

Company coffers get a big boost

Triangle businesses raise more than \$224 million in venture capital, the largest quarterly total since late '99

David Ranii, Staff Writer
The News&Observer

April 24, 2007

Triangle companies raised a whopping \$224.8 million in venture capital in the first quarter -- the most raised by local businesses since the end of 1999. The funding bonanza was led by seven biotechnology companies that raised a total of \$87.5 million in the first quarter. By contrast, biotech companies statewide raised \$102.4 million in venture funding during all of last year, a down year for the state's biotech industry.

The Triangle's venture capital numbers were powered by two companies that raised \$50 million each: Motricity, a Durham company that provides technology for mobile phones; and InnerPulse, a medical device company in Research Triangle Park. Even without those two deals, however, Triangle companies raised 64 percent more money than the year before. And for the first time in many years, all of the venture capital invested in the state during the quarter went to Triangle-based businesses.

"All in all, it's just a fabulous quarter," said Jeff Barber, who heads PricewaterhouseCoopers' Raleigh office. The quarterly report is being released today by PricewaterhouseCoopers and the National Venture Capital Association, based on data provided by Thomson Financial. Nationwide, privately held businesses raised \$7.1 billion in venture capital in the first quarter, up 11 percent from a year earlier and the most since 2001, though the total number of deals declined.

Venture capitalists invest millions of dollars in young companies with high-growth potential in exchange for an ownership stake in the business. The companies use the money to hire new workers, develop and market new products and more. The growth in local venture capital was driven by an increase in the amount invested per deal. Sixteen companies raised venture financing in the first quarter, up from 14 a year earlier. But the total amount raised during the three-month period was nearly three times more than a year ago.

The increased average deal size in the Triangle demonstrates the region has "a lot of companies that have matured," Barber said. Companies in the Triangle have been "bottled up somewhat" in recent years by weak mergers-and-acquisitions and initial public offering markets, he said. So companies that expected by now to be either acquired or publicly traded are seeking more venture money instead. These mature companies are less risky investments and tend to raise larger sums.

Young drug-development companies also are benefiting from a dearth of experimental drugs developed in-house by established pharmaceutical and biotech companies, said venture capitalist Garheng Kong of Durham's Intersouth Partners. As a result, established companies are licensing promising experimental drugs from venture-backed companies -- or buying the companies outright -- at premium prices, Kong said. That scenario is helping drug development companies raise money from venture capitalists who anticipate a big, near-term payoff.

The universe of venture-backed companies in the Triangle, said Barber, is too small to extrapolate a trend based on one quarter's performance. Still, he added, "I expect 2007 to be an outstanding year, especially with this great quarter to start off with."

News of the Triangle's strong quarterly performance comes at an opportune time -- just as out-of-state venture capitalists are flocking to the area for a venture capital conference sponsored by the Council for

Entrepreneurial Development. Today and Wednesday, more than 225 venture capitalists -- a majority from outside the state -- are expected to attend Venture 2007 at the Washington Inn & Golf Club in Durham. At the conference, 67 companies based in the Triangle or elsewhere in the Southeast will make presentations aimed at attracting new investors. The latest data should demonstrate to venture capitalists that the Triangle "merits their attention," said Barber, who is co-chairman of Venture 2007.

Staff writer David Ranii can be reached at (919) 829-4877 or david.ranii@newsobserver.com.

HOW MUCH TRIANGLE FIRMS RAISED

COMPANY	LOCATION	INDUSTRY	RAISED
InnerPulse	RTP	Medical devices	\$50 million
Motricity	Durham	Telecom-technology	\$50 million
Chimerix	Durham	Biotechnology	\$23.1 million
Regado Bioscience	Durham	Biotechnology	\$23 million
Liquidia Technologies	Morrisville	Industrial/energy	\$16 million
Serenex	Durham	Biotechnology	\$14 million
AlphaVax	Durham	Biotechnology	\$12.65 million
Tranzyme Pharma	Durham	Biotechnology	\$11 million
Nextreme Thermal Solutions	Durham	Electronics/instrumentation	\$5.29 million
6th Sense Analytics	Morrisville	Software	\$5 million
Strikelron	Durham	Information technology	\$5 million
Unit Dose Solutions	Morrisville	Biotechnology	\$2.5 million
XDS Inc.	Durham	Information technology	\$2.27 million
HyperBranch Medical Technology	Durham	Medical devices	\$2 million
RPath	Raleigh	Software	\$1.75 million
Phase Bioscience	Durham	Biotechnology	\$1.25 million

PRICEWATERHOUSECOOPERS, NATIONAL VENTURE CAPITAL ASSOCIATION AND THOMSON FINANCIAL