



Growing Great British Businesses

BVCA Investment Activity
Report 2021

July 2022



About this report

This report has been produced by the British Private Equity and Venture Capital Association (“BVCA”) to demonstrate the activities of our members in 2021. The statistics in this report are largely drawn from the BVCA’s Investment Activity Study, a detailed and comprehensive survey of our members’ activity in the year, covering fundraising, business investments and business exits.

With a significant presence in the UK, developed over the past 30 years, private equity and venture capital provide companies with the finance and know-how to deliver sustainable business growth. Active ownership, over the medium to long term, delivers economic and social value to those involved in the businesses (from employees, management and owners on the one hand, to customers and suppliers on the other) and a wide group of stakeholders (from local communities and local and regional economies, to national policy makers focused on issues such as climate change, diversity and inclusion and social justice).

Both private equity and venture capital are focused on delivering sustainable growth for the companies in which they invest: venture capital firms typically support early stage and younger companies, holding minority stakes in the businesses, while private equity firms typically acquire controlling stakes in more established businesses.

In this report we look at the story of 2021: how the BVCA’s members invested in businesses of all shapes and sizes, across all parts of the economy and across all the nations & regions of the UK.

A companion publication “[Report on Investment Activity 2021: Statistics from our annual member survey](#)” provides the full aggregated survey results and an excel extract of the aggregated results can also be downloaded from our website [here](#).



‘Growing Great British Businesses’ tells the story of private capital in 2021. It demonstrates how the industry is investing in the businesses of today and the businesses of the future, playing its part in addressing the climate crisis, making people’s lives better and making a significant contribution to the UK economy.

‘Robust, accurate and transparent data is of the utmost importance and underpins our narrative throughout this report. Gathered from over 200 BVCA members, this represents the largest primary research survey of its kind in the UK. I want to thank all firms who provided us with data and enabled us to tell the full story of 2021.’



Charlie Troup, BVCA Chair 2022/2023,
Managing Partner, Duke Street Capital

The WCCTV logo, featuring the text "wcctv" in red and "WIRELESS CCTV" in black below it, is positioned on the left. To the right is a photograph of a street camera mounted on a pole, with a green sign above it that reads "FROM OCTOBER THROUGH JANUARY".

Rochdale Technology

LDC

Headquartered in Rochdale, with offices in Edinburgh, Luton, Newport and Texas, **WCCTV** is the UK’s leading provider of wireless site security solutions and body worn cameras, all transmitting live and recorded images over 4 and 5G networks, satellite, Wi-Fi and broadband. LDC invested in WCCTV in March 2021, to help the business continue to expand internationally and develop new products and services. This includes a revolutionary new SOS system – found across Nottingham to support their Safer Streets initiative which allows a person to instantly connect with their local police control room. The police can remotely access the cameras, issue audio warnings, and speak directly to those in distress while gathering video evidence.



UK Private Capital at a glance

Employment

2 million

people were employed by companies backed by private capital right across the UK in 2021, representing 6% of all UK jobs

Footprint

1,320

companies in the UK received investment from private capital in 2021 out of a total footprint of over 5000 businesses

Invested in the UK

£17.3bn

was invested in UK companies in 2021 by BVCA members - an increase of 82% from 2020

Market share

50%

of the amount invested globally by BVCA members in 2021 went to UK headquartered businesses

UK Economic contribution

£208bn

contributed to GDP by businesses backed by private capital in 2021, 5% of total UK GDP in 2021

Focus on SMEs

9 in 10

UK businesses receiving private capital investment in 2021 were small and medium sized businesses

Fundraising

£16.7bn

Total amount raised in 2021 by BVCA members; the number of funds raising new capital was 119

Global hub



The UK hosts the world's second most significant private equity and venture capital hub, after the US, supporting thousands of jobs in UK business services



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Foreword

Last year feels like a lifetime ago. So much has happened since the beginning of 2022, with the devastating war in Ukraine and the cost of living crisis due to broader inflationary pressures front of mind. Things, at present, seem highly uncertain. And navigating a path to sustainable economic growth is a key priority.

We believe that private equity and venture capital will play a strong part in addressing that particular need. In this report we detail the story of private capital investment in 2021. **And what is clear from our findings is the industry's readiness to support British businesses – enabling them to innovate, grow, and create jobs right across the UK.**

After a record year of fundraising at the height of the pandemic, BVCA members put £17.3bn (an 80% rise on 2020) to work across our nations and regions. **Of the 1,320 companies supported, more than two thirds were outside London and 90% of all investment was into SMEs.** These statistics alone detail how important the private capital industry is to

founders, entrepreneurs and those with established businesses wanting to take them to the next level of growth.

These companies are helping solve some of the most pressing challenges facing society today. Featured in this report, among many others, are OLIO, which has reimaged how we tackle food waste, Elvie, which helps new mothers return to work with their revolutionary breast pumps, and ProAxis, which has developed diagnostic tests for lung conditions using green manufacturing techniques. In each case, private capital is crucial to their success.

More broadly, as a separate report from EY highlighted this year, the entire private equity and venture capital industry directly supported 2 million jobs in 2021 and a further 2 million once you include supply chains and related consumer spending. It is a valuable and mainstream part of the economy and an industry which, as in previous economic downturns, is maintaining active investment in the companies it supports and is spending more time with them to address operational and financial considerations¹.

2022 will continue to be challenging, no doubt. We are working with government and other stakeholders to ensure the industry has the support it needs to invest further through unlocking new sources of UK capital, continuing to promote the innovation agenda, and accessing the talent it needs to ensure success for the UK. **This combination will ensure the industry flourishes, and continues to grow great British businesses.**



Michael Moore
Director General, BVCA

¹Bernstein, Lerner, Mezzanotti, "Private Equity and Financial Fragility during the Crisis," NBER Working Paper Series, January 2018



Invested in the UK

Following record breaking sums of capital raised in 2020, 2021 was the year this money was put to work – investing in businesses in the UK and beyond.

In 2021, BVCA members invested a total of £34.8bn (2020: £25.1bn) - a year-on-year increase of 38% - in over 1,850 businesses across the world.

The UK was by far the largest market for investment, with half of the total amount invested in 2021 going to UK companies. Over 1,300 UK businesses received investment, which enabled them to invest in products and people, fund expansion and help tackle the big challenges facing the UK today.



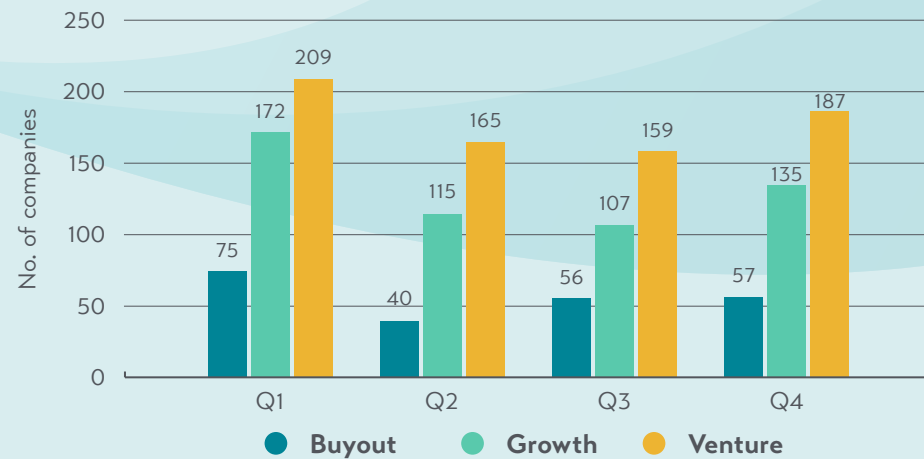
- Wellington, Somerset
- Technology
- Synova

MK Test Systems, based in Wellington, Somerset, provides automatic test systems used in the aerospace, defence, rail, eVehicle and power sectors. Established in 1992, the business has built a reputation for market leading innovation and sells to some of the largest global manufacturers across 30 different countries. Synova has supported the business since 2014, having identified its unique position in the market and great potential for further growth and innovation. Their investment has helped the business expand into new markets, invest in staff and new product development, and continue to build MK Test Systems as a world leader.

Year on year comparison of investment amounts



Quarterly number of UK companies backed by investment stage



Invested Nationwide

Private capital continues to support businesses – overwhelmingly SMEs – in every nation and region of the UK.

Almost two thirds of businesses receiving investment and nearly two thirds in every pound invested in 2021 was outside of London.

Correla, in Solihull, is just one example of the 9 in 10 businesses supported by private capital that are SMEs. Looking across all the wider private equity and venture capital businesses in the UK, these collectively contributed over £200bn¹ to UK GDP in 2021, making a key contribution to the UK economy.

¹Direct and indirect economic contribution. Direct contribution is the firm itself, incorrect contribution includes GDP generated by the supply chain and consumer spending impacts. See 'Measuring the contribution of private equity and venture capital to the UK economy in 2021', EY, April 2022.



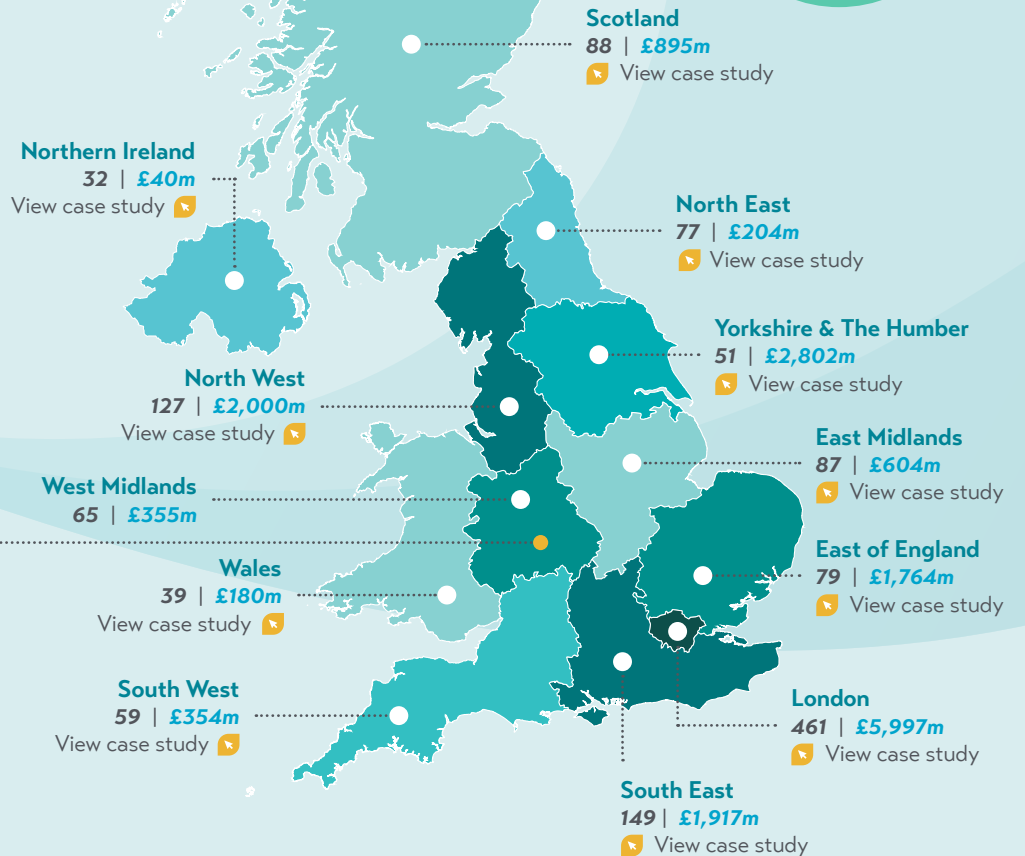
- Solihull
- Technology
- NorthEdge

Solihull's **Correla** provides software and services to the energy sector. It is focussed on creating a more sustainable sector, alongside simplifying many of the industry's mission-critical processes. Its software includes the Data Discovery Platform, a real-time, visual and interactive analytics dashboard, and the uMesh platform, which supports accelerated adoption of smart meters, electric vehicle charge points and heat pumps – enabling the UK to decarbonise as quickly and simply as possible. NorthEdge supported Correla in March 2021, helping it continue to fuel innovation across the energy sector, develop its already-existing products further, and ready itself to support emerging sectors such as UK Hydrogen.

Number of companies backed and amount invested by region

- No. of companies
- Amount invested

£17.3bn
invested across
the UK



Invested in new and established businesses

Our members invest in businesses of all shapes and sizes, from start ups looking for their VC first funding round, or mature businesses needing growth capital to expand operations, to established companies receiving investment from the largest buyout house.

UK investment has stepped up at all stages of the business life cycle with growth capital showing the largest year on year increase of 75%.

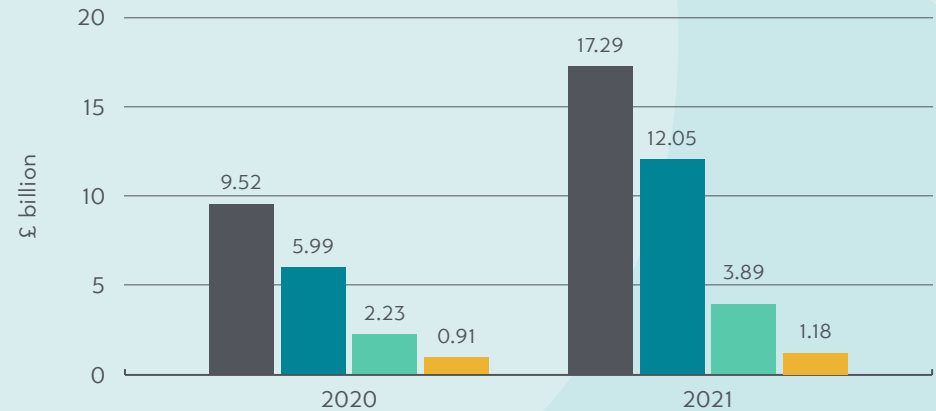
Hive HR, backed by Maven Capital Partners, is a prime example of how growth capital can help established businesses expand and fulfil their potential.



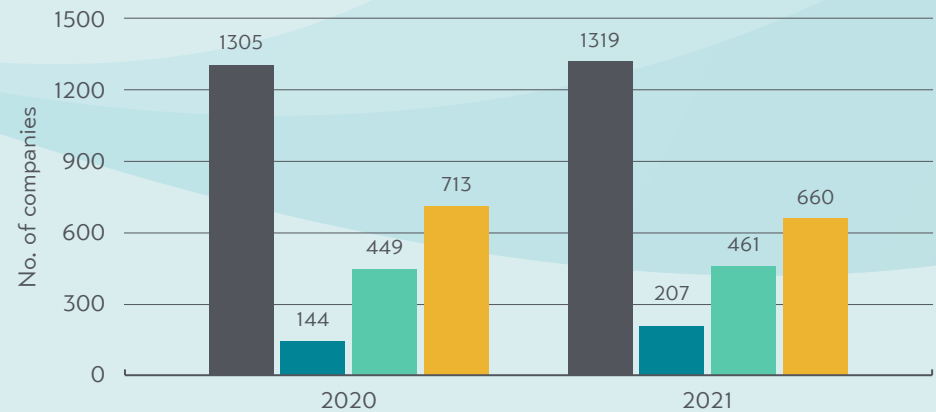
- Newcastle
- Technology
- Maven Capital Partners

Hive HR, based in Newcastle, is an innovative employee engagement platform, designed to support an organisations' HR function and improve communication with colleagues. The platform collects and analyses employee feedback – in real time and on a continuous basis – through surveys, digital suggestion boxes and “Hive Fives” (where employees can recognise each other for outstanding work or supporting each other), providing a firm with the data to assist in decision making. Regional investor, Maven Capital Partners, have supported Hive since 2019 and made a substantial reinvestment in 2021. This has helped the company increase headcount, improve and develop its products, and work with clients such as Travelodge and Sheffield Hallam University.

Amount invested by stage



Number of UK businesses backed by stage



Note: A business may grow during the year and require additional capital such, that it receives investment at more than one stage of development. As a result, the total number of companies by type is slightly larger than total number of companies in aggregate.



Invested in UK jobs

A study¹ undertaken by EY for the BVCA showed that nearly **2 million jobs in the UK** were in businesses backed by private capital. These jobs can be found in all parts of the UK, with 9% of jobs in North West England, 7% of jobs in Scotland and 6% of jobs in Yorkshire and the Humber.

Two of the largest PE backed employers in the UK are the supermarket chains Asda and Morrisons, backed by TDR and CD&R respectively. Although buyouts of household names can be controversial in some parts of the media, these two investments support over 250,000 jobs in all parts of the UK.


The rescue of McColl's by CD&R backed Morrisons is further evidence of the power of private capital to support employment – in the words of Retail Week's editor Luke Tugby, this "finally brought some much-needed certainty for McColl's 16,000 employees and the 2,000 members of its two pensions schemes."

McColl's

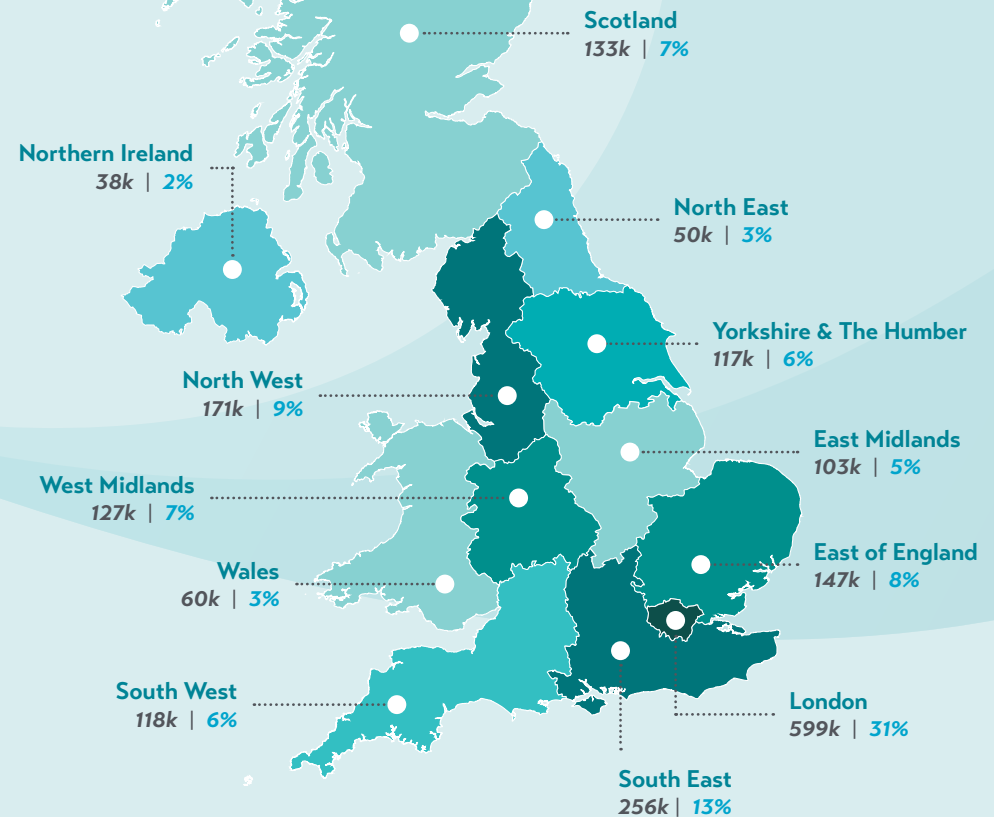
-  Brentwood
-  Retail
-  Morrisons / CD&R

Headquartered in Brentwood, **McColl's** was founded 50 years ago and runs over 1,000 convenience stores and newsagents across the UK. The business was hit hard by COVID and struggled even after restrictions were lifted, entering voluntary administration in May 2022. This put 16,000 jobs and its pension schemes at risk. However, Morrisons, and its private equity owners, CD&R, stepped in almost immediately and bought the business. The deal guaranteed security for all of McColl's stores, its entire workforce and backed both of its pension schemes, as well as agreeing to pay back its creditors and clear debts of £170m.

Supporting the recovery across the country

-  Thousands of jobs
-  Proportion of UK jobs

2m
UK jobs in private capital backed businesses



¹ See 'Measuring the contribution of private equity and venture capital to the UK economy in 2021', EY, April 2022.



Invested in a better environment

The role of any business is to solve customers' problems and provide them with a product or service they need. And what is more, companies are increasingly doing this in ways that help combat climate change and work to make the world a better place. Our members back businesses which are focused on planet as well as profit, as shown by the great examples below.



- 📍 Northampton
- ⚙️ Energy
- £ 3i Infrastructure

Infinis, based in Northampton, is the UK's leading generator of low carbon power from captured methane. Across its 150 nationwide sites, it captures the greenhouse gas from landfill and uses it to generate low carbon electricity - preventing the release of more than 6 million tonnes of carbon dioxide equivalent (CO₂e) escaping into the atmosphere, or the emissions from over 600,000 UK homes. Infrastructure investor, 3i Infrastructure, saw great potential for Infinis to increase its low carbon energy generation and use its sites to also produce solar power. With 3i Infrastructure's investment and support, Infinis currently has one operational Solar Park in Rugby, Warwickshire - producing enough energy to power 1,700 local homes. They have planning permission to open a further Solar Park in Offham, which will take its solar developments to over 120MW. And the company has over 100MW of further developments currently at the planning stage.



- 📍 Huntingdon
- ♻️ Waste Recycling
- £ Turquoise, Low Carbon Innovation Fund

bio-bean is the world's largest recycler of coffee grounds, turning them into a range of efficient, sustainable products for both consumer and industrial markets. Traditionally, hundreds of thousand of tonnes of spent coffee grounds have ended up in landfill, but bio-bean's technology looks to counter this - creating flavours and fragrances, cosmetics, dyes, pigments, efficient biofuels - like their coffee logs for domestic wood burners and multi-fuel stoves - and bioplastics from what would have previously been waste. The company is supported by the Low Carbon Innovation Fund, managed by Turquoise - a merchant bank that specialises in energy, environment and efficiency - which is helping see it through to profitability.



- 📍 Belfast
- ⚙️ Pharmaceuticals
- £ EMV Capital Partners

ProAxis Ltd, a subsidiary of NetScientific PLC, based in Belfast, is a diagnostics company that develops tests for certain types of lung infection and inflammation in chronic respiratory diseases like COPD, cystic fibrosis and bronchiectasis. Producing these tests can be environmentally damaging but ProAxis, with support from EMV Capital, uses entirely green chemistry principles to significantly decrease this. The principles reduce carbon emissions across all lab work, ensure any waste is appropriately treated before disposal and safeguard the planet against hazardous substances getting into either the air, or the water system. EMV's support has also seen ProAxis expand its client list to include companies like AstraZeneca and establish research partnerships with academic institutions, including University of Oxford and University of Dundee.



Invested in addressing the climate challenge

Planet-friendly products can take many forms and both businesses and consumers are increasingly keen to seek out companies which provide these. Private capital backs businesses which are innovating to address many of the challenges facing the world today. From smol, which creates eco-friendly cleaning products, to OLIO, which reduces food waste, to Propelair, which has created a highly-efficient and low-water toilet. These businesses, and many others, are playing their part in addressing the climate challenge.



smol

 Tonbridge  Consumer Goods

 Balderton Capital

Through its high performance, eco-friendly products, **smol** is changing the way people clean. From laundry detergent, to surface cleaners, to dishwasher tablets, smol's range is firmly focused on the planet, and delivered right to your door. They use fewer chemicals, low carbon manufacturing processes, and significantly less plastics right across their range. In fact, in 2020, the company designed the world's first 100% plastic-free packaging for laundry capsules and dishwasher tablets. As of 2021, smol was the UK's fastest-growing homecare brand. It was supported on its trajectory by Balderton Capital, who have invested in the company since its start and most recently again in 2021. The new funding will help smol to continue developing new products and expanding into other European markets.



OLIO

 London  Technology

 Accel Ventures

OLIO is an app that connects neighbours to each other, as well as local businesses, so surplus food can be shared and not thrown away. This could be food nearing its sell-by date in local stores, spare home-grown vegetables, bread from a local baker, or the groceries in the fridge when you go away. The business started life in 2015 when the co-founders decided they had to do something about the sheer volume of food wasted every day in the UK. With venture capital support, OLIO has grown from only being available for use in 5 postcodes in North London to being used in 62 countries around the world, with more than 6 million members and saving nearly 60 million portions of food so far.



propelair

 Basildon  Clean Technology

 Earth Capital

Basildon's **Propelair** is a cleantech company that enables businesses meet sustainability goals by replacing current toilets with its water-efficient toilet. Propelair's system uses an air-powered flush, using 80%+ less water, to remove waste. According to Propelair, this is the world's lowest water-flush that works well both as a retrofit on existing drains and off-grid – significantly reducing water wastage, lowering carbon emissions, saving money and providing a more hygienic bathroom environment. This is hugely beneficial, particularly in countries where the scarcity of clean drinking water presents a serious environmental emergency. Earth Capital invested in Propelair in 2017 and have helped the firm grow rapidly. It now has numerous high-profile clients across the UK, the Middle East and South Africa, including McDonald's, Moto Service Stations, Siemens and Nedbank.



Invested in improving healthcare

Better medical technologies, and subsequent improvements to patient health and wellbeing, is one of many ways private capital investment is helping to improve people's lives, as detailed in the examples below. Investments into healthcare and biotech companies continued apace in 2021, with UK investment in this sector reaching **£1.7bn¹**.



MOMENTUM
BIOSCIENCE

📍 Cardiff 🏭 Life Sciences
🇬🇧 Development Bank of Wales

Based in Cardiff, **Momentum Bioscience** research and develop diagnostic tests that will have a significant impact on the life chances of patients who are suspected of having sepsis. Supported by angel investment and venture capital funding, including multiple investments from the Development Bank of Wales since 2014, and the Future Fund, Momentum has developed an ultra-sensitive, two-hour test called SepsiSTAT® to detect the presence/absence of bacteria and fungi in blood. This financial support was particularly useful during the pandemic, when restrictions meant that a pilot study had to be extended. The funding gave the business sufficient breathing room to be able to continue the study, obtain results and get back on track.



Micrima

📍 Bristol 🏭 Healthcare
🇬🇧 AngelCoFund

Micrima, a Bristol University spin-out, was founded in 2006 to develop and commercialise a non-invasive breast imaging system using low frequency, nonionising radio-wave (RADAR) technology. Breast cancer is the most common cancer in women of all ages globally and early-stage detection has a significant, positive impact on survival rates. Micrima's hardware and software patents will enable breast screening to be undertaken earlier, more frequently, at lower costs and in more locations. The company has been supported by ACF Investors since 2012. Their support has helped it develop the hardware and software from prototype stage, through extensive hospital trials and is now in use with experts at five sites across the UK and Continental Europe.



nu<vision

📍 Nottingham 🏭 Healthcare
🇬🇧 Mercia Asset Management


NuVision Biotherapies is a biotech company that has revolutionised high-quality and affordable ways to treat 'front of the eye' disease and ocular surface wounds. This includes its Omnigen product, a wound dressing and grafting material, and OmniLenz, a 'bandage contact lens' that allows for the easy application of Omnigen in ambulances or outpatient settings. The business was a spin out of Nottingham University in 2015, following over 15 years of research, and has been supported by Mercia since its inception. This backing has helped NuVision to not only commercialise this research but also develop its products and explore how its technology could revolutionise wound care more generally.

¹2020: £1.7bn



Invested in innovation

Delivering innovative products, with technological or design improvements can also improve a person's life, for example allowing coeliacs to expand their food choices, enabling new mothers the freedom to express milk on the move or improving skin health through top-notch, ethically produced products. Support into businesses focused on consumer goods and services was particularly strong in 2021, with UK investment in this sector **stepping up to £5.7bn¹, more than triple the amount in 2020.**



WHOLEBAKE

📍 Corwen 🏢 Consumer Goods

💷 Bridges Fund Management, Elysian Capital

Approximately 10% of people in the UK follow a gluten-free diet, due to a gluten-sensitive condition or through choice. **Wholebake** caters to this market with its market-leading gluten-free snacks including muesli, protein bars and flapjacks – produced at its sites in North Wales, that employ 200+ staff. Both its factory and its warehouse are located in one of the lowest income and employment deprived local authorities in the UK, with the majority of employees drawn from the local area. Over Bridges' investment, Wholebake's workforce increased by over 70%; the number of employees coming from underserved markets increased by over half during the same period. The company also achieved B-Corp certification under Bridges' management, before its majority takeover by Elysian Capital in Summer '21.



elvie

📍 London 🏢 Consumer Goods

💷 BGF, BlackRock Private Equity Partners, Hiro Capital, Westerly Winds, Octopus Ventures, IPGL

Elvie is a technology company disrupting the women's health space. Focussing on solutions for every life stage, Elvie is widely regarded as one of the most innovative tech businesses in the women's health sector. Its first product to launch, Elvie Trainer, is an award-winning Kegel trainer and app. Its second, Elvie Pump, is the ultra-quiet, wearable breast pump that fits in the bra so mums can pump, hands-free. New additions to the breastfeeding range include Elvie Stride and Elvie Stride Plus, Elvie Curve, and Elvie Catch. Since the launch of Elvie Pump on the catwalk of London Fashion Week in 2018, Elvie has experienced hyper-growth, growing 6x in 2019 and almost doubling in size in 2020 despite Covid disruption. The company has also launched new markets across EU and Asia and continues to see rapid sales growth in the US – helping enhance the lives of women around the world.



Medik8

📍 Elstree 🏢 Consumer Goods

💷 Inflexion

Medik8, based in Elstree, Hertfordshire, is a premium skincare brand focused on science-based anti-ageing products. With a strong emphasis on ethical manufacture, Medik8 fights for animal rights (as well as making only vegan products), actively reduces and offsets its emissions, and uses clinical studies from trusted, ethical sources to validate what they produce. Mid-Market PE firm, Inflexion, has backed Medik8 since February 2021, supporting its ambitious international growth plans across China and the United States, enhancing its digital presence and enabling it to develop and deliver new product lines. The business is also on target to be carbon and plastic neutral by 2023.

¹2020: £1.5bn



Invested in building better businesses over the long term

Our members deliver great returns for their investors by building better businesses. They do this by finding companies which need support to grow and thrive – whether this be through additional capital for expanding premises, bringing in new staff or helping them build connections and networks – and leaving them stronger than before.

How long this takes will vary from sector to sector and company to company, as every situation is unique.

Some investments are relatively short term such as BGF's investment in [Arecor](#) in early 2021 which led to an IPO on AIM in June that year. Others, such as SEP's investment in [Smarter Grid Solutions](#) can be much longer term.

Despite this, the average holding period for an investment has remained between 4-6 years, compared to a matter of months in public markets. This is evidence of the **long-term partnerships at the heart of private capital support.**

Average holding period¹ by initial investment stage



¹Calculated by comparing initial investment date to exit date, for companies which have been fully exited from a fund's portfolio by an investor

smarter grid solutions

- 📍 Glasgow
- 🖥️ Software
- 🇬🇧 Scottish Equity Partners

Smarter Grid Solutions, headquartered in Glasgow and with offices in New York, is an energy management software company. Its products are used to manage power grids, increasing the capacity and resilience of electricity grid infrastructure, helping utility clients avoid or defer significant network upgrade costs and facilitating the connection of renewables and storage. Scottish Equity Partners invested in Smarter Grid in 2011 through its Environmental Energies Fund and supported its growth and development for over a decade. In 2021, Smarter Grid was acquired by Mitsubishi Electric Corporation.



IP to IPO

Unsurprisingly, given 2021 was a year of heightened deal activity, the number of exits¹ increased by 44% from 575 in 2020 to nearly 830 in 2021. This included sales to trade buyers (for example SEP's sale of Smarter Grid Solutions to Mitsubishi), sales to other private capital firms (e.g. Beringea's [sale](#) of leading impact protection brand D30 to Elysian Capital) and several initial public offerings, a couple of which are highlighted here. **A successful exit is a reflection of the good stewardship of private capital investors, allowing them to return capital to their investors, which can then be reinvested.**




 Cambridge

 Technology

 KKR, Balderton Capital, Vitruvian Partners

Cambridge's **Darktrace** is a world leader in autonomous cyber artificial intelligence. Its AI interrupts cyber-attacks as they happen, including ransomware, email phishing and threats to both cloud environments and critical IT infrastructure. Its state-of-the-art technology learns and updates itself, makes autonomous decisions when it encounters threats and constantly monitors computer systems for unusual behaviour. Founded in 2013, Darktrace has been supported along its growth trajectory by private equity and venture capital. From its earliest days right through to its listing on the London Stock Exchange in April 2021, and subsequent spot in the FTSE 250, the company has grown because of the long-term partnerships with its private capital backers.




 London

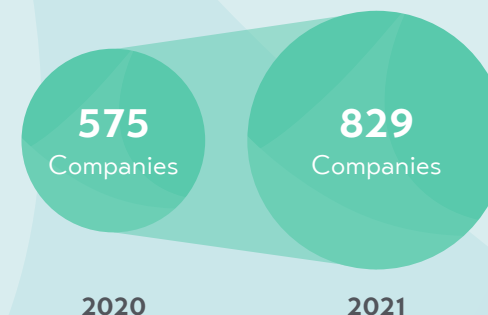
 Consumer Goods

 Bridgepoint, Mayfair Equity Partners

Seraphine produces high-quality, fashion-forward maternity clothes and has cemented its position as one of the most popular and fastest growing brands in the sector, with its products used by royalty, celebrities, and fashionable mothers around the world. Founded in 2002 as just a single shop in West London, it had expanded to four by 2014, and then internationally shortly after. In 2017, PE firm Bridgepoint helped revolutionise Seraphine's digital offering and increase its reach across the world. This was enhanced again in 2020 by Mayfair Equity Partners, which supported Seraphine with the capital and expertise to develop new products, accelerate growth in UK, Europe and the USA and supercharge its online sales. Seraphine then listed on the LSE in July 2021 for just over £150m.

¹Includes full and partial exits

Number of divestments



Number of 2021 exits by divestment method



Note: Figures are for full and partial exits, only some exit routes are shown



Attracting capital from around the world

With private equity and venture capital firms focused on putting money to work, 2021 saw notably less fund raising than 2020 with a drop of over 60%. This was driven by a reduction in the amount raised by buyout funds, as fundraising for the growth and venture capital segments remained broadly consistent year on year. Initial signs indicate that 2022 will see a step up in fundraising amounts, with several of the larger buyout firms raising new funds.

Looking at investor type, we can see that the fall in buyout fundraising in 2021 has driven both a proportionate¹ and an absolute² drop in funds coming from pension schemes, as these investors currently put relatively little capital into the growth and venture segments. Encouraging UK defined benefit pension schemes to invest in venture capital would increase the money available to invest in early-stage companies.

would enhance the range of investment opportunities available to them and potential returns to future pensioners.

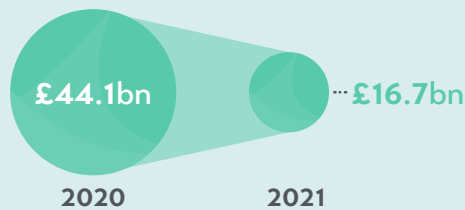
Whilst UK funds continue to raise money from around the world, investors in the proportion of funds raised from UK investors increased slightly to 22%.³

The UK remains the second largest centre for the industry outside the US, supporting thousands of jobs in related business services sectors.

Opening up private equity and venture capital investment to defined contribution pension schemes

Total funds raised: Total / UK 2021 vs 2020

Total amount raised

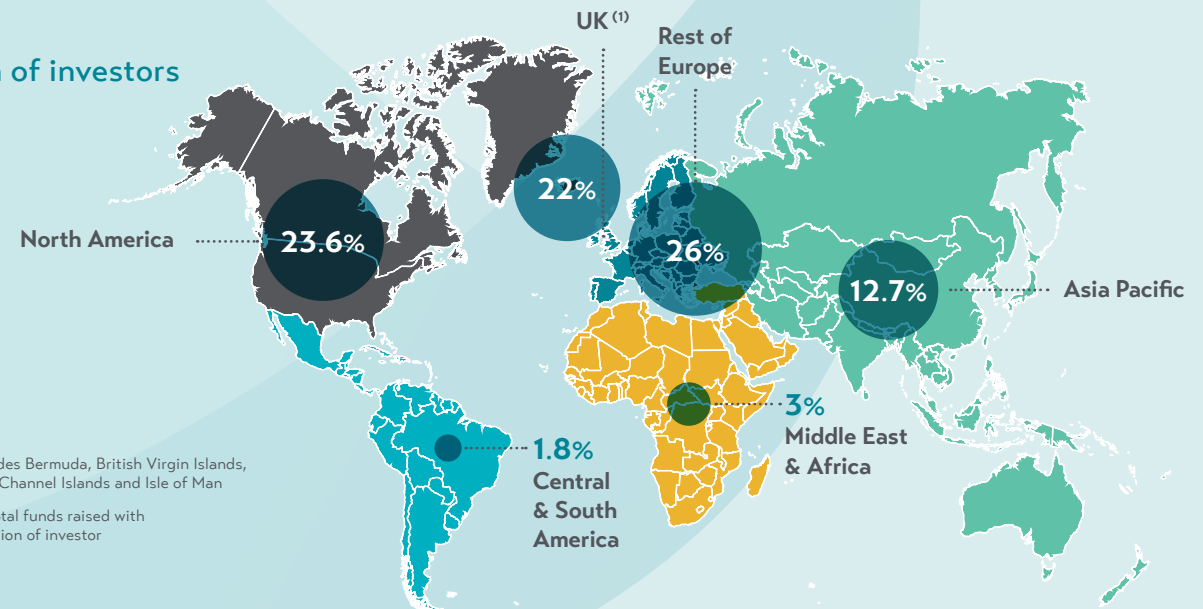


Raised from UK investors



¹ 2021: 16.2% vs 2020: 36.8% ² 2021: £2.7bn vs 2020: £16.2bn ³ 2020: 19%

Location of investors



Note: ⁽¹⁾ UK includes Bermuda, British Virgin Islands, Cayman Islands, Channel Islands and Isle of Man

Note: 10.9% of total funds raised with unclassified location of investor



Supporting smaller businesses

**Where will the investments of the future be?
Will we see the support for start ups maintain its momentum?**

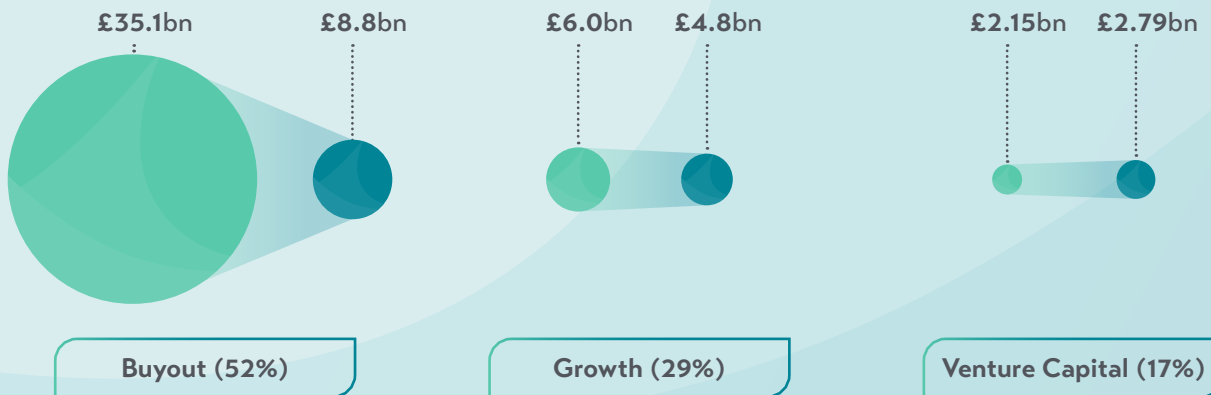
Looking at the fundraising figures, we can see that venture funds raised £2.8bn, growth funds raised £4.8bn and buyout funds raised £8.8bn. Year on year, venture fundraising has increased 30% showing the increasing investor interest in backing firms which invest at earlier stages of the business lifecycle.

The total number of funds raising new capital in 2021 was broadly consistent with previous years, standing at 119.

While the current market environment might mean that some of this new capital is deployed more slowly than in recent years, these are commitments from long-term investors to keep supporting businesses of all shapes and sizes.

Funds raised by fund stage focus

● 2020 ● 2021



Invested in a better future

2021 was a strong year for private equity and venture capital investment activity, the highest on record.

As the world emerged from the pandemic, private equity and venture capital firms were eager to put investors' money to work to back great businesses across the UK and beyond. This investment supports businesses employing nearly 2 million people in the UK, or 6% of total UK jobs, and contributing 5% of UK GDP.

These businesses range in size, from Propelair with around 20 people designing the next generation of water efficient toilets to Morrisons supermarket employing over 100,000 people nationwide, and all play a key part of the daily life of the country.

The investment found its way into all parts of the UK, with nearly two thirds of businesses backed, and the same proportion of the amount invested, being outside of London – a clear indication that our nations and regions are all within scope for private capital support.

Standing in mid-2022, with the headwinds of global instability, supply chain challenges, inflation and interest rate rises, the natural question to ask is how private capital backed businesses will be impacted by the economic downturn that is likely ahead of us.

Although it is rare for a business to be completely immune to the economic cycle, private capital investors always look to provide good stewardship of the businesses they invest in. And evidence from previous downturns is encouraging in this regard.

As researchers from Harvard Business School found in their 2017 study¹ of the performance of UK private equity backed businesses through the financial crisis, **private equity ownership has been shown to improve company financial stability, allowing investment to continue through the downturn.**

With this in mind, we are confident that private capital will continue to be a key part of the UK economy, and a responsible steward of companies throughout the economic cycle.

¹Bernstein, Lerner, Mezzanotti, "Private Equity and Financial Fragility during the Crisis," NBER Working Paper Series, January 2018



Methodology and data sources

Data sources

The BVCA collects data from members on an annual basis covering fundraising, investments and divestments in each calendar year.

The information is collected alongside other European venture capital associations, using a common platform, the European Data Cooperative ('EDC'). Further information about the EDC can be found in our companion publication "[Report on Investment Activity 2021: Statistics from our member survey](#)".

Information is provided directly by BVCA member firms. On occasion, the BVCA research team supplements submissions by including additional employment data sourced from published company accounts.

Estimates for total employment and GDP contribution from private capital backed businesses across the UK is taken from an EY report commissioned by the BVCA '[Measuring the contribution of private equity and venture capital to the UK economy in 2021](#)'.

All BVCA members who hold General Partner membership and are primarily based in the UK are required to complete the investment activity survey. To be included in the current year survey, a firm had to be a full GP member of the BVCA as at 1 January 2022.

Number of respondents and year on year comparability

In 2021 we received responses from 202 members out of a total eligible pool of 269 members, a response rate of 75%. For comparison, in 2020 we received response from 194 members out of a total of 264 who were eligible.

The survey is of BVCA members only. Although our membership changes over time, 84% of the respondents in 2021 also provided us with data in 2020. We are comfortable that the year-on-year data is broadly comparable.

Checks and quality controls

The EDC data collection system allows data providers to review information prior to submission, and our members can see their prior year submissions. The BVCA research team will process any amendments that are required to prior year data which have been flagged by data providers.

The BVCA research team reviews all submissions for completeness and queries any obvious errors, however we do not independently verify the data submitted as this is frequently not in the public domain. As a result, the BVCA cannot guarantee the ultimate accuracy of the data and therefore the BVCA does not accept responsibility for any decision made or action taken based on the information provided in this report.



Methodology and data sources

Industry sector definitions

Industry sectors are based on NACE codes and remain consistent with previous years. Further detail can be found in our [“Report on Investment Activity 2021: Statistics from our member survey”](#). We have used ‘Technology’ in place of the term ‘ICT’ in this report.

Currency conversion

Where investment information was collected in currencies other than Pounds Sterling on the EDC platform, the amounts were converted into Sterling using mid-market exchange rates on the date of transaction.

Confidentiality

All data received is treated with the utmost confidentiality. Data is published in an aggregated form only, and only the research team at the BVCA has access to the underlying data.

Transparency and access to data

The BVCA is committed to transparency and making the data we collect easily accessible to the public in a usable form, subject to the confidentiality requirements previously mentioned.

A companion publication [“Report on Investment Activity 2021: Statistics from our annual member survey”](#) provides the full aggregated survey results.

In addition, we have made the numbers behind the charts available in Excel for ease of analysis, which can be downloaded from our website [here](#). No underlying data relating to individual firms or transactions is made available. We hope this will continue to be a valuable data source for other researchers with an interest in private equity and venture capital.



Contacts & useful resources

BVCA Report on Investment Activity 2021

Measuring the contribution of private equity and venture capital to the UK economy in 2021

BVCA Digest - June 2022

Nations & Regions - Yorkshire, the Humber & North East England

10 Steps to Net Zero: Private Capital in Action

Annual report on the performance of portfolio companies, XIV

If you would like to discuss the report on the industry's contribution more generally, please contact any of the following:



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Acknowledgements

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We would also like to extend our thanks to all firms who responded to our Investment Activity Study and who allowed their portfolio companies to be featured as case studies in this report.

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About the BVCA:

The British Private Equity & Venture Capital Association (BVCA) is the voice of private capital in the UK.

We have been advocating for the UK's private equity and venture capital industry for almost 40 years, helping it to uphold its vision and achieve its goals.

We actively represent this diverse community of long-term investors, enabling them to speak with one clear and consistent voice to society, including the Government, media and MPs.

We connect institutional investors, fund managers, companies, advisers and service providers together, with our membership currently comprising more than 700 businesses from across the private capital ecosystem. This includes more than 325 PE and VC firms, 100 institutional investors and 220 professional services firms.

The BVCA supports its members to help companies grow and achieve their long-term ambitions, creating value for the country, both economically and socially. From creating medicines to protect us against COVID-19, to backing innovative companies in their quest to find solutions to our low-carbon future, private capital also plays a critical role in addressing society's future challenges.

Together we are invested in a better future.



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