

Venture Capital Funding Quarterly

Internet • Digital Media eCommerce • Software

4th Quarter, 2009 – United States

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Summary

During the fourth quarter of 2009, 286 companies raised \$1.8 billion in venture capital funding in the aggregate, an increase of 38% in total funding amount versus Q3 09 and an increase of 25% in the number of companies funded.

All sectors showed a gain in funding amounts, with the exception of the eCommerce sector, which declined significantly from the previous quarter.

Funding Activity

Internet

Internet sector company fundings reversed their previous quarterly decrease by registering a significant funding percentage increase of 56%. The sector received \$801 million in venture capital funding during the quarter allocated among 134 companies – an increase of 38% in the number of companies funded.

A notable transaction during the quarter was for the Internet company [Chegg](#), which received \$57 million. The company operates a website and service that allows college students to rent their textbooks rather than purchasing them, saving money in the process. Investors in the new round included top-tier VC [Kleiner Perkins Caufield & Byers](#).

In the online search space, [ChaCha Search](#) raised \$7 million in venture capital debt. The Carmel, Indiana company provides human-based search services to Internet users. With this funding, it has raised over \$50 million in equity and debt financing.

A number of Internet companies received series A funding rounds:

Kakai	\$7.5 million
Webvanta	\$Undisclosed
PageOnce	\$6.5 million
Hot Potato	\$1.4 million
Milo.com	\$4 million
BookRenter	\$6 million
Glyde	\$6 million
CreditKarma	\$2.5 million
Everlater	Undisclosed
Altruik	\$4.7 million
RunMyErrand	\$1 million
RiseSmart	\$4.6 million
ViVu	\$3 million

Digital Media

Digital Media funding continued its previous quarter gains by showing significant increases in both total amounts funded and the number of companies funded. Digital Media companies for the purposes of VentureDeal's definition are generally either video/casual game developers or advertising networks. Total funding increased by 152% to \$368 million, with 38 companies being funded, an increase of 31% versus the previous quarter.

[Zynga Game Network](#) received the largest funding, raising virtually half of the entire sector amount with a \$180 million round for its series B financing effort. A large portion of the funding came from Russia-based [Digital Sky Technologies](#) which has made a number of very high profile investments in US-based Internet companies.

[Next New Networks](#) raised an undisclosed amount of funding in an unpublished round. The company is creating what it calls "micro-television networks over the Internet for targeted communities, bringing together elements of traditional TV with Internet functionality."

eCommerce

The eCommerce sector continued its previous quarter downward trend, with eight companies receiving a total of \$25 million in funding, a decrease of 58% in financing amounts versus the previous quarter.

Virtual eCommerce company [gWallet](#) raised the largest amount of funding during the quarter, \$12.5 million from a syndicate of venture capital, private equity and other investors. The company said it plans to use the funding to open offices in Europe as part of a major geographical expansion.

[Prosper Marketplace](#) garnered \$1 million from undisclosed investors. The company operates a website that allows individuals to make loans to each other, in the amount of \$1,000 up to \$25,000 maximum. The company did not disclose how the funding proceeds would be used.

[Transactiv](#) secured \$1.2 million from a syndicate of angels and VCs in the Cincinnati, Ohio area. The company boasts a number of senior executives from big enterprise software companies and said the capital would be used to fund the development of its next-generation platform.

Software

During the quarter, Software company fundings represented the second largest sector, raising \$649 million between 106 companies. This activity represented an increase of 6% in total funding amount and an increase of 9% in the number of companies funded.

The average financing round size registered a slight decline, from \$6.3 million in Q3 09 to \$6.1 million in the current quarter.

The largest funding of the quarter was a \$91.9 million round for [Rocket Software](#). The company sells enterprise software in a variety of market spaces, such as business intelligence, storage, networking, database and security and integration.

In the Business Intelligence space, [Good Data](#) garnered \$2.5 million. The company said that the funding would be used to support the virtual launch of its cloud computing BI platform after its successful public beta program. Its platform is currently being used in large insurance and retail enterprises.

[AppNexus](#) completed a \$5 million funding round from a number of notable venture capital firms. The company said it would use the funding to enable it to increase the market momentum for its real-time advertising and cloud hosting platform.

Table 1

Venture Funding Activity – 4th Quarter 2009

Industry	Total Amount Funded	% Change Vs. Prior Quarter	Number of Companies Funded	% Change vs. Prior Quarter
Internet	\$801 million	+ 56 %	134	+ 38%
Digital Media	\$368 Million	+ 152 %	38	+ 31 %
eCommerce	\$25 Million	- 58 %	8	+ 14 %
Software	\$649 Million	+ 6 %	106	+ 9 %
Total	\$1.8 billion	+ 38 %	286	+ 25 %

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Notes

This report was prepared by the staff of [VentureDeal](#).

The information source used was the VentureDeal database. VentureDeal is a venture capital database that provides the latest information about venture-backed technology companies, venture capital firms and transactions in the United States.

The database obtains transaction and company information from a wide variety of reputable public and private sources. While this report is free of charge, users may view the individual transactions supporting the totals herein by subscribing to VentureDeal.

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