

## Venture-Backed Exit Activity Shows Improved Signs of Life in Q1 2010

April 1, 2010

### All-time Record for Venture-backed M&A Exits; Nearly All Venture-backed IPOs Trading Above Offer Price

NEW YORK, NY, Apr 01, 2010 (MARKETWIRE via COMTEX) --Venture-backed company exit activity showed continued signs of life during the first quarter of 2010, with the best quarterly total for venture-backed IPOs since the fourth quarter of 2007 and the best quarter on record venture-backed M&A exits, according to the Exit Poll report by Thomson Reuters and the National Venture Capital Association (NVCA). The quarter ended with nine venture-backed Initial Public Offerings (IPOs) and 111 M&A transactions.

For the first quarter, 31 disclosed venture-backed M&A exits averaged \$180.2 million, which was 21 percent higher than the total average disclosed transaction value for all of 2009.

"The exit activity in first quarter of 2010 has engendered a cautious optimism within the venture capital industry," said Mark Heesen, president of the NVCA. "The IPO volume, while not nearly enough to declare a recovery, has shown the most improvement since the financial crisis began and the pipeline of companies in registration continues to build. The record breaking number of venture-backed acquisitions is also encouraging as the quality of these transactions appears to have held strong. It is premature to suggest we have permanently turned the corner, but that corner is in sight and within reach as long as we can continue this positive upwards trajectory over the next consecutive quarters."

#### Venture-Backed Liquidity Events by Year/Quarter, 2004-2010

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	Average	
						Total Offer Amount (\$M)	IPO Offer Amount (\$M)
2004	349	188	16,043.8	85.3	94	10,481.6	111.5
2005	350	163	17,324.7	106.3	57	4,482.4	78.6
2006	377	164	19,034.8	116.1	57	5,117.1	89.8
2007-1	88	31	4,640.3	149.7	18	2,190.6	121.7
2007-2	90	37	3,912.1	105.7	25	4,146.8	165.9
2007-3	108	55	11,261.7	204.8	12	945.2	78.8
2007-4	93	45	9,645.8	214.4	31	3,043.8	98.2
2007	379	168	29,460.0	175.4	86	10,326.3	120.1
2008-1	109	42	4,983.2	118.7	5	282.7	56.6
2008-2	87	27	3,321.2	123.0	0	0.0	0.0
2008-3	89	32	3,080.2	96.3	1	187.5	187.5
2008-4	66	18	2,390.9	132.8	0	0.0	0.0
2008	351	119	13,775.4	115.8	6	470.2	78.4
2009-1	64	15	666.0	44.4	0	0.0	0.0
2009-2	65	13	2,570.1	197.7	5	720.7	144.1
2009-3	69	23	1,392.4	60.5	3	572.1	190.7
2009-4	73	40	8,902.5	222.6	4	349.3	87.3
2009	271	91	13,531.1	148.7	12	1,642.1	136.8

2010-1	111	31	5,586.6	180.2	9	936.2	104.0
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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 nine venture-backed IPOs valued at \$936.2 million in the first quarter of 2010 quarter of 2009, more than double the amount raised during the fourth quarter of 2009. During the first quarter of 2009, no venture-backed companies came to market with initial public offerings.

Three of the eight IPO exits for the quarter were in the Biotechnology sector, accounting for a total of \$310.5 million. Within this sector, Cambridge, Massachusetts-based biopharmaceutical company, Ironwood Pharmaceuticals, raised \$187.5 million in the largest venture-backed IPO of the quarter.

QuinStreet Inc, a Foster City, California-based provider of electronic marketing services began trading on February 11th and raised \$150 million, contributing to the \$388.3 million raised in the Information Technology sector, the quarter's largest industry, by value.

#### Venture-Backed IPO Industry Breakdown

Industry	Q1 2010	
	*Number of Venture-Backed IPO's in the U.S.	Total Venture-Backed Offering Size (\$M)
Information Technology		
Internet Specific	1	150.0
Communications and Media	2	148.1
Semiconductors	1	90.2
TOTAL	4	388.3
Life Sciences		
Biotechnology	3	310.5
TOTAL	3	310.5
Other		
Other Products	1	127.2
Consumer Related	1	110.3
TOTAL	2	237.5
TOTAL	9	936.2

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

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

Of the nine IPOs in the first quarter, eight were trading at or above their offering prices as of 3/31/2010. Forty-three venture-backed companies are currently filed for an initial public offering with the SEC.

#### Mergers and Acquisitions Overview

As of March 31, 2010, 111 venture-backed M&A deals were reported for the first quarter quarter, 31 of which had an aggregate deal value of \$5.6 billion. The average disclosed deal value was \$180.2 million. This marks the biggest quarter for overall number of venture-backed M&A exits since records began in 1975.

The information technology sector led the venture-backed M&A landscape, with 81 deals and a disclosed total dollar value of \$2.3 billion. Within this sector, computer software and services and internet specific companies accounted for the bulk of the targets, with 35 and 26 transactions,

respectively, across these sector subsets. The life sciences sector saw the next highest level of activity with 21 deals and a combined disclosed value of \$2.9 billion, the largest sector, by disclosed value.

Venture-Backed M&A Industry Breakdown

Industry	Q1 2010		Total Disclosed Venture-Backed Deal Value (\$M)
	Number of Venture-Backed M&A deals	Number of Venture-Backed M&A deals with a disclosed value	
Information Technology			
Computer Software and Services	35	8	735.0
Internet Specific	26	6	432.6
Computer Hardware	7	3	954.0
Communications and Media	7	0	0.0
Semiconductors/ Other Elect.	6	2	130.8
TOTAL	81	19	2,252.4
Life Sciences			
Medical/Health	13	5	1,760.3
Biotechnology	8	5	1,211.0
TOTAL	21	10	2,971.3
Non-High Technology			
Industrial/Energy	4	1	145.0
Consumer Related	3	0	0.0
Other Products	2	1	218.0
TOTAL	9	2	363.0
TOTAL	111	31	5,586.6

Source: Thomson Reuters & National Venture Capital Association

In the biggest venture-backed deal of the quarter, Ethicon Inc acquired Acclarent, Inc, a Menlo Park, California-based developer of surgical devices for \$785 million. In the year's second biggest M&A deal, Windstream Corp acquired NuVox Communications, Inc., a Greenville, South Carolina-based provider of integrated communication services for \$643 million in February.

Deals bringing in the top returns, those with disclosed values greater than four times the venture investment, accounted for 45 percent of the total in the first quarter of 2010, Venture-backed M&A deals returning less than the amount invested accounted for 31 percent of the quarter's total, on par with total in the previous quarter.

Analysis of Transaction Values versus Amount Invested

Relationship between transaction value and investment	Q409	Q1 10
	M&A**	M&A**
Deals where transaction value is less than total venture investment	9	9
Deals where transaction value is 1-4x total venture investment	10	7

	=====	=====
Deals where transaction value is 4x-10x total venture investment	11	9
	=====	=====
Deals where transaction value is greater than 10x venture investment	8	4
	=====	=====
Total Disclosed Deals	38	29
	=====	=====

Source: Thomson Reuters & National Venture Capital Association

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

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#### 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).

Press Release (PDF): <http://hugin.info/142273/R/1400184/355579.PDF>

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