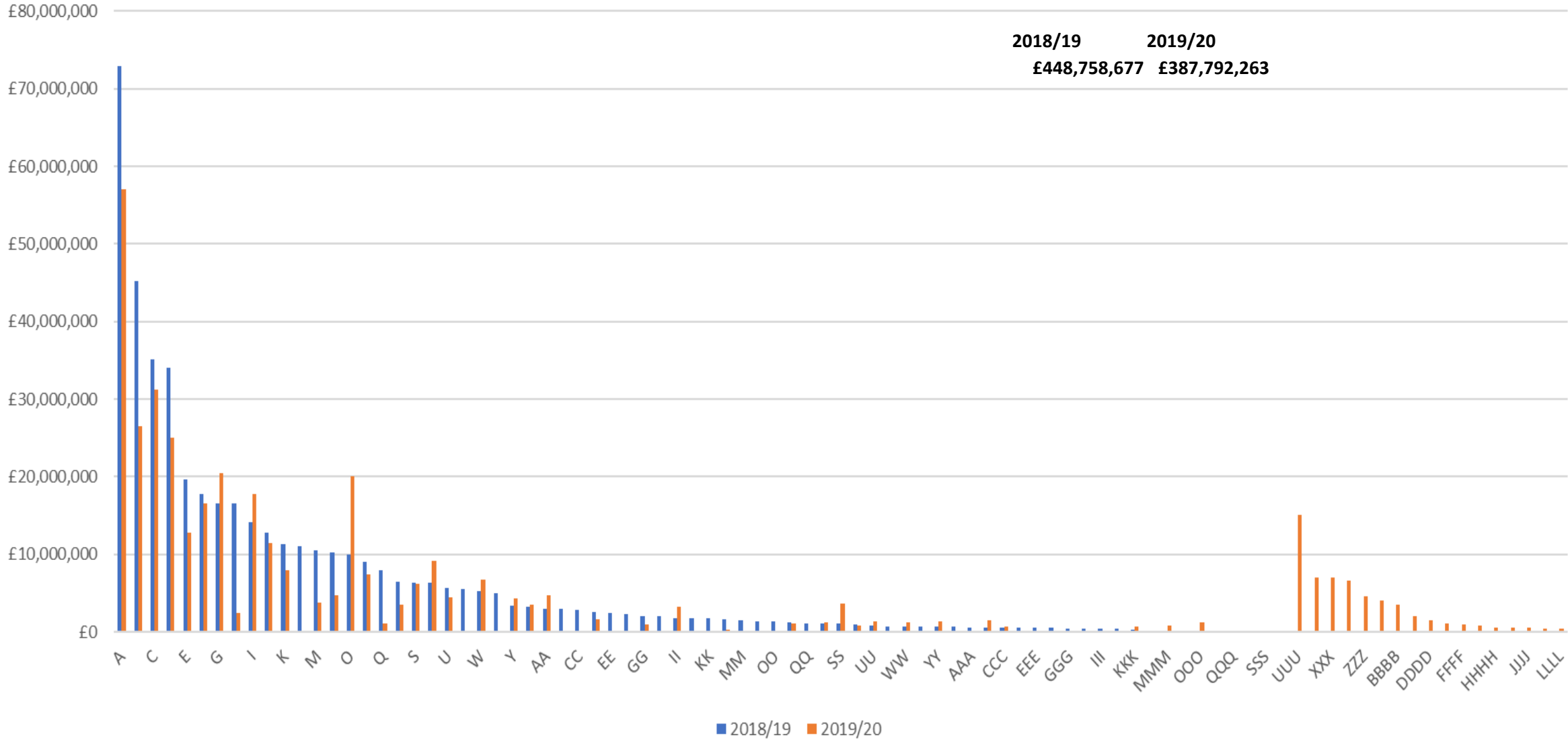
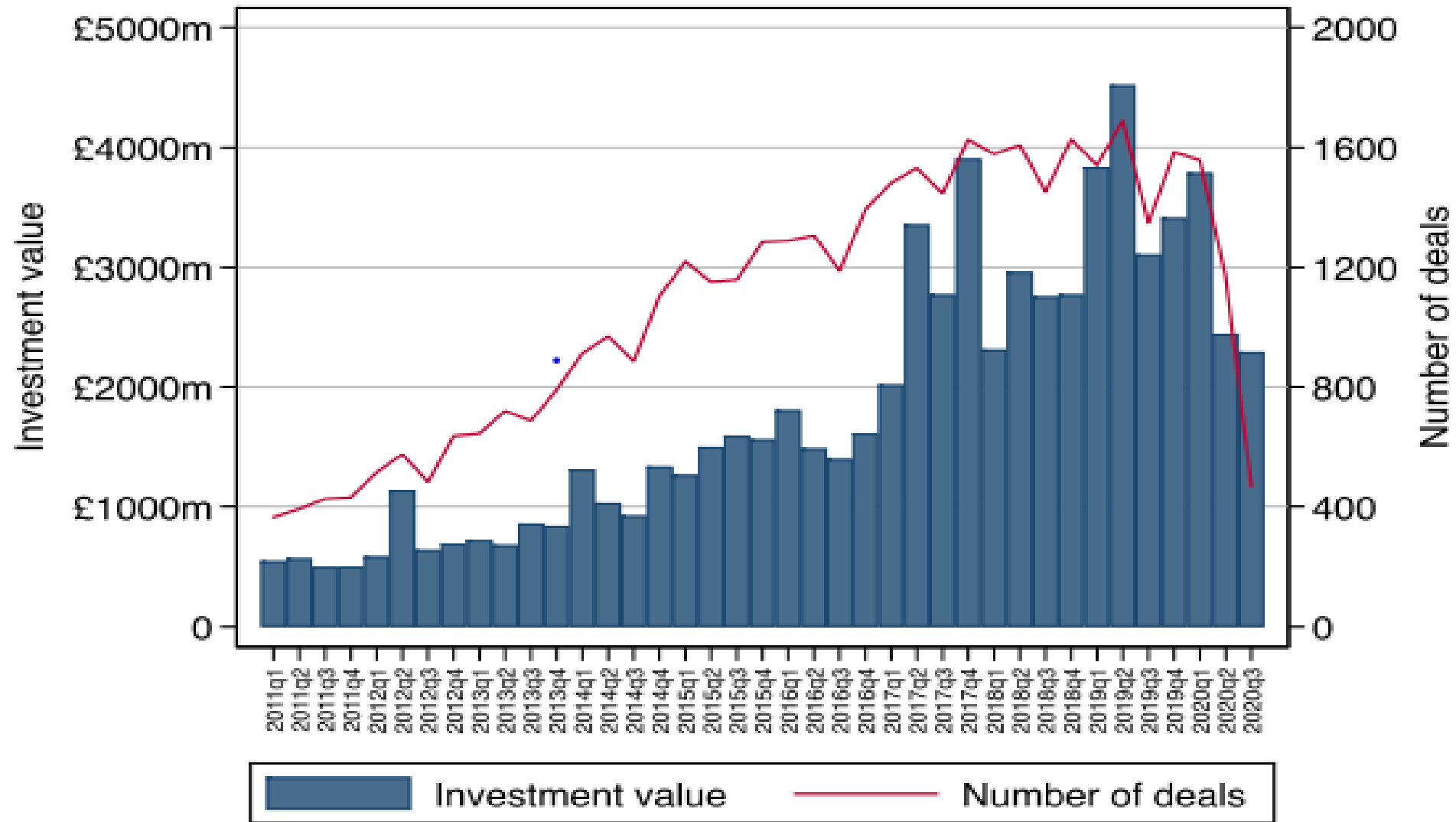


Mark Brownridge
Director General
The EIS Association

Chart Title

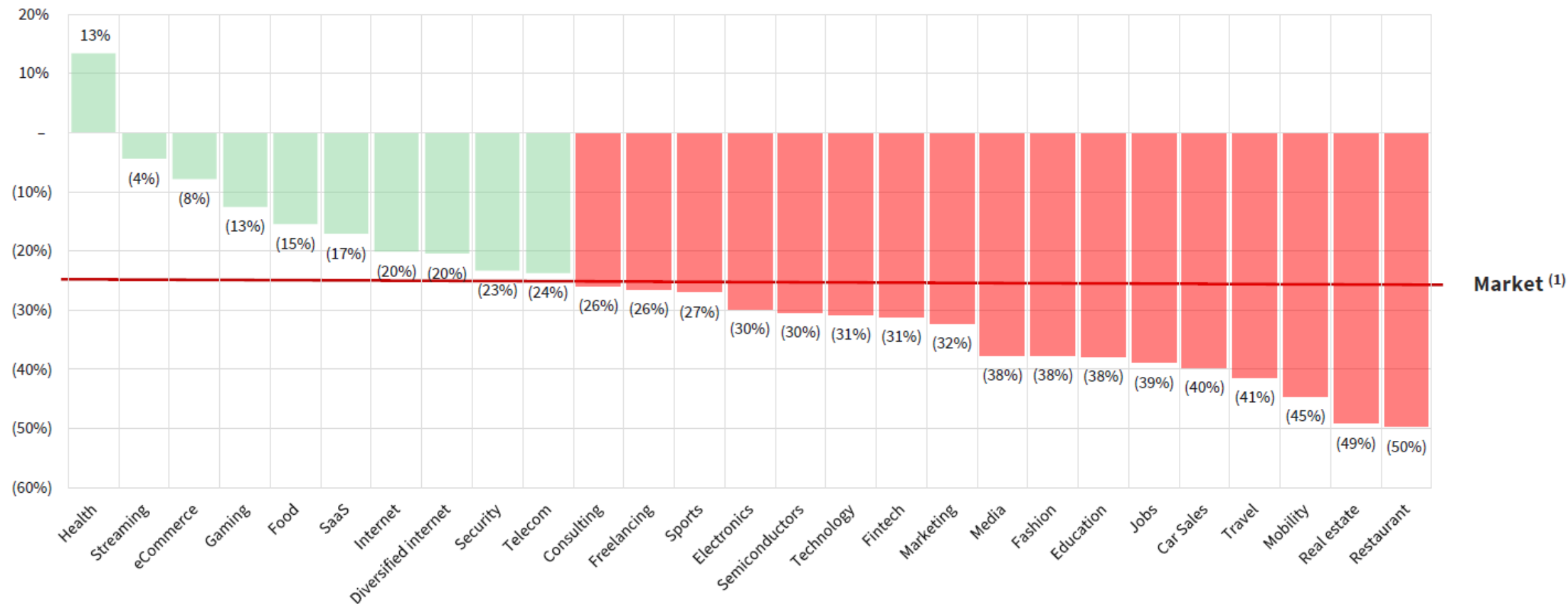


All deals



Health, streaming, gaming, ecommerce, food delivery and (most) SaaS are outperforming the market.

Share price performance since 31 January



Source: Dealroom.co and Google Finance.

1) Note: Nasdaq and S&P500 dropped roughly 25% in the same period.

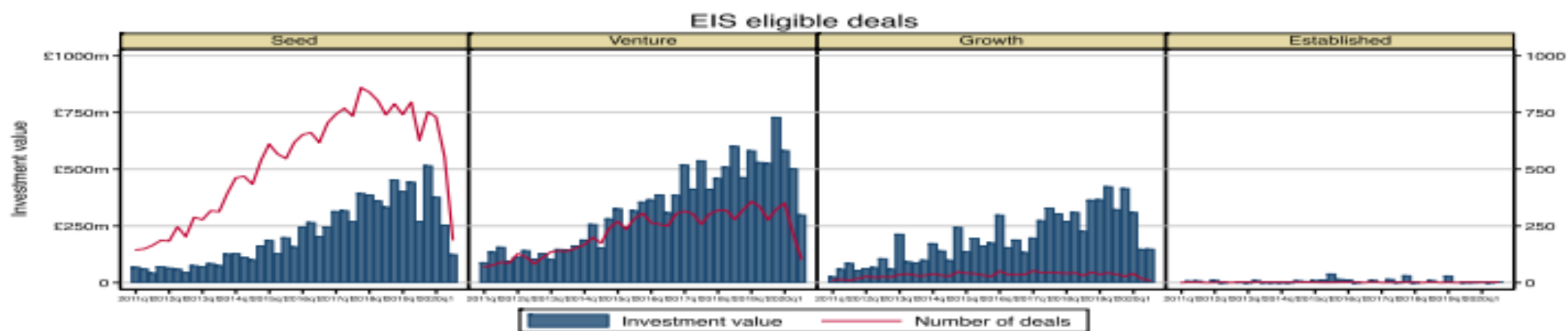
Pre-revenue businesses that had spent time and money developing the business have been caught in the middle. There has been no help with funding or grants and cash reserves are diminishing. Banks are not providing loans to companies that are caught in the middle ground.

Survey respondent

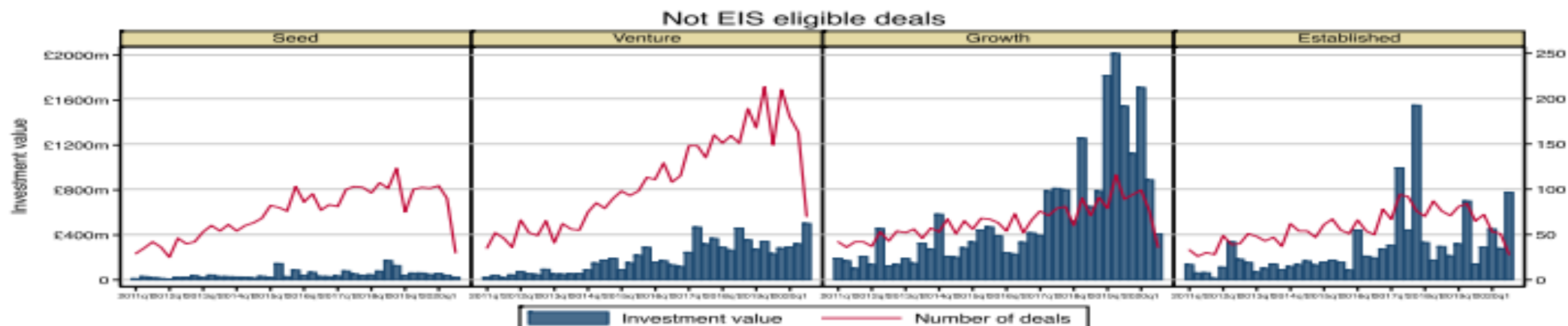
Debt is not an effective solution for early stage businesses as this adds an interest burden and cash flow challenges due to short term repayment obligations. In the face of uncertainty, companies need access to risk capital (equity).

Survey respondent

Figure 1.2 Number of deals and investment value by quarter – stages

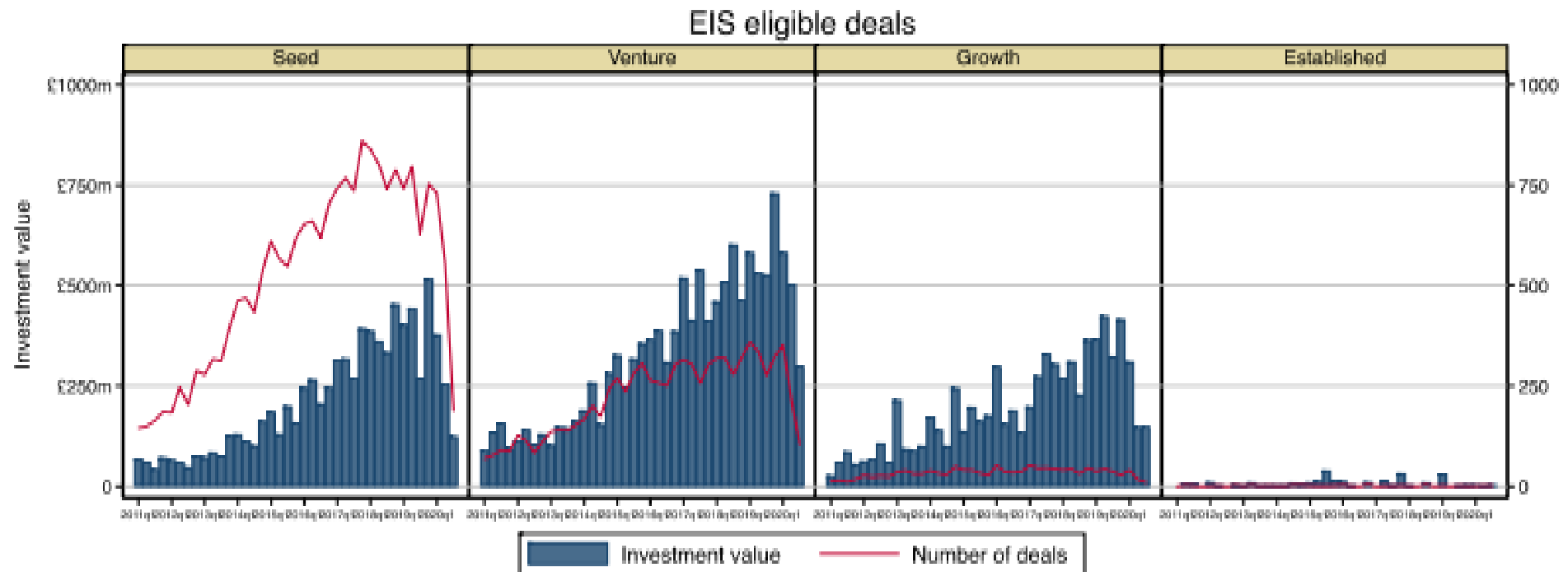


Graphs by Stage of evolution at deal date



Graphs by Stage of evolution at deal date

Figure 1.2 Number of deals and investment value by quarter – stages



Graphs by Stage of evolution at deal date

Panel A: Seed

| Region | Actual stock | | | Estimates of equity gap | | | % of actual | | |
|-------------------|--------------|-------|-------|-------------------------|------|------|-------------|------|------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| East Midlands | 22 | 36 | 14 | 35 | 34 | 35 | 157% | 94% | 249% |
| East of England | 157 | 224 | 213 | 69 | 69 | 71 | 44% | 31% | 33% |
| London | 889 | 1042 | 985 | 247 | 244 | 253 | 28% | 23% | 26% |
| North East | 14 | 28 | 22 | 11 | 11 | 12 | 80% | 40% | 53% |
| North West | 49 | 60 | 60 | 70 | 67 | 69 | 143% | 111% | 115% |
| Northern Ireland | 13 | 12 | 19 | 6 | 6 | 7 | 46% | 54% | 34% |
| Scotland | 70 | 76 | 111 | 44 | 43 | 44 | 63% | 57% | 39% |
| South East | 160 | 325 | 248 | 118 | 117 | 121 | 74% | 36% | 49% |
| South West | 50 | 56 | 76 | 57 | 55 | 56 | 115% | 97% | 74% |
| Wales | 31 | 17 | 26 | 16 | 16 | 16 | 52% | 91% | 61% |
| West Midlands | 27 | 44 | 36 | 46 | 43 | 43 | 167% | 97% | 117% |
| Yorkshire/ Humber | 19 | 39 | 32 | 39 | 39 | 40 | 206% | 100% | 126% |
| Total | 1,502 | 1,960 | 1,844 | 758 | 744 | 768 | 50% | 38% | 42% |

Panel B: Venture

| Region | Actual stock | | | Estimates of equity gap | | | % of actual | | |
|-------------------|--------------|-------|-------|-------------------------|-------|-------|-------------|------|------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 |
| East Midlands | 21 | 25 | 24 | 65 | 71 | 79 | 303% | 280% | 327% |
| East of England | 300 | 412 | 298 | 117 | 129 | 143 | 39% | 31% | 48% |
| London | 1959 | 1893 | 2114 | 346 | 370 | 399 | 18% | 20% | 19% |
| North East | 16 | 43 | 56 | 18 | 20 | 22 | 107% | 48% | 40% |
| North West | 152 | 136 | 166 | 102 | 111 | 122 | 67% | 82% | 74% |
| Northern Ireland | 10 | 7 | 20 | 15 | 15 | 17 | 154% | 224% | 84% |
| Scotland | 139 | 141 | 232 | 68 | 72 | 77 | 49% | 51% | 33% |
| South East | 310 | 421 | 323 | 205 | 225 | 248 | 66% | 53% | 77% |
| South West | 202 | 105 | 104 | 98 | 111 | 123 | 48% | 106% | 118% |
| Wales | 53 | 42 | 54 | 32 | 35 | 38 | 60% | 83% | 71% |
| West Midlands | 61 | 144 | 50 | 81 | 90 | 99 | 134% | 63% | 199% |
| Yorkshire/ Humber | 61 | 36 | 59 | 72 | 78 | 86 | 118% | 218% | 147% |
| Total | 3,283 | 3,403 | 3,499 | 1,218 | 1,327 | 1,453 | 37% | 39% | 42% |

1. Over 89% of surveyed companies feel that relaxing SEIS/EIS rules would lead to a rise in equity funding available to businesses from investors.
2. Almost 97% (121 out of 125) of the surveyed companies agreed that EIS/SEIS investments were important for the growth and development of their company. In turn, 103 out of 125 surveyed companies reported increased revenue as a result of EIS/SEIS investment. Nearly 70% of them reported revenues increasing by more than 50%.
3. As far as the government support in the current situation is concerned, the majority of the surveyed companies said that the measures enabling the access to finance would be the most helpful while other types of support such as tax cuts, fewer bureaucratic hurdles or more flexible labour laws were much less important.
4. 84% of companies agreed or strongly agreed that investments under the EIS/SEIS also have an important impact on employment. 119 out of 125 companies reported hiring more employees as a result of EIS/SEIS investments. Further analysis shows the average number of employees hired is 6 per company. Overall, average employment growth was 86%. Every £1M invested in EIS creates at least 4 jobs within a year of investment. 4,000 companies received EIS funding in 2018/19 meaning the schemes can justifiably claim to have created 24,000 jobs in that one year alone!
5. Companies they perceived that without the schemes it would be difficult for them to find other financing for the company. The investors have a positive impact on revenue or employment and are key to financing their further investment

We are calling for...

1. An increase in the SEIS lifetime allowance from the current £150,000 to £250,000
2. Replace the “age restriction” on eligible recipients of State Aid with a different threshold
3. Ministerial assurances that every effort will be made to ensure the continuation of the EIS & SEIS schemes, particularly beyond the current sunset clause of 2025
4. Further investigation into how money held in pension funds can be used to fund EIS and SEIS qualifying companies.