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The Innovation Economy in Massachusetts is Improving But Funding Gaps Still Exist

Boston, MA — MassVentures, a leading seed and early stage tech-focused VC firm, conducted a survey of the Massachusetts innovation economy. The goal of the survey is to gain a broad perspective on the innovation economy for early stage technology companies in Massachusetts – what is working and where are the gaps. Respondents included entrepreneurs, investors and service providers.

The 2018 Innovation Economy Survey shows:

- The innovation economy is improving
- Access to capital is getting better
- But there is still a shortage of equity capital for startups
- The biggest gap in funding is \$0-3 million
- Funding for first time entrepreneurs and underserved markets is still a challenge
- Fewer entrepreneurs are leaving Massachusetts
- But when entrepreneurs leave it is for access to capital

We are proud that many respondents appreciate the role that MassVentures plays in the innovation economy as a value-add investor and critical source of seed and early stage capital.

The 2018 survey is similar to our 2013 survey in an effort to show both the evolution of the innovation economy and where Massachusetts stands today. A broad group of over 250 respondents from MassVentures' network completed the survey.

MassVentures uses the survey as one way to evaluate internal priorities, decision making, and investment strategy as we work to fill the early stage capital gap and drive innovation and growth in Massachusetts.

The following charts show questions posed, 2018 results, and comparisons to 2013 when applicable. MassVentures is happy to discuss the results and answer any questions that you might have.

- The innovation economy is improving compared to 2013.** Respondents see the current innovation economy is in better shape and rated the innovation economy as a 3.1 out of 4.

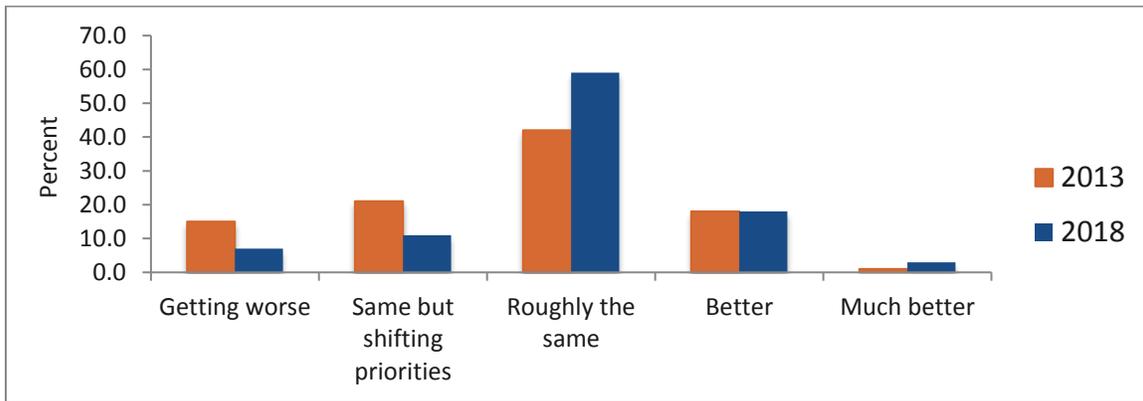
Question: On a scale of 1-4, with 4 being the best, how well is the innovation economy doing in Massachusetts?

3.1

(Up from 2.8 in 2013)

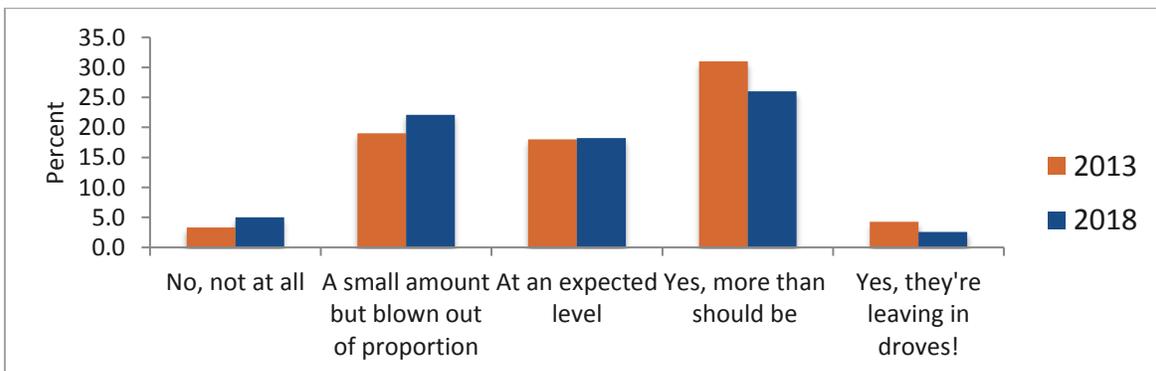
- In 2013, 36% thought the investment climate was getting worse or shifting, while in 2018 only 18% agree. 80% the current investment climate in MA staying the same or getting better.**

Question: How do you see the investment climate changing in the State?



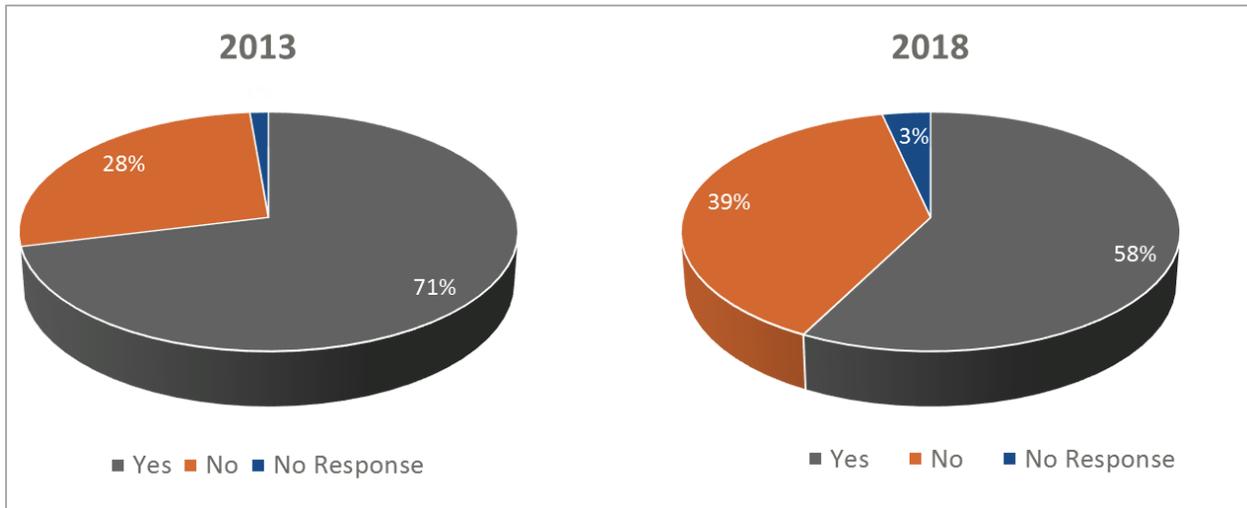
- We need to keep our entrepreneurs in Massachusetts.** 29% of respondents believe more entrepreneurs are leaving than should be. This concern has improved since 2013 but we need to keep our great talent right here in MA.

Question: There is a perception that entrepreneurs are leaving Massachusetts for more “welcoming” environments. Is this true?

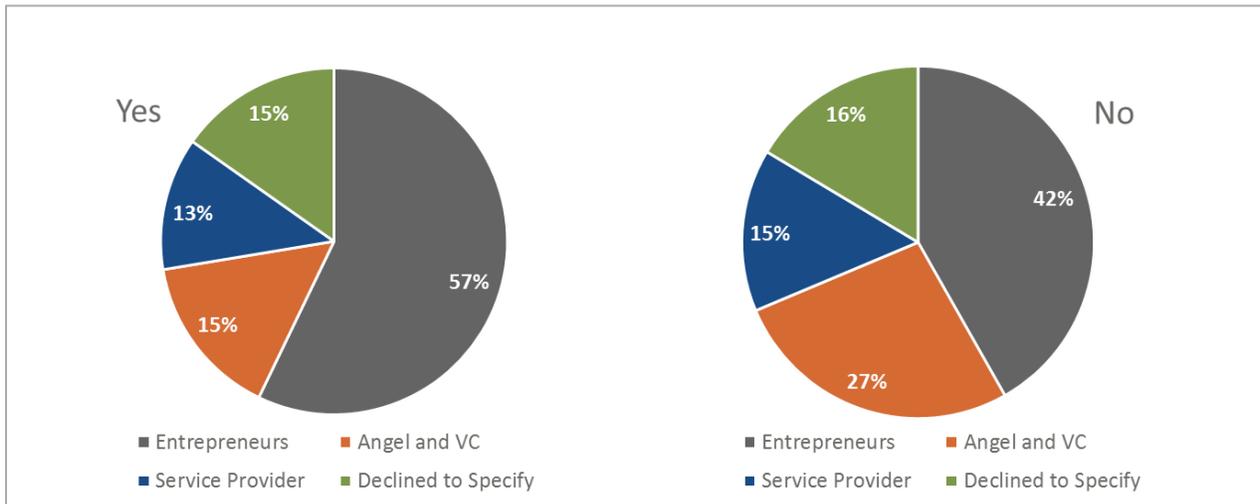


4. **Capital is becoming more available but a gap still remains at seed stage.** In a shift, fewer respondents believe there is a shortage of equity capital in 2018 than in 2013. In 2013, 71% thought there was a shortage of equity capital vs. only 58% in 2018. While the number of deals closed for startups both nationally and in Massachusetts increased dramatically from 2013 to 2015, they have declined since 2015 (source: National Venture Capital Association). Total deal value has continued to climb and hit a record in 2018 meaning that overall fewer deals are getting done but at much larger investment size. At the critical angel and seed stage, the number of deals and overall investment value has declined over the last 4 years showing the critical need for MassVentures in our ecosystem.

Question: Is there a shortage of equity capital in Massachusetts for start-up technology companies?

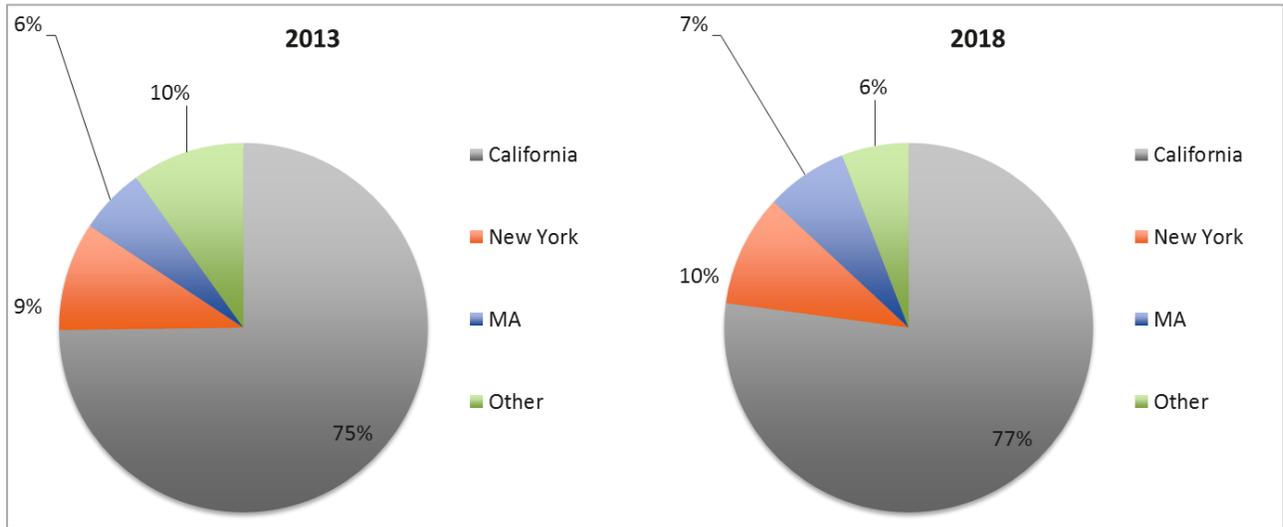


Not surprisingly, entrepreneurs are the most likely to believe there is an equity capital gap. Those that believe there is an equity capital gap are on the left while those that do not are on the right in the graphs below.



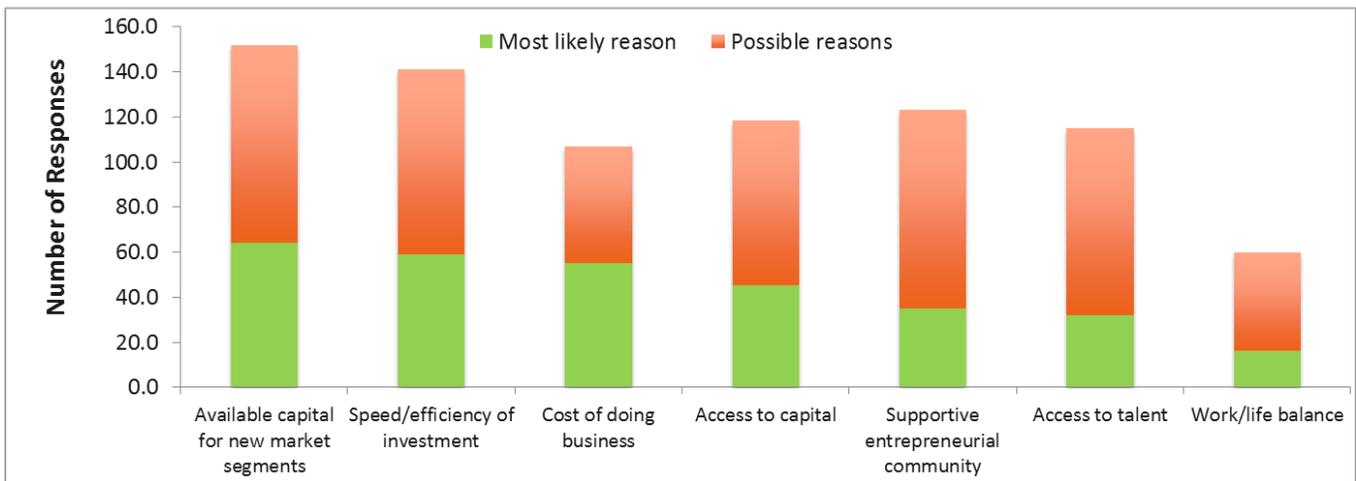
5. **We need to help make Massachusetts a better place for entrepreneurs to raise money.** California is still considered the overwhelmingly favorite place to raise money.

Question: Where do you perceive it is easiest to raise money?



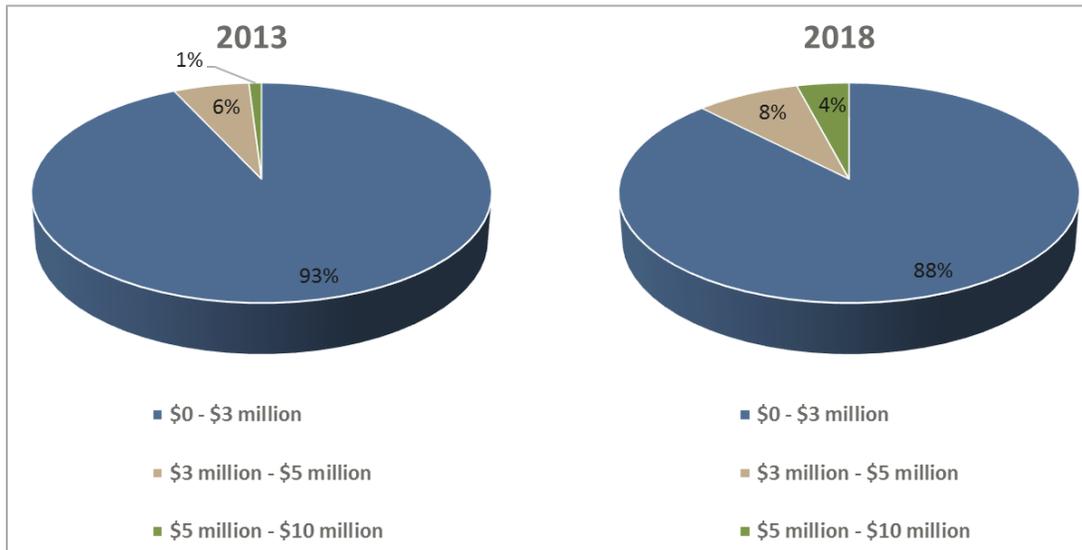
6. **Respondents believe the most likely reasons entrepreneurs leave Massachusetts are to access capital for new market segments and speed of investment.** Other reasons include cost of doing business and seeking a more supportive entrepreneurial community.

Question: Please rank the reasons why you think entrepreneurs are leaving.



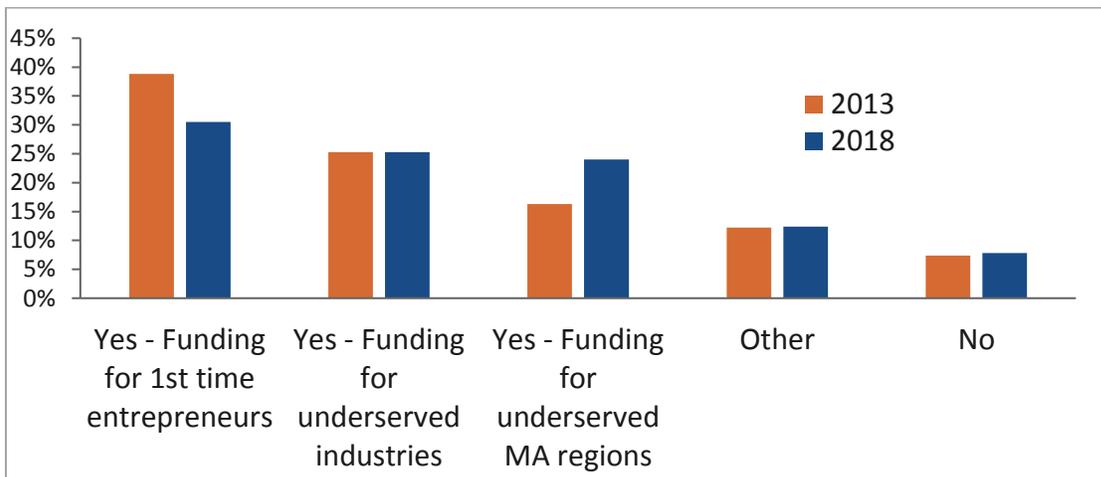
7. **The capital gap is at the seed and early stage.** 88% identify a capital gap in the \$0-3 million range, which is similar to the 93% in 2013. In many ways, venture capital has shifted to later stage investing making it hard for first time entrepreneurs to raise capital. The National Venture Capital Association calculates that angel and seed funding has declined for 4 straight years.

Question: Where is the capital gap? (Respondents could select more than one category)



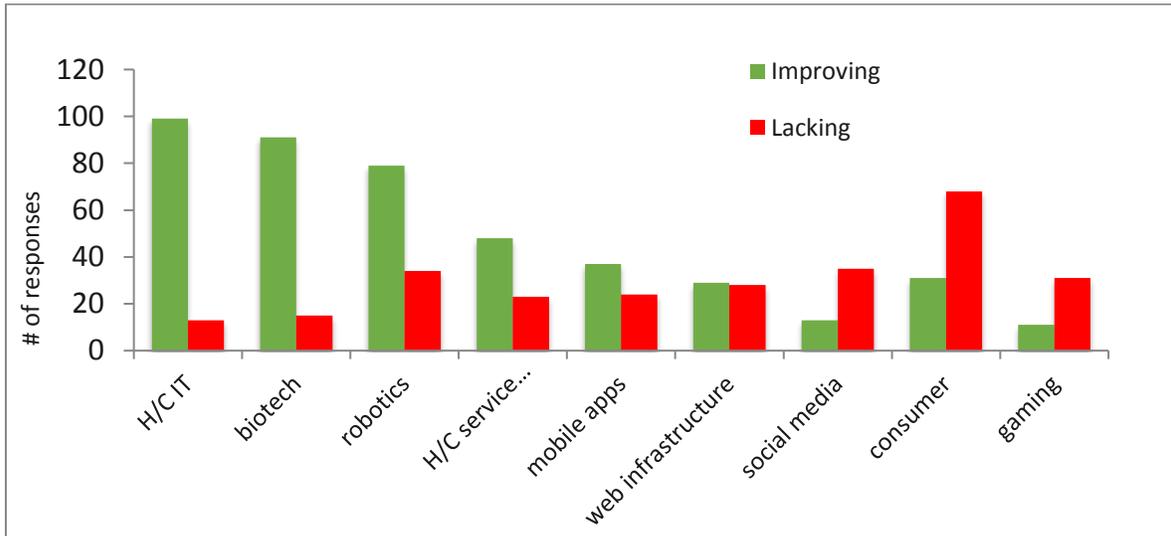
8. **Capital gaps still exist for first time founder, and in underserved industries and regions.**

Question: Are there other aspects to the capital gap other than funding amounts?



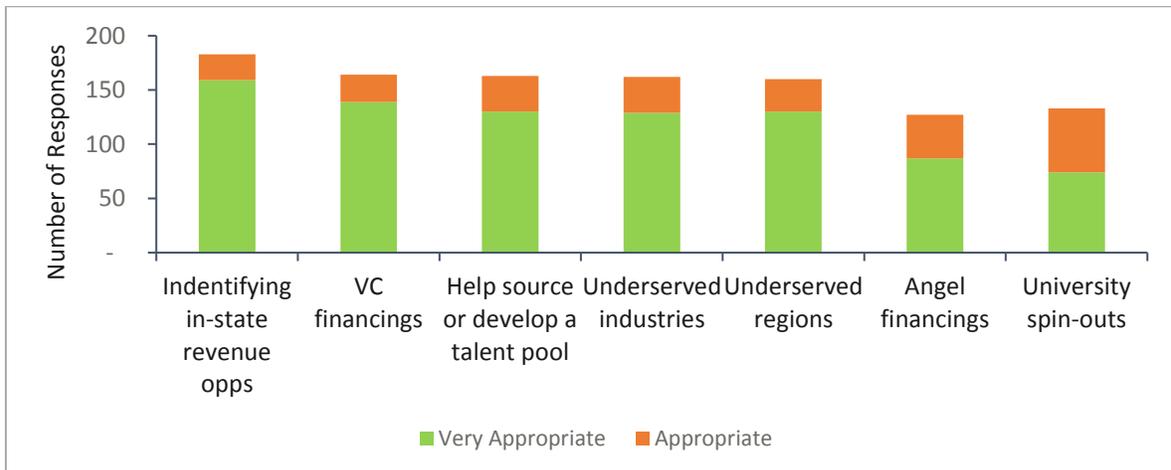
9. **Well supported industries such as healthcare IT, biotech, and robotics are perceived to be improving**, while more consumer facing business and web infrastructure are lacking.

Question: In Which sectors do you see an improvement and in which sectors is investment still lacking (choose all that apply)?



10. **The Private Sector believes the State can help young companies.** In particular, the State can provide help in identifying ways to sell to the Commonwealth.

Question: To what degree are the following role(s) appropriate for the State to play in Massachusetts' entrepreneurial community?



11. MassVentures continues to provide value to the innovation economy through capital introductions, added credibility, network of business partners and customers, and strategic guidance.

Question: What value does MassVentures bring to an investment?



About MassVentures

MassVentures is a leading edge venture capital firm that addresses the “capital gap” for start-up and expansion of early-stage technology companies operating in the Commonwealth of Massachusetts. Over the last 40 years, MassVentures has invested in many of Massachusetts’ most promising new technology companies. Learn more by visiting www.mass-ventures.com.