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WTIA Venture Capitalist Outlook Survey Shows Improving Trends for Q4

Survey shows slowing layoffs, while market growth & national business conditions top concerns

SEATTLE, WASH – October 26, 2009 – Washington state’s venture capital (VC) community shows a slightly more optimistic outlook for the coming quarter, according to the results of the Q4 2009 Venture Capital Outlook Survey from the Washington Technology Industry Association (WTIA). In what may be a reflection of the beginnings of a broader economic recovery, for the third consecutive quarter, predictions are more positive than the previous quarter. Overall, the main concerns for VCs in the coming quarter include overall market growth, national business conditions, and attracting and retaining senior leadership for their portfolio companies.

“It’s encouraging to see the venture community predict a slowdown in company layoffs, and to also see a gradual improvement of valuations for both mid and late stage deals,” said Ken Myer, president and CEO of the WTIA. “We appear to have reached a point of stability, with job losses expected to slow yet hiring not projected to increase. Hopefully we are turning a corner but concern remains given the slow economic recovery and the impact on company sales.”

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 Q4 09 survey, which is sponsored by Ernst & Young, include:

- **Layoffs predicted to decline sharply in Q4.** Eleven percent of respondents predict their portfolio companies will reduce workforces by more than 10 percent, a sharp decrease from the 50 percent of respondents who expected similar-sized layoffs last quarter. In the near term, however, hiring is not expected to increase.
- **Late stage investments up.** Sixty-seven percent of participants predict a moderate increase in late-stage investments, up from twenty seven percent last quarter. This is the most optimistic forecast among all stages this year.
- **Mid-stage investment opportunities rise.** Thirty-three percent of participants predict moderately higher investments in this category—up from just eighteen percent last quarter. Twenty-two percent of respondents predict moderately lower early-stage investments, down from 36 percent last quarter.
- **Investment plans, both new and follow-on, remain similar to last quarter.** Seventy percent of participants in the survey plan to make one to two new investments in Washington state companies in Q4.

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 1,100 member companies representing more than 125,000 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.

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