

INNOSPHERE VENTURES' REVIEW OF THE  
**KANSAS 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 Kansas:

- 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.
- Kansas VC activity rebounded in 2021, placing the state back above \$200 million and 30 deals. Momentum from last year has carried into the 2022 as the state has already surpassed 2021's cumulative deal value.

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 within the first 5 years of the founding date. Series C and beyond represent late-stage investment activity. Unless otherwise noted, investments refer to venture capital invested in New Mexico-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.

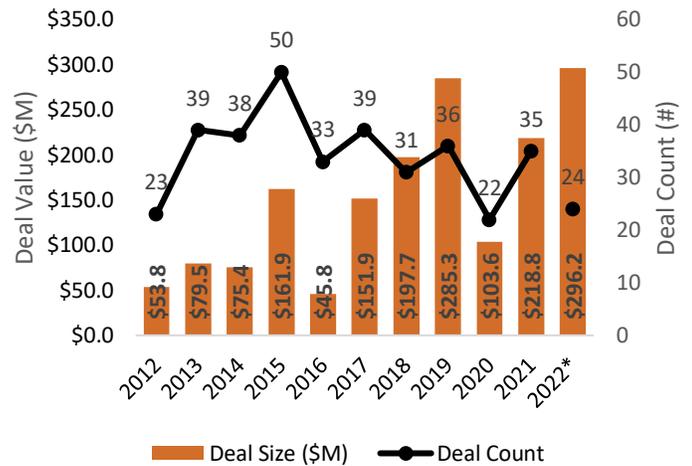
# Kansas VC Activity

Venture capital activity in Kansas made a drastic comeback in 2021, after suffering a comparatively weak year for deal activity in 2020. Cumulative deal value exceeded \$218 million across 35 different deals, representing a 111% increase in deal value and 59% jump in activity year over year. After 2019's record setting performance of \$285 million in cumulative deal value, 2020 only produced \$103 million, representing a 63% drawdown. However, 2021 was able to reemerge above the \$200 million barrier, partly due to a select set of large deals. Deal value has generally grown throughout the past decade, with only a few years underperforming the preceding year's totals, yet deal activity peaked in 2015 when the state produced 50 total deals. Since then, deal count has gradually trended downward reaching a decade low in 2020, but larger average round sizes and more frequent mega deals have led the state to maintain growth in annual deal value. To bolster investment activity for eligible early staged startups, the department of commerce created the Kansas Angel Investor Tax Credit program in 2005, providing an incentive for accredited investors to invest available capital locally. The program offers a 50% tax credit up to \$50,000 for investors who make investments into locally authorized startups. The state of Kansas has consistently maintained high levels of angel activity, which has strengthened the ecosystem from the bottom up.

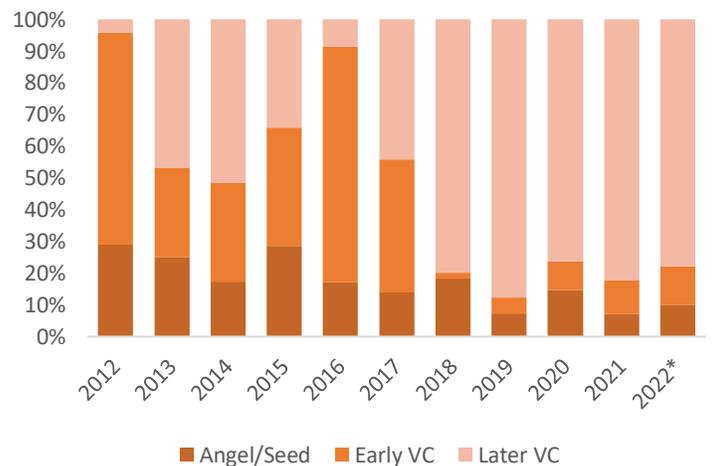
In 2021, Angel and Seed stage startups raised \$15.7 million in capital over 17 different deals, as deal value only grew 3% year to year. Early-stage startups increased deal value by 145% from 2020, to reach \$23 million across 7 deals. For the fourth year in a row, the overwhelming majority of venture capital financing came from late staged startups, generating more than \$180 million in deal value. Late-stage deal value increased by 128% and deal flow more than doubled to 11. Late-stage deals accounted for more than 80% of all deal value within the state. Venture funding per capita was \$64, falling substantially below the Mountain-Plains region average of \$358, while fundraising by private VC firms reached \$83.8 million to place the statewide AUM total at \$345 million.

2021's largest deal was completed by [Bardavon Health Innovations](#), a digital health platform based out of Overland Park, raising \$106 million in a late-stage round. The financial service startup [First Boulevard](#) held the largest early-stage deal at \$15 million. Nearly \$200 million in venture capital was raised by the top 10 deals.

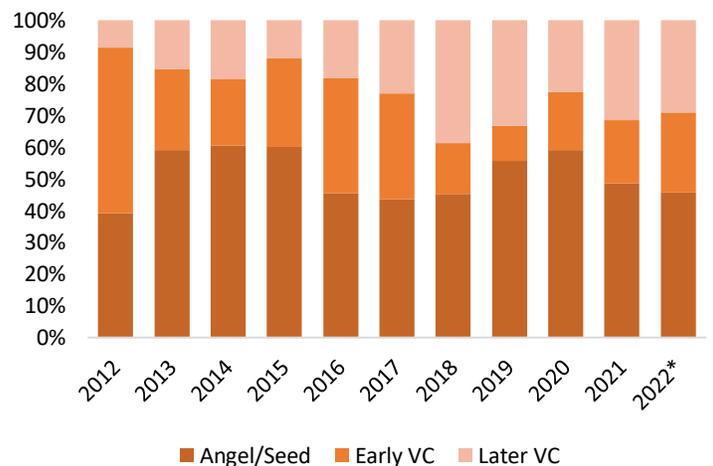
## Kansas VC Deal Activity



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



## Kansas VC Deal Activity (#) by Type



# Kansas VC by the Numbers

## Investment Breakdown by Series

The breakdown by series shows a clearer picture of investment trends and changes over the past decade. Of all the rounds with deal sizes disclosed on PitchBook, Series C investments created the most value within the ecosystem, bringing in more than \$106 million in 2021. The Angel round was the most active with deal count reaching nine, more than doubling from the prior year. Since 2017, a larger share of the deal value has leaned towards later rounds, with series B and later rounds producing the majority of cumulative value. Throughout the last decade, the share of deal count has been primarily driven by angel and seed rounds, consistently producing more than half of the deals year after year.

**Kansas VC Deal Activity (\$) by Series**



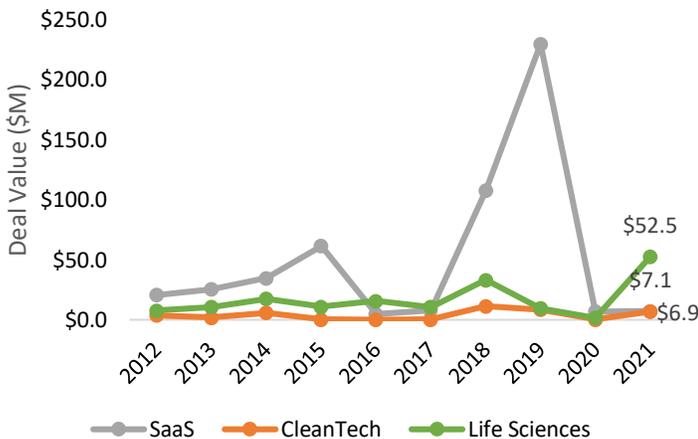
**Kansas VC Deal Activity (#) by Series**



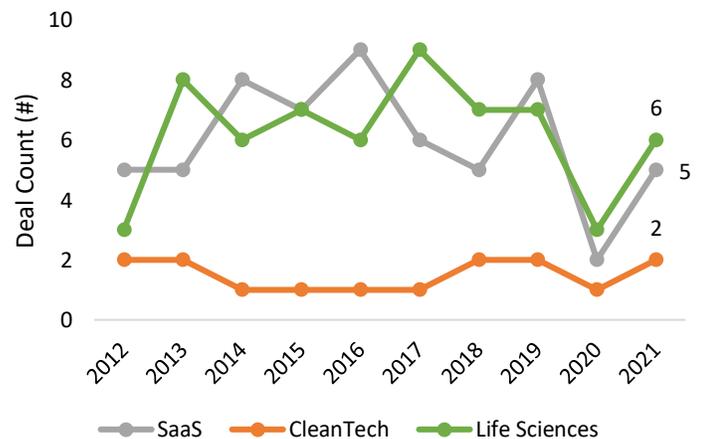
## Prominent Verticals in Kansas

Life Sciences led the state in both total deal value and deal count, increasing cumulative value from \$1.5 million in 2020, to \$52.5 million in 2021. Deal count for the vertical doubled to reach six deals, yet has remained consistently below the activity peak set in 2017 of nine deals. SaaS deal value has plummeted nearly 95% since 2019, as the vertical only generated \$7 million in 2021 over 5 deals. Cleantech deal count saw modest growth to produce \$6.9 million, but deal count continued to lag with only 2 deals.

**Cleantech and Life Sciences deal value surged in 2021**



**SaaS deal count rebounds to just under to 2019 levels**



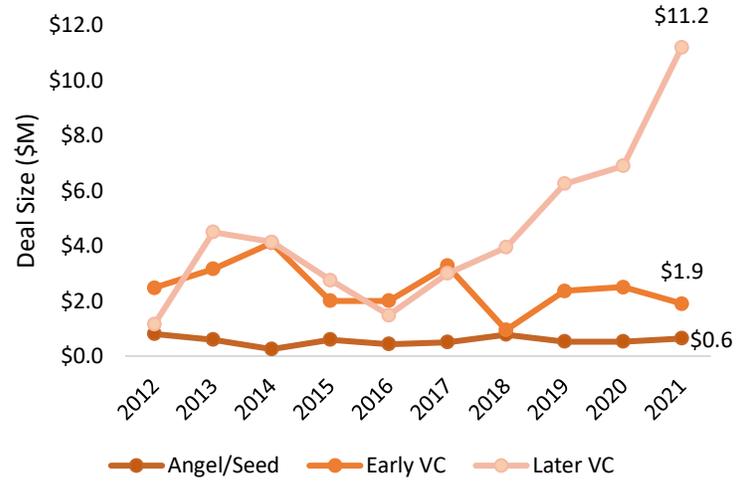
Source: PitchBook | \*As of July 14, 2022

# Median Deals, Valuations, and Exit Activity

## Median Deal Size

Kansas median deal sizes have produced varied results over the past decade, as earlier stage types have seen little to no growth and later deal types have profoundly taken off. Angel and Seed stage medians continue to produce stable deal sizes, coming in at around \$600 thousand last year. While it is down nearly a third from its 2018 peak of \$900 thousand, the stage type remains strong within the state and continues to be the backbone of the Kansas VC ecosystem. Early-stage VC has trended downward since 2014, as 2021's median value came in at \$1.9 million, roughly a \$600 thousand decrease from 2020. Late-stage venture median has rallied consistently since 2016, reaching \$11.2 million in 2021. Year to year growth sits at 62% and the stage has increased by a multiple of 6.5x since its low in 2016.

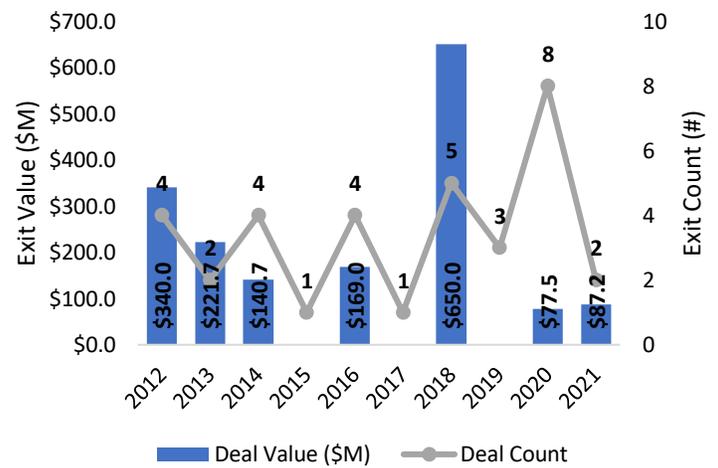
Kansas Median Deal Size (\$M) by Type



## Exit Activity

As venture capital deal activity has taken off over the course of the past decade, investors have not yet seen comparable levels of returns on many of those deals. Of exits within the state that have been disclosed on PitchBook, 2021 only had two exits occur, creating \$87 million in value. Exit count was down from 8 in the prior year. Of the two deals in 2021, Prolocore's acquisition of [LaborChart](#) was the largest of the year. It is a software startup focused on workforce management and was acquired for \$76 million. While this is up year to year, it falls significantly below 2018's monstrous year that produced \$650 million in exit value. The average exit count for the past decade has been 3.4 and \$169 million in disclosed value.

Kansas Exit Activity (\$B)



Source: PitchBook | \*As of July 14, 2022

# Local Ecosystem Players

Kansas Top Early Stage Investors by Deal Count

Investor Name	Investor HQ State	Investor HQ City	Deal Count (#)
Accelerate Venture Partners	Kansas	Wichita	1
Camelback Ventures	Louisiana	New Orleans	1
Kapor Capital	California	Oakland	1
KCRise Fund	Missouri	Kansas City	1
Keiretsu Capital	Washington	Seattle	1
Keiretsu Forum	California	San Francisco	1
Maple VC	California	San Francisco	1
MATH Venture Partners	Illinois	Chicago	1
Sandalphon Capital	Illinois	Chicago	1
Sixty8 Capital	Indiana	Indianapolis	1

1/1/2021 - 12/31/2021

Kansas Top Angel and Seed Investors by Deal Count

Investor Name	Investor HQ State	Investor HQ City	Deal Count (#)
Techstars	Colorado	Boulder	4
Accelerate Venture Partners	Kansas	Wichita	2
Sixth Event	Kentucky	Louisville	1
Asymmetry Ventures	California	San Jose	1
Cleo Capital	California	Santa Monica	1
Digital Finance Group	China	Shanghai	1
Enterprise Center of Johnson County	Kansas	Fairway	1
MedTech Innovator	California	Los Angeles	1
Narwhal Ventures	Kentucky	Louisville	1
NSF Innovation Corps Program	Virginia	Alexandria	1

1/1/2021 - 12/31/2021

## Grants by Government Organizations

Universities within the state of Kansas have been able to leverage government funding awards to continue to spur innovation through a variety of national organizations. In fiscal year 2021, the biggest award recipient was the University of Kansas system, bringing in just under \$97 million in funding from the [National Institute of Health](#) alone, the majority of which went towards the KU Medical campus. The University of Kansas also brought in \$25.5 million from the [National Science Foundation](#) and \$1 million from the [Department of Energy](#) through SBIR and STTR awards. Kansas State University was also on the receiving end, bringing in \$17 million from the NSF, and more than \$4 million from the DOE.

University Name	NIH	NSF	DOE
Kansas State University	\$ 17,152,345	\$ 11,057,000	\$ 4,442,593
University of Kansas	\$ 96,998,649	\$ 25,565,000	\$ 1,097,000
Wichita State University	\$ 2,145,519	\$ 1,780,000	\$ -

FY 2021\*

## Research Institutions and Technology Transfer Programs

### Kansas State University:

[K-State Innovation Partners](#) is the facilitator for collaboration between the university research innovations and corporate partners within the community, focusing on IP protection, economic development, and commercialization opportunities. K-State Innovation Partners has invested in or helped launch 18 different startups, worked on 175 economic partnerships and helped foster 35 different technology licensing agreements.

### University of Kansas:

Through the [Office of Research](#), Kansas faculty researchers can pursue commercializing their innovations and explore opportunities to enter the marketplace. The technology transfer office helps researchers by connecting them with necessary resources and corporate partnerships to realize a financial return. As of 2020, the program had 45 active startups and from a period of 2018 to 2020, the program produced 184 invention disclosures and 123 licensing agreements.

### Wichita State University:

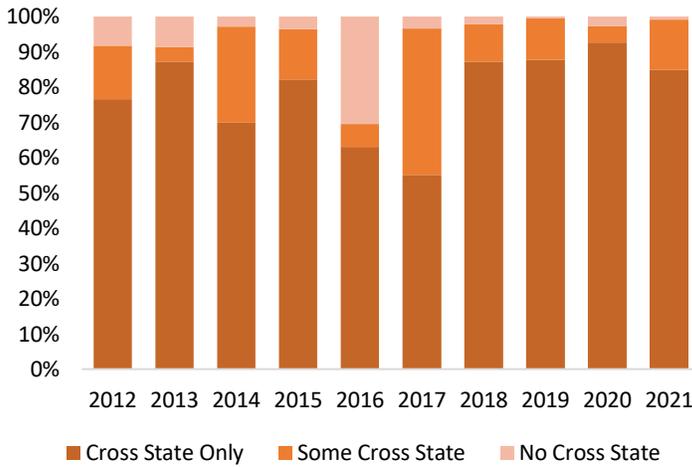
The [Tech Transfer and Commercialization Office](#) is the pathway for university research and technologies to break into the market. They provide multiple programs to ensure success, such as the Gateway to IP and Matchmaking Program. The Matchmaking Program enables novel technologies and their inventors to be paired with industry experts and investors, with a shared goal to support the technology's commercial success. The Gateway to IP program aims to fill the void of limited patent practitioners in Kansas by giving students an experiential learning opportunity to assist in parts of the patent process.

# Geographic Analysis of Investments

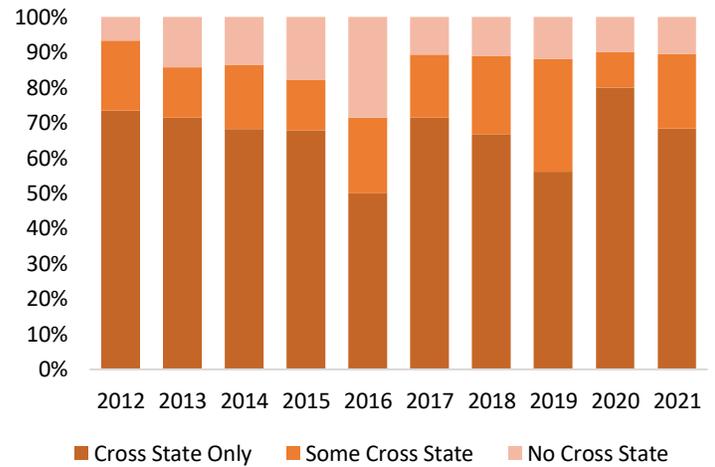
## VC Cross State activity

Examining the investment data by HQ location of VC investors, the Kansas VC ecosystem has maintained and relied on a strong capital inflow for the past decade. The general trend of the prior ten years has been an overwhelming majority of VC capital originating from out of state, as in 2021 just under 85% of total deal value came solely from cross state investors. While 99% of cumulative deal value had at least one cross state investor participating on the deal. However, the deal count data shows that local engagement is slightly less distorted, as local investors make up about 10% of all the deals, cross state still dominates the ecosystem. Cross state engagement accounts for nearly 70% of deal count, while 90% of all deals had at least one non-local investor participate. States like Kansas provide venture capitalists from across the nation with enticing opportunities to allow investment rounds to stretch further, due to the lower costs of business, living, and lower tax rates. The venture capital ecosystem has been fueled by out of state sources of capital, which raises questions regarding the ecosystem self-sustainability, positioning the state to face greater risk that more closely correlates with national VC uncertainties. The best way for the state to reduce their risk is to tap into more high net worth, accredited investors, and institutional investors to increase statewide VC AUM, as the state has been consistently outpaced by neighbors in fundraising year after year.

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



**Kansas Cross State VC deal activity (#) by Investor Location**



## Concluding Analysis

The Kansas venture capital ecosystem shows strong signs of growth in deal activity and cumulative value, as many initiatives within the state have had a positive effects on VC activity. Yet the state faces challenges becoming less reliant on out of state investment capital. As deal count has stagnated since reaching its peak in 2015, the state has still been able to break its previous funding records multiple times. A strong innovation ecosystem has paired well with venture capital activity, as the universities have aimed to fill the resource void that had plagued the state in the past.

So far in the first half of 2022, deal value has already surpassed last year's total, with 24 deals creating \$296 million in deal value. Nationwide deal activity has slowed in 2022, but Kansas is off to its best start ever. Government incentives and innovation ecosystem players have provided substantial levels of support that in turn have been able to stimulate more local VC opportunities. Due to the state's heavy reliance on out of state capital, the second half of 2022 will be a vital stress test on the state's correlation to broader market events that are currently ravaging asset classes of all kinds.

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)