Evaluate Vantage

July 18, 2016

UK sees huge series As in 2016

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The $20m series A venture round closed by Cambridge Medical Robotics today is the second largest for a UK-based company of the past decade – and the second largest this year. Data compiled by *EvaluateMedTech* show that cancer genomics specialist Inivata takes the top spot, hauling in a record $45m series A in January.

Certainly venture rounds are getting fewer and larger – even series As. But these companies are perhaps fortunate to have concluded their fundraising at this time. With the effects of Brexit on the medtech sector far from predictable, it could soon become much harder for UK groups to drum up anything like this kind of cash.

Cambridge Medical will put its $20.3m series A towards developing its console-based robotic surgery system, which completed cadaveric clinical trials last month, and hiring workers in preparation for regulatory approval. The company stands to gain from the denial of FDA clearance in April to TransEnterix for its surgical robot, although Titan Medical, which is at a later stage of development, would be a more direct beneficiary (*TransEnterix knockback could mean a Titan advantage, April 22, 2016*).

Top 5 series A rounds raised by UK medtechs, 2007-2016		
Date	**Company**	**Investment ($m)**
January 26, 2016	Inivata	45.0
July 18, 2016	Cambridge Medical Robotics	20.3
March 28, 2008	Oxford Nanopore Technologies	20.1
September 29, 2009	Quanta	14.7
October 29, 2011	Veryan	8.0

Only one of Cambridge Medical Robotics' three disclosed investors is UK-based: Cambridge Innovation Capital, which is conveniently located just a five minute drive away. Its other two backers, ABB Technology Ventures and LGT Global Invest, are headquartered in the US and Switzerland, respectively.

So a UK company had little difficulty attracting overseas funding over the first half of 2016, with most of the heavy lifting done before the UK's plebiscite on EU membership. And Inivata, which would have gone on the VC trail in late 2015, would not have had to worry about Brexit either.

Oxford and Cambridge

The same cannot be said for UK companies currently about to raise, or in the midst of raising, cash. Even before the UK exits the EU, the uncertainty around the terms of Brexit means investors, no matter where they are based, could be reluctant to risk money on UK firms.

UK companies may become ineligible for EU grants and funding, for instance, and a possible "brain drain" whereby academics seek more stable positions outside the UK could mean they are no longer available to work on medtech companies' clinical trials. And there is a possibility that it will become harder and more expensive for UK companies to CE mark their devices (*Sector licks its Brexit wounds, June 24, 2016*).

As impressive as Cambridge Medical and Inivata's series A rounds are, the companies pale in comparison to the most successful UK firm ever in terms of overall VC funding. Oxford Nanopore Technologies takes five of the top 10 rounds of the last decade, with its $109m series H a year ago the biggest ever for a UK company.

Top 10 VC rounds raised by UK medtechs, 2007-2016			
Date	**Round**	**Company**	**Investment ($m)**
July 21, 2015	Series H	Oxford Nanopore Technologies	109.0
October 9, 2013	Series F	Oxford Nanopore Technologies	64.0
August 12, 2014	Series G	Oxford Nanopore Technologies	59.0
May 3, 2012	Series E	Oxford Nanopore Technologies	50.8
October 22, 2014	Undisclosed	Enigma Diagnostics	50.0
February 4, 2011	Series B	Cellnovo	48.4
June 16, 2008	Undisclosed	ApaTech	45.0
January 26, 2016	Series A	Inivata	45.0
November 3, 2014	Undisclosed	Quanta	44.0
April 26, 2011	Series D	Oxford Nanopore Technologies	41.0

In total, the group has raised $390m for its electronic molecular analysis systems, which are used, inter alia, to identify antibiotic-resistant microbes. Its series A round clocked in at $20.1m, marginally less than Cambridge Medical's, perhaps indicating that the robotics company could go on to rise similar sums to Oxford Nanopore in later rounds – Brexit permitting.

But the few lucky medtechs that manage to pull off venture rounds in the tens of millions are the exception – and for the have-nots, the funding climate is getting worse.

EvaluateMedTech data show that the top 10 global rounds in a given period are making up a larger and larger proportion of the total funding raised – in other words, VC cash is clustering at the top.

In 2012 the top 10 rounds worldwide comprised just 16% of the total venture cash invested in the medtech industry that year; in the first half of 2016 the top 10 represented 40% of the total.

Top 10 rounds attract more funding			
Date	**Total raised in top 10 rounds ($m)***	**Total raised in all rounds ($bn)***	**Proportion of total made up by top 10**
2012	586	3.7	16%
2013	652	4.0	16%
2014	866	4.3	20%
2015	1,115	4.1	27%
H1 2016	749	1.9	40%
**This analysis was performed on all medtech companies worldwide.*			

This clustering pattern illustrates the tendency of VCs to play it safe. Clubbing together, and funding a company that has already attracted a lot of cash from other VCs is a good way of minimising risk.

Unfortunately, the mega-rounds closed by a handful of groups does nothing to alleviate the plight of smaller start-ups which are having great difficulty getting off the ground.

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