

## Venture-Backed Exit Market Continues to Face Challenges Despite Largest IPO in 2.5 Years

October 1, 2009

### Third Quarter Ends with Lower Volume and Value

NEW YORK, Oct. 1 /PRNewswire/ -- Venture-backed company exit activity showed little signs of life during the third quarter of 2009 and fell far short of historical norms, according to the Exit Poll report by Thomson Reuters and the National Venture Capital Association (NVCA).

While there were three venture-backed IPOs in Q3, a slight decline from the second quarter of 2009, the third quarter saw the largest venture backed IPO offering since March 2007. The tally of M&A exits as of the last day of the quarter was 62 totaling \$1.2 billion, with average disclosed value falling back to first quarter levels.

"The fact that many in the media are classifying three IPO's as resurgence is evidence of how low our expectations have become," said Mark Heesen, president of the NVCA. "While we are encouraged by the success of the companies that have gone public, their performance has yet to translate into a filling of the pipeline. Companies simply are not registering to go public yet. On the acquisitions side, both volume and average disclosed value declined in the third quarter which is not the direction we hoped to see. While the psychology of the market is trending positive, our original forecast of a true recovery not beginning until 2010 still unfortunately holds true."

Venture-Backed Liquidity Events by Year/Quarter, 2003-2009ytd

Quarter/ Year	Total M&A Deals	M&A Deals with Disclosed Values	*Total Disclosed M&A Value (\$M)	*Average M&A Deal Size (\$M)	**Number of IPO's	Total Offer Amount (\$M)	Average IPO Offer Amount (\$M)
2003	284	119	7,496.1	63.0	29	2,022.7	69.8
2004	346	188	16,043.8	85.3	94	11,378.0	121.0
2005	351	165	30,862.2	187.0	57	4,485.0	78.7
2006-1	106	51	5,282.5	103.6	10	540.8	54.1
2006-2	107	40	4,018.5	100.5	19	2,011.0	105.8
2006-3	94	43	3,512.0	81.7	8	934.2	116.8
2006-4	62	25	3,880.8	155.2	20	1,631.1	81.6
2006	369	159	16,693.8	105.0	57	5,117.1	89.8
2007-1	86	30	4,595.3	40.8	18	2,190.6	121.7
2007-2	87	35	3,822.3	54.4	25	4,146.8	165.9
2007-3	105	53	9,865.4	53.4	12	945.2	78.8
2007-4	94	47	9,917.8	57.1	31	3,043.8	98.2
2007	372	165	28,200.9	170.9	86	10,326.3	120.1
2008-1	108	42	5,340.3	127.2	5	282.7	56.6
2008-2	84	26	3,293.4	126.7	0	0.0	0.0
2008-3	88	32	3,080.2	96.3	1	187.5	187.5

2008-4	62	17	2,385.9	140.4	0	0.0	0.0
2008	342	117	14,099.8	120.5	6	470.2	78.4
2009-1	63	14	657.3	47.0	0	0.0	0.0
2009-2	64	13	2,570.1	197.7	5	720.7	144.1
2009-3	62	21	1,208.4	57.5	3	572.1	190.7
2009	189	48	4,435.8	92.4	8	1,292.8	161.6

Thomson Reuters & National Venture Capital Association

\*Only accounts for deals with disclosed values

\*\*Includes all companies with at least one U.S. VC investor that trade on U.S. exchanges, regardless of domicile.

#### *IPO Activity Overview*

There were three venture-backed IPOs valued at \$572.1 million in the third quarter of 2009, a slight decline from the second quarter of 2009. With eight venture-backed initial public offerings through the first nine months of the year, 2009 has already bested the full-year 2008 total.

Two of the three IPO exits for the quarter were in the information technology sector, accounting for a total of \$487.1 million. Within this sector, Massachusetts-based battery manufacturer, A123 Systems, raised \$380.4 million in the largest venture-backed IPO exit of the quarter and the largest venture-backed IPO since March 2007. LogMeIn Inc, a Boston-based provider of remote access applications began trading on July 1st and raised \$106.7 million in the communications and media sector.

#### Venture-Backed IPO Industry Breakdown

		Q3 2009	
Industry		*Number of Venture-Backed IPO's in the U.S.	Total Venture-Backed Offering Size (\$M)
Information Technology	Semiconductors/Other Elect.	1	380.4
	Communications and Media	1	106.7
	TOTAL	2	487.1
Life Sciences	Medical/Health	1	85.0
	TOTAL	1	85.0
TOTAL		3	572.1

\*Includes all companies with at least one U.S. VC investor that trade on U.S. exchanges, regardless of domicile

In the life sciences sector, Cumberland Pharmaceuticals, a specialty pharmaceutical company based in Nashville, Tennessee, raised \$85 million via an initial public offering on NASDAQ.

There were no initial public offerings by US venture-backed companies on a foreign exchange in the third quarter.

Of the three IPOs in the third quarter, two were trading at or above their offering prices as of 9/30/2009. Eighteen venture-backed companies are

currently filed for an initial public offering with the SEC.

*Mergers and Acquisitions Overview*

As of September 30, 2009, 62 venture-backed M&A deals were reported for the third quarter, 21 of which had an aggregate deal value of \$1.2 billion. The average disclosed deal value was \$57.5 million.

The information technology sector led the venture-backed M&A landscape, with 51 deals and a disclosed total dollar value of \$1.1 billion. Within this sector, computer software and services and internet specific companies accounted for the bulk of the targets, with 26 and 11 transactions, respectively, across these sector subsets. The non-high technology sector saw the next highest level of activity with seven deals and a combined disclosed value of \$140.4 million. Finally, life sciences deals accounted for three M&A exits with \$12.1 million in disclosed values.

Venture-Backed M&A Industry Breakdown

		Q3 2009		
Industry		Number of Venture-Backed M&A deals	Number of Venture-Backed M&A deals with a disclosed value	Total Disclosed Venture-Backed Deal Value (\$M)
Information Technology	Communications and Media	6	1	25.0
	Internet Specific	11	4	193.6
	Computer Software and Services	26	11	823.4
	Semiconductors/Other Elect.	5	2	13.9
	Computer Hardware	3	-	-
	TOTAL	51	18	1,055.9
	Life Sciences	Biotechnology	-	-
Medical/Health		3	1	12.1
TOTAL		3	1	12.1
Non-High Technology	Other Products	3	1	135.0
	Consumer Related	-	-	-
	Industrial/Energy	5	1	5.4
	TOTAL	8	2	140.4
TOTAL		62	21	1,208.4

Source: Thomson Reuters & National Venture Capital Association

In the biggest deal of the quarter, VMWare Inc acquired SpringSource Global Inc, a San Mateo, California-based developer of open source software for \$362 million. It was a tie for the next largest transactions of the quarter as McAfee Inc acquired MX Logic Inc, a developer of email protection services and Intuit Inc acquired PayCycle Inc, a provider of self-service payroll and tax management services, both in deals valued at \$170 million.

Deals bringing in the top returns, those with disclosed values greater than four times the venture investment, accounted for just 10 percent of the total

in the third quarter of 2009, Venture-backed M&A deals returning less than the amount invested accounted for 52 percent of the quarter's total, compared to 42 percent of the total in the previous quarter.

Analysis of Transaction Values versus  
Amount Invested

Relationship between transaction value and investment	Q109 M&A**	Q209 M&A**	Q309 M&A**
Deals where transaction value is less than total venture investment	8	5	11
Deals where transaction value is 1-4x total venture investment	3	2	2
Deals where transaction value is 4x-10x total venture investment	2	3	6
Deals where transaction value is greater than 10x venture investment	1	2	2
Total Disclosed Deals	14	12	21

Source: Thomson Reuters & National Venture Capital Association

\*\* Disclosed deals that do not have a disclosed total investment amount are not included.

*About Thomson Reuters*

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals. We combine industry expertise with innovative technology to deliver critical information to leading decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world's most trusted news organization. With headquarters in New York and major operations in London and Eagan, Minnesota, Thomson Reuters employs more than 50,000 people in 93 countries. Thomson Reuters shares are listed on the New York Stock Exchange (NYSE: TRI); Toronto Stock Exchange (TSX: TRI); London Stock Exchange (LSE: TRIL); and Nasdaq (NASDAQ: TRIN). For more information, go to [www.thomsonreuters.com](http://www.thomsonreuters.com).

*About National Venture Capital Association*

The National Venture Capital Association (NVCA) represents more than 400 venture capital firms in the United States. 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 2008 Global Insight study, venture-backed companies accounted for 12.1 million jobs and \$2.9 trillion in revenue in the United States in 2008. 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).

SOURCE Thomson Reuters

Emily Mendell, NVCA, +1-610-565-3904, [emendell@nvca.org](mailto:emendell@nvca.org); Matthew Toole, Thomson Reuters, +1-646-223-7212, [matthew.toole@thomsonreuters.com](mailto:matthew.toole@thomsonreuters.com)