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**VENTURE CAPITAL INVESTMENT DECLINES IN Q1 2008  
ACCORDING TO THE MONEYTREE REPORT**

**Life Sciences, Semiconductors Have Strong Quarter**

**WASHINGTON, D.C., April 19, 2008** – Venture capitalists invested \$7.1 billion in 922 deals in the first quarter of 2008, according to the MoneyTree™ Report from PricewaterhouseCoopers (PwC) and the National Venture Capital Association (NVCA) based on data provided by Thomson Reuters. Quarterly investment activity was down 8.5 percent from the fourth quarter of 2007 when \$7.8 billion was invested in 1,045 deals, with 11 of the 16 industries tracked in the survey experiencing a decrease in the level of investment and 14 of the 16 experiencing a decline in deal volume. Despite the decline, the first quarter was well within recent quarterly investment levels and the fifth highest quarter since 2001.

“Venture capitalists still have large amounts of money in their coffers, therefore it's no surprise to see a solid level of investing continue,” said Tracy Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers. “VCs have weathered numerous economic cycles and will continue to fund companies with innovative ideas and solid business models while they also stand behind their portfolio companies for the long-term.”

"Despite the current economic downturn in the United States, venture capitalists are still putting money to work across multiple industries and stages of development," said Mark Heesen, president of the NVCA. "The continued interest in the life sciences and clean technology industries, as well as the traditional IT sectors, reflects the long term investment horizon that the venture industry has always embraced. We do not expect to see significant declines in investment levels in the coming year. However, the dollars going to later stage investments could increase if the IPO window remains closed for an extended period of time and venture capitalists have to sustain companies longer than expected."

## **Industry Analysis**

The Biotechnology industry narrowly edged out Software as the number one industry sector for the quarter with \$1.27 billion going into 126 deals, due to a nine percent drop in funding for Software companies. However, despite being outpaced in dollars by Biotech, Software captured the largest number of deals in Q1 with 234 deals receiving a total of \$1.26 billion, representing one-fourth of all deals in the first quarter.

The Life Sciences sector (Biotechnology and Medical Devices combined) continued to dominate VC investing in the first quarter with \$2.3 billion going into 220 deals, approximately the same amount that was invested in the fourth quarter of 2007. Investments in Life Sciences companies represented 32 percent of all investment dollars and 24 percent of all deals in the first quarter.

The Clean Tech sector, which crosses traditional MoneyTree industries and comprises alternative energy, pollution and recycling, power supplies and conservation, saw a drop in investment levels with \$625 million going into 44 deals in the first quarter. This represented a 6 percent decline in the dollar level in the Clean Tech sector from the fourth quarter of 2007 but a 51 percent increase from the first quarter for 2007. The largest deal in the first quarter was a Clean Tech company, which captured \$130 million. Additionally, four of the top10 largest deals in the quarter were in the Clean Tech sector.

Internet-specific companies garnered \$1.3 billion going into 195 deals in the first quarter, a seven percent decrease in dollars over the fourth quarter of 2007 when \$1.4 billion went into 217 deals. Four of the last five quarters have seen Internet-specific investment of more than \$1 billion. '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.

Semiconductors had a positive quarter with \$566 million going into 50 deals, an increase in both deals and dollars from the fourth quarter when \$458 million went into 47 deals. Other industry sectors which saw increases in dollars include Financial Services, Telecommunications, and IT Services. Only the Semiconductor industry saw more deals as well as dollars in the first quarter.

## **First-Time Financings**

The dollar value of first-time deals (companies receiving venture capital for the first time) declined with \$1.6 billion going into 294 first-time deals. First time financings accounted for 23 percent of all dollars and 32 percent of all deals in the first quarter compared to 29 percent of all dollars and 34 percent of all deals in the fourth quarter. The decline represents an 18 percent drop in deals from the fourth quarter of 2007 when \$2.2 billion went into 360 first-time deals.

Companies in Software, Medical Devices, Biotechnology, and Media/Entertainment received the highest level of first-time dollars. While Financial Services, Computers &

Peripherals, and IT Services also saw more dollars invested into their industries for the first-time this quarter as compared to last. Only the Media/Entertainment industry experienced an increase in both dollars and deals with 45 companies receiving \$210 million in funding.

The average first-time deal in the first quarter was \$5.6 million compared to \$6.2 million one quarter ago. Seed/Early stage companies received the bulk of first-time investments garnering 57 percent of the dollars and 66 percent of the deals.

### **Stage of Development**

Seed and Early stage investing fell 17 percent in the first quarter to \$1.7 billion into 330 deals. This level compares to a strong fourth quarter when venture capitalists invested \$2.0 billion into 380 deals. Seed/Early stage deals accounted for 36 percent of total deal volume in the first quarter, even with the prior quarter. The average Seed deal in the first quarter was \$3.6 million, down slightly from \$3.8 million in the fourth quarter; the average Early stage deal was \$5.7 million in Q1, also down slightly from \$5.9 in the prior quarter.

Expansion stage dollars were flat in the first quarter, with \$2.9 billion going into 318 deals. The number of deals however, declined nine percent from the 348 deals funded in the fourth quarter. Overall, Expansion stage deals accounted for 34 percent of venture deals in the quarter. The average Expansion stage deal was \$9.0 million, up notably from \$8.1 million in the fourth quarter of 2007.

Investments in Later stage deals fell 11 percent with \$2.6 billion going into 274 deals and accounting for 30 percent of total deal volume. In the fourth quarter of 2007, \$3.0 billion went into 317 deals. The average Later stage deal in the first quarter was \$9.6 million which was slightly higher than the prior quarter when the average Later stage deal size was \$9.4 million.

### **International Investing**

In the first quarter of 2008, U.S.-based venture capitalists invested \$250 million into 32 deals in China, representing a 24 percent decline in dollar volume from the fourth quarter when \$331 million was invested in 39 deals. Also in the quarter, U.S. venture capitalists invested \$350 million in 38 deals in India, a 42 percent increase in dollars from the fourth quarter when \$246 million went into 33 companies. These figures are reported separately and are not included in the aggregate totals above.

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

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 2007 Global Insight study, venture-backed companies accounted for 10.4 million jobs and \$2.3 trillion in revenue in the U.S. in 2006. 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](http://www.nvca.org).

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