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VENTURED-BACKED IPO MOMENTUM IN FOURTH QUARTER NOT ENOUGH FOR RECOVERY IN 2011

Ventured-Backed Acquisitions Activity Remained Robust for the Year

New York, New York, January 3, 2012 – Led by several large offerings, venture-backed initial public offering (IPO) activity grew in the fourth quarter, with 11 companies going public, up 120 percent from the third quarter 2011 but down 67 percent from the fourth quarter of last year, according to the Exit Poll report by Thomson Reuters and the National Venture Capital Association (NVCA). By dollars, the quarter marked an increase of nearly five times the third quarter and a 34 percent decrease from the fourth quarter last year. For the full year, 52 venture-backed companies went public representing a value of $9.9 billion, a 31 percent decline in volume but a 41 percent increase in dollar value from 2010.

For the fourth quarter, 92 venture-backed M&A deals were reported, 26 of which had an aggregate deal value of $3.9 billion, down 34 percent from the fourth quarter of 2010. For all of 2011, 429 transactions were reported, down just two percent from a record year in 2010. Annual M&A aggregate value, driven by the first nine months of 2011 reached $23.0 billion, a 23 percent increase from 2010 and the highest levels seen since 2007.

“Despite a flurry of IPO activity at the end of 2011, the venture-backed IPO market still has a considerable way to go on the road to recovery, said Mark Heesen, president of the NVCA. “While we are encouraged by the fourth quarter momentum, we still ended the year with fewer total IPOs than in 2010 and 25 percent of those comprising foreign companies. With a full pipeline of companies in registration and pending legislation to ease the IPO path for emerging growth companies, we could see a more robust market in 2012, but only if we can achieve a reasonable degree of global economic stability. The bottom line is that we need at least double the offerings that we saw in 2011 to declare the market back on track, and that could take some time.”

Venture-Backed Liquidity Events by Year/Quarter, 2005-2011

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)
2005	**350**	**163**	**17,324.7**	**106.3**	**57**	**4,482.4**	**78.6**
2006	**378**	**167**	**19,141.8**	**114.6**	**57**	**5,117.1**	**89.8**
2007	**382**	**170**	**29,556.6**	**173.9**	**86**	**10,326.3**	**120.1**
2008-1	109	42	4,983.2	118.7	5	282.7	56.6
2008-2	85	26	3,267.9	125.7	0	0.0	0.0
2008-3	89	33	3,235.2	98.0	1	187.5	187.5
2008-4	65	18	2,390.9	132.8	0	0.0	0.0
2008	**348**	**119**	**13,877.2**	**116.6**	**6**	**470.2**	**78.4**
2009-1	65	15	666.0	44.4	0	0.0	0.0
2009-2	65	13	2,550.1	196.2	5	720.7	144.1
2009-3	69	23	1,362.4	59.2	3	572.1	190.7
2009-4	74	41	8,614.7	210.1	4	349.3	87.3
2009	**273**	**92**	**12,525.6**	**136.2**	**12**	**1,642.1**	**136.8**
2010-1	122	31	5,586.6	180.2	10	1,110.3	111.0
2010-2	99	23	3,022.2	131.4	17	1,274.9	75.0
2010-3	113	30	4,022.7	134.1	14	1,249.1	89.2
2010-4	97	41	5,997.5	146.3	34	3,972.3	116.8
2010	**436**	**129**	**18,752.5**	**145.4**	**75**	**7,017.5**	**101.4**
2011-1	129	50	6,123.4	122.5	14	1,375.8	98.3
2011-2	90	39	6,406.7	164.3	22	5,454.2	247.9
2011-3	118	38	6,496.3	171.0	5	442.9	88.6
2011-4	92	26	3,949.6	151.9	11	2,607.1	237.0
2011	**429**	**153**	**22,976.1**	**150.2**	**52**	**9,880.00**	**190.0**

Source: 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 11 venture-backed IPOs valued at $2.6 billion in the fourth quarter of 2011, which represented a nearly five-fold increase in dollar value compared to the third quarter of 2011 but a 34 percent drop in dollar value from the fourth quarter of last year. Seven of the 11 IPOs of the quarter were IT-related IPOs representing 86 percent of the total amount raised in the quarter. Year-to-date, IT IPOs account for 63 percent or 33 of the year's 52 venture-backed IPOs and 77 percent or $7.6 billion of the $9.88 billion raised in total this year.

By location, 39 of the year's 52 IPOs were by U.S.-based companies with 21 coming from the state of California. Thirteen IPOs, accounting for $3.4 billion raised came from outside the U.S., led by the Russian search firm Yandex which raised $1.3 billion in May representing the largest offering of 2011.

In the largest IPO of the quarter and the largest U.S.-based company IPO of the year, online gaming company Zynga (ZNGA) raised $1.0 billion and began trading on the NASDAQ on December 16th.

Venture-Backed IPO Industry Breakdown

		Q4 2011	
Industry		*Number of Venture-Backed IPO's in the U.S.	Total Venture-Backed Offering Size ($M)
Information Technology	Internet Specific	3	1814.3
	Semiconductors/Other Elect.	2	171.5
	Computer Software and Services	2	251.3
		7	**2,237.1**
Life Sciences	Biotechnology	2	173.4
	Medical/Health	1	91.0
		3	**264.4**
	Communications and Media	1	105.6
	Other Products	0	0.0
		1	**105.6**
	TOTAL	**11**	**2,607.1**

Source: Thomson Reuters & National Venture Capital Association

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

For the fourth quarter of 2011, nine companies listed on the NASDAQ stock exchange while InvenSense, Inc and Imperva, Inc listed on the New York Stock Exchange. For the full year, 35 firms listed on the NASDAQ while 17 listed on the New York Stock Exchange.

On average venture-backed IPOs listed in the fourth quarter are trading 16.8 percent above their offering price. Imperva leads all listings, at 93g percent above its November 9th

offer price of $18 per share. Three of the 11 companies brought to market this quarter are currently trading below their offering price. There are 60 venture-backed companies currently filed for an initial public offering with the SEC.

Mergers and Acquisitions Overview

As of December 30th, 92 venture-backed M&A deals were reported for the fourth quarter, 26 of which had an aggregate deal value of $3.9 billion. The average disclosed deal value was $151.9 million, down 11 percent from the third quarter of 2011 but up four percent from the fourth quarter of 2010.

The information technology sector led the venture-backed M&A landscape with 61 of the 86 deals of the quarter and had a disclosed total dollar value of $2.3 billion. This was down 39percent from the third quarter of 2011. Within this sector, Computer Software and Services and Internet Specific deals accounted for the bulk of the targets with 28 and 24 transactions, respectively, across these sector subsets. For 2011, average disclosed venture-backed M&A deal value was up three percent compared to the full year of 2010.

Venture-Backed M&A Industry Breakdown

		Q4 2011		
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	Computer Software and Services	28	7	1,291.8
	Internet Specific	24	3	201.7
	Computer Hardware	2	1	102.5
	Semiconductors/Other Elect.	4	3	611.2
	Communications and Media	3	2	79.0
		61	**16**	**2,286.2**
Life Sciences	Medical/Health	12	8	1,471.4
	Biotechnology	7	1	162.0
		19	**9**	**1,633.4**
Non-High Technology	Other Products	6	0	0.0
	Industrial/Energy	3	0	0.0
	Consumer Related	3	1	30.0
		12	**1**	**30.0**
	TOTAL	**92**	**26**	**3,949.6**

Source: Thomson Reuters & National Venture Capital Association

In the biggest venture-backed M&A deal of the quarter, Sterling, VA-based NeuStar Inc. acquired Targus Information Corp, a Vienna, VA-based provider of caller identification services for $650 million. The largest deal of 2011 was the July 6th purchase of Broad Oak Energy by Laredo Petroleum for $1 billion.

Deals bringing in the top returns, those with disclosed values greater than four times the venture investment, accounted for 58 percent of the total disclosed transactions during fourth quarter 2011, down from 70 percent in the third quarter. Venture-backed M&A deals returning less than the amount invested accounted for 31 percent of the quarterly total.

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	Q1 11 M&A **	Q2 11 M&A **	Q3 11 M&A **	Q4 11 M&A **
Deals where transaction value is less than total venture investment	9	9	2	8
Deals where transaction value is 1-4x total venture investment	16	13	8	3
Deals where transaction value is 4x-10x total venture investment	14	10	13	8
Deals where transaction value is greater than 10x venture investment	8	4	10	7
Total Disclosed Deals	**47**	**36**	**33**	**26**

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

Venture capitalists are committed to funding America's most innovative entrepreneurs, working closely with them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. According to a 2011 Global Insight study, venture-backed companies accounted for 12 million jobs and $3.1 trillion in revenue in the United States in 2010. As the voice of the U.S. venture capital community, the National Venture Capital Association (NVCA) empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community's preeminent trade association, NVCA serves as the definitive resource for venture capital data and unites its nearly 400 members through a full range of professional services. For more information about the NVCA, please visit www.nvca.org.