

## Background

We analyzed the terms of 148 venture financings closed in the first quarter of 2016 by companies headquartered in Silicon Valley.

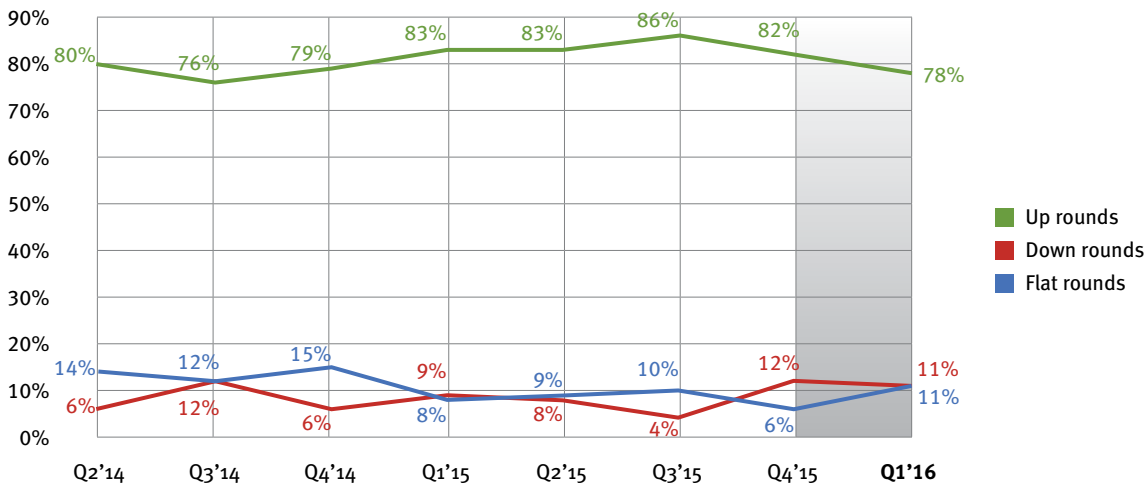
## Overview of Results

The weakening in valuations that began in 4Q15 continued in 1Q16, although the results for 1Q16 are still mostly above our historical averages.

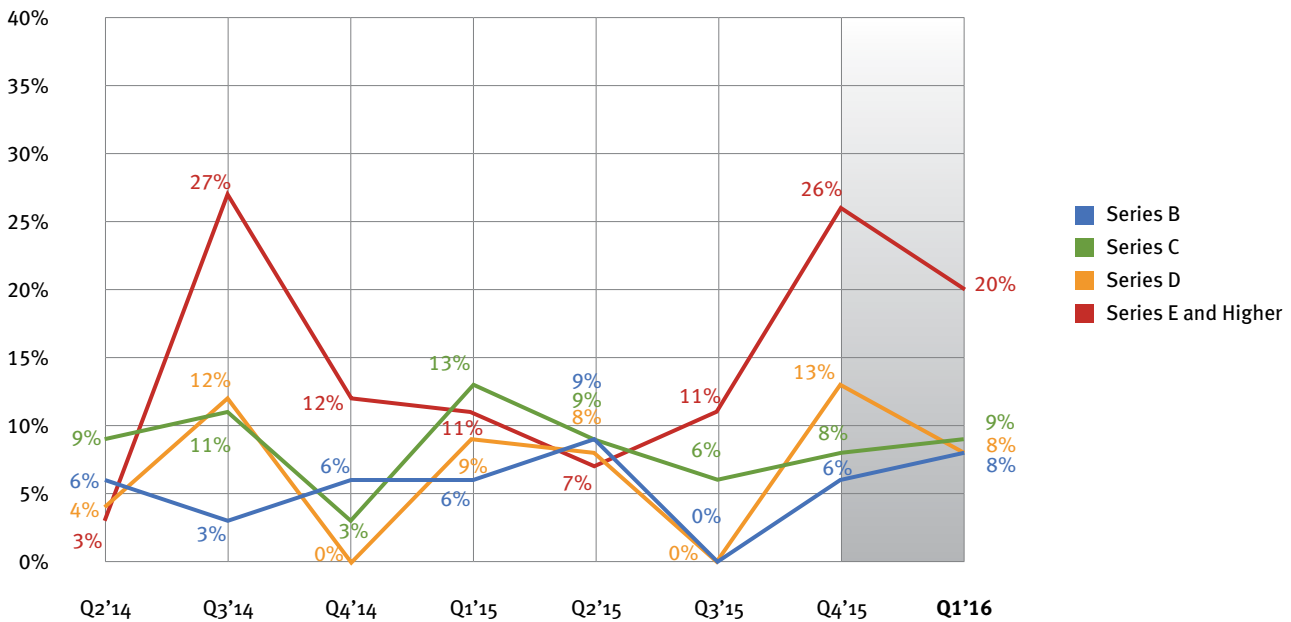
- Up rounds exceeded down rounds 78% to 11%, with 11% flat in 1Q16. This was a small decline from 4Q15, when up rounds exceeded down rounds 82% to 12% with 6% flat.
- The average price increase of financings in 1Q16 compared to the company's prior financing was 53%. This was a decline from the 70% recorded in 4Q15, and the lowest amount since 1Q12.
- The median price increase of financings in 1Q16 compared to the company's prior financing was 36%. This was a small decline from the 39% recorded in 4Q15 and the lowest amount since 4Q13.
- This quarter we have included expanded graphs in the survey showing percentage up rounds, average price change and median price change for each quarter since we began calculating such amounts in 2004. This was done to provide more historical context for the current results, and these new graphs appear on pages 3, 5 and 8, respectively. In summary, the 1Q16 up round percentage was above the historical average (78% vs 66%), the average price increase was slightly below the historical average (53% vs 56%) and the median price increase was above the historical average (36% vs 28%).
- The software, hardware and internet/digital media industries each led one of the valuation metrics, with the software industry having the largest percentage of up rounds (83%), the hardware industry having the largest average price increase (96%) and the internet/digital media industry having the largest median price increase (65%). The life science industry trailed the other industries in valuation metrics.

## Fenwick & West Data on Valuation

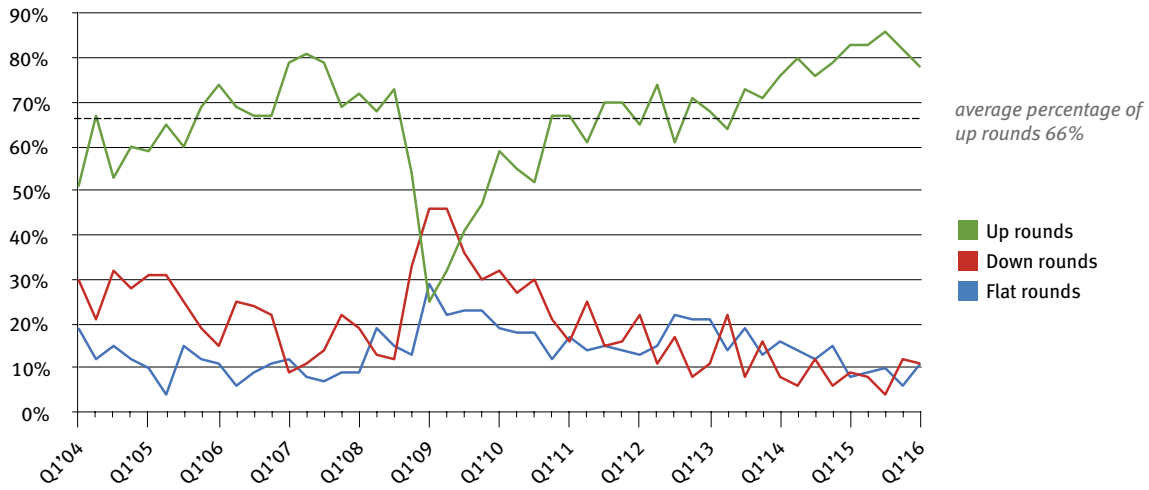
**PRICE CHANGE** — The direction of price changes for companies receiving financing in a quarter, compared to their prior round of financing.



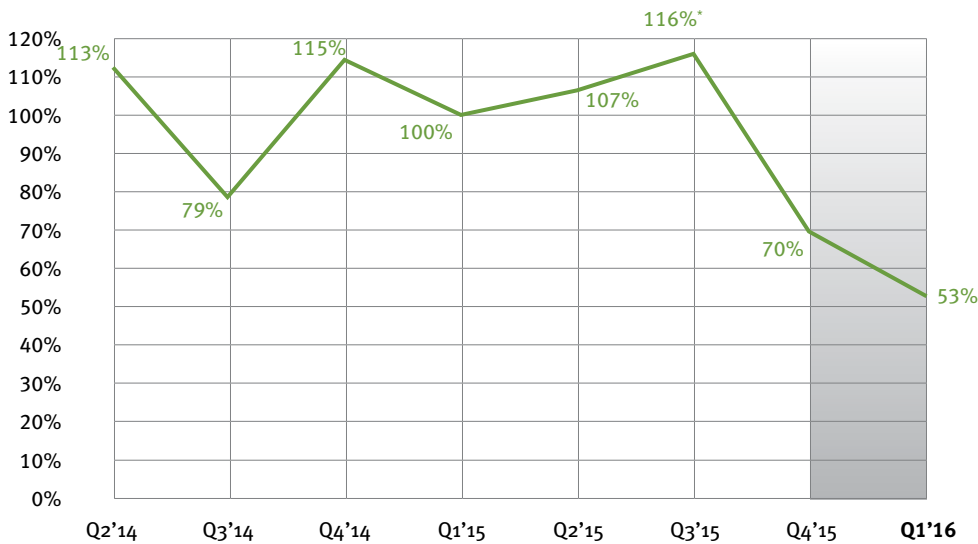
The percentage of down rounds by series were as follows:



**EXPANDED PRICE CHANGE GRAPH** — Set forth below is the direction of price changes for each quarter since 2004.

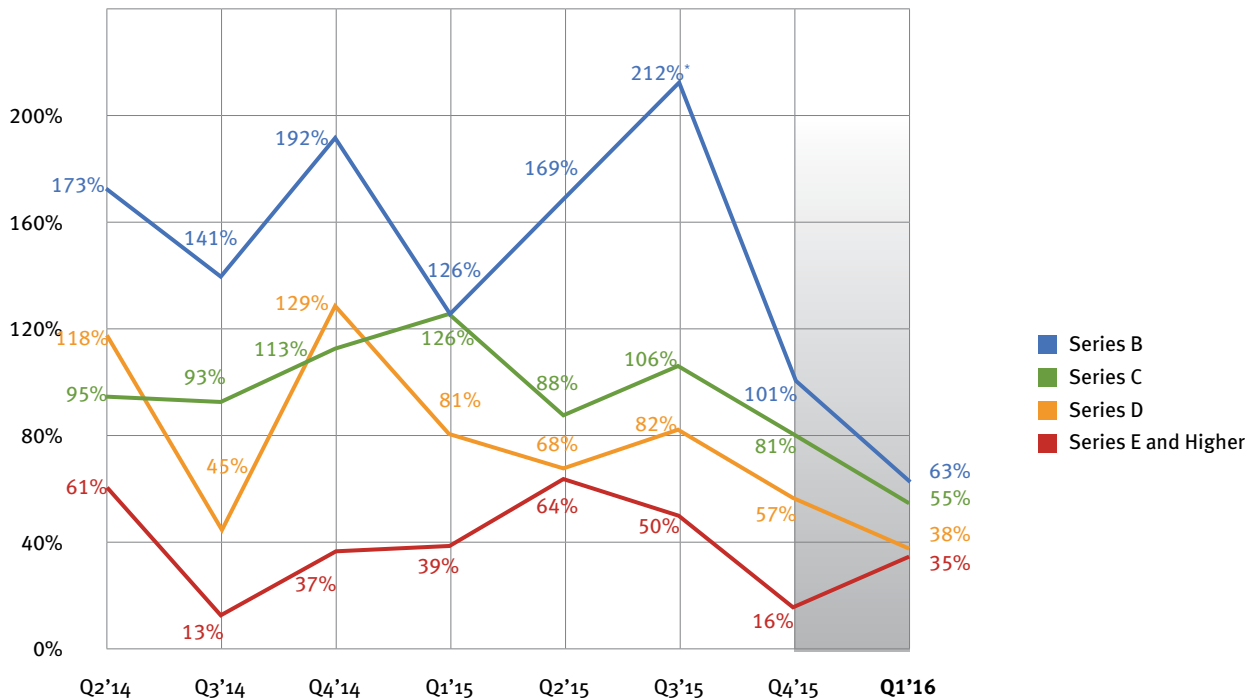


**THE FENWICK & WEST VENTURE CAPITAL BAROMETER™ (MAGNITUDE OF PRICE CHANGE)**— Set forth below is the average percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the average, all rounds (up, down and flat) are included, and results are not weighted for the amount raised in a financing.



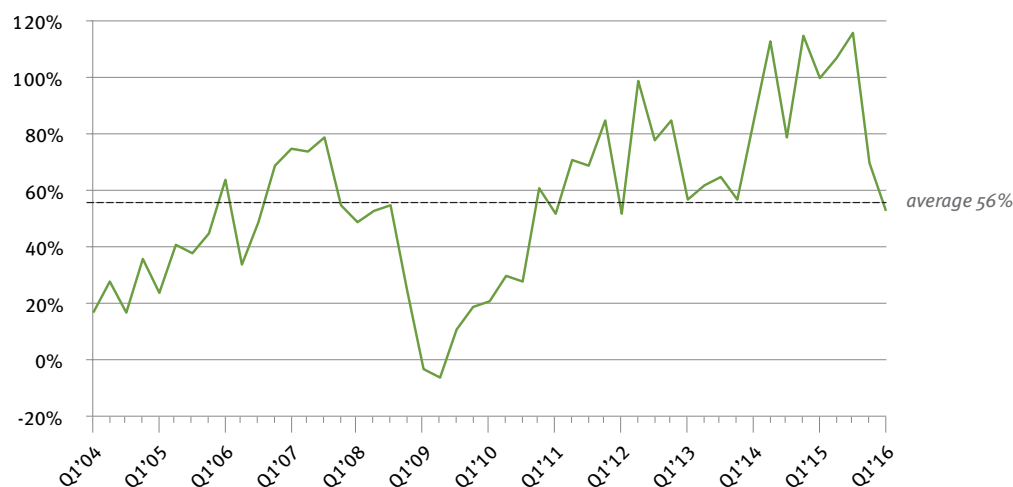
\* One company had an over 3000% up round in 3Q15. If this financing was excluded, the Barometer result for 3Q15 would have been 93%.

The Barometer results by series are as follows:



\* Please note that the above-mentioned over 3000% up round financing in 3Q15 was a Series B round. If this financing was excluded, the Barometer result for Series B rounds in 3Q15 would have been 132%.

**EXPANDED BAROMETER GRAPH** — Set forth below is the average percentage price change for each quarter since we began calculating this metric in 2004.



**RESULTS BY INDUSTRY FOR PRICE CHANGES AND FENWICK & WEST VENTURE CAPITAL BAROMETER™** — The table below sets forth the direction of price changes and Barometer results for companies receiving financing in this quarter, compared to their previous round, by industry group. Companies receiving Series A financings are excluded as they have no previous rounds to compare.

Industry	Up Rounds	Down Rounds	Flat Rounds	Barometer	Number of Financings
Software	83%	8%	9%	65%	54
Hardware	82%	18%	0%	96%	11
Life Science	65%	18%	17%	7%	23
Internet/Digital Media	80%	10%	10%	61%	20
Other	71%	0%	29%	16%	7
<b>Total all Industries</b>	<b>78%</b>	<b>11%</b>	<b>11%</b>	<b>53%</b>	<b>115</b>

**DOWN ROUND RESULTS BY INDUSTRY** — The table below sets forth the percentage of “down rounds,” by industry groups, for each of the past eight quarters.

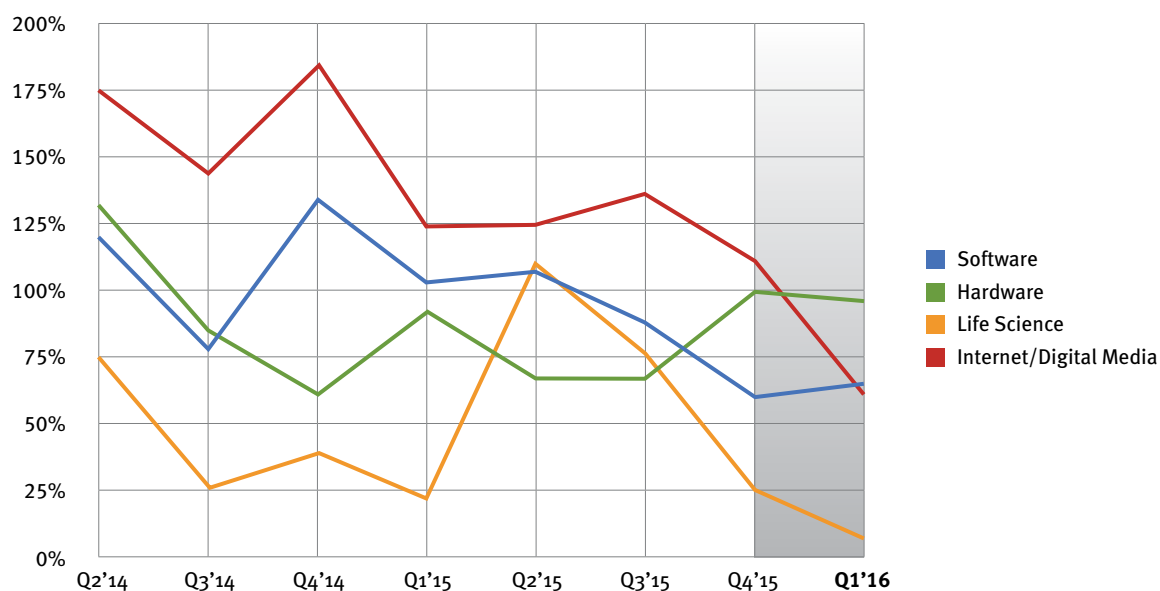
Down Rounds	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Software	8%	8%	7%	8%	3%	6%	9%	8%
Hardware	9%	8%	6%	6%	25%	0%	18%	18%
Life Science	0%	21%	6%	13%	12%	6%	25%	18%
Internet/Digital Media	7%	14%	6%	12%	9%	4%	6%	10%
Other	0%	25%	0%	9%	11%	0%	10%	0%
<b>Total all Industries</b>	<b>6%</b>	<b>12%</b>	<b>6%</b>	<b>9%</b>	<b>8%</b>	<b>4%</b>	<b>12%</b>	<b>11%</b>

**BAROMETER RESULTS BY INDUSTRY** — The table below sets forth Barometer results by industry group for each of the last eight quarters.

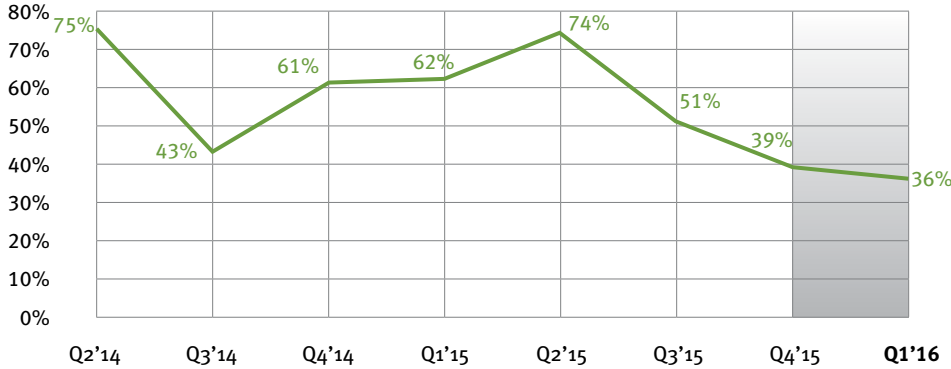
Barometer	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Software	114%	78%	134%	103%	107%	88%	60%	65%
Hardware	87%	85%	61%	92%	67%	67%	100%	96%
Life Science	75%	26%	39%	22%	110%	76%	25%	7%
Internet/Digital Media	169%	139%	178%	124%	125%	136%	111%	61%
Other	65%	56%	83%	155%	108%	509%*	53%	16%
<b>Total all Industries</b>	<b>113%</b>	<b>79%</b>	<b>115%</b>	<b>100%</b>	<b>107%</b>	<b>116%*</b>	<b>70%</b>	<b>53%</b>

\* If the above-mentioned over 3000% up round financing in 3Q15 was excluded, the Barometer results for companies in the “Other” industry group and for all reviewed companies in 3Q15 would have been 47% and 93%, respectively.

A graphical representation of the above is below.



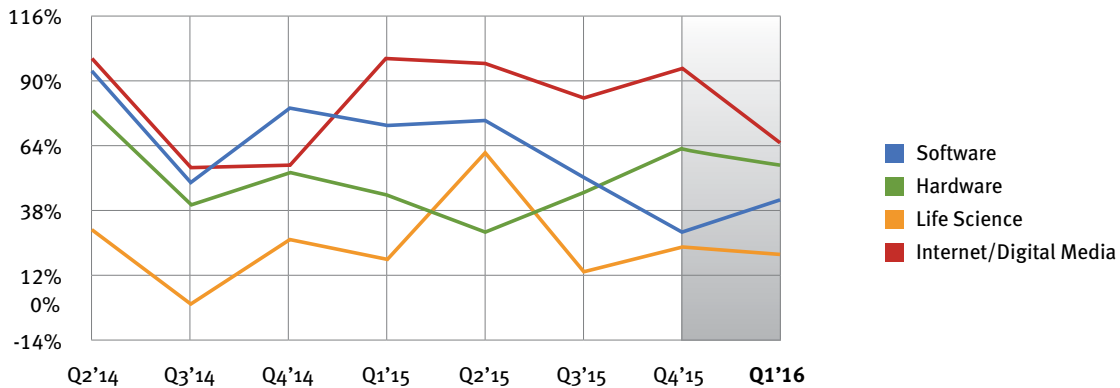
**MEDIAN PERCENTAGE PRICE CHANGE** — Set forth below is the median percentage change between the price per share at which companies raised funds in a quarter, compared to the price per share at which such companies raised funds in their prior round of financing. In calculating the median, all rounds (up, down and flat) are included, and results are not weighted for the amount raised in the financing. Please note that this is different than the Barometer, which is based on average percentage price change.



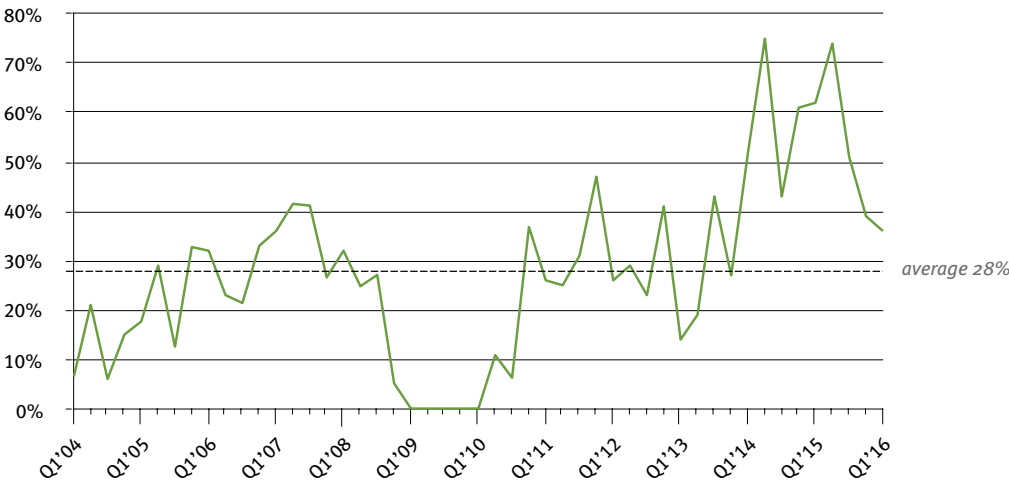
**MEDIAN PERCENTAGE PRICE CHANGE RESULTS BY INDUSTRY** — The table below sets forth the median percentage price change results by industry group for each of the last eight quarters. Please note that this is different than the Barometer, which is based on average percentage price change.

Median % Price Change	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Software	94%	49%	79%	72%	74%	51%	29%	42%
Hardware	78%	40%	53%	44%	29%	45%	63%	56%
Life Science	30%	0%	26%	18%	61%	13%	23%	20%
Internet/Digital Media	99%	54%	56%	99%	97%	83%	95%	65%
Other	8%	38%	29%	92%	77%	36%	44%	2%
Total all Industries	75%	43%	61%	62%	74%	51%	39%	36%

A graphical representation of the above is below.



**EXPANDED MEDIAN PRICE CHANGE GRAPH** — Set forth below is the median percentage price change for each quarter since we began calculating this metric in 2004.



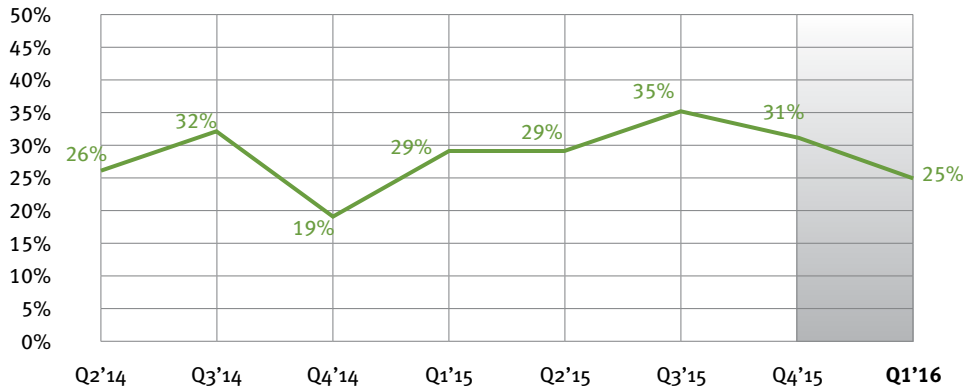
**FINANCING ROUND** — This quarter’s financings broke down by series according to the chart below.

Series	Q2'14	Q3'14	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	Q1'16
Series A	23%	28%	27%	25%	18%	23%	28%	22%
Series B	21%	21%	21%	29%	28%	22%	22%	27%
Series C	26%	20%	19%	18%	20%	19%	24%	29%
Series D	13%	14%	9%	13%	16%	14%	11%	8%
Series E and Higher	17%	17%	23%	16%	17%	22%	15%	14%

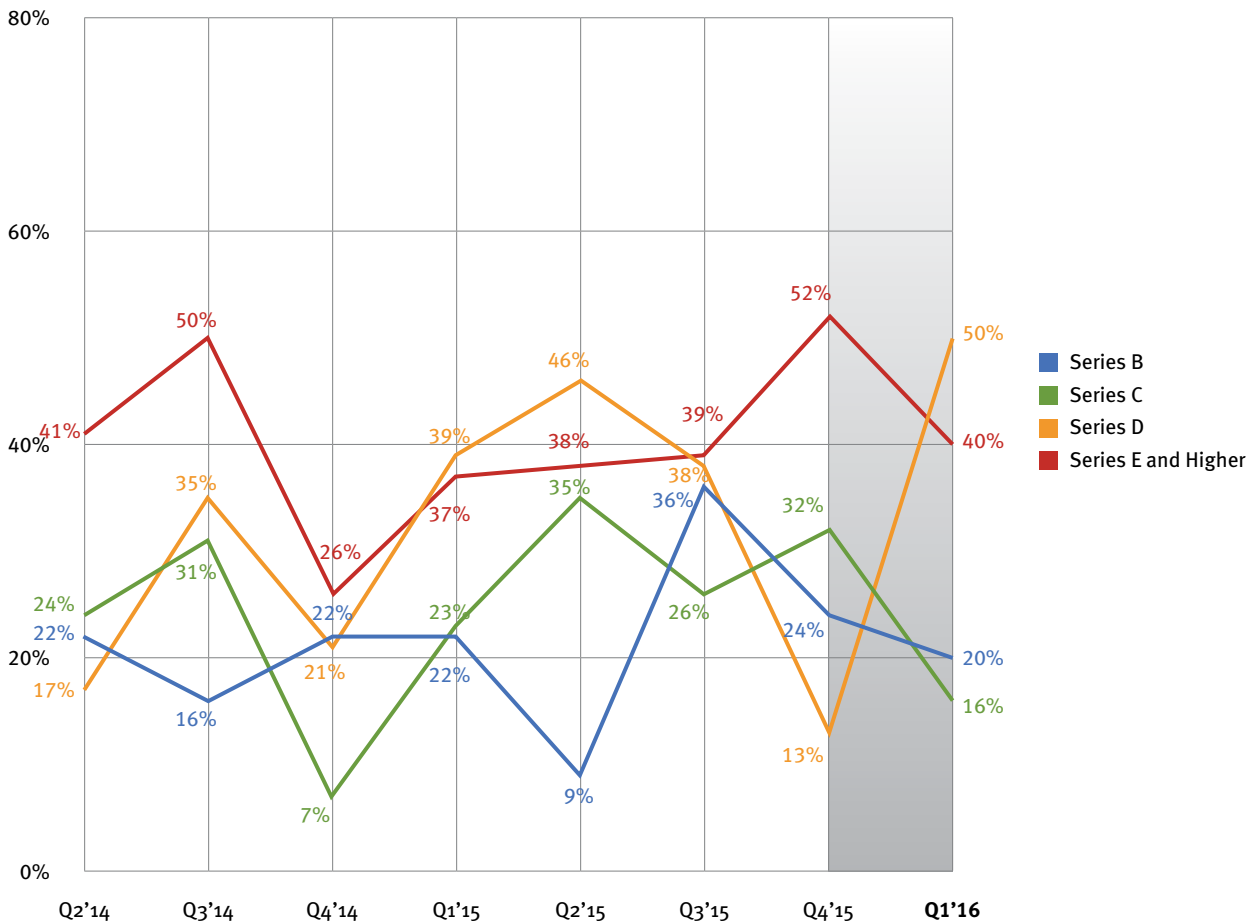


## Fenwick & West Data on Legal Terms

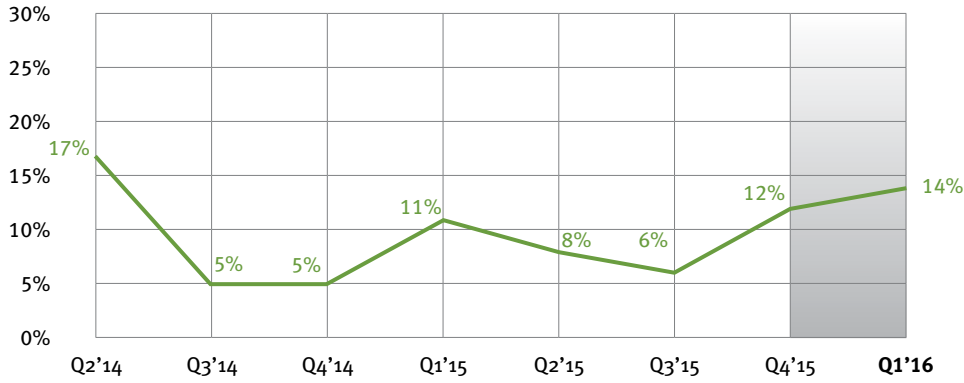
**LIQUIDATION PREFERENCE** – Senior liquidation preferences were used in the following percentages of financings.



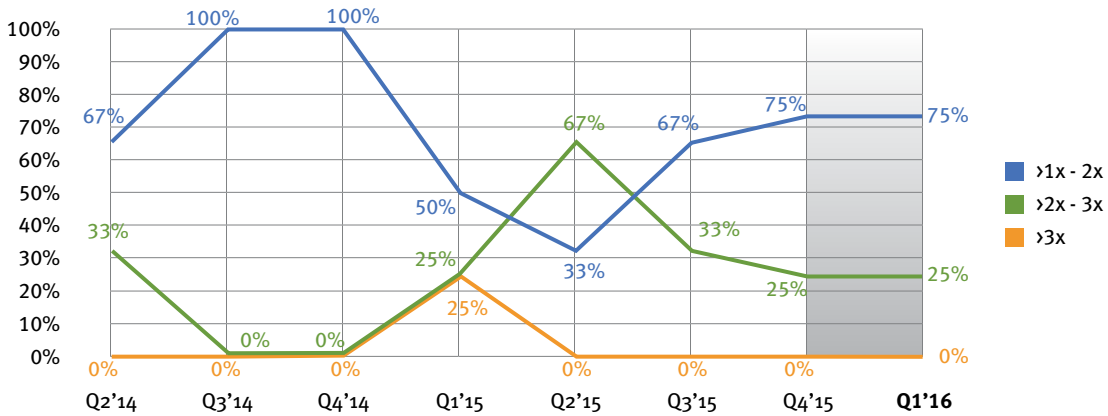
The percentage of senior liquidation preference by series was as follows:



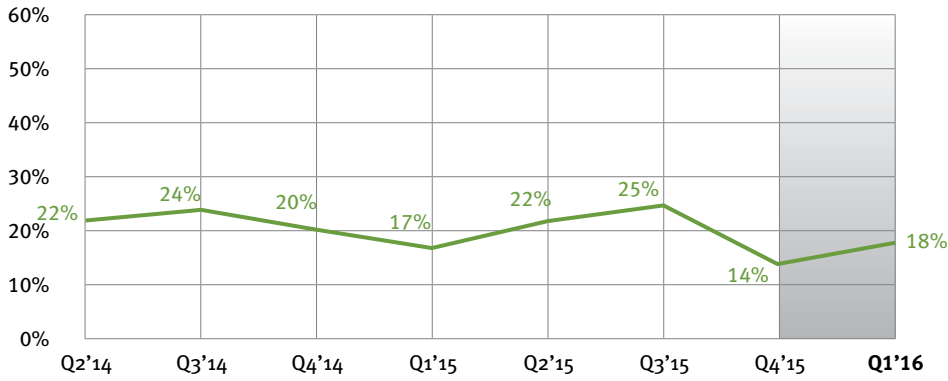
**MULTIPLE LIQUIDATION PREFERENCES**— The percentage of senior liquidation preferences that were multiple liquidation preferences were as follows:



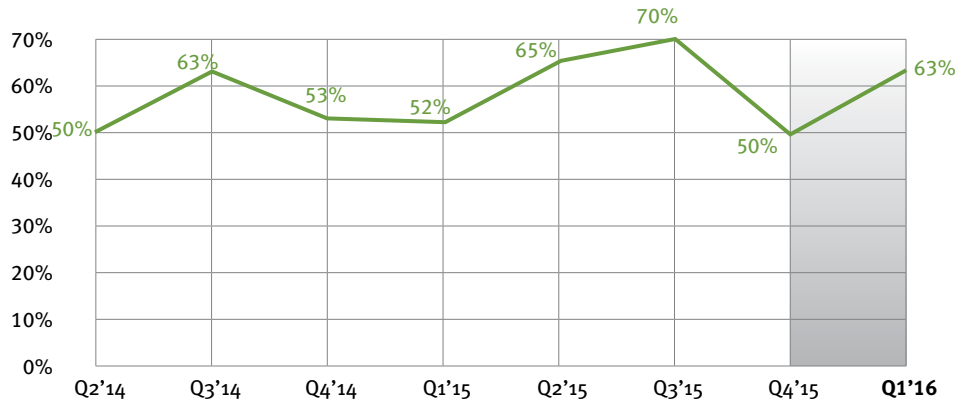
Of the senior liquidation preferences that were a multiple preference, the ranges of the multiples broke down as follows:



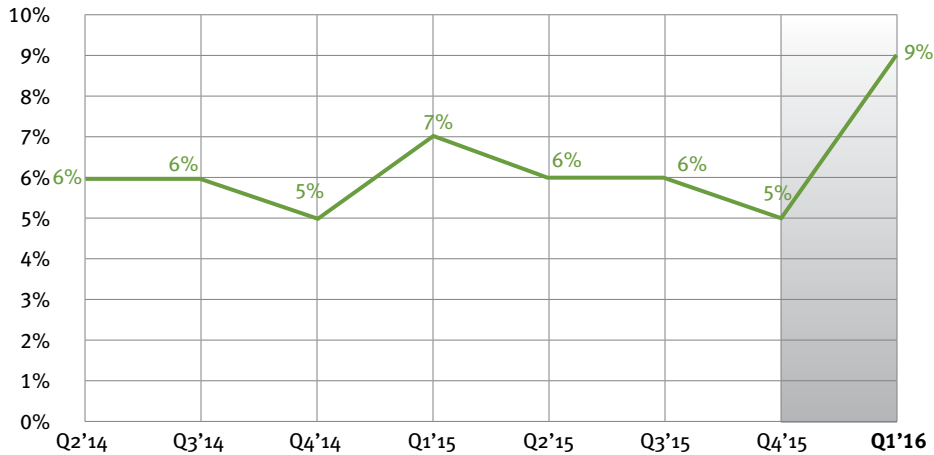
**PARTICIPATION IN LIQUIDATION** – The percentages of financings that provided for participation were as follows:



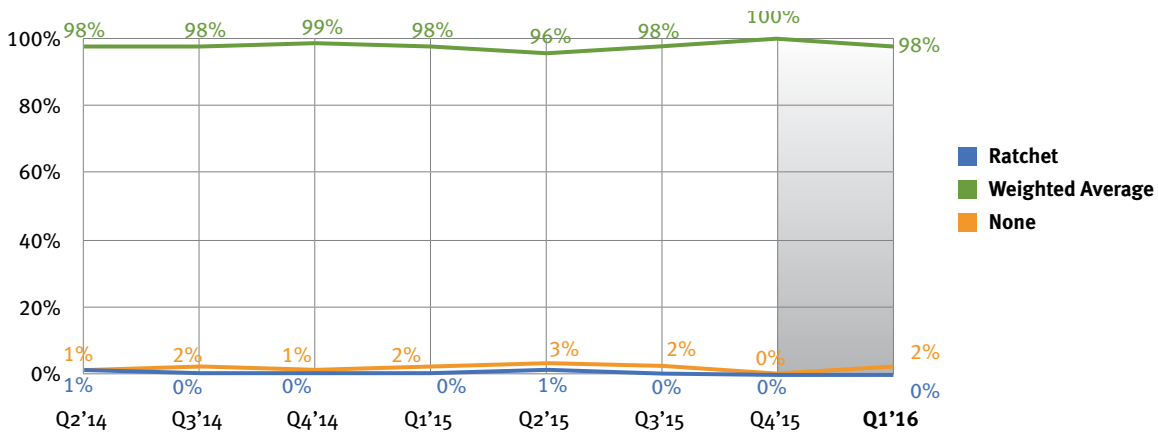
Of the financings that had participation, the percentages that were not capped were as follows:



**CUMULATIVE DIVIDENDS** – Cumulative dividends were provided for in the following percentages of financings:

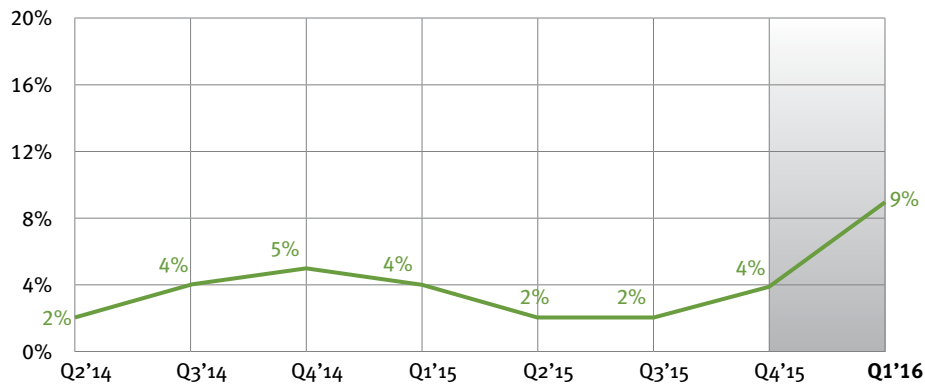


**ANTIDILUTION PROVISIONS** –The uses of (non-IPO) antidilution provisions in the financings were as follows:

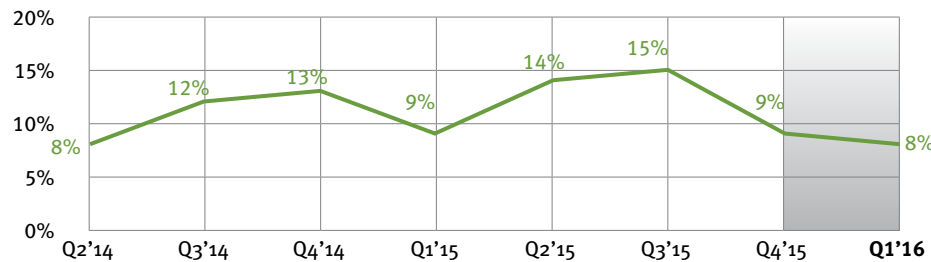


Please note that the chart above only applies to non-IPO anti-dilution provisions. In other words, the chart refers to anti-dilution provisions that protect the investor against a future venture financing at a price below what the investor paid. The chart does not include anti-dilution provisions designed to protect against an IPO at a price below the price paid by the venture investor (e.g., an IPO ratchet), because those provisions are generally only negotiated/included in very late stage, high value deals. We believe it would not be useful to provide a percentage of all financings that have IPO anti-dilution provisions, because it will provide a result that is artificially low. An analysis of IPO anti-dilution provisions is included in our Unicorn Survey, which by its nature is focused on late stage, high value deals.

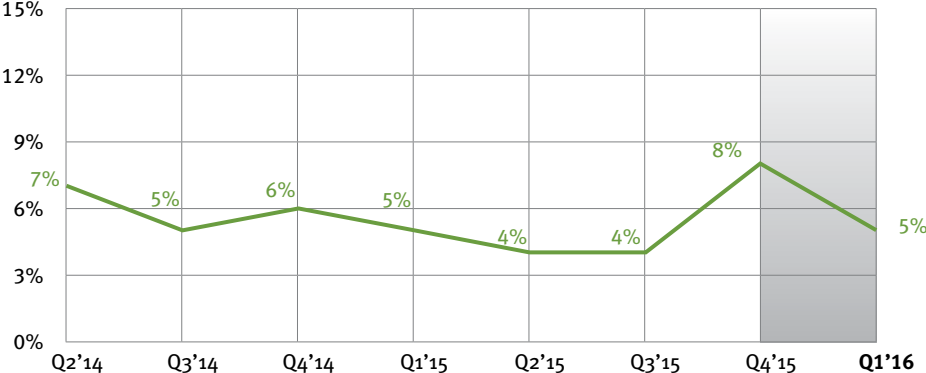
**PAY-TO-PLAY PROVISIONS** – The percentages of financings having pay-to-play provisions were as follows:



**REDEMPTION** – The percentages of financings providing for mandatory redemption or redemption at the option of the investor were as follows:



**CORPORATE REORGANIZATIONS** – The percentages of post-Series A financings involving a corporate reorganization (i.e. reverse splits or conversion of shares into another series or classes of shares) were as follows:



▪ **About our Survey**

The Fenwick & West Venture Capital Survey was first published in the first quarter of 2002 and has been published every quarter since then. Its goal is to provide information to the global entrepreneurial and venture community on the terms of venture financings in Silicon Valley.

The survey is available to all, without charge, by signing up at [www.fenwick.com/vcsurvey/sign-up](http://www.fenwick.com/vcsurvey/sign-up). We are pleased to be a source of information to entrepreneurs, investors, educators, students, journalists and government officials.

Our analysis of Silicon Valley financings is based on independent data collection performed by our lawyers and paralegals, and is not skewed towards or overly representative of financings in which our firm is involved. We believe that this approach, compared to only reporting on deals handled by a specific firm, provides a more statistically valid and larger dataset.

For purposes of determining whether a company is based in “Silicon Valley” we use the area code of the corporate headquarters. The area codes included are 650, 408, 415, 510, 925, 916, 707, 831 and 209.

▪ **Note on Methodology**

When interpreting the Barometer results please bear in mind that the results reflect the average price increase of companies raising money in a given quarter compared to their prior round of financing, which was on average about 18 months prior. By definition the Barometer does not include companies that do not do follow-on financings (which may be because they went out of business, were acquired or went public). Accordingly we believe that our results are most valuable for identifying trends in the venture environment, as opposed to calculating absolute venture returns. Please also note that our calculations are not “dollar weighted,” i.e. all venture rounds are treated equally, regardless of size.

- **Disclaimer**

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- **Contact/Sign Up Information**

For additional information about this report please contact Barry Kramer at 650-335-7278; [bkramer@fenwick.com](mailto:bkramer@fenwick.com) at Fenwick & West.

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