

ANNEX C

International comparability of venture capital data

Aggregate data on venture capital provide useful information on trends in the venture capital industry. These data are typically compiled by national or regional Private Equity and Venture Capital Associations, often with the support of commercial data providers. The quality and availability of aggregate data on venture capital have improved considerably in recent years; international comparisons, however, remain complicated because of two main problems.

The first difficulty comes from the *lack of a standard international definition of venture capital*. While there is a general understanding, the definition of the types of investments included in venture capital varies across countries and regions. In some cases, differences are purely linguistic the language; in others, they are more substantive.

The second problem relates to the *diverse methodologies employed by data compilers*. The completeness and representativeness of venture capital statistics with respect to the venture capital industry of a country will differ depending on how data were collected.

The following tables illustrate differences concerning respectively: the definition of private equity and venture capital (Table C.1); the breakdown of venture capital by stage (Table C.2); the breakdown of venture capital by sector (Table C.3); and the methods of data collection (Table C.4).

Table C.1. **Definitions of private equity and venture capital**

| Source | Private equity (PE) | Venture capital (VC) |
|---|---|---|
| European Private Equity and Venture Capital Association (EVCA) | PE is equity capital provided to enterprises not quoted on a stock market. | VC is a subset of private equity and refers to equity investments made to support the pre-launch, launch and early stage development phases of a business. |
| National Venture Capital Association – United States (NVCA) | PE is equity investment in non-public companies, usually defined as being made up of venture capital funds. Real estate, oil and gas, and other such partnership are sometimes included in the definition. | VC is a segment of the private equity industry which focuses on investing in new companies with high growth potential and accompanying high risk. |
| Australian Bureau of Statistics (ABS) | (Later Stage) PE is an investment in companies in later stages of development, as well as investment in underperforming companies. These companies are still being established, the risks are still high and investors have a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams). | VC is a high risk private equity capital for typically new, innovative or fast growing unlisted companies. A venture capital investment is usually a short to medium-term investment with a divestment strategy with the intended return on investment mainly in the form of capital gains (rather than long-term investment involving regular income streams). |
| Canada's Private Equity and Venture Capital Association (CVCA) | The generic term for the private market reflecting all forms of equity or quasi-equity investment. In a mature private equity universe, there are generally three distinct market segments: Buyout Capital, Mezzanine Capital and Venture Capital. | A specialized form of private equity, characterized chiefly by high-risk investment in new or young companies following a growth path. |
| Korean Venture Capital Association (KVCA) | PE means an equity investment method with fund raised by less than 49 Limited Partners. It takes a majority stake of company invested, improves its value and then obtains capital gain by selling stock. | Company/Fund investing in early-stage, high-potential and growth companies. |
| Venture Enterprise Center – Japan (VEC) | PE is an investment method by which investors are involved in the management and governance of enterprises for the improvement of its value by providing those enterprises, in different developing stages and business environments, with necessary funds. | Funds provided via shares, convertible bonds, warrants etc. to venture businesses, which are closed (non-public) small and medium size enterprises with growth potentials. |

Table C.2. **Breakdown of venture capital by stage, selected VC associations and OECD**

| | | EVCA | NVCA | PwC Money Tree – Israel | ABS - Australia | CVCA | VEC | KVCA | NZVCA | RVCA | SAVCA | OECD |
|----------------------|--|--------------------------------|-------------|---|---|-----------|-------------|-----------------|--|---|--|----------------------------|
| Private equity | Venture capital | | | | Pre-seed | | | | | | | Pre-seed/Seed |
| | | Seed | Seed | Seed/Start-up | Seed | Seed | Seed | Early stage | Seed/Start-up | Seed/Start-up | Seed | Start-up/Other early stage |
| | | Start-up | Early stage | Early stage/Expansion stage | Start-up | Start-up | Early stage | Expansion stage | Early stage Expansion | Other early stages | Start-up and early stage | |
| | | Other early stage | | | | Expansion | Expansion | | Other early stages | | | |
| | Later-stage venture | Expansion/Later stage | Later Stage | Early expansion | Expansion | Later | | Expansion | | | Later stage venture | |
| Other Private Equity | Growth/Rescue/Turnaround Replacement, Buyout | Buy-outs and mezzanine capital | | Late Expansion, Turnaround, LBO/MBO/MBI | Acquisition/Buyout, Turnaround, Other stage | | | Later stage | Turnaround Mid-market PE, Buyout PE | Expansion Restructuring Later stage | Expansion and development Replacement, Buyout | Other Private Equity |

Note: CVCA includes “Expansion” in “Other Private Equity”. NZVCA includes “Turnaround” in “Venture capital”.

Table C.3. **Breakdown of venture capital by sector, Europe and United States**

| OECD classification | United States – NVCA | Europe – EVCA |
|--|---|---|
| Computer and consumer electronics | Software Semiconductors Electronics/Instrumentation Networking and Equipment Computers and Peripherals | Computer and consumer electronics |
| Communications | Media and Entertainment IT Services Telecommunications | Communications |
| Life sciences | Medical Devices and Equipment Healthcare Services | Life sciences |
| Industrial/Energy | Industrial/Energy | Energy and environment Chemicals and materials |
| Other | Consumer Products and Services Retailing/Distribution Business Products and Services Financial Services Other | Consumer goods and retail Consumer services Business and industrial products Business and industrial services Financial services Agriculture Real estate Construction Transportation Unknown |

Table C.4. **Methods for collecting data on venture capital**

| | |
|------------|--|
| ABS | Census of VC and later stage PE funds domiciled in Australia and identified by the Australian Bureau of Statistics. Investments by non-resident funds in Australian investee companies are out of scope of the survey; however funds sourced from non-residents and Australian funds investing in non-resident companies are in scope. |
| CVCA | Quarterly surveys of PE fund managers active in the Canadian industry, conducted by Thomson Reuters. Coverage of the industry is claimed to be very high. |
| EVCA | Census of European PE and VC firms identified by EVCA and partner associations. Firms are surveyed on a quarterly basis; firms that did not provide quarterly surveys are invited to fill in an annual questionnaire, available on the PEREP website (PEREP_Analytics is a non-commercial pan-European private equity database with its own staff and resources). Throughout the data-collection period, PEREP analysts and co-operating national PE and VC associations contact to non-respondents to encourage participation in the survey. Information is complemented by data from public sources (e.g. press, media, websites of PE and VC firms or their portfolio companies); data are included if complying with rules defining the qualifying players, the transaction date, the relevant amounts and the qualitative parameters. Two independent public sources are usually required before information is added to the database. |
| KVCA | Census of registered Korean VC firms (for registration, the capital of a VC firm should exceed 5000 won). By law, VC firms report their activities monthly. |
| NVCA | MoneyTree™ Report: Quarterly study of venture capital investment activity in the United States, produced by NVCA in cooperation with PricewaterhouseCoopers (PwC). The report includes the investment activity (in investee companies domiciled in the United States) of professional venture capital firms with or without a US office, Small Business Investment Companies (SBICs), corporate VC, institutions, investment banks and similar entities whose primary activity is financial investing. Angel, incubator and similar investments that are part of a VC round are included if they involve cash for equity and not buyout or services in kind. Data are primarily obtained from a quarterly survey of venture capital practitioners conducted by Thomson Reuters. Information is augmented by other research techniques including other public and private sources. All data are subject to verification with the venture capital firms and/or the investee companies. |
| NZVCA | Survey of VC and PE participants in the New Zealand market performed by NZVCA and Ernst & Young, including firms from both New Zealand and Australia (the 2011 sample consisted of 21 responses). Also included is any publicly announced information (e.g. S&P Capital IQ; New Zealand Venture Investment Fund's <i>Young Company Finance</i> publication). NZVCA and Ernst & Young acknowledge that a small number of industry participants elect not to participate in the survey. |
| Israel/PwC | The MoneyTree™ Report: Quarterly study by PwC Israel; see above NVCA. |
| RVCA | Survey of PE and VC funds active in the Russian market completed with information from interviews with Russian PE&VC industry experts and open sources. In 2012, the review of data covered more than 180 funds. RVCA considers that the total figures collected adequately reflect the Russian market trends. |
| SAVCA | Survey of PE industry participants, conducted by KPMG and SAVCA. Investments are included if there are made in South Africa, regardless of where they are managed from. Investments in private equity from corporates, banks and Development Financing Institutions are covered. In 2012, the survey obtained 95 responses representing 102 funds; information from 15 additional PE firms representing 15 funds was added drawing from alternative sources. KPMG and SAVCA estimate that the survey represents in excess of 90% of the South African Private Equity industry by funds under management. |
| VEC | Survey of VC investors identified by VEC. |



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