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CONTACTS

Emily Mendell
NVCA
1.610.565.3904
emendell@nvca.org

Sandy Anglin
Thomson Reuters, Research Analyst
1.646 223 6997
sandy.anglin@thomsonreuters.com

Sandra Lee
Thomson Reuters, Public Relations
1.646 223 5292
sandra.lee@thomsonreuters.com

Venture-Backed Exit Market Remains a Concern in the First Quarter

No IPO Activity for Two Consecutive Quarters; First Time on Record

New York, New York, April 1, 2009 – Venture-backed company exits remained problematic in the first quarter of 2009, according to the Exit Poll report by Thomson Reuters and the National Venture Capital Association (NVCA). There were no venture-backed IPOs in the quarter, and the tally of M&A exits as of the last day of the quarter came to a modest 56 transactions for the period, 13 of which had disclosed volumes totaling $645.3 million.

Venture-Backed Liquidity Events by Year/Quarter, 2002-1Q 2009

Quarter/Year	Total M&A Deals	M&A Deals with Disclosed Values	*Total Disclosed M&A Value ($M)	*Average M&A Deal Size ($M)	**Number of IPO's	Total Offer Amount ($M)	Average IPO Offer Amount ($M)
2003	**284**	**119**	**7,460.1**	**62.7**	**29**	**2,022.7**	**69.7**
2004	**346**	**187**	**15,919.6**	**85.1**	**94**	**11,378.0**	**121.0**
2005	**352**	**166**	**17,410.6**	**104.9**	**57**	**4,485.0**	**78.7**
2006-1	107	52	5,607.5	107.8	10	540.8	54.1
2006-2	106	40	4,018.5	100.5	19	2,011.0	105.8
2006-3	94	42	3,450.8	82.2	8	934.2	116.8
2006-4	62	26	5,616.8	216.0	19	1,589.1	83.6
2006	**369**	**160**	**18,693.6**	**116.8**	**56**	**5,075.1**	**90.6**
2007-1	85	29	4,540.3	156.6	18	2,190.6	121.7
2007-2	88	37	4,002.3	108.2	25	4,146.8	165.9
2007-3	107	54	11,265.4	208.6	12	945.2	78.8
2007-4	93	47	9,743.8	207.3	31	3,043.8	98.2
2007	**373**	**167**	**29,551.9**	**177.0**	**86**	**10,326.3**	**120.1**
2008-1	106	40	4,543.2	113.6	5	282.7	56.5
2008-2	84	26	3,293.4	126.7	0	0.0	n/a

2008-3	86	32	3,080.2	96.3	1	187.5	187.5
2008-4	61	17	2,385.9	140.3	0	0.0	n/a
2008	**337**	**115**	**13,302.7**	**115.7**	**6**	**470.2**	**78.4**
2009-1	56	13	645.3	49.6	0	0.0	0.0
2009	**56**	**13**	**645.3**	**49.6**	**0**	**0.0**	**0.0**

Thomson Reuters & National Venture Capital Association

*Only accounts for deals with disclosed values

**Includes all companies with at least one U.S. VC investor that trade on U.S. exchanges, regardless of domicile.

IPO Activity Overview

There were no venture-backed IPOs in the first quarter of 2009, marking the second consecutive quarter in which there were no issues. Since data has been recorded, there are no other incidences of two quarters without a venture-backed offering. Furthermore, no companies that received US venture financing went public on foreign exchanges in the first quarter.

Twenty-six venture-backed companies are currently filed for an initial public offering with the SEC. This level falls short of 4Q 2008 when 28 venture-backed companies were in registration. Additionally, there were six venture-backed IPOs withdrawn from registration in the first quarter.

“We predicted that the venture-backed IPO market was going to get worse before it was going to get better, and we were unfortunately correct,” said Mark Heesen, president of the NVCA. “Today our concerns are not limited to the zero IPO issues but have now expanded to the shrinking pipeline of companies in registration. Once we begin to see a recovery, there won't be many companies prepared to take advantage of it, effectively extending the lackluster market until the pipeline rebuilds."

Mergers and Acquisitions Overview

As of March 31, 2009, 56 venture-backed M&A deals were reported for the first quarter, 13 of which had an aggregate deal value of $645.3 million. The average disclosed deal value was $49.6 million.

“Given the non-existent IPO market, corporate acquirers are in a position to be more selective and bide their time when considering acquisitions,” continued Heesen. “We expect to see a slowing of transactions this year as the best venture-backed companies will wait for market conditions to improve rather than accepting the lower valuations associated with the challenging market.”

The Information Technology sector led the venture-backed M&A landscape, with 42 deals and a disclosed total dollar value of $348.2 million. Within this sector, Computer Software and Services companies accounted for the bulk of the target companies, with 24 transactions across this sector subset. Life Sciences saw the next highest level of activity with 11 deals and a combined disclosed value of $297 million. Finally, Non-High Technology deals accounted for three exits with undisclosed values.

Venture-Backed M&A Industry Breakdown

		Q1 2009		
	Industry	**Number of Venture-Backed M&A deals**	**Number of Venture-Backed M&A deals with a disclosed value**	**Total Disclosed Venture-Backed Deal Value ($M)**
Information Technology	Communications and Media	5	1	47.0
	Internet Specific	9	0	0.0
	Computer Software and Services	24	5	107.7
	Semiconductors/Other Elect.	3	2	193.5
	Computer Hardware	1	0	0.0
	TOTAL	**42**	**8**	**348.2**
Life Sciences	Medical/Health	6	3	262.3
	Biotechnology	5	2	34.7
	TOTAL	**11**	**5**	**297.0**
Non-High Technology	Other Products	3	0	0.0
	TOTAL	**3**	**0**	**0.0**
	TOTAL	**56**	**13**	**645.2**

Source: Thomson Reuters & National Venture Capital Association

The largest transaction of the quarter was the acquisition of medical equipment manufacturer Ablation Frontiers by Meditronic, also a medical equipment concern. The transaction, valued at $225.0 million, was completed in February.

Deals bringing in the top returns, those with disclosed values greater than four times the venture investment, accounted for 23 percent of the total in the first quarter of 2009, significantly lower than in the first quarter of 2008 when these deals accounted for 46 percent. Those deals returning less than the amount invested accounted for 54 percent of the quarter's total, compared to 29 percent of the total in the comparable period of 2008.

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	**Q108 M&A****	**Q109 M&A****
Deals where transaction value is less than total venture investment	10	7
Deals where transaction value is 1-4x total venture investment	9	3
Deals where transaction value is 4x-10x total venture investment	11	3

Deals where transaction value is greater than 10x venture investment	5	0
Total Disclosed Deals	**35**	**13**

Source: Thomson Reuters & National Venture Capital Association
** Disclosed deals that do not have a disclosed total investment amount are not included.

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About National Venture Capital Association

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 2007 Global Insight study, venture-backed companies accounted for 10.4 million jobs and $2.3 trillion in revenue in the United States in 2006. 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.