

# UK regions come to the fore in producing \$1bn tech companies

- **The UK's regional cities are competing head to head with Europe's biggest capitals**
- **Oxbridge beats Paris and Berlin creating nine unicorns, compared with Paris's five and Berlin's eight**
- **World-leading academic institutions are helping to create pioneering new tech companies in Oxford, Cambridge and other university cities**
- **Oxford, Cambridge, Manchester, Edinburgh and Leeds have all produced at least two unicorns, while London has produced 36**
- **Manchester has produced five unicorns, putting it on a par with Amsterdam**

**London, 23 October 2018** - The UK's leading tech clusters are competing head to head with European capitals, according to new analysis of company growth, in a sign that the success of the UK tech sector is pushing far beyond its London heartland.

Following the IPOs of Farfetch and Funding Circle, the UK is now home to 15 unicorns and six cities have produced so-called unicorns - \$1bn tech companies - according to research prepared for [Tech Nation](#) and the Government's [Digital Economy Council](#) by venture capital analytics company Dealroom.co. This latest research is published ahead of the Secretary of State for Digital, Culture, Media and Sport's first meeting with the Digital Economy Council on 24 October 2018.

Looking at the creation of \$1bn tech companies, Oxford and Cambridge combined have produced more fast-growing tech companies than both Paris and Berlin.

The two cities, both renowned for their world-leading research and scholarship, have thriving tech sectors and are home to some of the UK's most promising tech companies. The presence of a large number of pioneering tech companies across both cities is testimony to how academic research and excellence can contribute to the next generation of world-leading companies.

Cambridge is home to Darktrace, which provides leading artificial intelligence cyber defence to the likes of Raspberry Pi and power company Drax. It was founded in 2013 by a combination of mathematicians from the University of Cambridge and experts from MI5, GCHQ and the CIA. Elsewhere, chipmaker CSR and chip designer ARM have maintained close links with Cambridge University after they were acquired for £1.5 billion and £23.4 billion by Qualcomm and SoftBank respectively. Both CSR and ARM continue to hire engineering and computer science expertise from the university.

Oxford Nanopore, which has created a mobile DNA sequencer the size of a USB stick, was spun out of Professor Hagan Bayley's University of Oxford lab and now collaborates with many universities around the world and its DNA sequencing technology is now available in more than 80 countries. Immunocore, a privately-owned biotech company which counts Microsoft co-founder Bill Gates among its backers, evolved from an Oxford University spin-off company and is now working with universities around the world.

In the North of England, Manchester has become home to a thriving e-commerce cluster of retail businesses and has produced as many unicorns as Amsterdam, the Dutch capital. The North West city is headquarters for quoted tech companies including boohoo and AO.com, as well as privately owned The Hut Group. Travel business Onthebeach.com and publisher Autotrader are also notable tech companies in the city.

With a population that is significantly smaller than Amsterdam's, Manchester now has 10 accelerators - specialist business centres helping entrepreneurs create startup firms - and had investment per head of population of \$490 in 2017, higher than Amsterdam's \$400. Across the Pennines in Leeds, two unicorns have been created in Sky Betting & Gaming, which was sold for £3.4bn to larger rival The Stars Group in 2018 and Callcredit, which was sold to TransUnion for £1bn earlier this year. Edinburgh counts SkyScanner and data consultancy group Wood Mackenzie as unicorns.

The report compares the UK's capital and its thriving regional cities with prominent tech hubs in Europe, to show how they measure up. It finds that the UK has created 60 unicorns in total, which equates to 35% of Europe and Israel's total 168 unicorns. The latest data compares Oxbridge with Paris; London with Berlin; and Manchester with Amsterdam across a number of factors that help to contribute to tech ecosystem development. Besides number of unicorns, the report looked at population size, position of highest placed university in world rankings, number of accelerators and investment per capita in tech companies in 2017. Four out of the top 10 global universities are located in the UK, as are eight of Europe's top 20 universities.

London is the acknowledged centre of Europe's tech sector, producing 21% of the continent's fast-growing unicorns. The capital has produced 36 unicorns worth \$132bn, while Berlin has produced eight worth \$32bn.

Looking further ahead, the UK also leads Europe by number of potential future unicorns. The UK has 54 potential unicorns or businesses that are worth between \$250m to \$1bn. The total value of these growing companies is \$18.6bn. In contrast, Germany, the closest competitor in Europe to the UK on this measure, has 28 unicorns - with a value of \$8.8bn, while France has 27, worth \$7.7bn. Israel, which comes third after the UK and Germany, has 25 potential unicorns worth \$8.14bn emerging from its tech sector.

**Jeremy Wright, Secretary of State for Digital, Culture, Media and Sport, said:** "The UK's track record in creating fast-growing tech companies is second to none in Europe. These new statistics show Manchester and Edinburgh are now competing on a global scale and stellar tech firms are growing right across the country, spreading new jobs and investment.

Through our Digital and Industrial Strategies we are creating the conditions to start up and grow brilliant tech ideas into world-beating global businesses and pushing the boundaries of science to change people's lives for the better."

**Sam Gyimah, Universities, Science, Research and Innovation Minister, said:** "This report shows that Britain is one of the best places to start and grow a world-changing business. We're backing the success of Britain's entrepreneurs through our Industrial Strategy: investing more than ever in R&D, making it easier to raise finance for new ventures, and making sure our regulations encourage innovation rather than stand in its way. The success of start-ups in Leeds, Manchester and Edinburgh shows how innovation and tech is driving growth right across the country. Our Strength In Places fund will double down on these advantages, investing in growing tech clusters all around the UK."

**Gerard Grech, chief executive of Tech Nation, said:** "The UK is fast becoming a network of digital excellence, with various strengths in different digital domains. Cities like Manchester, Oxford and Cambridge are producing significant companies including The Hut Group, Sophos, Oxford Nanopore and Darktrace. Increasingly these cities are competing with other tech hubs in Asia and the US and can go head-to-head with Europe's capitals on many measures."

**Sadiq Khan, Mayor of London, said:** "London's tech sector is envied across the world so it is good to see evidence of how it is producing so many fast-growing new businesses. However, we also recognise how important it is that the capital collaborates with other cities in the UK, which are building similarly strong tech communities. When London succeeds, the whole country benefits."

**Doug Gurr, UK Country Manager, Amazon, said:** "The UK is taking a leading role in innovation in Amazon and that is why we are planning to create over 1,000 highly skilled jobs in the country's tech hubs of Manchester, Cambridge and Edinburgh. Over the last eight years, Amazon has invested more than £9.3bn in the UK because of the very strong talent and engineering skills that we find here."

**Professor Helen Margetts, Director of the Oxford Internet Institute, said:** "Oxford's tech sector is thriving, helped by the unicorns that are based in the city and nearby, and we hope to see many more exciting tech companies choose to stay and build their businesses here in the future, helped by access to the rich seam of talent in the university, such as the researchers and projects highlighted by the #OxfordAI initiative."

**Riwa Harfoush, Head of Network Intelligence, Oxford Sciences Innovation, said:** "For years investors have put money into spinouts coming out of Oxford University's world-leading research and labs. The difference now is that there is real momentum behind the growth of the tech sector in the city and strong relationships between Oxford, global investors, industry leaders, policy makers and entrepreneurs. The growth of this ecosystem means we can support UK companies on their journey towards becoming world-beating companies in a meaningful way."

**Will Shu, founder and CEO of Deliveroo, said:**

“Deliveroo is building one of Europe’s leading tech hubs in London. We are a proud British company and are only able to grow globally because of the success we have had here, thanks to the vibrant food scene, brilliant customers, talent from around the world and dedicated riders. The UK has some unique features which make it an attractive place to start-up and grow, and we will continue to invest in Britain as we serve more amazing meals to people across the world.”

**Matthew Moulding, Founder and Chief Executive Officer of The Hut Group, said:**

“Manchester led the industrial revolution and generations later the digital tech sector is providing new prosperity and jobs for the people of the city. At The Hut Group we have grown into a global company from our Manchester home, with access to talent and supply chains worldwide. You don’t need to be in London to grow an international business.”

**Poppy Gustafsson, CEO of Darktrace, said:** “Darktrace is headquartered in Cambridge and home to our R&D team. This has given us access to the best and brightest minds in artificial intelligence, allowing us to build a global company that soared to a valuation of \$1.65 billion in just five years and is the world-leader in cyber AI. The UK’s science base is second to none, and Cambridge is the UK’s leading hub for outstanding technology companies and brilliant minds.”

**Bryan Dove, CEO at Skyscanner, said:** “Having started our journey from our first office, in Edinburgh, over a decade ago, our growth continues to be bolstered by world-class talent coming out of Scotland’s universities and the flourishing tech-start up community in the city.”

**Eileen Burbidge, Co-founder and Partner at Passion Capital, Fintech Envoy to HM Treasury, Chair of Tech Nation, said:** “Right across the nation, many different communities are seeing startups forming and scale-ups growing, providing great jobs and opportunities. The UK’s reputation for excellence in computer science and engineering, its world leading universities, its creative industries and the strength of the City of London have all contributed to produce a flourishing tech ecosystem throughout the UK.”

**Wendy Tan White, adviser to BGF, Tech Nation board member and trustee of Alan Turing Institute, said:** “The UK’s track record in producing startups that go on to be globally significant companies is strong and is getting stronger all the time. The increased number of IPOs and potential future unicorns in the pipeline shows why investors are keen to invest in UK startups and develop some of this country’s most innovative tech IP into business ideas that will really help improve productivity and prosperity in the long term.”

**Suzanne Ashman, partner, LocalGlobe, said:** “The UK’s track record for producing unicorns is on an upward curve, supported by investors who have already built successful businesses and are now reinvesting the proceeds. More than one in three of Europe’s \$1bn tech companies is founded here in the UK and that is why we continue to attract some of the world’s top talent to these shores.”

**Juergen Maier, chief executive of Siemens UK, said:** “Digitalisation is transforming manufacturing and it is absolutely vital for the UK to stay at the forefront of this new and exciting fourth industrial revolution. There is a rich history of science and innovation in our cities, and Siemens is actively working with the start-up community to help stimulate innovation and help create the economy of the future.”

**Marcus Stuttard, Head of AIM & UK Primary Markets, London Stock Exchange, said:** “The UK’s leadership in the tech sector is clearly demonstrated in the capital markets, with almost £3bn having been raised by technology companies on London Stock Exchange markets so far this year. In addition to 18 tech company IPOs we have continued to see existing London listed tech companies raise significant levels of equity capital and we expect that number to keep rising as investors increasingly want access to the growth delivered by the tech sector.”

**Mike Gordon, CEO of TransUnion (formerly Callcredit), said:** “Over the past decade, Leeds has affirmed its place as a digital hub, and we’re proud to be a part of that. We’ve been fortunate to benefit from a great local pool of talent as we’ve grown, with our innovation and expertise attracting international investment. Now, as TransUnion, we’re part of a global network, with access to a broader range of products and technology to enable our continued expansion.”

**Rafael Jordá Siquier, co-founder and CEO, Open Cosmos, said:** “Open Cosmos started three years ago in Oxford’s Harwell Campus with the mission to deliver satellite-based solutions to solve the world biggest challenges such as global communications, optimised logistics or earth preservation. Today, with one satellite in orbit and several more being delivered, it has become one of the fastest growing newspace companies in the world thanks to the great entrepreneurial, innovative and supportive environment found in the UK.”

**David Richards, founder and CEO WANdisco, said:** “There’s never been a better time to be involved in UK tech, with so many great companies coming through the pipeline. From my perspective in the US, I can see that people are really starting to wake up to and respond to Europe’s potential and in a very short time the UK has made itself the clear leader of a vibrant, technology network based on great science and entrepreneurship.”

**Reshma Sohoni, co-founder and managing partner, Seedcamp, said:** “As someone who invests right across Europe, I see strengths in tech hubs in many countries. Sometimes entrepreneurs building a business off the beaten track can feel that they are missing out on reaching investors or experts who can help them. This analysis shows that the UK’s regional cities are punching well above their weight and are supporting thriving ecosystems of their own. In turn that will help other entrepreneurs to take the risk of starting their own tech businesses.”

**Mark Richer, chairman and founder, StarLeaf, said:** “Having two development sites in Cambridge enables us to tap into the ingenuity of the academic talent and be anchored in what is fast becoming the innovation capital of Europe. That we have become one of the

UK's fastest growing private companies is directly related to the amazing engineering talent that we are able to attract, nurture and further develop."

**James Wise, partner at Balderton Capital, said:** "The UK is leading Europe by some distance and we are seeing clear areas of expertise emerging such as the focus on artificial intelligence, healthtech and fintech. With government support for cutting-edge research we can continue to be at the forefront of European innovation."

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### **About the Digital Economy Council**

The Digital Economy Council and Digital Economy Advisory Group brings government and the tech community together to implement the Department for Digital, Culture, Media and Sport's UK Digital Strategy.

**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. Its mission is to empower tech entrepreneurs to grow faster through knowledge and connections, to build a UK economy that is fit for the next generation. It does this by running growth programmes, developing digital entrepreneurship skills through its online Digital Business Academy, through its visa scheme for exceptional talent and by championing the UK's digital sector through data, stories and media campaigns. [www.technation.io](http://www.technation.io)

Tech Nation's annual healthcheck on the state of the UK tech sector can be found at [Technation.io/report2018](http://Technation.io/report2018)

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