FASHION DISTRICT INVESTMENT WORKSTREAM - REPORT 2022

INTRODUCTION

The Fashion District launched in 2018 to unite industry, business, education and the public sector and facilitate innovation in the fashion industry.

Directed by Helen Lax, from London College of Fashion, UAL, it supports the development of fashion and fash-tech companies and provides routes to investment for innovative start-ups with new products, services or business models.

Working across East/North London, the Fashion District is at the centre of a real and virtual network of over 400 start-ups in the UK and abroad. It has become a reference point for the opportunities offered by fash-tech, a catch-all term for the application of disruptive and innovative technologies across the fashion industry.

These technological innovations can be applied to design, manufacturing, retail and can range from those manufacturing alternative bio-materials to those developing AI to predict retail trends.

The Fashion District's activity is guided by five pillars: space, investment, innovation, connections and skills. This means that, alongside delivery partners, the District offers work space, networking events, innovation competitions, skills development as well as an investment workstream where the team offers advice and opportunities to start-ups.

> "The Fashion District as a place is becoming quite recognisable. The brand recognition exists."
>
> *Investor*

THE PROBLEM

As part of its investment workstream, the Fashion District focuses on signposting funding opportunities for businesses often combining tech and sustainability.

"Coming up with new sustainable ways of actually doing fashion is incredibly hard to do at the earliest ages.

"Talent exists but it isn't being financed. I think this could be a huge opportunity."

Investor

However, many emergent boot-strapped start-ups and pre-seed fash-tech businesses both in the UK and in the Fashion District network still struggle to find appropriate investment – be that from VCs, Angels or alternative sources of funding.

"We didn't come from a background where we had loads of rich friends. We didn't know any Angels because we weren't from that background.

We struggled. It was really hard."

Founder

THE OPPORTUNITY

After nearly two years of pandemic-related disruption, global markets are starting to recover. According to McKinsey's State of Fashion report 2022, this has been "propelled by surging e-commerce adoption and domestic spending."

Digital and sustainability are set to offer fashion's biggest opportunities for growth, as fashion companies seek to ensure they act in the interests of customers, employees, contractors, investors and wider stakeholders.

"Many brands will push harder on circular business models, greener materials and more sustainable technologies." (McKinsey, 2022).

Investor interest is shifting along those lines, says Vanessa Romer, Business Growth Manager at London & Partners, the UK capital's business promotion agency. "[Investors] are really trying to think more in terms of all the sustainability solutions and in terms of any tech that can bring the Metaverse into place."

The Fashion District has a growing network of start-ups from across the world who are working within sustainability and fashion. The District seeks to connect them to likely business and investment partners to assist their growth.

The UK ranks fourth globally for venture capital (VC) funding into digital shopping, with London alone attracting $5bn in 2021.

In the UK, online sales have risen 39% from 2019 to 2021.

Annual spending on ethical products, including sustainable clothing and cosmetics, surpassed £120bn in 2020.

London is home to more than 42,800 ecommerce companies, 36% of the UK market share.

London digital shopping companies had a combined enterprise value of $119bn in 2021.

Future of Shopping, 2022
London & Partners

There is potential to build a stronger pipeline of solutions for the industry's sustainability problems. This could be done by better matching start-up investment needs with the investor objective. In turn, this could strengthen investor interest and create a more buoyant and influential innovation ecosystem.

"I know that the Fashion District does a lot of work with the businesses around getting ready for funding, preparing decks, and demystifying the investment, as well as breaking down the barriers and allowing those businesses to have a bit of dry run-in front of a friendly investor. I think more initiatives like that will only be a positive thing."

Investor

THE REPORT

As part of its investment workstream, the Fashion District is delivering a plan to strengthen routes to investment for emergent boot-strapped start-ups and pre-seed fashion and fash-tech businesses in the UK.

It started with a phase of proactive research in order to identify investors, VCs and Angels interested in sustainability, fashion or both. This is part of a plan to expand the network of Fashion District investors in the short, mid and long term.

The report was compiled after in-depth interviews with a variety of VCs. Mainly based in London, they invest in sectors including retail and manufacturing tech, supply chain and logistics, transparency, circular economy, digital innovation and the Metaverse. They invest in businesses at a variety of stages from pre-seed to seed and Series A.

The investors were asked questions about what types of start-ups they are looking for, how they like to be approached by brokers and about market prospects more generally.

To keep them anonymous, we have compiled two profiles which reflect their investment interests.

THE INVESTOR PROFILES

Investor Profile A: Focuses mainly on pre-seed start-ups.

Investor A invests in mostly pre-seed rounds. Their average cheque size in an investment round is £150,000. Average ownership across the investments is 8%.

The tech element is vital for this investor: “I don’t think that simply having a brand and a core mission is good enough anymore. There has to be some sort of intrinsic IP [intellectual property] connected to it and that’s where I see the tech.”

The investor believes that this IP ensures the start-up cannot be wiped out by competition and is easier to value on exit.

Their priority is: “Definitely the sustainability angle above anything else followed by innovations in materials or products.”

> “People want sustainable products or at least they think they do. What we haven't seen yet is purchasing data to show that they will spend more on sustainable goods.”
>
> *Investor A*

Investor Profile B: Focuses on Series A.

The average cheque size of investor B is £3m and their firm’s average ownership across the investments is 10%.

The start-ups they invest in have an applicable use case: “We need to see that there’s a business model today.”

“We want to see high-growth businesses, and we want to typically see a five-time return on our money. We’ll be looking to do a one-million-pound investment and typically at that stage, the business will have already established a board and processes and systems. It will have a CFO – either part time or full time.”

They like to invest in “anything usually with a tech angle … You don’t see a lot of money going into necessary a pure fashion play unless they’ve already established themselves.”

They will play an active role in the start-up’s development: “We have an advisor panel and quite a few of our Limited Partners (LPs) are on that as well.” These LPs often have restricted voting powers and no daily involvement in the business.

> “We want to run an ethical sustainable fund and we don't want to fund anything that's outside of that.”
>
> *Investor B*

THE START-UPS

The Fashion District's start-up network has been built through innovation challenges, networking events and meetups.

These start-ups are all at different stages in their life cycle. Some of these start-ups are looking for VC funding. Others may be looking for other types of funding or do not yet meet investor objectives.

This report is intended to help the Fashion District support all of that pipeline.

A typical business looking for investment within the Fashion District network primarily consists of sole or co-founders with minimal staff. The start-up is looking for funding to grow, pay founders and staff, employ more people as well as to conduct R&D or app development. The sums of money businesses are seeking range from £25,000 to several millions.

It is important to note that the Fashion District may act as a broker but it does not get a commission.

Within this report, there are four case studies of start-ups in the Fashion District network which have successfully found the right funding for their stage of life cycle.

Materra: an ag-tech company growing sustainable cotton. It raised $4.5m in its June 2022 seed funding round.

Dotte: a marketplace for childrenswear which completed a successful crowdfunding campaign in April 2022.

Sparkbox: winner of the Fashion District Retail Futures Innovation Challenge. It raised £1.5m in seed funding in March 2022.

Biophilica: winner of the Fashion District Manufacturing Futures Innovation Challenge for its leather substitute and secured £1.2m in seed investment in April 2022.

> "The start-ups that are most attractive to investors are those using tech, engineering or science in order to solve sustainability issues for a part of the fashion industry."
>
> *Helen Lax, Fashion District*

ALTERNATIVE SOURCES OF FUNDING

Alternative sources of funding can be more suitable for certain start-ups and put them in a better position to secure venture capital later. “It's more about finding the right capital for your funding needs,” says Esme Verity from Considered Capital, an alternative funding school for founders.

“[VCs] have now become the sort of the dominant funding model here in the start-up space, particularly when you're looking at tech,” says Verity. “There are other forms of funding that people need explore, especially early on in the business. Many will be too small for a VC and they will waste a huge amount of time chasing VC funds.”

Loans, revenue-based funding, R&D tax credits, crowdfunding or peer-to-peer lending may turn out to be more suitable at a certain stage in the start-up’s life cycle. Grants from universities and other public bodies can help, particularly with start-ups needing to do a lot of initial R&D.

Mini Glossary

Revenue-based funding: Investors provide capital in return for a fixed percentage of ongoing gross revenues.

R&D tax credits: Companies researching and developing (R&D) new products, processes or services can receive a cash payment and/or Corporation Tax reduction.

Crowdfunding: Raising money from a large number of people, usually via the internet.

Peer-to-peer lending (P2P): Online services that match lenders with borrowers without going through financial institutions.

“Our job is to support start-ups find the appropriate next step for their business journey including the right sort of investment for them. This could be through a range of investment opportunities from VCs, Angels, crowdfunding, social-impact funding, grants, loans etc. It also involves connections to accelerators and incubators - if this is the right step for the start-up.

“VCs are part of the story but not all of it.”

Helen Lax, Fashion District

IN THE SHORT-TERM (6-12 months)

The issue:

The District wishes to increase its impact to start-ups, its reach into investors in the UK and to develop alternative ways to fund itself. However, it needs the tools, time and resources to develop these ideas further.

> "I would say there's not many specialist investors in the space. So, it can be hard to access finance."
>
> *Investor B*

The solution:

Automated support would enable the Fashion District to track at scale the start-ups across all its channels, programmes and touchpoints. This would allow it to identify start-ups offering an interesting opportunity for Angels or VCs. It would help manage key relationships with investors, angels and corporates.

- The tool should be designed to better enable the District to map and maintain proactively its investor network at each stage: Angels, pre-seed, seed and Series A +.
- The digital infrastructure will better enable the District to generate funding and sponsorship for its network of start-ups. It would also enable the District to explore providing deal flow to VCs and Angels using a referral model.
- Once established, a key activity would be to map its investor network across all early stages and include custom categories and sectors in its CRM (Customer Relationship Management). The District's categorisation structure for fashion tech start-ups should be similar to that used by the investors the District is seeking to serve.
- Many VCs use Affinity as a CRM system.

> "Map out who the investors are, what stage they invest in, who are the kinds of Angels that invest in in this space."
>
> *Investor B*

The impact:

- A more sophisticated view of the start-ups in the District network across stage, sector and key founders.

- An ability to maintain, measure and improve relationships with key individuals including Angels, VCs and large corporates interested in fash-tech and sustainability-focused start-ups.

- Improved sight of gaps in the District investor network at each stage so that it can proactively execute an outbound strategy as needed.

IN THE MEDIUM-TERM (12-18 months)

The issue:

The District needs to develop and build an investment workstream that supports early-stage fashion and fash-tech businesses with the potential of being VC backed, while also providing meaningful support for the many businesses that won't ever get to a VC round.

The different roles of the Fashion District are therefore various, distinct and need careful articulation to ensure investors are clear about the District offering.

> "I can imagine that the Fashion District has got a lot of founders who are responding to a problem or a cause with their business, rather than deploying a piece of technology to innovate. That's the key differentiator in terms of companies that are highly innovative and those that aren't."
>
> *Investor A*

The solution:

- The District is far more open and front footed on what it means by fashion-tech start-ups. The District provides more clarity on the start-ups that it is seeking to serve.

> "I think the start-ups at the Fashion District always have founders with great energy and great tenacity, who are trying to carve out what their business model might look like or will look like. Quite a few of them are still in the experimental stages."
>
> *Investor B*

- The District must better articulate the value of its investment workstream to become more enticing to investors and start-ups alike.

- Provide evidence that a fash-tech start-up supported by the District is more likely to achieve a positive outcome (raise VC investment, Angel round, get a grant or be provided support that had a meaningful impact on their business at the earliest of stage etc).

  The District must shout much louder about its successes.

> "In terms of fashion tech businesses, we've seen quite a few that came from the Fashion District and then they've gone on to raise funds. And it's really good to see those guys that are graduating post Fashion District. I think it takes a little bit of time for them to reach where we would be reviewing them at Series A level but there are definitely businesses that are starting to trickle through."
>
> *Investor B*

- The District should distinguish the offer of investment support between:

  1. Start-ups on a venture track who may have raised or are looking to raise from Angels, or their first institutional round at pre-seed or seed. (This would be application or invite only.)

  2. All other fashion businesses (via scalable online programme of support).

  The online programme may include:

  - Support accessing grants specific to businesses solving sustainability problems (may just be a public airtable (online database), that is updated by the crowd and shared by the District on demand (to the start-ups) and supply side (to the grant providers).

  - Support on how founders of fash-tech businesses can use no-code development tools and platforms which don't need any coding experience. This will allow founders to test product and market fit by prototyping and experimenting without website or app developers. This is a key step before the first institutional round.

- Partner with two or three VCs and their funds to build out the programme that attracts start-ups into the District funnel thus introducing investors to the businesses at an early stage.

  The programme would need to include a programmatic approach targeted at underrepresented founders. This is a point of differentiation for investors who are looking to diversify and could therefore be a hook for VC partnership.

  Key targets for the programme may be Bethnal Green Ventures, Sustainable Ventures, Ascension Ventures, Speedinvest and True.

> "In my opinion the District should exist to deliver fair opportunity and open opportunities to every entrepreneur they possibly can. Unfortunately, there aren't many VCs in the space who are open to looking at everything."
>
> *Investor A*

- Develop an online pitching platform to connect investors to relevant founders. Specific product examples that the District may build towards include The Seed Stage.

- Support demystifying how the Angel market functions in the early stages in the fashion tech market in the UK. The District may consider commissioning a report specifically on understanding the Angel market for fashion tech start-ups in the UK. The market is very opaque and there is significant opportunity in being seen as having unique insight into the angel markets as it attracts VCs and start-ups alike. This could lead to a similar approach to partnership as with the VC network.

> "My advice is always if you're building something that is slightly slower or is going to deliver a different returns protocol than a VC would expect, then you should be speaking to Angel investors where it's highly tangible to them and they're built into the thesis and the mission."
>
> *Investor A*

The impact:

- VCs and the District feel more aligned on the specifications of a VC-relevant fashion tech start-up supported by the District.

- An online programme allows the District to expand its reach of fashion and tech start-ups operating in the UK. The District formalises a scale and online offering that supports an early-stage start-up outside of those who can easily travel in person into East London.

- The VC partnership allows the District to deepen its relationship with a set of key investors who can be used as trusted and critical friends as the District grows its ambition over 12 to 24 months. Critically these are investors that operate in fashion tech at pre-seed and seed which may be the most relevant stage for the District at this time from an investment lens. The District maintains a strong relationship with a small set of key VCs in this space while it builds out a more automated and sophisticated investor outreach strategy and ambition.

- The District starts to develop insight into the Angel market for fash-tech start-ups in the UK. The District begins to establish its reputation as a key hub of insight into the angel market for fashion tech start-ups in the UK.

"The problem with the Angel market is that it's quite hard to access. So, I will get lots of early-stage businesses asking to be connected to Angels. And unless we have kind of a really strong relationship with them, it's very hard to pass on deals.

"Because otherwise it would just be an influx of deals coming their way and that is not good for our relationship either."

Investor B

IN THE LONG-TERM (18 to 36 months)

The issue:

The District's investment workstream needs an evolved vision, a vision ambitious enough to attract new VCs and investors into its workstream. This will enable VCs to connect with the Fashion District as a brand rather than rely on introductions.

The vision:

The new vision may make it easier to sell itself in funding applications and sponsorship discussions.

The District explores setting a new ambitious three-year strategic vision. This may formally include declaring its intention to:

1. **Become the most effective and sophisticated source of deal flow in the UK for early-stage deals for Angels and early-stage VCs looking to invest in fashion and fash-tech start-ups with solutions for sustainability.**

2. **Set out the feasibility of a physical location within the District that provides early-stage founders with facilities to prototype and experiment and achieve product market fit.**

   This would be prior to going to VCs. It would care for those building in markets/sectors that are capital intensive and may be too risky for early-stage capital without significant proof points.

3. **Become a byword for fashion innovation in VC scouting.**

   This could be done by joining a scout network and leveraging the specific fash-tech entrepreneur networks the Fashion District is known for.

   A useful test case might be Open Scout innovation. The District can gain knowledge and build a reputation for providing relevant deals.

This could become a possible source of revenue for the District. It would enable the District to scout for several types of funds at the same time. This could be done either as an individual (Helen) or as a company.

CONCLUSION

What is clear from talking to a variety of investors is that the service the Fashion District seeks to provide is in demand and is valued.

In the short term, the District needs to have a better grasp of which start-ups are in its network, what stage they are at (Angels, pre-seed, seed and Series A +) and which funding sources might be suitable in terms of raising the right kind of finance at the right time. Concurrently, the Fashion District needs to expand its network of investors and identify relevant VCs and Angels as well as other funding sources. This could be done with a suitable CRM system.

In the medium term, the District needs to design a separate support system for those start-ups with VC potential and those which may not attract VC interest but could still go on to build a viable business. The latter could be helped through online support.

Start-ups more suitable for investment could introduced to VCs through a partnerships scheme or through an online scouting platform. For this to happen, the District needs to better articulate which start-ups they are introducing to investors and why. There is also a huge opportunity in terms of Angel investors, particularly now due to changes in EIS and SEIS. There is space for the District to carve out a role in identifying them and building relations between those Angels, start-ups and VCs.

In the long term, there is a real potential for the Fashion District to become a springboard for VC funding and a pioneer in the fash-tech investment world.

The Fashion District has the opportunity to become the most effective and sophisticated source of deal flow in the UK for early-stage deals for Angels and VCs looking to invest in fashion and fash-tech start-ups with solutions for sustainability.

As fashion industry continues to expand, and sustainability in all its guises becomes more vital, the opportunities the Fashion District has to grow are huge. And as part of that, it needs to promote its successes and those of the start-ups it supports.

CASE STUDY 1: SPARKBOX

When the fash-tech start-up Sparkbox won the first Fashion District Retail Innovation Challenge in November 2019, the team only had one case study and one customer. The prize of £15,000 allowed them to hire an intern who is still with the business. But it was worth more than money, says co-founder Lindsay Fisher.

“We met potential clients through it. We met potential advisors through it. I met a journalist who nominated us for the Forbes 30 under 30.” The Challenge provided them with the kickstart they needed. Three years later, Sparkbox raised £1.5m in seed funding.

The start-up uses machine-learning to forecast demand for fashion items at a product level and help merchandisers make data-driven decisions. By optimising pricing, buying and merchandising decisions with Sparkbox technology, retailers can improve profitability and reduce waste in their supply chain. Many of these big retailers are still using basic technology. “There's a lot of unused big data in the retailers,” says Fisher. “It’s a really good use case for artificial intelligence because there’s a lot of data to support making a good decision.” And sustainability is a valued result for customers. “By making sure you're buying the right things in the right quantities, you can reduce waste.”

Customers like River Island and Matchesfashion are convinced. They onboarded the high street brand in 34 days and improved its profitability by 34% during the trial. They've now been working with the brand for nearly two years and it has consistently seen a two to five per cent uplift in margin rate. “This is really significant for a fashion retailer,” says Fisher.

In 2020, Sparkbox raised £150,000 worth of SEIS funding from AI Seed which provided a cushion during the initial stages of the pandemic. The start-up was profitable by 2021 which set the team up well for negotiations with the VC Praetura Ventures. “They liked that we had bootstrapped the business and that we had achieved a lot with very little funding,” says Fisher.

FUNDING JOURNEY

Founded in 2018 by Lindsay Fisher, Matthew Wong and Kevin Blackmore.

They previously worked together in management consultancy.

Initially self-funded.

Win the Fashion District Retail Innovation Challenge and a £15,000 prize (November 2019).

Named a Tech Nation Rising Star in February 2020, Sparkbox was part of the Tech Nation Applied AI cohort

Raise £150,000 SEIS funding from a VC called AI Seed in London (2022)

Win an Innovate UK grant of £50,000 (2022).

Secure £1.5m in Seed funding from Praetura Ventures (2022).

Find out more.

“We went with Praetura because they had relevant experience in this space,” she says. Former Apple executive, now Praetura partner, Colin Greene is on their board. The investment also allowed them to double their team from six people to 12 this year. For now, the priority isn’t fundraising but to quadruple the business in the next 18 months, says Fisher. “We're just trying to get more of a product in the hands of more customers, build up great case studies and expand the business.”

CASE STUDY 2: DOTTE

Louise Weiss is very clear about where the value lies in Dotte, the kidswear resale marketplace that raised £473,000 in a crowdfunding campaign in April 2022. "What makes a marketplace successful is community and brand. Look at Depop, who exited for however many billion last year," says Weiss. FYI, it was $1.6 billion and its former COO Dominic Rose is now on Dotte's board.

Weiss and Samantha Valentine founded Dotte because they were frustrated by the lack of options for buying second-hand childrenswear. "Reselling an item of clothing is one of the quickest and easiest ways to reduce your fashion carbon footprint and to avoid sending an item to landfill," she says.

They funded the business themselves with the help of a small scholarship that Weiss had received for her former start-up. They launched the website for UK's first fully circular online peer-to-peer marketplace for children's clothing in November 2020.

Their first raise in April 2021 was not easy, with Weiss speaking to nearly 140 investors until the Start-up Funding Club decided to invest £165,000. "They took a punt on us," she says. "Thankfully they put in a very large ticket." Founders Factory followed with £30,000. Helen Lax, the Director of the Fashion District, referred them to London Fashion Fund, the fund associated with District, which contributed £25,000.

In September 2021, Dotte took part in the Fashion District Festival with their pop-up shop in Westfield Shopping Centre. Partners like M&S, Clarks and other more niche childrenswear brands came on board. "These brands know it's what their customers want," says Weiss. "Everything's moving away from horizontal, broad, aggregated shopping experiences to more niche life-stage-specific platforms," Weiss says. "There's a lot of opportunity out there"

The April 2022 raise was equally challenging. They were advised to seek venture capital but found it difficult. "Because it's early days in this market, VCs want to sit back and watch to see who's going win and which horse to back," says Weiss. It gave them less time to look for other sources of funding.

Dotte then raise a series of Advanced Subscription Agreements (ASA), from Angels. ASAs are equity instruments where investors 'pre-pay' for shares in a company. This tided them over until their crowdfunding campaign on the Seedrs platform. They raised their target within 10 days and had to shut the campaign early.

Among 25% of shareholders are customers and others found them on Seedrs, including the Global Brand director of Farfetch, a Net-a-Porter executive, and others from the worlds of fashion and advertising. "We really resonated with them because we've built a brand," says Weiss. "People who understand brands like that can see the business value in it.

FUNDING JOURNEY

Founded in 2019 by Louise Weiss and Samantha Valentine.

Self-funded with £100,000 from savings and an entrepreneurship scholarship.

Raise £375,000 in their pre-seed round with Start-up Funding Club, Founders Factory and the London Fashion Fund (April 2021).

Raise £473,000 on Seedrs (April 2022).

Find out more.

CASE STUDY 3: MATERRA

In 2022, ag-tech start-up Materra raised $4.5m in a seed round co-led by H&M Co:Lab and Invest FWD. They are already thinking about their next round. “You don't really get time to breathe when you start a company,” says founder Edward Brial.

Brial, Edward Hill and John Bertolaso came up with the idea for more sustainably grown cotton in 2018 after meeting at the RCA, and half a decade working in sustainability, design and engineering. Conversations lead to trials growing cotton plants in a home-made tent, and then onto a hydroponic farm in Essex in 2019.

Fashion companies seemed to like the idea for a growing cotton in water-efficient way, without fertiliser, herbicides and pesticides. “We saw there was interest from the industry for alternative supplies of cotton with a reduced impact,” says Brial.

Their acceptance onto the ClimateKIC accelerator and the €45,000 grant allowed Brial and Hill to go full time. They were accepted on the Fashion for Good (FFG) programme and the Shake accelerator scheme in 2020. They were ready to start looking for £300,000 worth of investment. Then Covid hit.

Conversations with fashion brands were put on hold. Without a ready-made network nor much experience raising funds, prospects looked bleak. Fashion for Good, the fund associated with Fashion District, had promised them £25,000 but only provided they had secured all the other funding.

In the end, Fashion District Director Helen Lax passed on their pitching deck to the PDS group who became the lead investors. Things then moved quickly. “This was a fund backed by a single limited partner so they can make really quick decisions. They saw our pitch deck and had a follow-up meeting and then it was into due diligence and negotiation.” Materra raised £400,000 in total. They hired a lead data scientist, project manager, and other staff.

FUNDING JOURNEY

Edward Brial, Edward Hill and John Bertolaso start Materra in 2019.

Accepted onto the Climate-KIC, Europe's largest public-private innovation partnership focused on climate innovation in 2019.

Join the Fashion for Good accelerator in 2020.

Accepted on the Future Fashion Factory programme and receive a grant of £60,000 to test cotton fibres.

Join the SHAKE climate change accelerator in 2021.

Raise £400,000 in their pre-seed round in 2021 from PDS, Evenlode and the London Fashion Fund, the fund associated with Fashion District.

Raise $4.5m in their Seed funding round, co-led by H&M Group and Invest FWD (BESTSELLER Group).

Find out more

In 2021, they used the cotton that they’d grown in the UK on a micro pilot with COS, part of H&M. Soon after Materra started a two-year funded pilot in Gujarat with Fashion for Good, Kering, PVH and Arvind. The $4.5m raised in April’s seed round will be spent on expanding its team, building new partnerships to accelerate product development and, of course, preparing them for the next funding round.

CASE STUDY 4: BIOPHILICA

In April 2022, the start-up Biophilica secured £1.2m in seed investment. Their lead investor, Rhapsody Venture Partners, actually reached out to them. "It's a weird transition when you realise that, instead of you pursuing, people are coming to you," says Jordan Berkowitz, husband of founder Mira Nameth, and head of strategy and marketing at Biophilica.

Founded in 2019, Biophilica is behind Treekind, a flexible, leather-like material, made from urban plant waste, agricultural waste and forestry waste. Local, fully biodegradable, and recyclable, it has far less environmental impact than leather, whose production and processing uses large amounts of water and emits harmful chemicals.

Much of their early investment came from grants and accelerators. Financing from Innovate UK and the Sustainable Innovation Fund (SIF) in 2019 allowed Biophilica to hire a material science team and bring in outside consultants. "That's really one of the joys and benefits of the grant landscape in this country. There's a lot of operating capital out there," says Berkowitz. "I'd say the biggest challenge many face is that you just need a little bit of cash flow."

In September 2020, Biophilica launched a crowdfunding campaign. "We needed to raise some money," says Berkowitz. The £10,000 tided them over until they were accepted on the Sustainable Ventures accelerators programme. This culminated in a £210,000 pre-seed round in April 2021.

Joining accelerators and winning prizes like the Fashion District's Manufacturing Futures Innovation prize in September 2021, have the added benefit of raising their profile among potential funders. These are some of the investors now reaching out to them.

Thanks to an introduction by the Fashion District, Biophilica will be participating in the Institution of Engineering & Technology's national competition to encourage the study of STEM subjects at school. Biophilica will help design a prototype of a biodegradable backpack. "The publicity is not unimportant," says Berkowitz. "There is value to having your name out there."

FUNDING JOURNEY

Biophilica founded in 2019 by Mira Nameth.

Awarded a £190,000 grant from Innovate UK March 2019 – March 2020.

Accepted on the Central Research Lab accelerator in 2019 and awarded £5,000 for a 3% equity stake.

Raise £10,000 on Crowdfunder in September 2020.

Accepted on the Sustainable Ventures accelerator which invested £125,000 in April 2021. £210,000 raised in total with additional investment from friends and family as well as an Angel investor.

Win the Fashion District's Manufacturing Futures Innovation prize in September 2021 and awarded a £15,000 prize.

Secure £1.2m in seed investment from US-based investor Rhapsody Venture Partners in April 2022.

Find out more