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MARKETS TO WATCH: **Chicago**

2021

DATA PROVIDED BY  PitchBook

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EXECUTIVE SUMMARY

- Disclosed deal value generated across Chicago's venture capital (VC) and emerging technology ecosystem reached a record-setting \$2.6 billion in 2020, while investment volume fell by just eight fewer funding rounds year-over-year (YoY) to 308 financings.
 - This momentum picked up considerable steam heading into 2021, with Chicagoland companies already securing a combined \$2.5 billion across 107 completed financings—results that will undoubtedly grow as more transaction data emerges.
 - 2020's median transaction size jumped by 23.1% to \$8 million YoY at the late stage, with more marginal expansion tied to angel & seed deals. These angel & seed deals still reached a record median of \$1.2 million, while the early-stage median fell almost one-third to \$3 million.
 - Meanwhile, median pre-money VC valuations posted appreciable gains across the board in 2020. Late-stage companies reached \$55 million, as early-stage startups posted a valuation step-up of 29% over 2019 to hit a record \$20 million. Angel & seed rounds climbed back to \$6 million for the first time since 2013.
 - Exit activity in 2020 returned to historically elevated levels—generating \$2 billion across a record 43 completed corporate acquisitions, sponsor-led buyouts and public debuts for Chicago-based, VC-backed companies.
 - In 2020, funding for the region's software-as-a-service startups rode venture investor enthusiasm, ultimately posting a record \$674 million in aggregate deal value. This marked a YoY jump of 58% with only four additional rounds closed over 2019's results.
- The strength of the region's VC firms helped 2020's fundraising
- reach \$1.7 billion in aggregate to deploy from the seven new vehicles closed—a strong showing, but one already surpassed as of April 23, 2021, with the additional \$2.6 billion in fresh capital flowing into eight new funds.

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\$31.6B

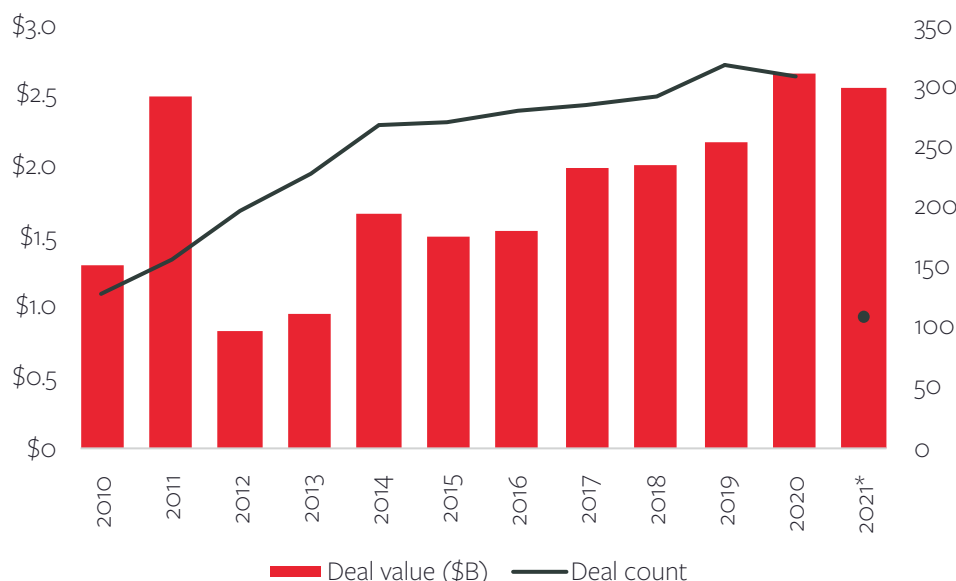
Sum of value generated at exit by Chicago-based, VC-backed startups from January 2010 through year-end 2020 across more than 270 corporate acquisitions, sponsor-led buyouts and public debuts executed over the same period.

OVERVIEW

Like the leading VC and emerging technology ecosystems of Boston, New York and San Francisco, Chicago has anchored successive generations of economic and technological development dating back to the Industrial Revolution of the 19th century. As a result, the region has been building its corporate base for over a century. It now serves as home to a diverse set of companies—ranging from aerospace giant Boeing to PayPal subsidiary and original Venmo parent, Braintree, which the fintech pioneer purchased in 2013 for \$713 million. Chicagoland also represents a major hub in the global transportation system while also maintaining a lower cost of living compared with its coastal peers. Further, the region boasts several world-class institutions of higher education—led by the University of Chicago and Northwestern University, home to startup incubator The Garage.

VC deal activity

Investment value surges only months into 2021



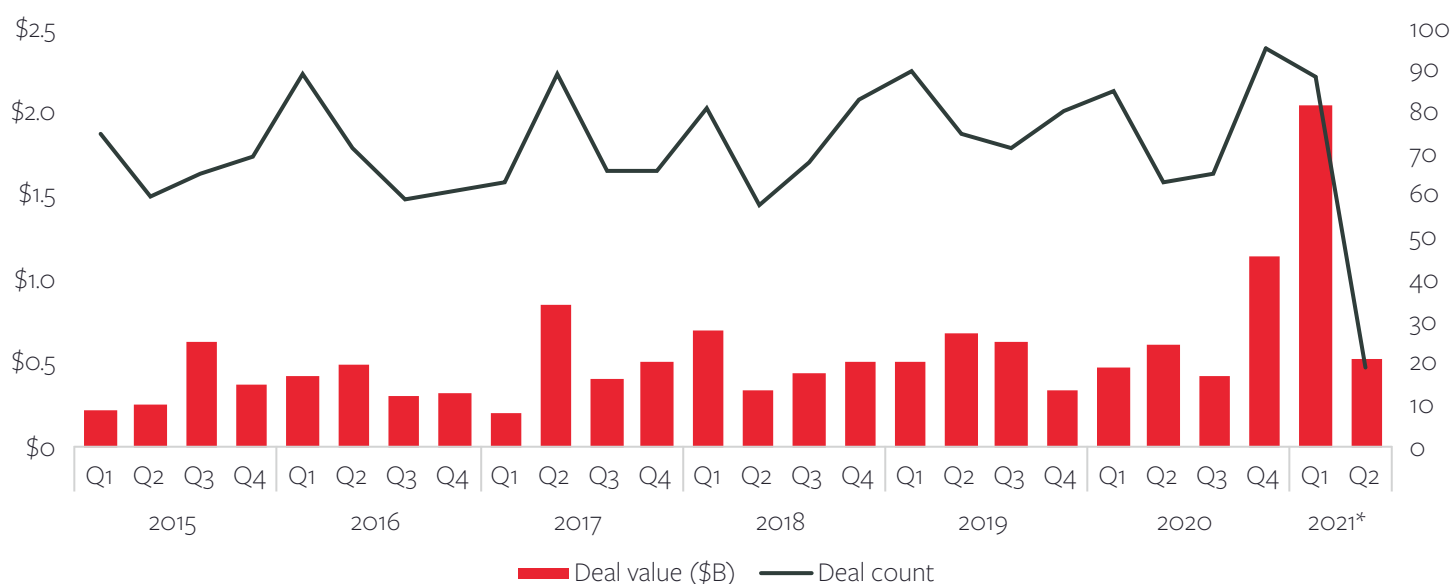
Source: PitchBook | Geography: Chicago CSA

*As of April 23, 2021

Unless otherwise noted, the geographic scope of these datasets is the Chicago-Naperville, IL, combined statistical areas (CSA).

VC deal activity by quarter

Mega-round for VillageMD helps set new quarterly record



Source: PitchBook | Geography: Chicago CSA

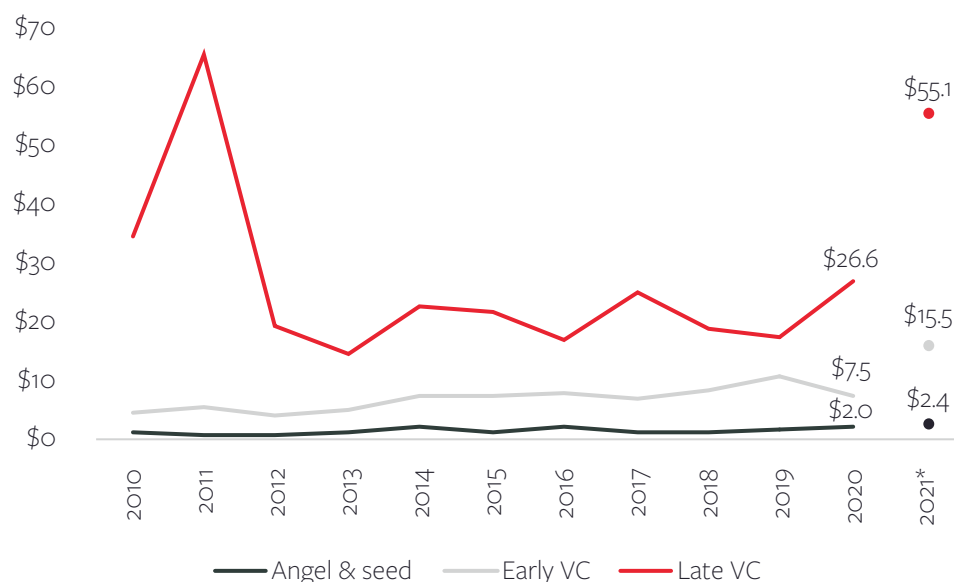
*As of April 23, 2021

These conditions make the Chicago ecosystem fertile ground for budding entrepreneurs. In recent years, female founders in particular have emerged as a driving force behind innovation in the region, with **one-third of the city's startups now run by women**—a greater share than any other major U.S. venture capital and emerging technology ecosystem. This cohort includes agri-food tech startup Hazel Technologies, which has raised \$87.1 million in VC funding since its founding in 2015 to develop its shelf-life-extending solutions for fresh produce. It also includes precision healthcare platform CancerIQ, which has raised almost \$15 million in venture investment since its founding in 2013. In sum, Chicagoland companies with at least one female founder or co-founder have raised \$2.2 billion across 531 funding rounds since early 2008, including the \$77 million in fresh capital raised thus far in 2021 on 11 additional deals. However, in terms of overall venture investment, the Chicago ecosystem has only just started to catch up to its larger coastal peers.

Over the past decade, Chicago-based startups have generated a combined \$19 billion in disclosed deal value across more than 2,700 funding rounds, which represents compound annual growth rates (CAGRs) of approximately 8% for VC investment and 9% for financing volume, respectively. This momentum has only picked up since the start of 2021, with Chicagoland companies already securing a staggering \$2.5 billion across 107 completed financings—results that will undoubtedly grow as more transaction data emerges. The COVID-19 pandemic also failed to slow VC commitments to Chicago-based companies over the past year. Indeed, VC allocated to the Chicago ecosystem reached \$616.8 million across 63 rounds at the height of uncertainty

Average VC deal size (\$M) by stage

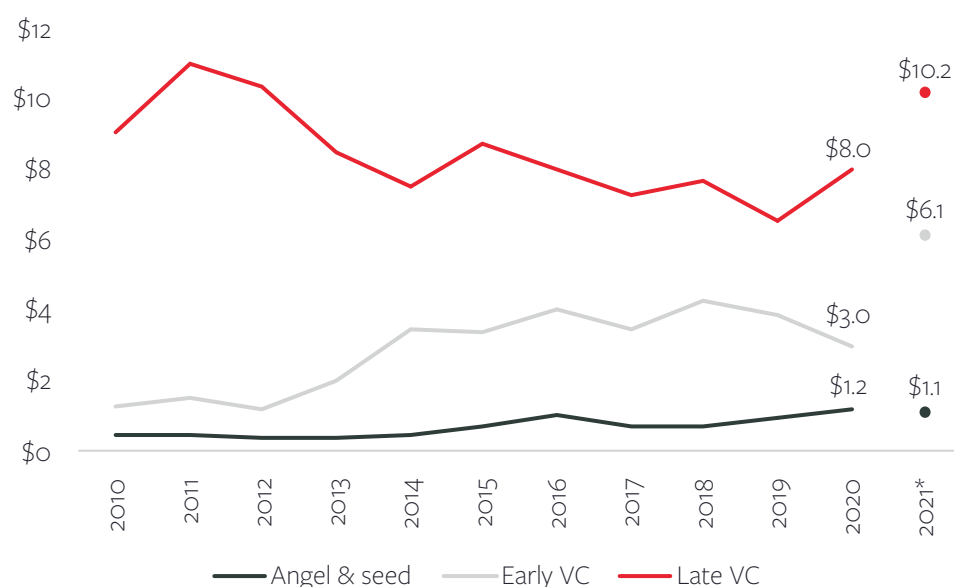
Late-stage transaction size bounces back



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

Median VC deal size (\$M) by stage

Median angel & seed transaction size sets new record



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

in Q2 2020. These numbers nearly kept pace YoY with results from Q2 2019, which reflected \$678.3 million across 75 financings.

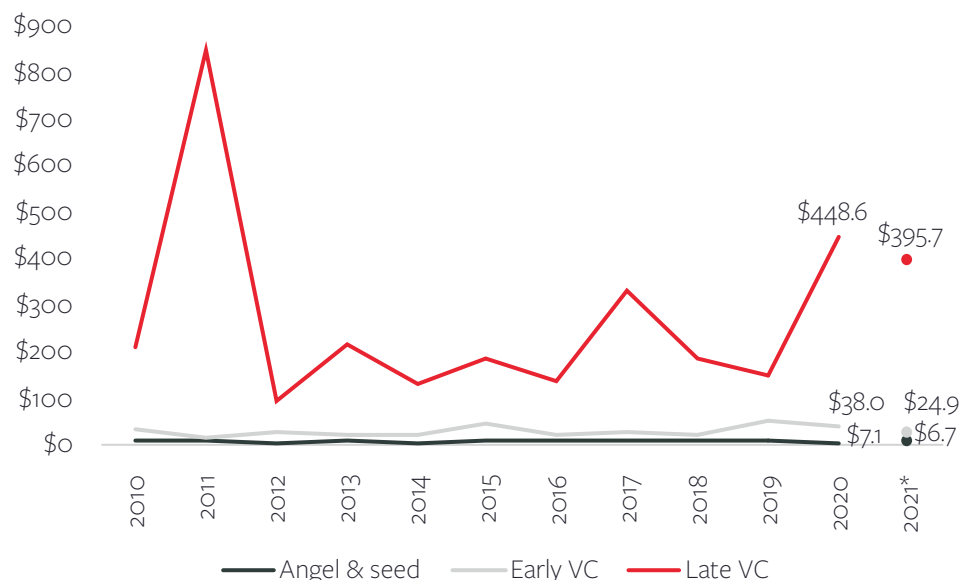
Thanks to the \$1 billion round in January for healthcare management services provider VillageMD led by fellow Chicagoland company Walgreens, Q1 2021 alone posted a record quarterly sum of \$2 billion in aggregate. Not only will that record-setting result also expand as more transaction data emerges, but it also already matches both 2017 and 2018's full-year venture investment figures on just 88 completed rounds.

At \$1.9 billion—or roughly three out of every four dollars committed—late-stage VC financing accounted for an outsized share of overall investment in 2020, with Series D rounds and beyond accounting for \$917.1 million in value. Meanwhile, Chicago's median transaction sizes jumped in 2020 by 23.1% to \$8 million YoY at the late stage, with more marginal expansion tied to angel & seed deals—which still reached a record median of \$1.2 million. The early-stage median fell almost one-third to \$3 million.

Likewise, 2020's pre-money valuations posted significant gains on 2019's results, with those for late-stage companies reaching \$55 million. Early-stage startups posted a 29% valuation step-up over 2019's figures to hit a record \$20 million, while angel & seed rounds reached \$6 million for the first time since 2013. The recent investment proliferation emphasizes outside investors' value to the Chicago ecosystem. In 2020, VC firms based outside the region participated in investment rounds that produced a record \$2.3 billion across 187 deals, which helped the CAGR for completed deals involving outside investors expand by 12% since 2010.

Average VC pre-money valuation (\$M) by stage

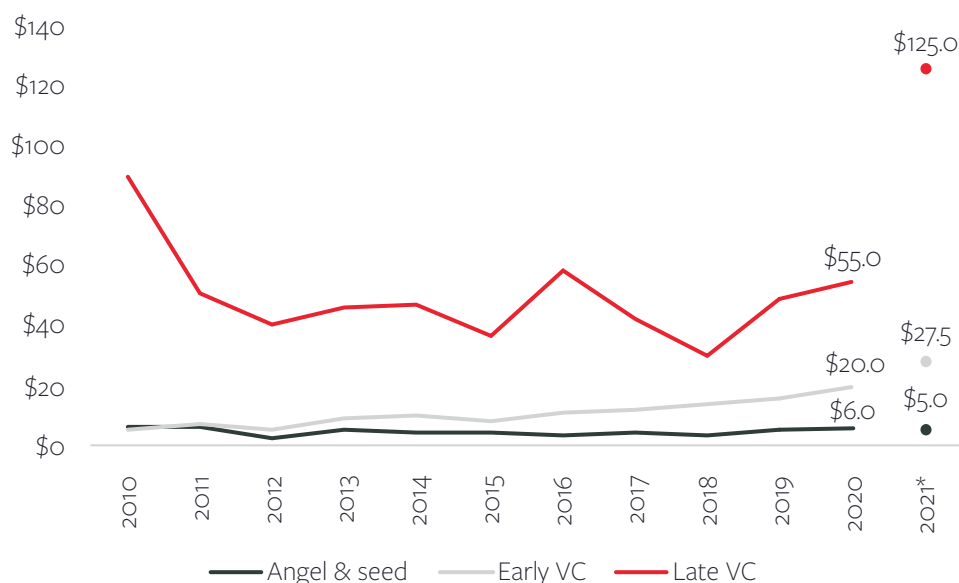
Average valuations more than tripled YoY at the late stage



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

Median VC pre-money valuation (\$M) by stage

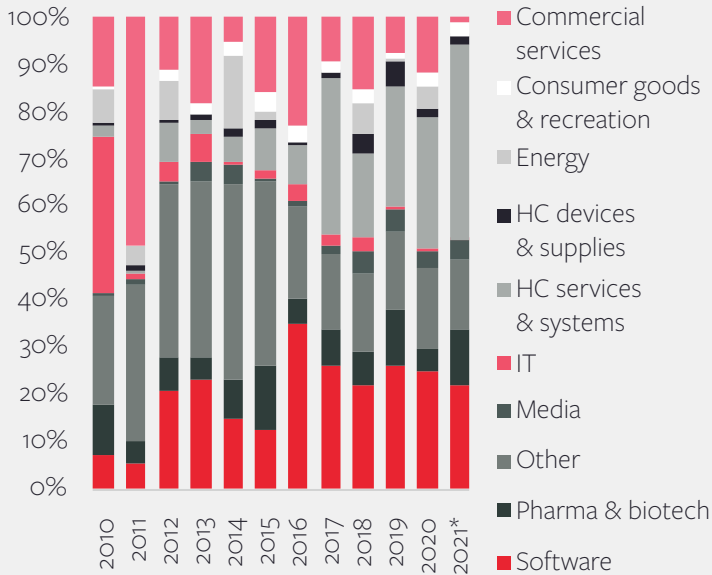
Early-stage valuations reach unprecedented heights



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

VC deals (\$) by sector

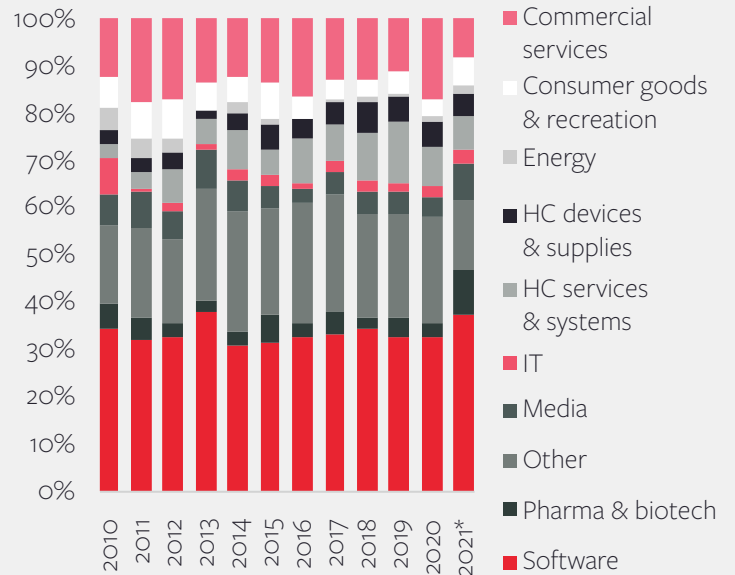
Software, healthcare services & systems again outpace all other sectors



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

VC deals (#) by sector

Software surpasses 100 deals for second consecutive year



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

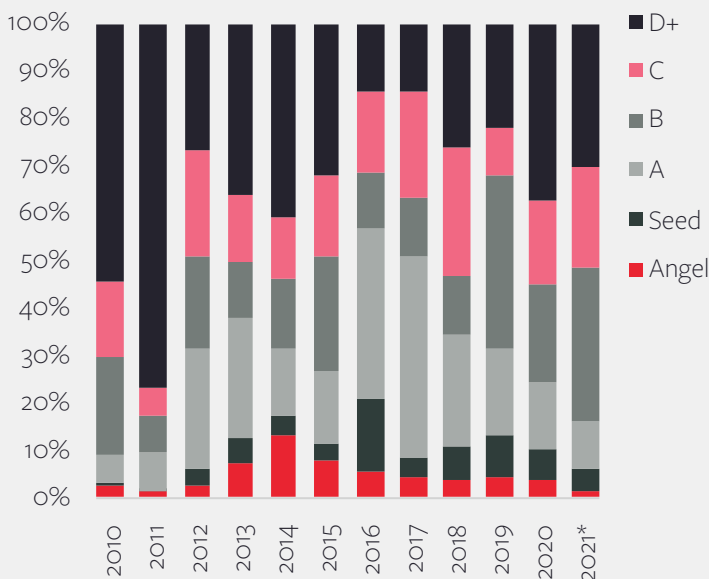


1/3

As of April 23, 2021, VC firms have already committed \$384.1 million—or about one-third of all funding for the software space—to Chicago's growing crop of software-as-a-service startups across 26 funding rounds. These figures represent roughly half of all venture raised by SaaS companies in 2020 on just 40.6% of all deals closed YoY.

VC deals (\$) by series

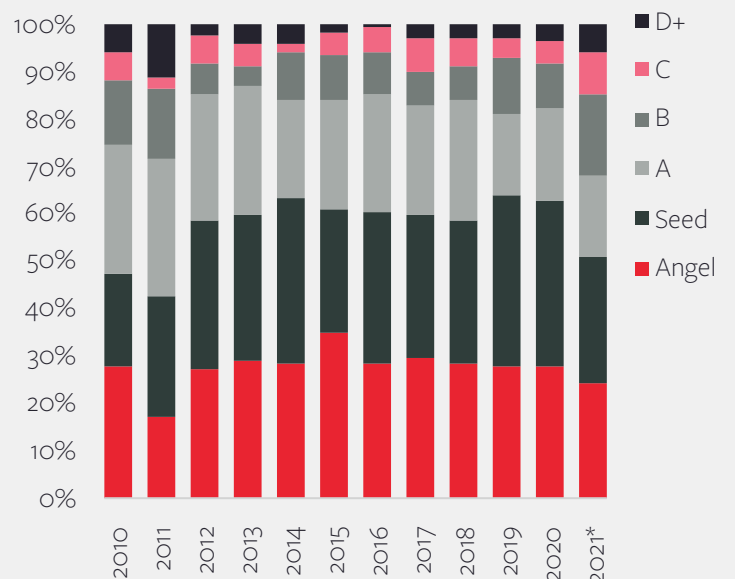
Series D+ rounds approach \$1 billion in aggregate



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

VC deals (#) by series

Series A transactions only round type to grow YoY

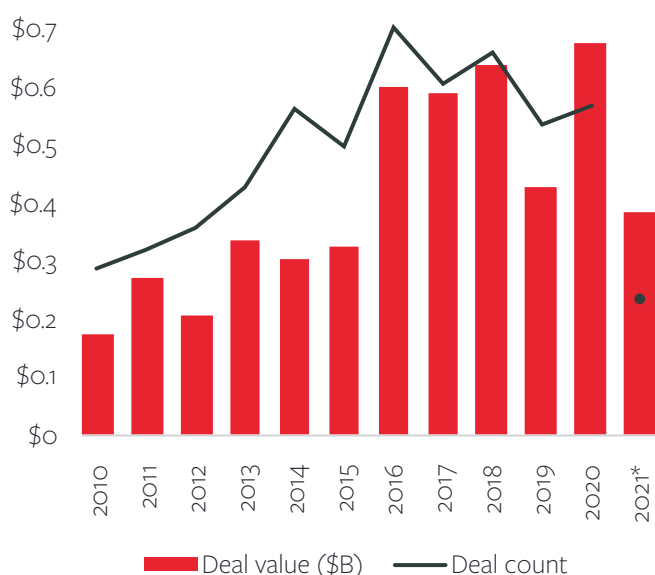


Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

SPOTLIGHT

SaaS VC deal activity

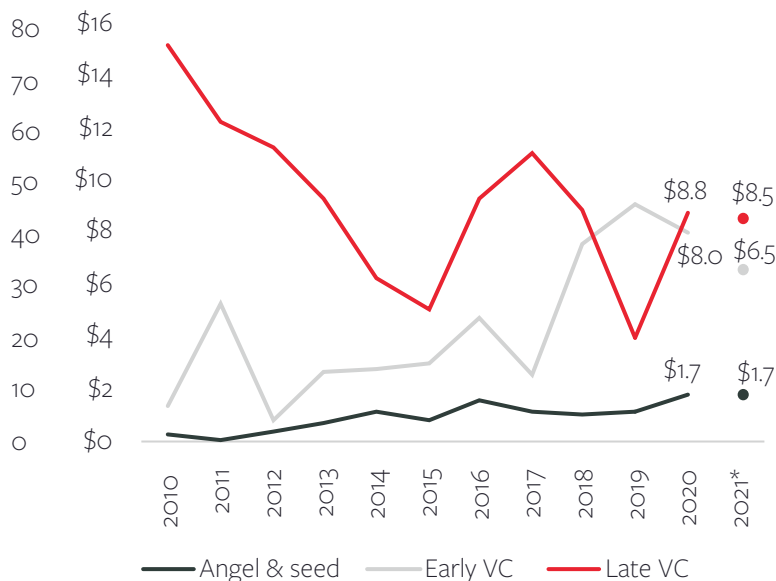
Investors return to SaaS in force after off funding year



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

SaaS VC deal size (\$M) by type

Median late-stage round size overtakes early stage



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

In 2020, venture investment into Chicago's software startup scene posted its most significant sum since early 2006 at \$662.7 million committed across 101 rounds. These figures represent 25% of all venture capital invested in the Chicago ecosystem in 2020 on about one-third of all deals closed, which is a testament to the region's diversity of startups from different sectors competing for capital. It also represents an extension of the software space's elevated funding—which started with 2016's \$538.3 billion committed across 91 rounds, when the sector's total investment more than doubled YoY and has not looked back. Of the \$19 billion raised by Chicago-based startups over the past decade, \$3.8 billion has gone to software startups. At 900 funding rounds closed, the sector has been responsible for 33.1% of all investment activity since 2010. Thanks in part to the significant role played by commercial services to Chicagoland's economic activity, SaaS startups have captured a

sizable share of venture investment activity in the wider software space.

Between January 2010 and year-end 2020, Chicago's SaaS companies secured \$4.5 billion in venture funding across 620 rounds, which distills to an average of \$7.3 million in disclosed value per deal. In that time frame, investment value expanded at a CAGR of 15% and overall volume climbed at a more modest CAGR of 7.2% as the leading companies on the Chicagoland SaaS scene commanded larger but fewer checks to scale. At \$674 million invested across 64 funding rounds for companies in the space, 2020 represented a recovery in venture financing activity—with overall value climbing 58.1% on only four more deals closed YoY.

Meanwhile, median deal sizes for Chicago's SaaS companies ticked up at the bookend stages. For SaaS companies securing angel & seed funding, the median deal size

reached a record \$1.8 million in 2020—a result that topped 2020's median round closed at that stage overall in Chicagoland by 50%. The numbers tell a different story for early-stage SaaS startups, however, with the median deal size falling to \$3 million from \$3.8 million in 2019—the lowest level since 2013. At the same time, late-stage deals surged by 23.1% to \$8 million in a return range last seen in 2016.

The region's pipeline of talent emerging from its universities can lean on Chicago's top incubators—led by the likes of 1871—to support their development. In recent years, venture funding helped raise a considerable crop of up-and-coming SaaS companies. Due to the strength of Chicago's startups at exit, these startups have attracted investment from some of the world's top firms. Since early 2010, the space has generated \$6.7 billion in combined exit value across 82 corporate acquisitions, sponsor-led buyouts and public debuts.

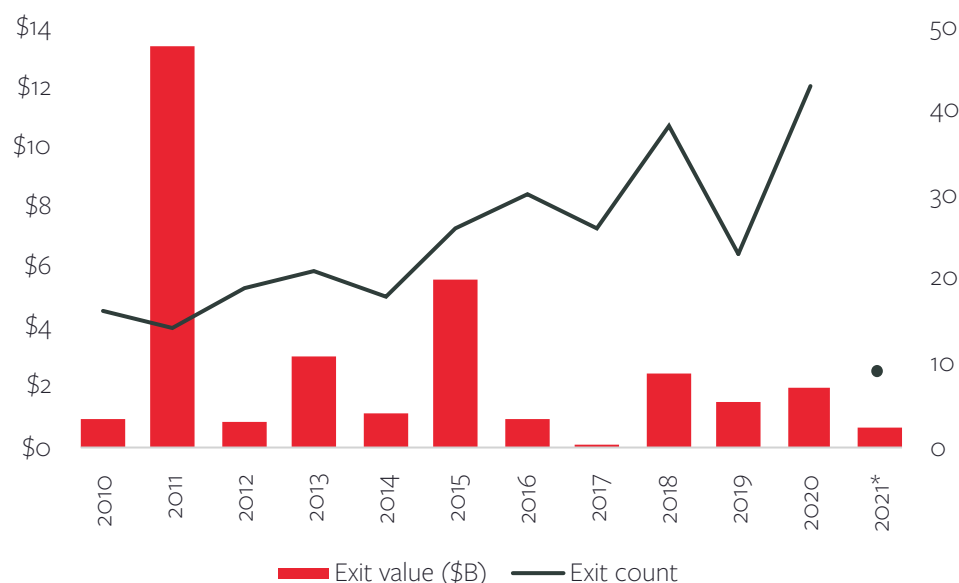
EXITS & FUNDRAISING

Initiated by Groupon's \$12 billion public debut in 2011, Chicagoland has produced many prominent exits over the past decade. The past year has been no exception across corporate and sponsored M&A deals and public debuts, which were buoyed by a strong equity market for overall IPO activity that supported robust valuations. In the coming year, this dynamic could potentially produce significant knock-on effects to fundraising by the ecosystem's leading firms. For example, just one year after Livongo's IPO, Chicagoland VC firm 7wire Ventures shepherded [Livongo into an \\$18.5 billion merger with Teladoc](#)—a deal tipped to produce a global leader in virtual patient care. The healthcare-focused 7wire Ventures first backed the digital health platform as part of an \$8 million round it led in 2013, with follow-on investments spearheaded by Glen Tullman—who both helped found Livongo in 2008 and serves as a managing partner at 7wire Ventures—coming in 2016 and 2018.

Since early 2010, VC-backed startups from Chicagoland have generated \$17.2 billion in exit value across just 14 public debuts. That sum represents 54.4% of the region's overall haul across only 5.1% of all exits executed in that time frame. Meanwhile, corporate acquisitions already completed in 2021 have generated an additional \$265.9 million in exit value across seven M&A deals, to which financial sponsored buyouts have added another \$400 million on a pair of deals. Taken together, corporate and PE-led M&A deals have long provided a lucrative exit route for Chicago-based companies and their investors. Since early 2010, corporates have completed 200

VC exit activity

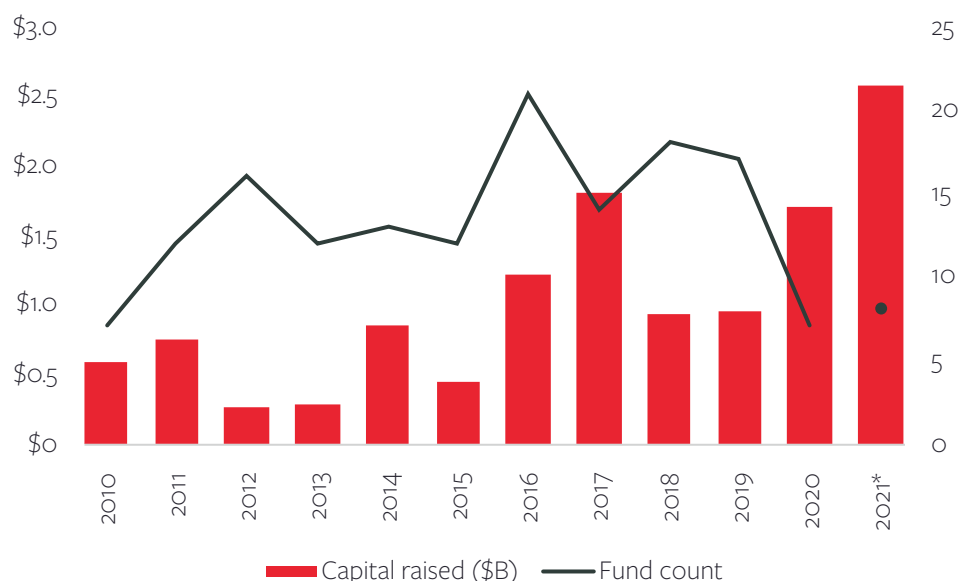
Exit activity nearly doubles to set new record



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

VC fundraising activity

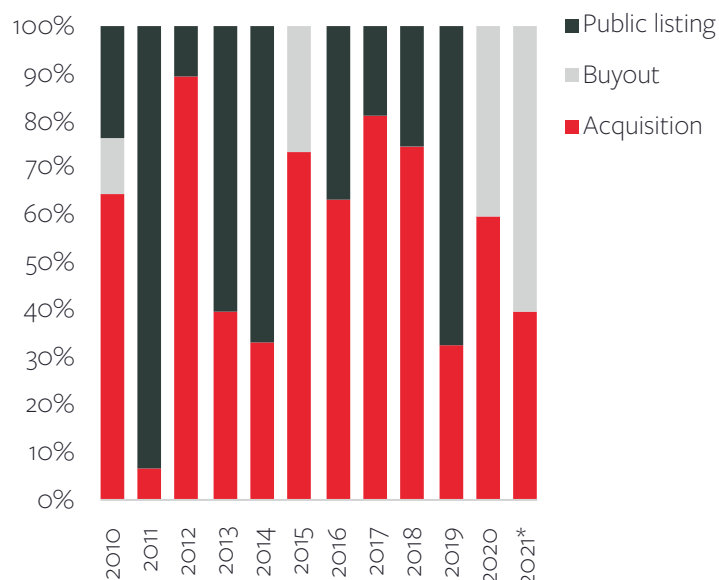
Fundraising sets new annual record just months into 2021



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

VC exits (\$) by type

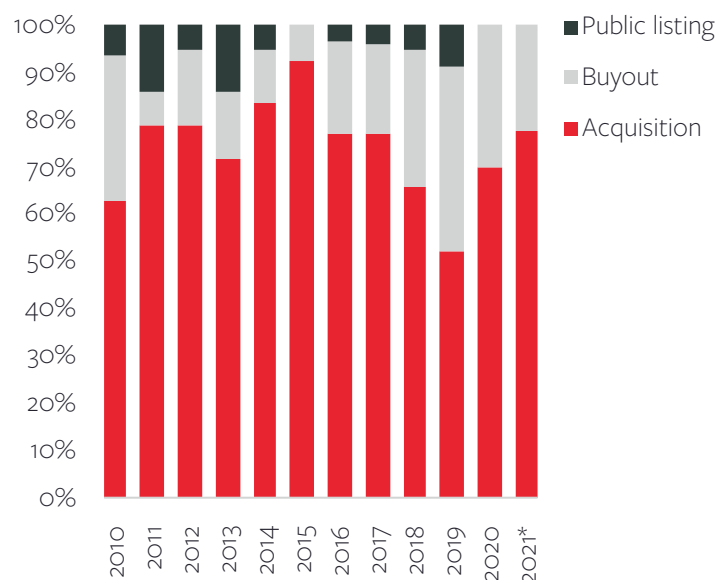
Corporate acquisitions surpass \$1 billion in aggregate exit value



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

VC exits (#) by type

Financial sponsor-led buyouts set new record for deal count



Source: PitchBook | Geography: Chicago CSA
*As of April 23, 2021

acquisitions of Chicago-based, VC-backed companies, thus generating nearly \$12 billion in exit value—a figure led by 2015's purchase of neurology treatment developer Naurex by pharmaceutical giant Allergan for just over \$1.7 billion.

Chicago boasts a diverse mix of startups across every emerging tech sector and at varying levels of maturity. This dynamic has increasingly made the ecosystem

a favorite target for external funding. It has also supported the considerable expansion of local capital sources, which have remained robust over the past decade due to the sustained success of Chicago-based and Chicago-backed companies at exit. The region has generated roughly \$10 billion in VC dry powder across nearly 150 local funds, with a record \$2.6 billion ready for investment from the eight new vehicles already closed as of April 23, 2021.

Further, LP commitments to investors at the region's leading firms have helped the median fund size expand remarkably of late, pushing the average across the six vehicles with disclosed fund sizes in 2020 to a record \$283.5 million—a 3.5x increase YoY. ARCH Venture Partners, which closed on approximately \$1.9 in fresh funds in January 2021, has led the year's early success.



\$12.3B

Between January 2010 and year-end 2020, Chicago-based VC firms raised \$9.7 billion in capital commitments across 149 vehicles closed. As of April 23, 2021, another \$2.6 billion across 8 funds has been added.

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