



LAUNCHING TLA VENTURE CAPITAL



BERINGEA



INTRODUCTION

Tech London Advocates and Beringea brought together leaders from across the investment community for the first meeting of the new TLA Venture Capital Working Group, which will be led by Beringea.

Hosted by KPMG, experts convened to share insights and debate the key challenges and opportunities that investors are currently facing within a period that has been defined by high growth but equally marked uncertainty and falling market confidence across the economy.

Attendees expressed views and drew conclusions across two key areas: firstly, mapping the current condition of venture capital in London within the early stages of 2019, and then moving to what's next, the challenges and opportunities. The discussion came to a close as the collective outlined the core mission and objectives of the TLA Venture Capital Working Group ahead of its official launch.

The outputs from this roundtable will provide the immediate direction for the Working Group, as a call to action to bring the community together in support of the tech sector and in ensuring funding for growth remains accessible for Britain's ambitious entrepreneurs.

This report outlines the key findings from the roundtable.



£1.8BN

INVESTED IN LONDON
TECH 2018



ATTENDEES

Russ Shaw, Tech London
Advocates & Global Tech Advocates

Stuart Veale, Beringea

Kevin Smith, KPMG

Martin Afshari-Mehr, Salesforce

Anthony Woolley, Société Générale

Ben Brabyn, Level39

Chris Allner, Downing Ventures

James Klein, Shoosmiths

Catherine Thomas, Outlier Ventures

David Fogel, Accelerated Digital
Ventures

Erin Platts, Silicon Valley Bank

James McClurg, Sky Ventures

Jenny Tooth OBE, UKBAA

Maria Wagner, Beringea

Matthew Bradley, Forward Partners

Paul Miller, Bethnal Green Ventures

Nick Richards, Penningtons Manches

Henry Philipson, Beringea

Jack Davies, Seven Hills





THE BERINGEA PERSPECTIVE

Over the past decade, London has strengthened its position as a pioneering hub for venture capital. From the depths of the financial crisis, investors have played a pivotal role in developing a thriving entrepreneurial ecosystem that is now consistently developing international success stories.

In 2018, technology companies based in London raised £1.8bn from investors and cemented the city's position as Europe's foremost hub for venture capital. Today, we back and build companies with the scale and presence to become global forces in emerging technologies, such as fintech, artificial intelligence and cyber security, as well as established industries, such as healthcare, retail, media and advertising.

And yet, this status is not guaranteed to last. Aside from the obvious challenges associated with the country's disorderly departure from the European Union, the technology industry continues to face significant talent shortages, the valuations of London's digital businesses have skyrocketed in recent years, and the potential shock of another financial crisis often appears on the horizon.

At Beringea, we believe that London is a uniquely positioned centre for venture capital, with the strength, expertise and global connections to fuel its rise as a leading hub for technology investing. Nonetheless, we understand the challenges that may be around the corner and we feel that collaboration between the many faces that make up our industry will be vital to our future success.

This is why we have decided to launch TLA Venture Capital, a working group dedicated to championing the vital role played by London's investors, enabling connections between the leaders shaping our industry, and overcoming the challenges that they face in order to strengthen London's position as a powerhouse of technology investing and innovation.

We recently gathered a group of leaders from the venture capital industry to consider the environment in which TLA Venture Capital will operate, discussing the challenges and opportunities that we face and how best to work together to overcome them.

The insights gathered from this discussion are laid out in this report, along with a roadmap for the future growth and vision of TLA Venture Capital. We hope that it provides a valuable perspective on the challenges and opportunities facing London's investment industry and encourage you to join the working group to collaborate on achieving our goals.

We would like to thank each of the participants in the discussion, as well as Russ Shaw, founder of Tech London Advocates, for steering the debate and supporting the launch of TLA Venture Capital, and KPMG for its partnership on the event.



MAPPING VENTURE CAPITAL IN LONDON

In recent years, the UK's tech sector has defied fears that Brexit would stifle progress and reduce Britain's ability to attract the capital that tech companies need to scale and grow. 2018 was another exceptional period for the digital economy in London, securing the most inbound capital in Europe, playing witness to globally significant M&A's and exits, and achieving valuations once strictly reserved for Silicon Valley.

From the outset, sentiments were shared that the UK has harnessed a vibrant ecosystem of investors and entrepreneurs to great effect. London is now positioned at the epicentre of the European, and increasingly global tech community. Last year alone, British tech firms raised nearly £2.5 billion in funding – a measure of both the resilience and allure of the sector. Today, the industry's success prevails, paving the way for yet more early stage ventures to seed, start-ups to become scale-ups and mature enterprises to achieve global successes.

Growth opportunities are abundant amongst a community that remains confident and optimistic in the face of the challenges that are to come. There is now a commitment to be made by the investors, key stakeholders, and entrepreneurs, to respond to these hurdles as we advance forwards.

Attendees, those representing forms of investment from VC's to private equity and angels - evaluated the state of the current ecosystem, trends and direction of travel, placing particular emphasis on the immediate actions to help strengthen

London's venture capital scene. The starting point of the discussion was an examination of the key ingredients that acted as the catalyst in establishing the city as a world-leading digital hub.

London plays a pivotal role at the heart of the UK's attractiveness for overseas funds - the tech sector here directly benefits from the allure of Britain's more mature industries such as pharmaceuticals and manufacturing.

THE ROLE OF THE ENTREPRENEUR

The city's access to skilled entrepreneurs is also crucial to the burgeoning tech community which has benefitted from the flow of European talent to date - attendees applauded the contribution that skilled overseas workers provide, noting knowledge transfer, digital competencies and ambition as critical, along with an ability to overcome barriers to entry for first-time founders.

Investors who were present at the table recognised the creation of a new entrepreneur that is characterised by a 'mission' to build businesses that go beyond profit and generate social impact. Many of these firms stem from the need to address unique challenges - this next generation of leader is acknowledging the lessons learned by the market incumbents that came before who remain embattled in privacy and data usage issues. Instead, the private-sector is striving to provide real-life solutions through technology and investment in R&D.

THE REGULATORY LANDSCAPE

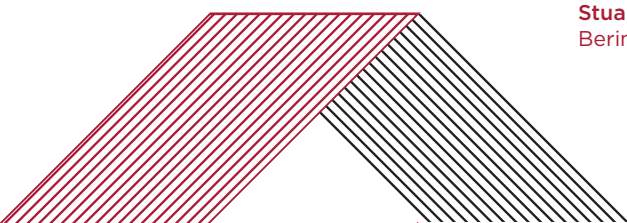
From the calibre of the entrepreneur to the environment that elicits such quality, the conversation shifted to implications of government policy and the regulatory framework within which Britain's tech companies operate. Those in attendance recognised that London's success can in part be attributed to progressive government regulation and dedicated bodies that have embraced legislation which has proved dynamic in the face of fast pace technology. The examples given included: the promotion of outstanding educational institutions, providing dedicated visa routes and offering sandbox initiatives for start-ups - the UK's sound regulatory landscape has contributed extensively to the strength of the industry. The leaders gathered agreed that within such a diverse sector, we require diverse metrics to gauge progress, whether the goal is to hunt the next unicorn or generate consistent returns across a large portfolio or secure a timely exit from a specific vertical investment - each appropriate to its particular size and strategy.

Attendees applauded the optimism that entrenches the tech and investment ecosystem and role that the community will play in the future success of the capital's, and the UK's, wider economy. London now sits at the cutting edge of innovation and regulation, and can cement a prosperous digital future.

Success looks different for different stakeholders. Some people are simply hunting for unicorns, happy to lose money on the vast majority of their investments if one makes it to a billion-dollar valuation. I would argue that a vibrant entrepreneurial ecosystem needs to focus on creating a broader base of substantial businesses that add significant economic value but may not scale to such lofty valuations. Policy and regulation must support this broad economic success - it must not fixate on unicorns.

“Government policy is fundamental to the vibrancy of venture capital in the UK. Supportive regulation - whether through the creation of government-backed funds such as the British Business Bank or through investment schemes such as EIS and VCTs - has enabled the rise of a dynamic investment sector. However, these policies are always at risk. A different government may decide to change that landscape completely, so we must make sure our voice is heard.

Stuart Veale
Beringea





WHERE NEXT: THE CHALLENGES AND THE OPPORTUNITIES

The conversation proceeded to provide expert commentary on the pressing challenges that the tech sector must come to navigate in the here and now. From broader topics, including talent shortages and diversity issues, to more specific focus on funding and capital requirements for the tech sector.

DIVERSITY

Attendees agreed that talent is a principal investment variable and that addressing the diversity issues that persist across the sector can be a primary solution for fixing the shortage of talent. The need for investors to work towards increasing representation within, not only their own portfolios but their own internal leadership teams was widely recognised as the right route to take in generating change. Yet, it was acknowledged that a lack of diversity is systemic to an industry that has continuously under represented society – pointing to the difficulty of changing a mindset that is embedded in the inner workings of the sector.

SOCIAL MOBILITY

Incorporating the problem of social mobility as a core component of diversity, experts in attendance, advocated for further social-economic inclusion in the sector. Those present reminded that diversity is not limited to gender or ethnic background, but to wider overarching socio-economic metrics. In order to address selection biases, it is incumbent on the community to recognise the failings and instruct practical responses.

Optimism surfaced as leaders pointed to the existing opportunity for the UK to benefit socially and economically by moving to close the diversity gap - by measuring and tracking diversity, and not simply KPIs, attendees acknowledged the impact small initiatives can have in propelling change and generating momentum. The group unanimously agreed that collaboration between both the private and public sectors is fundamental for dialogue to transform and move the needle across the sector at every level.

London tech has succeeded in attracting increasingly large sums of money over the last five years, with the ambition and creativity of UK entrepreneurs capturing the attention of international funders the world over. Investment capital is a vehicle for the future innovation that will come to define this country's economic success - it is now incumbent on the sector to ensure that capital for growth is not continually directed at a select proportion of society. And, that means increasing diversity in investment houses themselves and making a commitment to back businesses with diverse leadership. If the UK can establish a reputation as a home for diverse founders and diverse investors, we can unlock the true potential of tech leaders across society and realise the job creation, wealth generation and industry advancements that they create.

Russ Shaw

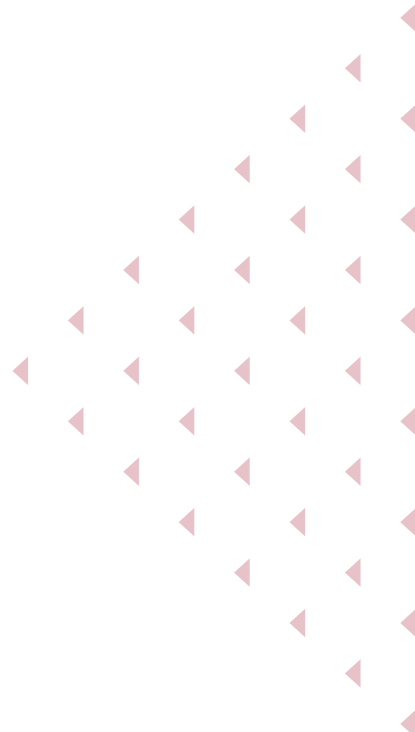
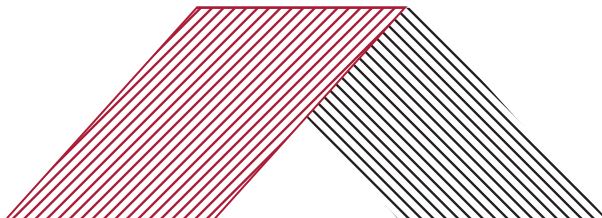
Tech London Advocates & Global Tech Advocates

ACCESS TO FUNDING

Moving to look at the current regulatory environment, insight was shared suggesting that the government's supportive role in harnessing the community's potential could come under threat. The present regulatory landscape is as temporary as the government that enlists it; a change in regulation can have a major impact in the ecosystem for better or for worse. With Brexit looming, particular funds have been cynical about investing in the UK.

The British Business Bank (BBB) and the UK Innovation Investment Fund (UKIIF) have started to fill in the void left by the European Investment Fund (EIF), as capital stopped flowing into the UK. Both the public and private sectors need to work at fostering effective projects, partnerships and propositions to incentivise international funders as to not curb international cash flows and investment coming into Britain—there is an unequivocal need to promote a message that London, and the UK in general, is open to business.

Attendees celebrated the new vision set by the BBB and UKIIF in implementing a system to support British investment and funding for businesses across the UK, highlighting the need to embrace a positive narrative despite Brexit and build robust and sustainable solutions. However, crucial to its success is the speed to which these new programmes will roll out, as investors came to note the rise of an impatient sentiment across the industry.





Those gathered around the table pointed to the need for the BBB and UKIIF to invest more in alternative funds. With Asia and the Nordics leading the way in injecting cash flows into alternatives, the UK must not become complacent and avoid being left behind. The shortage of British early-stage funds is captured by the presence of successful American and Canadian LP's in the UK. However, for pensions funds and alternative funds to strengthen their offering for tech companies, key stakeholders must first encourage more British early-stage investors to back fledgling firms.

In spite of the challenges discussed, an expression of confidence was given when analysing where London can find unparalleled successes and capitalise on opportunities. The city has deep rooted international connections with other digital hubs that stretch to every corner of the globe. It was acknowledged, by those who were present, that it was essential that the UK forge ahead with strengthening these relationships with other hubs and specifically draws on the investment opportunities available across the tech verticals.

The access to innovation, talent and capital attracts entrepreneurs and investors from around the globe to look at London as a favourable business cluster to scale within.

The core themes, takeaways and next steps laid out at the roundtable, will come to shape the objectives and next steps for the TLA VC Working Group.

London attracts the leading talent from across Europe - it is a place where people want to live and work for a long time. This talent pool - operating in a substantial European economy - provides the foundations for launching a company.

“The UK can also act as a launchpad for the US. While expanding across the Atlantic comes with plenty of challenges and there are plenty of misconceptions about how easy it can be, the connections between the two countries - whether economic, political, or simply a shared language - are vital. There is, therefore, a significant amount of scope to launch in the UK and scale in the US.

Maria Wagner,
Beringea

TLA VC WORKING GROUP: ROADMAP

ACTIVITIES

Define: the purpose and vision of TLA Venture Capital

Establish: the operating principles of the working group

Map: the first twelve months of activity

ACTIVITIES

Launch: TLA Venture Capital at Investor Showcase 2.0

Connect: with a diverse range of advocates

Refine: the principles and vision based on further feedback

PHASE 1: DEVELOPMENT

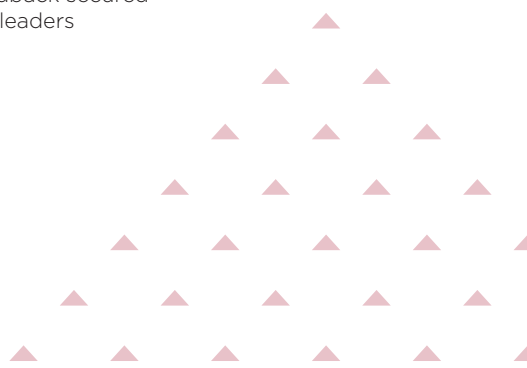
January-May 2019

PHASE 2: DELIVERY

May-September 2019

OBJECTIVES

- Foundations of the group created
- Network and digital presence produced
- Initial feedback secured from key leaders





ACTIVITIES

Increase: the profile and membership of TLA Venture Capital

Impact: key issues with a calendar of events and campaigns

Optimise: working group operations through evaluation of launch

PHASE 3: SCALE

September 2019 – May 2020

OBJECTIVES

- Working group successfully launched to the community
- First event planned and held to activate the group
- Communicate the TLA VC vision with media and stakeholders

OBJECTIVES

- Working group expanded to first 100 members
- Further networking events and discussions held
- Plan for the next twelve months of working group activity

