

The State of Venture Capital & The Entrepreneurial Ecosystem

Bobby Franklin

President & CEO of NVCA

Overview

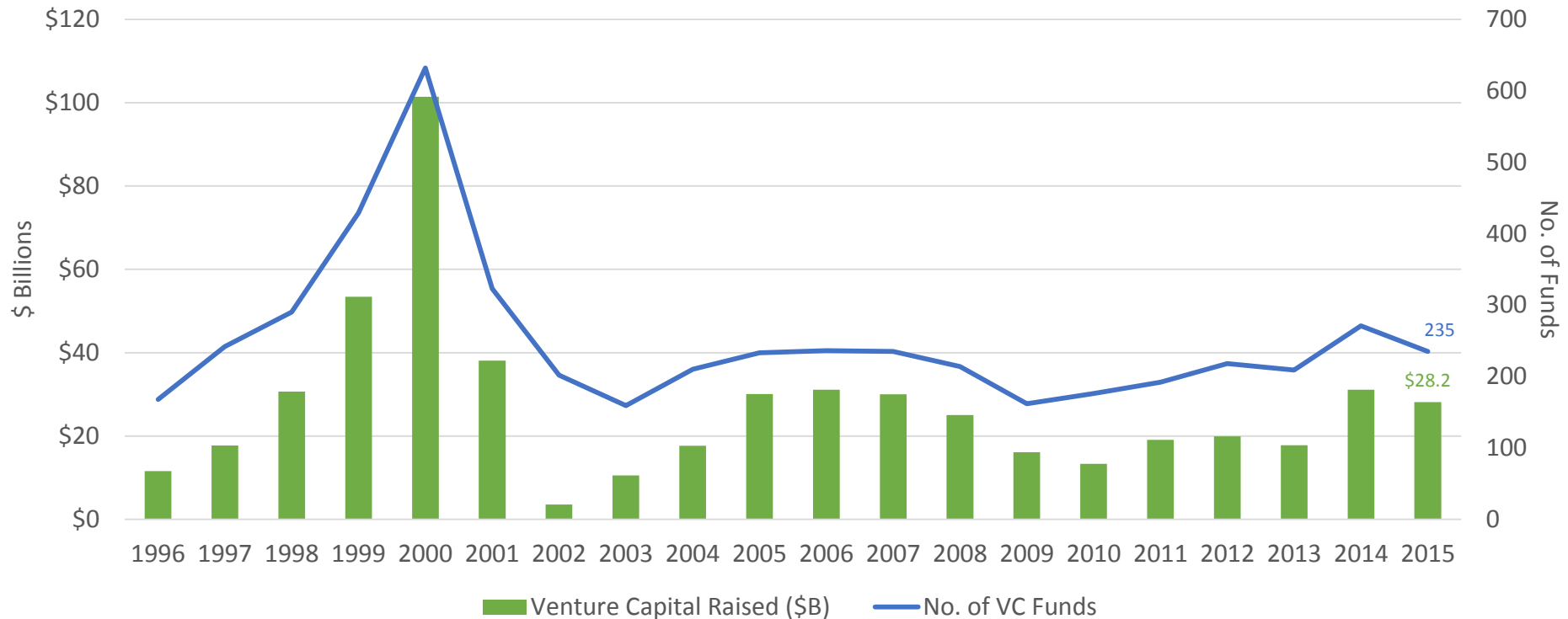
- Looking back at VC over the past 20 years
 - Fundraising, investment, & exit statistics
 - VC fund performance
 - Impact of VC
- 2015 trends & insights
 - U.S. within the global context
 - Unicorns
 - Sector analysis
 - Geographic analysis
- Looking ahead: public policy, political landscape, & areas of focus for NVCA in 2016

Looking Back at VC

Industry Trends & Statistics Over the
Past 20 Years

Fundraising: Commitments by Year

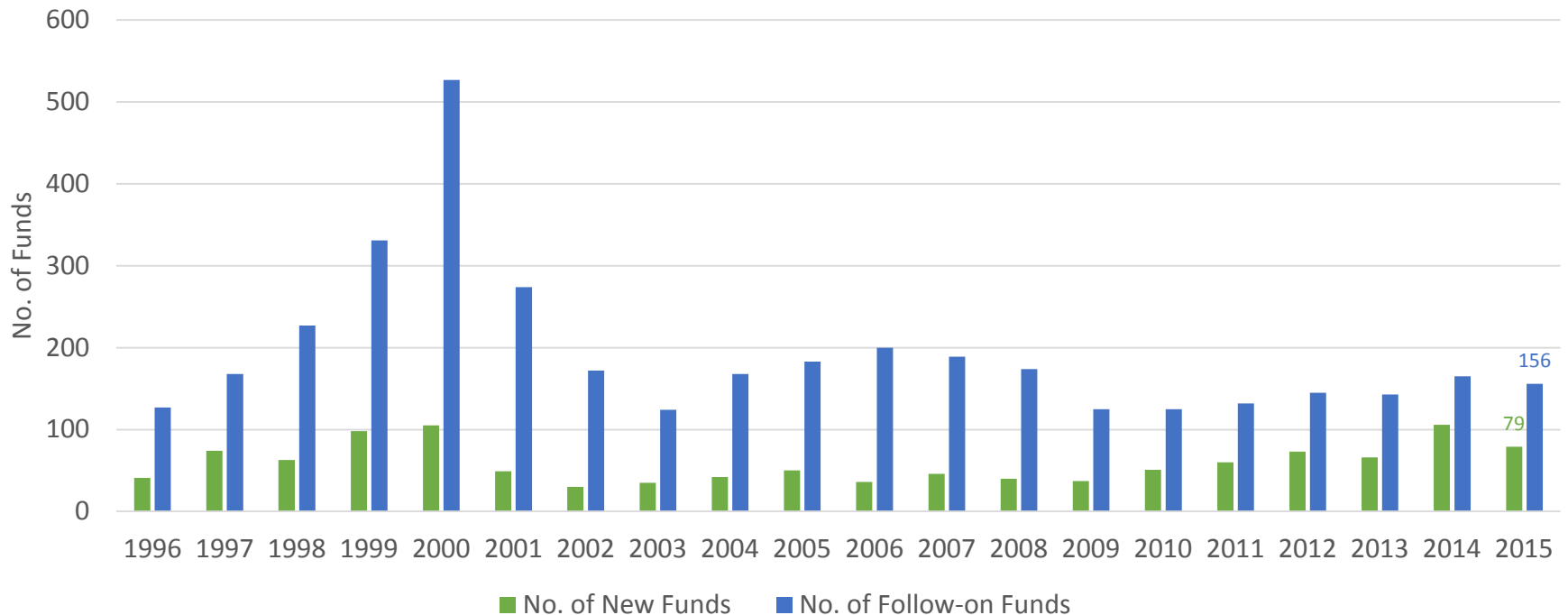
Annual Commitments to VC Funds, 1996-2015



Source: Fundraising Report by NVCA and Thomson Reuters

Fundraising: Commitments to New and Follow-on Funds

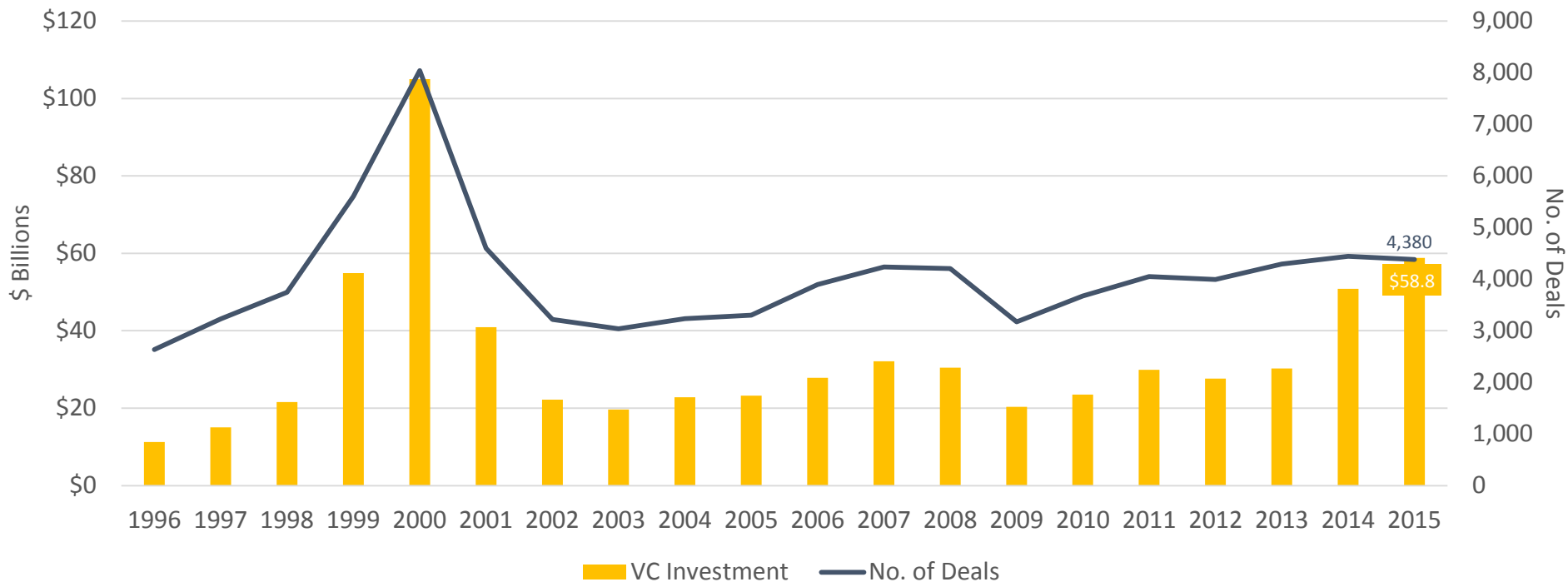
Annual Number of New and Follow-on VC Funds Receiving Commitments, 1996-2015



Source: Fundraising Report by NVCA and Thomson Reuters

Investment: Venture Capital Deployed by Year

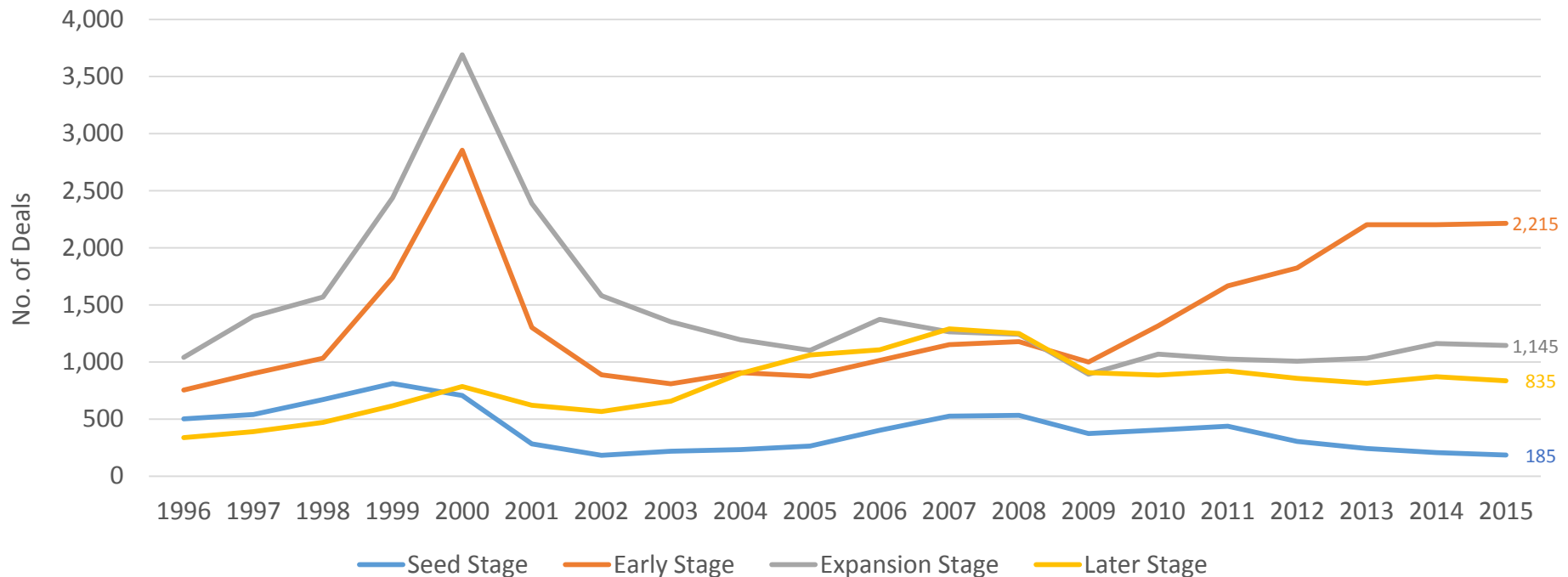
Annual Venture Capital Investment, 1996-2015



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

Investment: Venture Capital Deals by Stage

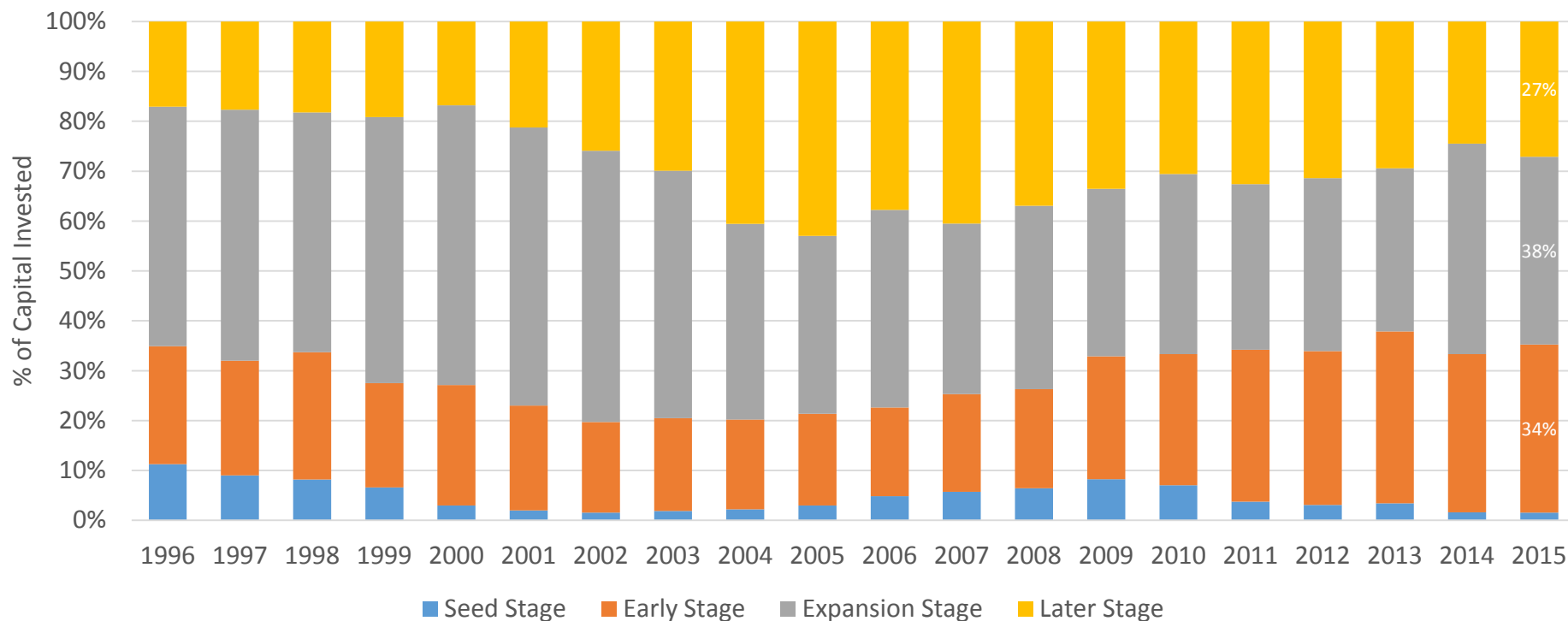
No. of Annual Venture Capital Deals by Stage, 1996-2015



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

Investment: Venture Capital Deployed by Stage

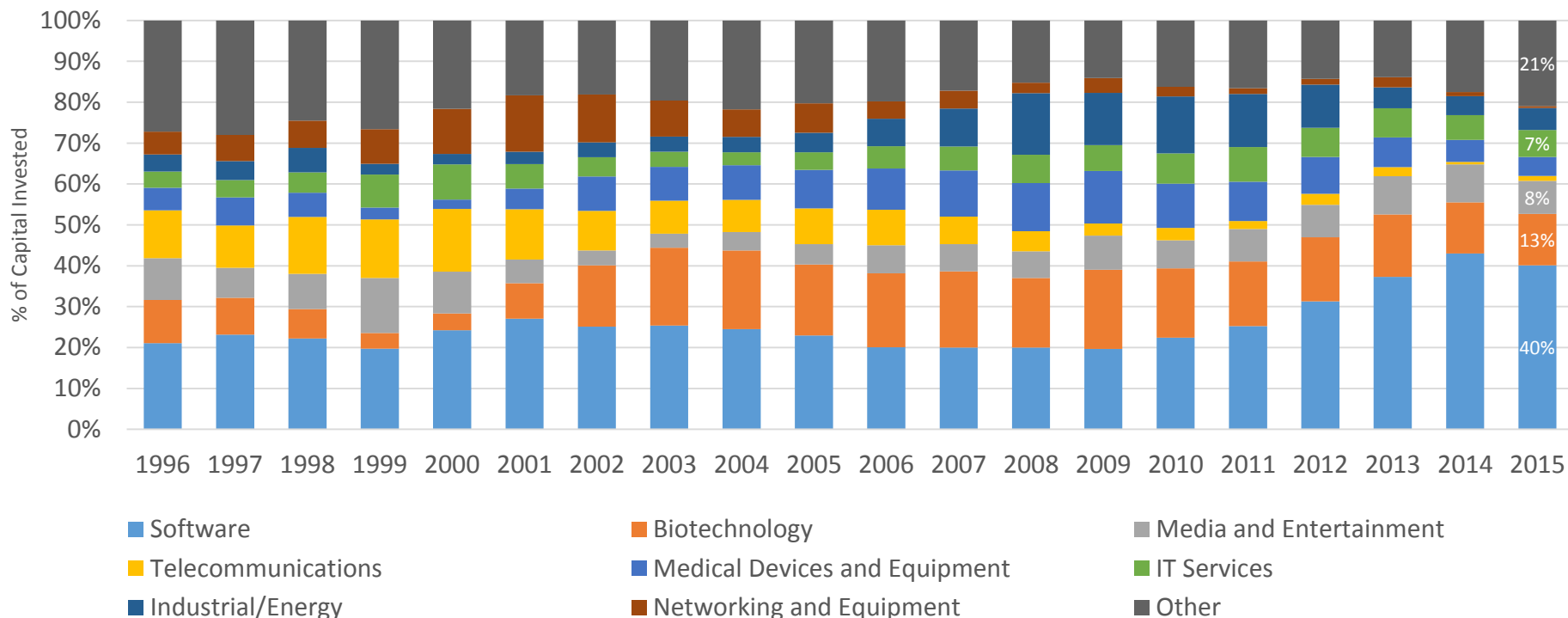
% of Annual Venture Capital Dollars by Stage, 1996-2015



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

Investment: Venture Capital Deployed by Industry

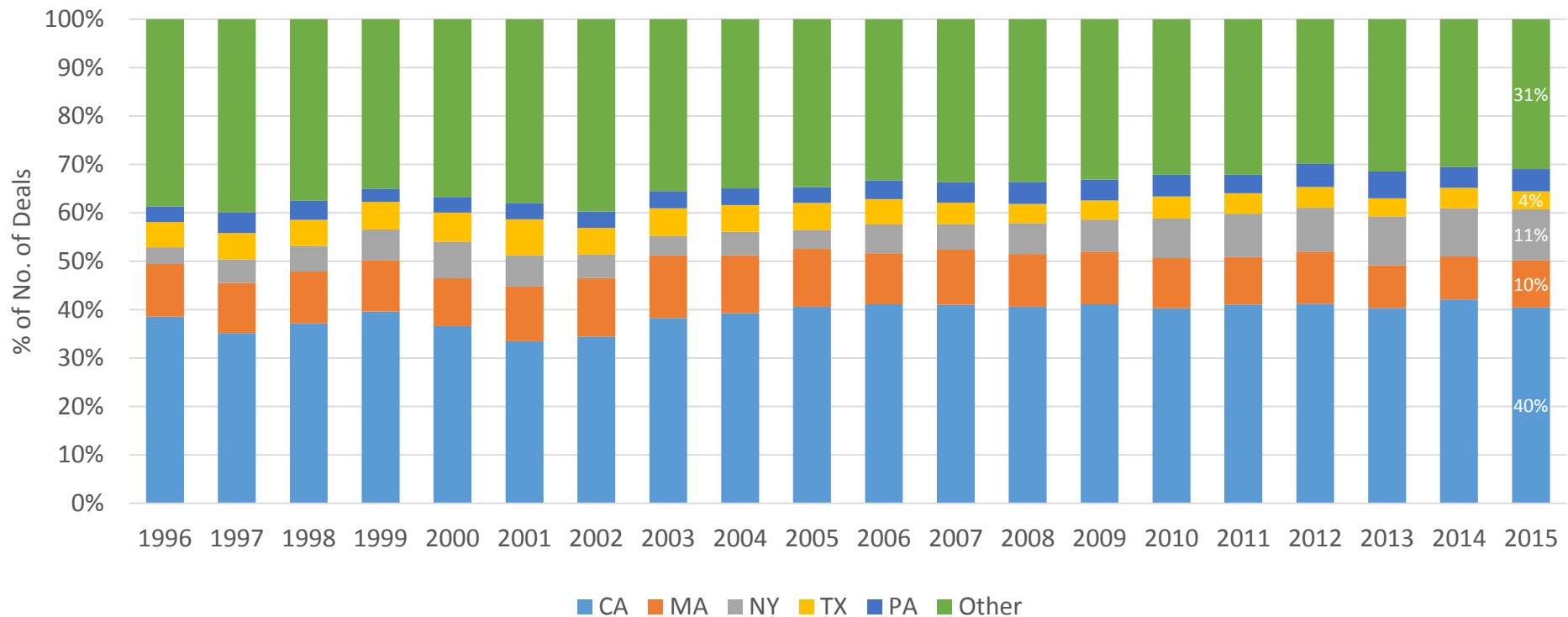
% of Annual Venture Capital Dollars by Industry, 1996-2015



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

Investment: Venture Capital Deals by State

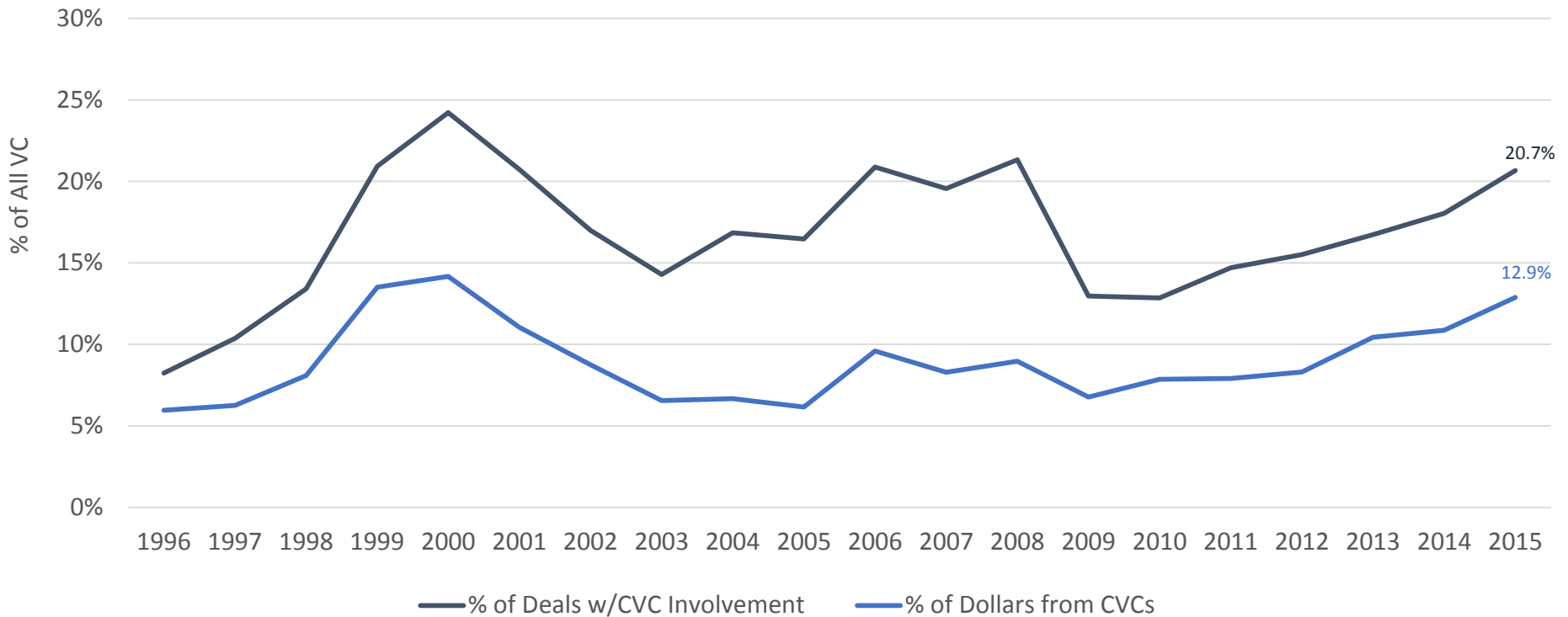
% of Annual Venture Capital No. of Deals by State, 1996-2015



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

Investment: Corporate Venture Participation by Year

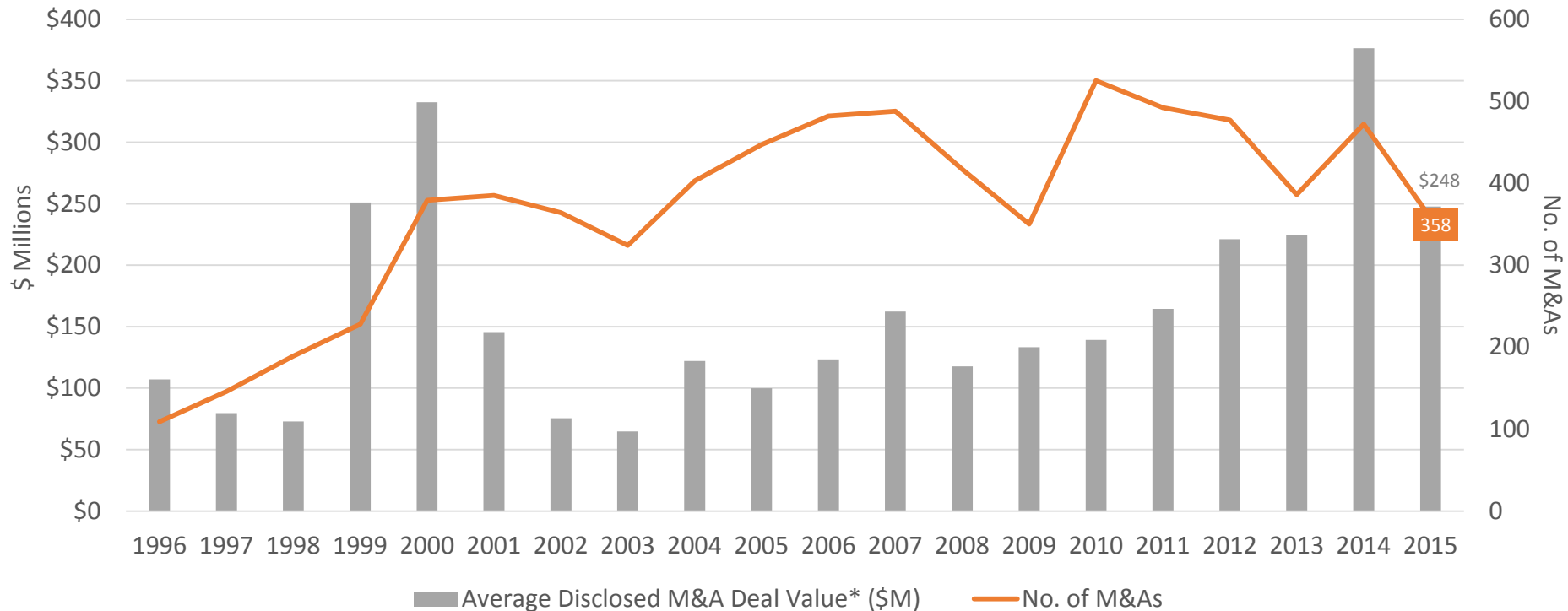
% of Annual Venture Capital Activity with Corporate Venture Involvement, 1996-2015



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

Exits: DISCLOSED M&A Activity by Year

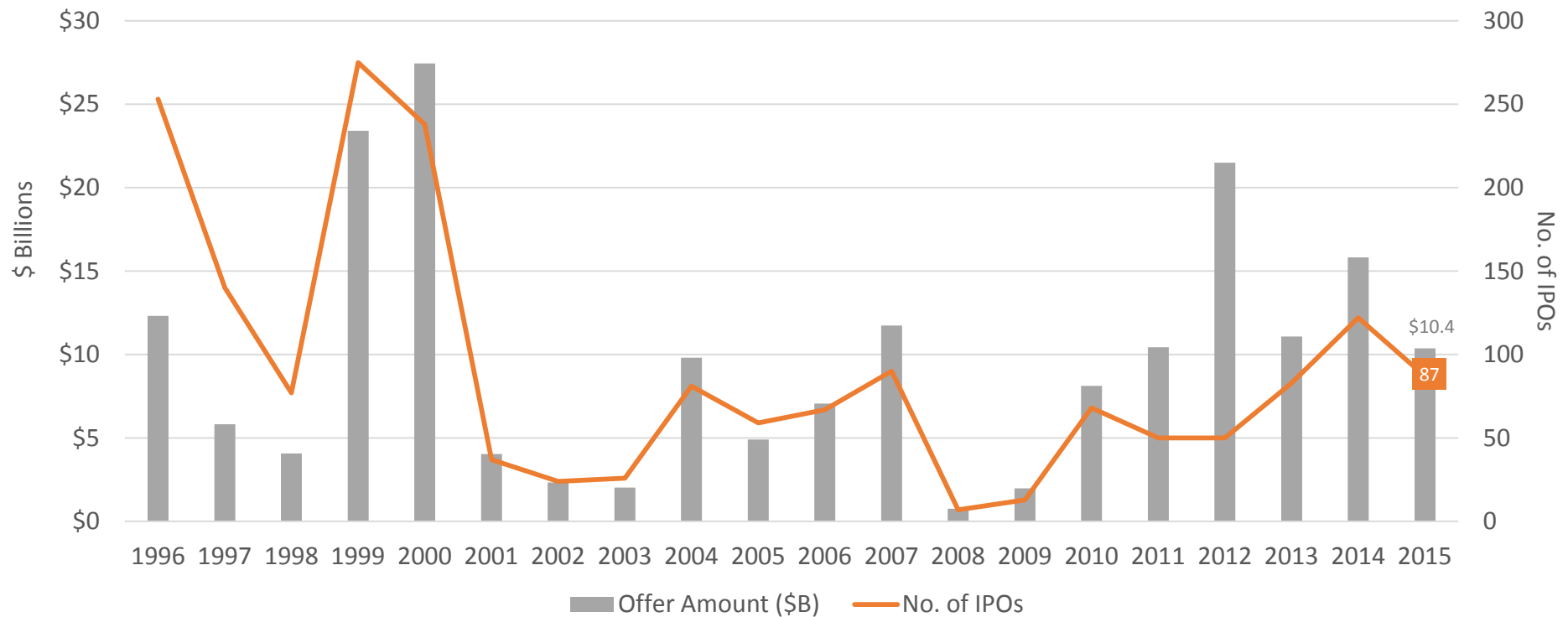
DISCLOSED Annual VC-backed M&As, 1996-2015



*Only accounts for deals with disclosed values
 Source: Exit Poll Report by NVCA and Thomson Reuters

Exits: IPO Activity by Year

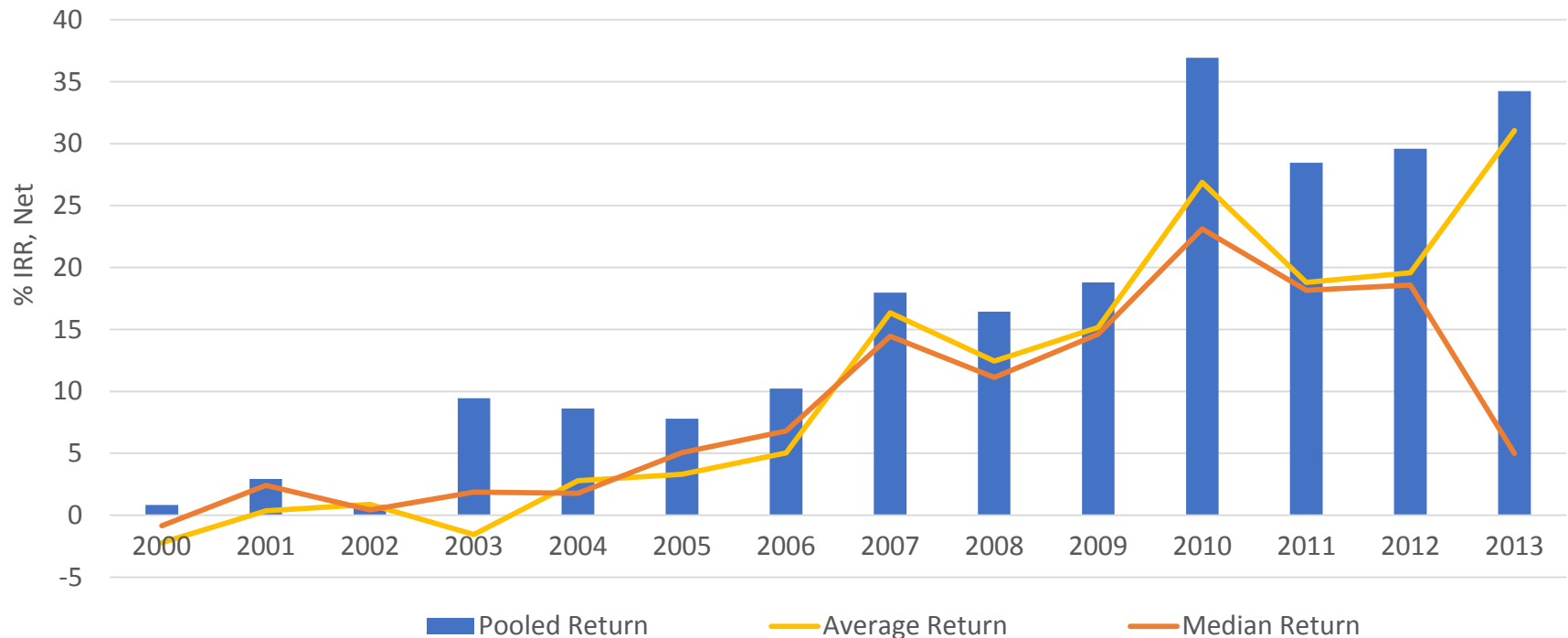
Annual VC-backed IPOs, 1996-2015



Source: Exit Poll Report by NVCA and Thomson Reuters

VC Fund Performance by Vintage Year

U.S. Venture Capital Fund IRR (%) by Vintage Year, 2000-2013
Net to Limited Partners



Source: Cambridge Associates data as of 9/30/15, IRRs are net of fees, expenses, and carried interest.

VC Returns in Perspective

Comparative Pooled End-to-End Returns by Index (as of September 30, 2015)

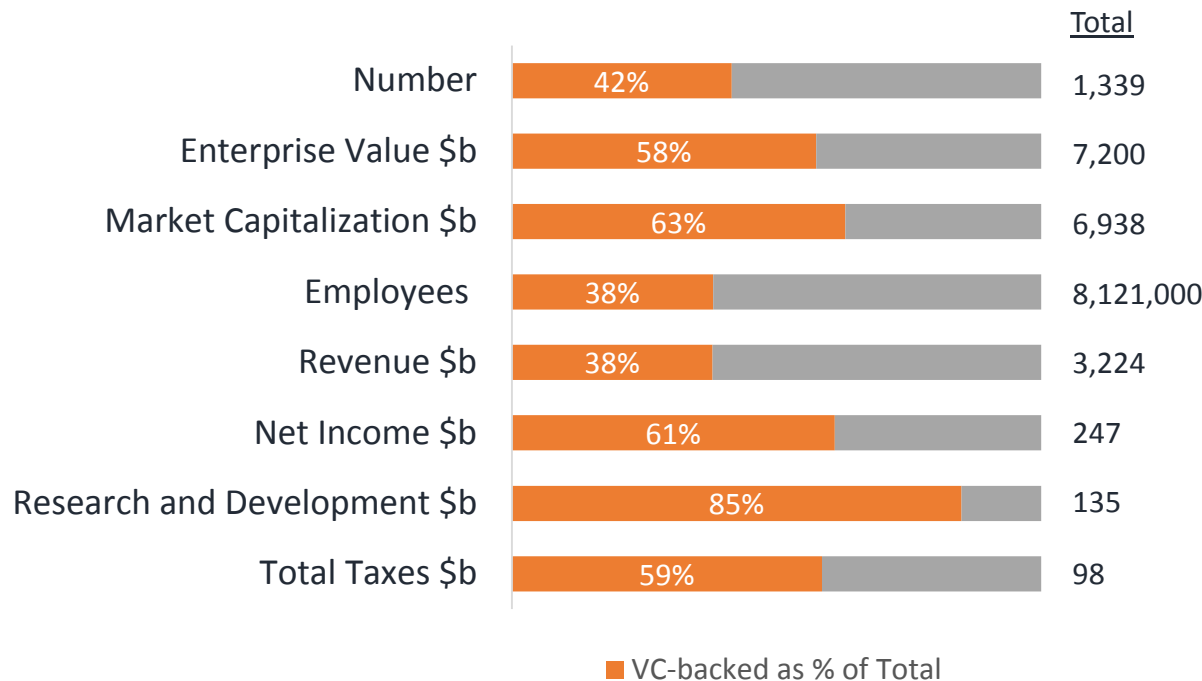
Index		1-Year	3-Year	5-Year	10-Year
Cambridge Associates	U.S. Venture Capital	22.8	20.8	17.7	11.0
	U.S. VC - Early Stage	29.2	22.5	19.4	11.1
	U.S. VC - Late & Expansion Stage	11.9	17.1	15.1	13.2
	U.S. VC - Multi-stage	17.6	19.1	15.9	10.1
	U.S. Private Equity*	6.2	14.3	14.8	11.8
	U.S. Growth Equity	8.8	15.9	16.2	12.3
	Dow Jones Industrial Average	-2.1	9.3	11.4	7.2
S&P 500	-0.6	12.4	13.3	6.8	

*Includes buyout, growth equity, private equity energy, and mezzanine funds.

Source: Cambridge Associates data as of 9/30/15, IRRs are net of fees, expenses, and carried interest.

Beyond Financial Returns: Analyzing the Impact of VC

VC-Backed Companies Among Public Companies Founded After 1974



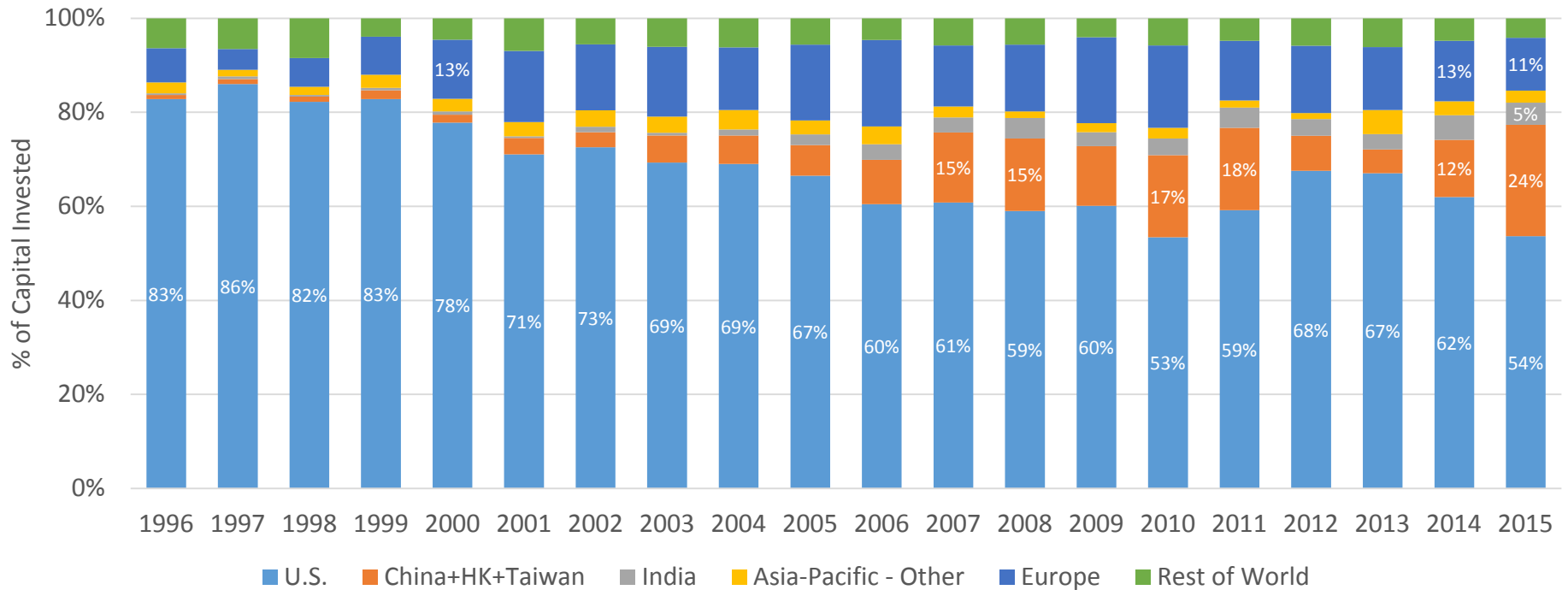
Source: *The Economic Impact of Venture Capital: Evidence from Public Companies*. Will Gornall, Sauder School of Business, University of British Columbia; and Ilya A. Strebulaev, Graduate School of Business, Stanford University and National Bureau of Economic Research

2015 VC Trends & Insights

What's High on the Minds of VCs?

Global VC Context

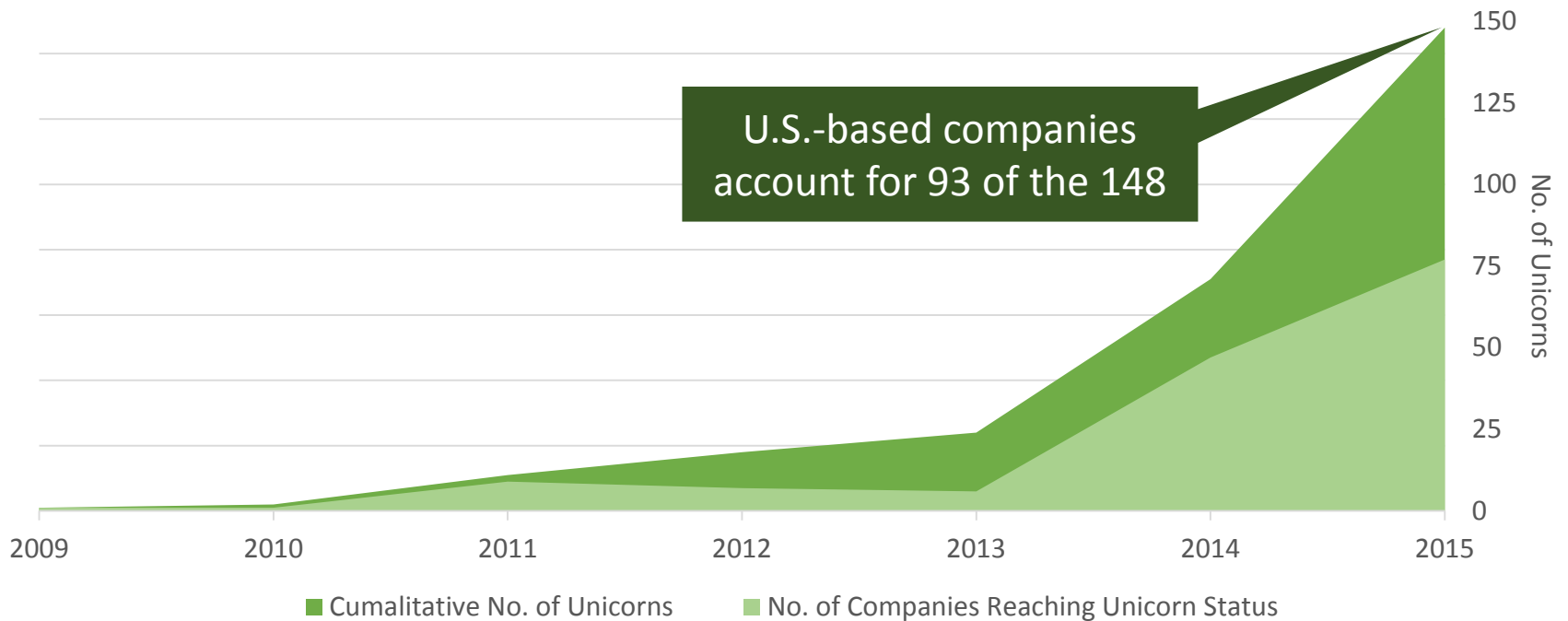
% of Global Venture Capital Dollars by Company Location, 1996-2015



Source: Thomson Reuters

The Rise of Unicorns?

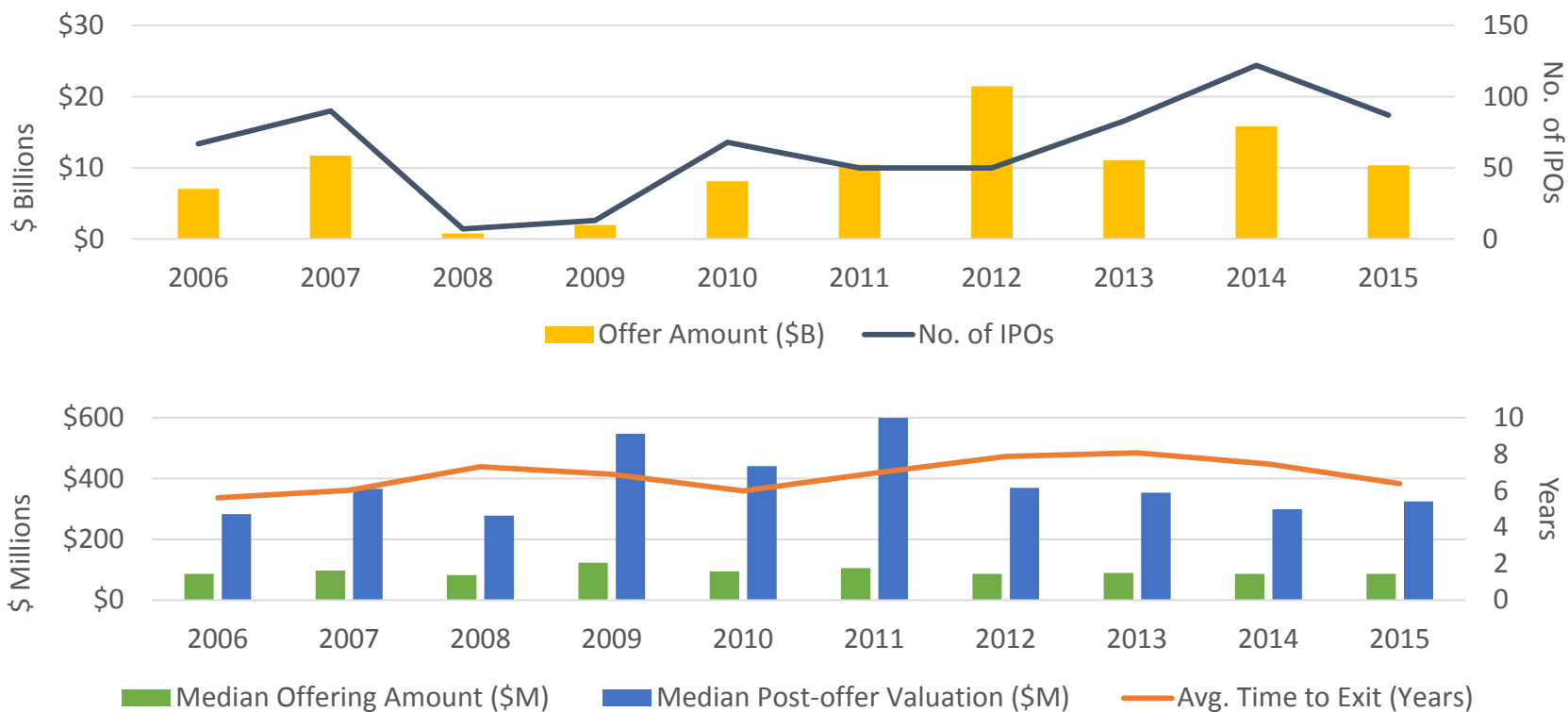
Global Annual Number of New Unicorns and Total Number of Unicorns*, 2009-2015



*Current (as of 12/31/15) private companies valued at \$1B+
Source: CB Insights

IPOs at a Glance

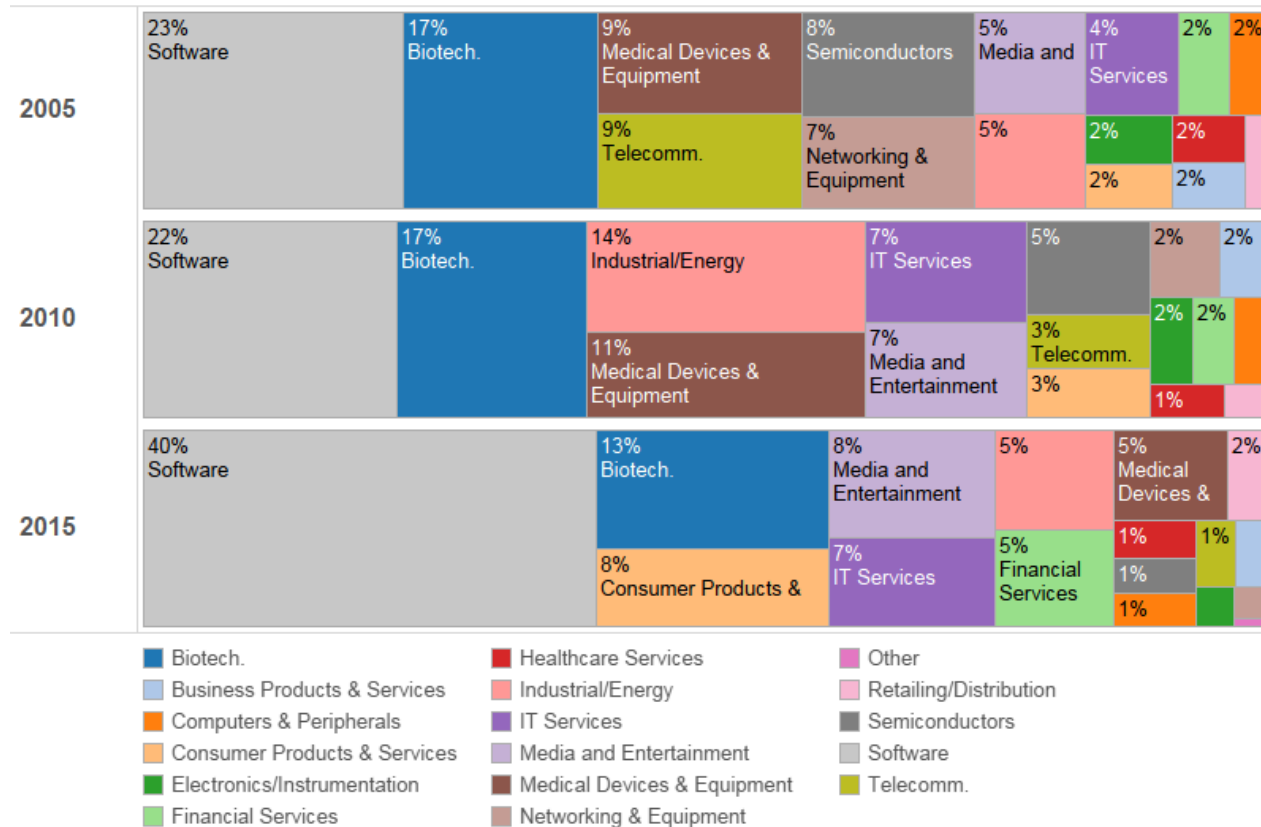
Venture-backed IPOs, 2006-2015



Source: Exit Poll Report by NVCA and Thomson Reuters

Sectors Attracting VC Dollars

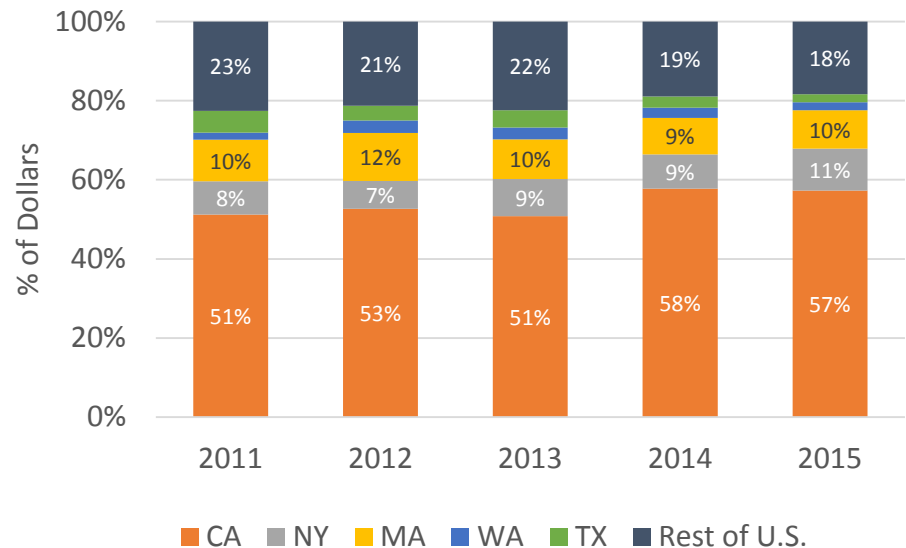
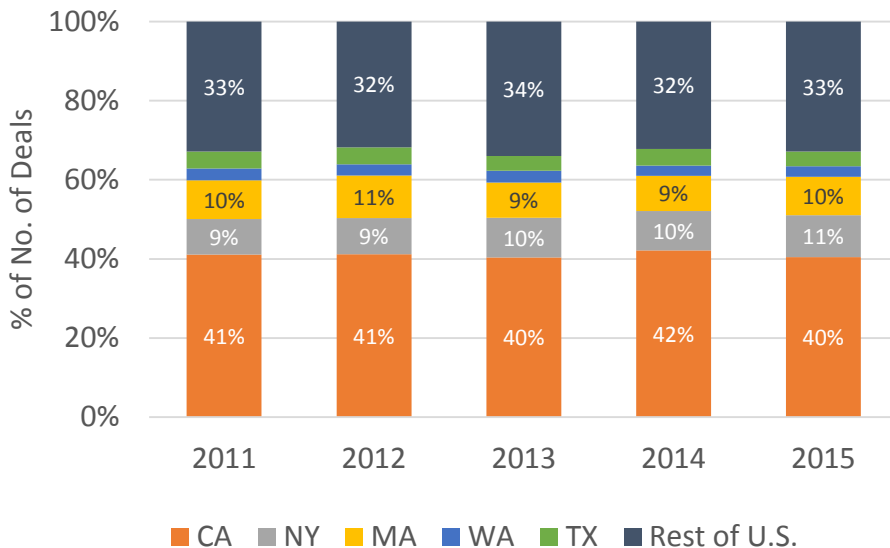
% of Venture Capital Dollars Deployed by Industry, 2005 vs. 2010 vs. 2015



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

CA Leads the Way; Texas Ranks 5th for VC Activity in the U.S.

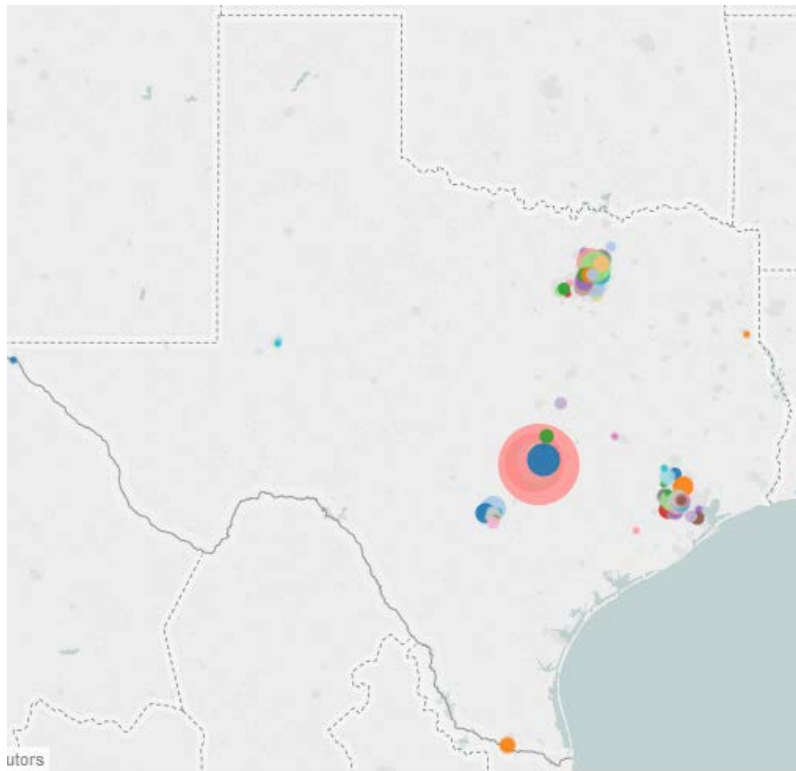
Venture Capital Investment by State, 2011-2015



Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

A Closer Look at Texas

TX VC Deals by Zip Code, 2011-2015



TX VC Investment by MSA, 2011-2015

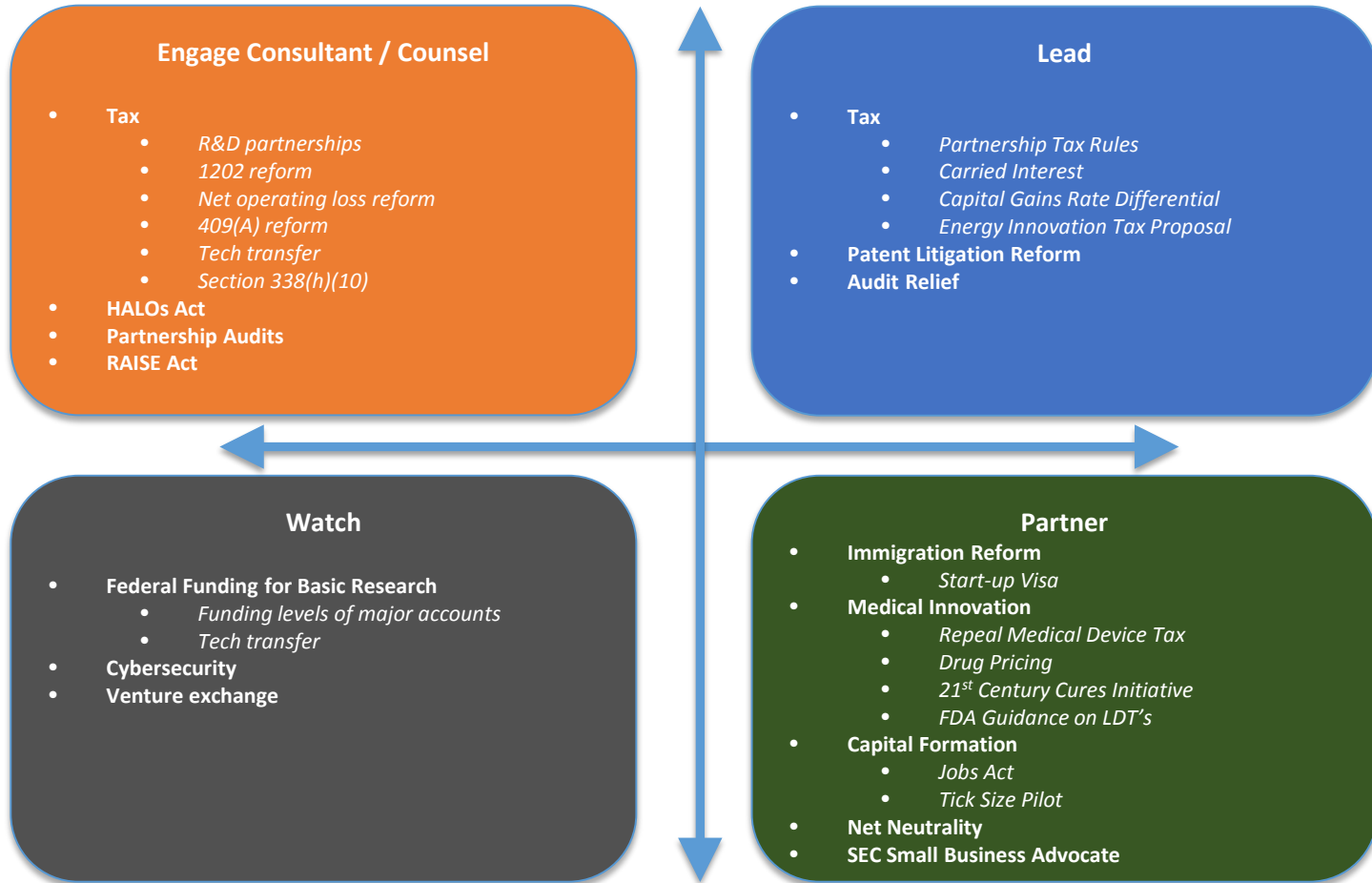
Metropolitan Statistical Area (MSA)	No. of Deals	Amount Invested
Austin-Round Rock, TX	487	\$3,178,728,500
Dallas-Fort Worth-Arlington, TX	184	\$1,885,795,900
Houston-Sugar Land-Baytown, TX	135	\$1,188,742,400
San Antonio, TX	33	\$289,781,600
McAllen-Edinburg-Mission, TX	5	\$18,910,100
Killeen-Temple-Fort Hood, TX	3	\$12,990,000
Midland, TX	2	\$3,500,000
El Paso, TX	1	\$50,000
College Station-Bryan, TX	1	N/A

Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

Looking Ahead

Public policy, political landscape, & areas of focus for NVCA in 2016

NVCA's Public Policy Priorities: 2016 Public Policy Matrix



Some Recent Wins for Entrepreneurial Ecosystem

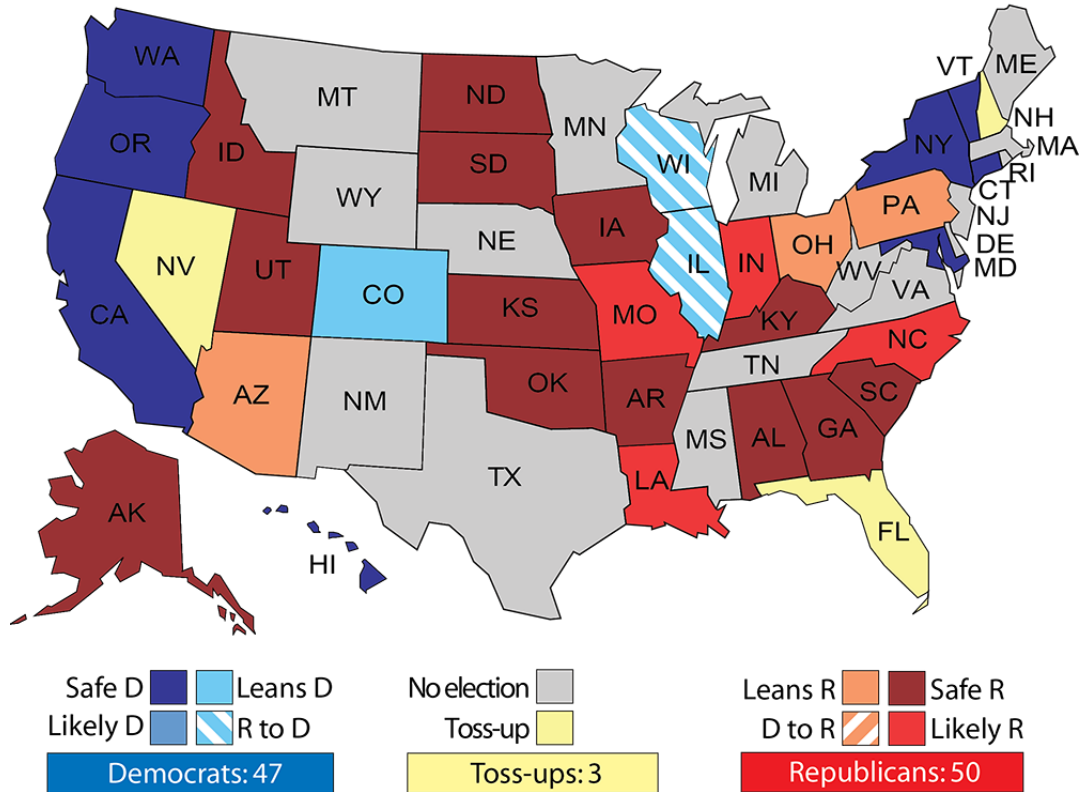
- ✓ Suspension of Medical Device Tax
- ✓ Permanent Exclusion from Capital Gains Taxes for Qualified Small Business Stock
- ✓ SEC Adoption of Crowdfunding Rules
- ✓ Tick Size Pilot Program
- ✓ Audit Relief from Fair Value Accounting Rules

Political Landscape: Trump vs Bernie?



Congressional Control: All Action in Senate Races

©2015 U.Va. Center for Politics



Source: University of Virginia Center for Politics

NVCA's Role in 2016 Campaign

“What we have been doing and what we will continue to do is make sure there is a conversation about what is important to the entrepreneurial ecosystem. In other words, we want to inject ourselves into the presidential campaign so there is a robust debate on the issues that we believe will define our future success.”

Source: January 2016 Issue of Venture Capital Journal



Questions?

If you'd like a copy of this presentation or if you have any questions about NVCA, please contact:

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or contact research@nvca.org