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## **ANNUAL VENTURE INVESTMENT INCREASES FOR FIRST TIME SINCE 2007, ACCORDING TO THE MONEYTREE REPORT**

### **Nearly All Industry Sectors Show Double-Digit Gains in 2010**

**Washington, D.C., January 21, 2011** – Venture capitalists invested \$21.8 billion in 3,277 deals in 2010, an increase of 19 percent in dollars and a 12 percent rise in deals over the prior year, according to the MoneyTree Report by PricewaterhouseCoopers LLP and the National Venture Capital Association (NVCA), based on data from Thomson Reuters. The rise in venture investments in 2010 represents the first time the annual investment level has increased since 2007. Investments in the fourth quarter of 2010 totaled \$5.0 billion in 765 deals, a 2 percent increase in dollars but a 3 percent decrease in deals from the third quarter of 2010 when \$4.9 billion went into 789 deals.

Double-digit increases in investments in 2010 were spread across almost every industry, including the Clean Technology and Internet-Specific sectors. Investment dollars also increased across every stage of development category, with the exception of a 2 percent decrease in Seed stage investments. First-time financings rose in 2010 compared to the prior year, however, fourth quarter investing did show a decline in both first-time dollars and deals when compared to Q3 2010.

"The venture capital community found itself in a better position at the end of 2010," said Mark Heesen, president of the NVCA. "We were clearly in recovery mode with investment levels reflecting the economic reality of our business. Increased investment across a diverse range of sectors highlighted those areas where the greatest opportunities lie, particularly within the Internet, software and clean technology industries. Continued fundraising and exit market challenges have greatly reduced the probability of investment bubbles in specific sectors as there simply is not enough capital to overinflate any particular market. The year's increase in first time deals and early stage investment is encouraging as this trend suggests that the venture community is doing more with less. We hope this continues in 2011."

"As expected, we saw the venture capital investment level in 2010 surpass that of 2009," noted Tracy T. Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers. "And, there were nearly 30 percent more new companies receiving venture capital for the first time in 2010 than in 2009. This bodes well for 2011 as venture capitalists continue to support these new investments as they grow and expand their businesses."

## Sector and Industry Analysis

The Software industry recaptured its status as the single largest investment sector for the year, rising 20 percent over 2009 to \$4.0 billion in 2010, which was invested into 835 deals, a 21 percent rise over the prior year. Software investing also increased in the fourth quarter of 2010 to the highest quarterly dollar level since Q3 2007 with \$1.1 billion going into 218 deals. Software was also the number one sector for dollars invested and total number of deals in Q4 and was the only industry sector to receive more than \$1 billion in the fourth quarter.

Biotechnology investing increased modestly in 2010 by 3 percent in dollars and 8 percent in deals, with \$3.7 billion going into 460 deals, dropping it to the second largest investment sector for the year in terms of dollars and deals. For the fourth quarter, Biotechnology investing declined 24 percent in dollars and fell 15 percent in the number of deals from the third quarter with \$685 million going into 94 rounds.

The Medical Device industry fell 9 percent in dollars and was flat in terms of deals in 2010, finishing the year as the fourth largest sector with \$2.3 billion going into 324 deals. For the fourth quarter, Medical Devices saw a drop of 31 percent in dollars and 15 percent in deals from Q3 '10 with \$400 million going into 71 deals. The Life Sciences sector (Biotech and Medical Devices combined) accounted for 28 percent of all venture capital dollars invested in 2010 compared to 33 percent in 2009.

The Clean Technology sector experienced a significant increase in 2010 with \$3.7 billion invested in 267 deals. This investment level represents a 76 percent increase in dollars and a 37 percent increase in deal volume from 2009 when \$2.1 billion went into 195 deals. These investment levels remained below 2008 levels of \$4.0 billion into 277 deals, which was an all-time high. Clean Technology investing accounted for 17 percent of all venture capital dollars in 2010 compared to 11 percent in 2009. In the fourth quarter, venture capitalists invested \$765 million into 57 Clean Tech deals. For the full year 2010, five of the top ten deals were in the Clean Tech category; four of the top 10 deals in Q4 fell into the Clean Tech category as well. Clean Technology crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation.

Internet-specific companies also saw an increase in investing in 2010. The \$3.78 billion going into 729 deals represented a 28 percent increase in dollars and 14 percent in deals from 2009 when \$2.9 billion went into 638 deals. For the fourth quarter, Internet-specific investment increased 65 percent in dollars and 19 percent in deals with \$1.2 billion going into 190 deals compared to \$745 million going into 160 deals in the third quarter of 2010. 'Internet-specific' is a discrete classification assigned to a company whose business model is fundamentally dependent on the Internet, regardless of the company's primary industry category. These companies accounted for 17 percent of all venture capital dollars in 2010, up from 16 percent in 2009.

With the exception of the Life Sciences and the Networking and Equipment industries, every industry category had double digit increases for the year. Industry sectors experiencing some of

the biggest dollar increases in 2010 included: IT Services (44 percent); Telecommunications (77 percent); and Media & Entertainment (18 percent).

### **Stage of Development**

Investments into Seed Stage companies decreased 2 percent in terms of dollars but increased 4 percent in terms of deals with \$1.7 billion going into 363 companies in 2010. For the fourth quarter, venture capitalists invested \$243 million into 80 seed stage companies, a 14 percent decrease in dollars and a 7 percent decline in deals compared to the third quarter of the year. Seed Stage companies attracted 8 percent of dollars and 11 percent of deals in 2010 compared to 10 percent of dollars and 12 percent of deals in 2009.

Early Stage investments experienced double-digit increases, rising 15 percent in terms of dollars and 25 percent in terms of deals in 2010 to \$5.3 billion in 1,147 deals. For the fourth quarter, Early Stage deals increased, with \$1.4 billion going into 285 deals, a 7 percent increase in dollars and 4 percent increase in deals from Q3. Early Stage companies attracted 24 percent of dollars and 35 percent of deals in 2010 compared to 25 percent of dollars and 31 percent of deals in 2009.

Expansion Stage investments increased in 2010 by 47 percent in dollars and 21 percent in deals with \$8.5 billion going into 1,021 deals. Expansion funding rose in the fourth quarter, increasing 32 percent from the prior quarter to \$2.2 billion. The number of deals also increased during the quarter, improving 7 percent to 245. Expansion Stage companies attracted 39 percent of dollars and 31 percent of deals in 2010 compared to 32 percent of dollars and 29 percent of deals in 2009.

In 2010, \$6.3 billion was invested into 746 Later Stage deals, a 3 percent increase in dollars and a 9 percent decrease in deals for the year. For the fourth quarter, \$1.2 billion went into 155 deals, which represents a 29 percent decrease in terms of dollars and a 22 percent decline in terms of deals from the third quarter of 2010. Later Stage companies attracted 29 percent of dollars and 23 percent of deals in 2010 compared to 34 percent of dollars and 28 percent of deals in 2009.

### **First-Time Financings**

First-time financings jumped 29 percent both in terms of dollars and deals from the prior year, rising to \$4.3 billion going into 999 companies. However, the dollar level and number of companies receiving venture capital for the first time decreased in the fourth quarter by 32 and 8 percent, respectively, over the third quarter, dropping to \$836 million into 235 companies. The fourth quarter of 2010 was the first time since the third quarter of 2007 in which first-time financings did not exceed one billion dollars.

Industries receiving the most dollars in first-time financings in 2010 were Software, Biotechnology, and Industrial/Energy. Industries with the most first-time deals in 2010 were Software, Biotechnology, and Media/Entertainment.

Fifty-one percent of first-time deals in 2010 were in the Early Stage of development followed by the Seed Stage of development at 24 percent, Expansion Stage companies at 17 percent and Later Stage companies at 8 percent.

MoneyTree Report results are available online at [www.pwcmoneytree.com](http://www.pwcmoneytree.com) and [www.nvca.org](http://www.nvca.org).

#### **Note to the Editor**

Information included in this release or related venture capital investment data should be cited in the following way: “The MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters” or “PwC/NVCA MoneyTree™ Report based on data from Thomson Reuters.” After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA or MoneyTree Report. Charts and tables displaying the data are sourced to “PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters.” After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA, MoneyTree Report or MoneyTree.

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#### **About the PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report**

The MoneyTree™ Report measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S. It is based on data provided by Thomson Reuters. The survey includes the investment activity of professional venture capital firms with or without a U.S. office, SBICs, venture arms of corporations, institutions, investment banks and similar entities whose primary activity is financial investing. Where there are other participants such as angels, corporations, and governments in a qualified and verified financing round the entire amount of the round is included. Qualifying transactions include cash investments by these entities either directly or by participation in various forms of private placement. All recipient companies are private, and may have been newly-created or spun-out of existing companies.

The survey excludes debt, buyouts, recapitalizations, secondary purchases, IPOs, investments in public companies such as PIPES (private investments in public entities), investments for which the proceeds are primarily intended for acquisition such as roll-ups, change of ownership, and other forms of private equity that do not involve cash such as services-in-kind and venture leasing.

Investee companies must be domiciled in one of the 50 U.S. states or DC even if substantial portions of their activities are outside the United States.

Data is primarily obtained from a quarterly survey of venture capital practitioners conducted by Thomson Reuters. Information is augmented by other research techniques including other public and private sources. All data is subject to verification with the venture capital firms and/or the investee companies. Only professional independent venture capital firms, institutional venture

capital groups, and recognized corporate venture capital groups are included in venture capital industry rankings.

The **National Venture Capital Association (NVCA)** represents more than 420 venture capital firms in the United States. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2009 Global Insight study, venture-backed companies accounted for 12.1 million jobs and \$2.9 trillion in revenue in the U.S. in 2008. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit

[www.nvca.org](http://www.nvca.org).

The **PricewaterhouseCoopers Private Equity & Venture Capital Practice** is part of the Global Technology Industry Group, [www.pwcglobaltech.com](http://www.pwcglobaltech.com). The group is comprised of industry professionals who deliver a broad spectrum of services to meet the needs of fast-growth technology start-ups and agile, global giants in key industry segments: networking & computers, software & Internet, semiconductors, life sciences and private equity & venture capital. PricewaterhouseCoopers is a recognized leader in each industry segment with services for technology clients in all stages of growth.

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