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TECHNOLOGY Rise of the Colorado 'decacorns' State's unicorns — startups valued at \$1 billion or more — have tended to be smaller in size; that changed in latter half of last year ABOVE LEFT: David Stevens works on a copper punch at the Crusoe Energy manufacturing plant in Arvada on Dec. 22. Crusoe became Colorado's second "decacorn," or private company valued at more than \$10 billion, in October. ABOVE CENTER: Bennett Onsager, left, and Deonte Taylor work on a shear machine at the Crusoe Industries manufacturing plant in Arvada on Dec. 22. ABOVE RIGHT: Broomfield-based Quantinuum became Colorado's first decacorn after it raised \$600 million from investors in September. Pictured here is the company's signature system, Helios, which Honeywell, a major investor in Quantinuum, claims is the most accurate quantum computer ever built. Helios' ability to handle complex calculations quickly is expected to support breakthroughs in drug, chemical and material products. LEFT, CENTER: RJ SANGOSTI — THE DENVER POST | RIGHT: RENDERING PROVIDED BY QUANTINUUM

BYALDO SVALDI ASVALDI@DENVERPOST.COM When it comes to unicorns, or private companies valued at \$1 billion or more, Colorado has become a breeding ground. But until recently, it has lacked the most elusive of unicorns — decacorns worth \$10 billion or more. The Colorado Technology Association counts at least 18 unicorns active in the state, more than the number found in a majority of nations. The state has more unicorns than several European countries, more than all of the Middle East, excluding Israel, and more than the continent of Africa, according to a map maintained by Startup Blink. Since September, Colorado, for the first time, added not one but two "decacorns," or private companies valued at \$10 billion or more. The companies are so uncommon that only 91 were Alaric Hoffmeier, right, Robert Barboni, second from right, and other engineering technicians work on the thermal protection system tiles on the side of the Dream Chaser space vehicle at Sierra Space on Oct. 30, 2023, in Louisville. HELEN H. RICHARDSON — DENVER POST FILE estimated to exist in the world as of November, according to a list maintained by Failory, a website for entrepreneurs. "Colorado has built one of the most productive startup pipelines in the country, not just launching new companies but helping them scale into enduring second-stage, growth companies," said Brittany Morris Saunders, the association's president and CEO. In CTA's most recent Colorado Tech Industry Report, the state ranks fifth nationally in venture capital funding and third in terms of its concentrated tech economy. It also has built a network that recirculates talent and capital from earlier startups to lead and fund new ones. "That combination matters because it means founders can start here, attract capital here and find the talent, customers and innovation infrastructure to grow here. The opportunity now is to deepen late-stage capital and scale-up talent while ensuring our regulatory and policy environment supports that growth, so the unicorns we build here keep growing here," Saunders said. Denver-based Crusoe Energy Systems offers an example of how an idea becomes a startup, grows into a unicorn, and over time matures into a decacorn able to attract hundreds of millions of dollars in outside investment and employ hundreds of people. Founded in 2018 by childhood friends and Kent Denver School classmates Cully Cavness and Chase Lochmiller, the initial premise behind Crusoe was to take stranded gas from remote well sites and put it to a more productive use, helping the environment and oil producers. Across the hinterlands of western Texas and rural Wyoming, gas flares that once lit the night sky have been replaced by the quiet hum of generators. The waste gas fuels generators that produce electricity to power computer servers available to complete a variety of tasks. Crusoe initially used its computing power to mine cryptocurrencies, but it sold that business in March to NYDIG so it could focus fully on data centers powering artificial intelligence

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platforms, the hottest part of the tech world. "As the demand for large-scale AI training and inference expanded, Crusoe recognized that their 'energy-first' architecture for high-performance computing (bitcoin mining) was perfectly suited to power the AI era," said company spokesman Andrew Schmitt. The company now secures wind, solar and battery storage resources, not just gas, to overcome the "power gap" that has stalled some AI projects. And it is building AI data center campuses in rural areas that otherwise would be left behind, with a 1.2 gigawatt AI data center campus underway in Abilene, Texas, and a proposed 1.8 gigawatt data center planned in Cheyenne. To expedite construction timelines, the company produces electrical switchgear at factories in Arvada and Tulsa, Okla. It is also developing off-grid AI centers that combine solar panels with repurposed electric vehicle batteries, which could reduce the strain on the power system that is contributing to higher electricity prices in many parts of the country. In a push to assist innovators struggling to fund their own infrastructure, the company is rolling out Crusoe Cloud, an AI cloud platform where startups can test and develop their models using the latest hardware. On Oct. 24, Valor Equity Partners, Mubadala Capital, the Abu Dhabi investment firm, and several other firms closed on a Series E round of \$1.37 billion that valued the company at \$10 billion. From its two founders, the company now employs more than 1,000 people at offices in Denver, San Francisco, Dublin, Seattle and at manufacturing plants in Arvada, Tulsa and Ponchatoula, Ark. Broomfield-based Quantinuum, which is building Helios, a next-generation quantum computer, beat Crusoe to decacorn status by 50 days after raising \$600 million in a Series B round from Honeywell, NVIDIA, JPMorgan, Mitsui and Amgen. Quantinuum formed in November 2021 from the merger of Honeywell Quantum Solutions, which contributed its trapped-ion hardware, and Cambridge Quantum, which brought its cutting-edge software and operating systems. Honeywell claims Helios is the most accurate quantum computer on the market and that Quantinuum is the largest quantum computing company. If it is successful, it could cement the Boulder tech corridor as the nation's premier quantum computing hub and draw capital investment to other quantum unicorns in the region. Colorado's third-largest unicorn is Sierra Space, a Louisville company best known for developing the Dream Chaser, a reusable craft designed to deliver cargo to space. The company is also building satellite platforms for a variety of civil and commercial missions and working with Blue Origin to develop Orbital Reef, a commercial space station sometimes described as a "mixed-use business park in space." The company has an estimated value of \$5.3 billion based on a Series B funding round of \$300 million in September 2023. And its high valuation highlights the leading role the state plays in aerospace and defense. Denver-based Guild, formerly known as Guild Education, uses online tools to help large employers train their workers and to provide career coaching. It also hosts employer-funded education programs offering everything from career certifications to a complete college degree. The company was valued at \$4.4 billion based on its 2022 funding round, although it has struggled the past two years, reflected in a layoff announced in May that claimed about a quarter of its workforce. The next two largest unicorns are valued at about \$2.5 billion each — Jetti Resources, a Denver-based mining technology firm focused on boosting copper production, and JumpCloud, a Louisville-based security platform that allows companies to manage devices and worker access from a unified cloud directory. The remainder of the unicorns are valued at \$1 billion to \$2 billion, including a promising new entrant, Ursa Major, which is developing solid fuel and hypersonic rocket systems that could improve U.S. defense capabilities. The Berthoud-based company raised a \$100 million equity round in November, valuing it at about \$1.5 billion. The company plans to

relocate its headquarters to a larger space and is ready to start massproducing its rocket engines. The state's Economic Development Commission in December approved \$35.2 million in state tax credits, its largest single award so far to a company, in return for up to 1,835 new jobs being added in the state. Where the unicorns roam Aileen Lee, a founder of Cowboy Ventures, coined the term "unicorns" in 2013 after studying 60,000 U.S. tech companies formed over the prior 10 years. Only 39 achieved a valuation of \$1 billion or higher, including several that are now household names, such as Facebook, LinkedIn, WorkDay and Twitter, according to PitchBook, a division of Morningstar that has tracked unicorn formation since 2016. Unicorns, although small in number, generate the majority of returns that venture capital firms earn from their investments. The trend setters are important drivers of job growth and wealth creation. They are a key reason the U.S. has managed to maintain its standard of living and economic strength despite losing ground in manufacturing, agriculture, mining and home construction. PitchBook estimates that there are 1,562 unicorns globally as of Dec. 5. The U.S. accounts for a little over half of the total, followed by China, with one-fifth, and India, with 4% to 5%. The United Kingdom, Israel, Singapore, Canada, the Netherlands, France, Germany, Australia and South Korea are other countries where unicorns congregate. California massively dominates within the U.S., in the number of and size of its unicorns, followed by New York, Massachusetts, Texas and Washington, according to a map maintained by StartupLink. Compared with when Lee did her study, private companies topping \$1 billion in value have become so common as to call the label "unicorn" into question. Add in rich tech valuations and a dollar that isn't worth what it used to be, and decacorns have become the new unicorns — truly rare. A lot of startups are needed to achieve a \$1 billion company. Colorado does well in attracting promising startups from other states and in fostering its own entrepreneurs. And Colorado has far more unicorns than can be explained by its relatively small population of 6 million. One explanation is that state universities have proven especially adept at commercializing research concepts, led by the University of Colorado. CU launched 35 companies from its intellectual property last fiscal year, the most from any single college campus in the country, and 10 more than the Massachusetts Institute of Technology. A decade ago, it was launching an average of four to six startups a year. And the university is spinning off startups at a highly efficient rate per research dollar spent compared with its rivals, Bryn Rees, associate vice chancellor for innovation and partnerships at CU, noted in a release issued in September. "Universities spinning out similar numbers of startups have significantly larger research budgets feeding their innovation pipeline," Rees said. CU creates 5.1 startups for every \$100 million in research funding, more than double the next-most-efficient university campus when it comes to the commercialization of concepts. Colorado also has a high concentration of business incubators and accelerators, 53, which work to help concepts and young startups grow into more substantial companies, according to the website StartupBlink. Only larger states such as California, New York, Illinois, Massachusetts, Texas and Georgia, as well as the District of Columbia, have more accelerators. State economic development policy emphasizes startups and advanced industries, and Colorado has a good supply of seed and early-stage capital. But it has lacked funding for the later stages, which has contributed to a stunting and culling of its unicorns. A recent example was Veho, a provider of last-mile delivery services to e-commerce firms. It quietly relocated its headquarters from Denver to New York City in 2024 without making an official announcement. A 2020 study from the Regional Economic Development Institute at Colorado State University found that Colorado's Front Range and California's

Silicon Valley had a similar mix of industries and technologies, success rates and valuation at exit of its venture-capital-backed startups. That similarity existed even though Silicon Valley produced 10 times as many startups. But there was a big difference with huge implications for the Colorado economy. About half of the successful Silicon Valley startups remained in the BayArea, while only 28% of Colorado's startups remained in the state. The gap was even more startling in the value of the companies that remain. Colorado kept only 14% of the disclosed value of its unicorns, while the BayArea kept closer to 60%. To use a cattle analogy, Colorado birthed and raised the calves, but the long-term value, the ribeyes and filets, were largely consumed in other states. Adam Burrows, who became a venture capitalist in 2020 after leading HomeAdvisor, said the situation described in the CSU report has turned around this decade. Colorado is now able to retain more of its unicorns for longer. And the value chain is expanding as success generates more success. A deeper pool of executive talent, including seasoned entrepreneurs who have built multiple companies, has left venture capital firms more comfortable keeping companies in Colorado and their leadership teams intact and funding bigger rounds. "People used to say you couldn't build a unicorn in Colorado and to sell out early. Now, we have decacorns," he said. Ibotta was founded in 2011 in Denver as a cashback app that provided digital coupons and rebates to consumers on behalf of retailers. The company raised \$660 million in an initial public offering in April. And CEO Bryan Leach has kept the headquarters in downtown Denver. But challenges remain. Colorado has a higher share of unicorns in hard tech areas such as quantum computing, aerospace and energy. Unlike a software company that can scale quickly with a smaller investment and a leaner staff, hard-tech companies take longer to mature and achieve success. And that's where the state runs into another problem: the lack of a strong manufacturing base. Growing firms have reported shortages of machinists, welders and other skilled positions that make it harder for hard-tech firms to ramp up production here. Burrows, while he wants to remain optimistic about the future, said Colorado needs to maintain a welcoming business environment. He points to the state's passage of Senate Bill 24-205, which regulates the AI industry, as being the equivalent of dragging a needle across a record that had previously been playing a good song. To protect consumers against "algorithmic discrimination" in hiring, lending, housing and medical care, the legislature passed the toughest restriction anywhere on AI, jumping ahead of even California. The tech industry pushed back, calling the new rules vague, burdensome, expensive and innovationchilling. The passage occurred despite no actual examples of AI-based algorithmic discrimination occurring in the state, said Burrows, who is on a task force advising the governor on AI. Supporters of the new AI regulations argue that responsible companies want clear guardrails, and that "tech-flight" is a scare tactic. The time to implement is now, before discrimination becomes entrenched, they say. "We are trying to prioritize transparency, disclosure and liability. Tech companies rejecting liability is a huge admission of guilt," said Rep. Brianna Titone, D-Arvada. "If the public wants transparent policy in this important topic, we have to do better." Titone, who also leads the legislature's Joint Technology Committee, questioned whether the governor's AI task force can really find statewide consensus because it is packed with industry representatives with conflicting interests and no legislators. Colorado remains heavily dependent on out-of-state capital to fund its unicorns, and entrepreneurs who relocate from other states are important players in its startup scene, Burrows said. "We have had everything going our way, but some people take it for granted. Or maybe they don't want it to continue. We are all scared," Burrows said of the new law, which goes into effect June 30.

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