



2019 Indiana

**VENTURE
REPORT**

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Overview

In the 2019 Indiana Venture Report we provide a yearend assessment of venture investment activity in Indiana. Over the past few years, we’ve witnessed increasing efforts to grow the venture activity and this report provides important facts for understanding the impact of these efforts and opportunities for further growth across the state.

The main findings from 2019 include a record-breaking year in terms of deal count and dollars invested, nearly doubling Indiana’s dollar share from 2018 to 2019; noticeable increase in the number of larger deals, signaling a level of maturation of companies from startups to scaleups; and venture community collaborations and partnership are proving to be powerful catalysts and have started to generate tangible results.

As usual this report will dig into Indiana’s economic opportunities and business climate along with examining national venture trends and activity. We wrap up with a venture capital listing and 2019 venture highlights, both new to this report. The data in this report includes all Seed, Early Stage Venture Capital, and Later Stage Venture Capital deals.

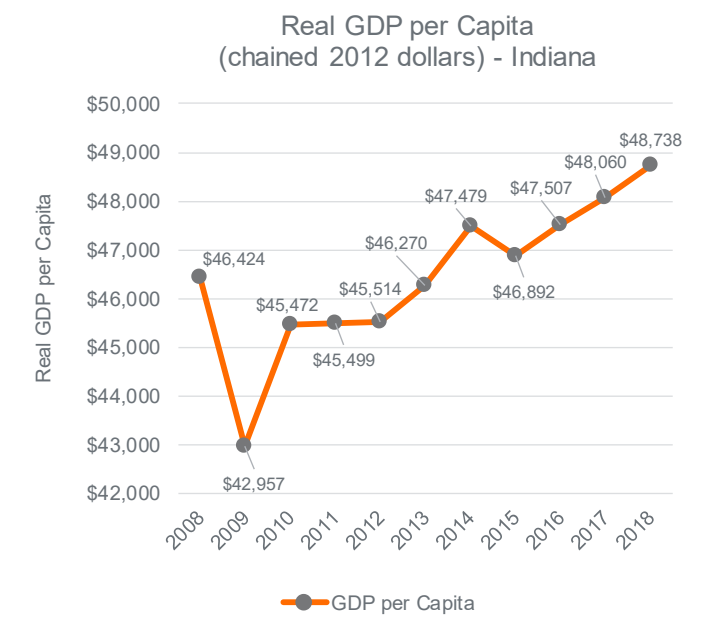
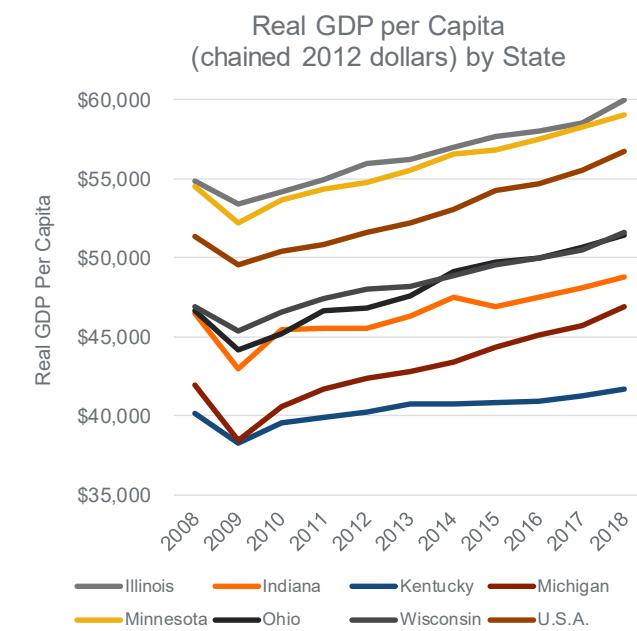
PitchBook Data Inc., a database of private capital markets including venture capital (VC), private equity (PE) and mergers & acquisitions (M&A) transactions, was the primary source of historical investment information used in this report. This database was used in conjunction with Elevate Ventures’ proprietary deal information and data collected from Elevate Ventures’ key co-investment partners. Data from BioCrossroads, Gener8tor, TechPoint, 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.

Indiana’s Growing Economy

Productivity increased four times faster than population growth following the 2009 recession

Indiana’s economy has continued to follow the positive trend since the 2009 recession. A combination of factors, including steep drops in unemployment and growth in the private sector, have helped Indiana and the rest of the region sustain growth over the last decade. Indiana suffered one of the largest drops in real GDP in 2009. Small business growth, among other factors, has played an important role in this recovery, as small businesses tend to account for a significant portion of new jobs and can respond more quickly to economic changes. This growth in Indiana is especially promising considering the state’s population has increased roughly 3% since 2009 while real GDP has increased by more than 13%. The phenomenon suggests a productivity increase in Indiana based on Indiana’s economic output versus population.

Though 2019 yearend data is not yet available, tax cuts from the 2017 federal tax reform bill have likely spurred additional growth in Indiana from increased business investment. The long-term effects of this cut remain to be seen, but the short-term effects point to the policy as a potential tailwind heading into 2020. Other sources have cited the state’s tight labor market as a key constraint on the state’s economic growth moving forward.



Source: Bureau of Economic Analysis, U.S. Census Bureau

Indiana’s Value for Business

Low cost of living, led by housing prices, continues to be an economic advantage

Indiana continues to offer one of the lowest average costs of living in the country, ranked 11th lowest out of the 50 states and 2nd lowest among Great Lakes and Midwest states. The table below illustrates general cost-saving opportunities Indiana has to offer, with most indices at or below the national average. Indiana’s overall average cost of living is 10% below the national average, with its housing index in particular an impressive 25% below the national average. It is important to note that Indiana’s utility and transportation indices have increased since 2018. In other words, these areas have become costlier relative to the U.S. average. Utilities are seeing rate hikes and public transportation remains limited for those living in larger metropolitan areas.

2019 Q3 Cost of Living Indices – Indiana								
State	Rank	Index	Grocery	Housing	Utilities	Transportation	Health	Misc.
Indiana	11th	90.7	90.6	75.2	101.3	101.1	96.5	97.6

Note: An Index of 100.0 represents the national average for a particular category. Source: Missouri Economic Research and Information Center

Indiana also has a favorable state corporate tax environment compared to other U.S. states and particularly other Great Lakes and Midwest states. According to a recent report published by the Tax Foundation, Indiana has one of the top 10 best business tax climates in the United States and is ranked #1 in the region.

According to the same report, many of the top 10 states do not impose one of the major taxes. While Indiana does levy all major taxes (corporate income tax, individual income tax, sales tax, property tax, and unemployment tax), it does so with a low rate across the board. Indiana was also the only state in the country to make midyear adjustments to taxes. In July 2019, the corporate income tax in Indiana fell to 5.5% from 5.75%. Currently, the Indiana corporate tax rate is set to decrease every 12 months through 2021, according to the Indiana Department of Revenue (DOR). This change bumped Indiana from 18th to 11th on the corporate tax component of the Tax Foundation's Index.

Note: A rank of 1 is best, 50 is worst.

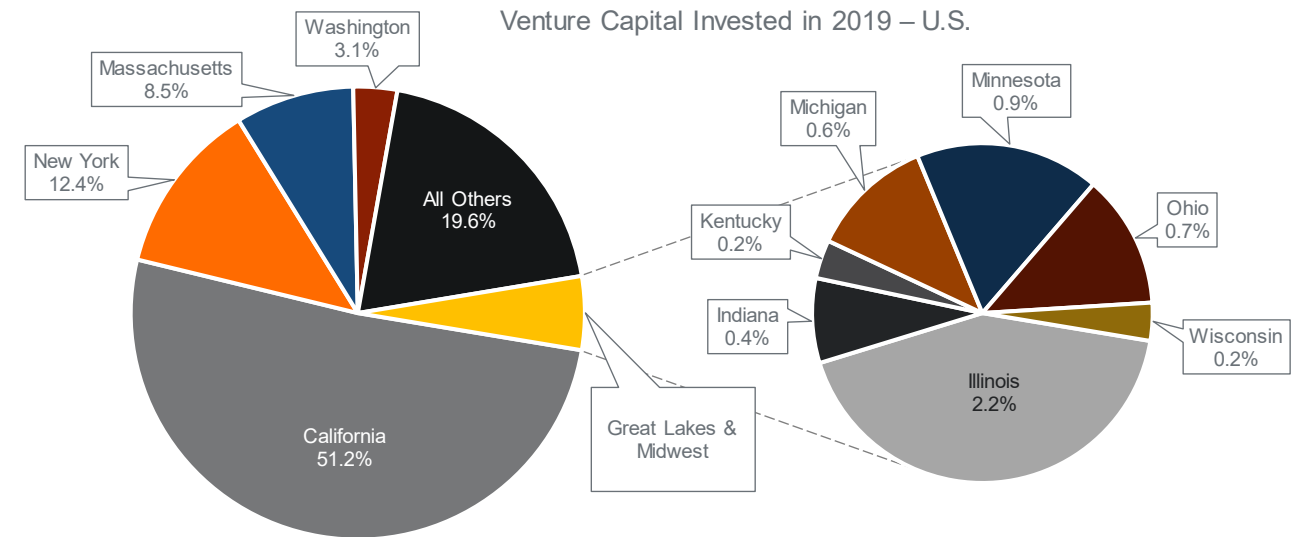
2020 State Business Tax Climate Index



Sources: Tax Foundation, Indiana Department of Revenue

A total of \$123.5 billion in venture capital was invested in over 8,600 companies in 2019. California, New York, and Massachusetts led the year with 72% of all invested dollars, compared to 77% in 2018. Indiana accounted 0.42% of venture capital invested in 2019, compared to 0.22% in 2018.

Of note is the relative decline in total dollar share by top three states (California, New York and Massachusetts) and relative growth in dollars from all other states in the country. These other states, including Indiana, represent emerging venture communities that start to build startup and scale-up density and compete for venture capital investment dollars regionally and nationally. Indiana is such an example, nearly doubling its dollar share of national venture capital investment dollars from 2018 to 2019.

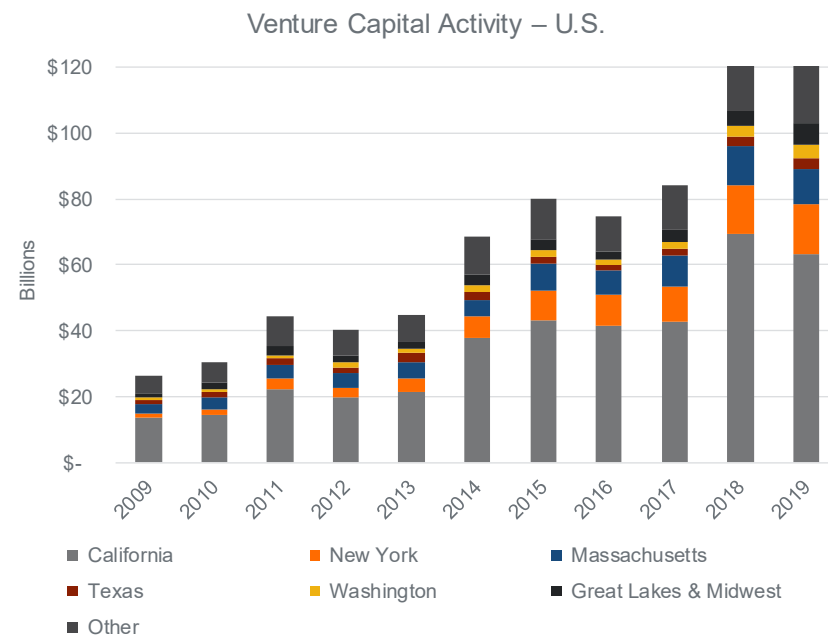


Source: PitchBook Data Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint

National Venture Capital Trends

Indiana's share of national venture capital investment nearly doubled in 2019

U.S. venture capital activity has leveled off in 2019 following a record year for dollars invested in 2018. We have seen an inverse trend between capital invested and deal count over the last decade as deals are ballooning due to competition from large non-traditional and established venture capital investors. PitchBook Data Inc. noted in its Q4 2019 Venture Monitor report that every stage of venture capital from Seed to Later Stage VC are seeing an abundance of larger rounds. The activity has equaled the success of 2018 and may yield yet another record-breaking year due to delayed yearend reporting of earlier-stage rounds. A second factor contributing to larger rounds is the limited success of recent high-profile, as companies continue to postpone IPOs in favor of larger later-stage rounds.

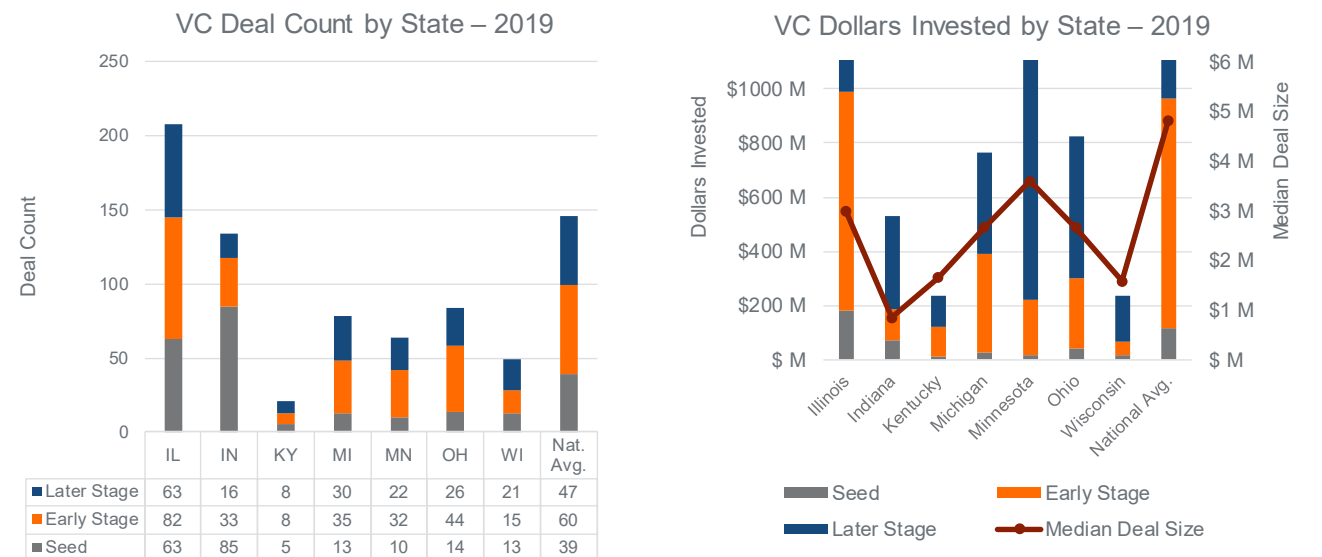


Source: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint

Regional Venture Capital Community

Strong deal growth pushed Indiana to rank second-highest in activity in the region

Indiana is growing into a significant regional player with 134 venture capital deals reported in 2019, 2nd highest in the region. The data shows a high number of smaller deals in the state. This is particularly evident when comparing median deal sizes across the region.



Source: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint

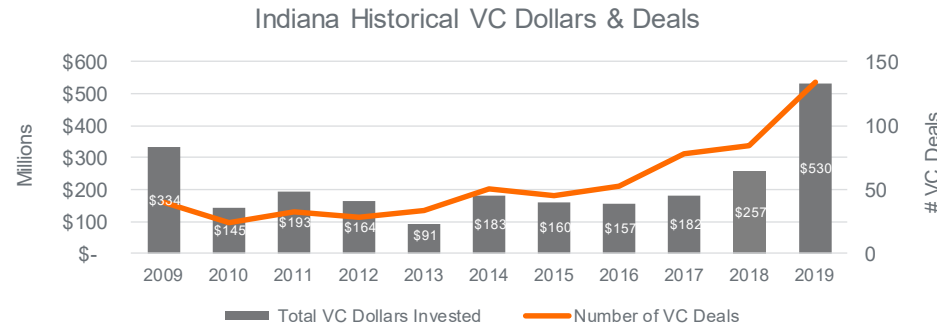
Venture Capital Investments in Indiana

Deal count and dollars invested reached record levels in 2019

Indiana has seen significant venture capital growth over the last decade. 2019 was a record year for both deal count and dollars invested; the state more than doubled the amount of capital invested in Indiana-based companies across all stages in aggregate. Furthermore, for the first time since 2009, Indiana surpassed 100 in the number of venture deals and over half a billion in dollars invested in a given year. Both are notable milestones for our venture community.

Besides the overall increase, another encouraging sign is the significant growth in large deals Indiana had in 2019 compared to previous years. For example, Indiana recorded 5 venture deals over \$10 million in 2018, whereas 11 deals over \$10 million in 2019. Kenzie Academy, featured later in this report, pulled in \$100 million in a single round. Larger rounds not only drive overall capital invested but also signal a company's development stage. As our community continues to launch and seed startups, our hope is that more and more of these startups develop into growth-stage companies that are able to attract top-tier venture investors and compete successfully with other venture-backed companies nationally and globally.

Source: PitchBook Data Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint
Note: Any single large round can affect the yearly total, even if the deal count does not change.

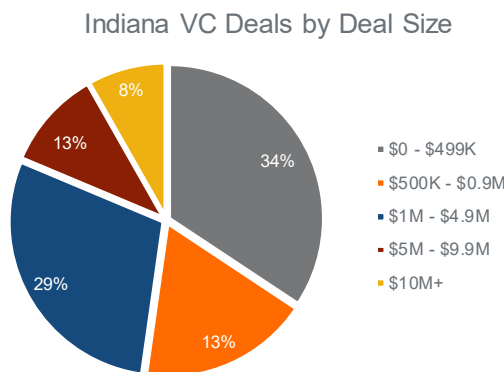


Distribution of Deals by Deal Value

Larger deals, of \$10 million and more, doubled in 2019

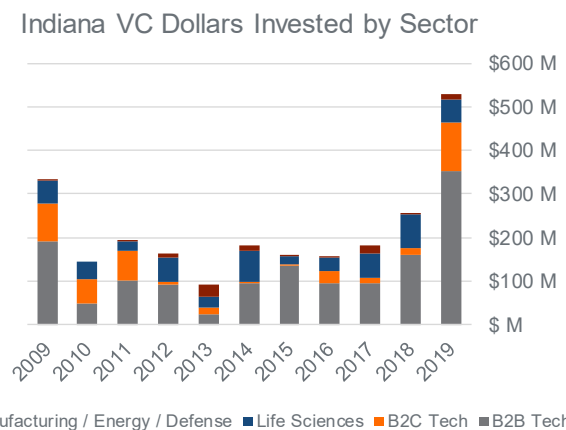
- 46 deals were below \$500K
- 24 deals were \$500K-\$0.9M
- 39 deals were \$1M-\$4.9M
- 14 deals were \$5-\$9.9M
- 11 deals were \$10M+

The breakdown of 2019 Indiana venture capital deals remains relatively unchanged from 2018. Deals valued over \$5 million accounted for nearly 80% of venture capital dollars invested, but only accounted for 19% based on the deal count. The 11 deals (out of 134 deals) valued over \$10 million accounted for over 60% of dollars invested in Indiana in 2019. Two of the state's largest deals, Kenzie Academy and Inari Agriculture, pulled in over 35% of the total dollars.



Distribution of Dollars Invested by Sector

B2B tech remains strong in Indiana, pulling in nearly two thirds (\$352 million) of all venture capital dollars in 2019, more than venture capital invested in all sectors combined in 2018. B2B tech's upward trend relative to other industries in venture capital is being driven by globalization, automation, and the utility of artificial intelligence; all of which are providing opportunity in B2B tech for entrepreneurs and investors. Compared to other sectors, B2B tech is also attracting more venture capital due to density in talent base, investor preference, lower capital requirements, and shorter timeline to reaching customer and revenue milestones.

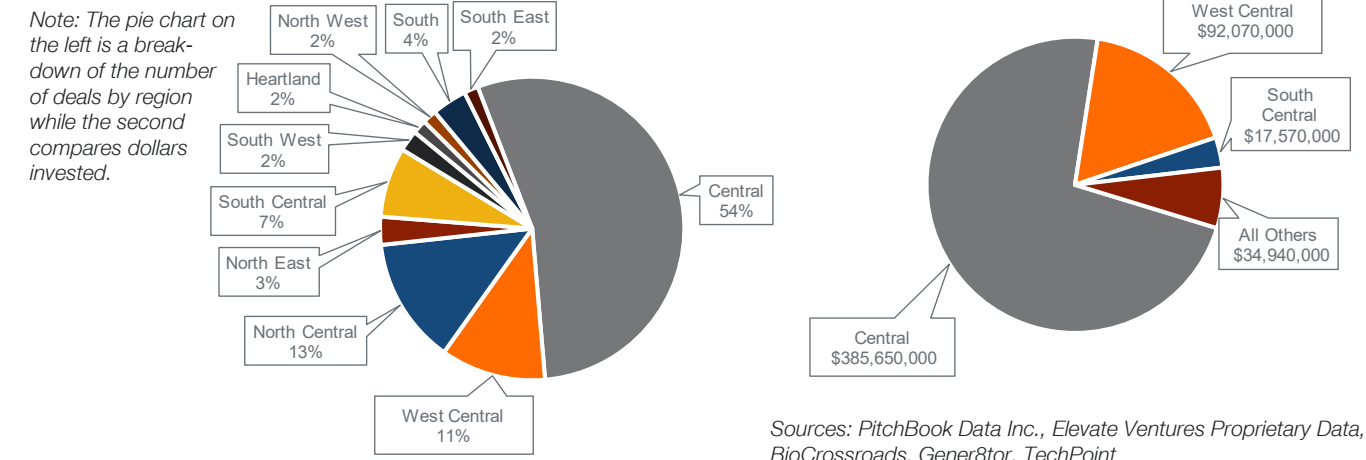


Source: PitchBook Data Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint

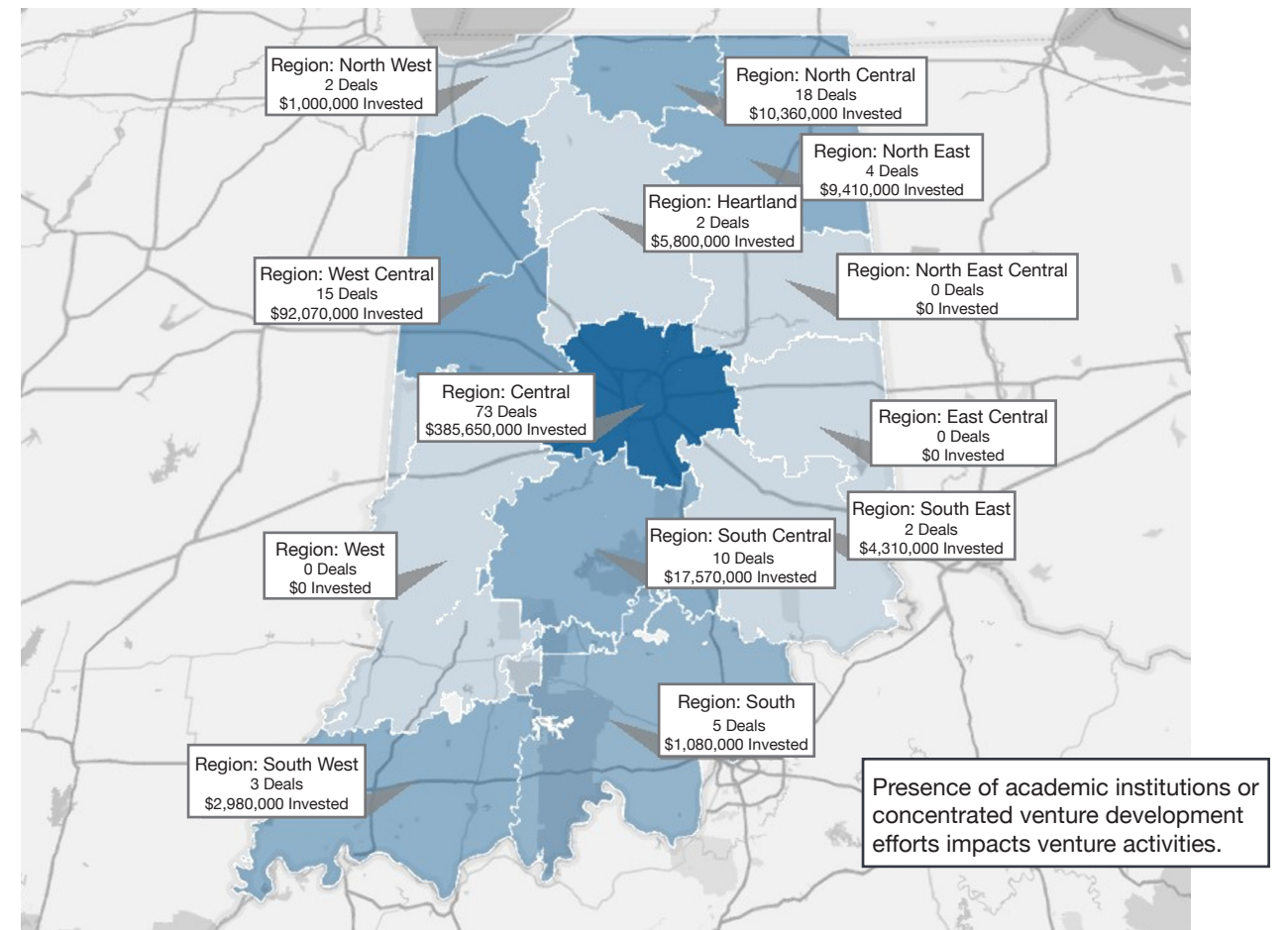
B2C tech and life science investment in Indiana has fluctuated year-to-year, while venture capital investment in manufacturing, energy and defense sectors remains low. B2C tech investment did experience a significant spike in 2019, though 90% of those dollars were pulled in via a single deal by Kenzie Academy.

Distribution of Deals by Region

Central Indiana continues to dominate Indiana's venture activities. More than half of all 2019 deals occurred in Central Indiana, and over 70% of dollars invested were in the same region. Having the state's largest metro gives Indianapolis and its surrounding counties an advantage based on sheer size. This combined with openness to a diverse talent pool from other states and countries makes the community a prime destination for venture activity.



Sources: PitchBook Data Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint



Sources: PitchBook Data Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint

Notable Indiana Venture Capital Deals

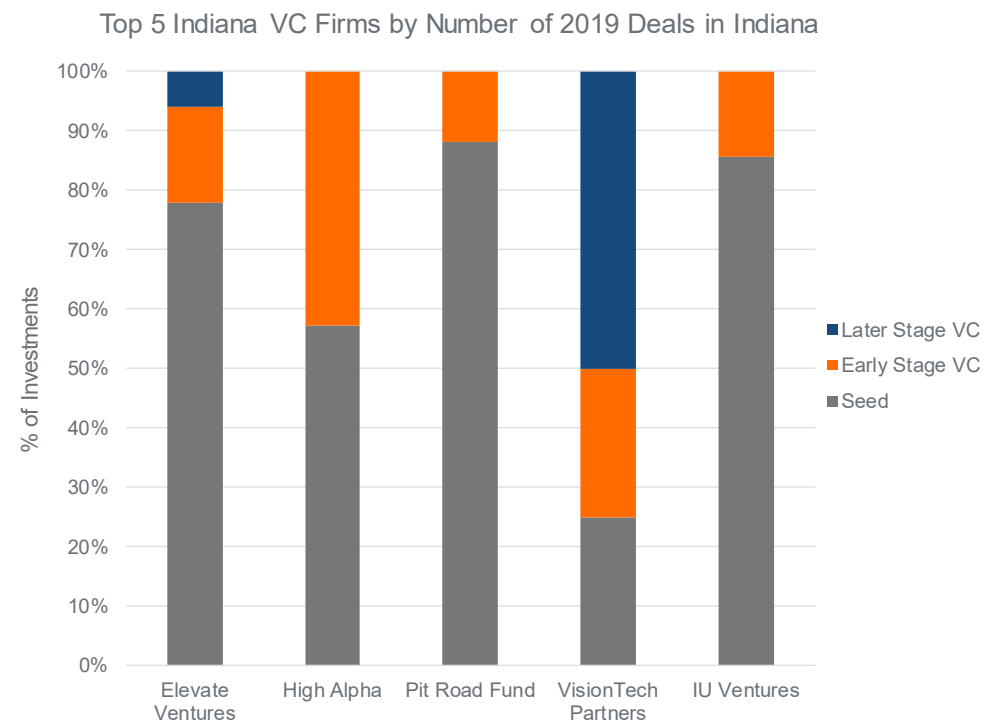
Top 10 Indiana Venture Capital Deals (2019)		
Company	Sector	Deal Size
Kenzie Academy	B2C Tech	\$100.0 million
Inari Agriculture*	B2B Tech	\$89.0 million
Kerauno	B2B Tech	\$25.0 million
Zylo	B2B Tech	\$22.5 million
Springbuk	B2B Tech	\$17.0 million
Sharpen Technologies	B2B Tech	\$16.0 million
Emplify	B2B Tech	\$15.0 million
FormAssembly	B2B Tech	\$13.0 million
Intelligent Fiber Network	B2B Tech	\$13.0 million
Edify Labs	B2B Tech	\$10.0 million

* Founded in Cambridge, Massachusetts, Inari has majority of its current operations in Indiana.

Most Active Firms by Deal Stage

Indiana's community of venture capital investors is diverse and growing

The top 5 firms tend to have seed and early Stage focuses as part of their investment theses. Elevate Ventures, High Alpha, Pit Road Fund, and IU Ventures were active in Seed and Early Stage deals, while VisionTech Partners backed a number of Later Stage deals in 2019. The availability of capital at all stages is still limited relative to leading states like California and New York.



Source: PitchBook Data Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint

Active Venture Capital Firm Listing

Name	Total Assets Under Management	Total Portfolio Size (# Companies)	# of Managing Partners/ Managing Directors	# of Other Investment Professionals	Investment Stage
1517 Fund	\$52M	45	2	4	Seed
Allegion Ventures	\$50M	5	3	0	Early Stage VC
Allos Ventures	\$105M	20	3	5	Early Stage VC
Becks Hybrids (CVC)	n/a	0	0	0	Seed
BioCrossroads	\$24M	32	1	5	Seed, Early Stage VC
Black Hutch Fund	\$100K	4	2	0	Seed
BlueSky Capital	\$20M	12	1	1	Seed, Early Stage VC
Boomerang Ventures	\$10M	1	2	3	Early Stage VC
Charmides Capital	\$5M	19	3	1	Early Stage VC
Elevate Ventures	\$125M	300+	3	10	Seed, Early Stage VC
Graham Allen Partners	\$400M	4	1	7	Later Stage VC
Heartland Ventures	\$20M	8	2	6	Seed, Early Stage VC
HG Ventures	\$65M	13	2	5	Seed, Early Stage VC, Later Stage VC
High Alpha	\$136M	39	4	7	Seed, Early Stage VC
Hyde Park Venture Partners	\$190M	95	4	6	Early Stage VC
IU Ventures	\$26M	32	1	4	Seed, Early Stage VC
Lilly Ventures	\$350M	28	3	3	Seed, Early Stage VC
M25	\$30M	94	2	6	Seed
Pit Road Fund	\$23M	22	3	1	Seed, Early Stage VC
Purdue Ventures	\$30M	48	2	2	Seed, Early Stage VC
Techstars*	n/a	10	1	2	Seed, Early Stage VC
Velis Ventures	\$2M	8	2	2	Seed
VisionTech Partners	\$18M	34	2	1	Later Stage VC

* Techstars' primary focus is an accelerator model through which it invests both cash and services.

2019 Venture Highlights

Next Level Indiana Fund

The Next Level Indiana Fund is an economic development initiative approved by the Indiana General Assembly. The initiative aims to invest up to \$250 million in Indiana venture capital funds and Indiana businesses in order to generate competitive investment performance, as well as support increased entrepreneurship and innovation in the State.

50 South Capital Advisors, LLC, an alternatives asset management firm and wholly-owned subsidiary of Northern Trust Corporation, is the designated program administrator. The NextLevel Fund investment portfolio will be diversified across vintage, stage, sector and strategy. Current portfolio fund managers include: Acre Venture Partners, Allos Ventures, Foundry Group, Frazier Healthcare Partners, High Alpha Capital, Hyde Park Venture Partners, M25, and Techstars Sports Accelerator Powered by Indy.

For additional information about the Next Level Indiana Fund, please visit www.nextlevelindianafund.com.



Kenzie Academy

Founded in 2017, Kenzie Academy is a college alternative that creates jobs for tomorrow's economy by providing technology training to anyone looking to accelerate their career. Kenzie's project-based curriculum in Software Engineering and UX Engineering was created by industry practitioners and designed to parallel today's workplace, providing students with an industry-aligned experience that leads directly to rewarding careers in technology.

Kenzie Academy raised \$7.8 million in a Series A equity round in September 2019, led by ReThink Education. Subsequently, in November 2019, Kenzie announced they had raised \$100 million for student tuition financing, backed by San Francisco-based Community Investment Management (CIM). The funding will allow more candidates to access Kenzie's outcome-based programs and enable Kenzie to expand its learning offerings across the entire country more rapidly.

For additional information about Kenzie Academy, please visit www.kenzie.academy.



"The growth of Kenzie shows that an Indianapolis-based tech startup can compete toe-to-toe with some of the top funded startups in Silicon Valley. Indy's deep talent pool plus the low cost of doing business provides us with a lot of unfair advantages when competing with some of the best companies around the world. We are proud to be a Hoosier-made company."

- Chok Ooi, Co-Founder and Chief Executive Officer of Kenzie Academy

Elevate Nexus

Elevate Nexus, a new program launching in 2019 under Elevate Ventures, provides programming and funding to higher education institutions, communities, and the entrepreneurs they engage. These programming opportunities for entrepreneurs include pre-seed and seed pitch competitions, Elevate Origins, and road shows. Programming opportunities for higher-education institutions include the Elevate Nexus Partnership Program, entrepreneurship programming grants, higher-education matching awards, and an annual conference featuring best practice sharing.

For additional information about Elevate Nexus, please visit www.elevatenexus.com.

Zylo

Zylo is the leading enterprise SaaS optimization platform that transforms how companies manage and utilize their SaaS applications. According to Zylo's research, 50% of enterprise's technology investment is bought and managed outside of IT. To solve the inefficiencies, security risks, and hidden costs of shadow IT, Zylo provides one SaaS system of record, empowering business leaders to discover, manage, measure, and optimize their SaaS investments.

Zylo was launched in 2016 from the High Alpha Studio, and subsequently raised a \$3.3 million Seed round in October of the same year and a \$9.3 million Series A round in 2018. In September of 2019, Zylo announced that it had raised \$22.5 million in Series B funding in a round led by Menlo Ventures. The transaction brings the company's total to \$35.2 million in lifetime capital raised. Zylo was named one of the 20 Rising Stars as part of the Forbes 2018 Cloud 100 list, the definitive list of the top 100 private cloud companies in the world.

For additional information about Zylo, please visit www.zylo.com.



"With SaaS adoption by businesses surpassing \$116B in 2020, more companies than ever use cloud-based subscriptions. But because SaaS is complex in the nature of how it is purchased and used by every employee, it often goes unmanaged, which creates unexpected cost implications, reduced employee productivity, and security gaps. Zylo's innovative solution to discovering and managing SaaS empowers enterprises to regain control—without sacrificing speed or agility."

- Eric Christopher, Co-Founder and Chief Executive Officer of Zylo

Observations

2019 was a record-breaking year for both venture deal count and dollars invested in Indiana; the state nearly doubled its dollar share of national venture capital investments from 2018 to 2019. Furthermore, for the first time since 2009, Indiana surpassed 100 in the number of venture deals and over half a billion in dollars invested in a given year. Both are notable milestones for our venture community.

Significant increase in 2019's venture capital investment is driven by more and larger rounds invested in Indiana companies. Two of the state's largest deals, Kenzie Academy and Inari Agriculture, pulled in over 35% of the total dollars. Larger rounds not only drive overall capital invested but also signal a company's development stage. As our community continues to launch and seed startups, our hope is that more and more of these startups develop into growth-stage companies that are able to attract top-tier venture investors and compete successfully with other venture-backed companies nationally and globally.

While B2B tech and Central Indiana continue to dominate Indiana's venture activities, there are emerging sectors and communities where venture community stakeholders are actively pooling resources and/or forming partnerships to support the launch and development of startups. Not surprisingly, where such concerted efforts have been taking place, we tend to see more venture capital investment activities.

As we exited the 2010s with a capstone year, it is humbling to reflect on all the venture community development and company building activities by courageous entrepreneurs, investors and community stakeholders. Not every startup or every initiative succeeds, but their unflinching dedications inspire us to think bigger and do better in this decade.

Up and forward!

Partner Acknowledgment

Special thanks to the following partners who collaborated with us and contributed to the development of this report. Thank you also to the fund managers who provided data.



TECHPOINT



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