2017 Venture Capital Update

Bobby Franklin
President & CEO, National Venture Capital Association (NVCA)

January 2017
Agenda

U.S. VC trends through year-end 2016

VC trends in Texas & Dallas

Policy priorities & outlook for VC
U.S. VC Trends
2016 a Banner Year for VC Fundraising

U.S. Venture Capital Fundraising by Year (2006-2016)

Quick Stats

- Fundraising reached 10-year high in 2016
- Q2 2016 stood out: $13.6B raised across 75 funds
- 7 firms raised $1B+ funds, accounting for 23% of total capital raised
- Median fund size grew to $75M in 2016 (vs. $40M in 2015); highest since 2008

Source: Q4 PitchBook-NVCA Venture Monitor
VC Investment Normalizes in 2016

U.S. Venture Capital Activity by Year (2006-2016)

Quick Stats

- Deals $5M or less comprised 2/3 of deals closed in 2016
- Deal count declined for 6th straight quarter in Q4, largely driven by decrease in angel/seed & early stage
- Software accounted for 48% of VC $ invested
- Software & IT Hardware only sectors to post YoY VC $ increases

Source: Q4 PitchBook-NVCA Venture Monitor
Exit Activity Declined in 2016

U.S. VC-backed Exit Activity by Year (2006-2016)

Quick Stats

- 2016 exit value nearly equals 2015 but lowest exit count since 2010
- 39 IPOs in 2016, fewest since 2009 (10 IPOs)
- 20 VC-backed companies currently registered to IPO
- M&As comprised 82% of exits, likely to continue due to cash on corp. balance sheets & low interest rates

*IPOs are sales to the general public
*Disclosed Acquisition: M&As by corporations
**Buyouts: Buyouts by PE firms
Source: Q4 PitchBook-NVCA Venture Monitor
Texas & Dallas VC Trends
Texas Ranks 4th in the U.S. for VC Activity

2016 U.S. Venture Capital Activity by State

Source: Q4 PitchBook-NVCA Venture Monitor
Overall TX VC $ Dropped; DFW VC $ Doubled in 2016

Texas & Dallas-Fort Worth-Arlington MSA Venture Capital Activity (2012-2016)

Quick Stats

- $11.3B VC $ invested in TX in past 5 years across 2,528 deals
- 220 VC/CVC investors participated in TX deals in 2016, 36 are TX-based
- DFW has accounted for 28% of both TX VC $ and deal count
- In 2016, DFW VC $ made up 1/3 of TX total
- Largest 2016 VC investment in TX: Dallas-based cybersecurity software company StackPath raised $180M

Source: Q4 PitchBook-NVCA Venture Monitor
Software Made Up 1/3 of VC Deal Count & 42% of VC Dollars in DFW in 2016

Dallas-Fort Worth-Arlington MSA VC Investment ($M) by Sector (2012-2016)

<table>
<thead>
<tr>
<th>Year</th>
<th>Commercial Services</th>
<th>Consumer Goods &amp; Recreation</th>
<th>Energy</th>
<th>HC Devices &amp; Supplies</th>
<th>HC Services &amp; Systems</th>
<th>IT Hardware</th>
<th>Media</th>
<th>Other*</th>
<th>Pharma &amp; Biotech</th>
<th>Software</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$381.5</td>
<td>$78.1</td>
<td>$73.5</td>
<td>$32.2</td>
<td>$61.6</td>
<td>$191.2</td>
<td>$222.4</td>
<td>$29.2</td>
<td>$38.5</td>
<td>$119.2</td>
</tr>
<tr>
<td>2013</td>
<td>$394.9</td>
<td>$124.1</td>
<td>$60.7</td>
<td>$61.6</td>
<td>$90.9</td>
<td>$89.0</td>
<td>$128.1</td>
<td>$29.2</td>
<td>$90.9</td>
<td>$124.1</td>
</tr>
<tr>
<td>2014</td>
<td>$89.0</td>
<td>$128.1</td>
<td>$90.9</td>
<td>$222.4</td>
<td>$94.6</td>
<td>$128.1</td>
<td>$124.1</td>
<td>$73.6</td>
<td>$282.5</td>
<td>$117.0</td>
</tr>
<tr>
<td>2015</td>
<td>$29.2</td>
<td>$58.4</td>
<td>$73.6</td>
<td>$73.6</td>
<td>$282.5</td>
<td>$88.4</td>
<td>$88.4</td>
<td>$58.4</td>
<td>$117.0</td>
<td>$88.4</td>
</tr>
<tr>
<td>2016</td>
<td>$32.2</td>
<td>$47</td>
<td>$4</td>
<td>$6</td>
<td>$9</td>
<td>$47</td>
<td>$4</td>
<td>$4</td>
<td>$9</td>
<td>$47</td>
</tr>
</tbody>
</table>

Dallas-Fort Worth-Arlington MSA No. of VC Deals by Sector (2016)

- Total = 143

*Includes Commercial Products, Financial Services, IT Services, Food Products, Beverages, & Other Products & Services

Source: Q4 PitchBook-NVCA Venture Monitor
Policy Priorities & Outlook for VC
Policy Goals

- Support venture capital returns
- Increase and protect investment opportunities
- Support investment into venture capital
- Challenge regulatory burden on VCs and startups
NVCA Public Policy Priorities

• Tax
• Immigration
• Patents
• Capital markets
• Life science
• Basic research & technology transfer
• Cybersecurity & government procurement
Tax Reform Under President Trump

Under unified GOP control, the stars have aligned for a major tax bill, which puts carried interest and other issues important to the ecosystem under threat.
NVCA policy analysis slides are reserved for NVCA members. Please contact Jessica Straus (Vice President of Development) at jstraus@nvca.org to learn more.
Immigration Policy & the Trump Administration

Immigration rhetoric was a significant part of Trump’s campaign. But what campaign promises will become policy?
NVCA policy analysis slides are reserved for NVCA members. Please contact Jessica Straus (Vice President of Development) at jstraus@nvca.org to learn more.
Capital Markets & Regulatory Issues

Can Trump’s win be a catalyst for policies to encourage more US public companies?
NVCA policy analysis slides are reserved for NVCA members. Please contact Jessica Straus (Vice President of Development) at jstraus@nvca.org to learn more.
Technology Policy in the Trump Administration

*It will be a new attitude towards technology policy, for better and worse*
NVCA policy analysis slides are reserved for NVCA members. Please contact Jessica Straus (Vice President of Development) at jstraus@nvca.org to learn more.
Health Care & the Trump Administration

ACA repeal and replace is coming, what else can we expect in life science policy?
NVCA policy analysis slides are reserved for NVCA members. Please contact Jessica Straus (Vice President of Development) at jstraus@nvca.org to learn more.
Other Major NVCA Issues

Uncertainty about other important issues
NVCA policy analysis slides are reserved for NVCA members. Please contact Jessica Straus (Vice President of Development) at jstraus@nvca.org to learn more.
Get Involved with NVCA
What is NVCA?

Washington-based trade association that serves as the voice of venture capital firms and startups in the U.S. entrepreneurial ecosystem

**Advocate**
Champion policies and initiatives that support the entrepreneurial ecosystem across the U.S.
- e.g. patent reform, immigration reform, tax policy, medical innovation

**Convene**
Convene the ecosystem via events, networking & professional development
- e.g. Member Peer Groups, Policy Boot Camps, networking receptions

**Advance**
Advance the ecosystem through initiatives & benefits that help the industry operate & grow
- e.g. diversity, research, data, thought-leadership, sharing best practices
NVCA Member Benefits

→ STAY INFORMED
Weekly NVCA policy team newsletter, provides members of DC happenings

→ ANNUAL EVENTS
CFO Bootcamp
Public Policy Bootcamp
NVCA Growth Equity Receptions
NVCA-Global Corporate Venturing SHIFT Conference
NVCA Annual Life Sciences Dinner at J.P. Morgan Health Care Conference

→ ADVOCACY
Advocating on behalf of VCs & their portfolio companies

→ WEBINARS
Post-Election Analysis Webinar
VC Research Spotlight: How Do VCs Make Decisions?
Narrative & Message Development for VC Firms & Their Portfolio

→ DIVERSITY INITIATIVE
NVCA-Deloitte Human Capital Survey Report
Conducted by the Deloitte University Leadership Center for Inclusion

→ MEMBERS-ONLY DISCOUNTS
NVCA MEMBER PROGRAM

→ PEER GROUPS
CFO Task Force
Corporate Venture Group
Growth Equity Group
Strategic Communications Group
Get Involved – Join Us!

NVCA represents hundreds of U.S. venture capital firms

A sampling of member firms:
Questions?

Bobby Franklin
President & CEO
National Venture Capital Association
bfranklin@nvca.org

To learn more about NVCA, please contact jstraus@nvca.org

For a copy of this presentation, please contact research@nvca.org