Private Market Report

Q1 2021

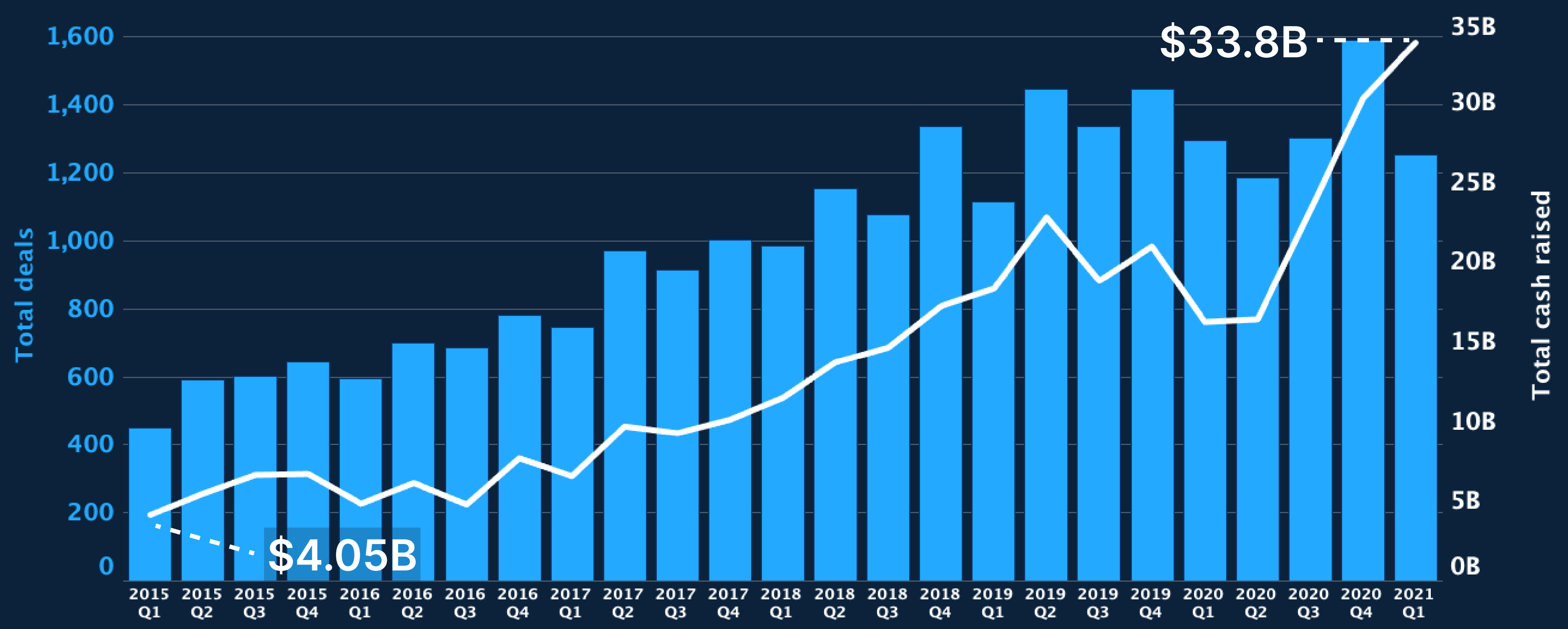
Private market overview

Venture capital saw a slight dip in total deals in Q1 2021, though deal size continued to grow at a rapid rate. Even in early rounds, the combination of high valuations and reduced dilution made for a founder-friendly environment to begin the year.

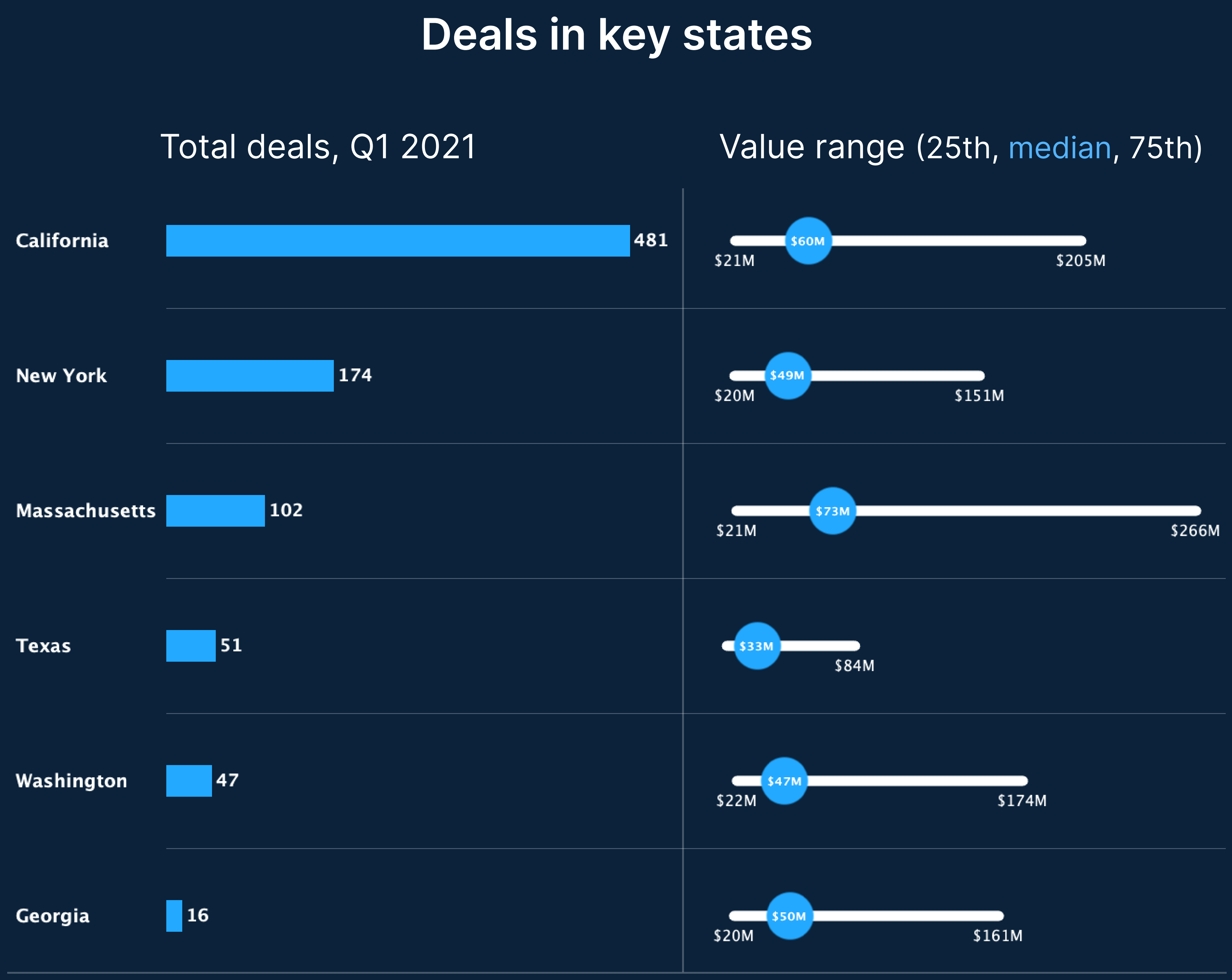
First quarter highlights

- **More money in the biggest deals:** 26% of all deals in Q1 were larger than $25 million—the highest-ever percentage for this tier and sharply up from 20% in Q4 2020.
- **General SaaS and Fintech stood out:** Most new issuers were in General SaaS, but the Fintech industry saw more cash raised per deal.
- **More employees exercising equity options:** Equity options exercised hit new record highs in 3 months straight, topping 40% in March 2021.

Number of rounds and total cash raised



Deal location

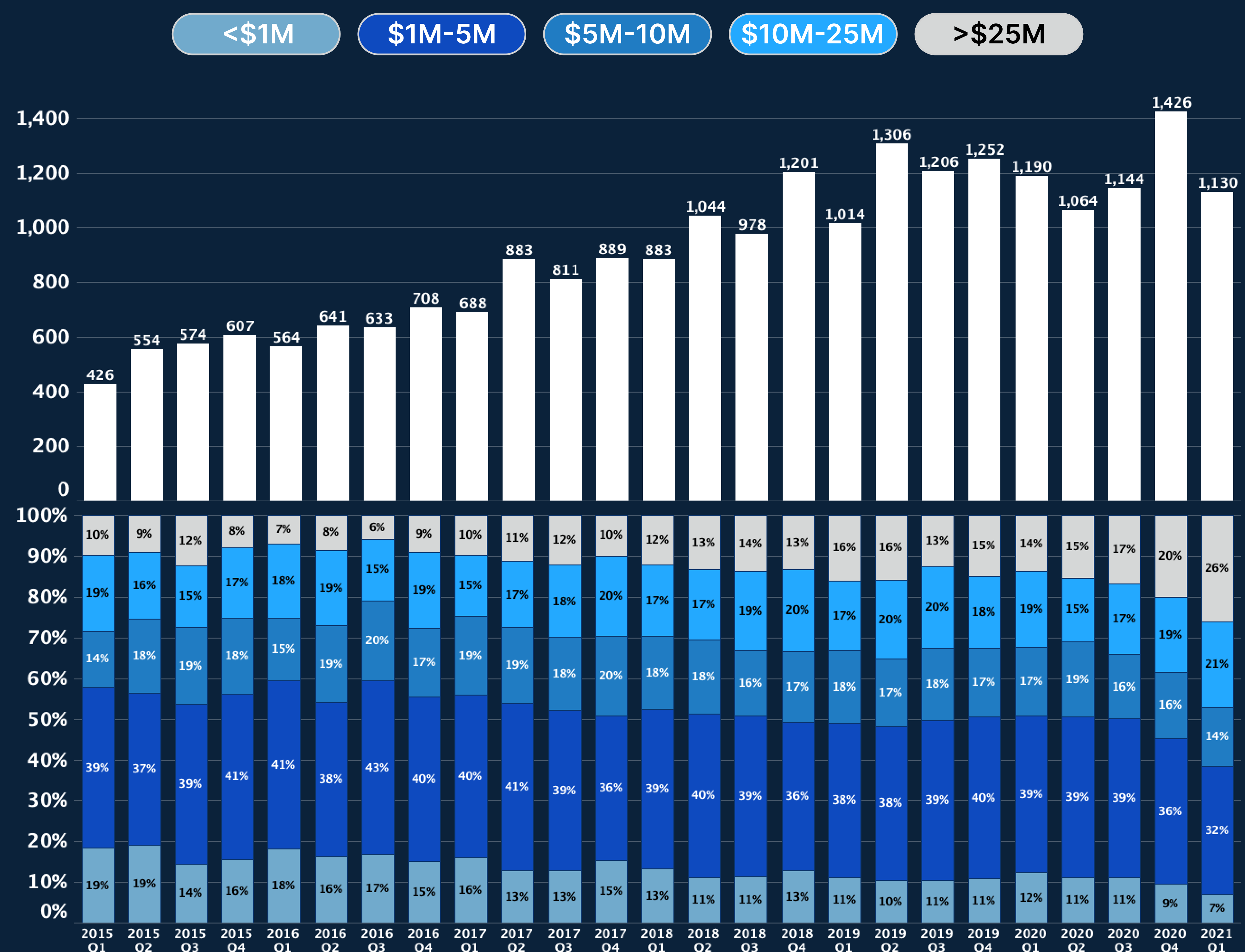


Across the top six states, deal volume fell from Q4 2020. California led the way in deals in Q1 2021, seeing more deal volume than the next 5 states combined.

Median deal size was up over 100% in all 6 states from Q1 2018. Focusing on this quarter alone, median deal size rose sharply in every state save Texas.

Deal size

Quarterly deals: overall & by deal size



Deal volume fell below the level of recent quarters in Q1 2021. Deal size, on the other hand, continued recent trends toward larger and larger rounds.

In Q1 2020, Carta saw 164 deals over $25 million. In Q1 2021, that figure rose to 294. These mega deals are fast becoming the largest slice of deals in the market overall, coming in just behind the $1M-5M deal tier to kick off the year.

Founder Insights

Company ownership in Series A

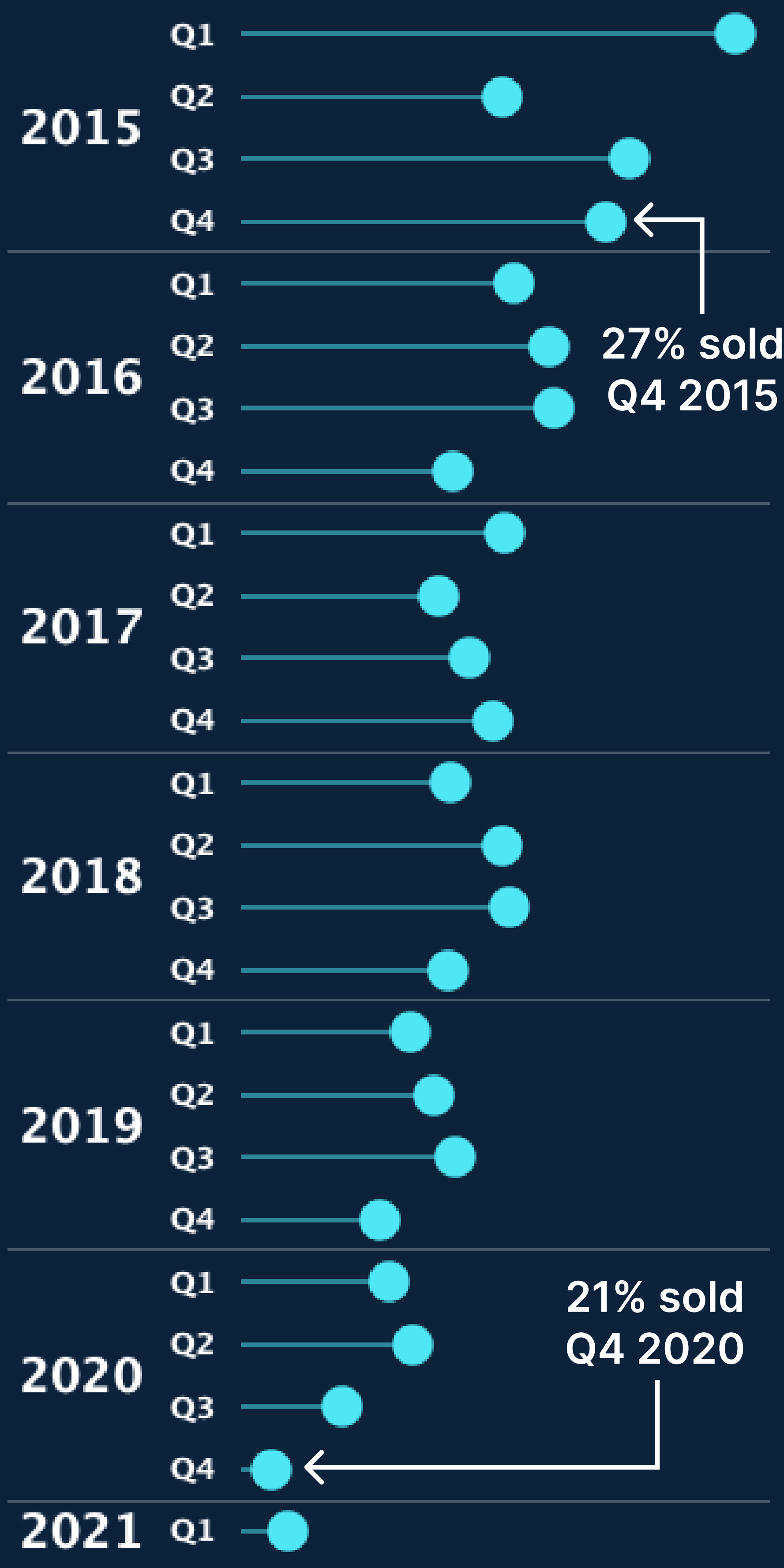
Whether due to increased available capital, the growing number of new venture capital firms, or the entrance of traditional private equity firms into the venture space—startup valuations are at record highs.

The rush to get into startup rounds—or perhaps the fear of missing the next big thing—has given founders more power in recent years, especially during Series A raises.

In late 2015, the median founder expected to give up 27% of their company during this round. That figure is down to 22% as of Q1 2021. There does seem to be some seasonality in this trend, but the overall direction is clear.

Reduced dilution allows founders to maintain a larger presence on the cap table—or further incentivize early employees with equity grants. In a deal climate trending toward larger deals even in early rounds, this increased ownership can have material impacts on founder participation in the upside of their own firms.

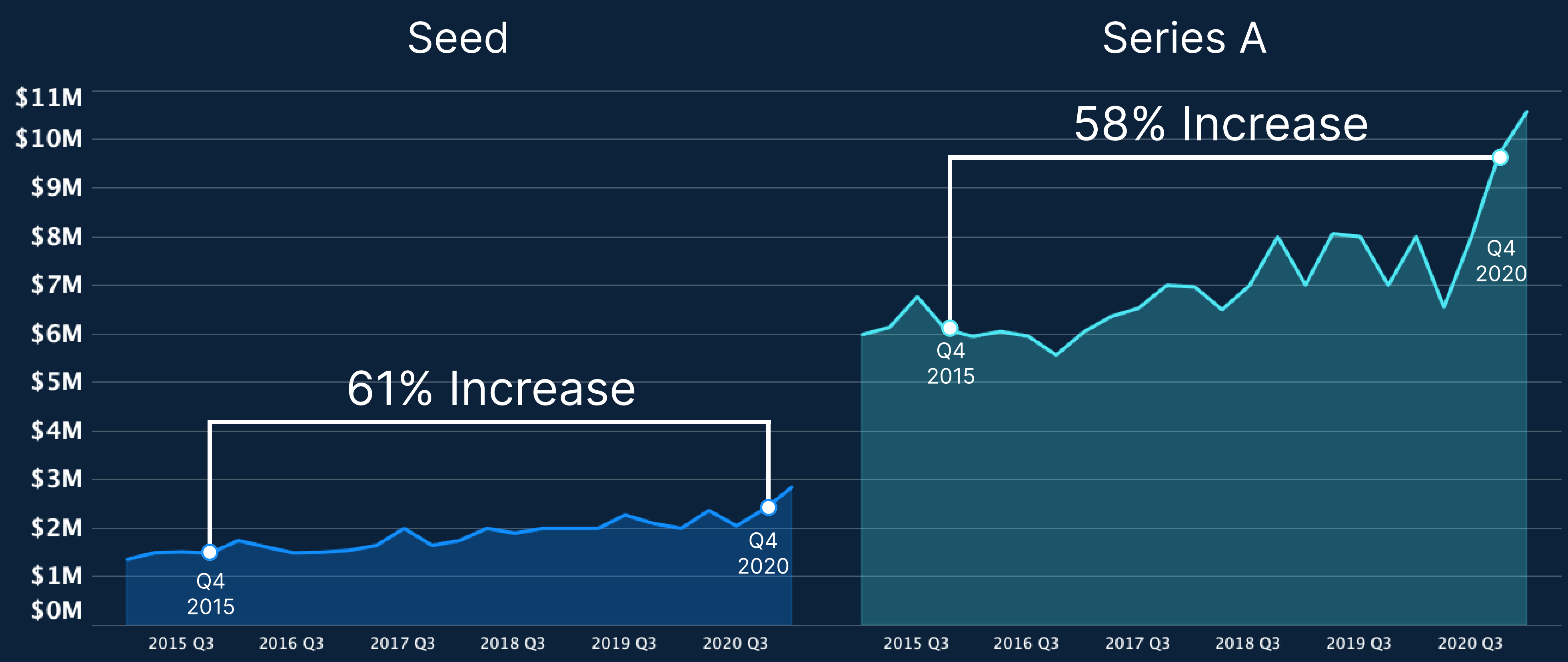
Median percent sold in Series A



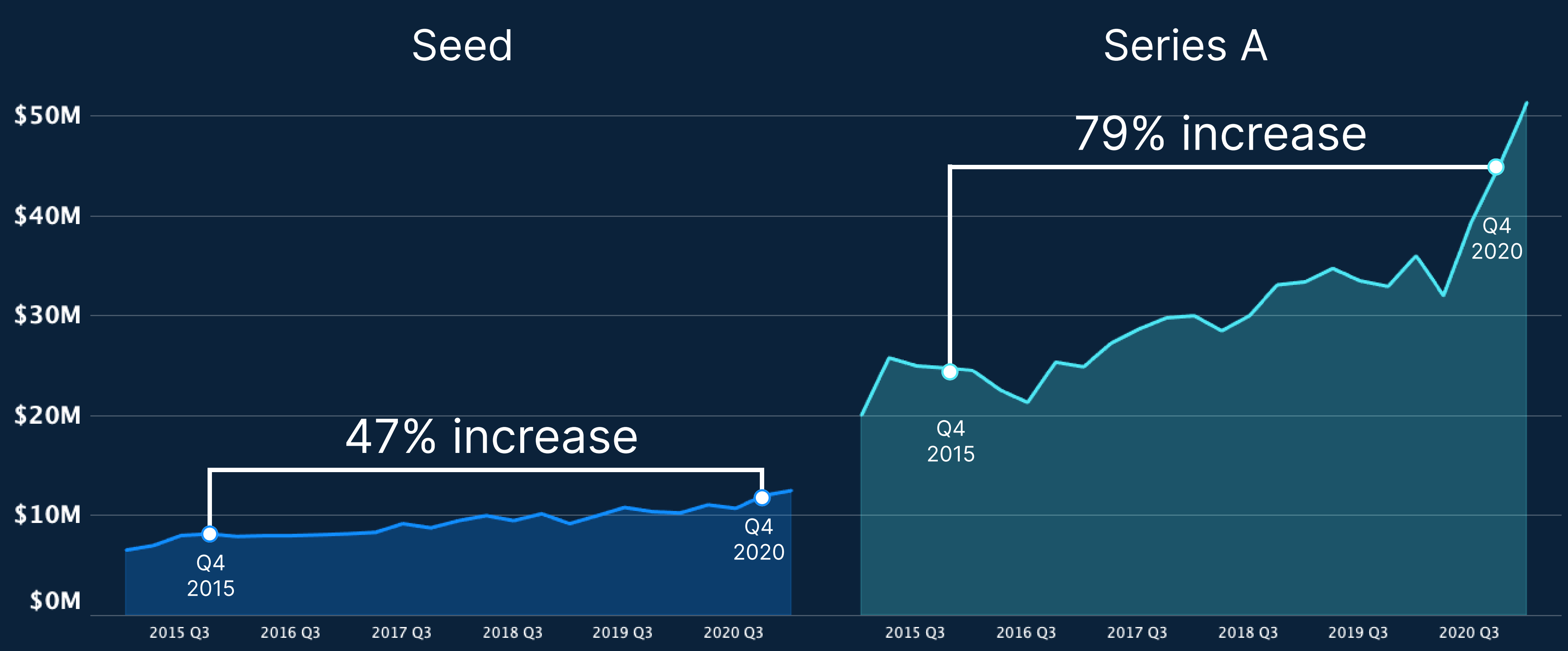
Seed & Series A key figures

This capital-rich environment has driven significant growth in the median cash raised and post-money valuation for early-stage startups.

Median cash raised by primary series



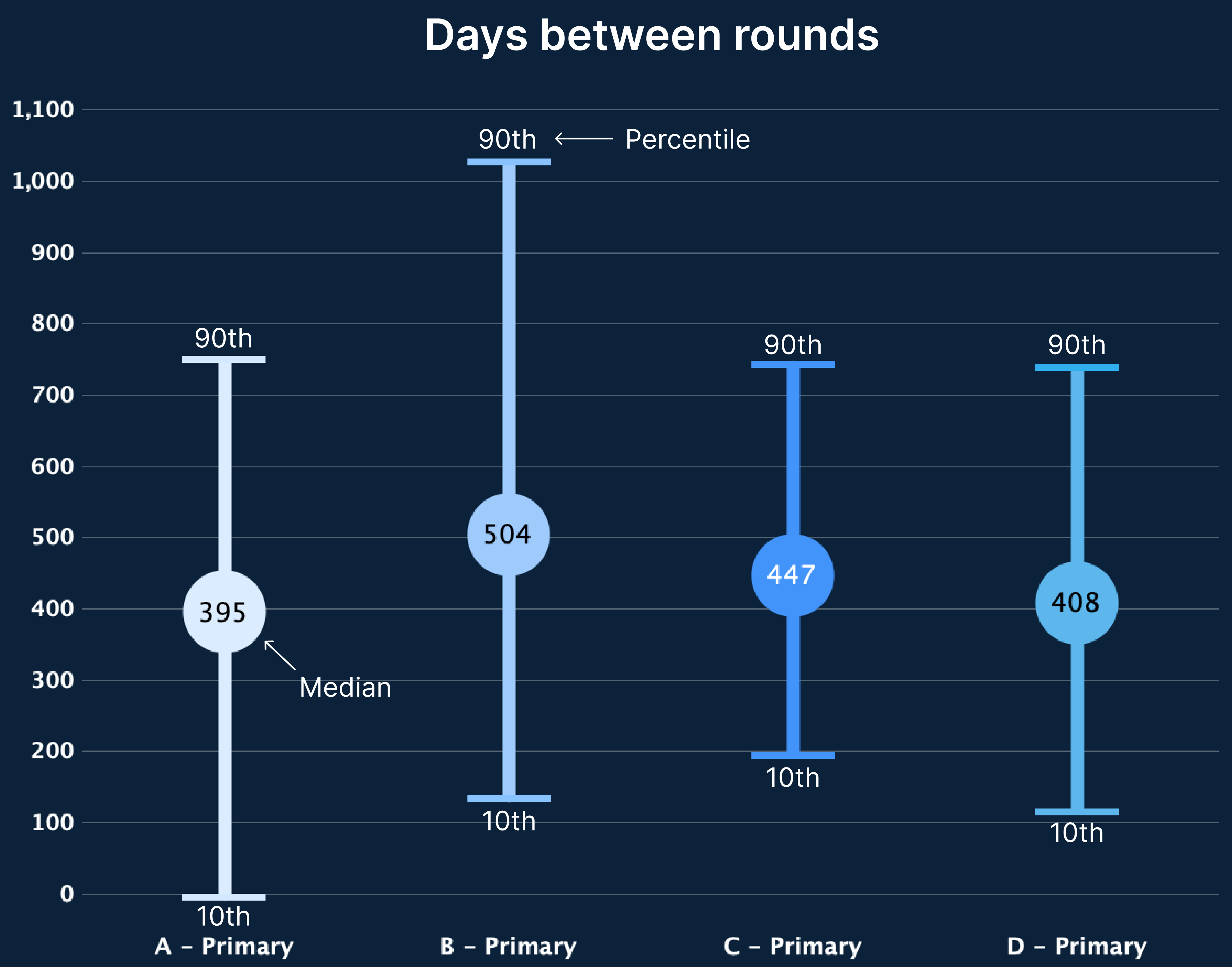
Median post-money valuation by primary series



Round expectations

While every company will follow a unique path through venture capital, it's useful to have rough expectations for the time between rounds.

Based on Carta data since 2015, raising a Series B seems to be the most uncertain point in a typical startup journey. Not only do Series B rounds take about 100 days longer to close on average than Series A rounds do, they have the highest variance of any raising event.



Investor Insights

carta

Deal competition

No matter the round, median startup valuations have grown substantially since the beginning of 2016. But this growth was not equally distributed. Seed valuations were up a relatively modest 58%, while Series D valuations ballooned by more than 313%.

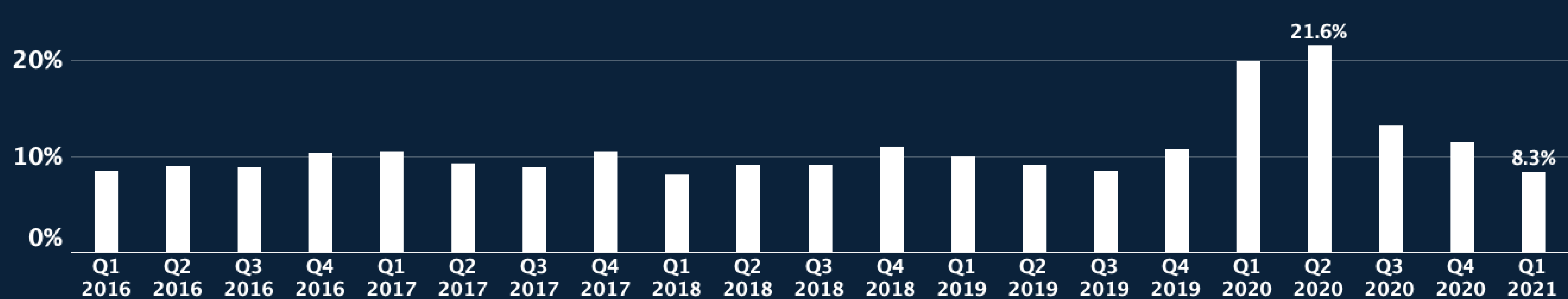
Change in median post-money valuation by series

	2016				2017				2018				2019				2020				’21
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Seed – Primary	0%	1%	1%	2%	3%	5%	16%	11%	20%	26%	20%	28%	16%	26%	36%	31%	30%	40%	35%	51%	58%
A – Primary	0%	-8%	-13%	3%	2%	11%	17%	21%	22%	16%	22%	35%	36%	42%	37%	34%	47%	30%	60%	83%	109%
B – Primary	0%	7%	-6%	32%	-4%	6%	19%	19%	26%	30%	57%	43%	49%	59%	44%	59%	52%	49%	77%	107%	148%
C – Primary	0%	-3%	-16%	27%	10%	20%	31%	23%	3%	31%	59%	63%	62%	53%	81%	114%	74%	64%	105%	163%	276%
D – Primary	0%	-17%	-28%	14%	-8%	-13%	6%	15%	8%	116%	76%	158%	71%	71%	61%	55%	42%	86%	91%	173%	313%

0% — All percentages are relative to Q1, 2016 — 100%

Throughout this time period, the percentage of decreasing valuations stayed within a narrow band. These lower valuations spiked to begin 2020, coinciding with the onset of the COVID-19 pandemic, but quickly stabilized to pre-COVID levels and have remained so for three quarters.

Percent of 409A valuations that decreased

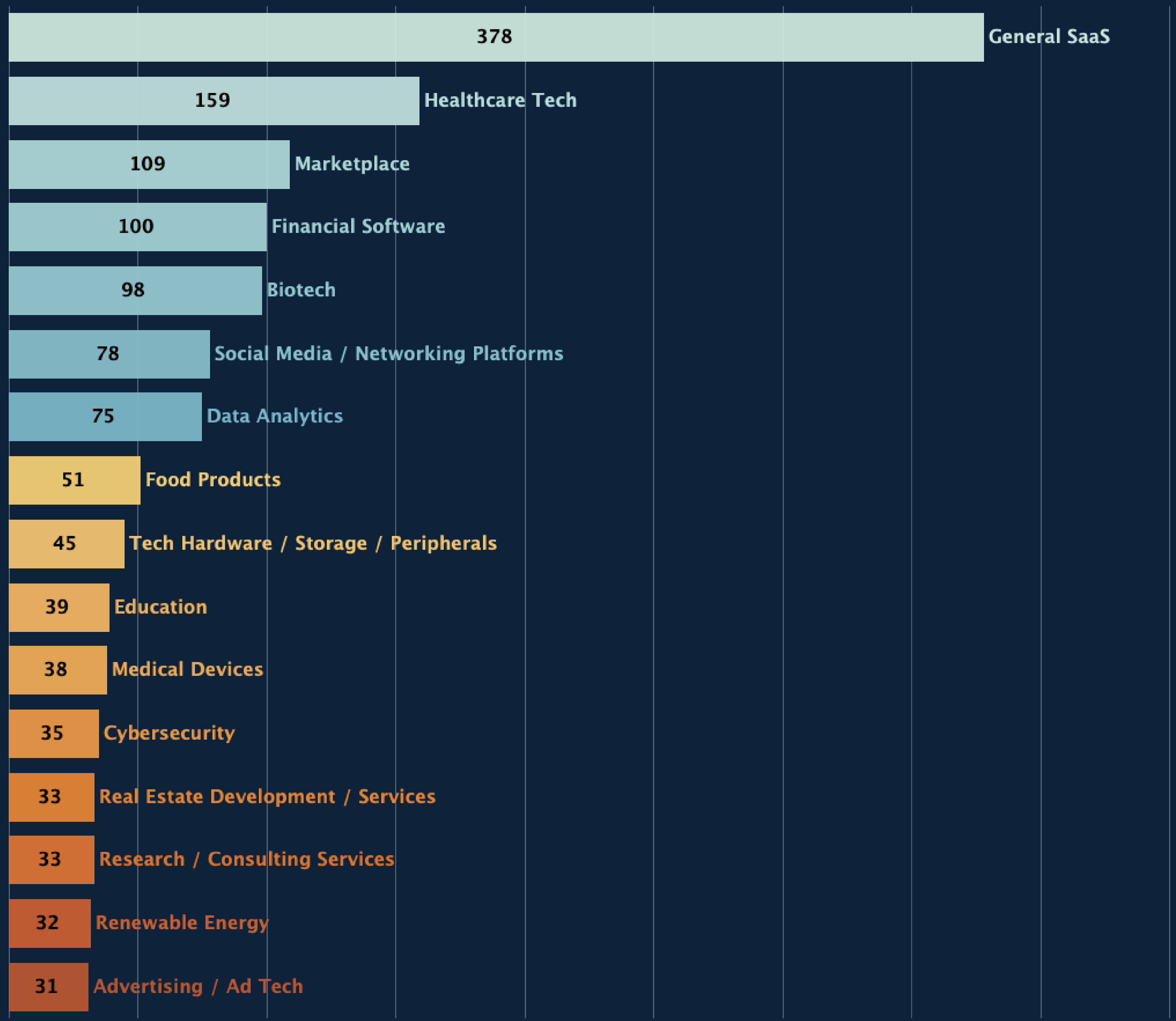


New issuers by industry

New issuers on Carta came from 116 industries in Q1. Startups tended to cluster around General SaaS (Software as a Service) products and Healthcare Tech / Biotech. New issuers in the Financial Software (Fintech) category fell slightly from Q4 as a percentage of overall industry volume.

New share issuers on Carta by industry: Q1 2021

Minimum 30 issuers

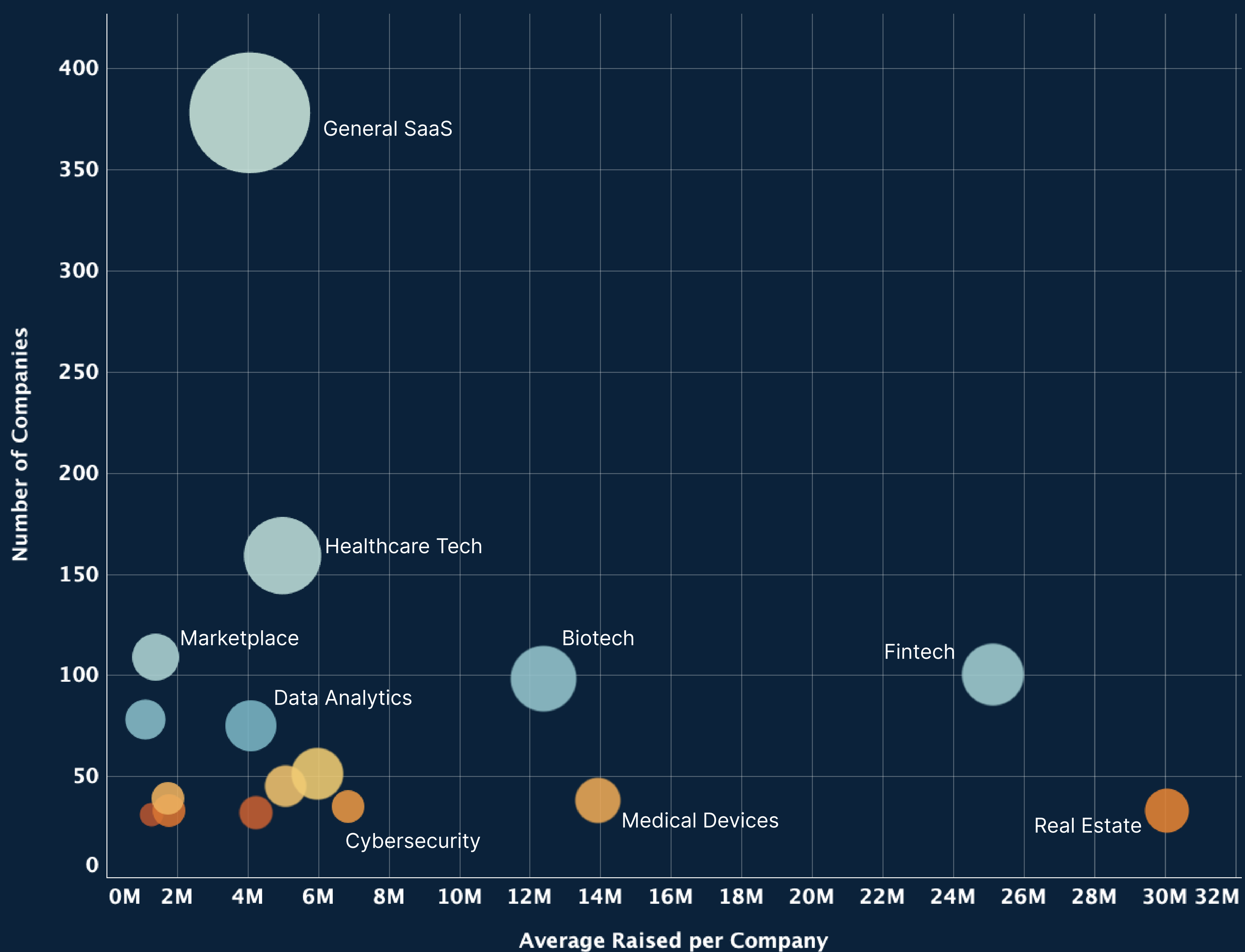


Industry issuers vs. cash raised

New share issuers by industry

of companies and average cash raised in Q1 2021

Total stakeholders
330–9,000



Though General SaaS outpaced other industries in the number of new issuers, it was middling in terms of average cash raised. Fintech stood out in Q1 by attracting over 100 new issuers while maintaining an average cash raise of over 20M per company.

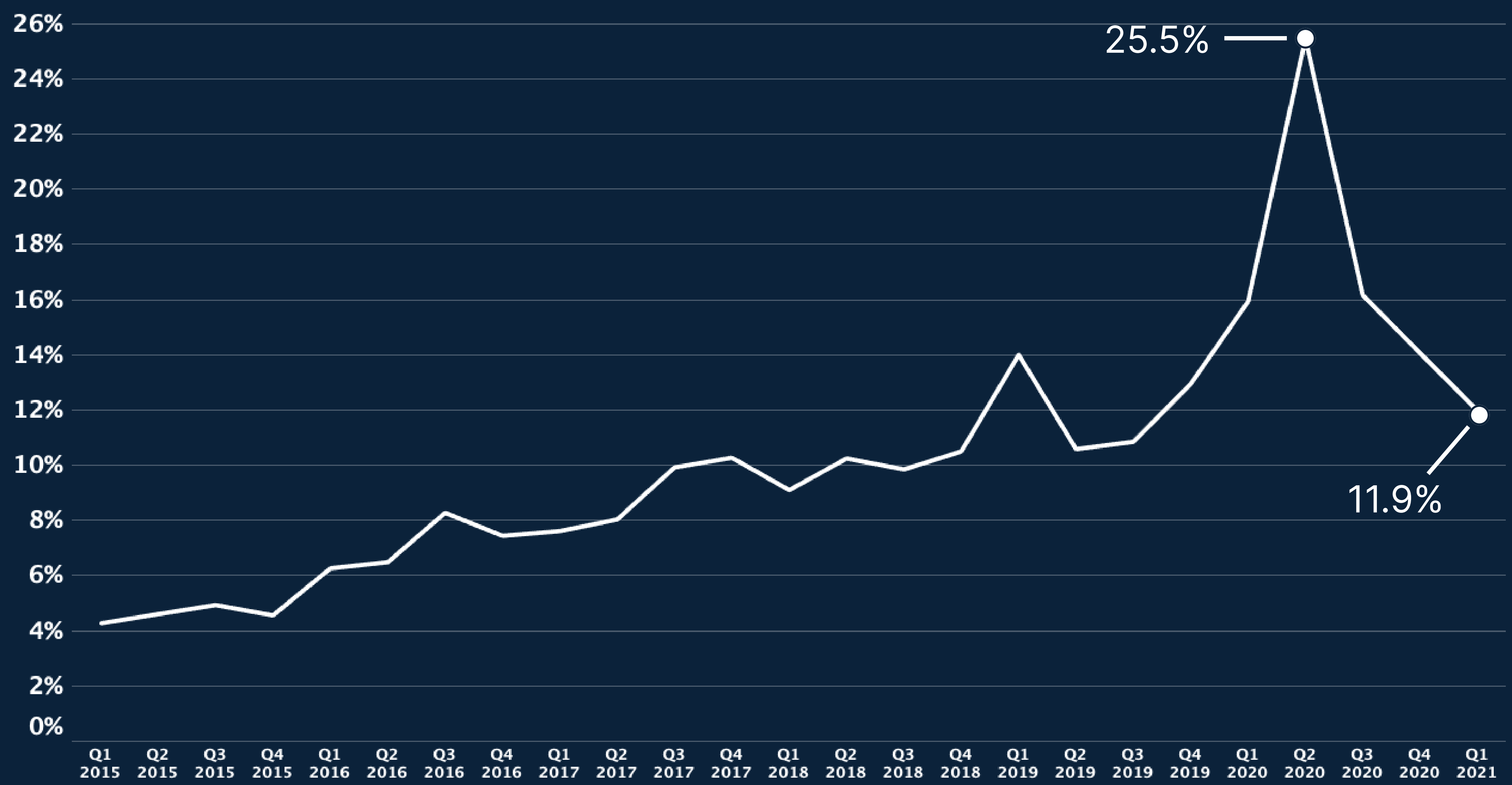
Employee Insights

Employee time to exercise

As the impact of COVID-19 became clear in Q2 of 2020, many startups were forced to make significant cuts to their employee bases. A large percentage of these companies also extended the post-termination exercise period (PTEP) in which those employees could exercise their vested equity.

Unfortunately, this employee-friendly change was short-lived. The percentage of terminated options with PTEP over 95 days has fallen back to pre-COVID levels.

Percent of terminated options with PTEP over 95 days

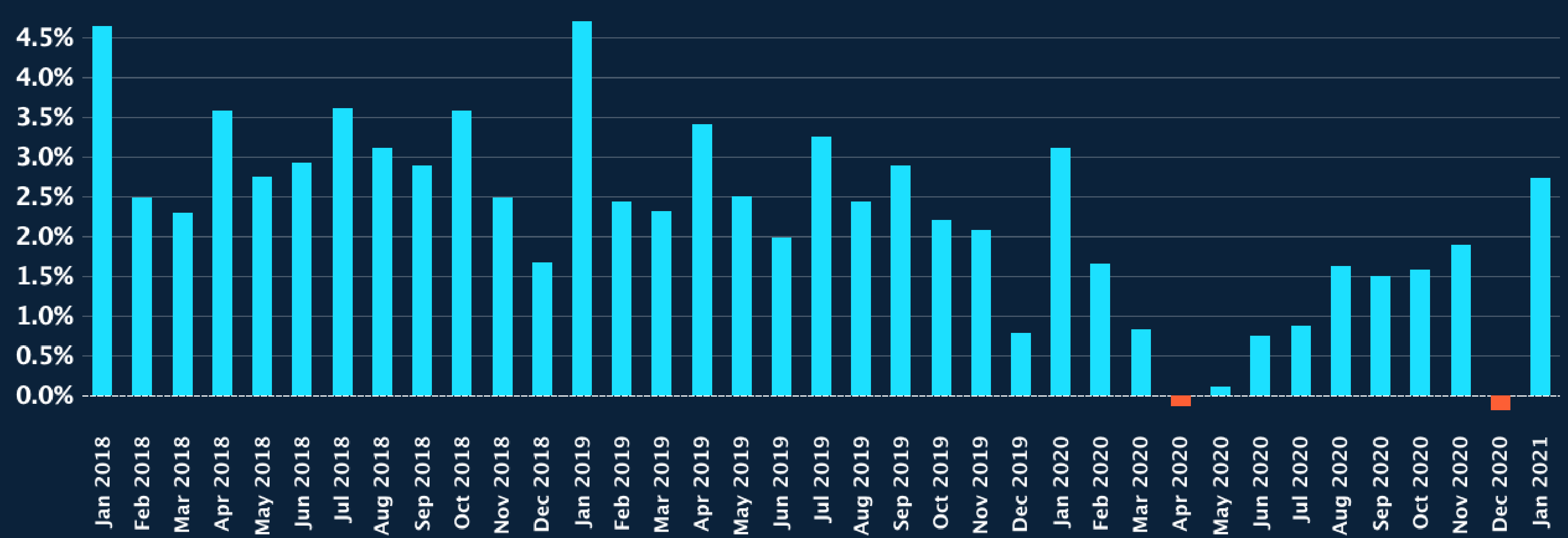


Carta believes employers should extend post-termination exercise periods.

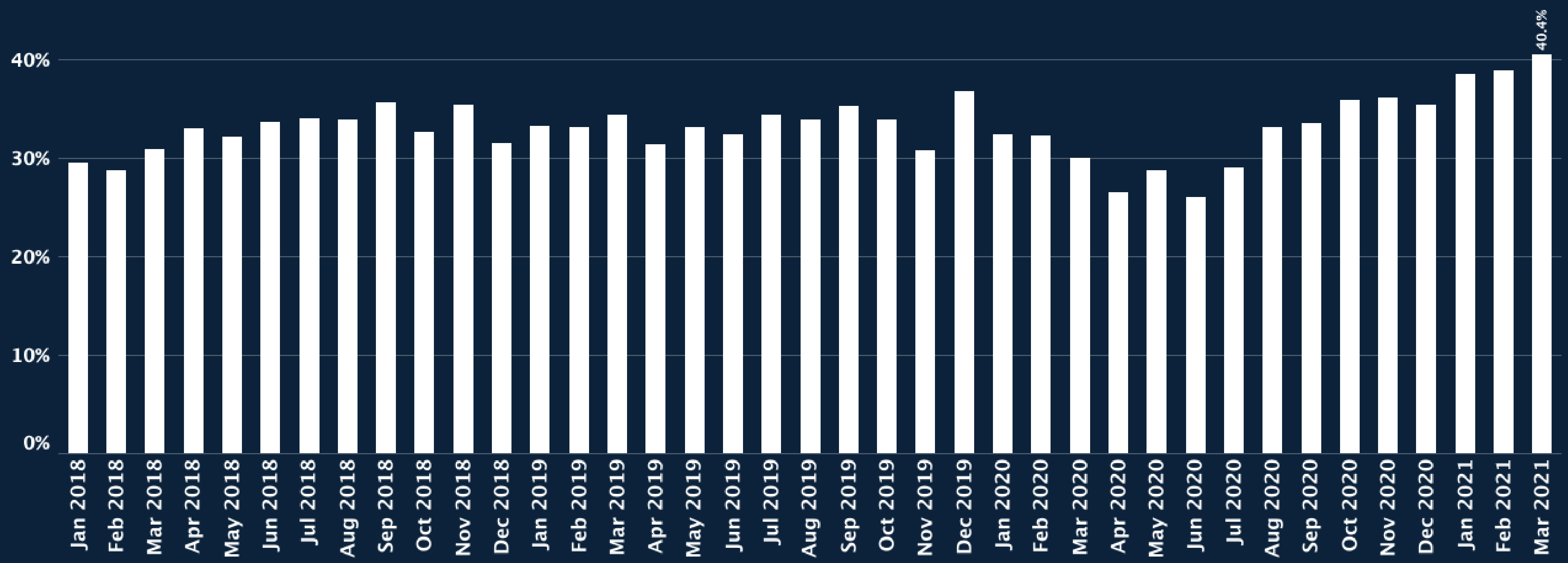
Read Why →

Employee shareholders

Monthly change in headcount



Percent of vested options exercised



Headcount growth was inversely correlated to valuation decreases; as down rounds receded in late 2020, headcount began to grow. Employees exercised 40% of their vested options in March 2021. That's a full 25% increase from the start of the pandemic—and the highest rate yet recorded.

Methodology

Carta's Private Markets Report examines trends across venture-backed companies and security holders in private companies to promote transparency between employers and employees, prompting fair equity management across private markets. Carta uses its quarterly data, including the aggregated and anonymized data of more than 19,000 companies—which represents over a trillion dollars in post-money valuation and reflects more than 220,000 investors in the startup ecosystem.

Overview

Carta helps more than 19,000 primarily venture backed companies and 1,000,000 security holders manage equity. This study uses an aggregated and anonymized sample of Carta's data. Companies that have contractually requested that we not use their data in anonymized and aggregated studies are not included in this analysis.

The data presented in this private markets report represents a snapshot as of May 1, 2021. Historical data may change in future studies because there is typically an administrative lag between the time a transaction took place and when it is recorded in Carta. In addition, new companies signing up for Carta's services will increase historical data available for the report.

Financings

Financings include equity deals raised in USD. The financing "Series" (e.g. Series A) is taken from the legal share class name. Financing rounds that don't follow this standard are not included in any data shown by Series but are included in data not shown by Series.

Primary rounds are defined as the first equity round within a Series. Bridge rounds are defined as any round raised after the first round in a given Series. If there is no indication that a round is a Primary or Bridge round, both are included.

In some cases, convertible notes are raised and converted into multiple share classes within a Series at various discounted prices (e.g. Series A-1, Series A-2, Series A-3). In these cases, converted securities are not included in cash raised , and only the post-money valuation of the new money is included.

Terminations

Terminations entered into Carta must include a reason. Involuntary terminations include both terminations for performance and company layoffs. Voluntary terminations are employees who decided to leave of their own accord. Other termination reasons, including For Cause, Death, Disability, and Retirement were not included in the data and make up less than 1% of all terminations combined.

Disclosure

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