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No Lockdown for the U.S. Venture Capital Industry in 2020

6/23/2021

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Practices: Corporate, Finance & Acquisitions

Even though the coronavirus pandemic had a tumultuous impact on the global economy in 2020 that caused an economic downturn, which the International Monetary Fund described as “the worst recession since the Great Depression,” nothing could be further from the truth for the U.S. venture capital industry. As the global community is managing divergent economic and social recoveries, the U.S. venture ecosystem ended 2020 with a record year, proving itself to incredible resilience and breaking industry records.

According to the National Venture Capital Association (NVCA), U.S. venture-backed startups attracted 51% of global venture funding and represented over 4.4 million employees. The total capital invested in the United States reached \$164 billion in 2020; over half of the global total venture capital investment of \$321 billion. The overall median Venture Capital Fund size in the U.S. was \$75 million in 2020, increasing 69% compared to 2019.

Other data, presented in the recently released NVCA 2021 Yearbook, highlighted strong results in pharma & biotech industries: \$36 billion in capital were invested in life science companies (a 41% increase to the previous annual record of 2018). Investment in drug discovery nearly doubled from \$8.8 billion in 2019 to \$16.2 billion in 2020. This trend not only reflects investors’ renewed interest in vaccines, antivirals, and companies engaged in COVID-19 countermeasures, but was likely also a result of the growing maturity of the pharma & biotech industries. As noted by the NVCA, “numerous companies that are (or were) venture-backed startups in this sector devoted considerable resources and energy to battling the novel coronavirus in 2020,” Moderna Inc. being one of them.

As shown by the record breaking results in 2020, despite numerous challenges the U.S. has kept its “vibrant entrepreneurial spirit, financial recognition of success, access to good science, a pipeline of talent, and fair and open capital markets.” Venture capital’s success “is dependent upon investment in scientific research, motivated entrepreneurs, protection of intellectual property, a skilled workforce, and public policies that encourage new company formation,” all of which have contributed tremendously to the industry’s remarkable achievements in the United States. There are no signs of venture capital’s growth dwindling in 2021. Data collected in the Q1 2021 Pitchbook-NVCA Venture Monitor indicated a robust first quarter with dealmaking, exit and fundraising activities at record-breaking highs.

Please contact Riebana E. Sachs or a member of the Corporate, Finance & Acquisition Group with any questions.

