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**VENTURE CAPITAL INVESTMENTS RISE 19% IN Q2 2011  
TO \$7.5 BILLION IN 966 DEALS**

**Internet-Specific Investments at 10-year High Level  
Life Sciences Dollars Jump 37% from First Quarter 2011**

**WASHINGTON, July 20, 2011** – Venture capitalists invested \$7.5 billion in 966 deals in the second quarter of 2011, 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 increased 19 percent in terms of both dollars and the number of deals compared to the first quarter of 2011 when \$6.3 billion was invested in 814 deals.

The quarterly investment level represents the highest total in a single quarter since the second quarter of 2008. The deal count for the first half of 2011 (1,780 deals) is nearly identical to that seen in the first half of 2010 (1,784 deals) while the \$13.8 billion invested in the first half of 2011 represented a 12 percent increase over the \$12.3 billion invested in the first half of 2010.

The Life Sciences sector (biotechnology and medical device industries combined) saw an increase in VC dollars invested during the second quarter, rising 37 percent in dollars and 12 percent in deal volume from the prior quarter to \$2.1 billion going into 206 deals. Investments in Internet-specific companies also rose considerably to the highest quarterly level since 2001.

"This quarter's increased investment levels signals an incredible opportunity for job creation and innovation, but if current dynamics continue, it will not be sustainable," said Mark Heesen, president of the NVCA. "For the past three years, the venture capital industry has been investing significantly more dollars into companies than it has been raising from institutional investors. This level of investment cannot continue if we do not start to see a pick-up in exits and, subsequently, fundraising. The money simply will not be available to invest. Ironically, our industry should be much less concerned about a bubble and more concerned about being in a position to adequately fund the tremendous opportunities out there in the next decade."

"The rise in venture capital investments going into the Life Sciences and Internet sectors can be attributed to the increase in exit activity in the Life Sciences sector and attractive valuations for Internet companies," noted Tracy T. Lefteroff, global managing partner of the venture capital practice at PwC US. "The exit market for both biotech and medical device companies has been active over the past year, and this has encouraged VCs to put more money back to work in this

space. It also makes sense that we're seeing an increase in VC investments going to Internet companies, when you take into account the valuations on some IPOs that have priced recently, particularly in the social networking space. As long as the markets continue to reward these companies with attractive valuations, we would expect to see a strong level of venture capital funding in that space. Overall, the increase in investment levels in Q2 remains encouraging for entrepreneurs. At the current pace of venture capital investing, 2011 is on track to exceed \$26 billion, which would put it as the sixth most active year in VC investing history."

## **Industry Analysis**

The Software industry received the highest level of funding for all industries with \$1.5 billion invested during the second quarter of 2011. This level of investment represents a 35 percent increase in dollars compared to the \$1.1 billion invested in the first quarter. The Software industry also had the most deals completed in Q2 with 254 rounds, which represents a 25 percent increase from the 203 rounds completed in the first quarter.

In terms of dollars invested, the Biotechnology industry returned to second place, rising 46 percent from the prior quarter to \$1.2 billion in the second quarter of 2011. The number of deals also rose in the second quarter, increasing 20 percent to 116 from 97 in the first quarter of 2011. The Medical Devices and Equipment industry also experienced an increase, rising 26 percent in Q2 to \$841 million, while the number of deals remained relatively flat at 90 deals in Q2. This sector ranked third overall in Q2 in terms of dollars invested.

Investment in Internet-specific companies surged in the second quarter with \$2.3 billion going into 275 companies. This level of investment represents a 72 percent increase in dollars and a 46 percent increase in deals from the first quarter when \$1.4 billion went into 189 deals. The second quarter marks the most dollars going into Internet-specific companies in a decade, since the second quarter of 2001. Five of the top 10 deals this quarter, including the top two deals, were classified as Internet-specific investments, which 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, saw a 23 percent decrease in dollars to \$942 million in Q2 from the first quarter when \$1.2 billion was invested. The number of deals completed in the second quarter, however increased 11 percent to 81 deals compared with 73 deals in the first quarter, marking the most active quarter for Clean Technology deals completed in MoneyTree history.

Ten of the 17 MoneyTree sectors experienced double-digit increases in dollars in the second quarter, including IT Services (19 percent increase), Media & Entertainment (27 percent), Consumer Products & Services (248 percent), and Semiconductors (22 percent increase).

## **Stage of Development**

Seed and Early stage investments rose 24 percent over the prior quarter in both dollars and deals with \$2.4 billion going into 464 deals in the second quarter. Seed/Early stage deals accounted for 48 percent of total deal volume in Q2, compared to the first quarter when it accounted for 46 percent of all deals. The average Seed deal in the second quarter was \$3.2 million, up from \$1.8 million in the first quarter. The average Early stage deal was \$5.8 million in Q2, down slightly from \$6.0 million in the prior quarter.

Expansion stage dollars increased 9 percent in the second quarter, with \$2.3 billion going into 260 deals. Overall, Expansion stage deals accounted for 27 percent of venture deals in the second quarter, down slightly from 28 percent in the first quarter of 2011. The average Expansion stage deal was \$9.0 million, down from \$9.3 million in the prior quarter.

Investments in Later stage deals increased 24 percent in dollars and 16 percent in deals to \$2.8 billion going into 242 rounds. Later stage deals accounted for 25 percent of total deal volume in Q2, compared to 26 percent in Q1 when \$2.2 billion went into 209 deals. The average Later stage deal in the first quarter was \$11.5 million, which increased from \$10.8 million in the prior quarter and represents the largest average deal size for Later stage companies since the first quarter of 2004.

## **First-Time Financings**

First-time financing (companies receiving venture capital for the first time) dollars increased 30 percent and the number of deals rose 22 percent with \$1.5 billion going into 310 deals. First-time financings accounted for 20 percent of all dollars and 32 percent of all deals in the second quarter, compared to 18 percent of all dollars and 31 percent of all deals in the first quarter of 2011.

Companies in the Software, Biotechnology, and Media & Entertainment industries received the highest level of first-time dollars. The average first-time deal in the second quarter was \$4.8 million, up from \$4.5 million in the prior quarter. Seed/Early stage companies received the bulk of first-time investments, garnering 61 percent of the dollars and 77 percent of the deals, an increase from 56 percent of dollars and 75 percent of deals seen in Q1 2011.

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.

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 2009 Global Insight study, venture-backed companies accounted for 12.1 million jobs and \$2.9 trillion in revenue in the United States in 2008. 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 400 plus 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

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