



SUMMARY REPORT

The Impact *of* INNOVATION

Charlotte Entrepreneur Growth Report

PUBLISHED DECEMBER, 2015

For the CRFE and City of Charlotte

The 2015 Charlotte Entrepreneurial Growth Report is the region's first systematic evaluation of its diverse and rapidly growing innovation-driven entrepreneurship community. The report consists of primary and secondary research in four parts:

- 1 — [Survey of 248 innovative ventures in metro Charlotte]
- 2 — [Survey of community residents assessing entrepreneurial support]
- 3 — [Analysis of innovation and entrepreneur metrics for Charlotte, seven national benchmark metros (Atlanta, Austin, Kansas City, Nashville, Research Triangle, San Francisco, and Tampa), and four Carolinas metros]
- 4 — [Profiles of seven successful Charlotte area entrepreneurial companies (*AccruePartners, AvidXchange, InfoSense, Passport, Peak 10, SQL Sentry, and TIV*). Visit the website to download the complete company profiles.]

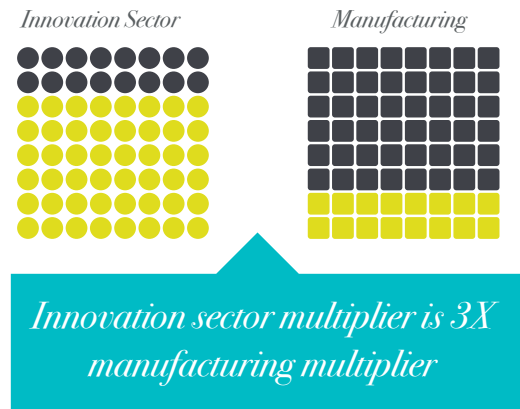
The survey of companies revealed substantial revenue and employment growth among ventures that compete effectively in national and global markets. The Charlotte Entrepreneur Growth Report focuses on the ventures that have the greatest impact on employment and wealth creation. It is well-documented that fast-growing young companies, often known as gazelles, are the most significant job creators in the U.S. economy. Fast growth is generally defined as 20-25% annual revenue growth for multiple years.

Strong support for the importance of entrepreneurs to Charlotte's economic vitality was identified in the survey of the general population. Analysis of data sources highlighted Charlotte metro strengths and favorable national rankings while uncovering significant shortcomings for action.



The 248 innovation industry companies that were surveyed anticipate 2015 revenue of \$1.3 billion collectively, and full-time employment of 2,350. The collective importance is illustrated by the fact that the \$1.3 billion revenue ranks between publicly-traded Piedmont Natural Gas and Coca-Cola Bottling Consolidated.

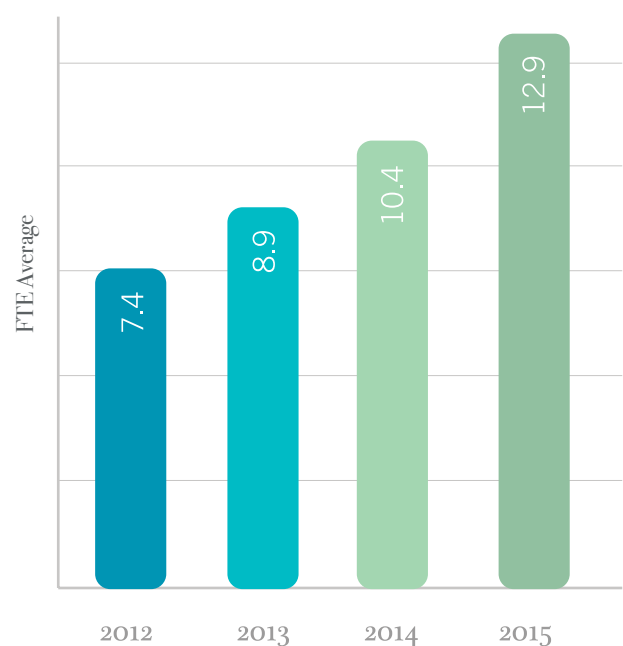
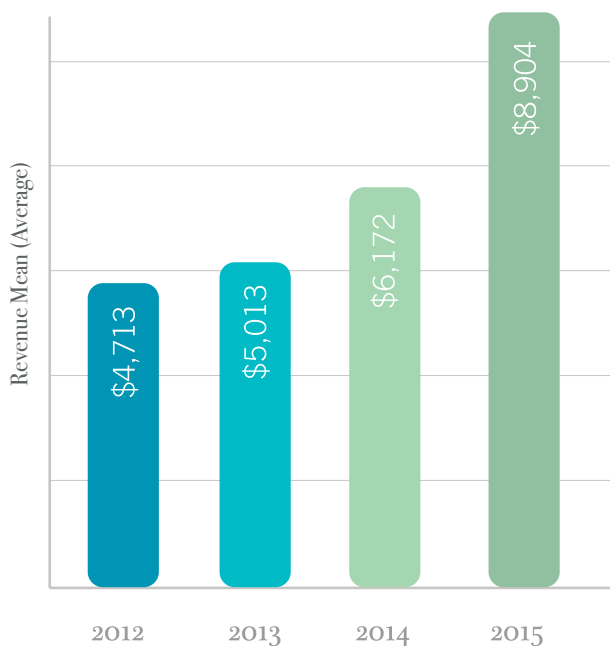
The jobs created by the surveyed companies are well-paid and compensation increases as the companies become more mature. Their **average employee compensation was \$61,293 which is higher than the Charlotte metro average of \$48,554**, with the more mature surveyed companies paying an average of \$74,177. The innovation industries in Charlotte represent only 11% of the total industries.



The majority (88%) of the surveyed companies serve markets beyond the Charlotte metro which means that their revenue brings economic impact to Charlotte. Many of these companies also serve local customers as the survey found that 48% of the companies serve the Charlotte market.

20% of the surveyed companies reported raising capital in their most recent fiscal year, totalling \$35 million, however the majority of that total was attributable to one large private equity investment.

Surveyed Companies' Revenue and Employee Growth



Revenue Growth
23% revenue growth in 2014, and expected 44% growth for 2015

Average Employees Added Per Company
18% employment growth in 2014 and expected 23% growth for 2015.

STARTUP ACTIVITY

82% of Mecklenburg adults consider startup companies important to a strong economy.

Rank	City		
1	Austin	16	Seattle
2	Miami	17	Baltimore
3	San Jose	18	Riverside
4	Los Angeles	19	Virginia Beach
5	Denver	20	Tampa
6	San Francisco	21	Chicago
7	New York	22	Boston
8	Houston	23	Sacramento
9	San Diego	24	Nashville
10	San Antonio	25	Charlotte
11	Las Vegas	26	Portland
12	Columbus	27	Jacksonville
13	Atlanta	28	Indianapolis
14	Phoenix	29	Kansas City
15	Dallas	30	Washington

*Kauffman Foundation 2015 Metropolitan Area Rankings for Startup Activity

Charlotte per capita overall startup activity is better than Kansas City but worse than other benchmark metros (Atlanta, Austin, Nashville, San Francisco, and Tampa). Among the top 30 metros in the nation, Charlotte ranked 25th.



InfoSense success is built upon the research of UNC Charlotte, a large-scale local customer, and multiple entrepreneur ecosystem programs.

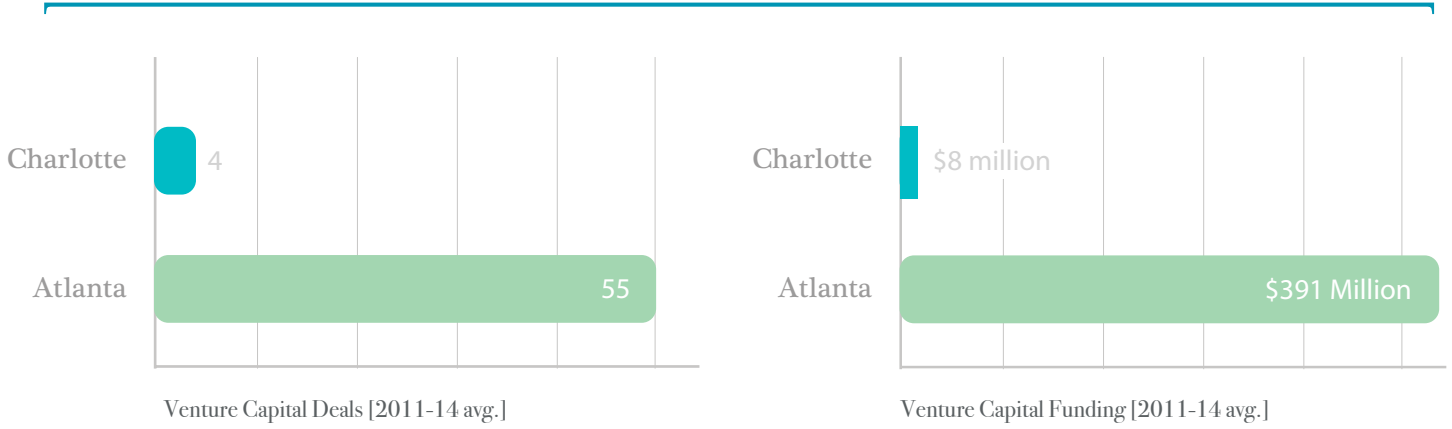


University research attracts innovative talent such as Dr. Michael Feldman, former UNC Charlotte engineering professor and founder of Digital Optics which was sold in 2006. With the founding of fast-growing TIV, Michael is now a great example of a local serial entrepreneur.

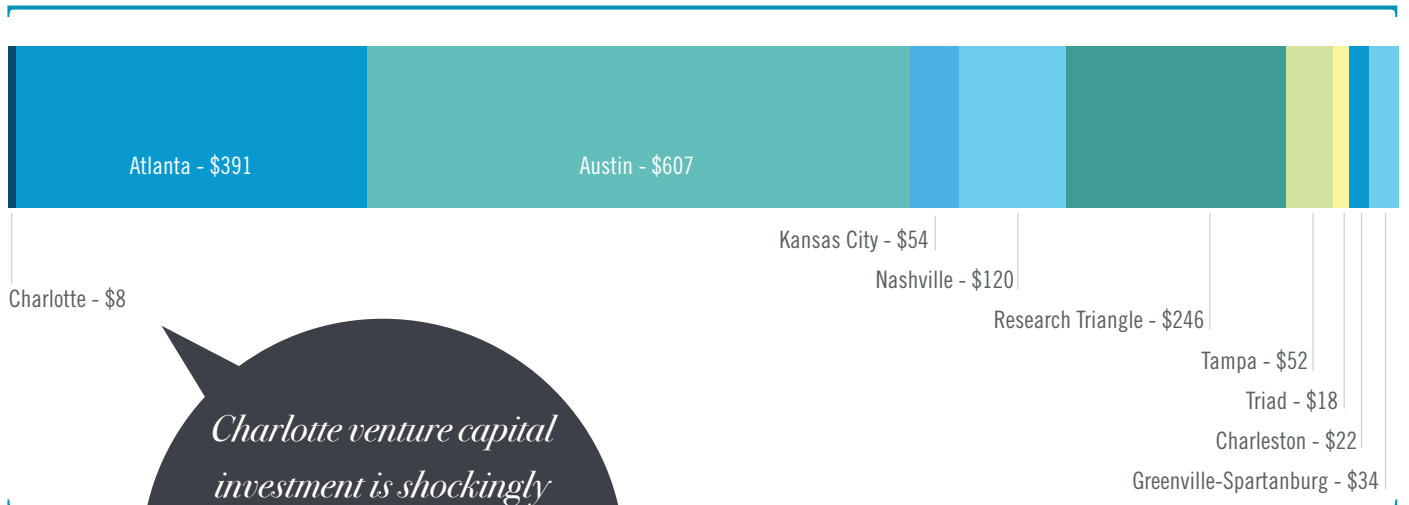
INVESTORS

Charlotte's visible angel investing is smaller scale than comparable activities in several nearby metros. If Charlotte companies obtained venture capital at a rate similar to Atlanta, Charlotte metro companies would receive an additional \$158 million of annual investment.

Charlotte and Atlanta Venture Capital Investing



Total Venture Capital Invested 2011-2014
\$33,921 Total Invested (in millions)*



Charlotte venture capital investment is shockingly low; on a per capita basis it is 1% of Austin and less than 3% of Research Triangle investment.

*Excludes San Francisco investments of \$10,320



Investors are not attracted to Charlotte early stage ventures due to lack of quality local deals.

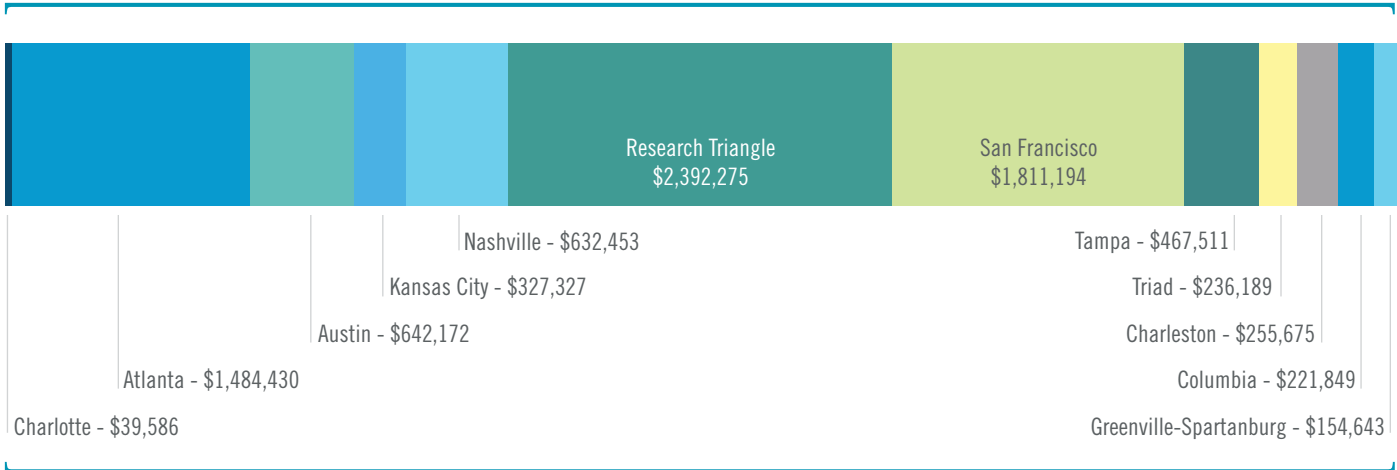
Innovation indicators are imperfect. The Charlotte Entrepreneur Growth Report focuses on college and university student populations, higher education research funding, and university measures of inventiveness. Additionally, this report examines overall patent production in the region which is one measure of technology innovation (and not a reliable measure of information technology advances). SBIR/STTR grants provide insight into the region's ability to generate promising technologies.

Charlotte academic R&D funding of \$40 million (FY2013) is a fraction of benchmark cities; at \$17 per capita, it is about one-tenth of the lowest benchmark, Kansas City.

When Austin's Dell School of Medicine begins classes in 2016, Charlotte will be the only one of the seven national benchmark metros without a medical school. This means that Charlotte does not participate in substantial life sciences research funding, which can be a significant contributor to an innovative ecosystem.

High growth entrepreneurial outcomes begin with innovation and innovative people. Although technology innovation may be most visible, substantial entrepreneurial success is often grounded in business process or business model innovation (Amazon, for instance). FinTech has high-growth opportunity in Charlotte.

Total R&D Invested 2013
\$8,665,314 Total Invested (in millions)



If Charlotte matched Kansas City per capita results, Charlotte would have an additional \$280 million of R&D spending.

👎
R&D investment in Charlotte's innovation capacity substantially lags benchmark metros.

Charlotte rates average as the home of fast-growing Inc. 5000 firms: better than Kansas City, Research Triangle, and Tampa, but only 58% of the Austin rate.

Key conclusions from the Charlotte area companies on the Inc. 5000 list include:

- Charlotte strengths in Manufacturing, Logistics & Transportation, and Financial Services are consistent with the region's known industry clusters.
- The Human Resources strength may result from staffing firms prospering in proximity to Charlotte's large companies.
- Although Energy is included in the average grouping, it is based on only one fast-growing company in 2015 and no energy companies from 2007-2014; clearly the Charlotte energy cluster is not leading to high-growth private companies.

Overall Charlotte observations:

- 82% of Mecklenburg adults consider startup companies important to a strong economy
- 59% agree that the business climate is good for entrepreneurial companies.
- The region's non-profit entrepreneurial support organizations are small-scale and fragmented; 8 core organizations average 1.5 employees.



Peak 10's outstanding management team and exponential growth have led Charlotte's high-growth entrepreneur sector throughout its 15 year history.



AvidXchange's loyal customer base and strong financial performance led to a \$225 million financing led by Bain Capital Ventures.



SQL Sentry's management team, exceptional software, market potential, and strong profitability attracted a San Francisco based investment.

Charlotte Regional Fund for Entrepreneurship
charlotteentrepreneur.org

This report has been researched and created through the collaborative efforts of Ventureprise, the Business Innovation & Growth Council (BIG), and UNC Charlotte's Urban Institute.

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