The State of the Venture Capital Industry

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President & CEO of NVCA

Southeast Venture Conference
March 16
Overview

- Venture capital stats at-a-glance
- Trends & insights
- Looking ahead: public policy, political landscape, & areas of focus for NVCA in 2016
Pace of Fundraising, Investment, and Exit Activity by Number Slows in 2015

VC Fundraising (No.)

<table>
<thead>
<tr>
<th>Year</th>
<th>VC Fundraising</th>
</tr>
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<tbody>
<tr>
<td>2006</td>
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<td>2007</td>
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<td>2012</td>
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<td>2013</td>
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<tr>
<td>2014</td>
<td>271</td>
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<tr>
<td>2015</td>
<td>235</td>
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VC Investment (No.)

<table>
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<th>Year</th>
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<tr>
<td>2006</td>
<td>3897</td>
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<td>2007</td>
<td>4234</td>
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<td>2008</td>
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<td>3675</td>
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<td>4049</td>
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<td>2013</td>
<td>4293</td>
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<tr>
<td>2014</td>
<td>4441</td>
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<tr>
<td>2015</td>
<td>4380</td>
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</table>

VC Exits (No.)

<table>
<thead>
<tr>
<th>Year</th>
<th>VC Exits</th>
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<tr>
<td>2006</td>
<td>482</td>
</tr>
<tr>
<td>2007</td>
<td>488</td>
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<td>2008</td>
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<td>2013</td>
<td>386</td>
</tr>
<tr>
<td>2014</td>
<td>472</td>
</tr>
<tr>
<td>2015</td>
<td>360</td>
</tr>
</tbody>
</table>

Source: Thomson Reuters
VC Dollars Invested Increased for 3rd Consecutive Year in 2015; Hit Highest Annual Mark since 2000

VC Fundraising, Investment, IPO, and M&A Activity 2006-2015

Source: Thomson Reuters

*Offering Amount at IPO
**Only includes values for DISCLOSED M&As.
The Industry in Numbers

In 2015, **718 firms** each invested $5M or more during the year, of which **238** invested in first fundings.

Venture capital under management in the U.S. by the end of 2015 increased to **$165B**, reversing a three-year contraction of the industry.

**798 firms** have raised a VC fund in the past 8 years and manage **1,224 individual funds**.

**Distribution of Firms by Capital Managed**

- 1,200 firms manage $0-10m
- 120 firms manage $10-25m
- 99 firms manage $25-50m
- 104 firms manage $50-100m
- 125 firms manage $100-250m
- 55 firms manage $250-500m
- 49 firms manage $500m-1B
- 36 firms manage 1B+

Source: Thomson Reuters
16 States Have $1B+ in Venture Capital Under Management

2015 Venture Capital Under Management by State ($B)

- CA $90.6
- MA $23.6
- NY $21.6
- WA $2.8
- PA $2.4
- MD $1.7
- VA $1.3
- TX $2.5
- CT $2.2
- DC $1.7
- CO $1.6
- NC $1.4
- IL $2.0
- MI $1.4
- NJ $1.1
- TN $1.2
- Other States $6.2

$4.7B is Managed by Firms in DC, MD, and VA

Source: Thomson Reuters
CA Continues to Dominate Investment; VA & MD in Top 10

Annual Companies Receiving VC Funding by State
(No. of Companies and % of Total U.S.)

- CA: 1489 (40%)
- NY: 404 (11%)
- MA: 349 (9%)
- PA: 171 (5%)
- TX: 133 (4%)
- WA: 100 (3%)
- IL: 86 (2%)
- CO: 74 (2%)
- TN: 63 (2%)
- VA: 62 (2%)
- MD: 61 (2%)
- GA: 59 (1%)
- NC: 57 (1%)
- Other: 589 (16%)

Note: 22 DC-based companies received venture funding in 2015

Source: Thomson Reuters
Washington-Arlington-Alexandria Ranks 7th Nationwide for VC Activity

Top 20 MSAs by No. of Companies Receiving VC Funding in 2015

<table>
<thead>
<tr>
<th>Metropolitan Statistical Area (MSA)</th>
<th>No. of Deals</th>
<th>No. of Companies</th>
<th>Amount ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Francisco-Oakland-Fremont, CA</td>
<td>942</td>
<td>797</td>
<td>$21,043</td>
</tr>
<tr>
<td>New York-Northern New Jersey-Long Island, NY-NJ-PA</td>
<td>478</td>
<td>416</td>
<td>$6,981</td>
</tr>
<tr>
<td>Boston-Cambridge-Quincy, MA-NH</td>
<td>428</td>
<td>348</td>
<td>$5,582</td>
</tr>
<tr>
<td>San Jose-Sunnyvale-Santa Clara, CA</td>
<td>379</td>
<td>321</td>
<td>$6,238</td>
</tr>
<tr>
<td>Los Angeles-Long Beach-Santa Ana, CA</td>
<td>293</td>
<td>240</td>
<td>$4,482</td>
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<tr>
<td>Seattle-Tacoma-Bellevue, WA</td>
<td>110</td>
<td>95</td>
<td>$1,172</td>
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<tr>
<td>Washington-Arlington-Alexandria, DC-VA-MD-WV</td>
<td>111</td>
<td>93</td>
<td>$924</td>
</tr>
<tr>
<td>Philadelphia-Camden-Wilmington, PA-NJ-DE-MD</td>
<td>115</td>
<td>93</td>
<td>$516</td>
</tr>
<tr>
<td>San Diego-Carlsbad-San Marcos, CA</td>
<td>100</td>
<td>83</td>
<td>$1,167</td>
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<tr>
<td>Pittsburgh, PA</td>
<td>93</td>
<td>83</td>
<td>$199</td>
</tr>
<tr>
<td>Chicago-Naperville-Joliet, IL-IN-WI</td>
<td>87</td>
<td>81</td>
<td>$1,104</td>
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<tr>
<td>Austin-Round Rock, TX</td>
<td>99</td>
<td>78</td>
<td>$740</td>
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<td>Atlanta-Sandy Springs-Marietta, GA</td>
<td>70</td>
<td>58</td>
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<td>Denver-Aurora, CO</td>
<td>51</td>
<td>41</td>
<td>$540</td>
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<tr>
<td>Baltimore-Towson, MD</td>
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<td>$445</td>
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<tr>
<td>Nashville-Davidson-Murfreesboro-Franklin, TN</td>
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<td>34</td>
<td>$136</td>
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<td>Portland-Vancouver-Beaverton, OR-WA</td>
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<tr>
<td>St. Louis, MO-IL</td>
<td>41</td>
<td>30</td>
<td>$254</td>
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<td>Minneapolis-St. Paul-Bloomington, MN-WI</td>
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<td>28</td>
<td>$369</td>
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<tr>
<td>Boulder, CO</td>
<td>29</td>
<td>27</td>
<td>$231</td>
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</tbody>
</table>

Source: Thomson Reuters
Investment in Software Increasing, Biotech. Declining

Percent of Annual VC Dollars by Top 5 Industries, 2000 vs. 2005 vs. 2010 vs. 2015

Source: Thomson Reuters
No. of Early Stage Deals has Increased 2.2x since 2009; Account for 1/3 of VC $
2 Out of 5 Companies Received VC Funding for First Time in 2015; FTFs for Early Stage Companies Growing

1,444 (or 39%) Companies Received VC Funding for the First Time

3,709 Companies Received VC Funding in 2015

No. of First-Time Fundings (FTFs) by Stage of Development, 2006-2015

- Seed Stage
- Early Stage
- Expansion Stage
- Later Stage
Corporate Venture Groups Increasing Their Involvement in Entrepreneurial Ecosystem

% of Annual Venture Capital Activity with Corporate Venture Involvement, 1996-2015

% of Deals w/CVC Involvement
% of Dollars from CVCs

Source: Thomson Reuters
The Rise of Unicorns?

Global Annual Number of New Unicorns and Total Number of Unicorns*, 2009-2015

- U.S.-based companies account for 93 of the 148

*Private companies valued at $1B+ as of 12/31/15
Source: CB Insights

No. of Companies Reaching Unicorn Status
Cumulative No. of Unicorns

Funding innovation. Empowering entrepreneurs.
About 1 Out of 5 Venture-Backed Exits is an IPO

Venture-Backed Exits: IPOs vs. M&As, 1996-2015

% of Venture-Backed Exits

1996: 70% IPOs, 29% M&As
1997: 49% IPOs, 51% M&As
1998: 29% IPOs, 71% M&As
1999: 55% IPOs, 45% M&As
2000: 39% IPOs, 61% M&As
2001: 9% IPOs, 91% M&As
2002: 6% IPOs, 94% M&As
2003: 7% IPOs, 93% M&As
2004: 17% IPOs, 83% M&As
2005: 12% IPOs, 88% M&As
2006: 12% IPOs, 88% M&As
2007: 16% IPOs, 84% M&As
2008: 2% IPOs, 98% M&As
2009: 4% IPOs, 96% M&As
2010: 11% IPOs, 89% M&As
2011: 9% IPOs, 91% M&As
2012: 9% IPOs, 91% M&As
2013: 17% IPOs, 83% M&As
2014: 20% IPOs, 80% M&As
2015: 18% IPOs, 82% M&As

Source: Thomson Reuters
Venture-Backed Companies Account for Over 40% of All IPOs

Venture-Backed IPOs as a % of All IPOs, 1996-2015

Note: Reflect IPOs on U.S. stock exchanges and markets. Venture-backed IPOs are those with at least one US-domiciled venture fund investor.

Source: Thomson Reuters
Venture-Backed IPOs: A 20-Year View
VC Consistently Outperforms

U.S. Venture Capital Fund Index Summary: End-to-End Pooled Return

Source: Cambridge Associates data as of September 30, 2015.
*Pooled end-to-end return, net of fees, expenses, and carried interest.
Beyond Financial Returns: Analyzing the Impact of VC

VC-backed companies account for **556** (or 42%) of the 1,339 public companies founded after 1974.

VC-backed public companies employ **8.1 million people**

- **Market Capitalization**: $4.4 trillion (63%)
- **Net Income**: $151 billion (61%)
- **Research & Development**: $115 billion (85%)

Note: Data as of 2014
Source: The Economic Impact of Venture Capital: Evidence from Public Companies. Will Gornall, Sauder School of Business, University of British Columbia; and Ilya A. Strebulaev, Graduate School of Business, Stanford University and National Bureau of Economic Research.
Looking Ahead

Public policy, political landscape, & areas of focus for NVCA in 2016
U.S. Has Been Losing Global VC Market Share

% of Global Venture Capital Dollars by Company Location, 1996-2015

Source: Thomson Reuters
Tax Reform is Opportunity to Strengthen Entrepreneurial Ecosystem
Drug Pricing in the United States

“What we need to do is find approaches and strategies that balance both innovation, because we want that R&D to get the best things, but create some downward pressure.”

HHS Secretary Sylvia Mathews Burwell
"As Patent reform has heated up on the Hill this year, one of the groups in the spotlight has been the National Venture Capital Association, which has pushed for changes to the two main patent reform bills, the House’s Innovation Act and the Senate’s PATENT Act.”
Strengthening our Capital Markets to Support Entrepreneurial Ecosystem
The First Two Years of a New Administration are Critical

• NAFTA
• Family and Medical Leave Act
• Assault Weapons Ban
• Deficit Reduction

• Two of Largest Tax Bills in Modern History
• Two Declarations of War
• Prescription Drug Program

• $700 Billion Economic Stimulus Package
• Affordable Care Act
• Dodd-Frank Financial Reform
Political Landscape: Trump vs Hillary?
Congressional Control: All Action in Senate Races

Source: University of Virginia Center for Politics

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Source: University of Virginia Center for Politics

Funding innovation. Empowering entrepreneurs.
Questions?

If you’d like a copy of this presentation or if you have any questions about NVCA, please contact:

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