



National Venture Capital Association



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VENTURE-BACKED IPOs CONTINUE TO MAKE GAINS WHILE ACQUISITION ACTIVITY DECLINES IN Q2 2007

Boston and San Jose-Based Companies Generate Most IPO Activity

New York, NY- July 2, 2007 – Twenty-six venture backed companies raised \$4.27 billion through initial public offerings (IPOs) on US exchanges in the second quarter of 2007, according to the Exit Poll report by Thomson Financial and the National Venture Capital Association (NVCA). This dollar volume represents a 112 percent increase from the second quarter of 2006 when nineteen venture-backed companies went public raising \$2 billion. Venture-backed merger and acquisition activity declined with 67 transactions completed this quarter compared to 95 in the second quarter of 2006.

"The recent improvements in the IPO market cannot totally offset the low M&A volume this quarter," said Mark Heesen, president, National Venture Capital Association. "However, company quality continues to be strong and there is a large backlog of maturing companies awaiting an initial public offering or acquisition. Most venture investments exit through acquisitions, so it's important that this market remain vibrant. This softness may reflect some digestion issues on behalf of the large acquirers. Once some larger deals move through, we hope to see the volume rebound in the second half of the year," Heesen added.

Venture-Backed Liquidity Events by Year/Quarter, 2001-2007ytd

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 IPOs	Total Offer Amount (\$M)	Average IPO Offer Amount (\$M)
2001	353	165	16,798.9	101.8	41	3,489.9	85.1
2002	318	152	7,916.4	52.1	22	2,109.1	95.9
2003	291	123	7,726.1	62.8	29	2,022.7	69.8
2004-1	80	45	3,921.0	87.1	13	2,721.1	209.3
2004-2	89	48	4,514.6	94.1	29	2,077.8	71.7
2004-3	86	47	4,142.8	88.2	24	3,225.6	134.4
2004-4	84	46	2,862.2	62.2	27	2,990.4	110.8
2004	339	186	15,440.6	83.0	93	11,014.9	118.4
2005-1	82	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	347	168	16,094.4	95.8	56	4,461.0	79.7
2006-1	104	48	5,384.4	112.2	10	540.8	54.1
2006-2	95	37	3,747.6	101.3	19	2,011.0	105.8
2006-3	89	40	3,728.8	93.2	8	934.2	116.8
2006-4	59	24	3,814.8	159.0	20	1,631.1	81.6
2006	347	149	16,675.5	111.9	57	5,117.1	89.8

2007-1	77	28	4,537.3	162.1	18	2,190.6	121.7
2007-2	67	28	2,685.4	99.8	26	4,272.7	164.3
2007	144	56	7,222.7	129.0	44	6,463.3	146.9

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 Technology sector saw thirteen IPOs come to market raising over \$2.5 billion during the second quarter, bolstered by the April 19th issue of MetroPCS Communications, the third largest venture-backed offering of all time. Led by Bear Stearns, Bank of America, Merrill Lynch, and Morgan Stanley, the 50 million share listing was priced at \$23 per share for a total offer value of \$1.15 billion. Venture investors in the company include TA Associates, Inc, Accel Partners, M/C Venture Partners, and Flagship Ventures.

The Life Sciences industry accounted for 42 percent of venture-backed IPO activity during the second quarter of 2007. The largest IPO in this sector was the May 9th issue of TomoTherapy, Inc. The precise radiation technology development company listed 11.7 million shares at \$19 per share for a total offer value of \$223.1 million, making it the fourth largest Life Sciences issue of all time. The IPO was managed by Merrill Lynch and key venture investors in the company include Ascension Health Ventures LLC, Endeavor Capital Management, Venture Investors LLC, the State of Wisconsin Investment Board, and Advantage Capital Partners.

“The high dollar volume of Technology venture-backed offerings is encouraging for other Technology companies in the pipeline”, said Alex Tan, Global Private Equity Research Manager at Thomson Financial. “If year-to-date volume is any indication of the rest of the year, 2007 should be a noteworthy year for venture-backed IPOs in the sector.”

Venture-Backed IPO Industry Breakdown

		Q2 2007	
Industry		*Number of Venture-Backed IPOs in the U.S.	Total Venture-Backed Offering Size (\$M)
Technology	Internet Specific	3	427.6
	Communications/Media	3	1348.4
	Computer Software	3	281.4
	Semiconductors	4	481.5
	TOTAL	13	2,538.9
Life Sciences	Medical/Health	7	709.6
	Biotechnology	4	223.7
	TOTAL	11	933.3
Other	Other Products	2	800.5
	TOTAL	2	800.5
TOTAL		26	4272.7

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

The Boston and San Jose metropolitan regions were home to the most venture-backed companies with IPO exits in 2Q 2007. In Boston, three companies focused in Life Sciences, two in Technology, and one in Clean Tech. In San Jose there were four Technology and two Life Sciences issues. Dallas, city of headquarters for MetroPCS, realized the highest dollar volume of offerings from the one issue.

2Q 2007 Venture-Backed IPO Metro Region Breakdown

Metro Region	*Number of Venture-Backed IPO's in the U.S.	Total Venture-Backed Offering Size (\$M)
Boston	6	548.1
San Jose	6	608.0
Other US	3	545.6
New York Metro	2	170.4
South NJ/West Pa	2	120.0
Dallas	1	1150.0
Houston	1	75.1
Los Angeles	1	703.0
Non US	1	125.9
Washington	1	87.5
Denver	1	55.1
San Diego Metro	1	84.0
TOTAL	26	4272.7

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

As of June 27, 2007, 69% of the venture-backed companies that went public during the rolling twelve month period were trading at or above their offering price.

Forty venture-backed companies have filed for an initial public offering with the SEC since 2006 and are currently “in registration.” This marks a slight decrease from the 41 companies in registration at the end of the second quarter of 2006. There were 44 ventured-backed companies in the registration pipeline at end of Q1 2007 and 36 at the end of calendar year 2006.

In addition to the U.S. market activity, Australian pharmaceutical company, QRxPharma Ltd. listed on the Australian Stock Exchange and was the only company backed by U.S. venture financing to go public on a non-U.S. exchange during the first quarter.

Merger and Acquisition Overview

Venture-backed merger and acquisition exits declined from the previous quarter and 2Q 2006. The Technology sector dominated the venture-backed M&A landscape, with 52 deals and a disclosed value of approximately \$1.7 billion. Within Technology, the Computer Software and Internet Specific industries saw 21 and 18 transactions, respectively. The Computer Software sector reached \$822.3 million in disclosed deal value – 50 percent of the overall value within Technology. Eight Life Sciences companies were acquired, with a disclosed deal value of \$807 million.

Venture-Backed M&A Industry Breakdown

		Q2 2007		
		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)
Industry				
Technology	Communications/Media	7	5	285.8
	Internet Specific	18	4	344.0
	Computer Software	21	9	822.3
	Semiconductors	3	2	198.0
	Computer Hardware	3	0	0.0
	TOTAL	52	20	1,650.1
Life Sciences	Medical/Health	5	4	417.0
	Biotechnology	3	2	390.0
	TOTAL	8	6	807.0
	Other Products	7	2	228.2
	TOTAL	7	2	228.2
TOTAL		67	28	2,685.3

Source: Thomson Financial & National Venture Capital Association

The largest disclosed deal of the quarter was the \$500.3 million acquisition of financial analytic software developer OutlookSoft by Systeme Anwendungen Produkte in June. The second largest deal was the \$325 million acquisition of biotechnology company Morphotek by Eisai Inc.

Deals bringing in the top returns, those with disclosed values greater than four times the venture investment, accounted for 22 percent of the total compared to 39 percent last quarter. Conversely, those deals returning less than the amount invested accounted for 48 percent of the quarter's total, up from 25 percent of the total last quarter.

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	Q107 M&A**	Q207 M&A**
Deals where transaction value is less than total venture investment	7	13
Deals where transaction value is 1-4x total venture investment	10	8
Deals where transaction value is 4x-10x total venture investment	5	5
Deals where transaction value is greater than 10x venture investment	6	1
Total Disclosed Deals	28	27

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 2006 Global Insight study, venture-backed companies accounted for 10 million jobs and \$2.1 trillion in revenue in the United States in 2005. 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.