

Research Note

Early-Stage Aspects of Pitchbook's Look Back at 2022 Venture Investments

ARGO POND



C O N S U L T I N G

ArgoPond, LLC

John G Younger, Director
311 Cynwyd Road
Bala Cynwyd, PA 19004
jyounger@argopond.com
www.argopond.com
734.358.1296

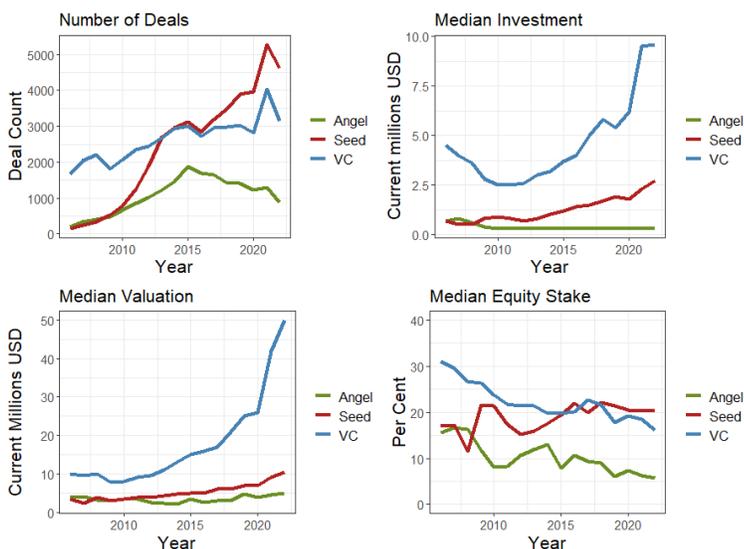
Published on January 9, 2023

ArgoPond Research Notes are provided as a service to ArgoPond clients and colleagues. They are intended as a means of sharing new information related to early-stage investment, methods, and strategy in the Life Science, Medtech, and Diagnostic spaces. ArgoPond is neither a broker nor certified investment advisor. Investment decisions should be made in consultation with professional advisors and with the totality of available evidence.

Pitchbook has released its first look at [2022 Q4 investment activity](#). The data aren't yet sector specific, but still contain some points worth emphasizing. I've plotted some specifics below.

- **Last year, deal count fell back in line with decade-long trends while deal size remained very elevated relative to pre-pandemic.** These data reflect full-year results and therefore underestimate worsening conditions for investors and founders in Q3 and Q4. As I've written about [recently](#), given the long lags in updating valuations in the very early-stage space watch for these trends to continue downward, maybe by 25-50%.
- **The pendulum will continue to swing in favor of investors over start-ups.** Inflation and payroll expenses are increasing burn rate and hastening new rounds of fundraising. At the same time, valuations will continue to reset downwards from both macroeconomic uncertainty and a growing number of comparable deals made in the 'new regime.' I'd expect this trend to appear as an upward deflection in deal equity stake (i.e., the % of ownership that is sold in a round – plotted in the lower right panel below as the ratio of Investment to (Investment + Pre-Money Valuation)).
- **Lastly, there's strangeness in the reported Angel-stage data that predates the pandemic.** Details of, and even the existence of, very early deals can be difficult to uncover. That said, there's a 7-year decline in Angel deal count in these data. The median investment in that stage flat-lined at \$300K for a decade. I'm not privy to all Pitchbook's methods. However, from these data one could imagine a few scenarios. Culturally, start-ups may be less likely to broadcast very early money in. That hasn't been my personal experience. What seems more likely is that Angel investors are 'syndicating up' with early institutional investors into a different deal classification. Any trend therefore may be one of category, not activity. I don't interpret it as a drying up of very early capital.

Pitchbook Early-Stage Deal Stats, All Verticals, 2006-2022



Source: ArgoPond | Pitchbook