



The Dbriefs Technology, Media &
Telecommunications series presents:

Global Trends in Venture Capital: Outlook for the Future

Host: Eric Openshaw (Deloitte LLP)

Presenters: Mark Jensen (Deloitte & Touche LLP) and Mark Heesen (NVCA)

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Presenters

Host:

Eric Openshaw, Deloitte LLP

Vice Chairman and U.S. Technology Leader

Presenters:

Mark Jensen, Deloitte & Touche LLP

Managing Partner, Venture Capital Services

Mark Heesen, National Venture Capital Association

President

Agenda

- Overview
- Survey Results
- Questions and Answers

Responses and Demographics

516 responses from nine countries

- 47% from U.S.
- 53% foreign countries

Survey conducted in the U.S., Canada, U.K., China, France, Germany, India, Brazil, Israel

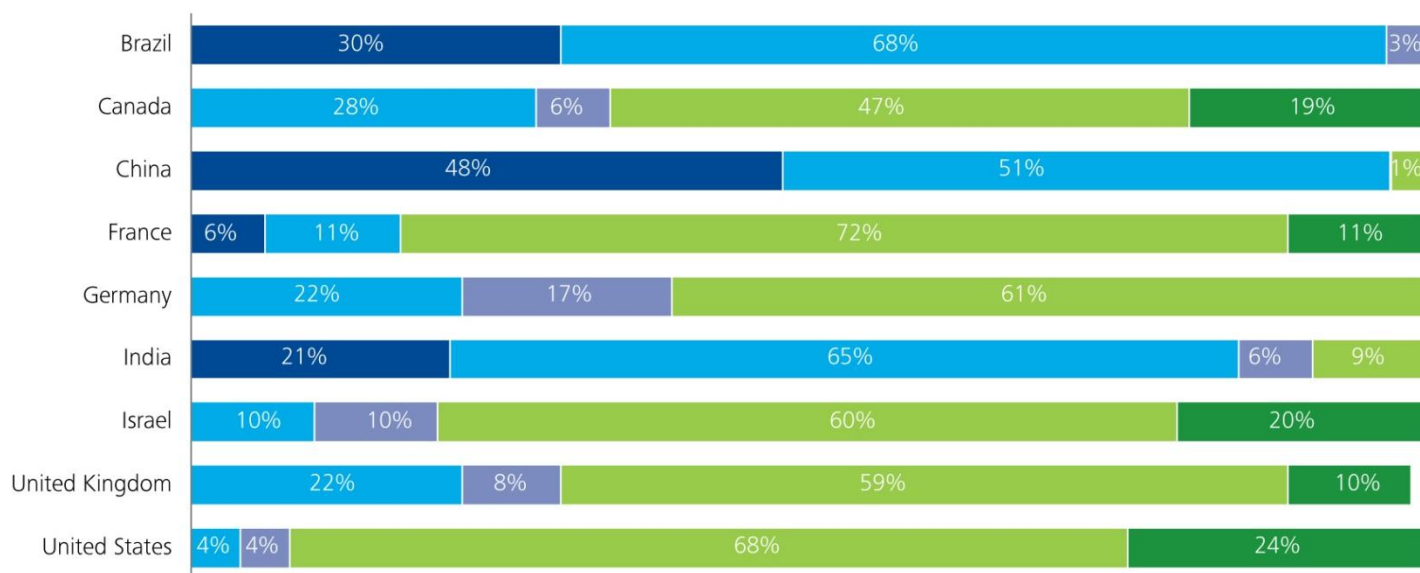
Responses from large, mid-sized and small firms, with the largest concentration, 36%, with \$100 - \$499 million in assets under management

Key Findings

- VC Industry expected to contract in traditional markets (U.S. & Europe) and grow in emerging markets (China, India & Brazil)
- Limited Partners expected to shift larger allocations to emerging markets
- Cross border investing increases expected to plateau
- Political, regulatory and market environments causing impediments to venture capital investing
- Despite challenges, VCs remain optimistic about quality of deal flow

Number of venture firms expected to decline in traditional markets; expected to grow in emerging markets

Expected Growth in Next 5 Years – Number of VC Firms



■ Increase significantly (more than 30%)
 ■ Increase slightly/moderately (1% to 30%)
 ■ Remain the same
■ Decrease slightly/moderately (1% to 30%)
 ■ Decrease significantly (more than 30%)

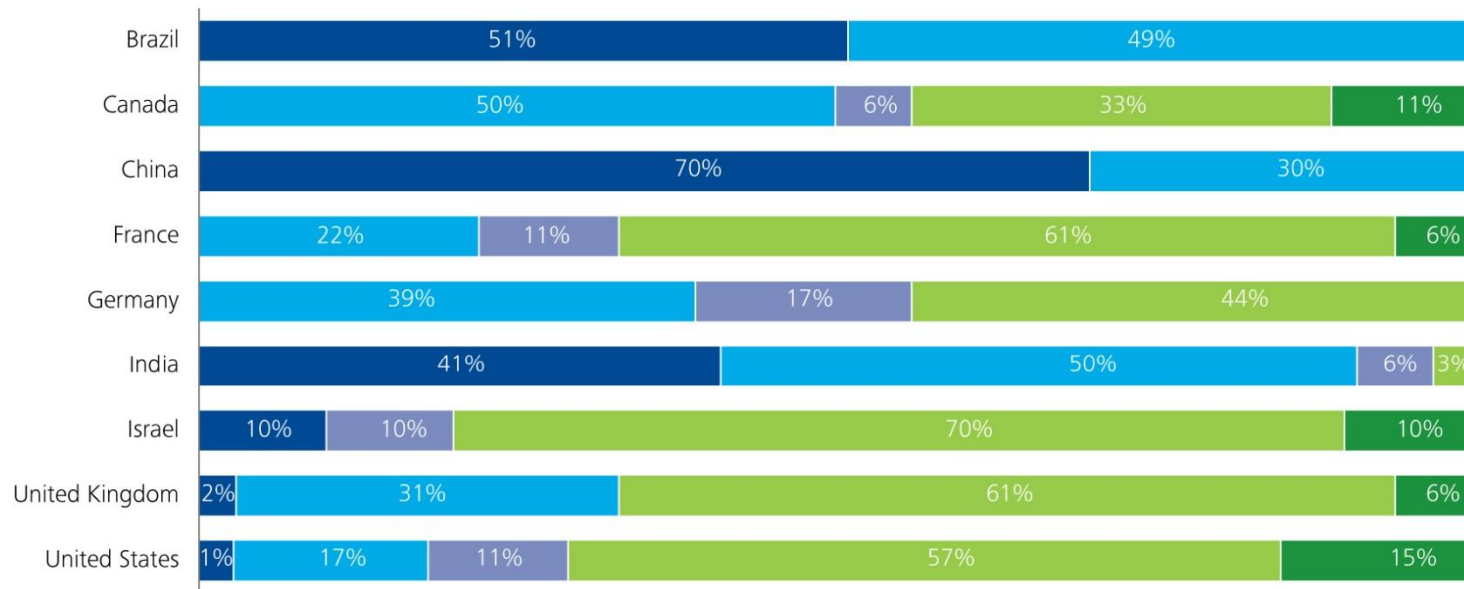
Color Definitions

Blue = Increasing
 Gray = Remain the same
 Green = Decreasing

- Brazil, China, India respondents see an increase in number of VC firms
- Canada, France, Germany, Israel, UK and U.S. respondents see a decrease in number of VC firms

Trend similar when asked about amount of venture capital available for investment in home country over the next five years

Expected Growth in Next 5 Years– \$\$ Available for VC Investment



Color Definitions

Blue = Increasing

Gray = Remain the same

Green = Decreasing

- Increase significantly (more than 30%)
- Increase slightly/moderately (1% to 30%)
- Remain the same
- Decrease slightly/moderately (1% to 30%)
- Decrease significantly (more than 30%)

- Brazil, China, India respondents see an increase
- Canada and Germany respondents were split with approximately half expecting a increase and half expecting a decrease
- France, Israel, UK and U.S. respondents see a decrease

Poll question #1

How important is the venture capital industry to U.S. economic health?

- Very important
- Somewhat important
- Not important
- Don't know

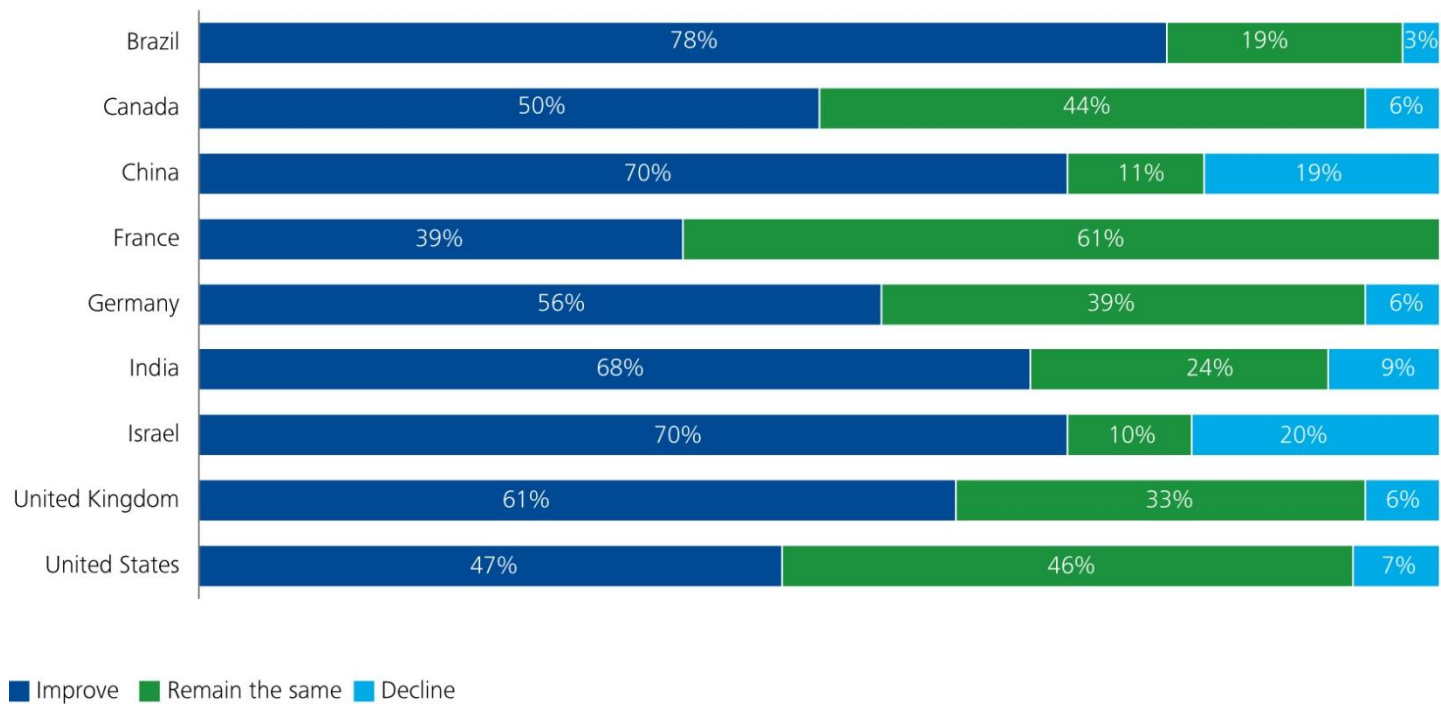
Poll question #1 results

How important is the venture capital industry to U.S. economic health?

- 54% - Very important
- 35% - Somewhat important
- 2% - Not important
- 9% - Don't know

Quality of deal flow expected to remain strong

Expected Quality of VC Deal Flow Next 5 Years



- Brazil, China, India, and Israel respondents see the quality of deal flow improving in their countries the most
- Everyone but French respondents see an improvement in deal flow

Poll question #2

Will the U.S. remain a dominant force in the technology industry in light of increased competition in the venture capital industry?

- Very likely
- Somewhat likely
- Unlikely
- Don't know

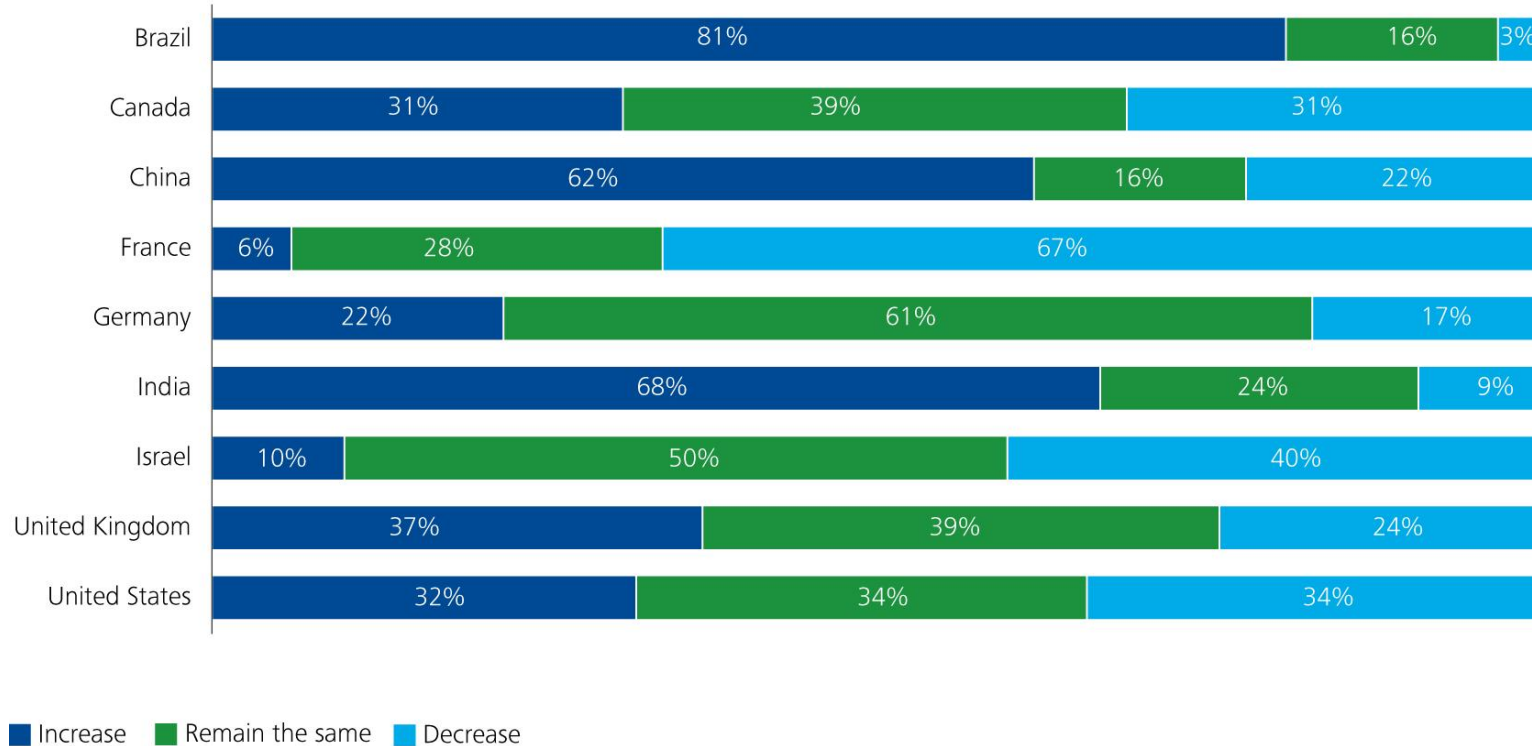
Poll question #2 results

Will the U.S. remain a dominant force in the technology industry in light of increased competition in the venture capital industry?

- 36% - Very likely
- 42% - Somewhat likely
- 10% - Unlikely
- 12% - Don't know

Valuations of private companies expected to increase or remain the same

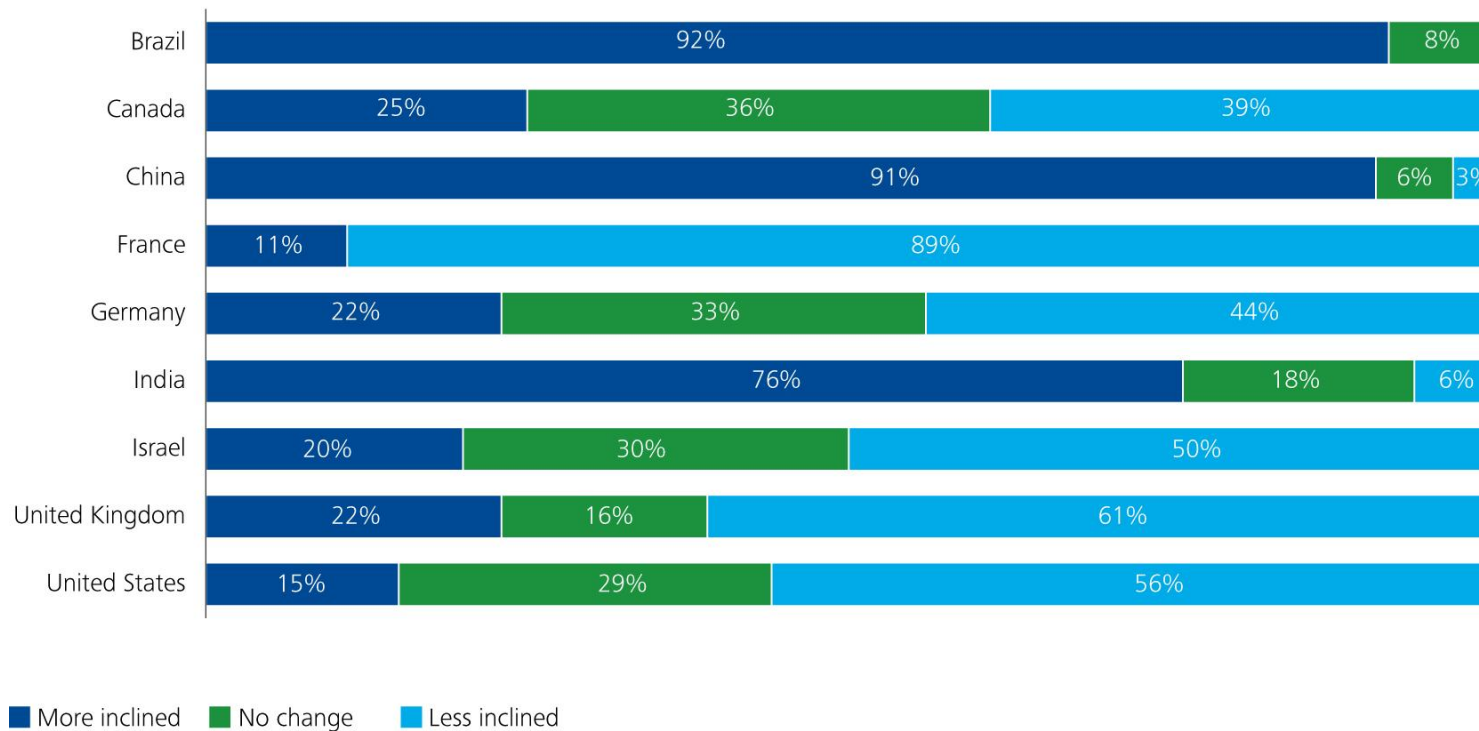
Expected Growth in Next 5 Years – Private Company Valuations



- Brazil, China, and India respondents predict largest valuation increases
- Majorities in all countries see valuations increasing or remaining the same w/exception of France

Limited Partners (investors in venture capital funds) interests expected to shift more to emerging markets

Limited partner inclination to invest in VC home country –
Next 5 Years



- Brazil, China, and India respondents see limited partners more inclined to invest in their countries
- France, UK, and U.S. respondents see limited partners less inclined to invest in their countries

Poll question #3

Compared to 2008, how significantly do you see policy issues affecting the venture and entrepreneurial communities?

- Much more significant
- More significant
- About the same
- Less significant
- Much less significant
- Don't know

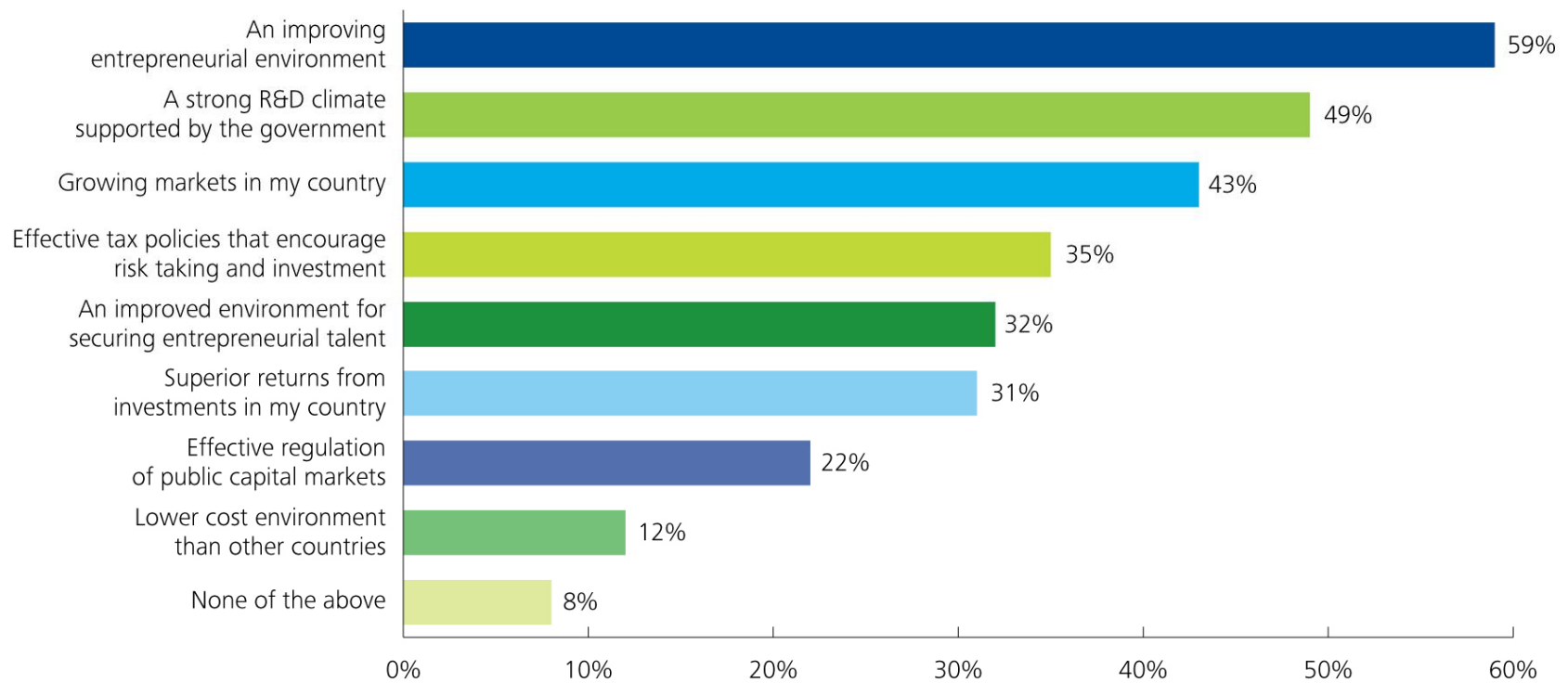
Poll question #3 results

Compared to 2008, how significantly do you see policy issues affecting the venture and entrepreneurial communities?

- 21% - Much more significant
- 40% - More significant
- 20% - About the same
- 3% - Less significant
- 1% - Much less significant
- 15% - Don't know

Entrepreneurial environments / gov't supported R&D cited as most important factors for favorable climate globally.

Factors creating a more favorable climate for venture capital (all respondents)



*This is a multiple select question. Percentages may not add to 100.

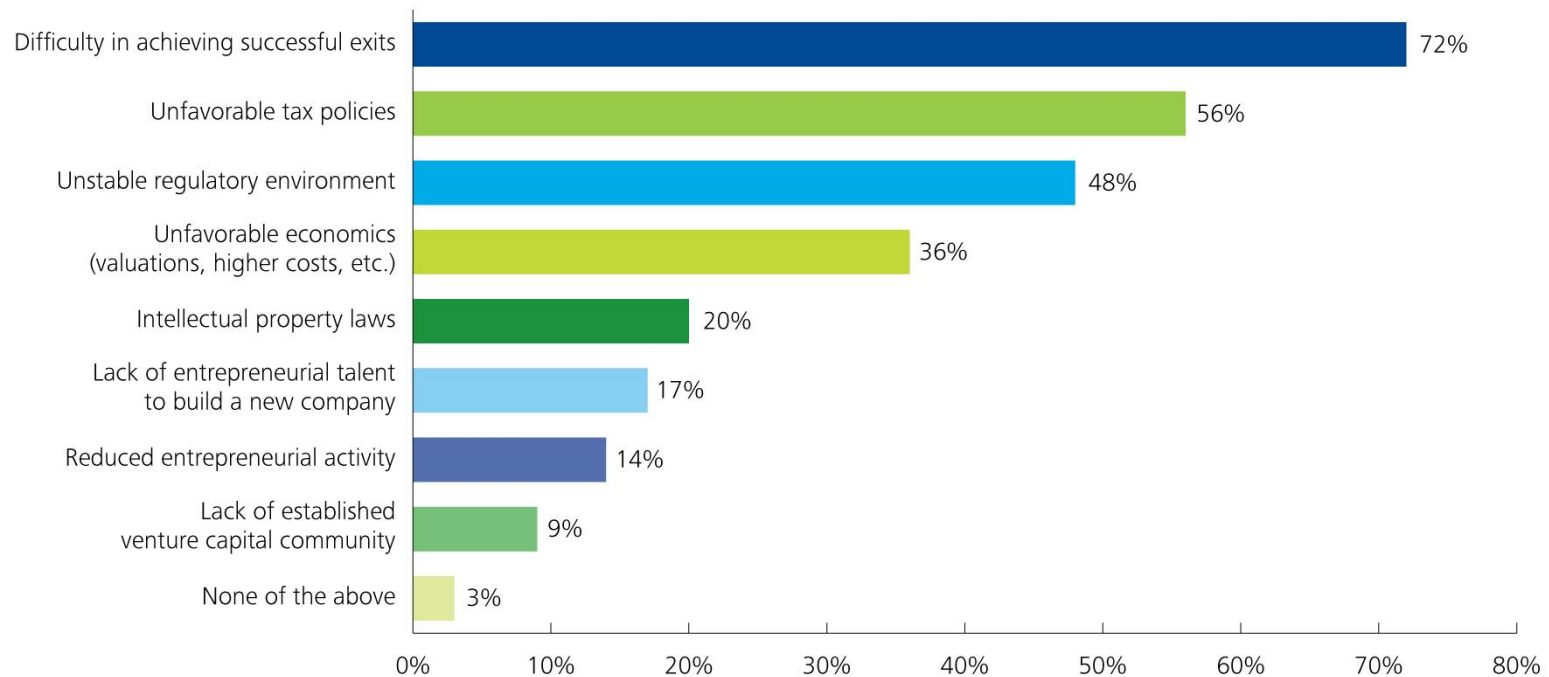
Differences by country regarding factors that are creating favorable climates for venture capital

	Brazil	Canada	China	France	Germany	India	Israel	United Kingdom	United States
A strong research and development climate supported by the government	19%	67%	56%	56%	61%	18%	70%	63%	48%
Effective tax policies that encourage risk taking and investment	5%	67%	71%	61%	61%	15%	30%	41%	21%
Effective regulation of public capital markets	43%	8%	55%	33%	0%	41%	0%	8%	12%
An improving entrepreneurial environment	59%	36%	82%	67%	72%	88%	70%	59%	48%
Lower cost environment than other countries	3%	31%	12%	6%	0%	56%	20%	10%	5%
Growing markets in my country	95%	22%	62%	28%	28%	100%	0%	27%	33%
An improved environment for securing entrepreneurial talent	16%	19%	33%	22%	56%	29%	40%	37%	34%
Superior returns from investments in my country	49%	22%	38%	22%	44%	56%	40%	20%	26%
None of the above	0%	3%	0%	6%	0%	0%	10%	6%	15%

- Squares highlighted in yellow = over 50% of respondents said yes.
- No overwhelming favorable climate factor in the U.S.

Exit markets, tax policies and regulations seen as major factors for non-favorable climate globally

Factors creating non-favorable climate for venture capital (all respondents)



*This is a multiple select question. Percentages may not add to 100.

Differences by country in factors creating non-favorable climate for venture capital

	Brazil	Canada	China	France	Germany	India	Israel	United Kingdom	United States
Difficulty in achieving successful exits	41%	75%	33%	67%	67%	71%	70%	80%	88%
Lack of established venture capital community	22%	61%	23%	6%	56%	35%	10%	16%	3%
Lack of entrepreneurial talent to build a new company	5%	47%	42%	22%	72%	15%	0%	33%	6%
Unstable regulatory environment	32%	11%	62%	72%	50%	56%	20%	31%	53%
Unfavorable tax policies	81%	28%	48%	44%	72%	50%	40%	67%	59%
Intellectual property laws	19%	3%	26%	6%	6%	29%	0%	4%	14%
Unfavorable economics (valuations, higher costs, etc.)	22%	17%	36%	50%	28%	44%	30%	35%	39%
Reduced entrepreneurial activity	3%	28%	10%	11%	39%	0%	10%	14%	5%
None of the above	5%	6%	4%	0%	0%	3%	20%	2%	1%

- Squares highlighted in yellow = over 50% of respondents said yes.
- More consensus in US and Europe regarding obstacles; less so in Asia and Brazil

Poll question #4

In 2009 there were 12 venture-backed IPOs and 26 through the first half of 2010 compared to 86 venture-backed IPOs in 2007. When do you think the venture-backed IPO market will reach 2007 levels again?

- 2010
- 2011
- 20 12
- 2013 +
- Never
- Don't know

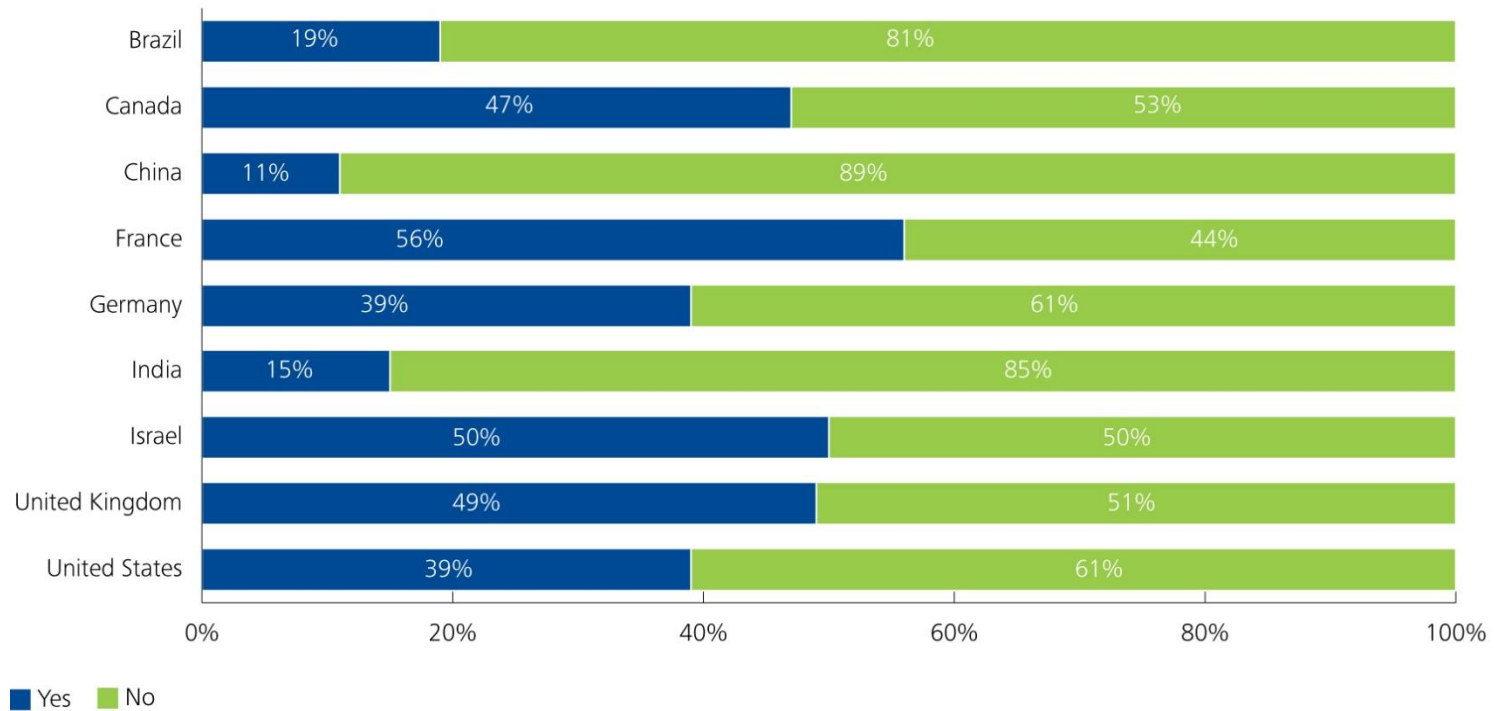
Poll question #4 results

In 2009 there were 12 venture-backed IPOs and 26 through the first half of 2010 compared to 86 venture-backed IPOs in 2007. When do you think the venture-backed IPO market will reach 2007 levels again?

- 2% - 2010
- 8% - 2011
- 23% - 20 12
- 38% - 2013 +
- 8% - Never
- 21% - Don't know

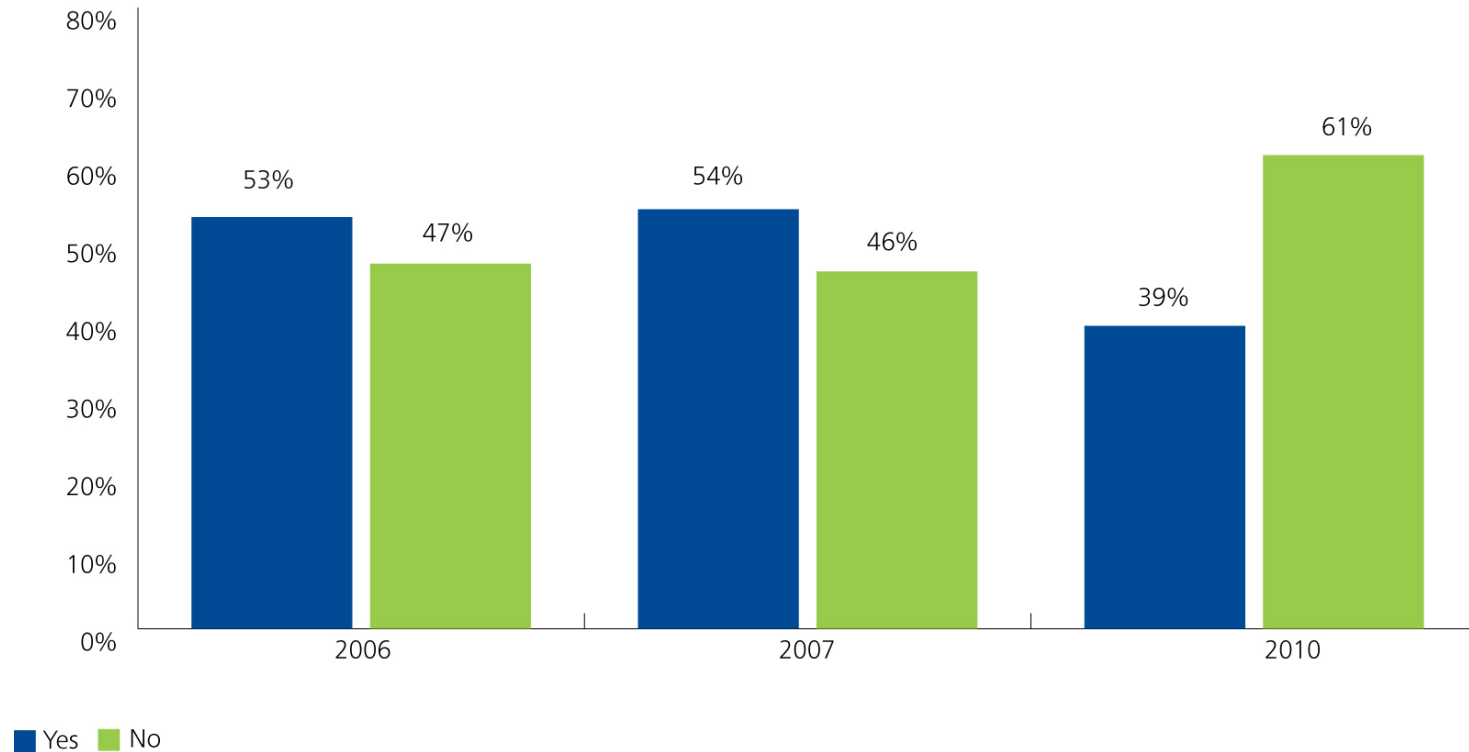
Increases in cross border investing expected to slow

VC plans to increase investment outside home country in the next 5 years



Significant difference in percent of U.S. respondents that do not plan on increasing their investment outside home country

U.S. VC plans to increase investment outside home country in the next 5 years
(U.S. respondents only)



Poll question #5

Do you believe clean tech is over-hyped?

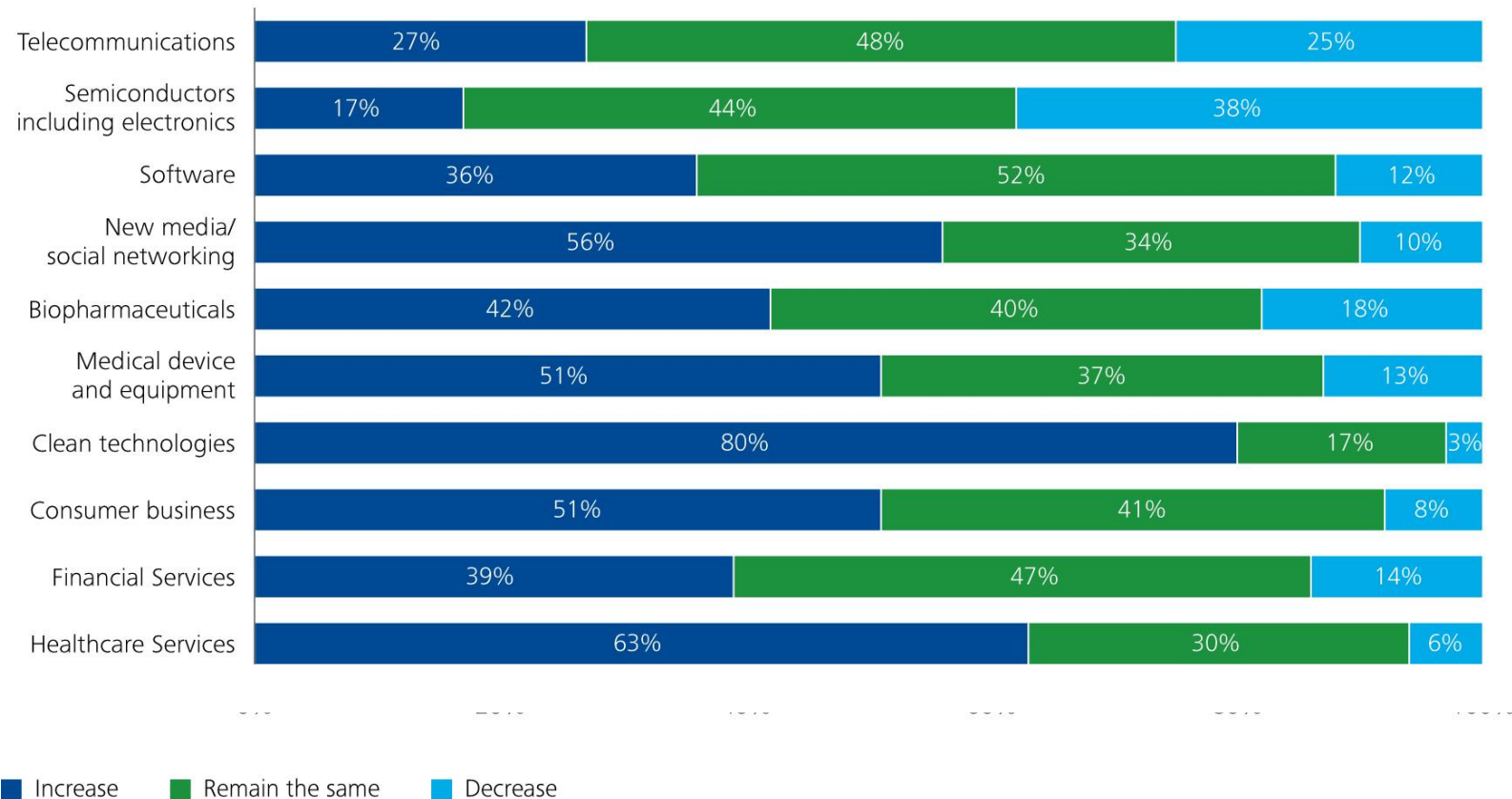
- Yes
- No

Poll question #5 results

Do you believe clean tech is over-hyped?

- 49% - Yes
- 51% - No

Investment by sector in the next 5 years



- Clean technologies and healthcare services are the hottest industries
- Semiconductor and telecommunication see the biggest slow down in future investments

Industry investment highlights by country

Top 2 industry sectors countries will be increasing their investment in

Country	#1 Increased Investment Sector	#2 Increased Investment Sector
Brazil	Consumer Business – 92%	Clean Technologies – 85%
Canada	Clean Technologies – 67%	New media/social networking – 50%
China	Clean Technologies – 95%	Healthcare Services – 92%
France	Clean Technologies – 88%	Healthcare Services – 69%
Germany	Clean Technologies – 71%	New media/social networking – 64%
India	Clean Technologies – 90%	Healthcare Services – 89%
Israel	New media/social networking – 86%	Medical device and equipment – 67%
United Kingdom	Clean Technologies – 85%	Healthcare Services – 62%
U.S.	Clean Technologies – 72%	New media/social networking – 58%

Footnote: Percentage listed next to the sector is the percentage of respondents saying they would increase their investments in that specific industry

Question and Answer

Methodology

The 2010 Global Venture Capital Survey was conducted jointly by Deloitte & Touche LLP and the National Venture Capital Association. It was administered to venture capitalists in the following countries: Brazil, Canada, China, France, Germany, India, Israel, United Kingdom and the United States. Deloitte received 516 responses from general partners with assets under management ranging from less than \$100 million to greater than \$1 billion. Multiple responses from the same firm were encouraged as the survey was a general measurement of the state of global investing from general partners, not attitudes of specific firms.

The survey was conducted during March and April 2010.

Contact Details

Mark Jensen, Deloitte & Touche LLP

mejensen@deloitte.com

Mark Heesen, NVCA

Mark.Heesen@nvca.org

Eric Openshaw, Deloitte LLP

eopenshaw@deloitte.com

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