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VENTURE-BACKED IPO VOLUME FLAT IN THIRD QUARTER OF 2012

Technology M&A Exits Boosts Q3 Value As Volume Slips

New York, New York, October 2, 2012 – Venture-backed initial public offerings (IPOs) raised $1.1 billion from 10 offerings during the third quarter of 2012, experiencing a slight decline in volume from the second quarter of this year but more than doubling activity seen during the third quarter of 2011. Total IPO value also increased from the third quarter of 2011 while falling well short of the second quarter 2012 value due to the record-breaking offering from Facebook in May. For the third quarter of 2012, 96 venture-backed M&A deals were reported, 30 which had an aggregate deal value of $7.6 billion, a 30 percent increase from the second quarter of 2012, according to the Exit Poll report by Thomson Reuters and the National Venture Capital Association (NVCA).

"While the 2012 year-to-date IPO volume is in line with last year, the similarities are not particularly welcome," said Mark Heesen, president of the NVCA. "Once again we are dealing with major uncertainty regarding how the Administration and the Congress will deal with the impending fiscal cliff, a wild card that could continue to impact IPOs this Fall. Further, we could see this environment slow acquisitions as well, with corporate acquirers waiting for the election outcomes and more stability to buy those companies that will advance their innovation strategies. These exit numbers should put Washington policymakers on notice that they must come together on these pressing fiscal matters to give businesses and the markets the confidence needed to move forward."

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)
2007	**510**	**208**	**34,133.7**	**164.1**	**93**	**12,163.4**	**130.8**
2008-1	132	45	5,528.6	122.9	7	625.0	89.3
2008-2	104	28	3,145.2	112.3	0	0.0	0.0
2008-3	116	44	5,434.2	123.5	2	195.9	98.0
2008-4	82	26	2,677.2	103.0	0	0.0	0.0
2008	**434**	**143**	**16,785.2**	**117.4**	**9**	**820.9**	**91.2**
2009-1	82	21	986.0	47.0	0	0.0	0.0
2009-2	77	14	1,982.4	141.6	8	1,070.4	133.8
2009-3	101	34	2,827.2	83.2	2	522.5	261.3
2009-4	103	47	8,444.7	179.7	5	504.7	100.9
2009	**363**	**116**	**14,240.3**	**122.8**	**15**	**2,097.6**	**139.8**
2010-1	150	38	5,015.0	132.0	10	1,146.7	114.7
2010-2	110	31	2,715.9	87.6	20	1,663.1	83.2
2010-3	140	42	9,434.3	224.6	17	1,996.0	117.4
2010-4	139	48	6,061.3	126.3	30	3,591.5	119.7
2010	**539**	**159**	**23,226.5**	**146.1**	**77**	**8,397.3**	**109.1**
2011-1	143	56	6,805.1	121.5	14	1,526.9	109.1
2011-2	94	39	6,432.3	164.9	22	6,059.0	275.4
2011-3	145	45	7,147.7	158.8	5	475.9	95.2
2011-4	124	37	4,799.6	129.7	11	2,803.2	254.8
2011	**506**	**177**	**25,184.8**	**142.3**	**52**	**10,865.0**	**208.9**
2012-1	110	29	3,678.5	126.8	19	1,682.8	88.6
2012-2	116	29	5,841.2	201.4	11	17,147.1	1558.8
2012-3	96	30	7,599.2	253.3	10	1,088.1	108.8
2012	**322**	**88**	**17,118.9**	**194.5**	**40**	**19,918.1**	**497.9**

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 10 venture-backed IPOs valued at $1.1 billion in the third quarter of 2012. By number of deals, quarterly volume fell 9 percent from the second quarter of this year but more than doubled the value registered during the third quarter of 2011.

Six of the 10 IPOs of the quarter were IT-related IPOs representing 60 percent of the total issues for in the quarter. By location, all of the quarter's 10 IPOs were by U.S.-based companies with six coming from the state of California.

In the largest IPO of the quarter, Palo Alto Networks (PANW), a Santa Clara, California-based network security company, raised $260 million and began trading on the New York Stock Exchange on July 19th.

		Q3 2012	
Industry		*Number of Venture-Backed IPO's in the U.S.	Total Venture-Backed Offering Size ($M)
Information Technology	Computer Software and Services	3	421.6
	Internet Specific	3	327.8
		6	**749.4**
Life Sciences	Medical/Health	2	172.5
	Biotechnology	1	77.6
		3	**250.1**
Other	Industrial/Energy	**1**	**88.6**
	TOTAL	**10**	**1,088.0**

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 third quarter of 2012, seven companies listed on the NASDAQ stock exchange and three companies listed on the New York Stock Exchange.

Nine of the 10 companies brought to market this quarter are currently trading above their offering price. There are 28 venture-backed companies currently filed publicly for IPO with the SEC. This figure does not include confidential registrations filed under the JOBS Act.

Mergers and Acquisitions Overview

As of September 30th, 96 venture-backed M&A deals were reported for the third quarter of 2012, 30 of which had an aggregate deal value of $7.6 billion. The average disclosed deal value was $253.3 million, a 26 percent increase from the second quarter of 2012.

The information technology sector led the venture-backed M&A landscape with 70 of the 96 deals of the quarter and had a disclosed total dollar value of $5.6 billion. Within this sector, Computer Software and Services and Internet Specific deals accounted for the bulk of the targets each with 29 transactions across these sector subsets.

		Q3 2012		
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	29	7	3,161.6
	Internet Specific	29	7	2,361.4
	Communications and Media	3	0	0.0
	Computer Hardware	5	2	85.9
	Semiconductors/Other Elect.	4	2	16.4
		70	**18**	**5,625.2**
Life Sciences	Medical/Health	8	4	51.4
	Biotechnology	8	5	892.6
		16	**9**	**943.9**
Non-High Technology	Other Products	7	2	445.0
	Consumer Related	1	1	585.0
	Industrial/Energy	4	0	0.0
		12	**3**	**1,030.0**
	TOTAL	**96**	**30**	**7,599.2**

Source: Thomson Reuters & National Venture Capital Association

Three billion-dollar venture-backed M&A deals were completed during the third quarter of 2012, led by VMWare's $1.26 billion purchase of Nicira Networks, Microsoft's $1.2 billion bid for Yammer Inc and Facebook's $1.0 billion offer for Instragram, Inc.

Deals bringing in the top returns, those with disclosed values greater than four times the venture investment, accounted for 52 percent of the total disclosed transactions during third quarter of 2012, on par with the second quarter of this year. Venture-backed M&A deals returning less than the amount invested accounted for 22 percent of the quarterly total.

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	Q1 12 M&A **	Q2 12 M&A**	Q3 12 M&A**
Deals where transaction value is less than total venture investment	8	3	6
Deals where transaction value is 1-4x total venture investment	7	11	7
Deals where transaction value is 4x-10x total venture investment	11	5	7
Deals where transaction value is greater than 10x venture investment	3	10	7
Total Disclosed Deals	**29**	**29**	**27**

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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