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## **\$15.3 Billion in Venture Capital Deployed to Startup Ecosystem in Second Quarter, According to the MoneyTree Report**

### **Tenth Consecutive Quarter of More than \$10 Billion in Venture Capital Investments**

**WASHINGTON, July 15, 2016** – Venture capitalists invested \$15.3 billion in 961 deals in the second quarter of 2016, according to the MoneyTree™ Report from PricewaterhouseCoopers LLP (PwC) and the National Venture Capital Association (NVCA), based on data provided by Thomson Reuters. Total venture dollars deployed to startup companies for the quarter increased 20 percent and total deal count was down 5 percent, compared with the first quarter when \$12.7 billion was invested in 1,011 deals. Compared with Q2 2015, dollars and deals are down 12 and 22 percent, respectively. This is the tenth consecutive quarter of more than \$10 billion in venture capital invested in a single quarter.

“The venture capital ecosystem has proven to be both resilient and nimble,” said Tom Ciccolella, US Venture Capital Market Leader at PwC. “We continue to see things we have never seen before, including megadeals, investments of \$100 million or more, encompassing an unprecedented thirty-nine percent of deal value for the second quarter and the largest venture capital deal of all time. This reinforces that though there are some consistent trends that have emerged in recent years, there’s not a single path to its health.”

“For the tenth consecutive quarter, venture investment into innovative startups companies has surpassed the \$10 billion threshold, helped in part by the fact that we hit our ninth straight quarter where 10 or more companies raised mega rounds of \$100 million or more. At the same time, we’ve also witnessed a decline in deal count on a quarter over quarter basis for the last year,” said Bobby Franklin, President and CEO of NVCA. “This divergence has resulted in a high concentration of dollars invested into a handful of late stage companies with the top ten deals for the quarter accounting for almost 40 percent of venture dollars deployed and one single deal totaling \$3.5 billion from a non-traditional investor. The second quarter data confirms what we’ve heard anecdotally from our members, which is that venture investors remain active through a string of strong fundraising periods but are becoming more selective in where they deploy capital.”

### **Top Deals**

The top 10 deals accounted for 39 percent of total dollars invested in the second quarter, up from 26 percent of total venture capital deployed during the first quarter. The top two deals alone for the quarter accounted for 31 percent of capital invested. In the first half of the year, there were

three deals that were one billion dollars or more, versus a total of three deals in all of 2015 and two deals in 2014 at one billion dollars or greater.

## **Industry Analysis**

The Software industry continued to receive the highest level of funding of all industries, receiving \$8.7 billion across 379 deals for the quarter, a 70 percent increase in dollars despite a 4 percent decrease in deals versus the first quarter of 2016. Six of the 11 megadeals (investments of \$100 million or more) were in the Software industry. The Software industry has held the top spot for dollars invested among all MoneyTree industries for 27 straight quarters.

The Biotechnology industry received the second largest amount of venture capital for the quarter, with \$1.7 billion invested into 100 deals, representing a 14 percent decrease in dollars and a 19 percent decrease in deals, compared with the previous quarter. Investments in the Life Sciences sector (Biotechnology and Medical Devices combined) during the second quarter accounted for \$2.2 billion going into 161 deals, decreasing 10 percent in dollars 12 percent in deals. Investments in Life Sciences companies accounted for 15 percent of all venture capital deployed to the startup ecosystem in the second quarter.

IT Services companies received the third largest amount of venture capital for the quarter with \$946 million deployed across 80 deals. Media & Entertainment companies received the fourth largest amount of venture capital for the quarter with \$690 million deployed across 95 deals. Computer and Peripherals companies saw the largest percentage increase in dollars versus the first quarter, with an increase of 172 percent.

Ten of the 17 MoneyTree industries remained flat or saw increases in dollars invested in the second quarter, including Healthcare Services (65 percent increase) and Semiconductors (42 percent increase).

Venture capitalists invested \$2.6 billion into 251 Internet-Specific companies during the second quarter of 2016, increasing 9 percent in dollars and 2 percent in deal count, compared with the first quarter of 2016. "Internet-Specific" is a discrete classification assigned to a company with a business model that is fundamentally dependent on the Internet, regardless of the company's primary industry category.

## **Stage of Development**

Dollars invested in Seed stage companies declined 5 percent during the second quarter, totaling \$535 million in 45 deals and representing only 3 percent of all venture investment dollars for the quarter and 5 percent of all deals. Early stage investment declined 14 percent in dollars and increased 3 percent in deals with \$4.0 billion going into 446 deals. Seed/Early stage deals accounted for 51 percent of total deal volume in the second quarter, compared with 49 percent in the prior quarter. The average Seed stage deal in the second quarter was \$11.9 million, up from \$8.4 million in the first quarter. The average Early stage deal in the second quarter was \$8.9 million, down from \$10.7 million in the prior quarter.

Expansion stage investment was up 112 percent in dollars and deal count was flat for the second quarter, at \$8.5 billion and 292, respectively, from the previous quarter. Expansion stage deals accounted for 56 percent of all venture dollars in the second quarter and 30 percent of deals. The average Expansion stage deal was \$29.1 million, up by more than double from \$13.7 million in the first quarter on the back of a \$3.5 billion deal Expansion stage deal.

Investments in Later stage companies decreased 35 percent to \$2.3 billion going into 178 deals in the second quarter. Later stage deals accounted for 15 percent of total deal volume for the quarter and decreased 19 percent in deals. The average Later stage deal in the second quarter was \$12.8 million, down from \$16.0 million in the prior quarter.

### **First-Time Financings**

First-time financing (companies receiving venture capital for the first time) dollars decreased 8 percent to \$1.7 billion in the second quarter as the number of deals declined by 14 percent to 267. First-time financings accounted for 13 percent of all dollars and 29 percent of all deals in the second quarter.

Of the companies receiving venture capital funding for the first time in the second quarter, Software companies captured the largest share, accounting for 38 percent of the dollars and 41 percent of the deals with \$638 million going into 109 deals. First-time funding in the Life Sciences sector during the second quarter was down 27 percent in dollars and was flat in deals, dropping to \$372 million going into 34 deals.

The average first-time deal in the second quarter was \$6.3 million, up from \$5.9 million in the prior quarter.

MoneyTree Report results are available online at [www.pwcmoneytree.com](http://www.pwcmoneytree.com) and [www.nvca.org](http://www.nvca.org).

### **Note to the Editor**

Information included in this release or related venture capital investment data should be cited in the following way: “The MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters” or “PwC/NVCA MoneyTree™ Report based on data from Thomson Reuters.” After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA or MoneyTree Report. Charts and tables displaying the data are sourced to “PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters.” After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA, MoneyTree Report or MoneyTree.

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The MoneyTree™ Report measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S. It is based on data provided by Thomson Reuters. The survey includes the investment activity of professional venture capital firms with or without a U.S. office, SBICs, venture arms of corporations, institutions, investment banks and similar entities whose primary activity is financial investing. Where there are other

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The survey excludes debt, buyouts, recapitalizations, secondary purchases, IPOs, investments in public companies such as PIPES (private investments in public entities), investments for which the proceeds are primarily intended for acquisition such as roll-ups, change of ownership, and other forms of private equity that do not involve cash such as services-in-kind and venture leasing.

Investee companies must be domiciled in one of the 50 U.S. states or DC even if substantial portions of their activities are outside the United States.

Data is primarily obtained from a quarterly survey of venture capital practitioners conducted by Thomson Reuters. Information is augmented by other research techniques including other public and private sources. All data is subject to verification with the venture capital firms and/or the investee companies. Only professional independent venture capital firms, institutional venture capital groups, and recognized corporate venture capital groups are included in venture capital industry rankings.

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