

Supporting Kentucky's High Growth Entrepreneurs & Startups

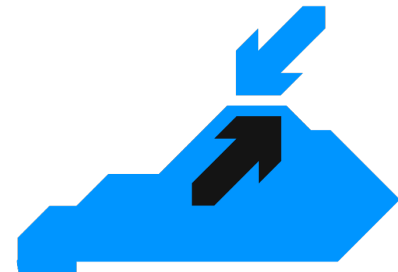
Dave Knox
Executive Director
Blue North





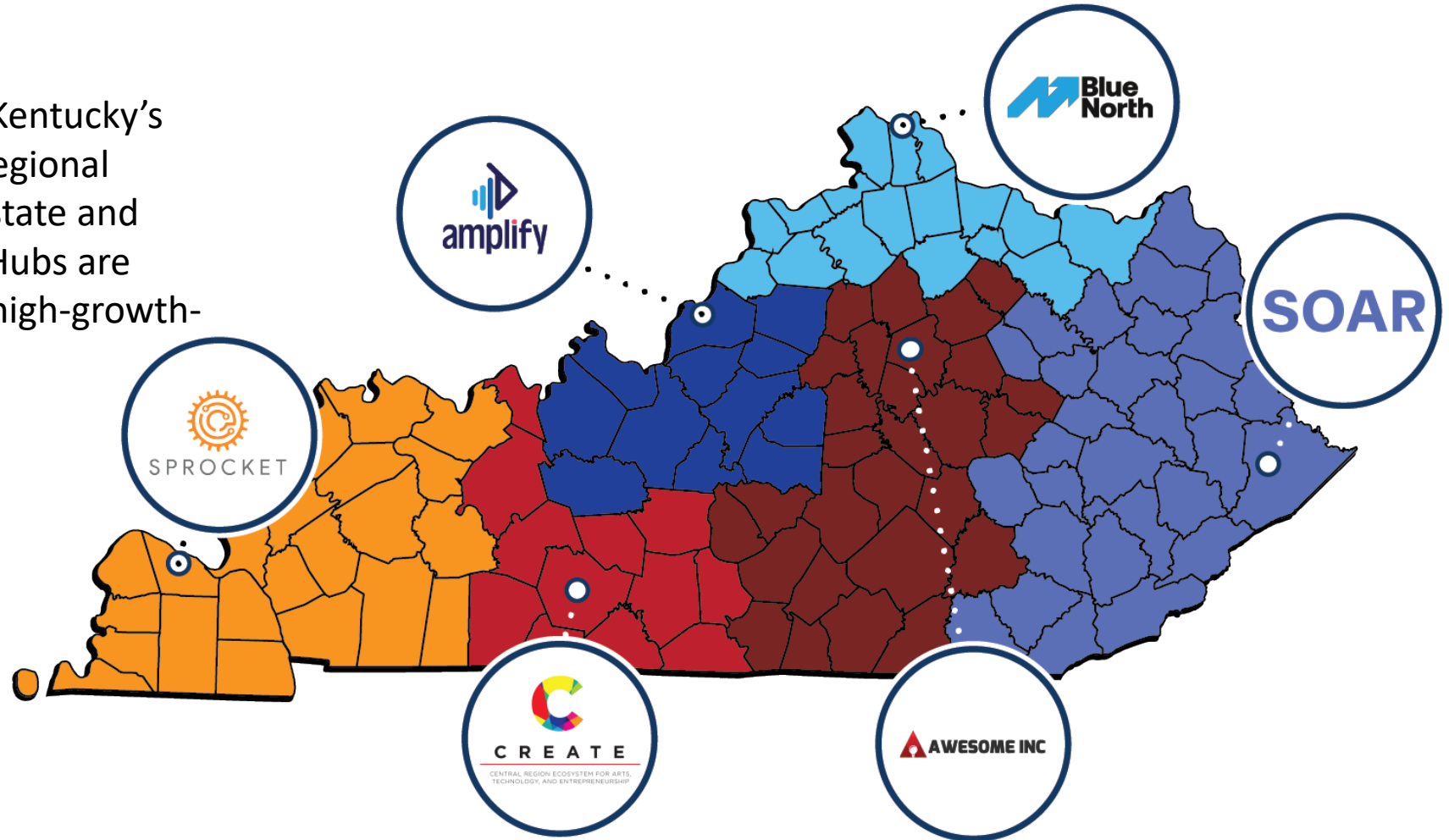
About Me

- Executive Director of Blue North since July 2022
- 2024 Mentor of the Year Kentucky Entrepreneur Hall of Fame
- CMO of the Year Cincinnati Business Courier
- ETA Owner of Nature's Willow, a natural pain relief cream
- Chief Marketing Officer at Rockfish: Grew from \$6 million to \$70+ million and sold to WPP in London
- Founder of The Brandery, Top 10 Startup Accelerator in the US
- Started Procter & Gamble's Corporate Digital Strategy Team
- Author – *Predicting The Turn: The High Stakes Game of Business Between Startups and Blue Chips*



Blue North is the KY Innovation Hub of NKY

KY Innovation Hubs represent Kentucky's approach to building vibrant, regional innovation clusters across the state and growing the overall economy. Hubs are Kentucky's support high-tech, high-growth-potential startups.



Entrepreneurship Falls Into Three Buckets

Small Businesses

The Bedrock of Local Economies

Often referred to as the backbone of the economy, small businesses are fundamental to the economic health of states.



High-Growth Companies

Accelerators of Economic Expansion

High-growth companies, which can include rapidly expanding small businesses + more mature firms, are characterized by their exceptional revenue and employment growth.

?

Venture-Backed Startups:

Catalysts for Innovation

Venture-backed startups focus on innovation, scalability, and the disruption of existing markets or the creation of entirely new ones.

KY Innovation / Hubs

Unleashing entrepreneurial opportunity leads to more homegrown jobs, higher incomes, greater productivity, stronger communities, and less poverty.



New businesses drive nearly all **net job growth** and lift community incomes.

Every new business per 100 people adds \$485 to average household income in a community.



Founders **earn more over time** and can build generational wealth.

Entrepreneurs earn approximately 10% more than salaried workers with similar characteristics.



Increased entrepreneurship correlates with **lower poverty and inequality**.

Every 1% increase in entrepreneurial activity in a state correlates with a 2% decline in poverty.

Risk Capital and Venture Capital



Venture Capital has an outsized impact on the US economy

Of the 1,677 public companies founded within the last fifty years, VC-backed companies account for:

50%

companies that
went public

77%

of market
capitalization







92%

of R&D spending

81%

of total patents

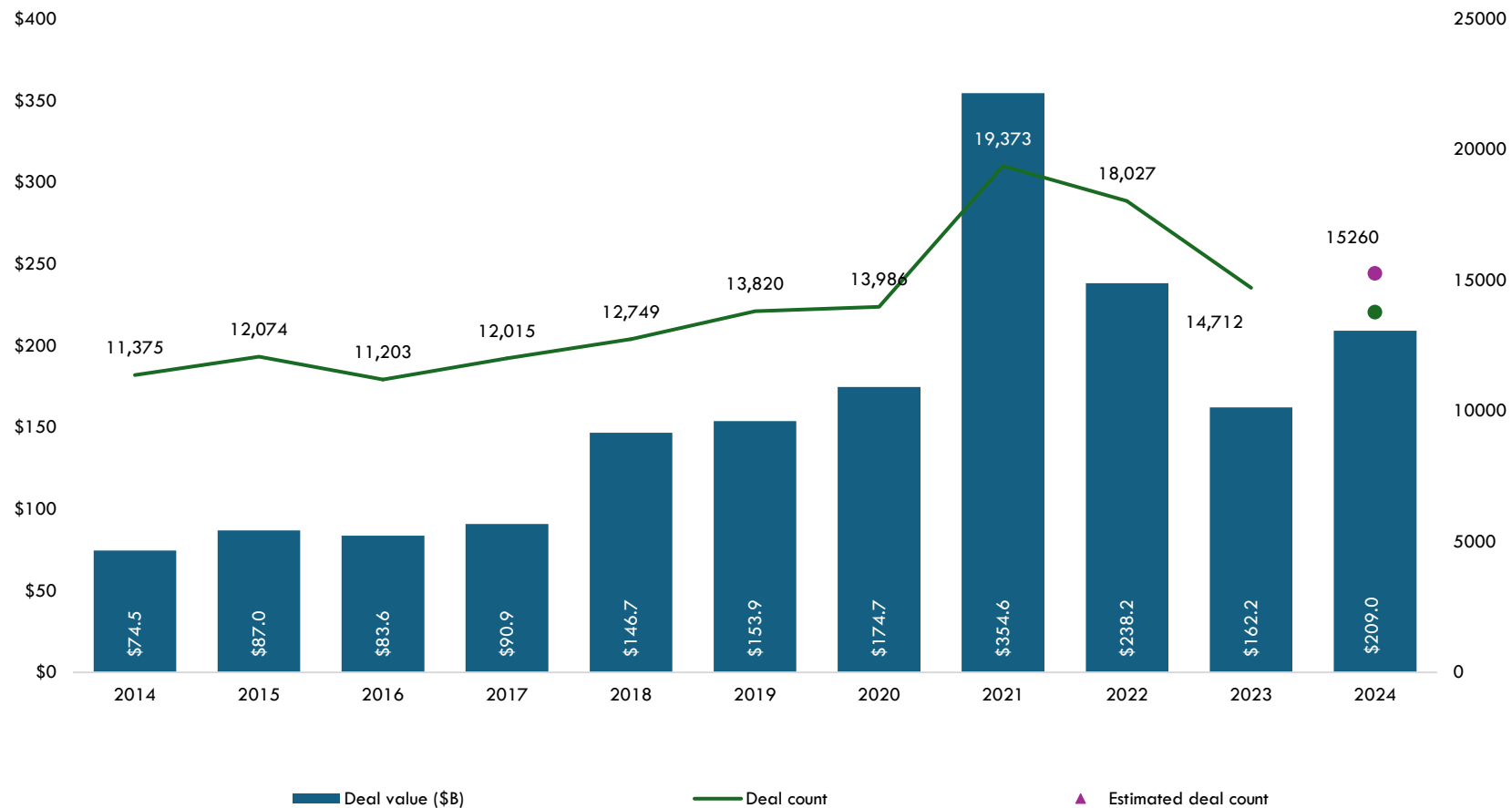
VC-backed companies
accounted for the six
largest publicly traded
companies by market
capitalization in the US

 Microsoft 1 MSFT	 Amazon 4 AMZN
 NVIDIA 2 NVDA	 Alphabet (Google) 5 GOOG
 Apple 3 AAPL	 Meta Platforms (Facebook) 6 META

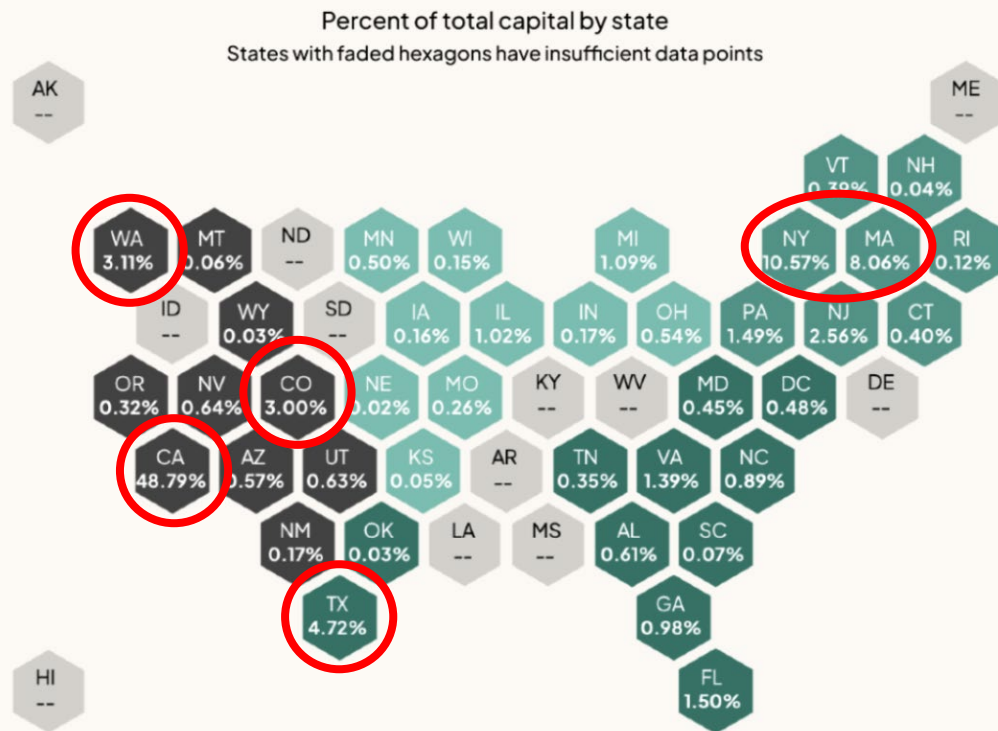
42%

FDA-approved US
drugs from 2009-
2018 had VC funding

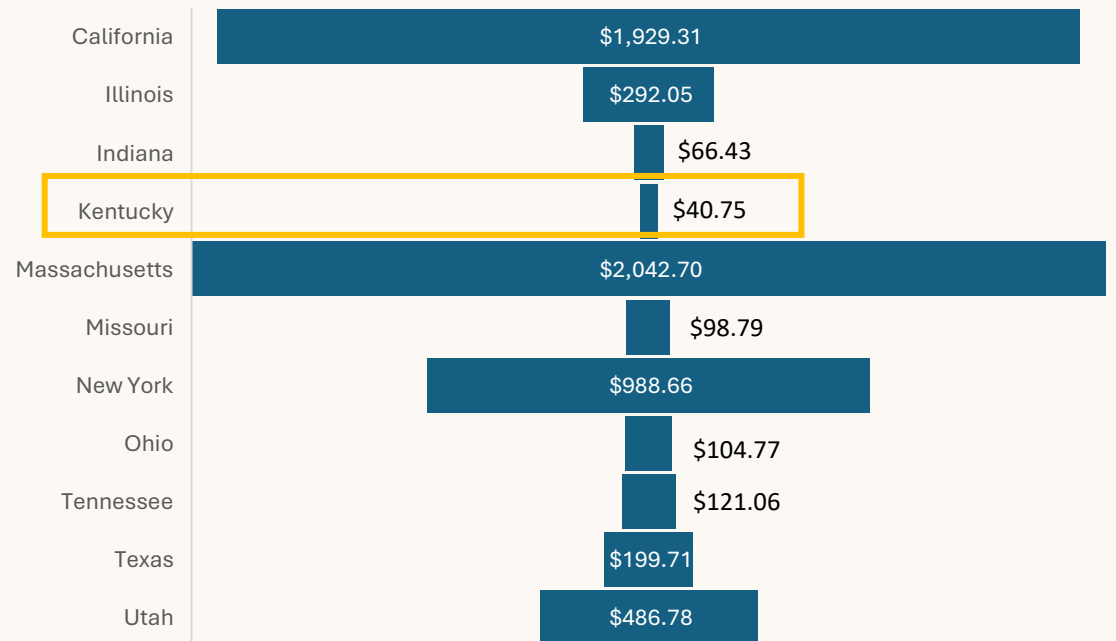
Over the last decade, Venture Capital in the US has grown ~3x from \$74.5 Billion to \$209 Billion annually



...But that growth is concentrated in a handful of states with Kentucky lagging our peers



Venture Capital Invested Per Resident
(Average Annual Amount 2014 – 2024)



The right strategy can increase Kentucky's share of Venture Capital

Increase support of KEF



Since 2002, KEF has made \$70 million in investments, attracting more than \$2.0 billion in follow-on capital. But KEF's funding is **just 24% of Indiana's Elevate Ventures**.

	2023	2024
KY	\$5.1mm	\$4.79mm
IN	\$21.7mm	\$18.96mm

Explore Alternative Risk Capital Vehicles



Innovative investment models – such as revenue-based investing or profit-sharing – can reach the 4 out of 5 entrepreneurs that don't access venture capital or banking when starting a business.

Attract External VC through Fund of Funds



The Michigan-based Renaissance Venture Capital Fund of Funds has attracted over \$13 for every \$1 it has invested in out of State venture funds.

Michigan has seen the greatest increase in venture investment of all 50 states.

Focus on High Growth AND Startups



KY Innovation Hubs are measured by our work with Venture-Backed Startups

2023- 2024 Activity Highlights for Reporting Period

Number of Startups Created	Number of New Jobs	Number of Startup Meetings	Number of Events	Number of Event Attendees	Private Capital Raised by Startups
99	382	4,969	534	19,409	\$161.7 million

In the Innovation Ecosystem, the term “startup” has a very specific meaning – it refers to a small, early stage company designed to grow fast. When we say fast, we mean 50-100x growth in a year.

Of the 8 Key Results that Innovation Hubs are contractually required to report, 75% are related to “Startups” with the remainder tracking events.

Yet many of Kentucky's highest growth companies don't rely on Venture Capital

9	HIT SEEKERS SPORTS CARDS <i>hitseekerscardbreaks.com</i>	2501 Dixie Hwy. #2 Fort Mitchell 41017 859-462-0628	239%	\$5.8 million	\$5.3 million	\$1.7 million	Sports trading card retail
11	WAREHOUSE ON WHEELS <i>wowtrailers.com</i>	250 Grandview Dr. #450 Fort Mitchell 41017 859-485-4188	166%	\$131.4 million	\$101.2 million	\$49.4 million	Trailer rentals
13	KONA ICE <i>kona-ice.com</i>	5945 Centennial Cir. Florence 41042 859-371-3203	153%	\$81.4 million	\$46.2 million	\$32.3 million	Franchiser of Kona Ice shaved ice
26	REGADGET <i>regadget.com</i>	4999 Houston Rd. #500-1 Florence 41042 859-993-6911	113%	\$8.3 million	\$6.3 million	\$3.9 million	Electronics



Traditional economic development is more focused on relocation of large projects

Traditional Economic Development Activities

- **Site evaluation services**, including detailed physical characteristics of Build-Ready sites.
- Detailed **community data** on utilities services, business costs, local government services, and labor availability.
- Accompany officials to Kentucky communities for confidential community/site evaluations.
- Liaison with state and local government agencies, utility companies, and other organizations.
- **Preparation of financial packages** including, training, tax incentives and other project inducements.
- **Coordination of public announcements** for location decisions, groundbreaking, and grand openings.

Typical Needs of High Growth Companies

- **Capital Access**, including introductions to banks, investors, and other means of financing.
- **Talent and Leadership Development** including executive coaching, recruitment, and compensation guidance
- **Customer and Revenue Growth** such as Go-To-Market strategy refinement and introductions to enterprise customers.
- Implementation of **Scalable Operation Infrastructure** in finance, legal, HR, and IT). Connections to enterprise-grade systems, Fractional CFOs, outsourced legal counsel, and HR tech stacks.
- **Strategic Mentorship and Board Development** to avoid strategic missteps during hypergrowth.

Given the overlap of needs between Startups and High Growth Companies, the KY Innovation Hubs are uniquely equipped to support both types of companies

Silver Tsunami and Entrepreneurship Through Acquisition



The “Silver Tsunami” will reshape small business ownership in the next decade

Silver Tsunami refers to the significant number of Baby Boomer business owners approaching retirement.

Many of these owners **lack a clear succession plan**, with only a small percentage of businesses transitioning to family members. This gap presents both a risk of business closures and an opportunity for new ownership models

In Kentucky:

190k

Business Owners Retiring
In Next 10 Years

79%

Of Businesses Have **No**
Transition Plan

1

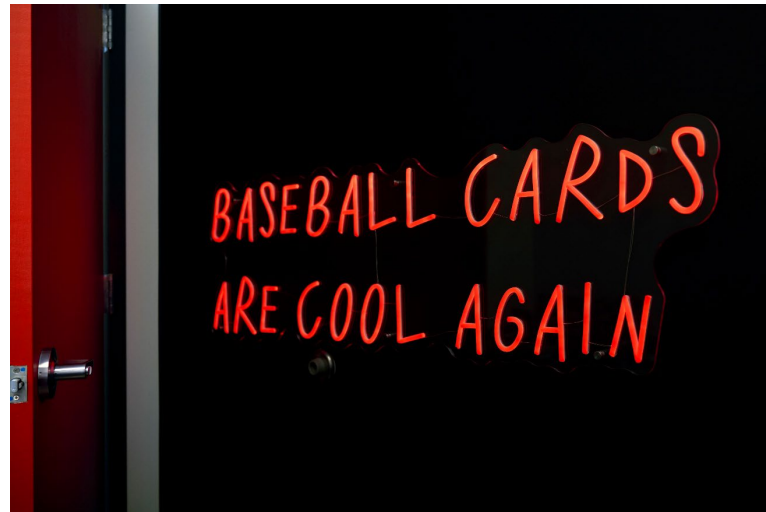
Number of ETA Search
Fund Deals in KY in ‘24



Small Businesses can transform into High Growth Companies through ETA



Greg & Jake Rouse bought Planet Collectibles in 2020 and grew the company 4,228% to \$5.3 million by 2022.



Kentucky can become a nationwide leader by creating a specific state-level ETA program

In 2022, Blue North incubated CincyETA, the first ETA networking group in the region. The group has grown to nearly 200 members and recently co-hosted the region's first ETA Conference with the University of Cincinnati.

Kentucky can become a nationwide leader through a state-level ETA program to attract Search Funds and Self Funded Searchers. Opportunities include:

- Build a proprietary statewide database of ETA appropriate small businesses to assist in matchmaking between business owners and acquirers.
- Encourage State Universities to launch ETA curriculum / programs (NKU's ETAP)
- Create targeted ETA incentives that encourage both sellers and searchers, with a particular focus on recruiting out-of-state Searchers from top-tier ETA programs.
- Expand CincyETA to create a statewide network of ETA groups under the Innovation Hubs

Community Building Through Hubs



Kentucky lags in our funding of Entrepreneur Support Organizations

\$0.65

Per resident



\$3mm

Total Hub Funding

\$2.76

Per resident



\$32.8mm

Total ESP Funding

\$1.85

Per resident



\$13.4mm

Total LaunchTN Funding

Promote access to entrepreneurial support through Physical Hubs

67%

Tech companies under 100
people are fully remote

But these same employees are looking for a community and their “tribe”. Physical Hubs fill that role.

Kentucky should support the need for Physical Hubs through:

1. A Physical Infrastructure Grant Program modeled after Missouri’s program
2. Update KPDI criteria to mirror the EDA Public Works and Economic Adjustment Assistance Programs specifically related to Physical Innovation Infrastructure.

Workforce Development



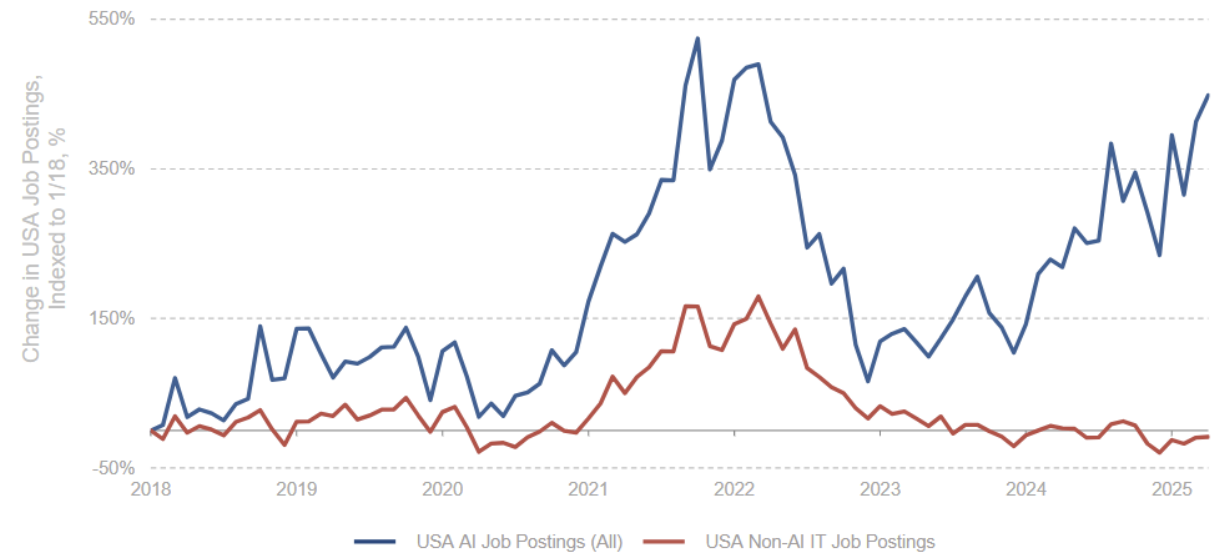
Workforce Development must invest in AI Training

“You're not going to lose a job – your job to an AI, but you're going to lose your job to somebody who uses AI...”

- NVIDIA Founder & CEO Jensen Huang

Employment Evolution – 1/18-4/25 =
AI Job Postings +448% Over 7 Years While Non-AI IT Jobs -9%

Change in USA AI & Non-AI IT Job Postings – 1/18-4/25,
per University of Maryland & LinkUp



With population trends, Workforce Development should explore retention and attraction

Internship Program

LaunchTN's Summer Intern:

- 392 internships
- 25% resulting in full-time jobs

Ohio's Technology Internship:

- College – Reimburse 2/3's of wages up to \$7,500.
- High School - 1,000 students from 250 schools in 2024

Global EIR (Entrepreneur in Residence)

Partnership with universities leveraging H-1b Visas.

Michigan: 12 Global EIR Founders created 174 jobs & raised \$28.1 million in funding.

Massachusetts: appropriated \$3mm annually.

Kentucky Home Fellowship

“I never met a Kentuckian who wasn't either thinking about going home or actually going home.” -
A.B. “Happy” Chandler

Targeted Fellowship focusing on Entrepreneurs and Investors that left home for their careers but would return for the right professional opportunity.

Recommendations for Kentucky's Support of Entrepreneurship

1. Increase Risk Capital through support of state-backed venture, exploring alternative capital mechanisms and attracting VC investors from outside the region.
2. Expand the effort of KY Innovation (including Hubs) to include both High Growth Companies and Startups. Address support of Small Businesses.
3. Leverage ETA (Entrepreneurship Through Acquisition) for the upcoming Silver Tsunami of small business owner retirement.
4. Increase the funding of Entrepreneurial Support Programs while launching a Physical Infrastructure Grant for Entrepreneurial Ecosystem Support
5. Dedicate Workforce Development Funding towards “entrepreneurial training and support programs” with an emphasis on AI Training, Internship Programs, Global EIR, and “Boomerang” Talent.

Thank you!

Dave Knox

dave@bluenorthky.com

