



\$1.2 BILLION IN VENTURE CAPITAL INVESTED IN SAN DIEGO IN 2015, HIGHEST SINCE 2012

Life Sciences and Software Industries Lead the Way

San Diego, January 15, 2016 – Venture capitalist investment in San Diego companies grew to \$1.17 billion on 101 deals in 2015, according to the MoneyTree™ Report from PricewaterhouseCoopers LLP (PwC) and the National Venture Capital Association (NVCA), based on data provided by Thomson Reuters. This amount represents the best year, in terms of venture capital dollars invested, since 2012 when \$1.18 billion was invested in San Diego. Total investment dollars for 2015 increased 40 percent from 2014 when \$833.8 million was raised from 102 deals. The life sciences (biotechnology and medical devices combined) and software industries accounted for 72% of all venture capital dollars invested in San Diego during 2015, bringing in combined investments totaling \$838.8 million.

During the fourth quarter of 2015, San Diego companies harnessed \$334.1 million in venture capital dollars on 27 deals, which represents a 170% increase from Q4 2014 when 22 companies received \$123.7 million. The quarter was propelled by a \$92.0 million investment in a later stage company within the industrial / energy industry. However, total dollars invested in the fourth quarter declined from Q3 2015 when \$436.0 million was raised from 33 deals. The decrease can partially be attributed to a Q3 2015 megadeal (deals in excess of \$100 million) of \$149.4 million for an expansion stage company within the consumer products / services industry, Suja Life LLC.

In San Diego and across the nation, 2015 recorded the highest average deal sizes over the past 20 years with San Diego averaging \$11.6 million and the United States overall averaging \$13.4 million. Nationally, the second highest average deal size dates back to 2000, when it was \$13.1 million, and locally in San Diego, it dates back to 2007, when the average deal size was \$10.8 million.

Nationally, 2015 marked the second highest full year total in the last 20 years with \$58.8 billion invested. In Q4 2015, venture capitalists invested \$11.3 billion into 962 deals, compared to \$16.6 billion into 1,149 deals during Q3 2015, a decrease of 32% in dollars and 16% in deals. Although Q4 2015 had the fewest venture capital dollars invested of any quarter in 2015, the quarter marked the eighth consecutive quarter of more than \$10 billion of venture capital invested in a single quarter. The software industry remained the most popular industry nationally for venture capital investment during Q4 2015, bringing in

\$4.5 billion on 369 deals, a significant decrease from Q3 2015 when \$6.0 billion was invested on 445 deals.

Locally in San Diego during Q4 2015 the life sciences industry remained the leading industry for venture capital investment, bringing in \$193.8 million on 15 deals, a slight decrease from Q3 2015 when \$198.2 million was invested on 13 deals.

INDUSTRY ANALYSIS FOR SAN DIEGO

The two industries in San Diego attracting the most venture capital dollars in 2015 were life sciences and software with \$605.5 million and \$233.3 million, respectively. As a percentage of total dollars invested in San Diego during 2015, the life sciences industry accounted for 52% and the software industry accounted for 20%. In 2014, life sciences and software companies represented 67% and 12%, respectively, of the investment dollars. As a percentage of total deals, the life sciences and software industries had 47% and 27%, respectively, during 2015, which was comparable to 2014. Driven by the megadeal in 2015, the consumer products / services industry accounted for 14% of total dollars invested in San Diego during 2015, an increase from 8% in 2014, and 1% in 2013.

Historically, the life sciences industry in San Diego brings in the largest amount of venture capital dollars and 2015 kept that trend. In 2013, the life sciences industry had \$523.1 million invested, as compared to \$558.0 million in 2014, and the \$605.5 million in 2015. Between 2013 and 2014, venture capital investments in the software industry remained fairly consistent, increasing slightly from \$93.4 million in 2013 to \$97.5 million in 2014. However, 2015 marked a year of significant investment within the software industry with \$233.3 million raised on 27 deals, an increase in dollars of 139% from 2014.

For the fourth quarter of 2015, start-up/seed and early stage companies within the life sciences industry took in \$147.1 million on 10 deals. This is up significantly from Q4 2014 when four deals yielded \$11.6 million.

INVESTMENT SEQUENCE

First, second, and third investment sequences for the fourth quarter of 2015 represented 59% of the deals, compared to 73% for Q3 2015, with the percentage of total dollars invested decreasing from 79% in Q3 2015 to 36% in the current quarter. As compared to the same quarter of the prior year, first, second, and third investment sequences as a percentage of deals decreased slightly from 64% to 59%. The percentage of dollars invested in this group was 36% for Q4 2015, a decline from 55% in Q4 2014.

STAGE OF DEVELOPMENT

Forty six percent of San Diego venture capital investment dollars went to start-up/seed and early stage companies in the fourth quarter of 2015, which represents a significant increase from Q3 2015, when start-up/seed and early stage investments represented 27% of investment dollars in the region. This represents an increase from the same quarter of the prior year when the percentage of dollars invested in start-up/seed companies increased from 34%. Total investment dollars for expansion and later stage companies decreased 43% from \$319.9 million in Q3 2015 to \$181.5 million in Q4 2015,

with the decrease mainly being attributed to the megadeal in Q3 2015. As compared to Q4 2014, total dollars invested in expansion and later stage companies increased significantly from \$82.1 million to \$181.5 million, or 121%.

Nationally, 47% of venture capital investment dollars went to start-up/seed and early stage companies in Q4 2015, which is an increase over Q3 2015 when it was 34% and an increase over Q4 2014 when it was 38%. In terms of percentage of deals, 57% of deals were in start-up/seed and early stage companies in both Q3 and Q4 2015, a comparable percentage to Q4 2014. The average deal size of start-up/seed and early stage companies for Q4 2015 was \$9.7 million, reflecting an increase from the Q3 2015 average of \$8.6 million. As compared to the same quarter, year over year, the increase was less significant with Q4 2014 having an average deal size of \$9.3 million. For Q4 2015, the highest average deal size went to later stage companies with \$17.8 million.

Year over year, 14 deals were made with start-up/seed and early stage companies in San Diego during Q4 2015, compared to nine deals in Q4 2014. Nationally, 546 deals were made to this group in Q4 2015 compared to 636 deals in Q4 2014. In San Diego, the dollar amount invested in start-up/seed and early stage companies increased significantly as compared to both Q3 2015 and Q4 2014, increasing \$36.5 million from Q3 2015, to \$152.6 million, and increasing \$111.1 million from Q4 2014. On a national level, the dollar amount invested in start-up/seed and early stage companies decreased from \$5.7 billion in Q3 2015 to \$5.3 billion in Q4 2015, and, as compared to Q4 2014, decreased \$604.0 million from \$5.9 billion.

| San Diego | Start-up/Seed | Early | Expansion | Later |
|------------------|----------------------|--------------|------------------|--------------|
| Q4 2015 | 7% | 39% | 20% | 34% |
| Q3 2015 | 12% | 15% | 46% | 27% |
| Q4 2014 | 0% | 34% | 22% | 44% |
| National | | | | |
| Q4 2015 | 3% | 44% | 27% | 26% |
| Q3 2015 | 1% | 33% | 39% | 27% |
| Q4 2014 | 2% | 36% | 44% | 18% |

Note: The above percentages refer to share of investment dollars.

NOTEWORTHY SAN DIEGO INVESTMENTS

The top 10 investments in San Diego companies for the fourth quarter of 2015 were as follows (in millions):

| | | | |
|----------------------------|--------|--------------------------------|--------|
| Sapphire Energy Inc. | \$92.0 | Amplify Pharmaceuticals Inc. | \$20.0 |
| eFFECTOR Therapeutics Inc. | \$40.0 | Astute Medical Inc. | \$20.0 |
| MD Revolution Inc. | \$22.5 | GlySens Inc. | \$20.0 |
| AltheaDx Inc. | \$20.1 | Crinetics Pharmaceuticals Inc. | \$18.0 |
| Elcelyx Therapeutics Inc. | \$20.1 | Enlilibrium Inc. | \$15.0 |

REGIONAL RANKINGS

San Diego ranked eighth in the nation with investments of \$334.1 million for the quarter.

The top 10 regions for the fourth quarter of 2015 are listed below:

| | | | |
|------------------|-----------------|---------------|---------------|
| Silicon Valley | \$4,258,598,500 | DC/Metroplex | \$556,219,500 |
| NY Metro | \$1,581,093,200 | Southeast | \$523,449,800 |
| New England | \$1,142,131,500 | San Diego | \$334,089,100 |
| LA/Orange County | \$969,293,000 | Colorado | \$271,746,600 |
| Midwest | \$792,576,000 | North Central | \$219,151,100 |

Note to the Editor

Information included in this release or related venture capital investment data should be cited in the following way: "The MoneyTree™ Report by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters" or "PwC/NVCA MoneyTree™ Report based on data from Thomson Reuters." After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA or MoneyTree Report. Charts and tables displaying the data are sourced to "PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters." After the first reference, subsequent references may refer to PwC/NVCA MoneyTree Report, PwC/NVCA, MoneyTree Report or MoneyTree.

About the PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report

The MoneyTree™ Report measures cash-for-equity investments by the professional venture capital community in private emerging companies in the U.S. It is based on data provided by Thomson Reuters. The survey includes the investment activity of professional venture capital firms with or without a U.S. office, SBICs, venture arms of corporations, institutions, investment banks and similar entities whose primary activity is financial investing. Where there are other participants such as angels, corporations, and governments, in a qualified and verified financing round the entire amount of the round is included. Qualifying transactions include cash investments by these entities either directly or by participation in various forms of private placement. All recipient companies are private, and may have been newly-created or spun-out of existing companies.

The survey excludes debt, buyouts, recapitalizations, secondary purchases, IPOs, investments in public companies such as PIPES (private investments in public entities), investments for which the proceeds are primarily intended for acquisition such as roll-ups, change of ownership, and other forms of private equity that do not involve cash such as services-in-kind and venture leasing.

Investee companies must be domiciled in one of the 50 U.S. states or DC even if substantial portions of their activities are outside the United States.

Data is primarily obtained from a quarterly survey of venture capital practitioners conducted by Thomson Reuters. Information is augmented by other research techniques including other public and private sources. All data is subject to verification with the venture capital firms and/or the investee companies. Only professional independent

venture capital firms, institutional venture capital groups, and recognized corporate venture capital groups are included in venture capital industry rankings.

About the National Venture Capital Association

Venture capitalists are committed to funding America's most innovative entrepreneurs, working closely with them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. As the voice of the U.S. venture capital community, the National Venture Capital Association empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community's preeminent trade association, the NVCA serves as the definitive resource for venture capital data and unites its nearly 400 members through a full range of professional services. For more information about the NVCA, please visit www.nvca.org.

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