Key Takeaways from the 2Q 2017 Pitchbook and National Venture Capital Association Venture Monitor

In 2014 and 2015, we saw a flurry of venture capital activity; however, that activity declined over most of 2016. 2017 however, seems to be off to a better start. According to the 2Q 2017 Pitchbook and NVCA Venture Monitor, the first two quarters of this year have finally shown an upswing in venture capital activity. Below, we take a look at the key findings from this report.

Self-Correction: One of the important takeaways from the report is that, "US venture investment activity is firmly in the middle of a self-correction period." The report found that in the first six months of 2017, 3,876 companies received $37.76 billion in financing. This puts 2017 on pace to either match or surpass the $71 billion of venture capital investment in 2016. This also seems to show that the industry is correcting after the frenzy of activity we saw in 2015.

Mega-Financings: Another interesting finding is that while there was not a major difference in the number of financings in 1Q and 2Q this year, there were several "mega-financings" in 2Q that fueled its higher numbers. For example, the top ten deals in 2Q totaled $4.3 billion. There were also over 30 financings that met or exceeded the $100 million mark. This continues the trend seen in the last several years of these larger financings.

Early Stage Investment Takes a Hit: While there are still fewer deals at all stages, this report highlights that the decline is most prevalent in angel or seed stage companies as investors report that they see the most promise in later stage companies. They attribute this to the large number of financings for early stage companies in 2015/2016, and perhaps an indication that investors believe we are near the end of the long bull cycle.

The Future Looks Bright: As we look to the rest of 2017, the report's authors note that venture capital investment is unlikely to drop off. While exit strategies remain a concern for investors (as we have discussed in previous blog posts), there is a sense of optimism due to a stronger 2Q for venture-backed IPOs and even more in the pipeline.

To download the full report for free, click here.