The State of U.S. Early-Stage Venture & Startups: 2021
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2021 was a historic year for early-stage startups on AngelList. Of the 34% of startups that had their share price change in 2021, 89% saw that share price increase (also known as a "markup").

That’s the highest annual markup rate ever observed in AngelList’s history. While 4Q21 had the lowest markup rate of any quarter in 2021, it still exceeded the 80% markup rate of 4Q20—at the time a record for early-stage startups on AngelList.

Valuations followed a similar trend—falling off slightly in 4Q21 but still setting a new annualized record. The size of early-stage valuations in 2021 was particularly eye-popping. On AngelList, it was common to see seed-stage companies raise at $15M+ valuations—something unimaginable a few years ago.

The fintech and Web3 sectors were notable beneficiaries of these sky-high valuations, capturing the largest percentages of dealshare and capital deployed. Other sectors that had big funding years included biotech, artificial intelligence / machine learning, and e-commerce.

2021 was also a watershed year for female founders on AngelList. More deals and capital went to startups with a female founder than ever before—although, similar to valuations and markups, this growth slowed in 4Q21.

The popularity of SAFEs on AngelList continued in 2021—more than half of all deals used them. However, the largest deals by capital deployed continued to be equity rounds.

Lastly, AngelList continued its growth as a platform for later-stage financings. The largest portion of Series A or later deals took place in 2021.
Overall, 2021 followed a parabolic trajectory, with the two best quarters on record in 2Q21 and 3Q21 bookended by slightly less great, but still historically high, first and fourth quarters.

It remains to be seen if the market will continue this bull run, but it’s clear early-stage venture is entering 2022 with a ton of momentum.

Markups

A historic year

Roughly 10.4% of the 5,938 startups (primarily at seed or early-stage) that AngelList fund managers had seasoned investments into at the start of 4Q21 raised a round or exited in 4Q21. Of that activity, 84% was positive, meaning the startup saw its share price increase.

Source: AngelList
Overall, 8.8% of startups on AngelList saw a share price increase in 4Q21, while 1.6% saw a share price decrease relative to the last fundraise ("marked down").

84% is the lowest markup rate observed in 2021—but the best markup rate for any quarter prior to 2021. It rounds out a year in which the annualized markup rate was 89%—far and away the best year on record (the second best annualized markup rate was 79%, set in 2019).

## Rate of Activity

Rebound in annual activity after slow 2020

Interestingly, this positive rate of share price change in 2021 mirrored that of companies in the S&P 500, meaning roughly the same portion of AngelList companies and S&P 500 companies that changed share prices did so at a price increase (89%). Note that we don’t believe there’s any correlation between venture and the public markets.
Roughly 34% of startups on AngelList raised a round or exited in 2021 (including 10.5% of startups in 4Q21). Compare this to 2020, when only 28% of startups raised a round or exited as the world grappled with the outbreak of a global pandemic. Note that this deal making volume is still short of pre-pandemic levels. In 2019, 36% of startups on AngelList raised a round or exited. In 2022, it’ll be interesting to see if the rate of dealmaking rebounds to pre-2020 levels as the world moves further away from the initial outbreak of the pandemic.

**Valuation (Average)**

Mixed 4Q21, historic year

In 4Q21, average seed and Series A pre-money valuations rose to record levels, while pre-seed and Series B valuations retreated from previous highs set in 3Q21. At pre-seed, average valuations decreased by 30% over 3Q21 to $8.5M.

Seed-stage valuations rose 12% to $25.7M, and Series A valuations rose 22% to $79.7M. Series B valuations decreased by 14% to $319M.

*Source: AngelList*
When we annualized these numbers and looked at year-over-year growth, we found that 2021 average pre-money valuations for startups on AngelList were the largest ever observed in our dataset by a wide margin.

In the last year, average pre-money valuations for pre-seed startups on AngelList rose 1.2% to $9.1M. Seed-stage valuations rose 34% to $21.3M, Series A valuations rose 47.5% to $86M, and Series B valuations rose a whopping 54% to $312M.

### 2021 Median Valuation

Growth, growth, and more growth

<table>
<thead>
<tr>
<th>Round Name</th>
<th>25th percentile</th>
<th>50th percentile</th>
<th>75th percentile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Seed</td>
<td>$5M</td>
<td>$8M</td>
<td>$10M</td>
</tr>
<tr>
<td>Seed</td>
<td>$10M</td>
<td>$15M</td>
<td>$22.5M</td>
</tr>
<tr>
<td>Series A</td>
<td>$38M</td>
<td>$60M</td>
<td>$100M</td>
</tr>
<tr>
<td>Series B</td>
<td>$100M</td>
<td>$200M</td>
<td>$319.5M</td>
</tr>
</tbody>
</table>

Source: AngelList
Although averages can be skewed by large outliers, median valuations for startups on AngelList tell a similar story of impressive growth. Median pre-seed valuations rose 25% over 2020 to $8M. Seed-stage valuations rose 33% to $15M, Series A valuations rose 47% to $60M, and Series B valuations rose 57% to $200M. Compare these valuations to 2015, when the median valuation for a seed-stage startup on AngelList was $6M. As long as exits continue to justify these sky-high valuations, there's reason to believe this growth will continue in 2022.

**Early-Stage VC by Market**

The year of Web3

![4Q21 Deal Count & Capital Deployed by Market](image)

*Source: AngelList*

A trend that was evident all year was that VCs were bullish on Web3, and that was laid clear in our data. In 4Q21, 7.36% of deals involved Web3 startups (second only to fintech), and 9.3% of all capital deployed in 4Q21 went to Web3 businesses—the most of any sector by a significant margin. While the 9.3% figure is a comedown from the 16.6% of deployed capital Web3 captured in 3Q21, it still establishes Web3 as a prominent sector for investors on AngelList.
One other sector that had a standout quarter was investment platforms—a sector we track separately from fintech that focuses on technologies that allow users to invest capital into different asset classes. These investments made up only 3.8% of deals but captured 6.8% of all capital deployed—an outsized amount in a quarter that featured relatively balanced capital allocation across the different markets we track.

When looking at annualized data, we found that Web3 accounted for the largest share of all capital deployed on AngelList in 2021 at 9.28%. Fintech comprised the largest share of deals (8.24%) for the second year in a row.

For a historical perspective, here’s a breakdown of the top five most popular sectors for investors on AngelList over the last five years by both deal share and capital deployed.
The last time Web3 received the largest share of capital deployed on AngelList was 2017—the first year blockchain technologies started to enter the mainstream. Bitcoin entered 2017 trading at around $900. In 2021, bitcoin traded at a high of $61k. Needless to say, a lot has changed. The performance of blockchain-based startups will be perhaps the most-watched trend of 2022.

Startups in the AI / ML sector received a noticeably larger portion of deal share and capital deployed on AngelList in 2021, mimicking investor enthusiasm for these technologies in the broader market. Biotech and healthtech also continue to be among the most popular sectors to invest in on AngelList.
Funding to Female Founders

Nearly 2x growth

While 4Q21 saw a slight downturn in deal share and share of capital deployed to female-founded startups over last quarter (-1.8% and -3.74%, respectively), 2021 overall represents great improvement for female founders on AngelList. After three straight years of decline, both deal share and share of capital deployed reached new record highs.

This is a positive indicator after it was found that the COVID-19 pandemic had an oversized negative impact on female founders in 2020.

Source: AngelList
Deals by Instrument

SAFEs in ascent

4Q21 Deals & Capital Deployed by Instrument

% of Deals  |  % of Deployed Capital
--- | ---
SAFE | 53.24% | 33.56%
Equity | 40.52% | 62.90%
Debt | 5.84% | 3.55%

Source: AngelList

Preferred Investment Instrument by Round Name

SAFE  |  Equity  |  Debt
--- | --- | ---
Pre-Seed | 87.35% | 8.60% | 4.16%
Seed | 66.55% | 25.96% | 7.50%
Series A | 78.46% | 19.32% | 4.16%
Series B | 92.10% | 7.00% | 0.75%

Source: AngelList
Continuing a trend we’ve seen all year, SAFEs were the most popular investment instrument on AngelList in 4Q21. Roughly 53% of deals on AngelList in 4Q21 were done using SAFEs. However, capital deployed via SAFEs made up only 35.5% of all capital deployed on AngelList in 4Q21.

The second chart illustrates why: SAFEs are extremely popular at pre-seed and seed, but are less commonly used for larger, later-stage financings. This makes intuitive sense, considering later-stage companies tend to be more established with clearer valuations, making it easier for investors and founders to agree on a price per share.

![Chart showing YoY Deals by Instrument](source: AngelList)

When looking at annualized data, the popularity of SAFEs becomes even more apparent. The usage of SAFEs on AngelList has grown consistently over the past five years, reaching a new high of 52.66% in 2021.

As the median valuation size of early-stage companies continues to grow on AngelList, it’ll be interesting to see if investors continue to rely on SAFEs in 2022 and beyond.
Deal Share by Round Name

More later-stage deals than ever before

While more deals than ever before are done using SAFEs on AngelList, there are also more later-stage deals than ever before taking place on our platform.

In 2021, 27.2% of deals on AngelList were at Series A or later, the highest rate ever observed in our dataset, and a 7.4% jump over last year's rate of 19.8%.

State of Startup Spend

Silicon Valley Bank Executive Summary

We ended 2021 with a record level of fundraising for early-stage startups. Startups put that capital to work, doubling spend over the past two years.

Payroll spend was particularly pronounced. Fintech, coming off a record investment year, scaled payroll spend the fastest of any sector measured.

Spend on airline travel and co-working increased from the start of 2021, signaling a potential return to pre-pandemic spending behavior.

A vast majority of new startup formation was based in San Francisco and New York, despite growing VC enthusiasm for emerging tech hubs like Miami and Austin.
Median Payroll Spend vs. Overall Spend Index

Spending doubled

To get a sense of the impact the COVID-19 pandemic had on the startup ecosystem, we pulled spending trends between 1Q20 and 4Q21. The median total spend for a cohort of pre-Series A companies nearly doubled over that period. The data shows that, at the onset of the pandemic, a dip in spending occurred before recovering in 3Q20 as startups adjusted to pandemic-induced issues.

Payroll spend did not see the same level of decline at the outset of the pandemic, as startups did their best to preserve employment.

However, as a share of total spend, payroll declined over the two-year period observed. This was not because companies were spending less on talent, but rather because they were spending more on other expenses (more on this later).

Payroll spend, isolated using our proprietary transaction analytics, is indexed at 1 to the beginning of the period, with 1 equalling no change.
Fintech saw the greatest payroll gains in 2021, with 4Q21 representing the largest growth. The premium on fintech talent is in part related to the substantial growth the space is experiencing, having increased revenues faster than both the enterprise and consumer cohorts. In the B2C space, we've seen consumers flock to investment apps, especially apps providing access to cryptocurrencies.

Consumer payroll spend had a rocky 2021—with gains in 2Q21 and 4Q21 and declines in 1Q21 and 3Q21. Companies had a tough time fulfilling demand amid supply chain delays and labor shortages.

Enterprise payroll saw a steady increase, as these companies had more insulation from the immediate effects of the pandemic, such as lockdowns.
Top 10 Vendors Per Spend Category in 2021
Big tech reigns supreme

AWS dominated computing spend with Google Cloud in third. These incumbents are being challenged by Digital Ocean, Github, Heroku, and Docker in the developer space and Snowflake and MongoDB in the data warehousing space. An increasing number of early-stage companies are choosing Google Workspace and Slack for collaboration over Microsoft Office.

Stripe and PayPal are the preferred payment processors while Zoom reigned supreme in 2021 for video conferencing.

Big tech comprised an outsized portion of vendor spend in 2021.

In advertising, Google Ads and Facebook / Instagram dominated. TikTok was the only new name added to the advertising list in 2021. Email vendors like MailChimp and Sendgrid also saw a large portion of ad spend.

Payroll providers used by early-stage companies were a mix of established players like QuickBooks, ADP, and TriNet, as well as newcomers like Gusto, Justworks, and Rippling.
Co-working making a comeback?

We broke down vendor spend by categories emblematic of the pandemic: air travel, food delivery, ride sharing, co-working, and video conferencing.

Based on median vendor spend for select merchants, we found that video conferencing and food delivery saw strong growth in 2020 and 2021—but that spend in those categories tailed off towards the end of 2021 (in the case of food delivery, the decline was particularly pronounced).

Co-working made a steady recovery in 2021 as companies embraced hybrid models and some workers welcomed the chance to get out of the house. Airlines and ride sharing have had a slower recovery in the 2+ years since the pandemic began.
We looked at a sample of 6k early-stage (pre-Series A) technology companies incorporated in the U.S. in 2021. In terms of new startup formation, San Francisco and NYC took the top slots, which may be a bit contrary to the popular narrative that founders are moving away from Silicon Valley.

Only a combined 10% of new startups formed were based in the emerging tech hubs of Texas or Florida. It'll be interesting to see if these markets chip away more at Silicon Valley and NYC in 2022.
2022 Fund Manager Predictions

Given the lay of the land entering the new year, we asked some top fund managers (GPs) what they expect to happen in the world of startups and venture financing in 2022. Here's what they had to say.

More Investment in Emerging Markets

“There will be a global ripple effect in 2022 based on what's happened with early-stage VC in the U.S. in 2021. Entrepreneurs in emerging markets will spin up successful startups leveraging playbooks perfected in the U.S. The conditions are already ripe in markets like Latin America, Nigeria, and Pakistan where cell phone usage is now widespread and there's a growing middle class. Expect activity in emerging markets in 2022 to far outpace 2021.”

Ashley Flucas
GP, Ashley Flucas Ventures’ Syndicate

VCs Will Lower Their Ownership Targets

“As the world continues to swing in favor of founders, and as founders raise increasingly larger amounts of capital more frequently, they'll be able to command less dilutive rounds. VCs will have to adjust to doing 5-15% dilution rounds rather than 15-25%.”

Jack Altman
CEO, Lattice

VCs Will Change Their Marketing Strategies

“The bar for thought leadership content is constantly rising along with the cynicism of VCs. A new generation of VCs are picking up on that and instead finding new paths to show up in communities and projects, not as an investor or thought leader, but as a regular part of the community, earning them a new kind of trust, relationship, and access.”

Michael Lewkowitz
GP, Possibilian Ventures

More GPs Will Utilize a ‘Barbell’ Approach to Portfolio Construction

“I'm seeing seed funds increasingly do barbell strategies where they're actually implementing growth stage investing as part of their seed-stage investing. This way, they can hit some deals that have quicker times to liquidity for better vintage optics earlier on in the fund timeline. These deals are also more de-risked relative to the riskier investments that happen at seed.”

Julian Shapiro
GP, Julian Shapiro's Rolling Fund
Web3 Buzz Will Fade

"It feels to me that, with the combination of the number of Web3 startups launched in 2021 (due to all of the enthusiasm and money flowing into the space) and how few real (and monetizable) problems there are to solve in this nascent space, it's likely that the vast majority will struggle to find real PMF (e.g., make money solving a real problem for people), and have to find a different path before they run out of cash."

Lenny Rachitsky
Writer and angel investor

VCs Will Increasingly Cater to Gen Z Founders

"There will an increasing focus on trends supporting the emerging Gen Z consumer and worker. With $143B in spending power, agency when it comes to adoption of new technologies, and the continued interest in community-led growth—Gen Z companies will define the next decade, and VCs will surely be trying to find them."

Meagan Loyst
GP, Lerer Hippeau

More Investment in Services That Cater to In-Person Interaction

"I think people today feel in-person gatherings are more important than ever. Therefore, I believe there will be a trend towards investment in companies that make real-world interaction possible, and conversely, there will be less interest in virtual things."

Sriram Krishnan
GP, a16z

DAOs Will Incentivize Investment in Historically Under-Capitalized Sectors

"There is enormous decentralized desire to solve major problems like climate change, education, and wealth inequality. The centralized nexi have competing incentives towards the status quo. If we are going to see forward progress it’s going to come from a mix of actual technology innovation mixed with financial incentives. These might be provided by DAOs (decentralized autonomous organizations) or DAO-like structures that represent the collective interest to shift the economic equation. A distributed large number of individuals committed to one issue can create market incentives for the private sector to act where before it was not profitable to do so."

Lorenzo Thione
GP, Gaingels
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 and founders with the infrastructure they need to launch and scale a fund or startup. As of this writing, we support over $10B assets under management. In 2021, we participated in 57% 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.

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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.

AngelList is an independent third party and is not affiliated with SVB Financial Group.

Methodology

An AngelList “deal” is an investment made by a Traditional or Rolling Fund, Syndicate (SPV), or Roll Up Vehicle hosted on the AngelList platform. We define “early stage” deals as deals that occur at Series A or prior. 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.

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.

This data represents deals signed by GPs on AngelList between 1/1/21 and 12/31/21.

Markups

The “markups” charts 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.

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 (5,938). 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.

In both the “markups” and “activity” 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.

Rate of Activity

Only active (not exited) startups that we have a seasoned investment into (an investment at least 180 days old at the start of the three-month period) are considered. Since we detect activity by changes in the latest price-per-share, in some cases if a startup does a “flat” round that does not change the price per share, we may not detect that activity.

Valuations

Based on summary statistics from the pre-money USD valuations of all the rounds within the interval.

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.

**Market Sector**

Deal share 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 4Q21 as well as annualized across 2021.

Share of 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 4Q21 as well as annualized across 2021.

**Funding to Female Founders**

Deal share of female founders was determined by adding up all syndicated deals to startups with a female member of the founding team (as reported by the investor and verified by AngelList). This number was then expressed as a percentage of overall deal count for the given year (2017-2021).

Share of capital deployed to female founders was determined by adding up the total syndicated capital deployed to startups with a female member of the founding team (as reported by the investor and verified by AngelList). This number was then expressed as a percentage of the total capital deployed on AngelList for the given year (2017-2021).

**Deals by Instrument**

Deals by instrument was determined by adding up all deals completed in 4Q21, 2017, 2018, 2019, 2020, and 2021 that were assigned a specific instrument tag at deal close. This number was then expressed as a percentage of overall deal count for 4Q21, 2017, 2018, 2019, 2020, and 2021 respectively. Capital deployed by instrument was determined by adding up the total capital deployed in 4Q21, 2017, 2018, 2019, 2020, and 2021 for deals that were assigned a specific instrument tag at deal close. This number was then expressed as a percentage of overall capital deployed for 4Q21, 2017, 2018, 2019, 2020, and 2021 respectively.

Preferred investment instrument by round name was determined by adding up all deals assigned to a specific round in 4Q21 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 4Q21.

**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 2017, 2018, 2019, 2020, and 2021 at deal close. This number was then expressed as a percentage of the overall deal count that took place within the measured time period.
Emerging Tech Companies

Transaction data is pulled for a cohort of U.S. Based Emerging Tech companies, this is defined as companies that are pre-Series A.

Payroll Spend vs. Overall Spend Index

Median payroll spend as a percent of median total spend aggregated by quarter for a cohort of emerging tech companies in: fintech, enterprise, and consumer sectors. Data gleaned from SVB transaction analysis.

Payroll Spend Index by Sector

A cohort of emerging tech companies broken into select sectors: fintech, enterprise, consumer. Median payroll spend is indexed by quarter. Data gleaned from SVB transaction analysis.

Top 10 Vendors Per Spend Category

Ranking of most popular vendors by payment category for cohort of emerging tech companies in select sectors. Data gleaned from SVB transaction analysis.

Median Spend Index for Select Merchants

Spend on select group of merchants is pulled for a cohort of emerging tech companies. Median spend per category is indexed by quarter. Data gleaned from SVB transaction analysis.

Company Formation by Location

U.S.-based tech companies founded in 2021 are pulled from Harmonic.ai, a database of startup formation and fundraising for venture backed—or on the path to be venture backed—tech companies. The locations are aggregated in Tableau. Los Angeles includes communities within LA County. Silicon Valley includes communities within Santa Clara and San Mateo counties. New York includes major boroughs of Manhattan, Brooklyn, The Bronx, and Queens.

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