



**1H 2019 Indiana**  
**VENTURE**  
**REPORT**

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## Overview

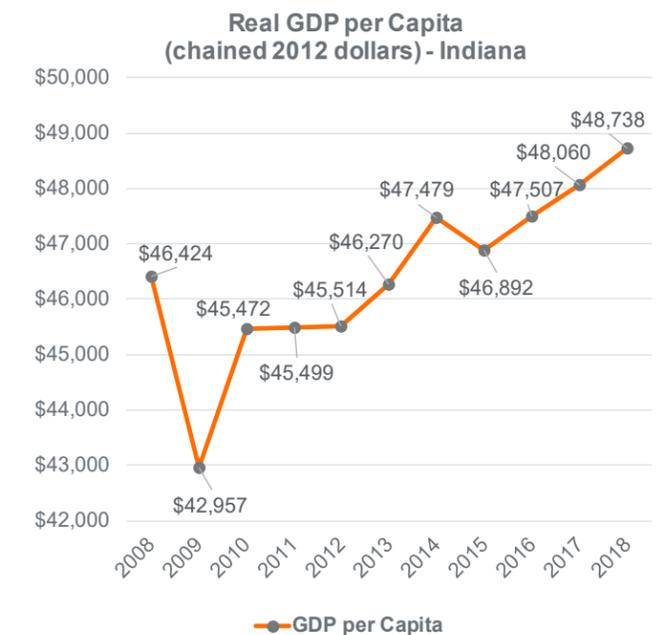
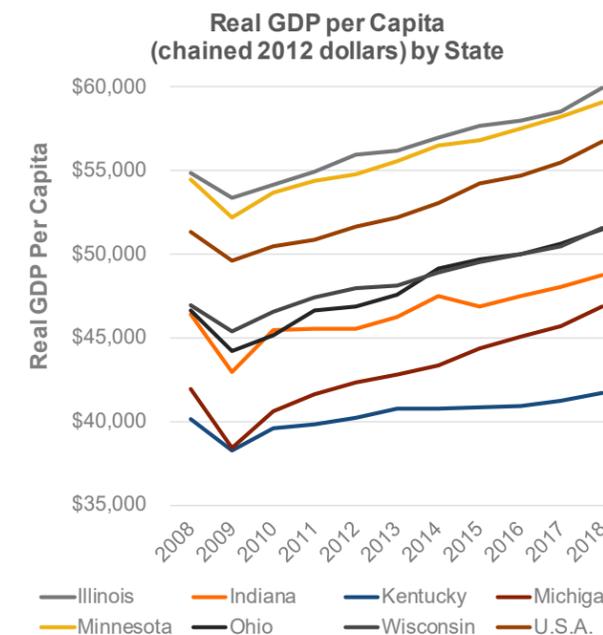
The Elevate Ventures 1H 2019 Indiana Venture Report is a mid-year assessment of venture investment activities in Indiana. The report starts with a summary of Indiana’s economic opportunities and business climate. National venture capital trends are examined, followed by venture capital activity analysis of the Great Lakes and Midwest states: Minnesota, Wisconsin, Michigan, Illinois, Kentucky and Ohio. Finally, venture capital activity in Indiana is compared across different sectors, firms, stages and Indiana regions.

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 in conjunction with 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., the Missouri Economic Research and Information Center are also incorporated.

## Indiana’s Growing Economy

Indiana’s real Gross Domestic Product (GDP) per capita has experienced growth over the last 10 years. This growth in Indiana is especially promising considering the state’s population has increased roughly 3% since 2009 while real GDP has increased more than 13%. The phenomenon suggests a productivity increase in Indiana based on Indiana’s economic output vs. population.

Most of the Great Lakes and Midwest states have recovered from the 2009 recession, including Indiana which took one of the largest drops in real GDP in 2009 compared to other regional states. A combination of factors including decreased unemployment and growth in the private sector have helped Indiana and other states sustain this recovery over the last decade. Small business growth has played an important role in this recovery as they tend to account for a significant portion of new jobs and can respond more quickly to economic changes.



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

## Indiana’s Value for Business

Indiana continues to offer one of the lowest average costs of living in the country, ranked 12th lowest out of the nation and 2nd lowest among Great Lakes and Midwest states. The table below illustrates general cost-saving opportunities Indiana has to offer, with all indices well below the national average. Indiana’s overall average cost of living is 10% below the national average with its housing index, in particular, at an impressive 23% below the national average.

Q1 2019 Cost of Living Indices – Indiana								
State	Rank	Index	Grocery	Housing	Utilities	Transportation	Health	Misc.
Indiana	12th	90	93.3	77.3	97	93.1	94.3	96.3

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 corporate tax environment compared to other states. According to a 2019 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 among the Great Lakes and Midwest states.

According to the report, many of the top 10 states do not impose one of the major taxes. Indiana does levy all of the major ones (corporate income tax, individual income tax, sales tax, property tax and unemployment tax), but does so with a low rate across the board. The same report also cites an improvement of six places on the corporate component due to a decline in the corporate income tax rate from 6% to 5.75%.

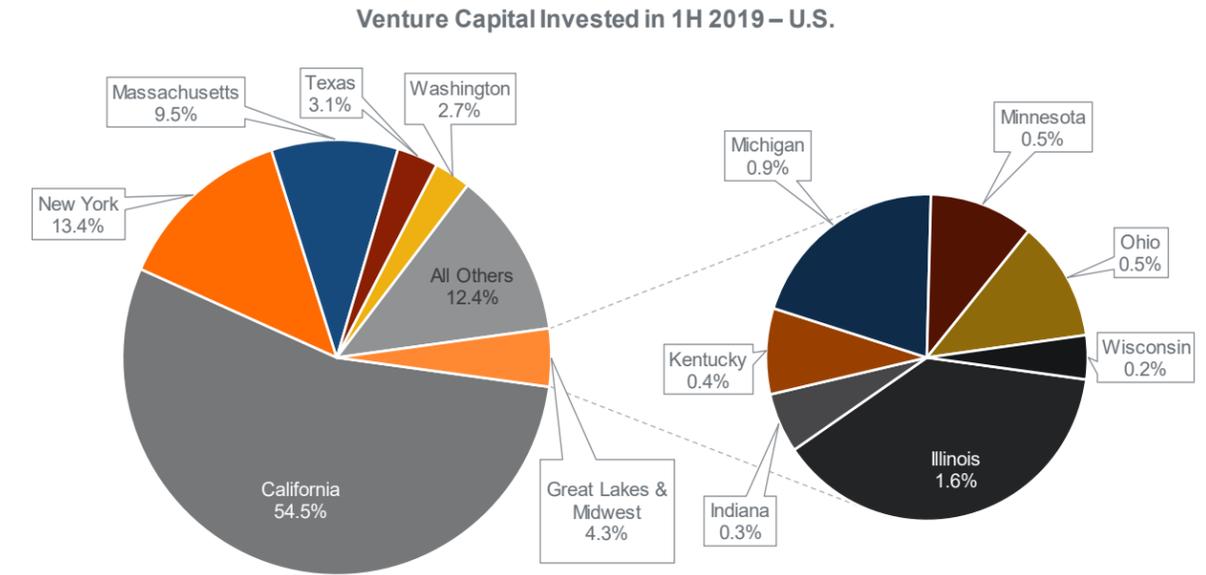
Note: A rank of 1 is best, 50 is worst.



Source: Tax Foundation

A total of \$58.8 billion in venture capital was invested in over 3,600 companies in 1H 2019, putting 2019 on pace to reach or surpass 2018 by year-end. California, New York and Massachusetts lead the first 6 months of the year with 77% of all dollars while Indiana accounted for 0.26% of dollars invested.

Indiana is seeing growth, up from the 0.22% recorded in 2018, but still accounts for only a small portion of the venture capital activity as does the rest of the region.

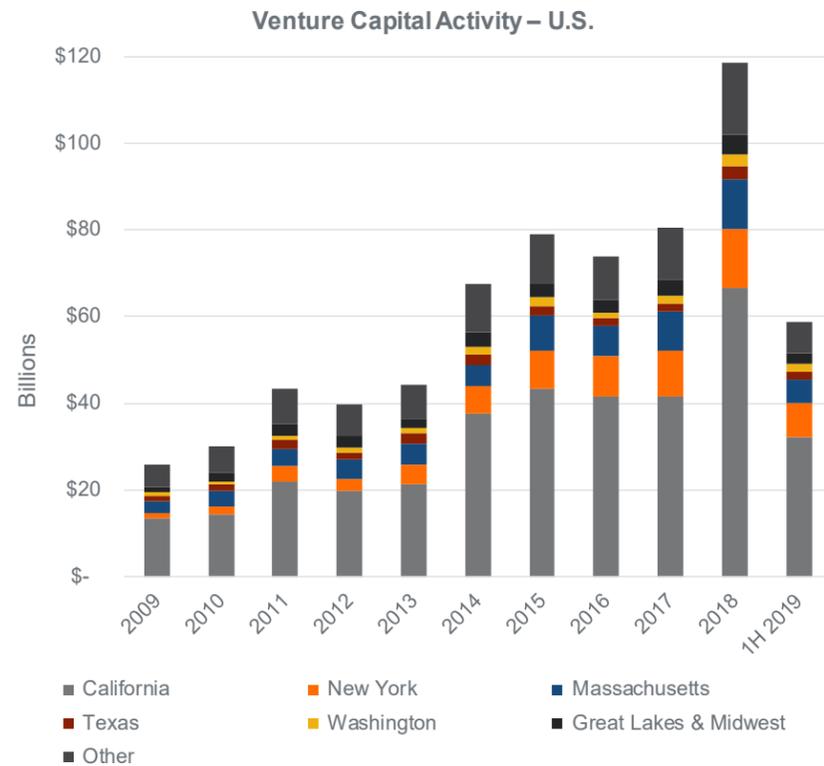


Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

## National Venture Capital Trends

The U.S. venture capital activity has seen strong growth over the last decade, culminating in 2018 being a record year nationwide. California, Massachusetts and New York have consistently generated or attracted a majority of the capital invested and are on track to dominate again in 2019.

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.

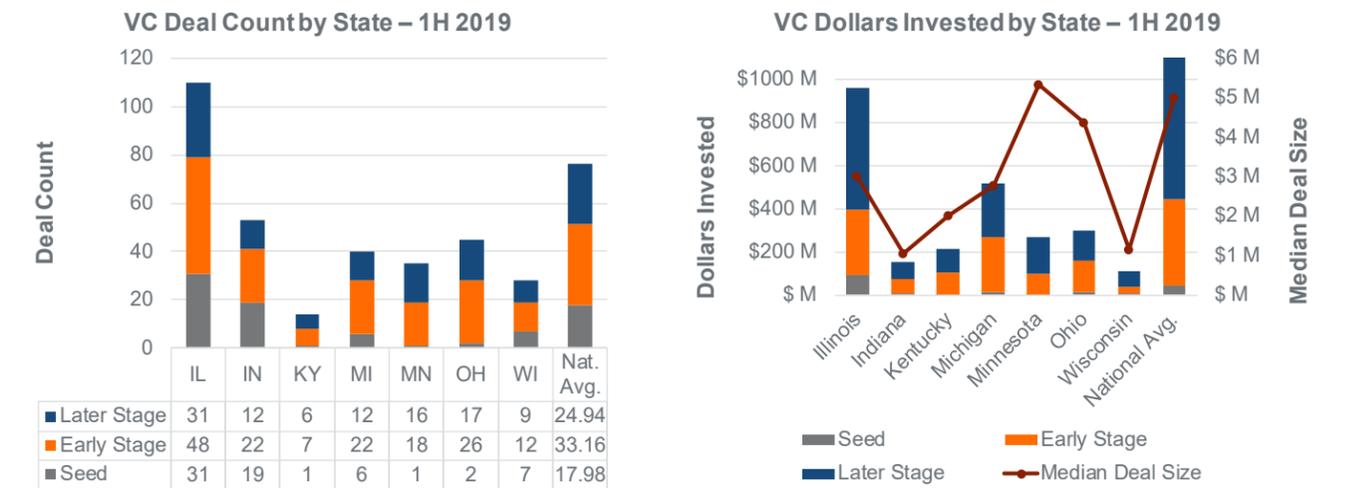


Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

## Regional Venture Capital Community

Indiana's deal count through 1H 2019 was strong with 53 deals reported. This is the 2nd highest in the Great Lakes and Midwest region, behind only Illinois.

Despite strong deal count, venture capital dollars invested in Indiana lagged behind most of the region, totaling \$151 million, second to last in the region ahead of only Wisconsin. Smaller deal sizes have contributed to a lower total invested capital compared to other states. Both the median deal size of \$1.0 million and average deal size of \$2.9 million were lower than in 2018 and lower than many other states in the region.



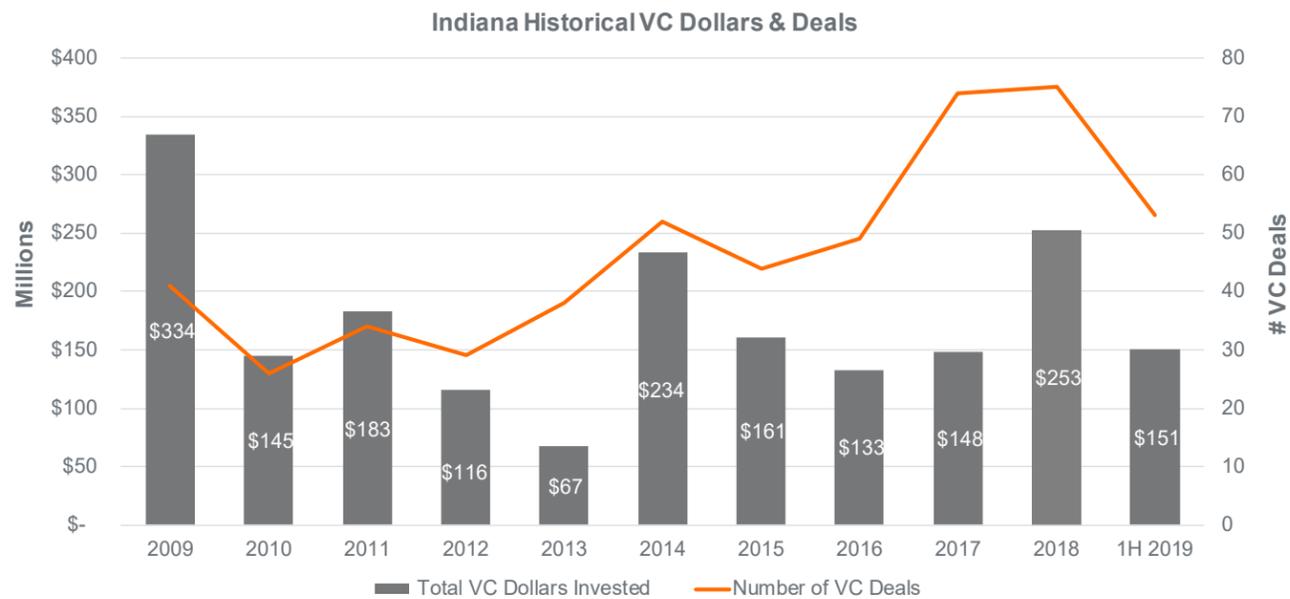
Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

# Venture Capital Investments in Indiana

Looking back at the last 10 years, Indiana has seen a lot of venture capital growth. Deal count has been consistently trending up and will likely exceed 2018 results. Year-over-year dollars invested have fluctuated significantly due to the overall limited number of deals.

The fluctuation of deployed capital points to an overall need for improved deal quality. As the pipeline of local startups grows into more venture-backable scale-ups, more later-stage deals will feed the aggregate growth in total venture capital invested due to larger deal sizes.

*Note: Any single large round can affect the yearly total, even if the deal count does not change.*



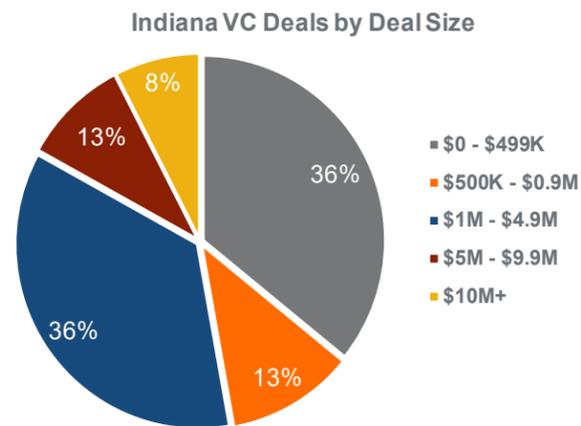
Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

## Distribution of Deals by Deal Value

Deal breakdown:

- 19 deals were below \$500K
- 6 deals were \$500K-\$0.9M
- 19 deals were \$1M-\$4.9M
- 5 deals were \$5-\$9.9M
- 4 deals were \$10M+

More dollars are going to larger deals in 1H 2019, consistent with national venture capital trends. In 1H 2019, deals valued below \$5 million accounted for over 80% of venture capital based on deal count, but only accounted for 1/3 of all venture capital dollars invested. The 7% (4 deals) valued over \$10 million accounted for over 40% of dollars invested in Indiana in 1H 2019.



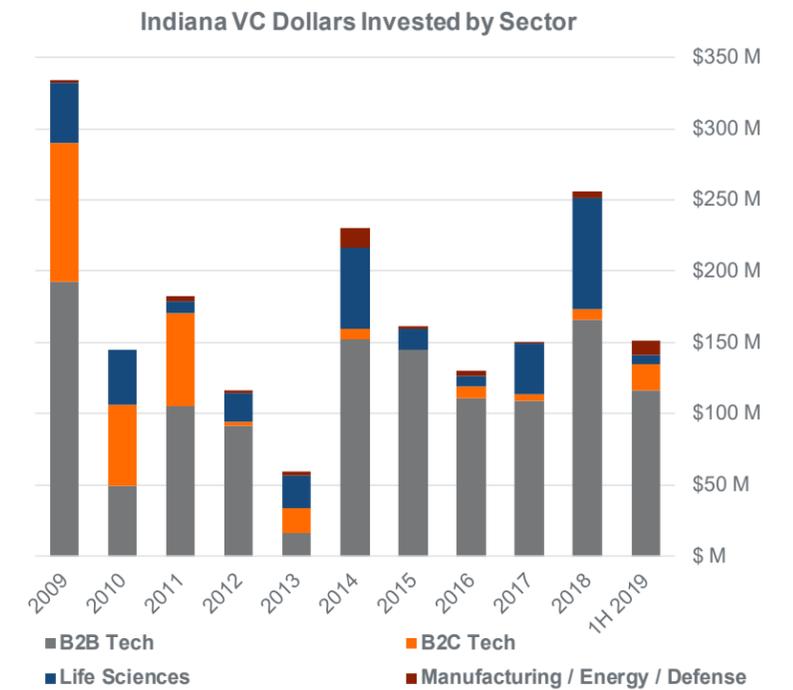
Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

## Distribution of Dollars Invested by Sector

B2B tech remains strong in Indiana, pulling in over 75% (\$117 million) of all venture capital dollars in 1H 2019. 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 more investor preference, lower capital requirements and shorter timeline to reaching customers/generating revenues.

B2C tech and life science investment in Indiana has fluctuated year-to-year, while venture capital investment in manufacturing, energy and defense sectors remain low.

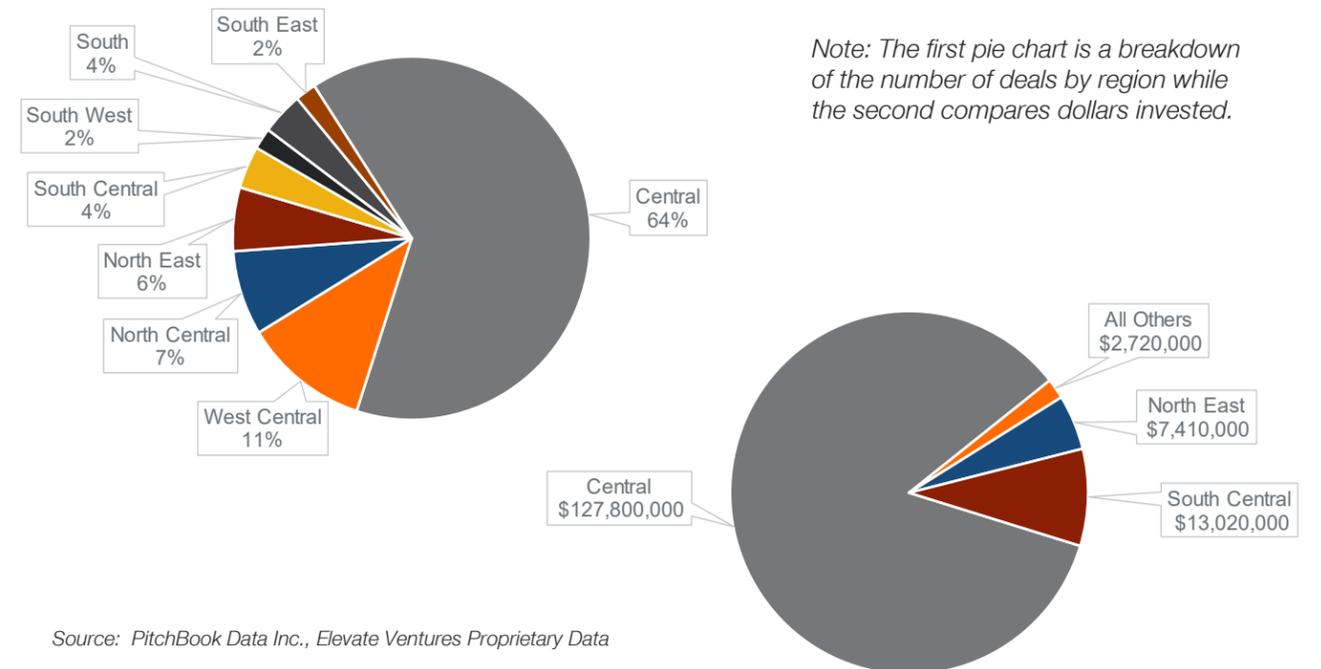
Source: PitchBook Data Inc., Elevate Ventures Proprietary Data



## Distribution of Deals by Region

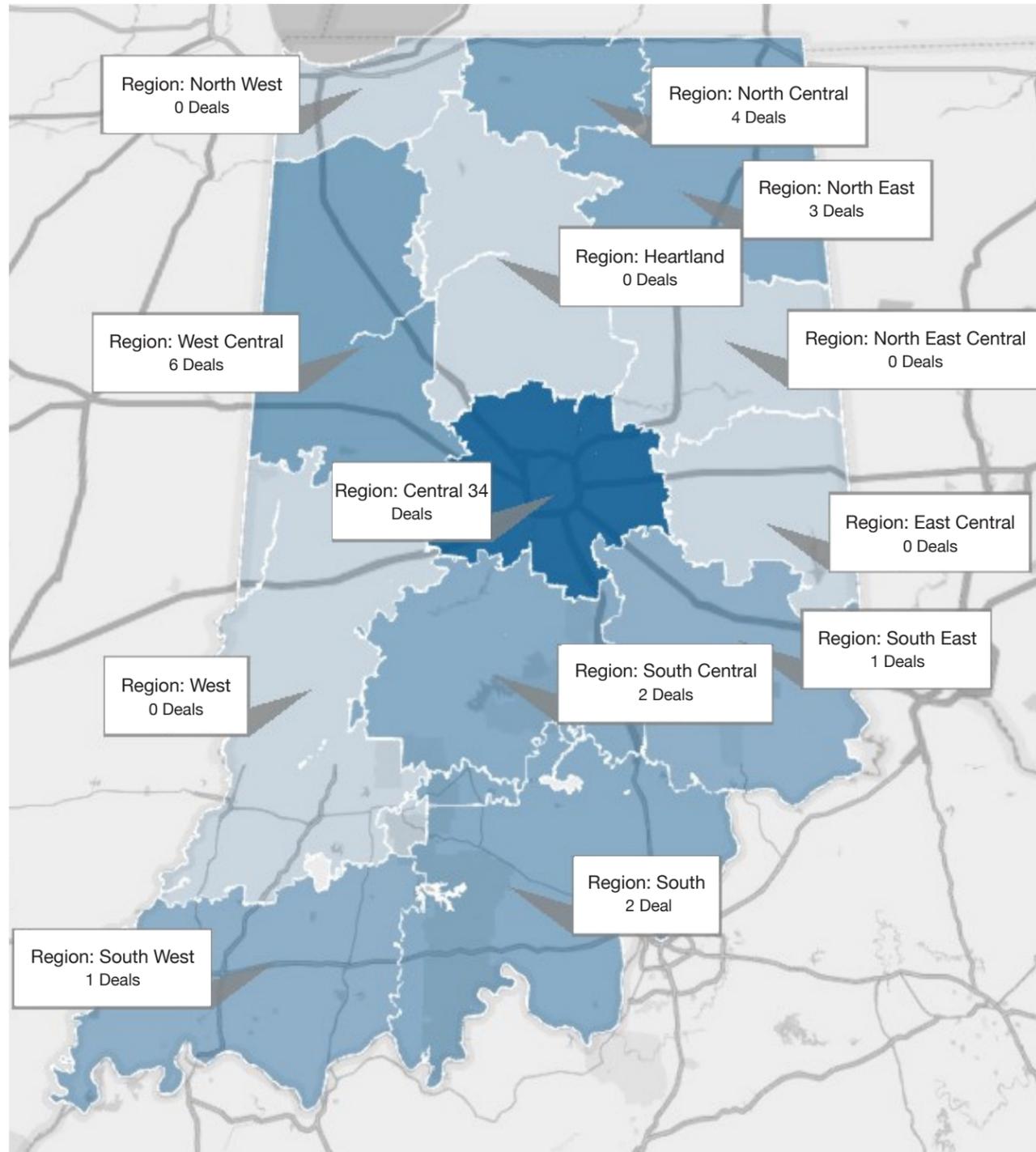
Central Indiana continues to be the most fertile for venture capital activity in the state. Nearly two-thirds of all 1H 2019 deals occurred in Central Indiana and over three-fourths of dollars invested were in the same region. Five regions reported zero deals in 1H 2019.

*Note: The first pie chart is a breakdown of the number of deals by region while the second compares dollars invested.*



Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

The following map shows the geographic distribution of venture capital deals in Indiana based on deal count. While the major hub of venture capital activity in 1H 2019 was in Indianapolis and its surrounding counties, other pockets of activity continue to be seen in the North Central region and the West Central region.



Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

## Notable Indiana Venture Capital Deals

Top 10 Indiana Venture Capital Deals (1H 2019)		
Company	Sector	Deal Size
Kerauno	B2B Tech	\$25.0 million
Sharpen Technologies	B2B Tech	\$15.0 million
FormAssembly	B2B Tech	\$13.0 million
Intelligent Fiber Network	B2B Tech	\$13.0 million
Biosynthetic Technologies	Manufacturing / Energy / Defense	\$9.5 million
Epogee	B2C Tech	\$8.3 million
Viral Launch	B2B Tech	\$7.3 million
PERQ	B2B Tech	\$6.0 million
Allied Payment Network	B2C Tech	\$4.0 million
ClusterTruck	B2C Tech	\$3.6 million

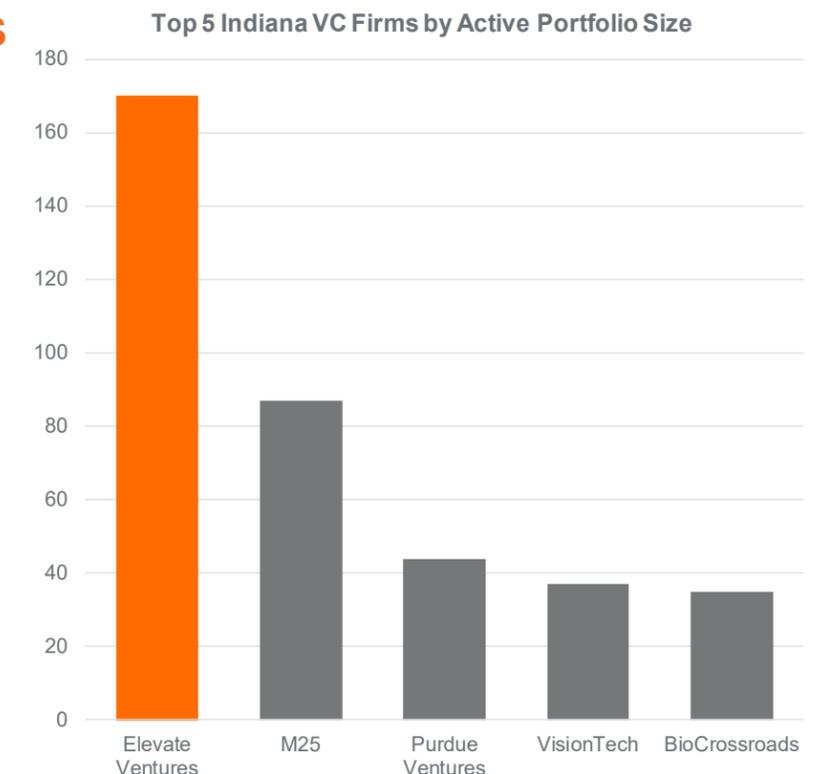
Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

## Venture Capital Activity in Indiana

### Most Active Firms

Elevate Ventures has the largest direct investment portfolio in the state of Indiana with 170 portfolio companies.

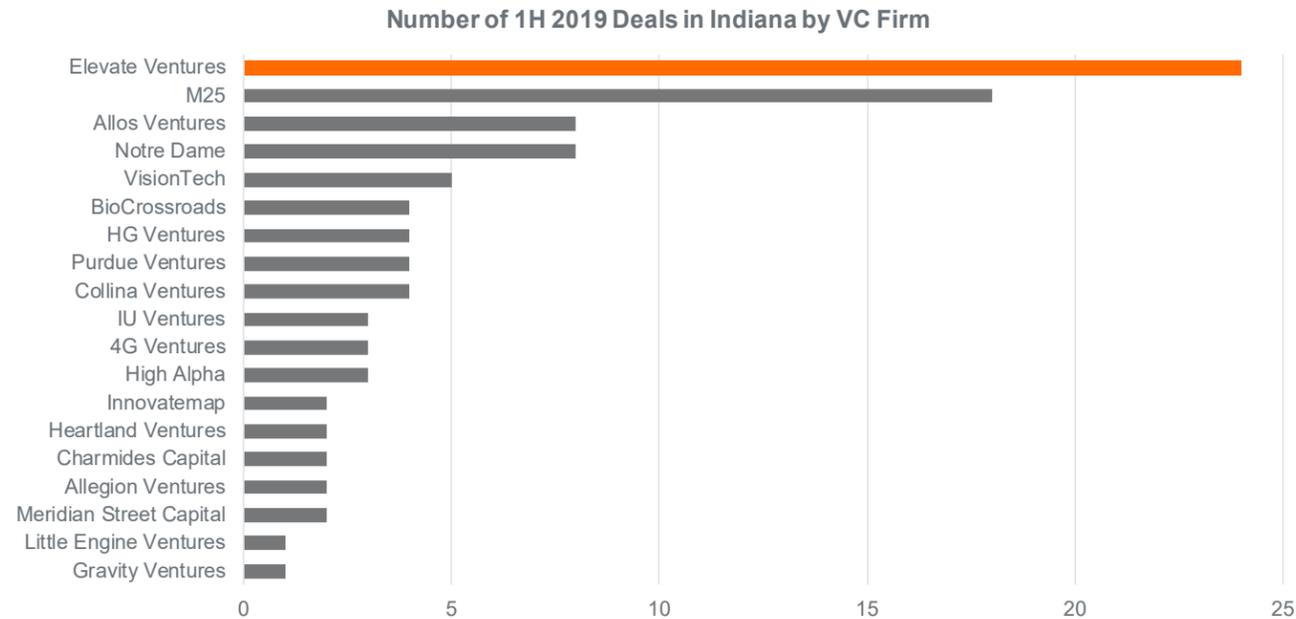
Note: Elevate Ventures also manages a portfolio of regional High Potential Startup Grant recipients, Indiana SBIR/STTR Matching Grant recipients and Fund-of-Funds companies.



Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

Elevate Ventures continues to be the most active Indiana-based venture capital firm in 1H 2019 with a total of 24 direct deals. This Indiana-focused activity has allowed Elevate Ventures to participate in nearly 50% of reported deals so far.

M25, an early-stage venture firm based in Chicago and investing solely in companies headquartered in the Midwest also accounted for a large portion of venture capital activity in 1H 2019 in Indiana.

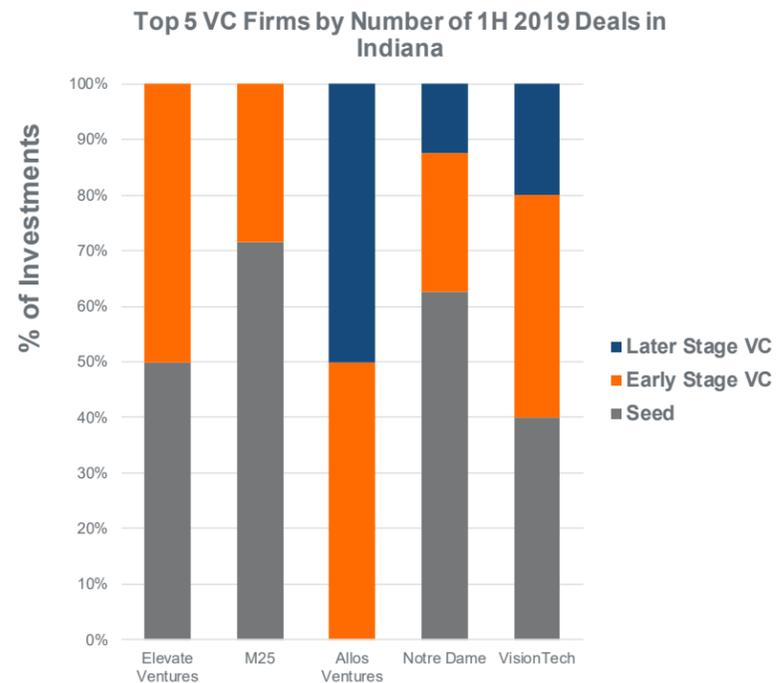


Source: PitchBook Data Inc., Elevate Ventures Proprietary Data

## Most Active Firms by Deal Stage

The following chart presents the 2019 distribution of investments for the top five most active venture capital firms based on the number of deals in Indiana. Elevate Ventures, M25, Notre Dame and VisionTech tend to focus on Seed and Early Stage deals while Allos Ventures has invested in Early and Later Stage deals.

Source: PitchBook Data Inc., Elevate Ventures Proprietary Data



## Conclusions

Indiana is off to a promising start in 2019, following a strong performance in 2018. The state has seen growth across the board in the number of venture capital investments, fueled by a developing venture community. Seed and early-stage deals continue to account for a significant portion of activity in the state. These early-stage opportunities are a positive indicator of a developing startups and scale-ups pipeline.

According to PitchBook Data, Inc., later stage deals, particularly mega-deals (over \$100 million), are becoming more common. There is more capital available and companies attempt to delay exits in anticipation of higher valuations. In comparison, the amount of capital deployed in early and later stage deals remains low in Indiana. Average deal sizes across the board have not seen significant growth. This largely reflects the developing nature of our overall venture activity pipeline – in other words, we have a lot of startups but not a meaningful number of scale-ups ready to attract large venture capital rounds (over \$50 million).

Indiana still has a lot of work to do. Venture development takes time and collaborative effort among community stakeholders – technology, talent, capital and policy. Elevate Ventures remains committed to that effort.

Elevate Ventures  
 2019 Q1 #11 Globally for Early Stage Investments  
 2019 Q1 #1 Across all Stages for Great Lakes  
 2019 Q2 #13 Globally for Early Stage Investments  
 2019 Q2 #1 Across all Stages for Great Lakes

Source: PitchBook League Tables



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](http://elevateventures.com). Find Elevate Ventures on: Twitter @ElevateIN, LinkedIn, Facebook