



by *Jonathan Marino*

Quietly, VCs in Life Sci Made Biggest Hits

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Time and again, life sciences VC deals have been outscoring their better-capitalized, super-hyped and oft-praised colleagues who do deals in the tech side of the asset class. A recent Wilmer Hale **report** helped crystallize the notion that, while tech deals and consumer products are often recipients of glory and headlines, it is deals like drug acquisitions and medical devices scoring venture capital's biggest exits lately.

For all the noise made about Andreessen Horowitz and its eye-popping exits, the biggest sale of last year was a company that should need no introduction... **Plexicon Inc.** Not quite as ubiquitous as Instagram. Advanced Technology Ventures, Alta Partners, Astellas Venture Capital, Pappas Ventures were among the VCs that scored big on its sale. The next biggest deal was another hit for life sci VCs—Ardian's **\$800 million sale** to Medtronic, which completed in January 2011. Factor in its stock in Facebook, is Instagram still worth more than Ardian?

In what might be viewed as a flight to quality by strategics, M&A for VC-backed companies slumped between 2010 and last year, to the tune of nearly 15%, according to the report. That's 560 deals for venture-backed companies two years ago, compared to just 477 in 2011. This year didn't get off to a much better start in 2012, according to the report, and again, deal volume fell in the first quarter of this year, held against the fourth quarter of 2011.

There is one big piece of news for companies on the block which were well-managed: even though deal flow fell from 2010 to last year, the average deal size exploded. An average of \$93 million for an acquisition in 2010 grew to a whopping \$192 million, for 2011.

As part of New York's ongoing campaign to topple Massachusetts as the East Coast's VC capital, the Empire State tied the Bay State, each claiming about 10% of the market share of financings, by number, according to the report. This paled in comparison to their California colleagues: the Golden State was, in fact, golden, claiming a whopping 42% of deal flow.

Additionally, following three straight years of declines, the median size of a VC financing in a startup jumped more than 10%, from \$4.4 million to \$5 million last year, the study stated. This, combined with the greatest number of financings in a decade, is fueling tremendous startup growth—but it remains to be seen how the asset class will finance all of its investments, in the life sciences field and elsewhere. Already, VC-backed life science companies should be off to a good start—the Wilmer Hale report notes that the \$8.4 billion spent on life sci investments was, for the third straight year, greater than the \$7.9 billion spent on IT companies by VCs.

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Tags: Advanced Technology Ventures, Alta Partners, Astellas Venture Capital, Pappas Ventures
