

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

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 new job growth. Job growth from these firms is the most coveted job creation in the US. We can only be a competitive nation 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 U.S., a closer look at VC trends in 2021 reveals challenges for up-and-coming innovation hotspots such as Utah:

- 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.
- In 2021, Utah reached new boundaries for venture capital activity, as continued success in SaaS and Fintech verticals in particular pushed venture capital deal and exit activities to record levels.

We will continue to strive to support the Mountain and Plains region 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 Utah-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.

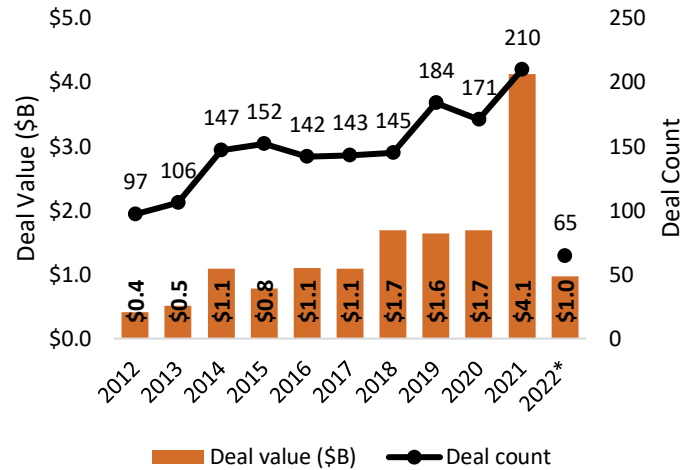
Utah VC Activity

2021 was a tremendous year for the state of Utah's Venture Capital ecosystem, producing over \$4 billion in annual deal value, more than double from 2020. This explosive growth was fueled by a 20% surge in deal activity, bringing the state to 210 total transactions in 2021. After 5 years of stable investment levels just north of the \$1 billion mark in cumulative value, the state broke out and attracted more venture capital funding in 2021 than the entirety of the prior two years combined. Utah-based venture capital firms fundraised \$567.5 million last year and reached a statewide AUM of \$5 billion.

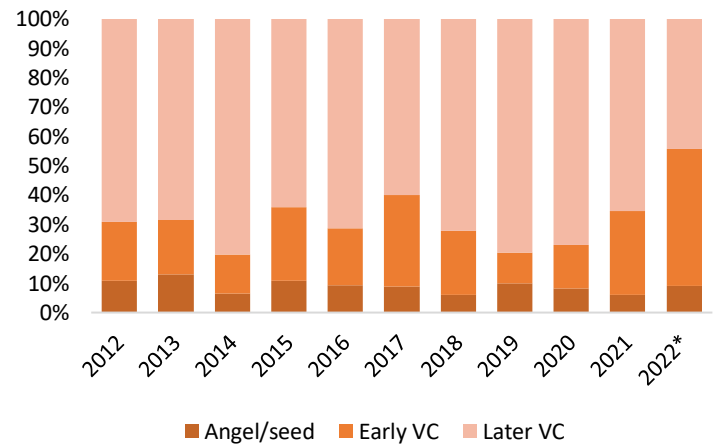
Activity at all levels saw big jumps in value, as all deal types expanded their annual aggregates by substantial margins, primarily driven by an exploding early and late-stage startup environment. Angel and Seed stage investments increased their total to \$200 million across 83 different deals. The state's most significant year-over-year improvement came from Early-stage investments, where annual aggregates more than quadrupled to \$1.3 billion. Late-stage deals boomed to surpass \$2.5 billion in deal value and increased total deal count to 61. As is typical of the funding distributions in many VC ecosystems, late-stage deals controlled roughly 65% of the total deal value. A deeper look into activity shows that angel and seed investments continued to provide the state with a strong base of financing activity; an increase in late-stage deals, which grew by 69% year over year, sent Utah into record breaking territory. Growth of the venture ecosystem has had secondary effects on economic development, according to the US Bureau of Labor Statistics, Utah became the leading state in the nation in non-farm payroll growth from 2009 to 2020. Since 2016, Utah has experienced a boom in technology startups which gave the state its final push to top the national rankings.

Last year in Utah, the largest 10 deals disclosed on PitchBook produced \$1.69 billion in funding alone. The largest deal of the year was raised by [MX](#), a data-driven finance company based in Silicon Slopes, UT, whose \$300 million series C gave the startup a \$1.9 billion valuation. MX has been one of the drivers of the Utah VC ecosystem over the past decade as they have now raised \$451 million in all their Venture funding rounds. The largest early-stage raise was [Breeze Airways](#), based out of Cottonwood Heights, UT, which secured a massive \$198.5 million Series B investment to also place the company valuation at just under \$1.4 billion.

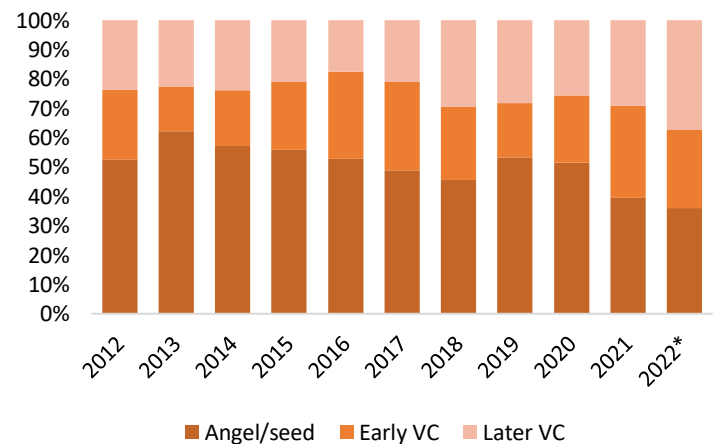
Utah VC Deal Activity



Utah VC Deal Activity (\$) by Type



Utah VC Deal Activity (#) by Type



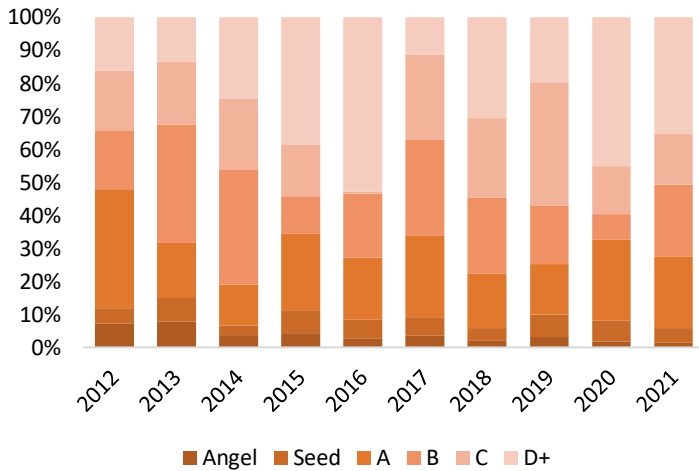
Source: PitchBook | *As of June 3, 2022

Utah VC by the Numbers

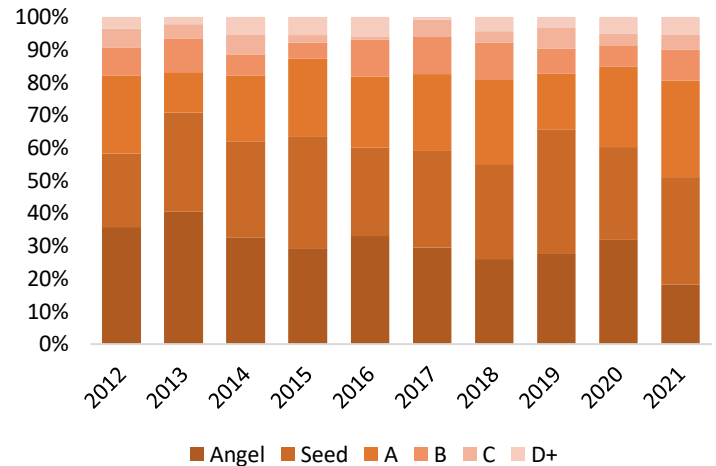
Investment Breakdown by Series

Examining the data by series, D+ rounds have been a major component in driving VC deal value for the past few years. D+ rounds produced over \$1 billion in deal value across 8 different transactions. Year to year, round B had the largest increase in its share of the total value, resulting in just under 20% of the aggregate deal value. Activity in seed and angels held less of the total share of deal count in 2021, as investors are becoming more interested in completing later stage rounds.

Utah VC Deal Activity (\$) by Series



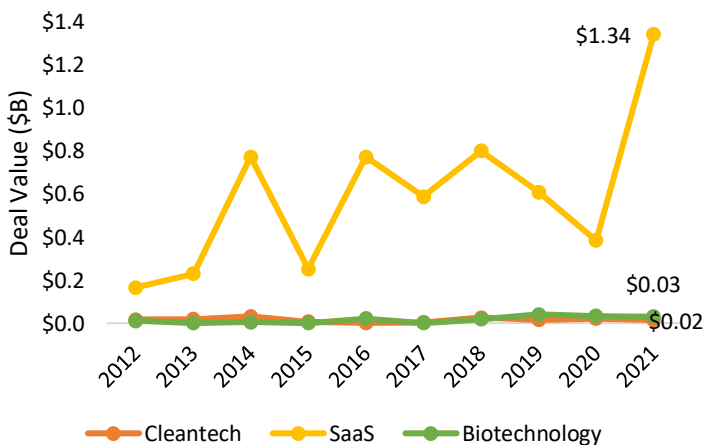
Utah VC Deal Activity (#) by Series



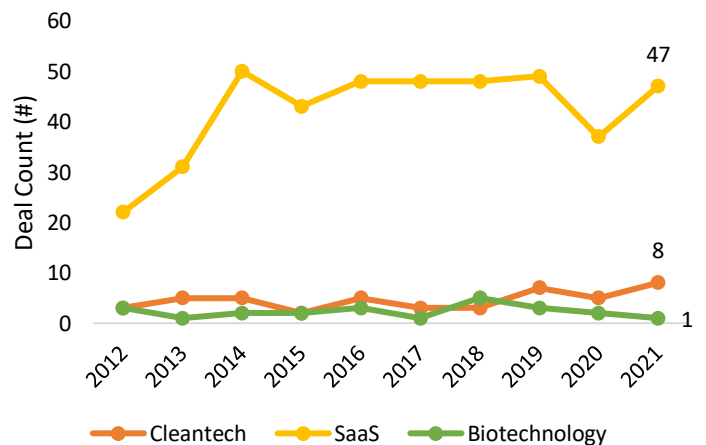
Prominent Verticals in Utah

The state of Utah consistently has grown its SaaS pipeline and it continues to be the most dominant vertical within the state. SaaS deals have exceeded far past the 2018 high with a select few large late-stage financing rounds bringing the cumulative value over \$1.3 billion. The past decade has shown that Utah is primarily active in SaaS and FinTech ventures with nearly 25% of the deal value and activity originating in SaaS alone. Meanwhile, demand for Biotechnology and CleanTech has remained low, as deal count has barely grown in the past decade.

SaaS surpasses 2018's funding record



Deal activity stays at consistent levels



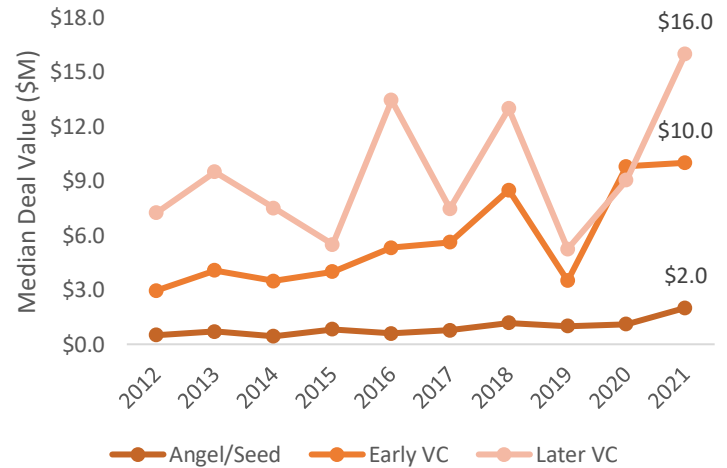
Source: PitchBook | *As of June 3, 2022

Median Deals, Valuations, and Exit Activity

Median Deal Size

The median deal size within the state has grown substantially at all levels throughout the past decade. In 2021, late-stage deal sizes exploded year over year, reaching a staggering \$16 million. Surprisingly early-stage deals that saw the largest jump in activity, only saw slight growth in median size but still manages to reach an impressive \$10 million milestone. Young startups are seeing large round sizes from Angel and Seed stages, as it reached the \$2 million median barrier and almost doubled from year to year.

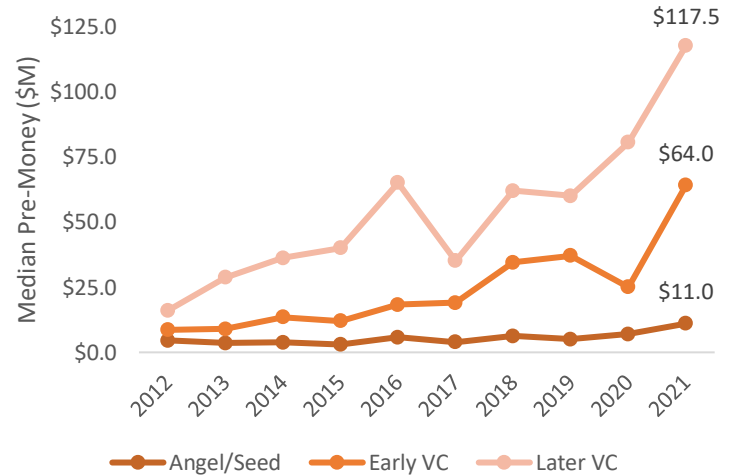
Utah Median Deal Size (\$M) by Type



Pre Money-Valuations

The increase of capital within the Utah Venture ecosystem has had a profound effect on the valuations of the startups within it. The median pre-money valuation has drastically increased in the past two years, as late-stage startups have surpassed the \$100 million mark, coming in at \$117 million. The gains in Angel and Seed stages are hidden under the massive valuations of later stages, but impressively posted the largest increase in year over year change of 46%. Angel and Seed staged startups own an \$11 million pre-money valuation and is nearly in step with the valuations seen in major VC hubs across the country. Utah's Early-stage startups pre-money valuation median of \$64 million stands out the most, as it posts higher valuations than notable VC ecosystems such as Boston, New York, and Seattle.

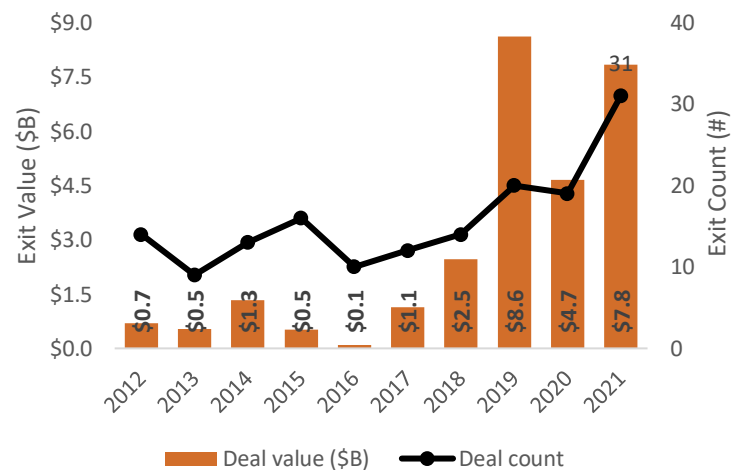
Utah Median Pre-Money Valuation (\$M) by Type



Exit Activity

Over the last 6 years, Utah exit activity has generally grown and almost fully rebounded back to its 2019 pre-pandemic high, bringing in \$7.8 billion in cumulative exit value in 2021. The median exit time after the first VC investment was 3.04 years, increasing slightly from years past. Although neighboring states have outpaced Utah in total VC activity, the state has been able to produce higher exit values year after year, mainly due to notable SaaS and FinTech exits. A great signal to investors that Utah is a state that continues to generate meaningful returns on invested capital. Since 2018, when Qualtrics was acquired, Utah SaaS and Fintech startups have produced astonishing exit deals that have radically changed the VC ecosystem.

Utah Exit Activity (\$B)



Source: PitchBook | *As of June 3, 2022

Local Ecosystem Players

Utah Top Seed Investors by Deal Count

Investor Name	Investor HQ State	Investor HQ City	Deal Count (#)
Kickstart Seed Fund	Utah	Cottonwood Heights	9
Signal Peak Ventures	Utah	Salt Lake City	5
Y Combinator	California	Mountain View	5
O'Reilly AlphaTech Ventures	California	Mill Valley	3
Service Provider Capital	Colorado	Golden	3
Spacestation Investments	Utah	Layton	3
Techstars	Colorado	Boulder	3
Album VC	Utah	Lehi	2
Alumni Ventures	Utah	Lehi	2
Campus Founders Fund	New Hampshire	Manchester	2

1/1/2021 - 12/31/2021

Utah Top Early Stage Investors by Deal Count

Investor Name	Investor HQ State	Investor HQ City	Deal Count (#)
Kickstart Seed Fund	Utah	Cottonwood Heights	7
Campus Founders Fund	Utah	Salt Lake City	3
Pelion Venture Partners	Utah	Salt Lake City	3
SpringTide Investments	Massachusetts	Cambridge	3
Album VC	Utah	Lehi	2
AllegisCyber	California	Palo Alto	2
CRV	California	San Francisco	2
Frazier Group	Utah	Lehi	2
Index Ventures	England	London	2
Root Ventures	California	San Francisco	2

1/1/2021 - 12/31/2021

Grants by Government Organizations

The innovation ecosystem in Utah has substantially leveraged grants and funding awards available from government organizations, which have been used to improve the pipeline of commercial technologies and inventions. The University of Utah received the most funding awards for research proposals and projects, as the flagship university notably brought in more than \$225 million alone from the [National Institute of Health](#) and \$47 million from the [National Science Foundation](#).

University Name	NIH	NSF	DOE
BYU	\$ 10,098,835	\$ 6,352,000	\$ 431,000
University of Utah	\$ 229,692,858	\$ 47,618,000	\$ 6,442,385
Utah State University	\$ 4,891,470	\$ 16,646,000	\$ 601,026

Research Institutions and Technology Transfer Programs

Utah State University:

The [Technology Transfer Services](#) at the University of Utah is tasked with licensing and commercializing university research projects, with proven success in computer and electrical engineering, life sciences, and food technology. Once the inventor discloses their invention, Tech Transfer Office will determine its commercial potential, pursue patents on core I.P., and finally push to license or commercialize it through the USU incubator program. Fiscal year 2021 was a successful period for the program, as member startups and researchers surpassed \$2 million in commercialization revenue for the first time ever, as well as 47 new licenses issued.

University of Utah:

The [Pivot Center](#) at the University of Utah has had a major impact on the state's innovation ecosystem. Since its inception it has helped develop over 330 startups and more than \$6.2 billion in collective equity. In 2021 there were 14 startups, 31 licenses, 126 patents issued, and over \$884 million in investments made to member startups. The Pivot Program focuses on technological innovation and corporate engagement to create economic development for the state of Utah.

BYU:

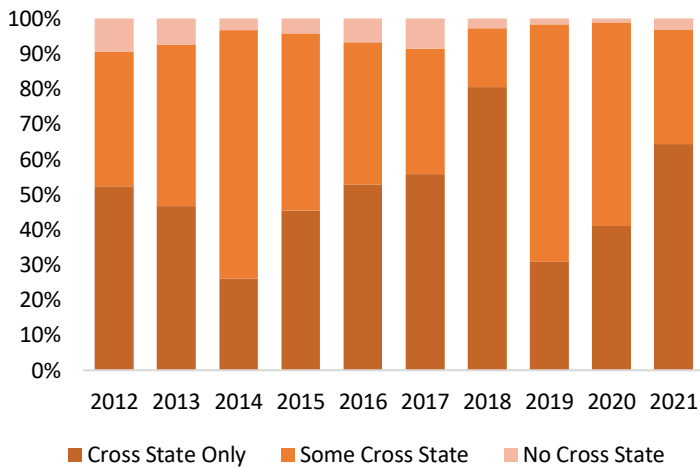
[BYU Technology Transfer](#) has developed a highly efficient technology transfer office that gives students and staff a competitive edge in commercializing their research innovations. In the most recent annual report from 2020, the school filed for over 100 patents, had 7 participating startups, and generated over \$2.2 million in licensing revenues, with international presence in nearly 10 countries. The startups within the program have exposure to life science, software, and engineering industries.

Geographic Analysis of Investments

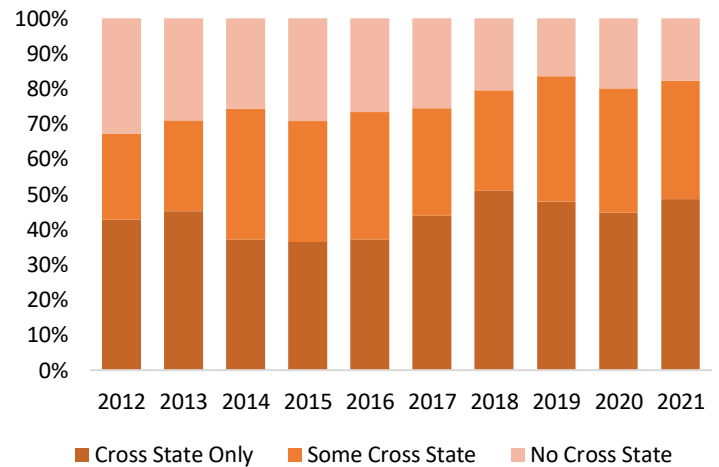
VC Cross State activity

As is similar with many of the Heartland, Mountain, and Midwest states, significant levels of cross state investments make up the majority of the total deal flow. Utah has been driven higher by significant amounts of cross-state activity at all stages of the venture capital cycle. In 2021, nearly \$2.4 billion of startup capital came from out-of-state alone, with another \$1.2 billion of the deals including some level of crossover. Out-of-state investors are drawn into Utah for the favorable business dynamics, specifically seen in the lower costs of operations, reforms to boost economic growth, and a strong community that has helped push technology innovation into new areas. In recent years, the formation of new Utah based VC funds focused on local and regional investments have been established with a goal to provide more capital to startups looking to raise rounds. This strategy is in place to help prevent founders and their startups from relocating. In the past, Utah's critical problem was a lack of local investment opportunities that created uncertainty for follow-on investments in later rounds, forcing many of the later staged startups to relocate to San Francisco or other VC hubs to ensure their future. This issue created a major drawback on the venture ecosystem and economic development in the state.

Utah Cross State VC deal activity (\$) by Investor Location



Utah Cross State VC deal activity (#) by Investor Location



Concluding Analysis

The state of Utah has witnessed venture capital activity explode in 2021, with the help of high levels of cross-state investors and a maturing ecosystem that continually produces more late-round deals. SaaS, FinTech, and Lifesciences have also pushed the state into a position as an emerging player in the nationwide VC landscape. Government initiatives to reform the state's economy have expanded technology growth significantly within the state.

Gazing into the future, it will be an interesting journey to watch how Venture Capital investments progress through 2022, as investors are challenged by numerous high-stakes macro events. Rising borrowing rates and stricter monetary policies 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 and valuations, along with the distribution of activity will greatly shift. As this is bound to affect every part of the US VC ecosystem, the next year will certainly be a stress test for the Utah Venture Capital system.

Source: PitchBook | *As of June 3, 2022

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@innosphereventures.org

Founders of high-tech startups are encouraged to apply online: www.innosphereventures.org

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