

The median value of LA-based companies at exit has been larger than NYC exiting companies every year since 2011.

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The following is a guest post by Samir Kaji ([@samirkaji](#)), Senior Managing Director at First Republic Bank ([@firstrepublic](#)).

When ranking US startup hubs, it's widely accepted that New York City stands out clearly as the largest venture ecosystem outside of Silicon Valley. Startup formation and funding data seems to confirm this notion as the area consistently ranks as the [second-largest region](#) for total venture capital funding. Although the region was weighted down by unrealistic early expectations, it's easy to build a bull case for NYC. Just check out a sampling of private companies that have originated out of New York including [Betterment](#), [WeWork](#), [Oscar](#), [Bonobos](#), [Kickstarter](#), and [Sprinklr](#). Undeniably, a strong list and one that promises to grow over time.

On the other hand, all the way across the country, Los Angeles remains a bit of an enigma for those attempting to evaluate it as a standalone hub. Perhaps it's LA's proximity to Silicon Valley or its reputation as a region that's strictly media-focused. Either way, many continue to question the region's ability to become a long-term, standalone venture capital and tech hub and often view it as a remote extension of Silicon Valley.

Having spent a lot of time in the area over the past few years, I'm very excited about LA becoming a legitimate startup and venture hub. With universities like UCLA, Cal Tech, UC Irvine, and USC churning out high-quality tech talent and developing tech communities in Venice Beach and Santa Monica, startup formation continues to rise in the area. Accelerators and co-working spaces have also become ubiquitous, and companies such as Google and IBM have set up nearby campuses, a direct byproduct of the area's talent pool. Throw in the desirability of living in the area and it's easy to see why we've witnessed so much recent positive momentum.

Of course, the items above don't completely answer the question of whether LA has drawn a short straw in public perception relative to regions like New York City.

A key metric for any legitimate start-up ecosystem is the quality of companies that originate in the area and by extension, the number of successful exits. To measure this, we pulled LA-based startup exit data from 2011 to 2016 using CB Insights. For comparison purposes, we juxtaposed this against exit data for companies that originated in NYC during that same time period.

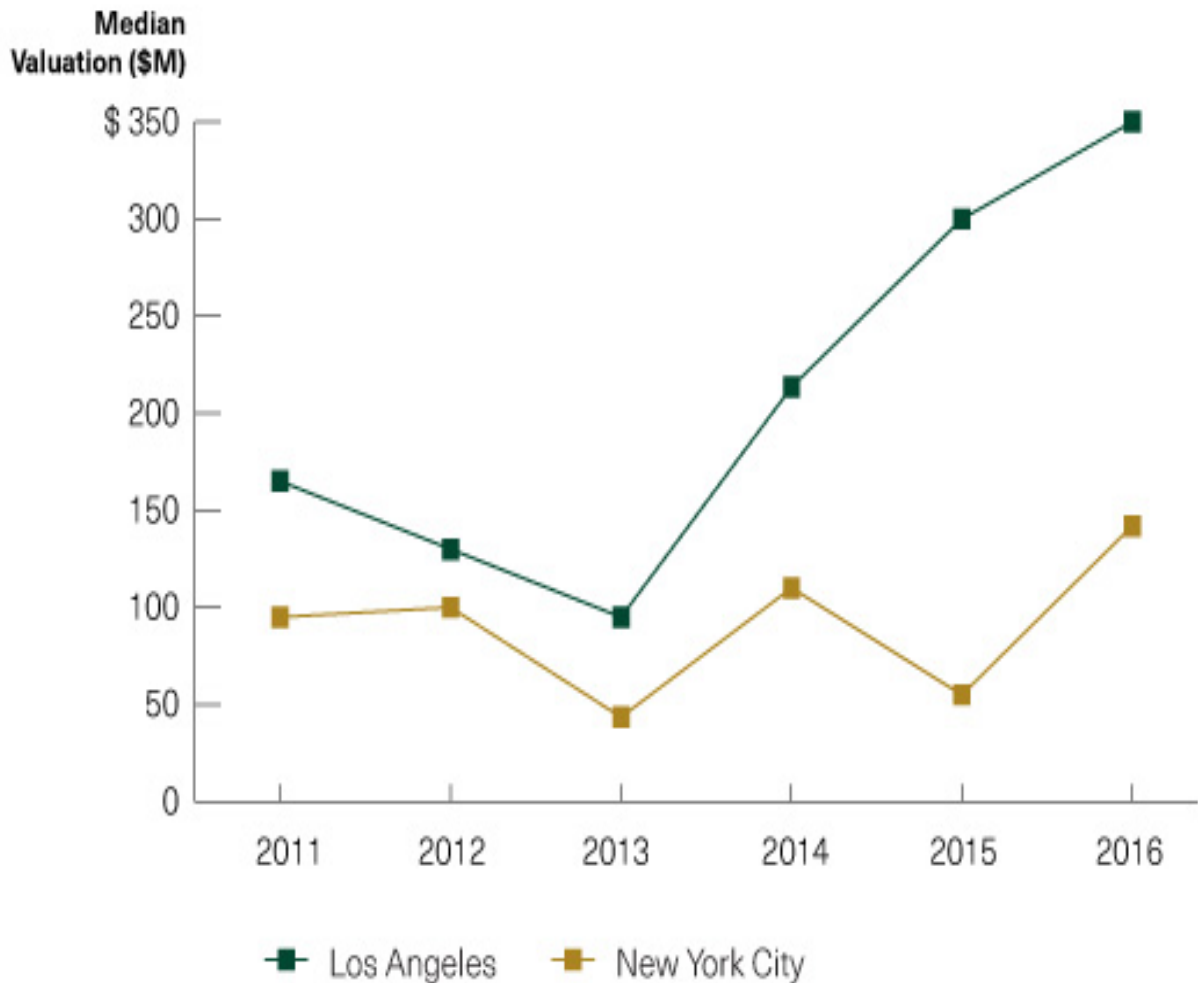
Number of Exits LA vs NYC



As seen in the chart, New York City consistently demonstrated more (disclosed) startup exits over the last five years. Given the amount of venture funding and company formation in NYC relative to Los Angeles during the identified period, it's not a surprising result.

Of course, a region's total number of exits only tells a small part of the story. Even more important than the number of outcomes is the quality in terms of size of outcomes. The graph below demonstrates the median value of exits in LA versus NYC during that same five-year period.

Median Company Valuation LA vs NYC



As seen above, the median value of LA-based companies at exit has been larger than NYC exiting companies every year since 2011, and significantly higher since 2014. While the sample size is admittedly small, the data strongly suggests a very high quality of startups that originate from LA and closely surrounding areas. The table below lists the largest exits of LA area-based companies since 2011.

Company	Exit Type	Date of Exit
Oculus VR	M&A	3/25/2014
lynda.com	M&A	4/9/2015
Demand Media	IPO	1/21/2011
Cameron Health	M&A	3/9/2012
Vantage Oncology	M&A	2/25/2016
Dollar Shave Club	M&A	7/20/2016
Maker Studios	M&A	5/12/2014
TrueCar	IPO	5/16/2014
Kite Pharma	IPO	6/20/2014
Cornerstone	IPO	3/17/2011
Trade Desk	IPO	9/22/2016

The pipeline of interesting private startups is also well stocked, as evidenced by companies such as [Snapchat](#), [Honest Company](#), [Surfair](#), [Thrive](#), [SpaceX](#), and [Scopely](#).

From a venture funding standpoint, the majority of capital flowing into LA companies continues to come from the Bay Area. While we don't see this changing anytime soon given the short distance between SF and LA, we are finally seeing a defined growth of local venture funders.

While most may have heard of Upfront Ventures (the largest and most active LA investor), the number of LA-based venture capital firms has experienced nearly a 600% increase since 2012. Below are just some of the LA-based venture firms operating today.

Acknowledging that this list isn't completely comprehensive, here's just a sampling of venture firms that reside in the LA area.

- Alpha Edison
- Amplify
- Arena Ventures
- Backstage Capital

- BAM Ventures
- Baroda Ventures
- Canyon Creek Capital
- CrossCut Ventures
- Cross Culture Ventures
- Double M Partners
- Fifth Wall Ventures
- Fika Ventures
- Frost Data Capital
- Greycroft Partners
- K5 Ventures
- The LAUNCH Fund
- Launchpad LA
- Legacy Angel Ventures
- Lowercase Capital
- March Capital Partners
- Mucker Capital
- Navitas Capital
- Okapi Venture Capital
- Powerplant Ventures
- Queensbridge Venture Partners
- Refactor Capital
- Rincon Venture Partners (Santa Monica)
- Science
- Sierra Wasatch Capital
- Sound Ventures
- TenOneTen Ventures
- Troy Capital Partners
- TYLT Ventures
- Upfront Ventures
- VELOS Ventures
- Wavemaker Partners
- WME Ventures

It's clear that while still early in its formation as a major innovation center, LA is developing into something special and significant. It's definitely underrated, but I have a sneaking suspicion that funders and entrepreneurs in the area don't mind one bit.

The information in this article is presented as-is.

The views of the author of this article are provided as-is and do not necessarily represent the views of First Republic Bank.



Samir Kaji is senior managing director at First Republic Bank, where he leads a team managing venture capital and startup company relationships. He has spent over 15 years working within the venture capital industry. During this period, he has assisted and/or advised over 600 companies and 300 venture capital firms. Prior to joining First Republic, Samir spent thirteen years at Silicon Valley Bank, where he completed over 400 debt transactions, totaling over \$4B in committed capital. Since 2008, Samir has led teams focused on providing services to venture capital firms and directly led engagements with several of the leading venture capital firms in the industry. Samir also has been an active angel investor in both venture capital funds and early-stage companies. Samir is a graduate of San Jose State University, where he earned his bachelor's degree in finance, as well as Santa Clara's Leavey School of Business, where he earned his M.B.A.