

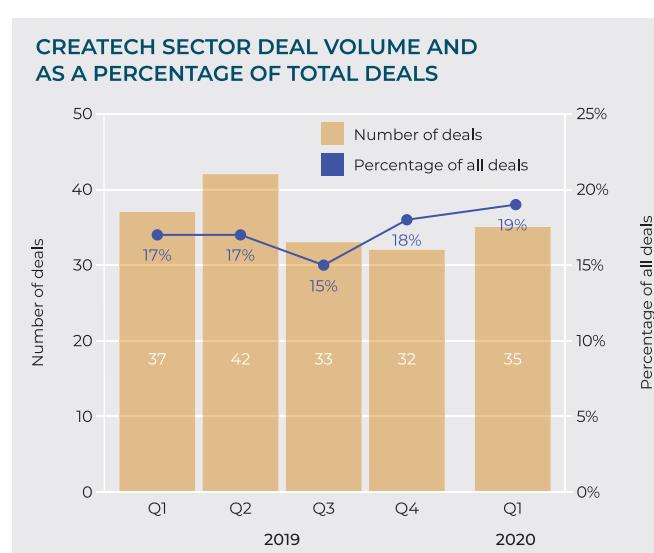
UK CREATIVE INDUSTRY ATTRACTS HIGH INTEREST FROM INVESTORS AMIDST MARKET UNCERTAINTY

A review of Q1 2020 growth capital investment in the createch sector

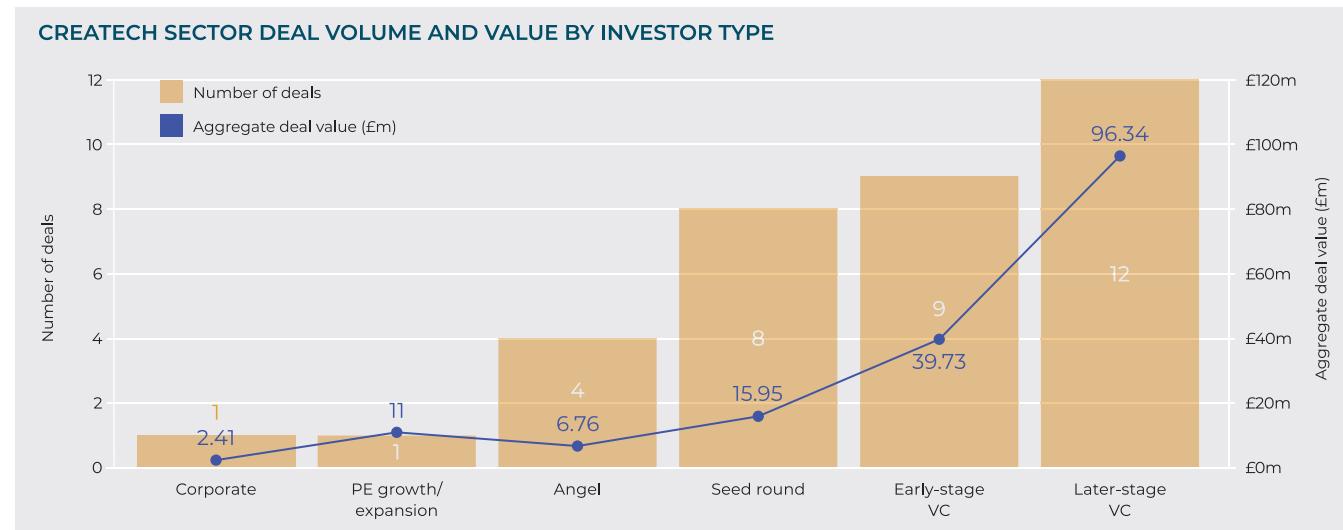
According to our research into UK private companies raising between £1 million and £20 million each of growth equity capital, 180 British businesses raised £927 million of growth capital in the first quarter of 2020. Of those 180 deals, no fewer than 35, or almost a fifth, involved investment into createch companies, proving that the tech behind Britain's creative industries continues to be popular with growth capital investors.

The total amount of growth capital raised by createch businesses in Q1 2020 was £172 million, with an average deal size of £4.92 million, which compares reasonably favourably with the final two quarters of last year, where the average was £4.75 million in Q3 2019 and £4.95 million in Q4.

"Investors continued to flock to createch businesses in Q1," says Paul Winterflood, Corporate Finance Director. "The combination of the high quality of the UK creative and technology sectors, supported by an investor-friendly environment creates a powerful ecosystem. As a result the average deal size has remained high, despite the market turbulence. Additionally the createch sector has attracted a higher percentage of growth capital investment relative to other sectors which is very promising."



As far as the types of createch investment deals that were most common in Q1 2020 are concerned, later-stage VC occupies the top spot, with early-stage VC coming second, and seed rounds a close third.



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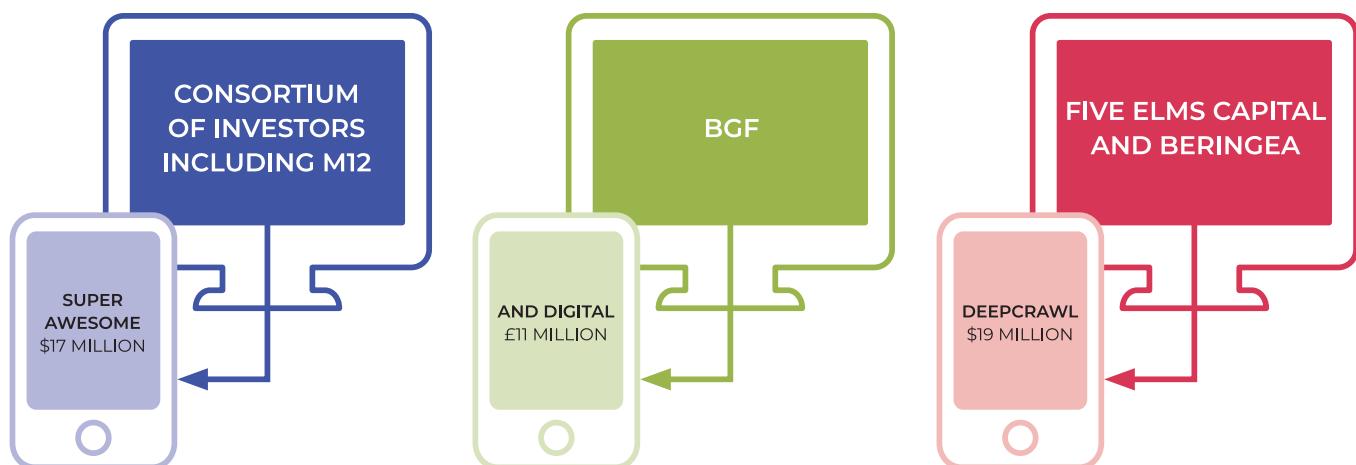
NOTABLE DEALS

In January 2020, SuperAwesome raised \$17 million from a consortium of investors including Microsoft's venture fund M12. SuperAwesome provides kid-safe, COPPA/GDPR-K-compliant solutions for those companies and brands looking to promote digital awareness among and engage with the under-6 audience. SuperAwesome's kidtech platform enables over 12 billion kid-safe transactions every month, ranging from advertising and video to community and parental consent.

In February 2020, AND Digital announced that it had secured an £11 million equity investment from BGF to support its continued growth and global expansion. Established in 2014, AND Digital claims to be one of Europe's fastest-growing tech companies, employing over 600 people and generating an annual turnover of £42 million. The organisation accelerates the digital capabilities of large enterprise clients, giving them the ability to build products and grow their internal digital capability at the same time. Its client base includes British Airways, Gousto, NBrown Group and IAG Cargo.

In March 2020, DeepCrawl, a cloud-based technical SEO platform, revealed it had raised \$19 million in a funding round with Five Elms Capital and Beringea. The round was led by Five Elms, a growth equity and venture capital firm focused on B2B software companies. It is expected to primarily be used for R&D and investing in sales and marketing to drive greater market penetration in the US. DeepCrawl says its platform lets brands execute SEO programs more effectively by providing different teams with a centralised view of performance across multiple domains and distributing relevant snapshots of SEO health reporting. By using data-driven insights and recommendations on how to mitigate issues to optimise organic search results, teams are able to prioritise the most pressing issues first.

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OUTLOOK

2020 got off to a good start as far as investment into UK createch companies is concerned. However, clearly the deals we are reporting on would have been in train well before the emergence of the Coronavirus, which has had and continues to have a significant impact on businesses throughout the UK and on the appetite of investors.

It is too early to say how deep or prolonged the economic impact of the Coronavirus will be – so much depends on whether the virus can be brought under control and whether people can return to work quickly. However, we can surely expect it to have an impact on next quarter's data.

"Q2 2020 is set to be turbulent one," says Esther Carder, Partner. "However, we expect the strength of the UK createch sector will shine through. This combined with the current high level of funding that UK institutional investors have to deploy will mean that high-potential UK-based createch businesses will continue to attract investment."

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MARKETING SERVICES AND MEDIA SECTORS

We produce a quarterly analysis of M&A activity in the marketing services and media sectors in the UK. Our research shows an unsurprising decline in deal activity in the first quarter of 2020. But, with investors open for business and with capital to deploy, deals will still be done in the coming months. Find out more in our latest report [here](#).

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.



METHODOLOGY

The data is from analysis conducted by Moore Kingston Smith on data extracted from Pitchbook on UK private companies raising £1 million to £20 million each of growth equity capital.