Southwest Venture Forum

January 18, 2024

Bobby Franklin
President and CEO, NVCA
Entrepreneur
Some Venture-Backed Companies
THE MECHANICS OF VENTURE CAPITAL
The Mechanics of Venture Capital: Where Does The Capital Come From?

General Partners
- Venture Capitalists

Limited Partners
- Institutional Investors (USAA)
- Non-Profit Endowments
- Family Offices
What do VCs Do For Founders?

- **Strategic Advice**: 87%
- **Marketing Intros**: 69%
- **Board Management**: 58%
- **Personnel Management**: 46%
- **Operational Guidance**: 65%
- **Other**: 20%
Average Frequency of contact with portfolio companies

- Once a week: 34%
- Multiple times a week: 27%
- 2-3 times a month: 26%
- Once a month: 10%
- Less than Monthly: 2%
- Everyday: 1%

The Mechanics of Venture Capital: Helping founders
One Study's Fundings Over Ten Years

VC-Backed Companies 100%

- Failure 75%
- Merger or Acquisition 18%
- Stay Independent 7%
- Stay Private 2%
- Go Public 5%

The mechanics of venture capital: What happens to VC-backed companies?
Reinvest and Start Again

Raise Fund

Deploy Fund

Grow Portfolio Companies

Return Fund

The Mechanics of Venture Capital: (It’s a Cycle)
VC’S IMPORTANCE TO THE U.S. ECONOMY
VC’s Importance to the US Economy: Higher Value Companies

VC-Backed Companies Create Tremendous Value

New Companies Founded Between 1975 and 2015

- VC-Backed, 0.18%
- Non VC-Backed, 99.82%

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

- VC-Backed, 57.00%
- Non VC-Backed, 43.00%

Source: Strebulaev & Gornall
Annualized Growth Rate of Employment from 1990 to 2020

VC-BACKED GROWTH
960% VS TOTAL PRIVATE SECTOR 40%

Annualized Growth Rate of Employment from 1990 to 2020

VC-BACKED COMPANIES 8.2% VS TOTAL PRIVATE SECTOR 1.1%

Source: Brown & Chow

VC’s Importance to the US Economy: More Jobs Faster
VC-Backed Companies Do America’s R&D

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

<table>
<thead>
<tr>
<th>Technology</th>
<th>Investment ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AI &amp; Machine Learning</td>
<td>$92</td>
</tr>
<tr>
<td>Life Sciences</td>
<td>$61</td>
</tr>
<tr>
<td>Big Data</td>
<td>$55</td>
</tr>
<tr>
<td>Climate Tech</td>
<td>$49</td>
</tr>
<tr>
<td>Advanced Manufacturing</td>
<td>$31</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>$27</td>
</tr>
<tr>
<td>Aerospace</td>
<td>$17</td>
</tr>
<tr>
<td>Drones and Robotics</td>
<td>$11</td>
</tr>
</tbody>
</table>

Source: Pitchbook

VC’s Importance to the US Economy: Frontier Technology
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

The Mechanics of Venture Capital: 2023 Key Facts
VC-BACKED COMPANIES

- Generate Greater Value
- Create More Jobs
- Spark Better Innovations
TRENDS IN VC
2023 Venture Investment by Sector
(#)

- Software & IT: 31%
- Healthcare & Life Sciences: 29%
- C&C Goods and Services: 22%
- AI/Machine Learning: 10%
- Other: 8%

The Mechanics of Venture Capital: How Are Funds Deployed?
INVESTMENTS: By Deals And Dollars

![Chart showing deal value and deal count from 2013 to 2023*](image-url)
## Future Investment: Fundraising

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Raised ($B)</th>
<th>Fund Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$22.5</td>
<td>$340</td>
</tr>
<tr>
<td>2014</td>
<td>$38.5</td>
<td>494</td>
</tr>
<tr>
<td>2015</td>
<td>$42.4</td>
<td>581</td>
</tr>
<tr>
<td>2016</td>
<td>$50.9</td>
<td>628</td>
</tr>
<tr>
<td>2017</td>
<td>$46.8</td>
<td>662</td>
</tr>
<tr>
<td>2018</td>
<td>$71.4</td>
<td>795</td>
</tr>
<tr>
<td>2019</td>
<td>$72.8</td>
<td>786</td>
</tr>
<tr>
<td>2020</td>
<td>$93.0</td>
<td>927</td>
</tr>
<tr>
<td>2021</td>
<td>$169.2</td>
<td>1,543</td>
</tr>
<tr>
<td>2022</td>
<td>$172.8</td>
<td>1,340</td>
</tr>
<tr>
<td>2023</td>
<td>$66.9</td>
<td>374</td>
</tr>
</tbody>
</table>

*Data for 2023 is estimated.*
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

The Mechanics of Venture Capital: Where Did All The Exits Go?
POLICY
If You’re Not At The Table, You’re On The Menu
## THREATS

### OBSTACLES TO INNOVATION

<table>
<thead>
<tr>
<th>SEC</th>
<th>FTC</th>
<th>Commerce</th>
<th>2025</th>
</tr>
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<tbody>
<tr>
<td>Private Funds Rule</td>
<td>Antitrust Guidelines</td>
<td>March-In Rights</td>
<td>Tax Bill</td>
</tr>
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</table>

NVCA’s Policy Agenda: Threats, Obstacles to Innovation
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

NVCA’s Policy Agenda: Threats, FTC
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

NVCA’s Policy Agenda: Election 2024
OPPORTUNITIES
INVESTMENT IN INNOVATION

$10B  $1.2T  $500B  $280B

SSBCI  Bipartisan Infrastructure Package  Inflation Reduction Act  CHIPS and Science Act

NVCA’s Policy Agenda: Opportunities, Investments In Innovation
$10B
Authorized for a Variety of Capital Formation Programs

SSBCI Funds Status As of 12/2023

- $10.0B Authorized
- $7.5B Allocated
- $0.9B Deployed

$2.5B of SSBCI Funds Remain Unallocated and $6.46B Remain Undeployed
$1.7T
Authorized for Infrastructure Modernization

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

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.
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 | hello@ventureforward.org
QUESTIONS

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