



Contacts:

Clare Chachere, PricewaterhouseCoopers, 512-867-8737, clare.chachere@us.pwc.com

Lisa Peterson, Porter Novelli for PricewaterhouseCoopers, 512-241-2233, lisa.peterson@porternovelli.com

Emily Mendell, National Venture Capital Association, 610-565-3904, emendell@nvca.org

VENTURE CAPITAL INVESTMENT INCREASES IN Q2 2009 BUT REMAINS AT MID 1990 LEVELS

Life Sciences and Seed/Early Stage Deals Increase on Strength of Large Rounds

WASHINGTON, July 21, 2009 – Venture capitalists invested \$3.7 billion in 612 deals in the second quarter of 2009, according to the MoneyTree™ Report from PricewaterhouseCoopers LLP (PwC) and the National Venture Capital Association (NVCA), based on data provided by Thomson Reuters. Quarterly investment activity increased 15 percent in terms in dollars and remained essentially flat in number of deals as compared to the first quarter of 2009 when \$3.2 billion was invested in 603 deals. Based upon the \$6.9 billion invested during the first half of 2009, the annual total for the full year will most likely mirror the venture investing levels seen in 1996 and 1997 when annual investment levels ranged from \$11 billion to \$14 billion.

Mark Heesen, president of the NVCA remarked, "Halfway through 2009 we are seeing more positive signs than at the beginning of the year, including an overall increase in investment levels and an ongoing interest in seed and early stage funding. However, until we see notable upticks in venture fundraising and exit activity – which drive investment levels – we won't expect considerable increases in the number of deals completed each quarter. We continue to engage in a healthy debate as to the right level of funding for our industry, especially given the clean tech category which, despite lower investment levels this quarter, continues to offer a great deal of promise for future opportunities. As we predicted last quarter, we continue to anticipate a gradual increase of investment through the remainder of the year."

"Investments in Life Sciences companies represented the highest percentage of total VC investments since the inception of the MoneyTree Report," noted Tracy Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers LLP. "And, while the largest deal of the quarter was a Biotechnology company, even if we exclude it, the Biotech sector is still the largest single industry category for the quarter. With the improvement we've seen over the past few months in the capital markets and a small crack in the IPO window during Q2, we're already beginning to see VCs turn their focus back to new investments, as the 67% increase in Seed and Early Stage fundings in the second quarter would suggest. Based upon the current pace of investing during the first

two quarters, it's likely we'll exceed \$15 billion in investments for the full year, a total close to what we saw in 1997 before the Internet bubble."

Industry Analysis

The Life Sciences sector (Biotechnology and Medical Device industries combined) experienced a significant rebound over the prior quarter, jumping 47 percent to \$1.5 billion going into 160 deals during the second quarter. The increase in Life Sciences can be attributed to a number of large deals completed in the quarter, including four of the top 10 deals. Investments in Life Sciences companies represented 41 percent of all investment dollars and 26 percent of all deals in the second quarter, which is high compared to historical norms.

The Biotechnology industry received the highest level of funding for all industries in the quarter, jumping 54 percent over the first quarter with \$888 million going into 85 deals. The Software industry received the second highest level of funding and the most deals completed with \$644 million going into 135 rounds. This dollar level of investment was flat compared to the first quarter of 2009 when \$638 million went into 152 deals. Medical Device investments also experienced an increase, rising 38 percent in terms of dollars and 32 percent in deals with \$628 million going into 75 deals.

The Clean Technology sector, which crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation, saw a 15 percent increase in dollars over the first quarter with \$274 million going into 42 deals. The number of deals completed in the second quarter remained flat compared to the first quarter. These investment levels remain a fraction of the dollars invested in Clean Tech in 2007 and 2008.

Internet-specific companies received \$524 million into 124 deals in the second quarter, a 15 percent decrease in dollars and a 12 percent decrease in deals over the first quarter of 2009 when \$593 million went into 135 deals. 'Internet-Specific' is a discrete classification assigned to a company with a business model that is fundamentally dependent on the Internet, regardless of the company's primary industry category.

Other major industry sectors that experienced investment dollar declines in Q2 2009 included Semiconductors (5 percent decline to a 10-year low), Media and Entertainment (48 percent decline) and Telecommunications (13 percent decline). Sectors which saw increases in dollars included Networking and Equipment (112 percent increase), Computers and Peripherals (262 percent increase) and IT services (28 percent increase).

Stage of Development

Seed and Early stage investing skyrocketed 67 percent in terms of dollars in the second quarter of 2009, with \$1.5 billion invested into 221 deals, compared to the first quarter when venture capitalists invested \$885 million into 233 deals. The largest deal of the quarter was a Seed stage deal, which drove a significant percentage of the increase.

Seed/Early stage deals accounted for 38 percent of total deal volume in the second quarter, unchanged from the first quarter. The average Seed deal in the second quarter was \$9.5 million, up significantly from \$3.7 million in the first quarter; the average Early stage deal was \$5.6 million in Q2, up from \$4.1 million in the prior quarter.

Expansion stage dollars increased 19 percent in the second quarter, with \$1 billion going into 172 deals. Overall, Expansion stage deals accounted for 28 percent of venture deals in the second quarter, the same percentage as in the first quarter of 2009. The average Expansion stage deal was \$6.0 million, up from \$5.2 million in the first quarter of 2009.

Investments in Later stage deals fell 20 percent in dollars and 2 percent in deals to \$1.2 billion going into 207 rounds. Later stage deals accounted for 34 percent of total deal volume in Q2, compared to 35 percent in Q1 2009 when \$1.4 billion went into 212 deals. The average Later stage deal in the second quarter was \$5.6 million, which decreased from \$6.8 million in the prior quarter.

First-Time Financings

First-time financing (companies receiving venture capital for the first time) dollars increased 9 percent while the number of first-time deals declined by 5 percent in the second quarter when \$678 million went into 141 companies. This represents the lowest number of first-time deals since 1994. First-time financings accounted for 18 percent of all dollars and 23 percent of all deals in the second quarter compared to 19 percent of all dollars and 25 percent of all deals in the first quarter of 2009.

Companies in the Biotechnology, Medical Device and Software industries received the highest level of first-time dollars. The average first-time deal in the second quarter was \$4.8 million compared to \$4.2 million one quarter ago. Seed/Early stage companies received the bulk of first-time investments, garnering 73 percent of the dollars and 72 percent of the deals.

MoneyTree Report results are available online at www.pwcmoneytree.com and 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.

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 approximately 460 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.

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