

# MEDIA RELEASE

## VICTORIA LEADS AUSTRALIA'S UNICORN RACE WITH EXPERIENCED FOUNDERS AND STRONG MONETISATION STRATEGIES

The findings of the largest and most in-depth survey of Victoria's startup landscape *'Mapping Victoria's Ecosystem'* published today has revealed that Victoria is leading the way when it comes to turning startups into high value, high growth companies.

Commissioned by LaunchVic in collaboration with Startup Victoria and dandolopartners the report defines a startup as any business with high impact potential that uses disruptive innovation and addresses scalable markets. Of the 1600 plus firms that responded to the survey, 1137 met this definition.

Dr Kate Cornick, CEO of LaunchVic said "We have never before had such a large sample size of Victorian startups, making the report an important asset for the sector. It is a useful tool for key decision makers in terms of better understanding the makeup of the Victorian startup ecosystem and how best to support it."

Georgia Beattie, CEO of Startup Victoria, adds: "We are trying to make the Victorian ecosystem easy to navigate. Startups will know exactly where to find capital, meetups and accelerators and on the other hand, corporates will be able to easily find start-ups for collaboration opportunities. This annual startup map will be an important playbook for the Victorian startup community. Whether you're an aspirational entrepreneur looking to make the jump or a founder looking to raise your series A - this is designed to make that next step a little easier."

Victorian Minister for Small Business, Innovation and Trade, Philip Dalidakis comments: "We already knew Victoria was the startup and innovation capital of Australia and this report confirms that. We're working hard to ensure startups feel supported and welcome here in Victoria because we know they will support our future economy and create jobs for Victorians."

### MULTIPLE PROMISING SECTORS, BUT HEALTH LEADS THE WAY FOR JOB CREATION

Victoria has a strong track record of proven success when it comes to transforming startups into high growth firms. Already, three 'unicorns' have emerged, each valued at more than \$1 billion – more than any other state in Australia. These include **REA Group** (\$8.7bn) in digital advertising, **SEEK** (\$5.9bn) in the recruitment space, and **Carsales.com.au** (\$2.8bn), demonstrating a real breadth of sectors.

The state has a sophisticated and diverse mix of startups across a variety of industries, but results demonstrate particular strength in Health, Enterprise & Corporate Services, and Media & Entertainment. Significantly, startups and scaleups in the health sector create a disproportionately large number of jobs for the number of companies operating in the sector.

### FUNDING & MONEY

One of the most promising elements of survey responses is that startups in Victoria are successfully executing monetisation strategies very early in their journey: 60% are revenue positive in their first year, and almost 80% by year two.

One third of all startups in Victoria report that they are bootstrapped, even amongst firms in later stages of development. For those that do seek external investment, the average time frame for raising capital for Victorian founders is five months, with the median amount raised from Angel investors being \$250,000.

## THINKING GLOBALLY FROM DAY ONE

As with other markets of a similar size, such as Scandinavia, many startups think globally from day one in order to ensure success. While the domestic market still remains a key focus for many firms, more than two thirds of startups in Victoria are exporting to key markets including the US and UK, as well as China and New Zealand.

Research shows that typically businesses that export internationally tend to be more productive than businesses that just supply the domestic market. This is because they have greater access to resources, knowledge and ideas, and an increase in competition they face against other global firms.

## COMMUNITY AND SUPPORT NETWORKS

The strong community within the Victorian ecosystem should not be underestimated when it comes to the state's startup success. One quarter of founders are drawing on their mentors and advisors who have had experience working at startups valued at greater than \$100 million. Given that such a small proportion of founders (8%) have previously worked at a startup that reached a valuation over \$100 million, this figure shows that those who have experienced success are giving a significant amount back to the ecosystem to help others grow.

More than 20 startup accelerators representing a diverse range of sectors are currently operating in Victoria, and these will be joined by 6 new programmes within the next 12 months. Victoria also has 190 meetup groups specifically focused on startups and entrepreneurship, with a further 460 are focused more broadly on tech.

Startup Victoria is the largest meetup group with over 10,000 members, and with 59% of founders drawing on advice from mentors, personal connections and a robust startup community are invaluable for entrepreneurs building a startup.

## THE AVERAGE FOUNDER PROFILE

The average age of the typical founder is 36, with females more likely than males to establish a startup past the age of 45. Approximately three quarters of all founders in Victoria are male. The majority of founders (54%) are educated to a Graduate Diploma level or higher, and 50% have previously started another business.

Two thirds of founders were born in Australia, but the majority of founders (56%) have one or more parents born outside Australia, demonstrating the huge role immigration has played in creating the Victoria's startup ecosystem.

97% of Victoria's startups are in Melbourne, with the top 10 locations for startups being: Richmond, South Melbourne, Prahran, St Kilda Road, Southbank, Collingwood, South Yarra, Docklands, St Kilda and Brunswick. After Melbourne, Geelong had the largest number of respondents.

## NEXT STEPS FOR THE VICTORIAN ECOSYSTEM

While there is much to celebrate in the findings of the report, the research also identified some areas that could be improved. While monetisation strategy is strong amongst many startups in Victoria, the majority of firms (54%) have not considered their exit strategy or intend to remain private indefinitely. Of those intending to exit, just 10% are aiming for IPO and 36% are seeking an acquisition. In terms of long term economic impact, this is something LaunchVic is focused on improving.

Equally, as in much of the global startup world, diversity is something that needs to be championed in order to establish change. While the gender gap among founders seems to have been shrinking across companies established in the last seven years, the disparity between male and female founders in the industry as a whole is still large. Even in sectors such as social enterprise, design and real estate that have the greatest gender diversity, there are still more male founders than female, and more needs to be done to encourage founders of all backgrounds to help the ecosystem flourish.

LaunchVic CEO Dr Kate Cornick said: "We want to see increased engagement in the startup ecosystem community from underrepresented groups and this will continue to be a significant focus for LaunchVic."

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