



National Venture Capital Association



Channa Luma, The Weiser Group for NVCA, 202-641-6959, cluma@weisergroup.com  
 Joshua Radler, Thomson Venture Economics, 212-806-3146, Joshua.radler@thomson.com

## Venture-Backed IPO Market Remained Weak in Q2 2005

### *Economic Concerns Raised as More Companies Look to Alternatives*

New York, NY- June 30, 2005—Venture-backed companies exhibited a continued hesitancy towards the Initial Public Offering (IPO) market in the second quarter of 2005 with only ten venture-backed companies raising \$714.1 million, according to Thomson Venture Economics and the National Venture Capital Association (NVCA). This was a slight decrease in value from the first quarter, when ten venture-backed companies raised \$720.7 million on the U.S. public markets. It is also the lowest total offer amount since the second quarter of 2003.

Analysis of Recent Quarters IPOs						
Year/Quarter	Number of IPOs	Number of Venture Backed IPOs	Total Venture Backed Offer Amount (\$M)	Average Venture Backed IPO Offer Amount (\$M)	Total Venture Backed Post Offering Value(\$M)	Average Venture Backed Post Offering Value(\$M)
2003-1	5	1	77.2	77.2	147.8	147.8
2003-2	5	2	164.0	82.0	695.3	347.6
2003-3	20	9	732.8	81.4	3,064.5	340.5
2003-4	52	17	1,048.7	61.7	4,349.9	255.9
<b>2003</b>	<b>82</b>	<b>29</b>	<b>2,022.7</b>	<b>69.7</b>	<b>8,257.5</b>	<b>284.7</b>
2004-1	42	13	2,721.1	209.3	10,575.0	813.5
2004-2	58	29	2,077.8	71.6	8,930.4	307.9
2004-3	64	24	3,225.6	134.4	29,596.8	1233.2
2004-4	82	27	2,990.4	110.8	11,985.4	443.9
<b>2004</b>	<b>246</b>	<b>93</b>	<b>11,014.9</b>	<b>118.4</b>	<b>61,087.6</b>	<b>656.9</b>
2005-1	43	10	720.7	72.1	3,077.5	307.8
2005-2	48	10	714.1	71.5	2,244.5	224.5
<b>2005</b>	<b>91</b>	<b>20</b>	<b>1,434.8</b>	<b>71.7</b>	<b>5,322.0</b>	<b>266.1</b>

*Thomson Venture Economics & National Venture Capital Association*

“Two consecutive quarters at these lower levels begins to get concerning from a macroeconomic standpoint,” said Mark Heesen, president of the National Venture Capital Association. “The mergers and acquisitions market for venture backed companies continues to show signs of strength which helps to balance the lackluster IPO market. However, a pipeline of new, public companies is critical to job and revenue creation here in the US. We would like to see these numbers improve in the second half of the year, but what we are hearing is that the regulatory and market hurdles remain high. In many instances, companies are favoring other alternatives such as seeking an acquisition strategy or just trading water.”

The largest IPO of the quarter was China Techfaith Wireless Communication Technology's \$141.8 million offering. China Techfaith Wireless was backed by Intel Capital, HSBC Private Equity, Global Strategic Investment Fund, and Qualcomm Ventures. China Techfaith Wireless was one of only two Technology companies to go public this quarter, compared to five that went public in the first quarter.

The Life Sciences sector had six venture-backed IPOs raise a total of \$283.1 million in the second quarter. The largest IPO in the Life Sciences sector was LHC Group, LLC, which raised \$67.2 million and was backed by Catalyst Group. The second largest Life Sciences IPO was DexCom, Inc., which raised \$56.4 million and was backed by St. Paul Venture Capital, Canaan Partners, Warburg Pincus, Kaufmann Fund, and RWI Group.

<b>Q2 IPO Industry Breakdown</b>			
<b>Industry</b>		<b>Number of Venture Backed IPO's in the U.S.</b>	<b>Total Venture Backed Offering Size (\$M)</b>
<b>Technology</b>	Communications/Media	1	141.8
	Semiconductors	1	70.4
	<b>TOTAL</b>	<b>2</b>	<b>212.2</b>
<b>Life Sciences</b>	Biotechnology	1	52.5
	Medical/Health	5	230.6
	<b>TOTAL</b>	<b>6</b>	<b>283.1</b>
<b>Other</b>	Non-high Technology	2	218.8
	<b>TOTAL</b>	<b>2</b>	<b>218.8</b>

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In addition to the IPOs completed this quarter, there are currently 38 venture-backed companies "in registration" with the Securities and Exchange Commission. These companies have filed with the SEC in 2004 or 2005 and are now preparing for their initial public offerings. This is the same number of companies that were in registration at the end of Q1 2005. For the rolling 12 month period ending June 29, 2005, 60% of the companies that went public are currently trading above their offering price.

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**The National Venture Capital Association (NVCA)** represents approximately 460 venture capital and private equity firms. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. According to a 2004 Global Insight study, venture-backed companies accounted for 10.1 million jobs and \$1.8 trillion in revenue in the United States in 2003. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. For more information about the NVCA, please visit [www.nvca.org](http://www.nvca.org).