

US Venture Capital Is Doing Just Fine

H1 2018 sees healthy deal and fundraising activity, but is unlikely to break records

The US has seen robust venture capital deal-making and fundraising activity in H1 2018, but looks unlikely to break any records for full-year activity. In this, it runs counter to both Asia and Europe, which are on track to post all-time highs. US-based venture capital fundraising had a successful start in the first half of 2018, as 152 funds secured \$18bn – a fundraising level at more than 50% of total 2017 fundraising figures, but still lags behind 2016's record levels. The number of venture capital deals for US-based portfolio companies has fallen year-on-year since 2014, but in H1 there were 2,415 deals worth \$43bn, putting the year on course to match 2017's levels. Although software was the most active industry for US-based venture capital investment, healthcare accounted for the most capital. Looking ahead, there are a record 833 US-based venture capital funds in market as at July, targeting \$74bn, a significant increase from 626 funds which had an aggregate target of \$55bn one year prior.

For more information and analysis, see the full *Preqin First Republic US Venture Capital Update* here: <http://docs.preqin.com/reports/Preqin-First-Republic-Update-US-Venture-Capital-in-H1-2018.pdf>

Key US Venture Capital Facts:

- **In H1 2018, 152 US-based venture capital funds raised \$18bn** – a fundraising level at more than 50% of the final figures seen in 2017. 2018 looks like it could match 2016's record levels which saw 33 funds raise \$43bn.
- On average, US-based venture capital funds have met or exceeded their target size for the past four years. In H1 2018, **US-based venture capital funds secured 101% of their initial target** and spent an average 18 months on the road.
- As at July 2018, **there are a record 833 US-based venture capital funds in market seeking \$74bn.**
- The number of venture capital deals for US-based portfolio companies has been on the decline since 2014, but 2018 looks set to match levels seen in 2017: **in H1 there have been 2,415 deals worth \$43bn.**
- **Early-stage investments accounted for 56% of venture capital deals in the US in H1 2018** and 21% of capital invested. Series D investments accounted for the largest proportion of capital invested (26%).
- **Software was the most active industry in venture capital investments in the US**, representing 31% of deals and 26% of capital invested. Healthcare, however, accounted for the largest proportion (28%) of capital invested.
- **The annual number of venture capital exits of US-based companies has declined year-on-year since 2014.** In H1 2018 there have been 282 exits valued at an aggregate \$40bn.

Christopher Elvin, Head of Private Equity:

“North America has historically been the centre of the venture capital industry, accounting for the largest proportion of both fundraising and deal activity. 2017 was the first year that Asia venture capital deal activity represented the largest portion of the venture capital industry and is on course to remain the dominant region in the industry in 2018. Like Asia, Europe has also seen a surge of activity and is set to see record high fundraising and deal levels in 2018.

Nonetheless, the US is inarguably the most developed venture capital market. Four-fifths of investors surveyed by Preqin think that North America presents the best venture capital opportunities – the largest proportion of investors for any geographic region. Even though the US isn't on course to break records in 2018, venture capital fundraising for the region could very well come close to matching 2016's records and deal activity should rival 2017 activity. Additionally, there are a record number of US-based venture capital funds in market targeting an all-time high level of aggregate capital. The region continues to provide a plethora of strong venture capital investment opportunities, and perhaps competition from Asia will in fact help fuel further innovation in venture capital in the US.”

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