

Rise in venture capital backed tech in response to pandemic

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The COVID-19 pandemic has destabilised global markets. However, the crisis has encouraged swift adaptations in all walks of life and the development of innovative living and working patterns as a result of lockdowns around the world.

Reliance on technology, in particular, has led to a startling rise in innovation in the health and education industries due to increased demands in these sectors. Venture capital will no doubt serve an important function in funding progress to drive forward these industries and many others in the near future.

Venture investing has become an increasingly popular form of private equity financing. Early stage businesses and start-ups that have either demonstrated a fast rate of growth, or high growth potential, have presented an attractive investment opportunity for venture capital investors. The speculative nature of such a business brings with it a degree of risk, owing to the illiquid nature of this form of investment, however, this risk is often balanced by the prospect of a high return on investment. In exchange for their financial contribution, venture capital investors will commonly acquire large or controlling stakes in portfolio companies, as well as the right to board representation, hence the potential for a high yield.

Preqin reports that between January and March 2020, the total value of global venture-backed healthtech deals jumped by 76% from Q1 2019 to hit \$8.2bn – a 25% increase in aggregate deal value compared with Q4 2019, and the highest quarterly total on record. Some analysts are predicting that the crisis may spur long-term growth opportunities and drive investment across the tech sector.

We anticipate that the appetite for VC funds will continue unabated for the foreseeable future as innovation in tech-driven businesses, particularly in the healthcare and educational technology sectors, makes them increasingly attractive to investors.

The funds team at Ogier acts for a number of high profile VC managers and has significant

experience in guiding managers through the establishment and regulation of highly successful VC funds.

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