



National Venture Capital Association



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Venture-Backed Exits Decline Significantly in First Quarter 2008

IPOs At Lowest Volume Level Since 2003; Acquisitions at Lowest Volume in Decade

New York, NY- April 1, 2008 – Only five venture-backed initial public offerings totaling \$282.7 million in proceeds were issued in the first quarter of 2008, according to the Exit Poll report by Thomson Financial and the National Venture Capital Association (NVCA). This volume represents the lowest quarterly number of IPO’s since the second quarter of 2003 when there were two issues. Similarly, the venture-backed M&A market had only 56 deals in the first quarter, 20 which had a combined disclosed value totaling \$2.5 billion. The acquisitions volume represented one of the lowest quarterly levels in the past decade.

“U.S. economic uncertainty clearly impacted the venture backed IPO market in the first quarter,” said Mark Heesen, president of the NVCA. “It was not a great start to the year by any measure and we will need to see a significant increase in volume in the remaining three quarters to salvage the rest of the year. And while the acquisitions market is also showing lower volumes, the quality of exits – both IPO’s and acquisitions – appears to be holding up, which should translate into some much needed confidence for venture backed companies looking to exit in 2008.”

Venture-Backed Liquidity Events by Year/Quarter, 2001-2008ytd

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)
2002	318	152	7,916.4	52.1	22	2,109.1	95.9
2003	290	122	7,721.1	63.3	29	2,022.7	69.8
2004	339	186	15,440.6	83.0	93	11,014.9	118.4
2005-1	81	46	4,364.9	94.9	10	720.7	72.1
2005-2	80	36	4,791.0	133.1	10	714.1	71.4
2005-3	98	47	4,374.8	93.1	19	1,458.1	76.7
2005-4	87	39	2,563.7	65.7	17	1,568.1	92.2
2005	346	168	16,094.4	95.8	56	4,461.0	79.7
2006-1	104	49	5,446.4	111.2	10	540.8	54.1
2006-2	104	39	3,935.6	100.9	19	2,011.0	105.8
2006-3	94	42	3,894.8	92.7	8	934.2	116.8
2006-4	61	25	3,866.8	154.7	20	1,631.1	81.6
2006	363	155	17,143.5	110.6	57	5,117.1	89.8
2007-1	82	29	4,540.3	156.6	18	2,190.6	121.7
2007-2	85	35	3,882.3	110.9	25	4,146.8	165.9
2007-3	97	50	10,530.3	210.6	12	945.2	78.8
2007-4	83	40	8,370.4	209.3	31	3,043.8	98.2
2007	347	154	27,323.3	177.4	86	10,326.3	464.5
2008-1	56	20	2,491.9	124.6	5	282.7	56.6

2008	56	20	2,491.1	124.6	5	282.7	56.6
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Thomson Financial & 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

The Life Sciences sector saw the majority of venture-backed companies come to market with four IPO's raising \$221 million during the first quarter. Until this quarter, Life Sciences IPO issues have not accounted for the majority of issues brought to market since the first quarter of 2006. The largest Life Sciences IPO exit of the quarter was the \$83 million issue by the California based IPC The Hospitalist Company, Inc., which provides, manages, and coordinates care of hospitalized patients. Venture investors in the company include Scale Venture Partners, Bessemer Venture Partners, Morgenthaler Ventures, CB Health Ventures, and Crucible Group, a non-venture investor.

There was one Information Technology (IT) IPO in the first quarter of 2008. This offering, valued at \$61.8 million, was issued by ArcSight, Inc, a security management solutions provider located in California. Venture investors in ArcSight included Institutional Venture Partners, Kleiner Perkins Caufield & Byers, Integral Capital Partners, In-Q-Tel, Inc., Samsung Venture Investment Corporation (SVIC), and other undisclosed investors.

Venture-Backed IPO Industry Breakdown

		Q1 2008	
Industry		*Number of Venture-Backed IPO's in the U.S.	Total Venture-Backed Offering Size (\$M)
Information Technology	Computer Software and Services	1	61.8
	TOTAL	1	61.8
Life Sciences	Medical/Health	3	215.2
	Biotechnology	1	5.8
	TOTAL	4	221.0
TOTAL		5	282.7

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

Geographically, first quarters' issues came from companies located in California and Florida. While California is globally recognized as the most active region for venture-backed start-ups, two IPO exits from Florida-based companies in one quarter has not occurred since the fourth quarter of 2005.

There were no foreign IPOs on US exchanges in the first quarter, the first time since the third quarter of 2000.

1Q 2008 Venture-Backed IPO State Breakdown

Metro Region	*Number of Venture-Backed IPO's in the U.S.
California	3
Florida	2

TOTAL	5
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*Includes all companies with at least one U.S. VC investor that trade on U.S. exchanges, regardless of domicile

As of March 28, 2008, 28% percent of the venture-backed companies that went public during the previous 12-month period were trading at or above their offering price.

Thirty-seven venture backed companies have filed for an initial public offering with the SEC since 2007 and are currently “in registration.” This marks a significant decrease from the previous quarter when 60 venture-backed companies were in registration.

Merger and Acquisition Overview

In the first quarter of 2008, 56 venture-backed M&A deals were completed, 20 which had an aggregate deal value of \$2.5 billion. The average disclosed deal value for the quarter was \$124.6 million.

The Information Technology sector dominated the venture-backed M&A landscape, with 41 deals and a disclosed total dollar value of approximately \$2.0 billion. Within this sector, Internet Specific companies accounted for the bulk of the target companies, with \$1.7 billion in issuance across this sector subset. Non-High Technology saw the next highest disclosed dollar volume at \$266.2 million. Finally, Life Sciences deals accounted for \$229.3 million of M&A exits.

Venture-Backed M&A Industry Breakdown

		Q1 2008		
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	Communications and Media	6	2	90.0
	Internet Specific	12	8	1678.7
	Computer Software and Services	16	2	43.0
	Semiconductors/Other Elect.	4	3	184.8
	Computer Hardware	3	0	0.0
	TOTAL	41	15	1,996.4
	Biotechnology	1	1	12.0
Life Sciences	Medical/Health	4	2	217.3
	TOTAL	5	3	229.3
Other	Other Products	4	1	247.0
	Consumer Related	3	1	19.2
	Industrial/Energy	3	0	0.0
	TOTAL	10	2	266.2
TOTAL		56	20	2,491.9

Source: Thomson Financial & National Venture Capital Association

The largest disclosed deal of the quarter was the \$1.4 billion acquisition of EqualLogic, Inc, a developer of storage area network solutions, by Dell, Inc. in January.

Deals bringing in the top returns, those with disclosed values greater than four times the venture investment, accounted for 50 percent of the total compared to 46 percent last quarter. Those deals returning less than the amount invested accounted for 39 percent of the quarter's total, up from 17 percent of the total last quarter.

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	Q407 M&A**	Q108 M&A**
Deals where transaction value is less than total venture investment	6	7
Deals where transaction value is 1-4x total venture investment	13	2
Deals where transaction value is 4x-10x total venture investment	8	6
Deals where transaction value is greater than 10x venture investment	8	3
Total Disclosed Deals	35	18

Source: Thomson Financial & National Venture Capital Association

** Disclosed deals that do not have a disclosed total investment amount are not included.

About Thomson Financial

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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 2007 Global Insight study, venture-backed companies accounted for 10.4 million jobs and \$2.3 trillion in revenue in the United States in 2006. 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.