



FENWICK & WEST LLP
Trends in Terms of Venture Financings in Silicon Valley
(2009 Annual Venture Industry Segment Survey)

Background – We analyzed the terms of venture financings for 335 companies headquartered in Silicon Valley that raised money in 2009. We did not include Series A financings in this report, as the purpose of the report is primarily to analyze price changes from a company’s prior venture round.

Overview of Fenwick & West Results

- Down rounds slightly outpaced up rounds in 2009, 40% to 36%, with 24% flat, across all industries. This was a significant decline from 2008 when up rounds outpaced down rounds, 66% to 20%, with 14% flat.
- Improvement was generally seen over the course of 2009, with down rounds exceeding up rounds 47% to 28%, with 25% flat, in the first half of 2009, and up rounds exceeding down rounds 44% to 33%, with 23% flat, in the second half of 2009.
- The Fenwick & West Venture Capital Barometer™ showed similar results, registering a 5% average increase for all of 2009, compared to a 45% increase in 2008. The Barometer registered a 5% decrease for the first half of 2009 and a 15% increase for the second half of 2009.
- The software industry segment performed slightly better than the overall venture industry average for 2009, both as to the ratio of up to down rounds, as well as Barometer results.
- The hardware industry segment performed significantly below average when compared to the overall venture industry, both as to the ratio of up to down rounds, and the Barometer.
- The life science industry segment performed slightly better than the overall venture industry average, both as to the ratio of up to down rounds, and as to the Barometer results. Within the life science segment, medical device companies out performed biopharma, with medical device companies having 36% up rounds vs. 33% down rounds, and a Barometer reading of 11%, and biopharma having down rounds exceed up rounds 32% to 27%, with a flat Barometer reading.
- The internet/digital media industry segment was even with the rest of the venture industry with respect to the ratio of up to down rounds, but was best performing industry segment with respect to Barometer results. This was due to a number of internet/digital media financings that were up significantly over the prior round.
- The cleantech industry segment was slightly better than the overall venture industry as to the ratio of up rounds to down rounds, but was the poorest performing industry segment in Barometer results, as some of the down rounds in the cleantech industry were down by a large percentage.

Overview of Other Industry Data

Third party reports on the venture industry generally reported that 2009 was a difficult year for obtaining venture investment and liquidity in all industry segments, but that healthcare suffered less of a decline than the information technology segment, with the cleantech segment suffering the largest decline. With respect to venture investment, Dow Jones VentureSource reported that 2009 was the first year on record in which more venture capital was invested in healthcare companies than information technology companies, with healthcare companies raising \$7.7 billion in 2009, a 14% drop from 2008, while IT companies raised \$6.1 billion, a 35% drop from 2008. Energy (cleantech) saw a significant decline in 2009, raising only \$1.2 billion, a substantial decline from the \$3.7 billion raised in 2008.

Detailed Fenwick & West Results

- **2009 Price Changes and Fenwick & West Venture Capital Barometer™ (Magnitude of Price Changes)** – The table below sets forth the direction of price changes for companies receiving financing in 2009, compared to their previous round, sorted by industry group.

The table also sets forth the Fenwick & West Venture Capital Barometer, which is the average of the per share percentage increases and decreases over each company's previous round, also sorted by industry. In calculating the Barometer, "flat rounds" are included, and all financings are considered equal, and accordingly the Barometer is not weighted for the amount of the financing.

Industry	Number of Financings	Up Rounds	Down Rounds	Flat Rounds	Barometer
Software	95	41%	42%	17%	+8%
Hardware	84	28%	48%	24%	-10%
Lifescience	64	33%	31%	36%	+7%
Internet/Digital Media	53	36%	40%	24%	+26%
Cleantech	15	40%	40%	20%	-11%
Other	24	54%	25%	21%	+11%
All Industries	335	36%	40%	24%	+5%

- **Changes From 1H'09 to 2H'09** – The following table breaks down the overall 2009 results set forth above to show changes from the first to the second half of 2009.

Industry	Numbers of Financings		Up Rounds		Down Rounds		Flat Rounds		Barometer	
	1H09	2H09	1H09	2H09	1H09	2H09	1H09	2H09	1H09	2H09
Software	53	42	30%	55%	53%	28%	17%	17%	-7%	+27%
Hardware	40	44	25%	32%	47%	48%	28%	20%	-16%	-5%
Lifescience	29	35	34%	32%	28%	34%	38%	34%	+26%	-9%
Internet/Digital Media	26	27	12%	59%	61%	19%	27%	22%	-16%	+66%
Cleantech	6	9	67%	22%	33%	45%	0%	33%	-3%	-16%
Other	8	16	37%	62%	38%	19%	25%	19%	-12%	23%
All Industries	162	173	28%	44%	47%	33%	25%	23%	-5%	+15%

For purposes of the foregoing industry breakdowns, we have defined the industries as follows:

- Software – This category includes companies that develop or distribute any kind of software, from enterprise software through consumer software. It also includes SaaS (“software as a service”) companies.
- Hardware – This category includes computer, consumer electronics, semiconductors, telecommunications equipment, networking equipment, and similar companies.
- Lifescience – This category includes biopharmaceutical and medical device companies.
- Internet/Digital Media – This category includes companies that are commonly considered “Internet” companies, including portal, search, photo/video sharing, music downloading/streaming, social networking, ecommerce, online media, online gaming, and online content companies as well as ad network and online media companies, and companies that deliver content and/or applications for mobile devices.
- Cleantech – This category includes companies involved in alternative energy, energy efficiency and pollution reduction or remediation companies.

For additional information about this report please contact Barry Kramer at 650-335-7278; bkramer@fenwick.com or Michael Patrick at 650-335-7273; mpatrick@fenwick.com at Fenwick & West. To be placed on an email list for future editions of this survey please go to our [VC Survey sign up page](#). The contents of this report are not intended, and should not be considered, as legal advice or opinion.