



Year Ahead: '09 Predictions

Venture capitalists dust off their crystal balls and look into the future

Predictions gathered by VCJ Managing Editor Alastair Goldfisher

"It is likely that venture capital fund-raising will decline in 2009, but the irony is that venture funds launched in the first or second years following a recession have been among the best vintages. Since the variance between the top quartile funds and the mean tends to be the largest for those vintages, the logical conclusion is that now could be an opportune time for investors attempting to access those top tier venture funds."

Dixon Doll

Chairman, National Venture Capital Association
Co-founder and General Partner, DCM

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"I don't think it's a year when new groups are going to raise funds. But the better performing firms will be able to raise new funds if they need them."

Sandy Miller

General Partner

Institutional Venture Partners

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"Cleantech still won't make money in 2009, proving it is a true market neutral strategy: It can't deliver returns at either high or low oil prices."

Paul Kedrosky

Editor

Infectious Greed blog

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"To paraphrase Charles Dickens, it's the worst of times and the best of times for venture capital. On one hand, the recession is going to be long and tough. On the other hand, this could be the inflection point for venture capital where marginal venture-backed companies and venture firms give way to the strong ones. We need to take the strong medicine now, and if we do, I am optimistic for the future, for I am sure we will come out of this stronger and better."

Venky Ganesan

Managing Director

Globespan Capital

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"Cleantech investing is going to come on strong in 2009, despite lower energy prices, because there will be so much attention paid by governments around the world. By 2010, cleantech will be the largest dollar segment for investing in the venture industry."

Ray Leach

CEO

JumpStart Inc.

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"Venture capital will be one of the best places to put money in the next few years. The key is to invest today based on where 2010 will be, not where 2007 was. Once the world heals, the IPO window will reopen as public investors who have been hoarding cash will be hungry for growth. At that point, venture capitalists with companies ready to go public will make a killing."

Rory O'Driscoll

Managing Director

Scale Venture Partners

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"Social media sites may come under more pressure to monetize, and many of the ones outside the top 10 will have massive job cuts and/or close down."

Mike Kwatinetz

General Partner

Azure Capital Partners

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"2008 feels like 1974 to me. Naysayers in 1974 were saying entrepreneurs and venture capitalists were obsolete and small company IPOs were a thing of the past. They were obviously wrong. The only good news I can offer today is that the forecasters don't have any better insight into the future than the rest of us."

Bob Pavey

General Partner

Morgenthaler Ventures

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"While early stage investing will continue, it will be primarily in areas like energy technology and cloud computing where the long term fundamentals are economically attractive, or even necessary."

Michael Stark

Co-founder and General Partner

Crosslink Capital

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"For years, firms have talked about writing smaller checks, but we've seen few venture investments under \$1 million. This will see a huge shift in 2009. The trick for VCs will be to manage an expanded portfolio with appropriate levels of involvement. If done well, the upside for both the startup and investors will be tremendous."

Steve Fredrick

General Partner

Grotech Ventures

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"Personalized medicine, based on advances in genetics, will be a central tenet of President-Elect Obama's health care reform proposals. By translating scientific innovation to clinical practice improved patient outcomes and reduced system costs can become a reality. This is good news for all involved."

Michael Goldberg

General Partner

Mohr Davidow Ventures

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"The IPO market will re-open on May 28. Just joking. I'm not even sure it's a weekday."

Rob Day

Principal

@Ventures

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“While we may see a significant decrease in the total dollars invested, the number of deals being done will only decrease slightly. We will see smaller round sizes that are more milestone-driven, along with more discipline by the venture community to not overfund certain categories. In five years, some of the best returns will be from companies that were founded and funded in 2009.”

Michael Greeley
General Partner
Flybridge Capital Partners

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“In 2009, there will be a meaningful shift in consumer-patient behavior that will provide impetus for investors to back entrepreneurs who bring credible innovations to market in an otherwise discouraging economy.”

William Rosenzweig
Managing Director
Physic Ventures

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“We are going to see companies with incremental value propositions struggle to get funding and commercial traction in this challenging environment. However, disruptive companies with strong associated clinical and economic value propositions led by strong teams will still attract capital, success and acquisition interest.”

Tom Rodgers
General Partner
Advanced Technology Ventures

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“2009 is the year that the new administration and the U.S. Congress will decide whether or not there will be a health care venture capital and startup industry in 2010.”

Doug Kelly
General Partner
Alloy Ventures

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“The corporate bond market will produce venture capital-like returns in 2009.”

Ben Black
General Partner and Co-founder
New Cycle Capital