

TECH TRENDS & INSIGHTS

Analysis of the Tech Sector in New York

Q3 2013 ANALYSIS | JANUARY 2014

Highlights

- P.1** New York VC funding up 41% year-over-year
- P.2** 80% of New York VC goes to Internet and Mobile sectors
- P.3** New York fields 11% of M&A exits in Q3 2013
- P.3** Big data startups on the rise
- P.4** NYC employment in Internet publishing and broadcasting up 145% since 2009



**NYCEDC Economic
Research & Analysis**

Center for Economic Transformation

Venture Capital Highlights from Q3 2013

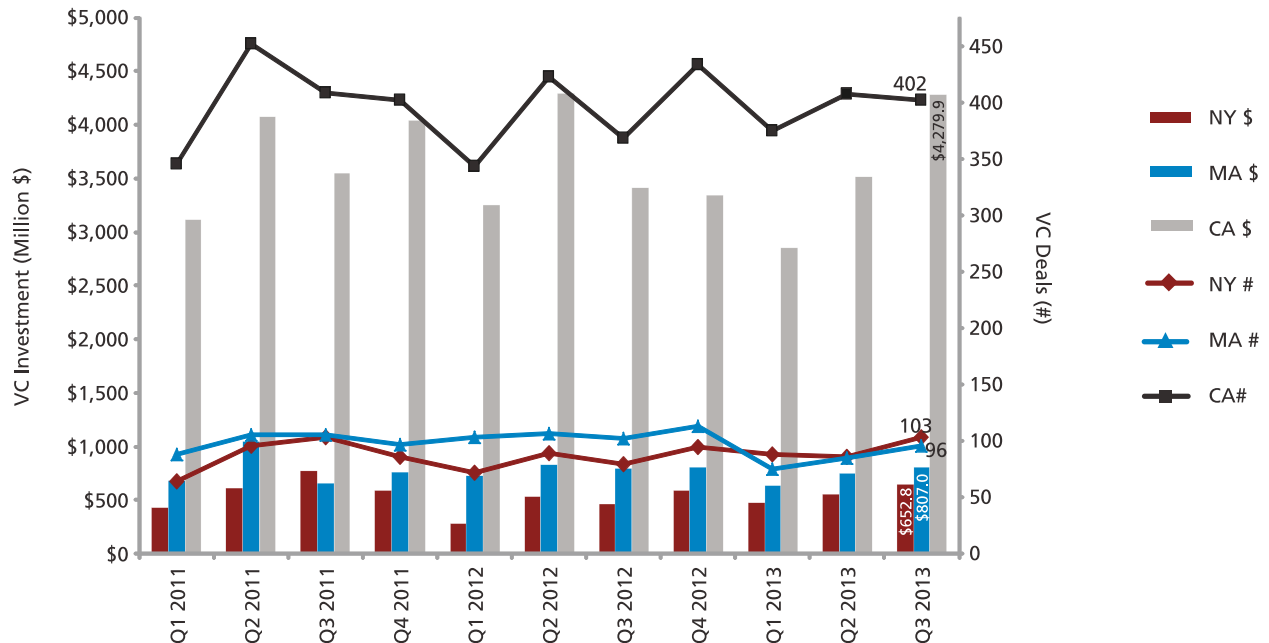
- New York experienced an increase in venture capital investment in Q3 compared to the previous quarter, with investment dollars rising 18% to \$652.8 million and number of deals increasing 20% to 103 deals. The average deal size remained consistent at around \$6 million. Series A funding reached a 5-quarter high, rising from 17% to 43% of total funds invested, overcoming last quarter's Series A crunch.
- In the United States as a whole, the number of deals rose 5% and dollars invested rose 12% from Q2 to Q3. Deals in California fell by 1% and dollars invested rose by 22%, while those in Massachusetts rose 13% and 7%, respectively.
- New York outperformed both Massachusetts and the nation as a whole, with respect to growth in number of deals and total investment dollars. New York edged out Massachusetts to maintain its second-place position behind California in number of investment deals.
- New York venture investment dollars also rose 41% year-over-year relative to Q3 2012. U.S. venture investment dollars rose by 17%, while dollars rose in California by 25% and in Massachusetts by 1% year-over-year.
- Number of deals in New York rose 27% year-over-year. Nationally, the number of deals rose year-over-year by 7%. Deals in California rose 9% and those in Massachusetts fell 6%.

NOTABLE NYC DEALS (IN MILLIONS) IN Q3 2013

CommonBond	\$100.0
Intra-Cellular Therapies	\$43.0
Ophthotech	\$33.3
Return Path	\$29.0
Cmx Media	\$25.0
Smartling	\$24.0
Urban Compass	\$20.0
Learnvest	\$16.5
Joor	\$15.0
EcoSense Lighting	\$15.0
Fab.com	\$15.0
HookLogic	\$14.3
LendKey Technologies	\$12.7
Cloud Tiger Media	\$12.2
Songza Media	\$4.7
Howaboutwe.com	\$4.2

Source: PricewaterhouseCoopers/National Venture Capital Association Moneytree Report based on VC financing deals data from Thomson Reuters

Venture Capital Trends in New York, California, and Massachusetts



Source: PricewaterhouseCoopers/National Venture Capital Association Moneytree Report; data from Thomson Reuters

618 Internet companies in New York City as of January 6, 2014

Source: NY Tech Meetup; Made in New York City

Venture Capital Financing

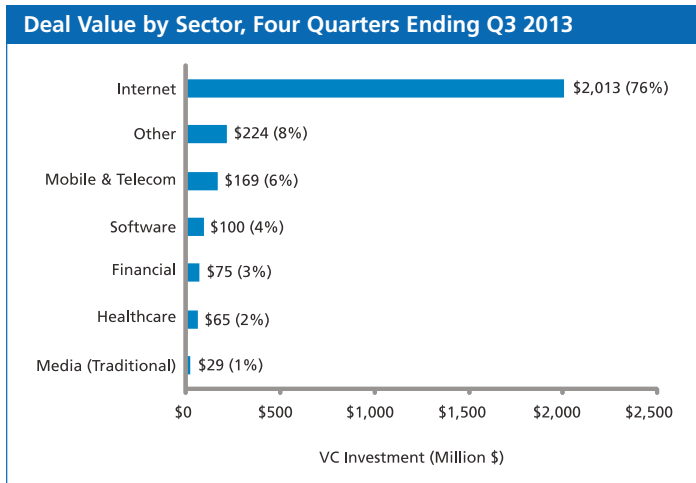
SECTOR TRENDS

- Investment in the Internet sector continues to drive New York venture capital activity, garnering more than half of the deals in Q3 and 78% of VC dollars invested. New York continues to hold nearly 20% of all VC deals and dollars in this sector, maintaining its position behind California in Internet investments nationally.
- The Internet sector in New York is bolstered by the national rise in funding for Business Intelligence (including Analytics and Performance Measurement) with 10% of Internet deal volume and value, followed by Advertising, Sales, and Marketing with 8% of Internet deal volume and 6% of value.

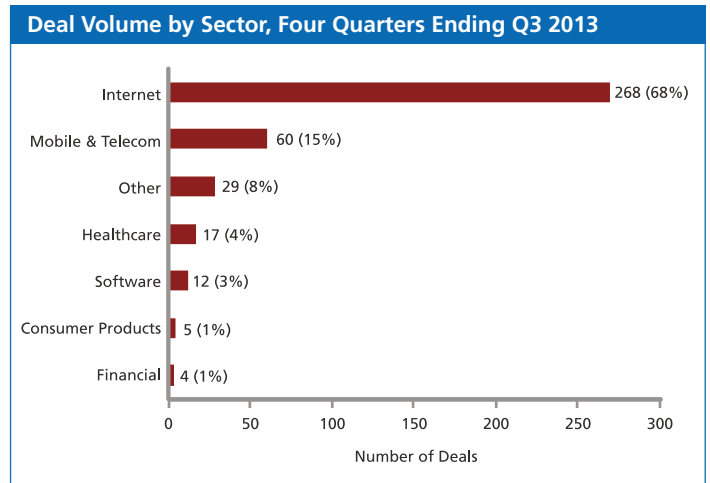
- Mobile & Telecommunications maintained its position as the second largest sector with 18% of VC deals and 7% of VC dollars invested in Q3. Mobile technology had the sector's best quarter yet nationally, crossing the \$1 billion mark of investments.
- In New York, over 80% of all VC deals and dollars went towards either Internet or Mobile sectors.

SERIES TRENDS

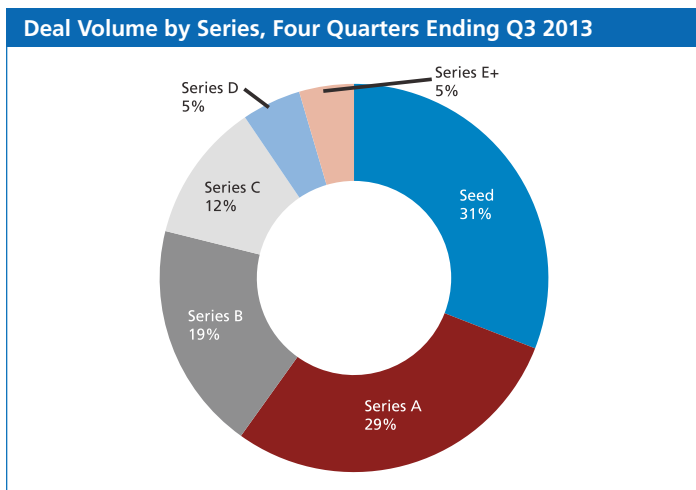
- The majority of New York deals remain in the early stage financing category (32% Seed and 32% Series A) and capture 48% of all funding dollars. Q3 shows a near even split between early-stage and later-stage (Series B and later) financings, which account for 52% of deal dollars and 36% of deal volume.



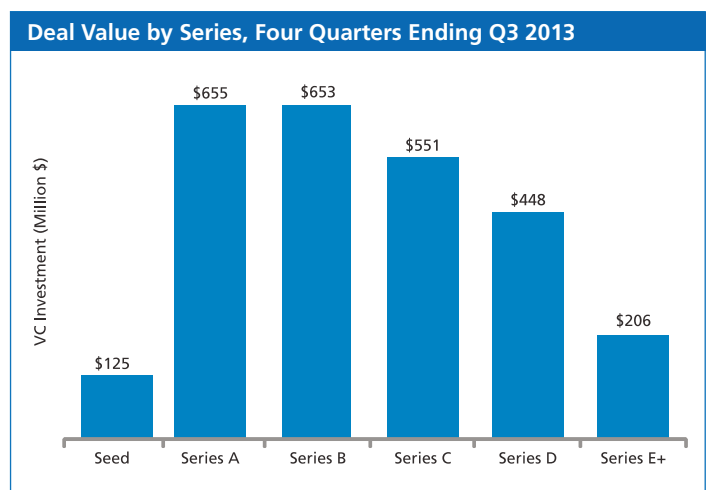
Source: CB Insights
 "Other" sectors include, but may not be limited to, Computer Hardware & Services, Consumer Products, Business Products & Services, Energy & Utilities, Food & Beverages, Risk & Security, Industrial, and Electronics



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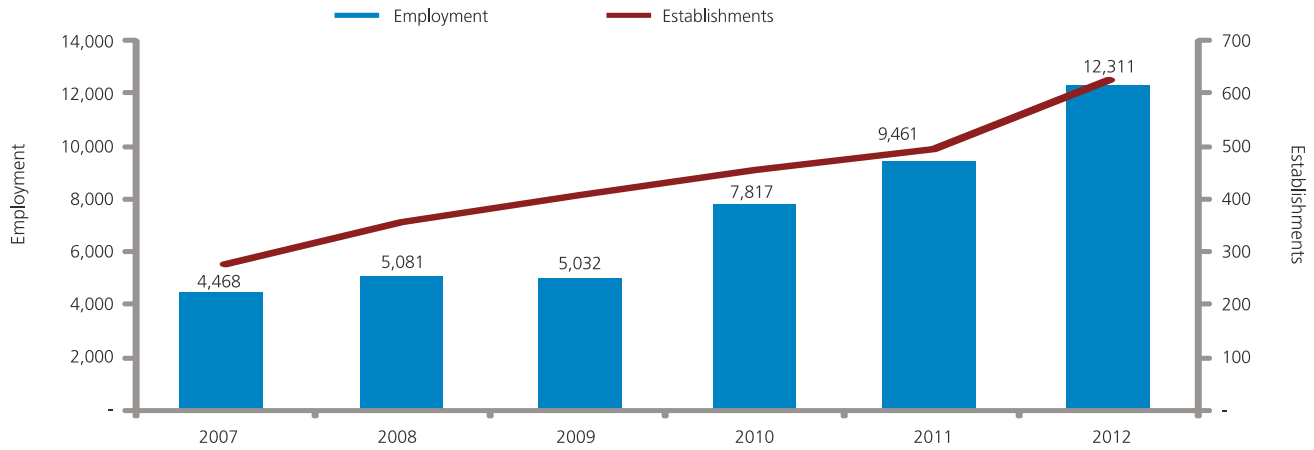


Source: CB Insights

350 actively hiring Internet companies as of January 6, 2014

Source: NY Tech Meetup; Made in New York City

NYC Internet Publishing, Broadcasting & Web Search Portals Employment and Establishments



Source: NYS Department of Labor, Quarterly Census of Employment and Wages (QCEW); NAICS code 519130

SERIES TRENDS continued

- Series A funding in New York rose to a 5-quarter high, jumping from 17% of VC dollars invested in Q2 to 43% in Q3, beating the Series A crunch. Series C and Series E funding dollars also rose from 19% to 27%, and from 1% to 10%, respectively.
- According to CB Insights, New York edged out Massachusetts in VC dollars invested for the second time in three consecutive quarters, and extended to three quarters its streak over Massachusetts in number of deals.

ANGEL FINANCING HIGHLIGHTS IN NEW YORK

- New York Angels and Golden Seeds, headquartered in New York, were among the most active angel and early-stage investment groups in the country in Q2 2013, according to the Q2 2013 Halo Report from Silicon Valley Bank, the Angel Resource Institute, and CB Insights.
- New York garnered 9% of all angel deals in Q2 2013, a 4% rise since Q2 2012, as well as 6% of all angel dollars in Q2 2013.
- According to CB Insights, NYC's largest Q3 angel deal was a \$3 million investment in iCapital Network, an information exchange for alternative investment managers and buyers. Investors were undisclosed.

EXIT HIGHLIGHTS IN NEW YORK

- In Q3 2013, New York garnered 11% of all M&A exits in the country, which dropped 4% from the previous quarter. NY had no IPO exits in Q3, a drop from 8% of all IPO exits in Q2.

- 57% of all national IPO exits in Q3 went to healthcare.
- New York's share of M&A exits has ranged between 9% and 15% over the past five quarters.
- The largest IPO exit of Q3 went to FireEye, a global security network company based in California, that raised \$349 million, while the largest M&A exit was Johnson & Johnson's \$650 million acquisition of Aragon Pharmaceuticals, based in San Diego, California.

Big Data on the Rise

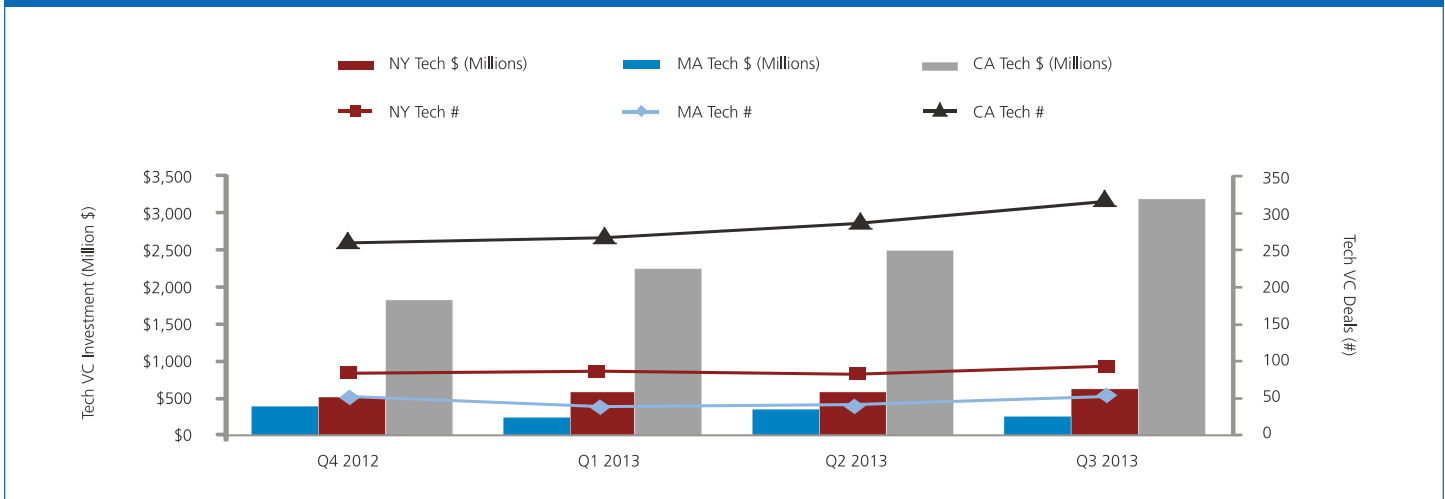
2013 has seen a significant rise in VC investments in big data related software and technologies. Perhaps most notable is Palantir, a Palo-Alto based data-mining company with a client roster that includes the FBI and CIA. Valued at \$9 billion and garnering \$196.5 million in VC investment in Q3, Palantir provides its public and private sector clients a big data platform to better analyze and parse out trends from silos of data. Rescue workers used Palantir in New York to manage requests for medical supplies, water and home repairs in Hurricane Sandy's aftermath. Three new big data funds spiked big data investment activity in 2013: Data Elite, KPMG Capital, and Accel Partners. Other notable big data startups and software companies and MongoDB and Opera Solutions, both headquartered in NYC.

Source: PricewaterhouseCoopers Moneytree Report; Venture Beat; Wall Street Journal

36,568 Members of NY Tech Meetup as of January 6, 2014

Source: NY Tech Meetup

Venture Capital Investment in Tech, Last Four Quarters



Source: Estimated from CB Insights Quarterly VC reports. "Tech" is defined by CB Insights as Internet, Mobile/Telecom, Software (non-internet/mobile), Computer Hardware, and Electronics

TECH EMPLOYMENT TRENDS

- After last quarter's 5-quarter high for hiring growth in Internet and digital media in New York, Q3 saw a weaker increase. Cook Associates reported an increase of 2.5% for hiring in the sector from Q2 to Q3 2013, with approximately 850 jobs added, compared to 270 jobs (+1.7% gain) added in Boston.¹
- Cook Associates reported that leading employers hiring in this sector in New York include Google, Spotify, Amazon, Facebook, Rent the Runway, LinkedIn, ZocDoc, eBay, BuzzFeed and Twitter. Smaller startups with large headcount gains include Dstillery, Etsy, Fab.com, Complex Media, Warby Parker, Thrillist, AppNexus and Birchbox.
- New York City has been experiencing strong growth in Internet publishing, broadcasting and web search portals. NYC added 7,280 jobs in this sector from 2009 to 2012, more than doubling (+145%). Establishments in the sector grew by almost 220 from 2009 to 2012, a 54% increase.

TECH VENTURE CAPITAL FUNDING

- New York continued its lead over Massachusetts to follow California in tech VC funding dollars and deal numbers in Q3.
- Using data from CB Insights, in Q3 2013, New York closed an estimated 93 technology deals worth \$630 million—an increase of 26% and 61%, respectively, over Q3 2012.
- California tech VC activity rose to a 5-quarter high in Q3, with \$3.2 billion in investments across 316 tech deals, exceeding both New York and Massachusetts combined.

Notable Q3 2013 Deals

Uber: National Q3 venture capital activity was driven largely by activity for Uber, a popular mobile taxi service app widely used in NYC and based in San Francisco. In Q3, Uber reported a \$258 million investment by Google Ventures, a record investment for both parties, and the largest this quarter. The on-demand service has attracted much attention surrounding its potential for global scale and recent partnership with NYC yellow cabs to include in its service offerings.

CommonBond: CommonBond, a NYC-based crowdsourcing platform focused on student debt, received \$100 million in Q3 financing, the largest deal in NYC this quarter. Similar to Lending Club and the California-based Social Finance, CommonBond runs on a P2P platform to offer students interest rates lower than most federal and private lenders and loans.

Source: Tech Crunch, Venture Beat

HOMEGROWN TECH COMPANIES

Did you know? From coding and development to housing its headquarters, these NYC technology and digital companies are all homegrown and grass-fed!

- Adafruit Industries
- AppNexus
- Bit.ly
- Birchbox
- Codecademy
- DateMySchool
- Etsy
- Fab
- Foursquare
- Kickstarter
- MakerBot
- Shapeways
- Solidoodle
- Tumblr
- Venmo
- Vimeo

Source: We Are Made in NY

¹ Cook Associates, "Third Quarter 2013 Internet And Digital Media Jobs Index," 29 October 2013 press release, www.cookassociates.com/media-center/press-releases/2013-press-releases/bid/99660/Hiring-Takes-Unexpected-Nosedive-In-New-York-And-Boston-Third-Quarter-2013-Digital-Jobs-Index

About NYCEDC

The New York City Economic Development Corporation is the City's primary engine for economic development charged with leveraging the City's assets to drive growth, create jobs and improve quality of life. NYCEDC is an organization dedicated to New York City and its people. We use our expertise to develop, advise, manage and invest to strengthen businesses and help neighborhoods thrive. We make the city stronger.

About NYCEDC Economic Research & Analysis

The Economic Research and Analysis group from NYCEDC's Center for Economic Transformation conducts economic analysis of New York City projects, performs industry and economic research on topics affecting the city and tracks economic trends for the Mayor, policy-makers and the public as a whole. As part of its goal of providing up-to-date economic data, research and analysis to New Yorkers, it publishes a monthly New York City Economic Snapshot as well as the Trends & Insights series of publications covering such topics as Tech Venture Capital Investment, Borough & Local Economies, and Industry Economic Sectors. It also sponsors the Thinking Ahead series of events that brings together thought leaders and stakeholders to discuss and debate key issues shaping New York City's economic future.

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