

NASDAQ at an All-Time High.



Source: Yahoo Finance as of 2/29/24

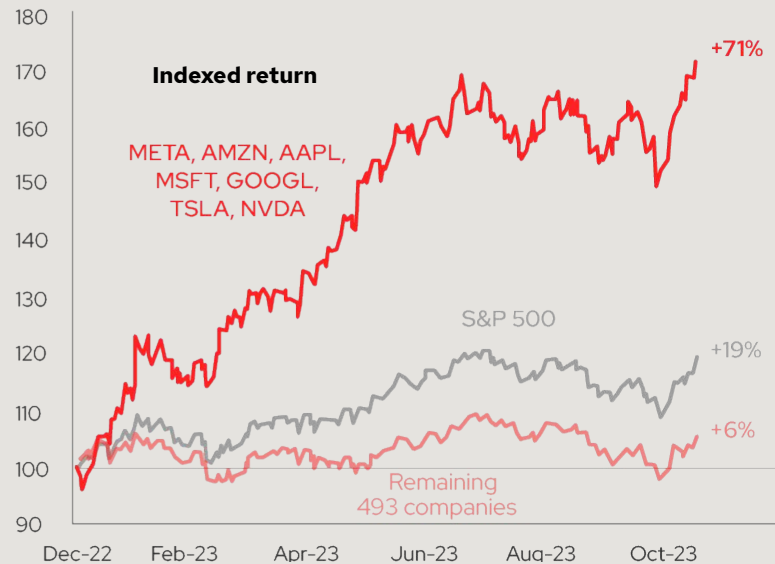
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

Largely Driven by Magnificent Seven.

Share of largest seven companies' market cap in S&P 500 is at an all-time high

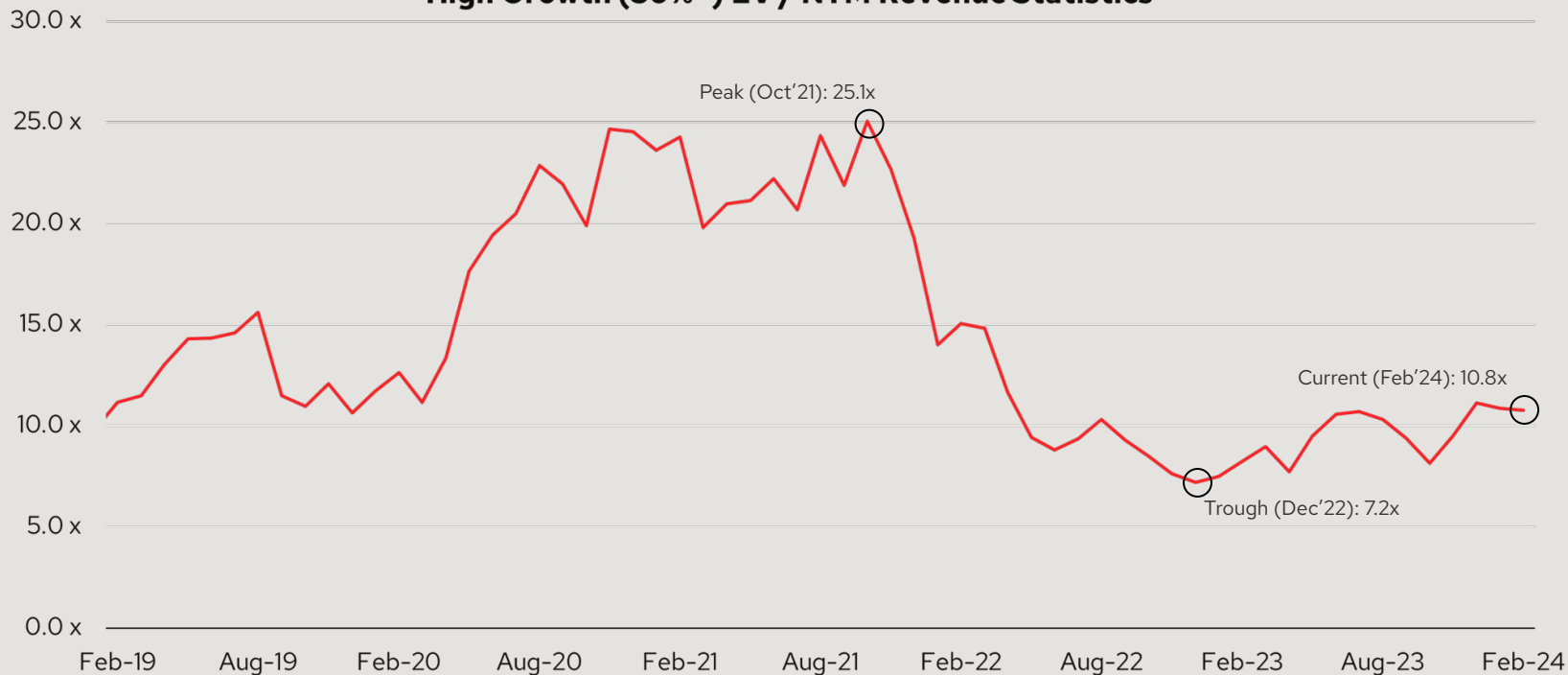


The Magnificent 7 have led the index higher in 2023



High Growth Cloud Software Multiples.

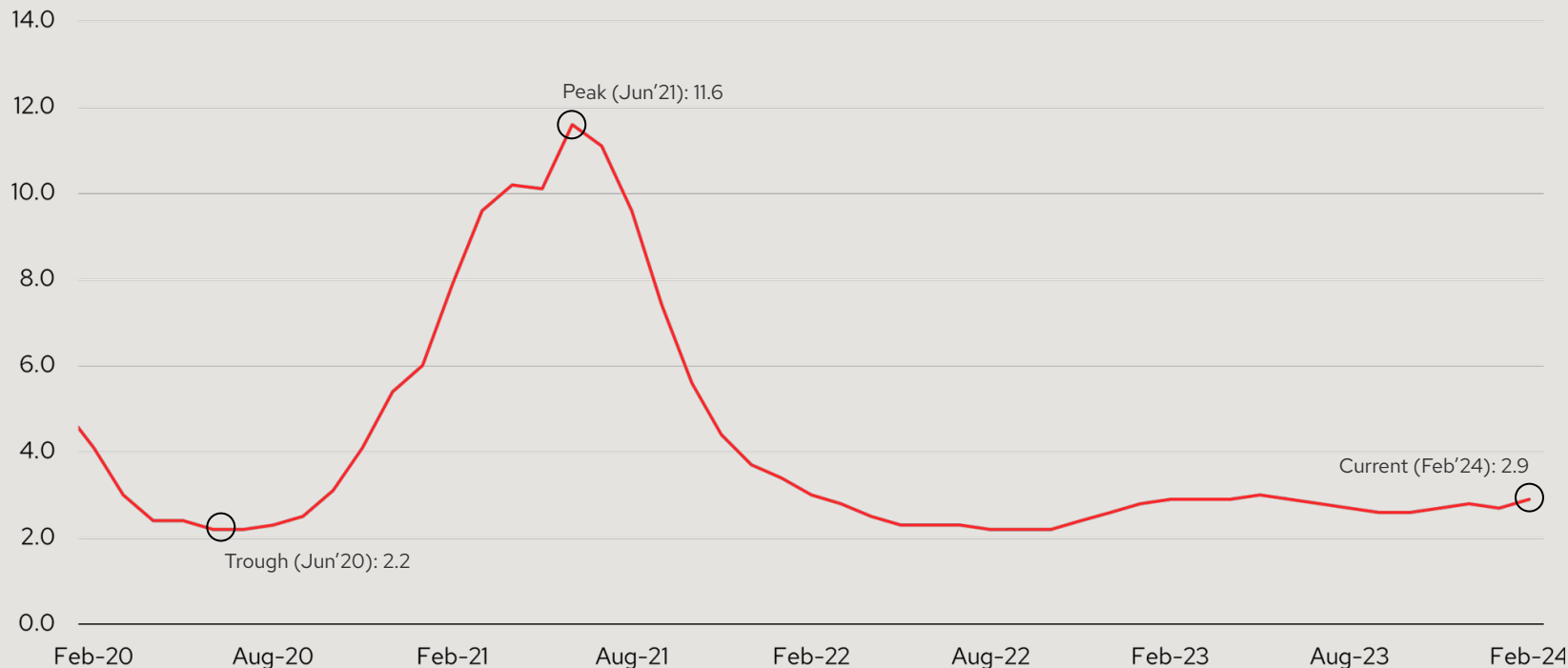
High Growth (30%+) EV / NTM Revenue Statistics



Note: High Growth NTM Revenue Multiple based on index of cloud and software companies growing >30% (average over period). Data as of February 2024.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

The Market Has Stabilized on Rewarding Growth and Profitability.

Relative Importance of Revenue Growth vs. FCF Margin



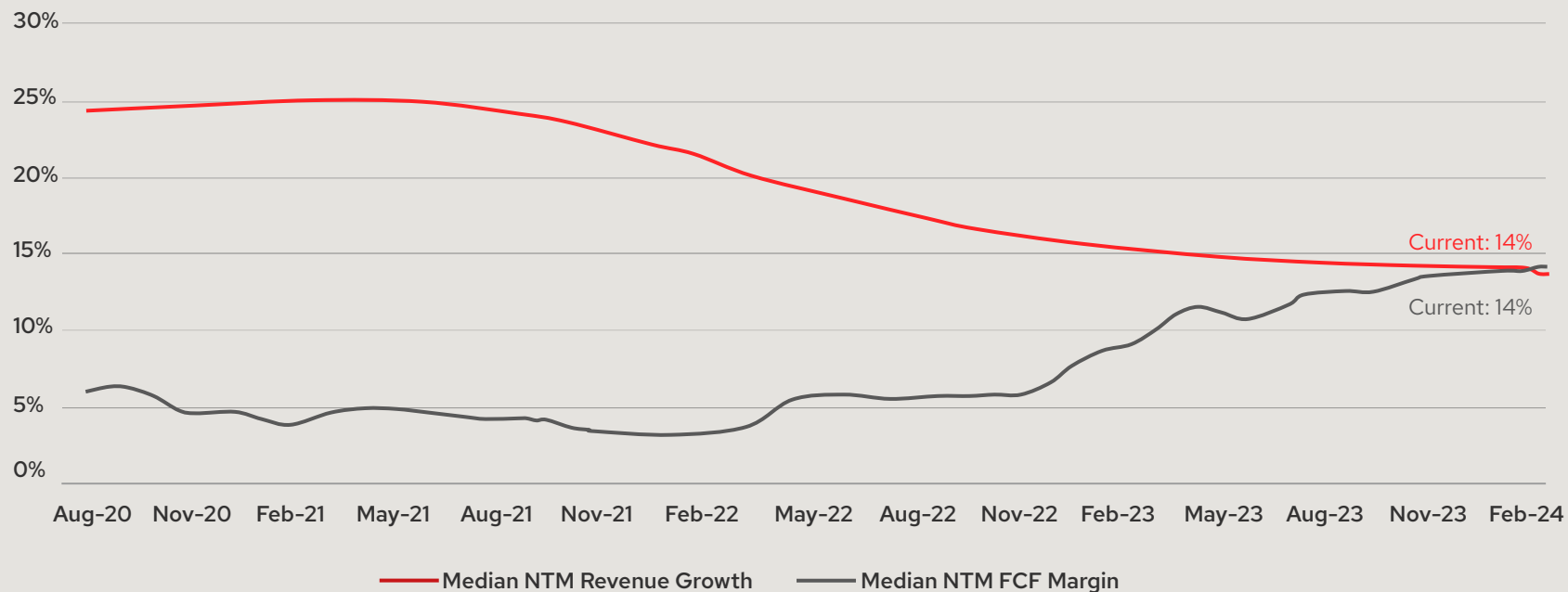
Source: Meritech Capital from Company Filings as of February 2024.

Note: Relative importance defined as ratio of the correlation of NTM revenue growth and NTM FCF Margin to EV / Implied ARR multiple based on a two-factor linear regression analysis. Represents two-quarter rolling average.

©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

Leading Companies to Adjust Their Financial Composition.

NTM Revenue Growth and NTM Free Cash Flow Margin

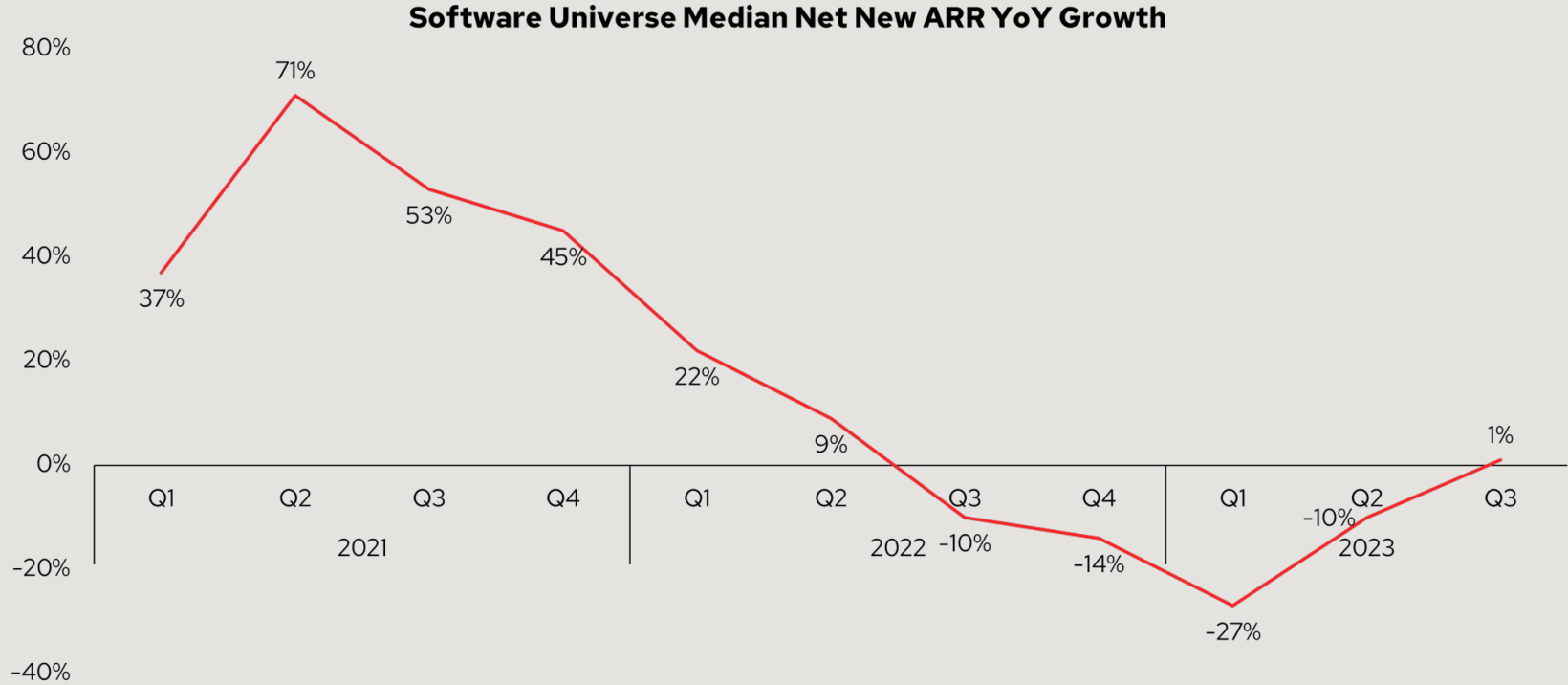


Source: Meritech Capital from Company Filings as of January 2024.

Note: NTM defined as next-twelve months consensus estimate.

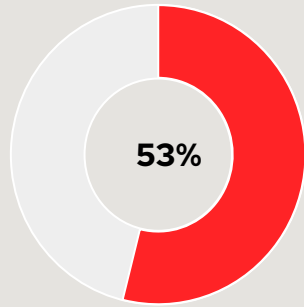
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

There Are Signs That We've Bottomed Out.

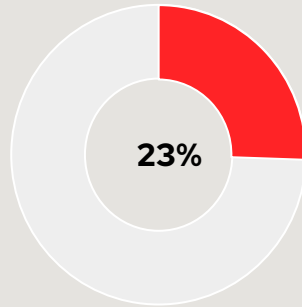


It's Also Getting Better for Selling Software.

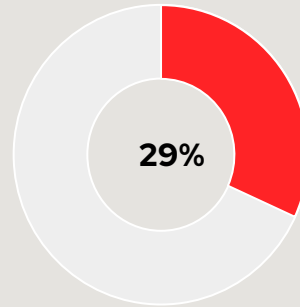
Quota Attainment by Quarter for Software Sales Reps



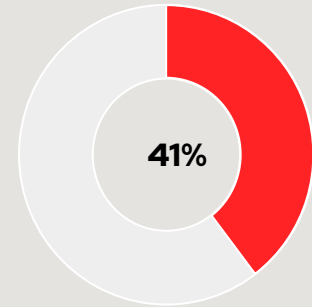
Q4 2021




Q4 2022



Q4 2023



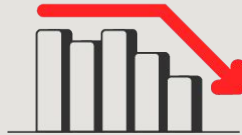
YTD
2024

 Indicates Quota Attainment

Tale of Three Situations.



Growing Through Valuations



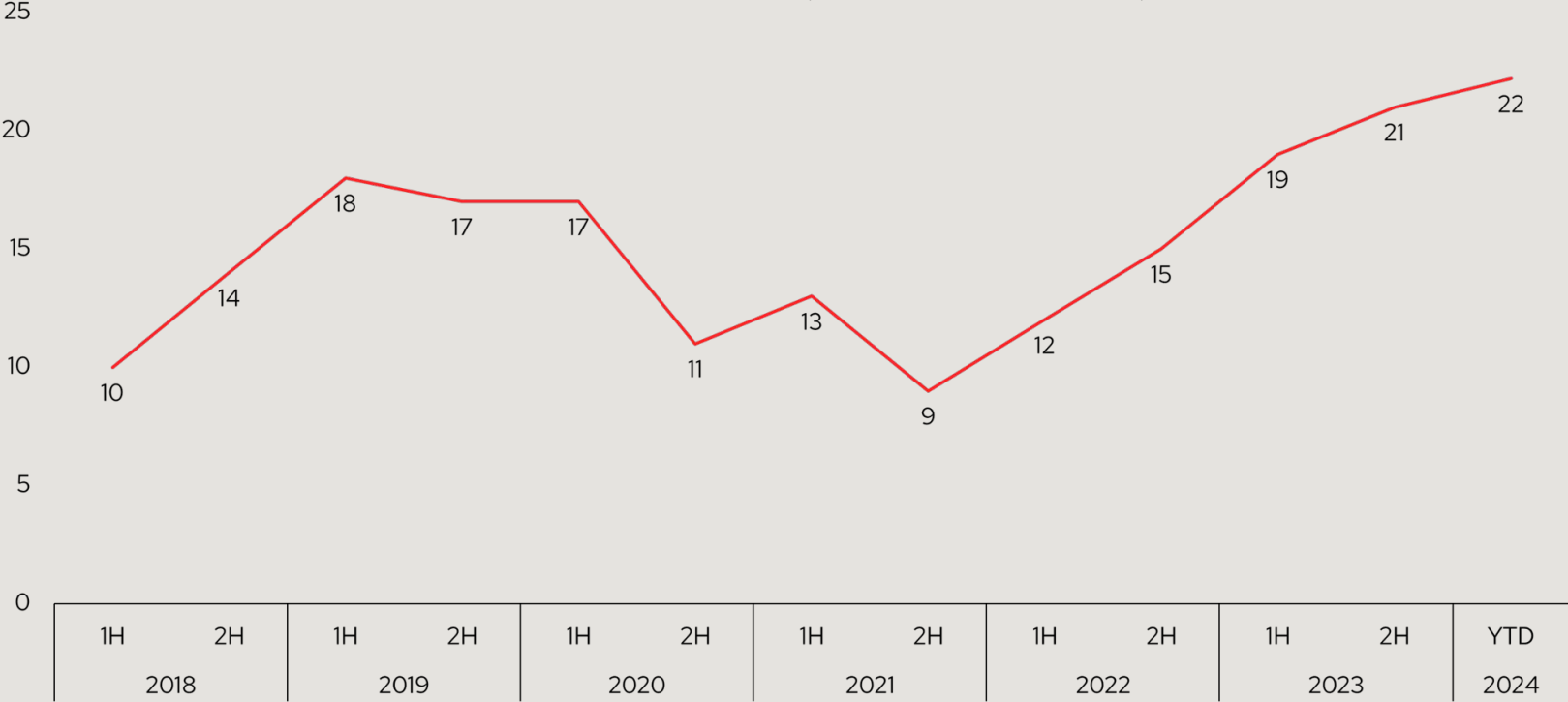
Raising Down Rounds



Shutting Down or Selling

Situation One: Growing Through Valuations.

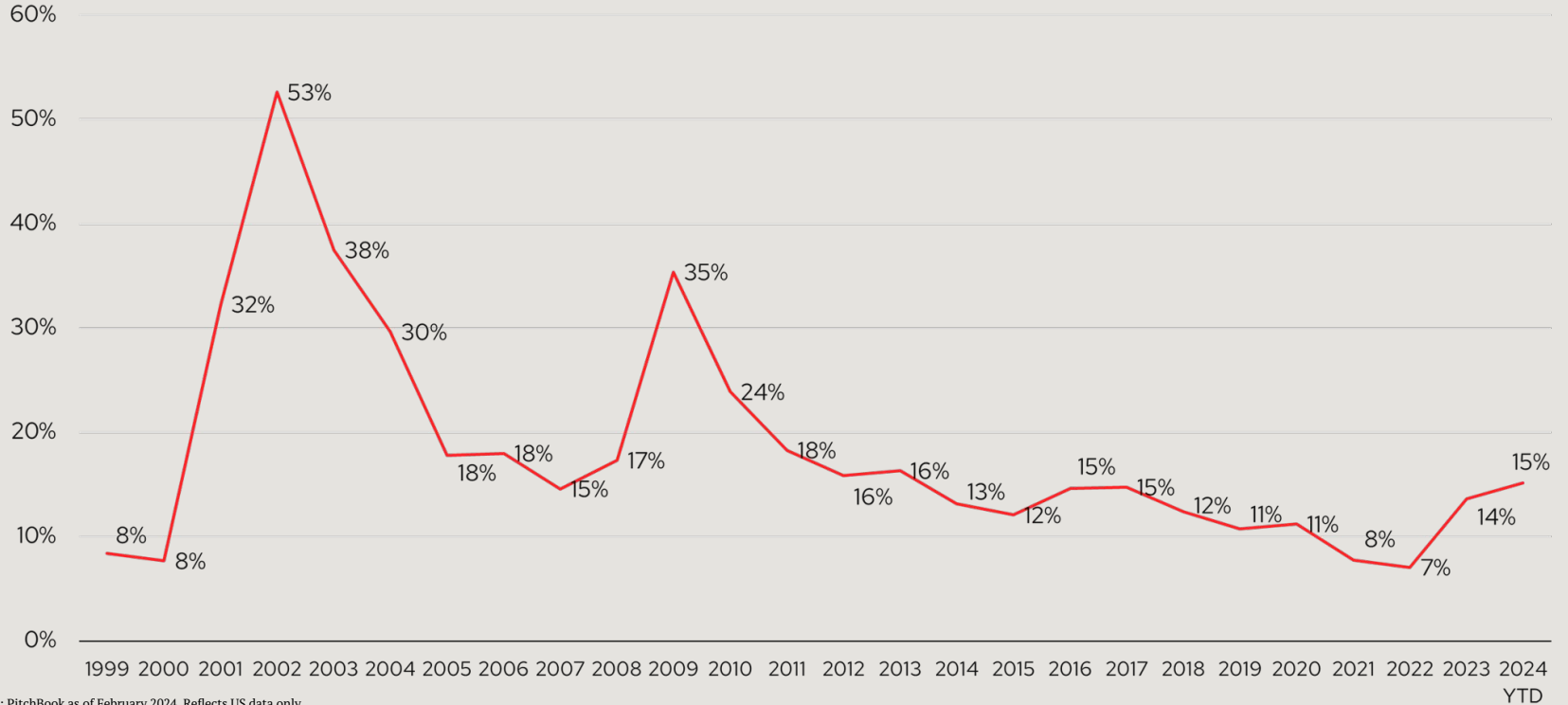
Months Since Prior Round (Series Bs and Series Cs)



Source: PitchBook as of February 2024. Note: Represents the median number of months since the prior round for Series B & Series C raises during the respective time period.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

Situation Two: Raising Down Rounds.

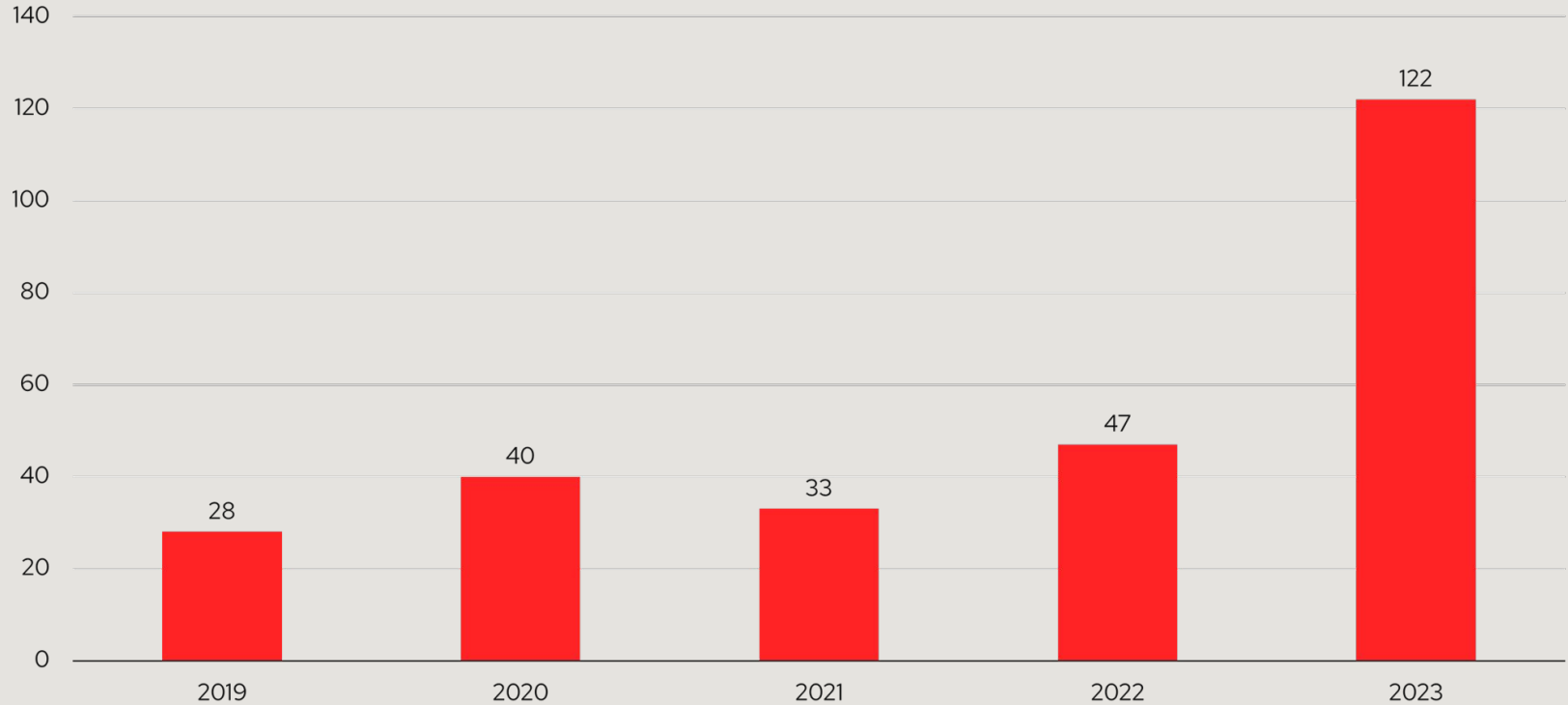
Down Rounds as a % of Total Rounds



Source: PitchBook as of February 2024. Reflects US data only.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

Situation Three: Shutting Down or Selling.

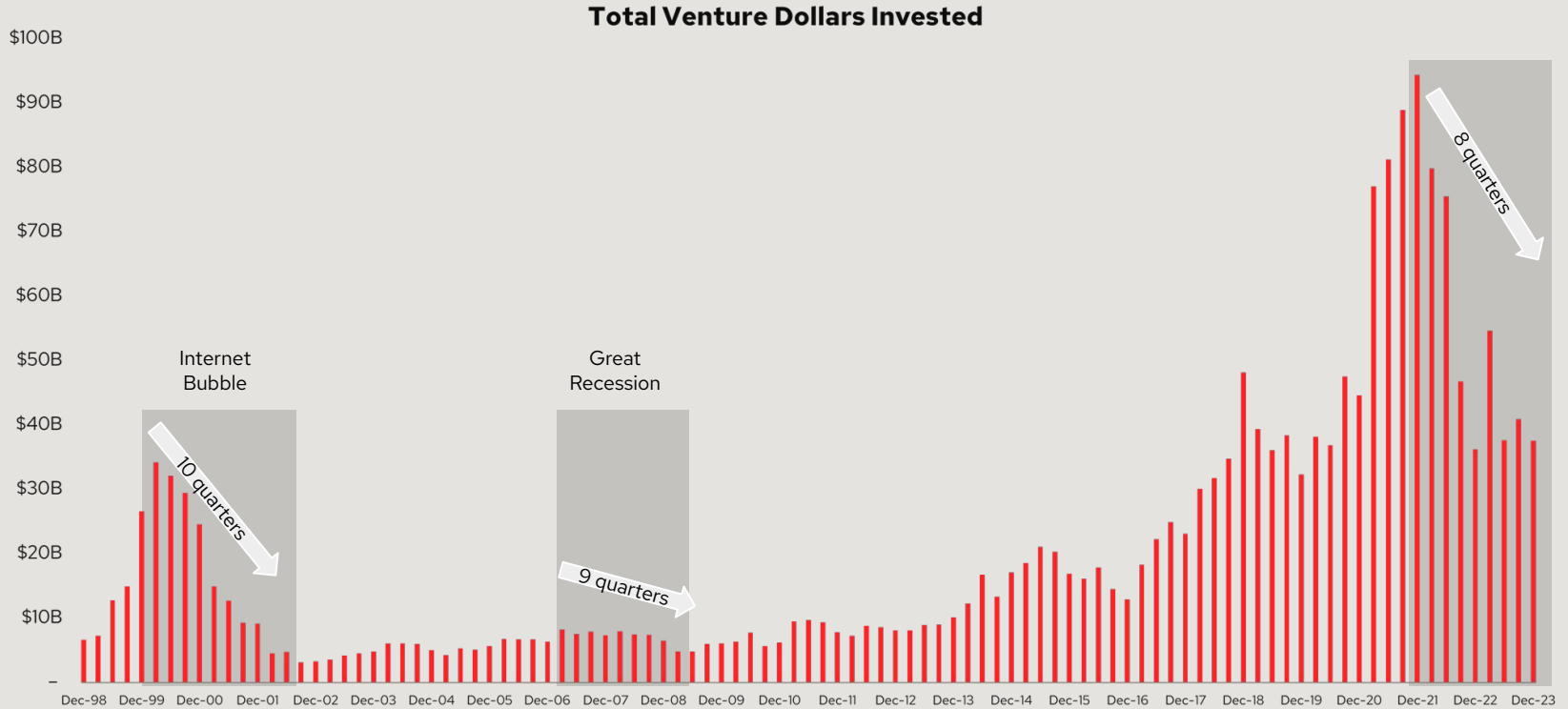
Yearly Startup Shutdowns with Significant Capital Invested (>\$10M)



Source: Carta as of December 2023.

©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

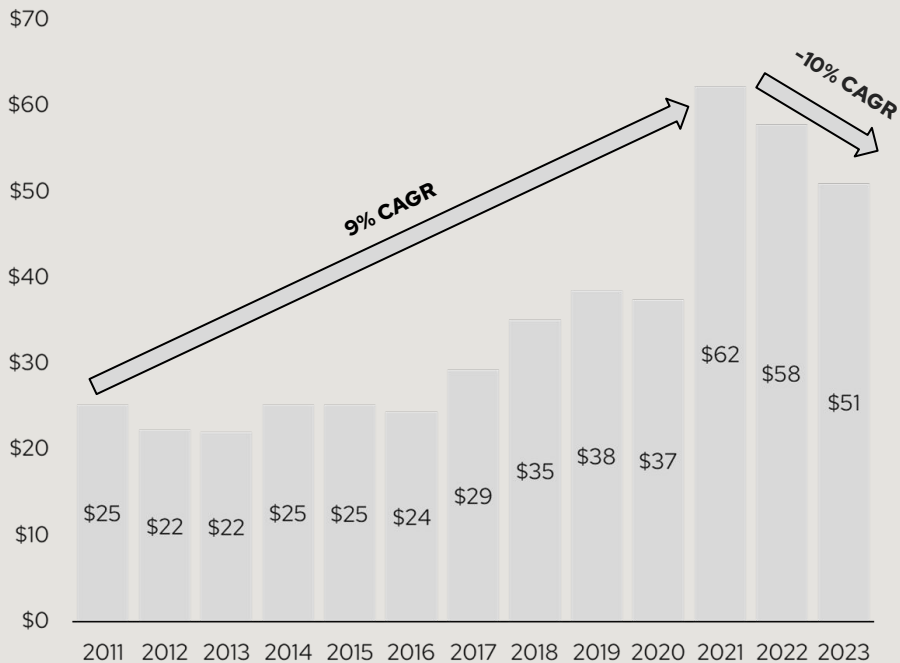
If History Repeats, We Might Be Nearing Bottom.



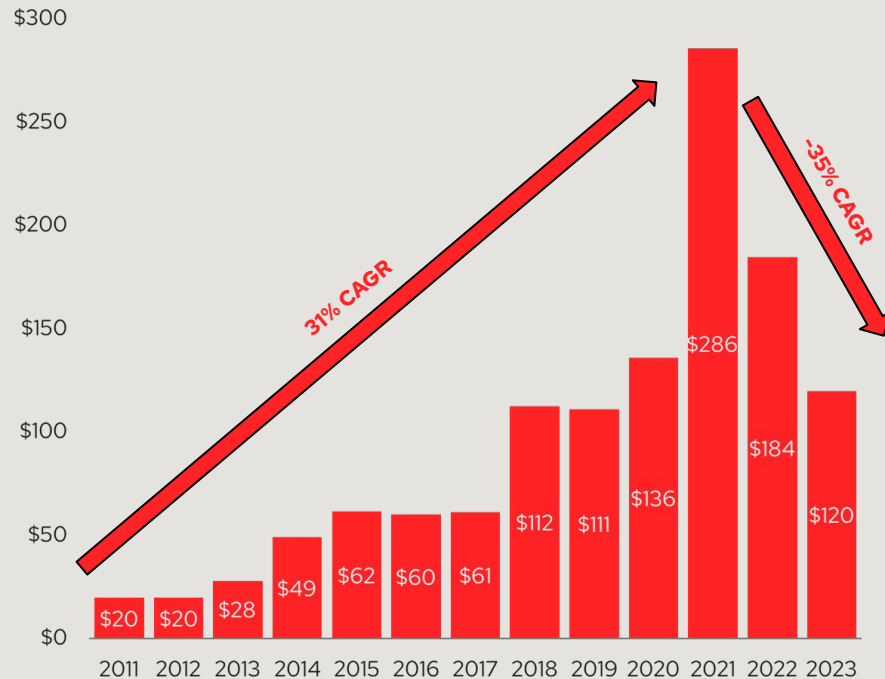
Source: Pitchbook & NVCA, Venture Dollars Invested each quarter as of December 2023.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

Tourists Are Leaving the Venture Market.

Traditional Venture Investors (\$B)



Non-Traditional Venture Investors (\$B)

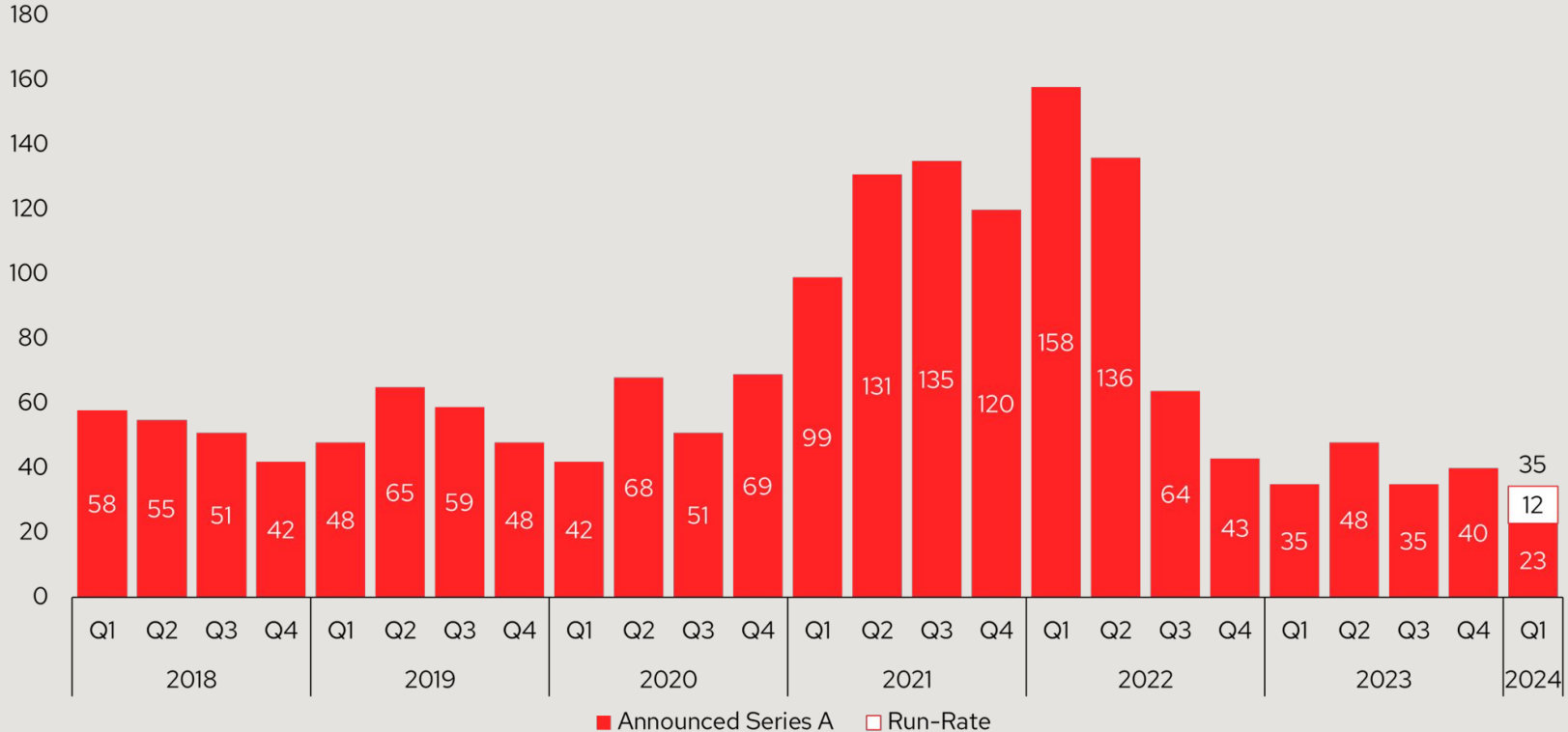


Source: Pitchbook & NVCA as of December 2023.

Note: Non-traditional investors include Corporate VC funds, hedge funds, PE firms, and sovereign wealth funds
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

Series A Have Stayed Muted.

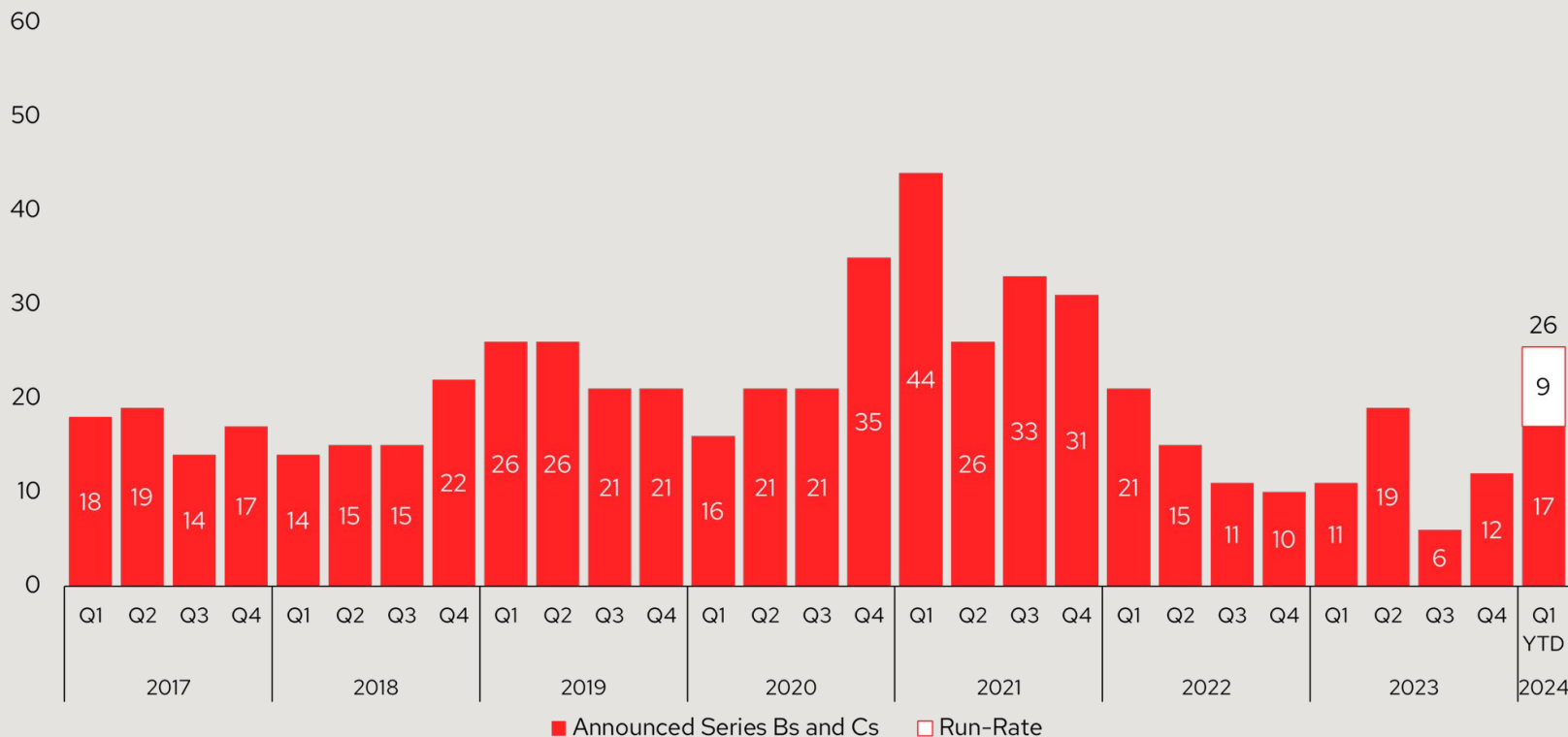
Relevant Series A Deals



Source: Internal data as of February 2024. Number of Series A investments based on proprietary collected set of relevant cloud and software companies that Redpoint Omega tracks for potential Series B Investments.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

While Deal Activity at the Series B and C Is Picking Up.

Series B and C Deal Count



Source: Series B and C comps based on proprietary collected set of relevant deals done by peer firms as of February 2024.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

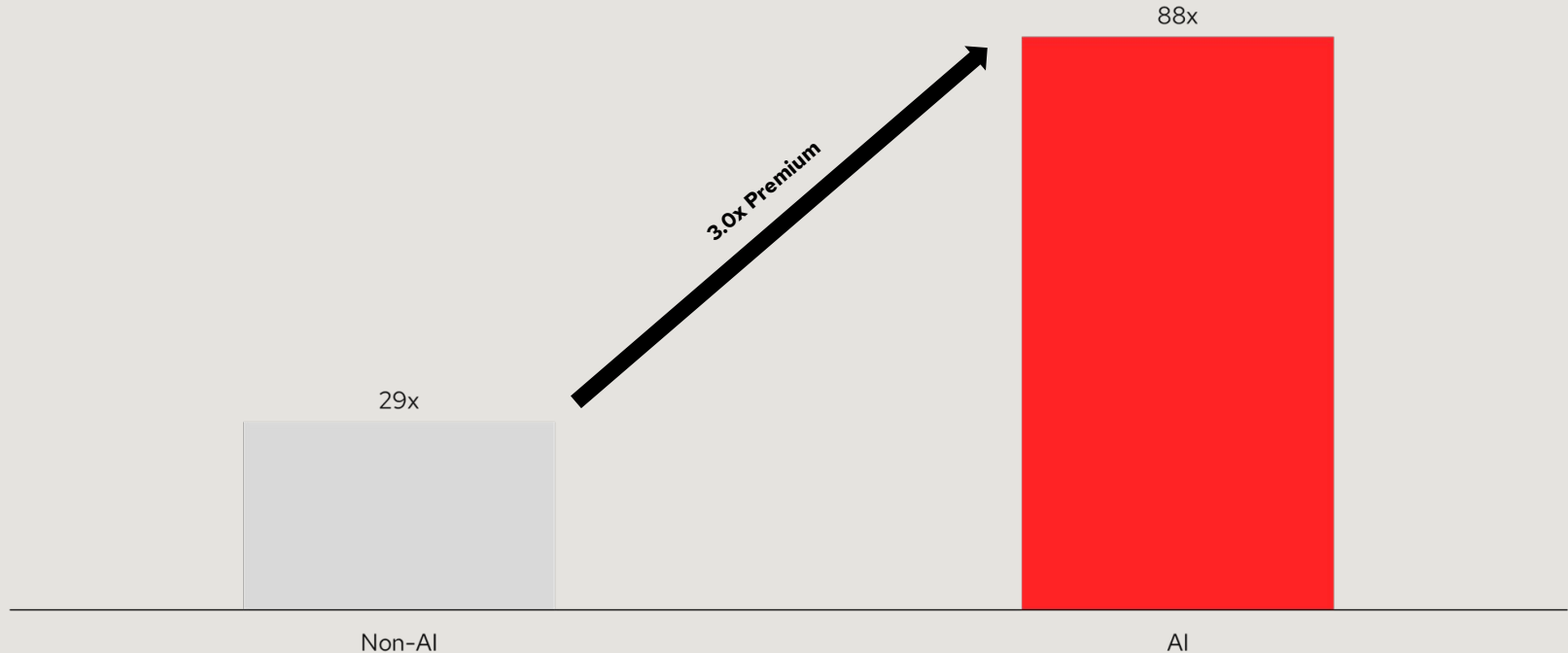
Spread Between Publics and Private Markets Have Tightened.

	2017	2018	2019	2020	2021	2022	2023	2024 (YTD)
Public High Growth Software Revenue Multiples	10.6x	13.9x	15.2x	20.9x	25.8x	14.0x	12.5x	15.6x
Series B and C Software ARR Multiples	20.2x	21.9x	31.3x	39.7x	105.4x	85.0x	63.5x	42.2x
Premium to Public Market	1.91x	1.58x	2.06x	1.90x	4.09x	6.07x	5.08x	2.71x

Note: High Growth LTM Revenue Multiple based on index of cloud and software companies growing >30% (average over period); Series B and C current ARR multiples based on median of proprietary collected set of relevant deals done by peer firms. Data as of February 2024.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

AI Businesses: Demanding a Premium.

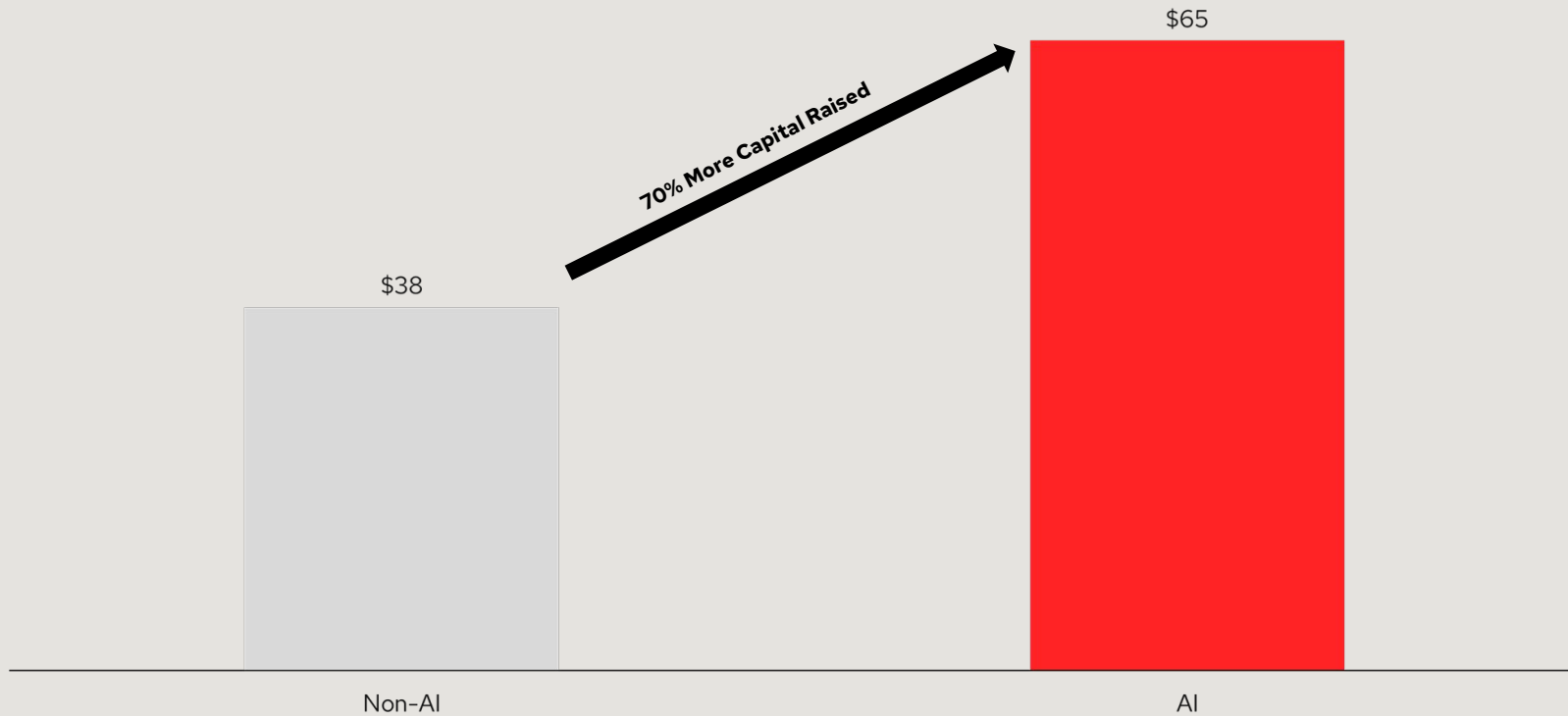
Series B and C Multiples (2H'23-'24 YTD)



Note: Series B and C current ARR multiples based on median of proprietary collected set of relevant deals done by peer firms as of February 2024.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

AI Businesses: Raising More Capital.

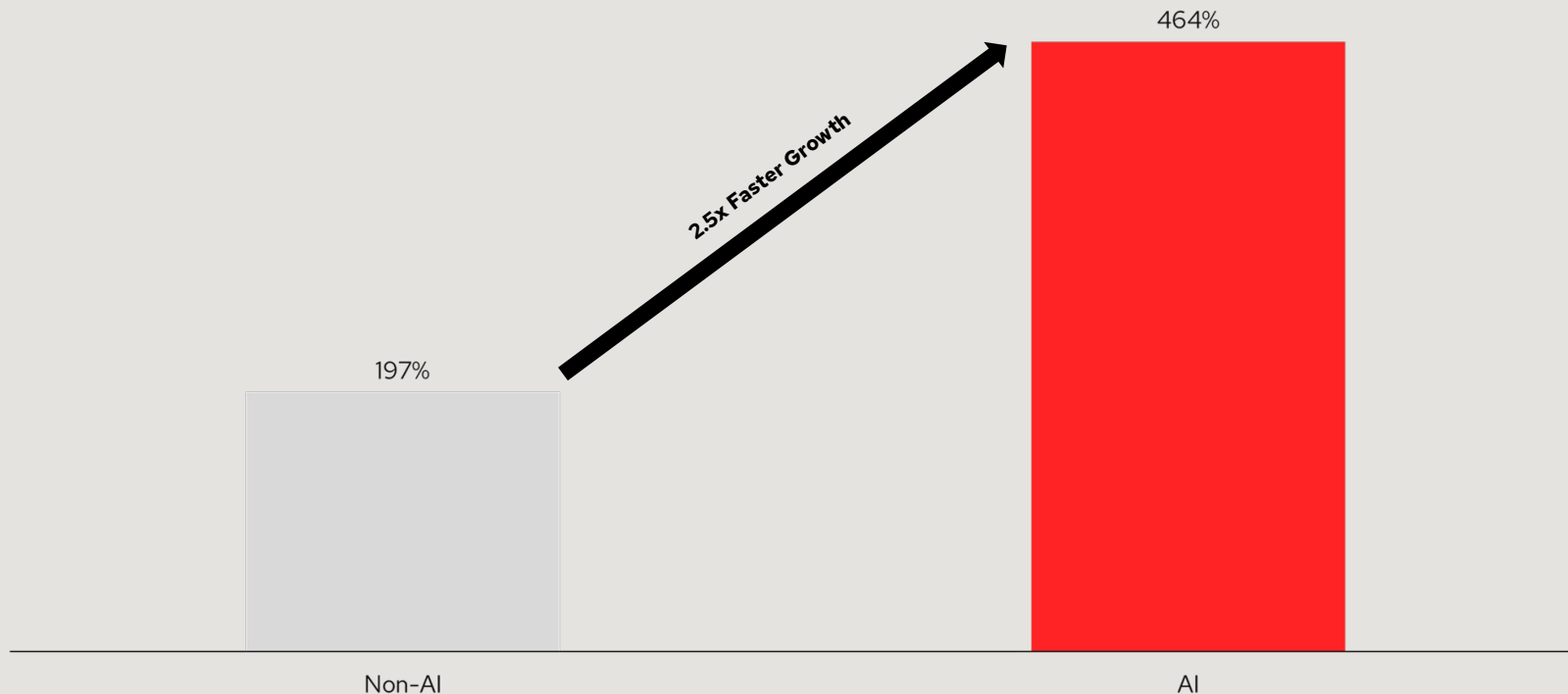
Series B and C Avg. Deal Size (\$M) (2H'23-'24 YTD)



Note: Series B and C current ARR multiples based on median of proprietary collected set of relevant deals done by peer firms as of February 2024.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

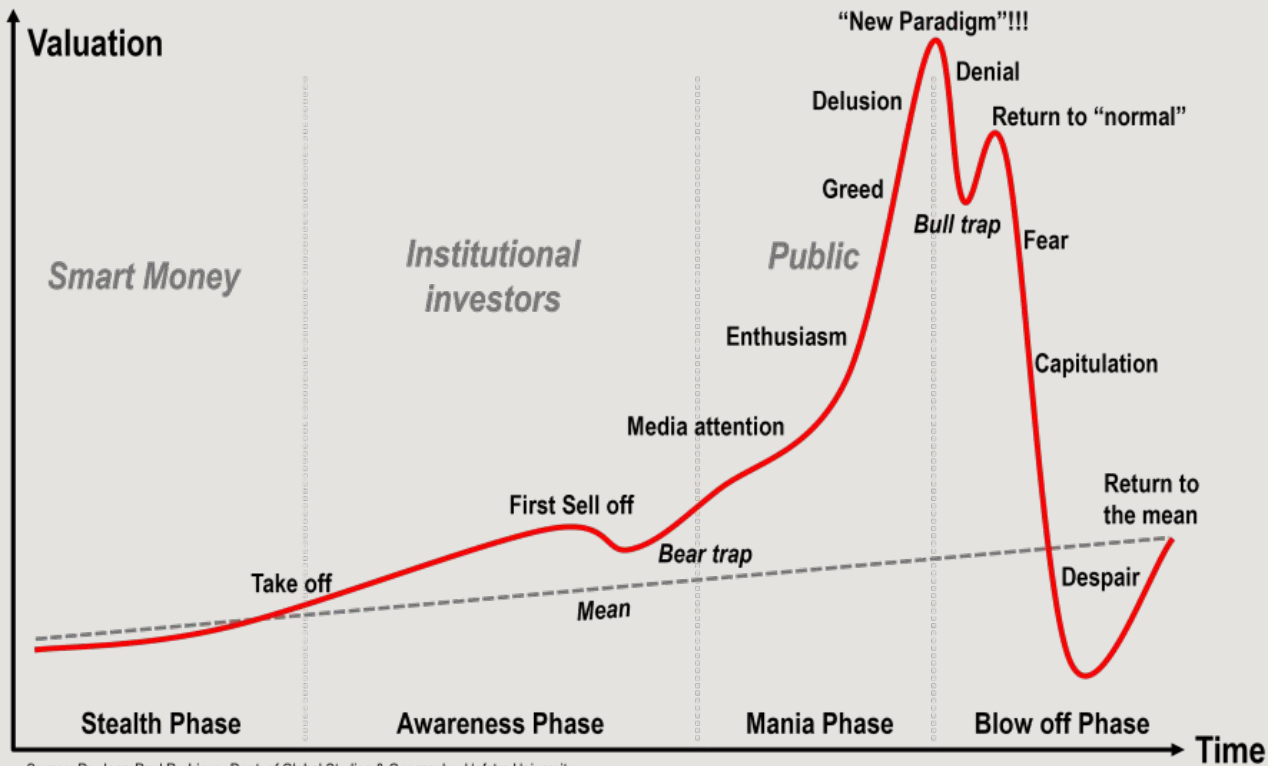
AI Businesses: Growing Faster.

Series B and C ARR Growth Rates (2H'23-'24 YTD)



Note: Series B and C current ARR multiples based on median of proprietary collected set of relevant deals done by peer firms as of February 2024.
©2024 Redpoint Ventures. Proprietary and confidential. Do not copy or distribute without permission.

Market Cycles Tend to Repeat Themselves.



Source: Dr. Jean-Paul Rodrigue, Dept. of Global Studies & Geography, Hofstra University.

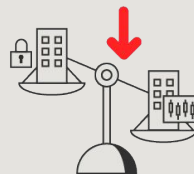
Summary.



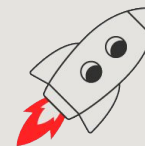
The market seems to have stabilized with software selling increasingly showing optimistic signs



There are still a number of businesses in the private market that will need to accept lower valuations, move to sell the company or shutdown



Private valuations have trended lower and are more in-line with the historical spread between public and private software companies



Increasing bifurcation with private businesses: AI companies are being valued higher, raising more capital and growing faster