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NANOTECH VENTURE CAPITAL TO EXCEED \$650 MILLION IN 2006

Lux Research report finds that out of 171 venture-backed nanotech start-ups funded since 1995, 18 have reached a successful exit through an IPO or acquisition as money continues to flow to the sector

New York, NY – December 4, 2006 – Venture capitalists continue to devote cash to nanotechnology start-up companies. But, with the long expected time from investment to exit of six years – twice what VCs expect for investments in other technology areas – exits are thin on the ground. Nevertheless, some investors are unwisely looking to the small number of exits to date for valuation multiples going forward, according to a new report from Lux Research entitled “Exits for Venture Capitalists in Nanotechnology Remain Elusive.”

“Broadly accepted valuation multiples for companies employing nanotechnology simply don’t exist today because acquisitions and initial public offerings (IPOs) for nanotech start-ups are just beginning to accelerate,” said Lux Research Analyst Ted Sullivan. “It’s tempting to look at today’s few early valuation multiples as benchmarks. We think this will lead to bad decisions – the gestation time for nanotech start-ups is double what venture capitalists expect in other technology areas, making the vast majority of start-ups premature for an exit today. We recommend that investors and entrepreneurs take a rational valuation approach for nanotech start-ups based on competitiveness in their core application areas.”

To build a framework for assessing venture capital investments in nanotechnology, Lux Research analyzed a snapshot of its ongoing, comprehensive database of investments in the field – which contains every institutional VC funding round, IPO, acquisition, and bankruptcy worldwide for companies that are commercializing nanoscale structures with size-dependent properties. The report finds that:

- Based on deals completed through September, we estimate that VC investments in nanotech start-ups will reach \$650 million in 2006.
- The average deal to date in 2006 comes to \$11.5 million, 19% higher than 2005’s \$9.6 million.
- In 2006 through September, 121 different institutional venture capitalists invested in nanotech start-ups, the majority of which had previously invested in the field. Familiar names, such as Harris and Harris Group (H&H) and Draper Fisher Jurvetson (DFJ), continue to dominate, while new entrants such as Bain Capital joined a number of Fortune 500 corporations in casting votes of confidence for companies employing nanotechnology.
- Ten venture-backed nanotech start-ups have managed an IPO of shares, raising an aggregate \$417.2 million at their debuts with a total implied valuation of \$1.69 billion.

The report provides valuation data on nanotech start-ups which have exited to date and a comparison of exits for nanotech start-ups to exits by venture-backed companies as a whole, worldwide. It is available immediately to clients of Lux Research’s Nanotechnology Strategies advisory service. For information on how to become a client, contact Rob Burns, Vice President of Sales, at (646) 723-0708.

About Lux Research:

Lux Research provides market intelligence and strategic advice on nanotechnology and the physical sciences. We help our clients make better decisions to profit from cutting-edge technologies by tapping into our analysts’ unique expertise and unrivaled network. Our clients include top decision makers at large corporations, investment professionals at leading financial institutions, CEOs of the most innovative start-ups, and visionary public policy makers. Visit www.luxresearchinc.com for more information.

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