Florida Venture REPORT 2019
CONNECTING FLORIDA ENTREPRENEURS AND CAPITAL SOURCES TO FOSTER A THRIVING INNOVATION ECONOMY
Introduction

Florida’s venture capital industry is thriving in many measurable ways. Metrics such as venture deal activity by size and stage, Florida-based fundraising activity and exit activity continue to post positive results, and we are seeing some exciting trends including the growing interest from out-of-state capital providers, who are visiting and investing in Florida companies. All signs point to an inescapable conclusion: Florida, and Florida companies, are solidly “on the map” for any venture investor, anywhere. The positive trajectory of the venture landscape is something we should all be proud of, and something the Florida Venture Forum and its members have definitely helped actualize. But the best is still to come. As venture-backed companies grow, they attract increasing levels of funding and create an ever-growing number of young, tech-savvy entrepreneurs and executives who exit and start new companies, or become angel investors, mentors and advisors, creating a virtuous cycle that will continue to propel Florida’s innovation ecosystem forward. The Forum and its members are proud to be a major catalyst of this increasing momentum. Florida certainly has challenges—meeting the talent demands of our growing companies and continuing to attract capital to those companies are two big ones we are working on—but we are incredibly optimistic that Florida will continue to be an excellent place to start, grow and run a business. Please join me in thanking our sponsors of this report and all the members of the Florida Venture Forum who contribute so much to our state’s thriving VC industry.

Kevin Burgoyne,
President and CEO

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The Florida venture ecosystem experienced a banner 2019. Historically robust levels of investment volume were maintained while deal value hit an aggregate of $2.9 billion—a decade high for the state. However, a far more important metric is the strong tally of venture transactions last year, as aggregate VC invested can be skewed by even a handful of mega-deals ($100 million+). Magic Leap alone, perhaps the most prominent of the heavily funded venture-backed companies in Florida, accounted for $780 million in total VC invested last year. Accordingly, the healthy persistence of volume YoY stands out most, along with the steady spread across every size segment of the investment market.

These figures paint a picture of a dynamic startup and venture ecosystem chugging along at a healthy rate. Although some mild inflation has occurred in terms of financing sizes, the environment is certainly not overheated, appealing to investors and companies that are seeking to avoid misaligned expectations and incentives. Interestingly, after notching a peak of 27 transactions for $1.1 billion in aggregate value in 2018, corporates pulled back significantly in 2019, with deal counts much closer to historical averages. This return to the mean is unsurprising in practice, but as corporates and CVCs have tended to dial up their activity worldwide in recent years, the variance from broader industry trends is unexpected. However, the cause may be simple; as the Florida venture ecosystem is burgeoning, given the scale of typical corporate and CVC investment mandates, there may not be as large a supply of prospective targets as elsewhere. With that said, as the Florida venture ecosystem grows, this trend may shift. Within the Florida venture ecosystem, the bulk of financing volume still is drawn to the Miami-Fort Lauderdale area, although there has been remarkable steadiness in the proportion of overall volume flowing to other metro areas such as Tampa-St. Petersburg-Clearwater. This stability in capital flows to other major metros is somewhat atypical of many other states or nations, as usually funding and startups are more heavily concentrated. The relative proximity of other MSAs to Miami-Fort Lauderdale, as well as comparatively lower living and operating costs for startups, attracts financing to the region and could potentially explain this geographical disparity.
Florida VC trends at a glance

VC deals (＃) by stage

VC deals ($) by stage

Median early-stage VC deal size in 2019 hit a record $3.5M

Magic Leap and other mega-deals skew VC invested

Volume remains remarkably healthy for sixth year in a row

Source: PitchBook | Geography: Florida
2018 sees peak of CVC activity at 27 transactions for $1.1B.

Software dominates venture volume, recording 27% of all 2019 financings by count.

CVC deal activity

Source: PitchBook | Geography: Florida

VC deals (#) by combined MSA

Source: PitchBook | Geography: Florida

129 deals completed in the Miami-Fort Lauderdale-Pompano Beach MSA in 2019.
Outside investor interest in Florida-based startups has held steady or increased as of late. Although sample sizes are small, European investors joined in 15 financings in 2019 worth $1.4 billion in aggregate, even though that tally didn’t include any Florida-based investors. $1.4 billion was also invested across the 16 transactions that had both European and Florida-based investors involved. European participation may have seen an unexpected uptick, but that only followed a much longer-lasting trend of US-based firms continuing to fund Florida-based startups. Since 2013, US firms based outside of the state have maintained a consistent level of activity in financing Florida companies, with the historical average hovering between 50 and 60+ transactions. 2019 saw no less than $1 billion in total VC invested by US firms without Florida investor participation.
Liquidity and fundraising are inextricably related for any burgeoning venture ecosystem. As capital is returned to fund managers’ backers, those same investors often reup commitments given demonstrated success and known relationships. Moreover, such realized liquidity is absolutely critical to fledgling, domestic firms that are looking to be the linchpins of local startup ecosystems. Consequently, the highly variable yet persistent trickle of exits since 2015 in the Florida venture ecosystem doubtless encouraged prospective investors from a dealmaking perspective—hence the steady pace of investment in Florida over the past several years—but also helped encourage the formation of the 15 Florida-headquartered venture funds since 2015’s start. Granted, many of those funds are on the smallest end of the market; however, that is attributable to the current nascency of the Florida startup ecosystem. As domestic funds continue to demonstrate success, their follow-on vehicles will likely pursue the typical pattern of sizing up in order to fund larger opportunities. As the scale of accessible investment opportunities in the Florida startup ecosystem grows given company maturation, managers of successfully deployed smaller funds will find more targets and consequently pitch larger vehicles to gain exposure to all available, worthwhile opportunities.

Since 2015 began, 15 domestic funds have closed on nearly $350M in commitments.
The Florida Venture Forum is a catalyst for accelerating and driving economic growth and development in Florida, serving as a nexus for companies, investors and organizations dedicated to fostering a thriving innovation economy.

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