



National Venture Capital Association



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Mergers and Acquisitions Continue to Dominate Exit Scene For Full Year 2006

IPO Market Showing Some Signs of Improvement

New York, NY- January 2, 2007 – Twenty-one venture-backed companies raised \$1.835 billion through initial public offerings (IPOs) and 56 venture-backed M&A deals were reported in the fourth quarter of 2006 according to the Exit Poll report by Thomson Financial and the National Venture Capital Association (NVCA). The data reflect another year of heavy reliance on the M&A market for VC investment exits with a total of 58 venture-backed IPOs raising \$5.3 billion in 2006 and 335 M&A transactions with a total disclosed value of \$16.6 billion for the full year.

In terms of number of exits, 2006 venture-backed activity in both the IPO and acquisition markets varied only slightly from 2005 levels although these transactions realized higher valuations. The year 2006 marks the second strongest IPO year in terms of dollars raised out of the last six years and it is also the third strongest of the last six in terms of average IPO amount. The average acquisition value for a venture-backed company, for those deals where the acquisition price was disclosed, is the highest in six years at \$113.8 million per deal.

There were 17 venture-backed IPOs on non-US exchanges for the year and three of those were in Q4.

Venture-Backed Liquidity Events by Year/Quarter, 2001-2006

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	71.6
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	92.4
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	92	37	3,747.6	101.3	19	2,011.0	105.8
2006-3	83	38	3,679.3	96.8	8	934.2	116.8
2006-4	56	23	3,801.8	165.3	21	1,835.1	87.4
2006	335	146	16,613.0	113.8	58	5321.1	91.7

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*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 Highlights

The largest IPO of the fourth quarter was the \$204 million offering from NewStar Financial, Inc. Based in Boston, the debt capital solutions provider priced 12 million at \$17 a share. Book Managers were Goldman Sachs and Morgan Stanley.

The perennial sector leader, Technology raised \$916 million in public offerings, followed closely by the Life Sciences industry which captured \$490 million. The Non-High-Technology sector priced three IPOs that accounted for \$428 million.

In addition to the IPOs completed this quarter, there are currently 36 venture-backed companies “in registration” with the United States Securities and Exchange Commission. These companies have filed with the SEC in 2005 or 2006 and are now preparing for their initial public offerings. This is a decrease compared to the 51 companies in registration at the end of the third quarter of 2006. This compares with 57 companies in registration at the end of 2004 and 16 in registration at the end of 2005.

Industry Breakdown Q4 2006

Industry		*Number of Venture-Backed IPOs in the U.S.	Total Venture-Backed Offering Size (\$M)
Technology	Internet Specific	3	258.5
	Computer Software/Services	2	129.5
	Communications/Media	4	437.1
	Semiconductors/Other Electronics	1	91.0

	TOTAL	10	916.1
Life Sciences	Medical/Health	3	144.6
	Biotechnology	5	345.5
	TOTAL	8	490.1
Other	Non-high Technology	3	428.9
	TOTAL	3	428.9
TOTAL		21	1,835.1

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

“The year ended strongly for the venture-backed IPO market as we had the highest quarterly volume in two years. However, one quarter does not mean we are out of the woods yet and ideally we would like to see more companies in registration if a recovery is in sight for 2007,” said Mark Heesen, president, National Venture Capital Association. “There is the potential to see measurable Sarbanes-Oxley relief for smaller public companies in 2007, which would be a welcome boost for the US IPO market. In absence of this reform, however, venture capitalists will look at other liquidity paths – foreign exchanges or sale to financial intermediaries - as viable exit alternatives in the coming year,” Heesen added.

Merger and Acquisition Overview

Total acquisition count declined in the fourth quarter for the third consecutive quarter although 2006 totals are similar to the prior several years. The average disclosed deal size for the fourth quarter 2006 was \$165.3 million, an improvement from third quarter 2006 and almost triple fourth quarter 2005.

“Despite the lower acquisition volume in the fourth quarter, the overall acquisition volume for 2006 is comparable with 2005 and 2004”, said Alex Tan, Global Private Equity Research Manager of Thomson Financial.

The Technology sector continued to dominate the venture-backed M&A landscape with 44 deals and a disclosed value of \$3.2 billion. Within Technology, the Internet Specific sector had 15 transactions, followed by the Computer Software sector with 14 deals. Nine Life Sciences companies were acquired in the fourth quarter with a disclosed deal value of \$141.2 million.

The largest disclosed deal of the quarter was the \$1.65 billion acquisition of online video sharing services provider YouTube, LLC by Google, Inc. The second largest deal was Sybase, Inc.’s \$425 million acquisition of Mobile 265, Inc., which provides inter-carrier messaging solutions for wireless communications.

Industry Breakdown

		Q4 2006		
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)
Technology	Communications/Media	8	3	527.6

	Internet Specific	15	6	1936.0
	Computer Software	14	4	474.0
	Semiconductors	4	1	180.0
	Computer Hardware	3	2	103.0
	TOTAL	44	16	3220.6
Life Sciences	Medical/Health	6	3	107.5
	Biotechnology	3	2	33.7
	TOTAL	9	5	141.2
Other	Non-high Technology	3	2	440.0
	TOTAL	3	2	440.0
TOTAL		56	23	3801.8

Source: Thomson Financial & National Venture Capital Association

Acquisitions which returned more than 10x the amount of the original venture investment comprised 30% of the disclosed transactions for the quarter. At the opposite end of the spectrum, 30% of the disclosed acquisition deals returned less than the total venture investment. The smallest percentage of deals was 4.4% returned -- 1-4x investment for the quarter.

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	Q4 2006
Deals where transaction value is less than total venture investment	7
Deals where transaction value is 1-4x total venture investment	1
Deals where transaction value is 4x-10x total venture investment	8
Deals where transaction value is greater than 10x venture investment	7
Total Disclosed Deals	23**

Source: Thomson Financial & National Venture Capital Association

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

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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 2004 Global Insight study, venture-backed companies accounted for 10.1 million jobs and \$1.8 trillion in revenue in the United States 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.