



The Deal

Equity investment in the UK 2018

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NOTES:

To be included in our analysis, any investment must be:

- Publicly announced between 1 January - 31 December 2018
- Some form of equity investment
- Secured by a non-listed UK company



A word from our CEO

The Deal analyses equity investment in the UK, which helps many of the most ambitious British companies fuel their growth. By looking at fundraising activity across the UK, we're able to see emerging trends from the perspective of both investors and the businesses themselves.

This report allows us to see which particular sectors, locations and business types are booming or suffering. It also gives us a glimpse of where the next generation of top British businesses may arise, and where investors see real opportunity.

Seasoned veterans of The Deal will notice something new: we have added an "established" stage of company evolution. This allows us to categorise slightly older, more mature firms with a greater track record of turnover or profit separately from earlier "growth" stage businesses. This doesn't materially affect our figures but allows more granular analysis of larger companies.

Over these pages we aim to provide a comprehensive view of this important barometer of business and investment health. The top-level view is worrying at first: by our main two metrics, number of individual deals and

total £ amounts, 2018 saw a large fall from 2017. However, this could be interpreted as a "correction" from the dizzy heights of the previous year. Indeed, £7 billion in equity investment is nothing to be sniffed at, particularly when considering that two years ago, the total figure was just £4.1b.

What will the future hold? The Brexit claxon sounds loudly at this point – it is the ultimate macroeconomic theme of the last decade for the UK. Predicting how Brexit will play out – and the wider effects of it – are well above our pay grade here at Beauhurst. But from a business funding perspective at least, there will likely be significant negative pressure on available capital, not least with the inevitable loss of cash from the EIB, ERDF and EIF who currently back a range of VC funds and grant providers. The Government is attempting to address this gap, with the British Business Bank and UKRI creating schemes such as the UK Innovation Investment and Industrial Strategy Challenge Funds, but some observers are sceptical.

Only time will tell, but the clouds are clearly on the horizon. When it comes to the UK's startups and scaleups, the star performers

will always attract investment and interest. But the concern is chiefly in two areas: firstly, that earlier-stage businesses will get left behind as investors' risk appetites diminish, and secondly that British leading lights will begin to contemplate moving locations to access both the EU's single market and potentially better funding opportunities. Berlin, Amsterdam and Paris are ready and waiting. It is up to the UK's policy and decision makers to make sure our environment is as supportive as possible if this outcome is to be avoided.

As always, a huge thanks to our team for putting this report together. We hope you enjoy reading it as much as we did putting it together. Have any questions or comments? Get in touch using the details below.

TOBY AUSTIN
CEO AND CO-FOUNDER

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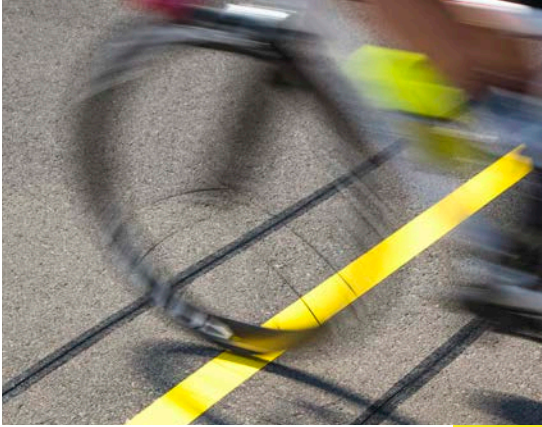


2018 in review

Despite political uncertainty throughout 2018, £7b was invested into UK companies, just below record levels set in 2017. A worrying fall in deals at the seed stage will need to be corrected if the UK is to hold on to its place as a leading startup economy.



Henry Whorwood



A STRONG YEAR, BUT NOT STRONG ENOUGH

After a record year in 2017, the total invested has fallen from £8.27b last year to £7b in 2018.

WORRYING SIGNS AT THE SEED-STAGE

Deals into companies at the seed-stage have fallen by 15% - to the same level as in 2014.

CROWDFUNDING HAS A RECORD YEAR

Equity crowdfunding continues its growth trajectory, with a record number of deals and amount invested.

FEMALE FOUNDERS NEED MORE

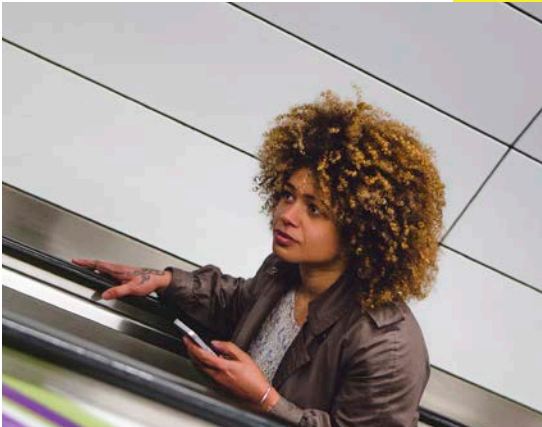
Only 16% of 2018's equity investment deals went into female-founded companies.

BLOCKCHAIN IS HEATING UP

The number of blockchain deals has grown by 75% from 2017, surpassing adtech for the first time.

NORTH WEST AND WALES BUCK THE TREND

Deals fell across the board but Wales and the North West saw the most investments on record.



A near miss?

It was always going to be difficult for 2018 to match the unprecedented levels of 2017 – but it did come close. £7 billion was invested in 2018 – more than any year before 2017 and more than 2011 to 2013 combined. Nearly 1,600 investments were made in 2018, noticeably fewer than in 2017 but around the same as the number made in 2015 and 2016. As we enter a period of unprecedented political uncertainty, it is tempting to interpret these numbers as the beginning of a more pronounced decline. When looking into the data underlying these figures, the prognosis is much more nuanced.

We have introduced a new classification of a company's stage of development: the established stage. These are companies that may well be experiencing significant growth, but are doing so from a position of greater commercial security than a company at the seed, venture or growth stages. The huge spike in the amount invested into established-stage companies in 2017 captures a large number of

megadeals that could be considered unusual – the 19% fall in the amount invested between 2017 and 2018 must be understood in this context. Growth-stage investment has proven much more resilient: the number of investments has remained pretty constant since 2014. The amount invested spiked in 2017 but in 2018 only fell by 5%.

The amount invested at the seed-stage and venture-stage reached record levels in 2018, so we might have reason to be fairly optimistic overall. When we look at deal numbers, however, we see a slight fall for the venture-stage, and really quite significant drop (15%) at the seed-stage – to nearly the same level as seen in 2014. The seed-stage can often be thought of as the canary in the coalmine: if seed-stage activity drops off, the pipeline of investable companies at venture and growth stages also diminishes in time.



A SILVER LINING?

But there are two reasons to think that the drop in deals at the seed-stage is short-term only. Firstly, the seed-stage is the riskiest stage and therefore most likely to be impacted by macroeconomic uncertainty. There is no doubt that these are uncertain times: for early-stage investors as much as anyone else – it can be no coincidence that the last quarter of 2018 saw the fewest deals of the year. Secondly, if we look at the types of investors completing these deals, we see the number of deals with angel networks participating fall the most. Compared with 2017, angel network investments had fallen by 35%. Angel networks are perhaps the investors with the greatest flexibility to adjust their investment preferences on an ad hoc basis as political events develop. These are the investors most likely to be deferring investment until there is greater clarity on what will happen next.

In the face of slightly declining investment figures for the country as a whole, certain areas are bucking the trend. The North West of England and Wales had record years for the number of investments made into their companies. Wales saw over 70 deals and the North West over 106. It must be pointed out, however, that the top investors in both regions were publicly-backed funds; in Wales, the Development Bank of Wales, and in the North West two Northern Powerhouse Investment Funds. But if the funds have gone to the right companies, this is great news for both regions. At a more local level – and outside of London – we see success for Cambridge and Edinburgh, both of which continue to see good levels of investment thanks to their strong Life Sciences clusters.

Other sectors in 2018 were also driving investment across the country but in London particularly. 2018 was a record year for the number of investments into Fintech and Blockchain companies (across the two of which there is significant overlap). Indeed, although Blockchain has been touted as a “hot sector” for some years, 2018 was the first year we saw significant investment activity in the UK. AI and Adtech on the other hand both peaked in 2016, with Adtech deals dropping significantly in 2018 – by 48%. Edtech and PropTech remained fairly level.

THE FUTURE OUTLOOK

So what does this all mean for 2019 and beyond? We saw last year some warning signals, but also signals for confidence in this important segment of the UK’s economy. We will need to see an uptick in the number of investments into seed-stage companies in 2019 – and soon. Individuals angels and angel networks will be the ones to drive that resurgence if it happens. It seems likely that any solution to overcome the paralysis that Brexit is inducing, rather than the specifics of any deal (or other outcome), will be the most important driver. This is because early-stage investments are an asset class for the long-term. If investors can start to see what the path ahead for the next decade might look like, they can gain the confidence to make investments that won’t be realised for the next decade. At the time of writing, however, the path has many forks – who can blame investors for waiting to see which one we take, quite apart from any consideration of whether it’s the right one.



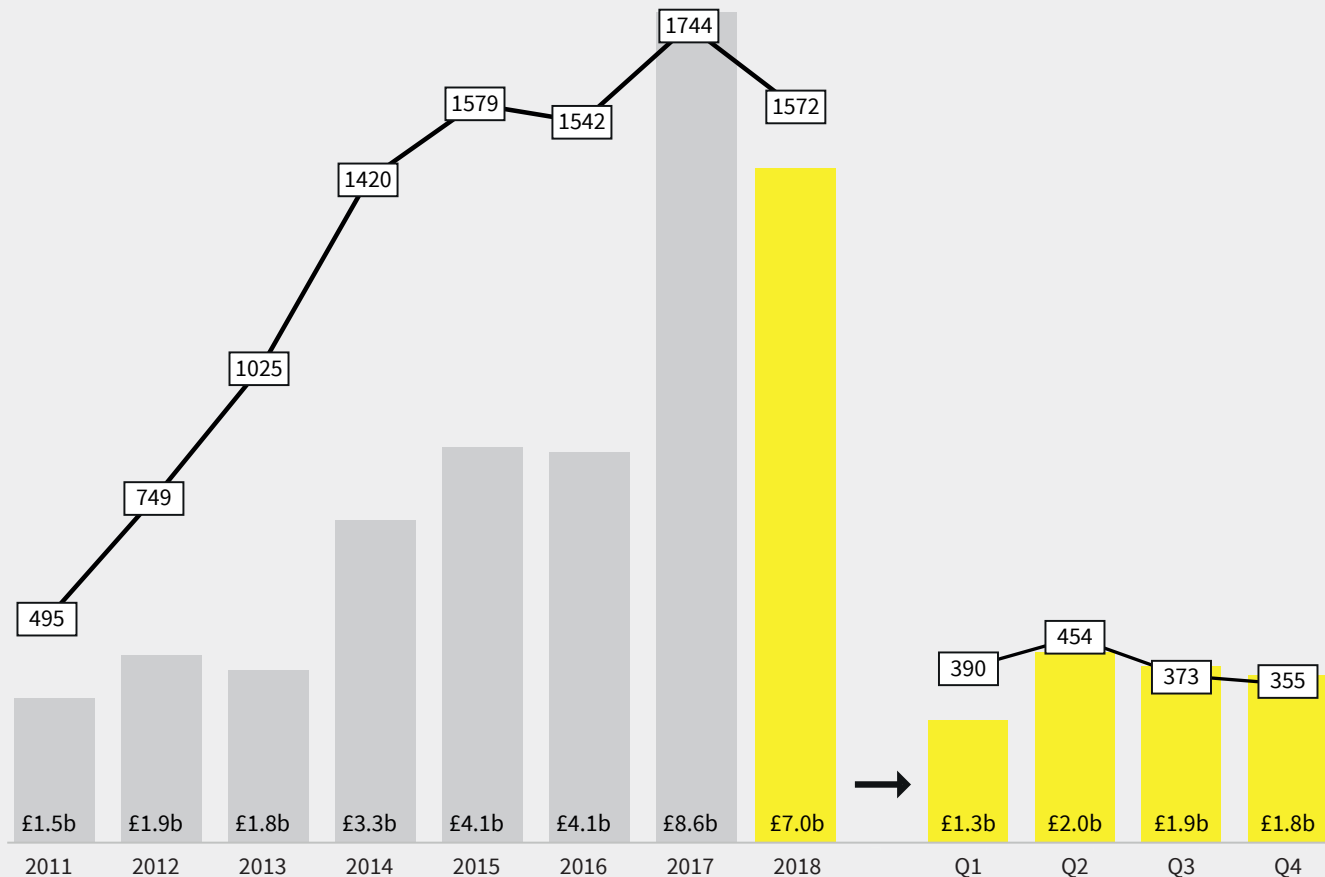
Investment activity in 2018

2017 saw a giant year for both deals and amount invested, with amount invested more than doubling from 2016 to a record £8.6b. Although 2018's numbers have fallen from these record amounts, they still present a significant jump from previous years. We suspect the market is adjusting to a new normal.

HOW DID 2018 COMPARE WITH 2017?



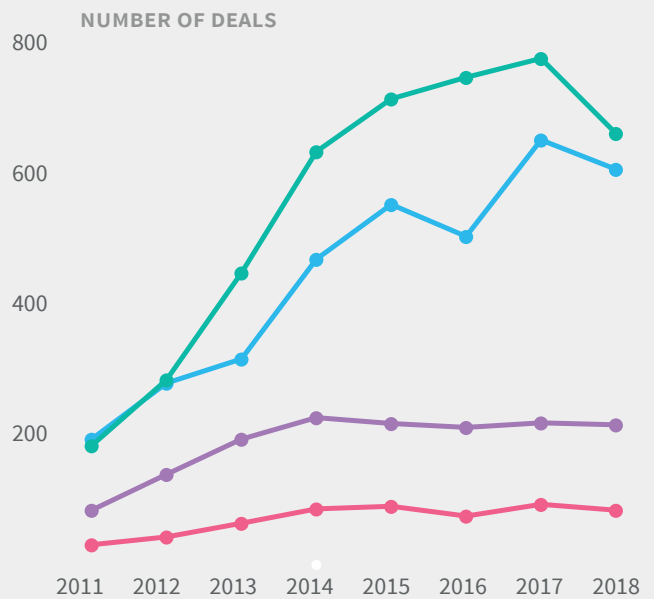
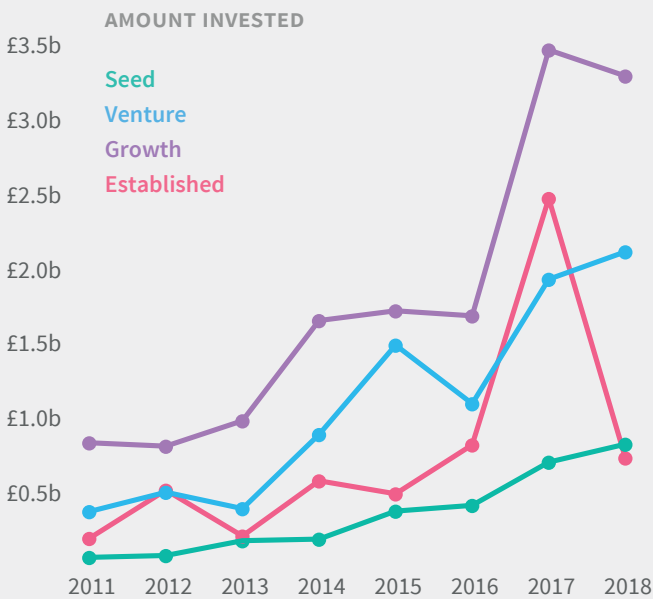
BOTH DEALS AND AMOUNT INVESTED REMAIN HIGH



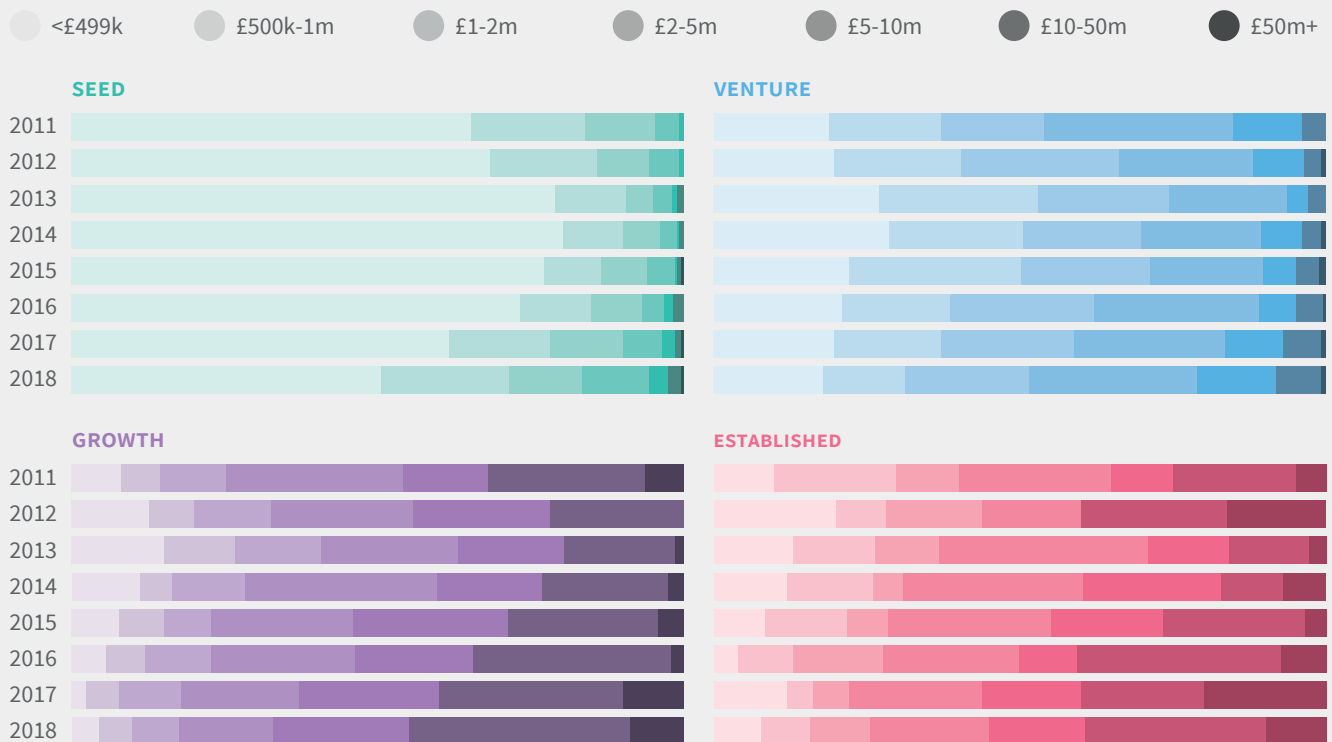
Investment stages

The number of deals fell at every stage of evolution, but amount invested increased at both seed and venture stage. Deal sizes remained high, with the effect particularly pronounced at the seed stage. Only 50% of deals were below £500k, compared with 80% in 2014.

A FALL AT ALL STAGES



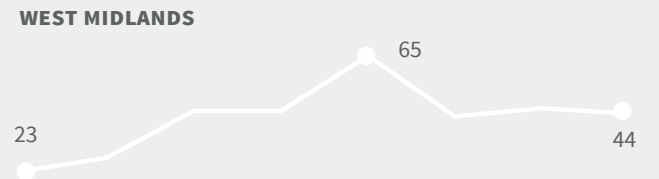
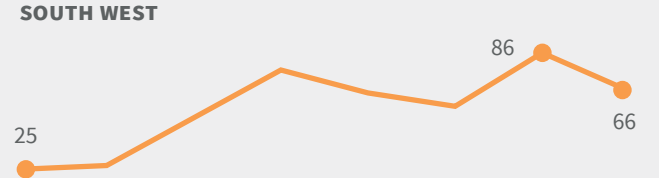
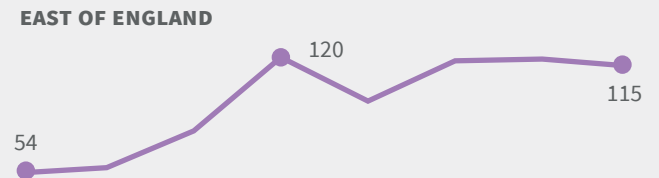
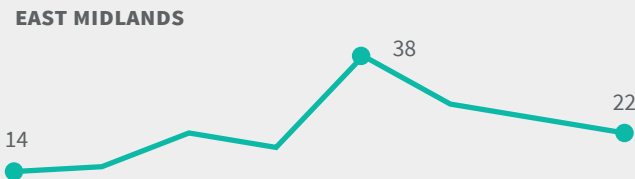
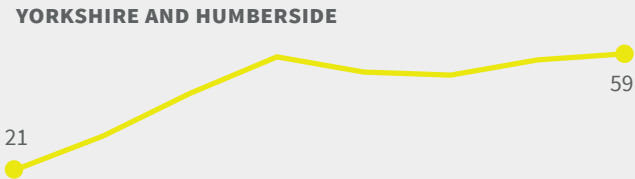
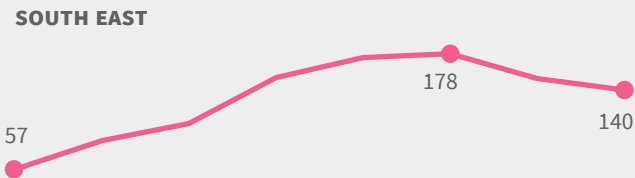
THE TREND FOR LARGER DEAL SIZES CONTINUES



Geography

Deal numbers fell in most regions, with a few bucking the trend. Wales and the North West in particular stand out, with both achieving record highs in 2018. Wales also saw its highest ever amount, with £64.6m going into companies in the region. Investments into London-based firms represented 47% of all deals.

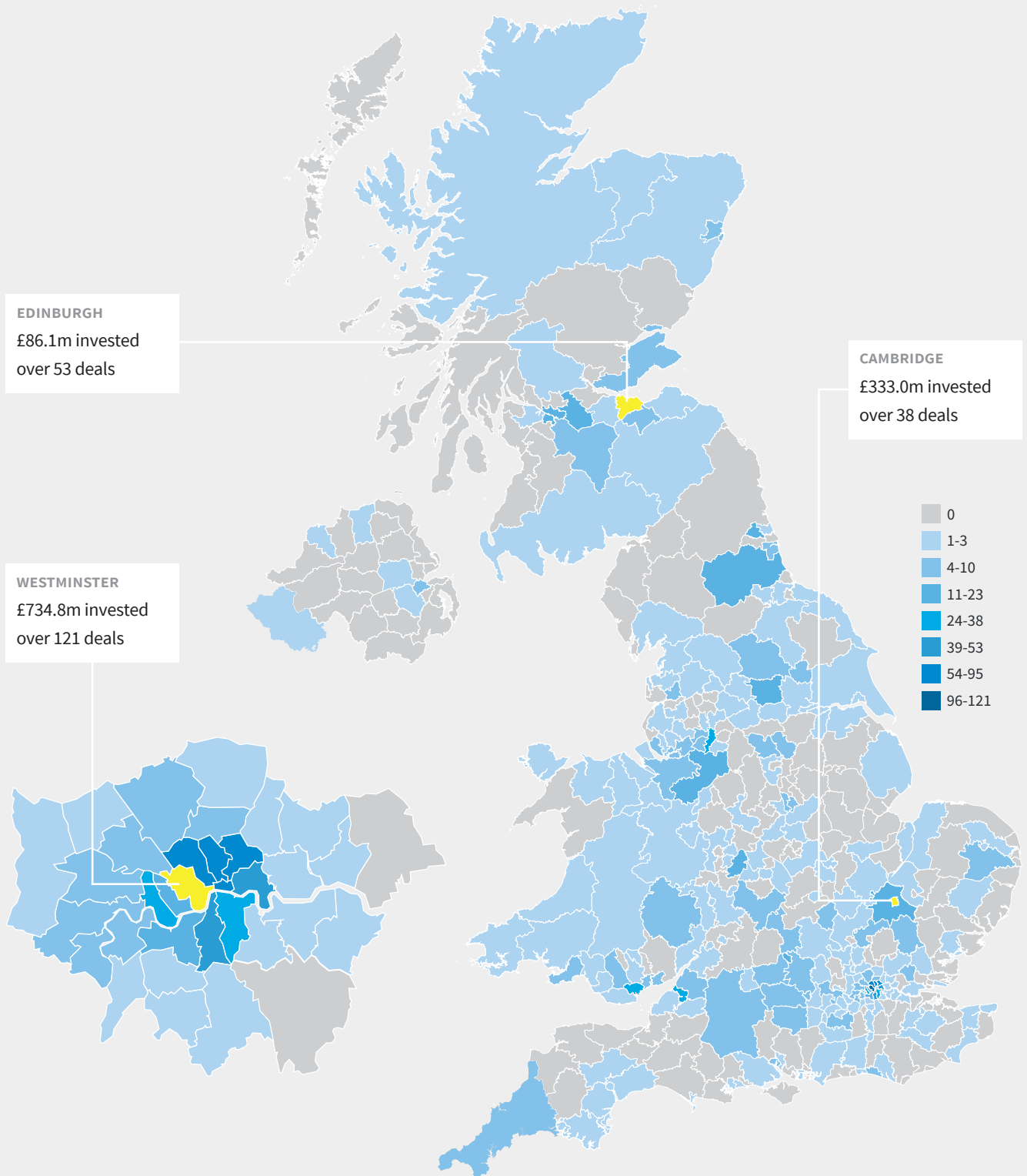
NUMBER OF DEALS PER REGION 2011-2018



Geography

It comes as no surprise that the highest numbers of deals were recorded in London boroughs. Westminster comes out on top with £734.8m invested over 121 deals, its highest number ever. Outside London, Edinburgh and Cambridge saw the most deals, with 53 and 38 investments respectively.

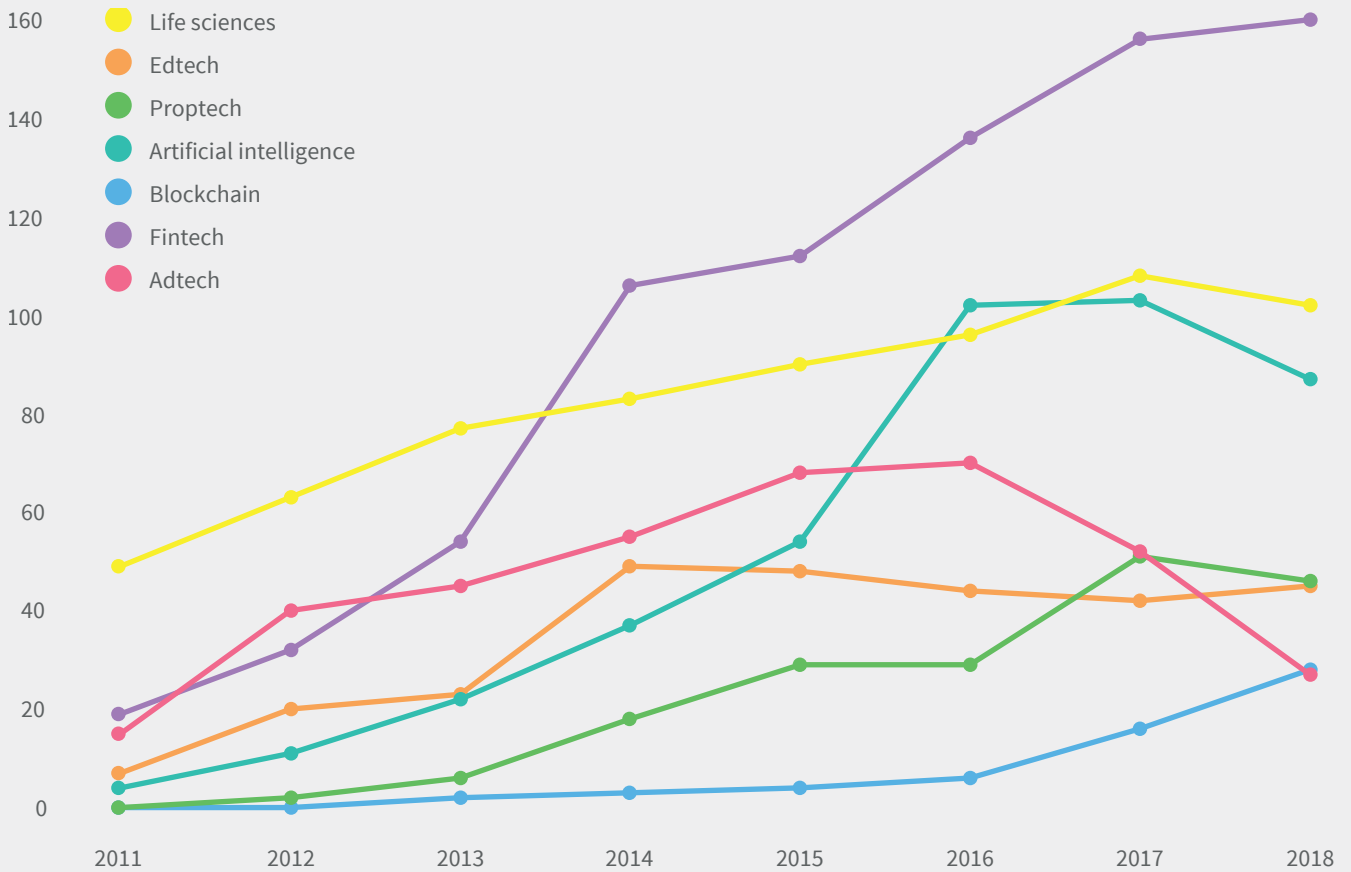
NUMBER OF DEALS BY LOCAL AUTHORITY 2018



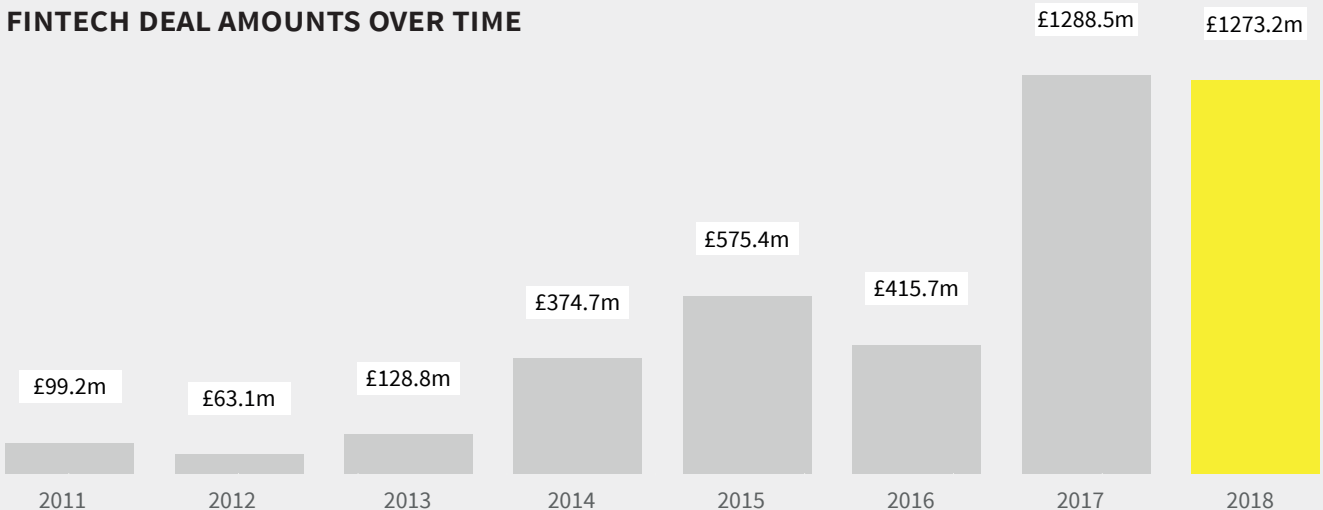
Sectors and verticals

The fintech sector continues to grow, with 10% of 2018's deals going into fintech companies, and the sector achieving a record number of deals for the seventh year in a row. The adtech bubble appears to have well and truly burst, with deal numbers falling by 48%, and surpassed by blockchain for the first time.

DEALS IN SELECTED VERTICALS OVER TIME



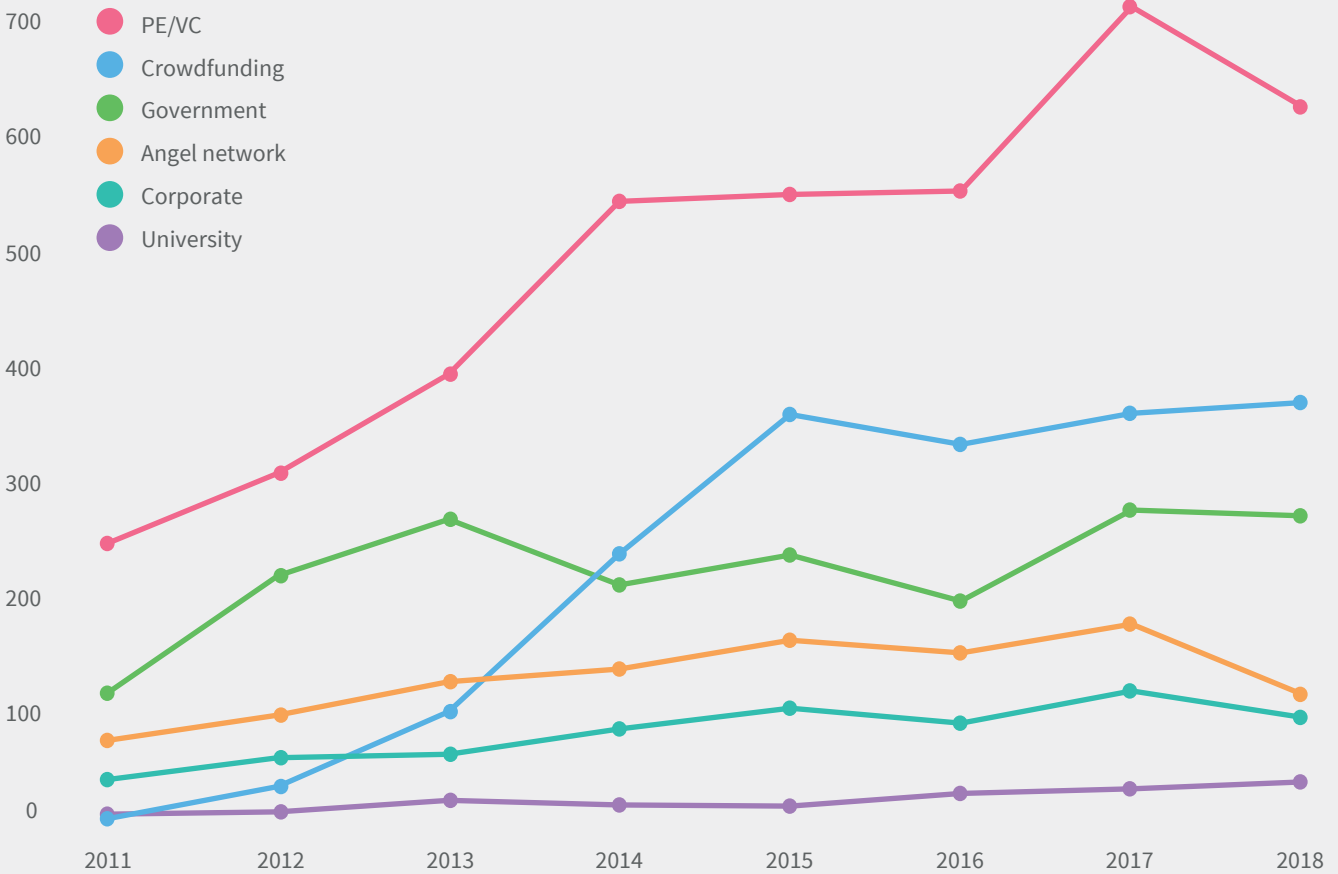
FINTECH DEAL AMOUNTS OVER TIME



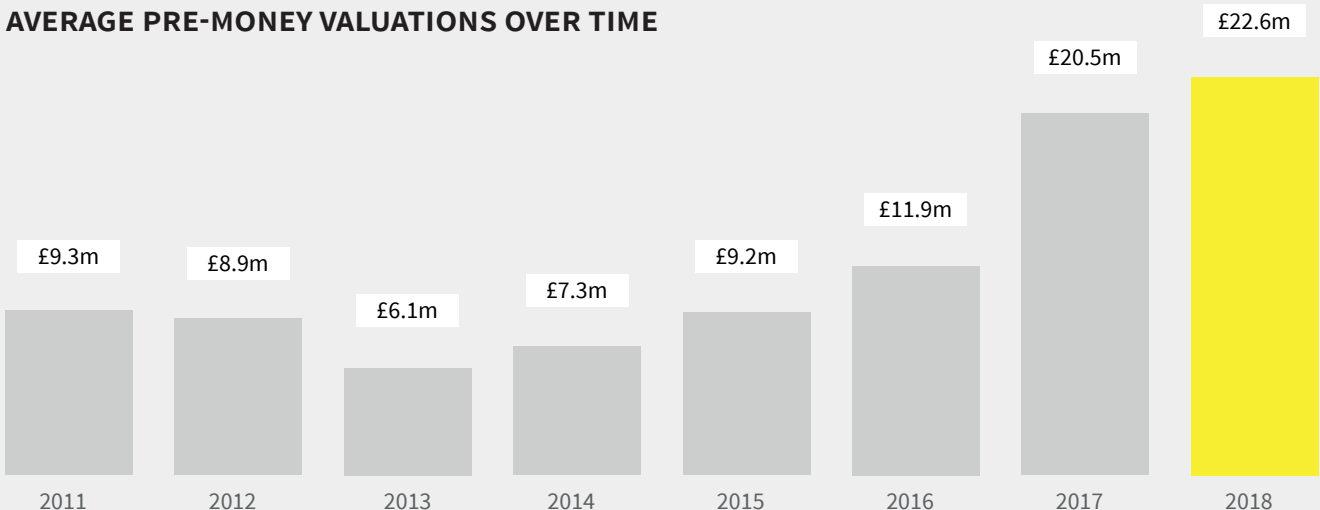
Investors and valuations

As ever, PE and VC firms led the way with number of deals completed. Deals by angel networks fell significantly, by 35%, while crowdfunding saw steady growth, with a record 360 deals invested via these platforms. The average pre-money valuation continued to grow, reaching £22.6m this year.

DEALS BY INVESTOR TYPE OVER TIME



AVERAGE PRE-MONEY VALUATIONS OVER TIME

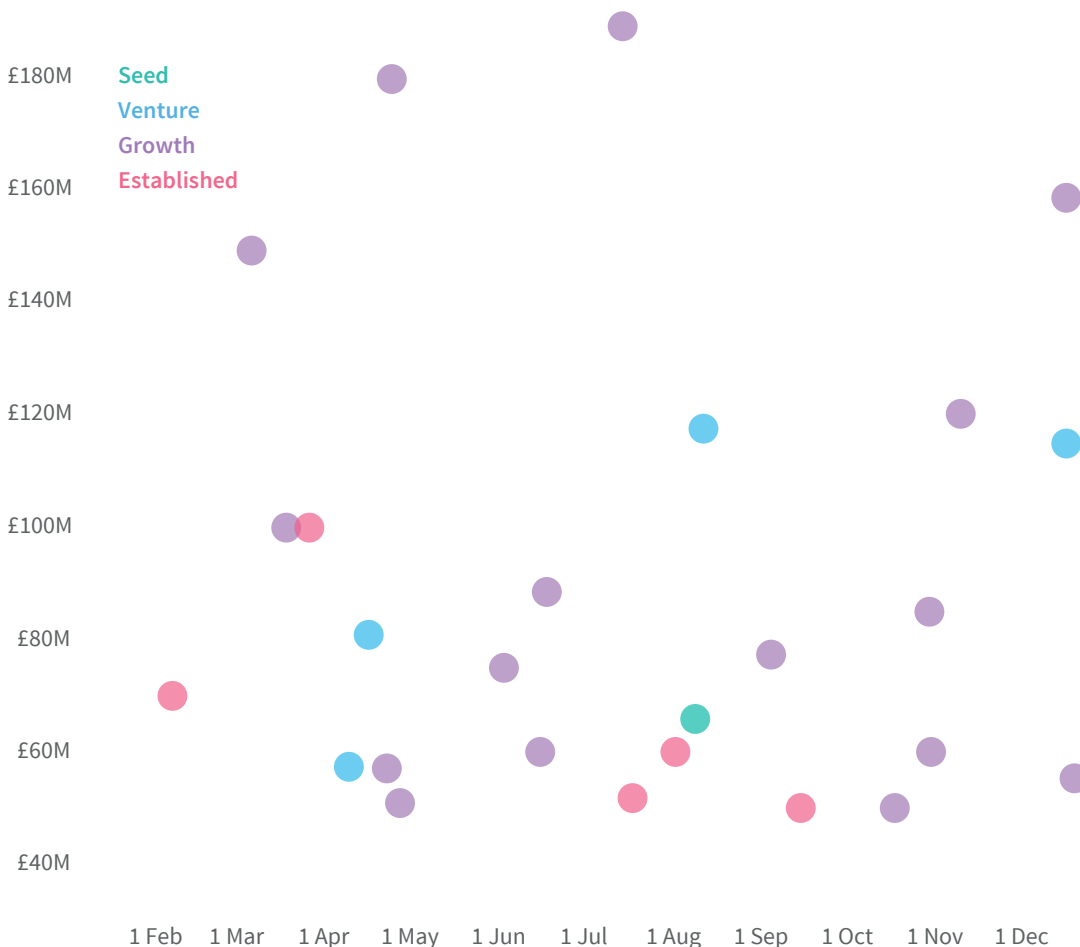


The biggest deals of the year

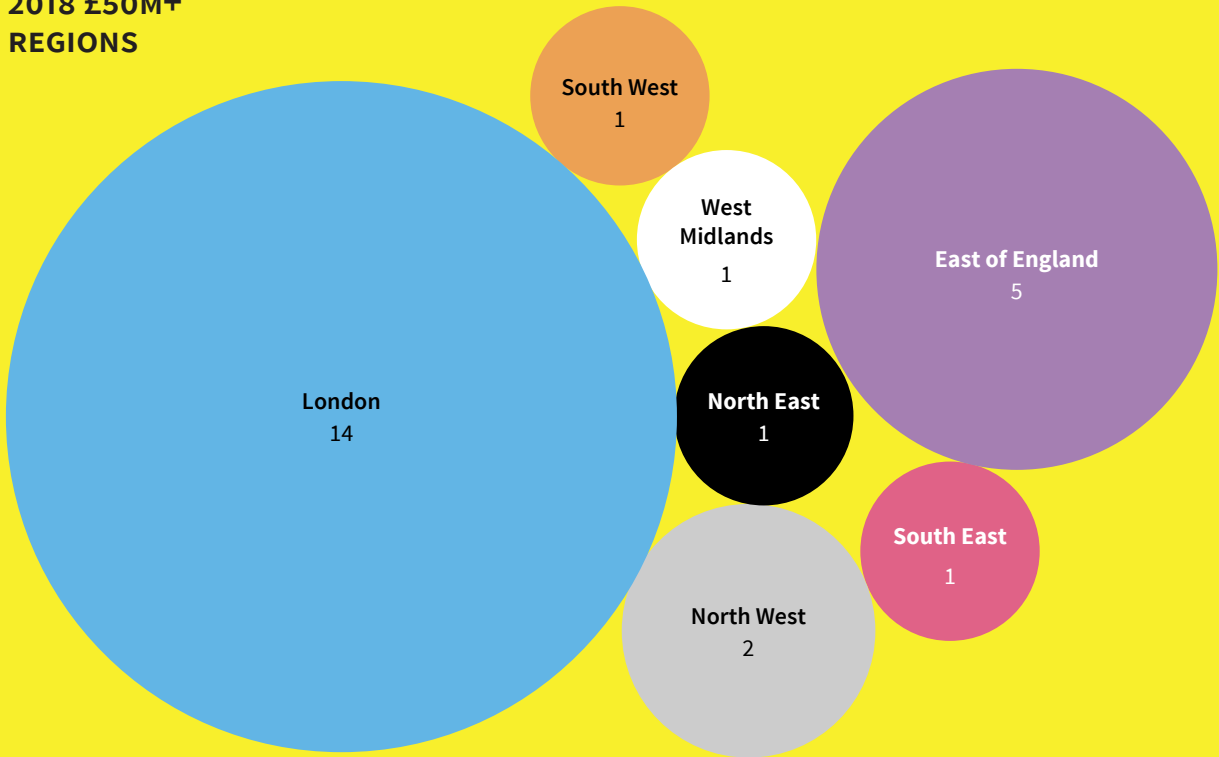
2018 continued last year’s trend for increasing deal sizes and a large number of megadeals. While 2018 didn’t quite match 2017’s record of 30, there were still 26 deals worth over £50m. To put this in perspective, the highest number previously on record was 15, in 2015. The largest deal of the year was General Atlantic’s £189m investment into Greensill, an innovative invoice factoring business.

Indeed, a large proportion of the year’s largest deals went into fintech companies, encompassing a wide range of challenger banks and alternative finance providers. A significant share also went into life sciences companies, who also require large amounts of cash to finance their research and activity. All of these life sciences companies are headquartered outside London, lessening the capital’s dominance.

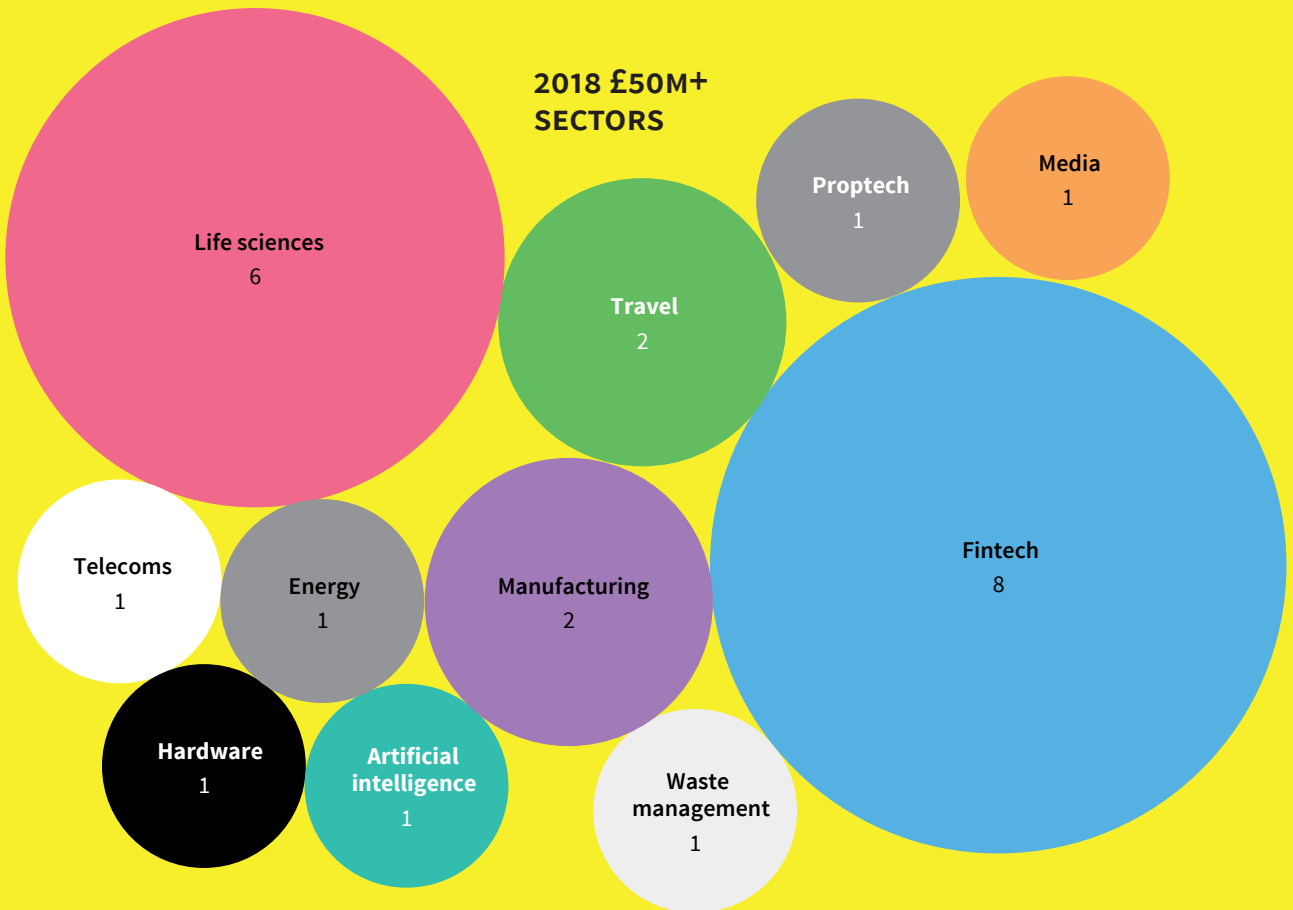
DEALS OVER £50M IN 2018



**2018 £50M+
REGIONS**



**2018 £50M+
SECTORS**





DEAL DATE

16 July 2018

AMOUNT

\$250m (£189m)

INVESTORS

General Atlantic

TOTAL RAISED TO DATE

£189m over one round



DEAL DATE

26 April 2018

AMOUNT

\$250m (£180m)

INVESTORS

Draper Esprit, Digital Sky Technologies, Index Ventures, Ribbit Capital

TOTAL RAISED TO DATE

£244m over seven rounds



DEAL DATE

18 December 2018

AMOUNT

\$200m (£158m)

INVESTORS

Amadeus, Atomico, BMW i Ventures, C4 Ventures, Dell Technologies Capital, Draper Esprit, M12, Pitango, Robert Bosch, Sequoia Capital & more

TOTAL RAISED TO DATE

£244m over four rounds



DEAL DATE

8 March 2018

AMOUNT

£149m

INVESTORS

BBVA, Toscafund, other undisclosed investors

TOTAL RAISED TO DATE

£432m over eight rounds

**DEAL DATE**

11 November 2018

AMOUNT

£120m

INVESTORS

Balderton Capital, Northzone Ventures, other undisclosed investors

TOTAL RAISED TO DATE

£166m over five rounds

**DEAL DATE**

22 June 2017

AMOUNT

\$150m (£118m)

INVESTORS

RTW Investments, Agent Capital, ArrowMark Partners, Baillie Gifford, Cormorant Asset Management, Cowen Healthcare Investments & more

TOTAL RAISED TO DATE

£221m over three rounds, IPO in Oct 2018

**DEAL DATE**

18 December 2018

AMOUNT

\$145m (£115m)

INVESTORS

Felix Capital, Fertitta Capital, The Raine Group, Undisclosed investors

TOTAL RAISED TO DATE

£115m over one rounds

**DEAL DATE**

20 March 2018

AMOUNT

£100m

INVESTORS

China Construction Bank, Government of Singapore Investment Corporation (GIC), Hostplus, other undisclosed investors

TOTAL RAISED TO DATE

£493m over twelve rounds



Mind the gap

Only 16% of 2018's equity deals went into female-founded companies, 2% less than in 2016. Average deal size has hit a record high, but there's still lots more work to be done to correct the gender funding gap.



Hannah Skingle

Funding female-founded businesses

Over the course of the past eight years female entrepreneurs have made significant inroads into raising equity finance, a world that has traditionally been – and remains to be – dominated by men. The overall trajectory of funding into businesses with at least one female founder since 2011 remains positive, but progress is slow and inconsistent. 2018 has been a mixed bag, with a decrease in the percentage of deals going in to these companies, but a record high for the average deal size secured by women entrepreneurs.

In total, £570m was invested across 254 deals into female-founded companies in 2018, down from £650m across 304 deals in 2017. As we've seen in previous stories, there was a slump in both size and number of equity investments across the market in 2018, but male-founded companies only saw a 6% decrease in

deal numbers, compared to 15% for female entrepreneurs. Only 16% of 2018's equity deals went into female-founded companies, compared to 18% in 2016.

But women saw less of a decline in investment amounts, with a 12% decrease, compared to the 17% decrease experienced by men. Female entrepreneurs secured an 8% share of the amount of equity invested, down from 13% in 2015 and 2016, but on par with 2017. Most encouragingly, average deal size hit a new record, increasing from £2.22m to £2.33m in 2018. Of course, this still far below that for male-founded companies, who achieved an average deal size of £5.43m.

WHO IS INVESTING?

LocalGlobe tops the list of fund managers most frequently investing in female founded companies, with 7 investments in 2018. They participated in an £8.6m



PERCENT OF DEAL NUMBERS, FEMALE-FOUNDED BUSINESSES



16%

of deals involved
female founders

£570m

invested in female-
founded businesses

PERCENT OF TOTAL AMOUNT RAISED, FEMALE-FOUNDED BUSINESSES



growth stage round into market analytics company Streetbees, a company they have supported since 2015. Streetbees have also secured investments from three of the other ranked fund managers; Octopus, Atomico and BGF.

Founder and CEO, Tugce Bulut, notes that she has been very lucky to receive a range of support throughout Streetbees' fundraising journey. *"As one of the few female founders in the tech sector, I feel very responsible for helping nurture the next generation of female entrepreneurs, so they can find their way through the VC jungle."*

WHAT SUPPORT IS AVAILABLE?

Indeed, more and more support networks and organisations are cropping up. From AllBright Collective, who support women to achieve their career ambitions, to Diversity VC, who are dedicated to creating a fairer and more diverse venture capital industry; and sector specific initiatives like accelerateHER, a programme which addresses the under-representation of women in technology. In 2018, they launched Male Champions of Change in Global Technology to enable male CEOs, founders and c-suite leaders to step up

beside women to create a more gender equal future, and shift the conversation from equality as a 'women's issue' and instead tackle the systemic failings in the industry.

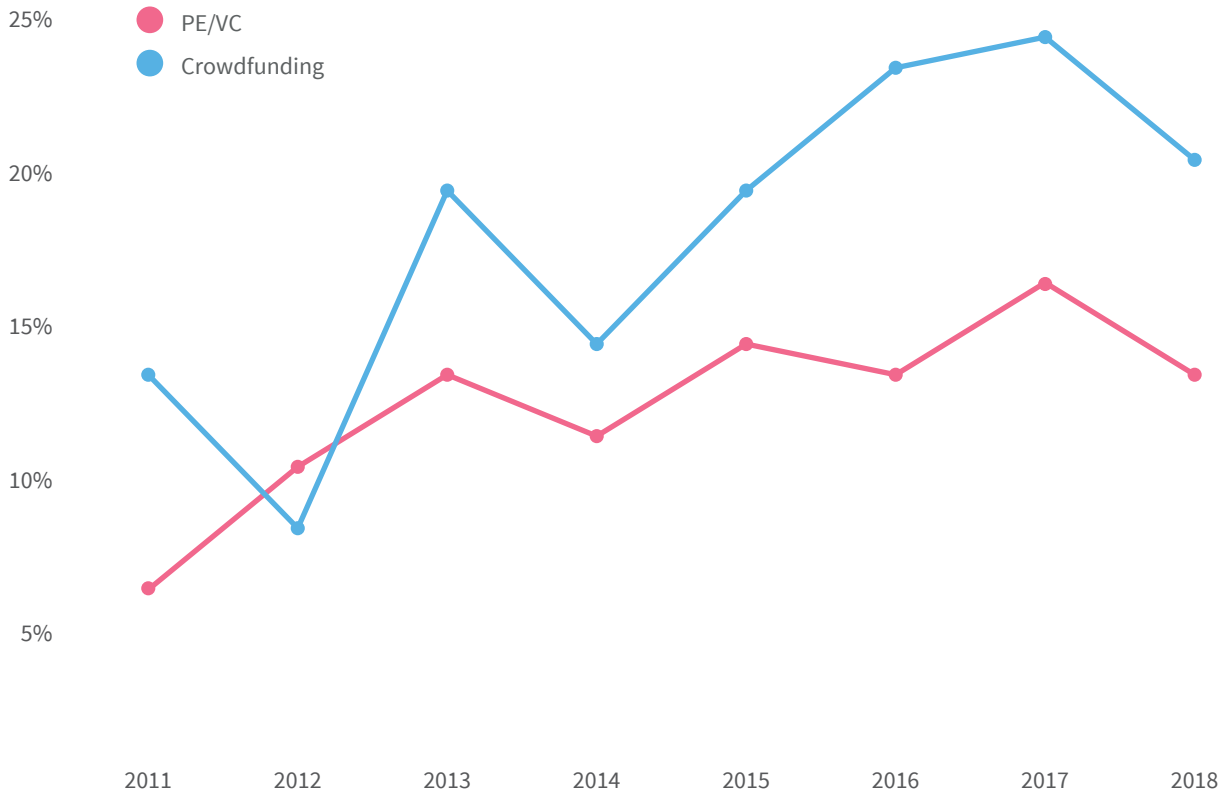
We've also seen the rise of female-led investment bodies, such as the female focussed angel network Angel Academe and VC firm Voulez Capital. Founded by Anya Navidski in May 2018, Voulez Capital invests between £500k and £2m into female-founded businesses across Europe - and invested into two UK companies in 2018. This includes leading a \$1m round in Sciapps, the creators of SkinNinja. This company is bringing much needed clarity and transparency to the skincare market by giving customers an informed understanding of the ingredients in their products, and offers suggestions for alternatives that are less harmful.

Citing the increase in the number of support systems put in place for female founders in the past few years, Navidski is optimistic that 2019 will be a more positive year, as the impact of these initiatives start to reflect in investment figures. But she maintains that the general perception that

TOP INVESTORS INTO FEMALE-FOUNDED COMPANIES

LocalGlobe	7
Albion Capital	6
Octopus	6
Innovotec	4
Atomico	3
Forward Partners	3
NVM Private Equity	3
BGF	3

CROWDFUNDING VS PE/VC INVESTMENT INTO FEMALE-FOUNDED COMPANIES



the male-dominated VC scene is aggressive and gender biased will continue to impact this progress.

“For women, entrepreneurship is about freedom and independence, and many consider traditional venture capital to be incompatible with this”. She acknowledges that shifting the perception of the industry will take time and a concerted effort from established VCs, who are more focused on chasing unicorns and rapid growth at any cost. “But the biggest change will be prompted by new industry players who can provide an environment that female founders can trust and relate to – and the ecosystem is more than ready for it”.

“
Big changes will be prompted by new players who can provide an environment female founders can relate to.

**ANYA NAVIDSKI
FOUNDER, VOULEZ CAPITAL**

WHERE IS FUNDING COMING FROM?

This account of women having a cynical impression of venture capital is borne out when we compare funding sources. Whilst the overarching patterns remain similar, there is variation in the percentage of deals secured from different types of funds. Female-founded businesses secured only 13% of VC deals in 2018, compared to 20% of crowdfunding investments.

Crowdfunding platforms have seen more accelerated growth in the percentage of deals going to female entrepreneurs since 2012, when 10% of VC investments went into women-led companies, compared to just 8% of crowdfunded deals. Still, venture capital firms have seen a consistent and stable increase. The funding sources were most disparate in 2016 with 10% between them, and the gap has closed by 3% in the two years following, although in a downwards rather than upwards trend.

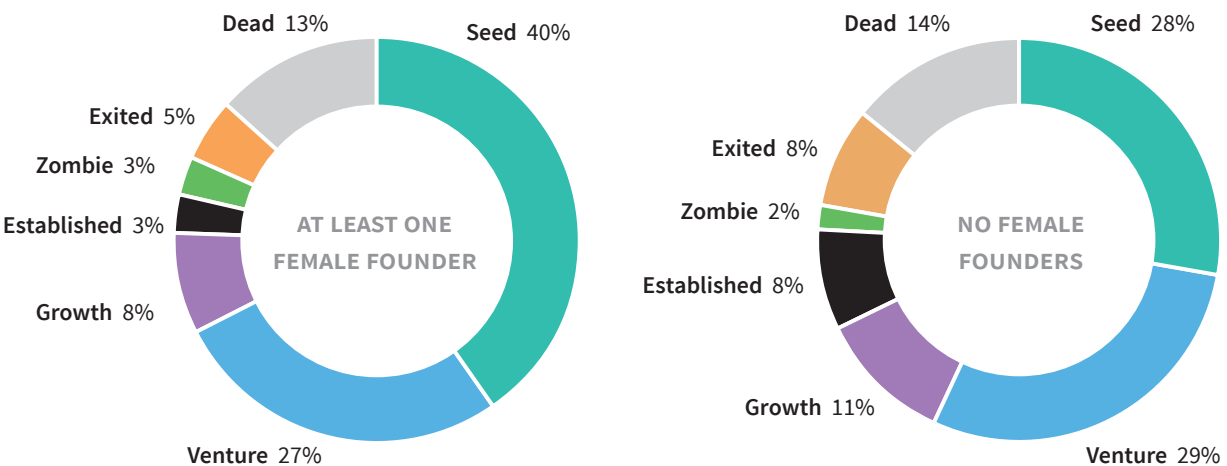
Julia Elliott Brown, CEO and Founder of female-focussed equity fundraising consultancy Enter the Arena, suggests that this discrepancy in investment figures is in part due to the failure of firms and corporations to recognise the gender funding gap as an ongoing issue, rather

than a fleeting trend. *“The crux of the issue lies in the fact that many corporates are more concerned with appearing to be making a change than with undertaking meaningful action and initiatives”*. But some are making headway – Barclays set up the Female Founder Forum in partnership with The Entrepreneurs Network (TEN) in 2016 to connect inspiring and successful women entrepreneurs with those on the cusp of their own rapid growth. Julia’s own initiatives include coaching, workshops and a new podcast series aiming to educate female entrepreneurs on the funding landscape. Programmes like these are providing the building blocks for aspiring, early-stage women entrepreneurs to access this market.

ROOM FOR GROWTH

However, female-led business are struggling to grow past early stages, with 40% of those that raised equity between 2011 and 2018 remaining in seed stage, compared to just 28% of their male-founded counterparts. 16% of both categories are dead or zombies, but exits are 3% higher among male only founded companies. This is unsurprising given male entrepreneurs receive higher funding on average, facilitating faster growth.

STAGE OF EVOLUTION OF FEMALE FOUNDED COMPANIES



On balance, 2018 was by no means a stellar year for women-led companies securing equity, but some were very successful and gradual progress is taking place behind the scenes. Female founders are certainly ambitious and support needs to continue to be put in place to nurture this talent more effectively. Juliet Rogan, Head of High Growth & Entrepreneurs at Barclays, says: *“we know funding is still a barrier for too many women when starting up and growing their business, but we’ve seen important shifts towards female founders taking place over the past few years”.*

In 2019, we hope to see the investment figures reflect this, a growing number of meaningful initiatives with long term goals put in place, and the gender funding gap taken seriously amongst more industry players. After all, as Tugce Bulut puts it, *“an ecosystem that only represents one point of view is ultimately poorer for us all.”*

“
An ecosystem that only represents one point of view is ultimately poorer for us all.

**TUGCE BULUT
FOUNDER, STREETBEES**





Sectors in focus

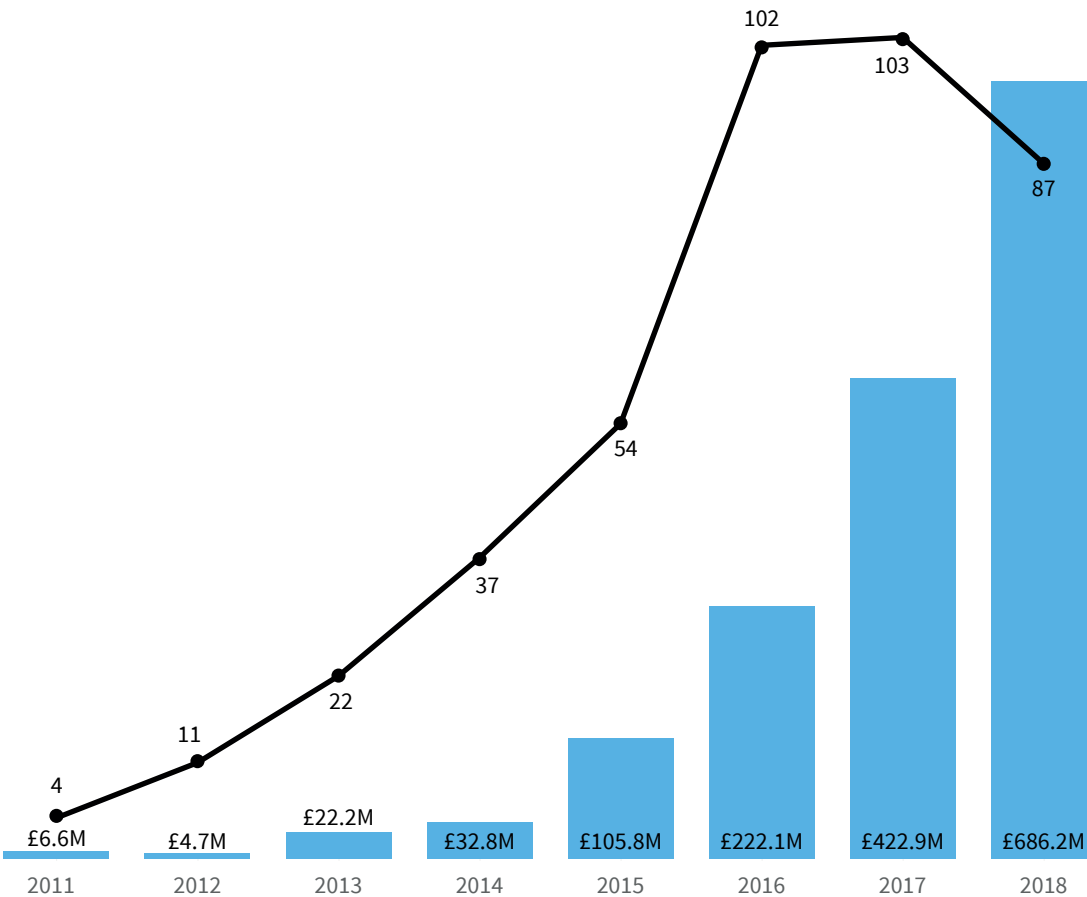
2018 has seen exciting developments across a number of sectors, from artificial intelligence to mapping software. We take a closer look at some of the year's stand-out verticals.

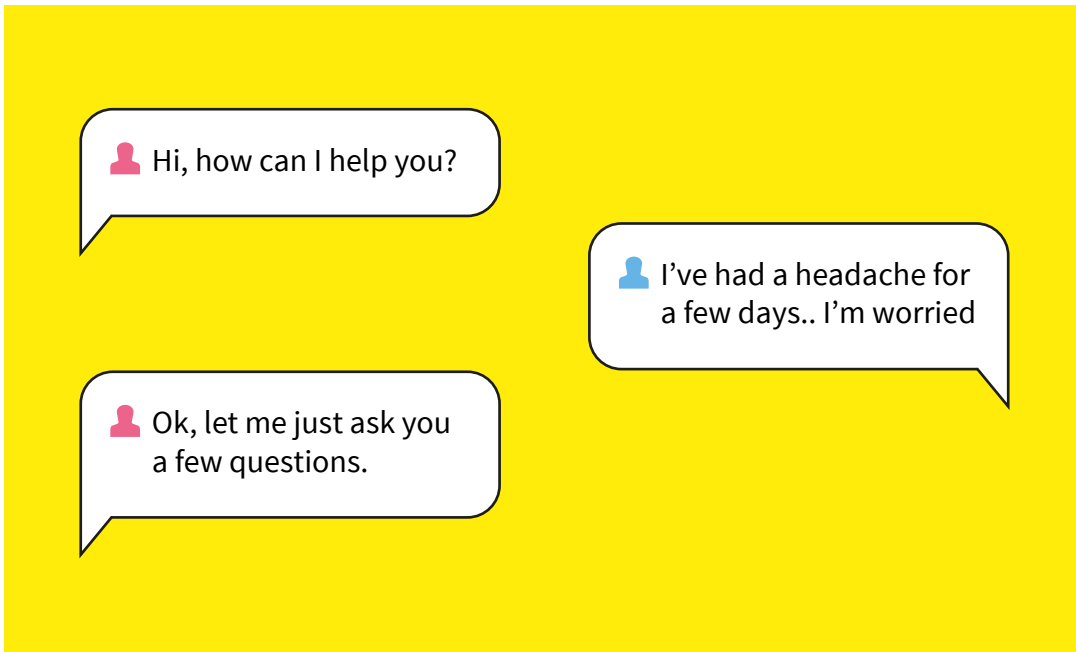
AI to rule the world?

In the last megadeal of 2018, a Bristol-based startup known as Graphcore secured \$200m from a consortium of leading investors, including the corporate venturing arms of Bosch and Microsoft. The round valued the company at over \$1b. Alongside those household names, this round also saw participation from Sequoia Capital, tech kingmakers who have backed a range of now dominant technology companies, including Apple, Google, Youtube and Whatsapp.

What specifically does Graphcore produce, to warrant such attention? Bucking the broader “software is eating the world” trend, Graphcore develops hardware. Namely, new computer processors, known as Intelligent Processor Units (IPUs), which have been specifically designed to handle the tasks demanded by machine learning applications. Think of them as computer processors for a new age of artificial intelligence. Or, more basically, the hardware that can run AI software.

ARTIFICIAL INTELLIGENCE AMOUNT INVESTED AND DEALS





THE START OF SOMETHING BIG?

In 2014, UK AI companies received £32.8m of equity finance investment, over 37 deals. In 2018 that figure had grown to £686.2m across 87 deals. That's a remarkable increase, especially when you consider that total equity finance levels fell across the board in 2018 (after a bumper year in 2017). And, whilst funding for the UK's fintech sector (widely considered one of the UK's fastest-growing sectors) showed a percentage increase of just 8% in 2018 compared to 2017, funding for AI companies increased by around 63%.

The inception of the artificial intelligence sector in the UK should really be dated to September 2010, when a group of computer scientists founded DeepMind in London. The team was led by Demis Hassabis, a former child prodigy at chess, who co-programmed the famous video game Theme Park at the age of 17, before studying computer science at Cambridge. (According to Vanity Fair, an early investor in DeepMind joked as he left a meeting that he should shoot Hassabis on the spot, because it was the last chance to save the human race). DeepMind's activity was kept closely under wraps. Indeed, even on the

announcement of its acquisition by Google in 2014, journalists at TechCrunch were still unable to ascertain what the startup was actually creating. DeepMind has since become Google's in-house AI unit, where a lot of their efforts seem devoted to creating computers that can beat humans at video games. Other more practical uses have been found - for instance in cooling Google's city-like data centres, and in the creation of a healthcare app (now part of Google Health).

HEALTHCARE VIA THE CLOUD

A range of other British startups have developed their own AI-enabled apps for the healthcare sector. Perhaps the best known of these is babylon, which provides smartphone focussed healthcare. The company has used AI to create an artificial symptom checker, which can then assign you the most efficient treatment (be that an online consultation with a doctor or just to wait and see if symptoms resolve themselves). Your.MD has created a similar app, but has raised just £11m of equity finance versus babylon's £64m. Meanwhile, other startups are using AI to help in social care, such as Belfast's Kraydel, which uses machine learning to help

predict the routines of care-receivers, and automatically alert relevant carers when these are disrupted.

Project Sapiens, meanwhile, has combined machine learning with recent advances in genomic testing and human gut microbiota research to nudge users towards a healthier diet. This early-stage company recently released company filings suggesting their value has grown three-fold in just over a year, from £10m to over £30m.

Since 2011, AI startups in the healthcare sector have raised £120m, across 12 deals.

AI ARMOUR

Darktrace, one of the UK's startup unicorns, has developed a software tool that learns the usual online behaviour of a company's employees, alerting the company/user when anomalous behaviour indicates a potential cybersecurity breach. Tessian, recently valued at over £80m, develops a similar tool but for email communication, identifying when suspicious behaviour is taking place in an employee's email account. Other less well-funded startups operating in this area includes AimBrain, which has developed a tool which learns the patterns by which individual users enter passcodes, adding the capability to block people from using the device even when they have stolen code.

Since 2011, AI startups in the cybersecurity sector have raised £227m across 30 deals, making them perhaps the most significant aspect of the UK's burgeoning AI ecosystem.

THE END OF ACCOUNTANTS?

Finance seems to be an even more innovative arena for AI. Rimilia is using artificial intelligence to automate basic accounting functions, saving labour costs for their users. Specifically, their software learns when customers are likely to make their payments, providing businesses with greater predictive power when it comes to cash flow issues. Other startups are

applying machine learning technology to online transaction records, be that Blockchain or other types of "ledger". Fetch, for instance, have combined blockchain and AI to create what they claim is the world's first "smart ledger". The smart ledger is home to "Autonomous Economic Agents", who will purportedly one day undertake "useful economic activity for humans or machines", somewhere in the virtual world.

Startups using artificial intelligence to disrupt the finance world have raised £170m since 2011, across 34 deals. We suspect this is an area to keep an eye on.

“
Cybersecurity startups are perhaps the most significant aspect of the UK's burgeoning AI ecosystem.”



Tom Sheils





SECTORS IN FOCUS

Expanding horizons in EdTech

2018 was a strong year for EdTech, with a significant jump from 2017's investment figures. Far from just digitisation and distribution of typical learning resources, EdTech has continued to broaden its applications beyond the classroom. From knowledge sharing in professional environments to innovative methods for collaborative learning, EdTech is reaching across sectors in attempts to adapt and improve the ways we access education.

£90.9m was injected into ambitious UK EdTech companies over 2018, distributed over 50 announced investments. This figure marks the highest amount invested into the sector to date, and a 140% increase on the amount invested in 2016. Looking

further back to 2013 reveals just £9.9m of investment, a tenth of this year's figure, demonstrating just how much the industry has grown so far.

TURNING STUDENTS INTO TEACHERS

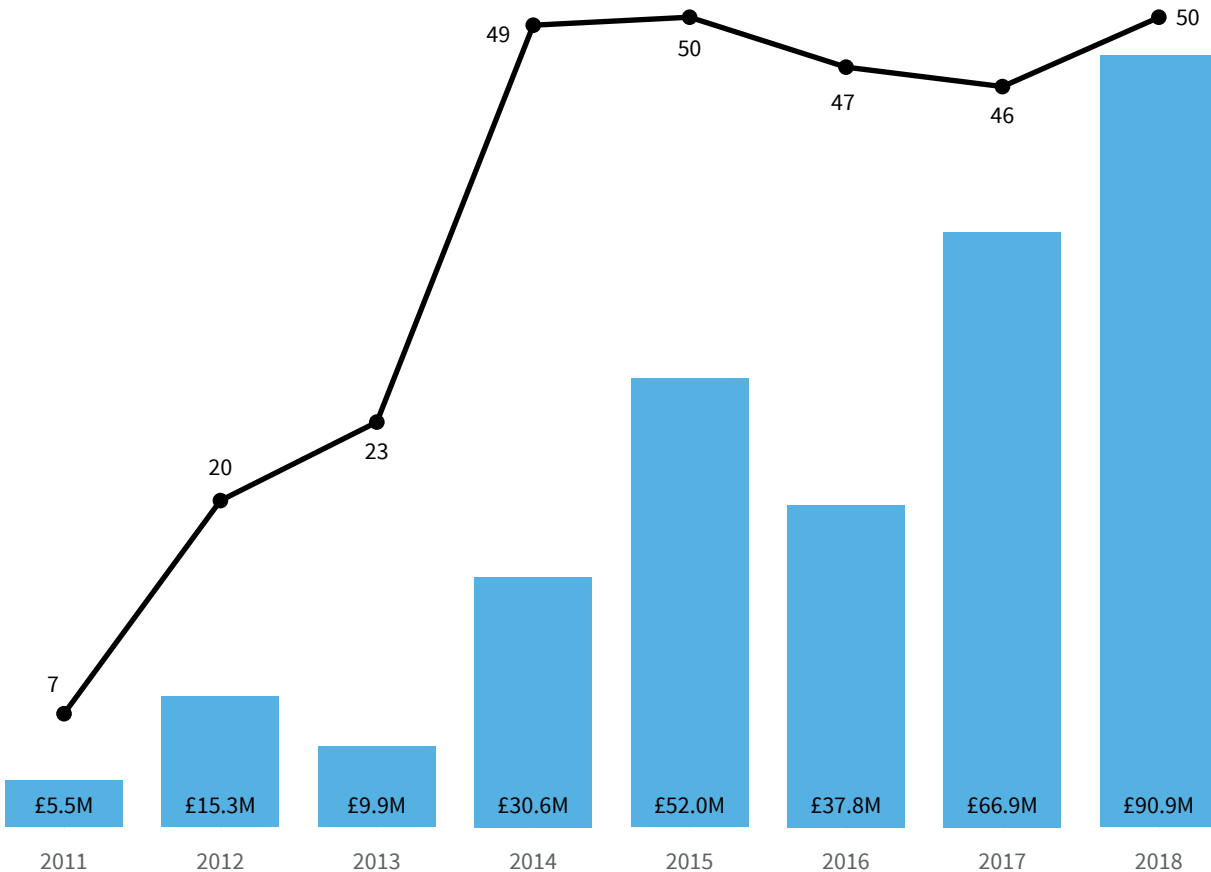
"One of the key powers of EdTech is that it can turn people that aren't teachers into facilitators of education" says Jan Lynn-Matern, Founder & CEO of Emerge Education. Online learning communities mean users everywhere can create and share content with one another without enrolling in traditional courses. Memrise, an online platform designed for language learning via games, also hosts a knowledge sharing community for users to provide tips and support for making progress.

Having secured \$15.5m (£11.6m) in June 2018, Memrise brought on new investors Octopus Ventures and Korelya Capital, with additional participation from existing backers Balderton Capital and Avalon Ventures. Another company to watch in this space is Aula, who raised \$4.2m (£3m) in April this year. Aula promote user networking in universities through a learning management system, allowing staff and students to share resources and communicate online. With an increasing student population seeing the number of schools and universities struggling to keep up with demand, solutions like these are paving the way for greater access to education across the world. 2018's investments into this field demonstrate investors' piqued interest in EdTech's potential for transcending location and resource restrictions.

RE-TRAINING THE POPULATION

As technology continues to advance and the job landscape continues to change, EdTech may provide a much-needed infrastructure for individuals to re-train and develop new skills. The UK's biggest EdTech deal of the year (\$20m [£14.8m]) went to Fuse Universal who create software to facilitate skills development and training in the workplace. The year as a whole has seen a surge in investments into learning solutions for the business world; while only 9.2% of investments into the sector in 2017 went into this area, 2018 saw this rise to 14.2%. Though the amount invested into EdTech pales in comparison to areas such as FinTech, expansion into the corporate market could provide the sector with a boost if it leads to larger budgets being put behind developing new forms of learning technology.

EDTECH AMOUNT INVESTED AND DEALS OVER TIME





MEMRISE

Memrise, founded in 2010, is a user-generated learning platform using flashcards as memory aids. The online and mobile versions offer games, rewards, and crowdsourced content whereby native language speakers provide insight into how languages are most commonly used. Though languages are its speciality – there are 150 courses across 25 languages – they also offer content on a range of other subjects. Memrise has more than 35 million registered users and reached profitability in early 2018.



FUSE

Fuse Universal is a collaborative learning platform for enterprises, claiming to help organisations increase learner engagement and business performance. High profile clientele such as Spotify and Vodafone use the platform for learning and communications. Fuse plans to use its \$20m investment from Eight Roads Ventures to advance work into AR and further develop FuseSchool, the company's charity arm, which provides free educational content for children across the world.



EDTOPIA

EdTopia, an Oxford University spinout, have developed a tutoring system that helps children learn outside of school and addresses problems with numeracy amongst the younger population. The software offers an extension that can be integrated into other apps, displacing traditional advertising with personalised games and exercises for kids. EdTopia makes use of artificial intelligence so that users continue to come across personalised questions through a range of applications.

BIGGER AND BETTER USE OF DATA

EdTech is further disrupting and augmenting the way that data is used within education, creating technology that provides insights into all aspects of teaching and learning processes. EdTopia, an Oxford University spinout, links a tutoring system to gaming apps used by children and makes use of personalised questions and artificial intelligence to extend the learning experience across applications. As AI and big data continue to expand, so should the potential for EdTech scaling its use of data to tailor the educational experience to a range of learning styles and offer deeper insights into user engagement.

WHAT'S NEXT?

Though it has undoubtedly been an excellent year for EdTech, there is certainly room for growth. 90% of this year's investments were into seed and venture stage companies, leaving significant space for the sector to mature. We hope to see existing technology scale further in order to offer high-level impact upon the ways in which education is conceived, delivered and received on a global scale.



Jo Hawkins

“
One of the key powers of EdTech is that it can turn people that aren't teachers into facilitators of education.

JAN LYNN-MATERN
EMERGE EDUCATION

Mapping it out

Einstein once said: “you can’t use an old map to explore a new world”. Cartography – and our understanding of location – is being amplified, enhanced and in some cases, replaced by technology. At the forefront of these developments are a series of innovative businesses working on everything from navigation, to analysis, and even creating completely new ways of seeing and understanding the world around us. We’ve seen over £120 million invested into such businesses since 2010, hitting a yearly high in 2018 of £44.6m.

The sector is complex, with businesses creating solutions in areas as diverse as location and mapping.

NEW ADDRESSES

It is difficult to find a company that better encapsulates mapping innovation than what3words. Founded in 2013 by Chris Sheldrick, the company has built an algorithm that divides the world into 3m x 3m squares, each assigned to a unique 3 word address. The idea of needing a new address system seems odd to a first-world western audience. But in large swathes of Africa and Asia, addresses can be inconsistent, and when combining the need for precise locations (for example, delivering high-value or critical goods or services), the need for a universal system becomes clear.

Investors certainly seem to agree. Since its founding in 2013, the young company has already reached growth stage, securing 10 rounds of funding from investors including Daimler, Intel Capital and, most recently, Sony. A £4m fundraising in June 2018 saw a pre-money valuation of £110m, and their

latest deal, 7 months later, is highly likely to see a significantly higher valuation still. Why a corporate investor for this particular round? “I think that they can see the appeal of a product or service having some relation to what they do, and they can immediately create value and give you a leg up”, says Jack Waley-Cohen, Co-Founder and COO of what3words.

“There’s also definitely a sense that big corporates are looking to do something with their cash at the moment, and in some cases are more prepared to invest in higher-risk businesses than traditional investors and some VCs.”

“
Corporates can see the appeal of products with some relation to what they do, and can immediately create value.

JACK WALEY-COHEN
WHAT3WORDS

ALTERNATIVE LOCATION SYSTEMS

Developing new ways to map the world and pinpoint exact locations. what3words have attracted international attention for their unique method of dividing the world into 3-word coordinates. They raised £4m in 2018.



SPATIAL MAPPING

Creating ways for devices to understand location. A booming sub-sector. All three of these specialist technology companies raised in 2018, the largest being Scape's fundraising of £6m.



MAP BUILDERS

Tools and products that help build maps. Amongst this sub-sector in 2018, Bath-based Living Map secured £1.2m of seed investment from Committed Capital and Mercia Fund Managers.



GEOSPATIAL DATA SERVICES

These companies help businesses make sense of their location and geographical data. These are more traditional B2B services augmented with geospatial technology and analysis.



TRANSPORT TOOLS

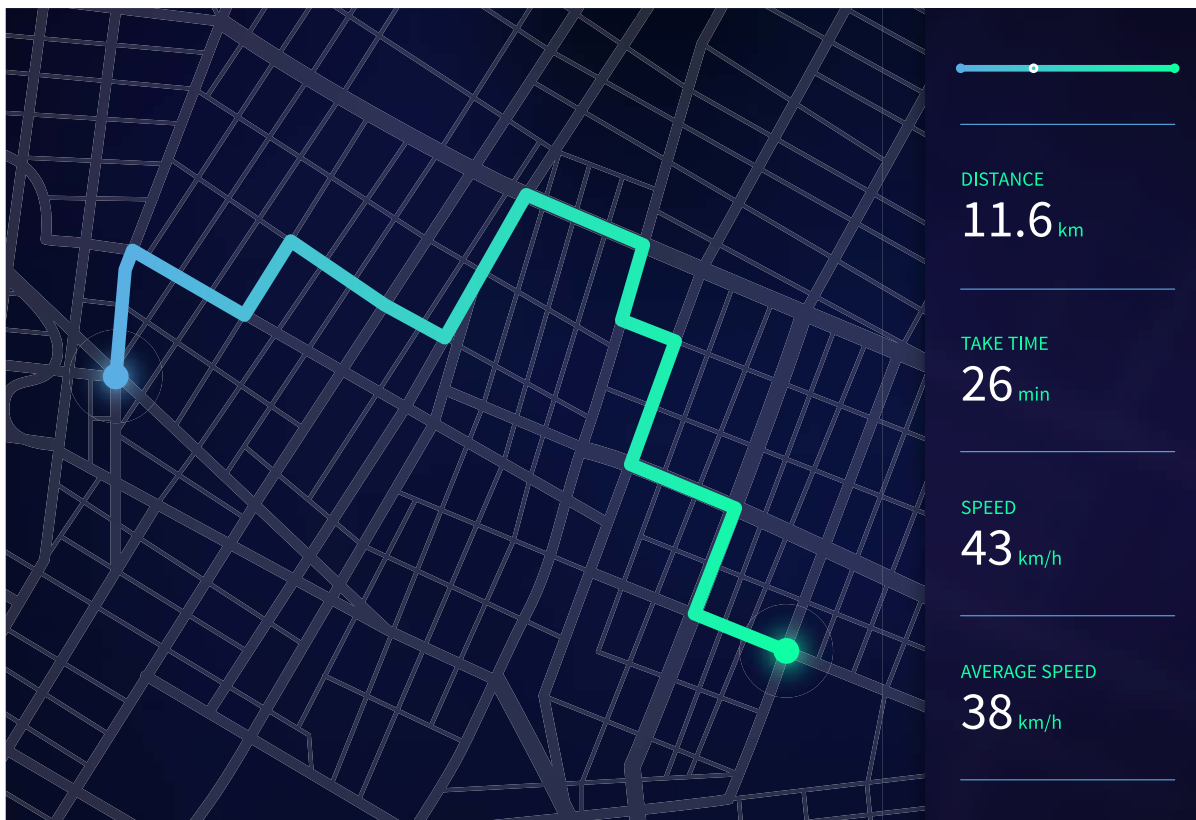
Apps and products that allow users to understand transportation links and journeys better. Citymapper have raised most funding in this sub-sector, while Beeline specialise in cycle routes.



EXPLORATION TOOLS

Tools and products that allow users to view 2D and 3D maps, chiefly for navigation or exploration. Fatmap raised £1.58m in venture capital in May from Episode1, InMotion and Capnamic.





And of course, there are other benefits beyond pure investment: *“Having a big name on board also gives you great credibility, and has been extremely helpful to us, opening doors and giving introductions to other opportunities.”*

What3words are only one example of the UK’s burgeoning mapping technology sector. Locpin, a seed-stage company in London are also seeking to map the world with 3m x 3m squares, numerically, rather than with words. Like what3words, they have benefited from strategic corporate venturing, participating in LMarks’ Drive with Belron accelerator, run by Belron (parent of Autoglass). This programme seeks to find disruptive companies that help Belron improve their operations or products, with the ultimate aim of driving corporate innovation. Despite their early stage, the programme has allowed Locpin to sign a deal with Belron, meaning their technology is incorporated across the group’s companies to help them deliver services to precisely the right location.

NEW WORLD, NEW MAPS

Google Maps reigns supreme as the most commonly-used mapping platform in the world, but other companies are looking to take advantage of smaller niches. London-based Fatmap provides detailed interactive 3D maps of outdoor spaces, particularly ski, walking and cycling routes, so adventurers and casual skiers can preview routes before getting to a location. They raised £1.5m from Episode1, InMotion Ventures and Capnamic at a £11m pre-money – a 21% higher valuation than their previous round in November 2017.

When it comes to more standard navigation, particularly through urban environments, there are a host of high-growth British companies making waves. Citymapper is probably the best-known of this cohort, with the ambitious public transit app attracting almost £35m in investment from funders including Greylock Partners, Index Ventures and Balderton Capital. Travel AI have a similar proposition with their “Catch!” app,

making use of both equity investment from London Business Angels and over £700k of grants from Innovate UK.

WHAT'S IN THE FUTURE? SPATIAL AWARENESS FOR ROBOTS

Location and mapping companies aren't just looking at how to better serve the consumer, or indeed, humans. An increasing variety of British businesses are looking to build solutions to help autonomous vehicles, drones and other devices understand their location and position. This field, sometimes referred to as spatial learning or spatial intelligence, is growing quickly.

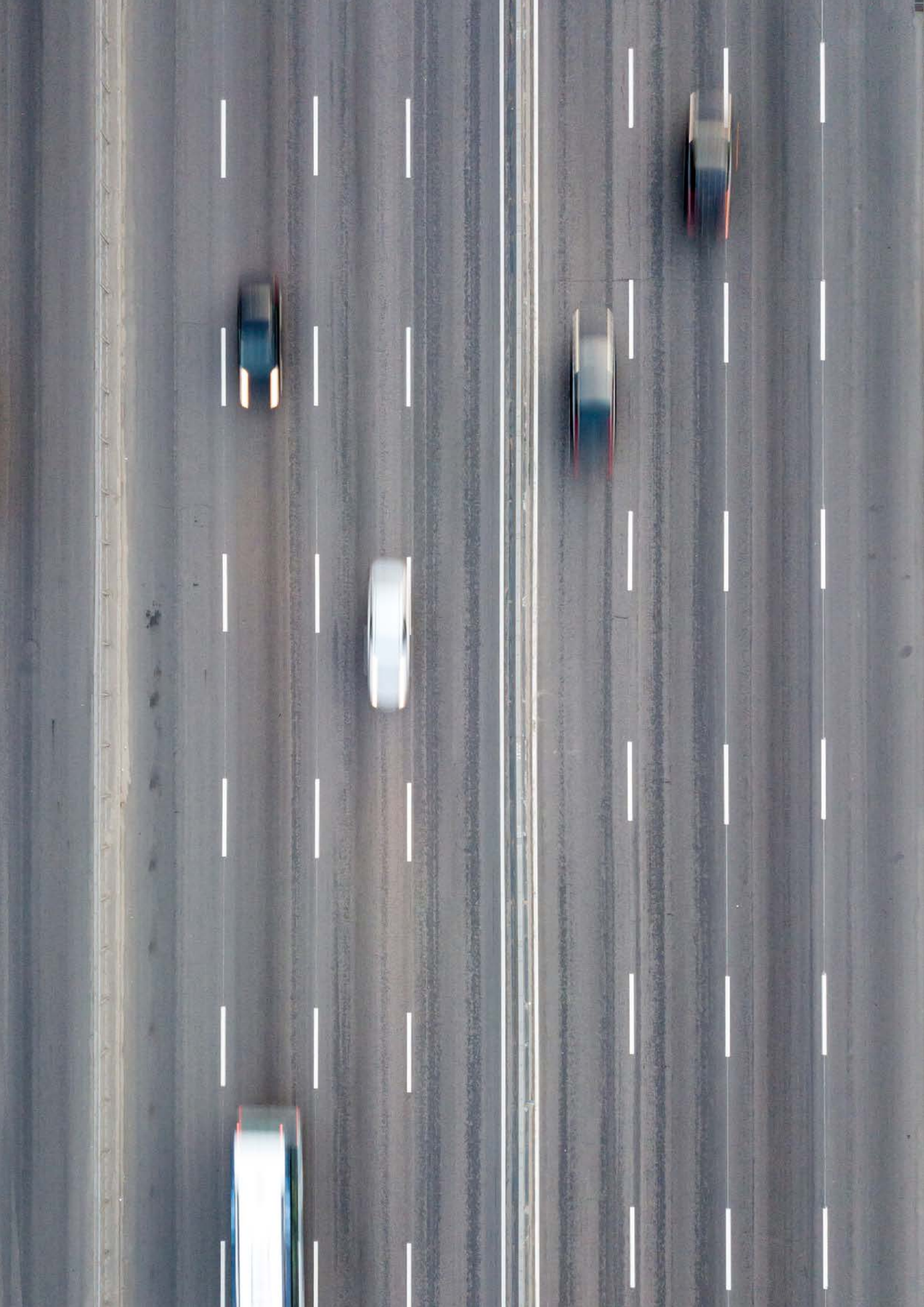
Scape is part of this movement, developing a "Vision Engine" for devices to understand their location based on 3D maps created from images. An Entrepreneur First alumnus, the Venture Stage company has raised over £12m from investors including Fly Ventures, LocalGlobe and Mosaic Ventures. Similarly, SLAMcore is developing its own spatial AI solutions. Since spinning out from Imperial College London in 2017, the Venture stage company has already raised £200k of Innovate UK grants and almost £5m in equity investment from a variety of funders including Toyota – another example of strategic corporate investment in innovative tech startups.



Jonathan Ross

Fundamentally, location, and crucially, location data, is becoming an essential part of technical products in almost every conceivable industry. We predict that the number of new companies concentrating on mapping and location solutions will increase significantly over the next few years, and these will require ambitious backing from investors. Will more corporates see the potential and enter the ring, or will traditional VCs fill the gap? We haven't yet mapped it out.

“
Fundamentally, location, and crucially, location data, is becoming an essential part of technical products in almost every industry.

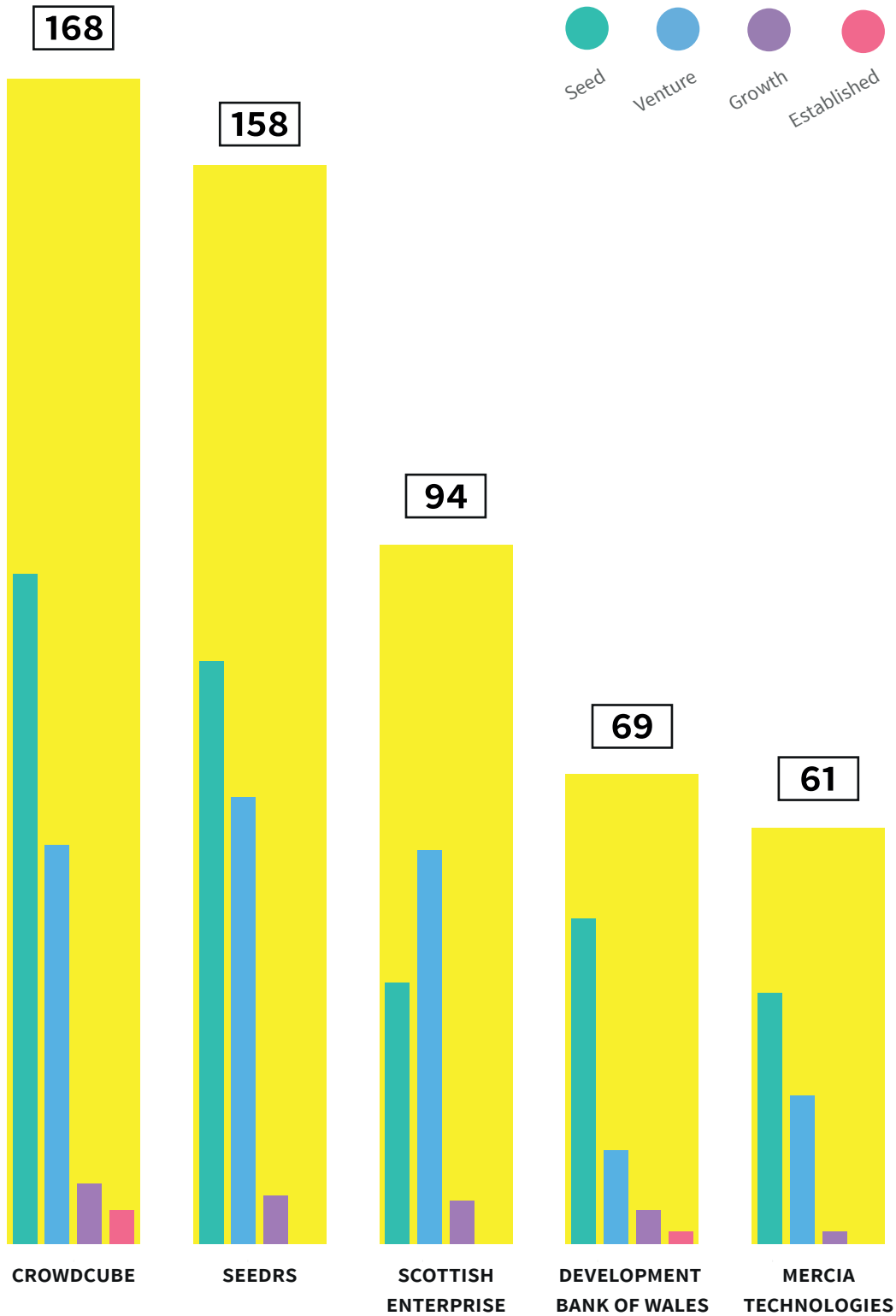


Investors in focus

Crowdfunding platforms continued to drive deal numbers in 2018, with record levels in Q4. Regional bodies have also ranked highly, with Scottish Enterprise and the Development Bank of Wales making significant investments.

Top investors by UK deal numbers

Beauhurst 42 Investors

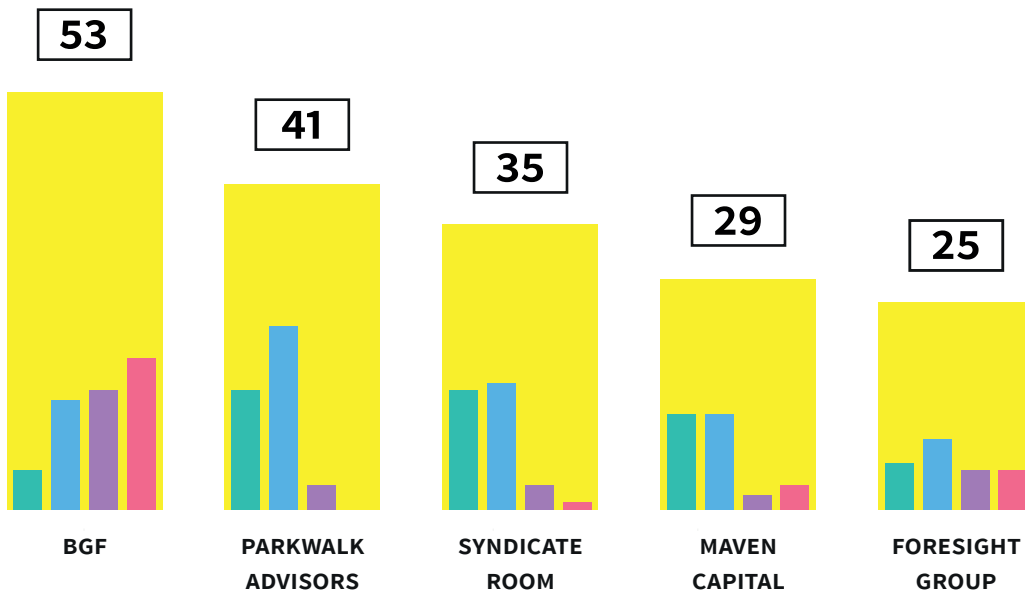


CROWDFUNDING CLIMBS

As in previous years, crowdfunding dominates deal numbers. Three platforms rank in the top ten, and have also taken first and second place. Regional investors Scottish Enterprise and Development Bank of Wales have nabbed the third and fourth places. Perhaps a sign that government is starting to commit more seriously to funding ambitious businesses, especially those outside of London, where private capital is less likely to venture into.

COMPANY STAGES

As has been the case in recent years, BGF are the leading backer of established and growth-stage businesses. For seed and venture-stage businesses, the two leading crowdfunding platforms fulfil a large number of deals into companies at this stage. Of the leading investors, Foresight have the most varied deals by stage, investing consistently across seed to growth and established stages.

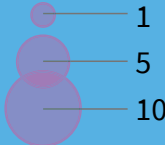


ACCELERATORS AND ACCELERATED COMPANIES

Accelerated companies



Number of accelerators

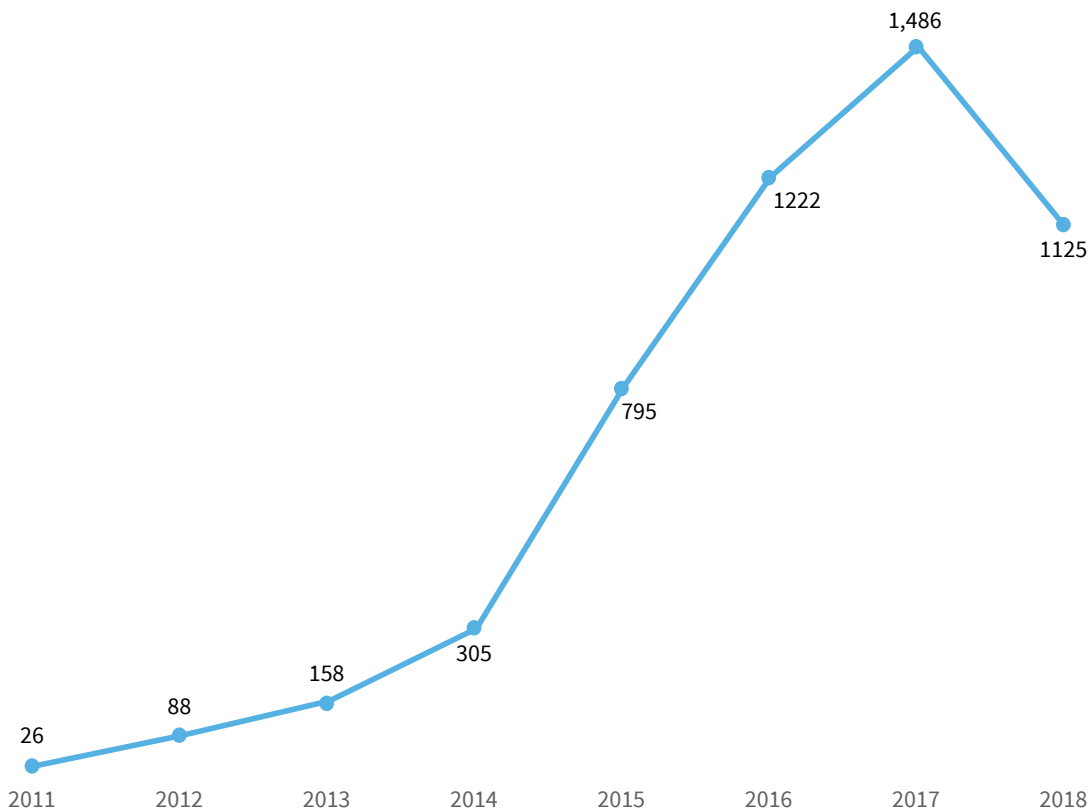


Accelerating the UK

Accelerators have become an important part of the support ecosystem for young companies, with a clear positive effect on company growth, investment and valuation. Our report earlier this year, *Accelerating the UK*, found that companies that attend accelerators raise 44% more equity than those that don't, and are also 75% more valuable. Entrepreneurs have certainly caught on to the benefits accelerators can provide — our data shows the number of companies attending accelerators has grown significantly since 2011, reaching a peak in 2017.

So what next for the accelerator ecosystem? We predict the range of programmes on offer will mature to include options for every business model and at every stage of growth, much as investors who specialise in a niche can add value beyond a cash injection. Corporate interest in accelerator programmes has also been significant, with many of them partnering with accelerator managers to run specialised programmes, or even running their own programmes in house. We suspect we'll be seeing a lot more of this activity over the coming years.

NUMBER OF ACCELERATOR ATTENDANCES





INVESTORS IN FOCUS

Crowdfunding in 2018

STEADY GROWTH WINS THE RACE

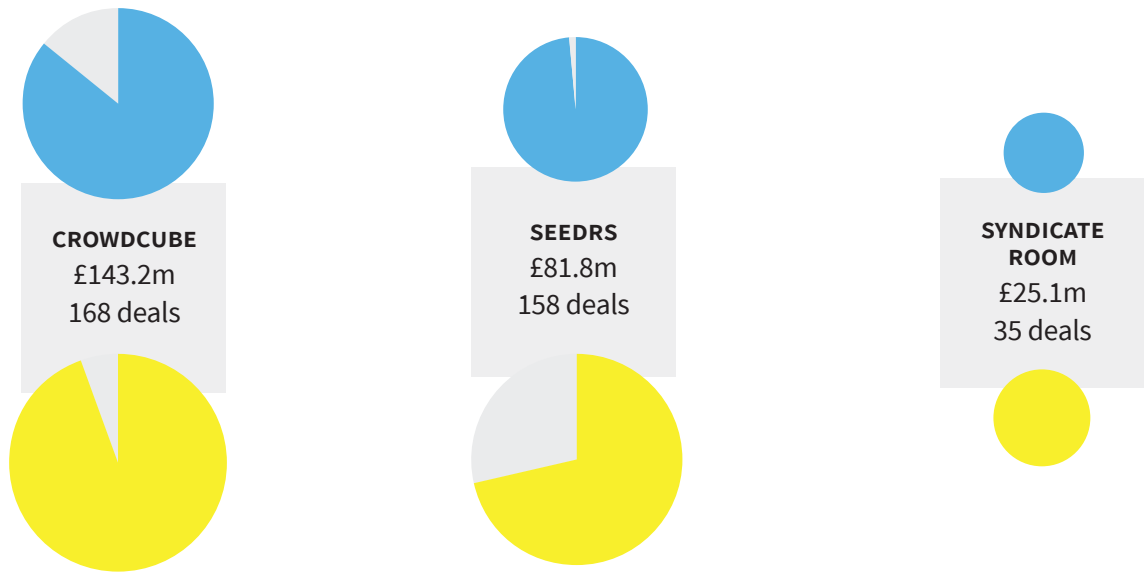
Although growth in crowdfunding deal numbers has slowed from the meteoric pace seen from 2011 to 2015, the general trend is onwards and upwards, with a healthy number of deals recorded in every quarter. Indeed, crowdfunders were the only major investor type to grow their deal numbers this year. Interestingly, Q4 echoed the broader investment trend for larger deal sizes, with some significant raises facilitated via crowdfunding platforms.

THE MAJOR PLATFORMS

Both Crowdcube and Seedrs saw a record amount of investment pass through their platforms in 2018. The year saw some interesting new developments, such as Monzo's raise in partnership with Crowdcube, which was open to Monzo users via the challenger bank's app. Seedrs facilitated a significant £10m investment into TransferGo, a fast growing international money transfer platform.

MAJOR CROWDFUNDING PLATFORMS, 2018

● Amount invested
 ● Number of deals
 ● Pre-emption, fund campaign, partnership



Beauhurst 47 Investors

CROWDFUNDING OVER TIME



Driven by our platform



All data featured in this report is available on Beauhurst — the best way to discover, track and understand high-growth businesses.

Beauhurst makes creating data-driven thought leadership easy. Up-to-the-minute data, sector trend maps and funding stats allow you to stay on top of the high-growth economy.

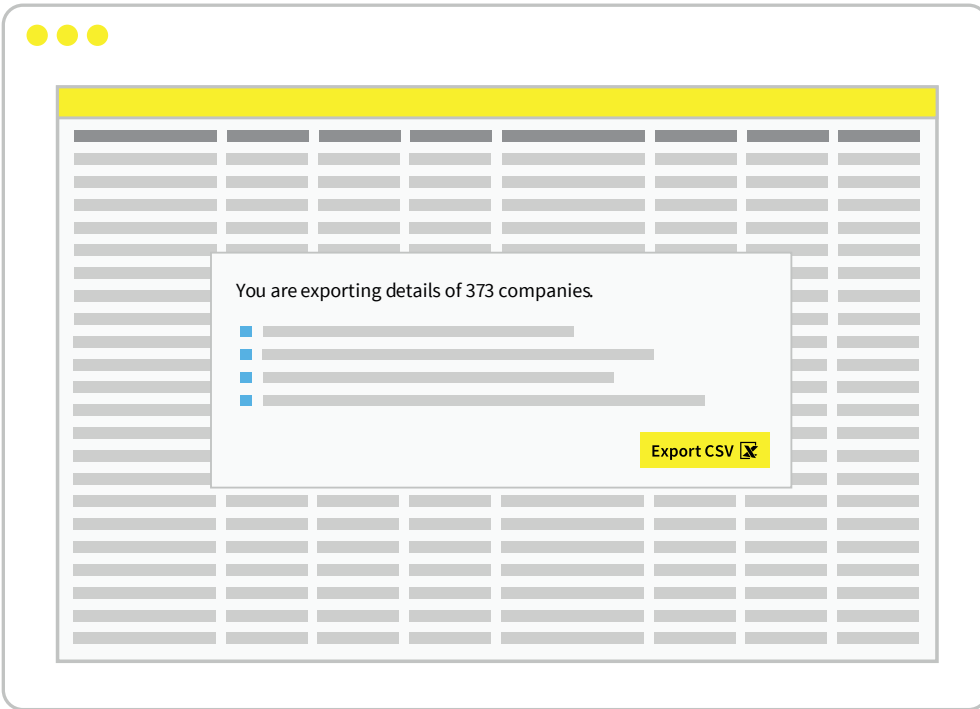
1 ZERO IN ON THE SPACE YOU CARE ABOUT

The screenshot shows a search filter interface with three tabs: 'fundraisings', 'funds', and 'companies'. The 'fundraisings' tab is active. Below the tabs, there are two filter criteria: 'amount raised' is set to 'is between' with a range of '£500k to £1m', and 'buzzword' is set to 'is' with the value 'FinTech'. There is an 'Add more criteria' button and a 'Search' button. Below the filters, there are three blue square icons, each followed by two horizontal grey bars representing data rows.

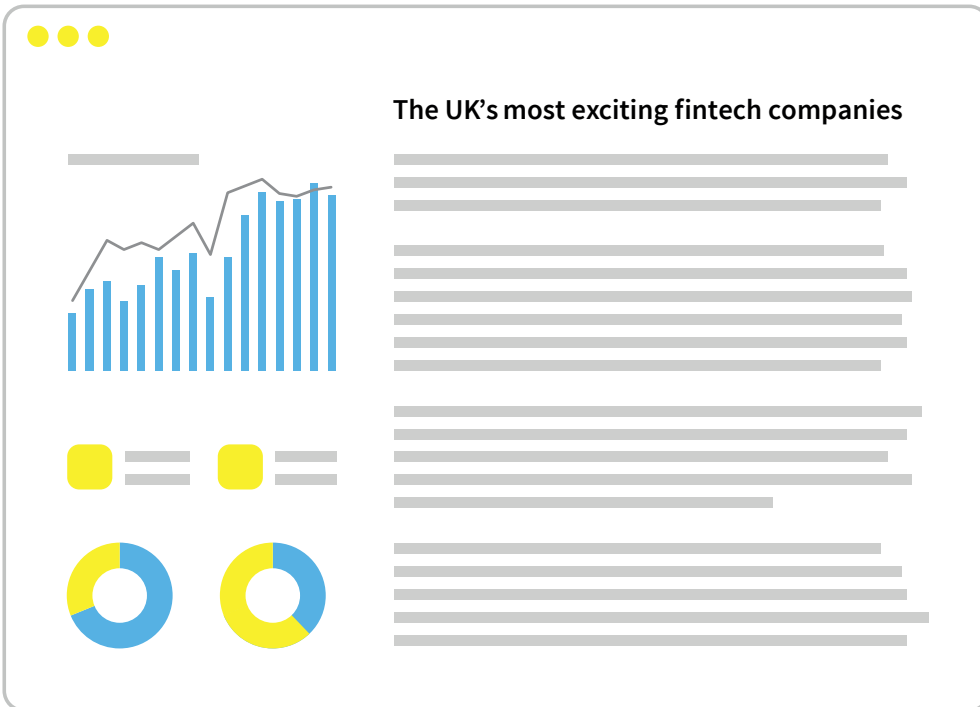
2 SEE INSTANT STATISTICS AND TRENDS

The screenshot shows a dashboard titled 'My search statistics'. It features a grid of data visualizations: a table with four columns and three rows of grey bars, a line graph with blue bars and a grey line showing an upward trend, three donut charts with yellow and blue segments, and a horizontal bar chart with five yellow bars of varying lengths. The dashboard is topped with three yellow dots.

3 EXPORT ANY DATA IN CUSTOM FORMATS FOR FURTHER ANALYSIS



4 CREATE POWERFUL DATA-DRIVEN CONTENT



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