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## WTIA Venture Capitalist Outlook Survey Shows Hints of Optimism for Q3

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*Despite continuing economic slump, local VCs still plan to make investments in Washington state companies.*

**SEATTLE, WASH – July 21, 2009** – Washington state’s venture capital (VC) community has a mixed outlook for the coming quarter, according to the results of the Q3 2009 Venture Capital Outlook Survey from the [Washington Technology Industry Association](#) (WTIA). While the latest survey predicts continued layoffs among portfolio companies and smaller deals, 80 percent of those surveyed plan on making one or two new investments in Washington state companies in Q3. Overall VCs predict better deal flow quality and quantity in the coming months.

"Entrepreneurial companies that are resilient, well-managed, unique businesses are passing our version of the ‘stress test’ and getting funded," said Andy Dale, managing partner at Buerk Dale Victor. "The local market has stabilized in terms of the number of companies and capital invested and we expect improvement in the quarter ahead. Local VCs are actively managing their portfolio companies and looking for new investments. We are navigating for long-term success and anticipate a brighter 2010."

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 Q3 09 survey, which is sponsored by Ernst & Young, include:

- **Sharp increases in layoffs.** Fifty percent of respondents predict their portfolio companies will reduce workforces by more than 10 percent – compared to just 14 percent of respondents last quarter. On a positive note, 10 percent of those surveyed predict a workforce increase of more than 10 percent, while no one expected hiring to increase in Q2.
- **Better deal flow quality and quantity predicted for Q3, but valuations continue to slip.** All respondents predict stable or improved deal quality and, for the first time this year, not a single participant in the survey expected worse or declining deal flow. The majority of VCs see valuations remaining stable, with the balance predicting valuations will fall.
- **Average size of new investments is decreasing.** Investors see 40% of Q3 deals falling in the \$1-3 million range and 50 percent falling in the \$3-6 million range. Last quarter, 71 percent of deals were expected to fall in the \$3-6 million range.
- **While size of investments is decreasing, the outlook for new investments in Washington state are positive.** Eighty percent of participants in the survey plan to make one to two new investments in Washington state companies in Q3.

The summary and full results of the survey are available on the WTIA's Web site:

<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, Vertafore and Wells Fargo Insurance Services. The association's funding partners are AH&T Insurance, F5 Networks, Moss Adams LLP and RealNetworks. For more information, go to

[www.washingtontechnology.org](http://www.washingtontechnology.org).

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