

INNOSPHERE VENTURES' REVIEW OF THE **COLORADO AND UTAH VENTURE CAPITAL ECOSYSTEMS**

Northern Colorado Trade Mission to Utah | September 2022

DATA PROVIDED BY  PitchBook®

Introduction

Innosphere Ventures works at the intersection of entrepreneurship, venture capital (VC), and economic development. We believe that if we want our local, regional, and national economies to advance, we must holistically 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 Mountain Plains region go unnoticed and economic advancement for the region is diminished.

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.

Over the past decade, Colorado and Utah have consistently been among the fastest-growing VC ecosystems, with both states reaching the top 15 in the national ranking for VC deployment in 2021. Colorado and Utah raised \$10 billion in venture capital funding across more than 650 total deals. Emerging VC hubs such as the Denver Metropolitan Statistical Area (MSA) and the Salt Lake City (MSA) have continually led their respective states in total VC activity and provided an essential jumpstart to the VC ecosystems.

Colorado and Utah have made significant improvements in their respective ecosystems. A closer look at trends highlights this impressive achievement.

- Colorado and Utah VC ecosystems have shown dramatic growth in recent years. In 2021 cumulative deal value in Colorado reached \$6.8 billion and \$4.1 billion in Utah. Both states have posted consistent growth rates and built a strong VC activity base to further develop their ecosystems.
- Relative to total Venture Capital deployment, the Utah exit ecosystem outperforms comparable states. Exit deal value reached \$7.8 billion in 2021. Much of which has been driven by SaaS and Fintech startups, which have been the subject of notably impressive exit deal headlines in recent years. Colorado, the larger VC ecosystem of the two, lags significantly, only producing roughly \$1.3 billion in cumulative exit value in 2021.
- Both states have seen extraordinary levels of out-of-state VC participation, as more than 90% of total VC deal value had at least one non-local investor contributing. 2021 saw levels of out-of-state capital more than double, as deals with at least one non-local VC investor reached \$6.4 billion in Colorado and \$3.7 billion in Utah.
- SaaS VC deals in both states continue to see significant capital deployed and even expand in 2021, as the vertical saw a sizeable uptick in deal value and count. Colorado generated \$1.8 billion in deal value over 100 different SaaS deals. Meanwhile, Utah SaaS deals numbered at 47, yet trailed Colorado less so in cumulative deal value, reaching \$1.3 billion. The SaaS pipeline developing in the Silicon Slopes hub continues to outperform all other verticals yearly and has been a vital factor in the state's VC and economic growth.
- 2021 saw record amounts of government aid awarded to universities from the National Institute of Health, National Science Foundation, and the Department of Energy, with more than \$900 million of cumulative funding shared between the two states.

Innosphere Ventures is pleased to present this comparative analysis to complement the [Northern Colorado Trade Mission](#) to Utah and the Salt Lake metro area.

We hope you enjoy the report,

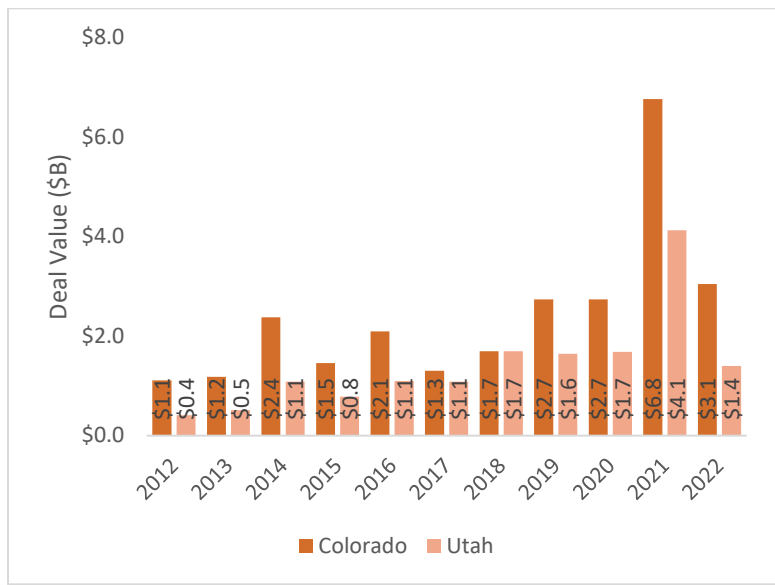
Mike Freeman, Tim Jones, Clayton Castro – Innosphere Ventures

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 Colorado and Utah-headquartered companies. Figures for summed investment rounds only represent publicly disclosed transactions.

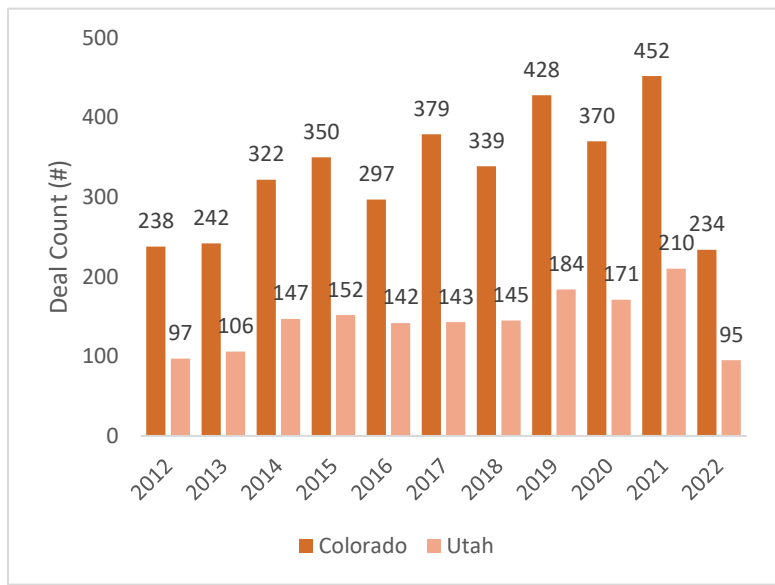
Colorado and Utah VC Activity

Total Venture Capital activity in Colorado and Utah has seen significant gains over the past decade; from 2012 to 2021, Colorado increased cumulative deal value by almost 5x, and Utah improved by more than 10x. Total deal counts nearly doubled, showing a clear uptrend in VC interest in the region.

Colorado and Utah Total VC Deal Value

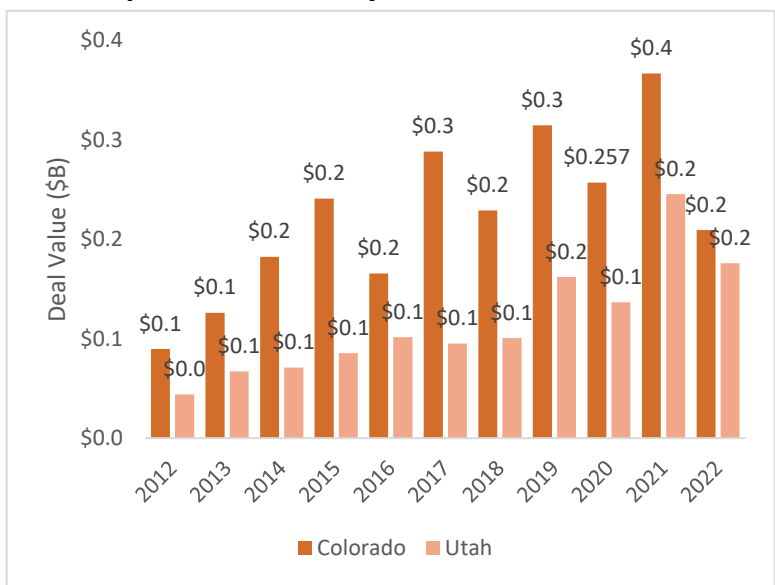


Colorado and Utah Total VC Deal Count

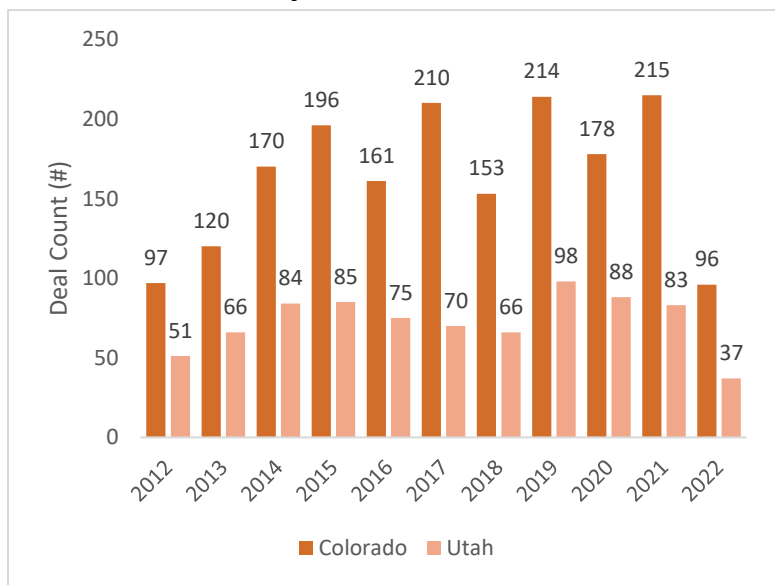


Seed stage capital is essential for advancing regions seeking to build a technology/technology-based economic development ecosystem. Seed stage funding in Colorado and Utah has grown consistently from 2018 to 2022. Colorado seed deal count has been roughly doubled that of Utah for the past several years.

Seed Capital Invested by State



Seed Deal Count by State

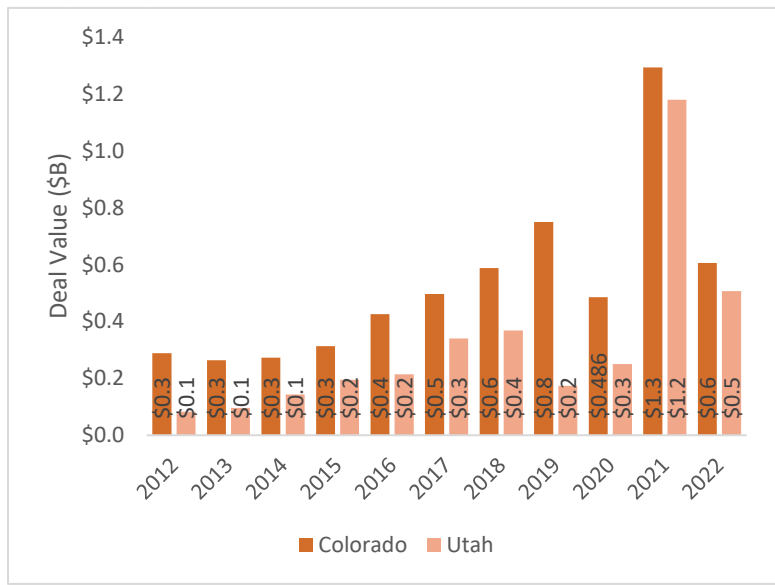


Source: PitchBook |*As of June 30 2022

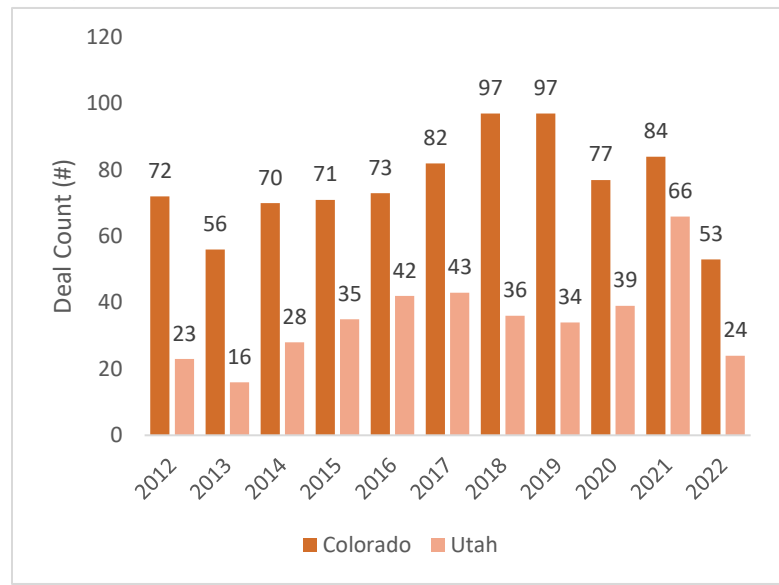
Colorado and Utah VC by the Numbers

2021 was Utah’s break-out year, attracting roughly the same amount of capital as Colorado. In prior years, Colorado outpaced Utah in early-stage VC. In regard to early-stage deal count, Colorado has been producing more investments. However, data suggest that Utah is advancing rapidly in the early stage, and UT companies are raising higher amounts of capital.

Early-Stage VC Deal Value by State

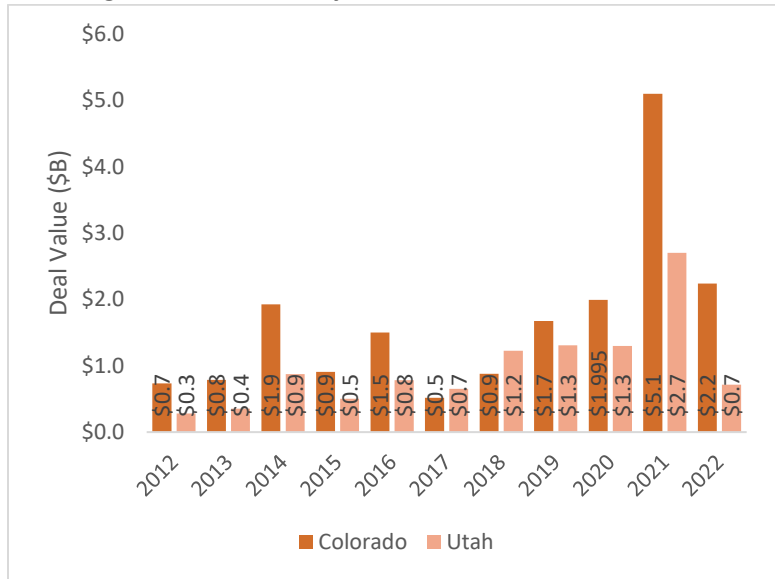


Early-Stage VC Deal Count by State

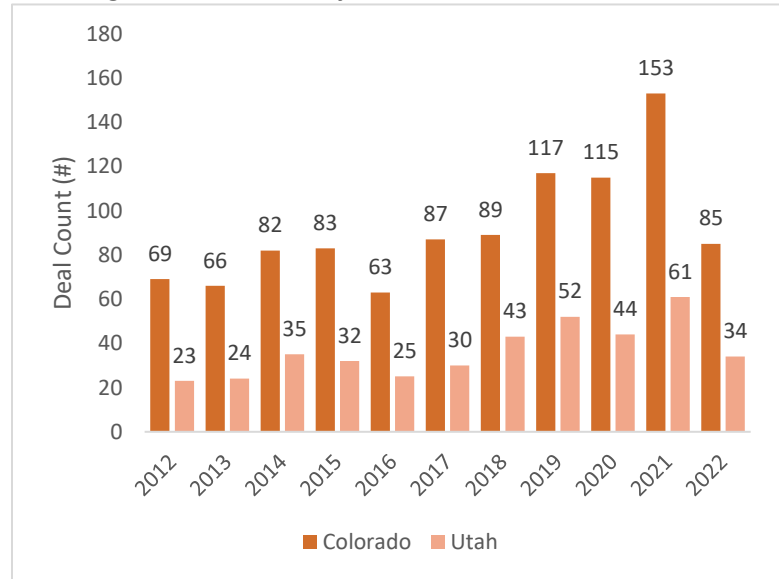


Colorado has consistently raised more VC capital until 2021, when Colorado and Utah had a record-breaking year. Colorado tends to produce about 2x more late-state investment rounds than Utah.

Late-Stage VC Deal Value by State



Late-Stage VC Deal Value by State

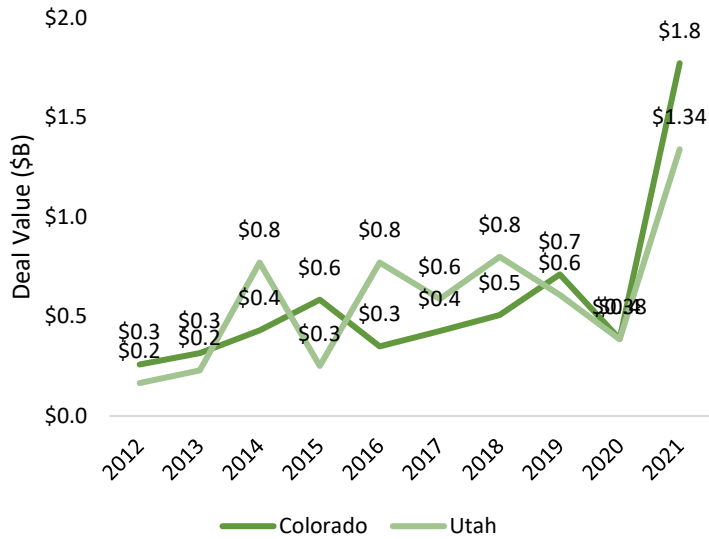


Source: PitchBook | *As of June 30 2022

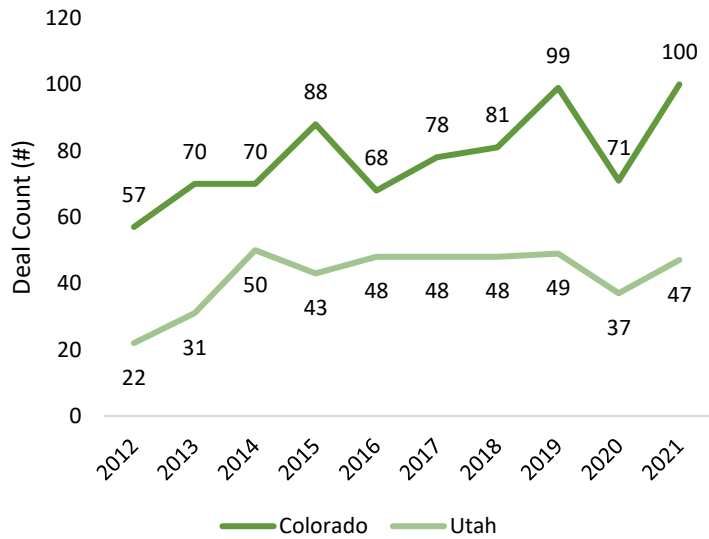
Capital Investments by Key Verticals

Colorado and Utah have seen great success in attracting VC capital in Software as a Service (SaaS) companies – with each state mirroring each other on capital invested in the sector. Utah has on average, attracted more capital per SaaS investment.

SaaS Invested Capital by State

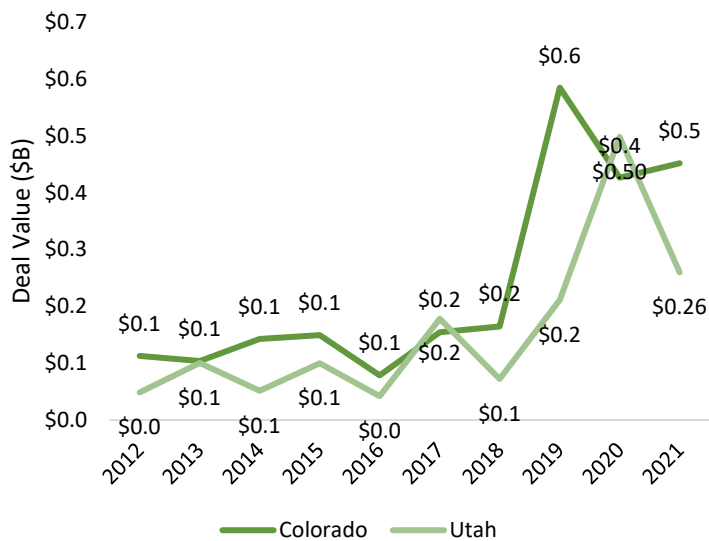


SaaS Deal Count by State

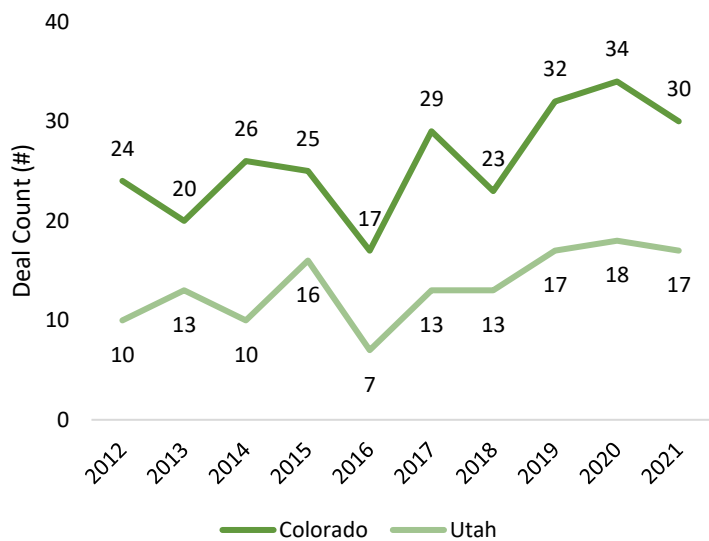


Colorado and Utah have raised similar amounts of capital in life sciences over the years with 2019 being a record-breaking year in Colorado. Overall, both states see relatively few investments in the life sciences sector – a sector both are vigorously attempting to grow.

Life Science Invested Capital by State



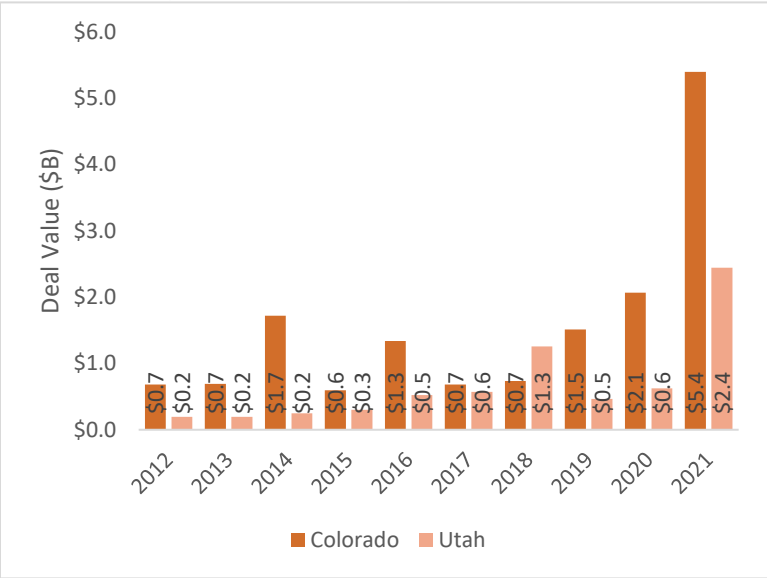
Life Science Deal Count by State



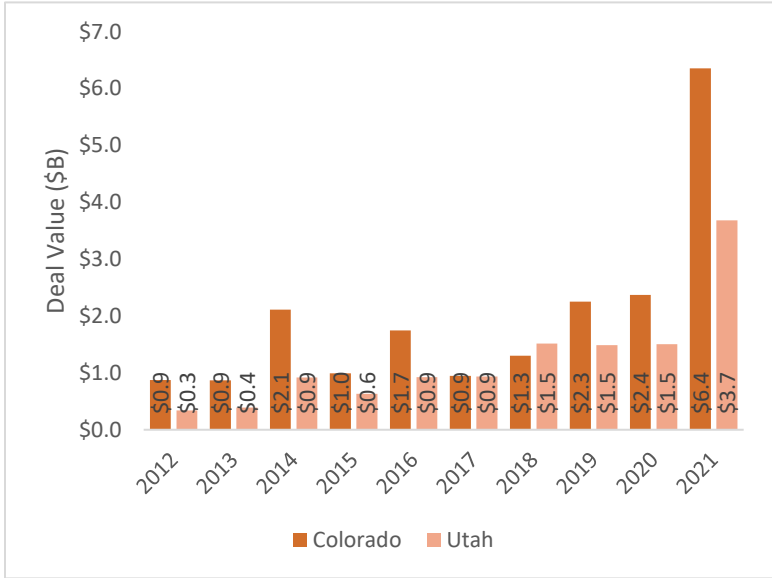
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Geographic Analysis of Investments and Local Ecosystem Players

Lead VC Capital from Solely Out of State

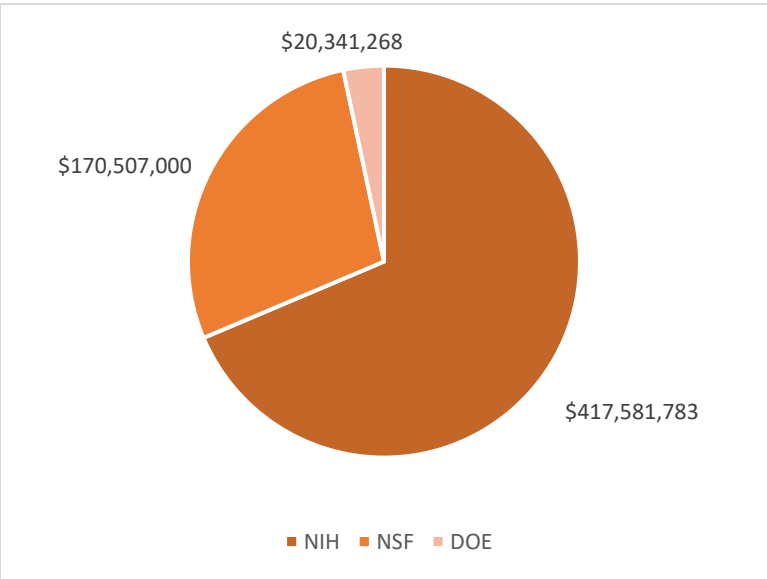


VC capital with at least one out of state investor

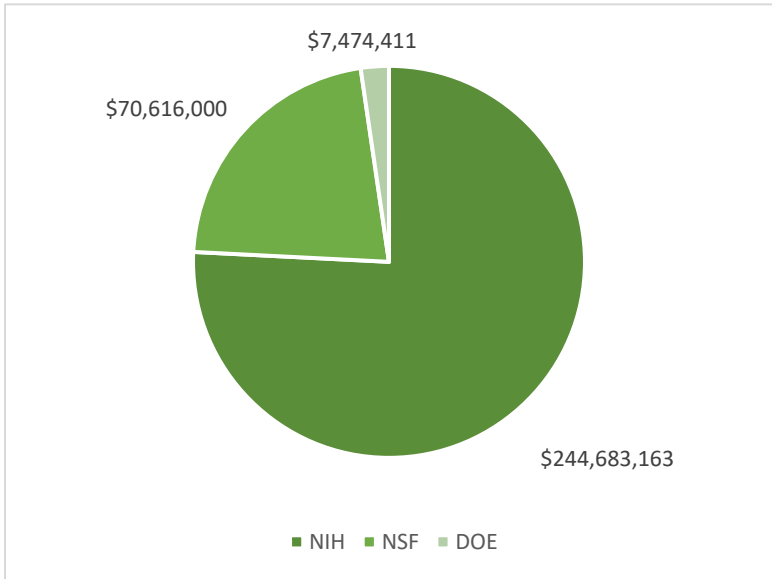


Technology-based ecosystems such as Colorado and Utah heavily support their research universities’ pursuit of federal funding and the resulting commercialization activity. The amount of federal funding attracted – by key agencies – is a useful statistic to understand. Interestingly, each state secures the highest amounts of funding from the National Institute of Health, followed by the National Science Foundation and the Department of Energy.

Colorado – US Government Funding towards research



Utah – US Government Funding towards research universities

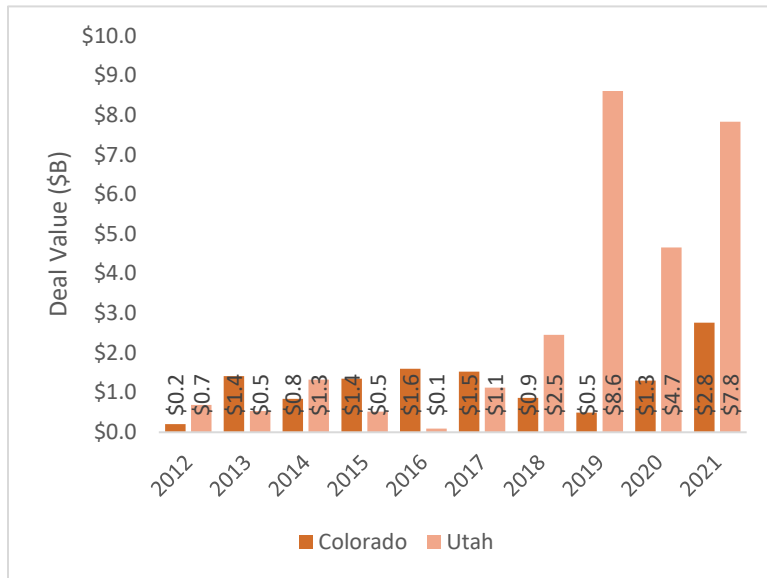


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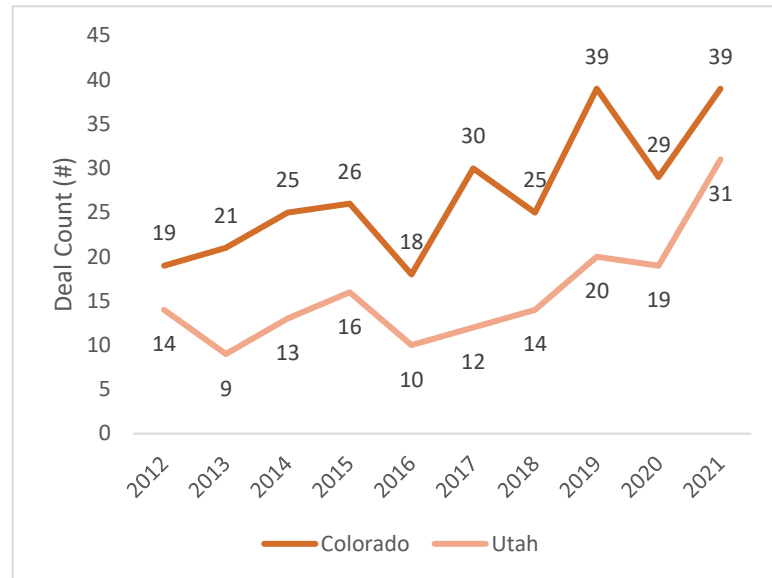
Exit Activity

Utah has a strikingly higher exit deal value than Colorado while seeing fewer absolute exit events. This is a significant achievement for Utah, as exits that include local investors tend to generate further venture capital and angel investment.

Exit Deal Value by State



Exit Deal Count by State



Source: PitchBook | *As of June 30 2022

Summary

Colorado and Utah are states striving to position themselves as technology-based economic development engines. They are pursuing similar strategies: leverage university-created IP & commercialization, pursue targeted industries, and surround home-grown startups with advanced support and programming.

The data reveals that each ecosystem has rapidly advanced in the last decade and has its own relative strengths.

Following are some summary thoughts based on the comparative analysis data:

- Each state/region has an opportunity to begin building up more locally available capital. This is particularly important at the angel and seed stage as this is where technology companies benefit much more from local investors.
- Like other Mountain Plains states, Colorado and Utah have an exceptionally high reliance on coastal capital sources.
- Continue to advance the capacity of each State's research universities and federal labs to accelerate commercial activity. Each state is securing significant federal grant funding in pursuit of new technology development, and accelerating that pathway to market for these opportunities will yield real economic results.
- Colorado could learn from Utah how to maximize exit deal values.
- Colorado and Utah should seek more collaborative opportunities that meet mutual goals of technology based economic development.

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@innospherefund.com

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