

Life Sciences Venture Capital Funding Shrinks for Fourth Straight Quarter According to the MoneyTree Report

The Associated Press

Venture capital (VC) funding in the Life Sciences sector, which includes the Biotechnology and Medical Device industries, decreased 39% in dollars and 22% in number of deals during the second quarter of 2012 from the same quarter of last year, according to a new PwC US report, "Dollar drought," that includes data from the PricewaterhouseCoopers LLP/National Venture Capital Association MoneyTreeT Report, based on data from Thomson Reuters.

(Logo: <http://photos.prnewswire.com/prnh/20100917/NY66894LOGO>) Venture capitalists invested a total of \$1.4 billion during the second quarter, the lowest level since the fourth quarter of 2010. Deal volume was also down, dropping 6 percent from Q1 to 174 deals. When compared to a year ago, dollars invested into Life Sciences companies during Q2 of 2012 decreased 39 percent while the number of deals declined 22 percent from the \$2.3 billion invested in 223 deals during the second quarter of 2011.

For all sectors, venture capitalists invested \$7 billion in 898 deals in Q2 2012, a decrease of 12 percent in dollars invested and a 15 percent decline in deals, compared to \$8 billion going into 1,057 deals in the second quarter of 2011. The Life Sciences share of total venture capital dollars invested declined to 20 percent in Q2, a nine percent decrease from Q1 2012 to the lowest level since the third quarter of 2002.

"The long time horizon often required for a liquidity event, regulatory challenges, and large amount of capital often needed to fund life science companies likely contributed to this sector's investment decline during the past four quarters," said Tracy T.

Leteroff, global managing partner of the venture capital practice at PwC US.

During the second quarter, Biotechnology and medical devices each accounted for 10 percent of total funding. In comparison, during the first quarter of 2012, Biotechnology captured 14 percent of investment in the sector and Medical Devices accounted for 12 percent of the total.

Medical device investments remained flat in dollars quarter-over-quarter while the number of deals increased 11 percent during the same time period. With \$700 million going into 84 deals in Q2, the Medical Device industry ranked behind Software and Industrial/Energy in dollars invested.

Biotechnology investing decreased by 17 percent in both dollars and deals

compared to the prior quarter, with \$697 million going into 90 deals in Q2 2012. Biotechnology also fell to fourth in terms of overall dollars invested, behind the Software industry, Industrial/Energy and Medical Devices. On a year-over-year basis, biotechnology investments decreased 52 percent with deals down 30 percent.

First-Time Financing During the second quarter of 2012, 27 Life Sciences companies received venture capital funding for the first time, capturing \$130 million.

This represents a decrease of 46 percent in the number of companies and a 61 percent decrease in dollars invested compared to the second quarter of 2011. First-time deals in the Life Sciences sector fell to an average of \$4.8 million in the second quarter of 2012 compared with an average deal size of \$6.7 million in the second quarter of 2011.

Funding by Sub-segment Two of the seven Biotechnology sub-segments exhibited growth in the second quarter of 2012 compared to the second quarter of 2011. The Biosensors and Biotech Equipment sub-segments both saw increases in funding, rising to \$6 million and \$53 million, respectively. Funding for all other sub-segments decreased during the second quarter. The Human Biotechnology sub-segment captured the largest share in the second quarter with \$496 million going into 56 deals but declined year-over-year in both dollars and deals.

Within the Medical Device industry, only the Medical/health Products sub-segment saw an increase in Q2 2012 from Q2 2011, increasing 111 percent in dollars to \$137 million. The Medical Diagnostics and Medical Therapeutics sub-segments both experienced declines during the same time period, however, the Medical Therapeutics category accounted for 73 percent of the dollars and 62 percent of deals in the second quarter with \$508 million going into 52 deals.

"It may continue to be challenging for life sciences companies to raise funds until the regulatory environment becomes transparent for biotech and medtech companies trying to move new products into the market," noted Lefteroff. "However, if M&A activity picks up during the second half of this year, investors could see a clearer path to returns, which potentially could attract more money to be invested in this sector." Investments by Region The top five metropolitan regions receiving Life Sciences venture capital funding during Q2 2012 were San Francisco Bay (\$470 million), Boston (\$186 million), San Diego Metro (\$173 million), Seattle (\$78 million) and NY Metro (\$67 million). Four of the five regions saw declines in investing in Q2 when compared to Q2 2011. Seattle was the only region of the five that experienced an increase in this timeframe, jumping 292 percent to \$78 million.

Investments in Biotechnology accounted for 55 percent of the dollars invested in the top five regions in Q2 2012. The top five regions captured 70 percent of the dollars invested in Life Sciences companies in the second quarter of 2012.

A full copy of the report is available for download at www.pwc.com/us/lifesciencesmoneytree About PwC's Pharmaceutical and Life Sciences Industry Group PwC's Pharmaceutical and Life Sciences Industry Group

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