Beauhurst

Our Methodology

July 2016

High-growth companies

When discussing UK high-growth companies in our blogs, articles and reports, we use the following methodology, unless we state otherwise. The data are based on our own independent monitoring of fast-growth UK companies, their deals and their investors. We track a sub-set of UK companies that we consider to be 'fast-growth' (as opposed to, for example, newly registered companies). We have developed a proprietary method for indicating that a company is 'fast-growth'.

Here are some examples of indicators:

- Companies that have received equity investment – whether the deal is announced or unannounced

- Companies that have received another form of funding (eg. debt or grant) from a fund that invests in fast-growth companies. For instance, receiving an ordinary bank loan is not necessarily an indicator of fast growth.

- Companies that have participated in an incubator or accelerator programme.

We only include private companies that are registered in the UK. Publicly listed companies of any kind that are actively traded on any exchange are excluded from our numbers. We take the local authority of the operational head office to be the company's location when looking at regional trends. 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.

Equity investment

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 are equity investments into UK-based businesses. The majority of articles and analysis 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 later include business angels that are not investing through an angel network.

Crowdfunding investment
Investments of money in return for equity from crowdfunding 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.

Investor participations
We attribute each deal to however many investors were involved in the deal provided they received new shares, regardless of the number or value of shares received.

Pre-emption participations
We include all participations by investors, even if their contribution to a given round only represents the exercise of pre-emption rights.

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:

1) Announced deals are those investments that had an accompanying press release or were mentioned in the news.

2) 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.

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 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. 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 crowd-funding), 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.

Contact us

For more information, or if you would like to talk to us about any aspect of our methodology or data, please get in touch with us:

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