



2021 PHILADELPHIA VENTURE REPORT



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Introduction

WOW! The COVID-19 pandemic certainly had an impact by focusing Philadelphia entrepreneurs and fueling a record number of financings—411 in 2021 with almost \$8 billion raised. This places the Philadelphia VC ecosystem in a record sixth place nationally. For the first time, two consumer goods companies led the way with Gopuff and Misfits Market raising over \$4 billion collectively. While the region’s largest deals were simply jaw-dropping, the growing strength of Philadelphia’s ecosystem is found in the growing number of seed and early-stage deals, which topped 300 in 2021 with over \$1.8 billion raised. The city remains a strong importer of capital, with a growing number of investors focused on the next big deal out of Philadelphia. Already in Q1 2022, dbt Labs closed a \$222 million Series D at a \$4.2 billion valuation from Andreessen Horowitz, Sequoia, Coatue, Tiger Global, ICONIQ Growth, and GV. Companies founded by women are also attracting more attention, closing a record 57 deals for over \$425 million. There is more to be done to fund and support underrepresented founders, and I have confidence that Philadelphia will rise to the challenge. Finally, the region’s strong foundation of enterprise technology, life sciences, and healthcare continued to shine and accounted for 66% of the deals closed in 2021. Please join me in thanking our 2021 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 pull date: December 31, 2021

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. References to data for the US and other MSAs sources from the “Q4 2021 PitchBook-NVCA Venture Monitor.”

About the Cell & Gene Therapy and Connected Health Initiative:

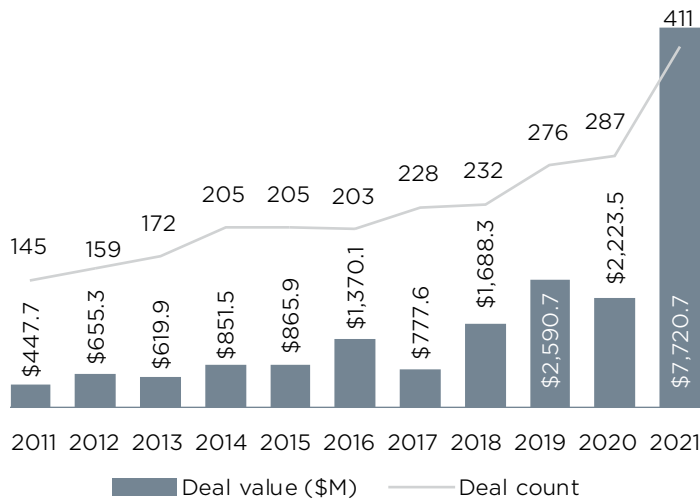
The Chamber, through its CEO Council for Growth, along with collaborating institutions, organizations, and companies, has launched a multi-year initiative to leverage and promote Greater Philadelphia’s cell and gene therapy, gene editing, and connected health sectors. The objective of the initiative 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>

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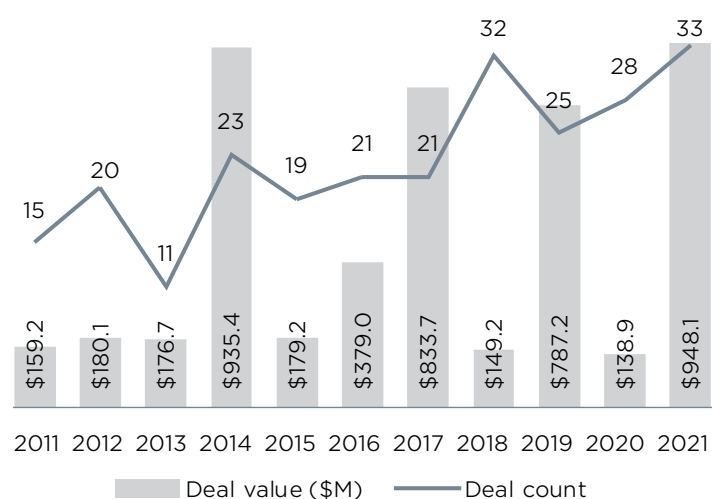
Dealmaking

VC deal activity



Source: PitchBook | Geography: Philadelphia

Growth deal activity



Source: PitchBook | Geography: Philadelphia

Philadelphia-based startups raised over \$7.7 billion in 2021. That’s a new record by a country mile—Philadelphia had never seen \$3 billion invested in a single year, and 2021 almost tripled the old record of \$2.6 billion from 2019. The biggest catalyst of 2021 was Gopuff, a food delivery platform that raised over \$3.6 billion throughout the year, including a \$1.15 billion Series G in March, a \$1 billion Series H in July, and \$1.5 billion in convertible debt from Guggenheim Partners in December.

Even without Gopuff, Philadelphia still saw a record year, with over \$4 billion invested across more than 400 rounds. In nearby Delanco, New Jersey, Misfits Market raised \$425.0 million across two rounds. Misfits Market is another food delivery platform—of the fruits and vegetables variety—that has seen its valuation soar during COVID-19. Misfits Market’s Series B in July 2020 valued the company at \$178.0 million, while its Series C1 in September 2021 merited an almost \$1.8 billion markup.

The two biggest success stories of 2021—Gopuff and Misfits Market—were both founded by alumni of local schools: Drexel University (Gopuff) and the University of Pennsylvania (Misfits Market). The University of Pennsylvania has become an entrepreneurial factory. According to PitchBook’s university rankings, alumni of the University of Pennsylvania have raised \$37.0 billion over the past 15 years, the fifth highest total in PitchBook’s 2021 ranking.¹ That’s behind only Stanford University, University of California, Berkeley, Harvard

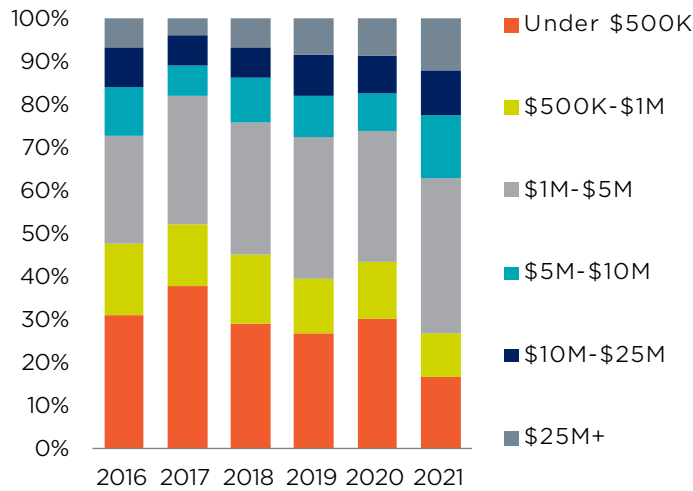
University, and Massachusetts Institute of Technology. In addition to local schools, Philadelphia is also home to some of the country’s biggest corporations, such as Comcast, EPAM, SEI, SAP, Vanguard, Ametek, and AmeriSourceBergen. Colleges and corporations tend to be important ingredients for local startup ecosystems, providing sources of entrepreneurs and networking opportunities.

Importantly, the number of growth-oriented investments is increasing. In 2021, 33 growth investments were made for a combined \$948.1 million. Growth investments build on earlier-stage investments and provide momentum capital for startups that are emerging as winners in their categories. Growth-stage deal flow is on an upward trajectory, reflecting the rising number of late-stage startups in the ecosystem.

While Philadelphia isn’t home to many huge healthcare companies, its VC ecosystem is cementing a reputation for pharmaceutical and life sciences companies. 2021 recorded several big rounds for the sector, including Century Therapeutics (\$160.0 million), Aro Biotherapeutics (\$90.3 million) and Interius BioTherapeutics (\$76.0 million). That trend follows one of the biggest acquisitions Philadelphia has ever seen, the \$4.8 billion sale of Spark Therapeutics to Roche in 2019. Success stories like Spark’s tend to have ripple effects that can last for years, and we expect Philadelphia’s life sciences scene—and more specifically its cell & gene therapy scene—to thrive going forward.

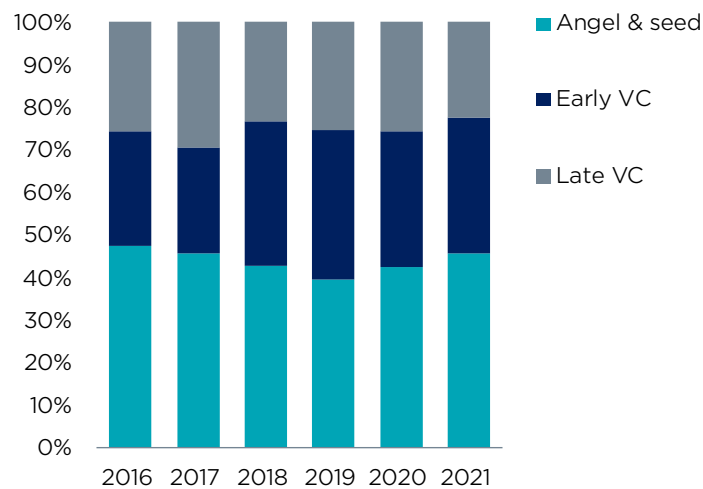
1: “2021 PitchBook University Rankings: Top 50 Colleges for Founders,” PitchBook Data, Jordan Rubio and James Thorne, November 17, 2021.

VC deal count by size



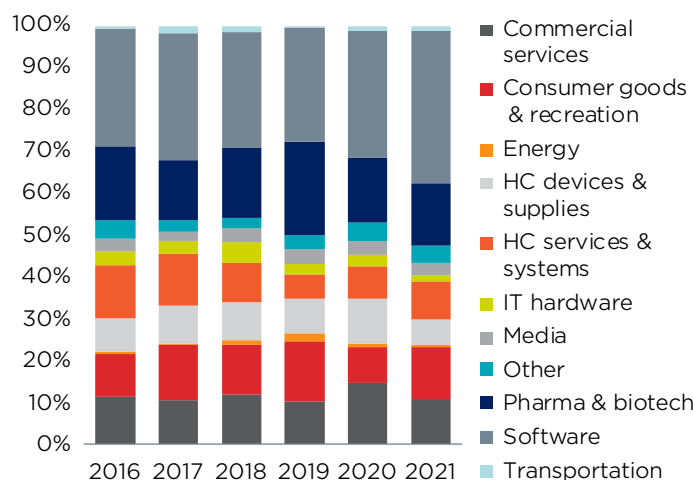
Source: PitchBook | Geography: Philadelphia

VC deal count by stage



Source: PitchBook | Geography: Philadelphia

VC deal count by sector



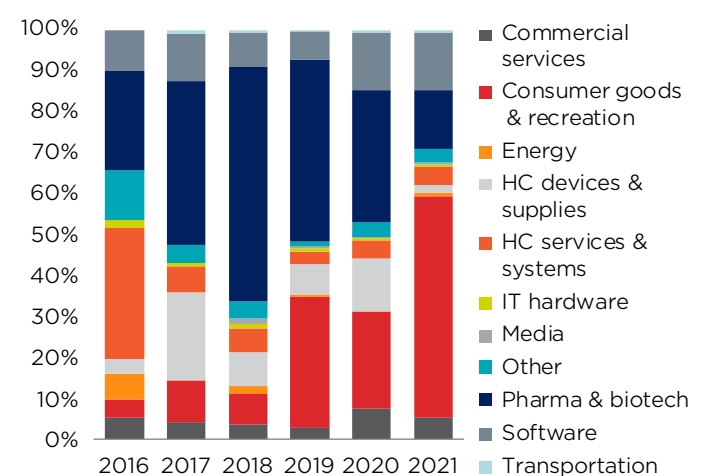
Source: PitchBook | Geography: Philadelphia

Top Philadelphia-based company fundraisings in 2021

Company name	Deal size (\$M)
Gopuff (<i>Late-stage VC</i>)	\$1,500.0
Gopuff (<i>Series G</i>)	\$1,150.0
Gopuff (<i>Series H</i>)	\$1,000.0
Misfits Market (<i>Series C1</i>)	\$225.0
Misfits Market (<i>Series C</i>)	\$200.0
Nikang Therapeutics	\$200.0
Century Therapeutics	\$160.0
Dbt Labs	\$150.0
HealthVerity	\$100.0
DuckDuckGo	\$100.0
Phenom People	\$100.0
Aro Biotherapeutics	\$90.3
Sepax Technologies	\$78.1
Interius BioTherapeutics	\$76.0
Crossbeam	\$76.0

Source: PitchBook | Geography: Philadelphia

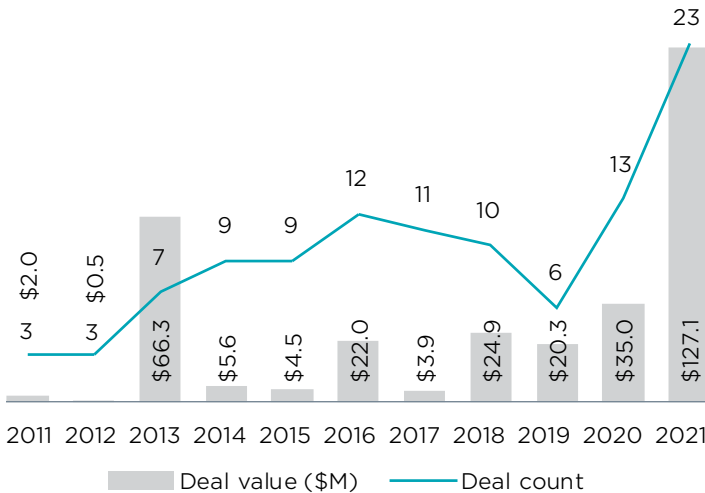
VC deal value by sector



Source: PitchBook | Geography: Philadelphia

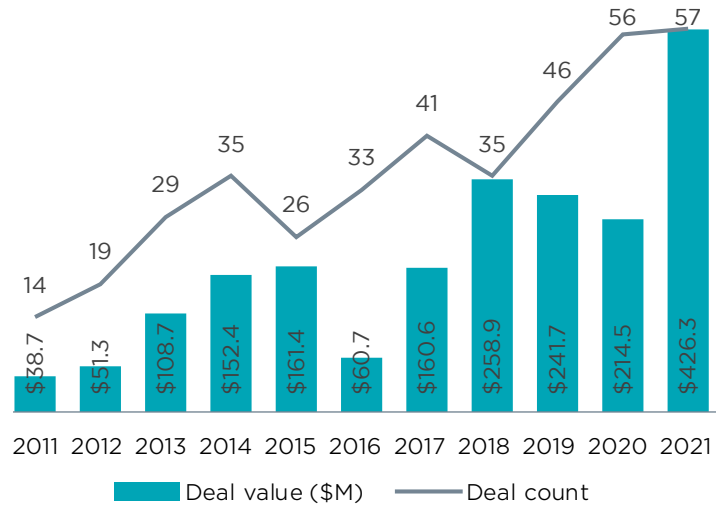
Companies founded by women

VC activity in startups founded solely by women



Source: PitchBook | Geography: Philadelphia

VC activity in startups with at least one founder identified as a woman



Source: PitchBook | Geography: Philadelphia

Philadelphia is becoming a more welcoming ecosystem for women and underrepresented founders in general. PitchBook data shows a substantial increase in deal flow to startups founded solely by women. About \$127 million was invested in startups founded by women in 2021, but more notably, deal flow has roughly doubled compared to prior years. In 2021, 23 rounds went to all-women teams, including a \$90.3 million round to Aro Biotherapeutics, co-founded by Susan Dillon and Karyn O’Neil. While other rounds were substantially smaller in size, on the whole, they are also much younger companies that are looking to establish themselves. Sector representation is varied, featuring life sciences (Aro), health care products (Stix), and consumer products (Jenzy), among others. The same can be said for mixed-gender teams. Philadelphia startups founded by at least one woman are also raising money at a fast clip, with 57 rounds worth \$426.3 million in 2021 alone.

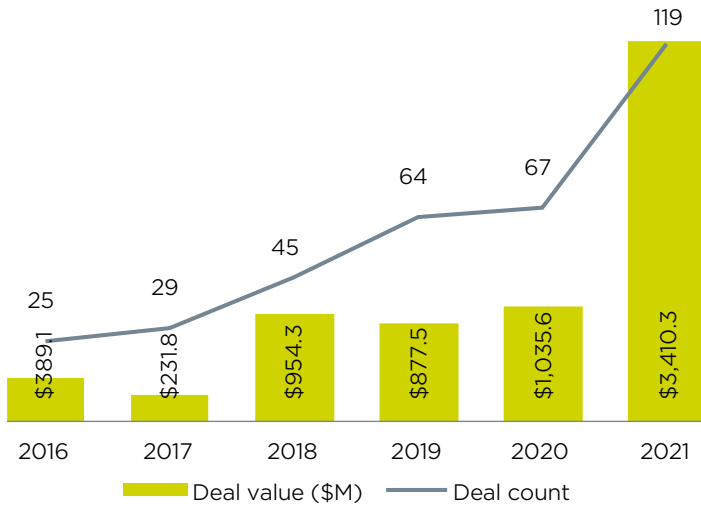
More entrepreneurship from women, even in the earliest stages, will lead to bigger investment rounds in the near term. Looking back historically, companies founded by women are taking in

Companies founded by women are taking in much bigger numbers compared to the past. In 2011, just \$2 million was invested in woman-founded companies. Since 2018, companies founded by women have raised about \$492 million.

much bigger numbers than they have in the past. In 2011, only three startups founded solely by women were funded, to the tune of only \$2.0 million in combined value. Those numbers have crept up incrementally over the decade. McKinsey and others have shown that gender-diverse teams outperform on financial returns compared to industry averages. Since 2018, woman-founded companies have raised about \$492 million, compared with only \$104.8 million raised from 2011 to 2017.

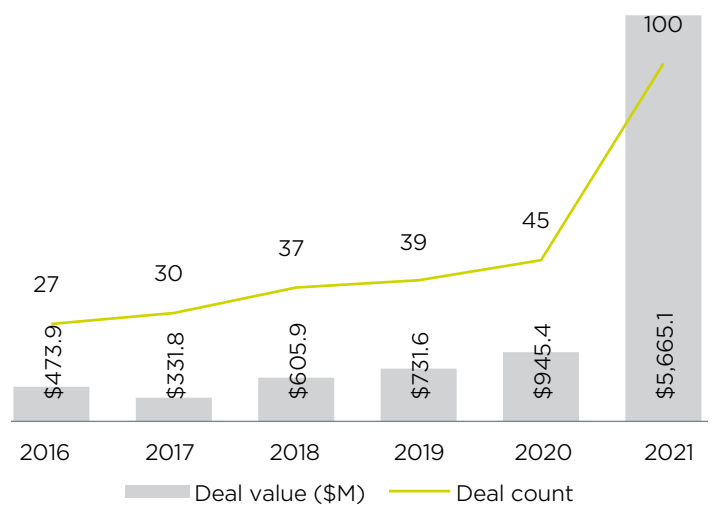
Outside investors taking notice

Philadelphia VC deal activity with Bay Area investor participation



Source: PitchBook | Geography: Philadelphia

Philadelphia VC deal activity with New York investor participation

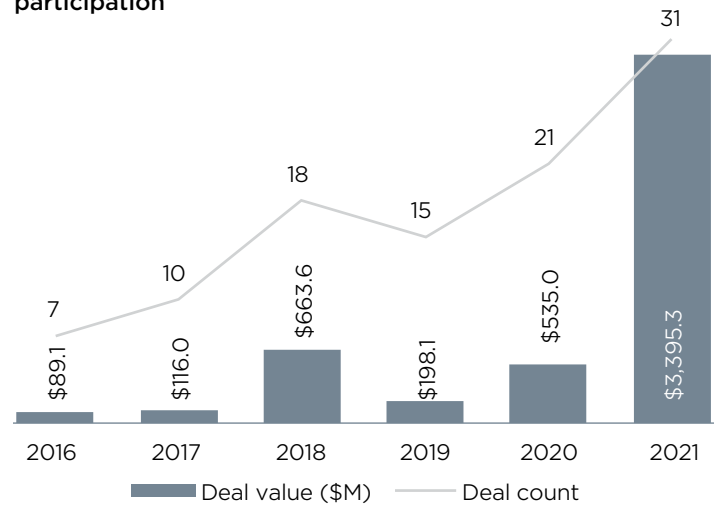


Source: PitchBook | Geography: Philadelphia

Local investors often bemoan that Philadelphia startups tend to move to bigger cities before they exit. That reputation is starting to reverse; not only are startups staying put, but outside investors are increasingly coming to them. PitchBook numbers show a big jump in outside investor money, particularly from Silicon Valley, New York, and Boston. While the capital numbers all spiked in 2021, it's important to note the overlap embedded in all three charts: Some startups raised big rounds in the year that included investors from two or more outside cities. More importantly, the number of rounds has increased significantly. Year over year, 2021 saw a 78% jump in Silicon Valley investor participation, a 122% increase from New York investors, and a 48% increase from Boston-based firms.

Investors in traditional VC bastions are paying more attention to outside ecosystems, and VC portfolios are becoming much more geographically diverse. COVID-19 accelerated this trend, which had been percolating before the pandemic. Work-from-home orders dovetailed into a more normalized acceptance of employing out-of-town (and even out-of-state) employment bases. Startups are no exception. As a result, investors have realized that software engineers and product managers can be based almost anywhere, and so can the startups that they work for. The ultimate beneficiaries will be ecosystems like

Philadelphia VC deal activity with Boston investor participation

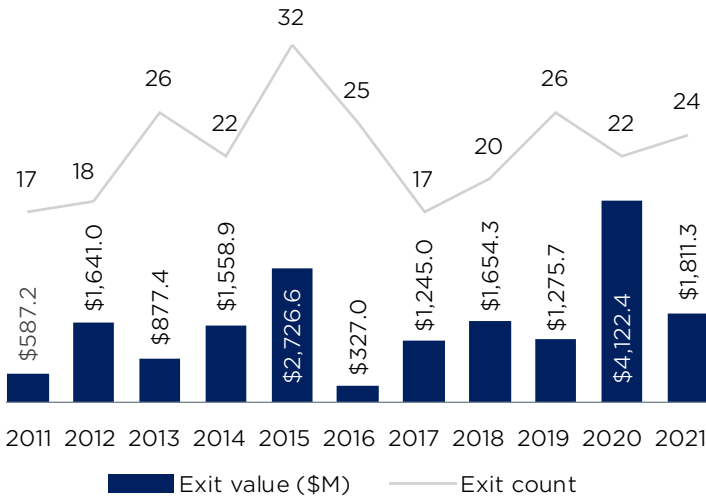


Source: PitchBook | Geography: Philadelphia

Philadelphia, which can market its ecosystem on livability. Combined with success stories such as Spark Therapeutics and Gopuff, Philadelphia's reputation as a VC ecosystem can only improve going forward.

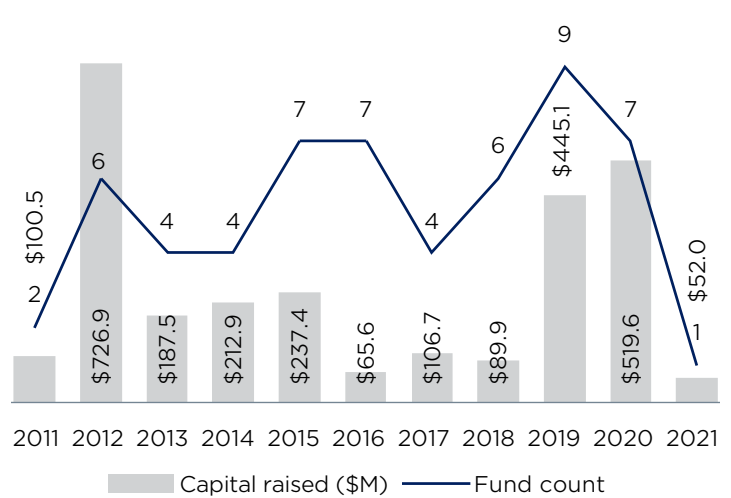
Exits & fundraising

VC exit activity



Source: PitchBook | Geography: Philadelphia

VC fundraising activity



Source: PitchBook | Geography: Philadelphia

Philadelphia had another healthy year for venture exits in 2021. About \$1.8 billion worth of value was realized, including several life sciences IPOs. The largest of the year was Century Therapeutics, which debuted at a \$1.1 billion valuation. In fact, the five largest exits seen in 2021 were all in the life sciences category: Oncocotics and Caelum Biosciences were acquired for \$441.2 million and \$150.0 million, respectively.

While Philadelphia is becoming a landing ground for out-of-state investors, local investors have reaped the rewards for recent exits. Ben Franklin Technology Partners of Southeastern Pennsylvania has enjoyed a string of exits over the past few years, including the \$600.0 million acquisition of InstaMed, the \$160.0 million acquisition of OrthogenRx, and the €80 million (\$97.6 million) acquisition of Hybrid Software. Active since 1982, Ben Franklin is a venture development organization that has made hundreds of investments over the years, and many of its Philadelphia-based investments have yielded positive returns. More traditional investors, such as NewSpring, Osage, Gabriel Ventures, and SRI Capital, are also commonly seen when Philadelphia startups find their exits.

Ben Franklin Technology Partners, a 30-year-old economic development program, has enjoyed a string of exits over the past few years.

Much of that realized capital is recycled back into Philadelphia-based VC firms. While the city itself is big, its startup funding ecosystem is relatively modest: Fewer than a dozen local VC funds close in any given year. 2021 was no exception, but the three-year trendline is worth noting. Since 2019, a little more than \$1 billion has been raised by local VC firms. In turn, that capital will predominantly be invested in local startups, continuing a “home grown” trend that is relatively unique among US ecosystems. As fundraising has strengthened over the past few years, we expect local investment activity to strengthen over the next few years, especially as companies such as Gopuff, dbt Labs, and Century Therapeutics boost Philadelphia’s presence on the national stage.

Q & A

Philadelphia’s VC activity catapulted to \$7.7 billion in 2021. About half of that total went to Gopuff. What impact is Gopuff having on the VC market in Philadelphia, and what impact do you think it will have over the next several years?

The sheer size of Gopuff’s fundraising and the scaling of the operations has positively demonstrated that you can build a global company out of Philadelphia. Philadelphia has been a center for biotech and healthcare entrepreneurs, and more recently, it has been an enterprise tech powerhouse. The region has not had many name-brand consumer successes, but Gopuff is changing that and spawning several other startups. Gopuff’s impact on the region will be significant, particularly as founders and executives monetize their wealth and invest in the next generations of entrepreneurs.

One of COVID-19’s biggest impacts is an acceptance of working from home, and the venture community is starting to recognize that tech talent is everywhere. How will an ecosystem like Philadelphia capitalize on that trend?

Work-from-home acceptance is here to stay for many jobs and industries, with tech roles near the top of the list. Philadelphia has over 100 colleges and universities in the immediate region that graduate close to 100,000 students per year, many in STEM fields. Philadelphia is a highly livable city that offers all the resources of a large city with more affordable housing than our neighbors of New York City, DC, and Boston. We have already seen a net import of talent to Philadelphia as workers identify the increased quality of life they can achieve while continuing to advance their careers. Of course, the increase in tech jobs in Philadelphia due to the growth in startups and mature companies through COVID-19 has positioned Philadelphia as a place to stay for local graduates as well. Lastly, Philadelphia’s fast-growing startups, like Gopuff and dbtLabs, have been able to meet their talent needs with both local and remote workers given the growing acceptance of work from home.

PitchBook numbers show record years for Philadelphia across multiple sectors. In terms of sector representation, how would you describe the ecosystem’s personality? Has that changed from an investor’s perspective over the past few years?

Philadelphia’s historic personality has leaned more toward biotech and healthcare, but the numbers of the past few years show a more balanced ecosystem that also includes significant activity in enterprise technology and consumer goods. Philadelphia continues to attract world-class investors focused on the next innovations in cell and gene therapy, traditional



Dean E. Miller
President & CEO,
PACT

biotech, and healthcare—all areas where Philadelphia is a known leader. However, an increasing number of the most well-known tech investors, PE firms, and global investors are targeting Philadelphia’s enterprise technology companies and our growing consumer goods startup scene.

Companies founded by women in Philadelphia saw their most deals ever in 2021 and took in record dollar amounts. To what do you attribute that increase?

Philadelphia is increasingly a champion for underrepresented founders including women, BIPOC, LGBTQIA+, and veteran founders. PACT, Ben Franklin, the Science Center, and many others have started programs to support underrepresented founders. Yes, investments to women founders increased in 2021, but there is much more work to be done to support and invest in underrepresented founders. New funds based in Philadelphia that focus on investing in underrepresented founders include Plain Sight Capital and the Innovate Capital Growth Fund. Both funds are launching in 2022, and Plain Sight made its first two investments in Q1 2022.

As a venture ecosystem, where do you see Philadelphia in five to 10 years’ time?

Philadelphia continues to mature as a venture ecosystem. In five to 10 years’ time, Philadelphia will have multiple high-profile public companies that continue to draw attention to the startup ecosystem and fuel investment in the next generation of companies. Entrepreneurs, tech workers, and students are attracted to Philadelphia, which will only further propel company formation and growth. Like many other cities, Philadelphia imports most of its VC from outside of the region, and I expect that we see more capital, particularly seed and early-stage capital, based in Philadelphia. Finally, Philadelphia will deliver on its promise to have a more diverse tech and venture ecosystem given the breadth of initiatives underway to support underrepresented founders and tech workers.