

Small Business Equity Tracker 2020



Launch Presentation

 www.british-business-bank.co.uk

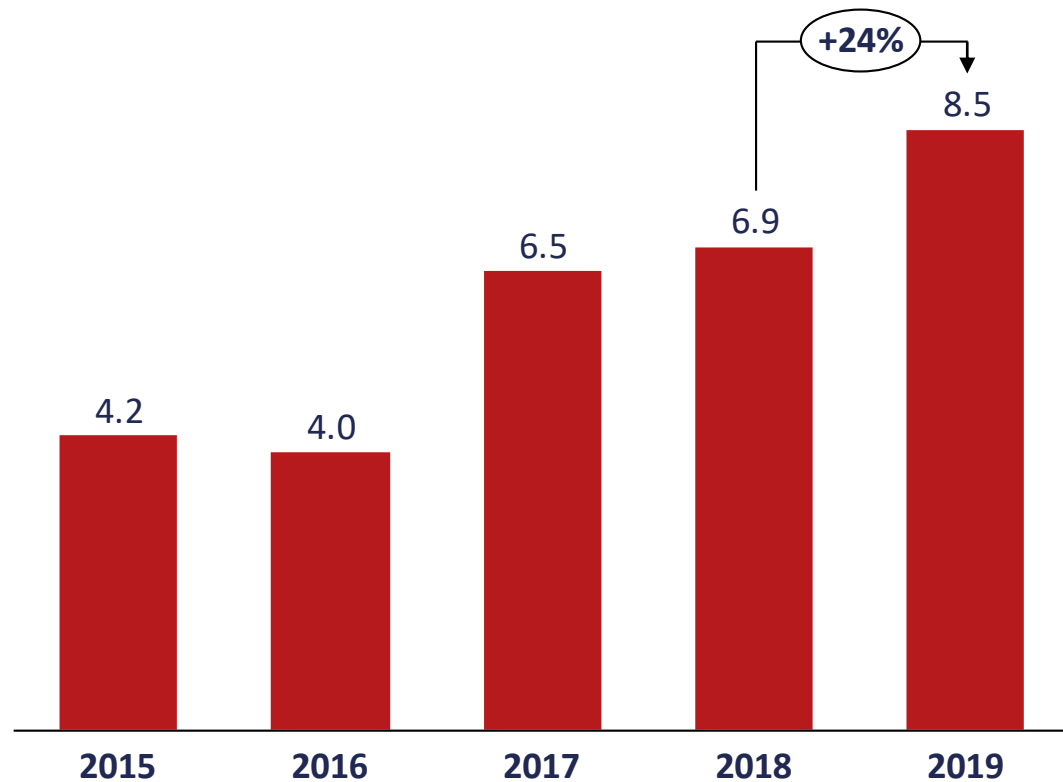
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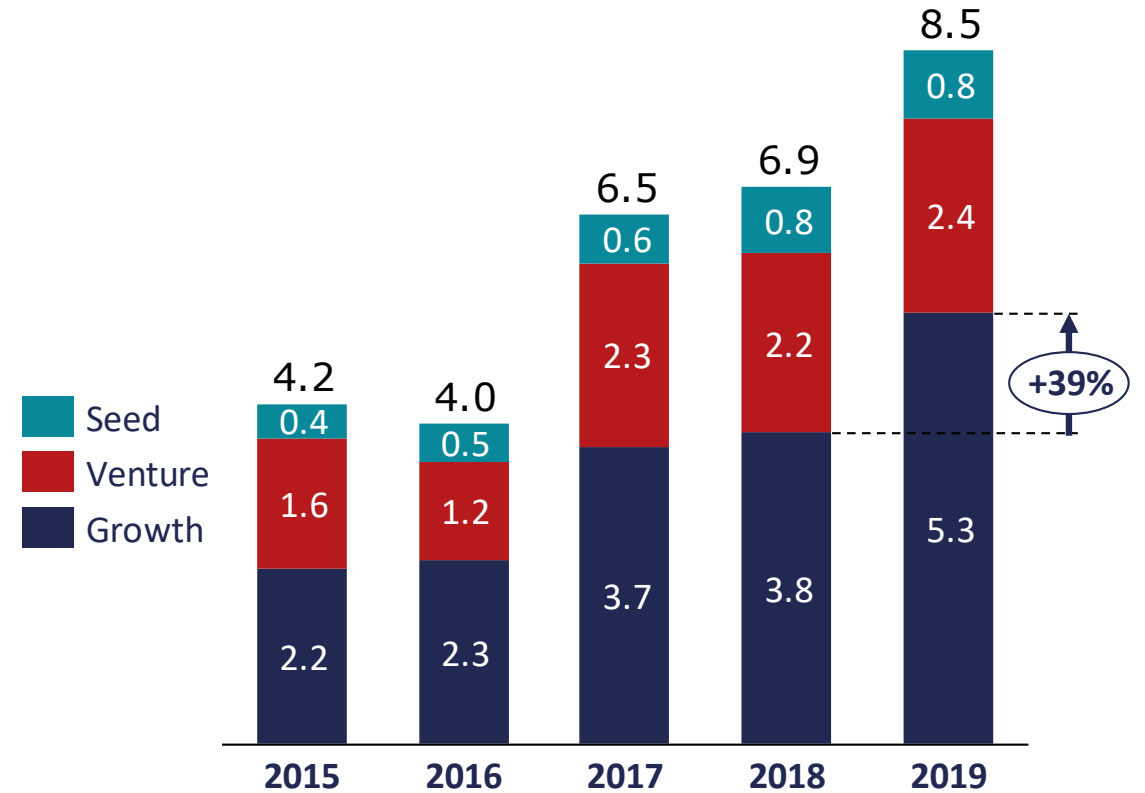
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UK equity investment rose 24% in 2019 reaching a record high driven by large increases at the growth stage...

Total investment, all stages 2015-19 (£bn)



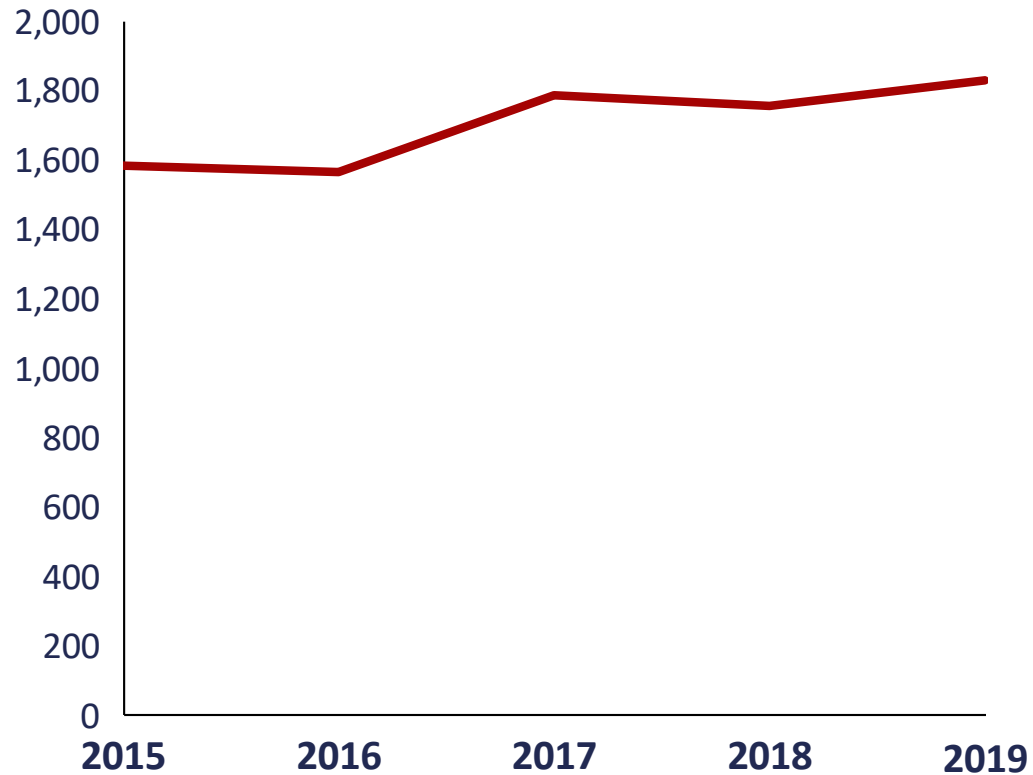
Total investment, by stage 2015-19 (£bn)



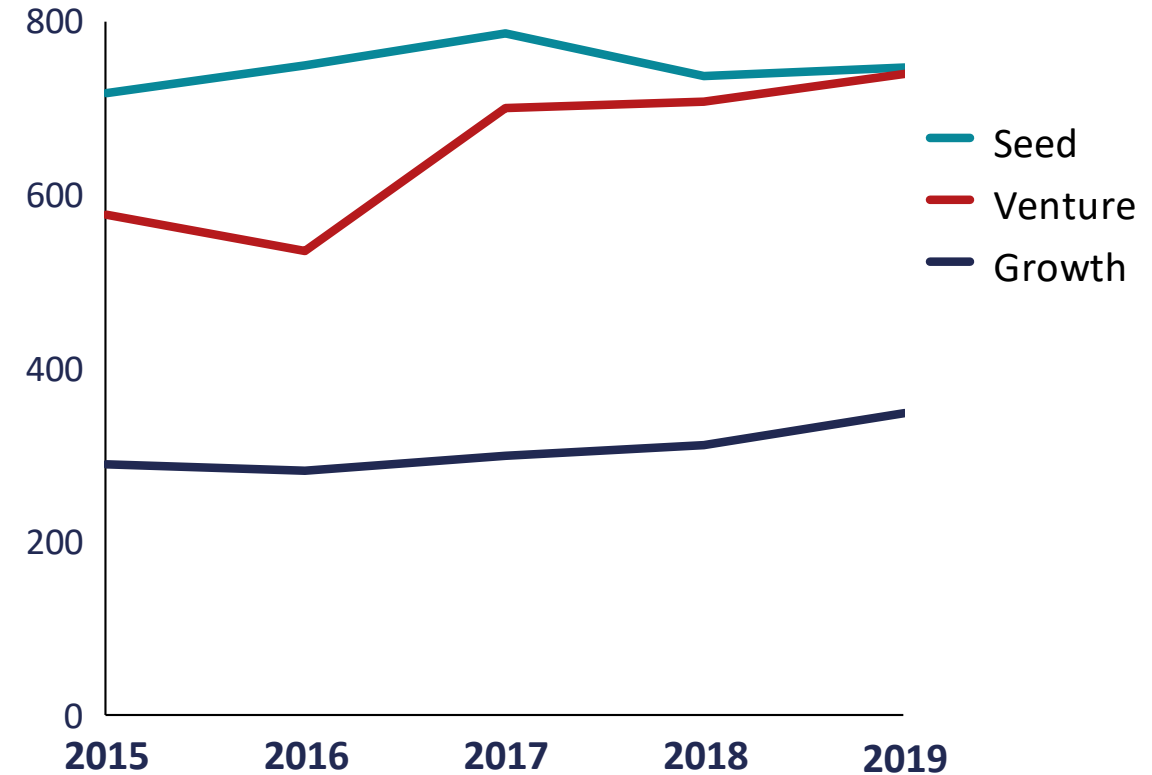
Source: British Business Bank analysis of Beauhurst

...whilst the numbers of deals also increased by 4% to 1,832, reversing the decline seen last year

Number of deals, all stages
2015-19 (#)



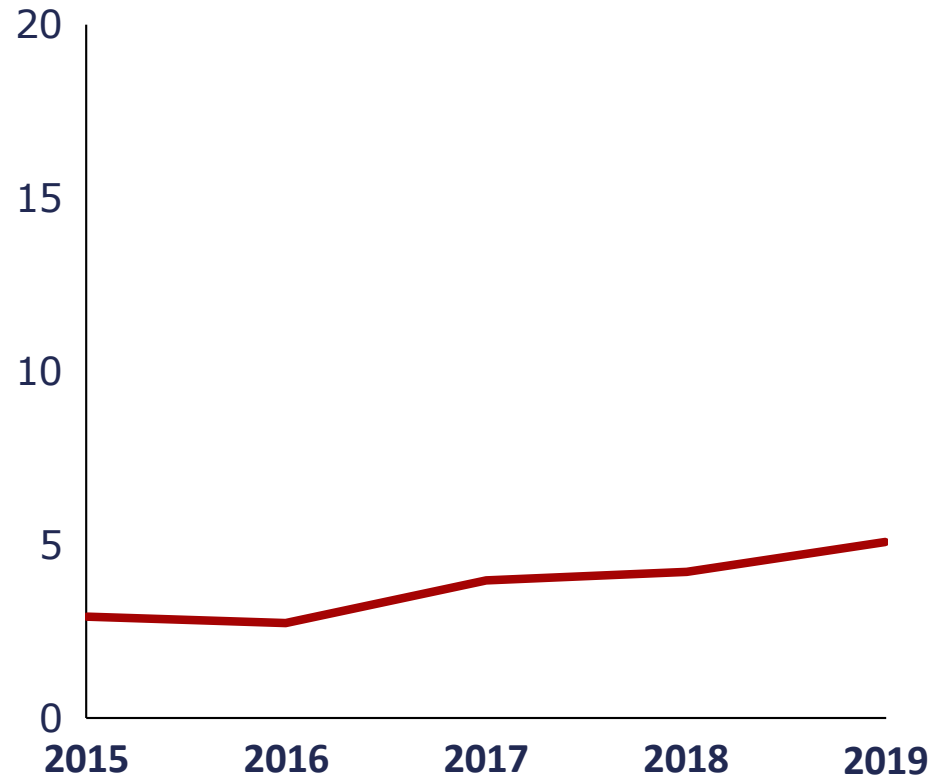
Number of deals, by stage
2015-19 (#)



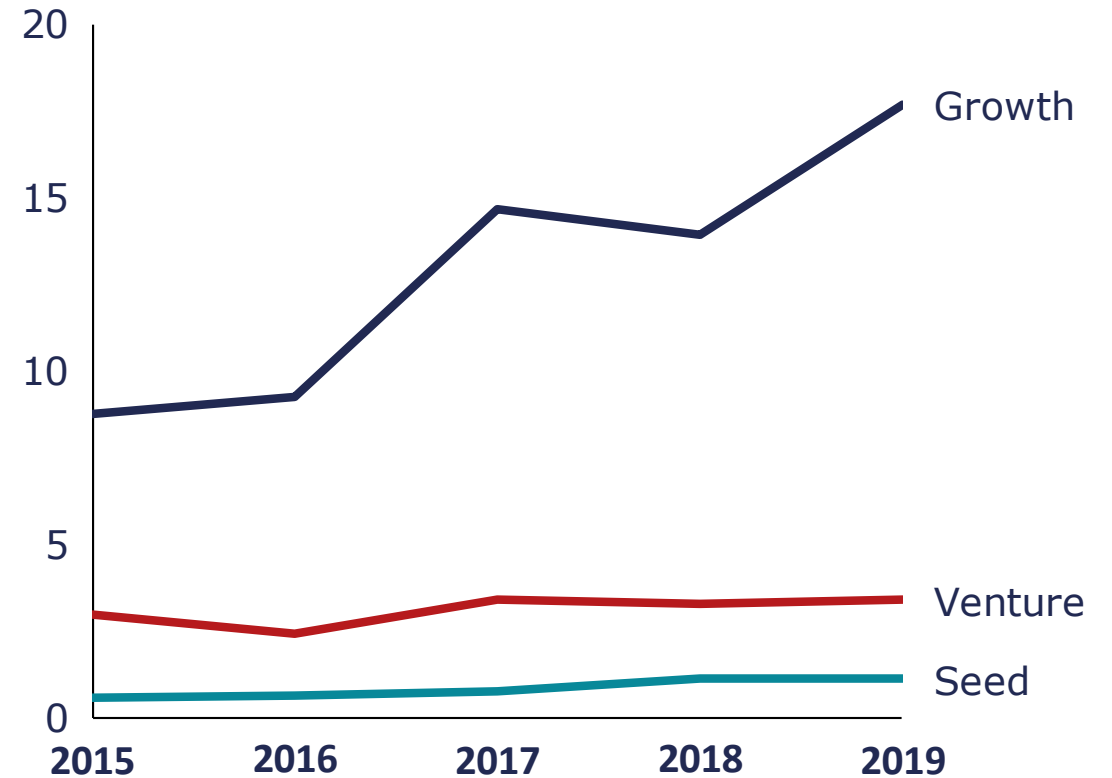
Source: British Business Bank analysis of Beauhurst

The average deal size in 2019 increased by 21% to £5.0m driven by a 27% increase at the growth stage...

Average deal size, all stages 2015-19 (£m)



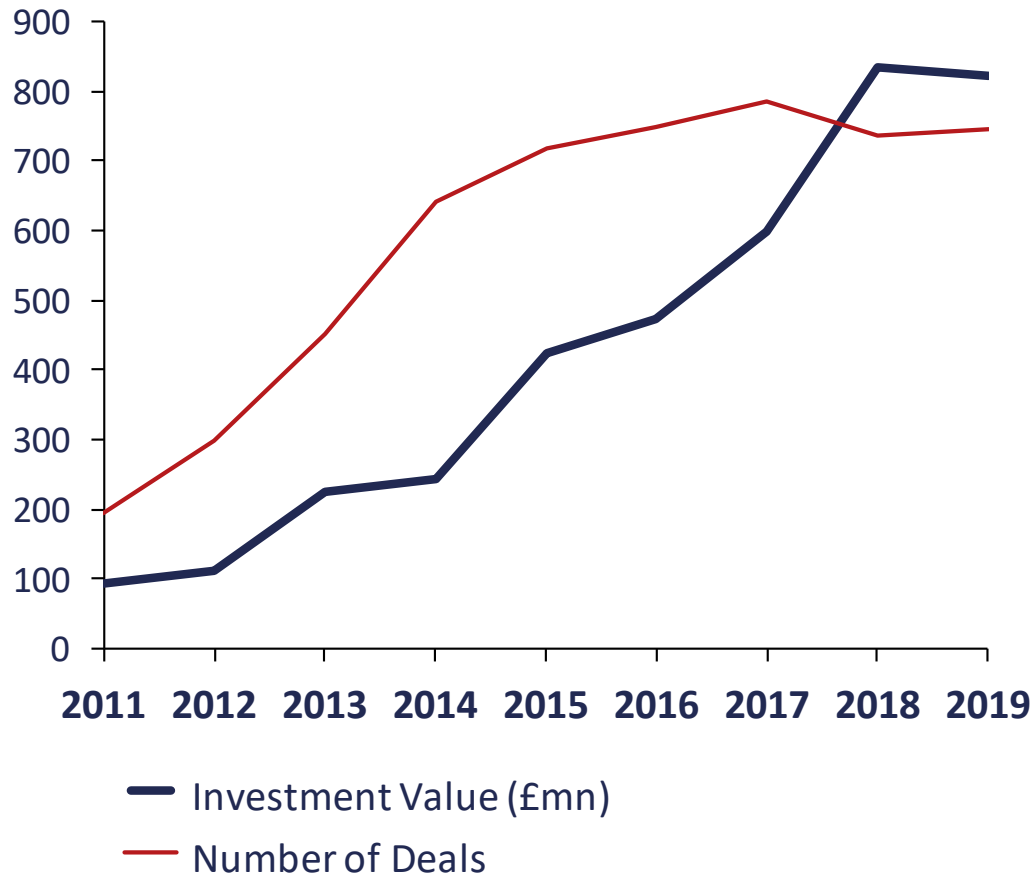
Average deal size, by stage 2015-19 (£m)



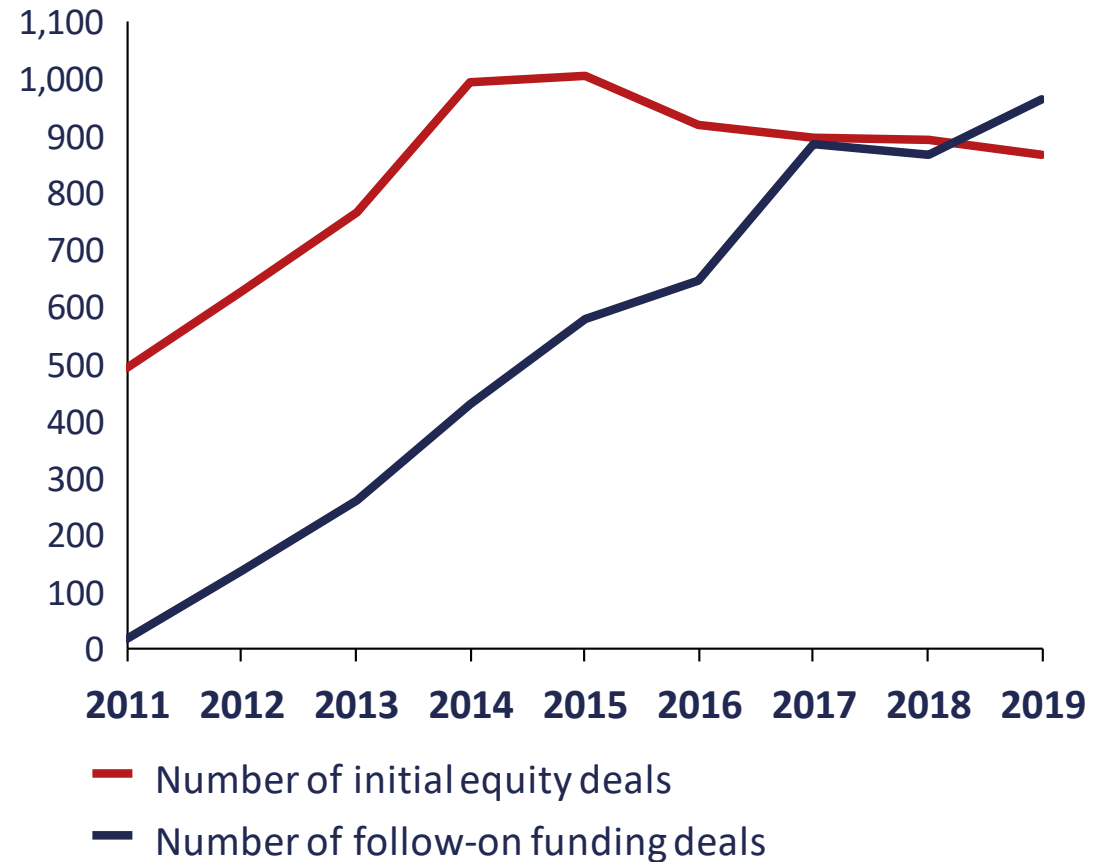
Source: British Business Bank analysis of Beauhurst

Some worrying signs at the seed stage that could impact on the future equity pipeline...

Seed stage number of deals and investment value, by year



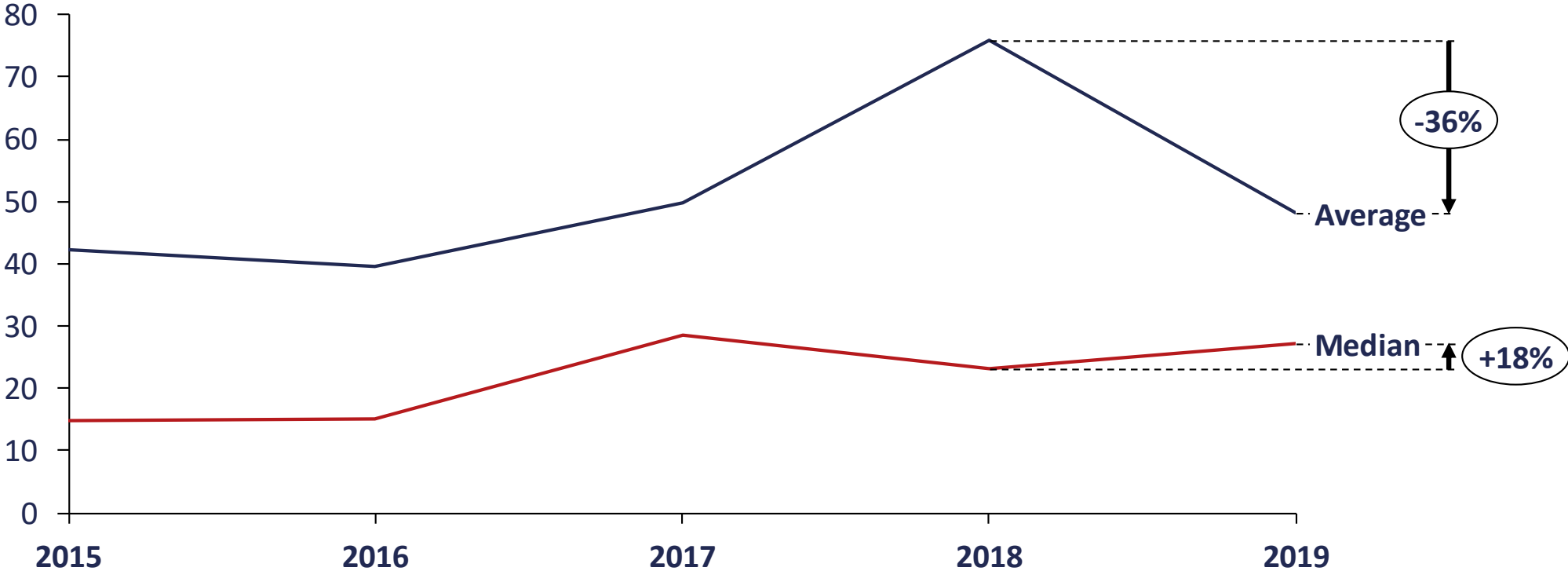
Number of UK SME equity deals (initial and follow-on deals)



Source: British Business Bank analysis of Beauhurst

The average growth stage pre-money valuation fell by 36% but the median increased 18% in 2019...

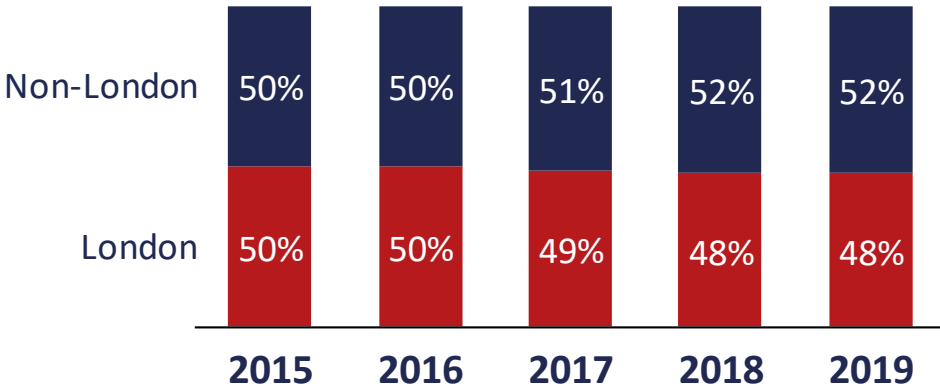
Growth stage pre-money valuations (£mn), 2015-19



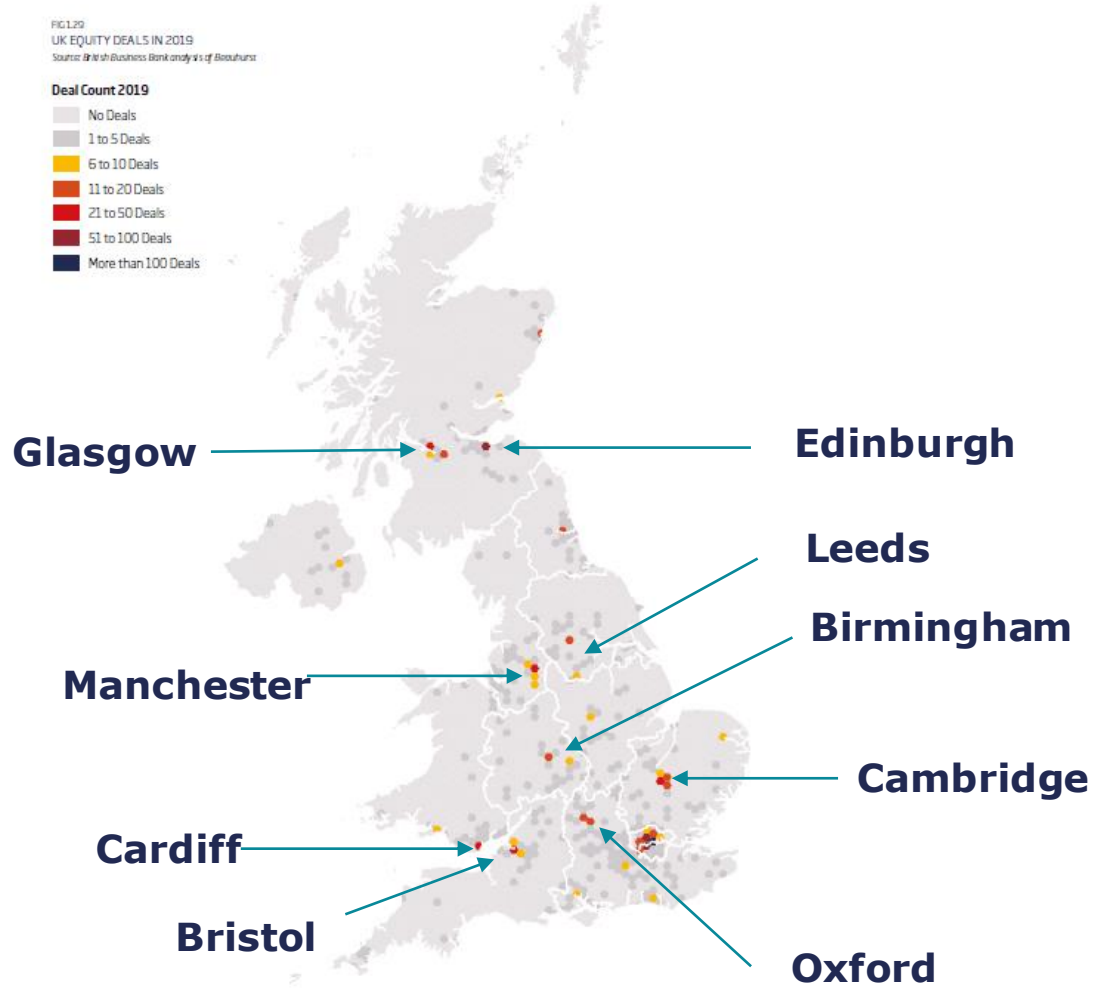
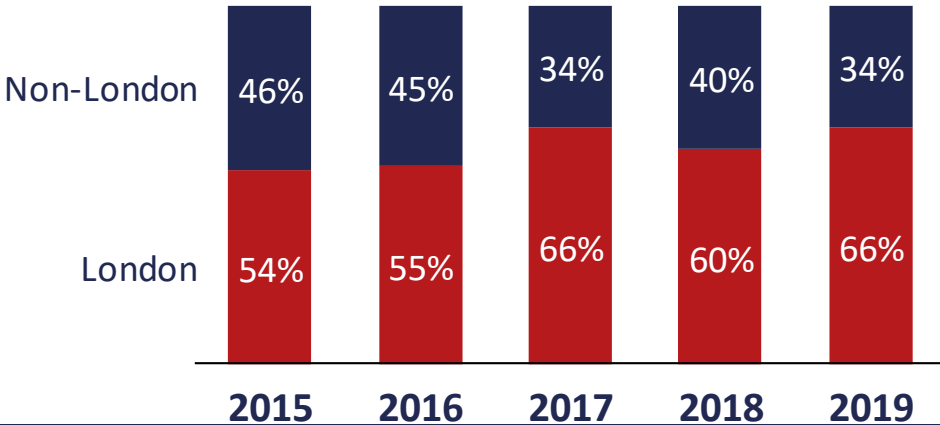
Source: British Business Bank analysis of Beauhurst

London still dominant with increasing share of investment value in 2019 – though equity clusters exist outside of the Capital...

Number of deals (% of UK)



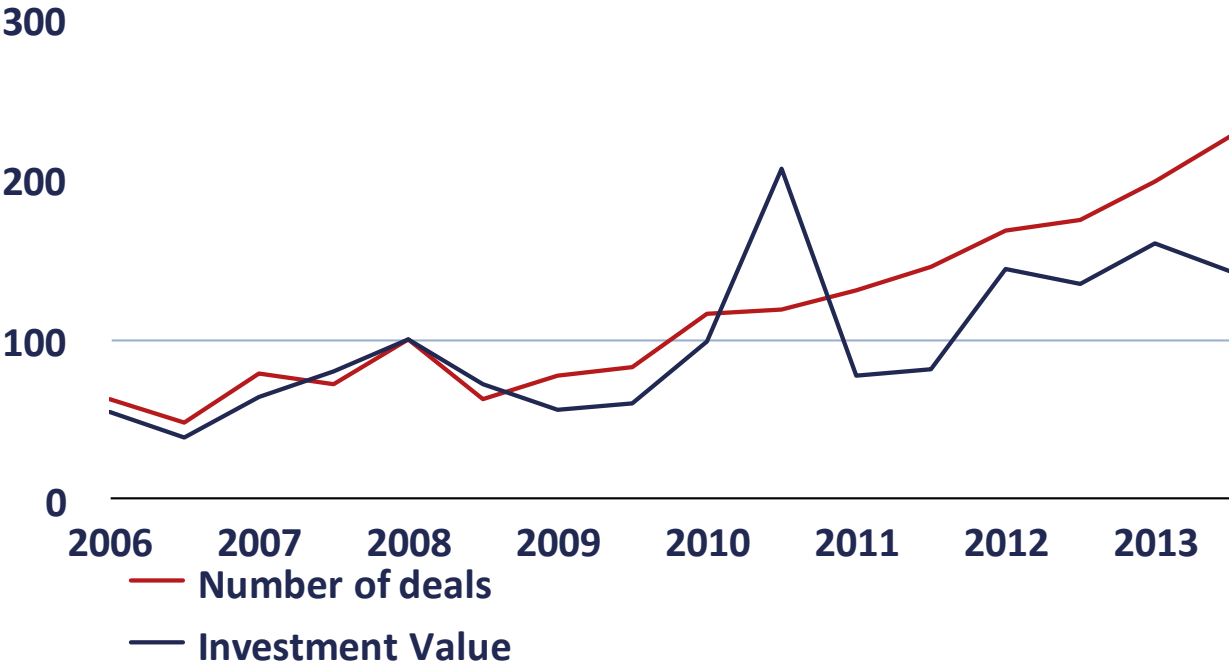
Investment value (% of UK)



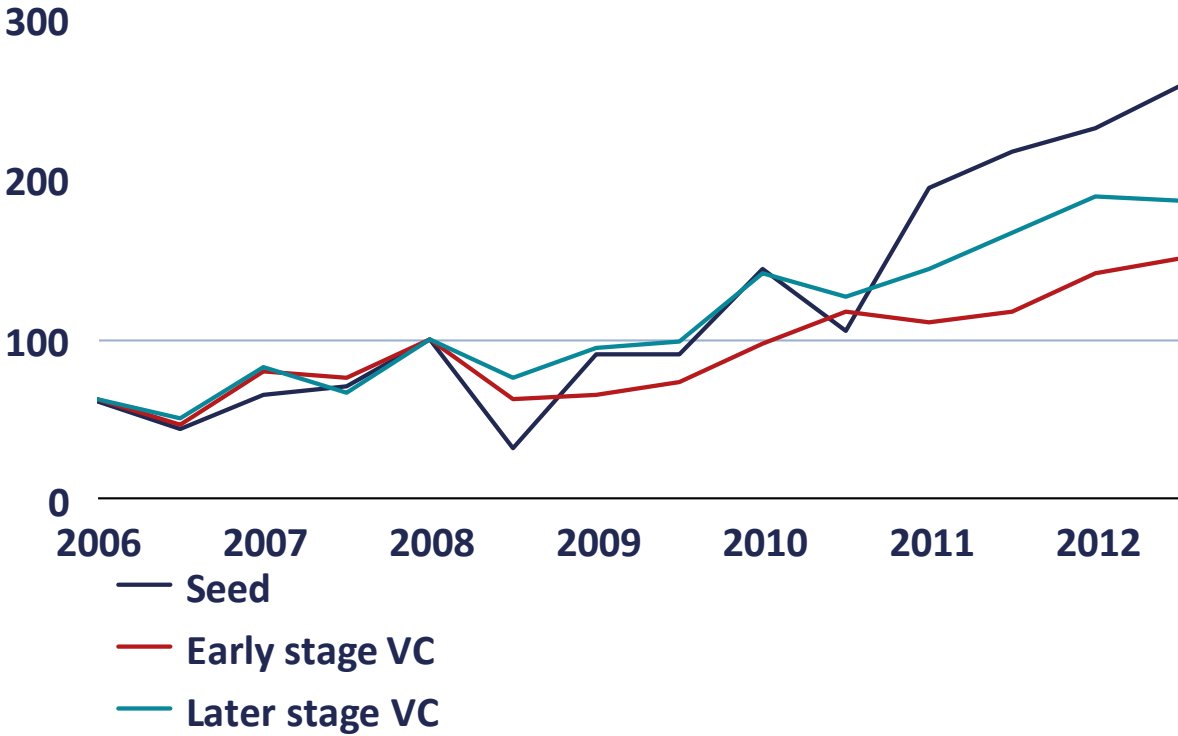
Source: British Business Bank analysis of Beauhurst

The impact of the previous 2008 financial crisis on UK VC shows potential greater impact on seed stage funding...

Indexed number of deals and investment (H1 2008=100)



Number of UK VC deals by stage (Indexed with H1 2008=100)

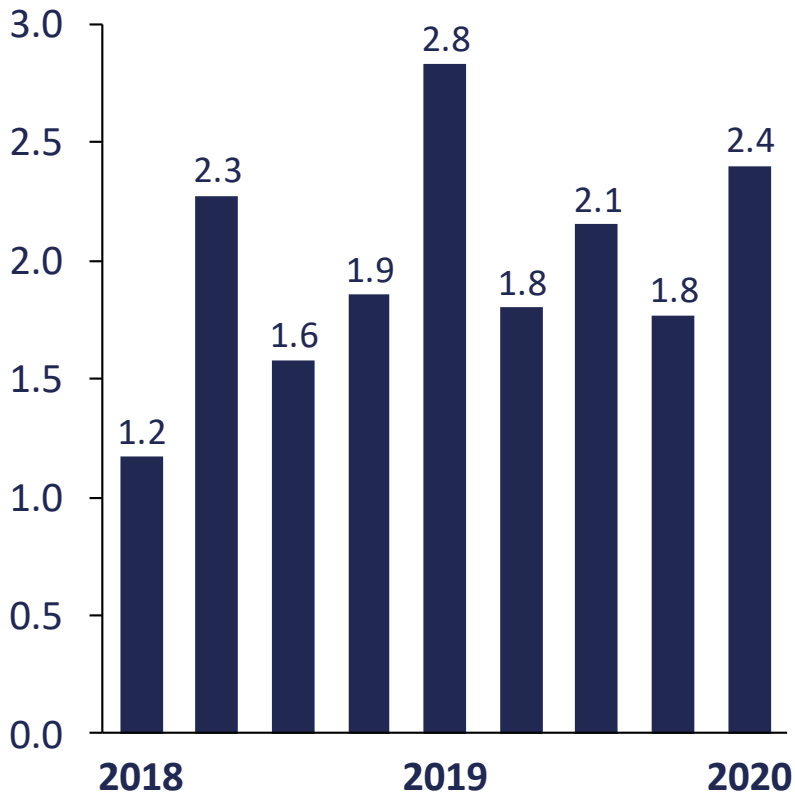


Source: PitchBook

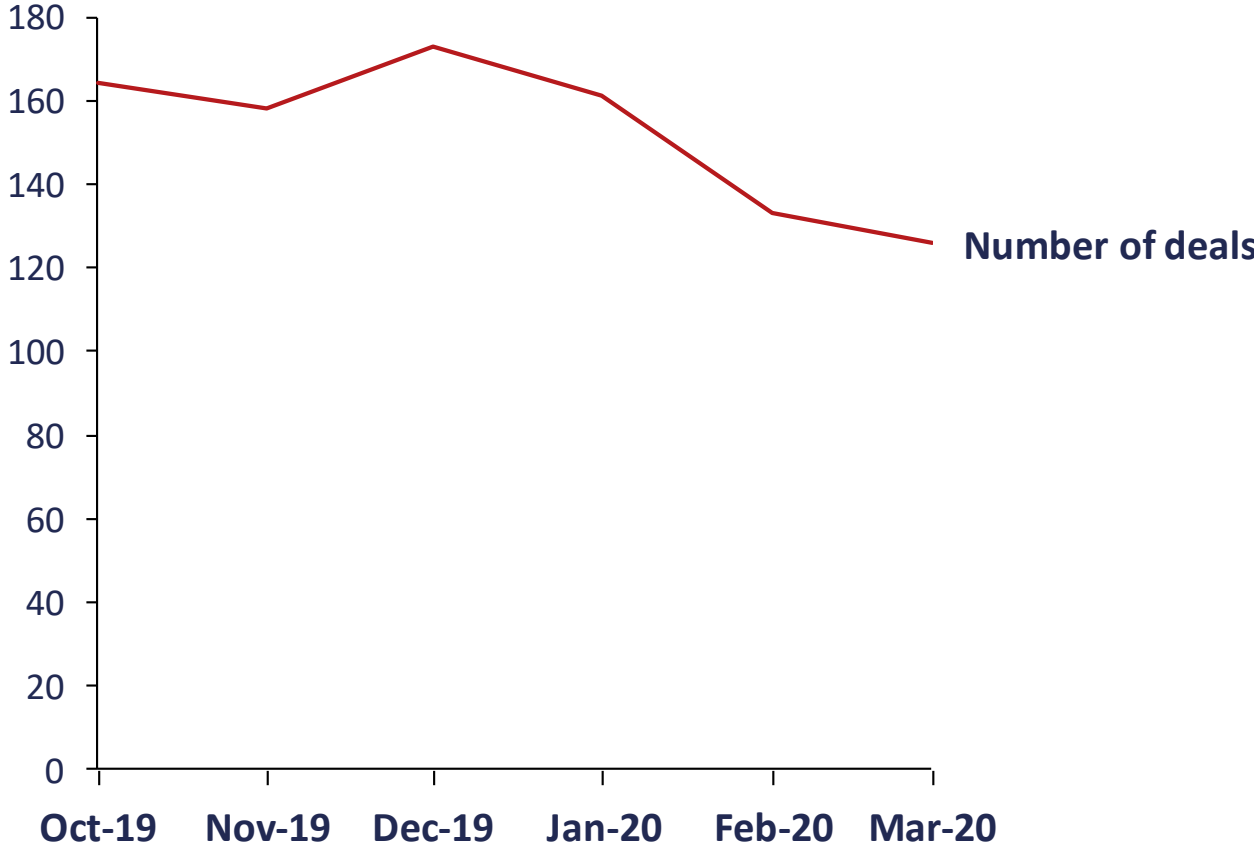


It is too early to assess the impact of Covid-19 on UK equity finance but some emerging signs that it is starting to be felt...

Investment Value (£bn),
Q1 2018 – Q1 2020



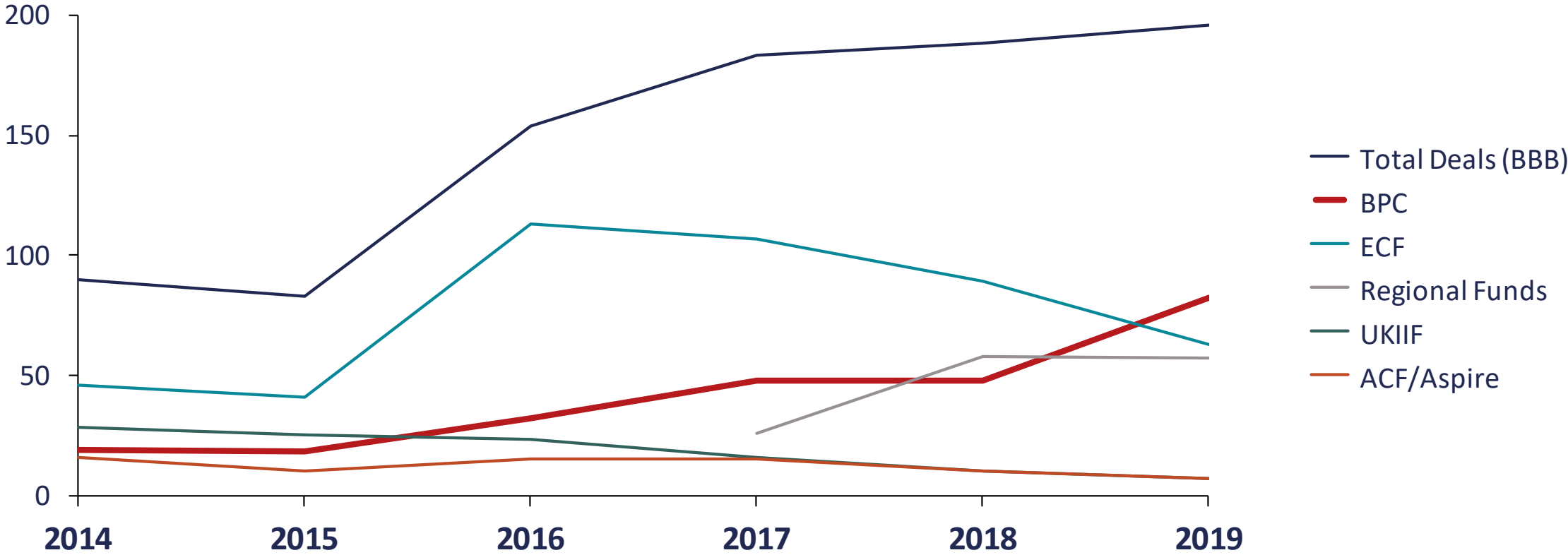
Number of deals (#),
October 2019 – March 2020



Source: British Business Bank analysis of Beauhurst

British Business Bank programmes are estimated to have supported 11% of UK equity deals between 2017 and 2019...

Number of announced equity deals by BBB supported Funds, (#)



Source: British Business Bank MI, Beauhurst

Summary of findings

- **Equity investment into UK SMEs reached record highs in 2019 with £8.5bn invested in 1,832 deals**
- **Even before Covid-19, there were signs of UK SME equity markets beginning to soften**
- **The future availability of equity finance to growing businesses will be affected by Covid-19**
- **British Business Bank's equity programmes had an increased market share in 2019 due to increased number of deals from British Patent Capital (BPC)**