NVCA National Venture Capital Association

PRICEWATERHOUSECOOPERS

Contacts:
Lisa Peterson, Porter Novelli for PricewaterhouseCoopers, 512-241-2233, lisa.peterson@porternovelli.com
Clare Chachere, PricewaterhouseCoopers, 512-867-8737, clare.chachere@us.pwc.com
Emily Mendell, National Venture Capital Association, 610-565-3904, emendell@nvca.org

VENTURE CAPITAL INVESTING OFF TO A SOLID START IN Q1 2006 WITH $5.6 BILLION

Quarterly Biotechnology Investing Subsides as Media & Entertainment Surges
Post-Money Valuations of Later Stage Companies Swell

Washington, D.C., April 25, 2006 – Venture capitalists remained on a steady pace in the first quarter of 2006, investing $5.6 billion in 761 deals, according to the MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association based on data provided by Thomson Financial. The quarter's dollar value matches the investment level from Q4 2005 and represents a 12% increase over the same time last year.

Investments in Biotechnology overall declined 24% from Q4 2005 to $808 million, consistent with historical patterns of lower first quarter investing in the sector. The Media and Entertainment sector reached a four-year high, rising 80% over the prior quarter to $396 million going into 57 deals. Post-money valuations of Later Stage companies soared to a four-year high, with the average reaching $92.02 million for the full-year 2005 compared to $71.22 million in the 12 months ending Q3 2005.

Mark Heesen, president of the National Venture Capital Association, said “As far as investment equilibrium, it doesn’t get much more stable than this. In the last 16 quarters, venture capitalists have consistently placed $4 – $6 billion into a diverse set of emerging growth companies with no single sector experiencing major surges or major draughts. We are experiencing the regular ebb and flow of venture investing and we are truly at our healthiest and most sound investment point since the mid 1990’s. That said, we will need to see improvements in the IPO markets and better evidence of early stage investing momentum in future quarters if we expect to sustain this reasonable pace.”

Sector and Industry Analysis

Driven by a slower quarter for Biotech investing, the Life Sciences sector (Biotechnology and Medical Devices industries, together) dropped 13% to $1.5 billion in 155 deals from the $1.7 billion it received in the prior quarter. The decline in Biotech investing was slightly offset by an increase in funding for Medical Device companies. Despite the slower quarter, Life Sciences investment levels were still within the quarterly range of the last several years.

Software investments rose 12% in Q1 to $1.2 billion in 197 deals and remained the largest single industry category with 22% of total dollars and 26% of all deals.

The Media and Entertainment sector hit its highest investment level since Q3 2001. Several large deals accounted for a significant portion of this increase. Additionally, companies focused on delivering content via the Internet accounted for approximately half of the total dollars invested and number of deals.

Internet-Specific companies captured $861 million going into 145 deals, a 10% increase in investment dollars over Q4 2005. Internet-specific investing has grown slowly over the last several quarters with Q1 accounting for 15% of total investments, compared to 14% in the prior quarter. ‘Internet-specific’ is a discrete classification assigned to a company whose business model is fundamentally dependent on the Internet, regardless of the company’s primary industry category such as Software or Telecommunications.

The Telecommunications industry category, which experienced a notable increase in Q4 2005, fell in Q1 by 17% to $601 million, with a decrease in Wireless investments accounting for the majority of the decline. Major industry categories that experienced increases in Q1 were Networking & Equipment, experiencing its first gain in a year, Electronics/Instrumentation, Financial Services, and Computers & Peripherals.

Stage of Development and 12-Month Average Valuations

Investments in Later Stage companies remained relatively flat with 253 companies capturing $2.4 billion. Average post-money valuations broke the $90 million mark for the first time since the 12-month period ending Q4 2001, reaching $92.02 million for the full-year 2005. This increase is likely reflective of the maturity of the companies still in the pipeline due to a lackluster IPO market. (Note: Valuation data lags investment data by one quarter.)

Funding dollars for Startup and Early Stage companies dropped 14% in Q1 to $931 million in 219 companies, a 10% decline in deals. Accordingly, the average deal size for these companies also dropped, falling 5% to $4.3 million in Q1 from $4.5 million in the prior quarter. Average post-money valuations of Early Stage companies dipped slightly to an all-time low of $12.82 million for the 12 months ending Q4 2005.

Investments in Expansion Stage companies experienced a modest increase in Q1, rising 5% to $2.3 billion invested into 289 deals. The average post-money valuation for Expansion Stage companies continued to decline to $52.67 million for the full-year 2005 compared to $54.25 million in the Q3 2005 period.

Overall for Q1, Startup/Early Stage companies accounted for 29% of the deals; Expansion Stage, for 38%; and Later Stage for 33%. These percentages were relatively steady when compared to Q4 2005.

Tracy Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers, observed, “It takes a more mature company to reach a successful exit, especially if that exit is through the narrow IPO window. And, it takes considerable time and money to reach that level of maturity. The opportunity still exists for first-time entrepreneurs, but they're having to find new ways to ensure their company stands out among the sea of start-ups.”

First-Time Financings

Fewer companies received funding for the first-time in Q1 2006 than the previous quarter. A total $1.3 billion went into 219 companies, an 18% decline in the number of companies from the prior quarter. The decline echoes the rise in follow-on investing over the past several quarters as venture capitalists continued to nurture their existing portfolio companies to prepare them for a successful exit. Nonetheless, Startup/Early Stage deals continued to represent the bulk of first-time deals and dollars with 63% and 49% of the total, respectively, which is in line with historical norms.

In general, the pattern in first-time financings followed the same trends seen in overall investing. Software companies continued to attract the most first time deals at 53 followed by medical device companies at 23. The Industrial/Energy sector also recorded an increase, rising 21% in volume to 17 deals and 30% in dollars to $55 million. Other industry sectors where venture capitalists placed larger bets for the first time were Semiconductors, Business Products and Services, Media and Entertainment, IT Services, and Healthcare Services.

# # #

Note to the Editor
Information included in this release or related venture capital investment data should be cited in the following way: "The MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Financial", or "PwC/NVCA MoneyTree™ Report based on data from Thomson Financial". 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 MoneyTree™ Report, Data: Thomson Financial". After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA, MoneyTree Report or MoneyTree.

About the PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report
The MoneyTree™ 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 Financial. The survey includes the investment activity of professional venture capital firms with or without a US 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 roll-ups, 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 US 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 Financial. 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.

MoneyTree Report results are available online at www.pwcmoneytree.com and www.nvca.org.

The **National Venture Capital Association (NVCA)** represents approximately 480 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. According to a 2004 Global Insight study, venture-backed companies accounted for 10.1 million jobs and $1.8 trillion in revenue in the U.S. in 2003. 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.

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 130,000 people in 148 countries work collaboratively using connected thinking to develop fresh perspectives and practical advice.

“PricewaterhouseCoopers” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Thomson Financial provides information for private equity professionals worldwide offering an unparalleled range of products from directories to conferences, journals, newsletters, research reports and the VentureXpert database. For over 40 years, Thomson Financial has been tracking the venture capital and buyouts industry. Since 1961, it has been a recognized source for comprehensive analysis of investment activity and performance of the private equity industry. Thomson maintains long-standing relationships within the private equity investment community, in-depth industry knowledge and proprietary research techniques. Private equity managers and institutional investors alike consider Thomson Financial information to be the industry standard.

Thomson Financial is a US$1.9 billion provider of information and technology solutions to the worldwide financial community. Through the widest range of products and services in the industry, Thomson Financial helps clients in more than 70 countries make better decisions, be more productive and achieve superior results. Thomson Financial is part of The Thomson Corporation (www.thomson.com), a global leader in providing integrated information solutions to more than 20 million business and professional customers in the fields of law, tax, accounting, financial services, higher education, reference information, corporate e-learning and assessment, scientific research and healthcare. With revenues of US$8.10 billion, The Thomson Corporation lists its common shares on the New York and Toronto stock exchanges (NYSE: TOC; TSX: TOC).