

Venture capital investment in Bristol rises despite 'economic headwinds'

Fast-growth businesses in Bristol secured £63m of venture capital (VC) investment in the second quarter of the year – up two-thirds on the first quarter (£38m), new research finds.

The figures from accountancy giant KPMG show that while deal volume was down from 15 investments during the first three months of the year to 10, the aggregate value was significantly up.

Among the main drivers of the rise were fintech venture Super Payments raising £24.6m for launch and Tumelo, another fintech specialist, raising £15.5m in a funding round to support the company's international expansion. During the same period in 2021, the aggregate value of VC investment in Bristol-based businesses was £69.6m from eight investments.

Kay Drury, transaction services partner at KPMG in Bristol, said the growth was testament to the "unwavering resilience" of firms in the city, despite "many economic headwinds".

Ms Drury said: "Our team on the ground have a strong pipeline of activity as private funds look for ambitious, fast-growing companies to invest in."

Fintech, B2B-focused services and healthtech remain the top three areas for investment, while there was also interest in making investments in sustainability-focused businesses, such as those driving developments within renewable energy.

"We expect all of these sectors to continue to play a big role in propelling the growth of Bristol and the South West," Ms Drury added.

Nationally, more than £15.7bn of VC funding has been invested in UK businesses in the first half of 2022 – up on the £14.6bn raised in the first half of last year, according to the data. Similarly, deal volumes were down significantly, with 667 deals completed in the latest quarter – the lowest volume of UK VC deals recorded by KPMG’s report since the second quarter of 2018.

Overall, the volume of VC deals completed in the UK in the first half of 2022 was down by more than 11% on the first half of last year (1,768 compared to 1,568), which KPMG said had produced record levels of VC investment in UK firms.

The financial services firm said as “increasingly cautious” VC investors were renewing their focus on late-stage deals and taking longer to conduct due diligence on investments.

KPMG said global VC funding levels saw a decline in the second quarter of 2022, falling to £100bn from £138bn in the first quarter, as the war in Ukraine, high levels of inflation, and rising interest rates shook global markets. The firm added that continually challenging economic conditions could hamper levels of VC investment for the remainder of this year.

Warren Middleton, lead partner for KPMG’s emerging giant centre of excellence, said the drop in volume of VC deals completed in the first half this year was one of the “red flags” already on the horizon.

He added: “Companies that may have attracted funding from optimistic investors in the past, will likely face more challenges and require stronger business cases and paths to profitability to attract funding over the next few quarters.”

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