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## **Washington State Venture Capitalists Predict Decreased Availability of Capital in Latest WTIA Survey**

*National economic concerns fall lower on list, portfolio-company hiring and deal valuations to decrease substantially.*

**SEATTLE – January 15, 2009** – While economic issues remain a top concern both nationally and abroad, the Washington state venture capital community's primary challenge for the coming quarter will be availability of capital, according to the Q1 2009 Venture Capital Outlook Survey from the Washington Technology Industry Association (WTIA). In the WTIA's most recent survey, availability of capital overtook the national economic climate as VCs No. 1 concern.

The survey queries top local VC firms about indicators for the coming quarter and covers topics such as deal quality, deal quantity, expected exits and various business metrics for their portfolio companies. Results are compared to previous quarters. Key highlights from the Q1 2009 survey, which is sponsored by Ernst & Young and Perkins Coie, include:

- **Heightened concern about availability of capital overtakes concern about the economy:** Fifty-six percent of respondents indicated that availability of capital is their primary concern for the upcoming quarter, making it the No. 1 challenge in Q1 for VCs. Falling to second place on the list of concerns is the national economy and overall market growth. This marks a significant departure from the last two quarters of 2008 when these factors were deemed the primary concerns amongst VCs.
- **Considerable slowdown in portfolio-company hiring:** In stark contrast to Q4 2008 when the majority of VCs predicted no change in hiring, 44 percent of respondents predict a decrease of more than 10 percent in Q1, and 56 percent predict no change in workforce growth. In addition, Q1 2009 marks the first time that no VC predicts new hiring of more than 10 percent.
- **No significant change in new deal quality and quantity:** Responses were fairly evenly split regarding outlooks for deal flow. In fact, 44 percent predicted moderately better deal quality in Q1.
- **Bleak outlook for deal valuations:** For the first time, no VC surveyed predicts positive or similar growth in valuations among any stage of new investments.
- **Portfolio-company revenue growth to drop:** Two-thirds of respondents expect the revenue growth of their portfolio company to be moderately or substantially worse than Q4, when only 38 percent of VCs shared that view.

- No exits are expected in Q1, and one-third of respondents expect at least one portfolio company acquisition.

The full results of the survey are available at the WTIA website ([www.washingtontechnology.org](http://www.washingtontechnology.org)).

### **About the Washington Technology Industry Association**

The Washington Technology Industry Association, founded in 1984, is the largest statewide association of technology companies, IT departments and individual technology professionals in North America. With more than 1,000 member companies representing more than 100,000 employees in Washington State, the association is a catalyst for sharing expertise, fostering collaboration, delivering key business services and advancing the value and global impact of technology companies doing business in Washington. The association's global partners are Davis Wright Tremaine LLP, Microsoft, Regence BlueShield, Sun Microsystems, Vertafore and Wells Fargo Insurance Services. The association's funding partners are AH&T Insurance, Comerica Bank, F5 Networks, GrapeCity, Moss Adams and RealNetworks. For more information, go to [www.washingtontechnology.org](http://www.washingtontechnology.org).

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