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New Jersey start-up funding continues to drop

BY ANDREW WYRICH

STAFF WRITER | THE RECORD

* Nationwide flow of venture capital isn't washing ashore here

A new report on Friday said funding for start-ups in New Jersey dropped sharply in the first quarter, falling 78 percent from the period a year ago and continuing a trend that began in the second quarter last year.

In contrast, funding for start-ups nationally reached levels not seen since 2001.

According to a MoneyTree Report by PricewaterhouseCoopers and the National Venture Capital Association, investors funneled \$19.6 million in funding to five New Jersey companies in the first three months of this year, down from more than \$80.2 million that went to eight companies in the 2013 quarter.

Two North Jersey companies were among the five that received funding. The Clifton-based software maker Cactus Inc., which designs software that tracks a person's water intake, received seed funding. LiveU Ltd. of Hackensack, which develops technology for live broadcasting, received later-stage funding. The amount invested into both companies was not disclosed in the report.

"The \$19.6 million invested is the lowest quarter in MoneyTree Report history, and the funding in New Jersey continues to trend downward in recent quarters," Brett Harrington, a senior manager at PricewaterhouseCoopers Emerging Companies Services, said in a statement. "Hopefully, the overall increase that has been seen nationally will positively impact New Jersey in Q2."

The money venture capitalists invested in New Jersey-based start-ups and the number of companies that got funding have declined steadily since the second quarter of 2013. In the third quarter last year, the roughly \$20 million invested in 11 companies was the lowest amount invested in New Jersey in 15 years, according to the report.

At that time, David Silverman, a managing partner at Pricewaterhouse, said the decreased funding in New Jersey could be a result of a push by companies to operate in Manhattan and Brooklyn instead of areas surrounding the city.

Including the \$19.6 million for New Jersey, the New York metropolitan area received a total of \$960.6 million in venture funding in the first quarter, according to the report, up from \$565.5 million in the comparable 2013 period.

Harrington said that because biotechnology companies — traditionally one of New Jersey's stronger industries for venture capital — received less funding nationally from the 2013 fourth quarter to the 2014 first quarter, the numbers for New Jersey were not surprising.

"Biotech deals were down quarter-to-quarter, and the national numbers reflect a big push into software companies, which have never been big players in New Jersey," he said.

No New Jersey biotechnology companies received funding in the first quarter.

Harrington said another possible reason for the low funding has been a lack of investments of \$20 million or more in New Jersey start-ups since the second quarter of 2013.

"The big deals are a huge driver," Harrington said. "You're talking four deals in the first two quarters of 2013 that totaled \$157 million, and you haven't seen any of that since then."

The other New Jersey companies to get venture funding in the first quarter were in Berkeley Heights, Red Bank and New Providence.

Nationally, start-up investments totaled \$9.47 billion last quarter, up from \$6.01 billion in the first quarter of 2013. This was the highest amount invested since the 2001 second quarter, when \$11.5 billion was invested. There were 951 deals completed nationally in this quarter, up from 916 in the similar period a year earlier.

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The MoneyTree study was based on data from Thomson Reuters.

Email: wyrich@northjersey.com Twitter: @AndrewWyrich

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