# Navigating the Seed stage trends for 2022

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

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## Where are all the angels?

It's clear to us that COVID-19 signalled the start of the mass exodus of professional angels from *private tech investing*. The war in Europe has continued to accelerate this trend and, combined with constant negative news around inflation and interest rates, it all does little to install confidence in an individual's investment ambitions and risk appetite.

The community – especially in the UK – has continued this dramatic downward trend in Q1 of 2022, as proven by our conversations with a number of individuals in the angel and family office space who are simply not active right now.

## Syndicates and platforms

Despite the above, active professional angels have now placed their time and money into angel syndicates and platforms. These offer a lower risk and reward profile, significant time savings and diversification to their wealth portfolios.

Picking up the supply of capital from professional angels is the growing power of larger, successful SEIS and EIS funds, who continue to raise new funds – especially in the UK.

VCs have been clear that they will be very picky when it comes to overall number of investments in 2022. This amplified selectiveness is doing little for inclusivity, and far fewer UK founders have been backed at the Seed stage so far this year than ever before.

This polarisation of greater funding to fewer founders might be a trait of a maturing market, but a number of Series A VCs expressed a concern that this may mean the "thinning of the all-important funnels in the longer term."

# A change in expectations for Seed

The classification of Seed appears to be creating confusion amongst the founders we spoke with. The majority were under the impression that a Seed round in the UK would centre around raising an amount of capital to get them to a point of near scale, complete the technology needed to operate, beef up pilots, drive sales, and grow the team.

However, many VC investors we spoke to felt Seed funding should be distributed to businesses that are scaling, with the criteria of getting the main team in place, complete the technology, and hire sales personnel to drive the business beyond the first £1M in revenue.

# The overseas perspective

Players in Paris, Stockholm, Amsterdam, Madrid and Ireland were all contacted as part of our survey. Again, contrasting the data offered by the various surveys and the media of a "boom" in investments in Europe, some respondents felt that the early enthusiasm of the start of a new year has been extinguished.

On a more positive note, some saw an increased presence from new international funds looking to grow their remits and brand amongst the local ecosystem. But, in general, investment was taking place at a far slower pace than they had hoped for at the start of 2022 and doesn't look likely to improve in the near future.

# The outlook for 2022 and beyond

The UK investment ecosystem appears to be lacking the depth and collaborative nature that once set it apart from other European ecosystems. The EU is still growing, but this may be tempered in 2022. During COVID-19, I would estimate that there was a 80/20 chance of getting Seed funded – now it's very much just the top 5%, or 95/5.

However, the Seed optimists do believe the market could correct itself in 2022 if there is a quicker solution to the wider world's problems. Time will tell!

Chris Lowe is CEO and founder of *NOTWICS*.

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