

NI DEAL TRACKER 2019

**Analysing Equity Investment
In Northern Ireland**

A Year of Great Progress



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ABOUT DEAL TRACKER



Since 2011, Catalyst has commissioned the Knowledge Economy Report, an independent benchmark into the vitality of Northern Ireland's knowledge economy and performance against the required trajectories of key metrics to achieve an economic transformation.

After six years of noticing the poor available data on venture capital investing in Northern Ireland, we decided to research and report it ourselves.

After consulting with a wide group of stakeholders we identified the key targets that we need to meet to grow to £90m per annum of venture capital investment by 2030.

This is the third year of the NI Deal Tracker report.

CHIEF EXECUTIVE'S VIEW

After four months of non-stop COVID-19 related news and economic pain, it is nice to recognise some progress being made in Northern Ireland's economy.

It is encouraging that venture capital and equity investment in Northern Ireland reached £44m in 2019, an increase of 53% over 2018 and a significant improvement on the £4m total invested in 2012.

It is pleasing to see the impact of Catalyst programmes on the investment activity, with graduates and participants of Catalyst programmes (Springboard, Co-Founders, Way to Scale, Invent and CEOs Connect) accounting for 65% of the venture capital raised.

Thank you to our many, many entrepreneurs in residence (EiRs) and domain experts who have volunteered their time to help.

Yet, Northern Ireland still has a long way to go with venture capital investment if we want to see more indigenous companies achieving scale and becoming category leaders.

When we come to publish the 2020 figures, we can confidently predict that the 2020 NI Deal Tracker figures will be significantly impacted by the pandemic.

We must lend our support to government to maintain and enhance the support for venture capital provision in Northern Ireland during this time.

We at Catalyst are very proud of how Northern Ireland's entrepreneurs have responded during COVID and the resilience and grit that they have shown.

With the help of our community, Catalyst will continue to adapt our programmes and support so that our entrepreneurs may survive and scale again.



Steve Orr, Chief Executive Officer, Catalyst

KEY FINDINGS



This data has been gathered utilising our strong relationships as a trusted neutral party and therefore the detailed information underlying this report will remain confidential.



61 DEALS

Across 55 NI Companies
Up from 51 deals (2018)



£44.3m

Invested in NI Companies



£726k

Average Investment Size
+£161k Higher (2018)



18%

Average Stake Per Deal

SIMILARITIES TO 2018



The number of deals at the seed investment level in NI (£100-500k) is the same as those recorded in 2018, with 31 deals (51%) completed at this level. The two main investors at seed level remain Techstart Ventures and Clarendon Fund Managers. An additional driver of deals within the local market has been Cordovan Capital, a venture capital and private equity investment syndicate with an interest in growth companies. However, with the new development fund yet to complete a deal and other plans to get a similar fund off the ground in NI slowing, access to funders from outside NI is as important as ever.

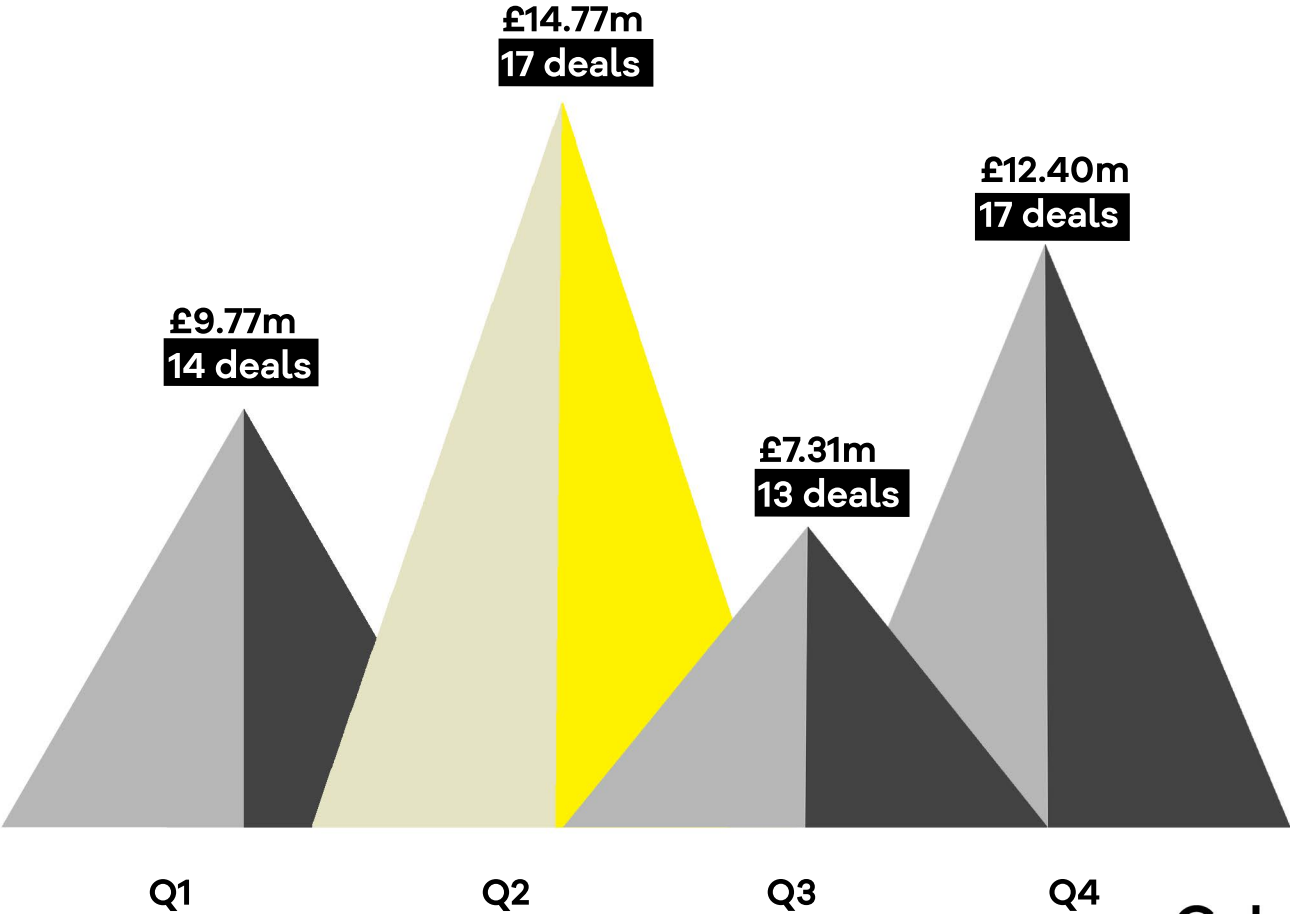
The key difference between the 2019 figures and 2018 is the number of rounds in the £1-5m range. The increase from 6 deals to 16 deals in this category has occurred due to more co-investment from non-NI sources. Once again, there wasn't a single round over £5m, however the ambition level and growth of some NI companies means that this will not be the case for too much longer.

The report would like to highlight a number of significant investments into the local market that didn't make it into the overall figures due to our definition of new share capital. These include Abry Partners, a Boston-based sector-focused private equity firm, investment into Options Technology, Foresight's investment into 352 Medical Group and Diaceutic's listing on the London Stock Exchange's junior market, AIM.

DEAL ACTIVITY

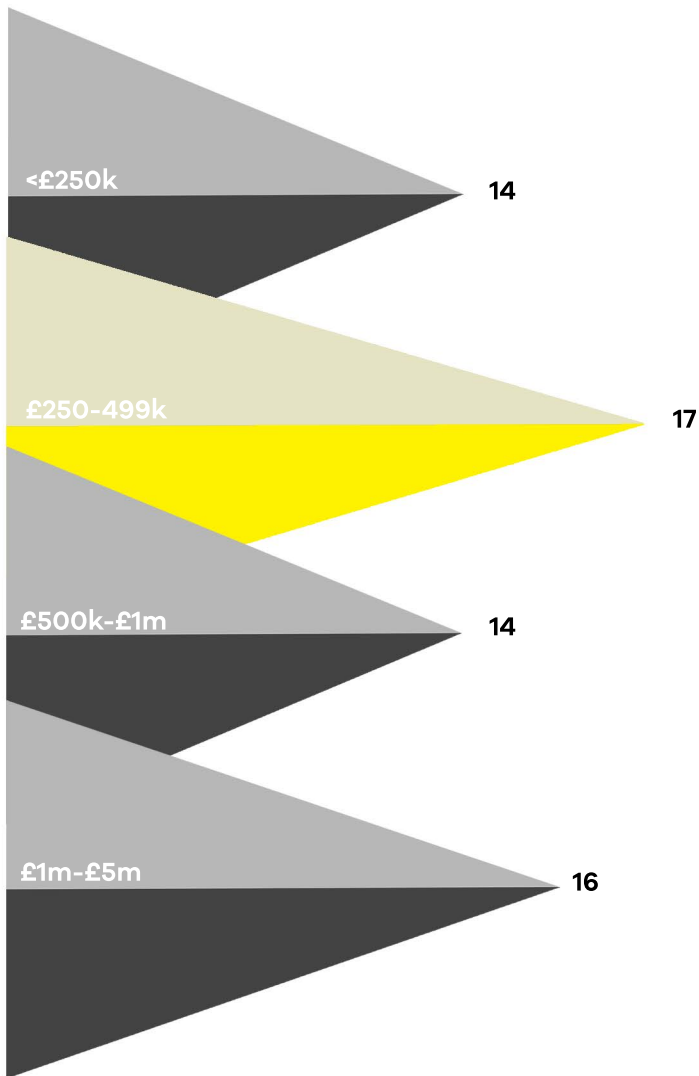


Deal Activity (Deal Number and Amount Per Quarter)

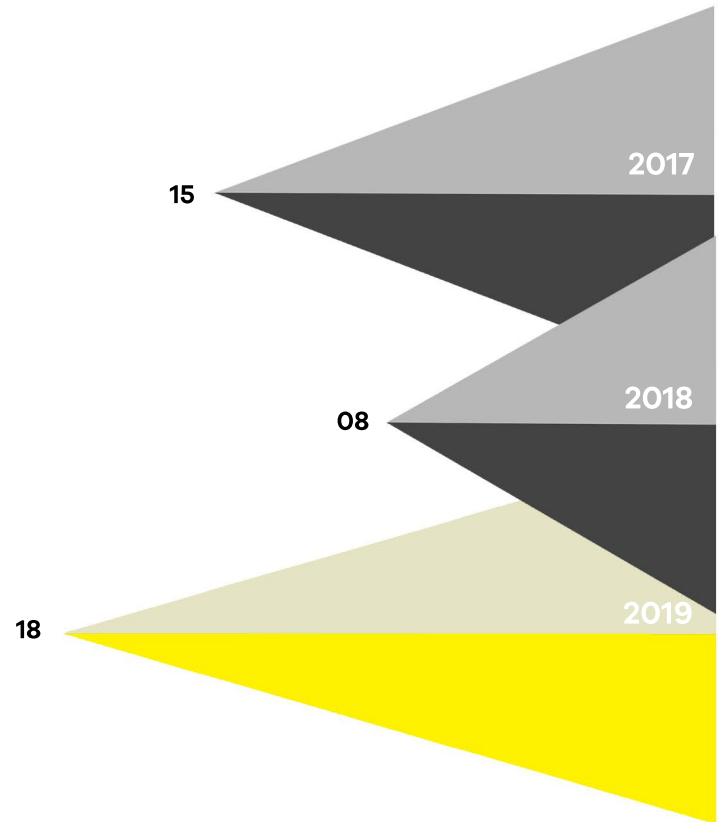





DEAL SIZE



NEW (1st Investment Deals)




SIMILARITIES TO 2018 CONTD



There was a big jump in the number of new investments in 2019 (where a company received their first round of investment) with a 125% increase on the activity level from 2018. There were two significant changes in the market that may have contributed to this; The launch of the new TechStart II Seed Fund in September saw £30m made available to startups, via proof of concept grants and equity investments. Managed by Techstart Ventures, four new equity investments were already in place by the end of 2019.

Secondly, the establishment of HBAN in NI has meant the level of angel activity has increased significantly. Managed by Clarendon Fund Managers, the alignment of the angel network with CoFund NI has allowed deals to be syndicated more easily, with the potential for cross border investment via other angel groups. Early stage ventures are being created and supported by Catalyst's Co-Founders programme and the Ignite Propel Programme, which means there is real potential at the early stages for investors.

NI vs ALL-IRELAND FIGURES



Looking at the figures produced by the IVCA, funding into Irish SMEs grew by 11% to €820m in 2019, compared to €740m the previous year. These figures take into account deals that occurred in NI also.

The figures quoted do include the Options Technology and 352 Medical Group investments so, if those were taken out, NI would represent 7% (5% in 2018) of the overall investment market in Ireland.

In making comparisons, it should be noted that the IVCA figures cover a wider range of investment types than are included in Deal Tracker.

It still highlights the need for NI to raise the visibility of its seed and scale-up opportunities to funders outside the region.

FEMALE-LED COMPANIES

The report looked into deals where the company is led/founded by at least one female member. Out of the 55 companies to receive investment, only 6 (11%) were female-led/founded.

A number of those female-led companies received multiple rounds in 2019, which meant that these companies raised £5.9m (13%) of the total raised in 2019.

When compared with 2018, female-led/founded companies raised £8.5m which equated to 30% of the total raised.

A couple of larger deals into female-founded companies skewed the figures slightly but it highlights that the vast majority of capital goes into companies without a female founder.



CATALYST IMPACT



As well as providing state-of-the-art, agile work environments for tenants, Catalyst has a suite of programmes put in place to help companies from ideation through to scaling. The Co-founders programme has proved to be a very effective initiative to help form teams and saw its first equity investment for one of its alumni (Overwatch Research). In 2019, the Springboard programme saw its 100th graduate through the programme and alumni from this scheme raised £16.5m.

The first cohort of 9 graduates from the new Catalyst Way-to-Scale programme returned and their business performance has already shown the benefits of their exposure to new and broader ambitious business thinking. These results will be reported in more detail in the 2021 report.

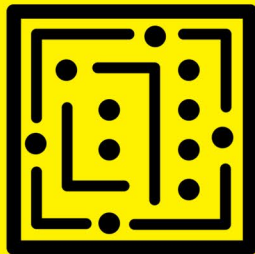
The Catalyst Funding programme succeeded in attracting 40 non-NI funders to Belfast for NI Deal Day which engaged 27 companies in 96 face-to-face meetings. This on-going programme can claim to have helped in creating £13m of investment in this period.

It is pleasing to see the impact of Catalyst programmes on the investment activity, with graduates and participants of Catalyst programmes (Springboard, Co-Founders, Way to Scale, Invent and CEOs Connect) accounting for 65% of the venture capital raised.

THE VC CHALLENGE

A look at the breakdown of where the investment has come from shows similar results to 2018. The majority of capital has come from NI sources (58% vs 57% in 2018) and the number of deals that had at least one investor from outside NI was slightly down (34% vs 39%). Some exciting funders invested in NI in 2019 including Frontline Ventures, MMC Ventures, Par Equity and Ironbridge Capital which highlights more of a willingness for funders to look at NI to invest.

On top of the very active Funding programme within Catalyst, more work needs to be done. However, the NI funds, Ignite, British Business Bank, Innovate UK and others are increasing activity here which should see more incoming investment activity.



58%

Investment within
Northern Ireland



42%

Investment from
outside Northern
Ireland

CASE STUDIES

NI Deal Tracker 2019

NI is starting to produce more amazing opportunities each year and we need to continue to highlight these successes. The following companies provide a snapshot of some of those that raised significant capital and hope to go onto much bigger things.

Plotbox

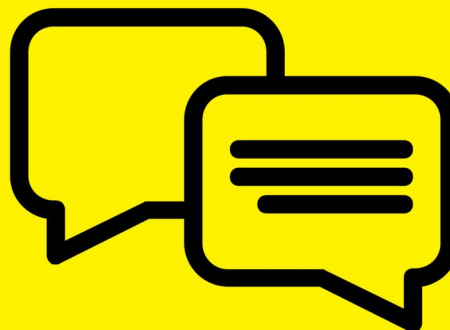
Headquartered in the Catalyst managed ECOS Centre in Ballymena, Plotbox have developed software for the cemetery and crematory industry that enables world-class death care facility operations. Founded in 2011 by husband and wife team Sean and Leona McAllister, this investment round saw Par Equity, the Edinburgh-based venture capital firm and London private equity group, Ironbridge Capital Partners participate alongside NI investors Techstart Ventures, Clarendon Fund Managers and private investors.

Axial3D

Founded in 2014 by Daniel Crawford, Axial3D offers a range of solutions for healthcare institutions at every stage of their 3D printing journey, from those needing a one-off custom print, to those with an existing 3D print lab hoping to increase compliance and productivity while reducing operating costs. The funding round was led by London-based Imprimatur Capital Fund Management, along with participation from angel investors and existing investors Clarendon Fund Managers, Innovation Ulster Ltd and Techstart Ventures.


Cloudsmith

Founded by Alan Carson, Lee Skillen and Peter Lorimer, Cloudsmith is an advanced logistics platform for software developers and vendors who need to secure, manage and accelerate their product development and distribution pipelines. The company secured one of the largest seed investments in NI with Frontline leading a \$2.1m round alongside MMC. It is a great story for the NI ecosystem with the company graduating from the Catalyst Springboard programme, Ignite's NI accelerator and securing initial investment from Techstart Ventures



2020 OUTLOOK

NI Deal Tracker 2019



While 2019 was an outstanding year, the investment outlook for 2020 is clearly more uncertain. Already we know that in the UK the amount invested was down 46% compared to March to June 2019, however this still amounted to over £1.6bn, which is a very substantial figure.

In addition, early indications are that the main effect has been felt on later stage companies while seed investment only fell by 7%.

Northern Ireland has already seen some notable funding rounds during lockdown. Overwatch, a life science software company announced their first funding as did A.I. specialist Sonrai Analytics who raised £700k. While Revanna Therapeutics raised over \$3m from US funds and Qubis to support their sustained release drug.

Investment will continue in 2020, although this is likely to be at a slower rate than 2019.

ABOUT CATALYST

Catalyst is an independent, not for profit organisation working together for the greater good, enabling a connected community of like-minded innovators in an entrepreneurial ecosystem in Northern Ireland.

The epicentre of Northern Ireland's tech sector, we provide the home, support and networks to nurture innovators and entrepreneurs to aim higher and succeed faster. We invest the surplus generated from our property operations to provide the underwriting necessary for our community-led innovation ecosystem that supports over 900 startups, entrepreneurs and innovators pro bono each year to create and scale innovation companies in Northern Ireland.

To learn more about Catalyst, visit our website: wearecatalyst.org

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