

# SVB ANALYTICS RESEARCH SERIES

Update: March 2009

This series of research papers is designed to address what drives value in the unique world of private equity and venture capital. Our studies involve thousands of venture-backed technology and life science companies and data from multiple sources — some of which are survey-based and some from private sources, which we know to be extremely reliable.

## **MINING THE MOTHER LODE: OUR VALUATIONS DATA**

As we approach the three-year mark in the valuation business and have opined to the value of more than 1000 private venture-backed companies, we find we have begun to compile a critical mass of interesting and granular data on the venture landscape.

In constructing our analyses to date, we have mined primarily third party, survey-based information sources. While we have extracted important observations from these data sets, we are now in a position to leverage SVB Analytics' own proprietary and rapidly growing data set which, due to its nature, offers a richness and reliability that afford much deeper investigation into factors influencing valuation.

We plan to share these findings in future research publications (keeping in mind our confidentiality obligations to our clients).

## **A PREVIEW OF NUGGETS TO COME**

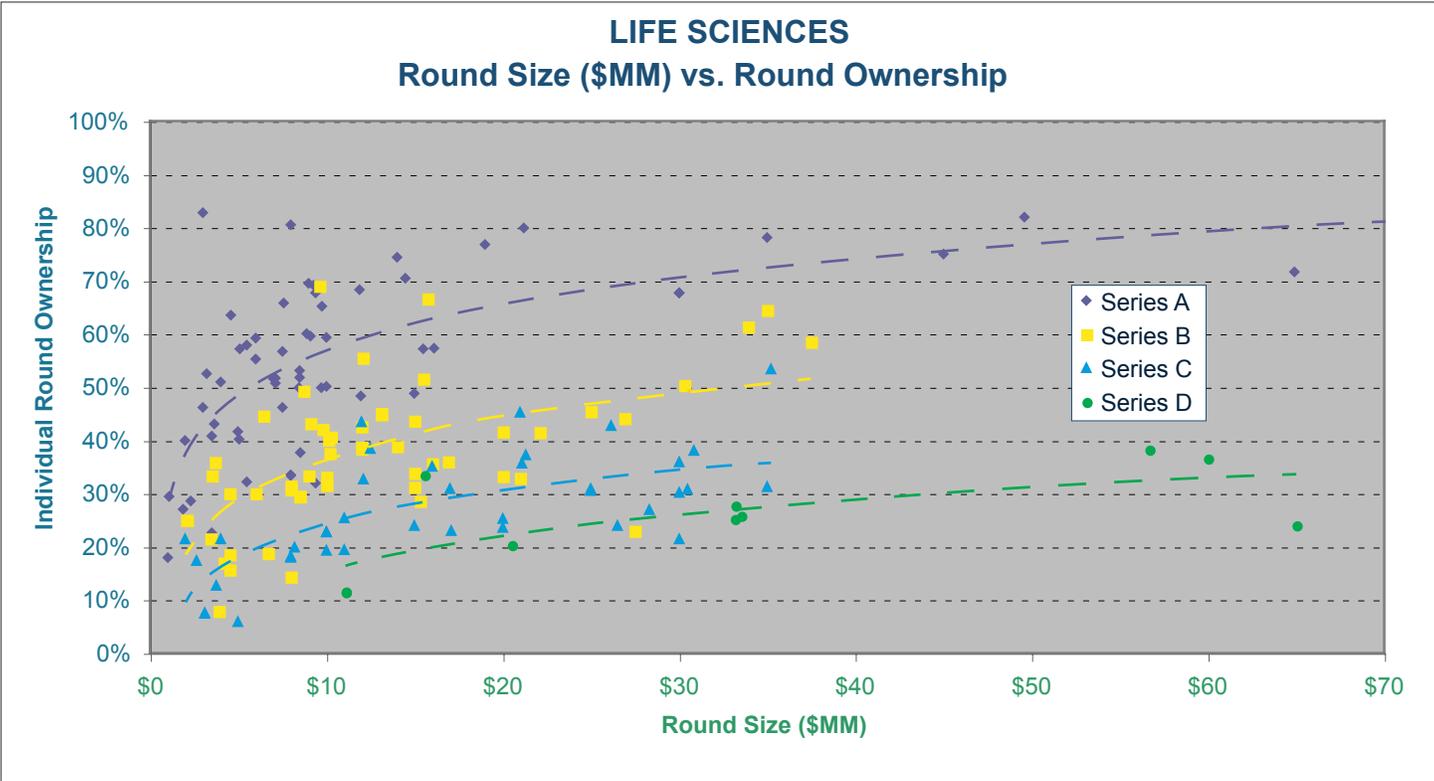
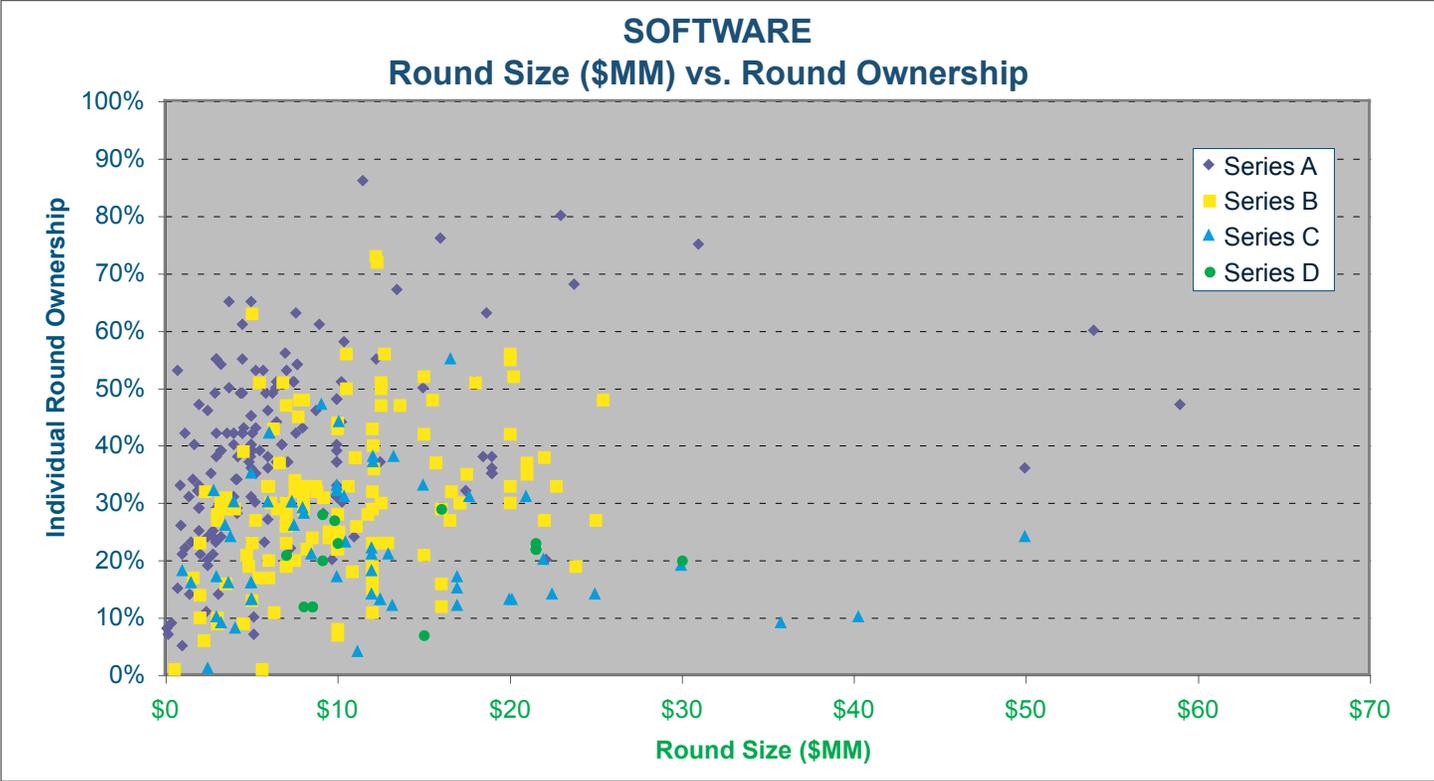
A preview of the work we will share is depicted in the nearby charts revealing the relationship between round size and ownership stake acquired, by stage, for our venture-backed clients in the life science and software sectors. By comparing these two variables we seek to identify the relationship between them, along with the consistency and predictability of this relationship.

To that end, note the clear and consistent behavior of life science companies at each stage, represented graphically by the minimal overlap between the stages (depicted by colors) as well as the tight distribution within each stage. This consistency is absent for software companies after the series A round – not only is there significant overlap between stages (suggesting a lack of correlation between ownership and stage), but also a wide spread of ownership acquired at each funding level within each stage.

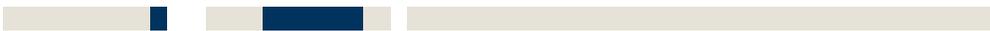
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Source: SVB Analytics



For example, if we look at series B rounds of approximately \$10 million, the charts show that while life science investors typically gain 30-45 percent ownership, software investors gain anywhere from 20-60 percent ownership at the same funding level.

What if we could uncover the factors influencing the software sector's dispersion? What if we could test factors such as revenue size, cachet of customer base, experience of management team, business model (i.e. software-as-a-service (SAAS) vs. enterprise software), investor composition, market conditions, and more, for statistical significance as causal factors? Then we start to have analysis that is not only interesting but actionable — and the data required to do this is now within our reach.

We look forward to sharing our results with you in future reports, and welcome your thoughts and suggestions for areas of focus as we investigate the myriad of valuation topics.

*Questions or comments for the author? E-mail Cindy Moore at [cmoore@svb.com](mailto:cmoore@svb.com).*

## AUTHOR

### CINDY MOORE

Cindy Moore joined SVB Analytics as a research director in 2007. She brings more than 10 years' experience in mathematical modeling and statistical analysis. Moore has worked for Andersen Consulting (Accenture) and the Federal Reserve Bank, as well as software start-ups in the affinity recommendation, price optimization and supply chain collaboration sectors. She holds a bachelor's degree in theoretical mathematics from the University of California at Davis and a master's degree in theoretical mathematics from the University of Oregon.

## EDITOR

### JIM ANDERSON, CFA

Jim Anderson is president of SVB Analytics. Anderson joined Silicon Valley Bank in 1999 and has served in a variety of capacities most recently as a founder, president and chief investment officer of SVB Asset Management and founder of SVB Securities. These groups hold total client assets in excess of \$14 billion. He is a contributing columnist to *OnPoint*, published by SVB Financial Group, and is a frequent speaker on the economy and financial issues affecting the technology and life science sectors.

### ABOUT SVB ANALYTICS

SVB Analytics offers valuation and corporate equity administration services to SVB Financial Group's core constituencies of private, venture capital backed companies and venture capital firms. SVB Analytics' services offerings include fair market IRC409A/FAS123R valuations and corporate equity tracking and administrative services. SVB Analytics is a member of global financial services firm SVB Financial Group, with Silicon Valley Bank, SVB Capital, SVB Global and SVB Private Client Services, which serve the unique needs of technology, life sciences and private equity firms.

More information on the company can be found at [www.svb.com](http://www.svb.com).

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