

INNOSPHERE VENTURES' REVIEW OF THE  
**NEBRASKA 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 Nebraska:

- Although the entire US has seen a boom in VC growth, the top 4 regions (Bay Area, New York, Los Angeles, and 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.
- 2021 was a monumental year for the state of Nebraska, as deal activity and cumulative value reached record highs. Advantages to the state's business environment have attracted significant levels of cross state investments, which has been responsible for the rapid growth.

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 Nebraska-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.

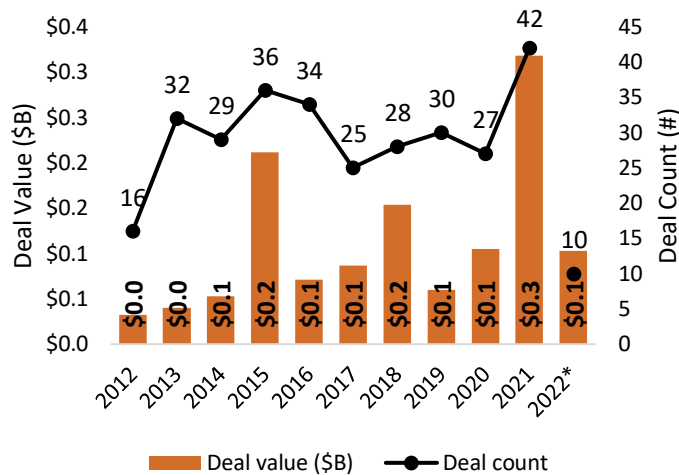
# Nebraska VC Activity

The 2021 Nebraska venture capital ecosystem posted record numbers in both value and activity, bringing in \$317 million in venture capital funding across 42 different deals. Nebraska, a state whose venture capital ecosystem has been through transformative renovations supported by public and private players, has made remarkable improvements in recent years. In 2021, the total deal value grew by 205%, and the deal count increased by 56%, surpassing the activity record from 2015. The state's improvements have led to larger rounds, more investments, and the development of an emerging late stage ecosystem. Since 2001, the state has implemented numerous measures and incentives to fuel economic development by increasing local venture capital activity. The Nebraska Seed Investment Program provides eligible early stage startups with up to \$500 thousand in seed stage investment awards for product or service development. The program is a collaboration between the [Nebraska Department of Economic Development](#) and local VC firm, [Invest Nebraska](#), which manages the investment process. One of the main benefits of investing in Nebraska is the substantially lower costs of operations and cost living, which has made it a desirable location for founders to start new ventures. Although deal activity skyrocketed in 2021, Nebraska-based venture capital firms did not fundraise last year and according to data disclosed on PitchBook, Nebraska continued a zero fundraising period that dates back to the end of 2017. Using the US census population data, VC funding per capita was \$161.80, placing it substantially lower than nearby states like Colorado and Utah, where per capita funding is \$1,000+.

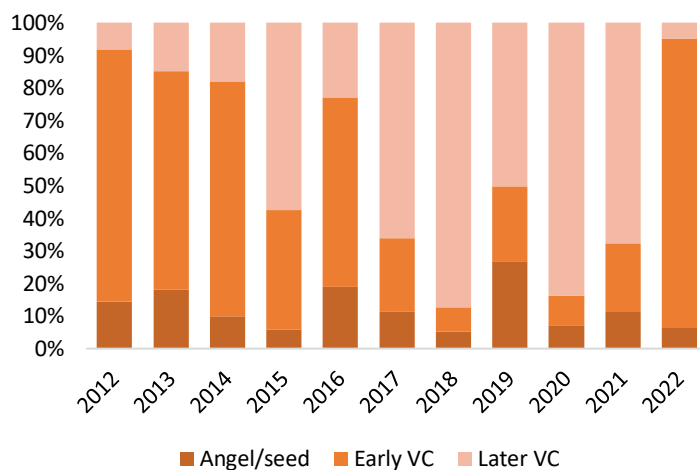
Angel and Seed investments increased to \$36 million across 16 different deals, roughly a 5x increase in cumulative deal value from 2020. Early-stage deals exploded to \$66 million, representing a 6.9x increase year over year and a positive sign of a developing venture capital ecosystem. Late-stage deals more than doubled to \$215 million in 2021, producing most of the cumulative deal value within the state and is a key advancement in the Nebraska VC narrative. Last year was the first time the state produced more than 10 late-stage deals in its history.

Diving into the data, Nebraska was significantly propped up by [Monolith Materials](#), which produced the most significant venture capital round last year, pulling in \$120 million in a late-stage round. The clean hydrogen company intends to use the funding to improve working capital capacity and increase payroll. The deal alone was responsible for 38% of the total VC deal value within the state.

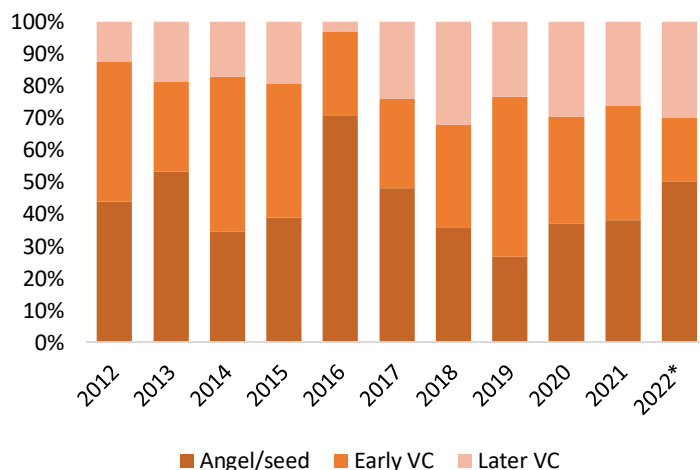
## Nebraska VC Deal Activity



## Nebraska VC Deal Activity (\$) by Type



## Nebraska VC Deal Activity (#) by Type

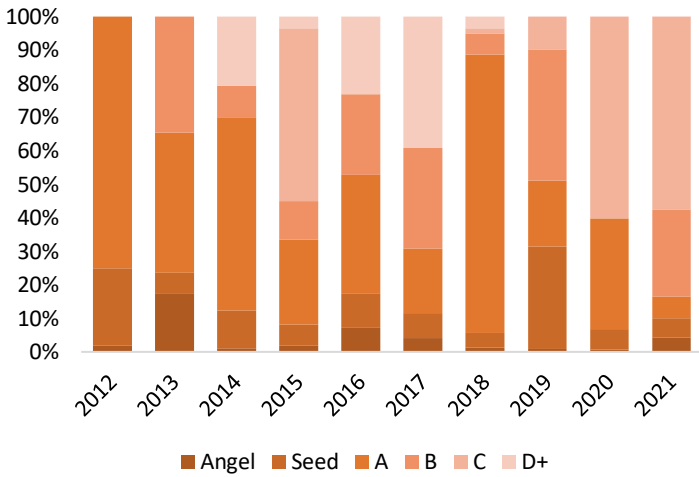


# Nebraska VC by the Numbers

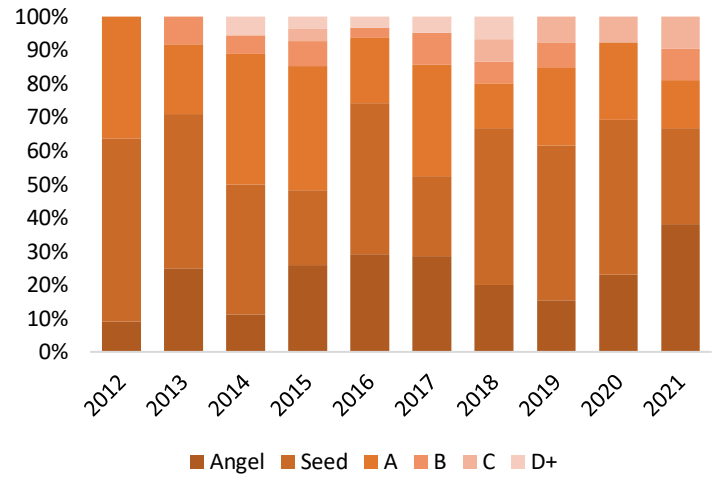
## Investment Breakdown by Series

Examining the data by series, Angel and Seed rounds have continued to be the backbone of deal activity within the state. While these stages are responsible for nearly 65% of all deals disclosed on Pitchbook, the stages only make up 10% of the deal value. Series A suffered a decrease in cumulative deal value, as the series dropped by half in 2021 from the previous year. Series B and C dominated the investment landscape in 2021, as both captured rounds of roughly 83% of total deal value. The dramatic increase in Series B frequency and deal value is the primary reason for the dramatic rise in year-over-year early-stage deals. Nebraska has not produced a series D or later deal since 2018.

Nebraska VC Deal Activity (\$) by Series



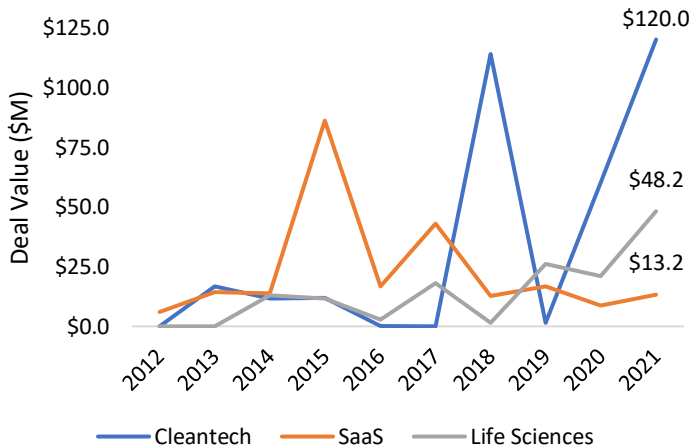
Nebraska VC Deal Activity (#) by Series



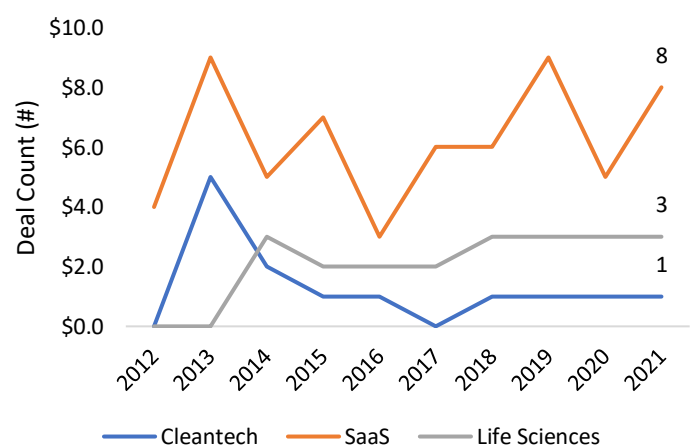
## Prominent Verticals in Nebraska

While the state of Nebraska has seen substantial increases in its VC activity, key verticals still show low levels of activity and are often driven by singular deals. As a result, CleanTech came in as the most prominent vertical in 2021, solely propelled by the Monolith Materials mega deal. On the flip side, SaaS was the most active vertical, yielding a total of 8 deals but lagged in cumulative deal value totaling \$13.2 million. Life Sciences has grown radically since 2018 in deal value yet deal count has remained at the same level since 2014.

Cleantech and Life Sciences deal value surged in 2021



SaaS deal count rebounds to just under to 2019 levels



## Local Ecosystem Players

Nebraska Top Early Stage Investors by Deal Count

Investor Name	Investor HQ State	Investor HQ City	Deal Count (#)
Invest Nebraska	Nebraska	Lincoln	10
Nebraska Angels	Nebraska	Lincoln	2
Ag Startup Engine	Iowa	Ames	1
Innovatemap	Indiana	Indianapolis	1
Linseed Capital	Nebraska	Omaha	1
Ludlow Ventures	Michigan	Detroit	1
M25	Illinois	Chicago	1
SB Opportunity Fund	Florida	Miami	1
Service Provider Capital	Colorado	Golden	1
Tribe Capital	California	San Francisco	1

1/1/2021 - 12/31/2021

Nebraska Top Seed Investors by Deal Count

Investor Name	Investor HQ State	Investor HQ City	Deal Count (#)
Invest Nebraska	Nebraska	Lincoln	6
Nebraska Angels	Nebraska	Lincoln	4
Innova Memphis	Tennessee	Memphis	3
Revolution/ROTR	District of Columbia	Washington	3
FirstMile Ventures	Colorado	Colorado Springs	1
Atypical Ventures	New York	New York	1
Bluewater Companies	Illinois	Chicago	1
Clocktower Technology Venture	California	Santa Monica	1
Emergent Ventures	California	San Mateo	1
Emil Capital Partners	Connecticut	Greenwich	1

1/1/2021 - 12/31/2021

## Grants by Government Organizations

Numerous government organizations have been instrumental supporters of Nebraska-based universities' innovative research ambitions, annually providing substantial sums of funding awards. The University of Nebraska Lincoln was able to bring in sizeable levels of government funding, far outpacing other local universities. The [National Institute of Health](#) provided the research institution with \$108 million, most of which went towards the [UNL Medical Center](#). The University of Nebraska Lincoln campus also received the most [National Science Foundation](#) funding, bringing in \$28 million.

University Name	NIH	NSF	DOE
Creighton	\$ 8,288,807	\$ 677,000	\$ -
University of Nebraska - Lincoln	\$ 108,275,988	\$ 28,286,000	\$ 5,587,842
University of Nebraska - Omaha	\$ 3,711,138	\$ 2,722,000	\$ -

FY 2021\*

## Research Institutions and Technology Transfer Programs

### University of Nebraska:

[NUTech Ventures](#) is the commercialization affiliate of the University of Nebraska servicing both Lincoln and Kearney campuses. The program aims to provide support to entrepreneurs to generate valuable economic development for the state of Nebraska. In the FY 2020-2021, license revenue hit \$6.5 million, with royalty distributions at \$5.35 million, and 92 different inventions were disclosed to the program. NUTech also hosts a variety of informational sessions to educate and inform entrepreneurs on topics that will help guide their successes.

### UNeMed:

The [UNeMed](#) Corporation is the technology transfer affiliate of the University of Nebraska Medical Center also working with inventors from the Omaha campus. The office primarily builds and fosters corporate partnerships to take biomedical academic endeavors into commercialized opportunities, through various paths such as new ventures, licensing deals, or helping with sponsored research support. The fiscal year 2021 saw 26 new patents issued and 102 patents applied for, 105 new inventions disclosed, and engaged startups generated \$2.15 million in licensing revenue. The program added 7 new startups to its portfolio and existing startups expanded with numerous rounds of equity funding.

### The University of Nebraska - Omaha:

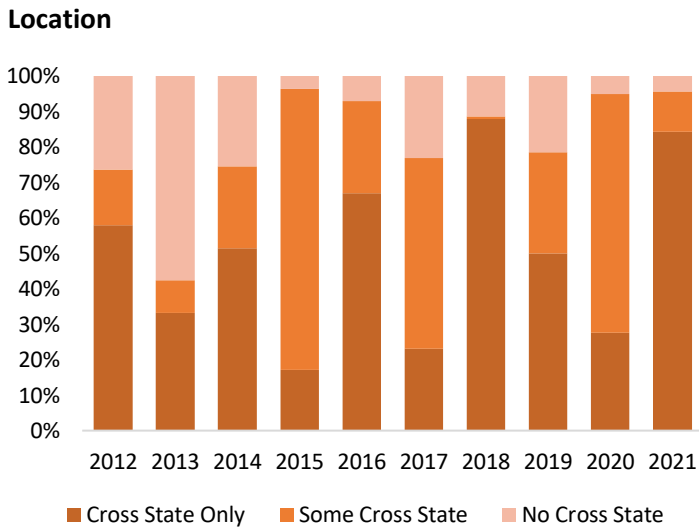
The College of Business Administration at the University of Nebraska Omaha is home to the [Nebraska Business Development Center](#) (NBDC), a program designed to promote economic development and entrepreneurship within the state. With 10 different locations across Nebraska, the NBDC provides one on one consulting services for entrepreneurs free of charge. In 2021, the program had a \$524.4 million impact on the Nebraska economy, helping more than 1,850 clients, providing over \$30 million in business investments. The NBDC has active partnerships with five local universities, recruiting students to help assist in business consultations.

# Geographic Analysis of Investments

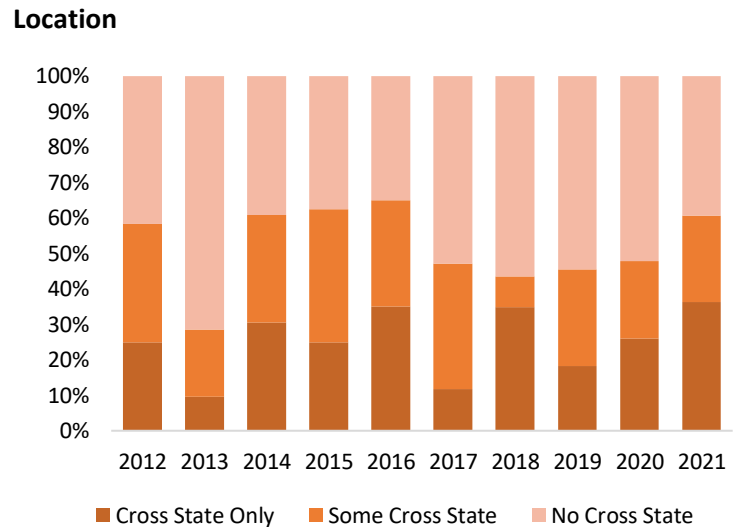
## VC Cross State activity

According to data from PitchBook, the AUM of Nebraska venture capital firms sits at \$166 million and private venture capital firms have not raised new funds since 2017, placing the state as one of the smaller VC ecosystems within the mountain-plains region and across the US. Consequentially, the low levels of AUM and lack of fundraising have required high quantities of cross state activity to fill the gaps in the Nebraska venture capital ecosystem. In 2021, \$255 million (84%) of the deal value originated solely from cross state investors, meanwhile, investments with no cross-state engagement only made up a fractional share of the total annual deal value (4.3%). Deal activity by number of deals done, on the other hand, shows a slightly different picture, while cross state investors still had a significant presence, at least one local investor participated in the majority (64%) of Nebraska deals. General trends show an increase of cross state engagement, within the state, as investors nationwide are attracted to the benefits and opportunities of the Nebraska business ecosystem.

**Nebraska Cross State VC deal activity (\$) by Investor**



**Nebraska Cross State VC deal activity (#) by Investor**



## Concluding Analysis

Nebraska has largely jump-started Venture Capital activity over the course of the past decade, yet the state still faces challenges preventing it from becoming a much more vibrant ecosystem. The low levels of local venture capital make it heavily reliant on out-of-state sources of funding, which in turn has dominated the VC ecosystem. While annual data shows general trends of ever-increasing deal value and activity, breaking down the data at the round and vertical level reveals substantial year-to-year variations that are deeply dependent on a select few deals to make or break annual aggregates.

As 2022 poses many new challenges to Venture Capital ecosystems, Nebraska started the year off with moderate levels of funding activity, as of date, 10 different deals have been completed resulting in roughly \$100 million in deal value. The state of Nebraska and innovation ecosystem players have provided substantial levels of support that in turn have been able to stimulate more local VC opportunities. Yet challenges to continue growth in the VC ecosystem are challenged by low levels of Nebraska VC AUM, a limited number of local investors, and the need to further increase the commercialization rates of startups coming from universities and developing organically. As a compounding factor, multiple macro-economic events are affecting venture capitalists across the nation and is expected to reduce total annual activity. Yet, as seen in previous years, the state of Nebraska is often substantially propped up by singular late-stage rounds, where the capital typically originates from coastal VC's, and thus the increased economic pressures are sure to affect Nebraska as well.

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.

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