



Total sum invested flat, say surveys

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A new generation of internet start-ups may have captured the public's attention last year, but the amount of money invested by US venture capital firms remained flat, according to two recent surveys.

US venture capital groups pumped \$22.1bn into fledgling companies last year, an increase of just 2 per cent over 2004, according to a report released yesterday by Ernst & Young, the accountants, and VentureOne, a venture capital research group.

A separate study published today by PwC, the accountants, Thomson Financial, and the National Venture Capital Association, arrived at a slightly lower figure of \$21.7bn, up just \$100m from 2004. The sluggish growth came in spite of a wave of enthusiasm about a crop of nimble internet start-ups that contributed to a big jump in fund-raising by US VC firms last year. Many recent startups have been built on lightweight business models that do not require big injections of cash to get off the ground.

"Many of these companies are often driven by advertising or subscription models," said Kate Mitchell, a partner at BA Venture Partners. "They don't need \$50m-\$100m to develop the first iteration of their product."

Furthermore, some start-ups, including Flickr, the photo sharing website, have elected to sell out to established internet companies at a relatively early stage, making it difficult for venture capitalists to get in on larger, follow-on financing rounds.