National Venture Capital Association

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LIFE SCIENCES REGAIN PROMINENCE IN VENTURE CAPITAL ARENA

--Investing and Company Valuations Withstand Tough Economy--

Washington, D.C., March 24, 2003 – Venture capital investments in Biotechnology and Medical Device companies combined to total $4.7 billion in 2002, or 22% of all investing, the highest proportion in seven years, according to the MoneyTree Survey from PricewaterhouseCoopers, Thomson Venture Economics, and the National Venture Capital Association.

Over the past five years, investing in the Life Sciences has continued at a comparatively steady pace relative to the venture capital market as a whole. The sector only partially benefited from the huge surge in venture capital investing that began in 1998, but it also did not suffer the steep declines of some technology industries as venture capital fell back to more normal levels by 2002. Compared to 1998's figure of $2.7 billion, investing in Life Sciences in 2002 was up 70%. Investing in all other industries combined decreased 12% to $16.5 billion during the same period.

Tracy Lefteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers, observed: "The Life Sciences are not impervious to business cycles, but they have a different set of drivers than some of the high tech categories. Besides our aging population, FDA approval of new products continues at an encouraging pace. And, the promise of greater clarification on reimbursement policies from the Centers for Medicare and Medicaid Services bodes especially well for the Medical Devices category."

"Venture capital has played a vital role in the development of the Biotechnology and Medical Device industries for decades. Life Sciences companies require patient capital and venture capital firms are one of the few sources of financing that have both a long time horizon and a high risk tolerance. Venture capitalists who invest in the Life Sciences have specialized backgrounds and a long-term commitment to building great companies that will improve our standard of living," explained Mark Heesen, president of the National Venture Capital Association.

Steady Increases in Company Valuations

Bucking the post-boom trend, valuations of Life Sciences companies have been steadily climbing over the last five years and have actually increased since the venture capital peak in 2000. According to data from Thomson Venture Economics and the NVCA, the median valuation of venture-backed Life Sciences companies rose from $17.7 million in 1998, to $32.5 million in 2002, an increase of 80%.

In contrast, median valuations of companies in all other industries fell from $20.3 million in 1998 to $18.4 million in 2002, a decline of 10%. Further, valuations fluctuated widely during the five years period, topping out at $39.5 million in 2000 and declining rapidly thereafter.

According to Jesse Reyes, vice president at Thomson Venture Economics, "The 'valuation inflation' that afflicted many Internet-related companies during the boom had only a marginal effect on Life Sciences companies. More realistic valuations in Life Sciences, especially in the early stages of a company's development means that follow-on financing is easier to obtain. The difficulties of down-rounds are largely avoided."

Realistic valuations also contribute to a company's IPO potential. The public market, though weak, accepted seven Life Sciences companies in 2002, or 32% of all venture-backed IPOs last year. That figures compares to 9 Life Sciences companies in 1998, or 12% of all venture-backed IPOs.

First Round Financings Still Strong

Life Sciences companies getting venture backing for the first time accounted for 21% of all first-time financings in 2002, up from 12% in 1998. The number of first-time Life Sciences companies did decline from 221 in 1998 to 158 in 2002, a decrease of 29%. However, first-time companies in all other industries fell 62% from 1,585 to 598 during the same period. The figures indicate that venture capital firms continue to fill the pipeline with new companies at a relatively strong pace.

Likewise, figures on follow-on financings show that venture capitalists are continuing to supply growth capital to existing companies in their portfolios. In 2002, 347 Life Sciences companies received $3.7 billion in additional financing, compared to 383 companies and $2.1 billion in 1998.

Note to the Editor
When referencing information included in this release or other venture capital investment information produced by the three MoneyTree Alliance partners, the information should be first cited in one of the following ways: 1) The MoneyTree Survey from PricewaterhouseCoopers, Thomson Venture Economics and the National Venture Capital Association, or 2) PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association MoneyTree Survey. After the first reference, subsequent references may refer to PwC/TVE/NVCA MoneyTree Survey, PwC/TVE/NVCA or MoneyTree Survey. Charts and tables displaying the data are sourced to PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association MoneyTree™ Survey. After the first reference, subsequent references may refer to PwC/TVE/NVCA MoneyTree Survey, PwC/TVE/NVCA or MoneyTree Survey.

About the PricewaterhouseCoopers/Thomson Venture Economics/National Venture Capital Association Money Tree Survey
The MoneyTree™ Survey measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S. The survey includes the investment activity of professional venture capital firms with or without a US office, SBICs, venture arms of corporations, institutions, investment banks and similar entities whose primary activity is financial investing. Where there are other participants such as angels, corporations, and governments in a qualified and verified financing round the entire amount of the round is included. Qualifying transactions include cash investments by these entities either directly or by participation in various forms of private placement. All recipient companies are private, and may have been newly-created or spun-out of existing companies.

The survey excludes debt, buyouts, recapitalizations, secondary purchases, IPOs, investments in public companies such as PIPES (private investments in public entities), investments for which the proceeds are primarily intended for acquisition such as roll-ups, change of ownership, and other forms of private equity that do not involve cash such as services-in-kind and venture leasing.

Investee companies must be domiciled in one of the 50 US states or DC even if substantial portions of their activities are outside the United States.

Data is primarily obtained from a quarterly survey of venture capital practitioners. Information is augmented by other research techniques including other public and private sources. All data is subject to verification with the venture capital firms and/or the investee companies. Only professional independent venture capital firms, institutional venture capital groups, and recognized corporate venture capital groups are included in venture capital industry rankings.

MoneyTree Survey results are available online at www.pwcmoneytree.com, www.ventureeconomics.com, and www.nvca.org.

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