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Venture investing finished '07 strong

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Fueled by large medical device deals, venture capital investing in Austin ended on a high note in 2007.

A total of 23 companies raised \$258.5 million in the fourth quarter, according to a survey by PricewaterhouseCoopers and the National Venture Capital Association. That's a 24 percent increase over the \$224.3 million raised in the third quarter and 292 percent jump from the \$65.9 million raised in the same quarter a year ago.

The strong fourth quarter helped make 2007 Austin's best since 2001. The total last year was \$684.3 million compared with \$1 billion in 2001. The total in 2006 was \$662.1 million.

"Overall, it looks like we knocked the cover off the ball in the fourth quarter," said Randy Stone of PricewaterhouseCoopers in Austin.

Medical device companies, rather than traditional software and hardware, drove fourth quarter investment in Austin, with four deals raising \$68.8 million.

Austin's biotechnology sector received the second-largest investment, with two companies pocketing \$43.5 million.

"This shows that you don't need a world-class health science and research center to draw this type of life sciences investing," Stone said. "Clearly, the talent and the innovation is already here."

Helping drive life sciences investing in Austin is the arrival of three new venture firms: Santé Ventures, which raised \$130 million to invest in medical technology and health care services; Emergent Technologies, which closed a \$27.1 million fund to commercialize technology developed in the University of Texas System; and PTV Sciences, which garnered \$190 million to invest in medical technology companies.

Money from those firms has already been invested in at least five Austin startups.

Among them is Apollo Endosurgery Inc., which raised its first round of venture capital - \$11.5 million - in the fourth quarter from PTV and H.I.G. Ventures. Apollo is developing tools for minimally invasive surgeries.

"It's exciting to see Austin really getting some traction in the medical device space," chief executive Dennis McWilliams said.

Establishing Austin as a center for life sciences would attract more venture capital to the market and make it easier to recruit workers outside of Austin, McWilliams said.

"When you've got critical mass, it creates all kinds of opportunities," he said.

Nationwide, companies raised \$7 billion in the fourth quarter, down slightly from \$7.1 billion in the third quarter.

But thanks to robust investing in the first part of the year, the \$29.4 billion raised in all of 2007 was the highest level of investment since 2001.

"Four straight \$7 billion-plus quarters is a clear indicator that VCs have a positive outlook on their investing opportunities," said Tracy Leteroff, global managing partner of the venture capital practice at PricewaterhouseCoopers. "That means good things for entrepreneurs looking for funding."

Nationally, the life sciences sector, which includes biotech and medical devices, set an all-time record for venture investing in 2007, with \$9.1 billion in 862 deals.

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Central Texas companies that raised venture capital in the fourth quarter

Rules-Based Medicine Protein biomarker products \$25 million

HelioVolt Corp. Solar powered technology \$24 million

Ascension Orthopedics

Inc. PyroCarbon orthopedic implants \$20.9 million

LabNow Inc. Diagnostic systems \$20.4 million

Asuragen Inc. Biotech and medical devices \$18.5 million

Spinal Restoration Inc. Treatment for back pain \$16 million

BreakingPoint Systems Inc. Network test equipment \$15 million

NetStreams Inc. Audio and video distribution \$14.6 million

Element Labs Inc. LED technology \$12.8 million

On Networks Inc. Media company \$12 million

Apollo Endosurgery Medical devices \$11.5 million

CBG Holdings Software for banking industry \$11 million

Nuventix Inc. Thermal management cooling systems \$8.6 million

CoreTrace Corp. IT security software \$8 million

SensorTran Inc. Fiber optic-based sensors \$8 million Trous Technologies Inc. Internet technology governance software \$7.9 million

NewsStand Inc. News and information Web services \$7.7 million

FiveRuns Corp. Software monitoring products \$6.2 million

ReachForce Inc. Sales software \$4 million

Silicon Space

Technology Corp. Integrated circuits \$1.3 million

D2 Audio Corp. Digital amplifier modules \$186,000

ColdWatt Inc. Power converters for computing Not available

Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree Report

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