Q3 2024 VALUATION REPORT

In Q3 2024, Gunderson Dettmer represented technology and life sciences companies in 288 venture capital financings, raising over $10 billion and valuing these companies at over $60 billion.

Gunderson Dettmer's Q3 2024 Valuation Report analyzes valuation data collected from financing transactions (ranging from pre-seed SAFE/ convertible note rounds through Series D equity financings) that closed in Q3 and in which the firm represented either the company or an investor. This report focuses on valuations for technology companies and excludes financings for life sciences companies (as well as some outliers) from our dataset to avoid presenting skewed valuations. In the upcoming 2024 Valuation Report, we will offer a special section focused on valuations for life sciences companies.

The report presents data from Q3 2020 to the current quarter to provide historical context and offers analysis of market trends in venture financing covering valuations, amounts raised and deal volume. In addition, Gunderson corporate partners provide insights to contextualize the data based on their observations from negotiating deals on behalf of the firm's clients. According to Pitchbook, Gunderson partners have negotiated more venture financings than any other law firm for the past decade.

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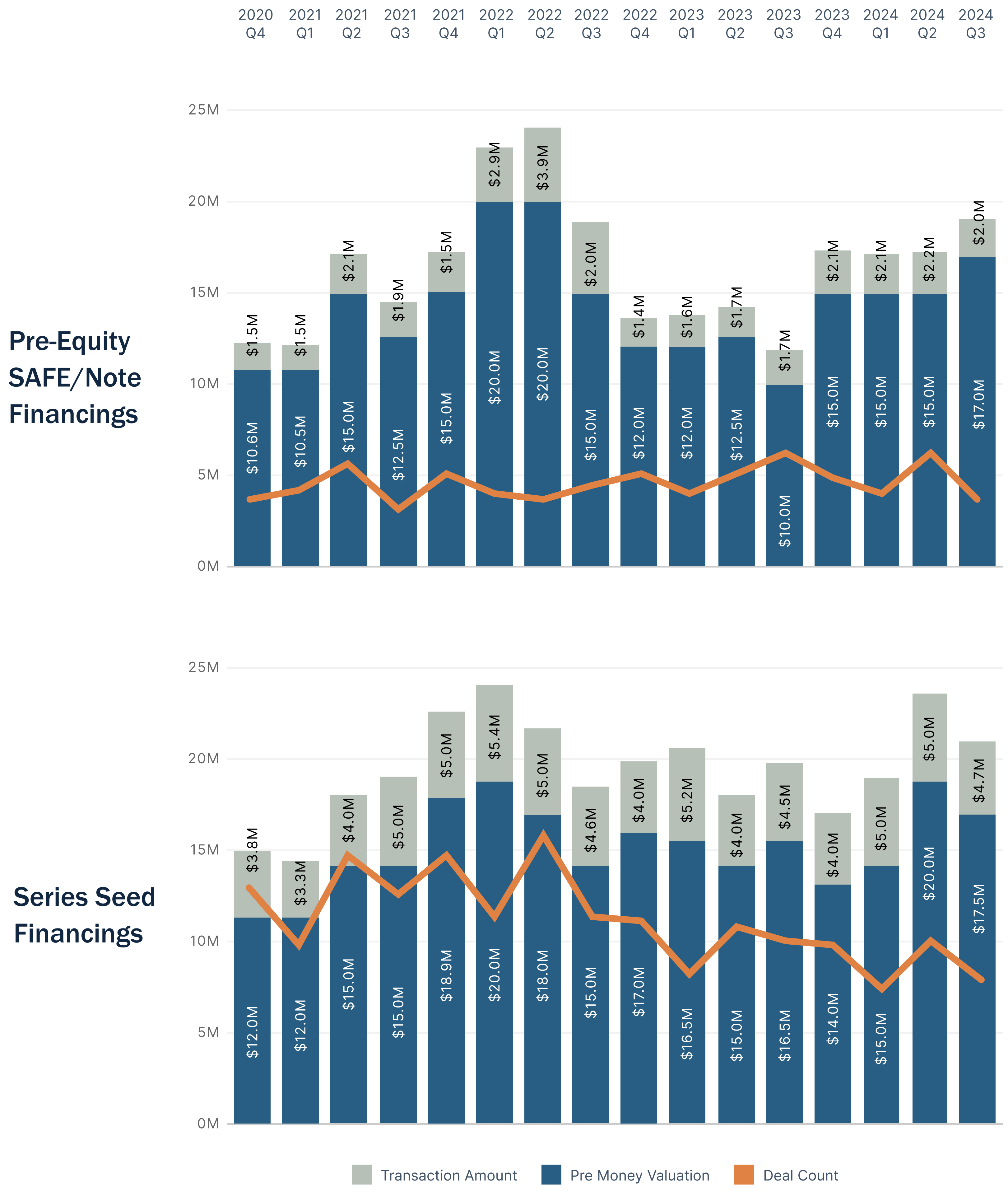


PRE-EQUITY AND SEED STAGE FINANCINGS

After showing encouraging growth in Q2, Q3 saw significant drops in pre-seed and seed deal activity, with deal count and total transaction value down considerably. Pre-equity SAFE/note financing deal count fell 44% and aggregate transaction value fell 41% in Q3, while Series Seed financing deal count and aggregate value fell 20% and 23% (respectively). Even after accounting for the seasonal slowdown that is typical in Q3, these declines are pronounced.

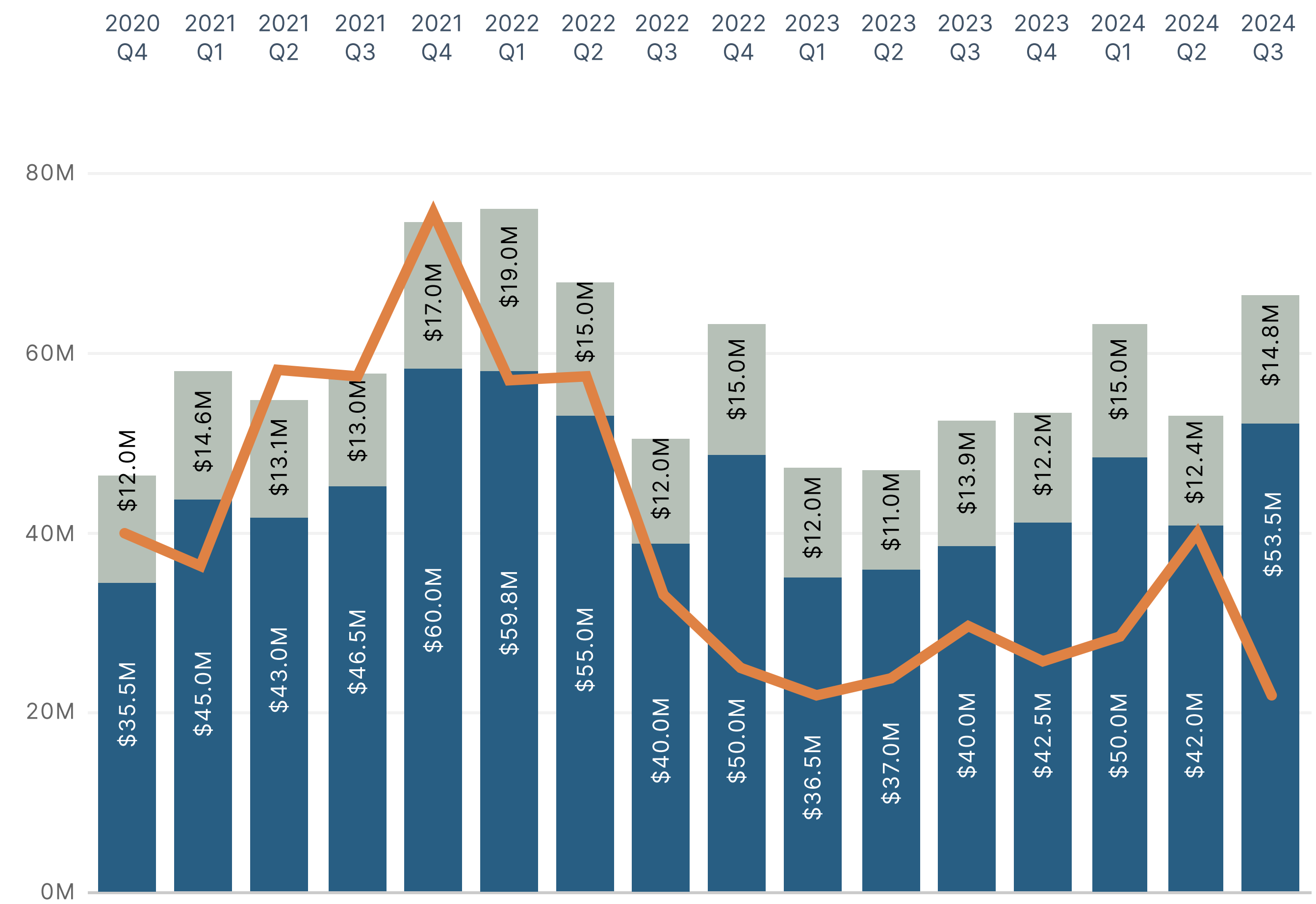
This year's presidential race had companies and investors facing uncertainty on capital gains taxes, tariffs and trade policy, interest rates and other factors that can drive VC decision-making. Because median deal size and valuation did not decline in proportion with deal count, the Q3 slowdown in deal activity indicates that investors may be postponing capital allocation decisions until after the November election. Valuation caps for pre-equity deals did increase from $15 million in Q2 to $17 million in Q3, signaling a vote of confidence in future valuation prospects for companies at this stage.

"Median deal size and valuation mostly held their positions, supporting a view that the drop in deal activity represents a temporary "wait-and-see" strategy rather than a shift in market dynamics."

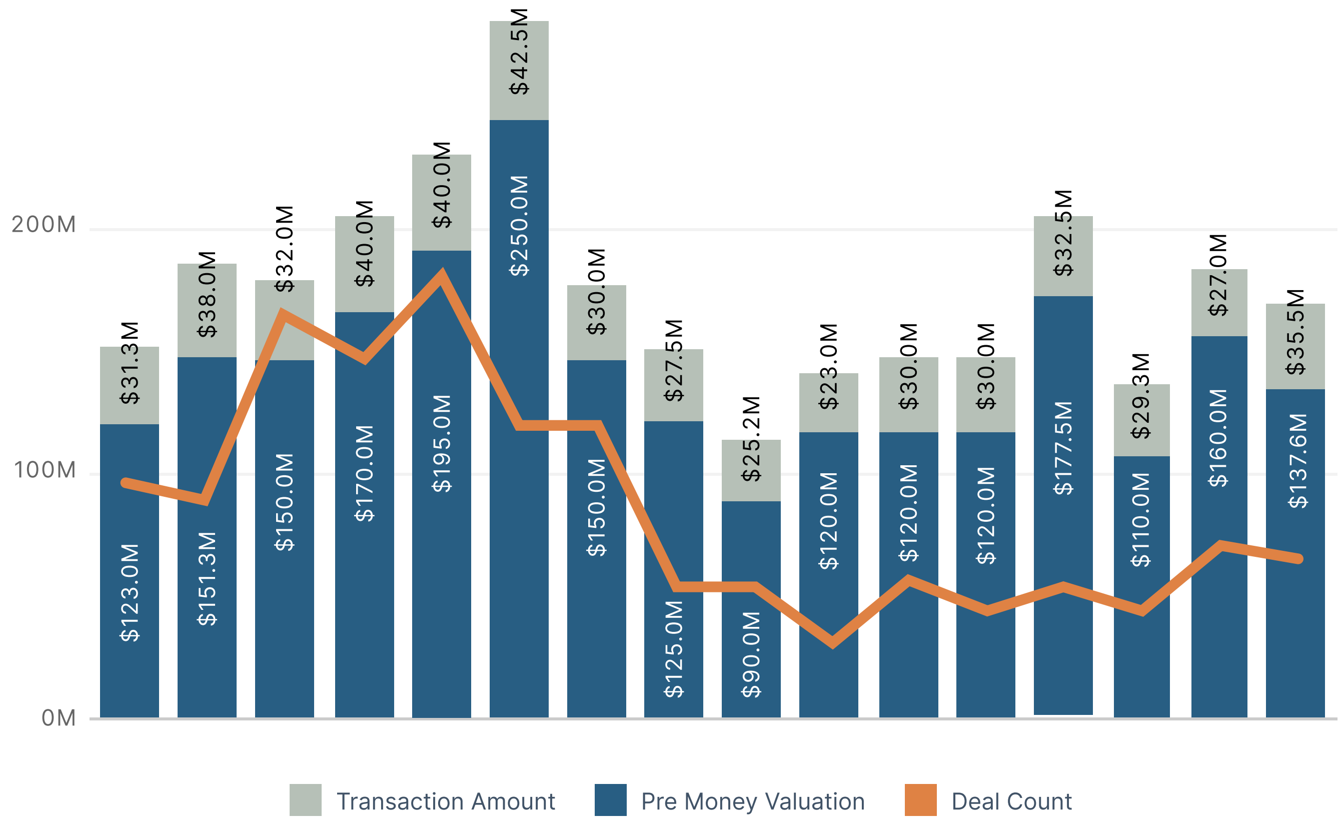
Hozefa Botee

Corporate & Securities Partner,
New York, DMV

Series A Financings



Series B Financings



EARLY-STAGE FINANCINGS (SERIES A, SERIES B)

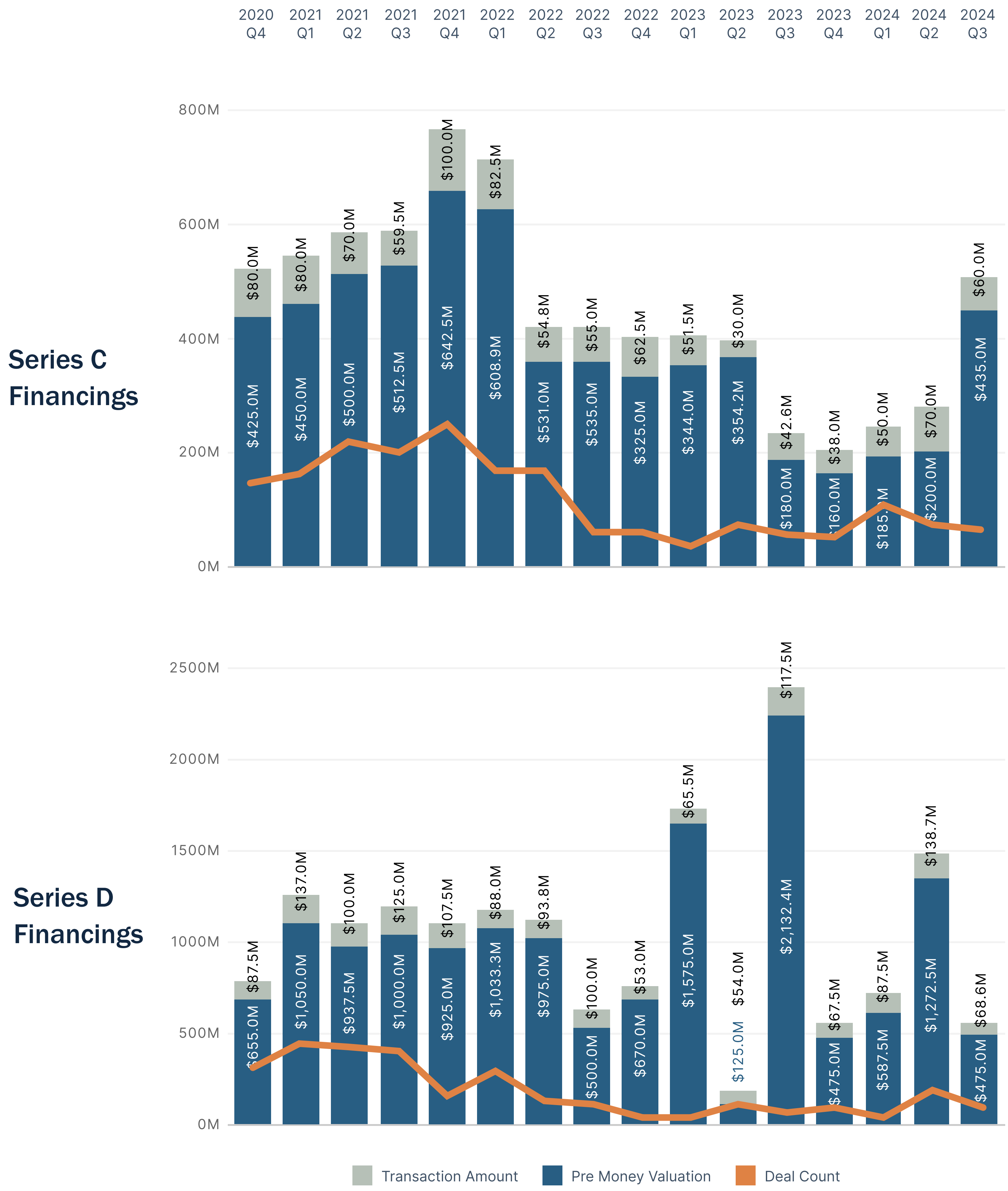
Early-stage deal numbers offer deeper insights, especially when Series A and Series B financings are viewed independently. After Q2 showed the most pronounced increase in Series A deals since 2021, the number of Series A deals in Q3 dropped 42% quarter-over-quarter and 22% year-over-year. At the same time, the median Series A pre-money valuation jumped 27% from $42 million in Q2 to $53.5 million in Q3.

For Series B financings, quarterly deal count remained relatively unchanged between Q2 and Q3. Median transaction size jumped 31% quarter-over-quarter to $35.5 million, while median pre-money valuation dropped 14% to $137.6 million. While a generally investor-friendly market is putting pressure on early-stage valuations, the Q3 increase in Series A valuations may be the result of strong investor demand in specific sectors, particularly AI. At the same time, companies are using warrants, liquidation preferences and other terms to bridge valuation divides with investors and avoid the negative market signaling of down rounds.

"The movement in opposite directions between Series A and Series B valuations could be the result of strong demand for Series A rounds in certain sectors—notably AI—offsetting an otherwise investor-friendly deal-making environment."

Laura Stoffel

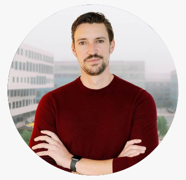
Corporate & Securities Partner,
Boston



LATER-STAGE FINANCINGS (SERIES C, SERIES D)

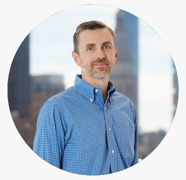
Growth equity is still the investment stage that's farthest from its 2021 highs in terms of both valuation and deal count, as difficult-to-determine and depressed valuations have delayed exits, limiting liquidity for investors and reducing capital returns that would otherwise be funneled back into deal flow. Investors continue to be very selective in allocating capital, especially when the deals involve larger financial commitments. Series C and Series D Q3 YTD deal counts are both higher for 2024 than 2023, but 2024 numbers for Series C and Series D deal counts represent just 44% and 28% (respectively) of the same measures from 2021. While deal-making has slowed as a result of more general economic factors, the Series D equity financing numbers are understating overall fundraising activity for this slice of the market, as we're seeing companies raise record amounts of capital through convertible note bridge rounds. This pivot to debt is especially relevant for later-stage companies, as companies that may have raised money at high valuations in late 2021/early 2022 now need cash and are often struggling to find new investors that will fund at anything close to those high valuations now (if at all). The median pre-money valuation for Series C deals jumped 118% last quarter, from $200 million in Q2 to $435 million in Q3, while the valuation for Series D deals dropped 63%, from $1,273 million in Q2 to $475 million in Q3. While these swings are significant, it should also be noted that any quarterly changes are exaggerated by the much lower deal count at these later stages, especially for Series D financings.

"In a shift from the "Roaring 20s" mentality of 2020 and 2021, investors have become much more selective at the later stage. Without both a proven revenue model and a clear growth path, companies will struggle to raise a Series C."



Mike Heath
Corporate & Securities Partner,
Los Angeles

"While deal-making has certainly slowed—owing to both macroeconomic and regulatory factors and political uncertainties—equity financings are also lower due to companies choosing to raise money through convertible note bridge rounds, which deals are not included in this report's numbers."



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