



National Venture Capital Association



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NUMBER OF VENTURE-BACKED COMPANIES ACQUIRED IN THE FIRST QUARTER OF 2003 DECLINED TO 1996 LEVELS

May 13, 2003, New York -- According to Thomson Venture Economics and the National Venture Capital Association, 65 venture-backed companies were acquired through merger or acquisition for a total disclosed value of \$1.34 billion in the first quarter of 2003. These figures represent a decline from the fourth quarter of 2002, when 83 companies attracted \$1.62 billion.

Mirroring conditions in the broader, non-venture-backed, domestic M&A market, the decline in the first quarter represents the lowest dollar total since the first quarter of 1996, when 27 companies were acquired for \$1.23 billion. The uncertainty of economic and global conditions served to further depress an already lethargic exit atmosphere, according to venture capital industry experts.

**Venture-Backed M&A Activity
by Quarter, 2000-2003**

Quarter	Deals	Total Value (\$M)
2000-1	93	23,809.36
2000-2	91	26,380.42
2000-3	72	7,982.59
2000-4	55	10,150.65
2000	311	68,323.01
2001-1	72	80,75.30
2001-2	93	3,382.49
2001-3	89	3,733.32
2001-4	90	1,946.15
2001	344	17,137.26
2002-1	68	1,629.20
2002-2	79	1,958.53
2002-3	76	2,616.79
2002-4	83	1,619.50
2002	306	78,24.02
2003-1	65	1342.39

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“It continues to be the same story we have seen for the last eight quarters in terms of exit conditions for venture-backed companies,” said John Taylor, Vice President of the National Venture Capital Association. “Compared with other industry metrics, the number of venture-backed companies being acquired has held up reasonably well. However, the lower average valuations are the result of a changing mix of successful growth-oriented acquisitions and the exits of challenged companies.”

Notwithstanding the general state of decline, some industry sectors saw sharp increases in total disclosed transaction values. In the first quarter, the IT Services sector, with 5 deals valued at \$287.3 million, saw the largest surge over the fourth quarter when 6 companies netted \$6.2 million. However, this large spike was due almost entirely to a single deal – the Nextel Communications acquisition of NeoWorld, Inc, a 3D graphics design firm. This \$276 million transaction was the largest of the quarter.

Biotechnology also made a strong advance from last quarter’s single undisclosed value deal. This quarter 6 biotechnology targets accounted for \$199.2 million in transaction value. Included here was the fourth largest deal of the quarter - the \$163.1 million acquisition of pharmaceutical company U.S. Bioservices Corporation.

**Venture-Backed M&A Activity,
Top Five State Regions, 1Q 2003**

State Region	Deals	Total Value (\$M)
California	23	387.99
Greater New York	5	276.00
Southeast	3	223.60
Mid-Atlantic	4	188.10
Great Plains	5	160.00

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Industry	Deals	Total Value(\$M)
Software	22	566.11
IT Services	5	287.32
Biotechnology	6	199.20
Networking and Equipment	4	176.17
Media and Entertainment	4	106.70

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Software companies, though still thoroughly dominating the M&A picture, also experienced a decline over the quarter. Twenty-two deals closed for a total of \$566.11 million, a fall from the previous quarter’s total of 36 deals and \$655.39 million in value. However, four of the top ten deals in the first quarter did come from this sector.

While California, the Greater New York area, and the Southeast remained atop the list, the Great Plains region experienced a surprisingly strong quarter. Total deal value for targets in this region nearly quadrupled over that of the entire 2002 period. In the first quarter 5 companies were acquired for \$160 million. In all of 2002, 8 Great Plains targets brought in \$43 million.

The **National Venture Capital Association** (NVCA) represents over 450 venture capital and private equity organizations. NVCA's mission is to foster the understanding of the importance of venture capital to the vitality of the U.S. and global economies, to stimulate the flow of equity capital to emerging growth companies by representing the public policy interests of the venture

capital and private equity communities at all levels of government, to maintain high professional standards, facilitate networking opportunities and to provide research data and professional development for its members. For more information visit www.nvca.org.

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