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Venture Capital Outlook Survey First Quarter 2010

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Venture Capital Outlook Survey First Quarter 2010

Venture Capitalists, financing Washington’s early-stage investments, were polled as part of the Washington Technology Industry Association’s quarterly Venture Capital Outlook Survey --- an ongoing look at the Venture Capital investing climate in Washington State.

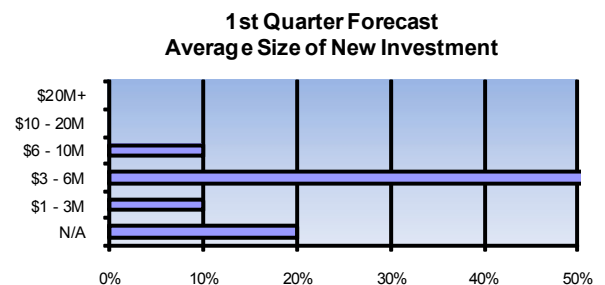
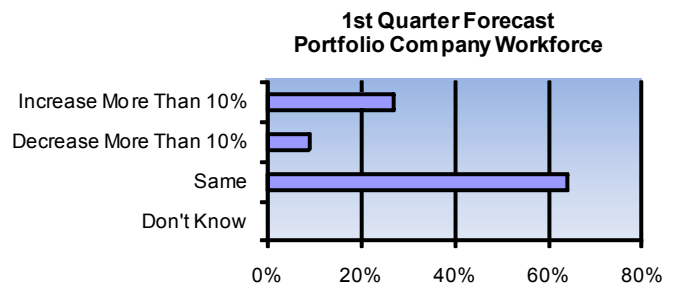
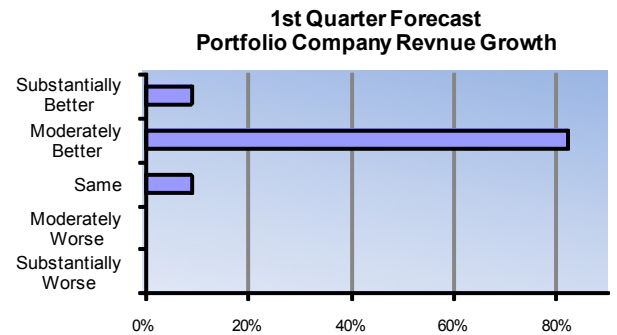
This survey queries top, local VC firms about indicators for the coming quarter and explores such topics as projected deal quality, deal quantity, expected exits, and portfolio-company condition --- all in comparison to the preceding quarter.

The WTIA worked closely with the local VC community to both develop this survey and obtain their commitment to participate on a quarterly basis. It is believed this information will be helpful to Washington State investors, entrepreneurs, and governmental institutions as they seek to understand the Venture Capital investment climate as viewed by those who make local investments.

Portfolio-Company Conditions Improving: Revenue Growth and Hiring More Optimistic; Quantity of Deal Flow Up. National Economy and Business Conditions Remain Top Concerns.

Key Data Points:

- ⇒ Ninety-one percent of all respondents predict revenue growth for portfolio companies — 82% moderately better; 9% substantially better.
- ⇒ Twenty-seven percent of respondents predict their portfolio companies will increase their workforce by more than 10% - this is the most optimistic prediction since Q3 of 2008.
- ⇒ Layoff predictions are down for the third straight quarter with only 9% predicting their portfolio companies will decrease their workforce by 10%.
- ⇒ Average size of new investment rounds is predicted to increase. Sixty percent of respondents predict their new investments in Q1 will be in the \$3-6M value range compared to 44% who were investing at the same deal size last quarter - 10% percent will be in the \$6-10M value range.

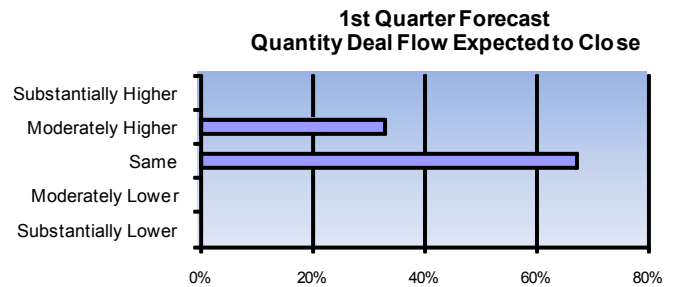
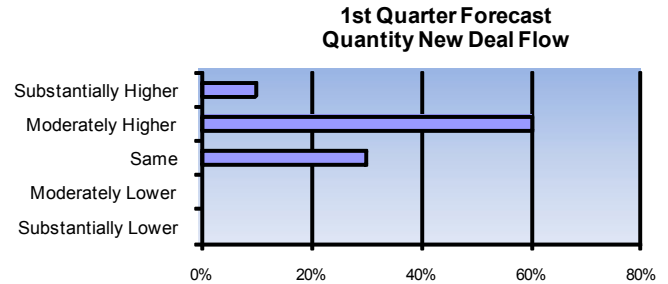




⇒ Confidence in the **quantity of NEW deal flow and deal flow expected to close** is up compared to the prior quarter. Sixty percent of respondents predict **new deal flow quantity** to be moderately higher - with another 10% predicting a substantially higher deal flow volume. Sixty percent of respondents share a moderately higher confidence in **quantity of deal flow expected to close** - compared to only 33% last quarter.

⇒ One company is predicted to go public in the fourth quarter.

⇒ Top challenges facing portfolio companies continue to be national business conditions and overall market growth. This is consistent over the past three quarters. One respondent points out “difficulties still exist in finding strong investor syndicates with ample capital.” Another sees the biggest challenge for the investment environment “to be the exit market or lack thereof.”



The Washington Technology Industry Association publishes the results of this survey on a quarterly cadence and believes the value of the data will only increase over time. We appreciate the time and support of the participants.

The full report is available at www.washingtontechnology.org which includes the percentile responses by each of the 21 questions explored in this survey. For questions or comments please contact David Kosciuk at (206)448-3033 x134, dkosciuk@washingtontechnology.org. Media inquires may be directed to Sterling Communications at jdellinger@sterlingpr.com.