INVESTOR INTEREST IN UK CREATECH SECTOR INCREASES

A review of 2019 growth capital investment in the createch sector

Growing at twice the rate of the UK economy, the tech behind Britain's creative industries sector is flashing brightly on the radars of growth capital investors.

We have seen a marked uptick in interest in createch, with deal-doers clearly attracted to these businesses' with potential to disrupt traditional sectors.
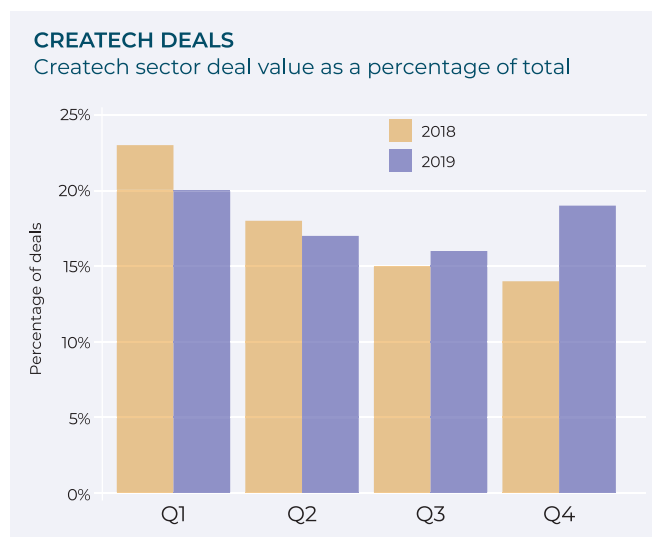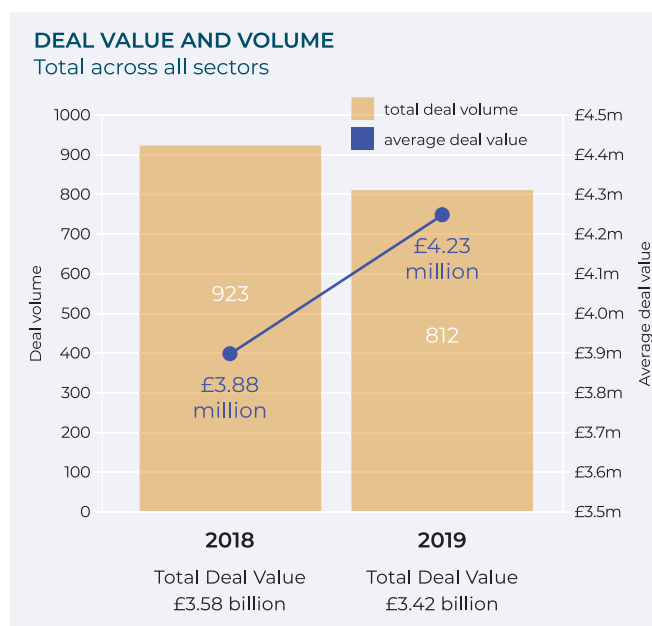
"We have seen a marked uptick in interest in createch, with deal-doers clearly attracted to these businesses' with potential to disrupt and evolve traditional sectors through the use of emerging technologies like artificial intelligence, virtual reality, augmented reality, 4/5G and the internet of things. There are triple-digit growth rates for some of the most ambitious of these companies, so we expect investments in this dynamic space to continue to grow," says Paul Winterflood, Corporate Finance Director.

2019 saw British businesses across all sectors securing larger sums of investment than in 2018, with average deal sizes rising to above £4 million. A total of 812 businesses raised £3.42 billion of growth equity capital, with createch businesses capturing an impressive slice of the pie. The segment attracted 17% of investment value and volume in both 2018 and 2019, though the end of last year saw the number of deals swell to nearly a fifth (19%, Q4 2019), up more than a third (35.7%) on the end of the previous year (14%, Q4 2018). IT, software and games make up the lion's share of the investment in this space.

Two-thirds of all growth investment (67%) went into London-based businesses during 2019, with the city deemed a hotbed of createch innovation.

NOTABLE DEALS

Data-driven marketing platform Influencer attracted £3 million of equity capital from Puma Private Equity. The company is growing at a staggering 420% per year, with well-known brands Boohoo, Alibaba, Pepsi and Starbucks among its clients. The funding will be used to double headcount and open an office in New York.

In the same space, global social media and influencer marketing agency Goat claims to be the fastest-growing agency in Europe and secured £4.2 million of seed funding from Revolt Ventures in November.

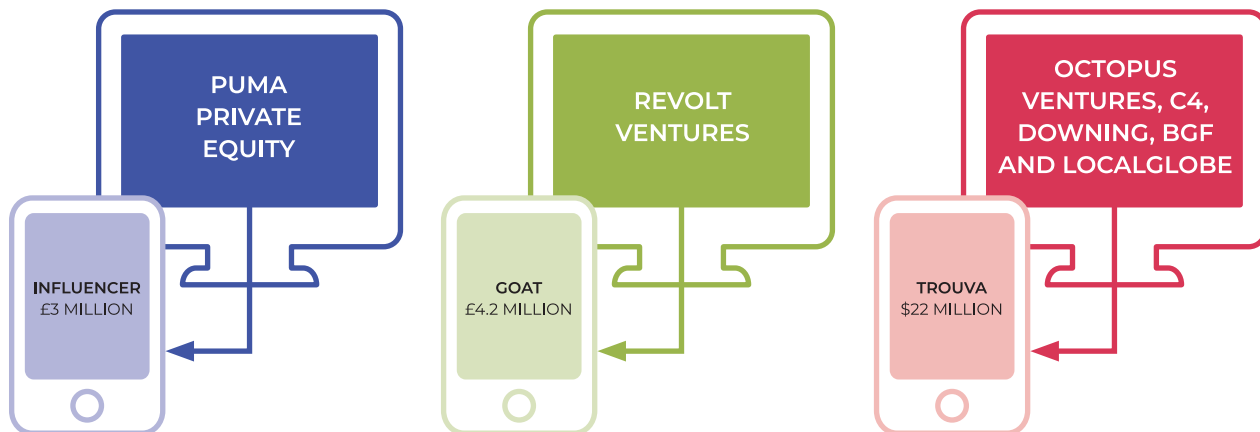Also that month, specialist homewares design marketplace Trouva secured $22 million to fund its

DEAL VALUE AND VOLUME
Total across all sectors

Legend:
- total deal volume
- average deal value

2018 — 923 — £3.88 million — Total Deal Value £3.58 billion
2019 — 812 — £4.23 million — Total Deal Value £3.42 billion

CREATECH DEALS
Createch sector deal value as a percentage of total

Legend:
- 2018
- 2019

Q1: 2018 ~23%, 2019 ~20%
Q2: 2018 ~18%, 2019 ~17%
Q3: 2018 ~15%, 2019 ~16%
Q4: 2018 ~14%, 2019 ~19%

international expansion in a round led by Octopus Ventures alongside C4 and Downing and including BGF and LocalGlobe.

Createch is also prevalent in the education arena, with two such deals occurring in October alone: mobile-based children's education platform MarcoPolo Learning securing a sizeable £12 million investment from GEMS,

New Oriental Education & Technology Group and Varkey. Meanwhile Hopster received over £3 million from Angel CoFund (which seeded the business in 2014) and long-standing backer Sony Pictures Television Networks – the latter a telling sign that major big-screen giants are aware of the disruptive potential of some createch businesses.

PUMA PRIVATE EQUITY

INFLUENCER
£3 MILLION

REVOLT VENTURES

GOAT
£4.2 MILLION

OCTOPUS VENTURES, C4, DOWNING, BGF AND LOCALGLOBE

TROUVA
$22 MILLION

CONTACT US

If you're looking to scale your createch business and it has revenues of at least £1 million, get in touch for an initial discussion. We can work together to assess the best action and assist with finding the right funding partner.

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Moore Kingston Smith is a commercial partner of **www.thecreativeindustries.co.uk**, the official website of the Creative Industries Council (CIC), and an associate partner of Createch, a flagship event in the CIC calendar.

CIC
Creative Industries Council

METHODOLOGY

The data is from analysis conducted by Moore Kingston Smith on data extracted from Pitchbook on UK private companies raising £1 million to £15 million each of growth equity capital and information from the following sources: angelcofund.co.uk; angelnews.co.uk; thecreativeindustries. co.uk; uktechnews.info

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