



Catalyzing Innovation

Strategies for Supporting Innovation & Entrepreneurship

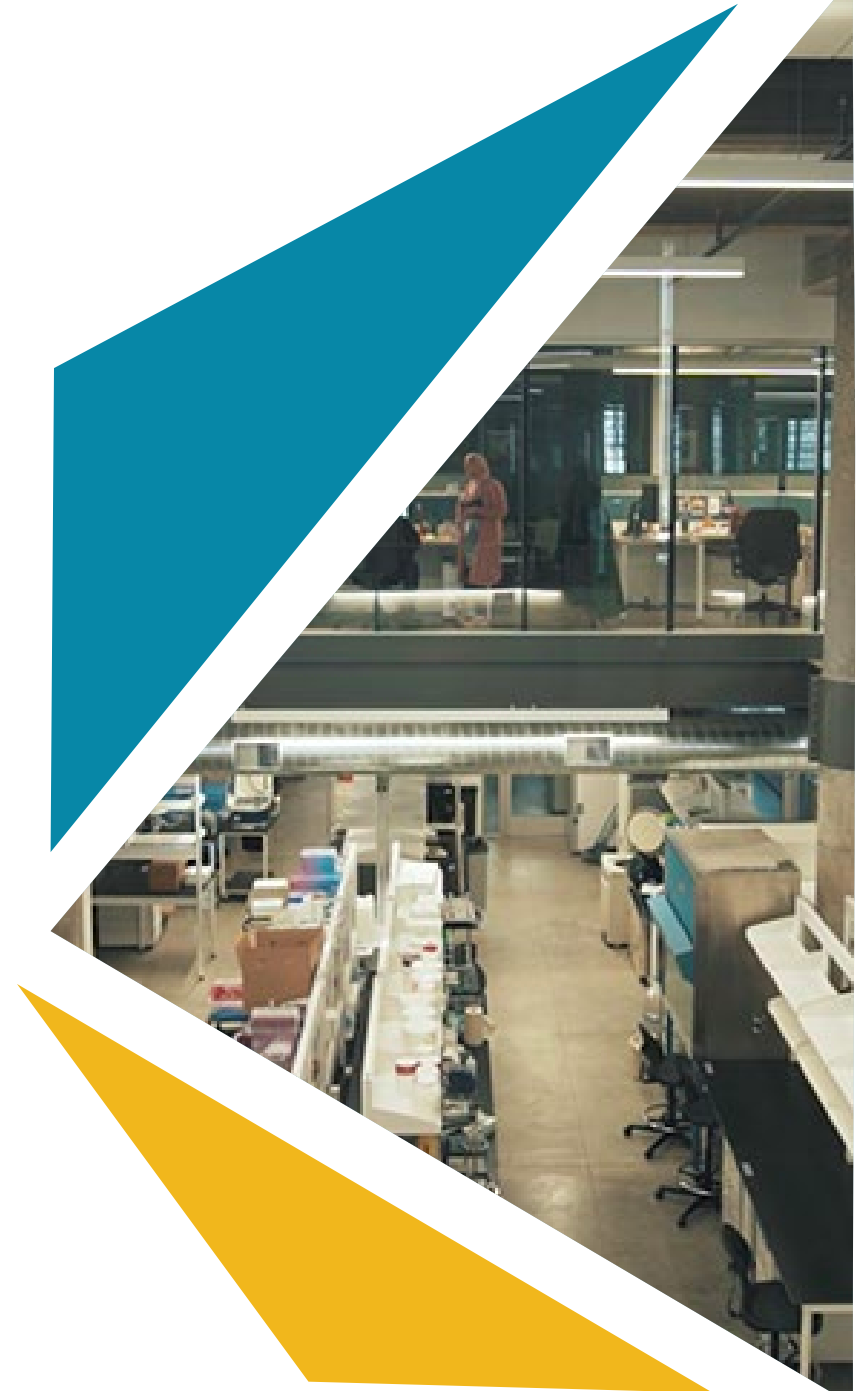
September 1, 2022

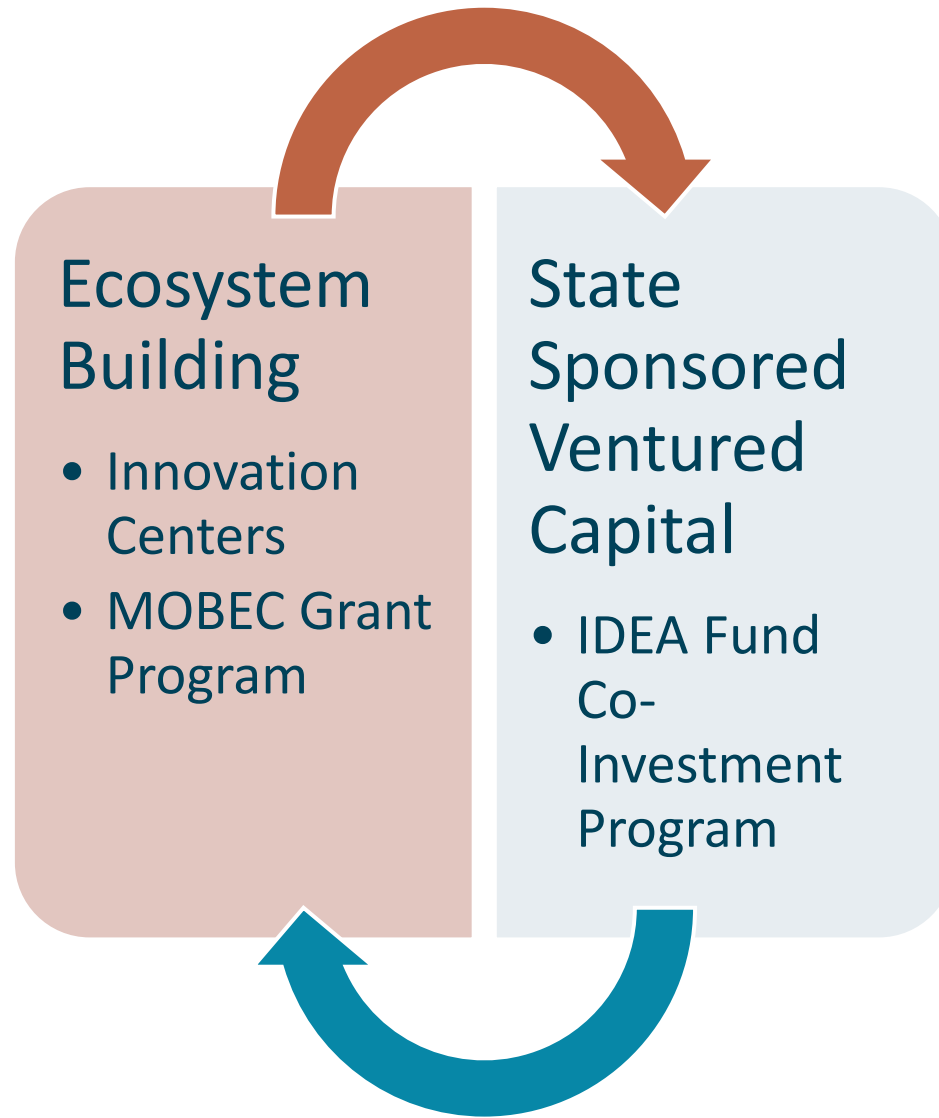
Governor's Conference on Economic Development



The Missouri Technology Corporation (MTC) is a public-private partnership created by the Missouri General Assembly to promote entrepreneurship and foster the growth of new and emerging high-tech companies

Our mission is to provide leadership and make strategic investments that help entrepreneurs create and grow technology-based Missouri businesses.





MTC plays a vital role in providing financial support for Missouri's entrepreneurs

MTC plays a vital role in supporting Missouri's traded-sector entrepreneurs

MTC's Cumulative Economic Impacts, FY2014-FY2021



Investments: 11 Innovation Centers,
42 MOBEC Orgs, 139 IDEA Fund Companies

Total MTC Investment: \$75.7M

- State Investment: \$63.6M
- Federal Investment: \$12.1M



Output:
\$6.4 Billion



Employment (Job Years):
34,532



Wages and Benefits:
\$2.1 Billion



State and Local Taxes:
\$175.6M

**Every \$1 invested in MTC
by the State of Missouri
generates:**

\$100.74 in economic activity, and
\$2.76 in state and local tax revenue.

Note: Of the 11 Innovation Centers funded over the time period, 9 are still currently operating and providing programmatic services.

Source: TEconomy Partners, LLC

Innovation and Entrepreneurship play a critical role in driving economic vitality in Missouri

Driving Productivity Growth and New Wealth Creation

Improving the Human Condition

Commercializing New Technologies

2022 Show Me Jobs Report

- First-time employers who employed fewer than 20 employees **created 40,544 new jobs in Missouri in 2021**, an increase of 11% over 2020.
- The jobs created by these startups **accounted for 81% of all new jobs and 8% of the total employment** in Missouri each year for the past five years.
- In Missouri, new firms in the tech sector **created an average of 956 jobs each year** for the past five years.

<https://www.mosourcelink.com/l/show-me-jobs>

Catalyzing Innovation Report

- Culmination of a year long strategic initiative published February of 2022.
- TEconomy Partners developed a report based on their data-driven quantitative and qualitative analysis that recommends five bold and compelling strategies for the future.
- This report will help set the direction for policies, programs, and initiatives that foster and support the further growth of entrepreneurs and the advancement of innovation and technology across the State of Missouri.
- [Catalyzing Innovation Report can be found here.](#)



Steering Committee Members

Winston Bennett

Entrepreneur



Dedric Carter

Washington University
Chair



Craig Frazier

Entrepreneur



Maria Myers

SourceLink and
UMKC Innovation Center



Chuck Boughton

Truman State University



Jim Eberlin

TopOPPS



Rep. Derek Grier

House of Representatives



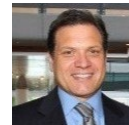
Lisa Nichols

Technology Partners



Shad Burner

MO Dept of Econ Dev



Sam Fiorello

Cortex Innovation
Community



Wendy Guillies

Kauffman Foundation



Nadia Shakoor

Donald Danforth Plant Science Center



Stacey Button

Columbia REDI



Maria Flynn

Techstars



Ben Johnson

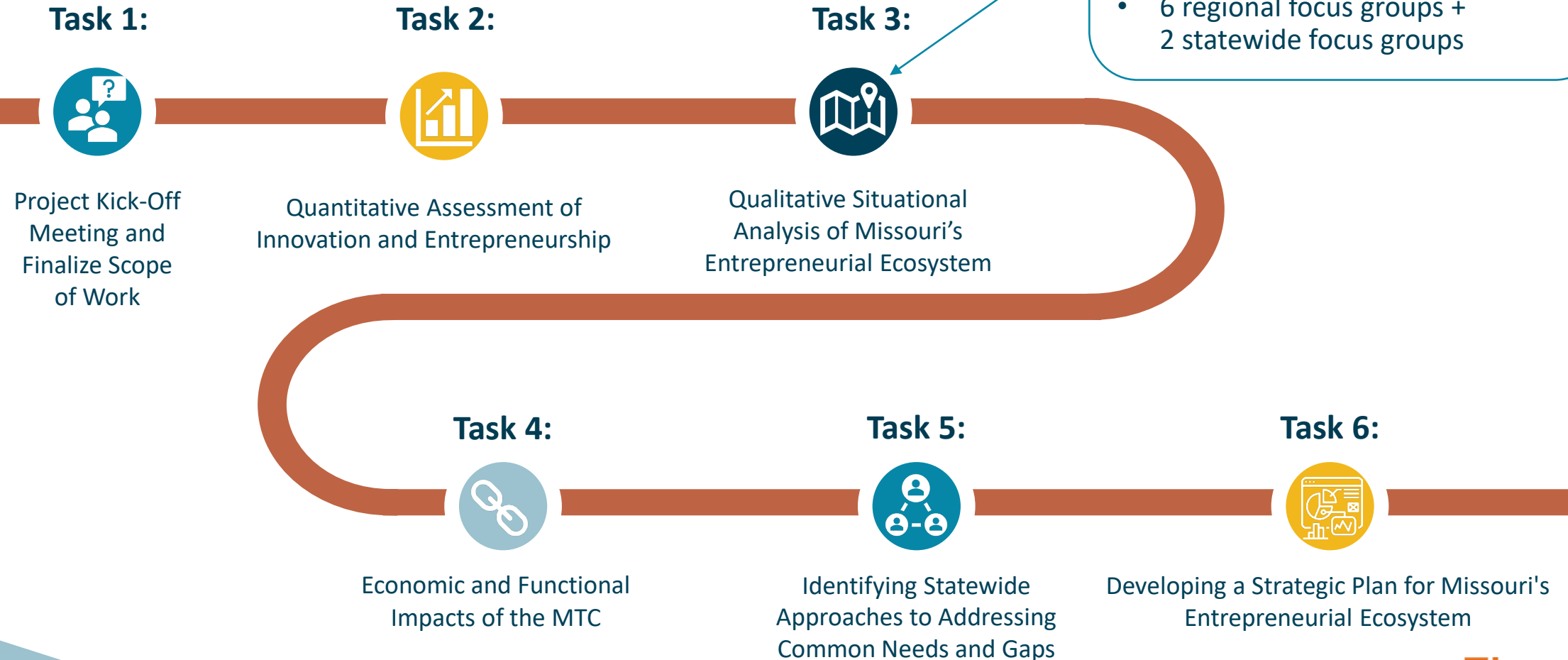
BioSTL



Bryan Shannon

Entrepreneur

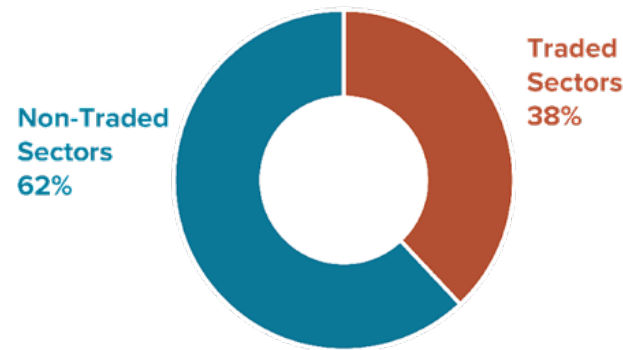
Strategic Initiative Overview



Over the course of the last decade, most net new jobs created in Missouri were due to the success of the state's traded sector firms

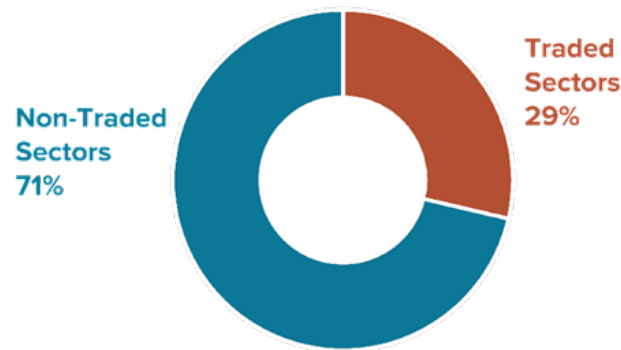
Traded sector firms, those that are serving customers and markets beyond the residents and businesses in their community, play an outsized role in Missouri's economy. By bringing new dollars into Missouri's economy, these "traded sector firms" exhibit a strong multiplier effect: new jobs are created as exporting firms buy from local suppliers and as workers buy from local businesses.

Share of New Startups Established
(2010-2020)



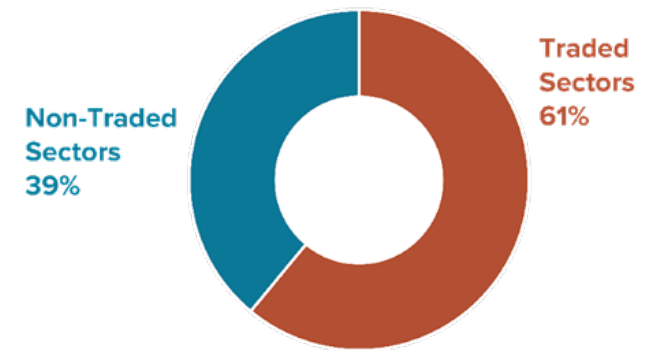
38% of New Startups

Share of Jobs Created by New Firms
(2010-2020)



29% of Jobs at New Firms

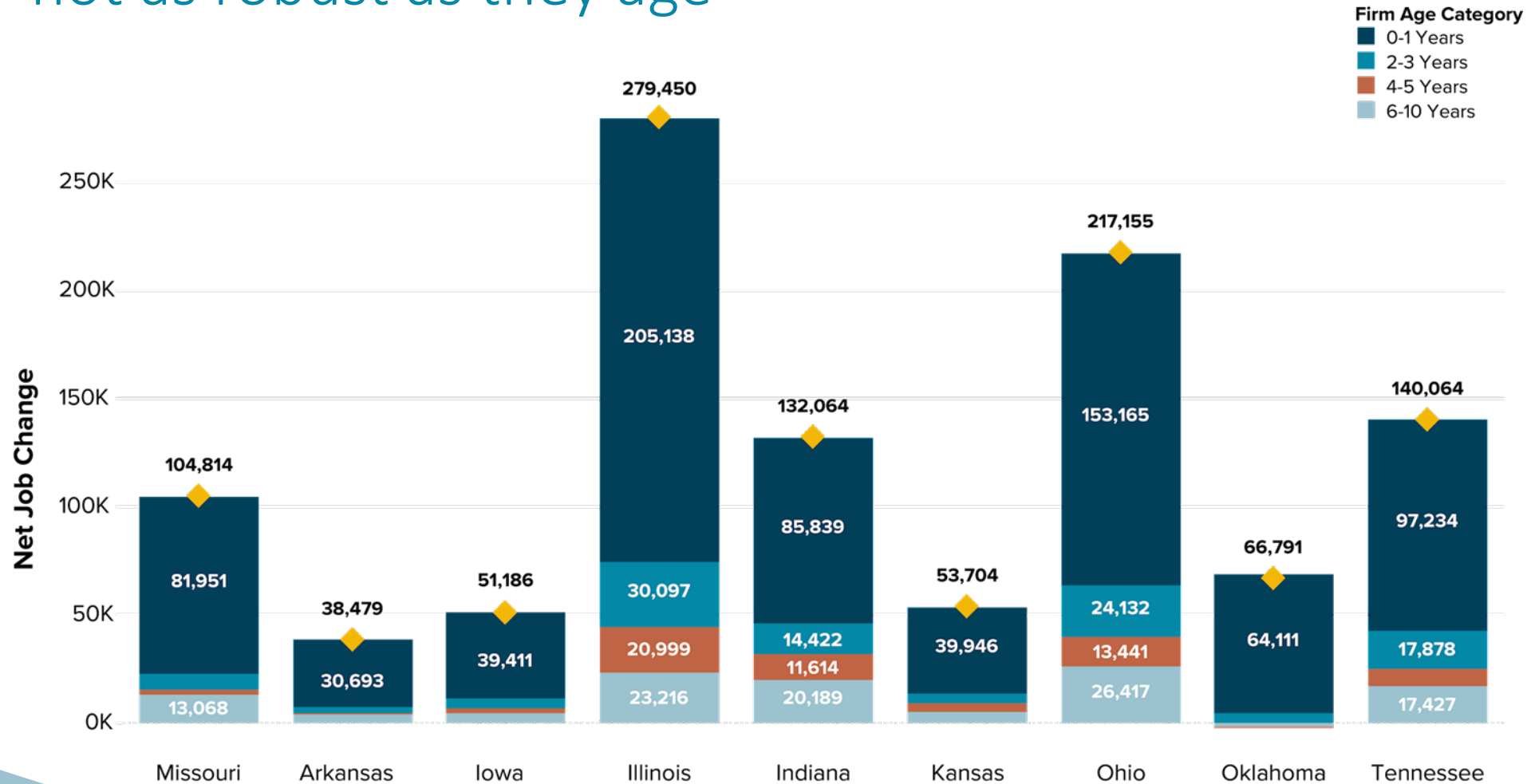
Net New Jobs Created
(2010-2020)



61% of Total Net New Jobs Over Time

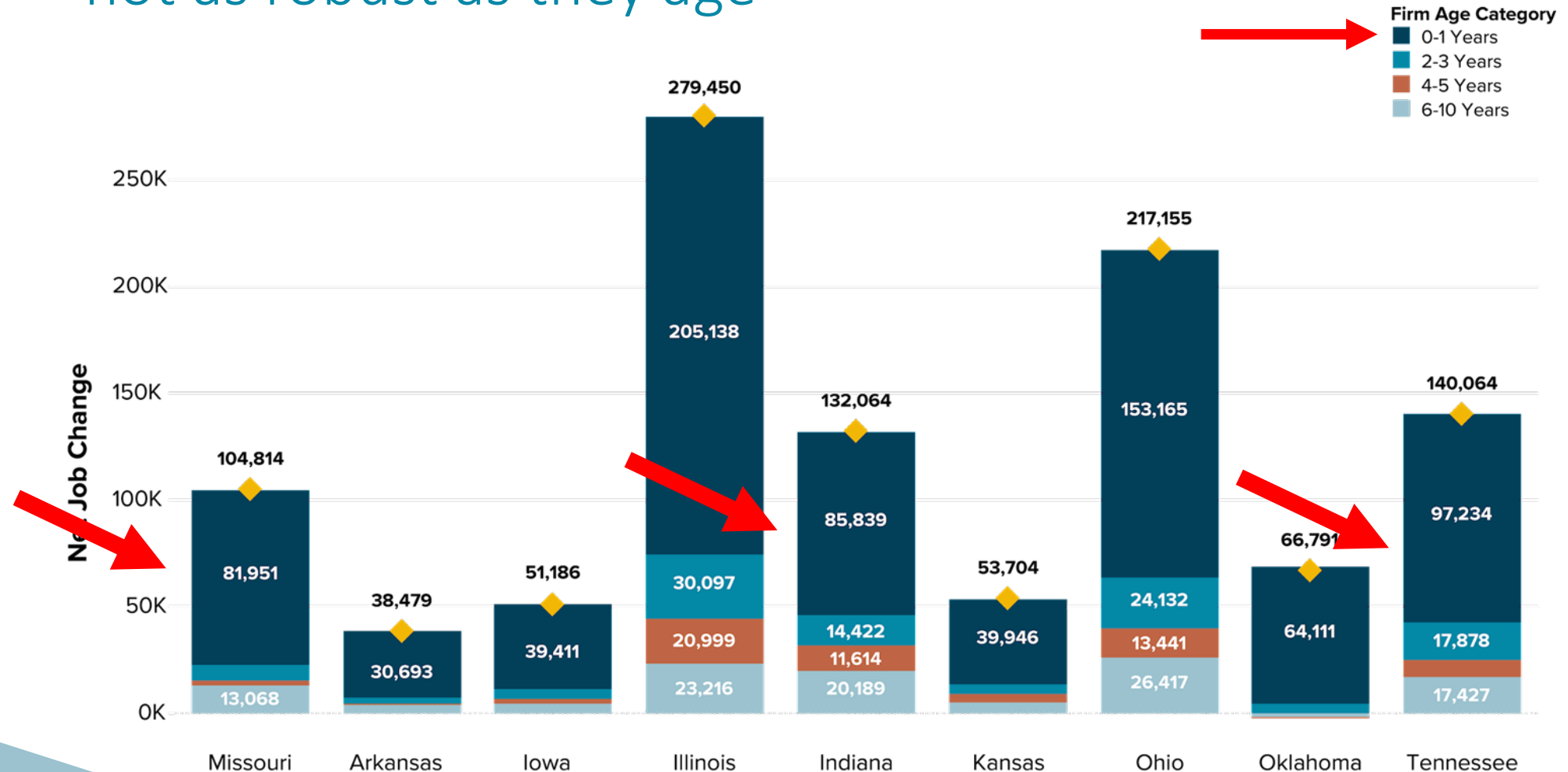
Source: TEconomy analysis of BLS Business Employment Dynamics Research and U.S. Census Bureau Quarterly Workforce Indicators Data

However, relative to the other benchmark states, the employment contribution from Missouri's young firms is not as robust as they age



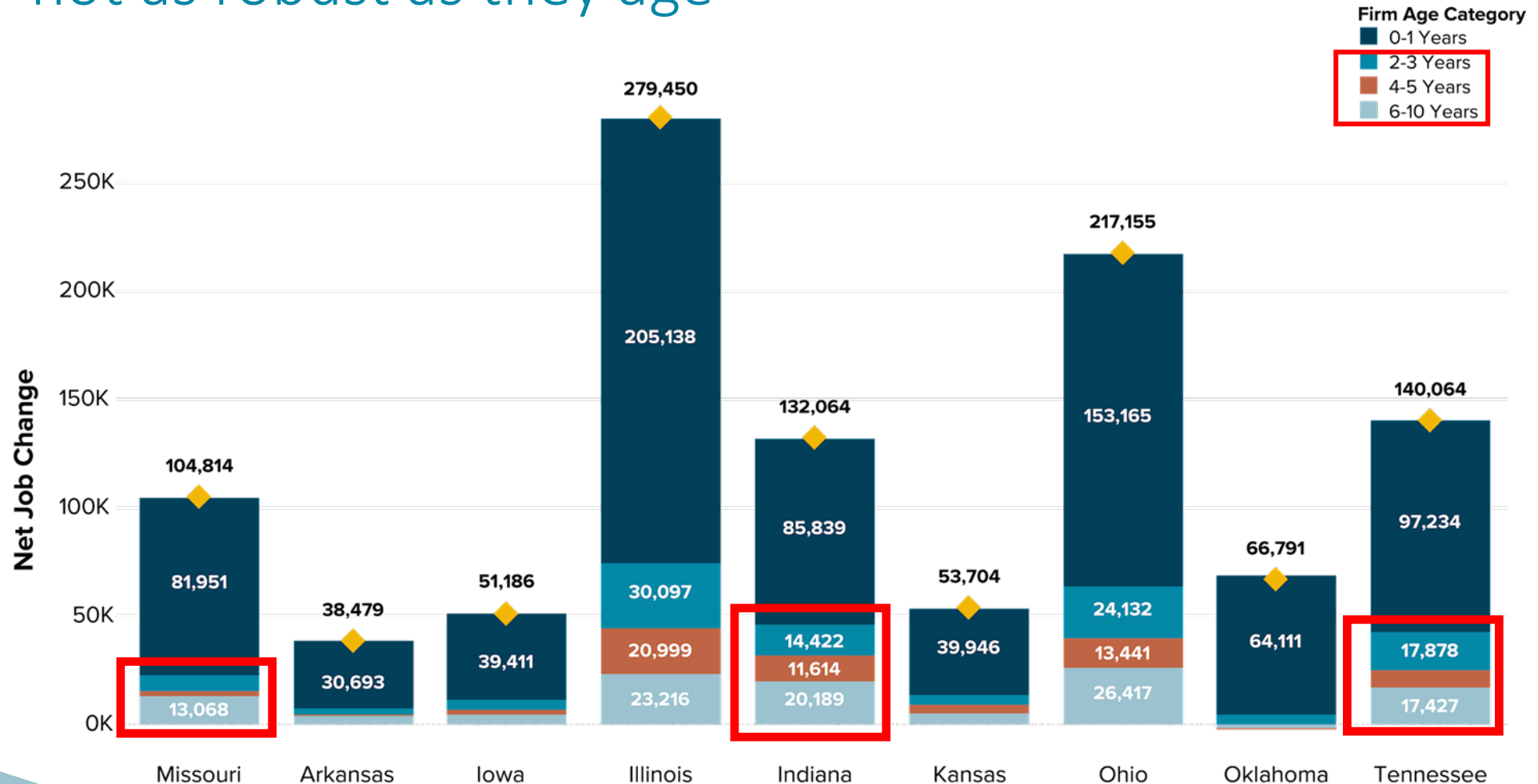
Source: TEconomy analysis of U.S. Census Bureau Quarterly Workforce Indicators

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Source: TEconomy analysis of U.S. Census Bureau Quarterly Workforce Indicators

The Catalyzing Innovation report seeks to address five key ecosystem challenges facing Missouri



CHALLENGE 1:

While the amount of risk capital dollars invested in Missouri has grown, the number of deals has declined, making risk capital difficult to access for many entrepreneurs across Missouri.



CHALLENGE 2:

Entrepreneurial support services and physical infrastructure remain less accessible among underrepresented minorities and those living in rural areas.



CHALLENGE 3:

There is untapped potential at Missouri's research institutions that is limiting ideation and entrepreneurship.



CHALLENGE 4:

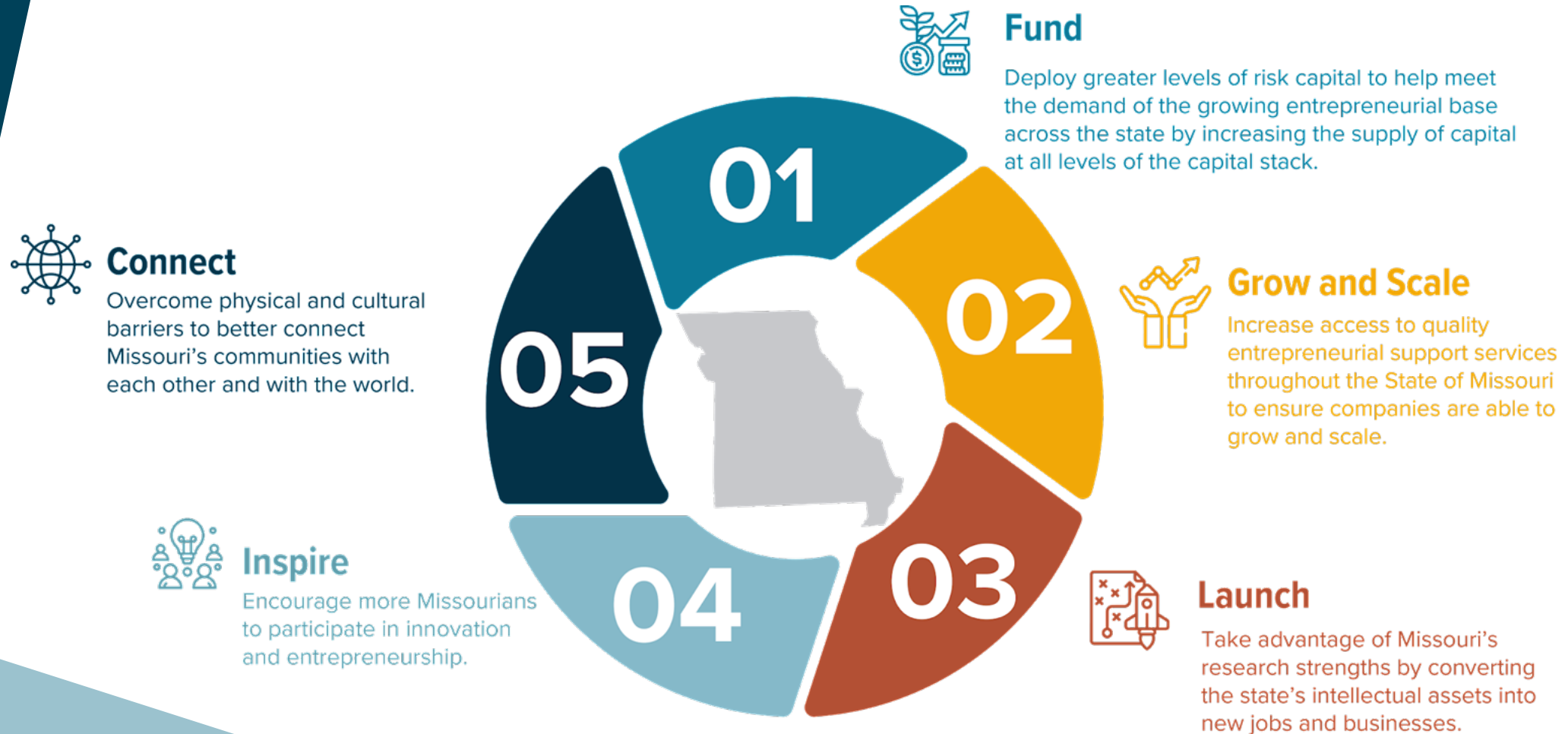
Not enough Missourians are participating in innovative and entrepreneurial endeavors, thereby making access to talent difficult for many startups and growing



CHALLENGE 5:

There is a lack of connectivity among the various components of Missouri's I&E ecosystem, both literally (e.g., broadband) as well as figuratively (e.g., perceived competition and siloed efforts).

TEConomy Partners recommends five strategies to support innovation and entrepreneurship in Missouri



Implementation Plan

- Outlines how MTC will either lead or support in the implementation of the strategies and actions recommended by TEConomy Partners in the Catalyzing Innovation Report
- The Implementation Plan will be publicly available and updated annual for transparency and accountability.
- [Implementation Plan can be found on MTC's website.](#)





Strategy One: Fund - Deploy greater levels of investment capital to help meet the demands of the growing entrepreneurial base.

| | | MTC Implementation Tasks | MTC Implementation Tasks by Year | | |
|----------|---|---|--|---|--|
| | | | FY2023 | FY2024 | FY2025 - Beyond |
| Action 1 | Catalyze investment capital funds across capital stack. | Manage the federal State Small Business Credit Initiative (SSBCI) 2.0 program on behalf of the State of Missouri. | Missouri's SSBCI allocation is approximately \$95 million to be deployed over an eight-to-ten-year timeframe. It is anticipated that Missouri will receive its initial allocation in fiscal year 2023. | | |
| | | Research, develop, and pilot new competitive grant opportunities to support the formation and growth of Missouri-based, early-stage venture funds and encourage the formation of formal angel organizations. | Research and develop new grant programs | Pilot new grant programs | Scale new grant programs |
| Action 3 | Evaluate the creation of Missouri Rural Vitality Funds to provide collateral for entrepreneurial loans. | Assess feasibility of Missouri Rural Vitality Funds to identify potential partners and develop a framework for a proof of concept/pilot program. Contingent on the feasibility studies, MTC will pilot a proof-of-concept program to determine its long-term potential. | Assess feasibility of program | Initiate proof of concept/pilot program | Pilot program and manage proof of concept. Determine viability for long term program |
| | | If the Missouri Rural Vitality Funds program is determined to be viable and capable of positive economic impact, a statewide program will be launched. | | | Launch statewide program |

MTC will take a supporting role in the implementation of Action 2 thus it is not included in the Implementation Plan at this time.

State Small Business Credit Initiative

- State Small Business Credit Initiative (SSBCI) was created through the Small Business Jobs Act of 2010 and funded with \$1.5 billion through the Treasury Department (SSBCI 1.0).
- In 2011, with its \$26.9 million SSBCI allocation Missouri allocated \$24 million, to the Missouri Technology Corporation (MTC) to manage the Missouri IDEA Fund and the rest was distributed through the Grow Missouri Loan Program by the Department of Economic Development (DED).
- The Biden administration's American Rescue Plan Act (2021) included a \$10 billion allocation for a revival of the SSBCI program (SSBCI 2.0).



State Small Business Credit Initiative

- \$7 billion is dedicated to funding programs with similar eligibility guidelines to the SSBCI 1.0 program.
- \$1.5 billion is dedicated to supporting socially and economically disadvantaged businesses (SEDI).
- An additional \$1 billion is available as incentive payments to states that prove particularly effective in supporting SEDI companies.
- \$500 million is dedicated to technical assistance funding that will prioritize disadvantaged and very small businesses.

Types of programs the Capital Program funding can support

- **Capital Access, Loan Guarantee, Collateral Support, Loan Participation, and Venture Capital.**



Success of MTC's SSBCI 1.0 Program

MTC invested just over \$25M of federal funding in 80 Missouri-based companies.

- To date those companies have raised over \$760M in additional private capital representing a 29:1 leveraged capital ratio.
- In FY2021 the companies represented almost 400 jobs in Missouri for an average of 11 FTE per company. Including the creation of 100 new jobs.

Notable Portfolio Companies Include

- [Adarza BioSystems](#) (raised approx. \$65M)
- [CoverCress](#) (raised approx. \$20M, and acquired by Bayer)
- Confluence Life Sciences (acquired by Aclaris, asset is worth over \$1bn)
- [Denim Social](#) (projects to expand to 60 to 70 employees in 2022)
- [Jbara Software](#) (renamed Gainsight and acquired for \$1.1Bn)
- [MediBeacon](#) (raised over \$83M and has 127 Granted Patents Worldwide)
- [Orange EV](#)
- [ThermAvant.](#)



State Small Business Credit Initiative

Missouri's Funding Allocation

- Main Capital: \$52,092,000
- Very Small Business: \$4,142,176
- SEDI: \$25,188,018
- SEDI Incentive: \$13,433,609
- Technical Assistance: \$2,937,693
- **TOTAL: \$97,793,496**


The allocation will be distributed to the state in 3 tranches which will be deployed approximately every 2 to 3 years.

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Socially & Economically Disadvantaged Businesses (SEDI)

- A portion of the program funding is designed to support businesses owned and controlled by socially-and economically-disadvantaged individuals (SEDI).
- Eligible businesses are defined based on owner or geographic characteristics.

Owner Characteristics

- Race and ethnicity, Gender, Veteran status, Limited English proficiency, Physical handicap, Tribal membership, or Anything in Executive Order 13985.
- Or residency in, a territory, rural community, community that is impacted by transition to net-zero or deindustrialization, or a CDFI Investment Area.

Geographic Characteristics

- Business certify they will operate in a CDFI Investment Area.
- Business located in CDFI Investment Areas.



Strategy Two: Grow and Scale – Increase access to quality entrepreneurial support services throughout Missouri to ensure companies are able to grow and scale.

| | | MTC Implementation Tasks | MTC Implementation Tasks by Year | | |
|----------|---|---|---|---|---|
| | | | FY2023 | FY2024 | FY2025 - Beyond |
| Action 4 | Develop a statewide Entrepreneurial Pathways program. | Conduct a review of the current landscape of commercially available online platforms to support an Entrepreneurial Pathways Program, as well as review platforms developed and managed by peer organizations. Determine the minimum requirements for a statewide platform and release an RFP. Select a third-party provider to design and implement an online platform that will support the Entrepreneurial Pathways Program through RFP process. Launch and manage the online platform throughout the state of Missouri in support of the Entrepreneurial Pathways Program. | Research and determine minimum requirements for platform/portal | Identify third party provider or design/ implement internal project through RFP | Launch and manage statewide platform/portal |
| Action 5 | Foster regional efforts to provide quality entrepreneurial support services to high-potential, high-growth traded sector startups. | Develop and pilot new competitive grant programs designed to enhance entrepreneurial capacity throughout the state. Assess and evaluate pilot programs. If successful, expand and formalize into annually grant programs. | Pilot new grant programs | Assess & evaluate pilot grant programs. Launch new grant programs | Formalize and expand new grant programs |
| Action 6 | Connect MO's corporate partners and anchor institutions with startups, thereby creating a stickiness to Missouri for the entrepreneurial endeavor's ultimate success. | Identify best practices by studying similar programs. Launch a pilot program. | | Identify best practices | Launch proof of concept/pilot program |



Expansion of Ecosystem & Access to Resources Support

- In September, MTC will begin accepting applications for its traditional MOBEC Grant Program.
- In Q1 of 2023, MTC will begin accepting 'regional node' planning grants.
- In Q2 of 2023, MTC will begin accepting 'physical infrastructure' grants.
- In FY2023 MTC will begin exploring a 'statewide resource platform' targeting a FY2024 build out for a FY2025 launch.
- In FY2024 MTC will begin exploring a statewide Entrepreneur in Residence program.

Establishment of New Grant Program

- MTC will establish a \$17M grant program to provide financial assistance to ensure the state is expanding its 'entrepreneurial capacity'.
- The program will be funded through \$8.5M of MTC's FY23 appropriation and a match by MTC of \$8.5M generated through its state-sponsored venture capital activities.
- MTC will make strategic grant-based investments to increase access to entrepreneurial support services statewide to ensure companies are able to grow and scale



Take Aways

1. The Catalyzing Innovation Report contains bold strategies and recommendations that will set the direction for how MTC supports innovation and entrepreneurship.
2. MTC will publish an annual Implementation Plan outlining its priorities and how it will implement the strategies and actions recommended by TEconomy Partners in the Catalyzing Innovation Report.
3. DED & MTC will leverage the federal SSBCI program to deploy greater levels of risk capital throughout the state.
4. MTC will launch a \$17M grant program to provide sustained financial support to increase access to quality entrepreneurial support services.



Questions



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