

Southwest Venture Forum

January 23, 2025

Bobby Franklin
President and CEO, NVCA

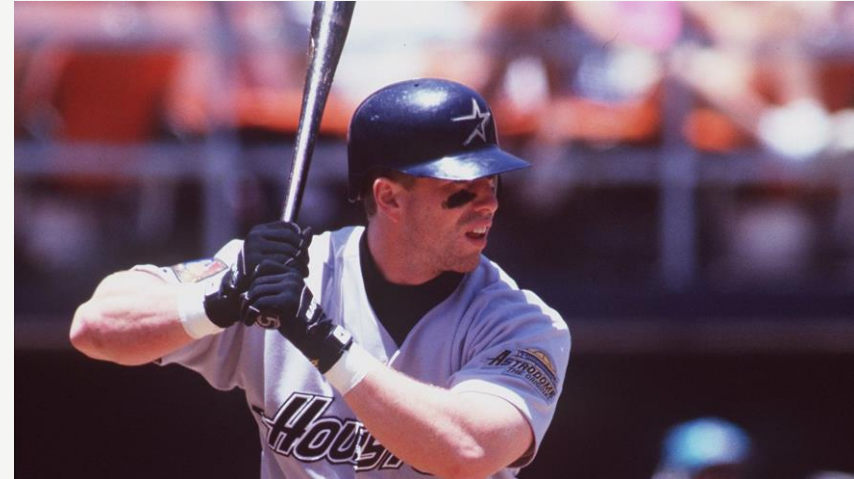
The Mechanics of Venture Capital

Venture Capital 101

- Venture Capitalists provide capital to private businesses with **high growth potential**
- Investments are generally **high-risk and illiquid**, making them unsuitable for traditional bank financing
- To compensate for the risk, returns are high with funds generally **targeting a 3x return**
- In addition to capital, venture capital firms **help portfolio companies** with personnel, operations, networking, and other issues

Power Law

- A tiny fraction of VC investments will generate the majority of returns.
- VCs are looking for **home runs**, not singles.

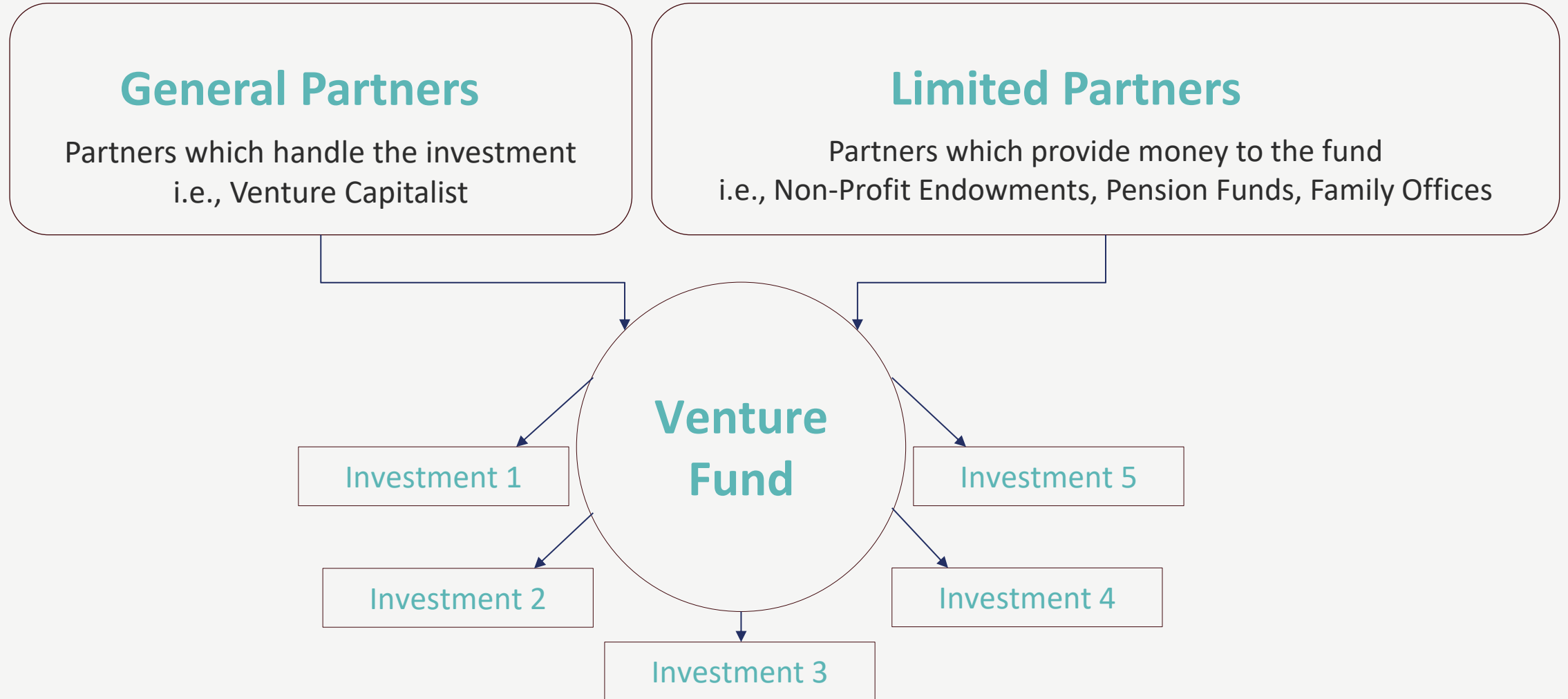


VC Startup Failure Rate



Source: Gosh (2012)

What is a VC fund?



General Partners Venture Capitalists



AT&T Ventures



Limited Partners



Pensions



Institutional Investors

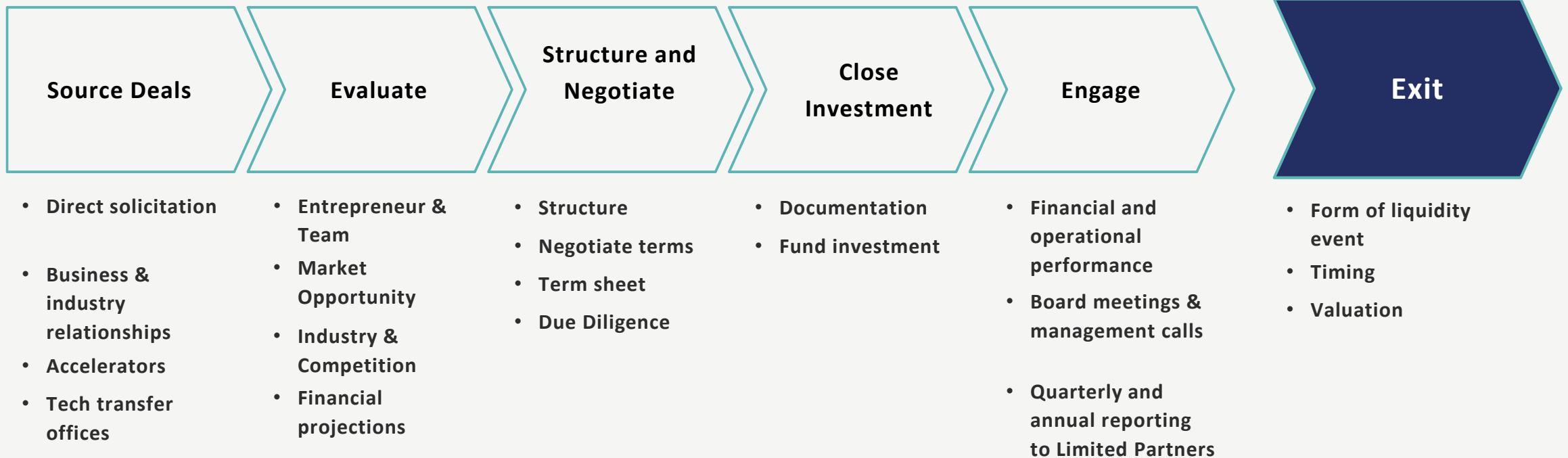


Family Offices



Non-Profit Endowments

Investment Process



VC Partner Activities

61%

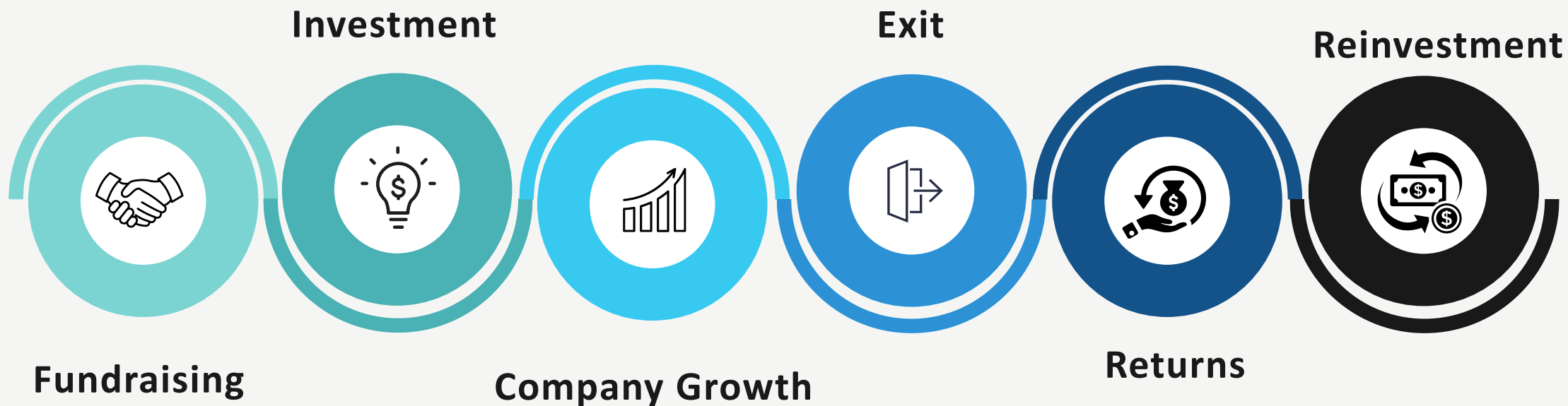
Of partners interact weekly with their portfolio companies

70% of their time is adding value to portfolio companies



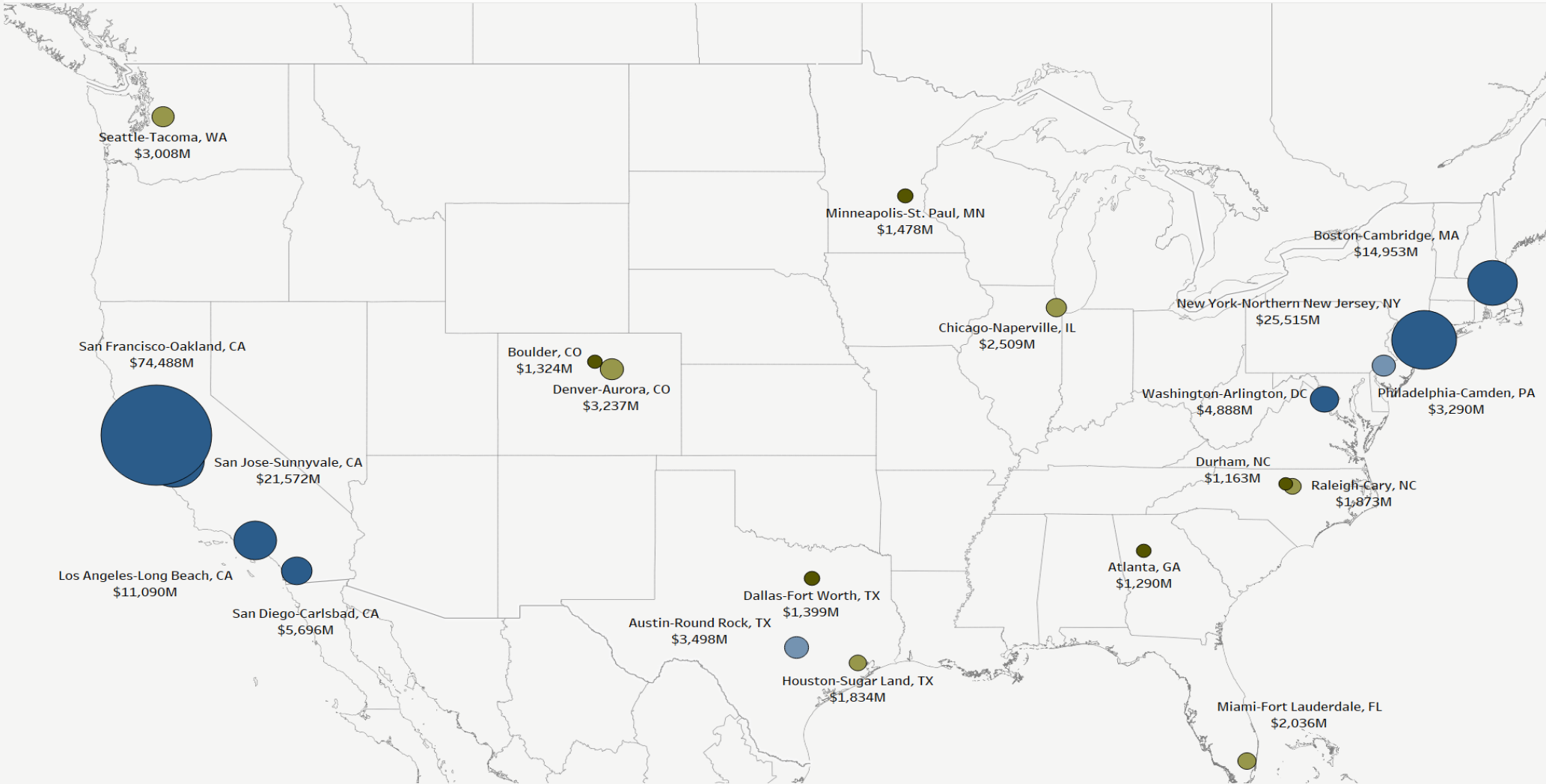
Source: Strebulaev / Harvard Business School

Venture Capital Lifecycle



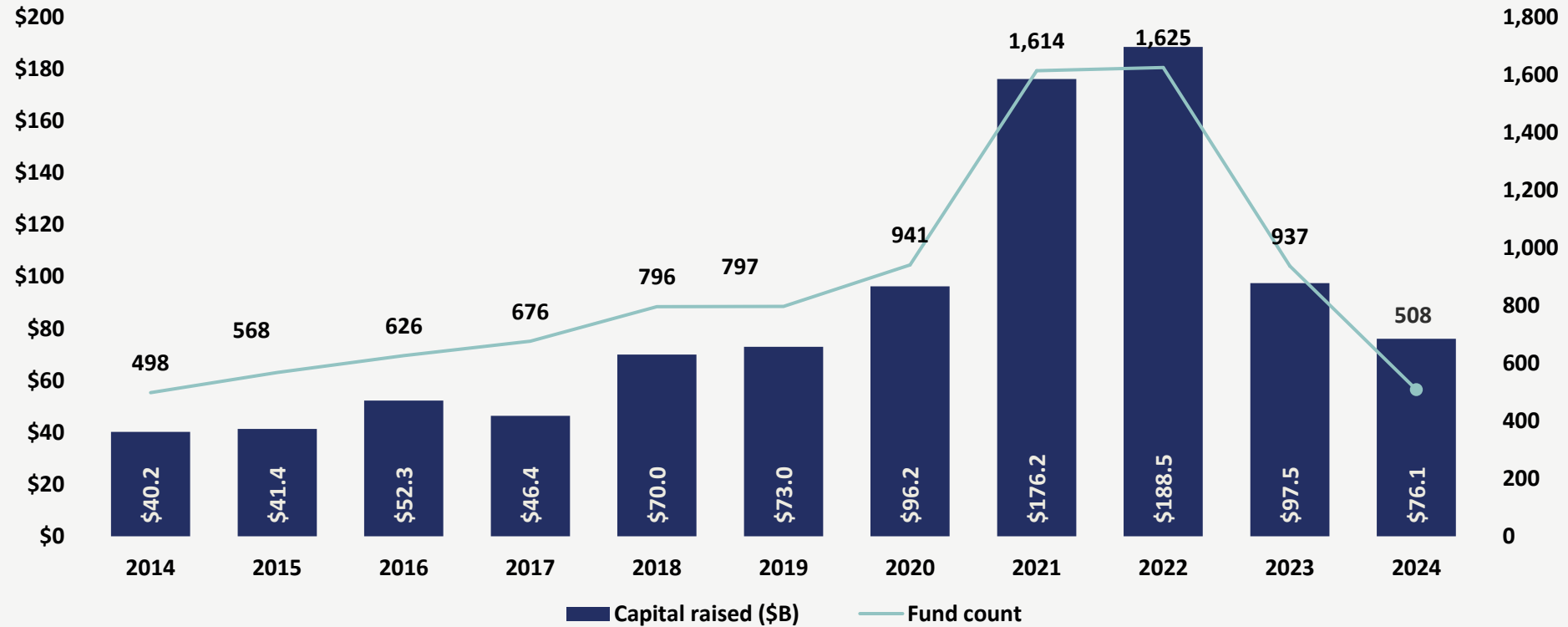
VC Market Conditions

Top Metropolitan Areas for VC Investment, 2024



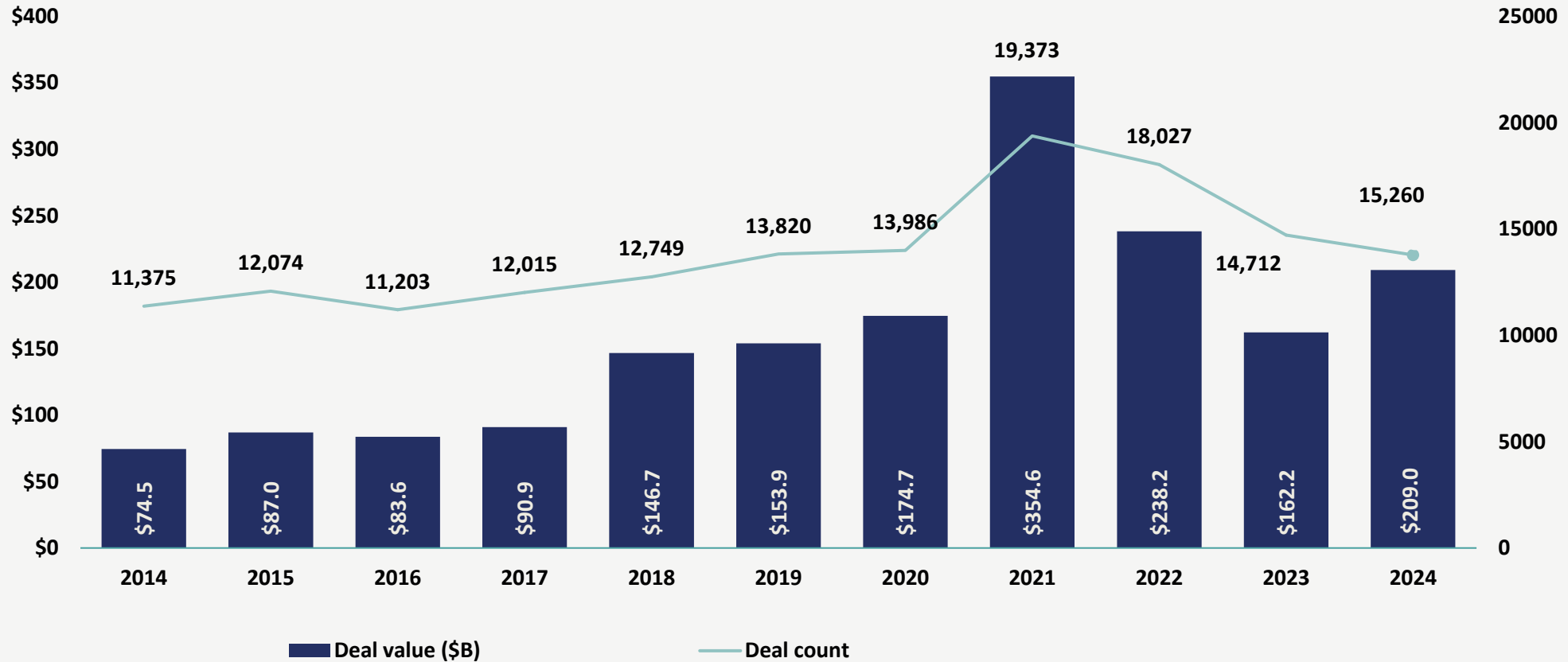
Source: Pitchbook

Fundraising



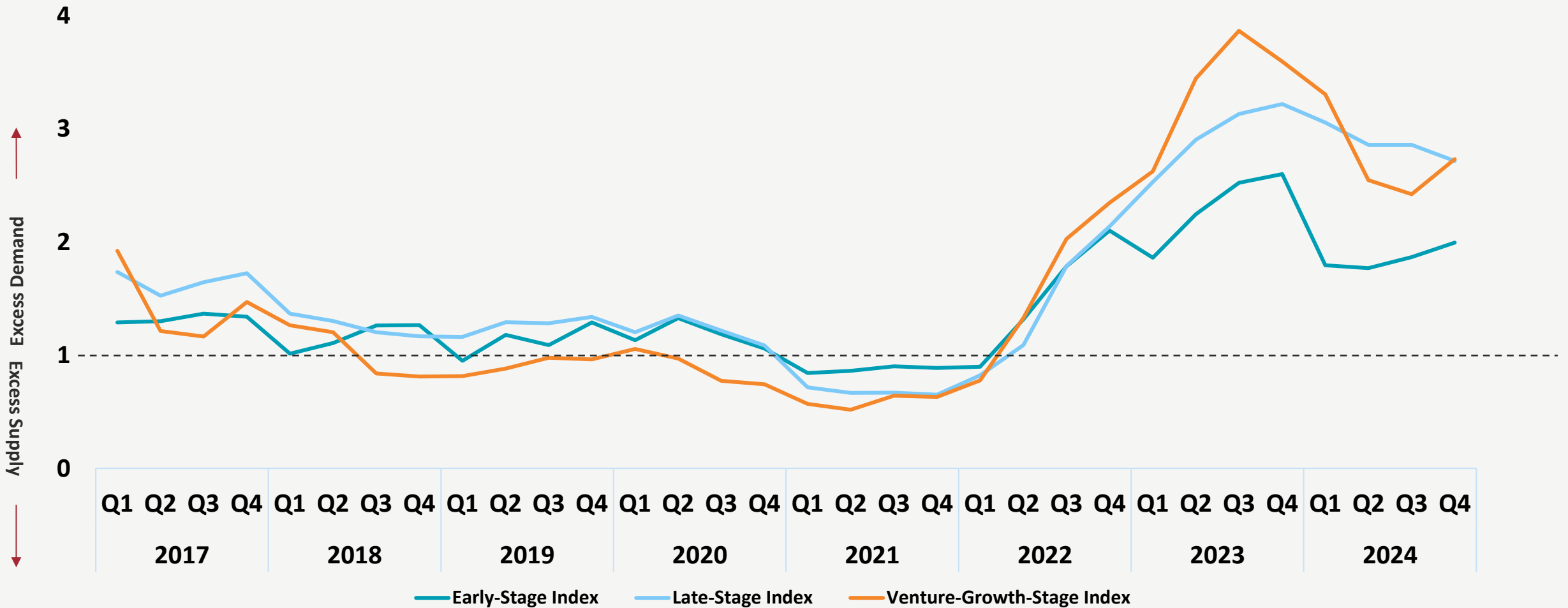
Source: Pitchbook

Investment Value and Deal Count



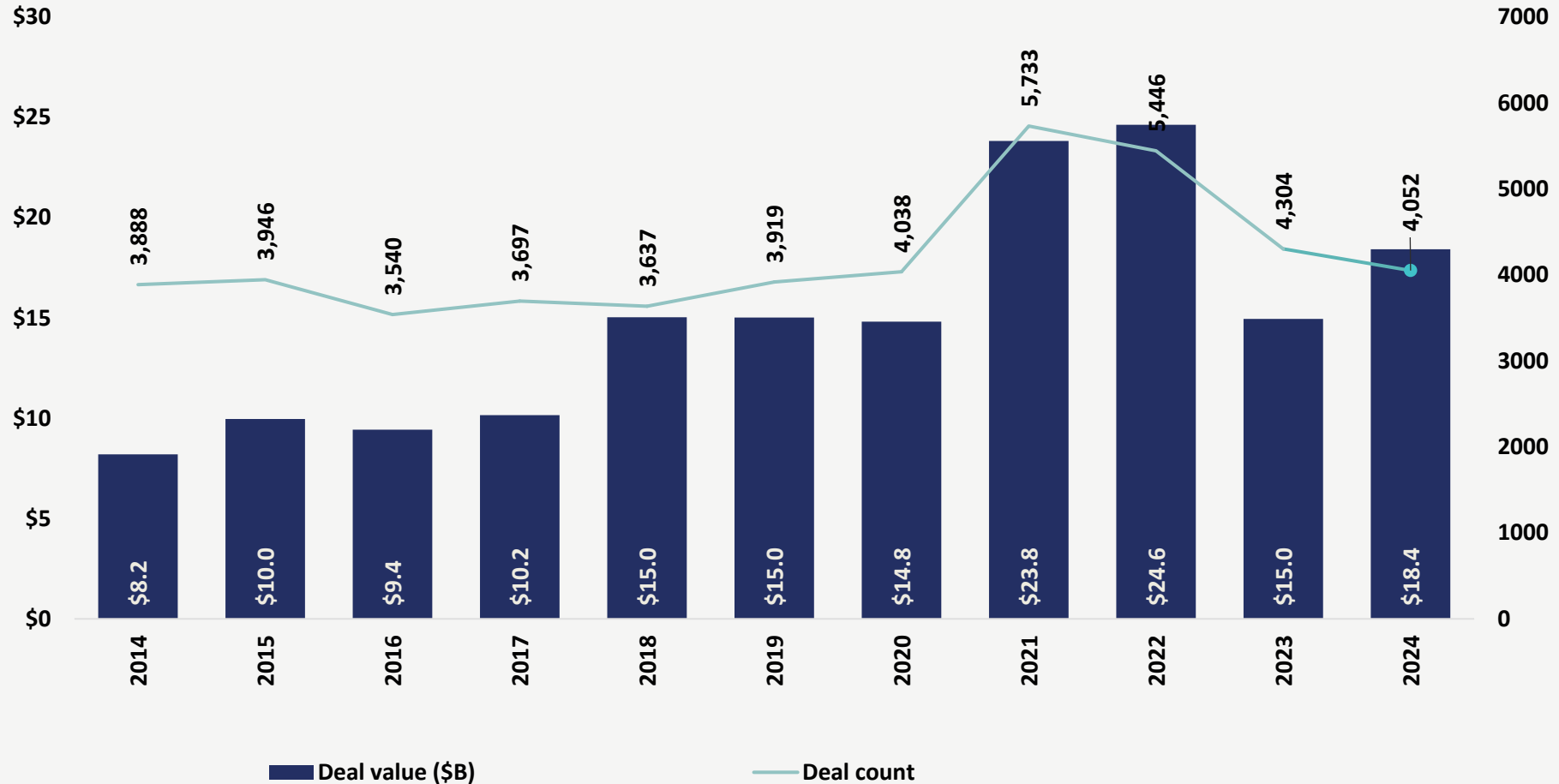
Source: Pitchbook

Quarterly Capital Demand vs. Supply Ratio



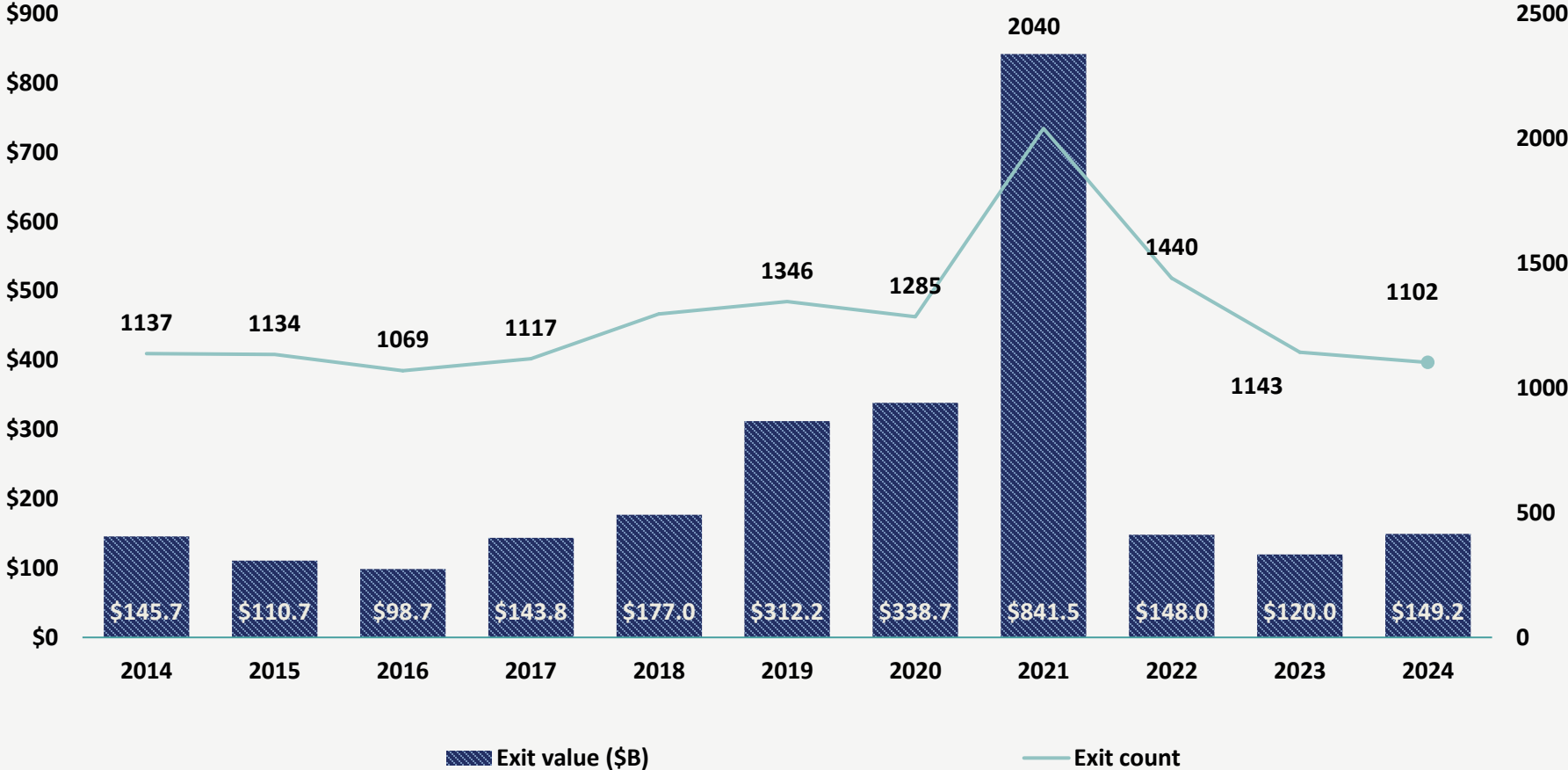
Source: Pitchbook

New Company Formation



Source: Pitchbook

Exits – Number and Disclosed Value



Source: Pitchbook

VC's Importance to the Texas Economy

\$43.6 billion

**VC investment into Texas startups
(2019-2023)**

Source: PitchBook

4,296

Texas startups **receiving** venture funding
(2019-2023)

Source: PitchBook

Over half a million

Texans were employed by VC-backed companies in
2024

Source: PitchBook

Texas VC-Backed Startups



- Making virtual care as effective as in-person visits
- HQ: Austin



- Transforming security management with risk intelligence
- Largest TX VC-backed company (by total raised)
- HQ: Addison

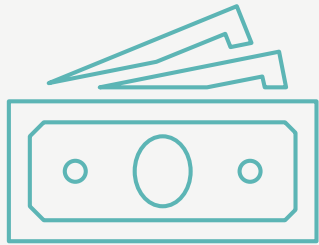


- Providing economical and convenient access to space
- 8th largest TX VC-backed company (by total raised)
- HQ: Cedar Park

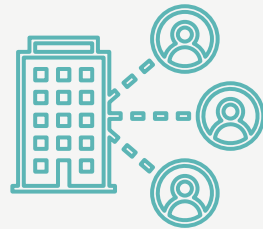
Source: PitchBook

VC's Importance to the U.S. Economy

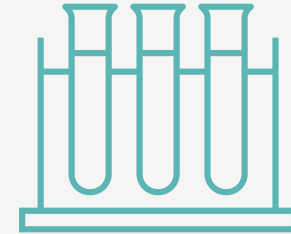
VC's Importance to the U.S. Economy



**Generate
Greater Value**



**Create
More Jobs**



**Spark
Better Innovations**

VC-Backed Companies



Most Valuable Companies by Market Cap

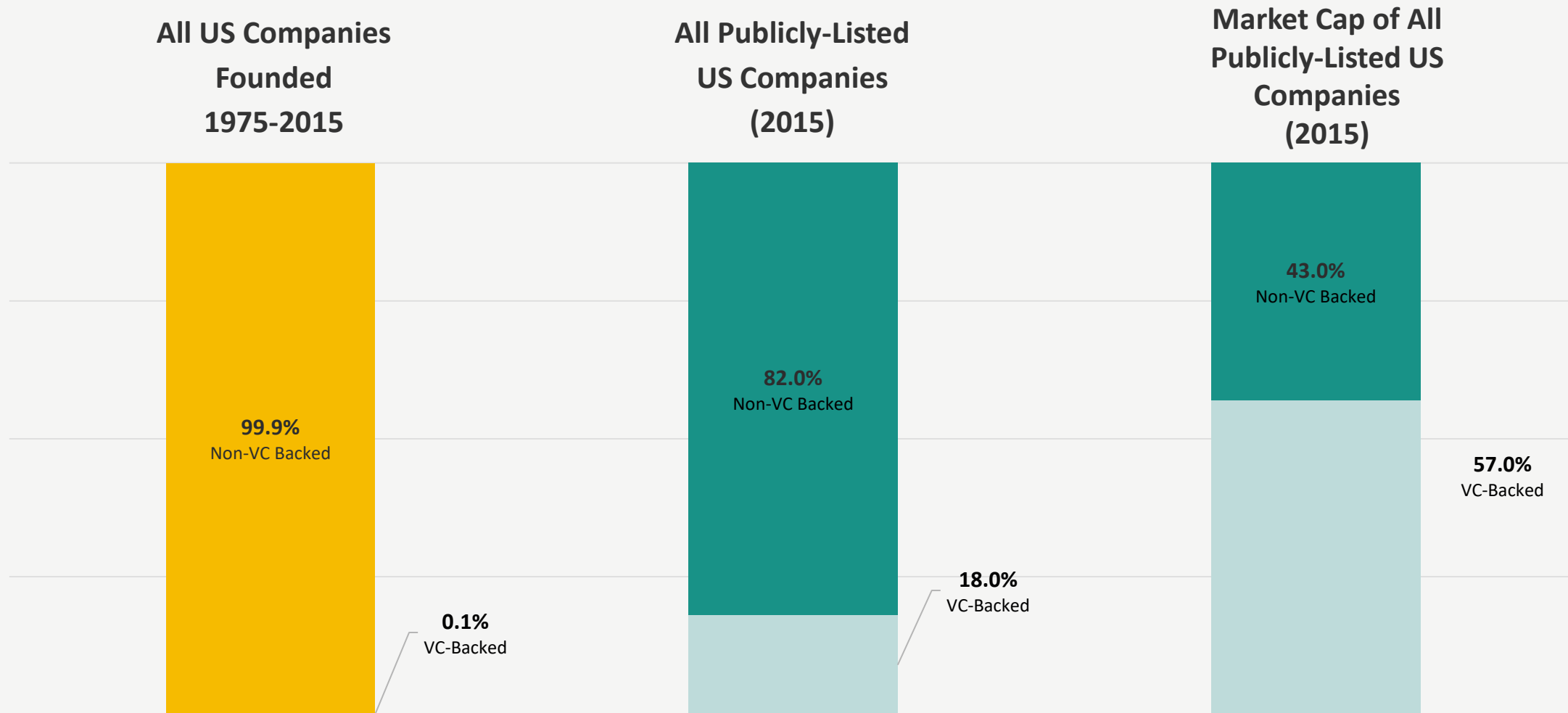
	Market Cap	Country
Apple	\$3.52 T	USA
Nvidia	\$3.22 T	USA
Microsoft	\$3.10 T	USA
Google	\$2.34 T	USA
Amazon	\$2.30 T	USA
Saudi Aramco	\$1.81 T	Saudi Arabia
Meta	\$1.50 T	USA
Tesla	\$1.32 T	USA
Broadcom	\$1.06 T	USA
TSMC	\$1.01 T	Taiwan

- **8 of the top 10** companies are VC-backed American companies.
- The American companies make up **87%** of top company market cap.



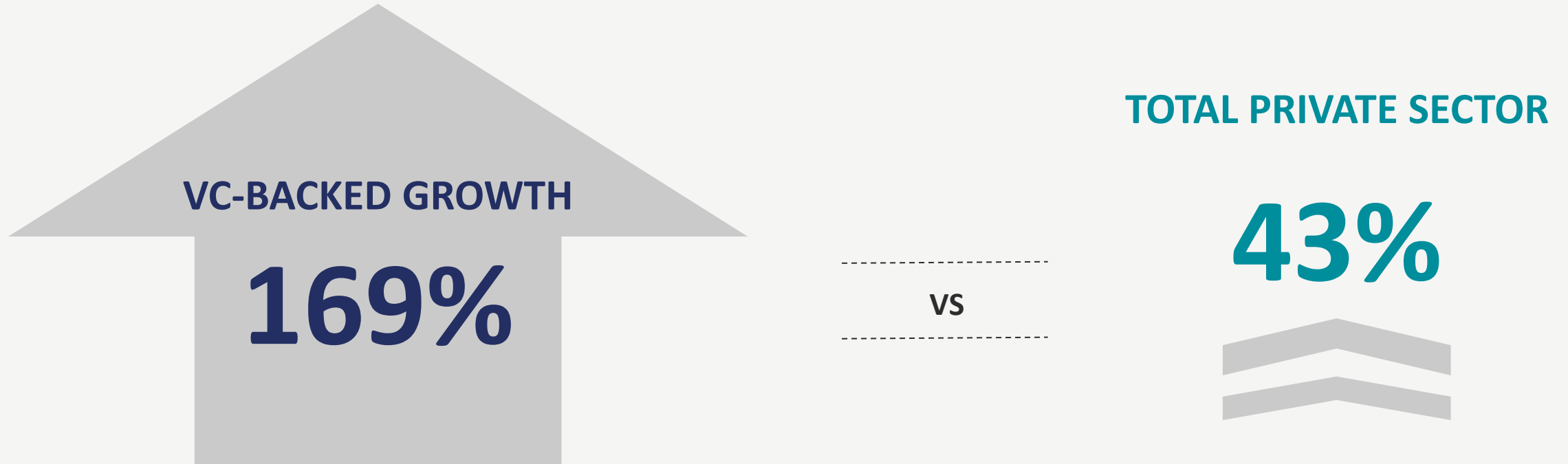
Source: CompaniesMarketCap.com (as of 1/20/25)

VC-Backed Companies Create Tremendous Value



Source: Strebulaev & Gornall (2016)

Job Growth from 1990 to 2022



Source: Brown & Tillemann-Dick (2024)

Job Creation (2023)

6 million

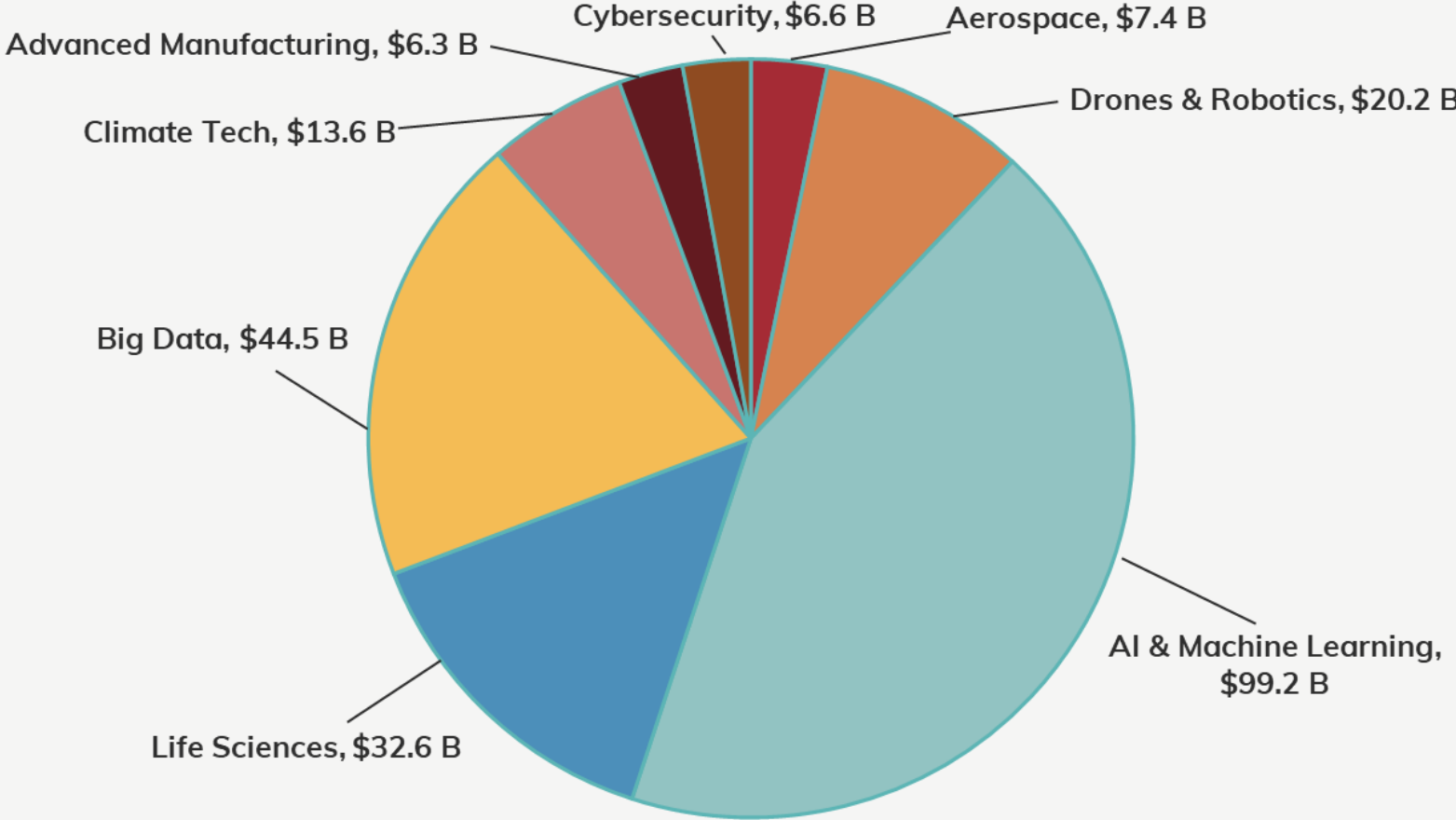
Americans employed by
**54,000 VC-backed
companies** across all **50
states.**

62.5%

Of VC-backed-employment is
located outside of **California,
Massachusetts, and New York.**

Source: Brown & Tillemann-Dick (2024)

VC-Backed Companies Do America's R&D (2024)



Source: Pitchbook

Healthcare Innovation

62%

VC investments are responsible for roughly 62% of **new medicines** from 2016-2022.

Source: Foundation for Research on Equal Opportunity (2024)

Defense Innovation – Last Decade

25x

VC investment into **defense tech** is up 25x over the last decade in dollar terms.

Source: Chronograph PE (2024) PitchBook

AI Innovation

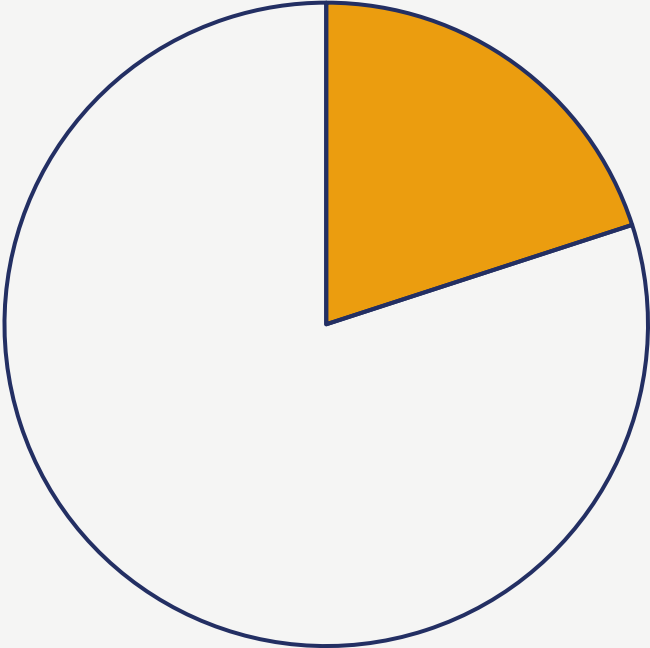
21x

**Growth in AI VC investments from
2019-2024**

Source: Pitchbook

AI Innovation

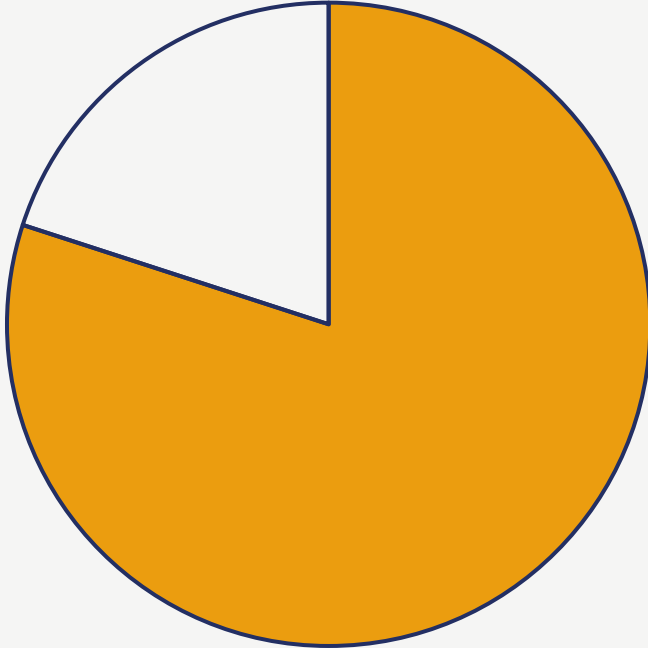
2020



72%

of businesses are integrating in 2024, up from 20% in 2020

2024



Source: McKinsey Global Survey (2024)

NVCA Policy Priorities in the 119th Congress

Trifectas

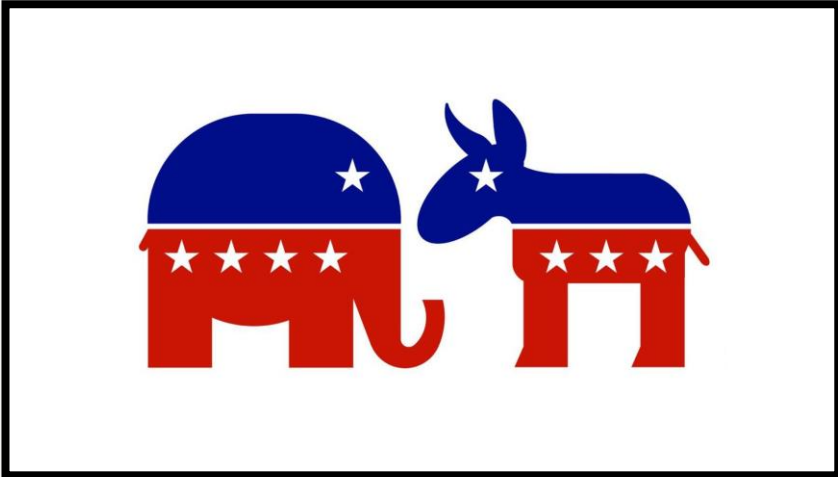
No Partisan Alignment Has Lasted More Than 2 Years

	113th	114th	115th	116th	117th	118th	119th
POTUS	Blue	Blue	Red	Red	Blue	Blue	Red
SENATE	Blue	Red	Red	Red	Blue	Blue	Red
HOUSE	Red	Red	Red	Blue	Blue	Red	Red
Change Election follow?	YES	YES	YES	YES	YES	YES	???

Source: Mehlman Consulting

State of Play in Washington

Before



After



Pivot to Offense

GOP Trifecta + VCs in DC = unique opportunity to go on offense.



Tax Policy

Tax Cuts and Jobs Act Extension



- R&D tax credit
- QSBS
- Carried interest
- Capital gains rate

Regulatory Policy



- Anti Money Laundering rule
- RIA classification/regulations
- Regulatory burdens around communication



AI Policy



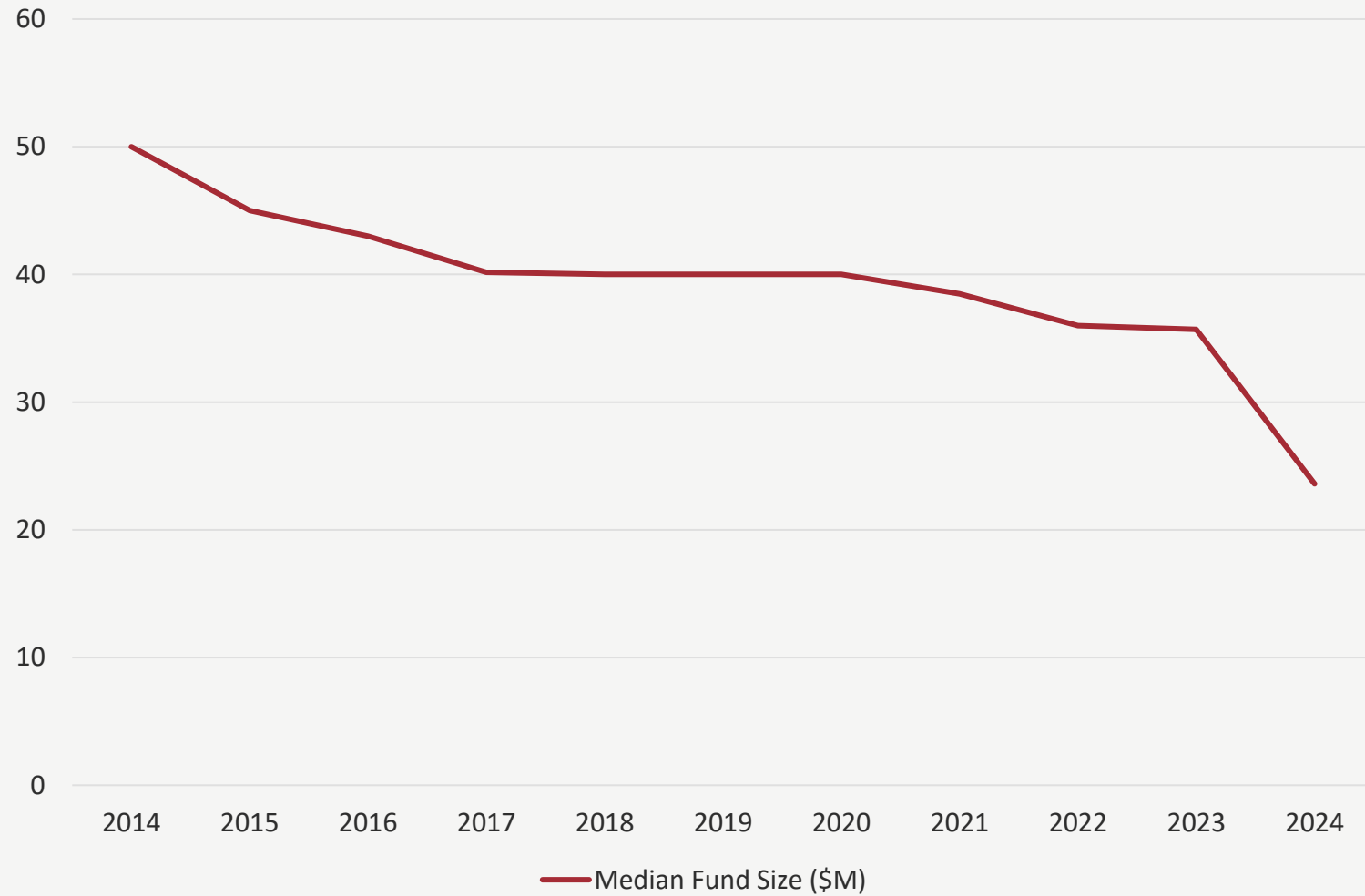
Crypto/Blockchain Policy



- *Financial Innovation and Technology for the 21st Century Act*
- **Staff Accounting Bulletin No. 121**



Decline in Median Fund Size



Source: Pitchbook

VC Policy Priorities



Antitrust



Artificial Intelligence



R&D Innovation



Capital Markets &
Regulatory



Taxes



Immigration



Tech
Commercialization
Econ Dev



Energy



SBA Activity



National Security



Healthcare Innovation



Foreign
Investment



Patent Reform



Blockchain

NVCA Policy Working Groups

CFO Task Force

Growth Equity

National Security

AI

Healthcare
Innovation

Energy

Blockchain

Corporate Venture
Workshops

Venture Forward is NVCA's 501(c)(3) nonprofit providing targeted education, resources, and networking opportunities to accelerate the success of new investors entering VC, emerging investors and fund managers advancing their careers, and VC firms cultivating inclusive cultures and building sustainable, long-term businesses.

Through these efforts, we aim to create a VC ecosystem that has the potential to unlock even greater economic impact, innovation, and financial returns.



VC University

The definitive online course in venture finance.



LP Office Hours

Workshops that connect emerging managers from diverse backgrounds to limited partners, experienced general partners, and industry advisors.



VC Human Capital Survey

The survey collects information from 300+ VC firms regarding demographic information, talent management practices, and mentorship programs.

Interested in learning more?
ventureforward.org | hello@ventureforward.org

QUESTIONS

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