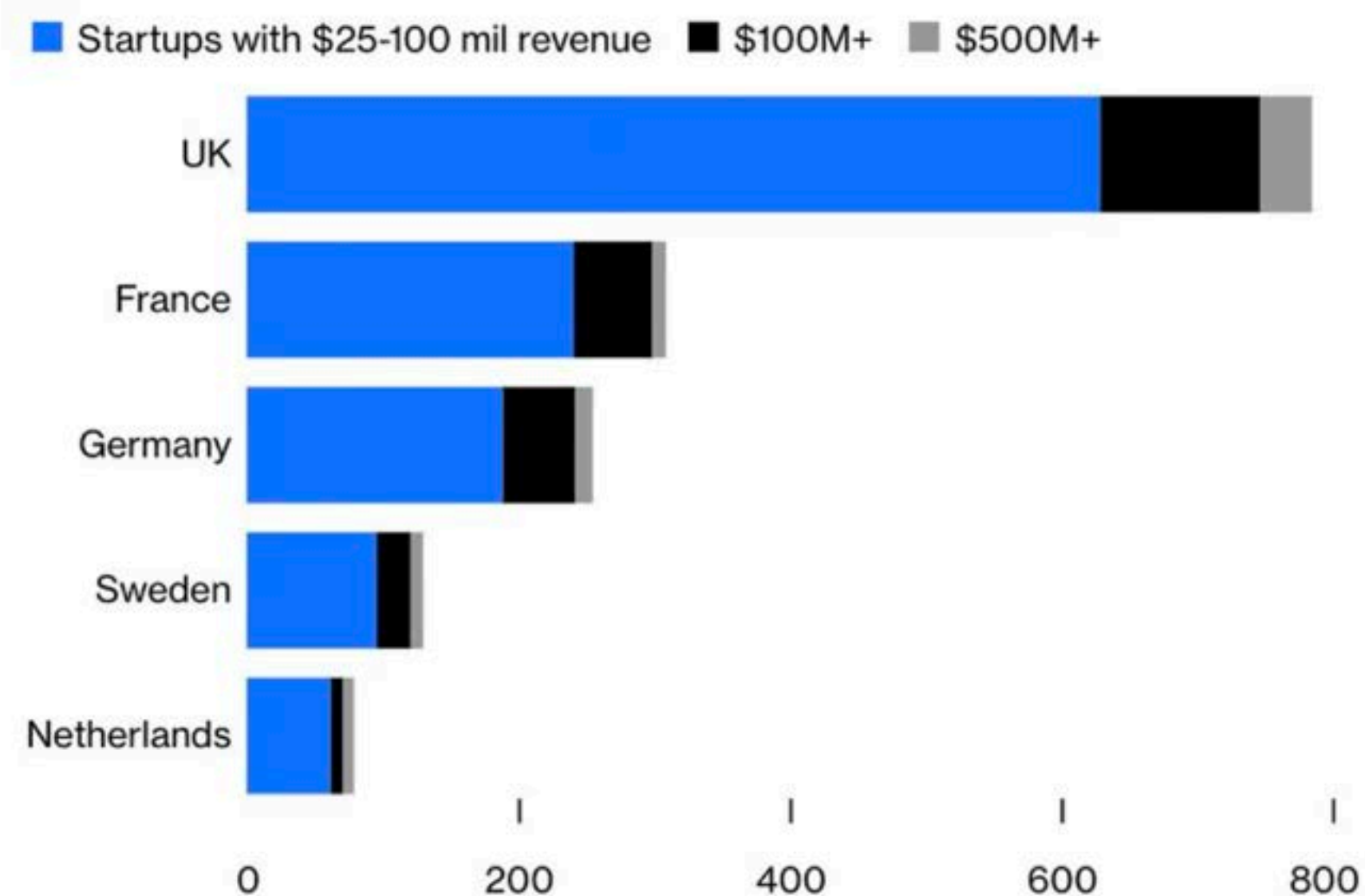
Geographic focus of both charts = U.S. 1st graph from Morgan Stanley and 2nd from PitchBook. Click graphs for source post.

Startup performance / UK far ahead in terms of revenue generating startups

If we look at performance using the metric of the number of revenue-generating startups, the UK is securely placed at the top, with most startups generating USD 25+ million annually.

European Thoroughbreds

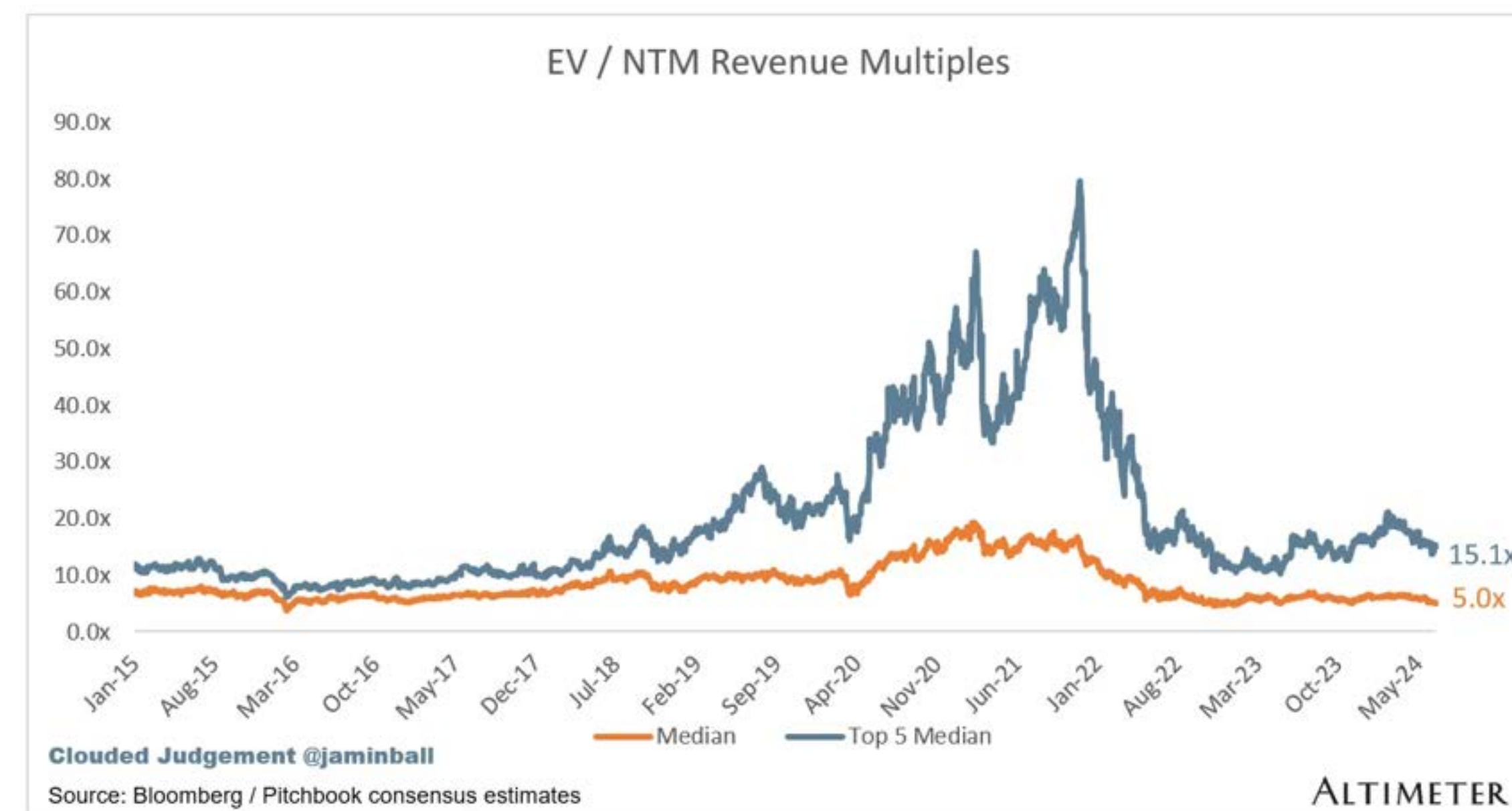
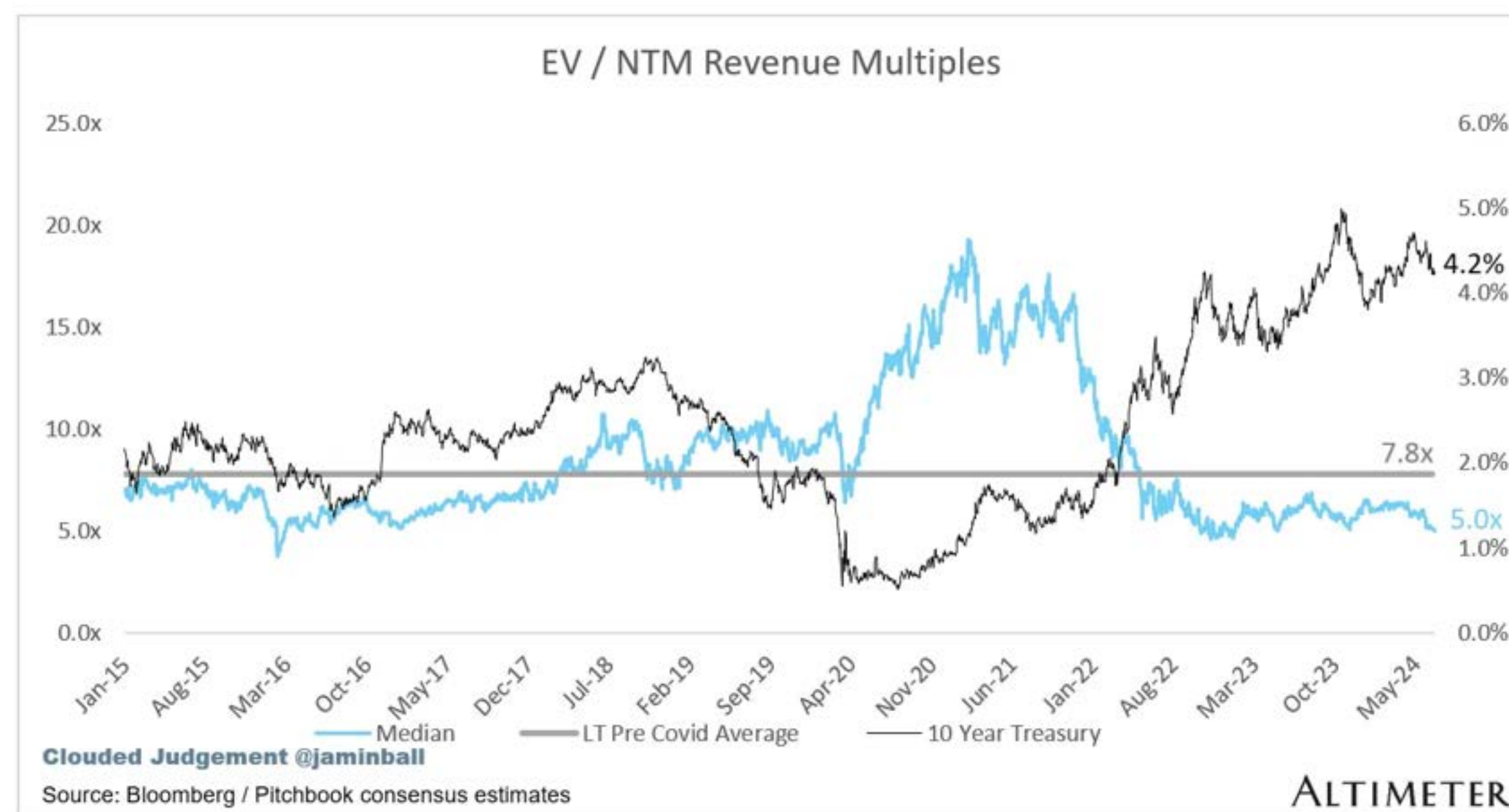
Its tech hotspots have 1,500 startups bringing in revenues of at least \$25 million annually.



Source: Dealroom.co
Note: Data collated in May 2024

SaaS world / Revenue multiples continue to stay depressed

In SaaS, revenue multiples play an important role in valuations. We see two ongoing trends: First, the median revenue multiple continues to stay below the pre-COVID average. Second, the difference between the top 5 and the median, while now closer than in the 2020-2021 era, continues to stay at similar levels.



SaaS world / VC-backed vs. Bootstrapped startups / ARR growth

For startups with under \$1 million ARR, the past two years have impacted VC-backed companies significantly more than bootstrapped ones. While early-stage startups are vulnerable during recessions regardless of their funding structure, VC-backed startups are more noticeably affected.



Valuation methodology / Is revenue multiple the right approach to valuation?

Valuation is both - science and art. Startups have never been an easy target for the valuation geeks. All valuation methods have pros and cons, and so do revenue multiples in the case of startups.

PUBLIC MARKETS • VENTURE

How Venture Capital (Ab)Uses Revenue Multiples

Dan Gray May 16, 2024

Interesting quotes from the article

“

Fundamental problems

- There's just not enough data in private markets
- It's procyclical
- It's a bad way to look at outliers, which are fundamentally what venture capital is all about.

”

Valuation methodology / Can secondaries provide a better valuation signal?

On the last slide, we already mentioned that venture as an asset class is tricky from valuation perspectives. Given the recent surge in secondaries trading, the buy/sell price discussion may become a better indication for valuation exercise.

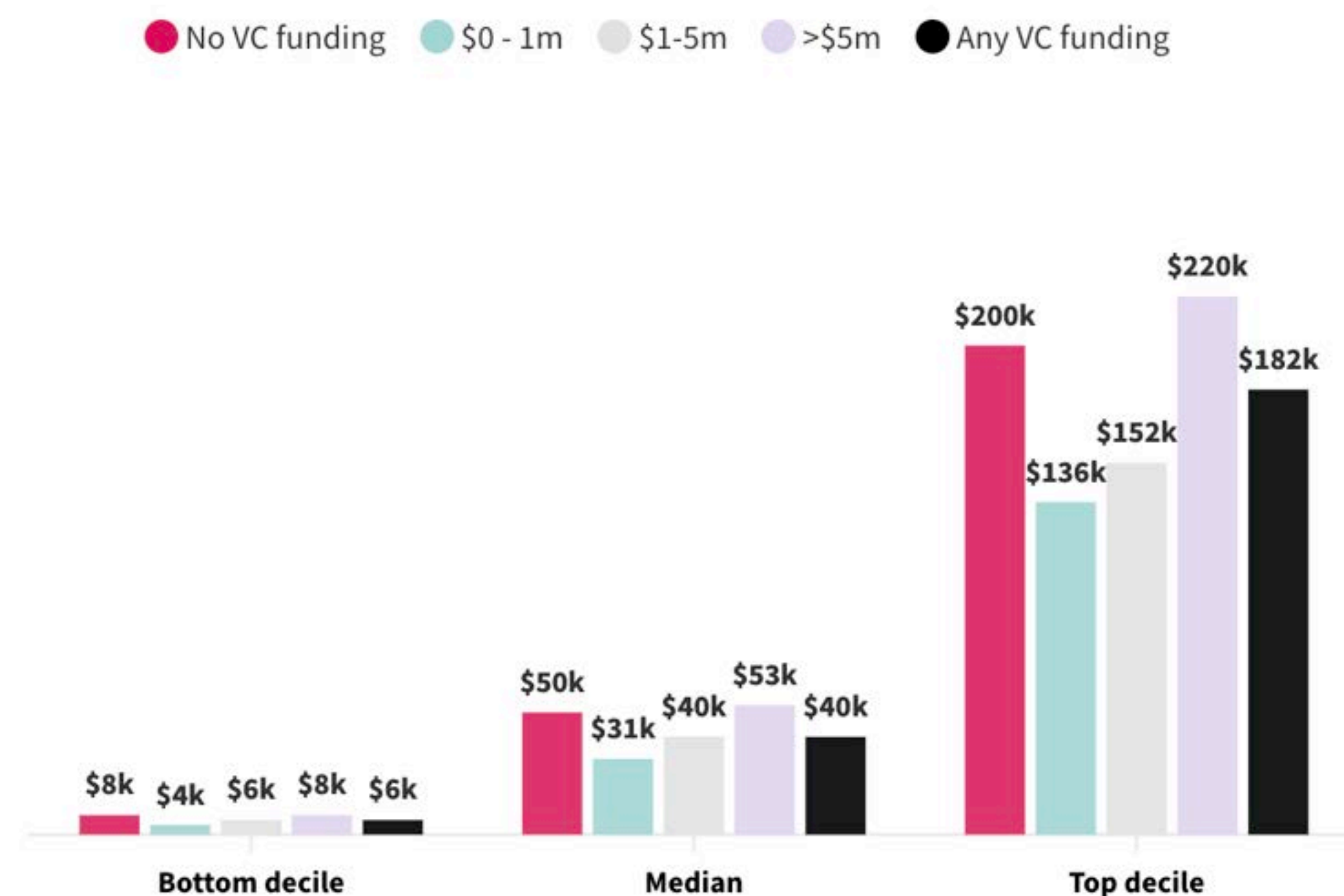
Could LP stakes trades create a more accurate valuation process?

Though fund sponsors do not value portfolios on a daily basis, comparisons can theoretically be drawn between public stock market pricing and LP secondaries trading.

Adam Le - 8 March 2023

SaaS world / What it takes to be a top performing startup?

In the world of SaaS, last 1.5 years have been about reducing costs and optimizing revenue per employee.



Source: Flashpoint

A Flourish chart

Interesting quotes from the article

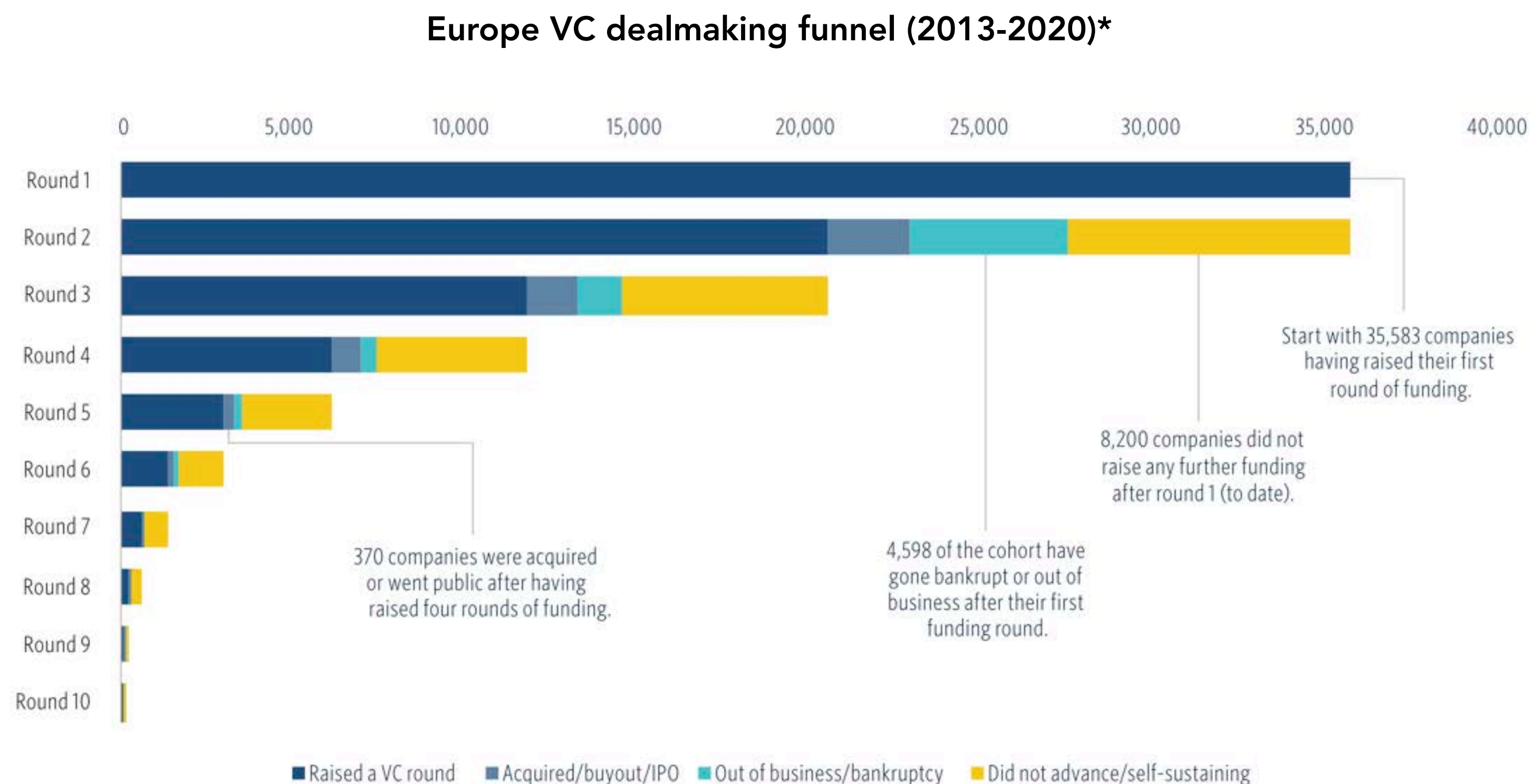
“

- Top decile startups produce ~ \$150k-200k per employee across different funding and growth stages. *(This means hitting \$5M ARR with 25-33 people in the team)*
- The top 10% show 3-4x more revenues per employee than the median.

”

Startup survival waterfall - Europe

According to PitchBook analysis, most companies raise only 3 rounds i.e. roughly one in three startups completes three or more VC rounds. While companies with multiple rounds of fundraising (more than 3) do exist, they are outliers in the overall venture capital landscape i.e. only 8.2% secure five or more rounds of financing.

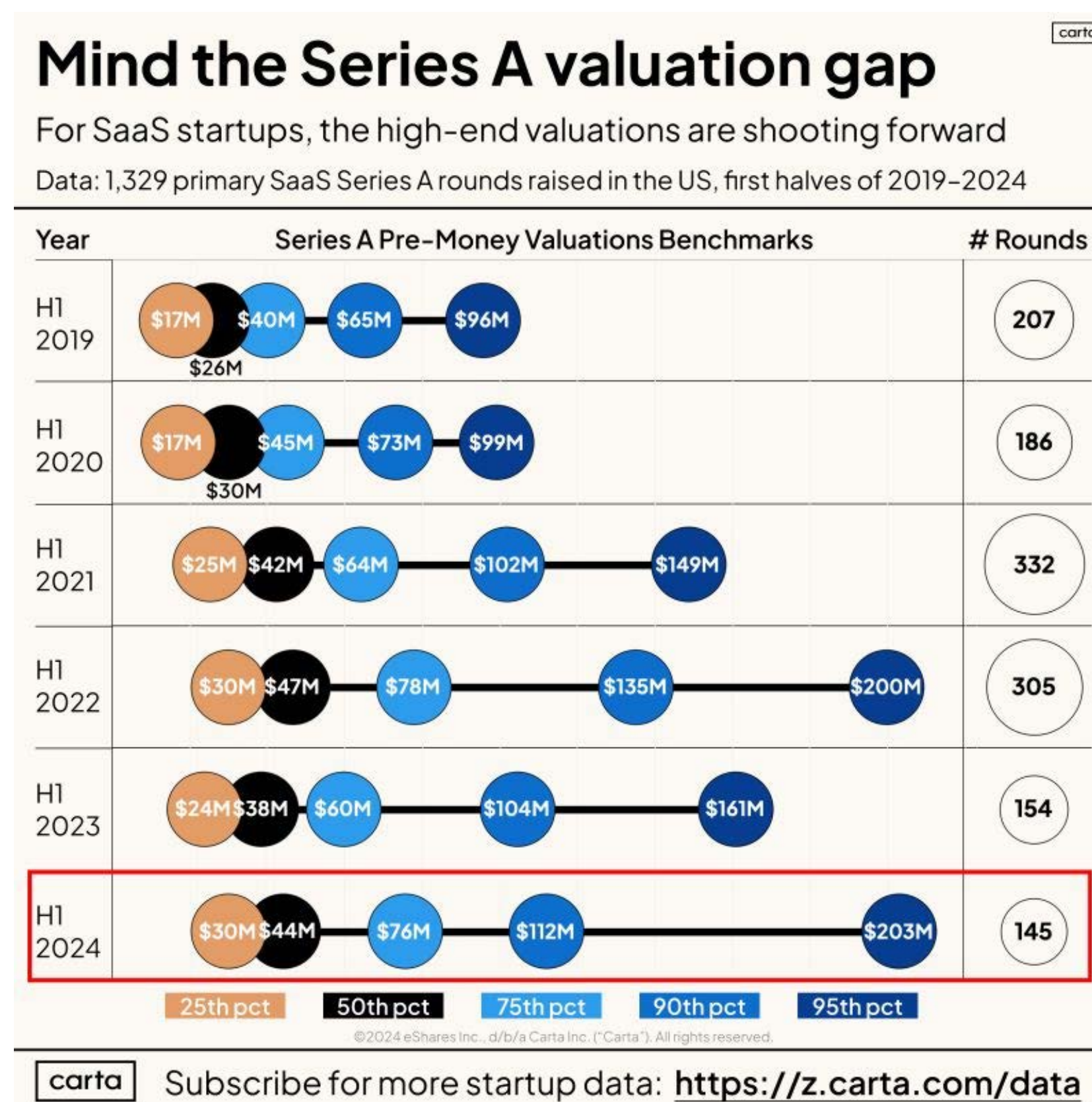


Source: PitchBook • Geography: Europe • *As of March 31, 2024

Note: Parameters for the funnel have been selected to provide the most accurate representation of the whole VC ecosystem. Our funnel includes data from 2013 through 2020 to allow sufficient time for exits and multiple rounds of financing to occur.

Valuation dispersion

According to the Carta data, not only the median Series A valuations for H1 back at an all time high, but the diversion of the rounds across the data is highest ever. This signals that certain startups (likely AI ones) are able to command much higher valuations compared to others.



SECTION

STARTUP EXITS

IMAGE FROM ADOBE FIREFLY

Prompt given - "Global M&A values and mega deals are picking up, rejuvenating dealmakers. This positive trend in global M&A could boost Tech M&A and help reduce the exit backlog for the venture industry. Most funded startups trade at a discount in the secondary markets, with the median discount around 30%. About a quarter of startups trade at a premium. Secondary markets are at a crucial growth point. Retail investors, typically less sophisticated than institutional ones, are eager to invest in big AI names."



Summary

• Exit data

- Exits data - Global
- Regional comparision
- Exits data - U.S.
- Exits data - Europe
- Exits data - Mega exits
- Exit data: Multiples
- Exit data: Multiples distribution by industries
- Startups, do you fit the exit description?
- Expectations for Tech M&A and IPOs
- One outcome, different perspectives
- Missing big exits

IPOs

- Founders - Are you exit self-aware?
- Founder ownership at IPOs
- IPO metrics of startup have changed
- IPOs are booming in India
- Who is not IPO'ing?
- IPO'ing in Europe

- Delay in IPO come back in Europe
- UK as an IPO destination
- Strengthening the capital market structures
- Forces needed to drive IPO activity

M&As

- Global M&As are lurching back. Will Tech M&As follow suit?
- U.S. driving global M&A rebound
- Is M&A making a comeback in venture space?
- Startups merge with each other

Secondary markets

- Secondaries trading premium/discounts
- Unicorn AI Secondaries
- VC secondaries opportunity
- Secondaries fundraising
- Demand outstrips supply in secondaries
- Startup secondaries: VC sales via. SPVs
- Startups secondaries: Company led

Summary / 1

Exit data

Regional perspectives

- M&A deal number for the U.S. and EU geographies seem to be on par.
- The U.S. edges past Europe, if we compare the number of IPOs
- If we were to compare the exit dollar volume, then surely the U.S. would lead in both M&A and IPO categories.
- In the U.S. - so far this year, only 37 companies have gone public, a slower pace than the past two years. Expectations for H2 2024 IPOs remain low due to macroeconomic instability. However, exit volume might surpass 2023 levels. In terms of M&A, \$19.4 billion has been generated YTD, outpacing 2023 but still marking the second-lowest M&A exit value in past decade.
- In Europe, the exit picture might look worse than in 2023 if we extrapolate the current exit numbers and exit volume.
- Acquisitions still play a crucial role in Europe and capture a substantially large number of exits. An ever-decreasing number of European startups are taking the public listing (IPO) route.

Exit data: Multiples

Larger exits typically have higher multiples, unlike the trend in VC fundraising rounds, likely due to high investor demand for quality companies. Public market revenue multiples contribute to poor conditions for VC-backed firms. VC-backed IPO Index price/sales multiple remains around 5.0x, forcing many companies to accept lower exit valuations. Multiples are unlikely to expand until rate cuts, and a single cut likely won't be enough.

Expectations for Tech M&A and IPOs

Two trends are visible from the investor survey. First, investors expect more Tech M&As than Tech IPOs in 2024. Second, in the next two years, their confidence level for exits via M&As and IPOs is higher than that for 2024.

IPOs

Metrics to go IPO have changed

Clearly, the metrics required for IPO exit have changed in the past 4-6 years. We see an increased reliance on higher financial strength (e.g., higher revenues, as mentioned below) and the quality of the startup's financials. One structural reason is higher IPO costs and higher costs associated with running a public company after that.

IPOs are booming in India

India has shown great promise for IPOs; if we consider only the numbers, it's punching above the waist. Indian stock markets are boomed in 2023-2024, reaching an all-time high. Supporting this trend is the movement out of China equities, which is now going into India and the SEA region. With money coming in, India's IPO markets are booming. India's equity markets raised over \$28 billion in their busiest first half ever, a 198% increase from the same period in 2023. Meanwhile, issuance in the rest of Asia, excluding Japan, fell by 32%. Unlike other geographies (like Europe) where tech M&A represents the biggest bucket of exit for the startups, in India, it's the IPOs.

IPO'ing in Europe

While European stocks have shown good performance in some sectors, we can't say that valuations are as rich as those in the U.S. tech sector. It remains relatively cheap, and this gets in the way of IPOs, as investors and founding teams would want a healthy return. Since the Great Financial Crisis, European mid-caps now trade at their lowest price-to-earnings ratios relative to big caps. It has made smaller firms hesitant to pursue IPOs at investor-acceptable levels. IPOs are always macro environment-dependent. French snap elections and uncertainty around the future killed a perfect consumer IPO that could have paved the way for Tech IPOs.

UK as an IPO destination

The U.K. has been a financial hub for a long time. For startups, this meant the ease of accessing a developed ecosystem of capital markets after IPOs. However, startups have been moving away to the U.S. to expand and IPO their companies. This leads to friction, where some lawmakers suggest that the government make taxpayer-funded support for early-stage companies repayable if they list or move operations outside the U.K. The number of companies listed in the UK fell about 40 per cent between 2008 and 2021, according to a government-commissioned review. But the performance of U.K. startups moving to the U.S. for IPO hasn't been rosy. According to LSEG data, of the 20 U.K. companies that have made an IPO in the U.S. in the past decade, only four are in positive territory. Eight have delisted, and the rest have plunged by more than 80 percent on average. The new listing rules will

empower company bosses to make decisions without shareholder votes and allow greater use of dual-class share structures, giving founders and venture capital firms stronger voting rights.

Strengthening the capital market structures

Increasingly, the governments of many countries with substantial startup ecosystems are looking to strengthen their capital market structures to increase the depth of investor participation or make it more attractive for startups to exit via IPOs.

Forces needed to drive IPO activity

As mentioned in the last slides, macro plays a critical role in the IPO landscape. This is clearly visible from the investor survey ratings, where respondents have rated interest rates and broad stock market gains as two critical factors for going public. The most significant factor, though, is resetting expectations for valuations—which has to happen from both the Founder's and the startup's investor sides.

M&A's

Global M&As are lurching back. Will Tech M&As follow suit?

Global M&A values and mega M&A deals have rejuvenated the dealmakers. It still doesn't exceed the bullish scenario, but deals are moving. Such a positive vibe in global M&A can likely give a positive impetus to the Tech M&A area and provide hope of reducing the exit backlog for the venture industry.

U.S. driving global M&A rebound

Considering the overall M&A market (not just Tech), the U.S. resurgence seems to be the highlight. The deal value was up more than 40%, and PE-backed M&A also rose 40% (considering there is a lot of dry powder in the PE sector). However, deal numbers declined. The total number of deals dropped 25% to a four-year low, with acquisitions worth \$500 million or less falling 13% in value.

Is M&A making a comeback in venture space?

That would be some news. The latest acquisitions point to opening up the ecosystem toward M&A deals and getting them executed. At the same time, the final terms for many of them could only be satisfactory for some VCs. None the less, the capital moving in the ecosystem is a good sign. Obviously, different data providers come up with different narratives in the short term. This chart below only refers to startups on Carta. If we look at only this data then M&A is flat in 2024.

Startups merge with each other

Investments are about highs and lows. So is the venture sector. Mergers between startups are a healthy occurrence. If funding falls for a particular industry, it will likely see increased M&A action. One reason is that a startup could not raise further capital and is up for merger with a well-funded peer.

Secondaries

Secondaries trading premium/discounts

Most funded startups trade at a discount in the secondary markets. Around a quarter of the startups are actually trading at a premium. The median discount is around 30%.

Unicorn AI Secondaries

One of the hottest traded segments in the startup world in H1 '24 was AI startups and that too in the Foundational Model AI segment. Trading is likely to increase in the areas connected with GenAI, including companies building key chips, cloud infrastructure, and application technology to power the GenAI economy.

VC secondaries opportunity

Cliffwater's report highlights that secondary markets are at an important inflection point for future growth. Amid this backdrop of highly motivated sellers and improving metrics for startup quality, VC Secondary Markets are priced quite attractively relative to their own history and to secondary markets in other private asset classes.

Secondaries fundraising

More and more VCs are not just selling stakes, but some are also becoming Secondaries fund manager. In general, 2023-24 will be seen as the year for Secondaries resurgence in the private markets arena.

Startup secondaries: VC sales via. SPVs

Retail investors typically are far less sophisticated than institutional ones. With this in mind, retail investors are driven more by emotions or market/news whispers. AI remains a hot topic, and smaller/retail investors want to participate in big AI names. VCs use their pro-rata rights to maintain ownership, often creating SPVs to fund these purchases by raising money from others (often retail investors invest in smaller amounts) and charging additional fees.

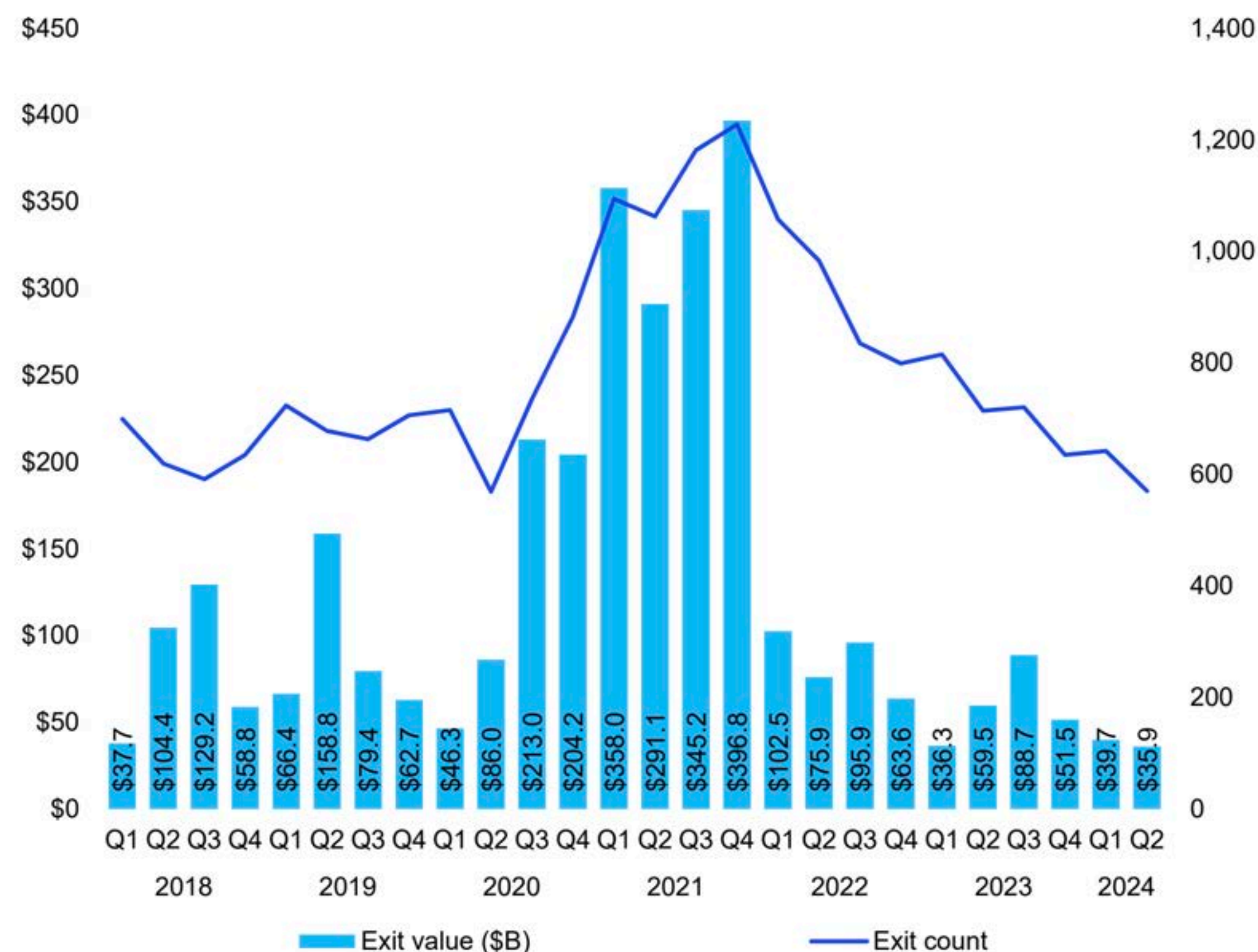
Startups secondaries: Company led

Company-led secondaries remain one of the tried-and-tested ways to give liquidity to early employees and founders. They also become a testing ground for pricing and demand generation for other activities, like planning an IPO.

Exit data - Global

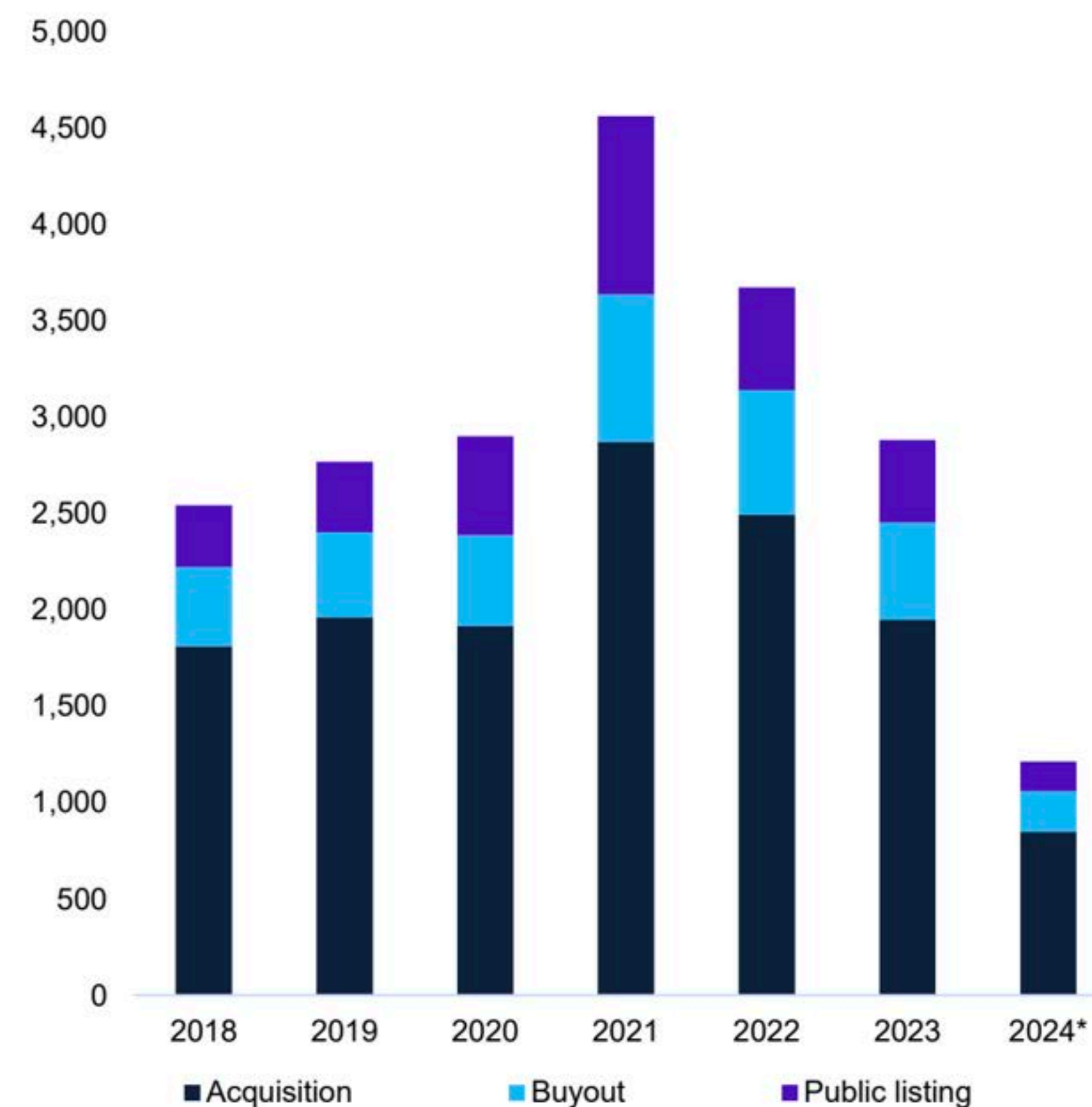
Global exit data isn't inspiring. Q2 2024 exit value is substantially below Q2 '23 number. The trend seems to be holding downward, and even if we extrapolate the mid-year values, it will either fall short by 2023 or be at par. Not what we expected at the start of 2024.

Global venture-backed exit activity



Note: Exit value for initial public offerings is based on pre-IPO valuation, not the size of the offering itself. For the Q1 2024 edition of Venture Pulse, under standard PitchBook venture methodology, Reddit's IPO would not be included given its backing status but it was included in the underlying exits data in this instance to better reflect its extensive previous VC-backed history.

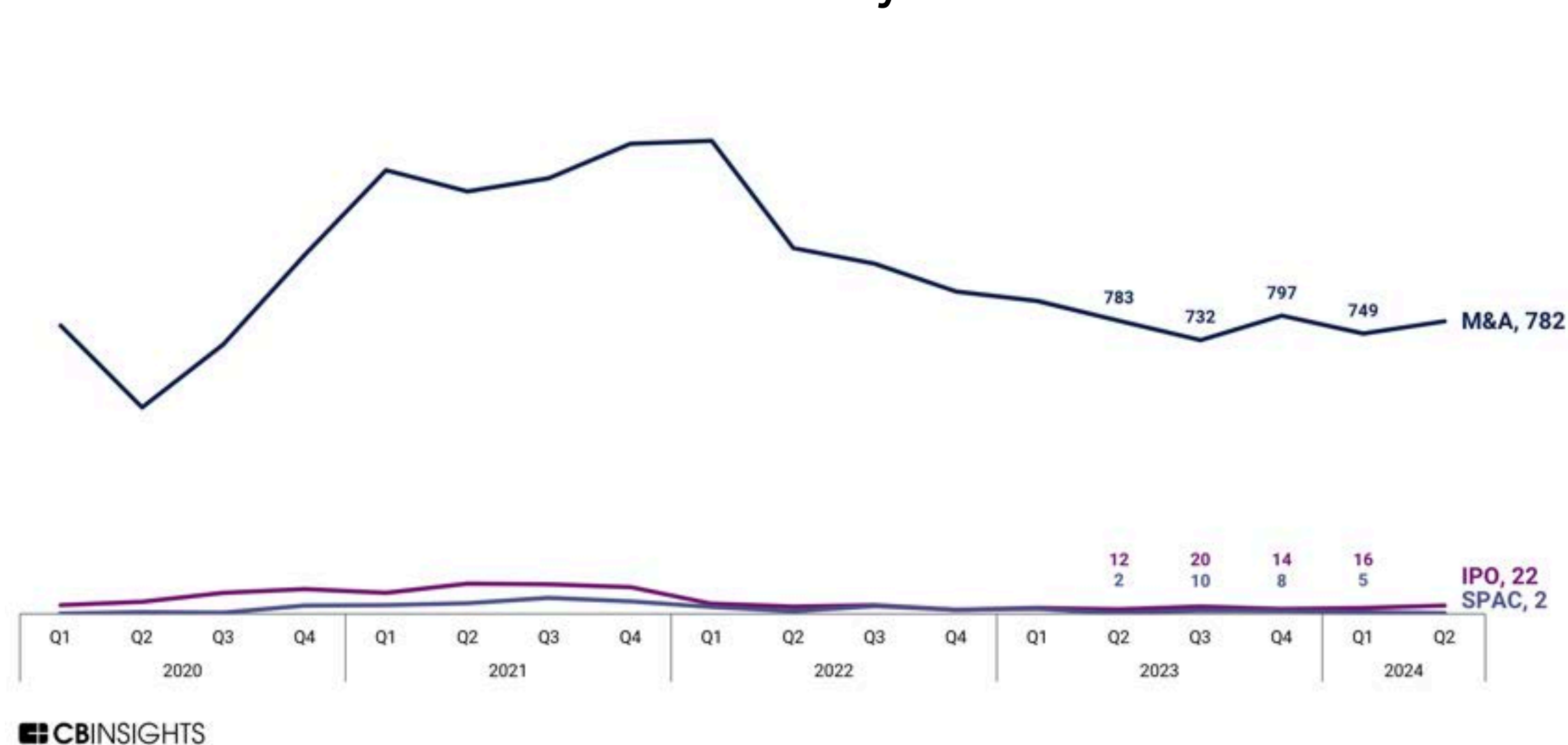
Global venture-backed exit activity (#) by type



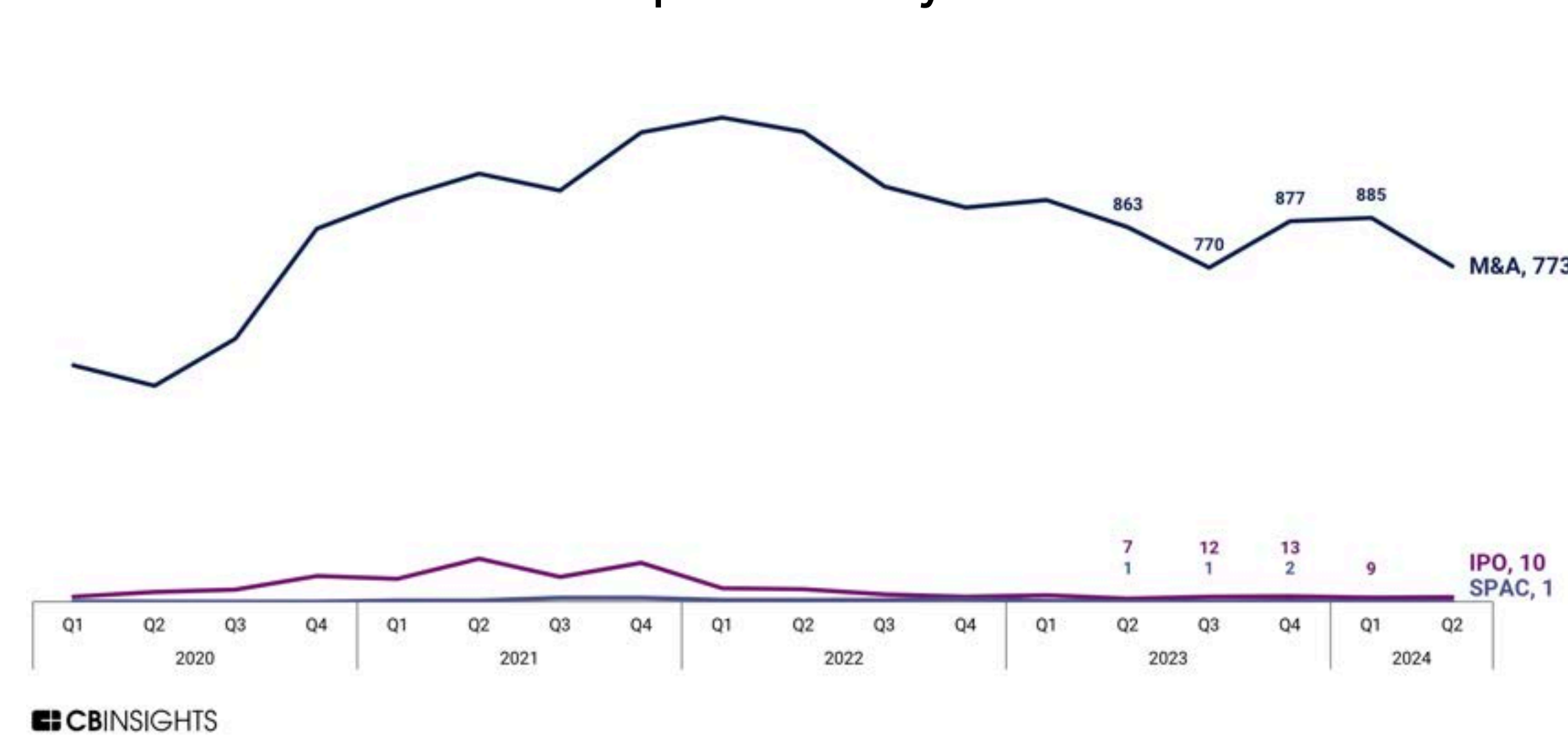
Exit data / Regional perspectives

If we compare CB insights data for M&A for the U.S. and European geographies, the numbers seem to be on par. In the case of the IPOs, though, the U.S. edges past Europe every single year. Remember, this is the number of exits, and if we were to compare the exit dollar volume, then surely the U.S. would lead in both M&A and IPO categories.

U.S. - Quarterly exits



Europe - Quarterly exits



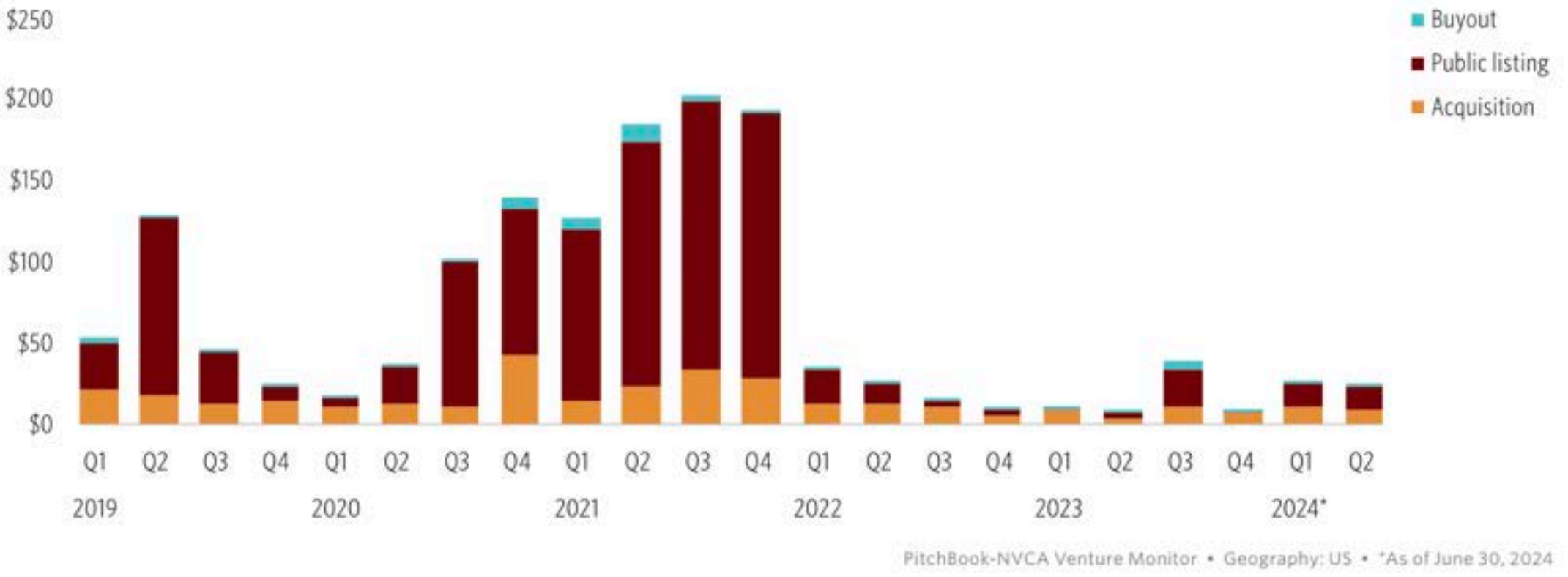
Exit data - U.S.

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VC exit activity



Quarterly VC exit value (\$B) by type

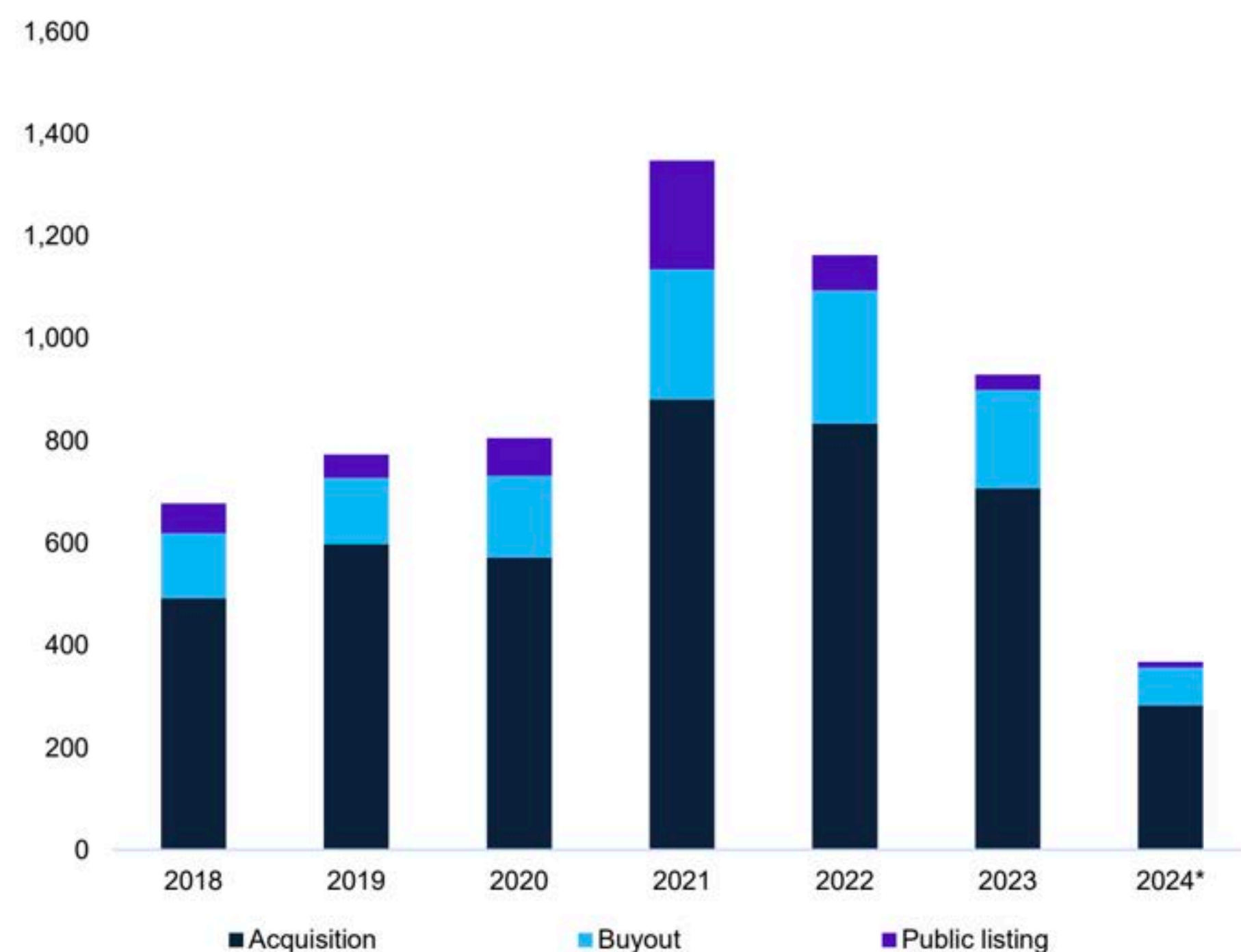


Geographic focus of both charts = U.S. Graphs from PitchBook. Click graph for source post.

Exit data - Europe

In Europe, the exit picture might look worse than in 2023 if we extrapolate the current exit numbers and exit volume. The H1 exit value of €4.1 billion was 39.3% lower than the same period last year, with the exit count down by 6.0%. And yes, nothing comes even close to the 2021 exit data in Europe. Acquisitions still play a crucial role in Europe and capture a substantially large number of exits. An ever-decreasing number of European startups are taking the public listing (IPO) route.

Venture-backed exit activity (#) by type in Europe



Source: Venture Pulse, Q2'24, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of June 30, 2024. Data provided by PitchBook, July 17, 2024.

VC exit activity in Europe *



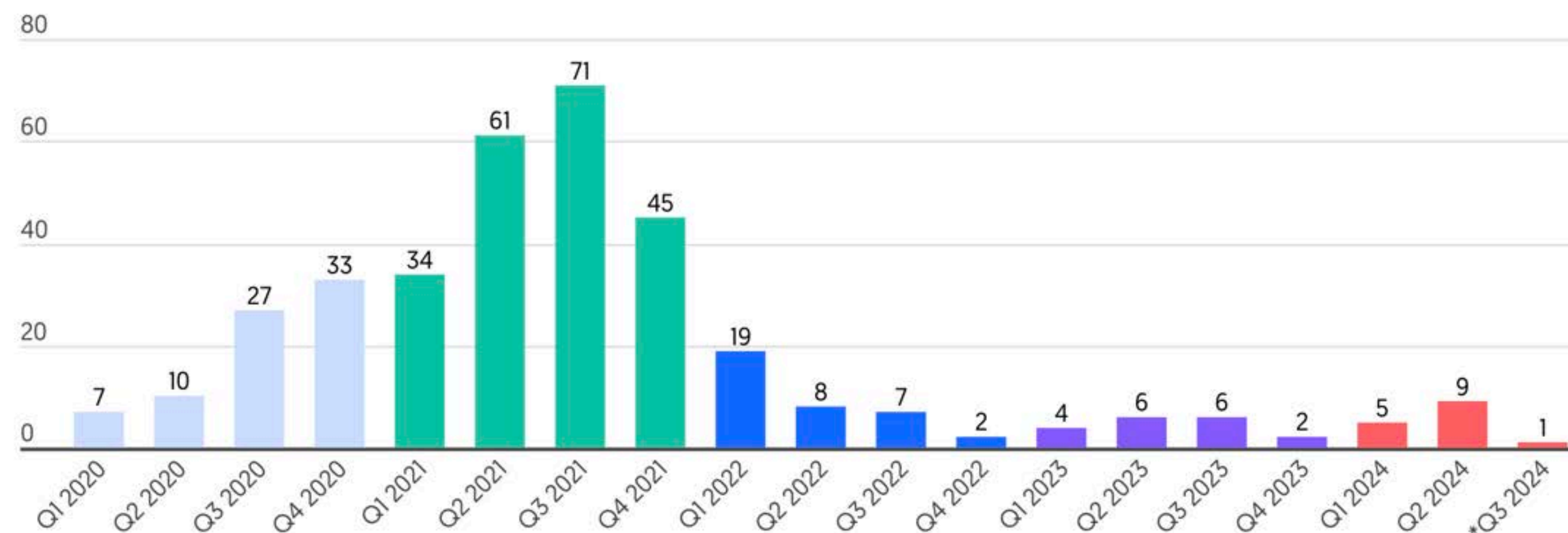
Source: PitchBook • Geography: Europe • *As of June 30, 2024

Geographic focus of both charts = Europe. 1st graph from KPMG and 2nd from PitchBook. Click graph for source post. * = €11.3 billion of exit value was from IPO of Spanish luxury player Puig. This should be excluded.

Exit data - Mega exits

2023 was a dim year for mega exits. But since Q1 '24, the exit numbers have slightly improved for the mega exits. Q2 '24 mega exits (data only till May 29th) are at par with Q2 '22. It's a small positive sign.

Billion-dollar exits by quarter for U.S.-based companies



Geographic focus of the chart = U.S. Graph from Crunchbase. Click graph for source post. * Last updated: July 15, 2024

Exit data: Multiples

Larger exits typically have higher multiples, unlike the trend in VC fundraising rounds, likely due to high investor demand for quality companies. Public market revenue multiples contribute to poor conditions for VC-backed firms. VC-backed IPO Index price/sales multiple remains around 5.0x, forcing many companies to accept lower exit valuations. Multiples are unlikely to expand until rate cuts begin, and a single cut likely won't be enough.

Exit multiples data distribution by deal size: EV / LTM Revenue

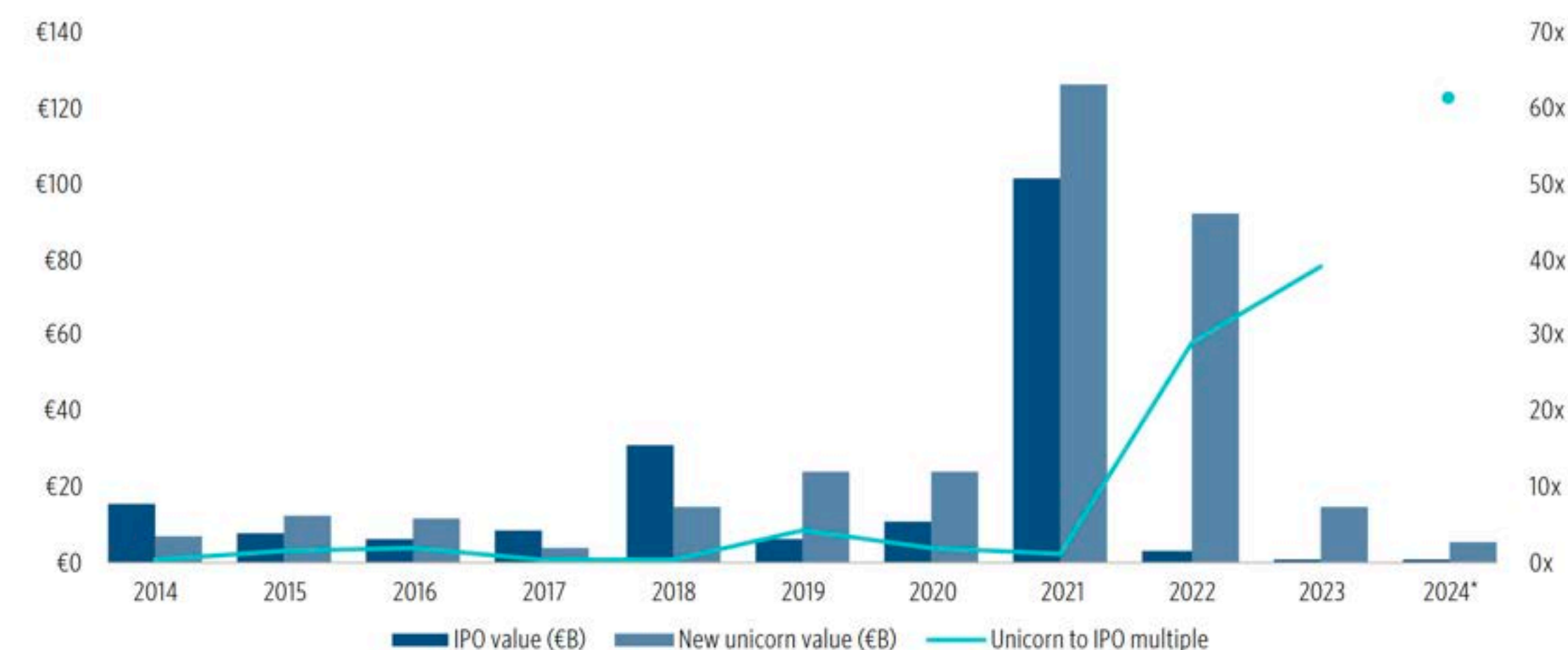


Source: Dealroom.co • Embed • Download image

VC-Backed IPO Index price/sales multiple



Multiple of VC-backed IPO exit value to new unicorn value

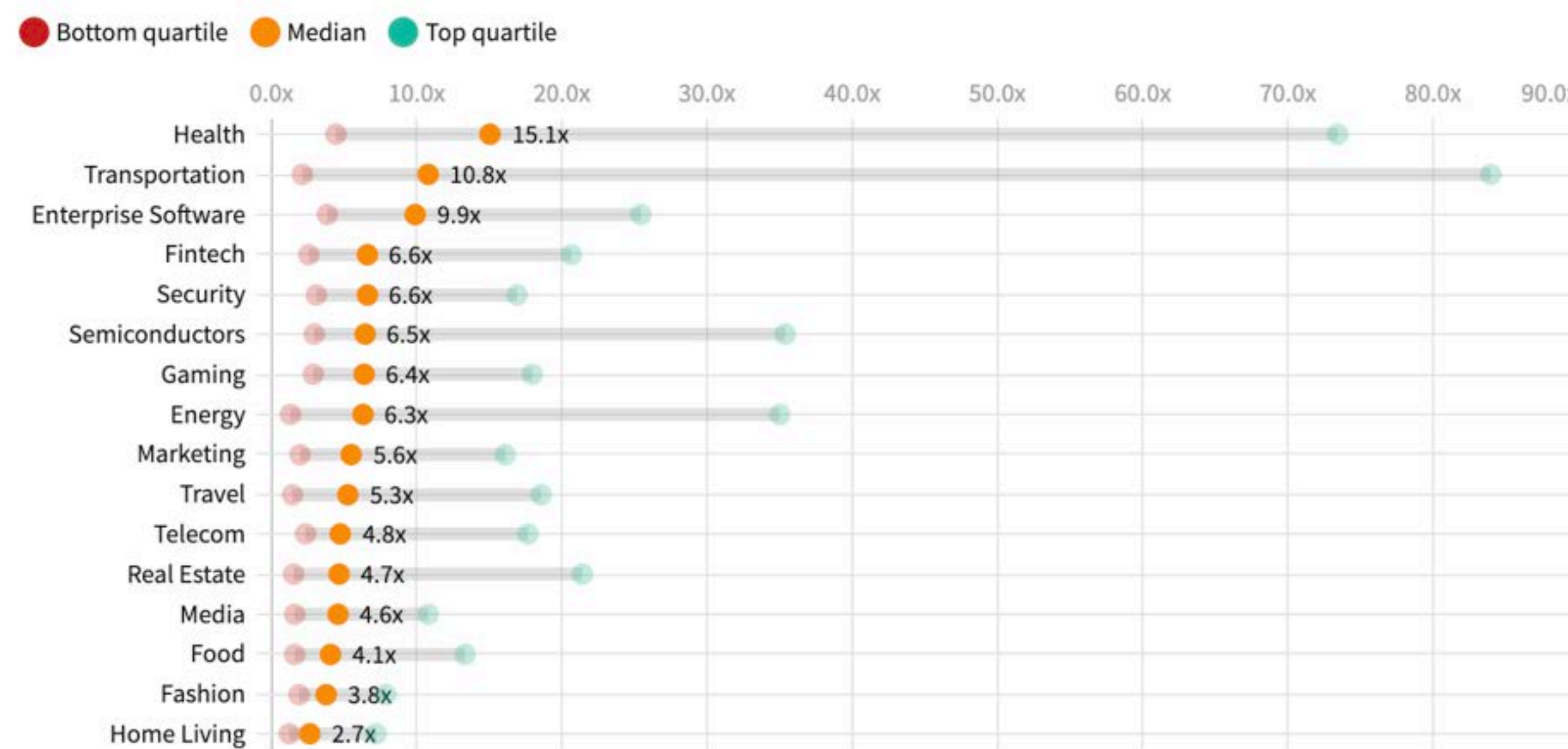


Source: PitchBook • Geography: Europe • *As of March 31, 2024
Note: 2024 data is predicated on low counts.

Geographic focus of the chart = 1st - Global, 2nd - Europe. 1st Graph from Dealroom and 2nd from PitchBook. Click graph for source post.

Exit data: Multiples distribution by industries

Exit valuation multiples data distribution by industries: EV / LTM Revenue



Source: [Dealroom.co](#) • [Embed](#) • [Download image](#)

Startups, do you fit the exit description?

Data enables us to analyze the startup exits to build a general picture of which startups have the suitable characteristics for exit.

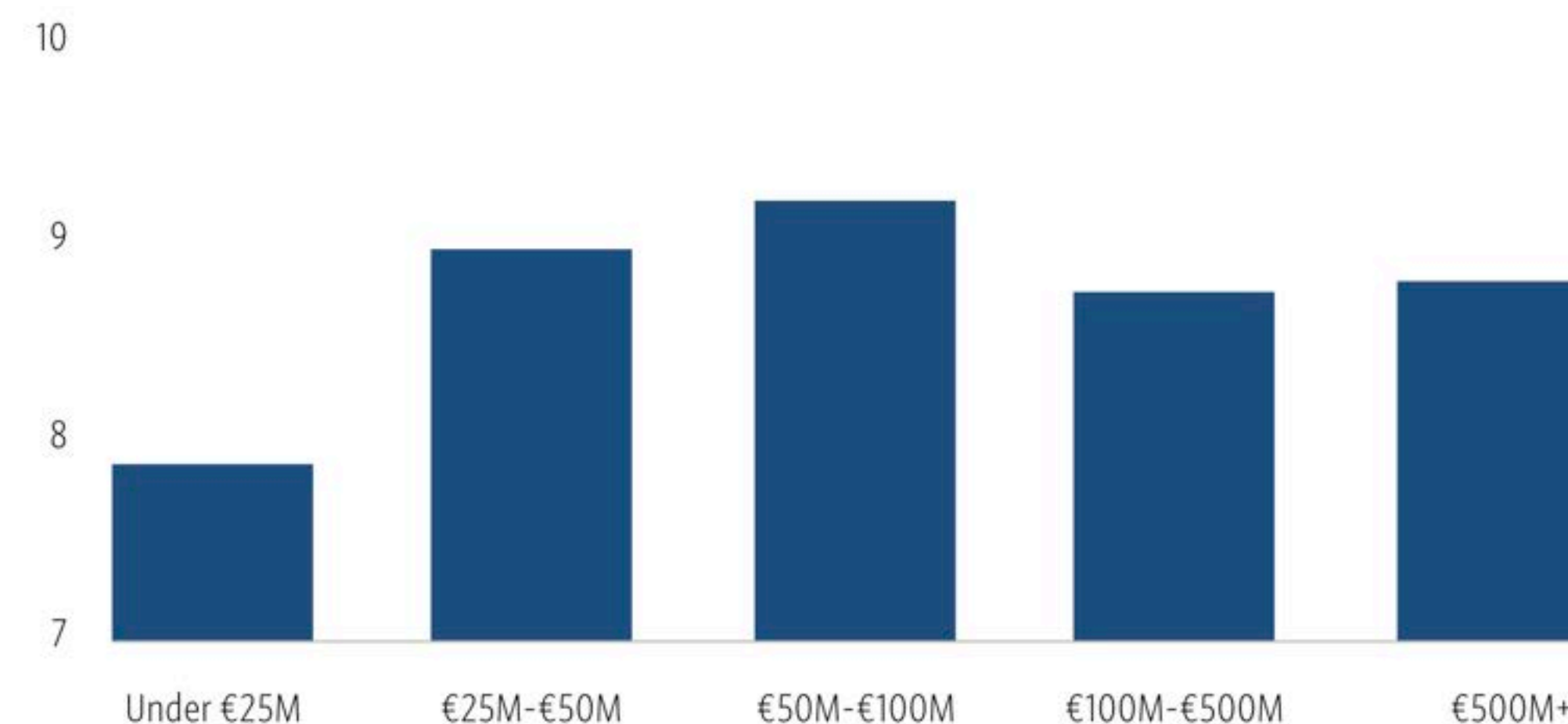
Building a funding runway

Drawing on conclusions we have reached from our VC dealmaking funnel, we can start to build a picture of the funding runway from founding to exit.

For example, a company that exits at a valuation at €500 million or more may possess the following characteristics:

1. Founded approximately nine years ago
2. Raised more than €100 million across a minimum of four VC rounds
3. Completed a VC round two years after founding, with each subsequent round taking place within two years of the previous round
4. Each VC round increasing substantially in size, with more frequent rounds required as the company grows (nearly one round every year prior to exit)

Median time (years) since founding by exit size*

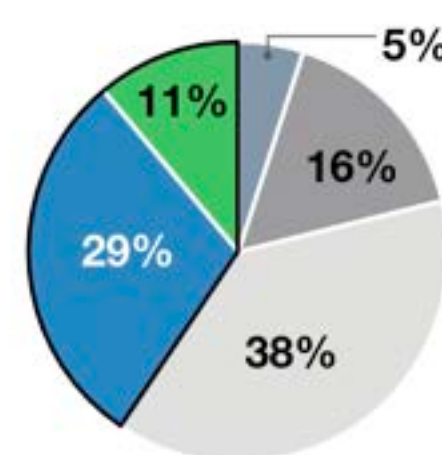


Source: PitchBook • Geography: Europe • *As of March 31, 2024

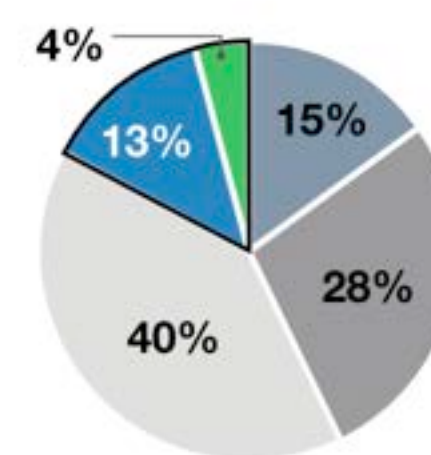
Expectations for Tech M&A and IPOs

Two trends are visible from the investor survey. First, investors expect more Tech M&As than Tech IPOs in 2024. Second, in the next two years, their confidence level for exits via M&As and IPOs is higher than that for 2024.

Confidence That Tech M&As and IPOs Will Return This Year

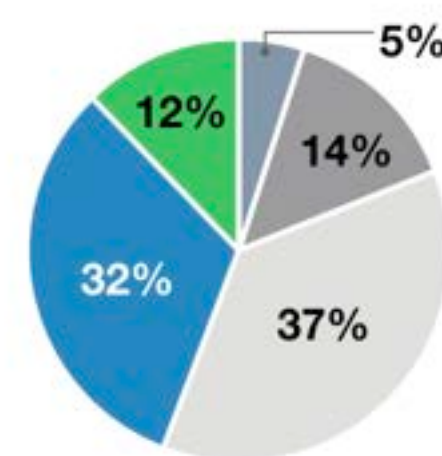


Tech Mergers & Acquisitions

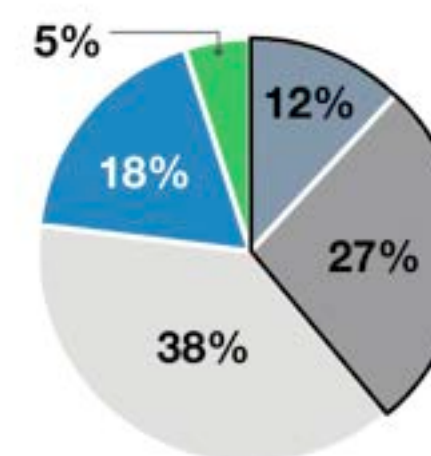


Tech IPOs

Confidence That Tech M&As and IPOs Will Return in the Next 2 Years



Tech Mergers & Acquisitions



Tech IPOs

One outcome, different perspectives

It's like putting a lipstick on a pig. I'm unsure whether both snippets below point to the same deal or are just memes. Whatever may be the case, there is always an attempt to paint a better picture (an optimistic one) by GPs who have a hidden bias to promote their outcomes.



Rod ✓
@rod_mallo

most of the vc industry is bs

i'm an LP in a fund and i got an email saying that unfortunately they had to sell a company for scraps and we are getting ten cents on the dollar

i open LinkedIn and another investor *in the same company* and in *the same round* posted

"Exited to share that X startup has been acquired by Y company. A great success for everyone involved."

7:20 PM · Jun 13, 2024 · 1M Views



Guillaume Moubeche · Following
\$0 to \$26M ARR in 6 years bootstrapped | I share tips on how to grow a pr...
3w · 🌐

I've invested in a few funds, and earlier this year, I received an email from one of the investors.

It said we'd only get 20 cents on a dollar on an investment they made a few years ago.

Apparently, the company got acquired but at a much lower valuation than the initial investment...

A few weeks after that email, I saw an article celebrating that exit...

Then the same investor posted on LinkedIn to congratulate the founder and the team on the achievement

The founder even changed his tagline to "Exit SaaS founder"...

So I decided to email back the investor with two questions (as I believed there was a potential typo on his email 😊)

1- Did the founder actually get any money on that deal?

2- Are we (as investors) making any money on that deal?

His answer was simple and clear...

NO, and..... NO...

So I guess, cheers to another "successful" VC-backed "exit founder" 🙌

Missing big exits

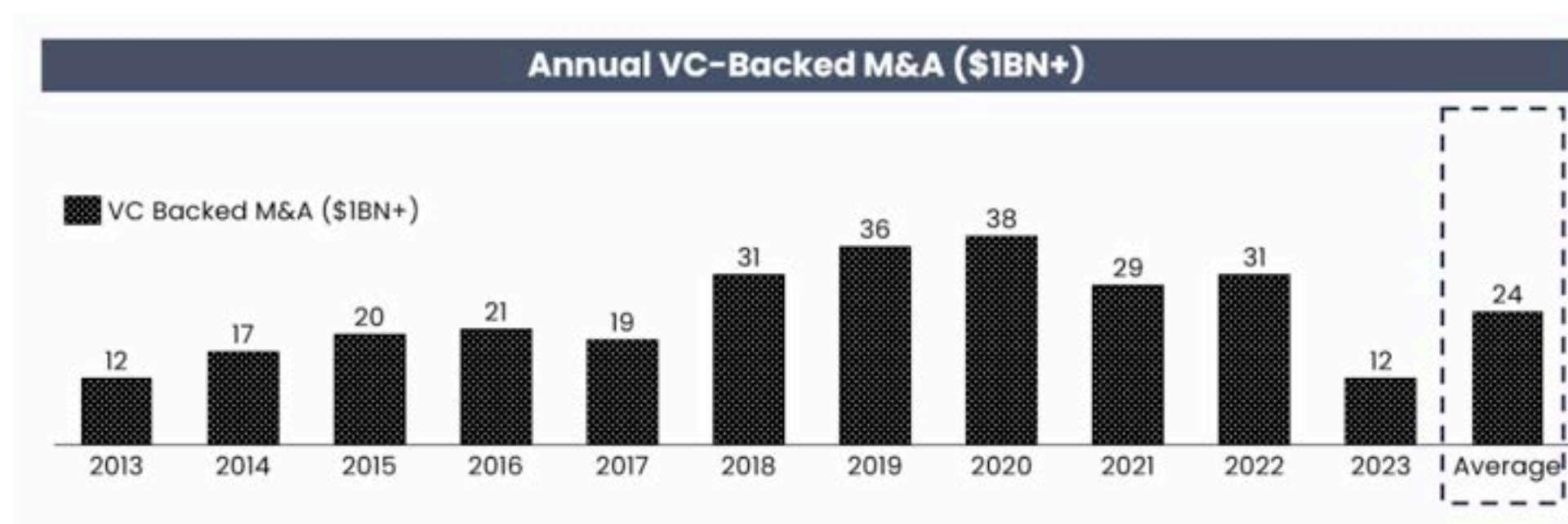
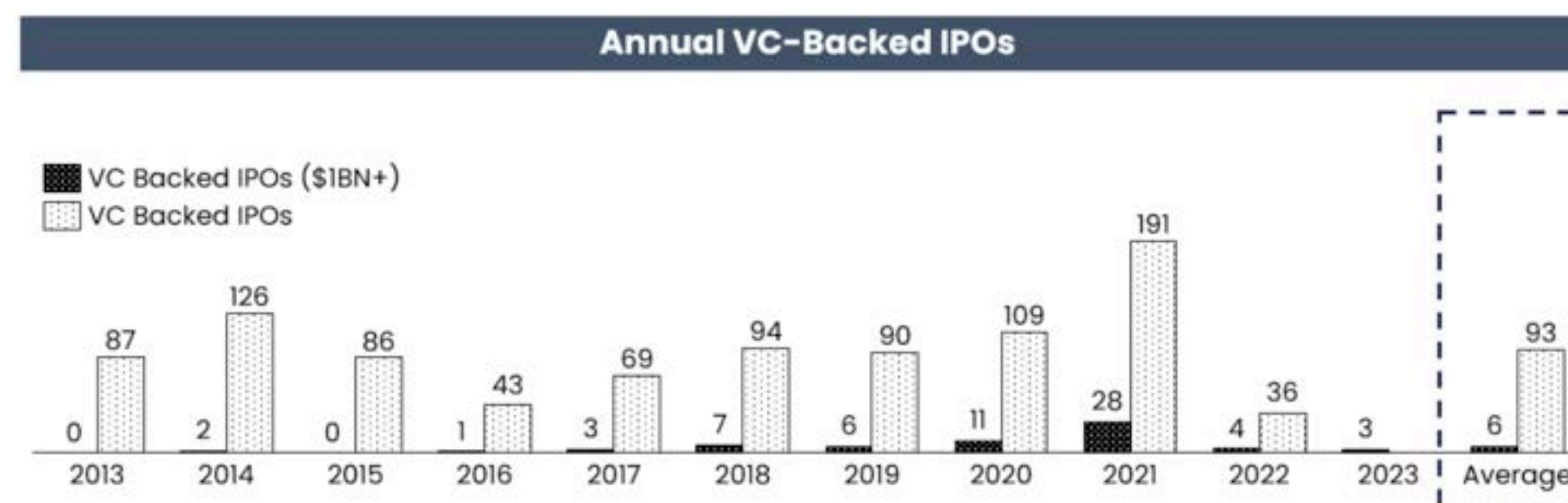
While averages are always a tricky metric, still the graph below highlights again a known challenge in the venture industry currently - lack of big exits. Be it current macro environment, geopolitics, higher interest rates, or other reasons, big exits do move the ecosystem needle and enables the capital flow moving.

A Glut of Unicorns and our Collective Delusion



Benjamin Zilnicki
Venture Capital

June 17, 2024



Founders - Are you exit self-aware?

Founders need to be self-aware of what it takes to exit via IPOs. Naturally, when they are clear that it can't happen for their startup, founders should switch mode and actively work on some other positive exit outcome.



...

Landing The Plane: A Necessary Choice For Many Startups

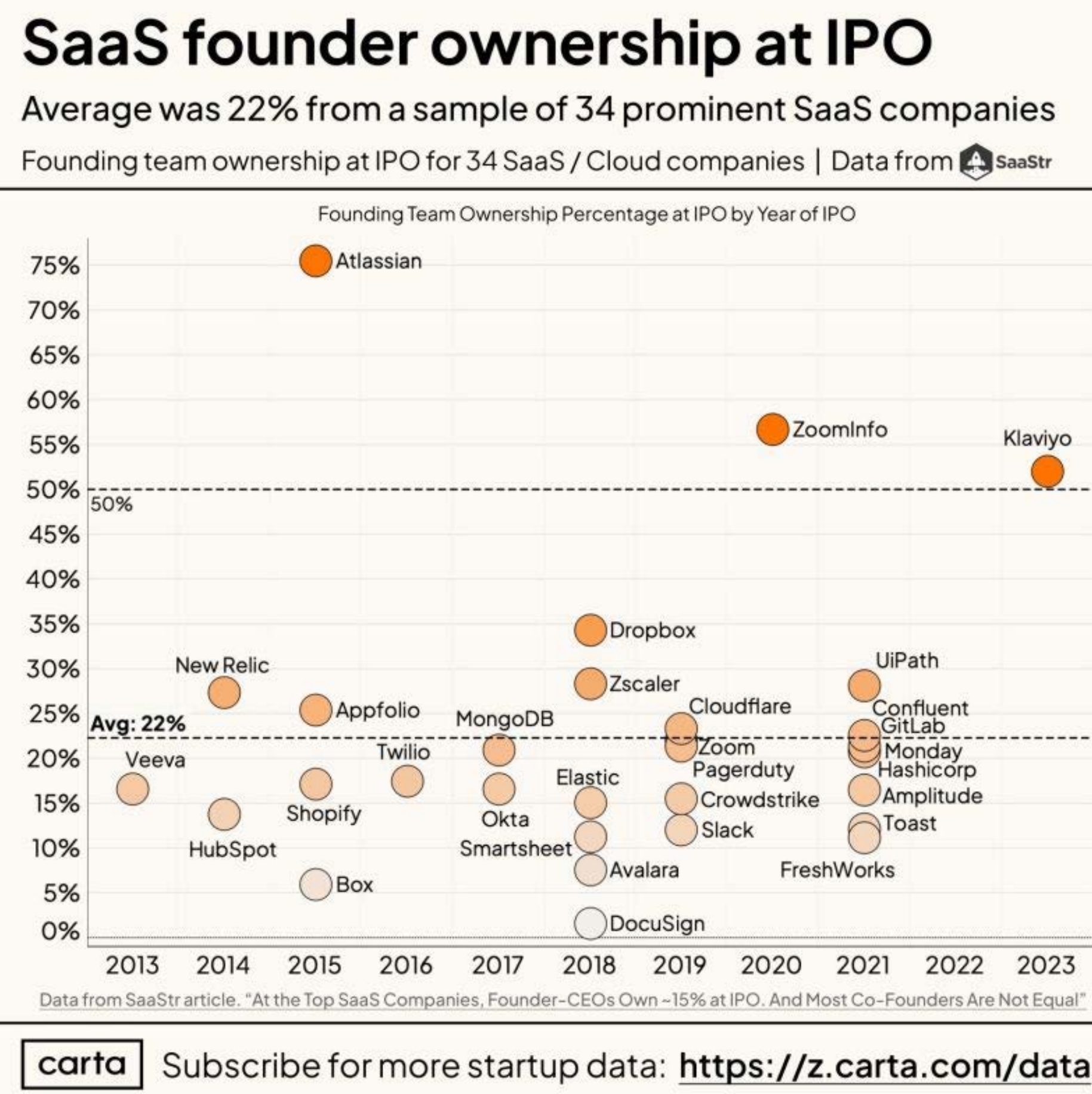
How many Founders does it take to land a plane? None, they'll just pivot to a helicopter ride-sharing service.

However, reality is sobering. Only a few percent of all Startups backed by Tier 1 VCs achieve the scale required for a successful public offering, and the numbers are much, much worse for the broader Startup ecosystem. So, what happens when it's obvious that a Startup isn't on a trajectory to capture hundreds of millions of dollars of high margin revenue which would allow them to go public?

The unfortunate truth is that once it's clear that a Startup is going to struggle to achieve escape velocity, they need to work with their Investors to "Land The Plane." This is typically very tricky because navigating a safe and controlled descent towards a positive outcome isn't straightforward nor guaranteed. It often involves finding a strategic

Founder ownership at IPOs

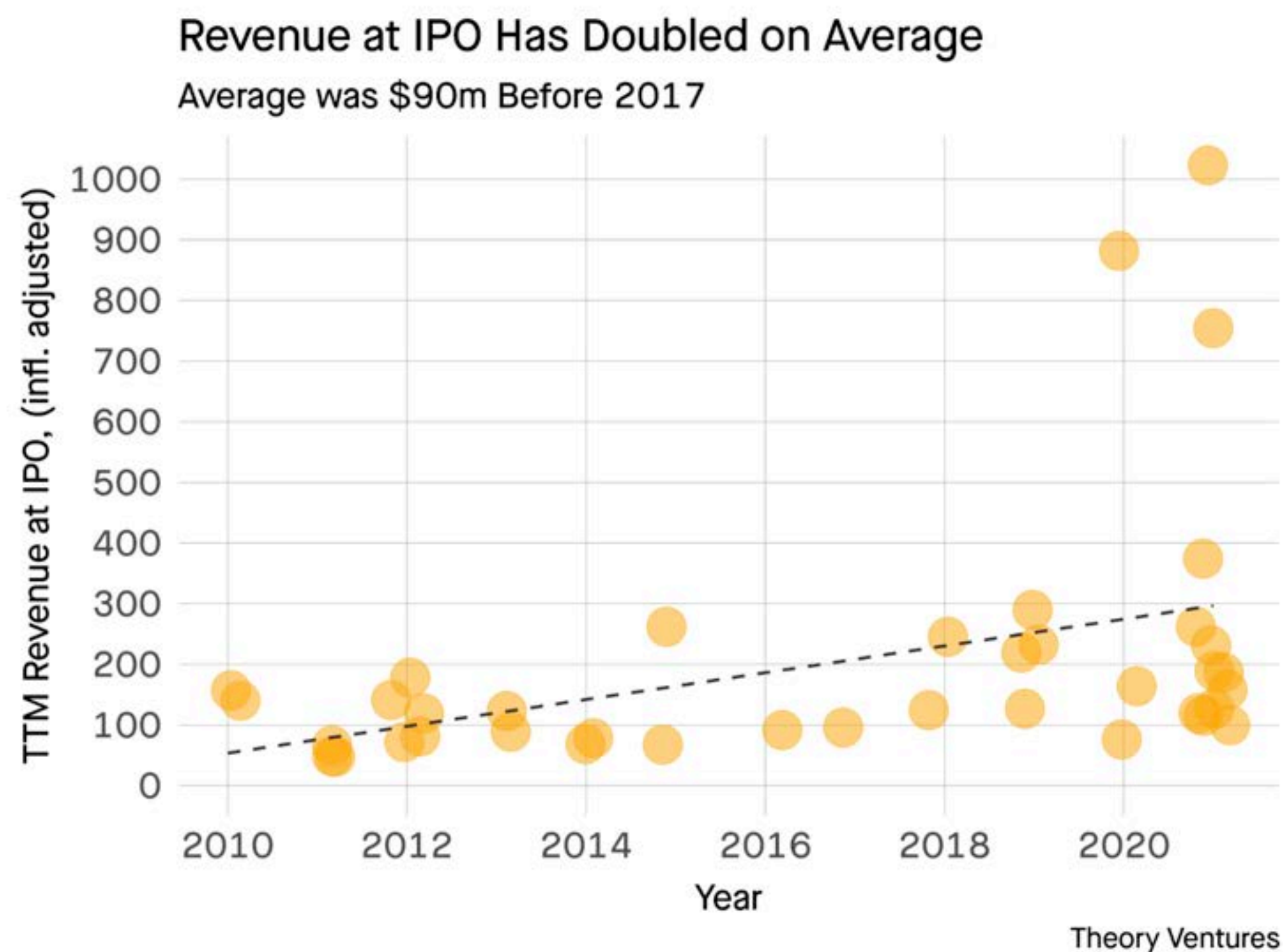
An important metric for founders to consider and reverse engineer the number to understand/project - is how much equity they should give up in each fundraising round to reach the optimal stake at the exit.



Geographic focus of the chart = U.S. Graph from Carta. Click graph for source post.

IPO metrics of startup have changed

Clearly, the metrics required for IPO exit have changed in the past 4-6 years. We see an increased reliance on higher financial strength (e.g., higher revenues, as mentioned below) and the quality of the startup's financials. One structural reason is higher IPO costs and higher costs associated with running a public company after that.



Interesting quotes from the article

“

Before 2018, only one company IPOed with more than \$200m in revenue. In fact, the median revenue at IPO at \$90m. Today, the median revenue at IPO is \$189m (corrected for inflation), more than double.

”

IPOs are booming in India

India's IPO market has shown great promise, surpassing expectations with record numbers. Indian stock markets soared to all-time highs in 2023-2024, fueled by the movement of capital from China to India and the SEA region. This influx has driven India's IPO boom, with equity markets raising over \$28 billion in their busiest first half ever—a 198% increase from the same period in 2023. In contrast, issuance in the rest of Asia, excluding Japan, fell by 32%. Unlike in other regions where tech M&A dominates startup exits, in India, IPOs are the primary exit strategy.

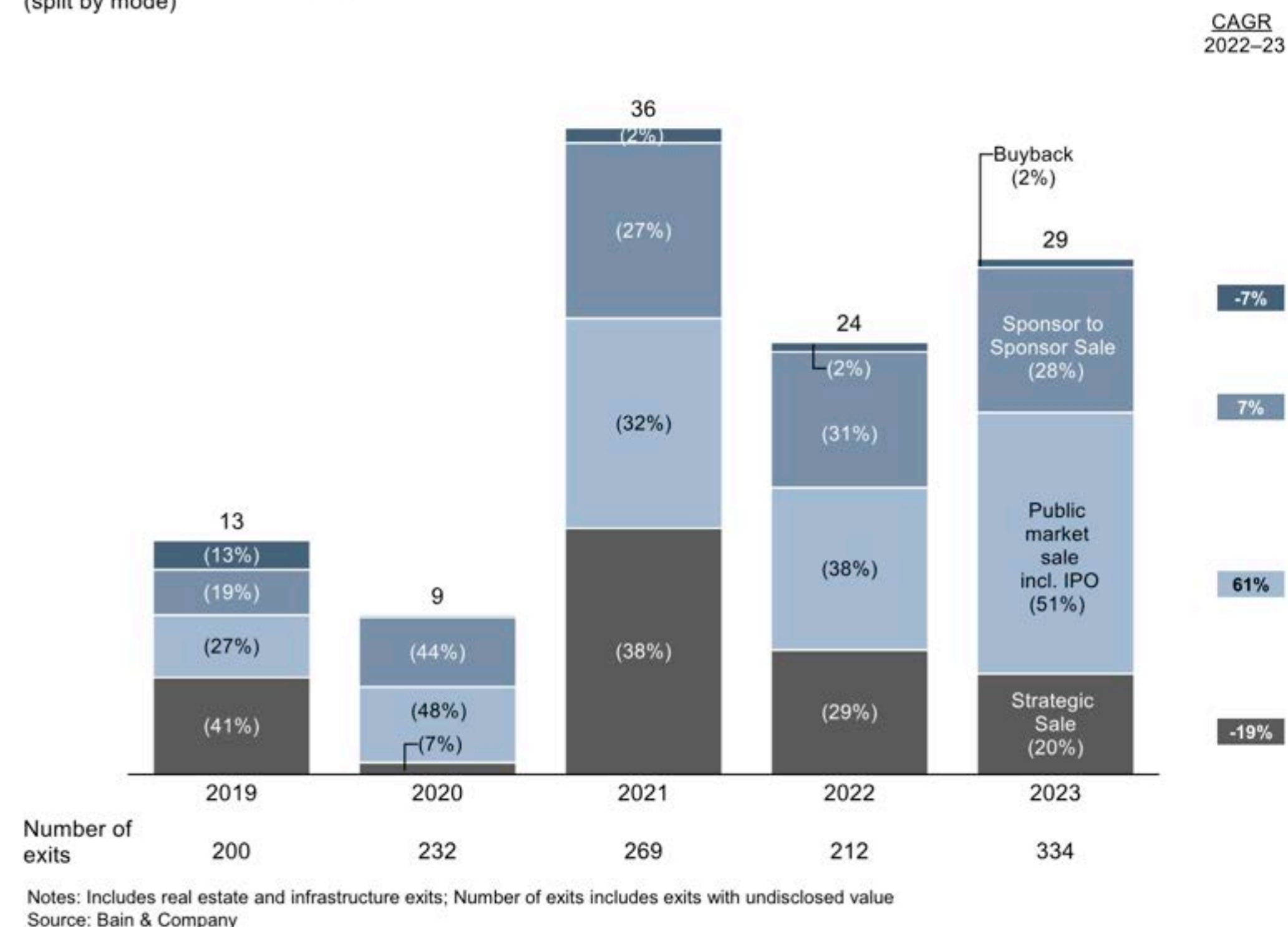
‘Get us more paper’ – Indian equity issuance hits record high

More than \$28bn raised in first half, almost triple the amount a year ago

IPO season is back with more than 2 dozen companies chasing Rs 30,000 crore

By Rajesh Mascarenhas, ET Bureau • Last Updated: Jun 12, 2024, 08:07:00 AM IST

PE-VC exit value in India (\$B)
(split by mode)



Who is not IPO'ing?

Capital markets and macro hasn't unlocked full VC resurgence. In the current circumstances, it's easier to identify companies not going public this year. Some late-stage startup CEOs have stated they won't IPO in 2024, and others have made financial moves indicating a public listing isn't imminent.

Startups

From Sword Health to Stripe, these startups are likely — or definitely — not having IPOs this year

Rebecca Szkutak / 11:00 AM PDT • June 11, 2024

 Comment

Oyo, once valued at \$10 billion, shelves IPO plans for second time

Manish Singh / 2:15 AM PDT • May 22, 2024

 Comment

IPO'ing in Europe

While European stocks have shown good performance in some sectors, we can't say that valuations are as rich as those in the U.S. tech sector. It remains relatively cheap, and this gets in the way of IPOs, as investors and founding teams would want a healthy return. Since the Great Financial Crisis, European mid-caps now trade at their lowest price-to-earnings ratios relative to big caps. It has made smaller firms hesitant to pursue IPOs at investor-acceptable levels.

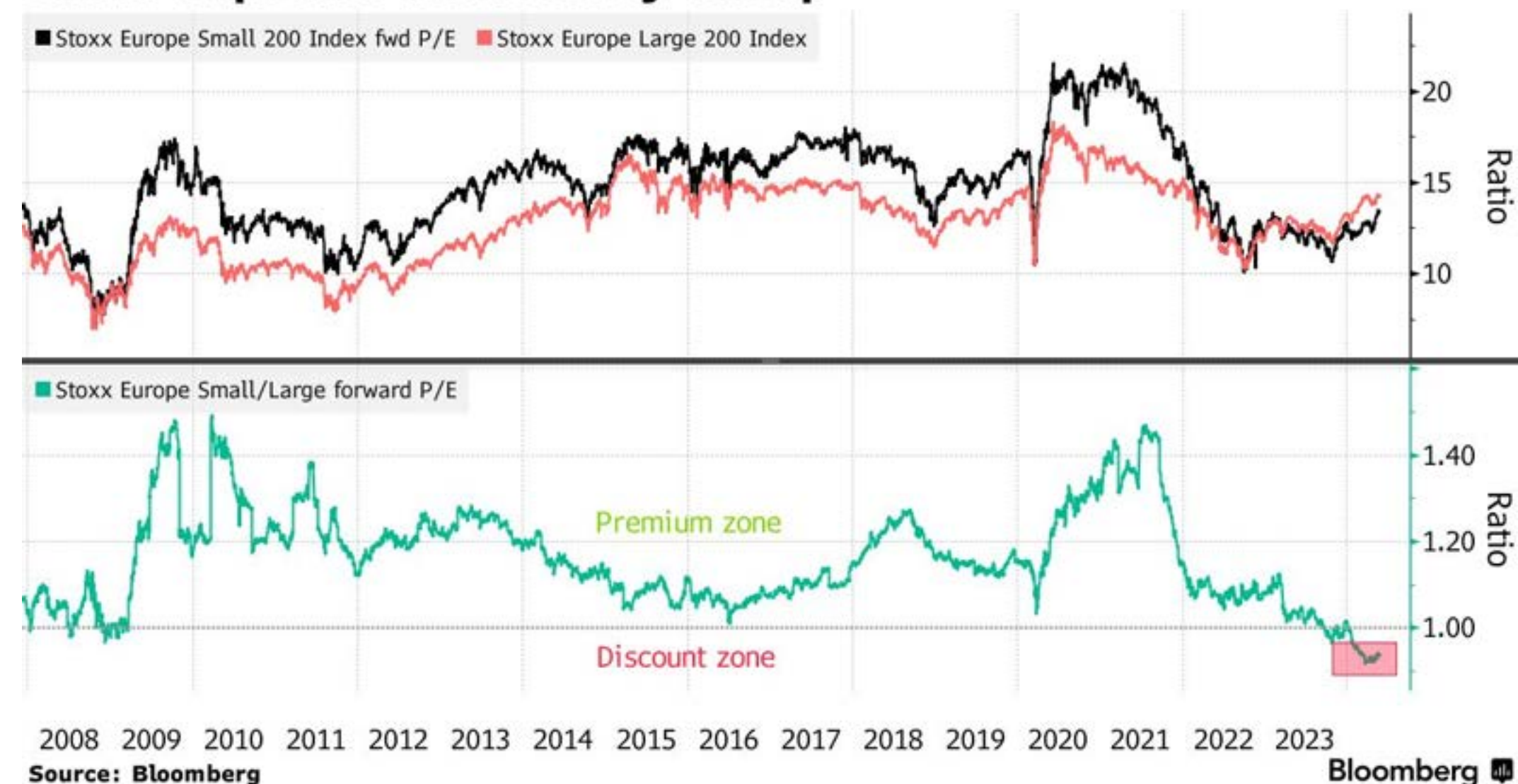
Cheap European Stock Valuations Are Getting in the Way of IPOs

- Many mid-sized firms trade at discounts to listing candidates
- Small and mid-cap indexes marginalized by high interest rates

By [Julien Ponthus](#) and [Michael Msika](#)

27 May 2024 at 13:53 CEST

Small Caps Are Historically Cheap



Delay in IPO come back in Europe

IPOs are always macro environment-dependent. French snap elections and uncertainty around the future killed a perfect consumer IPO that could have paved the way for Tech IPOs.



Niraj Pabari · 1st

Tech Investor at Giano Capital | Growth Capital | Direct Secondaries | Priva...

1w · 🌐

Golden Goose's Nest Egg Cracks Under Market Pressure: The IPO That Never Hatched! 🥚

When [Francesco Pascalizi](#), Partner at [Permira](#), who has built a solid track record in the Consumer space ([La Piadineria](#), [eDreams ODIGEO](#), [Valentino](#), etc...) decides to kill the IPO of [Golden Goose](#), one of Europe's hottest IPO prospects for 2024, 2 days before its listing, a clear message is sent to the market.

The French political environment has delayed the prospect of a healthy European IPO market by at least 12 months (if not more) and the upcoming US elections will also have market watchers waiting to see what happens in November.

Let's wait and see....

Permira's last-minute decision to kill the Golden Goose IPO

Buyout group's pullout followed fractious talks with advisers

UK as an IPO destination / 1

The U.K. has been a financial hub for a long time. For startups, this meant the ease of accessing a developed ecosystem of capital markets after IPOs. However, startups have been moving away to the U.S. to expand and IPO their companies. This leads to friction, where some lawmakers suggest that the government make taxpayer-funded support for early-stage companies repayable if they list or move operations outside the U.K.

Zilch warns it might 'go somewhere else' unless UK boosts IPO market

Fintech's chief says he has had positive discussions with Conservative and Labour parties ahead of possible listing

UK should penalise start-ups that take state aid but list abroad, says lobby group

UK Finance, a banking body argues for clawback of tax breaks to halt flow of business overseas

UK as an IPO destination / 2

We covered in the previous slide that the U.K. startups are moving outside for IPOs. The number of companies listed in the UK fell about 40 per cent between 2008 and 2021, according to a government-commissioned review. But the performance of U.K. startups moving to the U.S. for IPO hasn't been rosy. According to LSEG data, of the 20 U.K. companies that have made an IPO in the U.S. in the past decade, only four are in positive territory. Eight have delisted, and the rest have plunged by more than 80 percent on average. The new listing rules will empower company bosses to make decisions without shareholder votes and allow greater use of dual-class share structures, giving founders and venture capital firms stronger voting rights.

Is the London market regaining its fundraising mojo?

After the election British policymakers urgently need to jump-start the City's capital-raising engine

CRAIG COBEN

+ Add to myFT

UK announces biggest overhaul of listings regime in decades

A win for venture capital firms and sovereign wealth funds as they will be allowed to hold 'supervoting' shares

Strengthening the capital market structures

Increasingly, the governments of many countries with substantial startup ecosystems are looking to strengthen their capital market structures to increase the depth of investor participation or make it more attractive for startups to exit via IPOs.

Startups to go public soon as BSEC modernising IPO rules

On the other hand, a startup with no accumulated losses can apply for a book-building method despite its losses in the past financial year.

Forces needed to drive IPO activity

As mentioned in the last slides, macro plays a critical role in the IPO landscape. This is clearly visible from the investor survey ratings, where respondents have rated interest rates and broad stock market gains as two critical factors for going public. The most significant factor, though, is resetting expectations for valuations—which has to happen from both the Founder's and the startup's investor sides.

Which factors do you view as the most important to driving an increase in IPO activity?

Multiple choice answers were allowed



Source: PitchBook • Geography: Global • *As of May 13, 2024

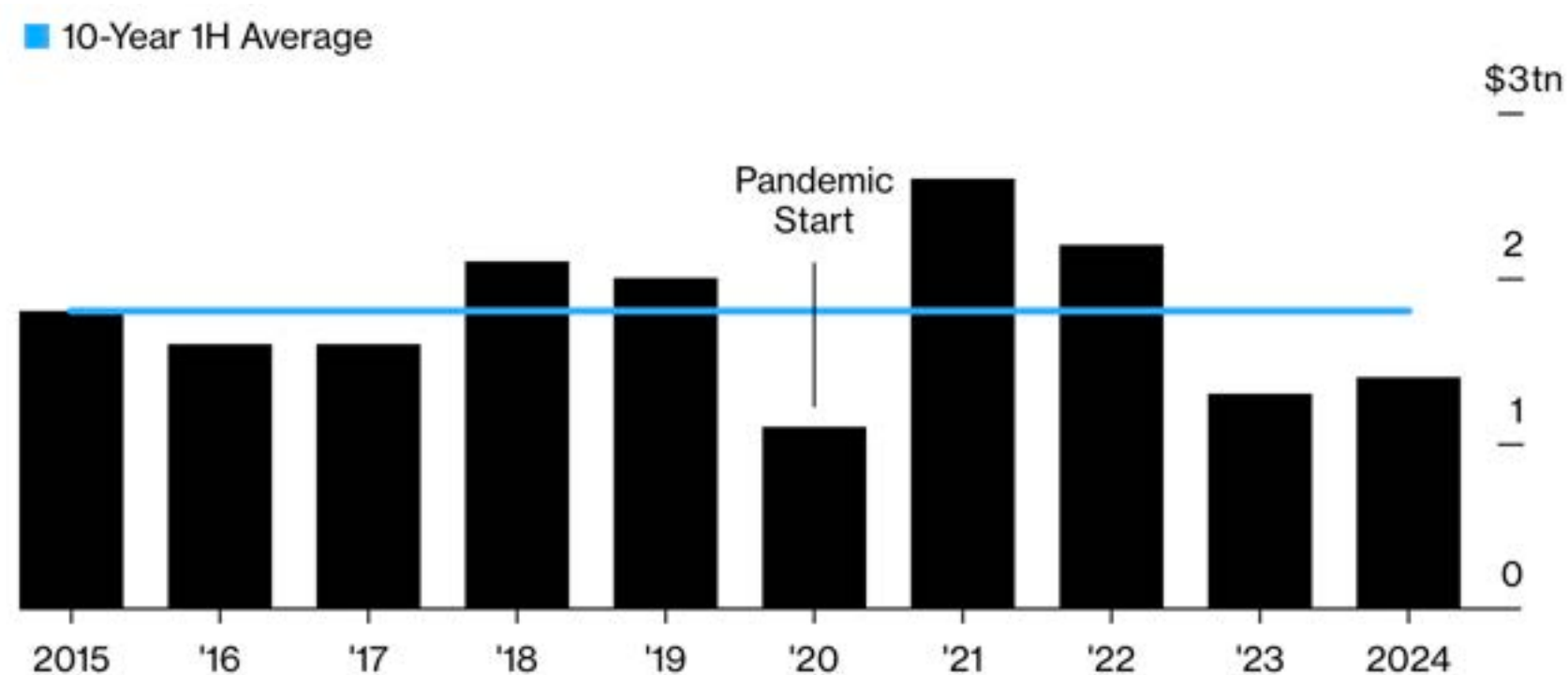
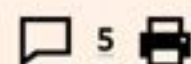
Global M&As are lurching back. Will Tech M&As follow suit?

Global M&A values and mega M&A deals have rejuvenated the dealmakers. It still doesn't exceed the bullish scenario, but deals are moving. Such a positive vibe in global M&A can likely give a positive impetus to the Tech M&A area and provide hope of reducing the exit backlog for the venture industry.

Global M&A lurches back to life

After a weak 2023, a recent flurry of deals is the latest sign of a revival in activity. However political uncertainty is holding back some takeovers

Ivan Levingston and Will Louch in London and James Fontanella-Khan, Maria Heeter and Antoine Gara in New York MAY 31 2024



Source: Bloomberg
Note: Data cover first half periods

Strong US Economy Fuels Overseas Dealmaking, Softens M&A Landing

By [Crystal Tse](#)

8 May 2024 at 20:12 CEST

M&A's \$660 billion revival is driven by megadeals

Bloomberg News

April 5, 2024

U.S. driving global M&A rebound

Considering the overall M&A market (not just Tech), the U.S. resurgence seems to be the highlight. The deal value was up more than 40%, and PE-backed M&A also rose 40% (considering there is a lot of dry powder in the PE sector). However, deal numbers declined. The total number of deals dropped 25% to a four-year low, with acquisitions worth \$500 million or less falling 13% in value.

“US drives rebound in global M&A deals”

Is M&A making a comeback in venture space? / 1

That would be some news. The latest acquisitions point to opening up the ecosystem toward M&A deals and getting them executed. At the same time, the final terms for many of them could only be satisfactory for some VCs. None the less, the capital moving in the ecosystem is a good sign.

Are the M&A markets making a comeback?

A record five venture-backed companies were acquired for more than \$1 billion this past month. Three were biotech companies [EyeBiotech](#), [HI-Bio](#) and [Mariana Oncology](#). In the enterprise software sector, [Venafi](#), a machine identity security company, and [AuditBoard](#), a cloud compliance management software provider, were acquired.

Notable M&A

Notable large deals on the software M&A front this past quarter include security company [CyberArk](#)'s bid for identity management company [Venafi](#) for \$1.5 billion. Intelligence platform [AlphaSense](#) has plans to acquire competitor [Tegus](#) for \$930 million. And [Run:AI](#), a company that improves GPU performance, is to be acquired by [Nvidia](#) for \$700 million.



Natalie Dillon • Following

Investor at Maveron LLC // consumer centric VC

2w • 🌐



This week, [Kate Clark](#) called me to chat about BeReal in the wake of the 500 million Euro acquisition. I shared with her a few thoughts about the M&A market opening up in consumer tech, which has been frozen over since 2022. In the past 10 days alone, we've seen sizeable acquisitions of Tabular (Databricks), Champion (Hanesbrands), Bitstamp (Robinhood), AlphaSense (Tegus) and BeReal (Voodoo).

Is M&A making a comeback in venture space? / 2

Obviously, different data providers come up with different narratives in the short term. This chart below only refers to startups on Carta. If we look at only this data then M&A is flat in 2024.



Geographic focus of the chart = U.S. Graph from Carta. Click graph for source post.

Startups merge with each other

Investments are about highs and lows. So is the venture sector. Mergers between startups are a healthy occurrence. If funding falls for a particular industry, it will likely see increased M&A action. One reason is that a startup could not raise further capital and is up for merger with a well-funded peer.

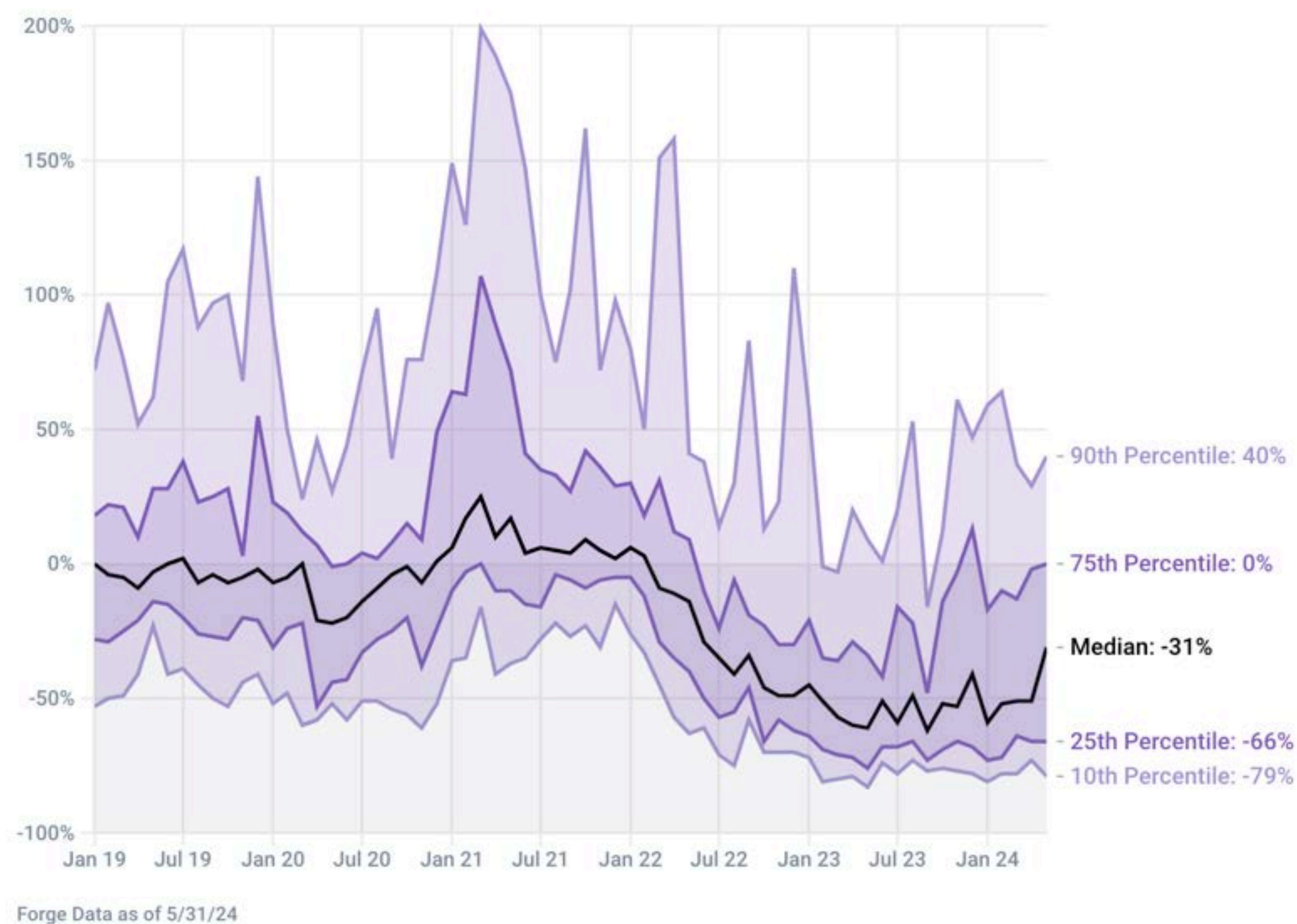
Startups Merge In Spaces Where Funding Has Fallen

Joanna Glasner July 8, 2024

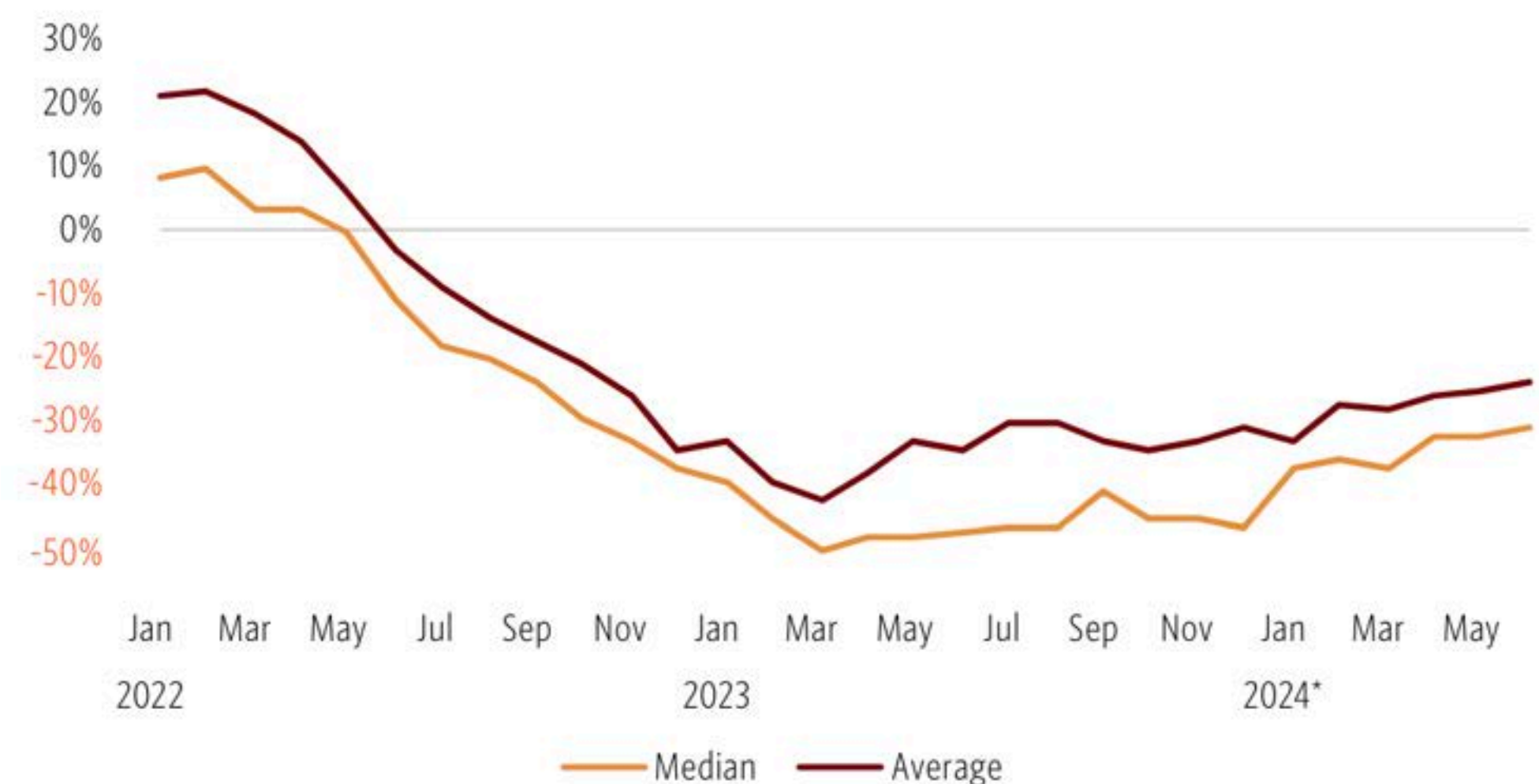
Secondaries trading premium/discounts

Most funded startups trade at a discount in the secondary markets. Around a quarter of the startups are actually trading at a premium. The median discount is around 30%. Secondary discounts have bottomed out, benefiting the ecosystem. Six months ago, prices were much more favorable for buyers, with median and average discounts at 46% and 31%, respectively.

Distribution of Trade Premiums/Discounts to Last Primary Funding Round



Median and average discount to last private round

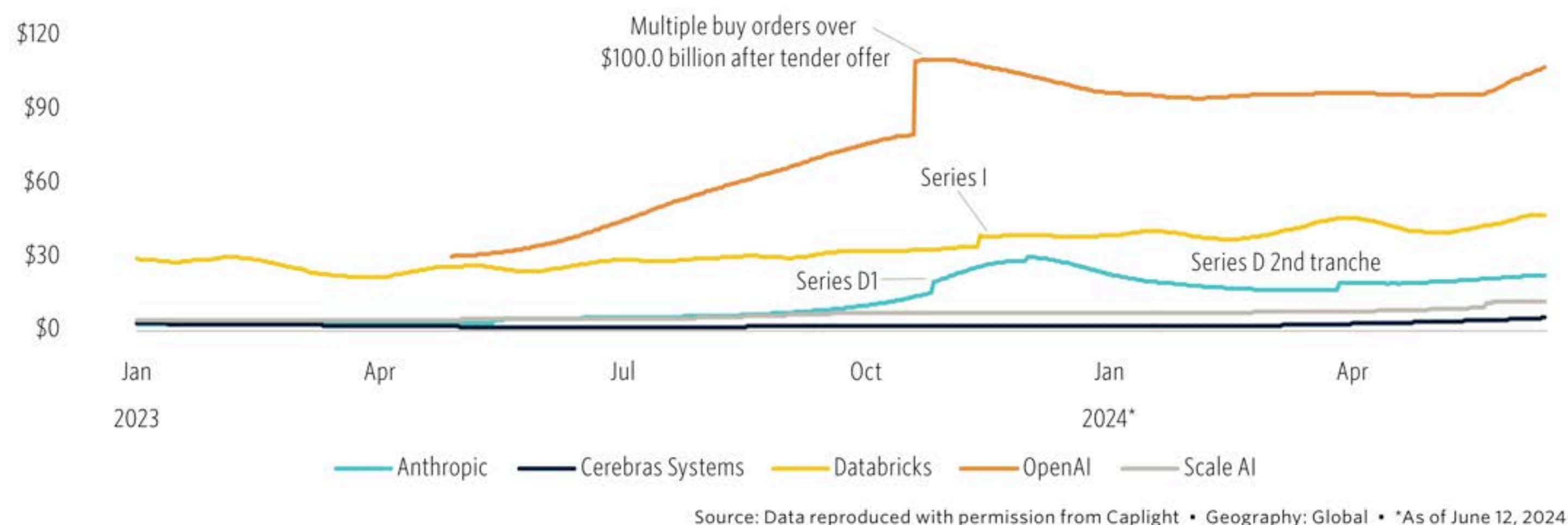


Source: Zanbato • Geography: Global • *As of June 30, 2024

Unicorn AI Secondaries

One of the hottest traded segments in the startup world in H1 '24 was AI startups and that too in the Foundational Model AI segment. Trading is likely to increase in the areas connected with GenAI, including companies building key chips, cloud infrastructure, and application technology to power the GenAI economy.

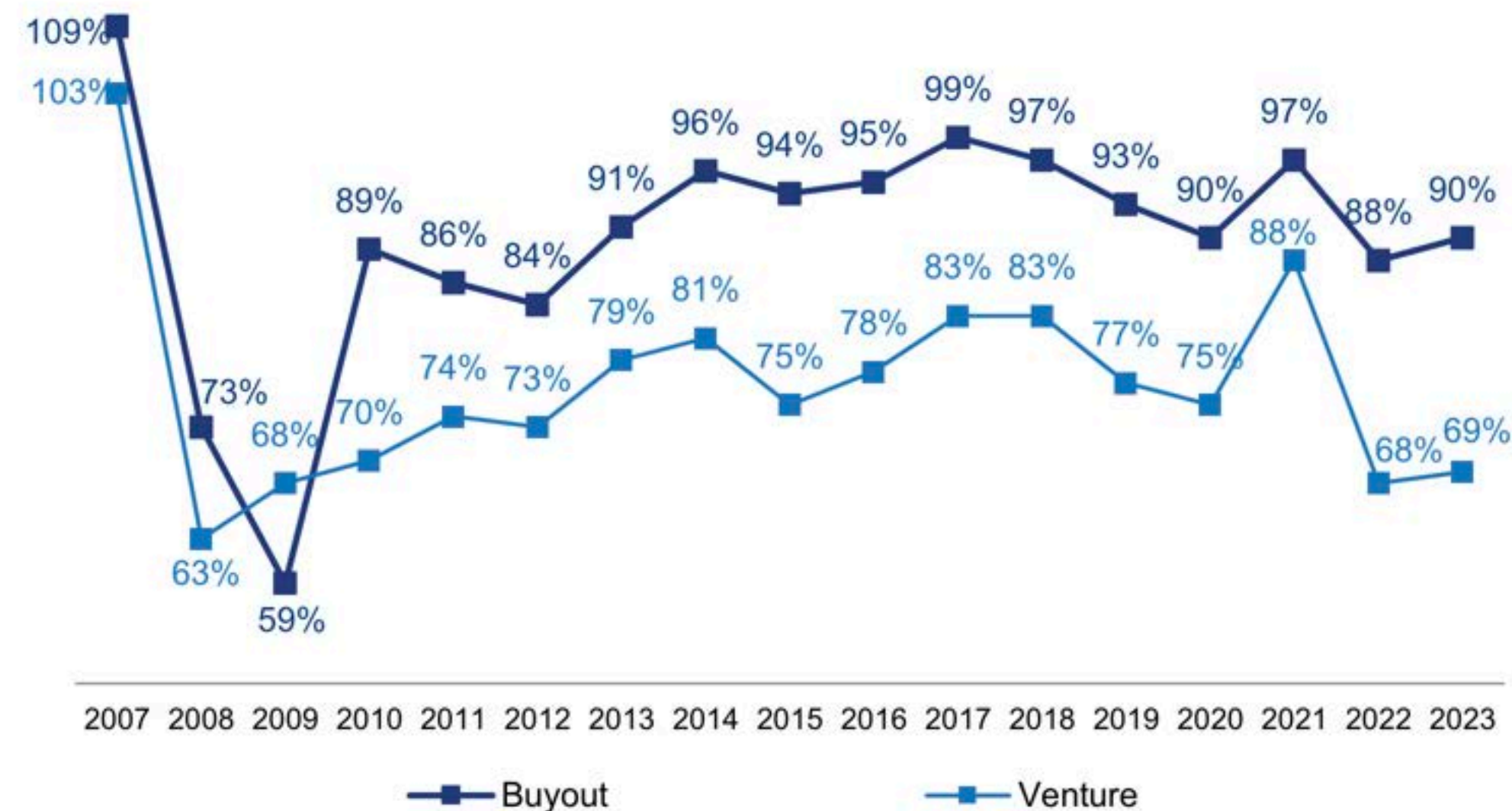
Valuation estimates (\$B) for AI unicorns



VC secondaries opportunity

Cliffwater's report highlights that secondary markets are at an important inflection point for future growth. Amid this backdrop of highly motivated sellers and improving metrics for startup quality, VC Secondary Markets are priced quite attractively relative to their own history and to secondary markets in other private asset classes.

Historical LP Interest Secondary Pricing (as % of NAV)



Source: Jeffries.

Performance of VC Secondaries

	Venture Capital (All)	VC Secondaries Funds
Net IRR	14.5%	20.4%
Net Multiple	2.01x	1.94x
Net DPI	1.49x	1.45x

Source: Preqin. Customized Benchmarks: The 'Venture Capital (All),' and 'Venture Capital Secondary Funds' benchmarks are calculated using the mean for 1571 and 33 funds, respectively, of vintages between 1988 and 2021 with performance as of June 30, 2023 (includes liquidated funds). Within customized benchmarks, fund strategies include secondaries, direct secondaries, and fund of funds. All returns are net of management fees, expenses, and carry.

Secondaries fundraising

More and more VCs are not just selling stakes, but some are also becoming Secondaries fund manager. In general, 2023-24 will be seen as the year for Secondaries resurgence in the private markets arena.

Silicon Valley's Lightspeed shifts focus to secondary markets

Move is a sign of how traditional investment models are under threat by a challenging VC environment

INDUSTRY NEWS

Pro Take: StepStone Sees Opportunity in Venture Capital's Liquidity Crunch

The firm's new \$3.3 billion fund eclipses how much the secondary niche raised last year

By *Marc Vartabedian*

Updated June 10, 2024 4:40 pm ET | **WSJ PRO**

HarbourVest eyes August close for multi-billion secondaries fund

Dover Street XI is already 46% larger than its predecessor, which closed on \$8.1bn in 2020.

Hannah Zhang | Adam Le - 3 June 2024

Launchbay reaches halfway point for new VC secondaries fund

The UK-based firm believes that VC secondaries will shift venture capital from an illiquid to liquid asset class in the near future.

Ryan Hibbison - 26 June 2024

News April 25, 2024

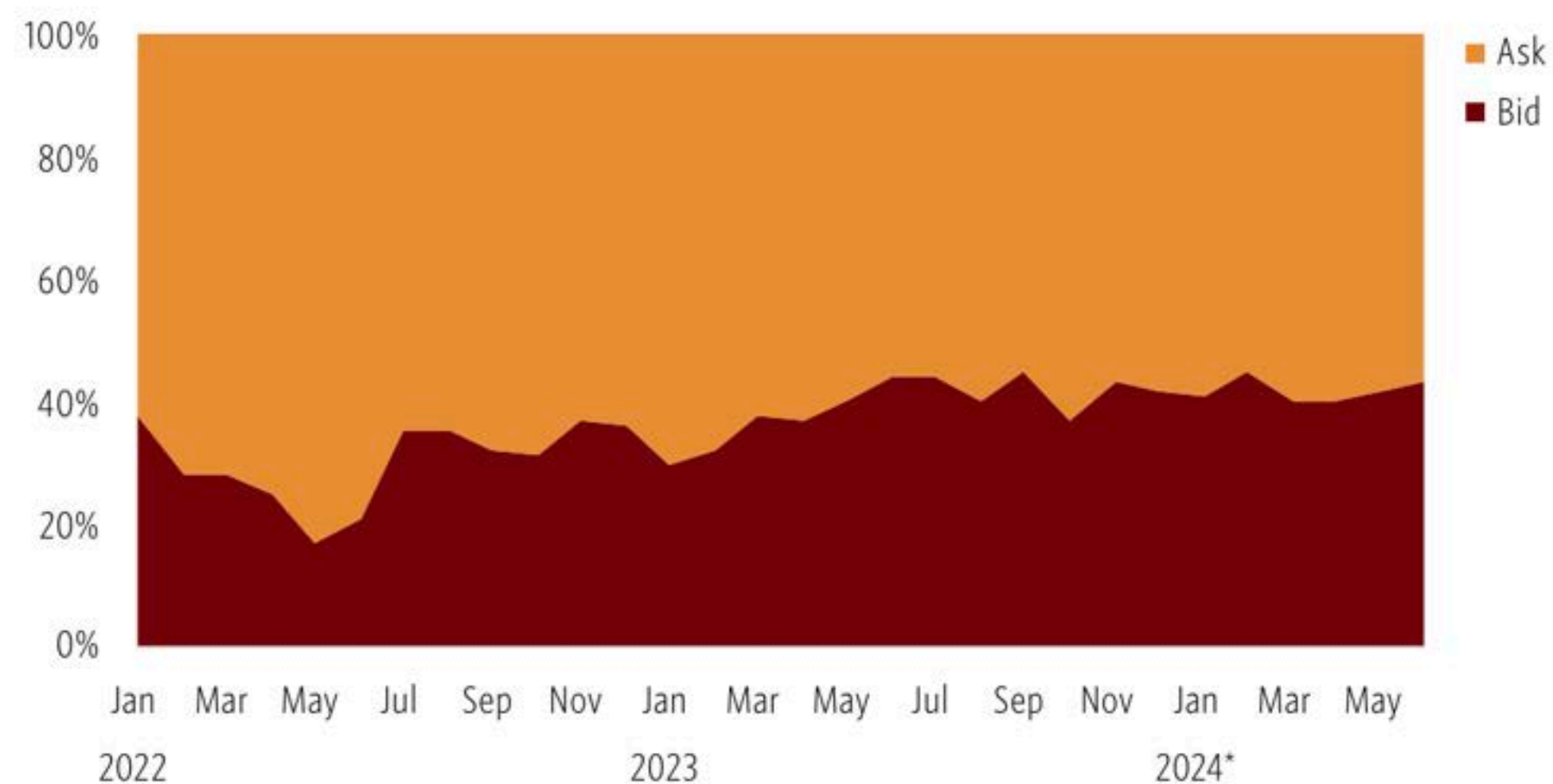
Isomer launches £100m secondaries fund

The new fund will primarily buy stakes from other LPs in VC funds — capitalising on a big and as-yet untapped market

Amy Lewin 4 min read

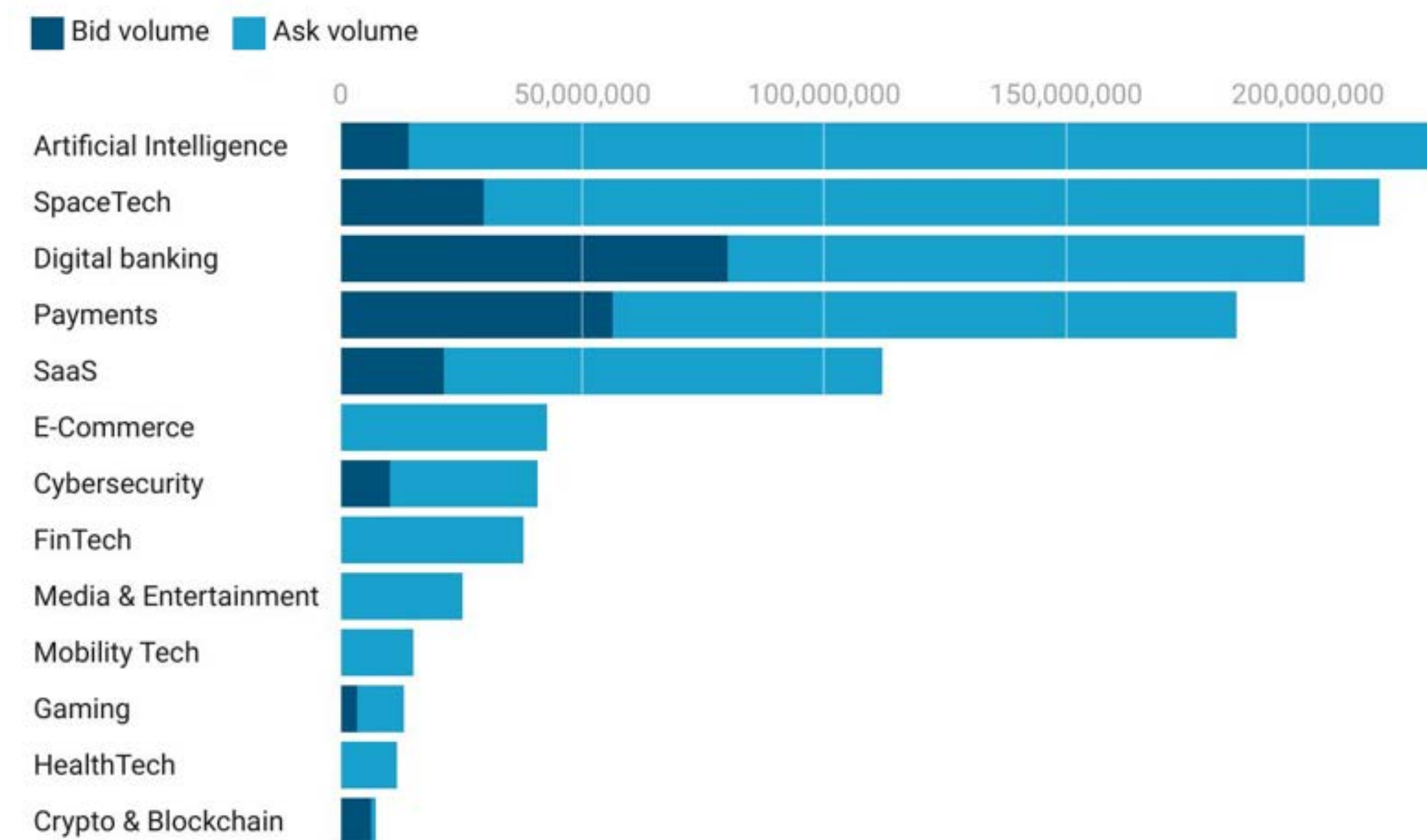
Supply outstrips demand in Secondaries

Bid-ask ratio



Most actively listed sectors

May 2024



LAUNCHBAY INVESTMENT PLATFORM

Startup secondaries: VC sales via. SPVs

Retail investors typically are far less sophisticated than institutional ones. With this in mind, retail investors are driven more by emotions or market/news whispers. AI remains a hot topic, and smaller/retail investors want to participate in big AI names. VCs use their pro-rata rights to maintain ownership, often creating SPVs to fund these purchases by raising money from others (often retail investors invest in smaller amounts) and charging additional fees.

VCs are selling shares of hot AI companies like Anthropic and xAI to small investors in a wild SPV market

Marina Temkin / 10:00 AM PDT • June 1, 2024

 Comment

Startups secondaries: Company led

Company-led secondaries remain one of the tried-and-tested ways to give liquidity to early employees and founders. They also become a testing ground for pricing and demand generation for other activities, like planning an IPO.



Launchbay Capital
523 followers
2d • 

...

In the first half of 2024, there were several notable company-led secondary sales. This highlights the growing importance of the secondary market for private companies.

Here are our top five.

In April 2024, [Canva](#) completed a record-breaking US\$1.5 billion secondary share sale, one of the largest in global startup history. This event gave Canva a valuation of \$26 billion, down from its peak of \$40 billion in 2021.

[Revolut](#) is preparing for a substantial secondary share sale worth approximately \$500 million (£394 million), which could value the company at more than \$40 billion, surpassing its \$33 billion valuation from a 2021 fundraising.

Also in April 2024, [Stripe](#) completed a significant secondary share sale with a \$694 million tender offer, valuing the company at \$65 billion—a 30% increase from its \$50 billion valuation in March 2023.

In late 2023, a tender offer valued [OpenAI](#) at \$86 billion, making it one of the world's most valuable startups at the time.

But wait! [SpaceX](#) has just announced a planned secondary market share sale that will value the company at around \$210 billion.

IMAGE FROM ADOBE FIREFLY

Prompt given - "Tech layoffs continue globally in both big tech and startups, but the number has decreased in 2024. Remote talent became mainstream during the Covid era, especially for tech and startup jobs in engineering and IT. Starting a business is challenging, and the current market is stressful for many founders, particularly those with families. Turnover at the largest US VC firms is rising. The VC downturn sees senior talent leaving to start their own funds."



Startup talent

- [Layoffs in tech sector](#)
- [Startup equity for early hires](#)
- [Talent mafia in startups](#)
- [Unicorn founder background - Europe](#)
- [Remote startup talent](#)
- [Founders are overworked and stressed](#)
- [Founder background / 1](#)
- [Founder background / 2](#)
- [Talent movement](#)

Venture capital talent

- [VC Job change index](#)
- [Things VC talent should understand](#)
- [Talent is leaving VC firms to strike on their own](#)
- [VC talent layoffs continue](#)

Extra insights

- [Insights not be be missed](#)

Summary

Startup talent

Tech layoffs

Tech layoffs are still occurring in both big tech and startups globally, but the good news is that the number of layoffs decreased in 2024. I predict that 2025 will be the turnaround year for startup hiring.

Startup equity for early hires

Equity for early hires is a fiercely debated topic within startups. It varies dramatically among startups in different areas and based on their location. The data is most transparent for the U.S. geography.

Talent mafia in startups

Well-known startup talent mafias, where former employees of top-tier startups launch their own companies, have become common. PayPal was one of the first and most notable examples, but the list has since grown significantly.

Unicorn founder background - Europe

The talent composition of unicorn startups is evolving. Before 2023, only 26% of Europe's unicorn founders had technical backgrounds, potentially limiting the region's ability to create tech giants. Since then, most new unicorn founders have technical expertise. Moreover, whereas pre-2023 founders were predominantly British, today's unicorn founders come from various countries. Antler also found that 90% of founders of failed unicorns lacked technical expertise.

Remote startup talent

Covid-era made the remote talent trend mainstream. There is no going back, at least for many tech and startup jobs in the engineering and IT divisions.

Founders are overworked and stressed

Starting a business is challenging, and current market is particularly stressful for many founders, especially those with families. Nearly 40% are working over 60 hours a week, and 56% are experiencing high levels of stress.

Venture capital talent

VC job change index

Turnover at the largest US venture capital firms is rising, suggesting that the period of rapid expansion among investment teams might be over. Between 2017 and the end of 2022, the number of investors at the 500 largest US VC firms increased by 77%. However, in the last 15 months, this growth has slowed to just 2%. Historically rare, layoffs have become more common over the past year.

Talent is leaving VC firms to strike on their own

The current VC industry downturn has another angle: senior talent leaving to strike on their own. VC companies rarely resort to layoffs, opting instead for indirect methods to encourage partners to move on. These tactics include denying junior partners' deals at the investment committee or cutting their ownership stakes in future funds.

Tech layoffs

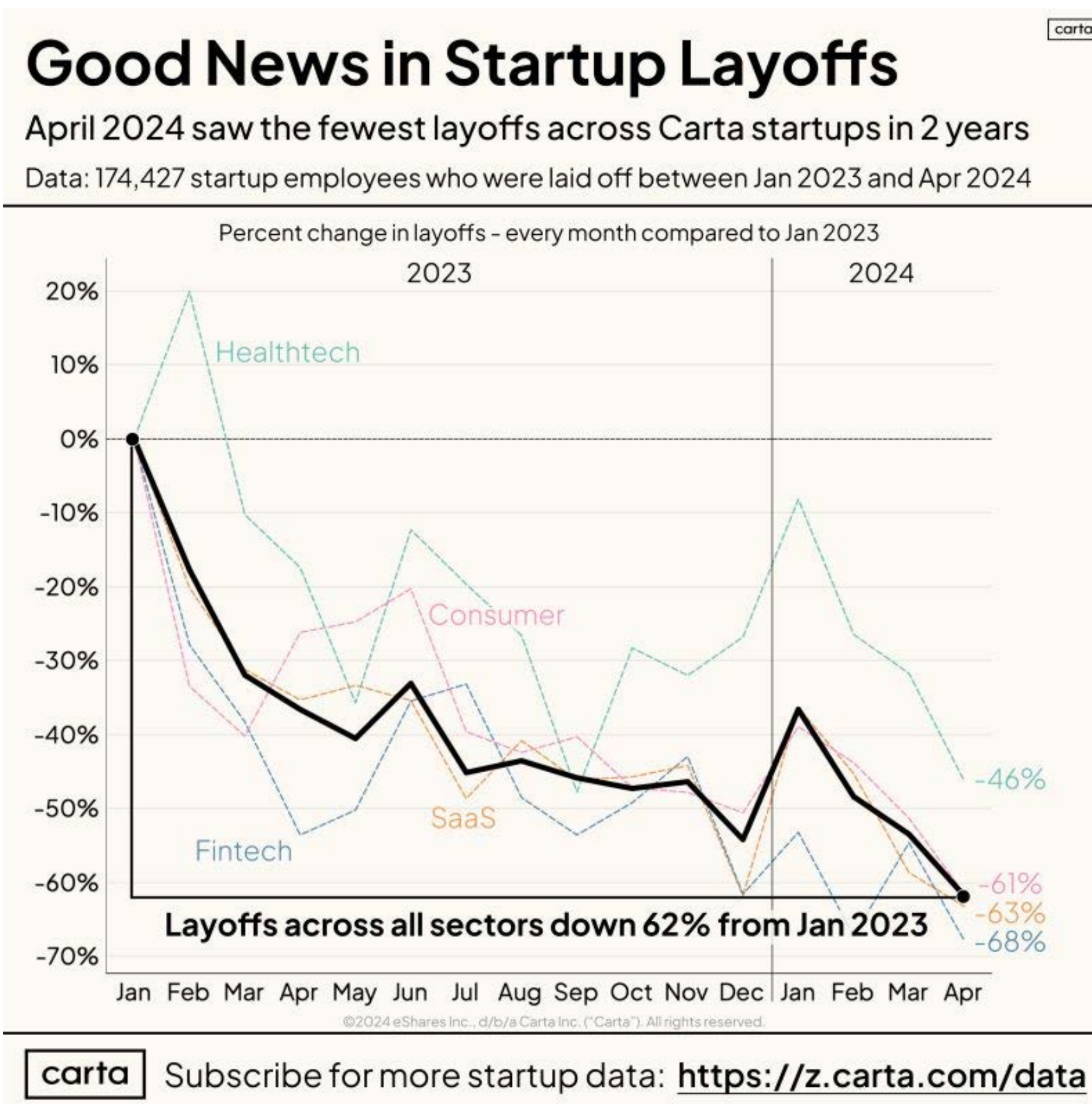
Tech layoffs are still occurring in both big tech and startups globally, but the good news is that the number of layoffs decreased in 2024. I predict that 2025 will be the turnaround year for startup hiring.

Layoffs during the week ended June 28, 2024: At least **563** U.S. tech sector employees were laid off, per a Crunchbase News tally.

In 2024: At least **56,605** workers at U.S.-based tech companies have lost their jobs so far in the year, according to a Crunchbase News tally.

In 2023: More than **191,000** workers in U.S.-based tech companies (or tech companies with a large U.S. workforce) were laid off in mass job cuts.

In 2022: More than **93,000** jobs were slashed from public and private tech companies in the U.S.



Startup equity for early hires

Equity for early hires is a fiercely debated topic within startups. It varies dramatically among startups in different areas and based on their location. The data is most transparent for the U.S. geography.



Pejman Nozad • Following
Founding Managing Partner at Pear
1mo •

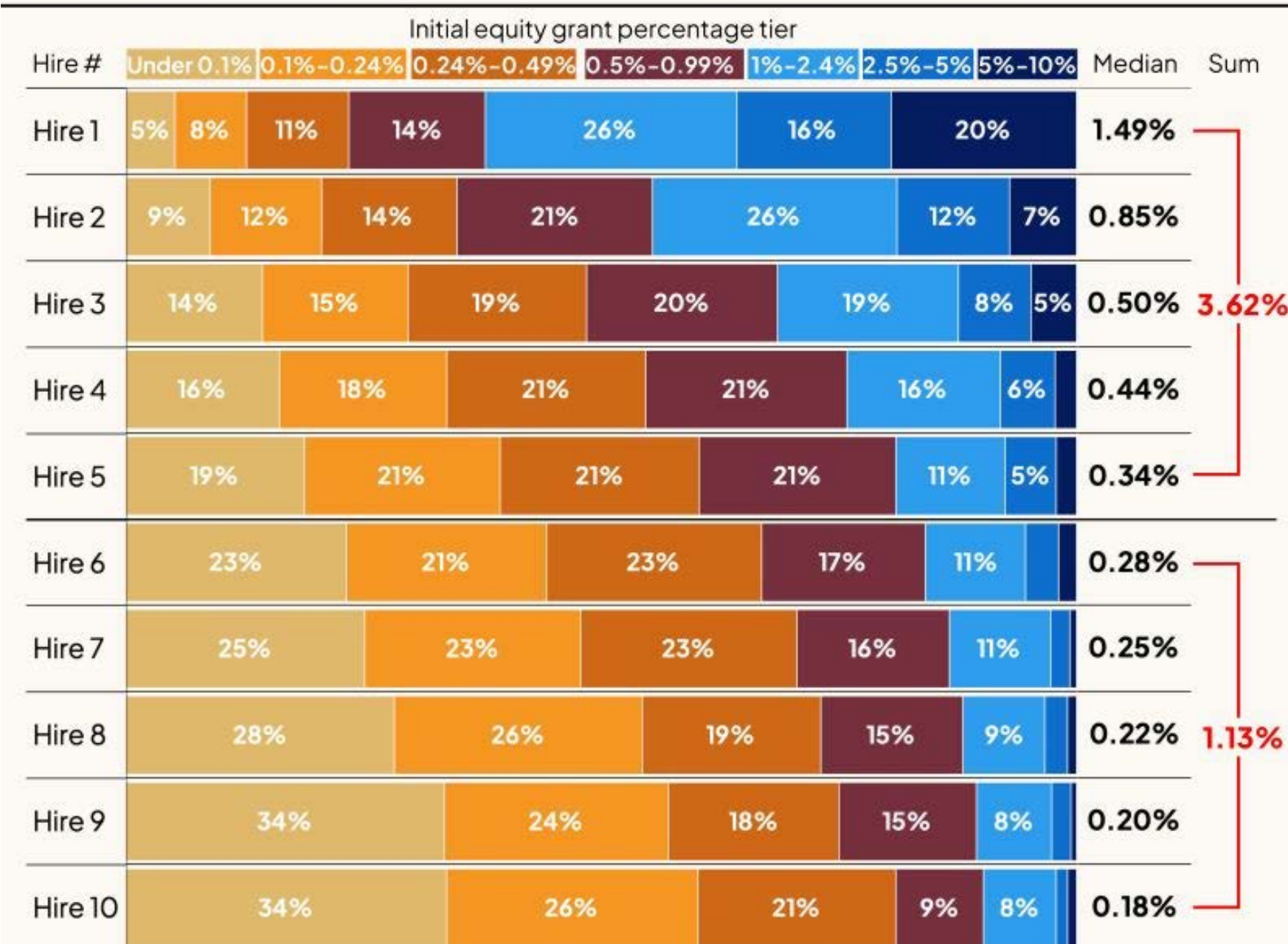
Pear VC Startup Equity Calculator for Early Hires

Pear VC head of talent **Matt Birnbaum** created this calculator to determine the equity for early hires.

Initial Equity for First 10 Hires

Equity for early employees falls off very quickly after the first few

Data: 8,214 initial grants for hires | US only, hired June 2023–June 2024



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carta Subscribe for more startup data: <https://z.carta.com/data>

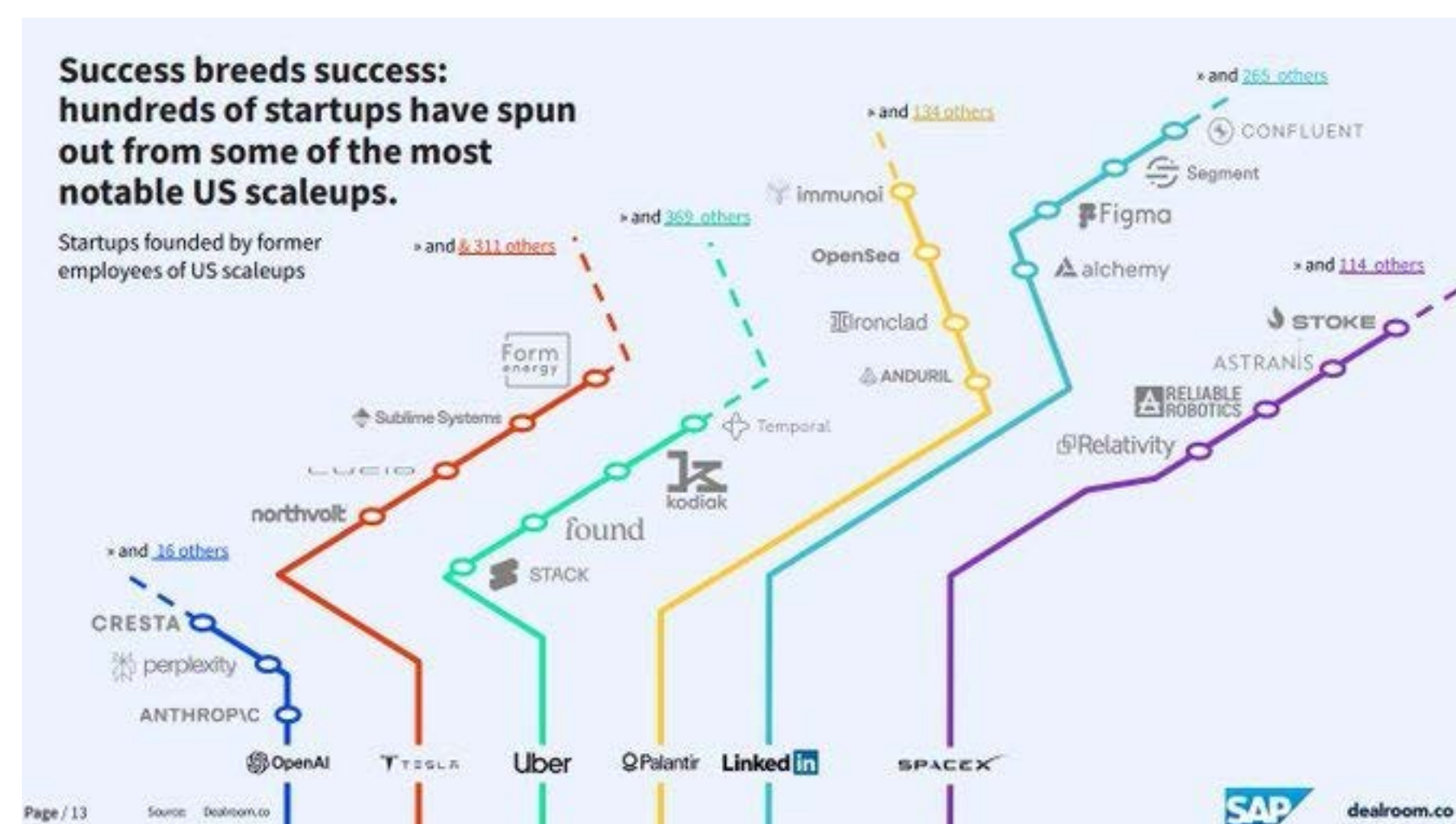
Talent mafia in startups

Well-known startup talent mafias, where former employees of top-tier startups launch their own companies, have become common. PayPal was one of the first and most notable examples, but the list has since grown significantly.

Ben Lang
@benln

The next PayPal mafia in the works:
 Stripe → Anrok, Watershed, Render, Assembled
 Ramp → Cognition Labs, Rivet, UnifyGTM
 Plaid → TrueLayer, Styth, TruckSmarter, Pipe
 Oscar → Violet, CertifyOS, Pearl
 Brex → Treasury Prime, Stir, Savvy Wealth
 Scale → Rome, Alchemy

16:57 · 18.06.24



Debaghya (Deedy) Das · Following
Menlo Ventures | Investing in AI and Infra!
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2w · Edited · 🌐

No one talks about the Yahoo mafia but they're so cracked

Jeff Weiner—CEO LinkedIn
 Gideon Yu—CFO Facebook, YouTube
 Stewart Butterfield—Founder Slack
 Tim Tully—CTO Splunk, Partner Menlo
 Joff Redfern—CPO Atlassian, Partner Menlo
 Amjad Masad—Founder Replit
 Jess Lee—Partner Sequoia
 Brian Acton, Jan Koum—Founder WhatsApp

Founder background / 1 / Europe

Founder CV - The good thing about data is that investors can do all sorts of analyses and the negative side of data is that one's investment decisions might get biased due to following similar past patterns. Europe is seeing a phenomenal increase in technical founders - 4X since 2021.



4x

increase in the number of technical founders between 2021 to 2023

8x

increase in founders with AI and data backgrounds

4x

increase in founders with engineering expertise

4x

increase in women technical founders

50%

more funding for portfolio companies with technical founders

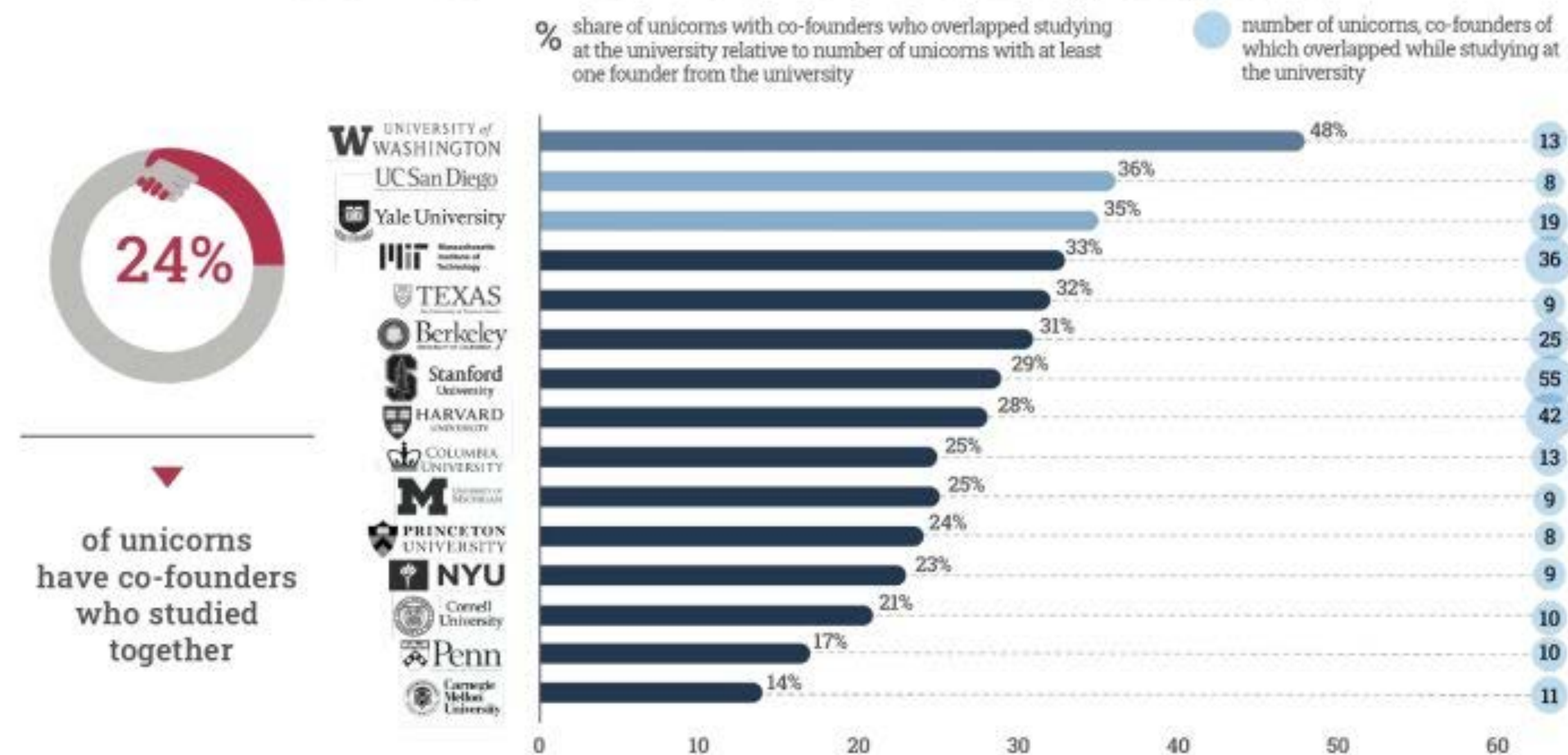
60%

higher valuations for portfolio companies with technical founders

Founder background / 2 / U.S.

VCs often look for signals like relationships between founding team members. The reason is apparent—the team is one of the biggest reasons for startup failures. So, if founders have studied together, it becomes a positive signal for VCs. A quarter of US-based unicorns have at least two founders who attended university together.

Do unicorn co-founders study together?



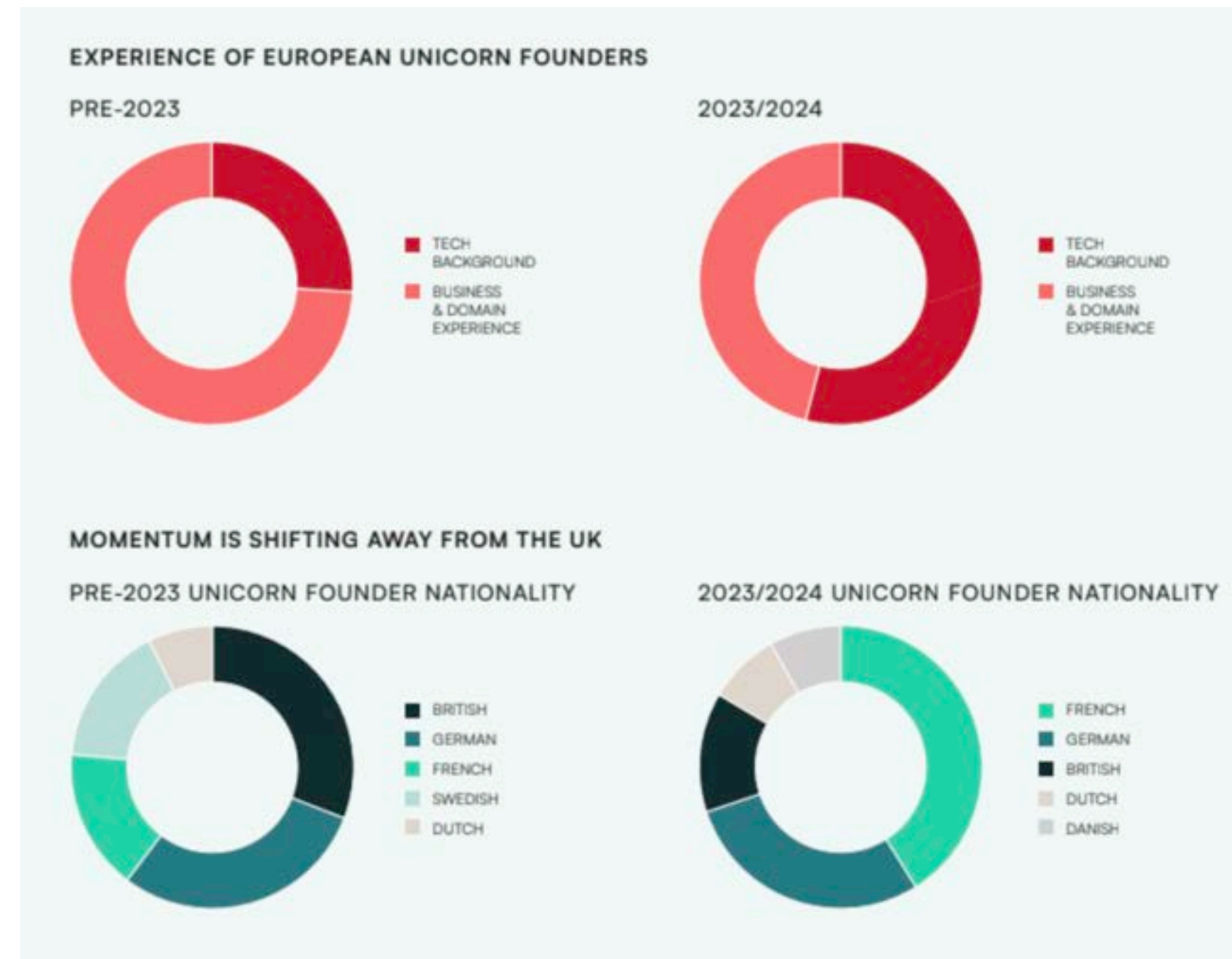
Data covers 1,110 US-based VC-backed companies that became unicorns in 1997-2021 and 2,743 of their founders. We identified education data including years of study for 2,406 founders of 1,087 unicorns. The universities are ordered by the share of unicorns with co-founders who overlapped studying at that university, relative to all unicorns with at least one founder from that university. Also the absolute number of unicorns, co-founders of which overlapped while studying at that university is presented. On the slide, only universities with 8 or more unicorns founded by overlapping co-founders are featured. All percentages have been rounded.

SOURCE: Ilya Strebulaev, Venture Capital Initiative, Stanford Graduate School of Business (6/2024)

[@IlyaSTREBULAEV](#)

Unicorn founder background - Europe

The talent composition of unicorn startups is changing. Before 2023, only 26% of Europe's unicorn founders had technical backgrounds, which may have limited the region's ability to create tech giants. Since 2023, however, most new unicorn founders have technical expertise. Additionally, unlike the pre-2023 era when most founders were British, unicorn founders now come from various countries. Antler also found that 90% of founders of failed unicorns lacked technical expertise.



Remote startup talent

The Covid-era made the remote talent trend mainstream. There is no going back, at least for many tech and startup jobs in the engineering and IT divisions.

**Nicola Amadio** · 2nd
Software Engineer | Author of The European Engineer (2000+ Su...
[Visit my website](#)
5d · 🌐

[Follow](#) ...

I keep meeting developers making 100k-200k fully remotely in Europe.

Some of them are ex-FAANG, some of them are not.

Many of them have optimised their taxes to under 15%.

All of them live in LCOL places.

All of them have great WLB.

All of them have solid profiles that give them job security in case their current gig stops.

All of them are senior+.

All of them could shoot for 300k+ careers in places like Zurich, London or Amsterdam. But they prefer this remote option.

Most of them work for “younger” companies, in most cases well funded startups/scaleups.

These companies are fundamentally remote. They’re capitalising on engineers’ demand for flexibility, and poaching talent from FAANG.

Some of them work in AI/LLM, some in Distributed Systems, some in Crypto, some as Full-Stack engineers.

Their tech stack is (in order of popularity):

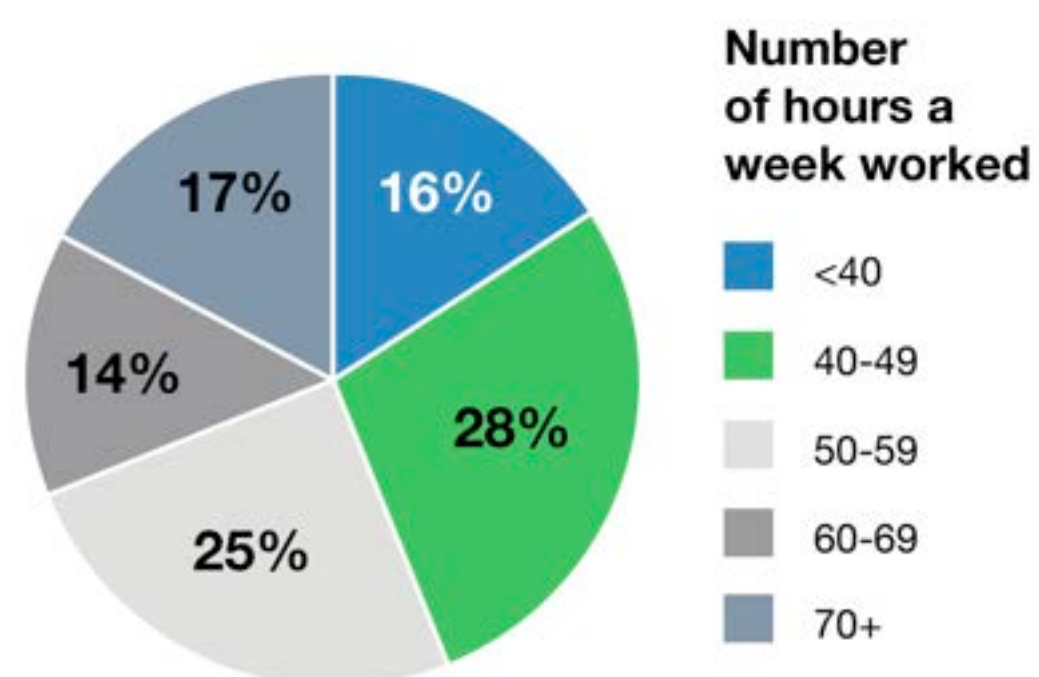
- TypeScript
- Python (for the ML roles)
- Go
- Java

I dig this new wave. 🙌🙌

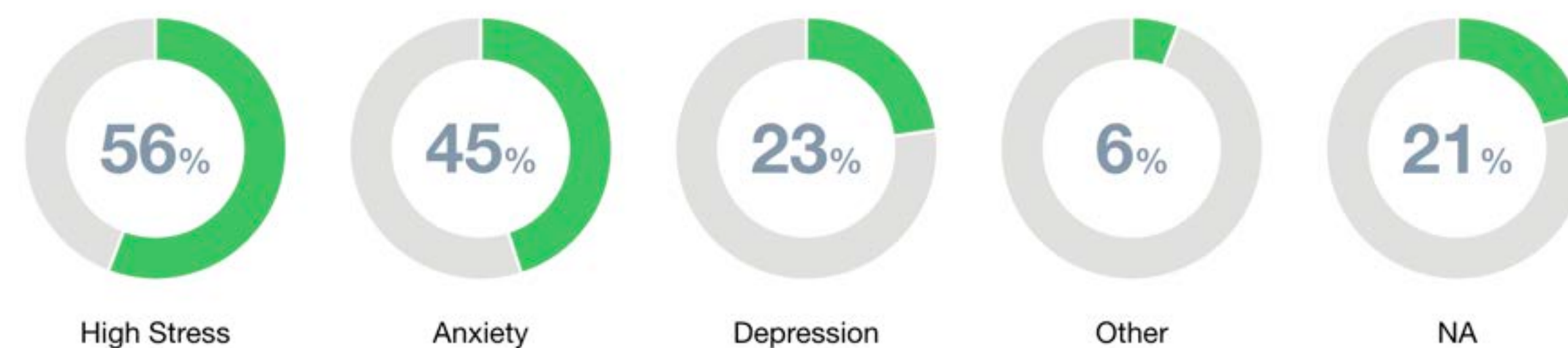
Founders are overworked and stressed

Starting a business is challenging, and the current market is particularly stressful for many founders, especially those with families. Nearly 40% are working over 60 hours a week on their startups, and 56% are experiencing high levels of stress.

Nearly one in three founders work 60+ hours a week

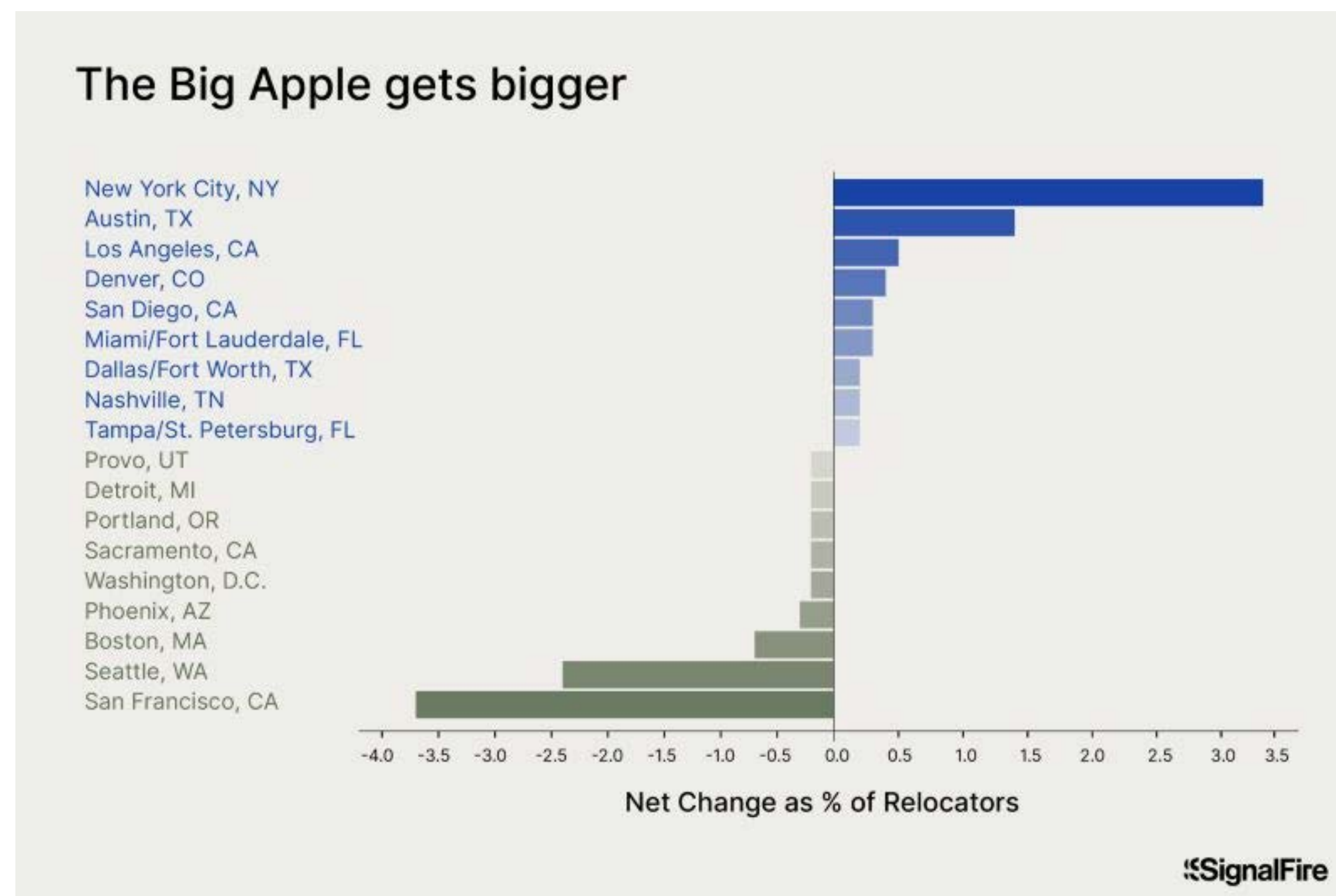


Experiences in Past Year



Talent movement

Tech talent has surged into New York City from across the country, making it the leading destination. From 2022 to 2023, NYC attracted almost twice as many relocators as Austin, capturing 15% of all movers. The Bay Area's tech workforce is still growing but is losing talent to both NYC and Austin.



Geographic focus of the chart = U.S. Graph from SignalFire. Click graph for source post.

VC job change index

Turnover at the largest US venture capital firms is rising, suggesting that the period of rapid expansion among investment teams might be over. Between 2017 and the end of 2022, the number of investors at the 500 largest US VC firms increased by 77%. However, in the last 15 months, this growth has slowed to just 2%.



Source: Live Data Technologies, PitchBook
* Indexed to Jan. 2017 = 100.

Things VC industry talent should understand

**Gil Dibner** • Following
General Partner at Angular Ventures. First-check VC for European & Israe...
1d • 🌐

Turns out half (most?) of the people who are in the venture business are not in the risk business. They are look for guarantees, momentum, safety in numbers, short-term career goals, etc.

I think VCs should be in the risk business: understanding risk, reducing risk where possible, and ultimately taking calculated risk in search of outsized return.

Turns out this is just too scary for a lot of people that call themselves VCs.



Michael Dempsey ✓
@mhdempsey

On younger VCs and a focus on emerging markets

A pattern i've observed when interviewing younger candidates in venture is a desire and focus on understanding emerging markets as an investment theme/area of edge.

While I get why that may be intellectually interesting and seem like a good idea, it feels like a minimally creative way to build edge against average investors (which does not = good returns in VC) and a non-durable way to do so unless you're going to physically move and build a firm in an emerging ecosystem (which likely requires far more capital to execute well than some appreciate).



Ed Suh ✓
@edsuh

All of the VCs I know who made *real* money made the majority of their lifetime returns on 1 investment, a deal so successful it's career defining, and for many career ending (in a good way).

That's not to say they didn't have other successes. Most did. But that one deal, the truly special one, dwarfed all others. Such is the strength of the power law.

In some ways, success in venture is about patiently waiting and surviving long enough to bag that one special one (and of course getting enough ownership in it).

4:31 AM · Jun 20, 2024 · 119.7K Views

Talent is leaving VC firms to strike on their own

The current VC industry downturn has another angle: senior talent leaving to strike on their own. VC companies rarely resort to layoffs, opting instead for indirect methods to encourage partners to move on. These tactics include denying junior partners' deals at the investment committee or cutting their ownership stakes in future funds.

Exclusive

Venture Capitalists Defy Funding Slump to Launch New Firms



Samir Kaji • Following

CEO @ Allocate | MBA, Venture Capital, Finance
1w • 🌐

It's beyond difficult raising a first time venture fund today. While the numbers may look stark, some context is needed in assessing the outlook.

Additionally, we are hearing/seeing many principals / partners at current firms that are planning on, or leaving soon to start their own fund (similar to working at a company where your options are underwater, many people working at these larger firms simply do not have significant enough economic interest to incent them, particularly when the funds they have a piece of may not have as rosy of outlook as they did 2-3 years ago. I think we will see a LOT of spinouts in 24-25.

My estimate is that we will settle in the 150-200 new first time funds in 24-25.

Seed investors hitched their wagon to blue-chip VC firms. Now they're hightailing it

By [Rosie Bradbury](#)

Date published: June 21, 2024

Vic Singh, who spent the last 15 years building seed VC [Eniac Ventures](#), announced that he was starting a new firm last month. [Cowboy Ventures](#)' former partner Amanda Robson is raising her own seed fund. A trio of star GPs— Kristina Shen of [a16z](#), Ethan Kurzweil of [Bessemer](#) and Mark Goldberg of [Index Ventures](#)— have left their respective firms to co-found a new venture fund.



natasha mascarenhas ✓

@nmasc_

Some green shoots for new fund managers

- The Kurzweil, Shen & Goldberg trio is targeting \$300 million for debut fund
- Cowboy's Amanda Robson is leaving to start a pre-seed and seed firm
- Frmr YC Head of Continuity Anu Hariharan is closing in on her debut fund of \$350 million

VC talent layoffs continue

As the VC industry evolves, individual firms are adapting to changing circumstances, including talent hiring and layoffs. Historically rare, layoffs have become more common over the past year. In 2023, Sequoia cut one-third of its talent team, Y Combinator let go of 17 employees, and startup accelerator Techstars laid off 20 employees in January.



Octopus Ventures lays off 16% of investment team

By [Leah Hodgson](#)

Date published: June 25, 2024

Talent insights not to be missed / 1



GREG ISENBERG ✓
@gregisenberg

No one talks about this...

I know a few VC-backed founders who paid for ghostwriters/video agencies for their personal brands using VC dollars.

They get to 100k followers. Company fails but they still have the audience.

So, they sell services. Or sell a micro-SaaS. Raise \$0.

90% of the time make more cash-flow from selling to their audience than hoping to sell the business to Google.

But, realistically their VCs in their first companies helped bootstrap these second companies with their audiences.

Just an observation.

Last edited 3:37 PM · Jun 16, 2024 · **206.4K** Views

...



Daniel Wild · Following
Serial Entrepreneur and Venture Capitalist
1mo · 🌐

...

As a VC investor over the past 22 years I have seen myself and most other investors I know in four different roles:

1. Co-Founder: Beyond just providing capital, VCs often join forces with entrepreneurs as co-founders. They bring strategic vision, industry insights, and operational expertise to the table, helping shape the trajectory of the venture from its inception.
2. Coach: While financial backing is essential, the role of a coach arguably holds the most significance. VCs serve as mentors, guiding founders through the highs and lows of building a business. This entails offering invaluable advice, fostering growth mindset, and providing access to a vast network of resources and connections.
3. Investment Banker: As the company matures, VCs step into the shoes of investment bankers, strategizing exit opportunities and maximizing returns for all stakeholders. Whether through mergers, acquisitions, or IPOs, their financial acumen is instrumental in unlocking the full potential of the venture.
4. Turnaround Manager: Despite meticulous planning, not all ventures succeed as anticipated. In times of crisis, VCs morph into turnaround managers, orchestrating strategic pivots, restructuring operations, and injecting fresh capital to revitalize struggling businesses.

Doctors, drop-outs, architects: India's unicorn founders are a diverse mix

Updated - June 17, 2024 at 09:56 PM.

Engineers dominate the elite start-up club with over \$1 billion valuation



BY SINDHU HARIHARAN

The Challenge	Asshole VC	Good VC
Effect of saying no all the time:	Jaded from saying no and dealing with failure	Maintain optimism for future success
Heartbreak:	Emotionally check out due to repeat disappointments	Fully commit to each Founder and give 'tough love' feedback
Reality distortion field:	Unaware and blinded by power dynamic	Seek out honest feedback from trusted advisors while staying humble
Dealing with the onslaught:	Constantly distracted by overwhelming schedules, loss of focus	Prioritize being present and focusing on meeting at hand
Being too slow:	Delays due to high volume of deals and communication breakdowns	Communicate clearly and promptly, respecting founder's time

NfX

Kota × ravio

The State of Benefits in European Tech in 2024

Deliver competitive benefits offerings without the guesswork - get the latest data on what leading european start-ups and scale-ups are offering their employees.

SECTION

LIMITED PARTNERS

IMAGE FROM ADOBE FIREFLY

Prompt given - "Corporations worldwide are increasingly setting up CVCs to invest in AI startups. Big 7 tech companies are more actively participating in venture deals. Middle Eastern family offices are growing in importance due to increasing wealth and the influx of HNWIs. About 50% of family offices globally invest in venture capital and plan to increase their allocations. In 2024, U.S. nontraditional investor participation is on track to be the lowest since 2019. However, in Europe, nontraditional investors are recovering in VC activity, with CVCs now accounting for 50% of startup investments."



Index

- [Summary](#)
- [VC funds raised by type of investor \(Europe\)](#)
- [Nontraditional investor and CVC participation \(U.S.\)](#)
- [Nontraditional investors \(Europe\)](#)
- [Where are the millionaires moving?](#)
- [Growth of Middle East investors](#)
- [Tale of family offices](#)
- [Growing number of CVCs](#)
- [Big 7 is increasingly making startup investments](#)
- [Additional CVC ecosystem insights](#)

Summary

VC funds raised by type of investor (Europe)

Institutional investors like Pension funds are one of the biggest providers of capital for the private Equity asset class. However, their contribution to Venture Capital remains subdued. Government agencies are the biggest VC LPs in Europe, followed by Corporates and HNWIs.

Nontraditional investor and CVC participation

In 2024, in the U.S., - nontraditional investors (who made at least one deal) are on track to hit their lowest level since 2019. CVC is also face similar trends, but lower valuations present strategic investment opportunities. AI remains a key focus, accounting for over 25% of deals involving CVCs. As companies refine their AI strategies, CVCs may take the risk and invest more in this area.

In Europe, nontraditional investors continue to fill gaps, and their participation in all VC activity is recovering, both from a deal count and deal value perspective. CVCs are also increasing their participation in venture deals and, from a fundraising perspective, capture 50% of investment made in startups.

Where are the millionaires moving?

HNWIs are moving out of geographies which constrains them e.g. current Chinese landscape is promoting the movement out of the country. Their top destinations are UAE and the U.S.

Growing number of CVCs

AI is capturing the imagination of corporations worldwide. More and more

corporations are setting up venture units (CVCs) to allocate capital directly to startups and position them for AI.

Growth of Middle East investors

Middle Eastern family offices are having their moment, and their growth is undeniable. Many VC fund managers are meeting middle Easter LPs for fundraising discussions. The increasing size of the family office market in the Middle Eastern geography and the movement of HNWIs to countries like the UAE are also pushing their importance.

Big 7 is increasingly making startup investments

The investment patterns for the Big 7 tech companies have basically flipped. Due to the generally challenging market environment and breaks on mega M&As because of regulatory pressure, Big 7 has been participating more actively in venture deals in the last few years.

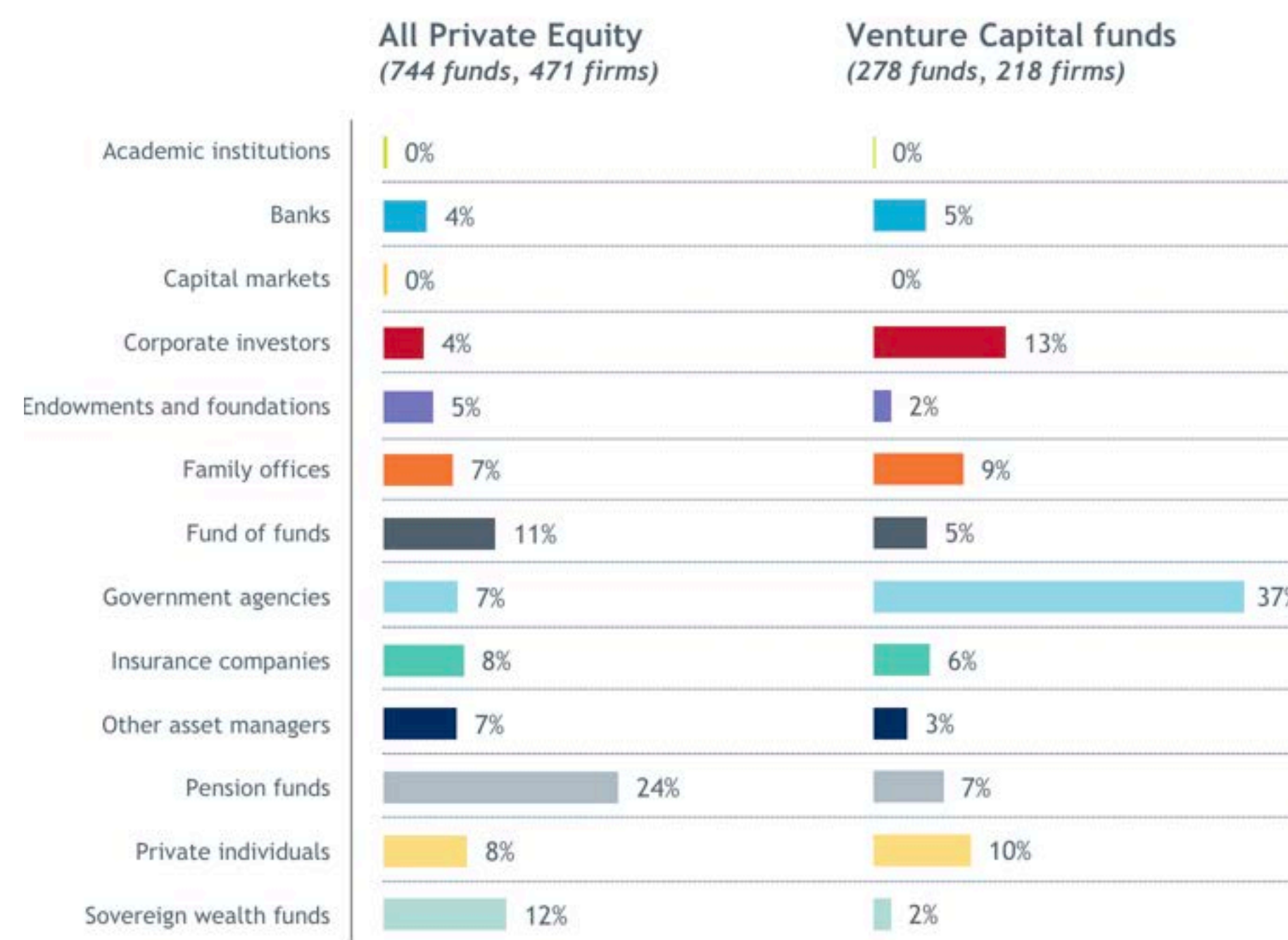
Tale of family offices

Nearly 50% of Family office globally are already invested in venture capital asset class. The other classes leading VC are Equities, Real Estate and Private Equity - all expected. Not only are 50% of family offices invested in the venture asset class, but they are also planning to increase their allocations to private companies. Currently, only around 5% of family office wealth is in venture assets, but this is set to change positively. However, family offices are known for being opaque investors, and reaching them is challenging.

VC funds raised by type of investor (Europe)

The Europe graph below has some fascinating insights. Institutional investors like Pension funds are one of the biggest providers of capital for the private Equity asset class. However, their contribution to Venture Capital remains subdued. Government agencies are the biggest VC LPs in Europe, followed by Corporates and HNWI's.

2023 - Incremental amount raised during the year - % of total amount

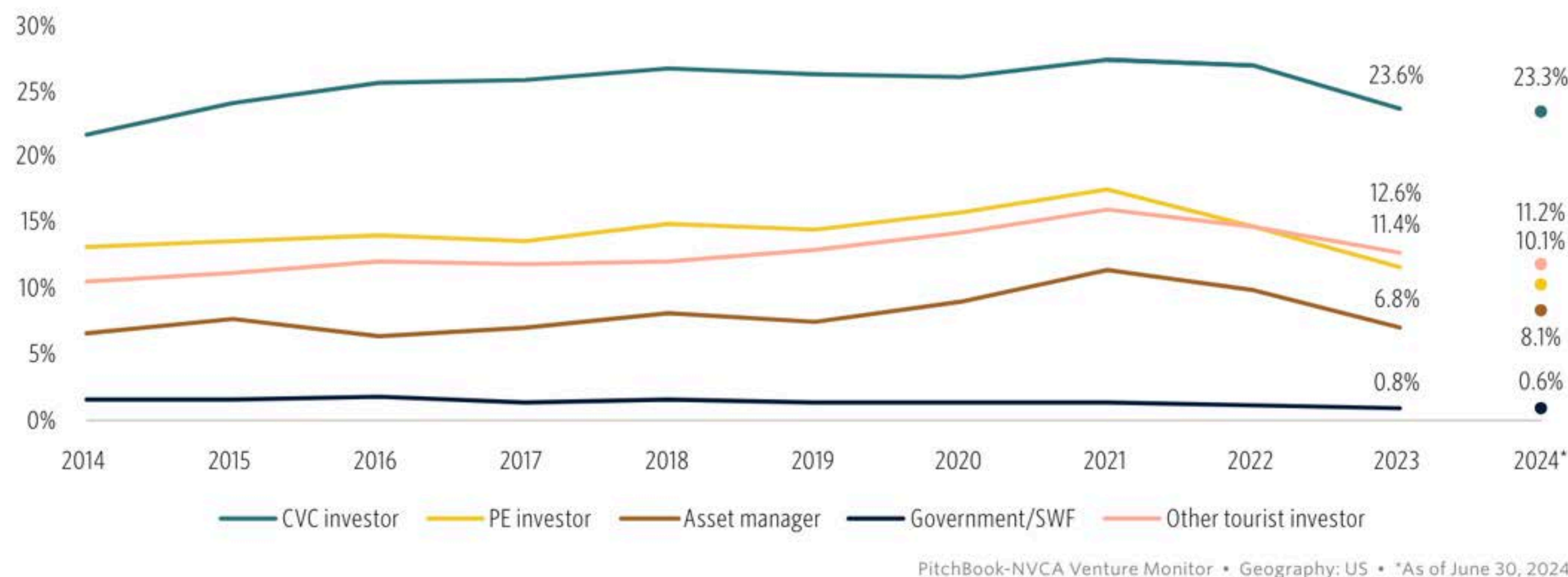


Source: Invest Europe / EDC

Nontraditional investor and CVC participation (U.S.)

In 2024, nontraditional investors (who made at least one deal) are on track to hit their lowest level since 2019. CVC is also face similar trends, but lower valuations present strategic investment opportunities. AI remains a key focus, accounting for over 25% of deals involving CVCs. As companies refine their AI strategies, CVCs may take the risk and invest more in this area.

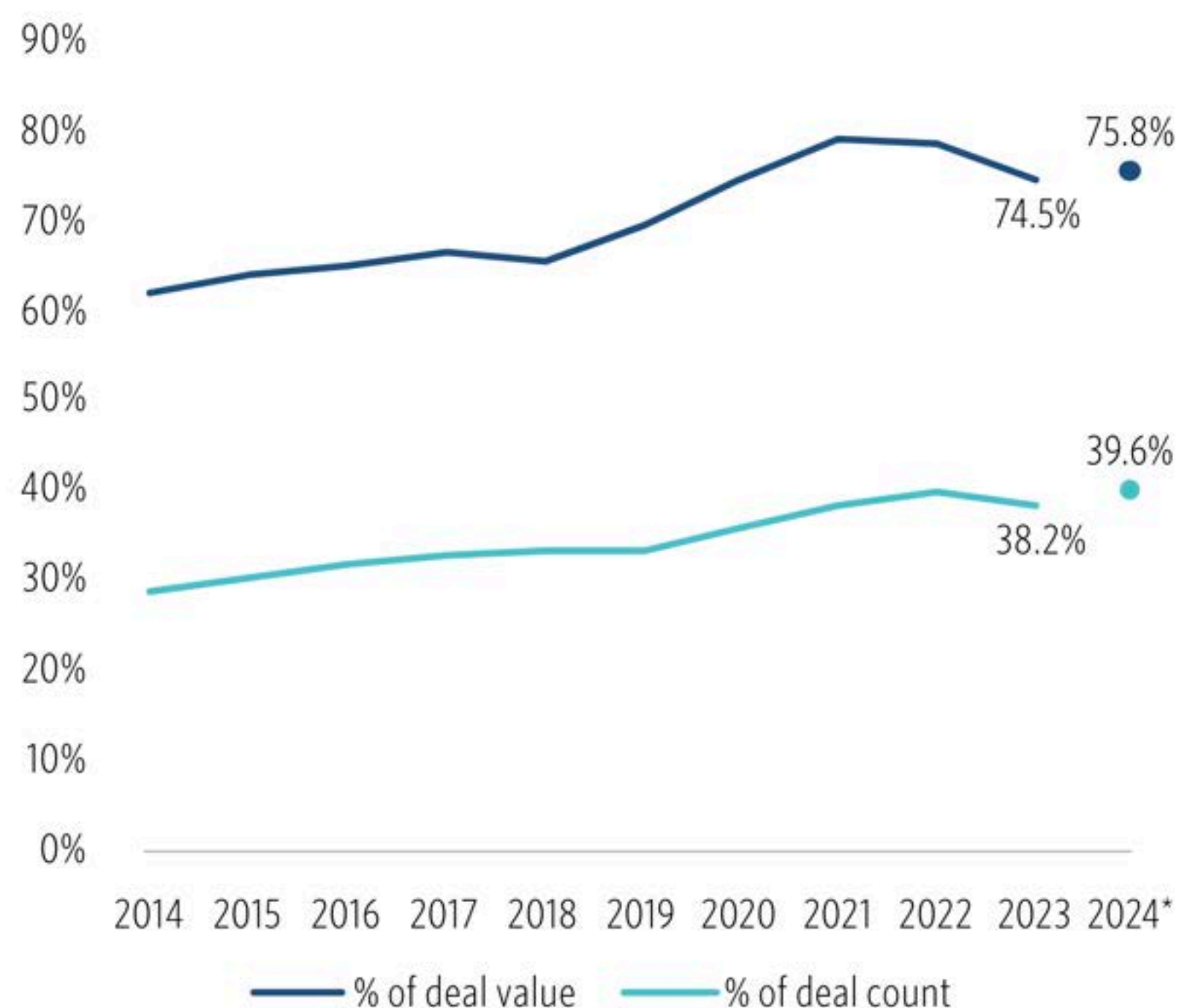
VC deals with nontraditional investor participation as a share of all VC deal count by investor type



Nontraditional investors (Europe)

In Europe, nontraditional investors continue to fill in the gaps, and their participation in all VC activity is recovering, both from a deal count and deal value perspective. CVCs are also increasing their participation in venture deals and, from a fundraising perspective, capture 50% of the investment made in startups.

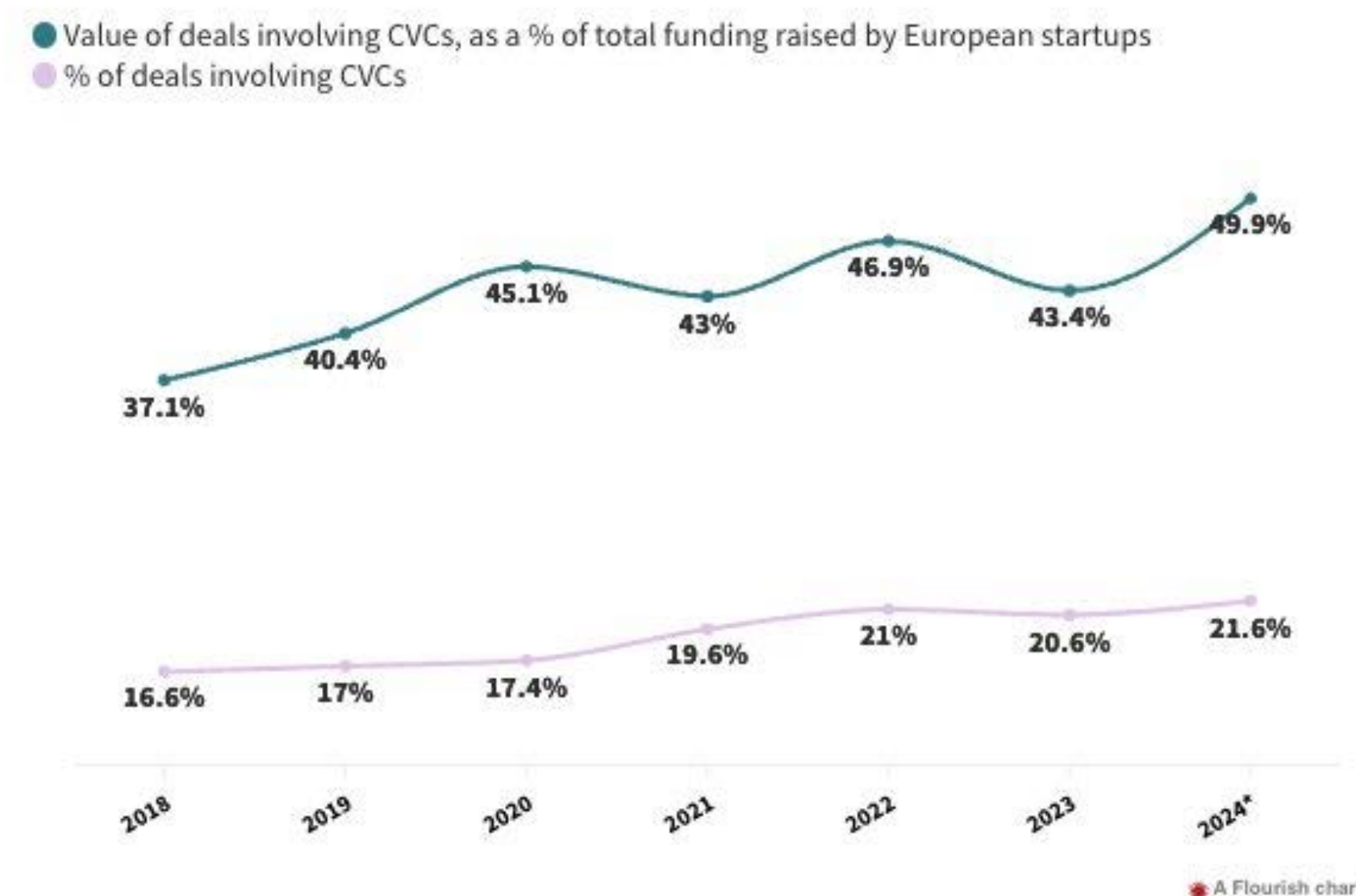
VC deal activity with nontraditional investor participation as a share of all VC deal activity



Source: PitchBook • Geography: Europe • *As of June 30, 2024

CVC investment in European startups is steadily growing

\sifted/ FT



A Flourish chart

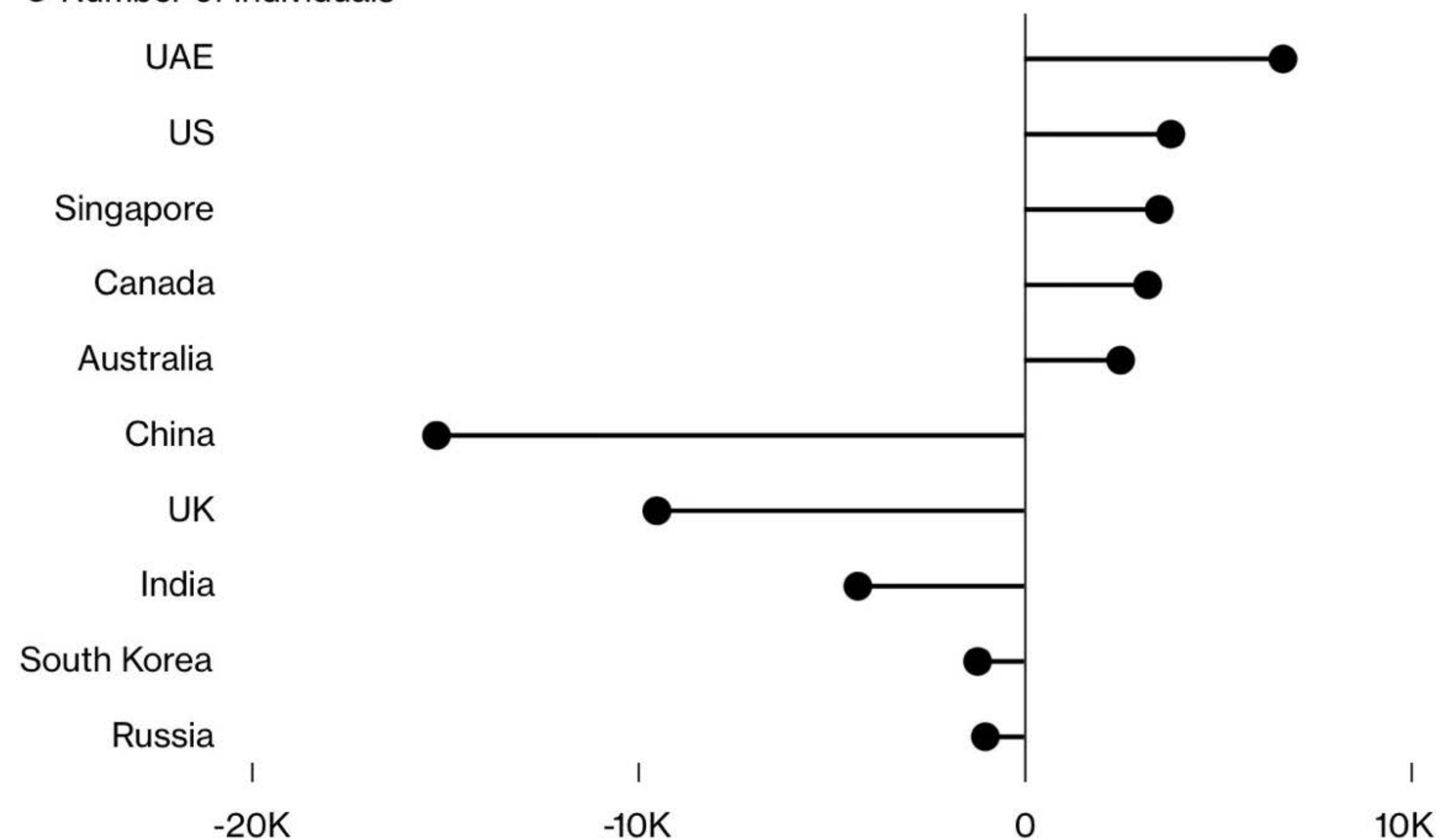
Where are the millionaires moving?

HNWIs are moving out of geographies which constrains them e.g. current Chinese landscape is promoting the movement out of the country. Their top destinations are UAE and the U.S.

Where the World's Wealthy Are Moving

Net number of millionaires expected to arrive or leave in 2024

● Number of individuals



Source: New World Wealth

Note: Millionaire defined as an individual with liquid wealth exceeding \$1 million

Growth of Middle East investors

Middle Eastern family offices are having their moment, and their growth is undeniable. Many VC fund managers are meeting middle Eastern LPs for fundraising discussions. The increasing size of the family office market in the Middle Eastern geography and the movement of HNWIs to countries like the UAE are also pushing their importance.



Obediah Ayton • Following

Director Dhahi Hold Co | Family Office | UAE Top 50 Most Connected | Cap...

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5d • 🌐

Since 1793, Family Groups have built the UAE to what it is today. Here is a list of 37 Family Group Principal's Surnames in the UAE, But how do you approach them correctly? 📌

Exclusive

A Middle East Dealmaker Fights for Credibility in Silicon Valley

The venture arm of Mubadala, the United Arab Emirates' giant sovereign wealth fund, has elbowed its way into tech's clubby investing circles under the leadership of Ibrahim Ajami. But missteps with its European dealmaking and skepticism about its direct investments in startups show it still has progress to make.



By Kate Clark

Jun 20, 2024, 6:00am PDT

Comment by Brittain Ladd



Francois Botha • Following

Founder & CEO @ Simple | Family Office Insights @ Forbes

[Visit my website](#)

5h • 🌐

Thanks for your insights, [Besarta Dani](#)! An interesting read.



Simple

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"The enviable situation many Middle Eastern family offices find themselves in right now is not permanent."

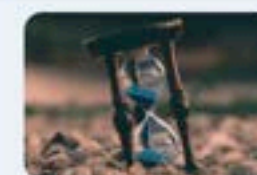
The current economic climate in Europe and the US has created a favourable environment for Middle Eastern family offices.

Working closely with the burgeoning family office sector in the region, Simple Expert [Besarta Dani](#), founder and CEO of [Hejmdal Executive Search](#), focuses on connecting them with the best available executive talent worldwide.

In our latest insight, she shares why now is a unique time of opportunity for the region and why family offices should take advantage. Read more here

👉 <https://hubs.la/Q02BwLqS0>

[#FamilyOffices](#) [#WealthManagement](#) [#PrivateWealth](#) [#GlobalTalent](#)



Middle East Family Offices: A Moment In Time

[andsimple.co](#)

👍 10

Tale of family offices / 1

Nearly 50% of Family office globally are already invested in venture capital asset class. The other classes leading VC are Equities, Real Estate and Private Equity - all expected.

Does the family office allocate to any of the following asset classes?

	GLOBAL	UNITED STATES	INTERNATIONAL
 Public Equities	85%	85%	85%
 Alternatives			
Private Equity	86%	86%	85%
Real Estate	77%	78%	74%
Venture Capital	52%	54%	46%
Hedge Funds	45%	45%	43%
Private Credit	38%	41%	30%
 Fixed Income & Cash			
Cash	75%	75%	76%
Investment Grade Fixed Income	62%	58%	72%
High Yield	24%	23%	28%
 Commodities	21%	22%	17%
 Infrastructure	9%	7%	17%
 Other	24%	26%	17%

Direct investments in focus

DIRECT INVESTMENTS MADE PAST 12 MONTHS

How many direct investments have you made over the past 12 months?

Number of Investments

None	8%
1-5	30%
6-10	56%
11+	6%
Total	62%

DIRECT INVESTMENTS EXPECTED NEXT 12 MONTHS

How many direct investments do you expect to make over the next 12 months?

None	8%
1-5	21%
6-10	52%
11+	19%
Total	71%

Tale of family offices / 2

Not only are 50% of family offices invested in the venture asset class, but they are also planning to increase their allocations to private companies. Currently, only around 5% of family office wealth is in venture assets, but this is set to change positively. However, family offices are known for being opaque investors, and reaching them is challenging.

WEALTH

Family offices are planning big investments in private companies

PUBLISHED MON, JUN 10 2024•8:47 AM EDT



Ertan Can • Following

Founder @ Multiple Capital | Investor in micro VC funds

4w • 🌐

...

Zurich is full of family offices. I have rarely met one. How is it possible that (without the fee-sucking middleman) we are all so disconnected? 🤖

WEALTH

Family offices are looking beyond the stock market for higher returns, new report finds

PUBLISHED MON, APR 29 2024•11:31 AM EDT | UPDATED WED, MAY 1 2024•3:12 PM EDT



Robert Frank
@ROBTFRANK

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Growing number of CVCs

AI is capturing the imagination of corporations worldwide. More and more corporations are setting up venture units (CVCs) to allocate capital directly to startups and position them for AI.



Cisco Investments

5,494 followers

4w • 🌐

Follow ...

Today, **Cisco** announced a \$1B global investment fund to expand and develop secure and reliable AI solutions. Over the past several years, we've made over 20 AI-focused acquisitions and investments. 🚀

**Zendesk launches
venture fund to fuel AI
startups**

Veröffentlicht 20. Juni 2024

Big 7 increasingly making startup investments

The investment patterns for the Big 7 tech companies have basically flipped. Due to the generally challenging market environment and breaks on mega M&As because of regulatory pressure, Big 7 has been participating more actively in venture deals in the last few years.

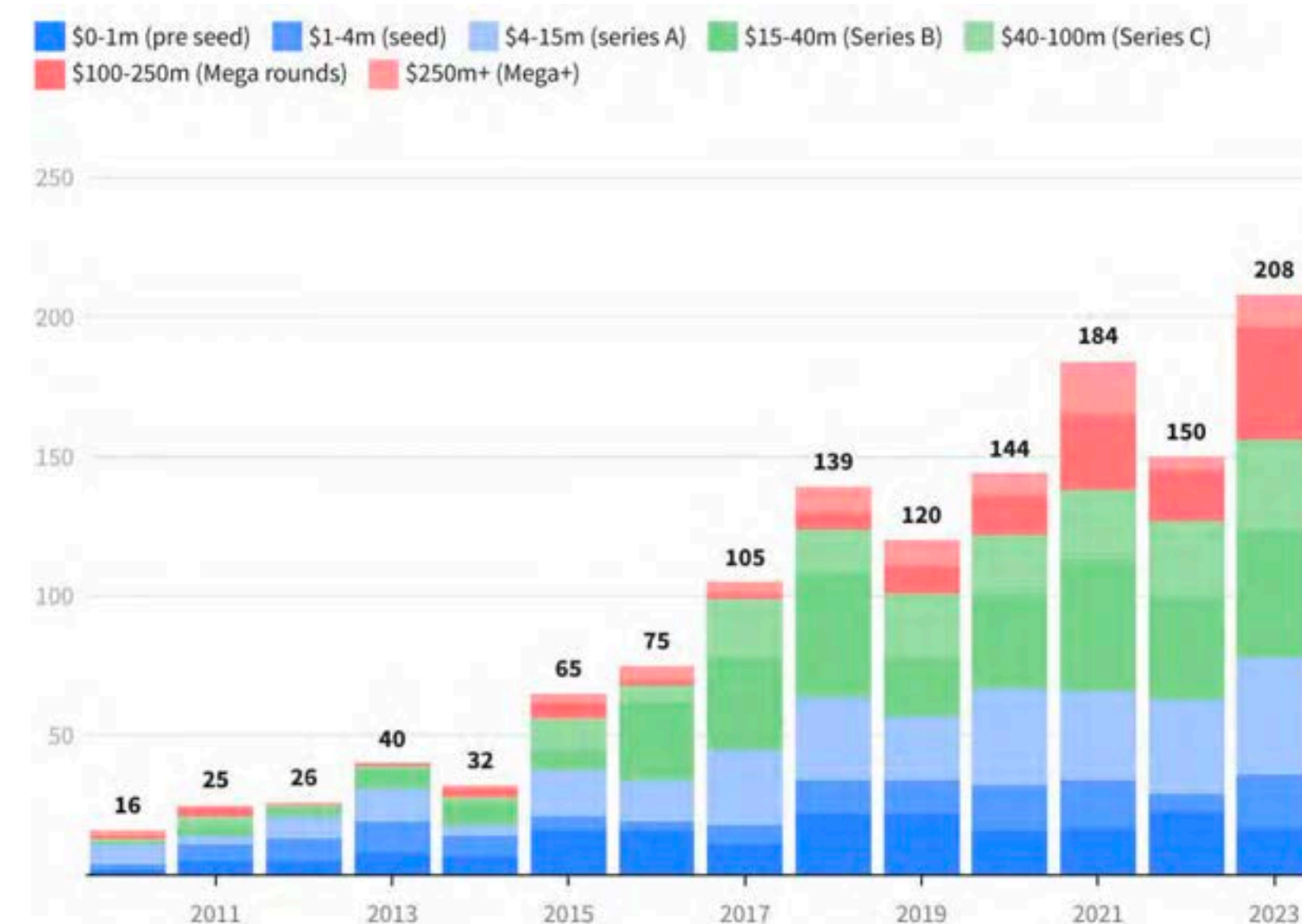
Number of acquisitions and VC rounds by Magnificent 7



Source: Dealroom.co

Flow Partners dealroom.co

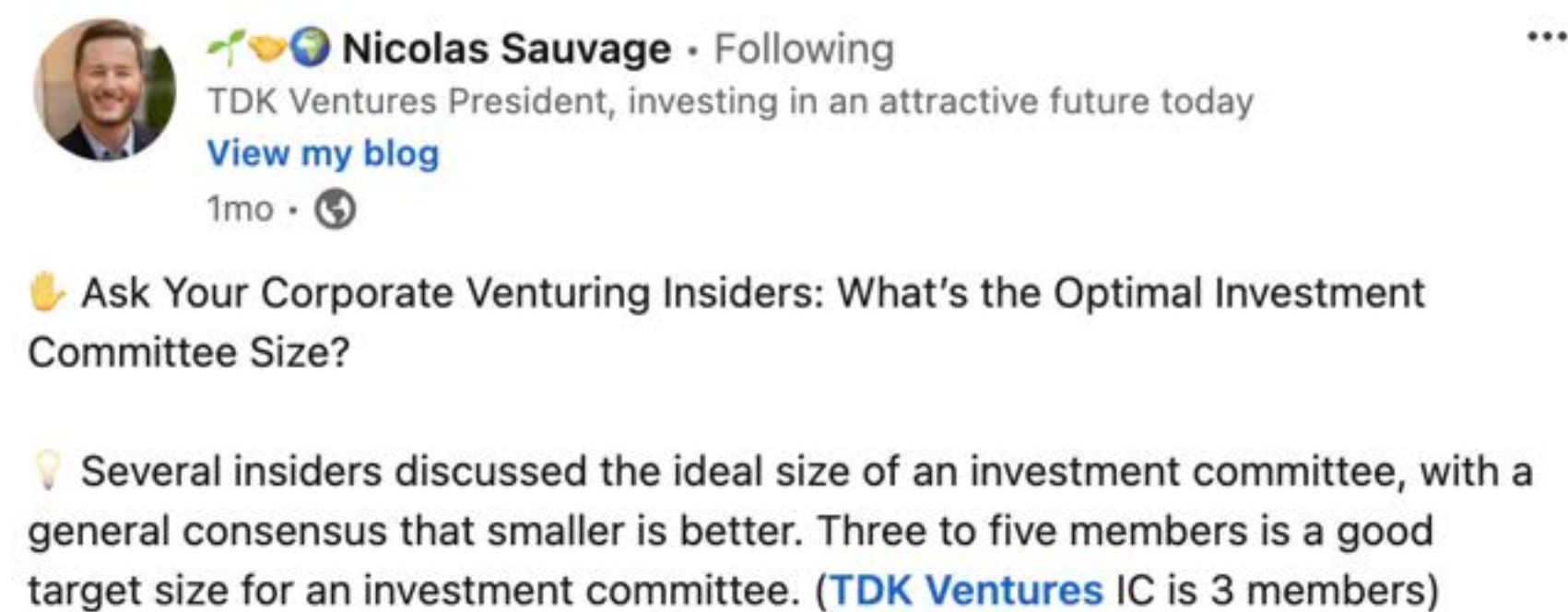
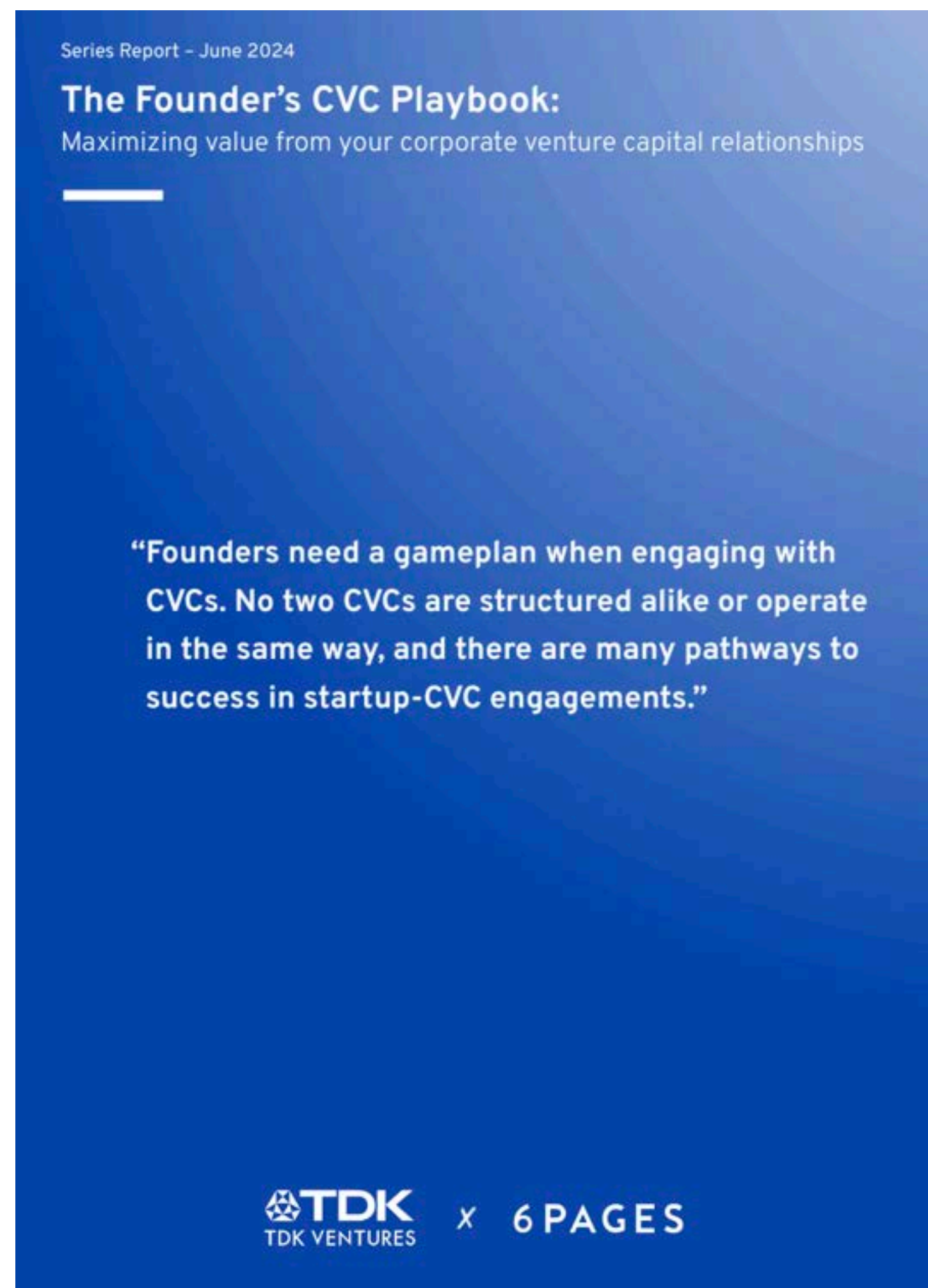
Number of VC rounds participated in by Magnificent 7



Source: Dealroom.co

Flow Partners dealroom.co

Additional CVC ecosystem insights



VENTURE BUSINESS

IMAGE FROM ADOBE FIREFLY

Prompt given - "VC fundraising continues to struggle. Emerging managers consistently raise less than half the total U.S. VC fundraising value.

Although the venture capital asset class will continue to grow as capital inflows keep coming in, it might lose some ground to other private market asset classes like private equity in the coming years. There is growing talk of mergers among VC firms, particularly for strategic reasons."



Summary

Venture as an asset class

- Capital market shifts in Europe
- Continuations funds
- Opportunity funds slowdown
- M&A within VC sector
- Small-sized venture funds pausing or closing
- How AI is changing VC
- Venture asset class is growing globally
- Geographic venture attractiveness
- Nordics punching above their weights
- Additional insights not to be missed

Venture fundraising

- VC fundraising continues to struggle
- Dry powder remains elevated
- Venture AuM growth is constrained
- VC fundraising - U.S.
- VC fundraising - Europe
- VC Fund sector focus in Europe
- Venture fundraising plans

- VC fundraising advice
- Established managers winning the VC fundraising game
- First time VC managers find it difficult
- Emerging VC manager fundraising advice
- LPs are defaulting
- Venture feels pressure from other asset classes

Venture performance

- Asset class returns data
- VC asset class IRR data
- Venture is suffering from outflow-inflow deficit
- Graduation rates, DPIs and more
- The U.S. vs EU comparison continues
- Big winners and bold concentration
- Relationship bw. predecessor and successor funds

Venture fund management

- VC management fees
- VC asset class is undergoing structural changes
- VC firm branding
- Apt number of startups in a portfolio

Summary / I

Venture fundraising

VC fundraising continues to struggle

The IPO drought has led to a potential nine-year low in fundraising, with only \$80.5 billion secured globally in H1. As the market adjusts, the average time between VC fund closings has reached its most prolonged period since 2018. Both established and emerging managers have struggled. The base case for U.S. VC fundraising in 2024 is USD 79 billion, which remains below the USD 85 billion raised in 2023.

Mid-year numbers for Europe indicate that VC fundraising for 2024 might be lower or flat compared to 2023. Also, European funds under €250.0 million now represent 57.6% of capital raised, up from 41.6% at the end of 2023. These smaller funds may simplify fundraising for VCs but don't significantly impact overall totals.

Dry powder remains elevated

A fundraising challenge is the over \$700 billion in uncalled commitments ("dry powder") in VC funds globally. In the U.S., \$199.3 billion (67%) is in 2020-2022 vintage funds, with 58% concentrated in funds of \$500 million or more. These mega funds focus on late-stage VC, making larger startups rely on a few investors for growth.

VC fund sector focus in Europe

Generalist fundraising (aka. with no specific focus) captured the bulk of the fundraising in Europe, and this percentage continues to edge higher across the years. The top three sources of funds were government agencies (37%), corporate investors (13%), and private individuals (10%).

VC fundraising plans

Venture managers without plans to raise another fund remain high at 13%. Also, nearly 25% say their plans have been pushed further for fundraising. The good news is that the percentage of VC managers planning to 'not raise' or 'delay' has decreased in recent quarters.

Established managers winning the VC fundraising game

Emerging managers consistently raise less than half the total U.S. VC fundraising value. Established managers have been in the news for raising mammoth funds which is clear from the fact that the top 5 largest funds raised 45% of the total U.S. funds in the first four months of 2024. First-time VC managers find it difficult to fundraise as institutional capital generally flows in the direction of experienced managers or established brands. This leaves the first-time VC managers with the Friends&Family or HNWIs as the tried and tested source for their capital raising.

LPs are also defaulting

Not all is well in the LP land, either. Hundreds are defaulting, i.e., not funding their capital calls to the VC managers. Such news, while critical, is often not covered enough as VCs avoid discussing defaults to prevent sending negative market signals and triggering a potential domino effect.

Venture feels pressure from other asset classes

Although the venture capital asset class will continue to grow as capital inflows keep coming in, it might lose some ground to other private market asset classes like private equity in the coming years.

Venture performance

Asset class returns data

VC return dispersion is eye-catching. The difference between the average fund manager and the median fund manager is much higher than for other asset classes, which also depicts the role of Power Law in manager performance. Venture asset class performance lagged with a -7.7% one-year IRR due to a quiet exit market. Even looking at different providers, the data shows a clear gap between venture capital inflows (contributions from LPs) and outflows (distributions to LPs). Net capital distribution has remained negative since 2018, meaning capital is locked up in the ecosystem.

The U.S. vs EU comparison continues

The comparison between these two geographies based on returns shows that Europe does fare well (considerably) over 5-year and 10-year horizons. But the bigger issues remain: first, whether IRR is the only right metric for evaluating VC business, and second, whether Europe's low number of funds is included in the study.

Big winners and bold concentration

Venture math is essential for investors to understand. While many say the venture business is a luck game (I disagree), the underlying analyses hint at a more nuanced approach to venture investments. Example - according to a study - Great Funds hit home runs over 2X more than Good Funds and Great Fund "Winners" are nearly 2.5X larger outcomes for them than Good Funds. Topics like Power Law and VCs losing half of their bets are honest discussions between LPs and GPs.

Venture fund management

Management fees

Fees are always a topic for discussion. For LPs, the debate is about alignment and whether GPs are incentivized enough to do a good job. The fee argument against bigger VC managers is that 2% for them becomes too much money for deployment without results. Smaller AuM VC managers might need more than 2% management fees for a healthy lifestyle.

Venture as an asset class

Capital market shifts in Europe

Local regulations and individual oversight have kept Europe's financial markets fragmented, preventing the development of deep capital markets like those in the U.S. Creating a unified market could benefit the startup ecosystem, especially for IPO exits. However, nearly a decade after launching the plan for a single capital market, the EU has made little progress. Political changes and election cycles continue to pose short-term obstacles.

Continuation Funds

Secondaries, providing LPs with early exits, have gained traction as selling fund stakes becomes mainstream. This asset class became prominent during the 2022-2023 exit crunch, which decreased distributions. VC managers now use continuation transactions for more flexible portfolio exits. Before 2020, this mechanism comprised a small part of secondaries transaction volume.

Opportunity funds slowdown

Opportunity funds grew in the 2020-2021 ZIRP era. However, the VC and startup industry took a nosedive in many respects in the last couple of years. This reset provided a jolt to the opportunity funds, which couldn't deploy effectively or deployed in opportunities that weren't return-generating as expected.

M&A within VC sector

There is growing talk of M&A among VC firms, particularly for strategic reasons. Smaller VCs are in discussions with larger firms about acquisitions or mergers, as larger managers easily attract institutional capital, which smaller ones struggle to achieve. Facing fundraising challenges, some smaller managers are considering M&A. However, the success of these deals depends more on strategic fit than on the distressed nature of the smaller firms.

Small-sized venture funds pausing or closing

Smaller funds already have to survive on lower management fees (in dollar terms), and there are other constraints, like smaller teams and GPs wearing multiple hats. Then, due to changes in the venture landscape in the last few years, the strategies of many of such smaller funds come into question with larger, multi-stage firms chipping away deals, limited interest from institutional investors for small-sized funds, and increased deal competition for hot areas like DeepTech and AI.

How AI is changing VC

AI is a hot topic of investment for VCs these days. However, AI is also expected to change how VCs operate. Startups are increasingly using platforms (like [Foundersuite](#), [getpantom](#), [OpenVC](#)) to find the right investors for their fundraise (with better and faster-matching promises). Now, the task of finding attractive startups and then preparing lower-level due diligence reports can also be handed over to AI tools to a large extent, leaving the human touch aspects to VCs.

Venture asset class is growing globally

Over the past two decades, the venture asset class has grown exponentially and has become more geographically diverse. In 2003, about 90% of venture capital was concentrated in the U.S. Now, it accounts for around 40%, with the rest spread globally. While the U.S. still leads in the number of prominent startups at the Unicorn, Decacorn, and Centacorn stages, these numbers are expected to shift further in the coming decade.

..

Geographic venture attractiveness

Investors favor different regions from an investment attractiveness perspective. In a recent survey, investors voted that they believe Europe is the most exciting geography from an investment standpoint outside the U.S. But the story doesn't end here. Investors' expectations vary a lot with macro situations and startup market growth KPIs. For example, many startup and venture ecosystems worldwide are growing much faster than the U.S. and European ones.

Capital market shifts in Europe

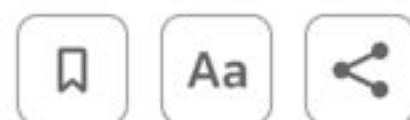
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European Markets

France looks to elusive EU capital market to fix start-up funding

By Martin Coulter and Leigh Thomas

May 27, 2024 8:04 AM GMT+2 · Updated 25 days ago



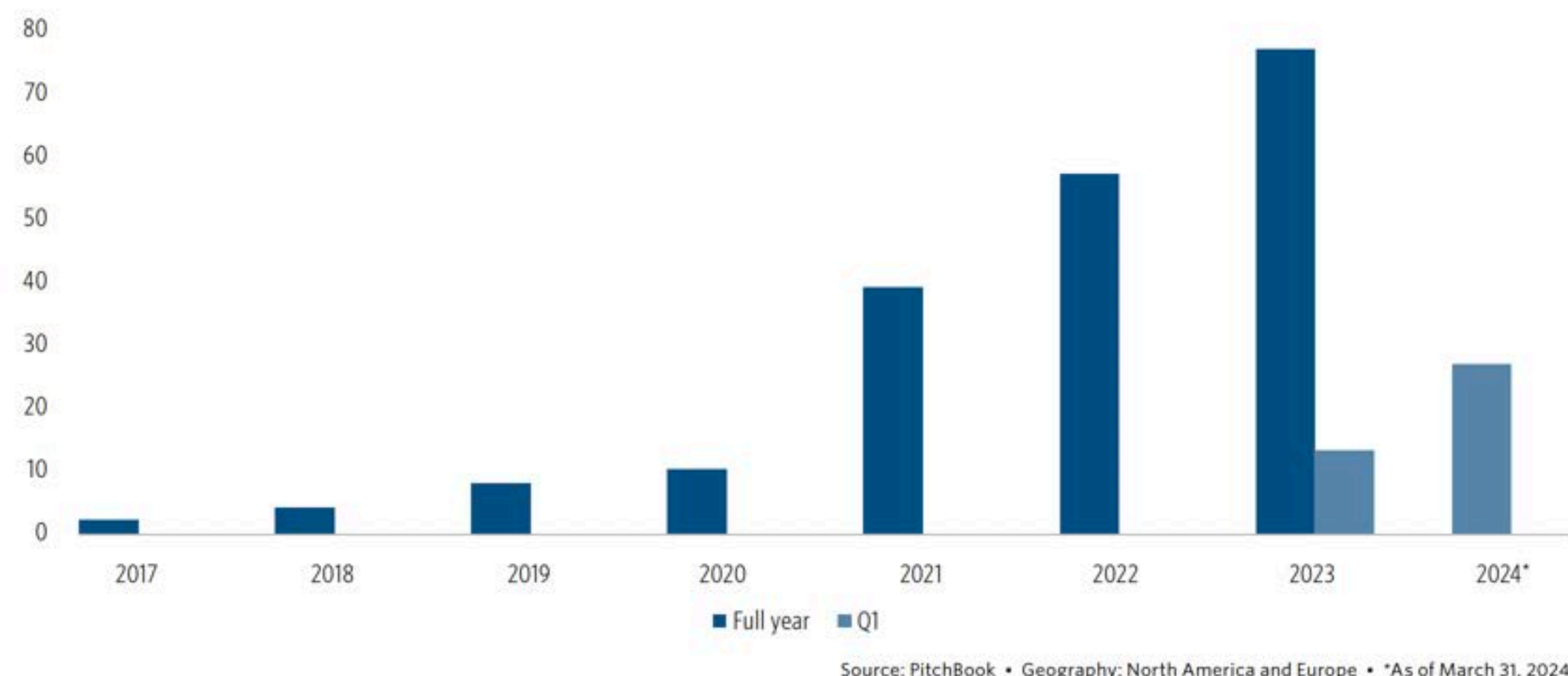
Macron, Scholz Pledge to Turn Capital Markets Talk Into Reality

- Leaders of EU's biggest economies hold joint news conference
- French president says there is 'unprecedented' convergence

Continuation Funds

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Continuation-fund-related exit count



mintPremium | INDUSTRY

Why continuation funds are the new favourites in investor arsenals

Priyamvada C | 5 min read | 27 May 2024, 11:13 AM IST

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3h • Edited •

Insight Partners is raising its third continuation fund.

The fund has garnered \$944 million to date and is likely yet to close. The new vehicle comes over a year after Insight Partners closed its second continuation fund at \$1.3 billion.

Opportunity funds slowdown

Opportunity funds grew in the 2020-2021 ZIRP era. However, the VC and startup industry took a nosedive in many respects in the last couple of years. This reset provided a jolt to the opportunity funds, which couldn't deploy effectively or deployed in opportunities that weren't return-generating as expected.



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General Catalyst merges with Venture Highway in India push

The Silicon Valley venture capital group plans to invest from \$500 million to \$1 billion in India over the next three years, it told TechCrunch

Manish Singh / 8:30 PM PDT • June 19, 2024

 Comment

Small-sized venture funds pausing or closing

Smaller funds already have to survive on lower management fees (in dollar terms), and there are other constraints, like smaller teams and GPs wearing multiple hats. Then, due to changes in the venture landscape in the last few years, the strategies of many of such smaller funds come into question with larger, multi-stage firms chipping away deals, limited interest from institutional investors for small-sized funds, and increased deal competition for hot areas like DeepTech and AI.



Tyler Tringas ✓
@tylertringas

...

Today I'm announcing that [@calmfund](#) is pausing our investing & fund activities. I've come to the conclusion that the investment thesis absolutely works, but the business model (of raising micro-funds and building a company off mgmt fees) just does not.

6:27 PM · Jun 12, 2024 · **288.4K** Views



Sidney Scott · Following
Cosmic Neo-Industrial Technologist
1d · 🌐

...

After a wild ride and +30% net IRR, I'm SHUTTING DOWN my Deep Tech VC fund. Here's why.

Why It's Hard for Small Venture Funds to "Play the Game on the Field" in AI Investing

I'm not sure the analogy of playing the game on the field works for small funds who are thinking about how to navigate the world of AI.

CHARLES HUDSON
JUN 06, 2024

How AI is changing VC

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Revolut CEO Storonsky Builds Side Bet to Disrupt Venture Capital With AI

- Nik Storonsky's QuantumLight working on fifth deal of the year
- Firm pledges to 'take on giants' of VC using AI and algorithms

TECH

Artificial intelligence is coming for venture firms. VCs predict it could reduce head count by more than 50%.

Ben Bergman Jun 24, 2024, 11:00 AM CEST

[Share](#) [Save](#)

24 June 2024 at 20:30 CEST

**By Matt Levine**

Matt Levine is a Bloomberg Opinion columnist. A former investment banker at Goldman Sachs, he was a mergers and acquisitions lawyer at Wachtell, Lipton, Rosen & Katz; a clerk for the U.S. Court of Appeals for the 3rd Circuit; and an editor of Dealbreaker.

VC AI

It would be extremely funny if the first business automated out of existence by artificial intelligence is venture capital, but [Business Insider](#) reports:

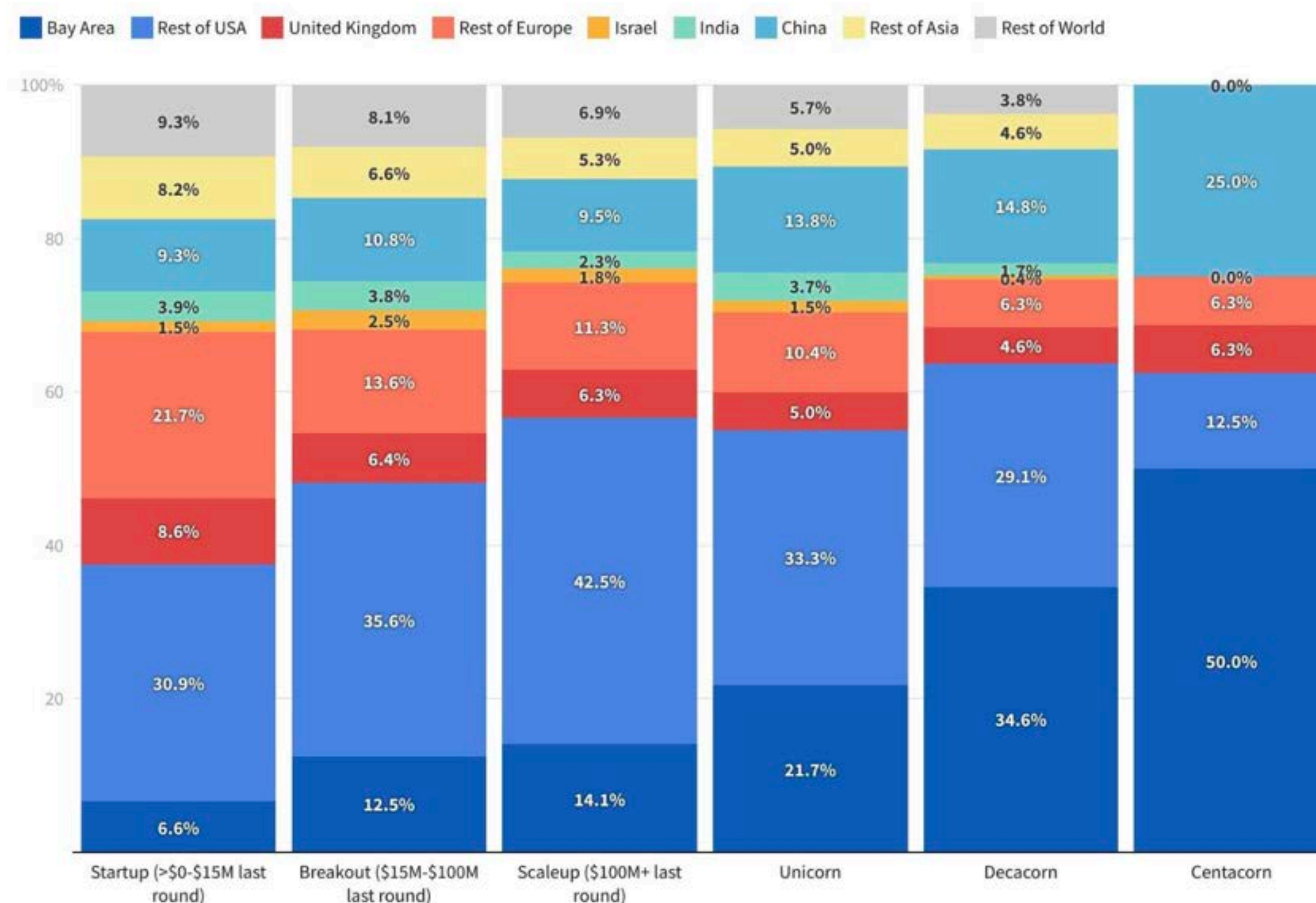
A lot of what is happening is that some of the lower-level analysis, targeting and tracking work, which used to be done by junior venture capital associates, can now be done by AI. Instead of a few analysts doing the grunt work for a partner who is out befriending founders and leading investments, now a robot does the grunt work and the partner does the deals and makes more money. Though, counterpoint:

Venture asset class is growing globally

Over the past two decades, the venture asset class has grown exponentially and has become more geographically diverse. In 2003, about 90% of venture capital was concentrated in the U.S. Now, it accounts for around 40%, with the rest spread globally. While the U.S. still leads in the number of prominent startups at the Unicorn, Decacorn, and Centacorn stages, these numbers are expected to shift further in the coming decade.



Number of VC-backed companies by location



Includes Booking (Europe) and Arm (UK) in centacorns although they were not purely VC-backed.

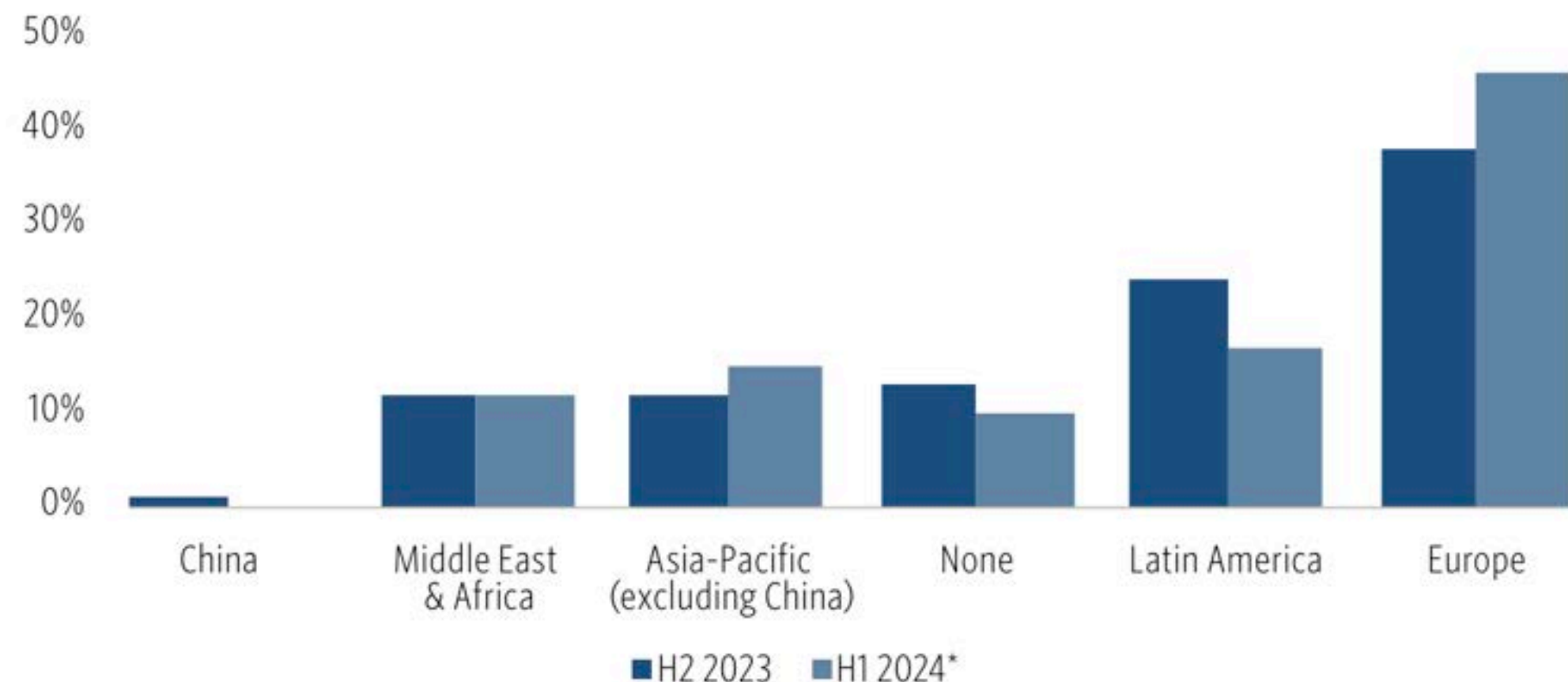
Source: Dealroom.co

dealroom.co

Geographic venture attractiveness

Investors favor different regions from an investment attractiveness perspective. In a recent survey, investors voted that they believe Europe is the most exciting geography from an investment standpoint outside the U.S. But the story doesn't end here. Investors' expectations vary a lot with macro situations and startup market growth KPIs. For example, many startup and venture ecosystems worldwide are growing much faster than the U.S. and European ones.

Which regions outside of the US appear the most attractive for VC investment currently?



Source: PitchBook • Geography: Global • *As of May 13, 2024

Geographic focus of the chart = Global. Chart from PitchBook. Click on chart to visit the source.

Venture

VC firm Antler's CEO says Asia presents 'biggest opportunity' in the world for growth

Kate Park / 6:28 AM PDT • May 31, 2024

[Comment](#)

Does Venture Capital "Work" in Emerging Markets?



Basil M.

Managing Partner @ Key Capital | MBA, VC Secondaries



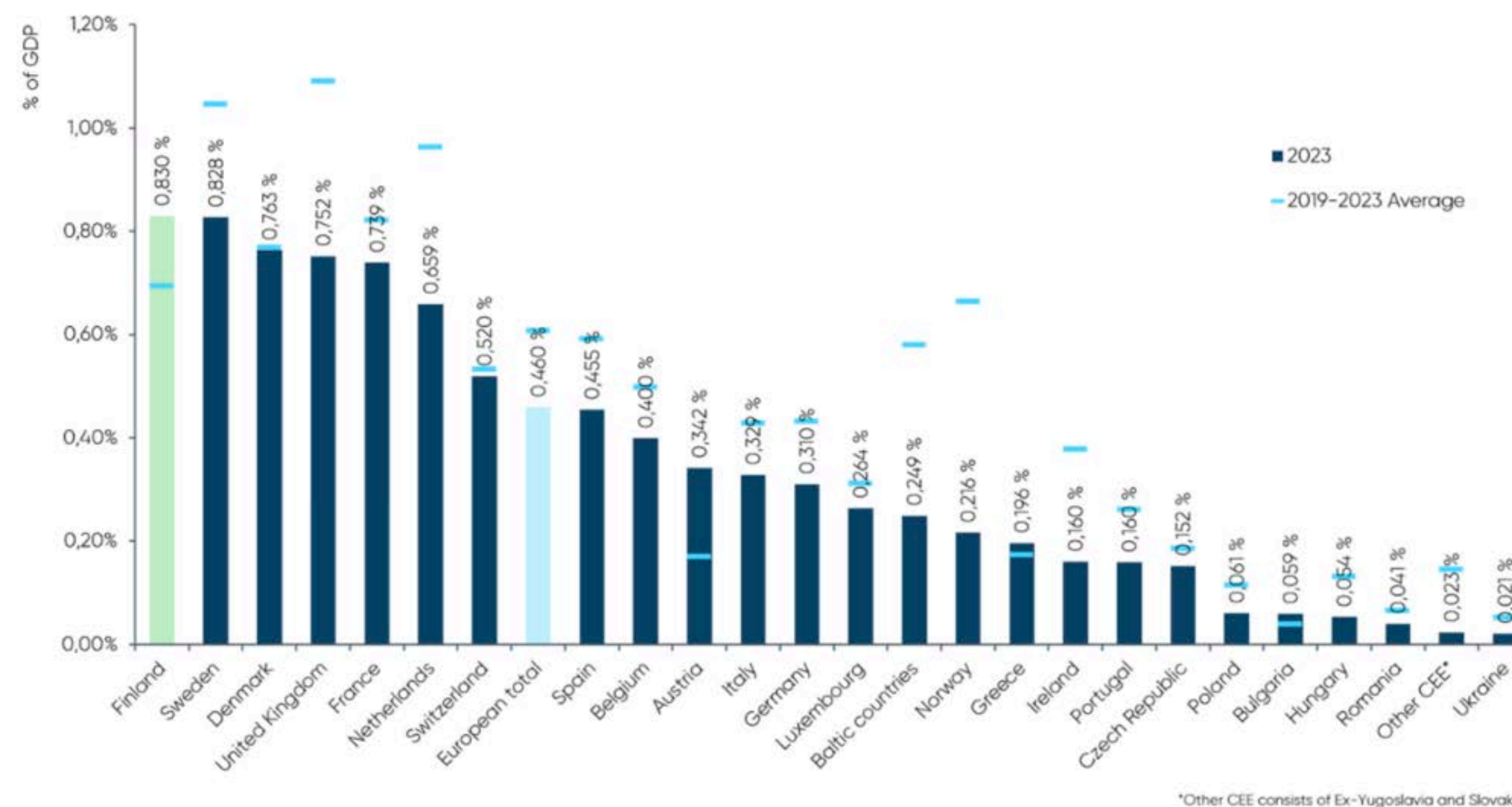
June 20, 2024

It depends on your definition of "work"...

Nordics punching above their weights

In Europe, Sweden and Denmark were identified as leaders in venture capital and private equity investments relative to their GDP size for 2023.

VC and PE investments into European countries



Geographic focus of the chart = Europe. Click graph for source post.

Additional insights not to be missed / 1

Inception Funds vs. Early Stage VC

Allocating to "Early Stage"



JEFF BECKER
MAY 27, 2024



6



1



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...

TLDR: Pre-seed institutions and "inceptions funds" are misunderstood by LP's, and are evaluated as if they were traditional early-stage venture funds.

Broadly speaking, pre-seed venture capital is viewed under the same lens as traditional early-stage venture capital.

This is a huge mistake.



fintechjunkie
@fintechjunkie

...

The Grand Reset: VCs and LPs Are Starting To Internalize Reality

The past few years in the VC space have been brutal. Darwin has returned from vacation and the frothy gold rush of the 2018-2021 startup ecosystem has vanished. The ZIRP environment caused valuations to soar and VCs threw money at any startup with a pulse. The money was put to work by Founders quickly, many of whom chased shiny objects and undisciplined growth because their bank accounts were flush with cash.

Analysis June 5, 2024

Creandum gets US university backing - will Europe follow suit?

While pension funds being deployed into VC is common in places like the Nordics — it's rare to see endowments backing firms

Mimi Billing 2 min read

Additional insights not to be missed / 2

US tech sector pressures Chinese venture capital to divest

Start-up stakes are being sold to American investors in anticipation of Washington restricting foreign ownership

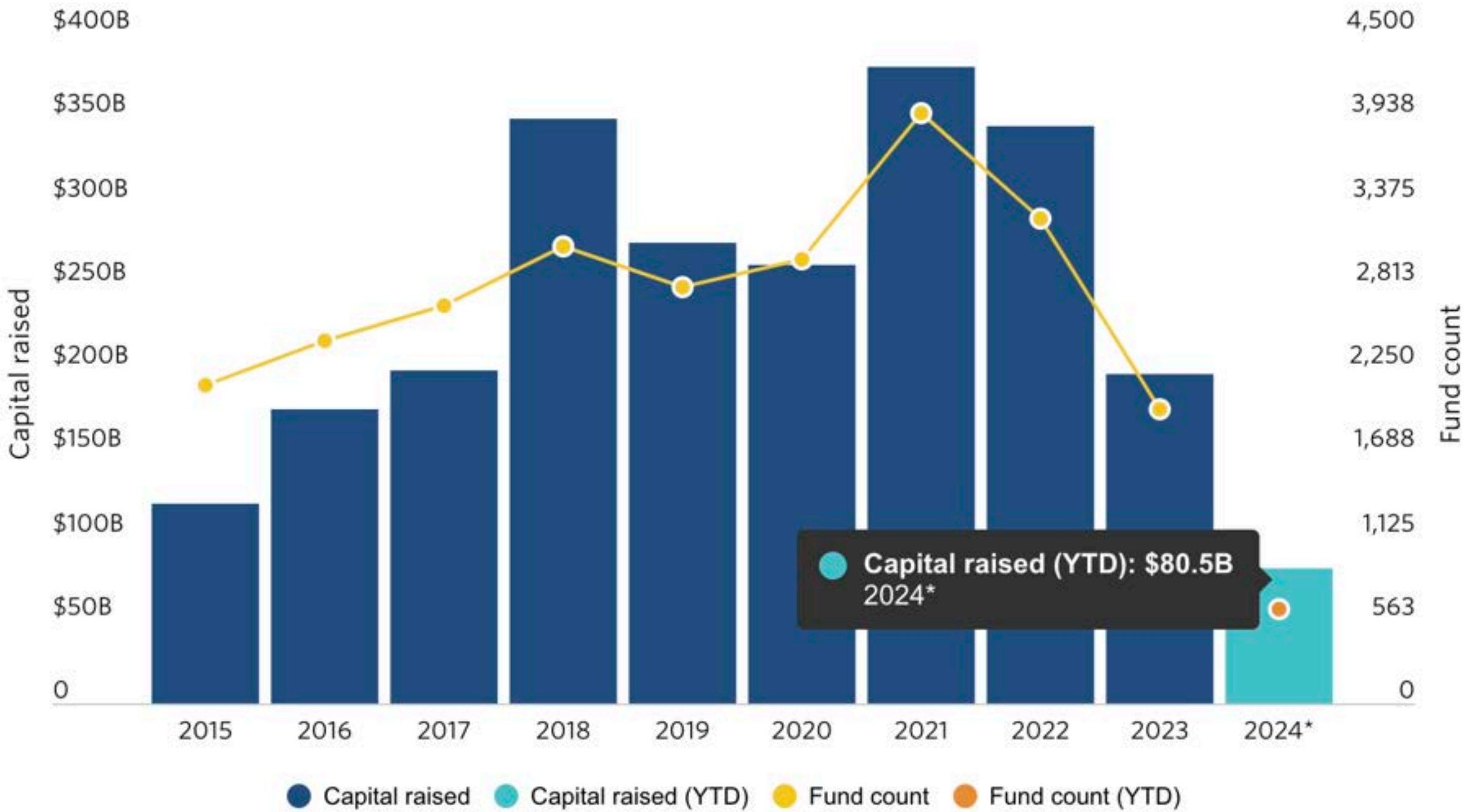
The next wave of AI hype will be geopolitical. You're paying

The wealth of hallucinations

VC fundraising continues to struggle

According to PitchBook data - The IPO drought has led to a potential nine-year low in fundraising, with only \$80.5 billion secured globally in H1. As the market adjusts, the average time between VC fund closings has reached its most prolonged period since 2018. Both established and emerging managers have struggled.

Rolling 12 month VC fundraising activity

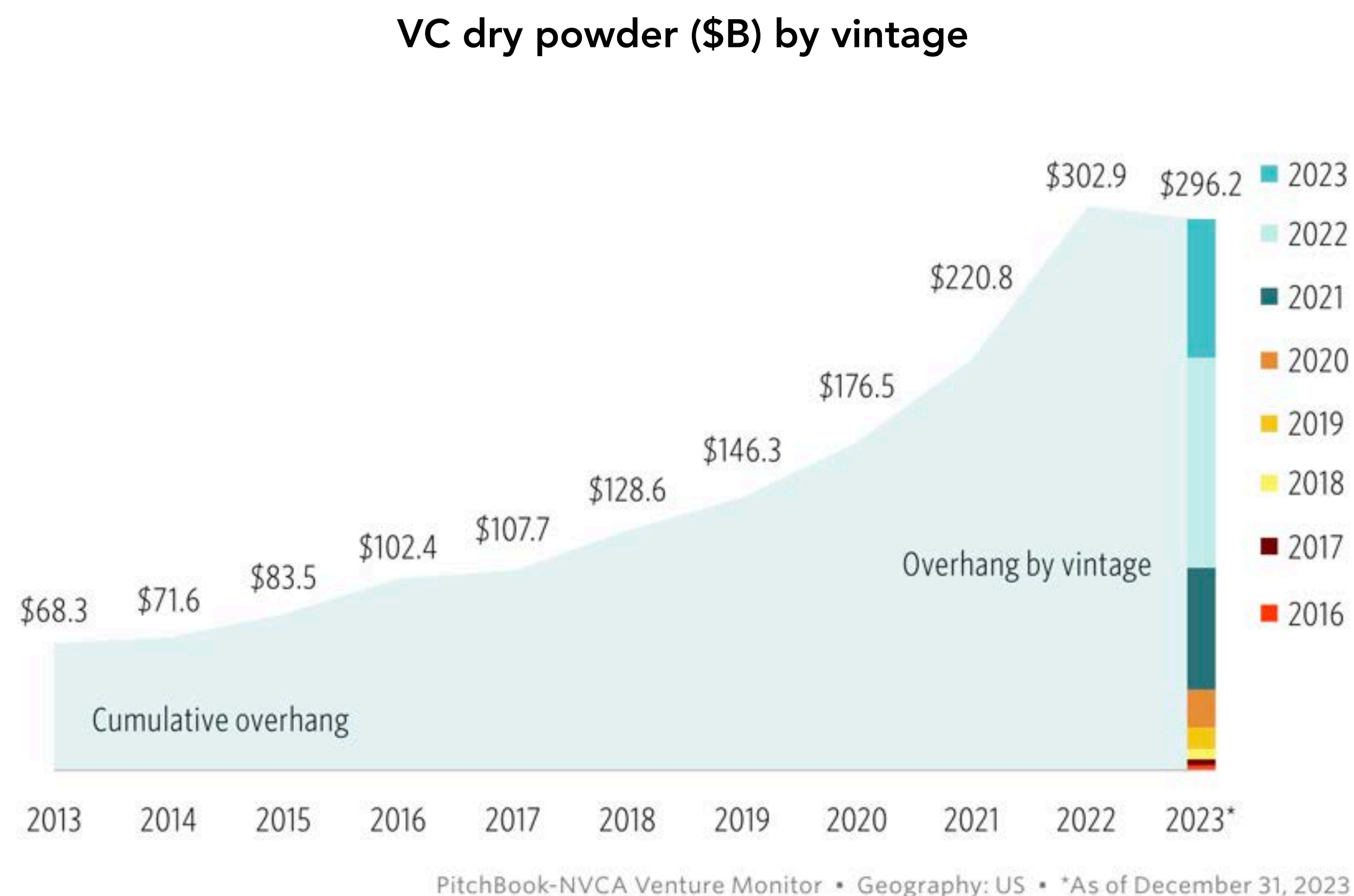


Source: PitchBook's Q2 2024 Global Venture First Look
 *As of June 30, 2024

Geographic focus of the chart = Global. Graph from PitchBook. Click graph for source post.

Dry powder remains elevated

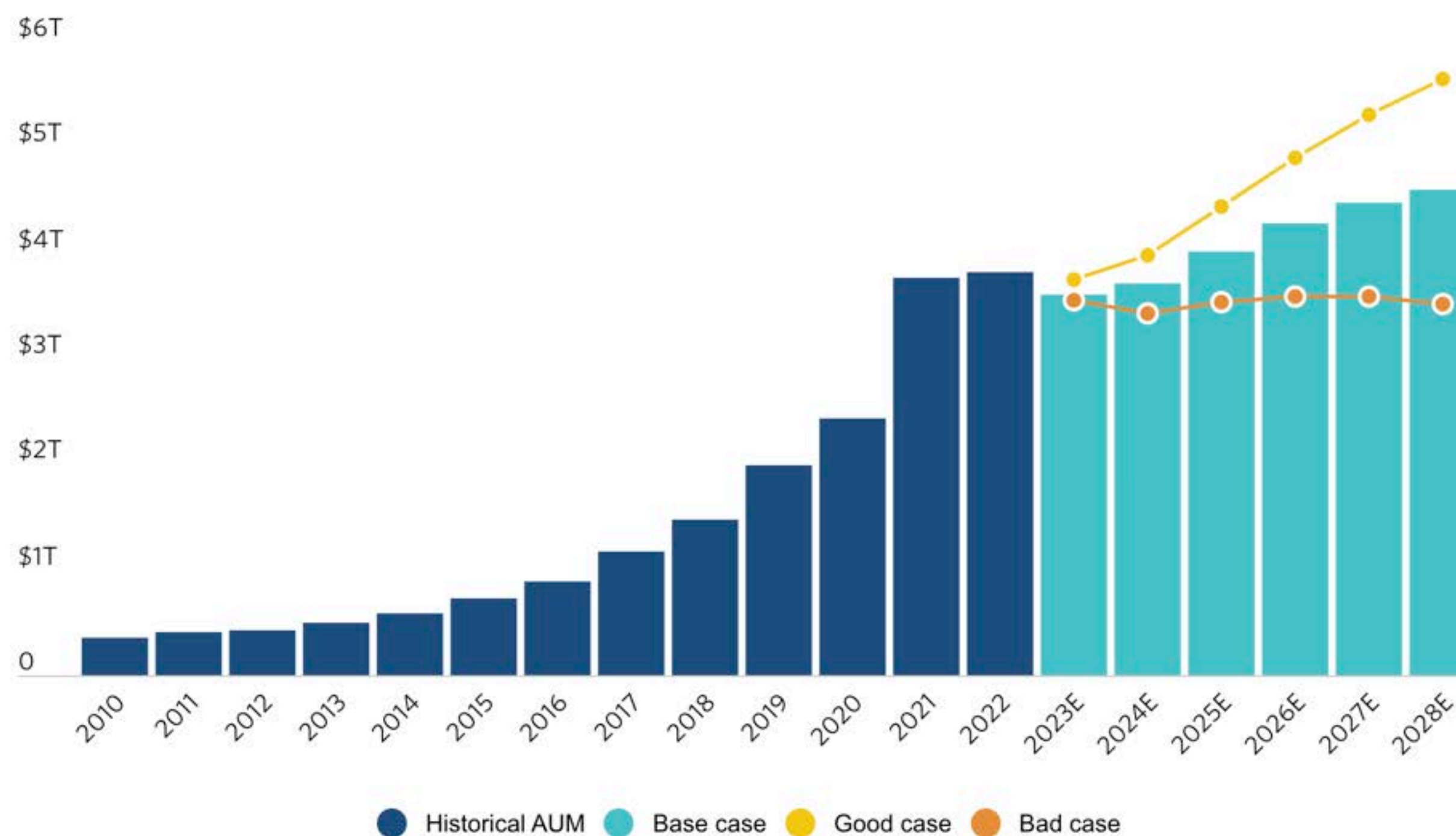
A fundraising challenge is the over \$700 billion in uncalled commitments ("dry powder") in VC funds globally. In the U.S., \$199.3 billion (67%) is in 2020-2022 vintage funds, with 58% concentrated in funds of \$500 million or more. These mega funds focus on late-stage VC, making larger startups rely on a few investors for growth.



Venture AuM growth is constrained

Slower exits and macroeconomic caution are expected to challenge VC fundraising, with firms projected to raise under \$200 billion in 2024, a 48% drop from 2021. Venture assets under management (AuM) are forecast to grow just 2.9% annually through 2028, less than half the growth rate of other private capital strategies like private equity, debt, and real assets.

Forecast VC AUM growth constrained by low distributions, sub-par performance



Source: **Private Capital's Path to \$20 Trillion**
Geography: Global

VC fundraising - U.S.

The base case for U.S. VC fundraising in 2024 is USD 79 billion, which remains below the USD 85 billion raised in 2023.

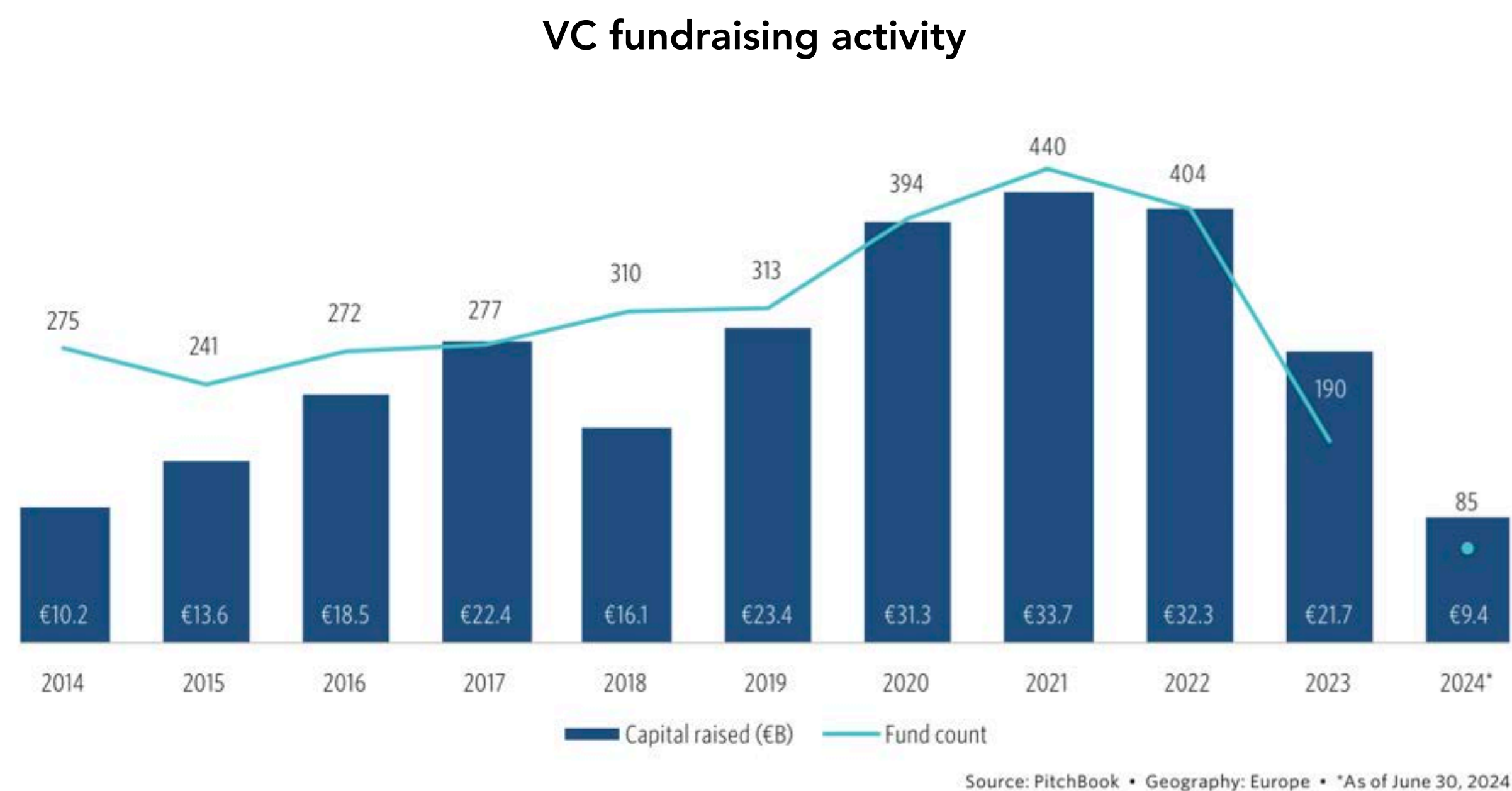


Source: PitchBook • Geography: US • *As of May 23, 2024

Note: Forecasted figures are as of full-year 2024.

VC fundraising - Europe

According to PitchBook data, mid-year numbers for Europe indicate that VC fundraising for 2024 might be lower or flat compared to 2023. Also, European funds under €250.0 million now represent 57.6% of capital raised, up from 41.6% at the end of 2023. These smaller funds may simplify fundraising for VCs but don't significantly impact overall totals.

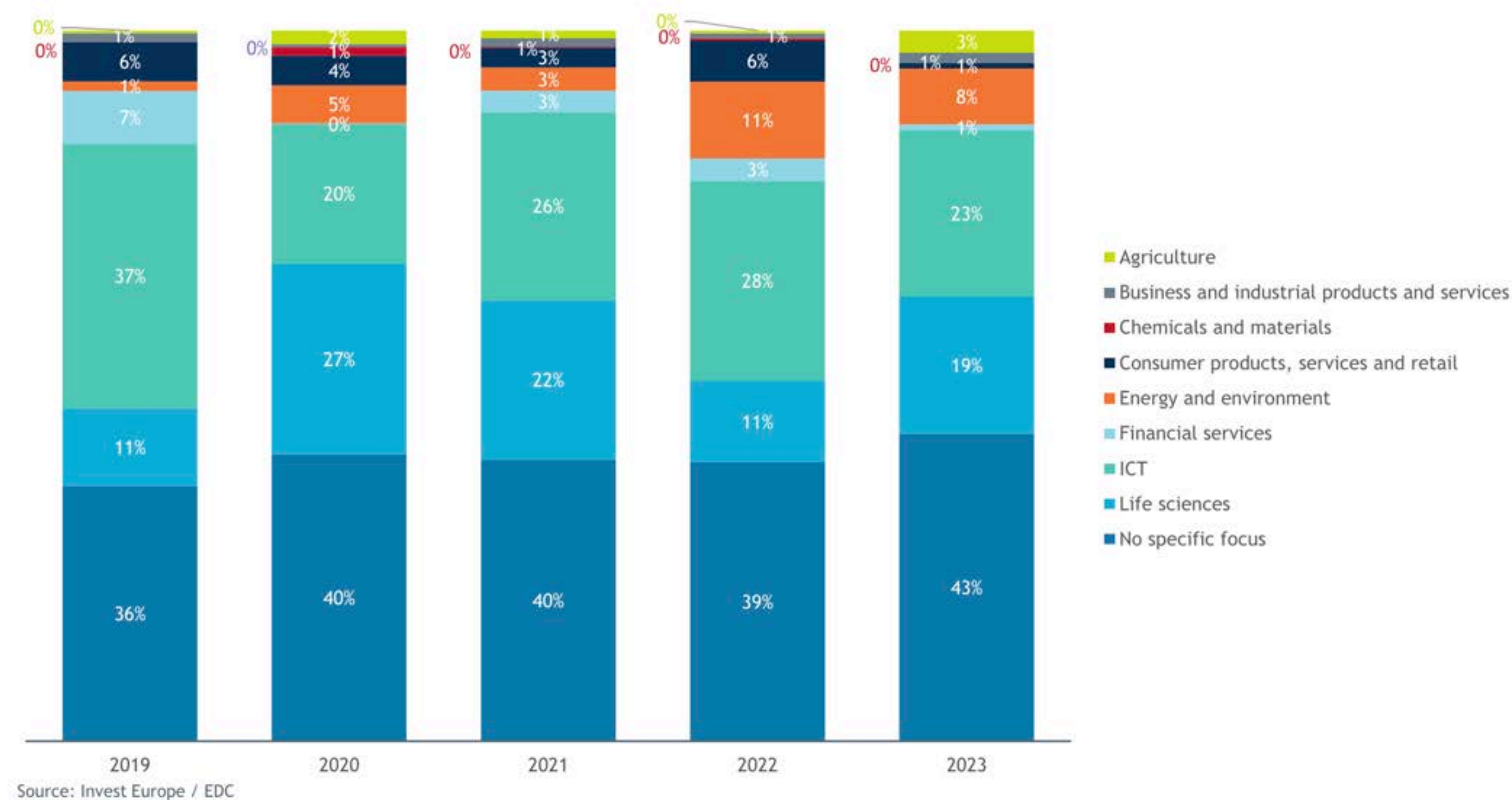


Geographic focus of the chart = Europe. Graph from PitchBook. Click graph for source post.

VC fund sector focus in Europe

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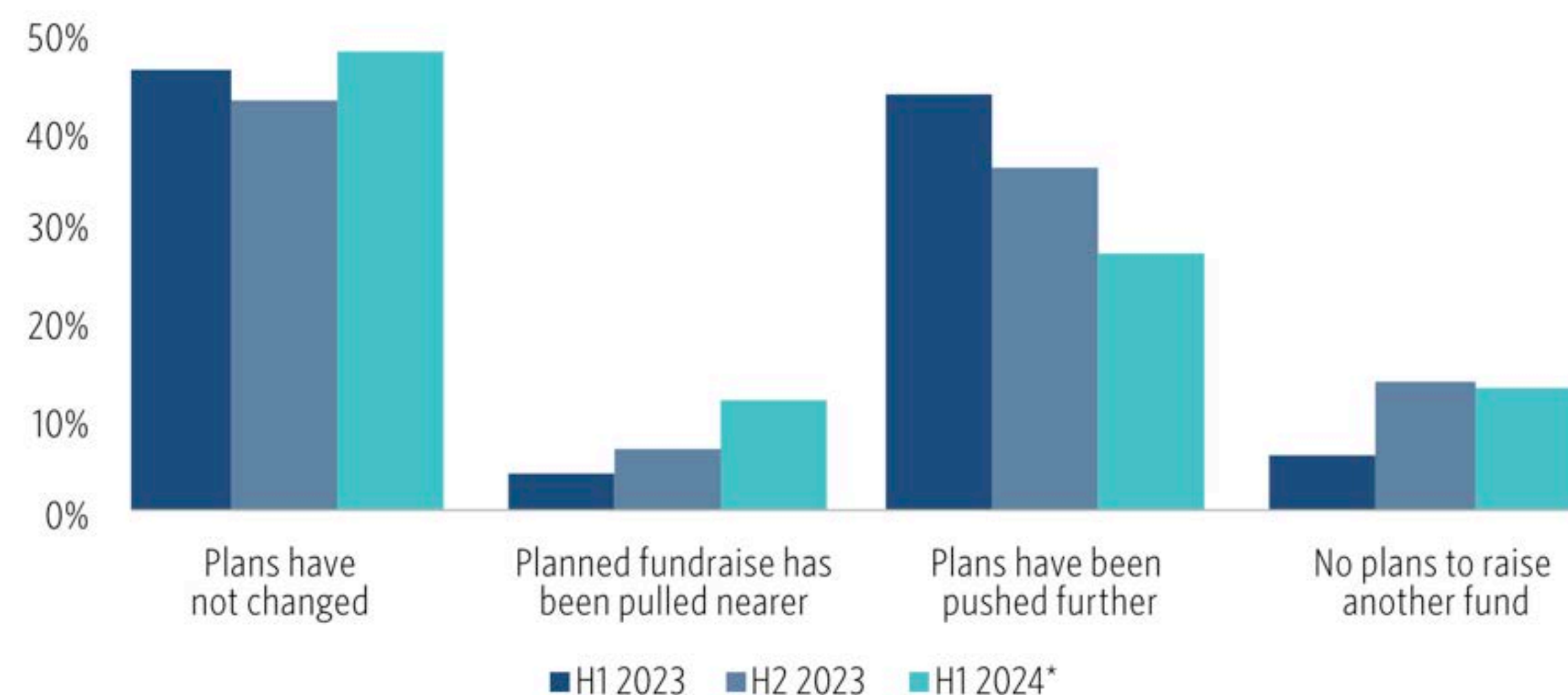
Funds raised by fund sector focus



Venture fundraising plans

Venture managers without plans to raise another fund remain high at 13%. Also, nearly 25% say their plans have been pushed further for fundraising. The good news is that the percentage of VC managers planning to 'not raise' or 'delay' has decreased in recent quarters.

Replies for the question about fundraising plans



Source: PitchBook • Geography: Global • *As of May 13, 2024

Emerging VC manager fundraising advice



Hadley Harris • Following
 Founding General Partner @ ENIAC Ventures | Seed Stage Investing
 3w •

Fundraising advice for new VC fund managers: Increase your minimums 2.5x-5x. This often leads to better results, as many first-time LPs tend to do the minimum. Remember, you can always make exceptions for "strategic" investors.

...



Meghan Reynolds @MeghanKReynolds • 08.06.24
 Heard from VC LPs this week:

...

Some feedback from my talk at @Jason 's @liquiditypod conference. Sharing a slide here that resonated.

GPs, if hard to raise, this basic formula explains it. Complexity so often underestimated by GPs, but LPs see right through it...

Fundraising Basic Formula

$$\frac{\text{(Differentiation + Track Record)}}{\text{Complexity}} = \text{Assets Raised}$$

Components of Complexity

- First Time Fund
- Paper Returns / Lack of DPI
- Team Turnover / Changes
- Performance Concentration
- Changes in Strategy / Strategy Drift (Including Fund Size Growth)
- Off Market Valuations
- "Bucket Issue" for Strategy

For illustrative purposes only. Reflects personal views only and third party views are not necessarily representative of Altimeter. Subject to change without notice. Actual practices may differ from what is represented in this presentation.

ALTIMETER

Established managers winning the VC fundraising game (U.S.)

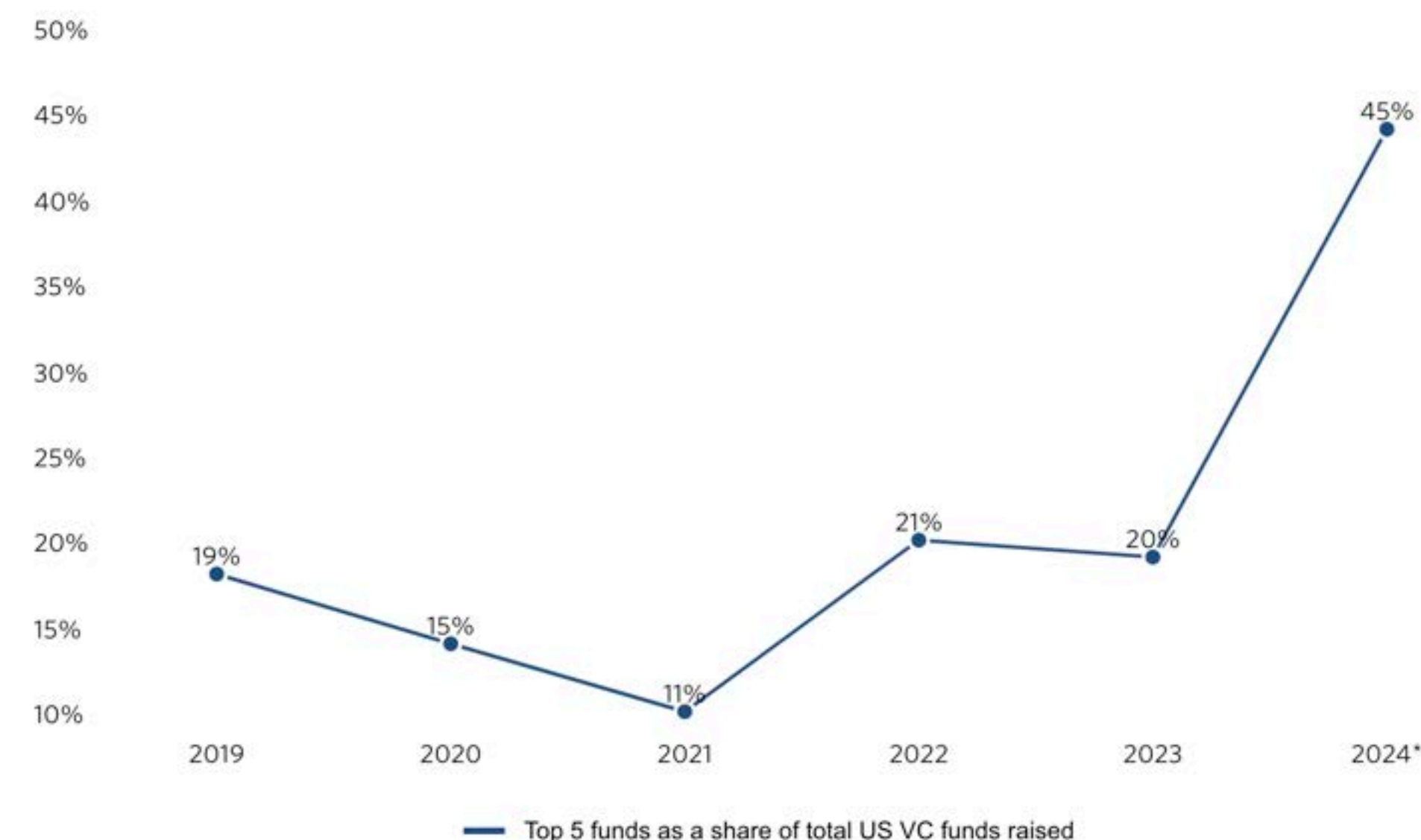
Emerging managers consistently raise less than half the total U.S. VC fundraising value. Established managers like General Catalyst, a16z, Kleiner Perkins, TCV have been in the news for raising mammoth funds. It's easily visible from the second chart showing that the top 5 largest funds raised 45% of the total U.S. funds in the first four months of 2024.

Emerging managers' fundraising decline



Source: PitchBook data
Geography: US
*As of April 17, 2024

The share of LP capital concentrated in the 5 largest US VC funds jumped in 2024



Source: PitchBook data
*As of April 29, 2024
Note: Reflects closed funds only. Does not include General Catalyst's in-progress fund.

First-time VC managers find it difficult

Institutional capital generally flows in the direction of experienced managers or established brands. This leaves the first-time VC managers with the Friends&Family or HNWI as the tried and tested source for their capital raising.



Samir Kaji • Following
CEO @ Allocate | MBA, Venture Capital, Finance
3w • 🌐



It's beyond difficult raising a first time venture fund today. While the numbers may look stark, some context is needed in assessing the outlook.

3/ While Institutions back do first time funds, they do typically do not back first time managers. The difference? The former relates to a spinout from a prior firm, or someone that has had institutional training and managed 3rd party capital in the past. Institutional capital is back today for VC, but generally most institutions are putting capital into spin-outs, Fund 2/3+, and established names (According to Pitchbook, in Q1, 45% of LP capital went to the top 5 VC funds by AUM. This is a small sample size of time, but markets like this typically do cause institutional capital to flock to perceived safety).

Emerging VC manager fundraising advice

Fund 1 is always the most critical and challenging for any manager to fundraise. Starter guides that define all the tactical steps in setting up a fund always come in handy.



Sam Rosenbaum
@sammskiii

I'm excited to finally announce "How to Plan Your Fund I."
For my Emerging Venture Fund Managers, this was designed to condense questions about VC I hear daily, plus advice from experienced managers into a digestible guide to navigating fund planning.

My hope is this... x.com/i/web/status/1...

01:41 · 19.06.24

How to Raise Your First Fund

A tactical playbook to kickstart your investing journey and set you up for success.

MARIO GABRIELE
MAY 21, 2024 · PAID

LPs are also defaulting

Not all is well in the LP land, either. Hundreds are defaulting, i.e., not funding their capital calls to the VC managers. Such news, while critical, is often not covered enough as VCs avoid discussing defaults to prevent sending negative market signals and triggering a potential domino effect.

PREMIUM

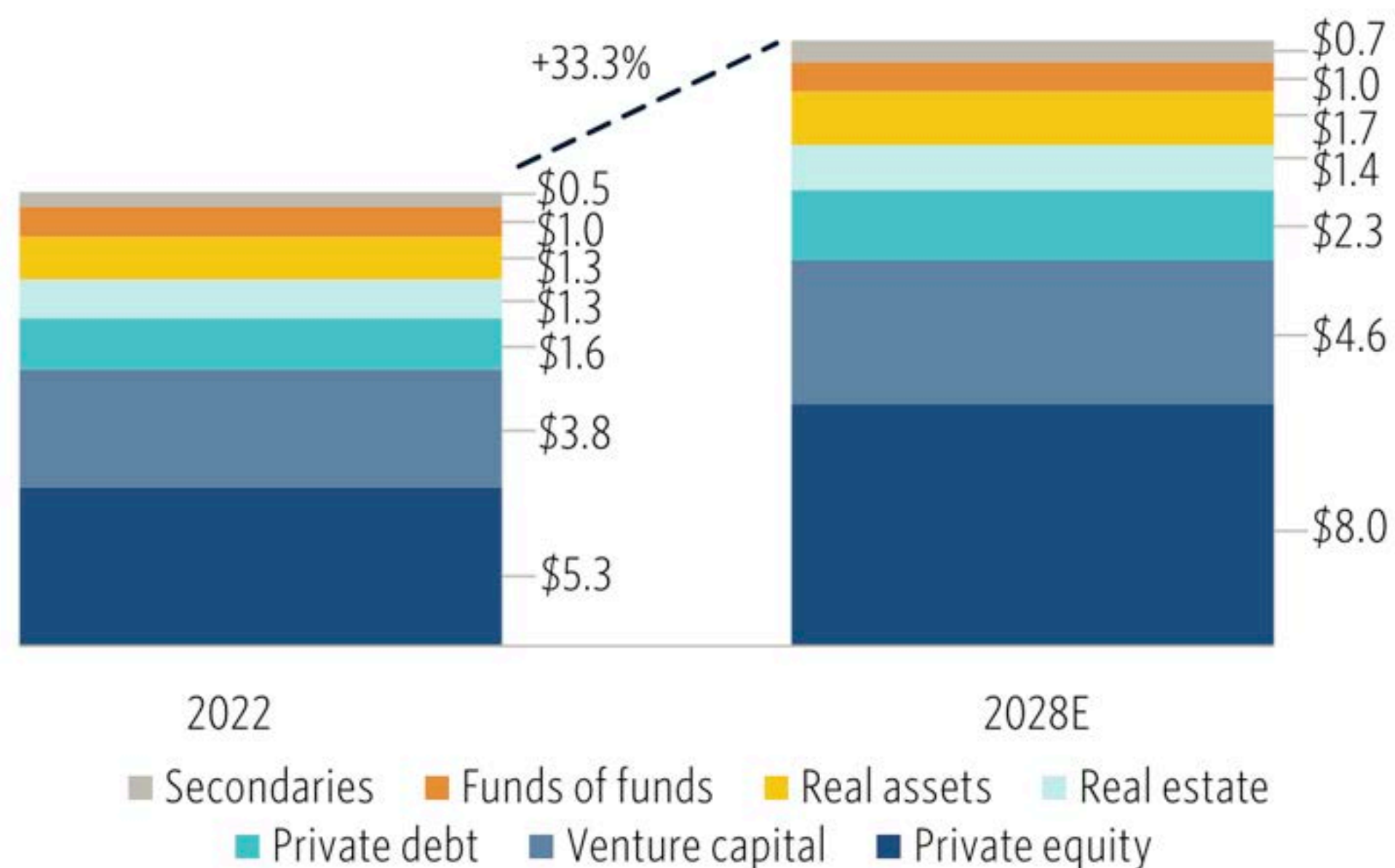
The limited partners who fund venture firms are defaulting. One firm is quietly buying up their distressed stakes.

Ben Bergman Jun 13, 2024, 11:00 AM CEST

Venture feels pressure from other asset classes

Although the venture capital asset class will continue to grow as capital inflows keep coming in, it might lose some ground to other private market asset classes like private equity in the coming years.

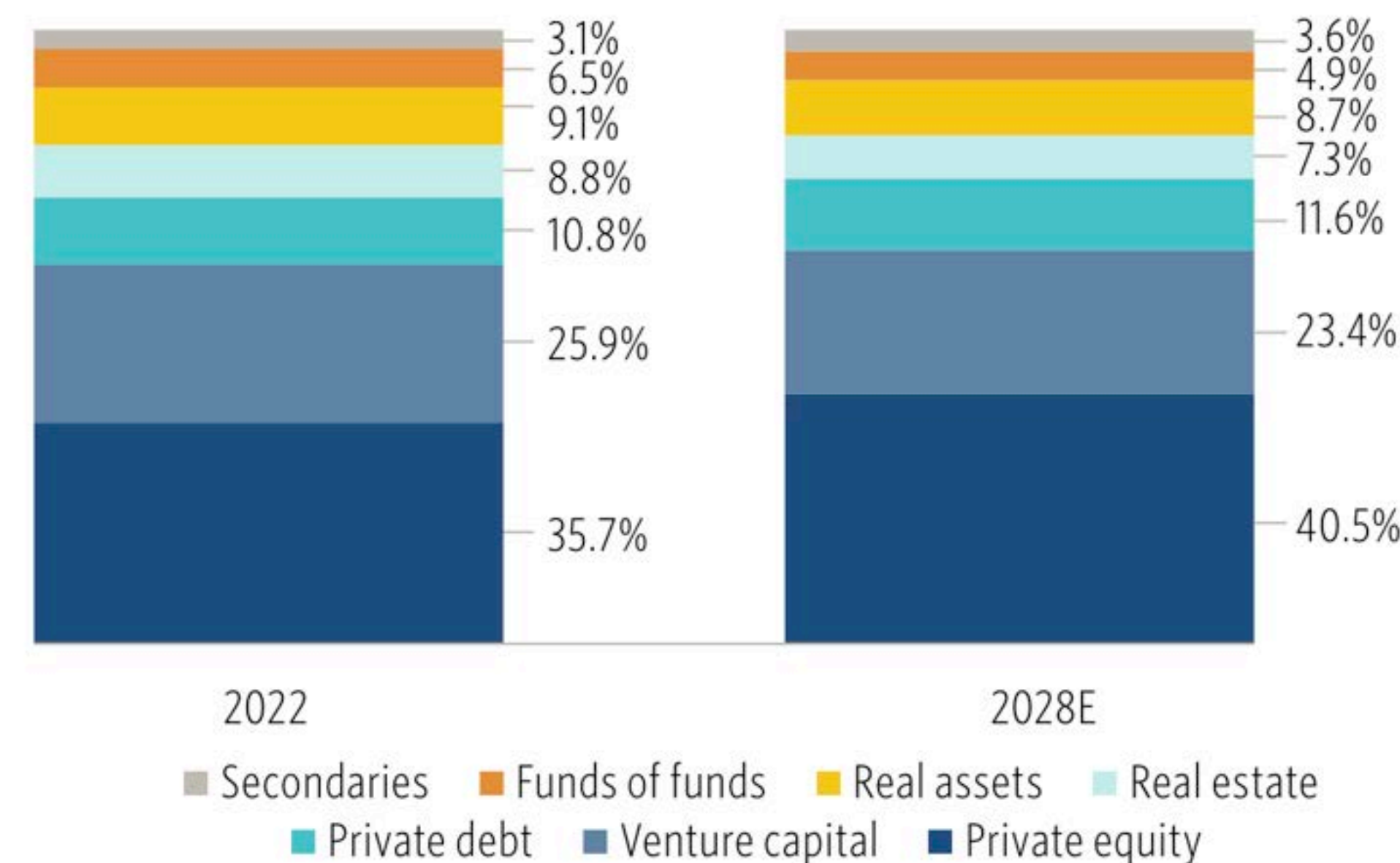
Base-case AUM (\$T) forecast by asset class*



Source: PitchBook • Geography: Global

*Historical AUM and forecasts generated on April 19, 2024

Share of base-case AUM forecast by asset class*



Source: PitchBook • Geography: Global

*Historical AUM and forecasts generated on April 19, 2024

Asset class returns data

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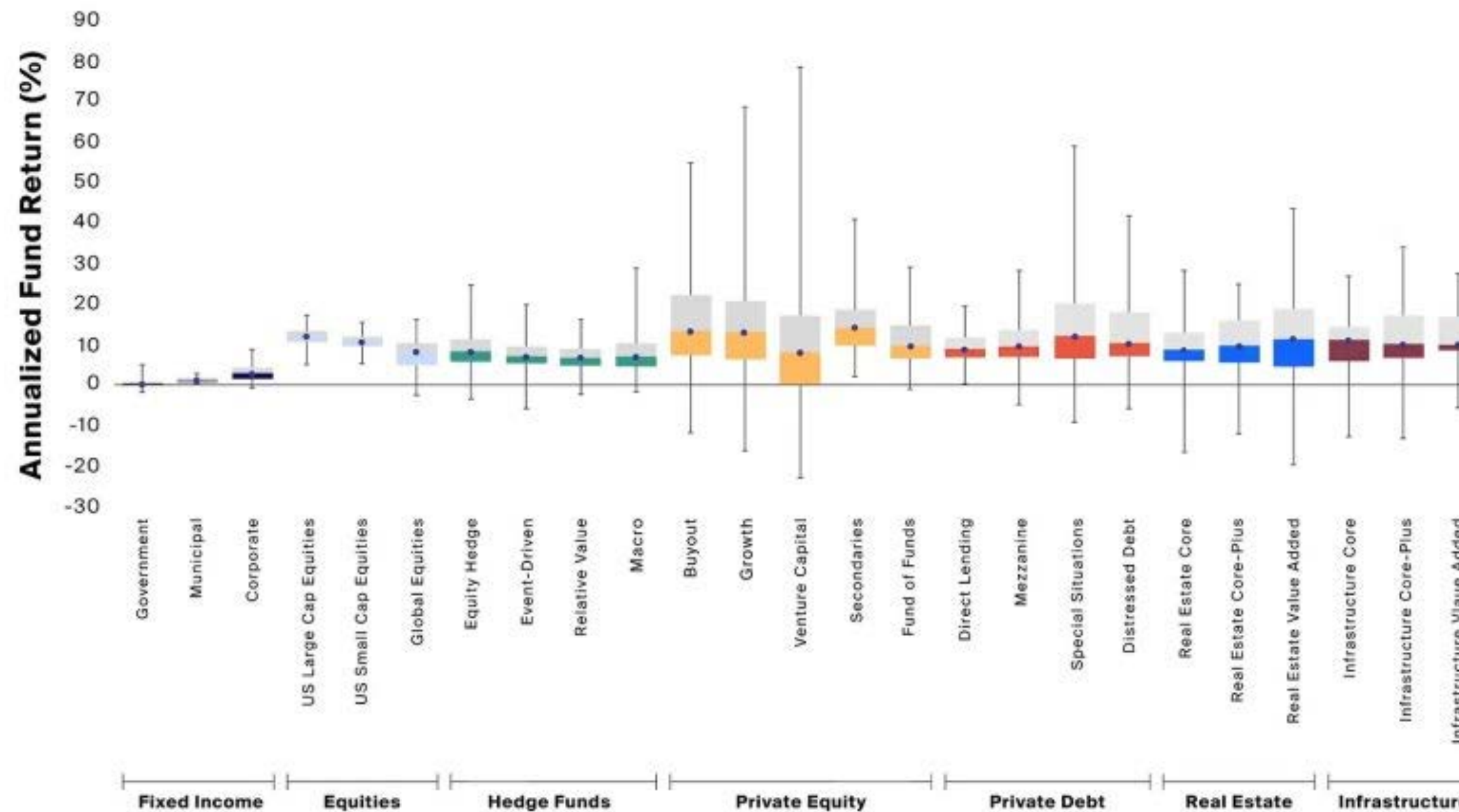
Jan Voss • 1st

Managing Director @ Cape May Wealth | Head of FO @ BLN Capital | Exp...

[Subscribe to newsletter](#)

2w •

The Art of Manager Selection (or: how to capitalize on venture's return dispersion - Part 1)



VC asset class IRR data

Venture asset class performance lagged with a -7.7% one-year IRR due to a quiet exit market.

VC funds rolling one-year horizon IRRs by size bucket



Source: PitchBook • Geography: Global • *As of September 30, 2023

Venture is suffering from outflow-inflow deficit

Even looking at different providers, the data shows a clear gap between venture capital inflows (contributions from LPs) and outflows (distributions to LPs). Net capital distribution has remained negative since 2018, i.e. capital is locked up in the ecosystem.



One-way capital flows			
DATE	CALLED UP	DISTRIBUTED	NET CAPITAL DISTRIBUTED
Sep-23	1069	682.2	-386.7
2022	2523.2	2056.8	-466.4
2021	1711.1	1599	-112.2
2020	1364.7	963.9	-400.8
2019	1233.5	1069.9	-163.6
2018	1051.9	1015.1	-36.9
2017	888.4	975.6	87.2
2016	730.1	1010.9	280.8
2015	648	875.1	227
2014	567.5	858.4	290.9
2013	458.9	599.9	140.9
2012	508.5	468.3	-40.2
2011	489.8	455.3	-34.5
2010	466.3	260.2	-206.1
TOTAL	13710.9	12890.6	-820.6

Source: Preqin

Graduation rates, DPIs, and more



Elizabeth "Beezer" Clarkson • Following

Partner at Sapphire Partners

3w • Edited •

The numbers show that 2024 has been a [redacted] for emerging managers in **#VC** versus more established managers.

In our database we see historical graduation rates of ~ 50% between vintages I, II and III – we need a bit more time to see how all these vintages fared during the 2019-2022 years but my hunch is that the graduation rates were higher in those years and we had quite a large number of **#VC** venture firms fundraising so part of what we are seeing now I believe is a re-set back to more typical historical averages.



Trace Cohen • Following

Family Office / Venture Capital / Memes / Newsletter / Super Angel / Keyno...

3w •

It's crazy to see LPs want DPI/liquidity from emerging managers for funds 1 or 2 so early...

That's like selling your best asset early to take a small profit win but lose tremendous upside.

The DPI in years 4-6 isn't the DPI you want anyways - that should be recycled.



Ed Suh ✓

@edsuh

It's by no means a given that VC vintages following a downturn are high performing.

After the dotcom bust, venture returns from 2000-06 or so were pretty mid (even for top quartile), and didn't get really good until 2010. Practically a full decade of mediocre returns.

It's a mistake to conflate the recency bias of the post GFC recovery with a rule that venture vintages turn great in downturns. That was an unusual period of ZIRP combined with twin super cycles of mobile and cloud.

No one knows what the future holds. Maybe LLMs are a new super cycle that can buttress the whole industry. Maybe not. But it's wishful thinking to assume vintages will be terrific just because we had a downturn.

2:31 AM • Jun 3, 2024 • 3,991 Views

The U.S. vs EU comparison continues

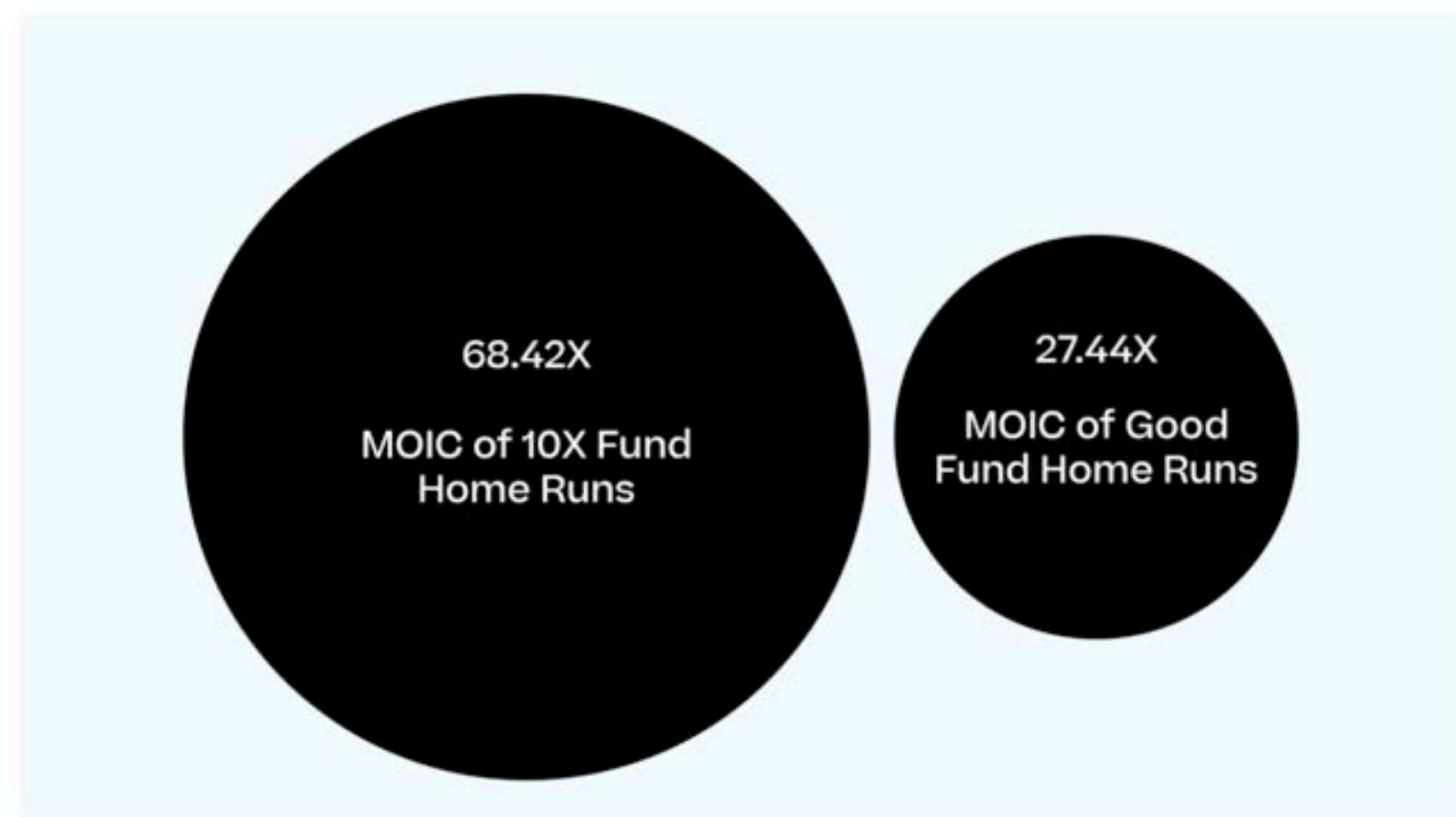
The comparison between these two geographies based on returns shows that Europe does fare well (considerably) over 5-year and 10-year horizons. But the bigger issues remain: first, whether IRR is the only right metric for evaluating VC business, and second, whether Europe's low number of funds is included in the study.

Table 3 - Horizon returns of Venture Capital funds

Region	Status	Currency	Funds	Capitalisation (mn)	1-Year	3-Year	5-Year	10-Year	15-Year	20-Year	25-Year	30-Year
Europe	All	EUR	223	42,254	-5.87%	14.56%	23.32%	20.77%	16.57%	12.87%	11.23%	10.55%
North America	All	EUR	2,500	561,601	-6.72%	10.39%	18.72%	18.18%	16.09%	13.03%	51.85%	32.85%
Rest of the World	All	EUR	439	85,531	-8.20%	5.24%	12.60%	19.34%	17.85%	15.21%	12.24%	12.00%

Big winners and bold concentration

Venture math is essential for investors to understand. While many would say the venture business is a luck game (I disagree), underlying analyses hint at a more nuanced approach to venture investments. Topics like Power Law and VCs losing half of their bets are honest discussions between LPs and GPs.



The Babe Ruth Effect 2024 Edition

Big Winners and Bold Concentration: Unveiling the Secret Portfolio Returns of Leading Venture Funds



Jason Shuman
General Partner at Primary

April 22, 2024

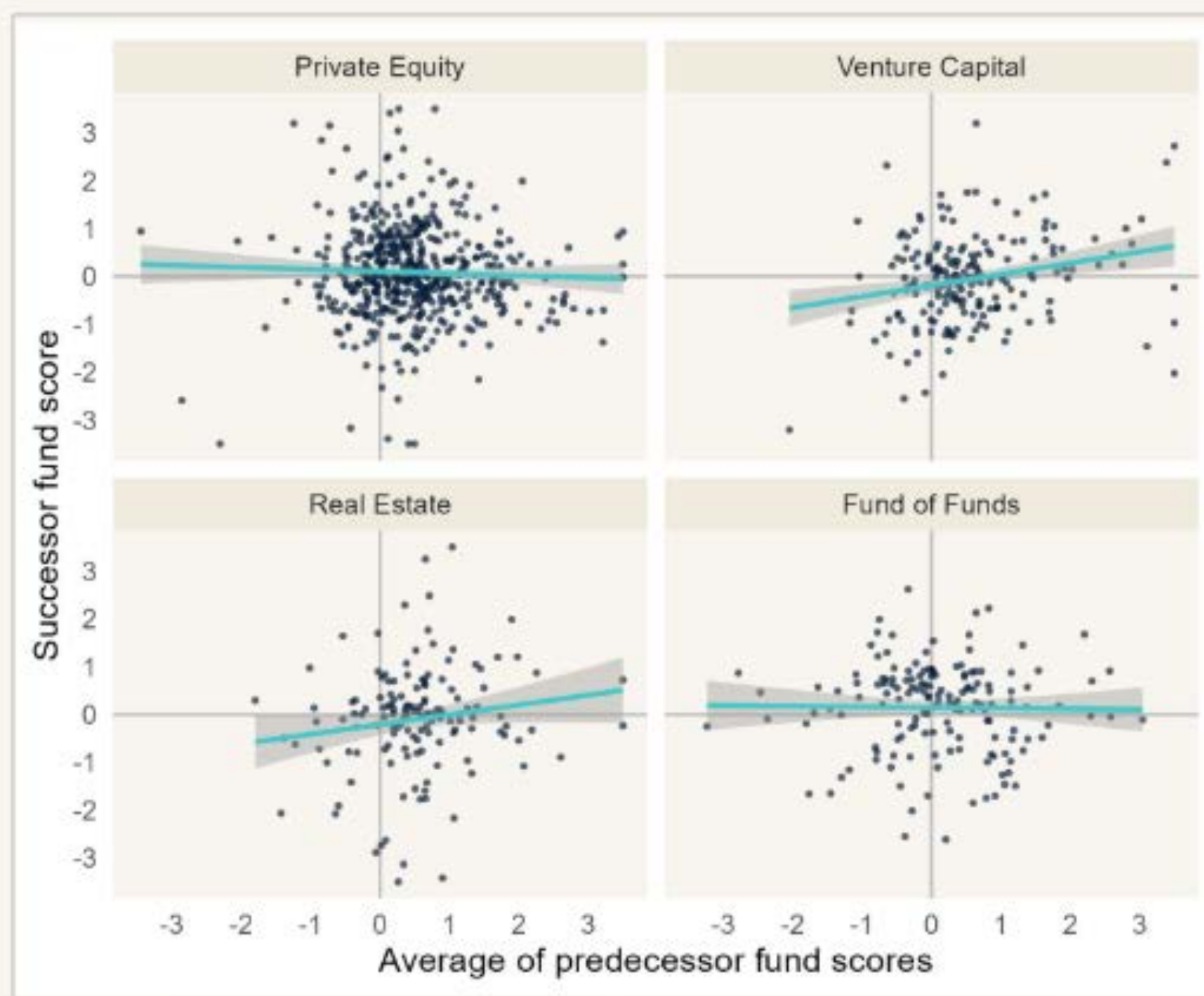
A few quotes from the post

- Great Funds hit home runs over 2X more than Good Funds - 10X+ funds get 10X+ returns on 14.1% of their companies.
- And Great Fund "Winners" are nearly 2.5X larger outcomes for them than good funds - Great Funds see an average MOIC of 68.42X on their 10X+ investments vs. Good Funds at 27.44X. This shows that not only are they winning, but they're winning big
- Nearly all the returns are driven by the 10X+ investments for Great Funds, proving the VC power law - 91% of Great Fund Returns come from 14% of the Companies
- Across the board early stage VCs are losing money almost half the time - Great Funds lose money just a little bit more than Good Funds

Relationship bw. predecessor and successor fund

What is that one line that one can find in most investment documents? “Past performance is not indicative of future results.” A better tactic for determining whom to invest in is to analyze whether the LP is playing in the right field (aka, will the business area still be relevant 5-10-15 years later).

Relationship between average performance scores of predecessor funds and the successor fund*



Source: PitchBook | Geography: Global
*As of December 31, 2022

Note: The average of previous fund scores is based on up to five funds.



Dan Gray ✓
@credistick

...

On performance and persistence in VC:

- Initial fund performance seems to be a question of 'right place, right time', rather than skill — though relative performance for emerging managers is strong.

The success of a past fund may provide a very modest indication about the performance of the next, but the outcome is more likely to depend on whether the firm's thesis still holds up — or if that market has been saturated. And if their next fund is 5x the size it's probably time to drop out.

So, as always, averages suck and common wisdom is a curse. All you can do in venture (as an LP, or as a VC) is evaluate each scenario individually, with your best judgement.

Management fees

Fees are always a topic for discussion. For LPs, the debate is about alignment and whether GPs are incentivized enough to do a good job. The fee argument against bigger VC managers is that 2% for them becomes too much money for deployment without results. Smaller AuM VC managers might need more than 2% management fees for a healthy lifestyle.



Michael Karnjanaprakorn
@mikekarnj

Hot Take: Big VC firms will earn more from their 2% management fees than from actual performance.

Managing \$10B brings in around ~\$200M annually in fees 🤖.

To keep LP capital flowing in, VCs overpay for hot startups just to deploy capital.

Who needs unicorns when billions can be made in fees?

Classic example of incentive misalignment.

2:47 PM · Jun 13, 2024 · 254.3K Views



Dave McClure
@davemcclure

how to re-align VC GPs & LPs:

- 1) cut mgmt fees in half (1%/yr, or 2% for only 5 yrs), esp for larger funds
- 2) increase carry to 25-30% after 2-3X net and/or 15-20% IRR (on realized DPI), esp for smaller funds

don't let GPs earn mgmt fees for just sitting on their ass for 10-12 yrs

reward GPs with more carry if they clear 2-3x net DPI hurdles and/or 15-20% net IRR (on realized DPI)

GPs hope to lure LPs with fee discounts and longer offering periods - Paul, Weiss study

Some 38% of GPs offered early bird discounts on management fees in 2023, a marked increase from 18% the prior year, according to research from the law firm.

Hannah Zhang · 29 May 2024

VC asset class is undergoing structural changes



Anthony Cimino

Head of Policy at Carta

3w •

The infrastructure of venture is changing — and it is being driven by policymakers.

In recent years, the SEC has proposed or signaled rules that would shift how venture operates, including:

- ▶ Shaping how GPs communicate with LPs
- ▶ Altering how venture firms would secure and custody assets
- ▶ Raising thresholds to limit the number of investors who could invest in private assets
- ▶ Increasing requirements on how funds interact with third-party vendors
- ▶ Constraining how parties leverage artificial intelligence to serve customers

Recent court decisions have pushed back on some SEC rules, but the trend of increased policymaker scrutiny will likely continue.

LP access to fund information hangs in the balance

By [Jessica Hamlin](#)

Date published: June 13, 2024

There are risks lurking in the world of private capital

A recent court ruling against SEC reforms of the sector is an unfortunate blow to transparency and fairness

GILLIAN TETT

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Anthony Cimino

Head of Policy at Carta

3w • Edited •

The Fifth Circuit Court of Appeals vacated — overturned — the SEC's private fund adviser rule, which would have imposed new obligations on GPs and affected how they raise capital and communicate with LPs, among other things. Industry cheered the ruling.

Here's why: The rule was overly broad and not appropriate for private funds. It was especially bad for venture capital. The SEC has options to appeal, so it's not over yet, but this rule and its obligations will not go into effect in the near term.

VC firm branding

Launching a venture fund doesn't only mean making investments. GPs are building a firm for a multi-decade journey. This journey includes one of the most fundamental decisions: building a brand that will speak to and differentiate the GP in front of LPs, founders, and other partners.

A breakdown of 15+ VC brands (and why branding matters)



Ryan Hoover [in](#)

Founder of Product Hunt. Investor at Weekend Fund.

June 6, 2024



The Differentiation for GPs Nobody Talks About

How To Truly Set Yourself Apart



[Benedikt Langer](#)

June 10, 2024



Kiva Dickinson · Following

Managing Partner at Selva Ventures

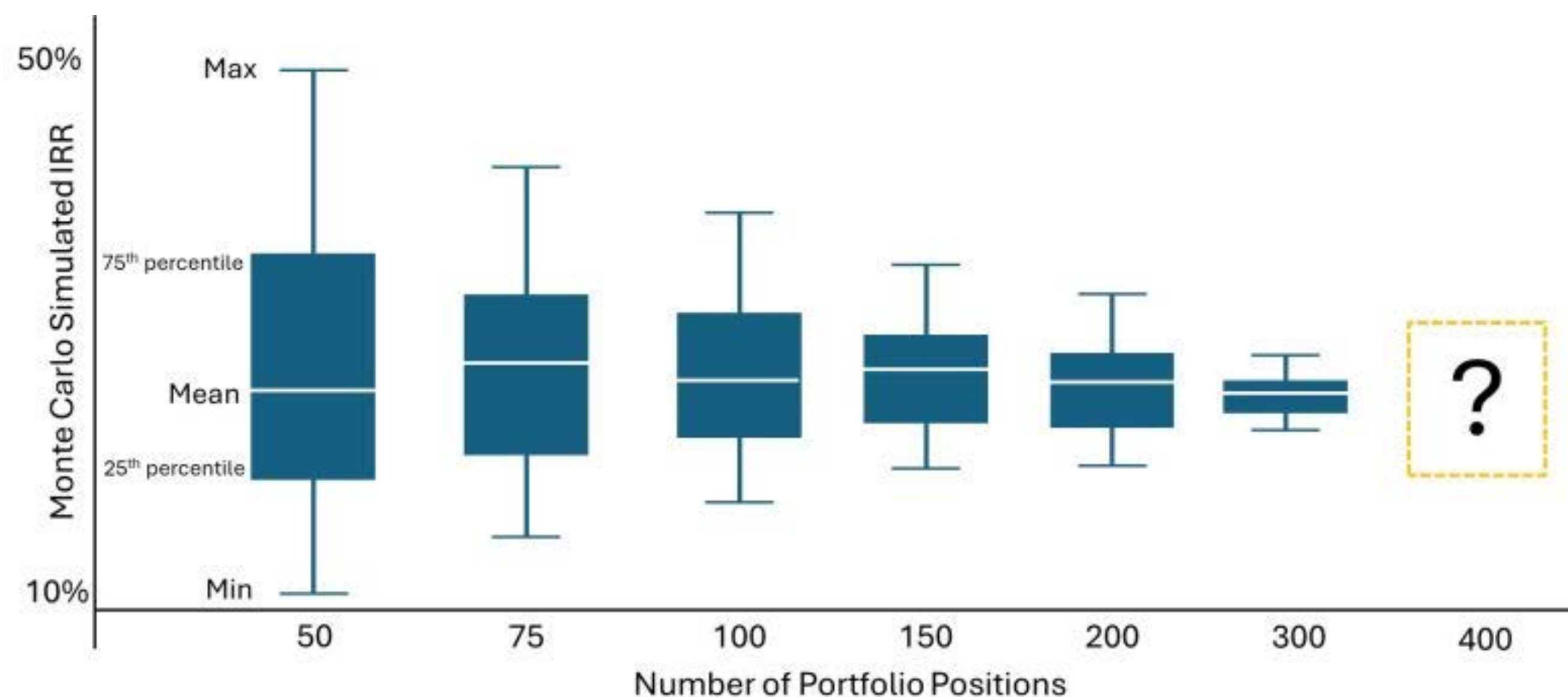
3w ·

Common trap I see emerging managers fall into: You're not "raising a fund" you're "building a firm"

Raising and deploying a fund is a 3 to 5 year endeavor, building a firm is multiple decades — you aren't just adding scale (from other people's money) to an angel investing strategy

Apt number of startups in a portfolio

LPs and VCs typically discuss portfolio construction thesis during the DD phase to better understand their strategy. The crux is that even though a larger portfolio decreases the variance, it's not exactly appropriate if it doesn't fit in the context of the border strategy.



5,000,000 Monte Carlo simulations for each portfolio size. Analysis of 400 VC backed companies.



David Forsberg, CFA • Following
Managing Partner at Ascent Energy Ventures
3w •

How many positions should a VC fund hold? 10, 20, 50, 100?

The dominant thinking on this topic relies on the historical power law distribution combined with a sophisticated sounding Monte Carlo analysis.

While this analysis is mildly informative, it is misleading. At its core, this analysis assumes a blindfolded investor is selecting at random.

THANKS!



Rohit Yadav

(Author - The Big Book of VC)

Feel free to reach out [here](#) if you have any suggestions or want to report a correction.