Bloomberg

August 11, 2017 | bloomberg.com

Technology

Funding Conditions for Tech Startups Soar to a New Record

An index tracking business conditions for U.S. private companies surged 44 percent from a year earlier.

[redacted]

by **Isabel Gottlieb**
August 11, 2017

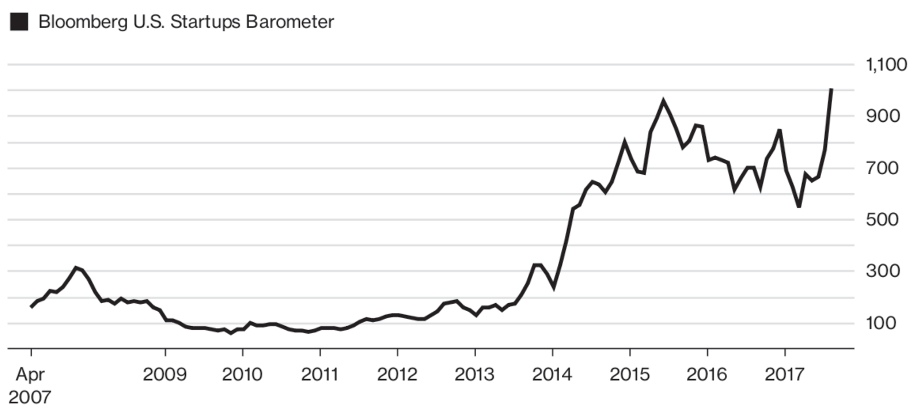
There's rarely been a better time for American technology startups.

The Bloomberg U.S. Startups Barometer, which tracks the business conditions for U.S.-based private technology companies, reached a record high. A 44 percent increase from a year earlier was driven by a surge in the number of businesses that raised money for the first time, reflecting investors' appetite to back the riskiest companies. The index, which goes back to 2007, doesn't account for the frenetic days of the dot-com bubble.

"If you're leaving Google or Facebook to go do your startup, this is probably the best time ever to do so," said Wesley Chan, managing director at the venture capital firm Felicis Ventures. "There's a lot of frothiness in early stage and seed investing."

A Record High for Tech Startups

Index tracking climate for VC-backed startups reaches decade high



Source: Bloomberg

Bloomberg

The recent spike in the index represents a turnaround from just earlier this year, when the index was at a three-year low. Since then, the gauge has steadily grown thanks to a jump in the number of financing deals, particularly those involving the youngest companies.

Among the businesses that announced an initial round of financing in recent weeks include Seattle-based Tomorrow, which sells life insurance and offers estate-planning services through an app. Founder and Chief Executive Officer Dave Hanley said that he had a much easier time raising money this time than when he was leading prior businesses.

"I actually never got on an airplane to raise any of this money," said Hanley. "Investors came to us."

To be sure, not all inputs that make up the Bloomberg U.S. Startups Barometer are rising. The total amount of money that startups have raised is still down from a year earlier, albeit by less than recent weeks. There were a few outsized deals last summer that caused this sub-index to spike.

More worrying is the slump in the number of companies that get acquired or file for initial public offerings. Exits, which deliver returns to investors so they can reinvest that capital to younger companies, are down 29 percent from a year earlier. Disappointing post-IPO performances of Blue Apron Holdings Inc. and Snap Inc. may further discourage private companies from listing in public markets. Blue Apron shares have fallen almost 50 percent since the company went public; Snap shares have declined 19 percent.

Posted from *Bloomberg.com*, August 11, 2017, copyright by Bloomberg L.P. with all rights reserved.
This reprint implies no endorsement, either tacit or expressed, of any company, product, service or investment opportunity.
#C70015 Managed by The YGS Group, 800.290.5460. For more information visit www.theYGSgroup.com/content.