



National Venture Capital Association



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VENTURE-BACKED MERGERS AND ACQUISITIONS BENEFITTED FROM RISING VALUATIONS IN FOURTH QUARTER 2003

M&A Market Continues As Primary Vehicle for VC Liquidity

February 10, 2004 – Newark, NJ - Fourth quarter 2003 merger and acquisition valuations of \$2.3 billion for venture-backed companies outperformed the third quarter by \$200 million, with the average value of disclosed deals rising by 29% to more than \$67 million, according to Thomson Venture Economics and National Venture Capital Association today. In the fourth quarter of 2003, 71 venture-backed companies raised funds through merger and acquisitions, rounding out eight quarters of similar activity. For the year 2003, M&A activity remained steady with 289 venture-backed companies acquired for a total value of \$7.7 billion compared to 2002 when 314 venture-backed companies were acquired for \$7.8 billion.

“Although acquisitions have always provided more venture-backed exits than any other option, they have become increasingly important in recent years when IPO’s were virtually nonexistent. Rising valuations represent good news, as such a trend will support stronger private equity performance,” said Mark Heesen, president of the National Venture Capital Association.

Venture-Backed M&A Activity 1997-2003

Year	Total Deals	Deals with Disclosed Values	Total Purchase Price (\$M)	Average Disclosed Value Deal Size (\$M)
1997	164	115	7431.04	64.62
1998	209	132	9088.38	68.85
1999	239	161	37495.52	232.89
2000	314	202	68353.11	338.38
2001	350	165	17660.67	107.03
2002	314	150	7830.86	52.21
2003	289	122	7701.79	63.13

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Venture-Backed M&A Activity – Recent Quarters

Quarter	Total Deals	Deals with Disclosed Values	Total Purchase Price (\$M)	Average Disclosed Value Deal Size (\$M)
2003-1	68	21	1,453.29	69.20
2003-2	74	27	1,841.93	68.22
2003-3	76	40	2,103.37	52.58
2003-4	71	34	2,303.20	67.74
Total	289	122	7,701.79	63.13

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The largest deal of the fourth quarter and in 2003 was Interactive Corporation’s acquisition of Hotwire.com, an Internet-based travel service, valued at \$665 million. This deal was followed by NetScreen Technologies’ \$265 million acquisition of Neoteris, a provider of purpose-built security infrastructure products.

The software sector saw the most venture-backed merger and acquisitions in 2003 with 104 deals raising \$2.07 billion. This activity compares to 111 software companies acquired in 2002, with 55 reporting a value of \$1.9 billion. In the fourth quarter, 25 software companies were acquired, with 11 targets disclosing a total value of \$425.5 million. The largest software deal was Symantec Corporation's acquisition of PowerQuest for \$150 million, the fourth largest deal of the quarter.

The next three strongest industry categories for venture-backed M&A's in 2003 were Telecommunications, IT Services and Networking & Equipment. The same industries, along with Business Products and Services, showed strength in the fourth quarter as well.

Venture-Backed M&A by Industry, Q4 2003

Industry	Deals	Purchase Price (\$M)
Software	25	425.54
IT Services	10	439.86
Telecommunications	7	90.96
Business Products and Services	5	42.50
Networking and Equipment	5	36.26
Computers and Peripherals	3	7.00
Biotechnology	2	50.50
Consumer Products and Services	2	62.50
Financial Services	2	62.62
Healthcare Services	2	47.46
Media and Entertainment	2	N/A
Medical Devices and Equipment	2	230.38
Retailing/Distribution	2	665.00
Industrial/Energy	1	27.50
Semiconductors	1	115.14
	71	2,303.20

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The National Venture Capital Association (NVCA) represents approximately 450 venture capital and private equity organizations. NVCA's mission is to foster the understanding of the importance of venture capital to the vitality of the U.S. and global economies, to stimulate the flow of equity capital to emerging growth companies by representing the public policy interests of the venture capital and private equity communities at all levels of government, to maintain high professional standards, facilitate networking opportunities and to provide research data and professional development for its members. For more information visit www.nvca.org.