



National Venture Capital Association



Emily Mendell, NVCA, 610-359-9609, emendell@nvca.org

Joshua Radler, Thomson Venture Economics, 212-806-3146, joshua.radler@thomson.com

## LARGER VENTURE AND BUYOUT FIRMS DRIVE VIBRANT PRIVATE EQUITY FUNDRAISING ACTIVITY IN Q2 2005

New York, NY, July 18, 2005 -- The private equity industry continued to witness one of the strongest fundraising periods in recent history during the second quarter of 2005, according to Thomson Venture Economics and the National Venture Capital Association. During the quarter 43 venture funds raised \$6.1 billion and 38 buyout and mezzanine-focused funds attracted \$22.1 billion in commitments. The quarter represented the highest average commitment size since the year 2000.

On the venture side, the second quarter saw a 6.5% increase over the previous quarter's \$5.7 billion raised by 61 funds. However, when compared to the second quarter of 2004, venture funds posted an 87.7% increase. Buyout funds experienced a 63.7% increase over last quarter, and a 32.5% gain over the second quarter of 2004.

"The increased average venture fund size was driven by the return of the large firms to the fundraising arena," said Mark Heesen, president of the National Venture Capital Association. "The majority of these firms raised less than their previous funds and kept within their original targets, which is a good sign as there is a healthy respect for the amount of money that can be invested successfully. Limited partners have a tremendous opportunity now to research and invest in a diverse pool of funds, both large and small, that have a recipe for success and are just now going to market."

Fundraising by Venture and LBO/Mezzanine Funds, 2000-2005\*

Year/Quarter	Venture Capital		Buyout & Mezzanine**	
	Number of Funds	Venture Capital (\$M)	Number of Funds	Buyout & Mezzanine (\$M)
2000	636	106,602.7	160	76,793.9
2001	306	37,737.3	119	45,513.6
2002	170	3,773.7	85	26,542.2
2003	138	10,529.3	90	30,507.8
2004	183	17,539.8	125	51,974.0
2005 (1 <sup>st</sup> half)	95	11,775.9	76	35,601.6
2Q'04	55	3,234.6	32	16,670.5
3Q'04	54	5,239.8	41	13,279.5
4Q'04	61	6,248.1	53	18,203.2
1Q'05	61	5,701.5	46	13,499.4
2Q'05	43	6,074.4	38	22,102.2

Source: Thomson Venture Economics & National Venture Capital Association

\*These figures take into account the subtractive effect of downsized funds

\*\* This category includes LBO, Mezzanine, Turnaround and Recapitalization-focused funds.

At the mid-point of the year, the state of private equity fundraising is stronger than it has been since the high water mark of 2000-2001. Thus far in 2005, 96 venture funds have raised \$11.8 billion in commitments and 76 buyout/mezzanine funds have attracted \$35.6 billion.

Daniel Benkert, Senior Analyst at Thomson Venture Economics stated, “In the post-bubble era, fundraising has historically picked up strongly in the second half of the year, sometimes even doubling. If this trend holds true for 2005, we are currently on track for the private equity asset class to surpass last year and perhaps see the strongest year since 2000.”

Early Stage vehicles continued to dominate the venture space, with 25 funds receiving \$2.3 billion in commitments. Three funds accounted for slightly more than half of the entire amount: Austin Ventures IX with \$459 million, Canaan VII at \$450 million, and Split Rock Partners with \$275 million.

Eight balanced funds raised another \$2.24 billion. The largest of these, Menlo Ventures X which took in \$1.2 billion, was also the largest venture fund raised during the quarter, topping last quarter’s \$1 billion raised by Weston Presidio V. Five Later Stage funds accounted for \$1.14 billion, while four Expansion-focused funds raised \$334 million, and one Development fund raised over \$3 million.

Follow-on venture funds continued to be predominate, with 34 of the quarter’s 43, and 78 of 95 for the first half of the year. While the established teams are raising larger amounts, the newer funds are fewer and smaller than at any point in recent history.

**VC Funds: New vs. Follow-On**

<b>Year/Quarter</b>	<b>No. of New</b>	<b>No. of Follow-on</b>	<b>Total</b>
<b>2000</b>	245	391	636
<b>2001</b>	107	199	306
<b>2002</b>	56	114	170
<b>2003</b>	46	92	138
<b>2004</b>	49	134	183
<b>2005 (1<sup>st</sup> half)</b>	<b>17</b>	<b>78</b>	<b>95</b>
<b>2Q'04</b>	21	34	55
<b>3Q'04</b>	13	41	54
<b>4Q'04</b>	15	46	61
<b>1Q'05</b>	10	51	61
<b>2Q'05</b>	<b>9</b>	<b>34</b>	<b>43</b>

**Source: Thomson Venture Economics & National Venture Capital Association**

On the buyout side, mega funds played a large role in the quarter’s growth, with five of the top funds raising just over \$14 billion. Among these were GS Capital Partners V, which capped off its \$8.5 billion fund with \$3.46 billion raised in the quarter. Advent International also closed out its GPE V fund at \$3.3 billion, with \$3.1 billion coming in the second quarter. Summit Partners simultaneously raised on both sides of the fence garnering \$3 billion for its Private Equity Fund VII and \$300 million for Venture

Capital Fund II. Meanwhile, Carlyle Partners IV was closed with an additional \$2.9 billion to bring the fund up to \$7.8 billion, and Sun Capital IV raised \$1.5 billion entirely in the quarter.

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