

## SVB Analytics Research Series Volume 8 — Software

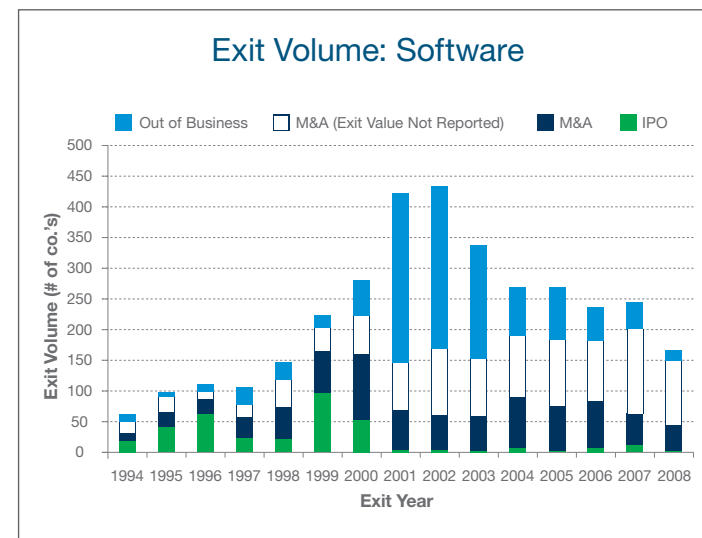
This series of research papers is designed to address what drives value in the unique world of private equity and venture capital. Our studies involve thousands of venture-backed technology and life science companies and data from multiple sources — some of which are survey-based and some from private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

“A page of history is worth a pound of logic.”

– Oliver Wendell Holmes (1809-1894), American Author and Poet

### A Page of History: Software Exits

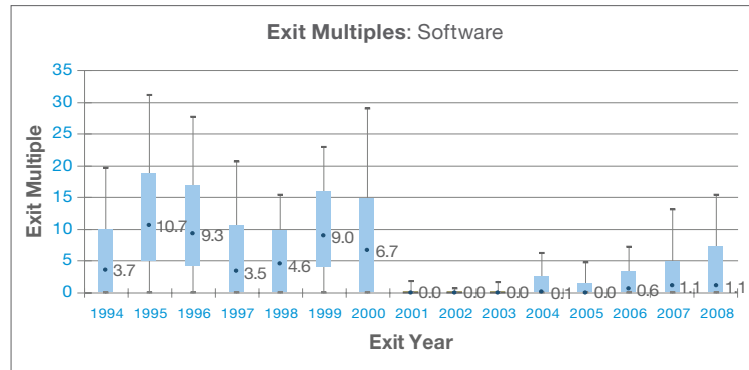
With a nod to Mr. Holmes, we offer a brief historical perspective on venture-backed company exits. Entrepreneurs across the spectrums of experience and success have asked us how much time and capital it takes a company to get to exit in today’s environment. While we hesitate to predict specific outcomes, we are able to offer our own page of history to inform the debate. To that end, the following charts show, by exit year, the distribution of type of exit (public offerings, mergers and acquisitions, closing of doors), as well as the range of: capital-to-exit, months-to-exit, value-at-exit and exit multiples. We hope you find it useful and we look forward to delivering a pound or two of logic in future volumes of this series.



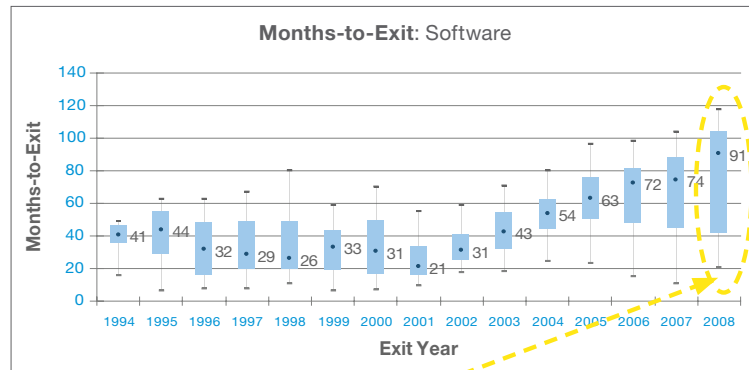
Source: SVB Analytics and DowJones/VentureOne

# Software Exits: History-at-a-Glance

Of the Software exits (IPO, M&A, and out-of-business exits) where the exit value is known...

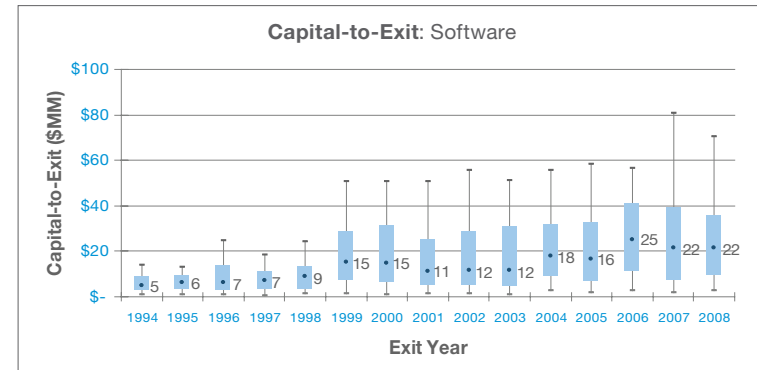


**Exit Multiples:**  
Here we define “exit multiple” as the (Value of Company @ Exit) / (Total Capital Invested in Company).

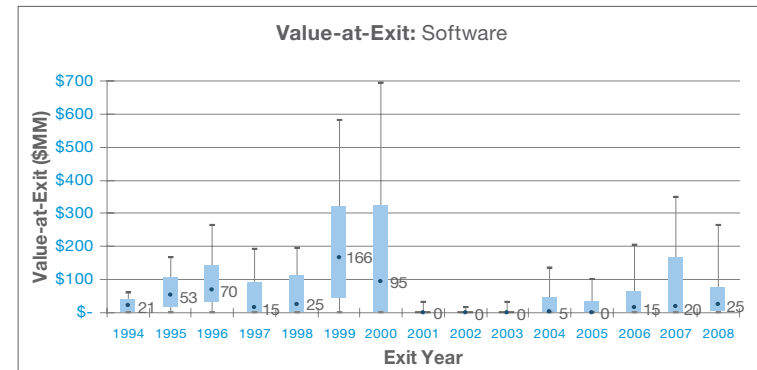


**Months-to-Exit:**  
Here we define “months-to-exit” as the number of months between the close of the Series A and the exit.

Source: SVB Analytics and DowJones/VentureOne



**Capital-to-Exit:**  
Here we define “capital-to-exit” as the total capital invested in the company to get it to exit (Series A + Series B + ...).



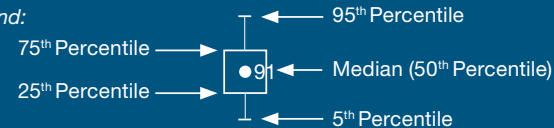
**Value-at-Exit:**  
Here the Value-at-Exit depends on the type of exit:  
• For an IPO, it is the pre-money value at IPO.  
• For an acquisition, it is the value the company was acquired for.  
• For out-of-business exits, it is zero.

Source: SVB Analytics and DowJones/VentureOne

## How to read boxplot charts:

For example, of the software exits in 2008 where the exit value was reported, the median months-to-exit was 91 months. The 75th percentile of months-to-exit was approximately 105 months. This means one quarter of software exits in 2008 had a time-to-exit that fell between 91 and 105 months.

## Legend:



Questions or comments for the author? Please contact 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.

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## 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 \$13 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/FAS 123R valuations, portfolio analytics for FAS 157, allocations for FAS 141R, FAS 142/144 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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