
Photo: Alexa Gonzalez Wagner

SXSW®

SXSW ACCELERATOR® PITCH EVENT REPORT

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PitchBook is a financial data and software company that provides clarity into the capital markets to help professionals discover and execute opportunities with confidence and efficiency.

We collect and analyze detailed data on the entire venture capital, private equity and M&A landscape—including public and private companies, investors, funds, investments, exits and people.
Our data and analysis are available through our suite of products (the PitchBook Platform), industry news and in-depth reports.

Contents

“SXSW was very special for Beagle. We made some fantastic new connections, had a great opportunity to refine our pitch and learned a great deal. As a company, we are stronger because of SXSW, and we are so grateful for the opportunity.”

Cian O’Sullivan
Co-founder & CEO of Beagle
beagle.ai

Greetings from Austin

The SXSW Accelerator® Pitch Event started in 2007 with a goal of matching ambitious early-stage companies with top investors. From our inaugural year of 23 startups to a total of 403 global participants through 2017, we are proud to be the catalyst of many dreams and successes. Some of our most well-known alums include Klout, Hipmunk, Wildfire, Siri, Foodspotting and Tango. Other standout graduates, like WeVideo and Trustev, may not be household names quite yet, but they've already garnered millions in funding and promise to step into the spotlight very soon.

This report covers current trends in the seed and early venture capital space as well as the US venture ecosystem as a whole. It also showcases SXSW Accelerator over time through the lens of our participants and offers an in-depth look at the ten industry verticals that comprise our 2018 categories. We hope it gives you a sense of how participation in our program can take companies to new heights.

As with previous cohorts, this year's participants have invested so much into their companies, from concept to market research to initial customer adoption. We look forward to helping them take their ambition further with the SXSW platform—including the incredible resources, connections and recognition it offers.

We can't wait to see what our 2018 event has in store. See you March 10–12!

Best,

Chris Valentine
SXSW Accelerator® Pitch Event Manager

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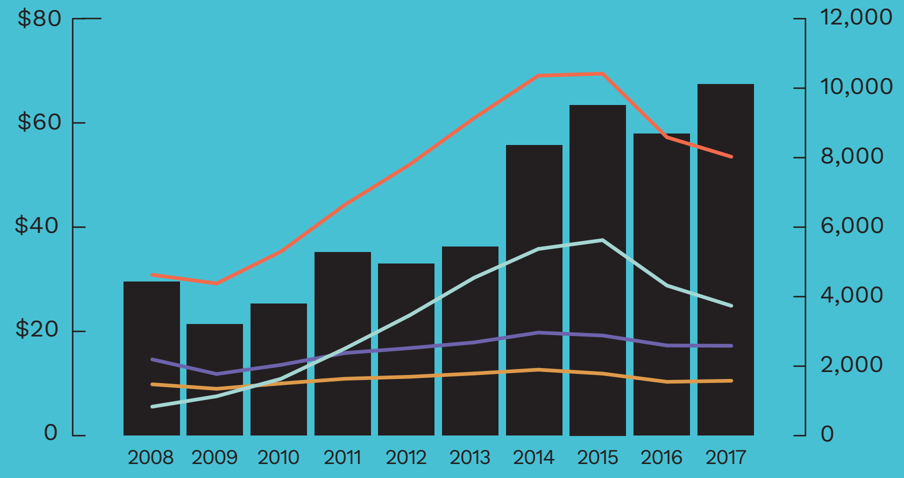
Overview: Venture capital investment reaches new heights as the industry navigates major shifts

VC has become a major catalyst for early-stage growth as it supplies startups with capital and mentorship to navigate the path toward scale. In the last decade, VC investment in startups has skyrocketed, especially as new technologies and modernizations have enabled quick and expansive paths for growth. The asset class is, however, moving through a transition, wherein companies are raising more venture funding and delaying the traditional exit paths of strategic acquisitions or IPOs.

Venture capital activity remained steady in 2017 as the market stabilized after suffering an angel- and seed-driven string of declines from mid-2015 through 2016.

US VC activity

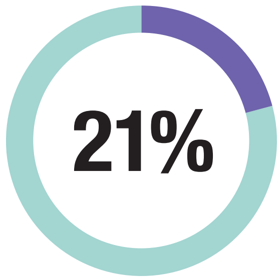


Deal value ($B)
\# of deals closed
Early VC
Later VC
Angel/seed

Source: PitchBook *As of 9/30/2017

VC OVERVIEW

More than 8,000 VC deals were completed in 2017, with overall increases occurring in both early and late-stage deal flow as investors continue to find ample opportunities to invest.

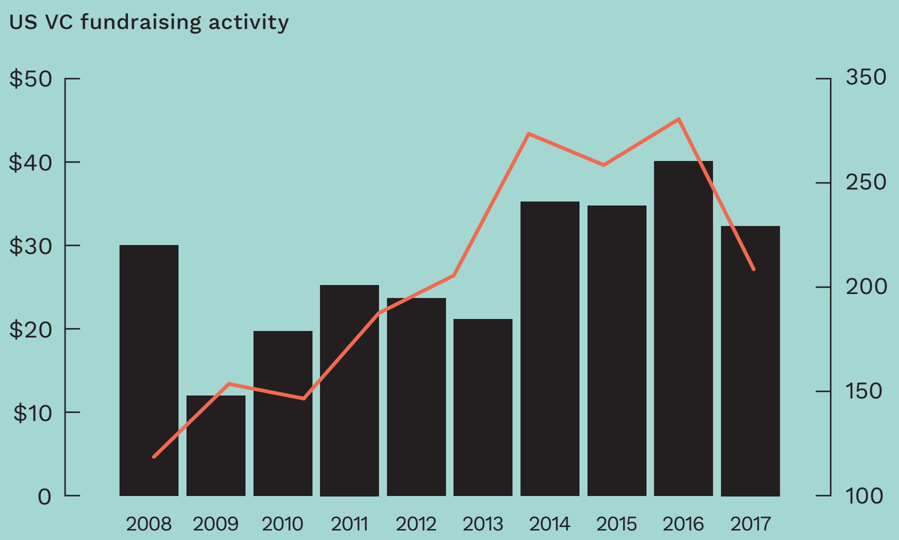


21% of the aggregate deal value has been made into deals that generate a valuation of at least $1 billion.

Worth noting, however, is that quarterly deal value this year has been volatile, an observation that can be somewhat expected as several companies have raised billion-dollar rounds. To illustrate, 21 percent of the aggregate capital invested by VCs this year has been in transactions that generated a valuation of $1 billion or more. These unicorn deals have now become commonplace when less than a decade ago they would have been considered significant outliers.

The venture industry overall is moving through a period of transition. After deal volume skyrocketed through 2015, the current market has moved into a period where the fast pace of dealmaking has been substituted with larger deals at a steadier pace. Median deal sizes have grown at every stage of the venture lifecycle, reaching sizes of at least 2.5x the medians of 2009. That growth isn't necessarily a surprise. The recent fundraising climate has brought with it larger funds, even as the overall number of vehicles being raised is higher than we have seen in the past decade. In the past four years alone, more than $142 billion in commitments have been raised by venture funds in the US. And as the current US dry powder amount is amongst the highest of all time ($92B), the venture industry has an influx of capital available.

The sheer amount of capital sitting on the sidelines hasn't only shifted deal sizes, but it has also had a notable impact on how investors should evaluate the traditional venture lifecycle. Companies have grown



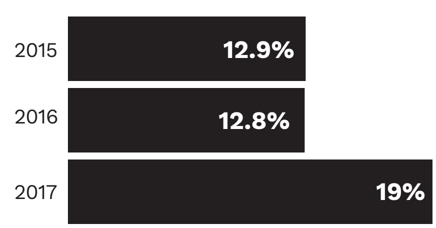
2017 became the fourth straight year that more than $30B in commitments were raised by US-based

Source: PitchBook

older at each series, in part due to the decreasing cost to start and build a business, but also because larger deals are allowing them to extend their capital runway. The average time to exit for VC-backed businesses has also lengthened, as companies can now locate significant pools of late-stage capital rather than move forward with an IPO or an outright sale. Today, the average time to exit for VC-backed portfolio companies comes in at 6.5 years, more than an entire year longer than what we experienced just five years ago.

The recent conversation around the industry has been driven by this seeming liquidity crisis. As investors hold onto companies longer, they expose themselves and their LPs to increased market risk, and limited partners also accept a liquidity risk that could stunt their ability to fund other contracts. Less common forms of exit routes have been brought to the forefront, however. Buyouts by PE shops have become a more common source of this liquidity, especially as the private equity industry continues to move more into the tech space—roughly 20 percent of PE deals this year have been made into the sector, a growth of more than 9 percent since 2014. SoftBank has also moved into the conversation with its $100 billion Vision Fund, bringing along the ability to buy out VC stakes and provide liquidity as it makes enormous bets on late-stage companies.

Moving forward, the venture industry is flush with capital to back up-and-coming entrepreneurs. 2016 finished as the fifth consecutive year that the global VC industry distributed more cash to LPs than was called down for investments. And as this four-year streak demonstrates the positive performance of the industry, this distributed capital will also likely continue to flood the VC industry with new mandates and capital commitments as LPs look to re-up into the asset class that has done right by them.



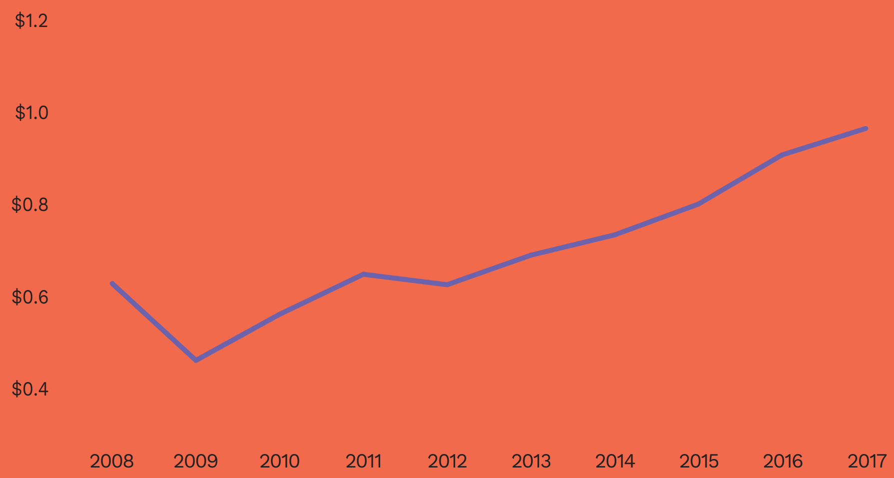
Buyouts by PE shops have become a more common source of liquidity.

Both size and valuation of angel/seed deals have reached decade highs.

$6M

median pre-money valuation has pushed over the $6 million mark

Median US angel/seed deal size ($M)



Source: PitchBook

ANGEL/SEED STAGE

Angel and seed deals are pushing further into VC cycle.

1.5

2012

2.4

2017

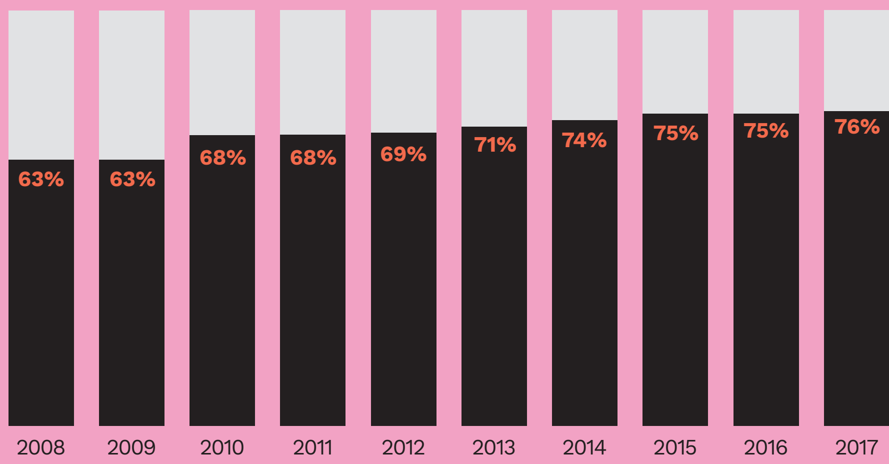
Accelerator programs and pre-seed funds are pushing the entrance of these investors out to more than two years after companies are launched.

Angel and seed rounds have begun to deviate from the norm as accelerator programs and pre-seed funds play an increasingly significant role in early-stage growth.

Both investments have traditionally been made near the launch of a startup, providing capital for an idea to move toward a product. However, the proliferation of accelerator programs and pre-seed funds has delayed the entrance of traditional angel/seed investors, with companies today taking angel/seed capital nearly two years post-launch on a median basis. In contrast, just five years ago, angel/seed investors were raising capital just 1.5 years post-launch on a median basis. This stretch has also been aided by the maturation of cloud and open-source applications, which has reduced the complexity and cost of launching a new business. Because companies are looking for seed and angel capital later in their life, the size and price attached to these rounds have also grown substantially. In 2017, the median angel/seed deal passed $1 million for the first time, and the median pre-money valuation pushed over the $6 million mark.

In the long run, this lengthening is positive for both the industry and the startups receiving funding. While it requires more capital from angel and seed investors, the more developed business models coming to the table allows founders to showcase their potential to earlier investors, while VCs are able to get a better picture of a startup before investing.

Percentage of US VC deals represented by tech companies



Tech deals now represent almost three-fourths of all deals.

Source: PitchBook

EARLY STAGE

The continued development and advancement of the tech industry has proved to be a bellwether for investment.

Tech investment now accounts for 73 percent of completed early-stage rounds and more than 68 percent of the overall early-stage deal value in the US, each showing growth of around 10 percent since 2008. This growth has translated into a major factor in the VC-wide growth of deal values. As early-stage rounds of $25 million or more increased by over 171 percent from 2008 to 2017, the proportion of such deals that involved tech investment moved from just 40 percent to an average of 57 percent over the past three years.

As tech has boomed, median early-stage pre-money valuations have more than doubled since 2009, reaching $21 million last year. A similar valuation figure would have produced industry worry in the past, but the early stage has continued to move further into the venture lifecycle for companies, at least in part explaining some of the valuation growth. The median age for companies entering the early stage—Series A—has moved to nearly 3.6 years after founding, much higher than the 2.1 years seen a decade ago.

These trends will likely continue. As early-stage investors continue to raise larger funds focusing on breakout technologies, deal sizes and valuations should keep moving in a similar fashion, especially as companies entering the stage make the move later in their lifecycle.

> **"As early-stage rounds of $25 million or more increased by more than 171% from 2008 to 2016, the proportion of such deals that involved tech investment moved from just 40% to an average of 57% over the past three years."**

SXSW Accelerator: Supporting new ideas and driving early-stage deals for 10 years

Over the past ten years, SXSW has played a pivotal role in shaping the early-stage venture ecosystem, giving promising companies—from Siri to Klout—the resources they need to succeed when it matters most. Here, we're looking back on a decade of SXSW and the companies we've helped along the way. Take a look, and see who raised the most capital, who made it big, who won in their category last year and more.

Photo: Alexa Gonzalez Wagner

SXSW ACCELERATOR BY THE NUMBERS

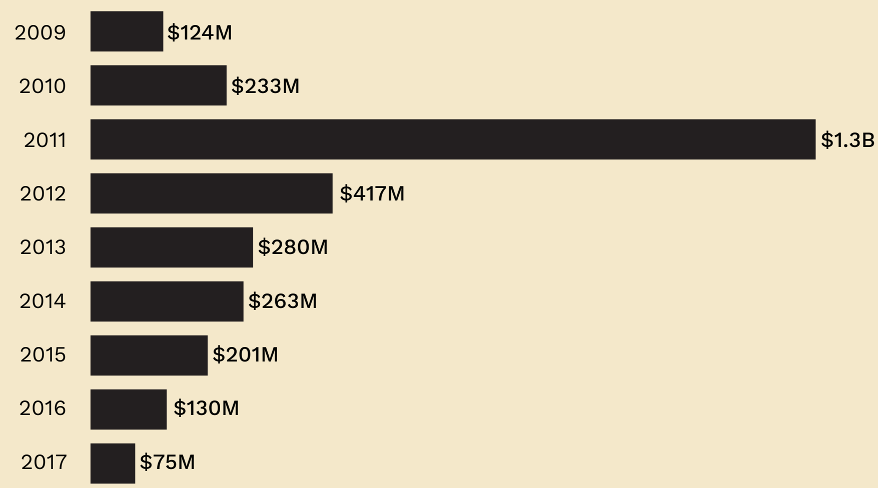
From raising capital to reaching high valuations to exiting big, success for fast-growing startups comes in many forms—and many stages. Here's a quick look at what success looks like for our graduates.

403
total participants

$4.6B
in funding and acquisitions

862
financing events

Venture capital raised by cohort year



$2.5M median capital raised by participant

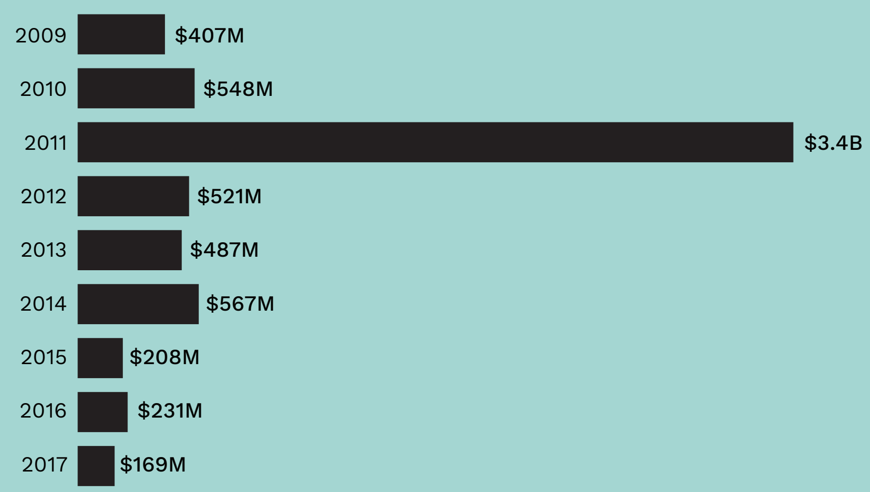
Kabbage

2011 participant

$491M venture capital raised: Most capital raised since SXSW Accelerator's inception

$6.5B
combined total of most recent valuations

Post-valuation total by year of participation



Kabbage

$1.2B: Largest post-money valuation

35
exits

MEDIFY

8.9 months: Fastest time to exit

TubeMogul

$201M: Highest exit valuation
(TubeMogul IPO'd in 2014 and later was acquired by Adobe for $611M)

SXSW ACCELERATOR BY THE NUMBERS

Turning big ideas into big potential

Past participants of SXSW have gone on to do great things—and changed the way we live, work and play.

(Siri)

Developer of a web-based personal assistant. The company provides a voice-activated application that responds to commands to send messages, schedule meetings, place phone calls and more.

Notable investors:
Apple

Valuation at exit:
$200M

Total raised:
$24M

Acquired by:
Apple

ROLI

Provider of a modular music creation system designed to open up new possibilities for musical expression. The company's music creation system is a three-dimensional pressure-sensing keyboard with a rubber foam-style covering which responds to changes in pressure, enabling music-makers to be more expressive by manipulating sound.

Notable investors:
Balderton Capital, BGF Ventures, FirstMark Capital, Founders Fund, Foundry Group, Frontier Venture Capital

Total raised:
$47M

Valuation:
$82M

nymi

Developer of a wearable biometric authentication technology designed to deliver convenient authentication anywhere. The company's Nymi Band is a multi-factor authenticator that can be used with any application, device or service. It allows users to take control of their identity through cardiac rhythm identification, which provides a secure authentication method.

Notable investors:
Export Development Canada, GII Tech, Ignition Venture Partners, Relay Ventures

Total raised:
$30M

Jiff

Developer of cloud-based application platform to manage patients. The company offers a tool that enables doctors to engage and capture voice, teaching materials, gestures, patients' questions and replies.

Notable investors:
GE Ventures, Venrock

Total raised
$67M

Acquired by:
Castlight Health

Kabbage

Provider of an online lending platform designed to offer automated funding to small businesses. The company's platform leverages data generated through business activities—such as accounting data, online sales, shipping and other sources—to understand performance and deliver flexible funding in real time, enabling businesses to access capital and cash advances.

Notable investors:
SoftBank Group, SV Angel, TPG Capital

Total raised:
$1.3B*

Valuation:
$1.2B

*includes debt

Trustev

Provider of a technology for e-commerce security and online fraud protection. The company uses multiple dynamic data sources to independently verify a user's identity on e-commerce sites, enabling online merchants to know they are dealing with actual customers.

Notable investors:
Greycroft, Notion Capital, SVG Partners

Total raised:
$3.8M

Acquired by:
TransUnion

Valuation at exit:
$44M

THE TOP OF THE CHARTS

These companies and investors are SXSW Accelerator standouts

Most VC capital raised

1	Kabbage	$491M
2	Tango	$371M
3	Spredfast®	$116M
4	banjo	$116M
5	eko	$112M
6	sphero	$104M
7	soylent	$75M
8	Jiff	$67M
9	SMARTLING	$63M
10	ZOOMDATA	$59M

Highest pre-exit valuation

1	Kabbage	$1.03B
2	Tango	$751B
3	soylent	$381M
4	Spredfast®	$282M
5	SMARTLING	$225M
6	GuideSpark	$225M
7	sphero	$166M
8	zumper	$90M
9	MAPD	$70M
10	Wevr	$67M

Highest post-exit valuation

1	TubeMogul	$611M
2	KLOUT	$200M
3	(Siri)	$200M
4	MindMeld	$125M
5	Ribbit	$105M
6	namomedia	$50M
7	Qwiki	$50M
8	Trustev	$44M
9	bump	$35M
10	metaio	$32M

Most active investors in SXSW companies

(by number of deals)

1	techstars	29
2	500 startups	19
3	NEA	16
4	RSCM Right Side Capital Management, LLC	14
5	PLUGANDPLAY	14
6	true ventures	12
7	RIDGE VENTURES	12
8	ROCK HEALTH	11
9	innovation works	11
10	KNIGHT FOUNDATION	11

2017 SXSW ACCELERATOR PARTICIPANTS BY CATEGORY

Every year, SXSW Accelerator participants compete to win the top prize in their industry vertical. See who took part last year.

Augmented & Virtual Reality

FIBRUM

holojam

LAMPIX
Winner

Oncomfort™

TELEPORTER

Enterprise & Smart Data

DEEP 6 AI
Winner

Helixworks

LivingLens

METADATA

SPEECHMATICS

Entertainment & Content

HASTE

LAUGH RADIO
Winner

muuselabs

NOVEL EFFECT

triseum

Hyper-Connected Communities

Any Quip™

envi

FishViews

makerarm

Thimble
Winner

Health & Wearable

bloomlife

iSono Health

LITMUS HEALTH

Saathi

SOUND scouts
Winner

Payment & Fintech

ASSETVAULT™

CNote
Winner

envudu

HipMoney

KICKFURTHER

2017 SXSW ACCELERATOR PARTICIPANTS BY CATEGORY (CONTINUED)

Security & Privacy

- EMERGENT NETWORK DEFENSE
- SECR SECURE
- umbo computer vision
- UNIFYID — Winner
- UPLEVEL

Social & Culture

- GIFTERS
- ENVY
- Lily — Winner
- MODULE
- NEXTBILLION.ORG

Sports & Performance Data

- brizi — Winner
- Horse Analytics
- KYMIRA
- SEASON SHARE
- WYP AVIATION

Transportation

- DRIVER WATCHDOG
- O6
- HAAS ALERT
- SPATIAL
- SPLT — Winner

“There is no better place to accelerate your business than the SXSW Accelerator. The program put Season Share in front of the right people at the right time.”

Jon Rappaport
Co-founder of Season Share
seasonshare.co

Past judges and emcees include:

Tim Draper
DFJ

John Sculley
Apple & Pepsi

Cyan Bannister
Founders Fund

Paul Graham
Y Combinator

Christine Herron
Intel Capital

Laurie Segall
CNN

What's shaping the VC ecosystem? A closer look at our 2018 industry categories

From creating virtual universes to transforming how we get from point A to point B, SXSW Accelerator participants reimagine the world, shaping both emerging and established industries. Here, we dive deeper into the fast-growing sectors that define our accelerator program, highlighting key trends, major players, financing activity and more. Read on for in-depth, industry-level analysis of our 2018 categories.

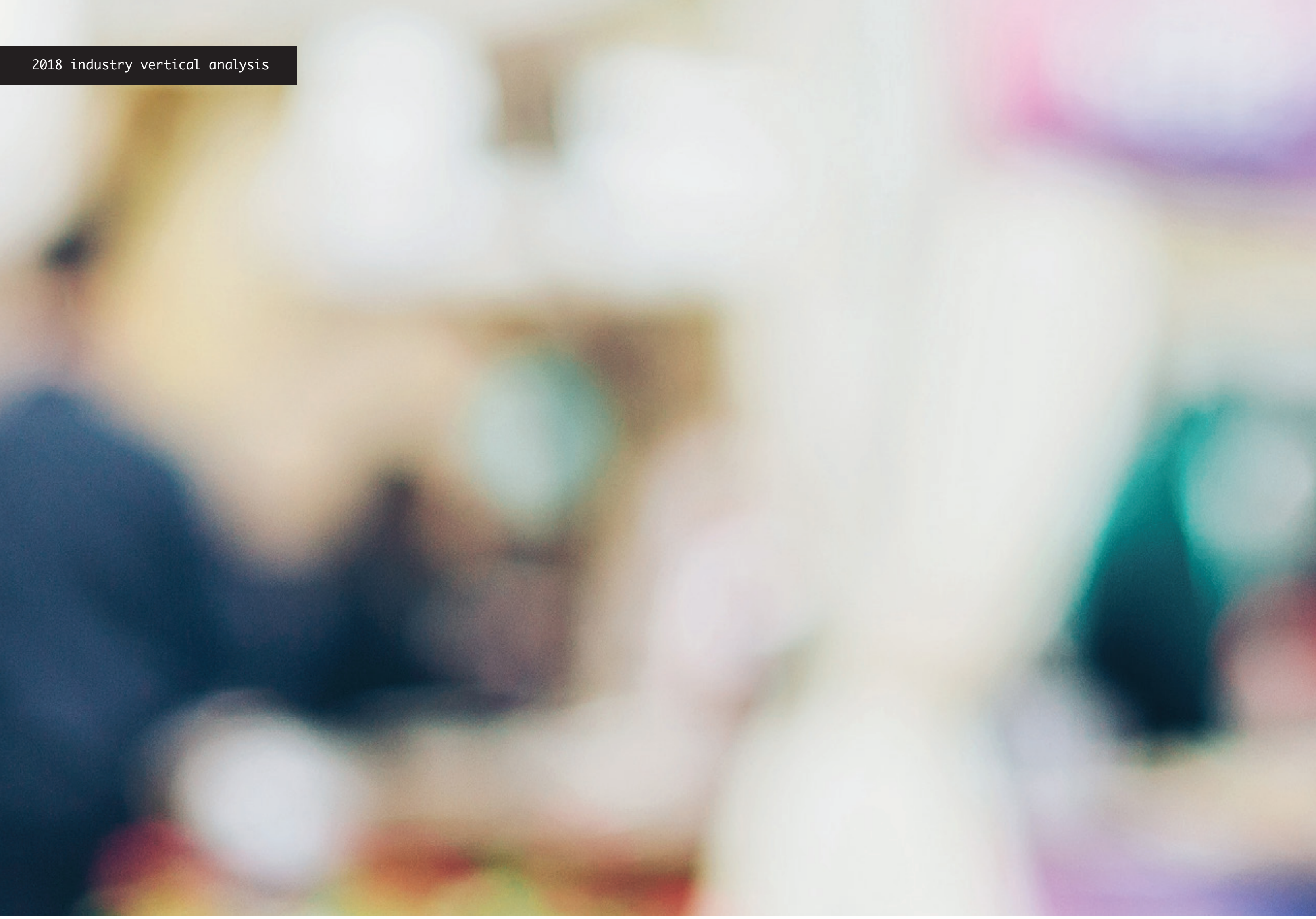
Photo: Cal Holman

AUGMENTED & VIRTUAL REALITY

There's currently a lot of buzz surrounding VR and AR, but this isn't the first time consumers have hyped the subject. In the mid 1980s, NASA was harnessing VR technology for flight simulations, while mainstream gaming kept the hype alive into the early 90s with clunky headsets. While companies like Oculus have made vast improvements from the first wave of VR, other technologies are emerging that techies of the 80s could only read about in sci-fi series. Augmented reality products incorporate visuals and graphics into the user's environment, augmenting their surroundings rather than blocking them out.

Tech giants pose competition for startups in this space, as industry-leading corporations put their resources toward research and development. Microsoft's HoloLens enables developers to visualize their work, and Google's Daydream incorporates AR into ordinary internet searches via Chrome. Nintendo has incorporated AR into mobile games, as have Facebook and Snap for their social media applications, marking progress toward mainstream adoption.

VCs have invested $3 billion across 334 VR and AR deals in the past two years. However, given the complex nature of this technology, experts don't expect widespread adoption until the mid-2020s.



ENTERPRISE & SMART DATA

As companies scale, the confluence of data is often a major hurdle to efficiently using all resources available. Legacy CRMs and file management systems are being disrupted, as structures used for communication and project management are thoroughly innovated and streamlined. One of the largest areas in need of modernization is how enterprises proceed with the vast amounts of Big Data they collect.

ENTERTAINMENT & CONTENT

A 2017 report suggests that 61% of adults ages 18 to 29 use streaming as their primary means of watching TV, versus only 10 percent of adults ages 50 to 64. This transition has come in part from VC-backed companies who have leveraged cloud technology to deliver content. Streaming services have inspired a host of startups producing mobile-friendly software for these on-demand entertainment platforms. All-in-one streaming hardware devices have also eliminated the need for cable television, winning over cord-cutting consumers.

While one may assume streaming is limited to video and music, many startups are capitalizing on the fast-growing industry of e-gaming events, in which interactive entertainment software is used to incorporate social components into gaming events and monetize audience participation.

Following a slower but still healthy year of activity in 2016, venture investment in entertainment has outpaced last year's capital invested with a total of $1.7 billion invested across 160 deals in 2017.

HYPER-CONNECTED COMMUNITIES

Connections across communities and networks quickly accelerated with the advent of smartphones. Now, devices like robotic personal assistants, equipped with artificial intelligence and voice recognition, are shaping a newly automated component of home life, making everyday processes a little smarter. These devices contribute to a larger IoT web of devices, which can transmit data to each other with internet connectivity. VC investment in this sector has grown steadily over time, sitting at $1.47 billion invested in IoT devices in 2017. Large corporations are very involved in connectivity investing, as some may have a strategic objective to acquire down the road.

HEALTH & WEARABLES

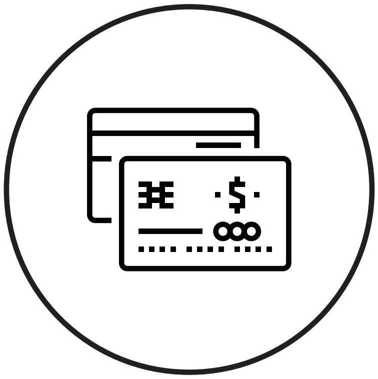
Technological innovations in the medical space have the potential to not only deliver strong financial returns but also create meaningful impact in consumer health and wellness.

As movement-tracking software and hardware become more refined, the data collected by wearable devices allows users to quantify their exercise and analyze their health behavior.

Startups are also using funding to tackle rare diseases, mental illness, childhood development and even enhance prosthetic limbs. These innovations can significantly reduce healthcare costs by translating complex medical processes to handheld devices that interpret data with the use of smartphones.

Consumers' willingness to pay for technologies that improve their health or the health of their loved ones presents considerable market opportunity for startups and VCs alike. 2016 saw a record $1.6 billion invested across 282 deals, though activity in 2017 has been considerably slower with only 183 completed deals.

PAYMENT & FINTECH



In many ways, fintech is the re-envisioning of old-school financial systems and institutions with new-age technologies.

Innovations in the financial sector ramped up after the dot.com boom of the early 2000s, as traditional financial services began taking place online. Since this ramp up, companies have replaced financial intermediaries to facilitate faster transactions and increase user security by minimizing the frequency of exchanging sensitive user information. Online lending platforms have changed how individuals lend and receive loans, using risk-assessment technology to inform investors' portfolios and streamline the loan application process.

Although we saw capital investment peak in 2015, total fintech investment remained strong in 2017, at $6.6 billion. While this sector has seen incredible growth since 2000, some experts believe there are further opportunities to disrupt. While fintech investments will not likely slow down any time soon, VCs may lose out on deals as startups increasingly turn to cryptocurrency markets to raise funds.

SECURITY & PRIVACY

Experts estimate the costs accrued from cybercrime will total $6 trillion per year by 2021. As internet connectivity evolves to include more devices and third-party players, startups are expanding their security coverage to IoT devices, cloud data and deception-based attacks. Startups are leveraging AI and machine learning technologies to improve identification methods and detect breaches, as well as employing predictive analysis to expose system vulnerabilities and take preventative measures in advance of an attack. Open-source technology has also facilitated collaboration by companies on these rapidly evolving challenges to share insights and analytics.

In 2017, capital invested in security and privacy deals eclipsed 2016’s total at $3.5 billion dollars invested across 318 deals. Given the immense costs these attacks incur, corporations are expanding their security budgets and investing in these startups. In 2017 alone, corporate investors participated in 68 cybersecurity rounds.

SOCIAL & CULTURE

The impact social media sites have on consumer opinion is pretty remarkable, considering that not long ago many of them were little-known startups seeking venture funding. Social networking and content-based apps don't represent much in terms of tangible value, but their software platforms are highly scalable and capture troves of consumer data. Social media apps are getting smarter too, implementing machine learning algorithms to circulate targeted ads. From an investor's perspective, these deals are risky, but highly profitable should they take off. Social media startups Facebook, Snap and Twitter represent three of the ten highest valued venture-backed exits of all time.

SPORTS & PERFORMANCE DATA

Data has become just as important in sports as it has in the business world, providing new ways to evaluate performance and improve results. From wearable tracking devices to AR integrations and data analysis platforms, sports and performance data technologies are bringing new ways to train and enhance professional athletes and amateurs alike.

TRANSPORTATION

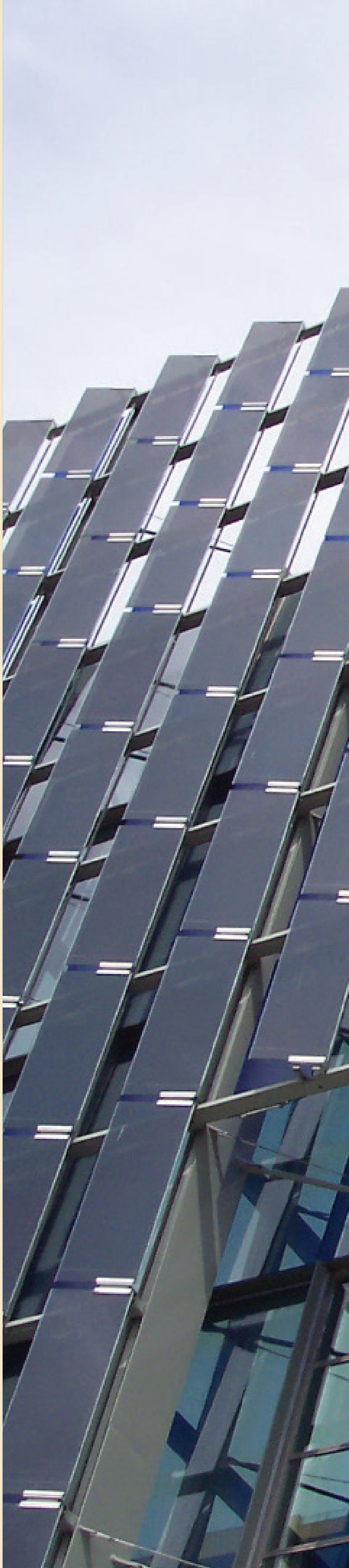
With the entrance of ridesharing, electric vehicles and automotive IoT integration, the transportation industry is seeing greater efficiency in usage and design. Technology is also having an impact on traditional industries like logistics, as companies are using tech to improve fleet management, facilitate cargo-sharing and optimize routes to decrease carbon emissions and costs.

In the last year, $1.9 billion flowed into transportation investments across 116 deals. Unlike other sectors, transportation saw its highest investment levels before the industry peak in 2014 and 2015, with some of the largest deals focused on technologies which increase fuel efficiency and minimize environmental impact.

Some of these exciting technologies are still nascent and will continue to mature in the coming years. Corporations are racing to deliver the first mass-produced autonomous vehicle, while the cost of electric vehicles trends downward. With patents filed by Walmart and Amazon, we may even see blimp-like inventory facilities that deliver packages with drones.

We look forward to seeing you in Austin

March 10–12, 2018



Accomplish what can take 3 years—in 3 days

From refining pitches to reaching top investors, SXSW Accelerator participants receive the training, resources and professional connections they need to turn big ideas into even bigger success stories—in just three days.

Photo: Tim Strauss

Here are just a few of the benefits:

Get in front of top investors

Fundraise faster by pitching to hundreds of top investors actively looking for new opportunities. Plus, have some of the biggest names in the industry weigh in on your idea or product.

Build buzz

Become the startup everyone's talking about. Get your product in front of media outlets, tech news sites and packed auditoriums—and leverage buzz to maximize your valuation.

Stand out from the competition

Secure the connections, awards and awareness you need to capture the attention of consumers and gain credibility and visibility in a crowded market.

Learn from the best

With expert guidance, mentorship and training on everything from building a successful pitch to navigating the industry, you're equipped and ready to tackle your next challenge.

Here at SXSW Accelerator, we're committed to helping promising new companies reach their potential, and we can't wait to see what this year has in store. Best of luck to our 2018 participants!

SXSW®