

# DESPITE COVID-19, BRITISH STARTUPS ATTRACT MORE THAN HALF A BILLION IN INVESTMENT SINCE LOCKDOWN – BUT THE NUMBER OF DEALS IS DOWN



29 APRIL 2020

- **Since Monday 23 March, when the country went into lockdown, Britain's startups have attracted £663m in investment**
- **The value of investments is 34% higher than the same period last year, but the number of deals is down by 39%**
- **Technology sector driving the majority of post-lockdown investment**
- **However, 1,000 startups currently in administration or liquidation**
- **The week after lockdown the worst for startup investment in the UK since March 2016**

**London, 29 April 2020:** British startups raised £663m in investment in the first month after the country went into lockdown, driven by high levels of activity in the tech sector, according to new research released today by Plexal and Beauhurst.

Plexal, the innovation centre and workspace owned by clients of Delancey, and Beauhurst, the UK's leading database for fast-growth companies, has analysed UK investment activity from Monday 23 March 2020 until Monday 27 April, to provide an accessible, factually-driven window into the state of the UK's startup community and tech sector. They found that the total value of investments has increased by 34% compared to the same period in 2019, as a result of investors providing additional capital to ensure the survival of companies during the economic disruption. However, deal numbers were down by 39%.

The technology sector has been leading investment activity since the lockdown began, with the highest levels of investment going to startups operating in fintech, artificial intelligence, digital security and blockchain. Of the £663m raised, £50.2m went to startups that had never raised funds before.

However, the ability of a relatively small number of tech startups to raise investment mustn't overshadow the very real challenges facing the majority of fast-growth small companies.

While there have been 114 deals in the four weeks since the 23 March, this is down by 39% compared to the same period last year. Investment experts say the number of deals is a more accurate barometer of investor confidence and the figures suggest that the majority of startups could struggle to raise funding as a result of economic disruption.

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The scale of the challenges facing many startups is clear. Nearly 1,000 small businesses are currently in administration (263) or liquidation (707).

The week after lockdown was announced – starting Monday 30 March – saw the lowest weekly amount of investment since w/c 28 March 2016, which was the only week to see less investment in the past five years (excluding Christmas weeks). The value of investments fell by 89% compared to the same week in 2019. However, the total investment value from 23 March until 27 April 2020 was up by 34% on the previous year, suggesting this was a temporary shock.

Despite recent announcements from the government about a Future Fund for small businesses and loans being distributed by Innovate UK and the British Business Bank, these figures show that while some startups are continuing to attract investment, the vast majority are struggling to raise funding.

Plexal and Beauhurst have analysed nearly 30,000 startups and fast-growth businesses (companies that have attracted equity or venture debt funding) to understand investment activity since lockdown. The research will be updated on a weekly basis during the COVID-19 pandemic, and can be found at [plexal.com/startup-tracker](http://plexal.com/startup-tracker). The aim is to provide the facts about how startups and the tech sector as a whole are faring as the economy feels the impact of COVID-19.

Andrew Roughan, Managing Director of Plexal, comments, *“While the Future Fund is an excellent first start, it’s clear that more is required to protect the businesses that have driven job creation and economic growth in the UK for the last 10 years. This research is designed to cut through the doom and gloom and speculation to see which parts of the startup ecosystem are thriving, and which need urgent support. While tech startups have shown remarkable resilience in their ability to continue attracting investment, the success of the few mustn’t overshadow the struggles of the wider majority of British startups.”*

*“If we don’t act now to stimulate the market and ensure funding is distributed widely and quickly, we risk a lost generation of startups and entrepreneurs. We’ll be closely monitoring deal numbers, liquidations and early stage rounds in the coming weeks and months to provide an accurate lens through which to judge whether the support mechanisms are working as desired.”*

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**Andrew Roughan,**  
Managing Director,  
Plexal



Henry Whorwood, Head of Research and Consultancy at Beauhurst, comments, *“While the data shows an immediate downturn following lockdown, our hope is that the startup and technology sectors will remain resilient during this economic disruption. The concern is that a reduction in the number of deals reflects a fall in investor confidence that could cripple the growth of the country’s most successful startups and fast-growth businesses.”*

Plexal and Beauhurst will be hosting the research on their respective websites and sharing the data with the government and investors to ensure startups receive the support required.

Plexal, which has almost 1,000 members (including startups, scaleups and social enterprises working in sectors like mobility, cybersecurity, and inclusion), is campaigning to ensure startups across the country receive the financial support they need to survive this economic disruption. Plexal has written to the Chancellor asking for members of coworking spaces to be made eligible for grant funding and the organisation is a partner for the Save our Startups campaign.

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**Henry Whorwood,**  
Head of Research and  
Consultancy,  
Beauhurst



## Notes to Editors

### About Plexal

Plexal is an innovation centre and coworking space located in the fast-growing Here East technology and innovation campus in London's Queen Elizabeth Olympic Park. It was launched in 2017 and was founded by clients of specialist real estate investment advisory company Delancey.

Collaboration is at the heart of Plexal's approach to innovation. Its innovation team delivers bespoke programmes for clients like Innovate UK and Transport for London, and specialises in forging connections between industry, academia, investors, startups and scaleups to tackle some of the biggest challenges facing society while getting ideas market-ready.

Plexal has been appointed by the Department for Digital, Culture, Media & Sport to deliver the London Office for Rapid Cybersecurity Advancement (LORCA): an innovation programme aimed at scaling cybersecurity solutions that are needed most by industry.

It's also delivered OpenDoor: an inclusion accelerator aimed at scaling solutions that can make society and our economy more inclusive while addressing the challenges of under-represented groups.

Designed as a mini-city (it has its own indoor park, a high street, indoor street food and a prototyping workshop), startup and scaleup members of Plexal's workspace benefit from a comprehensive programme of events and in-house professional services. Members work in areas like mobility, AI, healthtech, cybersecurity, fintech, the Internet of Things, VR and more.

**plexal.com**

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## Notes to Editors

### About Beauhurst

Beauhurst collects, curates, and analyses data on the high-growth economy and its participants, from growing companies to investors and advisors.

We provide that data through a searchable online platform, used by thousands of professionals to deepen their understanding of the high-growth space.

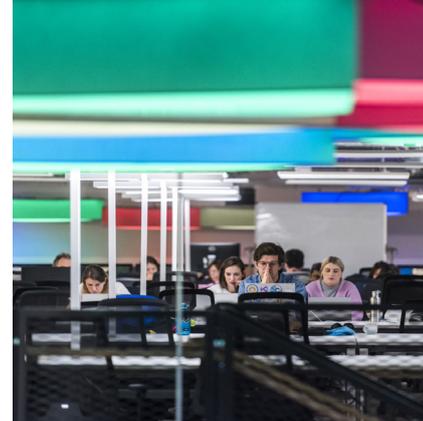
We also work closely with clients in both the public and private sectors, providing insight to some of the UK's most respected institutions.

### Methodology

Data for the research was collected by Beauhurst and finalised on 24/04/20.

This report looks at the equity investment received by companies located in the United Kingdom:

- **Company stage:** Beauhurst categorises companies into seven stages of evolution (seed, venture, growth, established, zombie, exited, dead) using over 40 proprietary criteria, which vary based on the complexity of the intellectual property the company is developing. For example, Beauhurst uses different criteria to evaluate a pharmaceutical company than for a software company. No one criterion is enough to determine stage of evolution, so it takes a balanced view with each decision. Rarely, a company may skip a stage, going from seed to growth, depending on how it is doing.
- **Company sector:** Beauhurst tags companies with as many sectors from their proprietary sector matrix as appropriate, but does not order or prioritise the sectors attached to a company. The top-level sectors in the matrix are: agriculture, forestry and fishing; energy; leisure and entertainment; retail; technology/IP-based businesses; telecommunications service; tradespeople; transportation operators; built environment and infrastructure; business and professional services; craft industries; industrials; media; personal services; supply chain; and other.
- **Equity investment:** Beauhurst monitors thousands of sources to find announced equity investments, which is often the most timely declaration of a deal. More than 50% of deals, however, are not announced. To find these deals Beauhurst looks at SH01s (a share allotment form) filed at Companies House. It also uses these SH01s to calculate a company's pre- and post-money valuations.



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