

Turbulent Times for Venture Capital Deals

Average deal value for each financing round increased between 2010 and 2011, but has fallen back down in 2012

An increase in venture capital deal flow occurred in 2011 in comparison to the previous year, but looks to have slowed down in 2012, Preqin research shows. Data collected for the newly launched Venture Deals Analyst reveals that deals across the investment stage spectrum attracted more capital in 2011 in comparison to the previous year, but the value of deals completed in Q1 2012 represents a fall from the previous quarter – despite the number of announced financings increasing, an indication of smaller financing sizes during the quarter.

Venture Capital Deals – Facts

- The aggregate value of venture capital deals increased 42% between 2010 and 2011, from \$33.7bn to \$48bn.
- However, announced VC deal value witnessed a 5% drop in Q1 2012 compared with Q4 2011.
- North American venture capital deals have accounted for 65% of the number and 77% of aggregate deal value globally in 2012 to date.
- Europe's share of deals has fallen between 2010 and 2012 to date, accounting for 22% of all deals in 2010, 18% in 2011 and 19% of all deals completed in this year to date.
- There was a 6% increase in China-based deals in 2011 compared with 2010, although the number of deals completed per quarter has fallen from an average of 51 deals per quarter in 2011 to 33 deals being announced in Q1 2012.
- The number of deals completed in India increased 35% from Q4 2011 to Q1 2012, and has doubled since Q1 2010.
- Early stage venture deals account for the largest proportion of all deals, with 32% of all announced financings in 2012 to date falling in the angel, seed, and Series A space.
- VC-backed add-on deals account for 7% of the total number of deals, and 25% of aggregate value.
- The largest proportion of deals completed in 2012 to date, 26%, took place in the internet sector, which includes e-commerce and social networking, with these deals accounting for 27% of total deal value.

For more information, please see the report:

http://www.preqin.com/docs/reports/Preqin_Special_Report_Venture_Capital_May12.pdf

Comment:

"Venture capital represents one of the pillars of the private equity world, and has remained at the forefront of the industry for the past couple of decades, continuing to fund innovative, high-growth companies that have the potential to achieve spectacular returns for investors.

Unsurprisingly, the VC industry has not remained immune to the fall-out from the global financial crisis and the ensuing difficulties that financial markets have felt in recent years, with announced VC deals experiencing a turbulent period in recent years, culminating in a dip in deal flow in Q1 2012 in comparison to the previous quarter.

However, the venture capital industry remains an attractive part of the private equity world to institutional investors and fund managers alike, and with the increasing prominence of China and India, and the lure of spectacular returns from discovering a high-profile company at an early stage, interest in the sector is set to continue at strong levels for the foreseeable future."

Manuel Carvalho – Manager, VC Deals Data

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.

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