The State of U.S. Early-Stage Venture: 1Q21
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Executive Summary

This time last year, the venture industry was upended by the COVID-19 pandemic. Most startups had trouble raising funds, even on investor-friendly terms. But by 3Q20, early-stage venture showed signs of a rebound, and Q4 saw the industry come roaring back to have its best quarter ever in terms of markups.

We’re happy to report that that momentum has carried over into the first quarter of 2021. Markup rates increased over their previous highs set last quarter.

Just over 85% of events that happened this quarter to early-stage startups on AngelList were positive ones. This means we saw elevated rates of markups and positive exits and substantially lower rates of markdowns.

COVID-19 and the Zoom economy have created an environment that allowed for more investing to happen faster than ever before.

For founders, there may never have been a better time to raise. This is reflected in the frequency with which founders were raising new rounds of financing. Compared to 2020, the time between fundraises for startups decreased in 1Q21, suggesting a sense of urgency to capitalize in a founder-friendly climate.

Valuations were also up at nearly every stage, thanks to an increase in available capital and number of positive exits. On AngelList, we saw an increasing number of investors join in on later-stage funding rounds.

By sector, SaaS, fintech, and healthcare startups continued to receive the most interest on AngelList in terms of deal volume. Biotech investing also continued to surge in 1Q21, buoyed by enthusiasm around vaccines.

With the economy rebounding and the spectre of COVID-19 fading, it’s fair to be optimistic that early-stage venture performance will continue to trend up and to the right.
Markups

1Q21 Markup Rates Exceed Previous Record Set in 4Q20

Source: AngelList

Source: AngelList
The first chart above represents what has happened to every active, “seasoned” company (“seasoned” meaning that we track an investment in the company that is at least 180 days old) over a trailing three-month window. We classify the companies into four separate categories based on their price-per-share valuation change in the window: Markup, Markdown, Exit Up, or Exit Down. Since we generally only update valuations at priced rounds, at any given three-month stretch, perhaps only 10% of companies will show a change in value. As AngelList skews towards earlier investments, we estimate that about three-quarters of the companies we track are at the Seed or Series A stage.

In both the above charts, time goes left to right, so the most recent activity is closest to the right-hand side of the plot. The top plot is a split between good events (Markups and Exit Ups), which are in shades of yellow and are on the positive side of the top plot, and bad events (Markdowns and Exit Downs), which are in shades of purple and are on the negative side of the top plot. The dotted line in the top chart is the median outcome—when it’s positive, the typical startup event that we observed was positive. The bottom plot tracks activity rates overall and exit rates specifically.
Given this context, and based on the 3,750 active startups that AngelList fund managers (also known as general partners, or “GPs”) had seasoned investments into at the start of this year, it appears 1Q21 was the new "best quarter ever" for early-stage venture. We saw elevated rates of markups and positive exits, and substantially lower rates of markdowns.

There was also a general increase in the rate of dealmaking from the lows of the pandemic.

In 1Q21, there was a 40% higher rate of activity than during the second quarter of 2020—another sign that early-stage venture has bounced back.

As the third chart shows, just over 85% of the events that happened this past quarter to the startups we track were positive ones. The previous best mark was in 4Q20, during which 80% of startups that changed valuations were marked up.

**Time Between Rounds**

*Founders Are Raising With Increased Frequency*

![Chart showing Time Between Rounds for 2020 and 1Q21 at 25th, 50th, and 75th percentiles.](source: SVB Analysis/Pitchbook)
It used to be fairly common for startups to wait anywhere from 18 months to two years to raise a new round of financing. Not anymore.

The above chart details the median time between deals of startups that raised in 1Q21 and startups that raised in 2020. The y-axis expresses time as a number, with 1.00 equivalent to one year. The x-axis details the range of time between deals, with the 50th percentile representing the median (i.e., half of the deals fall below that time frame, and half above).

The median time between funding rounds for seed and early-stage startups that raised in 1Q21 was roughly **14 months and 14 days**, compared to **16 months and 27 days** in 2020. Overall, the time between funding rounds at all ranges shrank. This would suggest that startup burn rates are increasing.

At the same time, the availability of cheap capital and a year of virtual dealmaking appear to have expedited the fundraising process—and founders may be jumping at the opportunity.

Companies that benefited from the pandemic have also needed an influx of capital to manage increased consumer demand. Consider a company like Stripe, which raised a **$600M Series H** less than a year after raising a $600M Series G.

At early-stage, there’s companies like Secureframe, which raised a **$18M Series A** in March after closing their $4.5M seed round in October of 2020. The current early-stage venture environment has founders seeing no reason to wait to raise the capital they need to continue scaling.
Valuations

Valuations Are on the Rise

Average Pre-Money Valuation by Round (2020 vs. 1Q21)

![Graph showing average pre-money valuation by round (2020 vs. 1Q21).]

Valuations rose across every stage of funding on AngelList aside from pre-seed and Series C. Valuations for seed-stage deals on AngelList were up 9% in 1Q21 compared to 2020. Series A: 80%. Series B: 48%. Series D: 39%.

So what’s driving these high valuations? A handful of outsized deals certainly pushed average valuations higher. Tech companies have also proven resilient to the economic impacts brought on by the COVID-19 pandemic.

In fact, many have flourished as more and more consumers have turned to tech (e-commerce, social media, etc.) in the face of restrictions around travel and socializing. Startups that benefited from the pandemic, and others stepping in to solve new issues created by the pandemic, have seen strong demand from investors and oversubscribed deals—allowing founders to dictate their own terms.
Early-Stage VC by Market

SaaS, Healthcare, and Fintech Startups Continue to Be the Most Popular Sectors to Invest in on AngelList.

Deal Count & Capital Deployed by Market (As a % of Overall Syndicate and Traditional Fund Investment Activity on AngelList)

Historically, SaaS, fintech, and healthcare companies have been among the most popular to invest in on AngelList. That trend continued in 1Q21, with these three sectors combining for 21.9% of all deals and 19.6% of all deployed capital.

Biotech also had a strong 1Q21, as innovations in vaccines and other antivirals stoked investor enthusiasm. Blockchain and cryptocurrency investment accounted for 5.2% of all capital deployed in 1Q21, while only comprising 3.3% of deals.

Source: AngelList
Early-Stage Deals by Instrument
Investors Continue to Rely on SAFEs at Seed, and Seek Equity Financing at Later Stages.

1Q21 Deals by Instrument

Preferred Investment Instrument by Round Name in 1Q21

Source: AngelList
A majority of deals on AngelList continued to be done via SAFE notes in 1Q21, whereby an investor buys the right to purchase shares in a startup at an agreed upon price in a future fundraise. This is in line with what we saw in 2020, where a majority of pre-seed and seed-stage deals used SAFEs.

SAFEs have proven to be overwhelmingly popular for early-stage investors since their advent in 2013. They offer simple deal terms and the opportunity to receive preferred stock at more favorable terms than later-stage investors. For founders, SAFE notes expedite the funding process, while still offering flexibility.

At Series A and beyond, investors overwhelmingly opted for equity financing, likely because the startup's prospects became more apparent.

AngelList Investment Behavior
A Growing Number of Deals on AngelList Are Happening at Later Stages

Deals by Round Name (As a % of Overall Deal Count)

Source: AngelList
We increasingly saw GPs use AngelList to invest in later-stage companies on the platform in 1Q21. Seed-stage investment as a percentage of overall deals on AngelList declined by roughly 6% in 1Q21 when compared to 2020. At the same time, investment in Series A, B, and C companies all increased.

As AngelList attracts more capital and emerging fund managers, and creates more founder products like Roll Up Vehicles that can support startups throughout their entire lifecycle, we expect the number of later-stage deals on AngelList to continue to increase.

### About Silicon Valley Bank

Silicon Valley Bank is the leading bank in the innovation economy. For more than 35 years, SVB has helped innovators and their investors move bold ideas forward fast. Today, we provide a range of banking services to companies, investors, and individuals across all stages in innovation centers around the world. SVB supported approximately 50% of all venture-capital backed tech and life science companies in the U.S. and 68% of U.S. venture-backed IPOs in 2020.

Whether you are just getting started as a founder with an idea, raising capital on AngelList, or driving towards your exit, SVB is here to support your journey. Check out more SVB insights designed to help founders on their startup journey.

### About AngelList

AngelList provides investors with the infrastructure they need to invest in world-changing startups. As of this writing, we support over $2.5B assets under management. In 2020, we participated in more than half of top-tier U.S. early-stage venture deals. Our data and access gives us a nearly unrivaled view into early-stage venture activity. That means we can report with more accuracy on market-wide trends within the startup ecosystem.
Lewis Hower is a Managing Director on the Startup Banking Team at SVB. Lewis has spent the past two decades working to research, develop, and invest in innovation at the intersection of rapid business growth, large markets, and massive global challenges. Through various stints as a founder, investor, and educator, he has been at the bleeding edge of innovative investments that are changing the world.
Legal Disclaimers

All data referenced in this material is current as of 4/1/21, unless otherwise mentioned. Data includes information that may be reported to AngelList by various third-parties. While we have no reason to doubt the authenticity of the data, we may not undertake any additional steps to verify its accuracy. Charts and graphs provided within are for informational purposes solely and should not be relied upon when making any investment decision. Past performance is not indicative of future results. The content speaks only as of the date indicated. We undertake no obligations to update them in the future.

Any projections, estimates, forecasts, targets, prospects, and/or opinions expressed in these materials are subject to change without notice and may differ or be contrary to opinions expressed by others.

This report does not constitute an offer to sell or a solicitation of an offer to buy an interest in the partnership. Any offer to sell or solicitation of an offer to buy an interest in the partnership may be made only by way of the partnership’s final definitive confidential disclosure document. All examples of past investments or funding rounds included in this presentation are purely for illustrative purposes.

Investing in venture capital funds is inherently risky and illiquid. It involves a high degree of risk and is suitable only for sophisticated and qualified investors.

Methodology

An AngelList "deal" is an investment made by a Traditional or Rolling Fund, Syndicate (SPV), or Roll Up Vehicle hosted on the platform. We include all deals signed in the relevant quarter, indicating a legal commitment to invest. We make no guarantee that these deals were finalized in the quarter, or ever. All deals are labeled by round and sector according to the best judgement of the deal lead, with potential oversight from the AngelList investment operations team.

Valuations are generally marked to a company’s latest priced financing round, as disclosed to AngelList. While AngelList's valuation sources are believed to be reliable, AngelList does not undertake to verify the accuracy of such valuations. Companies that have not received new investments in a priced round since the last mark are held at cost or may be marked down at AngelList's discretion according to its valuation policy.
Valuations and returns do not account for liquidation preferences and other non-financial terms that may affect returns. Investments in later-stage companies may be sent to a third-party for valuation if (i) the company's estimated value is over $100M, (ii) the investment is estimated to be worth over $10M and (iii) 24 months have passed since the last investment. Valuations presented herein are calculated as of the date disclosed and have not been audited by a third-party. Contact us for full details on our valuation methodologies.

This data represents deals signed by GPs on AngelList between 1/1/21 and 3/31/21.

**Markups**

Valuation changes plot: A deal is considered "seasoned" if it has been held for at least 180 days prior to the start of the quarter. A startup is considered as having a "seasoned" investment if it has at least one seasoned deal. A seasoned startup is considered "marked up (down)" if the most recent deal tracked by AngelList into that startup increased (decreased) in value. Rates are all expressed relative to the number of startups with seasoned investments at the start of the quarter (3,750). While efforts are taken to track valuation updates and exits in a timely manner, readers should expect small changes to historical values on the plots, reflecting valuation changes or exits that occurred during the quarter but were not registered on the platform by the end of the quarter.

**Time Between Deals**

Time between deals was calculated by pulling data from Pitchbook on companies that raised in 2020 and 1Q21 and subtracting the time between the last deal date, as a fractional year, and then calculating the percentiles.

**Valuations**

Valuations were determined by calculating the average pre-money valuation by round for all deals in that round for both 2020 and 1Q21.
Market Sector

Deal count by market sector was calculated by adding up the total deal count for each deal that was part of a Syndicate or Traditional Fund and was assigned a specific market sector tag at deal close. This number was then expressed as a percentage of overall deal count in 1Q21.

Capital deployed by market sector was calculated by adding up the total capital deployed for all deals that were part of a Syndicate or Traditional Fund and was assigned a specific market sector tag at deal close. This number was then expressed as a percentage of the total capital deployed across all sectors in 1Q21.

Deal Instrument

Deals by instrument was determined by adding up all deals completed in 1Q21 that were assigned a specific instrument tag at deal close. This number was then expressed as a percentage of overall deal count in 1Q21.

Preferred investment instrument by round name was determined by adding up all deals assigned to a specific round in 1Q21 and assigned to a specific deal instrument tag at deal close. This number was then expressed as a percentage of the overall number of deals in that named round in 1Q21.

Deals by Round Name

Deals by round name was determined by adding up the total number of deals that were assigned to a specific round for both 1Q21 and 2020 at deal close. This number was then expressed as a percentage of the overall deal count that took place within the measured time period.