

Venture Capital Activity in Florida: 2011 Overview and 2012 Preview

*An interview with Robin Lester
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How would you describe VC activity in Florida during 2011?

2011 was a rebound year and VC firms are now reloading with cash. Funds typically invest with a five- to seven-year horizon for their portfolio companies. As they approach the last years, which many of them are now, they determine the exit strategy for portfolio companies, distribute proceeds to investors and raise capital for new funds. When they reload, they are in a better position to invest in earlier stage companies.

What were some of the more interesting trends in 2011?

There's a lot happening in Florida, particularly in technology and bioscience. This includes robotics, simulation, medical devices, diabetic research and a number of very specialized research fields.

On the down side, too few investors are aware of this. On the up side, however, we've seen growing awareness of the strength of the Florida market not only with Florida funds, but also with funds in Richmond, Birmingham, Seattle, Texas and Silicon Valley.

Several turning points that occurred during the past several years accounted for this heightened awareness. Valuations on Florida firms were quite low, and savvy investors saw this as a buying opportunity. In addition, the growing reputation of Florida research institutions has elevated the perception of our companies, including university spinoffs, and their investment potential.

Which companies received funding?

Later stage companies are often edging out earlier stage firms for funding. The former \$5 million round is now \$3 million. Technology, healthcare, life sciences, alternative energy and medical devices are at the top of a number of "shopping lists."

An interesting trend is the emergence of strategic partnerships for growth capital. International firms like Sony and Microsoft are buying technology firms as a sort of outsourced R&D resource, buying a business for its technology and then spinning it off.

Companies that have a strong management team, a proprietary technology that is propelling growth and a steady stream of revenues are of tremendous interest to institutional venture investors. That holds true for early stage investors as well.

What was of concern to you?

We still have a capital gap after bootstrapping and friends and family financing; and bootstrap financing has become much more difficult. The days of financing a start up with a second

mortgage or credit card debt are gone, at least for the time being. In addition, angel investors have become more leery. What remains is the challenge of finding financing is in the \$200,000 to \$400,000 range.

A continuing issue is that of the geographic diversity of investment opportunities in Florida – which I consider both a challenge and an opportunity. This state is not a one-stop shop, such as you might find in the Research Triangle, Austin or Silicon Valley. Our companies are spread throughout the state, making it more time consuming for prospective investors to see what we have. That's why events such as the Florida Venture Capital Conference and BioFlorida are so valuable in attracting investors to one location.

How do things look for 2012?

I think prospects for 2012 are much improved. As I mentioned earlier, venture capitalists are reloading with cash and looking for quality investments. Within the state of Florida, we have enormous capacity for clean tech, alternative energy and healthcare.

Another interesting development is how well we will avoid the brain drain that could result from the closing of various NASA operations – and in fact, benefit from the transition. Scientists there are involved with much more than rocket propulsion and are coming up with unique technologies and amazing new applications and we must find ways to support them and keep them here.

What advice do you have for smaller, earlier stage companies?

If these companies can assemble a strong management team, get up to revenue and build a well-connected advisory board to give them access to capital and industry influencers, at least some of them will bubble up to the top. Organizations such as Tampa Bay Innovation Center and incubators throughout the state are invaluable in providing this sort of mentorship.

My final thought is, “Innovation will always be funded.” Those with the most innovative technologies and applications will be sought after, no matter where they are.

Robin Lester is executive director of the [Florida Venture Forum](#), Florida's oldest, largest and most prestigious statewide support group for venture capitalists and entrepreneurs. She can be reached at robin@floridaventureforum.org.