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TRAVEL & TOURISM

Cover story: Meow Wolf could become New Mexico's biggest startup tale 🔑

Whether hit or miss, the Meow Wolf expansion could change New Mexico's startup scene forever



Meow Wolf's House of Eternal Return in Santa Fe.

KATE RUSSELL / MEOW WOLF



By Collin Krabbe
Technology reporter , Albuquerque Business First
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At first glance, Santa Fe's Meow Wolf might register as "tourist attraction" or "haven for local artists."

But the company, which creates immersive art installations like its Santa Fe House of Eternal Return, is not just those things. It may be the biggest startup story to ever come out of New Mexico. And the success, or failure, of its ambitious expansion plans could have ripple effects for the startup scene and the state.

Entrepreneurs and experts often tell Business First growing a startup in the state comes with unique challenges. A common complaint: raising money here is more difficult than other places. Some have said a lack of in-state funds and the travel difficulties of a remote location keep New Mexico out of the big leagues when it comes to startup funding.

Meow Wolf shattered those preconceptions in May, when Business First broke the news that the company posted a \$158 million funding round with the U.S. Securities and Exchange Commission. That money will be used for its planned permanent exhibits in Denver and Las Vegas. It also has permanent projects coming to Phoenix and Washington, D.C., meaning more fundraising could follow.

That investment round was massive by all measurements. The art house's haul was over five times bigger than the next largest round we found filed by a homegrown startup, Santa Fe's Descartes Labs, in the past decade.

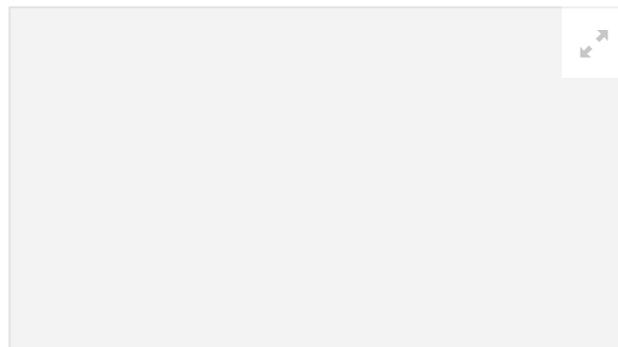
The arts business now has the potential for serious financial impact locally. A report prepared by the New Mexico Economic Development Department two years ago pegged Meow Wolf's direct, indirect and induced economic output to be worth more than \$1 billion by 2027.

Business First broke the news Aug. 2 that several Meow Wolf investors received notices saying the company will buy back their shares. The startup could repurchase potentially millions of dollars worth of stock from those who contributed to a crowdfunding campaign launched in 2017.

John Chavez, president of Albuquerque investment group New Mexico Angels, which has members that invested in Meow Wolf, said the firm's \$158 million capital raise proved New Mexico can support successful startups.

"The New Mexico Angels who participated were impressed by the vision of the company, the use of the investment dollars that were raised and the foundation that the company had built in Santa Fe," Chavez said. "The great story is Meow Wolf is not alone. Descartes Labs, RiskSense and [3D Glass Solutions] have shown great promise."

The money could mean big things for jobs, startup momentum and the creative economy. Meow Wolf CEO Vince Kadlubek, who declined to be interviewed for this story, previously told Business First “much of that work [for the company’s projects in Las Vegas and Denver] is happening here in New Mexico.”



A look inside the House of Eternal Return.

LINDSEY KENNEDY / MEOW WOLF

The state and city of Santa Fe announced Meow Wolf would receive \$1.1 million in Local Economic Development Act funding in 2017, paving a path for the creation of 250 full-time jobs over five years at a new facility that would house its welding, sculpting and other operations. The operation will support Meow Wolf’s exhibits in other cities. The state government has also committed to contribute a total of over \$2.3 million in Job Training Incentive Program dollars for the creation of 150 Meow Wolf jobs, according to New Mexico Economic Development Department data.

Kadlubek recently told The New York Times he plans to open at least 15 locations in the next five years, including large exhibits and replicated experiences. If only a few locations were permanent expansions like the ones it recently raised money for, the startup could potentially need to raise hundreds of millions more in investment. That kind of extremely rapid growth can mean enormous challenges and business risks.

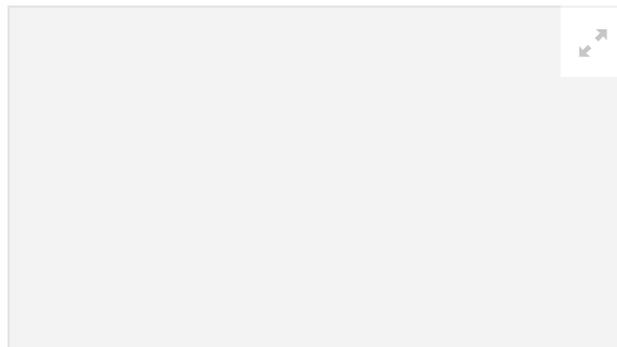
Meow Wolf is raising money and growing at a level the local startup world has rarely experienced, and that means its opportunities and challenges could come at a scale New Mexico business has rarely seen.

Stu Rose, a serial entrepreneur in Albuquerque, said while the entertainment industry is rapidly changing and inherently risky, Meow Wolf likely has an advantage over the

competition.

“The risk with Meow Wolf is probably less than most others because they have a brand name,” Rose said. “It doesn’t mean they’ll be successful, but they have a good shot.”

Though the 11-year-old organization chose its name by picking two words out of a hat, its rise was not random, according to those who watched it unfold.



A “portal” at the House of Eternal Return.

LINDSEY KENNEDY / MEOW WOLF

Alice Loy, cofounder of Santa Fe business accelerator Creative Startups, said it was obvious Meow Wolf had clear-cut goals and was motivated to achieve them from the beginning. The company joined a Creative Startups program in Albuquerque in 2014 and won \$25,000.

“All the founders were in the [video application for the accelerator], were super excited and were able to articulate exactly what they wanted out of the program,” Loy said.

Meow Wolf is on the leading edge of the “experience economy,” which the Harvard Business Review describes as companies using “services as the stage, and goods as props” to create a memorable event for consumers.

“Whether or not they are able to achieve all of their goals, the benefits to New Mexico ... will still stick around for decades,” because of the new wave of creative investors, entrepreneurs and professionals drawn to the area, Loy said. She said spinoff companies were possible.