

# How is the Series A ecosystem faring in 2022?

*Investor relations consultancy NOTWICS surveyed over 80 VCs and other professionals in the investment world about the key trends and changes happening at Series A stage this year. Here, Chris Lowe, CEO and founder at NOTWICS, details his findings.*

Temps de lecture : minute

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## What happened in Q1?

Several respondents felt that the UK and EU data suggesting VC investment was strong or in-line in Q1 was misleading and simply overspill from deals overrunning from last year.

A handful of VCs highlighted that they were very quiet in Q1 – much quieter than traditionally at this point in a normal year and quieter than any point in 2021. These same VCs were understandably low on confidence around investments and exits in 2022.

Notably, another commented that the large amount of capital invested at Series A in the UK and EU in the last five years has been by the Russian VC community. This has now gone, with four or five large funds now dormant, which is creating a further channel of downward pressure on numbers for the year ahead.

On the flip side, a number of UK-based VCs said they were very busy in Q1 after strategically planning to do all the deals they could at the start of the year. Tactically, this was a plan to deploy all of the capital for the year at the very start of 2022 because of the uncertainty ahead. One Series A

VC I spoke with said they did more deals in Q1 of 2022 than they did in the whole of 2021.

## From Series A to B

Series A deals are booming but follow-on rounds at Series B are not keeping pace. According to Globacap, just 86 UK companies raised a B round in the year to May 2021 compared to 250 at Series A. Furthermore, 16% of European startups seeded in 2009 and 2010 made it to Series B, but only 8% of the 2013 cohort could say the same, according to data published by Dealroom.

At present, it's a tough environment from Series A onwards. One VC said: "Last year, the median Series A round for a European startup was \$9.6M – more than three times what it was in 2011. Higher valuations at this stage mean that companies must work harder – and often longer – to grow into those expectations. The journey from A to B will increasingly be completed in multiple stages rather than a single leap."



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## The new hot sectors

A trend is currently emerging of funding towards the newer "hot areas" in detriment of funding more traditional, overcrowded verticals. These cover NFTs, web 3.0, bitcoin, ESG and the metaverse. A number of deeptech funds have shifted more focus and funding to this segment.

In time, respondents to the NOTWICS survey believed these will continue to be pillars of technological growth, attracting more developers and thus more funding.

## The role of debt

For London, one debt fund explained: "From a debt perspective, the tech and digital sector remains one of the seven key strategic sectors in the Mayor of London's economic plan for London, so we see 2022 as full steam ahead in funding this key sector as tech companies based in London look to scale".

Another interesting trend was the increasing use of alternative finance players to fund founders that normally would have tried to raise a Series A, or bridging capital between major rounds. Of note, several funds and founders mentioned the value that players like Pipe and Uncapped brought to them as an alternative to turning to traditional debt players for funding options.

# The outlook

In conclusion, the majority of UK and EU respondents investing in Series A do not expect 2022 to be anything like the last few years. It feels as if a pause button has been pressed and there is no sign of this changing in the short and medium term.

However, on a more positive note, a leading UK VC in the Seed and Series A stage said: “We still see high valuations for companies and founders who have a very strong concept, excellent traction or an illustrious track record.

“The data suggests that late stage rounds are down in valuations (and therefore also fundraise sizes as people move to limit dilution) but that is pretty much in line with public markets and so fairly rational in my view. For us. I think it's still a 'wait and see' moment, especially as the underlying metrics of the businesses seem to be strong.”

Chris Lowe is CEO and founder of [NOTWICS](#).

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Article écrit par Chris Lowe