

The NVCA logo is displayed in white lowercase letters on a teal square background. The background of the entire slide is a dimmed, grayscale photograph of a modern office with people working at desks and standing in groups.

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# Today's Venture Capital Landscape

## Bobby Franklin, President & CEO, NVCA

# Agenda

- **Introduction to National Venture Capital Association (NVCA)**
- **6 US VC Trends to Watch**
- **What's Happening in Texas**
- **Public Policies Affecting the Startup Ecosystem**

# Who We Are

The National Venture Capital Association (NVCA) empowers the next generation of American companies that will fuel the economy of tomorrow.

As the voice of the U.S. venture capital and startup community, NVCA advocates for public policy that supports the American entrepreneurial ecosystem

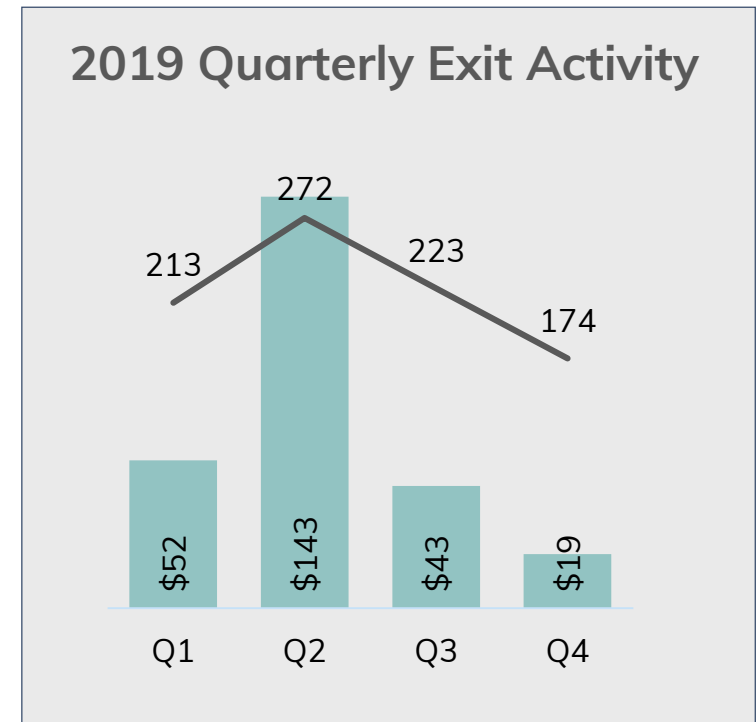
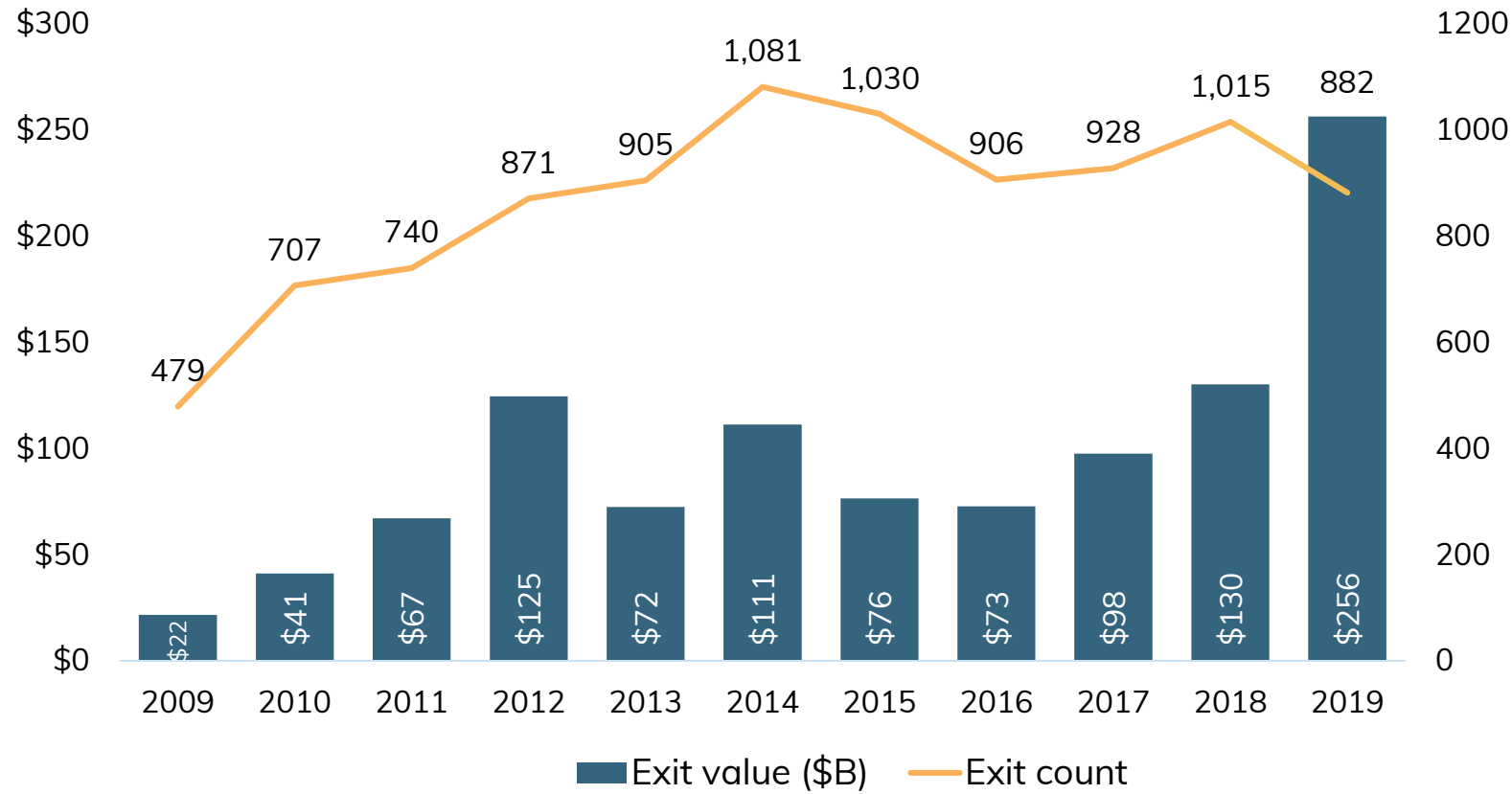


# 6 US Venture Capital Trends to Watch

1

# Though exit activity dropped in 2H, 2019 will be remembered as a milestone year for VC-backed exits

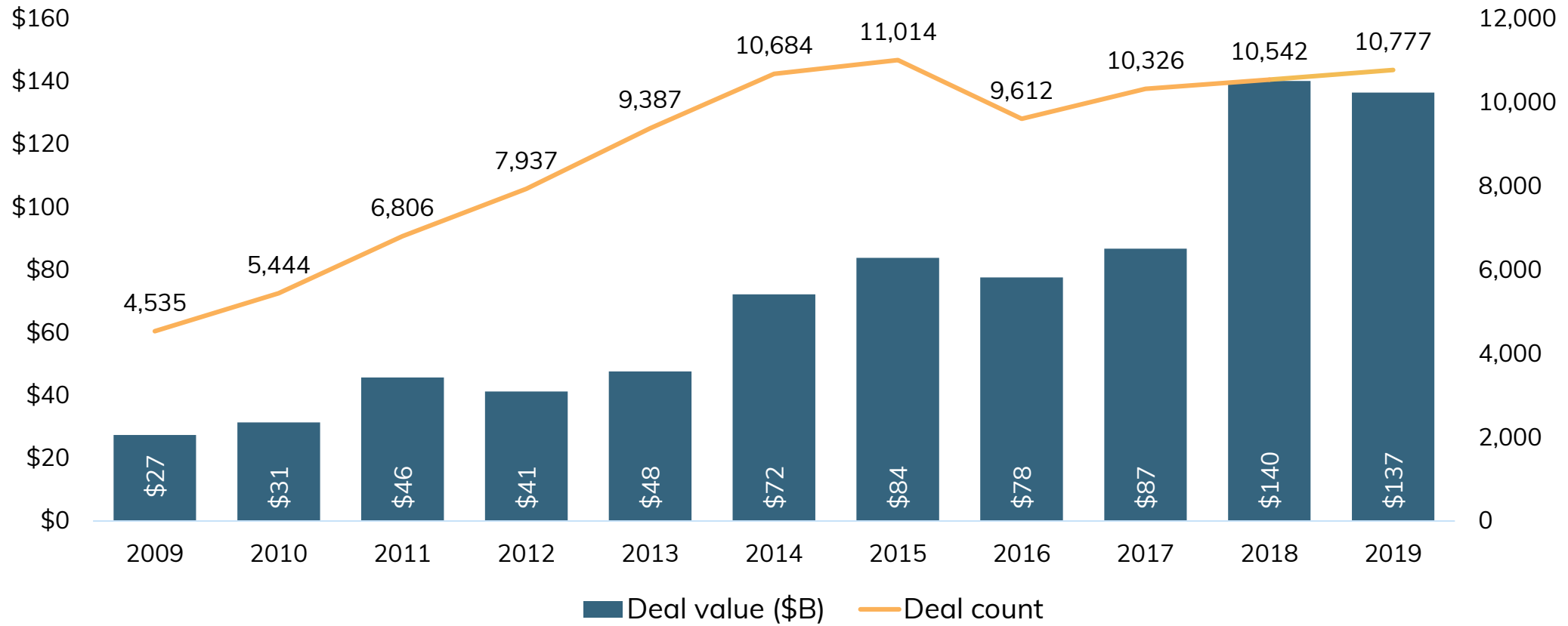
## Annual US VC Exit Activity



2

# Ample dry powder + nontraditional investors pushed dollars into startups to \$135B+ for 2<sup>nd</sup> straight year

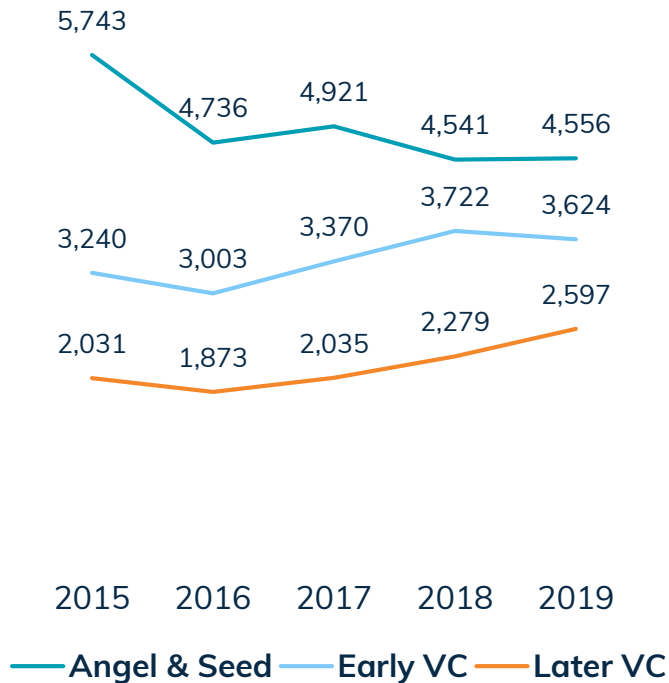
## US VC Investment Activity



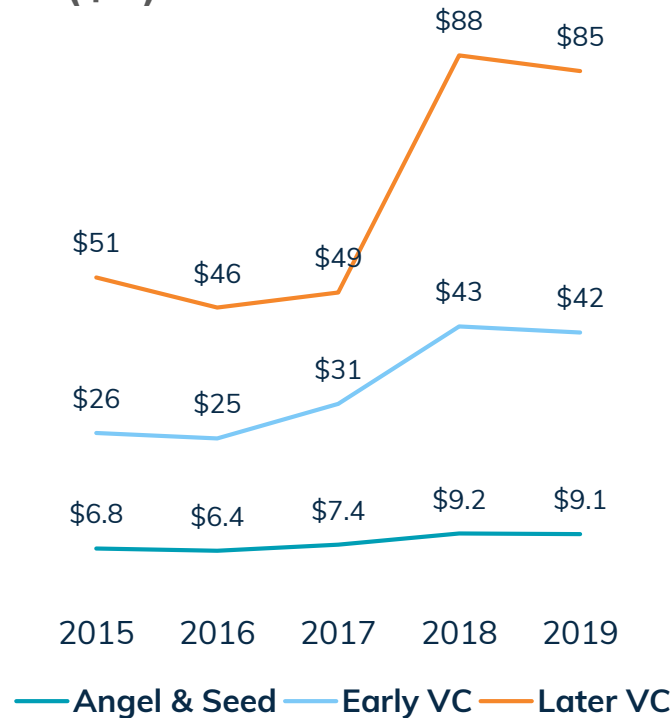
3

# # of deals plateaus at all stages; late stage \$ has nearly doubled, fueled by \$100M+ rounds (“mega deals”)

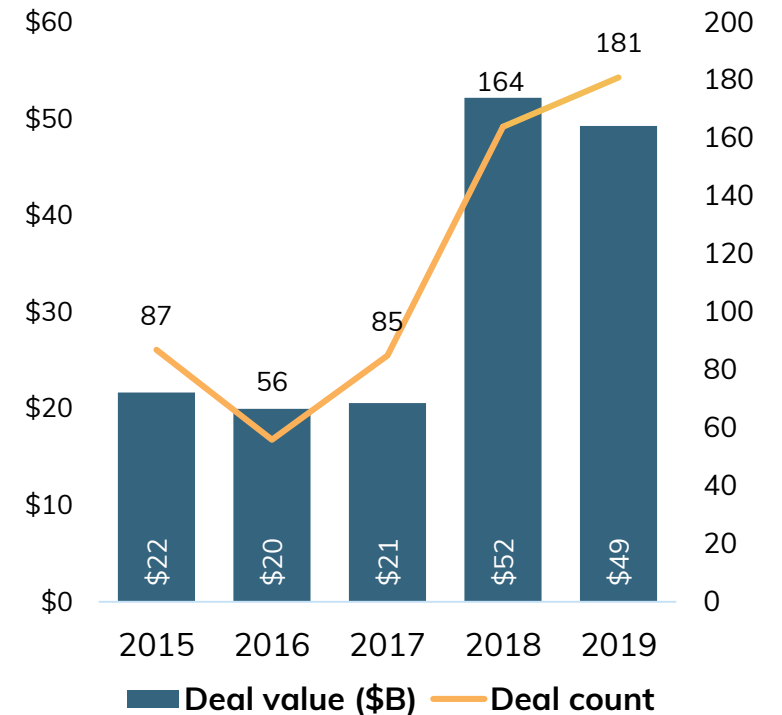
VC Investment by Stage (# of deals)



VC Investment by Stage (\$B)

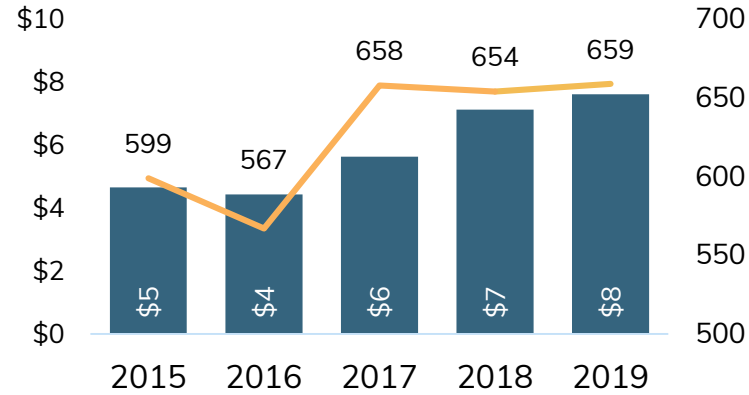


Late Stage Mega Deals (\$100M+)

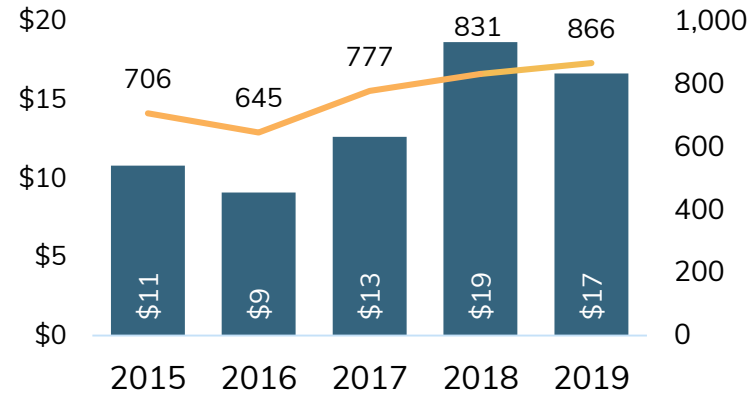


# Sectors to watch – newly created sectors related to health, security & data are changing our lives

## HealthTech Investment

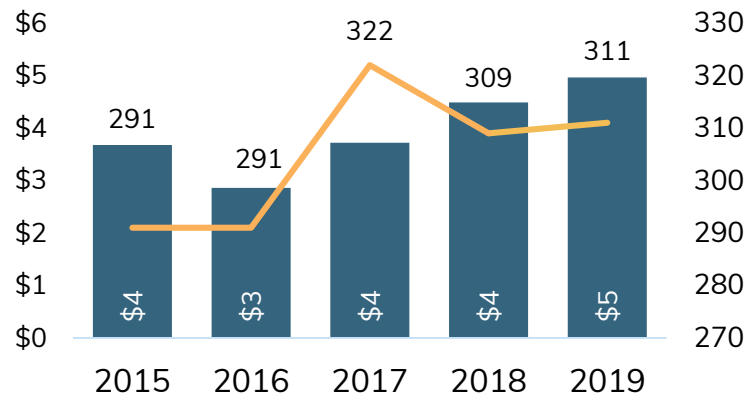


## Pharma & Biotech Investment

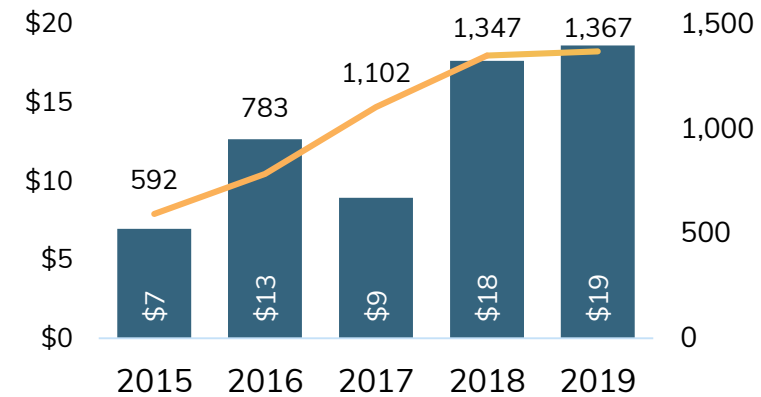


■ Deal value (\$B)    — Deal count

## Cybersecurity Investment



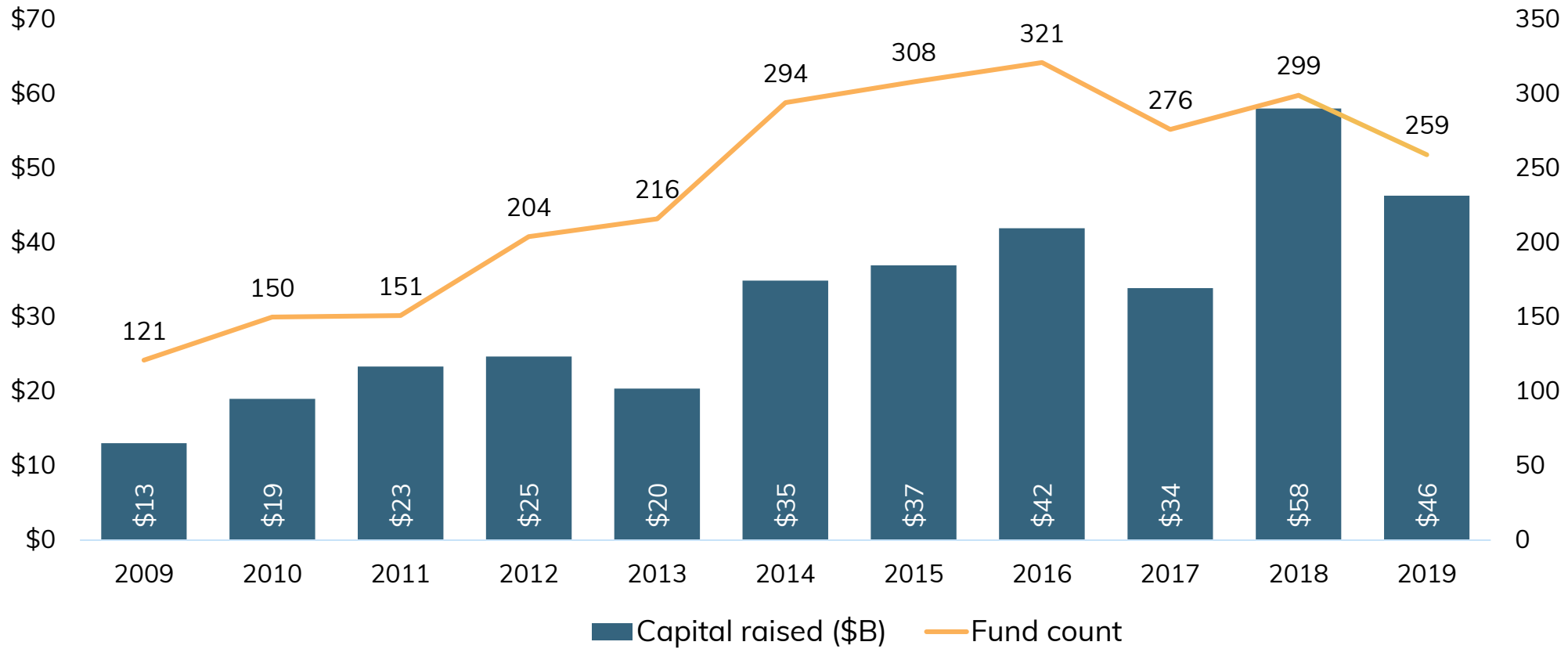
## Artificial Intelligence & Machine Learning Investment





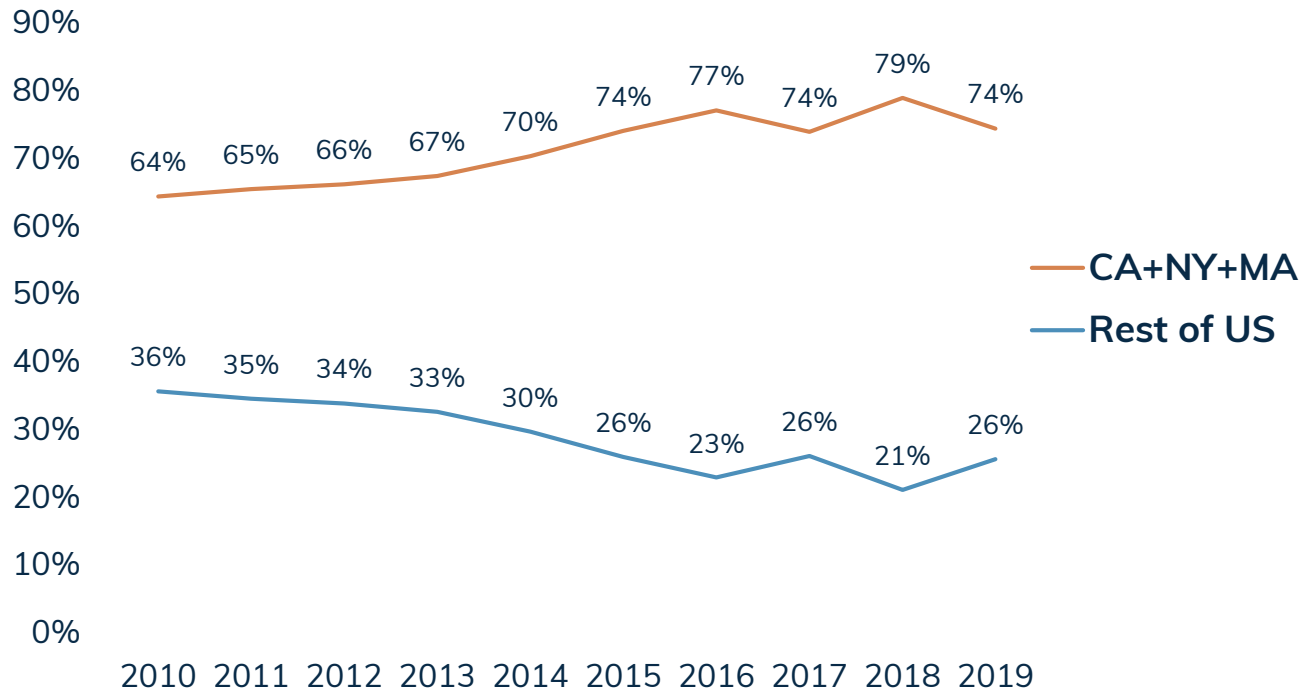
# Looking ahead, investors flush with capital to put to work in startups in 2020 and beyond

## US VC Fundraising Activity

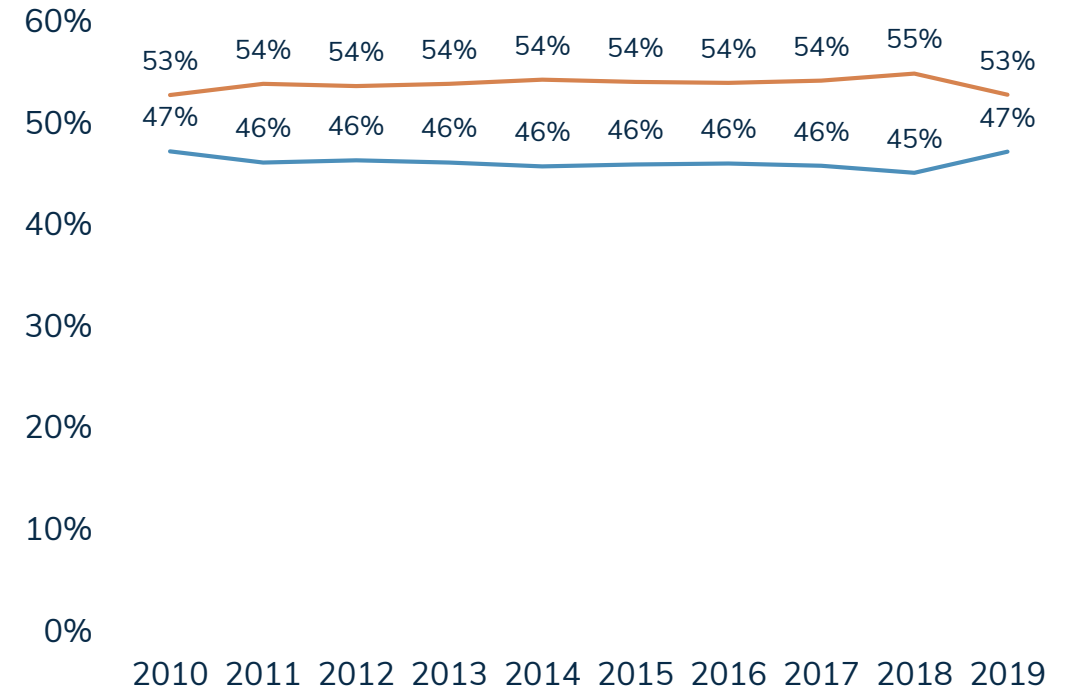


# Mega deals/unicorns on coasts may steal headlines but strong VC activity outside traditional hubs

## US VC Investment in CA+NY+MA vs. Rest of US (\$B)



## US VC Investment in CA+NY+MA vs. Rest of US (# of deals)



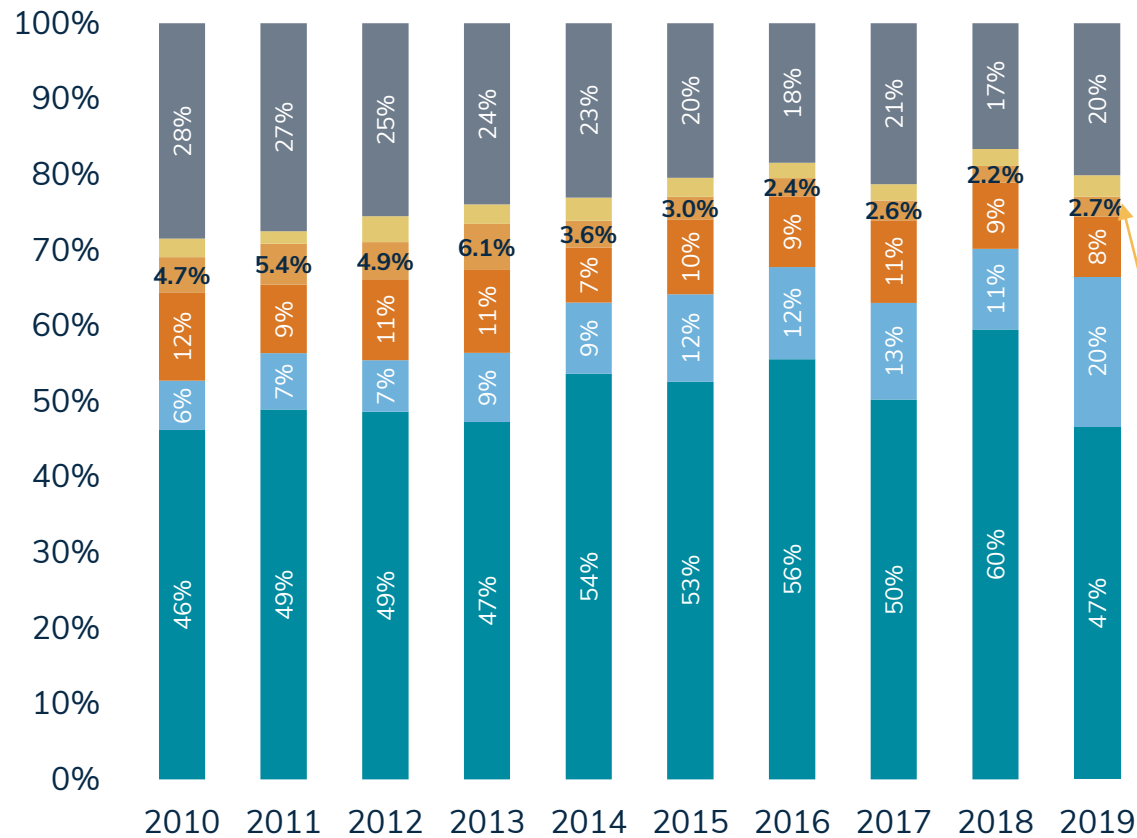
# What's Happening In Texas



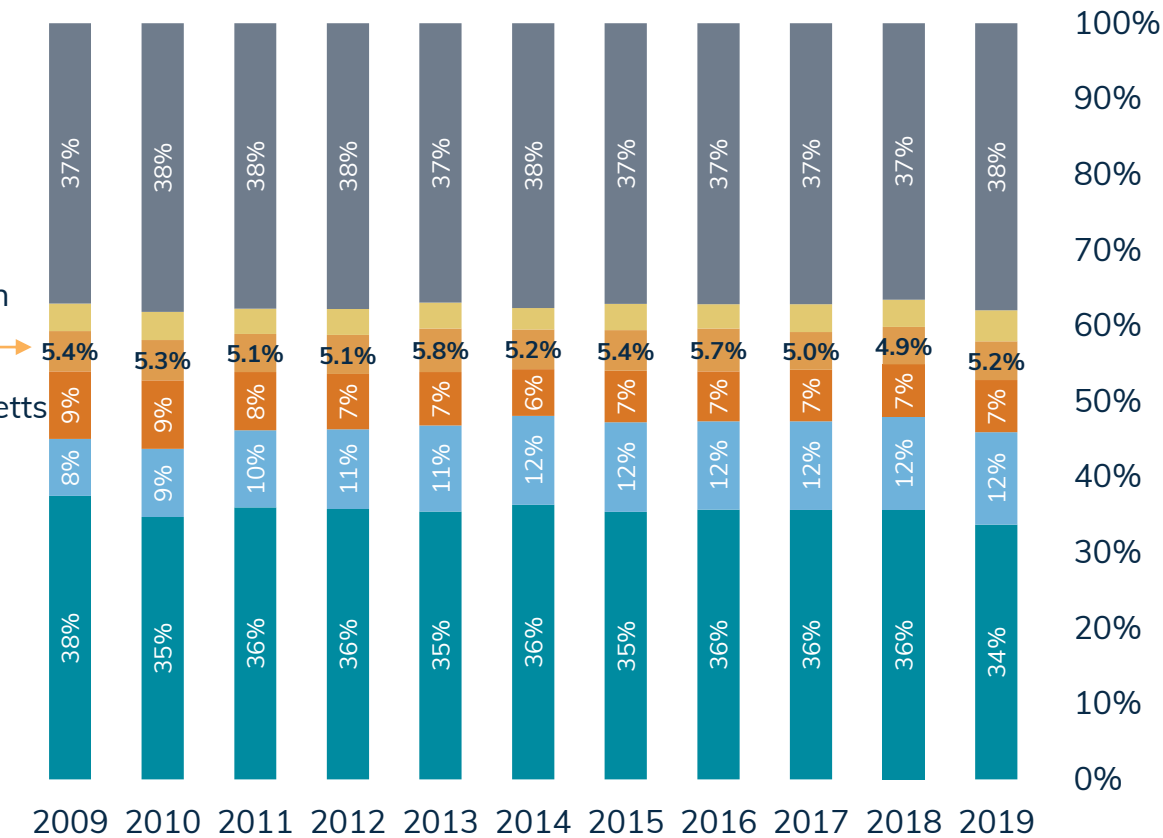
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# Texas ranks 5<sup>th</sup> in VC \$ & 4<sup>th</sup> by VC deal count in US

## US VC Investment by State (\$B)

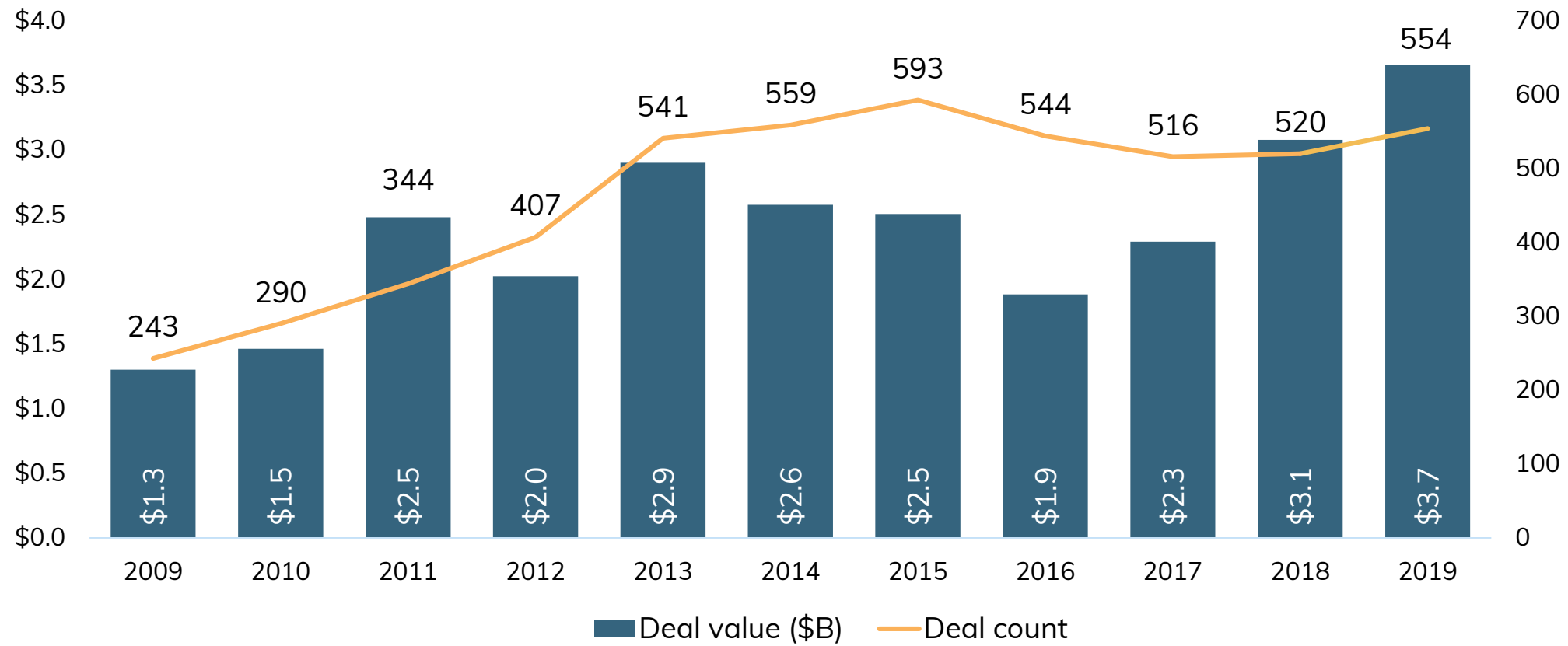


## US VC Investment by State (# of deals)



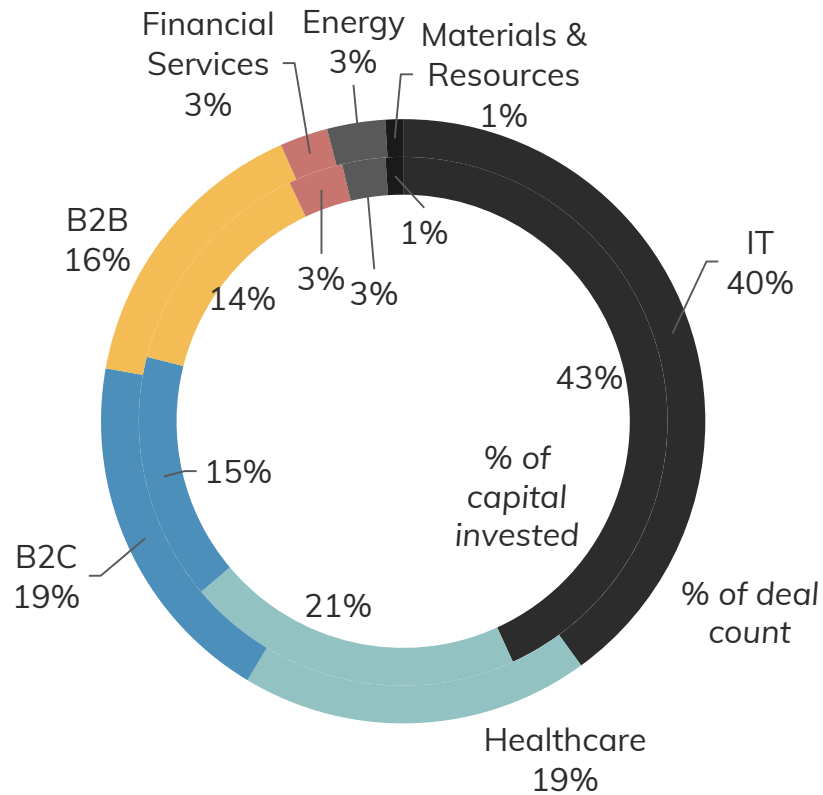
# TX VC \$ hit record high in 2019, uptick in VC deal count after 3 years of decline

## Texas VC Investment Activity



# IT, Healthcare & B2C startups lead TX VC activity

## Texas VC Investment by Sector (2015-2019)



## Largest Industry Groups by VC \$ in Texas (2015-2019)

Group \$ Rank	Industry Group	Sector	\$M	# of deals	Top 2019 Investment in Group			
					Company	Code	City	Size (\$m)
1	Software	IT	\$4,848	1,003	SparkCognition	Database Software	Austin	\$100
2	Pharma & Biotech	Healthcare	\$1,242	151	Peloton Therapeutics	Pharma	Dallas	\$150
3	Commercial Services	B2B	\$1,181	245	RigUp	Media & Info. Services	Austin	\$300
4	Healthcare Devices & Supplies	Healthcare	\$656	164	EverlyWell	Other Devices & Supplies	Austin	\$30
5	Consumer Non-Durables	B2C	\$545	151	Siete Family Foods	Food Products	Austin	\$90



# Public Policies Affecting the Startup Ecosystem

# Final CFIUS rules include key NVCA wins

- Final FIRRMA go into effect February 13; basic structure remains the same, but helpful detail on key issues
- Big improvement is narrowing of jurisdiction over companies with ‘sensitive personal data’; **new from pilot program**
- Examples of “material nonpublic technical information” will be useful on direct investment side (e.g. “milestones”) and for managing foreign LPs
- New ‘principal place of business’ definition will help funds organized outside the laws of the U.S.
- Excepted investor concept limited to Canada, U.K., and Australia but could widen





# Volcker Rule Reform

## NVCA proposal to regulators:

- Allow **bank investment into venture capital funds**
- Two regulatory paths to achieve proposal
  - Exempt VC
  - Regulatory parity



# Immigration Policy Isn't Working for Startups

- NVCA continues to lead efforts to create a Startup Visa so the world's best entrepreneurs can launch high-growth companies in the U.S.
- The bipartisan Startup Act has been introduced again this year and NVCA is spearheading efforts to build support
- NVCA leads support for the International Entrepreneur Rule and sued the Trump Administration when it worked to undo the rule before it got off the ground; fight continues in 2020

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CANADA'S GOT A  
**START-UP VISA**  
PROGRAM



# VC Definition Modernization (RIA)

- **Provide relief for 20% “non-qualifying investment” bucket**
  - Investments into EGCs (including secondary) = qualifying
  - Fund of funds investments into other VC funds = qualifying
  - Initial Coin Offering = qualifying
- **Modify leverage limitations to allow for extended leverage timelines for indebtedness incurred in connection with capital calls**



# Drug Pricing: Politics Could Motivate Activity

- Our role in this debate is educating policymakers on the crucial role venture capitalists play in new drug discovery
- Political attacks on big drug companies could harm high-growth startups
- Our July 2018 comments shared data on our industry's impact on medical innovation and stressed sensitivity toward how drug pricing reforms might influence early-stage investment in medicine



# Blockchain Technology

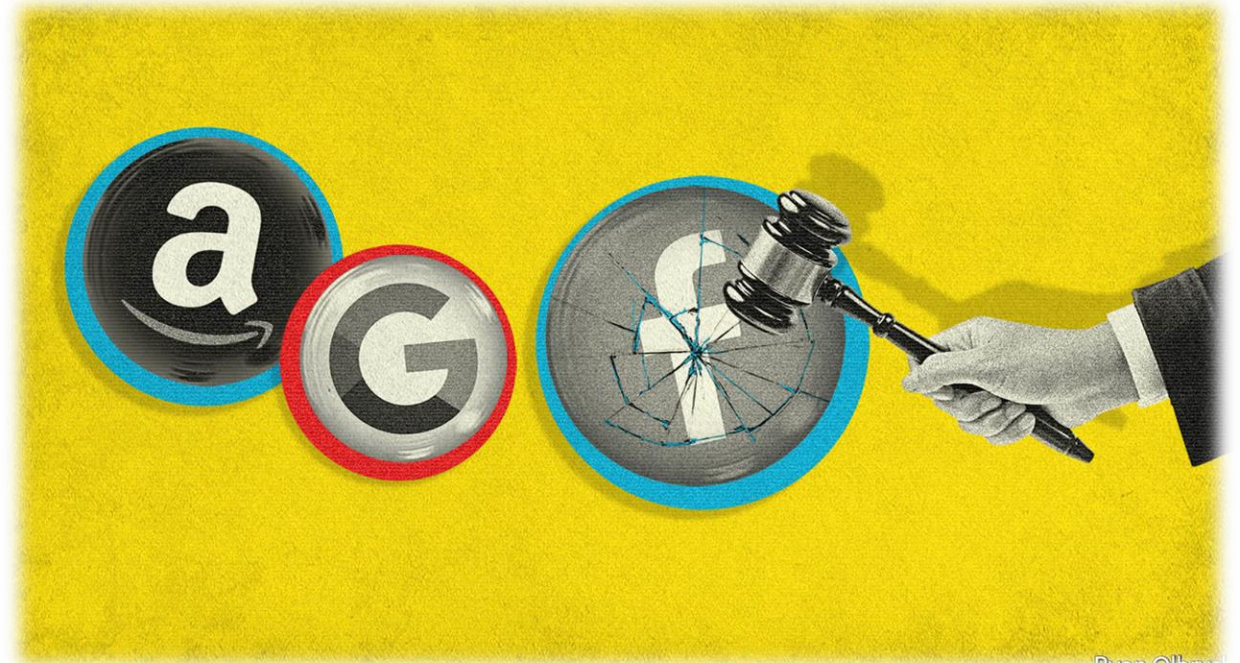
- VCs make some of the most critical technology investment decisions in the U.S. economy
- Regulatory certainty for fully functional blockchain networks is critical to determining the full promise of the technology





# Techlash (and it's implication for startups)

- Big Tech is **on its heels** in DC as tech backlash has become bipartisan headache
- Emboldened by the administration, Republicans no longer giving tech the benefit of the doubt they usually give to businesses
- Not to be outdone by the administration, Democrats stepping up **historical criticism** of data use and privacy concerns



# Tax Policy

At a time of increasing policy uncertainty, NVCA advocating for tax policy that encourages new company formation

## Harmful Tax Proposals:

- Taxation of Unrealized Gains & Capital Gains Policy
- Carried Interest



## Helpful Tax Proposals:

- R&D Credit Payroll Tax Offset
- Qualified Small Business Tax Rules (QSBS)
- Startup NOL Safe Harbor (Section 382)



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**Thank You**  
Learn more at [nvca.org](https://nvca.org)