

UK TECH EXPANDS AT FASTER RATE THAN WIDER ECONOMY

16 TECH TOWNS THRIVE ACROSS THE COUNTRY

Growth underlines the UK's ambition to be the best place in the world to start or build a digital tech business

- Tech expanding 2.6x faster than the rest of the UK economy
- Digital tech sector worth nearly £184bn to UK economy, up from £170bn in 2016
- The UK's Silicon Suburbs and tech towns are booming with 16 towns showing a higher proportion of digital tech employment than the UK average
- Diversity in digital tech on improving trend: figures show more black, Asian and ethnic minority workers employed in tech than across the UK in general (15% v 10%)
- 72% of UK digital tech workers are over 35, in line with the whole UK workforce
- London ranks as second most connected place for tech on planet, after Silicon Valley
- London beats Silicon Valley when it comes to proportion of overseas customers
- Berlin is the only other European city in the top 10 list of global ecosystems

RAPID SECTOR GROWTH

The UK's digital tech sector continues to accelerate faster than the rest of the economy, according to Tech Nation 2018, the landmark state of the nation report on the booming tech sector. Turnover of digital tech companies grew by 4.5% between 2016-17 compared to UK GDP which grew by 1.7% over the same period, according to official figures compiled by Tech Nation.

This means that the tech sector grew at 2.6 times faster than the rest of the economy. At the same time the number of jobs in digital tech rose at five times the rate of the rest of the economy, demonstrating how the digital tech sector is one of the best performing sectors in the UK economy.

Tech Nation 2018 is published by Tech Nation, a new voice for the UK's fast-growing digital tech sector. Tech Nation builds on the work of Tech City UK and Tech North and is working to make the UK the best place in the world to imagine, start and grow a digital tech business. Its purpose is to accelerate the growth of the digital tech sector across the UK, help ambitious founders succeed, increase digital skills, share learning and knowledge between sectors and communities and help present the UK tech sector on the world stage.

RECORD YEAR FOR ACQUISITION, EXITS AND INVESTMENT RAISED

2017 proved to be an amazing year for the UK digital tech sector with some of the biggest fundraisings and exits seen in years, as international investors flocked to fund UK-based firms. British digital tech companies raised £4.5bn in venture capital investment during the year, according to Pitchbook figures, almost double the previous year.

Notable exits for the sector during 2017 included Matchesfashion.com which was sold to a private equity investor for almost £750m and Leeds-based CallCredit acquired by TransUnion for £1 billion. There were also several so called 'mega funding' rounds during the year, with game development platform Improbable raising £370m from Japan's Softbank,

food delivery service Deliveroo raising £284m and mobile network Truphone raising £249m. Some of the UK's fastest growing tech companies include Improbable, Deliveroo, Farfetch, TransferWise, Funding Circle, Revolut, The Hut, Skyscanner, Fanduel, Oxford Nanopore, Benevolent.AI and Darktrace. DeepMind, acquired by Google in 2014, is a global leader in artificial intelligence and still based in London.

In total the UK has seen £42bn venture-backed exits between 2013 and 2017. Companies that have gone from startup to household names, with stock market listings worth billions of pounds in less than a decade, include Just Eat, Zoopla and Purplebricks. The proposed purchase of Zoopla by US investor Silver Lake for £2.2bn, announced last week, underlines the success and future potential of the UK's digital tech businesses.

INTERNATIONAL COMPETITIVENESS

The fourth report from Tech Nation on the state of the country's digital tech sector reveals new data on the international competitiveness of the UK's tech sector:

- A third of London's businesses have foreign customers, surpassing the 30% of Silicon Valley companies that have overseas customers according to data from Startup Genome
- London is the second most connected tech ecosystem globally, behind only Silicon Valley. 25% of the world's entrepreneurs report a significant relationship with two or more others based in London
- The UK is third in the world for total capital invested in digital tech companies, behind the US and China
- London startups have the fourth most international workforce in the world. Only Singapore, Berlin and Chicago have a higher proportion of overseas workers.

A visual representation of the UK's global connections can be seen here:

<http://technationio.staging.wpengine.com/report18datavis/global-connectedness/>

Comparison of the UK's digital tech sector and that found in 20 international cities can be seen here: <http://technationio.staging.wpengine.com/report18datavis/small-multiples/>

TECH TOWNS AND SILICON SUBURBS

The 2018 Tech Nation Report also reveals the rise of 'silicon suburbs' and tech towns across the UK where the digital tech sector is growing in urban areas not usually associated with startups and tech businesses. These smaller population centres are attracting more digital tech businesses, as the UK tech sector gets bigger.

The 16 tech towns with above average digital density - higher levels of tech employment - could prove to be a fertile breeding ground for the next generation of tech startups. The towns are:

Newbury

Reading

Basingstoke

Burnley

Slough and Heathrow

Livingston
Stevenage and Welwyn Garden City
Guildford and Aldershot
High Wycombe and Aylesbury,
Southend
Enniskillen
Telford
Cheltenham
Stafford
Huntingdon
Swindon

Eight cities are also showing above average tech employment, demonstrating how the UK's tech boom is spreading beyond locations like East London and Manchester where it already well established. The cities are: Portsmouth, Bristol, Cambridge, Southampton, Oxford, York, Salisbury and Bath.

DIVERSITY

Tech Nation 2018 reveals that the digital tech sector's workforce is older than commonly perceived and more ethnically mixed than the average UK workplace. However the dearth of women in the digital tech sector remains a factor, albeit one that is beginning to be addressed by activities to tackle the recruitment and retention of women.

- On average 72% of UK digital tech workers are over 35, challenging the stereotype that jobs in this sector are the preserve of millennials
- 15% of those in digital tech jobs are of black, Asian and ethnic minority (BAME) background, significantly higher than the 10% across all UK jobs
- Only 19% of the digital tech workforce is female, compared to 49% across all UK jobs.

COMMUNITY SURVEY & BREXIT

In its 2018 report, Tech Nation conducted its biggest ever survey of people in digital tech with 3,428 responses. The qualitative research reveals that entrepreneurs, investors and founders in the tech sector face broadly the same challenges, regardless of their location:

- Access to talent is the most common challenge - affecting 83% of clusters
- Access to funding is a top 3 challenge in 49% of clusters
- Bad transport links are a top 3 challenge in 29% of clusters

The responses showed that Brexit is less significant for companies outside London, which historically have relied less heavily on overseas talent to fill job vacancies.

- The only places in which Brexit is cited as a top 3 challenge are Cambridge and London.
- Tech communities across the UK are highly optimistic about the growth prospects for digital tech companies in their local area, both in terms of scale and number of

businesses

UK entrepreneurs are overwhelmingly optimistic about the future of the UK's digital tech sector:

- Over 70% of respondents think the number of digital tech businesses in their local area will rise over the next 12 months
- And, over 90% think that the scale of digital tech businesses in their local area will either expand or stay the same

MEETUPS & EMERGING TECH

The report reveals the 'hidden underwiring' that is powering the growth of the digital tech sector across the UK. These informal meetups provide clues to the areas of digital tech that are "hot" right now:

- Artificial intelligence is becoming more important - of the top 400 UK tech meetups with the largest membership nearly 16% are related to AI
- 1.6 million people across the country belong to 3,627 informal tech meetup groups
- Analysis of Meetup data reveals that particular cities are quickly developing specialisms eg: blockchain is emerging specialism in Manchester where there were 151 meetups and nearly 62000 members

QUOTES

Digital Secretary Matt Hancock says: "Tech Nation 2018 not only highlights the underlying strength of our digital economy but also emphasises its huge potential. Our world-leading tech firms are growing fast and creating the high-skilled, high-paying jobs of the future. They are a hotbed of innovation, creativity and entrepreneurial spirit. This is a huge success story, and we are working hard to make sure the benefits of digital technology reach every corner of the country as we build a Britain that is fit for the future."

Lord Duncan, UK Government Minister for Scotland, says: "The UK Tech Nation 2018 report highlights how the digital tech sector is providing quality and innovative careers for people across the UK. We know that Scotland is streets ahead in this sector, in Edinburgh in particular, and as the report shows new jobs in tech are increasing at three times the UK average."

Alun Cairns, Secretary of State for Wales, says: "The latest *Tech Nation* report underlines the fact Wales is now an established market leader and innovator in technology, home to both a burgeoning number of start-ups and established giants of fintech like Go Compare. Collectively, this sector is generating more than £600 million in turnover every year which supports 4,600 jobs in Cardiff. Flourishing new technology companies are discovering that investors want to back them in Wales. The UK Government is committed to helping technology flourish and today's annual snapshot points to an industry on the cusp of even faster growth."

Gerard Grech, chief executive of Tech Nation says: “Tech Nation 2018 is the first major milestone of Tech Nation, the organisation now working across the country to build networks that support ambitious entrepreneurs and shine a light on the achievements of our tech sector. The UK’s tech sector is growing almost three times faster than the rest of the economy. What started as Tech City is increasingly Tech Nation. London is the world’s second most connected hub after Silicon Valley. We need to make the most of that, as our new relationship with the EU will undoubtedly force us to be even more adaptive, innovative and ambitious.”

Eileen Burbidge, Partner, Passion Capital & Chair of Tech Nation says: “From fintech to healthtech, self-driving cars and artificial intelligence, the UK’s digital tech sector is having an impact on every aspect of our daily lives and economy. Tech Nation’s survey of the industry shows that confidence and optimism is high, but it is important for us to keep supporting this sector and give British companies the best chance they can to grow and scale.”

Will Shu, Founder at Deliveroo says: “Deliveroo was started in Britain, grew from Britain and London remains our global HQ. It’s here that we build the technology that allows us to deliver millions of orders around the world. And without the talent, creativity and expertise of the people who work here, none of that would be possible.”

James Meekings, Managing Director at Funding Circle says: "The encouraging growth of the UK's technology sector is testament to the remarkable talent and creativity seen across the country. It's been hugely exciting to witness the rise of disruptive British technology companies, and I strongly believe that the UK will remain a pioneer in this area in the future."

Sherry Coutu, Chairman of the Scaleup Institute & Founders4schools says: “The Tech Nation report underlines the great things that are already happening in UK digital tech but as the pace of change quickens we must also build skills and diversity in our tech companies so that we can react to a changing global landscape.”

Suranga Chandratillake, Partner at Balderton Capital says: “The UK is a leader in technologies like Artificial Intelligence and blockchain. We must do all we can to leverage this advantage so that we continue to attract the most skilled people from around the world to work in our successful tech businesses. If we can do that, I’m confident that Europe will one day soon produce its own global tech giant.”

Jan Hammer, Partner at Index Ventures says: “As an investor I am consistently impressed by the creativity and the ambition of tech entrepreneurs based in the UK. Following decades of hard work by entrepreneurs and the thousands of people they employ across the country, UK has become home to some of the world’s leading tech companies. Attracting the most ambitious founders and talent from around the world to the UK will be key to keeping up the momentum.”

Poppy Gustafsson, CEO (EMEA) Darktrace in Cambridge says: “The demand for AI cyber defence is global, so having an international presence is really important. Going global

from day one, Darktrace now has over 30 offices worldwide, with our newest office in Brazil. Founded in Cambridge, the UK is a great base for the development of our machine learning, and possesses a world-class tech scene. The UK is a leading pioneer in AI and we look forward to closer collaboration between industry and government to stay ahead of the curve.”

Gareth Williams, CEO and Co-founder at Skyscanner in Edinburgh says: “The initial tech community was based around Edinburgh university informatics department and much of the collegiate atmosphere has been retained. We started in Leith after the dot-com bust - so we learnt from Silicon Valley blogs and articles. We still want to keep learning from the best in the world - as well as leveraging a now vibrant local scene. That is why we need to be able to attract more senior leaders from US and Chinese tech hubs.”

Steve Pearce, CEO of TickX in Manchester says: “We know that from Manchester we can build a business that can serve people across the world. Tech is not just a trend in Manchester’s commercial history. It’s rooted in our heritage and the universities here and it is bringing opportunities and great jobs to people in many disciplines.”

Aldo Monteforte, founder of The Flow in Sheffield says: “The Sheffield City region has traditionally been associated with heavy industry but there is a real buzz around the startup community now and what’s really exciting is that when you go to the pub or to the football people are actually starting to talk about career opportunities in tech that are available right on their doorstep. Sheffield, together with other fast-developing Northern cities like Manchester and Leeds, is the home to many successful global companies and is benefiting from access to some great talent and a genuine entrepreneurial culture that’s fuelling strong growth momentum.”

Suzanne Ashman Blair, Partner at LocalGlobe says: “As investors we are seeing an environment now where startups can scale to become large companies with global impact. We are proud to invest in British startups that aim to be at the forefront of a global shift in how we live and work.”

Robin Klein, Partner at LocalGlobe says: “The extraordinary performance of the UK tech industry is very gratifying but there is much still to do to help tackle some of society’s most difficult challenges. Tech Nation is well placed to help the industry in its further development.”

Cherry Freeman, Co-founder, LoveCrafts says: “The UK’s ecosystem offers so many advantages to a determined entrepreneur like me. When I look around me and see the other businesses that are rapidly growing into international companies I’m inspired to carry on creating a company that can make a meaningful difference to the daily lives of everyone in urban areas, both here in the UK and around the world.”

Simon Calver, head of investments at BGF Ventures says: “Tech Nation 2018 confirms what we are seeing as we cover the country looking for companies to invest in. The entrepreneurs that we have invested in and are working with are hungry to create world-changing companies. I have no doubt that the UK can support several truly international tech hubs and Tech Nation will help to make that dream a reality.”

Adam Hale ex-CEO Fairsail in Reading says: "The UK is a great place to scale up a fast growing cloud Software as a Service (SaaS) business. Fairsail was acquired by Sage in 2017 and Sage People remains based in Reading with growing operations around the world. Fairsail was in Tech Nation's Future Fifty programme, I encourage all scale up leaders to look at the programmes Tech Nation runs."

NOTES:

Further reading:

A fuller, data-rich version of Tech Nation 2018 can be found online from Thursday 17th May at [Technation.io/report2018](https://technation.io/report2018). A short PDF printed version is [here](#).

Methodology: The Tech Nation 2018 Survey was conducted between 15 January 2018 and 2nd February 2018 in partnership with [Streetbees](#). This year's survey received the largest response yet from members of the UK tech community. In a total of 3,428 submissions, people told us about the opportunities and challenges their local ecosystems face, and the digital tech leaders they admire. The majority of respondents (33%) were founders and CEOs, followed by workers in tech companies (31%).

About Tech Nation: Tech Nation is the new organisation to help accelerate the growth of the digital tech sector across the UK. Launched in April it builds on the past work of Tech City UK and Tech North to make the UK the best place in the world to imagine, start and grow a digital tech business. Tech Nation is the UK network for ambitious digital tech entrepreneurs, empowering tech entrepreneurs to grow faster through knowledge and connections, to build a UK economy that is fit for the next generation. Our vision is to make the UK the best place to imagine, start and grow a digital business. We do this by running growth programmes, developing digital entrepreneurship skills through our online Digital Business Academy, through our visa scheme for exceptional talent and by championing the UK's digital sector through data, stories and media campaigns. www.technation.io

TECH NATION ON TOUR

The Tech Nation 2018 report, and the first Tech Nation on Tour event are launching this morning in London with Secretary of State for Digital, Culture, Media and Sport Matt Hancock.

Tech Nation on Tour is a series of invitation-only events for founders, entrepreneurs, investors and tech ecosystem partners hosted across the country between now and October. More info at <https://technation.io/events/>

London - May 17

Cambridge - May 23

Edinburgh - June 21

Newcastle - June 27

Reading - July 18

Belfast - July 26

Bristol - September 12

Birmingham - September 19

Leeds - September 27
Manchester - October 4
Cardiff - October 11

PARTNERS:

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