

Catalyst

Fuelling
Opportunity



NI Deal Tracker

Analysing Equity
Investment in
Northern Ireland
2018

Chief Executive's View

A year of small changes with incoming Venture Capital investment holding up well.

Catalyst is an independent not-for-profit organisation working together for the benefit of all, connecting a community of like-minded innovators in a vibrant eco-system that is the key driver of the knowledge economy in Northern Ireland.

Since 2012, Catalyst has commissioned the Knowledge Economy Report, an independent benchmark into the vitality of Northern Ireland's knowledge economy and performance against the required trajectories of key metrics to achieve an economic transformation. After six years of noticing the poor available data on venture capital investing in Northern Ireland, we decided to research and report it ourselves. After consulting with a wide group of stakeholders we identified the key targets that we need to meet to grow to £90m per annum of venture capital investment by 2030.

This is the 2nd year of the Northern Ireland Deal Tracker report. The figures show a minor dip from £32m in 2017 to £29m this year. This seems to be following a trend that has happened in Ireland and the UK in 2018. Importantly, the investment from outside the region is also at a similar level to that of 2017.

Capital is the fuel of growth. Northern Irish entrepreneurs need access to specialist investors and their networks to fund the development of new products and then specialist investors who can help them scale multi-national companies.

The creation by Invest NI of a single VC fund in 2019 will mean that Invest NI backed capital can invest larger sums into companies. However, these funds alone can never provide the scale of VC funding required. This year's figures highlight once again the need to attract external sources to invest in great Northern Irish companies. Fortunately, although only modestly growing, this source has bucked the trend. The market could be improved further to enable much more creation and scaling of companies.



Steve Orr, *Chief Executive Officer, Catalyst*

2018 Key Findings

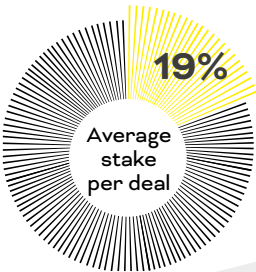
This data has been gathered utilising our strong relationships and using Beauhurst, a platform that tracks the UK's fastest growing companies. All information is treated as confidential.



51 deals

Across 49 Northern Irish companies

Down from 54 deals (2017)



£28.8M

Invested in Northern Irish companies

Decline of 12% (2017)



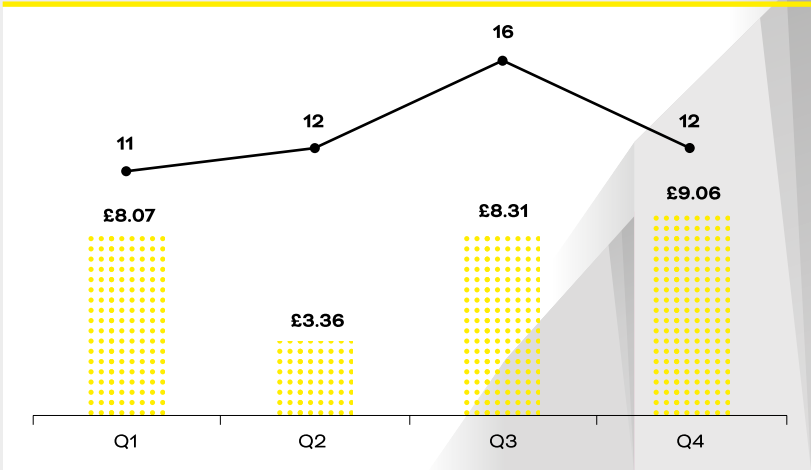
£565k

Average investment size

Average £42k lower (2017)

Deal Activity

Deal number and amount per quarter

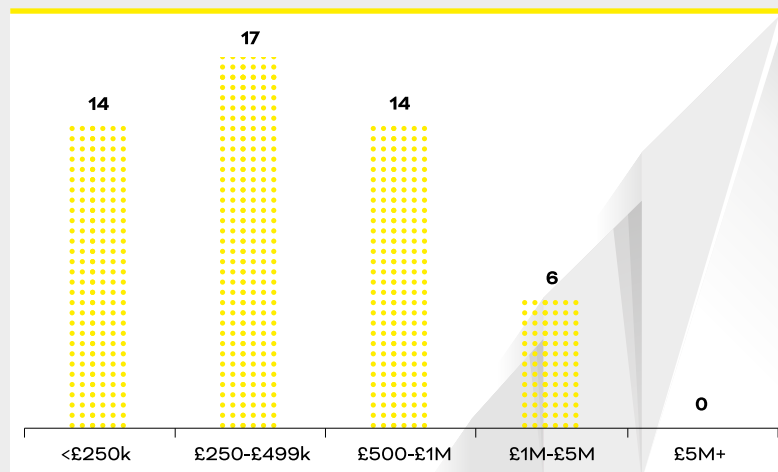


Similarities to 2017

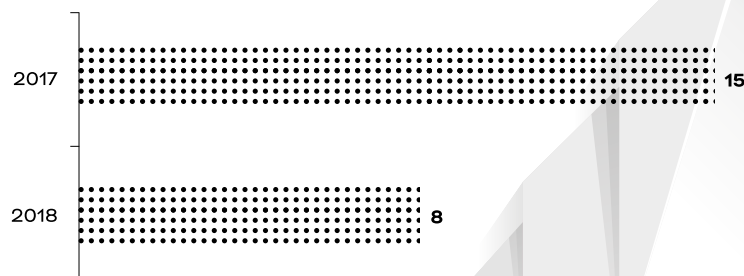
The seed investment scene in Northern Ireland (£100-500k) is quite similar to 2017, with 31 deals (61%) completed at this level.

The early stage seed funds managed by Techstart Ventures and CoFund NI have been the most frequent investors into early stage companies and they are beginning to see their funds increasing leveraging sources from outside Northern Ireland, which is promising for businesses in the region. The number of rounds from £1-5m was 50% lower compared to 2017 and again there wasn't a single round over £5m.

Deal Size



New (1st Investment)



A drop in new investment?

There were only 8 new deals completed in 2018 i.e. where companies received their first round of investments, which represents a 46% drop on the activity from last year. Seed stage is the riskiest stage for investors to get involved. This is usually where angel investors are to the fore, bridging that gap from family and friends to venture capital. The absence of an angel network in Northern Ireland in 2018 is not the sole reason for this drop but a significant contributor. Thankfully, this has now been rectified and HBAN Ulster is now up and running, with greater connections to the angel networks and syndicates across the rest of the island. The further development of early stage programmes such as Catalyst's CoFounders and Ignite's Propel programme will only increase the quality of startups in Northern Ireland which will impact this figure.

NI v All Ireland Figures

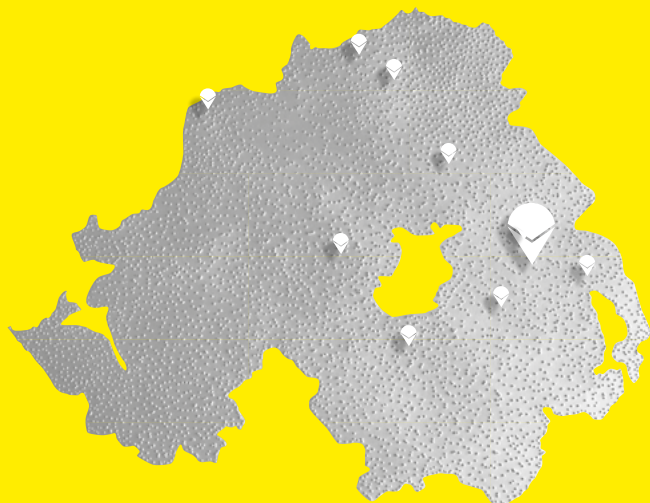
The All Island investment figures on first glance look extremely impressive. According to the IVCA, Irish companies raised almost €740m in 2018, which was a 25% decline on the figures from 2017.

Also, 50% of the funding raised was via international investors syndicating. Looking at the figures in a bit more detail, there are some issues, particularly around seed, which the figures disguise. 6 companies raised 50% of 2018's total figure and there were only 12 companies that raised rounds in excess of €10 million.

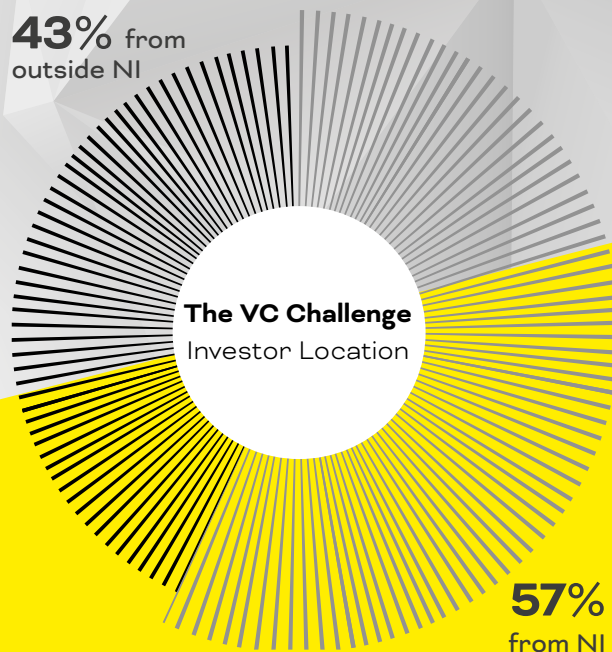
However, taking the figures at face value, Northern Ireland only represents 5% of the overall investment market in Ireland. The huge discrepancy highlights the increasing need for Northern Ireland to raise the visibility of our exciting companies to VCs outside of the region.

Geography of deals

As expected, the skew of investment towards Belfast has continued. Of the 49 companies to take on investment, 37 companies (74%) have their main headquarters in Belfast.



43% from
outside NI



57%
from NI

The majority of capital invested into companies in the local market has come from Northern Irish sources (57%). The number of deals that had at least one investor from outside Northern Ireland involved was 39%. Both figures are similar to last year. Work needs to continue to build relationships with funders outside of Northern Ireland and it is important to get these investors 'on the ground' to allow them to understand what the ecosystem is like. The Northern Irish funds and Catalyst are beginning to see the fruits of this labour but more work needs to be done. The conclusions from last year are still valid. To meet the 2030 minimum target, we need to grow non-Northern Ireland institutional investment by around £50m.

Case Studies

Northern Ireland is starting to produce more amazing opportunities each year and we need to continue to highlight these successes. The following companies provide a snapshot of some of those that raised significant capital and hope to go onto much bigger things.

Female led companies

A recent report by the British Business Bank reviewed the diversity of the teams into which VCs invest. Of the £5.6bn of venture capital invested in 2017 in the UK, 89% went to all-male teams, mixed gender teams received 10% and all-female teams received only 1%.

The sample size is a lot smaller in Northern Ireland and an analysis was carried out to see the make-up of the teams that received investment here. Taken together, it showed that 30% of the deals in 2018 (20% by value) went to businesses with at least one female founder. A couple of larger deals into female founded companies skewed the figures slightly but it highlights that the vast majority of capital goes into companies without a female founder.

More work is required to understand the rationale behind these figures such as looking at the makeup of the pipeline that funders are seeing. However, it is important to track as more diverse teams create more rounded and impactful companies.



Sisaf

Founded in 2008 by technology inventor and CEO Dr Suzanne Saffie-Siebert, SiSaf are pioneers of bio-courier technology, a novel method of drug delivery designed to address two fundamental challenges: needle-free delivery across biological barriers and safety of biopharmaceutical formulations.

The company have raised further finance from lead investor Vickers Venture Partners and have secured a strategic partnership with Croda Plc a FTSE 100 speciality chemicals company. To date SiSaf have raised in excess of \$14m in equity investment and \$3m in UK and EU grants.



We Are Paradoxx

Former Global Marketing Manager for a leading Northern Ireland exporter of beauty products, Yolanda Cooper set up We Are Paradoxx in 2018. The company have developed a patent-pending, world's first 3-in-1 cordless hair styler due to launch later this year.

They also develop premium haircare products that break the mould as they are the first plastic-free premium haircare brand. They have raised initial funding from TechStart NI and will be announcing further funding in 2019.



Decom Engineering

Cookstown based Decom Engineering is led by Sean Conway. The company has developed patented subsea/offshore cold cutting saws and a range of pipe coating removal products aimed specifically at the Oil & Gas industry.

Currently they have a customer base globally to include Germany, Egypt, Nigeria and America. The company have also opened a Joint Venture business in Holland.

A graduate from the Catalyst Springboard programme, the company have received significant funds from active Northern Irish investment syndicate Cordovan Capital Partners and CoFund NI.



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