



# Victorian Startup Ecosystem Mapping

2020 Report



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Acknowledgments



**Jaala Pulford**  
**Minister for Innovation, Medical Research  
and the Digital Economy**



# Minister's Foreword

Victoria is home to almost 1,900 startups – that is, firms using technology and innovative business models to scale and address global markets.

Prior to the COVID-19 pandemic, the Victorian startup ecosystem had tripled in value in three years (from \$2.3 billion to \$7 billion), employing almost 37,000 Victorians.

This year has presented unthinkable challenges to our founder community and their teams. But as we emerge from this one-in-100-year event, the Victorian startup ecosystem will be more important than ever.

Evidence from previous downturns illustrates that entrepreneurship plays a vital role in driving economic recovery, through the creation of innovative new businesses and high-skilled jobs.

In the US, startups were shown to have contributed strongly to economic recovery following the 2009 global financial crisis with more than 50 tech unicorns (companies with a valuation of \$1 billion or more) created. This includes Airbnb, Dropbox and Stripe, which collectively have created more than 10,000 jobs.

Research by Deloitte Economic Access found that increasing the number of startups in Victoria has the potential to create an additional 15,700 new jobs every year.

The release of LaunchVic's Startup Ecosystem mapping report is timely for the fact that it gives us a clear snapshot of all the elements that make up this increasingly important sector.

While the data was collected prior to the pandemic, it will provide us with a benchmark to monitor the health of the ecosystem in the months to come.

It will also help us to create the right environment to ensure our startup ecosystem can get to the other side of the pandemic and continue to thrive.

Victoria has the potential to become a globally-recognised startup hub and I look forward to supporting the sector and express my gratitude to LaunchVic and all Victorian founders on their incredible work in helping to shape our future economy.

**Jaala Pulford**  
**Minister for Innovation,  
Medical Research and the Digital Economy**



**Leigh Jasper**  
Chair, LaunchVic



**Dr Kate Cornick,**  
CEO, LaunchVic



# LaunchVic Foreword

It is with great pleasure that we deliver the 2020 Victorian Startup Ecosystem Mapping report – an annual analysis of almost 1,900 local startups in Victoria, providing insights into the sectoral, geographic, demographic and financial make-up of Victoria’s startup sector.

This time last year, who could have imagined that we’d be in the midst of a global pandemic and one of the most significant health and economic crises in recent history.

While the data collection was completed prior to the coronavirus (COVID-19) pandemic – it provides a vital benchmark to direct future policy interventions for the Victorian Startup ecosystem post-pandemic.

Prior to COVID-19, Victoria’s startup ecosystem had grown in value to be worth AU\$7 billion in 2020, doubling in just a year from 2019, and this momentum is something we want to preserve.

Our ecosystem is also maturing. There is now a higher share of seed, growth and later stage firms than ever before – with ‘growth’ firms now counting for 12 per cent of firms compared to just 4 per cent in 2017.

There has also been a significant jump in the size of startup firms with 41 per cent of them now earning between \$1-\$10 million in revenue – up from just 10 per cent in 2018.

The Victorian business sectors with the largest number of startups are Health, Enterprise, Data & Analytics and Commerce - accounting for more than half of the total startups in Victoria.



The number of female founders has decreased slightly, however females are attracting 15-18 per cent of total capital being raised in larger rounds (above \$1 million) and 32 per cent of raises under \$1 million, compared to 11.5 per cent in the US in 2019. This is great news!

The report also identifies deficiencies when it comes to the volume, quality and activity of venture capital investment along with startup density when compared with other international ecosystems.

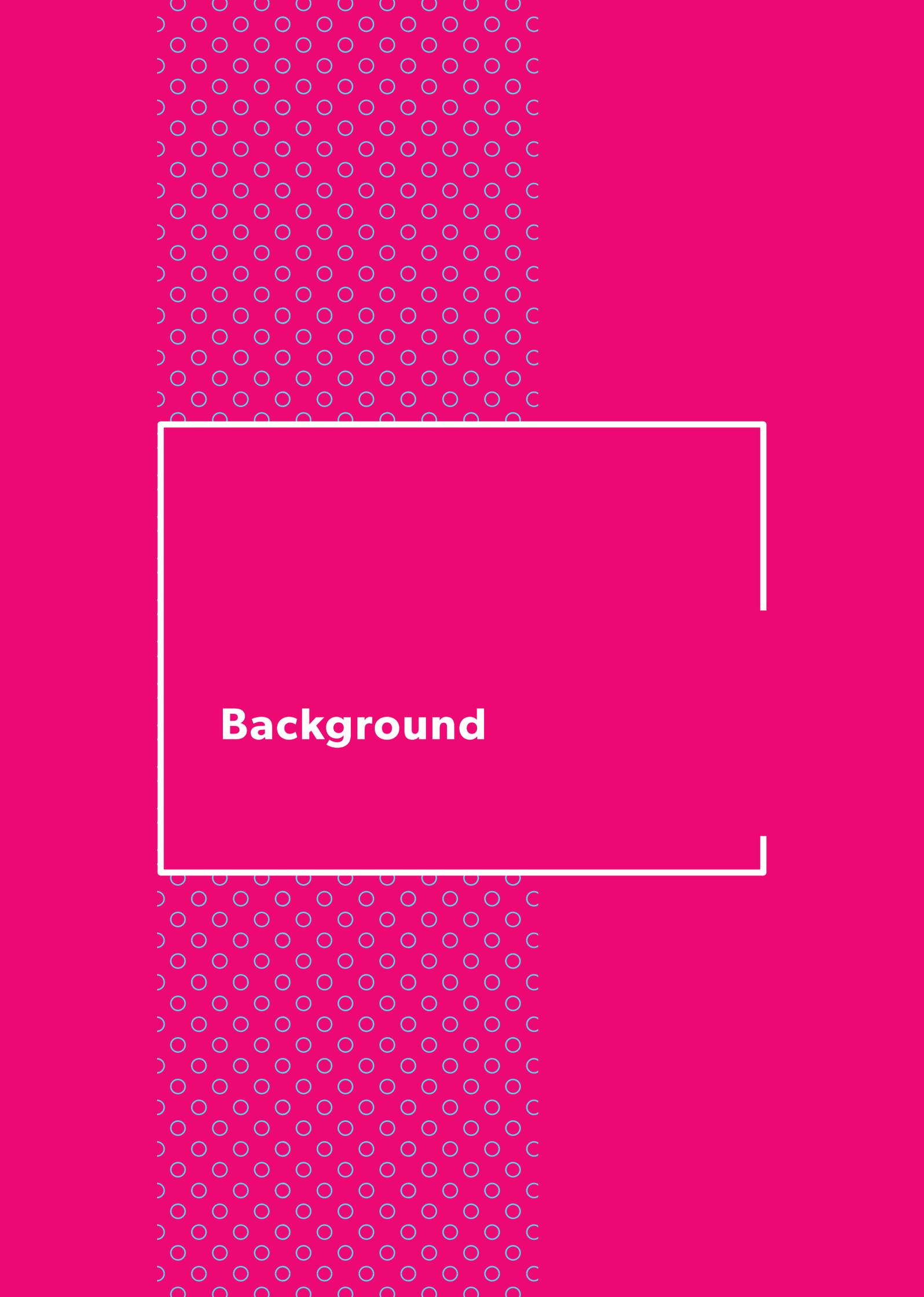
This is not a surprise and LaunchVic has actively put in place a number of measures to address some of the ecosystem's shortcomings, such as support for new angel networks and pre-accelerator funding to increase the next generation of startup founders.

We hope you enjoy reading this year's report.

**Leigh Jasper**  
Chair, LaunchVic

**Dr Kate Cornick**  
CEO, LaunchVic





**Background**



# Why did we develop this report?

Startups are organisations with the potential to change the way we live and work for the better. They can move quickly, adopting new ideas or approaches to problems where the solution is often not obvious.

They are a valuable part of the economy because they create jobs and inject new ideas that reshape markets. Successful startups, known as scaleups, contribute significantly to economic growth as they accelerate job creation and generate capital investment.

Victorian Startup Ecosystem stakeholders, including policy makers and investors, require regular insights to inform the decision making needed to support ongoing growth, celebrate achievements and act in areas that need development.

This report provides a comprehensive view of the Victorian Startup Ecosystem, exploring the current elements and strengths within it, as well as reporting the observed changes over time.

The 2020 report will be an invaluable resource as it will provide a benchmark upon which to assess the impact of COVID-19 and subsequent policy interventions on the Victorian Startup ecosystem in the years to come.



## The impact of the COVID-19 pandemic

Data in this report was collected prior to the coronavirus COVID-19 pandemic, before impacts were felt in Australia. As a result, some data may not be representative of the Victorian Startup Ecosystem in mid-2020. We expect that some firms, for instance, may have closed or exited the market, while others may be experiencing unexpected growth. LaunchVic will continue to monitor the impact of coronavirus (COVID-19) on the Victorian Startup Ecosystem.



# What did we find?

The Victorian Startup Ecosystem comprises of many stakeholders whose capabilities provide the fertile ground needed to create and grow startups and scaleups (collectively described as 'firms' in this report). For the purposes of this report, we have focused on four areas through which to understand how the Victorian Startup Ecosystem is performing: firms, capital, people and the external environment.



## The ecosystem appears to be maturing.

- There are approximately 1,900 technology 'qualified' startups in Victoria and modeling shows that the actual number could be as high as 4,200 startups. This is a smaller number than in previous years, which is a result of LaunchVic refining its startup definition to focus on firms with the highest growth potential in Victoria. The smaller figure also affects Victoria's startup density, which continues to be low when compared with international benchmarks.
- Growth and later stage firms make up a relatively large part of the Victorian Startup Ecosystem than in previous years. Turnover in revenue illustrates that firms are growing, despite the fact that the majority of firms remain relatively small.
- Growth firms and later stage firms appear to have increased in number substantially. Growth firms represented 4% of firms in 2017 but now make up 12% of firms in 2020. Similarly, later stage firms represented 0.3% in 2017, and now make up 4% of firms in 2020. We expect that some of this change is a result of the tightening startup definition, as this reduced the number of early stage firms.
- 41% of firms earn revenues between \$1m - \$10m, up from approximately 10% in 2017 and 2018.
- Firms are consolidating around particular sectors.
- 60% of firms are found in four sectors: Health, Enterprise & Corporate Services, Data & Analytics and Commerce, and nearly half of revenue comes from only two sectors (Commerce and Financial Services). This suggests the ecosystem is becoming less fragmented and starting to consolidate into a smaller but still diverse set of sectors that appear to play more to local competitive advantage.
- Software and digital applications are the most common type of technology used by Victoria's firms.

# 1,900

Qualified startups in Victoria



### **The majority of Victoria's firms are using innovation to tackle large, global markets.**

- Firms are increasingly focused on disruptive products and ideas.
- Over 40% of firms intend to create a new market, compared with only a quarter of firms in 2018. Those focused on new markets are ambitious, with over half self-described as 'wanting to change the world'. This represents a growth in founder ambition and a welcome change from Australia's traditionally very modest performance on new-to-market innovation.
- There is international interest in Victorian firms. 92% of firms have users outside of Australia. Around half of these international users come from the US or the UK, reflecting previous patterns in firms' top export locations.

### **There is investor interest in firms, but increasing deal flow remains a priority.**

- The value of venture capital investment has been growing in Victoria, although funding is still relatively low compared with international standards.
- The number and value of capital raises over \$10m has increased over time, indicating growth in later stage funding. However, the number of earlier stage deals (Seed and Angel) continues to be low, which will undermine early stage firms' ability to grow, undermining Victoria's ability to produce \$1 billion+ companies ("unicorns") and stifling job creation.
- Despite some growth, Victoria's Startup Ecosystem has a significantly lower funding volume, quality and activity compared with other ecosystems internationally.
- Victoria is building a track record of converting firms into exits.
- In the last year alone, there were three acquisitions of Victorian startups, each valued at over \$100m.

### **The capability and connectedness of the Victorian Startup Ecosystem is growing.**

- Victoria's founders are experienced.
- More than half of Victorian founders have previously started a company and these founders are more likely to have over two years' industry experience.
- Around 60% of firms have a founder with a background in software development.
- Employees have relevant experience. High demand for some skills remains.

- Half of the firms already have some employees experienced in technical or customer acquisition skills, but firms are still reporting engineering, technology and sales as their most in-demand skills.
- Most firms have relationships with other founders / executives, investors or experts in the local ecosystem, and around 80% would call on these relationships within a typical two-week period.

### **Most firms have a demonstrated commitment to diversity and inclusion, but action lags.**

- Diverse perspectives help increase a firm's resilience and agility and support both innovation and financial performance. Many Victorian firms have recognised the importance and value of diversity.
- In most sectors, more than half of firms have a diversity and inclusion policy. This is a significant increase across most sectors since 2018.
- When it comes to achieving diversity there are some positive signs.
- For example, 3% of firms have founders of Aboriginal and / or Torres Strait Islander descent - although they represent less than 1% of Victoria's population.
- Victoria performs well on international benchmarks in terms of funding for founders, though both are still well below gender equity. In the US ecosystem women-founded and mixed-gender teams raised around 11.5% of venture capital investment in 2019, whereas Victorian women founders attract 15-18% of capital raised in larger rounds (above \$1m) and 32% of raises under \$1m.
- However, there is still room to improve diversity in the Victorian Startup Ecosystem.
- Approximately 20% of founders are women (compared with around 28% in 2018). There are fewer women founders at later stage firms than in earlier stage firms implying that more needs to be done to encourage women to start early stage companies in order to increase participation in late stage companies in the future.
- Only 3% of firms are based in regional Victoria, falling from 7% in 2018.
- Very few firms have employees who identify as LGBTQIA+, Aboriginal and /or Torres Strait Islanders, and only half of firms have women employees.

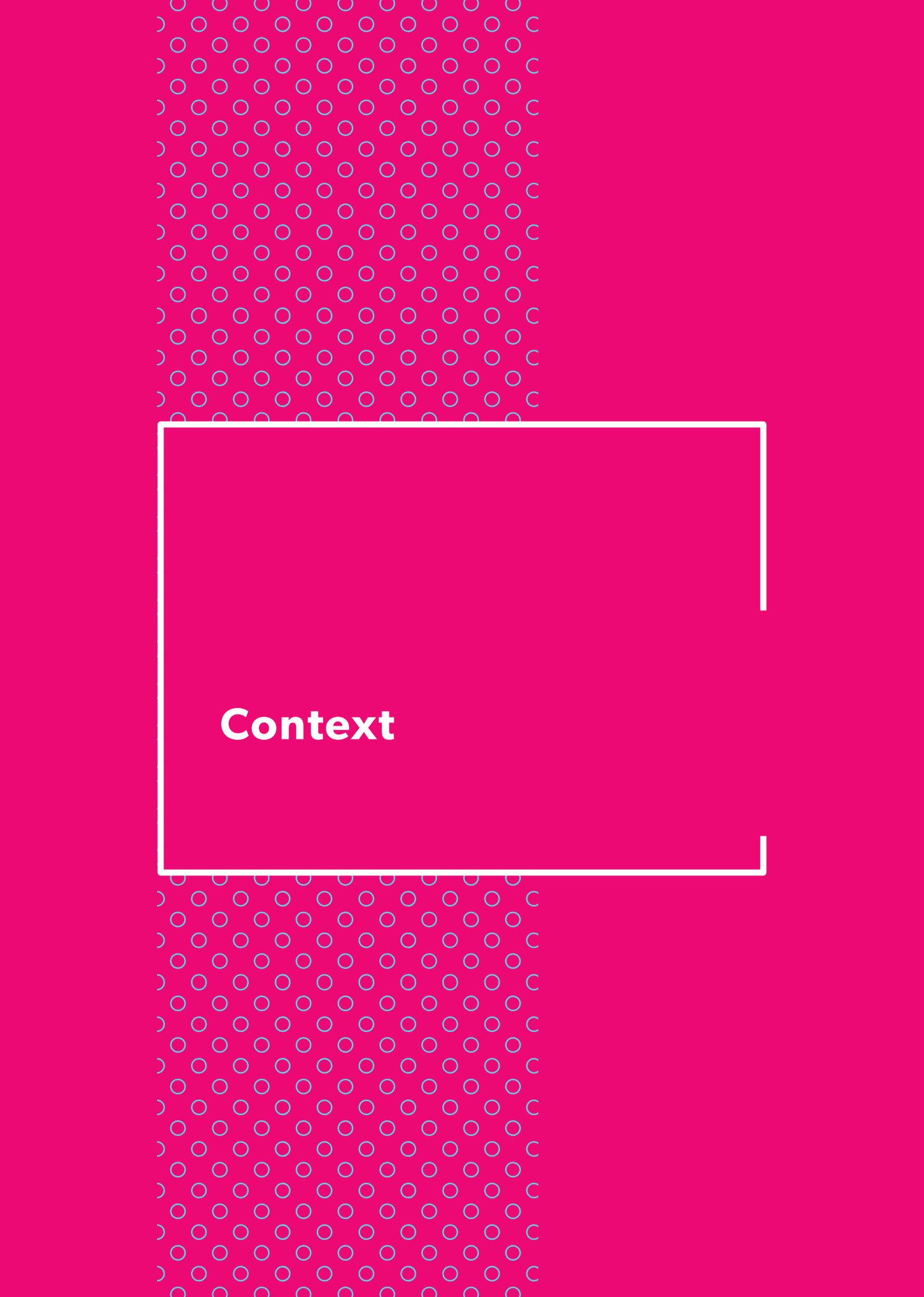
<sup>1</sup> Australian Innovation System Monitor, See <https://publications.industry.gov.au/publications/australianinnovationsystemmonitor/index.html>.

<sup>2</sup> Startup Genome, The Global Startup Ecosystem Report, p. 38.

<sup>3</sup> BCG, "How Diverse Leadership Teams Boost Innovation", January 2018. See <https://www.bcg.com/en-au/publications/2018/how-diverse-leadership-teams-boost-innovation.aspx>.

<sup>4</sup> Census 2016.

<sup>5</sup> See <https://techcrunch.com/2019/12/09/us-vc-investment-in-female-founders-hits-all-time-high/>.



**Context**



# Where does this information come from?



In developing this report, we have drawn on data collected through:

- **Desktop research on firms identified by previous LaunchVic and dandolo work:** This included collating data on key metrics (such as year founded, sector and FTEs) from previous LaunchVic work and from secondary data sources such as Crunchbase, LinkedIn etc.
- **Data collected by Startup Genome as part of their international survey:** This identified around 150 additional firms that had not already been identified as Victorian firms and collected data on founder demographics, firm profiling information and responses to subjective questions (e.g. business attitudes).

We used this mix of survey and secondary data to maximise the amount of information available for analysis, in order to increase confidence levels in developing findings. We also compared these results with the previous Mapping Victoria's Startup Ecosystem reports to see changes over time. By using a startup definition that is consistent with internationally recognised definitions and surveys, we can also compare the Victorian Startup Ecosystem with international ecosystems.



# What is a startup?

In this report, a startup must fulfill objective and subjective criteria.

Headquartered in Victoria

Less than 10 years old

Currently active

Innovative / disruptive

Using technology to scale

- Objective criteria
- Subjective criteria



Our process for evaluating firms depended on their source.

### For firms listed in the LaunchVic database:

Verified line-by-line by LaunchVic and external consultants to ensure they met the eligibility criteria (particularly on ensuring it is innovative and scalable).

### For firms responding to the Startup Genome survey:

Due to the self-reporting nature of the survey, we used more checks to ensure Startup Genome responses met the eligibility criteria. We did this by:

- Requiring Startup Genome-sourced companies to have a Victorian postcode and be less than ten years old.
- Assessing Startup Genome firms to check they were innovative / disruptive (by evaluating their description of product / service) and were using technology at scale (e.g. is a technology-based company or has global market reach as demonstrated by a large proportion of overseas users).

We assumed Startup Genome responding firms were currently active given they completed the survey in early 2020.

# What is a scaleup?



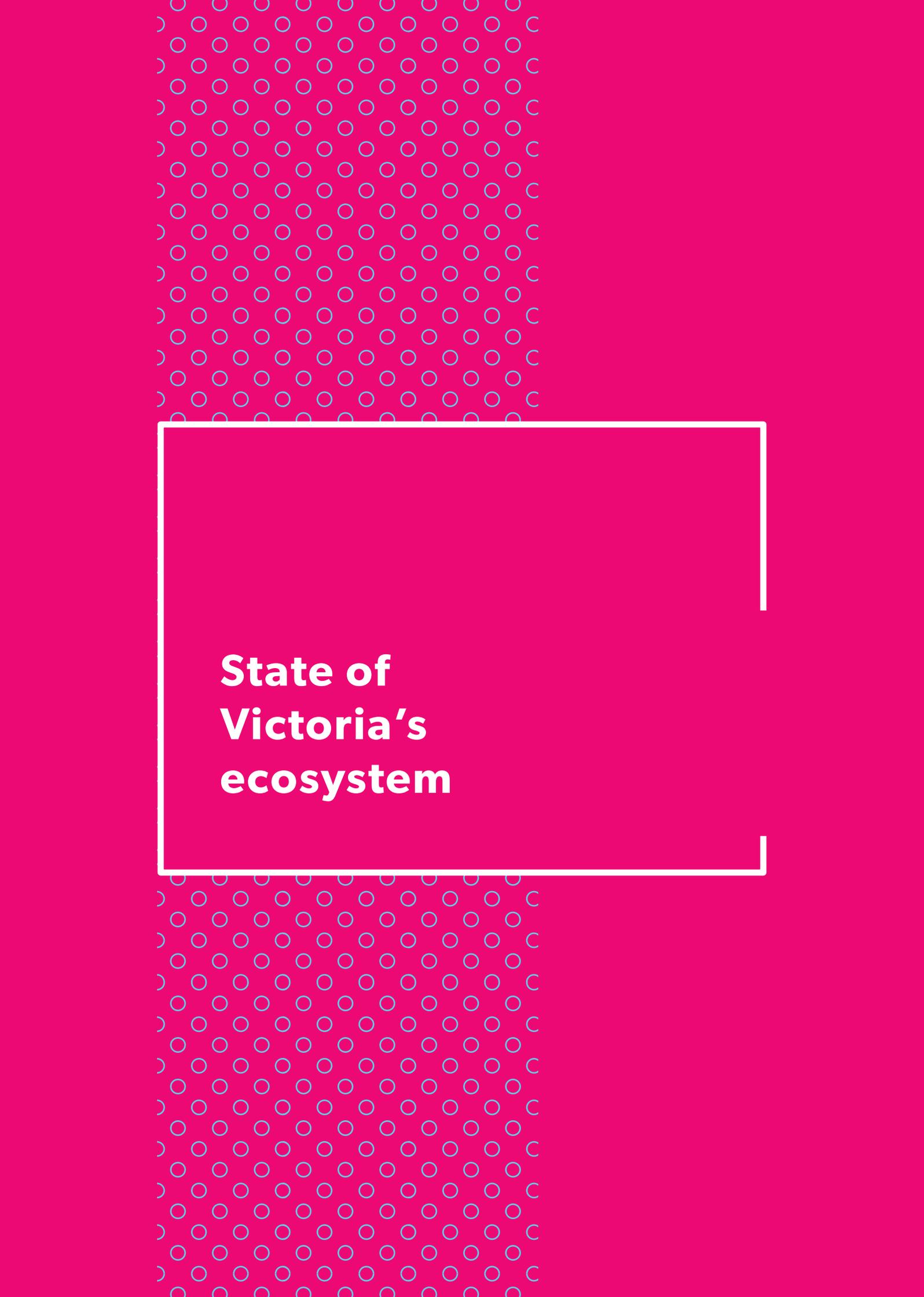
### A scaleup must meet many of the same criteria as a startup, i.e.:

- Headquartered in Victoria;
- Currently active;
- Innovative / disruptive; and
- Scalable

### However, a scaleup:

- Can be up to 20 years old.
- Must have received over \$1m of investment or revenue in the last three years. This demonstrates the firm is solidifying its business and seeking to expand its market position.<sup>1</sup>

<sup>1</sup> Australian Innovation System Monitor, See <https://publications.industry.gov.au/publications/australianinnovationsystemmonitor/index.html>.



# **State of Victoria's ecosystem**

# The ecosystem is maturing

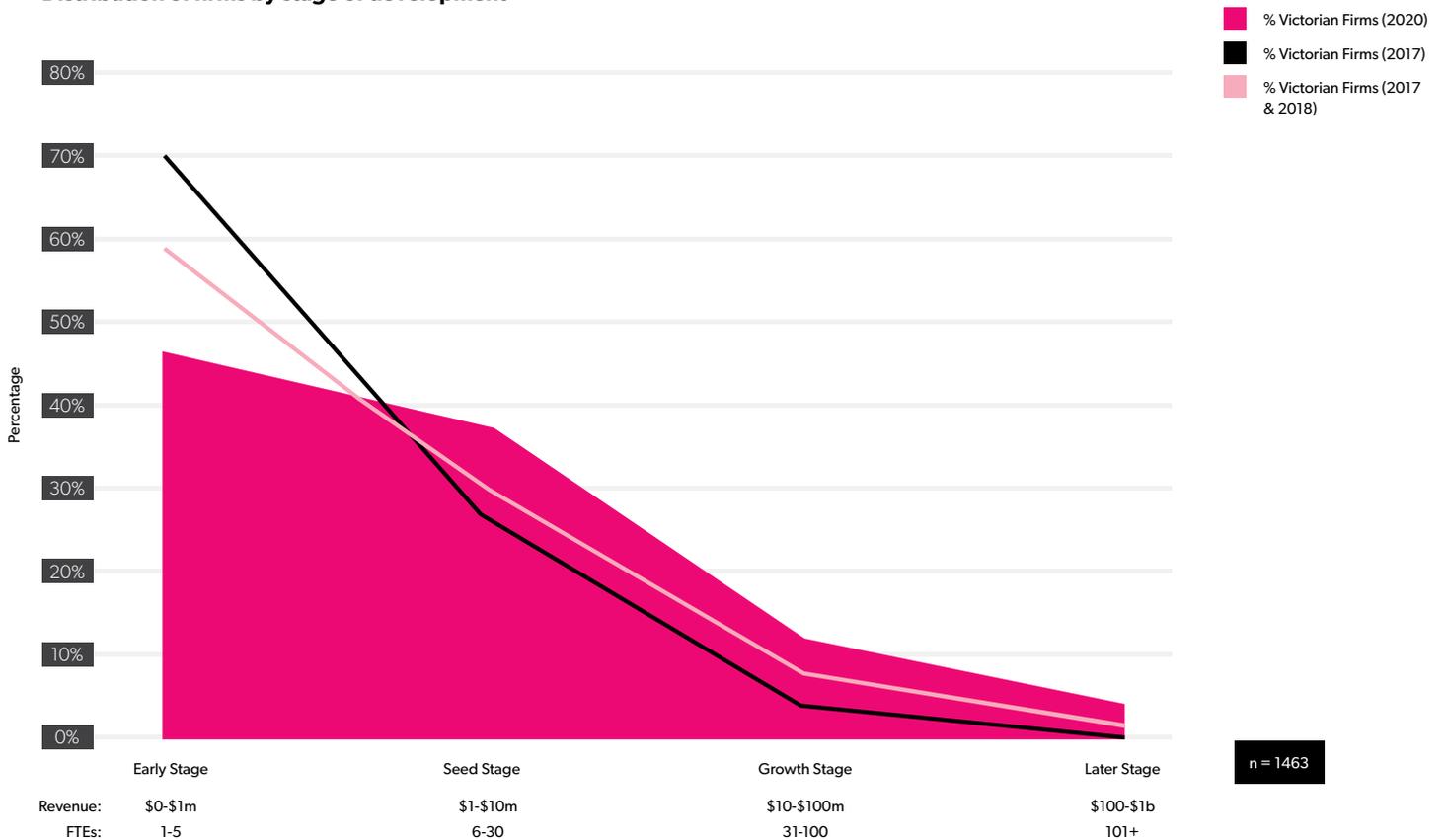
## PIPELINE OF FIRMS

Victoria has a wide range of firms by stage of development. We can observe the ecosystem maturing over the last three years, despite its relatively small size, noting the reduction of early stage firms also reflects the tightening of the definition of a startup.

There is now a higher share of seed, growth and later stage firms than previously identified. Growth firms represented 4% of firms in 2017 but now make up 12% of firms in 2020. Similarly, later stage firms represented 0.3% in 2017, which has grown to 4% of firms in 2020.



Distribution of firms by stage of development

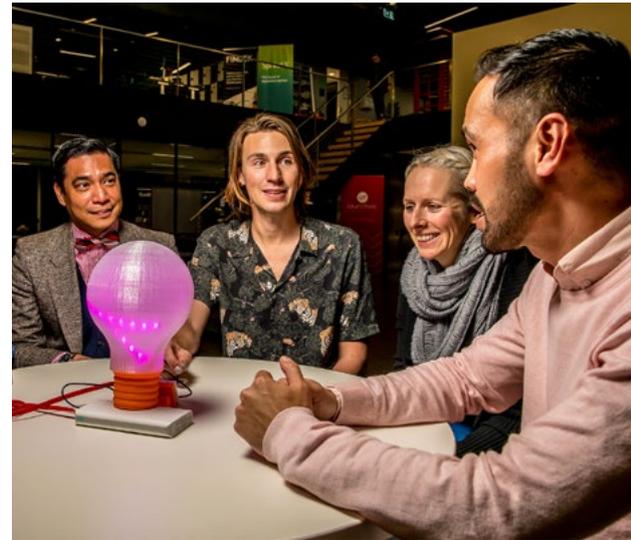


Each firm has been assigned a stage of development based on their current revenue and staff size (whichever is the greatest).

## NUMBER OF FIRMS

There are approximately 1,900 technology ‘qualified’ startups in Victoria and modelling shows that the actual number could be as high as 4,300 startups. Data used in this study identifies at least 1,830 firms but is unlikely to have captured every startup in Victoria. There is no one agreed approach to calculating the number of firms in an ecosystem. To determine a credible figure, we trialled a range of approaches from the more conservative approach of only counting those firms identified in our datasets to using past metrics (such as observed growth rates or previous firm density rates).<sup>6</sup> These estimates are outlined in the figure below.

<sup>6</sup> The previous firm density rate of 330 firms per million population was identified by Deloitte Access Economics in ‘The economics and impact of Victoria’s startup ecosystem’, calculated using the number of firms listed in LaunchVic’s database.



### Estimates of the number of firms in Victoria



Counting only the qualifying firms identified in Startup Genome responses and Launch Vic databases is likely to miss some firms as a firm could exist but it:

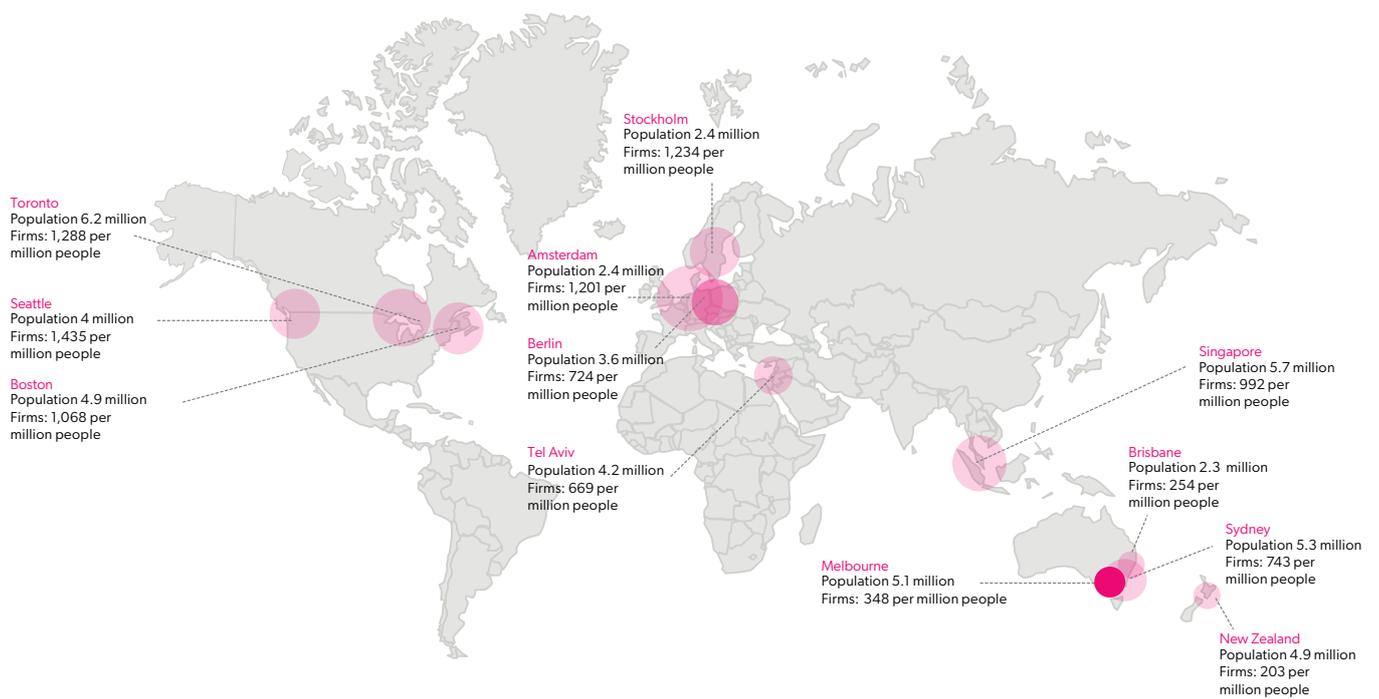
- May not answer the survey
- May not have detectable presence (e.g. a website, ABN or app listing) that was picked up by secondary research
- May be very new or very small

Estimates of the number of firms returned a range of values. The average of the estimates is around ~2,900 firms.

Note: The difference in the number of firms between 2018 and 2020 is a result of applying stricter criteria to qualify as a startup in 2020. See Context section for more information on definitions.

## FIRM DENSITY

Despite its increasing maturity, the Victorian Startup Ecosystem continues to be relatively small in terms of firm density per one million people. Encouraging new firms remains a priority for improving the ecosystem, and continuing the facilitation of innovation and growth. To match its closest comparators as they grow, Victoria needs to increase its density of firms by at least 50%.



### Firms per million people in comparative ecosystems

Firm density rates for jurisdictions (excluding Melbourne, New Zealand and Brisbane) have been taken from the Victorian Startup Ecosystem Mapping Report 2018, as new global data has not been published since that time. To account for the lack of consistent definition of startups across Australia and New Zealand, a different methodology was used to calculate firm density rates in each jurisdiction. New Zealand, Brisbane and Sydney's density rates were calculated from Crunchbase search results for startups. Melbourne's firm density is based on the number of firms identified in LaunchVic's database and through the Startup Genome survey.



### SECTORAL MIX

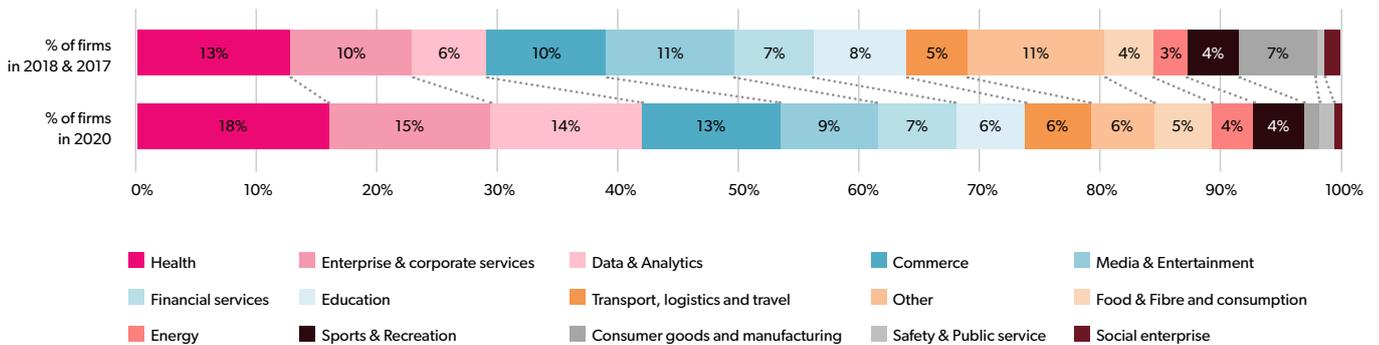
Victoria's largest sectors are Health, Enterprise, Data & Analytics and Commerce. Examples from these sectors include:

- Health firm PearlII**  
 An application that uses artificial intelligence image processing to allow users to scan photos of their teeth and check for dental problems.
- Enterprise firm IntelligenceBank**  
 Which offers marketing operations software helping content marketers manage digital assets, creative content approvals, and creative project management.
- Data & Analytics firm Alex Solutions**  
 An end-to-end Data Governance Solution for enterprises enabling sustainable and efficient use of information assets to retain IP and reduce business risk.
- Commerce firm ShareRing**  
 A global marketplace allowing users to securely access, connect and pay for sharable goods or services anywhere in the world.



These four sectors alone make up more than half of all firms in Victoria, and they together make up a larger proportion of firms in 2020 than they did in 2017 / 2018. This may be a direct result of the creation of new firms, as Health, Data & Analytics and Commerce all have a higher proportion of early stage firms. This suggests that firms, even young ones, are consolidating in certain sectors that appear to play to local advantages (e.g. in Health).

### Change in break-down of firms by sector



NB: Categories add to over 100% as firms could choose more than one sector.

n = 1729

## GEOGRAPHY

97% of firms are based in the Greater Melbourne Region, with 3% of firms based in regional Victoria. In comparison, 7% of firms were based in regional Victoria in 2018. This is potentially explained by the tightening of the startup definition, which filtered out firms closer in definition to a small business.

# 97%

Firms based in the Greater Melbourne Region



# 3%

Firms based in regional Victoria



Location of Victorian firms

*This is potentially explained by the tightening of the startup definition which filtered out firms more similar to a small business.*



# **Profile of firms in Victoria**



# Firms have disruption and growth mindsets



## MARKET STRATEGIES

Victorian firms are increasingly developing new markets of their own or carving out niches in existing markets.

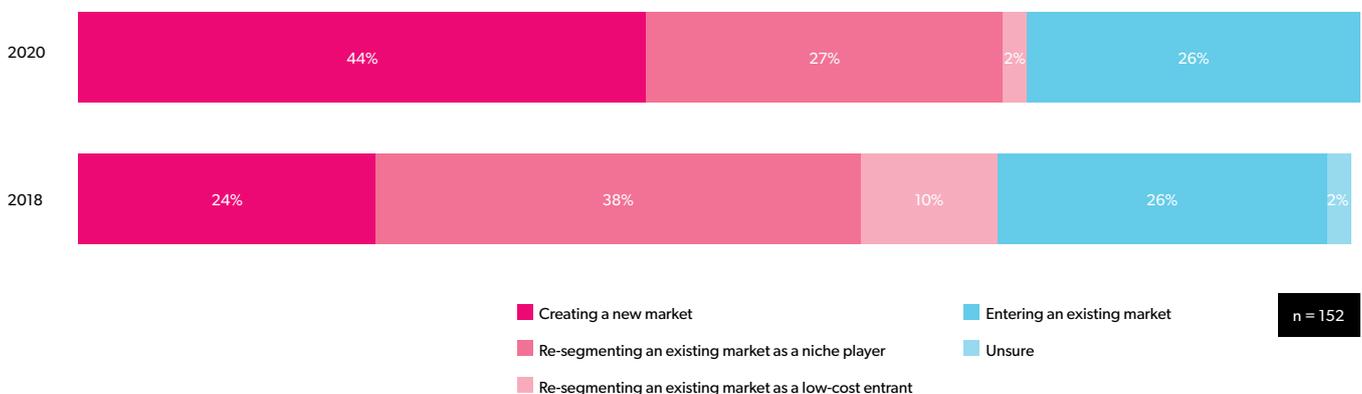
There are four types of market strategy firms can pursue. Firms can:

- **Create a new market:** A new market is created if a firm's product enables customers to do something they were unable to do previously. In a new market, customers and their preferences are unknown and direct competitors are non-existent.
- **Re-segment an existing market as a niche player:** A niche strategy is viable if firms can identify a part of the market which can be captured through a more focused solution than anything currently available.
- **Re-segment an existing market as a low-cost entrant:** This approach is based on a belief that a "large enough" market segment will start using a product that may be "good enough" to solve the problem as long as the price is low enough.
- **Enter an existing market:** In an existing market, the users, the market and the competitors are known. In this environment, firms compete on product features and performance.

71% of firms in Victoria are creating new markets or re-segmenting existing markets as a niche player. This suggests that the majority of Victorian firms are focused on value-added products and services, and are not competing purely on price. This is an increase from previous years where less than two-thirds of firms were focused on value-add products.

This suggests that founder ambitions are growing, and also represents a welcome change from Australia's traditionally very modest performance on "new to market" innovation.<sup>7</sup>

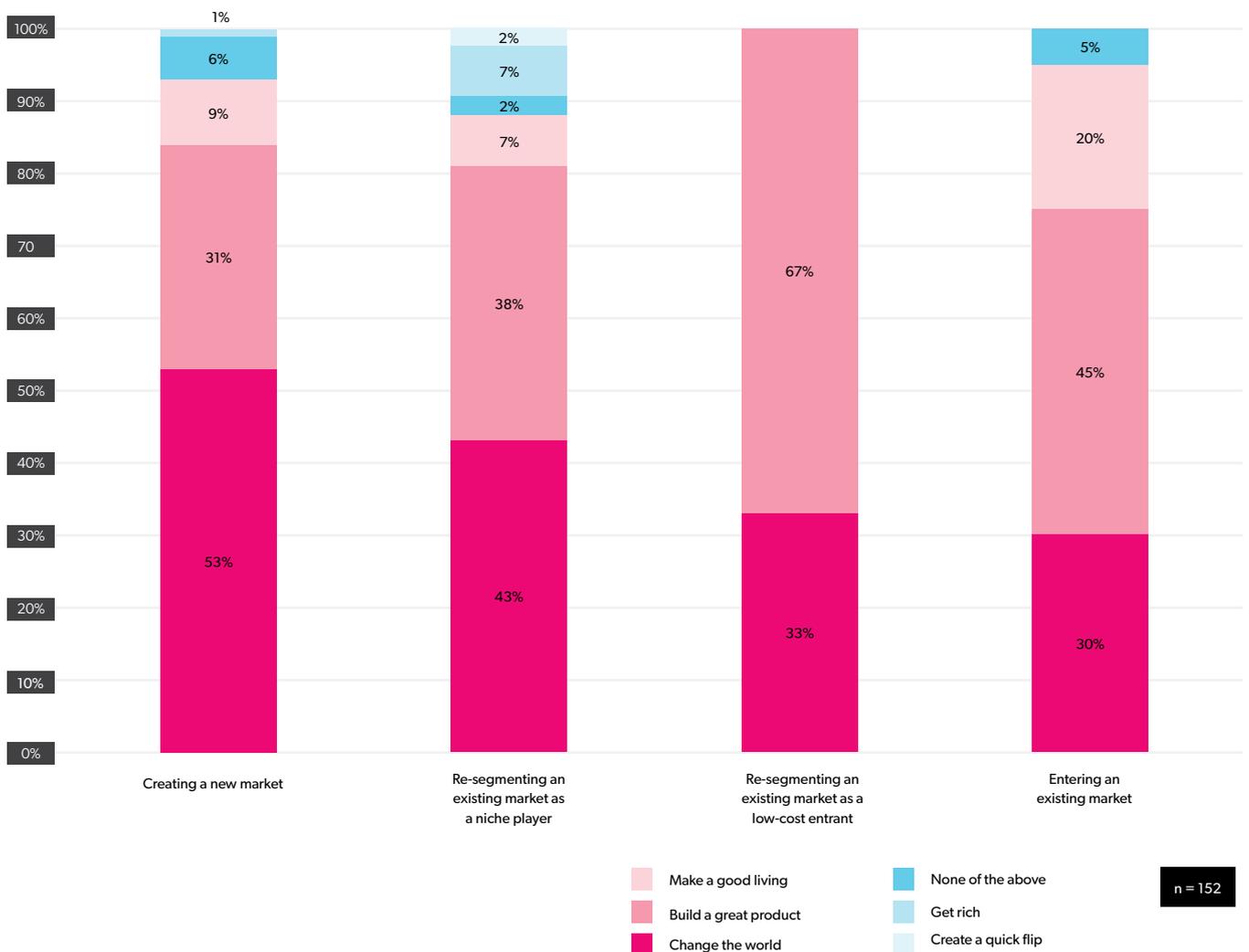
## Victorian firms' market strategies



<sup>7</sup> Australian Innovation System Monitor.  
See <https://publications.industry.gov.au/publications/australianinnovationsystemmonitor/index.html>.

Across all types of market strategies, firms are consistently committed to making a great product. Market strategies tend to align with the motivations and ambitions that founders have for their products: for example, the majority of firms aiming to create a new market also have an ambitious motivation to change the world.

**The majority of firms aiming to create a new market also have an ambitious motivation to change the world.**





# 78%

**Victorian firms employ disruptive technologies**

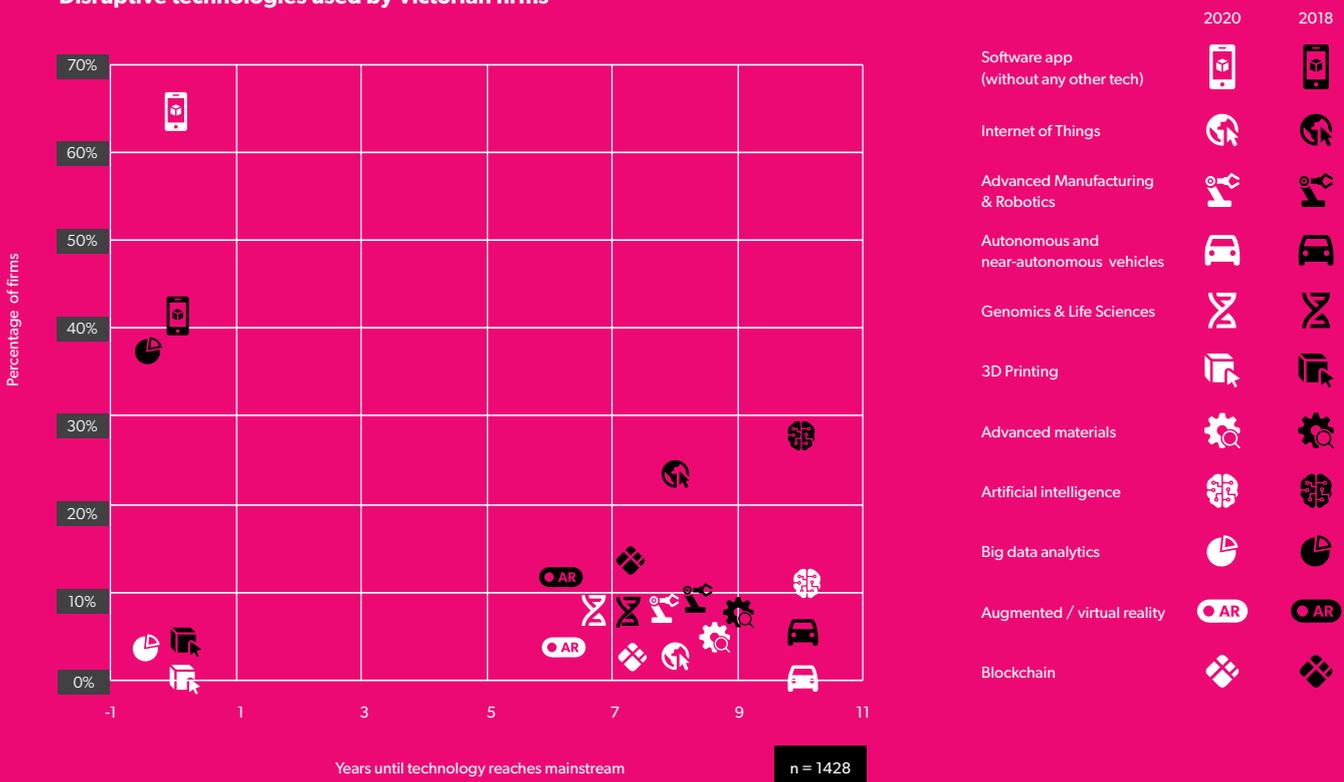


### DISRUPTIVE TECHNOLOGIES

78% of Victorian firms employ disruptive technologies in their products and services. The largest share of firms focuses on technologies that have already reached mainstream adoption. For example, Victorian firms are capitalising on technologies such as Software and Digital Applications. Over two thirds of Victoria's tech-based firms focus on these areas.

A smaller share of firms are focused on technologies that have not yet reached mainstream adoption, such as Artificial Intelligence, Genomics and Life Sciences, and Augmented / Virtual Reality. These technologies will play an increasingly important role in the future of the Victorian Startup Ecosystem as they become more widely adopted.

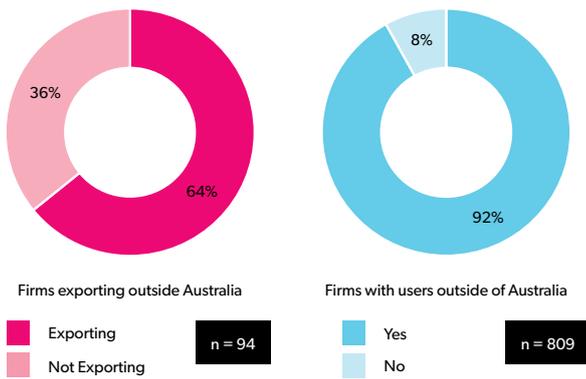
Disruptive technologies used by Victorian firms



## EXPORT POTENTIAL

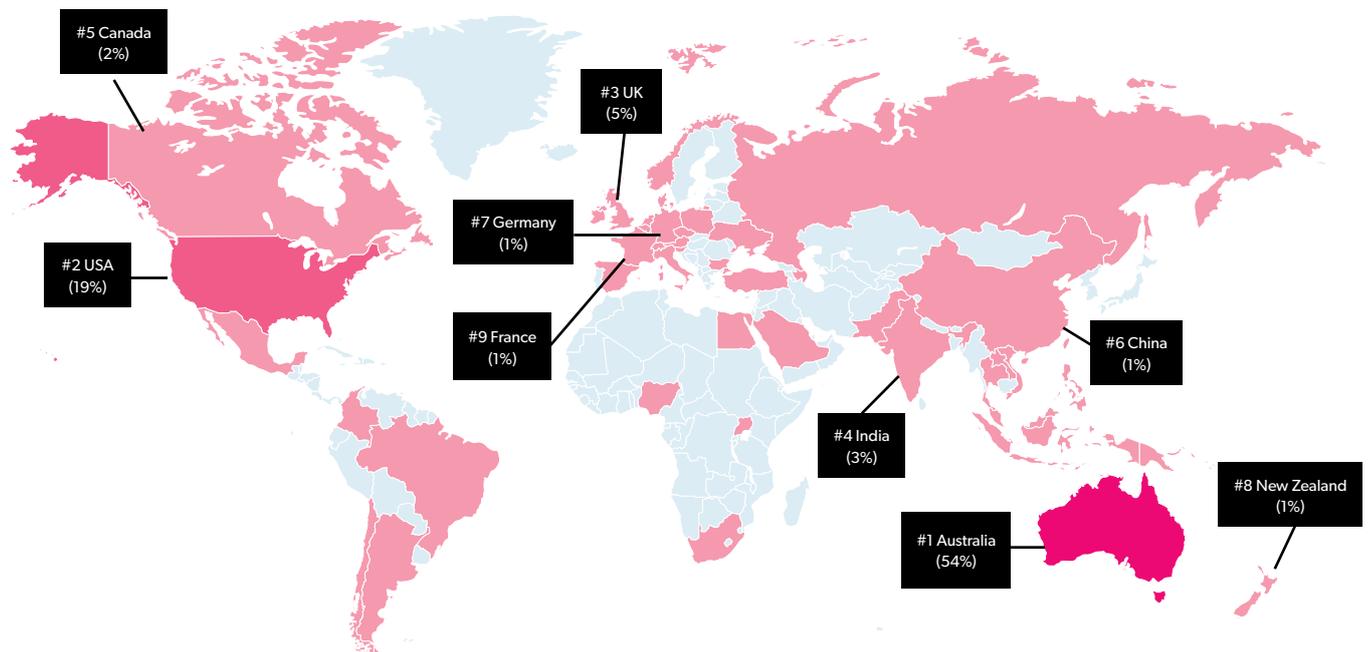
The growth of the Victorian Startup Ecosystem will depend on the ability of firms to access and create new overseas markets. Victoria's trading landscape is central to Australia's economy, as trade continues to increase as a proportion of national income. It is therefore crucial for Victoria's firms to think globally and take advantage of growing overseas markets.

### Overseas Users



Most users are based in Australia, but of the overseas users, over half come from the USA and the UK. Using users as a proxy for export markets, the data is broadly consistent with Victorian export market trends seen in 2018.

### Top locations of firms' users



**The vast majority of Victorian firms are thinking globally, with nearly two-thirds of firms exporting outside of Australia, while 92% of firms have users outside Australia.**

Track record of high growth firms



Airwallex provides faster, cheaper B2B cross-border payments.

Founded: 2015

Stage: Later

Sector: FinTech

>400

Current employees

71

Hired in the past 6 months\*\*



A technology-based service linking people with disabilities and their families to Therapy Assistants.

Founded: 2018

Stage: Growth

Sector: Health

69

Current employees

17

Hired in the past 6 months\*\*

**Victoria continues to produce high growth firms that expanded their employee numbers by around 20% in the six months leading up to February 2020.**



Seer is creating technology that will revolutionise the diagnosis and management of neurological conditions, with a special focus on epilepsy.

Founded: 2017

Stage: Later

Sector: MedTech

213

Current employees

35

Hired in the past 6 months\*\*



Provides autonomous air transport as a service and developing the knowledge of how to build and operate an autonomous air transport network.

Founded: 2015

Stage: Seed

Sector: Transport

20

Current employees

5

Hired in the past 6 months\*\*

\*\* Estimated employee growth based on average growth since firm was founded or since most recent data on employees.

## Track record of exits



eNett is a virtual card provider for the travel industry and Optal is the primary issue for Nett's Virtual Account Numbers.

**\$1.7b**

Exit size\*\*

Founded: 2009

Exit Type: M&A

Sector: FinTech

Exit date\*\*:  
Jan 2020

Acquirer\*:  
Wex

**Victoria has had a range of high-profile exits in the last year. Three of these exits were worth over \$100m.**



Catch.com.au provides online shopping stores and operates a customized delivery platform.

**\$230m**

Exit size\*\*

Founded: 2006

Exit Type: M&A

Sector:  
Commerce

Exit date\*\*:  
June 2019

Acquirer\*:  
Wesfarmers



A mortgage aggregator that acts as an intermediary between lenders and their affiliate brokers.

**\$120m**

Exit size\*\*

Founded: 2003

Exit Type: M&A

Sector: FinTech

Exit date\*\*:  
Aug 2019

Acquirer\*:  
Australian  
Finance Group

### CONTAINERCHAIN

Provides SaaS solutions for land side container logistics sector.

**\$65.8m**

Exit size\*\*

Founded: 2007

Exit Type: M&A

Sector:  
Transport

Exit date\*\*:  
Feb 2019

Acquirer\*:  
WiseTech  
Global

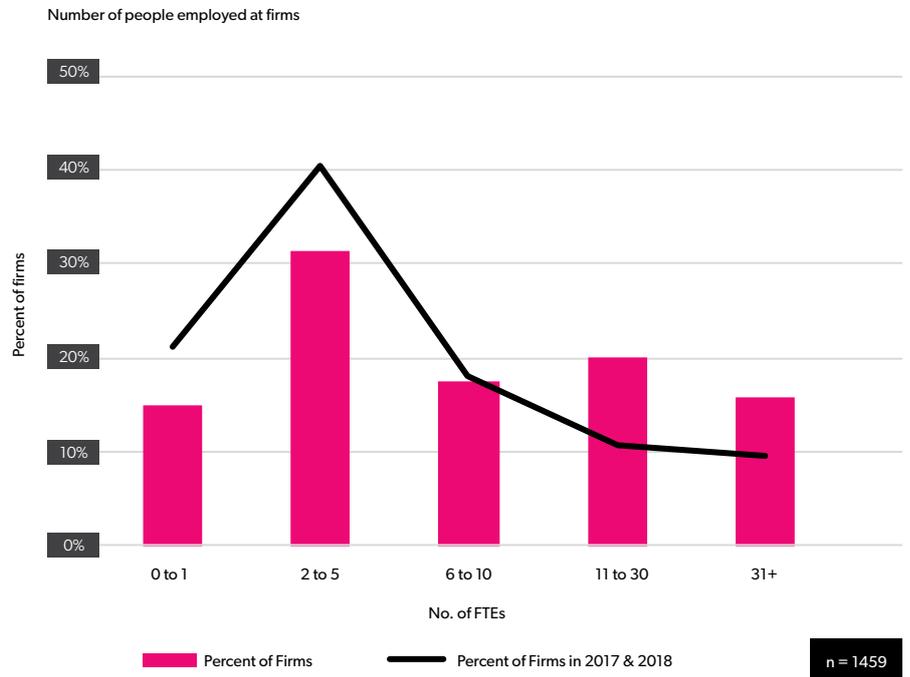
\* While this Purchase Agreement was executed on January 24 2020, there are ongoing discussions as to whether Wex can withdraw from this agreement given COVID-19 had a material adverse effect on the business of eNett and Optal.

## EMPLOYMENT

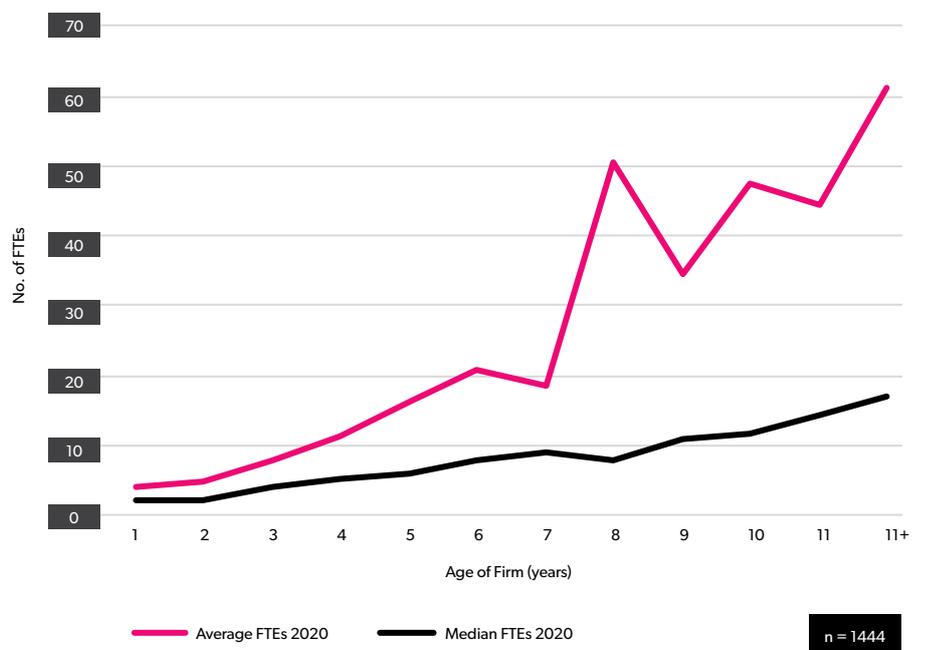
Victorian firms employ more than 36,695 FTEs across the ecosystem. We expect the actual number of employees is substantially higher than this, however we did not have employee data for all firms.

Our mapping of the Victorian Startup Ecosystem has uncovered more large firms than previously identified, which contributes to the higher proportion of more mature firms in Victoria. 16% of firms employ 31 or more FTEs, while around half of scaleups have more than 30 employees. The largest share of firms continues to be those with 2 to 5 FTEs.

### Number of employees per firm and growth in firm size over time



### Number of people employed by age of firm



<sup>8</sup> This figure was 3% in the 2017 Victorian Startup Ecosystem Mapping.

# 10%

Firms earn \$10m - \$100m



## REVENUE

Victorian firms are more profitable in 2020 than they were in 2017 and 2018.

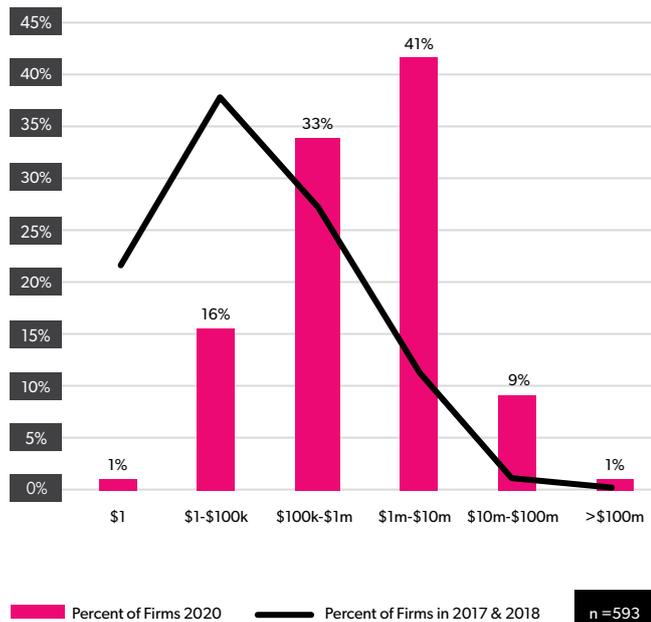
The largest share of firms have an annual revenue of between \$1m and \$10m.

A greater proportion of firms are earning higher revenue today compared with two years ago. Today, 10% of firms earn between \$10m - \$100m, whereas only 1% of firms did so in 2017 and 2018.

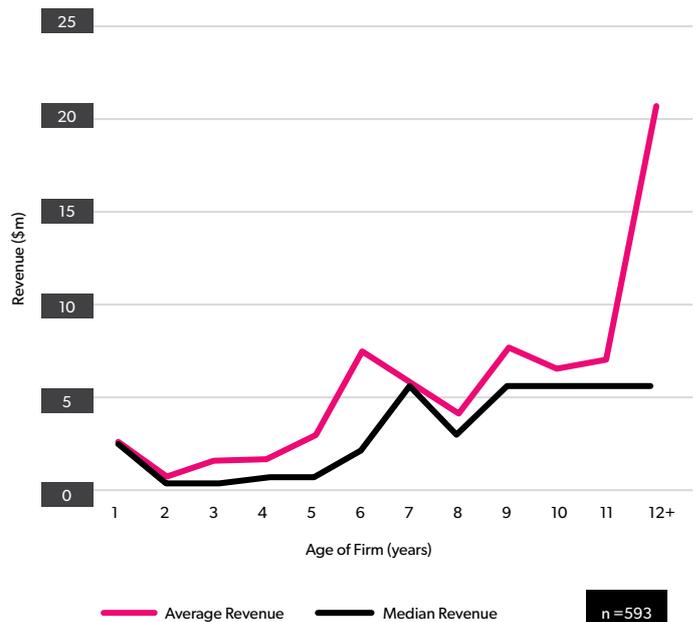


## Range in firm revenues and change in revenues over time

Firm revenues



Revenue by age of firms



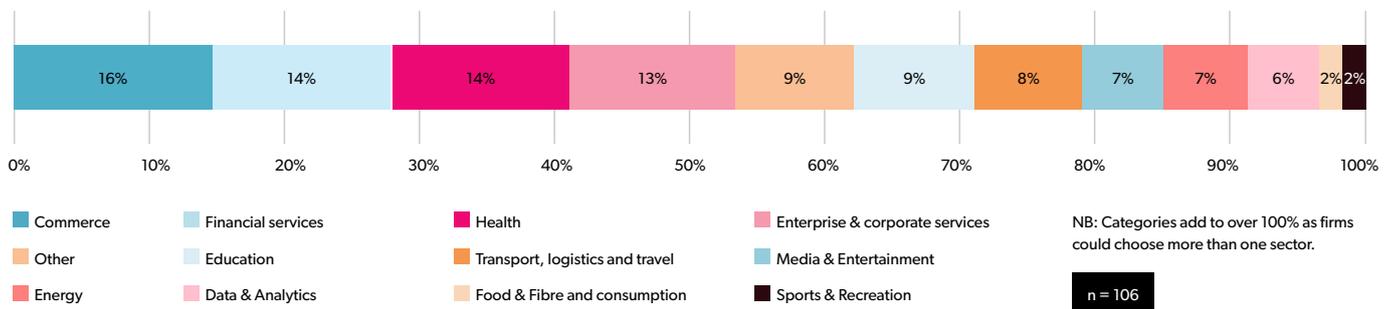
## SCALEUPS

More than half of Victoria's scaleups are in Commerce, Enterprise & Corporate Services, Financial Services and Health industries. In contrast to startups, Financial Services has a larger proportion of scaleups, while the Health sector has a smaller proportion of scaleups.

This distribution reflects the significant opportunity for growth over the past few decades in business and financial industries. As startups continue to convert into scaleups, it will be important to monitor which sectors provide greater opportunities for startups to mature.

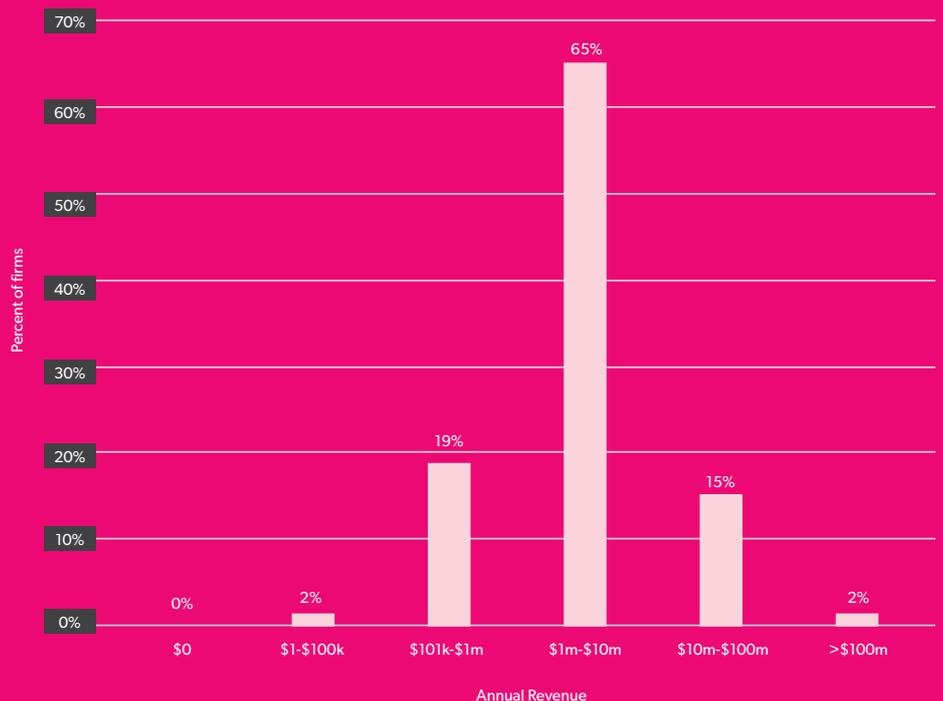


### Victorian scaleups by sector



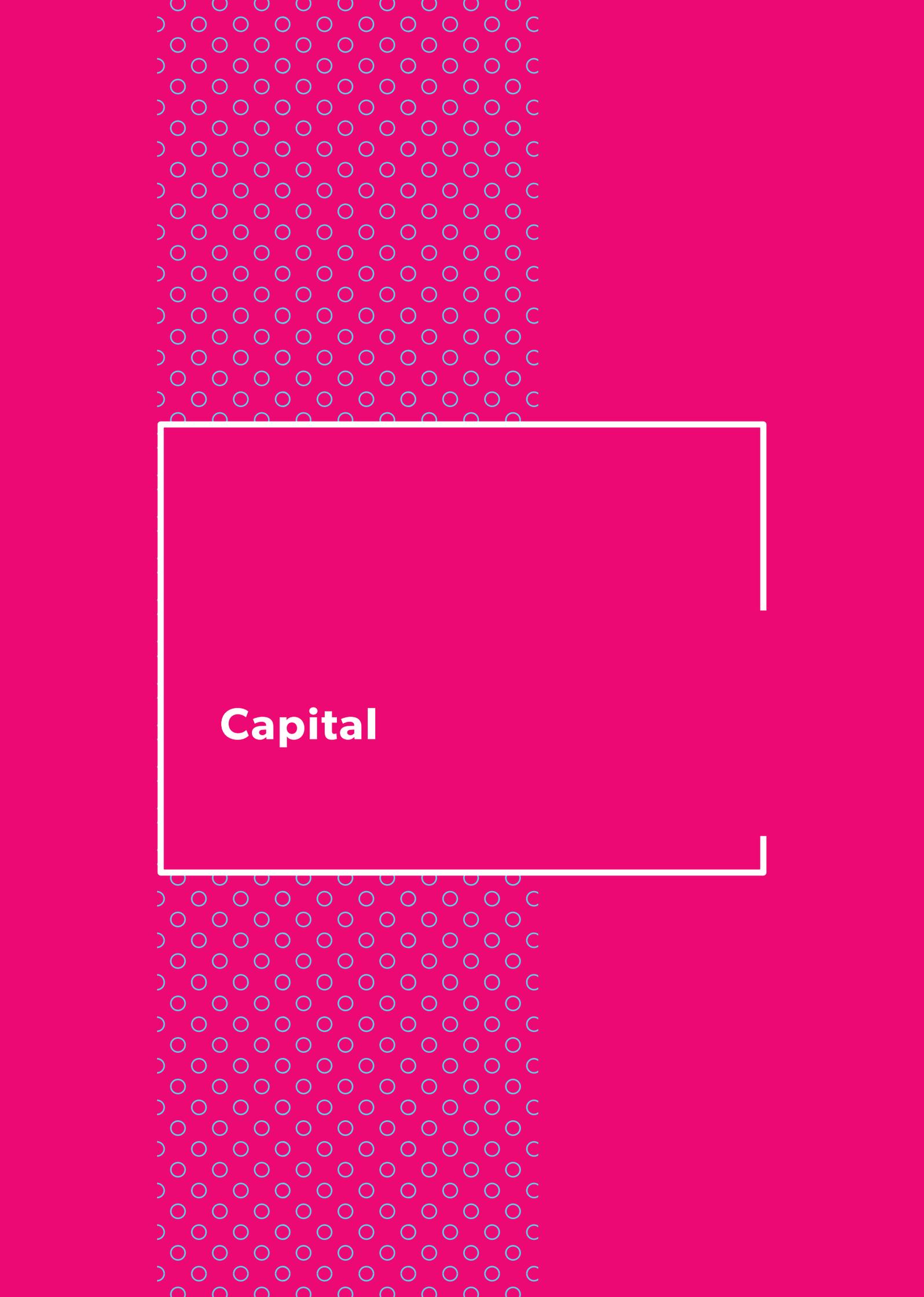
More than 80% of scaleups earn more than \$1m in revenue. There is a small proportion of Victorian scaleups earning a very high revenue of over \$100m. This pattern in part reflects the definition of a scaleup (i.e. a firm earning more than \$1m in revenue or investment over the last three years). So the 19% of scaleups earning less than \$1m annual revenue would either earn more in a three year timeframe, or have raised over \$1m in investment.

### Scaleup annual revenue



NB: Figures may not add to 100% due to rounding.

n = 66



**Capital**



# Investment activity

In the past five years, \$3.2b has been invested in Victorian firms across 301 deals.

The number of individual deals valued at over \$10m has grown, reflecting a strong appetite for significant investment in a few fast-growing Victorian companies. Judo Capital, Culture Amp and Airwallex are amongst the companies driving growth by attracting large capital raises.

Smaller deals have had the opposite experience, decreasing in both size and number of deals over time. Ideally, there would be a larger number of deals at earlier stages to support build and maintain a healthy pipeline of growth and later stage firms.

This issue poses a substantial risk for the Victorian startup ecosystem. As a result, it will be important to increase the number of early stage (including angel and Series A) deals to support firms' development into growth firms and scaleups that attract larger deals in future, and reap the benefits of job creation.

Relative to other ecosystems, the Victorian Startup Ecosystem performs poorly in terms of funding. Melbourne received the lowest rating for funding in the Startup Genome report out of 70 ecosystems, which was based on funding access quality and activity.<sup>9</sup>

**The value of venture capital investment has grown, but lifting deal flow including inward investment and returns remains a priority.**

## Capital raises by stage in the past five years



**Major raises include:**

Company	Amount (\$)	Date
Lithodemos VR	\$900k	2017
TidyHQ	\$900k	2017
datasec	\$800k	2016

**Major raises include:**

Company	Amount (\$)	Date
Roller	\$7m	2018
Kinoxis Therapeutics	\$4.6m	2018
Hemideina	\$4m	2019

**Major raises include:**

Company	Amount (\$)	Date
Judo Capital	\$450m	2018
Culture Amp	\$120m	2019
Airwallex	\$100m	2019

Raised >\$1m
  Raised \$1m - \$10m
  Raised >\$10m
  Total Deals
 n = 248

<sup>9</sup> Funding quality and activity is defined as combination of the number of local investors, investors' experience (average years of experience and exit ratio), and investors' activity (percentage of active investors in the first quarter of 2020, and the number of new investors). See Startup Genome, The Global Startup Ecosystem Report, p. 38.



# Investment concentration

In Victoria, nearly one in five firms have had more than one investor in their capital raises, and very large raises (above \$300m) all had six or more investors. While the number of investors is a positive indicator of interest in the activities of Victorian firms, ideally an ecosystem that supports firms to scale up would have a relatively small number of investors who recognise and support high potential firms with substantial capital. Victorian founders do have some stock in their firm, with nearly one third of founders holding all the stock.

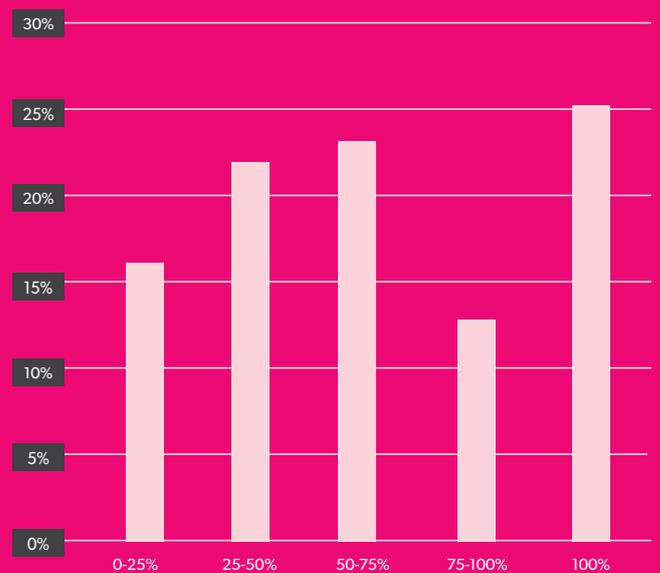


Number of investors



n = 248

Percent of founders with stock



NB: Figures may not add to 100% due to rounding.

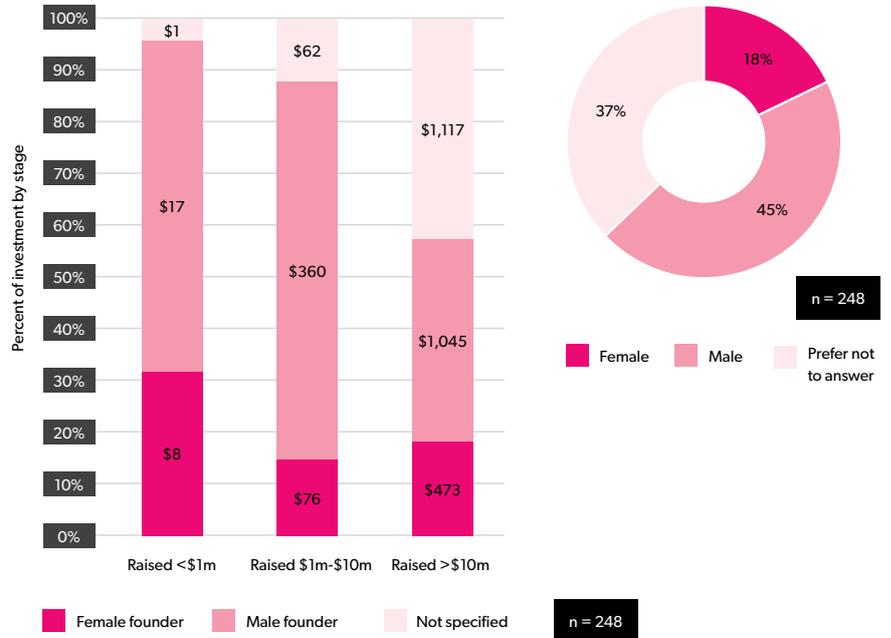
n = 139



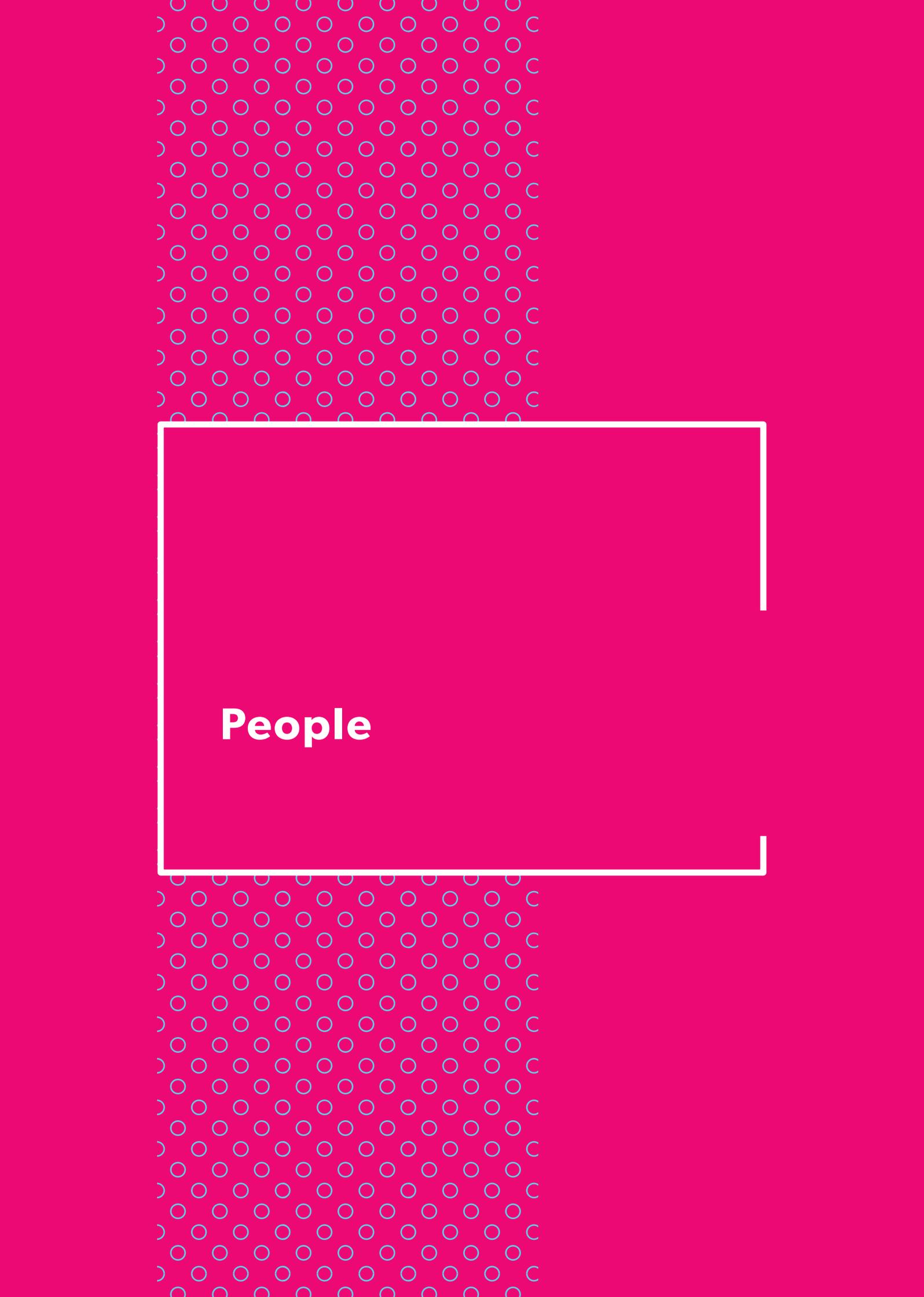
# Investment by women

Firms with women founders generated around a fifth of the capital raised in the Victorian ecosystem, which is in line with the representation of women founders overall (20%). This is despite the fact that women founders attract a smaller number of deals - three to four times less than their male counterparts.

Victoria performs well against comparable international benchmarks, although both remain well below gender equality. In the US ecosystem, women-founded and mixed-gender teams raised around 11.5% of venture capital investment in 2019, whereas Victorian women founders attracted 15-18% of capital raised in larger rounds (above \$1m) and 32% of raises under \$1m.



<sup>11</sup> See <https://techcrunch.com/2019/12/09/us-vc-investment-in-female-founders-hits-all-time-high/>.



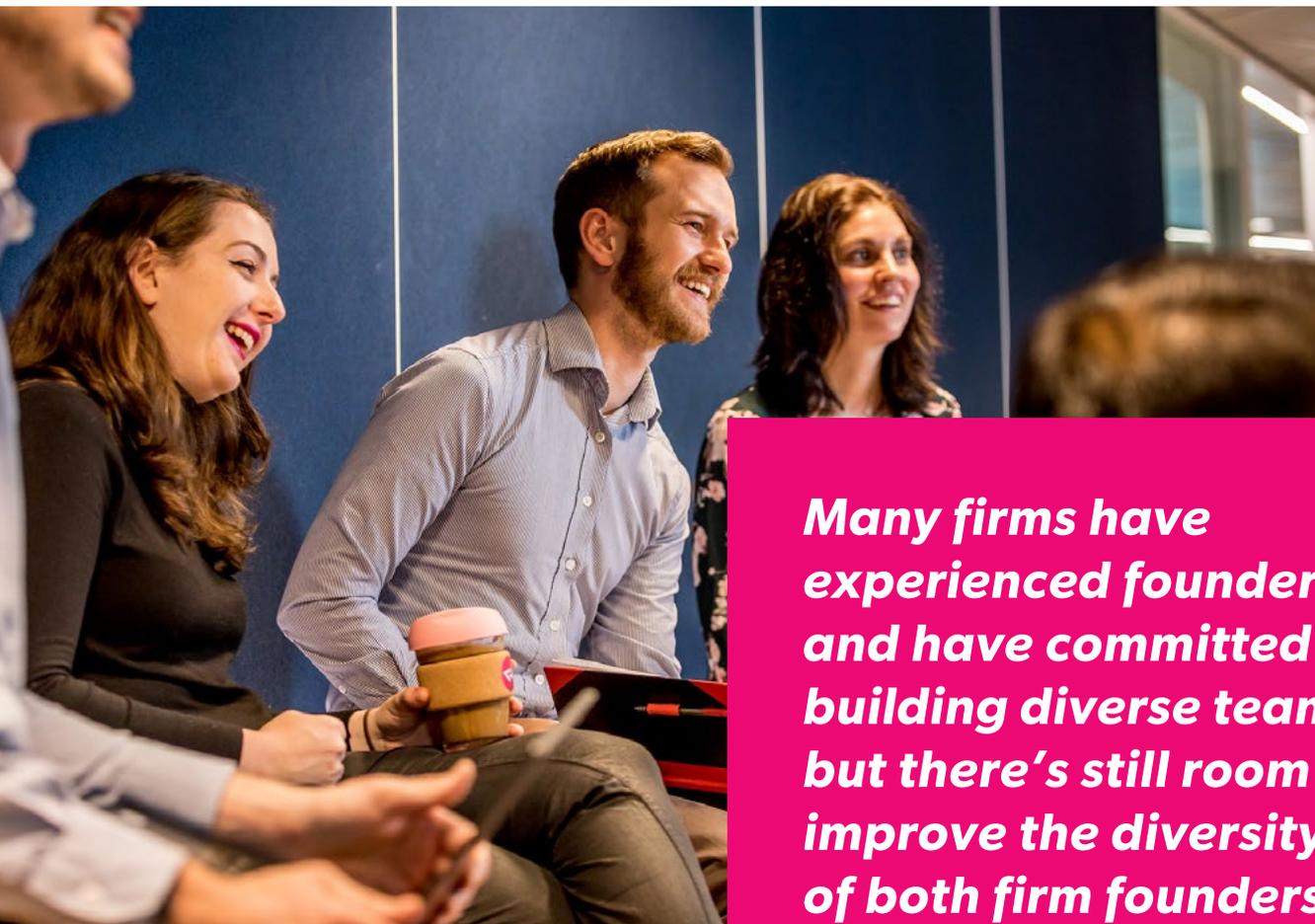
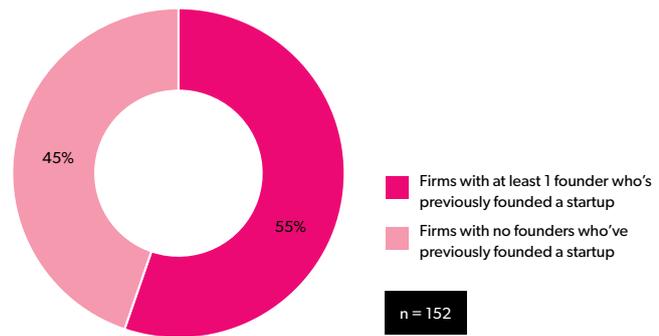
**People**



# Experience of founders

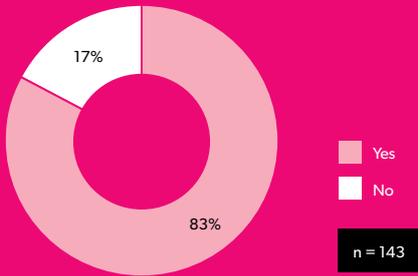
Founders with experience starting companies can draw on this experience to navigate the challenges of creating and building a startup. Victoria has founders with this relevant and practical expertise, as 55% of firms have founders who have previous experience starting another firm. This follows similar trends from 2018, suggesting the Victorian Startup Ecosystem continues to attract and draw on experienced founders.

**Founders with previous experience starting companies**



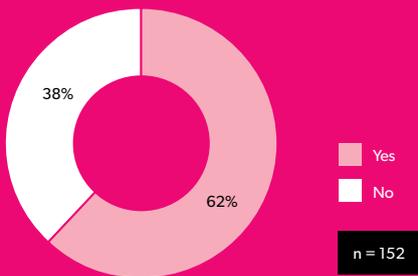
**Many firms have experienced founders and have committed to building diverse teams, but there's still room to improve the diversity of both firm founders and their teams.**

**Firms with founders who have a business degree or managerial experience**



Victoria's founders also have business and managerial expertise. 83% of firms have at least one founder with a business degree or at least two years' experience as a manager.

**Firms who have founders with technical and software experience**



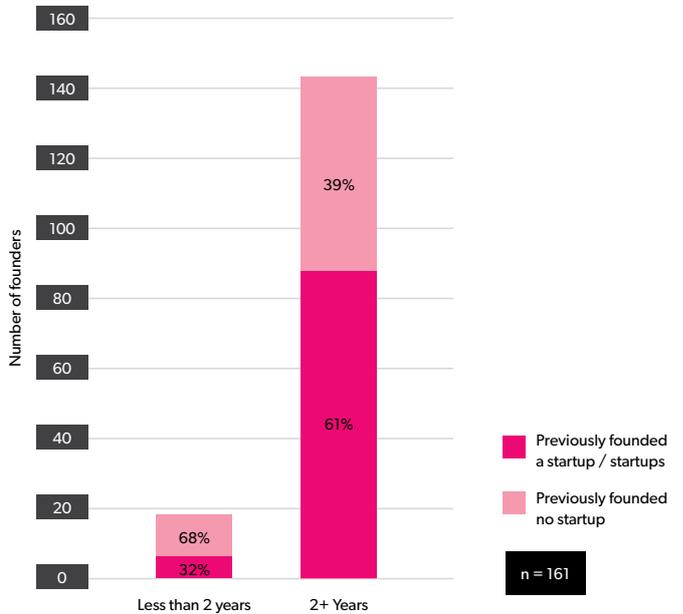
Nearly two thirds of firms have at least one founder with technical and software development expertise.



# Industry experience

Founders with startup experience also have more industry experience. They are nearly twice as likely to have previously founded a startup than founders with less industry experience. This follows a similar trend identified in 2018, and suggests the ability to create new businesses is strengthened by industry experience.

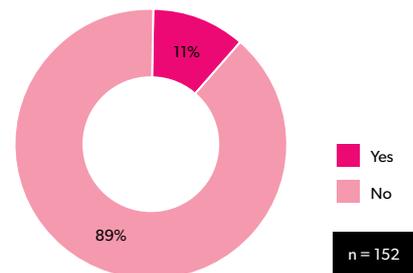
**Industry experience of founders**



# Serial entrepreneurship

Victoria continues to demonstrate signs of serial entrepreneurship. 11% of firms have a founder who has worked for a minimum of two years for a startup with >\$100m USD valuation.

**Firms with founders who have worked for at least two years for a startup with >\$100m USD valuation**





# Founder demographics

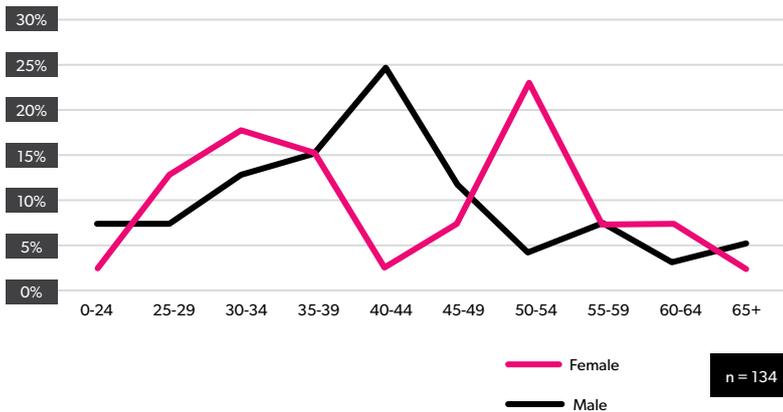
## FAST FACTS ON FOUNDERS:

- Over a third of firms have a founder who has a culturally and linguistically diverse background (CALD).
- The average age of all founders is 42, with women continuing the trend of being more likely to establish a firm over the age of 50, in comparison to men.
- 12% of firms have founders who identify as LGBTQIA+.
- 3% of firms have at least one founder of Aboriginal and / or Torres Strait Islander descent - compared to less than 1% in Victoria's population.
- Most founders identify Australia as their place of origin.
- Most founders have one or more parents born outside of Australia.

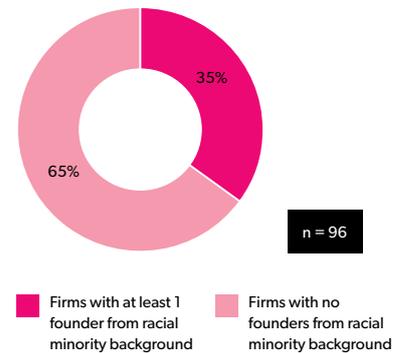
## Place of origin of founders



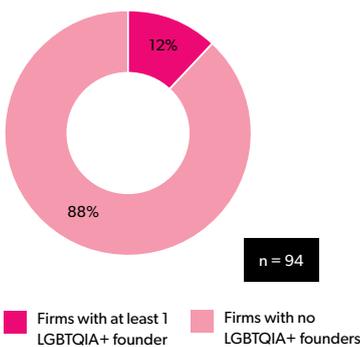
## Age of founders



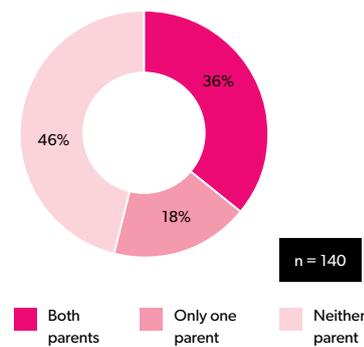
## Firms with founders who are culturally and linguistically diverse



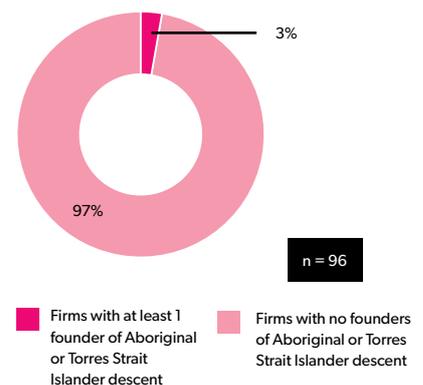
## Firms with founders who identify as LGBTQIA+



## Proportion of founders' parents born in Australia



## Firms with founders of Aboriginal and / or Torres Strait Islander descent



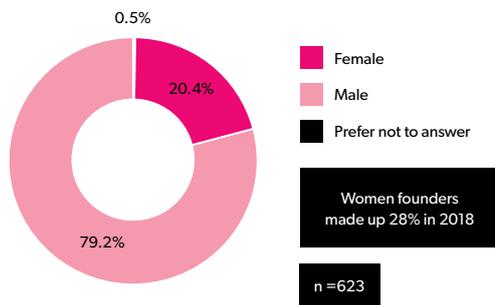
<sup>10</sup> 2016 Census.

## Gender representation of founders

Approximately 20% of founders are women (compared with around 28% in 2018). At all stages of development, women-founded firms represent a significant minority. As development stages progress, representation of women founders decreases.

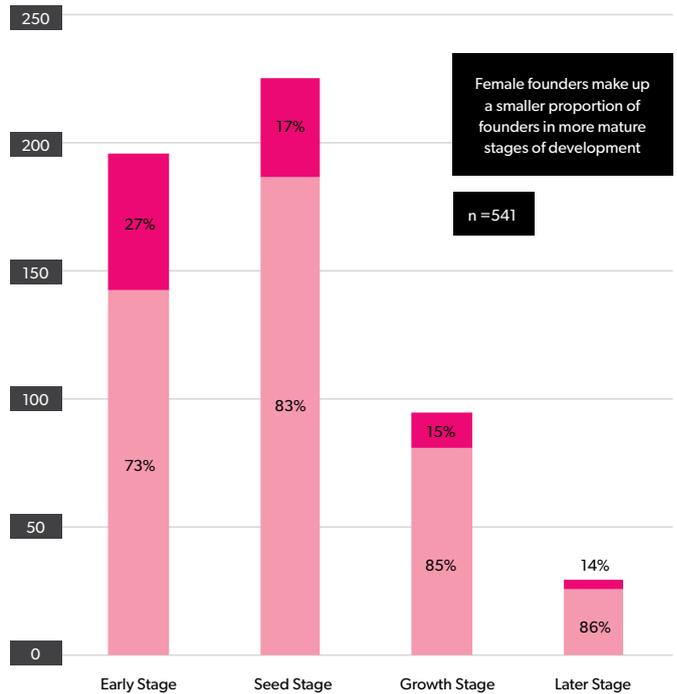


## Gender representation of founders by sector and growth stage

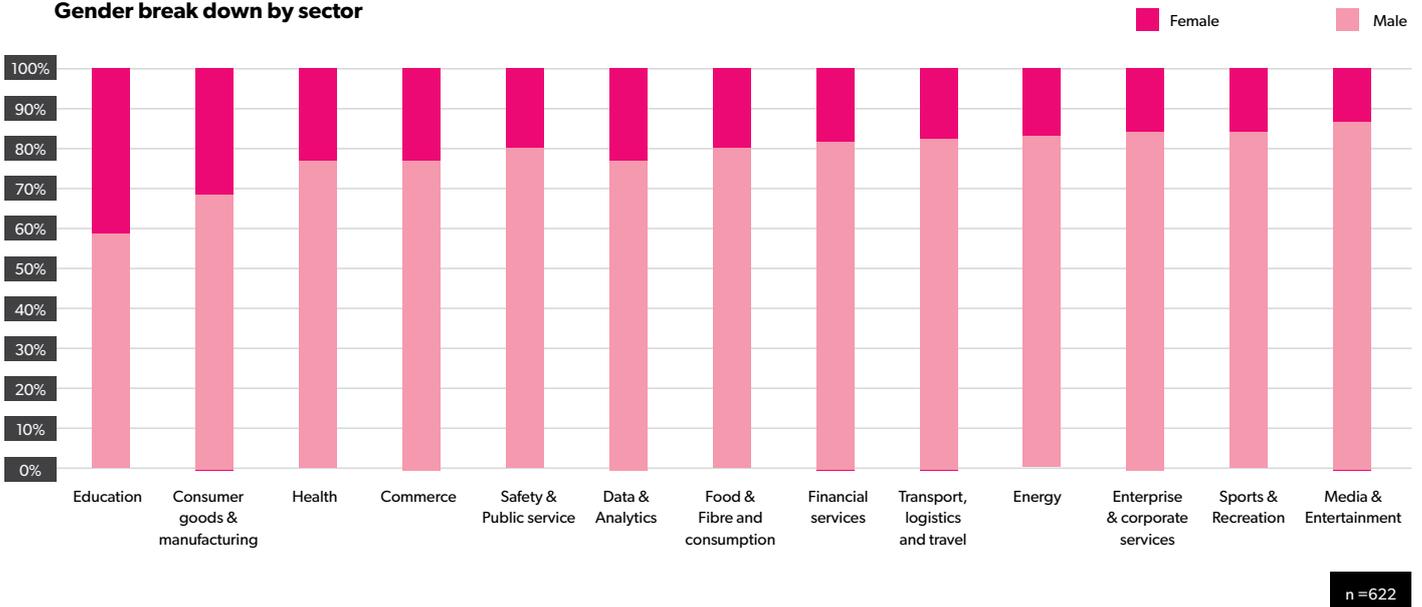


In most sectors, the proportion of women founders has increased since 2018. However, the majority of sectors today still have fewer than 30% women founders. As in 2018, Education is the closest sector to achieving relatively equal gender representation – with 42% women founders. The gender breakdown of founders in scaleups is almost identical, with approximately 20% women founders.

## Stage of development broken down by gender



## Gender break down by sector





# Diversity & Inclusion

## Diversity and inclusion policies

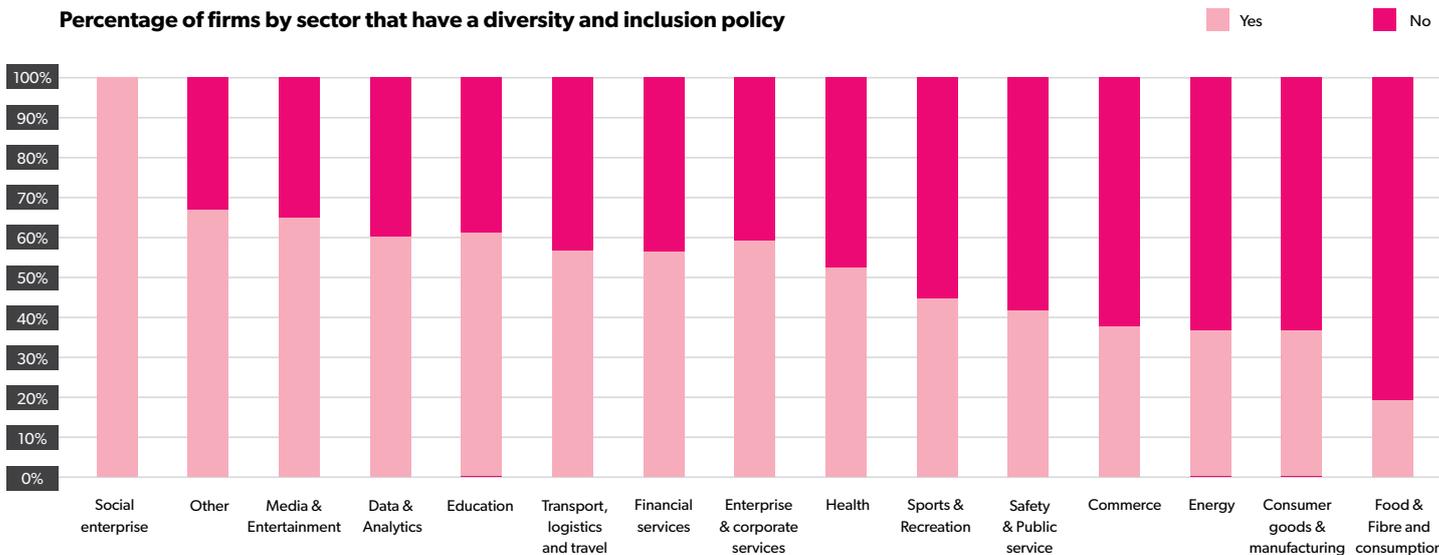
Over half the firms in most sectors have a diversity and inclusion policy. The exceptions are Food and Fibre Consumption, Consumer Goods and Manufacturing, Energy, Commerce, Safety & Public Service, and Sports & Recreation. Data indicated that firms are demonstrating a growing commitment to diversity and inclusion over time. In most sectors, the proportion of firms with a diversity and inclusion policy has increased since 2018.

# >50%

**Firms in most sectors have a diversity and inclusion policy**



Percentage of firms by sector that have a diversity and inclusion policy



n = 150

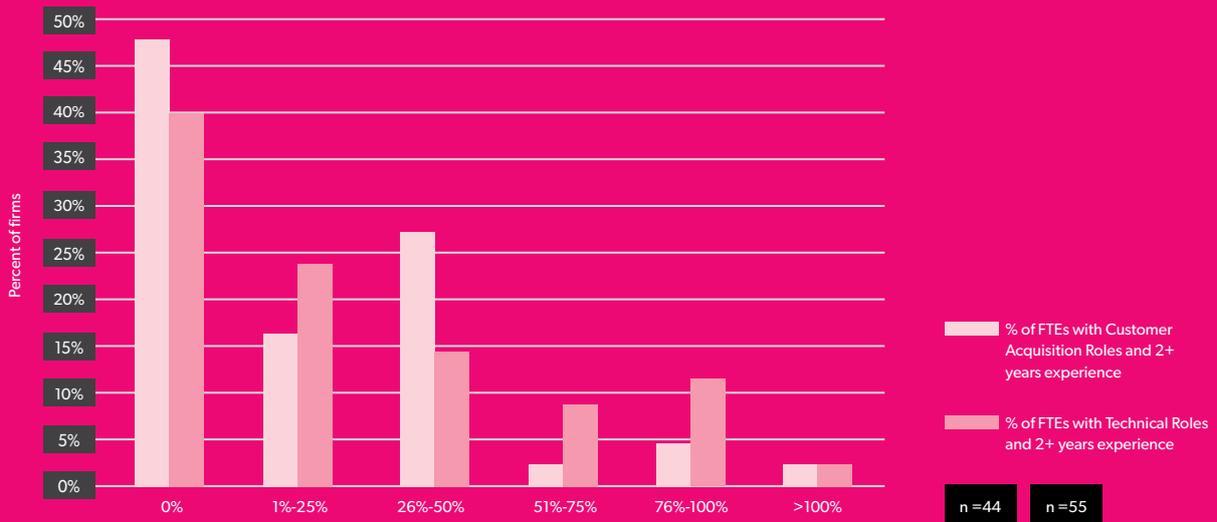


# Talent

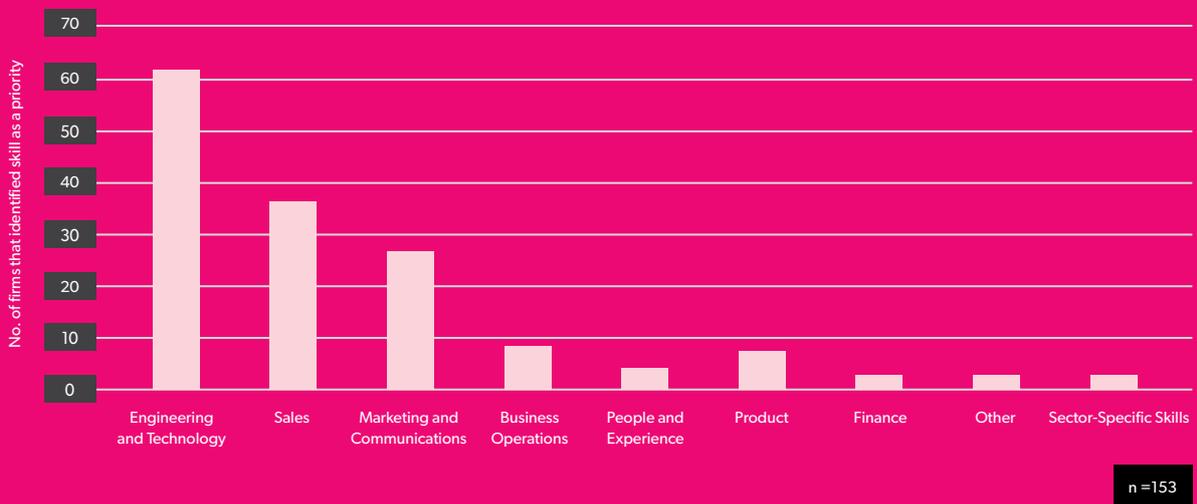
Firms continue to demand skills where they currently experience skill gaps. About half of firms have no experienced FTEs in customer acquisition roles, and over a third of firms have no experienced FTEs in technical roles. These gaps are likely driving the high demand for engineering, technology and sales skills by a large number of firms.



**Current skills in firms**



**Skills in demand by firms**





## **External environment and support**

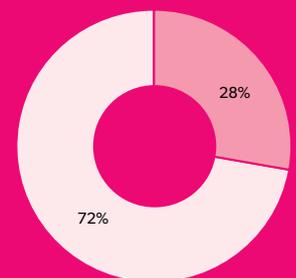
**The Victorian Startup Ecosystem is becoming better connected but there is still a way to go. Firms draw on structured external mechanisms and informal relationships within their local ecosystems for support.**



## Accelerators and incubators

28% of firms surveyed have participated in an accelerator or incubator program within the last year. Firms that have participated in an accelerator program at any point in time are more likely to have done so recently. They are also, as expected, more likely to be young firms (median age of participating firms is two years old) and the significant majority are in early stages of growth. These findings are consistent with those from 2018, suggesting that the Victorian Startup Ecosystem is continuing to support younger firms as they test and develop their products.

**Accelerator participation rate**



**Age of firms participating in accelerators and incubators**



n = 52

n = 127



# Local relationships and advice

Within a connected ecosystem, firms can draw on local expertise to navigate common challenges and grow stronger and faster. Most firms have relationships in the local ecosystem, and most would call upon these relationships within a typical two-week period.

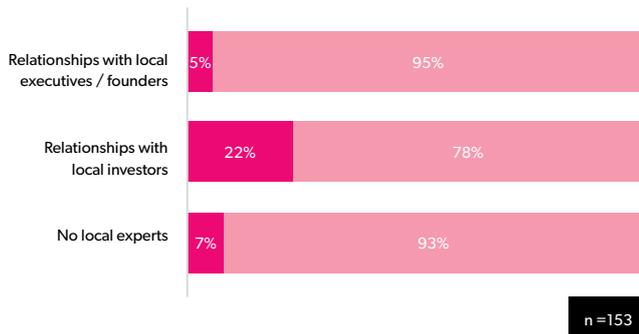
A very high proportion of firms have at least some relationships with other local executives / founders and local experts, while a quarter of firms have no relationships with local investors.

In general, most firms tend to use their relationships for practical assistance and local advice (e.g. insights and valuable introductions) as opposed to calling on their relationships with other local founders. However, there are different patterns in the knowledge and use of local relationships based on the firms' characteristics.

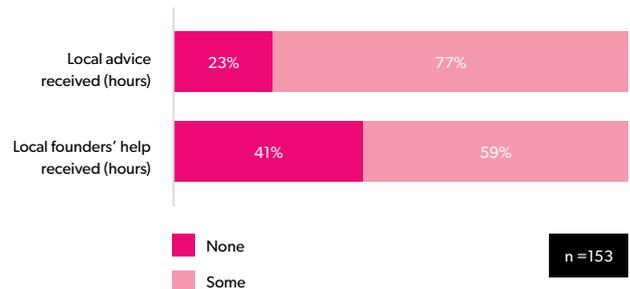
## For example:

- Firms in earlier stages of development tend to call on experts more than growth firms.
- Older firms know a larger number of investors in the ecosystem than younger firms.
- Firms who attended three or more accelerator programs have a notably higher average number of relationships, and use their local experts more than other firms.

## Relationships in the ecosystem



## Recent use of local connections



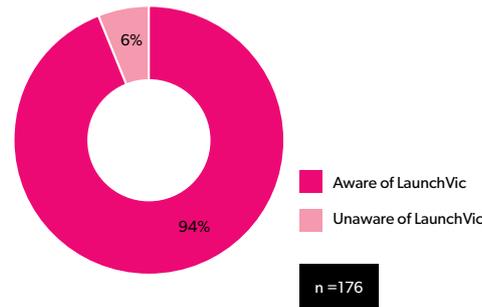


# Engagement with LaunchVic

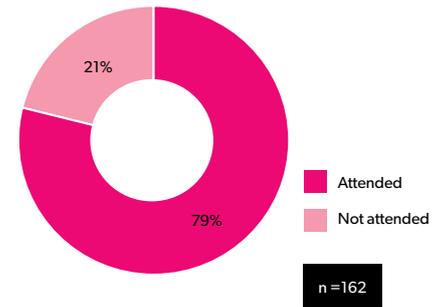
Engagement with LaunchVic is high amongst surveyed firms. 94% of firms surveyed reported that they are aware of LaunchVic, with a further 79% of firms reporting that they have attended a LaunchVic sponsored event or workshop.

Respondents who attended more intensive programs, such as accelerator programs or founder education, had a higher average number of relationships with local executives / founders and experts. However, there was little difference between these programs and events / Meetups when it came to the average number of relationships with local investors.

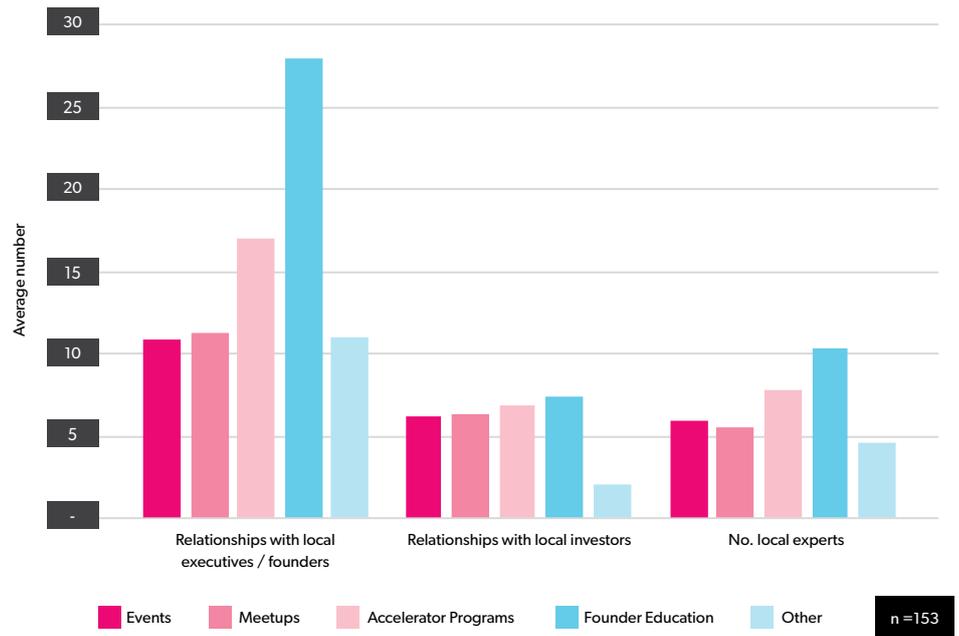
**Awareness of LaunchVic**



**Attendance at LaunchVic sponsored events and workshops**



**Founder connections formed through local events**



## Acknowledgments

We would like to extend our gratitude to the many firms who have contributed to the collective understanding of the Victorian Startup Ecosystem by participating in past and current surveys and other engagements.

