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# MARKETS TO WATCH: **Pacific Northwest**

2021

DATA PROVIDED BY  PitchBook.

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# EXECUTIVE SUMMARY

- Disclosed deal value generated in aggregate across the Pacific Northwest (PNW)<sup>1</sup> reached a record-setting \$5.4 billion in 2020, while investment volume fell by just 7.6% year-over-year (YoY) to 488 funding rounds—momentum that has carried into 2021 for the PNW’s venture capital (VC) and emerging technology ecosystem.
- Median transaction sizes in 2020 remained modest, with expansion restricted to rounds for early-stage startups, which jumped to \$6 million for the year while angel & seed deals remained flat and late-stage financings slightly declined.
- However, median pre-money VC valuations posted significant gains on 2019’s results, with those for late-stage companies reaching a record \$76.5 million. Meanwhile, early-stage startups enjoyed a valuation step-up of 41% over the same period to hit \$30 million—a result that still trailed the nationwide median of \$35 million in 2020.
- After generating an outsized sum of \$6.1 billion in 2019, VC exit activity produced just \$2.5 billion for 2020—a trend that has already reversed. On just six exits, the exit value generated by PNW-based companies has already hit \$4.4 billion as of March 30.
- Funding for the region’s industry-leading database software and cloudtech & DevOps segments bounced back in 2020, posting gains on deal count and aggregate deal value, which climbed from \$173.4 million in 2019 to \$225.6 million in 2020—the third highest tally on record.
- The region’s reputation for innovation has helped fresh capital flow into the PNW ecosystem, with commitments to new investment funds jumping by some \$2 billion in aggregate over 2019 to put the sum of fundraising since the start of 2010 at \$10.1 billion across 120 funds.

1: The regions comprising the Pacific Northwest for the purposes of this report are the Seattle CSA and the Portland CSA.

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**\$28.5B**

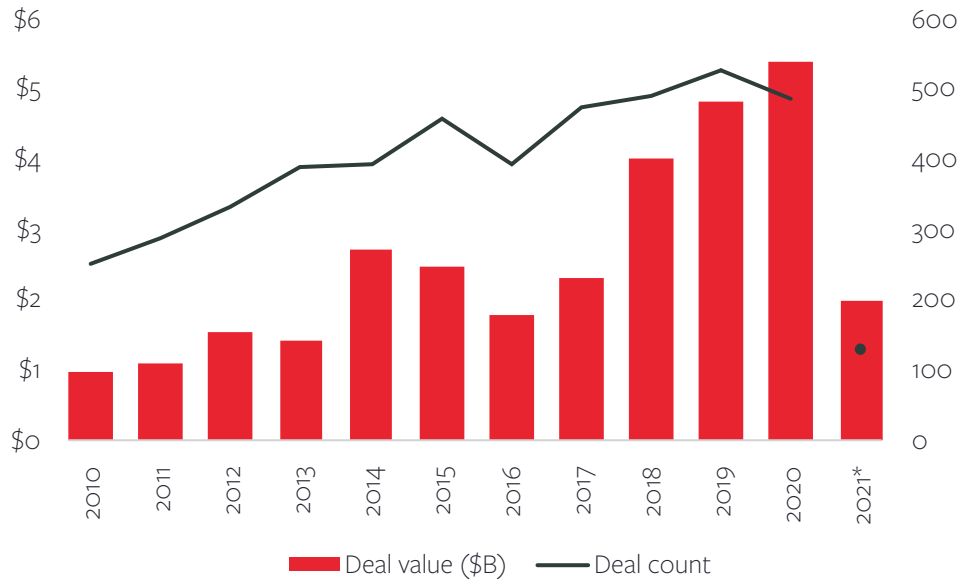
Sum of VC raised by startups based in the PNW from the start of 2010 through 2020, expanding at a CAGR of 19% across more than 4,474 funding rounds closed over the same period.

# OVERVIEW

The PNW represents one of the strongest emerging tech and VC ecosystems in the US. The Seattle area alone is home to two of the five largest companies in the world in terms of market cap—Microsoft and Amazon. In turn, these former startups have churned out a considerable cohort of founders over the years. For example, social game developer Rec Room, one of six Seattle-based unicorns with founder ties to Microsoft, was started by Nick Fajt, a former producer and program manager on HoloLens. The Roblox rival, valued at \$1.25 billion in March, has raised \$149 million in total funding to date from local venture firms such as Madrona Venture Group and Silicon Valley giants such as Sequoia Capital. Likewise, Instacart, now a staple service for many since the beginning of the COVID-19 pandemic, has raised \$2.7 billion for its grocery picking and delivery service last valued at \$38.7

## VC deal activity

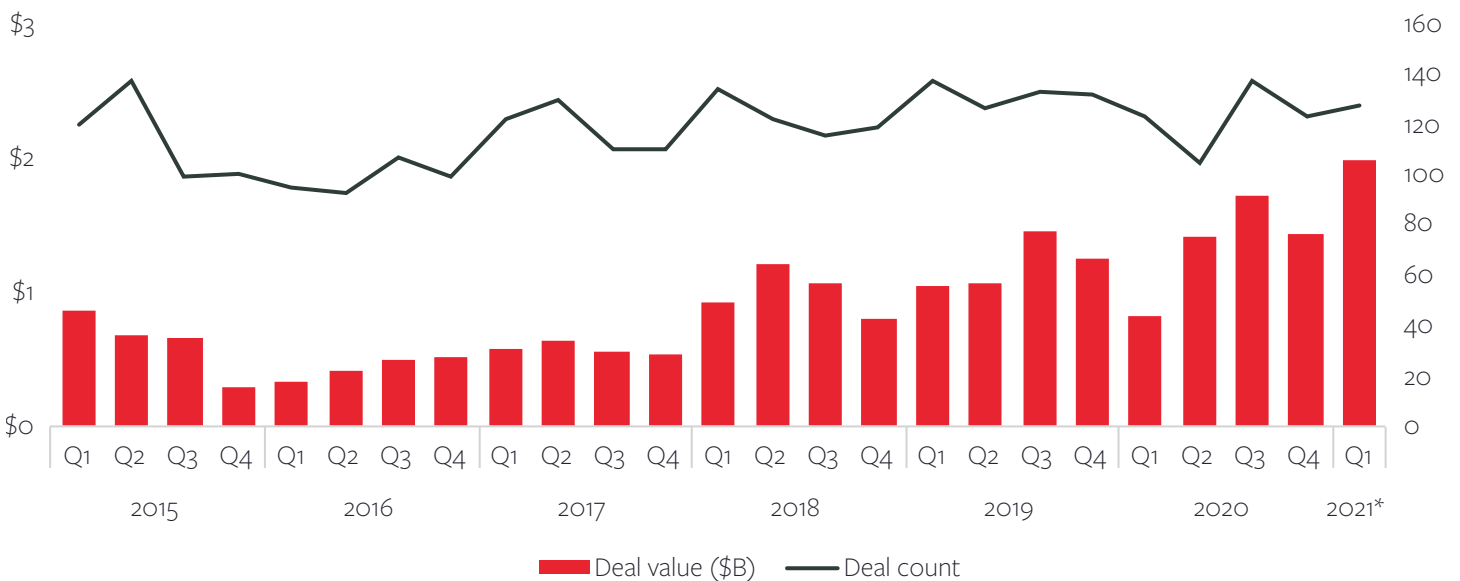
Investment value set new record despite the pandemic



Source: PitchBook | **Geography:** Unless otherwise noted, the geographic scope of these datasets are the following combined statistical areas (CSAs): Portland-Vancouver-Salem, OR-WA; Seattle-Tacoma, WA. \*As of March 30, 2021

## VC deal activity by quarter

Investment activity surged at the height of pandemic-induced uncertainty



Source: PitchBook | **Geography:** Seattle CSA, Portland CSA \*As of March 30, 2021

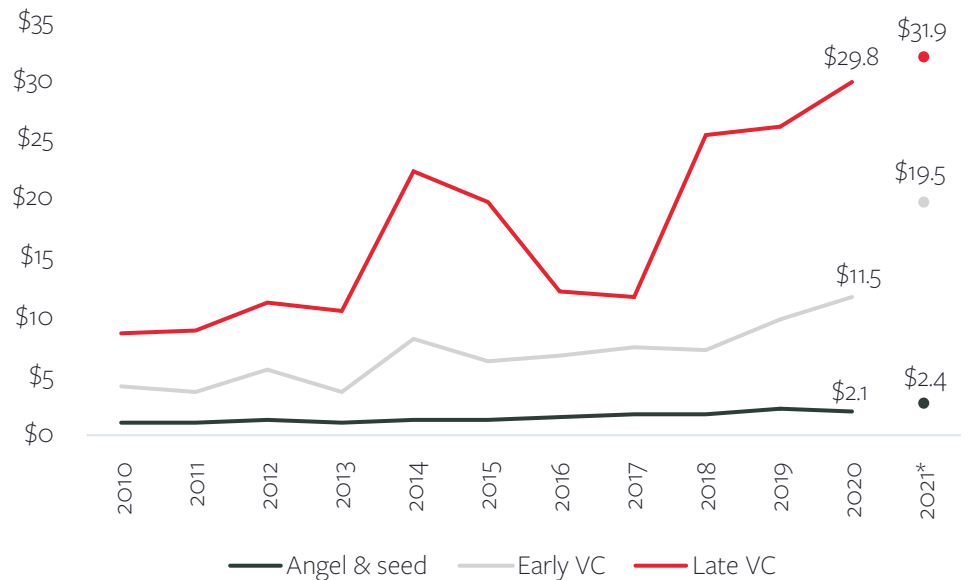
billion pre-money. Although based in the Bay Area, the platform's founder, Apoorva Mehta, spent two years as a supply chain engineer at Amazon.

The PNW's outsized reputation for innovation, fostered by the success of Seattle-based startups, has attracted tech giants from outside the region such as Apple, Facebook, and Google to ramp up hiring efforts and to open regional offices to tap the considerable pipeline of local software engineering talent. Salesforce CEO, Marc Benioff, dubbed Seattle "HQ2" with its purchase of data visualization platform Tableau in 2019 for \$15.7 billion—one of the larger exits for the region via M&A in the last decade. For its part, Apple has more than **250 jobs**, largely seeking software developers, listed for Seattle alone as part of its long-term plan to hire around 2,000 people in the area by mid-decade to bolster its Siri voice assistant and to support its larger AI strategy. Meanwhile, Portland has emerged as an alternative destination for capital to bypass its pricier neighbor to the north. For scrappy, cash-strapped startups, larger tech markets have become cost-prohibitive nationwide—and Seattle is no exception. Moreover, the Portland area's own reputation for innovation has benefited from several prominent exits over the past year, led by marketing data broker ZoomInfo's IPO at the height of the pandemic. The public debut, valuing ZoomInfo at \$13.4 billion, raised more than \$900 million to become the Portland area's biggest-ever IPO.

These dynamics have helped VC flow with growing ease into the PNW ecosystem over the past decade. Since the start of 2010 through year-end 2020, PNW-based startups raised \$28.5 billion in aggregate

### Average VC deal size (\$M) by stage

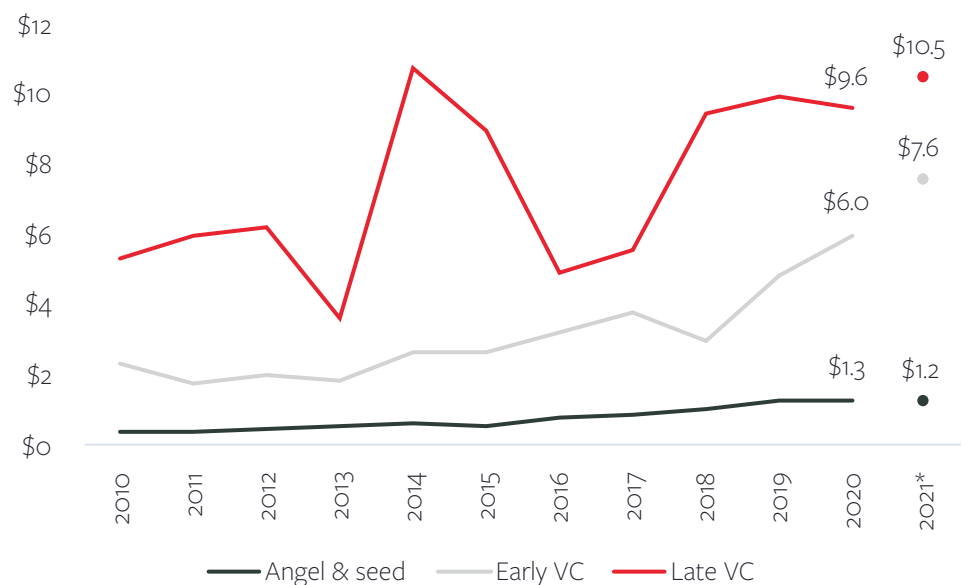
Average transaction sizes reach new heights for more mature startups



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

### Median VC deal size (\$M) by stage

Median transaction sizes maintain or extend YoY gains



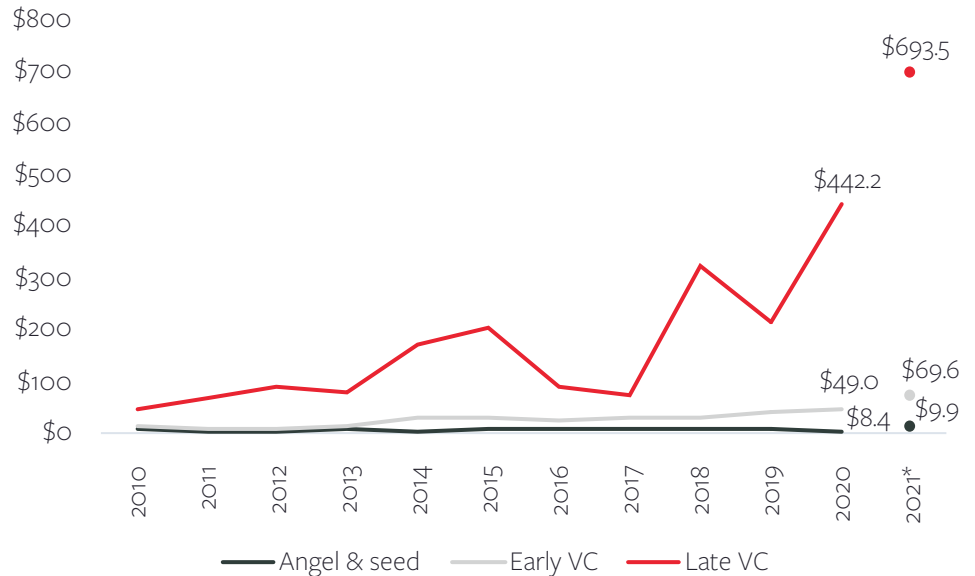
Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

across nearly 4,500 funding rounds, representing compound annual growth rates (CAGRs) of some 19% and 7% for VC investment and financing volume, respectively. The COVID-19 pandemic has not inhibited VC commitment to PNW-based companies, which reached a record sum of \$5.4 billion in 2020. After pulling back to end the year, VC allocation to the PNW ecosystem has already posted a record quarterly sum of \$2 billion in Q1 2021, results that will undoubtedly grow as more transaction data emerges.

Late-stage VC financing accounted for a record \$3.7 billion, or 68.5%, of the total venture funding in 2020 for the PNW region, with Series D rounds and beyond accounting for \$1.8 billion in value. However, median transaction sizes in 2020 remained modest, with expansion restricted to rounds for early-stage startups, which jumped to \$6 million for the year while angel & seed deals remained flat and late-stage financings slightly declined. Meanwhile, median pre-money valuations posted significant gains on the results for 2019, with those for late-stage companies reaching a record \$76.5 million while early-stage startups enjoyed a considerable step-up of 41% over the same period to hit \$30 million. The recent proliferation of mature, high-value companies has also helped the PNW ecosystem attract considerable sums from outside investors. In 2020, VC firms based outside of the region invested a record \$3.3 billion across 327 deals, helping the CAGR for outside investment value expand by 20% over the past decade.

### Average VC pre-money valuation (\$M) by stage

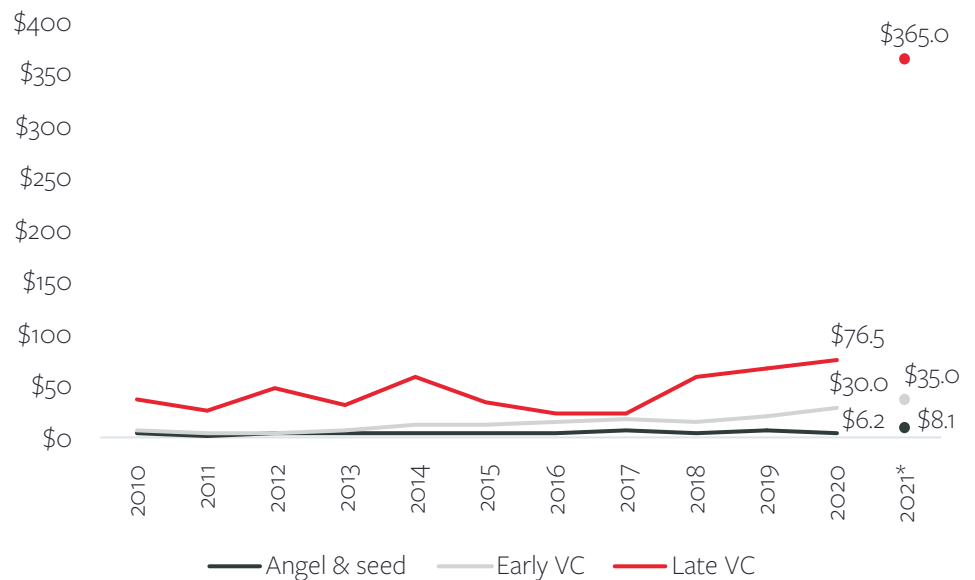
Average valuation more than doubled YoY at the late stage



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

### Median VC pre-money valuation (\$M) by stage

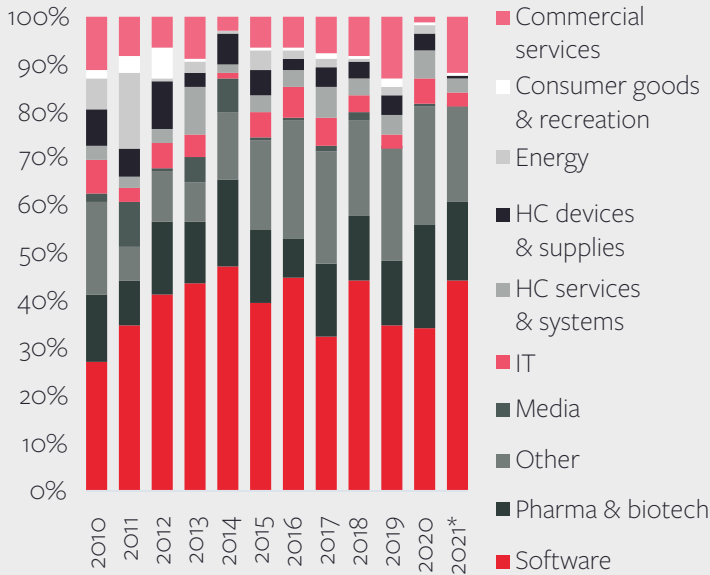
Valuations reach unprecedented heights at the late stage



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

### VC deals (\$) by sector

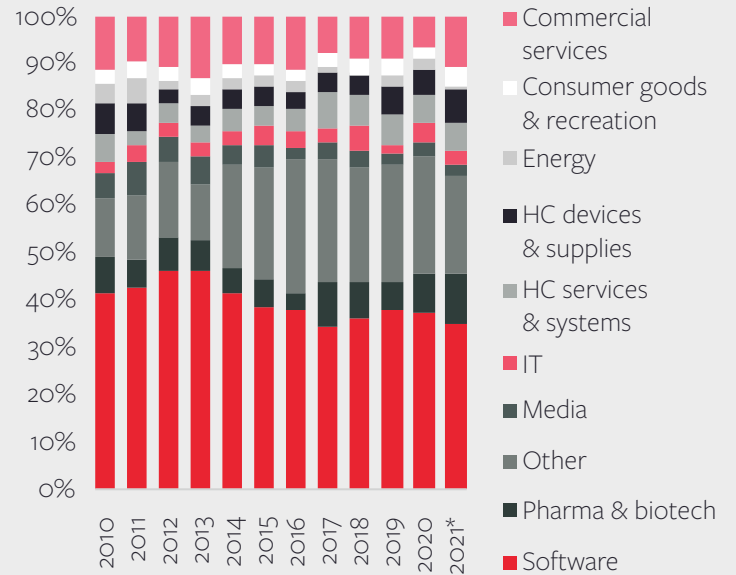
Leading trio of sectors expanded on gains in YoY deal value



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

### VC deals (#) by sector

Software continued to command greatest share of investment volume



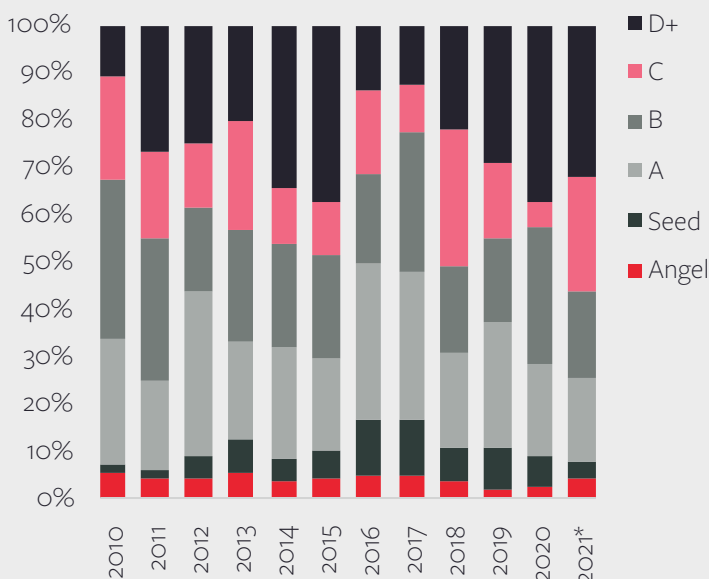
Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

**\$873.5M**

For 2021, VC firms have already committed nearly \$1 billion to the PNW's software space across 44 funding rounds—or almost half of all venture raised on just a quarter of all deals closed in 2020 as of March 30.

### VC deals (\$) by series

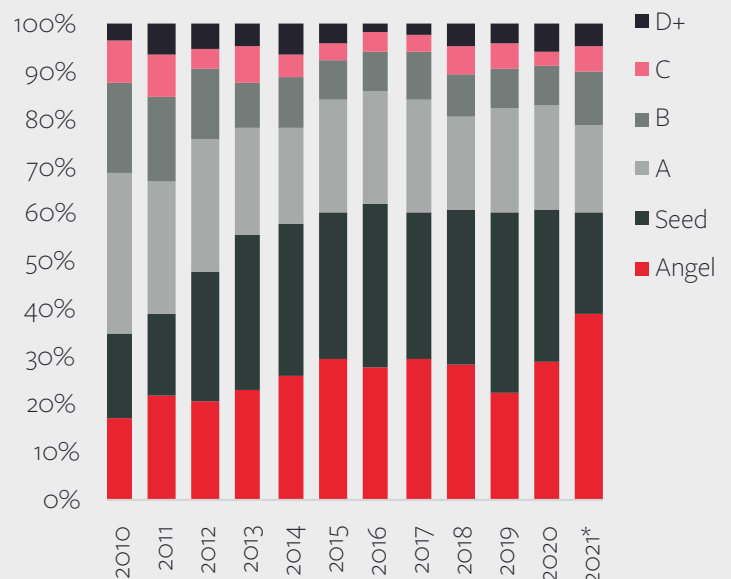
Series B companies grew share of overall value in 2020



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

### VC deals (#) by series

Seed-stage transactions fall by about a third YoY

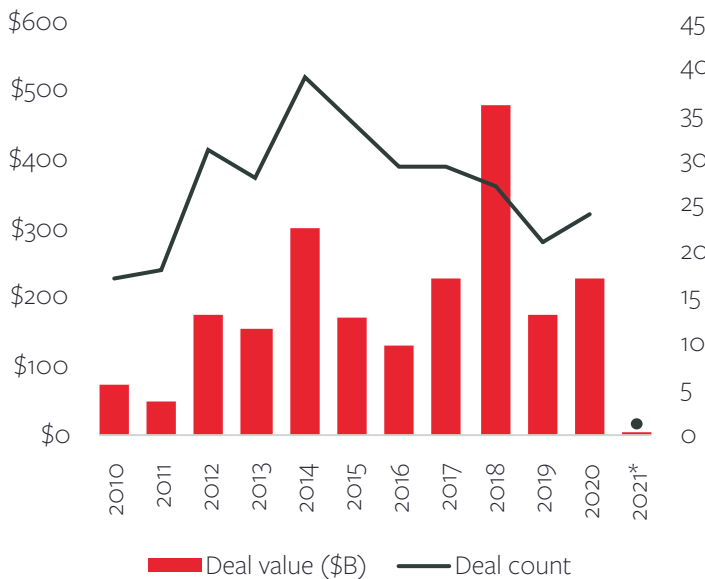


Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

# SPOTLIGHT

## Database software and cloudtech & DevOps VC deal activity

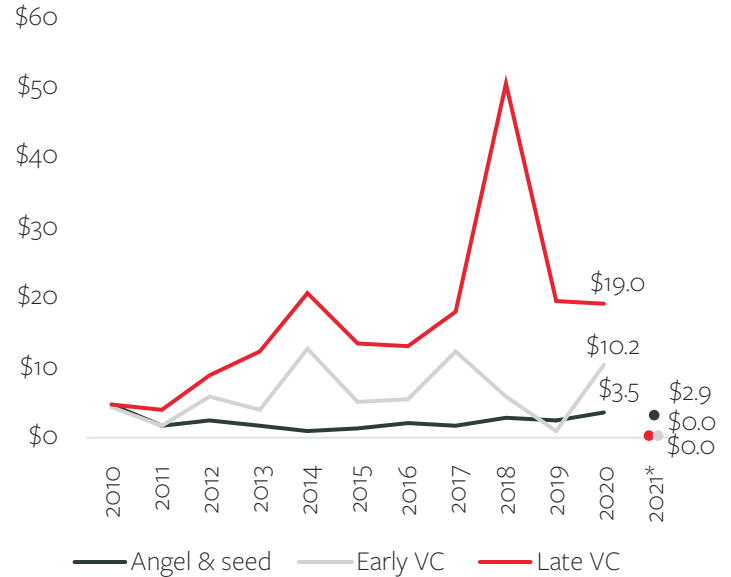
Investors return to cloud computing space to fuel funding growth



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

## Database software and cloudtech & DevOps average VC deal size (\$M) by type

Mean transaction sizes remained near historic heights



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021  
Note: The sample size is  $n < 30$  for 2021.

Venture funding for the PNW's software startups reached its highest sum since at least the start of 2006 at \$1.9 billion across 183 completed deals in 2020. These figures represent an extension of elevated funding for the space that kicked off with the \$1.8 billion committed across 178 rounds in 2018, when the sector jumped 1.1x YoY in annual investment. Of the \$28.5 billion raised by PNW-based startups over the past decade, \$11 billion of that amount went to software startups. At 1,768 funding rounds closed, the sector has also captured 39.5% of all investment activity in that time.

Thanks in part to the significant incumbent presence represented by Amazon's AWS and Microsoft's Azure, startups from the wider database software and cloudtech & DevOps verticals have captured a sizable share of venture investment activity in recent years.

Since the start of 2010 through year-end 2020, database software and cloudtech & DevOps companies in the PNW have secured \$2.1 billion in venture funding across 297 rounds—an average of \$7.1 million in disclosed value per deal. At more than \$225 million invested across 24 funding rounds for companies in the space, 2020 represented a recovery in venture financing activity with overall value climbing roughly 30% on only three more deals YoY. Meanwhile, median deal sizes across the space contributed to the wider PNW ecosystem registering an uptick overall. For early-stage database software and cloudtech & DevOps companies, the median deal size surged from \$1.1 million in 2019 to \$7.5 million, testing the top of the range set in 2017 at \$10.5 million. Finally, angel & seed deals posted a record median of \$3 million for 2020.

Venture funding for the space has helped raise a considerable crop of up-and-coming companies in recent years. For instance, Seattle-headquartered database software provider Qumulo has raised \$347.5 million in VC funding, achieving a \$1.1 billion valuation as part of its \$125 million Series E in the summer of 2020. Meanwhile, Portland's Puppet, a deployment and runtime platform, has raised \$178.5 million to date and received \$40 million of debt financing from Blackrock Capital Investment in July 2020 to scale operations. Cloud migration, automation, and satisfying the growing deployment of digital services should continue to drive funding into leading database software and cloudtech & DevOps companies in the PNW.

# EXITS & FUNDRAISING

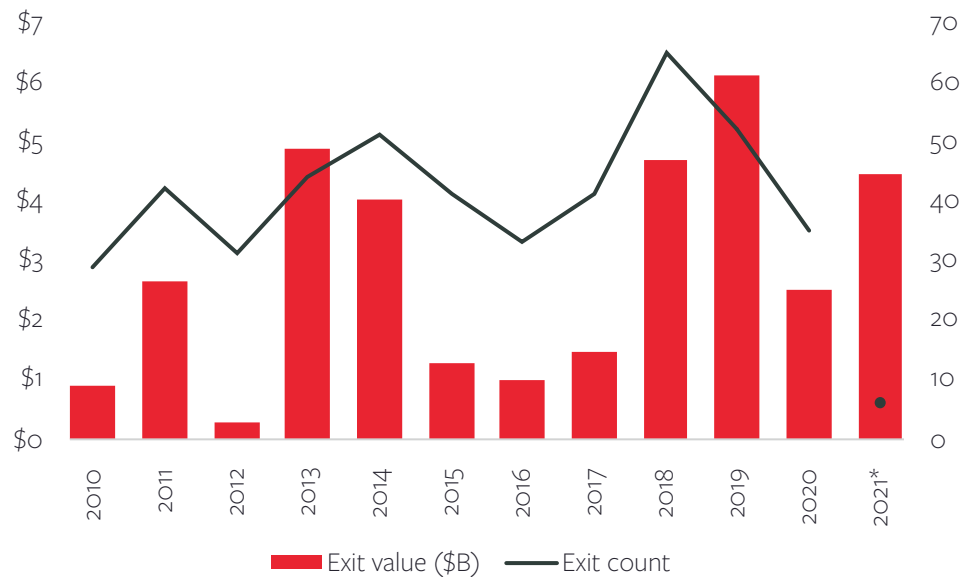
The PNW has produced many prominent exits, not least the public listings of Zillow, which valued the now ubiquitous property listings platform at \$538.2 million in 2011, and Avalara, which raised \$180 million on a \$1.6 billion valuation for the tax compliance software provider in 2018. Last year, public listings generated \$1 billion in exit value, to which acquisitions, including buyouts, added another \$1.5 billion. Indeed, M&A has long provided a lucrative exit route for PNW-based companies and their investors. For example, the travel and expense management platform Concur Technologies was acquired by Germany's SAP for \$8.3 billion in 2014.

Thanks to a robust IPO market for VC-backed companies from the space, which generated \$11.5 billion in capital across 73 biotech public listings overall in 2020, the region's pharma & biotech startups have also enjoyed a favorable reception of late. In the last year alone, a trio of IPOs and secondary offerings have generated a combined \$1.5 billion in aggregate value:

- Sana Biotechnology raised \$587.5 million on an offering that valued the company, which develops engineered cells as medicines and therapies, at \$4.6 billion.
- Athira Pharma, a developer of small molecules to restore neuronal health and stop neurodegeneration, raised \$106.2 million in a secondary offering that followed its Q3 2020 debut, which raised \$204 million.
- Likewise, Atossa Genetics, the clinical-stage company behind breast

## VC exit activity

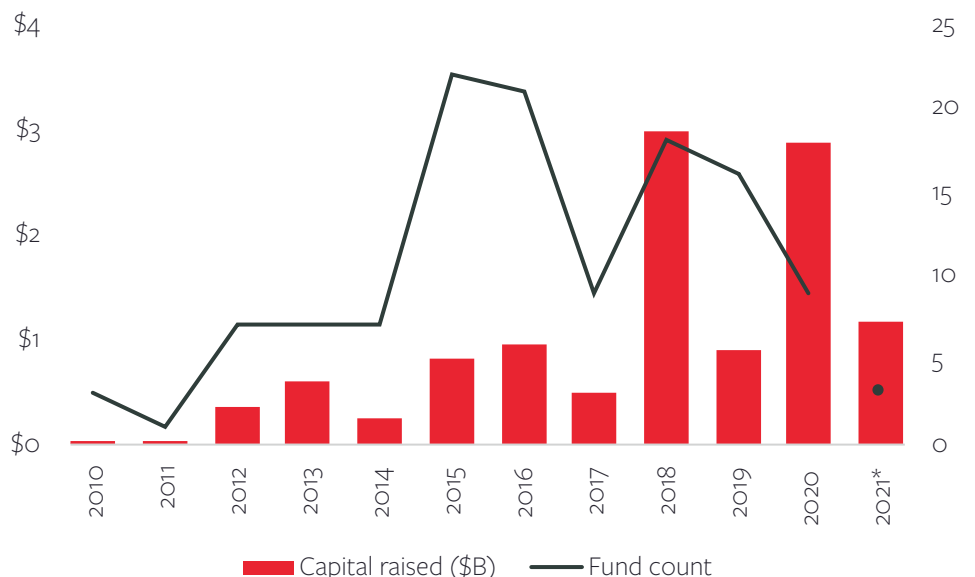
Public markets help exit values to bounce back in new year



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
 \*As of March 30, 2021

## VC fundraising activity

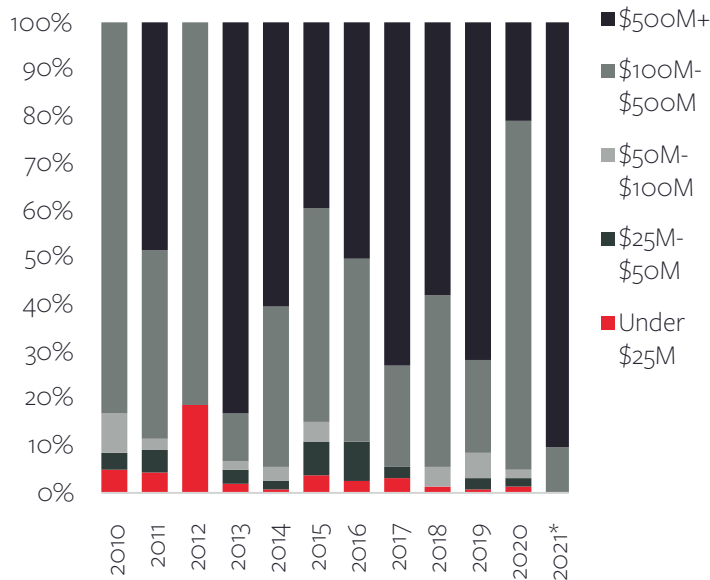
Fundraising resurgent despite decline YoY in new vehicles



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
 \*As of March 30, 2021

### VC exits (\$) by size

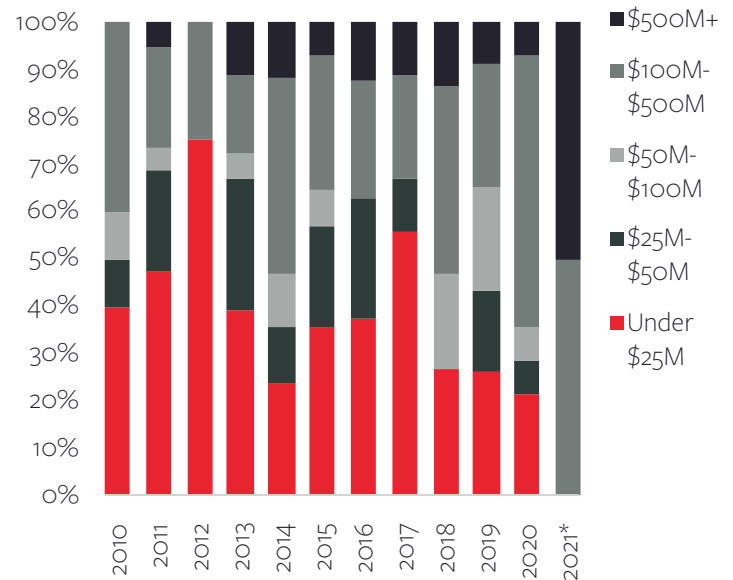
Sizable deals generated majority of exit value



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

### VC exits (#) by size

Exits greater than \$25 million continued to dominate activity



Source: PitchBook | Geography: Seattle CSA, Portland CSA  
\*As of March 30, 2021

cancer treatment Endoxifen, added another \$23 million with a secondary offering launched in January.

Thanks to PNW startups of every stripe emerging as favorite targets for external funding, local sources of capital have remained remarkably robust over the past decade in no small part because PNW-based VC firms are also better-placed to fund the most nascent of ventures from their own backyard. The region has

generated \$10.1 billion in VC dry powder across 120 funds, with a near-record \$2.9 billion ready for investment from firms across the PNW at the end of 2020. Meanwhile, the robust exit activity of the past few years will continue recycling capital back into the ecosystem. As companies across the region's leading software and pharma & biotech sectors continue to emerge, a fair share of the expansion in LP commitments should extend support for rounds at the late stage

to further scale operations ahead of exit. Indeed, funds closing on \$1 billion or more in commitments commanded the lion's share of fresh funds coming into 2021.


**\$4.4B**

On just six exits, the exit value generated by PNW-based companies has already hit \$4.4 billion for Q1 2021.

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