

# Startup Investments

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# The Background

- After the Dot-com bubble burst in 2000, venture capital spending did not fully recover to previous levels until approximately 2005
- Since then, spending has increased continually, both in investment dollars and number of investments
  - With the exception of the 2009 economic downturn
- High company valuations and record-level investment in 2014 has led to a decline in 2015, as companies that are over-valuated are not prepared to go public
- Less certainty of investments has led to more companies vying for limited resources

# The Big Question

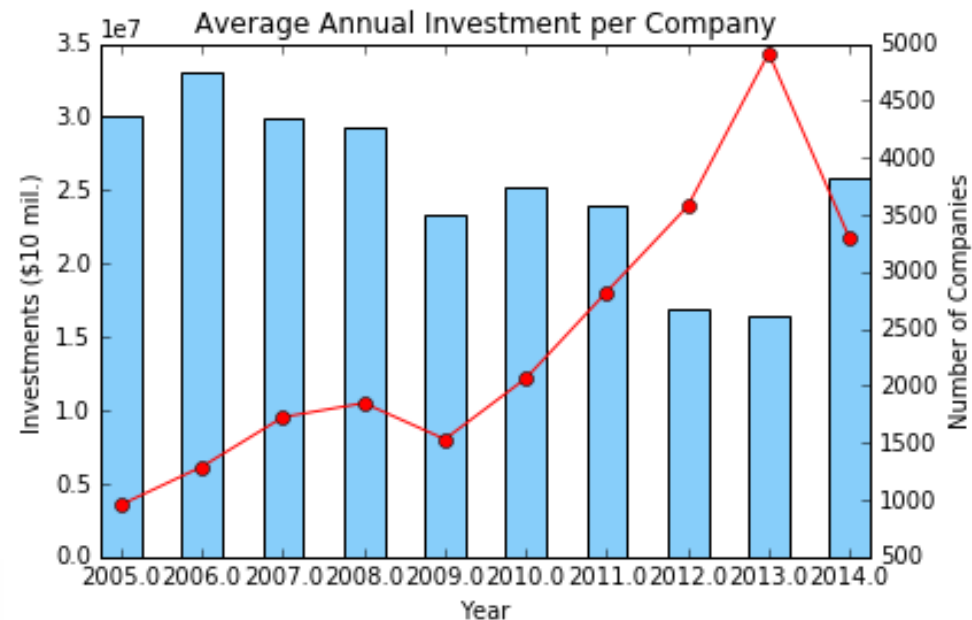
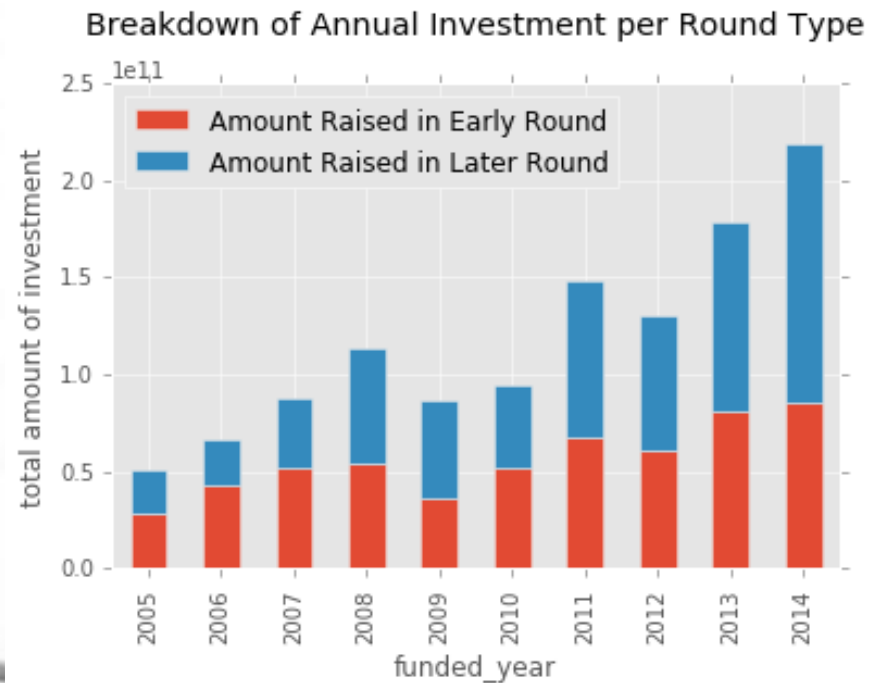
- **Where does the money come from?**
  - Do investors typically invest in niche industries or diversify?
  - Do some venture capital firms prefer to invest early or late?
  - Is there evidence of a “fear of missing out” effect among investors?
- **Where is it going?**
  - What are some common characteristics of startups that receive funding?
  - Are certain markets more successful than others?
  - Do startup companies tend to receive funding from one or multiple investors?

# The Data

- **104,246** unique investment transactions from January 2005 - October 2014
- **29,742** unique companies from **650** markets and **98** countries
- **20,613** unique investors
- Other variables:
  - Year / quarter
  - Funding round (Angel, Seed, A, B, C, etc.)
  - Investor market
  - Amount of investment

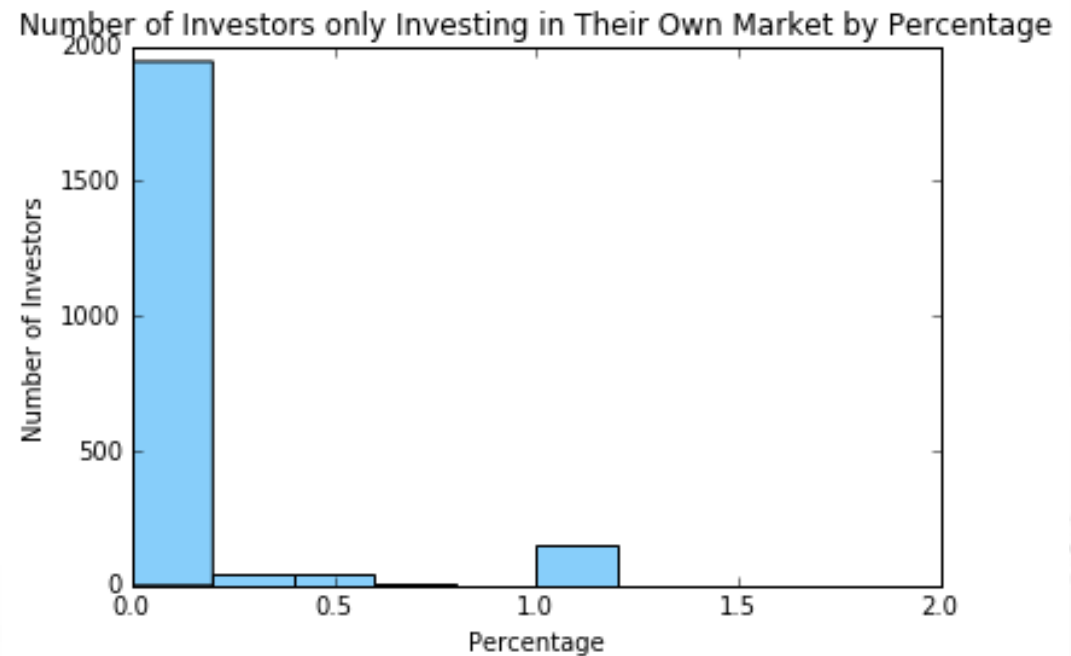
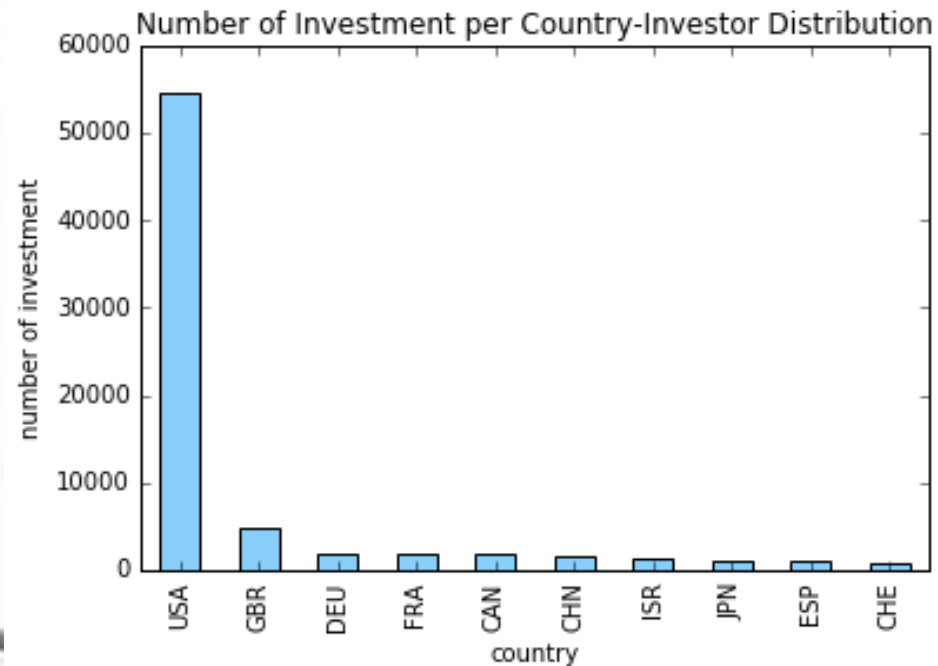
# Exploration - General

- Overall investment has been increasing since 2005
- Funding at **early rounds** has been decreasing in recent years, as a percentage of total



# Exploration - Investors

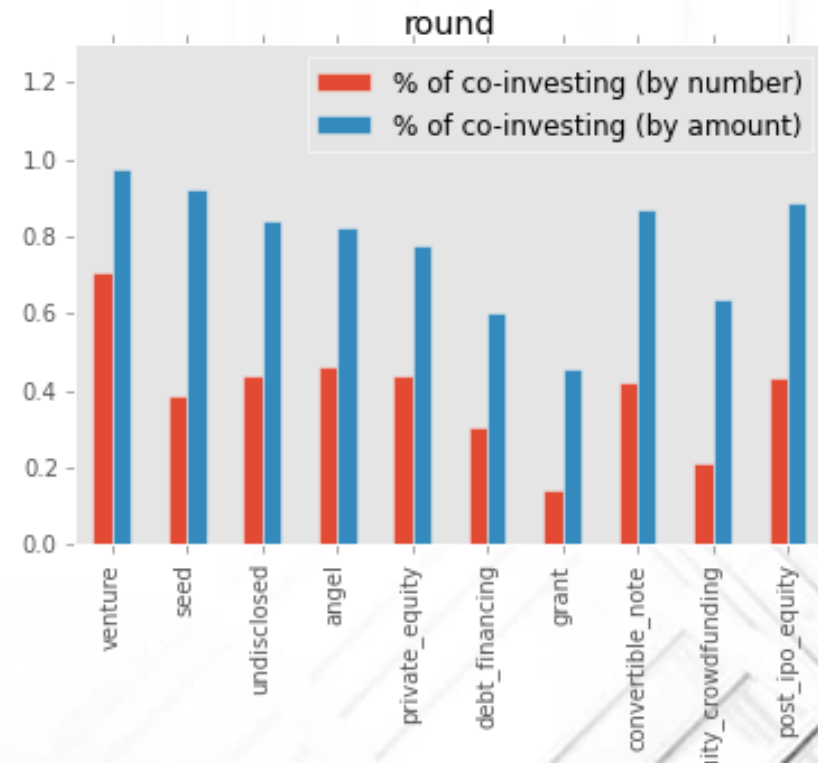
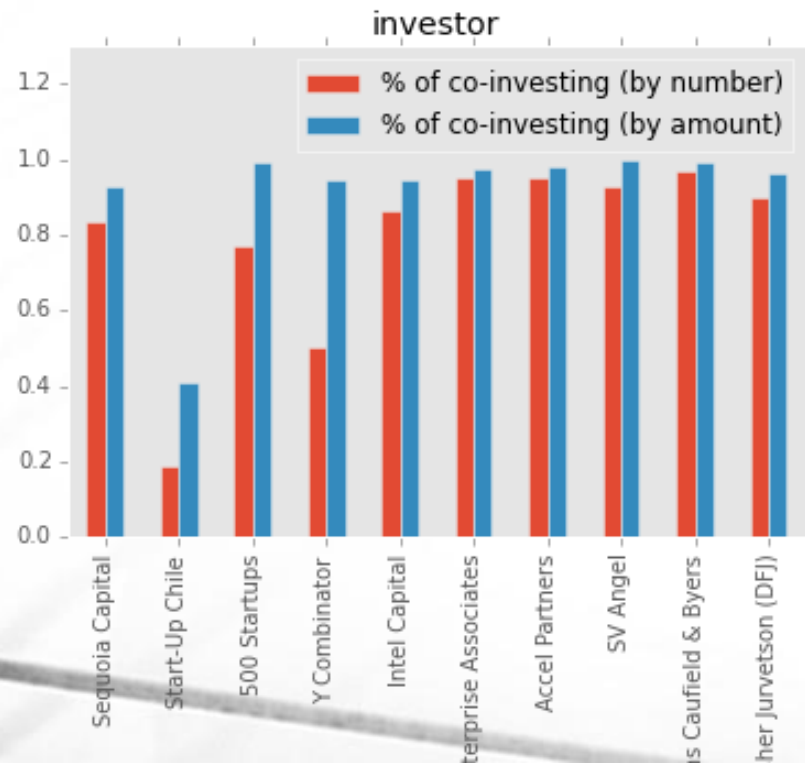
- CrunchBase data skewed to US-related information
- Tend to diversify from their self-described market





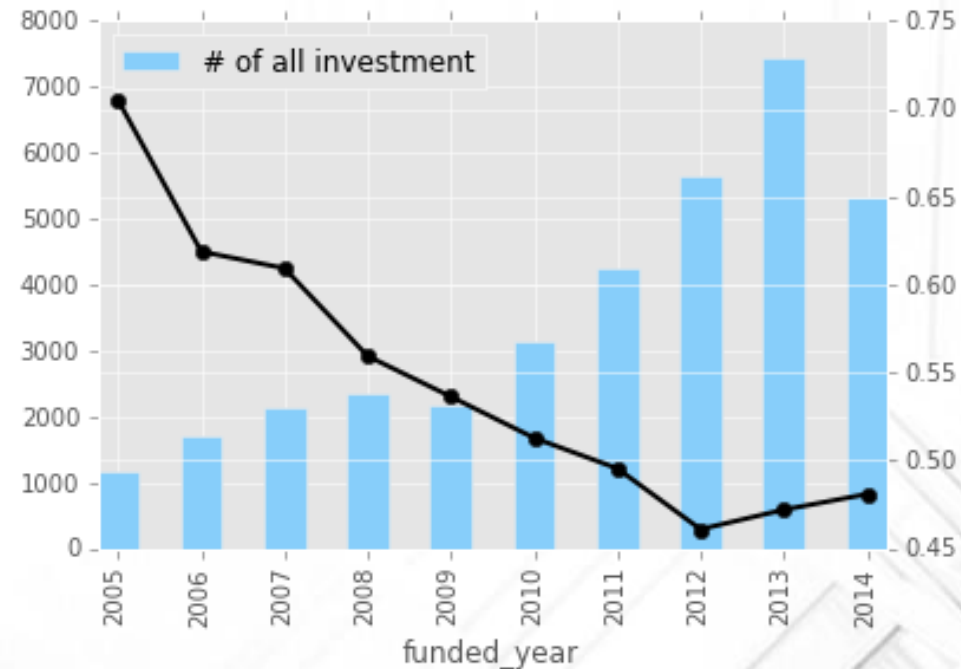
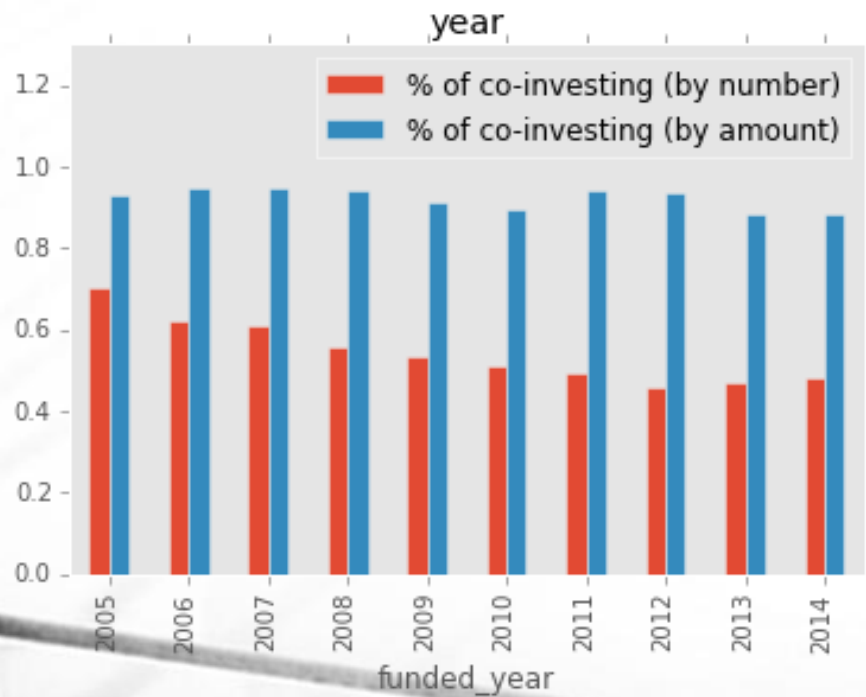
# Exploration – Co-Investment

- Co-investment is common among VC. Even industry leaders do most of their investments by co-investing
- VC tends to invest small amounts alone, especially during the early rounds



# Exploration – Co-Investment

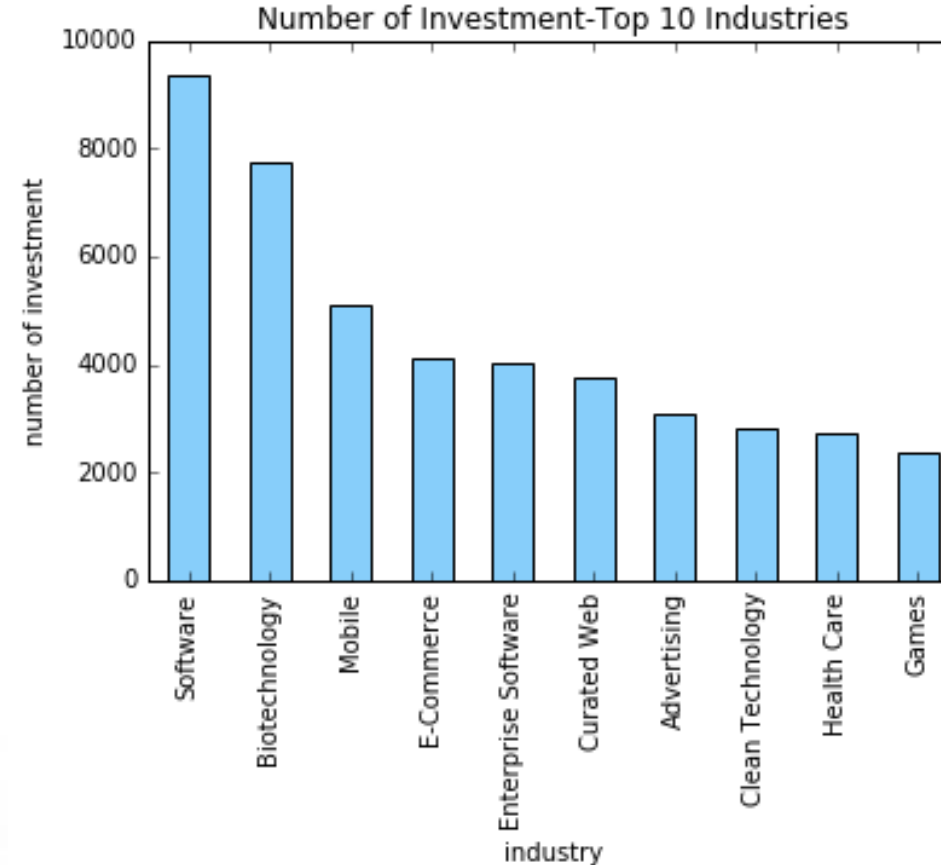
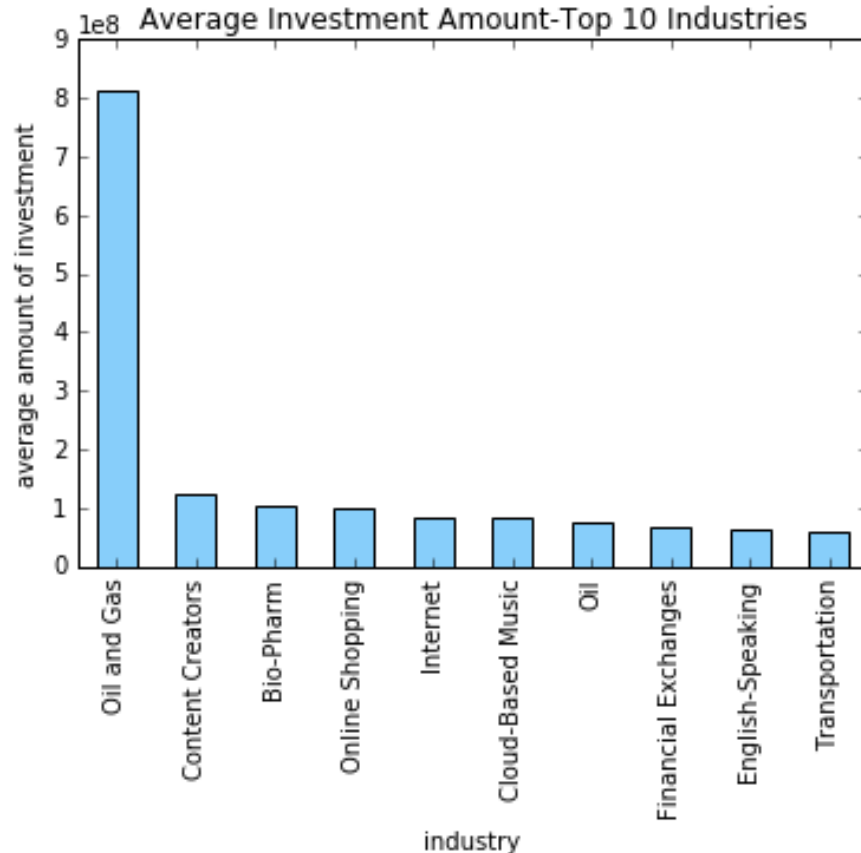
- The number of co-investment events decreased
- The pattern of co-investments stable as a percentage of dollar amount invested





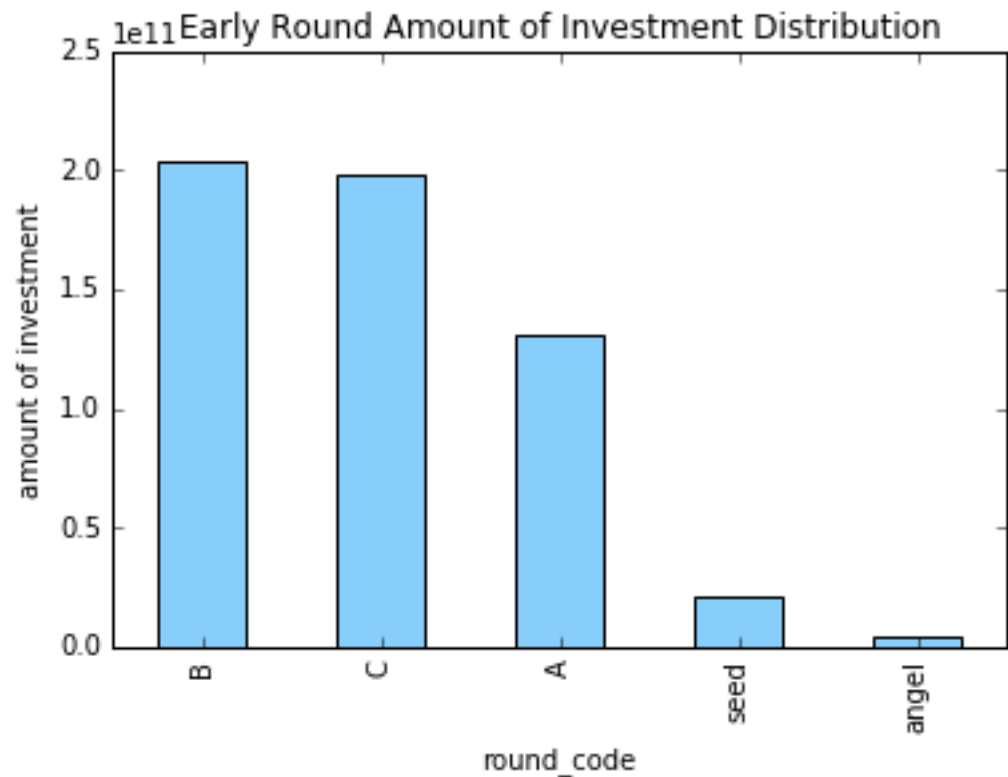
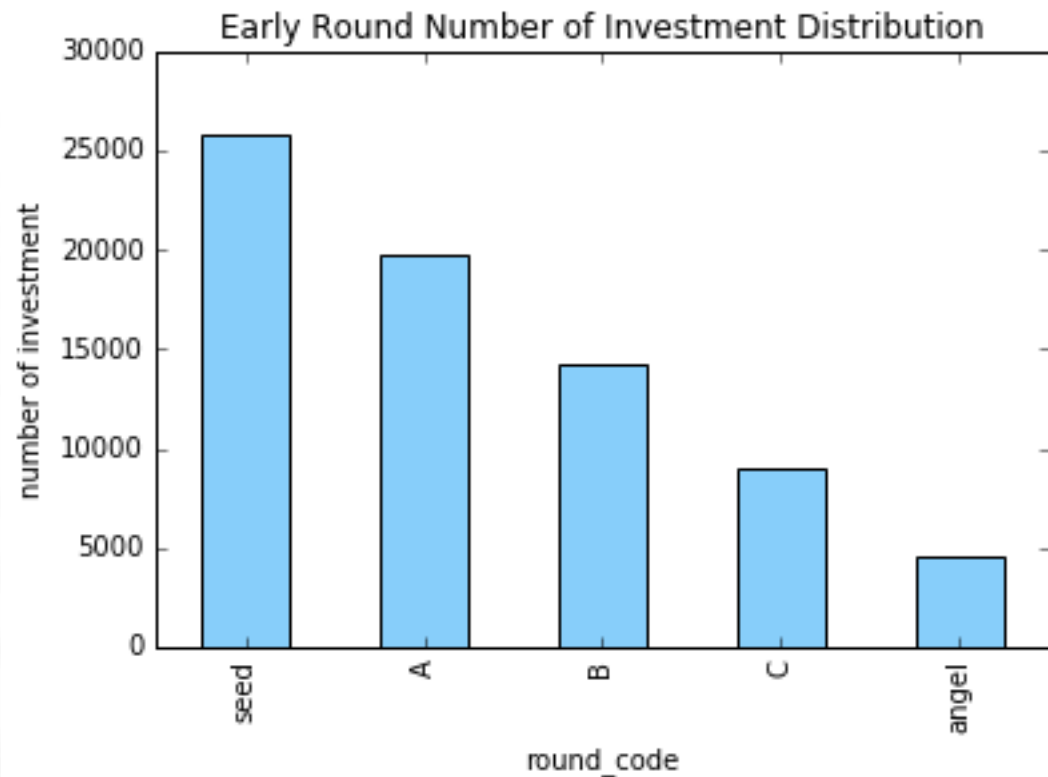
# Exploration - Startups

- More money needed, less opportunities to be funded



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# Conclusion

- Investors increasingly prefer low-cost, low-risk investment opportunities
  - Industries with lower barriers to entry
  - Later rounds of funding
- The amount of startups searching for funding is increasing, but the early funding available remains stable
  - Is actually decreasing as a percent of total available
- Startups need stay competitive in valuation and start-up costs, not just traditional “bootstrap” mentality