



National Venture Capital Association



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Venture Capital Commitments Weighted to Early Stage in Q2 2004

Buyout and Mezzanine Fundraising Saw Significant Rebound

New York, NY, August 3, 2004—Venture capital fundraising remained stable with a shift towards early stage investing while buyout and mezzanine funds rebounded significantly in the second quarter of 2004 according to Thomson Venture Economics and the National Venture Capital Association (NVCA). During the quarter, forty-eight venture firms raised \$3.03 billion while buyout and mezzanine-focused vehicles sprung back strongly from a weak previous quarter with 23 such funds bringing in \$13 billion. The relative amount of buyout and mezzanine money raised compared with venture capital is in line with historical norms of 3-to-1.

Year/Quarter	Venture Capital		Buyout & Mezzanine	
	Number of Funds	Venture Capital (\$M)	Number of Funds	Buyout & Mezzanine (\$M)
2000	635	106,193.2	157	76,140.4
2001	307	37,796.8	115	44,518.6
2002	163	9,151.2	83	26,496.1
2003	128	11,183.8	84	29,825.6
YTD 2004	82	5,832.3	42	15,724.3
2Q'03	39	2,626.7	27	4,863.4
3Q'03	31	1980.2	26	5,293.1
4Q'03	51	5,414.1	29	15,297.1
1Q'04	41	2,801.0	21	2,713.7
2Q'04	48	3,031.3	23	13,009.7

Source: Thomson Venture Economics & National Venture Capital Association

All three of the top three venture funds raised were early stage-focused funds. The largest venture fund raised in the second quarter was the \$400 million Benchmark V, followed closely by Doll Capital's DCM IV at \$375 million and Sevin Rosen's \$300 million Fund IX. Early stage venture funds accounted for \$1.62 billion or 53.5% of the quarter's total. These commitments were spread among 21 early stage funds. Balanced funds ranked second in both funds and dollars with 17 vehicles accounting for \$1.02 billion. Five expansion stage funds brought in \$25 million, while 3 late stage funds attracted \$128.6 million and one seed stage partnership received \$2.2 million.

“The weight towards early stage funds confirms that limited partners understand the value of long term investment in emerging spaces,” said Mark Heesen, president of the NVCA. “The lower

average size of funds being raised suggests that the firms are being extremely disciplined in the amount of money they are willing to accept. Many of these firms could have taken in more money than they ultimately did. All of these signs point to a healthy sustainable market in the coming years.”

For the second time in the last three quarters, fundraising for buyout and mezzanine funds exceeded the \$10 billion mark with the three largest funds raised during the quarter accounting for \$8.7 billion or nearly 75% of the total. Bain Capital Fund VIII and Hellman & Friedman Capital Partners V both brought in \$3.5 billion each, and Silver Lake Partners II held a final close with an extra \$1.7 billion in April, bringing that fund’s total commitments to \$4 billion to date. Bain Capital also closed a co-investment vehicle at \$750 million to invest alongside the \$3.5 billion fund, creating a total pool of \$4.25 billion. Sorenson Capital Partners, L.P. was the largest first fund raised during the quarter closing out at \$250 million. The fund is a biotechnology-focused buyout vehicle.

“While everyone has been looking at the resurging interest in the venture industry, less attention has been paid to the buyouts space, which continues to subscribe to the ‘bigger is better’ notion, as evidenced by the upward creep of average fund size in the last few years,” said Jesse Reyes, vice president and director of research at Thomson Venture Economics. “Since this capital is meant to be deployed over the next six to seven years, these managers must see a tremendous opportunity in under-priced or right-priced deal flow with significantly higher expectations in exit valuations.”

Overall the first half of 2004 far outpaced the first half of 2003 for venture funds. Compared to the first six months of 2003, when 76 funds received approximately \$3 billion, 82 funds attracted \$5.8 billion in 2004 thus far. Additionally, new funds in 2004 are on pace to surpass those of 2003, with 25 raised over the first six months.

VC Funds: New vs Follow-On			
	No. of New	No. of Follow-on	Total
2001	106	201	307
2002	55	108	163
2003	43	85	128
YTD 2004	25	57	82

Source: Thomson Venture Economics & National Venture Capital Association

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About NVCA

The National Venture Capital Association (NVCA) represents approximately 450 venture capital and private equity firms. 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. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provide reliable industry data, sponsor professional development, and facilitate interaction among its members. For more information about the NVCA, please visit www.nvca.org.