

# Venture investments slide in 1Q but software grows

BARBARA ORTUTAY - AP Technology Writer - Associated Press

A new report says funding for U.S. startups fell in the first quarter, as venture capitalists raised less capital and spent less money on fewer deals than a year earlier.

The software industry was a notable exception, where both the amount funding and the number of deals increased, according to a study set to be released Friday. The MoneyTree study was conducted by PriceWaterHouseCoopers and the National Venture Capital Association, based on data from Thomson Reuters.

Total startup investments fell 6 percent to \$5.87 billion from \$6.27 billion in the first quarter of 2012. There were 863 deals in all, down slightly from 868 a year earlier.

"The venture industry has been raising less capital than it has been investing now for several years, and ultimately this dynamic flows through and manifests itself in lower investment levels overall," said John Taylor, head of research for NVCA, in a statement.

Capital-intensive sectors, including clean technology and life sciences, continued to see declines, as they have in all of 2012. Media and entertainment, along with networking and networking equipment, saw increased funding.

The software industry accounted for 40 percent of the money invested during the quarter. A total of 329 companies in this sector received \$2.33 billion in funding during the first quarter, according to the report. That's up from 276 deals and \$1.69 billion in the first quarter of 2012.

Stacey Bishop, partner at VC firm Scale Venture Partners, said she expects more dollars to flow into the software sector over time.

"Software as a service continues to do well," she added, citing recent successful initial public offerings by Marin Software Inc. and Rally Software Development Corp.

The quarter's top deal went to Genband Inc., a provider of networking products and services, which raked in \$343.5 million. Pinterest Inc. and Air Watch LLC both received \$200 million.

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