



2020 Chicago VC Ecosystem Report

Data provided by  PitchBook.

The Opportunity

Chicagoland has a vibrant startup ecosystem and a strong base of established companies. Despite these strengths, Chicagoland's support infrastructure is sparse for connecting these two sides of our ecosystem.

263 Growth Stage Companies in Tech

A need for more later stage capital to grow into established businesses

65+ Established Businesses
\$1 Trillion+ Annual Revenue Combined

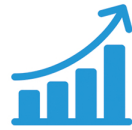
A need for tech talent to solve challenging business problems

Catalyzing Collaborations

An overview of P33 Company Connect

P33 Company Connect

an initiative to drive greater commercial activity between the region's growth stage companies and established businesses



Growth Stage Companies

- Introductions to potential enterprise customers that have already expressed interest in partnering with local growth stage companies
- Insights into pain points of established businesses ahead of your pitch
- Opportunities to test and pitch your offering



Benefits



Established Businesses

- Insight into the P33 Company Connect use case catalogue of growth stage companies that can address your most challenging business problems
- Connectivity with peers at other large companies
- Investment in Chicago's economic growth and business community

Benefits to Chicagoland

- Will build Chicago track record and reputation on specific topics/sectors
- Will attract venture capital into Chicago market

P33 To find out more, email P33CompanyConnect@P33Chicago.com

Foreword

Chicagoland has many great assets, including world-class higher education, a strong corporate base, a globally connected transportation system, the highest concentration of female-led startups in the US,¹ and a relatively low cost of living compared to other major US cities. In recent years, the region has been quietly building a robust venture and entrepreneurship ecosystem. Much of Chicago's startup growth has focused on the early-stage market. Chicago is home to over 2,000 active tech startups supported by a deep roster of seed-stage companies and incubators, including 1871, which UBI Global recognized as the #1 private incubator among university-affiliated business incubators in the world. Over the last three years, the median deal size for angel & seed startups has been steadily rising.

With ample assets for early-stage companies, now is the time for the ecosystem to actively put forth the same level of effort for those that have made it to later stages. Between 2019 and 2020 to date, the average late-stage financing size for deals closed with Chicago-based companies rose by close to 10%. The question is, how do we seize other opportunities outside of VC to give these companies more than just money? And how do we fill the current gap in commercializing their technologies and solutions?

The key is to tap into Chicago's natural advantages, particularly its large enterprise customer base. Illinois is home to over 65 businesses that each make over \$2 billion in annual revenue, and a combined annual revenue of over \$1 trillion. Not only do these established companies have capital that growth-stage companies need to build their business, but developing commercial partnerships with enterprise customers allows entrepreneurs to continue to test and pitch their product.

The synergy also further energizes our corporate base with fresh ideas to solve their most challenging business problems. And when enterprise companies source solutions locally, versus hopping on a plane to the coasts, they are investing in Chicago's economic growth and business community. Such investments could be the key to better

positioning the ecosystem for a comeback once the COVID-19 crisis settles.

P33, a private sector nonprofit, has built a program that is rapidly accelerating this opportunity. The nonprofit was formed to catalyze collaborations needed to make Chicagoland a global tech hub and innovation leader where all people thrive. One such initiative is P33 Company Connect—a use-case catalogue of tech solutions from growth-stage companies that are then matched to enterprise companies looking for solutions to their hardest business challenges. The P33 team is currently focused on three different areas, with additional focus areas to follow as we learn more about corporate needs:

- Data & analytics solutions for the financial services and insurance sectors
- Industrial Internet of Things and Industry 4.0-related technologies for the manufacturing and supply chain sectors
- Food & agtech solutions for the agriculture, food services & distribution, and consumer packaged goods sectors

ChicagoNEXT has also launched a new startup growth program to attract national investment for venture-ready entrepreneurs during the COVID-19 pandemic. An initiative of World Business Chicago (the city's economic development organization) with the support of its council of 250+ tech ecosystem leaders, ChicagoNEXT manages a portfolio of programs driving inclusive growth and opportunity for the city's tech economy and innovation ecosystem. In combination with the Chicago Venture Summit (one of the largest venture events in the Midwest), Startup Chicago connects the city's most promising startups with investors through its official startup database and a series of regional and national showcases. The program is proud to have the support of lead sponsors J.P. Morgan and William Blair, with additional sponsors Silicon Valley Bank (SVB) and the Toronto Stock Exchange & TSX Venture Exchange. Beyond engagement with the national VC community, Startup Chicago will also collaborate with corporate and tech community partners to drive stronger investment into the city's thriving startup ecosystem. Learn more and find



Brad Henderson
CEO, P33



Mark Tebbe
Chair, ChicagoNEXT

your next deal by visiting <http://www.StartupChicago.net>.

As a national leader for corporate and startup investment, Chicago is doing the right things. And if we do more of it, the region could be recognized as a place where corporate-startup collaborations happen, attracting innovative startups and growth-stage companies from around the nation and further strengthening the development of new technologies and use cases.

Explore Chicago's most promising startups

- ★ Targeted and facilitated match matching between investors and startups
- ★ Exclusive events for VC firms and tech investors
- ★ Opportunities to engage with Chicago tech and innovation ecosystem leaders



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www.chicagonext.org

Chicago continues to lead the U.S. in VC returns

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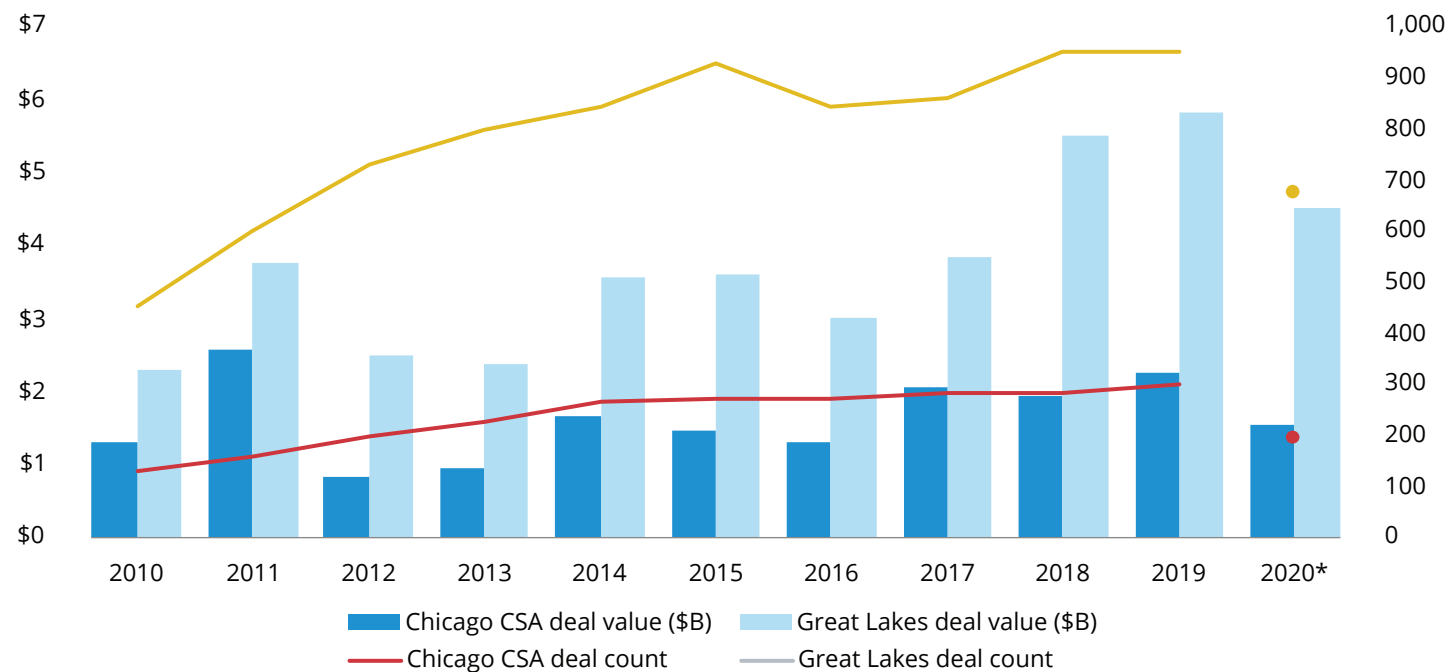
Startup Chicago connects venture-ready startups with active investors. Learn more about Chicago's thriving startup ecosystem and why it continues to be the top global destination for VC investment.

VISIT WWW.STARTUPCHICAGO.NET TO LEARN MORE

¹: Global Startup Ecosystem Report, 2019, Startup Genome, May 2019

Investment overview

Chicago combined statistical area (CSA) and Great Lakes VC deal activity Chicago closes record amount of deals amid banner year for the region



Source: PitchBook
*As of September 30, 2020

In 2019, the Chicago ecosystem closed a record 302 venture deals for a total of \$2.2 billion invested. Due in part to its talent pipelines, a nexus of flagship corporations, its regional transport hubs and more, Chicago is the loadstar of the Great Lakes' venture ecosystem. It retained a steady share of the region's total venture deal count and value largely due to its robust efforts. More striking is how resilient Chicago's funding level has remained three quarters deep into the tumult of 2020. The CSA has closed 190 transactions for a cumulative total of \$1.6 billion YTD, nearing 70% and 63% of 2019's tallies, respectively, with a full quarter to go.

Much like the broader US venture ecosystem, investors and companies have done their best to keep business moving as usual and price in the longer term rather than overreact to what all hope are shorter-term COVID-19-related economic impacts. The most recent Chicago Business Barometer™—which surveys business owners to assess overall commercial activity increases—surged to 62.4 in September, the highest level since

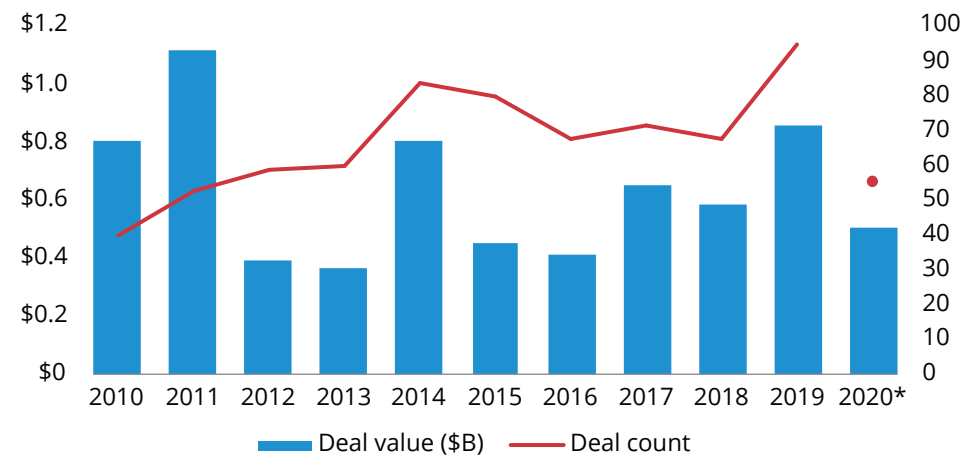
US CSAs by VC deal value (2010-2020*)	Deal value (\$B)
San Jose-San Francisco-Oakland, CA	\$359.8
New York-Newark, NY-NJ-CT-PA	\$113.7
Los Angeles-Long Beach, CA	\$91.2
Boston-Worcester-Providence, MA-RI-NH-CT	\$86.6
Seattle-Tacoma, WA	\$22.0
Chicago-Naperville, IL-IN-WI	\$17.8
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA	\$17.4
Denver-Aurora, CO	\$16.2
San Antonio-New Braunfels-Pearsall, TX	\$15.7
Philadelphia-Reading-Camden, PA-NJ-DE-MD	\$12.3
Atlanta-Athens-Clarke County-Sandy Springs, GA-AL	\$10.8
Miami-Port St. Lucie-Fort Lauderdale, FL	\$10.4
Dallas-Fort Worth, TX-OK	\$8.9
Salt Lake City-Provo-Orem, UT	\$8.6
Minneapolis-St. Paul, MN-WI	\$7.4

Source: PitchBook
*As of September 30, 2020
Note: May be missing deal sizes

US CSAs by VC deal count (2010-2020*)	Deal count
San Jose-San Francisco-Oakland, CA	25,436
New York-Newark, NY-NJ-CT-PA	13,491
Los Angeles-Long Beach, CA	10,231
Boston-Worcester-Providence, MA-RI-NH-CT	7,646
Seattle-Tacoma, WA	3,390
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA	3,302
San Antonio-New Braunfels-Pearsall, TX	2,923
Denver-Aurora, CO	2,851
Chicago-Naperville, IL-IN-WI	2,580
Philadelphia-Reading-Camden, PA-NJ-DE-MD	2,162
Atlanta-Athens-Clarke County-Sandy Springs, GA-AL	1,640
Dallas-Fort Worth, TX-OK	1,461
Miami-Port St. Lucie-Fort Lauderdale, FL	1,374
Salt Lake City-Provo-Orem, UT	1,240
Minneapolis-St. Paul, MN-WI	1,187

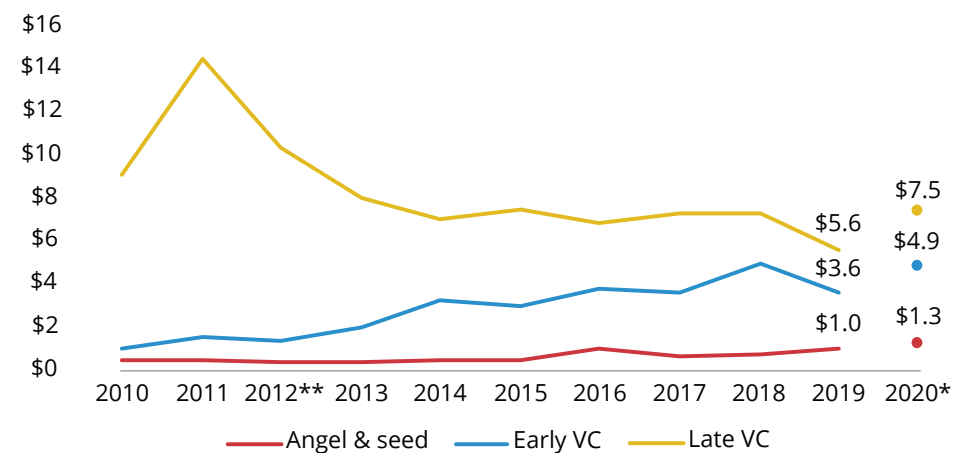
Source: PitchBook
*As of September 30, 2020

Chicago CSA VC deal activity with no known Illinois-based investors Outside investors flock to fund domestic companies



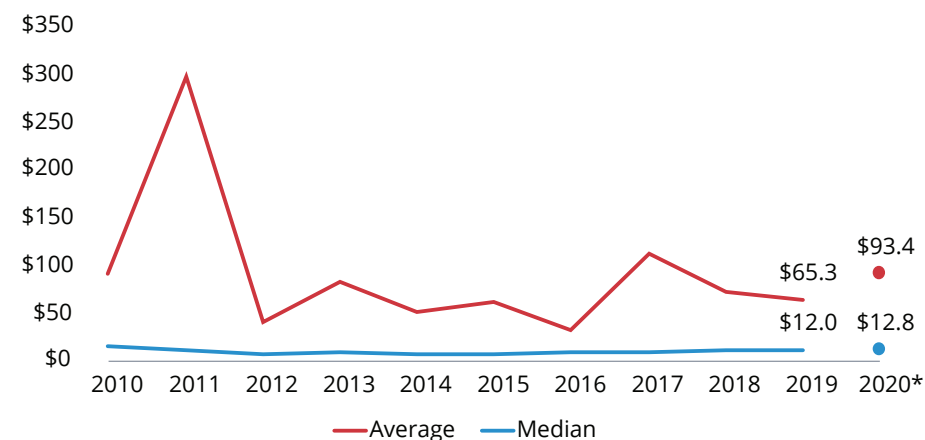
Source: PitchBook
*As of September 30, 2020

Median VC deal size (\$M) in Chicago CSA by stage Deal sizes stay robust even in the COVID-19 era



Source: PitchBook
*As of September 30, 2020
Note: *Some of the years in this data set have sample sizes where n < 30.

Median and average pre-money VC valuation (\$M) in Chicago CSA Investors grow cautious and seek mature opportunities



Source: PitchBook
*As of September 30, 2020

December 2018, indicating a recovery from the pandemic's impacts has begun.² Given their unique attributes and even the potential benefit they reap from pandemic-related demand, many enterprises within tech and healthcare have been able to keep operating, justifying additional funding. This, in turn, has helped keep overall VC invested in the Chicago area strong, as growth-stage companies continued to court funding to fuel the unanticipated expansion opportunity and render it sustainable. Follow-on funding remains aloft at \$1.2 billion across 63 fundings in 2020 through Q3. Moreover, late-stage deal volume has remained resilient, suggesting continued appetite for growth-stage companies.

2: "Chicago Business Barometer™ – Surges to 62.4 in September," Chicago Inc. and MNI Indicators, September 30, 2020

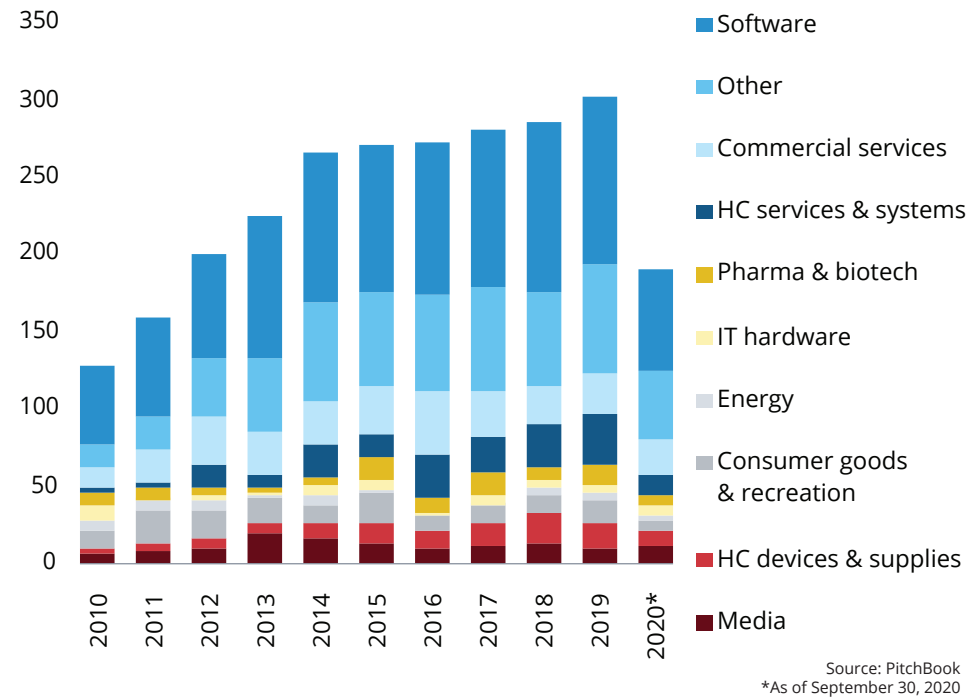
US CSAs by median VC exit multiple on invested capital (MOIC) (2006-2020*) Chicago retains top billing by a significant gap

US CSA	Median MOIC
Chicago-Naperville, IL-IN-WI	4.80x
New York-Newark, NY-NJ-CT-PA	3.77x
Seattle-Tacoma, WA	3.66x
San Jose-San Francisco-Oakland, CA	3.58x
Philadelphia-Reading-Camden, PA-NJ-DE-MD	3.52x
Denver-Aurora, CO	3.45x
San Antonio-New Braunfels-Pearsall, TX	3.35x
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA	3.18x
Los Angeles-Long Beach, CA	3.16x
Boston-Worcester-Providence, MA-RI-NH-CT	2.97x

Source: PitchBook
*As of September 30, 2020
Note: For inclusion, CSA must have ≥ 50 exits with known MOIC.

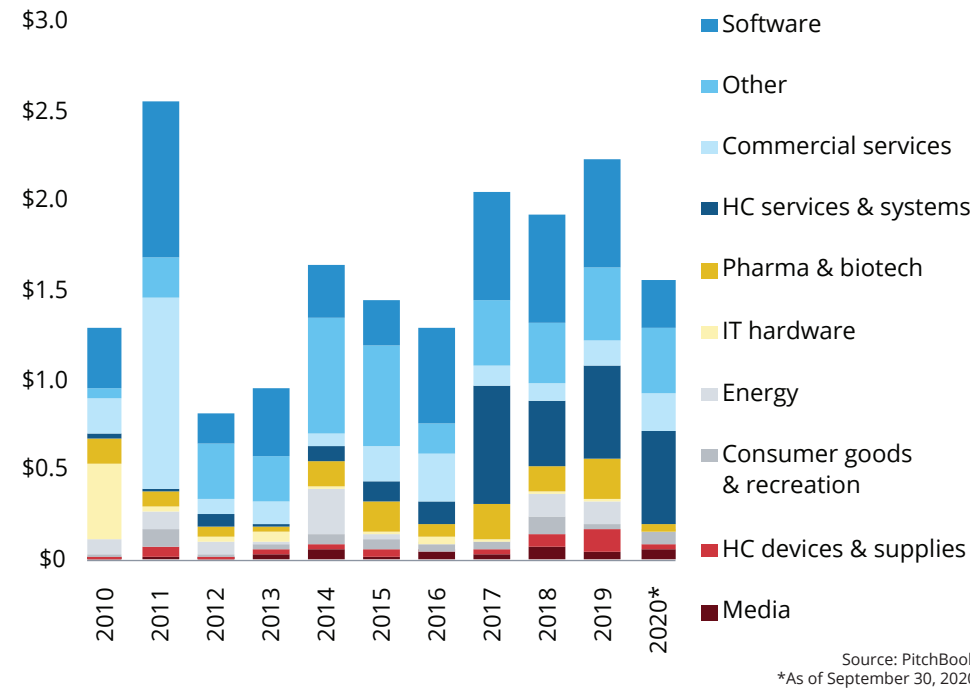
Chicago CSA VC deals (#) by sector

Software predominates



Chicago CSA VC deals (\$B) by sector

Healthcare bats above average in 2020 thus far



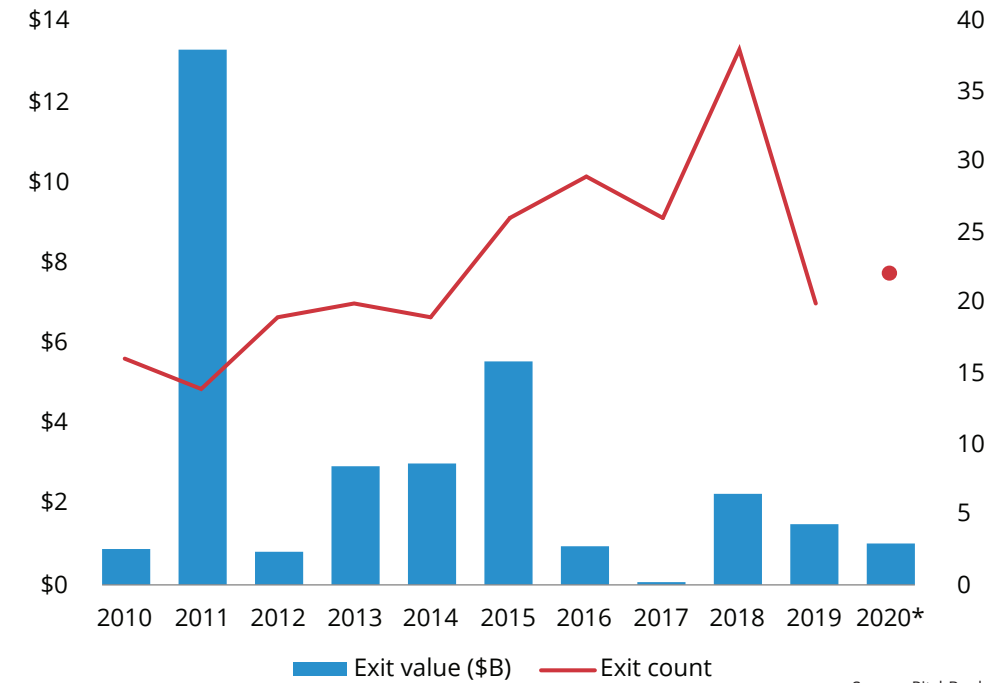
Most active investors in Chicago CSA (2010-2020*)	Chicago CSA deal count
Hyde Park Angels	103
Pritzker Group Venture Capital	93
Chicago Ventures	76
Lightbank	64
Hyde Park Venture Partners	56
OCA Ventures	49
M25	46
Kevin D'Silva	46
G2T3V	40
Techstars	38
Serra Ventures	38
Service Provider Capital	34
Jump Capital	33
Sandbox Industries	30
Right Side Capital Management	30
Illinois Ventures	30
Origin Ventures	29
Math Venture Partners	27
Valor Equity Partners	26
500 Startups	26

Source: PitchBook
*As of September 30, 2020

Exits and fundraising

Chicago CSA VC exit activity

Exit volume inches past 2019's full-year tally

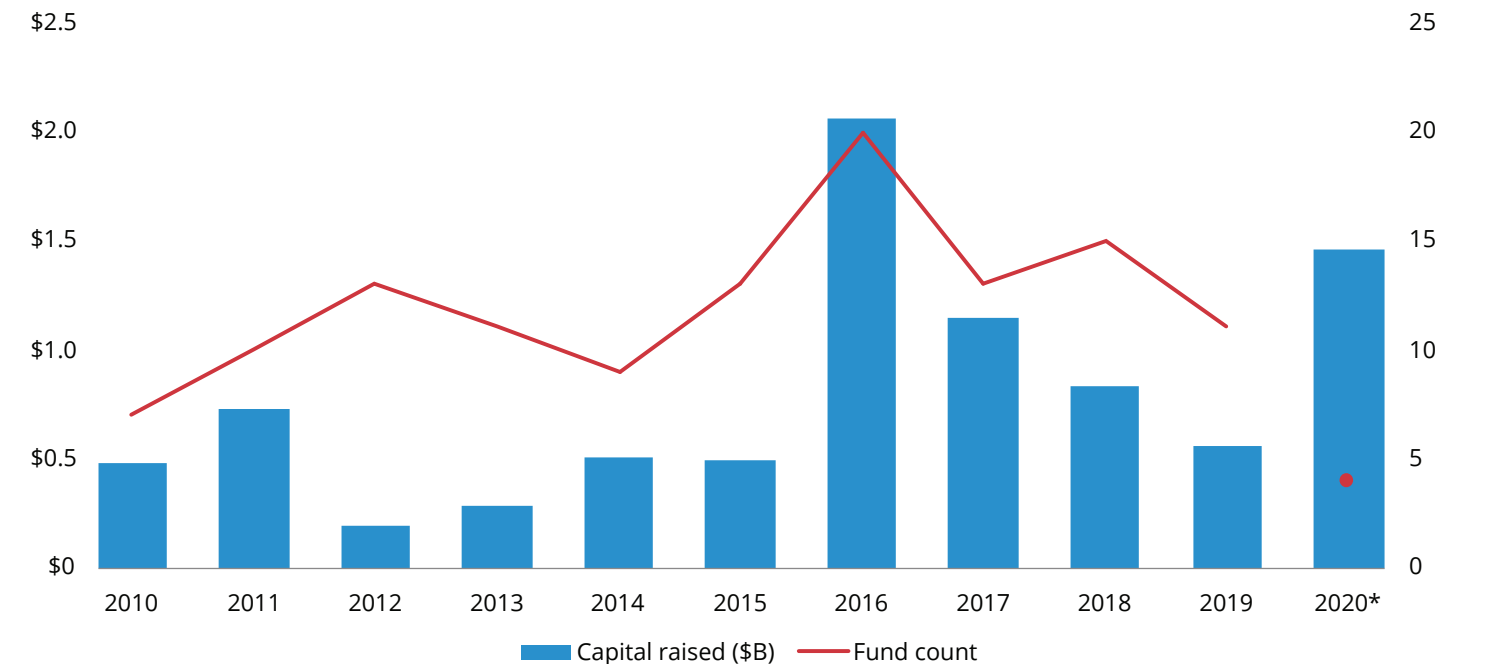


Underpinning resilient dealmaking activity, the Chicago CSA has already exited more companies YTD than in all of 2019. Aggregate exit value has just barely topped \$1 billion, though many exit sizes remain undisclosed.

In another promising sign, fundraising has been quite robust, even if only four funds have closed on approximately \$1.5 billion in capital commitments. Given the roughly downward trajectory over the prior three years, the resurging fundraising cycle signals local firms still command significant interest from limited partners.

Chicago CSA VC fundraising activity

A handful of funds close on near-record tally in commitments





ChicagoNEXT is World Business Chicago's dedicated initiative driving inclusive growth and opportunity for Chicago's tech economy and innovation ecosystem. Chaired by the Mayor, World Business Chicago is a public-private, non-profit partnership that drives inclusive economic growth and job creation, supports business, and promotes Chicago as a leading global city. Supported by a council of 250+ tech ecosystem leaders, ChicagoNEXT manages a portfolio of programs and initiatives which include the Chicago Venture Summit and Startup Chicago. Startup Chicago connects venture-ready startups with regional and national investors to accelerate their growth. Explore the city's thriving startup ecosystem at www.startupchicago.net.

P33, a private-sector led nonprofit, is catalyzing the collaborations needed to make Chicagoland a global tech hub and innovation leader where all people thrive. Based on an extensive body of research, P33 closes gaps in the innovation ecosystem and strengthens the connective tissue across the economic landscape. P33 Company Connect is an initiative to drive greater commercial activity between the region's growth stage companies and established businesses. To find out more, email P33CompanyConnect@P33Chicago.com.

