



# VC-backed firms surge ahead

By Dick O'Brien

A new study has found that firms backed by venture capital investors are creating new jobs faster than other companies in the wider economy.

The report, conducted by the Centre of Entrepreneurial Studies in UCD and commissioned by the Irish Venture Capital Association, found that employment at venture-backed firms increased by 4.9 per cent during 2007, compared to an overall increase of 0.3 per cent in general employment and a 3.6 per cent increase in the financial and business sectors.

However, the study's authors warned that employment growth in the VC-backed sector, which mainly consists of high-tech firms in the IT and life sciences arena, was slowing dramatically. The average annual increase in employment since 2003 has been 19.9 per cent, which means that employment growth fell significantly last year. The average annual increase in overall employment over the same period was 3.7 per cent.

Despite the slowdown in job

creation, VC-backed companies increased revenues in 2007 by 17.5 per cent and in 2006 by 21 per cent. The average annual growth rate since 2003 was 21.6 per cent. This compares with annualised growth rates of 11 per cent. Exports were also on the rise, reaching €266 million in 2007, an 18 per cent increase on 2006. Exports now account for 79 per cent of revenues, up from 63 per cent a year earlier.

There has also been a notable uptick in the amount of funding activity in the sector, reaching its highest level since 2002, with firms raising €226 million in 2007, compared to €193 million in 2006.

The study also found that venture-backed firms spent €104 million on research and development in 2007, an increase of 25 per cent on 2006.

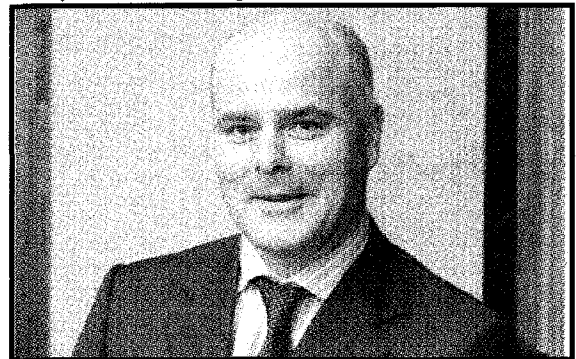
This compared with an increase of 7 per cent in R&D expenditure from all indigenous companies. In addition, venture-backed firms upped their spend on sales and marketing to €65 million in 2007, an increase of 37 per cent on 2006.

IVCA chairman Joe Concannon noted that Irish ven-

ture capital funds had already raised €500 million in the current fund-raising cycle, a figure that includes €175 million in state backing through Enterprise Ireland. Concannon believed that VC funds were now entering a more favourable investment climate.

"The ongoing shortage of liquidity in financial markets is resulting in lower valuations, thus offering attractive investment opportunities," he said.

The €500 million raised to date is still behind the original target of €1 billion that Enterprise Ireland hoped to raise for investment in start-up and early-stage companies, although a number of funds have yet to close funding.



Joe Concannon, chairman, IVCA