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VENTURE CAPITAL INVESTMENT INCREASES IN Q3 2009 DRIVEN BY CLEAN TECHNOLOGY SECTOR

Software Sector Falls in Industry Ranking While Life Sciences Remains Strong

WASHINGTON, October 20, 2009 – Venture capitalists invested \$4.8 billion in 637 deals in the third 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 17 percent in terms of dollars, but fell 3 percent in number of deals compared to the second quarter of 2009 when \$4.1 billion was invested in 657 deals. The increase in dollars invested was driven by several large rounds in the Clean Technology sector, one of which is the ninth largest deal since 1995. The Life Sciences sector (biotechnology and medical device industries combined) also had a solid quarter relative to other industry sectors, leaving Software as the third highest investment sector, a notable decline in industry ranking.

"The increase in venture capital investing this quarter is very encouraging," noted Tracy T. Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers LLP. "With the signs pointing to an economic recovery, albeit a slow one, we're likely to see the pace of investing continue to strengthen over the next several quarters as long as the IPO markets begin to open up and M&A activity increases. And, as predicted last quarter, we expect to see annual investments for 2009 exceed the \$15 billion mark given the continued strength we saw in investing this quarter."

"The third quarter illustrates a gradual and deliberate industry shift towards a longer term venture capital investment strategy," said Mark Heesen, president of the NVCA. "Venture capitalists are becoming increasingly focused on industry sectors which require multiple rounds of financing for an extended time horizon. Companies in areas such as Clean Technology and Life Sciences require significant capital and expertise often over a 10 - 12 year period, resulting in more follow on rounds, higher average investment levels, and a longer average time to a successful exit. This is not to suggest that the venture capital industry will abandon shorter term IT investment. Rather, the mix of investments will become much more balanced."

Industry Analysis

The Biotechnology industry received the highest level of funding for all industries in the quarter with \$905 million going into 104 deals. This level of investment represents a 4 percent decrease in dollars and a 16 percent increase in deals compared to the second quarter when \$947 million went into 90 deals. Medical Devices and Equipment saw a 6 percent decline in dollars and 15 percent decline in deal volume in the third quarter with \$617 million going into 71 deals. This sector ranked fourth overall for the quarter.

While the Software industry had the most deals completed with 128 rounds, it fell to third place in terms of dollars invested at \$622 million, representing a 9 percent decrease in both dollars and deal volume from the second quarter when \$680 million went into 141 rounds. The drop in dollars in the third quarter puts Software at its lowest level of investment since the third quarter of 1996.

The Clean Technology sector, which crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation, saw an 89 percent increase in dollars over the second quarter to \$898 million. The number of deals completed in the third quarter increased 16 percent to 57 deals compared with 49 deals in the second quarter. The increase in Clean Technology investments was driven by several large rounds, including three of the top 10 deals.

Internet-specific companies received \$843 million going into 148 deals in the third quarter, a 42 percent increase in dollars and a 15 percent increase in deals over the second quarter of 2009 when \$594 million went into 129 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.

Ten of the 17 MoneyTree sectors experienced dollar declines in the third quarter, including Semiconductors (14 percent decline to another 10-year low), Healthcare Services (57 percent decline), Computers and Peripherals (40 percent decline) and Telecommunications (17 percent decline). Sectors which saw increases in dollars included Media and Entertainment (269 percent increase), Networking and Equipment (18 percent increase), and Electronics/Instrumentation (55 percent).

Stage of Development

Seed and Early stage investments continued to grow in the third quarter in terms of number of deals, with \$1.6 billion going into 284 rounds. This represents an 11 percent increase in deal volume and a 4 percent decrease in dollars over the second quarter when \$1.66 billion went into 255 deals. Seed/Early stage deals accounted for 45 percent of total deal volume in the third quarter, compared to the second quarter when it accounted for 39 percent of all deals. The average Seed deal in the third quarter was \$5.9 million, down significantly from \$9.6 million in the second quarter; however, the Q2 average

Seed deal size was skewed due to a single large deal. The average Early stage deal was \$5.5 million in Q3, down slightly from \$5.6 million in the prior quarter.

Expansion stage dollars increased 27 percent in the third quarter, with \$1.6 billion going into 185 deals. Overall, Expansion stage deals accounted for 29 percent of venture deals in the third quarter, roughly the same percentage as in the second quarter of 2009. The average Expansion stage deal was \$8.7 million, up from \$6.6 million in the second quarter of 2009.

Investments in Later stage deals increased 35 percent in dollars but fell 20 percent in deals to \$1.6 billion going into 168 rounds. Later stage deals accounted for 26 percent of total deal volume in Q3, compared to 32 percent in Q2 2009 when \$1.2 billion went into 210 deals. The average Later stage deal in the third quarter was \$9.6 million, which increased significantly from \$5.7 million in the prior quarter.

First-Time Financings

First-time financing (companies receiving venture capital for the first time) dollars decreased 20 percent while the number of first-time deals remained flat with \$633 million going into 155 deals. This represents the lowest dollar level of first-time deals in survey history. First-time financings accounted for 13 percent of all dollars and 24 percent of all deals in the third quarter, compared to 19 percent of all dollars and 24 percent of all deals in the second quarter of 2009.

Companies in the Software, Biotechnology, and Industrial/Energy industries received the highest level of first-time dollars. The average first-time deal in the third quarter was \$4.1 million compared to \$5.1 million one quarter ago. Seed/Early stage companies received the bulk of first-time investments, garnering 66 percent of the dollars and 68 percent of the deals, but fell short of second quarter percentages when they accounted for 76 percent of the dollars and 73 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 MoneyTreeTM Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters." or "PwC/NVCA MoneyTreeTM 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 MoneyTreeTM 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 Pricewaterhouse Coopers/National Venture Capital Association Money Tree $^{\rm TM}$ Report

The MoneyTreeTM 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 rollups, 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 400 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.

The PricewaterhouseCoopers Private Equity & Venture Capital Practice is part of the Global Technology Industry Group, 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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