

About the Rainbow Seed Fund

The Rainbow Seed Fund, managed by Midven Ltd, was established in 2002 by a group of public sector research establishments with the dual aims of increasing commercial exploitation of publically funded research and earning a sufficient return to support its long-term future.

Rainbow Seed Fund invests in the earliest and riskiest stages of technology companies. It has four core partners and six other partners. The Fund has invested in 29 start-ups and provided early commercialisation funding to many other projects.

Further information

www.midven.co.uk
01217 101 990

Core partners



Other partners



Rainbow Seed Fund

10 years of impact

“If Rainbow didn't exist we should invent it. Microbial Solutions wouldn't be there without it.”

Will Pope, CEO of Microbial Solutions Ltd, a Rainbow Seed Fund supported company

This leaflet highlights key points from an independent assessment of the economic and wider benefits of the Rainbow Seed Fund.

October 2013

Helping to bridge the Valley of Death

The Rainbow Seed Fund provides kick-starting finance to technology start-ups that spin-out of publically-funded research, or are based on the partners' campuses. It is notoriously hard for early-stage companies to move from establishment to being sustainable businesses and the first round of finance is always the hardest to find.

Long-term technology development programmes, lengthy adoption cycles of highly disruptive technologies and the difficulty of raising finance all conspire to make the development of most technologies emerging from public research a lengthy process. This has led to this stage in a company's development being tagged the 'Valley of Death'.

It is the Rainbow Seed Fund's role to help companies in the early stages of their journey to sustainability. It does this through investment, strategic support and leverage with private capital.

Economic value

Over the past decade the Rainbow Seed Fund has:

- Leveraged over £150 million of private investment from just £7 million of its own investment – a ratio of over £20 for every £1 from Rainbow.
- Supported 29 technology start-up companies – in sectors such as health, environmental services, international development, and security and defence.
- Bolstered the UK's exports – between 75% and 100% of sales in Rainbow Seed Fund companies are overseas.
- Helped create 172 high value technology-related jobs.

The companies are all still in rapid growth mode. The Fund has already delivered a strong return on investment, with a Gross Value Added (GVA)¹ to cost ratio of 5:1. The report predicts that, as the companies expand and mature, in five years' time the Fund will generate a return on investment of over 30:1 with the GVA totalling £185 million.

The Fund has already had two small but successful realisations and currently holds significant stakes in some very promising companies which are already attracting potential buyers. But the Fund's role and aims are much broader than just the financial return. The Fund plays a key role in the commercialisation activities of the partners in their efforts to create public benefit from science.

¹ GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom: Office for National Statistics.



CASE STUDY ONE

BioSyntha Technology – a very young company – is working with multinationals and using its proprietary systems in industrial biotechnology to create novel fuels and other high value chemicals – and so reduce the UK's reliance on petrochemicals.

Rainbow Seed Fund led the formation of the company as a spin-out from an existing Rainbow investment, negotiating the terms of the spin-off, recruiting the incoming CEO and co-ordinating the new investors.



CASE STUDY TWO

Cobalt's innovative technology can identify substances inside opaque glass and plastic containers rapidly with high specificity. From January 2014 certain liquids will have to be screened in EU airports and Cobalt's Insight 100 product has been selected at many key hubs including Heathrow, Gatwick, Paris and Schiphol largely due to its very low false alarm rate and high threat detection capability.

Cobalt is growing strongly both in this new market and in its original core business of rapid identification of materials for pharmaceutical research and manufacturing. Staff numbers are up from 4 in 2009 to over 24 today.

Rainbow Seed Fund provided the first pump-priming investment pre company formation in 2005 and continued to help with the company strategy and the provision of additional finance.

Wider benefits

Not only does Rainbow Seed Fund deliver economic returns such as GVA and employment, but the activities of the Rainbow Seed Fund have, and will continue to, support the UK economy and society in a diversity of ways, including:

- **Health and healthcare:** Improved cancer treatments, addressing antibiotic resistance and regenerative medicine are all areas in which companies supported by Rainbow are active.
- **Environment:** Rainbow has investments in companies which are helping the UK to transition to a low carbon economy, addressing issues of industrial waste and creating high value chemicals without using oil.
- **Security and defence:** improving airport security – see case study 2 – and improved materials.
- **People development:** Rainbow acts as a bridge between public sector research and private finance, helping to develop the skills and networks of individuals and organisations to harness the potential of research.