



Emily Mendell, NVCA, 610-359-9609, emendell@nvca.org

Jesse Reyes, Thomson Venture Economics, 212-806-3148, jesse.reyes@thomson.com

Venture-Backed IPO Market Activity More Than Doubled in Q2 2004

Gradual Improvement Expected for Remainder of Year

New York, NY- July 1, 2004—Twenty-nine venture-backed companies raised \$2.1 billion through Initial Public Offerings (IPOs) in the second quarter of 2004, according to Thomson Venture Economics and the National Venture Capital Association (NVCA). This activity was more than double the first quarter's total of thirteen IPOs and represented the most IPOs since the third quarter of 2000, when eighty-seven venture-backed companies went public. The quarter also marked the third consecutive period in which the total offering amount was over \$1.0 billion.

“The uptick in IPO activity is encouraging because it demonstrates confidence by the investing public in venture-backed companies,” said Mark Heesen, President of the National Venture Capital Association. “We anticipate further improvement to occur gradually as many companies, mostly in the IT arena, are just now starting to build the necessary sales and earnings track record to go public in future quarters.”

The largest IPO in Q2 was Life Time Fitness, which raised \$183.2 million. Life Time's investors include Norwest Equity Partners and Apax Partners, Inc. The next largest venture-backed IPOs were: Cabela's, Inc., which raised \$156.3 million and was backed by J.P. Morgan Partners, Wachovia Capital and McCarthy Group; Shanda Interactive Entertainment, which raised \$152.4 million and whose backers include SOFTBANK's Asia Infrastructure Fund; and SiRF Technology, Inc., which raised \$132.0 million and was backed by Conexant Systems, Inc., Fortune Venture Capital, Dell Ventures, and Transatlantic Capital Corporation.

This quarter, the Medical/Health and Biotechnology sectors led all industry sectors with eight venture-backed IPOs each. The Medical/Health industry's eight companies raised \$435.3 million, while the Biotechnology industry's eight raised \$369.5 million. The largest IPO in the Medical/Health sector was Barrier Therapeutics, Inc., which raised \$75.0 million, while the largest IPO in the Biotechnology sector was Cytokinetics, Inc., which raised \$89.7 million. The Internet Specific industry performed well, as four companies, including Shanda Interactive Entertainment, went public raising \$416.1 million. The Consumer Products sector saw three IPOs raise a total of \$388.6 million, including Life Time Fitness and Cabela's. Overall, twenty of the twenty-nine companies, or 69%, are currently trading at or above their offering price.

In addition to the IPOs completed this quarter, there are currently 79 venture-backed companies “in registration” with the Securities and Exchange Commission. These companies have filed with the SEC in 2004 and are now preparing for their initial public offerings. Comparatively, there were 35 venture-backed companies “in registration” at the end of the third quarter of 2003. With this solid “pipeline”, a strong level of activity in venture-backed IPO market appears sustainable in the near future.

“The number of IPOs is quite remarkable,” said Jesse Reyes, Vice President at Thomson Venture Economics. “Is this a ‘minibubble’?. The number of IPOs, albeit at lower valuations than prior years, is quite healthy and right-sized for the current state of the market. The median age of a venture-backed company going public this quarter was 6.9 years compared to 3.5 years in 2Q99. Compared to the heated short term returns upon offer of the IPO internet boom, the returns of 18% or so for this quarter's IPOs appear to be quite tepid. However, it is probably a healthy, realistic, and normative view of the long term

prospects for these companies. They seem to be older, healthier and less speculative than IPOs of the earlier boom era.”

Analysis of Recent Quarters' IPOs						
Quarter Ending	Number of IPO's	Number of Venture Backed IPO's in the U.S.	Total Venture Backed Offering Size (\$Mill)	Avg. Venture Backed Offering Size (\$Mill)	Total Venture Backed Post Offering Value (\$Mill)	Avg. Venture Backed Post Offering Value (\$Mill)
03/31/2002	14	4	376.3	94.1	2,398.0	599.5
06/30/2002	34	15	1,836.1	122.4	5,917.6	394.5
09/30/2002	7	1	30.0	30.0	153.4	153.4
12/31/2002	26	4	231.2	57.8	523.8	130.9
03/31/2003	3	1	77.2	77.2	147.8	147.8
06/30/2003	5	2	164.0	82.0	695.3	347.6
09/30/2003	19	9	732.8	81.4	3,064.5	340.5
12/31/2003	48	17	1,048.7	61.7	4,349.9	255.9
03/31/2004	39	13	2,721.1	209.3	10,575.0	813.5
06/30/2004	50	29	2,077.8	71.6	8,930.4	307.9

Thomson Venture Economics & National Venture Capital Association

It should be noted that the majority of the spike in venture-backed offering size in the first quarter of 2004 was attributed to the \$1.8 billion IPO of Semiconductor Manufacturing International Corp.

Venture Economics Post-Venture Capital Index (PVC I) Annualized Return as of 6/30/2004						
	Index Value	Year to Date	One Year Return	Three Year Return	Five Year Return	Ten Year Return
PVCI	573.02	5.6%	32.4%	-4.1%	-8.5%	8.7%
S&P	1,140.84	2.6%	17.1%	-2.3%	-3.6%	9.9%
NASDAQ	2,047.79	2.2%	26.2%	-1.9%	-5.3%	11.2%
DOW	10,435.50	-0.2%	16.1%	-0.2%	-1.0%	11.2%

Thomson Venture Economics & National Venture Capital Association

The Thomson Venture Economics Post-Venture Capital Index (PVC I) is a market cap weighted index of the performance of stock of all venture-backed companies taken public over the last 10 years. As the chart indicates, the PVC I has outperformed the S&P, NASDAQ and the Dow Jones Industrial Average over the past year, but has slightly lagged its three counterparts over three, five and ten years.

Thomson Venture Economics, a Thomson Financial company, is the foremost information provider for equity professionals worldwide. Venture Economics offers an unparalleled range of products from directories to conferences, journals, newsletters, research reports, and the VentureXpert™ database. For over 40 years, Venture Economics has been tracking the venture capital and buyouts industry. Since 1961, it has been a recognized source for comprehensive analysis of investment activity and performance of the private equity industry. Venture Economics maintains a long-standing relationship within the private equity investment community, in-depth industry knowledge, and proprietary research techniques. Private equity managers and institutional investors alike consider Venture Economics information to be the industry standard. For more information about Venture Economics, please visit www.ventureeconomics.com.

Thomson Financial

Thomson Financial is a US\$2 billion provider of information and technology solutions to the worldwide financial community. Through the widest range of products and services in the industry, Thomson Financial helps clients in more than 70 countries make better decisions, be more productive and achieve superior results. Thomson Financial is part of The Thomson Corporation (www.thomson.com), a leading provider of integrated information solutions to business and professional markets worldwide. The Corporation reported 2003 revenues of US\$7.6 billion and its common shares are listed on the Toronto Stock Exchange (TSX: TOC) and the New York Stock Exchange (NYSE: TOC).

The National Venture Capital Association (NVCA) represents approximately 450 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. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provide reliable industry data, sponsor professional development, and facilitate interaction among its members. For more information about the NVCA, please visit www.nvca.org.