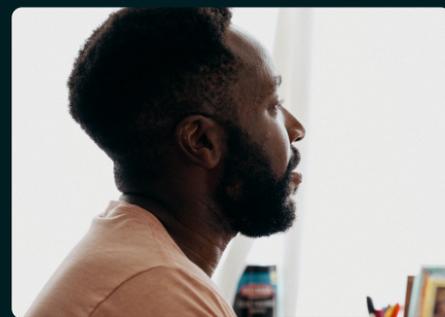




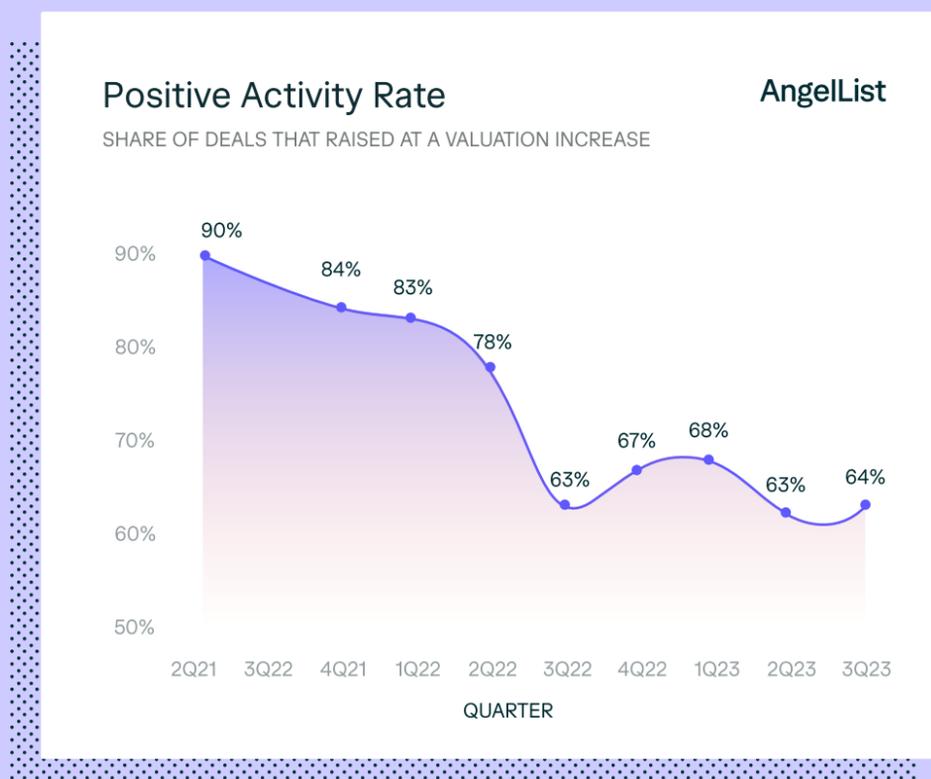
THE STATE OF U.S. EARLY-STAGE VENTURE & STARTUPS: 3Q23



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Executive Summary



After bottoming out last quarter, early-stage venture performance showed glimmers of a recovery in 3Q23. Venture deal activity rate increased significantly from 2Q23's all-time low, while positive activity rate also saw a minor increase. To put these numbers in context, this past quarter's performance was roughly on par with 3Q22 (which, at the time, we referred to as a "downward spiral") and the pandemic panic of 2Q20. In other words, this was by no means a "good" quarter for early-stage VC. However, coming on the heels of the "worst quarter ever" for early-stage VC, this quarter's performance is undoubtedly a positive development for the startup ecosystem. Our research still contends that [venture activity will likely not return to pre-pandemic levels until 2024](#), but that performance isn't likely to get any worse for the remainder of the year.

Median valuations from 3Q23 reinforce the idea that early-stage VC has begun to recover, as pre-seed, seed, and Series B valuations all increased over the previous quarter. The increase in activity we observed in 3Q23 suggests the repricing of startup valuations down from their post-pandemic highs was enough to lure investors back into the market, which in turn enabled some founders to raise at modest valuation markups.

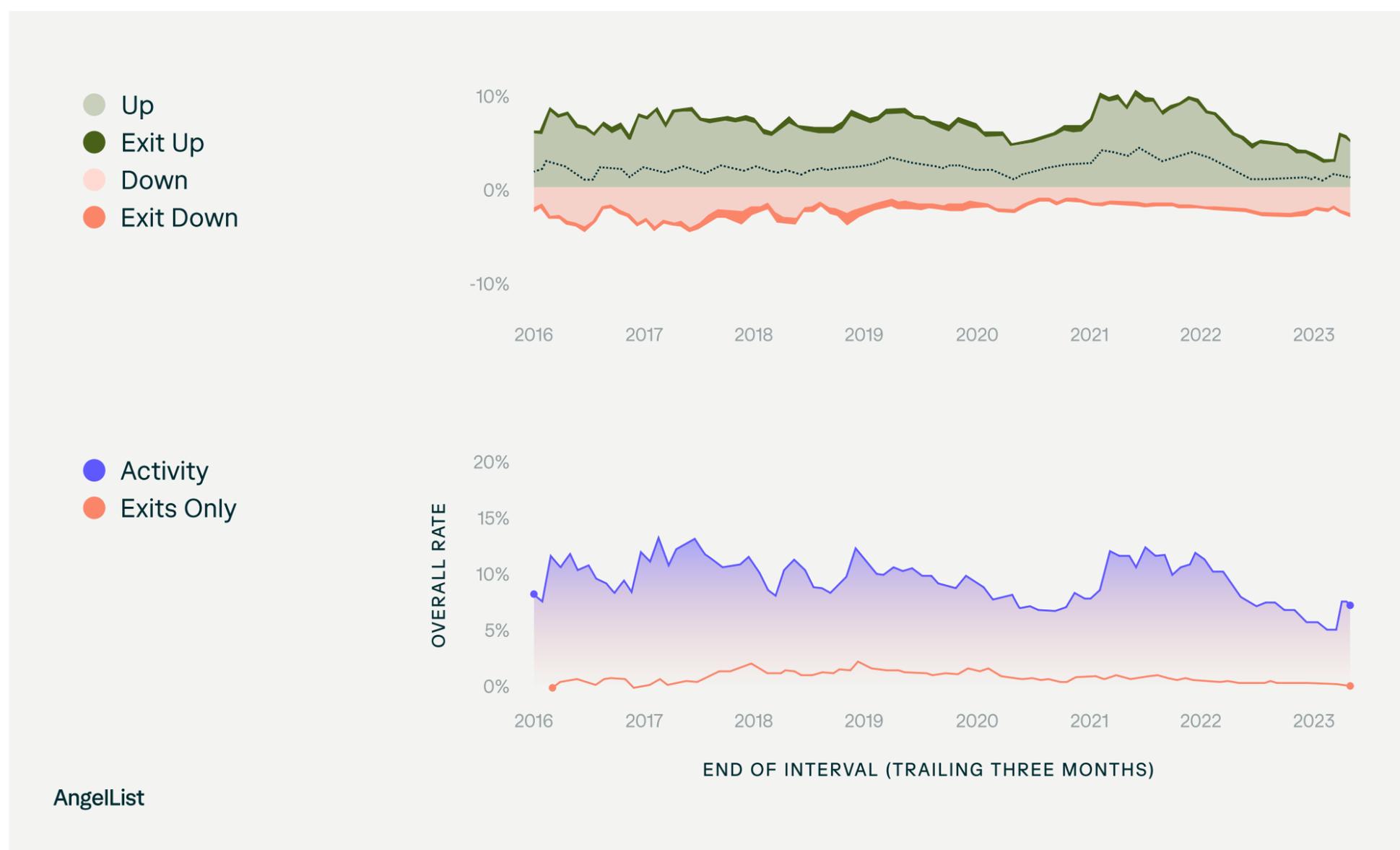
Much of the increase in investing activity observed in 3Q23 was directed at startups in the AI / ML space, which collectively captured a whopping 24% of all investment activity and 20% of all capital deployed on Angellist. These numbers represent the largest market share any one sector has captured since Angellist started reporting this data in 2020. 3Q23 also marks the first time that B2B / enterprise SaaS startups were no longer the most common type of company being invested into on Angellist.

Also of note in 3Q23 was a sharp increase in SAFE deals on AngelList, suggesting a large portion of these AI / ML deals involved early-stage businesses. When we analyzed deal activity by round name, we saw a significant jump in seed-stage deals in 3Q23, while later-stage deals on AngelList decreased across the board.

This quarter we partnered with [Ramp](#), the finance automation platform designed to help businesses spend less, to share data on startup spending activity. This data was pulled from a representative cohort of 7k venture-backed startups based in the U.S. In 3Q23, Ramp data revealed that startup spend increased modestly over the previous quarter—a finding that squares with our data around increased availability of VC funding. Some of this increased spend was allocated towards marketing budgets, and a significant portion was invested in AI tools as more startups sought to leverage the emergent technology. Ramp also shared data on the most popular software products for startups, popular locales for new startup formation, and much more. Taken together, we believe AngelList's and Ramp's data provide a comprehensive and timely overview of how capital is currently flowing into and out of the startup ecosystem.

Overall, AngelList and Ramp's combined datasets provide reason for cautious optimism. This quarter's performance lends credence to our speculation that 2Q23 was the "bottom" of the market, and that performance can only improve from here. It still remains to be seen how long a true recovery will take, although it's possible the light at the end of the tunnel may start to become visible by early next year.

Markups



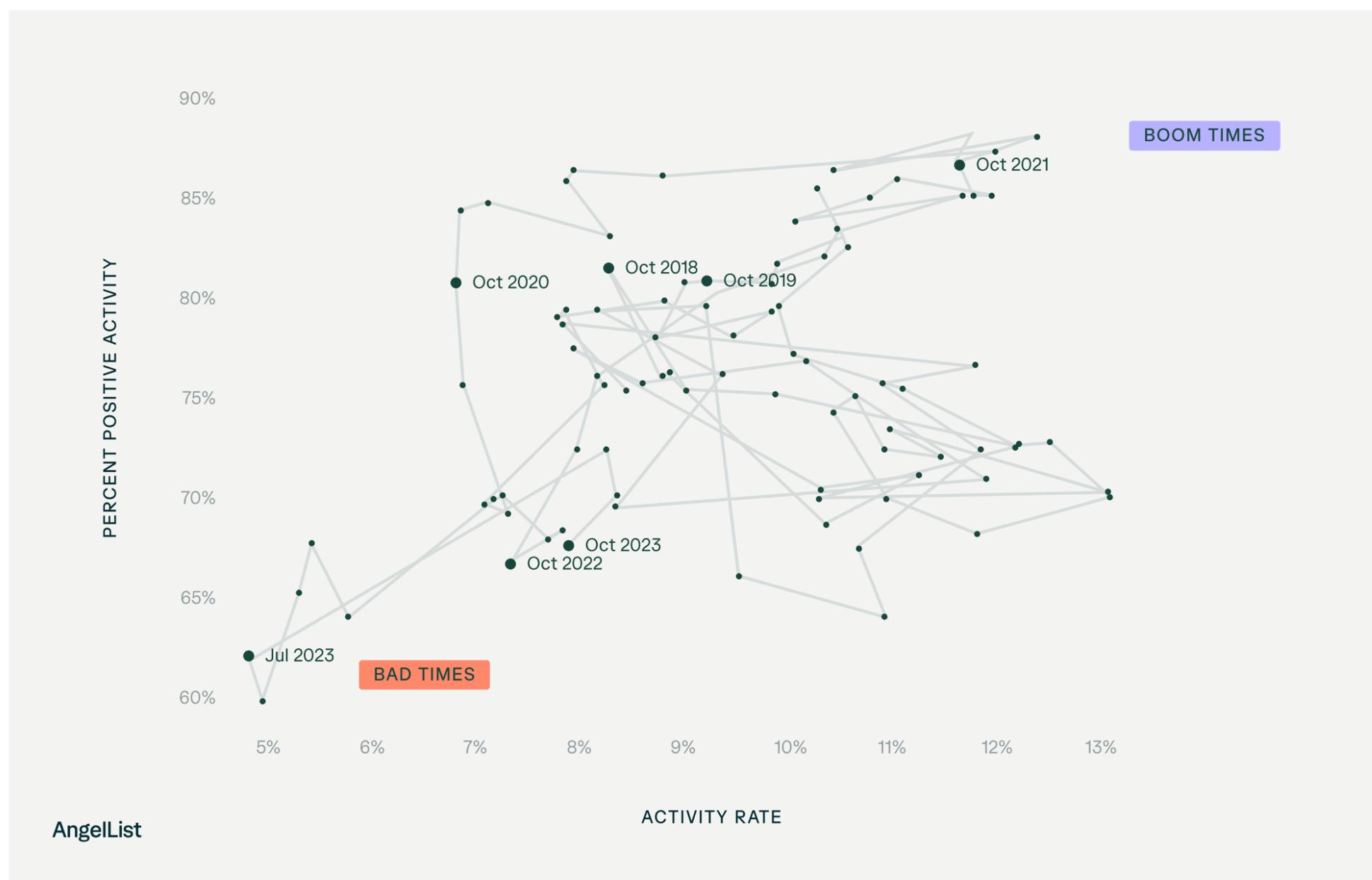
Source: AngelList

AngelList fund managers had seasoned investments into **15,740 active startups** at the start of 3Q23, primarily at the seed and pre-seed stages. Of those startups, **8.0%** raised a round or exited in 2Q23. **64.2%** of that activity was positive, meaning the startup saw its share price rise. This represents a **1.4% increase** from 2Q23's positive activity mark of **62.8%**.

Despite this jump in positive activity, 3Q23 still represents one of the 5 worst quarters ever for positive activity on AngelList dating back 10+ years. If there's a silver lining, it's that 3Q23 exceeded 3Q22 by way of both markups and activity, suggesting early-stage VC is in a stronger position today than it was one year prior. We believe the valuation decreases we saw in 2Q23 helped spur some of the increased markup activity in 3Q23.

Overall, **5.1%** of active startups that AngelList fund managers had seasoned investments into at the start of 2Q23 saw a share price increase, while **2.9%** saw a share price decrease relative to their last fundraising ("marked down").

Rate of Activity



Source: AngelList

8.0% of active startups on AngelList raised a round or exited in 3Q23, representing a **2.75% increase** over last quarter's all-time low of **5.25%**. While an increase was likely after an all-time bad quarter, it's heartening to see investment activity return to a level closer to historically "normal" rates of activity in such a short period of time. The fact that VCs felt comfortable writing checks in 3Q23 portends well for the startup ecosystem, as it suggests valuations have returned to levels that align with VC expectations.

Average Valuation



Source: Angellist

With the exception of pre-seed valuations (**which rose by 8% to \$10M**), average valuations declined at every stage. At seed, valuations **declined by 8.4% to \$21.7M**, Series A valuations also **declined by 8.4% to \$76.7M**, and Series B **valuations declined by 2.6% to \$216M**.

While the average valuation data differs from our median valuation data (more on this in the next section), it does align with our hypothesis that VCs are re-entering the market due to the lower cost of investment.

Median Valuation

	25th percentile	50th percentile	75th percentile
Pre-Seed	\$6M	\$9M	\$12M
Seed	\$12.5M	\$18M	\$25M
Series A	\$30M	\$45M	\$71.5M
Series B	\$65M	\$110M	\$224M

Angellist

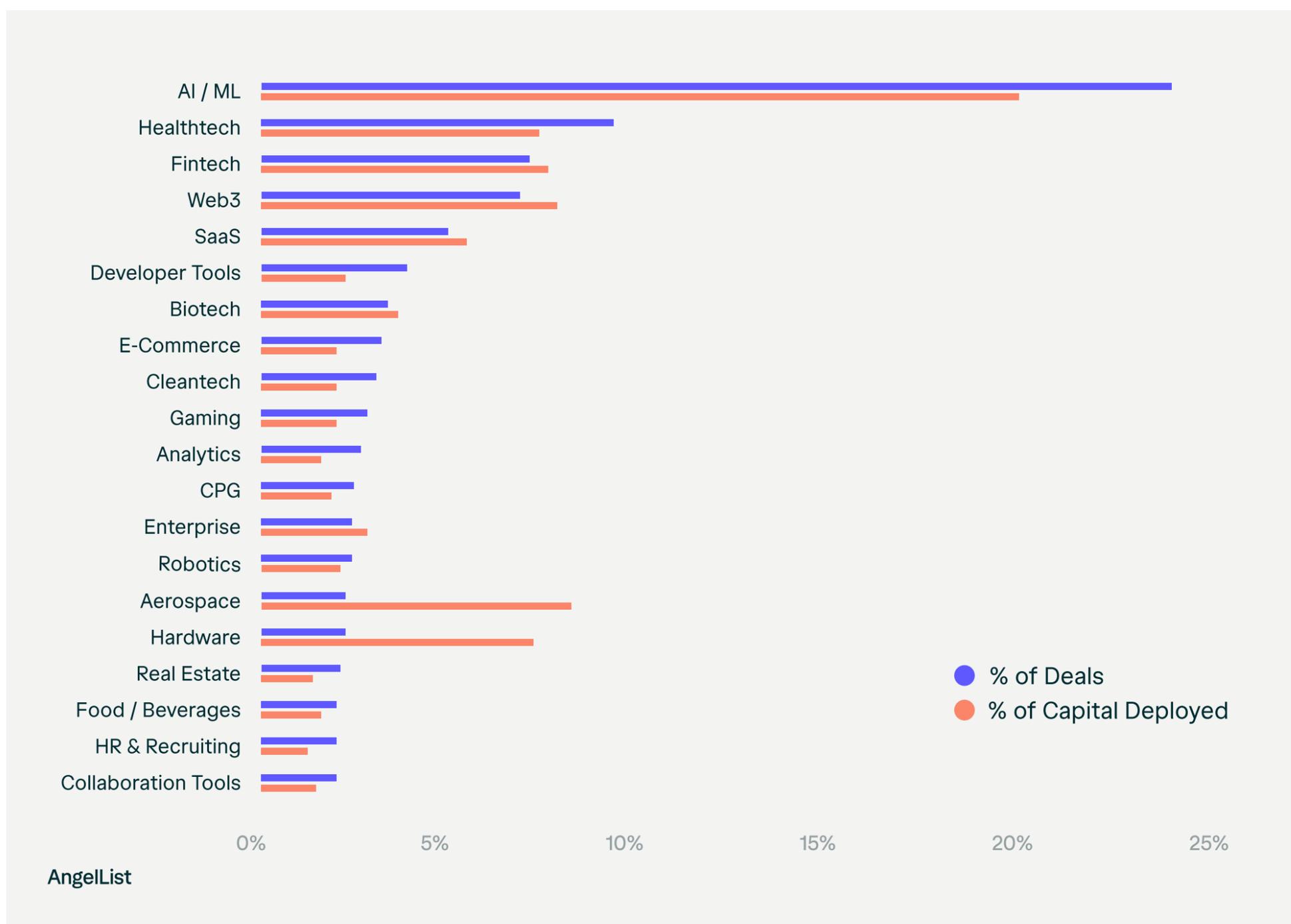
Source: Angellist

Relative to last quarter, median valuations for startups on Angellist (50th percentile) actually rose at every stage outside of Series A. At pre-seed, **median valuations increased 12.5% to \$9M**. At seed, **median valuations also increased 12.5% to \$18M**. At Series A, **median valuations decreased modestly by 1.1% to \$45M**, and at Series B, **median valuations increased by 10% to \$110M**.

The growth in median valuations is reflective of the increased markup rates we saw in 3Q23. While average valuations are skewed by outliers, the latest median valuation data indicates that more founders were able to raise at valuation step-ups in 3Q23, likely due to increased investor demand.

Note that our median valuation data may differ from valuation data shared by other sources. This difference, in part, might be because Angellist is able to report on new fundraising rounds with greater timeliness given we support these transactions using our own infrastructure. Additionally, valuation data may vary due to the nature of the deals that general partners run on Angellist, which often differ in quality from deals that occur off the Angellist platform.

Early-Stage Venture by Market



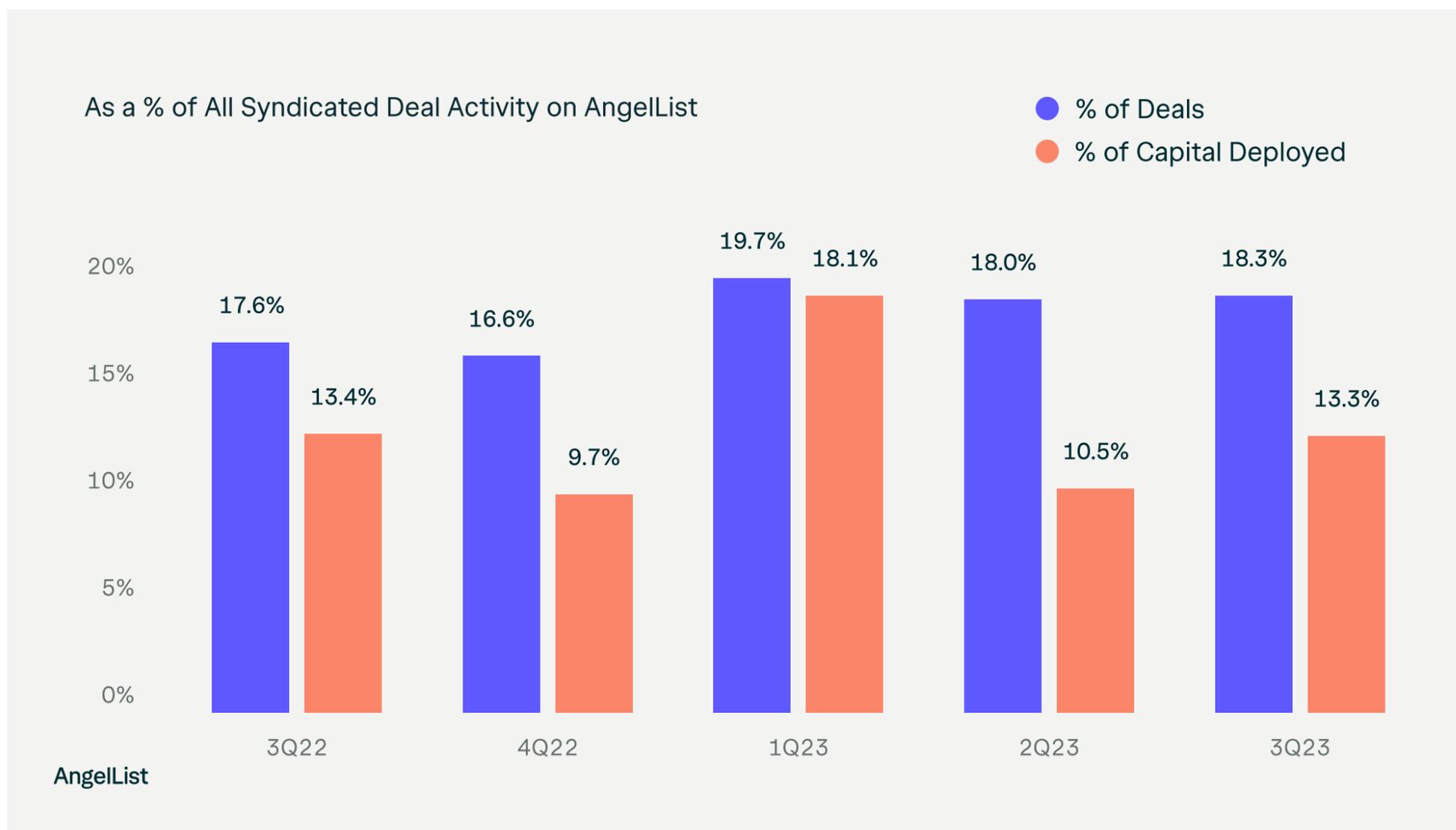
Source: AngelList

Current investor enthusiasm for AI / ML startups on AngelList is without precedent. In 2Q23, the AI / ML sector captured **14%** of investment volume and **13.4%** of capital deployed—at the time, the highest rates ever observed for any sector in both categories. This quarter, the AI / ML sector shattered those marks by capturing **24.1% of all investment activity and 20.4% of all capital deployed**. Said another way, nearly one quarter of all deals and one fifth of all capital invested through AngelList in 3Q23 went to startups building in AI / ML.

The next three closest sectors in terms of investment activity on AngelList in 3Q23 were **healthtech at 9.8%** of deal volume, **fintech at 7.8%** of deal volume, and **Web3 at 7.4%** of deal volume. The sectors that captured the most capital deployed after AI / ML were **aerospace at 8.9%** of capital, **Web3 at 8.8%** of capital, and **fintech at 8.5%** of capital. This means the AI / ML sector more than doubled the next closest sector in terms of both deal volume and capital deployed in 3Q23.

Against the broader early-stage market context, AI / ML startups stand alone as the only sector attracting above-average levels of investment.

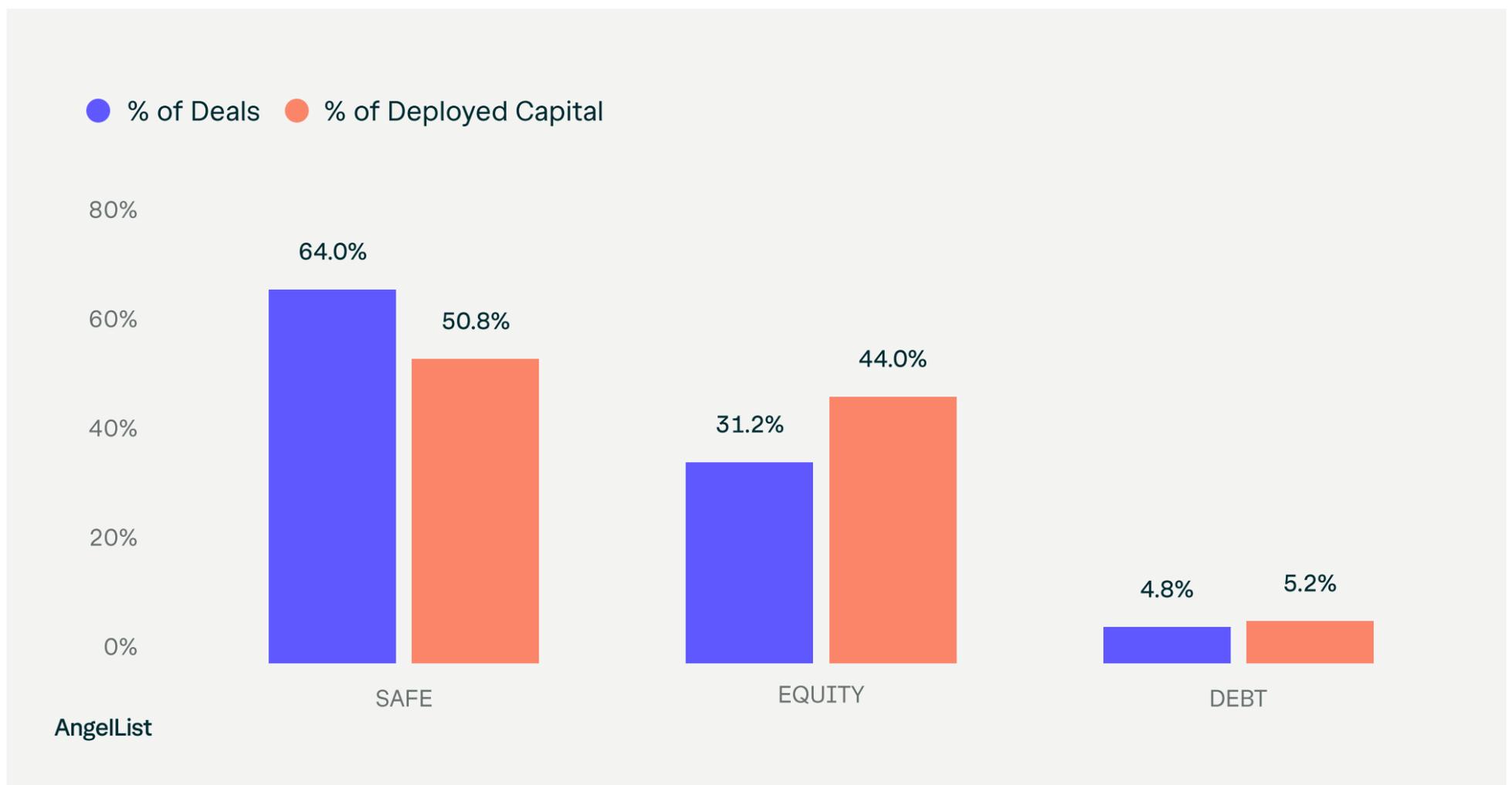
Funding to Female Founders



Source: Angellist

In 3Q23, investments into female-founded startups increased modestly over the previous quarter, while capital deployed into female-founded startups rose by **2.8%**. These quarter-over-quarter fluctuations are in-line with what we've historically observed for female-founded startups on AngelList. A trend to watch heading into 2024 will be the extent to which the anticipated bounceback in the early-stage market positively impacts female founders.

Deals by Instrument

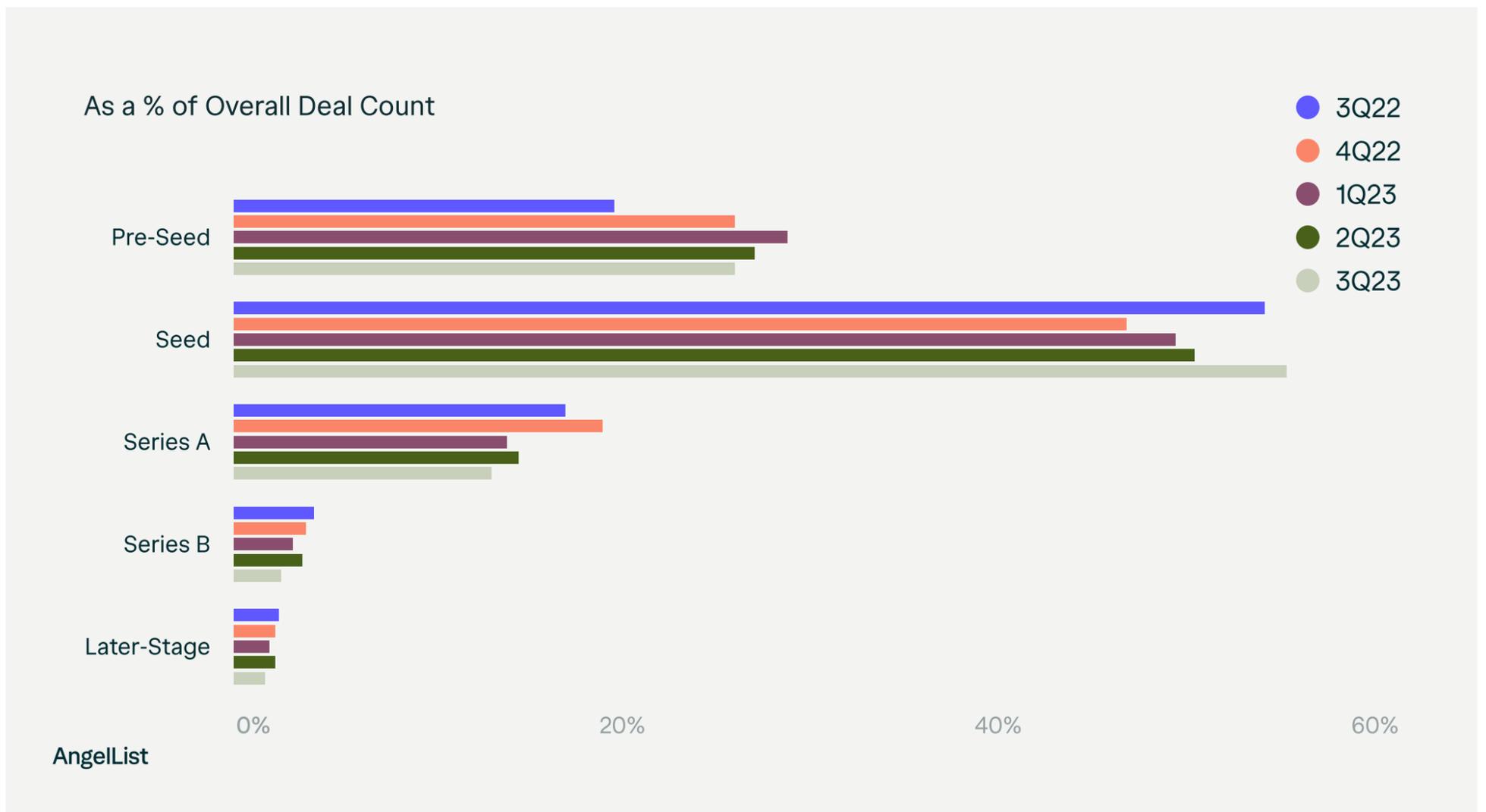


Source: AngelList

A whopping **64%** of investments on AngelList utilized SAFEs in 3Q23, and more than half of all capital deployed (**50.8%**) came from these SAFE deals. This represents the highest mark ever observed for SAFE usage on AngelList, and indicates that a disproportionate amount of investment deals are currently focused on early-stage startups or startups that are deferring valuation in the current climate. For context, in 2Q23, **59.4%** of investment deals utilized a SAFE, and **42.4%** of capital deployed came via SAFEs.

Meanwhile, the share of equity deals on AngelList declined by **2.6%** in 3Q23 over the previous quarter, and the share of capital deployed via equity deals declined by **5.1%**.

Deal Share by Round Name



Source: Angellist

Given the high-volume of SAFE deals, it's no surprise that 3Q23 saw a sharp increase in seed-stage investments, and declines in later-stage investments. Overall, seed-stage deals on Angellist **increased by 4.4%** over the previous quarter, while Series A deals **declined by 1.9%**, Series B deals **declined by 1.7%**, and later-stage deals **declined by 0.4%**.

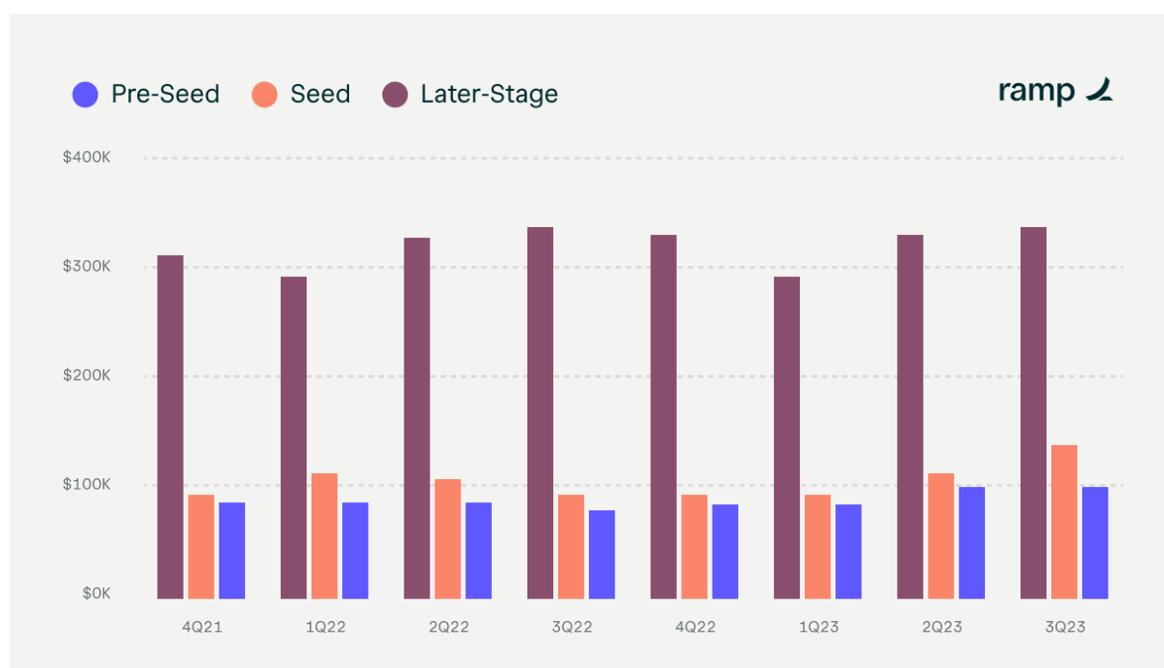
Startup Spending Trends

Ramp POV: The only constant in the world of startups is change.

In 3Q23, macro uncertainty around inflation, interest rates, labor markets, and a possible recession had most companies holding their breath, planning worst-case scenarios, and cutting non-critical travel expenses. At the same time, spurred on by advances in artificial intelligence, businesses increased growth spend especially in advertising and AI technologies to gain a competitive edge.

At Ramp, our access to over \$10B in annualized corporate credit card and AP payments offers a rich and timely view into the spending behaviors of startups amidst technological advancement and macroeconomic trends. Here we present a detailed view of how venture-backed companies are channeling their funds, as well as changes in advertising and travel spend, new business formation, popular software vendors, and much more.

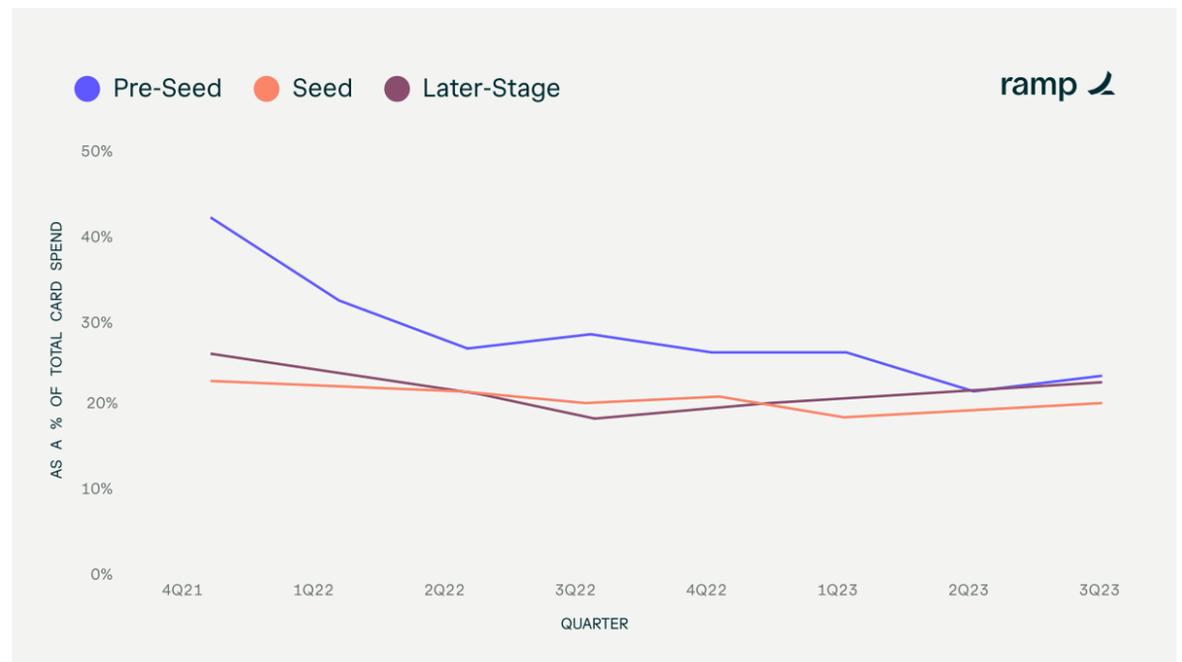
Average Quarterly Card Spend by Company Stage



Source: Ramp

Just as VCs showed greater willingness to invest in 3Q23, startups appeared to show greater willingness to spend. Compared to one year ago (3Q22), later-stage startup card spend **increased 2.8%**, seed-stage card spend **increased 29.6%**, and pre-seed card spend **jumped 11.2%**. The latest data continues an upward trend for startup spend since the beginning of the year. The pronounced jump at seed may also be attributable to the increase in seed-stage investment activity observed on AngelList in 3Q23. Across all stages measured, card spend surpassed levels observed at the end of 2021.

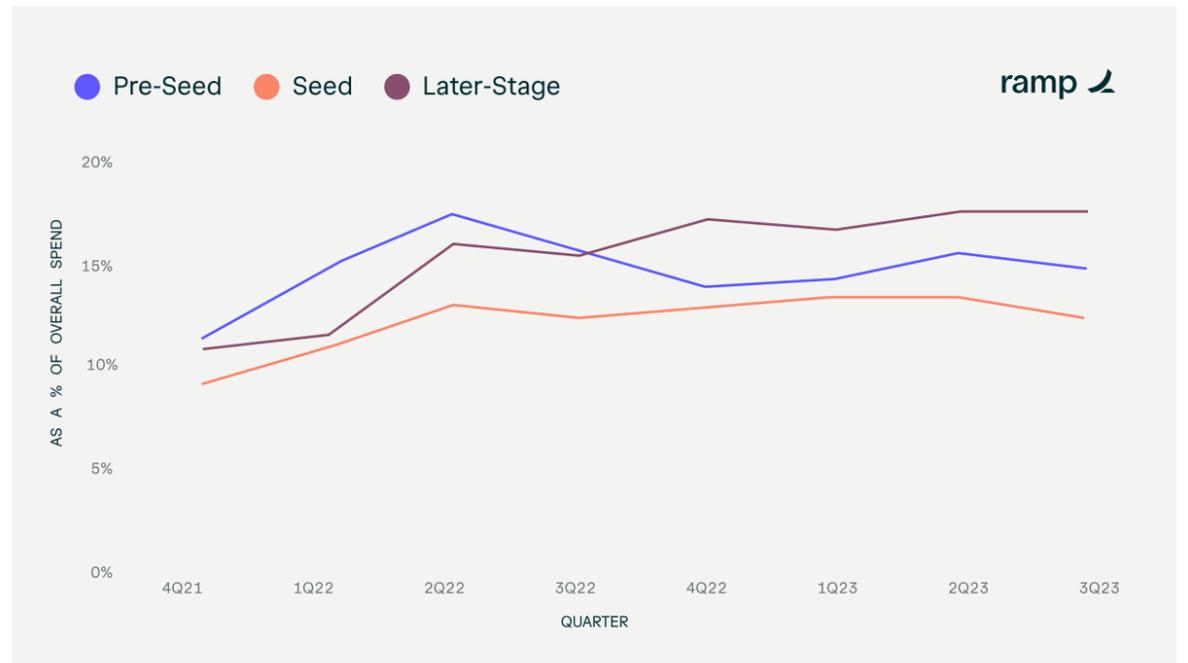
Advertising Spend by Company Stage



Source: Ramp

To get a better understanding of how startups are currently spending their money, we looked at spend on marketing and advertising over time, as a percentage of overall startup spend. 3Q23 saw startups across all stages begin to increase their spend on marketing and advertising, after several quarters of declining budgets. For later-stage startups, marketing and advertising made up **22.6%** of their overall spend. Seed-stage startup spend on marketing and advertising comprised **20.4%** of their overall budget, and pre-seed startups allocated **23.3%** of their overall card spend towards marketing and advertising. While the current rates are still far off from what we saw at the end of 2021, this increase in marketing and advertising spend may signal that founders believe the worst of the economic downturn is past and capital will be easier to raise in the coming months.

Travel Spend by Company Stage

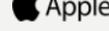
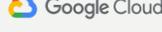
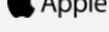
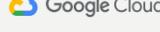


Source: Ramp

Travel spend amongst Ramp startups has generally trended upwards since the worst days of the pandemic. However, amongst seed-stage and pre-seed startups, travel spend contracted in 3Q23. Overall, later-stage startups allocated **17.5%** of their budget to travel in 3Q23, up from **10.8%** at the end of 2021. Seed-stage startups allocated **12.3%** of their budget to travel in 3Q23, up from **9.1%** at the end of 2021. Lastly, pre-seed startups allocated **14.7%** of their budget towards travel in 3Q23, up from **11.3%** at the end of 2021. The general stagnation in travel spend by seed-stage and pre-seed startups over the past year may be indicative of a general trend towards remote-first employment amongst these businesses.

Top Merchants

Top Merchants by Spend

#	PRE-SEED	SEED	LATER-STAGE
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

ramp 

Source: Ramp

The above chart represents the vendors that startups on Ramp allocated the largest amount of spend towards in 3Q23. Advertising spend on Google and Facebook continues to be one of the largest individual expenses across all stages (Facebook and Google Ads were top expenses for startups in 3Q22 as well). Startups also spend a significant amount of capital on Amazon Web Services (AWS) and airline vendors—particularly United Airlines and Delta. Notably, later-stage startups spent more on logistics services like UPS and FedEx.

Top Merchants by Prevalence

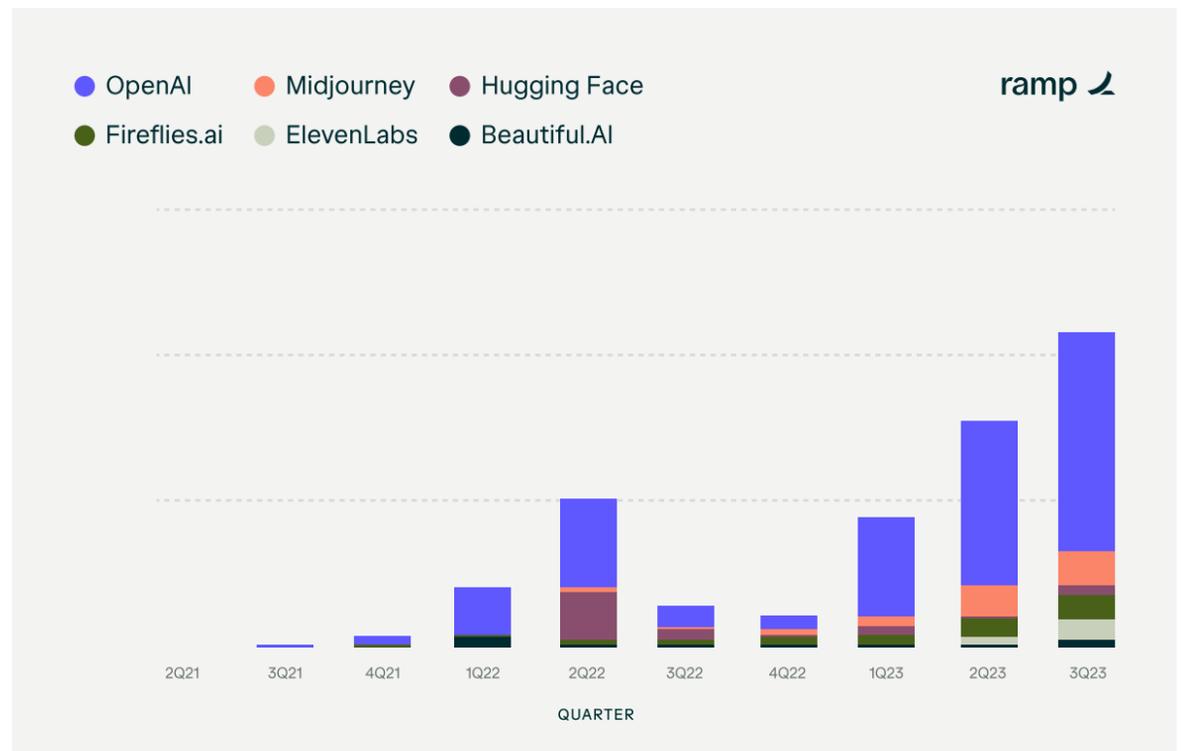
#	PRE-SEED	SEED	LATER-STAGE
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

ramp 

Source: Ramp

We also analyzed the "startup stack," or the most common set of vendors that startups use to run their business. This data can be informative to startups deciding which tools to utilize. LinkedIn was the most common vendor startups on Ramp transacted with. Generally, there was a large amount of overlap in prevalent vendors, with startups of all stages having LinkedIn, Slack, Zoom, Google G Suite, Github, Adobe, Intuit, Figma, and OpenAI among their ten most prevalent vendors. This speaks to the similarity in software stacks amongst modern startups.

AI Spend Over Time

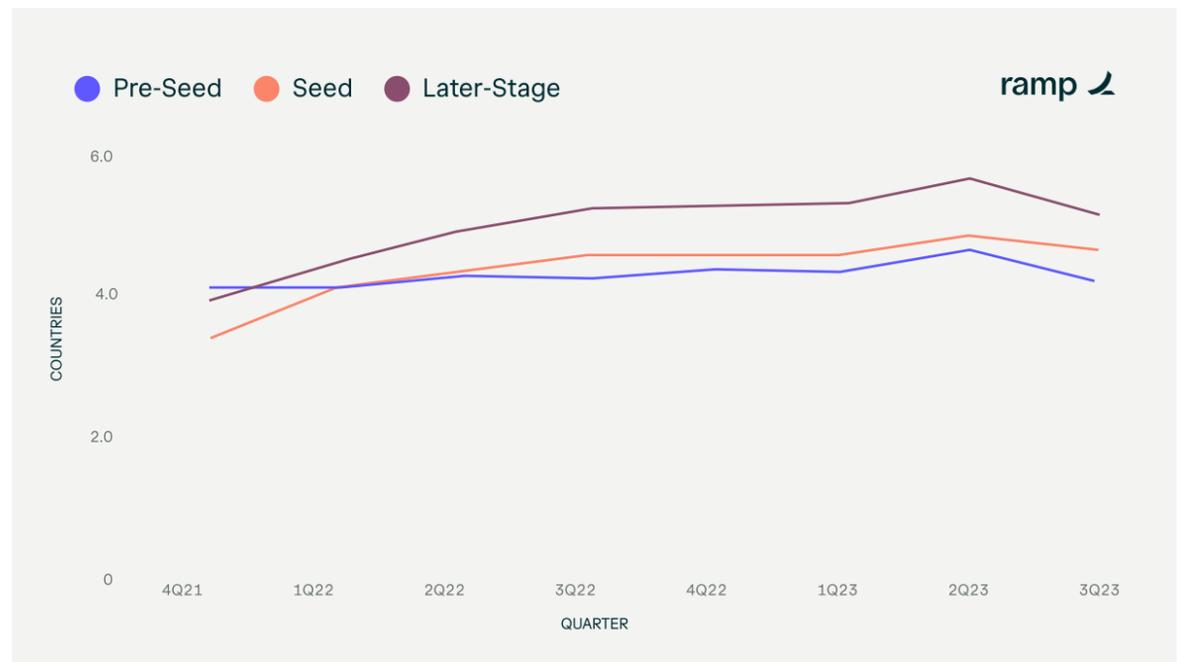


Source: Ramp

OpenAI, the pioneer behind ChatGPT and DALL-E, ranked as the AI vendor that receives the most spend from startups on Ramp. What's more, spend on OpenAI more than doubled over the previous quarter. This sharp increase in spend may be indicative of how an increasing number of startups are exploring ways to integrate AI into their workflows and products. More broadly, the sharp spike in AI spend over the past year correlates neatly with OpenAI's release of ChatGPT in November 2022.

After OpenAI, Midjourney received the second-largest amount of spend in 3Q23, followed by Fireflies.ai and ElevenLabs.

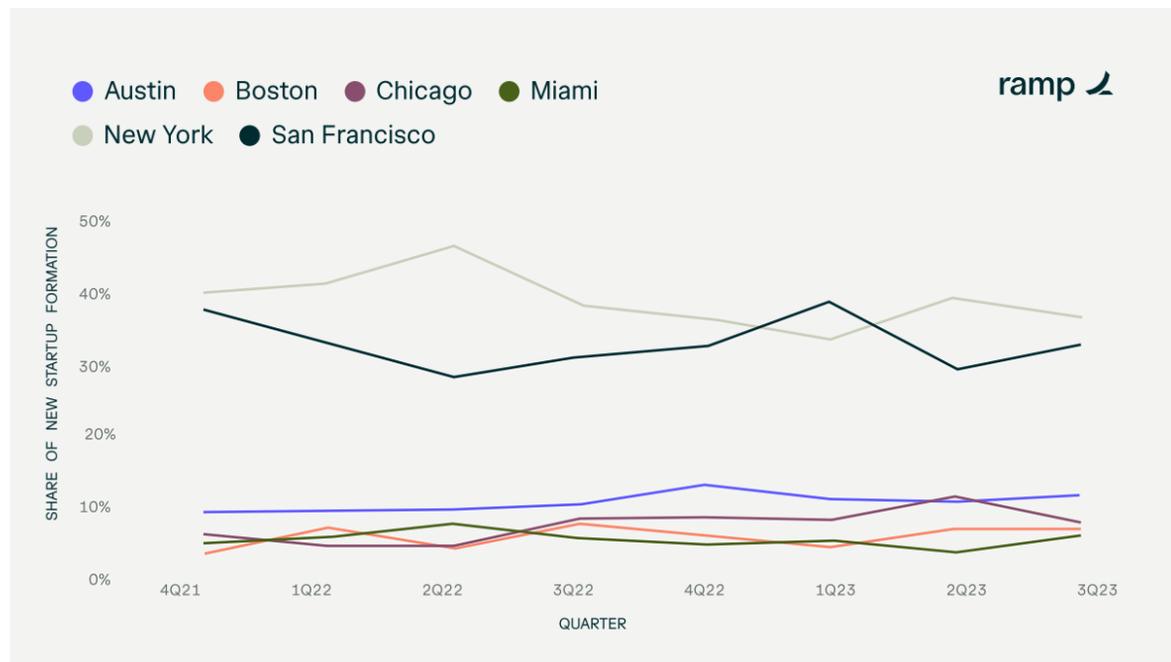
Avg. No. of Countries Transacted in Per Quarter



Source: Ramp

A trend we've been watching closely is the increasing globalization of the startup economy. While the average numbers of countries Ramp startups transact in per quarter declined modestly in 3Q23, there's been a clear upward trend in foreign transactions since the end of 2021. Later-stage Ramp startups transacted in **5.2 countries** on average at the end of 3Q23, compared to 4 countries at the end of 2021. Seed-stage startups transacted in **4.7 countries** in 3Q23, compared to **3.4 countries** at the end of 2021. The average number of countries pre-seed startups transact in has remained consistent dating back to 2021 at **4.2**.

Startup Formation by Locale



Source: Ramp

Finally, we analyzed the distribution of startup HQs across the U.S. to understand which locales founder utilizing Ramp are favoring. The most noticeable trend has been the general decline in favorability of San Francisco and New York dating back to 2021. That said, a larger share of Ramp startups are today based in New York (**40%** at the end of 3Q23) compared to San Francisco (**37.6%**). It's worth noting that Ramp is a New York-based company, and therefore has a large New York network.

Elsewhere, there's been a general upward trend in Austin startup formation, from **8.8% in 4Q21 to 11.2%** at the end of 3Q23. Miami (**4.7% → 5.6%**), Boston (**2.9% → 6.5%**), and Chicago (**5.9% → 7.5%**) have all seen growth during that time period as well. The upshot is that, while a majority of startups are still clustered on the coasts, the startup ecosystem has been gradually spreading out across the country since the pandemic.

Summary of Findings

- The data on early-stage venture performance in 3Q23 hints at the possibility of a recovery, as activity rate saw a dramatic spike and positive activity also trended upward.
- The possibility of a bounceback is reinforced by the data on median valuations, which began to increase in 3Q23 after several quarters of decline. Rising valuations are indicative of increased investor demand.
- It's likely that a lot of the positive trends occurring in the early-stage market are driven by AI / ML startups, which are currently attracting outsized amounts of VC attention and dollars.
- It's also likely that this attention is primarily focused on early-stage AI / ML startups, given the sharp increase in SAFE and seed deals on AngelList.
- Founders appear to be responding to the livelier fundraising environment, as evidenced by the upward trend in startup card spend, which appears to be benefitting marketing budgets.
- Many businesses are making it a priority to invest heavily in AI tools, leading to spend on OpenAI products to more than double over the previous quarter.
- While New York and San Francisco remain the most popular tech hubs in the U.S., 3Q23 continued the trend of a more geographically diverse tech ecosystem.

Last quarter, we characterized early-stage venture as in the midst of a “challenging transition.” 3Q23 provides evidence that we may be finally transitioning out of a bear market and towards something more reminiscent of the pre-pandemic tech ecosystem.

While we're not out of the woods yet, it's within reason to anticipate a more welcoming fundraising environment by early next year.

About AngelList

AngelList provides investors and founders with the infrastructure they need to launch and scale a startup or fund—and invest in both. As of this writing, we support nearly \$16B in assets under management. Our data and access gives us a nearly unrivaled view into early-stage venture activity. That means we can report with more accuracy on market-wide trends within the startup ecosystem.

About Ramp

Ramp is the ultimate platform for modern finance teams. Combining corporate cards with expense management, bill payments, vendor management, accounting automation, and more, Ramp's all-in-one solution is designed to save businesses time and money, and free finance teams to do the best work of their lives. Our mission is to help build healthier businesses, and it's working: over 15,000 businesses on Ramp save up to 5% more and close their books 8x faster. Founded in 2019, Ramp powers the fastest-growing corporate card and bill payment platform in America, and enables tens of billions of dollars in purchases each year. To learn more, visit ramp.com.

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IAN MACOMBER



Legal Disclaimers

All data referenced in this material is current as of 10/1/23, unless otherwise mentioned. Data includes information that may be reported to AngelList by various third-parties. While we have no reason to doubt the authenticity of the data, we may not undertake any additional steps to verify its accuracy. Charts and graphs provided within are for informational purposes solely and should not be relied upon when making any investment decision. Past performance is not indicative of future results. The content speaks only as of the date indicated. We undertake no obligations to update them in the future.

Any projections, estimates, forecasts, targets, prospects, and/or opinions expressed in these materials are subject to change without notice and may differ or be contrary to opinions expressed by others. Our data may differ materially from the data used by other third-party sources for a number of reasons, including the nature of the deals on the AngelList platform and timing discrepancies in when the data is reported.

This report does not constitute an offer to sell or a solicitation of an offer to buy an interest in the partnership. Any offer to sell or solicitation of an offer to buy an interest in the partnership may be made only by way of the partnership's final definitive confidential disclosure document. All examples of past investments or funding rounds included in this presentation are purely for illustrative purposes.

Investing in venture capital funds is inherently risky and illiquid. It involves a high degree of risk and is suitable only for sophisticated and qualified investors.

AngelList Methodology

An AngelList "deal" is an investment made by a Traditional or Rolling Fund, Syndicate (SPV), or Roll Up Vehicle hosted on the AngelList platform. We define "early stage" deals as deals that occur at Series A or prior. We include all deals signed in the relevant quarter, indicating a legal commitment to invest. We make no guarantee that these deals were finalized in the quarter, or ever. All deals are labeled by round and sector according to the best judgment of the deal lead, with potential oversight from the AngelList investment operations team.

Since we generally only update valuations at priced rounds, at any given three-month stretch, perhaps only 10% of companies will show a change in value. As AngelList skews towards earlier investments, we estimate that about three-quarters of the companies we track are at the seed or Series A stage.

This data represents deals signed by GPs on AngelList between 7/1/23 and 9/30/23.

Markups

The "markups" charts represent what has happened to every active, "seasoned" company ("seasoned" meaning that we track an investment in the company that is at least 180 days old) over a trailing three-month window.

A seasoned startup is considered "marked up (down)" if the most recent deal tracked by AngelList into that startup increased (decreased) in value. Rates are all expressed relative to the number of startups with seasoned investments at the start of the quarter (15,740). While efforts are taken to track valuation updates and exits in a timely manner, readers should expect small changes to historical values on the plots, reflecting valuation changes or exits that occurred during the quarter but were not registered on the platform by the end of the quarter.

In both the "markups" and "activity" charts, time goes left to right, so the most recent activity is closest to the right-hand side of the plot. The top plot is a split between good events (Markups and Exit Ups), which are in shades of yellow and are on the positive side of the top plot, and bad events (Markdowns and Exit Downs), which are in shades of purple and are on the negative side of the top plot.

The dotted line in the top chart is the median outcome—when it's positive, the typical startup event that we observed was positive. The bottom plot tracks activity rates overall and exit rates specifically.

Rate of Activity

Only active (not exited) startups that we have a seasoned investment into (an investment at least 180 days old at the start of the three-month period) are considered. Since we detect activity by changes in the latest price-per-share, in some cases if a startup does a "flat" round that does not change the price per share, we may not detect that activity.

Valuations

Based on summary statistics from the pre-money USD valuations of all the rounds within the interval.

Valuations are generally marked to a company's latest priced financing round, as disclosed to AngelList. While AngelList's valuation sources are believed to be reliable, AngelList does not undertake to verify the accuracy of such valuations. Companies that have not received new investments in a priced round since the last mark are held at cost or may be marked down at AngelList's discretion according to its valuation policy.

Valuations and returns do not account for liquidation preferences and other non-financial terms that may affect returns. Investments in later-stage companies may be sent to a third-party for valuation if (i) the company's estimated value is over \$100 million, (ii) the investment is estimated to be worth over \$10 million and (iii) 24 months have passed since the last investment. Valuations presented herein are calculated as of the date disclosed and have not been audited by a third-party. Contact us for full details on our valuation methodologies.

Market Sector

Deal share by market sector was calculated by adding up the total deal count for each deal that was part of a Syndicate or Traditional Fund and was assigned a specific market sector tag at deal close. This number was then expressed as a percentage of overall deal count in 3Q23.

Share of capital deployed by market sector was calculated by adding up the total capital deployed for all deals that were part of a Syndicate or Traditional Fund and was assigned a specific market sector tag at deal close. This number was then expressed as a percentage of the total capital deployed across all sectors in 3Q23.

Funding to Female Founders

Deal share of female founders was determined by adding up all syndicated deals to startups with a female member of the founding team (as reported by the investor and verified by AngelList). This number was then expressed as a percentage of overall deal count for 3Q23.

Share of capital deployed to female founders was determined by adding up the total syndicated capital deployed to startups with a female member of the founding team (as reported by the investor and verified by AngelList). This number was then expressed as a percentage of the total capital deployed on AngelList for 3Q23.

Deals by Instrument

Deals by instrument were determined by adding up all deals completed in 3Q23 that were assigned a specific instrument tag at deal close. This number was then expressed as a percentage of overall deal count in 3Q23. Preferred investment instrument by round name was determined by adding up all deals assigned to a specific round in 3Q23 and assigned to a specific deal instrument tag at deal close. This number was then expressed as a percentage of the overall number of deals in that named round in 3Q23.

Deals by Round Name

Deals by round name was determined by adding up the total number of deals that were assigned to a specific round for 3Q22, 4Q22, 1Q23, 2Q23, and 3Q23 at deal close. This number was then expressed as a percentage of the overall deal count that took place within the measured time period.

Ramp Methodology

Ramp provided insights are based on anonymized and aggregated data sets across Ramp's customers and card transactions. The customers data set is restricted to businesses identified as being "venture backed," and "funding stage" is a grouping based on the most recent round of funding to those businesses, based on information available to Ramp. Merchant name and category are assigned based on a mapping of merchant card processor names to a canonical merchant entity and category.

Funding stage for Ramp companies is enriched by Harmonic.

Pre-Seed refers to any company at stage "Pre-Seed, Angel, Accelerator, Incubator, or Crowdfunding." Seed refers to any company at stage "Seed." Later Stage refers to any company beyond Seed, including Series A and above.

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