



VICTORIAN STARTUP ECOSYSTEM MAPPING

2022

FUELLING THE STARTUP STATE

WHY DID WE DEVELOP THIS REPORT?

Startups are a valuable part of the economy because they create jobs, drive investment, and ultimately help to reshape markets by using technology and innovation to find and create new solutions.

In 2017, 2018 & 2020, LaunchVic engaged dandolopartners international to gather data on the Victorian Startup Ecosystem. This has enabled LaunchVic to comprehensively map the Victorian Startup Ecosystem and see changes over time.

It also gives further insight on the growth, capital, demographic makeup and the broader external environment of Victorian startups for policy makers, investors and those with an interest in the sector.

WHY



FOREWORD

We are pleased to share with you the 2022 Victorian Startup Ecosystem Mapping report – the fourth report we have developed in partnership with consulting and research firm, dandolopartners international. This report, developed using data from LaunchVic’s startup database powered by global data providers dealroom.co and Startup Genome, is the most in-depth report developed on the Victorian startup sector - for the sector.

It features data-led insights on the number of startups, the rate of startup creation, the proliferation of startup activity in different sectors, their location and the investment and support networks they operate in. The report also provides a fascinating snapshot of Victorian founders – their age, cultural background, diversity and experience.

For 2022 the report confirms what we anecdotally know. The Victorian startup sector is maturing at a rapid rate.

Larger firms make up a higher proportion of Victorian startups in 2022 than 2018, and the share of firms with more than 10 employees grew from 21% to 32%.

An estimated \$4 billion in total capital raises were completed by Victorian startups and scaleups in 2021 – a significant increase from an estimated \$778m in 2019.

We also saw growth in larger capital raises and a decline in smaller raises since 2019, which reiterates that access to early-stage funding for startups remains an issue and further validates the work we are doing through activities like supporting more angel networks and the Alice Anderson Fund.

In 2022 founders are a lot more innovative than they were in 2018 (58% compared to 24%) aiming to create a new market rather than replicate business models proven elsewhere, which is a higher risk but higher reward strategy. This is vindication that LaunchVic’s strategy to increase the number of innovative startups is working.

There was an increase in the number of startups operating in Enterprise & Corporate Services, Consumer Goods & Manufacturing and Financial Services compared to 2020. There has been huge growth in women-led founders representing a third of total firms, however women founders continue to raise less capital.

The distribution of firms by stage of development in 2022 is almost identical to that reported in 2020 with 88% of total firms in the Early and Seed phases. More than half or 1,300 startups in our 2022 analysis are completely new - indicating the Victorian startup ecosystem continues to generate a healthy pipeline of new ventures.

While Melbourne has a way to go to compete with the world’s greatest startup ecosystems, these 1,300 startups are contributing to an increase in Melbourne’s startup creation rate over the past four years which has exceeded that of many noted entrepreneurial cities including Tel Aviv, Toronto and Amsterdam - an exciting new development.

We hope you enjoy reading this report.



**LEIGH JASPER,
LAUNCHVIC CHAIR**



**DR KATE CORNICK,
LAUNCHVIC CEO**

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SUMMARY

THE VICTORIAN STARTUP SECTOR IS GROWING AND MATURING

Finding

Evidence



Firms are larger and employ more than 52,000 Victorians

- Larger firms make up a higher proportion of Victoria's startups in 2022 than in 2018. The share of firms with more than 10 employees grew from 21% to 32%.
- In total, firms employ over 52,000 employees across the Victorian Startup Ecosystem.



More capital, in larger tranches, has been raised to drive the sector's growth

- An estimated \$4 billion in total capital raises were completed by startups and scaleups based in Victoria in 2021 – a significant increase from an estimated \$778m in 2019. This includes all forms of capital including venture, private equity, corporate venturing and debt financing.
- We also saw growth in larger capital raises and a decline in smaller raises since 2019.
- 2021 saw a 3.25x increase in the number of capital raises over \$1m, and a 5x increase in the total value across those deals compared to 2019.



Firms with one or more woman founders represent a high proportion of the largest firms

- Firms with a woman founder represent a third of total firms. Women founders are twice as common in firms in the 'Early' and 'Seed' stages of development, compared to the firms in the 'Late' and 'Growth' stages.
- Firms with women founders raise less capital. However, some of the largest firms have a woman in their group of founders, which pulls up the average capital raise of firms with women founders to 2.5x of those without.*



The number of exits worth \$100m+ increased from 3 in 2020 to 4 in 2022

- In the past year, there have been four exits worth over \$100m in Victoria including A Cloud Guru's substantial AUD \$2 billion acquisition by Pluralsight.
- 2 of these exits were in Financial Services, 1 was in Education & Training, and 1 was in Telecommunications.

*The data supporting findings on capital raises and women founders comes from Dealroom and Startup Genome, in line with the rest of this report. Firms with women founders in these sources are defined as all firms that include any women founders. LaunchVic's Alice Anderson Fund defines women-led startups as having at least 50% women ownership, OR 30% women ownership, 30% executive and 30% Board of Directors. Using this more restrictive definition decreases the strong capital raise results for larger firms associated with women founders such as AirWallex and Judo Bank.

MORE FIRMS ARE PURSUING HIGHLY INNOVATIVE STRATEGIES BUILDING NEW MARKETS, PRODUCT LINES AND NICHEs

Finding

Evidence



Promisingly, more startups have the ambition to create new markets in new sectors

- Between 2018 and 2022, we can report there was strong growth in the share of Victoria's firms aiming to create a new market; a higher-risk, often higher reward, strategy. This cohort grew from 24% to 58% of all firms surveyed.
- In 2022 there was an increase in the share of startups operating in the following sectors compared to 2020's survey: Enterprise & Corporate Services, Consumer Goods & Manufacturing and Financial Services.



Victoria's startups are increasingly driven by Mission and Product motivations, with highly innovative and disruptive firms more common than in previous surveys

- Victorian startups are strongly Mission and Product driven with only 12% citing financial factors in their top 2 motivations for starting their firm.
- Victoria's startups are pursuing market strategies at the highly-innovative end of the spectrum, with new niches, new product lines and or new local offerings for the Australian market the dominant categories reported.



Few Victorian startups are relying on patent-based intellectual property protections as a foundation of their business strategy

- From a relatively small sample size of 94 respondent firms, only 13% of firms reported that they were pursuing a patenting strategy with their technology.
- Only 6% of firms reported they were commercialising a technology developed at a university. However, 42% of all the firms who participated in an accelerator program participated in a university based accelerator program.

THE SECTOR CONTINUES TO GENERATE A HEALTHY PIPELINE OF NEW VENTURES, AND LARGER FIRMS HAVE ENJOYED GROWING SUCCESS

Finding

Evidence



There is a strong pipeline of new startups being launched and increased participation by founders in accelerator programs

- The distribution of firms by stage of development in 2022 is almost identical to that reported in 2020 with 88% of total firms in the Early and Seed phases. Over 1300 startups are new to this survey cycle providing evidence that the Victorian startup ecosystem continues to generate a healthy pipeline of new ventures.
- For this survey, a third of startups (up to 33% from 27% in 2020) participated in accelerator programs in the past year and the average age of firms participating also increased. This may indicate a growing recognition amongst even more experienced operators that these programs can add substantial value.



Small, new firms and firms with significant established success experienced the biggest growth in the past 2 years

- Half of all firms have between 0 and 5 employees and a third have over 10. Only 15% of firms have between 6 and 10 employees. This indicated that smaller, successful firms are growing rapidly.
- 80% of new employees across the ecosystem were hired by firms with less than 6 or more than 20 employees, supporting the idea that medium-sized firms represent a smaller portion of the ecosystem and may face more challenges in growth than small or very large firms.



LaunchVic awareness and engagement remains high in Victoria's startup sector

- While awareness of LaunchVic remained high (>90%), respondents attending a LaunchVic event in the past year fell from 79% in 2020 to 47%. It would be highly likely that COVID restrictions impacted this metric.

DATA SOURCES

We used a mix of survey and secondary data to inform the analysis of the the Victorian Startup Ecosystem. This approach maximises the amount of information on which we base our analysis, which increases our confidence in developing findings. We have also compared these results with previous mapping reports to see changes over time.

LaunchVic Databases

LV collected information from its data sources (primarily Dealroom and its internal CRM) on:

- A further 1980 startups, scaleups and unicorns

Relevant data included:

- Year founded / closed
- Sector
- Employee figures
- Location
- Capital raised

The Startup Genome 2022 survey (SUG) collected:

- Responses from 138 startups and scaleups
- 92 were “new” entries, i.e. had not been captured in previous Victorian startup surveys and were not in LaunchVic’s startup databases

Relevant data included:

Founder demographics, firm profiling information and responses to subjective questions (e.g. business attitudes), and accelerator program participation.

*Each analysis in this report only includes firms where pertinent data was available. The number of firms included in each analysis is represented by a relevant 'n' number below each chart.

DATA SOURCES

STATE OF THE VICTORIAN STARTUP ECOSYSTEM



SUMMARY

Victoria's pipeline of new technology ventures continues to be strong, with growth in firms based in regional areas and in the Enterprise & Corporate Services, Consumer Goods & Manufacturing and Financial Services sectors.

Firm creation

- The distribution of firms by stage of development in 2022 is almost identical to that reported in 2020 with 88% of total firms in the Early and Seed phases. Over 1300 startups are new this survey cycle.
- We estimate that there are approximately 2300 startups* operating in Victoria.

Specialisation

- Since the 2020 survey, the share of startups in the Enterprise & Corporate Services, Consumer Goods & Manufacturing and Financial Services sectors has grown. There was a marked decline in the share of startups in the Data & Analytics sector in that period.
- Almost half the scaleups** are in Enterprise & Corporate Services, Financial Services and Health sectors indicating that these sectors continue to be very strong contributors of innovation and employment in the Victorian economy, a finding evident in the 2020 survey.

*Please see pg.58 for methodology. | **Please see pg.59 for definition.

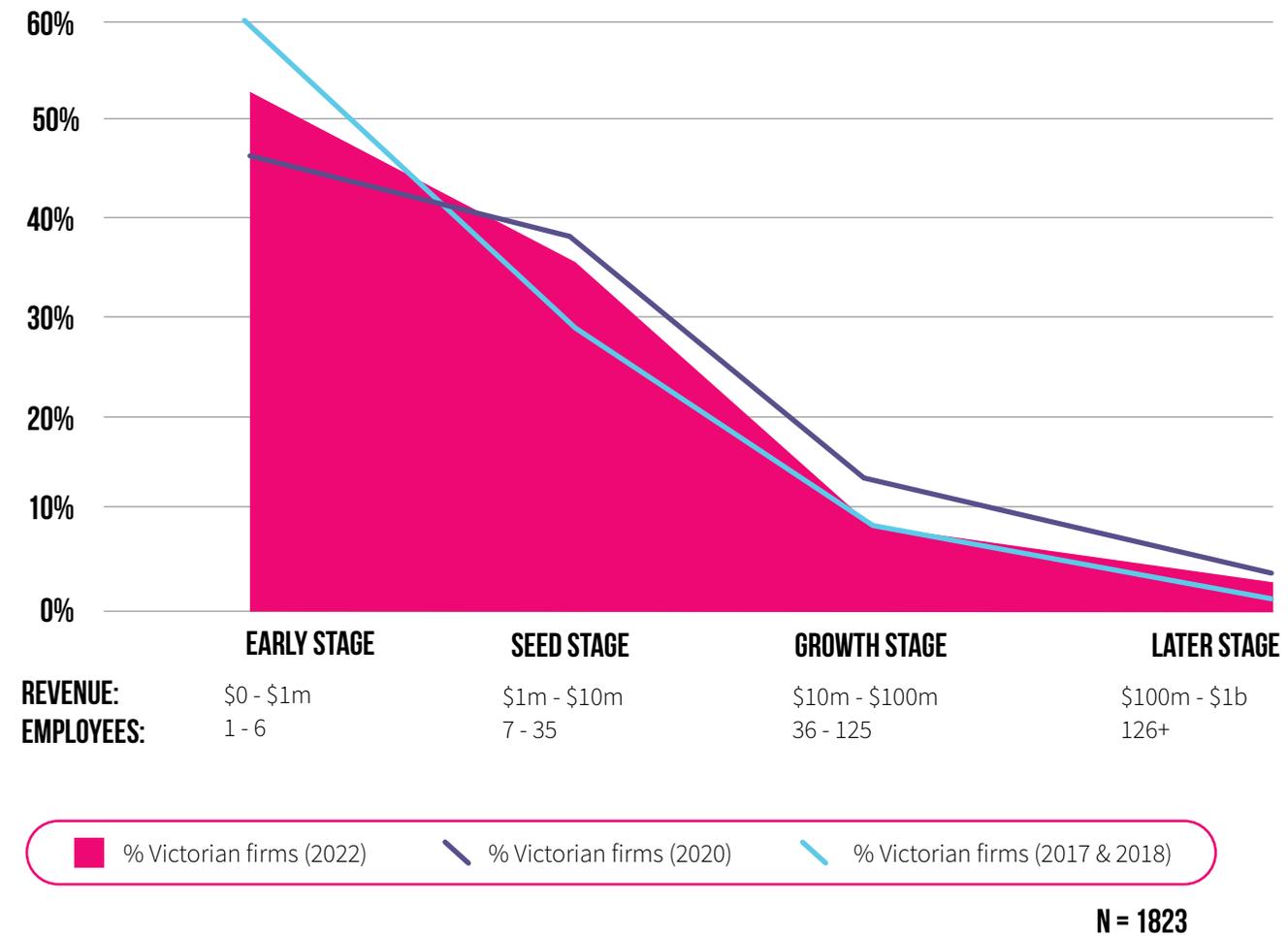
ECOSYSTEM



PIPELINE OF FIRMS

The distribution of firms by stage of development in 2022 is similar to 2020 with a slightly heavier weighting towards firms in Early and Later stages. Just over 1300 startups are new to the 2022 analysis, indicating the Victorian startup ecosystem continues to generate a healthy pipeline of new ventures.

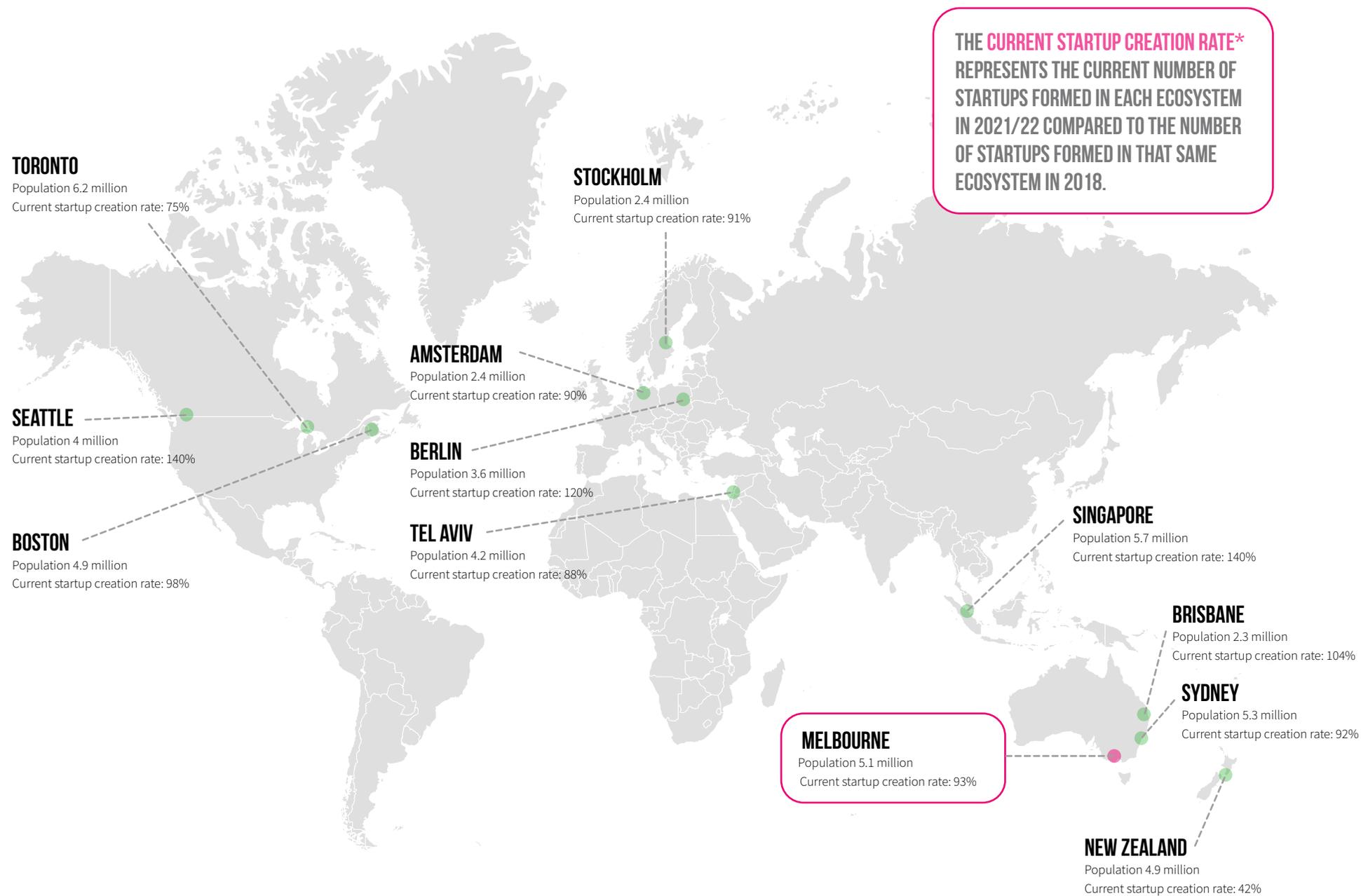
DISTRIBUTION OF FIRMS BY STAGE OF DEVELOPMENT



*Each firm was assigned to a stage of development based on their current revenue and number of employees (the higher stage of development was chosen). Where a firm's FTE was reported this was multiplied by 1.25 to convert to number of employees. This calculation was made based on a sample of firms who provided both figures.

STARTUP CREATION RATE IN MELBOURNE AND COMPARATOR CITIES

Melbourne's startup creation rate over the past four years exceeded that of many noted entrepreneurial cities including Tel Aviv, Toronto and Amsterdam.



Source: Startup Genome analysis of startup creation of Melbourne compared to peer cities.

*In this context, 'current' is an average of H1 2021, H2 2021, and H1 2022 (as data was captured in November 2021) compared to the average of H1 2018 and H2 2018.

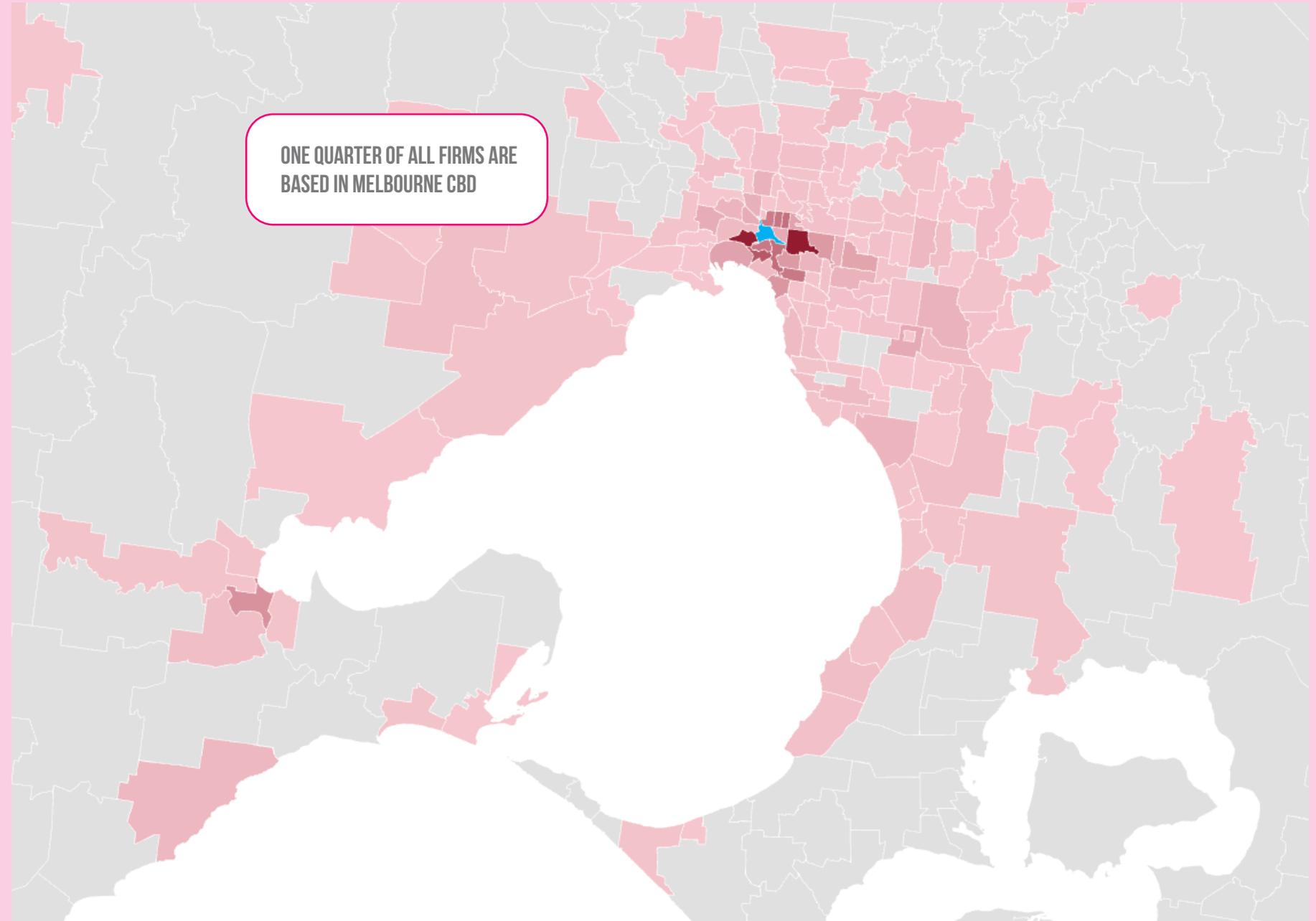
LOCATION OF FIRMS

93% of firms are based in the Greater Melbourne Region and 7% of firms are based in Regional Victoria.

This is a slight increase to the 2020 Ecosystem Mapping report which showed just 4% of firms were located in Regional Victoria.

93%

firms based in Greater Melbourne Region



SECTOR BREAKDOWN

Enterprise & Corporate services, Consumer Goods & Manufacturing and Financial Services have all grown as a proportion of sector growth. The number of health firms remains unchanged from 2020.

BREAKDOWN OF SECTORS*



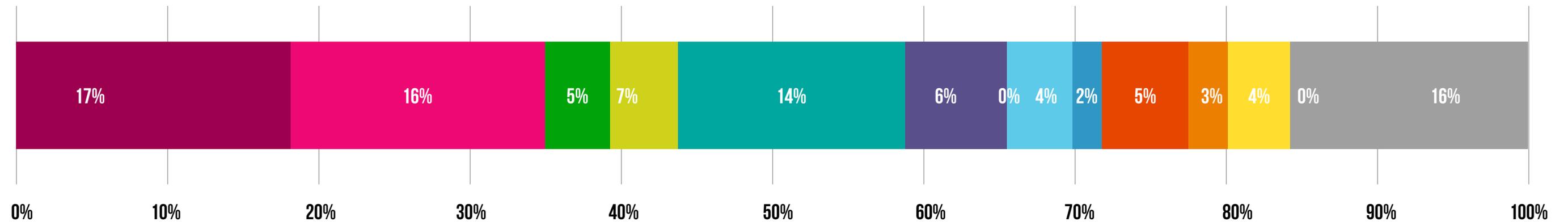
*Respondents to the Startup Genome survey were able to nominate multiple sectors (ranging from 1 to 18). On average, these firms nominated 2 sectors. Where multiple sectors were nominated, presence in each sector was recognised in the analysis.

N = 2202

SECTOR BREAKDOWN FOR SCALEUPS

Almost half of scaleups are in Enterprise & Corporate Services, Financial Services and Health. In contrast to the startup cohort, there is a larger representation of scaleups in Financial Services and a smaller representation in Media & Entertainment.

BREAKDOWN OF SECTORS FOR SCALEUPS*



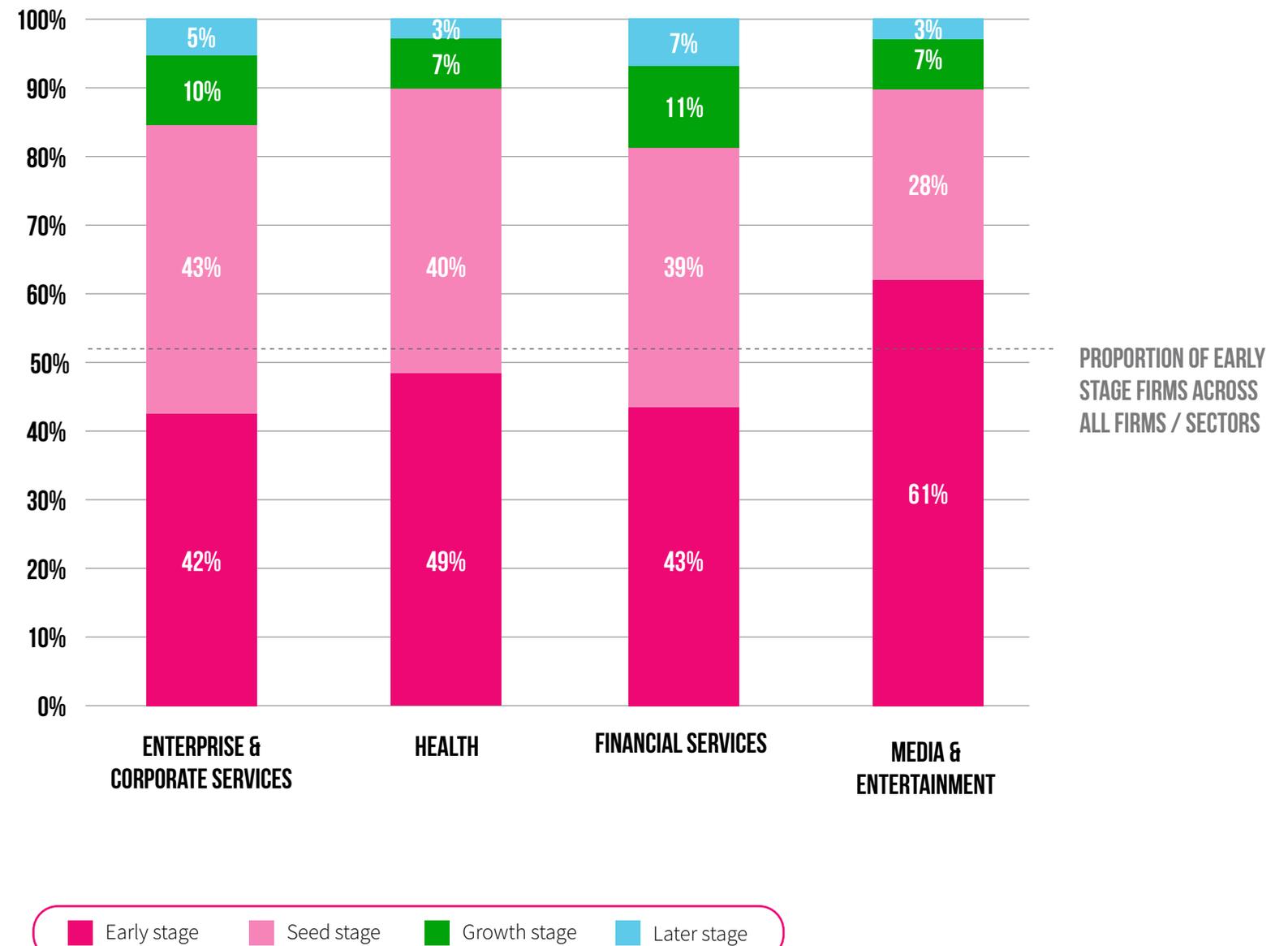
*Firms answering the Startup Genome survey were able to choose multiple sectors (ranging from 1 to 18). On average, these firms chose 2.05 sectors.
 ** Both Commerce and Safety & Public Service recorded 0% of scaleups within the sector.

N = 104

STAGES OF DEVELOPMENT OF MAJOR SECTORS

Three of Victoria's four largest sectors have smaller proportions of Early stage firms compared to the overall average, indicating that firms in these sectors are comparatively large and mature. By contrast, Media & Entertainment has significantly more Early stage firms than the ecosystem average.

BREAKDOWN OF LARGEST SECTORS BY DEVELOPMENT STAGE



N = 819

PROFILE OF FIRMS IN VICTORIA

SUMMARY

The 2,118 firms in the 2022 survey employ over 52,000 people. Compared to 2020, firms in 2022 are larger in terms of employees, and more are aiming to create new markets.

What we found:

Product & Market

- Between 2018 and 2022, there was strong growth in the share of Victoria's firms aiming to create a new market; a higher-risk, often higher reward, strategy. This cohort grew from 24% to 57% of all firms surveyed.
- While over 70% of surveyed firms have customers outside Australia, the domestic market is the priority for 3 out of 4 firms. For the firms with an export-first strategy, the USA or the world at large are the most common target markets.

High growth firms / exits

- There have been 4 exits worth over \$100m in the last 2 years (up from 3 exits in the last reporting period), namely:
 - A Cloud Guru: \$2b
 - Symple: \$200m
 - Judo Bank: \$650m
 - Message Media: \$1.2b
- 4 firms achieved unicorn status in the past two years, 3 in financial services and 1 in health.
- 37% of startups hired new employees in the past 6 months, a drop from 56% of firms in the 2020 survey. Of those, most hired 2-5 new employees.

Size

- In total, firms employ over 52,000 employees across the Victorian Startup Ecosystem.
- Larger firms make up a higher proportion of Victoria's startups in 2022 than in 2018. The share of firms with more than 10 employees grew from 21% to 32%.

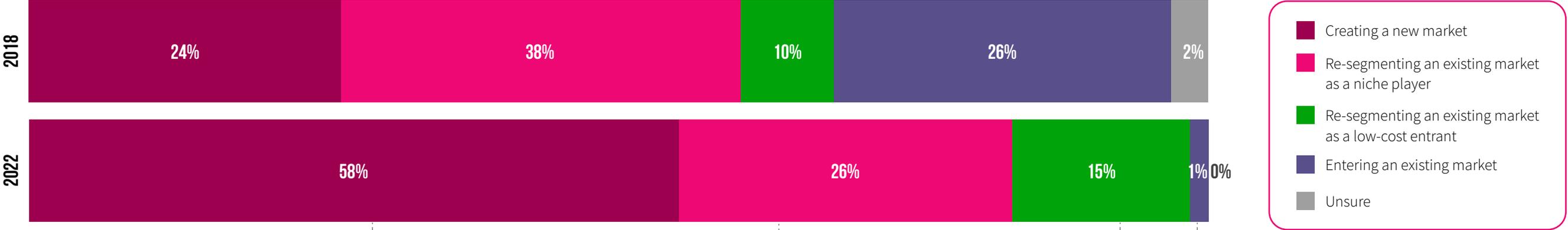
PROFILE



MARKET STRATEGIES

Between 2018 and 2022, there was strong growth in the share of Victoria’s firms creating a new market - a higher-risk but often higher reward strategy. This group grew from 24% to 58% of all firms surveyed.

VICTORIAN FIRMS BROKEN DOWN BY MARKET STRATEGY



- Creating a new market
- Re-segmenting an existing market as a niche player
- Re-segmenting an existing market as a low-cost entrant
- Entering an existing market
- Unsure

N = 125

DESCRIPTION OF MARKET STRATEGIES¹

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.

RESEGMENTING 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

RESEGMENTING 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 inferior in terms of features but “good enough” to solve the problem as long as the price is low enough.

EXISTING MARKET

In an existing market, the users, the market and the competitors are known. In this environment, one competes on product features and performance.

INCREASING COMPETITION →

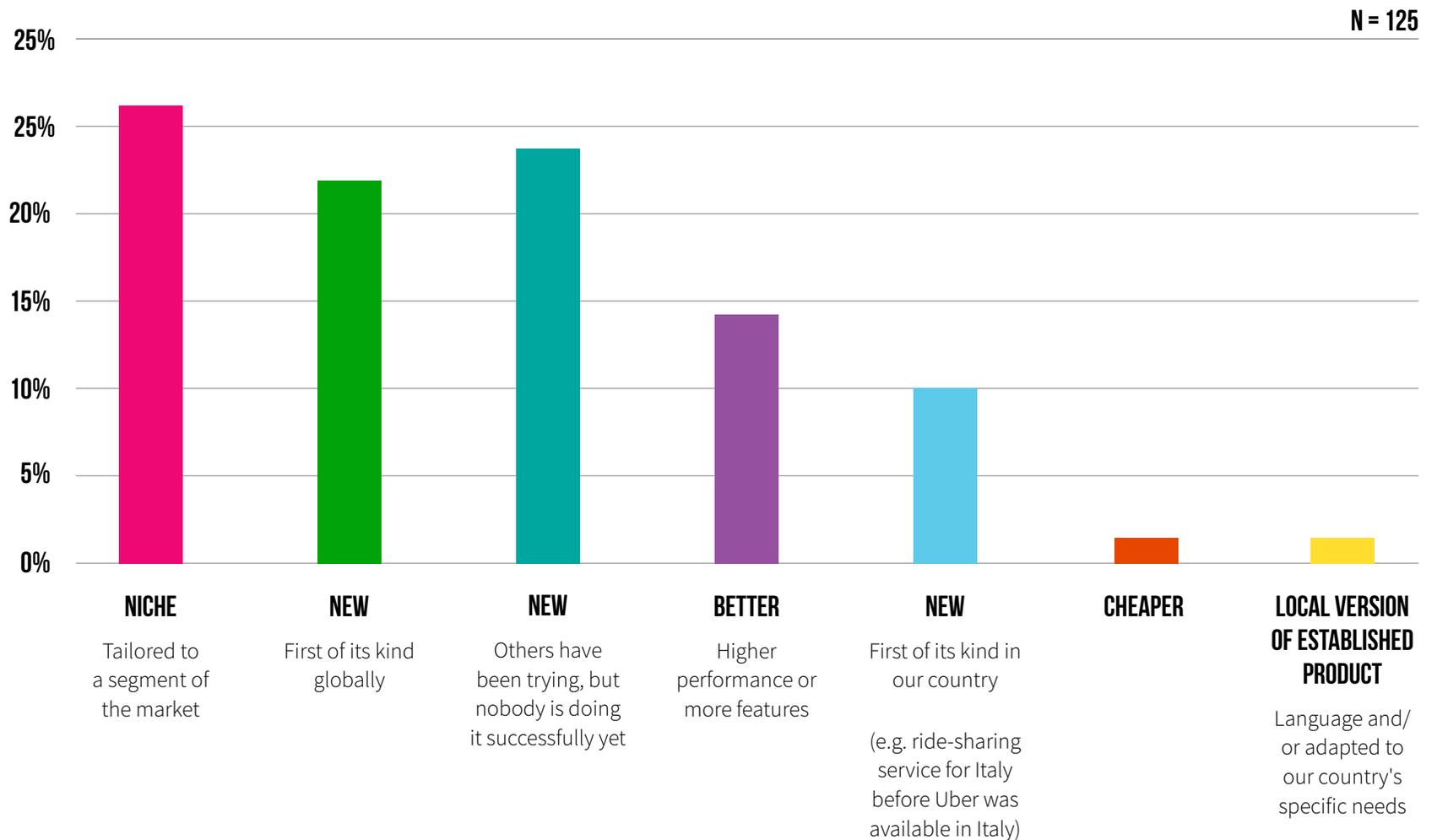
1. Adopted from Steve Blank, The Four Steps to the Epiphany.

MARKET STRATEGY

Victoria's startups are pursuing market strategies at the highly-innovative end of the spectrum, with new niches, new product lines and/or new local offerings for the Australian market the dominant categories reported.



BREAKDOWN OF MARKET STRATEGY

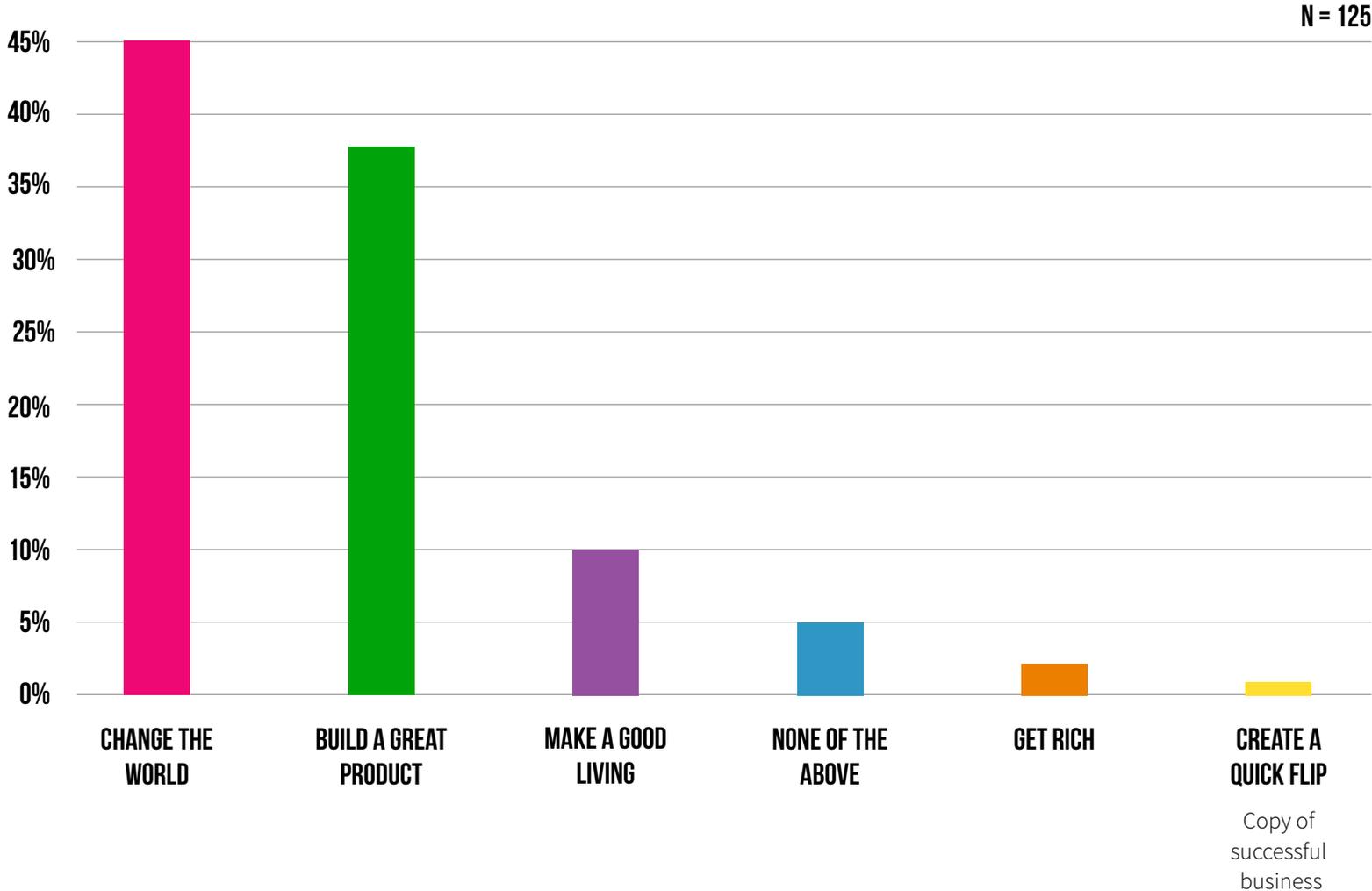


FIRM MOTIVATION

Respondent start-up firms are strongly product and mission driven. Financial returns appear to be the primary motivation for only a very small share of the Victorian startup ecosystem.



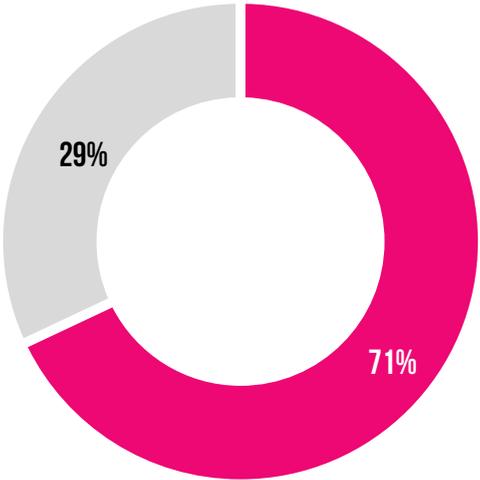
BREAKDOWN OF MARKET MOTIVATION



EXPORT MARKETS

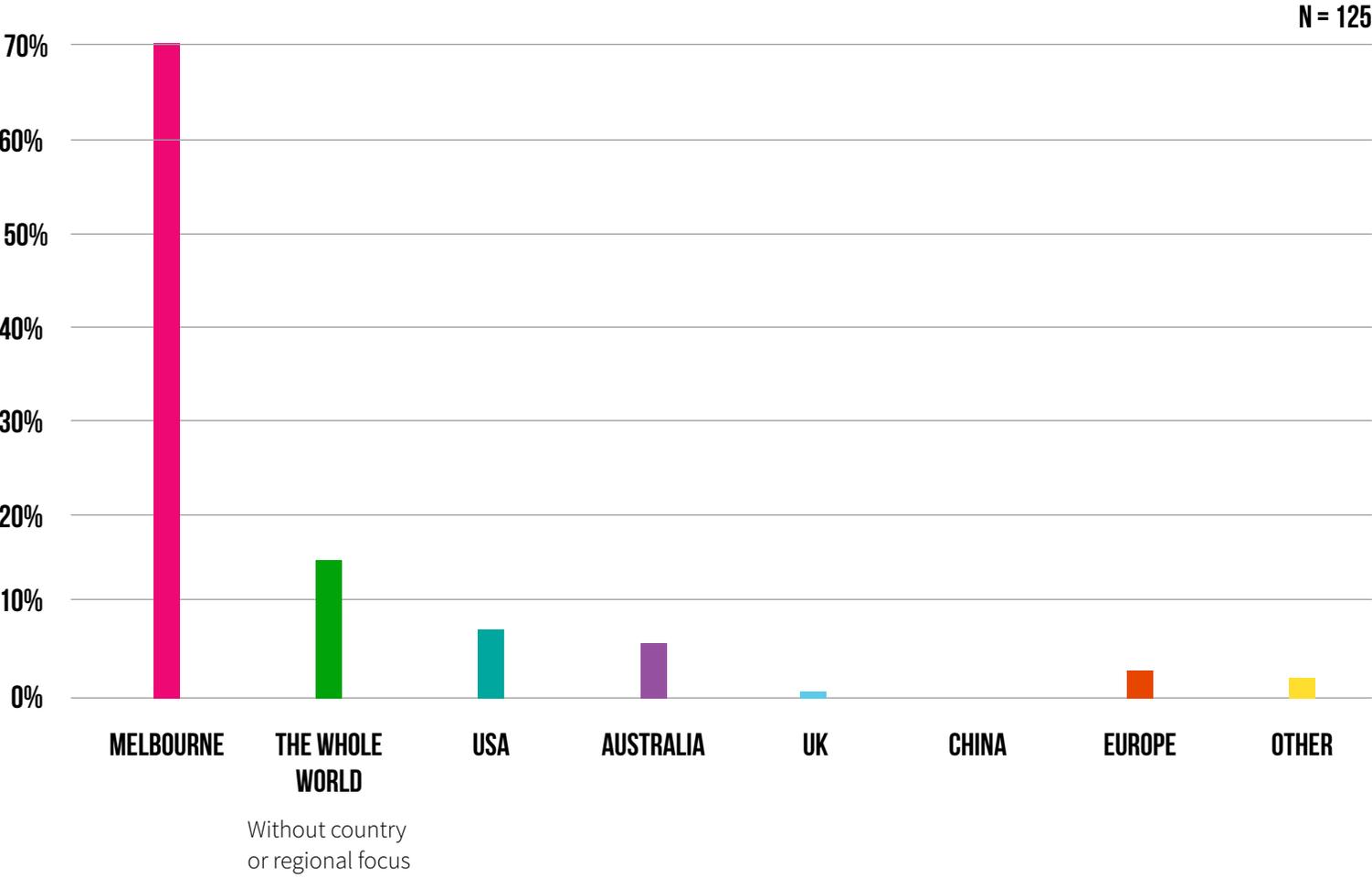
While over 70% of surveyed firms have customers outside Australia, the domestic market is the priority for 3 out of 4 firms. For the firms with an export-first strategy, the US is the most common target market.

% EXPORTING FIRMS



Exporting Not Exporting N = 96

LARGEST TARGET MARKETS



VICTORIA'S HIGH GROWTH FIRMS

Many of Victoria's scaleups and growth / later stage firms are expanding.

HIGH GROWTH FIRMS*

FOUNDED 2016 | GROWTH STAGE | EDUCATION SECTOR



A wireless screensharing and student engagement platform engineered for the education sector.

106 current employees

71 hired in the past 6 months**

FOUNDED 2010 | LATER STAGE | ENTERPRISE SECTOR



An employee experience platform to help companies improve employee engagement, retention and performance.

848 current employees

148 hired in the past 6 months**

FOUNDED 2017 | GROWTH STAGE | ENTERPRISE SECTOR



An event-management platform for both live and virtual events.

75 current employees

43 hired in the past 6 months**

FOUNDED 2017 | LATER STAGE | ENTERPRISE SECTOR



A cloud platform that automates data capture and decision making for customer onboarding and ongoing monitoring.

85 current employees

37 hired in the past 6 months**

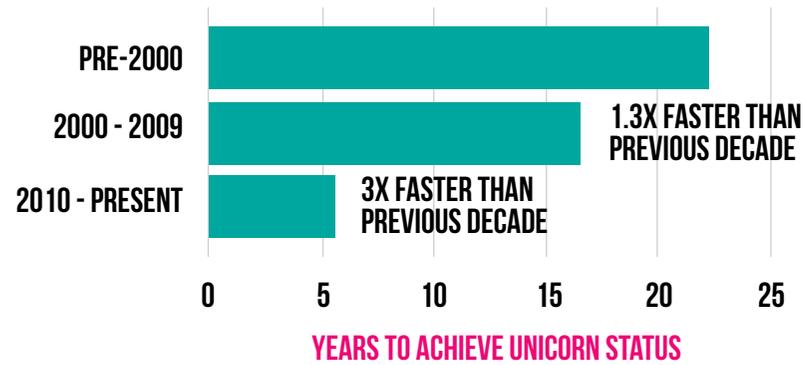
*Firms with 20 or more employees that grew their employee numbers by around 20% in the past 6 months. This list is not exhaustive, and growth was estimated for firms who did not have employment data from six months ago.

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

VICTORIA'S UNICORNS

Three Victorian startups have achieved unicorn status in the past 2 years. The rate at which Victorian unicorn firms are reaching this milestone has accelerated to an average of 5 and a half years.

AVERAGE YEARS FROM FOUNDING TO REACH UNICORN STATUS



A UNICORN IS A FORMER STARTUP THAT IS VALUED OVER \$1 BILLION. SINCE 2017, 19 VICTORIAN FIRMS HAVE REACHED UNICORN STATUS THROUGH EITHER MARKET CAP VALUATION OR EXIT VALUE.

FIRMS WHO RECENTLY ACHIEVED UNICORN STATUS

FOUNDED 2020 | \$1.1B VALUATION | FINTECH SECTOR



A payments and financial services solution for businesses to accept payments, manage their finances, and pay recipients fast

109 current employees

Unicorn status achieved **IN 2022 (2 YEARS)**

FOUNDED 2016 | \$1.78B VALUATION | MEDIA SECTOR



A personalised and customisable social media platform that houses links that you want to share with your audience.

236 current employees

Unicorn status achieved **IN 2022 (6 YEARS)**

FOUNDED 2015 | \$7.6B VALUATION | FINTECH SECTOR



An online payments platform focusing on international payments, banking and borderless debit cards

883 current employees

Unicorn status achieved **IN 2019 (4 YEARS)**

FOUNDED 2015 | \$1.59B VALUATION | HEALTH SECTOR



A biopharmaceutical company focused on the development of diagnostic and therapeutic products.

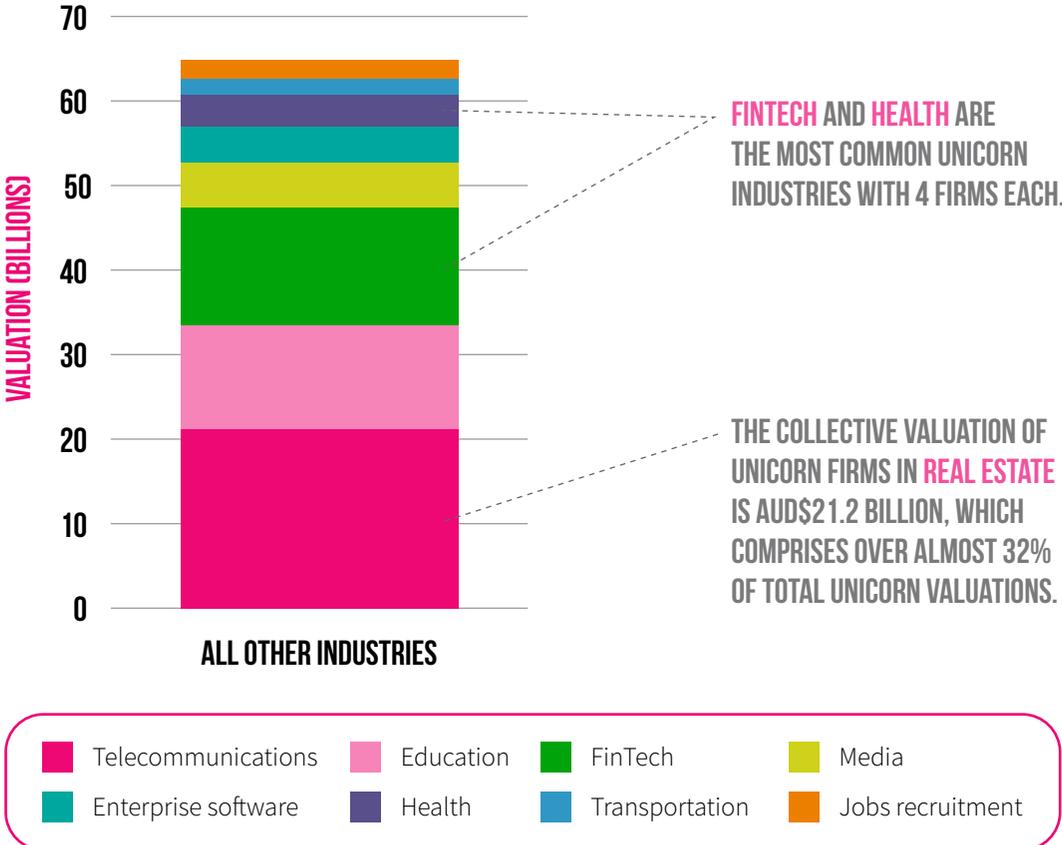
141 current employees

Unicorn status achieved **IN 2021 (6 YEARS)**

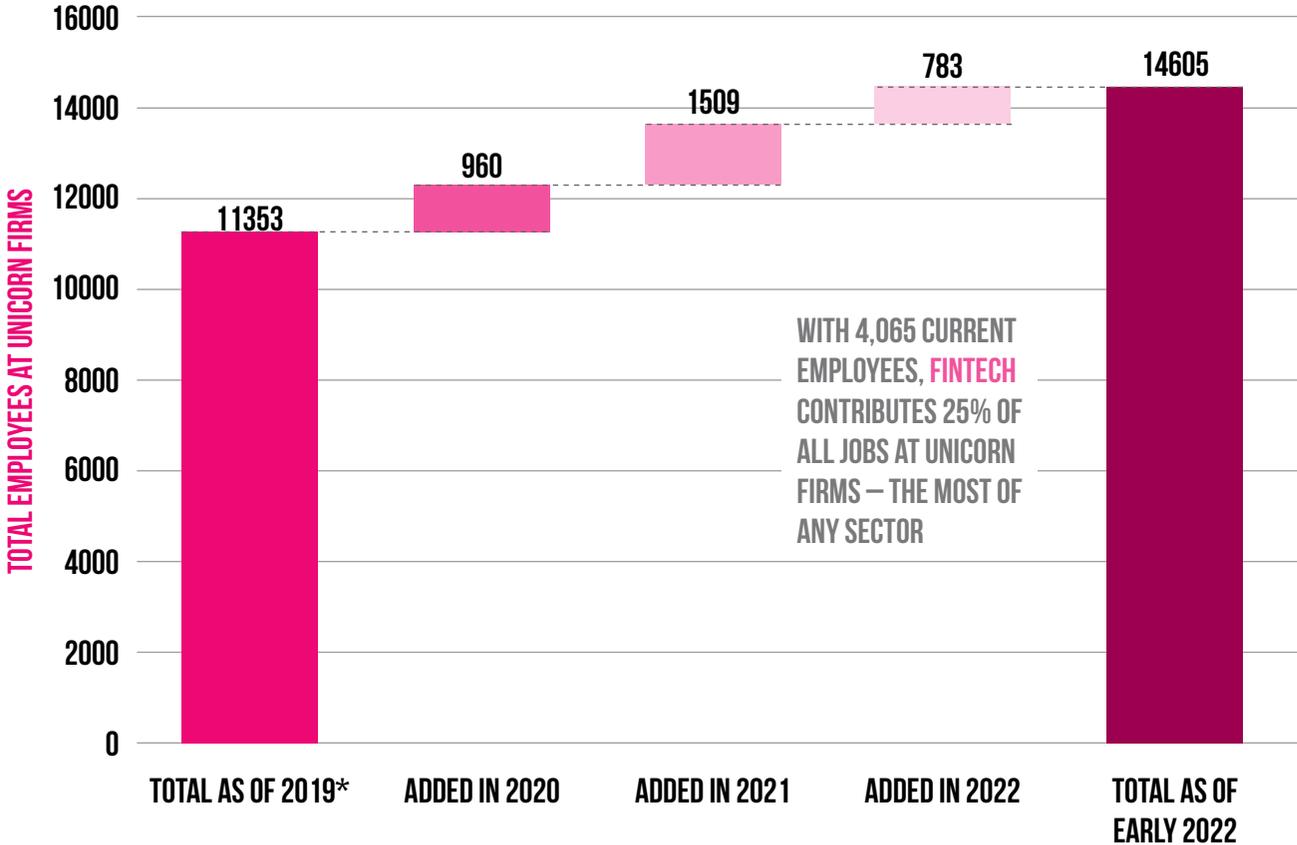
VICTORIAN UNICORNS TYPICALLY COME FROM THE FINTECH SECTOR

Of the Victorian firms which have achieved unicorn status since 2017, FinTech is the largest sector in terms of number of firms and number of jobs created, and second largest in terms of total firm valuation.

AGGREGATE ENTERPRISE VALUE OF VICTORIAN UNICORNS SINCE 2017



TOTAL EMPLOYEES AT UNICORN FIRMS SINCE 2019*



*2019 is the year the youngest current unicorn was founded.

VICTORIA'S EXITS

Since 2021, there have been four exits worth over \$100m in Victoria.

EXITS

FOUNDED 2015 | M&A EXIT TYPE | EDUCATION SECTOR



An online training platform primarily aimed at preparing students to take certification exams for the three major cloud providers.

Exit size
\$2B

Exit date
JUN 2021

Acquirer
PLURALSIGHT

FOUNDED 1999 | M&A EXIT TYPE | TELECOMM SECTOR



A mobile messaging service that enhances how businesses communicate and engage with their customers.

Exit size
\$1.2B

Exit date
JUN 2021

Acquirer
SINCH

FOUNDED 2018 | M&A EXIT TYPE | FINTECH SECTOR



A marketplace lending company that offers consumers loans to credit-worthy borrowers funded by private investors.

Exit size
\$200M

Exit date
AUG 2021

Acquirer
LATITUDE FINANCIAL SERVICES

FOUNDED 2017 | IPO EXIT TYPE | FINTECH SECTOR



A bank focused on small and medium-sized enterprise lending.

Exit size
\$1.2B

Exit date
OCT 2021

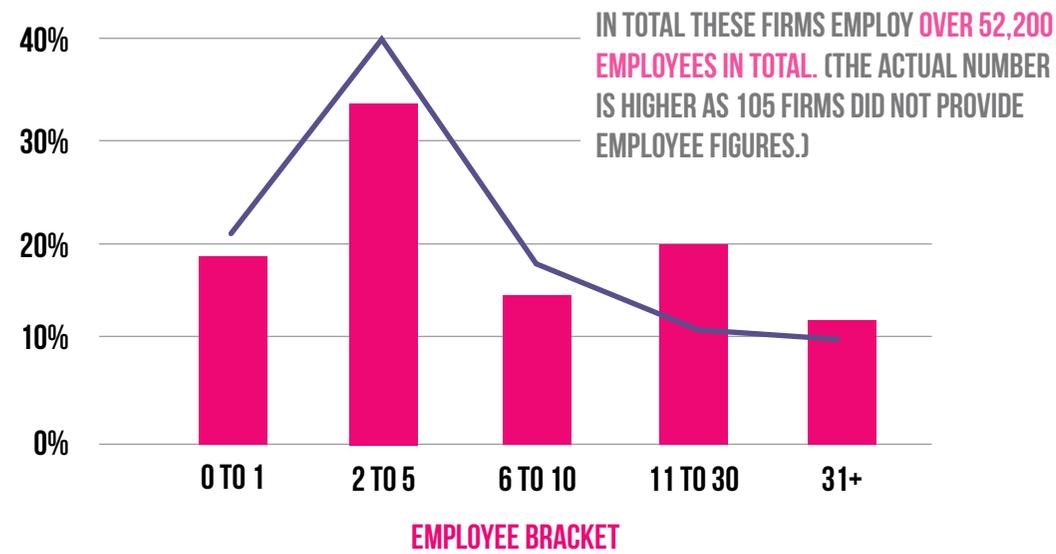
Source: Dealroom data and news sources.

SIZE OF FIRMS

Larger firms make up a higher proportion of Victoria' startups in 2022 than in 2018. The share of firms with more than 10 employees grew from 21% to 32%.

DISTRIBUTION OF EMPLOYMENT BY FIRM SIZE

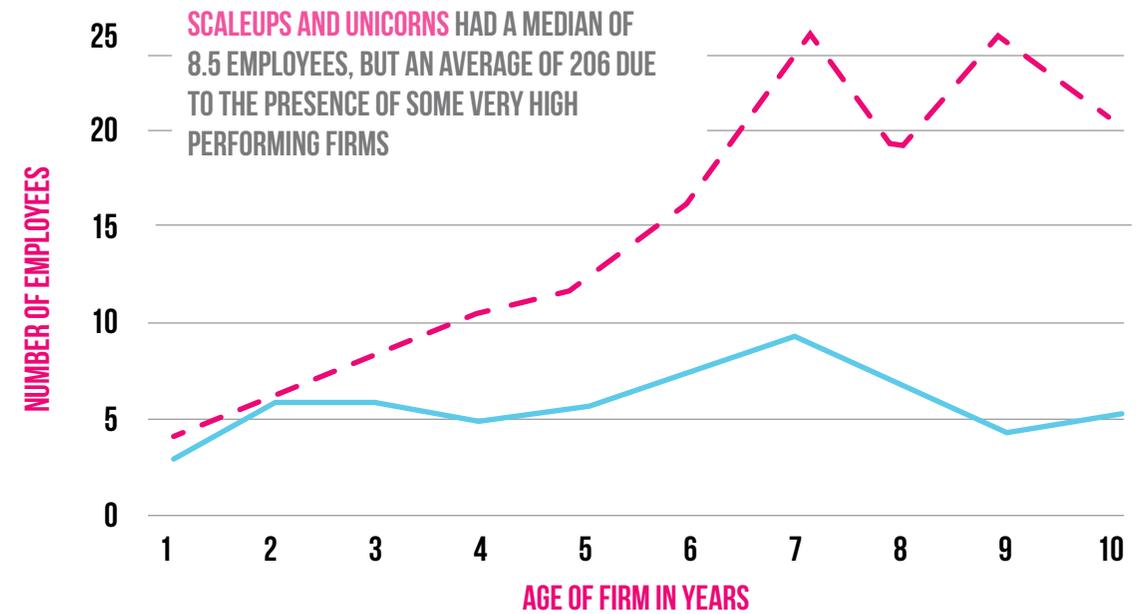
Most firms have either 5 or less employees (53%), or more than 10 employees (32%). Only 15% of firms have between 6 and 10 employees, which may signal that when small firms expand, they do so rapidly.



■ Percent of firms in 2022 — Percent of firms in 2017/18 **N = 2010**

AVERAGE NUMBER OF EMPLOYEES BY AGE OF FIRM

For typical firms in their first 10 years, the size of their workforce does not experience much change. However, the most successful firms experience significant growth – especially those over 10 years old.

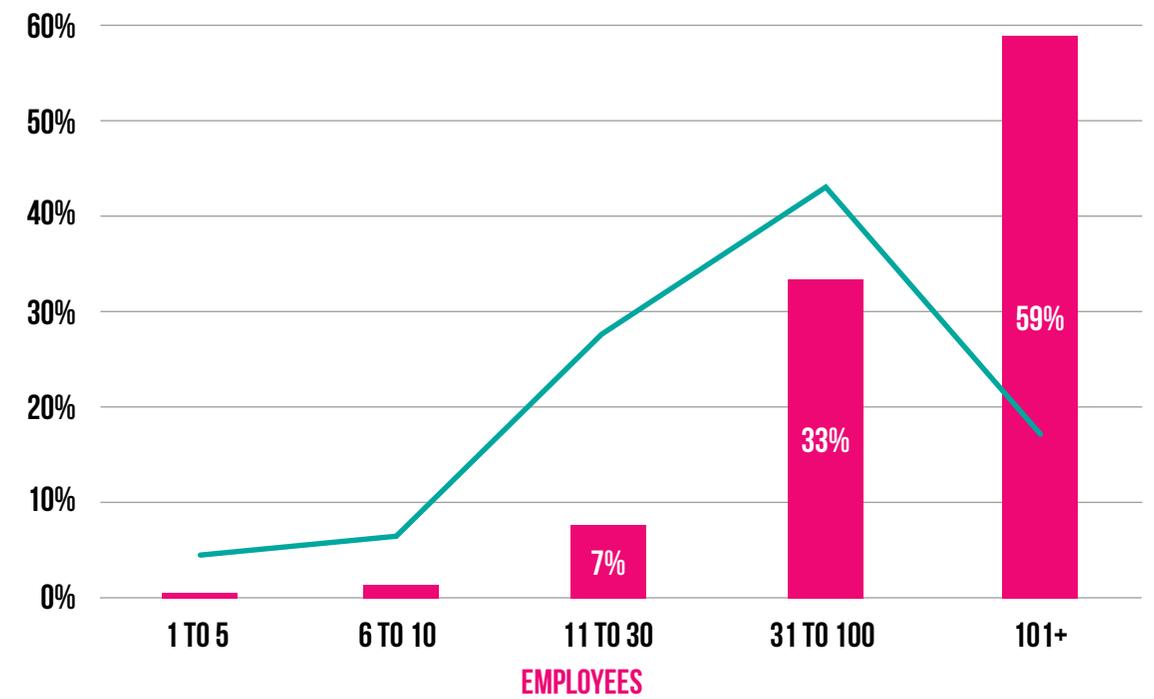


- Average no. of employees — Median no. of employees **N = 2097**

SIZE OF SCALEUPS

As expected, this finding confirms that as firms mature and experience growth in revenue and investment, their employee base expands accordingly.

NUMBER OF EMPLOYEES AT SCALEUPS



■ Proportion of employees within this bracket — Proportion of firms at this employee bracket

N = 276

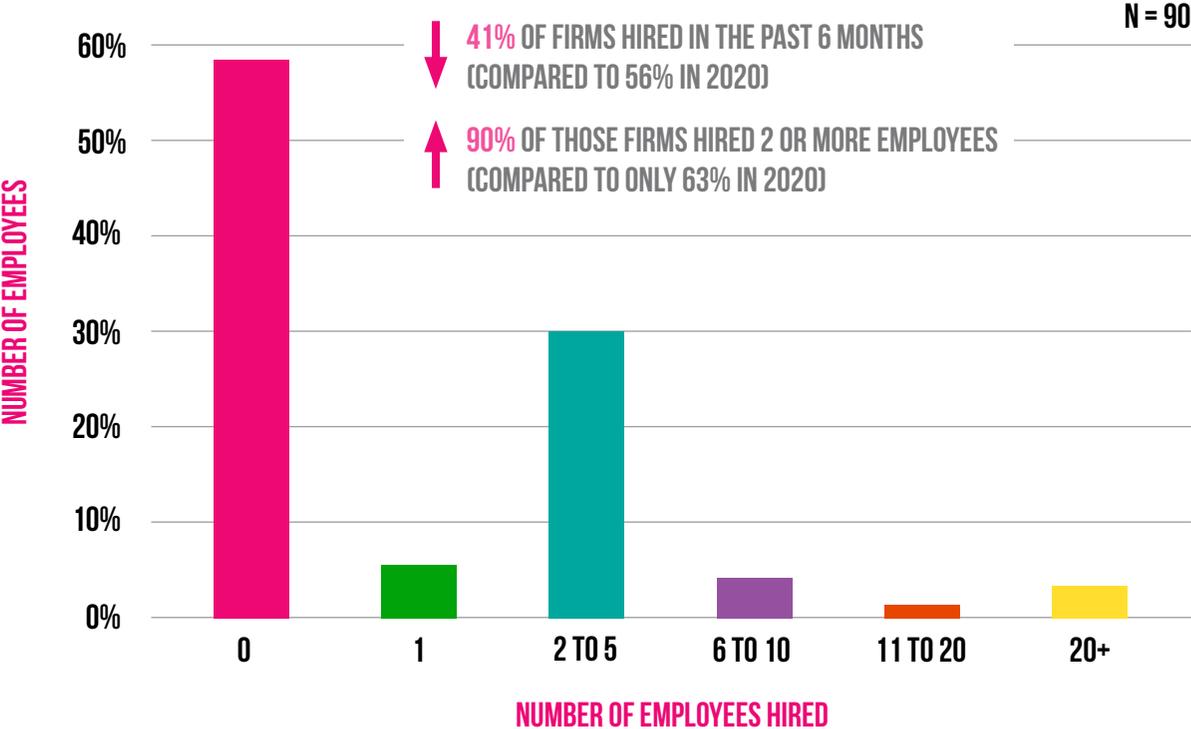


90%
of scaleups employ over
30 EMPLOYEES

RATE OF GROWTH OF FIRMS

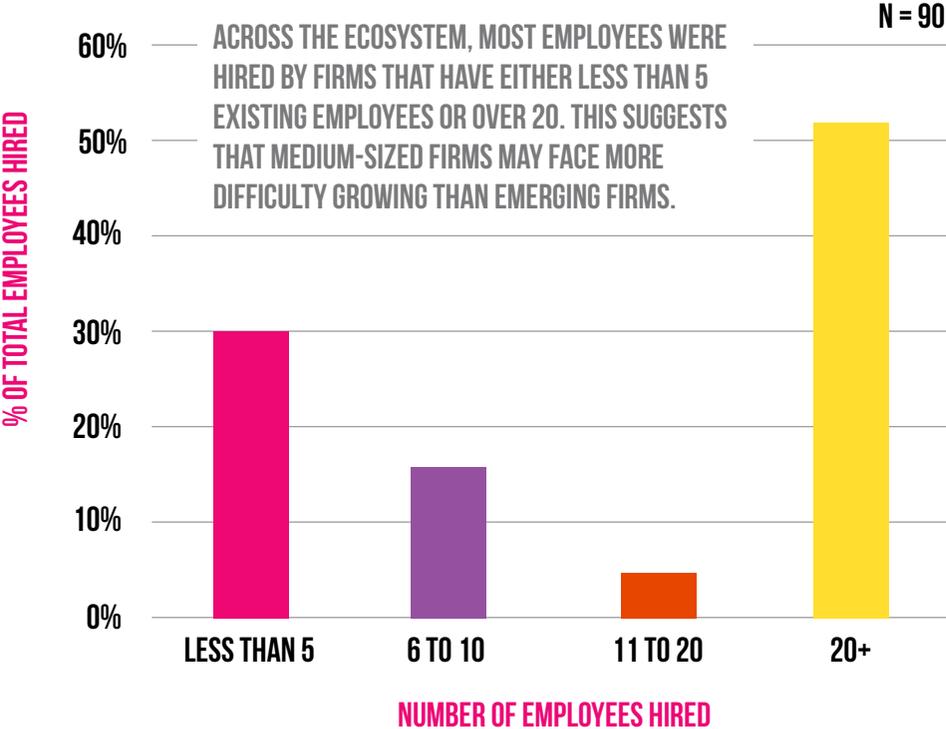
41% of firms recruited in the past 6 months, and those that do typically hired between 2 and 5 employees.

EMPLOYEES HIRED IN THE LAST 6 MONTHS*



*As a percentage of firms who hired at least one employee in the past 6 months

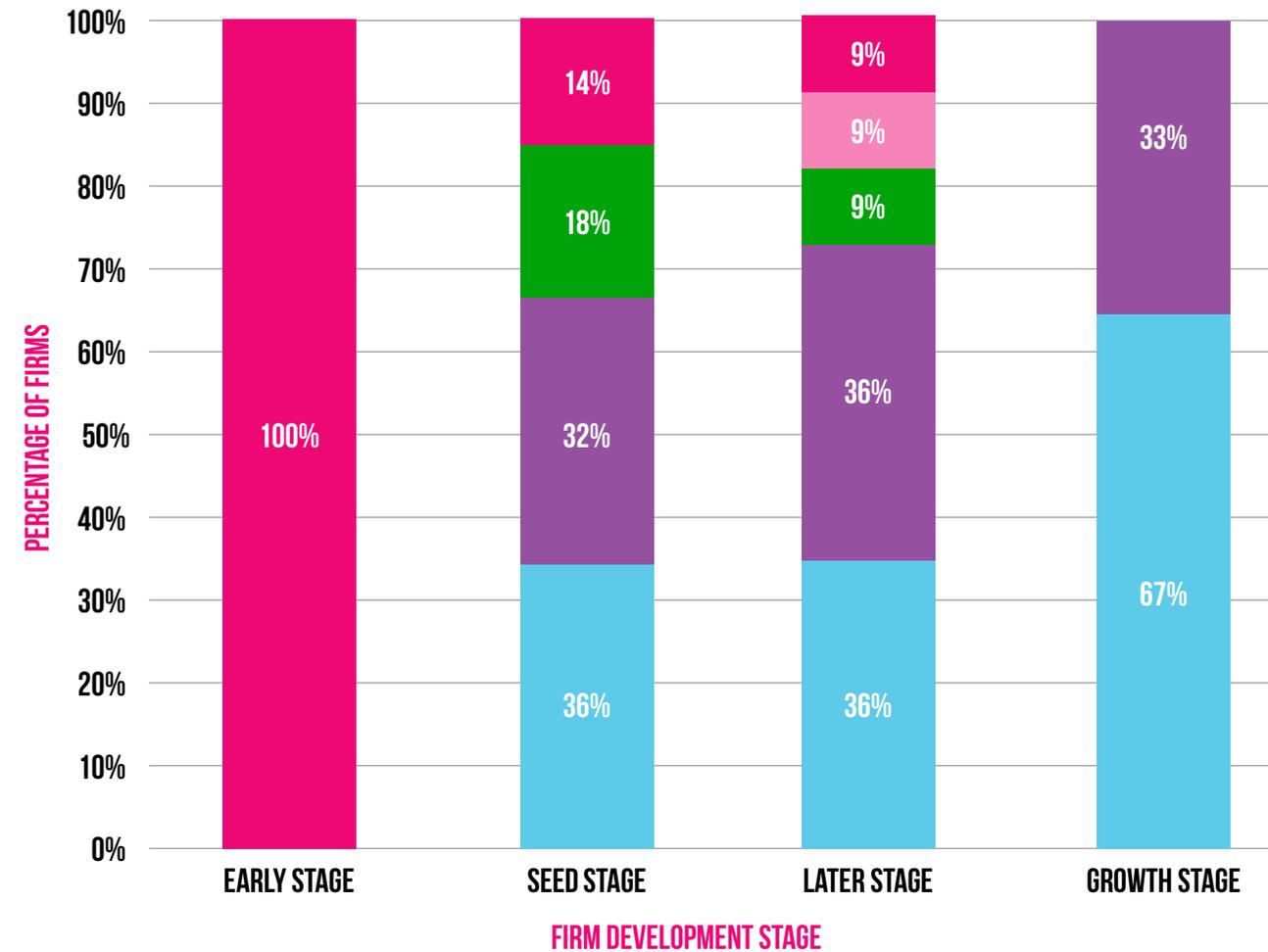
PROPORTION OF EMPLOYEES HIRED ACROSS FIRM SIZE



STAGE OF PRODUCT DEVELOPMENT

As would be expected, Victoria's startups beyond the Early stage phase of firm development have also progressed their product development to the most advanced stages: 'Product Ready – Paying Users' and 'Cash Flow Positive'.

PRODUCT DEVELOPMENT STAGE



N = 62

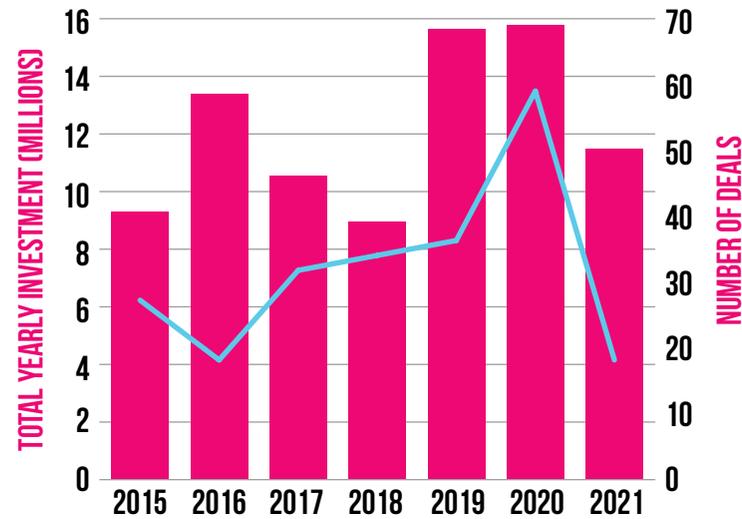
CAPITAL

INVESTMENT ACTIVITY OVER TIME

The past three years have seen substantial growth in larger capital raises and a decline in smaller raises. There was an increase in the number and value of capital raises over \$1m in 2021 with more than \$4b invested in total. This figure is inclusive of VC and non-venture capital sources such as corporate investment and debt financing.

IN THE PAST 8 YEARS \$12.24B HAS BEEN INVESTED IN FIRMS FOUNDED OR HEADQUARTERED IN VICTORIA ACROSS 778 DEALS**

CAPITAL RAISING VALUE CATEGORIES: RAISES UP TO \$1M*

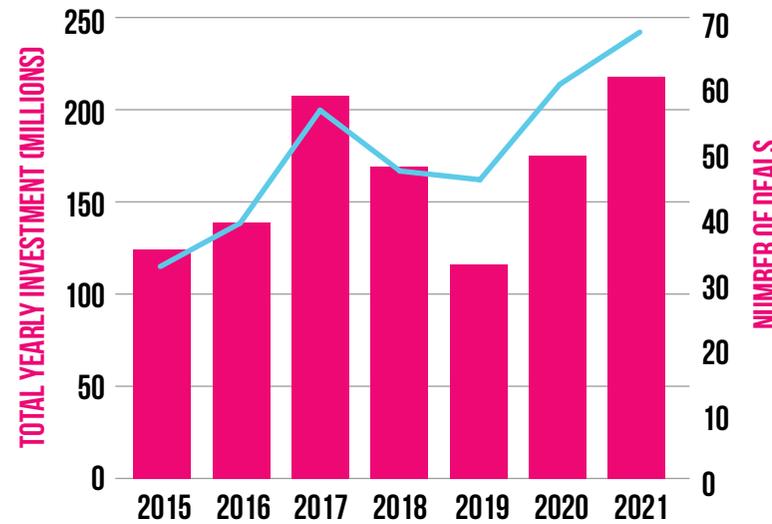


MAJOR RAISES INCLUDE:

Company	Amount (\$)	Date
Milkdrop	\$800k	2022
Tixel	\$880k	2021
Stelect	\$750k	2019

N = 563

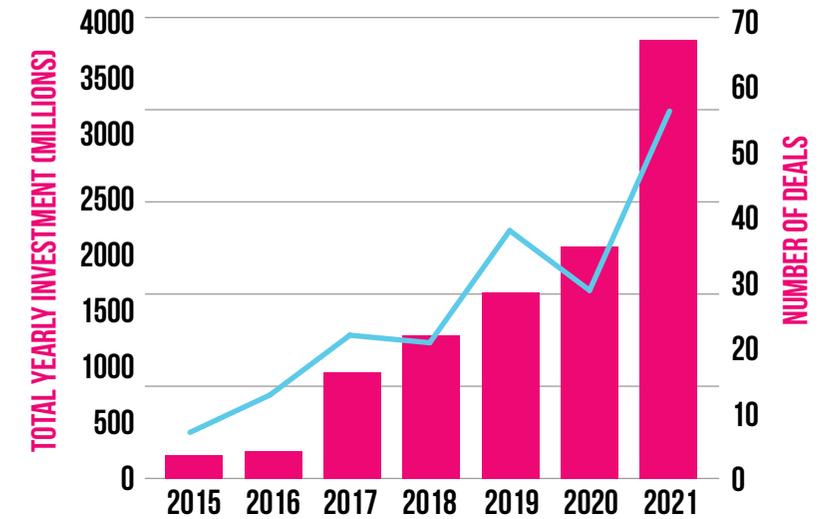
RAISES BETWEEN \$1M TO \$10M*



MAJOR RAISES INCLUDE:

Company	Amount (\$)	Date
Swoop Aero	\$9.41m	2022
Elenium Automation	\$10m	2021
Maple Finance	\$9.55m	2021

RAISES OVER \$10M*



MAJOR RAISES INCLUDE:

Company	Amount (\$)	Date
ZeeFi	\$45m	2021
Timelio	\$245m	2021
Judo Bank	\$650m	2021

■ Total investment value ▲ Number of deals

Sources: Dealroom data collected December 2022

*Firms provided data in different currencies. All figures were converted to \$AUD at the conversion rates in December 2022 at time of analysis: \$1USD = \$1.45AUD, \$1EUR = \$1.55AUD, \$1GBP = \$1.80AUD.

** This includes only data from 2015 to present, including the partial data available for funding raised in 2022. Mergers and acquisitions were not considered capital raises for the purposes of this chart.

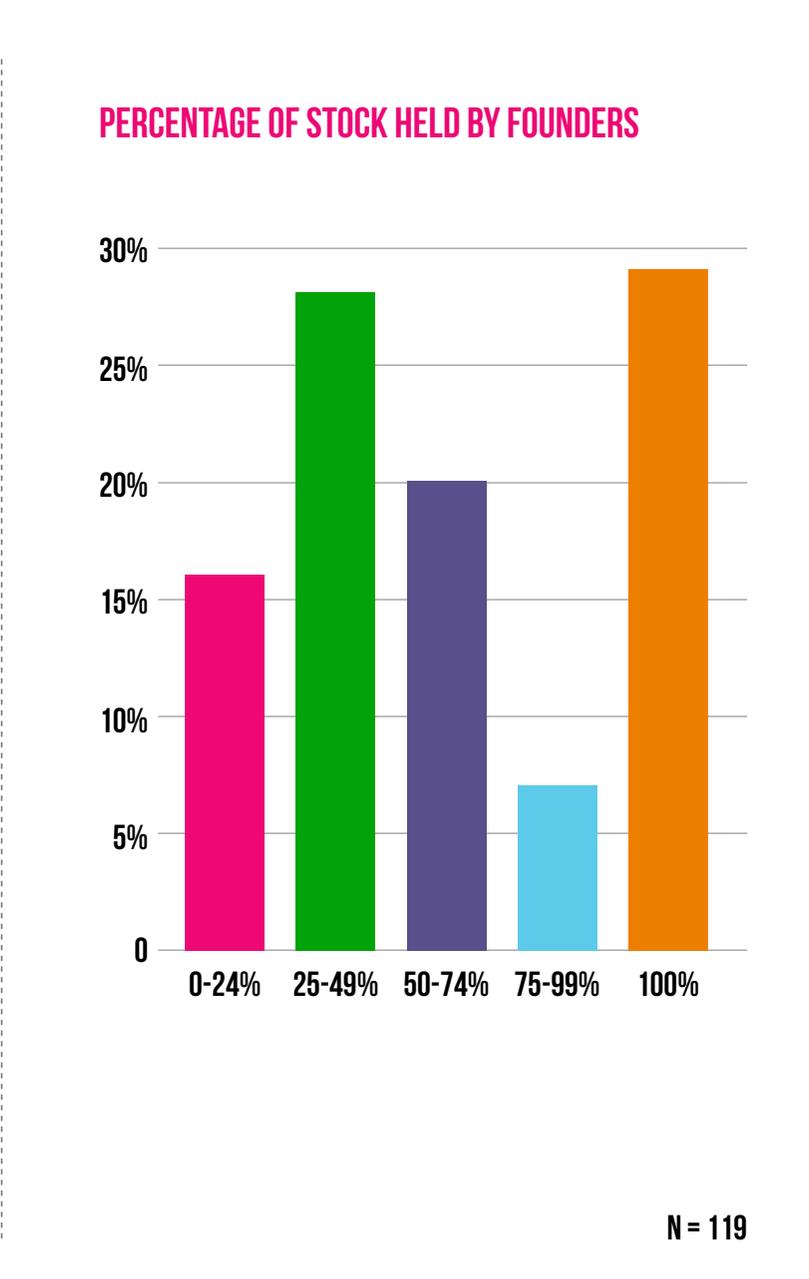
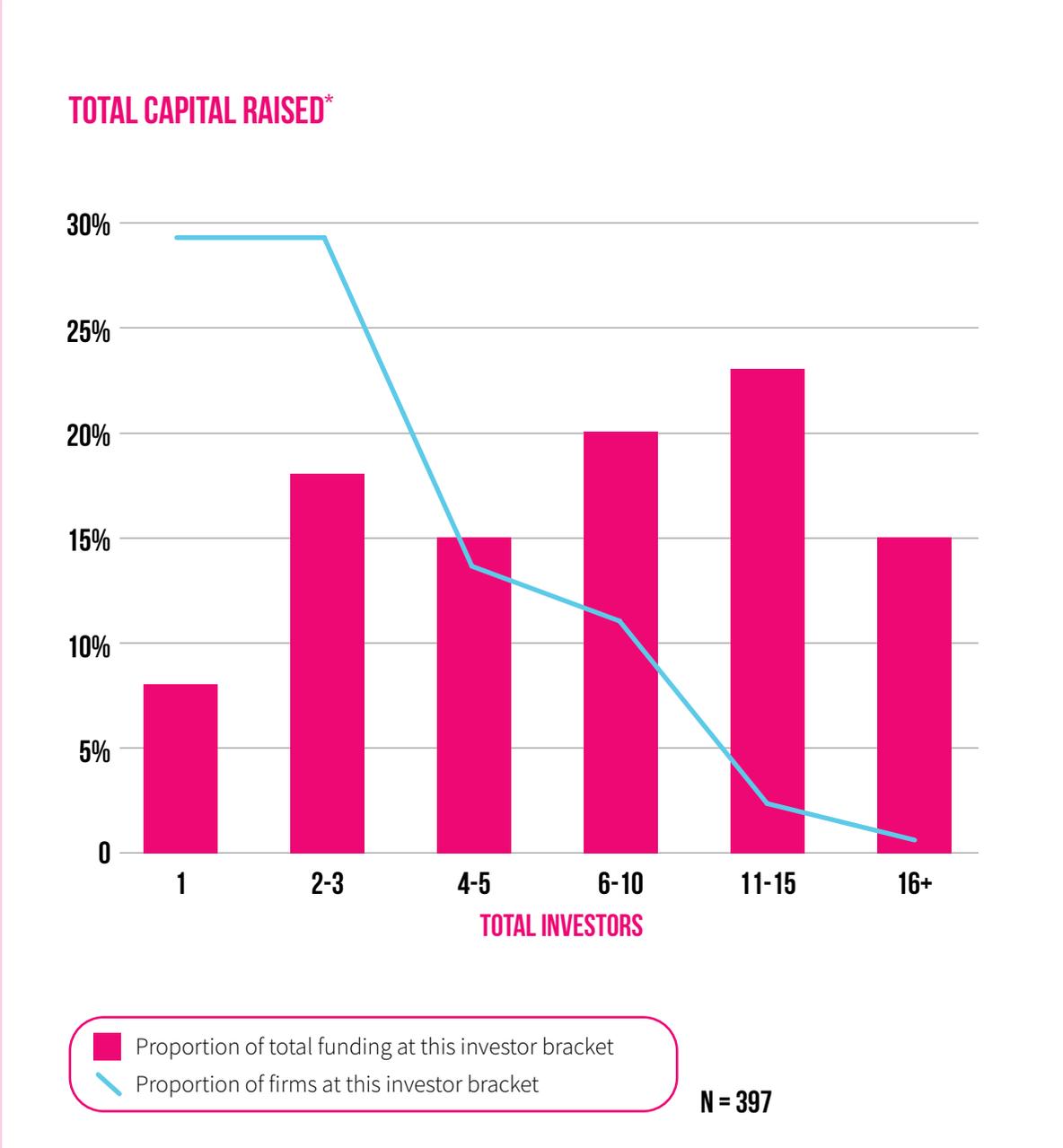
Only firms that are currently considered startups/scaleups/unicorns were in scope for this analysis.

*** These illustrate the entirety of capital investment (\$4b) in all startups operating within the Victorian startup ecosystem in 2021, inclusive of non-venture capital sources such as corporate investment and debt financing.

INVESTMENT CONCENTRATION

Although most firms have 5 or less investors, almost 60% of total capital has been invested in startups with 6 or more investors.

Almost all founders have some stock in their firm, with over a quarter holding all the stock.



*An additional \$200 million was raised by firms that we did not have investor number data on.

PEOPLE



SUMMARY

More first-time founders are present in the Victoria startup ecosystem in 2022. However, the sector's diversity has largely plateaued over the past 5 years.

What we found:

Founders

- Since 2020's report, the share of all startups' first-time founders increased from 44% to 53%.
- Approximately one third of firms have at least one woman founder. Women founders are twice as common in firms in the early and seed stages of development as in the growth and later stage firms.
- The average founder age is 42, the same average reported in 2020.
- 10% of founders identify as LGBTQIA+.

Team diversity

- The proportion of firms with at least one woman employee remains at 47%.
- 36% of firms have at least one employee who identifies as having a Racial Minority Background.

Talent priorities

- Engineering and technology skills are the skills in highest demand amongst startup firms, continuing a similar finding in the 2020 report.

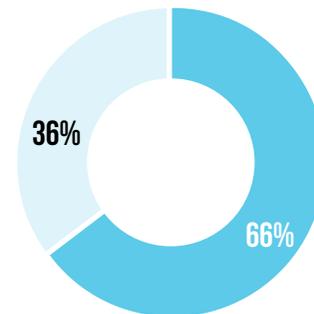
PEOPLE



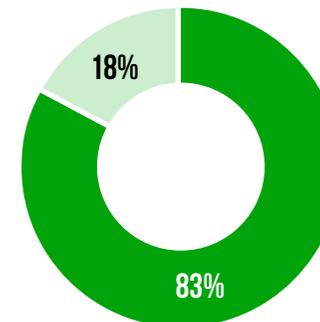
FOUNDERS' EXPERIENCE

In the past 2 years, the proportion of firms with first-time founders increased almost 10%. This may indicate a healthier and more supportive startup ecosystem that is more appealing and/or conducive for first-time founders to launch their ventures.

Share of firms with at least 1 founder who has **technical experience** and has worked on software development

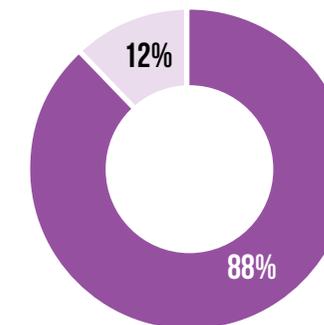


Share of firms with at least 1 founder with a **business degree** or at least 2 years experience as a manager



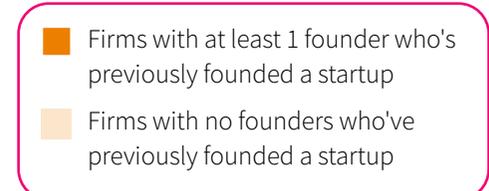
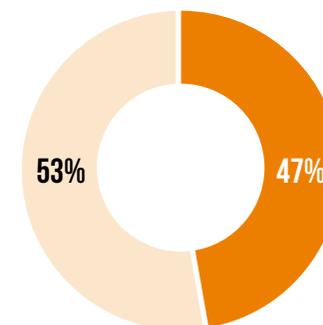
Share of firms with at least 1 founder with at least 2 years of prior work experience in a relevant industry.

E.g. a fintech founder who previously worked for a bank



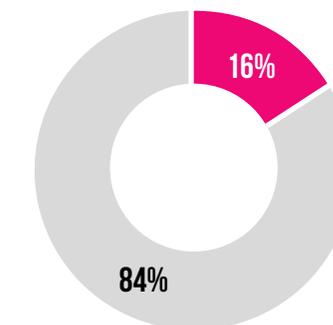
N = 120

Founders with previous **experience starting companies**



Source: SUG 2022 survey results

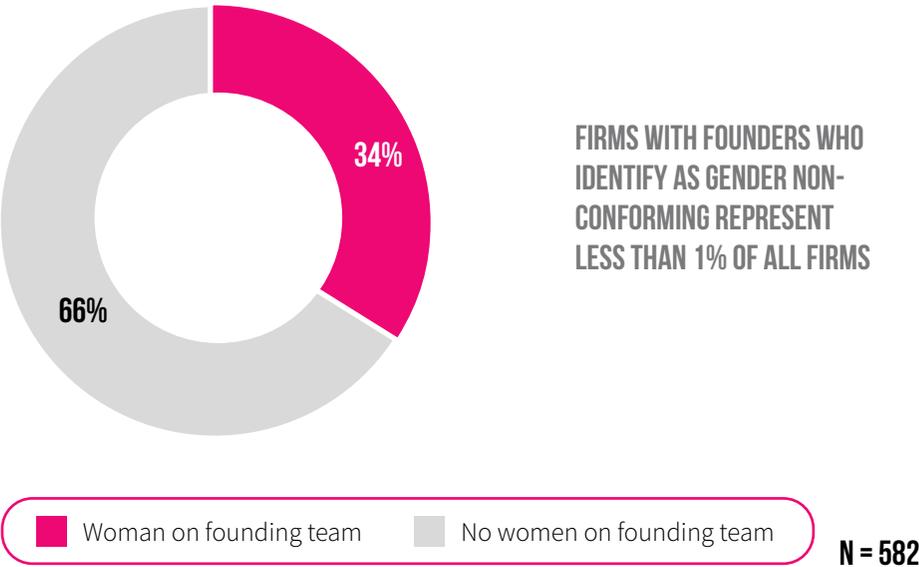
Share of firms with at least 1 founder who has worked for minimum 2 years for a startup with >\$100M USD valuation



FOUNDER DEMOGRAPHICS

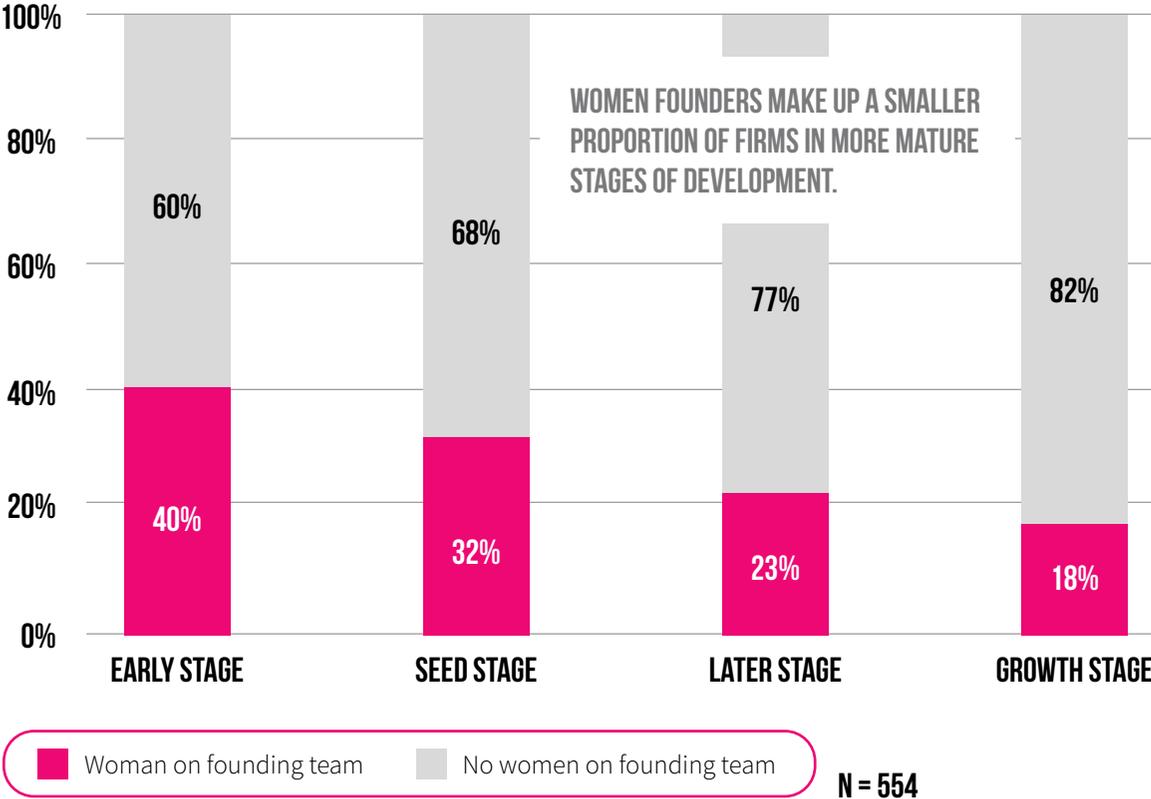
One third of firms have at least one woman founder. At all stages of development women-founded firms represent a minority and as development stages progress, the share of women-founded startups falls.

PROPORTION OF FIRMS WITH AT LEAST ONE WOMAN FOUNDER



Despite women representation in one third of firms, women only represent 22% of all founders across all firms. **This suggests that in firms that have both men and women founders, male founders outnumber by a factors of 2:1.**

PROPORTION OF FIRMS WITH AT LEAST ONE WOMAN FOUNDER BY STAGE OF DEVELOPMENT



FOUNDER DEMOGRAPHICS

Firms with a woman founder raise less than those without

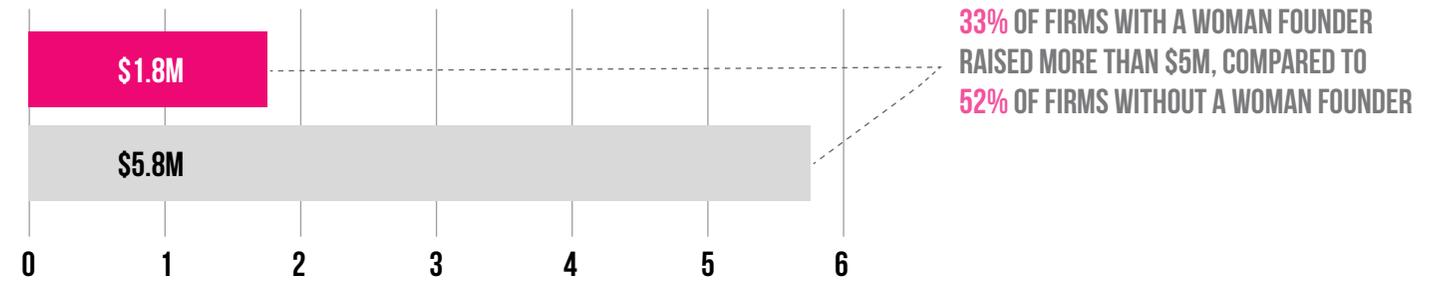
Firms with a woman founder have a significantly smaller median firm capital raise, indicating that most of these firms raise less than those without women founders.

Firms with women founders have a bigger proportion of high-performers

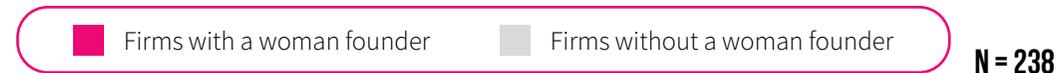
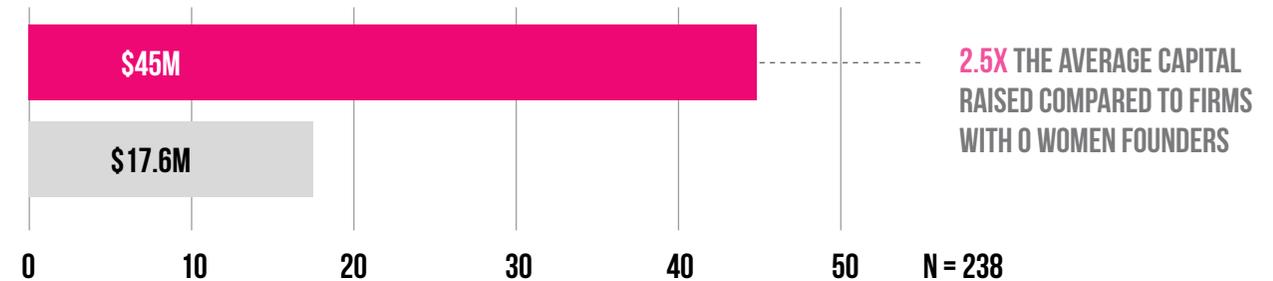
However, the presence of one or more women founders in a firm secured a higher average capital raised than those without, raising 2.5x as much as firms with no women founders.

This is due to the presence of some very high performing firms – such as Airwallex and Judo Bank – which have successfully raised hundreds of millions.*

TOTAL CAPITAL RAISE OF FIRMS BY PRESENCE OF WOMEN FOUNDERS (MEDIAN)¹



TOTAL CAPITAL RAISE OF FIRMS BY PRESENCE OF WOMEN FOUNDERS (AVERAGE)¹



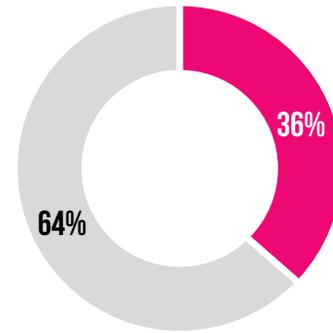
¹Data taken from firms that provided both founder demographic and capital raised data, which is likely to represent higher capital raise figures than the true average.

*The data supporting findings on capital raises and women founders comes from Dealroom and Startup Genome, in line with the rest of this report. Firms with women founders in these sources are defined as all firms that include any women founders. LaunchVic's Alice Anderson prize defines women-led startups as having at least 50% women ownership, or 30% women ownership as well as women in 50% of executive positions (LV to confirm definition). Using this more restrictive definition decreases the strong capital raise results for larger firms associated with women founders such as AirWallex and Judo Bank.

FOUNDER DEMOGRAPHICS

Recent years have seen a substantial increase in the share of younger founders – particularly those in their 30s. Founders from racial minorities, LGBTQIA+ and Aboriginal and Torres Strait Islander backgrounds continue to have low representation.

FIRMS WITH FOUNDERS' FROM RACIAL MINORITY BACKGROUNDS

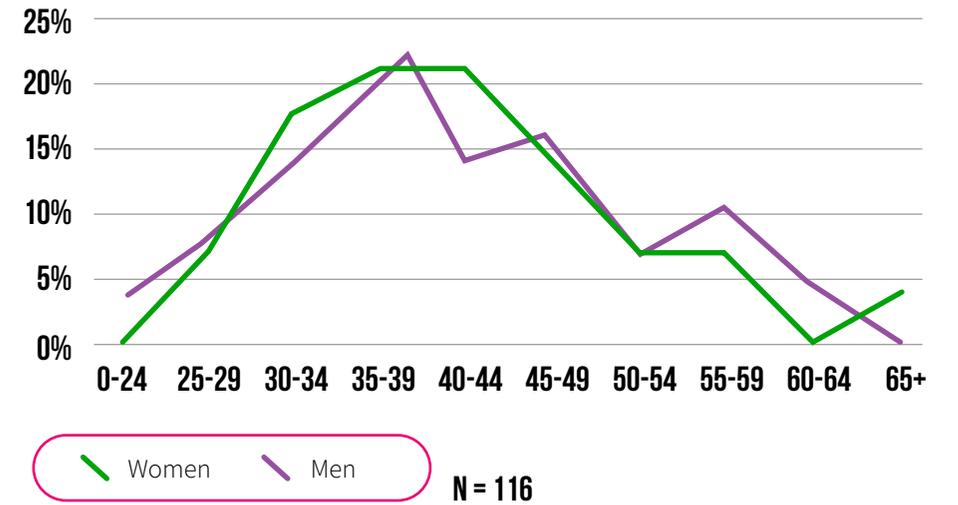


- At least 1 founder from a racial minority background
- No founders from a racial minority background

N = 73

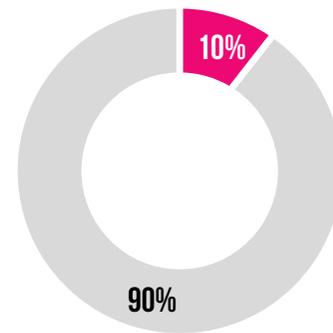
AGE OF FOUNDERS

Compared to prior years, the share of founders in their 30s has increased substantially. The average founder age has remained consistent at 42.



N = 116

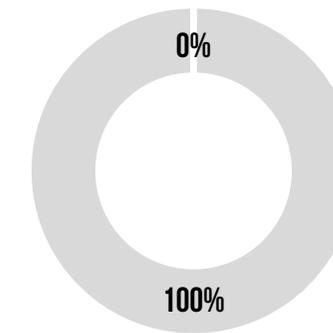
FIRMS WITH FOUNDERS WHO IDENTIFY AS LGBTQIA+



- At least 1 LGBTQIA+ founder
- No LGBTQIA+ founders

N = 71

FIRMS WITH FOUNDERS OF ABORIGINAL AND / OR TORRES STRAIT ISLANDER DESCENT



NONE OF THE RESPONDING FIRMS HAVE FOUNDERS OF ABORIGINAL AND / OR TORRES STRAIT ISLANDER DESCENT.

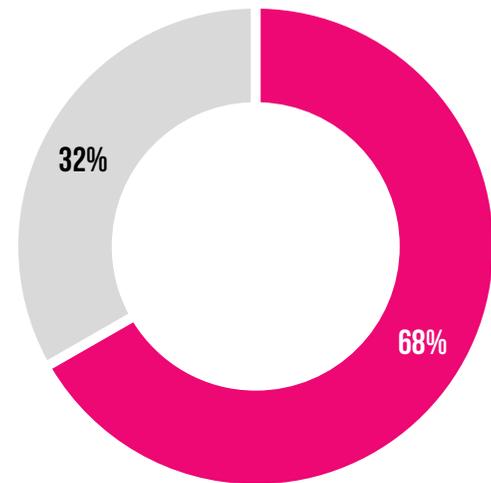
- At least 1 founder of Aboriginal and Torres Strait Islander Descent
- No founders of Aboriginal or Torres Strait Islander Descent

N = 94

FOUNDER DEMOGRAPHICS

Most founders list their place of origin as Australia but have one or more parents born outside Australia, reflecting almost identical proportions as in 2018 & 2020. The share of founders from outside Australia has reduced slightly from 35% to 32%.

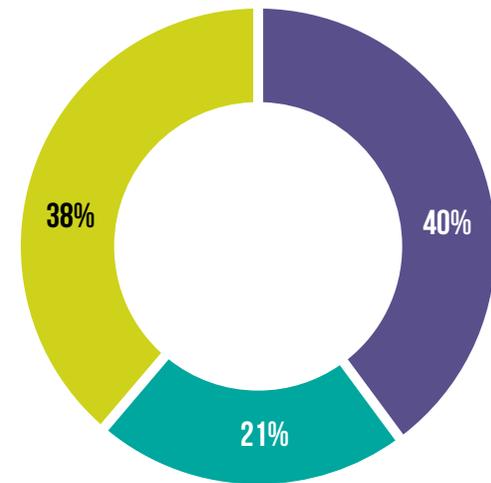
PLACE OF ORIGIN OF FOUNDERS



■ Within Australia ■ Outside Australia

N = 75

PROPORTION OF FOUNDERS' PARENTS BORN IN AUSTRALIA



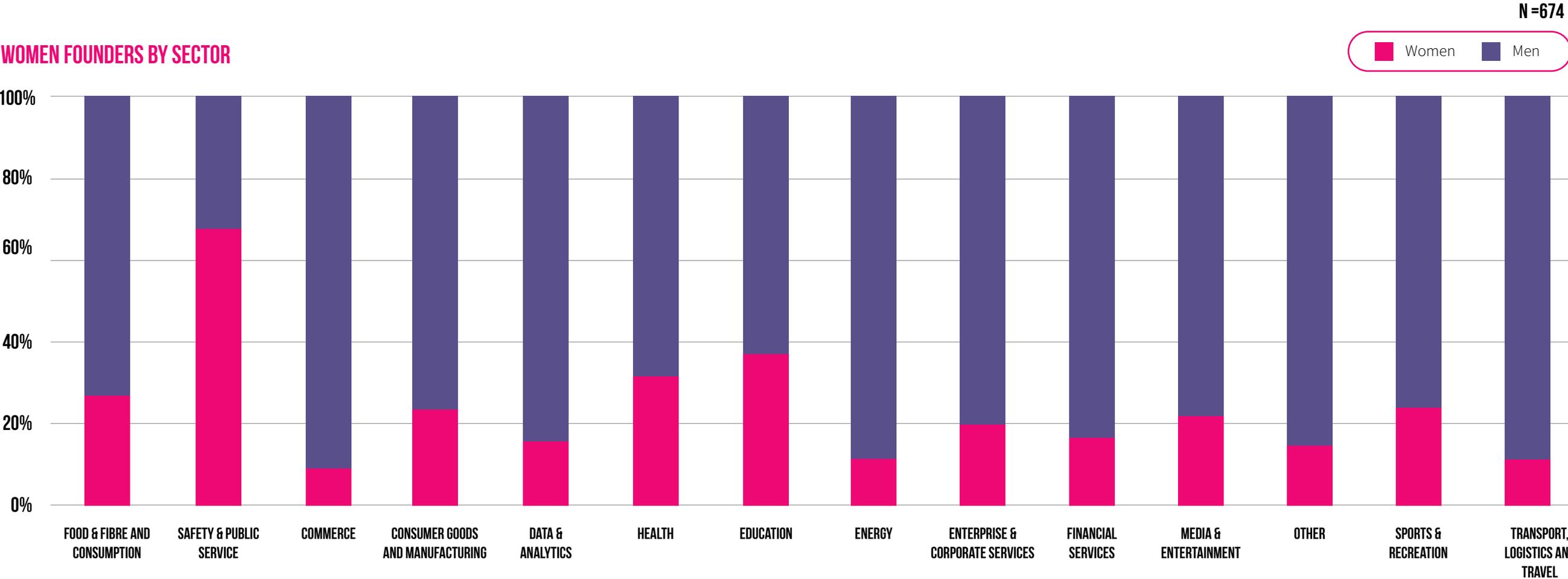
■ Both parents ■ Only one parent ■ Neither parent

N = 98



GENDER OF FOUNDERS BY SECTOR

Safety & Public Service is the only sector with a majority of women founders at 67%. Education and Health each have over a third of woman founder representation, whilst Commerce and Energy are the most underrepresented sectors.

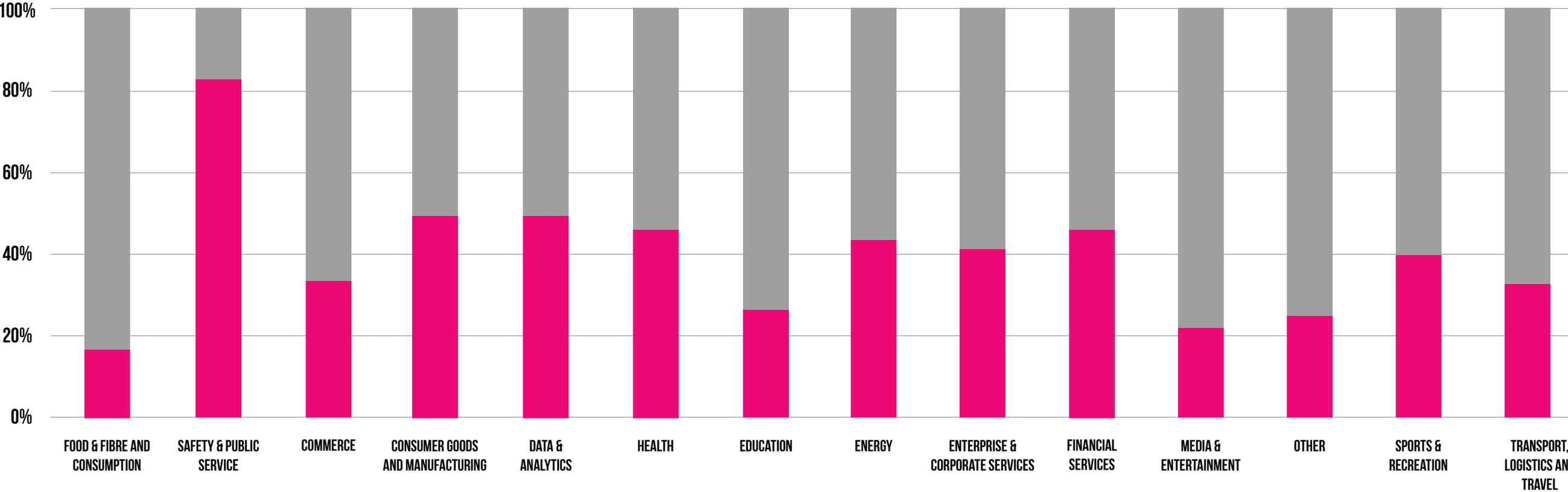


DIVERSITY AND INCLUSION POLICY

As well as having the highest proportion of women founders, firms in the Safety & Public Service sector most frequently have a formal Diversity and Inclusion policy. The rate of all other sectors is below half, although this is a slight improvement from 2018.

N=97

BREAKDOWN OF MARKET STRATEGY

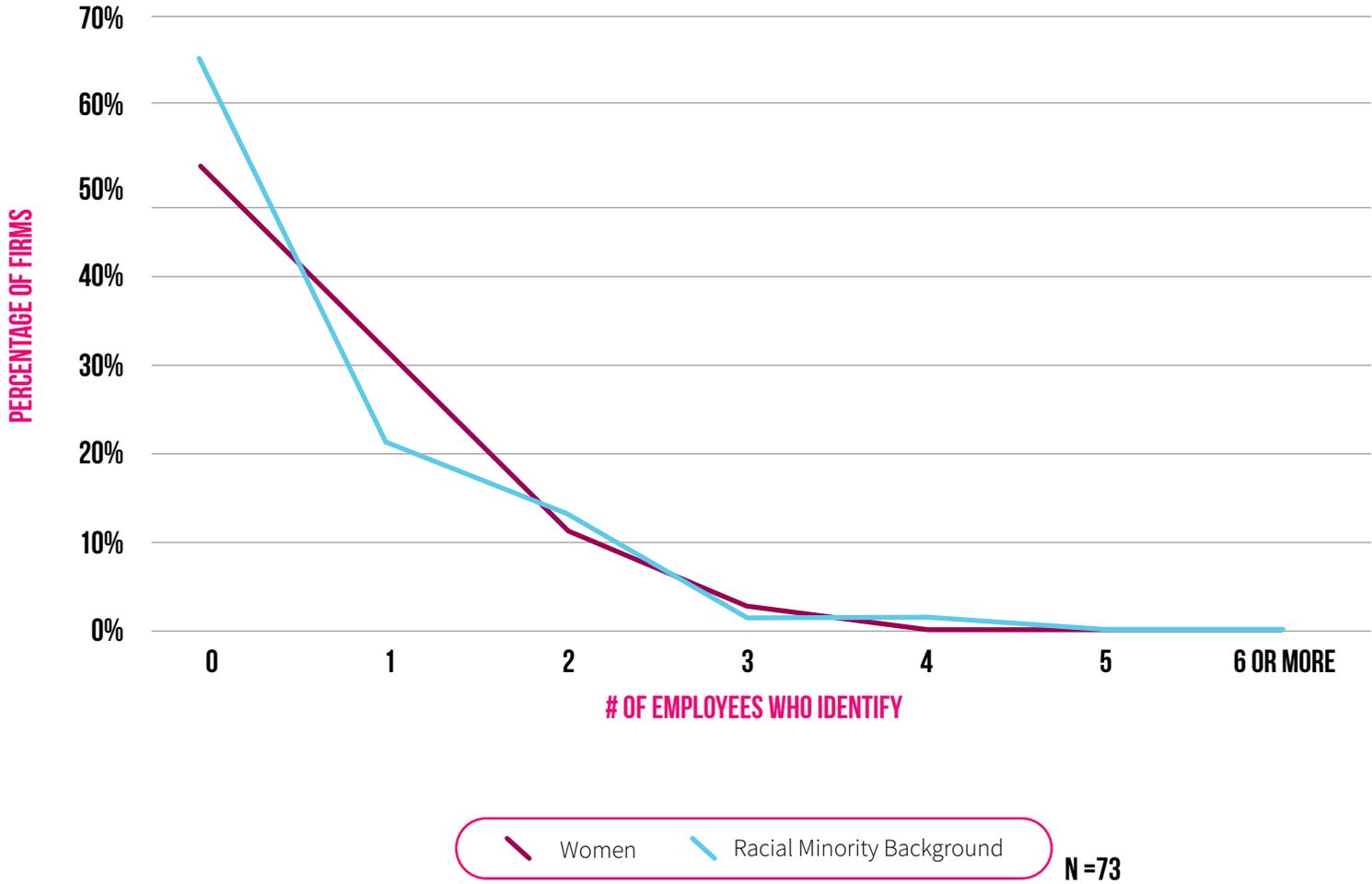


DIVERSITY OF EMPLOYEES

Half of Victorian firms employ a woman and a third employ a person with a racial minority background. However, representation drops significantly beyond the first employee in each firm.



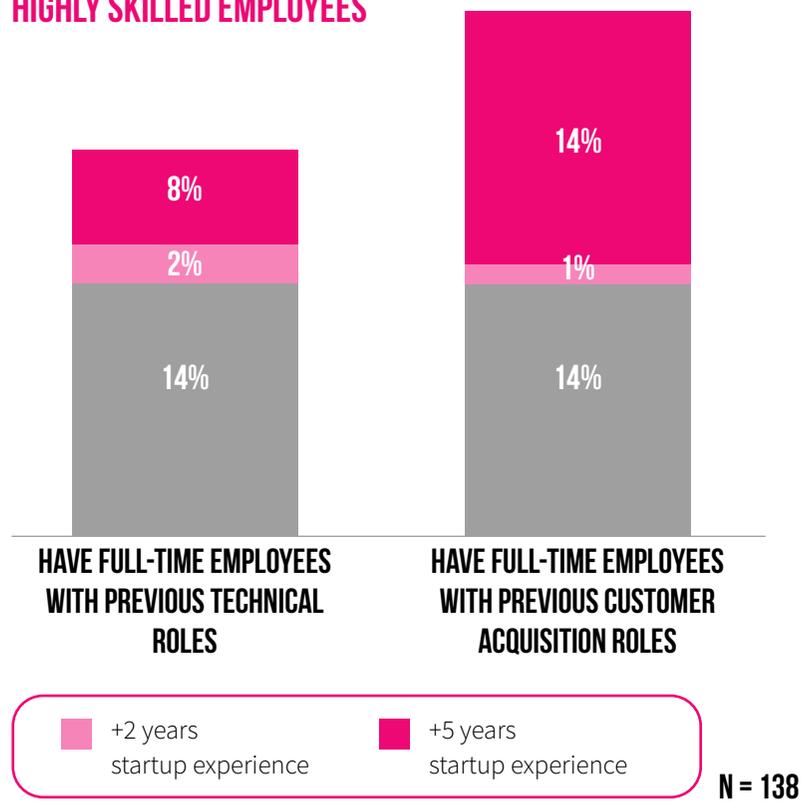
DIVERSITY OF EMPLOYEES IN FIRMS



TALENT

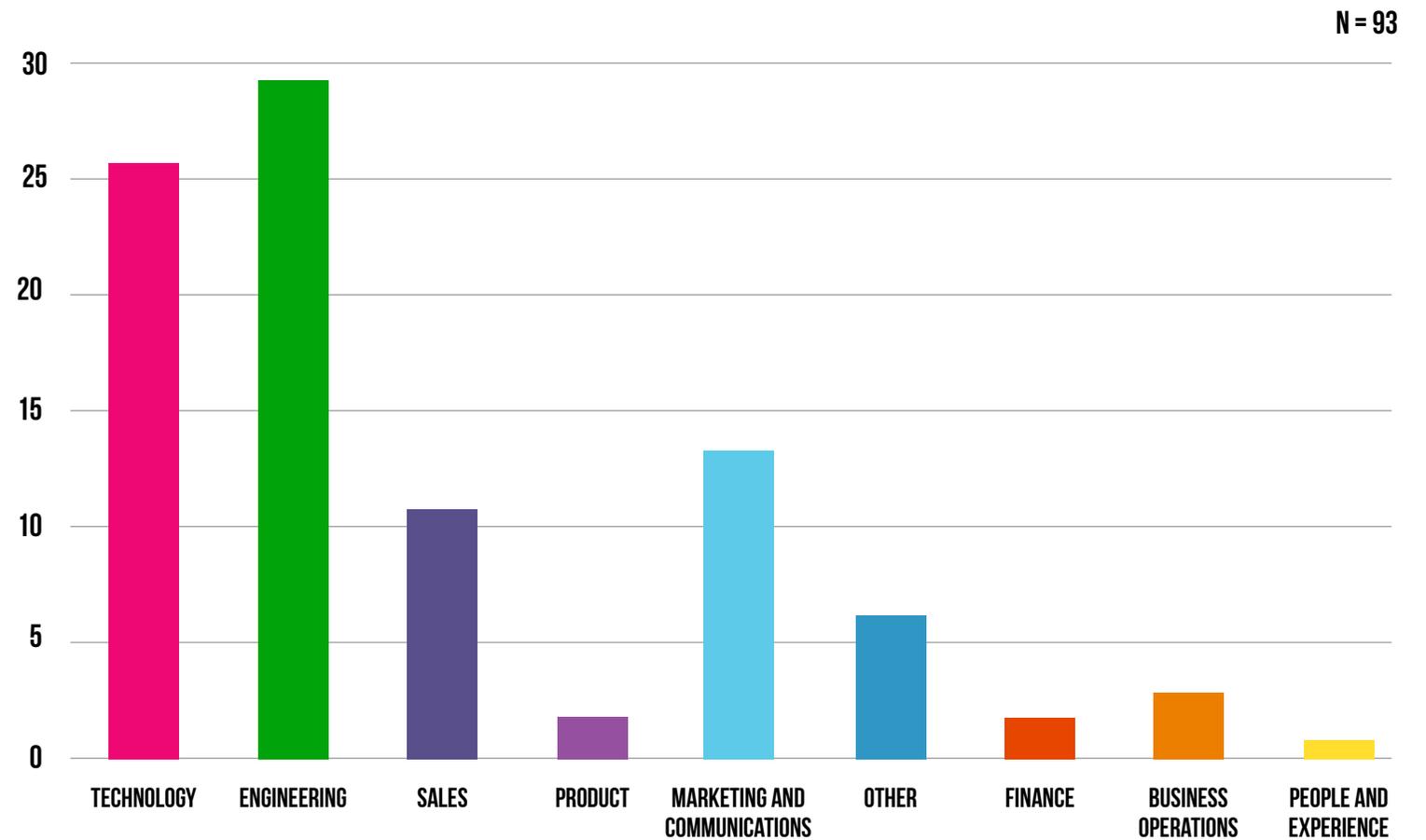
A quarter of firms have hired highly skilled full-time employees. These employees often have ample startup experience.

PROPORTION OF FIRMS WITH HIGHLY SKILLED EMPLOYEES



As per the wider labour market, Victorian startups place a high priority on finding staff with engineering and technology skills.

SKILLS IN DEMAND BY FIRMS



EXTERNAL ENVIRONMENT & SUPPORT

SUMMARY

More of Victoria's startups joined accelerator programs in 2022 compared to 2020. Awareness of LaunchVic among survey respondents remains high, at above 90%.

What we found:

Accelerators / incubators

- One third of firms have participated in an accelerator or incubator program during the past 12 months, up from 27% in 2020.
- Accelerator and incubator program participation skewed more heavily towards younger firms at earlier stages of startup development.

Ecosystem support

- Most firms have relationships in the local ecosystem and call on these relationships in a typical two-week period.
- While firms in earlier stages of development tend to call on experts more, older firms know a larger number of investors in the Victorian Startup Ecosystem. These metrics have not substantially changed since our last survey in 2020.

Engagement with LaunchVic

- Engagement with LaunchVic is high. 91% of firms report that they are aware of LaunchVic, with a further 47% of firms reporting that they have attended a LaunchVic sponsored event or workshop in the past year, despite COVID-related constraints.

EXTERNAL

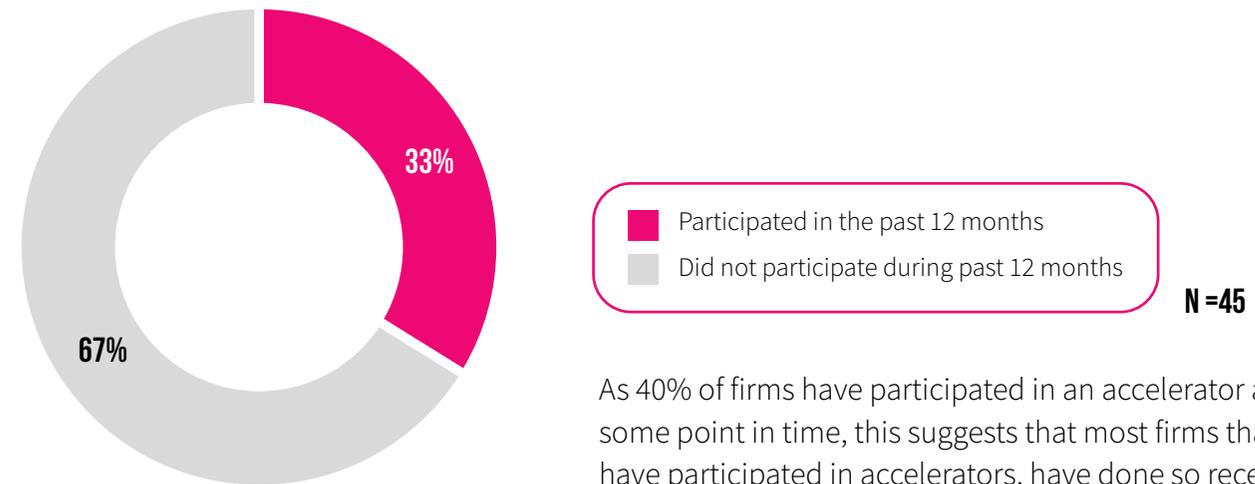


PARTICIPATION IN ACCELERATORS AND INCUBATORS

Accelerator and incubator program participation skewed more heavily towards firms greater than 2 years old in 2022. This may indicate a growing recognition amongst even more experienced operators that these programs can add substantial value.

ACCELERATOR PARTICIPATION RATE

Around a third of firms participated in an accelerator in the last 12 months.



As 40% of firms have participated in an accelerator at some point in time, this suggests that most firms that have participated in accelerators, have done so recently.

TYPES OF FIRMS PARTICIPATING IN ACCELERATORS AND INCUBATORS

AGE OF FIRMS

The median age of a firm participating in an accelerator or incubator program is 2 years old.



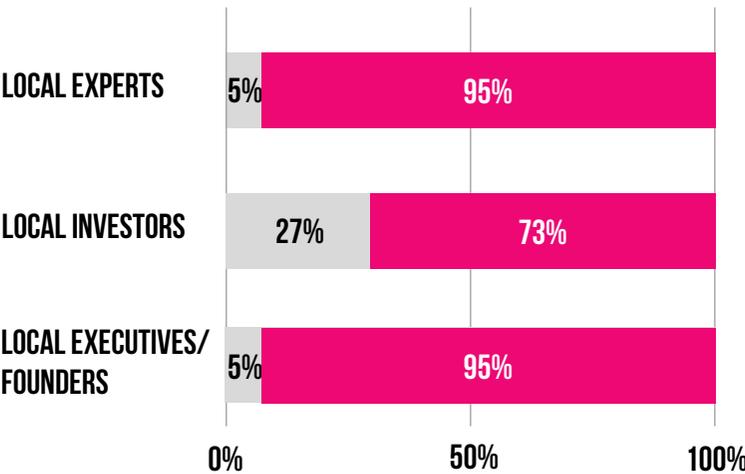
Those who participated in an accelerator in the last year tended to be younger firms, and the significant majority are at early stage of growth.

LOCAL RELATIONSHIPS AND ADVICE

Most firms have relationships in the local ecosystem and call on these relationships in a typical two-week period. While firms in earlier stages of development tend to call on experts more, older firms know a larger number of investors in the Victorian Startup Ecosystem. These results have not substantially changed since our last survey in 2020.

RELATIONSHIPS IN THE ECOSYSTEM

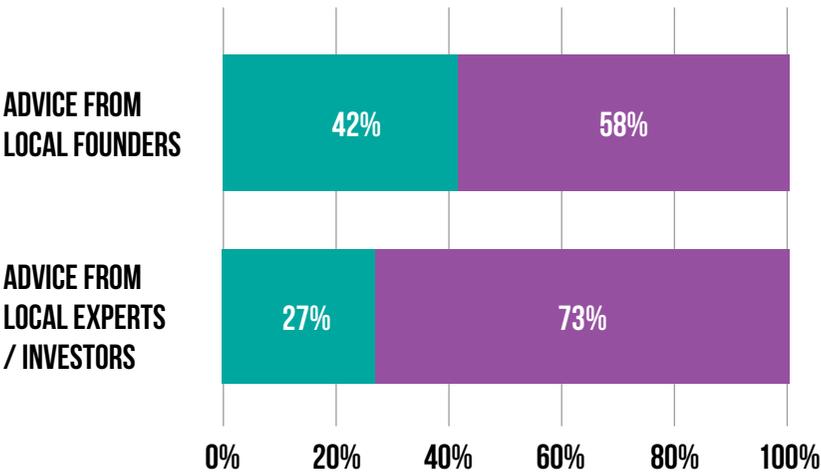
A very high proportion of firms have at least some relationships with other local executives / founders and local experts. Around one-quarter do not have any relationships with local investors.



No local relationships with this group
 Local relationships with this group
N = 127

RECENT USE OF LOCAL CONNECTIONS

80% of respondents would receive some assistance from local experts or founders in a typical two-week period. Most respondents access local advice (e.g. insights, valuable introduction) as opposed to assistance from other local founders.



Did not receive advice
 Received advice
N = 127

RELATIONSHIPS IN THE ECOSYSTEM

We identified patterns between the average number of relationships or the help received and three characteristics:

AGE OF FIRM

Firms that are three years old have the largest number of relationships with other founders. Firms that are 5 years and older have the highest average number of relationships with local investors. Use of connections is consistent across firm ages.

STAGE OF DEVELOPMENT

Growth stage firms have the highest average number of relationships across executives / founders, local investors and local experts. Seed stage firms on average use their experts more, closely followed by early stage firms.

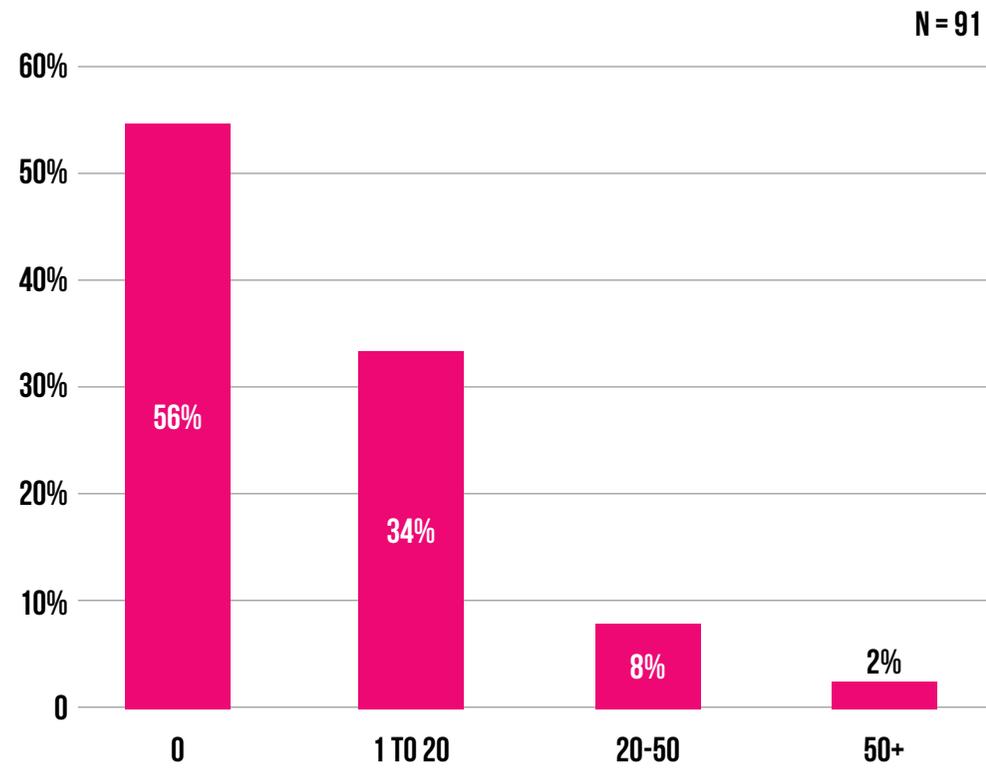
ACCELERATOR PARTICIPATION

The number and use of relationships is consistent between those who did not attend an accelerator and those who attended 1-2 accelerators. However, those who attended 3 or more accelerators have a notably higher average number of relationships and use their local experts more on average.

RECENT CAPITAL RAISING ACTIVITY

Most firms have not pitched to investors in the past quarter. Those who have, delivered an average of six presentations.

INVESTOR PRESENTATIONS IN PAST 3 MONTHS

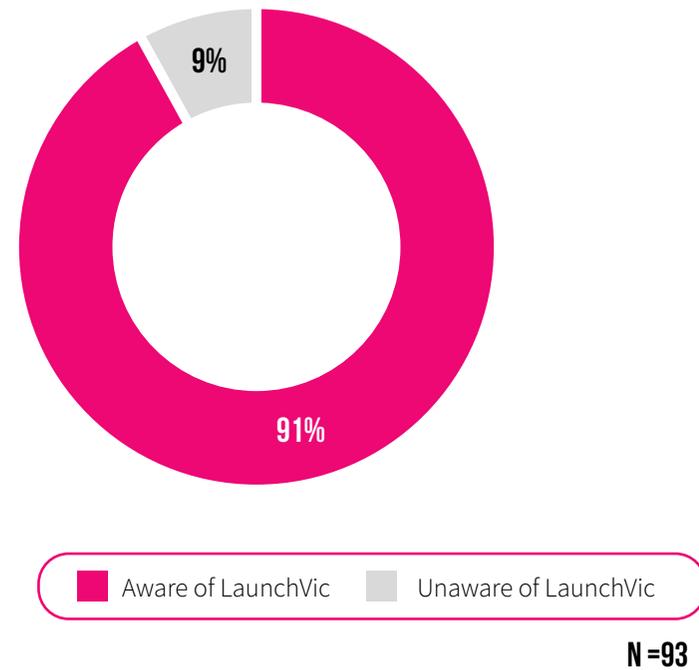


AWARENESS AND ATTENDANCE OF LAUNCHVIC EVENTS AND PROGRAMS

Awareness of LaunchVic remains strong in the Victorian startup ecosystem.

AWARENESS OF LAUNCHVIC

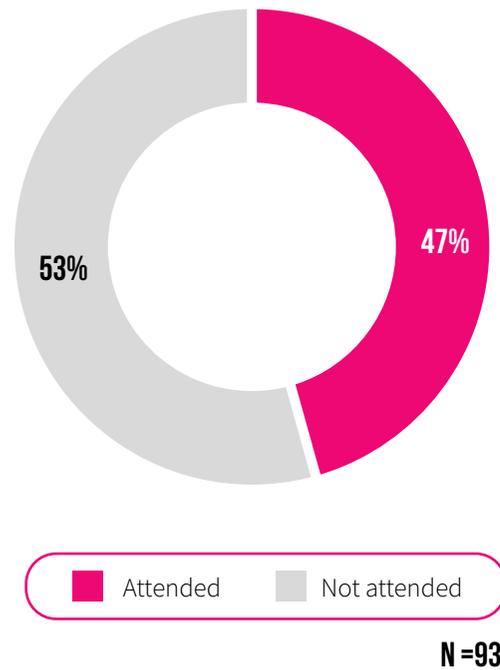
91% of respondents reported that they are aware of LaunchVic. These levels are consistent with age bracket and position.



Respondents attending a LaunchVic event in the past year fell to 47% from 79% in 2019. COVID-19 likely plays a role in this drop.

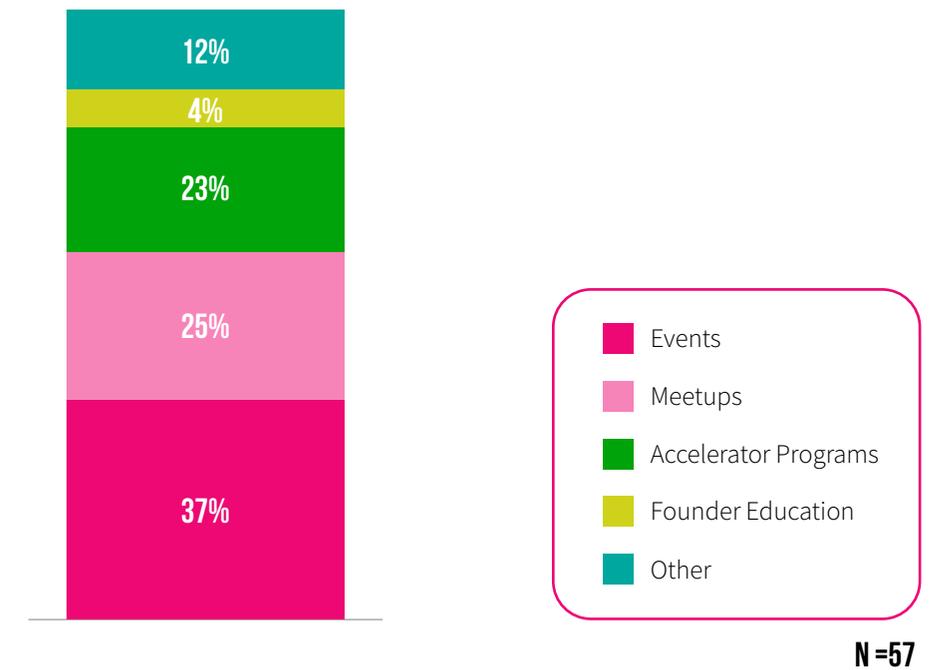
ATTENDANCE AT LAUNCHVIC SPONSORED EVENTS AND WORKSHOPS

47% of respondents reported that they have attended a LaunchVic sponsored event or workshop. These levels are consistent with age bracket and position.



TYPE OF PROGRAM

Events were the most attended LaunchVic programs that founders attended, followed by meetups and accelerator programs.



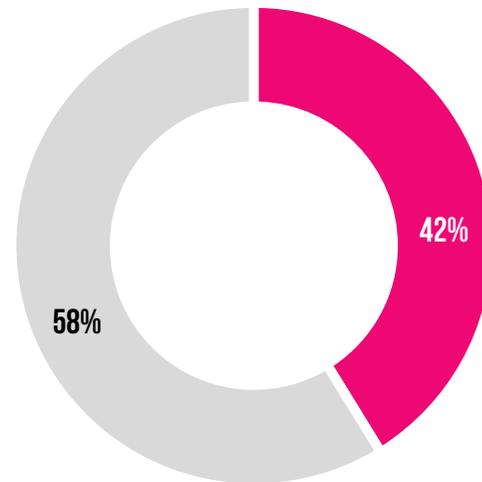
NB: Respondents could choose more than one response

RESEARCH & COMMERCIALISATION

UNIVERSITY LINKAGES

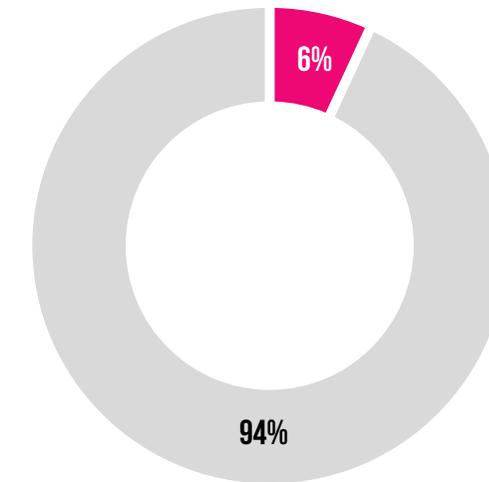
Of the 94 firms who responded to this question in the Startup Genome survey in 2022, 6% reported that they were commercialising a technology developed at a university. Despite this, a significant proportion of firms enjoy support from university accelerator programs.

PROPORTION OF FIRMS ATTENDING ACCELERATOR PROGRAMS THAT ARE UNIVERSITY ACCELERATOR PROGRAMS



■ Yes ■ No
N = 55

PROPORTION OF FIRMS COMMERCIALISING A TECHNOLOGY FROM A UNIVERSITY



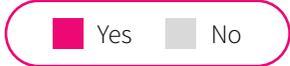
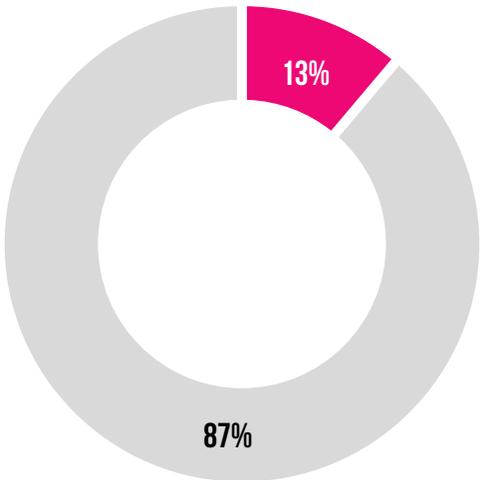
■ Yes ■ No
N = 94

RESEARCH

PATENTS

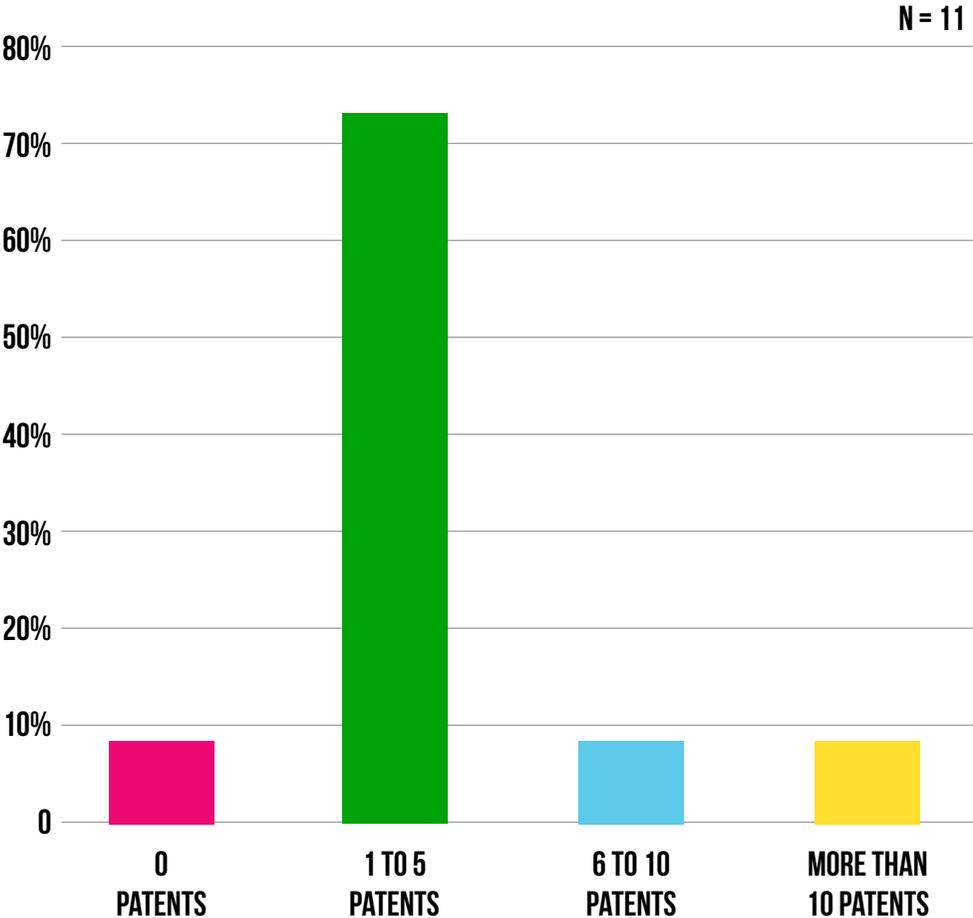
Patentable technology is not part of the strategy for most firms in Victoria's start-up ecosystem. For those firms who have pursued patenting, the majority rely on less than 6 patents.

DOES YOUR STARTUP RELY ON PATENTS?



N = 94

NUMBER OF PATENTS RELIED ON*



N = 11

*This analysis was drawn from a very small sample size.

APPENDICES

APPENDIX A: APPROACHES TO ESTIMATE THE NUMBER OF FIRMS IN VICTORIA

The sample of firms we use for our mapping analysis is not necessarily the total number of startups and scaleups in Victoria. There are different ways to try to estimate the total population and we took multiple approaches to see whether the results would group around similar values.

Considered approaches

Approach applied?

A

Counting only the qualifying firms identified in SUG responses and LaunchVic databases



We ran several of these analyses to compare the results. If the results are within range of one another, this will provide greater confidence that the number of startups is accurate.

B

Applying previously identified firm density rates (330 firms per million population)* to recent population growth in Victoria.



C

Assumption regarding missing firms from the sample to address survey limitations. E.g. assume that 'Actual number of firms' = # identified startups + 5%.



D

Apply growth rate of comparable cities. E.g. x firms for every y citizens



There are too many variables that could affect the number of firms in other cities (even comparable ones) for this approach to be robust.

* Source: Deloitte Access Economics, June 2020, The economics and impact of Victoria's startup ecosystem.

ESTIMATING THE NUMBER OF FIRMS IN VICTORIA

It is difficult to precisely determine the number of startups in a jurisdiction.

We considered a range of potential estimation (see Appendix A). Application of these methods indicates that total number of active startups in Victoria is around 2,300.¹



¹ See Appendix A for approaches considered and used for estimates.

² Source: Deloitte Access Economics, June 2020, The economics and impact of Victoria's startup ecosystem. ABS June 2022 estimate of Victoria's population was 6.59m.

APPENDIX B: DEFINITION OF STARTUP

To assess whether a firm qualified as a startup, we applied objective and subjective criteria.

A qualifying startup is

Objective criteria

- Founded or headquartered in Victoria
- Less than 10 years old
- Currently active

To qualify as a startup, a firm must satisfy each of the following

- Founded/HQ'ed in VIC
- < or equal to 10 years old (i.e. founded in 2012 or after)
- Assessment as to whether they are a startup (uses technology, innovative, global market potential, may be disruptive)

They must meet any of the following:

- If they are founded in or before 2019 they need to have either:
 - An active Website
 - An active ABN
 - An active Founder with LinkedIn profile
- Founded in or after 2020 (noting many new startups either don't have ABNs, despite founders actively working on the business)

Subjective criteria

- Innovative / disruptive
- Uses technology to scale

Passes a subjective assessment which addresses technology use, global market potential, and level of innovation/has a disruptive strategy.

Criteria were determined by LaunchVic.

APPENDIX C: DEFINITION OF SCALEUP

To assess whether a firm qualified as a scaleup, we applied objective and subjective criteria.

A qualifying scaleup is

Objective criteria

- Founded or headquartered in Victoria
- Less than 20 years old
- Currently active

To qualify as a scaleup, a firm must satisfy each of the following:

- Founded/HQ'ed in VIC
- < or equal to 20 years old (i.e. founded in 2002 or after)
- Assessment as to whether were once a startup (uses technology, innovative, global market potential, may be disruptive)

Achieves at least one of the following:

- Raised at least \$5m and currently has at least 10 employees;
- 50 full time employees;
- Valuation greater than AUD\$30m;
- Monthly revenue of at least AUD\$1m per month
- Has experienced 20% growth year on year for at least three years since it was founded;
- Has at least 10 employees (noting some scaleups will have achieved a steady state or might even have declined performance over the past two years).

Subjective criteria

- Innovative / disruptive
- Uses technology to scale

Passes a subjective assessment which addresses technology use, global market potential, and level of innovation/has a disruptive strategy.

Criteria were determined by LaunchVic.

launchvic.org

