

Venture funding, number of deals decline in 3Q (Update)

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Funding for startups declined 12 percent in the July-September period as venture capitalists spent less money on fewer deals, according to a new report. Companies in the early stages of funding saw declines as investors stayed cautious and life sciences funding remained lackluster.

A report out Friday says startup investments totaled \$6.49 billion in the third quarter. That's down from \$7.34 billion a year earlier, a period that preceded a slew of high-profile initial public offerings from Facebook Inc. and others. Excitement about the IPOs helped drum up excitement about other up-and-coming startups among venture capitalists.

There were 890 deals completed during the quarter, down 10 percent from 992 a year earlier. Companies in software, biotech and information technology received the most money, with software far outpacing the others.

"In general the industry is going through a period of 'back to basics,'" said Jon Callaghan, founder of VC firm True Ventures. He added, though, that there is still a tremendous amount of innovation among startups and that the software and Internet sectors were still robust.

Investments for the first nine months of the year totaled \$20 billion—below the \$22.2 billion at the same point last year. This likely indicates that 2012 will fall short of last year both in dollar amounts and the number of deals, according to the report.

Mark Heesen, president of the National Venture Capital Association, said that while tech investments continue to be strong, funding in life sciences remains low, "reflecting ongoing concerns regarding regulatory uncertainty, capital intensity and investment time horizons." These investments require a lot of money, and venture capitalists may not see the benefits of their investments for many years.

The quarterly MoneyTree study was conducted by PricewaterhouseCoopers and the NVCA, based on data from Thomson Reuters. The study tracked four stages of venture capital funding. Depending on how far along companies are in development, they received either "seed," "early," "expansion" or "later-stage" funding.

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