

Austin American-Statesman

Investments rebound for Central Texas firms

By Lori Hawkins

October 24, 2006

Publication: Austin American-Statesman (TX)

Page: D01

Propelled by a handful of big investments in the third quarter, Central Texas companies raised the most venture capital in five years.

Twenty-one companies raised \$206.8 million during the quarter, a 126 percent increase from the same period a year ago, according to a survey by PricewaterhouseCoopers, Thomson Financial and the National Venture Capital Association.

It was the best performance since the third quarter of 2001, when 30 companies raised \$259 million.

"Excluding the heady period of late 1999 to early 2001, this is one of the best quarters Austin has seen," said Randy Stone, a partner with PricewaterhouseCoopers in Austin.

The performance is further evidence that the region is bouncing back from 2005, when venture financing fell to the lowest point in seven years.

There are signs the momentum will continue, Stone said. Investments were spread across the number of industries, rather than being dominated by one large deal, indicating activity across the board. Also, the number of companies receiving money for the first time rose dramatically.

"That's a good sign of optimism within the industry," Stone said.

The three Austin companies receiving the most money in the quarter illustrate the diversity. NewMarket IT Inc., a computer recycler, raised \$50 million; data recovery company Renew Data Corp. received \$30.5 million; and LifeSize Communications, which makes video conferencing systems, took \$25 million.

Six companies raised money for the first time, including Supercircuits Inc., a Liberty Hill company that sells high-tech surveillance.

The company raised \$16.5 million.

In 2002, Supercircuits admitted to illegally selling audio eavesdropping devices after a three-year investigation by the U.S. Customs Service. Company officials didn't return a call for comment.

Nationwide, venture investing in the third quarter rose 17 percent from a year earlier to \$6.2 billion in 707 deals. The quarter was marked by increased strength in early-stage investing, said Mark Heesen, president of the National Venture Capital Association.

"Many venture capitalists are deploying fresh funds that have been raised within the last 18 months," he said.

As a result, VCs are "finding themselves at the beginning of a fairly long runway, betting more on those seed and early-stage companies they believe will have the most promise five to seven years from now."

Not all venture firms are feeling optimistic, however. Sevin Rosen Funds, one of Silicon Valley's premier investors, said earlier this month that it is pulling the plug on a new \$300 million fund, citing a shortage of initial public offerings and acquisitions. Without that activity, the firm said, returns are too low to justify raising new money.

Venture fundraising reaches five-year high

The following Austin companies raised venture money in the third quarter:

NewMarket IT Inc. Computer recycling \$50.0 million Renew Data Corp. Data recovery \$30.5 million LifeSize Communications Inc. Video conferencing systems \$25.0 million Medicus Insurance Holdings Inc. Financial services \$17.0 million Supercircuits Inc. Video surveillance products \$16.5 million LDR Spine USA Inc. Spinal implants \$14.0 million CoVi Technologies Inc. Video surveillance technology \$7.3 million TechSkills LLC IT certification and medical education programs \$6.5 million UnWired Buyer Inc. E-commerce services \$6.1 million Zebra Imaging Inc. Digital hologram technology \$5.9 million Cubic Wafer Inc. Semiconductors \$5.2 million HyPerformix Inc. Software performance tools \$5.0 million Troux Technologies Inc. IT governance software \$4.8 million **NetStreams Inc. Internet audio and video distribution \$3.6 million** SensorTran Inc. Fiber-optic based sensors \$3.5 million Nanocoolers Inc. Advanced cooling technologies \$1.75 million CSIIdentity Corp. Identity fraud software \$1.1 million Instajob Inc. Job recruitment software \$1.0 million iTaggit Web software for managing assets \$1.0 million Augmentix Corp. Servers for applied computing applications \$643,000 CellzDirect Inc. Cell products for biopharmaceutical industry \$200,000

lhawkins@statesman.com; 912-5955

Sources: PricewaterhouseCoopers, Thomson Financial and the National Venture Capital Association