

# Southwest Venture Forum

January 18, 2024

**Bobby Franklin**  
President and CEO, NVCA





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# THE MECHANICS OF VENTURE CAPITAL

# General Partners



**Venture Capitalists**

# Limited Partners



**Institutional Investors**

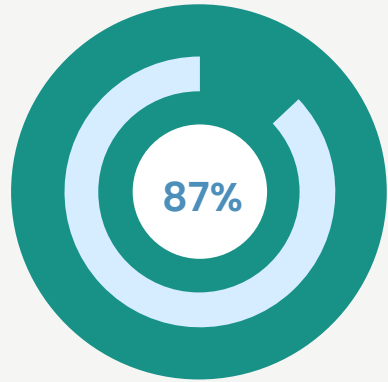


**Non-Profit Endowments**

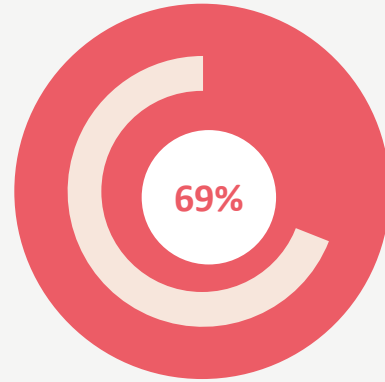


**Family Offices**

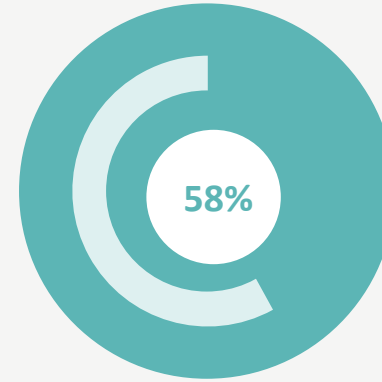
# What do VCs Do For Founders?



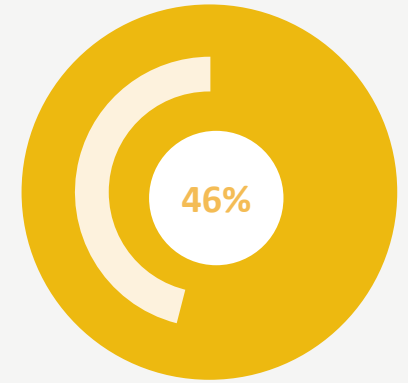
Strategic Advice



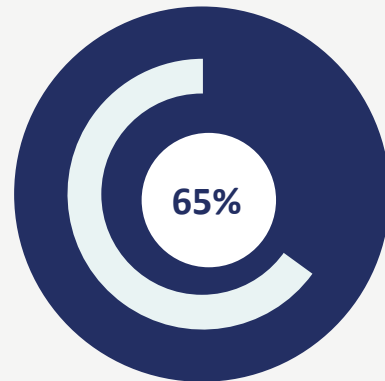
Marketing Intros



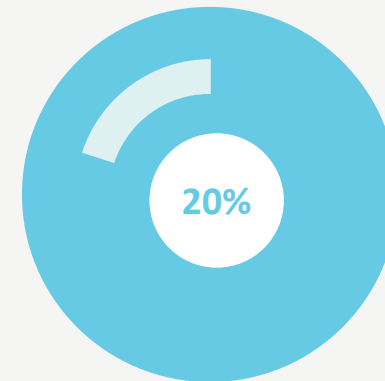
Board Management



Personnel Management



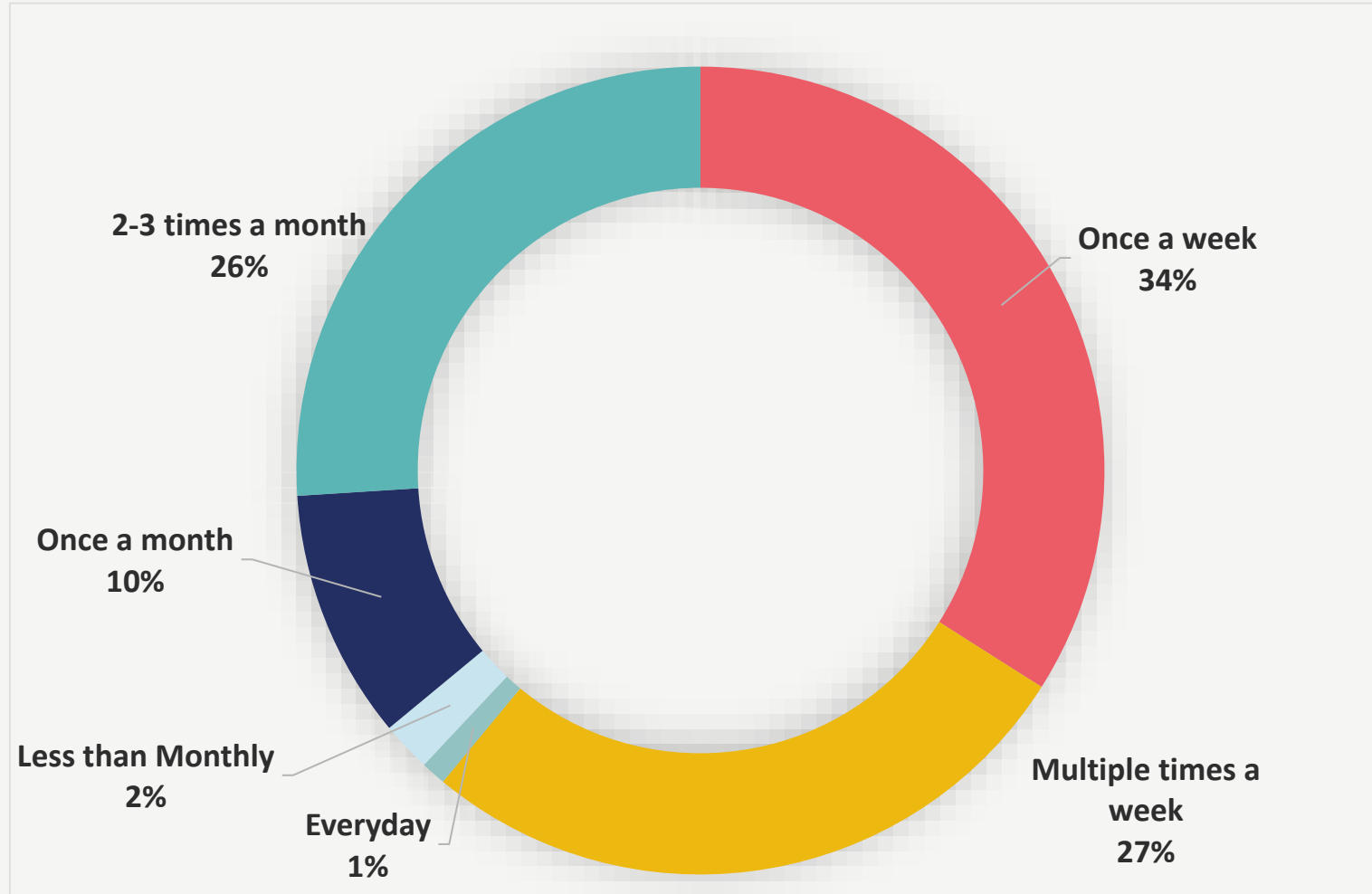
Operational Guidance



Other

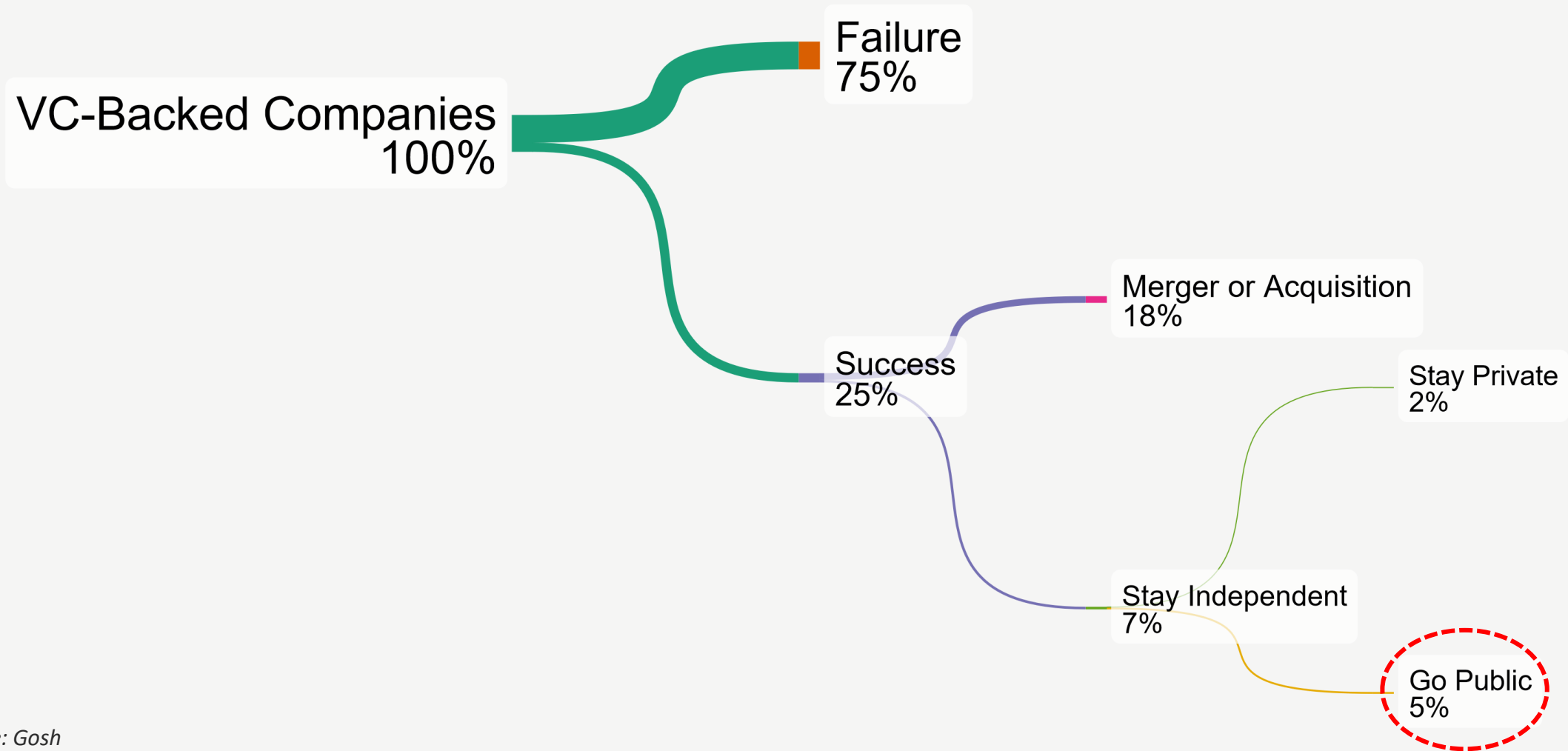


## Average Frequency of contact with portfolio companies

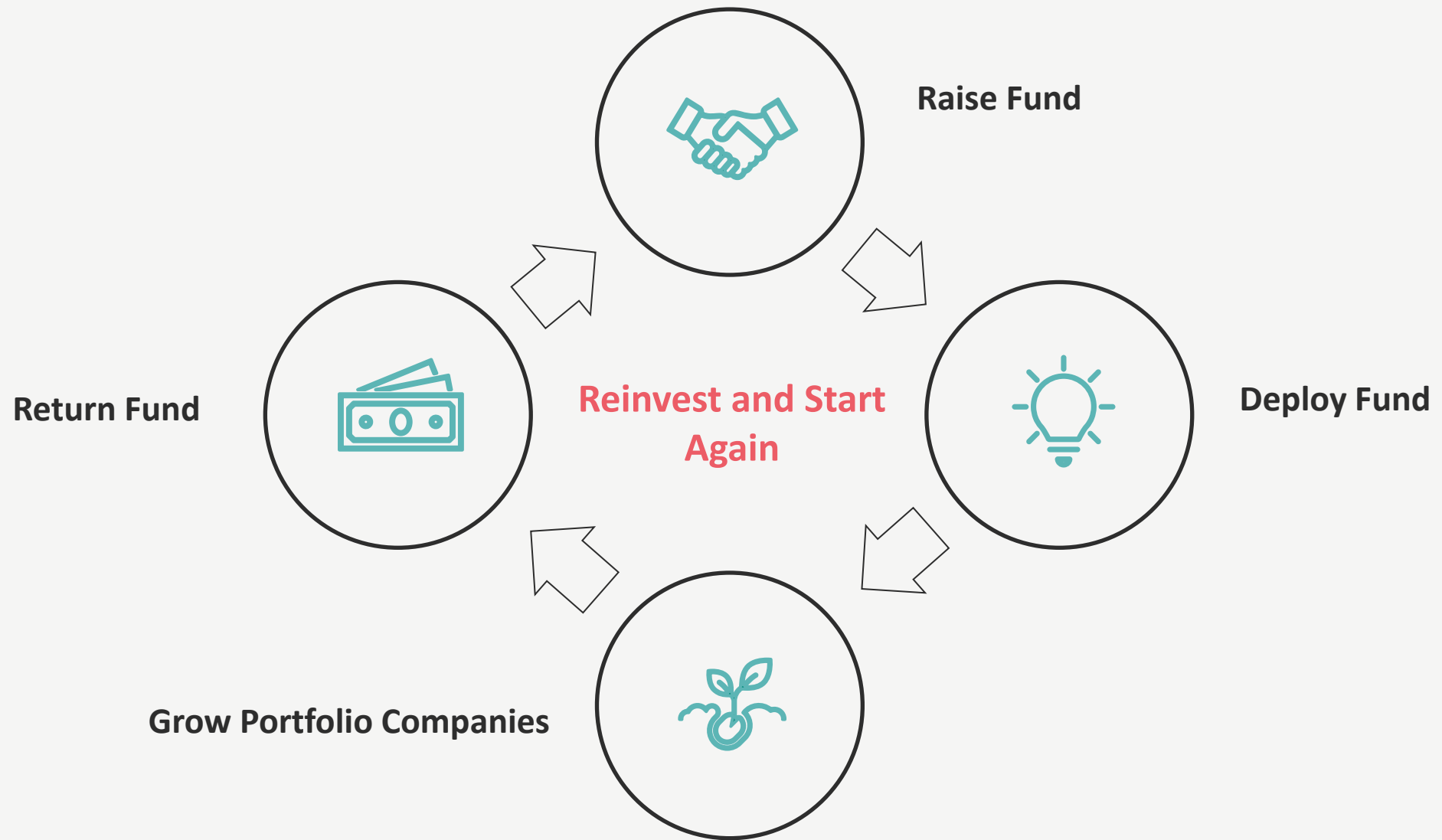




# One Study's Fundings Over Ten Years



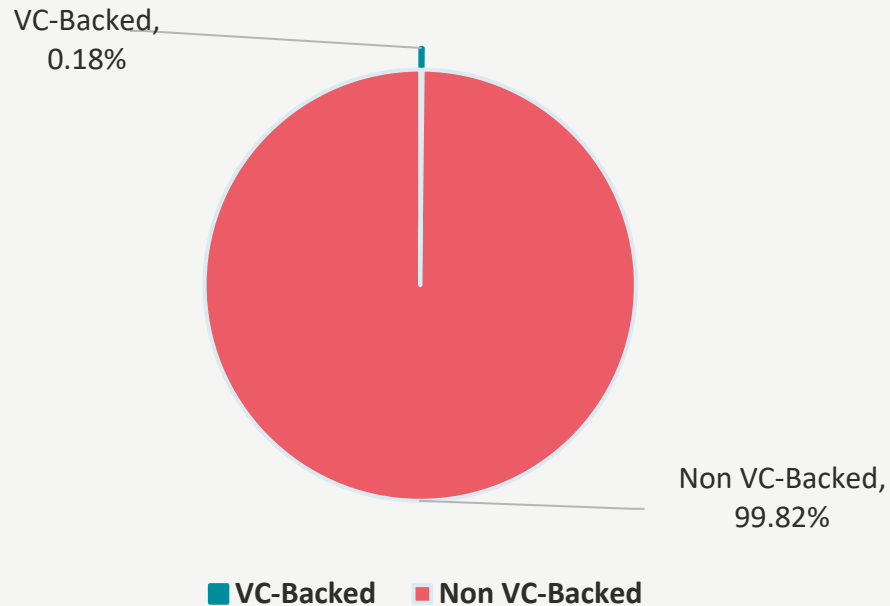
Source: Gosh



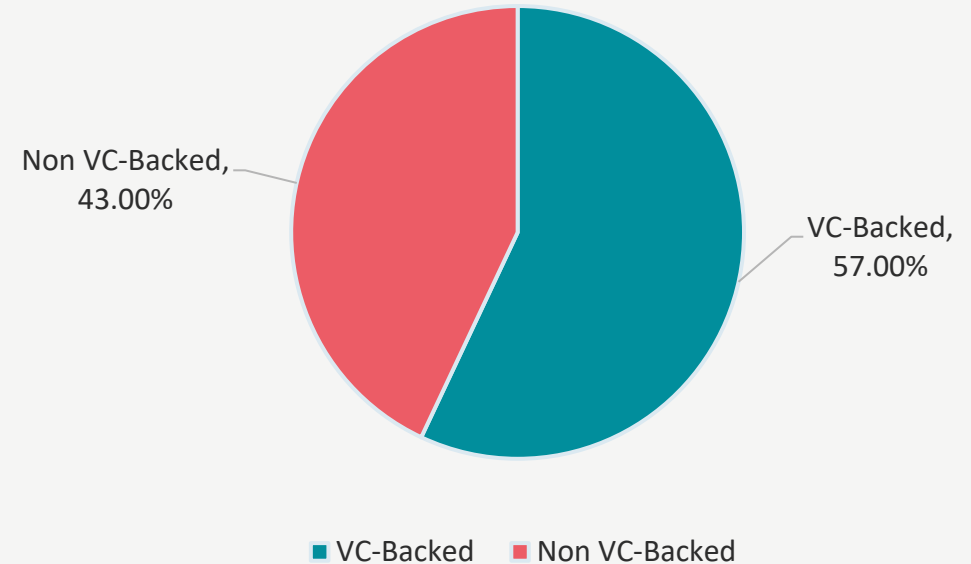
# VC'S IMPORTANCE TO THE U.S. ECONOMY

# VC-Backed Companies Create Tremendous Value

New Companies Founded Between 1975 and 2015

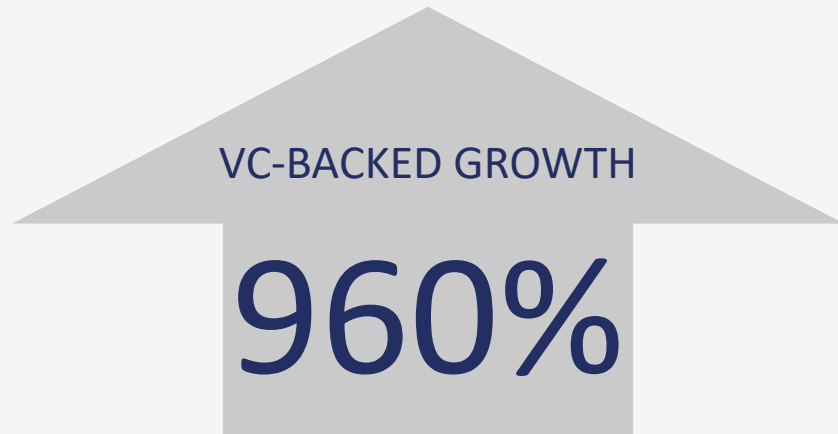


% of Public Market Cap of Public Companies Founded Between 1975 and 2015



Source: Strebulaev & Gornall

## Employment Growth from 1990 to 2020



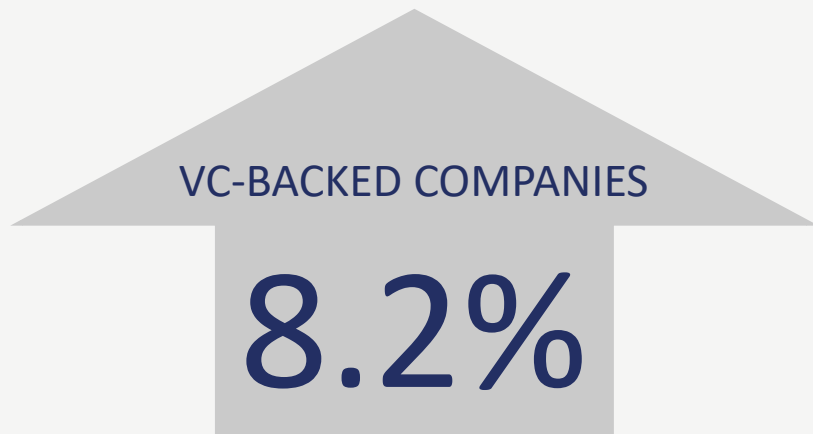
VS

TOTAL PRIVATE SECTOR

**40%**



## Annualized Growth Rate of Employment from 1990 to 2020



VS

TOTAL PRIVATE SECTOR

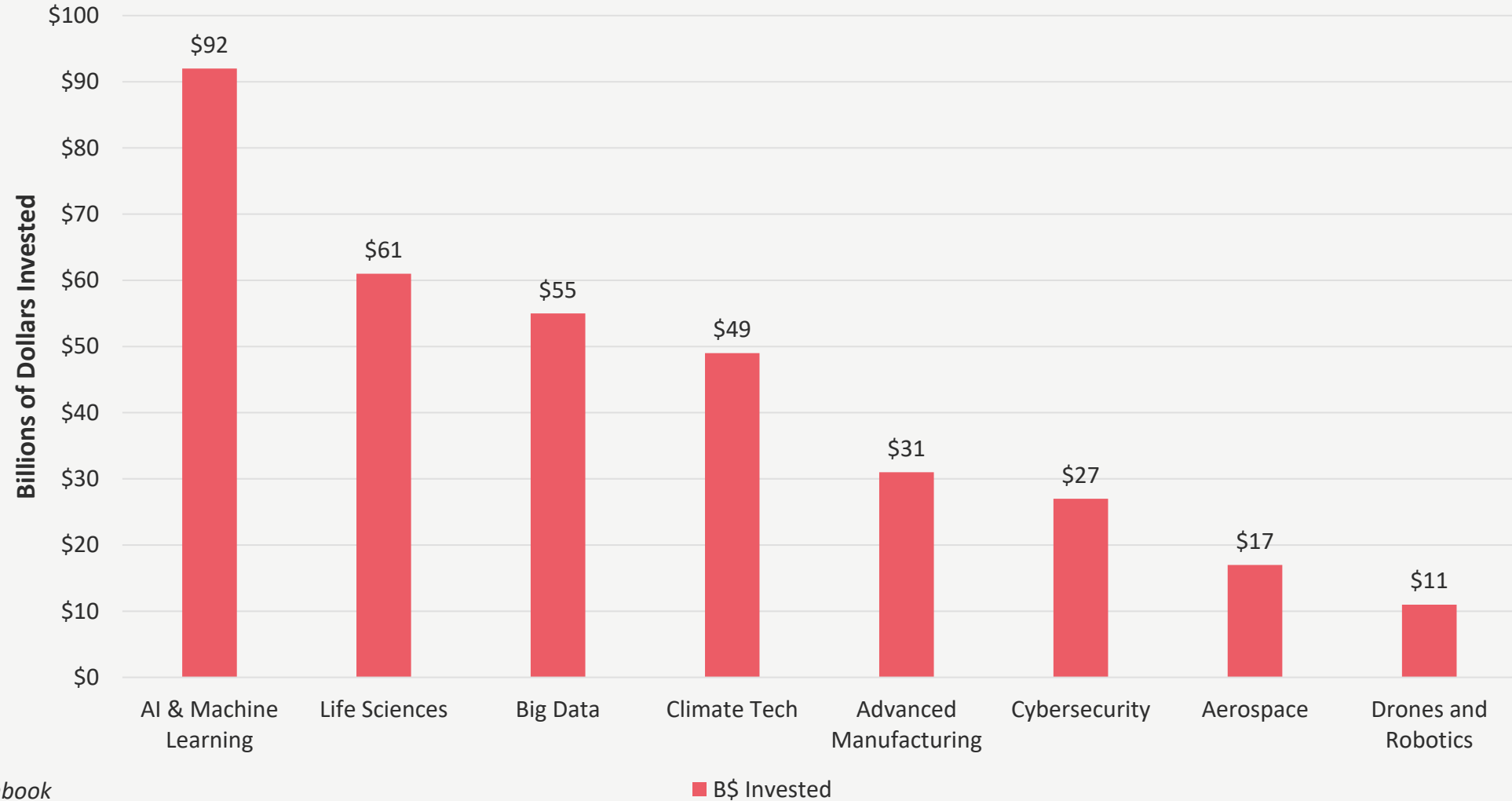
**1.1%**



Source: Brown & Chow

# VC-Backed Companies Do America's R&D

US VC Investment Into Frontier Technologies, 2020-2022 (\$B)



Source: Pitchbook

■ B\$ Invested

# So, What Do You Need To Know?

There Are

**54,000**  
U.S. VC-Backed  
Companies

With

**6 Million**  
Employees

Across

**50**  
States

Doing

**80%**  
Of Private R&D

Making

**60%**  
Of New Medicines

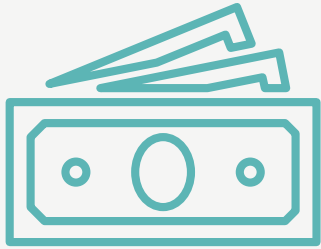
And

**40%**  
Of New Patents

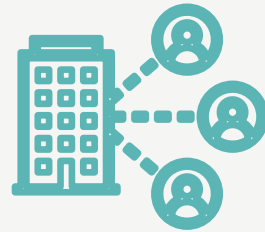
*Source: Pitchbook & St. Louis Fed*



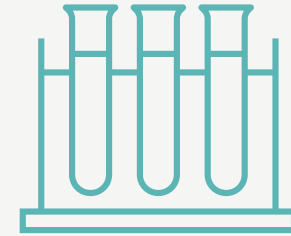
# VC-BACKED COMPANIES



**Generate  
Greater Value**



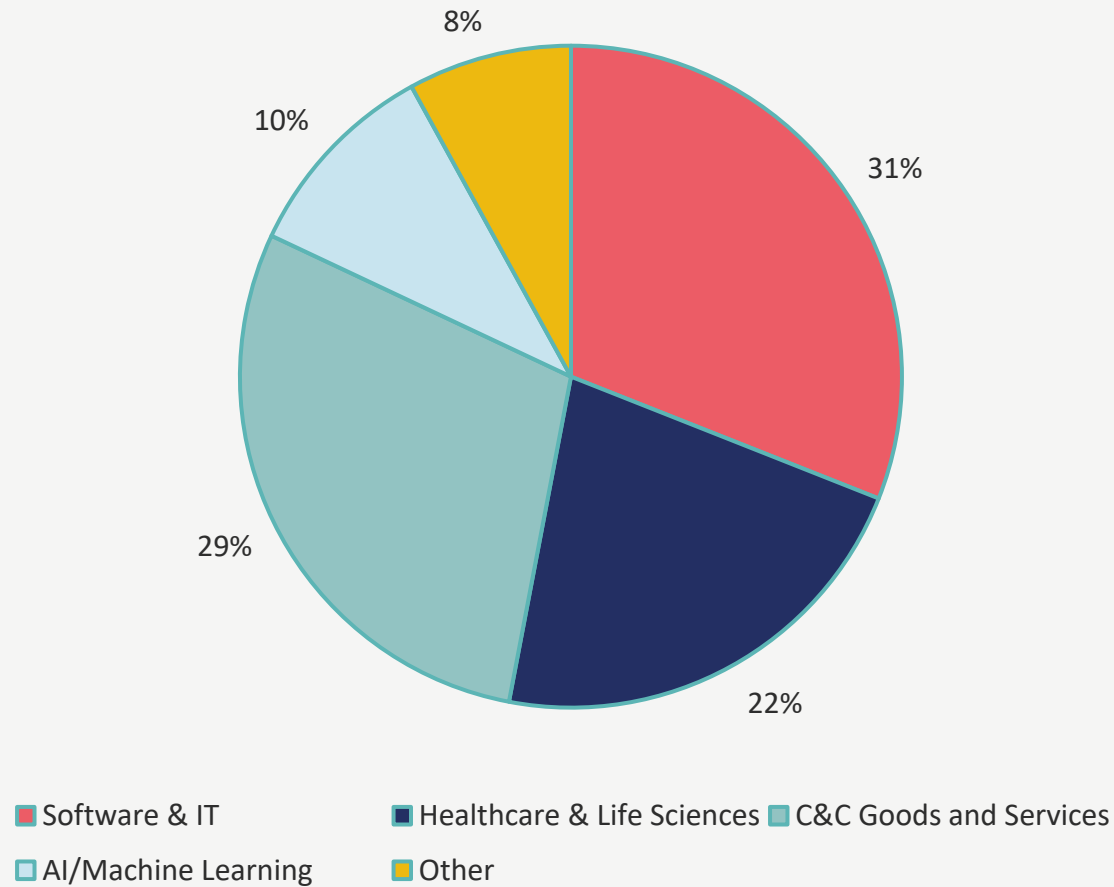
**Create  
More Jobs**



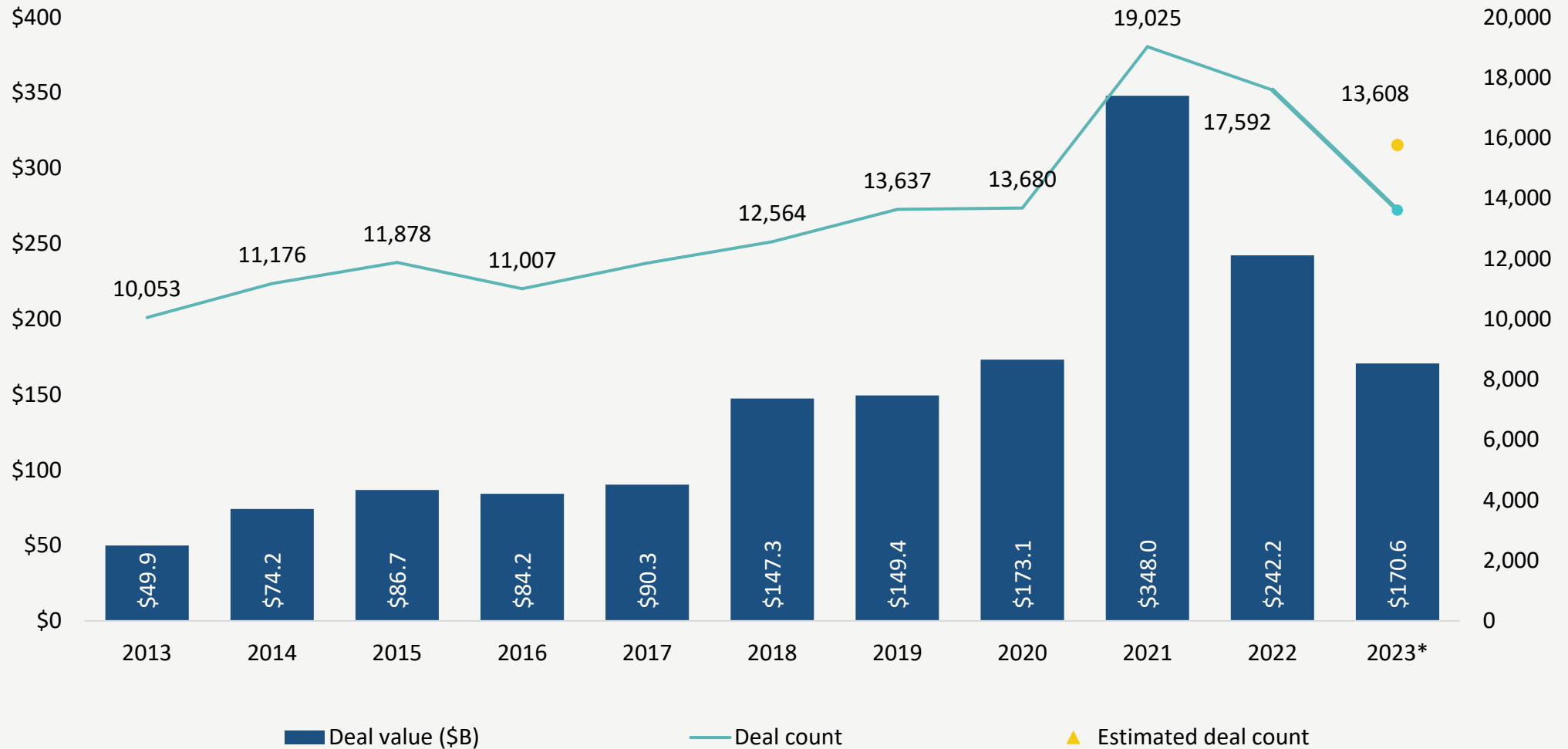
**Spark  
Better Innovations**

# TRENDS IN VC

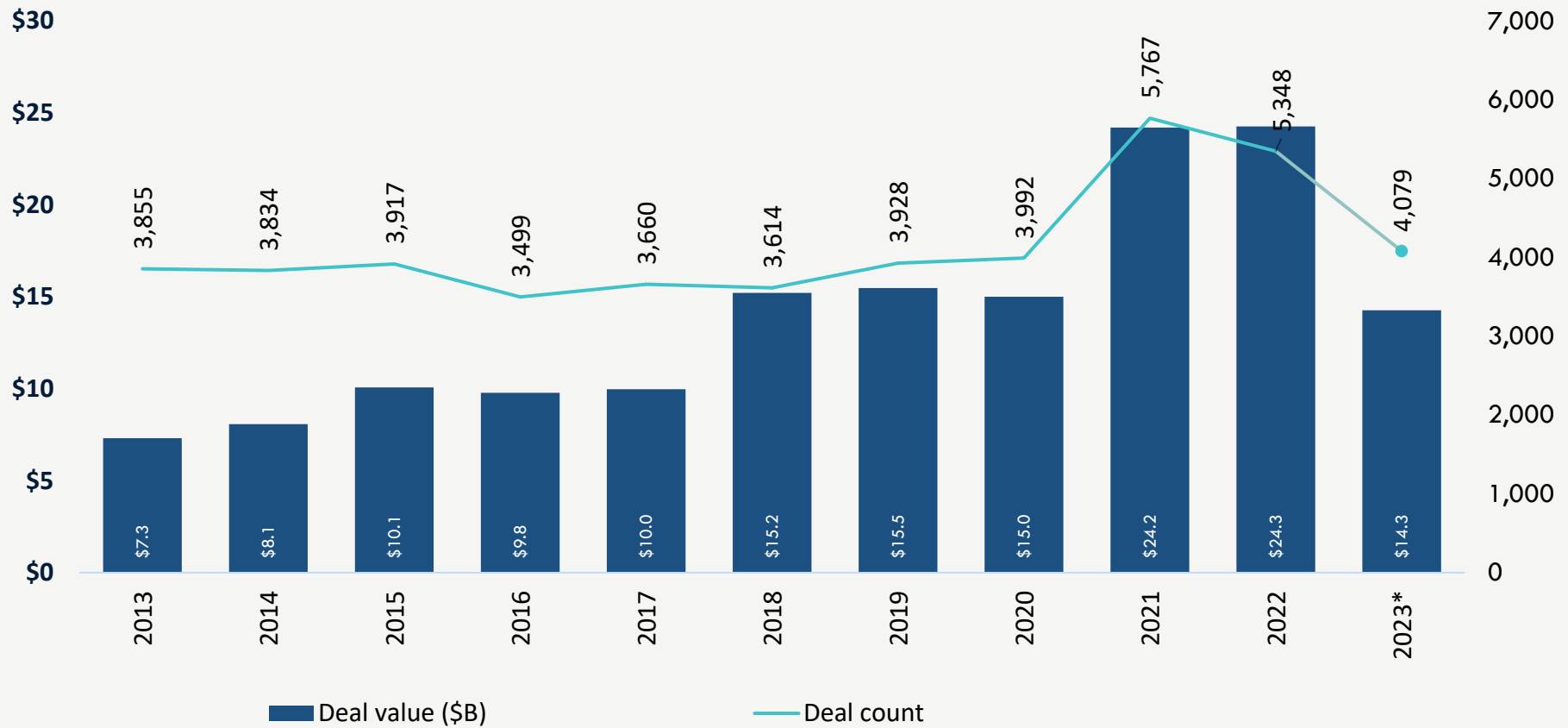
# 2023 Venture Investment by Sector (#)



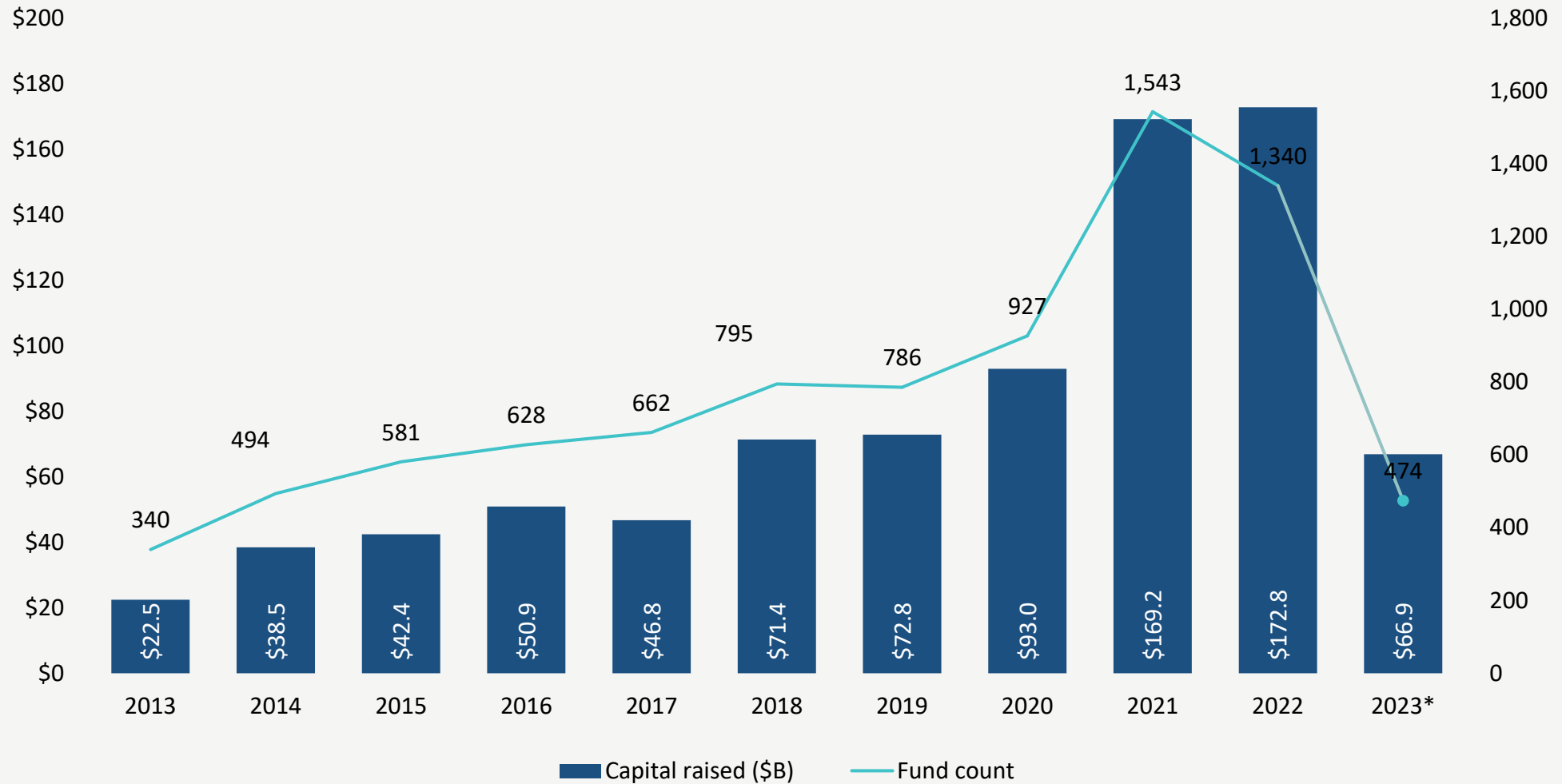
# INVESTMENTS: By Deals And Dollars



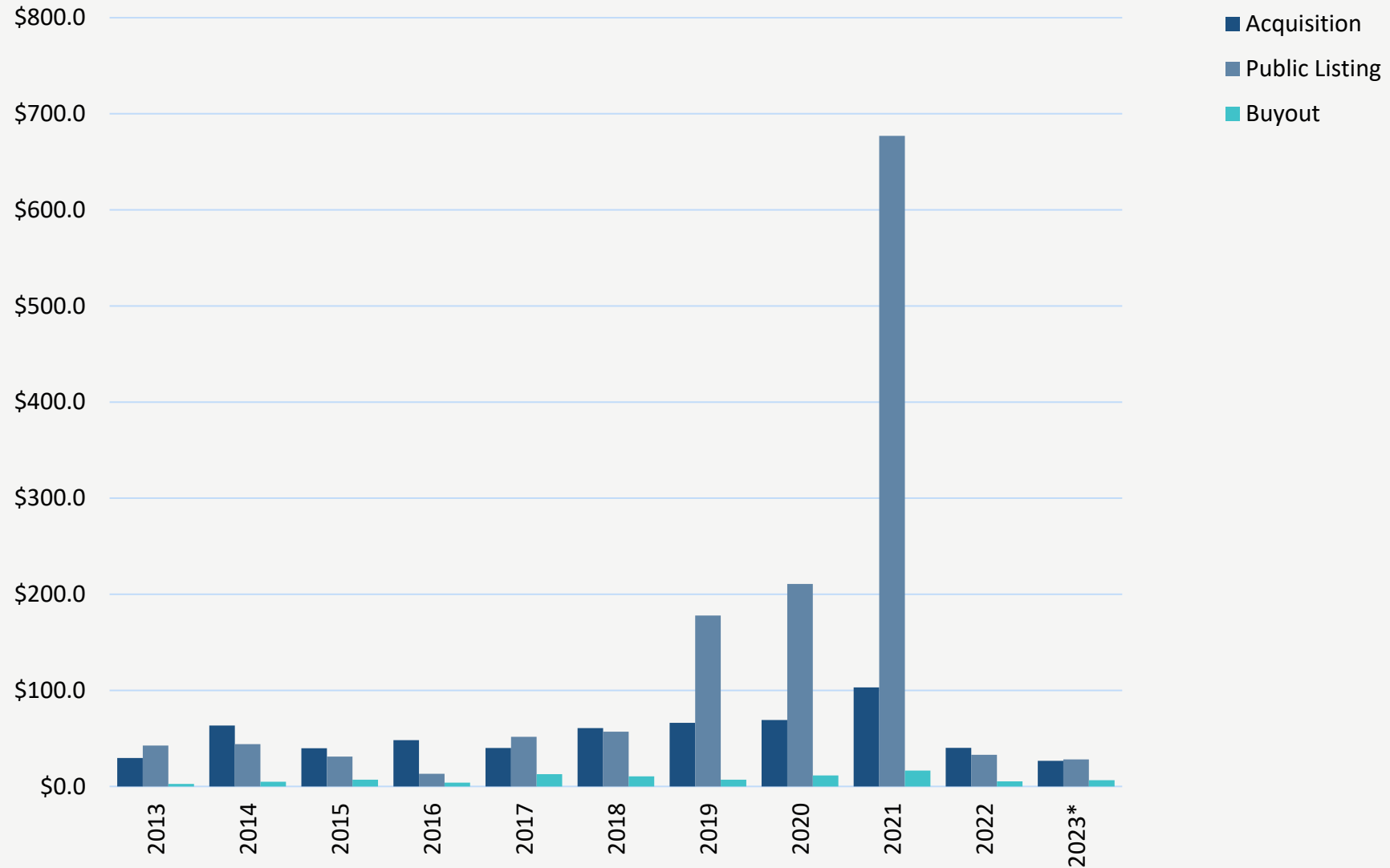
# HEALTH OF THE ECOSYSTEM: First Time Financings



# FUTURE INVESTMENT: Fundraising



## MEASURES OF SUCCESS: Exits by count





## So Where Are We Now?

**54,000+**

Private U.S. VC-  
backed companies

**~100**

Startups waiting to  
go public

**9 Years**

Median Pre-  
Listing Company  
Age

# POLICY

## If You're Not At The Table, You're On The Menu



# THREATS

## OBSTACLES TO INNOVATION

**SEC**

Private Funds  
Rule

**FTC**

Antitrust  
Guidelines

**Commerce**

March-In  
Rights

**2025**

Tax Bill

## Current

- Private Funds Rule
- Litigating with coalition to repeal new rule on private funds
- Rule would hamper ability for small funds to operate

## Upcoming

- Private Companies Rule



## Current

- Anti-Trust
- 41 open antitrust cases right now
- Proposed doctrine would always penalize mergers

## Upcoming

- Proposed Merger Guidelines w/ DOJ
- Proposed changes to Hart-Scott-Rodino





# Upcoming

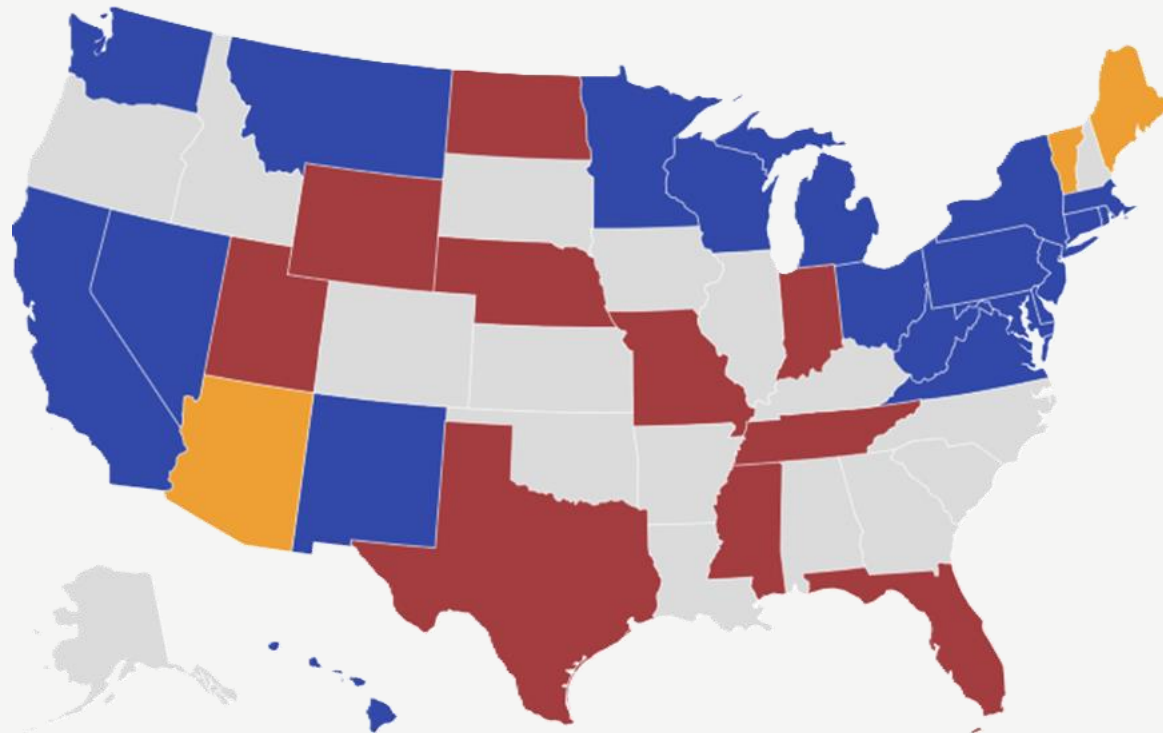
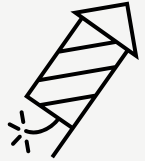
## March-In Rights

- Proposed expansion of March-In rights would allow the government to seize any patents which had any federal research funding.
- Would render large portions of life sciences, materials research, and other areas, effectively un-investable.





# Election 2024!



## Presidential

- Two Incumbents

## Senate

- 10 seats held by Republicans
- 23 held by Democrats

## House

- Republicans have Majority
- 22 Democrats Retiring
- 16 Republicans Retiring

*This election will decide the 2025  
tax bill*

# OPPORTUNITIES

## INVESTMENT IN INNOVATION

**\$10B**

SSBCI

**\$1.2T**

Bipartisan  
Infrastructure  
Package

**\$500B**

Inflation  
Reduction Act

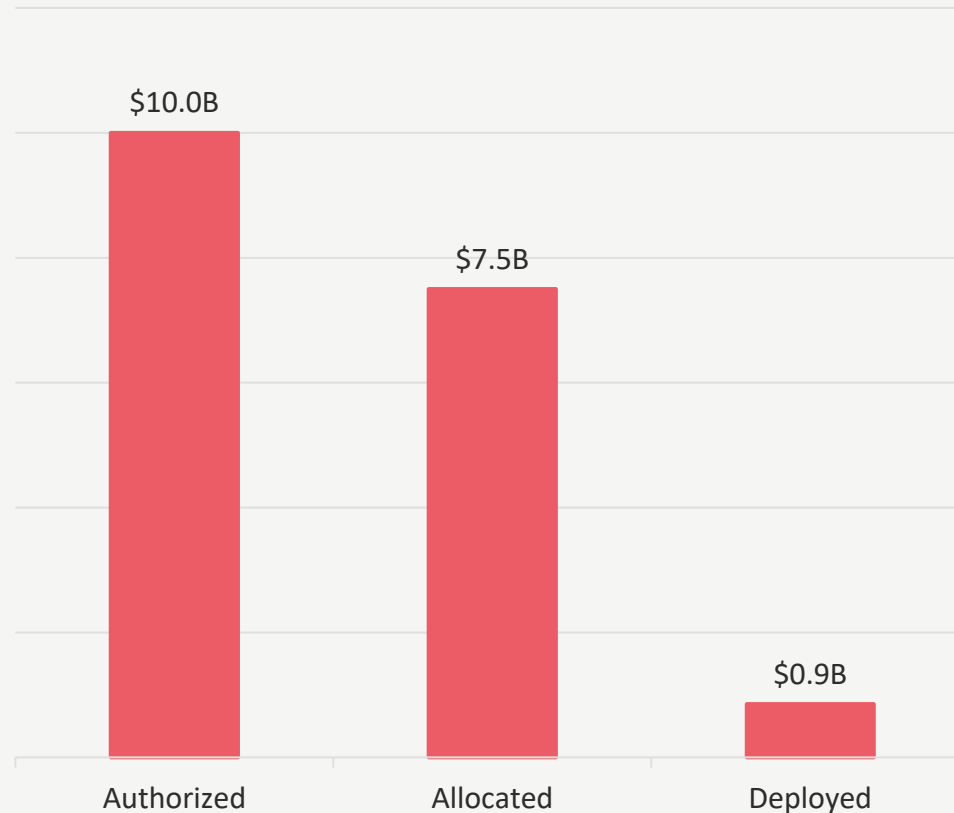
**\$280B**

CHIPS and  
Science Act

**\$10B**

Authorized for a Variety  
of Capital Formation  
Programs

SSBCI Funds Status As of 12/2023

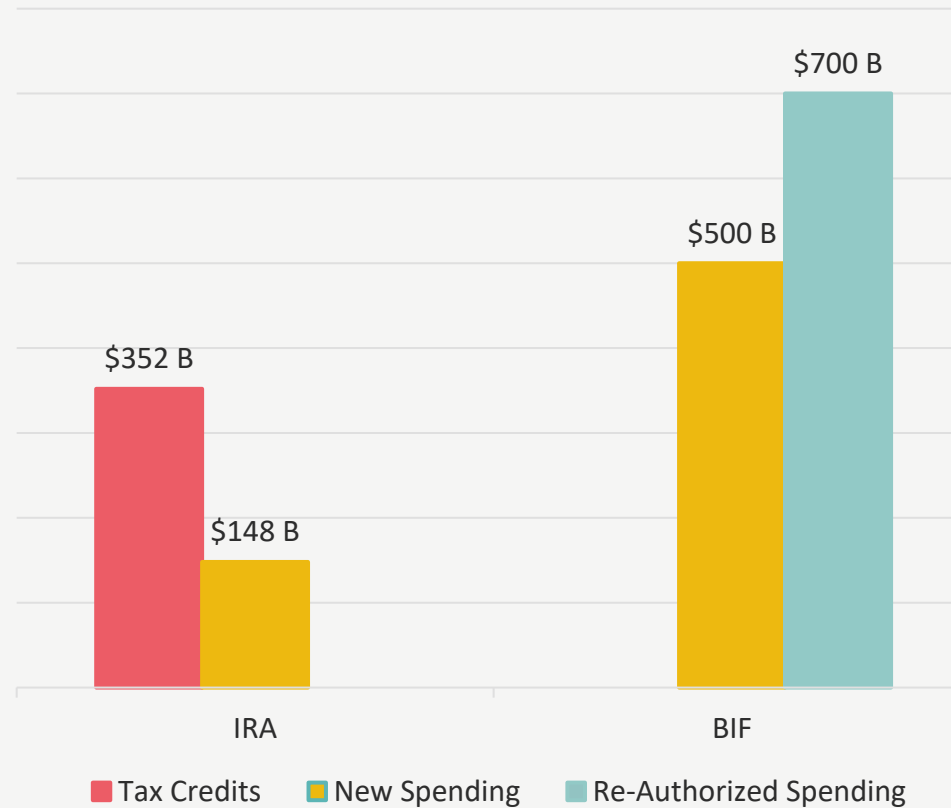


***\$2.5B of SSBCI Funds  
Remain Unallocated and  
\$6.46B Remain  
Undeployed***

# \$1.7T

Authorized for  
Infrastructure  
Modernization

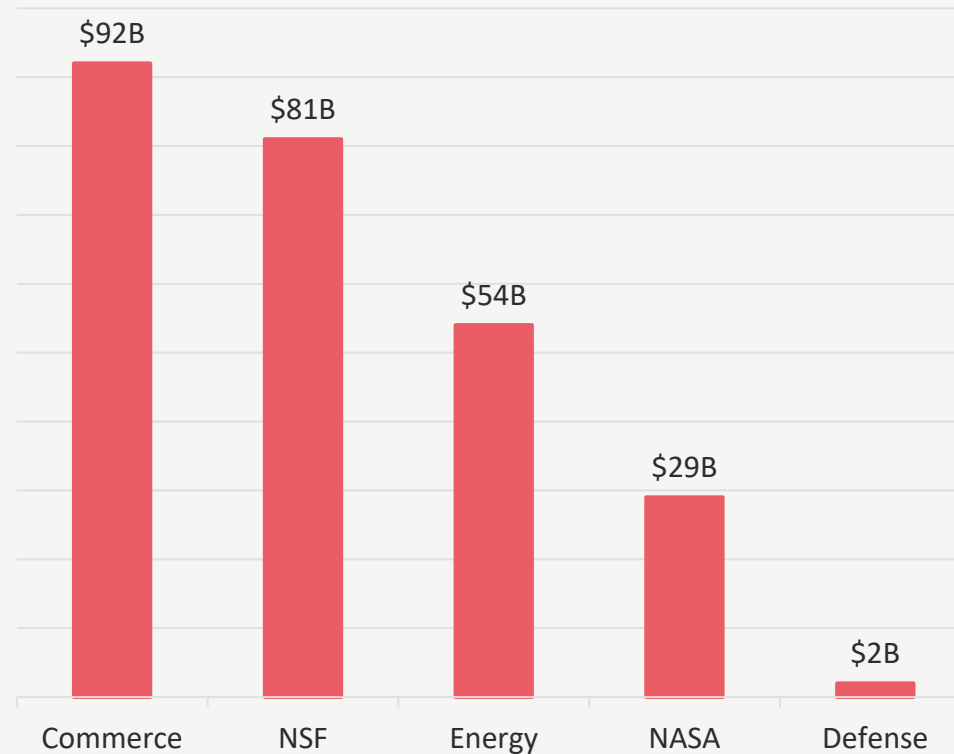
## IRA & BIF Spending Provisions



*While The IRA and BIF are a considerable investment some of their provisions are politically fraught and might not be fully implemented*

**\$280B**  
Authorized for  
Advanced  
Manufacturing &  
Technology  
Commercialization

CHIPS + SCIENCE Spending By  
Department



*Between tax credits and direct spending, the CHIPS + Science act has large amounts of venture-eligible funding. However, the 2024 budgetary request is \$5B short of authorized funds.*

# NVCA's POLICY AGENDA

SUPPORTS VENTURE RETURNS & STARTUP SUCCESS



Antitrust



Artificial Intelligence



R&D Innovation



Capital Markets &  
Regulatory



Taxes



Immigration



Tech  
Commercialization  
Econ Dev



Climate Technology



SBA Activity



National Security



Healthcare Innovation



Foreign  
Investment



Patent Reform



Blockchain

**Venture Forward is a 501(c)(3)  
nonprofit founded by NVCA to  
build a stronger, more diverse,  
equitable, and inclusive future for  
VC.**

The organization provides resources and opportunities to help aspiring investors enter the industry, to help current investors progress, and to help VC firms implement cultivate the next generation of investors.





### 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](http://ventureforward.org) | [hello@ventureforward.org](mailto:hello@ventureforward.org)

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# QUESTIONS

VISIT US AT [NVCA.ORG](https://www.nvca.org)

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