Boost for London tech investments as Claret Capital beats fundraising targets

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ONDON's status as a major tech hub got a boost today after a new fund based in the City said it smashed its own targets to raise nearly £250 million to invest in start-ups.

Claret Capital's successful debt-financing round comes at a torrid time for big-name tech sector stocks and is a vote of confidence in both London and the sector.

Political ambitions to make Silicon Roundabout in Old Street a rival to Silicon Valley in the US have fallen short of expectations.

But there are hopes that Claret Capital's move will boost London's ability to attract the talent and the financing that could open the way toward fresh tech stock market listings.

Floats have dried up this year hitting banking revenues and leading to talk of job losses in the Square Mile.

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Claret describes London as a “hotspot” for internet and technology start-ups, with innovative companies clustering around a supply of young talent.

The funding round secured commitments of €297 million (£250 million) way ahead of the e250 million target, from a range of investors keen to back small companies that could become the next big name.

Claret lends tech and life sciences companies across Europe between €1 million and €50 million and has backed over 150 young and fast-growing businesses since 2013, with debt financing for the sector growing in popularity as stock markets struggle.

“We are one of the ways an entrepreneur can reduce the dilution of equity rounds. The run of losses for tech stocks causes businesses to want debt more than equity right now,” said David Bateman, managing partner at Claret Capital.

London companies in Claret’s portfolio include ScreenCloud, a digital signage software firm, based near Old Street. There is also Lyst, a premium shopping app based in Tower Hill, which says it has more than 200 million annual users and products from 17,000 brands and stores including Burberry and Valentino.

Big-name tech stocks have been under global pressure, led by declines in the US on fears of a wider tech bubble. Rising interest rates are eroding the value of the projected earnings made by the fast-growing sector.

One-time sector darling Klarna, the Swedish payment app, highlighted the concern, today reporting a huge first half loss of almost £500 million, due to soaring staffing costs and stubborn credit losses.

The UK’s TechMark index is down by over 10% this year, with declines of around 60% and 70% for its biggest fallers.

“The dearth of new tech stock issues generally this year is unsurprising given the wider challenges of the global backdrop,” said Richard Hunter, head of markets at Interactive Investor, “The UK’s growing reputation for tech will not harm prospects.”

Claret expects to lend up to 60 businesses over €500 million over the next three years, and has helped companies that have gone on to stock market listings, including Qliktech on the Nasdaq and Vectura on London’s Aim market.