



UK Tech Ecosystem Update

London Tech Week

June 2020

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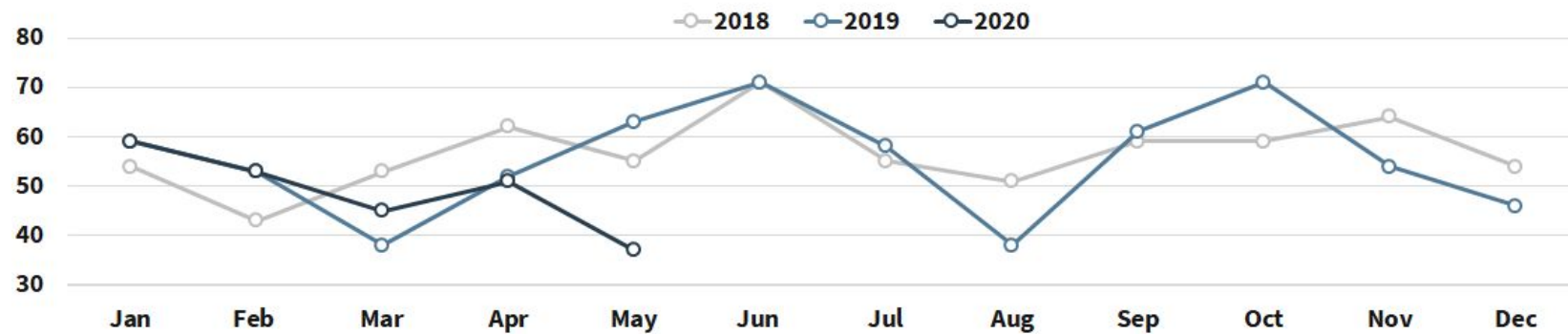
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UK tech companies continue to raise hundreds of millions every month, and VCs are still active in H1 2020.

Monthly venture capital investment amount



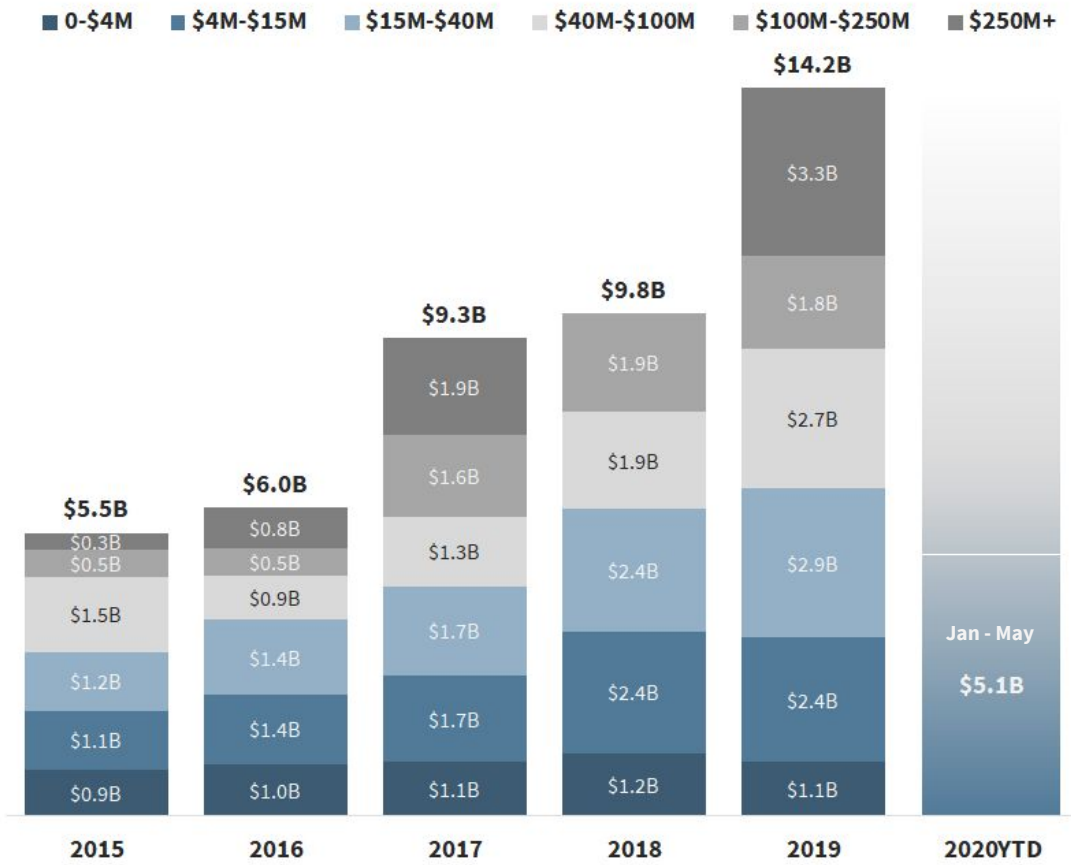
Monthly number of venture capital rounds >\$2 million



- VC is a lagging indicator, with much month-to-month volatility
- The impact of Coronavirus will become more apparent over time
- UK government co-investment Future Fund opened 20th May, boosting funding prospects
- Significant funding rounds are still being closed

UK startups are better capitalised than ever, after raising record amounts of venture capital. There have been 15 UK rounds over \$80M in 2020.

Venture capital investment in UK by round size

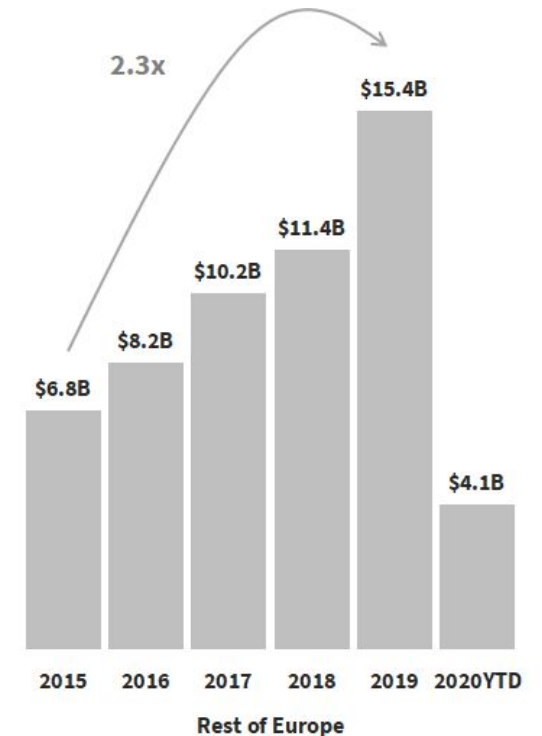
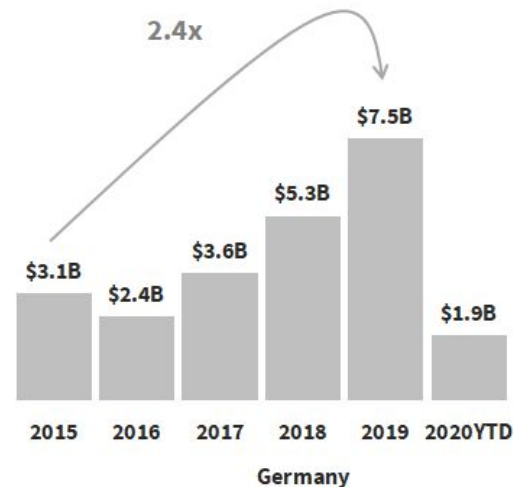
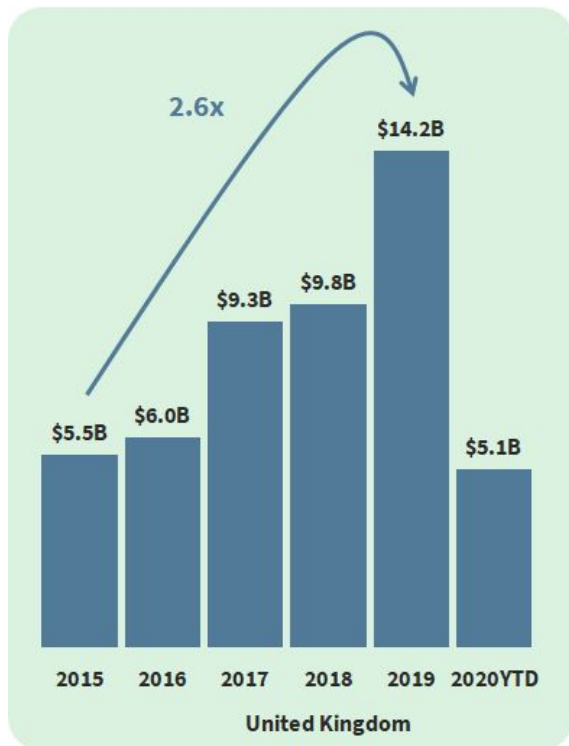


Top UK rounds in 2020

 \$500M Series D	 \$360M Late VC	 \$150M Series C
 \$150M Series D	 \$120M Late VC	 \$130M Series B
 \$103M Early VC	 \$100M Series D	 \$94M Series C
 \$99M Growth Equity	 \$87M Late VC	 \$83M Series B
 \$80M Series E	 \$80M Series C	 \$80M Series B

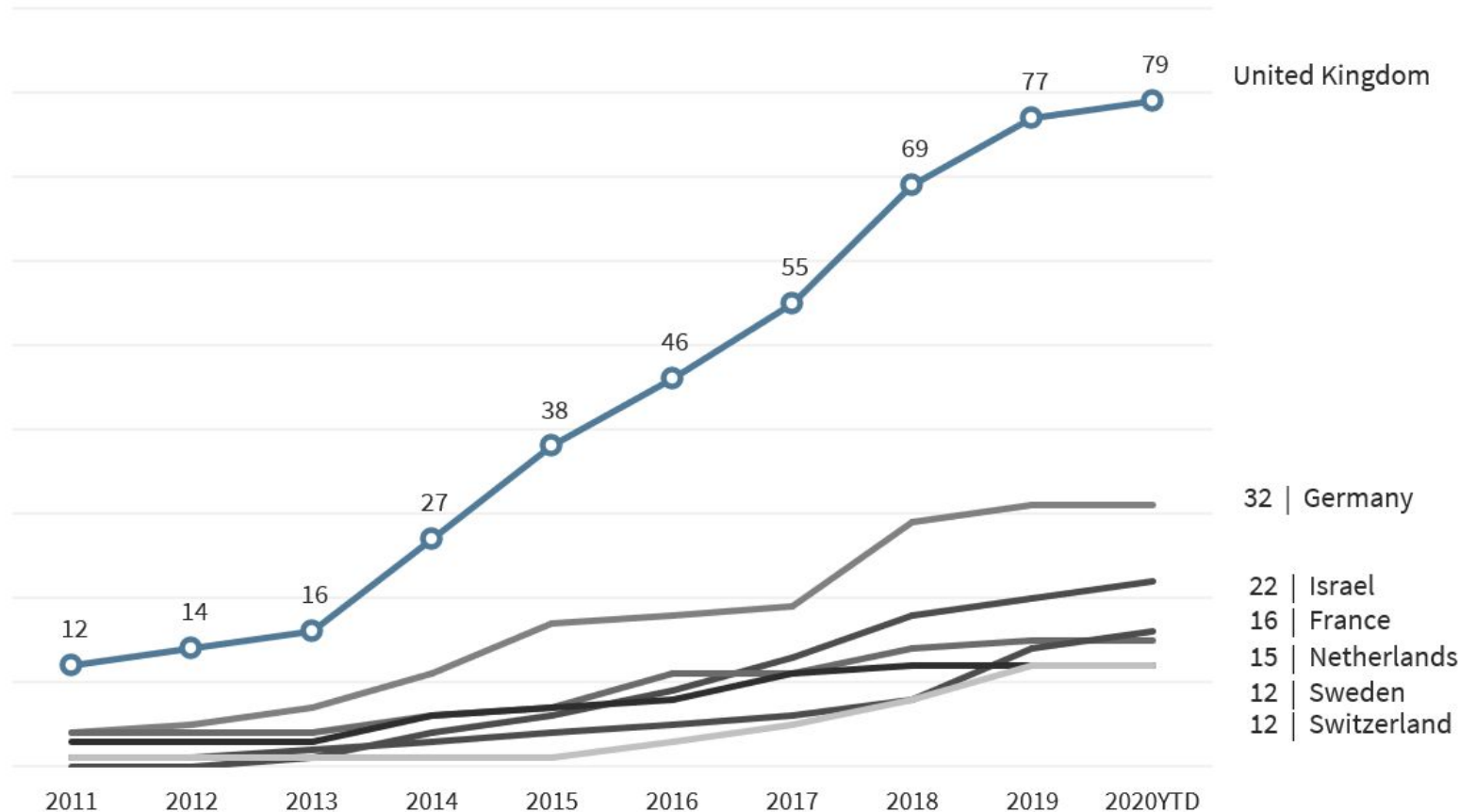
Despite challenging macro conditions, UK tech is still outperforming all European neighbours in 2020.

Venture capital investment



Investment data for 2020 until May 31st.

The UK ranks #1 in Europe for unicorns, built on a decade of consistent growth.



Source: Dealroom.co.













New unicorns since last London Tech Week

United Kingdom: 7	Israel: 6
France: 4	Germany: 3
Rest of Europe: 3	

A generation of world-leading UK scaleups were born during the last financial crisis.

Tech companies founded between 2008-2011

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Fintech	 2011 Valued at \$3.5B (May 2019) \$360M Total funding Private	 2011 Valued at \$3.5B (Oct 2019) \$1.6B Total funding Private	 2009 Valued at \$893M (Nov 2019) \$111M Total funding Acquired
Marketplace & Energy	 2008 Valued at \$4.5B (May 2020) \$638M Total funding Public	 2008 Valued at \$2.7B (May 2018) \$30M Total funding Acquired	 2008 Valued at \$1.2B (Nov 2019) \$240M Total funding Private
AI & Deeptech	 2010 Valued at \$480M (Jan 2014) N/A Total funding Acquired	 2008 Valued at \$250M (Feb 2016) \$20M Total funding Acquired	 2008 Valued at ~\$216M (May 2020) \$99M Total funding Private
Healthcare	 2008 Valued at \$780M (Mar 2020) \$445M Total funding Private	 2008 Valued at \$620M (May 2020) \$98M Total funding Public	 2008 Valued at \$200M (May 2020) \$60M Total funding Public

- The last financial crisis instigated an entrepreneurship boom in the UK
- “Silicon Roundabout” was coined as a joke in 2008 about a small cluster of startups; there are now over 35,000 startups & scaleups across the UK
- The UK’s first co-working spaces opened in 2008/09; there are now 260 across dozens of UK towns and cities
- With a highly-paid, work-from-anywhere workforce, the UK tech sector could be a resilient employer
- With the right skills and incentives, we could soon see the birth of the next generation of UK tech scaleups

The UK also ranks #1 in Europe for potential future unicorns, with over 100 companies valued at \$250M-\$800M

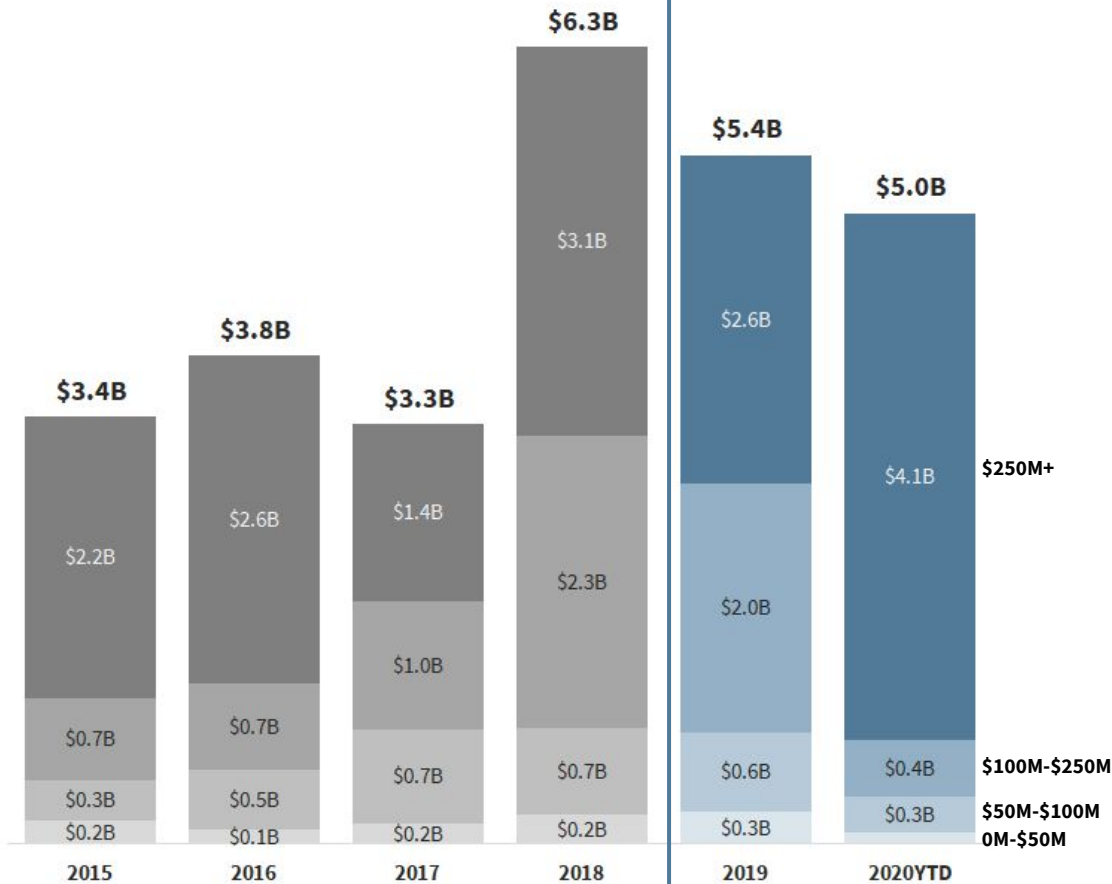
Number of potential future unicorns



Source: Dealroom.co.

UK VCs have record levels of dry powder ready to deploy in 2020 and beyond.

New funds raised by VCs in UK

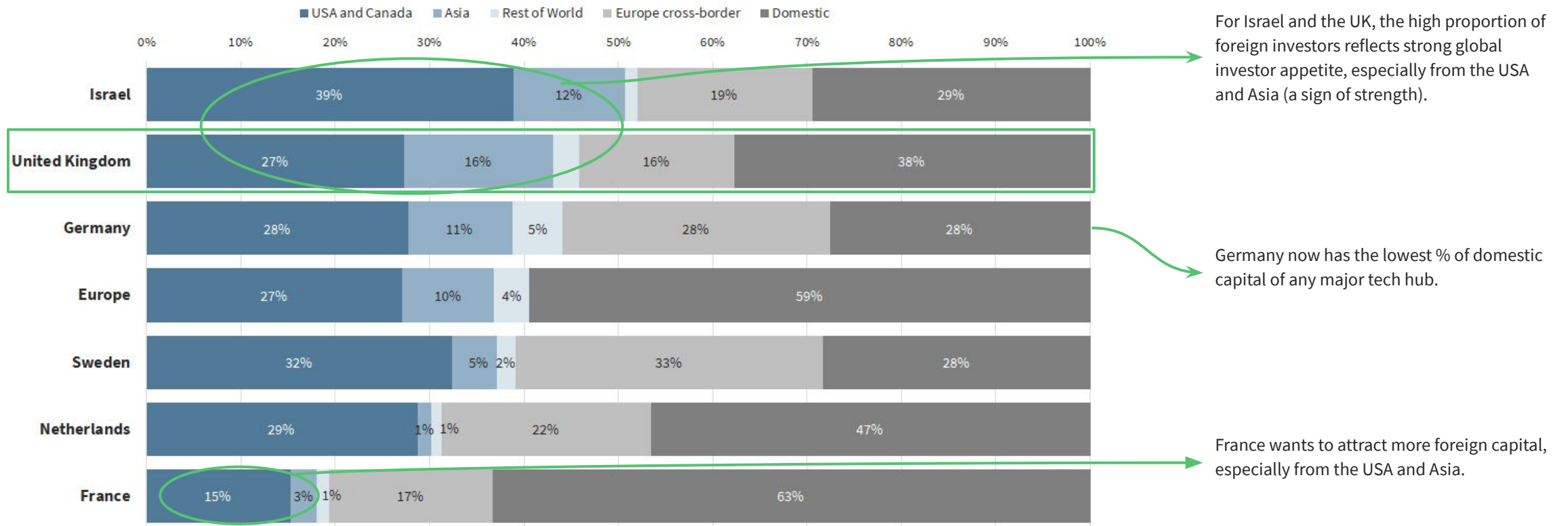


Over \$10 billion raised by VCs in UK in 2019-2020 alone. Almost half of the \$22 billion raised by European VCs.

Seed	Series A+	Growth stage
Entrepreneur First \$140M Feb 2019	Index Ventures \$2B Apr 2020	Highland Europe €463M Jun 2018
Local Globe \$115M Jun 2019	Atomico \$820M Feb 2020	Baillie Gifford \$477M Mar 2019
Entrée Capital \$100M Apr 2020	Lakestar \$735M Feb 2020	Eight Roads Ventures \$375M Mar 2018
Seedcamp \$81M May 2018	Northzone \$500M Nov 2019	OMERS Ventures Europe €300M Mar 2019
London Venture Partners \$80M Sep 2019	Balderton Capital \$400M Nov 2019	Latitude : \$180M Dec 2018
Stride.VC \$63M Jun 2018	Blossom Capital \$185M Jan 2020	Octopus Ventures £83M Apr 2019

Foreign investment is a sign of strength, with the UK investment landscape diversified for resilience.

% of foreign investment (2018 - 2019) by country and source



Source: Dealroom.co.

UK startups are adjusting to navigate Covid-19 - survey results based on the responses of 200 VC-backed UK companies.

- 40%** assess their runway at less than a year.
- 43%** have stopped online advertising.
- 30%** of startups have cut salaries across the company by at least 15%.
- 49%** of respondents have frozen hiring, another 32% have slowed hiring.
- 68%** of respondents expect full-year revenues to drop more than 25% of forecast.
- 39%** of business-to-consumer startups saw March revenues drop by over 50%.
- 18%** of business-to-business startups saw March revenues drop by over 50%.
- 33%** don't believe they'd qualify for any loan though they may be interested.
- 41%** are considering venture debt.
- 16%** have committed to laying off at least 10% of staff.

A survey run between April 6th and 17th in partnership with



The pandemic will impact certain sectors in different ways.

24%⁽¹⁾ Net positive 1,731 startups	Digital health (833) Babylon Health, BenevolentAI, Zava med, Pharmacy2u	Food delivery & E-grocery (417) Ocado, Gousto, Graze, Butternut box	Gaming (167) Improbable, Playtonic Games, FACEIT	Dating (20) muzmatch, Badoo, Lumen
	Cleantech (390) Octopus energy, Bulb, Highview power	Education (286) Immersive labs, A Could guru, Memrise, BibliU	Banking & Insurance (208) Revolut, Greensill, Monzo, OakNorth Bank	Cyber security (236) Mimecast, Snyk, Tessian
66% Defensible or short-term impact (V-shaped) 5,100 startups	Marketing (596) Ogury, Exponea, Tray	Proptech (260) Purplebricks, Nested, Yopa	Jobs & Recruitment (194) Beamery, Coople, Adzuna	Robotics & Automation (83) Graphcore, Blue Prism, CMR Surgical
	Mobility (305) Cazoo, Trafi, Carwow	Travel (199) Secret Escapes, Lastminute, TravelLocal, ClickTravel	Events (120) Pollen, Ticketscript, Velocity	
10% Prolonged impact (L-shaped recovery) 744 startups				

1. Based on the number of VC-backed startups & scaleups based in the United Kingdom.

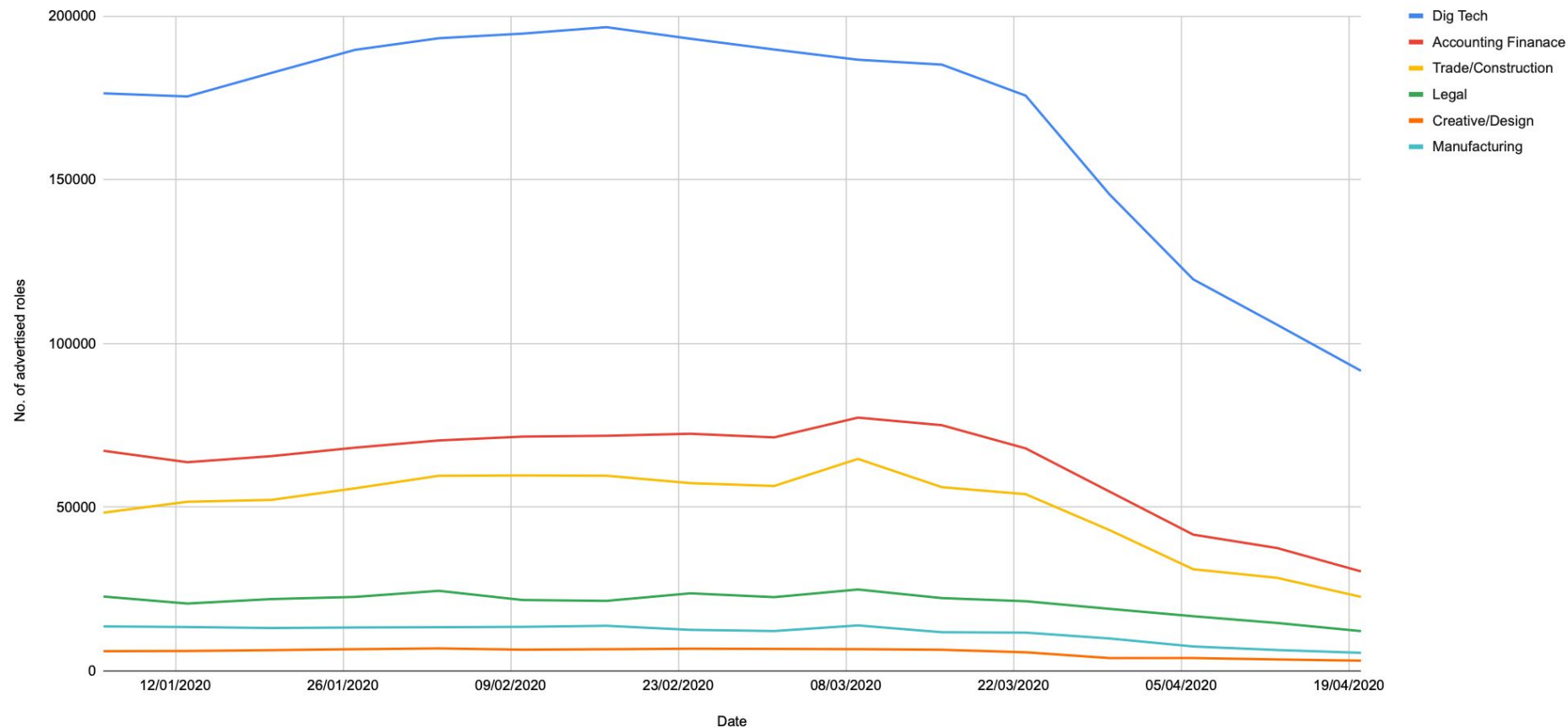
2.93M people are now employed in well-paid tech jobs, across the UK.

UK city	Number of roles advertised in 2019	Number of digital tech roles in 2019	% Digital tech roles	Median salary for all roles (2019)	Median salary digital tech roles (2019)	Digital tech salary vs. all roles (% difference)	Median salary digital tech roles (2018)	Change in Digital tech salary (2018-2019)
London	3459263	658275	19.03%	£35,000	£55,000	23.64%	£53,296	3%
Birmingham	251017	46723	18.61%	£30,000	£40,000	12.50%	£37,500	7%
Glasgow	148908	33378	22.42%	£27,500	£40,000	35.00%	£39,000	3%
Edinburgh	156338	35786	22.89%	£28,000	£44,938	17.66%	£42,500	6%
Belfast	53041	13687	25.80%	£30,000	£40,000	15.00%	£40,000	0%
Manchester	611936	108859	17.79%	£26,400	£37,500	9.33%	£35,000	7%
Cardiff	109242	23334	21.36%	£28,000	£37,500	12.00%	£35,000	7%
Newcastle	87648	18501	21.11%	£25,920	£35,000	5.71%	£35,000	0%
Leeds	258757	56149	21.70%	£27,500	£36,500	12.33%	£35,000	4%
Sheffield	111996	22000	19.64%	£25,000	£32,500	7.69%	£32,500	0%
Cambridge	228958	58678	25.63%	£30,000	£40,000	5.00%	£39,000	3%
Bristol	320920	76267	23.77%	£28,000	£40,000	15.00%	£35,520	13%
Bath	51762	9680	18.70%	£26,990	£37,500	33.44%	£34,500	9%
Reading	122398	28033	22.90%	£30,000	£42,500	12.94%	£40,000	6%
Oxford	233901	44979	19.23%	£27,500	£38,000	10.53%	£36,000	6%

Source: Tech Nation 2020; Adzuna

And digital tech companies are still hiring through the pandemic.

Number of advertised roles in 2020 by week (January - April)

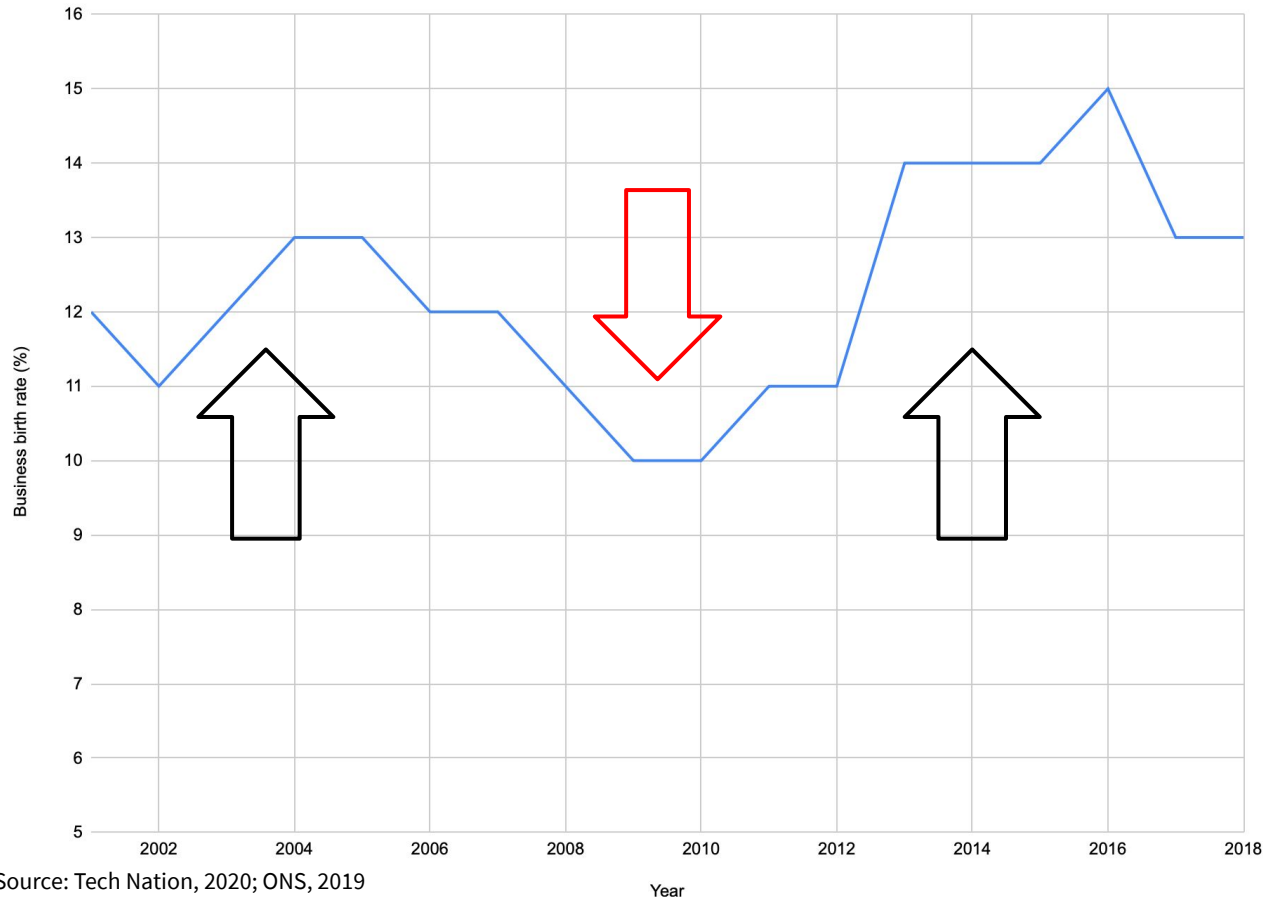


- Digital tech job adverts accounted for more than **double** those of Accounting and Finance, and **triple** those jobs advertised by Trade and Construction by 19th April 2020, with 90K new openings.

Source: Tech Nation 2020; Adzuna

UK tech - Phase 2.

Business birth rates in the UK picked up after the last two major recessions (2002-2004 and 2012-2016)



Source: Tech Nation, 2020; ONS, 2019

- The last financial crisis instigated an entrepreneurship boom in the UK
- Increased company creation is a common outcome of economic downturn
- Social distancing is accelerating digital adoption of all kinds
- Tech companies are inherently adaptable, and optimised for distributed working
- For the first time in history, reskilling can happen at scale and at a distance
- Investment in digital skills and entrepreneurship is essential
- Right now there is the potential to sow the seeds for another decade of growth

Methodology & definitions



- Investment numbers refer to venture capital investment rounds such as seed, series A, B, C, late stage, and growth equity rounds. It excludes debt or other non-equity funding, lending capital, grants and ICOs.
- Buyouts, M&A, secondary rounds, and IPOs are treated as exits: excluded from funding data, but included in exit data.



- A unicorn is defined as a tech driven company that has reached a \$1 billion valuation, on the basis of a funding round (unrealised), acquisition or IPO (realised).
- There are some notable edge-cases:
 - Companies that IPO-ed at or above \$1 billion but subsequently dipped below that valuation, are still included as \$1B+ exit (examples: Alfa, Rovio, eDreams).
 - Some companies have at some stage reached a \$1 billion but subsequently raised, IPO-ed or were acquired below that value. In this case the company is not counted as a unicorn (examples: Blippar, Home24, Fanduel, Ulmart, Conduit, Wonga, VE Interactive, Powa).
 - If a unicorn moved HQ, the company is counted in the country where it reached unicorn status. Occasionally companies received dual HQ status.

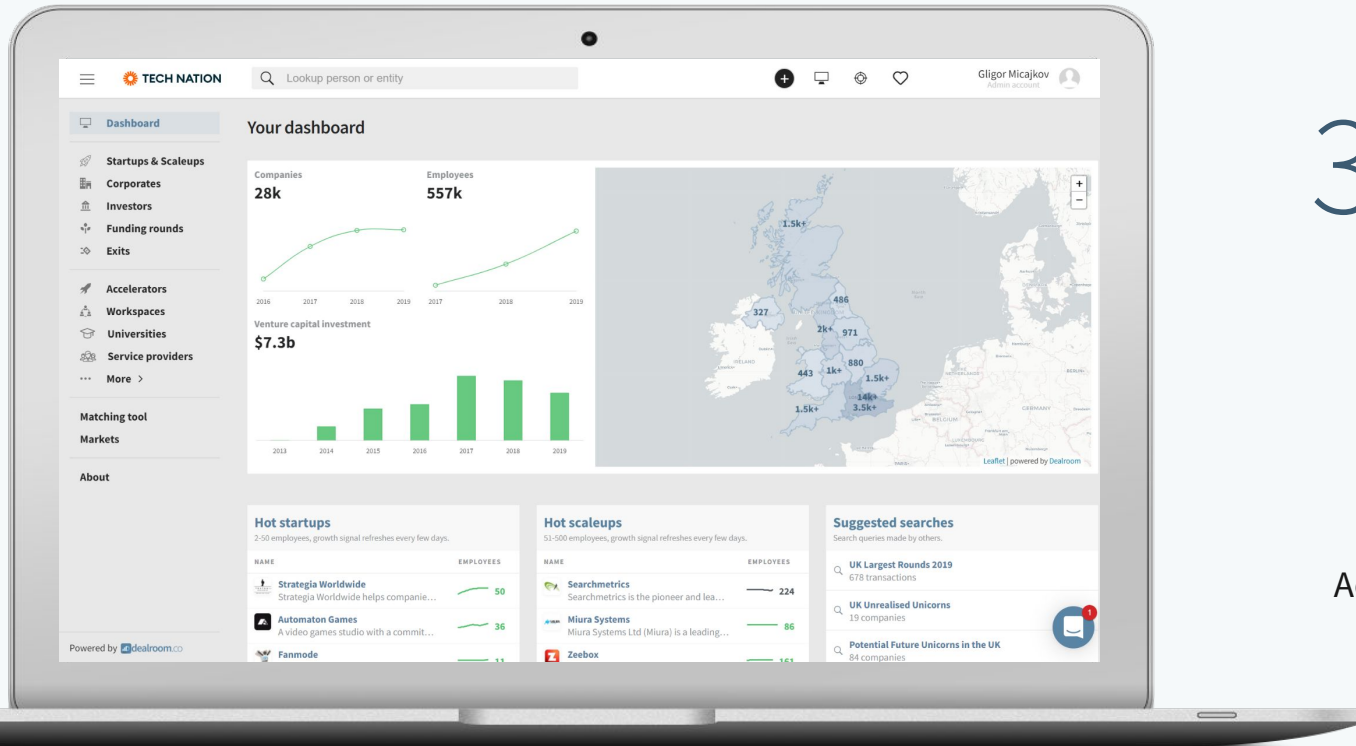


- This report focuses on companies in the post-internet age, i.e. after 2000. Most but not all unicorns are VC backed.
- Companies included in the analysis are tech-driven. Industries include software, ecommerce, online marketplaces, hardware, ICT infrastructure. The full [industry & business model taxonomy](#) can be found online



- Dealroom's proprietary database and software aggregate data from multiple sources: harvesting public information, user-submitted data verified by Dealroom, data engineering. All data is verified and curated with an extensive manual process.
- Most underlying data from the report is available online via <https://datacommons.technation.io>. For more info please visit dealroom.co or contact support@dealroom.co

The most complete and detailed picture of UK's tech ecosystem, in partnership with Tech Nation: datacommons.technation.io



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funds & corporate investors

500+
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