



**Life Science Venture Capital Valuation Survey  
San Francisco Bay Area  
(2007)**

- **Background** – We analyzed the terms of venture financings for 97 life science companies headquartered in the San Francisco Bay Area that reported raising money in 2007.
- **Overview**

The results of our fourth annual San Francisco Bay Area Life Science Venture Capital Valuation Survey show a continuation of the positive trend in the life science venture environment. The highlights of the survey are as follows:

- Up rounds outpaced down rounds 79% to 12%, with 9% flat. This was similar to 2006 when up rounds outpaced down rounds 79% to 15%, with 6% flat, and an improvement over 2005 and 2004. These results were also similar to 2007 results for non-life science companies where up rounds outpaced down rounds 77% to 14%, with 9% flat.
- The Fenwick & West Life Science Barometer™ showed a very healthy 45% increase in life science companies raising money in 2007 compared to such companies' prior financing round. This was a slight reduction from 2006 (which had a 50% increase), a slight increase over 2005 (which had a 43% increase) and a significant increase over 2004 (which had a 27% increase). The 45% increase for life science companies in 2007 was less than the 79% increase for non-life science companies in 2007, as non-life science companies benefited significantly from high valuation investments in clean tech, Web 2.0 and wireless companies.
- BioPharma valuations increased more than medical device valuations in 2007, with software/e-commerce (which include Web 2.0 companies) and "all other companies" (which includes clean tech companies) showing the largest valuation increases, and hardware/electronics/semiconductors (which includes wireless companies) valuations increasing by approximately the same amount as life science companies.
- Other life science venture industry related results for 2007 include the following:
  - Venture capital investment in U.S. health care companies was up 17% in 2007 compared to 2006 (\$10.0 billion vs. \$8.5 billion). Health care's share of total U.S. venture investment increased slightly from 32% in 2006 to 33% in 2007.<sup>1</sup>
  - Both the biopharma and medical device segments of the industry showed significant investment increases, with \$5.4 billion invested in biopharma, a 12% increase over 2006, and \$3.7 billion invested in medical devices, a 37% increase over 2006.

- There were 31 health care company IPOs in 2007, raising \$2.3 billion, compared to 28 health care IPOs raising \$1.4 billion in 2006. Health care company IPOs accounted for 42% of all venture backed IPOs in 2007.<sup>1</sup>
- There were 60 acquisitions of health care companies in 2007, with an aggregate purchase price of \$11.2 billion. This was a significant increase in dollar volume from 2006, where \$6.6 billion was raised in acquisition transactions, but a decrease in deal volume from the 74 health care acquisitions in 2006.<sup>1</sup>
- **Price Change** – The direction of price changes for life sciences companies receiving financing in the first and second halves of 2007, and the aggregate price changes for all of 2007, in each case compared to their previous round, and comparisons with the results for life science companies in 2006, 2005 and 2004, and with non-life science companies in 2007, 2006, 2005 and 2004, are as follows:

Price Change	Life Science 1H '07	Life Science 2H '07	Life Science All '07	Life Science All '06	Life Science All '05	Life Science All '04	Non-Life Science All '07	Non-Life Science All '06	Non-Life Science All '05	Non-Life Science All '04
Down	7%	18%	12%	15%	21%	23%	14%	22%	27%	29%
Flat	13%	5%	9%	6%	14%	24%	9%	11%	10%	13%
Up	80%	77%	79%	79%	65%	54%	77%	67%	63%	58%

- **The Fenwick & West Life Science Barometer™ (Magnitude of Price Change)** –Set forth below is (i) for up rounds, the average per share percentage increase over the previous round, (ii) for down rounds, the average per share percentage decrease over the previous round, and (iii) the overall average per share percentage change from the previous round for all rounds taken together. Such information is provided for the first and second halves of 2007 and in the aggregate for all of 2007, and is compared to the results for life sciences companies in 2006, 2005 and 2004, and for non-life science companies in 2007, 2006, 2005 and 2004. In calculating the “net result” for all rounds, “flat rounds” are included. For purposes of these calculations, all financings are considered equal, and accordingly the results have not been weighted for the amount raised in a financing.

Percent Change	Life Science 1H '07	Life Science 2H '07	Life Science All '07	Life Science All '06	Life Science All '05	Life Science All '04	Non-Life Science All '07	Non-Life Science All '06	Non-Life Science All '05	Non-Life Science All '04
Up rounds	+63%	+63%	+63%	+71%	+80%	+68%	+111%	+99%	+81%	+67%
Down rounds	-38%	-36%	-37%	-38%	-45%	-45%	-43%	-49%	-53%	-56%
Net result	+48%	+42%	+45%	+50%	+43%	+27%	+79%	+55%	+37%	+23%

- **The Fenwick & West Industry Segment Barometer™ (Magnitude of Price Change)** –Set forth below is the Fenwick & West Barometer™ comparing the up round, down round and overall average price change information for 451 companies that reported raising venture capital in the San Francisco Bay Area in 2007, separated into five different industry segments.

Industry Segment	No. of Financings	% Up Rounds	% Down Rounds	% Flat Rounds	% Price Change All Rounds	% Price Change Up Rounds Only	% Price Change Down Rounds Only
Biopharm	52	73%	12%	15%	+49%	+75%	-46%
Medical Devices	37	86%	11%	3%	+34%	+44%	-31%
Software; E-Commerce	193	80%	13%	7%	+95%	+126%	-47%
Hardware, Electronics, Semiconductor	106	69%	19%	12%	+43%	+76%	-47%
All Other	63	82%	12%	6%	+95%	+119%	-21%
TOTAL	451	77%	14%	9%	+72%	+100%	-43%

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<sup>1</sup> Information in this paragraph obtained from Dow Jones VentureSource.