preqin
alternative assets. intelligent data.

**Press Release** 4th January 2013

# Venture Capital Deals Activity Continues Slide in Q4 2012

## 6% Drop in the Number and 5% Decline in Value of Deals in Comparison to Previous Quarter

In Q4 2012, 1,216 venture capital financings were announced, with an aggregate value of $8.9bn – a 6% drop in the number and a 5% decline in the value of deals in comparison to Q3 2012, and a 13% and 23% decline in number and value from Q2 2012. Between 2011 and 2012 the aggregate value of deals announced dropped by 22%, from an aggregate value of $50bn in 2011 to $39.1bn in 2012.

However, the number of venture capital deals announced in 2012 increased by 13% compared to 2011. With the increasing prominence of smaller early stage deals – seed, angel and Series A deals made up a third of financing in Q4 2012 – the number of venture capital deals taking place has remained strong but there has been a decrease in aggregate deal value. The aggregate value of announced deals in Q4 2012 was 9% lower than the five-year average quarterly figure from 2008-2012, but the number of deals was 16% higher than the quarterly average over the same period.

**Other Key Facts:**

- North America once again saw the greatest amount of venture capital investment in Q4 2012, with 787 deals valued at $6.1bn, accounting for 65% and 69% of the global number and aggregate value of deals respectively. However, the number of deals announced and their aggregate value saw drops of 14% and 15% respectively compared to Q3 2012.
- In contrast, 267 deals valued at $1.3bn were announced in Europe, an increase of 36% in number and 22% in aggregate value compared to Q3 2012; the region comprised 22% of the global number of deals and 14% of the global aggregate value.
- 36 venture capital investments were announced in China, a decrease in the number of deals in the country of 20% compared to Q3 2012; however, the aggregate value of these deals was, at $815mn, 88% higher than the previous quarter, although 2012 as a whole saw venture capital investment levels drop significantly.
- Angel/seed stage deals once again accounted for a significant proportion (22%) of the number of venture capital deals globally in Q4 2012. Meanwhile, Series A deals witnessed a slight drop in prominence, accounting for 12% of deals in Q4 2012 compared to 16% in Q3 2012.
- The average value of venture capital deals in 2012 was lower for each stage than in 2011, with the differences most notable for later stage deals, as the average value of Series C deals fell from $25.2mn in 2011 to $21mn in 2012, and Series D and later deals saw their average value fall from $38.6mn to $31.4mn.
- Yet again, companies in the internet sector received a higher number of financings than any other industry, with 27% of all deals in Q4 2012 globally.

**For more information, please see the factsheet that follows.**

**Comment:**

"Venture capital deal activity has witnessed further drops in Q4 2012, following on from declines in venture capital activity witnessed during the previous quarter; Q4 2012 posted a 6% drop in the number and a 5% decline in the value of deals in comparison to Q3 2012, and a 13% and 23% decline in number and value from Q2 2012.

These figures for Q3 and Q4 2012 bring the aggregate value of venture capital deal flow back to levels of activity witnessed in late 2010 and move away from gains in the number and aggregate value of venture capital deals during 2011 and early 2012. However, while the value of deals has declined, the volume of deals remains strong, as investors flock towards smaller-sized early stage seed and angel deals. With seed and angel deals now making up almost a quarter of all venture capital financings during the year, compared to 10% of all deals in 2008 and 2009, it is likely that the coming months will see investors continuing to favour very early stage deals in comparison to larger, later-stage deals."

**Anna Strumillo, Manager – Buyout and Venture Capital Deals**

**For more information and analysis, please see the PDF factsheet that follows.**

**Note to Editors:**

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

**About Preqin:**

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

For more information, please contact: Anna Strumillo +44 (0)20 7397 9448 or astrumillo@preqin.com
For general press information, please contact: Helen Kenyon +44 (0)20 7645 8880 or press@preqin.com

# Q4 2012 Private Equity-Backed Venture Capital Deals

January 2013



Fig. 1: Number and Aggregate Value of Venture Capital Deals Globally: Q1 2008 - Q4 2012

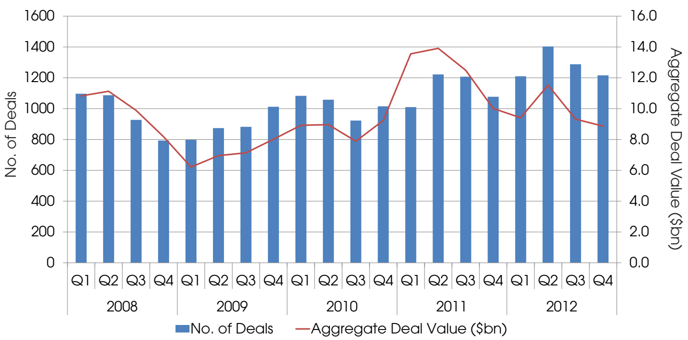



Fig. 2: Number of Venture Capital Deals by Region: Q1 2008 - Q4 2012

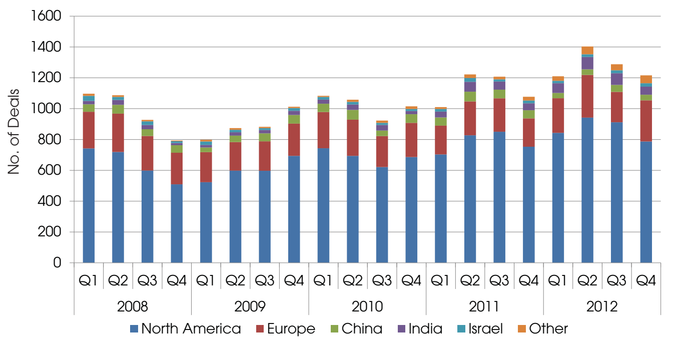



Fig. 3: Proportion of Number of Venture Capital Deals by Stage: Q4 2012

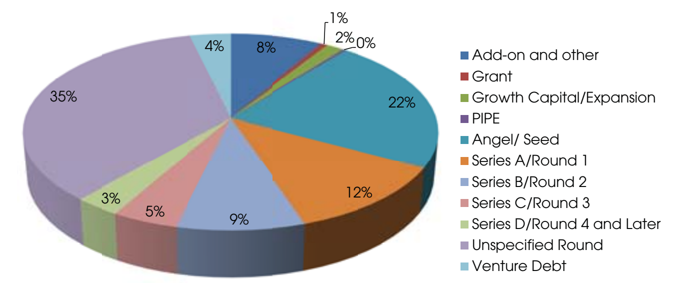



Fig. 4: Average Value of Venture Capital Deals ($mn): 2008 - 2012

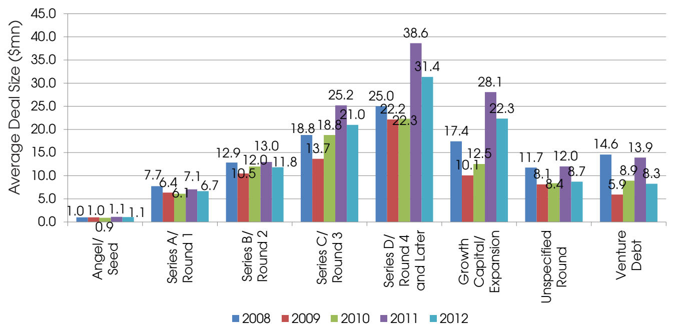
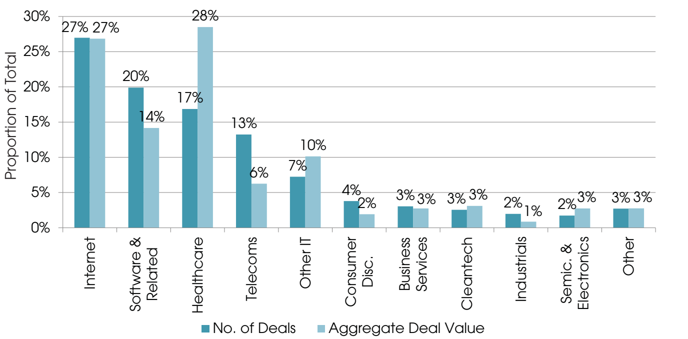



Fig. 5: Proportion of Number and Aggregate Value of VC Deals by Industry: Q3 2012




Preqin data shows that 1,216 venture capital financings were announced in Q4 2012, with an aggregate value of $8.9bn – a 6% drop in the number and 5% decline in the value of deals in comparison to Q3 2012.

The number of deals in the quarter was around 16% higher than the average quarterly figure for Q1 2008 to Q3 2012, yet the aggregate value was around 9% lower than the quarterly average over the same period, clearly indicating the increasing prominence of low-value early stage venture capital deals.

North America once again saw the greatest amount of venture capital investment in Q4 2012, with 787 deals valued at $6.1bn, accounting for 65% and 69% of the global number and aggregate value of deals respectively. However, the number of deals announced and their aggregate value saw drops of 14% and 15% respectively compared to Q3 2012.

In contrast, 267 deals valued at $1.3bn were announced in Europe, an increase of 36% in number and 22% in aggregate value compared to Q3 2012; the region comprised 22% of the global number of deals and 14% of the global aggregate value.

Thirty-six venture capital investments were announced in China, a decrease in the number of deals in the country of 20% compared to Q3 2012; however, the aggregate value of these deals was, at $815mn, 88% higher than the previous quarter, although 2012 as a whole saw venture capital investment levels drop significantly.

The number of deals announced in India fell by 30% in Q4 2012 compared to Q3 2012, to 53 deals, along with a 57% decrease in aggregate value, to $179mn over the same time period.

The aggregate value of deals in Israel rose by 25% between Q3 and Q4 2012 to $161mn, with the number of deals increasing by 3% to 22, representing the third consecutive quarterly increase in the number of deals in the country.

Angel/Seed stage deals once again accounted for a larger proportion of the number of venture capital deals globally in Q4, with 22% of investments falling into this category.

Meanwhile Series A deals witnessed a slight drop in prominence, accounting for 12% of deals in Q4 2012 compared to 16% in Q3 2012. Series B, C, D and later investments again accounted for a relatively small proportion of the global number of deals, at 16%, due largely to the greater value of these deals and the smaller pool of companies reaching later stages of investment.

# Q4 2012 Private Equity-Backed Venture Capital Deals

January 2013



Fig. 6: 10 Largest Venture Capital Deals: Q4 2012

| Name | Date | Stage | Deal Size (mn) | Currency | Investors | Industry | Location |
|---|---|---|---|---|---|---|---|
| Fisker Automotive, Inc. | Apr-12 | Unspecified Round | 392 | USD | Kleiner Perkins Caufield & Byers, New Enterprise Associates | Clean Technology | US |
| 360Buy | Nov-12 | Series F/Round 6 | 300 | USD | Ontario Teachers' Pension Plan, Tiger Global Management | Internet | China |
| SquareTrade Inc. | Jan-12 | Growth Capital/Expansion | 238 | USD | Bain Capital | Financial Services | US |
| Xiaomi | Jun-12 | Series C/Round 3 | 216 | USD | DST Global | Telecoms | China |
| Mogujie.com | Oct-12 | Series C/Round 3 | 200 | USD | IDG Ventures, Qiming Venture Partners, Bertelsmann AG | Internet | China |
| Square, Inc. | Sep-12 | Series D/Round 4 | 200 | USD | Citi Ventures, Rizvi Traverse Management, Starbucks | Financial Services | US |
| Drillinginfo, Inc. | Mar-12 | Growth Capital/Expansion | 165 | USD | Battery Ventures, Eastern Advisors, Insight Venture Partners | Oil & Gas | US |
| Intarcia Therapeutics, Inc. | Nov-12 | Unspecified Round | 160 | USD | Baupost Group, Farallon Capital Management, New Enterprise Associates, New Leaf Venture Partners, Venrock | Pharmaceuticals | US |
| Flipkart | Aug-12 | Series D/Round 4 | 150 | USD | Accel Partners, Iconiq Capital, Naspers, Tiger Global Management | Internet | India |
| Fanatics, Inc. | Jun-12 | Unspecified Round | 150 | USD | Andreessen Horowitz, Insight Venture Partners | Internet | US |

Fig. 7: 5 Notable VC Exits: Q3 2012

| Name | Date of First Investment | Investors (Entry) | Total Known Funding (mn) | Exit Type | Exit Date | Acquiror (Exit) | Exit Value (mn) | Currency | Primary Industry | Location |
|---|---|---|---|---|---|---|---|---|---|---|
| Facebook, Inc.* | Sep-04 | Accel Partners, DST Global, Elevation Partners, Firsthand Technology Value Fund, Goldman Sachs, Greylock Partners, GSV Capital, Hercules Technology Growth Capital, Meritech Capital Partners, Microsoft, T Rowe Price, The Founders Fund Management, TriplePoint Capital | 2,391 USD | IPO | May-12 | - | 16,000 | USD | Internet | US |
| Kayak Software Corporation | Jan-04 | Accel Partners, AOL Inc., General Catalyst Partners, Gold Hill Capital, Lehman Brothers, Norwest Venture Partners, Oak Investment Partners, Sequoia Capital, Silicon Valley Bank, Trident Capital | 229 USD | Trade Sale | Nov-12 | Priceline.com | 1,800 | USD | Internet | US |
| Nicira Networks | Jun-09 | Andreessen Horowitz, Lightspeed Venture Partners, New Enterprise Associates | 40 USD | Trade Sale | Jul-12 | VMware | 1,260 | USD | Network | US |
| Meraki Inc. | Dec-06 | Duff Ackerman & Goodrich Ventures, Google, Northgate Capital, Sequoia Capital | 80 USD | Trade Sale | Nov-12 | Cisco | 1,200 | USD | IT Infrastructure | US |
| Yammer, Inc. | Jan-09 | Capricorn Venture Partners, Charles River Ventures, CrunchFund, Draper Fisher Jurvetson, Emergence Capital Partners, Founders Fund, Goldcrest Investments, Khosla Ventures, Meritech Capital Partners, SV Angel, The Founders Fund Management, The Social+Capital Partnership, US Venture Partners | 142 | Trade Sale | Jun-12 | Microsoft Corp. | 1,200 | USD | Internet | US |

** Denotes partial exit*