



PENNINGTONS
MANCHES

GOLDEN TRIANGLE: GOLDEN OPPORTUNITIES?



A REPORT ON FOREIGN
INVESTMENT INTO UK TECH





INTERNATIONAL INVESTORS FLOCK TO BACK UK INNOVATION

ROB HAYES

HEAD OF TECH, PENNINGTONS MANCHES

When it comes to the creation of cutting-edge technology, the UK is well and truly established on the world map. It is, therefore, no coincidence that in 2018, the country's high-growth, innovative, tech-focused companies – particularly those in the Golden Triangle – continued to attract attention from international investors. Record numbers of deals were seen as investors from the US, Europe and Asia sought investment opportunities in the UK.

As a leading law firm specialising in the tech sector and venture capital work, we are working with these exciting businesses on a daily basis. We are often able to act as a bridge between investors and investee companies – making connections and developing valuable long-term relationships.

Penningtons Manches has a long history of working with technology companies, their innovators and the investor community. We are the only law firm with offices in London, Oxford and Cambridge – the UK's Golden Triangle, and more recently San Francisco. This has given us a great springboard to grow our own tech-focused practice and expertise in the sector, enabling us to service our clients' legal needs.

Our own experience over the past year reflects what we're seeing in the report. We've worked on in excess of 70 venture capital transactions in the past 12 months and approximately 20% of those transactions included funding from overseas investors.

There has undoubtedly been a significant shift over the previous 20 years – when I think back to the Millennium, it was incredibly rare to see US investors backing UK companies. But now, as we can see from the figures, US investors are involved in 10% of investments into UK companies.

Unsurprisingly the majority of this activity is focused on the Golden Triangle where many of the country's most exciting tech companies are based. This is due, of course, in no small part,

to the world-leading research institutions located across these three cities. We work very closely with companies spun out of Oxford University, Cambridge University and Imperial and King's in London. As such, we have our 'finger on the pulse' of current market investment trends in the Golden Triangle and how our experience tracks the findings here.

This report follows last year's exploration of inward investment into the UK from the USA, particularly Silicon Valley. *From the Golden Gate to the Golden Triangle* revealed record deals between the UK and USA in 2017. This year we have widened the investigation to also look at investment from Europe and Asia. Whilst the figures do not show the same surge by value as levels experienced in 2017, they do show a continued appetite for overseas investment into UK companies and an increase in deals including overseas investors – against a backdrop of global political uncertainty around Brexit and East/West trade tensions, the findings are heartening.

Whilst the political landscape may have caused some investors to reconsider their investment strategies, the attraction of the UK's fast-growth tech sector as a place to deploy investment funds remains very buoyant. In 2018, our VC team experienced deal activity similar to the levels seen in the previous two years and if anything, there has been an uptick in those levels. 2019 is also looking promising and it is encouraging to see that there's interest in a wide breadth of sectors, including biotech, medtech, fintech and cleantech.

I think the overarching message is that there will always be funds available for world leading science and technology. With our firm embedded in the Golden Triangle's tech ecosystems it is unsurprising that we are continuing to see high volumes of deal flow, including investment from overseas investors. Hopefully, this bodes well for the future and golden opportunities lie ahead...



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THE UK'S TECH ECOSYSTEM IS COMING OF AGE

BINDI KARIA

INNOVATION EXPERT + ADVISOR, BINDI VENTURES

The UK has worked hard over the past two decades to create the kind of start-up ecosystem that could rival global leaders such as Silicon Valley. What started out as very separate ingredients – world-class universities, a robust legal system, business experience, a groundswell of entrepreneurs and advisors to support them, plus a powerful financial industry – is now working together, creating essential connections and an ecosystem that enables brilliant businesses to take flight.

It's clear from the figures in this report that this hard work is starting to pay off. The UK has become a firm favourite for international investors looking for the next big thing. Despite recent political uncertainties, an unprecedented number of deals including foreign investors have backed UK technology companies in 2018 with emerging sectors such as fintech, artificial intelligence, blockchain and digital security gaining well-deserved attention.

There's no question that it's the UK's combination of skills and cutting-edge technology, with scalability and execution capabilities, that make them stand out. Creative, clever, executable ideas are able to find their way into the hands of consumers and the ecosystem around them enables them to grow at speed.

There was a time not too long ago that the UK was accused of being fantastic at creating start-ups but not so great at scaling them. With an impressive tally of 13 unicorns – companies with a valuation of £1bn+ – it's clear that UK companies are finding their feet and executing on growth faster than before.

This hasn't escaped the attention of investors from around the world. Unicorns such as Oxford Nanopore, OakNorth, Revolut and Graphcore have all been named on these pages as having raised sizable investment rounds with the involvement of international investors.

It's not a huge surprise to hear that US investors are the biggest backers of UK tech. The connections between US investors on both coasts and the UK tech scene have been getting stronger in recent years. The devaluation of the pound and competitively priced investment rounds give them even further reason to join the increased focus on investing in UK tech.

While the number of rounds in 2018 have levelled off when it comes to Asian inward investment, anecdotally, the appetite remains strong and we would expect to see a lot more activity from places such as China, Japan and India in the future. Europe, on the other hand, continues to be a natural hotspot for UK inward investment – regardless of what's happening in Whitehall. European investors see the potential of the UK's high-growth scene and are not afraid to back it.

Ecosystem growth thrives upon relationships and collaboration. They drive awareness of opportunities, they create the trust needed to encourage deals and they enable growth. It's heartening to see UK companies, particularly those based in the Golden Triangle, forging valuable and hopefully lasting relationships with VCs and other investors from around the globe.

EXECUTIVE SUMMARY

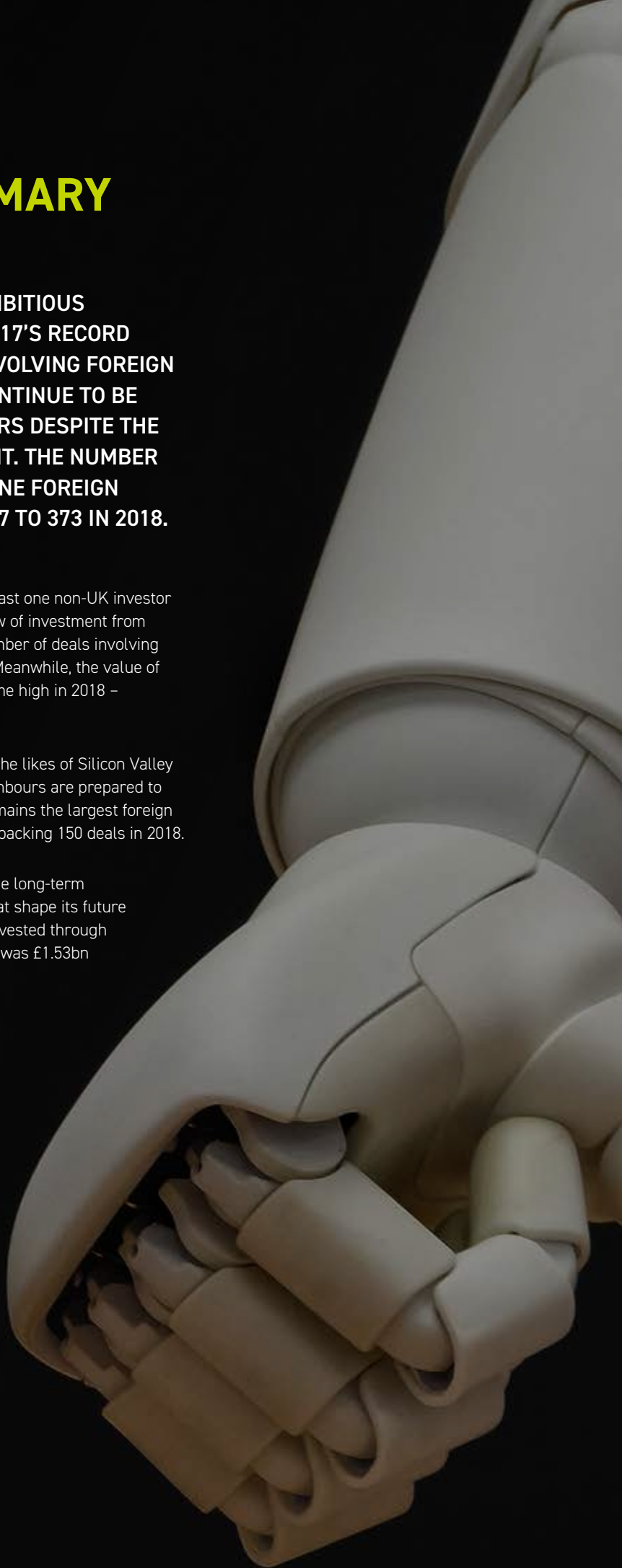
THE UK'S CROP OF BRILLIANT, AMBITIOUS COMPANIES HAVE SURPASSED 2017'S RECORD BREAKING NUMBER OF DEALS INVOLVING FOREIGN FUNDS – PROVING THAT THEY CONTINUE TO BE ATTRACTIVE TO GLOBAL INVESTORS DESPITE THE UNCERTAINTY CREATED BY BREXIT. THE NUMBER OF DEALS INCLUDING AT LEAST ONE FOREIGN INVESTOR ROSE FROM 361 IN 2017 TO 373 IN 2018.

While the total value of investments involving at least one non-UK investor has fallen slightly from the heights of 2017, the flow of investment from across the pond has remained strong, with the number of deals involving US firms hitting 166 in 2018, up from 161 in 2017. Meanwhile, the value of investment from European funds reached an all-time high in 2018 – hitting £1.89bn (up from £1.66bn in 2017).

Indeed, following 2017's influx of investment from the likes of Silicon Valley and the East Coast, it looks like our European neighbours are prepared to back the UK's high-growth scene. While the US remains the largest foreign investor in UK companies, Europe isn't far behind, backing 150 deals in 2018.

This is hopefully a sign that they are confident in the long-term prospects of the UK's companies regardless of what shape its future relationship with the EU takes. The total amount invested through deals with at least one EU-headquartered investor was £1.53bn in 2018, up from £1.26bn in 2017.

The geographical diversity of investors and the sheer number of deals in 2018 demonstrate that golden opportunities are still within reach and companies need to make the most of them.



373



TOTAL NUMBER OF DEALS INTO UK COMPANIES INVOLVING AT LEAST ONE NON-UK INVESTOR IN 2018 (361 - 2017)



£4.24BN

TOTAL VALUE OF DEALS INTO UK COMPANIES INVOLVING AT LEAST ONE NON-UK INVESTOR IN 2018 (£6.08BN - 2017)

166

TOTAL NUMBER OF DEALS INTO UK COMPANIES INVOLVING AT LEAST ONE US INVESTOR (161 - 2017)



ACCEL TOP FOREIGN INVESTOR INTO UK COMPANIES IN 2018

TOP EMERGING SECTORS FOR NON-UK BACKED INVESTORS



✓ FINTECH

✓ ARTIFICIAL INTELLIGENCE

✓ BLOCKCHAIN

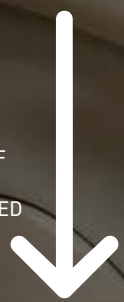
£2.57BN

TOTAL VALUE OF DEALS INTO UK COMPANIES INVOLVING AT LEAST ONE US INVESTOR (£3.34BN - 2017)



52

TOTAL NUMBER OF DEALS INTO UK COMPANIES BACKED BY AT LEAST ONE ASIAN INVESTOR (70 - 2017)



135

TOTAL NUMBER OF DEALS INTO GOLDEN TRIANGLE COMPANIES INVOLVING AT LEAST ONE US INVESTOR (125 - 2017)



£2.17 BILLION

TOTAL VALUE OF DEALS INTO GOLDEN TRIANGLE INVOLVING AT LEAST ONE US INVESTOR (£2.75BN - 2017)

£1.33 BILLION



TOTAL VALUE INVESTED INTO UK COMPANIES BACKED BY AT LEAST ONE ASIAN INVESTOR (£1.97BN - 2017)



150

TOTAL NUMBER OF DEALS INTO UK COMPANIES INVOLVING AT LEAST ONE EUROPEAN INVESTOR (149 - 2017)



£1.89BN

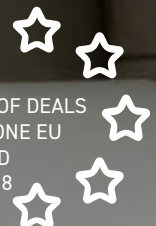
TOTAL VALUE OF DEALS INTO UK COMPANIES INVOLVING AT LEAST ONE EUROPEAN INVESTOR (£1.66BN - 2017)

£1.53BN

TOTAL VALUE OF DEALS INTO UK COMPANIES INVOLVING AT LEAST ONE EU HEADQUARTERED INVESTOR (£1.26BN - 2017)

118

TOTAL NUMBER OF DEALS WITH AT LEAST ONE EU HEADQUARTERED INVESTOR IN 2018 (122 - 2017)



→ GLOBAL

THE WORLD'S EYES ARE STILL FIRMLY ON UK COMPANIES

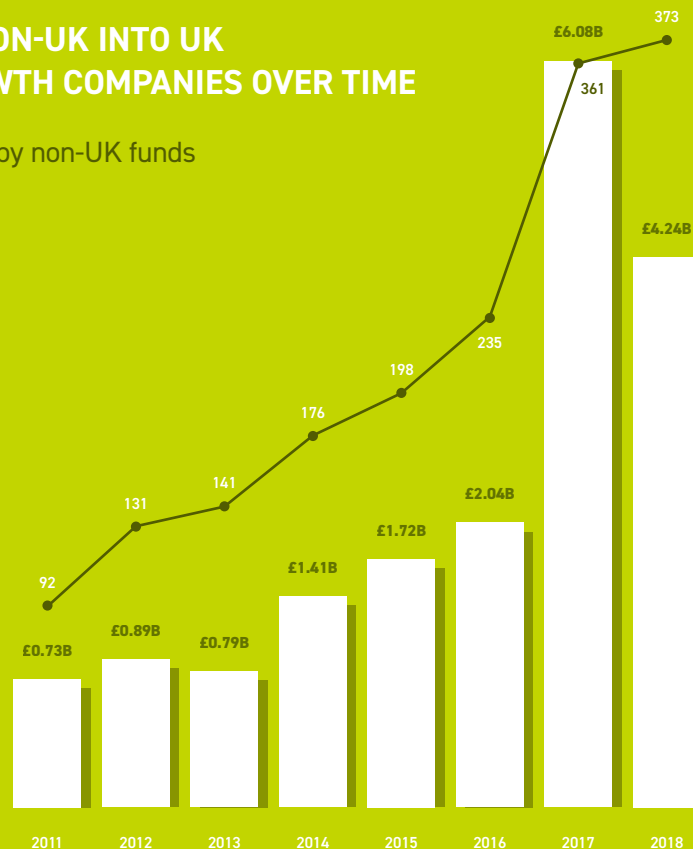
Despite the uncertainty created by Brexit, the UK has continued to be a magnet for global investment in 2018, proving that its greatest strengths – an enviable talent pool, robust legal and regulatory system and infrastructure – are still a powerful attraction for international funds.

Following the peak of 2017 when the number of deals jumped from 235 (worth £2.04bn) in 2016 up to 361 (worth £6.08bn), last year saw a new record for the number of deals – reaching 373. Compared with 2016, the UK's ambitious companies secured 59% more deals with foreign backers.

Despite very strong deal numbers, the value of foreign investments did fall from the heights of 2017, down to £4.24bn. The average ticket size for deals with foreign investors was £12.20m in 2018, down from £17.63m in 2017. Generally however, the larger the fundraising round, the more likely a foreign investor will be involved.

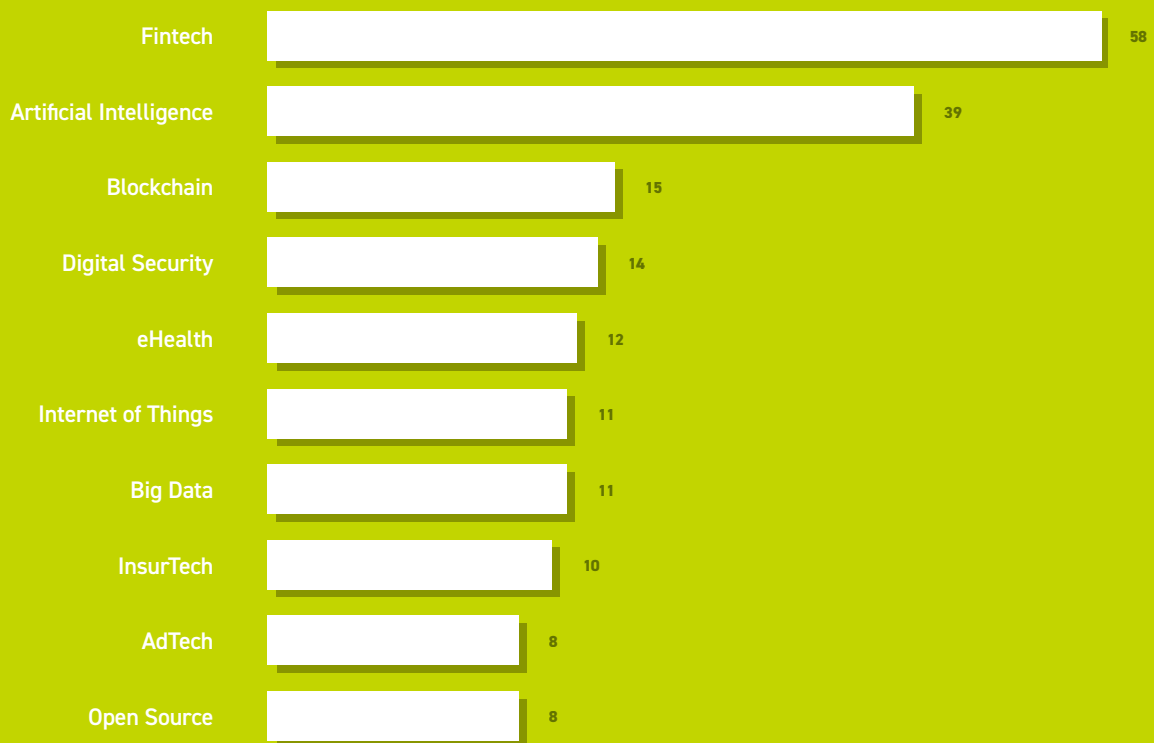
GLOBAL: NON-UK INTO UK HIGH-GROWTH COMPANIES OVER TIME

Deals backed by non-UK funds



GLOBAL: TOP EMERGING SECTORS

Number of non-UK backed deals into emerging sectors (2018)



WHERE IS THE MONEY GOING?

Foreign investors had similar sectoral interests to domestic investors in 2018 when it comes to technology companies. Broadly speaking, software was by far the most popular destination for both UK and foreign-backed deals, netting 222 of the 343 deals. This was followed by life sciences with 32 deals.

In terms of emerging sectors, fintech attracted the most amount of attention from non-UK investors - pulling in 58 deals in total, compared with the next most popular sector which was artificial intelligence with 39 deals. Blockchain, digital security and eHealth followed.

Software raised a large proportion of the UK's megadeals (deals worth more than £50m) and therefore companies in that sector were more likely to have investment from foreign funds.

LOTS OF ACTIVITY FROM ACROSS THE POND

US investors make up four of the five most active foreign investors, with Accel taking the top spot with six deals, GV (Google Ventures), Insight Venture Partners and Partech Ventures all follow with four - as does French venture capital firm, Sofinnova.

Collaboration is also key. We've seen that international investors are working closely with UK funds to finalise deals, with only 24.4% of deals backed exclusively by foreign funds. UK-based investors Atomico and Balderton Capital co-invested in the most amount of deals with international funders, racking up 17 and 15 co-investments respectively.

01

→ USA

THE GOLDEN OPPORTUNITY FROM ACROSS THE POND MAINTAINS ITS SPARKLE

Last year, we reported that UK companies, particularly those in the Golden Triangle, were experiencing record levels of investment from the US, with a rise in numbers of deals between West Coast investors and a record value of deals from the East Coast in 2017.

While 2018 didn't see the same stratospheric leap in deal numbers, there was continued growth in US-funds' interest, with a record of 166 deals with their involvement.

Our figures show that 10% of all investments into UK companies involved at least one fund headquartered in the US. And when we look at values, 34% of the value secured by UK companies was through deals backed by US funds – suggesting they are more likely to be involved in large deals.

Meanwhile, taking into account all foreign fundraises, of which there were 373 in total, 44% involved at least one US fund.

Deal numbers are certainly strong, showing a healthy appetite for the UK's crop of ambitious companies among our US cousins, but there has been a shortfall in value – with investment reaching £2.57bn in 2018, down from a record height of £3.34bn in 2017, but still well above the 2016 figure of £1.34bn.

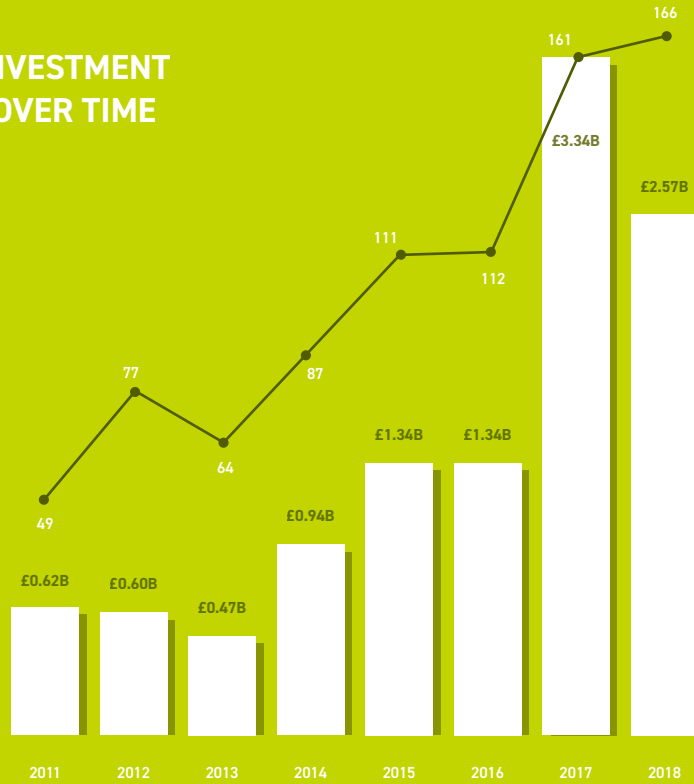
The average value of deals backed by US firms has fallen from £21.30m to £16.36m – still a much larger figure than we were seeing in 2016 – £12.97m.

Accel is the most prolific US investor into UK companies, with a total of six investments in 2018, followed by GV (Google Ventures) and Partech Ventures. E.ventures and Consensys follow with three. The latter is something of an outlier – rather than a venture capital firm, Consensys is a blockchain technology company which features, having backed fundraisings by three fintech processing companies: Trustology, AZTEC Protocol and Adhara.

It's a real pleasure to see the extent to which the level of US investment into the UK held up in 2018 in the face of the uncertainty surrounding Brexit," says Ross McNaughton, partner, Penningtons Manches. "The UK remains a source of next stage innovation backed by a highly important pool of intellectual capital and talent, particularly around its key research centres and universities including in London, Oxford and Cambridge.

The familiarity of the UK regime, its proximity to the Europe and trading links to the rest of the world are all contributing factors to the ongoing strength and depth of this transatlantic investment."

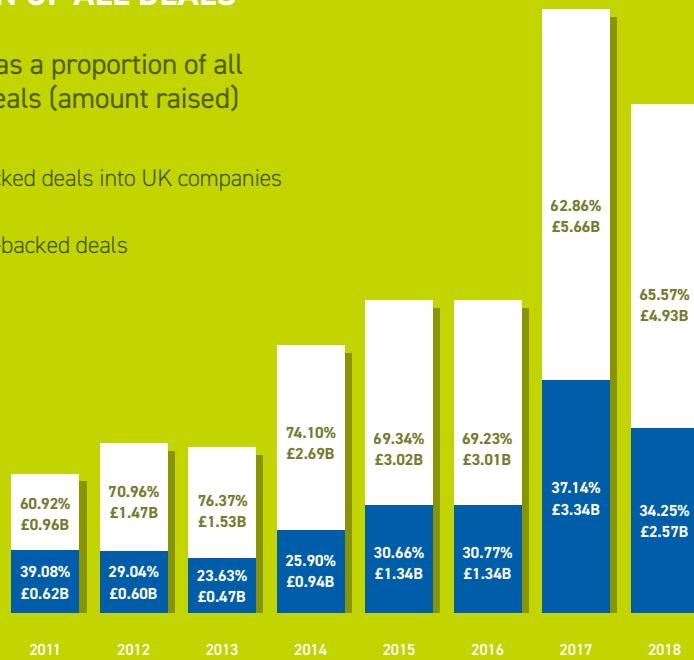
US BACKED INVESTMENT INTO THE UK OVER TIME



US BACKED DEALS AS A PROPORTION OF ALL DEALS

US-backed deals as a proportion of all non-UK backed deals (amount raised)

- All non-UK backed deals into UK companies
- Number of US-backed deals



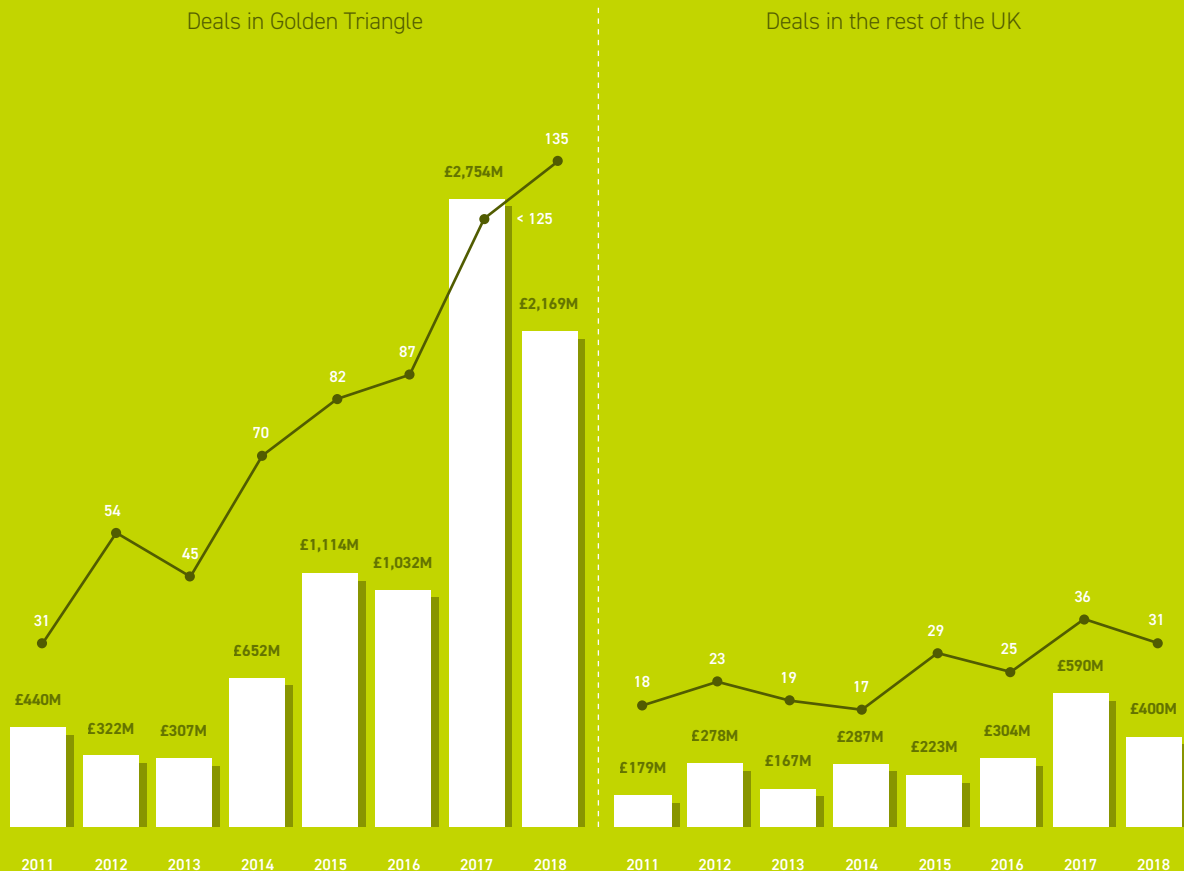
GOLDEN TRIANGLE IS STILL OUR GOLDEN OPPORTUNITY

The three cities that make up the Golden Triangle are undeniably the biggest sinks for foreign investment. In 2018, deals by London, Oxford and Cambridge's high-growth companies made up 70% of all foreign-backed deals, securing a new record of 161 deals. Of that figure, 135 were US-backed deals. This draw is due to the knowledge intensive activities of the universities in these cities, as well as London's particular draw as a fintech hub.

London attracted the majority of these US-backed deals, drawing in 120 valued at £1.84bn in 2018. Cambridge and Oxford pulled in six and nine deals respectively. That said, Cambridge-based Artios Pharma features in the top five biggest deals involving a US fund - netting £65.8m from the likes of SV Health Investors and AbbVie Ventures.

For London, challenger bank Revolut's £180m raise and invoice financing company Greensill's £189m raise were also among the largest deals backed by US funds.

US INVESTMENT INTO UK GEOGRAPHIES



TOP US INVESTORS IN 2018

Investor	Deals
Accel	6
GV (Google Ventures)	4
Partech Ventures	4
Consensys	3
E.ventures	3

US INVESTMENTS INTO GOLDEN TRIANGLE CITIES



THE EAST COAST GAINS GROUND ON SILICON VALLEY

The West Coast retains its lead on the East Coast when it comes to investment into UK companies but investors based in the likes of New York and Boston are catching up. West Coast funds backed the same number of deals (101) in 2018 as in 2017, and were involved in 60.8% of all US-backed deals into the UK's ambitious companies. Considering the previous year was one of unprecedented numbers, this is a reassuring sign of the maintained interest in the UK's high growth scene.

East Coast funds meanwhile backed three more deals in 2018 than in 2017, and at a total of 79, were involved in 22 fewer deals than their West Coast counterparts or 47.5% of all US-backed deals. In terms of value, they were closer behind the Golden Gate funds; the total value of the deals backed by East Coast funds in 2018 was £1.58bn, while the value of the deals involving West Coast funds totalled £1.67bn.

Of course, the coasts don't always operate in isolation – 23 of the 166 deals (13.9%) into UK companies had the backing of both a West Coast and an East Coast fund.

DEALS BACKED BY A WEST COAST FUND



DEALS BACKED BY AN EAST COAST FUND



US: TOP INVESTMENTS INVOLVING A US FUND (2018)

GRAPHCORE

£158 MILLION



MOONBUG

£115M



GREENSILL

£189M



ORCHARD THERAPEUTICS

£117.5
MILLION

REVOLUT

£180
MILLION



ARTIOS PHARMA

£65.8M



INDUSTRY VIEW

BY RUSS SHAW, FOUNDER OF TECH LONDON
ADVOCATES & GLOBAL TECH ADVOCATES

2017 was a record year for tech investment into London, Oxford and Cambridge from the West Coast. For the first time, Silicon Valley investment exceeded £1bn, testament to both the increasing interest in British tech firms from the world's largest tech hub and the increasingly important role the technology industry plays in attracting investment to the UK.

This year's figures show a slight decline in the combined value of investments from the US, but an increase in the number of deals. Interestingly, activity from the East Coast is rising, suggesting a closer alignment between two cities that have a lot in common – London and New York. I have always thought there was significant growth potential for both cities if their respective fintech companies could work more closely together.

These findings are a strong vote of confidence in the UK tech sector at a time when it really needs it. Brexit has exacerbated many challenges which tech companies face in the UK – access to capital, access to talent and

access to international markets – and it is comforting to see that US investor interest in the UK has not significantly been affected by our political situation.

With Tech London Advocates and Global Tech Advocates, I travel to many tech hubs around the world in an attempt to consolidate its relationship with London. This is particularly true in the US, where Tech Bay Area Advocates is one of our largest international organisations.

What I hear time and time again is the continued interest of international investors in UK tech companies in spite of Brexit. Whether it is in London, Oxford, Cambridge or indeed cities across the country, the UK has a wealth of tech expertise and innovative entrepreneurs that are producing world-class tech businesses. These are in highly complementary technologies to the US and if we continue attracting investment and acquisitions in sectors such as AI, machine learning and enterprise software, we can expect a special relationship for many years ahead.

02

→ EUROPE

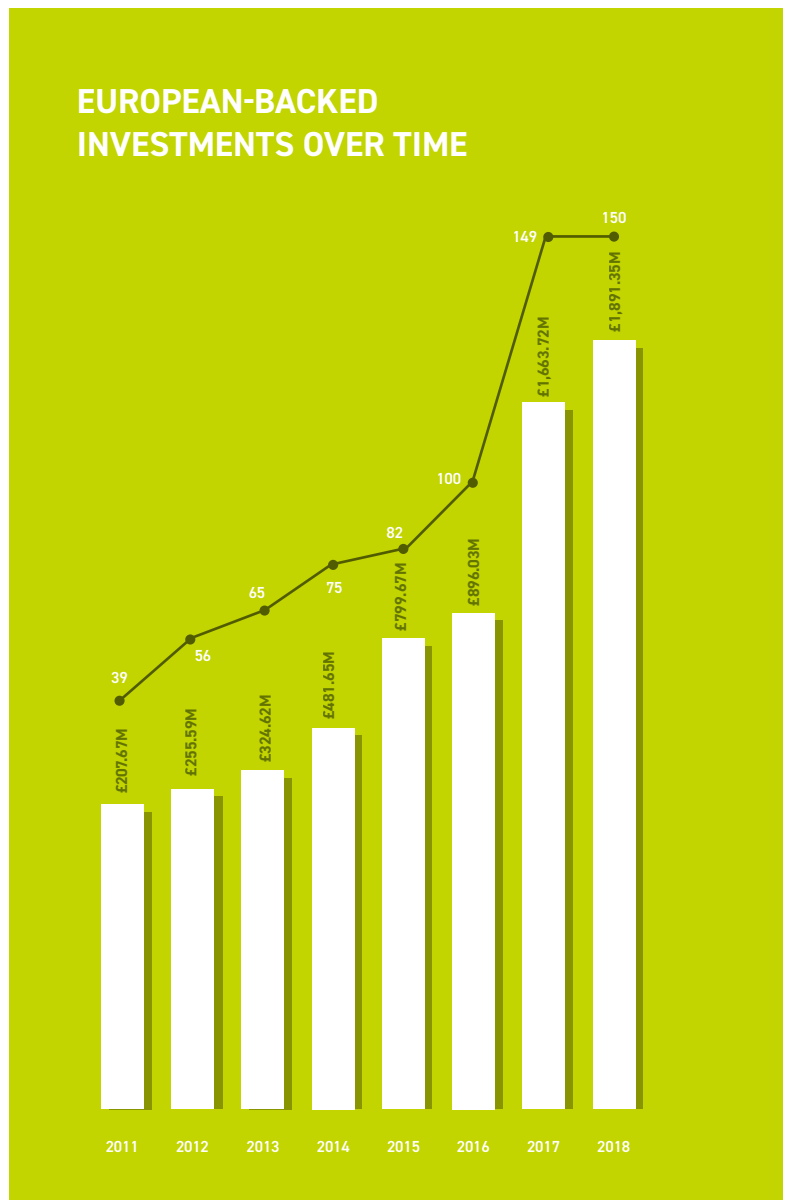
FUNDS ACROSS THE CHANNEL RACE TO BACK UK COMPANIES DESPITE UNCERTAINTY

You'd be forgiven for assuming that our relationship with European funds might have been negatively impacted by Brexit and the political tension that has come with it. But according to our research, UK companies have received an unprecedented amount of investment from European funds in 2018. While much like the US, deal numbers have remained relatively stationary – 150 up from 149 in 2017, the value of these deals has increased by 14%.

£1.89bn of the investment secured by UK high-growth companies involved at least one investor headquartered in Europe – demonstrating the ongoing, strong ties between ambitious British companies and funds across the Channel. One deal which certainly contributed to this growth was the funding round raised by Graphcore, the semiconductor company powering innovation in AI and machine learning, which raised £158.4m with backing from funds in Germany, Israel, the US, Belgium and the UK.

That said, this spike in value isn't simply created by a couple of valuable outliers. The upwards trend in value invested remains even when megadeals (those such as Graphcore's, which are worth more than £50m) are excluded from the data.

Meanwhile we've seen a slight increase in the percentage of first-time deals between European funds and UK tech companies. Almost 80% of deals (77%) involved completely new relationships, up from 75% and 73% in 2017 and 2016 respectively.



STRONG TIES WITH THE EU

Seemingly undeterred by the UK's pending exit from the EU, funds within member states are involved in investments into UK companies worth more than ever before – the total coming in at £1.53bn for 118 deals. French funds backed 31 deals (21% of all European-backed deals) worth £450m; German funds backed 33 deals (22% of all European-backed deals) worth £330m; and Dutch funds backed 24 deals worth £450m in total.

Outside of the member states, funds from Switzerland were the largest non-EU contributor to UK fundraisings, backing 14 deals worth £250m. Deals backed by at least one non-EU European fund totalled 32 in 2018, up from 27 in 2017, but coming in at a smaller total value (£360m compared to £407m last year).

In terms of the top investors into UK companies, the top six are all EU investors, with French firms Sofinnova (four deals), Andera Partners (three deals) and Kamet Ventures (three deals) topping the list. Swedish firms Creandum and H&M CO:LAB also both took part in three deals with UK companies as did Germany's Robert Bosch Venture Capital.

THE UK TECH ATTRACTING OUR COUSINS ON THE CONTINENT

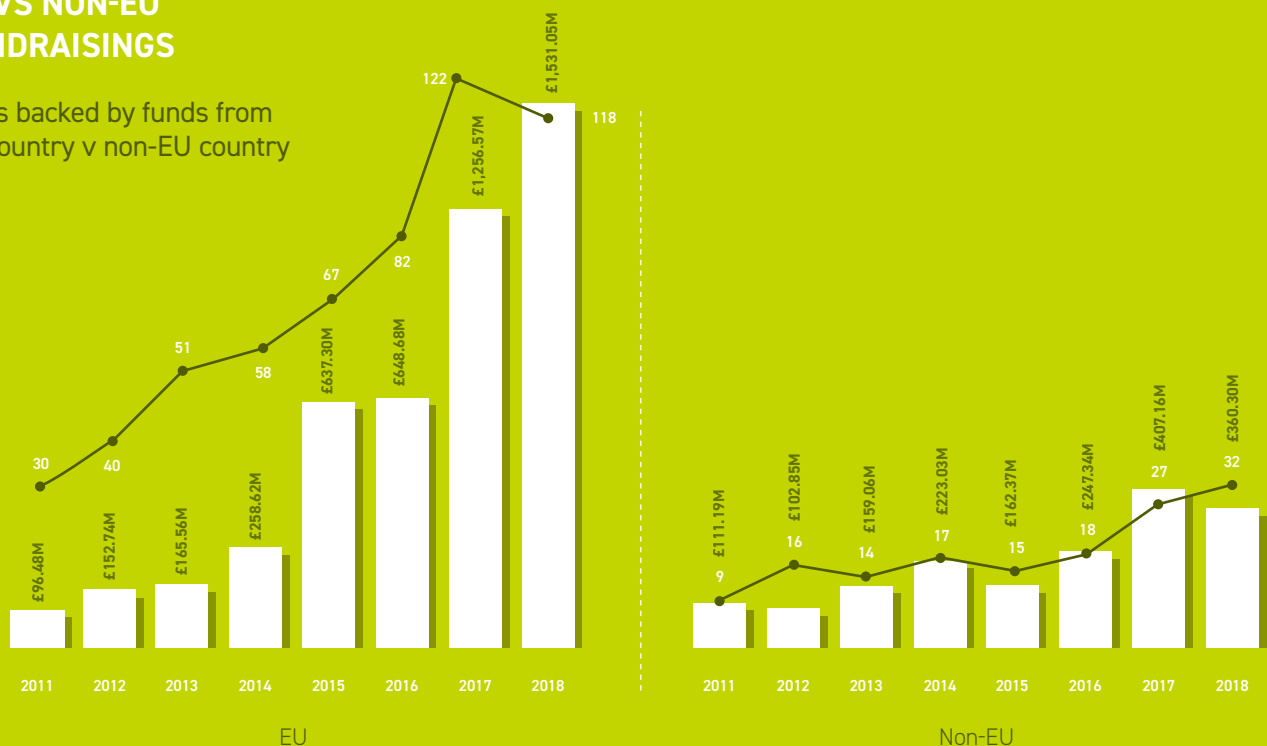
It seems that the UK's crop of challenger banks have been a popular investment destination for European funds – with investments in Atom, Monzo and OakNorth Bank all appearing in the top five deals backed by European investors. Online travel site, Culture Trip, which promises to inspire people's holiday choices raised £57.2m from funds including Dutch investor PPF, and medical device company CMR Surgical's £115m raise included backing from Swiss fund LGT Global Invest and Spain's Escala Capital.

It's good to see European investment continuing to increase but we shouldn't be complacent," says James Went, partner, Penningtons Manches.

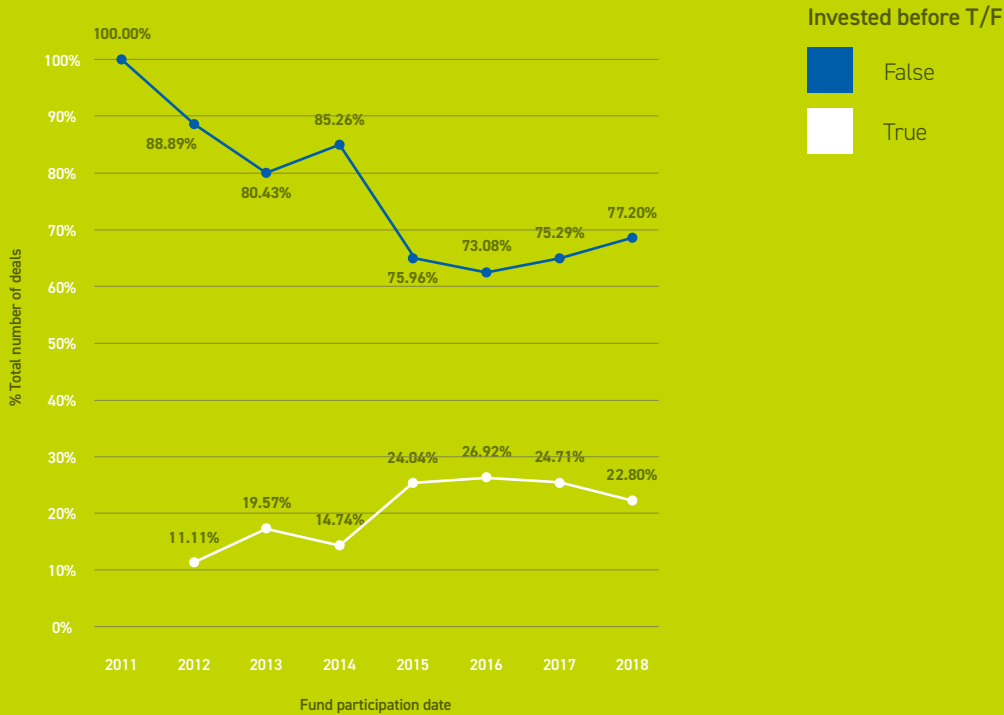
The quality of investment opportunities and mere proximity will probably continue to attract European investment into the UK tech scene. But it's important that the UK continues to be a welcoming place for European scientists and entrepreneurs to base their work and homes. Otherwise, the quality of those opportunities and the closeness of our connections will decline. However Brexit pans out, that has to be addressed."

EU VS NON-EU FUNDRAISINGS

Deals backed by funds from EU country v non-EU country



LEVELS OF FOLLOW-ON FUNDING INTO UK COMPANIES FROM EUROPEAN FUNDS



INDUSTRY VIEW

BY GEORGE WHITEHEAD, PARTNER,
OCTOPUS VENTURES

ENCOURAGING ACTIVITY FROM EUROPE

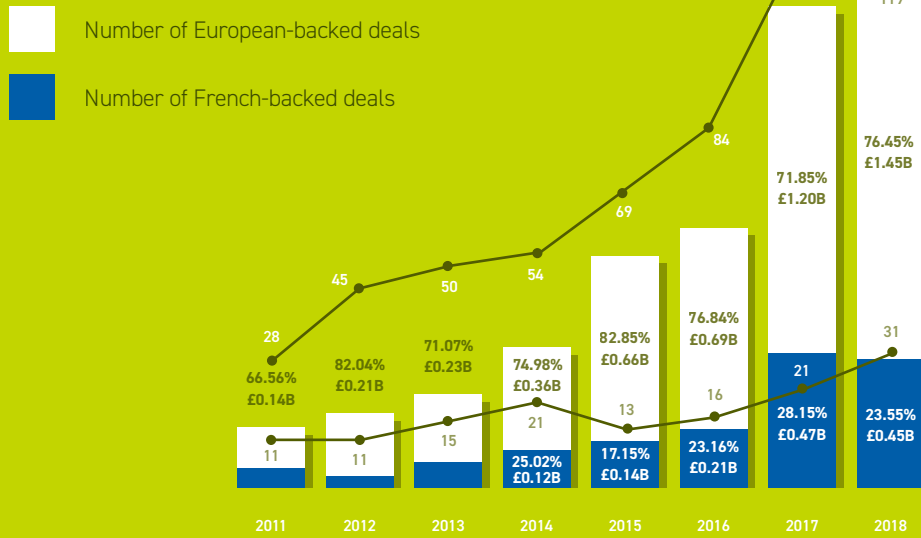
The UK is brimming with genuinely pioneering entrepreneurs with the talent and ambition to disrupt their industries. As investors, we are reminded of this on a near daily basis. With our world-leading educational institutions and well-developed entrepreneur ecosystem, the Golden Triangle in particular has become a hotbed of exciting companies.

With this in mind it is no surprise that our European peers are also looking to the UK to back the best in technology. Europe itself has entrepreneurial hotspots, the likes of Lisbon, Berlin and Madrid certainly come to mind – but the UK, particularly London, is certainly ahead of its cousins on the continent in terms of inward investment.

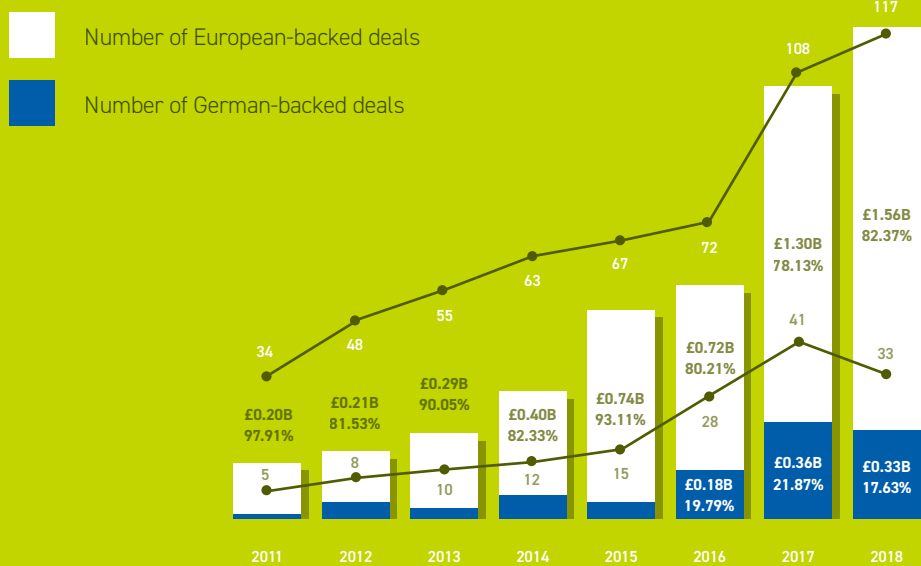
It's true that you can't ignore Brexit entirely in this conversation. And of course there are concerns about the continued flow of top talent into UK companies. But overall, investors are interested in potential and are unlikely to ignore a valuable deal because of political uncertainty. This is reflected in the healthy deal figures and increased investment value found in this research.



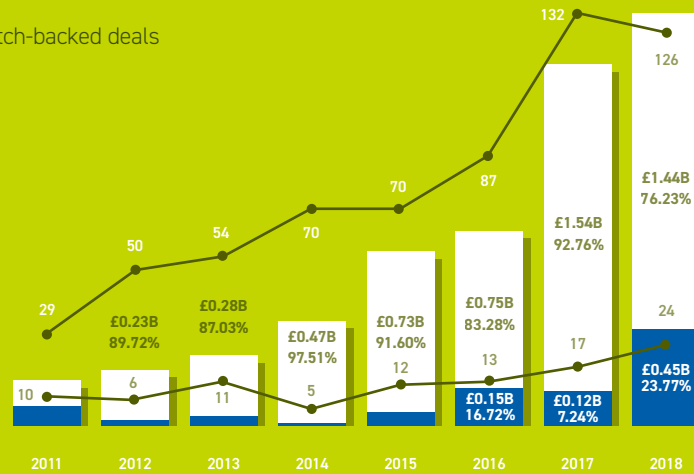
FRENCH-BACKED INVESTMENTS



GERMAN-BACKED INVESTMENTS



DUTCH-BACKED INVESTMENTS



EUROPE: TOP INVESTMENTS (2018)



OAKNORTH BANK

£77.4 MILLION

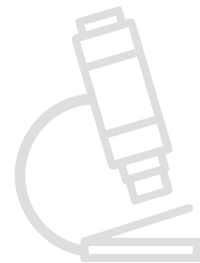


MONZO

£85M

CMR SURGICAL

£74.4 MILLION



ATOM

£149 MILLION



CULTURE TRIP

£57.2M

03

→ ASIA

CHINESE INVESTMENT INTO THE UK COOLS

Over the past decade we have watched as the Asian investment community has matured and gained in strength – becoming a significant part of the UK’s inward investment story. In 2017, the UK saw record levels of investment from Asian funds – both in terms of deal numbers and value, reaching just shy of £2bn across 70 deals.

This was a huge jump, up from just under £800m and 47 deals in 2016 – most likely because of the pound’s drop in value following the Brexit vote of June 2016. But in 2018, the figures failed to reach the same dizzy heights, dropping to 52 deals worth a total of £1.3bn.

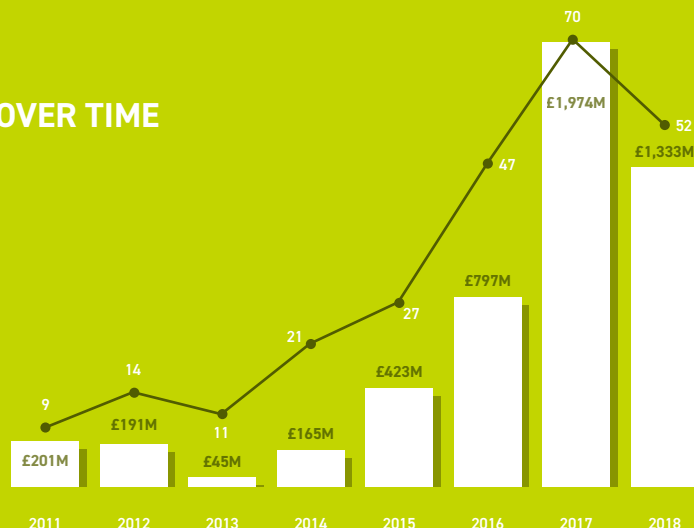
Although these figures are by no means paltry, we might have expected the deal figures to remain steady as they did in both the US and Europe, especially since Chinese investors in particular have cited the same reason as the Americans for their interest in investment in the UK – value. UK companies are still cheaper than their Chinese or US equivalents.

So why has the appetite from Asia, China in particular, abated? It could perhaps be due to increasing political sensitivities surrounding investment from China – the same sensitivities that are being expressed around Huawei’s involvement in UK infrastructure projects.

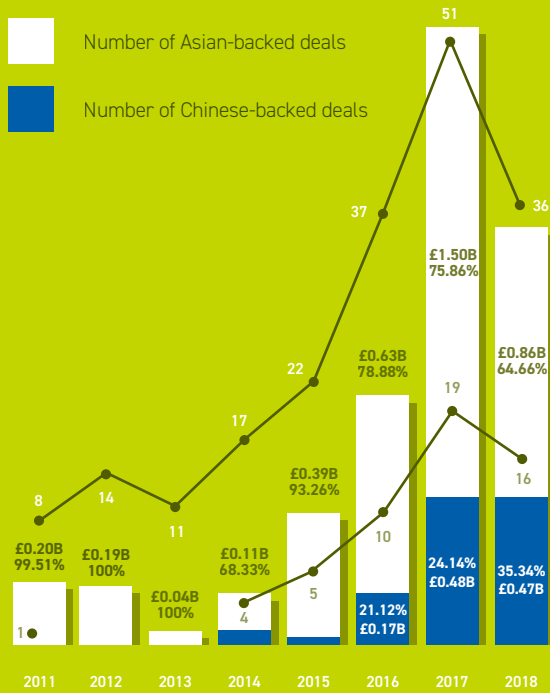
“In the last 12 months we have seen funding secured from a wide range of investors from Asia including Korea, Singapore and China,” says Nicola McConville, partner, Penningtons Manches.

“As is common practice with investment funds we are seeing some of these investments being effected through offshore vehicles where the source of funds isn’t immediately obvious and only gets revealed through compliance checks. We are aware of investments of several million which have been effected this way which shows that appetite from this region is very much alive.”

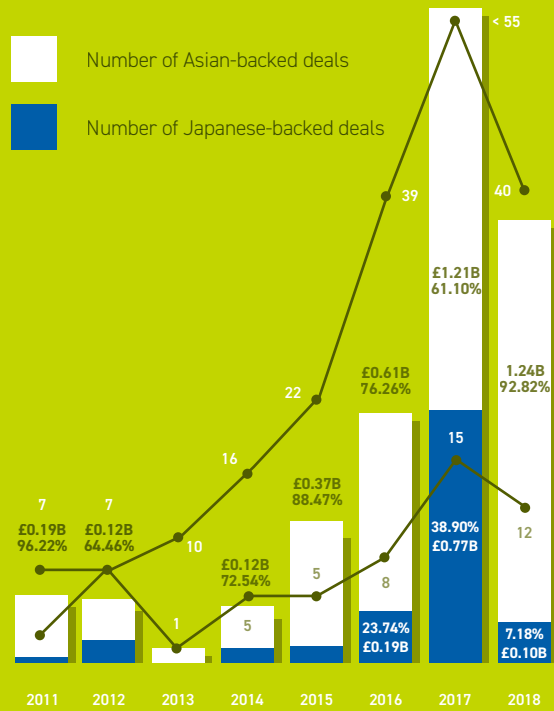
ASIA BACKED INVESTMENT OVER TIME



CHINESE-BACKED INVESTMENTS



JAPANESE-BACKED INVESTMENTS



CHINA LEADS THE WAY

As one might expect, Chinese funds were the most active of all Asian funds, with 16 deals backed in 2018 including China Construction Bank's involvement in one of the biggest deals of the year – the £100m fundraising by Oxford Nanopore. Meanwhile Chinese manufacturing giant, Red Sun Group, invested £100m into Coventry-based CAD CAM Automotive.

Japanese funds backed a total of 12 deals and funds from Singapore were involved in nine. All three of these countries had less investment activity into the UK in 2018 than in 2017 – when the respective number of deals for each nation was 19 (China), 15 (Japan) and 14 (Singapore).

Interestingly, the top seven Asian investors into UK companies, which have each made two investments, are from Japan, Singapore and Russia – meaning no Chinese investor made more than one UK investment. Names such as Japan's Rakuten, Singapore's Clermont Group and Russia's Digital Sky Technologies made the list.

In one of its two investment deals into UK firms, Russia's Digital Sky Technologies took part in the £60m fundraiser for renewable energy company Bulb in June 2018. Meanwhile Singapore's Clermont Group was one of the investors involved in London-based OakNorth Bank's £50m raise.





INDUSTRY VIEW

BY JOHN ZAI, FOUNDER & CEO, CENTI

Over the last ten years, the UK has emerged as one of the most important regions for Chinese and Asian investment. It's hardly a surprise that the research from Penningtons Manches reveals Chinese funds to be the most active in Asia; deals such as JD.com's \$397m investment into Farfetch, Ant Financial's £700m acquisition of payments company WorldFirst and China Construction Bank's involvement in the £100m fundraising by Oxford Nanopore indicates a firm commitment from Chinese investors to support the growth of Golden Triangle firms in particular.

At a time when the US is introducing restrictive trade tariffs on China, local investors are looking to new partners to help scale Chinese businesses and portfolios abroad. The UK is the perfect location, with close connections to many international markets and a depth of talent.

The level of investment across China into technology businesses, digital skills and infrastructure for fast-growth businesses dwarfs anything being attempted in Europe or the US. However, whilst the Greater Bay Area will become one of the world's most important tech

hubs, its success depends on its collaboration with tech entrepreneurs and businesses in international markets.

This is why London and cities such as Oxford and Cambridge are such important ecosystems for China. We have the ability to scale businesses across a huge consumer market and the capital to accelerate growth, but British entrepreneurs have creativity, skills and expertise that China desperately needs. As China's tech sector grows, the UK will benefit.

There are many differences between investors in the UK and China that entrepreneurs need to understand and navigate. CENTI is designed to help bridge that gap and accelerate the expansion of British tech companies into new Asian markets.

As China starts to compete with Silicon Valley, I believe we are just at the start of a great period of collaboration between China and the UK. Chinese investment into British businesses will continue, and London will become the key entry point for Chinese companies into Europe.

ASIA: TOP INVESTMENTS (2018)

CAD CAM AUTOMOTIVE

£100 MILLION



BULB

£60M



CMR SURGICAL

£75 MILLION

OAKNORTH BANK

£50 MILLION



OXFORD NANOPORE

£100M



TOP ASIAN INVESTORS INTO UK COMPANIES IN 2018

Investor	Country	Deals
Global Brain Corporation	Japan	2
Rakuten	Japan	2
Government of Singapore Investment Corporation	Singapore	2
Temasek	Singapore	2
Vickers Ventures	Singapore	2
Clermont Group	Singapore	2
Digital Sky Technologies	Russia	2

CONCLUSION

With record numbers of deals in 2018, it's clear that the ambitious companies driving the UK's thriving tech scene are still attractive to overseas investors. It comes as no surprise that the Golden Triangle attracts the majority of investment – London, Cambridge and Oxford are hotbeds of talent, creativity and world-class universities.

It is wonderful to see the US continuing to play a huge part in the growth of our most promising companies – taking part in 10% of all deals into UK tech. With so much innovation in the US itself, it speaks volumes that investors are looking to the UK for opportunities.

Meanwhile, it's also heartening to see so much activity from Europe, proving that while the political backdrop continues to evolve, the attraction of the UK's groundbreaking technology scene remains. We hope that whatever happens in the near future, our relationship with EU and European investors will remain as strong as ever.

Our research has proven that despite the impact of Brexit, the UK and its ambitious technology companies continue to be an attractive offer for foreign funds looking for the next big opportunity, says Rob Hayes, Head of Tech, Penningtons Manches.

Looking to the future we must ensure that the things that make UK firms so attractive are protected and bolstered. The depth of our talent pool, the strength of our legal and regulatory system, our digital and physical infrastructure – and also our ambition and openness to inward investment.

The UK and its tech companies have a healthy attitude to growth and a willingness to forge valuable relationships with investors across the world – let's never underestimate the power of that. As a firm, we're committed to supporting these connections as much as possible.

ABOUT THIS REPORT

DATA

This report has been written using data collected and created by Beauhurst. Penningtons Manches commissioned Beauhurst to provide a reference of facts and figures on the levels of global investment into businesses in the UK. While the report data included all deals across all industries (including non-technology sectors) with foreign fund involvement, the majority of the international investment observed aggregates into the ambitious companies operating within the technology sectors.

Beauhurst's proprietary sector and stage classifications are explained below. For further information on these classifications or any of the data that underlies this report, contact Beauhurst. Data for this report was finalised on 31 January 2019.

GLOSSARY

Seed: an early-stage company, generally pre-revenue, that has received a small amount of investment.

Venture: a company with a more developed proposition, generating revenue but usually pre-profit, that has received considerable investment, usually from funds/organised investors.

Growth: a company with an established product, generating revenue and usually profitable (even if re-investing that profit), that has received considerable investment from multiple types of investor.

Established: a company that consistently turns a profit and has been around for more than ten years. May have multiple, international offices and a diverse product offering.

REPORT METHODOLOGY

Company stage: Beauhurst categorises companies into seven stages of evolution (seed, venture, growth, established, zombie, exited, dead) using over 40 proprietary criteria, which vary based on the complexity of the intellectual property the company is developing. For example, Beauhurst uses different criteria to evaluate a pharmaceutical company than for a software company. No one criterion is enough to determine stage of evolution, so we take a balanced view with each decision. Rarely, a company may skip a stage, going from seed to growth, depending on how it is doing.

Company sector: Beauhurst tags companies with as many sectors from their proprietary sector matrix as appropriate, but does not order or prioritise the sectors attached to a company. The top-level sectors in the matrix are: agriculture, forestry and fishing; energy; leisure and entertainment; retail; technology/IP-based businesses; telecommunications service; tradespeople; transportation operators; built environment and infrastructure; business and professional services; craft industries; industrials; media; personal services; supply chain; and other.

Equity investment: Beauhurst monitors thousands of sources to find announced equity investments, which is often the most timely declaration of a deal. More than 50% of deals, however, are not announced. To find these deals we look at SH01s (a share allotment form) filed at Companies House. We also use these SH01s to calculate a company's pre- and post-money valuations.

Investors: We attribute equity investments to however many investors were involved in the deal, provided they received new shares, regardless of the number or value of shares received. Investor nationalities are determined using head office locations.

ABOUT BEAUHURST

Beauhurst is a searchable database of the UK's high-growth companies and their investors.

Our platform is trusted by thousands of professionals to help them find, research and monitor the most ambitious businesses in Britain. We collect data on every company that meets our unique criteria of high-growth: from equity-backed start-ups to accelerator attendees, academic spinouts and fast-growing scale-ups. This data is used by our clients at organisations including law firms, technology transfer offices, university enterprise education departments, venture capital firms, corporate finance houses, LEPs, growth hubs and many more.

Our data is also used by journalists and researchers who seek to understand the high-growth economy, and it powers studies by major organisations – including the British Business Bank, HM Treasury, Innovate UK, and the ScaleUp Institute – to help them develop effective policy. We often work with organisations to help them use and analyse our data and to produce bespoke reports that answer their specific research questions.

We believe good data is the key to making better investments, faster decisions and more effective interventions. With the right data we can help support the UK's world-leading entrepreneurial ecosystem and help more companies start up and scale up.

For more information and a free demonstration of the platform, visit beauhurst.com

CONTRIBUTORS

Henry Whorwood

Ella Halmari

Ava Scott

The logo for Beauhurst, featuring the word "Beauhurst" in a bold, black, sans-serif font, centered within a bright yellow rectangular background.

ABOUT PENNINGTONS MANCHES

Penningtons Manches LLP is one of the UK's leading law firms, with eight offices including a City of London headquarters and a presence in San Francisco. With over 100 partners and some 600 members of staff, we are acknowledged as a dynamic and forward-thinking practice which combines comprehensive legal services with a responsive and flexible approach.

We have a broad international focus supported by well-established links with law firms throughout the world. As a member of Multilaw and the European Law Group, we work with lawyers in over 100 countries, and many of our experts play leading roles in various international bodies.

Our specialist, multidisciplinary teams concentrate on a range of industry sectors, including technology, life sciences, education, banking, finance and financial services regulation, real estate, retail and international wealth.

Through our active involvement with a number of the UK's trade bodies, we are well placed to advise on all aspects of inward investment, from technology start-ups to large international relocations. We have particular expertise in supporting US clients seeking to do business in the UK and Europe. In addition, our India group provides expert advice on entry and exit strategies for the Indian market and investments from India into the UK and Europe. Where problems occur, in any jurisdiction, our international litigation lawyers are able to recommend effective strategies at an early stage.

We represent a growing list of international clients – ranging from private individuals, promoter-owned businesses and start-ups to multinational corporations, public companies, professional partnerships, banks and financial institutions.

OUR CONTRIBUTORS



ROB HAYES
Head of Tech



NICOLA MCCONVILLE
Partner



ROSS MCNAUGHTON
Partner



JAMES WENT
Partner

FIND OUT MORE

For further information, visit us at www.penningtons.co.uk where you will find comprehensive contact details for all our lawyers as well as our latest news, insights and publications.

Alternatively, e-mail us at info@penningtons.co.uk

Connect with us on LinkedIn [in/penningtons-solicitors-llp](https://www.linkedin.com/company/penningtons-solicitors-llp)

Follow us on Twitter [@penningtonslaw](https://twitter.com/penningtonslaw)



PENNINGTONS MANCHES

LONDON

125 Wood Street
London EC2V 7AW
T: +44 (0)20 7457 3000
F: +44 (0)20 7457 3240

BASINGSTOKE

da Vinci House
Basing View
Basingstoke
Hampshire RG21 4EQ
T: +44 (0)1256 407100
F: +44 (0)1256 479425

BIRMINGHAM

Birmingham Spaces Crossway
156 Great Charles Street
Queensway
Birmingham B3 3HN
T: +44 (0)121 312 2560

CAMBRIDGE

Clarendon House
Clarendon Road
Cambridge
Cambridgeshire CB2 8FH
T: +44 (0)1223 465465
F: +44 (0)1223 465400

GUILDFORD

31 Chertsey Street
Guildford
Surrey GU1 4HD
T: +44 (0)1483 791800
F: +44 (0)1483 424177

OXFORD

9400 Garsington Road
Oxford Business Park
Oxford
Oxfordshire OX4 2HN
T: +44 (0)1865 722106
F: +44 (0)1865 201012

READING

Apex Plaza
Forbury Road
Reading
Berkshire RG1 1AX
T: +44 (0)118 982 2640
F: +44 (0)118 982 2641

USA

SAN FRANCISCO

149 New Montgomery Street
4th Floor
San Francisco
CA 94105
T: +1 415 712 2869