



Bobby Franklin
President & CEO, NVCA
Dallas, Texas

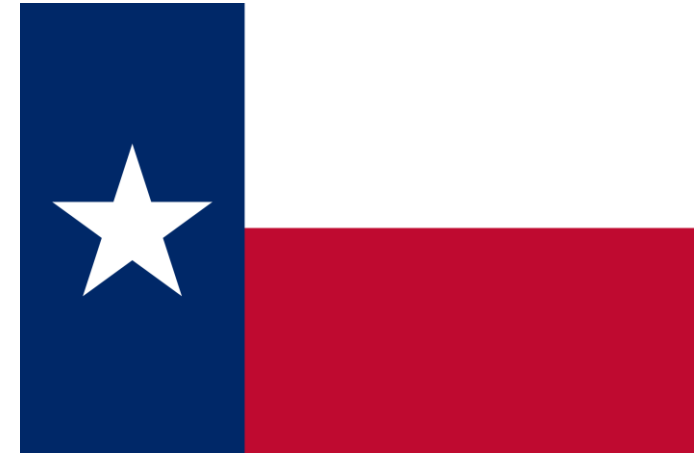
National Venture Capital Association (NVCA)

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 and arms the venture community for success, serving as the leading resource for venture capital data, practical education, peer-led initiatives, and networking.

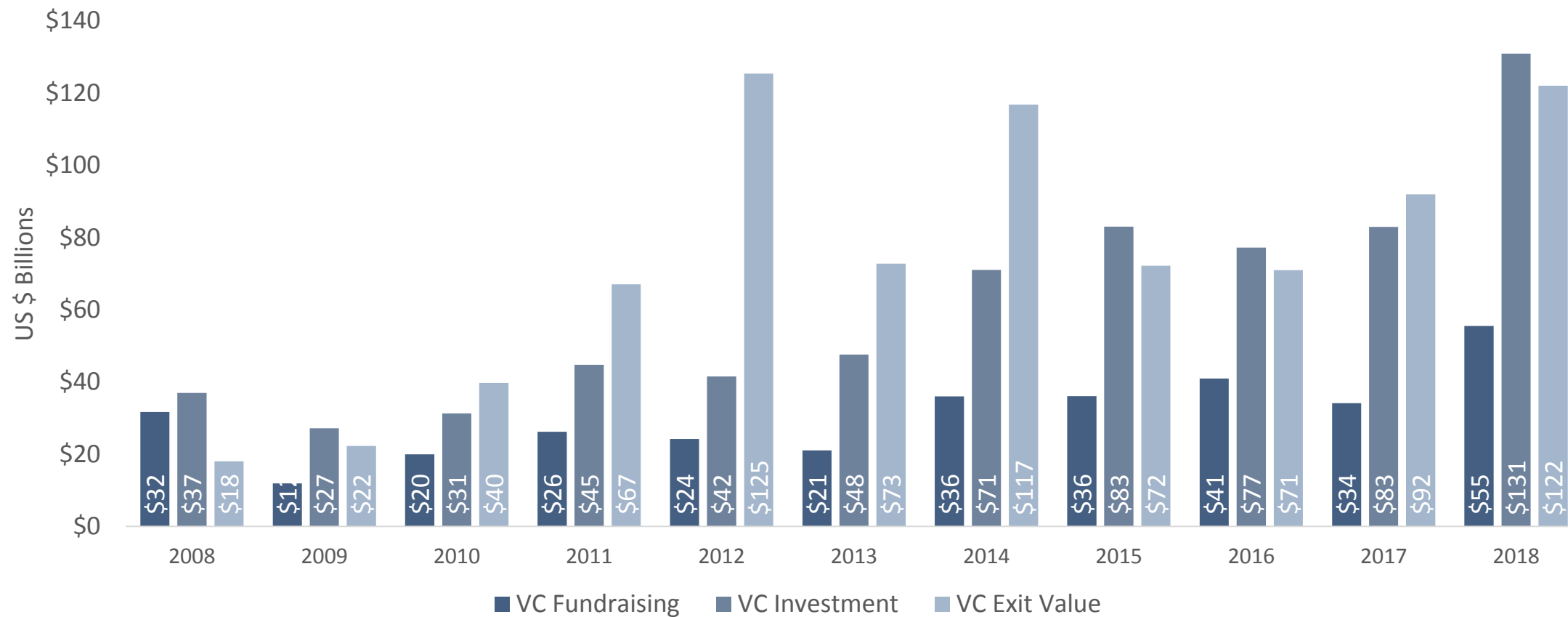
What We Will Cover Today

- 8 Takeaways from 2018:
Pitchbook-NVCA Venture Monitor
- What's Happening in Texas
- What's Happening in Washington: Public policy objectives



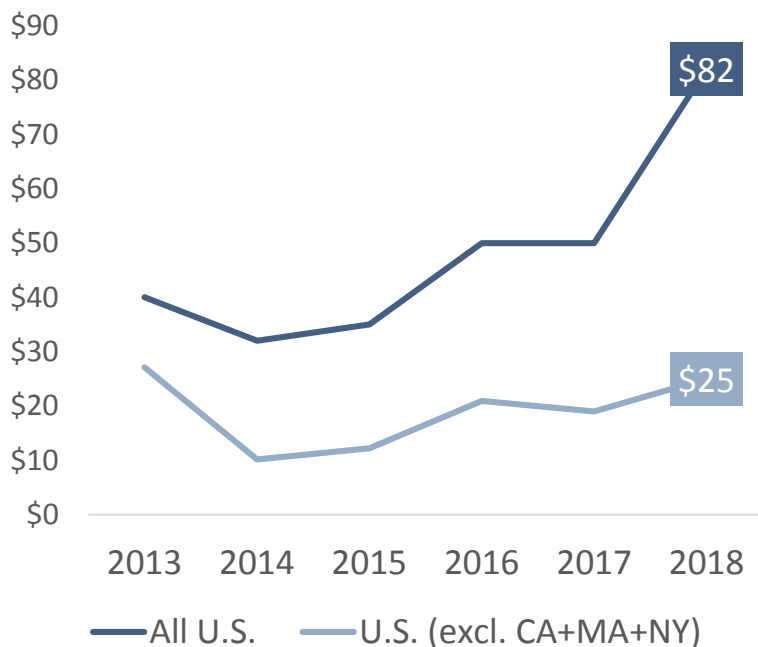
1. Historic Year for Capital Flows in 2018

U.S. Venture Capital Activity (\$B)

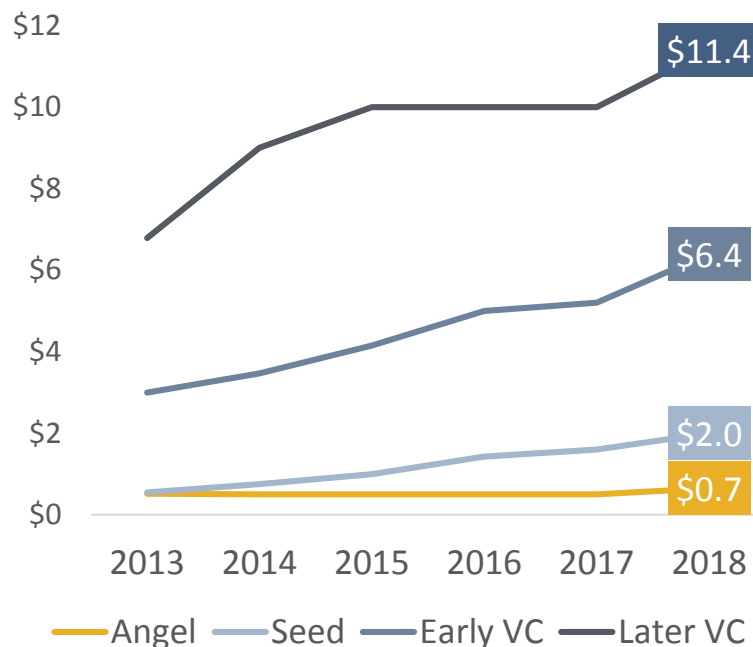


2. Bigger Funds, Investments, & Exits

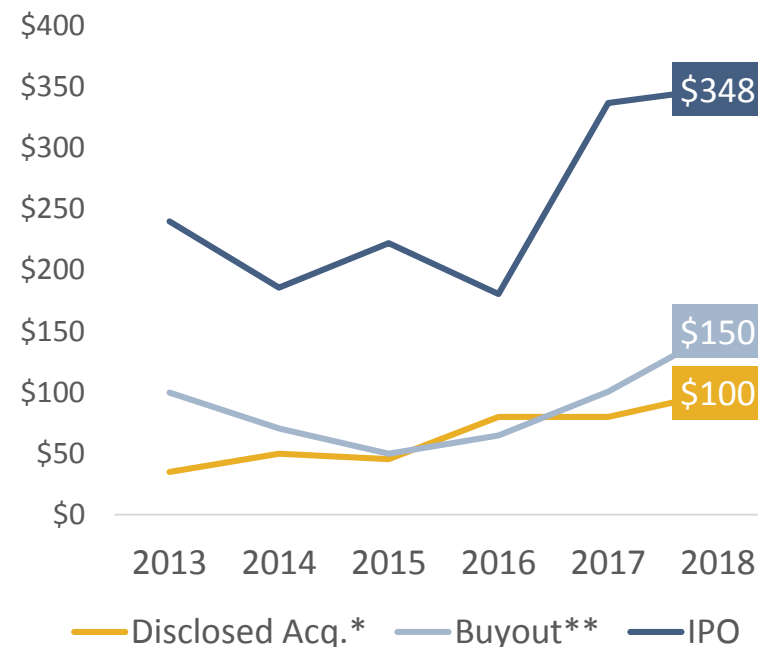
Median U.S. VC Fund Size (\$M)



Median U.S. VC Deal Size (\$M)

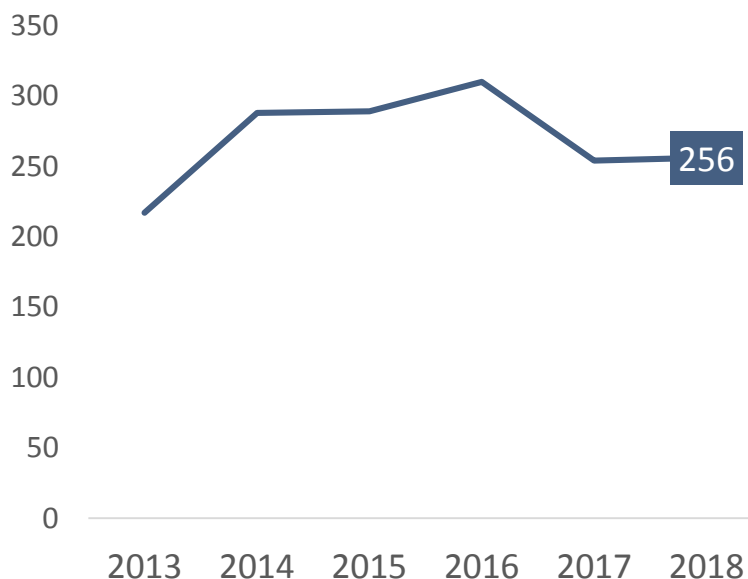


Median U.S. VC Exit Size (\$M)

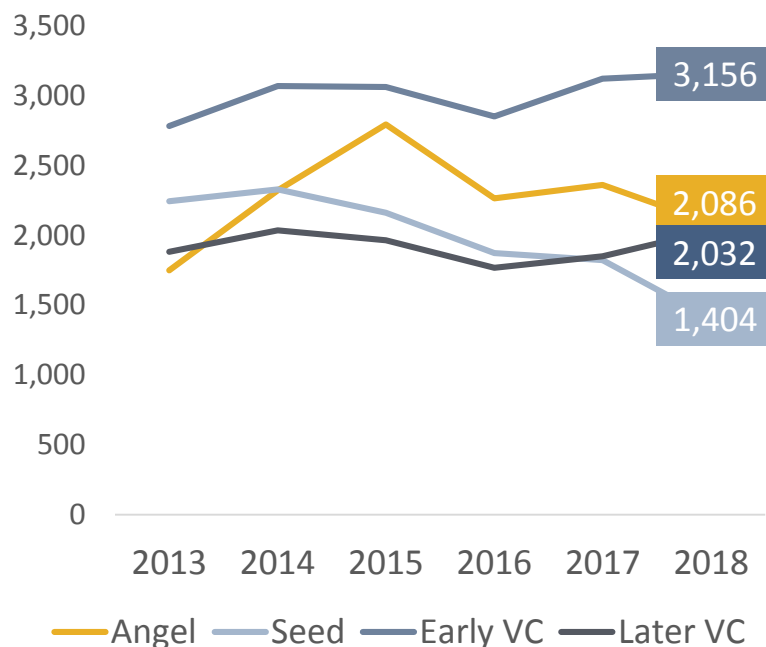


3. Fewer Funds, Investments, & Exits

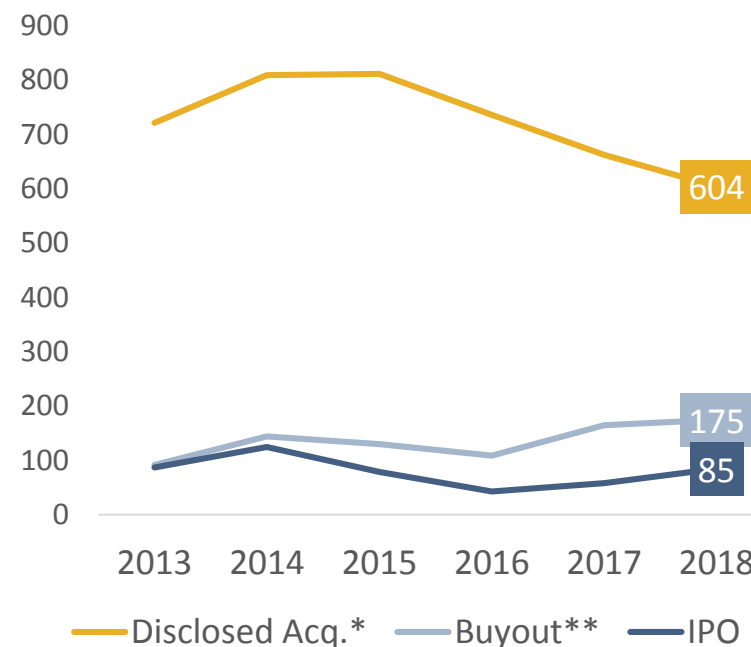
No. of U.S. VC Funds Closed



No. of U.S. VC Investments

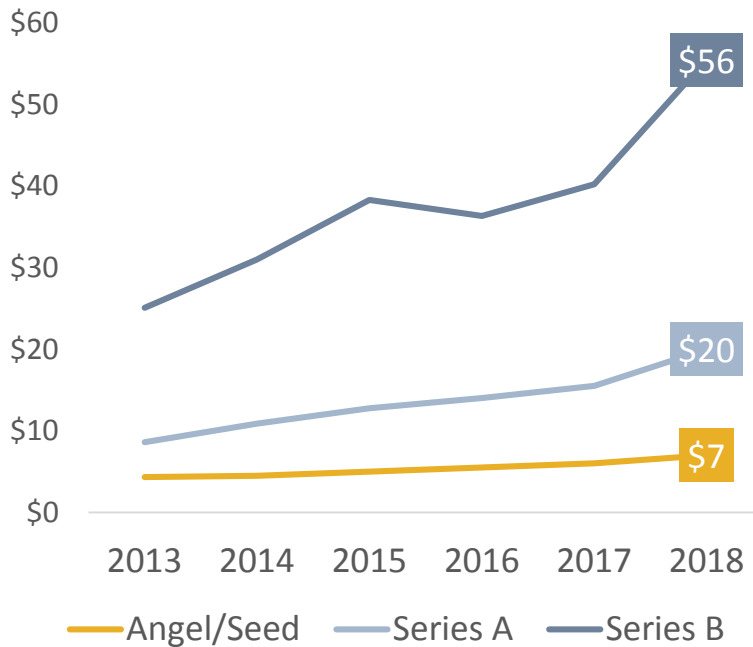


No. of U.S. VC-backed Exits

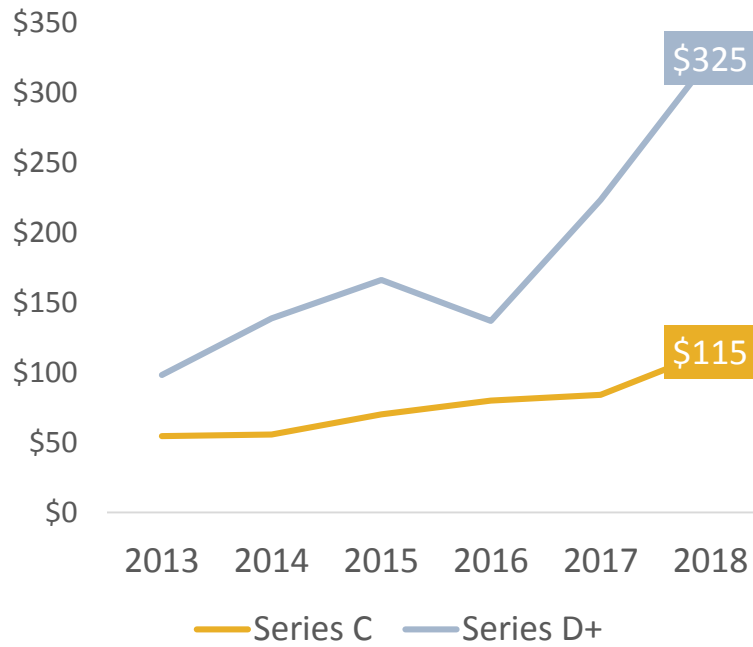


4. Rising Valuations & Maturing Companies

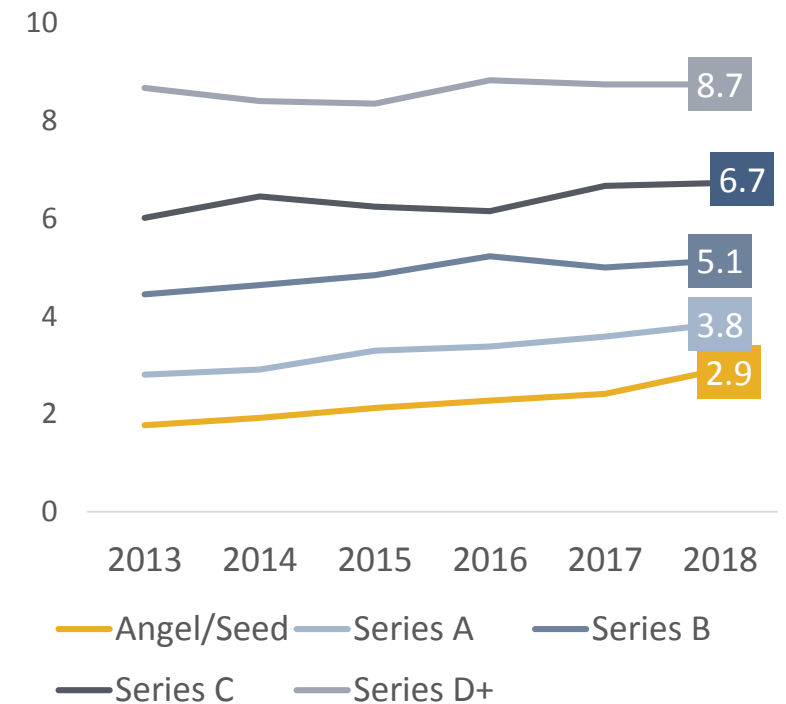
Median Pre-Money Valuation (\$M)



Median Pre-Money Valuation (\$M)

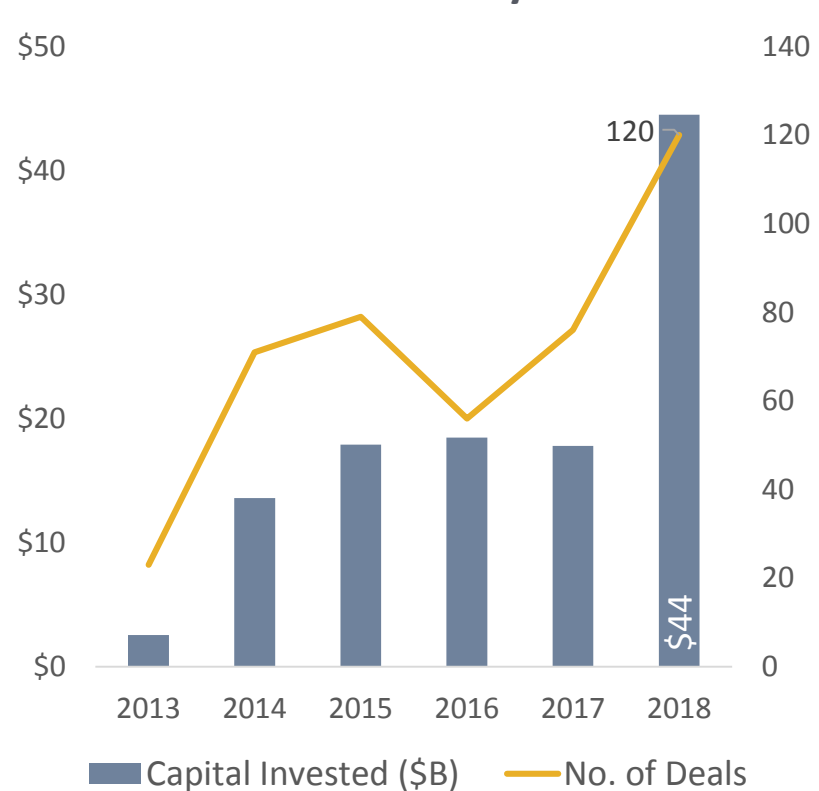


Median Company Age (Years)

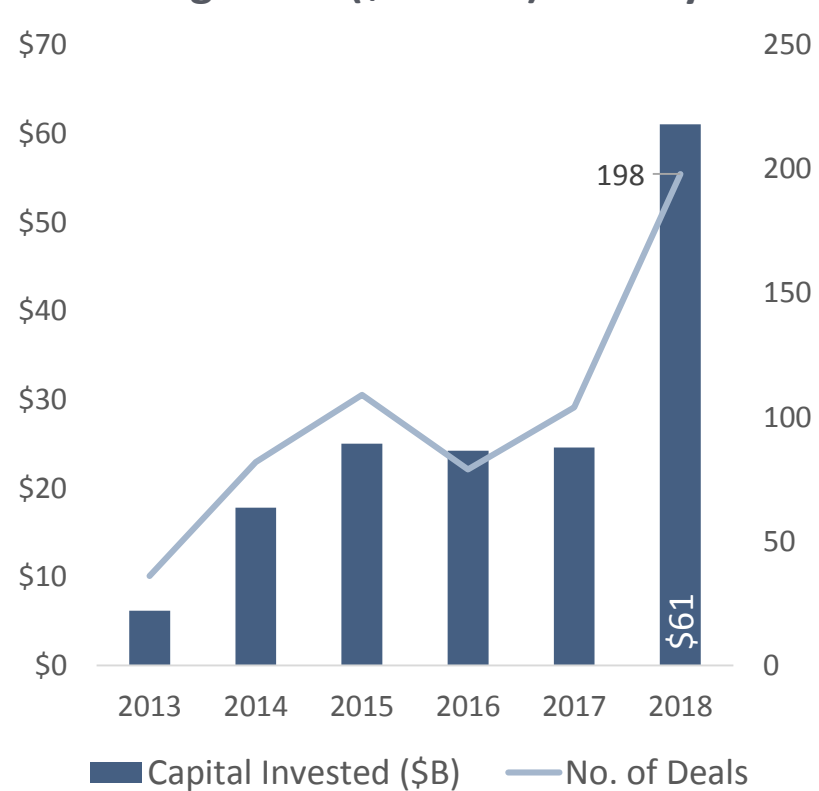


5. Unicorns & Mega Deals Make Big Mark

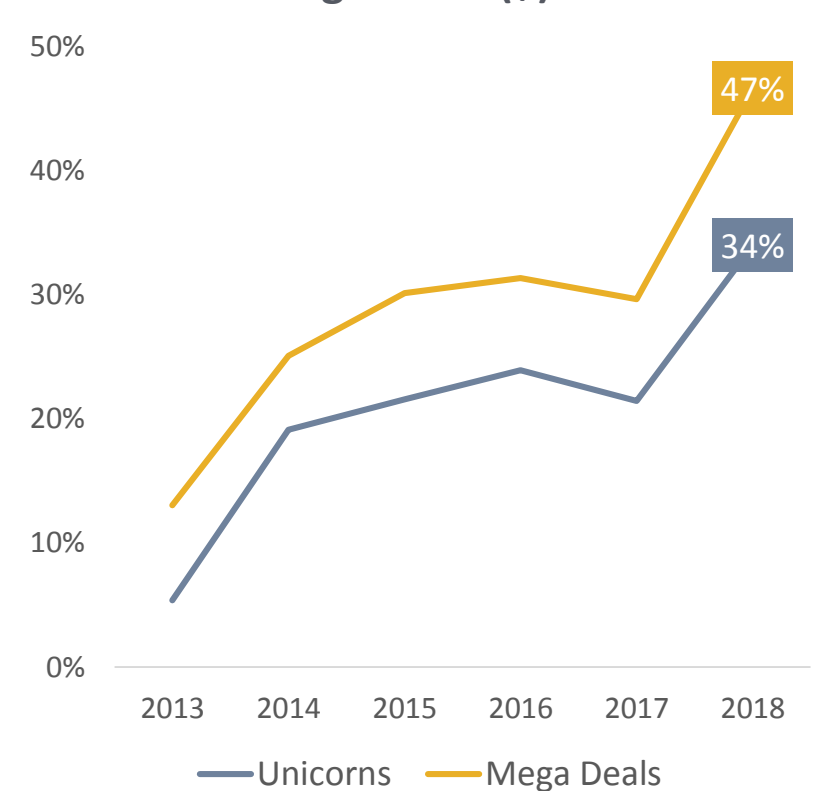
U.S. VC Unicorn Activity



U.S. Mega Deal (\$100M+) Activity

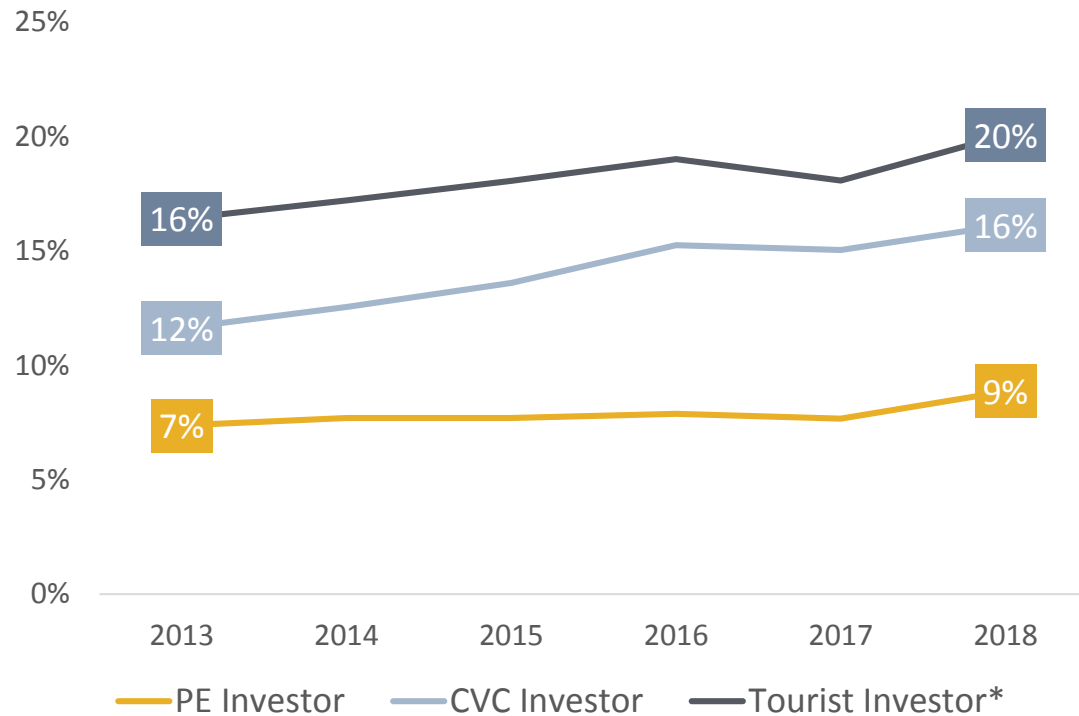


Unicorns & Mega Deals (\$) % of Total VC

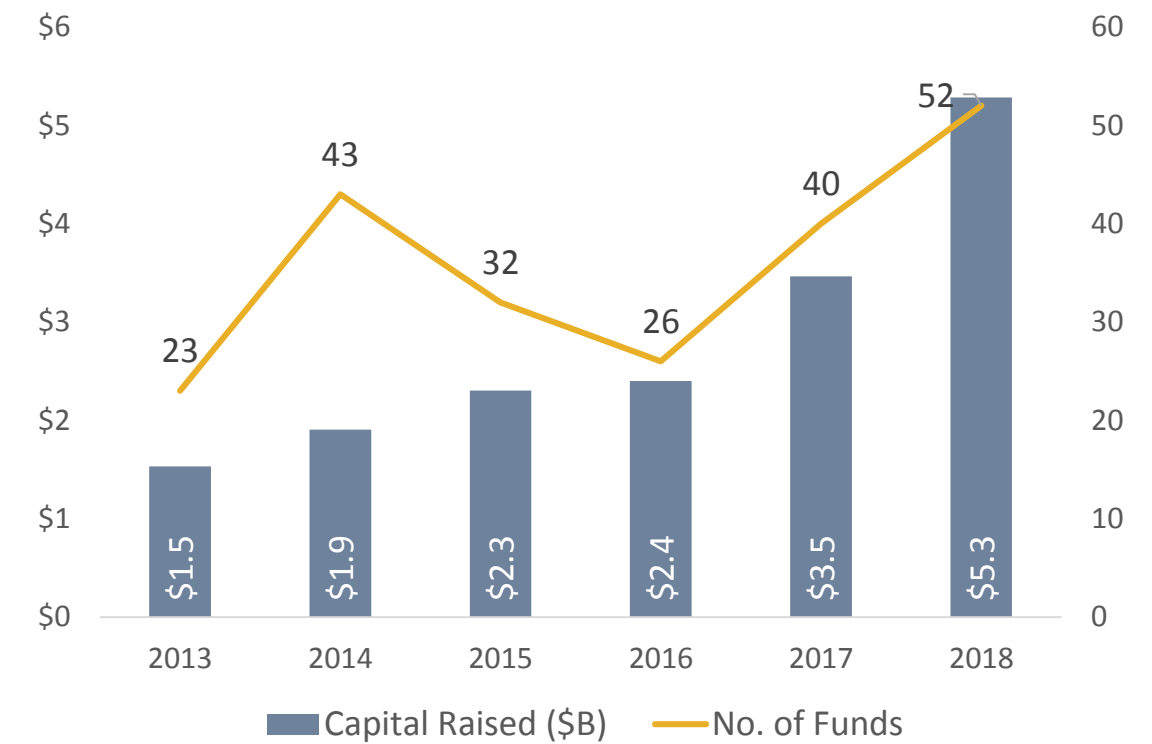


6. New Players: Types of Investors + New VC Funds

% of All U.S. VC Deals (#) with Investor Participation

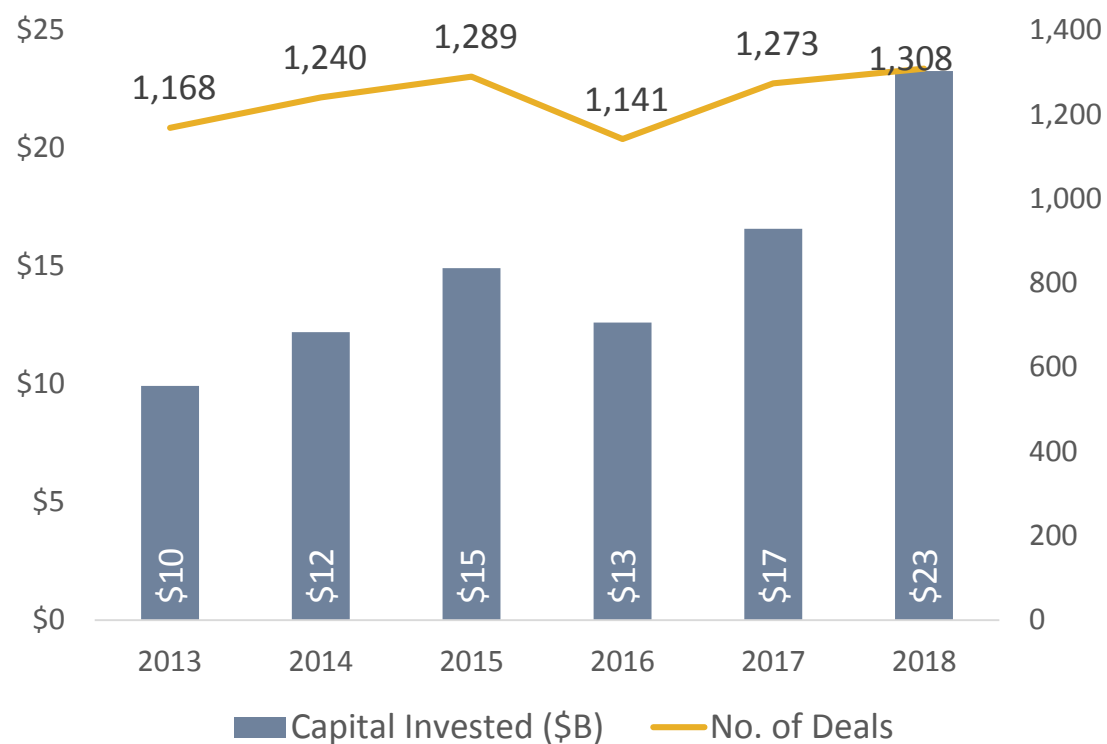


U.S. VC First-time Funds

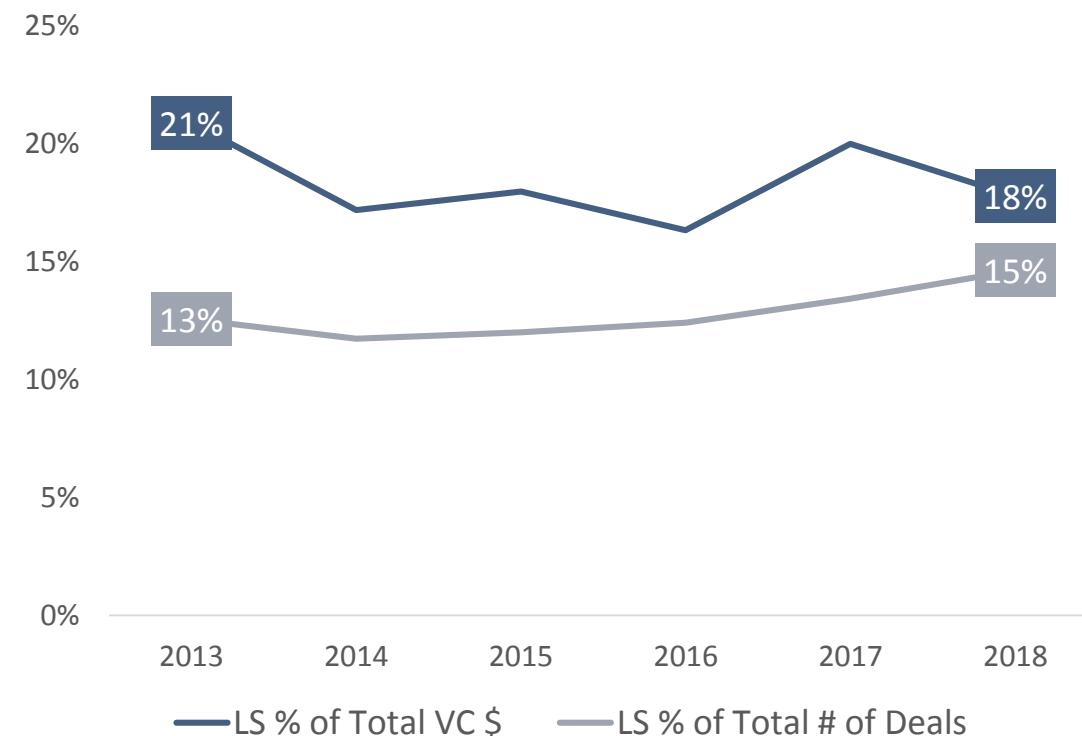


7. Record Year for Life Sciences

U.S. VC Life Science Investment Activity

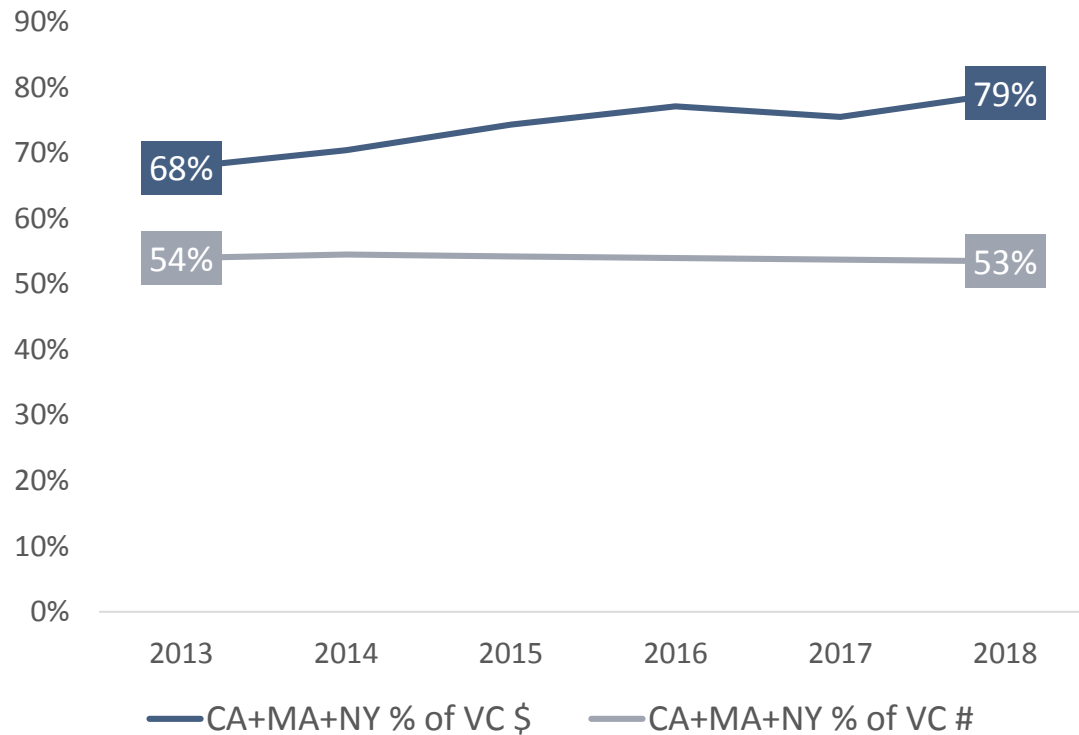


U.S. VC Life Science Investment % of Total VC



8. VC Still Geographically Concentrated but Bright Spots in Emerging Ecosystems

VC Investment in CA+MA+NY as % of Total U.S.



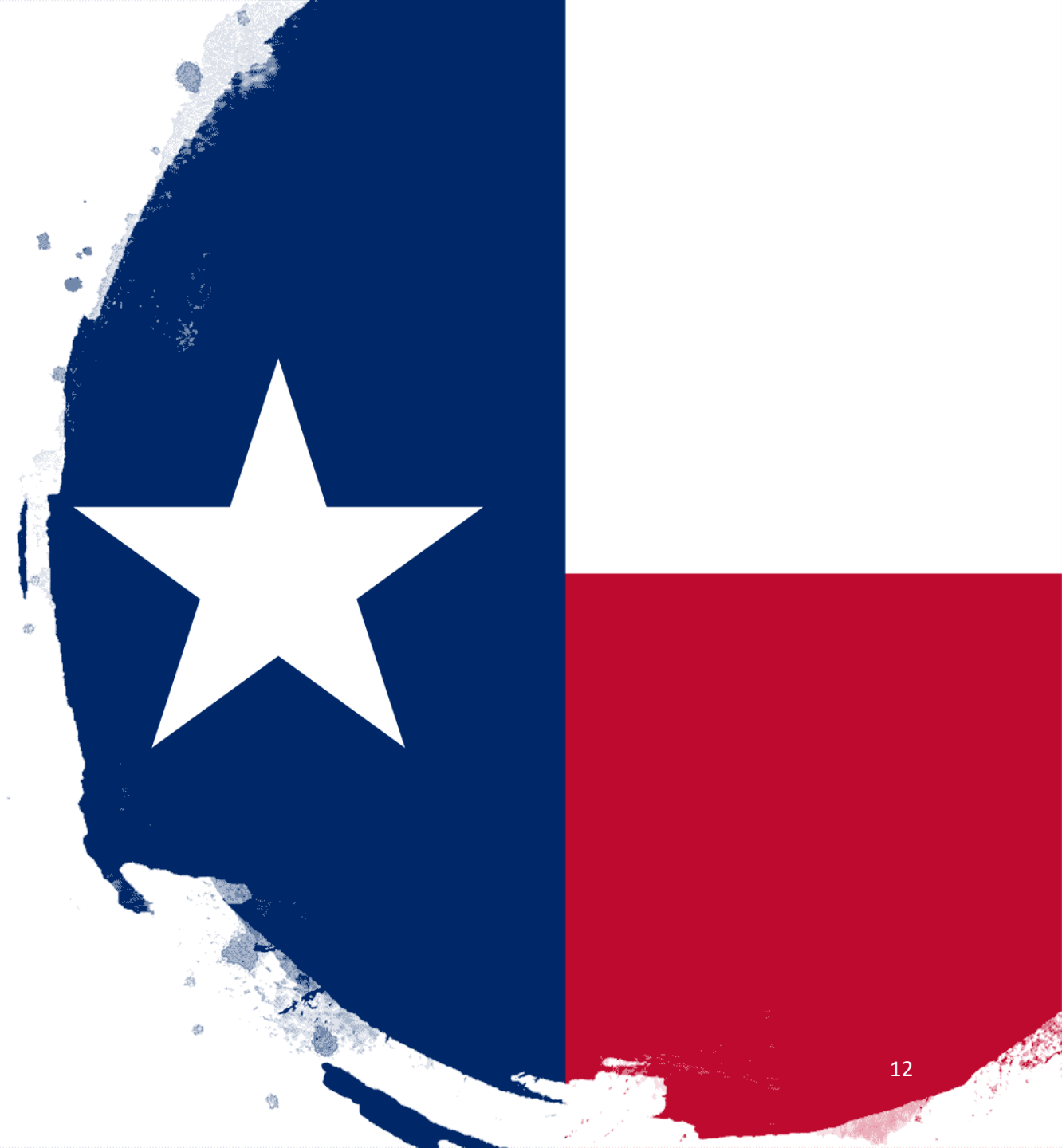
States* with the Biggest YoY VC \$ Increase

	Capital Invested (\$M)		YoY % Change
	2017	2018	
Vermont	\$14	\$37	165%
North Carolina	\$998	\$2,621	163%
Ohio	\$410	\$1,026	150%
Maryland	\$553	\$1,375	149%
Indiana	\$168	\$368	119%

In Comparison: CA, MA, & NY

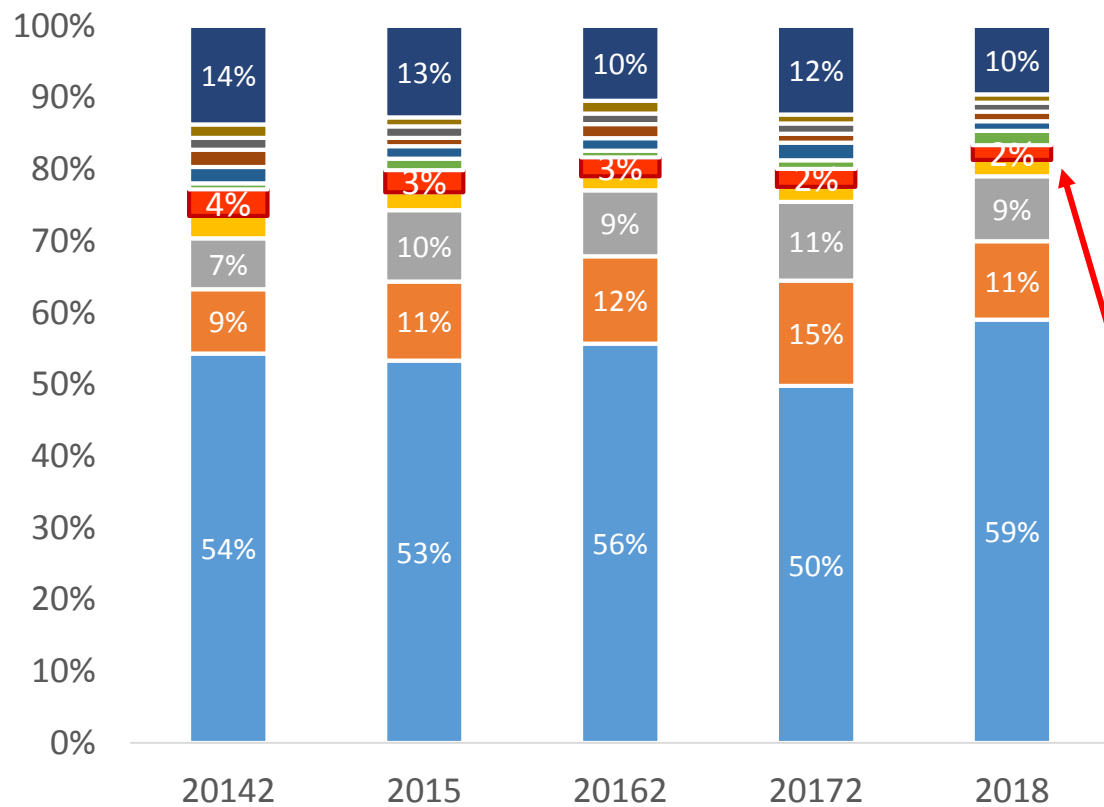
	Capital Invested (\$M)		YoY % Change
	2017	2018	
California	\$41,303	\$77,298	87%
Massachusetts	\$9,100	\$11,886	31%
New York	\$12,182	\$14,312	17%

What's Happening in Texas

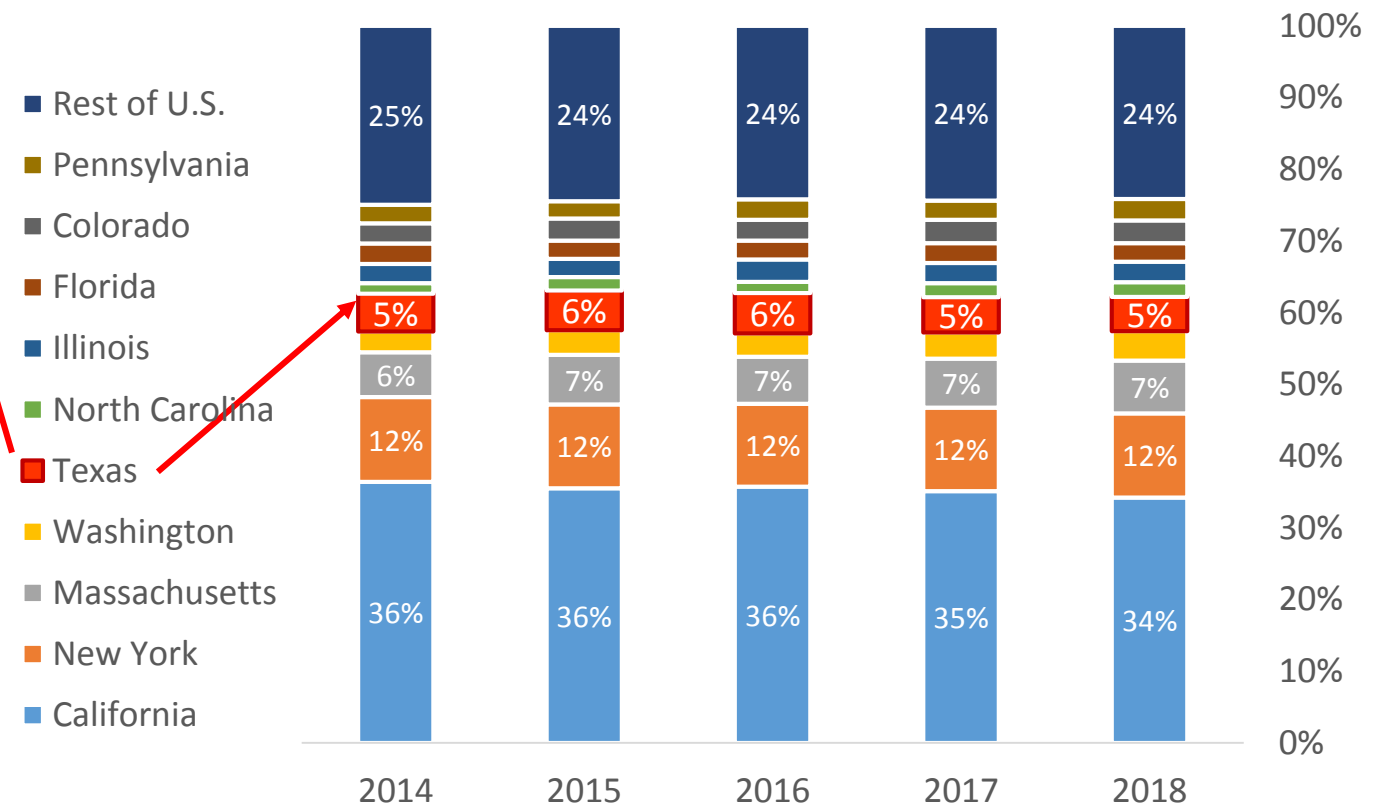


WA Surpasses TX for VC \$; TX Retains 4th Spot for VC Deal Count

Top 10 States as % of Total VC Dollars Invested

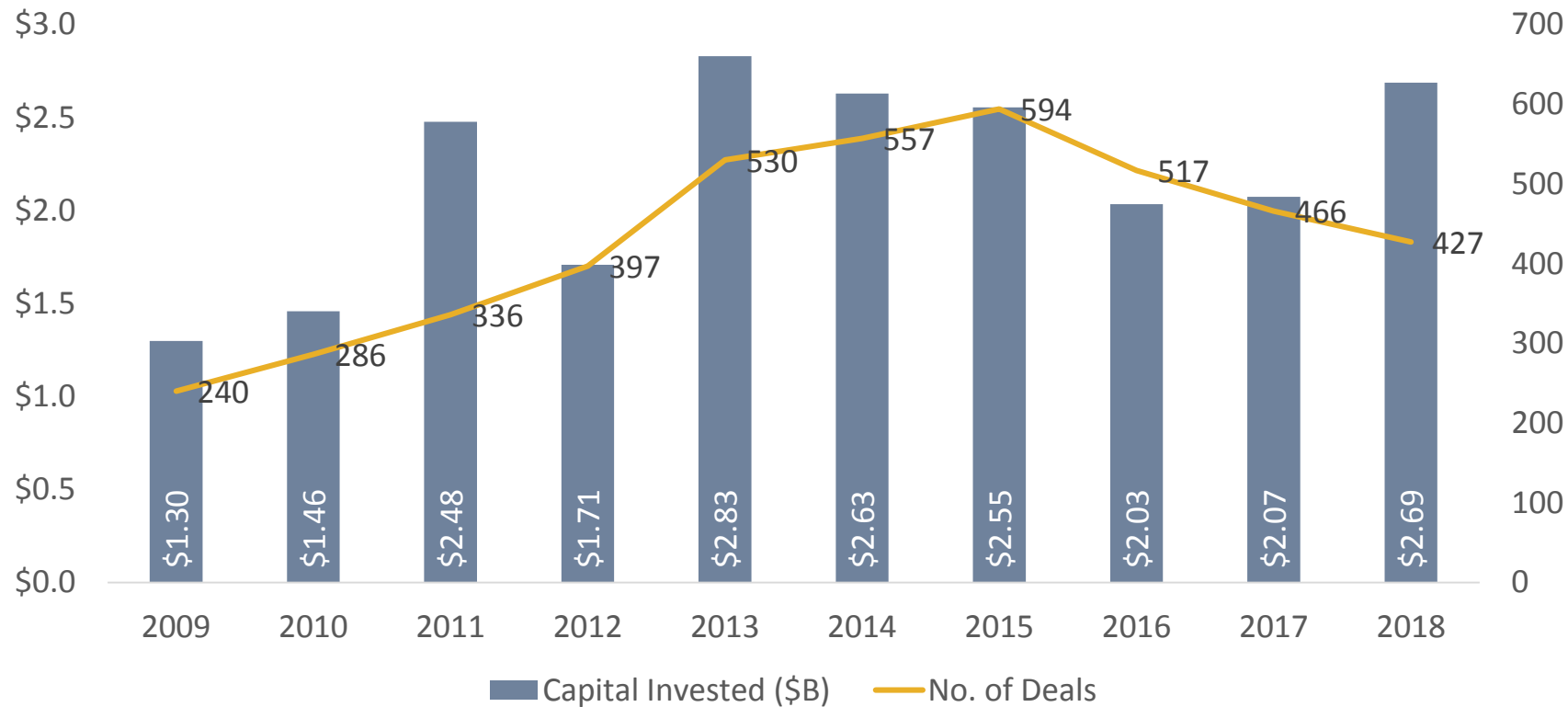


Top 10 States as % of Total VC No. of Deals



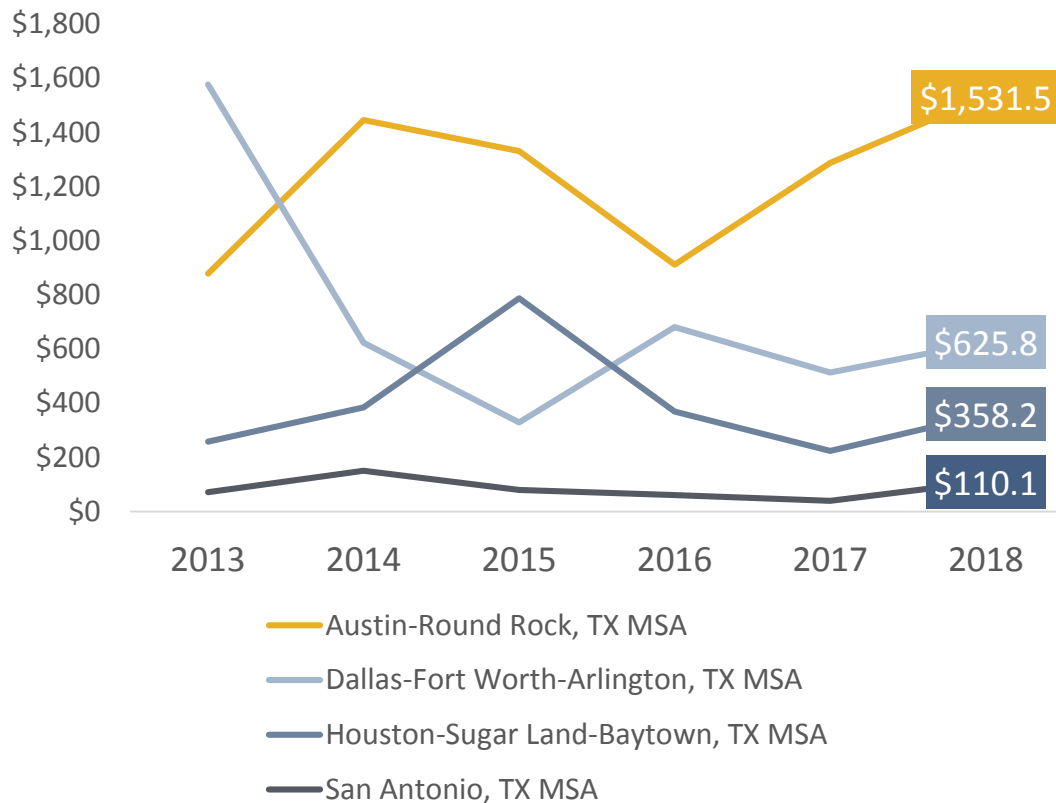
2018 VC \$ Invested in TX was 2nd Highest in Decade; 6-year Low for Deal Count

Texas Venture Capital Investment Activity

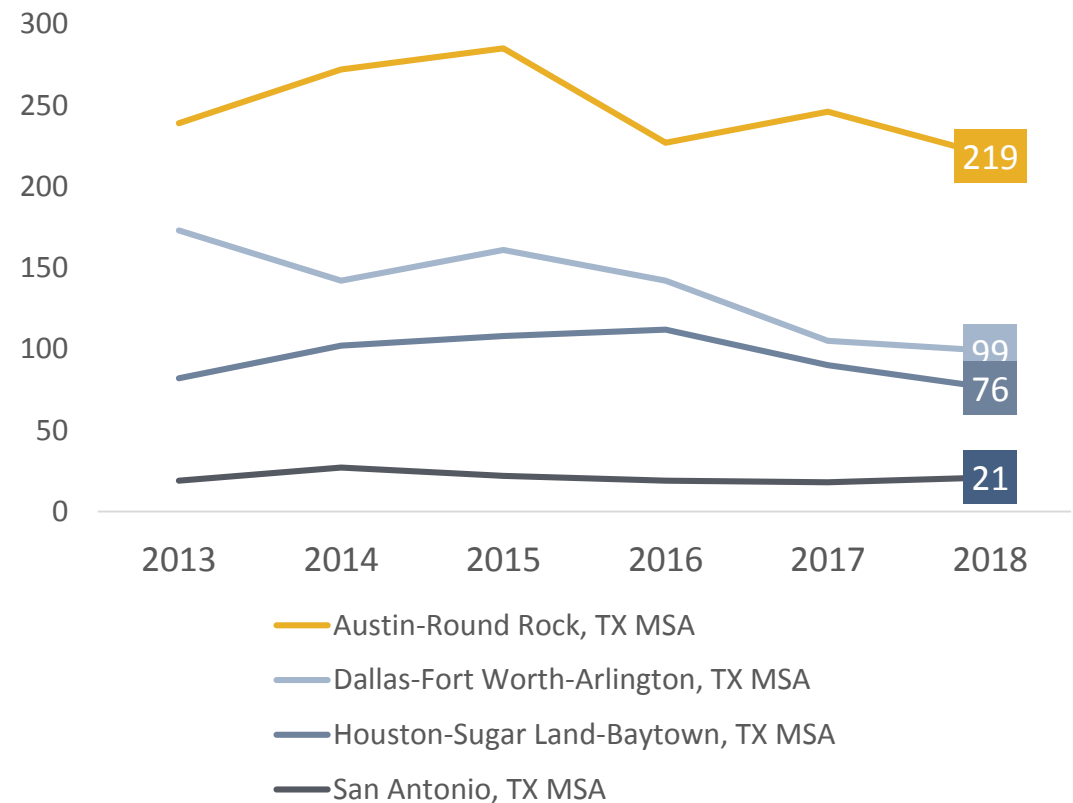


4 Major TX MSAs Saw YoY VC \$ Increases; Most Pronounced in Austin

VC Capital Invested by MSA in Texas (\$M)



VC No. of Deals by MSA in Texas



What's Happening in Washington

Public policy objectives



Foreign Investment Scrutiny & VC

Foreign investment scrutiny has significantly impacted the VC and startup ecosystem in recent months:

- *Foreign Investment Risk Review Modernization Act (FIRRMA)* became law in August
- FIRRMA greatly enhances power of CFIUS to review even minority investments
- Motivation was China but is global...for now
- CFIUS now significantly more relevant to VC
- Sweeping pilot rules announced October 10 and mandatory filings began November 10

Who should care about FIRRMA?

VCs with foreign LPs

VCs with foreign co-investors

Corporate venture groups with foreign parents

VCs with portfolio companies that might raise foreign capital

Is there anyone left?

Tax Policy

NVCA advocates for tax policy that encourages new company formation



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



Immigration: What is the fate of IER?

- *International Entrepreneur Rule (IER)* is in place due to NVCA lawsuit, but DHS issued new rule to end IER
- In May 2018, NVCA submitted comments and led coalition. To repeal IER, the administration needs to process vast amount of comments
- Current state of Dept. Homeland Security has two possibilities
 - Working on repeal order **or**
 - Their repeated attempts to repeal has chilled applications enough to effectively kill the program, but they are keeping IER on the books has benefit
- **H-1B rule** also possible under “Buy American, Hire American”

Volcker Rule Reform

- NVCA submitted proposal to regulators in October
 - Allow **bank investment into venture capital funds**
 - Two regulatory paths to achieve proposal
 - Exempt VC
 - Regulatory parity



CAYUGA VENTURE FUND



VC Definition Modernization (RIA)

Make all investments into EGCs (including secondary) qualifying investments

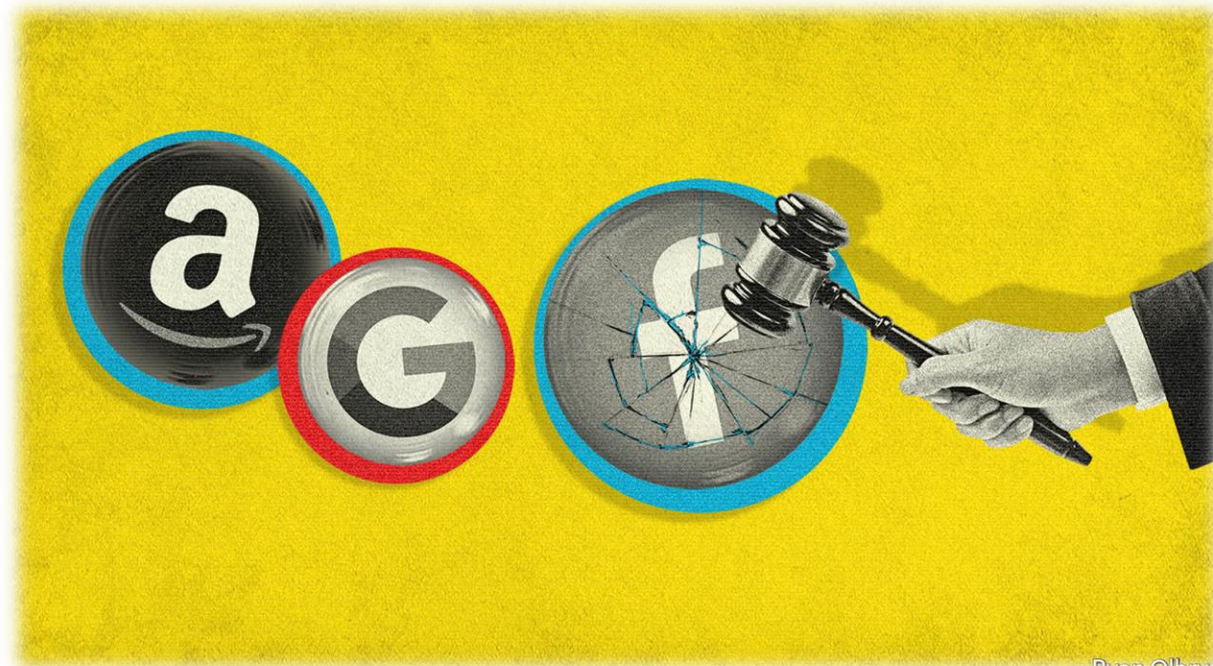
Make fund of funds investments into other VC funds qualifying

Clarify that crypto investments are qualifying investments

Modify leverage limitations to allow for extended leverage timelines for indebtedness incurred in connection with capital calls

Techlash (and implications 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 doubt** they give to private enterprise
- Not to be outdone by the administration, Democrats stepping up **historical criticism** of data use and privacy concerns



Ryan Olbryst



Questions?
Contact NVCA

NVCA@nvca.org