

UK HealthTech: Crossing the Series A Chasm

**United Kingdom HealthTech
Investing Trends
2019 – 2023**

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Executive Summary

UK HealthTech: Crossing the Series A Chasm

Anecdotally referred to as the post-Series A chasm, some of the UK's top healthtech founders and investors often refer to an apparent disconnect from the traditional venture fundraising pathway for healthtechs between Series A and Series B.

In the wake of a significantly funded COVID-era healthtech market, we wonder if this chasm exists in the post-COVID era. Does the data confirm this trend, and if so, how can:

- ◆ Founders plan to meet the challenge of post-Series A fundraising;
- ◆ Investors plan for their portfolio companies to better make the leap into future financing rounds for growth;
- ◆ Ecosystem partners shape this market dynamic for a more resilient UK healthtech marketplace?

This report aims to answer those questions objectively.

Selected findings

The data revealed several important considerations for UK founders, investors, and the broader ecosystem, including:

Prioritising the Series B strategy: For founders, the data inherently suggests that careful consideration around Series B may need to happen sooner rather than later – and that international investment should be a priority. The data also suggests that it is important to “build the moat” in terms of runway flexibility.



Focusing on global investment: Building a scalable financing pathway beyond Series A may mean strategically positioning companies for future financings with funds around the world – which requires potential reimbursement and business model considerations, and a deep understanding of local health system and populations health mechanisms.

Scaling up consistently: For healthtech, now may be the time to consider what consistent scale-up means for its start-ups beyond Series A. The UK healthtech ecosystem is thriving but realising that potential calls for new approaches – such as riding the tailwind for the UK scale-up initiative ([supported by UK Research & Innovation](#)), set to deploy £5B by 2030.

Please reach out to us with your thoughts and for more details about our upcoming initiatives.



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Fundraising Frequency & Fundraising Distribution

UK HealthTech: Crossing the Series A Chasm

By venture funding frequency (2019 – 2023), the majority of UK healthtech venture activity is distributed amongst **Seed and Series A (88%)** with less funding frequency post Series A.

Yet, on a (£) value basis, the majority of UK healthtech venture funding takes place between **Series A and Late Stage - (87%)** of total funds deployed.

These data points may generally reflect a healthy market dynamic, yet if **11% of 775 companies (Series B + Late VC)** represent just 85 companies (over a 5-year period) with **63% of £5B (or £3.15B)**, then it may also suggest that the bar for Series B + Late VC is quite significant.

Key takeaway

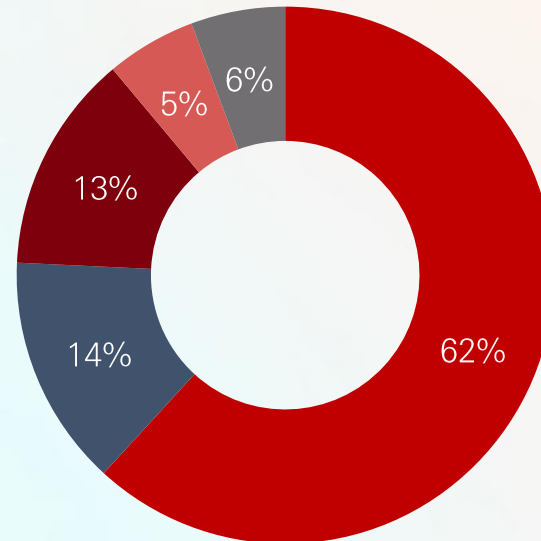
The UK's early healthtech ecosystem is active and well-funded; while the bar for later stage funding seems to be significant, though well-financed.



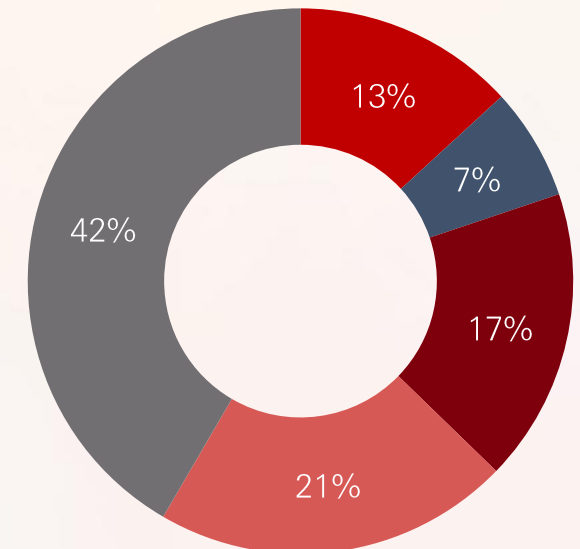
UK HealthTech Company Venture £ Raised (2019 – 2023)



UK HealthTech Venture Funding Frequency Volume (2019 – 2023)



UK HealthTech Venture Funding Distribution by £ Value (2019 – 2023)



SEED EARLY VC SERIES A SERIES B LATE VC

Does the Chasm Exist?

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From observation, UK Funds participate significantly at early stages (up to Series A), but this funding seems to decrease at later stages, where US, EU, and Rest of World Funds support larger fundraising rounds.

For UK founders and Series A CEOs this may mean that planning the Series B involves developing deeper relationships with investors outside of the UK well ahead of the fundraising.

For UK Funds positioning portfolio companies for a significant Series B, it may also mean steering a Series A company for growth aligned with future investor appetite.

Table: Funds Deployed by Stage, Avg. £, & Country HQ 2019 – 2023

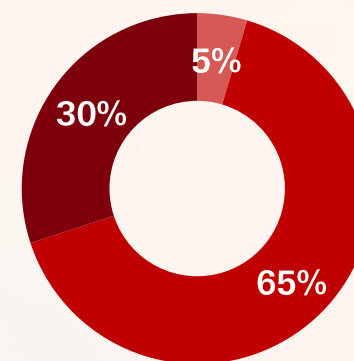
Stage	Company Count (n=)	~Avg. Deployed (£)	Fund Participation (n=)	UK Funds (%)	US Funds (%)	EU Funds (%)	Rest of World (%)
Seed	479	1.4M	753	67%	14%	14%	5%
Early VC	108	3.1M	165	78%	8%	10%	4%
Series A	102	8.7M	278	57%	18%	18%	7%
Series B	42	25.8M	139	41%	28%	19%	12%
Late VC	44	48.4M	136	36%	29%	22%	13%



UK HealthTech Company Venture £ Raised (2019 – 2023)

UK HealthTech Raises by Announced Currency

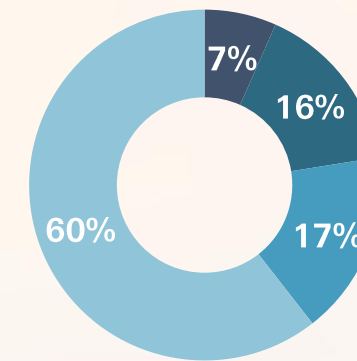
■ GBP ■ EUR ■ USD



Total: £5b
n = 775

UK HealthTech Raises by Fund HQ

■ UK ■ US ■ EU ■ OTHER



VC Fund Volume
n = 1471

Key takeaway

Data suggests that companies looking for Series B and Late VC funding may need to build bridges to different geographies, which may impact business strategy and planning.



Spotlighting Series B Trends: Companies, Investors, Value (£)

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Key trends

Increased fund participation

The clearest trend seems to depict more funds (n) participating in each Series B round (2021 – 2023).

Significant Series B raises

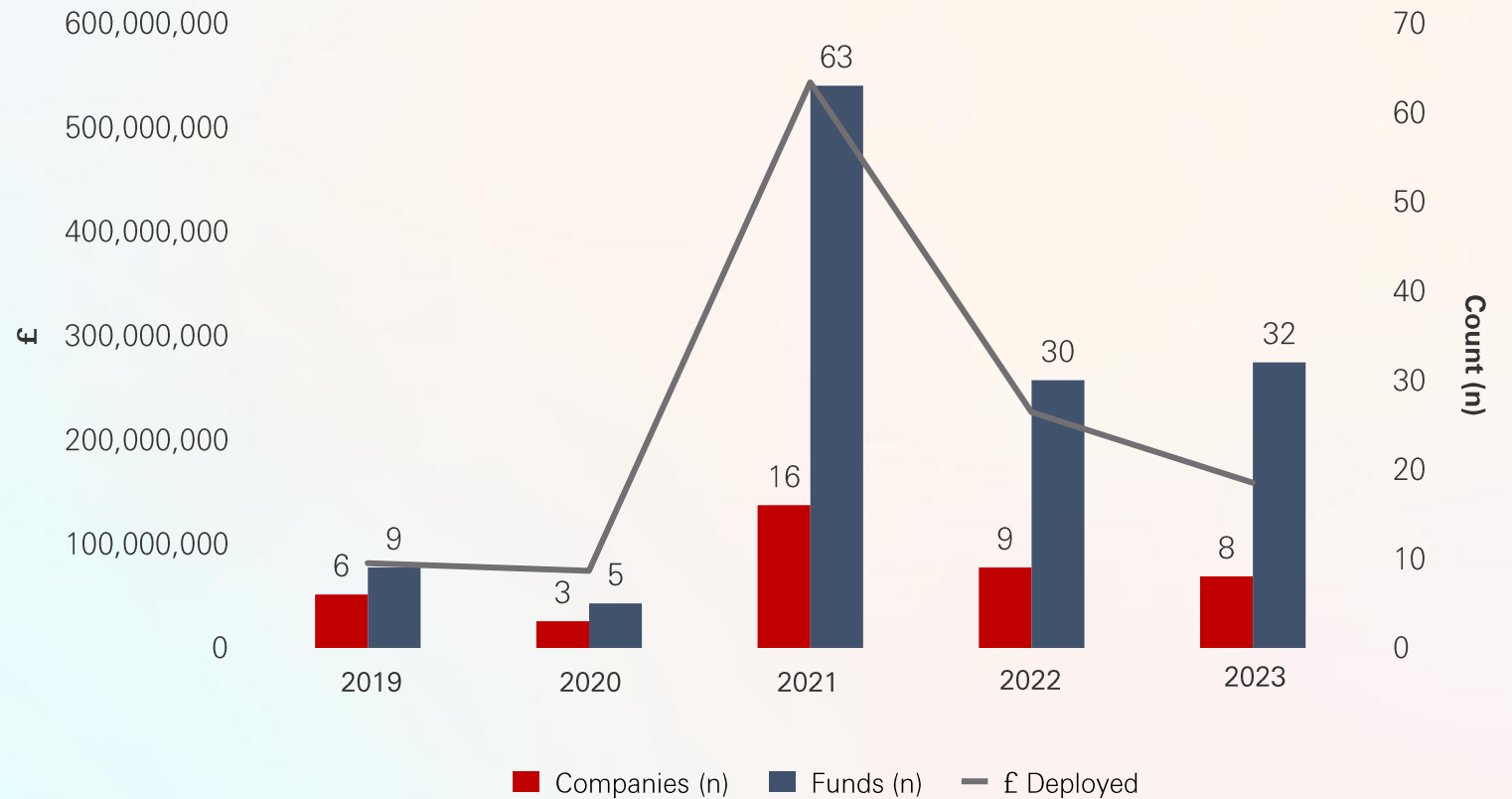
With many considering 2023 to be a modest year for UK healthtech fundraising, Series B financings were still nearly 2x 2019 (£) deployed, albeit amongst 3.5x the number of participating funds.

A return to previous levels

Average Series B £ deployed per year:

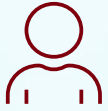
- ◆ 2019 = 13.5M
- ◆ 2020 = 24.6M
- ◆ 2021 = 33.9M
- ◆ 2022 = 25.1M
- ◆ 2023 = 19.8M

UK HealthTech Series B Trends (2019 – 2023)



Key Takeaways & Discussion

UK HealthTech: Crossing the Series A Chasm



For UK Founders

The Series A represents a significant milestone for most founders, while the data inherently suggests that careful consideration around Series B may need to happen sooner rather than later.

As a UK headquartered company, potential funding relationships with US, EU, and Rest of World funds may need to be considered as part of the overall business approach, as these regions support larger fundraises.

Additionally the data suggests that following the Series A also translates to building a moat in terms of: runway flexibility, such as treasury management, FX management, and potentially non-dilutive financing.



For UK Investors

The UK's early healthtech ecosystem is significant, and supported by groups such as Innovate UK, accelerators, and Angels held in high regard.

The opportunity for a scalable financing pathway beyond Series A may mean strategically positioning companies for future financings with: transatlantic, trans-European, and other funds around the world.

Inherently, that posits to potential reimbursement considerations, potential business model impact, and a deep understanding of local health system and populations health mechanisms, respectively.



For UK HealthTech Ecosystem

The UK healthtech ecosystem is thriving with opportunity. Realising opportunity may mean planning to realise value in new ways. One such wave may be riding the tailwind for the UK scale-up initiative ([supported by UK Research & Innovation](#)), set to deploy £5B by 2030.

The UK scale-up Initiative may be considered a clear ecosystem signpost moving from start-up ecosystem to scale-up ecosystem. For healthtech, now may be the time to also consider what consistent scale-up means for its start-ups beyond Series A.

Thank you

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