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Early stage deals fell in 2017 but up sharply over five years, Tech Council report shows

MADISON, Wis. – The latest edition of “The Wisconsin Portfolio” shows at least 127 Wisconsin early stage companies raised investment capital in 2017, a 71 percent increase from five years ago but an 8 percent decrease from 2016.

More than $231 million was raised by those 127 companies, which is less than the more than $276 million raised in 2016 but the second-highest total on record. There were $128.3 million in early stage investments in Wisconsin in 2013, $218.8 million in 2014 and $209.5 million in 2015.

Using public reports, filings and surveys of investors, the Wisconsin Technology Council and its Tech Council Investor Networks tracked a total of $231,040,882 that was invested in the 127 companies. The largest deals reported were SHINE Medical Technologies ($24.7 million), UAS Laboratories ($21.2 million), Promentis Pharmaceuticals ($17.6 million), Fetch Rewards ($10.4 million) and Redox ($10 million).

In line with the national trend, there was a decrease in number of deals and total dollars raised. After 2016 – a year in which the Wisconsin ecosystem set records for activity – this indicates a return to normalcy and part of the natural ebb and flow. Some deals may not be reflected in year-end totals for Wisconsin if networks or investors declined to participate in the survey.

The Tech Council Investor Networks are the Tech Council’s link to the investor community, helping to fuel the growth of capital in Wisconsin by providing services and resources to the early stage investing and entrepreneurial communities.

Members of TCIN can network with other investors, attend targeted events and get access to company deal flow through reviewing company executive summaries and presentations. Other highlights from the 32-page, 2018 report:

- There is mild concern with regards to the size of the investment rounds. Thirty-seven Wisconsin companies each raised at least $1 million from investors, down from 53 companies in 2016 and 46 companies in 2015. There were 27 $1-million deals in 2013 and 38 in 2014.
Average deal size fell from $2 million in 2016 to $1.82 million in 2017, compared to $1.6 million in 2015. Median round size in 2017 dropped to $360,000, down from around $514,000 in 2016 and $600,000 in 2015.

There was a shift in the distribution of funding rounds, with a smaller share of companies (11 percent) raising between $1 million and $10 million but a larger share of companies (11.6 percent) raising between $100,000 and $1 million.

Six in 10 companies have raised investment dollars in the past. For 37 percent of early stage companies that secured funding, 2017 was the first year doing so while 63 percent of startups received continued support.

Healthcare and information technology continued as the focus of investor attention in 2017, both in the number of deals (67.7 percent) and dollars invested (79.7 percent).

About 16.5 percent of Wisconsin early stage companies that received funding in 2017 are women-led or women-owned businesses. That’s down from 19.7 percent in 2016 but still exceeds the U.S. average.

Use of state early stage credits, which can be claimed by private angel and venture capitalists who invest in qualified state companies, fell in 2017 from recent levels largely because of reduced use by venture capital firms – some of which are outside Wisconsin.

Wisconsin’s tech-sector diversity also shows in the report, which includes deals ranging from advanced manufacturing to digital health, from biotechnology to consumer products, and from software to medical devices.

“This may just be a temporary case of investor fatigue. The increased activity these past five years may be catching up to investors,” said Tom Still, president of the Tech Council. “A lot of companies have secured a lot of capital. While many of them may be successful and growing, not many of them have had the successful exits Wisconsin needs to get new and existing investors excited and active.”

“This may also be an indication of a larger shift within the industry, with VCs managing larger funds and writing larger checks to fewer companies,” added Bram Daelemans, director of the Tech Council Investor Networks.

Here is the full report: http://wisconsintechnologycouncil.com/publications/wisconsin-portfolio/

The 10th annual publication also features a profile on Tom Shannon, the 2017 inductee to the Wisconsin Investor Hall of Fame; policy highlights and updates; a primer on early stage investing in Wisconsin; and a resource guide.

The Tech Council Investor Networks are among major Tech Council programs and projects. They include the Tech Council Innovation Network, the Governor’s Business Plan Contest, the Wisconsin Entrepreneurs’ Conference, the Wisconsin Tech Summit, the Wisconsin Early Stage Symposium and the Wisconsin YES! youth business plan contest. To learn more or to join TCIN, visit: http://wisconsintechnologycouncil.com/investors/membership/

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