

# THE DEAL

Q1 2016

AN OVERVIEW OF UK  
HIGH-GROWTH COMPANIES,  
THEIR INVESTORS AND DEALS IN Q1 2016

Beauhurst 

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# Introduction

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We've seen a lot of pronouncements recently saying the UK will take on the global dominance of Silicon Valley in the not-too-distant future. But our data shows that however ambitious Britain's next generation of companies are, funding is becoming more difficult to come by.

In our overview of all of 2015's investment, we predicted that 2016 wouldn't show much growth, and this is looking increasingly likely to be true. Deal numbers - the main bellwether of market health are falling alarmingly, and there is a growing trend towards fewer, high-value fundraisings.

As usual, Crowdfunding attracts controversy with its disruptive impact and high visibility. It is showing no sign of letting up, as the platforms continue to top investor rankings for the most individual deals. However, even Crowdfunding is not immune from the slump in deal numbers, with a 25% drop on Q4/15 figures.

I would like to take this opportunity to thank our team for putting together this report. We aim for this to be one of the most comprehensive reviews of investment in UK startups and high-growth companies around, and I hope that you find it an interesting and informative read.

Finally, never wanting to miss the opportunity for a shameless plug, we'd love to show you how you can use our data to benefit your organisation. Please do get in touch using the email address below to find out more.

Best Regards,

Toby Austin  
CEO, Beauhurst

[toby@beauhurst.com](mailto:toby@beauhurst.com)

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## Why equity investment?

Beauhurst tracks the UK's private fast-growth companies. The majority of these companies have raised equity finance to fuel their growth. By looking at equity fundraising activity across the UK we're able to see the emerging trends and patterns from the perspective of investors and the businesses themselves.

## What do we cover?

Beauhurst identifies and monitors growing companies in every sector across the UK. We're interested in companies whether they're only just receiving their first proof-of-concept grant, or a growth investment worth hundreds of millions.

This report looks at every UK company that we've seen raise equity funding since we started researching them in 2011.

## Announced vs Unannounced

We categorise equity fundraising transactions into two types.

- Announced deals are those investments that had an accompanying press release or were mentioned in the news.
- Unannounced deals are investments that were uncovered by our in-house researchers. The information about these deals, such as the amount invested and the company's valuation, is not publicly available.

Most of the articles and analysis in this report look at announced deals only.

Our full technical methodology is available at the back of this report.

## About Beauhurst

We research and monitor UK startups and high-growth companies.

Our platform allows users to find a huge range of data on Britain's most ambitious businesses. Find out more at [beauhurst.com](https://beauhurst.com)

# 2016 SO FAR

## INVESTMENT INTO UK STARTUPS AND HIGH-GROWTH COMPANIES

1 JANUARY-31 MARCH 2016

The year is off to a slow start, as deal numbers plummeted.

The drop was particularly evident in the **software** sector.

In total, deals fell

**44%**

from Q1 2015

Down

**30%**

from Q4 2015

Q1/16  
285

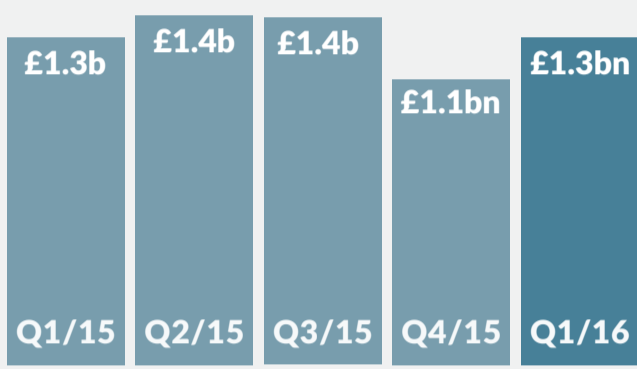


Quarterly  
Record  
463

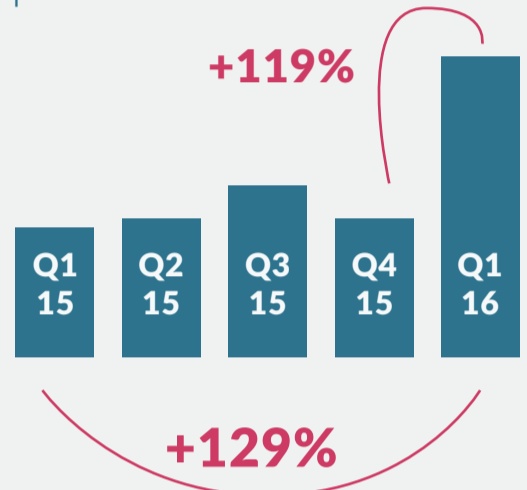


But the funding landscape isn't all doom and gloom, as...

The total **amount** invested **grew**



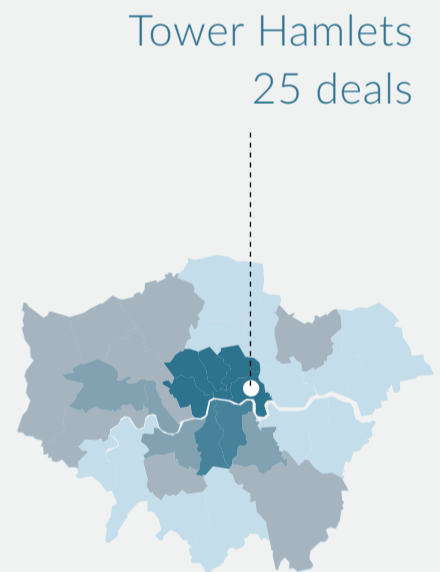
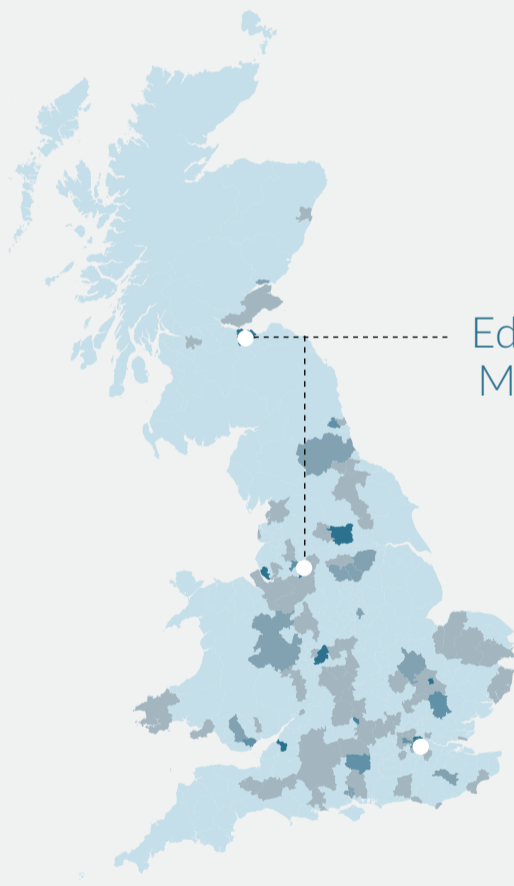
Investment in **seed stage** companies increased



The **average amount** invested reached a

**record high £20.4m**

But investment wasn't spread across the board...



The largest single fundraising:

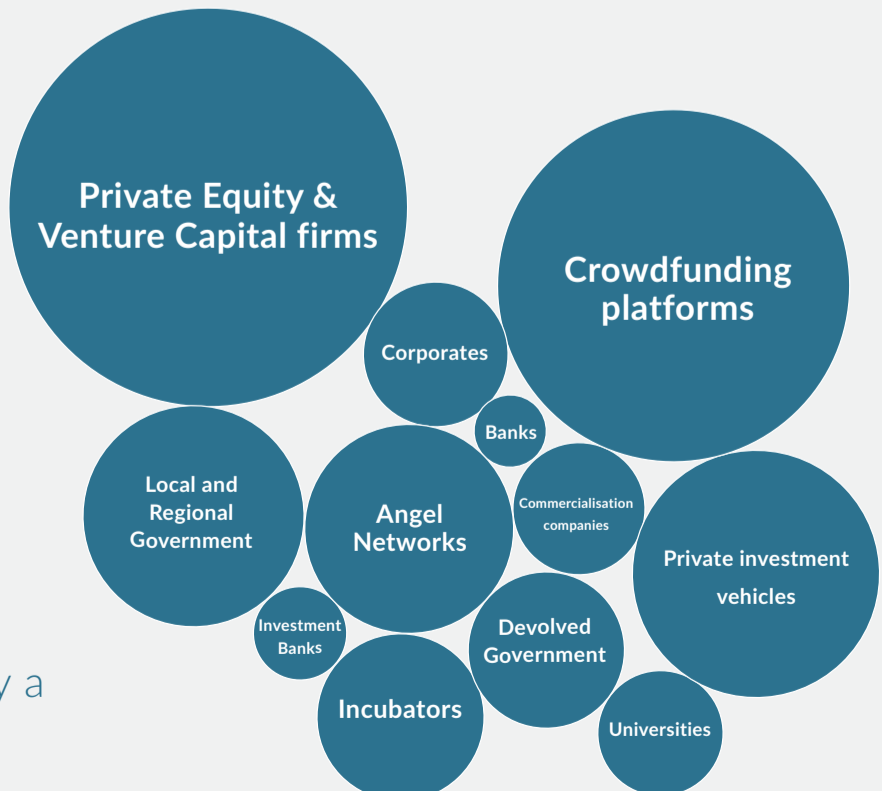
£128m for **skyscanner**

Investors:



Private Equity and Venture Capital firms account for the most fundraisings by type...

...But crowdfunding platforms top the funder charts for most fundraisings by a single funder.



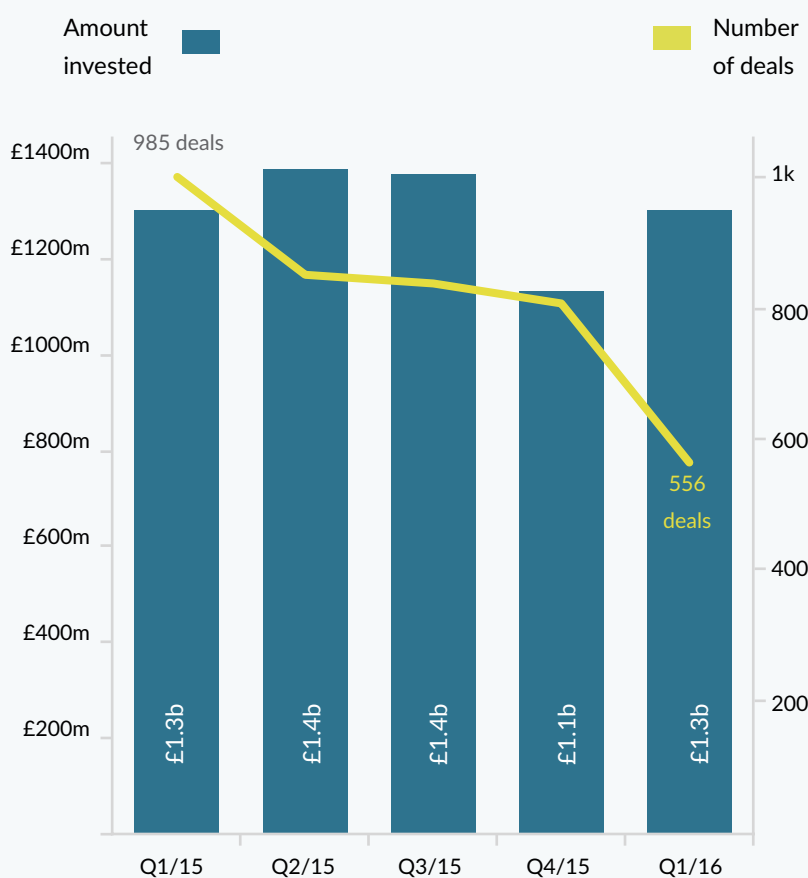
This data reflects both announced and unannounced equity deals into private companies in the UK from 1 January to 31 March 2016. View our full methodology at [www.beauhurst.com](http://www.beauhurst.com)

# A SLOW START



The first quarter of 2016 has seen the continuation of a worrying trend in equity investment in the UK. The alarming fall in deal numbers that we noticed last quarter has continued into this year, with Q1 clocking a meagre 280 deals across the country. It's the worst quarterly performance in over two years. What's more, deal numbers are falling at every stage.

### Number of deals vs amount invested



This trend might come as a shock if you were keeping an eye on some of the more high-profile investments being made over the last quarter. Certainly there were a few headline-grabbing deals – such as Skyscanner’s £128m round in January – which have meant that the total amount invested during the quarter is well up on the previous quarter and indeed higher than Q1/15. The average size of investment in the last quarter was the largest it’s ever been and the growth-stage as a whole fared better than the seed- or venture-stages.

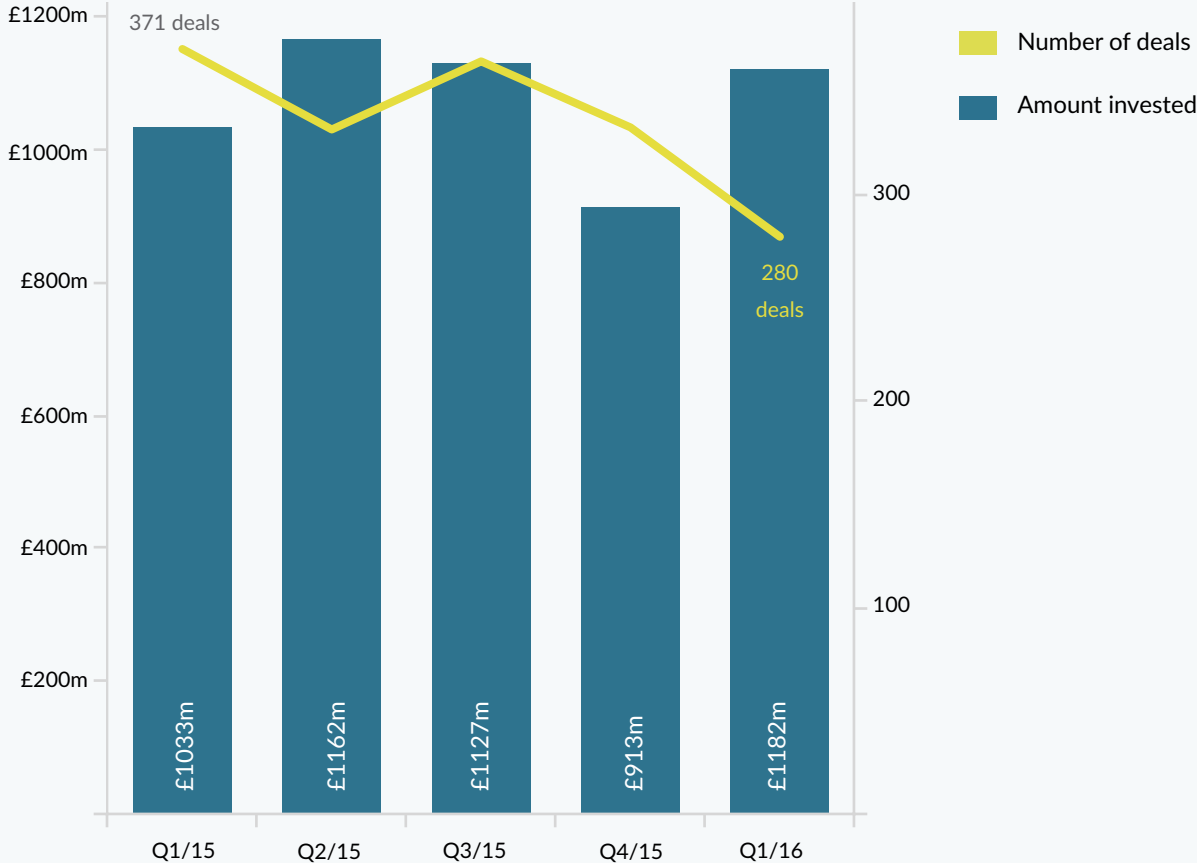
Investors clearly still have money to invest, so why are they making fewer investments? Investors are committing more money to larger rounds into more established businesses, which suggests they’ve developed less of an appetite for risk. As June 23rd looms, it’s tempting to wonder if jitters about the country’s future membership of the EU are prompting investors to hold fire on backing riskier propositions but that might be overthinking it. Global concerns such as China’s economy and the oil price are more likely culprits as investors look to de-risk their overall portfolios in response.



But it's not just institutional investors that are steering clear of early-stage gambles. The overall figures for crowdfunding are at the lowest they've been since the end of 2014. However, as the platforms have been maturing they've become capable of delivering larger and larger investments, negating the need for follow-on rounds in quick succession. The percentage of crowdfunding investments into companies that have already received money through crowdfunding is falling year-on-year. The drop in deal numbers for crowdfunding platforms is therefore partly a natural adjustment, as well as being symptomatic of the more general aversion to risk.

While it's great that more established companies have access to the capital they need, the absence of that capital at earlier stages is a real problem. The fact that those companies at the growth-stage even exist is thanks to strong investment at the seed- and venture-stages in previous quarters. With the help of a couple of big new funds, such as Index's \$550m for seed and venture stage investments, Oxford Sciences Innovation's £320m, Business Growth Fund's £200m BGF Ventures technology fund, and Seraphim's £83m space fund, there may still be time to reverse the trend – if investors are brave enough to take the risk.

**Number of deals vs amount invested (announced only)**



# UNDISCLOSED

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**An overview of unannounced  
deal activity.**

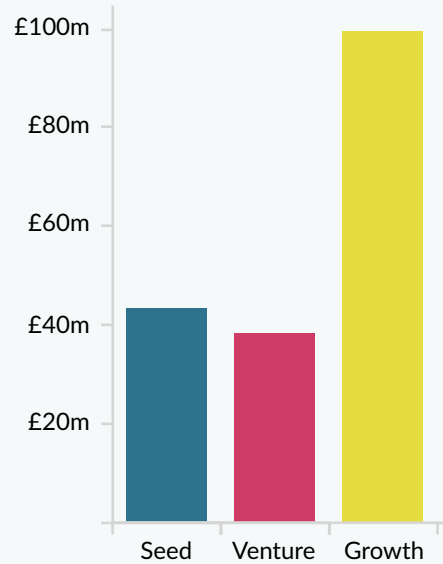
# Undisclosed Deals

The undisclosed market accounted for 264 fundraisings in Q1/16, a 40% drop on undisclosed deal figures for Q4/15. The total amount of investment was £179m, constituting a relatively small decrease of 18% on the previous quarter's figures.

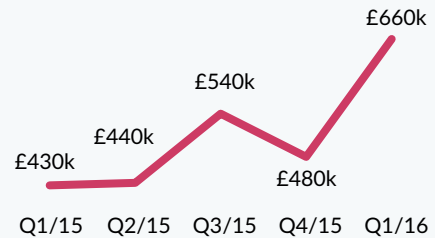
It must be said, however, that as you read this our researchers are still finding undisclosed Q1/16 deals.

Our undisclosed data reflects the wider upwards trend in average deal size, rising significantly from £480k in Q4/15 to £660k this quarter. This growth is particularly stark when considering that unannounced deal amounts are generally smaller than publicly-announced investment.

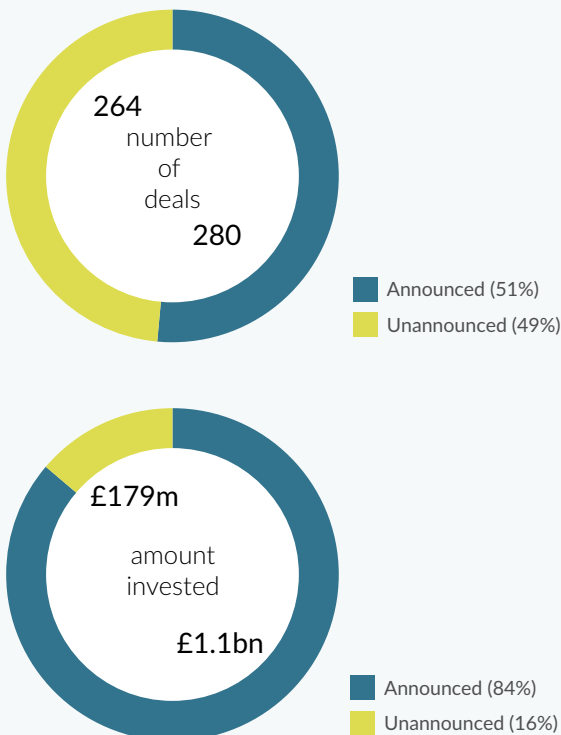
## Unannounced deals: Amount invested by stage of evolution



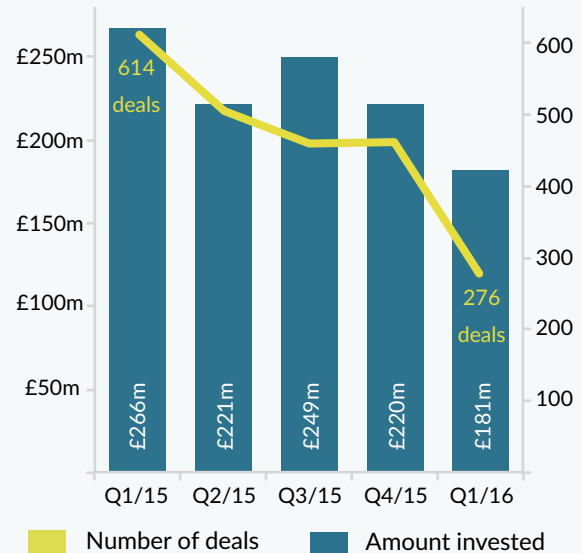
## Average deal amount (unannounced only)



## Announced vs. unannounced



## Number of deals vs amount invested (unannounced deals only)



# STAGES OF EVOLUTION

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**An overview of activity at seed-,  
venture- and growth-stage.**

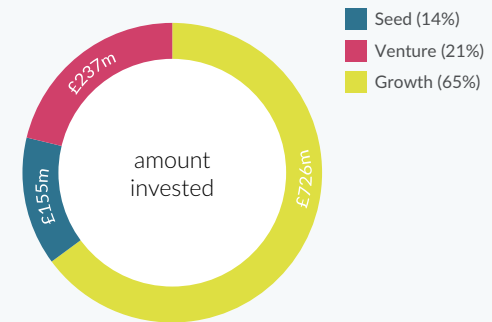
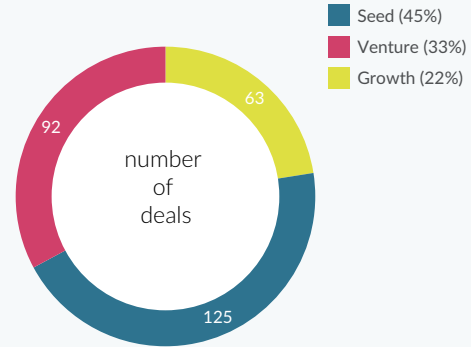
# Stages of Evolution

Looking at Q1/16's announced fundraisings by stage of evolution, we can see that the seed-stage was responsible for the lion's share with 125 deals. The venture- and growth-stage recorded 92 and 63 respectively.

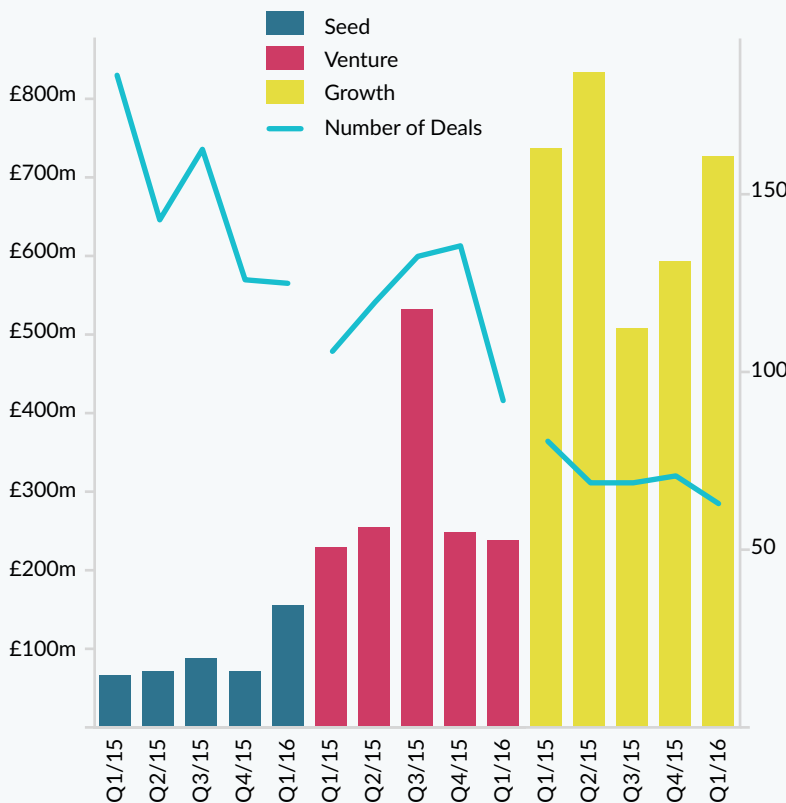
As we'd expect, with total investment amounts we saw an inverse picture. Growth-stage investment amounted to £726m; venture- and seed-stage totalled £237m and £155m.

Looking at how these figures compare with Q4/15 data, we can see that the seed-stage was the best performer. The number of seed-stage fundraisings fell by just 1%, while the total amount invested increased by 188%.

**Number of deals vs amount invested by stage of evolution**



**Number of deals vs amount invested - by quarter and stage of evolution**



In our last instalment of The Deal we voiced concerns about ailing seed-stage figures, but it's been the venture-stage that has suffered most. Deal numbers fell by 32% on Q4/15 figures, while the amount invested decreased by 5%.

The growth-stage enjoyed a 22% increase in investment totals during Q1/16; fundraisings, however, fell by 11%.

# SECTORS

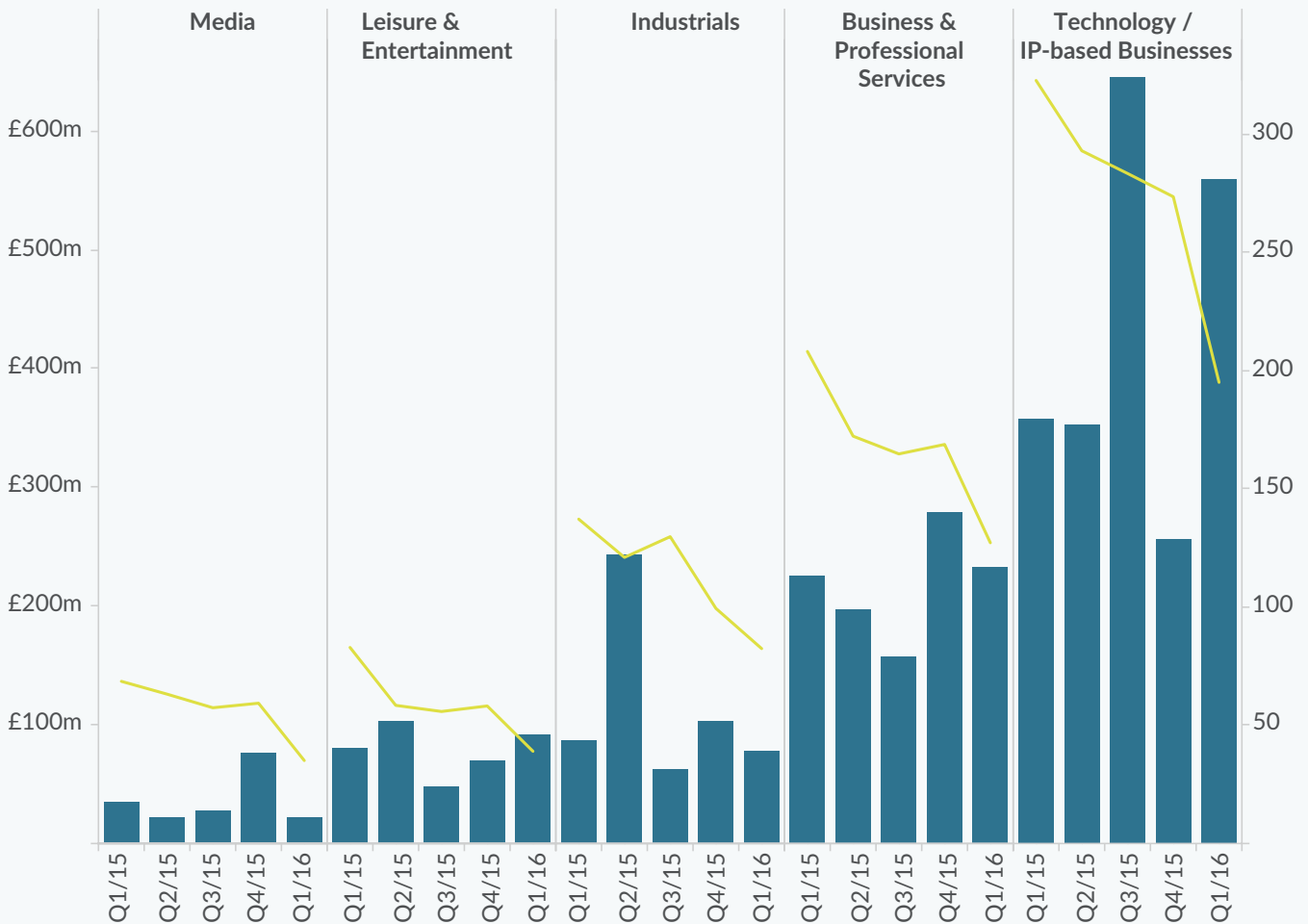
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**An overview across sectors, with  
a focus on Technology/IP and  
Business and Professional Services.**

# Overview†

Number of deals vs amount invested over time across top 5 sectors

■ Amount Invested  
— Number of Deals



Looking at the top 5 ranking sectors in Q1/16, we can see that once again Tech and IP was the most active – both in the number of fundraisings completed, and total amount invested. Although there was an average drop of almost 30% in the number of fundraisings across the board between Q4/15 and Q1/16, it was Media where that drop was most felt. The sector recorded a 40% decrease in fundraisings.

While investment totals into Media, Industrials, and Business and Professional Services were marginally down, both Leisure & Entertainment and Tech and IP recorded an increase. Tech and IP enjoyed a particularly encouraging rebound of 118% growth in Q1/16, after a stark negative spike in Q4/15.

†This analysis is based on weighted sector figures. For a full explanation refer to the methodology.



# Technology†

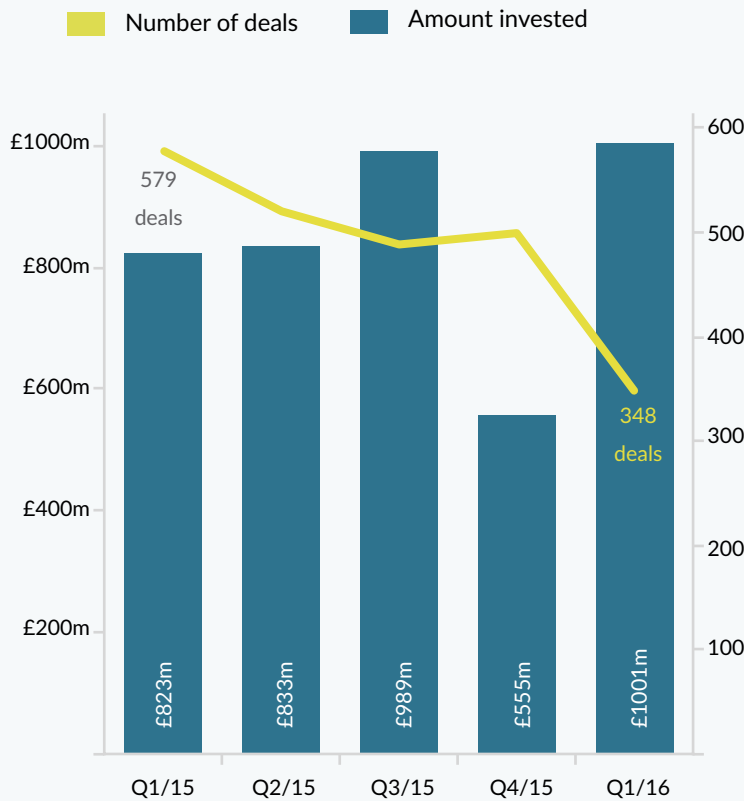
Tech and IP fundraisings were at their lowest for a year in Q1/16. The number of fundraisings were down 40% on Q1/15 figures, dropping from 579 to 348. This negative trajectory was most felt between Q4/15 and Q1/16, when deal numbers fell by 30% – falling from 500 to 348.

## Top deals

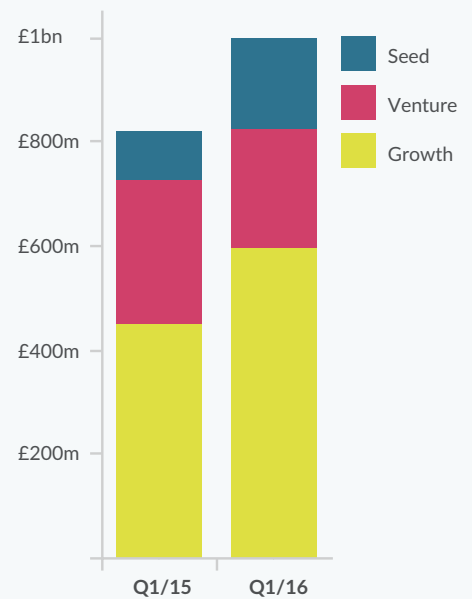
Company	Value of deal	Pre-money valuation
Skyscanner	£128m	£1.03bn
MISSION Therapeutics	£60m	£42m (based on first tranche)

Total investment into Tech and IP during Q1/16 told a different story, however. The sector recorded its highest quarterly figures for a year, enjoying 22% growth on Q1/15 investment totals. Q1/16 saw a particularly strong rebound of 80%, after a negative spike in Q4/15.

## Number of Technology deals and amount invested



## Amount invested by stage of evolution



†This analysis is based on double-counted sector figures. For a full explanation refer to the methodology.

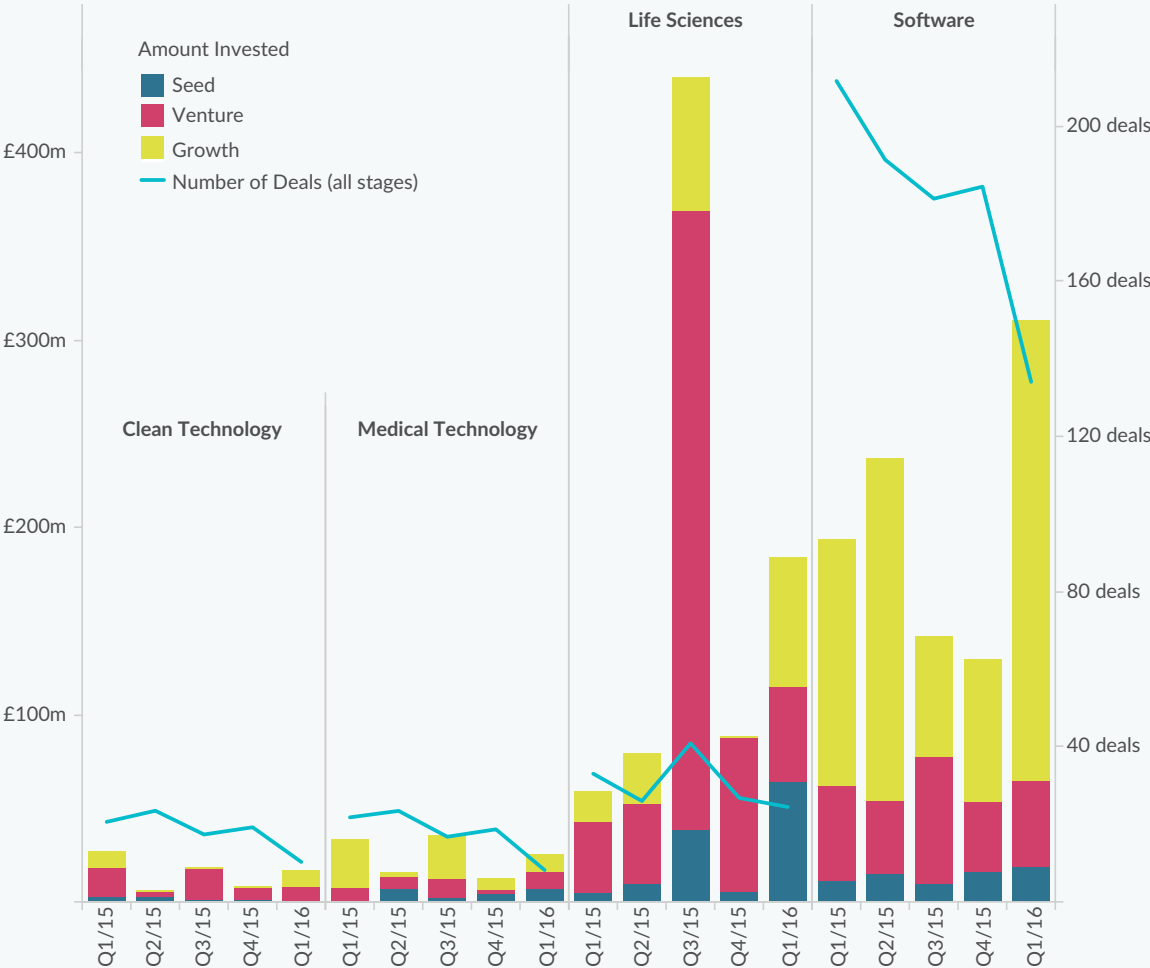


Crowdfunding platform Seedrs was the most active investor into the sector during Q1/16, facilitating 15 deals. Edinburgh-based Skyscanner completed the biggest deal, securing £128m investment from a cohort of investors including Artemis, Vitruvian Partners, and Yahoo! JAPAN.

**Top investors**

Investor	Number of deals
Seedrs	15
Parkwalk	8
Ignite100	8

**Number of deals vs amount invested across top Technology sub-sectors**

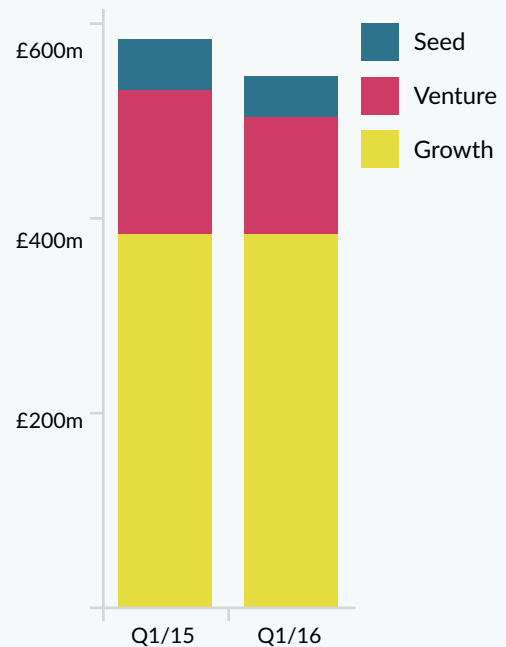


# Business & Professional Services†

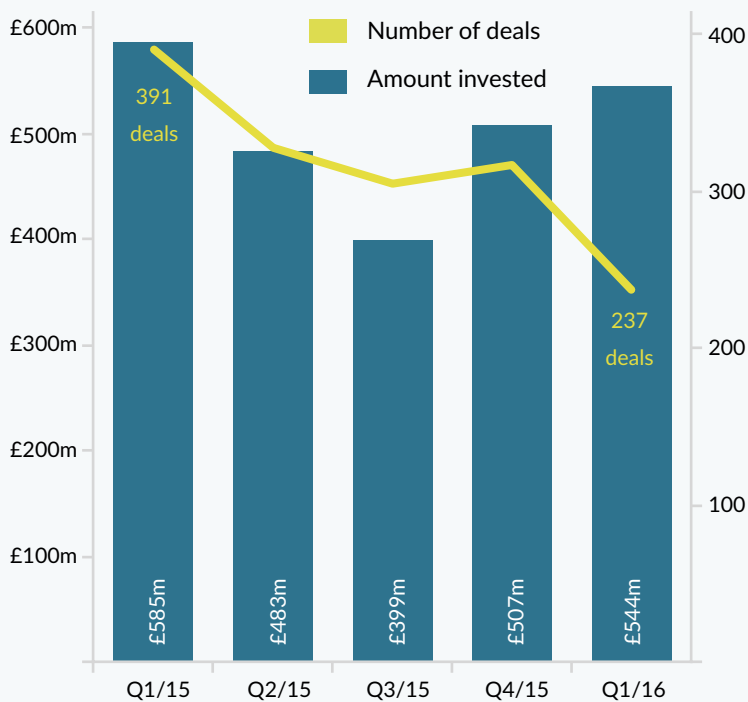
Similarly to the Tech and IP sector, Business and Professional Services fundraisings in Q1/16 were at their lowest for a year. The number of fundraisings fell almost 40% on Q1/15's figures, decreasing from 391 to 237. Again, the general negative trend was most marked between Q4/15 and Q1/16, where deal numbers dropped by 25% - falling from 317 to 237.

Q1/16 continued the positive quarterly trend in investment totals, recording 36% growth on the negative spike in Q3/15. However, total investment into the sector was down 7% this quarter compared with the same period in 2015.

Amount invested by stage of evolutions



Number of Business and Professional Services deals vs amount invested



†This analysis is based on double-counted sector figures. For a full explanation refer to the methodology.

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Seedrs was the most active investor into the sector during the first quarter of this year, facilitating 7 deals. Camden-based pharma company Autolus completed the largest fundraising, securing £40m.

**Top deals**

Company	Value of deal	Pre-money valuation
Autolus	£40m	£1.03bn
Inivata	£31.5m	£42m (based on first tranche)
Citymapper	£27.4m	Not yet calculated

**Top investors**

Investor	Number of deals
Seedrs	7
Pi Labs	5
Notion Capital	5



# **GEOGRAPHY**

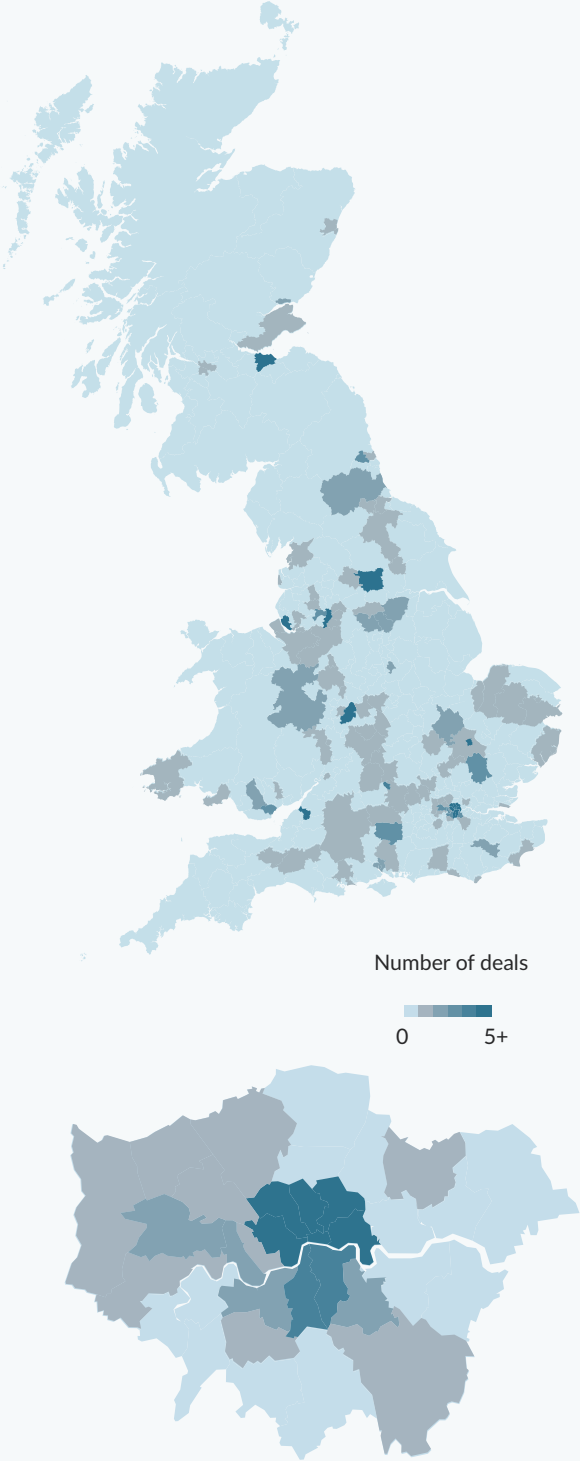
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**An overview of investment activity by geography.**

# Geography

London continues to dominate as a hub of activity among high-growth companies. Despite patches of investment around the country, Edinburgh and Manchester combined still saw fewer deals completed than in the London Borough of Tower Hamlets.

Despite this, the capital didn't see all of the action. The UK's largest deal of this quarter went to Edinburgh-based Skyscanner. In fact, the top four deals by investment value were all made into companies outside of London.



Most fundraisings outside of London	
City	Number of fundraisings
Cambridge	16
Edinburgh	13
Manchester	10
Birmingham	7
Leeds	7

Most fundraisings in London	
London councils	Number of fundraisings
Westminster	40
Camden	29
City of London	29
Hackney	28
Tower Hamlets	25

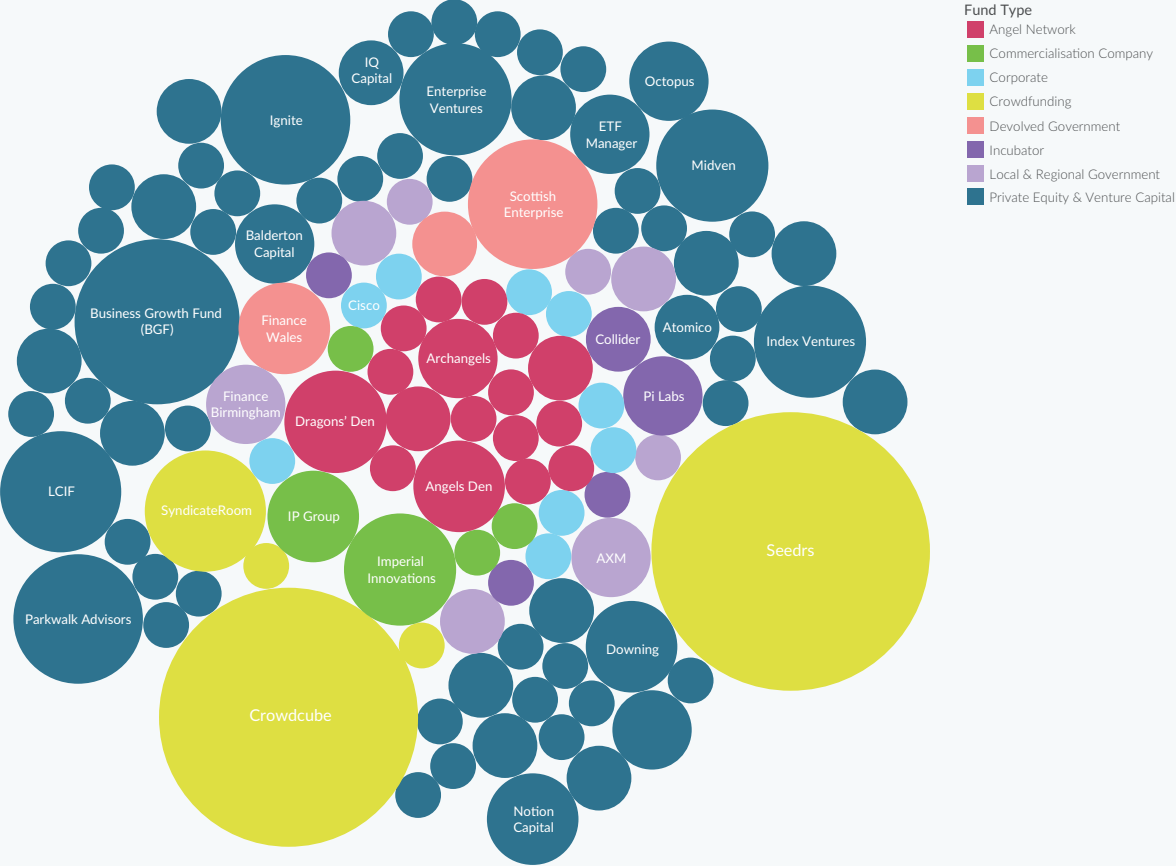
# INVESTORS

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**An overview of top  
investors and investor  
types.**

# Top Investors

## Top investors in Q1 2016



Looking at investors by number of fundraisings in Q1/16, we can see that crowdfunding platforms continue to top investor rankings. If we look at deal numbers, including investments made by funds for which the ultimate shareholders are the individual investors on crowdfunding platforms, Seedrs clinched pole position with 37 deals, while Crowdcube recorded 30.

The Business Growth Fund backed 11 deals, including low-cost gym chain Xercise4Less. Considering the strength of the growth-stage in the first quarter of 2016, it's no surprise to see BGF on the most active investor podium.

Ignite100, with its remit to back seed-stage companies, was also particularly active in Q1/16. The angel-led accelerator fund backed 8 fundraisings, including a £50k investment into London-based ad-tech startup goopi.

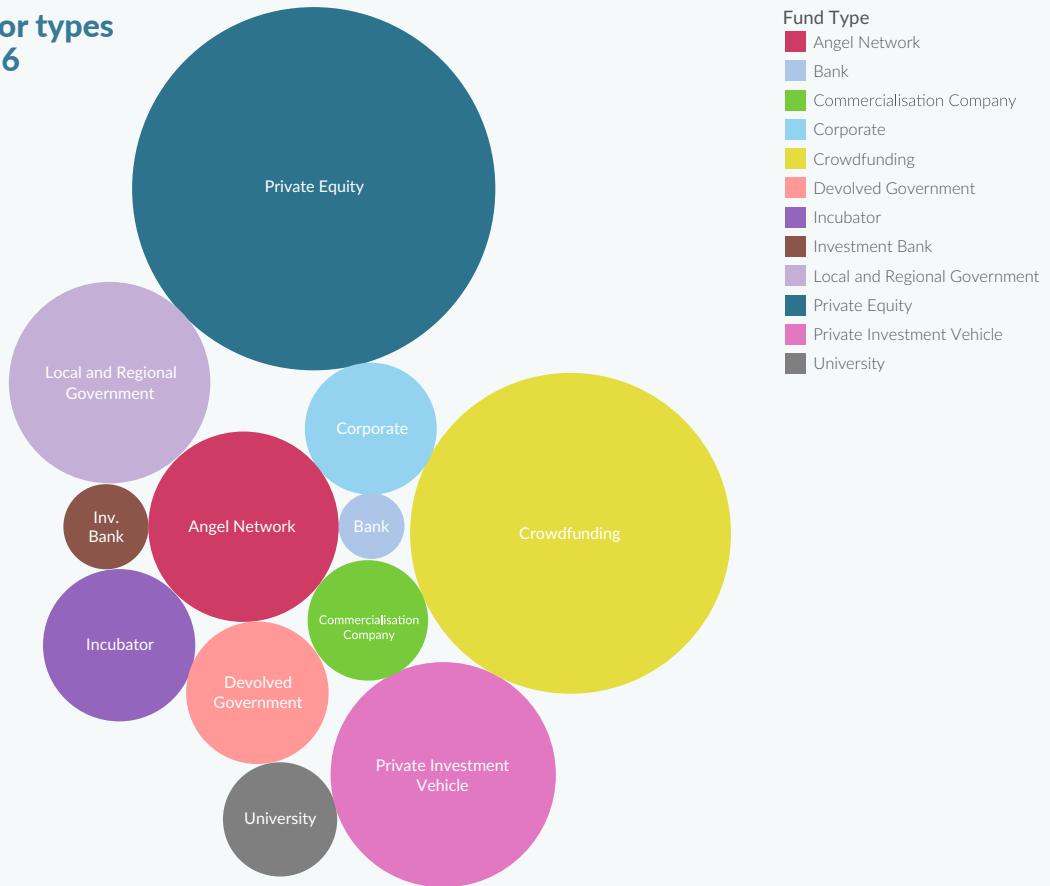
### Top investors in Q1 2016

Investor	Number of deals
Seedrs	37
Crowdcube	30
Business Growth Fund (BGF)	11
Ignite100	8
Parkwalk	8



# Investor Types

## Top investor types in Q1 2016



When it comes to investor type, Private Equity & Venture Capital remained the most active in Q1/16, backing 91 fundraisings. The investor type did, however, suffer a slight drop on Q4/15 figures.

While there has been some debate as to whether crowdfunding platforms have encroached on Private Equity & Venture Capital's share of the market, crowdfunding platforms remained in second place for most active funder type. Crowdfunding platforms facilitated 71 equity raises in Q1/16; an almost 25% drop on Q4/15 figures, and a decrease in deal numbers for the second quarter in a row.

## Top investor types in Q1 2016

Investor	Number of deals
Private Equity & Venture Capital	91
Crowdfunding	71
Private Investment Vehicle	35
Local & Regional Government	28
Angel Network	25

Angel networks trailed behind with just 25 deals in Q1/16. This can be explained in part, however, by a lack of deal disclosure.



# METHODOLOGY

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When discussing UK investment totals and deal numbers in our blogs, articles and reports, we use the following methodology, unless we state otherwise.

The deals we include in this report are equity investments into UK-based businesses. The majority of articles and analysis contained herein are based only on announced equity investment. Wherever unannounced deals are being mentioned or analysed, it will be explicitly mentioned within that article.

This data is based on our own independent monitoring of fast-growth UK companies, their deals and their investors. We have comprehensive coverage of announced equity deals from Q3 2010 to present, and comprehensive coverage of unannounced equity deals from Q1 2015 to present.

### **What we include when analysing UK equity investment**

**Equity financing:** Funding from either “organised” or “unorganised” investors. The former include institutions such as private equity firms, corporate venturing arms or formal networks such as business angel groups. The latter include business angels that are not investing through an angel network.

**Crowdfunding investment:** Investments of money in return for equity from crowd funding intermediaries are included.

**Deals where third-party funders raised their cash from equity crowdfunding platforms:** We include these if crowd investors either retained the power to allocate their money, after making a commitment to the funder, or if they (or the platform as a nominee) directly own shares in the investee companies.

**Deals only partly equity:** Venture debt, loans or grants issued to private companies are included only if they have come alongside equity financing. The entire round (including debt) is included in the data.

**Investment only into private companies:** Publicly listed companies of any kind that are actively traded on any exchange are excluded from our numbers.

**Announced vs. unannounced deals:** We categorise equity fundraising transactions into two types. Announced deals are those investments that had an accompanying press release or were mentioned in the news.

Unannounced deals are investments that were uncovered by our in-house researchers. Information about these deals, such as the amount invested and the company’s valuation, are not publicly available.

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## What we do not include when analysing UK equity investment

### **Buyouts, mergers and acquisitions:**

These transaction types involve the change in ownership of existing shares (to buy out existing shareholders) rather than the creation of new shares (and the injection of new money into the company).

**Private placements:** Private investment in public equities even if made by a venture capital or private equity arm.

**Solely debt/grant funding:** Venture debt or grants issued to growing companies without any equity in the funding round.

**Cash for rewards:** Investment into companies for non-financial rewards, e.g. Kickstarter.

**Project finance:** Equity funding for individual films, construction projects and other individual projects.

**Fund commitments:** When a fund manager raises a new fund from which to disburse investments, it is not per se giving away equity in itself (though it might do that separately as well). This fundraising by the fund does not constitute equity investment. Therefore fund commitments are excluded from our analysis.

## Further details

**Sectors:** We have developed our own sector matrix that we believe more accurately reflects the way in which investors and others in the industry think about fast-growth companies.

**Cross-sectors:** When analysing cross-sector data, i.e. comparing sectors, we weigh deal numbers and investment amounts across all of the investee's sectors. For example, a company in the Internet Platform and Theatre sectors will be counted as half a deal in each of these two sectors.

**Single-sectors:** When analysing single-sector data we do not apply weighting. For example, when looking at the Mobile Apps sector in isolation we count fully all deals and investment amounts related to all investee companies with Mobile Apps as one of their sectors. That same deal may also be counted fully when looking at the E-commerce sector in a different section of the report if the company is in both the Mobile Apps and E-commerce sectors.

**Currencies:** Where investment amounts have been provided in foreign currencies, these have been converted to GBP at the average exchange rate for the quarter in which they were completed.

**Seed/Venture/Growth:** We categorise businesses as being at the seed-stage, venture-stage, or growth-stage based on proprietary research and criteria.

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A deal is a seed-stage deal if the company was at the seed-stage when it received the investment.

**Location:** This information is based on the head office location of the company receiving investment. For example, if a company has offices in multiple cities or was founded in a particular city but has moved its headquarters, our data only reflects this headquarters address.

**Second closing of a round:** If, for example, a company completes a second closing of its Series B round for £5m this quarter having previously closed £2m last quarter (for a £7m total), only the £5m second closing is included in our data this quarter with the £2m first closing counting towards the previous quarter's figures.

**Overfunding:** If a company sets out to raise a certain amount of money (via e.g. equity crowdfunding), but continues its fundraising after it has reached that amount, and then does manage to raise that second amount, we would count this as one deal, placing it at the date on which the second amount of money was raised.

**Close deals:** if a series of similar deals are announced for the same company within a short time period and these in our opinion actually form one single deal then we will count these in aggregate as one deal.

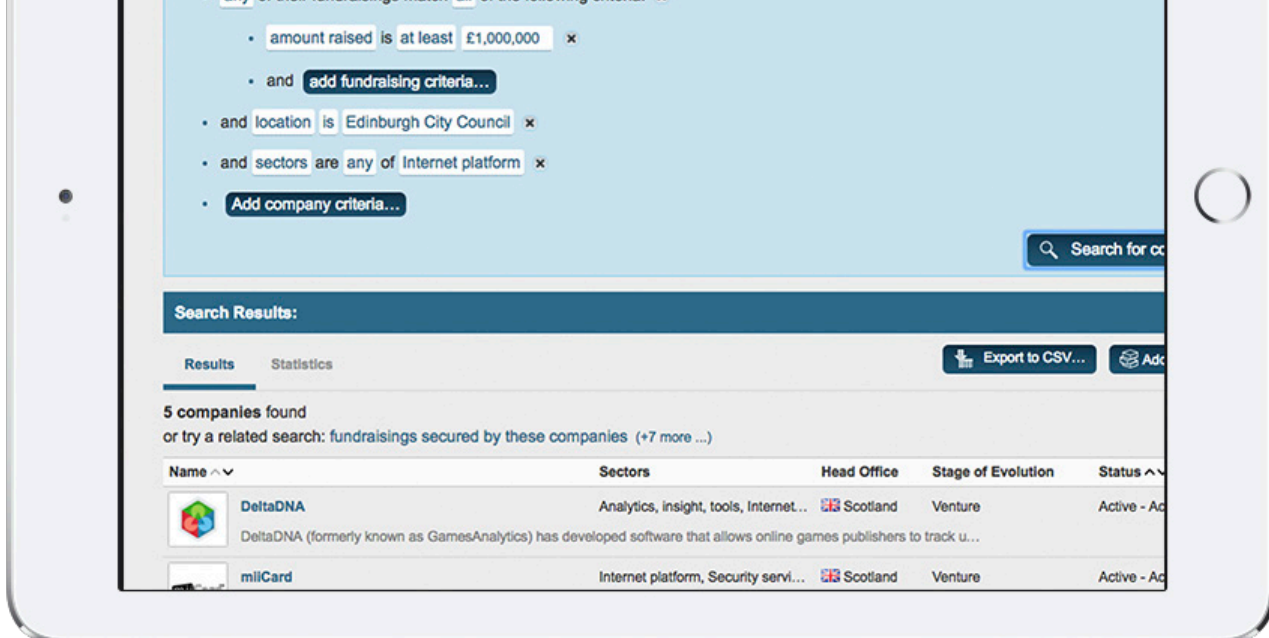
**Ongoing fundraising:** If a company indicates the closing of £1m out of a

desired raise of £10m, our data only reflects the amount that has closed.

**Contingent funding:** If a company receives a commitment for £10m subject to certain milestones being achieved but first gets £5m, the entire £10m is included in our data.

**Timing:** Investments are allocated based on the date given in the announcement of the deal. This may differ from the date on which the deal legally closed. On occasion we see deals announced later than the date given, for example, a press release may be distributed in May that discloses that a deal happened in March. In this case we will take March as the deal date.

Data for this report was finalised on 22/1/16 – deals disclosed after this date are not included.



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# Beauhurst

**Beauhurst is the leading provider of deep data on ambitious, high-growth UK companies.**

Using a combination of human and artificial intelligence, our London-based research team tracks a huge range of fast-growing companies and their investors across the UK, even including unannounced deals and valuations.

**[www.beauhurst.com](http://www.beauhurst.com)**

**Text:** Henry Whorwood, Joe Gardiner, Toby Austin

**Data and analysis:** Henry Whorwood, Pedro Madeira, Ben Stockermans, Simone Dauti

**Production:** Jonathan Ross

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