

NI Deal Tracker

Analysing Equity Investment
in Northern Ireland 2017



Catalyst Inc is an independent, not for profit organisation dedicated to transforming the Knowledge Economy of Northern Ireland. After consulting with a wide group of stakeholders we identified the key targets that we need to meet if our region is to achieve our 2030 vision - Northern Ireland as one of Europe's most entrepreneurial knowledge economies. For venture capital this means attracting £90m per annum.

Without this level of funding, great ideas and teams cannot reach their potential. We need our £1m businesses to become £10m or £50m businesses.

As a trusted neutral party, Catalyst Inc is trying to provide a true reflection of investment activity in the Northern Ireland knowledge economy. We publish the Knowledge Economy Report (now in its 7th year) which has shown NI consistently as the 2nd fastest growing region in the UK. One of the key indicators is investment and it is the hardest one to track due to the secretive nature of the space. But now, we have found a way to gather this vital information, objectively and accurately.

I am delighted to announce that our figures show almost £33m invested in 2017 with a particular vibrancy at seed level.

We cannot be complacent however. The figures also show that there is a real challenge to fund our most ambitious companies - how to provide the

resources and mechanics to enable these organisations to scale. They show a gap of around £60m in funding that we need to fill by 2030. This additional funding can only come from outside NI and to that end we all must focus our efforts. Capital Match (<http://capitalmatch.catalyst-inc.org/>) is one programme that has been set up to try and help facilitate more UK connections but we need all interested parties in NI to do their bit.

I am very much of the opinion that the more we shout about the good news stories here in Northern Ireland, the more investors will look at this as an alternative and attractive place in which to invest. After all, the UK funds that have invested in NI companies in the past have seen positive returns.

So, the baseline has now been provided. We shall produce these figures annually to show progress. And rest assured Catalyst Inc will be working hard to face up to this funding challenge.



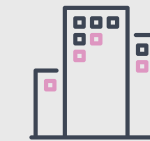
Norman Apsley
OBE, FREng, FinstP, FIAE
Chief Executive Officer, Catalyst Inc

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.



54 Deals

Across 51 NI companies



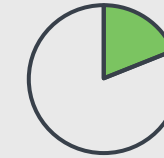
£32.8m

Invested in NI companies



£607k

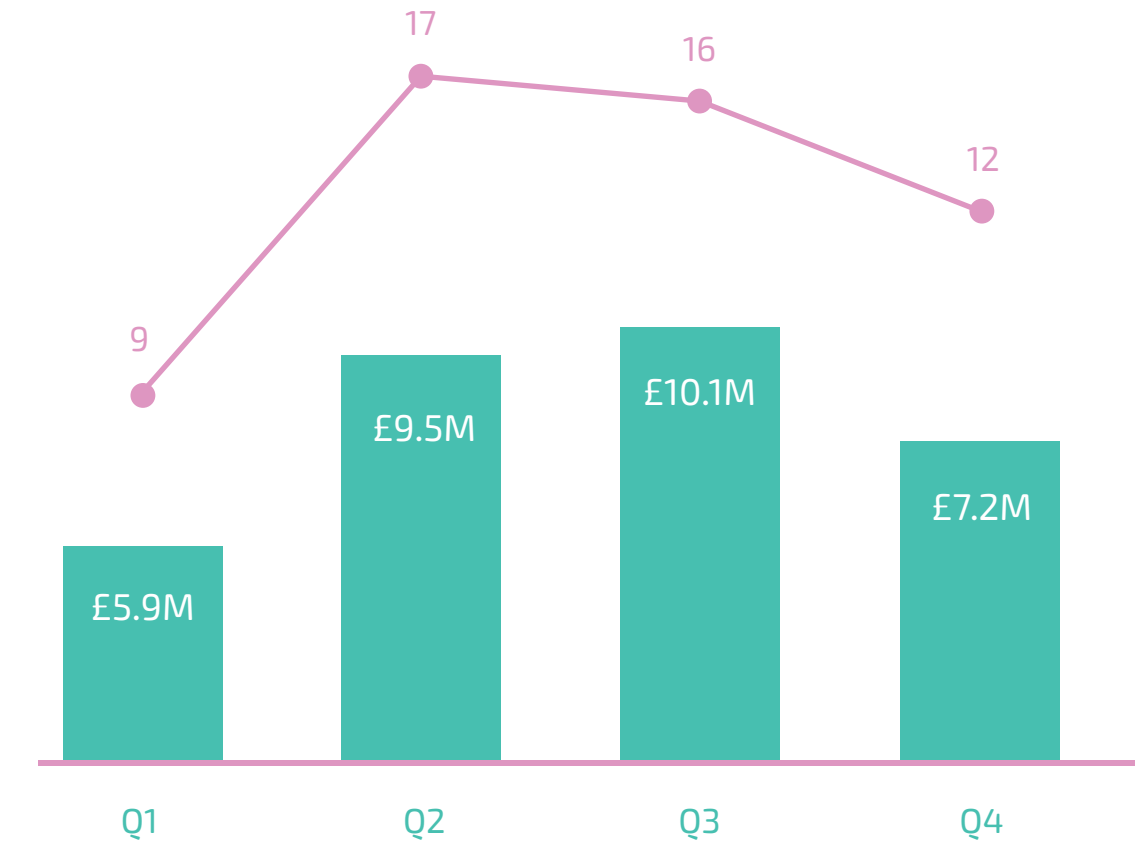
Average Investment Size



22%

Average Stake Per Deal

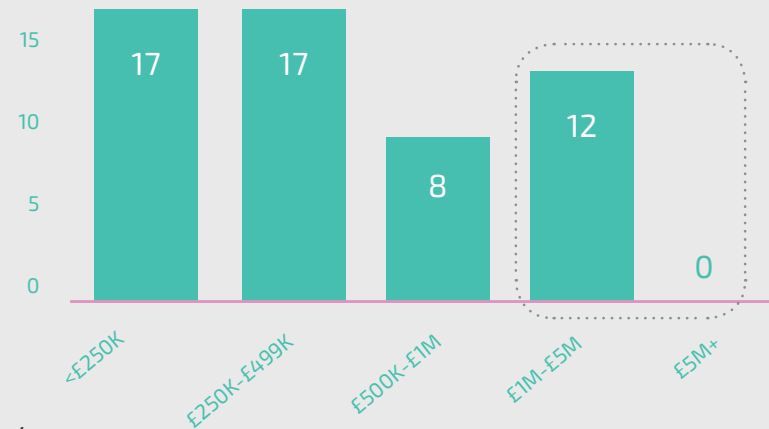
Deal Number and Amount Per Quarter



Great at seed funding but...

The seed investment scene (£100-500k) is quite strong in NI, with 34 deals (62%) completed at this level. A major reason behind this is the intervention of Invest NI and the deployment of their development funds. Techstart NI and CoFund NI have been the most frequent investors into early stage companies and they are beginning to see their funds increasingly leveraged, which is promising for NI businesses. As seed rounds begin to increase in size, it will give companies more time and resources to firm up their business model and build out their team to make them more attractive for the next round.

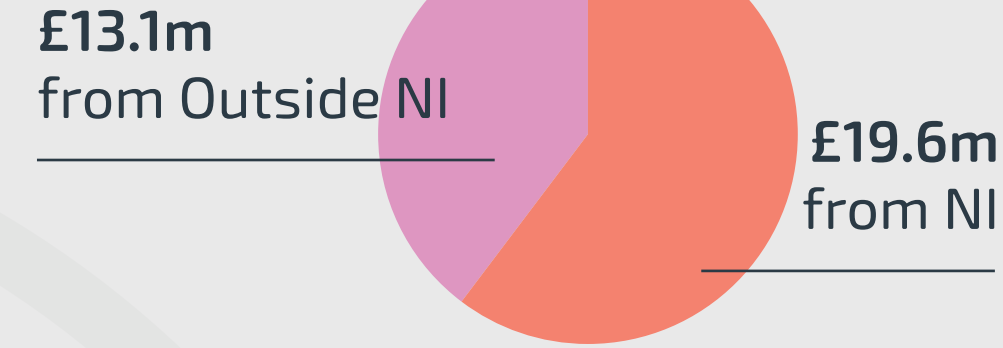
When it comes to raising funds above the seed level, again the two NI venture capital companies supported by Invest NI are prominent. Both Kernel Capital and Crescent Capital feature in many deals. **However, with only 12 deals at £1m or more, this is clearly where the funding gap lies.**



A year of interesting firsts

2017 saw the first investment by funders, Accelerated Digital Ventures (ADV) and Business Growth Fund (BGF)/ First Derivatives partnership into Northern Ireland companies. ADV, a UK fund backed by investors including British Business Bank, Legal & General and Woodford Investment Management, wrote the single biggest cheque into a NI KE business. While the traditional Business Growth Fund has invested in NI via traditional companies such as Bob and Berts and Braidwater, the investment into AuditComply was the first via the BGF/Kx partnership.

Only 5
investor cheques of £1m+ from
4 funders
3 of whom non-NI



Still work to be done – The £50m challenge

The vast majority of capital invested into companies in the local market has come from NI sources (60%). The number of deals that had at least one investor from outside NI involved was found to be similar (40%). On first glance, this looks quite promising. Catalyst Inc's analysis suggests that there will be some small increase in the NI funding but that we need to massively increase investment from outside NI. If we consider that NI investment figures will stay at a similar level by 2030 (circa £20-25m), the challenge faced is how NI will increase the amount of external institutional investment by £50m. This is a five-fold increase to where it currently sits. This is the real challenge that NI has to meet if the knowledge economy is to reach its potential.



Belfast bias

As expected, there is a geographical investment skew towards Belfast. Of the 51 companies to take on investment, 35 companies (69%) have their main headquarters in the capital. It will be interesting to see if this trend continues.

Case Studies



NI is starting to produce more amazing opportunities each year and we need to shout more about our successes. The following companies are a snapshot of some of those that raised significant capital and hope to go onto much bigger things.



Paul Moorhead, founder and CTO, Kraydel

Kraydel

Kraydel is a fast-growing company founded in late 2016 by serial entrepreneur Paul Moorhead. They have designed an innovative technology solution for the elderly care market, focused on providing a range of low-cost products and services for the elderly and other vulnerable people to support independent living in their own home. Their total funding for 2017 was over £1m from investors including Hambro Perks, Techstart NI and Clarendon Fund Managers.



Alan Foreman, CEO, B-Secur

B-Secur

B-Secur has created a patented biometric technology for user authentication and beyond, including health and wellness metrics. The company sealed 2017's largest funding round in NI at £3.5m, raised from a syndicate of investors which included Accelerated Digital Ventures (ADV) and Kernel Capital.



Kevin Donaghy (CEO) and Susan Fitzsimmons (COO), Audit Comply

AuditComply

AuditComply founded by serial entrepreneur Kevin Donaghy, has developed a Risk & Performance Management platform which is used across the engineering, manufacturing, food and logistics industries. With a growing portfolio of global clients, the company raised investment from BGF and CoFund NI in November 2017 and, as a result, struck up a strategic partnership with First Derivatives KX to utilise their technology.



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