

BIP  CAPITAL

# STATE OF STARTUPS<sup>SM</sup>

*in the Southeast*

OCTOBER 2018





# TABLE OF CONTENTS

- 03 OVERVIEW & METHODOLOGY**
- 04 NOTABLE OBSERVATIONS**
- 05 VALUATIONS & REVENUE MULTIPLES**
- 08 LOOKING THROUGH THE DATA:**
  - 09 UNICORNS IN THE SOUTHEAST**
  - 10 SEEING AROUND CORNERS**
- 12 OVERVIEW OF THE SOUTHEAST**
- 13 TOP INDUSTRIES**
- 14 INDIVIDUAL STATE DATA:**
  - 14 ALABAMA**
  - 15 FLORIDA**
  - 16 GEORGIA**
  - 17 KENTUCKY**
  - 18 MISSISSIPPI**
  - 19 NORTH CAROLINA**
  - 20 SOUTH CAROLINA**
  - 21 TENNESSEE**
  - 22 VIRGINIA**
- 23 GOVERNMENT BACKED INVESTMENTS**
- 24 NOTABLE EXITS**



## OVERVIEW

In this second annual report, we have taken an in-depth look at startup activity throughout nine states in the southeastern United States over the five-and-a-half-year time period from January 1, 2013 through June 30, 2018. The purpose of The State of Startups<sup>SM</sup> in the Southeast is to deliver a comprehensive overview of the venture capital and startup ecosystem in this region. We hope this report will inform key investors of emerging trends to watch as well as highlight the area's growth and future opportunities, particularly in regard to understanding the valuation of southeastern companies and how that valuation impacts the potential for return on investment.



ALABAMA



FLORIDA



GEORGIA



KENTUCKY



MISSISSIPPI



NORTH CAROLINA



SOUTH CAROLINA



TENNESSEE



VIRGINIA

## METHODOLOGY

To develop this year's report, multiple data sources were compiled, including both primary and secondary research. We have spoken at length with people from multiple funds and service providers to the startup ecosystem and have learned a great deal about the region directly from the entrepreneurs that reside there. We have also utilized independent third-party data aggregators (such as PitchBook Data and CB Insights) to fill out the data across multiple vintage years. Our own knowledge and experience in the region also plays an important role in this year's report. Data is current as of June 30, 2018. Discrepancies in the data between last year's report and this year's publication can be attributed to the utilization of a more complete data set for this year's write-up.



## NOTABLE OBSERVATIONS *and emerging trends*

The Southeast is very much on par with the “Innovations Hubs” (Boston, New York City and the San Francisco Bay Area) in terms of pre-money valuation relative to the size of a given investment round.

Across the country, **\$1M** buys roughly the same ownership percentage of comparable companies. However, the revenue multiples used to determine pre-money valuations are significantly different. The data supports the common assumption that companies in the Innovation Hubs are raising significantly more capital at earlier stages in the company lifecycle.

The number of startups and venture capital funds in the region continues to increase, reflecting the maturation of the startup ecosystem in the Southeast.

Funding in the Southeast has grown significantly since 2016, averaging **20.6%** annual growth over the last two years (we are currently on pace for \$6 billion this year).

### Boston, New York City and the San Francisco Bay Area

Large venture capital funds from these technology Innovation Hubs are spending more and more time in the Southeast as their interest in the region grows. You can see the presence of these firms in the state-by-state recap in this report.



# VALUATIONS AND REVENUE MULTIPLES

a closer look

We took a closer look in this year’s report at the different types of deals getting done in each southeastern state, and how that compares to the established “big three” innovations centers of Boston, New York City and the San Francisco Bay Area. We anticipated that we would find significant disparities in the pre-money valuation in each of these ranges from region to region and perhaps from state to state.

**We were wrong.**

We looked at five different deal size categories:

- <\$1M
- \$1M - \$5M
- \$5M - \$10M
- \$10M - \$15M
- >\$15M

Deal Amounts	Southeast # of Deals with Valuation	Southeast Median Pre \$ Valuation	Hubs # of Deals with Valuation	Hubs Median Pre \$ Valuation
< \$1M	522	\$1.7M	2,702	\$1.6M
\$1M to \$5M	567	\$8.0M	5,057	\$8.0M
\$5M to \$10M	201	\$19.0M	2,771	\$19.0M
\$10M to \$15M	95	\$30.6M	1,588	\$30.3M
>\$15M	207	\$76.0M	4,583	\$100.1M

Then, we compared pre-money valuations in the Southeast vs. the Innovation Hubs. We were somewhat surprised to learn that, in aggregate, the Southeast is very much on par with the Innovation Hubs in terms of pre-money valuation relative to the round size. If the company is looking to raise **\$1M**, then the pre-money valuation is roughly the same from region to region.

Said another way, if you are looking to invest between **\$1M** and **\$5M**, you will own between **11%** and **38%** of the company after the round closes, regardless of region. This is shown in more detail in the table below:





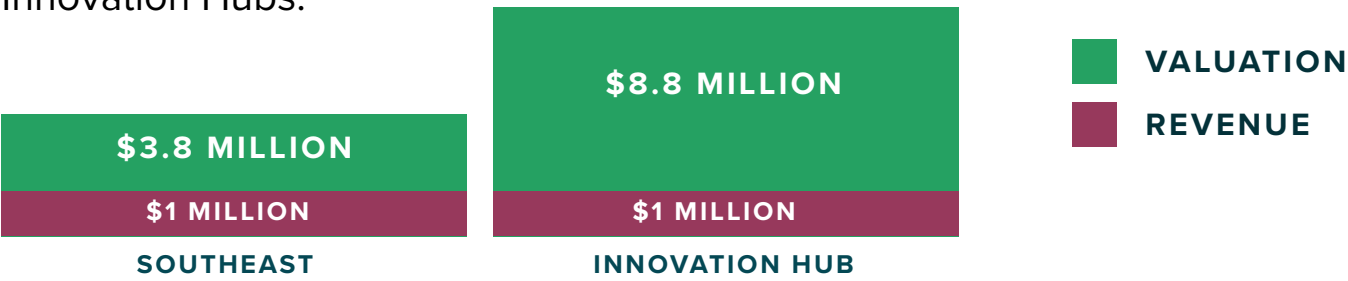
# VALUATIONS AND REVENUE MULTIPLES

*continued*

However, there is a large disparity in the maturity of the company that is being funded in the Southeast versus those in the Innovation Hubs. Where available, we compared a company’s revenue to its pre-money valuation when it was funded.

**Deals in the Southeast are being priced at an average of 3.8x revenue while deals in the Innovation Hubs are being priced at 8.8x revenue.**

To put that into context, on average, a company with **\$1M** in revenue is priced at **\$3.8M** in the Southeast. That same business would be priced at **\$8.8M** in one of the Innovation Hubs.



**That is a meaningful difference.**

We observe that investors from the Innovation Hubs are more willing to invest in a category they believe in, even if there is not a clear category leader yet, and will do so before they see meaningful traction (i.e., revenue) from early stage businesses.

Going back to our earlier statement about valuations being the same, if you look a little deeper, this is only partially true. While the valuation may be the same, the company in the Southeast is a more mature company, with more revenue (more than twice as much, in fact). The data indicates that investors in the Southeast use a different approach than those in the Innovation Hubs.

We acknowledge that the traditional Innovation Hubs have decades of experience on how to grow and scale businesses. However, our read of the market in the Southeast, and particularly in Atlanta, is that this knowledge has now been diffused to and learned in the 2nd tier innovation hubs. Successful companies are now being built outside of the traditional investment centers in a more balanced supply/demand environment.

**The data shows that a \$1M investment buys the same ownership percentage of a company regardless of region or state. However, businesses based in the Southeast have more revenue at the same valuation.**



# VALUATIONS AND REVENUE MULTIPLES

notes & stats

A couple of notes to consider when interpreting this valuation analysis:

- **36%** of deals reported in the Innovation Hubs are of **\$5M or greater.**  
In the Southeast, that number is only **15%**. We believe that this is driven by capital availability and the need to put that capital to work more so than the actual value of the businesses themselves (*i.e., there is an abundance of supply in the Innovation Hubs*).
- Capital availability is also our hypothesis for why the revenue multiples are so vastly different from region to region (*i.e., in order to put committed investment capital to work, firms have to pay higher valuations*).
- **57%** of deals in the Southeast are less than **\$1M.**  
This corroborates the Southeast’s moniker as a 2<sup>nd</sup> or 3<sup>rd</sup> tier innovation hub. With the maturation of the startup ecosystem and the increasing availability of capital, larger investments will be made, moving a greater percentage of future deals north of **\$1M** (*i.e., reducing the % of smaller sized deals going forward*).
- This analysis is directional, recognizing that small deals often are underreported and that only a small percentage of companies report their revenue when closing an investment round.

Some specific notes regarding median pre-money valuation size in the **South**east:



Virginia brings in the highest median valuation at **\$10M**



Florida comes in second with a median valuation of **\$9M** (*but closed almost twice as many deals as Virginia*)



Mississippi closed the least number of deals at **43**, but came in the middle of the pack in dollars at a median of **\$7M**



The median in Alabama is the smallest with a pre-valuation of **\$2M**



# LOOKING THROUGH THE DATA

In this section, we try to assess the causes of the data observations listed above.

Our summary of potential causes follows:

There is a rush to diversify one's portfolio through the private markets. As the IPO window has moved up market, more value is being created in the private markets. In order to access this value creation, people and institutions alike are investing through private equity, growth equity and venture capital.

This influx of money into the Innovation Hubs has moved valuations up in those regions in order to put all of that capital to work. It's a competitive market where a lot of available capital is chasing a finite number of quality investment opportunities.

Areas outside of the Innovation Hubs have not seen as large an increase in fund size or new capital entrants into the market. Therefore, the valuations of their businesses have not been impacted or inflated as much.



## UNICORNS *in the Southeast*

Out of **119 unicorns** in the United States<sup>1</sup>, the following  
are based in the Southeast:

 **avidxchange**

**\$1.4B** (NC)

 **J E T S M A R T E R**

**\$1.6B** (FL)

 **magic  
leap**

**\$6.4B** (FL)

 **Fanatics**

**\$4.5B** (FL)

 **RUBICON**

**\$1.1B** (GA)

 **Kabbage®**

**\$1.2B** (GA)

One unicorn exited last year with the  
IPO of **GreenSky** (GA) - **\$874M**



## UNICORNS [YÜ-NƏ-KÓRN] :

(any privately owned company that reaches a valuation of \$1 billion or greater)

**60%** of the **119** unicorns in the US are **B2B**



# SEEING AROUND CORNERS

## *predictions*

Below is a collection of some of our predictions as well as the emerging trends we will be following in the coming year. Based on the analysis of historical data and interviews with various market participants, we foresee:

### TALENT RETENTION

With the high cost of living in traditional tech hubs, we expect talent to stay put in the Southeast rather than leave for the East and West Coasts. Perhaps more importantly, we also expect talent to flee those hubs and flock to other innovation centers that offer greater opportunity and better quality of life.

This will further develop the southeastern startup ecosystem, keeping promising companies in the region.

### CAPITAL MIGRATION

We believe we'll continue to see fewer deals being done annually in the Southeast, but more dollars being invested (*Mid-year numbers for 2018 project 1,190 deals, the smallest annual number in the study's five-year period, but project \$6B of capital invested, which would be the highest in that timeframe*).

Companies are staying in the region longer (see "Talent Retention"), which allows them to attract larger funding rounds as firms based in the Innovation Hubs look for returns from companies based outside of their immediate locality.

### INVESTMENT FOCUS

While all investment sectors (industries) should grow as the region grows, we expect the areas of strength for the region (Biotech/Pharma; SaaS; Media) to persist. They are currently the most mature markets in the Southeast but there is still plenty of opportunity for growth.

### THE IMPACT OF THE "MEGA FUND" ROLL UP STRATEGY

The impact of large funds on 2nd and 3rd tier innovation cities will increase in the coming year. These large funds are identifying a category for investment and are making large bets early. As competitors arise, the funds are acquiring these businesses and rolling them into what becomes the category leader through a combination of innovation and acquisition. Businesses coming out of the Southeast are barely getting out of the gates before acquisition interest heats up. Without a large growth round of capital, the Southeast's homegrown companies won't have a chance to become a category leader, opting instead to be acquired by these Mega Funds.

### INVESTORS

Similar to last year, we expect continued investment in the private market from individuals and institutions alike. With so much value being created in the private markets before companies choose to go public, more investors will look to invest in the asset class.



## SEEING AROUND CORNERS

*investment trends*

- Artificial Intelligence embedded into workflows (software that guides the user vs. user-guided software)
- The monetization of data created by IoT, ERP, Insurance Claims, Mobile, etc., through the use of Predictive Analytics to make companies/markets more efficient
- Processing and detection technology that ensures transaction integrity
- A significant evolution in software that helps individuals manage wealth and health
- Growth of solutions that provide customers with more lifelike digital experiences through AR/VR technology
- More companies that track the customer's journey entering the market
- The use of technology in the digital age to enable direct local and personalized advertising and the ability to tackle fraud in this market
- Software that drives resource efficiency





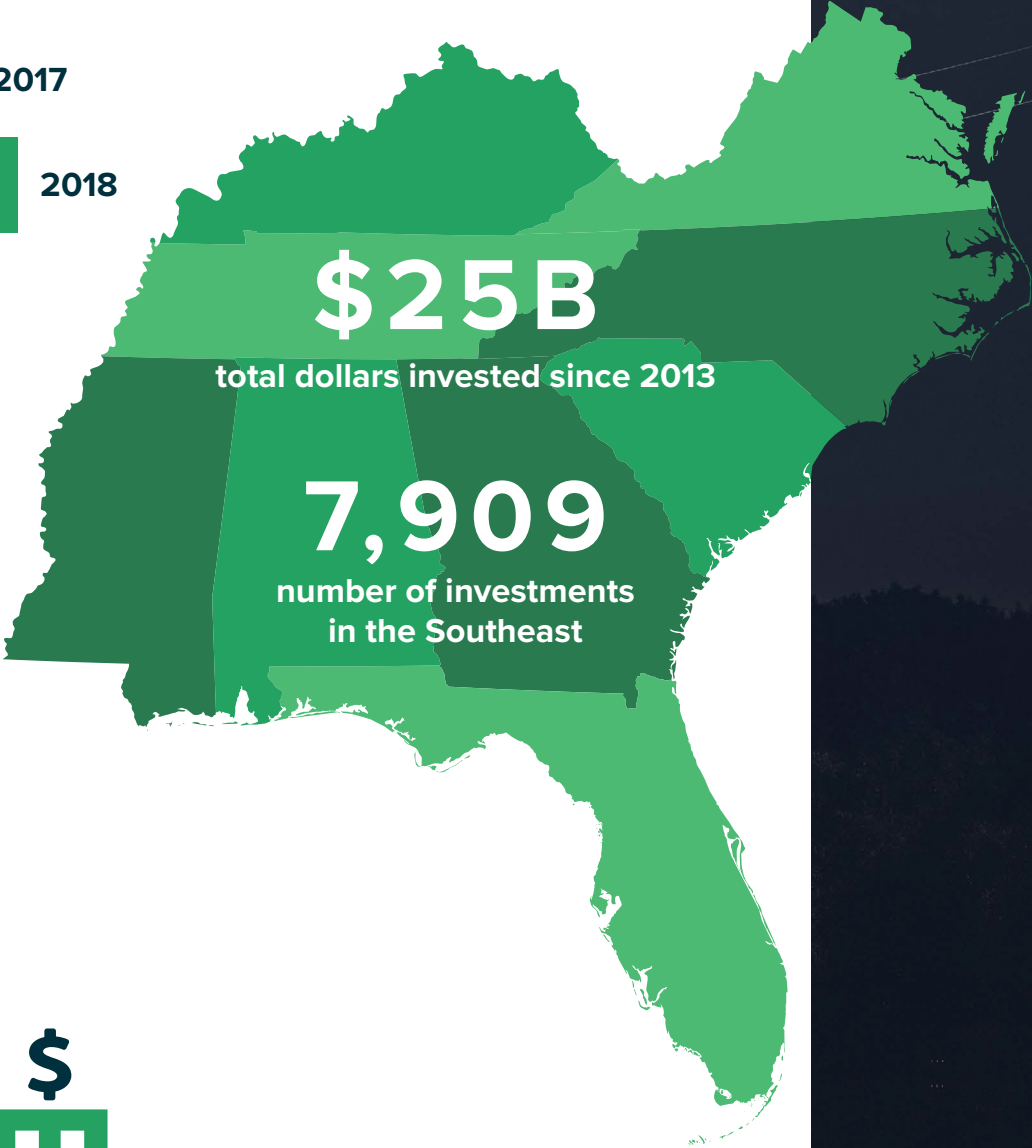
# OVERVIEW OF THE SOUTHEAST

a regional summary

■ The number of investments in the Southeast in a single year continues to decline since its peak in 2014. However, as we’ve already stated, while 2018 has seen only **595 deals** to date compared to 2017’s total of **725** at this same point in the year, the dollar amount is greater in 2018. **\$3B** has been invested so far in 2018 compared to **\$2.5B** at the same point in 2017, resulting in an average deal size in 2018 of **\$5M** compared to **\$3M** in 2017.



■ Money coming in higher doses means that nearly **600** companies have received a total of **\$3B** to date in 2018, which is on track to significantly outpace 2017’s total investment of just under **\$5B**.



■ The Southeast’s B2B SaaS market (**1,692 deals**) captures the most interest from investors, with Consumer Products (**1,429 deals**) and Biotech/Pharma (**1,169 deals**) categories rounding out the top three. However, even though Biotech/Pharma had significantly less deals closed than SaaS, that category received the most money from investors with a total of **\$4.8B**, compared to SaaS’s **\$4.4B** and Consumer Products’ **\$2.6B**.



■ Incubators and accelerators remain a crucial driver of the Southeast’s innovation ecosystem (**1,703 investments**). This volume of deals is associated with smaller rounds, but is a vital component to seed the market for larger growth rounds.

■ It is interesting to note that while the dominant venture capital investors supporting southeastern companies are based within the region, of the **45** most active VC firms (five per state, independent of the number of deals per state), nearly **one-third** of them are coming from the Innovation Hubs. This supports the previous statement that VCs are recognizing the greater value for their money by investing in the Southeast’s businesses.



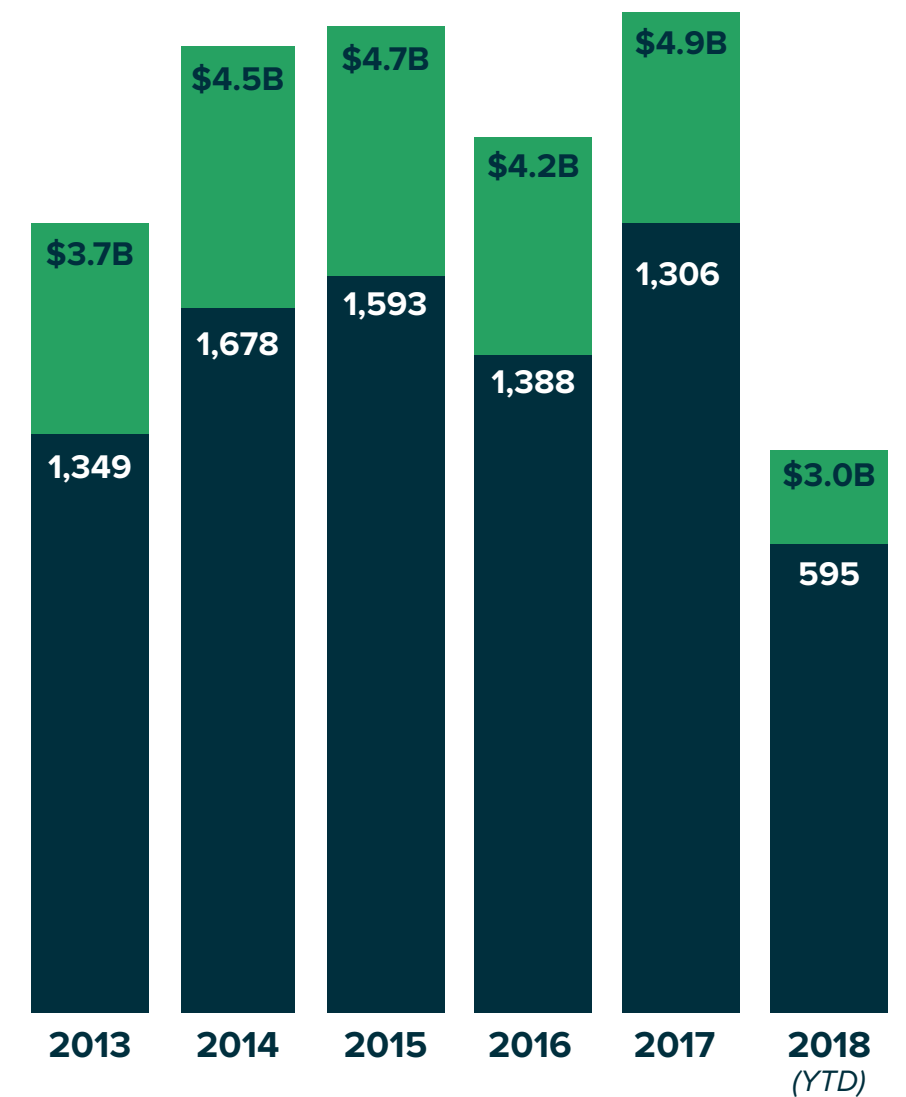


## TOP 3 INDUSTRIES FOR INVESTMENT by state



## TOP AREA OF INVESTMENT biotech / pharma

■ # OF INVESTMENTS  
■ TOTAL DOLLARS INVESTED





# The State of Startups<sup>SM</sup> In ALABAMA



Total dollars invested  
since 2013:  
**\$675 million**



Number of investments  
since 2013:  
**255**



Top area of investment  
(by dollars):  
**Biotech**

- Overall, the total number of investments are on track to equal 2017, but the dollars are significantly lagging behind last year. Some very big deals are going to have to close to reach last year's money number.
- Biotech remains Alabama's hottest market, drawing **\$25M** more dollars than the second biggest sector, Manufacturing/Industrial Tech.
- While Biotech/Pharma's four deals in 2018 is off its peak of **14 deals** in 2016, the deals are bigger—already totaling **\$11M** (vs. \$10.6M total in 2016).
- Of the top five VCs investing in Alabama, three are from the Silicon Valley and New York Innovation Hubs.

*Lists represent investments made into Alabama.*



## ANGEL INVESTORS

AIM Group **4**

**1** BlueTree Allied Angels

Robin Hood Ventures **1**

**1** Auburn Angel Network

## INCUBATOR ACTIVITY

Innovation Depot **14**

GIGTANK **3**

Capital Factory **2**

Y Combinator **1**

## VENTURE CAPITAL FUNDS

**2** Advantage Capital

**2** Ballast Point Ventures

**2** e.ventures

**2** Greycroft Partners

**2** Uncork Capital



# The State of Startups<sup>SM</sup> In FLORIDA



Total dollars invested  
since 2013:

**\$7.6 billion**



Number of investments  
since 2013:

**2,018**



Top area of investment  
(by dollars):

**Media**

- Media companies remain number one in Florida for attracting investors with **\$2.6B** received, **\$2.3B** of which was raised by industry unicorn Magic Leap.
- SaaS and Consumer Products continue to attract the most deals in the Sunshine State with **393** and **378**, respectively, but their investment amounts are in the middle of the pack (**\$605M** and **\$984M**, respectively).
- Additionally, investments in Consumer Products seem to be significantly slowing down, with only **19 deals** worth a total of **\$31M** so far in 2018 (compared to **50 deals** worth a total of **\$228M** in 2017).
- While the number of deals has consistently declined since its best year in 2014, Florida companies are receiving significantly more money from investors than ever before. The total invested to date in 2018 is **\$1.2B**, on pace to more than double the previous year and blow 2014 dollar amounts (**\$1.4B**) out of the water.

*Lists represent investments made into Florida.*

15

BIP CAPITAL  
STATE OF STARTUPS<sup>SM</sup> IN THE SOUTHEAST

## ANGEL INVESTORS

Miami  
Angels **26**

**21** New World  
Angels

Tamiami  
Angel Funds **12**

**8** Florida  
Angel Nexus

Mark  
Cuban **6**

## INCUBATOR ACTIVITY

Tampa Bay Wave **30**

**17**

Venture Hive **28**

**16**

500 Startups **23**

Techstars **18**

Healthbox **17**

## VENTURE CAPITAL FUNDS

Florida Funders **17**

Insight Venture Partners **16**

**14** venVelo

**14** Westlake Ventures

**12** Krillion Ventures



# The State of Startups<sup>SM</sup> In GEORGIA



Total dollars invested  
since 2013:  
**\$5.0 billion**



Number of investments  
since 2013:  
**1,242**



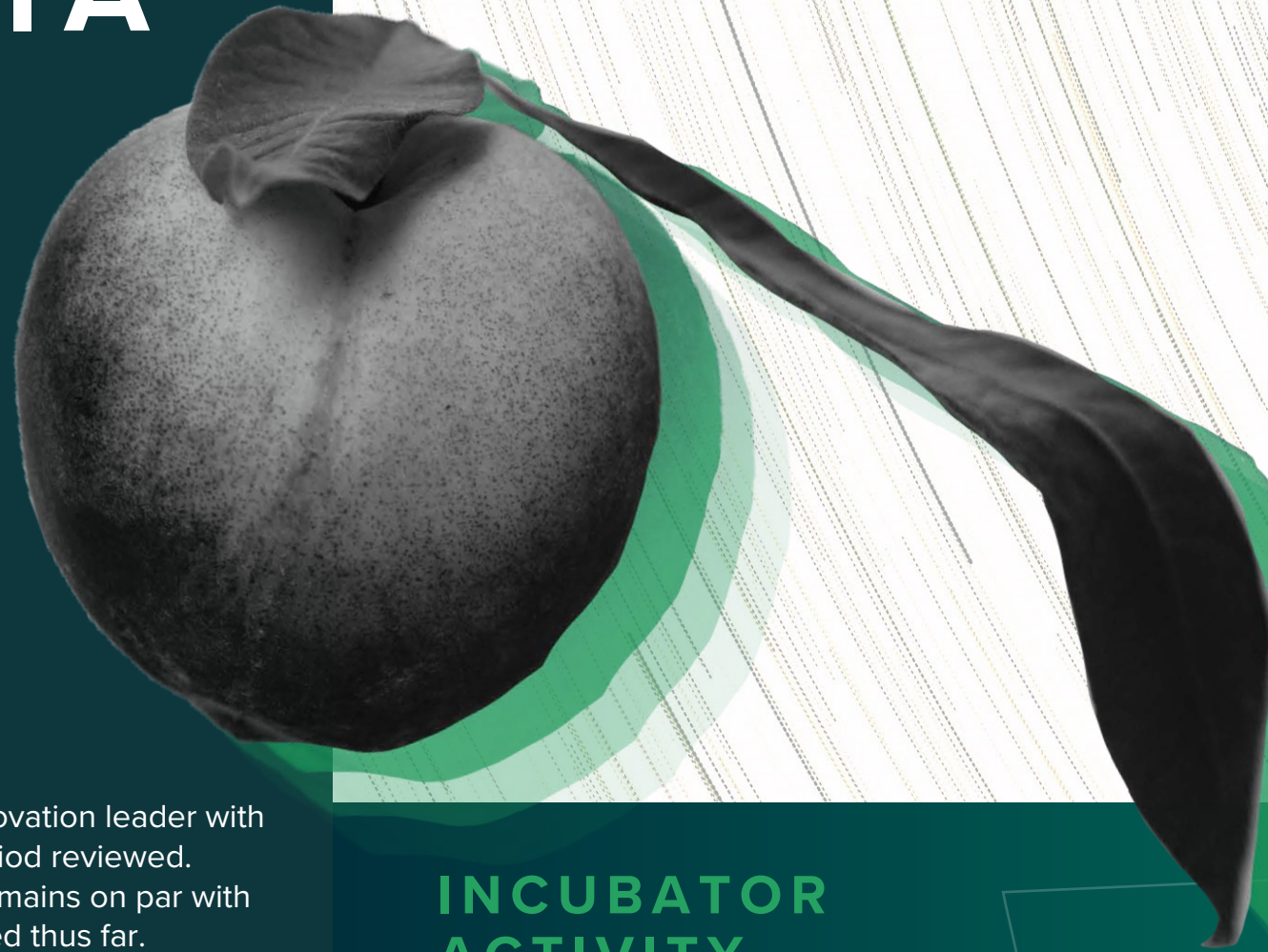
Top area of investment  
(by dollars):  
**SaaS**

- Georgia remains the Southeast's SaaS innovation leader with **358 deals** totaling **\$1.6B** over the time period reviewed. While the number of SaaS deals in 2018 remains on par with 2017, dollar amounts per deal have dropped thus far.
- The Biotech/Pharma and FinTech categories are tied for second place with **\$606M** and **\$604M** invested, respectively. However, Biotech/Pharma has closed **123 deals** over the 2013-2018 time period, compared to FinTech's **62 deals**, showing a larger check size and perhaps a greater confidence in the financial tech sector.
- Cybersecurity, Healthcare IT and Biotech/Pharma seem to be quickly dropping off investors' radar with significantly less deals and dollars invested in 2018 than at this same point in 2017.
- Unlike several other states that attract investors from other areas, **100%** of the top VC firms investing in Georgia-based companies are based in the Peach State.

*Lists represent investments made into Georgia.*

16

BIP CAPITAL  
STATE OF STARTUPS<sup>SM</sup> IN THE SOUTHEAST



## ANGEL INVESTORS

Atlanta  
Technology  
Angels **24**

**13** AIM Group

Thomas  
Noonan **9**

**7** Ashish  
Mistry

## INCUBATOR ACTIVITY

Advanced Technology Development Center **48**

Flashpoint at Georgia Tech **32**

**26** Georgia Tech VentureLab

**20** Techstars

**13** TechSquare Labs

## VENTURE CAPITAL FUNDS

**34** BIP Capital

**18** Tech Square Ventures

BLH Venture Partners **17**

TechOperators **16**

Atlanta Ventures **16**



# The State of Startups<sup>SM</sup> In KENTUCKY



Total dollars invested  
since 2013:

**\$426 million**



Number of investments  
since 2013:

**344**



Top area of investment  
(by dollars):

**Biotech/Pharma**

- Biotech/Pharma in the Bluegrass State has overtaken Consumer Products and SaaS as the most popular category for investors, bringing in **62 deals** worth a total of **\$228M** over the five-year time period (*more than all the other sectors combined*). 2017 in particular was a banner year for this market with nearly **\$80M** invested.
- From a dollar perspective, no other category comes close to Biotech/Pharma. Healthcare IT holds second place with a total of **\$62M** received from investors.
- Overall, Kentucky continues to see a slowdown in the number of deals being done, but investment dollars are staying steady. 2018 looks to be on pace to equal 2017 in dollars.
- Kentucky saw two notable exits (*ZirMed and Apellis*) since our 2017 report, adding credentials to the state's startup scene.

*Lists represent investments made into Kentucky.*



## ANGEL INVESTORS

Northern  
Kentucky  
Angels **9**

**6** Bluegrass  
Angels

Enterprise  
Angels  
Community  
Fund **5**

**4** Cherub  
Fund

Queen City  
Angels **2**

## INCUBATOR ACTIVITY

UpTech **24**

XLerateHealth **16**

Velocity Indiana **14**

Village Capital **5**

**4** Kentucky Innovation Network

## VENTURE CAPITAL FUNDS

**8** Yearling Management

**8** Startups@KSTC

**7** Connetic Ventures

**7** The Sequel Fund

**6** The JumpFund



# The State of Startups<sup>SM</sup> In MISSISSIPPI



Total dollars invested since 2013:  
**\$27 million**



Number of investments since 2013:  
**43**



Top area of investment (by dollars):  
**Consumer Products**



- Consumer Products continues as the hottest single sector in Mississippi with **12 deals** since 2013 totaling **\$6M**.
- B2B SaaS solutions came in a very close second place with seven deals totaling **\$5M**.
- 2018 is shaping up to look very good for Mississippi in terms of dollars invested. Deals worth a total of **\$7M** have already closed this year, which is more than the full years of 2016 and 2017 combined (\*Note: One investment of \$5M into Solay, LLC skews this number).

*Lists represent investments made into Mississippi.*

## ANGEL INVESTORS

Mark Cuban	2
South Mississippi Angel Network	1
Richard Branson	1
Richard Biedenharn	1
Paul Ma	1

## INCUBATOR ACTIVITY

Y Combinator	3
Mississippi Business Incubators	1
The Cleantech Open	1

## VENTURE CAPITAL FUNDS

Advantage Capital	4
Madrone Capital Partners	2
Innovate Mississippi	2
Social Capital	2
ChinaRock Capital Management	2



# The State of Startups<sup>SM</sup> In NORTH CAROLINA



Total dollars invested  
since 2013:  
**\$5.1 billion**



Number of investments  
since 2013:  
**1,382**



Top area of investment  
(by dollars):  
**Biotech/Pharma**

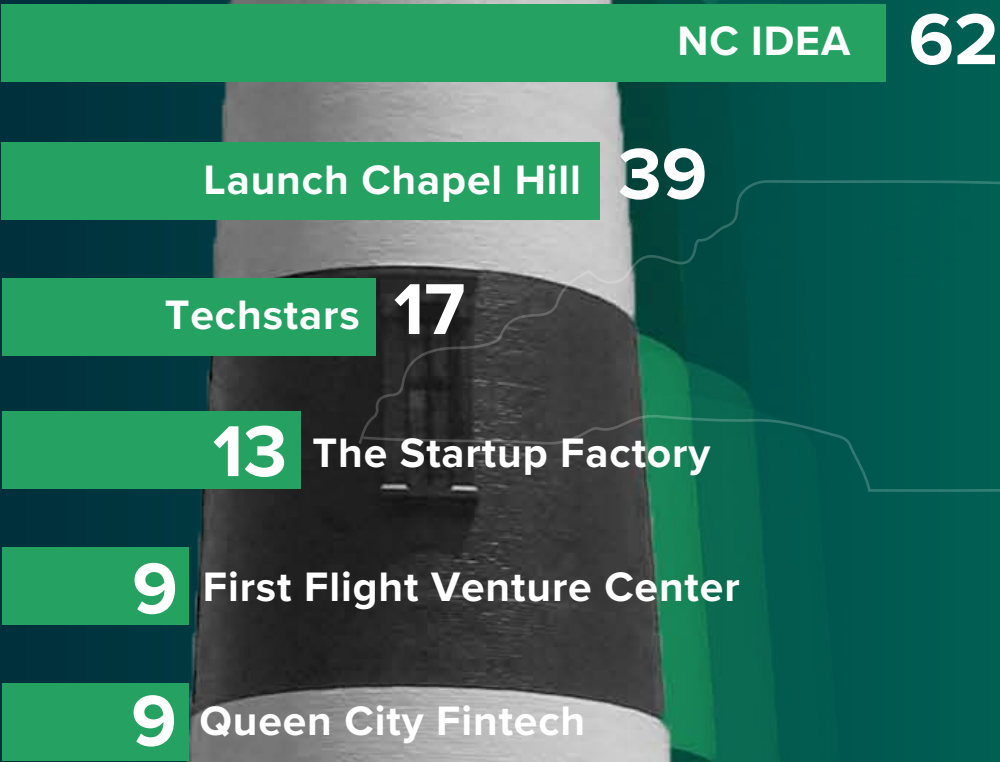
- To no one's surprise, Biotech/Pharma continues to lead the way in North Carolina, attracting almost **\$2B** in investment money over **310 deals** since 2013.
- The FinTech market remains in second place in the Tar Heel State with **65 deals** totaling **\$829M**.
- Consumer Products is looking hot in 2018 with **35 deals** already closed for a total of **\$87M**. SaaS is also heating up, with **29 deals** so far this year, totaling **\$93M**.
- Overall, 2018 is looking like it's going to be a good year for North Carolina startups, with **\$723M** invested in the first six months. This is on track to be the state's best year yet in terms of dollars invested in innovation.

*Lists represent investments made into North Carolina.*

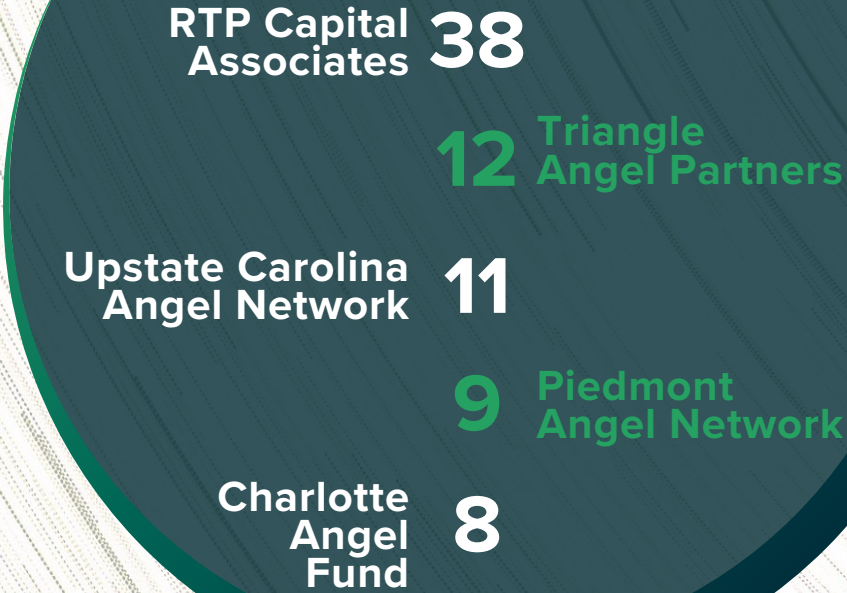


BIP CAPITAL  
STATE OF STARTUPS<sup>SM</sup> IN THE SOUTHEAST

## INCUBATOR ACTIVITY



## ANGEL INVESTORS



## VENTURE CAPITAL FUNDS





# The State of Startups<sup>SM</sup> In SOUTH CAROLINA



Total dollars invested  
since 2013:  
**\$457 million**



Number of investments  
since 2013:  
**357**



Top area of investment  
(by dollars):  
**SaaS**

- The B2B SaaS solutions sector stands out as the leading sector in the Palmetto State with **62 deals** totaling **\$119M** since 2013.
- Consumer Products and Biotech/Pharma are neck and neck for second place (*taking over from Manufacturing/Industrial Tech*) with **66 deals** worth **\$72M** and 67 deals worth **\$79M**, respectively. However, both of these segments are looking paltry in terms of 2018 investments.
- 2018 is behind pace relative to 2017 (*which was the best year for startup investing since 2014*) with **\$37M** invested to date. **\$12M** of this is into one company, Whereable Technologies.
- **40%** of all the deals done in South Carolina over the reviewed time period were for companies based in the Charleston area, dubbed the East Coast's "Silicon Harbor."

*Lists represent investments made into South Carolina.*

## ANGEL INVESTORS

Upstate Carolina  
Angel Network **14**

**3** The Angel  
Capital Group

Atlanta  
Technology  
Angels **2**

**2** AIM Group

## INCUBATOR ACTIVITY

The Harbor Entrepreneur Center **22**

Iron Yard Ventures **14**

Start-Up Chile **3**

Techstars **2**

## VENTURE CAPITAL FUNDS

**6** Kleiner Perkins

**5** Noro-Moseley Partners

**5** Capital A Partners

Alerion Ventures **3**

IDEA Fund Partners **3**



# The State of Startups<sup>SM</sup> In TENNESSEE



Total dollars invested  
since 2013:  
**\$2.1 billion**



Number of investments  
since 2013:  
**1,025**



Top area of investment  
(by dollars):  
**Healthcare IT**

- Healthcare IT leads the pack in this year's report for the Volunteer State with **152 deals** totaling **\$437M** over the five-year period; **\$26M** in 2018 so far.
- B2B SaaS solutions are a close second, earning **\$433M** in investment funds over **209 deals**. That includes **\$26M** already secured in 2018.
- Biotech/Pharma is heating up too, with **\$23M** secured over **12 deals** so far in 2018.
- The investment slowdown since 2014 continues in this state, with 2018 looking to come in on par or even slightly lower than 2017.

*Lists represent investments made into Tennessee.*



## ANGEL INVESTORS

Nashville  
Capital  
Network

24

NueCura  
Partners

11

Angel  
Capital Group

7

InCrowd Capital

6

AIM  
Group

5

## INCUBATOR ACTIVITY

Nashville Entrepreneur Center

26

Start Co. (VC)

24

The Company Lab

23

GIGTANK

19

18

TENN Master Accelerator Program

## VENTURE CAPITAL FUNDS

Innova Memphis

74

32

Jumpstart Foundry

MB Venture Partners

28

Chattanooga Renaissance Fund

27

Solidus Company

27



# The State of Startups<sup>SM</sup> In VIRGINIA



Total dollars invested  
since 2013:

**\$3.7 billion**



Number of investments  
since 2013:

**1,243**



Top area of investment  
(by dollars):

**SaaS**

- The SaaS sector continues to draw by far the greatest amount of attention from investors. Virginia saw **324 deals** worth a total of **\$960M** invested in the sector since 2013.
- Cybersecurity comes in second place with **\$549M** invested over **109 deals**, setting Virginia apart from several other states where this segment didn't even show up on the radar.
- 2017 was a great year for entrepreneurs in Virginia, pulling in more than **\$903M**—the state's best year for investors in the time period studied. 2018, however, seems to be much slower and will likely come in a few hundred million dollars under that.

*Lists represent investments made into Virginia.*

## ANGEL INVESTORS

Dingman  
Center Angels **11**

**11** Jennifer  
O'Daniel

Charlottesville  
Angel Network **9**

**8** New Dominion  
Angels

757  
Angels **8**

## INCUBATOR ACTIVITY

MACH37 **35**

**28**

Lighthouse Labs **24**

Techstars **11**

**10** Plug and Play Tech Center

**8** Tech.Co

## VENTURE CAPITAL FUNDS

Blu Venture Investors

**14** Columbia Capital

**14** NRV

New Enterprise Associates **14**

**12** Grotech Ventures



# GOVERNMENT BACKED INVESTMENTS

*by state*

State government funded investing is more prominent in Florida and South Carolina than other states. South Carolina, however, sees one organization, SCRA, investing in innovative companies, while Florida enjoys three go-to options. Alabama, Tennessee and Virginia have seen a good number of government-specific deals, too.

FLORIDA

45

Florida  
Institute for the  
Commercialization  
of Public Research

25

UCF Business  
Incubator

20

UF Innovate

SOUTH CAROLINA

99

SCRA Technology  
Ventures

VIRGINIA

66

Center for Innovative  
Technology Gap  
Funds

13

i.Lab at UVA

ALABAMA

57

Alabama  
Launchpad

TENNESSEE

67

Launch Tennessee

GEORGIA

18

GRA Venture Fund

Kentucky, Mississippi and North Carolina  
have no government backed investment  
entities that show up in this report.



# NOTABLE EXITS

by state

## ALABAMA



<i>company</i>	<i>buyer</i>	<i>year</i>	<i>value</i>
Shipt	Target	2017	\$550M
GATR Technologies	Cubic	2015	\$233M

## FLORIDA



<i>company</i>	<i>buyer</i>	<i>year</i>	<i>value</i>
Chewy	PetSmart	2017	\$3.35B
Altor BioScience	NantCell	2017	\$1.08B
Pentaho	Hitachi Vantara	2015	\$600M
AquaVenture Holdings	IPO	2016	\$457M
Prolexic Technologies	Akamai Technologies	2014	\$409M
Tower Cloud	Uniti Group	2016	\$230M
InnFocus	Santen Pharmaceutical	2016	\$225M

## GEORGIA



<i>company</i>	<i>buyer</i>	<i>year</i>	<i>value</i>
SecureWorks	IPO	2016	\$1.87B
AirWatch	VMware	2014	\$1.55B
GreenSky	IPO	2018	\$874M
eVestment Alliance	NASDAQ	2017	\$705M
CardioMEMS	St. Jude Medical	2014	\$556M
Paymetric	Vantiv (now WorldPay)	2017	\$550M
Lancope	Cisco Systems	2015	\$452M
Cloud Sherpas	Accenture	2015	\$410M
EndoChoice	IPO	2015	\$368M
Silverpop Systems	IBM	2014	\$275M
Cardlytics	IPO	2018	\$254M
Clearleap	IBM	2015	\$210M



NOTABLE EXITS

continued

KENTUCKY

company	buyer	year	value
ZirMed	Bain Capital	2017	\$750M
Apellis	IPO	2017	\$690M

NORTH CAROLINA

company	buyer	year	value
Cardioxyl Pharmaceuticals	Bristol-Myers Squibb	2015	\$2.07B
Scioderm	Amicus Therapeutics	2015	\$847M
Bamboo Therapeutics	Pfizer	2016	\$827M
Verrica Pharmaceuticals	IPO	2018	\$374M
Chimerix	IPO	2013	\$342M
MaxPoint Interactive	IPO	2015	\$294M
TradeKing	Ally Financial	2016	\$294M
ChannelAdvisor	IPO	2013	\$287M

SOUTH CAROLINA

company	buyer	year	value
Benefitfocus	IPO	2013	\$644M

VIRGINIA

company	buyer	year	value
Cvent	Lanyon	2016	\$1.65B
Mandiant	FireEye	2013	\$1.05B
Evolent Health	IPO	2015	\$973M
Opower	IPO	2014	\$902M
Eloqua	Oracle	2013	\$871M
Cvent	IPO	2013	\$812M
Appian	IPO	2017	\$704M
Dova Pharmaceuticals	IPO	2017	\$425M
Privia Health	LBO	2014	\$400M
Cofense	BlackRock	2018	\$400M





Our intent is for this report to further educate investors and entrepreneurs using our more than 10 years of experience in this space. We look forward to producing this eBook for our audience every year.

This report was generated using data from:

- PitchBook Data
- CB Insights
- Interviews with entrepreneurs and investors in the region
- BIP Capital knowledge and experience

Although believed to be accurate, neither BIP Capital nor any of its members, officers, employees, affiliates or subsidiaries make any warranties regarding the information described herein. Neither the information, nor any opinion expressed or implied in this report, constitutes a solicitation by BIP Capital for the purchase or sale of any securities.