

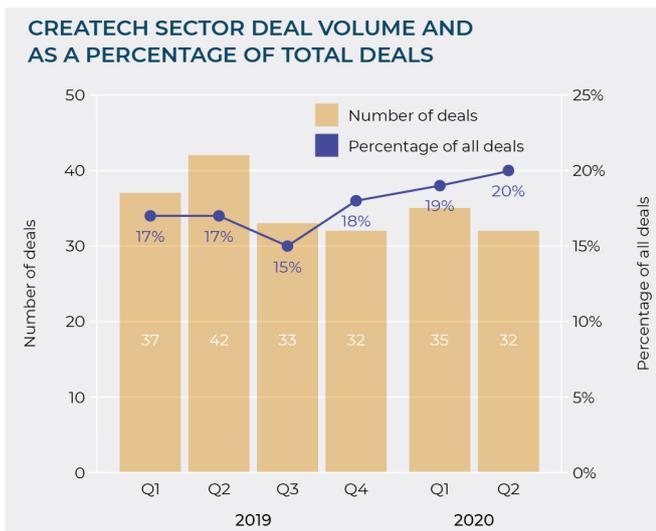


UK CREATECH SECTOR SHOWS RESILIENCE AS INVESTORS CONTINUE TO BACK CREATIVE AND TECH TALENT

A review of Q2 2020 growth capital investment in the createch sector

According to our research into UK private companies raising between £1 million and £20 million each of growth equity capital, 161 British businesses raised £779 million of growth capital in the second quarter of 2020. The Q2 figures for the overall growth capital market illustrated a 10% - 15% quarter-on-quarter decline in the number of deals completing and the amount of growth capital being raised. This is not surprising, given that the UK was in lockdown because of Coronavirus for most of this period.

The createch sector has performed slightly better than the wider growth capital market in Q2 2020, experiencing quarter-on-quarter declines of between 9% and 13%. 32 deals have completed, raising an aggregate £149 million. Its overall share of the growth capital market has therefore increased slightly this quarter, and createch deals now make up 20% of all deals completed. This proves that the tech behind Britain's creative industries continues to be popular with growth capital investors.



The tech behind Britain's creative industries continues to be popular with growth capital investors.

The average deal size in Q2 was £4.66 million, which is 6% down on Q1's £4.92 million.

"It's great to see the continued resilience of the createch sector over an exceptionally turbulent period," says Paul Winterflood, Corporate Finance Director. "The UK's abundance of creative and tech talent makes it an ideal location for createch businesses to start up and scale. High-potential createch businesses are attractive to investors and I expect to see an increase in investment in the second half of the year."

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Regarding the types of createch investment deals that were most common in Q2 2020, later-stage VC continues to occupy the top spot for numbers of deals completed, with seed rounds coming second, and early-stage VC third.



A REVIEW OF Q2 2020 GROWTH CAPITAL INVESTMENT IN THE CREATECH SECTOR

62% of all growth capital deals recorded in Q2 2020 involved companies headquartered in the Greater London area. This percentage increases to 81% when we look at createch deals in isolation, indicating that London is a hotbed of createch innovation.

Createch deals now make up 20% of all deals completed.

NOTABLE DEALS

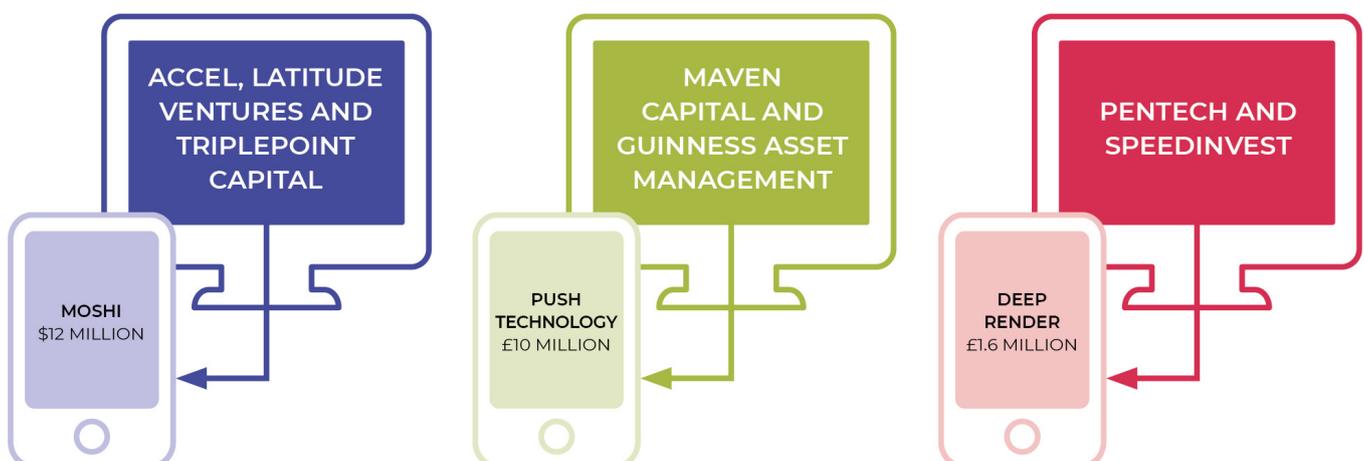
In April 2020, Moshi announced that it had closed a \$12 million series B financing round led by Accel with participation from Latitude Ventures and Triplepoint Capital. Moshi is a sleep and mindfulness app for kids and has 80 original 30-minute bedtime stories narrated by the likes of Goldie Hawn and Sir Patrick Stewart. Beyond sleep, the app offers mindfulness content for use during the day to help with anxiety management and general wellbeing. Moshi already has 100,000 subscribers and plans to use the financing to launch new features and content in collaboration with sleep industry experts. It also plans to scale up user acquisition through marketing, advertising and partnerships.

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Paul Winterflood, Corporate Finance Director

Also in April, Push Technology revealed it had raised £10 million in a funding round led by Maven Capital and Guinness Asset Management. Push Technology is engaged in real-time data-streaming and messaging solutions for business applications worldwide – a market that is only expected to grow, as more businesses adapt and move online. The investment will enable the company to enhance its sales and marketing efforts as well as broaden product development.

In May 2020, Deep Render secured £1.6 million in a seed funding round led by Pentech, with participation from SpeedInvest. Deep Render is a start-up and spin-out of Imperial College that is applying machine learning to image compression. Having noted that image and video data comprise more than 80% of internet traffic, leading to connections choking, particularly during peak periods under lockdown, the founders of Deep Render have developed a technology which they say optimises image compression through mimicking the neural processes of the human eye.



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OUTLOOK

In our Q1 report, we suggested that we expected deal numbers to fall because of the significant impact that Coronavirus was likely to have on businesses throughout the UK. That report was produced when we were only a few weeks into lockdown, so it was impossible to judge how prolonged the economic impact of Coronavirus might be.

We are now three months on and we have indeed seen total deal numbers decline. However, it is heartening to see that the createch sector continues to hold its position relative to the overall growth capital market.

“While we anticipated Q2 2020 to be turbulent, we expected investment in the UK createch sector to

remain strong,” says Esther Carder, Partner. “With its wealth of growing companies which have proven their ability to adapt to the current climate, it’s no surprise to see an increase in the share of investment in this sector.”

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Esther Carder, Partner

MARKETING SERVICES AND MEDIA SECTORS

We produce a quarterly analysis of M&A activity in the marketing services and media sectors in the UK. Our research shows an unsurprising decline in deal activity in the first and second quarters of 2020. But, with investors open for business and with capital to deploy, deals will still be done in the coming months. Find out more in our latest report [here](#).

CONTACT US

If you’re looking to scale your createch business and it has revenues of at least £1 million, get in touch for an initial discussion. We can work together to assess the best action and assist with finding the right funding partner.

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Moore Kingston Smith is a commercial partner of www.thecreativeindustries.co.uk, the official website of the Creative Industries Council (CIC), and an associate partner of Createch, a flagship event in the CIC calendar.



METHODOLOGY

The data is from analysis conducted by Moore Kingston Smith on data extracted from Pitchbook on UK private companies raising £1 million to £20 million each of growth equity capital.