

US venture investments declined in 2012 (Update)

January 18 2013, by Barbara Ortutay

A new study shows that funding for U.S. business startups declined in 2012, the first time that's happened in three years, as venture capitalists spent less money on fewer deals.

Capital-intensive sectors like clean technology and life sciences were among the hardest hit, according to the MoneyTree study released Friday. It was conducted by PriceWaterHouseCoopers and the National Venture Capital Association, based on data from Thomson Reuters.

In all of 2012 startup investments fell 10 percent to \$26.52 billion from \$29.46 billion. There were 3,698 deals completed, down 6 percent from 3,937 in 2011. Venture investments also declined 13 percent in the final quarter of the year, to \$6.4 billion from \$7.38 billion a year earlier, though the number of deals was the same in both quarters at 968.

"General economic uncertainty continues to hinder capital investments, and venture capitalists are no different," said Tracy T. Lefteroff, global managing partner of the venture capital practice at PwC U.S. "As the number of new funds being raised continues to shrink, venture capitalists are being more discriminating with where they're willing to place new bets. At the same time, they're holding on to reserves to continue to support the companies already in their portfolio."

By industry, software remained the largest investment sector last year, the report found, with \$8.27 billion invested into 1,266 deals. That's up from \$7.51 billion invested in 1,176 deals in 2011.

San Francisco's SquareTrade Inc., which provides electronics warranties, landed the biggest round of funding in 2012—\$238 million from Bain Capital. Mobile payments startup Square Inc. was in second place with \$200 million secured from Citi Ventures and others.

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