

U.S. Venture Capital Investment Finishes Year Strong with Flurry of Deals in 4Q; The Year Sees Investment Down 31% From 2008

Dow Jones VentureSource: VCs Invested \$21.4 Billion in U.S. Companies in 2009; Healthcare Industry Collects More Than Information Technology For First Time On Record

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NEW YORK, Jan. 22 /PRNewswire/ -- An overall bad year ended on a high note as venture deal activity increased in the fourth quarter of 2009. Venture investors put \$6.3 billion to work in 743 deals in the most recent quarter, up slightly from the \$6.1 billion invested in 619 deals during the same period in 2008, according to statistics released today by Dow Jones VentureSource. In total, 2009 saw 2,489 deals completed and \$21.4 billion in venture capital invested in U.S. companies, a 31% drop from 2008 when \$31 billion was invested in 2,817 deals.

"Venture capitalists are still treading lightly when making investments," said Jessica Canning, global research director for Dow Jones VentureSource. "In the fourth quarter, venture deal activity returned to levels seen before the collapse of the financial markets, but capital invested continued to lag as investors gave companies just what they need to reach the next milestone."

Scott Austin, editor of Dow Jones VentureWire added: "While venture capitalists as a group loosened their purse strings toward the end of 2009, some start-ups, especially those seeking first or second rounds, may be in for a rude awakening in 2010. A large share of companies are due for capital this year and the competition will be fierce."

Healthcare Investment Tops Information Technology For First Time On Record

In 2009, the Healthcare industry collected more of venture capitalists' dollars than the Information Technology (IT) industry making it the first year on record that IT was not the venture industry's leading investment sector, according to VentureSource. Healthcare garnered \$7.7 billion which was put into 701 deals in 2009, a 14% drop from the previous year. In the fourth quarter, Healthcare companies raised \$2.1 billion in 207 deals, a 15% increase from the same period last year. In IT, venture capitalists put \$6.1 billion into 817 deals in 2009, a 35% drop from 2008 and the industry's weakest year since 1996. In the fourth quarter, \$2 billion was put into 250 IT deals, up 11% from the same period last year.

Biopharmaceuticals companies remained the biggest draw in the Healthcare industry as investors put \$4.2 billion into 302 deals, an 11% drop from the previous year. Medical Devices, a sector that has seen increased interest from investors during the latter part of the decade, collected \$2.9 billion for 291 deals, down 18% from the previous year.

Within IT, software companies continued to take the largest chunk of investment as they have done since 2001. Investors put \$2.9 billion into 487 software deals in 2009, a 43% drop from the previous year. The Communications and Networking segment was not hit as hard, ending the year with \$1.5 billion invested in 123 deals, off 11% from the previous year.

"Venture investors gave a much needed infusion of capital into the IT sector in the fourth quarter with Software and Networking leading the rebound," said Ms. Canning.

Energy Industry Sees Steep Decline as Investors Shift Focus

The Energy & Utilities sector experienced a quick correction after a record-breaking 2008. According to VentureSource, U.S. companies developing technologies for utilities as well as renewable and non-renewable energy raised \$1.2 billion in 87 deals in 2009, just one third of the \$3.7 billion raised in 118 deals in 2008. In the fourth quarter, Energy & Utilities companies garnered \$269 million in 31 deals, a 67% drop from the same period last year.

"Venture capitalists' shift away from capital intense deals, such as funding large energy projects, toward capital efficient deals, like energy efficiency plays, contributed to the steep decline in venture investments in the Energy & Utilities industry," said Ms. Canning.

Elsewhere, investments in the Business and Financial Services industry slipped 22% to \$2.8 billion which was put to work in 371 deals. The Consumer Services industry had a strong fourth quarter, raising \$828 million and ended the year having collected \$2.4 billion in 365 deals, a 37% drop from 2008. The smaller Consumer Goods industry finished the year on par with 2008 as \$667 million was put into 52 deals.

Deal Size Shrinks, More Deals Go to Older Companies

Overall, the median round size in 2009 was \$4.7 million, down from \$6 million seen in 2008, according to VentureSource. Later-stage deals accounted for the largest slice of deal activity with 944 deals, or roughly 39% of the total U.S. deal count for the year, attracting \$11.4 billion in investment. Meanwhile, seed- and first-rounds accounted for 803 deals and raised \$3.7 billion.

"After years of a balanced portfolio, investors made a startling retreat from early-stage companies in 2009," said Ms. Canning. "As the exit markets open up and older companies are acquired or go public, it is likely younger startups will begin to see more deals and dollars."

About GreenHills Ventures

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