

BVCA/Populus: Venture Capital Outlook Survey 2009

Populus interviewed 80 UK-based venture capitalists on behalf of The British Private Equity & Venture Capital Association in January 2009 to gauge their sentiment on current market activities including investments, exits, operations and fundraising. Populus is a member of the British Polling Council and abides by its rules. For more details go to www.populus.co.uk

What direction do you expect total venture capital investment to trend next year compared to this year?

Increase significantly (16% plus)	3%	Increase: 16%
Increase moderately (1-15%)	14%	
Stay about the same	10%	
Decrease moderately (1-15%)	23%	Decrease: 73%
Decrease significantly (16% plus)	51%	

- Almost three-quarters of respondents expect total venture capital investment to decrease in 2009 compared to 2008. One-in-ten expects it to stay the same, with only 16% believing it will increase. An almost identical number expect the number of venture capital financings to decrease over the same period.

Over the last 6 months, how difficult has it been to raise B and C rounds for your portfolio companies?

Very easy	0%	Easy: 3%
Quite easy	3%	
Quite hard	38%	Hard: 84%
Very hard	46%	
Not possible	4%	
Not applicable	10%	

Four-in-five (84%) respondents believe that it has been hard to raise B and C rounds for their portfolio companies over the last 6 months, with 46% finding it very hard and a further 4% found it impossible. None thought it had been very easy and only 3% that it had been easy.

How many months will your average portfolio company in the product development stage be able to survive on their current cash reserves if they do not secure the next round of financing?

Less than 1 month	0%	0-6 months: 28%
1-3 months	5%	
4-6 months	22%	
7-9 months	30%	7-12 months: 57%
10-12 months	26%	
13-15 months	7%	13-18 months: 11%
16-18 months	4%	
More than 18 months	5%	

How many months will your average portfolio company that is already trading be able to survive on their current cash reserves if they do not secure the next round of financing?

Less than 1 month	0%	0-6 months: 20%
1-3 months	4%	
4-6 months	16%	
7-9 months	12%	7-12 months: 45%
10-12 months	32%	
13-15 months	7%	13-18 months: 22%
16-18 months	15%	
More than 18 months	14%	

- More than half of respondents expect their average portfolio company in the product development stage will be able to survive 7–12 months on their current cash reserves if they cannot secure the next round of financing. Only 16% think they could last longer than 12 months and more than a quarter (28%) think they could not last longer than 6 months.

- Respondents are more optimistic about the length their average portfolio company that is already trading could last in the same situation, with one-in-three (36%) believing they will last longer than 12 months. However, almost half (45%) of members think they will last for 7–12 months, and one-fifth that they will last for less than 6 months.

When do you expect a recovery in the IPO market?

Within 6 months	0%
6-12 months	1%
13-18 months	40%
More than 18 months	59%

- Only 1% of members expect a recovery in the IPO market in the next 12 months. Three-fifths (59%) think that the recovery will take more than 18 months, while two-fifths (40%) think it will take 13–18 months.

Over the last 12 months, how does the fund raising climate compare to the previous 10 years if you are actively trying to raise a fund?

It is much easier to raise a fund	0%	Easier: 0%
It is easier to raise a fund	0%	
It is more difficult to raise a fund	15%	More difficult: 67%
It is much more difficult to raise a fund	51%	
We did not try to raise a fund as we know it is difficult	14%	Did not try: 26%
We did not try to raise a fund for other reasons	12%	
None of the above	8%	

In 2009, what impact will the credit crisis have on the ability of venture capital firms to raise additional funds from investors?

A significantly adverse impact	81%	Adverse: 98%
A modestly adverse impact	16%	
No impact	0%	
A modestly positive impact	3%	Positive: 3%
A significantly positive impact	0%	

- Members are almost unanimous in believing that the credit crisis will have an adverse impact on the ability of venture capital firms to raise additional funds from investors. 81% of members believe that the impact will be significantly adverse.