Equity Finance Provision in the UK and the Impact of the Global Pandemic

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Background

COVID-19 represents a significant exogenous shock to the global economy and economic activity. For investors, uncertainty about the future of the pandemic and its economic impacts hinders their ability to evaluate and make investments decisions. The current crisis is likely to have adversely affected the supply of debt and equity finance for all firms but disproportionately for young, small and innovative companies. This particular sector can often experience market failure and 'funding gaps,' where credit markets fail to supply sufficient finance to fulfil demand, even in more buoyant times. This report focuses on a subset of the UK corporate and SME sector, equity-financed or venture capital backed firms, in order to gauge the effects of the pandemic on the vibrancy of the equity finance 'eco-system' and the performance, experiences and prospects of equity funded firms. Data is analysed on equity financed investments from 2011 to Q3 2020 and the performance of the invested firms. We use Beauhurst dataset comprising 42,246 equity deals on 18,648 individual companies during the period and the subsample of EIS eligible companies. In addition, we utilize results of a survey of 169 companies.

Contents

The report has 5 sections. Section 1 provides an overview of the trends in equity finance provision in the UK on a quarterly basis from 2011. The analysis breaks down the investment activity by stage of investment, rounds of investment, industry sector and regional distribution of investment activity.

Section 2 of the report focuses on 2020 and into the COVID-19 lock down period in order to provide and assessment of the impact of the pandemic on finance provision.

Section 3 provides estimates of the 'equity gap' i.e. the shortfall in the supply of finance in relation to potential demand and provide estimates of the 'equity gap' and its distribution by sector and by region.

Section 4 reports an analysis of the firms that have received equity investment, their risk insolvency and therefore the total amount of invested capital 'at risk'.

Section 5 presents results of a survey of equity finance backed firms that was administered in October 2020.

Summary and some key findings

Trends: In general, we support the findings that were published already in Beauhurst or Business Bank reports that the number of deals in the seed stage (early stage) ventures is decreasing. The growth in the number of seed deals peaked in 2017 and started to stagnate in 2018, well before the Covid crisis. The separate analysis of EIS eligible and not-eligible companies revealed, that this pattern was driven by EIS eligible companies. EIS eligible deals represent over 70% of the total number of deals and around 40% of the total value of deals (investment value) over the whole period. The remaining (non-EIS) deals continued to grow until the end of 2019. There appears to have been a shift to investment to larger, later stage deals.

For the seed stage deals, the number of deals peaked at the end of 2017, but the investment value grew until the end of 2019. For the venture stage deals, the number of deals was increasing relatively quickly until 2016 and then the growth became very slow. However, the investment value grew until end of 2019. For growth stage deals, the number of deals was relatively stable, but the investment value grew until the end of 2019. All these trends support the 'flight to quality' proposition that investors have moved to invest in fewer deals with greater deal size. The number of first round deals for EIS eligible companies peaked at the end of 2017 and started to decline from the beginning of 2018. The investment values for first round investments show stagnation since 2016. For the higher investment rounds, both the number of deals and the invested value gradually increased from 2011 to the end of 2019.

An analysis of announced and unannounced deals reveals that announced deals represent over 28% of all equity deals and this represents almost 70% of all investment value. The announced deals have an average value in the £2m to £10m range whereas unannounced deals are predominantly under £1m in terms of average deal size.

Covid-19 and Lockdown: In section 2, we analyse investments in the second quarter of 2020, and compare to the previous quarter (Q1 2020) and the same quarter last year (Q2 2019). In general, we observed a substantial decrease in activity. The number of deals into EIS eligible companies decreased by 29% compared to previous quarter and 33% compared to the same quarter in previous year. The drop in SEIS eligible companies was similar – 24% quarter-on-quarter and 33% year-on-year decreases. The drops in invested value were of similar magnitude. Analysis of the 12 most invested industry sectors shows that, for most sectors, the number of deals and investment value dropped substantially in 2020. In nearly all the 12 analysed sectors the proportion of EIS eligible deals fluctuated around 70-80%, The only exception was the sector of Business banking and financial services where the share moved around 40-50%.

Equity-gaps and Regional Investment: In section 3, we analyse regional distribution of equity investments and also the regional 'equity gap' broken down by company stage. The results confirm and extend findings reported in the BEIS report (Wilson et al., 2019). These are: (1) trends of increasing concentration in the three regions with the greatest investment activity (London, The East of England and the South East). During the analysed period 49% of all equity deals and 59% of all invested funds were invested into companies located in the London region. (2) The concentration of activity in London increases over time with an average annual growth rate of 24% in equity finance deals and 40% in investment volume. By far the highest average equity deals are in the London region (£ 2,025,377) and in the East of England (£

1,969,604). The patterns for EIS eligible companies are very similar. If the trends continue, the concentration in the London region and the South East is going to increase further. (3) Comparing the regional shares of equity funding with the demography of high-growth firms (HGF) using the methodology of location quotients does not explain the high concentration in the London region i.e. London gets a greater share than can be rationalised by the number of HGFs in the region.

Employing the results of the BEIS report (Wilson et al., 2019), we present regional estimates of the equity gap. Analysis that breaks down the total equity gap by investment stage in 2019 suggests £768m is required at seed stage; £1.45bn at venture stage and £4.45bn for growth finance. The northern regions, East Midlands, Yorkshire and Humberside, West Midlands, and the North West, have the largest shortfalls, i.e. biggest equity gaps.

Analysis of Equity-Financed Firms: In section 4 we undertake an analysis of the incidence of distress indicators amongst the sample of equity financed firms. In total we identified 19,116 firms that have had equity finance investments in the last decade. Of these, 2,731 had entered into an insolvency and closure process by September 2020 leaving 16,385 that can be considered as still active, although 1,127 of these firms are classified as 'zombie/dead' on the Beauhurst database indicating periods of inactivity.

From the 15,489 active firms that we were able to categorise a third (29.5%) were in these risk categories with the remaining 70% still classified as low risk of failure. This appears to compare favourably with the results of an ONS survey of the impact of COVID on (all) business which found that 64% of businesses across all industries were at risk of insolvency and 43% of companies were running out of cash (less than 6 months of cash reserves). However, these equity-funded firms have received significant amounts of investment (equity), £13.68 bn invested in the firms deemed medium risk; £4.65bn invested in firm that are now high risk and £2.17bn very high risk, predominantly in the seed and venture stage. Over £4.5bn is or has been subject to insolvency processes much of which will have been lost.

Analysis compares the insolvency risk scores of firms pre- and post-covid lockdown. For all stages of evolution (except seed) over 50% of firms have seen a deterioration in risk score and therefore are at higher risk of insolvency. The growth (59%) and venture stage (55%) firms have seen the greater increase in risk but interestingly this rate is less than cases where the funder has exited (62%) and no longer has VC involvement/support.

Survey of Equity-Financed Firms during COVID-19: We analyse a survey conducted among 169 equity funded companies, of which 125 have used the SEIS or EIS scheme in the past. Technology companies have the largest representation in the sample as almost 65% of SEIS/EIS funded companies operate in the technology sector and over 45% of those that were not funded under the schemes.

As for the pre-Covid financial performance, almost 73% of companies that received financing under SEIS/EIS were loss-making, while only over 10% were profitable. The perceived impact of Covid on a company is seen very differently but companies with previous SEIS/EIS scheme experiences are more optimistic, both in terms of the impact on revenue and employment. However, a high proportion of them (40%) were turned down when asked for bank finance or government Covid support, and about 60-70% will not be able to operate longer than 12 months if the current situation persists.

As far as the government support in the current situation is concerned, the majority of the surveyed companies said that the measures enabling the access to finance would be the most helpful while other types of support such as tax cuts, fewer bureaucratic hurdles or more flexible labour laws were much less important. Surveyed companies felt that relaxing the rules for SEIS/EIS, including raising the tax relief, would lead to a rise in equity funding available to businesses from investors.

The companies with SEIS/EIS schemes experiences consider the schemes very helpful. Majority of them agreed that the investment schemes were important for the growth and development of their company, the skills and knowledge of the investor were important for this growth and development, and/or they perceived that without the schemes it would be difficult for them to find other financing for the company. The investors have a positive impact on revenue or employment and are seen as key to financing their further investment.

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Equity Finance Provision in the UK and the Impact of the Global Pandemic: An Analysis of Trends in Venture Capital Investments and a Survey of Equity Funded Firms.

COVID-19 represents a significant exogenous shock to the global economy and economic activity. For investors, uncertainty about the future of the pandemic and its economic impacts hinders their ability to evaluate and make investments decisions. For many firms, the pandemic has dramatically and unexpectedly depressed or halted sales revenue. Cash flow, profits, operational and capital investment and employment have been significantly affected. The current crisis is likely to have adversely affected the supply of debt and equity finance for all firms but disproportionately for young, small and innovative companies. This particular sector can often experience 'funding gaps,' where credit markets fail to supply sufficient finance to fulfil demand, even in more buoyant times. This report focuses on a subset of the UK corporate and SME sector, equity-financed or venture capital backed firms in order to gauge the effects of the pandemic on the vibrancy of the equity finance 'eco-system'. Specifically, we analyse trends in the provision of equity finance in the UK, for new and early-stage ventures, up to and during the COVID crisis, and the performance, experiences and prospects of equity funded firms during the pandemic. In response to this shock, we have undertaken an analysis of Venture Capital/ Private Equity investments and the trends from 2011 to 2020 Q2. This data is supplemented by a survey of VC invested firms to gauge the impact on their business during the crisis period. The latter analysis examines the extent and manor in which equity investors are supporting their portfolio firms through this period and the actions that they are taking.

Equity investors provide finance, in return for shares, for companies at various development phases from start-up (seed-stage) to development (venture-stage) and in order to facilitate growth (growth-stage). Equity investment is important in the transformational development of start-ups into large-scale businesses and is often associated with high technology and knowledge intensive ventures where risk and returns are difficult to assess for lenders. Of course, equity investors, in addition to providing finance, are able to offer expertise to guide companies through their phases of start-up, commercialisation and growth. Indeed, equity finance is seen as a vital ingredient for innovation, productivity and growth in the SME sector. As the Business Bank report, *"the provision of funding at the right time, combined with the expertise that outside equity investors bring, can fuel rapid growth when companies are starting up, expanding, diversifying or entering new markets*" (Business Bank, 2017, p4). This type of financing is supplied by venture capital funds (VC) and trusts (VCT), business angels (BA), private equity (PE), other corporate investors (CV) and government funding (GV). More recently crowdfunding, peer to peer lending (P2P) and initial coin offerings (ICO) have provided alternative funding channels. Funding is targeted at stages of development form start-up to follow-on and growth finance and often involves syndicates of co-investors.

However, there have been persistent concerns of *market failure* in the provision of both loan and equity finance in the UK i.e. that there is insufficient capital supplied to match entrepreneurial demand. This can be an impediment to start-up and leave many potential high growth and technically innovative businesses under-capitalised or unfunded (i.e. funding or equity-gaps exist). The provision of equity finance is crucial for the development of innovative new firms that combine new technology, knowledge and skills to create commercial opportunities but lack the track record and tangible collateral required by loan providers. These potentially innovative and knowledge intensive firms often fail to acquire finance because of the inherent uncertainties and informational asymmetries that investors face in relation to assessing risk and evaluating the likelihood of and time to commercialisation. Funding shortages may occur at later stages. Wilson et al (2018) suggest that funding difficulties arise a second time, 'second equity gap' where the firm having survived through the first equity gap is still in need of development and growth finance in order to survive the 'valley of death'. Of course, the success of these firms creates both private benefits, shareholder value, sales and profit growth and wider benefits for the economy in terms of job creation and employment, tax revenues, exports, disruptive innovation and technological and knowledge spill-overs. Such firms play an important role in industry and regional development. Studies by Wilson et al (2018, 2019) attempt to estimate the scale of the equity gap in the UK and identify regional disparities in the provision of equity finance. The research identified that as well as the existence of both an overall UK 'equity finance gap', there are also imbalances in the provision of equity finance between regions of the UK. In relation to the 'second equity gap' the analysis suggests that the size of the aggregate 'equity gap' is of the order of £6.5bn - £12bn. The uncertainties and recession precipitated by the current pandemic is likely to have exacerbated the equity gap at both start-up and in relation to follow-on or growth finance and regional disparities in equity finance provision.

Policy interventions have attempted to address the supply-side problem of new innovative and growing businesses being unable to access the capital they require to start-up and develop. Further, as mentioned above, there is a particular shortage of capital or larger long-term investments to fund growth or scale-ups, i.e. firms at the venture or growth phase of commercialisation. The *Enterprise Investment Scheme (EIS)* and the *Seed Enterprise Investment Scheme (SEIS)* are two of a number of government initiatives which encourage innovation by granting private investors tax breaks when investing in early stage 'high risk' companies. These schemes have had a significant effect on stimulating the flow of venture capital finance via VC funds, Venture Capital Trusts, Business Angels and investment syndicates. Moreover, the sector and regional distribution of the equity gap is being addressed by specific interventions that provide funds directly (e.g. Enterprise Capital Funds) for specific regions (Northern Powerhouse Investment Fund, Midlands Engine Investment Fund, Cornwall and Isle of Scilly Fund) and/or as a syndicated co-investor (e.g. Angel Co Fund, Regional Angels). During 2020 the Future Fund has provided convertible loans for innovative businesses in the size range £125k to £5m. In the analysis that follows we cannot identify firms in our data that have benefitted from these schemes, however we can identify and track firms that have received equity finance and where the investor would be eligible[1] for such a tax advantage.

[1] **The 'EIS potential' field uses the following criteria:** The transaction was completed by a private limited company with share capital; The company's date of incorporation was no more than eight years prior to the fundraising (as a proxy for a first commercial sale seven years prior); 'Megadeals' were excluded (investments greater than £50m); Companies with any of 114 SIC codes were excluded (to exclude non-qualifying trades - see list provided). The **'SEIS potential'** field is a subset of the EIS potential dataset that excludes all fundraisings where the company had greater than £200,000 in total assets in its annual accounts prior to the fundraising. Companies that did not report assets prior to the fundraising are included. Only deals from the tax year commencing April 2012 are included as this was when the SEIS scheme was introduced.

There is some evidence of a decline, particularly in seed stage investment, during 2019 and prior to the pandemic. This has been attributed to uncertainties around Brexit and the supply of funding from Europe. A study by Beauhurst, published at the end of 2019 (The Deal, 2019), expressed some concerns that seed stage investment appeared to be slowing compared to previous years. They reported that "the number of seed deals fell for the second year in a row from 739 in 2018 to 689 in 2019" and that the amount invested in seed stage fell. Macroeconomic uncertainty, the availability of alternative finance and a shift in the appetite of VC funders from early-stage investments were cited as possible reasons. The British Business Bank report on SME finance in 2019 highlighted a dip in confidence and uncertainty around growth as a result of EU exit. The decline in use of equity finance may be driven by the *demand sid*e. Lack of awareness of venture capital and/or reluctance to give up control were cited as a key barrier to the use of equity finance by respondents to the survey.

Of course, the pandemic, its economic impact and uncertainty about the future potentially hinders the flow of finance and the ability of investors to make new investment decisions. Mason (2020), pre-lockdown, suggests both *'an immediate and longer contraction in the supply of venture capital*' (Mason, 2020 p5) as a consequence of COVID-19 and recession. In particular Mason suggests that venture capital funds are likely to focus on the venture stage rather than seed stage during the crisis period. This of course, reduces the pipeline of growth firms in the future. Moreover, the report suggests, *'governments must ensure that the contraction in VC investing does not widen existing geographical disparities in venture capital investing* (op cit. p5).

In terms of equity finance the equity gap is likely to have increased significantly. A well-known phenomenon in investment and corporate finance is the 'flight to quality'. In times of economic turbulence and crisis investors and funders are likely to shift away from risky assets to reduce potential risk of loss. This behaviour may manifest by observing venture capital investment shifting to larger (announced) deals and follow-on funding for the more established firms and/or those likely to better weather the crisis. Selecting potential winners amongst the pool of start-up and early-stage ventures is more problematic and investors are likely to target assets in relatively more resilient sectors that have less exposure to the effects of COVID (e.g. technology, fintech, business services, life sciences). Our analysis of trends in actual investments seeks to shed some light on investment activity through the early stages of the pandemic, identify the nature and magnitude of the current 'equity gap' and inform policy.

The report divides into four main sections. Section 1 provides an overview of the trends in equity finance provision in the UK on a quarterly basis from 2011. The analysis breaks down the investment activity by stage of investment, rounds of investment, industry sector and regional distribution of investment activity. Section 2 of the report focuses on 2020 and into the COVID-19 lock down period in order to provide and assessment of the impact of the pandemic on finance provision. In section 3 of the report, we discuss the 'equity gap' i.e. the shortfall in the supply of finance in relation to potential demand and provide estimates of the 'equity gap' and its distribution. In section 4 we undertake an analysis of the firms that have received equity investment, and particularly those that were eligible for the Enterprise Investment Scheme support. We track the recent performance (risk) of invested firms and analyse a questionnaire survey of a subsample of firms that was administered in October 2020. Venture capital backed firms, often 'knowledge intensive' and high tech, receive considerable investment prior to commercialisation as they develop innovative products and services. They go through stages of development from seed to venture and growth prior to becoming established and may receive several rounds of equity finance investment. Of course, venture capital investors are often regarded as 'active owners' who work closely with the development and management team to progress the business through to commercialisation and growth. Venture capital investors as shareholder have a strategic, value-creating role in their portfolios of investee firms. The funders may appoint board members and implement close monitoring in order to operationalise their strategic objectives. VC Investors build pools of expertise and competence that they can make available to the investee firms. Moreover, in selecting firms for investment they are skilled identifying the best prospect and picking ventures with value creation potential. One would anticipate, therefore, that equity investors, will be proactive in protecting their *sunk investments* through the COVID period and the consequent adverse economic climate. Our data consists of 19,116 firms that have had equity finance investments in the last decade of these 2,731 have entered into an insolvency and closure process by September 2020 leaving 16,385 that can be considered as active companies. We analyse the number of firms that appear to be at risk of insolvency. In section 5 of the report, we undertake an analysis of a more detailed questionnaire survey of invested firms to gain insights on how they are faring through the crisis and the support that they require or have received.

1. Trends in Equity Finance Investments

1.1 Data on equity Finance Deals

In order to track equity finance deals we utilise data hand collected by Beauhurst, on all individual deals, since 2011. The Beauhurst database represents a comprehensive coverage of equity finance deals identifying and documenting over 90% of equity deals in the UK after 1 January 2015. This includes both publicly announced and unannounced deals. Before 1 January 2015, the coverage of unannounced deals is not comprehensive. The data on unannounced deals are obtained through the analysis of SH01 forms (The Return of Allotment of Shares) submitted by companies to 'Companies House'. When a company allocates its shares, an SH01 form is submitted to Companies House, but details of who the new shareholders are is not included in the SH01 form. The remaining less than 10% is not covered due to incorrect filings in Companies House, etc. Beauhurst's dataset identifies each individual business receiving equity investment and facilitates analysis by company stage, sector and location, or according to the type of investor and equity deal size. An additional dimension for analysis is to categorise firms that are 'eligible' for the SEIS or EIS schemes. The time series data is reported quarterly during the time period under study.

Before the analysis, the following restrictions were applied to the data:

1. the registered number is not missing (27 deals) and it is not foreign i.e. FC (3 deals)
2. the deal value is not missing (1,057 deals) – the percentage of deals with the deal value missing deal is relatively stable across time and it fluctuates between 2% and 3%

Both of these were applied so that the groups of EIS eligible companies and those that are not EIS eligible are comparable since both the restrictions are fulfilled in the former group.
The dataset used for analysis supplied by Beauhurst contained 43,333 observations (deals) and after applying the above filter the number dropped to 42,246 observations. The sample covers equity deals from 1 January 2011 to 1 September 2020 i.e. Quarters 1 to 3 of 2020.

1.2 Analysis of the recent trends

In order to provide some context for recent trends in venture capital investment Charts 1.1 and 1.2 provide details of the number and value of deals tracked by Beauhurst over the period from 2011. Tables are reported in the appendix. Up to and during 2019 venture capital investment showed strong growth with a peak of 6,162 total deals representing 1,798 announced deals and 4,364 unannounced deals. The total deal value recorded in 2019 was £14.8bn around 75% of which involved announced deals. Over the time period from 2011 announced deals have represented between 20% and 35% of the total number of deals but because of the relatively larger deals sizes of announced deals they represent between 60 to 80% of total deal values. The time series fluctuations in these proportions are provided in Chart 1.2.

Chart 1.1 Equity deals in the UK 2011-2020 quarter 3: number and value of deals

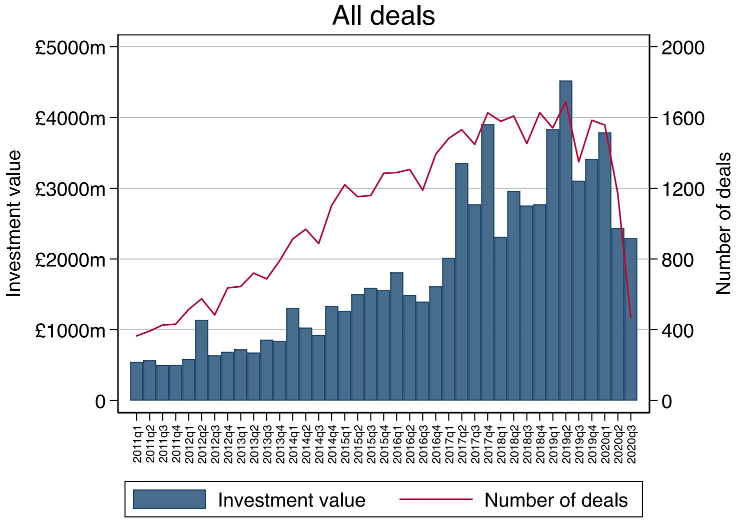
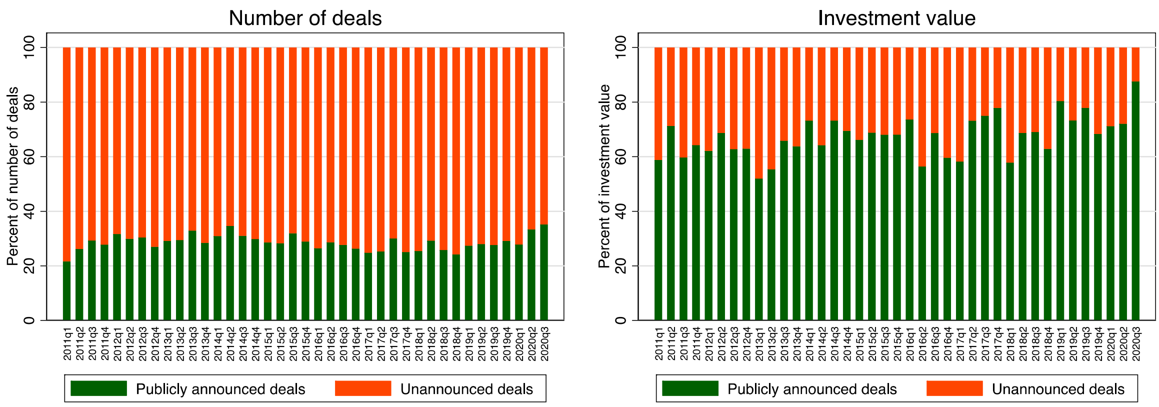


Chart 1.2 Percentage of announced and unannounced equity deals - number and value of deals



The average value of reported deals is shown in Chart 1.3 broken down as EIS eligible deals and others. The EIS subsample represent relatively small deals around the £1m deal size, which of course, includes the majority of start-up and early-stage deals in the sample. An analysis of announced and unannounced deals reveals that announced deals have an average value in the £2m to £10m range whereas unannounced deals are predominantly under £1m in terms of average deal size.

Chart 1.3 Equity deal average value in the UK 2011-2020 quarter 3

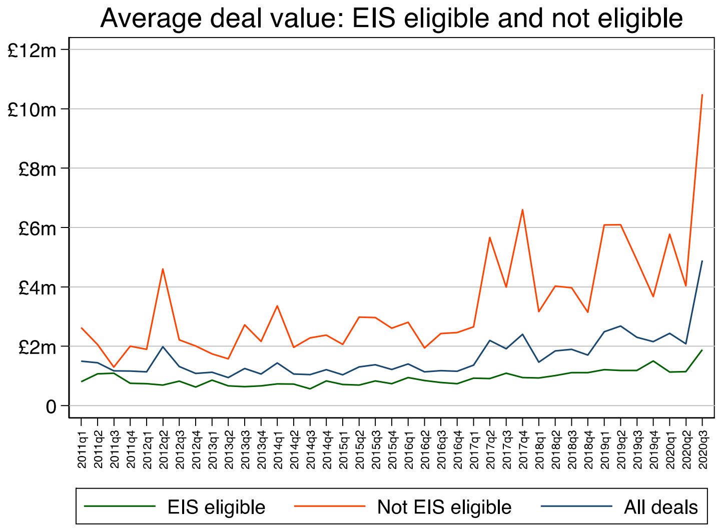


Chart 1.4 Equity deal average value in the UK 2011-2020 quarter 3: Announced and Unannounced

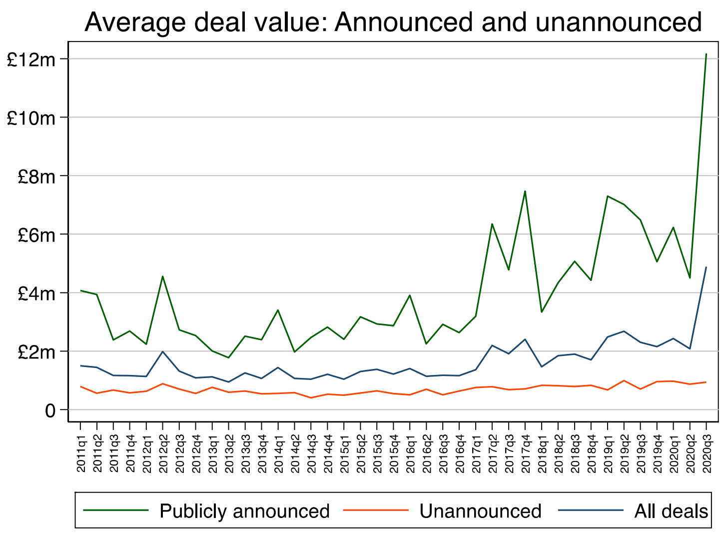
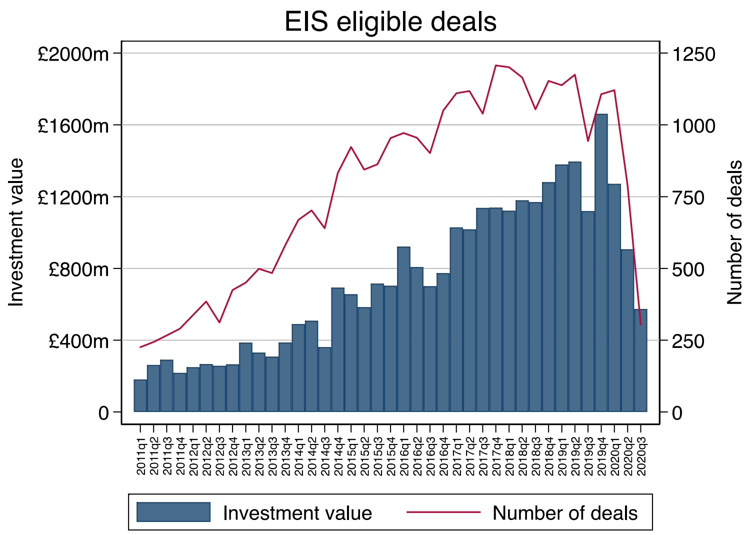


Chart 1.4 tracks deal size by announced and unannounced deals and shows the average deal size of announced deals growing since 2016 within the £4m to £6m range whereas deal size for unannounced deals remains relatively stable.

1.3 Analysis of the EIS eligible deals

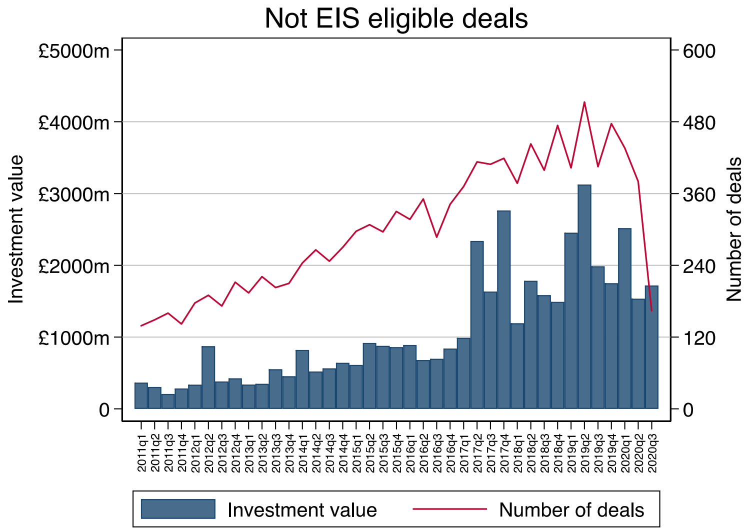
We undertake some subsample analysis of the ventures that would have been eligible for support under the SEIS and EIS schemes (EIS eligible deals) compared to other deals over the time period. EIS eligible deals represent over 70% of the total number of deals and around 40% of the total value of deals (investment value) over the whole period. The time series pattern of both the number of deals and invested amount are presented in Chart 1.5. The number of deals started at below 250 deals in the first quarter of 2011, culminated in 2017 with approximately 1,200 deals per quarter, was relatively steady until the end of 2019 and fell substantially in the second and the third quarter of 2020. The investment value volume was growing gradually from about £200m at the beginning of 2011, reaching a peak at the end of 2019 with investment value over £1.6bn and a sharp decline afterwards.

Chart 1.5 EIS eligible venture capital deals: number and value



The non-eligible deals are considerably larger in value and continue to grow in number into 2019, reaching about 500 deals in the second quarter, as indicated in Chart 1.6. The investment value peaked in the second quarter of 2019 and is on downward trend since then.

Chart 1.6 Non-EIS eligible venture capital deals: number and value



Charts 1.7 and 1.8 show the proportion of eligible deals in terms of number (Chart 1.7) and total investment value (Chart 1.8). The number of EIS eligible deals comprise about 70% of all equity deals in the analysed period. The proportion grew from about 60% in 2011 to about 75% in 2016, it started to decrease since then and as of 2020 it is below 70%. As far as the investment value is concerned, EIS eligible deals represent only about 40%. There is no clear trend here, although there seems to be an apparent drop in 2017 from proportions about 50% to proportions of about 40%.

Chart 1.7 Proportion of the number deals that are EIS eligible

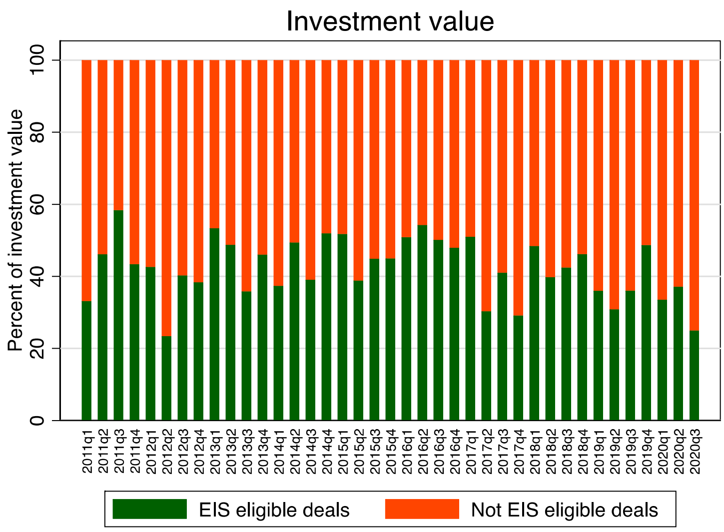


Chart 1.8 Proportion of deals that are EIS eligible by total investment values

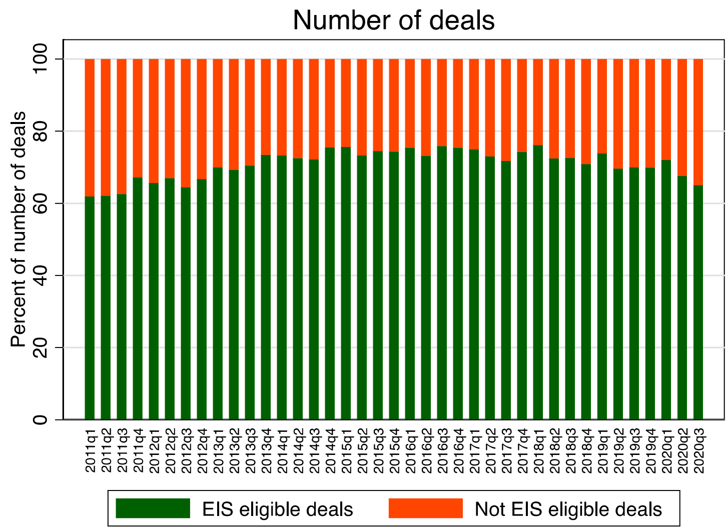
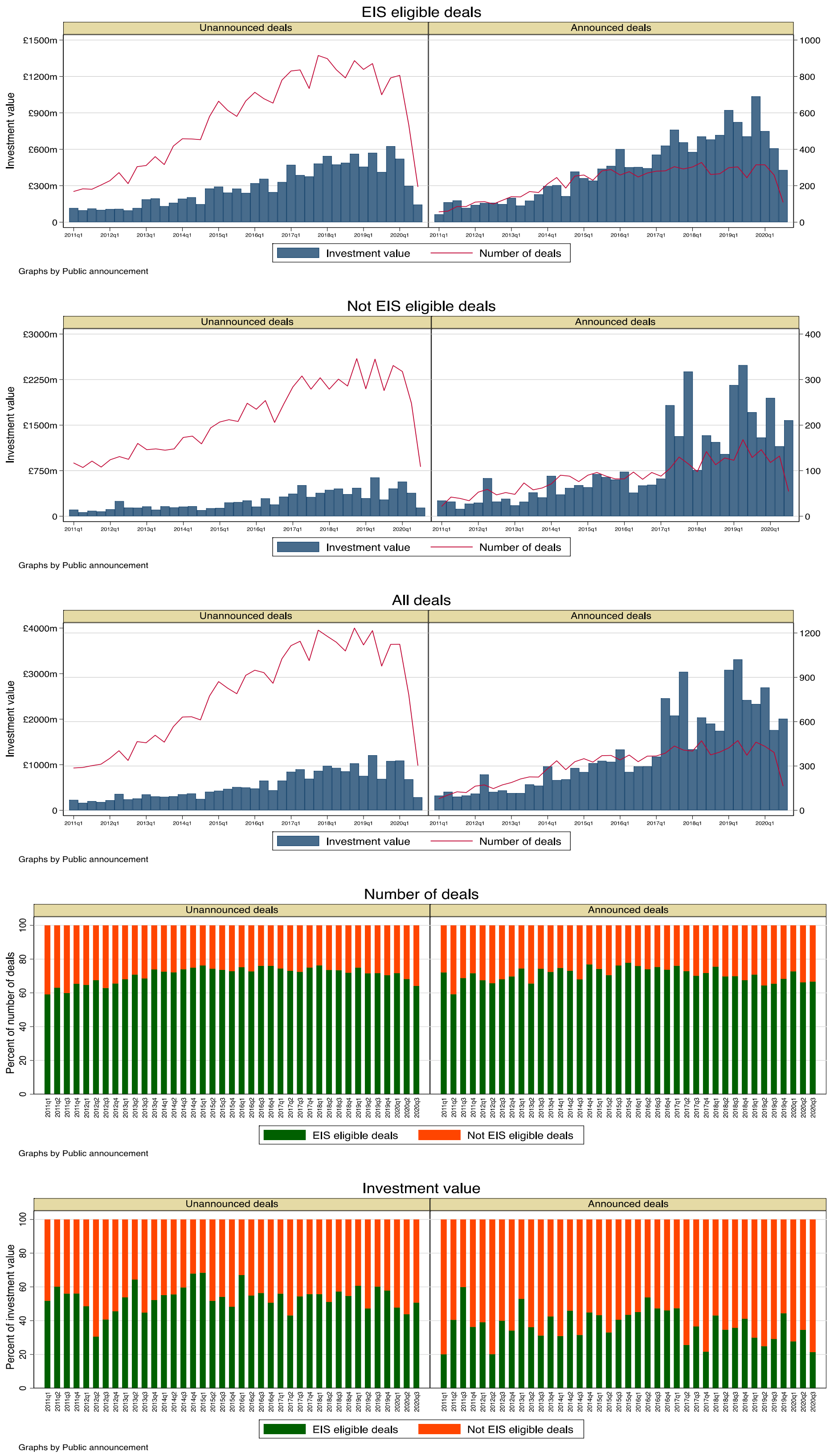


Figure 1.1 presents the breakdown of announced and unannounced deals by EIS eligibility. For both groups (EIS eligible and not eligible), the publicly announced deals represent approximately 28% of all equity deals and this percentage remains relatively stable. This represents almost 70% of invested value. But the proportion differs for the two groups – for the EIS eligible deals, the proportion of invested value of announced deals fluctuates around 60%. For EIS not eligible deals, the proportion is greater, ranging from 60% to 90%. The trends in the evolutions of announced and unannounced deals are somewhat similar for both EIS eligible and not eligible companies.

The proportion of EIS eligible deals in the number of publicly unannounced deals ranges from 60% to 80% and the similar proportions and trends are for announced deals, as well. As far as the investment value is concerned, the proportion of EIS eligible deals is most frequently between 40% and 60% for unannounced deals from 20% to 60% for announced deals.

Figure 1.1 Number of deals and investment value: announced an unannounced and EIS eligibility



1.4 Analysis of the recent trends: venture capital stages

Figure 1.2 presents a number of charts that track equity deals by stage of evolution. The Beauhurst data classifies deals into six stages – seed, venture, growth, established, zombie and dead. For this analysis, an additional restriction was applied in that we removed the latter two categories (4 deals). The number of deal observations for each stage is provided in table 1.1.

Table 1.1 Number of deals by stages

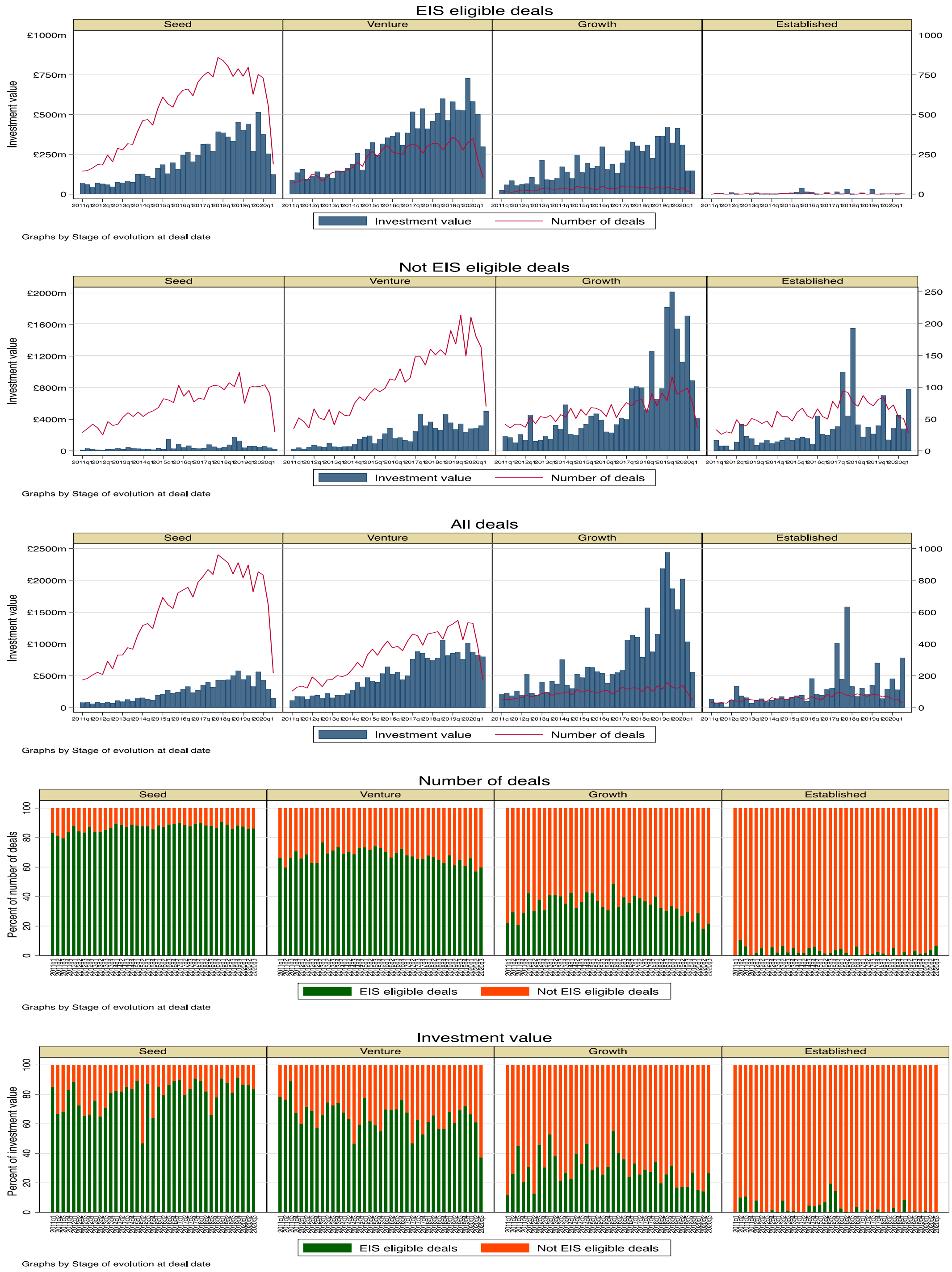
	not EIS eligible		EIS eligible		All deals	
Stage	deals	percent	deals	percent	deals	percent
Seed	2,865	24%	20,417	67%	23,282	55%
Venture	4,203	36%	8,658	28%	12,861	30%
Growth	2,503	21%	1,299	4%	3,802	9%
Established	2,237	19%	60	0%	2,297	5%
Total	11,808	100%	30,434	100%	42,242	100%

Over 55% of the deal sample involves seed stage deals and a further 30% are venture stage. Growth finance and deals with established firms represent around 15% of the deals by number. The seed stage equity deals represent 14% of the overall investment value, venture stage deals 29% of total investment value and growth stage deals 42%.ß

For seed stage investments that were eligible for EIS, the number of deals peaked at the end of 2017 but the investment value grew until 2019. There was a sharp decline at the end of 2019, particularly Q3 in both number of deals and investment value. For the venture stage investments eligible for EIS, the number of deals was increasing relatively quickly until 2016 and then the growth became very slow. However, the investment value grew until the very end of 2019. Again, there was a similar pattern with a drop in Q3 2019 and some recovery in Q4. Eligible growth stage deals declined in both number and value in both of the last quarters of 2019. The EIS eligible investments into companies in the established stage were negligible both in the number of deals and the value of investment.

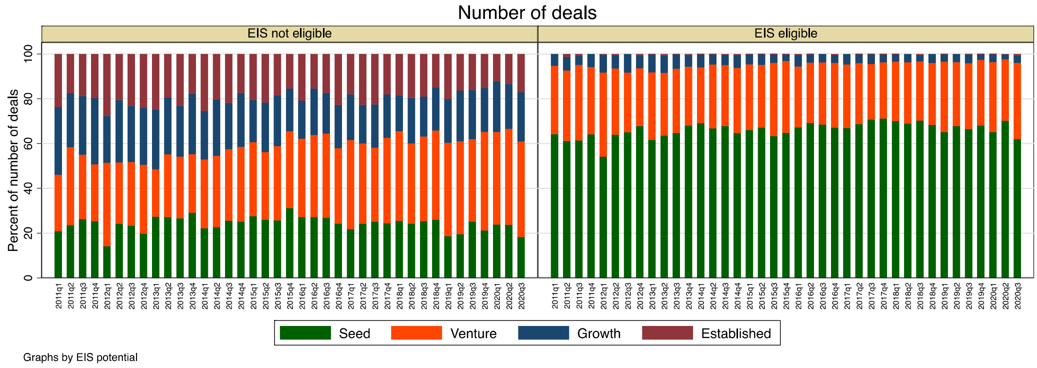
The figures for companies not eligible for the EIS scheme was somewhat different. The growth in the number of seed stage deals was stagnating since 2015 and the investment amount was relatively small, especially when compared to later stage deals. The number of deals for the venture stage deals was growing quickly till 2019 but the investment value was relatively stable from 2017. The greatest growth was for the growth stage deals. Here, the number of deals was gradually growing although the absolute number of deals was relatively small when compared to venture stage deals. Interestingly, the growth in the number of venture stage deals accelerated in 2017 and this coincides with the decreased growth of venture stage deals for EIS eligible companies and also seed stage deals for not eligible companies. The rapid growth in venture stage deals since 2017 is clearly visible in investment value of the growth stage deals, reaching £2bn in the second quarter of 2019. The invested amount dropped in both the third and the fourth quarter of 2019, rose in the first quarter of 2020 again, but then dropped in the second and third quarter of 2020. Deals involving established companies were growing until 2017 and started to fall since then. The invested amounts peaked in 2017 and the investments showed a similar Q3 dip in both numbers and values. However, the volume of investment is relatively high in 2020, as if the investors preferred to invest into stable and viable companies and not in riskier early-stage deals.

Figure 1.2 Number of deals and investment value by quarter – stages



The proportion of EIS eligible deals decreases as the stage of development of company increases. The EIS eligible investments represent about 80-90% in the seed stage, 60-70% of the venture stage, 30-40% of the growth stage and are negligible in the established stage.

Figure 1.3 Proportions of seed, venture, growth and established in terms of number and investment value



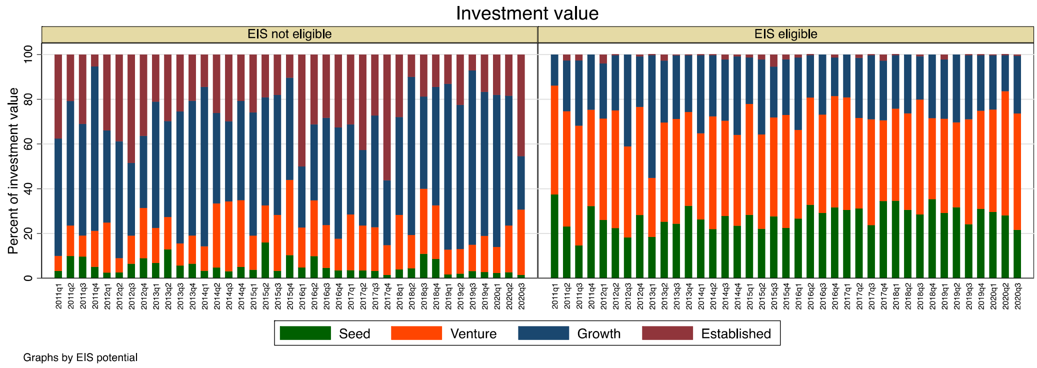


Figure 1.3 shows the proportions of number of equity investments into various stages of company evolution. The figures for the number of deals suggest that even though there are clear trends in absolute values, the proportions remain relatively stable across the analysed period. For EIS eligible deals, seed stage deals account for approximately 67% of deals, 28% of venture stage deals and 4% of growth stage deals. Interestingly, the proportions for the growth stage deals seem to decrease. For EIS not eligible companies, the proportions are quite different. The seed stage deals account for about 24% of deals, venture stage 36%, growth stage deals 21% and established deals 19% (see Table 1.1). Also, it is quite interesting, that the proportions of seed stage deals remain relatively stable and the proportions of venture stage deals seem to grow at the expense of later stage deals.

Table 1.2 Investment value by stage and EIS eligibility

	not EIS		EIS		All deals	
Stage	deals	percent	deals	percent	deals	percent
Seed	1,830	4%	8,191	29%	10,021	14%
Venture	7,596	18%	12,753	44%	20,349	29%
Growth	22,188	52%	7,513	26%	29,701	42%
Established	11,056	26%	245	1%	11,301	16%
Total	42,671	100%	28,701	100%	71,372	100%

As far as the investment value is concerned, the seed stage deals represent 29% of all investments into EIS eligible companies, 44% account for venture stage investments, 26% represent growth stage investment and 1% went onto established companies. For EIS not eligible companies, seed stage investments represent only 4% of investment value, venture stage 18%, growth stage 52% and 26% goes into established companies (Table 1.2). While the proportions do fluctuate, there are not apparent any clear trends.

Figure 1.4 Equity investments by round of financing

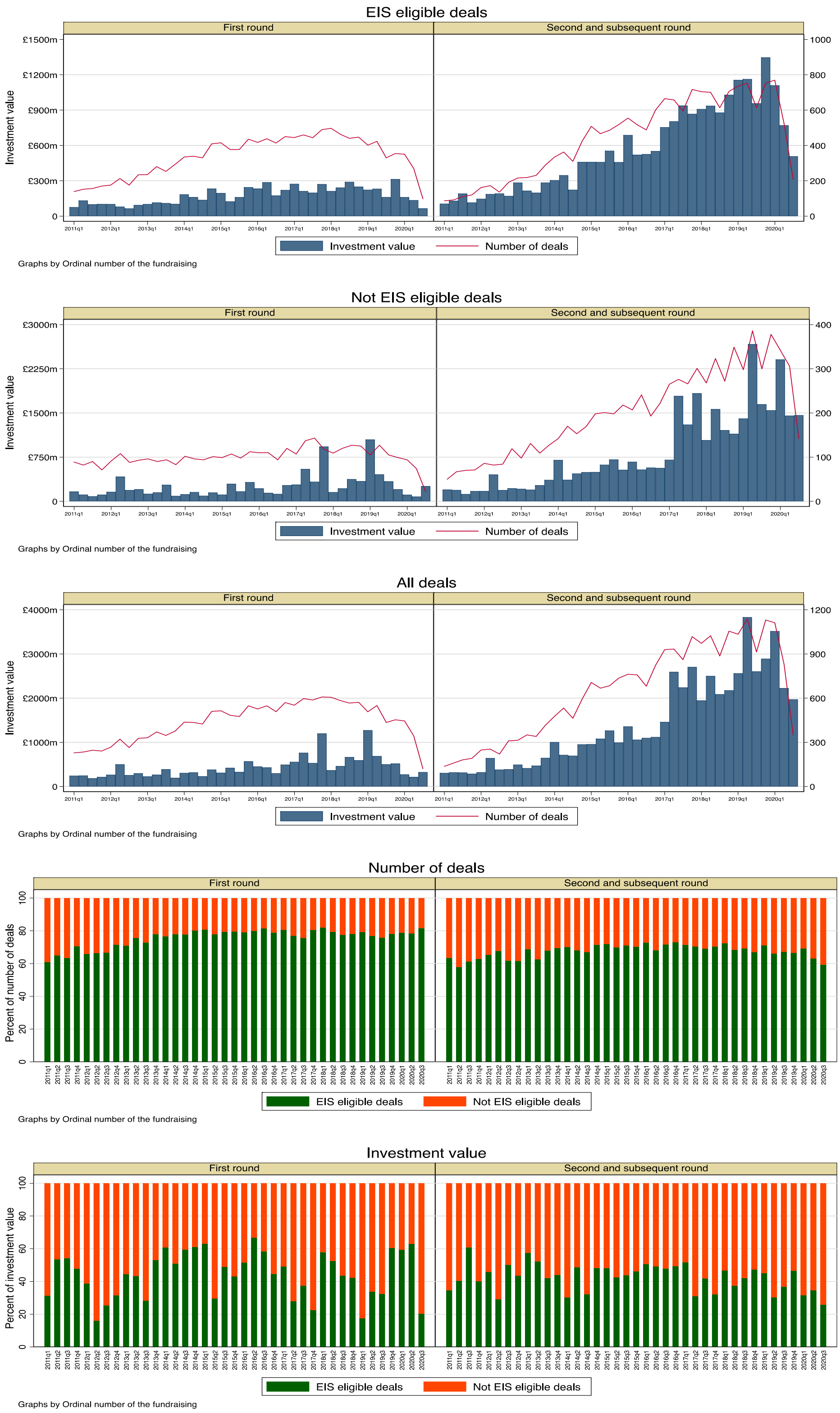


Figure 1.4 analyses the time series pattern of venture capital deals by deal round. The charts in Figure 1.4 show that the number of first round eligible deals culminated at the end of 2017 and started to decline from the beginning of 2018 Q1. This decline continued through 2019 although some larger value deals are apparent in the last quarter of 2019 i.e. there were fewer larger deals. Second and higher round investments of EIS eligible deals grew in both number of deals and the investment value until the 2019. Then, they exhibit a decline in numbers in Q3 2019 but also an increase in average investment value. Overall EIS eligible deals account for 70-80% of the deals for the first-round deals and 60-70% of second or subsequent rounds. The proportions in the investment values in the first-round deals fluctuate across the analysed time period but on average the EIS eligible deals represent about 40-50% by investment value. For first and second or higher round deals, the proportion of EIS eligible deals is about 40%.

Figure 1.5 Proportions of first and later stage deals in terms of number and investment value

Figure 1.5 shows proportions of investments into first and later financing rounds. The figures show that while in the beginning of the analysed period in 2011, the first-round investments represented about 60% of deals, in 2020 the proportion decreased to about 30% for EIS eligible companies and under 20% for companies that are not eligible. The trends in the invested amounts are similar – the first-round investments represented about 40% of investment value in 2011 but decreased to below 20% in 2020. One the one hand, with the increasing number of the invested companies in the market, there are more and more companies requiring higher rounds of funding and the above-mentioned trends may be the indication of the maturing markets. At the same time, this may raise concerns that the first-round deals are not getting enough funding and if the trend continues, this may cause increasing the equity gap and less innovative companies in the future.

2. Equity Finance and COVID lockdown

In this section we consider the impact of the COVID crisis on the level and growth of equity finance investments as we move into the second and third quarters of 2020.

2.1 Analysis of the second quarter of 2020

In the second quarter of 2020, £907m was invested into EIS eligible companies, a decrease of £341m (or 28.7%) comparing to the previous quarter (Q1 2020) when the invested value was £1,271m. The quarter 1 figure had already declined by 23% compared to the last quarter of 2019 so this represents a substantial decline. Comparing the amounts invested with the second quarter of the previous year (Q2 2019) when the investment value amounted to £1.396m, the decrease is 35.0%. As far as the number of deals is concerned, there were 792 deals in the second quarter, down from 1,121 deals in the first quarter of 2020, a decrease by 29.3%. In the same period of the previous year (Q2 2019), there were 1,175 equity deals so the decrease is 32.6%. The average deal value increased somewhat, from £1,134,161 in the first quarter to £1,145,137 in the second quarter of 2020. In the second quarter of 2019 the average deal value was £1,187,860.

Table 2.1 Equity investments – EIS eligible companies

	total		announced		unannounced	
quarter	deals	value	deals	value	deals	value
2020q2	792	907	259	608	533	299
2020q1	1,121	1,271	315	749	806	522
2019q2	1,175	1,396	304	825	871	571

Notes: The invested values are indicated in millions £, figures are rounded to millions.

The announced deals account for 32.7% of all equity deals into EIS eligible companies and 67.1% of all investment value which corresponds to 259 deals and £608m of invested amount. When compared to the previous period (Q1 2020), the number of deals is down from 315 deals and £749m, which is a decrease by 17.8% and 18.8%, respectively. The corresponding figures for the same quarter in previous year (Q2 2019) are 304 equity deals and £825m, so a year-on-year decrease in terms of number of deals is 14.8% and in terms of invested amount 26.2%. The average deal size in Q2 2020 was £2,348,700. This compares with £2,379,061 in Q1 2020 and £2,712,352 in Q2 2019, so the average deal value is decreasing. The unannounced deals of the EIS eligible deals were more frequent but with smaller deal values. There were 533 equity deals with invested amount of £299m. When compared to previous periods, the decrease is greater – this is down from 806 deals and £522m in Q1 2020, a decrease of 33.9% and 42.8%, respectively. The year-on-year decrease is even greater, 38.8% in terms of number of deals and 47.7% in terms of invested value with the figures for Q2 2019 being 871 deals and £571m. The average deal value was £560,291 in Q2 2020 which is smaller than comparable values in Q1 2020 (£647,631) and Q2 2019 (£655,776).

SEIS eligible companies form a subset of EIS eligible companies. In Q2 2020, £211m was invested in 473 equity deals. This compares with £244m and 624 deals in Q1 2020 a relative decrease of 13.7% and 24.2%, respectively. In Q2 2019, £316m was invested in 708 deals, so a year-on-year decrease was about one third (33.5% and 33.2%, respectively).

Table 2.2 Equity investments – SEIS eligible companies

	total		announced		unannounced	
quarter	deals	value	deals	value	deals	value
2020q2	473	211	126	140	347	71
2020q1	624	244	141	88	483	156
2019q2	708	316	163	139	545	178

Notes: The invested values are indicated in millions £, figures are rounded to millions.

In the second quarter of 2020, announced deals into SEIS eligible companies with £140m worth of investments form about two thirds of all invested value (SEIS). This was invested in 126 deals. When compared to previous quarter (Q1 2020), it is an increase in invested value (from £88m) but a decrease in terms of equity deals (from 141 deals). In relative terms, this is a substantial increase of 58% and a decrease of 10.6%, respectively. When compared to the same quarter of the previous year (Q2 2019), the invested amount is nearly unchanged (£139m, an increase of 0.6%) but the number of deals decreased by 22.7% (down from 163 deals). The increase in invested amount but the decrease in the number of deals is reflected in a relatively high average deal value for announced deals into SEIS eligible companies - £1,107,166. This is an increase from both the previous quarter (Q1 2020) when the same figure was £626,330, and the same quarter of the previous year (Q2 2019) with the average deal value was £850,932.

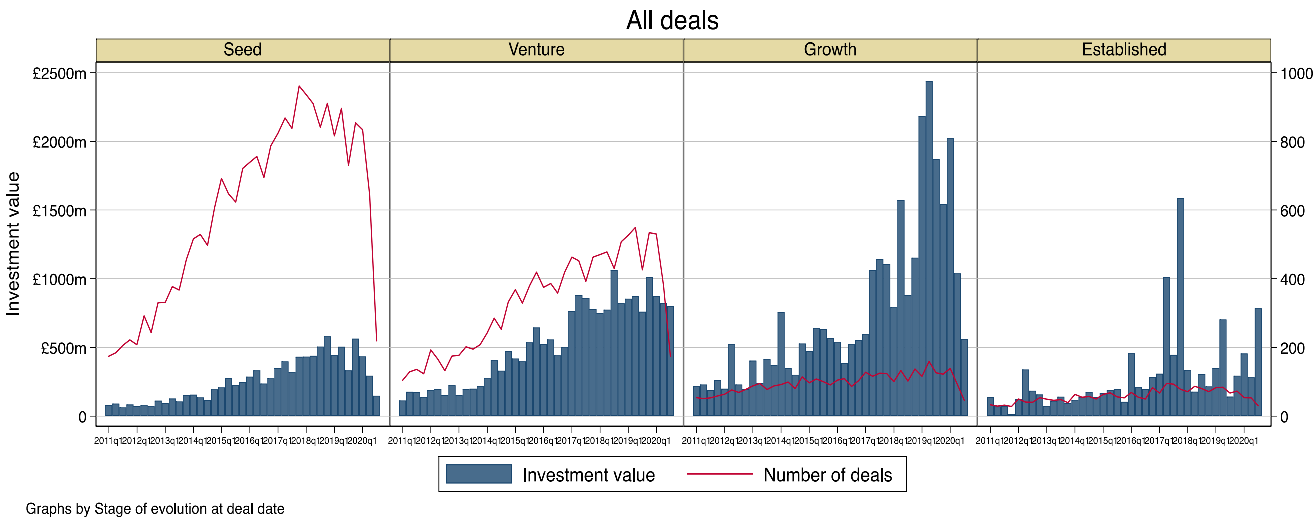
The unannounced deals into SEIS eligible companies are, as expected, relatively small when compared to all previous groups. In Q2 2020, there were 347 such deals but the total invested value was just £71m. These figures represent a substantial decrease from the previous period, both from the previous quarter and also compared to the same quarter previous year. In Q1 2020, £156m was invested in 483 equity deals and this means the decrease in the following quarter (Q2 2020) was 54.4% and 28.2%, respectively. Compared to Q2 2019, when £178m was invested in 545 deals into SEIS eligible companies in unannounced deals, the figures mean a year-on-year decrease of 60.1% in terms of invested amount and 36.3% in terms of number of deals. Finally, the average deal value was £204,606 in Q2 2020, down from £322,016 in Q1 2020 and £326,132. These findings confirm the worries expressed in The Deal 2019 report by Beauhurst that the equity investments into companies in seed stage are on a downward trend and is indicative of the 'flight to quality'.

2.2 Analysis of the third quarter of 2020

The data base captures deals well up to 1 September 2020 so not quite to the end of Q3. However, it is worth tracking the Q3 data given this caveat. In terms of overall deals and investment values. The third quarter shows a dramatic fall in the number of deals (-60%) compared to the previous quarter and a 65% fall compared to Q3 2019. The total investment value fell by 6% compared to Q2 but by 26.1% compared to Q3 2109. Of the EIS eligible deals, the decline in the number of deals in Q3 is 61.5% and the total investment value decreases by 36.7%. Comparing Q3 2020 with Q3 2019 the number of deals declines by 67.7% and the total investment value by 48.8%. The non-eligible deals show a significant drop in deal numbers but an increase in total and average value of deals.

The seed and venture stage investments appear to be the hardest hit by the pandemic. Of the SEIS eligible deals the number of deals drops by 66% and 70% compared to the previous quarter and Q3 2019 with a drop of 50% in total investment value. This is similar to all seed investment deals. The venture stage investments show a 52% (Q on Q) and 62% (Q3 on Q3) decline in numbers and a 40% decline in investment values. The growth stage investments fare equally badly with a 50% decline in numbers and 46% decline in overall investment value (Q on Q). Investments into established firms declined in number but there is a significant increase in average deal value. This is represented in Chart 6 which tracks total investment values by stage of development. Total deal values drop for all categories in Q3 2020 except for investments into established companies where the number of deals declines but average value increases substantially.

Chart 2.1 Equity deals: total investment value by development stage



2.3 Analysis of deals by sector and technology

There are 201 different industrial sectors in Beauhurst dataset. We analyse only 12 sectors with the highest number of deals during the whole analysed period (EIS eligible deals). These sectors are: software-as-a-service; mobile apps; internet platform; analytics, insight, tools; other professional services for businesses; food and drink processors; other software; e-commerce; marketing services; other technology/IP-based businesses; business banking and financial services; educational services.

The Table 2.3 shows the breakdown of deals according to how many of the 12 sectors the invested company operates in.

Table 2.3 Number of deals by industry sector

sectors	Number	Percent	Cum. %
0	16,403	38.83	38.83
1	17,012	40.27	79.1
2	7,091	16.79	95.88
3	1,569	3.71	99.6
4	164	0.39	99.98
5	7	0.02	100
Total	42,246	100	100

Some companies operate in several of the 12 sectors. When this was the case, we counted the deal and the deal value for each of those sectors, i.e. there is some double-counting involved (the alternative could be dividing the deal value by number of sectors a company operates in).

Analysis of the 12 most invested industry sectors shows that, for most sectors, the number of deals and investment value dropped substantially in 2020. In nearly all the 12 analysed sectors the proportion of EIS eligible deals fluctuated around 70-80%, The only exception was the sector of Business banking and financial services where the share moved around 40-50%.

Figure 2.1 Equity investments by technology sector

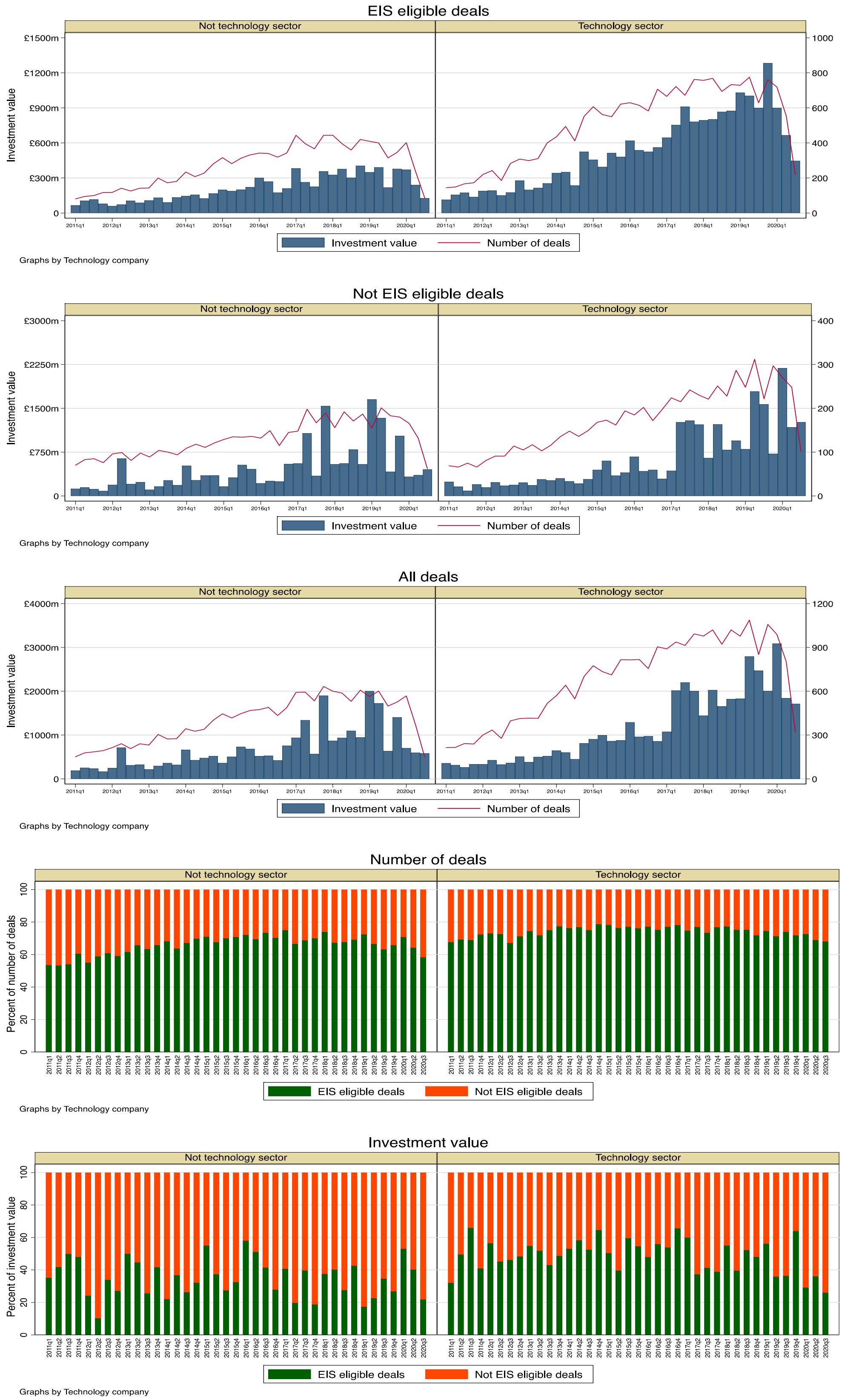


Figure 2.2 Number of deals and invested amounts by industry (12 biggest sectors) - EIS eligible companies

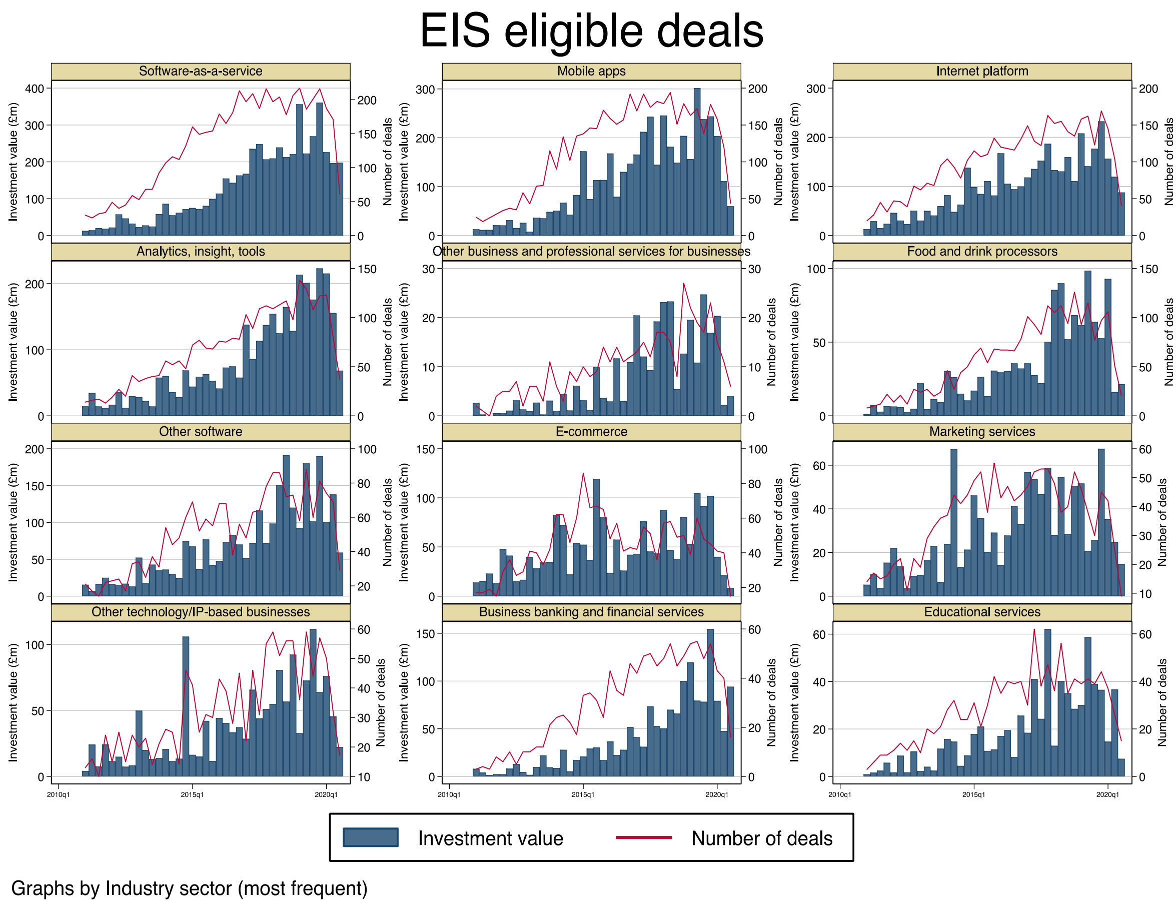


Figure 2.3 Number of deals and invested amounts by industry (12 biggest sectors) - companies not eligible for EIS

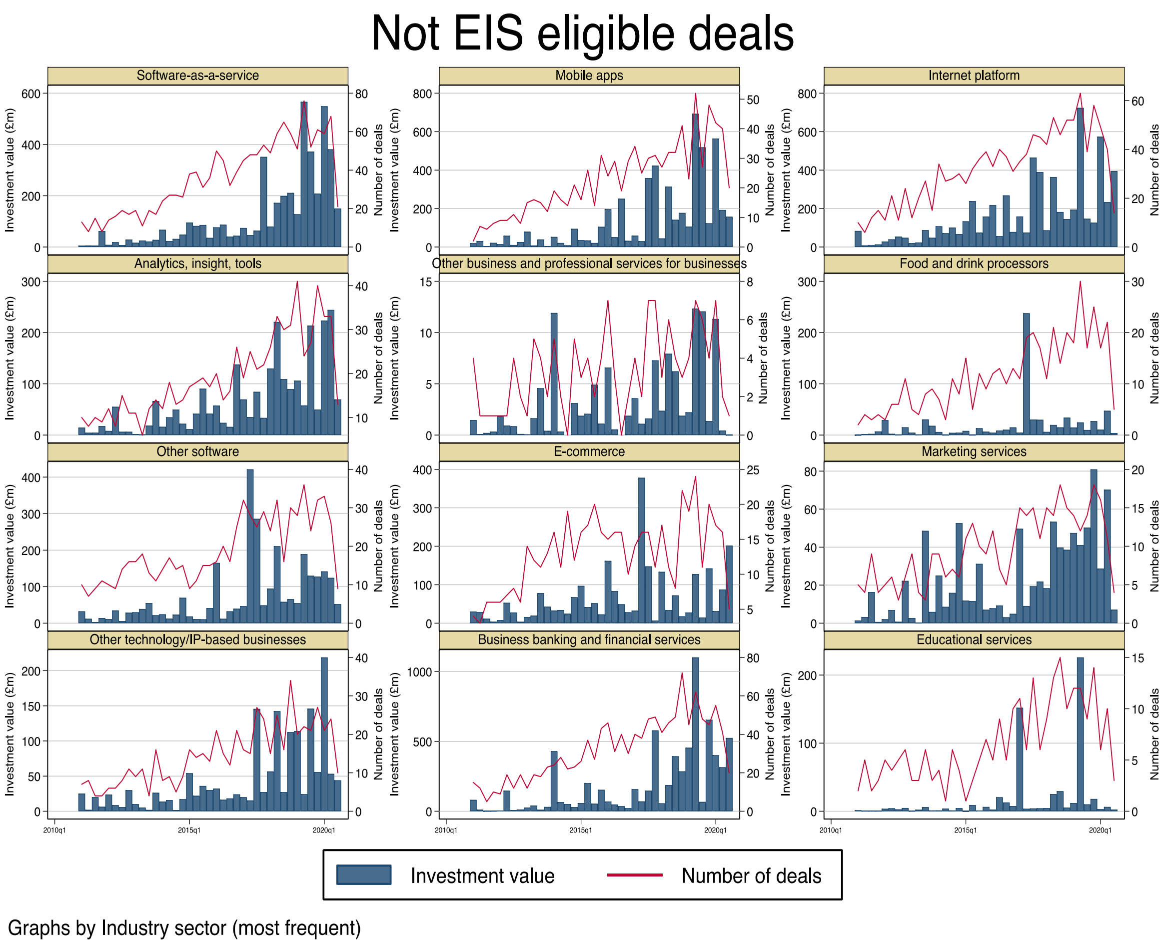
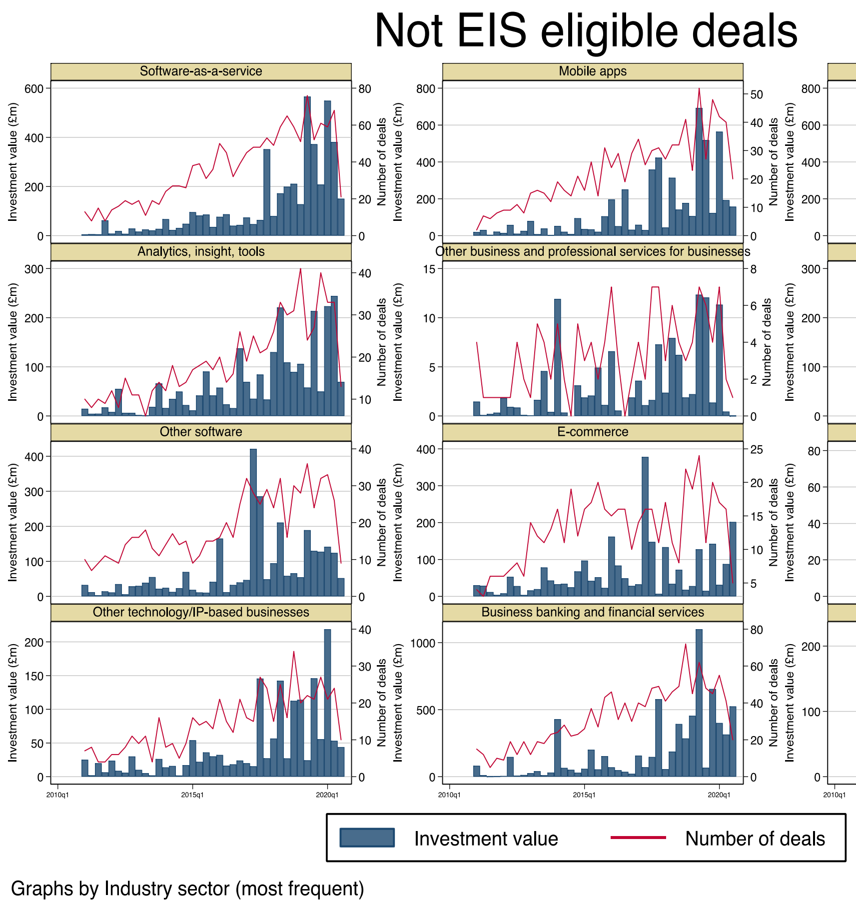
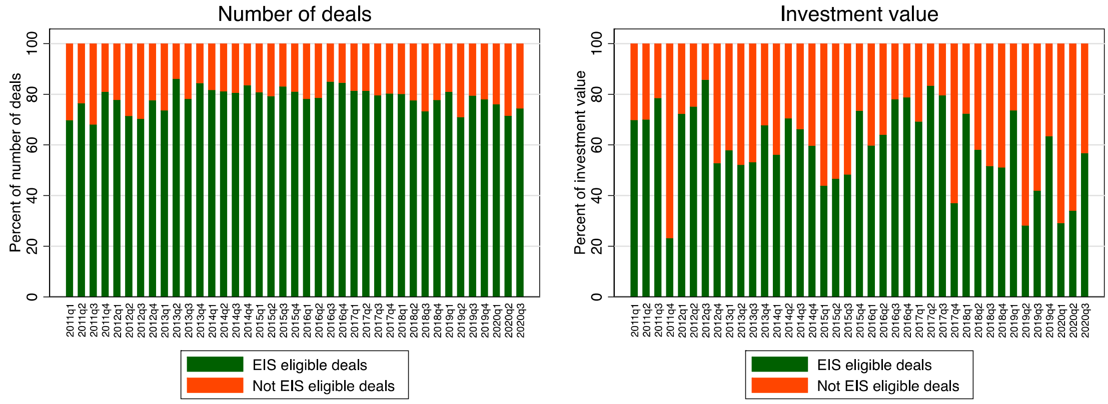


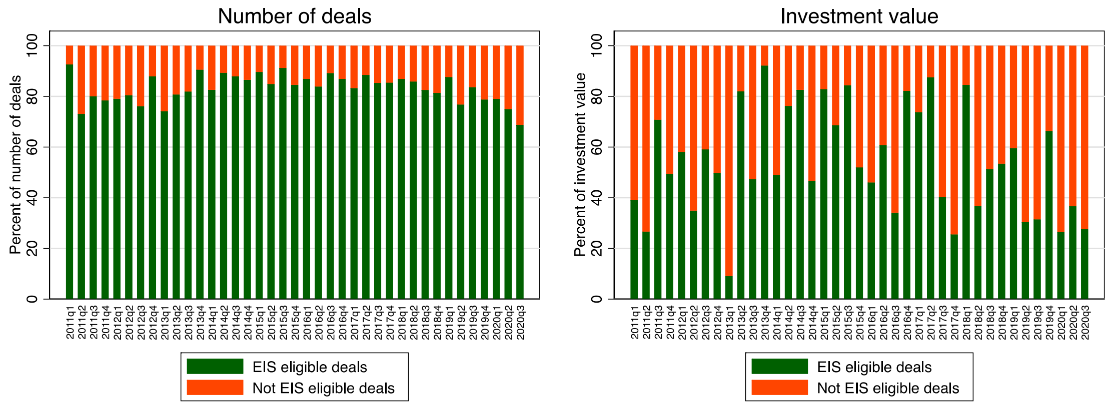
Figure 2.4 Number of deals and invested amounts by industry (12 biggest sectors) - all companies



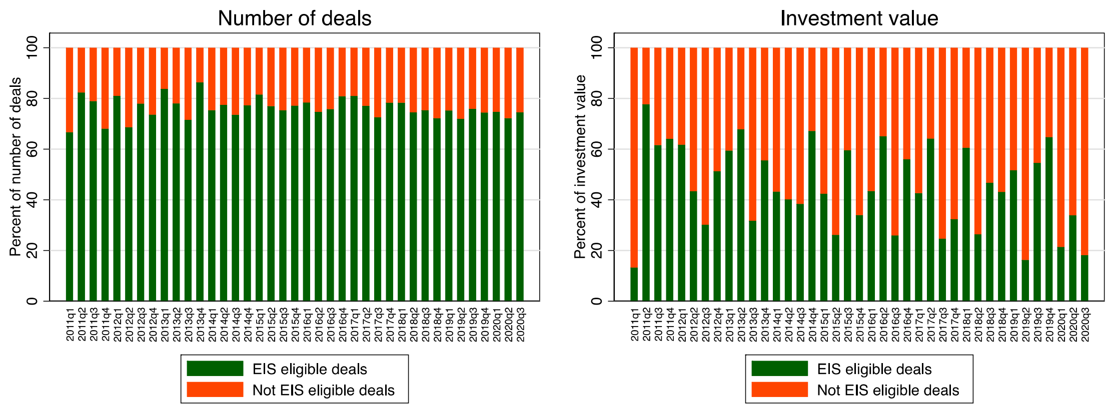
Software-as-a-service



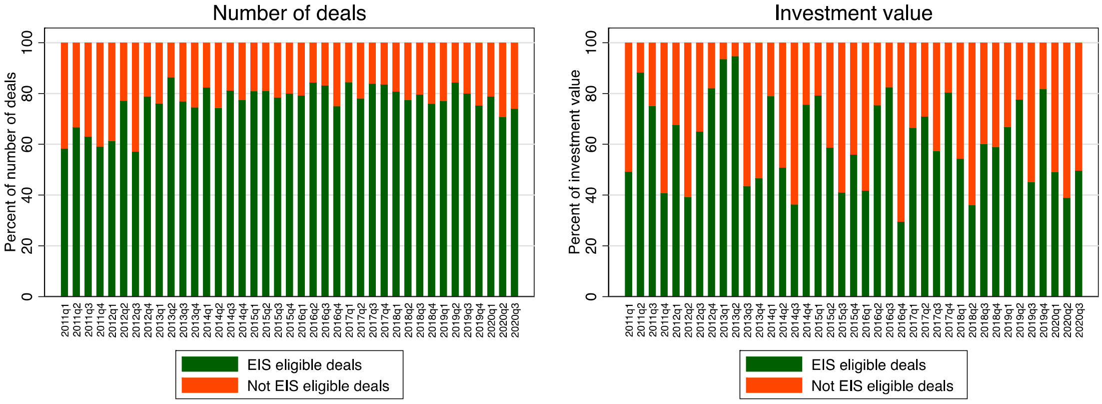
Mobile apps



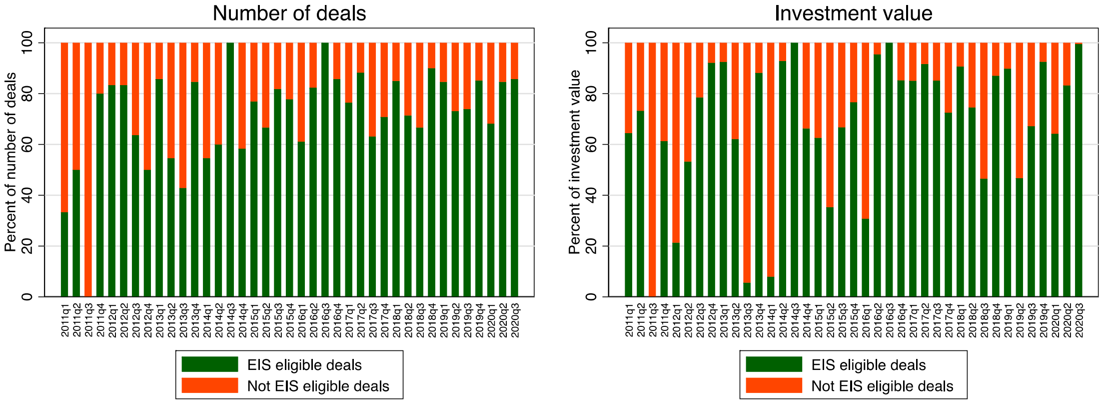
Internet platform



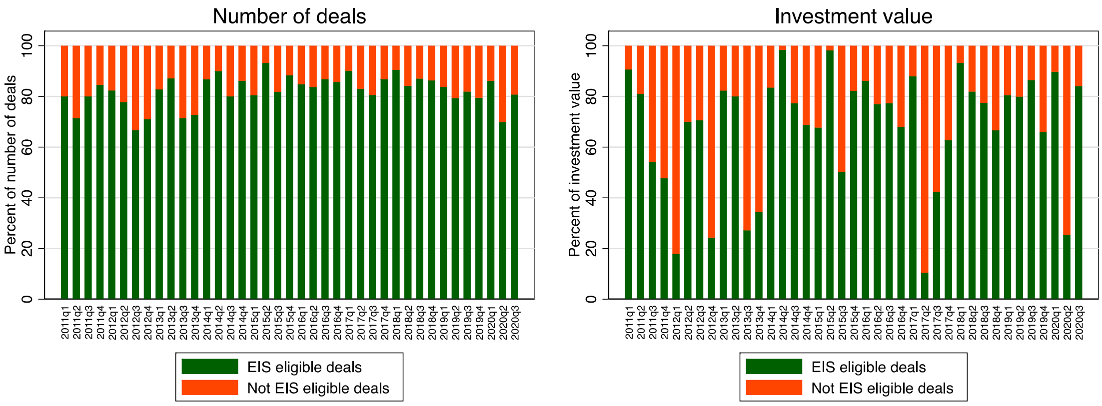
Analytics, insight, tools



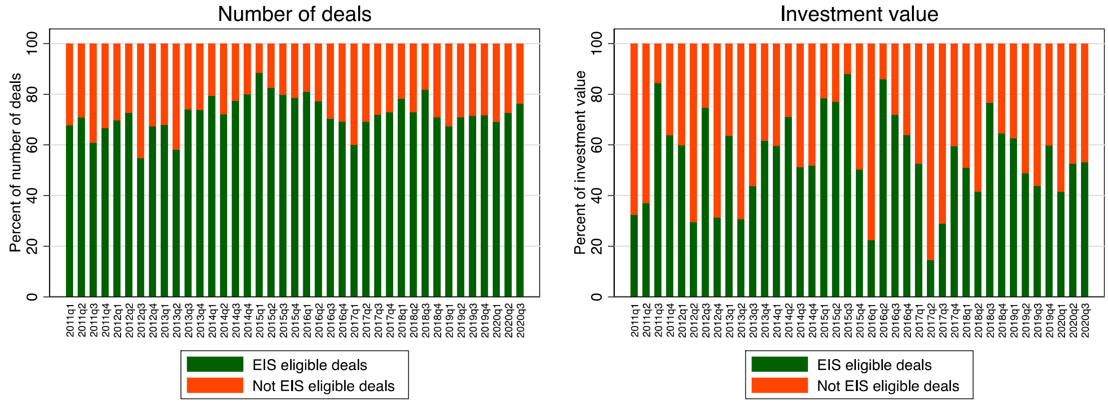
Other business and professional services for businesses



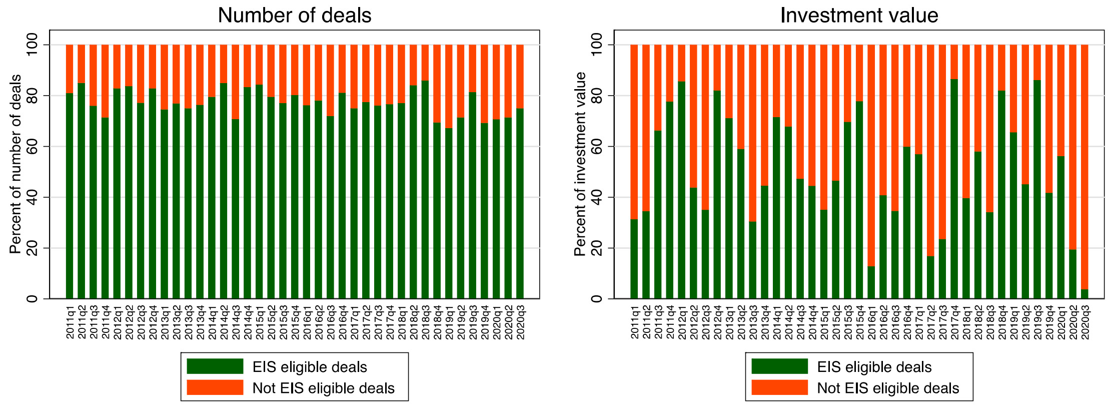
Food and drink processors



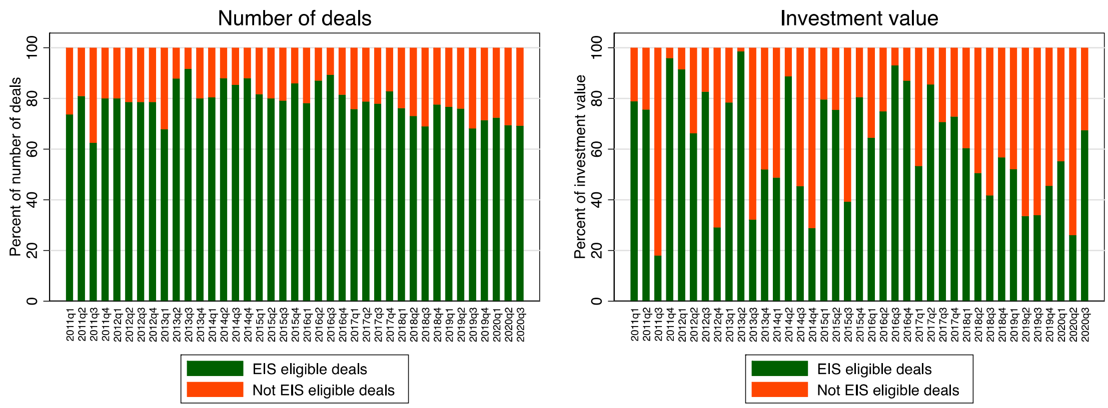
Other software



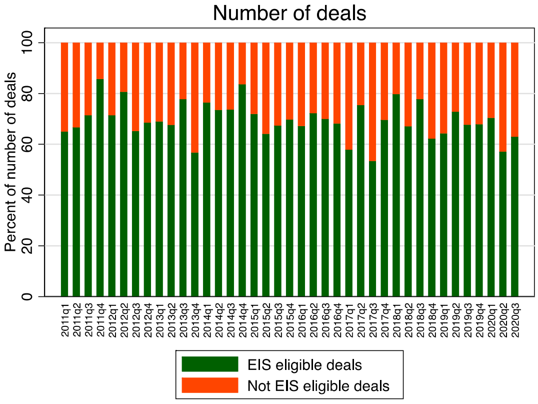
E-commerce

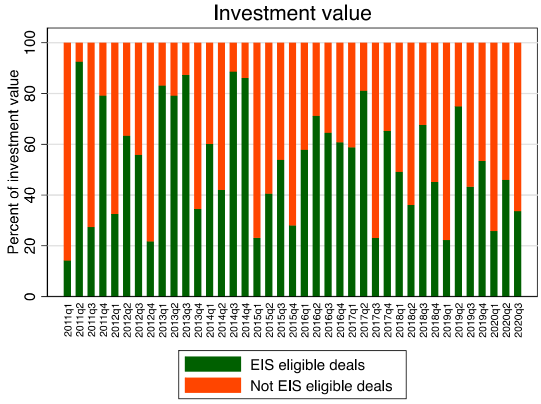


Marketing services

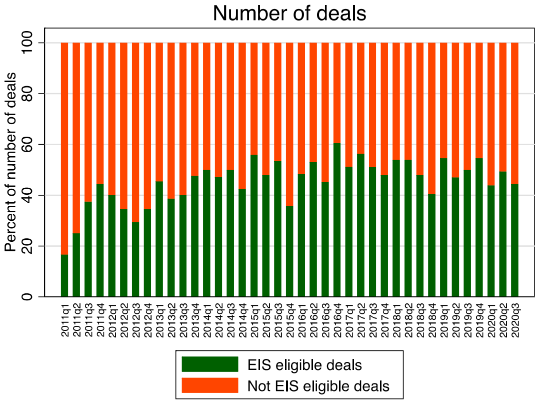


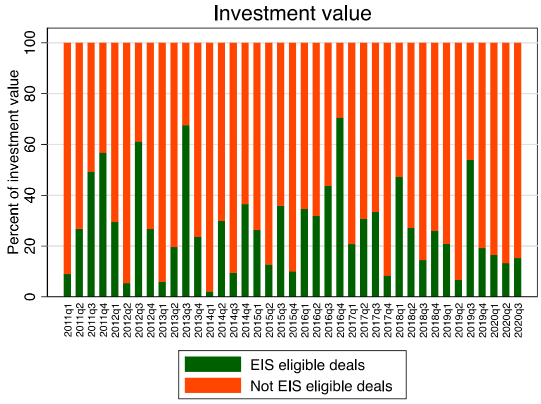
Other technology/IP-based businesses



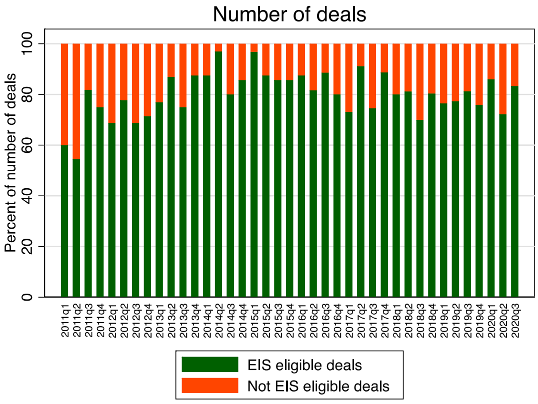


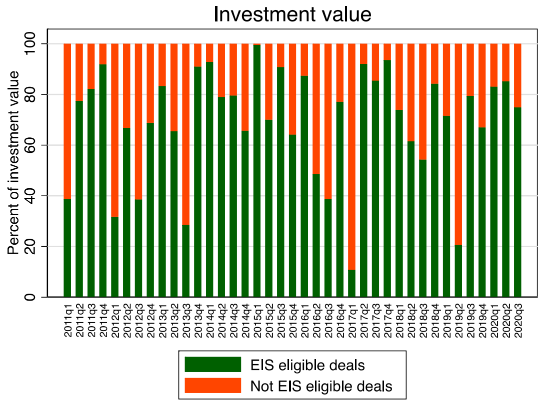
Business banking and financial services





Educational services





3. Analysis of the 'equity gap' and the provision of equity finance

A recent report from BEIS (Wilson et al., 2019) examined the nature and extent of the 'equity gap' in the UK i.e. to the extent to which there is insufficient capital supplied to match entrepreneurial demand. The outcome of which is that viable business models have problems raising sufficient finance from start-up through to commercialisation and growth. The issue of 'information asymmetry' is often cited as a cause of the equity gap, i.e. investors find it difficult to find and assess investable opportunities and investees lack both awareness of the equity financing options and the experience to structure and negotiate deals. The authors suggest, that "the provision of information for both investors (business intelligence) and potential investees (available schemes, director mentoring, legal advice) could stimulate investment activity" (op cit. p67).

The BEIS study attempted to model the supply and demand for equity finance across all sectors and regions of the UK in order to quantify the size of the equity gap (potential demand *minus* actual supply) and to examine any regional disparities in equity finance provision. Several studies have suggested regional disparities in the provision of equity finance in favour of London, East and South East and have reported a marked increase in the concentration of equity deals by volume and by value in the London region. The BEIS study shows that London, South East and East of England regions received from 2011 to 2017 about 70% of all equity investments in the UK (67% of all equity deals and 75% of all invested funds). The concentration in London has increased over time, with an annual growth rate of over 40% in equity finance deals in London during this period. The concentration of investment activity in this region coincides with a concentration of funds. The analysis indicated that the regional imbalance in equity finance investments is not merely a demand side issue and recommended action to incentivise investors to locate branches (or funds) within the regions in order to stimulate regional growth, that is, a reversal of recent trends for investors to retreat from regional locations.

The London region has also witnessed the most growth in equity finance in recent years and clusters of deal activity. This can be explained in part by a relatively high number of funders located in London (the number of venture funds located in London appears disproportionately high compared to other regions) and because of the sector composition of London i.e. high technology and IP-based business sectors attract the greatest amount of investment (in 2017, 36% of total deal value, a decline from 49% the previous year - as the business and professional services sector recorded a sharp rise). As a consequence, the financing needs of high growth potential small businesses in the other UK regions may not be being met.

We have confirmed and extended some of the findings reported in the BEIS report (Wilson et al., 2019). The trends of increasing concentration in the three regions with the greatest investment activity (London, The East of England and the South East) seem to continue. Table 3.1 presents the proportions of the total number of UK equity finance deals allocated to each region by number of deals, the value of deals and the compound annual growth rates in deals and amounts over the period from 1 January 2011 to 1 September 2020. The table shows that 49% of all equity deals were invested into companies located in the London region (59% of all invested funds)[2]. However, these are average figures for the whole time period. Moreover, our data show that London, the South East and the East of England regions received in the analysed period 69% of all equity deals in the UK (East of England 7%, London 49%, South East 13%). This represents 79% of all invested amounts (East of England 8%, London 59%, South East 12%). At the same, time the concentration in London seems to increase in time with an average annual growth rate of 24% in equity finance deals and 40% in investment volume during the analysis period. Moreover, by far the highest average equity deals are in the London region (£ 2,025,377) and in the East of England (£ 1,969,604).

Table 3.1 Regional shares of equity investments

	Number of deals			Invested amount			Average deal value (£)
	Deals	Regional share	Growth rate	Amount (£ mil.)	Regional share	Growth rate	
East Midlands	914	2%	7%	896	1%	1%	980,503
East of England	3,008	7%	15%	5,925	8%	31%	1,969,604
London	20,692	49%	24%	41,909	59%	40%	2,025,377
North East	810	2%	8%	1,112	2%	31%	1,372,282
North West	2,300	5%	14%	3,525	5%	15%	1,532,495
Northern Ireland	492	1%	13%	275	0%	19%	558,572
Scotland	2,610	6%	12%	3,041	4%	15%	1,165,270
South East	5,559	13%	14%	8,243	12%	15%	1,482,819
South West	2,299	5%	19%	2,550	4%	29%	1,108,973
Wales	973	2%	16%	792	1%	12%	814,232
West Midlands	1,324	3%	14%	1,693	2%	12%	1,278,653
Yorkshire/Humber	1,246	3%	12%	1,406	2%	8%	1,128,545
Total	42,227	100%	19%	71,366	100%	29%	1,690,060

Notes:

The table summarises number and value of equity deals from 1 January 2011 to 1 September 2020. The second column shows the number of equity deals, the third column shows the regional proportions of the number of equity deals, and the fourth column shows the average regional year-on-year growth rate in the number of equity deals. The fifth column shows the total funds invested in equity deals, the sixth column shows the regional proportions of total invested amounts, the seventh column shows the average regional year-on-year growth rate of total invested amounts in the period 2011-2019 and the last column shows the average deal values. The figures are rounded to whole numbers.

Table 3.2 shows the regional shares and the overall trends for the subset of EIS eligible companies. The results are very similar. The three regions attracted the 72% of all equity deals into EIS eligible companies in the UK during the past decade (East of England 7%, London 52%, South East 13%). This corresponds to 80% of all investment value (East of England 9%, London 59%, South East 12%). If the growth trends from the past decade persists, the concentration in the London region will increase. The trend is reinforced by the average deal values, as well. The highest average deal value was in the East of England (£1,356,588), followed by London (£1,077,419) and the South East (£905,234).

[2] The regional shares are calculated as a ratio of the number of equity deals in a given region and the number of equity deals in the whole UK. For example, in London the number of equity deals was 20,692 and the number of equity deals in the whole UK was 42,227. That is why the regional share of the number of equity deals in the London region is 20,692/42,227 = 49% (rounded to the whole number).

Table 3.2 Regional shares of equity investments in EIS eligible companies

	Number of deals			Invested amount			Average deal value (£)
	Deals	Regional share	Growth rate	Amount (£ mil.)	Regional share	Growth rate	
East Midlands	564	2%	10%	286	1%	10%	506,654
East of England	2,004	7%	16%	2,719	9%	21%	1,356,588
London	15,825	52%	26%	17,050	59%	36%	1,077,419
North East	577	2%	8%	345	1%	8%	597,244
North West	1,563	5%	14%	1,122	4%	14%	717,735
Northern Ireland	360	1%	11%	152	1%	19%	421,437
Scotland	1,731	6%	11%	1,246	4%	13%	719,887
South East	3,814	13%	16%	3,453	12%	20%	905,234
South West	1,616	5%	21%	999	3%	23%	617,925
Wales	691	2%	20%	352	1%	23%	509,545
West Midlands	874	3%	15%	483	2%	20%	552,646
Yorkshire/Humber	805	3%	13%	492	2%	11%	611,125
Total	30,424	100%	20%	28,697	100%	27%	943,235

Notes:
The table summarises number and value of equity deals for EIS eligible companies from 1 January 2011 to 1 September 2020. The second column shows the number of equity deals, the third column shows the regional proportions of the number of equity deals, and the fourth column shows the average regional year-on-year growth rate in the number of equity deals. The fifth column shows the total funds invested in equity deals, the sixth column shows the regional proportions of total invested amounts, the seventh column shows the average regional year-on-year growth rate of total invested amounts in the period 2011-2019 and the last column shows the average deal values. The figures are rounded to whole numbers.

The location quotients relate the regional shares of equity investment to regional shares of various measures of enterprise demography (new firms, active firms, high-growth firms) or economic activity (regional GDP). In Table 3.3 we present comparison of equity investment with number of high-growth firms within regions. Since the figures on high-growth firms from Office of National statistics are available only until 2018, we compare regional shares of equity investments (number of deals and investment value) for years 2018, 2019 and 2020 with the regional share of high-growth firms[3] for 2017-2018. The location quotient higher than one means that a region received more equity investments than expected based on the number of high-growth firms in their regions. If the number is small, the companies in a region are not getting as much equity funding relative to the number of firms that are available.

The results suggest that the only region with higher proportion of equity investments than warranted by its share of high-growth firms was London. Its location quotients range from 2.54[4] to 2.58 for the number of equity deals. The region with the second highest location quotient is Scotland with location quotients ranging from 0.87 to 1.00 followed by the South East with the location quotients from 0.81 to 0.87. As for the investment value, the London region has again the highest location quotient ranging from 2.84 to 3.48. In 2018, the regions with the second highest quotients were the East of England and the North East, both with

[3] The high-growth firms (HGFs) are defined as companies with average annual growth in employment of 20% or more over three-year period and initial employment of ten or more employees.
[4] For example, the share of all equity deals in 2020 in the London region was 51.31%, whereas the share of high-growth firms was just 20.24%. That is why the location quotient of the number of equity deals in relation to the number of high-growth firms was 51.31/20.24 = 2.54.

quotient 0.95. However, in 2019 the location quotient for the London region increased to 3.48 while that of the East of England decreased to 0.73 and the region with the third highest quotient was the South East (0.52). In 2020, the London region had the highest location quotient (3.45) and the following two regions – the South East and the East of England had the quotient only 0.62. One could think that the stronger position of the London region compared to other regions in 2020 may be related to the Covid crisis and the “flight to quality”, i.e. investing in companies in the London.

Table 3.3 Location quotient analysis of equity investments using the number of high-growth enterprises.

	Number of deals			Investment value		
	2018	2019	2020	2018	2019	2020
East Midlands	0.29	0.25	0.31	0.13	0.14	0.08
East of England	0.72	0.73	0.72	0.95	0.73	0.62
London	2.57	2.58	2.54	2.84	3.48	3.45
North East	0.62	0.53	0.58	0.95	0.35	0.23
North West	0.47	0.53	0.46	0.40	0.36	0.30
Northern Ireland	0.43	0.51	0.40	0.08	0.16	0.17
Scotland	0.87	0.93	1.00	0.51	0.49	0.33
South East	0.87	0.81	0.85	0.89	0.52	0.62
South West	0.66	0.69	0.63	0.44	0.39	0.35
Wales	0.55	0.58	0.60	0.20	0.18	0.29
West Midlands	0.37	0.36	0.44	0.26	0.13	0.47
Yorkshire/Humber	0.38	0.35	0.36	0.38	0.12	0.12

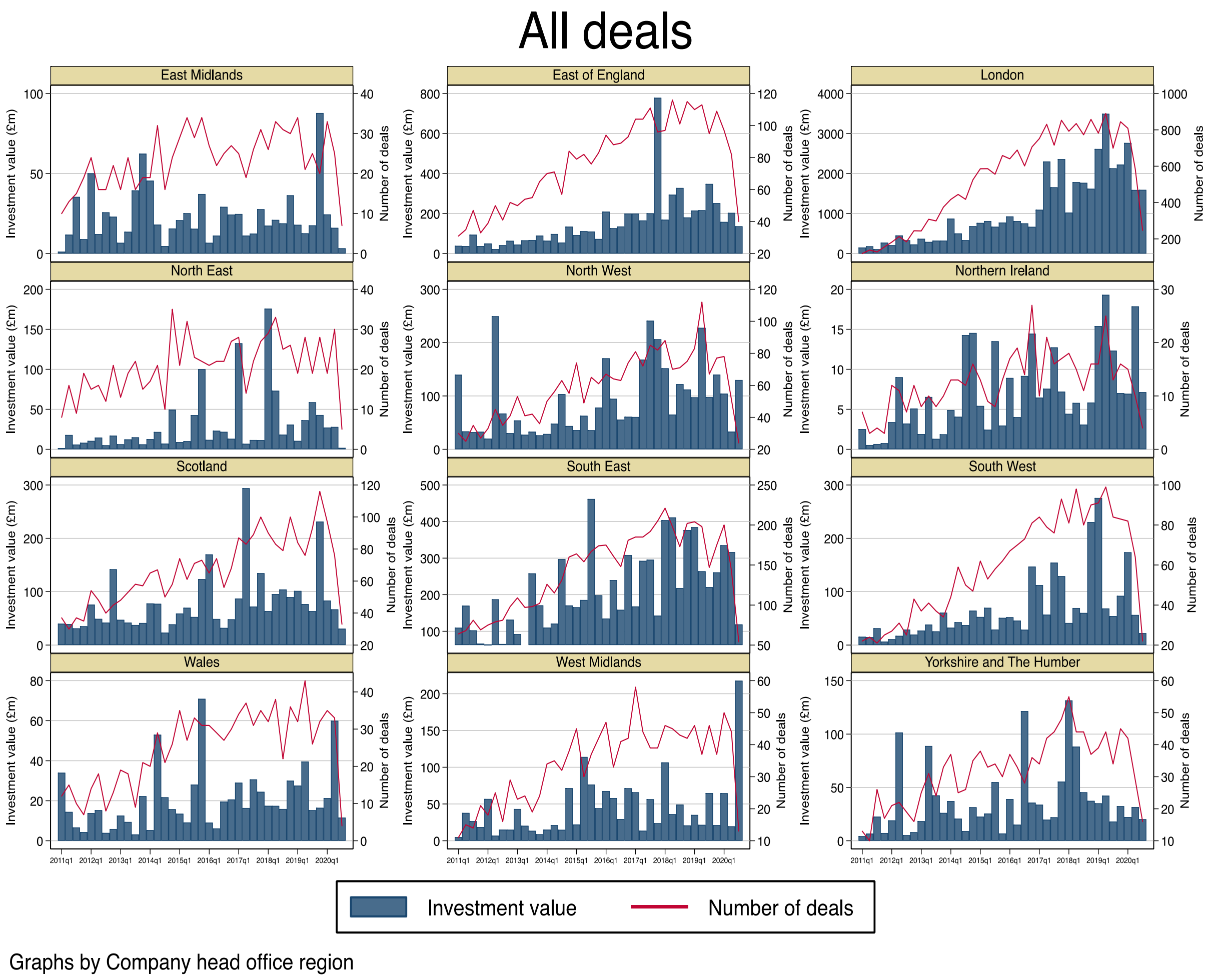
Table 3.4 shows the location quotient analysis for the equity investment into the EIS eligible companies. The results are very similar to those for the whole sample. The London region attracts greater volume of equity investments than warranted by its population of high-growth firms. Interestingly, however, the location quotient for invested amount is close to unity for the East of England which suggests it is attracting also relatively high volume of investment when compared to other regions.

Table 3.4 Location quotient analysis of equity investments into EIS eligible companies using the number of high-growth enterprises.

	Number of deals			Investment value		
	2018	2019	2020	2018	2019	2020
East Midlands	0.24	0.22	0.28	0.15	0.07	0.06
East of England	0.68	0.69	0.71	0.98	0.99	1.01
London	2.73	2.71	2.64	3.11	3.21	3.10
North East	0.57	0.55	0.55	0.34	0.37	0.40
North West	0.44	0.49	0.43	0.35	0.29	0.38
Northern Ireland	0.44	0.48	0.40	0.14	0.26	0.24
Scotland	0.77	0.84	0.89	0.53	0.61	0.56
South East	0.82	0.78	0.86	0.85	0.71	0.82
South West	0.65	0.66	0.61	0.33	0.32	0.23
Wales	0.59	0.56	0.62	0.27	0.26	0.39
West Midlands	0.33	0.32	0.39	0.16	0.15	0.12
Yorkshire/Humber	0.33	0.33	0.31	0.14	0.19	0.22

Another perspective on the evolution of the equity finance provision by region is provided in Figure 3.1. The figure shows higher rates of growth in the number of deals in the three regions with the highest equity investments but also in other regions such as Scotland, the North West or the South West. The growth in other regions is less apparent. Also, the sharp drop in the first three quarters of 2020 is visible in many regions.

Figure 3.1 Number of deals and invested amounts by region – all deals



However, although we observe that there are regional variations in equity finance provision and there is a concentration in the South East, understanding why these potential regional imbalances in equity finance provision exist is a more complex issue. Addressing the problem involves considering both the supply (activity and location of funders) and the demand side issues (the finance needs of companies and the distribution of investable opportunities) within the regions.

3.1 Analysis of the 'equity gap': Estimates

In this section we used the estimates of equity gap (median approach) from BEIS report (Wilson et al., 2019). The figures for 2018 and 2019 were estimated from values for 2011-2017 using a linear trend. For 2020, we do not provide the estimate because we believe there were significant structural changes in the equity finance market caused by Covid 19 situation.

The Table 3.5 presents estimates of the potential 'equity gap' for 2017-2019 for regions and stage of investment. The first three columns show the actual volume of equity investments for each of the years. The fourth to sixth columns show the estimates of 'equity gap' obtained using the 'median approach'. The estimates of equity gap are adjusted for the unwillingness of companies to seek equity funding and the rejection rate of the equity finance providers as in the BEIS study. The seventh to ninths columns show the percentage of the former columns in relation to the actual stock of equity investments. These are estimates of the 'equity gap'. These last columns are coloured based on the relative size of the 'equity gap'. The percentages indicate the percent of total demand for finance that has been delivered. Analysis that breaks down the total equity gap by investment stage in 2019 suggests £768m is required at seed stage; £1.45 bn at venture stage and £4.45bn for growth finance. The northern regions, East Midlands, Yorkshire and Humberside, West Midlands, and the North West, have the largest shortfalls i.e. biggest equity gaps. Our estimates of seed stage investment likely represent an underestimate since our method excludes very early-stage deals where we have limited information.

Table 3.5 Comparison of actual investment value and estimated equity gap – by region and stage (£ mil)

Panel A: Seed

	Actual stock			Estimates of equity gap			% of actual		
Region	2017	2018	2019	2017	2018	2019	2017	2018	2019
East Midlands	22	36	14	35	34	35	157%	94%	249%
East of England	157	224	213	69	69	71	44%	31%	33%
London	889	1042	985	247	244	253	28%	23%	26%
North East	14	28	22	11	11	12	80%	40%	53%
North West	49	60	60	70	67	69	143%	111%	115%
Northern Ireland	13	12	19	6	6	7	46%	54%	34%
Scotland	70	76	111	44	43	44	63%	57%	39%
South East	160	325	248	118	117	121	74%	36%	49%
South West	50	56	76	57	55	56	115%	97%	74%
Wales	31	17	26	16	16	16	52%	91%	61%
West Midlands	27	44	36	46	43	43	167%	97%	117%
Yorkshire/ Humber	19	39	32	39	39	40	206%	100%	126%
Total	1,502	1,960	1,844	758	744	768	50%	38%	42%

Panel B: Venture

	Actual stock			Estimates of equity gap			% of actual		
Region	2017	2018	2019	2017	2018	2019	2017	2018	2019
East Midlands	21	25	24	65	71	79	303%	280%	327%
East of England	300	412	298	117	129	143	39%	31%	48%
London	1959	1893	2114	346	370	399	18%	20%	19%
North East	16	43	56	18	20	22	107%	48%	40%
North West	152	136	166	102	111	122	67%	82%	74%
Northern Ireland	10	7	20	15	15	17	154%	224%	84%
Scotland	139	141	232	68	72	77	49%	51%	33%
South East	310	421	323	205	225	248	66%	53%	77%
South West	202	105	104	98	111	123	48%	106%	118%
Wales	53	42	54	32	35	38	60%	83%	71%
West Midlands	61	144	50	81	90	99	134%	63%	199%
Yorkshire/ Humber	61	36	59	72	78	86	118%	218%	147%
Total	3,283	3,403	3,499	1,218	1,327	1,453	37%	39%	42%

Panel C: Growth

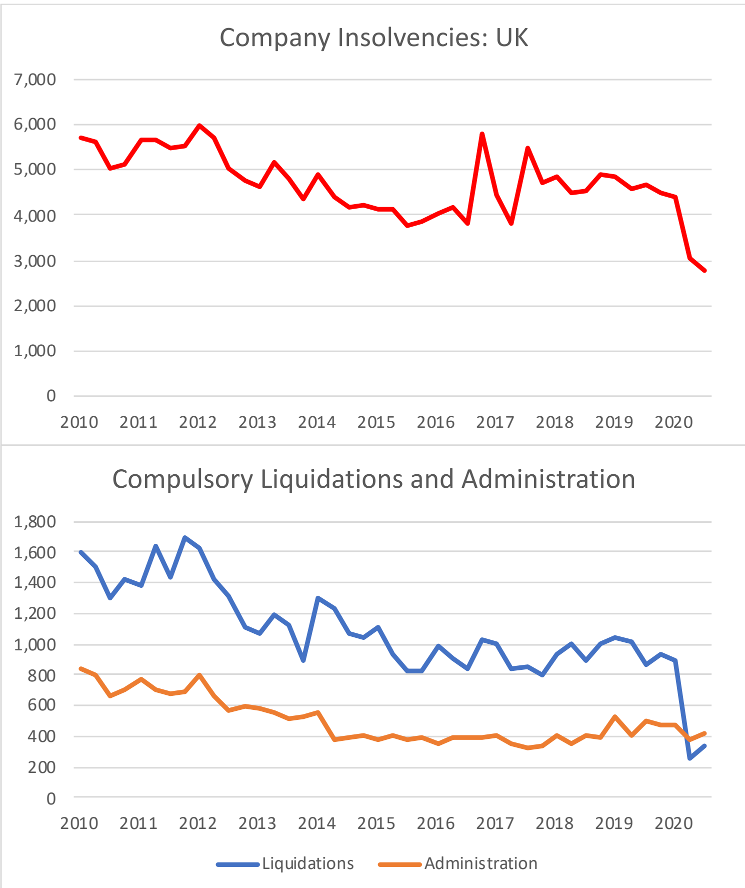
	Actual stock			Estimates of equity gap			% of actual		
Region	2017	2018	2019	2017	2018	2019	2017	2018	2019
East Midlands	12	17	90	272	255	285	2316%	1463%	317%
East of England	187	235	442	437	407	449	233%	174%	102%
London	2794	2959	6590	1,361	1,179	1,252	49%	40%	19%
North East	119	189	59	65	66	72	54%	35%	123%
North West	167	147	138	373	347	380	224%	236%	275%
Northern Ireland	7	0	5	66	68	75	975%	NA	1501%
Scotland	90	39	88	221	187	194	247%	477%	221%
South East	277	454	464	686	632	693	248%	139%	149%
South West	149	226	74	348	328	361	233%	145%	491%
Wales	15	16	10	114	112	125	741%	720%	1189%
West Midlands	69	11	52	304	280	309	439%	2507%	597%
Yorkshire/ Humber	24	104	26	286	266	294	1202%	256%	1141%
Total	3,910	4,397	8,037	4,533	4,128	4,490	116%	94%	56%

4. Analysis of equity financed firms during COVID

In this section we identify firms in the Beauhurst data set that have received equity finance investment and track their characteristics and performance through the COVID period. We are able to identify firms by Companies House registration number and track their current status along with indicators of insolvency risk. Equity funded firms that have been or are in the insolvency process (Liquidation, Administration, Voluntary Arrangements) or closure (Dissolution) can be identified. For each firm in the data base we can aggregate the total amount invested (deal values) at the financing rounds and stages of development.

As outlined earlier COVID-19 is having a significant impact on businesses and the economy across all sectors. The bank of England estimate that in the UK GDP has fallen by 20% in 2020 Q2, the largest fall on record. Although all business sectors have been affected COVID has a disproportionate impact on consumer facing businesses (e.g. food, accommodation, leisure services), non-essential services and those sectors facing greatest government restriction (e.g. transport). Employment and hours of work have fallen considerably with around 9.5 million jobs furloughed. However, the usual indicators of financial stress in the corporate sector, such as company insolvency notices, are yet to pick up the scale of actual/potential bankruptcies.

Figure 4.1 ONS Official Insolvency Statistics: England, Wales, Scotland and NI



The Figure 4.1 tracks the official insolvencies data up to Q3 2020. The total number of insolvencies in Q3 2020 (compulsory and voluntary liquidations, administrations and voluntary arrangements) fell in relation to the previous quarter and the same period last year. This, of course, is driven by the government interventions in response to COVID-19, the financial support given to businesses but also a result of the forbearance of creditors in the current economic circumstances. The decline in insolvencies, of course, can be attributed to the reduction in court activity and HMRC enforcement action along with temporary restrictions on the use of statutory demands and winding up petitions. There is, however, much speculation that insolvencies will increase considerably once financial support and the restrictions mentioned are withdrawn.

In order to get a sense of the level of company financial distress a number of firm-level surveys have been undertaken. An ONS survey of the impact of COVID on business found that 64% of businesses across all industries were at risk of insolvency and 43% of companies were running out of cash (less than 6 months of cash reserves). The accommodation, food service industries (17%) and business support services (9%) had the highest percentage of firms with severe insolvency risk. Th Red Flag Alert report (Q3 2020) from the Begbies Traynor Group analyses company financial statements, events related to financial distress and insolvency risk scores. In the last quarter they recorded 557,000 businesses that were in significant distress i.e. they had deteriorating financial ratios and had county court judgements (CCJ) lodged against them for the recovery of unpaid debts. This is despite the back log in court actions as mentioned above. The report analyses 22 industry sectors and shows food and drug retailers, construction and real estate and property as showing the greatest increases in the incidence of financial distress (10-15% increase in Q3 compared to Q1 of 2020).

4.1 Analysis of the Equity-Financed Firms

In this section we undertake an analysis of the incidence of distress indicators amongst the sample of equity financed firms in the Beauhurst database. We track these firms using credit reference data and the calculated risk scores of individual firms. We are particularly interested in the period from Q1 2019 to Q3 2020, immediately pre and post COVID. In order to match invested companies with Companies House and Credit Reference data we use the reported company registration number. In total we identified 19,116 firms that have had equity finance investments in the last decade of these 2,731 had entered into an insolvency and closure process by September 2020 leaving 16,385 that can be considered as still active, although 1,127 of these firms are classified as 'zombie/dead' on the Beauhurst database indicating inactivity.

In Table 4.1 we report the number of firms in the data set by their current stage of evolution. The firms are skewed towards the seed/venture stage with almost 70% falling within this category and around 15% classified as 'established' or in the 'growth phase'. In 5.7% of the venture capital backed firms the investors have exited by Q3 2020. There are a 7% that are considered as zombie or dead. We matched the registration numbers with the last set of filed accounts at Companies House to determine the size of the companies by total assets. Table 4.2 shows the size distribution of the analysed companies where almost 80% are classified as small or medium size (less then £12.9m in assets) and representative of the population of limited companies.

Table 4.1 Equity Financed Firms by Current Stage of Evolution

	Current Stage of Evolution	
	Number of Firms	Percent of Total
Not Classified	468	2.9
Established	1,240	7.6
Exited	935	5.7
Growth	1,267	7.7
Seed	7,140	43.6
Venture	4,208	25.7
Zombie/Dead	1,127	6.9
Total Live	**16,385**	**100**
Insolvent/Closed	2,731	

Table 4.2 Equity Financed Firms by Size (total assets)

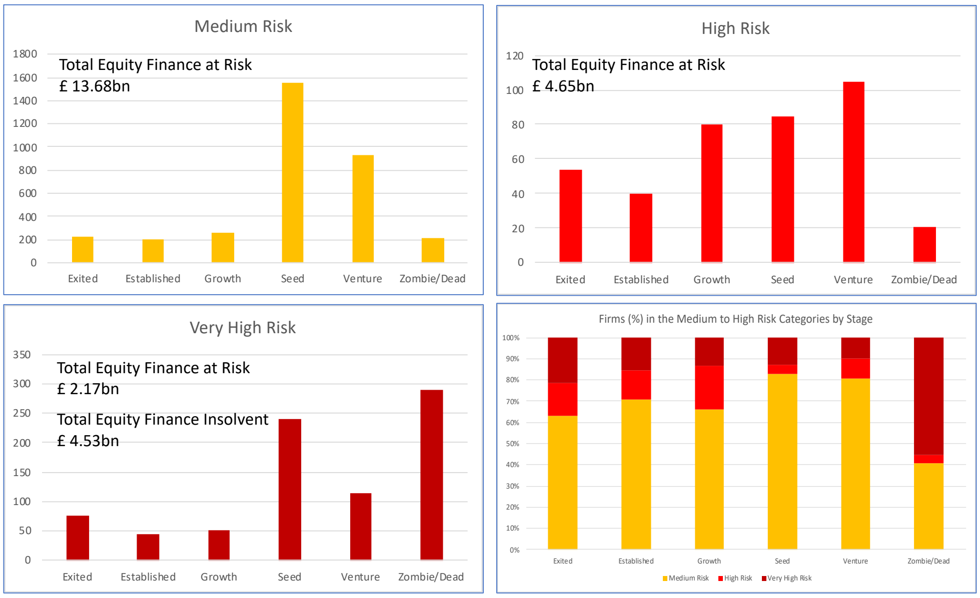
Size (assets)	Number of Firms	Percent of Total
Small	11,693	71.4
Medium	1,421	8.7
Large	884	5.4
Total	**16,385**	**100**

*Small company Total Assets < £3.26m;
Medium Company Total Assets >£3.26 < £12.9m;
Large Company Total Assets >£12.9m

The insolvency risk scores are calculated for companies that have submitted financial statements. The risk scores are collated for several periods from January 2019 to the end of October 2020. The risk scores are designed to determine the likelihood that a firm will fail i.e. be declared insolvent through the legal process within 12 months of the score date. The risk scores take into account and weight a number of factors and firm characteristics to derive an overall score. Financial statements are analysed across dimensions of profitability, leverage, and liquidity. The payment times of invoices in business to business trading determine whether the company is exhibiting late payment behaviour. The composition and changes in the board size and director history are factors in the score. The size, age, location and industry of the company feature in the score. Events such as audit qualifications, CCJs are indicators of financial stress. The insolvency risk scores are calibrated on a 0- 100 scale and can be segmented into categories from very low to very high risk of failure.

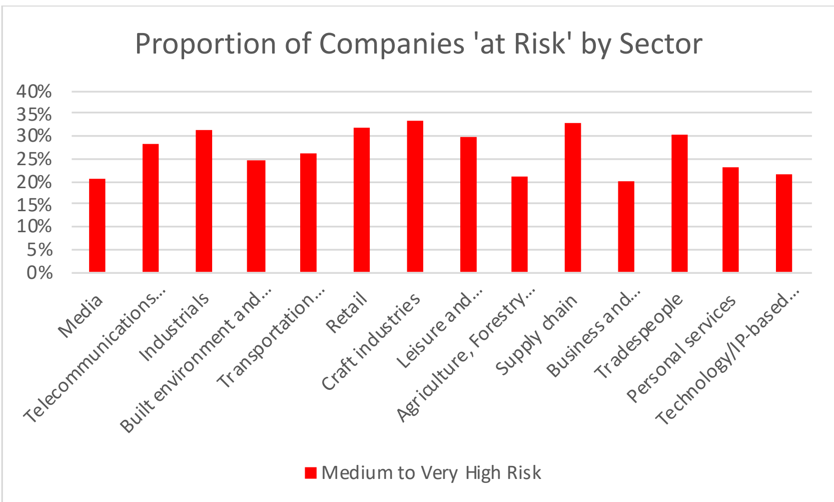
After excluding insolvent companies i.e. in the failed category, we analyse the risk scores, as of October 2020, of the remaining companies in the sample. Utilising data on the deal values for each firm over its lifecycle we can aggregate the total amount of investment in each company. Figure 4.2 charts the number of firms deemed to be in the medium to very high risk category and calculates the total investment in these firms. From the 15,489 active firms that we were able to categorise a third (29.5%) were in these risk categories with the remaining 70% still classified as low risk of failure. Although this is concerning the proportion of firms at risk is significantly lower than the surveys of the general business population, discussed above. Nonetheless these firms have received significant amounts of investment (equity), £13.68 bn invested in the firms deemed medium risk; £4.65bn invested in firm that are now high risk and £2.17bn very high risk, predominantly in the seed and venture stage. Over £4.5bn is or has been subject to insolvency processes much of which will have been lost. Although some firms are categorised as 'zombie/dead' this is not a legal status and therefore they are assumed potentially active until formally wound-up, dissolved and, of course, they have received investment finance.

Figure 4.2 Equity Financed Firms by Risk and Investment at Risk



Out of the firms in the medium to very high-risk categories the growth and established companies have the highest incidence of high and very high risk. Figure 4.3 shows the proportion of the total number of firms in top industry sectors that fall into the medium to very high insolvency risk categories. Industrials, Retail, Creative and Craft Industries, Leisure and Entertainment, and Supply chain have 30% or more firms at risk.

Figure 4.3 Equity Financed Firms by Sector in the 'at Risk' Categories



In Figure 4.4 we report the results of an analysis of the change in insolvency risk scores of the invested firms pre and post covid lockdown. The risk scores for individual firms were extracted on 1st January 2019 and then, again, the score reported on the credit reference file in October 2020 was extracted. The score changes were calculated between the two periods to identify the extent to which they had moved, deteriorated (higher risk) or improved (lower risk). For all stages of evolution (except seed) over 50% of firms have seen a deterioration in risk score and therefore are at higher risk of insolvency. Seed stage firms likely file less information and, if not yet trading extensively, are less likely to have trade and other debts and are likely to be receiving support from their investors. The growth (59%) and venture stage (55%) firms have seen the greater increase in risk but interestingly this rate is less than cases where the funder has exited (62%).

Figure 4.4 Equity Financed Firms by Stage: Changes in Risk Score Pre and Post Covid

	Changes in Risk Score by Stage % Pre and Post COVID					
Score Change	**Established**	**Exited**	**Growth**	**Seed**	**Venture**	**Zombie**
-30% or worse	8.7	23.0	17.9	10.6	16.8	38.8
-15%	20.8	18.4	22.1	13.5	20.4	11.6
-10%	20.7	21.2	19.1	17.2	18.0	28.4
+1% to +11%	17.1	11.1	14.8	16.1	13.8	21.2
+11% to +25%	19.5	14.5	15.7	20.2	17.1	na
+26% or better	13.2	11.8	10.4	22.4	13.8	na
	100	100	100	100	100	100
Increased Risk	50.2	62.5	59.0	41.3	55.3	78.8

Figure 4.5 repeats the process of risk score change calculation by sector. All sectors show more than 50% of firms have an increased risk of insolvency.

Figure 4.5 Equity Financed Firms by Sector: Changes in Risk Score Pre and Post Covid

	Changes in Risk Score by Sector % Pre and Post COVID														
Score Change	Media	Telecom	Industrials	Built Enviorn.	Transport	Retail	Craft Ind	Leisure & Ent	Agriculture	Supply Chain	Business Services	Trades	Personal Serv	Tech/IP based	Energy
-30% or worse	17.2	18.7	17.2	14.2	16.6	18.2	16.4	16.4	10.0	12.8	16.0	17.6	18.3	18.5	21.1
-15%	17.1	18.7	15.9	15.0	15.9	16.2	13.6	16.5	20.7	18.4	16.8	18.3	13.7	16.0	15.8
-10%	20.6	17.4	19.4	20.9	20.0	20.2	20.1	21.8	22.0	20.7	19.4	22.7	20.8	19.0	20.2
+1% to +11%	14.7	14.3	13.7	13.1	17.9	13.3	17.3	12.7	17.3	14.6	14.3	16.5	14.8	13.0	13.0
+11% to +25%	15.7	14.8	18.3	18.1	16.6	19.1	17.3	16.6	16.0	17.4	16.8	11.7	16.1	16.2	15.8
+26% or better	14.8	16.1	15.6	18.8	13.1	13.0	15.2	16.0	14.0	16.1	16.8	13.2	16.3	17.3	14.1
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Increased Risk	54.9	54.8	52.5	50.1	52.4	54.6	50.2	54.7	52.7	51.9	52.2	58.6	52.8	53.5	57.1

5. A Survey of equity financed firms during COVID

In this section we report the results of a questionnaire survey of equity financed firms in October 2020, 2 quarters into the pandemic and lock-down. Altogether, 169 companies took part in the survey, of which 125 have used the SEIS or EIS investment scheme in the past.

Table 5.1 Distribution of participating firms by trading age

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
Less than 1 year	9	20.5%	3	2.4%	12	7.1%
1-3 years	13	29.5%	60	48.0%	73	43.2%
4-7 years	9	20.5%	43	34.4%	52	30.8%
7-10 years	4	9.1%	12	9.6%	16	9.5%
Over 10 years	9	20.5%	7	5.6%	16	9.5%
Total	44	100.0%	125	100.0%	169	100.0%

The age distribution differs in these two groups of companies, which is understandable, as age is one of the conditions of SEIS/EIS investment schemes. More than 70% of companies from the survey that received investments under SEIS or EIS schemes are companies aged 1-7 years. On the contrary, companies with an age of either less than 1 year or more than 10 years have the smallest share in the sample. The age distribution in the sample of companies that did not receive funding under the SEIS/EIS schemes is more even.

Table 5.2 Distribution of participating firms by number of employees

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
Less than 5	16	36.4%	43	34.4%	59	34.9%
5-9	10	22.7%	30	24.0%	40	23.7%
10-24	8	18.2%	26	20.8%	34	20.1%
25-49	4	9.1%	13	10.4%	17	10.1%
50-99	3	6.8%	11	8.8%	14	8.3%
100-249	2	4.5%	2	1.6%	4	2.4%
More than 249	1	2.3%	0	0.0%	1	0.6%
Total	44	100.0%	125	100.0%	169	100.0%

The distribution of employees is similar in both groups – about 35% of the sample are very small companies with less than five employees, 24% are companies with 5-9 companies, 20% are companies with 10-49 employees and about 10% companies with 25-49 employees.

Table 5.3 Distribution of participating firms by financial performance during three years prior to Covid 19

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
Losing money	17	38.6%	91	72.8%	108	63.9%
Breaking even	13	29.5%	21	16.8%	34	20.1%
Profitable, less than comparable SMEs	3	6.8%	5	4.0%	8	4.7%
Profitable, more than comparable SMEs	11	25.0%	8	6.4%	19	11.2%
Total	44	100.0%	125	100.0%	169	100.0%

As for the financial performance of companies before the crisis associated with Covid-19, the largest percentage of companies were loss-making. Almost 73% of companies that received financing under SEIS/EIS were loss-making, while only over 10% were profitable. On the contrary, in the group that did not receive such funding, around 39% were losing money and almost 32% were profitable.

Table 5.4 Industry sectors where surveyed companies operate

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
Agriculture, Forestry and Fishing	3	6.8%	3	2.4%	6	3.6%
Energy	4	9.1%	7	5.6%	11	6.5%
Leisure and Entertainment	4	9.1%	11	8.8%	15	8.9%
Retail	8	18.2%	16	12.8%	24	14.2%
Technology/IP-based businesses	20	45.5%	82	65.6%	102	60.4%
Telecommunications services	3	6.8%	2	1.6%	5	3.0%
Trades (electricians, plumbing etc)	0	0.0%	2	1.6%	2	1.2%
Transportation	2	4.5%	2	1.6%	4	2.4%
Construction	1	2.3%	2	1.6%	3	1.8%
Business and Professional Services	11	25.0%	10	8.0%	21	12.4%
Craft industries (ceramics, textiles etc)	2	4.5%	5	4.0%	7	4.1%
Industrials	2	4.5%	7	5.6%	9	5.3%
Media	3	6.8%	9	7.2%	12	7.1%
Personal services	3	6.8%	3	2.4%	6	3.6%
Supply chain (distribution etc)	4	9.1%	2	1.6%	6	3.6%

Notes: A company may be operating in several sectors.

Technology companies have the largest representation in the sample as almost 65% of SEIS/EIS funded companies operate in the technology sector and over 45% of those that were not funded under the schemes. The other three most represented sectors in the sample are retail, business and professional services and leisure and entertainment.

Table 5.5 Distribution of clients surveyed companies

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
Businesses	32	72.7%	89	71.2%	121	71.6%
Consumers	11	25.0%	30	24.0%	41	24.3%
Public sector	1	2.3%	4	3.2%	5	3.0%
Third sector	0	0.0%	2	1.6%	2	1.2%
Total	44	100.0%	125	100.0%	169	100.0%

For more than 70% of the companies in the survey, customers are other companies and just over 24% provide their services to consumers.

5.1 The impact of COVID-19

When asked about the impact of Covid-19 on turnover, about half of the companies (47.3%) think that the current crisis will lead to reduced sales, 27% believe it will stay the same and about one quarter of companies said their turnover will increase. The companies with SEIS/EIS investment were slightly more optimistic with 28% of these companies reported increased turnover comparing with 18% of those without investment under the schemes.

Table 5.6 Impact of Covid-19 on turnover

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
Decreased	23	52.3%	57	45.6%	80	47.3%
Stayed the same	13	29.5%	33	26.4%	46	27.2%
Increased	8	18.2%	35	28.0%	43	25.4%
Total	44	100.0%	125	100.0%	169	100.0%

About 28% of surveyed companies reported no impact of Covid-19 on employment, over 27% of companies report reduced working hours of staff while almost 17% reduced use of independent contractors, freelancers or agency staff. About 36% of companies reported furloughed staff and about 16% of companies admitted lay-offs. While almost 11% report increased pace of recruiting, nearly 37% of surveyed companies either slows down or halt recruiting, altogether.

Table 5.7 Impact of Covid-19 on employment

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
No impact	9	20.5%	39	31.2%	48	28.4%
Reduced working hours of staff	11	25.0%	30	24.0%	41	24.3%
Reduced use of independent contractors/freelancers/agency staff	6	13.6%	22	17.6%	28	16.6%
Furloughed <25% of staff	7	15.9%	18	14.4%	25	14.8%
Furloughed >25% of staff	9	20.5%	27	21.6%	36	21.3%
Terminations affecting <25% of staff	3	6.8%	13	10.4%	16	9.5%
Terminations affecting >25% of staff	4	9.1%	7	5.6%	11	6.5%
Increased pace of recruiting	6	13.6%	12	9.6%	18	10.7%
Slower pace of recruiting than planned	9	20.5%	27	21.6%	36	21.3%
Recruiting on halt for now	6	13.6%	20	16.0%	26	15.4%

Over 35% of companies were turned down when asked for bank finance or government Covid support.

Table 5.8 Distribution of answers to the question: Have you been turned down for bank finance and/or Government Covid support?

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
No	34	77.3%	75	60.0%	109	64.5%
Yes	10	22.7%	50	40.0%	60	35.5%
Total	44	100.0%	125	100.0%	169	100.0%

The current funding will last less than 3 months for about 15% of companies, it will last between 3 and 6 months for almost 22% of them and between 6 and 12 months for 26%. About 15% of companies are profitable or breaking even – this figure is less than 10% for SEIS/EIS funded companies while it is almost 32% for companies without previous experiences with SEIS/EIS investments.

Table 5.9 Distribution of answers to the survey question: How much longer will your current financing last?

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent

0-3 months	8	18.2%	18	14.4%	26	15.4%
3-6 months	7	15.9%	30	24.0%	37	21.9%
6-12 months	7	15.9%	37	29.6%	44	26.0%
12+ months	8	18.2%	28	22.4%	36	21.3%
We are profitable or breaking even	14	31.8%	12	9.6%	26	15.4%
Total	44	100.0%	125	100.0%	169	100.0%

Approximately 60% of companies think they will not be able to operate longer than 12 months if current circumstances persist.

Table 5.10 Distribution of answers to the question: In your opinion, under these circumstances to what extent your business can continue to operate?

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
3-6 months	12	27.3%	33	26.4%	45	26.6%
6-9 months	4	9.1%	21	16.8%	25	14.8%
9-12 months	7	15.9%	22	17.6%	29	17.2%
Long term	21	47.7%	49	39.2%	70	41.4%
Total	44	100.0%	125	100.0%	169	100.0%

The Covid crisis affected fundraising plans, as well. The highest percentage (27%) of the surveyed companies delayed plans to raise the finance. Interestingly, almost 24% plan to raise bigger amounts than planned and about 10% were not planning to raise the finance but they would do so now. Nearly 21% have no current plans to raise the finance. And only 3% of surveyed companies abandoned plans to raise the finance because of Covid.

Table 5.11 Distribution of answers to the question: How has the crisis affected your fundraising plans?

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
We have abandoned plans to raise finance	2	4.5%	3	2.4%	5	3.0%
We have delayed our plans to raise finance	13	29.5%	33	26.4%	46	27.2%
We have no current plans to raise finance	15	34.1%	20	16.0%	35	20.7%
We were not planning to raise, but will now do so	3	6.8%	14	11.2%	17	10.1%
We will raise a bigger round than planned	6	13.6%	34	27.2%	40	23.7%
We will raise a smaller round than planned	5	11.4%	21	16.8%	26	15.4%
Total	44	100.0%	125	100.0%	169	100.0%

Over 70% of surveyed companies will seek to raise the finance through tax advantaged VC schemes. However, this figure is 80% for SEIS/EIS funded companies but only 43% for those without previous experiences with the funding schemes.

Table 5.12 Distribution of answers to the question: Will you be seeking to raise through tax advantaged venture capital schemes such as EIS and SEIS?

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
No	25	56.8%	25	20.0%	50	29.6%
Yes	19	43.2%	100	80.0%	119	70.4%
Total	44	100.0%	125	100.0%	169	100.0%

As far as the government support in the current situation is concerned, the majority of the surveyed companies said that the measures enabling the access to finance would be the most helpful (71% of the whole sample, 74% of those with the SEIS/EIS funding and 61% of those without). Other types of support such as tax cuts, fewer bureaucratic hurdles or more flexible labour laws were much less preferred with 14%, 10% and 5%, respectively.

Table 5.13 Distribution of answers to the question: What Government measure would currently help your business most?

	no SEIS/EIS		SEIS/EIS		Total	
	firms	percent	firms	percent	firms	percent
Access to funding	27	61.4%	93	74.4%	120	71.0%
Fewer bureaucratic hurdles	7	15.9%	10	8.0%	17	10.1%
More flexible labour laws	4	9.1%	5	4.0%	9	5.3%
Tax cuts	6	13.6%	17	13.6%	23	13.6%
Total	44	100.0%	125	100.0%	169	100.0%

On the other hand, over 89% of surveyed companies (93.6% of companies with previous funding under SEIS/EIS schemes and 77.3% of those that have not) feel, that relaxing of the rules for SEIS/EIS, including raising the tax relief, would lead to a rise in equity funding available to businesses from investors.

Almost 97% (121 out of 125) of the surveyed companies agree[5] that SEIS/EIS investment schemes were important for the growth and development of their company. Less than 58% (72 out of 125) of the surveyed companies agree that the skills and knowledge of the investor were important for this growth and development. Almost 82% of companies (102 out of 125) perceive that without the SEIS/EIS scheme it would be difficult for them to find other financing for the company.

More than 84% of companies (108 out of 125) agree or strongly agree that investments under the SEIS/EIS scheme also have an important impact on employment. At the same time, 119 out of 125 companies reported hiring more employees as a result of SEIS/EIS investments. The headcount increased by more than 50% in about 52% of these companies.

These investments also have a positive effect on improving the financial performance of companies, with which little more than 67% agree (84 out of 125). However, 103 out of 125 surveyed companies reported increased revenue as a result of SEI/EIS investment. Nearly 70% of them reported revenues increased by more than 50%.

These investment schemes are seen as key to financing their investment round by almost 70% of the surveyed companies (87 out of 125). This percentage of companies reported that without the SEIS/EIS scheme the round of financing would not have taken place (definitely or probably). Many companies looked elsewhere for funding, too. Almost 77% of companies attempted to gain other types of equity funding, 47% looked for grants and nearly 30% long-term loans. Relatively fewer companies tried to obtain short-term loans (16.8%), government emergency funding (16.8%), overdraft (14.4%), asset finance (12.8%), supply chain finance (12.8%) or mortgage (1.2%).

[5] The interviewed companies had to choose on a scale from 1 to 5 the answer that best describes their position on the question asked, with 1 meaning strong disagreement and 5 strong consent. For individual questions, we will present the total number and percentage of companies that have selected answers 4 and 5, ie. they agree or strongly agree with the question.

Table 5.14 Distribution of answers to the question: The investment received from EIS or SEIS was important to the growth and development of the business (1 strongly disagree, 5 strongly agree)

	Freq.	Percent	Cum.
2	1	0.8	0.8
3	3	2.4	3.2
4	14	11.2	14.4
5	107	85.6	100
Total	125	100	

Table 5.15 Distribution of answers to the question: The skills and knowledge of the EIS or SEIS investor was important to the growth and development of your company (1 strongly disagree, 5 strongly agree)

	Freq.	Percent	Cum.
0	5	4.0	4.0
1	7	5.6	9.6
2	14	11.2	20.8
3	27	21.6	42.4
4	21	16.8	59.2
5	51	40.8	100.0
Total	125	100.0	

Table 5.16 Distribution of answers to the question: Without the EIS or SEIS scheme I would have struggled to obtain funding for my company (1 strongly disagree, 5 strongly agree)

	Freq.	Percent	Cum.
0	3	2.4	2.4
1	2	1.6	4.0
2	6	4.8	8.8
3	12	9.6	18.4
4	27	21.6	40.0
5	75	60.0	100.0
Total	125	100.0	

Table 5.17 Distribution of answers to the question: The finance you received from the EIS or SEIS scheme led your company to employ more people (1 strongly disagree, 5 strongly agree)

	Freq.	Percent	Cum.
0	1	0.8	0.8
1	3	2.4	3.2
2	5	4.0	7.2
3	8	6.4	13.6
4	22	17.6	31.2
5	85	68.0	99.2
7	1	0.8	100.0
Total	125	100.0	

Table 5.18 Distribution of answers to the question: The EIS or SEIS funding resulted in significantly improved financial performance for your company (1 strongly disagree, 5 strongly agree)

	Freq.	Percent	Cum.
0	1	0.8	0.8
1	5	4.0	4.8
2	6	4.8	9.6
3	29	23.2	32.8
4	20	16.0	48.8
5	63	50.4	99.2

7	1	0.8	100.0
Total	125	100.0	

Table 5.19 Distribution of answers to the question: Would your investment round(s) have happened without the finance you received from the EIS or SEIS scheme?

	Freq.	Percent	Cum.
no, definitely not happened	31	24.8	24.8
no, probably not happened	56	44.8	69.6
would have happened later	27	21.6	91.2
would have happened without EIS / SEIS	11	8.8	100.0
Total	125	100.0	

Table 5.20 Distribution of answers to the question: What proportion of your total investment was accounted for by the EIS or SEIS scheme?

	Freq.	Percent	Cum.
1-20%	17	13.6	13.6
21-40%	15	12	25.6
41-60%	22	17.6	43.2
61-80%	21	16.8	60.0
81-100%	50	40.0	100.0
Total	125	100.0	

Table 5.21 Distribution of answers to the question: By what percentage has the headcount increased?

	Freq.	Percent	Cum.
1-50%	57	48.3	48.3
51-100%	51	43.2	91.5
Over 100%	10	8.5	100.0
	118	100.0	

Note: The answers were binned into coarser bins. 119 surveyed companies reported hiring more employees as a result of SEIS/EIS investments.

Table 5.22 Distribution of answers to the question: By what percentage has your revenue increased?

	Freq.	Percent	Cum.
1-50%	31	30.4	30.4
51-100%	63	61.8	92.2
Over 100%	8	7.8	100.0
	102	100.0	

Note: The answers were binned into coarser bins. 103 surveyed companies reported increased revenue as a result of SEIS/EIS investments.

Table 5.23 Distribution of answers to the question: What other funding sources did you attempt to source?

	Freq.	Percent
Overdraft	18	14.4%
Short-term loan	21	16.8%
Long-term loan	37	29.6%
Asset finance	16	12.8%
Supply chain finance	16	12.8%
Mortgage	2	1.6%
Grant	59	47.2%
Other equity funding	96	76.8%
Emergency government funding	21	16.8%

Notes: A company could select several answers

Appendix: Tables

Table A1 Number of equity deals and invested value – overall

	Number of deals			Volume in mil. £		
Quarter	EIS eligible	Not EIS eligible	Total	EIS eligible	Not EIS eligible	Total
2011q1	226	139	365	182	366	547
2011q2	244	149	393	262	306	568
2011q3	267	160	427	292	208	500
2011q4	290	142	432	218	285	502
2012q1	338	177	515	250	336	585
2012q2	385	190	575	267	875	1,142
2012q3	312	172	484	257	381	639
2012q4	425	212	637	265	426	692
2013q1	451	194	645	387	338	725
2013q2	499	221	720	331	348	679
2013q3	484	203	687	309	553	861
2013q4	581	210	791	388	454	842
2014q1	669	244	913	490	821	1,311
2014q2	702	266	968	509	522	1,031
2014q3	640	247	887	362	564	926
2014q4	833	270	1,103	693	642	1,335
2015q1	923	297	1,220	656	612	1,268
2015q2	844	308	1,152	584	918	1,502
2015q3	863	296	1,159	716	878	1,594
2015q4	954	330	1,284	704	860	1,564
2016q1	972	317	1,289	922	890	1,811
2016q2	955	351	1,306	808	681	1,490
2016q3	902	287	1,189	701	697	1,398
2016q4	1,050	342	1,392	774	841	1,615
2017q1	1,110	372	1,482	1,029	989	2,018
2017q2	1,118	413	1,531	1,018	2,339	3,357
2017q3	1,039	409	1,448	1,137	1,634	2,771
2017q4	1,207	419	1,626	1,139	2,766	3,905
2018q1	1,201	377	1,578	1,122	1,193	2,315
2018q2	1,165	443	1,608	1,180	1,784	2,964
2018q3	1,054	399	1,453	1,169	1,585	2,754
2018q4	1,153	474	1,627	1,281	1,491	2,772
2019q1	1,138	403	1,541	1,380	2,454	3,834
2019q2	1,175	513	1,688	1,396	3,125	4,521
2019q3	944	405	1,349	1,120	1,986	3,106
2019q4	1,107	477	1,584	1,662	1,751	3,413
2020q1	1,121	436	1,557	1,271	2,518	3,789
2020q2	792	380	1,172	907	1,534	2,441
2020q3	305	164	469	574	1,721	2,295
Total	30,438	11,808	42,246	28,712	42,671	71,383

Table A2 Seed stage - Number of equity deals and invested value

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	145	29	174	68	12	80
2011q2	149	35	184	61	30	91
2011q3	164	42	206	43	20	63
2011q4	186	36	222	70	15	85
2012q1	183	25	208	65	8	73
2012q2	246	46	292	60	23	83
2012q3	203	40	243	47	25	71
2012q4	288	42	330	75	38	113
2013q1	278	53	331	71	23	94
2013q2	317	60	377	84	45	129
2013q3	313	54	367	75	31	106
2013q4	395	61	456	126	29	155
2014q1	462	54	516	129	27	156
2014q2	469	60	529	112	25	136
2014q3	434	63	497	101	17	118
2014q4	539	68	607	163	32	195
2015q1	610	82	692	186	23	209
2015q2	567	80	647	129	147	276
2015q3	547	76	623	198	29	227
2015q4	618	103	721	158	89	247
2016q1	653	86	739	245	42	287
2016q2	661	95	756	265	67	333
2016q3	618	77	695	205	32	237
2016q4	704	83	787	245	30	275
2017q1	743	81	824	314	35	349
2017q2	768	100	868	317	81	398
2017q3	735	103	838	270	52	322
2017q4	859	102	961	393	40	433
2018q1	840	96	936	386	47	433
2018q2	803	107	910	361	79	440
2018q3	740	101	841	333	173	506
2018q4	788	123	911	453	128	581
2019q1	741	75	816	403	41	443
2019q2	796	100	896	443	62	505
2019q3	628	102	730	270	63	333
2019q4	753	101	854	516	48	564
2020q1	730	104	834	376	58	435
2020q2	555	90	645	254	40	294
2020q3	189	30	219	124	24	149
Total	20,417	2,865	23,282	8,191	1,830	10,021

Table A3 Venture stage - Number of equity deals and invested value

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	69	35	104	88	25	113
2011q2	77	52	129	135	42	177
2011q3	90	46	136	156	20	176
2011q4	87	36	123	94	46	140
2012q1	127	66	193	113	75	188
2012q2	114	52	166	141	56	196
2012q3	83	49	132	105	48	153
2012q4	110	65	175	128	96	224
2013q1	136	41	177	102	53	155
2013q2	140	62	202	147	50	197
2013q3	139	56	195	145	55	200
2013q4	153	55	208	163	57	220
2014q1	167	75	242	189	90	278
2014q2	200	85	285	257	150	407
2014q3	174	79	253	154	176	330
2014q4	242	90	332	282	192	473
2015q1	270	98	368	326	93	419
2015q2	236	93	329	246	152	399
2015q3	282	98	380	317	219	536
2015q4	306	113	419	355	290	645
2016q1	264	111	375	365	159	524
2016q2	257	129	386	388	170	558
2016q3	250	108	358	308	133	442
2016q4	304	115	419	385	119	504
2017q1	315	148	463	518	246	765
2017q2	304	148	452	413	469	882
2017q3	257	135	392	538	320	858
2017q4	303	160	463	412	368	780
2018q1	319	151	470	460	291	750
2018q2	319	159	478	509	266	775
2018q3	279	151	430	601	461	1062
2018q4	319	189	508	464	357	821
2019q1	358	168	526	581	273	854
2019q2	336	213	549	530	344	875
2019q3	277	149	426	526	235	760
2019q4	324	210	534	729	283	1012
2020q1	350	180	530	582	293	875
2020q2	217	163	380	502	320	822
2020q3	104	70	174	299	503	802
Total	8,658	4,203	12,861	12,753	7,596	20,349

Table A4 Growth stage - Number of equity deals and invested value

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	12	42	54	25	192	217
2011q2	15	36	51	59	171	230
2011q3	11	42	53	85	104	189
2011q4	17	42	59	54	209	263
2012q1	27	37	64	61	138	200
2012q2	23	53	76	67	457	524
2012q3	26	43	69	106	124	230
2012q4	24	54	78	60	137	197
2013q1	36	52	88	213	191	404
2013q2	39	56	95	92	149	241
2013q3	31	46	77	88	326	414
2013q4	31	57	88	99	274	373
2014q1	39	53	92	172	585	757
2014q2	32	67	99	140	211	351
2014q3	29	51	80	99	202	301
2014q4	49	65	114	243	285	528
2015q1	41	56	97	136	337	473
2015q2	40	68	108	196	444	640
2015q3	33	67	100	163	471	634
2015q4	28	63	91	175	393	568
2016q1	51	54	105	298	243	541
2016q2	36	73	109	155	231	387
2016q3	34	52	86	188	334	523
2016q4	37	66	103	133	418	552
2017q1	52	76	128	197	398	595
2017q2	45	71	116	273	791	1064
2017q3	46	79	125	328	816	1144
2017q4	43	81	124	304	802	1106
2018q1	40	60	100	270	522	792
2018q2	43	90	133	310	1262	1572
2018q3	31	71	102	227	653	880
2018q4	46	91	137	364	789	1154
2019q1	37	79	116	365	1820	2186
2019q2	43	116	159	423	2015	2438
2019q3	37	89	126	323	1548	1870
2019q4	28	94	122	416	1127	1543
2020q1	40	99	139	310	1713	2023
2020q2	17	76	93	148	891	1039
2020q3	10	36	46	148	411	560
Total	1,299	2,503	3,802	7,513	22,188	29,701

Table A5 Established stage - Number of equity deals and invested value

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	0	33	33	0	137	137
2011q2	3	26	29	7	64	71
2011q3	2	30	32	8	64	72
2011q4	0	28	28	0	15	15
2012q1	1	49	50	10	114	124
2012q2	2	39	41	0	339	339
2012q3	0	40	40	0	185	185
2012q4	3	51	54	2	155	157
2013q1	1	48	49	0	71	71
2013q2	3	43	46	9	104	113
2013q3	1	47	48	1	141	142
2013q4	2	37	39	1	94	94
2014q1	1	62	63	1	118	119
2014q2	1	54	55	1	136	137
2014q3	3	54	57	8	168	176
2014q4	3	47	50	6	133	139
2015q1	2	61	63	9	158	167
2015q2	1	67	68	13	175	188
2015q3	1	55	56	39	159	197
2015q4	2	51	53	15	89	104
2016q1	3	66	69	12	445	457
2016q2	1	54	55	0	213	213
2016q3	0	50	50	0	197	197
2016q4	5	78	83	10	274	284
2017q1	0	67	67	0	309	309
2017q2	1	94	95	15	998	1013
2017q3	1	92	93	1	445	446
2017q4	2	76	78	31	1555	1586
2018q1	1	70	71	0	334	334
2018q2	0	87	87	0	178	178
2018q3	4	76	80	9	298	306
2018q4	0	71	71	0	216	216
2019q1	2	81	83	30	321	351
2019q2	0	84	84	0	703	703
2019q3	2	65	67	1	141	142
2019q4	1	72	73	2	293	294
2020q1	1	53	54	3	453	456
2020q2	2	51	53	0	282	282
2020q3	2	28	30	3	782	785
Total	60	2,237	2,297	245	11,056	11,301

Table A6 First round - Number of equity deals and invested value

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	139	89	228	76	166	242
2011q2	152	82	234	133	115	248
2011q3	156	90	246	101	85	185
2011q4	170	71	241	102	112	214
2012q1	176	91	267	102	161	264
2012q2	213	108	321	80	420	501
2012q3	176	88	264	65	191	256
2012q4	234	93	327	94	205	299
2013q1	235	96	331	102	127	229
2013q2	280	90	370	115	151	266
2013q3	253	94	347	110	280	390
2013q4	293	83	376	103	91	195
2014q1	335	102	437	185	120	305
2014q2	339	96	435	162	156	318
2014q3	330	94	424	137	94	231
2014q4	409	101	510	234	149	382
2015q1	415	99	514	196	114	310
2015q2	377	107	484	125	298	423
2015q3	377	98	475	161	168	330
2015q4	436	112	548	245	324	570
2016q1	417	110	527	234	220	453
2016q2	438	110	548	288	143	431
2016q3	414	94	508	175	124	299
2016q4	450	120	570	221	274	496
2017q1	445	107	552	274	284	558
2017q2	460	137	597	213	549	762
2017q3	444	143	587	198	331	529
2017q4	490	118	608	271	930	1201
2018q1	497	109	606	213	155	367
2018q2	464	120	584	243	220	463
2018q3	440	127	567	290	376	666
2018q4	447	125	572	251	343	594
2019q1	402	105	507	224	1049	1273
2019q2	423	127	550	232	456	689
2019q3	330	105	435	162	339	501
2019q4	354	99	453	314	206	520
2020q1	351	94	445	161	111	272
2020q2	269	74	343	136	80	215
2020q3	98	22	120	66	258	324
Total	13,128	3,930	17,058	6,795	9,974	16,769

Table A7 Second and subsequent rounds - Number of equity deals and invested value

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	87	50	137	105	199	305
2011q2	92	67	159	130	191	321
2011q3	111	70	181	191	123	314
2011q4	120	71	191	116	173	288
2012q1	162	86	248	148	174	322
2012q2	172	82	254	187	454	641
2012q3	136	84	220	192	191	383
2012q4	191	119	310	171	221	392
2013q1	216	98	314	285	211	496
2013q2	219	131	350	216	198	414
2013q3	231	109	340	199	273	472
2013q4	288	127	415	285	363	648
2014q1	334	142	476	305	701	1006
2014q2	363	170	533	347	366	713
2014q3	310	153	463	224	470	694
2014q4	424	169	593	460	493	953
2015q1	508	198	706	460	497	958
2015q2	467	201	668	459	621	1080
2015q3	486	198	684	555	710	1265
2015q4	518	218	736	458	536	994
2016q1	555	207	762	688	670	1358
2016q2	517	241	758	521	538	1059
2016q3	488	193	681	527	573	1099
2016q4	600	222	822	553	567	1119
2017q1	665	265	930	755	705	1460
2017q2	658	276	934	805	1790	2596
2017q3	595	266	861	939	1303	2241
2017q4	717	301	1018	868	1836	2704
2018q1	704	268	972	909	1038	1947
2018q2	701	323	1024	937	1565	2501
2018q3	614	272	886	879	1209	2088
2018q4	706	349	1055	1030	1148	2178
2019q1	736	298	1034	1156	1405	2561
2019q2	752	386	1138	1163	2669	3832
2019q3	614	300	914	958	1648	2605
2019q4	753	378	1131	1348	1546	2893
2020q1	770	342	1112	1110	2407	3517
2020q2	523	306	829	771	1454	2226
2020q3	207	142	349	508	1463	1971
Total	17,310	7,878	25,188	21,916	32,697	54,614

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Table A8 Unannounced deals - number of deals and invested amounts

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	169	117	286	117	109	225
2011q2	183	107	290	98	65	163
2011q3	181	121	302	113	89	201
2011q4	204	108	312	101	79	180
2012q1	228	124	352	108	114	222
2012q2	272	131	403	109	248	358
2012q3	212	125	337	97	141	238
2012q4	305	160	465	117	140	256
2013q1	311	146	457	187	161	348
2013q2	360	148	508	195	108	303
2013q3	316	145	461	132	162	294
2013q4	418	148	566	159	146	305
2014q1	458	173	631	193	157	351
2014q2	457	176	633	205	164	369
2014q3	453	159	612	148	100	248
2014q4	580	194	774	277	131	407
2015q1	664	207	871	293	135	429
2015q2	614	212	826	243	226	468
2015q3	581	208	789	276	233	509
2015q4	665	248	913	241	258	499
2016q1	713	235	948	320	158	478
2016q2	678	254	932	356	293	649
2016q3	654	206	860	247	191	438
2016q4	780	246	1,026	330	322	652
2017q1	830	284	1,114	473	371	843
2017q2	836	308	1,144	388	512	900
2017q3	734	279	1,013	377	315	692
2017q4	915	304	1,219	482	382	865
2018q1	898	279	1,177	544	432	976
2018q2	837	301	1,138	474	454	928
2018q3	792	286	1,078	489	364	853
2018q4	887	346	1,233	563	466	1,029
2019q1	839	280	1,119	457	296	753
2019q2	871	345	1,216	571	637	1,209
2019q3	700	276	976	413	273	686
2019q4	792	331	1,123	626	455	1,080
2020q1	806	318	1,124	522	570	1,092
2020q2	533	248	781	299	383	681
2020q3	195	109	304	145	140	285
Total	21,921	8,392	30,313	11,484	9,978	21,462

Table A9 Announced deals - number of deals and invested amounts

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	57	22	79	65	257	322
2011q2	61	42	103	164	241	405
2011q3	86	39	125	179	119	298
2011q4	86	34	120	117	206	323
2012q1	110	53	163	142	222	364
2012q2	113	59	172	158	626	784
2012q3	100	47	147	160	241	401
2012q4	120	52	172	149	287	435
2013q1	140	48	188	200	177	377
2013q2	139	73	212	136	240	376
2013q3	168	58	226	177	390	567
2013q4	163	62	225	229	309	537
2014q1	211	71	282	297	664	960
2014q2	245	90	335	304	358	662
2014q3	187	88	275	214	464	678
2014q4	253	76	329	416	511	928
2015q1	259	90	349	363	476	839
2015q2	230	96	326	342	692	1,034
2015q3	282	88	370	440	645	1,085
2015q4	289	82	371	463	602	1,064
2016q1	259	82	341	601	732	1,333
2016q2	277	97	374	452	389	841
2016q3	248	81	329	454	506	960
2016q4	270	96	366	444	519	963
2017q1	280	88	368	557	618	1,175
2017q2	282	105	387	630	1,827	2,457
2017q3	305	130	435	761	1,318	2,079
2017q4	292	115	407	657	2,383	3,040
2018q1	303	98	401	577	761	1,338
2018q2	328	142	470	705	1,331	2,036
2018q3	262	113	375	681	1,221	1,901
2018q4	266	128	394	718	1,025	1,743
2019q1	299	123	422	923	2,159	3,082
2019q2	304	168	472	825	2,488	3,312
2019q3	244	129	373	706	1,713	2,419
2019q4	315	146	461	1,036	1,297	2,332
2020q1	315	118	433	749	1,948	2,697
2020q2	259	132	391	608	1,151	1,760
2020q3	110	55	165	429	1,580	2,009
Total	8,517	3,416	11,933	17,228	32,693	49,920

Table A10 Not technology companies - number of deals and invested amounts

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	81	70	151	67	123	189
2011q2	95	83	178	106	147	253
2011q3	100	85	185	117	118	235
2011q4	117	76	193	80	86	166
2012q1	118	96	214	60	190	250
2012q2	142	99	241	74	640	714
2012q3	126	81	207	105	205	310
2012q4	142	98	240	88	237	326
2013q1	143	89	232	108	108	216
2013q2	200	104	304	132	164	296
2013q3	173	100	273	92	268	360
2013q4	181	94	275	134	187	321
2014q1	234	109	343	146	518	664
2014q2	208	118	326	158	270	428
2014q3	228	111	339	126	351	477
2014q4	281	121	402	168	354	522
2015q1	316	129	445	199	163	362
2015q2	282	135	417	189	316	505
2015q3	313	134	447	201	531	731
2015q4	332	136	468	222	460	682
2016q1	342	132	474	301	217	519
2016q2	340	149	489	270	258	528
2016q3	319	115	434	176	248	424
2016q4	343	145	488	211	547	758
2017q1	444	148	592	383	558	941
2017q2	396	198	594	265	1075	1339
2017q3	367	167	534	227	344	570
2017q4	444	189	633	357	1542	1900
2018q1	444	156	600	327	544	871
2018q2	396	192	588	377	559	936
2018q3	360	171	531	303	795	1098
2018q4	420	187	607	405	544	949
2019q1	409	155	564	349	1653	2003
2019q2	400	201	601	392	1334	1726
2019q3	315	183	498	220	415	635
2019q4	346	180	526	378	1029	1407
2020q1	402	166	568	372	329	701
2020q2	238	132	370	241	357	598
2020q3	87	62	149	127	456	583
Total	10,624	5,096	15,720	8,253	18,239	26,492

Table A11 Technology companies - number of deals and invested amounts

	Number of deals			Volume in mil. £		
Quarter	EIS	Not EIS	Total	EIS	Not EIS	Total
2011q1	145	69	214	115	243	358
2011q2	149	66	215	156	159	316
2011q3	167	75	242	174	90	265
2011q4	173	66	239	138	198	337
2012q1	220	81	301	189	146	336
2012q2	243	91	334	194	234	428
2012q3	186	91	277	152	177	328
2012q4	283	114	397	177	189	366
2013q1	308	105	413	279	230	509
2013q2	299	117	416	199	184	383
2013q3	311	103	414	217	285	502
2013q4	400	116	516	254	267	522
2014q1	435	135	570	344	303	647
2014q2	494	148	642	351	252	603
2014q3	412	136	548	236	213	449
2014q4	552	149	701	525	288	813
2015q1	607	168	775	457	449	906
2015q2	562	173	735	395	602	997
2015q3	550	162	712	515	348	863
2015q4	622	194	816	482	400	882
2016q1	630	185	815	620	672	1292
2016q2	615	202	817	538	423	962
2016q3	583	172	755	526	449	974
2016q4	707	197	904	563	294	857
2017q1	666	224	890	646	431	1077
2017q2	722	215	937	754	1265	2018
2017q3	672	242	914	911	1290	2200
2017q4	763	230	993	782	1223	2005
2018q1	757	221	978	795	649	1444
2018q2	769	251	1020	803	1225	2028
2018q3	694	228	922	866	790	1656
2018q4	733	287	1020	875	947	1822
2019q1	729	248	977	1031	801	1832
2019q2	775	312	1087	1004	1791	2795
2019q3	629	222	851	900	1571	2471
2019q4	761	297	1058	1284	722	2006
2020q1	719	270	989	900	2188	3088
2020q2	554	248	802	666	1177	1843
2020q3	218	102	320	447	1265	1712
Total	19,814	6,712	26,526	20,459	24,432	44,891

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