

Technology, Media & Telecommunications Presents:

# Global Trends in Venture Capital: A Close-Up View

Findings from the Deloitte and National Venture Capital Association  
(NVCA) 2005 Global Venture Capital Survey

June 2005

# Overview

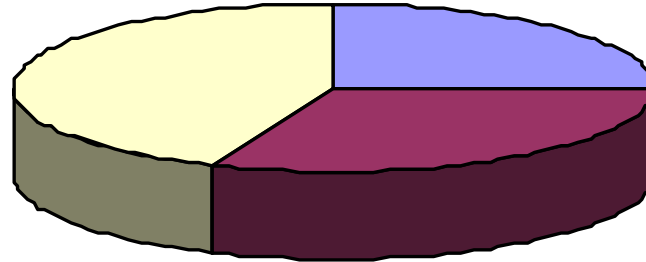
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- 20% of US-based VC respondents plan to increase their global investment activity 5 years from now
- US VCs indicated they expect to maintain their US investment presence, with no plans to relocate US offices or reduce US-based staff
- US VC firms are increasingly operating globally and have an international strategy in place
- All of the US VC firms indicated they will continue their investing activity in the US. 16% of foreign firms indicated they expect to increase investing activity in the US five years from now. Combined, 65% of all VCs surveyed worldwide indicated plans to invest in the US
- The US is seen by VCs worldwide as a mature, proven marketplace with an experienced investment community that increasingly ignores the traditional geographic boundaries in investment interest
- US venture capitalist are increasing their focus on investments in Energy/Environment and Consumer Business

# Respondent Profile

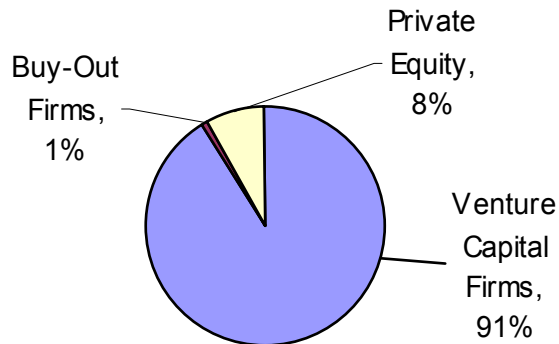
The Americas  
47%

Europe & the  
Middle East  
26%

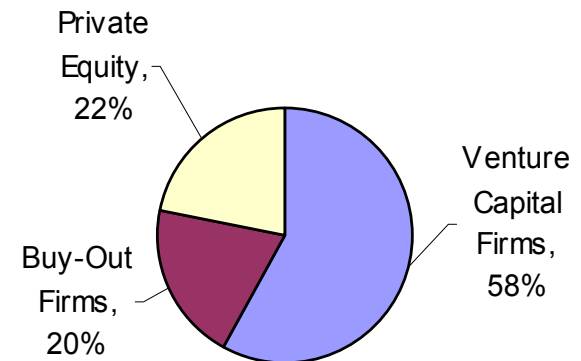


Asia Pacific  
27%

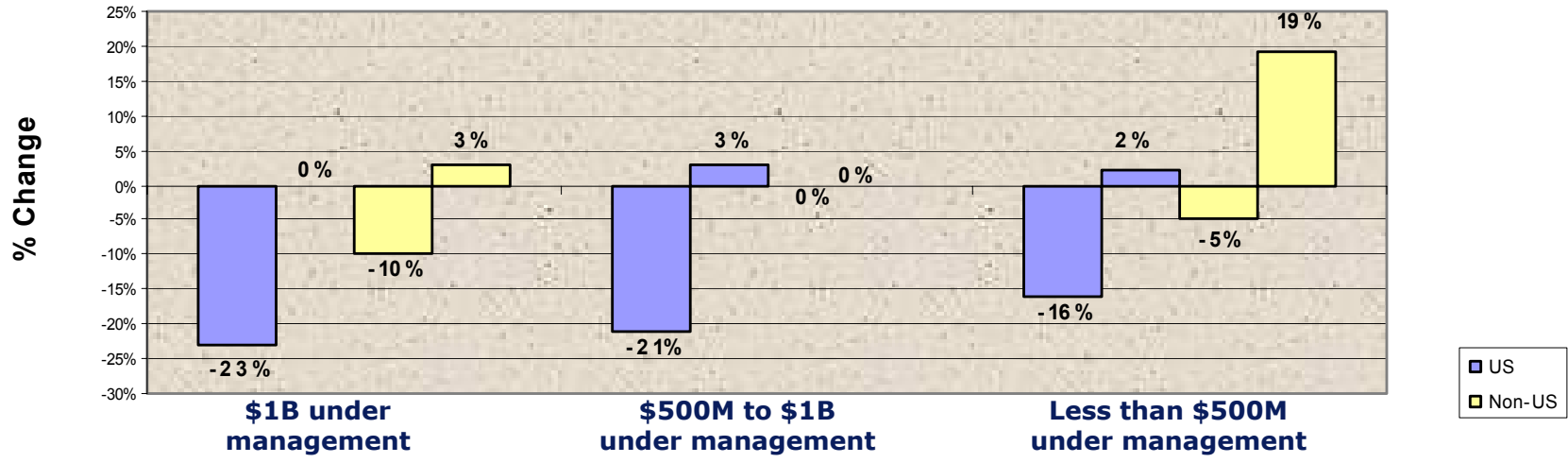
## US - Firm Type



## Non-US Firm Type



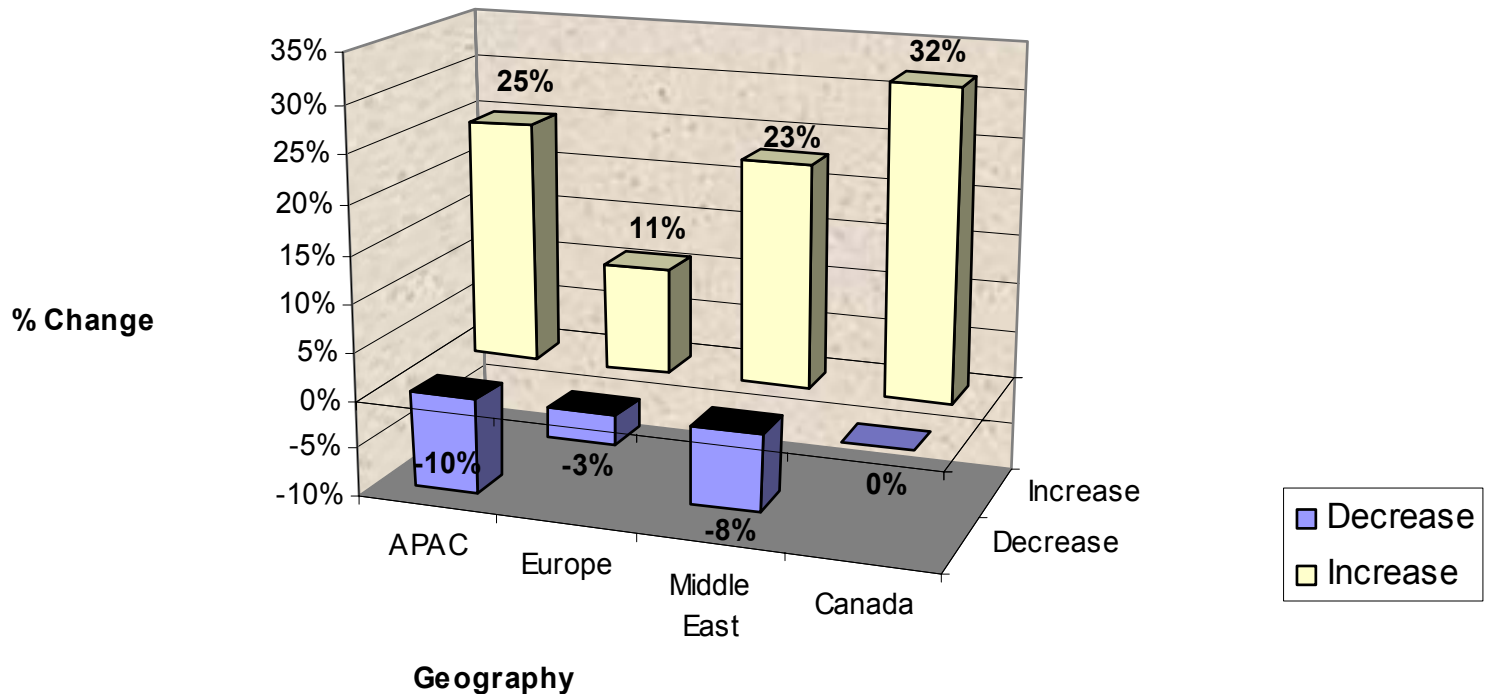
**Change in Investment Focus in the United States  
in the next 5 years by firm size  
(all respondents)**



*(Missing bars indicate no change in investment focus by respondents)*

- **As US Firms were substantially investing in the US, any change in focus results in a decline in US focus**
- **Non-US firms indicating a decline in US investment focus are primarily buy-out firms**
- **It is interesting that a substantial increase in US investment focus worldwide was indicated by firms with less than \$500 million under management (see next slide for details)**

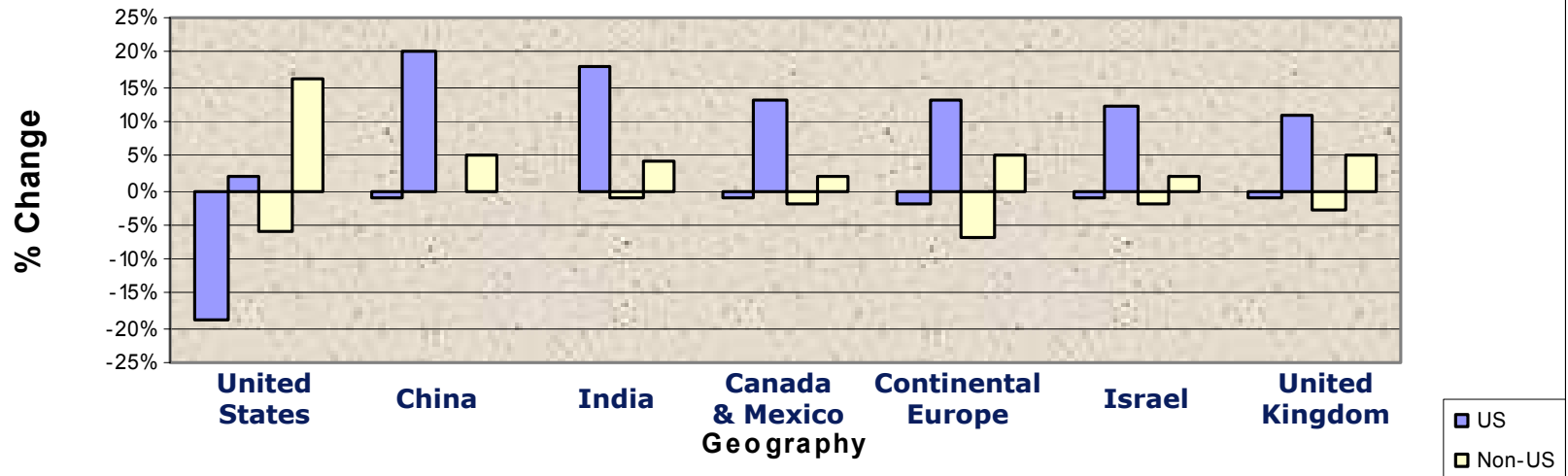
## Non-US Investment Focus In the US - Less than \$500m Under Management



- All regions planning a net increase in US investment focus
- Significant increases from APAC (substantially Taiwan), Middle East (Israel) and Canada
- Reflects the attractiveness of investing in US early-stage technology companies (primarily venture capital firms)
- US is clearly a top investment target due to its wide range of quality deals, experienced local investors, and solid IPO market

## Change in Investment Focus in the next 5 years by Geography

(all respondents)

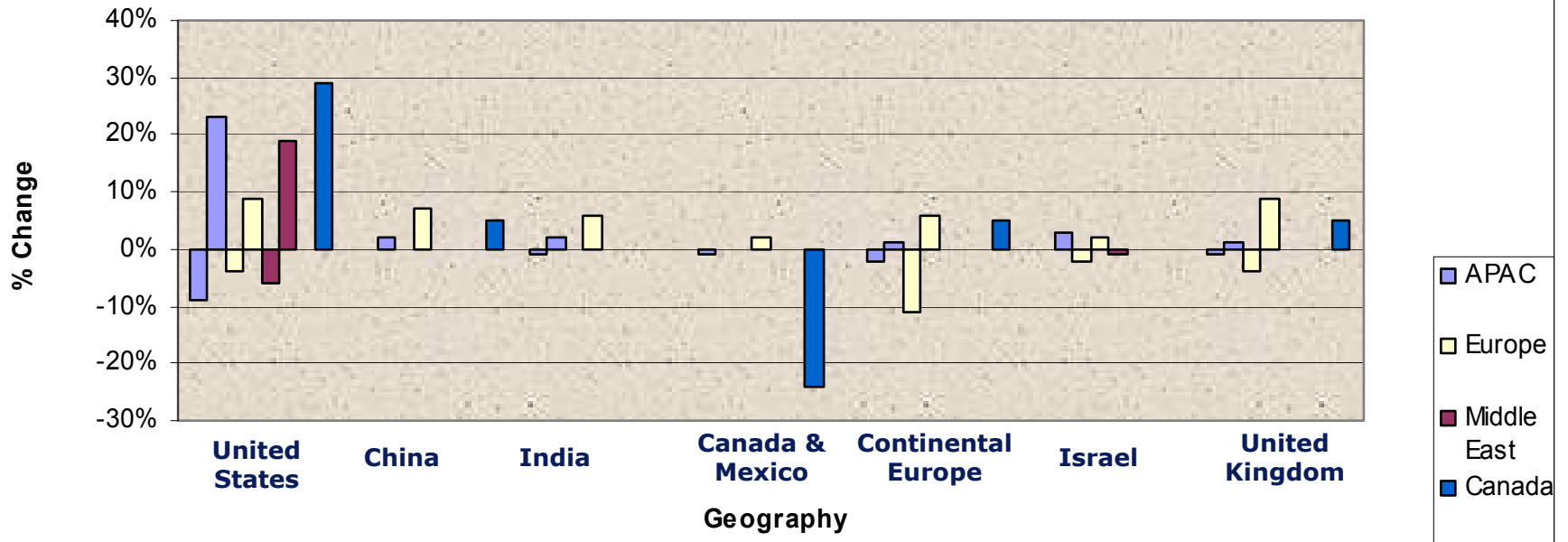


(Missing bars indicate no change in investment focus by respondents)

Note: Countries with little or no change in current investment focus in the next 5 years include South & Central America, Taiwan, Japan, Australia and Other Pacific Rim.

- **US VCs are clearly expanding to a global focus in all major geographies**
- **China and India are leading destinations for US VCs**
- **However, as noted before, there was significant interest in investing in the US by Non-US VCs**

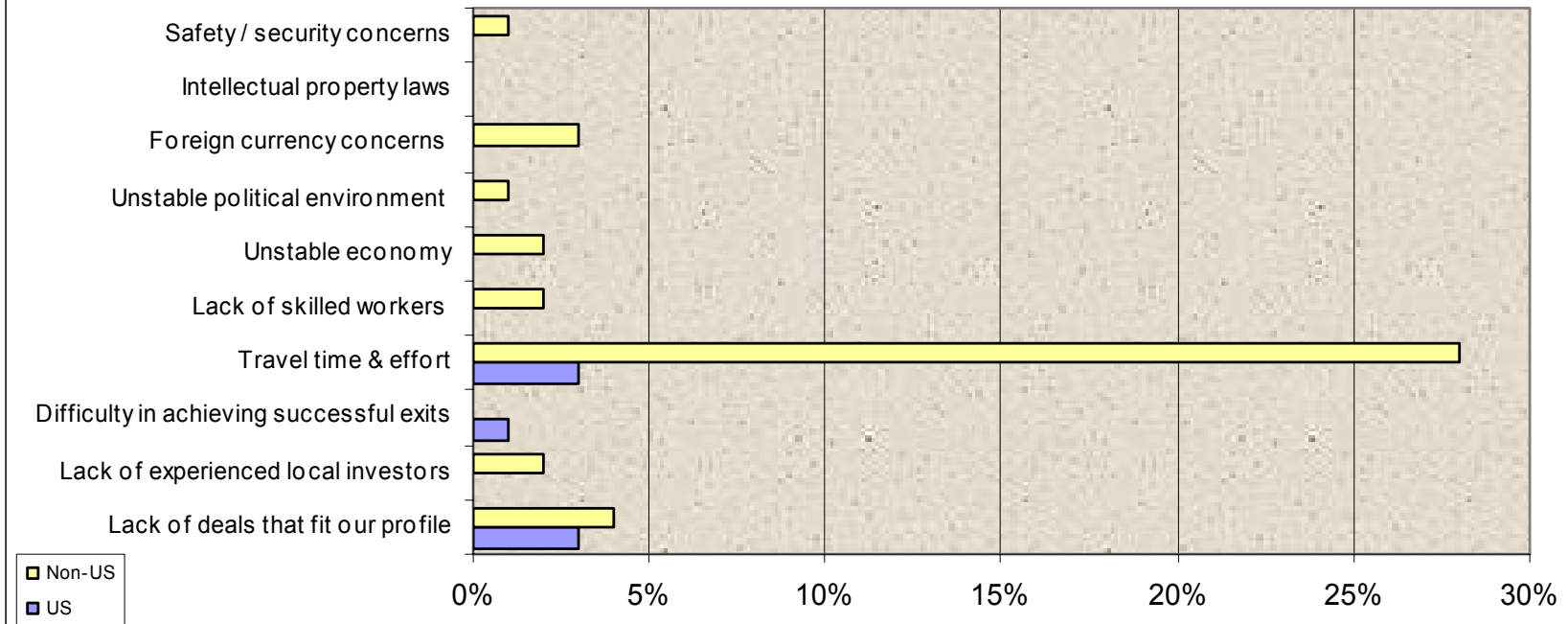
## Change in Investment Focus in the next 5 years by Geography - Non-US



*(Missing bars indicate no change in investment focus by respondents)*

- **All sectors indicate an interest in increasing investment focus in the US**
- **Canada and Mexico indicate a decreased focus in overall investments. This is primarily due to Canadian interest in increasing investments in the US**
- **All other geographies are neutral as to increase (decrease)**

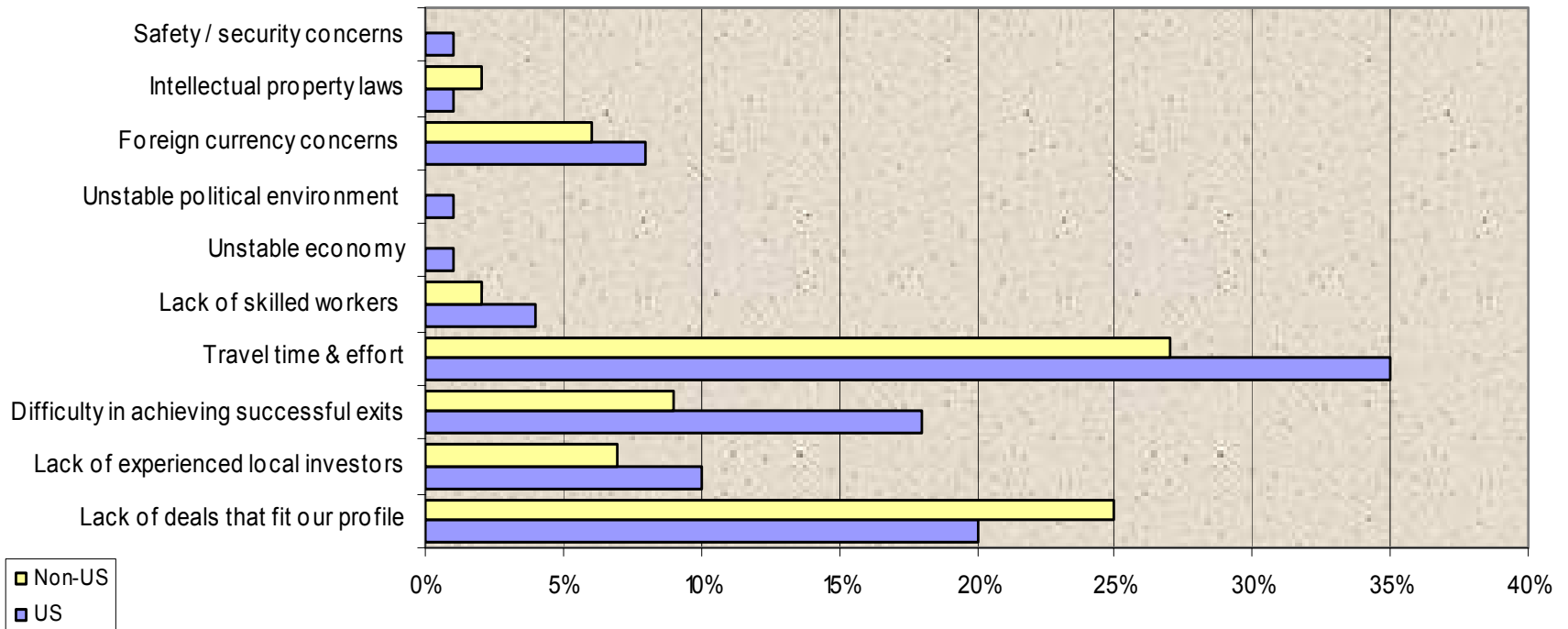
## Impediments to Investing in the United States (all respondents)



*(Missing bars indicate respondents stated there were no impediments to investing)*

- **Essentially, no impediments to investing in the US**

## Impediments to Investing in Europe (all respondents)

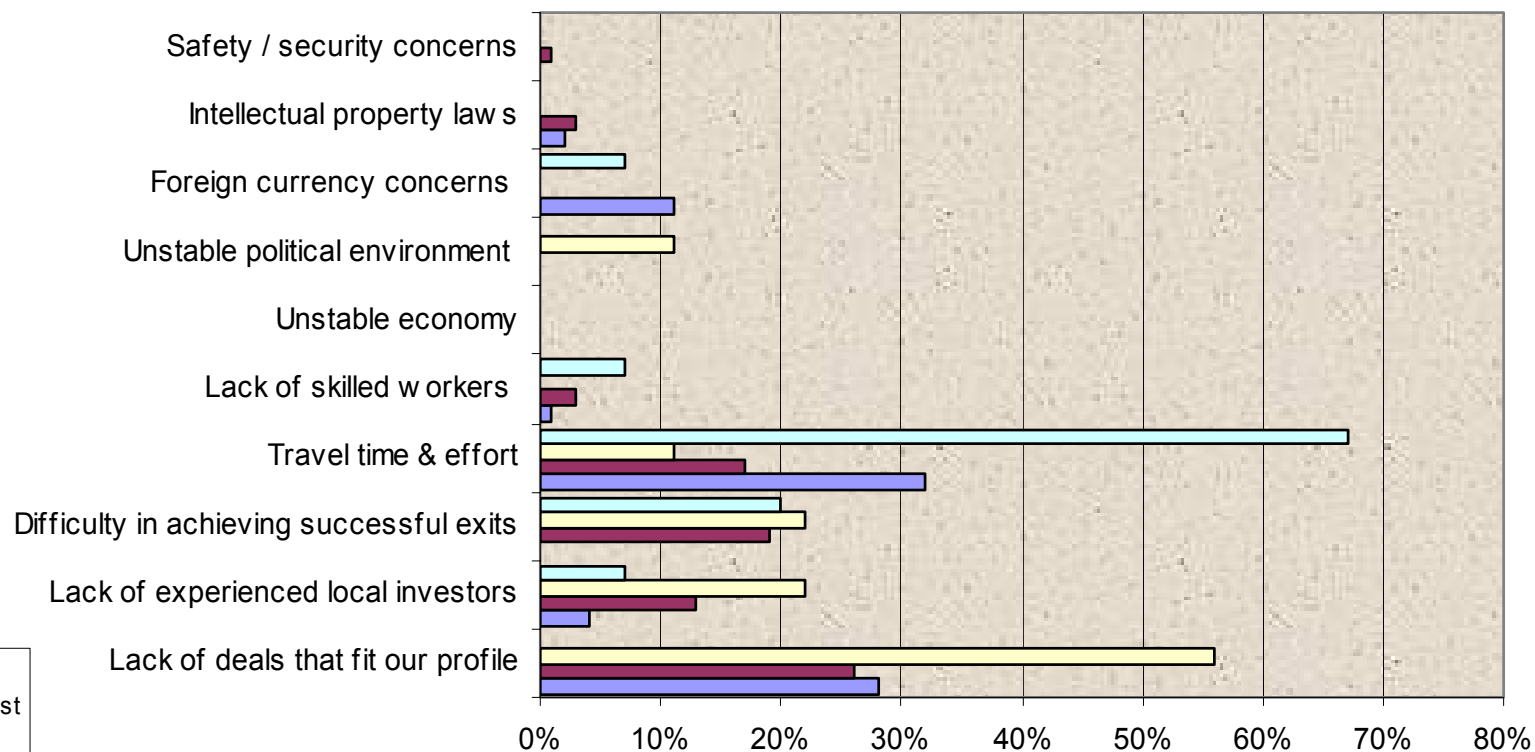


*(Missing bars indicate respondents stated there were no impediments to investing)*

- **Notice consistency of Non-US and US respondents**
- **Different demographics of respondents (US primarily venture capital firms vs. Non-US larger percentage of private equity firms)**
- **Recent changes in listing requirements in the UK (AIM market) may result in improved exits**
- **Lower valuations in Europe are attractive to US VCs**

## Impediments to Investing in Europe

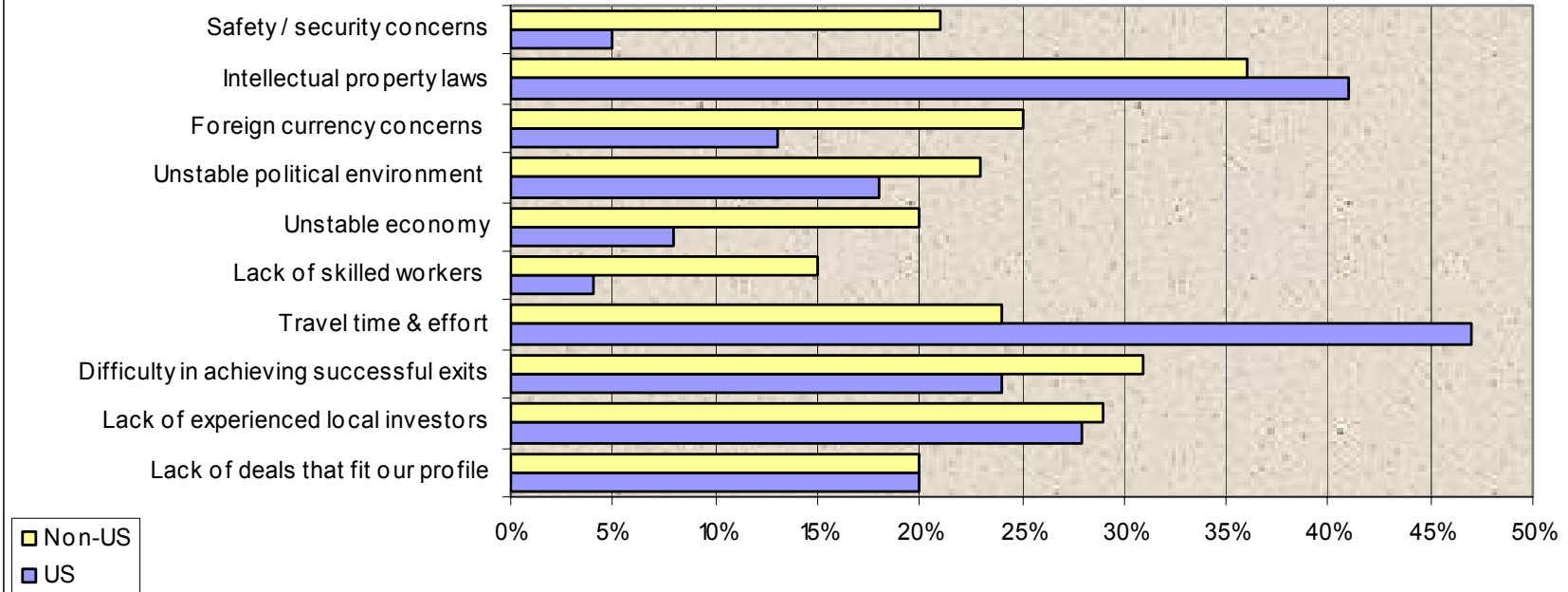
(non-us respondents)



(Missing bars indicate respondents stated there were no impediments to investing)

- **Note the relative consistency in responses across most regions**
- **Fewer impediments to investing in Europe than most other regions**
- **Major impediments include travel time and effort for Canadian VCs and lack of deals that fit profile for Middle Eastern VCs**

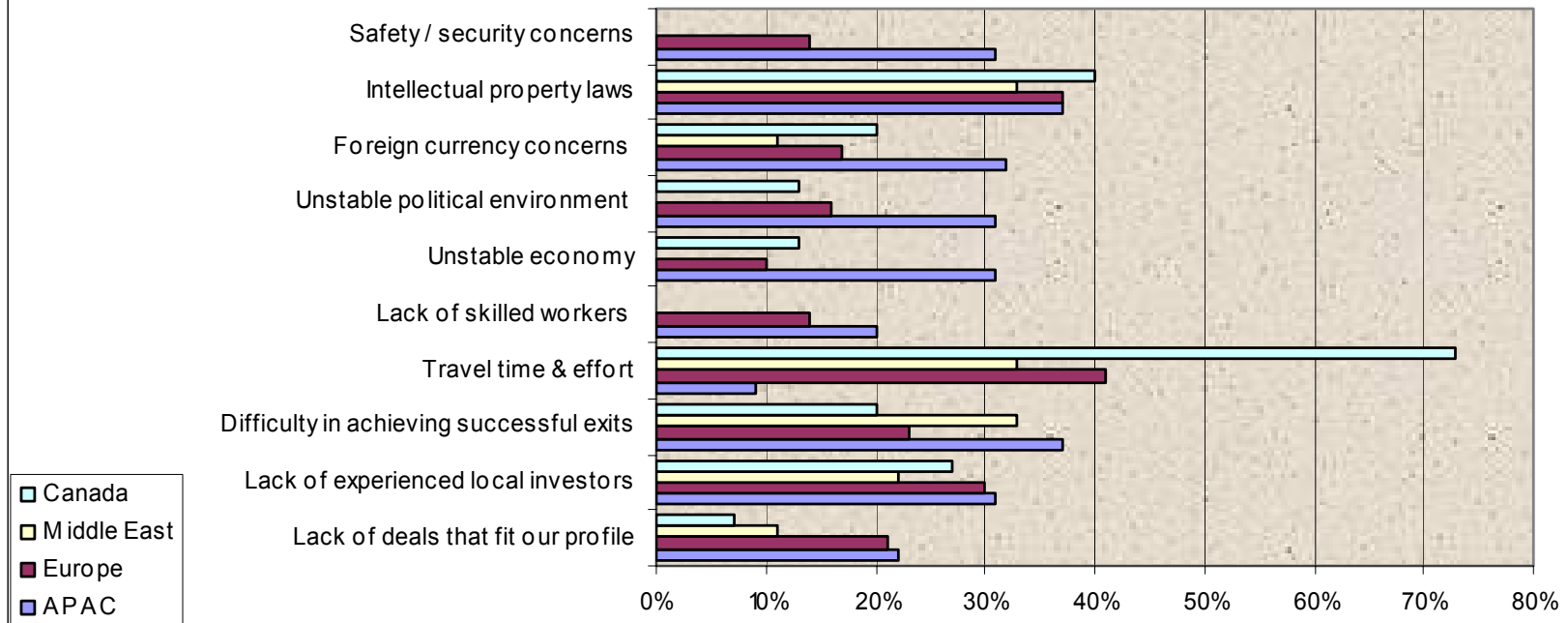
## Impediments to Investing in China (all respondents)



*(Missing bars indicate respondents stated there were no impediments to investing)*

- **Significant investment interest in China, yet significant impediments to investing**
- **US respondents have fewer concerns than Non-US respondents**
- **Generally, higher percentage of respondents on each impediment than in other geographies**
- **Demonstrates that, in spite of difficulties, VCs are following the opportunities**

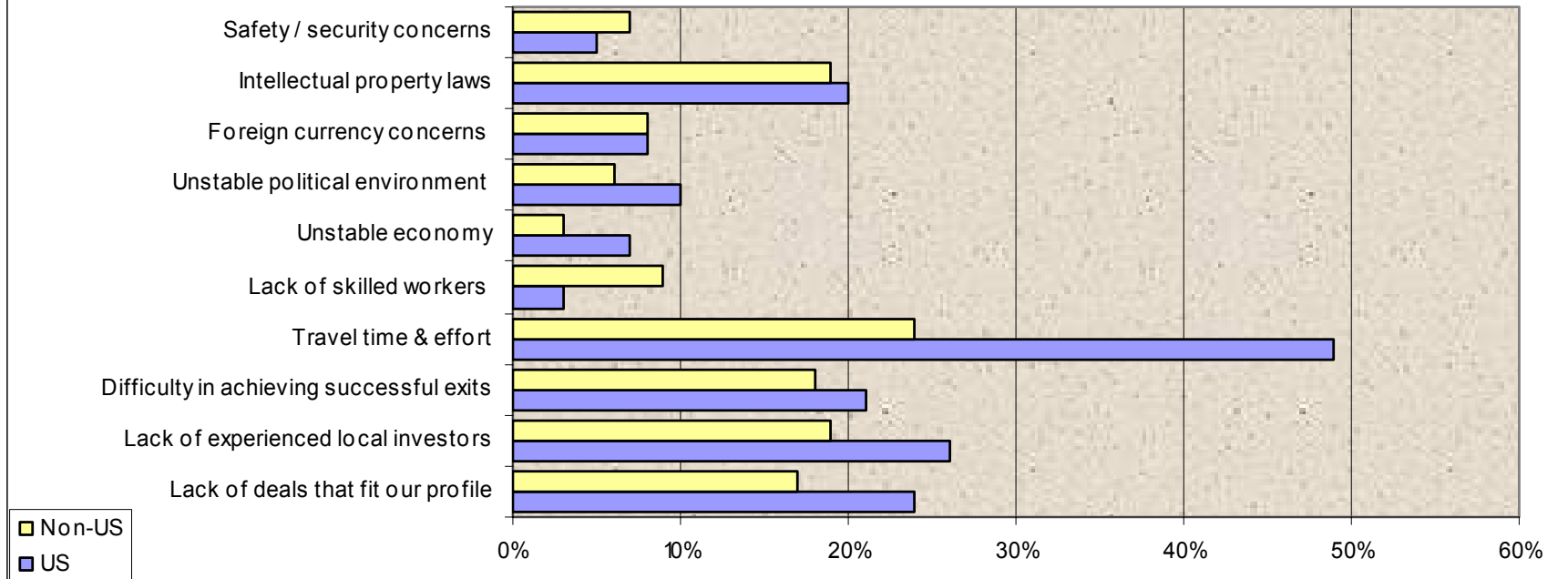
## Impediments to Investing in China (non-US respondents)



*(Missing bars indicate respondents stated there were no impediments to investing)*

- **APAC VCs are mostly Taiwan respondents**
- **Items were not ranked as to significance of impediments**
- **Biggest impediment overall seen as travel time and effort**
- **Intellectual property laws and difficulty in achieving successful exits also significant impediments**

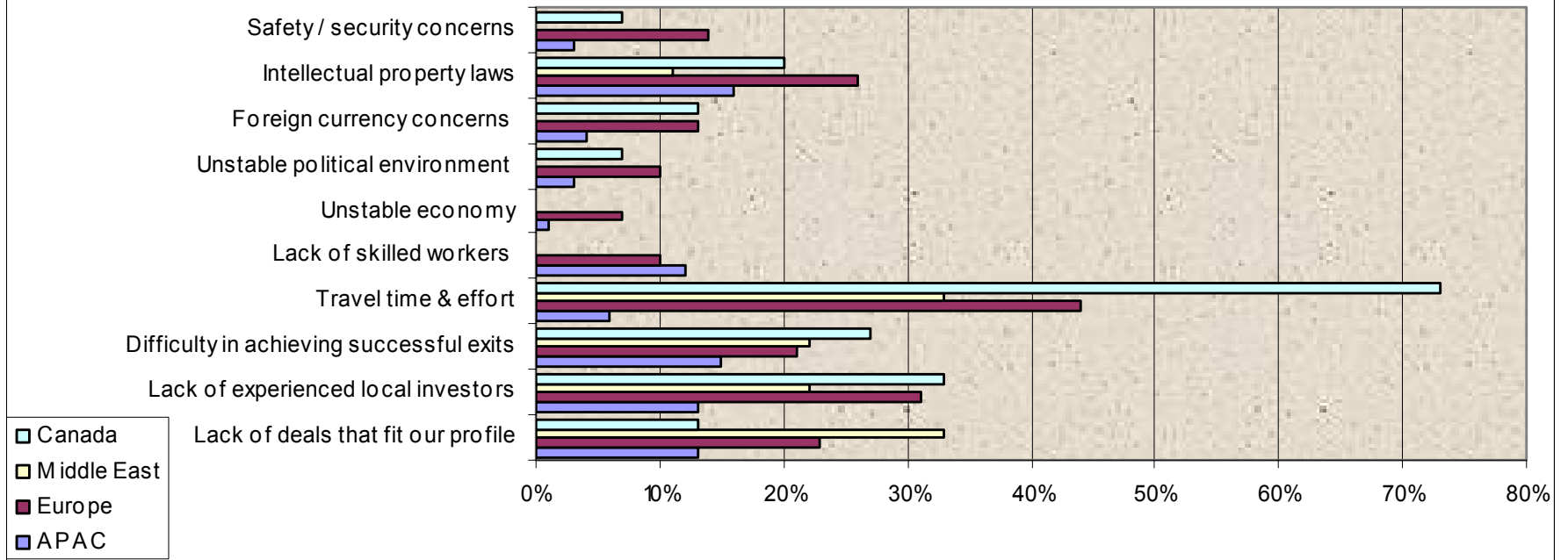
## Impediments to Investing in India (all respondents)



*(Missing bars indicate respondents stated there were no impediments to investing)*

- **More concerns by US VCs than Non-US VCs (opposite of China)**
- **Respondents indicated similar impediments to investing in Europe**
- **Travel time and effort, lack of experienced local investors, lack of deals that fit profile, and intellectual property laws are significant impediments for US and Non-US respondents**

## Impediments to Investing in India (non-US respondents)

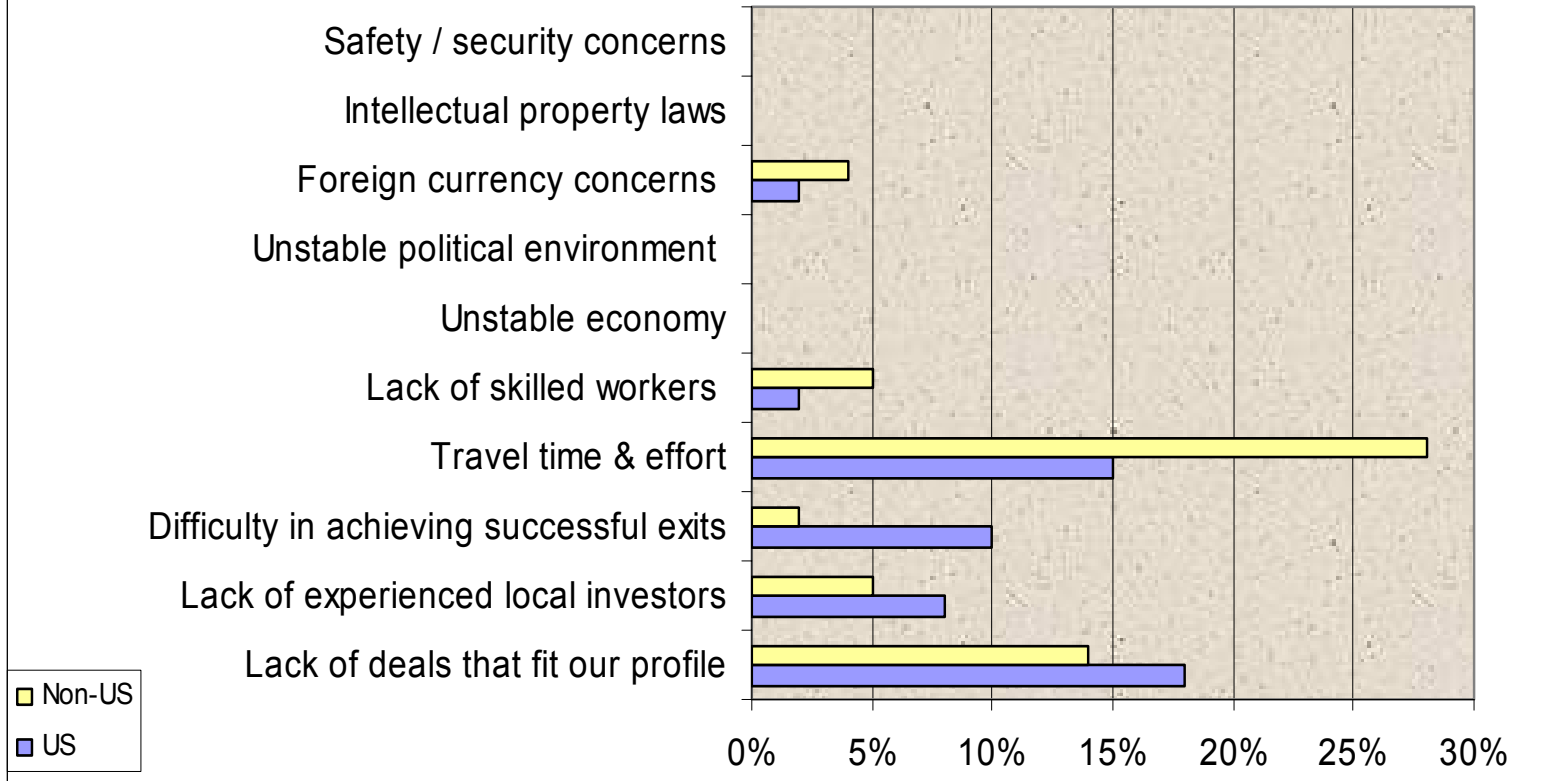


*(Missing bars indicate respondents stated there were no impediments to investing)*

- **Travel time and effort seen as greatest impediment**

## Impediments to Investing in Canada

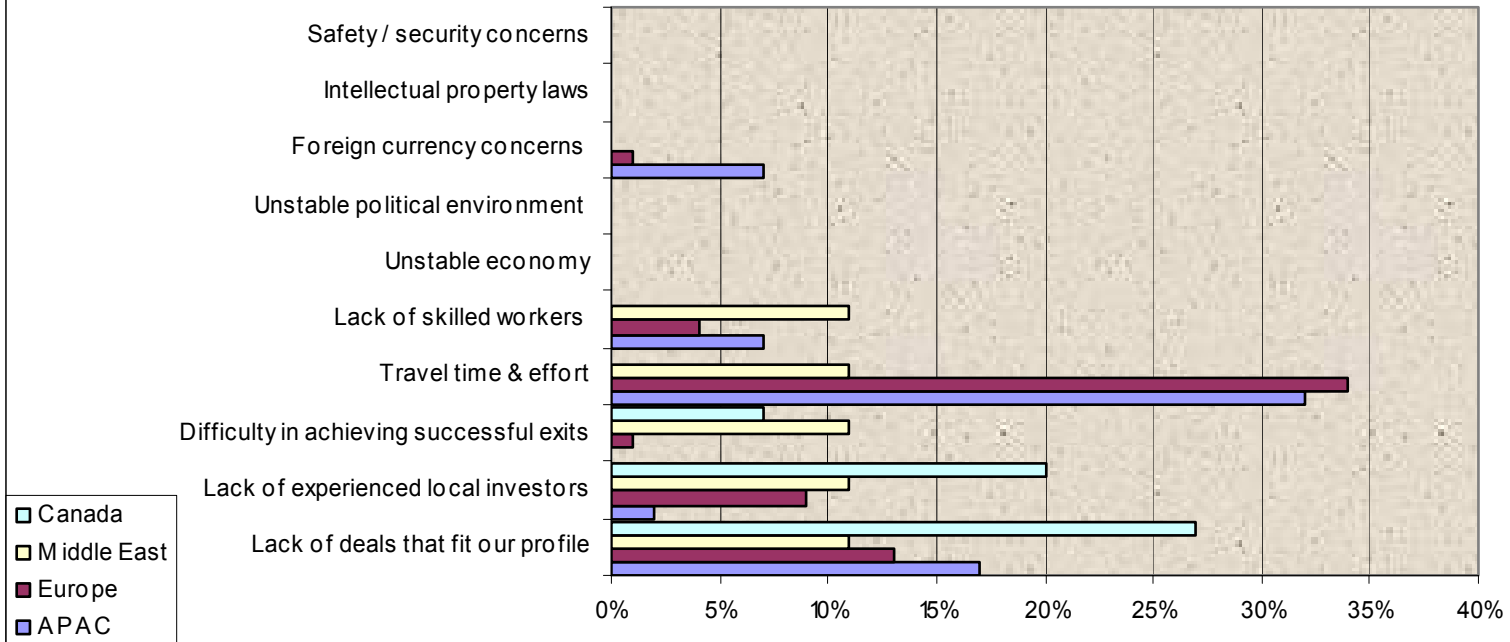
(all respondents)



(Missing bars indicate respondents stated there were no impediments to investing)

- **Similar impediments to Europe and India**
- **Travel time and effort seen as greatest impediment by Non-US VCs**
- **Lack of deals that fit profile seen as greatest impediment by US VCs**

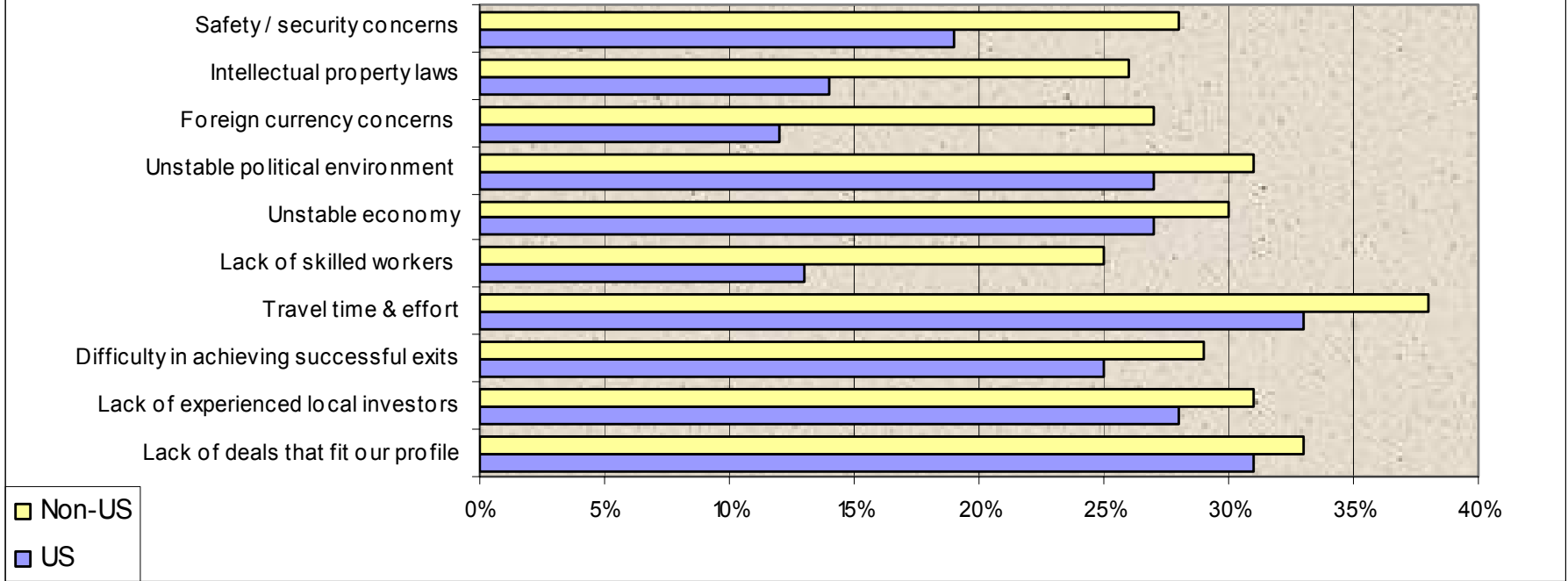
## Impediments to Investing in Canada (non-US respondents)



*(Missing bars indicate respondents stated there were no impediments to investing)*

- Canadian responses exceeded non-Canadian responses in two categories (only time that was seen for any country)

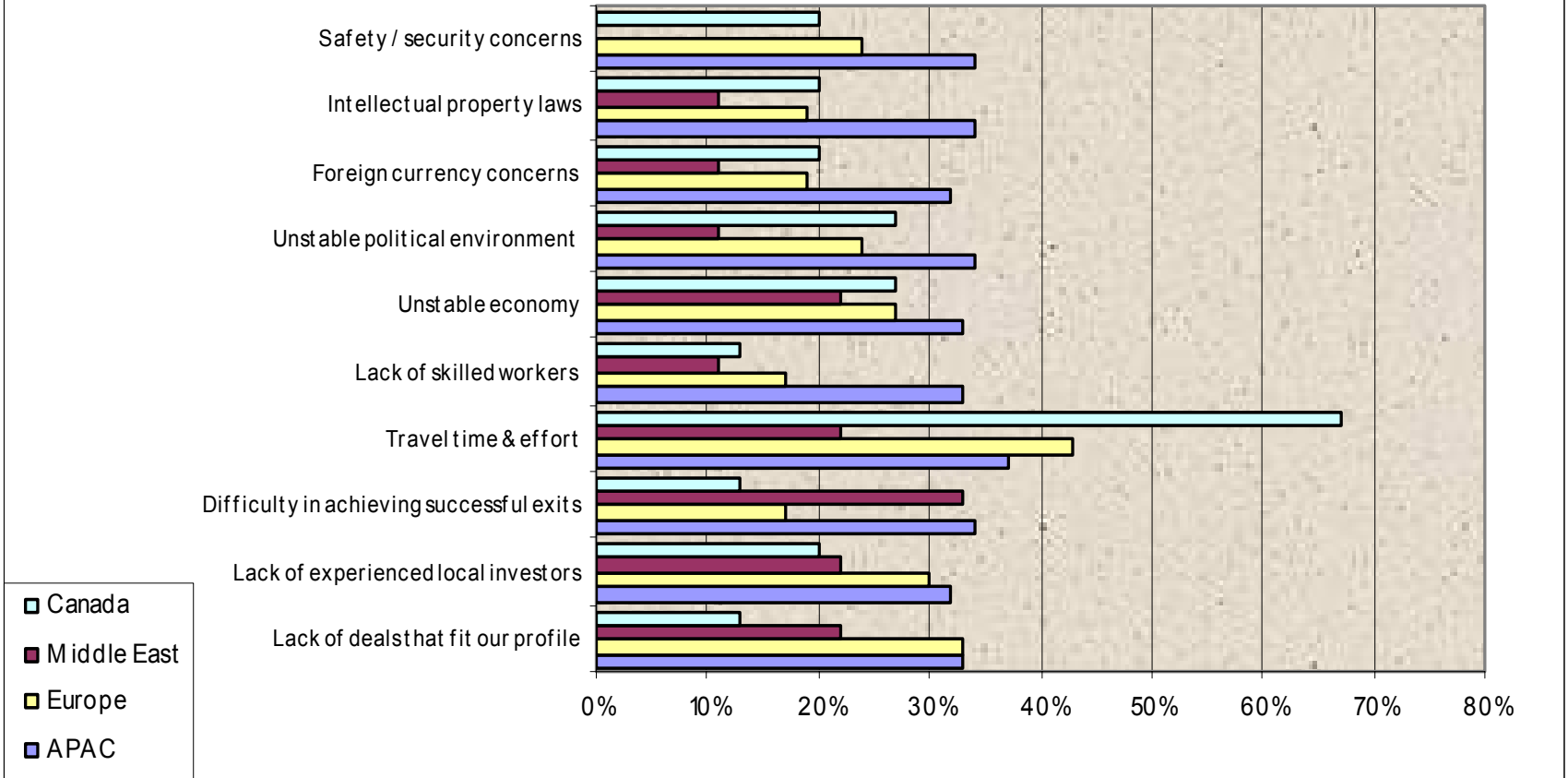
## Impediments to Investing in South America & Mexico (all respondents)



*(Missing bars indicate respondents stated there were no impediments to investing)*

- **Respondents indicate a much greater number of impediments relative to other geographies**

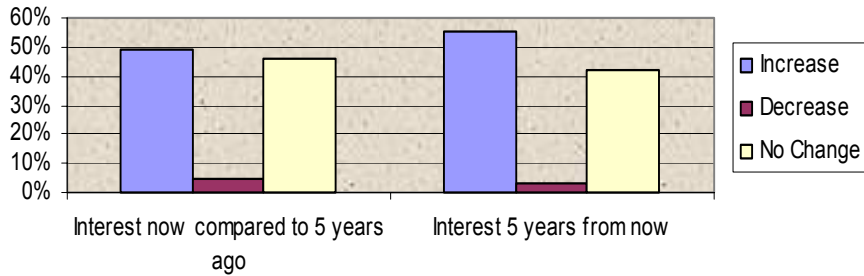
## Impediments to Investing in South America & Mexico (non-US respondents)



*(Missing bars indicate respondents stated there were no impediments to investing)*

- **Travel time and effort seen as greatest impediment to investing in South America and Mexico**

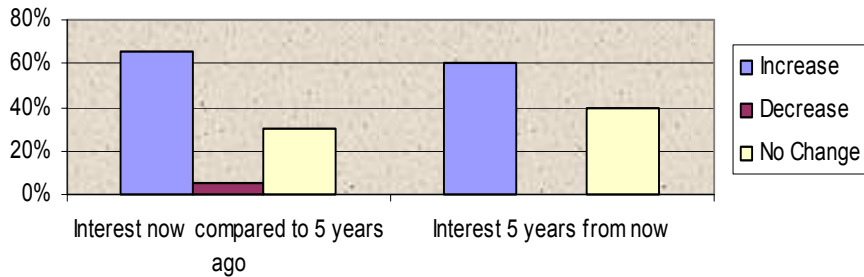
### Increasing Foreign Investor Interest in US Investment Funds



### Increasing Foreign Investor Interest in European Investment Funds



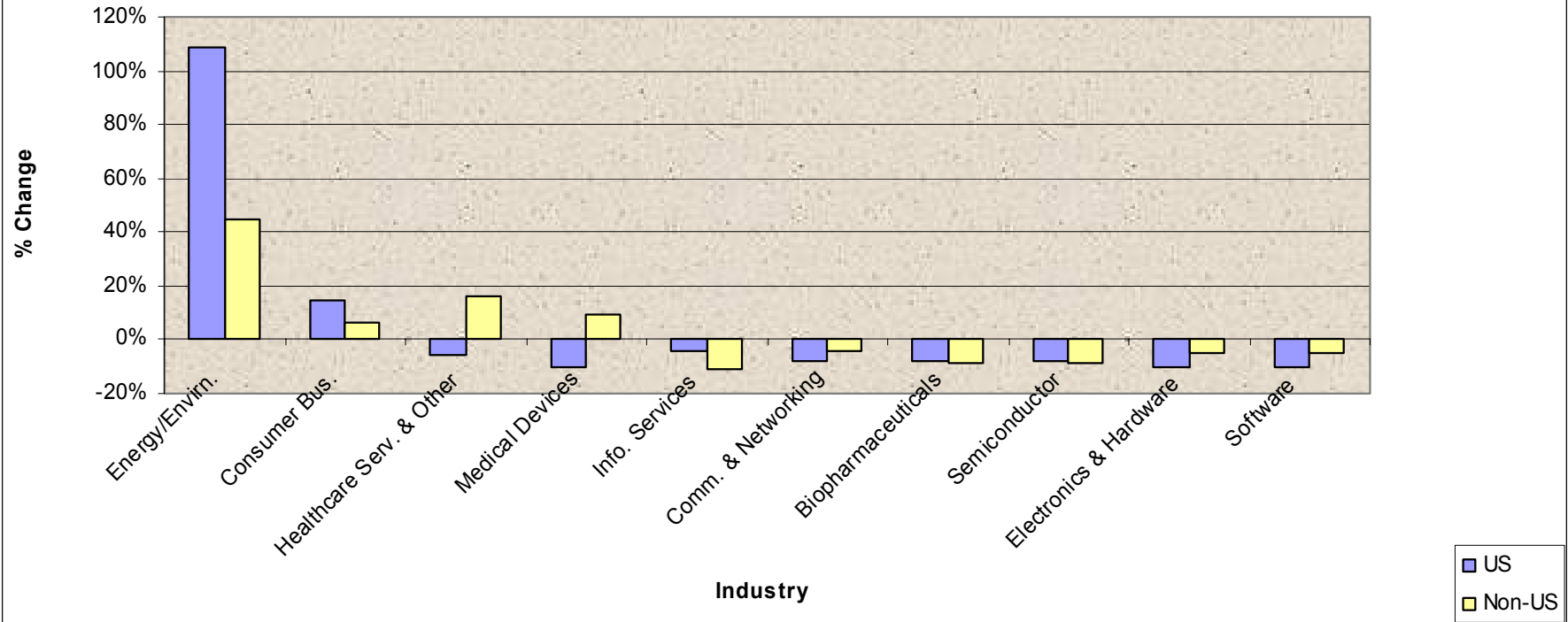
### Decreasing Foreign Investor Interest in APAC Investment Funds



### Decreasing Foreign Investor Interest in Middle Eastern Investment Funds

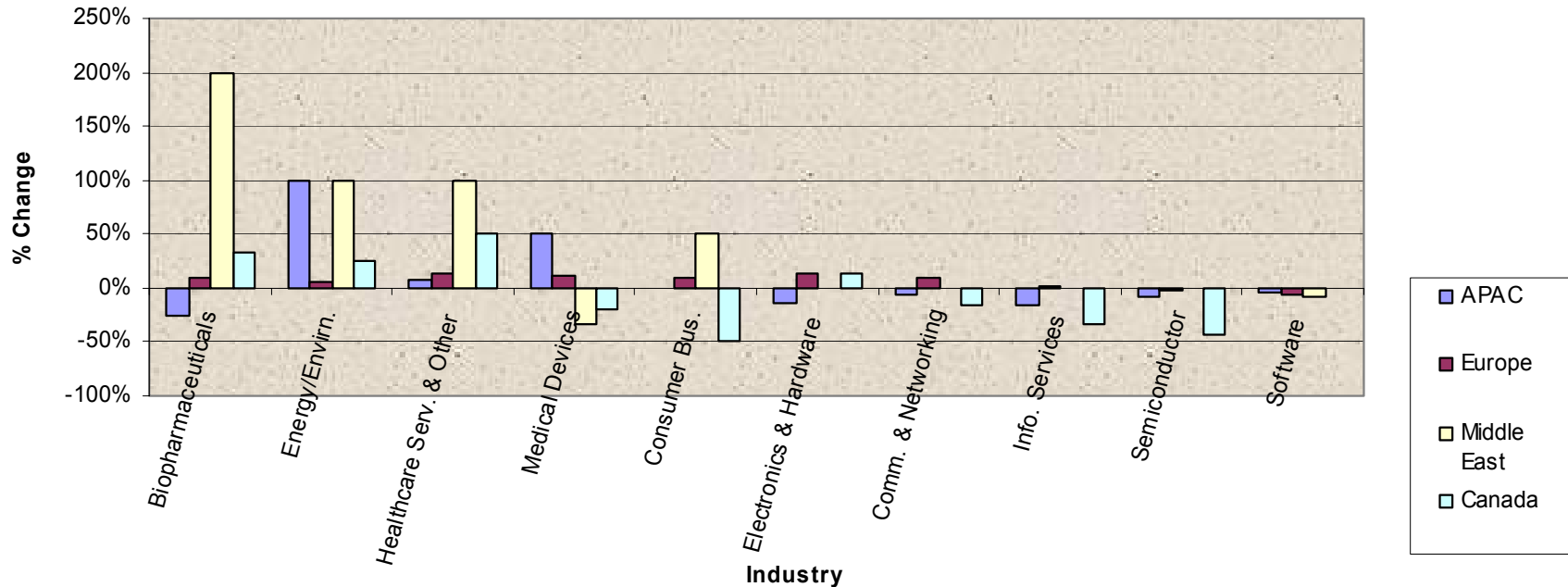


## Industry Investment - All Respondents Interest in Sector Investment in 5 Years



- **Traditional sectors (i.e., technology and biopharmaceuticals) show marginal decrease**
- **Similar attitudes in US vs. Non-US respondents in all sectors except Healthcare and Medical Devices, which shows continued interest by Non-US VCs**
- **Energy/Environment are areas of significant new interest by both US and Non-US VCs**

### Industry Investment - Non-US Interest in Sector Investments in 5 Years



*(Missing bars indicate no change in industry investment focus by respondents)*

- **Sector focus “status quo” in Europe**
- **Energy/Environment increases in APAC and Middle East**
- **Biopharmaceuticals & Healthcare Services significant in Middle East**
- **Medical Devices significant in APAC**

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