

Venture-cap investments climb 53 pct in 2Q

July 16 2010, By RACHEL METZ , AP Technology Writer

(AP) -- Venture capitalists funneled more money into U.S. startups in the second quarter, indicating continuing confidence that the economy is on the mend.

A study scheduled for release Friday shows that [startup investments](#) in the April-June period climbed 53 percent from the same three months in 2009 to \$6.5 billion. This is the most money invested in startups since the third quarter of 2008.

The funding was divided among 906 startups, nearly 29 percent more than a year ago and the largest number since the fourth quarter of 2008.

Funding went to more seed and early-stage companies than in any quarter since mid-2007. That signals investors are feeling good about investing in new ideas even though the market for acquisitions and public stock offerings for more mature startups continues to be rough - meaning it'll be awhile before venture capitalists see returns on their investments.

While there are still many later-stage companies waiting to go public or be acquired, "the venture capital industry has been able to turn its attention to the next crop of companies," John Taylor, vice president of research for the National Venture Capital Association, said during a conference call with reporters Thursday.

The study was conducted by PriceWaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters.

As in the past, biotechnology startups snagged the most funding in the quarter, receiving \$1.3 billion in investments, up 43 percent from the same period in 2009.

Last year, investments in that sector fell, but [venture capitalists](#) have continued to invest heavily because large pharmaceutical companies are still interested in buying startups that are developing promising drugs.

Investments in clean [technology companies](#) tripled to \$1.5 billion - its biggest quarter since the study began keeping track of investments in 1995 - while software company investments climbed nearly 48 percent to \$1 billion.

Money that went toward first-round financing climbed 46 percent to \$1.1 billion. There were 281 companies that got their first financing during the period, compared with 182 in the same quarter last year. Most of these deals were with companies in the seed and early stages of development, which is consistent with past activity and shows investors continue to be optimistic about funding new ideas.

The quarter's biggest deal was \$350 million; it went to Better Place Inc., which offers electric vehicle support services. The second-biggest deal was \$150 million, for BrightSource Energy Inc., which makes large-scale solar power plants.

©2010 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Venture-cap investments climb 53 pct in 2Q (2010, July 16) retrieved 23 May 2024 from <https://phys.org/news/2010-07-venture-cap-investments-climb-pct-2q.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is

provided for information purposes only.