



# 2019 PHILADELPHIA VENTURE REPORT



*Data provided by*





# ENTREPRENEURS. NOT WANTREPRENEURS.

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# Introduction

The Philadelphia entrepreneurial community is entering a new decade stronger than ever. This report showcases how Philadelphians use their inner grit and industry passion to achieve new possibilities and fuel innovation. The prominence of the life sciences space across the ecosystem has only increased over the past year, and Philadelphia appears poised to capitalize on those gains in 2020 thanks to a growing base of world-class cell and gene therapy companies and the effects of the Cell & Gene Therapy Initiative detailed below. Meanwhile, our angel investment community continues to expand alongside the growing interest of nontraditional investors such as corporate venture arms and growth-stage-focused private equity funds, while Ben Franklin bolsters company formation with capital and growth resources. In addition, outside investors including venture capital (VC) firms based in Boston, New York and Silicon Valley are targeting the region on a growing basis. Last year, Philadelphia set a record for venture investment with close to \$2.5 billion, ranking Philadelphia 7th nationally, also a record. Entrepreneurs have begun scaling up operations in Philadelphia and continue to take advantage of the talent emerging from the region's universities and medical centers along with its high quality of living. Please join me in thanking our 2019 report sponsors. PACT looks forward to working with them and all of you to continue to elevate Philadelphia.

Dean Miller, President & CEO 

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Data as of: December 31, 2019

Note: This report covers the Philadelphia-Camden-Wilmington Metropolitan Statistical Area (Philadelphia), which includes parts of Pennsylvania, New Jersey, Delaware and Maryland. All data and charts cited throughout the report are based on companies and/or investors headquartered in this region.

### About the Cell & Gene Therapy and Connected Health Initiative:

The Chamber, through its CEO Council for Growth, along with collaborating institutions, organizations and companies, has launched a multi-year initiative to leverage and promote Greater Philadelphia's cell and gene therapy, gene editing, and connected health sectors. The objective of the initiative is to strengthen the region's innovation economy through efforts including shared storytelling that build awareness of the region's assets, providing resources to start-up and scaling companies, assessing the talent needs of the sectors, and supporting the development of critical infrastructure for the sector's growth. The initiative is supported by 11 partner companies, institutions and universities in the Greater Philadelphia region. For more information, visit <http://www.ceocouncilforgrowth.com>

## Report Sponsors









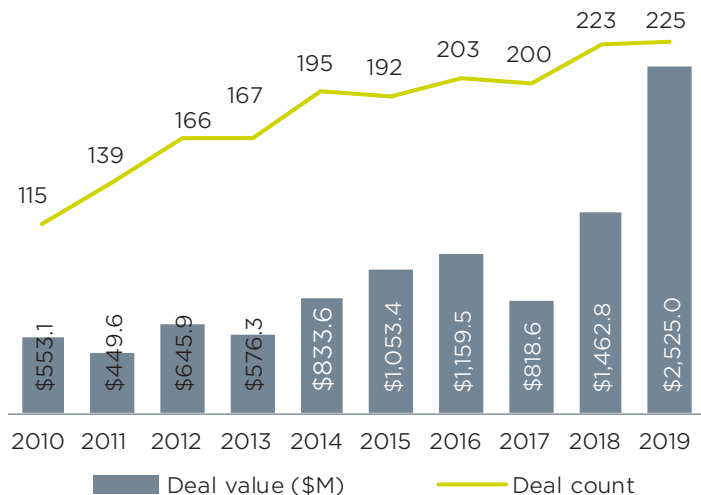






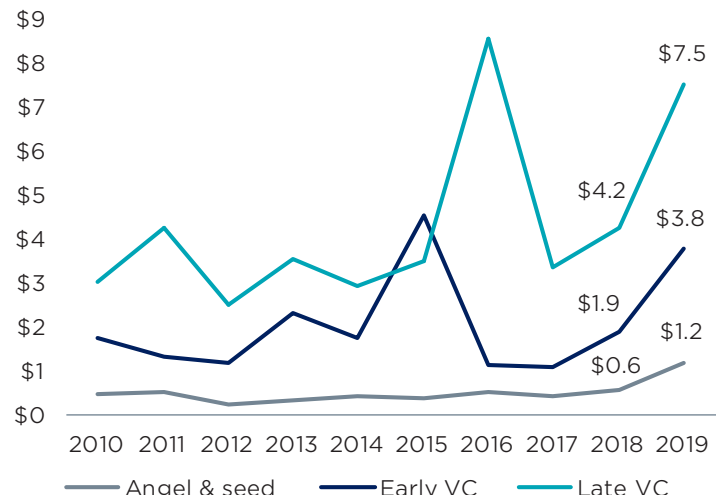
# Dealmaking

VC deal activity



Source: PitchBook | Geography: Philadelphia

Median VC deal size (\$M)



Source: PitchBook | Geography: Philadelphia

Philadelphia's entrepreneurial community charged out of 2018 to reach record heights for the aggregate disclosed deal value of venture investment in 2019, while squeaking past the top tally for total financing rounds completed by just two deals. At \$2.5 billion invested across 225 venture financings, Philly's venture ecosystem closed out 2019 stronger than ever, helping to push the average disclosed round value to \$11.2 million. And as larger rounds boosted VC investment levels over the results for 2018, companies at the early stage alone commanded \$244 million more in total VC year over year (YoY) while activity comprised only eight additional financings. Investors targeting this point in a startup's lifecycle with larger checks pushed aggregate value past \$1 billion for the first time since at least 2006.

As the Philadelphia ecosystem has matured over the past decade, companies at the most nascent phase have also capitalized on a growing investor appetite for getting in on the ground floor. Since securing just over

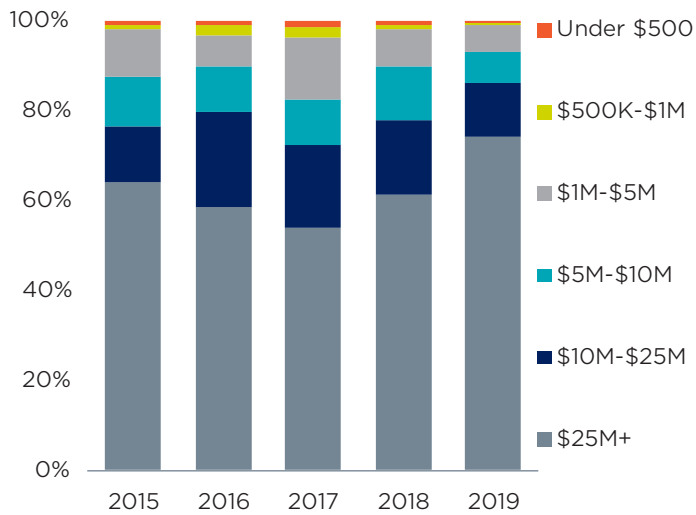
\$20 million in aggregate at the top of the decade, angel and seed deal value expanded at a steady compound annual growth rate (CAGR) of 24% to surpass \$160 million in 2019. Although angel and seed financing volume peaked at 103 financings in 2015, activity at this stage has bounced around above 85 deals every year since 2014. The \$1.2 million median for angel and seed rounds represents the highest on record, doubling the figure from 2018 and tripling the \$400,000 per angel and seed round recorded, remarkably, just the year before.

As Philadelphia enters a new decade, the ability to sustain gains in venture activity across the region represents perhaps its most lasting characteristic. Since the start of 2010, overall VC investment has generated \$10 billion in aggregate funding value across 1,825 financing rounds. And the pace of investing has only picked up of late. Firms targeting startups based in the region have completed transactions valued above \$800 million in total each year since 2014 across at least 190 financings annually in that time,

driven by Philly's pharma and biotech sector, which commanded more than \$1 billion in overall deal value in its own right for the first time in 2019.

Thanks in part to record levels of dry powder in the wider venture ecosystem, deal size inflation for Philly—though broadly consistent with the YoY persistence of rising valuations across the US—has yet to push median deal sizes to levels reached elsewhere. For example, the median for an early-stage deal in Philadelphia was \$3.8 million—roughly half the US median. In addition to these trends driving overall activity, participation from outside and nontraditional investors hit record heights or recovered last year. Commitments from investors based in the Bay Area, Boston or New York reached or maintained their peak level. On the other hand, corporate venture arms committed a record amount of capital in Philadelphia deals, and last year, private equity (PE) investors funded over \$350 million to companies showing continued strength of this investor sector.

### VC deals (\$) by size



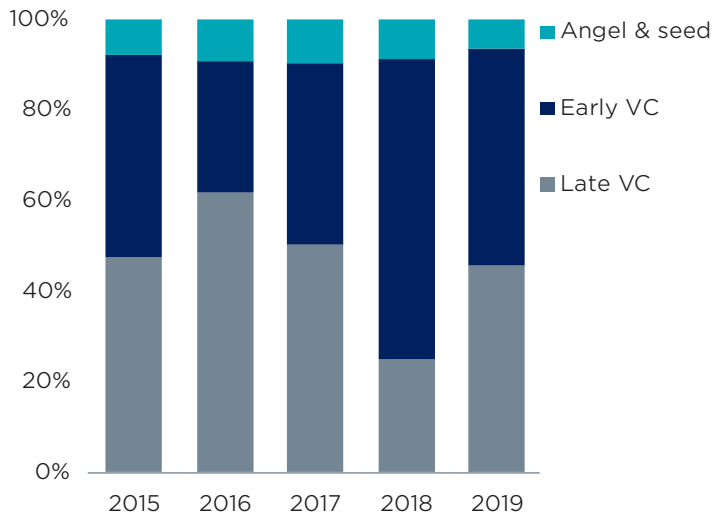
Source: PitchBook | Geography: Philadelphia

### Top investors (2010-2019)

Investor name	Investments (#)
Ben Franklin Technology Partners of Southeastern Pennsylvania	356
BioAdvance	83
Robin Hood Ventures	77
DreamIt Ventures	49
Keiretsu Forum	32
Osage Venture Partners	31

Source: PitchBook | Geography: Philadelphia

### VC deals (\$) by stage



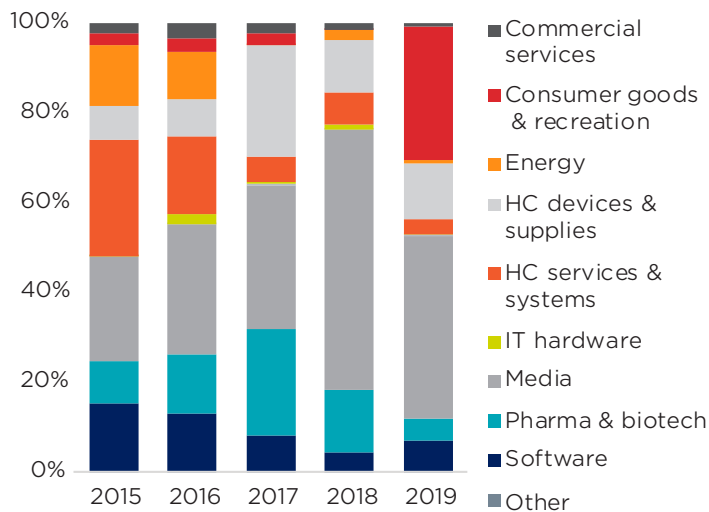
Source: PitchBook | Geography: Philadelphia



# \$750M

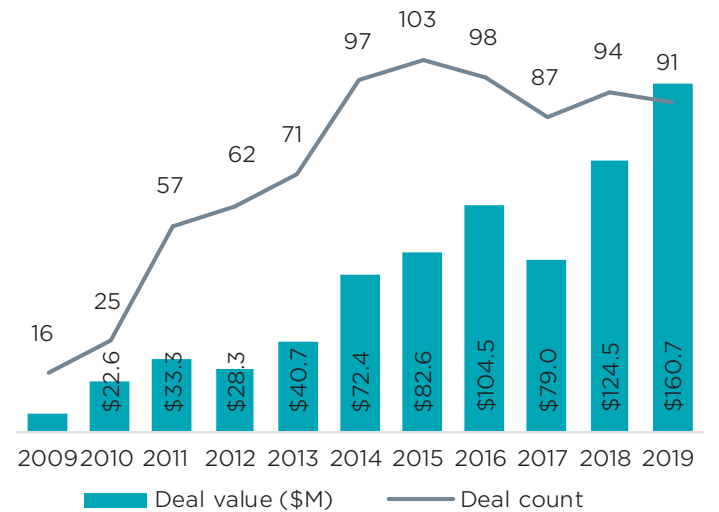
Size of round for goPuff,  
the largest ever for a  
Philly-based startup

### VC deals (\$) by industry



Source: PitchBook | Geography: Philadelphia

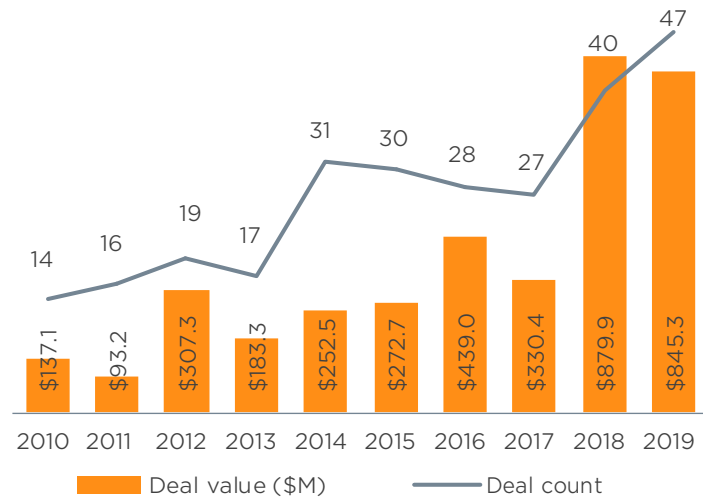
### Angel & seed VC deal activity



Source: PitchBook | Geography: Philadelphia

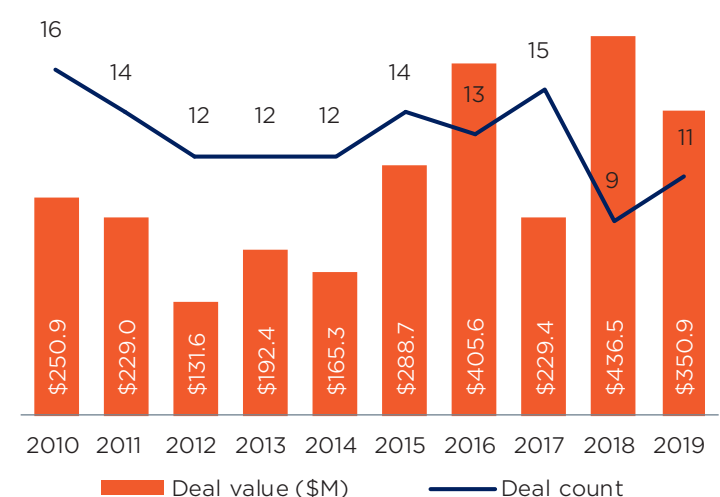
# Outside & Nontraditional Investors

VC deal activity with Bay Area investor participation



Source: PitchBook | Geography: Philadelphia

VC deal activity with PE investor participation



Source: PitchBook | Geography: Philadelphia

The Philadelphia metropolitan statistical area (MSA) was far from an exception to several of the more noteworthy trends reshaping the larger VC landscape of late. 2019 registered an overall increase to participation from nontraditional VC investors, including PE firms. Across the US venture ecosystem, nontraditional investors joined VC firms on more than 85% of all mega-deals (rounds of \$100 million+) across all stages last year. As a result, even as it pulled back slightly nationwide compared to the record levels registered for 2018, US VC deal activity featuring nontraditional investors approached \$100 billion. Likewise, growth-stage-oriented PE investors such as Radnor's NewSpring Capital have emerged as a robust presence within the Philly ecosystem in recent years, participating in a steady stream of venture financing rounds nationwide. Although 2019 saw only 11 such deals struck for Philadelphia-based startups, aggregate investment still generated \$350.9 million in value.

Last year also witnessed SoftBank bring its enormous war chest to

Philadelphia. The firm cut a \$750 million check to goPuff from its \$100 billion Vision Fund in August—a deal that went undisclosed for several months. Founded in 2013 by a pair of grads from Drexel University, the startup delivers convenience store staples in cities across the US, targeting the last mile of delivery that can account for some 40% of the total cost to move goods. In a testament to the adage that “quantity has a quality all its own,” the deal, which also carries the option for an additional \$250 million in 2020, increased the median late-stage deal size by 16% from \$6.3 million prior to its disclosure in January 2020 to \$7.5 billion in its wake.

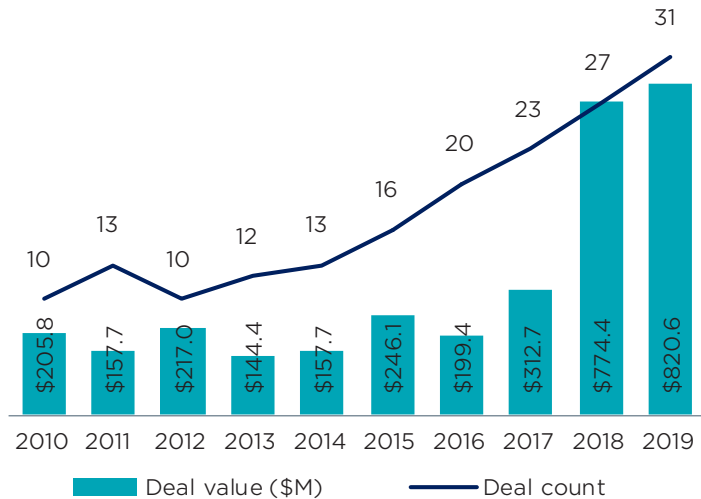
At the same time that valuations hit unprecedented levels nationally, Philadelphia's more modest medians have helped the region attract a growing slate of outside investors in 2019—especially in a climate poised to retain overheated valuations going forward as record levels of dry powder allow companies to stay private longer. Last year, median pre-money valuations increased by \$12 million at

the late stage to \$88 million in the US, with both early- and angel and seed-stage deals jumping as well. Although Philly's multiples have also been heating up, investment values are attractive overall on a relative basis with a growing base of high-quality startups.

Historically robust exit activity, discussed at greater length later, speaks to that trend. Likewise, investors flush with cash from larger MSAs continue to invest in Philly's ecosystem. New York-based investors showered a record level of capital on Philly last year. New York firms increased volume YoY at 34 deals comprising a record \$682 million in sum. Likewise, Bay Area firms continue to grow their presence in Philadelphia, closing 47 transactions on \$845 million in aggregate, just \$35 million shy of 2018's record tally. This trend is driven by both the larger size of these outside firms and the added resources to pursue opportunities further afield, as well as the attractiveness of the Philadelphia startup community.

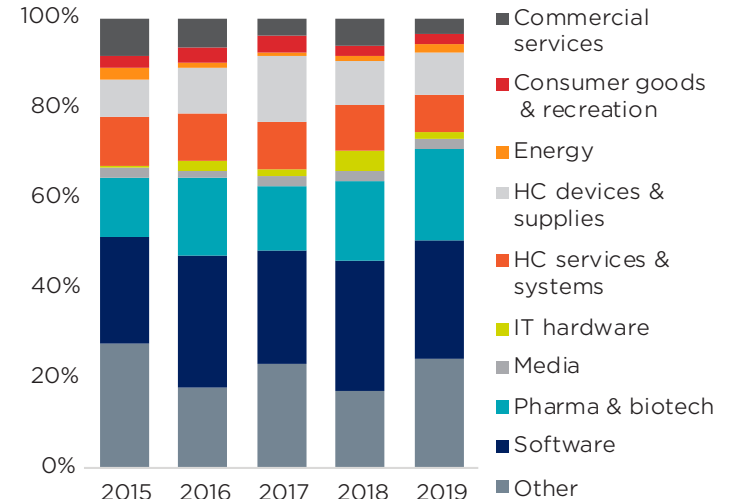
# Corporate Venture Capital

VC deal activity with CVC participation



Source: PitchBook | Geography: Philadelphia

VC deals (#) by industry



Source: PitchBook | Geography: Philadelphia

Hitting a record high of 31 completed financings, 2019 capped a seven-year streak of YoY increases in corporate venture capital (CVC) activity dating back to 2012. Corporate players are joining in larger deals than ever before to generate a record sum of capital committed after aggregate commitments more than doubled in 2018. That momentum helped CVC activity approach 50% of cumulative venture deal value at \$821 billion for a second year running, when controlling for the outlier effect of SoftBank's record round for goPuff on overall value. By extension, CVC plays a vital role not only in Philadelphia, but also Pennsylvania's broader ecosystem, as the region accounts for the bulk of overall VC invested across the state and, in 2019, nearly 80% of the funding rounds closed.

A deal that, perhaps more than any other, illustrates the strength of the life sciences industry across the Philly

ecosystem, its rapid rise over the past two years and its ability to attract outside and corporate investment in 2019 was the \$250 million round closed in Q3 2019 for Century Therapeutics. The startup, founded in 2018, deploys adult stem cells to develop cancer therapies and secured the Series A from German drugmaker Bayer, Fujifilm Cellular Dynamics and San Francisco-based Versant Ventures. Similarly, Passage Bio raised \$110 million in a Series B led by Access Biotechnology, the life sciences venture arm of Access Industries, just seven months after the developer of genetics-based medicines took home a \$115.5 million Series A.

Looking beyond Philly's robust ecosystem of pharma, biotech and medtech startups, CVC arms also targeted software companies such as data analytics firm Crossbeam, which secured a \$12.5 million Series A led by New York-based FirstMark Capital,

with Slack joining existing investors. Finally, autonomous robot systems developer Exyn Technologies secured \$16.0 million from London-based PE firm Centricus in a Series A joined by Yamaha Motors Ventures, among others.

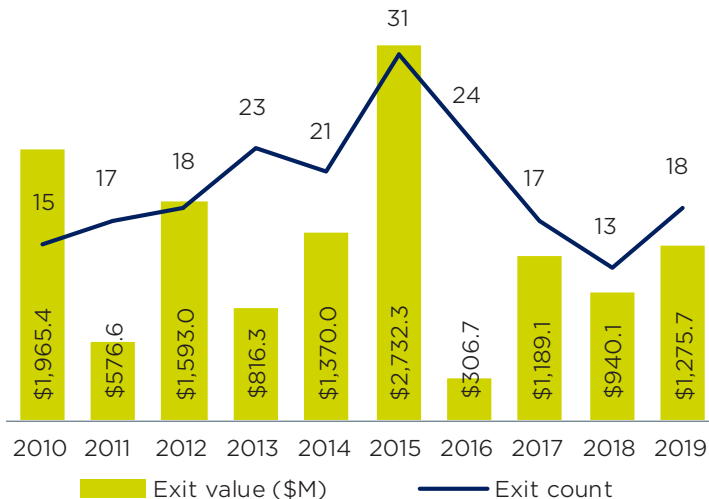


## \$821M

CVC committed in aggregate to Philly's startup ecosystem in 2019

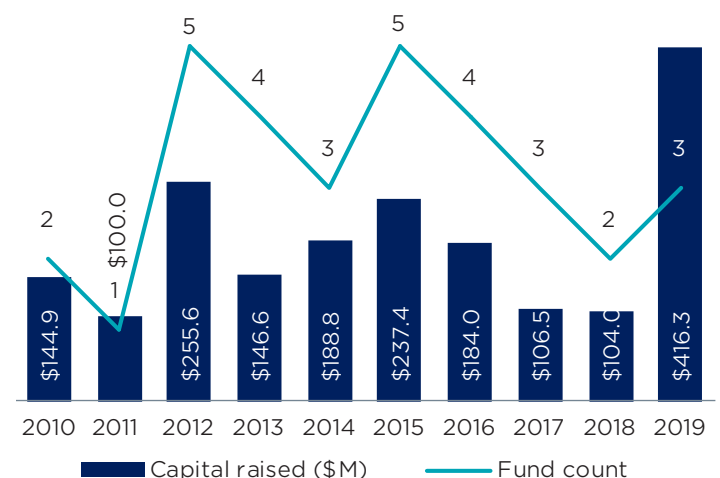
# Exits & Fundraising

VC exit activity



Source: PitchBook | Geography: Philadelphia

VC fundraising activity

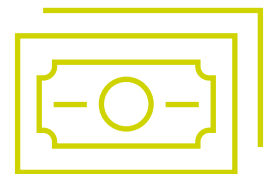


Source: PitchBook | Geography: Philadelphia

Fundraising figures for Philly have remained decidedly cyclical over the past decade. After falling YoY since 2015, VC firms anchoring the ecosystem registered a modest uptick in the number of funds raised in 2019. More remarkable were the sums committed to these vehicles. Last year, LPs invested the most capital to Philly firms since 2009 at some \$416 million, or roughly 4x the figures for either of the preceding two years. Overall, the fundraising ecosystem—although annual totals have ebbed and flowed—has supported the generation of nearly \$1.9 billion in aggregate fundraising across 32 closed funds since the start of 2010 for an average just shy of \$60 million per vehicle. MissionOG comfortably surpassed that sum with its third fund in December, with which the firm plans to target startups in financial services, payments and software. Closed at a cap of \$93 million, the vehicle more than tripled what the firm raised for its inaugural fund just five years earlier. Going forward, the strong returns from a record year of public debuts will likely increase liquidity across the wider US venture ecosystem, and Philadelphia

stands to benefit as a destination for capital cycling back into the market.

Likewise, the return to outsized fundraising results for 2019 reflects in large measure capital flowing into the ecosystem following several years of successful, sizeable exits. Last year, Philly registered its first increase in exit activity since reaching a record \$2.7 billion in value on 31 completed deals in 2015, the year Spark Therapeutics, recently purchased by Roche for \$4 billion, debuted on the Nasdaq. Following a consistent decline in volume since then, though, exit value increased by more than a third in 2019, driven in no small part by the acquisition of healthcare payments platform InstaMed for an estimated \$600 million by JPMorgan. Meanwhile, exit volume also jumped by nearly 40% YoY—a return to form accruing to the benefit of local firms. For example, Philadelphia-based Rittenhouse Ventures notched a handful of notable exits. In October, the firm exited Philadelphia-based portfolio company GSI Health to Medecision. The deal for the SaaS provider of workflow, engagement and compliance



## \$600M

Estimated exit size for JP Morgan's acquisition of InstaMed in July

services to a Dallas-based healthcare management provider speaks not only to the complementarity that characterizes the diversity of ventures supported by the Philly ecosystem, but also the increased attention it has attracted from outside investors over the past decade.



## Q&A

**What new expansion opportunities do you see for the region? Are startups looking to scale onto much larger footprints in the coming years, whether national or global?**

The companies built here in Philadelphia are not parochial in their market focus or buildout. They're truly global companies, and they're being built increasingly with that mentality in place from day one. After all, the region boasts world-class technology and a VC ecosystem to support it at scale. What we've seen in recent years, and what we expect to continue, is a combination of increased talent retention and a growing sense from the international venture community that Philly is a great place to build a company. The secret of Philadelphia is no longer a secret.

**Which initiatives have taken shape to encourage startups to spin out or to retain talent in the region?**

A decade or so ago, an organization called Campus Philly was created to educate the student population at Philly's top institutions such as Temple, Drexel and Penn about all the benefits of staying in the city post-graduation. The organization helped the region retain 54% of graduates last year, up significantly from past retention rates. As a result, there's great tech spinning out of Philly's universities, particularly in the life sciences sector, but also in enterprise technology. One could point to campus life itself as the source of inspiration for one of Philly's unicorns, goPuff, which emerged from an organic need in the student population that represented, in SoftBank's estimation, a far larger B2C opportunity.

**How has the success of startups such as Spark Therapeutics, among others, influenced the trajectory of the biotech sector in Philly?**

The spate of successful exits in recent years has encouraged many significant developments, including founders becoming investors or mentors helping other entrepreneurs to raise funding locally or elsewhere. I suspect that will only pick up steam. Likewise, as Spark's founding demonstrates, Philadelphia's academic medical centers—where world-class research is being conducted in areas such as gene editing, gene therapy and cell therapy—represent real spinout mechanisms. The technology and the skill developed in the region are reshaping these fast-growing industry subsectors, and the momentum is palpable. The startups that the Philly ecosystem can increasingly support across the life sciences industry represents a direct result of this base of talent in the region. And you could say the same thing on the software side, particularly from an enterprise perspective. Guru is a great example of a SaaS platform that emerged from Boomi, which Dell acquired in 2010.

**What is your broad take on investor sentiment in Philly heading into 2020?**

Stories like Spark's and Guru's and goPuff's are only growing in number. The companies emerging from our corner of the larger US venture ecosystem continue to post positive results. Going forward, personalized medicine should only encourage growth in cell and gene therapies, which is a clear macro-level trend within therapeutics playing out on a global scale. And Philly is at the



**Dean E. Miller**  
President & CEO, PACT

Dean also serves as Managing Director of the PCOM Primary Care Innovation Fund, a venture capital fund focused on healthcare innovations. He brings over 20 years of investment and community building expertise to PACT and the PCOM Fund. Prior to PACT, Dean was Managing Director at Novitas Capital, a Safeguard-affiliated fund, where he focused on venture capital investments across healthcare and technology.

forefront. That also applies in the diagnostics space and, as the past few years of data illustrate, investment into the medical devices space is second only to the pharma & biotech sector. These will continue to be big areas of strength for Philadelphia. We're still in the early innings in terms of opportunities on these and other fronts, so I'm bullish on the strength of our entrepreneurial community as we enter the new decade.

## “The secret of Philadelphia is no longer a secret.”