

Covid-19 impacts on early-stage investing

This research from Advanced Oxford, in conjunction with Oxford Investment Opportunity Network, provides valuable insight from a group of active investors, all of whom have an interest in early-stage investment, all of whom invest in knowledge-economy sectors. The findings are based on a survey of 36 investors, including angels, family offices and VCs.

Do you envisage investing in early-stage companies in the next 12 months?

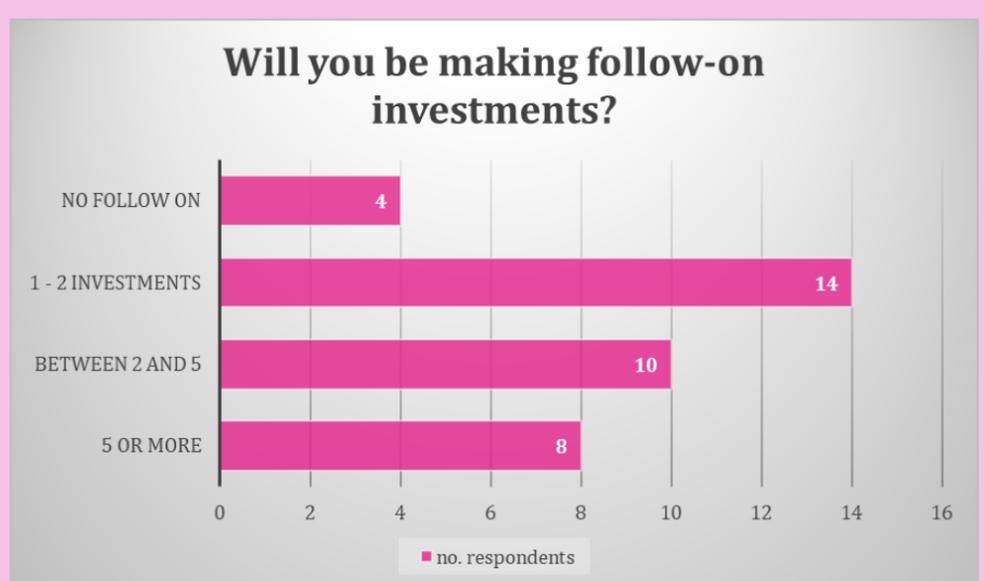


We asked early-stage investors about their investment intentions, in relation to the previous 12 months. It is positive that some investors think that they will increase their investing and just over a third expect it to stay the same. However, 47% said they would invest less or not at all.

"Over the course of the next 12 months, we expect to invest in roughly the same amount of new investments as last year, but this is below our initial target number that was set pre-Covid"

INVESTOR A

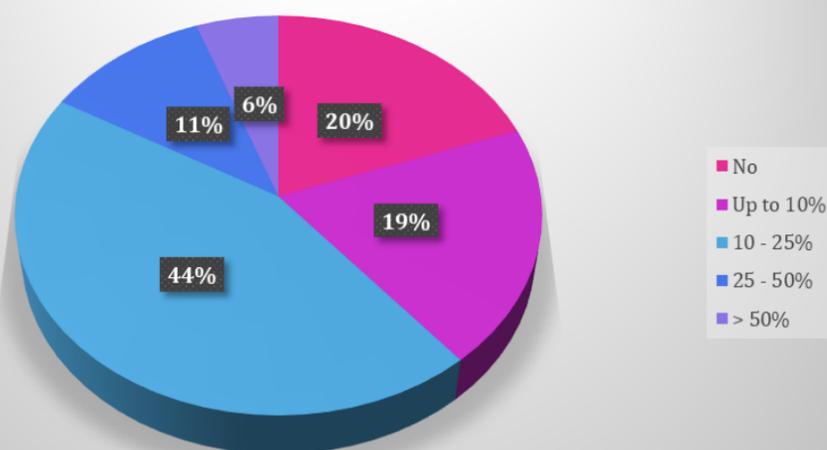
Investors are increasingly focusing on investments into existing portfolio companies



"I have decided to focus on the investments that I have already made in order to support these as a result of Covid-19"

INVESTOR B

Expected existing investment failure rate



We asked about expectations with regard to failure rates of companies already invested in. The response was clear, the majority expect to see increased rates of failure. Only 20% did not expect to see more companies fail.

Recommendations

Investors intend to support existing portfolio companies and less money is available for investment. We can anticipate a significant reduction in investment from angels and seed/VC funding which threatens the viability of many small R&D intensive businesses.

Recommendations for Government support include:

- Increasing **R&D tax credits**
- Increase (temporarily) tax incentives for **S/EIS investments**
- More and simpler **co-investment alongside angels**
- Given significant concerns about cash-flow and cash preservation, Innovate UK might consider **paying grants in advance**, as opposed to arrears, and reduce match-funding requirements
- The **Future Fund** is not applicable/helpful to S/EIS companies; the terms are restrictive and onerous. A perceived preference for later-stage companies means that the Future Fund is not fit for purpose for early-stage (pre-series A) companies.

The authors of this report - Advanced Oxford and OION - held a webinar in early May, 2020 to discuss and debate likely impacts of Covid-19 on early-stage investment. The event also examined what interventions may be needed within the innovation ecosystem to help early-stage companies. The webinar was recorded and a report of the discussion was produced by Advanced Oxford. The recording and report can be accessed here: <https://www.advancedoxford.com/join-advanced-oxford-for-a-webinar-exploring-early-stage-investing-5th-may/> . There is a great deal of commonality between the findings from this research and the webinar.



About this research

This research was conducted by Advanced Oxford, in conjunction with Oxford Investment Opportunity Network. We decided to survey investors, following analysis of data submitted by innovation-based companies, which suggested that investment and cash-flow were a major concern, due to the Covid-19 lock-down. This infographic sits alongside a fuller report of the findings of our investor research. All reports, including *The Impact of Covid-19 on a Group of Innovation-based Companies* can be accessed from Advanced Oxford's website.