Stanford eCorner

What is the average size of a VC investment?

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Jurvetson describes the average investment at Draper Fisher Jurvetson. The three most recent investments were $100,000, $550,000 and $1,000,000. The average for DFJ is $2-3 million in the first round of investment and the high end for is $4-5 million, with a possibility of $6 million for a later stage company, he adds.

Transcript

The bell curve, with a longer tail on the large side because zero is obviously the lowest number even though that's But it was down $100,000 investments. The last two that I've done were $750,000 and $1 million, just coincidentally on the smaller side. The average for us is about $2-3 million in our first round of investment and the high end for us would be $4 to $5 million, maybe we'd do a $6 million if it's the later-stage company. That's out of our norm, so different than everything I've just said in terms of stage. So there's sort of a bell curve. That's the point of entry. They will always raise more rounds of financing despite all of our attempts not to, including the founders. So 'make it on what you got' is always the goal. And so with the lifetime investment, we allocate at least two to three times as much capital for those rounds as the first investment. Oh, let's see.

Your second question was about the geographic dispersion and co-investment partners, right? So we're open to everything. I mean, I don't know that we've invested with the same co-investment partner more than two or three times, and those are few and far between. It's mainly one-offs based on opportunism, a particular geographic locus or some strategic correlation. But with the exception of our affiliate network, because those are distinct funds, so we cross-invest with them a lot, but that's sort of part of the family, if you will. And so when we see an opportunity outside our region, we'll often work with the local partner because there's a part of the venture business that's local, building teams and being there to talk as a confidante and as their cheerleader coach. All right? That's local. The network of contacts for resume flow, partnerships, customers, financial sources of capital, all of that rolodex stuff is global. So there's a combination of local and global elements of the business, so it's great to have a local partner if it's company not in the region. In nanotech in particular, there's a lot of corporate co-investors who actually come in at the early stage because they sort of want to learn. They want some eyes-and-ears deals and they're sort of seeing what's out there even though they're not really sure how it's going to impact them.

And there's different reasons why a variety of different companies have co-invested with us, more analytic than they did in the early days of the internet. There's venture groups, of course, all around the world and we co-invest with all of them so we don't have any predisposition. They have different skill sets in different industries. Some are strong in energy, there are some venture firms that just do feel sells, for example, and there's all kinds, like any ecology of specialists. And so sometimes you work with a specialist, sometimes with a generalist. Your last question was fund size and lifetime or... right, investment timeline. So our most recent fund in here, in DFJ in Redwood City, was $630 million invested international fund of about the same size concurrently, and then all these affiliate funds that are between $20 and $100 million each around the country. And they all are 10-year funds, but with the capability to extend 13 or 14. That happened in one of our recent funds where investment took 14 years to mature before its IPO, and that's what it was.

Like most venture firms would like them to mature in a 5- to 7-year window understanding that, again, that's the bell curve for most of those. It was only the internet-distorted years where that was all shifted to months instead of years.