



2018 Indiana

**VENTURE
REPORT**

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Overview

The Elevate Ventures 2018 Indiana Venture Report is an assessment of venture investment activity in Indiana for the calendar year. This activity is compared across different sectors, firms and stages. Indiana’s economic opportunities and venture capital activity are also compared to other Great Lakes and Midwest states: Illinois, Kentucky, Michigan, Minnesota, Ohio and Wisconsin. PitchBook Data Inc., a database of private capital markets including VC, PE and 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 data from the U.S. Census Bureau, the Bureau of Economic Analysis, Tax Foundation, Crunchbase Inc. and the Missouri Economic Research and Information Center.

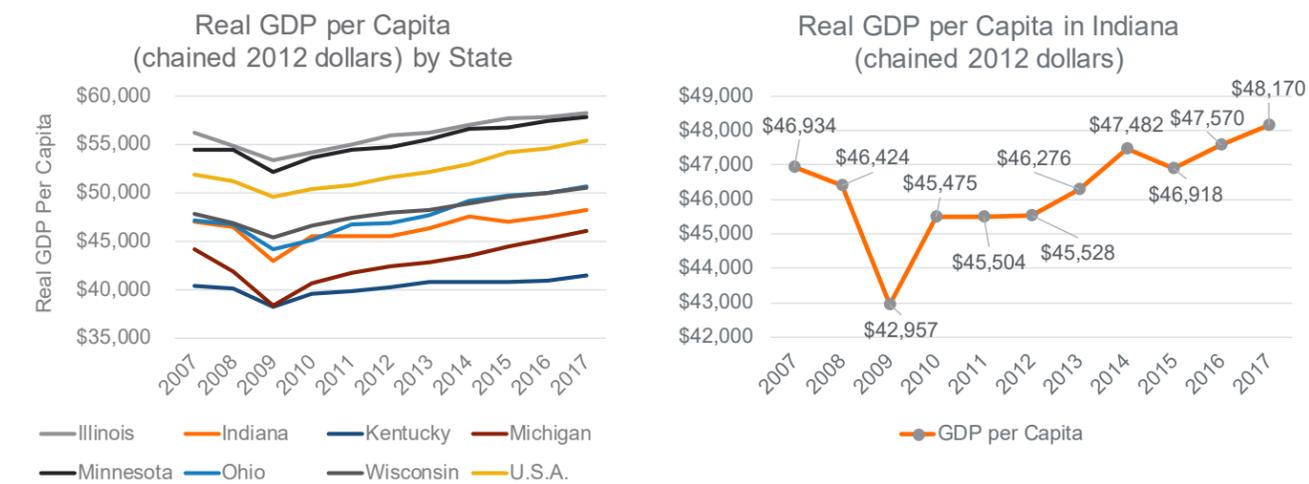
Indiana’s Growing Economy

Indiana has the 5th highest real GDP per Capita out of the seven states in the Great Lakes and Midwest regions. Indiana’s real GDP per Capita (based on chained 2012 dollars) was estimated to be \$48,170 in 2017. Chained dollars is used as a method for adjusting real dollars for inflation over time.

Indiana’s real GDP per Capita has experienced growth over the last eight years, following an 8% drop between 2007 and 2009. All seven Great Lakes and Midwest states saw the largest drop over the last decade in 2009. This growth is especially promising considering the fact that Indiana’s population has increased roughly 3% since 2009 while real GDP has increased more than 12%. 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, particularly Indiana which took one of the largest drops in real GDP in 2009 compared to other states in the region. A combination of factors including decreased unemployment and growth in the private sector have helped Indiana and other Great Lakes and Midwest states sustain growth over the last decade.

On a relative basis, Indiana’s real GDP growth in the last decade has not outpaced other Great Lakes and Midwest states.



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

Indiana’s Value for Business

Indiana has one of the lowest average costs of living in the country, ranked 9th out of 50 states. Indiana is ranked 2nd lowest among Great Lakes and Midwest states, behind Michigan. The table below presents general cost-saving opportunities that Indiana has to offer, with indices well below the national average in all categories.

Indiana’s overall average cost of living is 10% below the national average. Indiana’s housing index, in particular, is an impressive 24.5% below the national average.

2018 Q2 Cost of Living Indices – Indiana								
State	Rank	Index	Grocery	Housing	Utilities	Transportation	Health	Misc.
Indiana	9th	90	90.1	75.5	97.4	99.4	96.2	96.3

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

Indiana has a favorable corporate tax environment compared to other U.S. states and specifically 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 among the Great Lakes and Midwest states.

Indiana also offers a Venture Capital Investment (VCI) tax credit that provides additional incentive for investment in early-stage companies. Minnesota, Kentucky and Wisconsin offer similar tax-credit programs. Investors who provide qualified debt or equity capital to Indiana companies receive a credit against their Indiana tax liability (20% or \$1M).

Source: 2019 State Business Tax Climate Index (taxfoundation.org/state-business-tax-climate-index-2019/)



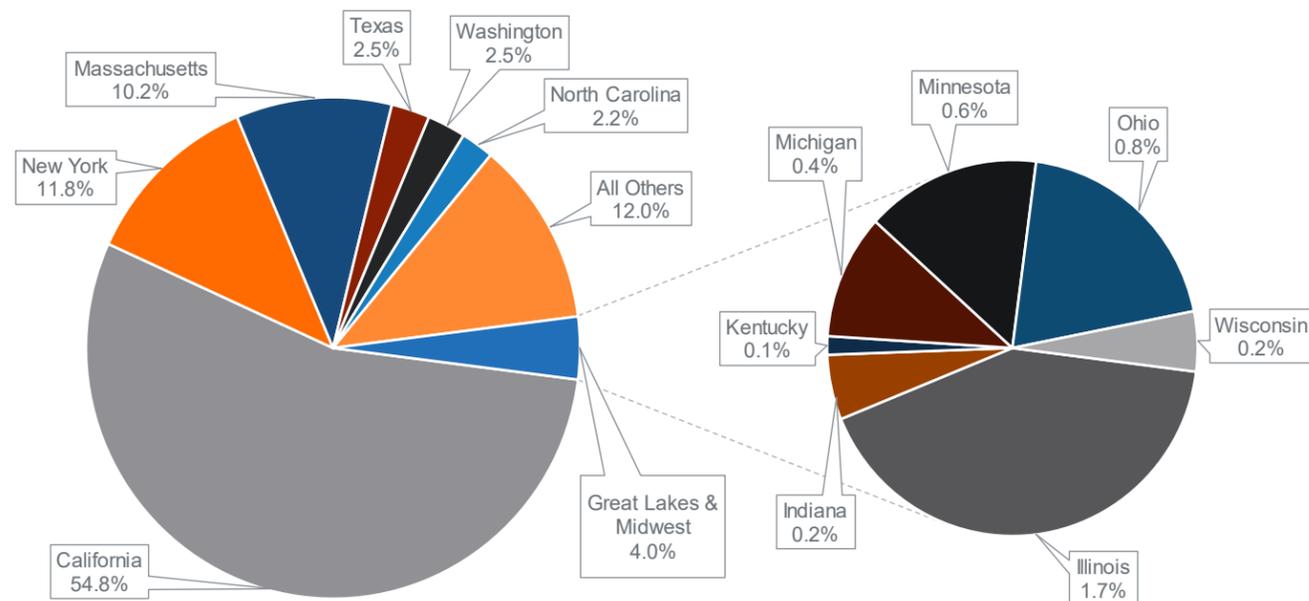
Note: A rank of 1 is best, 50 is worst.

National Venture Capital Trends

A total of \$112.2 billion in venture capital was invested in the U.S. in nearly 7,000 companies in 2018.

California, New York and Massachusetts led 2018 with 77% of all venture capital dollars. Indiana accounted for 0.22%

Venture Capital Invested in 2018 – U.S.



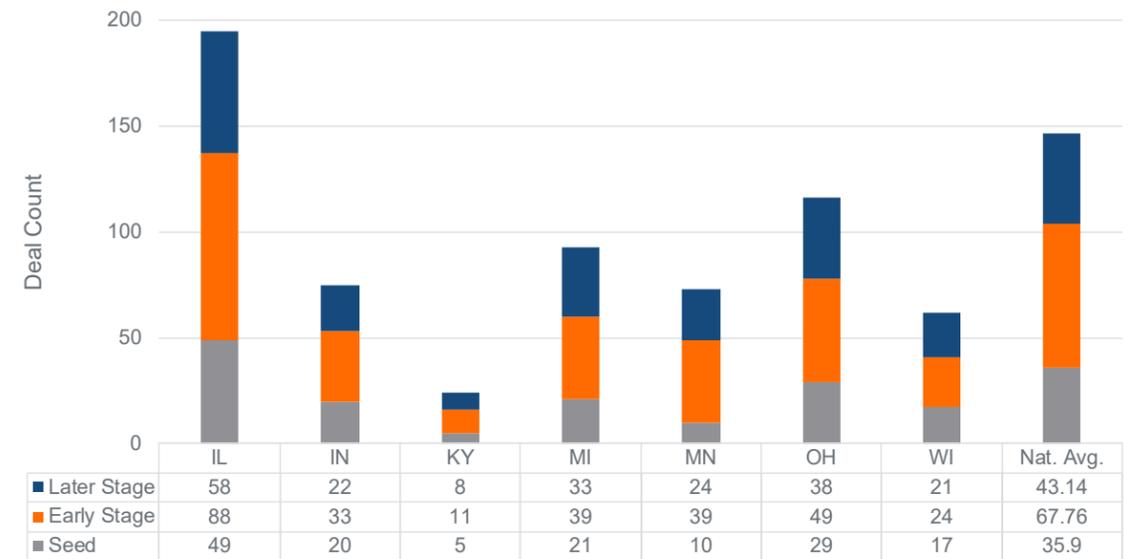
Source: PitchBook Data Inc.

Indiana's Venture Capital Community

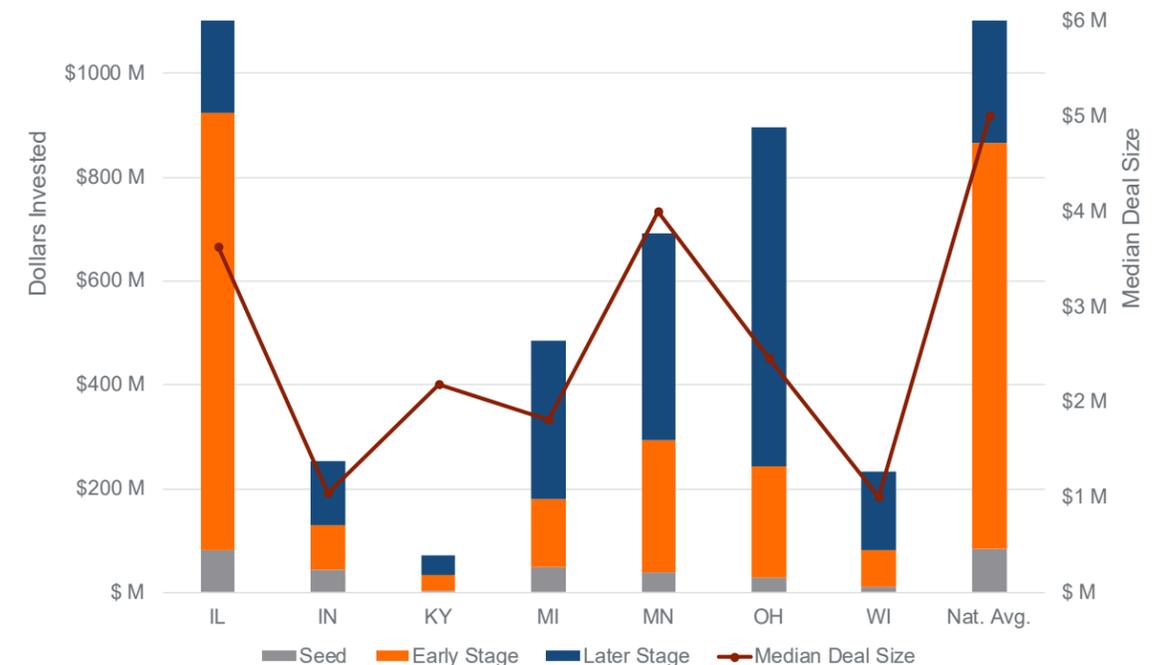
75 venture capital deals were reported in Indiana in 2018. This is the 4th highest number of deals reported out of all seven Great Lakes and Midwest states.

Venture capital deals in Indiana totaled \$253 million with a median deal size of \$1.05 million and an average deal size of \$3.4 million. "Venture capital deals" only include Seed Round, Early-Stage and Later-Stage VC deals, based on the deal type reported by PitchBook Data Inc.

VC Deal Count by State – 2018



VC Dollars Invested by State – 2018



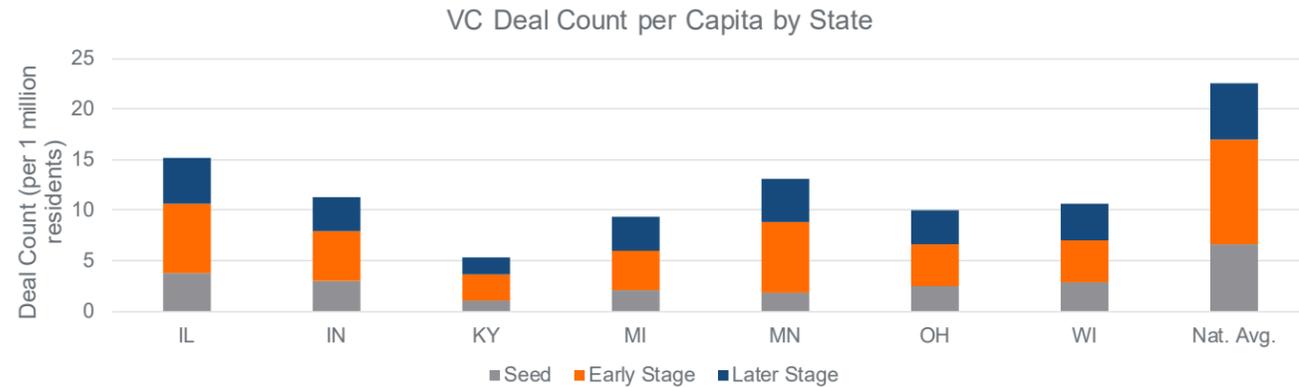
Source: PitchBook Data Inc.

Deals per Capita

The table below controls for population of each Great Lakes and Midwest state. The vertical axis represents venture capital deals in 2018 per 1 million residents.

After controlling for population, Illinois still leads the Great Lakes and Midwest states with a combined rate of 15.2 VC deals per 1 million residents.

Indiana was ranked 3rd among Great Lakes and Midwest states in 2018 with a combined rate of 11.2 VC deals per 1 million residents.

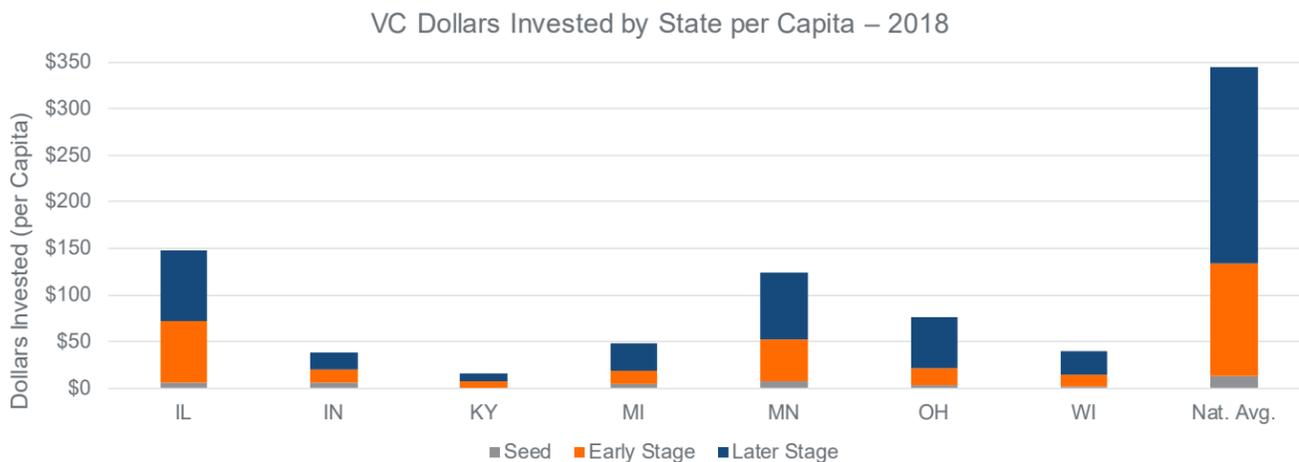


Dollars Invested per Capita

The table below controls for population of each Great Lakes / Midwest state.

The vertical axis represents venture capital dollars invested in 2018 per person. For example, Indiana reported a combined rate of \$38 invested per person in 2018. Illinois leads the Great Lakes and Midwest states in dollars invested after controlling for population. In 2018, nearly \$150 in venture capital was invested per person.

Indiana has performed average compared to other states in the region, though significantly lower than Illinois and Minnesota when controlling for population. There is a large opportunity for improvement here in Indiana, and an even larger opportunity compared to the national average dollars invested per capita.



Distribution of VC Deals in Indiana 2018

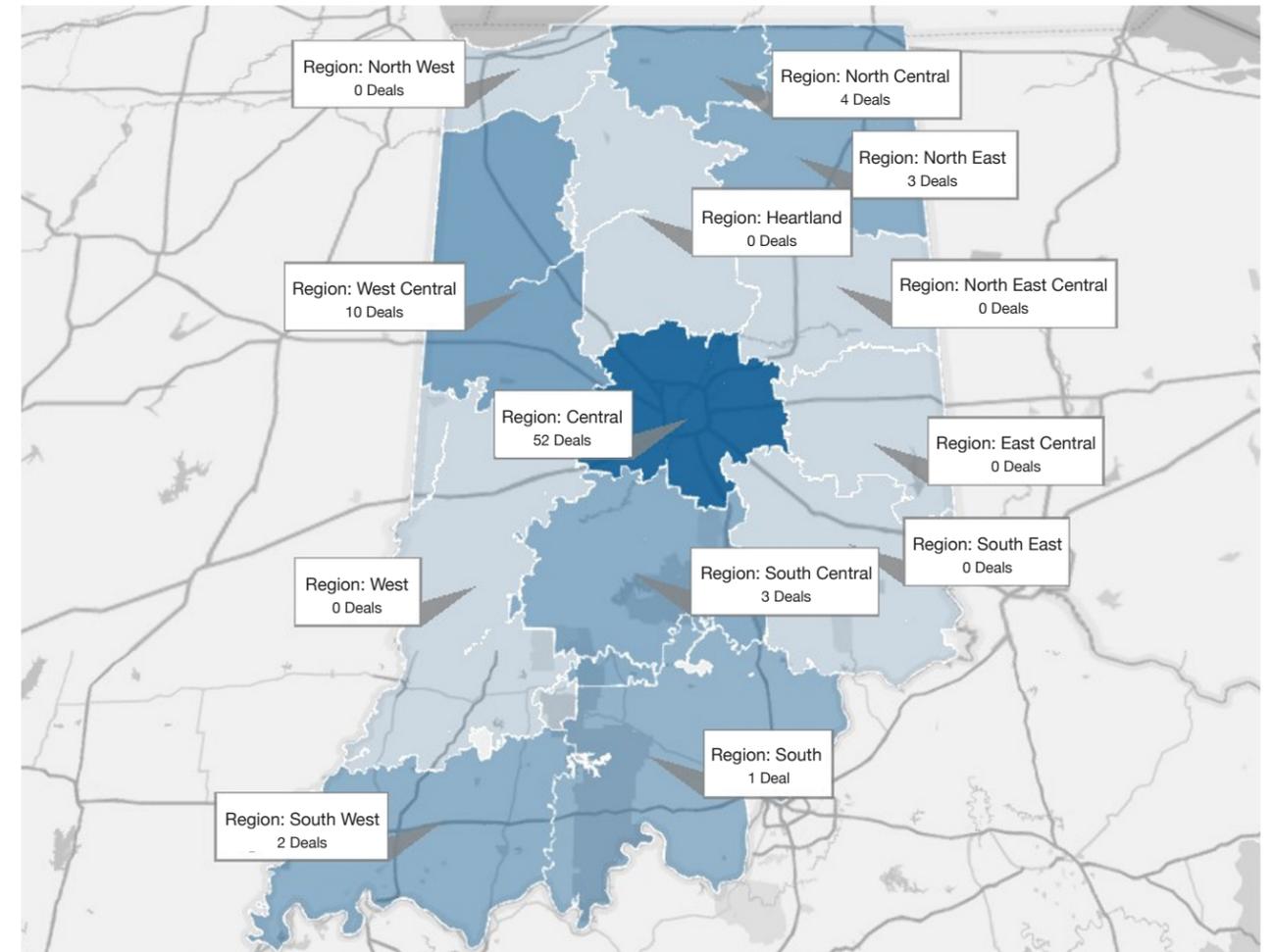
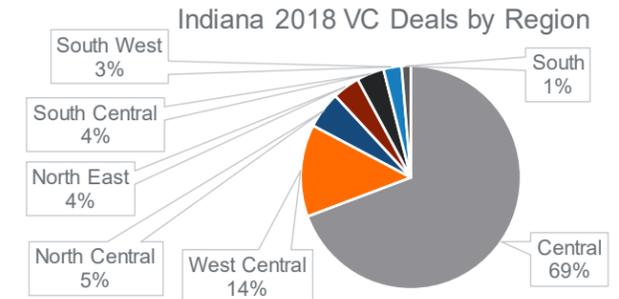
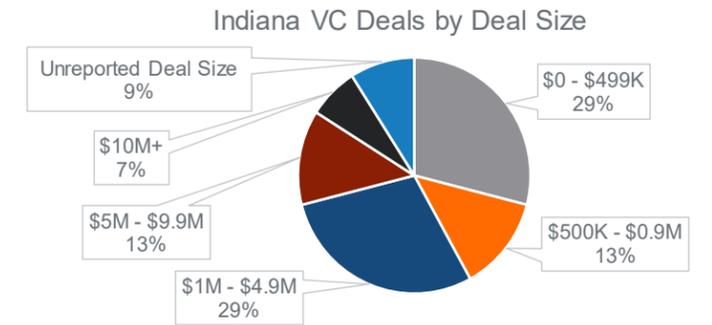
The highest number of Indiana VC deals were below \$500k (22 deals) and \$1M-\$4.9M (22 deals).

- 10 deals were \$500K-\$0.9M
- 10 deals were \$5M-\$9.9M
- 5 deals were \$10M+
- 6 deals were unreported deal sizes

72% of all VC deals reported in Indiana in 2018 were less than \$5 million.

Over 70% of 2018 VC deals in Indiana were in the central region, which includes Marion County and several surrounding counties.

Source: PitchBook Data Inc.

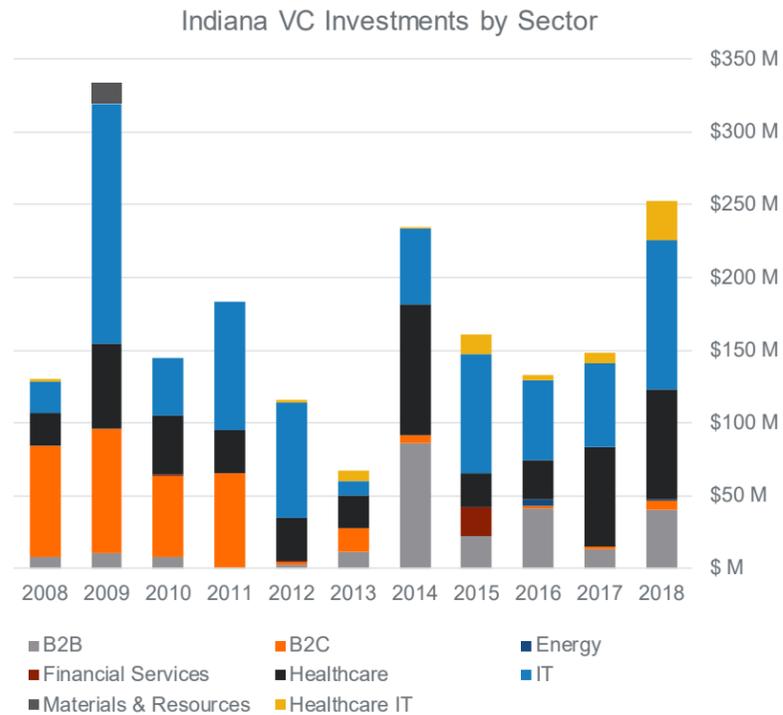


Distribution of VC Invested Capital in Indiana

The IT industry accounted for the largest portion of venture capital dollars invested in Indiana in 2018, over 40% of all VC dollars in the state. The Healthcare industry followed closely behind with over 30% of VC dollars in Indiana.

The Healthcare IT industry (primarily comprised of healthcare technology systems) accounted for 11% of venture capital dollars invested in 2018. 2017 had a lower percentage (5%) but 2018 recorded the highest level over the last decade.

Less than 1% of venture capital dollars (\$250K) were directed to the energy sector in 2018. B2C businesses saw high investment dollars between 2008 and 2011, but have also failed to receive as high of a percentage of dollars since then.



Notable Indiana VC Deals

Top 10 Indiana Venture Capital Deals (2018)			
Company	Sector	Deal Size	Deal Type
On Target Laboratories*	Healthcare	\$44.0 million	Series B
Springbuk*	IT	\$20.0 million	Series B
MetaCX	IT	\$14.0 million	Series Seed
Zylo	B2B	\$9.3 million	Series A
Emplify	B2B	\$7.5 million	Series B
Hc1.com*	Healthcare	\$7.0 million	Series B
DemandJump	B2B	\$6.0 million	Series A
PERQ*	IT	\$5.5 million	Series Seed
PactSafe*	IT	\$5.5 million	Series A
Nanovis*	Healthcare	\$5.5 million	Series Seed

Source: PitchBook Data Inc. *Included Elevate Ventures investment

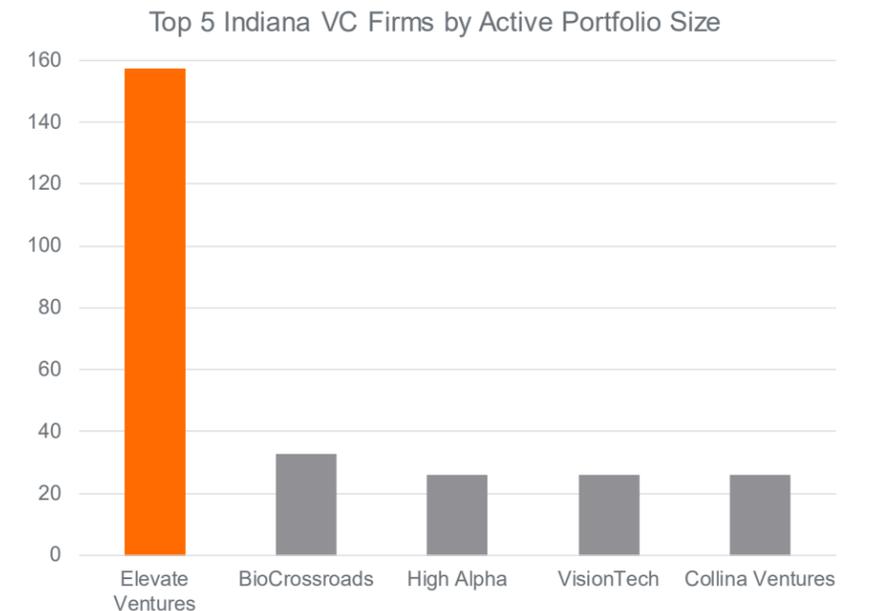
Most Active Indiana Investors

Elevate Ventures has the largest direct equity investment portfolio in the state of Indiana with 157 total companies.*

Elevate's predominant deal types:

- Seed
- Early Stage VC

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

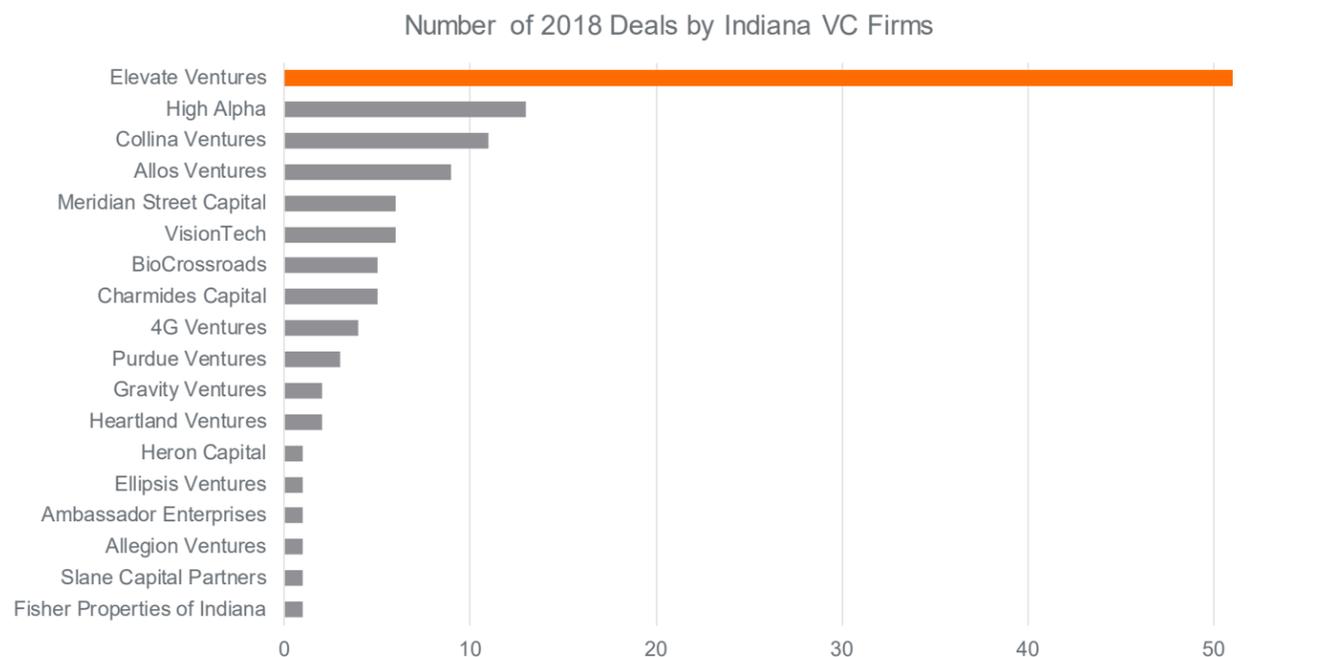


Source: PitchBook Data Inc.

2018 Most Active Indiana VC Firms

Elevate Ventures was the most active Indiana-based venture capital firm in 2018 with a total of 51 direct equity deals.

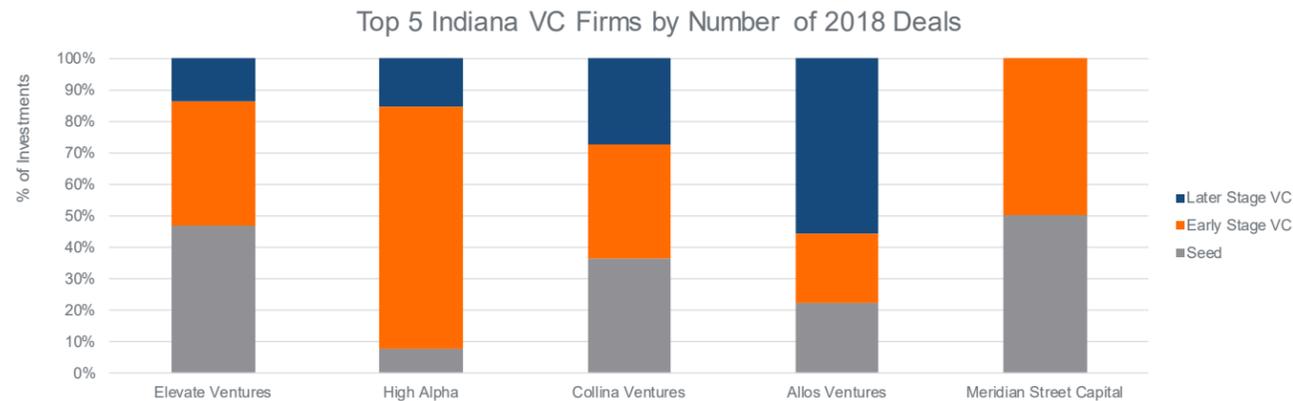
Elevate Ventures participated in over 67% of reported Indiana VC deals in 2018.



Source: PitchBook Data Inc.

Most Active VC Investors in Indiana by Deal Stage

The following chart illustrates the 2018 distribution of investments for the top five Indiana-based venture capital firms based on the number of deals in 2018. Elevate Ventures' investments were split primarily between Seed Stage investments and Early Stage VC investments: 24 Seed and 20 Early Stage. Seven Elevate Ventures investments were made in Later Stage deals.

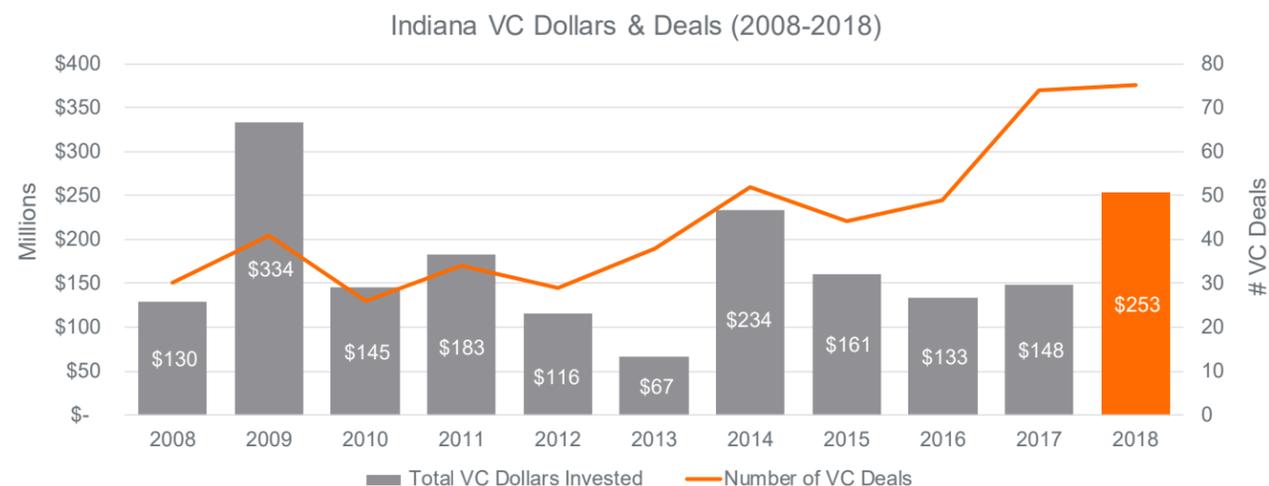


Source: PitchBook Data Inc.

Dollars per Deal in Indiana

2018 had one of the lowest venture capital dollars-per-deal since 2008 at \$3.4 million/VC deal. The number of deals has been trending up over the last decade, but total dollars invested has fluctuated. The number of deals has been trending up over the last decade, but total dollars invested has fluctuated.

2009 saw the highest dollars invested per VC deal over the last 10 years, with a rate of \$8.1 million per deal. 12 of the 41 deals in 2009 were > \$10 million as opposed to six deals in 2018. \$140 million raised by ExactTarget in 2009 likely skewed the data for that year since it accounted for over 40% of all venture capital dollars raised in Indiana in 2009.



Source: PitchBook Data Inc.

Conclusions

According to Pitchbook Data Inc., U.S. venture valuations are rising across all stages including higher valuations in angel and seed rounds. Venture capital activity in the Midwest and Great Lakes region appears to be following a similar growth trend that has been observed across the country. Indiana also saw VC investment growth in 2018 compared to 2017. Fueled by several larger deals, total VC investment was up nearly 70% from 2017, though this has fluctuated over the last decade here in our state.

Despite national, regional and local venture investment growth, Indiana still captures a very small piece of the aggregate venture capital share. Nationally, we account for 0.22%. Even in the Great Lakes region, Indiana accounted for 6% of dollars invested in this region, compared to Illinois' 45%.

Furthermore, "dollars-per-deal" in 2018 for Seed, Early and Later Stage VC deals in Indiana were one of the lowest over the last decade even though the number of deals has been relatively trending up. Even though the rate of dollars-per-deal was up compared to 2017, the lower deal sizes signal either an overall constraint on Indiana's venture capital market, a lack of quality in Indiana's overall deal opportunities or a combination of both. A few very large deals have contributed to overall VC investment growth in previous years in Indiana, suggesting the need to further improve the overall deal quality across investment stages in order to maintain a robust investment pipeline for future VC investment.

There is still a lot of work to do, and we are here to serve with you.

- Elevate Ventures
- 2017 Top 10 Most Active Seed VC Globally
- 2018 #1 Most Active VC in the Great Lakes Region
- 2018 Top 3 Most Active Community Impact Funds



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