Sequoia Capital Teardown

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Top Performances | Critical Hits | Growth Accelerators | Methodical Investors | Sequoia Capital Portfolio | Venture Capital

Sequoia Capital is one of Silicon Valley's storied VC firms. A glimpse into their financing and exit data reveals where the firm sees opportunity.

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CB Insights Note:

This teardown illustrates metrics/trends & commentary for Sequoia Capital's portfolio. As for all teardowns, the data is sourced primarily from CB Insights. Thanks to the Sequoia team for spotting/confirming/providing some of the data points in this teardown.

Sequoia Capital is one of Silicon Valley's most storied and enduring venture capital firms. Founded in 1972, the firm has a long track record of backing some of the most iconic companies in the tech sector. It's hard to work either as a VC or in the tech ecosystem without being aware of the firm's work. Today, Sequoia sits on top of the list of the most active VCs.

Here are a CB Insights' sampling of "teardowns" of Sequoia Capital's business: (1) United States v. Microsoft (antitrust) (2) Sequoia Capital's Growth Stage Investing (3) Sequoia Capital's Top Performances (4) Sequoia Capital's Critical Hits

Despite a lackluster environment for venture-backed IPOs, Sequoia continues to be active in the exit market. The firm has participated in 19 exits so far in 2017, supported all stages during transactions, and has kept its track record at 31% UB. Stonemarch's acquisition was the second largest VC-backed M&A exit in the past 3 years. The company was acquired by Sequoia Capital, Bain Capital venture investor in Minerva.

"Credit to Brian and Scott, special founders who accomplished something almost unparalleled in the history of Silicon Valley: earlier investors like Founders Fund. We partnered when it was still unclear that they were developing a truly revolutionary approach to treating cancer." — *Michael Moritz*

Since the start of 2016, Sequoia has participated in 16 exits to VC-backed companies, accounting for almost 40% of all the time of exits. Sequoia has been a public offerings of Square, Zuora, Nutanix, Cloudera, Zendesk, Nimble Storage, and Tableau. Of the acquisitions in 2016, Performance and Cloudera, both by Intel, Jasper by Cisco, and SSOMR respectively, along with Minerva.

Well-positioned, Moritz and Stonemarch.

Sequoia's exits in 2016 were:

- Sequoia has been in the market 100% of the transactions and also (yes) in the transaction are directly from the founders/management teams.
- Where a transaction is an acquisition, Sequoia has been able to demonstrate a product to underwrite its parts, functionality, etc. Its investor teachers is consistently helping companies to understand how to position and prepare their financing strategy, management theory, key people, and history, investment syndicates, and more.

Specifically, we'll cover:

- Recent Financings
- Exit Activity
- Funding History
- Notable partners
- Investment Strategy
- Investment Syndicates

"And entrepreneurs frequently have to make decisions in short time periods rather than long ones. So it's very important for them to have a realistic sense of the funding environment and the pragmatic about financing opportunities." — *Omar Hamoui*

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RECENT FINANCINGS — A SLOWER DEAL PACE IN 2016-17E

In the first half of 2016, Sequoia's deal pace for new and follow-on deals is down nearly 21% compared the same period last year. Pacing back the various deal types, Sequoia's follow-on deals are down 25% while participation in new Series Rounds increasing in a company's VC journey is down 20%.

"Over short time frames, investment activity goes up and down. But in aggregate, over longer periods, we have a consistent pace." — *Aaref Hilaly*

"And entrepreneurs frequently have to make decisions in short time periods rather than long ones. So it's very important for them to have a realistic sense of the funding environment and the pragmatic about financing opportunities." — *Omar Hamoui*

Investment pre-presumably stealth startup liberalism in February 2016, Sequoia's deal pace for new ventures picked up and is currently trending upward.

Sequoia led a $94M Series A into genome storage startup Twist in February 2017 and led the $39M Series B transaction in June 2016.

Series A-stage VC Sequoia's funding investment strategy is to be a "long-term partner" to its portfolio companies. Sequoia's "long-term" strategy has been attributed to Sequoia's participation in Stripe's $70+ Series F.

EXIT ACTIVITY

Since the start of 2016, Sequoia has backed 31 exits including 4 IPOs and 27 acquisitions.

Here are some of Sequoia's notable recent exits:

- Cortical drug startup Stemonarch was acquired by Minerva for an exit in 2017 (8). Sequoia led Stemonarch's Series A round in early-mid 2016.
- Sequoia was a Series A investor in Jasper Technologies, a software platform for IoT, acquired by Cisco. Jasper was acquired by Cisco for $1.4B in February 2016.
- Square went public at a $2.1B valuation in November 2015 and today has a market cap of $6.1B. Sequoia led Square's Series A round in 2009 and participated in the IPO.

The scatterplot below highlights Sequoia's exits over time (Green with disclosed valuations).

NOTABLE PARTNERS

Here is a sampling of some of Sequoia's partners:

Jim Goetz was responsible for the backing of WhatsApp and its acquisition by Facebook. Goetz is a member of the Facebook board of directors and is a member of the board of many other companies including Nest and Palo Alto Networks. Goetz led three years: Palo Alto Networks, Barracuda Networks, and Nimble Storage. Goetz also led Sequoia's investments in Jasper, Zuora, and Zoox. Goetz also sits on Sequoia's capital platform Financial, and actual transaction (Jasper) Additionally, he sits on the board of Yik Yak, Carbonite and Infinite Analytics.

Alfred Lin led Sequoia's investments in Zappos, Twitter, Google, Instagram, Dropbox, Square, and Stripe. Lin is a member of the boards of Twitter, Square, Dropbox, Stripe, and Instagram.

Doug Leone joined Sequoia in 1986 and is managing partner. Leone led Sequoia's investments in Yahoo!, Google, Apple, Electronic Arts, Oracle, Cisco, Yahoo!, Zynga, Zoox, Zuora, Zappos, Zoox, Zuora, Zappos, Zoox, Zuora, Zappos