



 PitchBook®

Venture Ecosystem FactBook: London

2018





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Introduction

Analyzing the most complex venture ecosystem yet

At a certain scale and type, ecosystems become relatively difficult to analyze because of complexities in breaking down the most significant factors. When it comes to London, an even more global and gargantuan city than New York, at least by area, some positive and negative factors still hold, but by virtue of its location and history among other factors, its startup ecosystem will be different than most. Accordingly, this FactBook takes a somewhat new approach, adopting a strongly visual depiction of various trends without trying to draw too conclusive of conclusions.

Some important trends can be deduced, however, namely:

- Macroeconomic trends have not overly turned negative, but there are multiple reports of companies potentially relocating outside of the United Kingdom given potential Brexit impacts, especially within fintech, which has played a key role in attracting venture investment this decade. Should this actually transpire, it will necessarily detract from tallies of venture activity. The key word in that sentence, however, is still “should”.
- London is no exception when it comes to the increasing concentration of capital and volume at later stages in the venture investing cycle, as VC invested has soared to unprecedented levels in the past few years while angel & seed activity has contracted.
- Foreign investors, both across the Atlantic and the Channel, have only dialed up their participation over the years, which has significantly contributed to London’s robust tallies of activity and capital invested.
- Fundraising has been quite healthy in the past few years, leading to an abundance of capital on hand for dispensing in future cycles.

Especially taking that last factor in consideration, and noting that foreign investors have maintained their elevated rate of participation, trends within the London venture ecosystem are likely to stay steady for the foreseeable future. Only a significant shock to talent inflows, or related shifts, all of which are largely contingent on Brexit, could change the current status quo. One last note: A quick thanks to Steven Spires of London & Partners, Steven Lang of Savills and H. Ashton Crosby, whom assisted in the research process.



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And its EBITDA
multiples.
And its board
members.**

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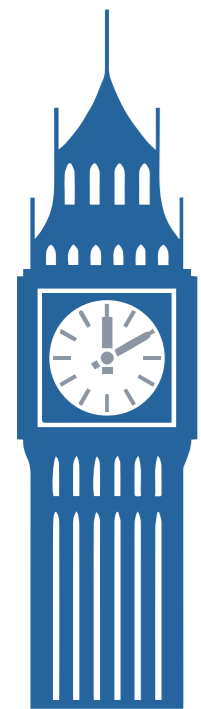
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Economic snapshot

Negative repercussions from Brexit may be hard to discern in the following stats, mainly because few have been truly observed as of yet. Rather, a general sense of unease prevails. Anecdotally speaking, most concern manifests around potential access to talent, even though the job market remains relatively tight.



London unemployment hits lowest rate in history, remaining quite low at

5.2%

per June 2018
London Economy

PMI business activity is slightly up at

55.0

in June 2018, per
Oxford Economics
(forecasted)

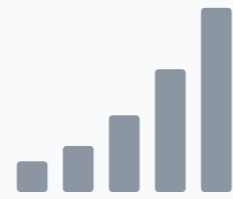


London house prices decrease for first time in years, relative to other regions in England, per GLA Economics



-7

consumer confidence in London, based on Gfk index—3 points above August 2017



2.5%

CPI 12-month rate in July 2018, per Office for National Statistics



2.5%

Per the European Commission, general unease around growth prospects persist, but growth in real GDP YoY indicates reasonable health



From 2011 to 2015,

17%

increase in volume of digital technology jobs in the UK, according to Tech Nation

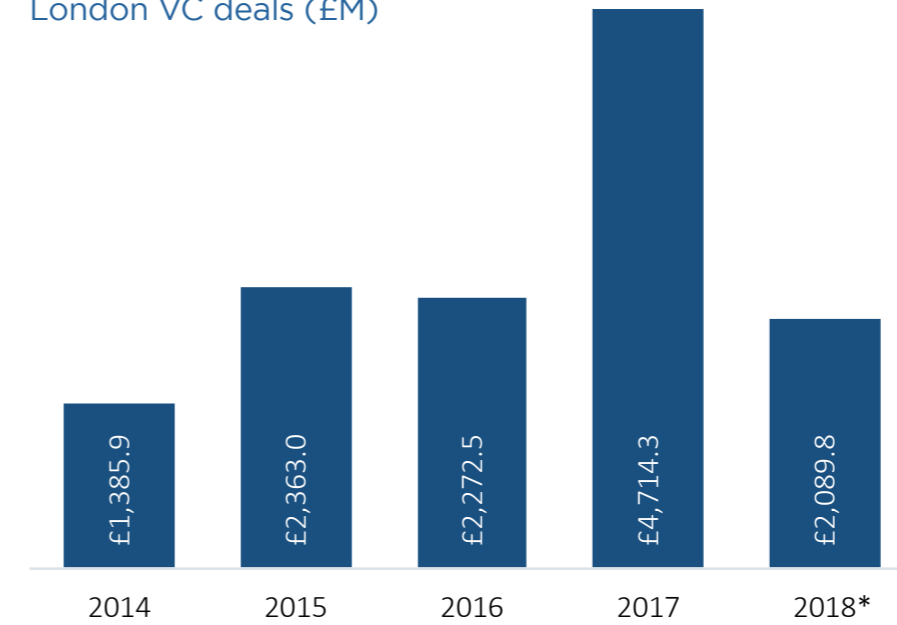


0.4%

estimated UK GDP increase, per Office for National Statistics

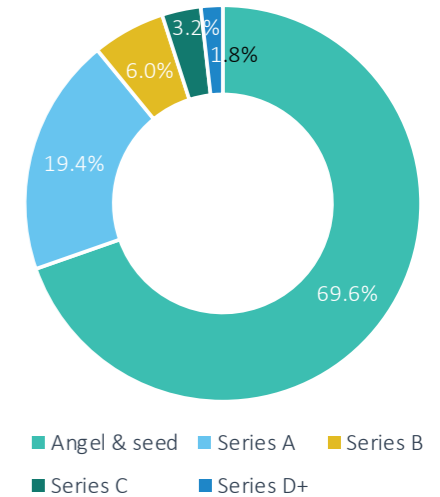
Deals

After a record 2017, VC invested is booming in London despite slowing volume
London VC deals (£M)



Source: PitchBook
*As of August 1, 2018

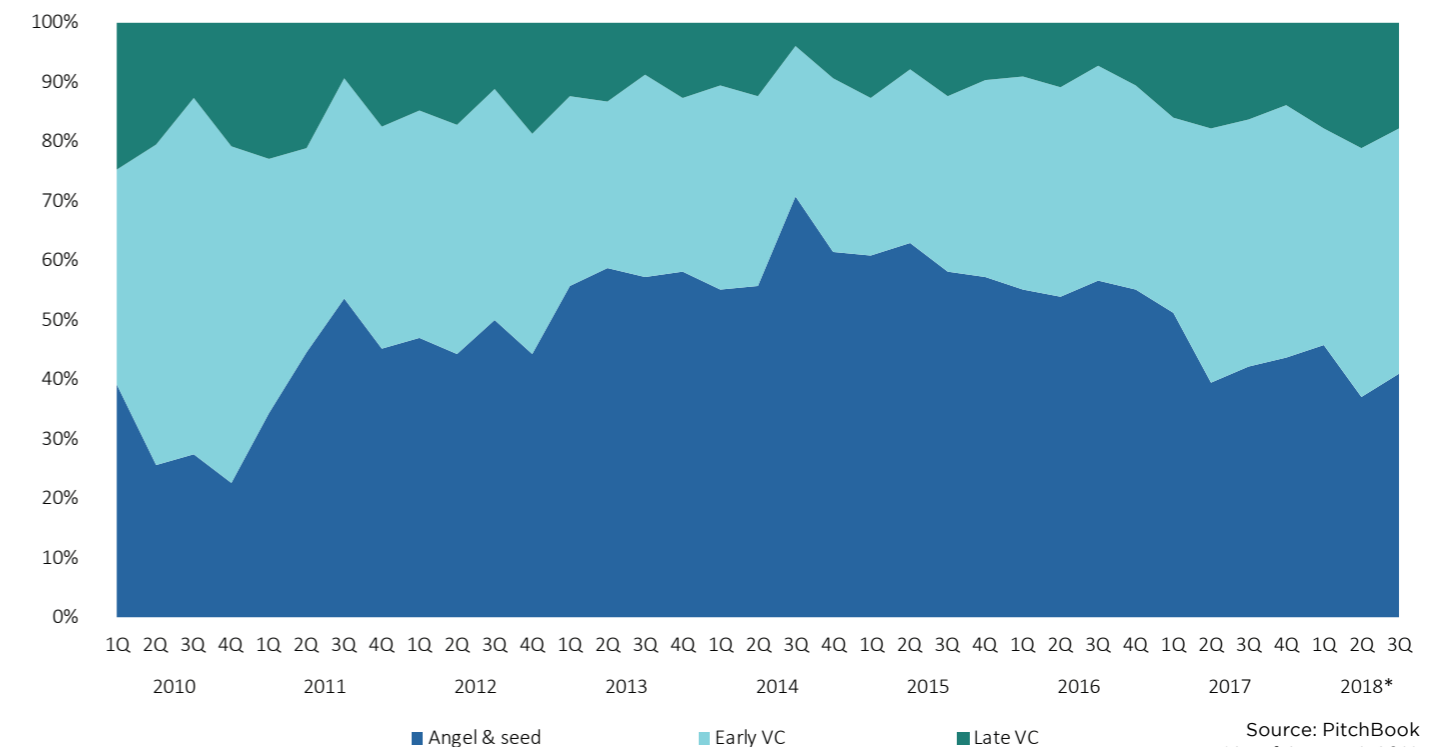
A closer look at 2017
London VC deals (#) by stage



Source: PitchBook
*As of August 1, 2018

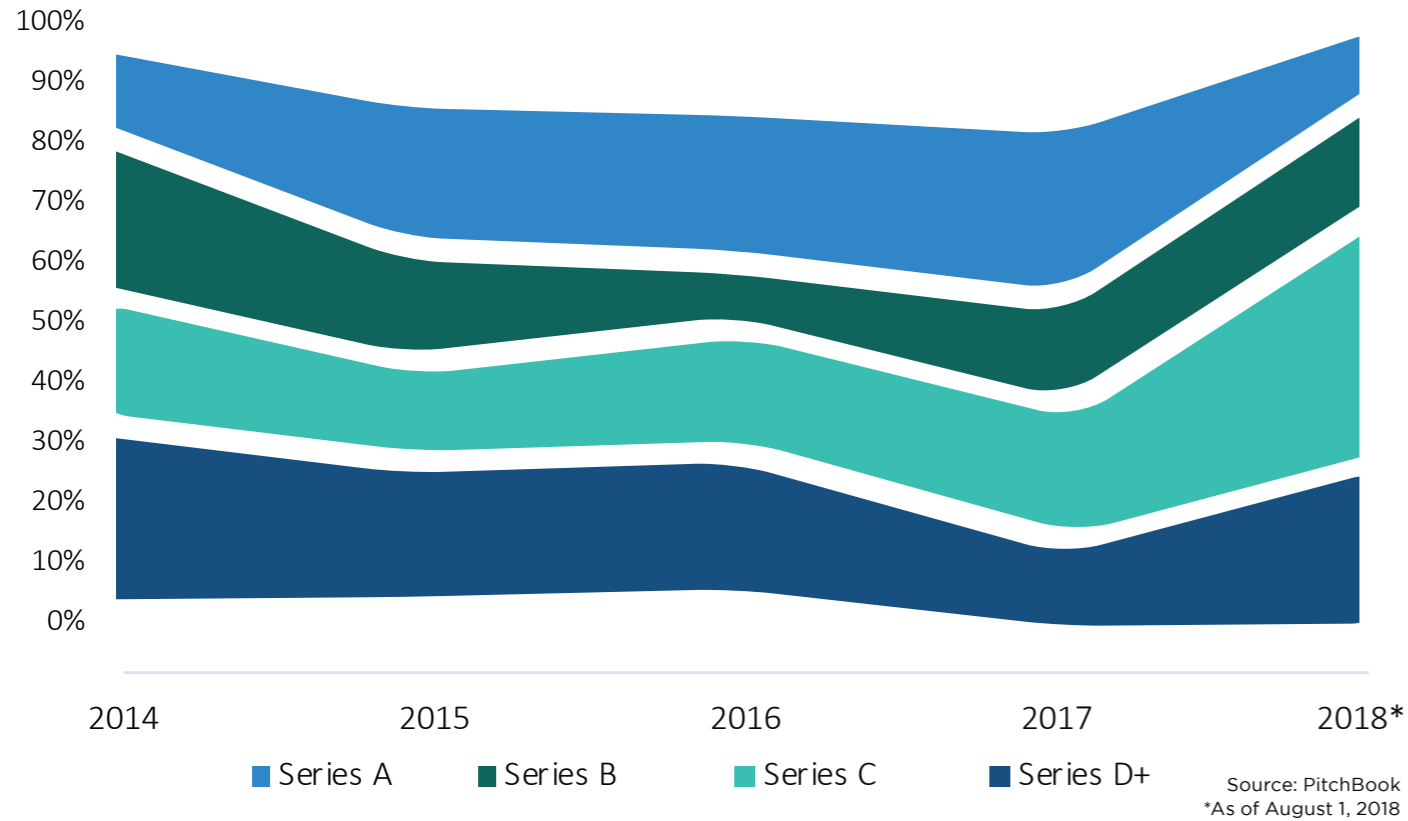
The downturn in volume has been primarily driven by a slump in angel & seed activity, attributable to exacerbated tension around economic growth prospects and choppy financial markets

London VC deals (#) by stage

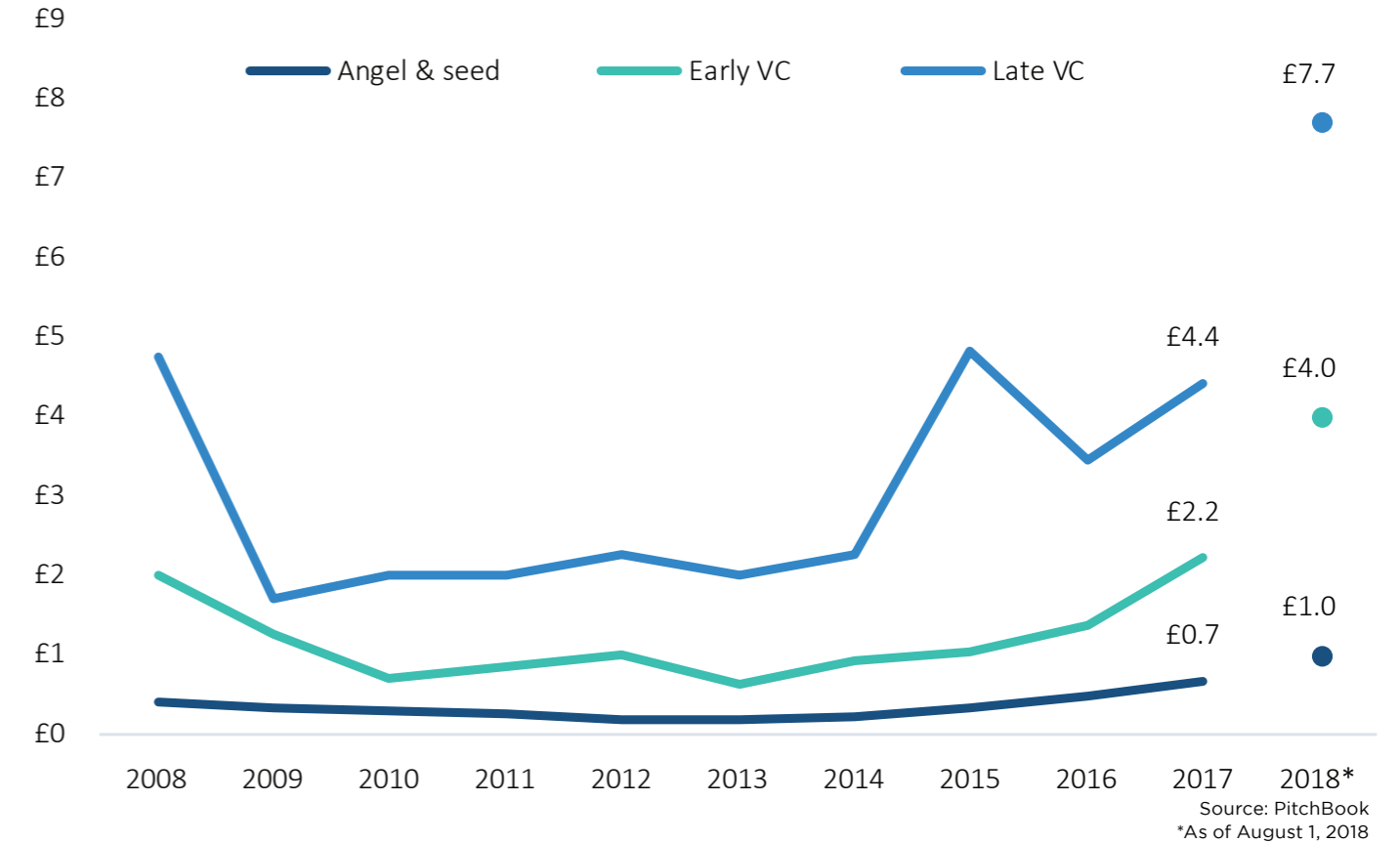


Source: PitchBook
*As of August 1, 2018

The late-stage boom has yet to slacken
London VC deals (£) by stage



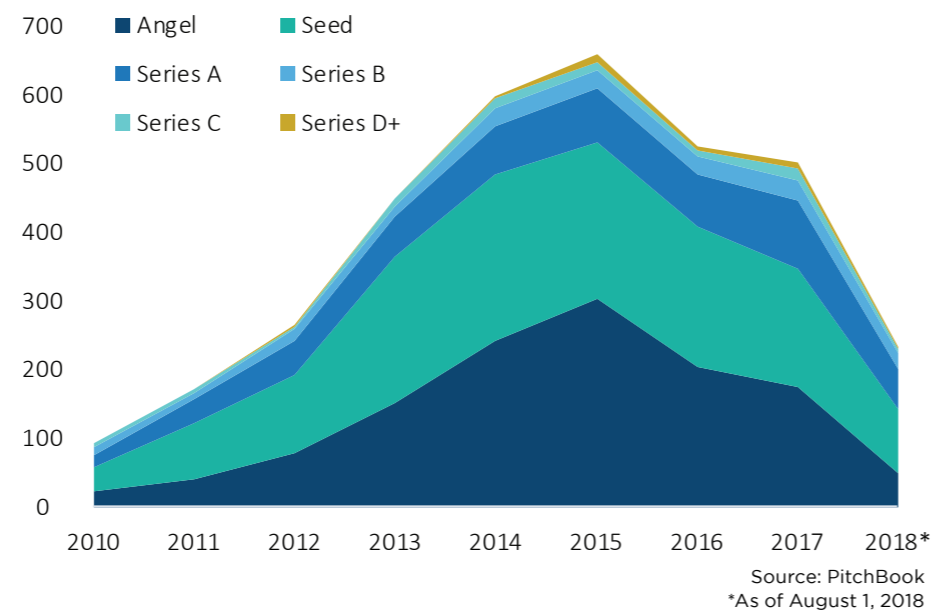
Over the past few years, median round sizes have risen distinctly across all stages, indicating the upward pressure of ample supplies of capital
Median London deals (£M) by stage



The venture landscape is awash in capital, experiencing inflation in financing sizes and valuations—and London is no exception. Armed with plenty of committed capital, investors are willing to pack into late-stage rounds in an effort to gain exposure to mature startups that may be pricey but also potentially less risky.

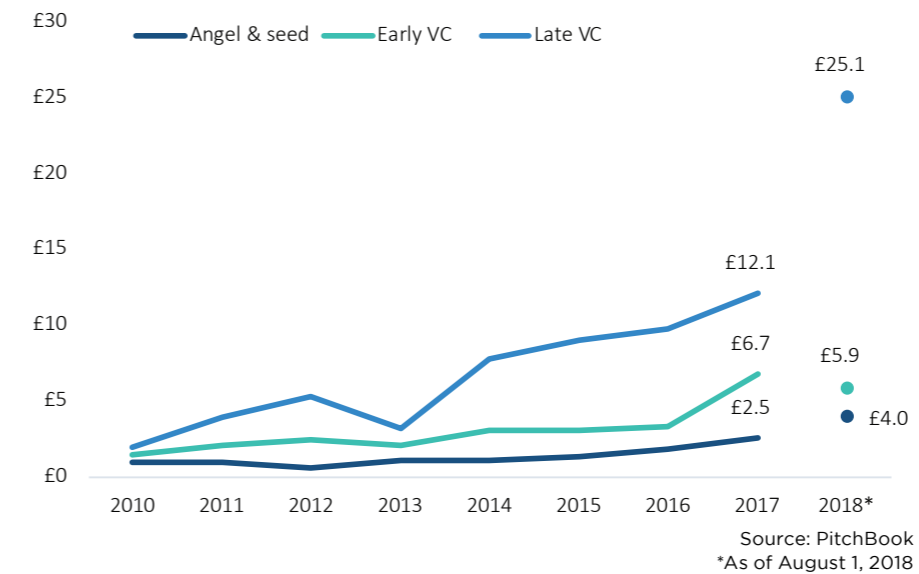
Angel volume has contracted significantly over the past three years

London VC deals (#) by stage



Late-stage valuations have skyrocketed in 2018, hinting at a mix of caution and willingness to spend on the part of deep-pocketed investors

Median London pre-valuation (£M) by stage

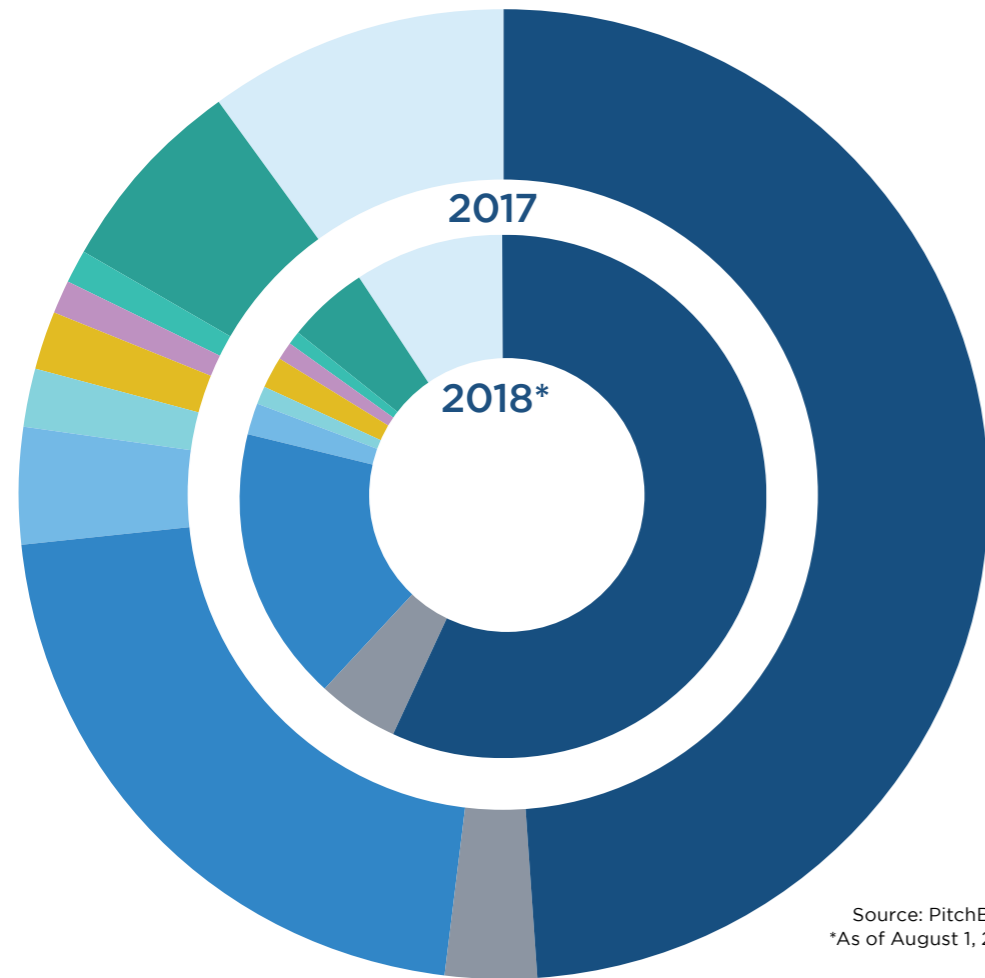


Most active investors in London VC: 2018

Investor name	Deals closed (#)
Octopus Ventures	19
LocalGlobe	15
London Co-Investment Fund	14
Downing Ventures	11
Seedcamp	10
Forward Partners	8
Funding London	7
Hambro Perks	7

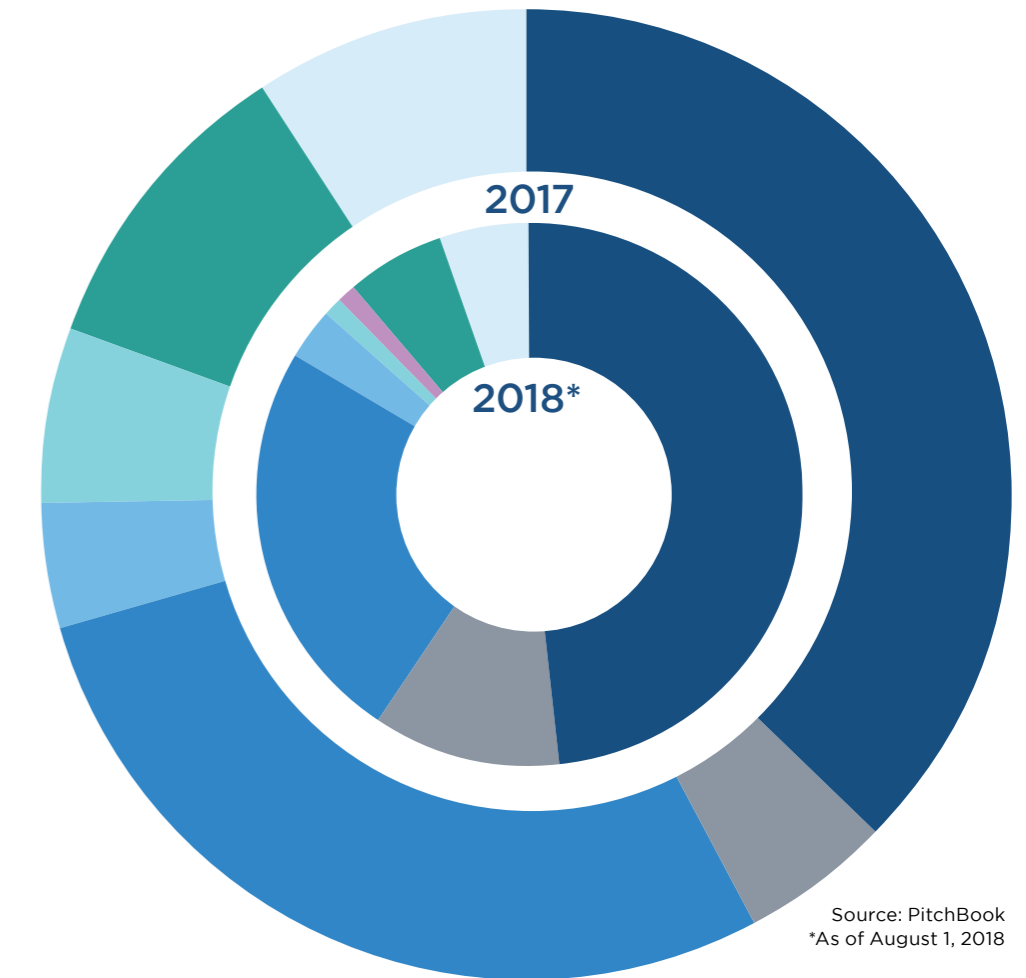
Source: PitchBook
*As of August 1, 2018

Overwhelming concentration in software & commercial services over the past several years
London VC deals (#) by sector



Source: PitchBook
*As of August 1, 2018

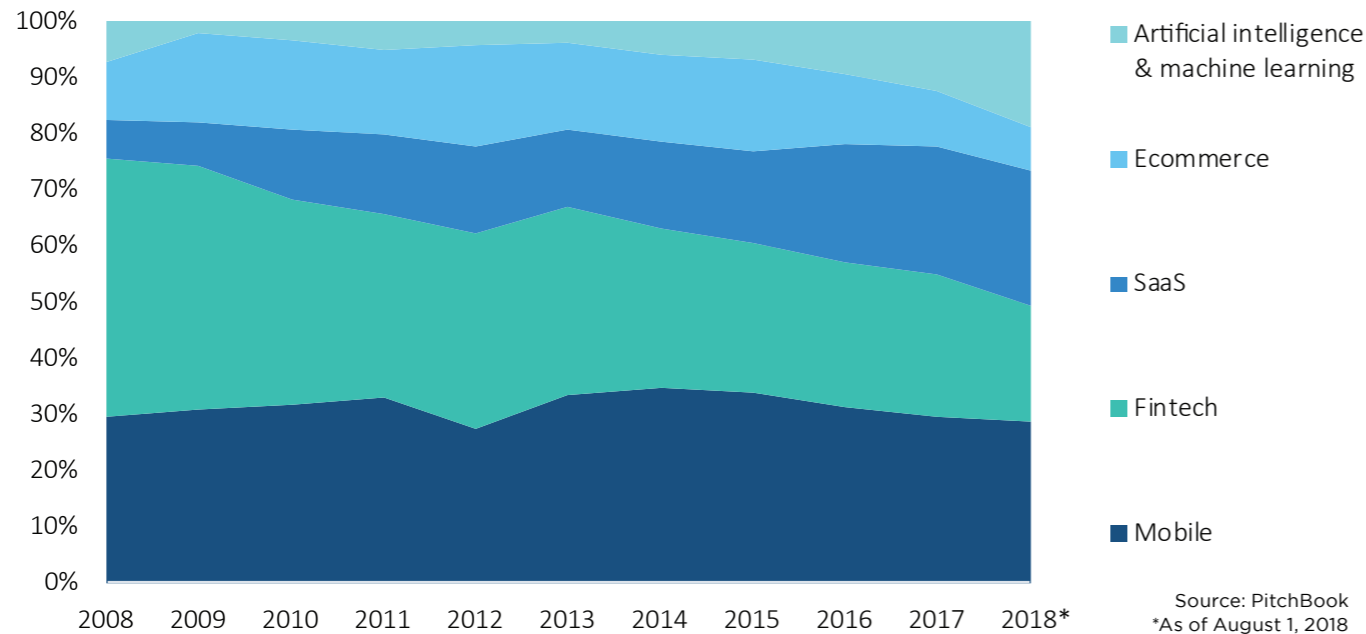
Broad diversity of sectors has led to significant skew in transactional value proportions
London VC deals (£) by sector



*Due to rounding, VC invested for certain sectors is proportionally negligible

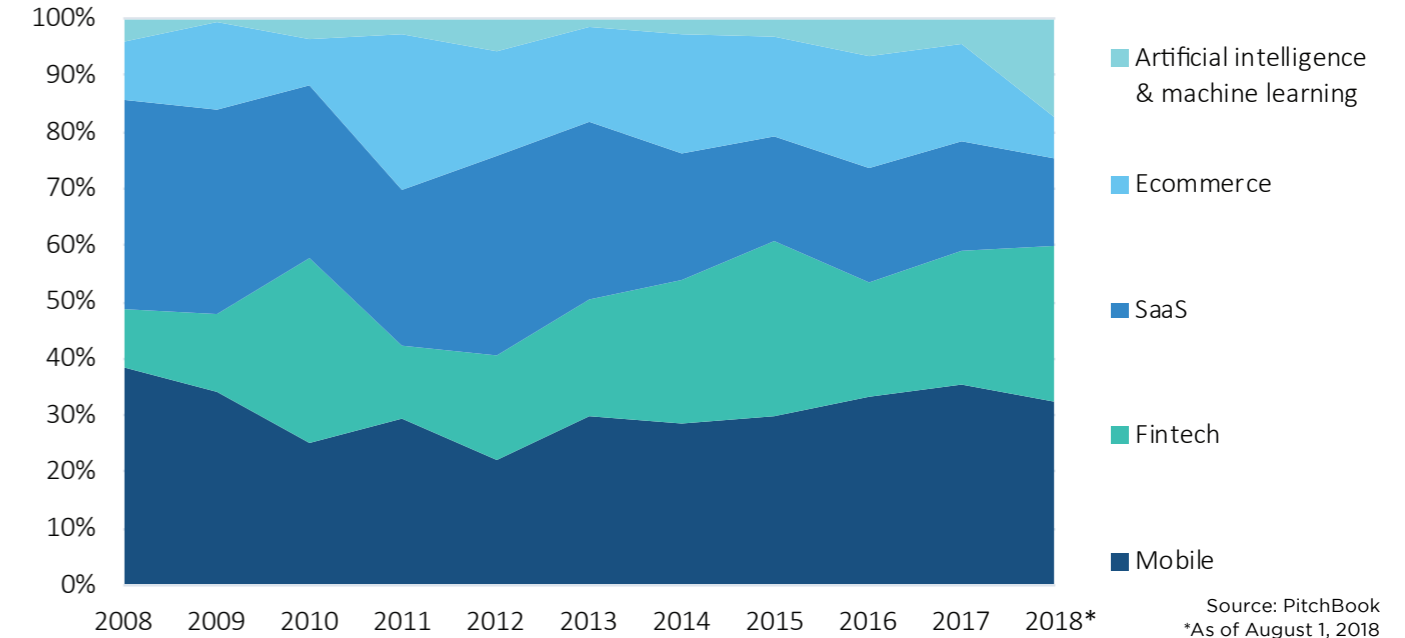
Source: PitchBook
*As of August 1, 2018

Fintech, SaaS and mobile predominate in volume, although AI has enjoyed gains
London VC deals (#) in top five verticals



Source: PitchBook
*As of August 1, 2018

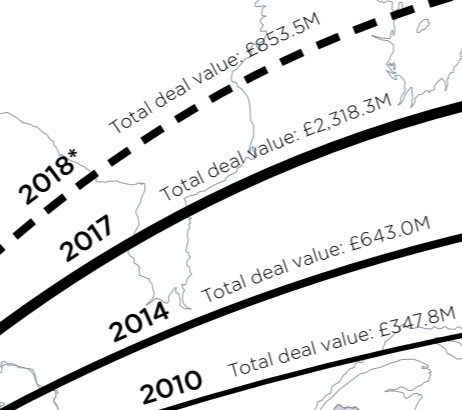
Mega-deals skew AI's proportion upward in 2018
London VC deals (£) in top five verticals



Source: PitchBook
*As of August 1, 2018

Outside investors: US

715
unique US HQ'd investors participated in London VC deals from January 1, 2010 to August 1, 2018

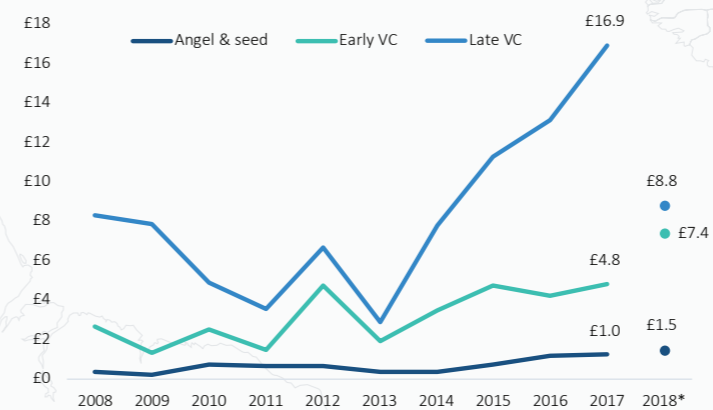


Select active US investors in London: 2010-2017

- 1 Accel
- 2 500 Startups
- 3 Beringea
- 4 Techstars
- 5(T) SV Health Investors
- 5(T) Andy McLoughlin

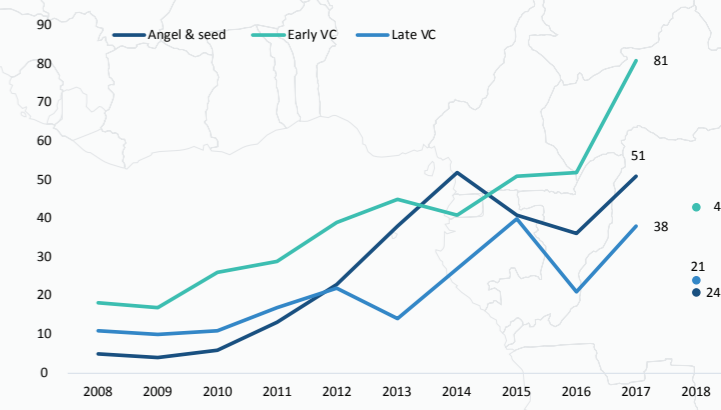
Source: PitchBook
*As of August 1, 2018

US players contribute to growth in large deals Median London VC deal size (£M) with US investor participation by stage



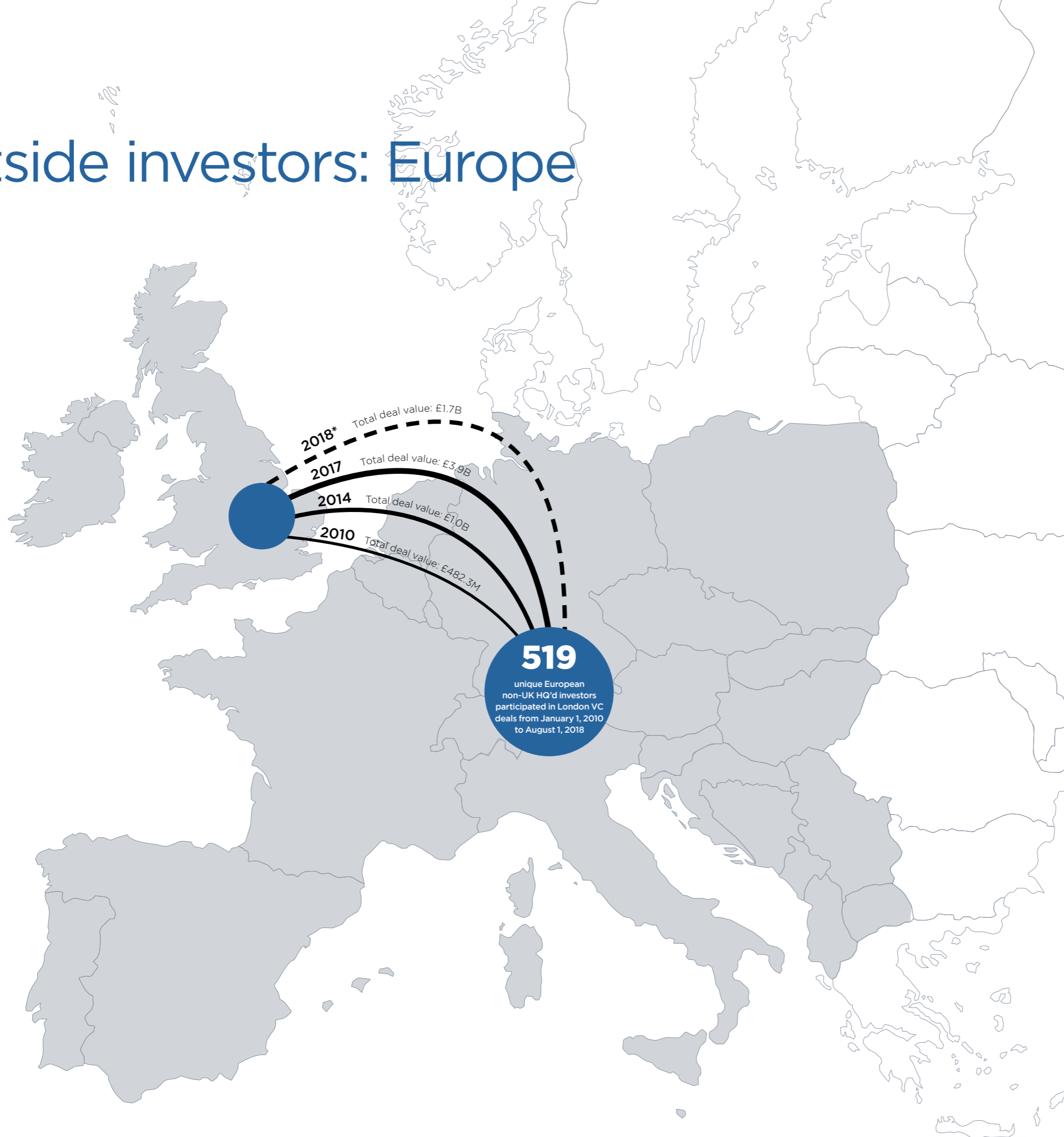
Source: PitchBook
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The early stage soars the highest London VC deals (#) with US investor participation by stage

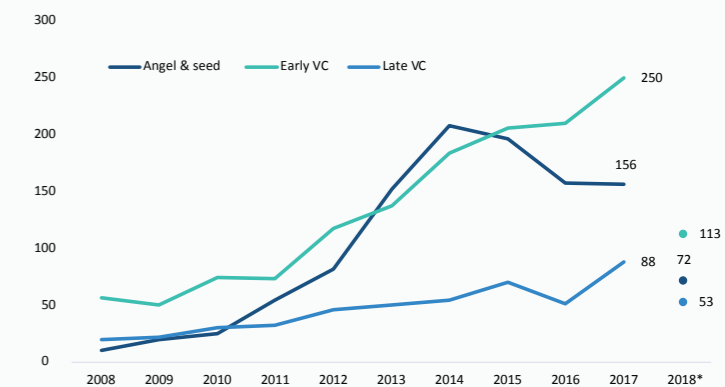


Source: PitchBook
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Outside investors: Europe

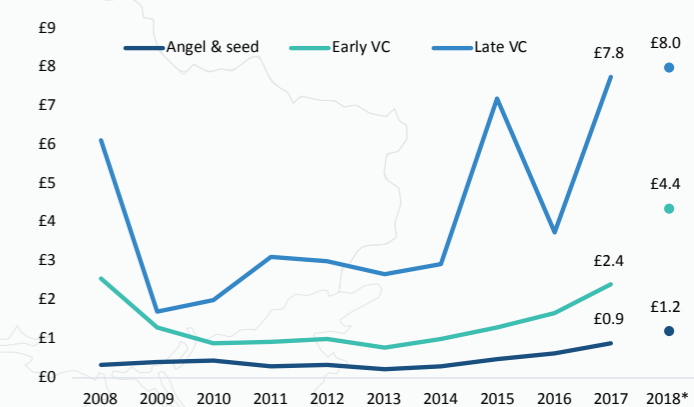


A steady climb at the early stage London deals (#) with European investor participation by stage



Source: PitchBook
*As of August 1, 2018

By and large, deal sizes have trended upward Median London deal size (£M) with European investor participation by stage



Source: PitchBook
*As of August 1, 2018

Select active investors in London VC: 2010-2017

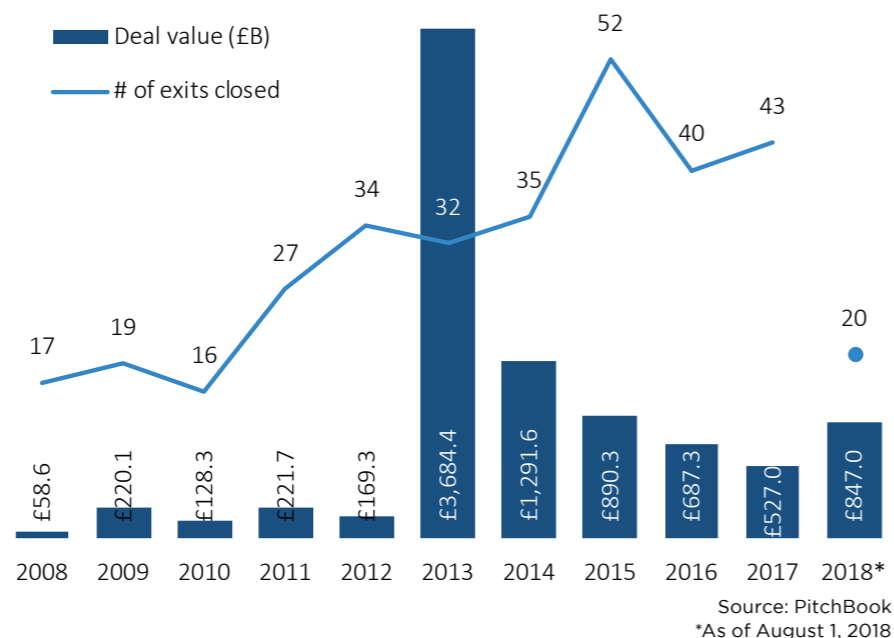
- 1 Index Ventures
- 2 Octopus Ventures
- 3 Passion Capital
- 4 LocalGlobe
- 5 London Co-investment Fund

Source: PitchBook
*As of August 1, 2018

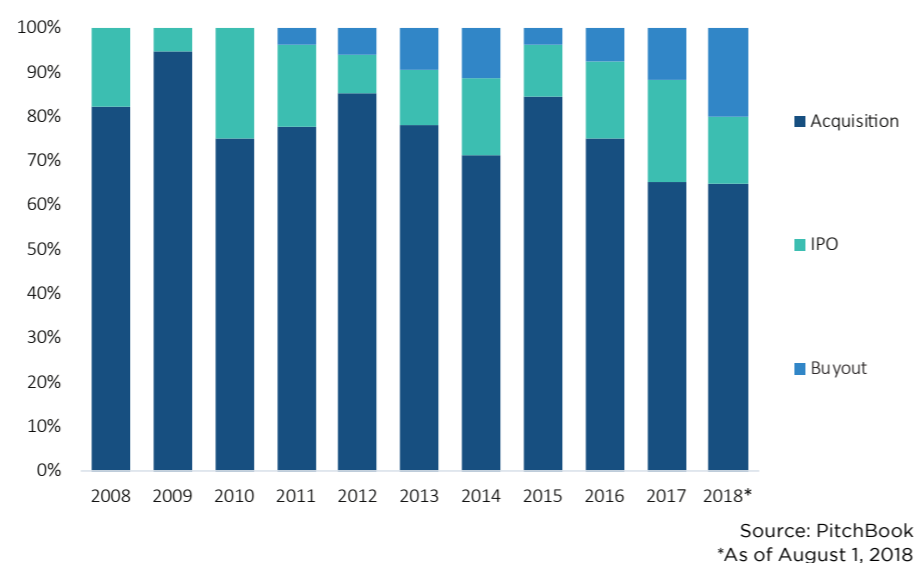
Exits

Even as exit volume has steadily risen over this decade, the volume is still somewhat lower than one would expect, which is likely due to industry trends toward longer hold periods. However, significant exits can and will still occur, as evidenced by Funding Circle's recent announcement to go public. What remains to be seen is if the current rate will stay steady.

A steady climb in volume is belied by diminishing exit values, by and large, although 2018 enjoyed a rebound
London VC exit activity



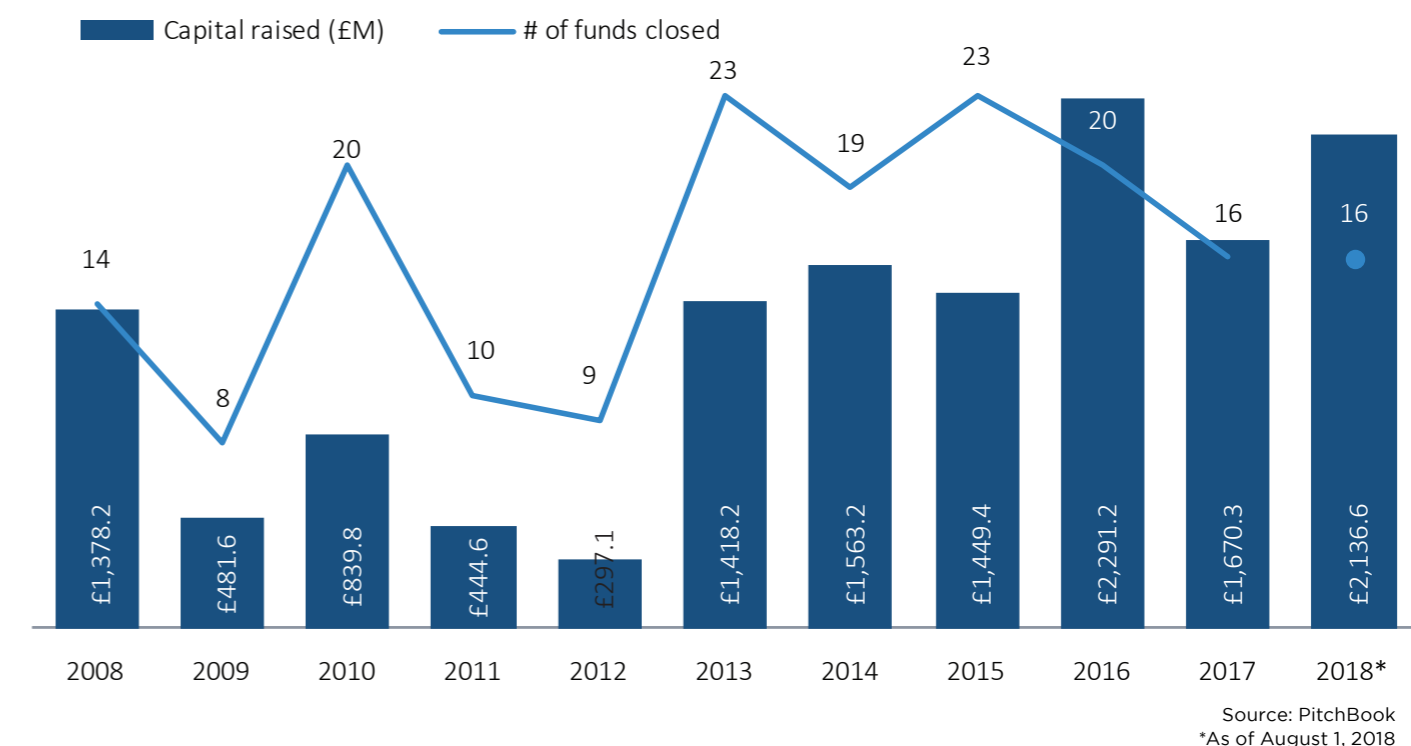
M&A unsurprisingly drives the vast majority of all exit volume
London VC exits (#) by type



The uptick in PE firms purchasing venture-backed companies is also observed in London, but by and large, M&A still unsurprisingly serves as the most popular exit route for VC portfolio companies.

Fundraising

Massive sums have been raised each year by the domestic VC population, with a marked surge in the past few years—moreover, 2018 may set a new record
London VC fundraising activity



Most active investors in London VC: 2010-2017

Investor name	Deals closed (#)
Startup Funding Club	47
Index Ventures (UK)	103
Octopus Ventures	88
Passion Capital	78
LocalGlobe	76
London Co-Investment Fund	75
Seedcamp	71
Balderton Capital	60
Touchstone Innovations	53
Víctor Fernández Massó	51
Accel	50
Notion	46
Playfair Capital	44
MMC Ventures	44
Force Over Mass Capital	42
Funding London	40
Forward Partners	39
London Business Angels	36
Downing Ventures	35
Richard Fearn	33
JamJar Investments	33
Kima Ventures	33
Beacon Capital	33
500 Startups	33
Angel CoFund	33
DN Capital	30
Ascension Ventures (UK)	30
Connect Ventures	29
Samos Investments	28
Episode 1 Ventures	28
Anthemis Group	28

Source: PitchBook
*As of August 1, 2018

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