

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

2021

DATA PROVIDED BY  PitchBook.

# Introduction

Innosphere Ventures works at the intersection of entrepreneurship, venture capital (VC), and economic development. Our consistent belief has been that our local, regional, and national economy can only advance if science and technology startups have the resources needed to advance their technologies and grow their businesses. This is because the tech sector drives the most coveted job creation and younger firms create all new net job growth in the U.S.

As the world faced the global pandemic in 2020, Innosphere took significant strides to position our organization for more economic impact by purposefully expanding throughout the Mid-America Mountain Plains Region and laying the groundwork to launch a second regional Venture Capital fund. Why? Because as we head into the next decade, we can only be a competitive region if we increase our ability to innovate at an unprecedented level.

The Council on Competitiveness recently challenged organizations to do more in its new report, "Competing in the Next Economy," stating that our nation needs to boost U.S. innovation capacity tenfold. Achieving a 10X in anything is challenging, and innovation at scale requires many factors to work in sync.

One of Innosphere's focus areas is ensuring that we have accessible capital to fuel new ventures that will create jobs and power the economy. Historically, regions in the U.S. with more VC availability are the same regions known for driving innovation and being a hotspot for entrepreneurs.

At a national level, venture capital's performance has been outstanding over the last several years, with investors and limited partners (LPs) being more eager than ever to invest in the asset class. Even in the middle of a global pandemic, 2020 was a *record year* for venture fundraising and deployment, with nearly \$80 billion in capital raised for VC funds — and 2021 is on pace to top \$100 billion.

While this is good news for the U.S., a deeper look at regional VC trends in 2020 reveals challenges for up-and-coming innovation hotspots such as Nebraska:

- An increasing amount of capital is concentrated within large VC funds, and fewer emerging funds have been capitalized in recent years, with 2020 being a low spot since the great recession. This declining number of small VC funds is problematic because they are essential in **leading** investment rounds and investing in early-stage and seed-stage companies.
- An increasing amount of capital is concentrated in coastal regions, leaving companies in Mid-America with scarce availability of local capital.
- Nebraska's startup ecosystem has the potential to pique the interest of regional and national VC firms, which will continue to advance the State.

It is into this environment that the general partners announce our second VC fund, Innosphere Ventures Fund II, which will invest in businesses in the middle of the U.S., support entrepreneurs building high-tech companies, improve economic growth and innovation, accelerate the path to successful exit events, and create returns for investors.

**Mike Freeman**, CEO & General Partner  
**John Smith**, General Partner

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Innosphere Fund II could not have been launched without the support of the U.S. Economic Development Administration, the lead sponsor of this report.



*Note on methodology:* References to investments and funding at the "early stage" consist of angel, seed, and Series A funding rounds. Series B and beyond represent late-stage investment activity. Unless otherwise noted, investments made by Nebraska-based VC firms, venture funding activity or the like refers to VC invested in Nebraska-headquartered companies. Figures for summed investment rounds represent publicly disclosed transaction sizes only. *A special thanks to Clayton Castro for his support in producing this report.*

# Nebraska Venture Capital trends

Nebraska ended 2020 with VC deals significantly outpacing 2019 in annual deal value. VC investment in 2020 generated \$107 million in disclosed value on 27 completed deals across the State, while 2021 is on pace to beat **both** of these metrics.

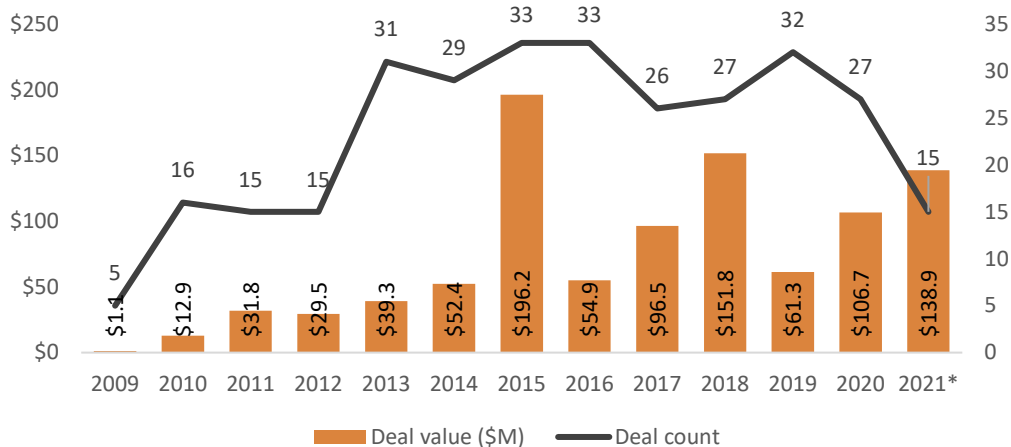
Year to date, 2021 is off to a solid and steady start with 15 VC deals closed which have generated a total of \$139 million in cumulative deal value. This already sets 2021 as the 3<sup>rd</sup> best year for VC deals, only behind 2015 and 2018, which saw enormous deals from Hudl and Monolith Materials. The strong first half of 2021 could result in the state's most significant year if more deals follow. Nebraska is ready for an increase in VC activity and startup growth, especially with public and private efforts to help accelerate the success of science and tech industries.

Nebraska has become an increasingly attractive spot for investors looking to invest in startup companies. In recent years, Nebraska entrepreneurs have received support from their state government to transform the startup ecosystem through programs such as the [Business Innovation Act of 2011](#), and through efforts from the Department of Economic Development.

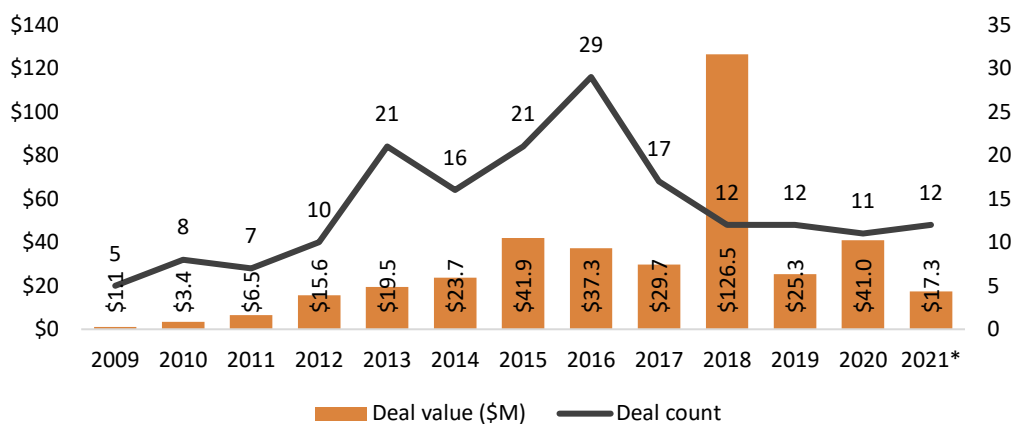
These efforts, combined with the low cost of living and other low business-related expenses compared to surrounding regions, position Nebraska to be an attractive location for often cash-strapped startups. Additionally, there are generous tax incentives for investors to direct their capital towards small in-state startups.

These conditions give rise to more startups and investors knowing that funds will last longer than many of the "startup hotspots" around the country. Nebraska's unique opportunities have attracted capital from out-of-state investors who are attracted to Nebraska's expanding startup ecosystem.

## Nebraska VC Deal Activity



## Nebraska Early State Investments Angel, Seed, and Series A Activity



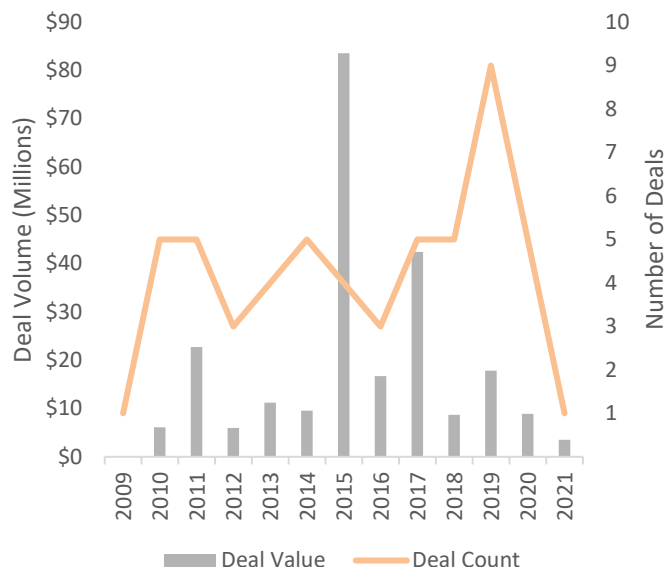
Source: PitchBook | \*As of June 28, 2021

Unless otherwise noted, the geographic scope of these datasets is the U.S. State of Nebraska

# Nebraska VC by Vertical

## SaaS Deals

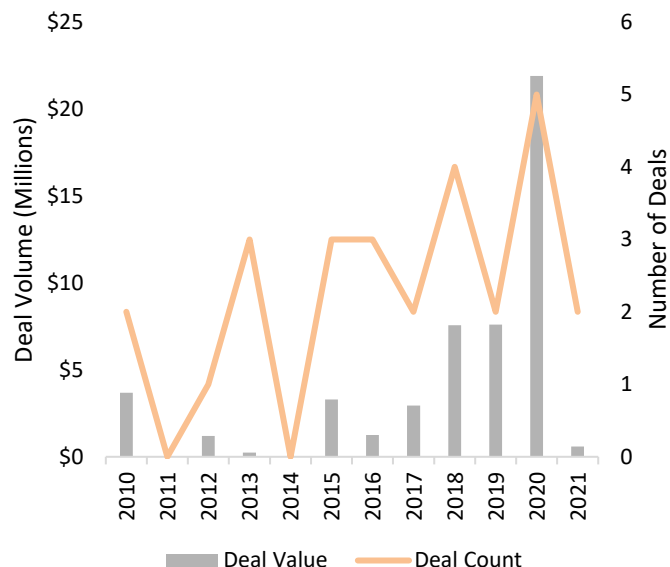
Nebraska SaaS VC deal activity



Source: PitchBook | \*As of June 28, 2021

## HealthTech volume hits new levels

Nebraska HealthTech VC deal activity



Source: PitchBook | \*As of June 28, 2021

## Notable Investors in Nebraska

Investors with active portfolios

Investor Name	Investor State	Active Portfolio
Invest Nebraska	Nebraska	84
CMS Holdings	Nebraska	32
Dundee Venture Capital	Nebraska	32
Nelnet	Nebraska	29
Berkshire Hathaway	Nebraska	28
McCarthy Capital	Nebraska	26
Nebraska Angels	Nebraska	25
NMotion	Nebraska	17
Panorama Point Partners	Nebraska	16
Stonebridge Ventures	Nebraska	16

Source: PitchBook | \*As of June 28, 2021

### Invest Nebraska

Consistently the most active Nebraska-based Venture Capital firm, [Invest Nebraska](#) tends to invest in high-growth, early-stage companies that are likely to attract outside capital into the State. Their active portfolio and focus on early-stage companies have helped propel the VC ecosystem over the last decade.

### Dundee Venture Capital

Based in Omaha, [Dundee Venture Capital](#) invests in high growth, seed-stage technology companies across the U.S. Since their founding in 2010, they have been one of the most active VC's in the region. Dundee VC was formed to lead seed rounds in the best technology entrepreneurs in the "Mighty Middle," which are markets historically underserved by venture capital. They have invested in 60 founding teams in 20 different cities.

## NUtech Ventures

[NUtech Ventures](#) is the non-profit technology commercialization affiliate of the University of Nebraska, serving the Lincoln and Kearney campuses. NUtech Ventures' mission is to promote economic growth in Nebraska through intellectual property protection, marketing, licensing, and entrepreneurship. The program helps take entrepreneurs from the research stages to commercialization.

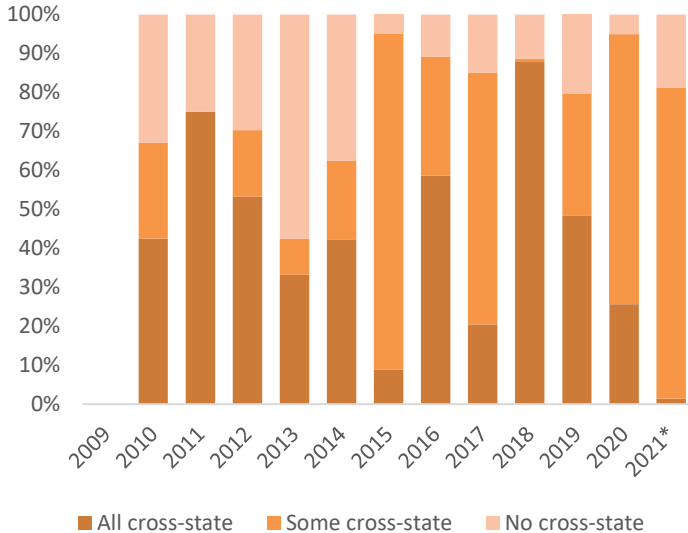
## University of Nebraska Medical Center

The University of Nebraska Medical Center (UNMC) conducts research and clinical trials and the UNMC expansion project is creating a state-of-the-art research facility that will bring the potential to generate new venture technologies throughout the next few years. This project is a valid representation of Nebraska's impressive expansion in becoming a key player in medical technology innovations. According to [UNMC's website](#), it has over 800 research projects, \$174M in annual research grants, and more than 340 faculty members.

# Nebraska's Early-Stage Venture Capital Initially Leading the Way

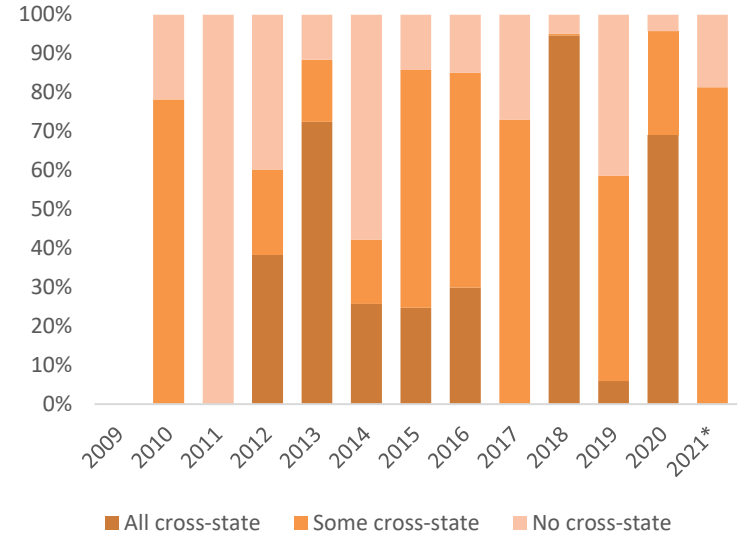
## Nebraska VC deal activity by cross-state investor involvement (\$M)

NE VC deals (\$M) by investor HQ



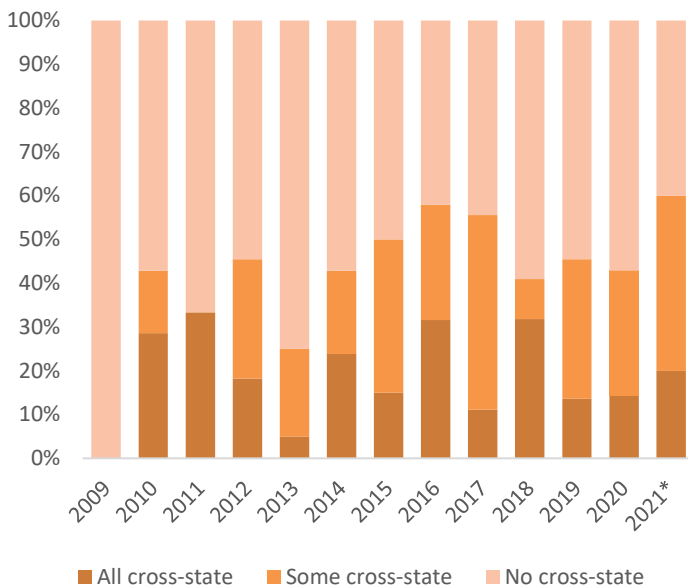
## Early-Stage VC investments are supported by cross-state investors

NE VC deals (\$M) by investor HQ

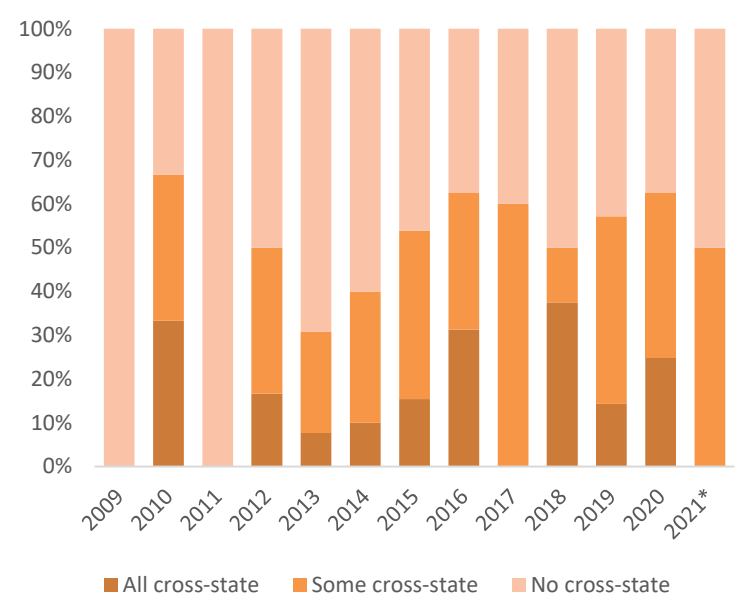


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## Nebraska VC deal activity by cross-state investor involvement (#)



## Nebraska angel, seed, & series A VC deal activity by cross-state investor involvement (#)



Source: PitchBook | \*As of June 28, 2021

## Nebraska's local investors and out-of-state investors

Nebraska's venture capital landscape indicates that out-of-state investments have played a significant role in growing the ecosystem over the past decade. While many deals are supported with in-state investors at both the early and late stages, out-of-state investors have typically been a notable source of capital. Significant variation year to year makes it challenging to identify trends, but out-of-state investments will be crucial to continue economic development in the State. Local Nebraska investors still hold most total deals in early-stage companies, but cross-state investors are commanding the total deal value share on later-stage companies.

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 grows the region's entrepreneurial ecosystem by supporting science and technology startups with a specialized commercialization program, a variety of incubation programs, and venture capital.

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