



Impact Tech VC Investment 2019

Scaling purpose-driven tech innovation



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Disclaimer: This report was designed and submitted as part of a Tuck School of Business independent research study. The opinions expressed in this report are the author's own and do not reflect the view of the Tuck School of Business or Impact First Investments.



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Impact Investors Universe

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Data

All the data (2015-2019) in this report comes from Pitchbook. The data has been filtered into two cohorts.

- The first one is the 'Impact Tech Universe' dataset, which includes a curated list of all VC-backed startups that have been tagged as either "impact technology" or "impact investing" by Pitchbook and have been further screened by us. It includes companies with no impact investors in their cap table.
- The second dataset is a subset of the first, 'Impact Investors Universe', and includes only "impact technology" startups with the backing of at least one impact investor.

The data is bottom-up driven (dollars invested in a round) and does not reflect the AUM of investors. The deal amount data corresponds to, and therefore is limited by, disclosed last financing amounts. Valuation data has only been used for the slide entitled '40 impact tech companies valued at +\$100M.'

Given the lack of disclosure of many early-stage startup investments, our datasets might not be complete or might suffer from reporting lag.

Impact Tech Definition

Although there is no agreed definition of what an impact tech company is, for the purpose of this report we include a broad definition – both companies with digital elements (tech-enabled) as well as companies where technology is intrinsically linked to business growth.

Impact Investing Definition (by Pitchbook)

This vertical only includes companies that have received investment from those funds and/or investors with an investment preference of "seeks impact investment". For a fund to qualify as an impact fund, it must meet the following criteria: (1) investing for financial returns, (2) investing to intentionally create a positive social/environmental impact, and (3) actively measuring the impact that is created (with ESG criteria, UN SDGs, IRIS, GIIRS, etc.) OR self-identify as an impact fund. Additionally, this list includes companies that have received investment from "not-for-profit venture capital" investors.

Series

The Series data might not correspond 1-to-1 to the average amount raised per stage given that financing rounds and valuations differ in size across geographies.

Sector

The 'other sector' category includes startups in the Aerospace, CivicTech, Real Estate, Entertainment & Gaming, IoT, Mobility and Community spaces.

We exclude from this report conglomerates, cryptocurrencies and holding companies.

Geography

Geography represents the headquarters of the startup. North America only includes the United States and Canada. Mexico is included in Latin America.

Introduction

The global venture capital industry has for decades been an enabler of innovation in the technology space. Yet, **impact tech** is only an emerging field. Little has been researched about the market trends of technologies who aim to do well while doing good. The term 'impact tech' is neither standardized nor fully embraced by mainstream VCs, who have been slow in adopting impact methodologies (e.g. ESG, SDG) into their operations. But there is no escape: capital owners, especially High Net Worth Individuals and family offices, are pressuring investors to look into sustainable, investable opportunities. It is now a matter of time that other investor classes (e.g. pension funds, sovereign wealth funds, foundations) start allocating capital into impact tech.

The numbers are clear: 2019 marked a new beginning for the impact tech VC industry. In 2019 alone, \$2B was invested in impact tech in ~200 deals throughout the funding lifecycle. With an annualized CAGR (dollars invested) of 50% over the last 5 years (as compared to 16.5% for conventional VC), the impact tech industry has the potential to become the biggest share of VC investments by 2025. More than 3,300 investors have been active in the impact tech space thus far.

The first edition of this report highlights the underlying trends in the impact tech VC industry, and reveals interesting findings:

- Record number of deals and dollars invested – \$2B in 2019 vs. \$1.4B in 2018.
- Increasing late stage activity 1/4th of deals in 2019 were Series B or later.
- U.S. leads the pack – 44% of impact tech deals worldwide were recorded in the United States; India followed at 12.5%.
- FinTech is the favorite impact tech theme – there were 37 FinTech deals attracting \$500M+ in 2019.
- Absence of exits – there are not many recorded exits in the industry yet; corporates are the number one impact tech acquirers.

Although COVID-19 is posing numerous challenges to the VC world, it is also providing an unprecedented opportunity to rethink how we conduct business. Communities, communication, and online collaboration and healthcare are currently riding the wave in the pursuit of the Sustainable Development Goals.

This is only the beginning of impact tech venture capital – and we are here for the ride!





Datasets

IMPACT TECH UNIVERSE

This dataset includes a curated list of all VC-backed startups that have been tagged as either "impact technology" or "impact investing" by Pitchbook and have been further screened by us. It includes companies with no impact investors in their cap table.

IMPACT INVESTORS UNIVERSE

This dataset is a subset of 'Impact Investors Universe', and includes only "impact technology" startups with the backing of at least one impact investor (as defined by Pitchbook).

Between \$1-2B invested in impact tech in 2019

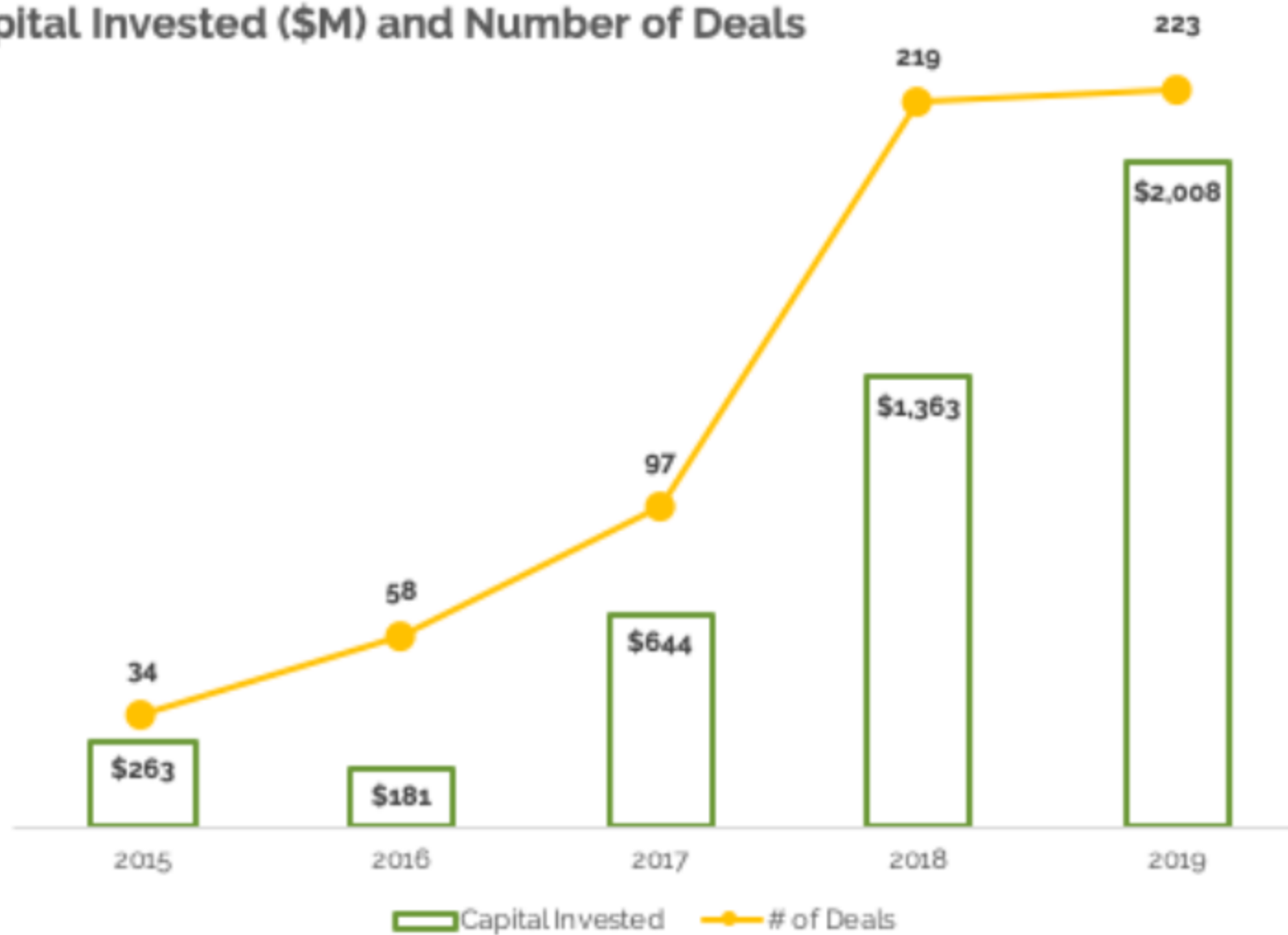


The total amount invested in impact tech companies by impact investors is \$1B in 140 deals, while the amount invested in impact tech by both impact and non-impact investors in \$2B in 223 deals.



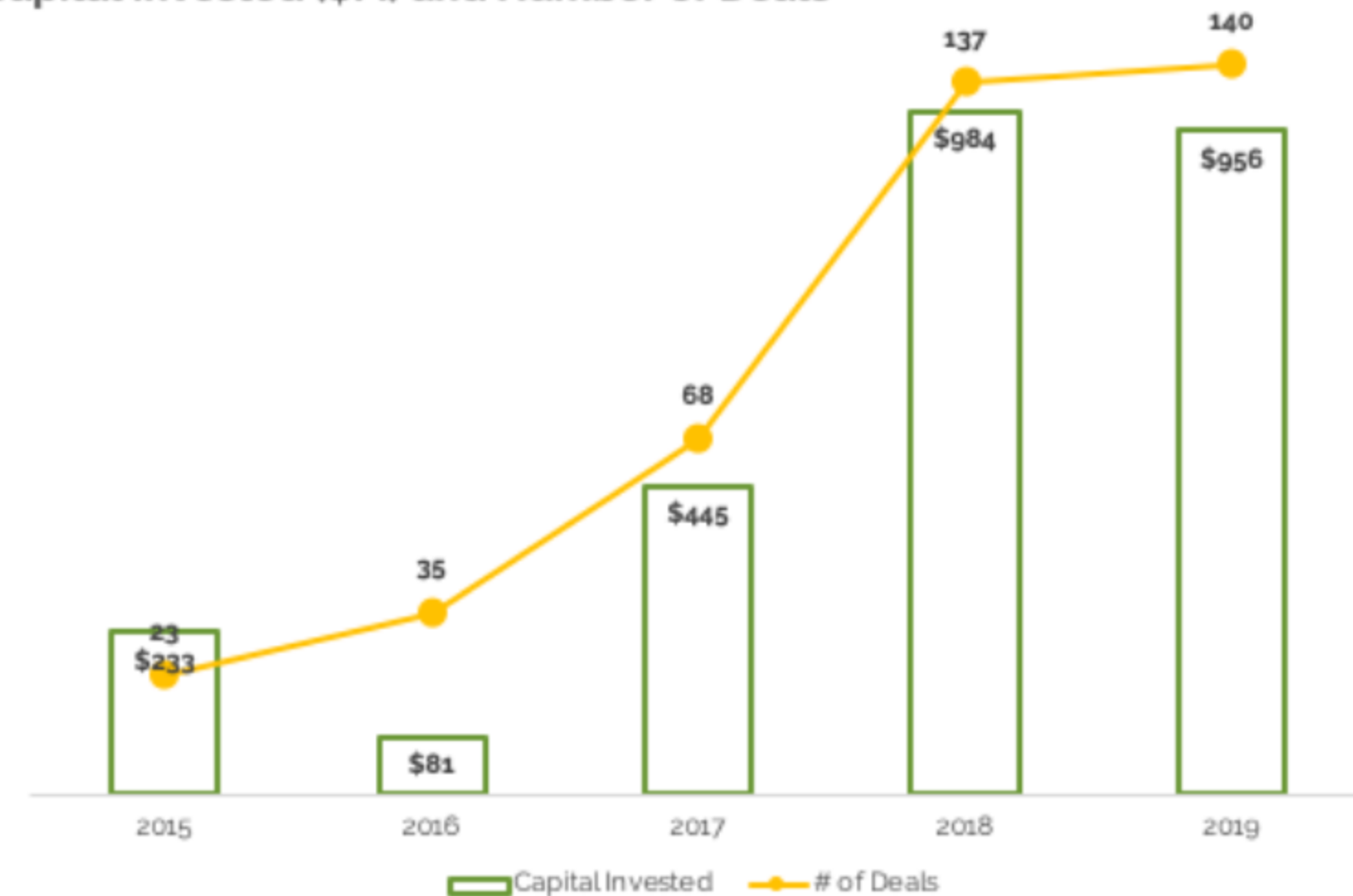
IMPACT TECH UNIVERSE

Capital Invested (\$M) and Number of Deals



IMPACT INVESTORS UNIVERSE

Capital Invested (\$M) and Number of Deals



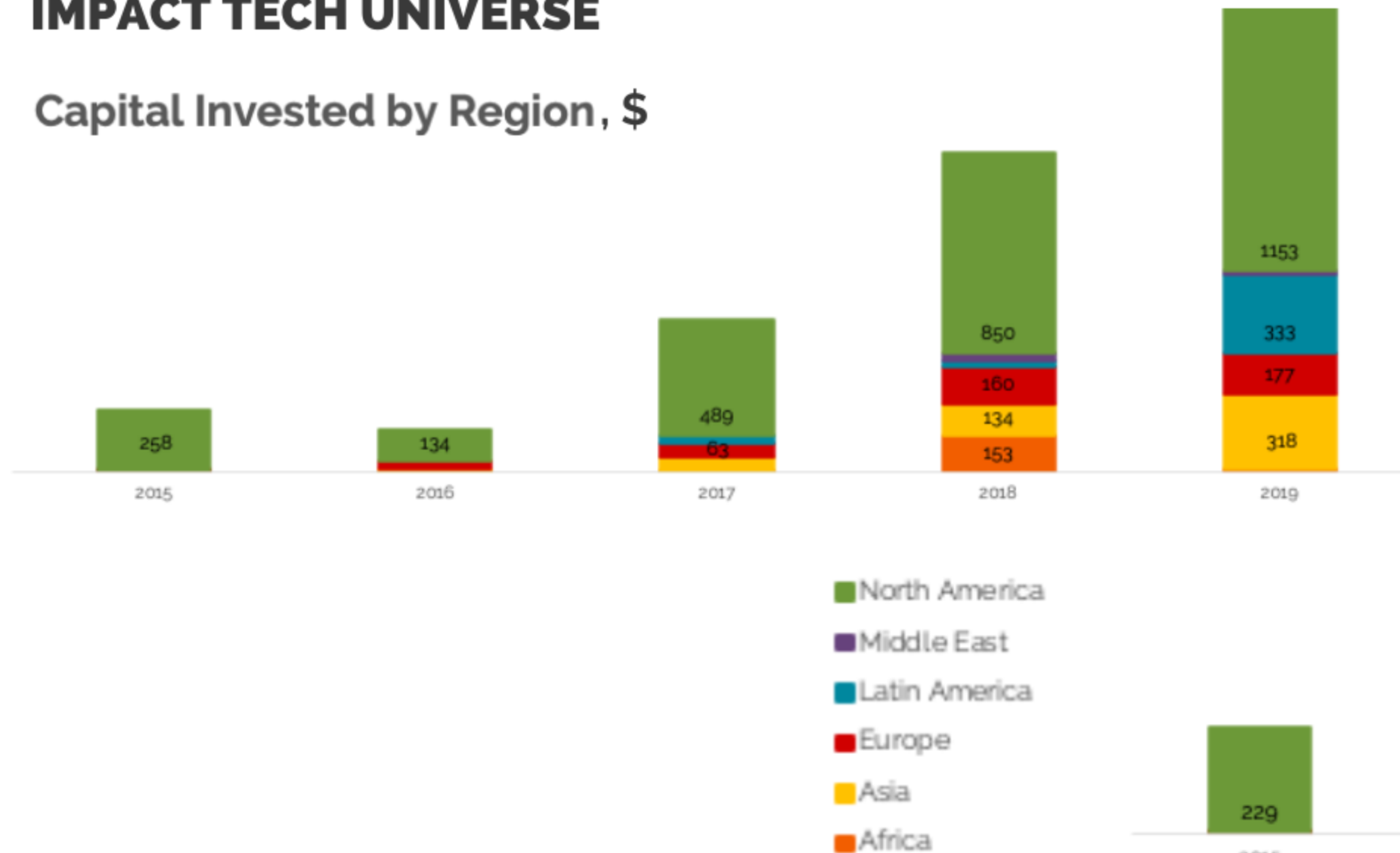
North America, Europe and Asia are the top impact tech geographies

In number of deals, North America recorded 50% of total deals (2019) in both datasets, while Europe made up 30% and Asia (mostly India) 15%. In capital invested, North America attracts most capital (60% of total capital invested in 2019).



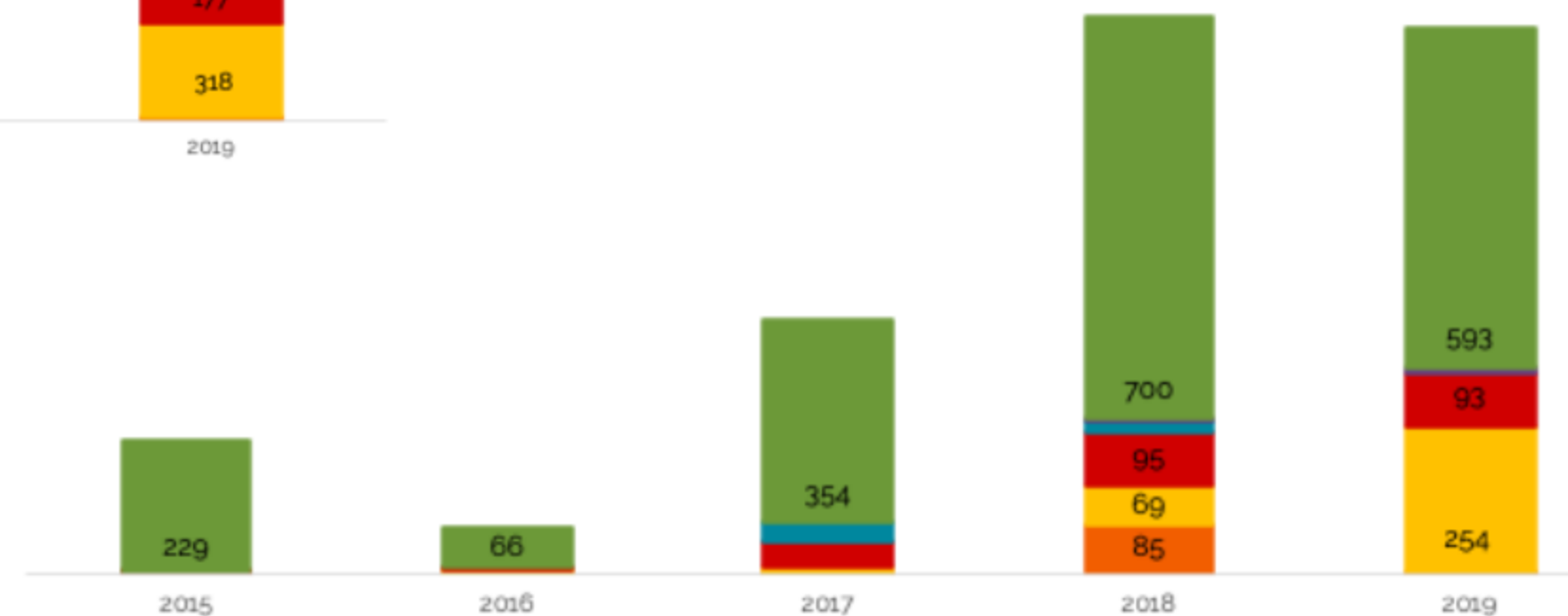
IMPACT TECH UNIVERSE

Capital Invested by Region, \$



IMPACT INVESTORS UNIVERSE

Capital Invested by Region, \$



FinTech, ClimateTech and Healthcare are the top impact tech sectors

Among impact tech sectors, ClimateTech, FinTech, Healthcare are more likely to attract capital from non-impact investors. These are also the top impact tech sectors in terms of dollars invested as of 2019.



IMPACT TECH UNIVERSE

Capital Invested by Sector, \$

	2015	2016	2017	2018	2019
Sector					
AdTech and MarketingTech	18.0	14.5	36.3	1.6	28.3
AgTech	13.0	4.4	49.8	208.1	88.0
Business Services & Automation	74.7	6.3	56.7	342.0	205.4
ClimateTech	1.8	78.3	75.4	127.3	308.6
EdTech	25.2	12.0	93.3	134.7	185.4
Fintech	4.0	0.6	33.3	217.9	555.3
Healthcare	121.4	33.3	125.0	215.3	438.3
Industrial		21.5	128.6	103.8	17.0
Other	5.0	6.3	2.2	10.7	14.3
Retail	0.0	3.6	43.2	1.7	167.3

IMPACT INVESTORS UNIVERSE

Capital Invested by Sector, \$

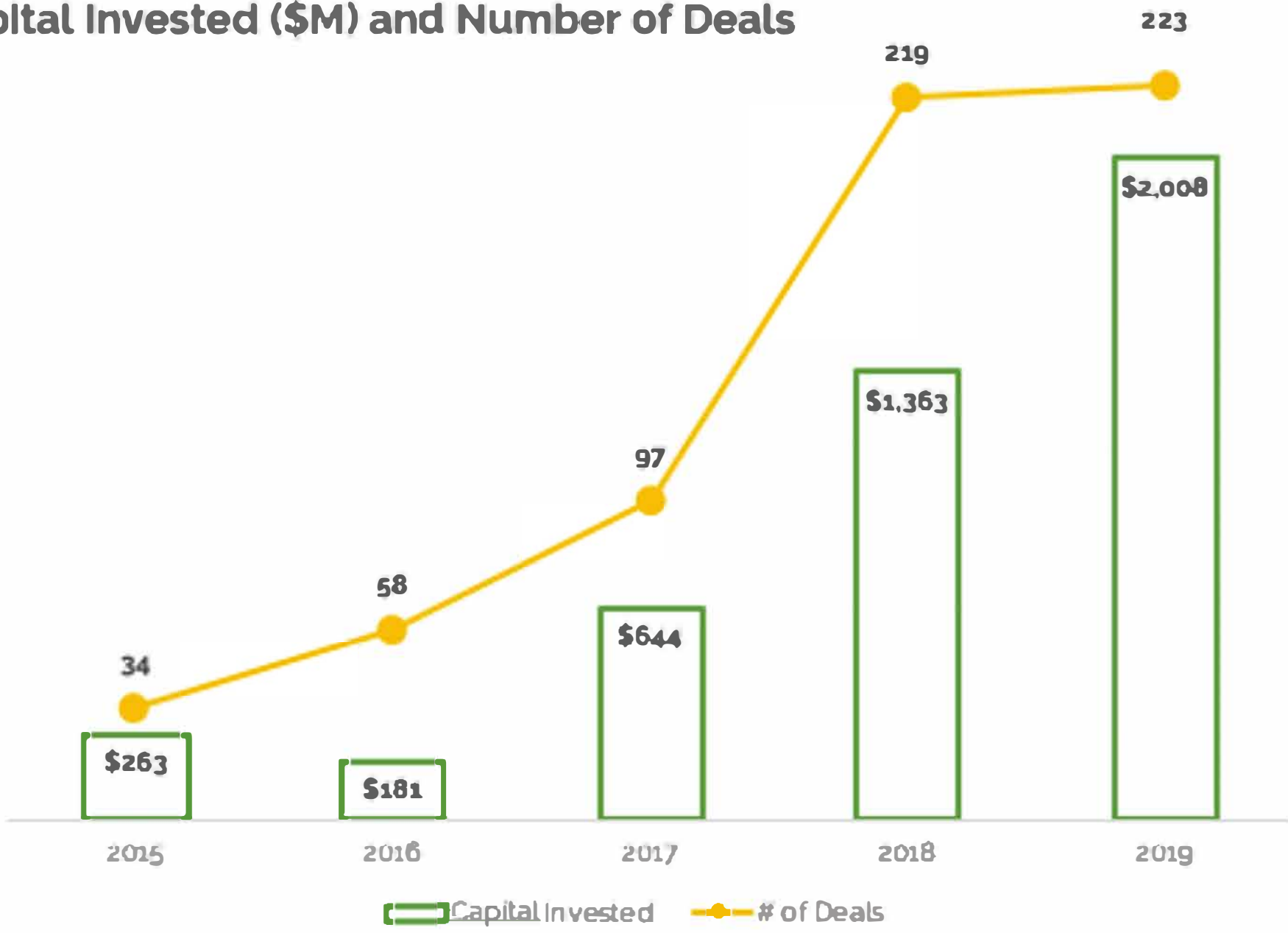
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Healthcare	118.4	21.0	28.1	111.2	84.8
industrial		2.0	128.6	18.8	4.0
Other	5.0	1.3	2.2	10.7	2.0
Retail		3.6	43.2	1.7	167.3

Impact Tech Universe



\$2B invested in impact tech in 2019

Capital Invested (\$M) and Number of Deals



The number of global impact tech investments reached a record high in 2019 at **\$2B**, increasing by 7.6x over the last 5 years. Currently, this represents ~**1%** of the **total capital invested** by the global VC industry (\$294B in 2019 according to Crunchbase).

Of the **223 deals** recorded in 2019, around **1/4th** are Series B+. The increase in late-stage rounds is reflected in the total capital invested in impact tech in 2019, which is **1.5x higher than in 2018**.

The 5-year **CAGR** in dollars invested in **50%** – we expect this trend to continue as the impact tech sector gains more momentum.

Source: Pitchbook

Late-stage investments surge

Capital Invested (\$M) and Number of Deals

\$0.5M or smaller deals



\$0.5M to \$3M deals



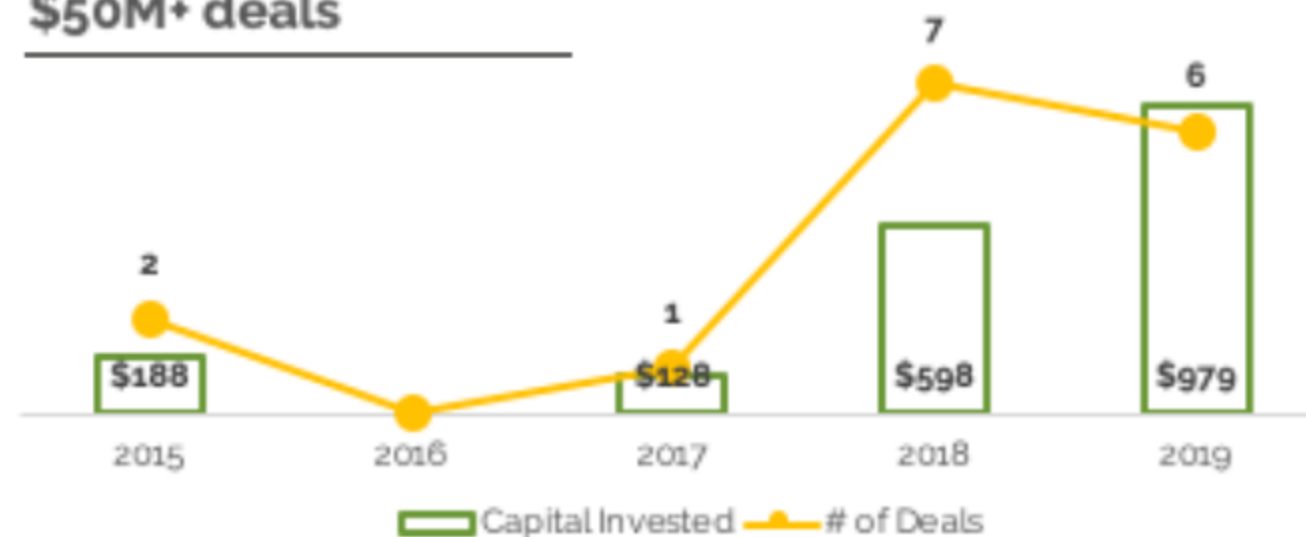
\$3M to \$10M deals



\$10M to \$50M deals



\$50M+ deals



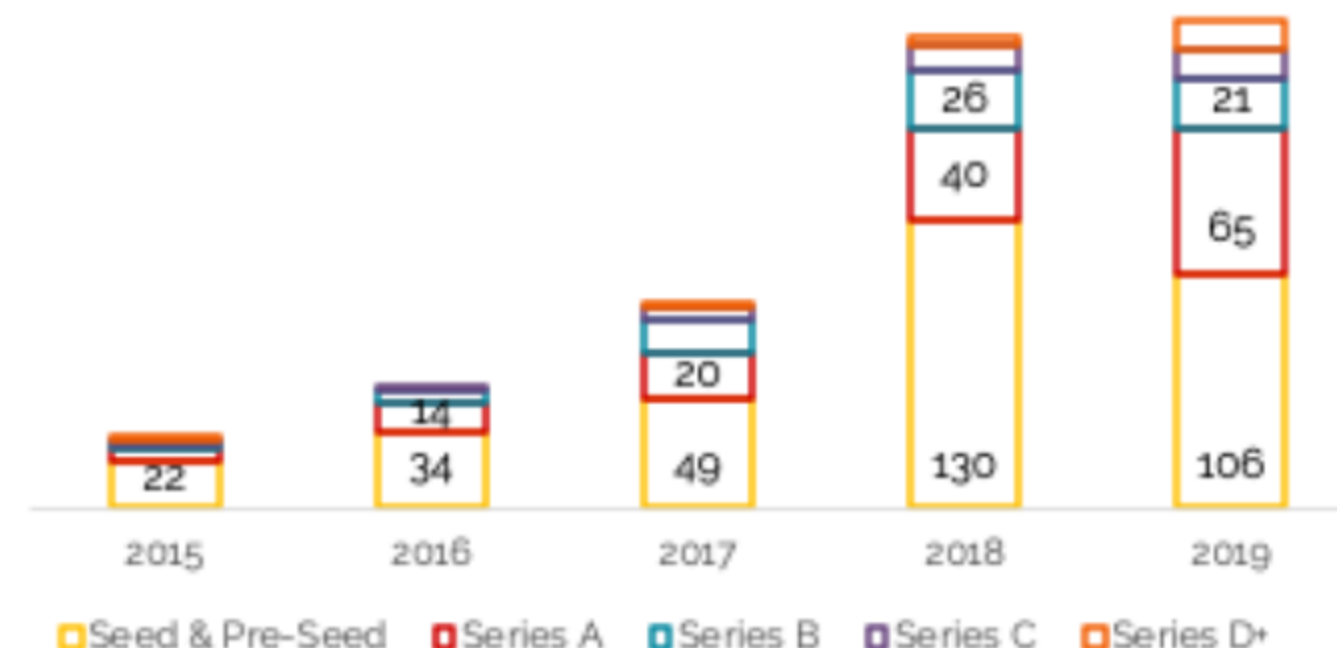
Average deal size increases for early-stage rounds

Over the last 5 years, most of the increase in the number of deals has been derived from Seed & Pre-seed rounds. **Last year**, however, impact tech capital was shifted away from seed rounds. We don't expect this to be the norm moving forward, since we have recently seen a number of new early-stage impact tech VC funds.

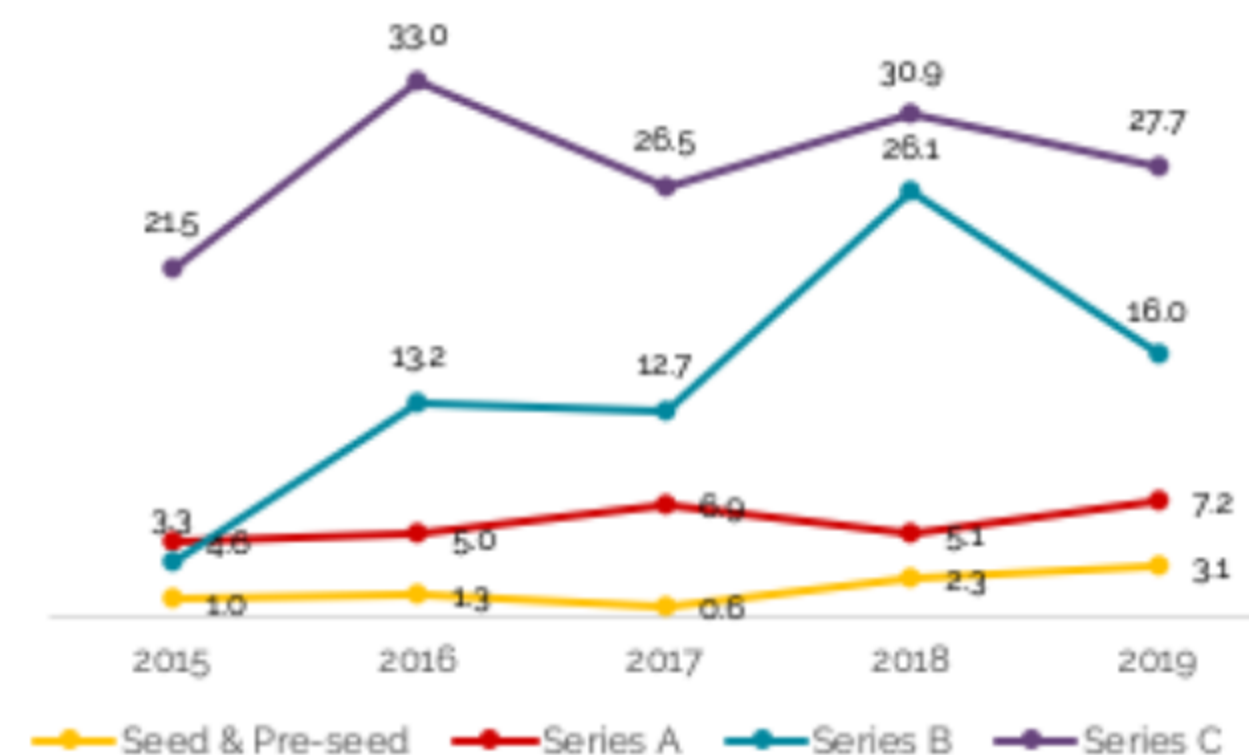
Late-stage rounds, from Series A to Series D+, have been picking up speed year over year. This is a sign that some early-stage companies have been able to **gain traction and grow**. As the sector continues to mature, we should expect additional late-stage rounds, with corresponding exits.

Despite the growth in deal count, **average deal size in late-stage rounds** has slightly **decreased** from 2018 to 2019 (note: driven by very few deals). Similar to broader trends in higher VC valuations, average deal size in **Seed & Pre-seed and Series A** has **increased** by **3.1x** and **1.6x**, respectively, over the last **5 years**.

Deals done by Series, #

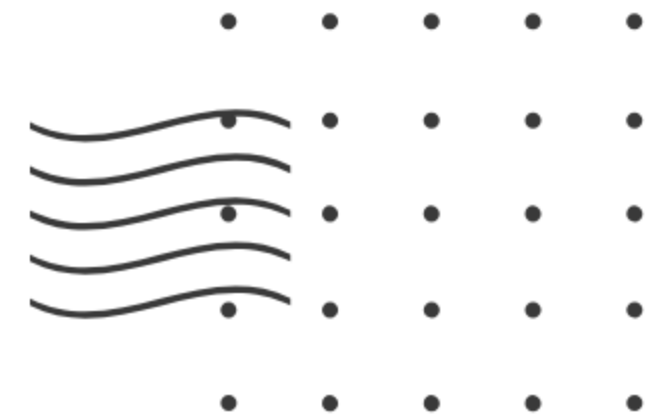
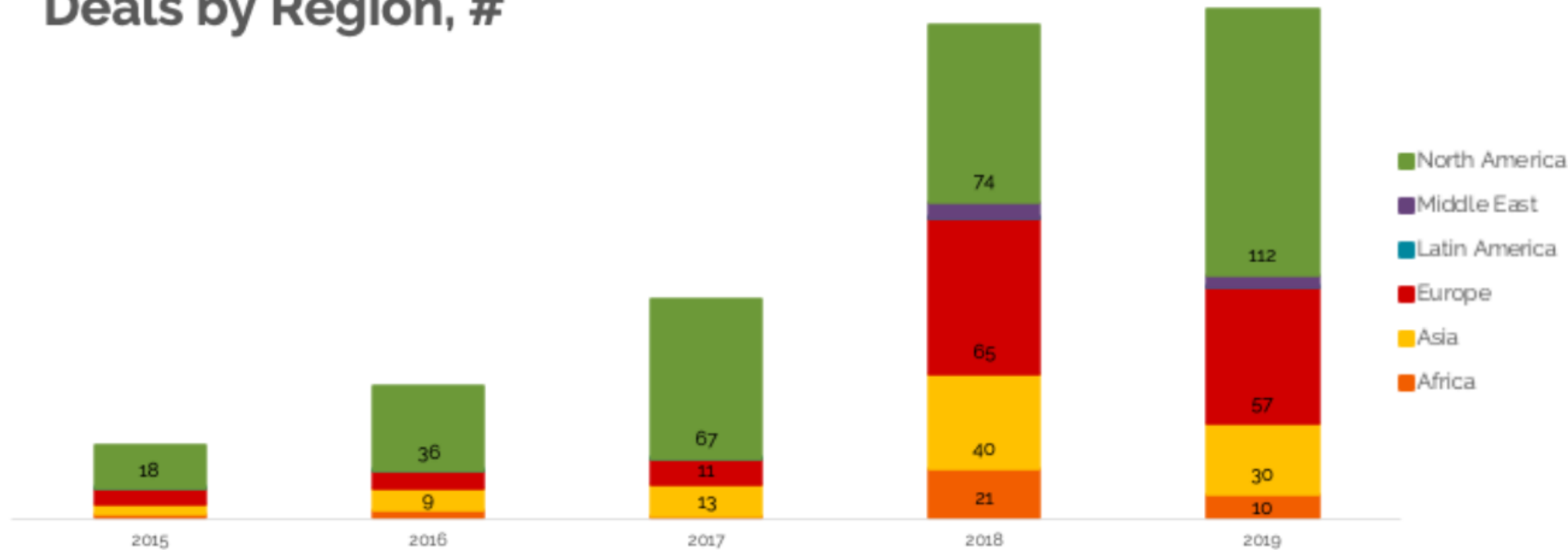


Average Deal Size by Series, \$M



Deal count has increased across geographies...

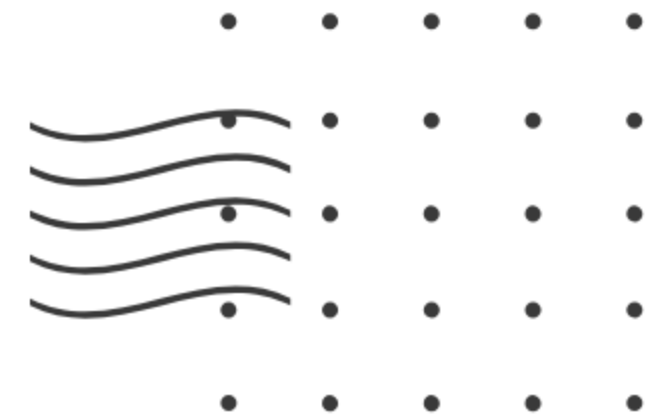
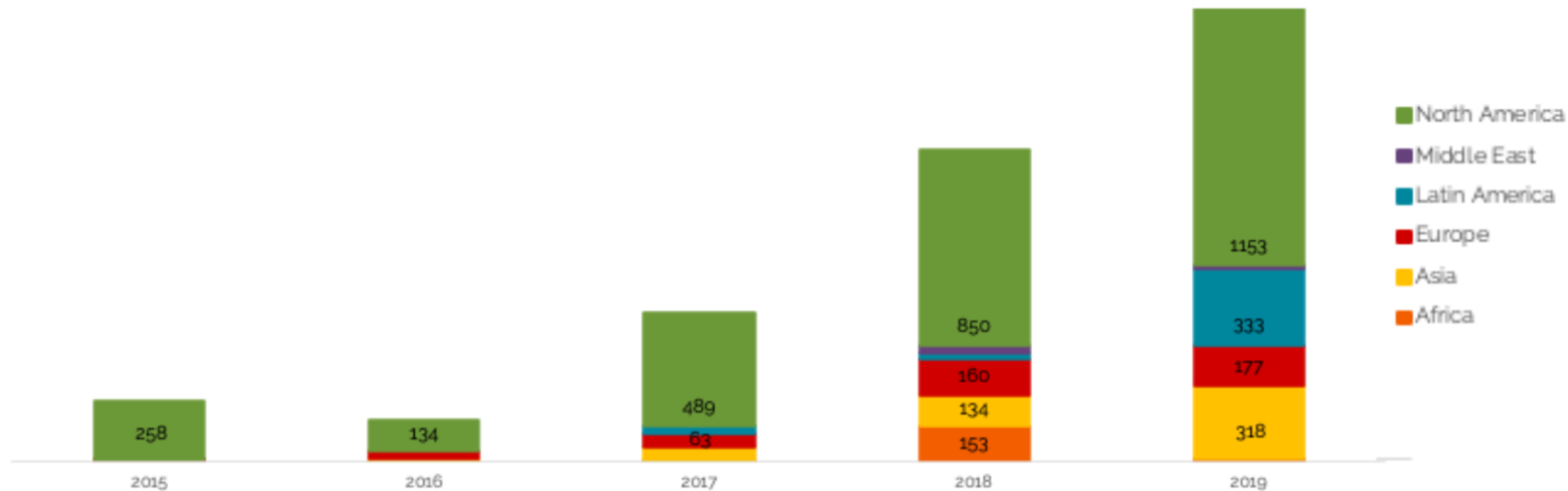
Deals by Region,



Impact tech investments have grown in every major region. The biggest percentage increase has come from Europe where deal count has increased by +8x in the last 5 years (from 7 to 57 deals), followed by North America (from 18 to 112 deals). Despite the fewer number of deals (30 in 2019), Asia – and more specifically India, with 3/4th of total Asian deals – is positioning itself as a high-growth impact tech hub. Latin America, the Middle East and Oceania have not presented many opportunities in the impact tech sphere; however, the current fundraising activity in countries like Israel might change that trend in the near future.

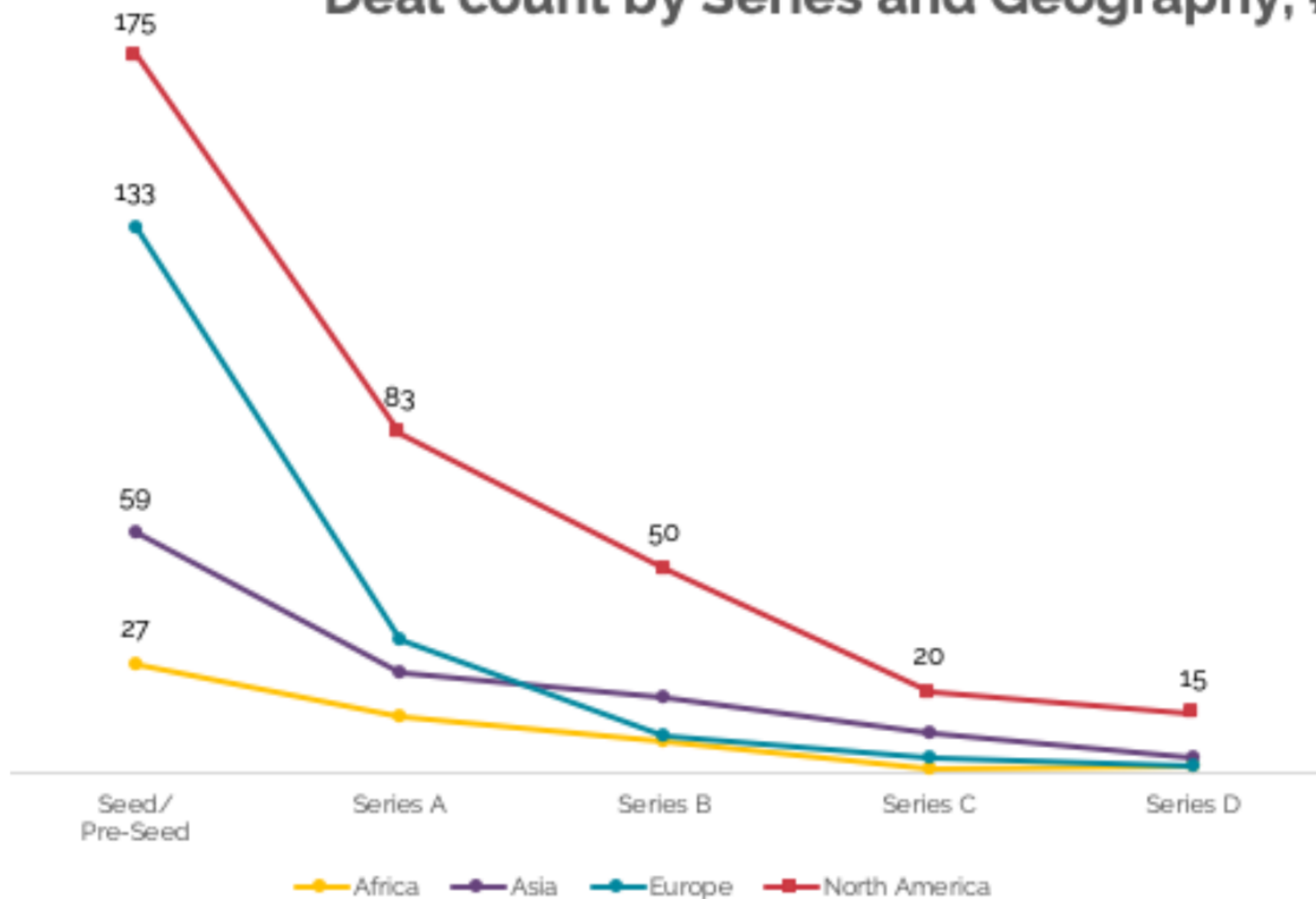
...but North America gets most of the dollars

Capital Invested by Region, \$



Although deal count is highest in America and Europe, the U.S. has attracted most of the capital (\$1.2B in 2019 alone). This is partly driven by the fact that the U.S. has been the main funder of Series D+ impact tech startups, pushing up the aggregate average deal size. For Series B and C, Asia has recorded the highest regional proportion of deals, with valuations similar to North America.

Deal count by Series and Geography,



Series ratios

Out of the geographies with the highest deal count, North America and Asia have the highest round-to-round ratio along the funding lifecycle.

Although Europe has the second highest number of Seed/Pre-seed deals, Series ratios are lower there. This could be a result of a funding gap and/or the relative nascency of the impact tech sector in Europe.

Fintech, ClimateTech and Healthcare - Key sectors



Capital Invested by Sector, \$

	2015	2016	2017	2018	2019
Sector					
AdTech and MarketingTech	18.0	14.5	36.3	1.6	28.3
AgTech	13.0	4.4	49.8	208.1	88.0
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Fintech, Healthcare and ClimateTech are the big winners of 2019 (in dollars invested) and represent the new frontiers of impact tech VC. In deal count, Business Services & Automation also presents early-stage opportunities. Behind these, there are a couple of sectors that have seen substantial increases in dollar amount invested from 2015 to 2019: EdTech and Retail.

Sector specialization by geography

A regional breakdown of impact tech investments by sector reveals differences between countries with more mature capital markets and those where the conventional VC industry is still under development. For example, Africa, Asia and Latin America are almost exclusively focused on Fintech – the exponential increase in internet connectivity and access to financial services favors this sector. On the other hand, Europe and North America are more diversified by sector and account for most of the dollar investments in sectors with higher specialization or capital requirements such as Healthcare.

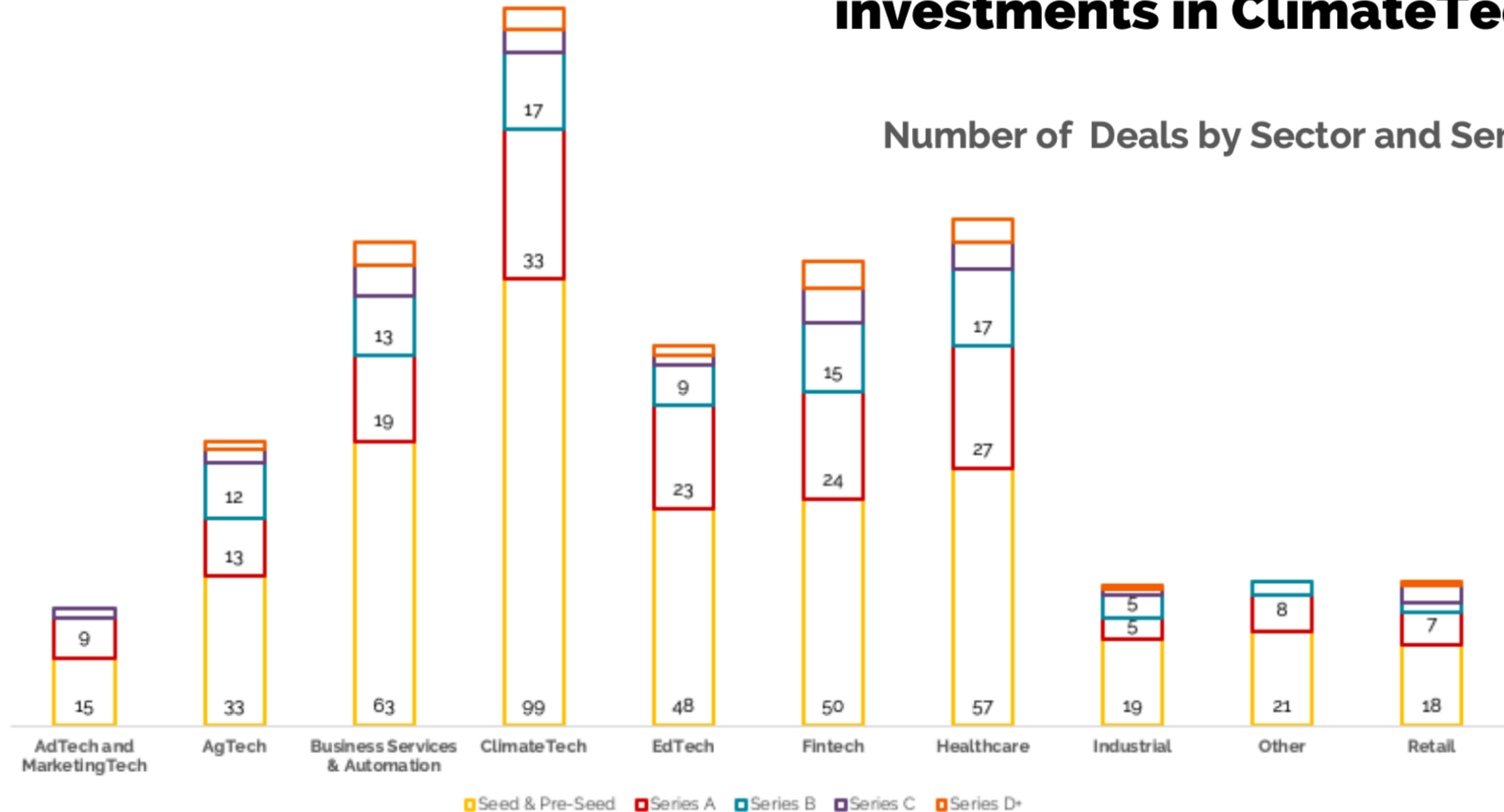


Capital Invested by Geography and Sector, \$

	AdTech/ MarketingTech	AgTech	Business Services	ClimateTech	EdTech	Fintech	Healthcare	Industrial	Other	Retail
Geography , \$										
Africa		9.7	14.3	59.3	3.9	148.1	2.5		0.1	0.5
Asia	20.5	66.3	13.0	94.9	44.4	188.0	26.8		6.2	151.0
Europe	7.7	22.1	110.8	164.8	63.9	25.6	203.3	32.6	9.8	4.4
Latin America	2.6			5.8	17.0	358.3	4.8			30.0
Middle East	2.5		1.5	3.0		3.0	6.5	25.0		
North America	67.7	418.3	881.3	430.1	325.3	333.5	909.1	219.4	25.4	30.0
Oceania			0.1	9.8		2.5		8.0		

Most deals are early-stage investments in ClimateTech

Number of Deals by Sector and Series



Hundreds of traditional VCs are co-investing with impact tech investors





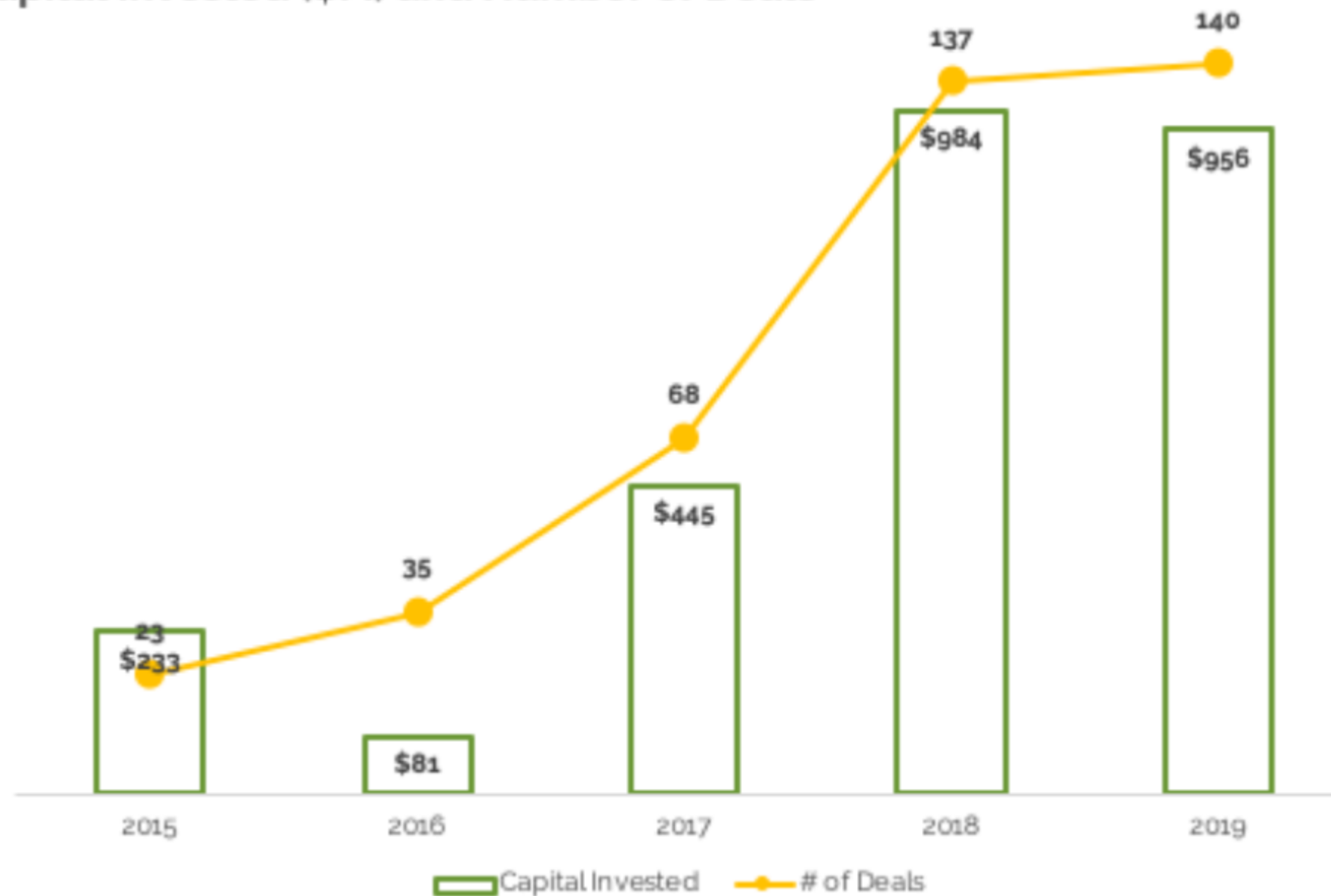
Impact Investors Universe



~\$1B invested in impact tech in 2019



Capital Invested (\$M) and Number of Deals



The number of global impact tech deals with the participation of at least one impact investor reached ~**\$1B** in 2019. This is an increase of 4.1x in 5 years and represents **less than 1%** of the **total capital invested** in the global VC industry (\$294B in 2019, according to Crunchbase).

Of the **140 deals** in 2019, only **20%** are **late-stage** (Series B+). Between 2018 and 2019, there was a dip in AUM deployed, which is explained by the lower number of +\$50M deals.

The 5-year **CAGR** in dollars invested is **33%** (compared to 16% for the general VC industry according to Kenneth Research).

Total deal count up, but large deals down

Capital Invested (\$M)
and Number of Deals

\$0.5M or smaller deals



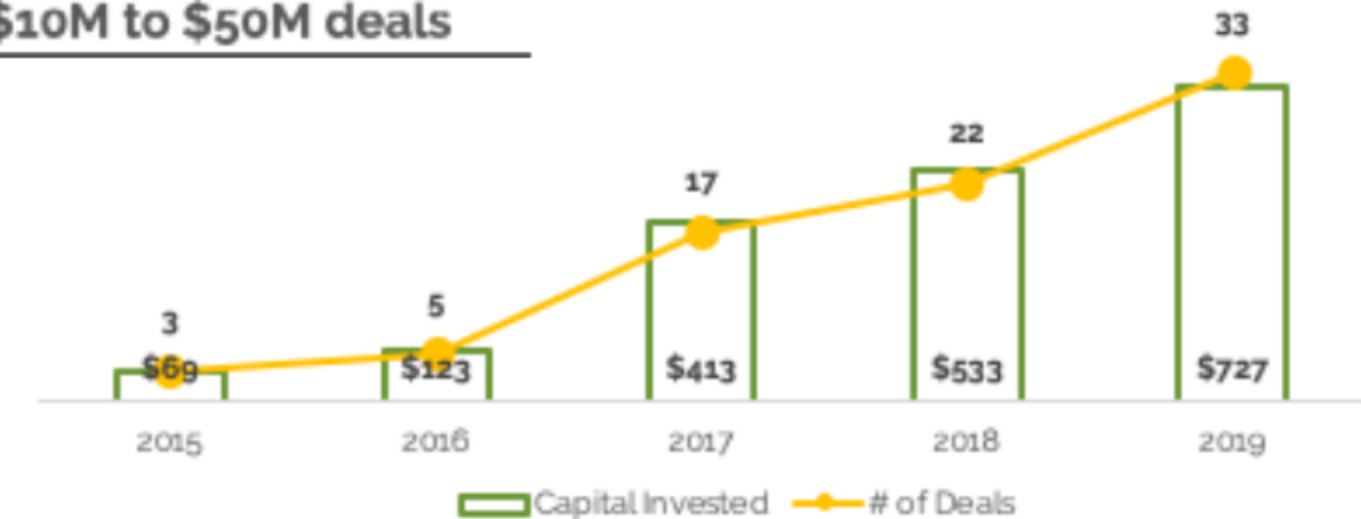
\$0.5M to \$3M deals



\$3M to \$10M deals



\$10M to \$50M deals



\$50M+ deals



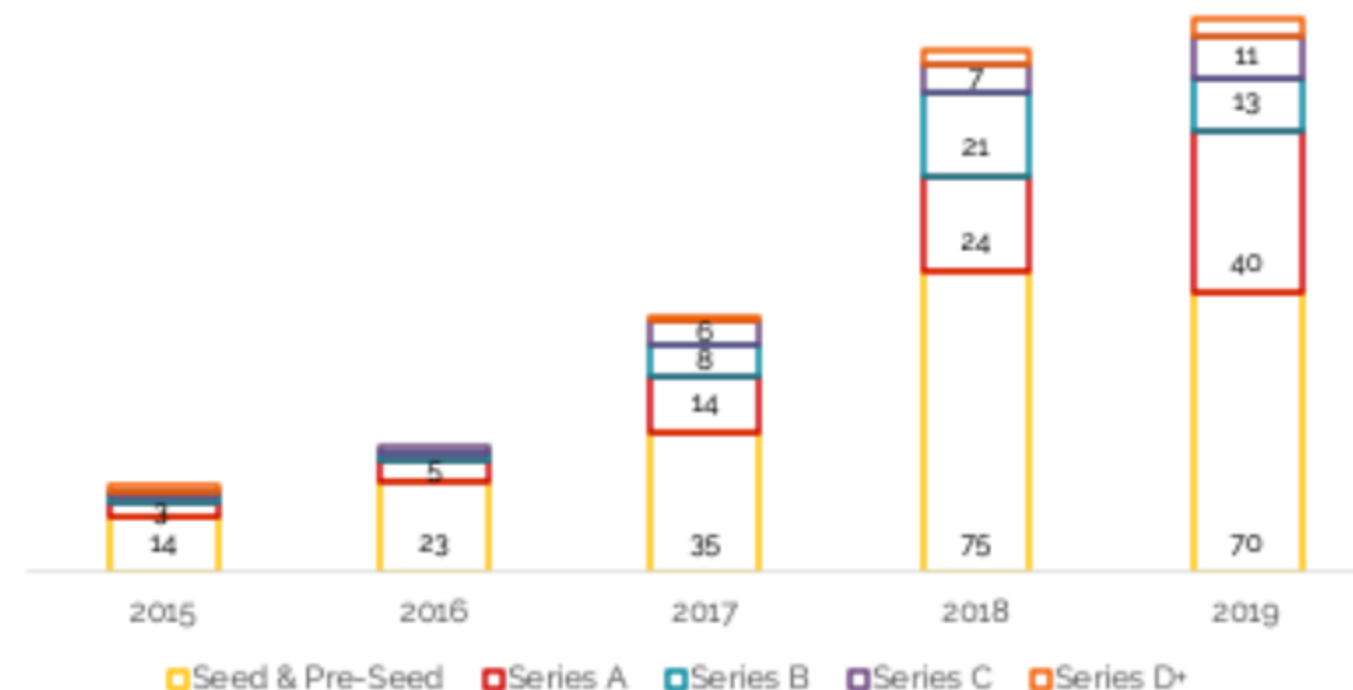
Average deal size increases for early-stage rounds

Similar to the impact tech universe data, the increase in the number of deals over the last 5 years is due to more Seed & Pre-seed rounds. Although the deal count for Series B+ is similar for 2018 and 2019, there was a substantial **increase** in **Series A deals** last year (from 24 to 40).

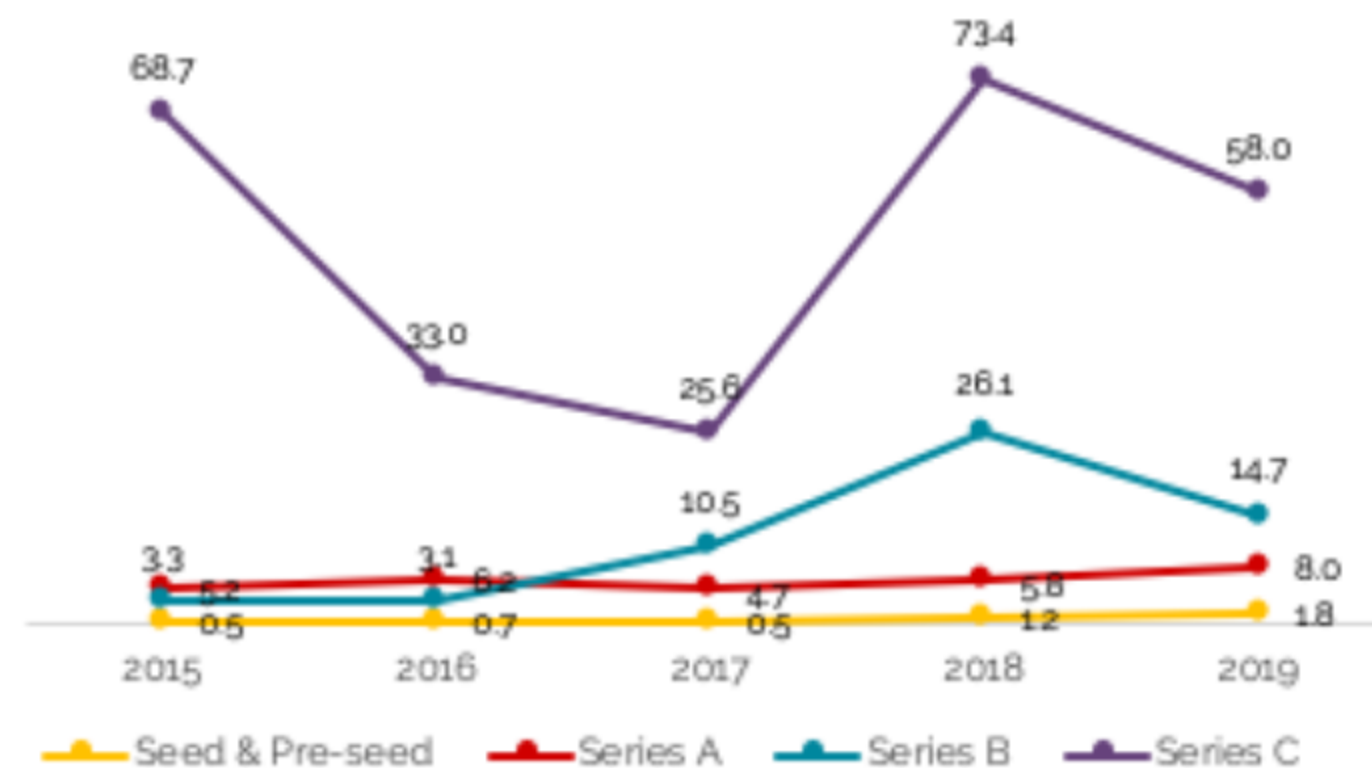
Over the last 5 years, there has also been an increase in late-stage deals – Series B to Series D+ – from 5 recorded deals in 2015 to 28 in 2019. Last year, **Series A+** deals comprised **~50% of total deals**. As impact investors continue supporting their startup portfolio through follow-on investments and as more late-stage impact investors emerge, we would expect this ratio to stabilize.

Given the few number of Series B+ deals, it is difficult to derive any trend from the data. **Seed & Pre-seed and Series A deals** present an **increase** in **average deal value** over the last 5 years.

Deals done by Series, #

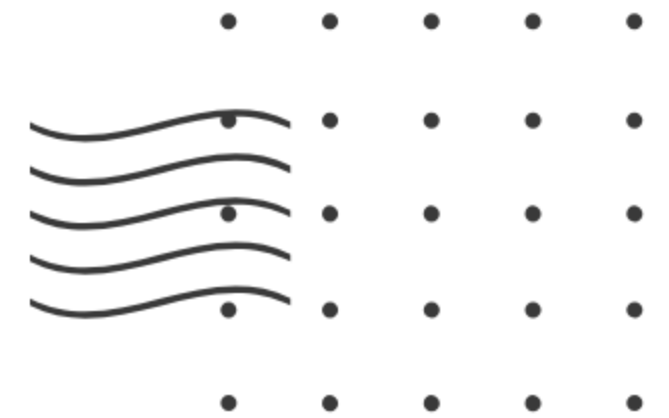
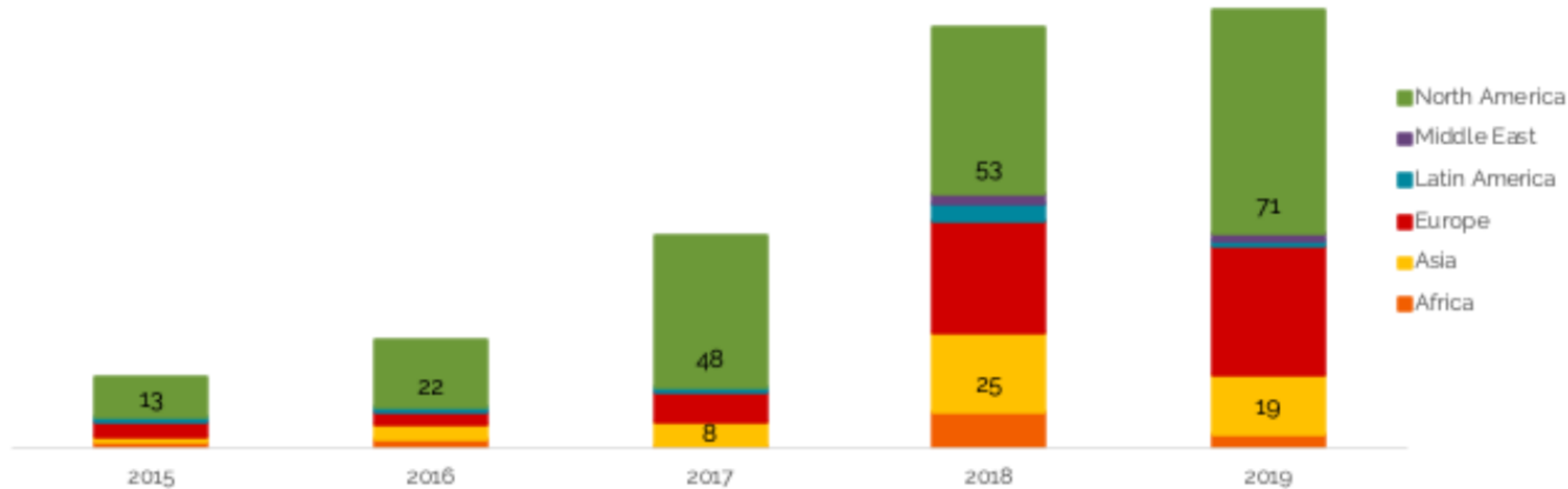


Average Deal Size by Series, \$M



Deal count has increased across geographies...

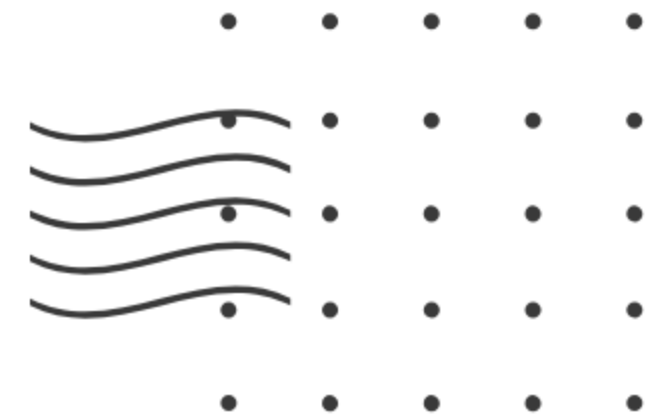
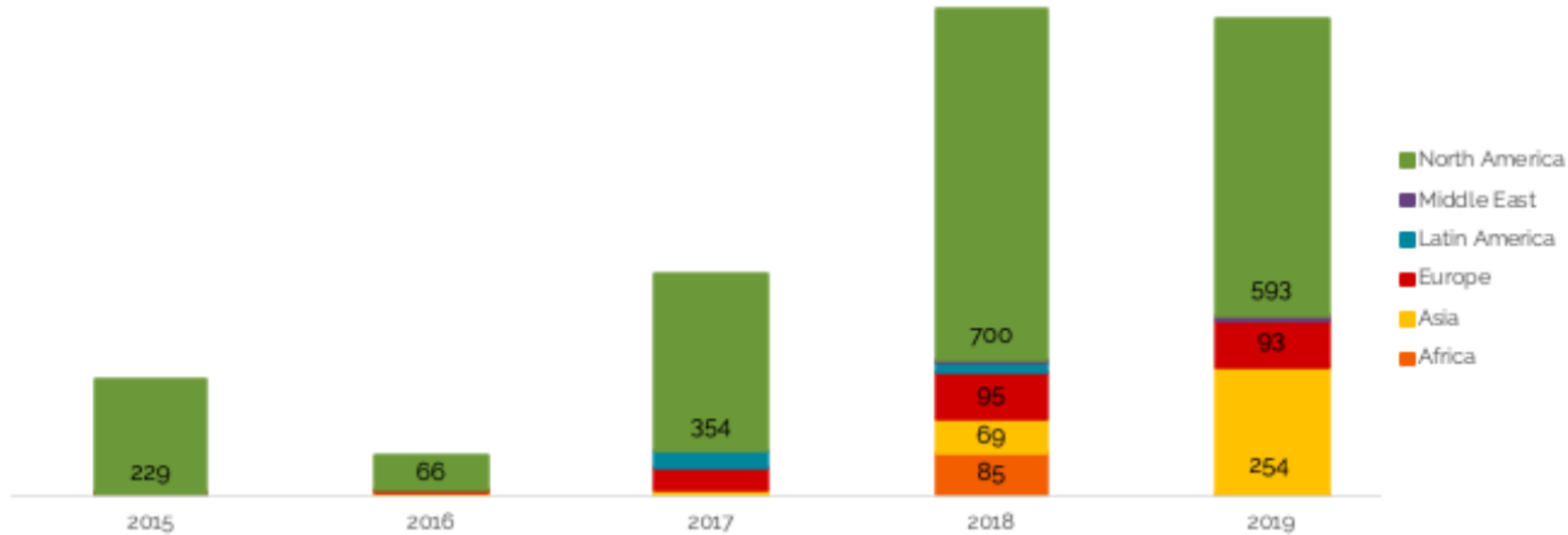
Deals by Region,



Similar to the impact tech universe data, impact tech investments have grown across the board. Europe has seen the biggest increase in both deal count and capital invested (from 5 to 41 deals, and from \$0.6M to \$93.3M). Although North America is the region with the most capital invested, its growth over the last 5 years is not as impressive (2.5x).

...but North America gets most of the dollars

Capital Invested by Region, \$



North America gets most of the impact tech capital (~\$600M in 2019 alone). Asia – mainly India – has experienced a big increase in capital invested over the last 3 years, driven by follow-on deals (Series B+) recorded in 2019.

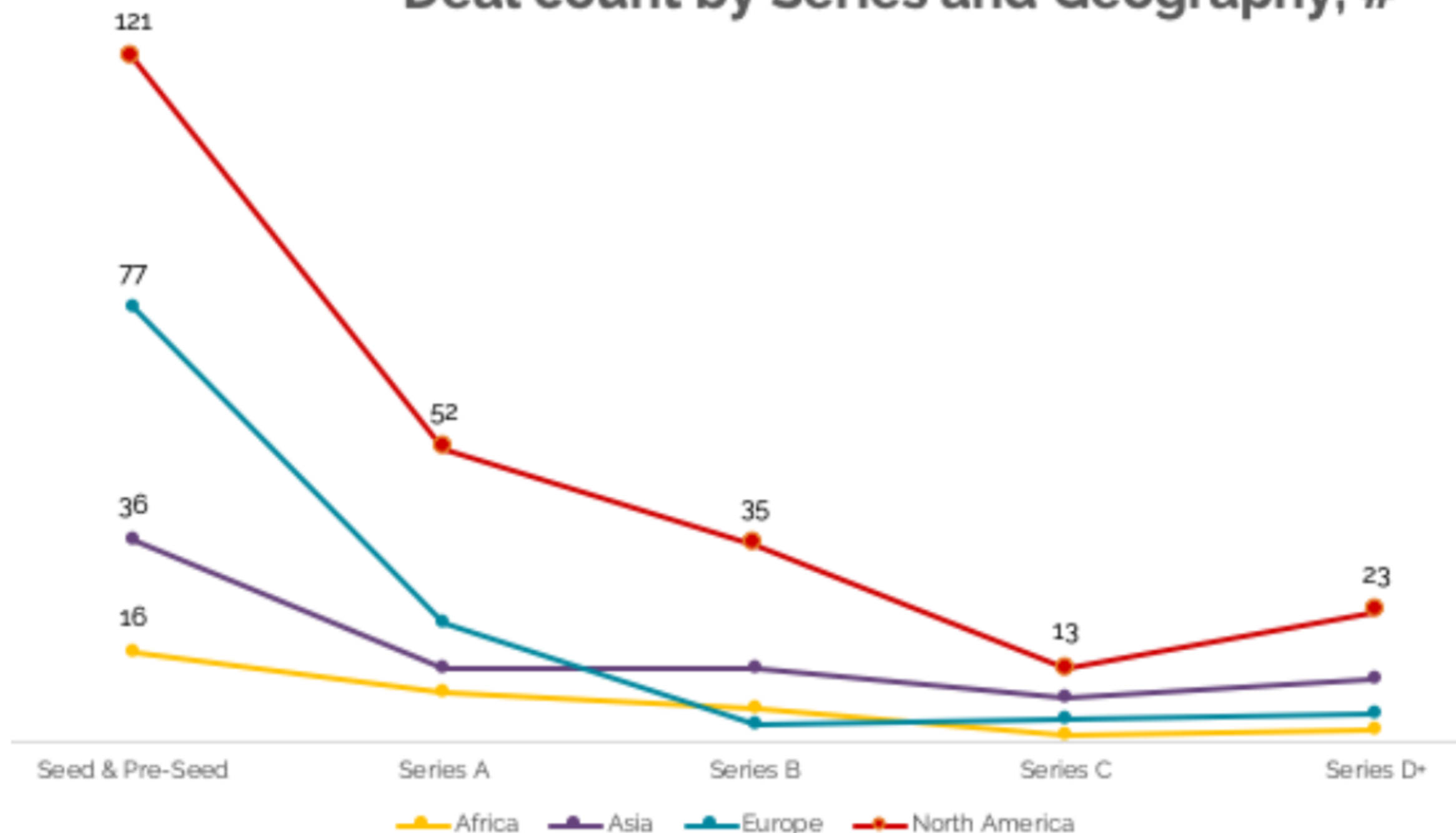
Series ratios

When looking at impact investors' deals, North America surprises with a larger number of Series D+ rounds than Series C. Generally, in this geography companies are able to find growth capital.

Although deal count is much lower in Asia, this region also presents favorable round-to-round conversion rates for late-stage deals.

The story is completely different in Europe, where there is plenty of early-stage capital but not that many late-stage deals.

Deal count by Series and Geography,



Fintech, ClimateTech, Retail and Healthcare - Key Sectors



Capital Invested by Sector, \$

	2015	2016	2017	2018	2019
Sector, \$					
AdTech and MarketingTech	18.0		36.3	1.6	28.3
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Other	5.0	1.3	2.2	10.7	2.0
Retail		3.6	43.2	1.7	167.3

Fintech, Healthcare, ClimateTech and Retail attracted similar amounts of capital in 2019. In deal count, Fintech and Healthcare take the lead.

Although EdTech investments amount to only \$48M in 2019, this sector experienced substantial growth over the last 5 years,

Sector specialization by geography

A deeper look into sectors by geography reveals similar insights as with the impact tech universe data – Asia, Africa and Latin America are mostly investing in Fintech, while North America and Europe are more diversified.

Interestingly, Europe's main impact tech sector is ClimateTech. Given the green policy priorities of the European Union, this does not come as a surprise. With the re-positioning of the European Investment Bank as a "green bank", we should expect ClimateTech to become even more predominant in the European market.

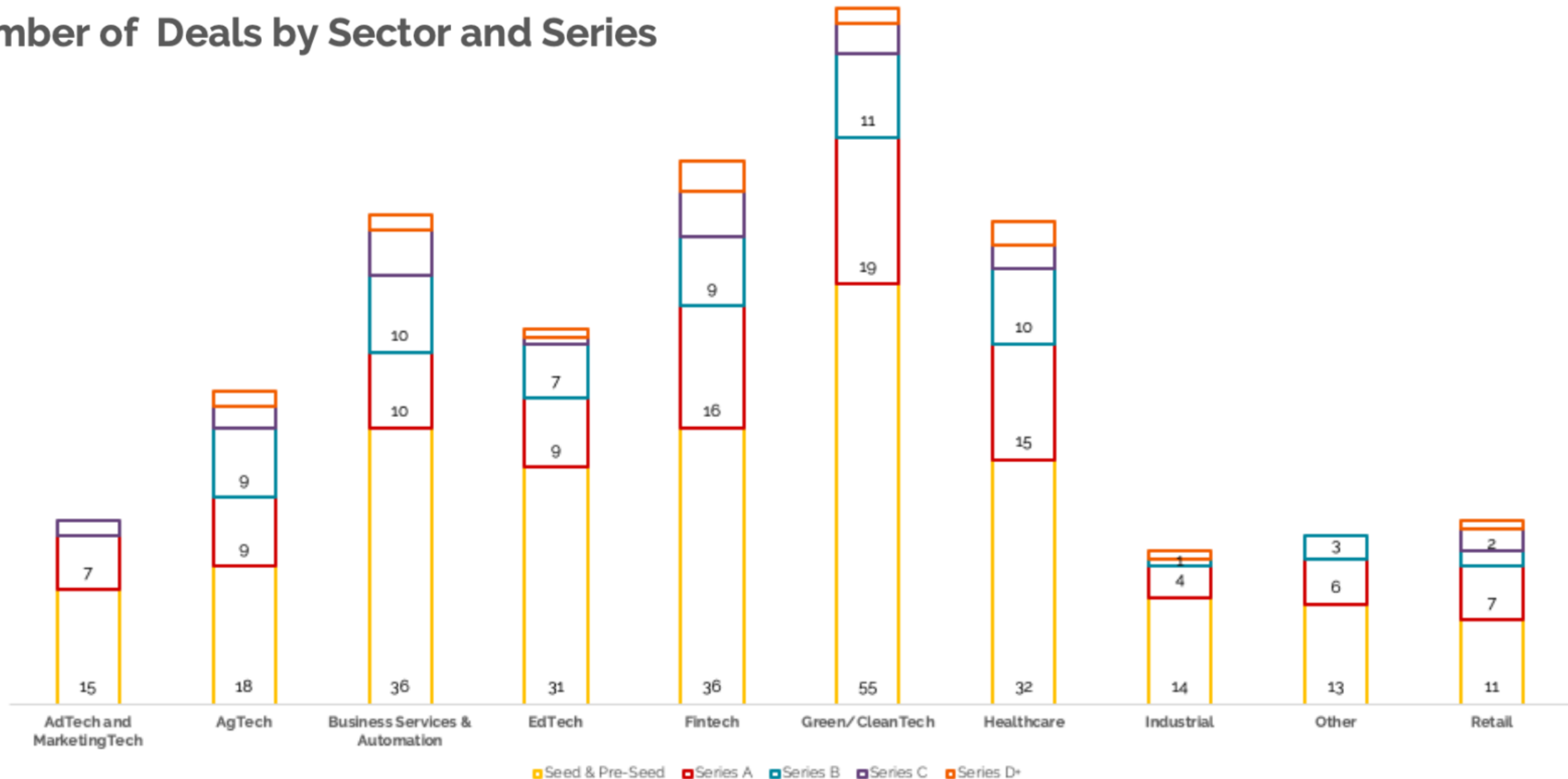


Capital Invested by Geography and Sector, \$

	AdTech/ MarketingTech	AgTech	Business Services	ClimateTech	EdTech	Fintech	Healthcare	industrial	Other	Retail
Geography, \$										
Africa		7.8	8.6	4.3	0.0	28.5	2.5		0.1	0.5
Asia	15.5	56.3	13.0	27.9	30.4	122.4	13.8	0.0	6.2	151.0
Europe	0.7	21.2	109.7	159.2	58.2	7.4	68.1	9.8	1.9	4.4
Latin America	2.6	0.0	0.0	0.8	17.0	358.3	4.8			30.0
Middle East	2.5		1.5	0.6		3.0	6.5			
North America	65.2	365.8	788.1	373.4	211.6	155.8	466.1	135.7	15.9	30.0
Oceania			0.1	4.0		2.5		8.0	0.0	

Most deals are early-stage investments in ClimateTech

Number of Deals by Sector and Series



120 exits recorded in the last 5 years...



From the larger set of impact tech companies, there are **112 startups** that have been **acquired by strategics**/other investors (e.g. private equity firms) or that have gone public through IPOs. Their total value amounts to \$90B (aggregate of last known valuations).

For the set of impact tech companies with one or more impact investors in their cap table, there are **7 recorded companies** in the EdTech, Fintech and ClimateTech sectors that have been **acquired** over the last 5 years.

Note: The exit data does not capture undisclosed deals.



SECTOR	ACQUIRER	DATE	AMOUNT
Edtech	TPG Growth	2018	\$150M
Edtech	Edgenuity	2020	Undisclosed
Fintech	Ant Financial	2018	30% stake
ClimateTech	WEG	2019	Undisclosed
ClimateTech	Fortum and Taaleri	2016	55% stake
ClimateTech	The Builders Fund	2017	Undisclosed
ClimateTech	Hawthorne Gardening	2015	Undisclosed



...but more than 40* impact tech companies valued at +\$100M

*with at least one impact investor

+\$1B



+\$500M



kateeva®



AeroFarms®



INSCRIPTA
The Digital Genome Engineering Company

+\$100M



ORIG3N



catchpoint



CiBO
TECHNOLOGIES



BrightBytes



ELLEVEST



evidation

OPENCLASSROOMS

ceribell

There are ~200 impact tech VCs

AUM

<\$1.5B

BRIDGES
Fund Management

DBL PARTNERS
DOUBLE BOTTOM LINE VENTURE CAPITAL

BCP | **BAMBOO**
CAPITAL PARTNERS

<\$500M


QUONA
CAPITAL

50^Y

RETHINK
IMPACT

»INCO

PATAMAR | CAPITAL


SJF
VENTURES



ACCION


OMIDYAR NETWORK

 **Reach**
Capital

 **ELEVAR**
EQUITY™

<\$100M

 **Social**
Venture
Circle

 **ANANDA** Impact Ventures

 VillageCapital

 **IMPACT ENGINE**


VOX
CAPITAL

 **Golden Seeds™**

 **LGT**
Impact
Ventures

 **CLOSED**
LOOP partners

BETTER
VENTURES 

 **ARBORVIEW**
—CAPITAL—

 **ankur**
capital

SUSTAIN  **VC**

