

UK tech demonstrates resilience as startups navigate virus crisis

- Tech companies raised \$5.3bn (£4.2bn) from Jan to May 2020
- London raised more than Paris, Stockholm, Berlin and Tel Aviv combined
- Future Fund - £500m package of support for startups will help ensure companies with potential continue to be funded and are helped through short term challenges
- Startups looking to raise funding for the first time face hurdles
- Since last year's London Tech Week, UK tech's unicorn count has risen by 7 to 79
- The UK has 109 potential unicorns (companies valued between \$250m and \$800m)
- Healthtech and EdTech industries helping communities face the challenges
- #LTWConnects is a virtual platform for London Tech Week, with events taking place between 9-12 June

LONDON, 10th June 2020: Figures compiled by Tech Nation and Dealroom for the Digital Economy Council show that investors continue to back some of the UK's most promising tech teams, despite the challenges posed by COVID-19.

As members of the UK tech sector meet virtually during #LTWConnects events, [figures](#) show UK digital tech companies are continuing to attract investment, are still advertising vacancies and are optimistic that they can navigate the crisis. On measures including investment raised by companies and capital raised by investors, which will help sustain the sector for the long term, the UK outperforms all of its European neighbours.

Just as the 2008 financial crisis triggered an entrepreneurship boom in the UK, from which Silicon Roundabout's cluster of startups has grown into a nationwide network of more than 35,000 businesses, the report demonstrates that UK tech is resilient and has deep foundations to emerge strongly from the crisis. Tens of thousands of jobs were advertised in cities across the UK in 2019 and the start of 2020, with salaries continuing to grow well-above inflation in almost all regions.

The UK capital continues to lead the way and is now established as a global tech leader with London-based companies raising \$4bn (£3.2bn) since the start of January, more than Paris, Stockholm, Berlin and Tel Aviv combined. Fintech dominates fundraising in the capital, accounting for 39% of 2020 fundraisings. Enterprise software companies raised a fifth of the money invested in the first five months of the year.

Digital Secretary Oliver Dowden said:

"The UK's tech sector has shown resilience in these challenging times and the levels of investment in the year to date have consolidated our Europe-leading position."

"We have a vast pool of talent in the country's digital and tech firms who have played a big part in supporting communities across the UK and beyond throughout the pandemic and I applaud them for their ongoing efforts.

"The government will continue to champion and support the sector as it navigates the months to come as we step up our Coronavirus recovery plans. We will back entrepreneurs, encourage innovators and help businesses make the most out of the opportunities the digital and tech world provides."

UK's position of strength

The UK's tech sector went into the coronavirus crisis in February in a strong position. From January to the end of May, tech companies raised \$5.3bn (£4.2bn), compared to a total raised in the rest of Europe of \$4.1bn. However, there are concerns that many of these deals were agreed in principle before the onset of the virus, which has reset expectations. Capital inflows in the second half of the year are unlikely to be as strong as those in 2019, itself a record year.

In April, the Government unveiled its Future Fund of £250m of matched funding for startups, so that tech companies which are typically loss-making could access support. Equity backed small businesses right across the UK are developing vital innovative products and services that have the capacity to help the growth of our economy in the months ahead as we emerge into economic recovery. Yet many of these businesses need further support and investment to withstand the impact of the coronavirus crisis to ensure that they can survive and successfully continue to build and commercialise their innovations.

The British Business Bank has already approved 53 convertible loans, with a value of £55.9m, following 533 applications to date. Small and medium-size businesses focusing on research and development will also benefit from £750m of grants and loans, through which the Government is demonstrating its support for the innovative companies and technologies that are breaking new ground and will spur the country's recovery from the pandemic.

The coronavirus crisis has underlined the crucial role that technology plays in our society and our economy - from keeping us connected to workplaces, friends, family and colleagues, to allowing us to order shopping and prescriptions to our doorsteps. Measures to curb the spread of the virus have accelerated digital adoption and social distancing is expected to continue this trend in 2020.

However, startups are fragile businesses and recent data gathered from 200+ companies for the venture capital community shows that:

- Two-thirds expected revenues to drop by more than a quarter
- 39% of business to consumer companies saw March revenues drop by over 50%
- A third of companies have slowed hiring, while almost a half have frozen hiring
- Two-fifths of companies believe they have less than 12 months of funds

Over the past 12 months, UK tech has built on a decade of consistent growth in which more unicorns were created than in any other country. Since last year's London Tech Week, seven more companies have achieved 'unicorn' status - a privately-owned tech business with a value of at least \$1bn - taking the UK's total to 79 – twice the number of unicorns produced by second-place Germany, on 32. Similarly, the UK has 109 potential unicorns compared to half that number in Germany (58) and France (57). On a city level, London has 66 potential unicorns, 80% more than its nearest competitor, Paris (36).

Tech for Everyone - People, Places, Sectors

UK tech now employs more than 2.93 million people across the country with salaries that are, on average, £10k higher than other sectors. Salaries climbed between 3% and 9% in most tech clusters in 2019, with Bristol seeing salaries on average 13% higher.

Advertised vacancies were continuing to climb at the start of 2020 before the coronavirus and lockdown took its toll. Even so, more than 90,000 tech sector jobs were being advertised at the end of April. This is twice the number of openings in accounting and finance, the next sector with the most vacancies.

Although London is still a key driver of digital tech jobs and growth – accounting for 53% of advertised roles in 2019 and offering the highest average salaries – tech hubs in Manchester, Bristol and Leeds are continuing to thrive, as evidenced by Bristol's unicorn Graphcore which raised \$150m in February, Partnerize of Newcastle raising \$50m in January, ANNA Money of Cardiff raising \$21m in May and Peak, of Manchester raising \$11.8m in April.

However, there is a risk of the crisis deepening regional disparities in the UK particularly around access to finance. National and local interventions need to be targeted to ensure the whole country has access to the support required.

The report's findings also show that the UK - which has established leadership in fintech, deeptech and AI - is seeing other sectors gaining in traction, including healthtech, energytech and edtech.

UK tech continues to attract world-class investment

Another strength is the UK's thriving VC tech community. From January to June 2020, new funds amassed \$5bn, almost as much as the \$5.4bn raised throughout the whole of 2019.

Since 2018, the UK has had more investment from the US and Asia than any other country in Europe, with foreign investment generally making up 67% of the UK's total investment. The UK also has a strong foundation of domestic investment (38%) which underpins its attractiveness to global investors. In contrast Germany's tech sector is only 28% funded from domestic investors, which could be a weakness in the months to come.

Industry quotes

Cindy Rose, UK CEO, Microsoft: *“These numbers reflect the inherent strength of the UK tech sector and reinforce my strong belief that the UK remains an attractive destination to start and grow a successful digital business. Undoubtedly, there are economic headwinds ahead, but with our world class talent, strong start-up ecosystem and the accelerated pace of technology adoption in the UK, I’m confident the UK tech sector will emerge strongly from this crisis and be a key factor in driving inclusive economic growth and recovery.”*

Sabby Gill, Managing Director, UK and Ireland, Sage: *“Covid-19 has shown how digitally enabled businesses are more resilient and agile, and 28 % of SMBs are starting to conduct business online in direct response to the pandemic. Government and industry must work together now to support SMBs on the digital transformation journey to fuel the economic recovery.”*

Nicola Mendelsohn, VP EMEA, Facebook: *“As highlighted by this report, the UK tech sector continues to flourish, evolve and grow year-on-year, cementing its place on the global stage. Given the current pandemic, it’s important to recognise areas of opportunity such as tech, and equip businesses across the UK with the tools and resources to accelerate their digital transformation so they can re-emerge and recover from this and future downturns.”*

Baroness Martha Lane Fox, founder of Doteveryone: *“Resilience and agility is intrinsic to tech startups and founders. Having to face, and respond, to challenges is something that is inherent in any entrepreneur and with so many amazing companies in the UK, this puts our tech scene in a strong position for the months and years ahead.”*

The Mayor of London, Sadiq Khan: *“The tech community in London and across the UK has risen to the challenges posed by coronavirus, demonstrating the sector’s resilience and innovation. This new data shows the strength of the industry and I remain confident that London’s position as a global tech hub will continue as we move towards recovery.”*

Marta Krupinska, Head of Google for Startups UK: *“The UK’s success and position as a global technology leader is dependent on its vibrant startup ecosystem. These are particularly challenging times for UK founders as their ability to adapt and even scale to support national services is being tested everyday. Now more than ever, it’s important that we focus on spreading the wealth of talent and access to funding throughout the UK so that these incredibly impactful startups can continue to play a pivotal role in tackling the current challenges faced in the UK and beyond.”*

Catherine Lewis La Torre, CEO British Patient Capital & British Business Investments: *“In the last 18 months, we’ve made significant commitments to venture and venture growth managers and attracted many other commercial institutional investors to the sector by doing so. As today’s report shows, a well-capitalised base of best in class tech investors is crucial for the*

UK's long-term prosperity. This is a great international success story, we want to make sure it continues."

Janet Coyle, Managing Director, Business, London & Partners: *"The power of tech is more important than ever as we respond to the coronavirus pandemic. London and the UK are home to an array of tech businesses that are driving change and innovation at this challenging time and these new findings, released to coincide with London Tech Week's #LTWConnects, demonstrate the resilience and strength of our tech ecosystem. As we look towards the future, it is important that the tech community continues to drive greater inclusivity and diversity across the sector to ensure opportunities are available for everyone."*

Gerard Grech, chief executive of Tech Nation: *"Many businesses are adapting and innovating to support the fight against coronavirus, demonstrating the resilience and resourcefulness of the UK tech sector. Although we are seeing many tech companies closing key rounds of funding, the picture is being monitored closely at Tech Nation, especially across different parts of the country, where access to finance may not be as strong. These findings today confirm that the UK is well positioned to face the challenges that lie ahead and leave Covid-19 in a position of strength."*

Will Shu, CEO & co-founder of Deliveroo: *"Deliveroo is proudly British-born and British-based, and these figures underline the strength of the UK tech sector. However, the investment we have received to date has relied in large part on investors seeing the UK as open to innovation and pro-tech. Now more than ever it is vital that this remains the case, with a stable regulatory environment that welcomes large scale investments."*

Reshma Sohoni, co-founder and managing partner, Seedcamp: *"This crisis is putting unprecedented strain on the startups which we hope will rank in the next generation of global tech businesses. Investors want to back the best entrepreneurs and ideas but are also nervous because there is so much uncertainty around. Government support through matched funding and research grants helps to make sure that investment continues to flow, so that we can continue to encourage those businesses who were brave enough to take the risk of starting their own businesses."*

Julian David, CEO, techUK: *"The technology sector has put its ingenuity and agility to use working to support Government, communities and individuals in the response to COVID-19. Despite the challenges that tech businesses of all sizes are facing today, these figures show continued strength and optimism. Working with Government, together we can chart a tech-led recovery to build the future we need."*

Tabitha Goldstaub, Chair AI Council and co-founder CogX: *"At a time when we are relying more than ever on technology and entrusting it with significant amounts of personal data the UK has an advantage in that we have already put in place strong foundations to make to ensure the*

UK is the place for safe, ethical and trusted AI. We need to get this right, both to fight the current pandemic and because of the benefits for the UK in the long-term, putting us at the forefront of pioneering this new technology which can have a transformative impact on our healthcare and our economy.”

Suzanne Ashman, partner at LocalGlobe: *“Startups are by their nature fragile businesses and the covid-19 crisis is testing them to the limits. But we should be optimistic that the strong foundations laid down in the last decade will help more early stage UK tech companies to emerge from this crisis stronger and better able to compete on a global stage.”*

Rich Serunjogi, Founder & CEO Business Score: *“It’s brilliant seeing many UK tech companies succeed despite the COVID-19 crisis. However, if we want to realise the nations full potential we must take inspiration from the #BlackLivesMatter response and ensure funding goes to a more diverse founder set.”*

Vin Murria, Founder of Advanced: *“The UK tech sector continues to show great resilience in the battle against COVID-19 with continued financial support being provided from early stage, VC and private equity as growth capital investment for companies at all stages of the growth cycle. As such the tech sector’s ability to mitigate the impact of the pandemic means that there are still employment opportunities despite the uncertainty in the wider economy. In many ways the tech sector will be front and center of the recovery as we emerge out of lockdown and the current crisis, providing opportunities for many across all experience levels.”*

Suranga Chandratillake, partner at Balderton Capital: *“I’ve been lucky enough to witness first hand just how strong the UK tech scene is, and what a force for positive change it can be for our society and for the economy. These figures demonstrate what we have always felt about the UK tech sector, that it is highly resilient and can continue to go from strength-to-strength even when the terrain gets rough.”*

Sharmadean Reid, co-founder and CEO, Beautystack: *“Beautystack serves one of the sectors that has been hardest hit by the lockdown but I’m determined that this will make us stronger. Across the country there are lots of startup founders who are working right now through the challenges that coronavirus has brought. It’s not been an easy three months and some difficult decisions have been taken, but the spirit of entrepreneurship remains strong wherever I look and I am confident that founders will use this as an opportunity to build even better businesses.”*

Stan Laurent, partner at Highland Europe: *“It’s great that there is abundant capital available to see the tech sector through this crisis. It’s even better that we have inspired founders, teams with ranges of expertise and bold ideas that have the power to completely change how we live and work. This report confirms that UK tech is a driving force for good not just in this country and among the communities it’s directly supporting, but across the world.”*

Mark Richer, CEO & founder of StarLeaf: *“Innovation sits at the core of what we do as a business offering secure video conferencing services and it’s testament to the UK tech scene, and how much it values such innovation, that we’ve been able to grow so strongly in recent years. We’re at a tipping point in terms of tech adoption and many UK companies like us will be able to benefit strongly from that. As a serial entrepreneur, I’ve loved building businesses and this has to be one of the best places in the world to do it from.”*

Malcolm Cowley, co-founder and CEO of Partnerize.com: *“Having grown our business in Newcastle we’ve seen first-hand the role the UK-wide ecosystem can play in building world-leading tech businesses. It’s great to see the UK continue to raise record-funding, in these unprecedented times.”*

Russ Shaw, Founder, Tech London Advocates & Global Tech Advocates: *“Despite facing unprecedented adversity, London tech continues to lead the way in Europe and it’s encouraging to see the growth of verticals such as HealthTech, EdTech and Cybersecurity. For UK start-ups, economic support packages are a crucial lifeline, but their requirements are far more immediate if they are to survive the coming months, particularly for those without investors on board. The foundations of the sector may be strong, but a generation of entrepreneurs without the right backing could risk them being chipped away.”*

- ENDS -

Notes to the editor

Link to the report deck [here](#)

Link to the UK Data Commons [here](#)

#LTWConnects This week the tech sector will take part in a series of virtual panels, fireside chats and networking sessions as part of #LTWConnects, which serves as a curtain raiser for the postponed annual London Tech Week - which will now take place in September. The events will bring the tech community together to explore the power of collaboration and resilience, while showcasing inspirational stories, best practice and learnings from the crisis.

In September, London Tech Week will be a hybrid virtual and physical event, including the Global Leaders Innovation Summit, AccelerateHer and the HealthTech and Climate Summits. International audiences who may not be able to travel will still be invited to join the conversation and connect with the global tech community.

About Tech Nation:

Tech Nation, the leading scaleup network for entrepreneurs, works to make the UK the best place in the world to 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 and media campaigns, including the annual Tech Nation Report. [Technation.io/report2019](https://technation.io/report2019)

About Dealroom.co

Based in Amsterdam, Dealroom.co is a proprietary global database providing insights 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.

About [London Tech Week](#)

London Tech Week, owned by Informa Tech Founders and London & Partners, and co-founded with Tech London Advocates, is a festival of live events showcasing and celebrating the best of tech, attracting a global audience with networking, social, learning and business opportunities.

Exploring how tech is transforming both business and society, London Tech Week drives the conversations around transformation, diversity and innovation and gives the tech ecosystem a platform to come together with decision makers, industry leaders, entrepreneurs and influencers to drive change.