SXSW PITCH 2023

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PitchBook

PitchBook is the leading resource for comprehensive data, research and insights spanning the global capital markets. With transparent, in-depth access to the private market landscape, professionals use PitchBook to discover opportunities and get deals done with confidence and efficiency.

We collect and analyze detailed data on the entire venture capital, private equity, M&A and leveraged loan landscape—including public and private companies, investors, funds, investments, exits and people.

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“SXSW Pitch is simply one of the best pitch competitions there is. Every startup tries to blend new technology with a stirring vision, and as the festival that sits at the intersection of culture and creativity, SXSW is a phenomenal place for telling that story.”

Elias Stahl
Cofounder & Chief Executive, Hilos
Hilos.co

Greetings from Austin

SXSW Pitch returns for its fifteenth year, and we're honored to continue providing global early-stage startups the opportunity to join forces with influential entrepreneurs and investment leaders. To date, 613 companies have participated in the SXSW Pitch event, with over 93% receiving funding and acquisitions in excess of almost $21.5 billion. Of these startup companies, 16% have been acquired by Google, British Telecom, Huffington Post, Apple, Live Nation, OpenTable, Meta, Michelin, Constant Contact, and Harmon. Some of our prestigious alums you may know include Klout, ICON, Hipmunk, Wildfire, Tubemogul, Siri, Foodspotting and Tango.

For two days, our 2023 event will feature 40 early-stage companies that are disrupting the tech industry in eight categories: Artificial Intelligence, Voice & Robotics; Enterprise & Smart Data; Entertainment, Media & Content; Food, Nutrition & Health; Future of Work; Innovative World Technologies; Metaverse & Web3; and Smart Cities, Transportation & Sustainability. Startups from these categories will showcase their groundbreaking technologies in front of a select panel of judges and a live audience.

This PitchBook report provides a detailed overview of recent trends in the seed and early venture capital landscape and the global venture ecosystem. In addition, the report highlights SXSW Pitch's involvement and dedication as a platform for emerging advancements at the forefront of tech's industry sectors, which include 2023's categories and standout companies and investors from previous years.

We're very excited for you to join us March 11–12. See you then!

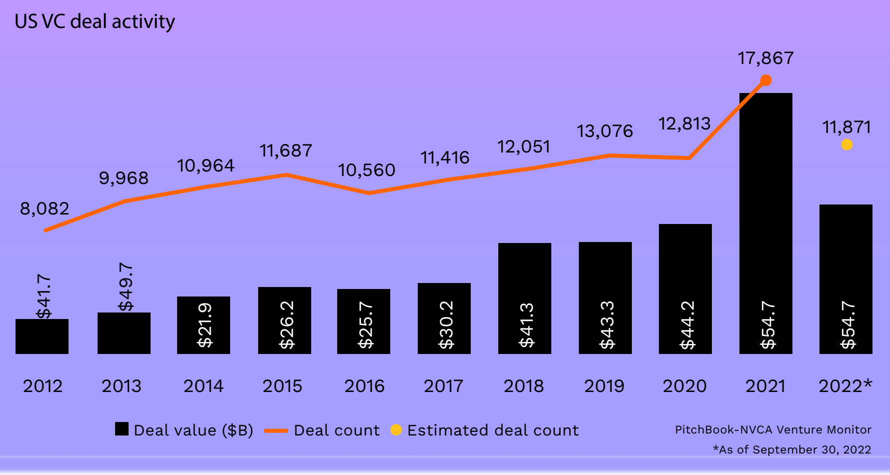
Chris Valentine
SXSW Pitch Manager

VC deal activity drops below 2021's historic highs

Amid rising interest rates, fewer public listings and the most complicated macroeconomic trends of the past generation, there is a widespread desire to predict expectations in VC markets. With the end of Q3 in the books, there are easy answers—and there are hard ones.

First, an easy answer: Broadly speaking, Q3 VC activity was below the historic heights of 2021 and early 2022. However, VC isn't about panicking over quarterly fluctuations, and Q3's activity is above historical averages and part of a durable, positive trend in the industry.

2022 surpasses all years except 2021



VC overview

Deal activity across all stages is showing more signs of distress, recording the third consecutive decline in completed deals

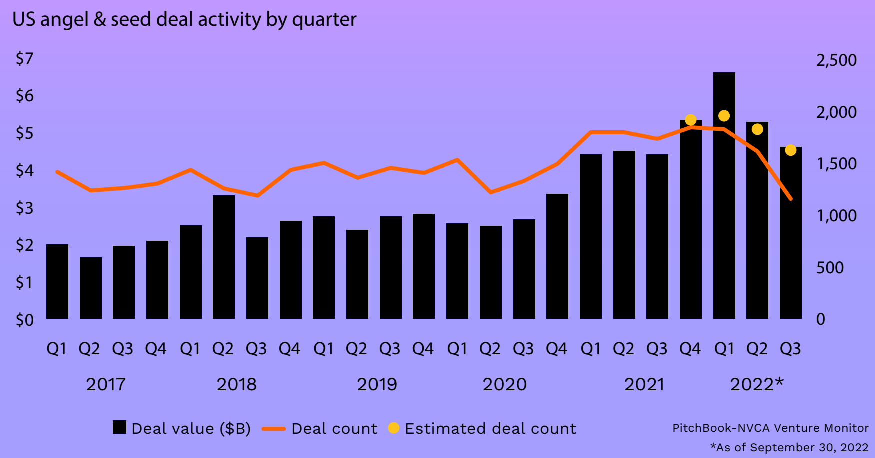
Estimated deal count in Q3 (4,074) is off by almost 20% from the quarterly record high in Q1 (5,049), and it's the lowest count seen in any quarter since Q4 2020 (3,364). Q3 saw $43.0 billion invested in VC deals across all stage—a nine-quarter low—cementing a tone of investor hesitancy and increased focus on business fundamentals amid the global economic downturn, even if the numbers remained high on a historical basis. Nontraditional investors continued to reduce their activity in VC-backed startups amid ongoing economic uncertainty with deal count participation declining across all non-traditional investor types except corporate investors.

US VC fundraising has set a new annual high through only three quarters of 2022

US-based VC funds have raised $150.9 billion, surpassing last year's record and taking the 21-month fundraising total above $298.1 billion. Given public market turbulence and frozen avenues for liquidity, we expected LPs to be concerned about their overexposure to this asset class and the potential for timely returns negatively impacting fundraising activity. In the second half of the year, we are finally beginning to see that momentum atrophy, as just $29.4 billion in fundraising was added to the dataset since our Q2 report—the lowest quarterly total this year.

With just $14.0 billion in exit value generated across and estimated 302 exits in Q3, there were few bright spots for the VC exit market

These figures are in line with exit activity expectations around 2014—well off the highs seen in 2021, when $266.8 billion in exit value was generated in Q2. A highlight of the quarter is surely Adobe's announced $20.0 billion acquisition of Figma, developer of a web-based design platform—the deal is not yet closed. Few options remain for the growing group of unicorns, as 2022 has produced only 59 public listings, just one year after a record 303 VC-backed public listings generated $670.4 billion in exit value. With the expectation that the current slow environment will remain, this year's total exit value is in danger of falling below $100.0 billion for the first time since 2016.



Angel and seed activity slides

Despite a slowdown in activity, seed deals are showing strength

Q3 was a bit less resilient compared with the first half of the year, when deals for seed investments were completed at an unwavering pace. This quarter saw a decline of around 18% from the Q1 high, dropping angel and seed deal activity back to their 2020 levels. Seed companies are relatively less impacted by public markets than late-stage companies, so the quick shift in activity points more toward the unsustainable nature of the 2021 seed market. Once the market returns to a more normal investment climate, seed activity will find tailwinds from the record number of micro-funds raised since the beginning of 2021 (779).

Despite a slowdown in activity, core data points from seed investments have remained at the heightened levels set in 2021. The median seed deal size for 2022 sits at $2.8 million after Q3, and the median pre-money valuation for seed investments reached $10.5 million. These figures aren't leaning on the strong numbers from Q1 and Q2 either, as the current quarter's deal size and pre-money valuations were both the highest in our dataset at $3.5 million and $10.1 million respectively.

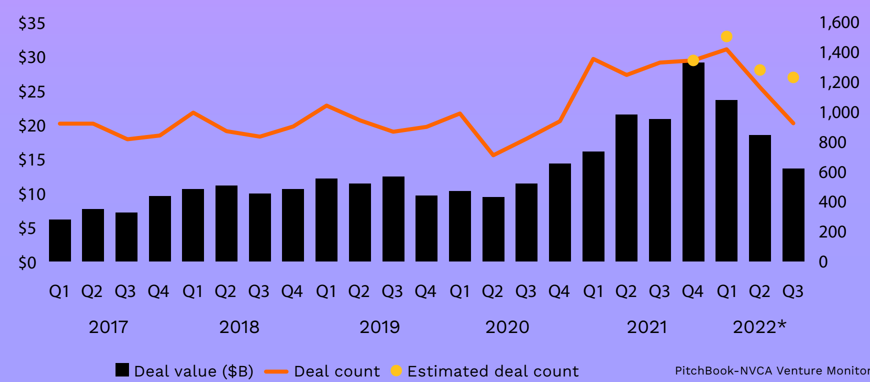
While the strength of valuations could be due to investors in the market being more selective in their investments in this economic climate, this massive growth in seed-stage participation continues to put upward pressure on deal sizes and valuations. Not only are there more micro-funds, but also larger, multistage investors have increased their activity. Tiger Global, for example, has been a part of 15 US seed deals announced in 2022—nearly double the total number of US seed deals the company had participated in previously.

Congruently, first-time financing data shows that Q3 was slower than recent periods, though the number of deals captured by the end of the quarter was off by only 5.8% from last quarter. We do not have estimates for first-time financings as we do for other stages of VC, but already our team has captured more first financings than almost any quarter before 2021, and that total is expected to grow. The unexpected strength of first-financing activity is positive news for the industry.

Given the lag between industry narratives and data trends, there is likely further to fall from an activity standpoint, but the growth of the seed and first-financing market over the past several years has lifted the bar on expectations. These deals are much further from macroeconomic volatility, though we shouldn't expect this stage of companies to remain immune from the impacts as headwinds continue.

Q3 reinforces negative quarterly trend of early-stage deal activity

US early-stage VC deal activity by quarter



PitchBook-NVCA Venture Monitor
*As of September 30, 2022

Early-stage deal count on pace to surpass pre-pandemic figures

The dust had yet to settle as early-stage VC activity trended downward for the third quarter in a row, with roughly $13.5 billion invested across an estimated 1,226 deals. However, the current year's early-stage VC investment is roughly $55.8 billion, already surpassing the 2020 full-year figure of $45.0 billion, suggesting the long-term growth for early-stage investment remains positive. Now that we are well into 2022 and roughly six months past the inflationary surge in March, the reporting lag highlighted in prior quarters is slowly starting to materialize in the data. The continued public market volatility has weakened capital deployment in early-stage deals as investors become more apprehensive about the large, outlier-sized deals of the past couple years. Investors are focusing on investing in the fundamentals of a startup instead of relying on another VC firm to invest at an even higher valuation.

Early-stage investors can no longer make investments under the pretense of growth as seen in the robust valuation environment of 2021. The increase in investor prudence over the last few quarters resulted in a median early-stage deal size of $8.9 million in Q3—a 19.7% decrease from the prior quarter's median early-stage deal size of $11.0 million. The decrease in median deal size is likely the result of depressed public market exit conditions finally breaking through the insulated early stage and affecting valuations. Startup founders may be opting to raise smaller amounts of capital in an effort preserve equity and to simply bridge the gap until the market resumes its strength.

Contrary to the H1 2022 growth of median early-stage pre-money valuations, Q3 exhibited signs of a slowdown, with a median pre-money valuation of $46.0 million. This figure represents a 16.4% decrease from the Q2 2022 median of $55.0 million and is more in line with the 2021 full-year figure of $44.0 million. We expect early-stage pre-money valuations to continue their descent through the end of the year as the market searches for a new equilibrium.

Evidence of a slowdown in the early stage can also be seen in the number of mega-rounds completed. 24 early-stage mega-rounds ($100 million+) were completed this quarter, with a total deal value of $5.5 billion. Mega-round deals accounted for 40.7% of the total capital invested across early-stage VC in Q3. This quarter's mega-round activity falls short of the 2021 quarterly average of 42 rounds—yet it is still above 2020's figure of 17, reinforcing the notion that the VC market is returning to the pre-pandemic long-term trend while remaining robust for strong companies. We expect investors will look to mitigate risk by backing serial entrepreneurs, some of whom raise outsized rounds in the early stage; such is the case with Andreessen Horowitz's reported $350.0 million investment in Adam Neumann's latest startup, Flow.

Supporting innovative ideas and driving deals for early-stage startups for 15 years

Over the past 15 years, SXSW Pitch has played a crucial role in shaping the early-stage venture landscape, giving companies with promise—from Klout to ICON—the resources they need to achieve success.

Here, we're looking back at SXSW and the companies we were honored to help along the way. Take a look at who raised the most capital, who made it big and learn more about all the participants in last year's categories.

SXSW PITCH BY THE NUMBERS

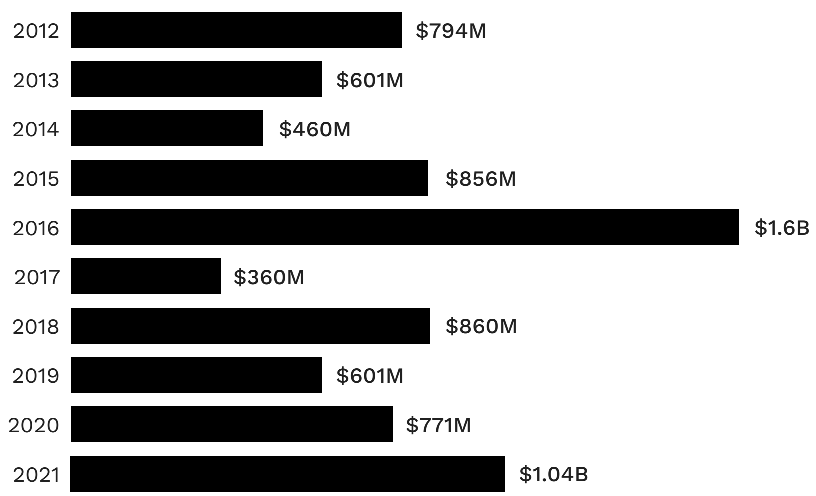
From raising capital to reaching high valuations to exiting big, success for fast-growing startups comes in many forms—and many stages. Here's a glimpse at what success looks like for some of our graduates.

613
total participants

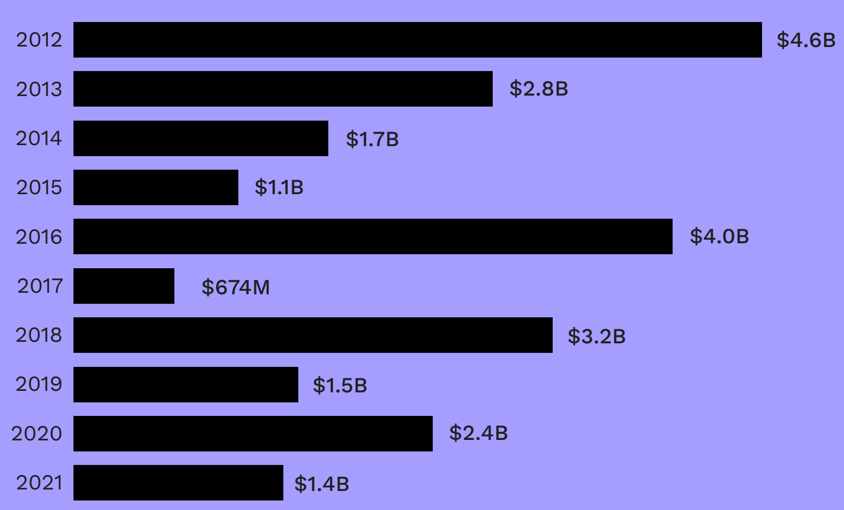
$21.5B
in funding and acquisitions

2,846
financing events

Venture capital raised by cohort year



Post-transaction valuation totals by cohort year
(Most recent transactions only)



behavio

Fastest time to exit: 1.28 years

SXSW 2022 PITCH BY LOCATION

Top finalists and where to find them

The finalists for each category and the location of their headquarters.

ARTIFICIAL INTELLIGENCE, ROBOTICS & VOICE

Sylvester.ai
Calgary, Alberta
Canada

Hume AI
New York, NY
United States

BeingAI Limited
Hong Kong,
Hong Kong

CIRQ+
Scottsdale, AZ
United States

Mod Tech Labs
Austin, TX
United States

ENTERPRISE & SMART DATA

Syrup Tech
New York, NY
United States

Mozart Data
San Francisco, CA
United States

ZeBrand Inc.
New York, NY
United States

CaseCTRL
Houston, TX
United States

KeyCaliber
Washington, DC
United States

HEALTH WEARABLES & WELLBEING

Sonavi Labs
Baltmore, MD
United States

Nephrodite, Inc.
Atlanta, GA
United States

NXgenPort Inc
Saint Paul, MN
United States

Botanisol Analytics
Boston, MA
United States

SmartTab
Denver, CO
United States

SXSW 2022 PITCH BY LOCATION

Top finalists and where to find them

The finalists for each category and the location of their headquarters.

ENTERTAINMENT, GAMING & CONTENT

Action Face	**Feelbelt GmbH**	**Pianity**	**Preemadonna**	**Social Cipher**
Berkeley, CA	Potsdam,	Paris,	Sunnyvale, CA	Los Angeles, CA
United States	*Germany*	*France*	*United States*	*United States*

FUTURE OF WORK

I'mbesideyou Inc.	**Anthill AI, Inc**	**Lucy**	**The Normal Company**	**OnLoop**
Tokyo,	Hyderabad,	Singapore,	Singapore,	Singapore,
Japan	*India*	*Singapore*	*Singapore*	*Singapore*

EXTENDED REALITY & IMMERSIVE TECHNOLOGY

Mictic AG	**MATSUKO**	**IQ3Connect**	**ZAUBAR**	**Reality Crisis**
Zurich,	Kosice,	Woburn, MA	Berlin,	Helsiniki,
Switzerland	*Slovakia*	*United States*	*Germany*	*Finland*

SXSW 2022 PITCH BY LOCATION

Top finalists and where to find them

The finalists for each category and the location of their headquarters.

INNOVATIVE WORLD TECHNOLOGIES

SAVRpak
San Juan Capistrano, CA
United States

WearWorks
New York, NY
United States

Interstellar
San Francisco, CA
United States

Hilos
Portland, OR
United States

Dastgyr
Lahore,
Pakistan

SMART CITIES, TRANSPORTATION & LOGISTICS

HeyCharge
Munich,
Germany

4.screen
Munich,
Germany

Kiro Action
Montreal,
Canada

JusticeText
Irvine, CA
United States

Glaza inc.
Los Angeles, CA
United States

SOCIAL & CULTURE

MOGL
Singapore,
Singapore

IMMAD, LLC
Houston, TX
United States

Sustain.Life
Jersey City, NJ
United States

Veriphix
Washington, DC
United States

Pinwheel
New York, NY
United States

THE TOP OF THE CHARTS

These companies and investors are SXSW Pitch standouts

Most VC capital raised ($M)

1	project44	$833
2	Kabbage	$504
3	ICON	$443
4	Tango	$371
5	KOHO	$364
6	SMARTLING	$263
7	ginger	$236
8	milim	$221
9	zumper	$174
10	E/NRIDE	$155

Highest pre-exit valuation ($M)

1	ginger	$1,196
2	Kabbage	$1,175
3	Spredfast	$332
4	KLOUT	$243
5	TubeMogul	$144
6	Jiff	$121
7	ZOOMDATA	$115
8	GuideSpark	$105
9	hipmunk	$96
10	HYPORI	$94

Highest post-exit valuation ($M)

1	ginger	$3,000.0
2	Kabbage	$1,000.00
3	Spredfast	$540.00
4	WILDFIRE	$350.00
5	TubeMogul	$201
6	Ushr	$200.00
7	KLOUT	$200.00
8	sapho	$187
9	MindMeld	$104.00
10	mobeewave	$74

Most active investors in SXSW companies

(by number of deals)

1	RSCM Right Side Capital Management, LLC	24
2	techstars_	23
3	SOSV	23
4	Alumni Ventures	23
5	PLUGANDPLAY	22
6	NEA New Enterprise Associates	19
7	innovation works	18
8	CAPITAL FACTORY	16
9	Sand Hill Angels	15
10	500 500 Global	15

“Participating in SXSW Pitch was a phenomenal experience. We were honored to be chosen as the judges favorite for the Health, Wearables & Wellbeing category, and to win the award for best DEI made the experience even more special. We made some great connections among the incredible group of participating companies, mentors and judges. Being on the SXSW stage will always be a highlight for us when we reflect on our startup journey, and we greatly appreciate the encouragement and recognition from the SXSW community.”

Ellington West
Chief Executive Officer, Sonavi

Past judges and emcees include:

Robert F. Smith
Vista Equity Partners

Tim Draper
DFJ

Cyan Bannister
Long Journey Ventures

Kay Koplovitz
Springboard Growth Capital/ USA Network Co-founder

Naval Ravikant
AngelList

Laurie Segall
Dot Dot Dot Media/formerly with CNN

Spaces that are shaping the VC ecosystem: A closer look at the 2023 industry categories

From creating virtual universes and future workplaces to transforming how we get from point A to point B, SXSW Pitch participants reimagine the world—shaping both emerging and established industries. While there are many facets to each of the SXSW categories, PitchBook analysts highlighted the most interesting trends we saw over the course of the year. In the section below, we explore the fast-growing sectors that define our program, highlighting key trends, financing activity and more. Read on for in-depth, industry-level analysis of our 2023 categories.

Artificial Intelligence, Robotics & Voice

AI has proven ready to generate professional-grade content across a range of disciplines. Over the first 10 years of the deep learning era, commercial AI applications have been limited to advanced analytics and ranking algorithms. These outcomes have augmented human decision-making but has not enabled wholesale automation of routine processes. AI has not gained sufficient context into real-world conditions from common techniques including recurrent neural networks and generative adversarial networks to make decisions about what do with limited datasets. Recent developments in transformer and diffusion models along with reinforcement learning techniques enable machines to make intelligent decisions similarly to humans across domains.

In 2019, Microsoft's $1.0 billion investment in AI research & development company OpenAI sparked a wave of innovation that has commercialized content generation. The release of large transformer model GPT-3 in 2020 enabled the founding of intelligent text generation startups and the commercialization of multiple products including text completion for Microsoft Office and code completion for GitHub via its Copilot service. The startup ecosystems around these field promise to redefine fields including copywriting, advertising, and software development. In Q4 2022, Jasper AI set a record for a GPT-3 startup, raising a $125.0 million Series A with a $1.5 billion post-money valuation, demonstrating the scale that startups can achieve with this technology.

Diffusion models offer a new wave of models that can be used to create a new class of startups. These models inject random noise into model calculations and systematically remove it to find stronger relationships among data points. Just as transformer models paved the way for GPT-3, improvements in diffusion models can improve the outputs of generative models connecting multiple domains including text, images, and video. These models are being deployed by both open-source startups and OpenAI to create multi-modal models incorporating text and image data. Stability AI's $101.0 million Series A at a $1.0 billion post-money valuation demonstrates the high expectations for this technology to rewire visual content generation and extend to new domains including voice, video, and audio.

Reinforcement learning makes intelligent robotics capable of handling complex environments. Autonomous driving has struggled to gain traction given low risk tolerance for passenger vehicles yet autonomous machines can succeed in other contexts where continuous learning can improve performance over time through rewarding behaviors that achieve desired outcomes. OpenAI has taken a step back from robotics, leaving room for startups to develop original innovations. Alphabet's recent acquisition of leading robotics startup Vicarious came after the company made fundamental improvements in reinforcement learning techniques. This acquisition along with sustained VC funding can move the field to enable full automation of the warehouse.

Enterprise & Smart Data

Relational databases are ceding market share to nonschematic databases and data lakes. Relational databases separate data from underlying storage hardware and enable discrete queries using SQL. This format has dominated database management systems since its inception in 1970. Legacy database public companies, including SAP, IBM, and Oracle, brought relational databases to market and have seen growth in these products level off. Each of these companies faced declining market share in database management from 2018 to 2020. Nonrelational databases and data lakes enable integration of unstructured data, along with the column-formatted data of relational databases, and enable more analytical methods than SQL queries. Over the next five years, we believe streaming data analytics for AI will cause nonrelational databases and data lakes to overtake relational databases in market share based on the exponential growth in AI computing requirements.

Database management innovators are focusing on stream processing, which refers to real-time analytics on data-in-motion, as part of their AI strategies. Industry surveys show that most organizations are planning to add new streaming datasets, along with video, images, and Internet of Things (IoT) data, while a minority are planning to add new relational data. This focus lends itself to the use of machine learning applications, given the ability of machine learning to constantly improve based on streaming data. Further, these data types are more likely to use data science languages such as Python than SQL for continuous analysis. This will lead to data scientists unlocking the potential of ML models where they previously used SQL queries.

Emerging database architectures require purpose-built security solutions. In Q2, data security unicorn Immuta raised a Series E led by sector specialist NightDragon, with participation from Snowflake Ventures, the corporate venture capital (CVC) arm of database management leader Snowflake. In 2021, strengthened partnerships with Snowflake and data lake innovator Databricks led the company to more than double its annual recurring revenue (ARR) and achieve a 2.1x valuation step-up to an $850.0 million pre-money valuation. At a slightly earlier stage, encryption startup Baffle has adapted its product to serve Snowflake and AWS Redshift customers. The company's platform embeds secure multi-party computation in the customer's infrastructure to apply symmetric encryption keys for data in use, at rest, and in transit. This database focus contributed to 200% revenue growth into the company's Series B.

Entertainment, Gaming, & Content

The technologies that power modern entertainment and shopping experiences are growing increasingly immersive. Gaming and esports present a diverse, global ecosystem generating nearly $200 billion annually from 3 billion gamers. Improvements in graphics, processing power, and 5G connectivity, enable game developers to create lifelike simulations and ever-expanding universes for any device. Developments in cross-play, interoperability, as well as a narrowing the chasm between hype and impact for virtual and augmented reality are also ushering in a new era in gaming. Although metaverse and VR/AR adoption has underwhelmed, the tides may be changing as sales of Meta Quest 2 sales are beginning to challenge Xbox Series X & S models. Furthermore, gaming revenue exceeds that of all major American sports (NFL, NBA, MLB, NHL) and the time spent watching gaming content on YouTube and Twitch exceeds streaming hours on HBO, Netflix, ESPN, and Hulu.

Musical performances and entertainment are similarly pushing into a digital frontier. Startups like AmazeVR and Mandolin, among others, are powering virtual concerts after the COVID-19 pandemic supercharged interest and top-tier performers are cashing in. Global pop group BTS broke their own record drawing 1.3 million viewers and $71 million in tickets and merchandise sales during a virtual, two-day event. Similarly, Lil Nas X racked up 33 million views during a Roblox performance, Travis Scott generated 46 million views during a collaboration with Fortnite, and Ariana Grande launched her own “Rift Tour” that combined a pre-recorded performance with commerce and live gaming.

Livestream and social commerce are also disrupting traditional online retail by blending entertainment, engagement, and urgency following ten years of social media innovation and the growth of influencer personalities. In China, social commerce is commonplace alongside the dominance of “super apps”, like Taobao, and could account for 25% of online sales by 2023. Interest in the US is accelerating as a range of brands from Lowe’s to Ferragamo experiment with livestreams and notable startups, like whatnot, Verishop, and Popshop Live, attract significant venture funding. Major technology and retail companies, like Amazon, Shopify, TikTok, Walmart, and others, are pushing forward with their own native features and partnerships to capture similar success domestically.

Food, Nutrition & Health

Payers, providers, and policy makers increasingly understand that factors like access to healthy food and transportation play a vital role in health and wellbeing. Startups are taking a holistic approach to healthcare in numerous ways, including by connecting people to social services, offering online nutrition therapy, and providing culturally sensitive care. Retail giants like Walmart and Rite Aid are also playing in this space and are establishing home delivery services and one-stop shop healthcare marketplaces. The Centers for Medicare & Medicaid Services has been expanding the range of services that Medicare Advantage plans can offer to include non-medical care like transportation to appointments, fitness classes, and companion care. Startups like Papa and UniteUs are expanding access to community services for underserved populations and providing non-medical home care. There are also startups building food and nutrition apps with decision-making guided by glucose levels, which could enable greater nutrition healthcare access for underserved populations.

Chronic condition management is another growing area in digital health. The CDC estimates that at least 50% of the U.S. population suffers from at least one chronic condition, and more than 25% have multiple conditions. There are a range of startups developing software and tools to manage chronic conditions such as pain, stress, insomnia, diabetes, and neurological conditions. The success of traditional healthcare interventions depends on behavior modification and regular patient-provider touchpoints in between visits. Startups have developed remote patient monitoring devices and easy-to-use phone apps that link to EHR systems, guide patients through lifestyle change goals, and allow doctors to provide whole-person care. Prescription-grade therapeutics being developed by companies like Biofourmis, Swing Therapeutics and Click Therapeutics are leading the next wave of innovations in chronic care and blurring the line between software and medical devices. While an increasing number of digital care options could lead to greater complexity of healthcare for patients, digital health solutions for care navigation and planning such as online coaches and AI care navigators can help bridge this gap.

Hearing care is another notable opportunity in digital health. Recent FDA clearance for over-the-counter hearing aids will expand the market, and startups have an opportunity to generate revenue in a space that has historically been dominated by a handful of incumbents. Startups have already brought patient-centered, digitally enabled convenience to vision and dental care, and hearing care could be the next frontier. Amplification device manufacturers and telemedicine providers are now seizing the opportunity to provide personalized hearing care and improved accessibility for people of all ages.

Future of Work

The pandemic has normalized remote work which is leading to changes in how startups, and even fortune 500 companies, structure teams and complete projects. Multiple collaboration tools have proliferated, including video conferencing, group messaging, project management tools, and cooperative design software. As a result, we are watching for an acceleration in outsourcing to inexpensive US geographies and foreign countries. However, corporate decision-making can be slow and trends might not be apparent in the short-term. The recent shift has already materialized amongst startups. Many tech companies are now “remote-first”. Despite greater remote work, executives have pushed for a return to the office where information is shared more freely.

There are obvious beneficiaries of our changing state of work (messaging, video chats, etc.) but there are also emerging technologies that receive less attention, because they are not used as frequently. These include robotics, virtual offices, virtual reality, augmented reality, artificial intelligence, and more.

Robotics has replaced manufacturing jobs for decades, but it has begun to compete with human labor in agriculture, warehousing, medicine, sea exploration and military operations and it will soon encroach on delivery as retailers employ drones.

Virtual reality continues to see strong investment from big tech which is building VR tools to train employees on complex tasks. Virtual offices have also arisen to increase information sharing and camaraderie amongst team members in different locations.

Artificial intelligence and machine learning enable robots to rapidly improve their effectiveness. The ability to learn is crucial to improving the ROI of large upfront investment in robotics, virtual reality and augmented reality.

Innovative World Technologies

The construction industry is increasingly facing pressure to switch to low-carbon building materials.

The historical focus for decarbonization has been the energy and transport sectors, as high-emissions sectors that can readily be decarbonized. Construction materials though, tend to have narrow margins and the cost premiums associated with low-carbon options have hampered their acceptance. As emission reduction pledges have become more common – and the deadlines for action are approaching – decarbonization efforts are taking a more complete approach. The variety in pledges further fosters a supportive environment for green construction options – pledges at the national and regional level inform policy and regulation, and those from individual companies provide a market for low carbon construction approaches before policy is in place.

As more regions implement ‘cost of carbon’ regulations, the price of carbon pushes green cement and conventional cement towards parity. Technological advancement can also reduce product costs, and there are several routes to green cement production that have different strengths and weaknesses. At the more straightforward end, conventional cement production can be supplemented with carbon capture and storage to produce cement without CO2 emissions. These carbon capture approaches can have high energy requirements, but in some cases this can be reduced by using excess heat from the cement making process. Alternatively, some startups produce green cement by using CO2 to cure cement, which incorporates CO2 into the final product. This produces a stronger end-product, and has the added benefit of locking in carbon that was captured elsewhere.

Whatever the source, the desire for green cement is a growing trend. The ongoing energy transition involves considerable construction of new infrastructure, including both onshore and offshore wind, which have high requirements for cement and structural steel. For climate tech projects such as these, green construction materials are likely to be prioritized due to the nature of the installations as environmentally driven projects.

Metaverse & Web3

Blockchain technologies have made it possible to incorporate ownership of internet applications for users. Known as web3, the next generation of products and services will enable users to become owners. In centralized ownership models of web2, user data is highly monetized at the expense of privacy, code is closed source and opaque, platform users have no say in the direction and policies, and institutional investors are the primary owners of equity.

Web3 participation does not necessitate revealing personal information, and access to any user data requires explicit consent. Within these new platforms, users also own the content they create, unlike in web2, where platforms like YouTube own user-generated content. Web3 relies on open-sourced code, letting users not only scrutinize how platforms function but also contribute to the development of features in the services they enjoy. Through the issuance of tokens, web3 allows consumers to have an equity-like stake in the applications and services they use, and with that stake, they can participate in the governance of these platforms. Web3 platforms use tokens to incentivize usage and participation, which acts as an alternative to paid acquisition and can bootstrap growth early on.

However, numerous token distribution models, like public token sales and airdrops, are still evolving. Having a token for a project is not a panacea for product market fit. Many web3 projects in the last bull market that issued tokens have seen many users participate solely for the purpose of obtaining tokens that are then immediately sold on crypto exchanges. It is expected that more prudent token distribution designs to develop in the coming years, particularly ones that reward the most active and loyal users.

Still, web3 presents the best opportunity to align the incentives of platforms and the product developers with that of users. There are currently about 35 million MetaMask users, the most popular web3 access point, representing less than 1% of internet users globally. It is anticipated that with its vast benefits to internet platforms and users, the population of users participating in web3 over the next decade will grow exponentially.

Smart Cities, Transportation & Logistics

The confluence of ever increasing urban density and exponential growth of ecommerce (and deliveries) is driving costs and complexity higher in supply chain logistics and fulfillment. This Final Fifty Feet - as it's been dubbed by UW Supply Chain Transportation and Logistics Center – represents a key multi-dimensional issue and opportunity for supply chain tech entrepreneurs. The last segment of the supply chain represents in many ways, the most costly step. Technology plays a key role in more efficiently navigating urban environments such as optimizing parking, delivery times, sensors, and traffic flow. Blitzscale-supported last mile delivery solutions still need to prove business models as the effects of the pandemic wane and consumers revert to prior shopping behavior. Even Amazon has pulled back from its instant delivery efforts.

Public transport is an area that's ripe for innovation and disruption. With all of the billions that have been invested in autonomous vehicles, eVTOLS, micromobility and other areas purporting to solve urban traffic issues there has been a relative paucity of investment in new and unique modes of public transportation despite the fact that these are likely to provide the largest traffic and carbon offsets. In Tokyo, for example, despite high vehicle ownership rates, some 57% of the greater urban area's 34 million inhabitants move through their day on public transportation. As a result, per capita energy expenditure for the region is just over half that of the US. Several cities are taking more draconian steps to simply toll drivers who are in certain urban areas at high traffic times of the day, not unlike dynamic highway tolling and HOV lanes. Overcoming a century of 'car culture' in the US is a daunting task, but simple physics suggests the biggest bang for mitigating climate change as well as reducing congestion runs through new solutions for public transportation.

With the exponential growth of EVs – cars, trucks, and micromobility demand for EV charging solutions with unique business models beyond simply selling kilowatt hours need to arise in urban environments. While the majority of EV owners today simply power their vehicles by plugging in at home overnight, going forward, urban environments such as apartment buildings and parking facilities will need to be broadly built out with charging options. Entrepreneurs are working out the right combination of advertising, partnerships, and location. Competition will be fierce as the market develops and business models need to overcome the potential commodification of services.

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