

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

June 2022

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. We believe that if we want our local, regional, and national economies to advance, we need to ensure we're doing all we can to support the growth of science and technology startup companies. We believe that with the heavy concentration of venture capital on the US coasts, innovative companies in the region go unnoticed and economic advancement is diminished.

Innosphere has taken significant strides to position our organization for a more meaningful economic impact by expanding throughout the Mid-America Mountain Plains. Data shows that when science and technology startup companies have the right resources to advance and grow, these firms create net job growth. Job growth from the firms is the most coveted job creation in the US. We can only be a competitive region if we increase our ability to innovate at an unprecedented level.

At a national level, venture capital performance has been outstanding over the last several years – with investors and limited partners (LPs) especially keen on investing in the asset class. Coming out of the pandemic, Venture Capital posted record-breaking numbers, with VCs fundraising \$128 billion and VC-backed companies raising nearly \$330 billion.

While this is good news for the US, a closer look at VC trends in 2021 reveals challenges for up-and-coming innovation hotspots such as Colorado:

- Although the entire US has seen a boom in VC growth, the top 4 regions (Bay Area, New York, Los Angeles, Boston) control half of the deal counts and nearly three-quarters of the total deal value.
- The number of large funds over \$1 billion continues to increase in the count and control a record amount of the total share of fundraising, while funds below \$50 million are experiencing a decrease in total proportion. 2021 was a record year for VC fundraising, yet most of the benefits were not shared by smaller-sized funds, which are essential for first investments in seed-stage startup ventures and are key in emerging ecosystems.
- The US saw a massive uptick in non-traditional investors eager to gain exposure to Venture Capital deals because it has been one of the best-performing asset classes in recent years. Most notably, Corporate VCs (CVC) share of deal value has continued to surge, with CVCs contributing towards 46.6% of all deal value.
- Colorado has been consistently growing VC activity and has placed itself into a select group of states with more than 400 venture deals. Yet, Colorado still lacks the levels of local VC participation needed to sustain the state as a top VC ecosystem.

We will continue to strive to put Colorado in the top VC ecosystem by investing in businesses in the middle of the US and by supporting entrepreneurs in building companies and technologies that matter in today's world.

We would like to thank the US Economic Development Administration (EDA) for their financial support, as this report would not be possible without their contributions.

Enjoy the report,

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



Note on methodology: References to investments and funding at the "early stage" consist of Series A and B funding rounds. Series C and beyond represent late-stage investment activity. Unless otherwise noted, investments refer to venture capital invested in Colorado-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.

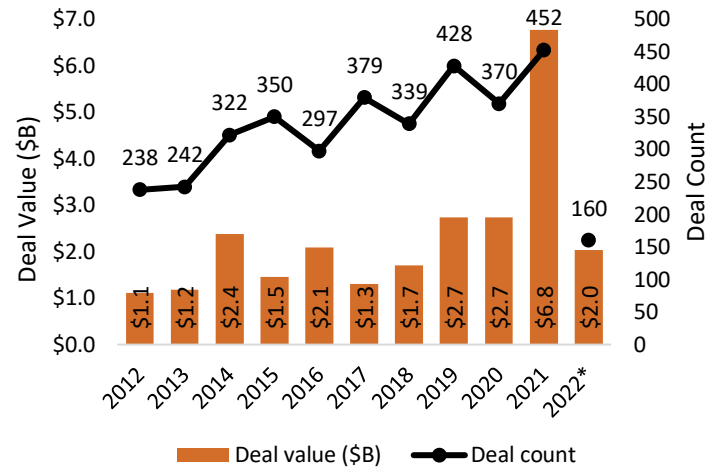
# Colorado VC Activity

In the last decade, Colorado has seen its' Venture Capital ecosystem continue to evolve, with last year closing out with unprecedented levels of venture activity. The state posted over 452 different investments and created roughly \$6.8 billion in cumulative VC deal value, substantially surpassing year-over-year activity in all categories. Compared to the prior year's \$2.7 billion total value across 370 deals, 2021 was incredibly successful for participants within the state. Recent activity is the result of years of developments that have enabled the creation of robust innovation and a business ecosystem that provides a multitude of benefits for founders and investors. Across the country, VC activity also exceeded numerous records, as an increase in favorable investment conditions attracted more significant levels of non-traditional investors and Corporate VCs, eager to gain exposure to Venture Capital opportunities. Colorado certainly did not miss these trends, as the state was one of the select few to post over 400 venture deals and witnessed tremendous developments in all metrics. As of early May 2022, Colorado has already produced \$2 billion in private capital investments, with 159 deals already taken place.

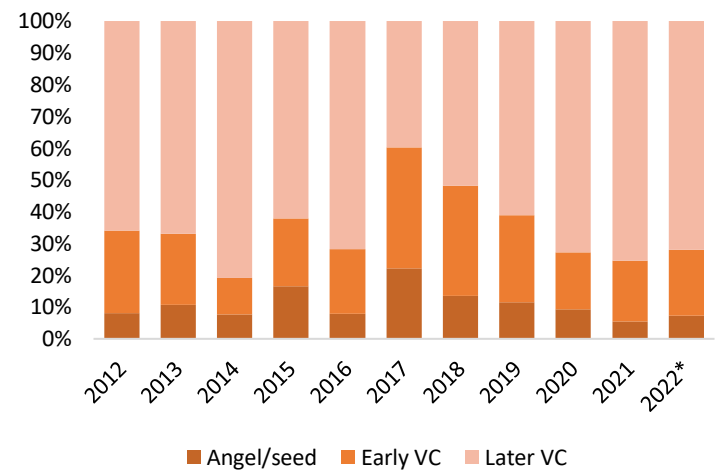
Cumulative value was propelled by later-stage financing rounds, which made up roughly three-quarters of all deal value, adding up to over \$5.1 billion in investments with the help of some mega transactions. [Sierra Space](#), an industrial and space technology group, raised a massive financing round of \$1.4 billion, placing their post-money valuation at an astonishing \$4.5 billion. The next largest deal was [SounderMind](#), developers of a mental health and behavioral science platform that is intended to increase accessibility to therapy and consultancy services. The startup raised \$241 million in their Series C. The increase in Late-stage VC is a significant byproduct of a vibrant early-stage investment ecosystem.

Year-over-year, early-stage VC interest in Colorado has increased by over 2.6x and attracted nearly \$1.3 billion in funding across 84 different terms. Late-stage VC activity saw tremendous jumps in activity posting 153 different deals and a 2.55x increase in total value. Angel investments, an essential backbone of startup communities, also benefitted after experiencing a 33% increase in aggregate value to bring in \$367 million of critical funding. All levels of the startup environment were able to reap the rewards of a highly dynamic investment landscape.

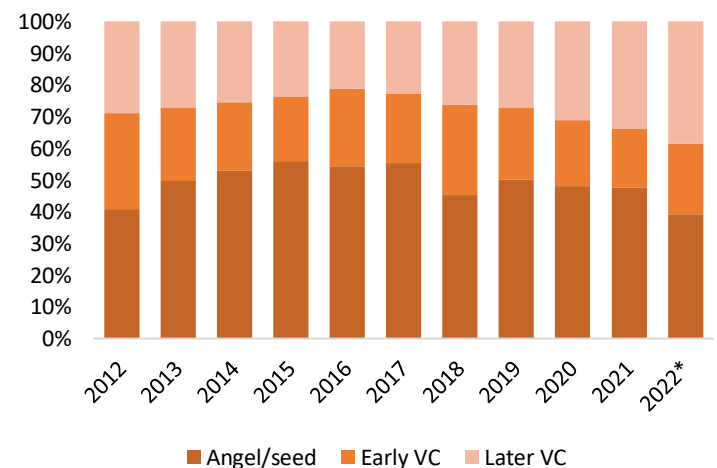
Colorado VC Deal Activity



Colorado VC Deal Activity (\$B) by Type



Colorado VC Deal Activity (#) by Type



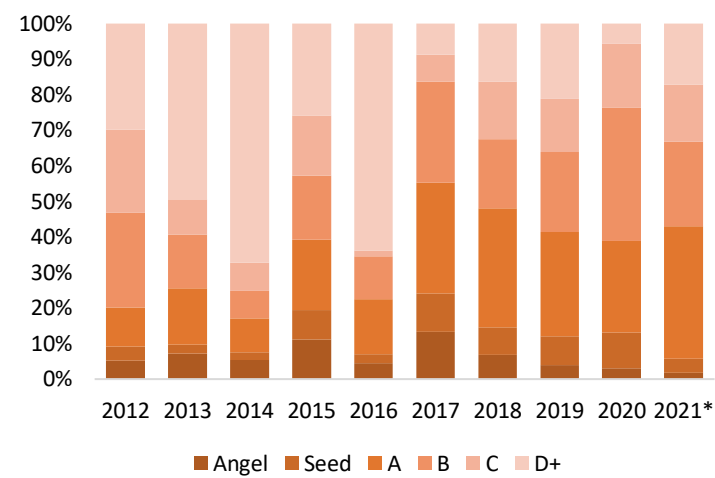
Source: PitchBook | \*As of May 10, 2022

# Colorado VC by the Numbers

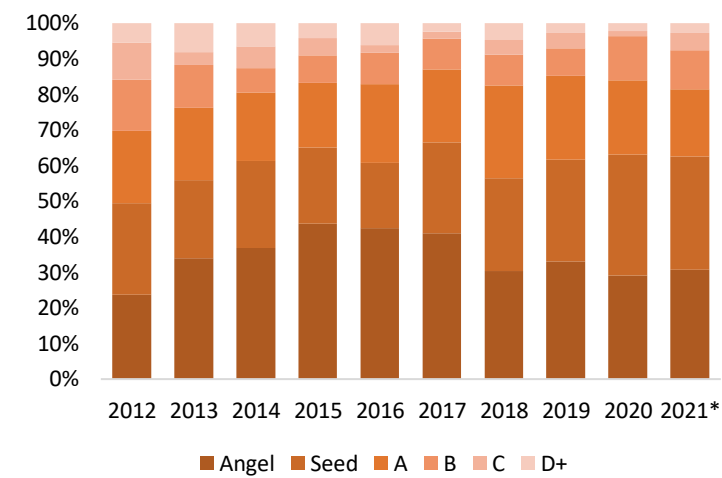
## Investment Breakdown by Series

Diving deeper into investment data, Series A held the highest share of financing value for a specific round, completing 62 deals and producing \$2.3 billion alone. As the Colorado Ecosystem starts to mature, investments in B, C, and D+ rounds are becoming more common, bringing in more capital than the entire state of Colorado did in 2020. Angel and Seed rounds pumped activity levels to all-time highs, with almost half the share of total investments originating in these rounds.

Colorado VC Deal Activity (\$B) by Series



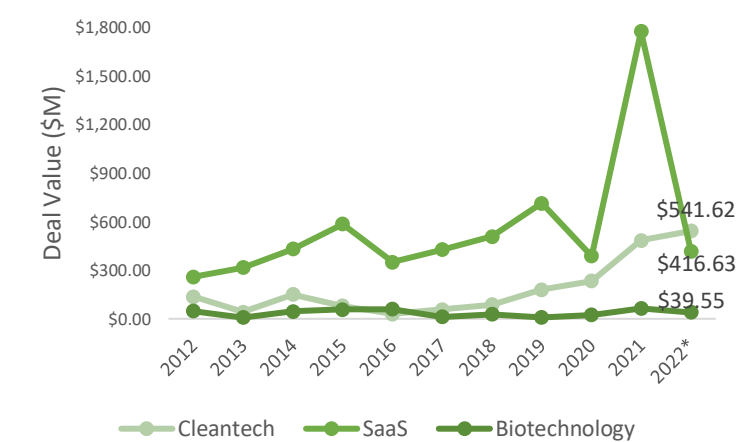
Colorado VC Deal Activity (#) by Series



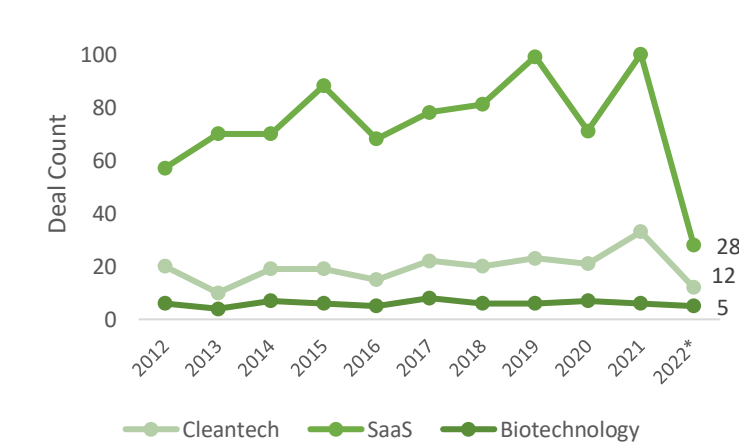
## Prominent Verticals in Colorado

SaaS remains the top vertical in Colorado, generating \$1.8 billion in venture funding. There were more than ten deals exceeding \$50 million, five of which were above \$100 million. Cleantech also posted a strong year itself, breaking the \$500 million dollar barrier in 2021 for the first time. Biotechnology lagged somewhat below the others, as lower investment value and activity levels persisted.

SaaS remains as the driving force for Colorado



SaaS and CleanTech surpass pre-pandemic levels



Source: PitchBook | \*As of May 10, 2022

# Median Deals, Valuations, and Exit Activity

## Median Deal Size

All stages of VC deals saw noticeable increases in their median round sizes, as increased amounts of capital flowing into VC funds and private markets have led to larger deals. Angel and Seed stage median investments topped \$1 million for the first time, a massive milestone for startups. The median deal size for early-stage startups more than doubled to \$6.2 million, while later-stage deals came in at \$8 million.

## Pre Money-Valuations

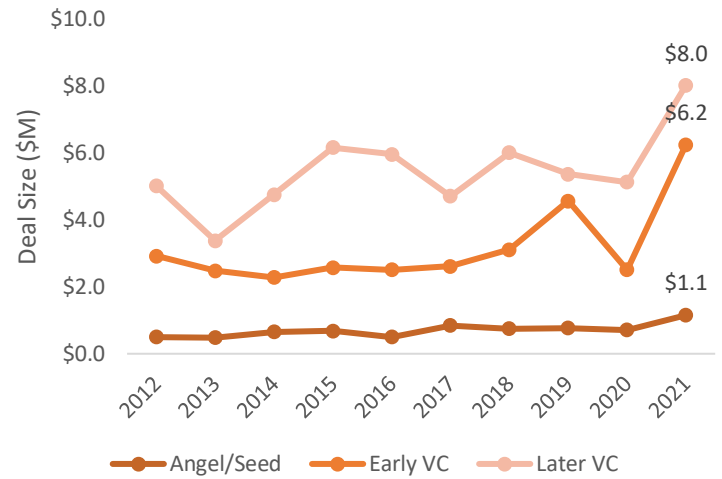
Colorado pre-money statistics give a deeper look into the health of the Venture ecosystem. The median pre-money valuations in later-stage VC deals exploded from \$28 million in 2020 to \$77.5 million in 2021, a massive increase of over 1.76x. Despite the jump in median deal size in early-stage startups, the pre-money valuations in 2021 were surprisingly lower than the prior year. Early-stage pre-money valuations came in at \$23 million for the year, down almost \$5 million. Angel stage pre-money valuations came in at \$7 million.

Comparing Colorado to other notable Venture Capital hubs, the state still falls significantly behind major VC regions like New York, Seattle, and San Francisco, whose median pre-money valuations at all stages are greatly higher than seen in Colorado.

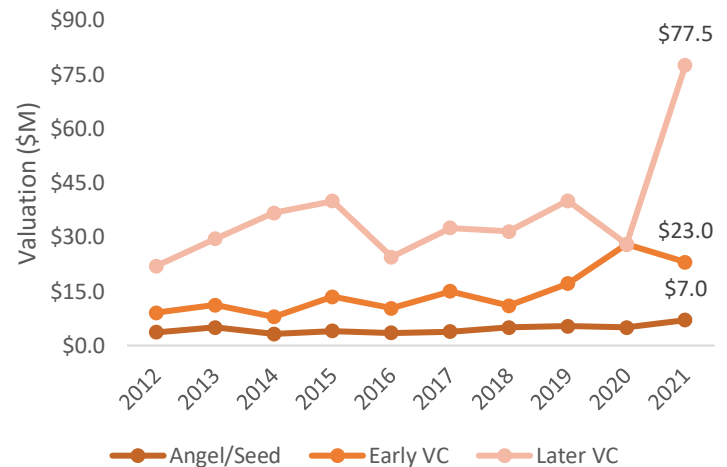
## Exit Activity

Looking only at Venture Capital backed startups, not including any SPACs or exits from PE-acquired companies, Colorado bounced back to 2019's pre-pandemic levels, as 39 different startups completed an exit deal and produced \$2.8 billion of liquidity for investors and founders. The average time needed to exit following the first VC investment has slowed to 4.15 years. The state has not recently produced mega-sized VC-backed IPO's or exits often seen in coastal VC hubs in recent years, apart from Palantir in 2020, which was originally founded in San Francisco. According to Pitchbook, across the US, exits in Q1 of 2022 have declined 82.5% from the prior quarter, and if nationwide trends take place in Colorado, aggregate exit value could see a sizeable reduction in 2022.

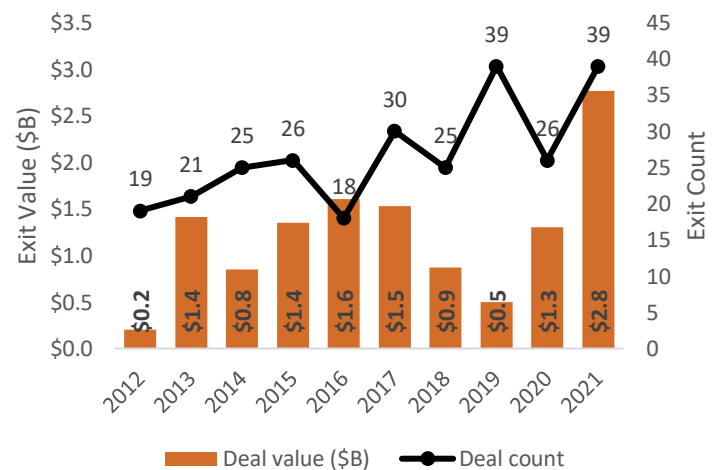
Colorado Median Deal Size (\$M) by Type



Colorado Pre-Money (\$M) by Type



Colorado Exit Activity (\$B)



Note: Excludes Palantir's IPO in 2020  
Source: PitchBook | \*As of May 10, 2022

# Local Ecosystem Players

Colorado Top Early Stage Investors by Deal Count

Investor Name	Investor HQ State	Investor HQ City	Deal Count (#)
Matchstick Ventures	Minnesota	Minneapolis	5
Alumni Ventures	New Hampshire	Manchester	3
Craft Ventures	California	San Francisco	3
2048 Ventures	New Jersey	Princeton	2
Access Venture Partners	Colorado	Westminster	2
ArcTern Ventures	Ontario	Toronto	2
Bain Capital Ventures	Massachusetts	Boston	2
Bowery Capital	New York	New York	2
Caffeinated Capital	California	San Francisco	2
Canard Ventures	Colorado	Boulder	2

1/1/2021 - 12/31/2021

Colorado Top Seed Investors by Deal Count

Investor Name	Investor HQ State	Investor HQ City	Deal Count (#)
Techstars	Colorado	Boulder	15
Service Provider Capital	Colorado	Golden	11
Matchstick Ventures	Minnesota	Minneapolis	8
The Fund	New York	New York	7
Rockies Venture Club	Colorado	Denver	6
FirstMile Ventures	Colorado	Colorado Springs	5
Greater Colorado Venture Fund	Colorado	Telluride	4
Innosphere Ventures	Colorado	Fort Collins	4
Kickstart Seed Fund	Utah	Cottonwood Heights	4
Range Ventures	Colorado	Denver	4

1/1/2021 - 12/31/2021

## Grants by Government Organizations

Research institutions within the state have greatly harnessed the continuous support from federal organizations such as the [National Institute of Health](#), [National Science Foundation](#), and the [Department of Energy](#) have been instrumental in the state of Colorado. The NIH contributions continue to be the most significant, having funded projects focused on medical and health technologies, and in 2021 CU Anschutz was the largest recipient of awards with over \$313 million. All the federal organizations have also provided SBIR and STTR funding awards to small businesses with similar interests, which has been vital to Colorado's science startup boom.

University Name	NIH	NSF	DOE
Colorado State University	\$ 53,026,921	\$ 31,049,000	\$ 7,225,853
Colorado School of Mines	\$ 1,185,157	\$ 23,008,000	\$ 1,836,870
University Colorado Boulder	\$ 49,698,843	\$ 112,402,000	\$ 11,278,545
University Colorado Denver	\$ 313,670,862	\$ 4,048,000	\$ -

Data from FY 2021\*

## Research Institutions and Technology Transfer Programs

### Colorado State University:

Since 2007, [CSU Ventures'](#) goal to develop, market, and license innovative ideas and transform research into commercialized opportunities has launched over 60 different startups. In 2021, the program had 5 startups participating, a total of 62 research patents issued, generated over \$650,000 in proof-of-concept funding, and participants brought in \$4.07million of licensing revenue last year.

### University of Colorado System:

The Anschutz Medical Campus [CU Innovations](#) program focuses on biomedical technologies and clinical validation opportunities that can be directly applied to real-world applications. CU innovations has produced over \$5 billion in economic impact for the state of Colorado and filed more than 2000 patent applications since 2002.

The [Venture Partners at CU Boulder](#) focus on groundbreaking research into innovative solutions that address major world issues. From 2014 to 2018, Venture Partners produced \$1.9 billion in national economic impact, with \$1.2 billion directly impacting the state of Colorado. More than 155 startup ventures have been spun out of campus ideas and have raised over \$2.9 billion in capital funding since 2018.

### Colorado School of Mines:

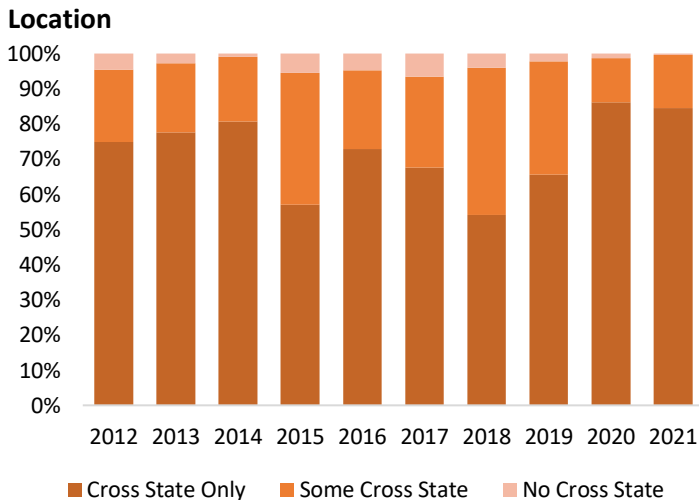
[The Technology Transfer Office at the Colorado School of Mines](#) aims to enhance the commercialization process of academic research produced by faculty and students. With over 60 currently available research and innovative ideas, the program has developed a strong pipeline Informing the research community on all the steps needed to take to successfully launch their ideas. The office also facilitates connections with internal and external partners to assist in the development process.

# Geographic Analysis of Investments

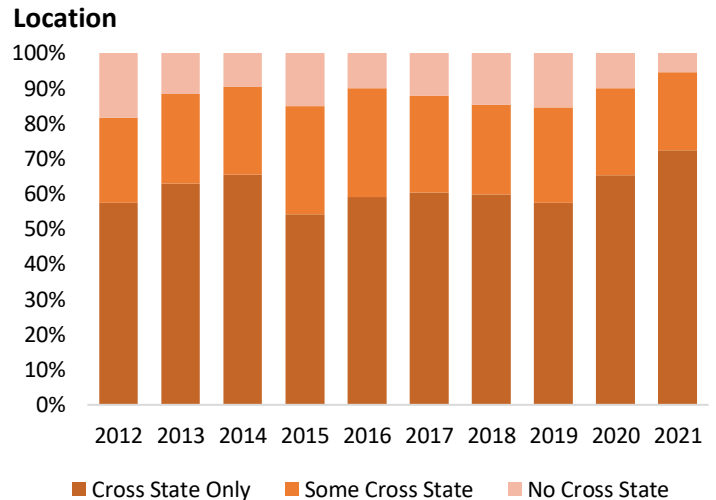
## VC Cross-State activity

While Colorado posted a record number of deals, only a small share of VC activity originated from within the state. Nearly 5% of the 450+ deals came solely from Colorado funds, equating to roughly \$400 million in VC investments. Meanwhile, the remaining \$6.4 billion of the Venture capital activity flowed in from outside the state, with \$5.4 billion being cross-state exclusively. Aggregate amounts for deals with no cross-state engagements have barely grown since 2015 and have been diluted yearly to a smaller relative proportion. 2021 saw record levels of fundraising by VCs across the US, as much of the VC fundraising continually went towards established managers, with around 70% of the total fundraising, these VC firms happen to be in the coastal regions in VC hubs. Even as Colorado benefits greatly from outside engagements, the state can also fall victim to reductions in activity if other states emerge with better and cheaper investment opportunities. Local Venture Capital activity is a key component in the region's innovation activity, as VCs initiate much of the key social interaction between investors and entrepreneurs through networking and other events. Meanwhile, Colorado-based VC investors are deploying their capital outside of the local opportunities and investing in other states. VCs headquartered in Colorado invested \$7.4 billion into other states rather than in Colorado, showing that low local levels of capital is not the issue in improving local Colorado VC engagement.

Colorado Cross State VC deal activity (\$B) by Investor



Colorado Cross State VC deal activity (#) by Investor



## Concluding Analysis

While the Colorado VC ecosystem substantially surpassed 2020's records, the rapidly growing environment is strongly positioned to become a major player outside of the main US coastal VC hubs. Moving forward, it is important for Colorado to develop a stronger local VC presence that can match the demands of the up-and-coming startups and one that is able to compete against remote funding opportunities that have exponentially increased throughout the pandemic.

It will be interesting to watch how Venture Capital investments progress through 2022, as numerous macroeconomic shocks have hit the global economy. Rising borrowing rates and stricter monetary policy have affected valuations and caused turbulence for late-stage startups. A weaker IPO market caused by an extremely volatile public market is delaying many startups from exiting, which in turn is delaying expected returns to investors. Deal count is expected to remain high; however, median deal sizes, valuations, and activity distribution may likely shift. As this is bound to affect every part of the US VC ecosystem, the next year will undoubtedly be a stress test for the Colorado Venture Capital system.



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 continues to grow the region's entrepreneurial ecosystem by supporting science and technology startups with a specialized commercialization program, venture capital, and for entrepreneurs located in Colorado – office and laboratory facilities.

Mike Freeman, General Partner, Innosphere Fund: [mike@innosphere.fund](mailto:mike@innosphere.fund)

Startups are encouraged to apply online: [www.innosphereventures.org](http://www.innosphereventures.org)