

PricewaterhouseCoopers
National Venture Capital Association

MoneyTreeTM Report

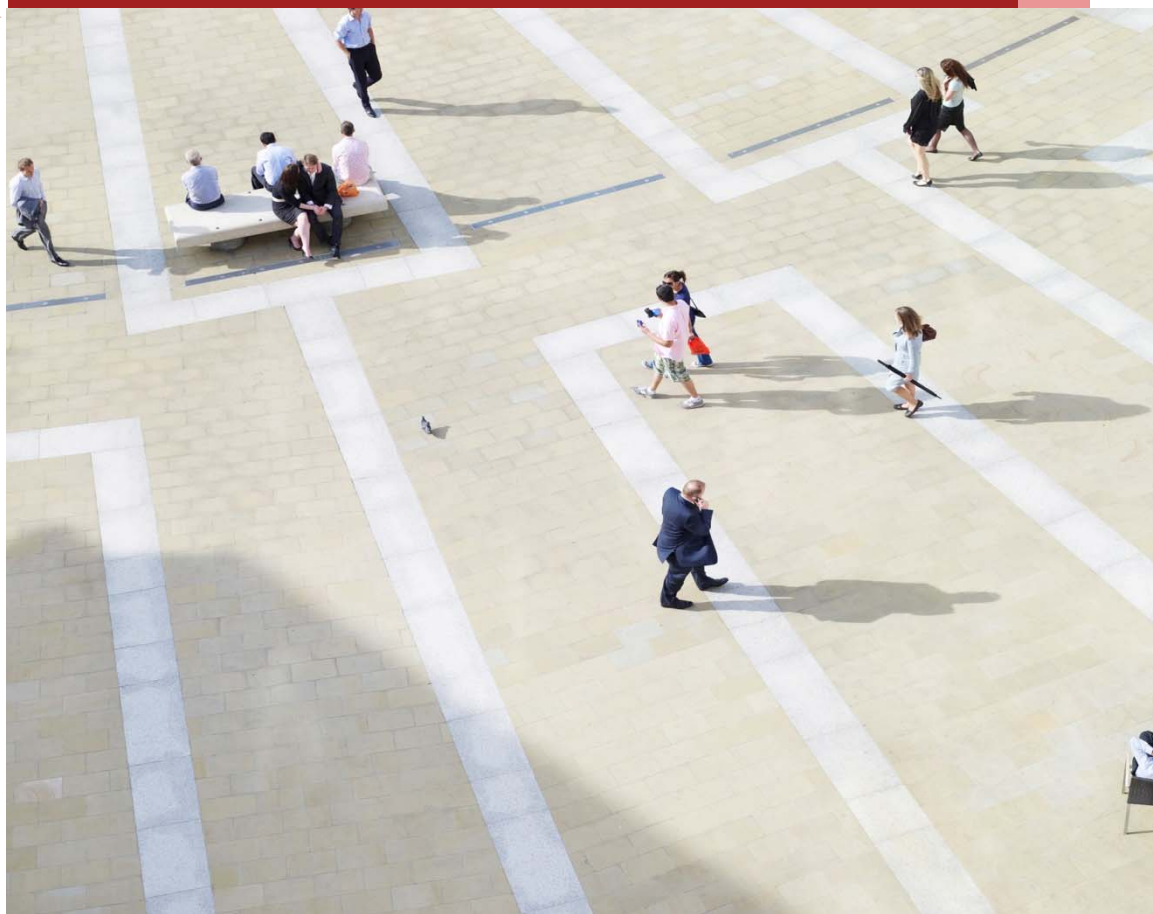
Q3 2014

Data provided by Thomson Reuters

Technology Institute

October 2014

The Q3 2014 MoneyTreeTM results are in! This special report provides summary results of Q3 2013, Q2 2014 and Q3 2014. More detailed results can be found on the MoneyTreeTM Report website at www.pwcmoneytree.com

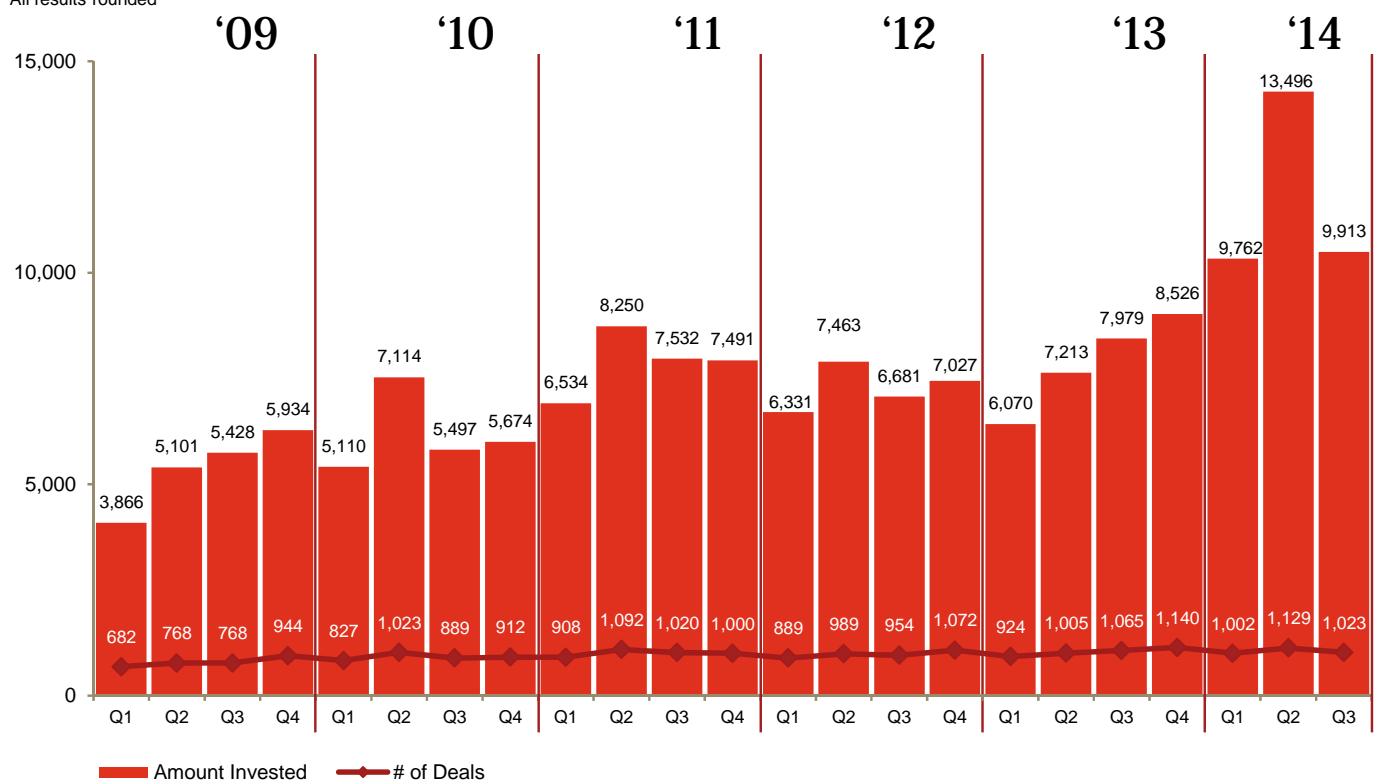


Total equity investments into venture-backed companies

Venture capitalists invested \$9.9 billion in 1,023 deals in the third quarter of 2014, according to the MoneyTree™ Report from PricewaterhouseCoopers LLP (PwC) and the National Venture Capital Association (NVCA), based on data provided by Thomson Reuters. Quarterly venture capital (VC) investment declined 27 percent in terms of dollars and 9 percent in the number of deals, compared

to the second quarter when \$13.5 billion was invested in 1,129 deals. The third quarter is the sixth consecutive quarter of more than 1,000 companies receiving venture capital investments in a single quarter. With more than \$33.0 billion invested through the first three quarters, total venture investing in 2014 has eclipsed total venture investing in all of 2013, which totaled \$30.0 billion.

(\$ in millions)
All results rounded



Investments by industry

Q3 2013, Q2 2014, and Q3 2014

The Software industry continued to receive the highest level of funding of all industries, despite being down for the quarter. Venture capitalists invested \$3.7 billion during the third quarter of 2014, down 39 percent compared to the second quarter when total venture investment into the Software industry reached \$6.1 billion. The Software industry also counted the most deals in Q3 at 418, down 8 percent compared to Q2. The sharp decline in total dollars invested into the Software industry can be attributed in part to a \$1.2 billion investment in a transportation software company in Q2, the single largest quarterly investment recorded since the MoneyTree™ began reporting venture investing in 1995.

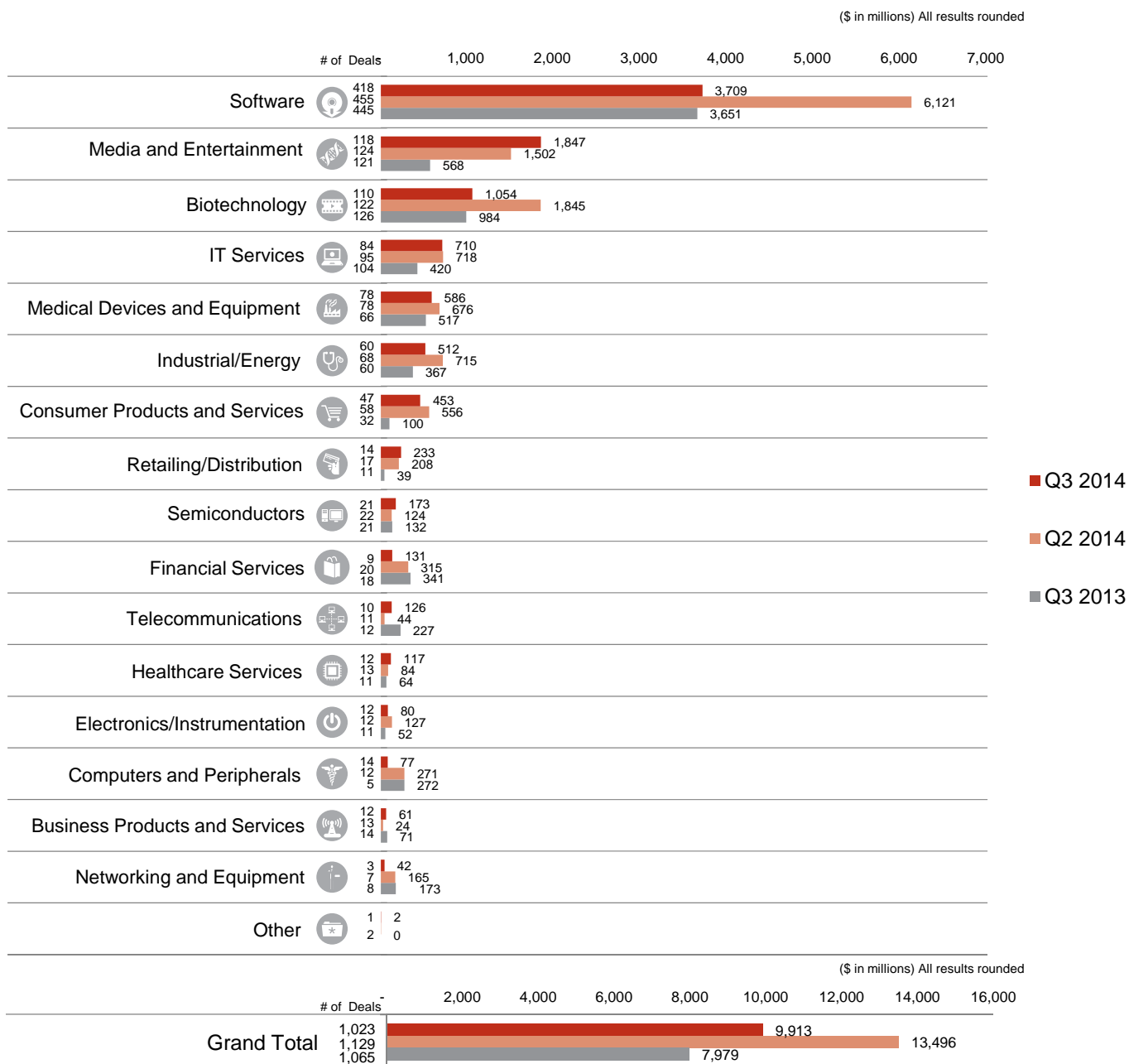
The Media and Entertainment industry was the second largest industry for dollars invested with \$1.8 billion going into 118 deals, rising 23 percent in dollars invested but declining 5 percent in total number of deals. Part of the increase in dollars can be attributed to three of the top 10 largest investments of the quarter falling into the Media and Entertainment category, including the largest deal, a \$500 million investment. The dollars invested in Media and Entertainment companies represents the largest quarterly total for this industry since VCs invested \$2.2 billion in Q3 2000.

Overall, investments in Q3 in the Life Sciences sector (Biotechnology and Medical Devices combined) fell 35

percent in dollars and 6 percent in deals when compared to Q2 2014. The Biotechnology industry captured the third largest total during the quarter with \$1.1 billion going into 110 deals, down 43 percent in dollars invested and 10 percent in deals from the prior quarter. The Medical Devices and Equipment industry also experienced a decrease in dollars compared to the second quarter, falling 13 percent in dollars to \$586 million invested into 78 deals in Q3 – the same number of deals as the prior quarter.

Ten of the 17 MoneyTree™ industries experienced decreases in dollars invested in the third quarter, including Financial Services (58 percent decrease), Industrial/Energy (28 percent decrease), and Consumer Products and Services (19 percent decrease).

Venture capitalists invested \$3.2 billion into 248 Internet-specific companies during the third quarter of 2014. This investment level represents a slight increase in dollars compared to the second quarter but is down 7 percent in deals compared to the second quarter of 2014 when \$3.1 billion went into 268 companies. “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.



Definitions of the Industry categories can be found on the MoneyTree™ website at www.pwcmoneytree.com

Investments by stage of development

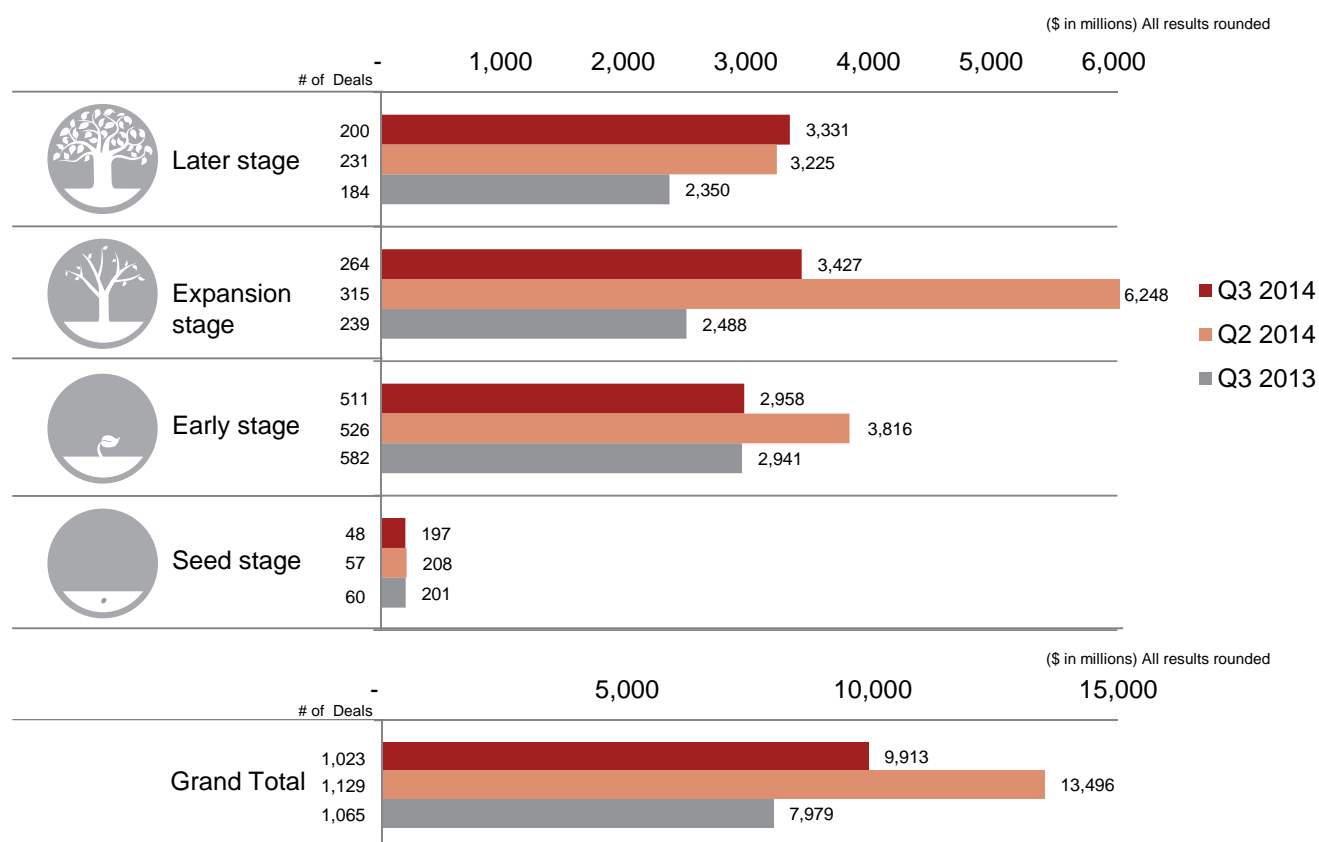
Q3 2013, Q2 2014, and Q3 2014

Seed stage investment was down 5 percent in dollars and 16 percent in deals with \$197 million invested into 48 deals in the third quarter. Early stage investment was down 22 percent in dollars and 3 percent in deals with \$3.0 billion going into 511 deals. Seed/Early stage deals accounted for 55 percent of total deal volume in Q3, compared to 52 percent in the prior quarter. The average Seed stage deal in the third quarter was \$4.1 million, up from \$3.6 million in the second quarter of 2014. The average Early stage deal was \$5.8 million in Q3, down from \$7.3 million in the prior quarter.

Expansion stage investment was down 45 percent in terms of dollars in Q3, with \$3.4 billion going into 264 deals. Overall, Expansion stage deals accounted for 26 percent of venture deals in Q3, down slightly from 28

percent in the second quarter of 2014. The average Expansion stage deal was \$13.0 million, down dramatically from \$19.8 million in Q2 2014, due in part to the largest deal of Q2 falling into the Expansion stage of development.

Investments in Later stage companies increased 3 percent to \$3.3 billion going into 200 deals in the third quarter, the largest quarterly total of dollars invested in Later stage companies since Q3 2007. Later stage deals accounted for 20 percent of total deal volume in Q3, unchanged from the prior quarter. The average Later stage deal in the third quarter was \$16.7 million, up from \$14.0 million in the prior quarter, attributable in part to six of the 10 largest deals in Q3 falling into the Later stage of development.



Definitions of the Stage of Development categories can be found on the MoneyTree™ website at www.pwcmoneytree.com

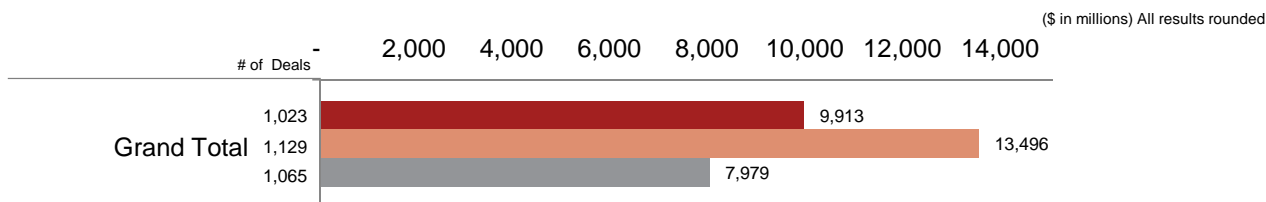
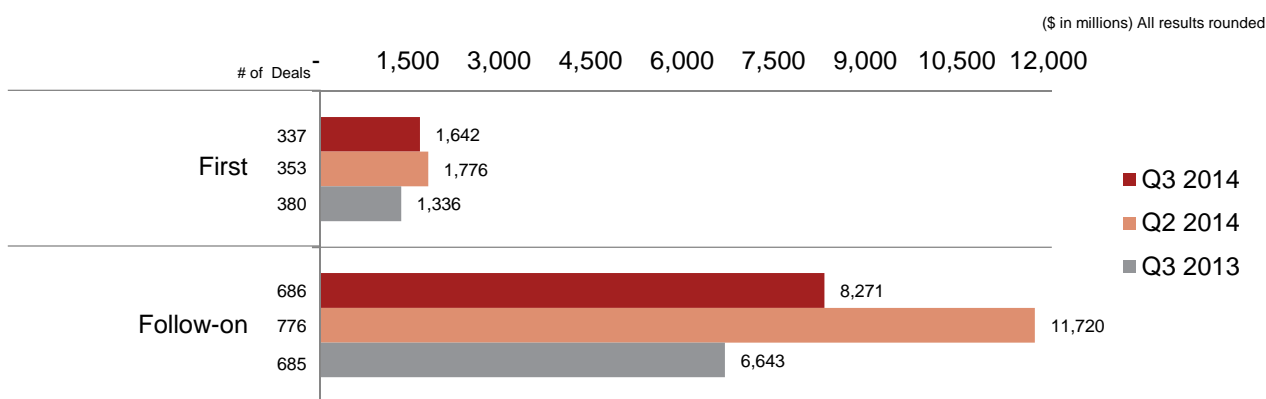
Investments by sequence of financing

Q3 2013, Q2 2014, and Q3 2014

First-time financing (companies receiving venture capital for the first time) dollars decreased 8 percent to \$1.6 billion in Q3 while the number of deals was down 5 percent from the prior quarter, dropping to 337. First-time financings accounted for 17 percent of all dollars and 33 percent of all deals in the third quarter.

Of the companies receiving venture capital for the first time in Q3, Software companies captured the largest share and accounted for 36 percent of the dollars and 46 percent of the deals with 154 companies capturing \$589

million. First-time financings in the Life Sciences sector was down 11 percent in dollars from the prior quarter with \$217 million going into 50 companies, compared with 32 such companies receiving \$245 million in Q2. The average first-time deal in the third quarter was \$4.9 million, down slightly from \$5.0 million in the prior quarter. Seed/Early stage companies received the bulk of first-time investments, capturing 59 percent of the dollars and 81 percent of the deals in the third quarter of 2014.



Definitions of the Financing Sequence categories can be found on the MoneyTree™ website at www.pwcmoneytree.com

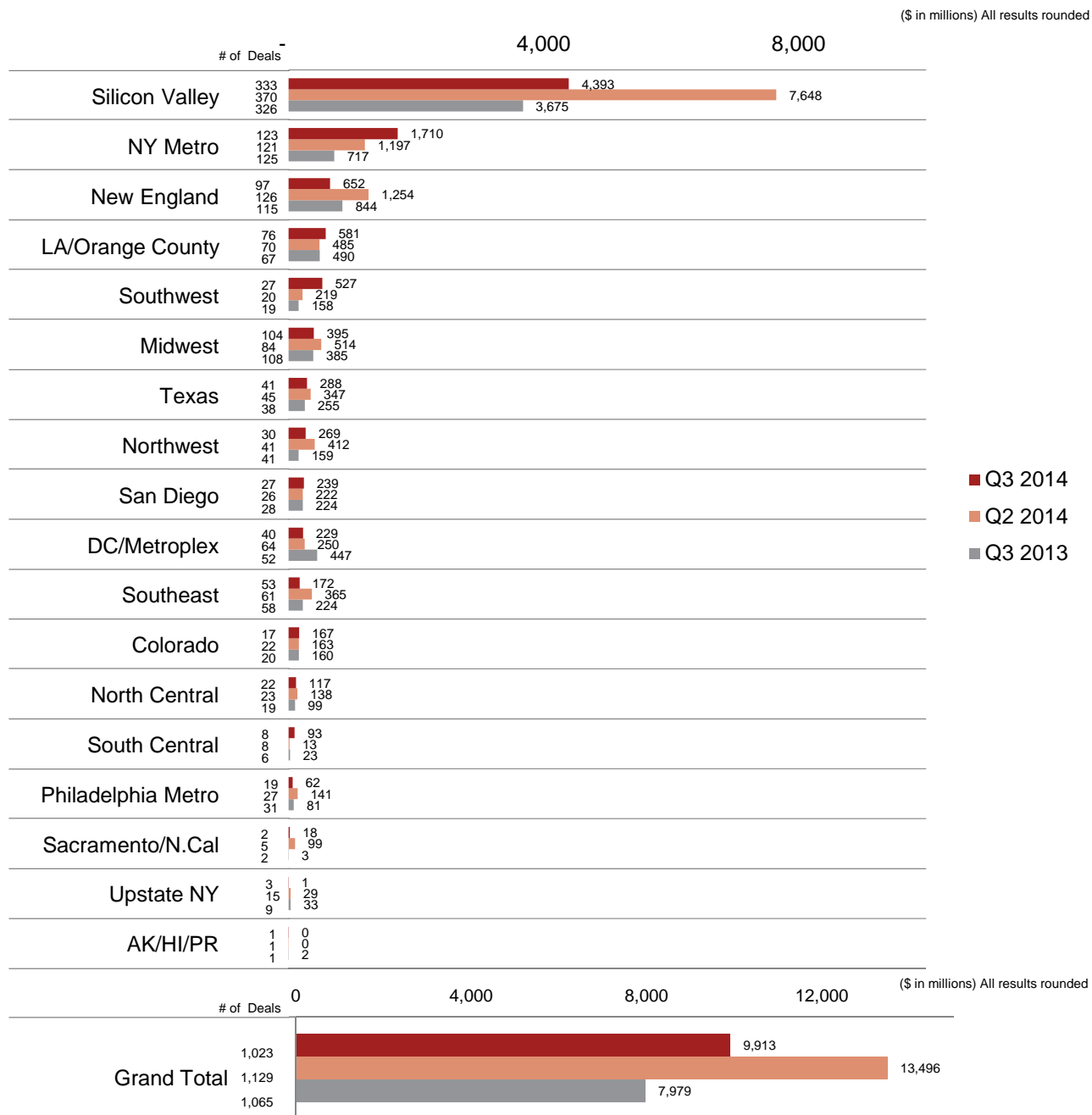
Investments by region

Q3 2013, Q2 2014, and Q3 2014

Silicon Valley received the highest level of funding for all regions in the third quarter of 2014, although decreasing 43 percent in dollars and 10 percent in deals from the prior quarter with \$4.4 billion going into 333 deals. NY Metro received the second highest level of funding with \$1.7 billion going into 123 deals, rising 43 percent in dollars from last quarter and 2 percent in number of

deals. New England investments came in third, with a decline of 48 percent in terms of dollars and 23 percent in deals with \$652 million going into 97 companies.

Eleven of the 18 MoneyTree™ regions experienced decreases in dollars invested and number of deals in the third quarter.



Definitions of the Region categories can be found on the MoneyTree™ website at www.pwcmoneytree.com

Q3 2014 Most active venture investors

New Enterprise Associates, Inc. had the most deals in the third quarter 2014, with a total of 58 deals. Kleiner Perkins Caufield & Byers LLC had the next highest number of deals with 56 deals and Atlas Venture had the third highest number of deals at 38 deals.

Most active are those investors who participated in 16 or more deals in the third quarter of 2014

Firm	City	# of Deals
New Enterprise Associates, Inc.	Menlo Park, California	58
Kleiner Perkins Caufield & Byers LLC	Menlo Park, California	56
Atlas Venture	Cambridge, Massachusetts	38
Intel Capital Corporation	Santa Clara, California	34
First Round Capital	Philadelphia, Pennsylvania	34
Innovation Works, Inc.	Pittsburgh, Pennsylvania	32
Andreessen Horowitz LLC	Menlo Park, California	32
Bessemer Venture Partners, L.P.	Larchmont, New York	30
Google Ventures	Mountain View, California	26
Trinity Ventures LLP	Menlo Park, California	26
Sequoia Capital	Menlo Park, California	26
General Catalyst Partners LLC	Cambridge, Massachusetts	26
Frost Data Capital	San Juan Capistrano, California	24
Redpoint Ventures	Menlo Park, California	24
SV Angel II Q, L.P.	San Francisco, California	24
500 Startups, L.P.	Mountain View, California	22
Greycroft Partners LLC	New York, New York	22
Khosla Ventures LLC	Menlo Park, California	22
Index Ventures	San Francisco, California	22
Bain Capital Venture Partners LLC	Boston, Massachusetts	22
DreamIt Ventures	Bryn Mawr, Pennsylvania	22
Mercury Fund	Houston, Texas	22
True Ventures	Palo Alto, California	22
Correlation Ventures	San Diego, California	20
Foundation Capital	Menlo Park, California	20
Accel Partners & Co., Inc.	Palo Alto, California	20
Lightspeed Management Company	Menlo Park, California	20
Domain Associates LLC	Princeton, New Jersey	20
Draper Fisher Jurvetson	Menlo Park, California	20
Golden Seeds LLC	New York, New York	18
Tech Coast Angels	Los Angeles, California	18
Lerer Ventures	New York, New York	18
Cultivation Capital	Saint Louis, Missouri	16
The Founders Fund	San Francisco, California	16
Qualcomm Ventures	San Diego, California	16
Canaan Partners	Menlo Park, California	16
Polaris Partners	Waltham, Massachusetts	16
Epic Ventures	Salt Lake City, Utah	16
Upfront Ventures	Los Angeles, California	16
Shasta Ventures, L.P.	Menlo Park, California	16

PwC can help

For a deeper discussion on these results, please contact one of our leaders:

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Let's talk

Please reach out to any of our technology leaders to discuss this or other challenges. We're here to help.

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About PwC's Technology Institute

The Technology Institute is PwC's global research network that studies the business of technology and the technology of business with the purpose of creating thought leadership that offers both fact-based analysis and experience-based perspectives. Technology Institute insights and viewpoints originate from active collaboration between our professionals across the globe and their first-hand experiences working in and with the technology industry. For more information please contact Tom Archer, US Technology Industry Leader.

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