



fieldfisher

Fieldfisher Venture Capital Wrap 2018



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ADVISED ON **£330 MILLION+** OF DEALS IN 2018



TECH

£235.8 million

71%

of total deal value



LIFE SCIENCES

£52.8 million

16%

of total deal value



LEISURE & MEDIA

£30.7 million

10%

of total deal value



£88 MILLION
OF US CAPITAL

27%

of total deal value



SEED & EIS CAPITAL

£16.7 million

5%

of total deal value



SERIES A FUNDING

£57.3 million

22%

of total deal value



GROWTH CAPITAL

£260.9 million

79%

of total deal value

16 DEALS valued over

£5 million



"We have been nothing but impressed by Fieldfisher every step of the way, from rock solid IP advice through to its relentless efforts and dedication on all aspects of this financing round."

Mike Ross, Finance Director, Brixton Brewery

Summary

Fieldfisher advised on venture capital (VC) and venture debt deals in excess of **£330 million** in 2018, driven primarily by healthy appetite among VC investors and venture debt providers for opportunities in the tech sector.

The firm also witnessed strong interest from US-based funds in expanding European and UK businesses and a continued trend in large corporates investing into growth companies as a means of outsourcing R&D and innovation.

Fieldfisher was engaged to act on a wide range of VC deals over the past 12 months – from genomics and drug delivery, to mobile payments and fintech, to virtual reality gaming and vegan soups. Investment activity has held up well despite a turbulent geopolitical backdrop, dominated by trade tensions and uncertainty over the impact of Brexit.

Growth funding pips seed capital

The bulk of transaction value was in growth-stage (post-series A funding) businesses, which accounted for nearly 80% of the total VC deals handled by the firm in 2018.

On the individual deals level, 30% of deal volume was at the seed capital stage, from EIS qualifying Advanced Subscriptions Agreements to late stage seed preferred equity investments from institutional funds. Series A investments accounted for 22% of total dealflow.

This meant the split between early stage funding (seed capital and series A transactions) and growth-stage (post series A) VC and venture debt investments the firm advised on last year was close to 50:50.

Institutions and angels support deal-making

The value of individual deals ranged from c.£100,000 seed/enterprise investment scheme (SEIS/EIS) deals to £50 million preferred equity and debt transactions, demonstrating the firm's strength across the full breadth of the VC and venture debt sector.

The largest share of investments by deal volume (35%) were led by an institutional venture capital firm, while 18% of deals were led by or included a strategic corporate investor.

High net worth (HNW) individuals and angel investors also contributed significantly to the VC deals Fieldfisher advised on in 2018, accounting for 26% of deals with the remainder involving venture debt providers.

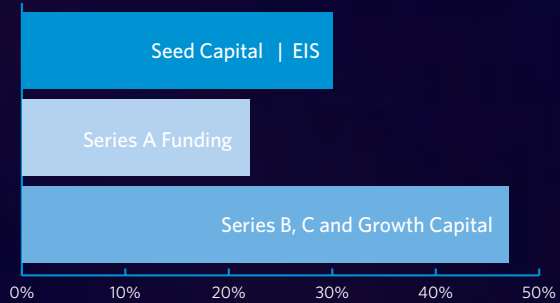


Commenting on Fieldfisher's 2018 deals data, Tom Ward, a partner in Fieldfishers corporate M&A and venture capital group said:

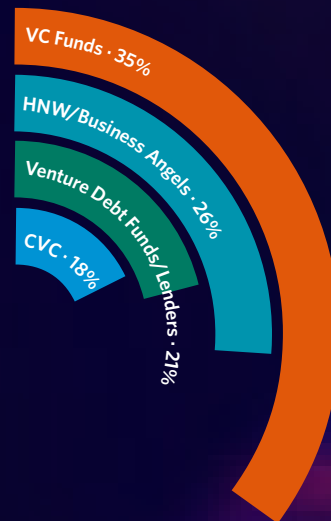
"This data shows that our VC practice is going from strength-to-strength across all stages of the VC ecosystem and a broad range of sectors.

Our market-leading technology and life sciences practices were particularly strong performers last year, particularly in fintech, AI and 'Big Data'. Fieldfisher's breadth and depth of expertise in these and other high growth areas, including advising on a wide range of financial and biopharmaceutical regulatory matters, ensures that we are well-placed to continue helping both investors and innovative high-growth companies in these sectors throughout 2019."

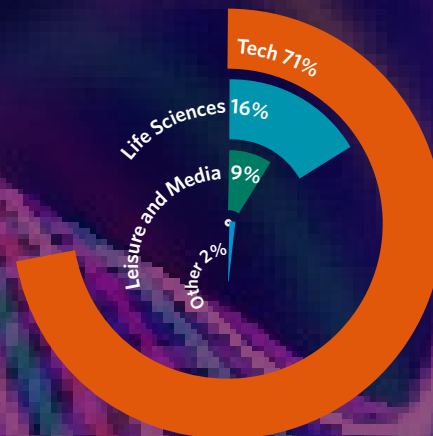
VC DEAL VOLUME BY FUNDING STAGE



VC DEALS BY INVESTOR TYPE



VC DEALS BY SECTOR



VC DEAL VALUE BY FUNDING STAGE



Tech

Technology was by far Fieldfisher's most active area for VC transactions in 2018.

The firm advised on more than £235 million of tech-related VC deals in 12 months, accounting for almost three quarters of its total VC deals by value.

Of this, around £93 million of VC investment was directed at fintech opportunities, from emerging blockchain to mobile payment technologies and data analytics platforms providing core services to financial institutions.

Proptech businesses – principally aimed at connecting property users with property providers – and retail technologies – mainly geared towards improving consumer access to online shopping – also made up a small but significant share of Fieldfisher's total tech VC transactions.

The remainder of the VC tech deals the firm advised on were spread across a number of consumer and business applications, representing the pervasive nature of technological innovation and the appeal of novel solutions to investors.

Deal highlight:

Advising UK-based **EdTech** software platform developer **Fuse Universal** on its **\$20 million (£15.7 million)** Series B preferred equity investment round from **8 Roads Ventures**. The investment will enable Fuse to remain at the forefront of educational technology innovation.

Fuse's EdTech software platform allows businesses to create, curate and share relevant internal and external content among employees to facilitate seamless learning, knowledge sharing and communication.

Deal highlight:

Advising UK-based **Shawbrook Bank** on two separate facilities collectively worth **£4.5 million** as part of the launch of Shawbrook's new venture debt product in 2018.

Shawbrook is a retail and commercial bank focusing on a number of specialist sectors.

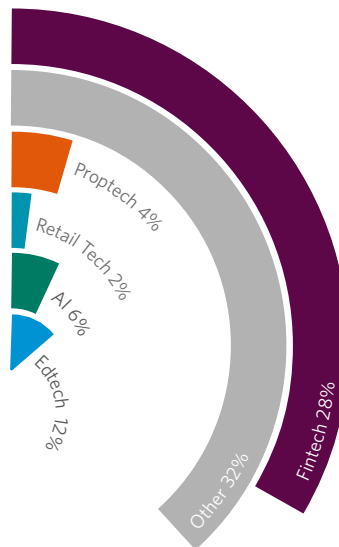
Fieldfisher advised the bank on how to structure its new growth capital product and on the two term loan facilities made available to borrowers in the tech sector.

Deal highlight:

Advising Belgium-based **Aproplan** on a **€4.2 million (£3.8 million)** additional senior and privileged Class C shares issuance to investors, venture capital fund **Fortino Capital** and leading Belgian construction group, **Matexi**.

Aproplan digitises the construction process with an app that brings together all construction site stakeholders around the objectives of deadlines, budget and compliance of a construction project.

TECH DEALS BY SUBSECTOR



Life Sciences

Fieldfisher advised on close to £53 million of life sciences VC transactions in 2018, accounting for 16% of the firm's total deal value and making it the second largest sector for its VC practice.

VC transactions spanned a range of business types, including developers of immunotherapies and personalised medicines, cannabis-based treatments, medical devices and IT systems for healthcare services.

Individual deal values varied from around £1.6 million to £15 million across Series A and growth funding investments.

Around £22 million-worth of Fieldfisher's life sciences VC deals came from deals involving US investors seeking stakes in UK or European businesses.

All US cash earmarked for life sciences was invested as growth capital (post-Series A).

Deal highlight:

Advising a group of investors on their participation in the **£7.4 million** equity financing of Oxford-based biopharma company **Beckley Canopy Therapeutics**.

Beckley is developing a range of cannabis-based products to treat pain and help tackle opioid addiction.

Deal highlight:

Advising the London branch of California-based lender **Silicon Valley Bank** in relation to a **£6 million** term loan facility made available to a provider of affordable online mental health therapy based in the UK and the US.

This was an example of a venture debt deal in the **MedTech** space, which was one of the focal points for investors in the life sciences sector in 2018.

LIFE SCIENCES VC DEALS BY FUNDING STAGE



Leisure and Media

VC investment into leisure-focused businesses (including food, retail and visitor attractions) and media companies (including marketing, advertising, content distribution and AR/VR and video gaming) accounted for around 10% or more than £30 million of Fieldfisher's 2018 VC transactions by value.

There was heavy emphasis from VC investors on entertainment and gaming and concurrent opportunities for consumer engagement and creating brand loyalty in this area.

In the leisure sector, vegan and health food outlets were a key target for VC while a new London visitor attraction received a two multi-million pound early stage capital injections.

In the media and entertainment sector, VR/AR gaming businesses and businesses employing data-driven consumer targeting using creative content were among the main recipients of VC funding.

Deal highlight:

Advising virtual reality fitness gaming business **FitXR** on its **\$1.25 million (£981,000)** seed preferred financing from investors, including US VC firms Boost VC, **Maveron Capital** and **TenOneTen**.

FitXR's gamified fitness app, BoxVR, is part of a growing trend towards encouraging people to get fit through gaming.

Deal highlight:

Advising one of the main investors in the **Body Worlds** London museum, the first permanent exhibition of the hugely popular visitor attraction.

Dr Gunther von Hagens' renowned exhibition of real human bodies took over 28,000 sq ft of the former Ripley's museum on Piccadilly Circus, featuring more than 200 exhibits. Opened in October 2018, the Piccadilly museum is Body Worlds' flagship site.

Deal highlight:

Advising German baby food manufacturer **Pumpkin Organics** on a seed capital raising totalling **€2.5 million (£2.25 million)** in several investment rounds to help launch the brand and establish the company.

Pumpkin Organics makes puréed organic vegetable pouches for children and sells to customers across Europe.

LEISURE & MEDIA DEALS BY INDUSTRY



Outlook for 2019

Many of the trends identified across Fieldfisher's VC deals in 2018 reflect patterns also observed in the wider European and global VC sector.

Below, we summarise some of the trends that emerged from the firm's deal portfolio in the last 12 months and look ahead to what 2019 may hold for VC and venture debt activity.

Brexit dampens deal-making

Although Fieldfisher recorded robust VC activity in the UK in 2018, some eagerly anticipated deals failed to close before the end of the year.

Among other factors, there were indications that the failure of the UK government to agree a Brexit deal by Christmas was weighing on VC sector confidence.

Figures from data provider Dealogic show that appetite for deal-making in the UK among private equity groups since the UK voted to leave the EU has fallen sharply - from \$50bn for a total of 56 deals in 2015 to \$30bn from 40 deals in the year to December 2018 - as private equity firms seek clarity on what Brexit will mean for the economy and international trade.

Private equity executives are believed to have adopted a "wait and see" attitude until the impact of Brexit becomes clearer - which will hopefully be before the UK's official exit date of 29 March 2019.

The growing role of US VC in the UK

VC deals involving a US investor accounted for more than £88 million (30%) of the total deal value advised on by Fieldfisher in 2018.

This was concentrated in a handful of transactions which, with one exception, were worth at least £1.5 million up to £27 million.

In November 2018, London and New York-based VC firm Octopus Ventures released a report analysing global VC activity, which found that US VC activity in Europe increased considerably in the period 2011-2017, although it did not publish data for 2018.

In 2016, 12.8% of all VC deals involved a US investor, increasing to 17.3% in 2017, the Octopus report stated.

The amount invested into UK companies by West Coast investors surpassed £1 billion in 2017 for the first time, increasing 252% since 2011. East Coast investors also invested enthusiastically in UK companies, contributing £1.3 billion in 2017.

The deals advised on by Fieldfisher in 2018 demonstrated healthy interest from one US West Coast client in particular, California-based Silicon Valley Bank, as well as robust activity by established East Coast funds.

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Corporate venture remains a core part of the VC ecosystem

18% of the deal volume handled by Fieldfisher in 2018 included either a corporate venture capital fund or a corporate strategic investor, either leading the round or participating alongside an institutional VC firm.

This is part of a continued trend in large corporates increasing their investment activity in seed and early stage rounds, accessing and supporting innovative new technologies and products and, in some cases, obtaining an outright ability, or a right of first refusal, to acquire the company at a future date.

Tech's appeal

Tech companies were the leading recipients of VC funding in the deals Fieldfisher advised on in 2018, with varying amounts of capital going to businesses across a broad range of sectors, the majority of which were in the UK, but often with an international element.

Official figures released by the UK's **Department for International Trade** in December 2018 showed that the UK's tech sector received over £5bn in international VC funding between June 2016 and June 2018, more than France, Germany and Sweden combined.

Meanwhile, recent figures collated by industry monitors Tech Nation and Dealroom indicated that tech start-ups attracted £6.3bn in combined domestic and foreign venture backing in 2018 alone, more than any other country in Europe.

Evidence from industry observers suggests that this trend is likely to continue over the coming 12 months as technological developments permeate every major industry.

In October 2018, longstanding Fieldfisher client Silicon Valley Bank noted that frontier tech - including robotics, autonomous vehicles, space and artificial intelligence, as well as agtech and fintech - "is at a key inflection point, addressing monumental challenges and seeking global audiences."

The bank added that "the cost of deploying these innovations in quickly evolving and massive marketplaces, with increased competition and growing regulations, drives companies to seek additional capital at pivotal times in their growth cycle."

Focus on growth-stage opportunities

In Q4 2018, Octopus Ventures reported findings that VCs investing in the UK and Europe are making fewer, larger, later-stage deals, with a greater focus on scale-up businesses and unicorns.

Around 82% of Fieldfisher's VC transactions by value were in growth stage (post-series A funding) businesses, although this drops to 49% on a deal volume basis - reflecting the fact that the firm also has a strong presence at the start-up and Series A end of the sector and a reputation for its entrepreneurial approach.

The diversity of deals Fieldfisher advised on in the last year suggests that VC investors have broad horizons, spotting opportunities of all sizes and in every sector niche.

This points to resilient enthusiasm among VCs for innovation and for investing relatively small sums in promising start-ups, as well as later stage scale-up companies offering near-term returns.



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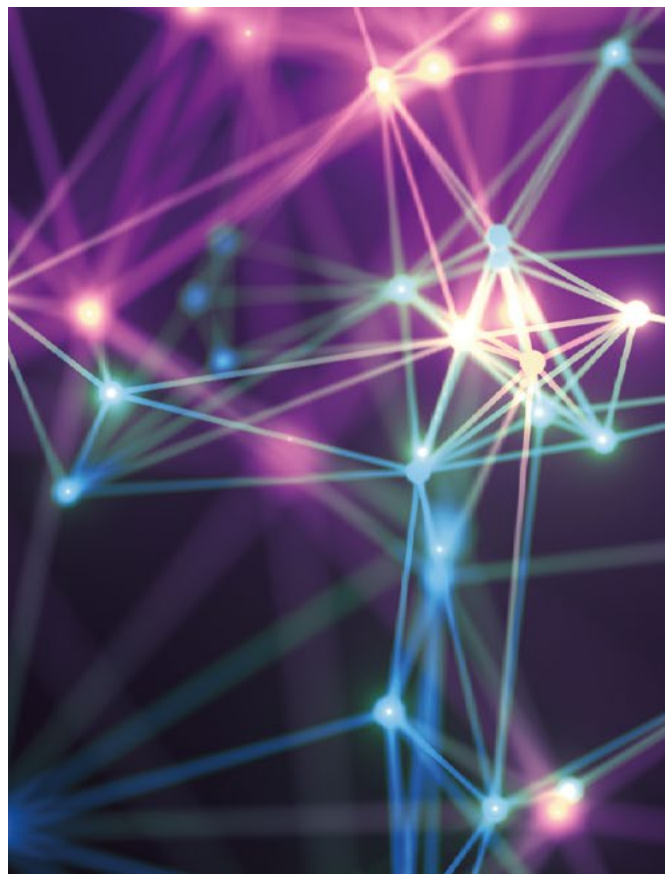
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