

2024 Impact Report

# MICHIGAN

VENTURE CAPITAL ASSOCIATION



Data provided by  
 PitchBook

*America's Middle Coast*

# Letter From the MVCA Board Chair

Dear readers,

As the Chair of the Michigan Venture Capital Association (MVCA), it is my honor to present the 2023 MVCA Annual Impact Report. This report highlights the resilience, innovation, and growth that define Michigan's venture capital and entrepreneurial ecosystems. Despite the challenges faced over the past year, Michigan continues to demonstrate remarkable fortitude and progress, driven by the dedication of our investors, entrepreneurs, and community partners.

Overall, venture activity in 2023 showed that Michigan remains somewhat insulated from national trends. Although the collapse of key banking partners caused several weeks of uncertainty, including critical discussions about company banking practices, Michigan founders and venture firms ended the year on par with 2021 and 2022. While deal value dropped from \$17 billion to \$6 billion in the Great Lakes region, Michigan held steady with \$1 billion invested.

The past year marked one of the best fundraising years for Michigan VCs in over a decade. According to PitchBook, four firms raised just under \$500 million in capital, shifting our mix of firms toward larger, later-stage focused funds. In line with overall market caution, VCs are increasingly funding older, more mature companies. The average and median ages of companies receiving funding in 2023 have reached record or near-record levels, and Michigan is no exception. Exits remain slow, and unicorn returns for investors are rare. However, in a sign of positivity, Detroit ranked second among startup ecosystems worldwide via PitchBook's Growth Score in recent research.<sup>1</sup>

An intriguing trend this year is the increase in the average deal size in Michigan and the Great Lakes region. The diversification of industries receiving investment might surprise non-Michigan readers. Life sciences, healthcare, and software companies still dominate, though strategic investments in mobility, including Newlab @ Michigan Central, may be starting to pay off. Our venture-backed companies continued to grow, evidenced by the \$543.7 million in deal value with outside investors in Michigan last year, the highest tally yet. Although the pace has slowed this year, it remains comparable to the 16-20 deals completed annually in 2022 and 2023. While we celebrate high levels of co-investing with venture firms from outside the state, it is important to recognize that those same dollars will outflow from the state after large exit events.

Looking ahead, MVCA remains committed to advocating for policies that support entrepreneurial activity and investment in Michigan. We continue to work closely with the state, the media, and our partners to highlight the importance of a strong funding pipeline for startups at all stages of growth. Our efforts are geared toward ensuring that Michigan remains a hub for innovation and a leader in the Great Lakes region.

The past year has also seen our MVCA Executive Director, Ara Topouzian, dedicating time to listening to our members. Post-COVID, creating a renewed sense of belonging and pride in our work is critical for our long-term success. Education, advocacy, and togetherness are the key areas our members want us to stay focused on.

At MVCA, we remain dedicated to fostering a sustainable venture capital ecosystem that supports a diverse and inclusive community. Our Venture Fellows Program, revived in early 2023, aims to nurture a more diverse generation of VC professionals across the state. It is also important that we intentionally promote capital growth and deployment outside Southeast Michigan, as the dominant narrative has not shifted in over a decade.

We extend our sincere gratitude to the Michigan Economic Development Corporation for funding this year's annual research report. This report is critical to our community as it allows us to benchmark ourselves against other states, providing invaluable insights that help us develop programs to accelerate the growth of our venture capital ecosystem. Their support is instrumental in driving our mission forward.

In conclusion, I extend my heartfelt thanks to our investor and entrepreneurial communities for their unwavering support and dedication to building a stronger innovation economy here in Michigan. Together, we will continue to drive growth and success, creating opportunities for all. The resilience and progress documented in this report are a testament to the strength of our community, and I am confident that we will achieve even greater heights in the years to come.



Sincerely,  
Patricia Glaza  
Chair of the MVCA Board of Directors  
Managing Director, ID Ventures

<sup>1</sup>: "Q4 2023 PitchBook Analyst Note: Global VC Ecosystem Rankings," PitchBook, Nalin Patel, October 10, 2023.

# 2024 MVCA Board of *Directors and Staff*

We extend our special thanks to the Michigan Economic Development Corporation for their generous support in sponsoring this report.

Thank you to the members of the research report committee for their help with this year's report.

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Prem Bodagala, ID Ventures

Joe Lampen, Wakestream Ventures

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Ara Topouzian, MVCA, Staff Lead

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Ara Topouzian



### Project Coordinator

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ORBION  
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# Executive Summary

## Remaining resilient as market choppiness increases

The Michigan venture ecosystem saw a more resilient 2023 than many other areas. VC dollars invested remained strong at just over \$1 billion in aggregate, while completed financings also held steady relative to 2022 at 182 in total. Amid a general downturn in VC activity throughout the US, with a significant drop-off in funding volume and value between 2022 and 2023, Michigan's resilience stood out.

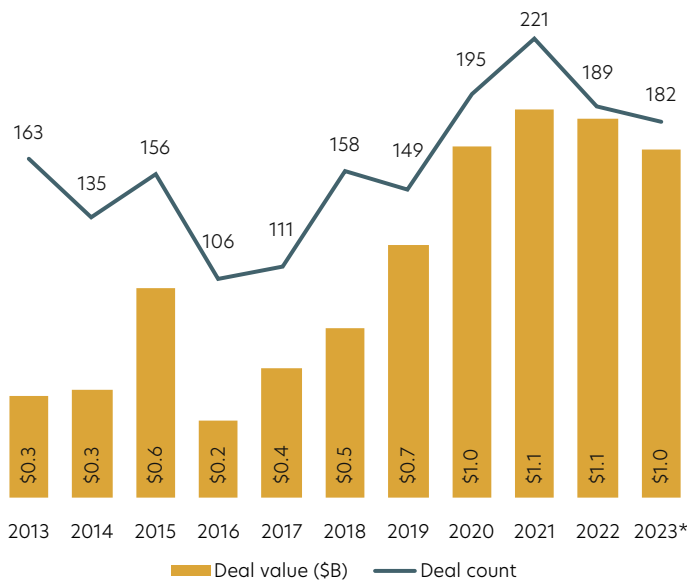
This resilience occurred against a mixed economic backdrop. The US is seeing a complicated mix of indicators such

as overall low unemployment rates, stubborn inflation, persistently high interest rates, and record highs in equity indexes. Overall, investors are growing more cautious and Michigan startups that were still able to secure a record-setting median deal size had to work through significant hurdles to do so. Bay Area and New York capital continued to flow into Michigan, but at a somewhat lesser pace than that of previous highs.

Exit and fundraising figures paint a similar picture, with a steady trickle

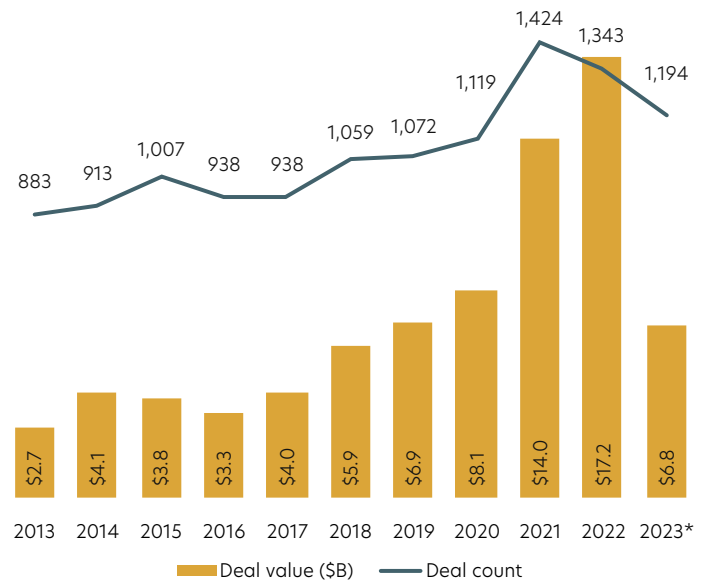
of liquidity occurring for Michigan companies. Firms that embarked on fundraising were able to secure significant sums of capital across different size ranges. However, outside capital will remain important for Michigan startups going forward, especially as more and more of the companies securing funding continue to mature. Thus, it will remain critical to retain Michigan's reputation, its pipelines of entrepreneurial and general talent, and its relatively favorable business climate for startup launches.

### Michigan VC Deal Activity



Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

### Great Lakes VC Deal Activity



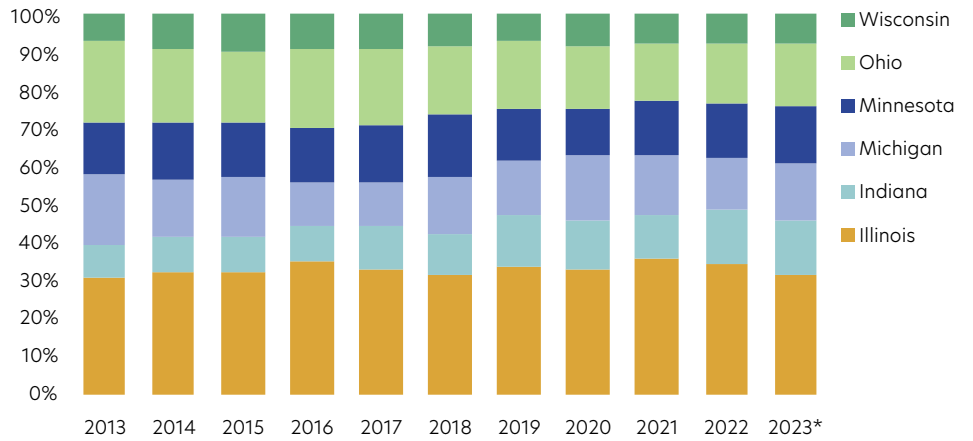
Source: PitchBook • Geography: Great Lakes • \*As of December 31, 2023

# Market Trends

## Dealmaking

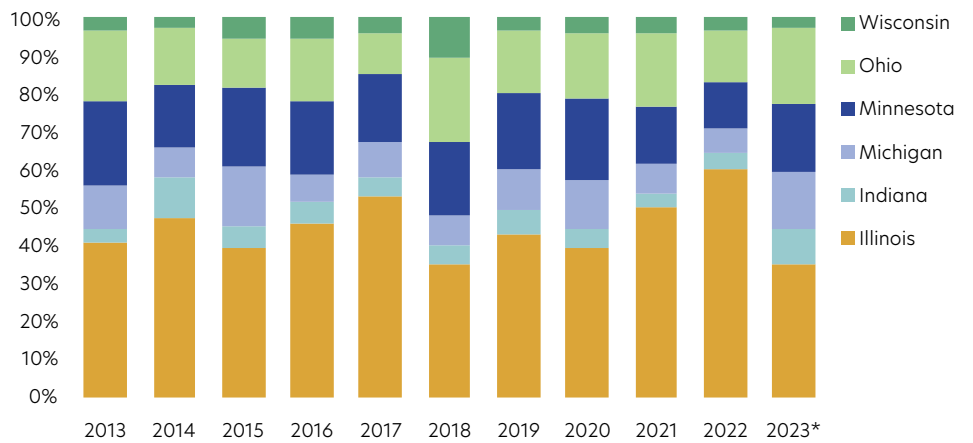
Amid a relatively healthy dealmaking climate through the end of 2023, Michigan saw a surge in aggregate VC invested compared with neighboring states. Key deals that drove the total of VC invested included the \$300.0 million funding of battery tech developer Our Next Energy, the \$109.0 million infusion in autonomous transport software platform May Mobility, and a \$75.0 million financing of cybersecurity provider Censys. 2023 saw just over \$1 billion invested within Michigan, which boosted its proportion of overall VC invested in the region, compared with other states, to close to 15% for the year. For the tally of completed VC transactions, Michigan has held steady relative to its neighboring states for years, with only Ohio and Minnesota eking out the barest of proportional gains in the early 2020s.

Share of VC Deal Count by Select State



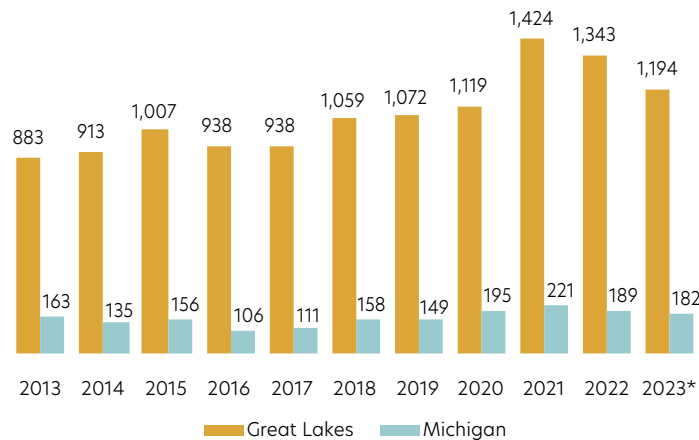
Source: PitchBook • Geography: US • \*As of December 31, 2023

Share of VC Deal Value by Select State



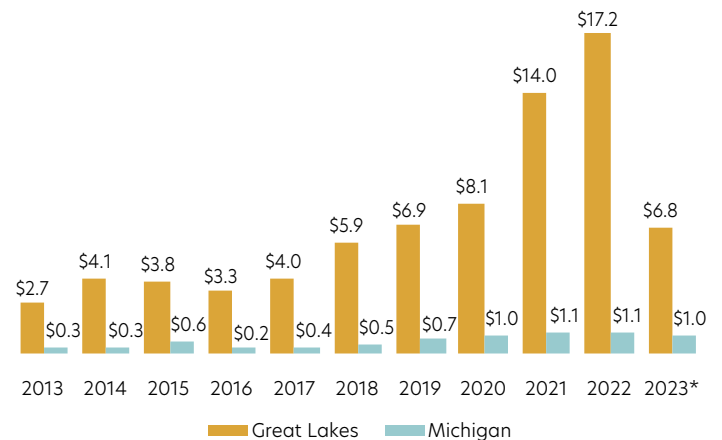
Source: PitchBook • Geography: US • \*As of December 31, 2023

VC Deal Count by Select Region



Source: PitchBook • Geography: Great Lakes • \*As of December 31, 2023

VC Deal Value (\$B) by Select Region



Source: PitchBook • Geography: Great Lakes • \*As of December 31, 2023

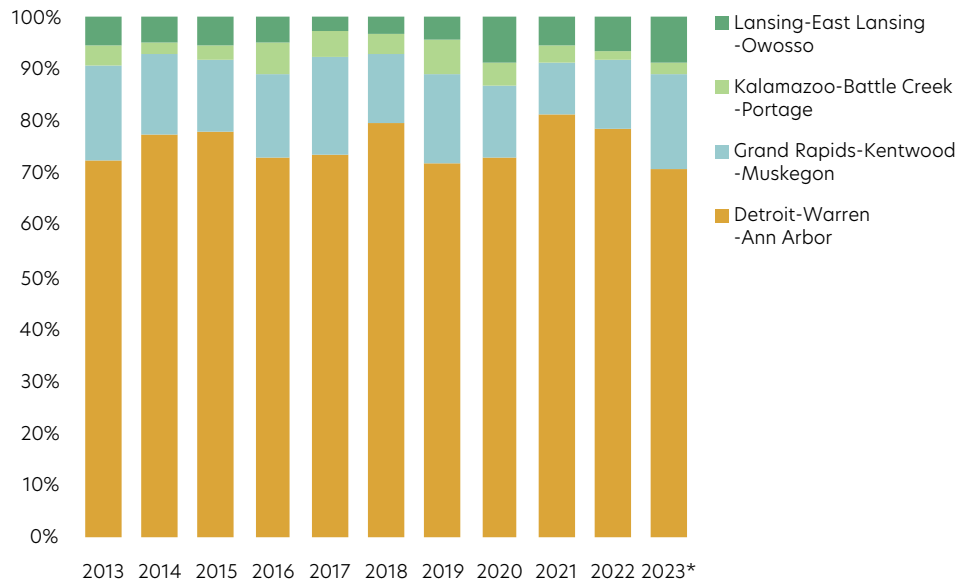
Amid the recent run-up in dealmaking volume from the late 2010s into the 2022 peak, Michigan only saw a mild increase, though still healthy in retrospect, with 221 completed financings in 2021. Since then, however, 2022 observed a small decline in completed financings, with the total sliding to 189. 2023 just barely recorded a decline, totaling 182 deals. Venture capital investment remains concentrated in Southeastern Michigan, which retained an overwhelming proportion of all financings after a late 2010s surge from Grand Rapids and Kalamazoo.

The likeliest explanations for the resilience in venture deal flow include the relative moderation of growth among deal size, valuation, and overall financing metrics within the state. Although growth was substantial, with the median VC deal size at a near-record \$2.2 million in 2023, there was not a subsequent decline in investors' willingness to stay active within the Michigan ecosystem. This is also exhibited in the consistent participation of coastal investors in Michigan venture rounds, with Bay Area and New York firms joining in a combined 55 rounds in 2023.

There was also a slight increase in Series C and Series D+ financings in the past few years. But, by and large most activity is still concentrated in earlier stages, which tend to be somewhat smaller and thus are also easier to close even if investors are cautious.

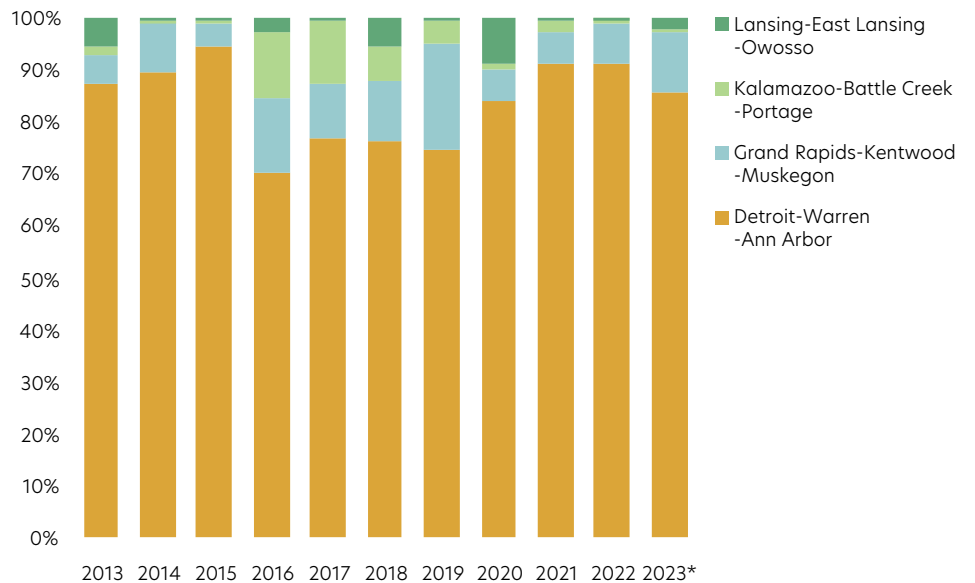
**Most venture capital investment remains concentrated in Southeastern Michigan.**

### Share of VC Deal Count by Select Michigan Metro Area



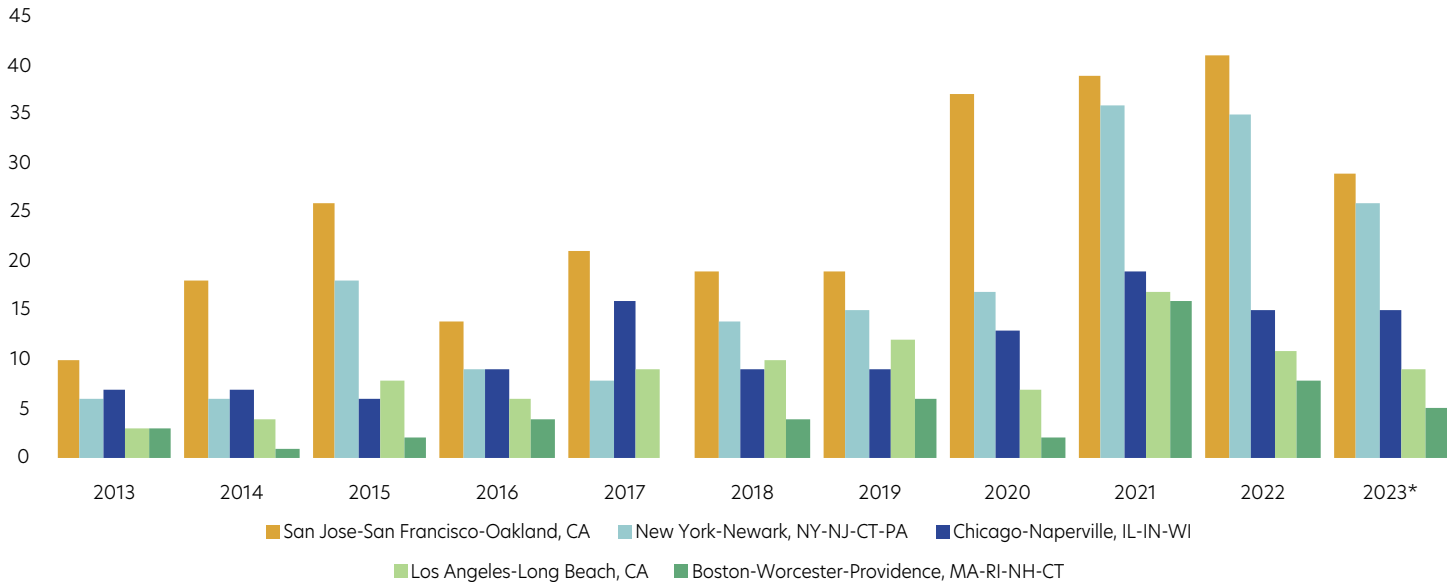
Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

### Share of VC Deal Value by Select Michigan Metro Area



Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

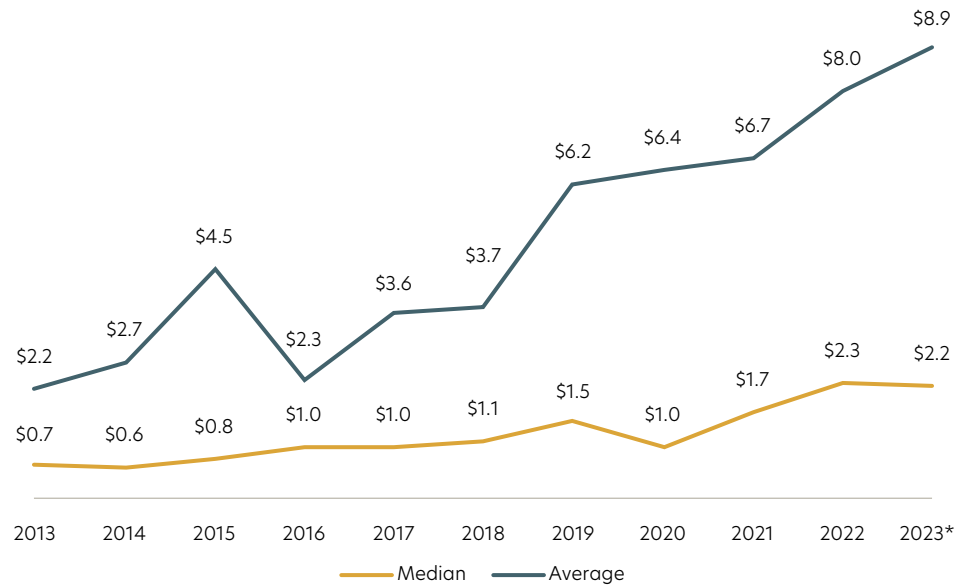
## Michigan VC Deal Count by Participating Investor Metro Area HQ



Source: PitchBook • Geography: US • \*As of December 31, 2023

Michigan venture activity remains primarily centered in software, with the sector's proportion of completed VC financings only growing over the past few years barring a minor pullback in 2023's percentage. That is due to a focus on software applications in arenas such as AI, manufacturing, healthtech, robotics, and more. The necessary skillsets to deploy unique hardware and software in these areas does align with engineering talent pipelines from the University of Michigan and other educational centers, plus the existing industry backgrounds of more seasoned executive leaders from the auto ecosystem.

## Median and Average Michigan VC Deal Value (\$M)

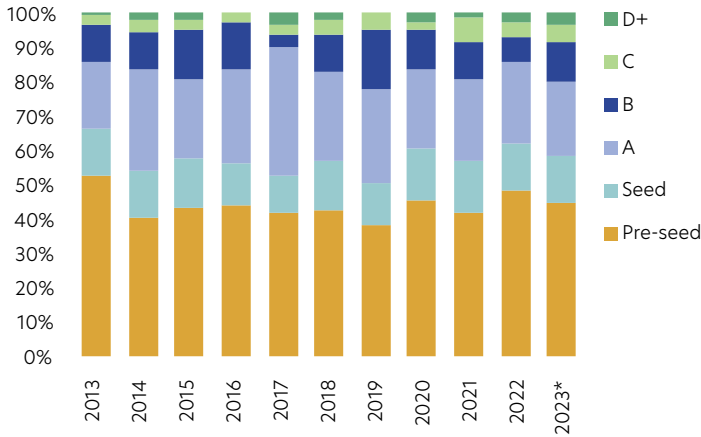


Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

A record \$8.9 million in average financing value in 2023 suggests that investors still have plenty of capital to invest in the best-prepared, best-positioned startups.

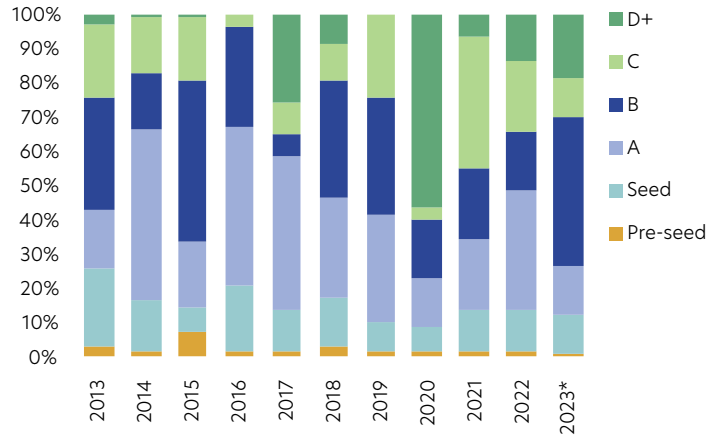


### Share of Michigan VC Deal Count by Series



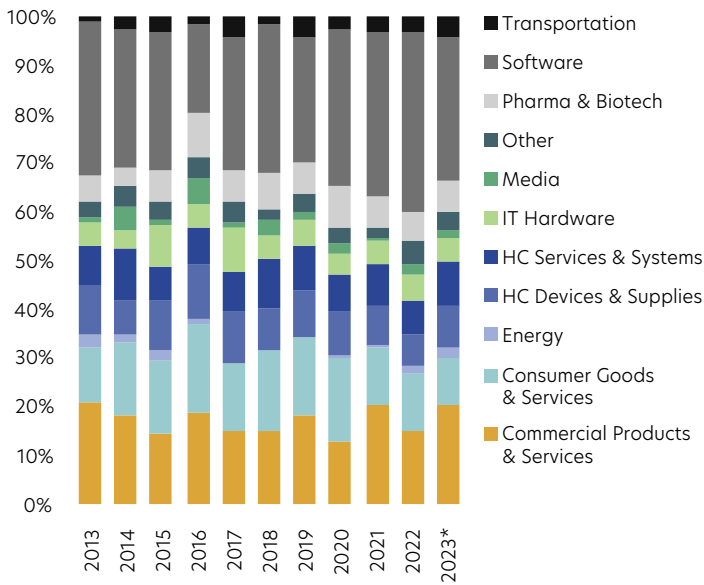
Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

### Share of Michigan VC Deal Value by Series



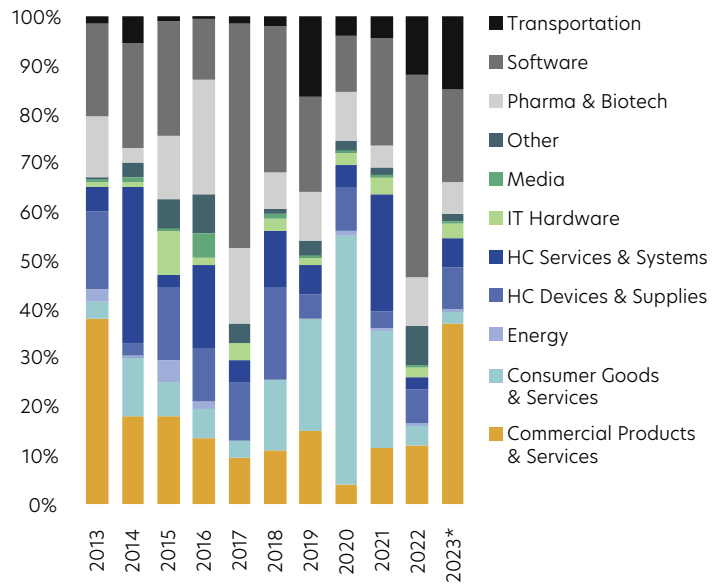
Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

### Share of Michigan VC Deal Count by Sector



Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

### Share of Michigan VC Deal Value by Sector



Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

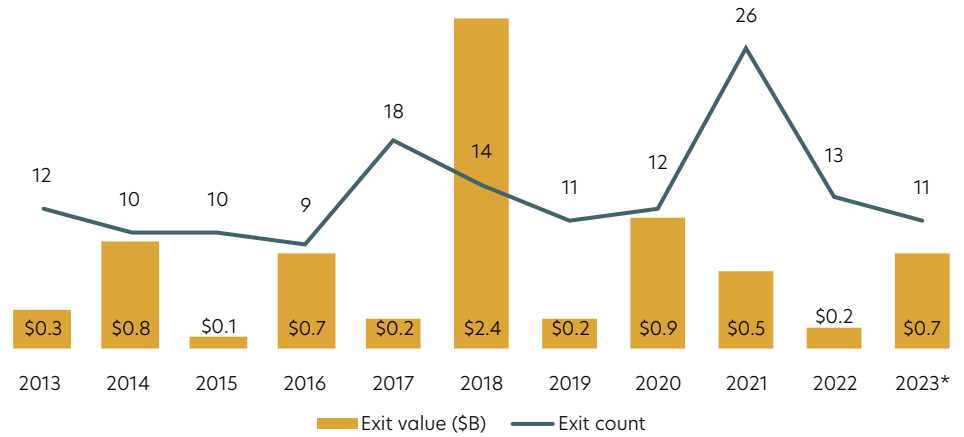


# Market Trends

## Exits

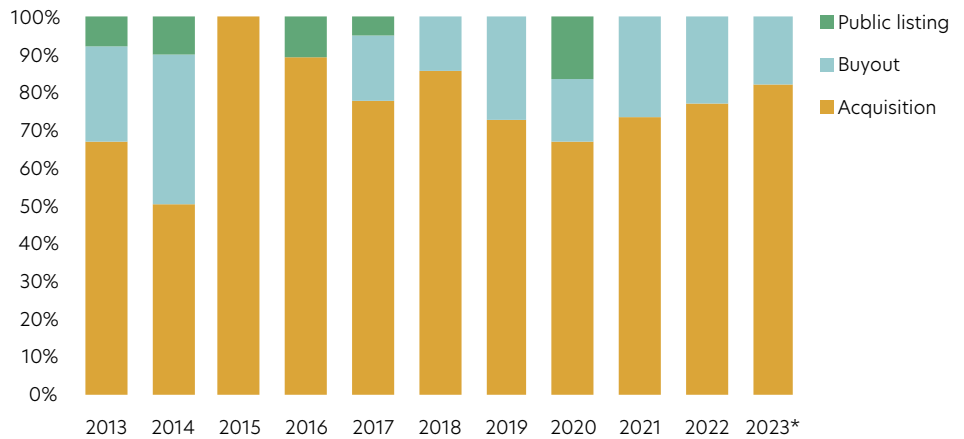
Exits at scale have been harder to come by in the US over the past few years. 2023 saw \$67.6 billion in exit value on just over 1,000 completed exits — both tallies were the lowest since 2016. Michigan is little different, as it has not seen a surge in exits beyond 2021 in terms of volume. Its sheer consistency in tallying at least 10 or more completed exits nearly every year in the past decade is what stands out the most. 2023 did see \$683 million in exit value, which compares favorably with the past 10 years as well. That was primarily driven by the \$630.0 million acquisition of electric truck and utility vehicle maker VIA Motors (Auburn Hills, MI) by Ideanomics. The bulk of those exits occurred via strategic acquisition, as opposed to buyout or public listing. Interestingly, there may be a buildup in mature companies within the Michigan venture ecosystem — the median age of a company at time of financing hit a record 5.2 years in 2023, while the average tracked even higher to 6.8 years. Although age is no guarantee of financial health or readiness to exit, it is a potential indicator of greater preparedness to plan an exit, or even growing pressure from founders and investors to consider longer-term strategic outcomes.

### Michigan VC-Backed Exit Activity



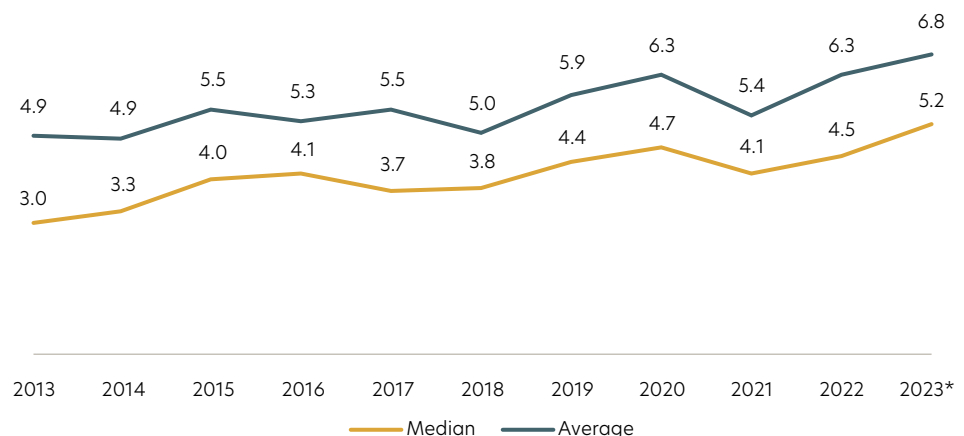
Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

### Share of Michigan VC-Backed Exit Count by Type



Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

### Average and Median Age (Years) of Michigan Companies Since Founding



Source: PitchBook • Geography: Michigan • \*As of December 31, 2023  
Note: Age is defined as time from start of company to date of financing.

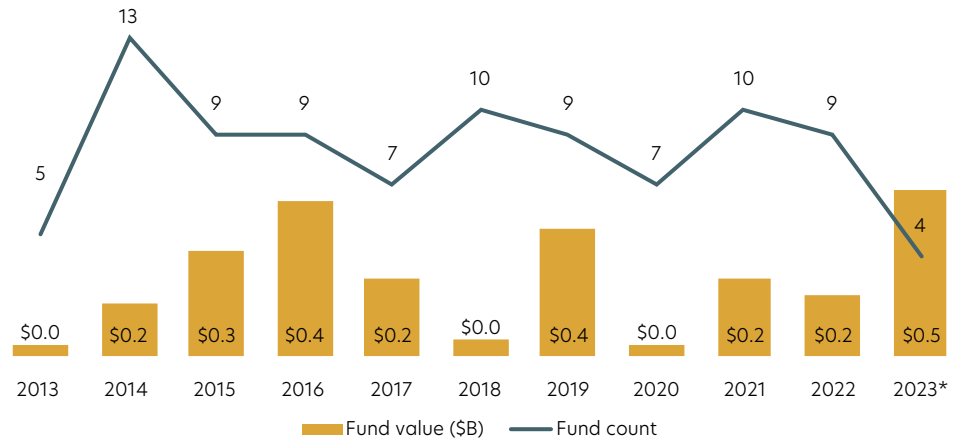
# Market Trends

## Fundraising

Given the concentration of US VC on the East and West Coasts, the Michigan domestic venture scene still sees plentiful capital flowing from firms headquartered in the Bay Area and New York. However, in-state fundraising has been steady for years as well – this can be construed as somewhat of a stall, given there has not been much growth over the years, but the continuation of commitments does mean a modest base of capital for investing going forward.

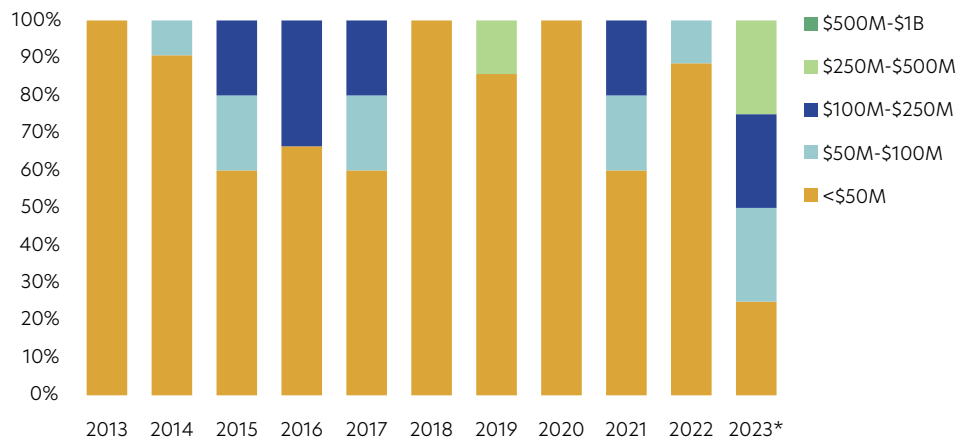
2023 saw the most capital raised by Michigan-based funds of the past decade, just barely overtaking 2016’s tally of approximately \$450 million. In combination with outside capital, that could help provide a flow of funds to Michigan’s startups for some time, especially as 2023 saw an equal mix between the four funds that closed in terms of size range, ranging from below \$50 million to between \$250 million and \$500 million. Accordingly, multiple companies across different size ranges can benefit from such funds’ different size targets.

Michigan VC Fundraising Activity



Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

Share of Michigan VC Fund Count by Size Bucket



Source: PitchBook • Geography: Michigan • \*As of December 31, 2023

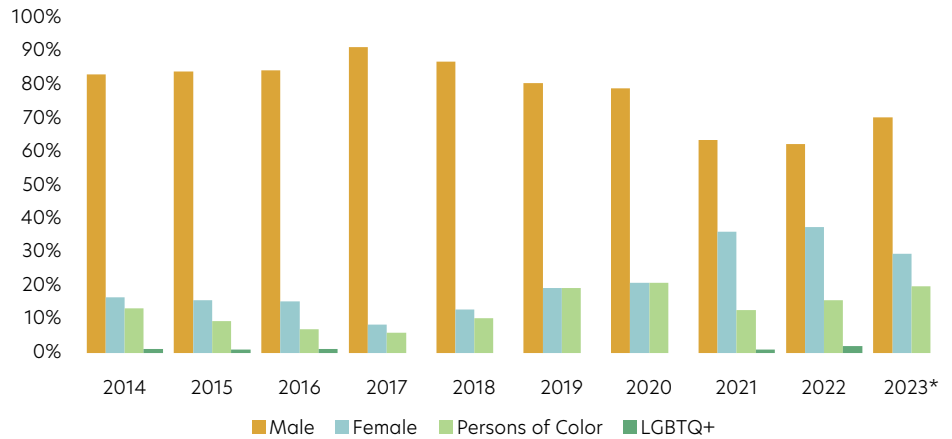
Thus far, fundraising within Michigan has stayed steady but is potentially stalling at a low level given no significant growth over the years. However, the growing prevalence of millennials in the in-state VC community, as well as elsewhere in the US, could result in at least an uptick of emerging managers. As millennials in VC acquired significant experience and/or success within venture throughout the boom of the late 2010s and early 2020s, some in the US have already formed new firms and begun fundraising or may well do so. For Michigan, that same trend could occur, with perhaps even some people originally from Michigan opting to return home from stints elsewhere and raise funds targeting in-state companies.

## Macro Trends: Diversity

Recently, MVCA conducted a survey to assess different aspects of diversity, equity, and inclusion (DEI) across the Michigan venture professional population. Here are some snapshot figures from the findings:

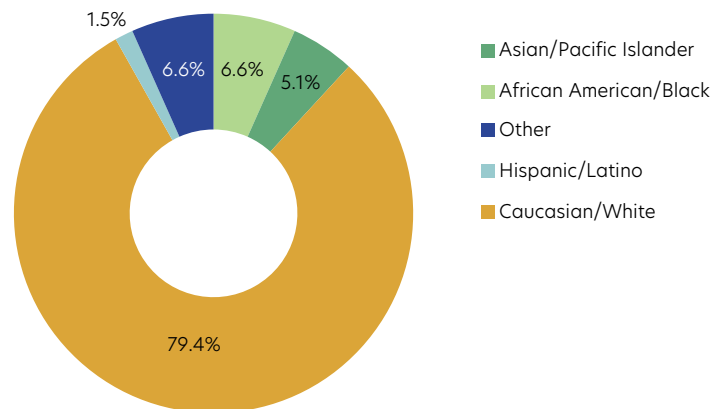
- At a broad level, the majority of all respondents in the survey reported as male, at 70.4%. Female VC professionals accounted for 29.6% of respondents — a figure that compares favorably with national averages. Recent research estimates that women account for around 11% of investing partners at VC firms — and approximately 21% of all investment professionals.<sup>2</sup>
- 79.4% of respondents identified as Caucasian/White, while African American/Black and Other both stood at 6.6% each. Asian/Pacific Islander saw 5.1%, while the smallest represented category was Hispanic/Latino at 1.5%. The African American/Black tally is slightly above the estimated 5% of nationwide VC workforce figures, but the Asian/Pacific Islander percentage is far below the approximate 18% in the US overall — both nationwide figures being drawn from Deloitte’s VC Human Capital Survey.<sup>3</sup>
- Over time, the proportion of respondents that identify as female has increased significantly, while the proportions of persons of color have generally been higher since 2019, but remain variable. Survey data is dependent on response rates and thus can be variable from year to year.

## VC Professionals as Self-Reported



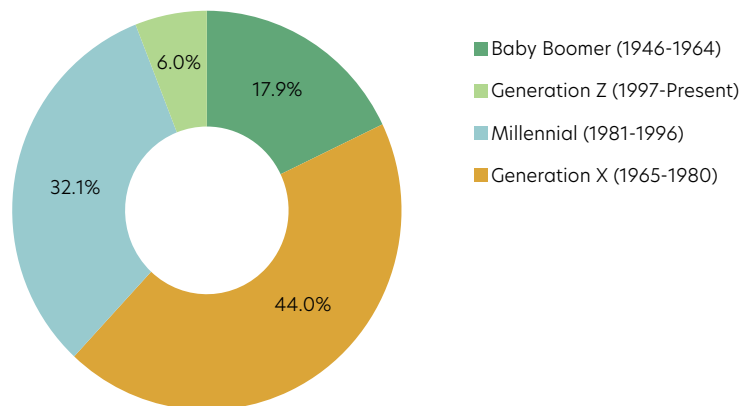
Source: 2024 MVCA Annual Research Report DEI Survey • Geography: Michigan • \*As of December 31, 2023

## VC Professionals' Ethnicity as Self-Reported



Source: 2024 MVCA Annual Research Report DEI Survey • Geography: Michigan • \*As of December 31, 2023

## VC Professionals' Generational Identification as Self-Reported



Sources: 2015-2024 MVCA Annual Research Report DEI Surveys • Geography: Michigan • \*As of December 31, 2023

2: "Advancing Gender Equality in Venture Capital," Harvard Kennedy School, Siri Chilazi, October 2019.  
3: "VC Human Capital Survey," Deloitte, April 2023.

## Macro Trends: Economy

- According to The Michigan Economic Outlook for 2024-2025 from the University of Michigan's Research Seminar in Quantitative Economics, the unemployment rate increased slightly through the summer of 2023 into the end of the year, from 3.6% in June and July to 4.3% in November and December.<sup>4</sup> The growth of inflation also slowed. Detroit's 12-month rate of consumer price inflation fell from 9.7% in June 2022 to 4.5% in December 2023.<sup>5</sup> In short, as the University of Michigan report stated, "Michigan is nearing a roughly neutral point in the economic cycle."
- From the consumer perspective, sentiment remains affected by inflation — the Michigan Consumer Sentiment Index recently fell to a six-month low in May 2024, for example, though most of 2023 saw increases.<sup>6</sup> Per the December 2023 edition of the Michigan Economic Indicators, seasonally adjusted wage and salary employment increased 1.2% relative to December 2022.<sup>7</sup> The Detroit Consumer Price Index was up 4.5% over that same time frame. Federal and state fiscal stimulus is still likely showing up in the jumps in government, education, and health services jobs, while professional and business services saw the largest decline at approximately 13,000 jobs.
- Startups and venture ecosystems remain concentrated within metro areas, thus, as seen above, the Detroit-Ann Arbor metro area commands the bulk of all venture funding as most Michigan-headquartered startups are based in this area. As previous PitchBook research has identified based on measures of relative growth such as two-year rolling growth rates on different time periods for deals, exits, and fundraising, the Detroit ecosystem is thriving, recently taking second place in PitchBook's rankings among startup ecosystems worldwide by PitchBook's Growth Score.<sup>8</sup>
- A key consideration for Michigan startups and founders looking to incubate a new venture project is the general operating expense that a company can incur. To some degree, that is skewed significantly by business model and target market, but overall, as the hybrid/remote work era continues to entrench, lower costs of living can be material for startup employees. Different sources peg Michigan's cost of living as being 8% to nearly 10% lower than the US average.<sup>9,10</sup> This can aid in the potential efficiency of both capital-spending and capital-raising efforts due to startups being able to project somewhat lower operating costs.

4: "The Michigan Economic Outlook for 2024-2025," University of Michigan, Jacob T. Burton, Gabriel M. Ehrlich, and Michael R. McWilliams, February 28, 2024.

5: Ibid.

6: "Michigan Consumer Sentiment Drops 10% in May to Six-Month Low," VettaFi, Jennifer Nash, May 24, 2024.

7: "Michigan Economic Indicators," Michigan Senate Fiscal Agency, December 2023.

8: "Q4 2023 PitchBook Analyst Note: Global VC Ecosystem Rankings," PitchBook, Nalin Patel, October 10, 2023.

9: "Michigan Cost of Living," BestPlaces, n.d., accessed May 29, 2024.

10: "Cost of Living Data Series," Missouri Economic Research and Information Center, n.d., accessed May 29, 2024.



Breaking out active firms by first assessing which ones are both headquartered in Michigan and made at least four or more investments in the trailing three years, 2023 saw 46 such VC firms, holding relatively steady compared to 47 in 2022. These totals mark clear highs given the steady growth throughout the decade. Although the tally of investments benefits cumulatively

over time, it still represents consistent growth in Michigan’s investor base, especially with at least six firms tallying 10 or more deals in which they took part throughout 2023.

This growth takes on a layer of nuance when analyzing VCs that are not headquartered in Michigan but nonetheless remain active, having tallied

at least four or more VC deals in the state over the past three years. There were 13 such firms active in 2022 and 12 in 2023 — both representing significant highs compared with the rest of the decade. In short, although the bulk of active firms is still local to Michigan, there has been a decided uptick in firms outside of Michigan joining in dealmaking.

## Michigan-Based VC Firms\*

Firms		
Amherst Fund**	Endeavor Detroit**	New Community Transformation Fund**
Annox Capital	Exit Quotient Ventures**	North Coast Technology Investors
Arboretum Ventures**	Fontinalis Partners**	Plymouth Growth**
Assembly Ventures	Genesis Innovation Group	Quantum Medical Concepts
Augment Ventures**	Gibbs City Investments**	RPM Ventures
Banana Capital	Grand Ventures**	640 Oxford**
BELLE Impact Fund**	Hopen Life Science Ventures	Skypoint Ventures
Beringea**	Huron River Ventures	Tamarind Hill**
BioStar Capital**	ID Ventures**	Tappan Hill Ventures**
Boomerang Catapult	Ludlow Ventures	Techstars Detroit**
Cantilever Investors	Mad Dog Ventures	Transhuman Capital
City Side Ventures**	Michigan Capital Network Ventures**	Trout Creek Ventures
Cultivate (MD)	Microtech Ventures	Wakestream Ventures**
Detroit Venture Partners**	Mudita Venture Partners**	
eLab Ventures**	Narrow Gauge Ventures	

## Out-of-State VC Firms With a Michigan Presence\*

Firms
Mercury**
MK Capital**
M25**
4100
Venture Investors**

## Michigan-Based VC Funds of Funds\*

Funds
Renaissance Venture Capital**
Venture Michigan Fund

## University Funds in Michigan\*

Funds
Accelerate Blue Fund (U-M)**
Biosciences Research & Commercialization Center (WMU)**
Invest Michigan (MEDC)
Michigan Biomedical Venture Fund (U-M)**
Michigan Rise (MSU)**
MINTS /Michigan Investment in New Technology Startups (U-M)
Red Cedar Ventures (MSU)**
Reseda Group (MSUFCU)
Social Venture Fund (U-M)
Wolverine Venture Fund (U-M)
Zell Lurie Early Stage & Zell Lurie Founders Fund (U-M)

## Michigan-Based Corporate Venture Funds\*

Firms
Corewell Health Ventures**
Dow Venture Capital
Eighteen94 Capital
GM Ventures**
Hella Ventures**
Kelly Innovation Fund
Magna International**
Masco Ventures
Rock Ventures

Source: MVCA • Geography: Michigan

\*As of December 31, 2023

\*\*Member of Michigan Venture Capital Association (as of this report)

Note: Firms included in the first table are physically headquartered in Michigan and have raised a VC fund within the past five years and/or have made at least four VC investments over the past three years.

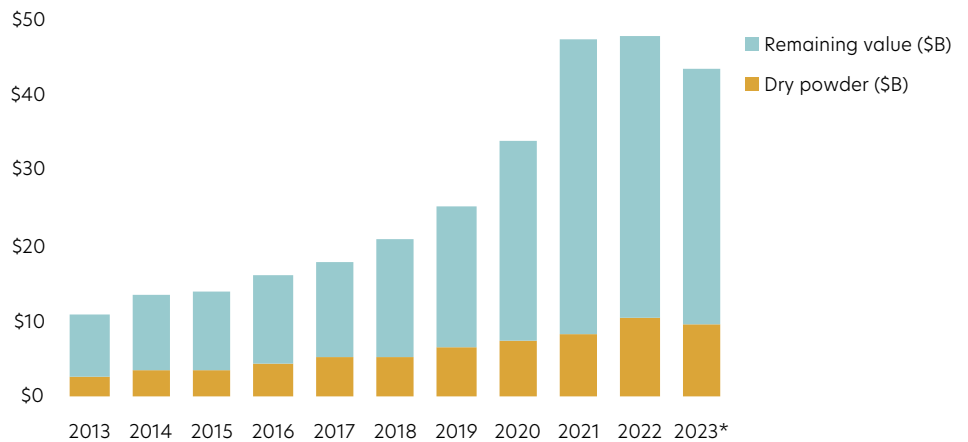
# Conclusion

As of the end of September 2023, total assets under management in the Great Lakes region totaled \$43.3 billion, a decrease from the \$47.6 billion recorded in 2022. The bulk of that decrease occurred in the remaining value portion of AUM, from \$37.4 billion to \$34.1 billion year over year, while dry powder only declined by \$1 billion. Michigan in particular saw its dry powder decline to just over \$700 million while its remaining value stayed at nearly \$2.6 billion.

Those portions of dry powder and unrealized market value mean that the Michigan ecosystem has fuel to see deal and exit activity keep trickling. That is what showed up in steady dealmaking throughout 2023. Market conditions are not as concerning as some headlines suggest, but there is enough variability and uncertainty induced by inflation, economic growth, political variability and timelines to liquidity that investors will be suitably cautious of and founders will have to prepare accordingly for. That said, the operating conditions within Michigan remain rosier than elsewhere, given somewhat more affordable costs of living and, at worst, mixed economic sentiment and growth.

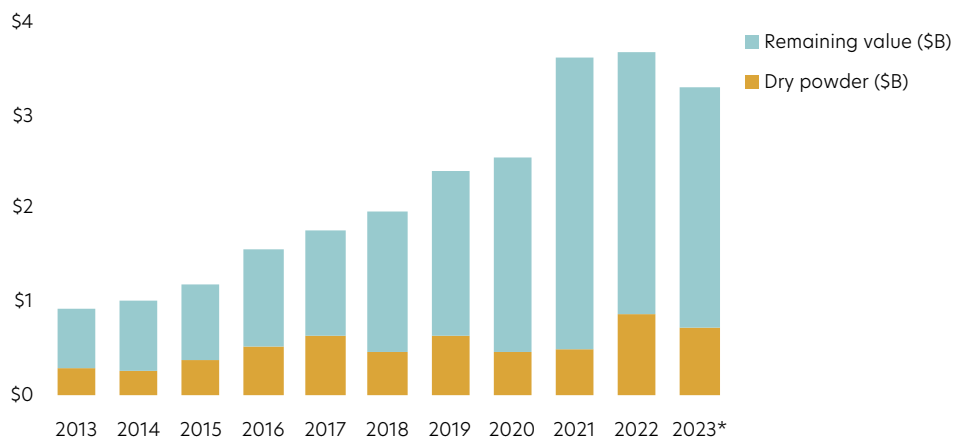


## Great Lakes VC AUM



Source: PitchBook • Geography: Great Lakes • \*As of September 30, 2023

## Michigan VC AUM



Source: PitchBook • Geography: Michigan • \*As of September 30, 2023



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Special thank you to the Michigan Economic  
Development Corporation for their generous support  
of the MVCA 2024 Impact Report

Standard PitchBook report methodologies were utilized in this report. Geography was based on the primary headquarters of the company receiving funding, or the primary headquarters of the investment firm that participated in a given financing.