

MONEY MAGNETS

THE TOP MONEY-RAISERS IN VENTURE CAPITAL

ILLUSTRATIONS BY DOUG ROSS

When we decided to rank venture capital firms, we knew it would be a dicey endeavor. At first we thought we'd go out and poll insiders on which they thought were the best firms. But that would have given us the same old familiar names, many of which are already covered in our list of best individual venture capitalists (see story page 98). We also could have ranked the firms according to total fund size, but again, that would have weighted the list to those presently in the top tier. So instead, we decided to pick a metric that we believe gets at the very heart of how the venture business is changing, namely, who's raising the most money from institutional investors. By its very nature, this metric points to those firms with ambitious appetites, ones that will likely shape the tech sector in the future. The list below, based on 1999 figures and provided by TFSD/Venture Economics, Technologic Partners, and the firms themselves (see Sources*), includes members of the exclusive Sand Hill Road club, some old-timers, and a few up-and-comers that expand our very notion of what VCs do and what they could do in the years to come. —ERIC W. PFEIFFER

THE BIG 12

6 \$833M AUSTIN VENTURES The Lone Star Star

Strength: The player in Texas technology
Weakness: Light on funds compared to its Silicon Valley counterparts

If anyone has a stranglehold on a regional market, it is Austin Ventures. Since 1979, it has funded most of Austin's best software, Internet, and semiconductor companies and, just for good measure, a couple of Houston companies as well. "If there was a deal to be done in Austin, they had it," says Jamie O'Neill, a founder of Austin-based Garden.com.

Though the firm's geographical specialization is its main strength, it is also its main weakness. Known only as a moderate regional player (its six IPOs in 1999 have produced the third lowest combined market cap on our list, although it did produce some stellar returns), the firm runs the risk of stumbling if the Austin area (currently one of the hottest tech areas in the country) ever cools off, or if out-of-town VCs start to invade its home turf. Which they are. One way Austin Ventures is fighting this new competitive threat is by raising money—lots of it. Its seventh fund closed last October at more than \$825 million, placing it now as the third-largest early-stage VC firm in the country. Another combat tactic: aggressive behavior, which, according to one insider, has provoked a "backlash among entrepreneurs."



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AUSTIN VENTURES		(all dollar amounts in millions)
\$ raised in 1999	\$833	
Number of companies invested '99	67	
Sum invested '99	\$209	
Average per round '99	\$3.48	
% of portfolio cos. partners are board members	81%	
% of partners with 10+ years VC experience	55%	
Average # of companies per partner	6	
Average turnaround for deal	60 days	
Deals to raw business plans ratio	1:156	
IPOs in '99	6	
\$ raised in IPOs '99	\$554	
Combined market cap of IPOs '99	\$2,432.2	
Shares held in IPOs '99	\$341.1	
IPO return '99	411%	