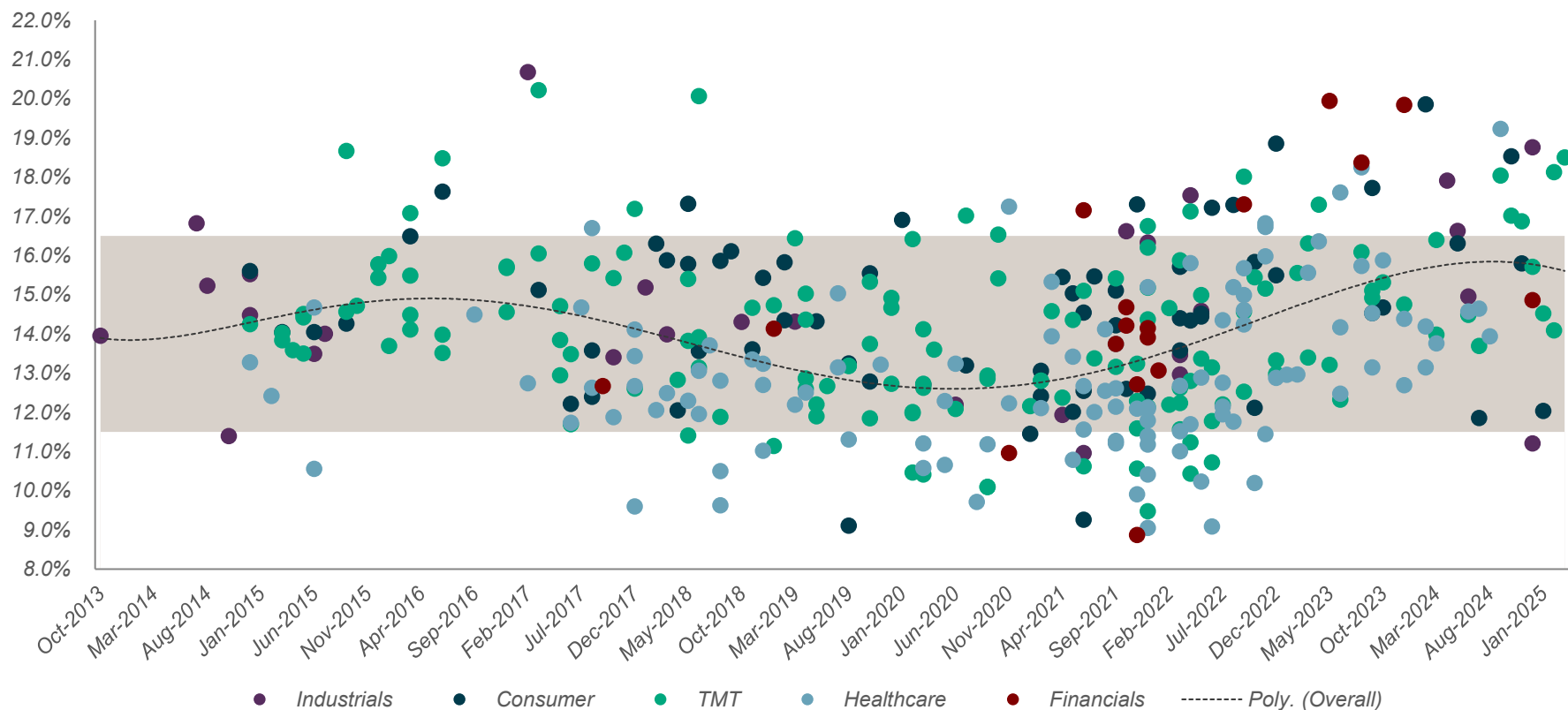




# Venture Valuation Primer

## Q2 2025

# Venture Debt Trend Analysis



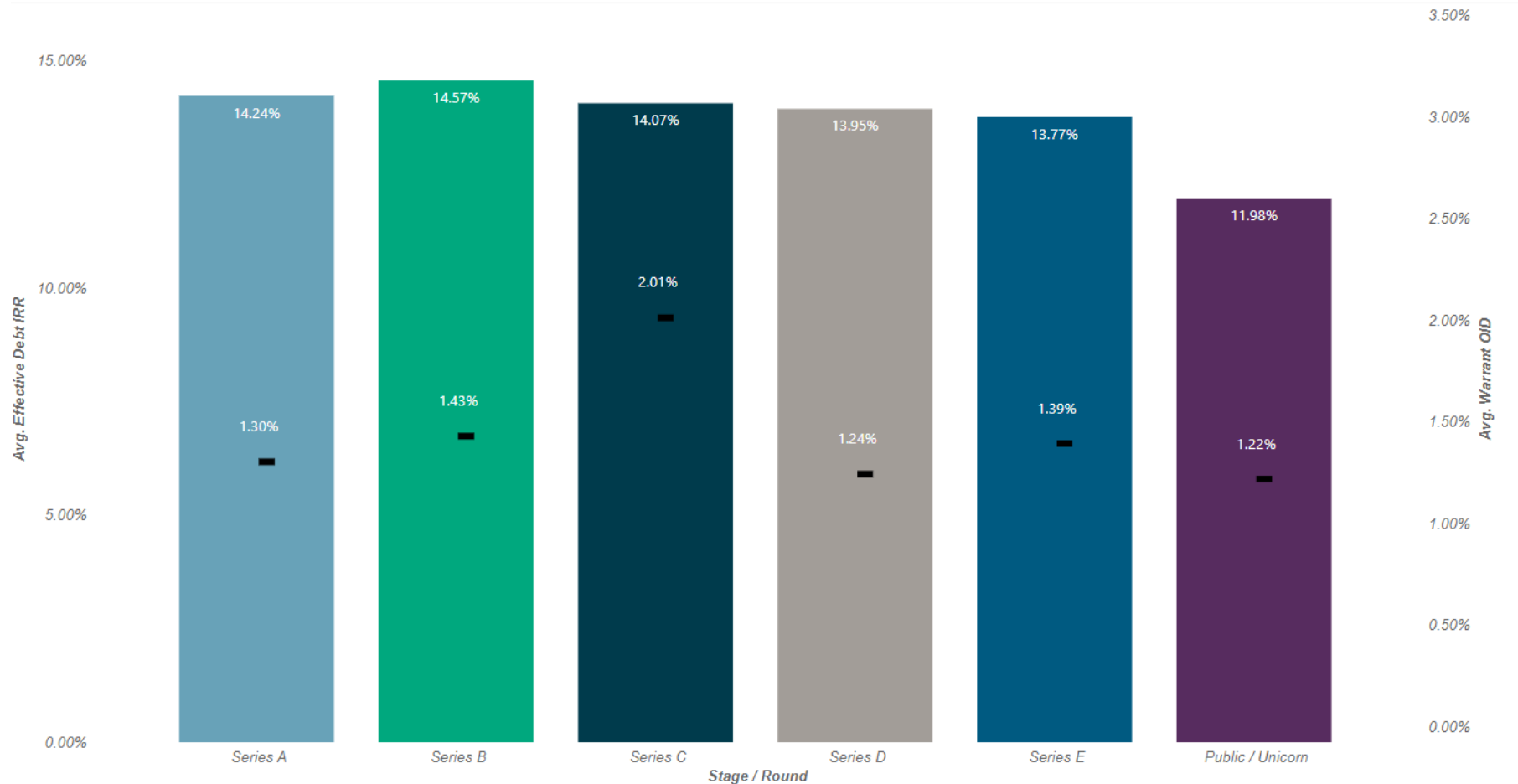
**Originations continue to generate all-in IRRs between 12.0% to 16.0%, demonstrating stability in the venture lending market. Yields have trended toward the higher end of the venture debt yield band due to rising rates; however, spreads are compressing to maintain the similar all-in yields.**

**Strong companies continue to borrow within the range shown above, while companies in industries that are out of favor tend to have a cost of debt capital on the higher end or slightly above the high end of the range.**

Typically targeted yield range as of December 31, 2024.

© 2025 Lincoln Partners Advisors LLC. All rights reserved. LINCOLN PRIVATE MARKET INDEX, LINCOLN SENIOR DEBT INDEX, LINCOLN VOG PROPRIETARY DATABASE and LINCOLN INTERNATIONAL are service marks owned by Lincoln Partners Advisors LLC and its affiliated entities. Any use of these service marks and these materials, including the reproduction, modification, distribution or republication of these materials, without the prior written consent of Lincoln International, is strictly prohibited.

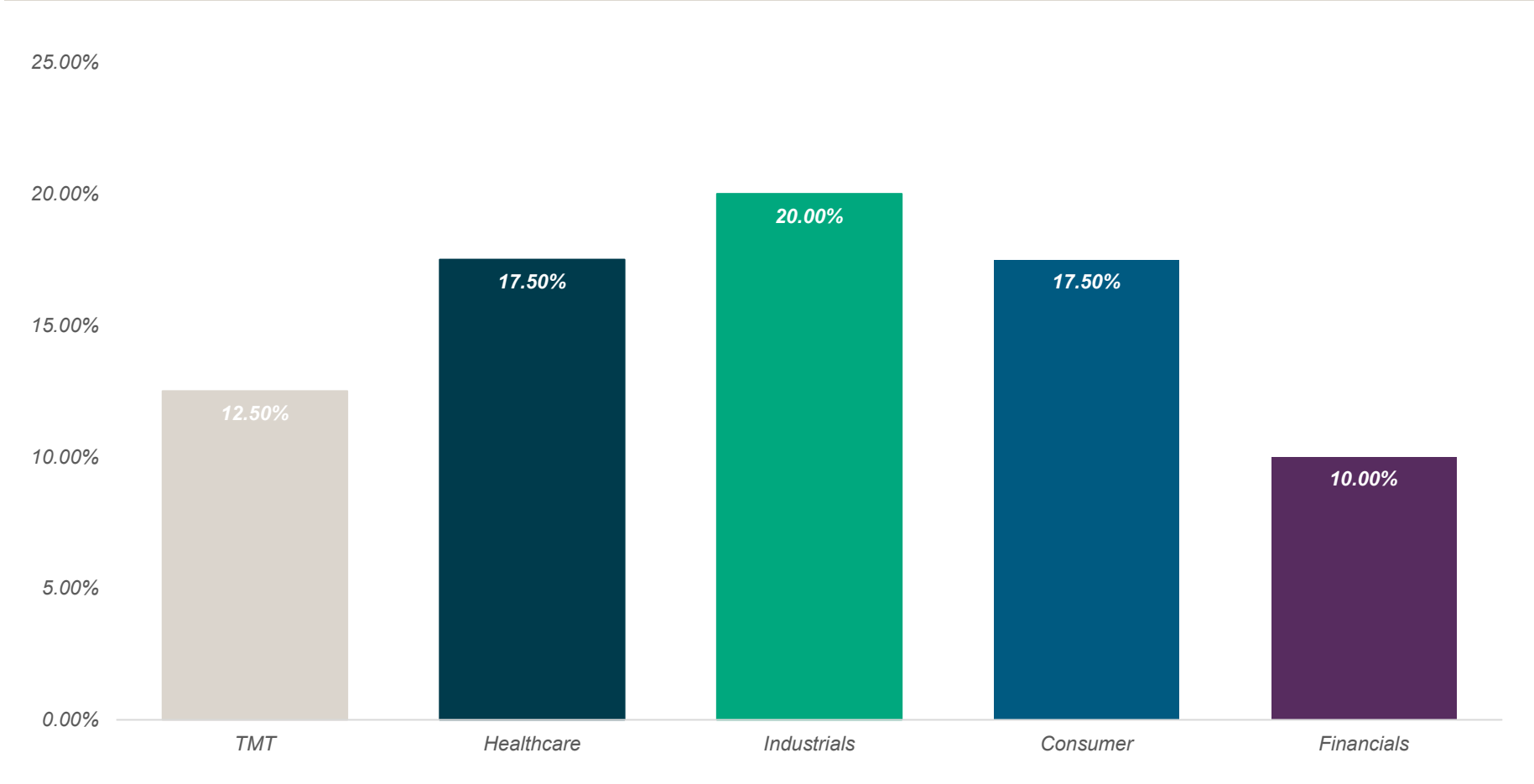
# Venture Debt Yields By Stage<sup>(1)</sup>



**Consistent with prior periods, expected yields generally increase as investors originate earlier stage deals. Spreads on venture deals have tightened to offset the rise in prime, maintaining IRRs closer to the higher end of the historical range of 12.0% to 16.0%.**

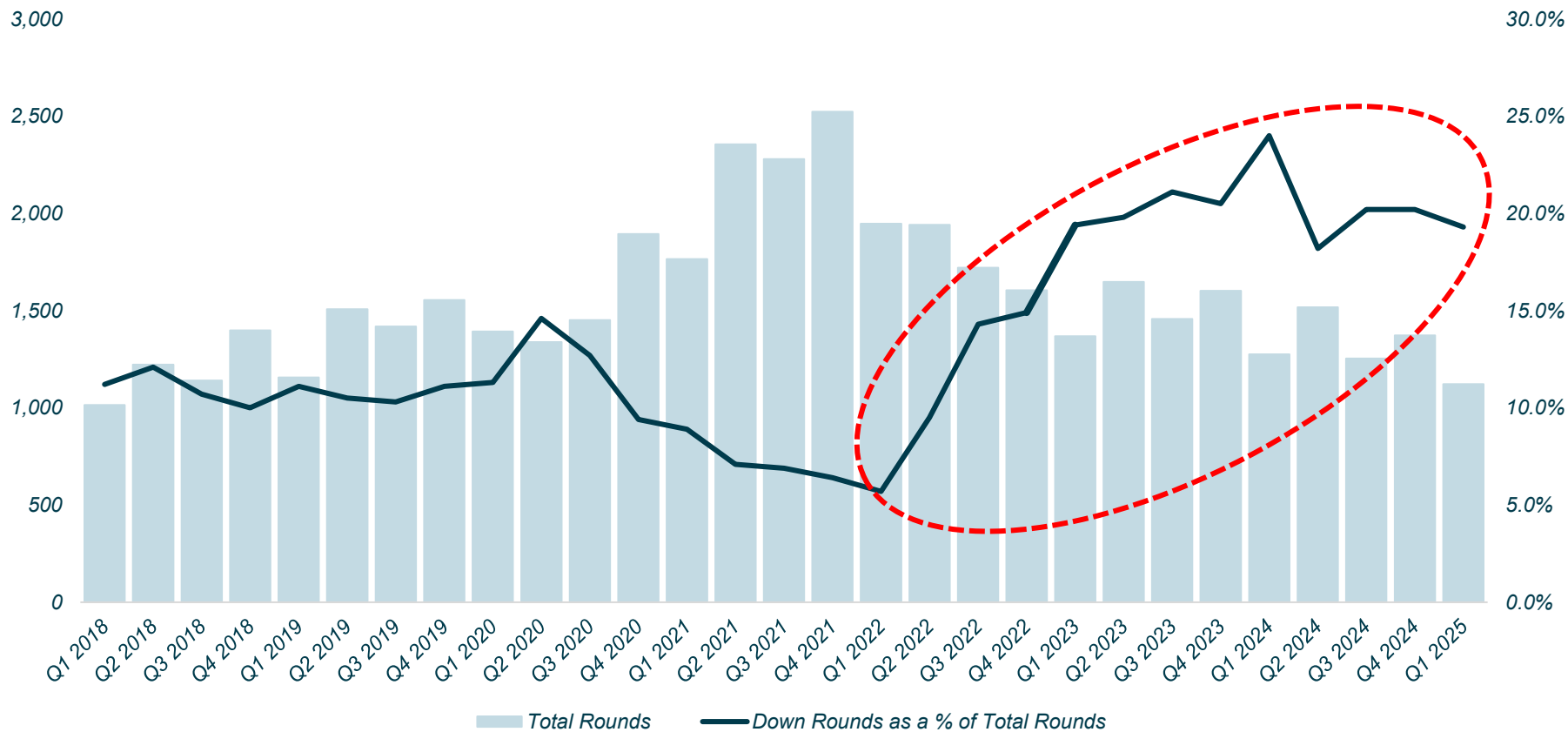
(1) Portfolio Company Sample Size by Stage / Round; Series A (26), Series B (43), Series C (58), Series D (43), Series E (16), Public / Unicorn (26) as of March 31, 2025.

# Venture Debt Loan-to-Value at Origination



Generally, venture credit originates with low LTVs, hovering around 10-20% of enterprise value, with industrials generally higher given these companies are more likely to have stronger asset coverage which helps de-risk such positions.

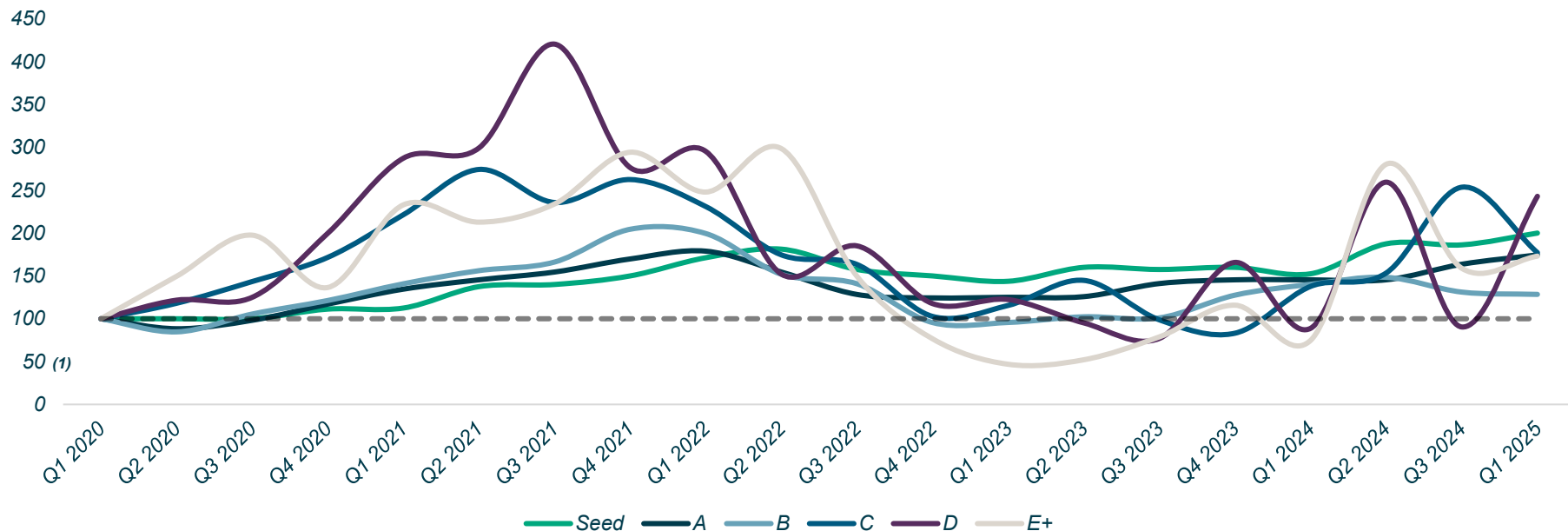
# Total Equity Rounds & Down Rounds



The share of rounds constituting down rounds remained elevated in Q1 2025 at ~20% and has been at ~20% for two years, versus the historical average of 10-15%. In addition, in response to macroeconomic uncertainty, deal volume has dropped to 1,122, its lowest volume since 2018.

Given the persistently high share of down rounds, stronger companies continued to defer raising capital; however, with persistent elevated down-rounds, there has been broader valuation resets for startups that raised during 2020-2021.

# Pre-Money Valuation Trends



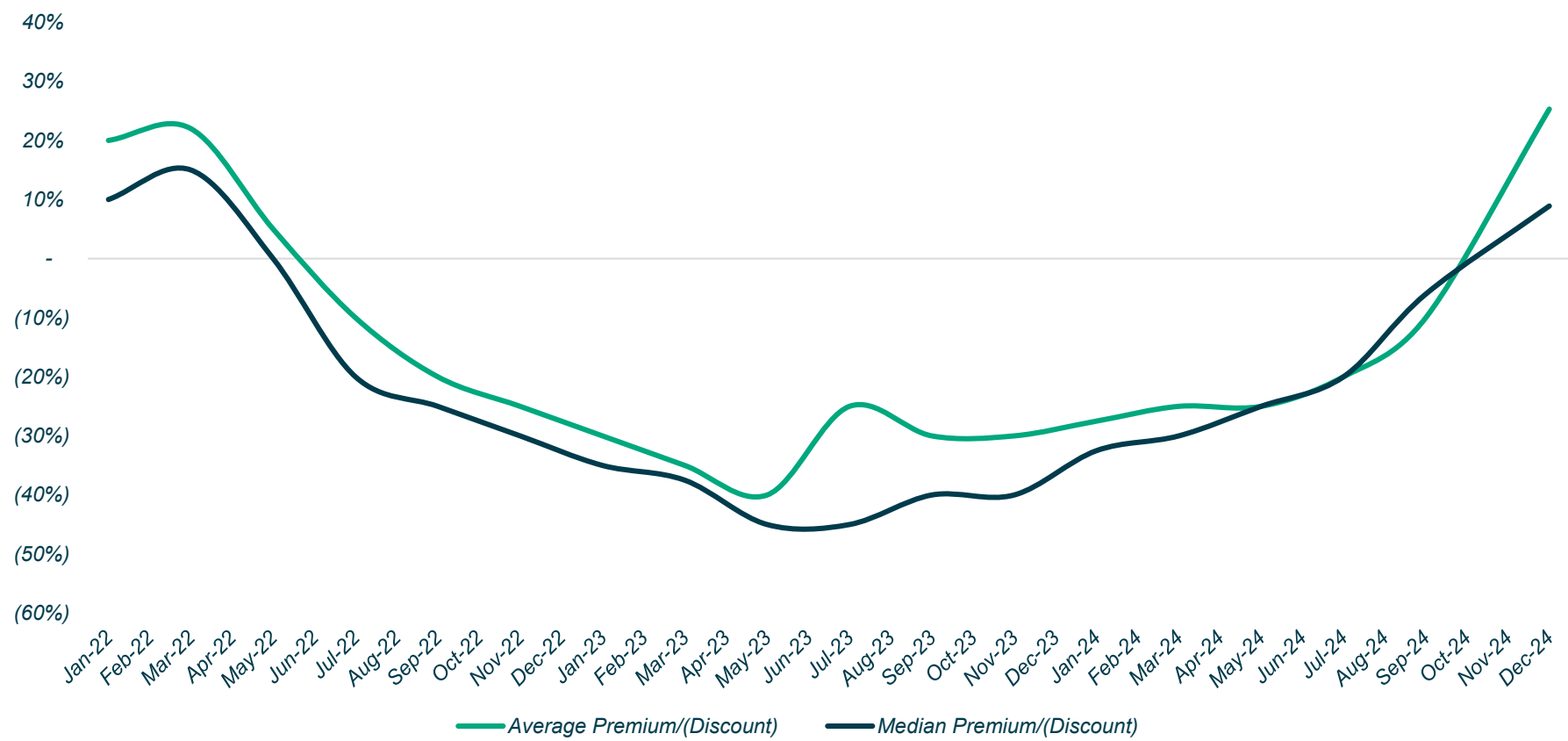
	Seed	A	B	C	D	E+
Decline From Peak	-	(2.44%)	(37.18%)	(35.42%)	(42.24%)	(42.04%)
LTM Change	31.15%	20.00%	(8.37%)	28.56%	173.33%	131.50%
Quarterly Change	6.67%	6.67%	(3.45%)	12.73%	48.56%	222.65%

Earlier stage businesses have not experienced the same material declines in valuations since the peak in 2021, with seed and A stage businesses relatively flat, whereas valuations of later stages businesses have declined by ~40%, and these businesses have also found it more difficult to effectuate exits.

In Q1 2025, even as deal volume fell, valuations increased, which reflected heightened investor selectivity: fewer deals, but at higher valuations for top startups.

# Secondary Market Transactions

Median and average secondary transaction premium or discount to the last equity round.

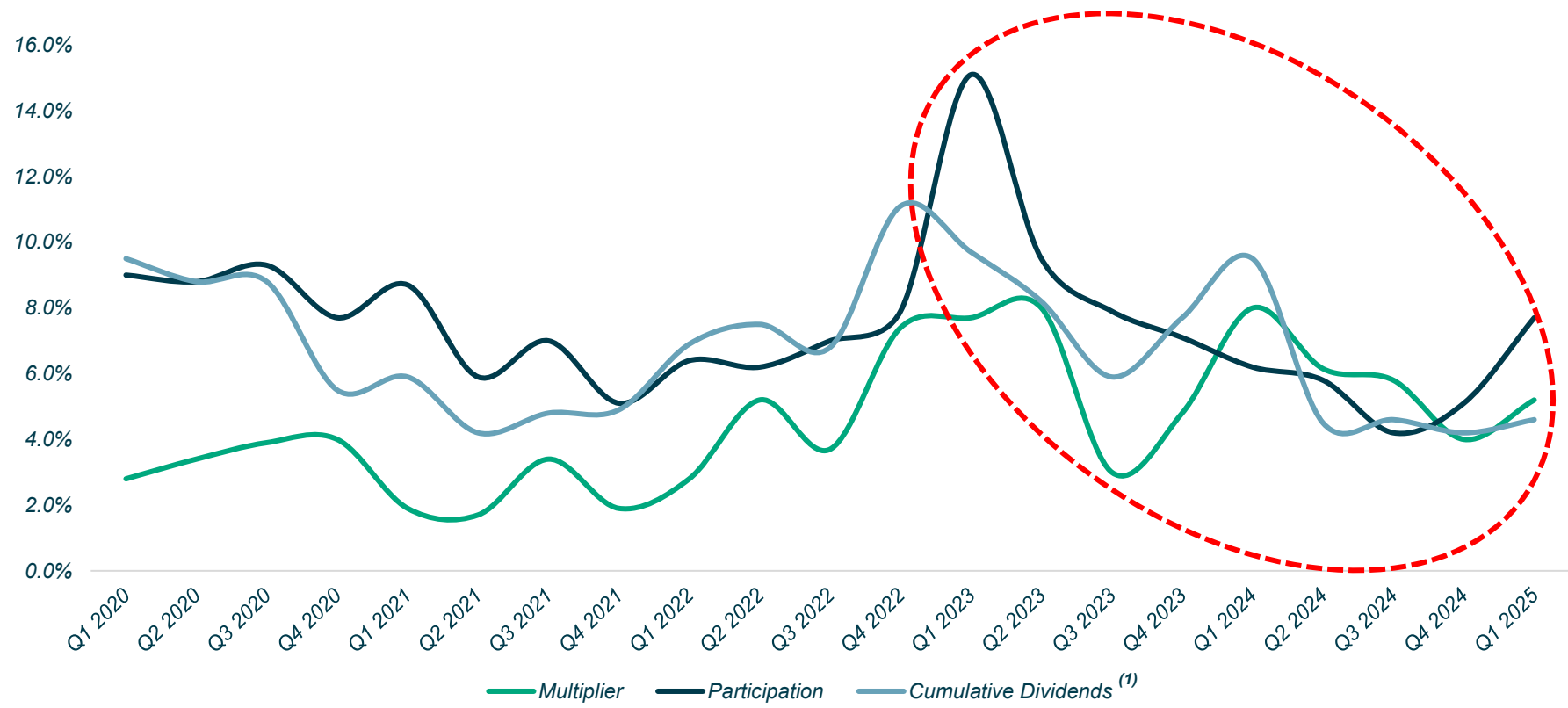


**Selling shares on the secondary market has become an increasingly popular solution for GPs needing to generate liquidity as the market for exit counts and valuations remained unfavorable. For the first time since Q2 2022, secondary transactions were occurring at prices more than the last round’s valuation, with increased investor demand to gain exposure to higher quality businesses.**

Source: Pitchbook

# Structured Round Trends

As valuations have started to normalize, investors haven't had to demand such investor-friendly terms.



The frequency of structured rounds (preference multipliers, participation and cumulative dividends) peaked in late 2022 and early 2023 but has reverted toward longer-term norms; however, structured rounds had increased in Q1 2025, especially in Series B and later deals. Given reluctance to close rounds at material discounts to prior, elevated valuations, structured terms became increasingly common in 2025 as investors sought out downside protection.

Source: Carta; Primary Round Data  
(1) Multiplier refers to liquidation preferences above 1.0x cost; participation refers to Preferred stock allowing shareholders to participate in equity upside above the liquidation preference alongside common shareholders; cumulative dividends refer to dividends earned and accrued from the shares' issue date through exit.



# Early-Stage Companies' Valuations Struggle After IPO

LTM Price-to-Sales multiples of VC-backed IPO Indices (US).



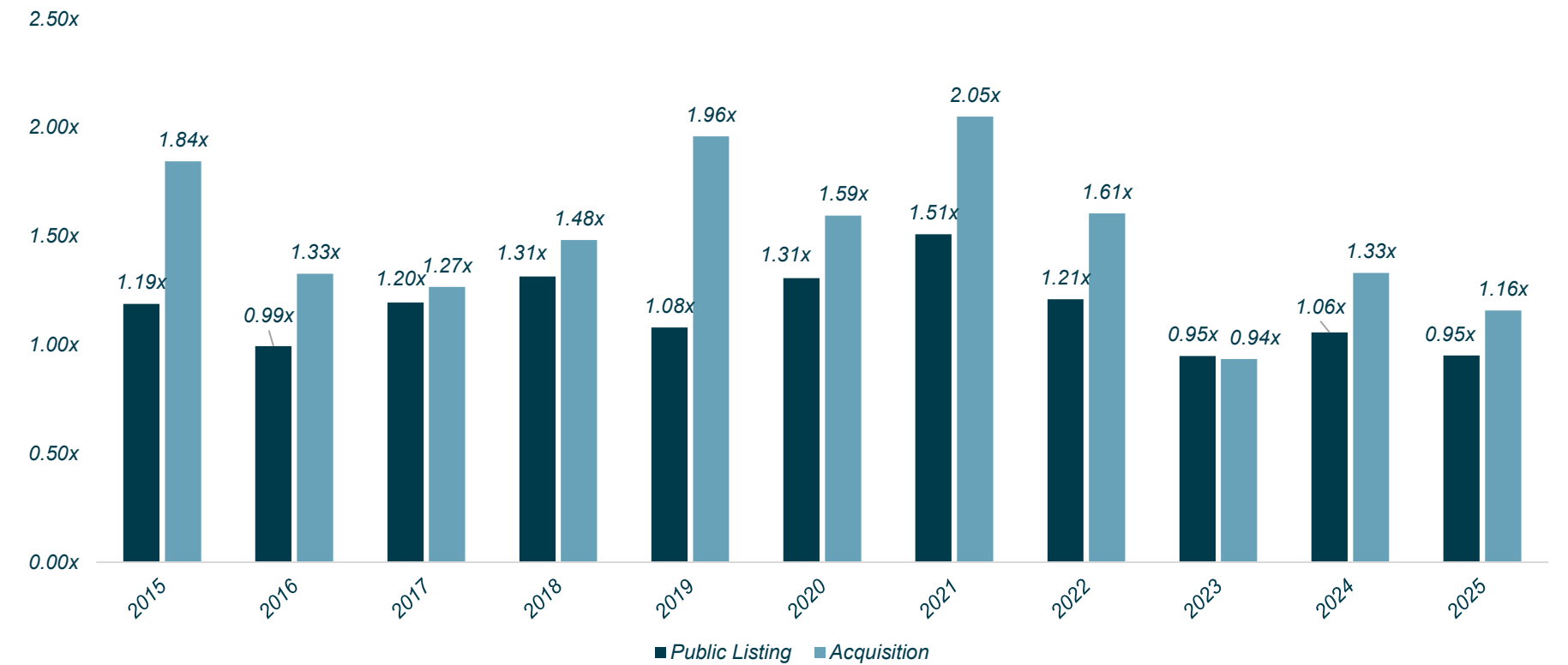
	FY2023	FY2024	YTD Return	LTM	Decline From Peak	Since Liberation Day
U.S. IPOs	55.87%	14.81%	(1.91%)	10.00%	(43.13%)	14.35%
Non-U.S. IPOs	(16.75%)	(13.08%)	18.37%	3.03%	(64.47%)	12.19%

**Public markets can provide real-time insight on valuations for early-stage businesses even though most venture-backed companies aren't able to access such liquid markets.**

**Multiples, as shown above, declined ~60% since peaking in mid 2021, and 2025 YTD has shown declines in the U.S.-based market and rebounds in non-U.S. IPOs to begin the year given recent market volatility in U.S. markets.**

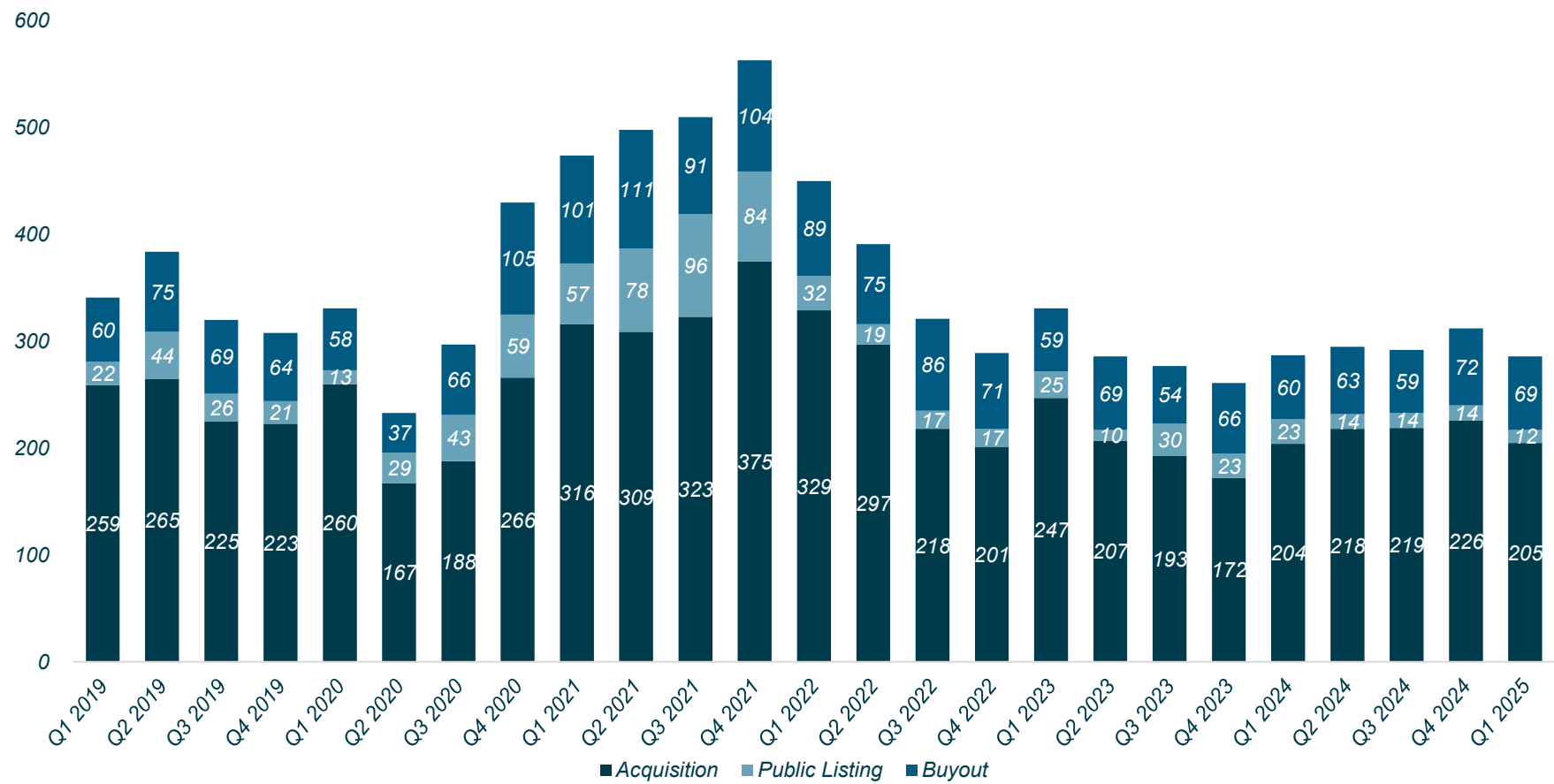
# Median Exit Valuation Step-Up

For the first time since 2023 (and a decade prior), IPO exits represented down rounds of financing for venture-backed businesses, despite the recovery in 2024.



The median IPO in 2025 has been a down-round while acquisition exits remain favorable; however, at lower valuations step-ups as seen in 2024. Valuation expectations have been challenged again in 2025, and businesses have had to stay private for longer, leading to more structured, private rounds and longer hold periods as funds delay exits amidst the unfavorable exit environment.

# Count of U.S. VC Exit Count by Type



Exit volumes declined for three consecutive years, with total IPO activity at its lowest levels in nearly a decade in Q1 2025. However, companies continue to effectuate exits given urgency to generate liquidity and businesses expanding via inorganic growth. In Q1 2025, total exits are ~50% of peak 2021 counts, as liquidity remains constrained and the IPO market continues to show weakness.

# Valuations & Opinions Group – Key Contacts

## Ronald Kahn

Managing Director and Co-Head  
+1 (312) 506-6208  
[rkahn@lincolninternational.com](mailto:rkahn@lincolninternational.com)



## Patricia Luscombe, CFA

Managing Director and Co-Head  
+1 (312) 506-2744  
[pluscombe@lincolninternational.com](mailto:pluscombe@lincolninternational.com)



## Brian Garfield, CFA, ASA

Managing Director,  
Head of Portfolio Valuations  
+1 (212) 277-8100  
[bgarfield@lincolninternational.com](mailto:bgarfield@lincolninternational.com)



## Chris Croft

Managing Director,  
Co-Head of Transaction Opinions  
+1 (917) 432-7141  
[ccroft@lincolninternational.com](mailto:ccroft@lincolninternational.com)



## Chris Gregory

Managing Director,  
Co-Head of Transaction Opinions  
+1 (212) 277-8110  
[cgregory@lincolninternational.com](mailto:cgregory@lincolninternational.com)



## Smitha Balasubramanian

Managing Director  
+1 (312) 506-2730  
[sbalasubramanian@lincolninternational.com](mailto:sbalasubramanian@lincolninternational.com)



## Nick Baldwin

Managing Director  
+44 7980 738 896  
[nbaldwin@lincolninternational.com](mailto:nbaldwin@lincolninternational.com)



## Charles Blank

Managing Director  
+1 (312) 580-8339  
[cblank@lincolninternational.com](mailto:cblank@lincolninternational.com)



## William Epstein

Managing Director  
+1 (213) 283-3725  
[wepstein@lincolninternational.com](mailto:wepstein@lincolninternational.com)



## Michael Fisch

Managing Director  
+1 (312) 580-8344  
[mfisch@lincolninternational.com](mailto:mfisch@lincolninternational.com)



## Srividya Gopal

Managing Director  
+1 (212) 257-7720  
[sgopal@lincolninternational.com](mailto:sgopal@lincolninternational.com)



## Varun Gupta

Managing Director  
+91 99676 64231  
[vgupta@lincolninternational.com](mailto:vgupta@lincolninternational.com)



## Neal Hawkins

Managing Director  
+1 (312) 506-2701  
[nhawkins@lincolninternational.com](mailto:nhawkins@lincolninternational.com)



## Robert Horak

Managing Director  
+1 (312) 498-2533  
[rhorak@lincolninternational.com](mailto:rhorak@lincolninternational.com)



## Lawrence Levine, ASA

Managing Director  
+1 (312) 506-2733  
[llevine@lincolninternational.com](mailto:llevine@lincolninternational.com)



## Rob Maxim

Managing Director  
+1 (929) 733-7327  
[rmaxim@lincolninternational.com](mailto:rmaxim@lincolninternational.com)



## Chis Mazzone

Managing Director  
+1 (312) 506-2720  
[cmazzone@lincolninternational.com](mailto:cmazzone@lincolninternational.com)



## Richard Olson

Managing Director  
+44-7773-099-955  
[rolson@lincolninternational.com](mailto:rolson@lincolninternational.com)



## Atit Sheth

Managing Director  
+ (312) 506-1972  
[atsheth@lincolninternational.com](mailto:atsheth@lincolninternational.com)



## Hardeep Singh

Managing Director  
+1 (415) 674-5570  
[hsingh@lincolninternational.com](mailto:hsingh@lincolninternational.com)



## Lucas Weiss

Managing Director  
+1 (312) 506-2779  
[lweiss@lincolninternational.com](mailto:lweiss@lincolninternational.com)



## Dr. Simon von Witzleben

Managing Director  
+44 7824 693 358  
[svonwitzleben@lincolninternational.com](mailto:svonwitzleben@lincolninternational.com)



## Kevin Brooks

Director  
+1 (469) 453-4515  
[kbrooks@lincolninternational.com](mailto:kbrooks@lincolninternational.com)



## Tarun Jain

Director  
+1 (312) 506-2745  
[tjain@lincolninternational.com](mailto:tjain@lincolninternational.com)



## Mike Lacovara

Director  
+1 (212) 257-7740  
[mlacovara@lincolninternational.com](mailto:mlacovara@lincolninternational.com)



## Scott Pollard, CFA

Director  
+1 (312) 506-2729  
[spollard@lincolninternational.com](mailto:spollard@lincolninternational.com)



## Neil Shah

Director  
+1 (212) 257-7735  
[nshah@lincolninternational.com](mailto:nshah@lincolninternational.com)



## Matt Stariha, CFA

Director  
+1 (415) 949-4976  
[mstariha@lincolninternational.com](mailto:mstariha@lincolninternational.com)



## Lewis Tse

Director  
+1 (917) 369-0004  
[ltse@lincolninternational.com](mailto:ltse@lincolninternational.com)



## Chicago

110 North Wacker  
Drive  
51st Floor  
Chicago, Illinois  
60606

## New York

299 Park Avenue  
7th Floor  
New York, New  
York 10171

## Dallas

1900 North Pearl  
Street  
Suite 1900  
Dallas, Texas 75201

## San Francisco

One Embarcadero  
Center  
37th Floor  
San Francisco,  
California 94111

## Atlanta

675 Ponce de Leon  
Ave NE  
Suite 8500  
Atlanta, GA 30308

## Los Angeles

633 W 5th Street 66th  
Floor  
Los Angeles,  
California 90071

## London

5 Upper St Martin's  
Lane  
London  
WC2H 9EA  
United Kingdom

## Mumbai

1201, 12th Floor  
The Capital Plot C-  
70, G-Block, BKC  
Bandra (East),  
Mumbai 400 051