



Venture capitalists see green in 'green'

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Venture capitalists turned their attention to alternative energy like never before in the first quarter, pouring four times more money than a year ago, or \$237 million into 10 deals. They put another \$54 million into environmental innovation.

But these "green" investments are still a pittance of the total that venture capitalists invested during the quarter, according to statistics released Monday by Ernst & Young and Dow Jones VentureOne.

In total, venture capitalists invested \$6.96 billion into U.S.-based companies and startups in the first quarter, up 8 percent from the same period a year ago and the highest for any quarter since the end of 2001. However, fewer deals were funded than a year ago — 584, down by 31 deals from the first quarter of 2006. Among them, 189 are Bay Area companies, which means this area continues to receive by far the largest concentration of VC investment. A total of \$2.2 billion was invested in Bay Area companies, up 10 percent from a year ago, the study said.

Health care drew an increasing portion of the dollars, accounting for \$2.88 billion of the U.S. total, up 65 percent from a year ago, and spread among 167 deals, up from 152 a year ago. In the Bay Area, 41 health care deals were funded.

By comparison, information technology received less money nationally than last year and fewer IT deals were funded. VCs invested \$3.12 billion in information technology, 16 percent less than a year ago, with only "information services" or Web 2.0 information companies seeing an uptick.

But venture capitalist Randy Hawks of Claremont Creek Ventures in Oakland said that some of the interest in Web 2.0 ventures might be excessive.

"With Web 2.0 we see more competition between VCs than between companies," he said. "Too many VCs chasing the same space inflates valuations to unsustainable levels."

Analyst Jessica Canning, director of Global Research at VentureOne, said the shift toward health care was "driven perhaps by the therapeutic innovations around cancer, heart disease and other internal medicines intended for an aging baby-boomer population."