

# New Hampshire Economic Conditions

February 2010

## What is Venture Capital and are New Hampshire firms benefiting from Venture Capital?

Venture capital can be defined as equity funding provided to fast-growing entrepreneurial companies by professional investors. Funding can be in the form of a direct cash investment or by a private placement of securities.

New Hampshire companies have benefited from venture capital and the infusion of funds. The peak of venture capital investments on record was reached in 2000 with \$655.5 million worth of investments made in 56 businesses.

Computer-related companies received \$379.6 million worth of investments in 2000, with \$223.2 million in *Networking and Equipment* alone. Computer-related investments accounted for 57.9 percent of all investments that

year. After the peak of 2000, venture capital investments in New Hampshire experienced a steep decline. The drop in venture capital investments in New Hampshire followed the "dot.com" bust in combination with the recession of 2001.

Investments in 2001 only reached a total of \$214.4 million, down 67.3 percent from the peak in 2000. Investments in computer-related firms continued to predominate, though, claiming almost two-thirds of the smaller 2001 venture capital investment pie.

*Software* firms have long been a favorite of investors in New Hampshire, according to records provided by PricewaterhouseCoopers that began tracking venture capital investments

in 1995. Reports from 1995 through 2009 show that the *Software* industry in New Hampshire had received \$513.4 million, a total of 21.5 percent of the entire venture capital investment on record. The same data reveal that *Networking and Equipment* was the recipient with the next largest investment of \$462.2 million, a 19.4 percent share. However, *Networking and Equipment* received nearly half of its \$462.2 million during the computer boom of 2000. The recipient of the third largest amount of funding from venture capitalists is Industrial Energy with a fifteen-year total of \$342.6 million, or 14.4 percent.

The years that followed the recession of 2001 never regained the level of venture capital investment seen dur-

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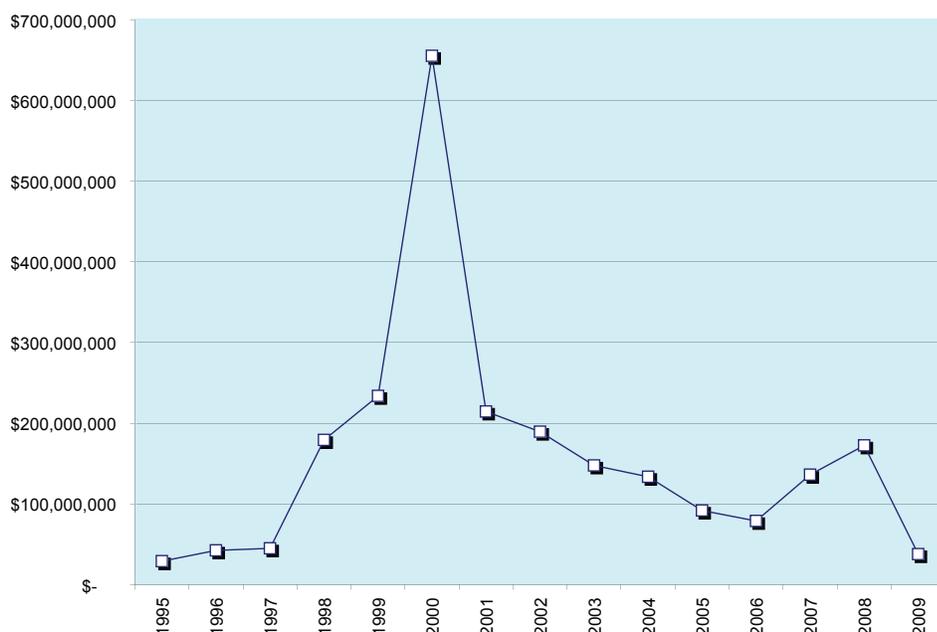
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Venture Capital Investments in New Hampshire



ing the “dot.com” boom of 2000. Since the decline from 2000 to 2001, venture capital investments in New Hampshire firms have averaged \$145.5 million annually.

A total of 12 venture capital investments were made in New Hampshire during 2009, worth a total value of \$37.5 million. Of the 12 investments made, four *Industrial Energy* firms received just over \$17 million, 45.4 percent of the total. For the second straight year, *Industrial Energy* firms have received the largest portion of venture capital funding

Investments in 2009 dropped well below the 2008 level and the annual average that followed the 2000 to 2001

decline. The total \$37.5 million investment was down 78.3 percent from the \$153 million in 2008.

Considering current economic conditions, it is not surprising to discover that venture capital investments in New Hampshire declined during 2009. The year-to-year decrease from 2008 may be a sign that investors were being cautious as a result of the economic crisis. And even though the annual amount of investments by venture capitalists was low in 2009, the final two quarters of 2009 finished strong with \$34.2 million, representing 91.2 percent of the year’s activity. This increase of investment activity late in 2009 could be a positive sign of what may be expected in 2010.

*Jeff Dobe*

### New Hampshire Venture Capital 2009

