

**INNOSPHERE VENTURES' REVIEW OF THE
KANSAS VENTURE CAPITAL ECOSYSTEM**

2021

DATA PROVIDED BY  PitchBook.

Introduction

Innosphere Ventures has been working at the intersection of entrepreneurship, venture capital (VC), and economic development for over two decades, and we believe that if we want our local, regional, and national economies to advance, we need to make sure we're doing all we can to support the tech sector. When science and technology startup companies have the resources they need to advance technologies and grow businesses, we see through the data that it's these younger firms that are creating all new net job growth and driving the most coveted job creation in the U.S.

As the world faced the 2020 global pandemic, Innosphere took significant strides to position our organization for more meaningful economic impact by purposefully expanding throughout the Mid-America Mountain Plains Region, and by laying the groundwork to launch a second regional Venture Capital fund. Why? Because as we head into the next decade, we can only be a competitive region if we increase our ability to innovate at an unprecedented level.

In a new report, "Competing in the Next Economy," [The Council on Competitiveness](#) challenged organizations to do more, stating that our nation needs to boost U.S. innovation capacity tenfold. Achieving 10X in anything is challenging, and innovation at scale requires many factors to work in sync.

Innosphere Ventures is dedicated to ensuring that our science and technology startup companies have accessible capital to fuel their growth, because that's how these young companies will start creating jobs and powering the economy. Historically, regions in the U.S. with more available venture capital are the same regions known for driving innovation and being a hotspot for entrepreneurs.

The performance of venture capital, at a national level, has been outstanding over the last several years – with investors and limited partners (LPs) being especially keen in investing in the asset class. Even in the middle of a global pandemic, 2020 was a **record year** for venture fundraising and deployment, with nearly \$80 billion in capital raised for VC funds — with 2021 looking to be on pace to top \$100 billion.

While this is good news for the U.S., a closer look at regional VC trends in 2020 reveals challenges for up-and-coming innovation hotspots such as Kansas:

- An increasing amount of capital is concentrated within large VC funds, and fewer emerging funds have been capitalized in recent years, with 2020 being a low spot since the great recession. This declining number of small VC funds is problematic because they are essential in **leading** investment rounds and investing at the seed and early-stage level.
- An increasing amount of capital is concentrated in coastal regions, leaving companies in Mid-America with scarce availability of local capital.
- The Kansas startup ecosystem has rebounded since the pandemic year, with strong activity in the first half of 2021.

In this environment, the general partners announce our second venture capital fund, *Innosphere Ventures Fund II*, which will positively impact economic growth, accelerate the path to successful exit events, and create returns for investors. We'll accomplish this by investing in businesses in the middle of the U.S. and by supporting entrepreneurs building companies and technologies that matter in today's world.

Enjoy the read,

Mike Freeman, CEO & General Partner
John Smith, General Partner

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Innosphere Fund II could not have been launched without the support of the U.S. Economic Development Administration, the lead sponsor of this report.



Note on methodology: References to investments and funding at the "early stage" consist of angel, seed, and Series A funding rounds. Series B and beyond represent late-stage investment activity. Unless otherwise noted, investments refer to venture capital invested in Kansas-headquartered companies. Figures for summed investment rounds only represent publicly disclosed transactions. *A special thanks to Clayton Castro, Innosphere Associate, for his support in producing this report.*

Kansas Venture Capital Trends

With 21 deals culminating \$99 million in total deal volume in 2020, Kansas closed out the year with a lower than average venture capital investment. However, 2021 has nearly **matched** the total deal volume of the pandemic year, and we're only halfway through the year. This makes 2021 on pace to significantly accelerate the Kansas VC ecosystem.

So far in 2021, the two largest deals came from [Replica](#), a digital software company that raised \$41 million in the spring, and [Artio Medical](#), a healthtech company that raised a little over \$20 million this year.

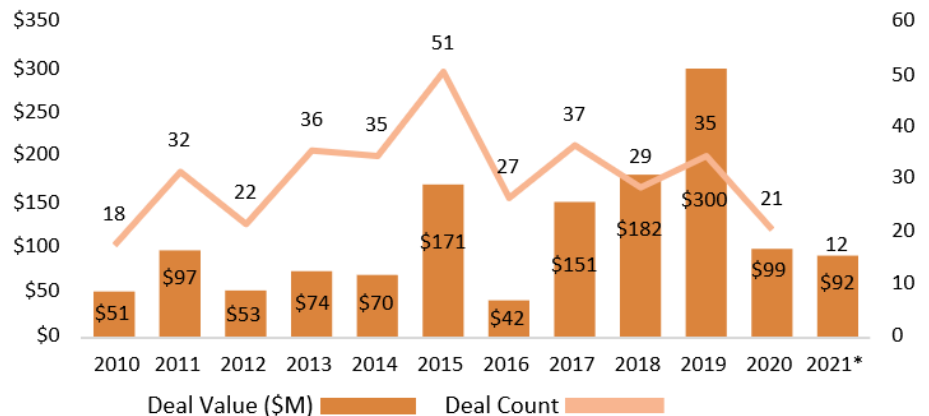
Back in 2019, Kansas experienced the highest level of venture capital activity that the state had seen in the past decade, with an impressive 35 deals and a grand total of \$300 million in cumulative value. Much of 2019's deal value came from the [C2FO](#) mega-deal, in which the startup raised \$200 million in a late-stage investment.

Year to date, 2021 has produced 12 different deals for a combined \$92 million in deal value.

While early-stage activity in Kansas has been comparatively limited throughout the years, 7 of the 12 deals this year were from early-stage companies that had a cumulative value of \$28 million, proving that early-stage companies have had a strong showing in Kansas in the first half of the year.

During the pandemic year, very few deals were executed with only 10 occurring within the entirety of 2020, so it's great to see the 2021 data showing a strong rebound during the first half of 2021.

Kansas VC Deal Activity

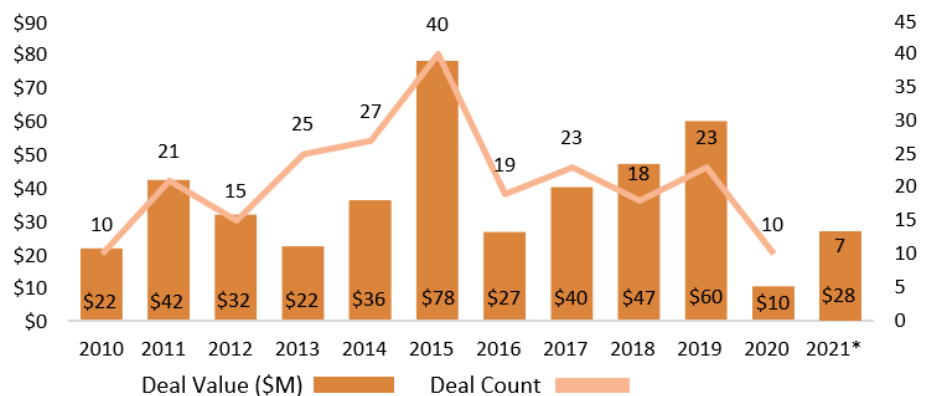


Kansas Early State Investments

Angel, Seed, and Series A Activity

The Kansas VC ecosystem has been incentivized in recent years with the creation of the [Kansas Angel Investor Tax Credit Program](#) that's run through the Kansas Department of Commerce.

The program aims to increase funding of startup companies by offering lucrative tax credits for those who apply to the program and is meant to bridge the gap between startup companies who are unable to find funding with individuals looking to invest in Kansas. In the spring of 2021, the program was extended for another five years to increase the incentives for Angels to invest in Kansas.



"The Angel program exists to support small start-up businesses [...] we hope it will encourage more start-ups to apply and make it easier for Kansans to invest in promising new businesses."

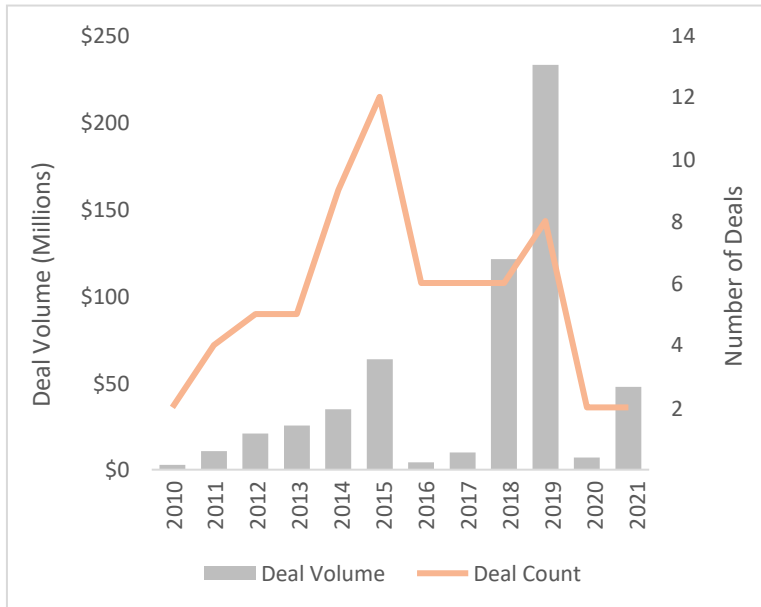
Lieutenant Governor / Secretary of Commerce David Toland

Source: PitchBook | *As of July 10, 2021

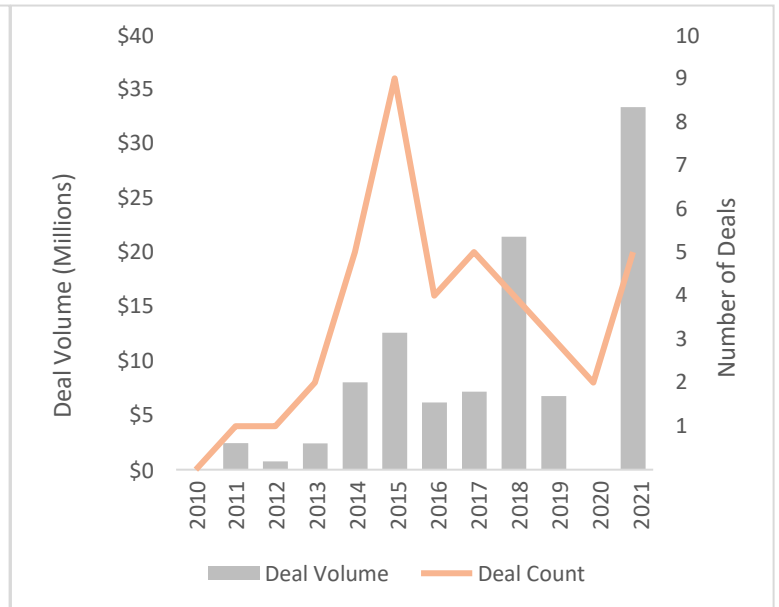
Unless otherwise noted, the geographic scope of these datasets is the U.S. State of Kansas

Kansas VC in Depth

SaaS deals decrease from 2019 Kansas SaaS VC deal activity



HealthTech deals hit a new high Kansas HealthTech VC deal activity



Source of graphs and chart: PitchBook | *As of July 10, 2021

Notable Investors in Kansas

The 10 most active Kansas-based investors are primarily all geographically close to Kansas City, with the exception of Manhattan and Wichita.

Investors	HQ Location	Active Portfolio
Stray Dog Capital	Leawood, KS	37
Firebrand Ventures	Kansas City, KS	29
Leawood Venture Capital	Leawood, KS	26
Konza Valley Capital	Overland Park, KS	25
K-State LAB	Manhattan, KS	23
Koch Disruptive Technologies	Wichita, KS	21
Nueterra Capital	Leawood, KS	18
Flyover Capital	Overland Park, KS	13
Kansas Bioscience Authority	Olathe, KS	13
Mid America Angels	Fairway, KS	12

Stray Dog Capital

Based in Leawood, KS, Stray Dog Capital is a Venture Capital firm that invests regularly in biotechnology and the food-technology industries. They primarily target and invest in early-stage companies that have innovative solutions for a more sustainable future. <https://straydogcapital.com>

Firebrand Ventures

Founded in 2016, Firebrand Ventures is a venture capital firm that seeks to invest in technology startups with a primary focus in software. The firm has the second largest active portfolio in Kansas, with the majority of investments being early-stage. <https://www.firebrandvc.com>

Innovation-driven Universities

Wichita State University

[The Office of Tech Transfer and Commercialization \(TTC\)](#) at Wichita State University has multiple resources for commercializing technologies and bringing ideas to life. TTC is solving real-world problems by meeting at the junction of academics and industry. Wichita State serves as Kansas' only urban-serving research university.

The University of Kansas

[KU Center for Technology Commercialization](#) is a campus affiliated organization designed to create economic development and job growth. It is designed to bring innovation into the marketplace through research, intellectual property protection, as well as business guidance.

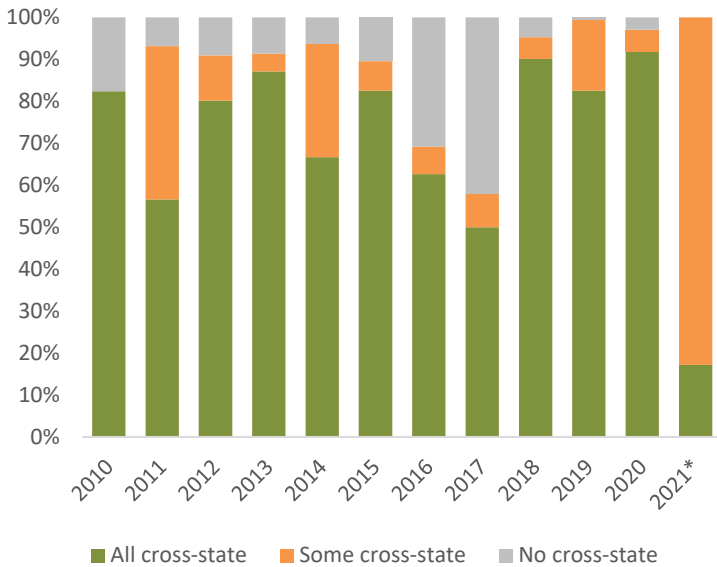
Kansas State University

Kansas State University is a considerable supporter of innovation with multiple on campus organizations pushing these bounds. [K-State Innovation Partners](#) is an impressive organization with a goal to collaborate among universities, the community, and industry members to create economic development through the commercialization of various industries and technologies.

Out-of-State Activity Driving Kansas Venture Capital

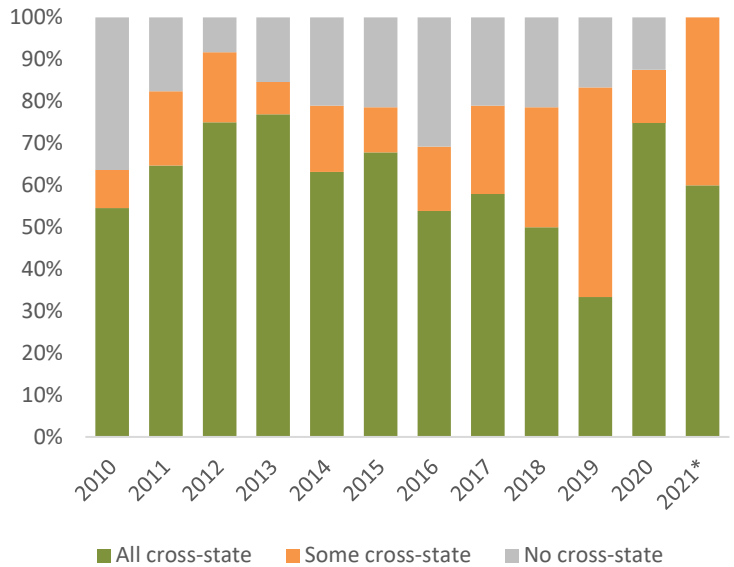
Kansas VC deal activity by cross-state investor involvement (\$M)

KS VC deals (\$M) by investor HQ



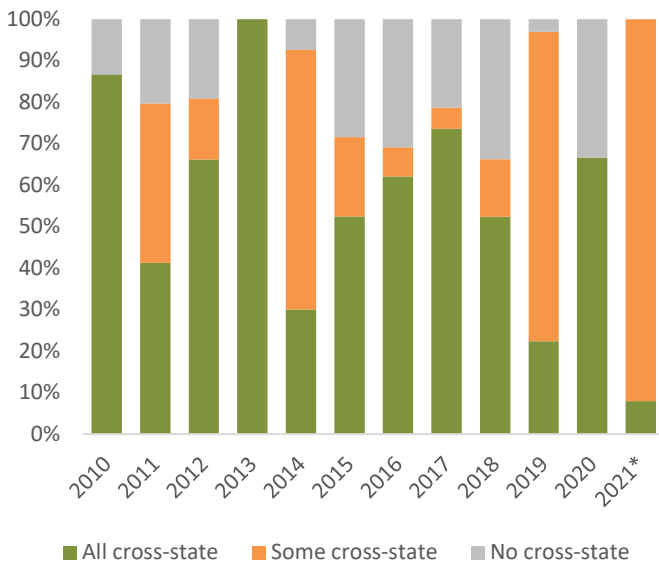
Early-Stage VC investments are supported by cross-state investors

KS VC deals (\$M) by investor HQ

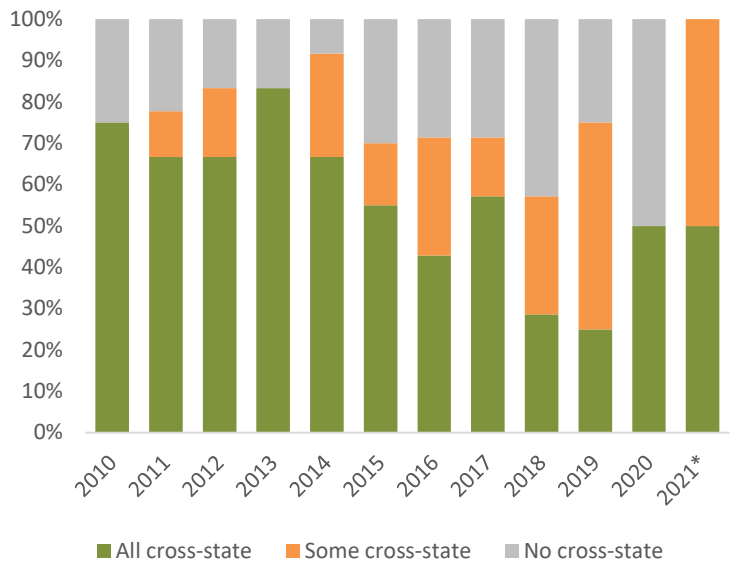


Source: PitchBook | *As of July 10, 2021

Kansas VC deal activity by cross-state investor involvement (#)



Kansas Angel, Seed, & Series A VC deal activity by cross-state investor involvement (#)



Source: PitchBook | *As of July 10, 2021

Local investors and out-of-state investors

In looking at total activity, cross-state investors are heavily involved in the Kansas VC ecosystem at all levels, as cross-state investments play a significant role in deal value and total deal count. In early-stage investments, the same holds true as cross-state investments generally hold a majority of total deal value and number of deals.

Leading seed and series A rounds.

Supporting entrepreneurs building high-tech companies.

Accelerating startup success and the path to a successful exit.



VENTURE CAPITAL FUND

Investing from early stage to exit



INCUBATION & COMMERCIALIZATION PROGRAM

Supporting science and technology startups

Innosphere Ventures Fund is a seed and series A venture capital fund leading investment rounds in B2B companies who are driving innovation in SaaS software, Cleantech and MedTech sectors.

Through active management, a proprietary deal flow, and a proven process for supporting early exit returns for limited partners, Innosphere Ventures Fund is positioned to invest in the most promising founders and high-tech companies in the Mid-America Mountain Plains Region.

Innosphere Ventures is a non-profit incubator that grows the region's entrepreneurial ecosystem by supporting science and technology startups with a specialized commercialization program, a variety of incubation programs, and venture capital.

Mike Freeman, General Partner, Innosphere Fund: mike@innosphereventures.org

Startups are encouraged to apply online: www.innosphereventures.org

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