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**YEAR-TO-DATE VENTURE CAPITAL DOLLARS INVESTED
ECLIPSES TOTAL DOLLARS INVESTED IN ALL OF 2013**

**Venture Capital Investing in Q3 Down 27% from Q2, but
Number of Deals Exceeds 1,000 for the Sixth Consecutive Quarter**

WASHINGTON, OCTOBER 17, 2014 – Venture capitalists invested \$9.9 billion in 1,023 deals in the third quarter of 2014, 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 declined 27 percent in terms of dollars and 9 percent in the number of deals, compared to the second quarter when \$13.5 billion was invested in 1,129 deals. The third quarter is the sixth consecutive quarter of more than 1,000 companies receiving venture capital investments in a single quarter. With more than \$33.0 billion invested through the first three quarters, total venture investing in 2014 has eclipsed total venture investing in all of 2013, which totaled \$30.0 billion.

“Driven by a strong IPO market for venture-backed companies and the rise of startups in every region across the country, we continue to see a greater number of new players joining the venture game,” said Bobby Franklin, President and CEO of NVCA. “The emergence of non-traditional investors, including hedge funds and mutual funds, is contributing to the increase in venture investing this year. Another factor that can’t be ignored is the changing nature of our economy, where startup companies are disrupting entrenched industries and, in some cases, creating new industries altogether. Traditional and non-traditional venture investors alike recognize this and want to get in on the ground floor of innovation.”

“Despite the drop in VC dollars in Q3, we continue to see a healthy level of investing. In fact, venture capitalists have already invested more in the first three quarters of the year than they did in all of 2013, and investments are on pace to surpass \$40 billion in 2014,” remarked Mark McCaffrey, global software leader and technology partner at PwC. “In addition to the continued participation of non-traditional investors, another factor driving the strong investment levels is the increasing prevalence of mega deals, deals exceeding \$100 million, which we’ve seen over the past few quarters. We’ve already counted more than 30 mega deals in 2014 compared to only 16 in all of 2013.”

Industry Analysis

The Software industry continued to receive the highest level of funding of all industries, despite being down for the quarter. Venture capitalists invested \$3.7 billion during the third quarter of 2014, down 39 percent compared to the second quarter when total venture investment into the Software industry reached \$6.1 billion. The Software industry also counted the most deals in Q3 at 418, down 8 percent compared to Q2. The sharp decline in total dollars invested into the Software industry can be attributed in part to a \$1.2 billion investment in a transportation software company in Q2, the single largest quarterly investment recorded since the MoneyTree began reporting venture investing in 1995.

The Media and Entertainment industry was the second largest industry for dollars invested with \$1.8 billion going into 118 deals, rising 23 percent in dollars invested but declining 5 percent in total number of deals. Part of the increase in dollars can be attributed to three of the top 10 largest investments of the quarter falling into the Media and Entertainment category, including the largest deal, a \$500 million investment. The dollars invested in Media and Entertainment companies represents the largest quarterly total for this industry since VCs invested \$2.2 billion in Q3 2000.

Overall, investments in Q3 in the Life Sciences sector (Biotechnology and Medical Devices combined) fell 35 percent in dollars and 6 percent in deals when compared to Q2 2014. The Biotechnology industry captured the third largest total during the quarter with \$1.1 billion going into 110 deals, down 43 percent in dollars invested and 10 percent in deals from the prior quarter. The Medical Devices and Equipment industry also experienced a decrease in dollars compared to the second quarter, falling 13 percent in dollars to \$586 million invested into 78 deals in Q3 – the same number of deals as the prior quarter.

Ten of the 17 MoneyTree industries experienced decreases in dollars invested in the third quarter, including Financial Services (58 percent decrease), Industrial/Energy (28 percent decrease), and Consumer Products and Services (19 percent decrease).

Venture capitalists invested \$3.2 billion into 248 Internet-specific companies during the third quarter of 2014. This investment level represents a slight increase in dollars compared to the second quarter but is down 7 percent in deals compared to the second quarter of 2014 when \$3.1 billion went into 268 companies. “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.

Stage of Development

Seed stage investment was down 5 percent in dollars and 16 percent in deals with \$197 million invested into 48 deals in the third quarter. Early stage investment was down 22 percent in dollars and 3 percent in deals with \$3.0 billion going into 511 deals. Seed/Early stage deals accounted for 55 percent of total deal volume in Q3, compared to 52 percent in the prior quarter. The average Seed stage deal in the third quarter was \$4.1 million, up from \$3.6 million in the second

quarter of 2014. The average Early stage deal was \$5.8 million in Q3, down from \$7.3 million in the prior quarter.

Expansion stage investment was down 45 percent in terms of dollars in Q3, with \$3.4 billion going into 264 deals. Overall, Expansion stage deals accounted for 26 percent of venture deals in Q3, down slightly from 28 percent in the second quarter of 2014. The average Expansion stage deal was \$13.0 million, down dramatically from \$19.8 million in Q2 2014, due in part to the largest deal of Q2 falling into the Expansion stage of development.

Investments in Later stage companies increased 3 percent to \$3.3 billion going into 200 deals in the third quarter, the largest quarterly total of dollars invested in Later stage companies since Q3 2007. Later stage deals accounted for 20 percent of total deal volume in Q3, unchanged from the prior quarter. The average Later stage deal in the third quarter was \$16.7 million, up from \$14.0 million in the prior quarter, attributable in part to six of the 10 largest deals in Q3 falling into the Later stage of development.

First-Time Financings

First-time financing (companies receiving venture capital for the first time) dollars decreased 8 percent to \$1.6 billion in Q3 while the number of deals was down 5 percent from the prior quarter, dropping to 337. First-time financings accounted for 17 percent of all dollars and 33 percent of all deals in the third quarter.

Of the companies receiving venture capital for the first time in Q3, Software companies captured the largest share and accounted for 36 percent of the dollars and 46 percent of the deals with 154 companies capturing \$589 million. First-time financings in the Life Sciences sector was down 11 percent in dollars from the prior quarter with \$217 million going into 50 companies, compared with 32 such companies receiving \$245 million in Q2. The average first-time deal in the third quarter was \$4.9 million, down slightly from \$5.0 million in the prior quarter. Seed/Early stage companies received the bulk of first-time investments, capturing 59 percent of the dollars and 81 percent of the deals in the third quarter of 2014.

MoneyTree Report results are available online at www.pwcmoneytree.com and 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.

About the National Venture Capital Association

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. As the voice of the U.S. venture capital community, the National Venture Capital Association 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, the NVCA serves as the definitive resource for venture capital data and unites its nearly 400 members through a full range of professional services. For more information about the NVCA, please visit www.nvca.org.

The **PwC Private Equity & Venture Capital Practice** is part of the Global Technology Industry Group, 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 agile, global giants in key industry segments: networking & computers, software & Internet, semiconductors, life sciences and private equity & venture capital. PwC is a recognized leader in each industry segment with services for technology clients in all stages of growth.

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