



## VCs: Thousands Of Companies Will Exit Next Year...

by Deborah Gage



But they may not be going public.

Four VCs — Sharon Wienbar at ScaleVP, Sandy Miller at Institutional Venture, Brian Jacobs at Emergence and Courtney McCrea at Weathergage (a fund of funds) — appeared earlier this week on a panel at Dow Jones LP Summit and were asked to predict the future.

They all see a big pickup in VC-backed exits — thousands of companies that are five to 10 years old that will be ready to go out by next summer.

But they also aired what have become usual complaints about the harms of going public for small-cap companies: the short-term trading (“Young companies need to be bought and held to grow and flourish,” Jacobs said), the lack of research to educate prospective buyers on these companies once the IPO is over, the \$3 million a year in costs of complying with Sarbanes-Oxley.

“It used to be a badge of honor for a CEO to go public in Silicon Valley, but that’s changed,” Miller said. “Some of the very best CEOs, like Mark Zuckerberg at Facebook, are waiting — they don’t want the scrutiny and the regulation. Some of the most attractive companies are opting out.”

These VCs also aren’t sure that secondary exchanges — like SecondMarket, which brings together buyers and sellers of private company securities and limited partnership interests and which recently acquired a competitor, Inside Venture — are a viable solution for venture-backed companies that can’t or won’t go public. They’ve been tried before and they haven’t worked well so far.

“Good companies are found by lots of people,” Wienbar said. “They are finding companies without needing an exchange.”

What kinds of companies do these VCs find promising? Software-As-A-Service, cloud computing, healthcare, Internet, wireless, mobile.

But not all attractive markets are accessible to startups, Wienbar said — new drugs and new digital semiconductor products, for example, are too expensive to enter.