The Elevate Ventures 2020 Indiana Venture Report is a year-end assessment of venture investment activities in Indiana. The report starts with a summary of Indiana’s economic opportunities and business climate. National venture capital trends are examined, followed by an analysis of venture capital activity in the Great Lakes and Midwestern states of: Minnesota, Wisconsin, Michigan, Illinois, Kentucky, and Ohio. Finally, venture capital activity in Indiana is compared across different sectors, firms, stages, and Indiana regions.

New to the report this year is a map of key venture assets across the state. These assets include capital providers, places, and support organizations that impact venture and venture-backable startups in Indiana.

PitchBook Data Inc., a database of private capital markets including venture capital (VC), private equity (PE) and mergers & acquisitions (M&A) transactions, was the primary source of investment information used in this report. This database was used alongside Elevate Ventures’ proprietary deal information and secondary data collected from Elevate Ventures’ key co-investment partners. Data from the U.S. Census Bureau, the Bureau of Economic Analysis, Tax Foundation, Crunchbase Inc., and the Missouri Economic Research and Information Center are also incorporated.

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**RESEARCH AND CONTENT**

TING GOOTEE,  
Chief Investment Officer

AMNA SOHAIL,  
Senior Analyst

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**INDIANA’S GROWING ECONOMY**

**REAL GDP AND UNEMPLOYMENT RATES EXPERIENCED RECOVERY IN Q3**

Over the past decade, the state’s real Gross Domestic Product (GDP) has continued to rise. The overall growth of the private sector, the increase in number of small businesses, and reduction in unemployment has contributed to this growth since the 2008-2009 recession.

In 2020, the COVID-19 pandemic was predicted to negatively impact GDP. Some key contributing factors were increasing unemployment and small business closures (temporary and permanent). However, while the national GDP started to decrease in Q1 and Q2 2020 (compared to the 2019 national GDP of $19.1T¹), the Bureau of Economic Analysis reports that the Q3 2020 national real GDP ($18.6T¹), increased at an annual rate of 33% compared to the preceding quarter.

This increase and steady recovery of the national real GDP could be attributed to the continued efforts to reopen businesses and resume activities that were previously restricted due to COVID-19.

Comparable trends were noted in Indiana as the Q3 2020 real GDP in the state ($332.6B¹) rose from the Q2 2020 (compared to the 2019 national GDP of $19.1T¹), the Bureau of Economic Analysis reports that the Q3 2020 national real GDP ($18.6T¹), increased at an annual rate of 33% compared to the preceding quarter.

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Comparable trends were noted in Indiana as the Q3 2020 real GDP in the state ($332.6B¹) rose from the Q2 2020 (compared to the 2019 national GDP of $19.1T¹), the Bureau of Economic Analysis reports that the Q3 2020 real GDP ($304.1B¹) for similar reasons.

In addition, while the unemployment rate rose to as high as 17.5% and 12.3% in April and May of 2020 in Indiana, it has started to decline since June’s rate of 11.1% to November’s rate of 5.0%. This further supports the observation that Indiana’s real GDP has slowly started to grow back to 2019 levels.

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*Sources: Bureau of Economic Analysis, U.S. Census Bureau

*Chained to 2012 dollars
According to a Kauffman Foundation study of entrepreneurship indicators, Indiana moved from 43rd to 34th between 2017 and 2019, thus showcasing its growing entrepreneurial ecosystem. Most notably, of the four indicators studied, Indiana scored the highest (90.3%) in the percentage of entrepreneurs driven by opportunity (as opposed to need), the indicator was 86.9% nationally, 87.4% in California, 78.6% in Massachusetts, and 89.3% in New York. In addition, Indiana’s startup early survival rate (percentage of firms surviving one year after founding) was 79.9% which is slightly higher than the national average of 79.6%.

It’s worth noting that entrepreneurship comes with different end goals, and not every startup aspires to become a high-growth venture-backed business. While Indiana has a rich foundation for entrepreneurship, the state does not have a significant number of venture-backed companies that can attract large amounts of venture capital, as seen later in this report. Therefore, there is a need to continue bolstering Indiana’s ability to support venture ecosystem development in the state. This includes entrepreneurial development organizations and programs, public policy and capital formation strategies, and university and corporate based R&D and innovation initiatives.

Venture capital activity in the U.S. has continued to grow over the past decade. Last year was marked by a record year of investment in high-growth startups, as well as capital raised by VC funds. California, Massachusetts, and New York have consistently shown growth in venture investment activity. The Great Lakes and Midwestern regions have also demonstrated significant momentum in overall venture capital deal value, going from $5.8B in 2019 to $10.5B in 2020, 81% year over year. The biggest regional gains come from Michigan, Minnesota and Ohio, based on their respective shares of national venture capital investment.

Overall, nearly $157B in venture capital was invested in 2020, 81% year over year. The biggest regional gains come from Michigan, Minnesota and Ohio, based on their respective shares of national venture capital investment.

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Despite initial uncertainty in the market and the impact on businesses due to the COVID-19 pandemic, PitchBook notes that angel and seed deals closed in 2020 were comparable to 2019 levels. Early-stage VC investments demonstrated similar activity to 2019, whereas late-stage companies saw a significant uptick in both deal value and deal count. The record number of deals in later-stage companies may have been attributed to investors redirecting their efforts to helping existing portfolio companies maintain operations during the pandemic, and to leveraging pandemic-induced market opportunities into accelerated growth.

A breakdown of venture capital invested in key states and the Great Lakes and Midwestern regions is also represented. Like the trends noted in 2019, California, New York, and Massachusetts make up the majority (74%) of all dollars invested in the U.S., while Indiana accounted for just 0.3% of dollars invested.

Note: “Venture capital deals” only include Seed Round, Early-Stage and Later-Stage VC deals, based on the deal type reported by PitchBook Data, Inc.

Sources: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana.

REGIONAL VENTURE CAPITAL COMMUNITY

INDIANA HOLDS STRONG, REMAINS SECOND HIGHEST IN ACTIVITY IN THE REGION

Indiana’s deal count through 2020 was strong with 160 reported, a 19% increase over 2019. Consistent with 1H 2020 data, Indiana remained the 2nd highest state in deal activity in the Great Lakes and Midwestern regions, behind only Illinois. Despite strong deal count, Indiana continued to lag both in median deal size and dollars invested.

PITCHBOOK NOTES THAT ANGEL AND SEED DEALS CLOSED IN 2020 WERE COMPARABLE TO 2019 LEVELS.
VENTURE CAPITAL INVESTMENTS IN INDIANA

Deal Counts Increased by 19% over 2019, Slight Uptick in Later-Stage VC Deals

Over the past decade, the Indiana venture ecosystem has experienced consistent growth. While 2019 was a record year for deal count and dollars invested, 2020 brought a record number of venture capital deals (160) within the state. Deal count increased by 19% from 2019. Much of the deal flow activity can be attributed to the significant increase in pre-seed deal flow below $500K, with 100 deals noted in 2020. However, total capital invested in the state declined by 6% between 2019 and 2020. This can be attributed to the slowdown in seed, early-stage, and to some extent later-stage VC deal flow activity ($500K-$10M in size).

There was a slight uptick in later-stage VC deal activity (over $10M in size), particularly with companies such as Inari Agriculture and Ossium Health, each raising (over $10M in size), particularly with companies such as Inari Agriculture and Ossium Health, each raising over $45M. This is consistent with national trends showing record number of deals and dollars invested in later-stage companies. Despite the impacts of the COVID-19 pandemic, particularly earlier in 2020 with rising unemployment levels and business closures, the growth in venture activity within the remainder of the year has shown the Indiana venture ecosystem’s resilience and overall commitment to supporting the growth of its startup community.

Sources: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana.

Distribution of Deals by Deal Value

Compared to 2019, the number of pre-seed deals (<$500K) more than doubled in 2020 to make up more than 60% of all venture activity in the state. Deals between $1M-$4.9M accounted for nearly one-fifth of the venture capital dollars invested, which is about 11% less than noted in 2019 for this deal size.

The robust pre-seed deal count can be attributed to the number of investments made by Elevate Ventures, particularly through Elevate Nexus Pitch Competitions. Overall, seed through later-stage deal counts ($500K-$10M+ rounds) represent decreased activity compared to 2019. The slowdown resulted from a combination of factors. On the capital supply side, a number of venture investors switched their attention to portfolio companies at the outset of the pandemic and remained cautious in seeking new investment opportunities through the remainder of 2020. On the capital demand side, several startups took quick expense management measures and tapped into federal assistance programs in response to market uncertainties. As a result, they were able to extend their cash runway into 2021 and beyond. We expect to see more companies and investors pursue and complete seed and early-stage deals in 2021.

Indiana experienced record investment in life sciences in 2020. In fact, the life sciences pulled in nearly 60% ($289M+) of all venture capital dollars invested, 5X the investment in the sector in 2019. Life sciences companies receiving venture funding represent a wide range of therapeutic, devices, and health information companies. PitchBook’s Q4 2020 Venture Monitor report noted that in the last quarter of 2020, the urgency to develop a COVID-19 vaccine along with rising interest in antivirals contributed to a record-breaking fundraising year in the U.S. for this healthcare subsector within the life sciences. It should also be noted that B2B tech venture activity was still strong as it came in second with more than $190M invested last year.

Distribution of Dollars Invested by Sector

Like 2019, Central Indiana continues to generate most venture activity in the state. More than 40% of all YE 2020 venture deals, representing nearly 70% of dollars invested, occurred in Central Indiana. Compared to other regions in the state, Central Indiana’s venture ecosystem benefits from its large size, growing talent pool, and presence of entrepreneurs who have had previously successful exits. In fact, a 2020 Midwest Startups report ranked Indianapolis fourth among 59 cities evaluated in the Midwest for startup activity, access to venture resources, and overall business climate.

Dollars Invested by Region

Sources: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana.
**GEOGRAPHIC DISTRIBUTION OF VC DEALS**

The following map shows the geographic distribution of venture capital deals in Indiana based on deal count and dollars invested. Significant deal flow, in terms of dollars invested, can be noted in the Central, West Central, and Northeast regions. The entrepreneurial and deal flow activities observed in the South Central, West Central, and North Central regions can likely be attributed to the venture development efforts of universities in those regions.

**TOP 10 INDIANA VENTURE CAPITAL DEALS OF 2020**

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<tr>
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<td>INCOG BioPharma Services</td>
<td>Life Sciences</td>
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<td>$26.5M</td>
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<tr>
<td>Realync</td>
<td>B2B Tech</td>
<td>$22.0M</td>
</tr>
<tr>
<td>Brickell Biotech</td>
<td>Life Sciences</td>
<td>$20.0M</td>
</tr>
<tr>
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**MOST ACTIVE FIRMS BY DEAL STAGE**

The chart represents the distribution of investments made in 2020 for the five most active venture capital firms based on the number of deals in Indiana. Elevate Ventures and Purdue Ventures were most active in seed stage deals, while High Alpha, IU Ventures, and BioCrossroads backed several early-stage VC deals. BioCrossroads notably had greater activity in later-stage VC deals compared to the other four firms.

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Committed Pool of Investment Capital
Place (Co-Working Space)
Coaching, Mentoring or Other Venture-Building Support Services

This is a snapshot of the various resources Indiana has to offer.

INDIANAPOLIS
- 16Tech (16tech.com)
- BioCrossroads (biocrossroads.com)
- Elevate Ventures (elevateventures.com)
- Gravity Ventures (gravityventures.com)
- HG Ventures (hgventures.vc)
- High Alpha (highalpha.com)
- Lilly Ventures (lillyventures.com)
- Next Level Indiana Fund (nextlevelindianafund.com)
- SpeakEasy (speakeasyindy.com)
- Startup Ladies (thestartupladies.org)
- TechPoint (techpoint.org)
- Technologies (techstars.com/accelerators/indy-sports)
- The Heritage Group (theheritagegroup.com)
- Union 525 (union525.com)
- Velis Ventures (velisventures.com)
- VisionTech Angels (visiontech-angels.com)

WEST LAFAYETTE
- MatchBox (matchboxstudio.org)
- Purdue Foundry (purduefoundry.com)
- Purdue Ventures (purduefoundry.com/purdueventures)

BLOOMINGTON
- Dimension Mill (dimensionmill.org)
- Flywheel Fund (flywheelfund.vc)
- IU Angel Network (iuventures.com)
- IU Ventures (iuventures.com)
- Shovelbox Fund (shovelboxfund.com)
- The Quarry (quarry.com)

FISHERS
- Launch Fishers (launchfishers.com)
- Purdue Foundry (purduefoundry.com)
- Purdue Ventures (purduefoundry.com/purdueventures)

CARMEL
- Allegion Ventures (allegion.com/corp/en/ventures.html)
- Charmides Capital (charmidescapital.com)

FORT WAYNE
- 212 Creative Network (212creativenetwork.com)
- Community Development Corporation of Northeast Indiana (cdoni.com)
- Founders Spark (foundersspark.com)
- Fuse NEI (fusenei.com)
- Northeast Indiana Innovation Center (niic.org)

WARSWAW
- Heartland Ventures (heartlandvc.com)

NEW ALBANY
- BlueSky Capital (blueskycapital/vc)
- IU Angel Network (iuventures.com)
- IU Ventures (iuventures.com)
- Shovelbox Fund (shovelboxfund.com)
- The Quarry (quarry.com)

EVANSVILLE
- CoWork Evansville (coworkevansville.com)
- Pantheon (pantheontheatre.org)

COLUMBUS
- The Fish Tank (facebook.com/columbusfishTank)
- The Penta C.S. Group (thepentacsgroup.com)
- The Quarry (quarry.com)
- The Workbench (theworkbenchfw.com)

These satellite organizations have headquarters in the following states:

- ANGOLA
  - Angola Investment Fund (angolain.org/department/board.php)
- SOUTH BEND
  - Graham Allen Partners (graham-allan.com)
  - IDEA Center (idacentersiu.indiana.edu)
- INDIANA
  - Invent Indiana (invent.co)
  - Notre Dame - Pit Road Fund (idacentersiu.indiana.edu/commercialization-engine)
- CHICAGO
  - Heartland Ventures (heartlandvc.com)
- M25 (m25vc.com)
- M51 Fund (m51fund.com)
- MADISON
  - Heartland Ventures (heartlandvc.com)
- VisionTech Angels (visiontech-partners.com)
- VisionTech Angels (visiontech-angels.com)
- Next Level Indiana Fund (nextlevelindianafund.com)
- SpeakEasy (speakeasyindy.com)
- Startup Ladies (thestartupladies.org)
- TechPoint (techpoint.org)
- Technologies (techstars.com/accelerators/indy-sports)
- The Heritage Group (theheritagegroup.com)
- Union 525 (union525.com)
- Velis Ventures (velisventures.com)
- VisionTech Angels (visiontech-angels.com)
The onset of the COVID-19 pandemic signaled an economic downturn in 1H 2020 nationally and within Indiana. From rising unemployment rates to losses in revenue and business closures, entrepreneurs and their companies navigated significant challenges, particularly earlier in the year. Yet, the overall outcomes of 2020 represent the power of strong, resilient venture communities with a long-term mindset for growth.

Nationally, venture capital activities across the U.S. hit records for total deal and exit values. Indiana’s venture ecosystem showed strong momentum with a record of 160 deals in 2020, a 19% increase since 2019. From a sector perspective, Indiana’s life sciences highlighted record-breaking activity with over $289M invested, a 5X increase in funding since 2019. Consistent with national trends, much of this activity would have been impacted by the urgency for a COVID-19 vaccine and renewed interest in antivirals, resulting in increasing overall activity within the pharmaceutical, biotech, and healthcare subsectors.

In 2020, the state continued to demonstrate growth in pre-seed activity with deals below $500K and later-stage deals above $10M. Despite this growth, a slowdown in seed, early-stage, and later-stage deal activity was noted, with fewer total deals (between $500K-$10M) compared to 2019.

ACCELERATING THE GROWTH OF EARLY-STAGE COMPANIES TO REACH SCALE-UP STAGE AND BEYOND REPRESENTS A KEY AREA OF OPPORTUNITY FOR INDIANA’S EMERGING VENTURE ECOSYSTEM. TO CONTINUE ITS OVERALL DEVELOPMENT AND MATURATION.
Elevate Ventures is a private venture development organization that nurtures and develops emerging and existing high-potential businesses into high-performing, Indiana-based companies. Elevate Ventures accomplishes this by providing access to capital, rigorous business analysis and robust advisory services that connect companies with the right mix of resources businesses need to succeed long term. To learn more about Elevate Ventures, visit elevateventures.com.

Find Elevate Ventures on: Twitter @ElevateIN, LinkedIn, Facebook

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CONTACT ELEVATE VENTURES

50 E 91st Street, Suite 213
Indianapolis, IN 46240
(317) 975-1901
ElevateVentures.com