



National Venture Capital Association

NVCA Member Predictions for 2008

On IT Spending

“The recent market disruptions have started to ripple through financial leaders and find their way into spending. In January, we predicted IT spending growth of 6.1 percent for 2007. It now looks like growth will be 3.5 percent at year end. Similarly, expectations for next year, based on FTVentures IT Outlook, are projected to continue to grow but at the slower rate of 3 percent since volumes are down (mortgages, derivatives, trading) in the second half. Explicit spending planned for growth will drop but in part will be replaced by software spending for compliance and risk management.” – Jim Hale, Founding Partner, FTVentures

On Corporate Venture Capital

“We expect the positive development of the corporate venture capital market to continue in 2008. New businesses will be implemented, exciting start-ups will be funded. As a corporate investor we take a hands-on approach to our investments in the field of industry, energy and healthcare. Support to entrepreneurs means more than investing capital. In addition to our financial commitment, we play an active role in the nurturing of our portfolio companies by providing strategic management guidance and access to Siemens' global network of internal and external resources.” - Dr. Ralf Schnell, president and CEO, Siemens Venture Capital

On the U.S. Economy

“Consensus views predicting the continuing demise of the dollar and an anemic American economy will be proven wrong by continued global growth in technology spending fueled by innovation from emerging U.S. companies, particularly venture-backed companies that successfully go public in 2008.” – Pascal Levensohn, Managing Partner and Founder, Levensohn Venture Partners

“Slower GDP growth, a tightening in consumer spending, more pain on the sub-prime mortgage front, but corporate earnings growth, while likely to slow, will ensure the United States stays out of a recession.” – Walter Kortschak, General Partner, Summit Partners

On CleanTech Investment

“CleanTech will continue its pace as the fastest growing venture category of the past several years. In its quest to solve some of the most important energy and water issues of the 21st century, the sector will also attract the interest of some of the best and brightest entrepreneurs, executive teams, and technologists. Finally, the diversity and breadth of the CleanTech sector will evolve such that areas beyond solar and biofuels will capture more venture dollars over the

coming year than ever before.” – Ira Ehrenpreis, General Partner, Technology Partners and Chairman, 2008 Clean-Tech Investor Summit

On Global Investment

“In 2008, U.S. venture activity overseas will continue to grow, driven by the continuing need to expand the base. Emerging economies in regions like Brazil, Russia, Vietnam, Poland, and Romania will be seeded by technology investors over the next 18 months. Global interest in greentech will enable companies in unexpected geographies to establish themselves as competitive players in the global market. In addition, Asian markets will continue to set the pace for the convergence of wireless, mobile, and broadband services, with biotech, gaming and rich media among the stronger vertical segments. Capital will follow the innovations, despite their locations.” - Claudia Fan Munce, Managing Director, IBM Venture Capital Group, Vice President, IBM Corporate Strategy

On Life Sciences

"The antiquated way of diagnosing and treating disease will become a thing of the past. Dramatic changes coming from gene-based knowledge and genomic advances will move us further away from one-size-fits-all diagnosis and treatment. We're on the cusp of a new generation of molecular or personalized medicine. That's good for patients, payers and physicians." -- Michael Goldberg, MDV-Mohr Davidow Ventures General Partner

“During 2008, we will continue to see heightened concerns on the part of the FDA about drug safety. Venture-backed companies using repurposed drugs to address different health conditions will be able to leverage previous experience with these drugs, so they may more efficiently achieve FDA approvals. As a result, there will be an increase in clinical innovation in healthcare, and more M&A activity from companies seeking to add to their late-stage and marketed pipelines.” - Lou Bock, Managing Director, Scale Venture Partners

"As the broader markets remain shaky, venture-backed medical device and biotechnology companies will continue to seek alternative financing sources to an IPO. This approach will result in private companies continuing to grow and mature under the radar. When these companies do surface, they will be strong commercial entities. The net result, fewer but bigger exits. Billion dollar exits in healthcare? Never say never." -- Mike Carusi, General Partner, Advanced Technology Ventures (ATV)

On the Exit Market

“Exits will dry up significantly in 2008 – by at least 50 percent - because there’s going to be an economic downturn; as a result, IPOs will essentially disappear. Similarly, when there’s uncertainty in the economic environment, the acquirers fold their tent, too; and, for those acquirers who stay in the market, it means that the value of deals will drop. The net result of this is that LP distributions will drop sizably.” – Don Caldwell, CEO, Cross Atlantic Partners

“I expect that 2008 will see a continuing change in the nature of exits for venture capital backed companies. While merger and acquisition exits will still be the predominate form of liquidity for venture backed companies and the IPO opportunity will exist for many more mature companies much as it did in 2007, we expect to see that the sales shares held by VC firms in companies to late stage and secondary investors will increase dramatically in 2008 as an alternative form of liquidity - much like buyout firms sold their portfolio companies to other larger buyout firms as an alternative to a strategic sale.” – Ken Sawyer, Managing Partner, Saints Venture Capital

On Advances in Technology

“In 2008 we will experience another strong year for venture funded startups. Never believe the negative predictions from professional prognosticators of pervasive pessimism - they sound like a broken record. The benefits of technology continue to spread through all aspects of the economy and around the world, across many sectors such as biotechnology, materials science, advanced computing, telecommunications and energy technologies”. – Patrick Ennis, Managing Director, ARCH Venture Partners

On Angel Investing

“2008 will be the year that the impact and importance of angel investors is embraced by traditional VCs. Angel groups are rapidly professionalizing and structuring their organizations. They are important providers of funding and advice to seed-stage companies. Angels help fuel our country's innovation economy and in 2008 they will emerge from the shadows to take a more prominent and visible role.” – David Spreng, Managing General Partner, Crescendo Ventures

On the Technology Sector

“We continue to be bullish about the market for both IPOs and IP spinouts in the technology sector. Companies are looking at ways to maximize their R&D investments and spinning out innovative IP into successful private and public companies is an extremely lucrative option.” - Bart Schachter, Managing Director, Blueprint Ventures.

On Public Policy

“As we move closer to the next election the pressure for a more “progressive” tax code will greatly intensify.” - Roger Novak, Founding Partner, Novak Biddle Venture Partners