

Q3 2017 Capital Recap: Software & web drive highest quarter for investment since 2015

OVERALL TRENDS

- San Diego firms received \$472 million of **VC investment** in Q3 2017, up 19.4% from Q2 2017 and 51.4% from Q3 2016, according to data from the CBRE Research, PwC/CB Insights MoneyTree Report and Mattermark. There were **25 deals** executed this quarter, which is just below the three-year average of 28 deals per quarter, but deal sizes were much larger, driving the total to a recent high mark.
- Venture capital activity slowed in 2016 after a particularly strong 2015, but is picking up through three quarters of 2017. The 2017 year-to-date total is already over the \$1 billion mark, and has nearly passed the 2016 annual total. In Q3 2017, there were also **27 M&A deals** announced or completed in which San Diego companies made acquisitions or were acquired. No San Diego-based companies made an IPO, this quarter, but several have hinted at IPOs in the next six to twelve months.

INDUSTRY HIGHLIGHTS

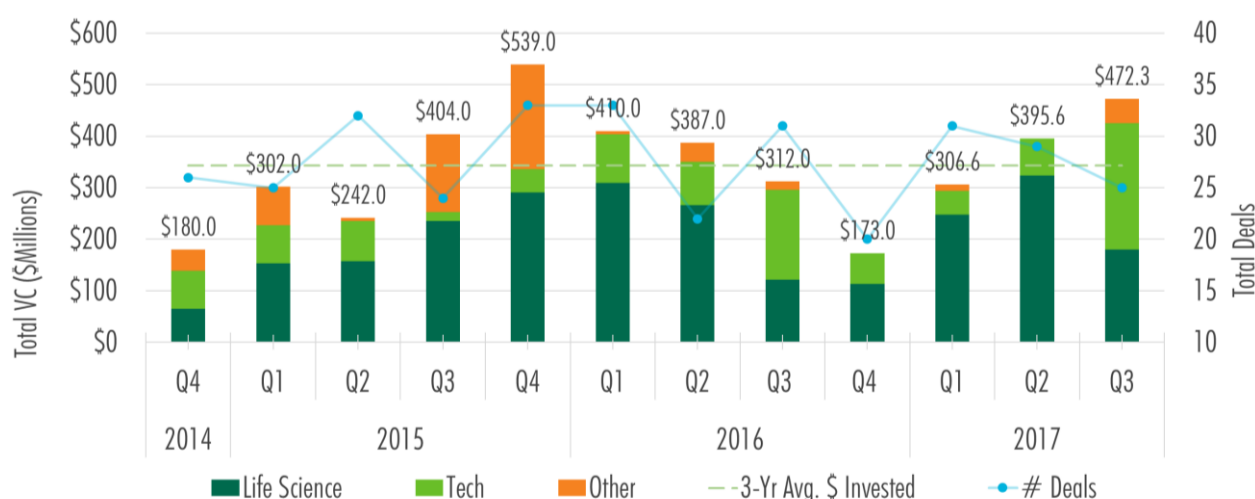
- Tech** companies in San Diego scored 11 deals totaling \$244 million, which was over three times the amount from Q2 2017. **Software / web** companies received the bulk of the investment at \$237 million. **Brain Corp.**, a software developer for autonomous commercial robots, raised \$114 million in a Series C round, the most of any firm in San Diego this quarter. **Kyriba Corporation**, a financial and treasury management solutions company, raised \$45 million in a Series E round. **Hardware / IT services** companies had one deal, **Reach Robotics**, a battlebot creator that can be controlled by smartphone, raised \$7.5 million in a Series A round.
- Life science** companies received \$180 million in investments from 11 deals. This figure was down 44.3% from Q2 2017, but up 47.8% from Q3 2016. **Medical device / diagnostic** companies received \$49 million in Q3 compared to \$131 million that went to **biotech / pharmaceutical** companies. Device/diagnostic investment was almost half the trailing four-quarter average, while biotech/pharma investment was slightly above average. The **largest** life science VC deal this quarter went to **Amplix**, a biopharmaceutical company focused on treating invasive fungal infections. The company raised a \$67 million Series C round. **eFFECTOR Therapeutics**, a developer of a new class of protein-synthesis oncology drugs, raised \$38 million this quarter in a Series C round. **Sotera Wireless**, a health detection technology company, received \$32 million of venture funding that will be used to help the company leave bankruptcy.

M&A ACTIVITY

- Quidel Corp.** completed the acquisition of certain assets of Massachusetts-based **Alere Inc.** for \$440 million (*source: Business Wire*). Quidel will acquire Alere's Triage MeterPro and B-type natriuretic peptide (BNP) businesses to increase its penetration of the point-of-care diagnostics market.
- San Diego-based **TE2** was acquired by London-based **Accesso Technology Group** for \$80 million (*source: Accesso*). TE2 is a marketing software firm for theme parks and cruise lines. It raised about \$8.5 million from investors since it was founded in 2013. The deal boosts Accesso's portfolio of technology products targeting the leisure industry.
- Sempra Energy** will acquire Dallas-based **Oncor** for \$9.45 billion (*source: Reuters*). Oncor is Texas's largest electric transmission and distribution service provider. Sempra topped an offer by Warren Buffett's Berkshire Hathaway Inc. to clinch the acquisition of Oncor.

Figure 1: Venture Capital Investment in San Diego County

Dollar and Deal Volume, by Industry Group, Three Years, Q4 2014 to Q3 2017



Source: PwC/CB Insights MoneyTree Report, Mattermark, CBRE Research

Figure 2: Venture Capital Investment in San Diego County

By Industry (Q3 to Trailing Four-Quarter Average Comparison)

Industry	# Deals in Q2 2017	Total Invested in Q2 2017 (\$Mil)	Trailing 4-Qtr Avg. (\$Mil)	+/- from Avg. (\$Mil)
Software / Web	10	\$237.0	\$91.7	\$145.3
Biotech / Pharma	7	\$131.2	\$129.4	\$1.9
Med Devices / Diagnostics	4	\$49.0	\$86.7	-\$37.7
Remaining Industries	3	\$47.5	\$20.2	\$27.3
Tech (Hardware / Services)	1	\$7.5	\$14.0	-\$6.5
Total	25	\$472.3	\$336.9	+\$135.4

Source: Source: PwC/CB Insights MoneyTree Report, Mattermark, CBRE Research