UK Megadeals

Past, Present and Future

SEPTEMBER 2021

SHOOSMITHS

Beauhurst

Contents

Methodology

Beauhurst identifies ambitious businesses using eight triggers (outlined at the bottom of this page) that we believe suggests a company has high-growth potential. More detail on Beauhurst's tracking triggers is available via our website.

EQUITY INVESTMENT

To be included in our analysis, any investment must be:

- Some form of equity investment
- Secured by a non-listed UK company
- Issued between 1 January 2011 and 31 December 2020

ANNOUNCED AND UNANNOUNCED FUNDRAISINGS

An unannounced fundraising is an investment made into a private company that is completed without press coverage or a statement from the recipient company or funds that made the investment. These transactions are an integral part of the UK's high-growth economy, accounting for around 70% of all equity transactions.

Unfortunately, where deals are unannounced, we cannot identify the nationality of the investors involved in the transactions. For this reason we have only included announced deals in any of the analysis that includes investor nationalities.

HIGH-GROWTH TRIGGERS

- Equity investment
- Academic spinouts
- Scaleups
- High-growth lists
- Accelerator attendance
- Major grant recipients
- MBO/MBI
- Venture debt

James Klein, Partner & Technology Sector Head

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The exponential increase in the number of UK unicorns is often headline news, but less so is the rise in underlying megadeals.

In the last few years our national corporate team at Shoosmiths has seen a significant increase in the amount being invested in UK companies by way of private and venture capital, from both overseas and domestic investors, including a number of later stage, growth capital investments that have allowed investors to find a place on the company's cap table relying (in part) on previous due diligence exercises. As a team we are currently ranked third in the UK Legal Adviser league tables by Experian MarketIQ based on deal volume (2021 H1). The high levels of activity we are seeing correlates with the increase in corporate transactions in the market.

> *"There is now no doubt that 2021 will be a landmark year for both the volume of, and the value raised via, megadeals."*

Transaction sizes have also risen and, as our report highlights, the number of megadeals has rocketed. At the end of the first half of 2021, the number of megadeals already exceeded the total amount for 2020 and surpassed the previous record set in 2019. There is now no doubt that 2021 will be a landmark year for both the volume of, and the value raised via, megadeals.

The fact that we have witnessed deal values increase, despite the continuing uncertainties caused by Brexit and the Covid-19 pandemic, has prompted us to partner with Beauhurst to delve into the anatomy of the megadeal and consider the wider implications of the current upwards trajectory. The research provides some interesting matters for consideration and discussion.

The UK technology sector has seen record levels of growth over the last decade and so far as megadeal investments are concerned, it is predominantly tech companies that are benefitting. UK fintech businesses reign supreme, whether these are consumer-orientated fintechs or those focussing on business-to-business offerings. Some of the largest deals in the last 18 months have involved fintechs including Revolut, KI Insurance, Checkout.com and Go Cardless. This, together with the recent London Stock Exchange listing of Wise, reflects the strength of the UK fintech market and investor confidence in London as a global financial centre and gateway to the European market post-Brexit.

With ESG at the top of most organisations' agendas, it is predictable that companies with a sustainability offering, in particular transport tech and energy tech, are also attracting significant investment. Healthtech is another sector attracting increasing investor interest, an inevitable consequence of the Covid-19 pandemic.

The rise in megadeals demonstrates an increased accessibility to later stage funding in the UK and should provide reassurance for the preponderance of scale up companies looking for investment or global expansion.

When it comes to location, while it is unsurprising that the majority of companies that have raised money by way of megadeals are located in London and the South East, it is important that VC investment in the UK is accessible across all regions.

A small proliferation of megadeals in the North West may indicate this is starting to happen, but perhaps more action needs to be taken to raise awareness of the investment opportunities, and support available, for scaling companies outside of London. With the majority of fundraising deals occurring remotely in 2020, it will be interesting to see if the pandemic has challenged the notion that a presence in London is required to meet with - and present to - potential investors.

With the number of megadeals showing no signs of slowing, the outlook for UK investment (and the underlying tech ecosystem) looks extremely positive.

We are delighted to have partnered with Beauhurst to bring you this research report which we hope you find insightful. If you have any questions, or would like to join a roundtable discussion to explore the findings further, please do not hesitate to get in touch.

Henry Whorwood, Head of Research and Consultancy

Beauhurst

Megadeals in venture capital have increased by 10x since 2011. That year there were just five deals where £50m or more was invested into UK companies. The first half of 2021 saw 51 megadeals—and that's just the first half. What is clear is that a previously unprecedented amount of money is now available for investment into private UK companies—at the right stage.

In collaboration with Shoosmiths, this report charts the rise of megadeals over the last 10 and a half years. It breaks down the investment trends and looks at which sectors the money has gone to—and where it has come from. The combination of buoyant public stocks, unprecedented stimulus measures by central banks, increased reliance on technology due to the pandemic, and the amounts of "dry powder", which private equity pundits have been talking about for years, has created the conditions for a large number of large deals.

While this phenomenon has many positives for private UK companies and the UK's high-growth ecosystem more generally, it is worth pausing to consider the ramifications of this wave of investment. As the ranking on page 15 shows, megadeals are the preserve of investors headquartered in the United States. US-based investors have participated 296 times in UK megadeals between 2011 and H1 2021. UK investors have had 246 participations over the same period. All other nationalities have participated in an order of magnitude fewer megadeals. This raises the question, what is the long-term impact of US investors owning large stakes in private UK companies?

A potential consequence is that an increasing amount of the value created by UK companies will line the pockets of US investors and their limited partners. Arguably this is just the cost of doing business. In fairness to the investors, they provided capital when it was needed. But the counterargument here is that the companies able to secure megadeals are not just any old companies—they are the cream of the crop and the financial and intellectual value they create should remain in the UK.

What this debate often misses is that much of the financial reward from venture capital investing in the UK ultimately flows to foreign investors. Research by the British Private Equity and Venture Capital Association shows that around 90% of capital provided by pension funds comes from those based overseas. However, the announcement in August by the UK's pension regulator that it would be dropping a 20% cap on investment, alongside encouragement from the PM and the Chancellor to pension funds to "invest in Britain" may see more megadeals backed by UK investors and ultimately more of the returns benefitting UK plc.

> *"What is clear is that a previously unprecedented amount of money is now available for investment into private UK companies—at the right stage."*

The debate around the flow of intellectual capital away from the UK is coming to the fore with greater concerns around being self-sustaining and having access to strategic technologies such as semiconductors in the wake of the pandemic. The proposed acquisition of chip developer ARM by US-based Nvidia, which the Competition and Markets Authority may block, is the nexus for this debate. The Government's new National Security and Investment Bill, which will come into effect next year, will give the Department for Business, Energy and Industrial Strategy (BEIS) increased powers to investigate and block equity transactions on national security grounds. Critics of greater government intervention in takeovers and foreign investment have raised concerns about the impact of the bill on the UK's competitiveness.

While it is too early to see the impact of either of these developments on the UK's private capital market, it seems that both domestic and international appetite for the UK's high-growth companies will remain ascendant. Time will tell if the frenetic pace of megadeals we have seen in H1 is a result of the extraordinary events of the last year and a half or whether this is the new status quo.

Chapter 1:
Investment trends

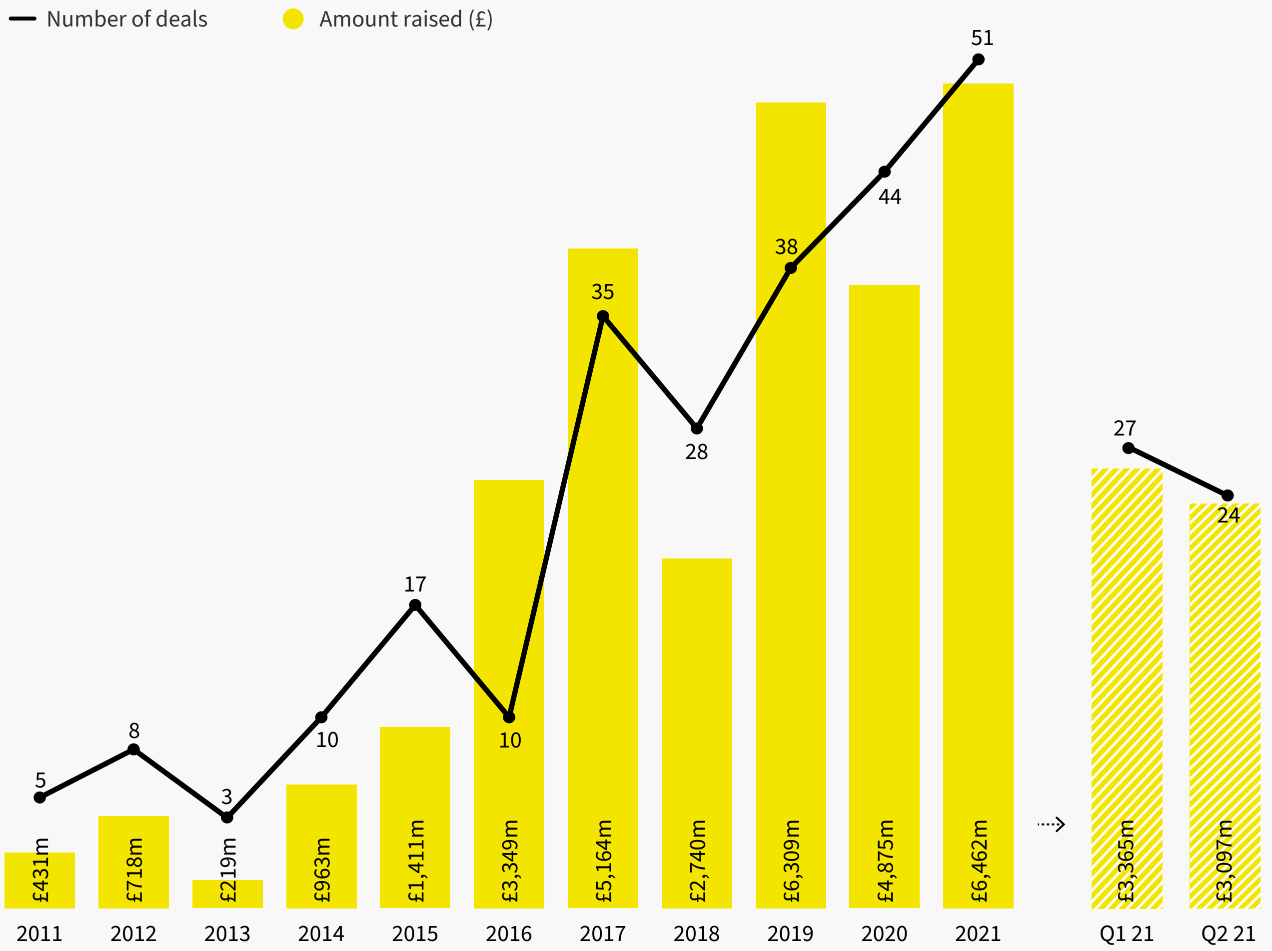
- Investment volumes since 2011
- Megadeals vs gigadeals
- Average deal sizes since 2011
- Top 10 megadeals
- Impact on valuations
- Top investors

Investment volumes since 2011

The first half of 2021 saw a record 51 megadeals—equity deals of £50m or more. This is not only a record for a half but is already an annual record, despite the remaining six months of the year left. If large dealmakers keep up their current pace, 2021 is going to be a landmark year for megadeals. This year has also seen a record amount invested via megadeals, with £6.5b invested in H1. This beats the previous highest annual value of £6.2b invested via 38 deals in 2019.

Several factors are likely to have driven the record number and volume of megadeals. These include the record economic stimulus that has been employed around the world to lessen the impact of the pandemic and the shifting of capital towards technology sectors that fared well during the pandemic such as software. Other factors include the increasing large funds being raised by venture capital investors and low returns in public markets.

Megadeal investment volume and deala numbers (2011 – Q2 2021)



“The technology sector showed remarkable resilience during the global health pandemic. As we faced restrictions, it was technology that allowed businesses and society to continue operating. Digital transformation that would typically take years was accelerated to a period of weeks, and the result was technology companies recording extraordinary levels of growth.

With many traditional sectors unable to pivot to the new normal of the pandemic, capital inevitably flowed to the businesses that were continuing to scale.

However, tech companies have been steadily raising more and more investment over the last decade, so this trend can’t be entirely explained by the pandemic. Instead, we’re seeing a global tech ecosystem reaching maturity and an increasing number of fast growth tech companies in cities and regions around the world demonstrating real revenues and growth to justify significant valuations and funding rounds.

In the UK alone, the successful exits for the likes of Wise and Darktrace are testament to London’s capacity to produce world-class tech companies with globally competitive valuations. As the modern world becomes increasingly dependent upon technology, we can expect to see the flow of venture and institutional capital continue rising in the years to come.”

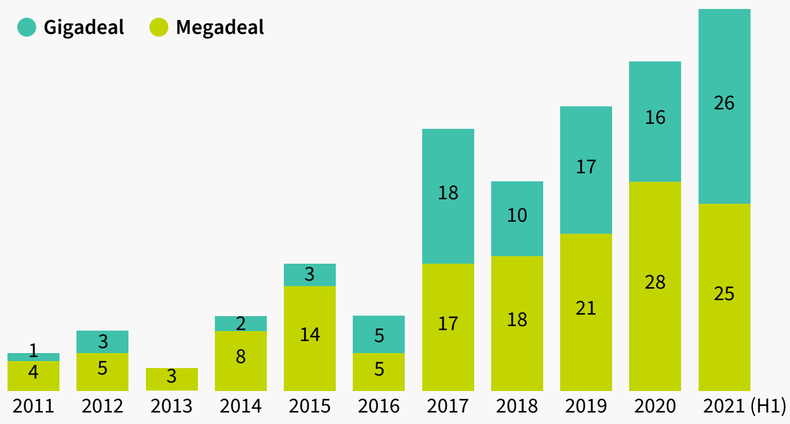
RUSS SHAW CBE, FOUNDER OF TECH LONDON ADVOCATES AND GLOBAL TECH ADVOCATES

Megadeals vs gigadeals

A striking factor for the megadeals recorded in H1 2021 is that over half are gigadeals—equity deals of £100m or more. This reflects the increasing size of private companies and the market for private capital. As the chart on the bottom of this page shows, deals of £50m or more were relatively unheard of 10 years ago, let alone deals of £100m or more. Now, as companies are able to access increasingly large pools of private capital, they can raise larger rounds and stay private longer.

For many entrepreneurs, staying private has the benefit of retaining greater control over the company compared to public markets. Lord Hill's UK Listings Review, released last year, and Ron Khalifa's Review of UK FinTech released earlier this year, both call for amendments to listing rules to make public markets more attractive for Initial Public Offerings (IPOs). An area of interest for entrepreneurs is dual-class share structures which are common in the US. These structures give entrepreneurs and other early shareholders enhanced voting rights compared to other shareholders. Current rules do not permit dual-class share listings on the premium segment of the London Stock Exhange, meaning that those that opt for this structure are not eligible for inclusion in indices such as the FTSE 100.

Megadeals vs gigadeals (2011 – H1 2021)



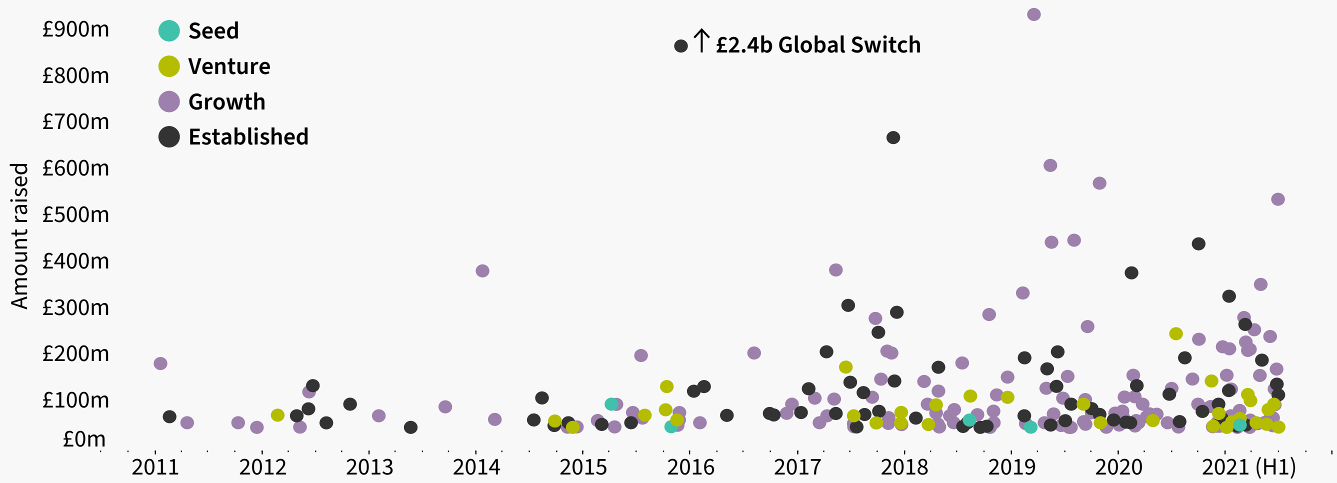
£131m

mean deal amount since 2011

£80m

median deal amount since 2011

Megadeals and gigadeals by stage of evolution (2011 – H1 2021)



Average deal sizes since 2011

As the chart on this page shows, both mean and median megadeal sizes have broadly increased over the last 10 years. However, given that megadeals still make up a very small number of the total deals in the UK every year, both the mean and median are easily skewed by a small number of very large deals.

One such deal that has been omitted from this chart is the £2.4b investment into data centre provider Global Switch in 2016 by Chinese investor Elegant Jubilee. While technically a megadeal, the investment was more akin to a strategic acquisition; Elegant Jubilee acquired an additional 2% in Global Switch the following year giving it control of the then London-based group.

Mean and median megadeal size by year (2011 – H1 2021)

Top 10 megadeals

Global Switch	**December 2016**
Amount raised	£2.4b
Company activity	Data centre operator
Investor(s)	Elegant Jubilee

OneWeb	**March 2019**
Amount raised	£941m
Company activity	Satellite network
Investor(s)	Softbank Group, Qualcomm Ventures, Grupo Salinas

BGL Group	**November 2017**
Amount raised	£675m
Company activity	Insurance services
Investor(s)	Canada Pension Plan Investment Board

Greensill	**May 2019**
Amount raised	£615m
Company activity	Financial services
Investor(s)	Softbank Vision Fund

Greensill	**October 2019**
Amount raised	£511m
Company activity	Financial services
Investor(s)	Softbank Vision Fund

babylon	**August 2018**
Amount raised	£454m
Company activity	Healthcare app
Investor(s)	Kinnevik, Munich Re's Ergo Fund, Vostok New Ventures

Deliveroo	**May 2019**
Amount raised	£449m
Company activity	Food-delivery app
Investor(s)	Amazon, Fidelity, Greenoaks Capital, T. Rowe Price

Howden Group	**September 2020**
Amount raised	£446m
Company activity	Insurance services
Investor(s)	Undisclosed investors

CMR Surgical	**June 2021**
Amount raised	£432m
Company activity	Medical instrumentation
Investor(s)	Softbank Vision Fund, GE Healthcare, Tencent

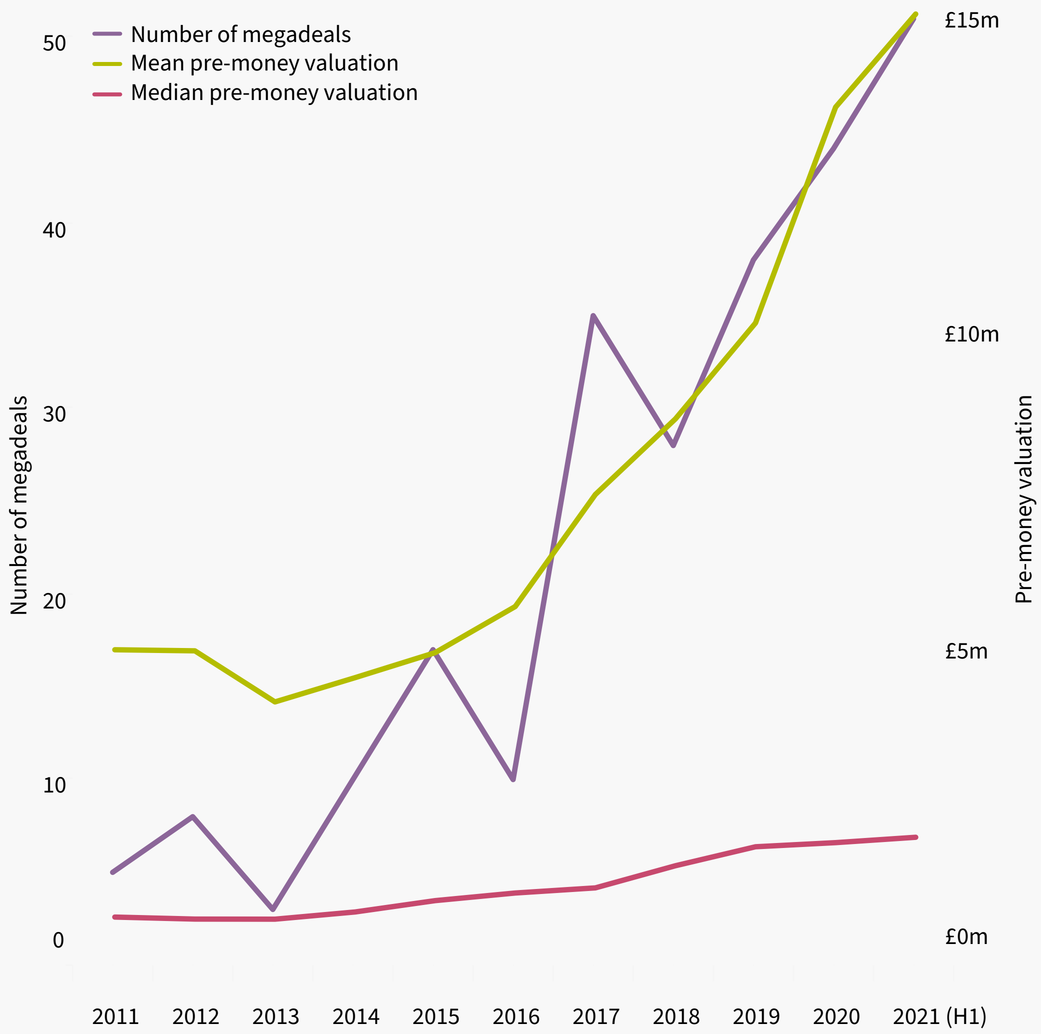
Improbable	**May 2017**
Amount raised	£389m
Company activity	Simulation software
Investor(s)	Andreessen Horowitz, Softbank Vision Fund, Temasek

Impact on valuations

As the frequency of megadeals has increased, so has the mean valuation of companies based on new share issuance transactions. This is to be expected; as more very large deals take place, the mean of all transactions will shift upwards. The relatively small increase in the median reflects the fact that the mean is being lifted by a small number of very large deals.

However, as megadeals become more normalised and investors raise increasingly large funds, both mean and medium valuations will likely shift upwards.

Mean and median valuations and number of megadeals (2011 – H1 2021)



£344m
mean pre-money valuation since 2011

£53m
median pre-money valuation since 2011

Top investors

Venture capital firm Accel tops the list of investors involved in UK megadeals over the last decade. The Paulo Alto-based heavyweight has backed several high-profile companies in deals of £50m or more including Deliveroo, Monzo, Lyst and Hopin.

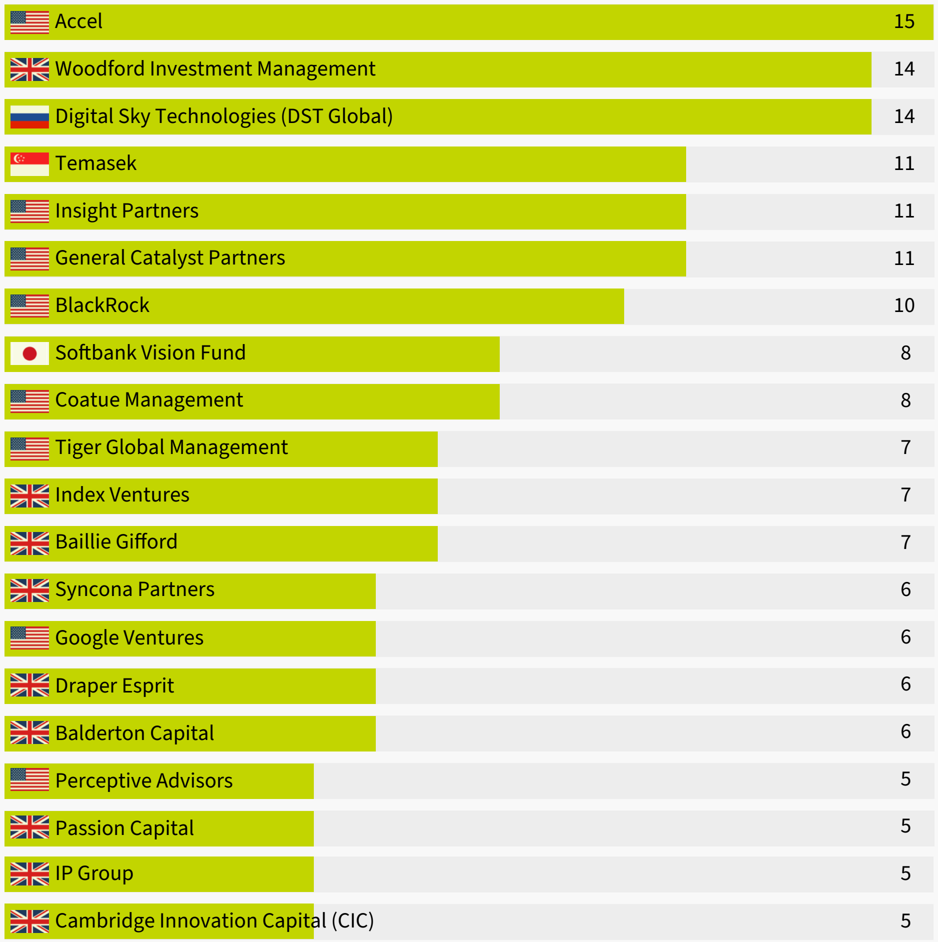
Accel is closely followed by Woodford Investment Management and DST Global with 14 deals each.

While the Financial Conduct Authority is still finalising its report into the failure of Woodford's Equity Income fund, the data shows the role the investor played in backing the UK's IP-backed growth companies.

Russian-based DST Global was set up in 2009 as an investment vehicle for Mail.ru Group. Now an independent entity, it has participated in megadeals with FarFetch, Funding Circle, and Bulb.

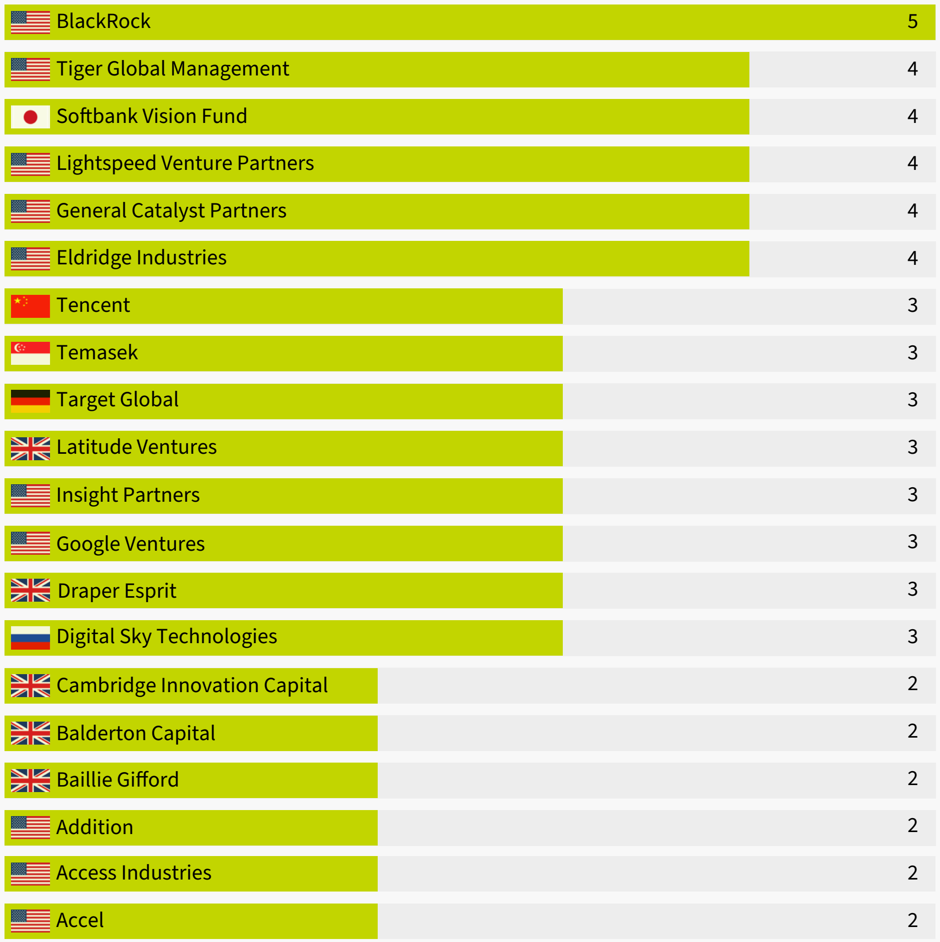
Turning to the first half of 2021, BlackRock makes a striking appearance at the top of the list with five megadeals. Over the 10 years prior, the US firm had only participated in five other UK megadeals. The first half of 2021 is an aggressive ramping up of investments into large private companies in the UK.

Top investors by number of megadeals participated in (2011 – H1 2021)



Investors have been counted based on the number deals they have particated in. This means that one deal may be counted several times depending on how many investors participated.

Top investors by number of megadeals participated in (H1 2021)



Chapter 2:
Where's the money going?

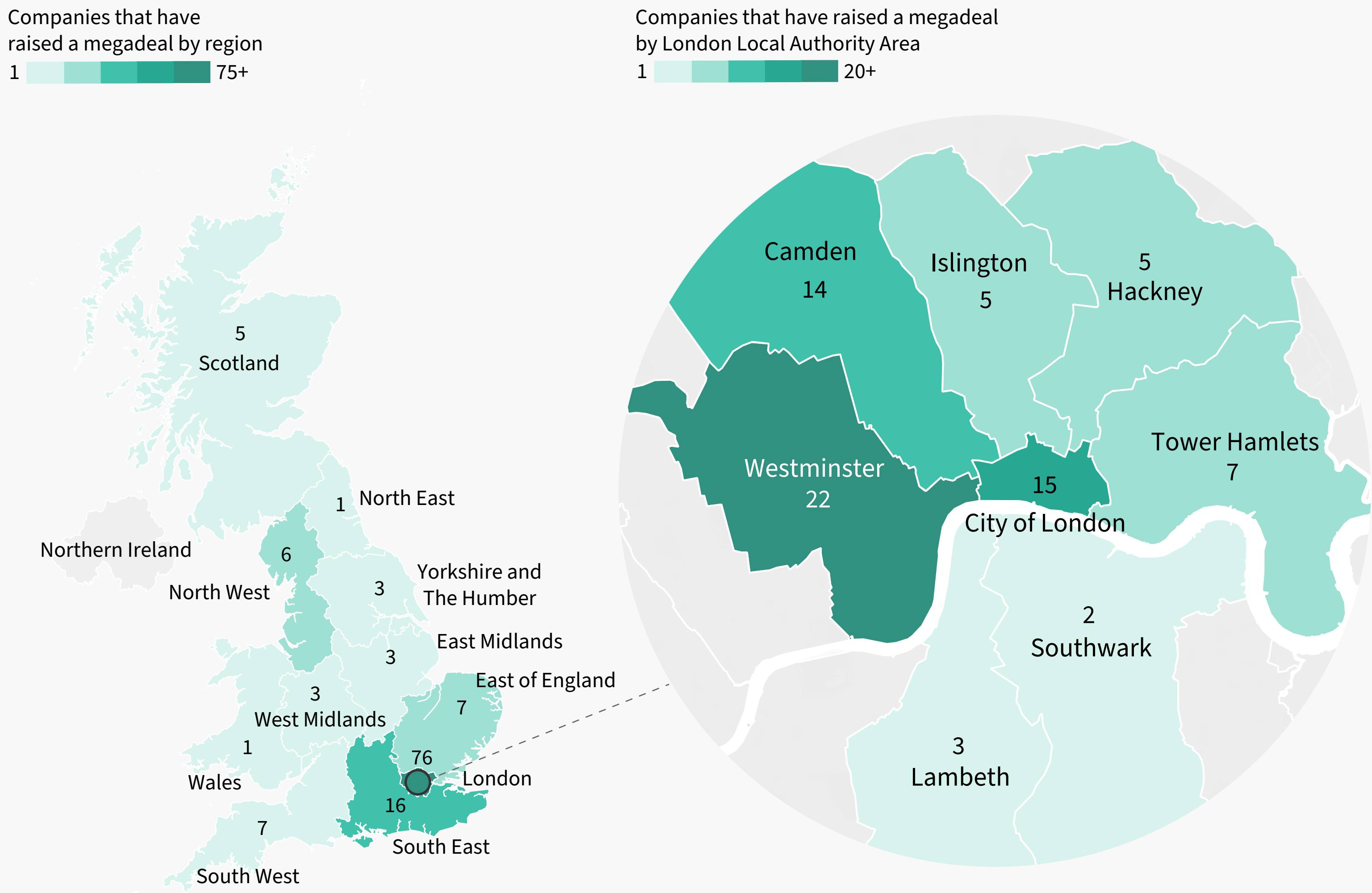
- Map of companies that have raised megadeals
- London vs the rest of UK
- Megadeal sectors

Map of companies that have raised megadeals

Unsurprisingly, London is home to the vast majority of active companies that have raised megadeals, currently hosting 76 companies that have raised £50m or more over the last 10 and half years. The access to finance, talent and customers in the capital makes it a natural location for the sort of growth company that has such extreme capital needs. The local authority of Westminster is home to 22 active companies, reflecting the significant overall population of high-growth and equity-backed companies in the borough. Westminster is followed by the City with 15 companies and Camden with 14.

Outside of London, the south of the country is still home to high numbers of active companies that have raised megadeals. Sixteen active companies based in the South East have raised megadeals since 2011, while the East of England hosts 7 companies.

Location of companies that have raised megadeals by region and local authority area (2011 – H1 2021)



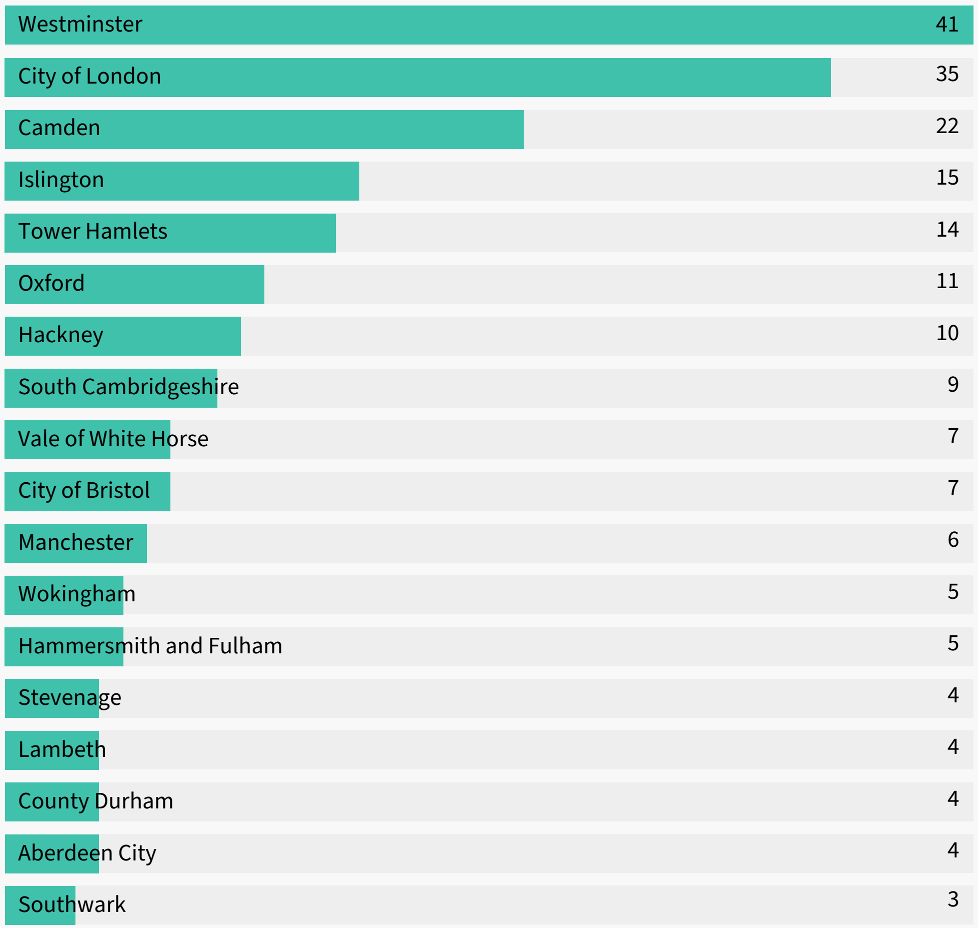
London vs the rest of the UK

While the previous page showed the number of active companies that had completed megadeals by location, this analysis shows the historical number of deals that have occurred based on local authority areas. It also contrasts deals by London-based companies with those in the rest of the UK.

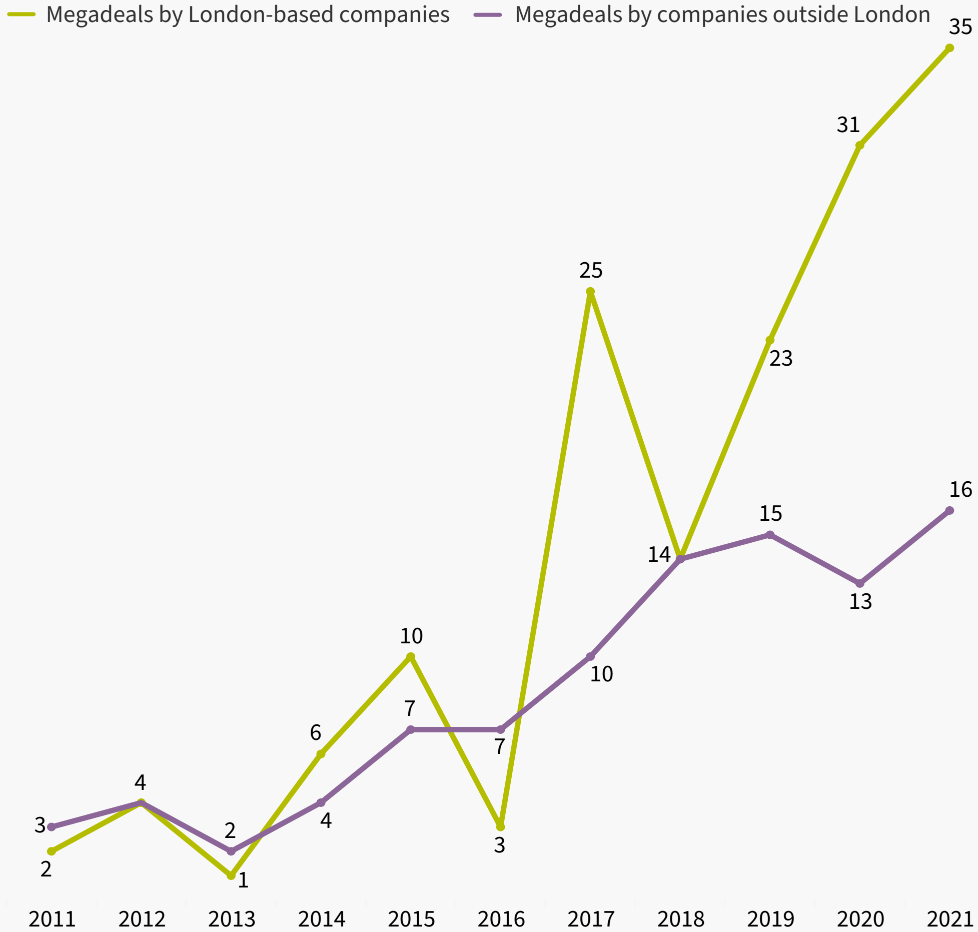
The London boroughs of Westminster, City of London, and Camden are dominant in terms of the number of historic deals. Outside of London, local authorities with significant university spinout activity such as Oxford, Vale of White Horse, South Cambridgeshire and Bristol have recorded relatively high numbers of megadeals. This reflects the capital-intensive nature of many spinout industries, in particular the life sciences.

The comparison of London to the rest of the UK shows that while the majority of megadeals activity is centred around London, the number of megadeals outside the capital is more predictable on an annual basis. It appears that megadeal activity within the capital is increasing at a far greater rate than it is across the rest of the country.

Top local authorities by number of megadeals (2011 – H1 2021)



Megadeals by location: London vs rest of the UK (2011 – H1 2021)



Megadeal sectors

Financial technology, software and life sciences dominate the ranking of the company sectors by the number of megadeals. Companies operating in consumer banking and financial services account for 45 megadeals over the last 10 and a half years. This category includes many consumer-orientated fintechs such as Monzo, Revolut, Starling and Wise.

Given that companies can operate in multiple sectors, the second most populous category—business banking and financial services—has some overlap with the first. However, it is largely composed of financial technology companies with a more business-to-business offering such as Redcloud Technologies, Checkout.com, ClearBank and the now collapsed Greensill.

The financial inflection of the top two sectors by the number of deals speaks to the UK’s strength in fintech over the last 10 years. It also indicates the relative maturity of the ecosystem; these companies are now of the size where they have significant capital requirements to support growth.

Top sectors by number of megadeals (2011 – H1 2021)

Consumer banking and financial services	45
Business banking and financial services	44
Mobile apps	43
Software-as-a-service (SaaS)	37
Internet platform	35
Pharmaceuticals	27
Payment processing	26
Research tools/reagents	19
Analytics, insight, tools	19
Security services (physical and virtual)	12
E-commerce	12
Fixed-line	9
Restaurants and cafes	8
Insurance services	8
B2C websites	8
Takeaways	7
Mobile	6
Medical instrumentation	6
Internet and networking hardware	6
Clean energy generation	6

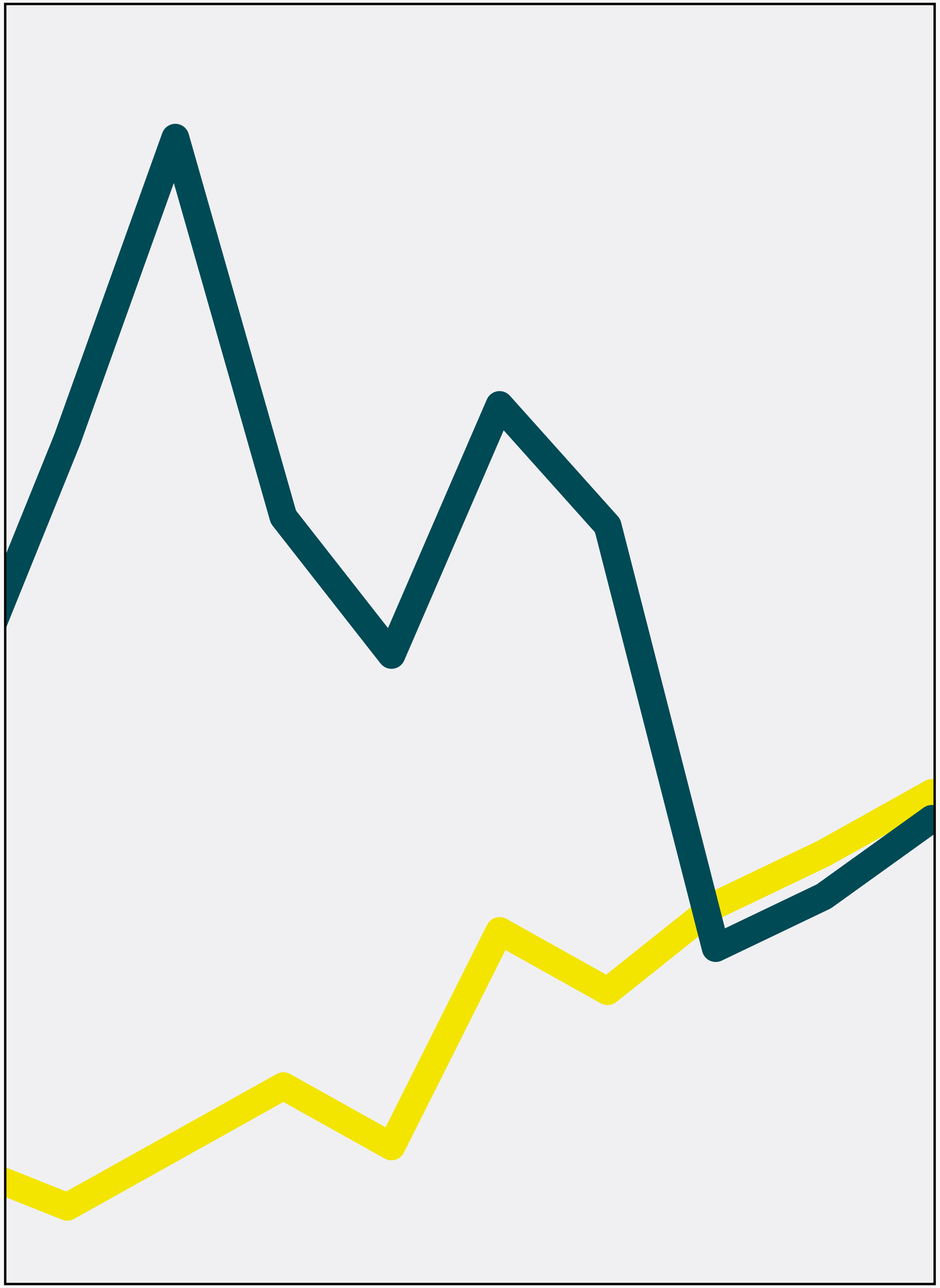
Top megadeals (H1 2021)

Mobile apps	13
Consumer banking and financial services	13
Payment processing	12
Software-as-a-service (SaaS)	12
Internet platform	9
Business banking and financial services	9
Pharmaceuticals	7
Analytics, insight, tools	4
Security services (physical and virtual)	3
Research tools/reagents	3
Server software	2
Insurance services	2
Fixed-line	2
E-commerce	2

Companies can be assigned more than one sector. As a result, companies may be counted multiple times in these sector rankings.

Chapter 3: Where's the money coming from?

- What countries' investors are backing these deals?
- Investor types
- The impact of megadeals on public markets

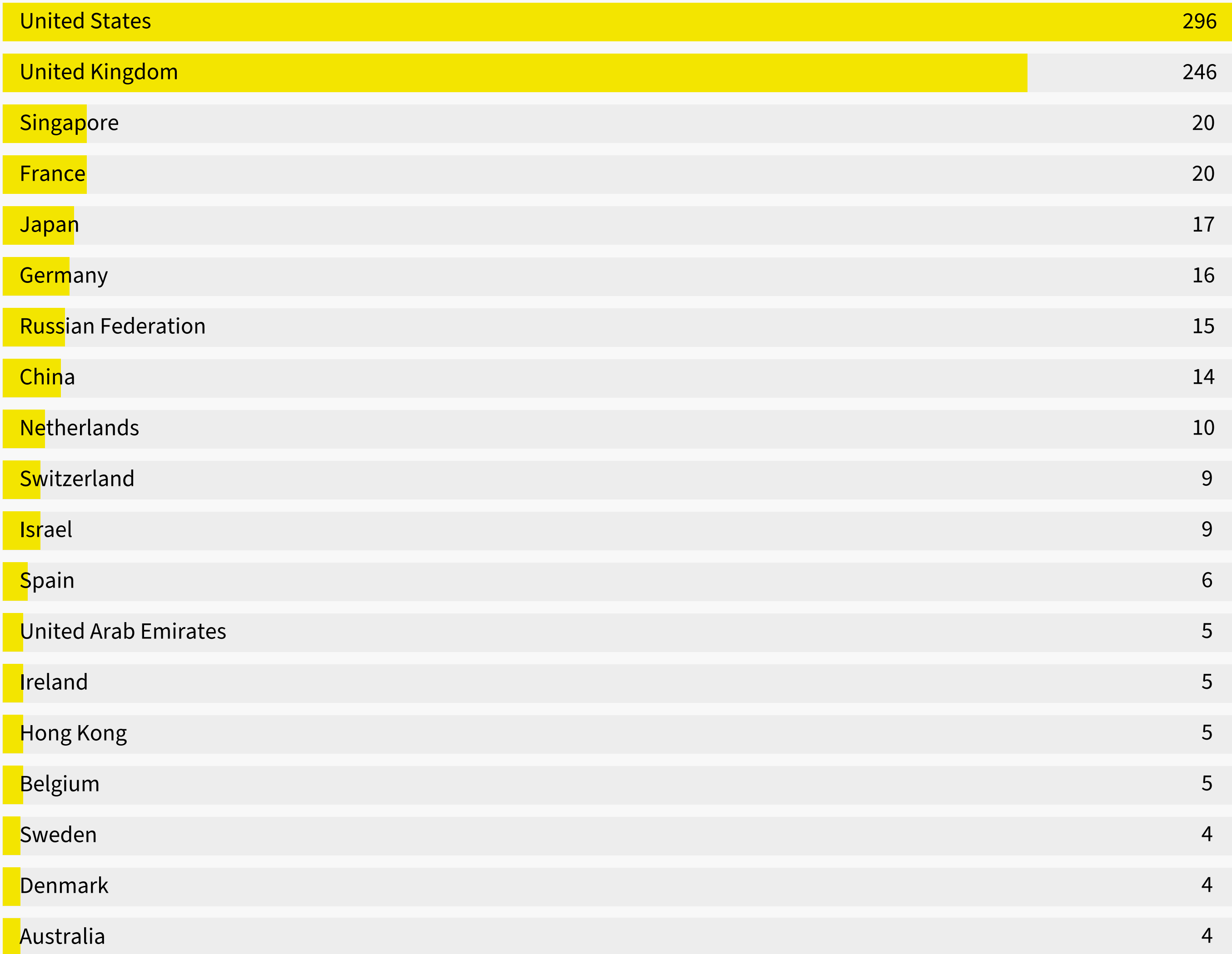


Investors by headquarter location

Investors from the US and UK are overwhelmingly the dominant participants in megadeals over the last 10 and a half years. The high number of participations by US investors speaks to the country's mature venture capital scene and the willingness of US investors to cut larger cheques compared to other international investors. The UK's largest private growth companies are increasingly reliant on US investment to grow.

Naturally, domestically focused UK investors make up a significant proportion of the participations. What is surprising is the lack of a clear third participant in UK megadeals. Singaporean and French investors have each participated in 20 deals over the last decade and a half, trailed by Japan with 17 participations and Germany with 16. In aggregate, European investors play a significant role in backing UK megadeals, though this still pales in comparison to the importance of the US.

Investor headquarters by number of megadeal participations (2011 – H1 2021)



Investors by type

Private equity and venture capital investors abound in the ranking of investor types by participations since 2011. This is to be expected; while the companies raising megadeals are larger than other equity-backed peers, they are still a risky proposition. Of the 128 active companies that have raised megadeals since 2011, only 24 disclose an operating profit in their latest accounts. The high participation from private equity and venture capital investors makes sense given the uncertain future of many of these companies.

Another contributing factor is that by the time companies reach the size and stage where they can raise megadeals, they are usually backed by a large number of venture capital investors who have the right to participate in these later, larger rounds.

Top investor types by number of megadeals participations (2011 – H1 2021)

Private Equity and Venture Capital	213
Corporate	27
Asset Management	19
Commercialisation Company	18
Business Angel(s)	14
Private Investment Vehicle	7
Bank	6
Family Office	3
University	2
Sovereign Wealth Fund	2
Charity/Not-for-profit company	2
Central Government	2

> *“VC participation in UK deals of such value size, is a function of the growing maturity and therefore conviction investors have in the European start up scene that is now producing more sustainable long term investment opportunities than ever before.”*
>
> **STEPHEN NUNDY, PARTNER AND CHIEF TECHNOLOGY OFFICER AT LAKESTAR**

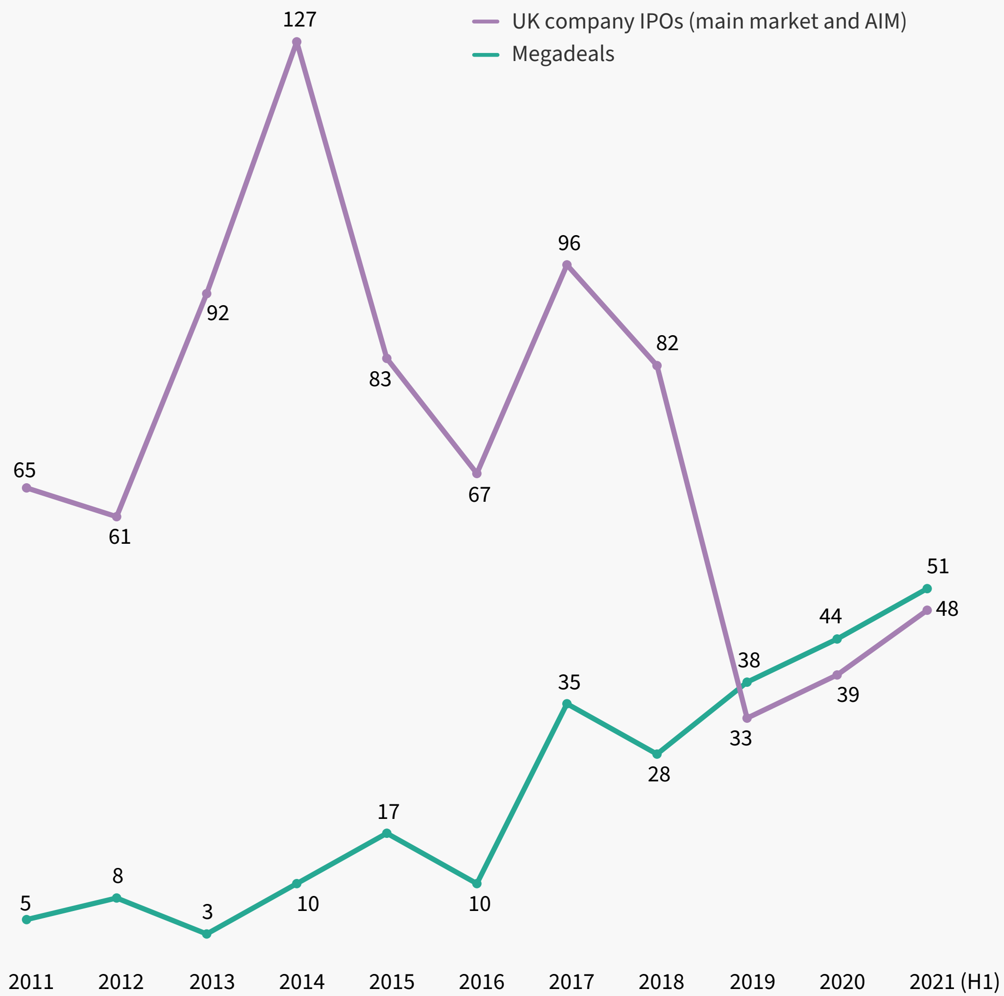
The impact of megadeals on public markets

As this chart shows, the number of AIM and main market IPOs by UK companies has been volatile over the past 10 years. By comparison, the increasing number of megadeals conducted each year is relatively smooth. It is plausible that the low number of IPOs in recent years is linked to the increasing availability of large sums of private capital that allow companies to fund growth without accessing public markets.

The desire of founders to maintain control over companies is another factor that plays into the trend. As discussed on page 5, changes to how dual-class share structures are treated by the London Stock Exchange may make public listings more attractive to founders.

While access to large sums of private capital may be one factor that keeps companies private longer, going public has benefits other than raising money. Despite being able to raise money privately, some companies still choose to go public to grow their profile and attract new customers, as well as to provide greater liquidity to employees that own shares.

Megadeals vs IPOs, AIM and main market (2011 – H1 2021)



51

megadeals in H1 2021

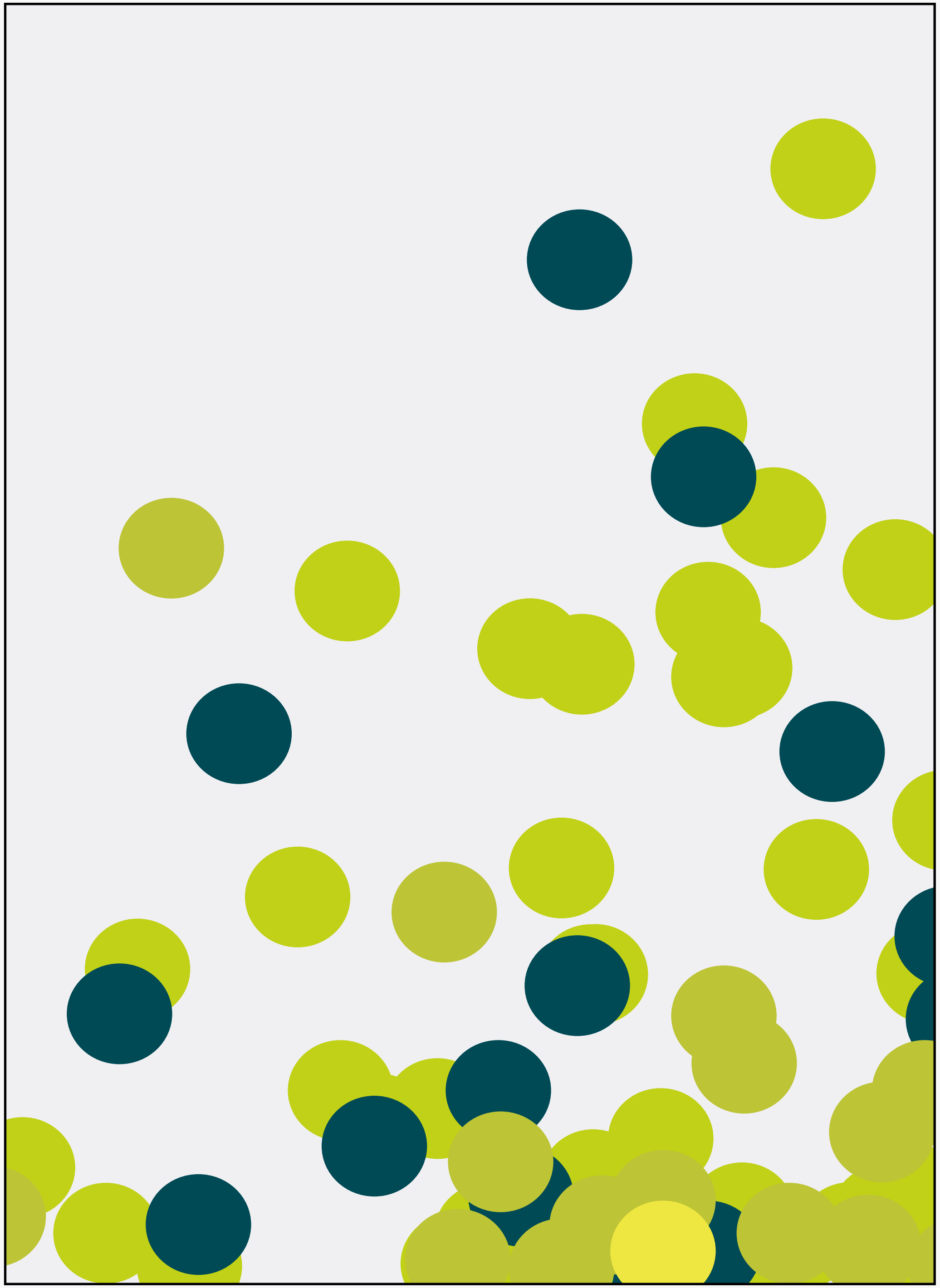
48

UK company IPOs in H1 2021

Data source: London Stock Exchange
[Main Market factsheet June 2021]

Chapter 4:
Outlook for the Future

- 2021 and beyond
- Companies likely to raise megadeals in 2021 and 2022
- Expert take by Shoosmiths



2021 and beyond

Over the past 10 years, the number of financing options available for high-growth companies has been increasing. The proliferation of venture capital firms and other investors undertaking equity investments in the UK means that companies can access private capital from a far greater range of sources than ever before. As this report shows, the majority of more established, high-growth firms are opting for private capital. The high number of megadeals in the first half of 2021 shows that investors are willing to invest and companies are happy with the terms. On this basis, it seems likely that the second half of 2021 will be as prolific, if not more prolific, in terms of the number of megadeals completed. Confidence is likely to be buoyed by the opening up of the UK economy and investors will be seeking opportunities to take advantage of the “new normal”.

So while private market activity looks set to continue apace, what of public markets? The data shows that there has been a rise in public market interest over the last couple of years. This may be driven by the increasing use of public markets by technology and high-growth companies in the US. The rise of retail investing during the pandemic and the unprecedented economic stimulus has created an environment where public markets can offer very attractive valuations to entrepreneurs and their backers. The frenzy of activity by special purpose acquisition companies (SPACs) is also feeding into this trend, providing a middle ground between a private transaction and an IPO.

> *“In the future, we can expect there to be an even more dynamic interplay between public and private markets.”*

Policymakers in the UK have been seeking changes to make the UK’s public markets more attractive for high-growth companies to list on, particularly in the face of strong competition from the NASDAQ in the US. The UK Listing Review by Lord Hill, published in 2020, and the Khalifa Review of Fintech, published earlier this year, both called for reforms to the UK’s public markets. Among the suggested reforms is the introduction of dual-share class structures that would enable entrepreneurs and early-shareholders to retain more control over a company even once it is public. While somewhat controversial, this approach to control is already possible when companies choose to forego the premium segment of the London Stock Exchange. Reforms to this approach may increase the attractiveness of public markets for the UK’s largest growth businesses and further accelerate the rise in public market activity.

Given the state of both public and private capital markets, it seems that entrepreneurs in the UK will continue to have more and better options for raising finance. One approach is not necessarily better than another. Yes, we will have more megadeals, particularly with the pension regulators announcement of plans to drop the 20% cap on investment in unquoted assets. This will unlock billions of pounds of investible capital which can flow into UK private companies. But public markets are increasingly part of the picture, particularly for companies with an agenda that extends beyond just raising money. In the future, we can expect there to be an even more dynamic interplay between public and private markets.

Companies likely to raise megadeals in 2021 and 2022

The six companies on this page are those likely to raise a megadeal for the first time in H2 of 2021 or throughout 2022. They have been selected based on the amount invested and pre-money valuation from their most recent deal, as well as the time elapsed since their last round of funding.

The data shows that the majority of companies that raise a megadeal are growth or established companies that have raised at least £30m and had a fundraising that valued the company at £60m or more pre-money in a nine to 18 month period prior to the megadeal.

Gousto — London

Company activity Meal kit subscription service
Last deal November 2020
Total investment £161m

Since 2018, Gousto has completed five fundraisings worth £135m, the latest being a £25m round in November last year. With a headcount of over 600 and pandemic-driven sales, Gousto may be looking to raise a large round soon.

Ogury — London

Company activity Ad targeting platform
Last deal December 2019
Total investment £69m

This adtech firm raised £38m in December 2019 to support US expansion plans. The rise in content consumption during the pandemic is likely to have boosted demand for its platform. Ogury now has over 400 employees.

Featurespace — East of England

Company activity Fraud detection software provider
Last deal May 2020
Total investment £84m

Featurespace's behavioural analytics software is helping to tackle the increase in fraud that has occurred during the pandemic. Having raised investment every 12 months on average since 2016, Featurespace is likely to raise this year.

Build A Rocket Boy — Scotland

Company activity Game developer
Last deal November 2020
Total investment £50m

Founded by Leslie Benzies, lead developer on the *Grand Theft Auto* series, this Edinburgh-based games firm is working on a new title called *Everywhere*. It has assembled a team of industry veterans with headcount now over 150.

Oxford Photovoltaics — South East

Company activity Next-generation solar cell developer
Last deal July 2019
Total investment £108m

This spinout from the University of Oxford is developing perovskite cells to extract more energy from the sun. It raised £65m in two rounds in 2019 to support manufacturing plans and may require further investment as it scales.

Bit Bio — East of England

Company activity Stem cell technology developer
Last deal June 2020
Total investment £36m

This University of Cambridge spinout is creating technology to consistently produce batches of human cells for use in drug discovery and research. It raised £33m in June 2020 to support new hires and develop its operations.

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The increase in megadeals and public market activity shows that large growth companies have more options than ever before for raising finance and achieving liquidity. This is positive news for founders and business leaders, though as always, with more choice comes more complexity. Those in charge of these transactions should carefully consider how the consequences of different approaches align with the company's long-term strategy; some options will always be a better fit.

The recent direct listing of Wise (formerly Transferwise) is an example of a well-considered approach. The listing has been a boon to the UK's public markets and the fintech sector, validating direct listings for tech companies in the UK. Wise's profitability and high public profile meant that it could attract investor attention without the dog and pony show that accompanies IPOs. By opting for a direct listing, the company did not raise money—only provided liquidity for employees, investors and other shareholders. The listing also served to further increase the company's profile in the UK and internationally.

But for a company with a different profile at the outset and in a different financial position, turning to public markets for finance or liquidity might not be so successful. Consider the instructive example offered by Deliveroo's IPO. While the delivery group is well known—its turquoise clad riders are a ubiquitous feature on streets around the world—its March IPO is considered one of the worst the capital has seen. The company lost almost £2b from its opening market cap on the first day of trading. Given its record of loss-making—every year since it started—it was a fundamentally different proposition to investors. The number of other online delivery platforms creates an immensely competitive environment and rival platforms such as Uber have also been subsidised by venture capitalists since inception. Unfortunately for Deliveroo and its investors, these factors and others meant that the transaction was less than successful.

While the regulatory and media scrutiny associated with direct listings and IPOs may persuade many to opt for large private deals—as the data in this report shows—there are options here as well. Some may fit better than others. The data shows that US investors have had significant involvement in UK megadeals over the last decade. While deep-pocketed US investors can provide capital, expertise and connections, they may also have different expectations for growth and exit plans. Founders and leaders should consider how aligned international partners are with long-term plans, and any expectations around exits.

There are several new challenges for UK companies looking to gain investment from international investors or to exit to international buyers. The UK's new National Security and Investment Bill (NSIB) gives the Department of Business, Energy and Industrial Strategy (BEIS) the power to review and restrict equity transactions involving foreign investors or acquirers. From 2022, companies will need to notify BEIS of transactions where over 25% of the shares or voting rights are being bought if the company in question is active in any of 17 protected sectors. These include areas considered of importance to national security such as advanced robotics, defence, and energy.

Another new factor to consider when looking to international acquirers in the future is how transactions may be perceived by the Competition and Markets Authority's new Digital Markets Unit (DMU). The DMU, which launched in April, is tasked with ensuring UK firms can compete effectively with tech giants such as Facebook and Google and giving consumers more control over how their data is used. While the Government is still consulting on what the DMU's powers should be, the unit will likely have responsibility for mergers and acquisitions involving digital market participants. Business leaders in the space should tread carefully with the Competition and Markets Authority taking an increasingly active role in M&A activity in the space.

So while the increase in options for raising finance and gaining liquidity is great news for founders and business leaders, the increased complexity of the market and the long-term strategic concerns merit an informed approach. With megadeals and mega IPOs, not only is there more money, there is also more risk.

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

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