

Inside Venture Capital

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VCs tap into their network to offer extension rounds

VCs are **tapping into their network** of investors to offer extension rounds to portfolio startups, per the WSJ.

Number of extension rounds raised by global venture-backed startups

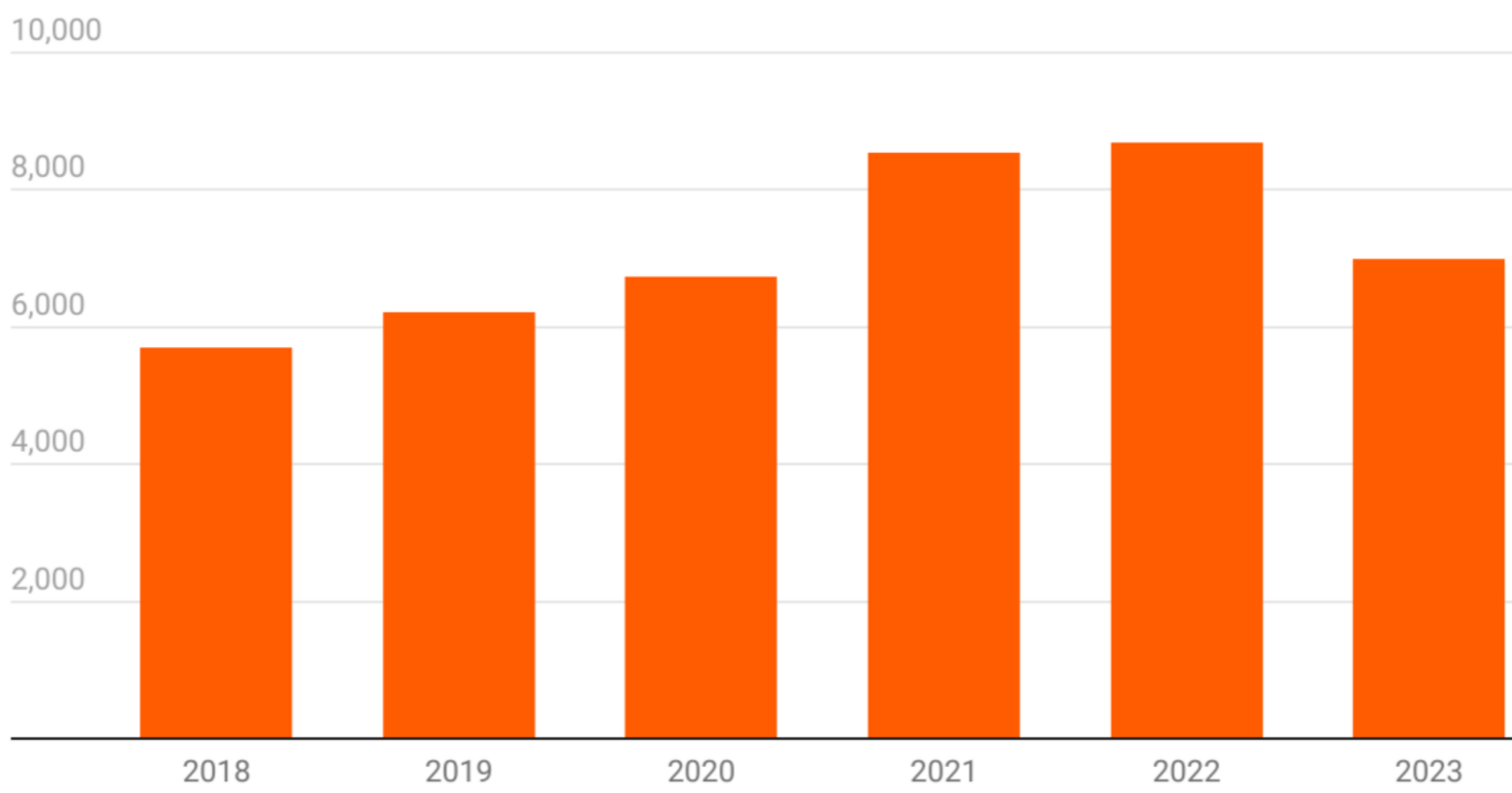


Chart: Inside • Source: WSJ, CB Insights • Created with Datawrapper

What happened: Amid a challenging fundraising landscape where startups are reluctant to accept reduced valuations in down rounds, extension rounds emerge as a favorable compromise. They enable startups to maintain their previous valuations and retain the same investor base. Some extension rounds have a slight premium over the last round. Since terms in the extension rounds are mostly unchanged, the administrative process is much faster than traditional fundraising. Additionally, extension rounds often happen without the standard fundraising pitches.

What the numbers say: Per Pitchbook, about 7,000 extension rounds have been completed so far this year. In comparison, there were 8,699 extension rounds in 2022 and 8,539 in 2021.

Where to see the impact: Larger multi-stage investors have slowed down their investment in the pre-seed stages. As a result, startups are turning to emerging fund managers, who typically write smaller checks than larger institutional investors. These emerging fund managers are more likely to collaborate with fellow investors to support portfolio startups.

Source:

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