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## **VENTURE CAPITAL INVESTMENTS DECLINE IN DOLLARS AND DEAL VOLUME IN Q1 2013, ACCORDING TO THE MONEYTREE REPORT**

### **Increases in Software and Media Investing Temper Declines in Clean Technology and Life Sciences**

**WASHINGTON, April 19, 2013** – Venture capitalists invested \$5.9 billion in 863 deals in the first quarter of 2013, according to the MoneyTree™ Report from PricewaterhouseCoopers LLP (PwC) and the National Venture Capital Association (NVCA), based on data provided by Thomson Reuters. Quarterly venture capital (VC) investment activity fell 12 percent in terms of dollars and 15 percent in the number of deals compared to the fourth quarter of 2012 when \$6.7 billion was invested in 1,013 deals.

The Life Sciences (biotechnology and medical device industries combined) and Clean Technology sectors both saw marked decreases in both dollars and number of deals in the first quarter. However, there was a notable percentage increases in dollars invested in the Media & Entertainment industry while the Software industry accounted for 40 percent of the dollars invested in the quarter.

“The bright spot in the first quarter was Software,” remarked Tracy T. Lefteroff, global managing partner of the venture capital practice at PwC US. “These capital-efficient companies that have shorter time frames to a liquidity event – whether that is M&A or IPO – continue to be attractive to an ever-shrinking pool of VC funds. Activity in both the IPO and M&A markets for Software companies is likely an encouraging factor for VCs and this dynamic could be spurring the greater focus, accordingly. The exact opposite is true for the Clean Technology sector. This capital-intensive sector is showing signs of reaching its limit in how much VCs can continue to support these companies without additional equity coming from outside sources.”

“Lower investment levels in the first quarter were driven by a number of factors, none of which were unexpected,” said John Taylor, head of research for NVCA. “The venture industry has been raising less capital than it has been investing now for several years, and ultimately this dynamic flows through and manifests itself in lower investment levels overall. Additionally, we are seeing less money going into traditionally capital-intensive sectors such as clean tech and life sciences, especially in first-time deals. Lastly, the majority of deals are being done in the capital-efficient IT sector where rounds’ amounts are lower. We expect these overall trends to continue until exits and subsequent fundraising activities pick up, and dollars start to flow back into more venture funds.”

## **Industry Analysis**

The Software industry received the highest level of funding for all industries, rising 8 percent from the prior quarter to \$2.3 billion invested during the first quarter of 2013, marking the fourth consecutive quarter of more than \$2 billion invested in the sector. The Software industry also counted the most deals in Q1 at 329; however, this represented an 18 percent decrease from the 399 rounds completed in the fourth quarter of 2012.

The Biotechnology industry was the second largest sector for dollars invested with \$875 million going into 96 deals, falling 33 percent in dollars and 30 percent in deals from the prior quarter. The Medical Devices and Equipment industry also experienced a decline, dropping 20 percent in Q1 to \$509 million, while the number of deals dropped 10 percent to 71 deals. Overall, investments in the Life Sciences sector (Biotechnology and Medical Devices) fell 28 percent in dollars and 23 percent in deals, which was the fewest number of deals since the first quarter of 2009.

Venture capitalists invested \$1.4 billion into 231 Internet-specific companies during the first quarter of 2013. This investment level is 11 percent lower in dollars and 5 percent lower in deals than the fourth quarter of 2012 when \$1.5 billion went into 243 deals. Two of the top ten deals for the quarter were in the Internet-specific category. 'Internet-Specific' is a discrete classification assigned to a company with a business model that is fundamentally dependent on the Internet, regardless of the company's primary industry category.

The Clean Technology sector, which crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation, declined 35 percent in dollars and 13 percent in deals from the prior quarter to \$368 million going into 61 deals. The investment total is the lowest since the first quarter of 2006 when Clean Technology companies received \$355 million. The relative decrease in Clean Technology investments was driven by the lack of any large deals in the sector during Q1.

Eleven of the 17 MoneyTree sectors experienced decreases in dollars invested in the first quarter, including Industrial/Energy (63 percent decrease), IT Services (41 percent decrease), and Semiconductors (39 percent decrease). The Media & Entertainment sector experienced a 37 percent increase during the quarter, which was primarily due to a single large deal, the third largest in Q1.

## **Stage of Development**

Seed stage investments rose 11 percent in dollars but fell 22 percent in deals with \$178 million invested into 52 deals in the first quarter. Early stage investments fell 28 percent in dollars and 17 percent in deals with \$1.5 billion going into 393 deals. Seed/Early stage deals accounted for 52 percent of total deal volume in Q1, compared to 54 percent in the fourth quarter of 2012. The average Seed deal in the first quarter was \$3.4 million, up from \$2.4 million in the fourth quarter. The average Early stage deal was \$3.7 million in Q1, down from \$4.2 million in the prior quarter.

Expansion stage dollars decreased 13 percent in the first quarter, with \$2.0 billion going into 217 deals. Overall, Expansion stage deals accounted for 25 percent of venture deals in the first quarter, approximately the same as was seen in the fourth quarter of 2012. The average Expansion stage deal was \$9.2 million, nearly identical to the prior quarter.

Investments in Later stage deals increased 2 percent in dollars but declined 9 percent in deals to \$2.2 billion going into 201 rounds in the first quarter. Later stage deals accounted for 23 percent of total deal volume in Q1, compared to 22 percent in Q4 when \$2.2 billion went into 220 deals. The average Later stage deal in the first quarter was \$11.1 million, which decreased slightly from \$10.0 million in the prior quarter.

### **First-Time Financings**

First-time financing (companies receiving venture capital for the first time) dollars decreased 20 percent to \$903 million in Q1, the lowest level since the third quarter of 2009, while the number of companies fell 21 percent from the prior quarter to 263. First-time financings accounted for 15 percent of all dollars and 30 percent of all deals in the first quarter, compared to 17 percent of all dollars and 33 percent of all deals in the fourth quarter of 2012.

Companies in the Software industry received a major portion of first-time rounds in the first quarter, accounting for 63 percent of the dollars and 45 percent of the companies receiving funding in Q1. The Life Sciences sector experienced a dramatic drop, falling 52 percent in dollars to \$98 million from the prior quarter, which is the lowest quarterly amount since the third quarter of 1996 and only the fourth time in survey history that the total has fallen below \$100 million in a single quarter. Only 20 Life Sciences companies received venture capital funding for the first time in Q1 of 2013, which is the fewest seen since Q2 of 1995. The average first-time deal in the first quarter was \$3.4 million, approximately the same as the prior quarter. Seed/Early stage companies received the bulk of first-time investments, garnering 51 percent of the dollars and 79 percent of the deals in the first quarter of 2013.

MoneyTree Report results are available online at [www.pwcmoneytree.com](http://www.pwcmoneytree.com) and [www.nvca.org](http://www.nvca.org).

### **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 Reuters” or “PwC/NVCA MoneyTree™ Report based on data from Thomson Reuters.” 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 Reuters.” 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 Reuters. The survey includes the investment activity of professional venture capital firms with or without a U.S. 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 U.S. 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 Reuters. 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.

## **About the National Venture Capital Association**

Venture capitalists are committed to funding America's most innovative entrepreneurs, working closely with them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. According to a 2011 Global Insight study, venture-backed companies accounted for 12 million jobs and \$3.1 trillion in revenue in the United States in 2010. As the voice of the U.S. venture capital community, **the National Venture Capital Association (NVCA)** empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community's preeminent trade association, NVCA serves as the definitive resource for venture capital data and unites its nearly 400 members through a full range of professional services. For more information about the NVCA, please visit [www.nvca.org](http://www.nvca.org).

The **PwC Private Equity & Venture Capital Practice** is part of the Global Technology Industry Group, [www.pwcglobaltech.com](http://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,

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