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)

Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor
2. Bigger Funds, Investments, & Exits

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

- All U.S.: $82 (2018)

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

- Seed: $0.7 (2013), $2.0 (2018)

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

- Disclosed Acq.: $100 (2013), $150 (2018)

Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor

* Strategic acquisition by a corporation; ** PE-sponsored acquisition
3. Fewer Funds, Investments, & Exits

**No. of U.S. VC Funds Closed**
- 2013: 325
- 2014: 275
- 2015: 230
- 2016: 190
- 2017: 150
- 2018: 256

**No. of U.S. VC Investments**
- Angel: 3,156
- Seed: 2,086
- Early VC: 2,032
- Later VC: 1,404

**No. of U.S. VC-backed Exits**
- Disclosed Acq.*: 604
- Buyout**: 175
- IPO: 85

* Strategic acquisition by a corporation; ** PE-sponsored acquisition
Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor
4. Rising Valuations & Maturing Companies

**Median Pre-Money Valuation ($M)**

- **Angel/Seed**: $7, $20, $56
- **Series A**: $10, $20, $30, $40, $50, $60
- **Series B**: $20, $30, $40, $50, $60
- **Series C**: $50, $100, $150, $200, $250, $300, $350
- **Series D+**: $115

**Median Company Age (Years)**

- **Angel/Seed**: 0
- **Series A**: 2
- **Series B**: 4
- **Series C**: 6
- **Series D+**: 8

Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor
5. Unicorns & Mega Deals Make Big Mark

**U.S. VC Unicorn Activity**
- Capital Invested ($B)
- No. of Deals

**U.S. Mega Deal ($100M+) Activity**
- Capital Invested ($B)
- No. of Deals

**Unicorns & Mega Deals ($) % of Total VC**
- Unicorns
- Mega Deals

Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor
6. New Players: Types of Investors + New VC Funds

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

<table>
<thead>
<tr>
<th>Year</th>
<th>PE Investor</th>
<th>CVC Investor</th>
<th>Tourist Investor*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>16%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>2014</td>
<td>16%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>2015</td>
<td>20%</td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

U.S. VC First-time Funds

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Raised ($B)</th>
<th>No. of Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$1.5</td>
<td>23</td>
</tr>
<tr>
<td>2014</td>
<td>$1.9</td>
<td>43</td>
</tr>
<tr>
<td>2015</td>
<td>$2.3</td>
<td>32</td>
</tr>
<tr>
<td>2016</td>
<td>$2.4</td>
<td>26</td>
</tr>
<tr>
<td>2017</td>
<td>$3.5</td>
<td>40</td>
</tr>
<tr>
<td>2018</td>
<td>$5.3</td>
<td>52</td>
</tr>
</tbody>
</table>

*Tourist investors are non-VC firms, non-CVC firms, and non-angels/incubators.

Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor
7. Record Year for Life Sciences

U.S. VC Life Science Investment Activity

- Capital Invested ($B) and No. of Deals
- Data as of 12/31/2018
- Source: 4Q 2018 PitchBook-NVCA Venture Monitor

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

- LS % of Total VC $ and LS % of Total # of Deals
- Source: 4Q 2018 PitchBook-NVCA Venture Monitor
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

In Comparison: CA, MA, & NY

*Includes states with at least 20 deals in 2018
Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor
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

<table>
<thead>
<tr>
<th>Year</th>
<th>CA</th>
<th>MA</th>
<th>NY</th>
<th>TX</th>
<th>WA</th>
<th>Rest of U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>24%</td>
<td>14%</td>
<td>54%</td>
</tr>
<tr>
<td>2015</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>24%</td>
<td>13%</td>
<td>53%</td>
</tr>
<tr>
<td>2016</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>24%</td>
<td>10%</td>
<td>56%</td>
</tr>
<tr>
<td>2017</td>
<td>36%</td>
<td>36%</td>
<td>36%</td>
<td>24%</td>
<td>12%</td>
<td>50%</td>
</tr>
<tr>
<td>2018</td>
<td>35%</td>
<td>34%</td>
<td>35%</td>
<td>24%</td>
<td>10%</td>
<td>59%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>CA</th>
<th>MA</th>
<th>NY</th>
<th>TX</th>
<th>WA</th>
<th>Rest of U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>25%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>36%</td>
</tr>
<tr>
<td>2015</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>36%</td>
</tr>
<tr>
<td>2016</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>36%</td>
</tr>
<tr>
<td>2017</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>35%</td>
</tr>
<tr>
<td>2018</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor
2018 VC $ Invested in TX was 2\textsuperscript{nd} Highest in Decade; 6-year Low for Deal Count

Texas Venture Capital Investment Activity

Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor
4 Major TX MSAs Saw YoY VC $ Increases; Most Pronounced in Austin

VC Capital Invested by MSA in Texas ($M)

<table>
<thead>
<tr>
<th>Year</th>
<th>Austin-Round Rock, TX MSA</th>
<th>Dallas-Fort Worth-Arlington, TX MSA</th>
<th>Houston-Sugar Land-Baytown, TX MSA</th>
<th>San Antonio, TX MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$0</td>
<td>$1,800</td>
<td>$1,000</td>
<td>$0</td>
</tr>
<tr>
<td>2014</td>
<td>$1,000</td>
<td>$1,600</td>
<td>$800</td>
<td>$0</td>
</tr>
<tr>
<td>2015</td>
<td>$800</td>
<td>$1,400</td>
<td>$1,200</td>
<td>$0</td>
</tr>
<tr>
<td>2016</td>
<td>$1,200</td>
<td>$1,600</td>
<td>$1,400</td>
<td>$0</td>
</tr>
<tr>
<td>2017</td>
<td>$1,400</td>
<td>$1,800</td>
<td>$1,600</td>
<td>$0</td>
</tr>
<tr>
<td>2018</td>
<td>$1,600</td>
<td>$1,800</td>
<td>$1,800</td>
<td>$0</td>
</tr>
</tbody>
</table>

VC No. of Deals by MSA in Texas

<table>
<thead>
<tr>
<th>Year</th>
<th>Austin-Round Rock, TX MSA</th>
<th>Dallas-Fort Worth-Arlington, TX MSA</th>
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<th>San Antonio, TX MSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>21</td>
<td>30</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>76</td>
<td>150</td>
<td>100</td>
<td>5</td>
</tr>
<tr>
<td>2015</td>
<td>99</td>
<td>200</td>
<td>150</td>
<td>10</td>
</tr>
<tr>
<td>2016</td>
<td>219</td>
<td>250</td>
<td>200</td>
<td>20</td>
</tr>
<tr>
<td>2017</td>
<td>219</td>
<td>250</td>
<td>200</td>
<td>20</td>
</tr>
<tr>
<td>2018</td>
<td>219</td>
<td>250</td>
<td>200</td>
<td>20</td>
</tr>
</tbody>
</table>

Data as of 12/31/2018
Source: 4Q 2018 PitchBook-NVCA Venture Monitor
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
Blockchain Technology

VCs make some of the most critical technology investment decisions in the U.S. economy

Regulatory certainty for fully functional blockchain networks is critical to determining the full promise of the technology
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
## VC Definition Modernization (RIA)

<table>
<thead>
<tr>
<th>Make all investments into EGCs (including secondary) qualifying investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make fund of funds investments into other VC funds qualifying</td>
</tr>
<tr>
<td>Clarify that crypto investments are qualifying investments</td>
</tr>
<tr>
<td>Modify leverage limitations to allow for extended leverage timelines for indebtedness incurred in connection with capital calls</td>
</tr>
</tbody>
</table>
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
Questions?
Contact NVCA

NVCA@nvca.org