

Venture capital investment in UK Artificial Intelligence startups increases almost six-fold in five years

- Investment in UK AI startups reached \$1.3bn in 2018
- UK companies raised almost as much as the rest of Europe combined
- Notable deals in 2018 included Bristol-based Graphcore which raised \$200m

London, 21st February 2019 - Venture capital investment into the UK's fast-growing Artificial Intelligence sector leapt almost six fold from 2014 to 2018, according to new figures prepared for [Tech Nation](#) and the Digital Economy Council by Dealroom.

Dealroom recorded 82 venture capital fundraisings above \$2m across UK companies in 2018, compared with 70 in the previous year. The total amount of capital raised by UK AI companies reached a record level of \$1.3bn during the year, continuing a trend that has seen investment in AI companies grow sharply over the last five years.

The Dealroom figures show that AI startups from the UK raised almost as much as France, Germany and the rest of Europe combined in 2018. French AI companies raised \$400m, while Germany's raised \$300m. Israel was second place behind the UK, when it came to raising venture capital funds. Its AI startups raised \$800m.

Digital Secretary, Jeremy Wright, said: "These statistics are further confirmation that the UK is Europe's undisputed number one tech hub. Our success in artificial intelligence is thanks to a unique combination of talent, location, our business friendly environment, unrivalled access to capital and world-leading universities.

"We are determined to make the UK the best place to start and grow a digital business and through our modern Industrial Strategy we are using the power of technology to change people's lives for the better."

[Gerard Grech](#), chief executive, Tech Nation, said: "Venture capital investment in UK startups has accelerated sharply in the last five years and these figures collated by Dealroom and Tech Nation demonstrate that the UK has the strongest AI investment market in Europe. As one of the world's most important players in this field, the UK has an opportunity to shape the direction of this technology and in particular the ethics and regulations the companies follow."

Dr. George Windsor, Head of Insights, Tech Nation, said: "Many of the companies that are raising this money are just startups beginning to scale and the real economic benefits of this technological revolution are just beginning."

AI startups

Interest in Artificial Intelligence companies has leapt since 2014, when UK AI companies raised just \$200m. But the big surge in interest in AI came between 2016 and 2017, when venture capital funding for UK companies almost doubled from \$0.7bn to \$1.2bn.

One of the biggest fundings of 2018 was Graphcore, the Bristol startup, which raised \$200m from a consortium of investors. Other UK AI companies which raised funds in 2018 include Renalytix AI a developer of AI for kidney disease, which raised \$29m through an AIM flotation, healthtech company Medopad (\$26m), HR software Beamery (\$28m) and accident and disaster recovery startup Tractable (\$25m).

Investments in AI have been across all sectors but fintech and healthtech have seen particularly strong growth. The UK counts at least five AI unicorns amongst the total number of private tech companies with a valuation of \$1bn: these are Darktrace (\$1.7bn valuation), Benevolent AI (\$2.1bn); Improbable (\$2bn); Graphcore (\$1.7bn) and Blue Prism (\$1.3bn)

Global AI market

Tech Nation's own [research](#), conducted during 2018, demonstrated that investment in AI is growing at a faster rate than investment in tech more broadly. From mid 2015 onwards, AI deals started to outpace the wider tech economy. Some 70% of all AI deals completed globally in the last decade were completed in the last three years. Over the same period, only 46.8% of total VC deals were completed.

The USA is home to almost 3,000 high growth AI tech businesses, which is far and away the biggest ecosystem in the world. When Tech Nation looked at the amount invested in AI in each ecosystem, the US was also on top with more than \$81.3bn invested. It is followed by China (\$14.8bn invested) and then Israel (\$14.1bn invested). By end of 2017, the UK had seen \$2.9bn invested in AI startups.

While the US, China and Israel have significantly more mature, late-stage AI companies, the UK ecosystem remains dominated by startups. There has been exponential growth in the number of company births in the UK, with no sign of this letting up. Tech Nation found that during 2017 (the last year for which figures were available) 3.2% of all high-growth tech company births were specifically AI. This compares to only 0.02% at the start of 2008.

Further evidence of the surge in interest in AI can be found in analysis of [google search engine results](#). Tech Nation discovered that the term 'Artificial Intelligence' has boomed in popularity over the past two years. Phrases associated with AI, such as 'Machine Learning' and 'Data Science', have enjoyed a similar growth in popularity.

Some 43% of online tech media mentions AI. However, the media's desire to cover AI may still be out of proportion with activity. Only 0.03% of questions posed on Stack Overflow – a free and highly-utilised question and answer forum for developers – ask for assistance on Artificial Intelligence-related queries.

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

Tech Nation's annual health check on the state of the UK tech sector can be found at Technation.io/report2018

Full report on the status of venture capital investment in UK AI can be found [here](#)

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 Dealroom.co

Based in Amsterdam, Dealroom.co is a proprietary global database providing business intelligence on innovative companies and venture capital. Dealroom's software, database and bespoke research help to stay at the forefront of innovation and identify growth & strategic opportunities. Among its clients are firms such as McKinsey & Company, Boston Consulting Group, Microsoft, Stripe, Deloitte, Ernst & Young, Sony, and other world-leading Silicon Valley firms, venture capital and buyout firms, multinationals and governments. Dealroom data has been extensively featured by the Financial Times, BBC, The Economist, The New York Times, The Washington Post, Bloomberg, Reuters and dozens of other leading publications.