



# UK Tech Ecosystem Update

## London Tech Week

June 2020

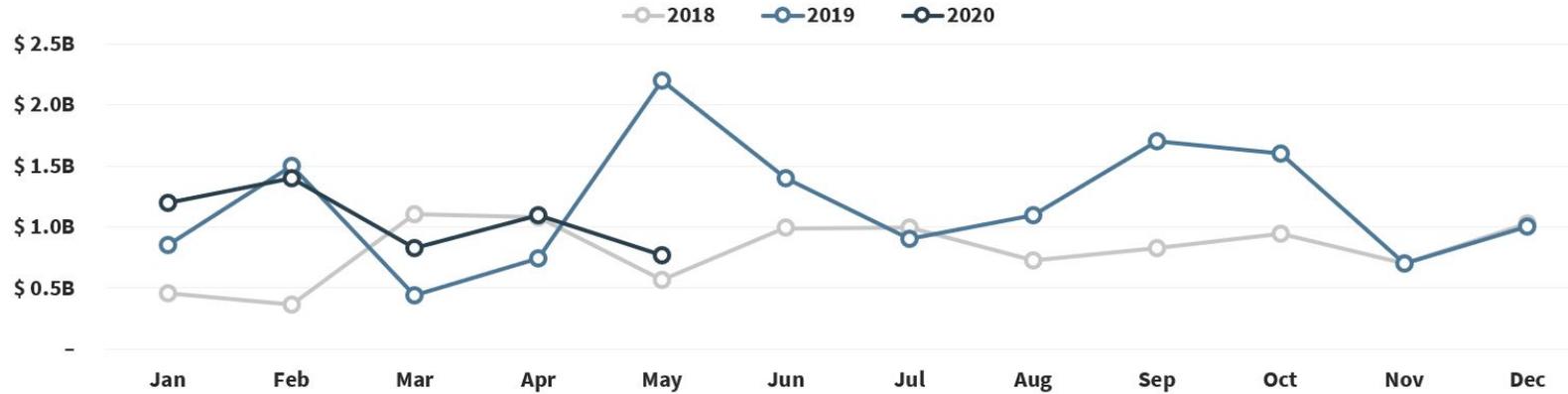
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# UK tech companies continue to raise hundreds of millions every month, and VCs are still active in H1 2020.

Monthly venture capital investment amount



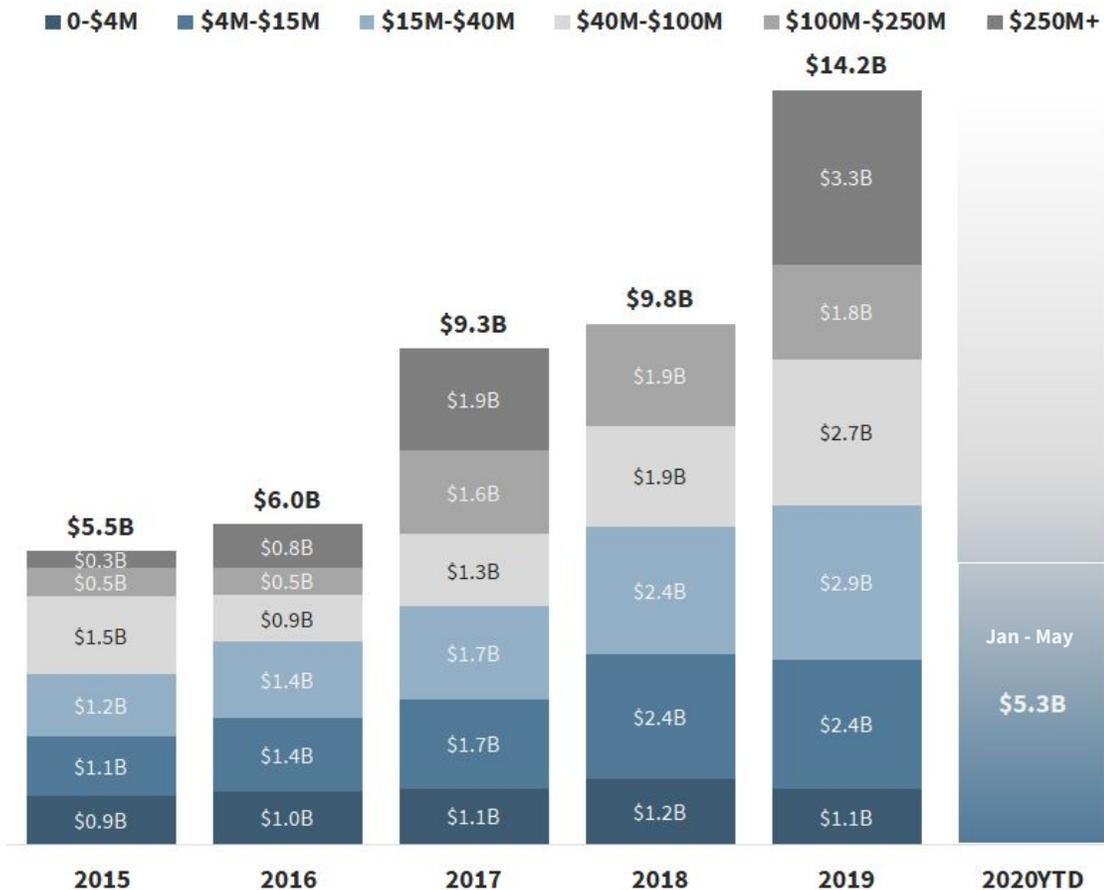
Monthly number of venture capital rounds >\$2 million



- 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 tech companies are well capitalised, after raising record amounts of venture capital in 2019. There have been 15 UK rounds over \$80M in 2020.

Venture capital investment in UK by round size

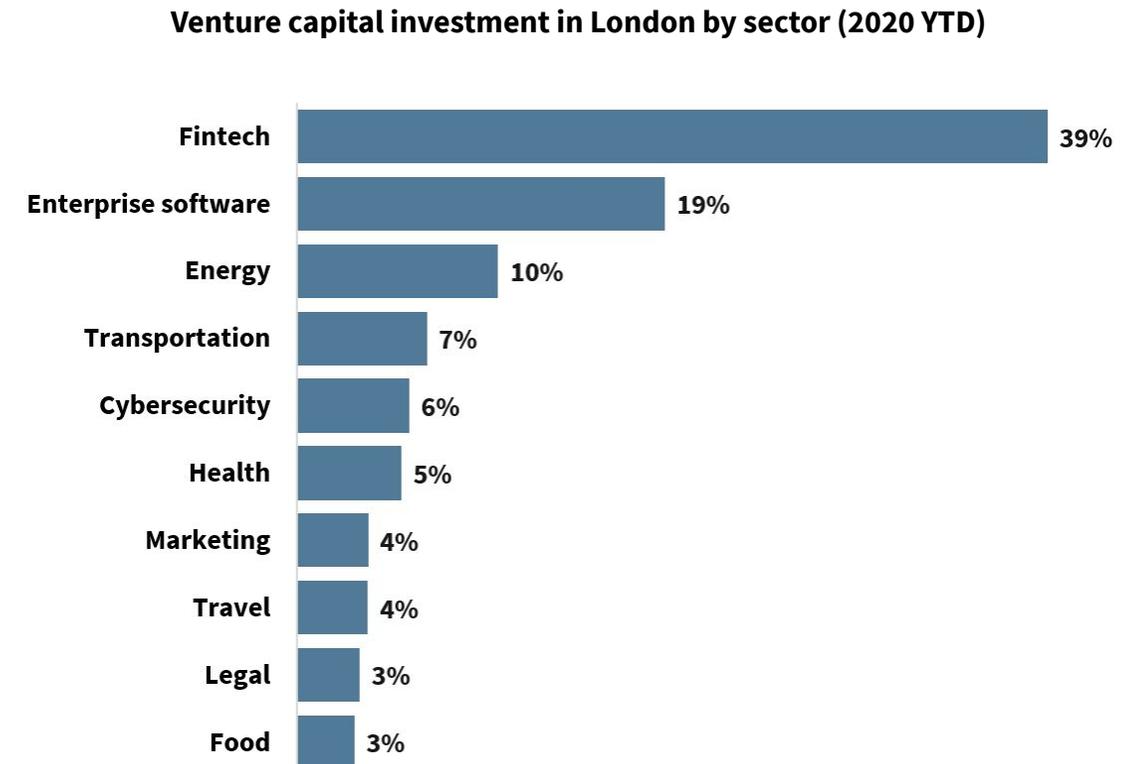


Top UK rounds in 2020

<b>Revolut</b> \$500M London	<b>octopusenergy</b> \$360M London	<b>snyk</b> \$150M London
<b>GRAPHCORE</b> \$150M Bristol	<b>CAZOO</b> \$120M London	<b>IMMUNOCORE</b> \$130M Abingdon
<b>AFRIVAL</b> \$103M London	<b>onfido</b> \$100M London	<b>BOUGHTBYMANY</b> \$94M London
<b>options</b> \$99M London	<b>tokamak energy</b> \$87M Abingdon	<b>Thought Machine</b> \$83M London
<b>Currencycloud</b> \$80M London	<b>PRIVITAR</b> \$80M London	<b>COMPASSION</b> \$80M London

## London has raised more VC investment than Paris, Stockholm, Berlin and Tel Aviv combined in 2020, although most deals would have been agreed before the crisis.

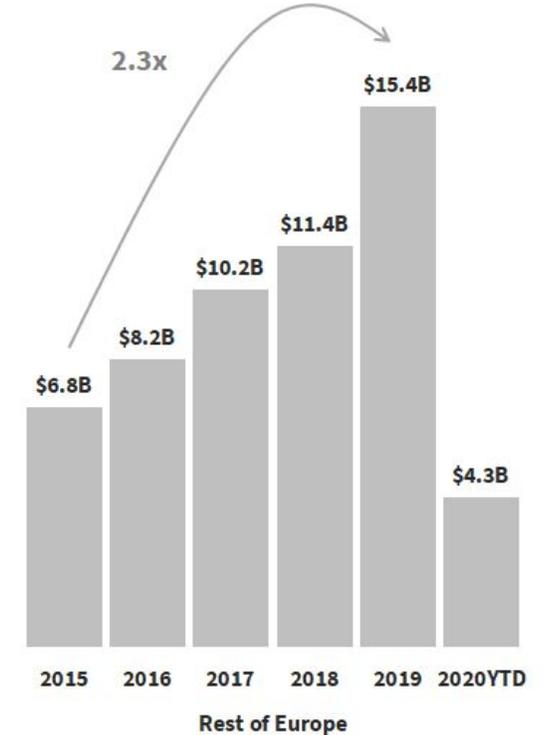
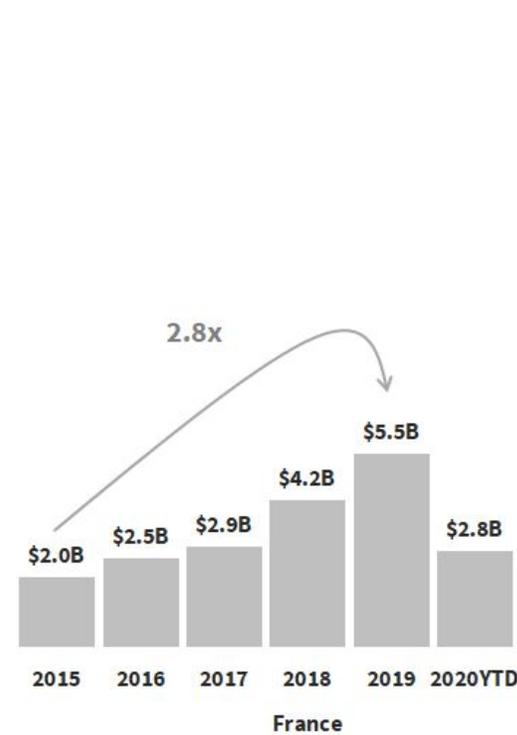
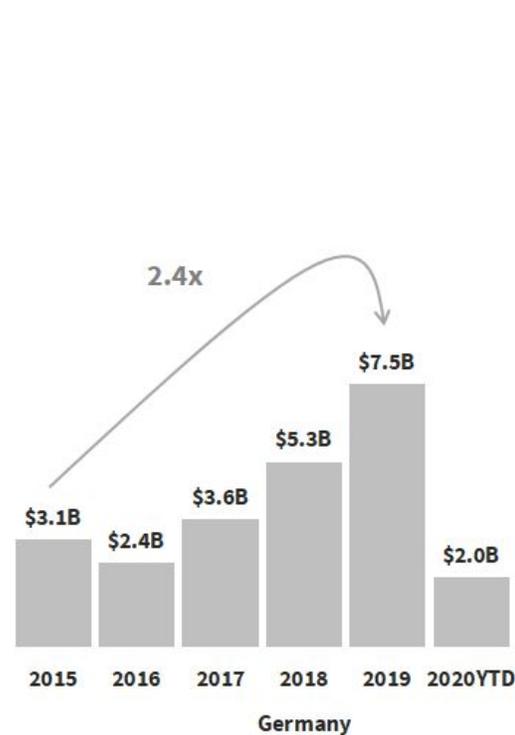
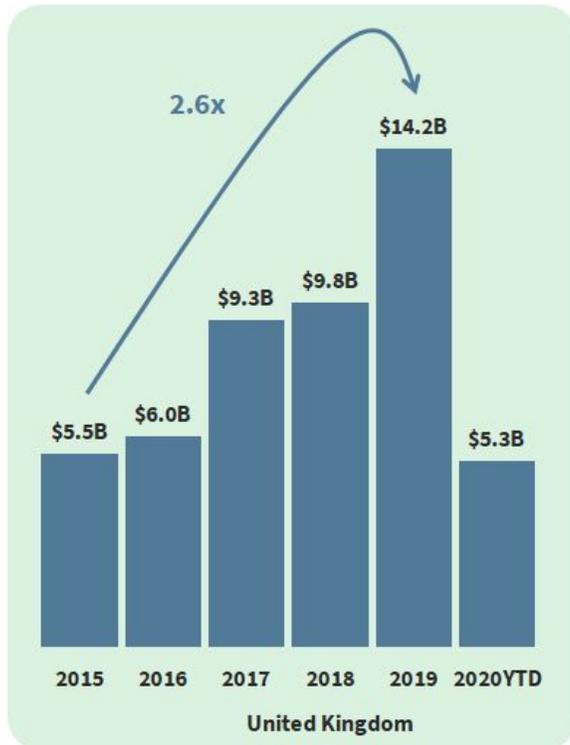
Venture capital investment by city/hub	2019	2020 YTD
London	\$10B	\$4.0B
Paris	\$3.2B	\$1.8B
Stockholm	\$2.4B	\$0.7B
Berlin	\$4.5B	\$0.7B
Tel Aviv	\$2.2B	\$0.6B



Source: Dealroom.co.

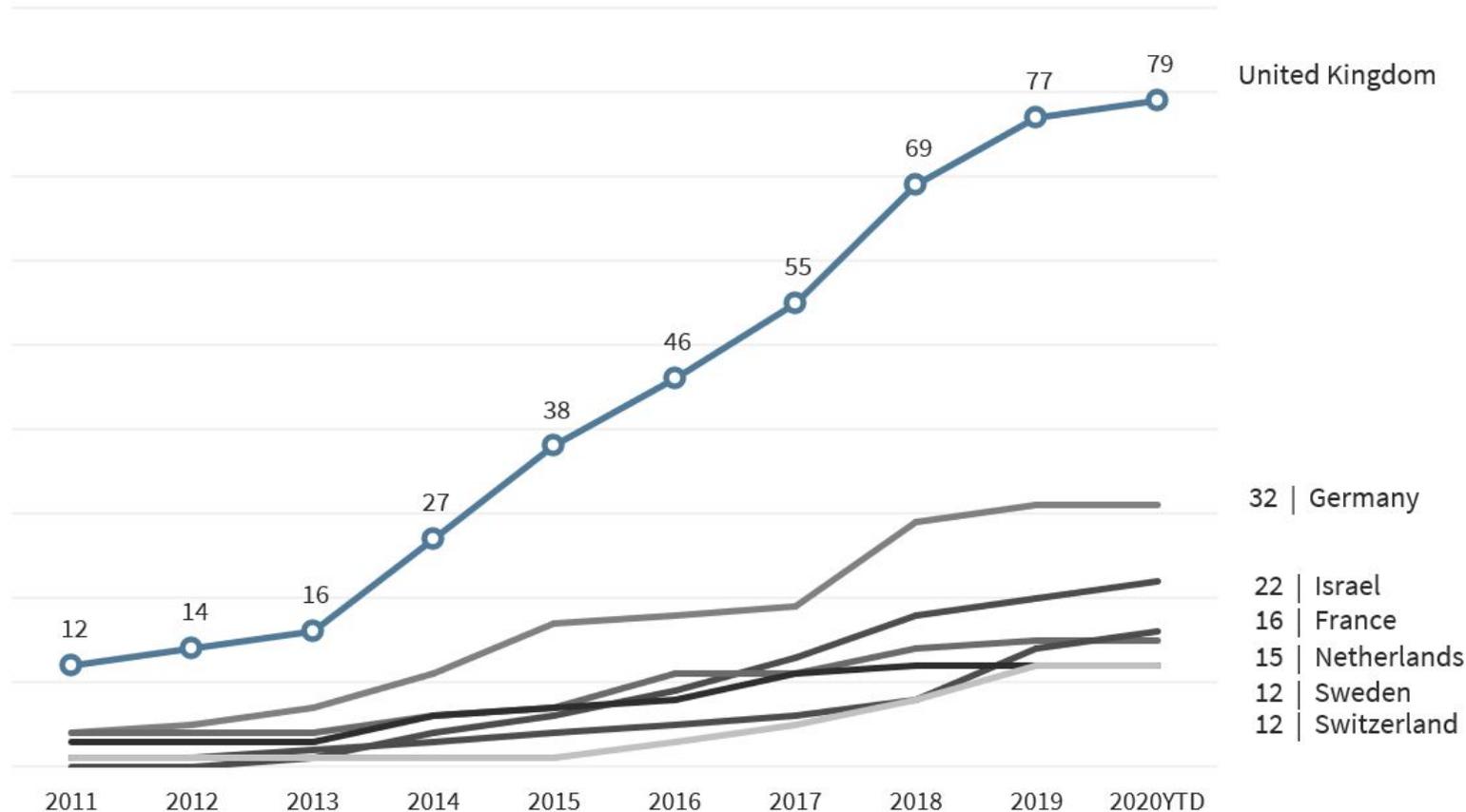
# Despite challenging macro conditions, UK tech is still outperforming all European neighbours in 2020.

## Venture capital investment



Note: Investment data for 2020 until May 31st.

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



## New unicorns since last London Tech Week

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

Source: Dealroom.co.

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

## Tech companies founded between 2008-2011

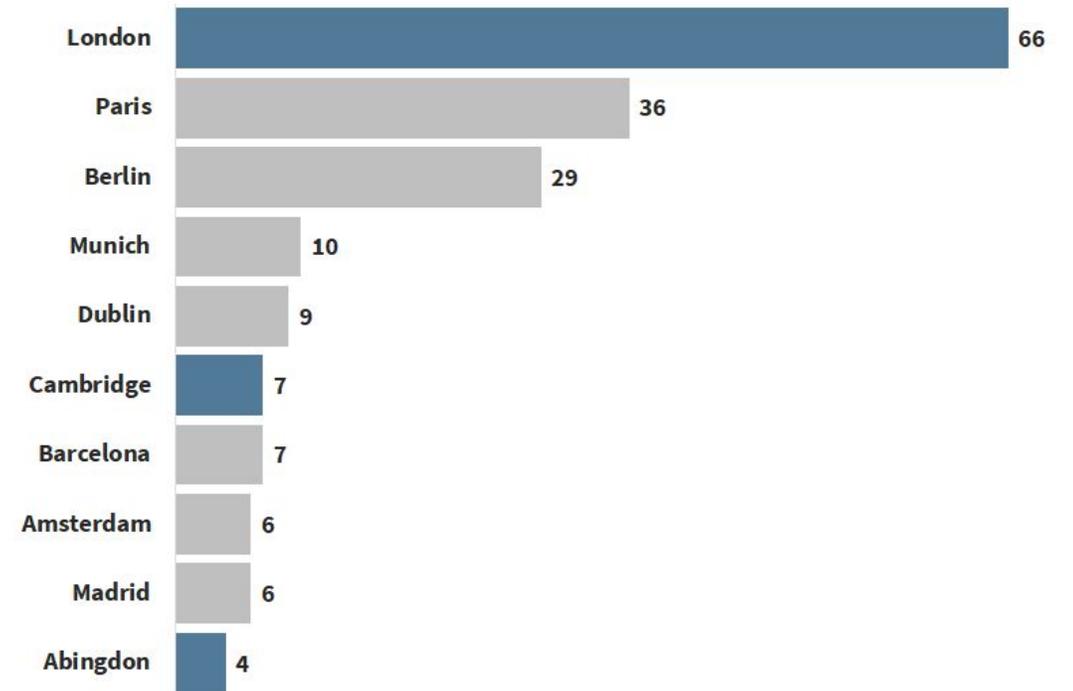
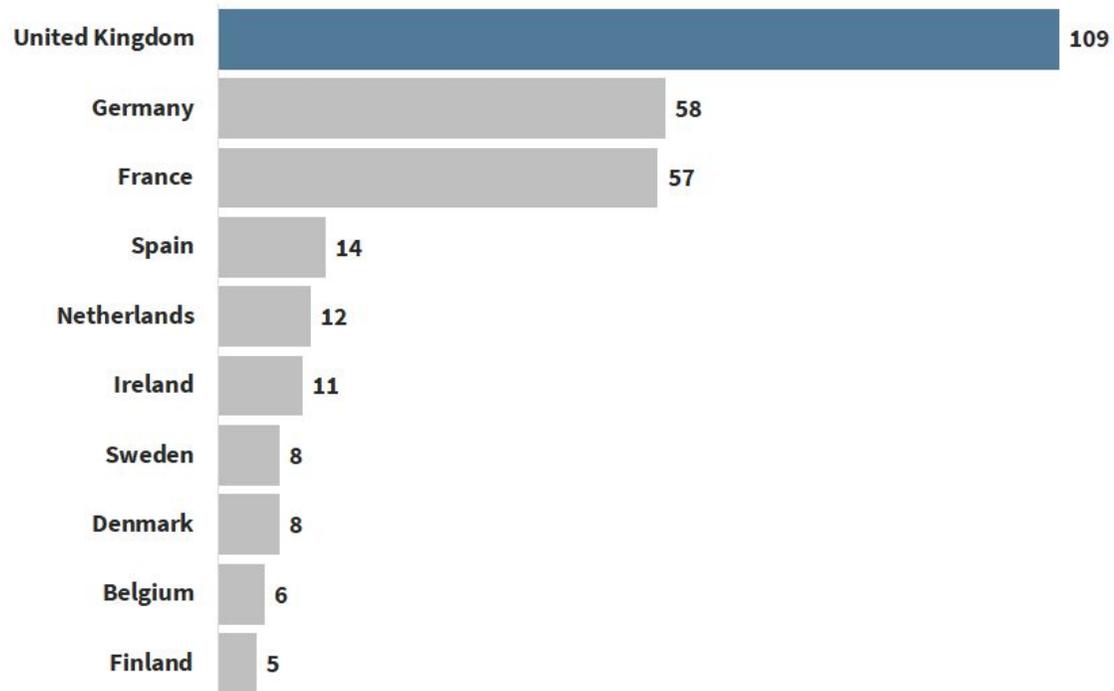
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<b>Fintech</b>	 2011 Valued at \$3.5B (May 2019) \$360M Total funding Private	 2011 Valued at \$3.5B (Oct 2019) \$1.6B Total funding Private	 2009 Valued at \$893M (Nov 2019) \$111M Total funding Acquired
<b>Marketplace &amp; Energy</b>	 2008 Valued 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
<b>AI &amp; Deeptech</b>	 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
<b>Healthcare</b>	 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



Note: VC funds data for 2020 until May 31st.

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
 <b>\$140M</b> Feb 2019	 <b>\$2B</b> Apr 2020	 <b>€463M</b> Jun 2018
 <b>\$115M</b> Jun 2019	 <b>\$820M</b> Feb 2020	 <b>\$477M</b> Mar 2019
 <b>\$100M</b> Apr 2020	 <b>\$735M</b> Feb 2020	 <b>\$375M</b> Mar 2018
 <b>\$81M</b> May 2018	 <b>\$500M</b> Nov 2019	 <b>€300M</b> Mar 2019
 <b>\$80M</b> Sep 2019	 <b>\$400M</b> Nov 2019	 <b>Latitude: \$180M</b> Dec 2018
 <b>\$63M</b> Jun 2018	 <b>\$185M</b> Jan 2020	 <b>£83M</b> Apr 2019

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

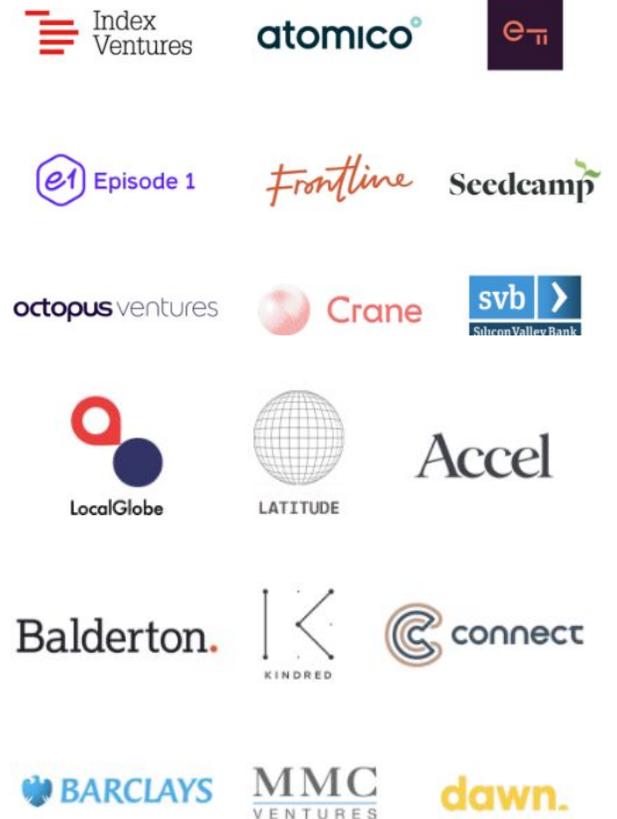
% of foreign investment (2020YTD) by country and source



Note: Investment data for 2020 until May 31st.

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

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



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

Source: LocalGlobe & Latitude survey, in partnership with 16 other UK VCs, conducted 6-17 April 2020. Based on 200 responses.

## The pandemic will impact certain sectors in different ways.

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

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

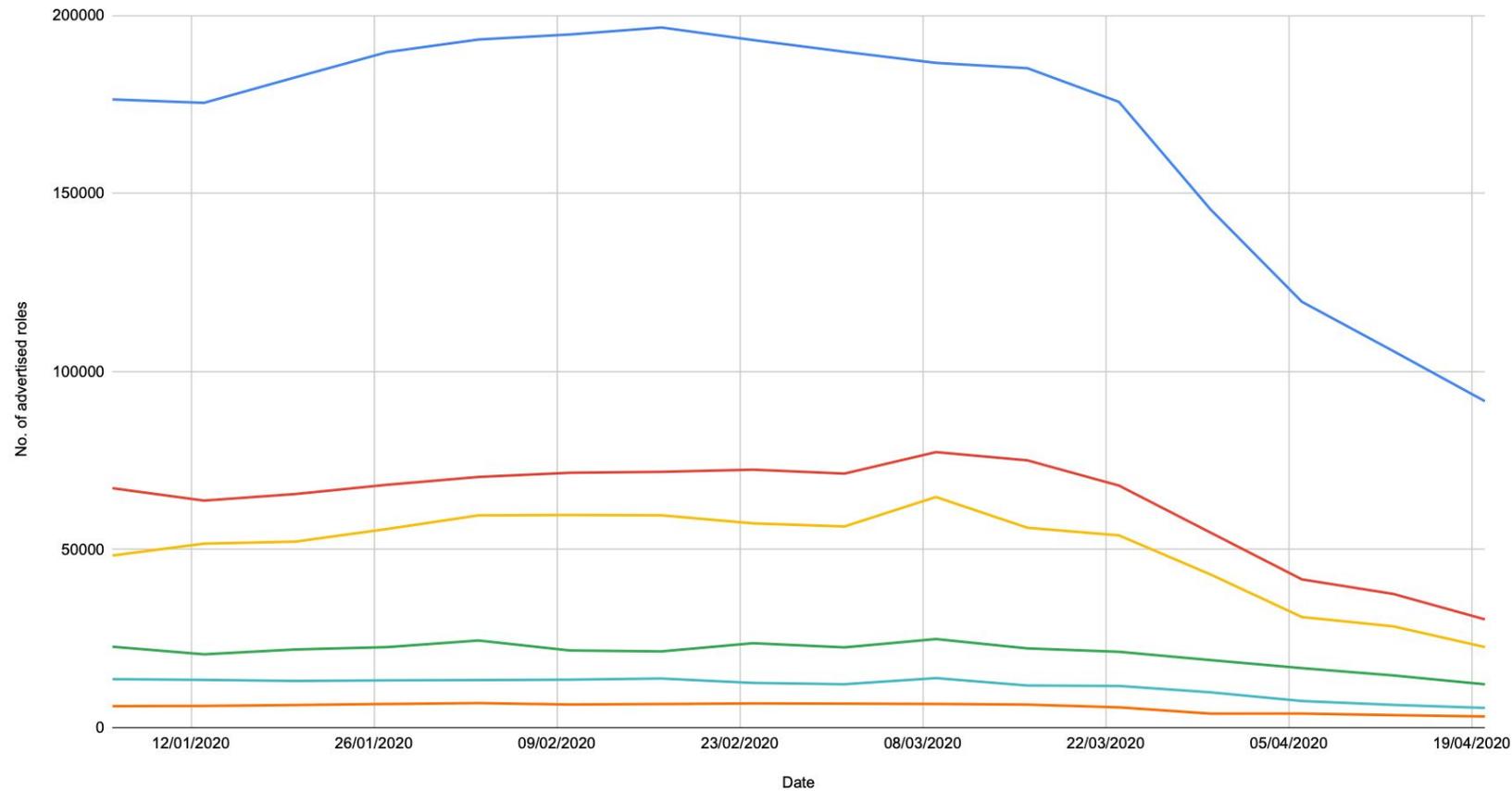
## 2.93M people are now employed in well-paid tech jobs, across the UK.

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

# Digital tech vacancies have declined sharply, but many companies still hiring

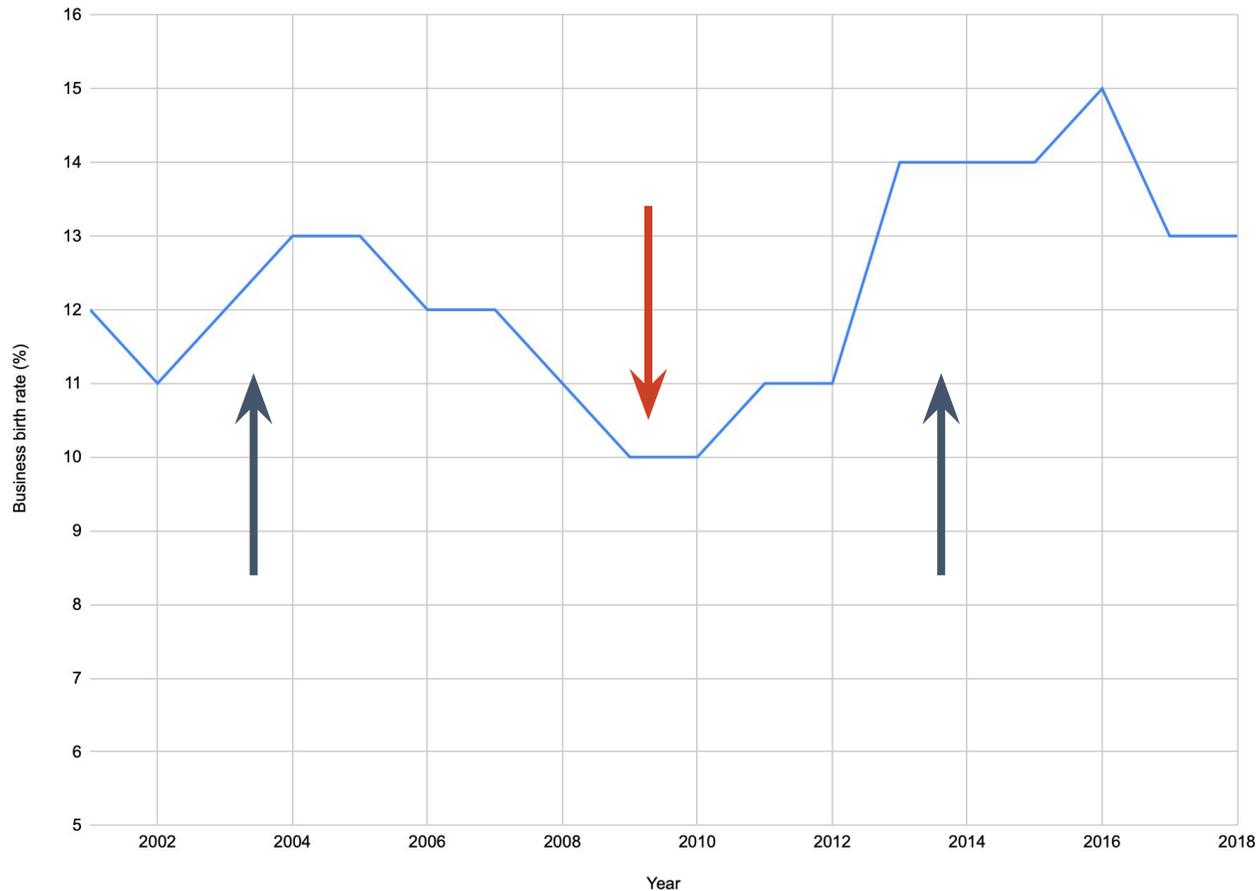
Number of advertised roles in 2020 by week (January - April)



- Digital tech job adverts are still significantly higher than those in other sectors

Source: Tech Nation 2020; Adzuna

## 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.

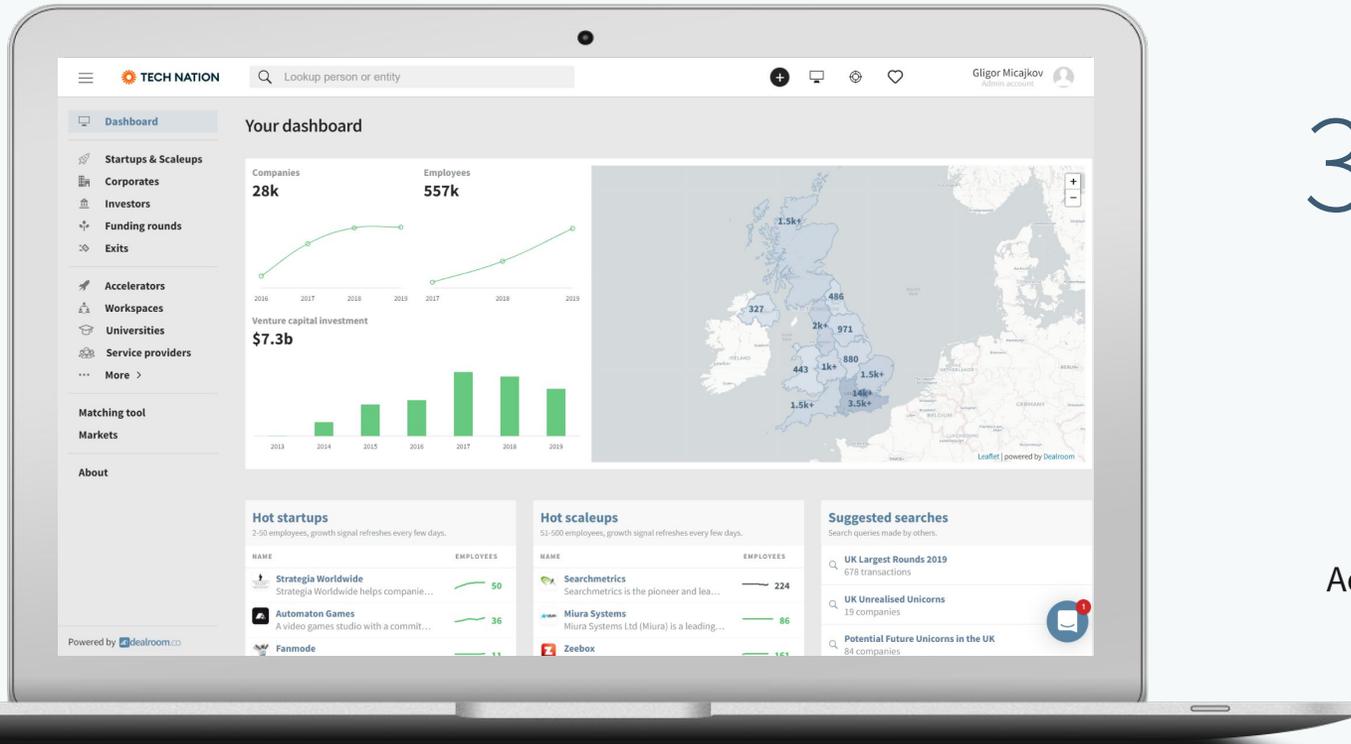


- This report focuses on companies in the post-internet age, i.e. after 2000. Most but not all unicorns are VC backed.
- Companies included in the analysis are tech-driven. Industries include software, ecommerce, online marketplaces, hardware, ICT infrastructure. The full **industry & business model 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](https://datacommons.technation.io)



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