



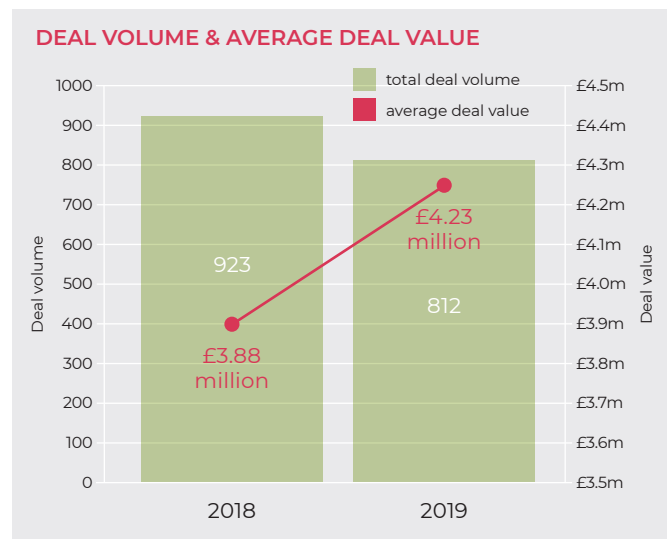
# PROMISING UK GROWTH BUSINESSES CAPTURING LARGER INVESTMENTS

## Growth Capital Update – a review of 2019

812 businesses raised £3.42 billion of growth equity capital in 2019 (2018: £3.58 billion across 923 investments). British businesses are therefore securing larger sums of investment than in 2018 as average deal size rose from £3.88 million in 2018 to £4.23 million in 2019.

“It’s a good time to be an ambitious company seeking backing,” says John Cowie, Head of Growth Capital. “The might of growing British businesses has been proven over the last few years, with a growing number of unicorns piquing the interest of investors, who are investing larger sums of capital into promising companies. We expect this to continue as the venture capitalists continue to raise funds.”

The data is from analysis conducted by Moore Kingston Smith on UK private companies raising £1 million to £15 million each of growth equity capital.

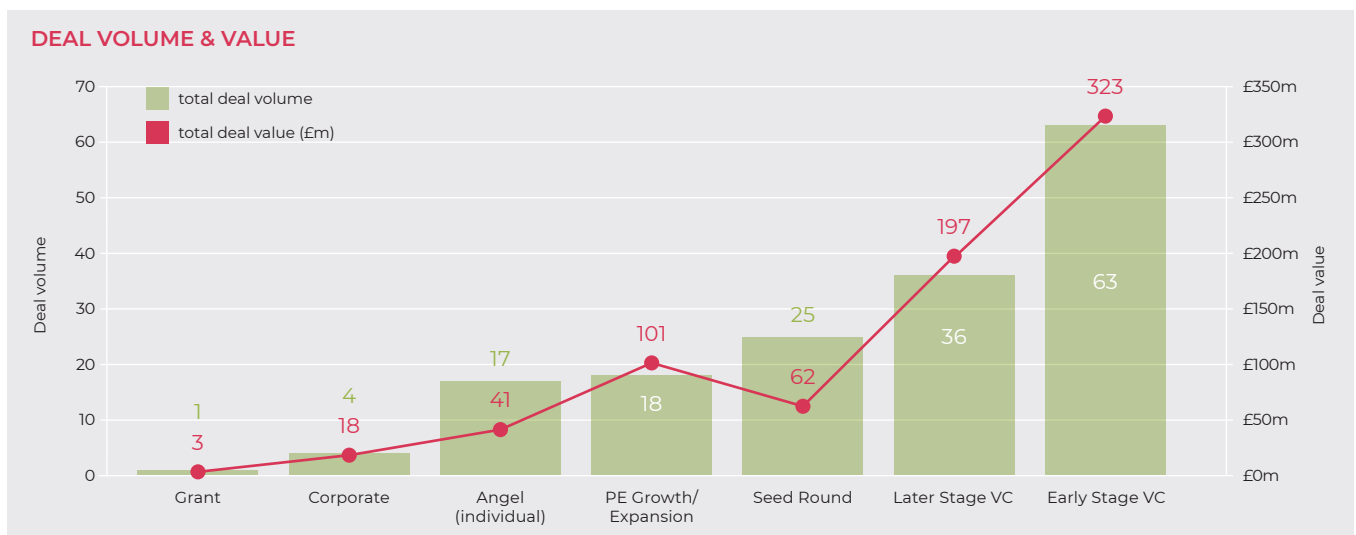


## BIGGER DEALS GET BIGGER

Average deal sizes are rising which signals backers’ increasing ability to continue to fund growing UK businesses. “The UK has long suffered from an equity gap once businesses reach a certain stage of maturity and the initial backers see their stakes diluted as larger, international (often US) backers have the financial firepower to lead later rounds. It is encouraging to see a growing number of UK backers capable of following

their investments through subsequent funding rounds as the companies scale,” says Paul Winterflood, Corporate Finance Director.

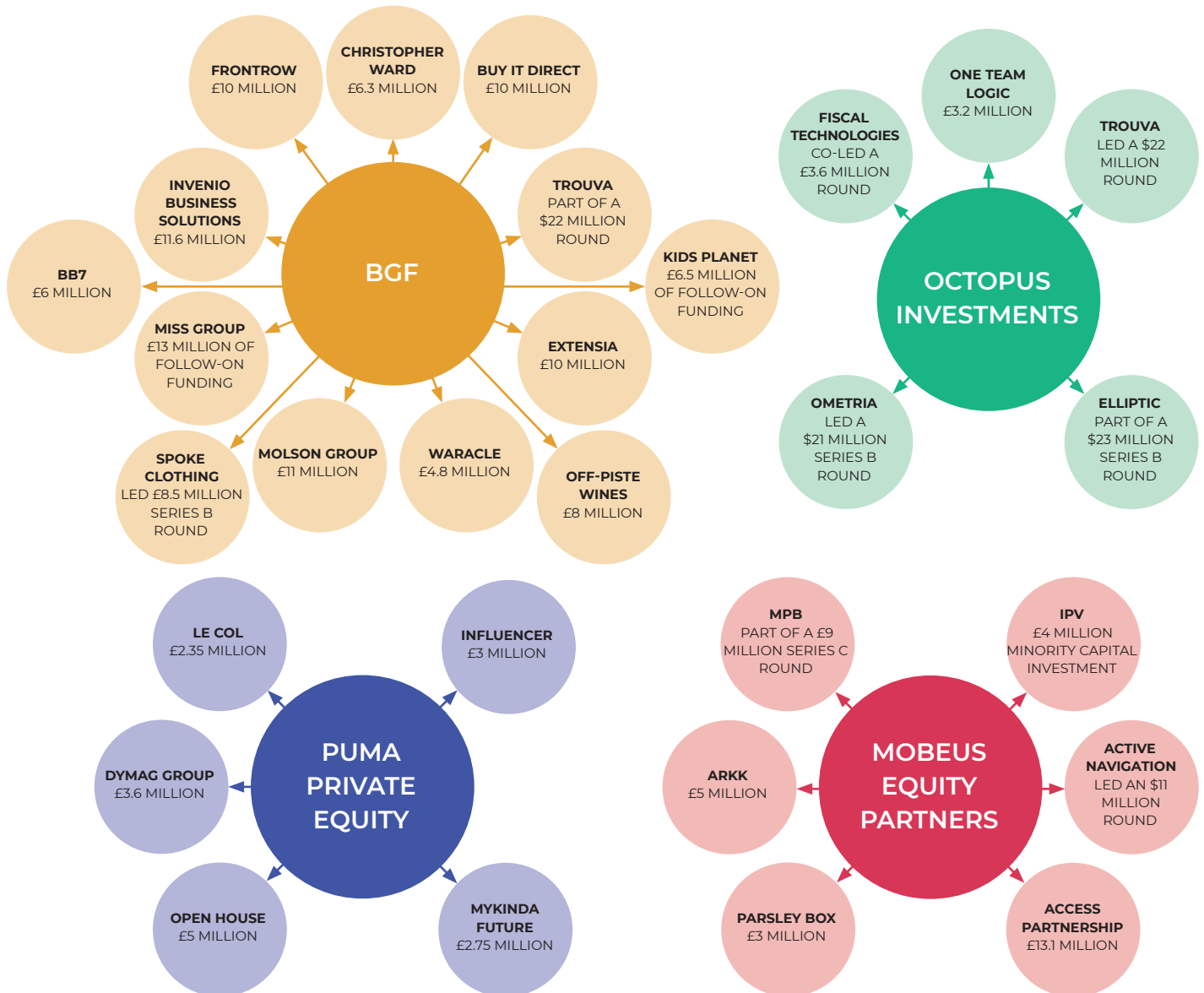
The overall enthusiasm for British growth businesses is evident: Early Stage VC continues to occupy top-spot while Later Stage VC consistently ranks second.



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## GROWTH CAPITAL UPDATE – A REVIEW OF 2019

### A SELECTION OF INVESTMENTS FROM NOTABLE PLAYERS



### CASE STUDY: PUMA PRIVATE EQUITY INVESTMENT ENABLING INFLUENCER TO INNOVATE AND EXPAND

Puma Private Equity made a £3 million investment into Influencer, the leading influencer marketing platform run by renowned entrepreneurs Ben Jeffries, Caspar Lee and Adam Ludwin. Influencer launched in 2017, is backed by some of the world’s largest creators and has become one of the fastest-growing influencer platforms in the world. The investment will enable the company to drive new innovations within its platform and expand its global presence.

Moore Kingston Smith’s John Cowie and Paul Winterflood used their knowledge of the sector and funders to match Influencer to the right investors, helping to fine-tune their pitch and negotiating the terms of the investment.

### CASE STUDY: MOBEUS LEADS £4M INVESTMENT INTO MEDIA SOFTWARE PROVIDER

Mobeus led a £4 million investment into IPV, the media asset management software provider that helps leading brands intelligently create, search and automate video content at game-changing speeds through its Creator platform. IPV works with clients as diverse as HBO, Monster Energy, NASA, Nintendo, PGA Tour and Turner and has a significant presence across the UK and the US.

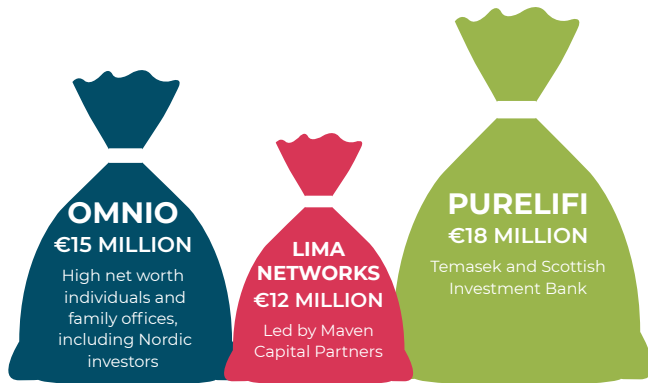
Moore Kingston Smith’s John Cowie and George Hatswell led the financial due diligence exercise with help from Mark Fielden and Tom Acland in our tax team.

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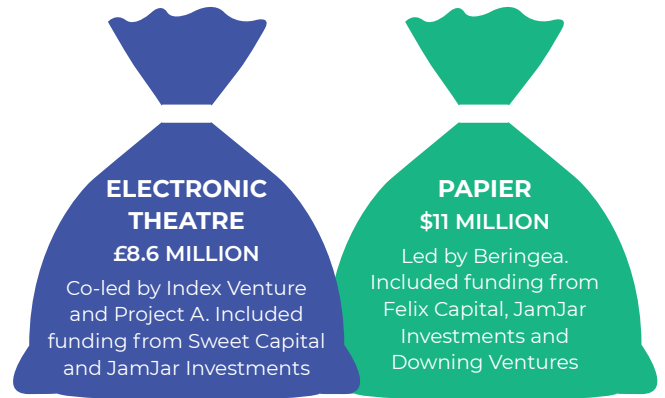
## GROWTH CAPITAL UPDATE – A REVIEW OF 2019

### IT DEALS MOST POPULAR

Investments into IT businesses were up slightly on 2018, with the last three months of 2019 seeing IT capture its highest share at nearly half of volume and of value, up from around 42% in 2018. Deals in this space included:



Investment in the B2C space accounted for nearly a fifth of the number of deals in 2019 (18%), up from 15% the previous year. Deals in this space included:



### CASE STUDY:

#### IT MANAGED SERVICES PROVIDER SECURES FUNDING FROM INFLEXION

Inflexion made a significant investment into fast-growing IT managed services provider Ridgewall before the close of 2019. With ambitions of being the market leader in the IT solutions industry, Ridgewall made four acquisitions within the space of 12 months. The fourth transaction was backed by Inflexion.

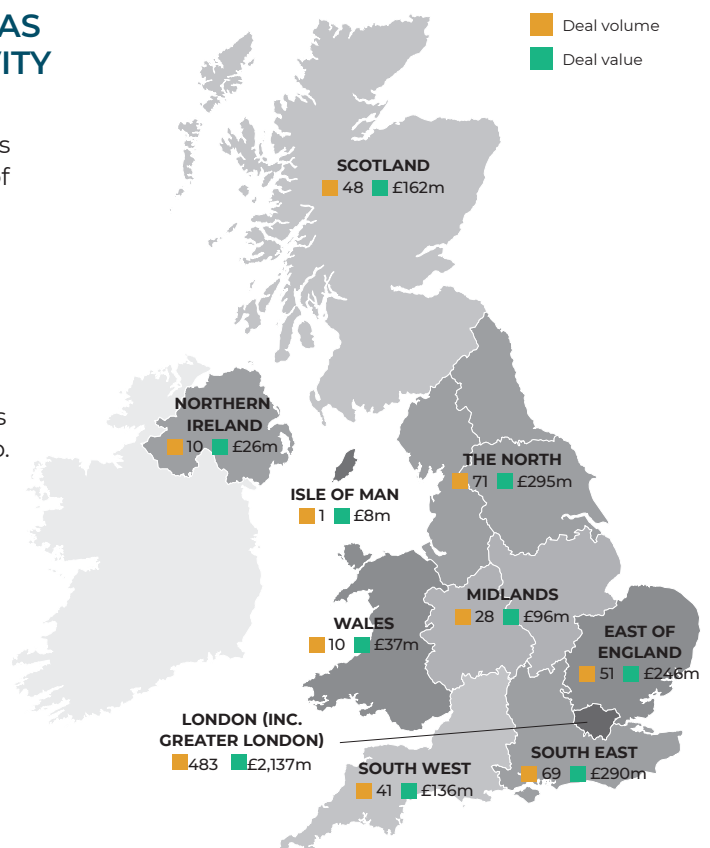
Moore Kingston Smith's Nick Thompson, Mark Fielden, Thomas Acland, Kat Stone and Matt McRae provided financial and tax due diligence on all four acquisitions and acted as lead adviser on the final acquisition and the Inflexion investment.

### LONDON INCREASES ITS DOMINANCE AS SCOTLAND DOUBLES SHARE OF ACTIVITY

Two-thirds of all growth investment (67%) went into London-based businesses during 2019 and those deals tend to be larger than elsewhere: the Capital's share of total investment value is typically more than its share of volume over the last two years.

London-based businesses to have secured funding recently include Omnio, Electronic Theatre, Trouva, and Disperse. App-based insurance provider Cuva secured a £15 million series A round from RTP Global, Breega and Digital Horizon, as well as existing backers LocalGlobe, Techstars Ventures, Tekton and Seedcamp.

With its 2018 average of 5% of the number of deals, Scotland saw its share of deal volume nearly double over the year, swelling to 9% by the end of 2019. But our data shows that deal values were smaller suggesting Scotland is about a growing number of smaller deals.



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### OUTLOOK

The numbers suggest a smaller number of larger deals may be the norm in 2020, meaning owner-managers of strong, growing businesses can look forward to high competition as VCs and high net worth investors look to put their capital to work in promising opportunities. “While larger pots of capital may be available, accessing it will be extremely competitive and so ensuring your business is ‘investment-ready’ is more important now than ever,” says Calvin Bond, Corporate Finance Manager.

We therefore expect 2020 to be busy as owners enquire into their prospects for fundraising and then commence preparation to find the right partner.

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To find out how we can help you get investment-ready, please contact us.

### CONTACT US

If you’re an ambitious entrepreneurial business with revenues of at least £1 million and are looking to scale, get in touch for an initial discussion. We can work together to assess the best action and then

assist with finding the right partner. Contact us to find out more about our **Raising Finance and Growth Capital** services.

**John Cowie**  
Head of Growth Capital  
jcowie@mks.co.uk

**Nick Thompson**  
Corporate Finance Partner  
nthompson@mks.co.uk

**Paul Winterflood**  
Corporate Finance Director  
pwinterflood@mks.co.uk

### METHODOLOGY

Moore Kingston Smith has analysed transactions by UK based companies that involve the issue of less than 50% of equity share capital to third parties and funds raised of between £1 million and £15 million. Accordingly, these numbers do not include senior debt and mezzanine debt fund raisings and smaller fund raisings by companies and start-up funding unless more than £1 million is raised. Start-up funding is generally significantly less than this amount.

The research aims to capture all transactions by UK companies that fall within the criteria but inevitably we expect that there will be transactions that have taken place but have not been captured.

The research is based on data extracted from Pitchbook and information from the following sources: angelnews.co.uk, beringea.com, BGF.co.uk, finsmes.com, indexventures.com, mavencp.com, mobeus.co.uk, octopusventures.com, omino.global, pumaprivateequity.co.uk, purelifi.com, techcrunch.com, unquote.com.