

THE ANNUAL TECH NATION REPORT LAUNCHES TODAY: LIFTING THE LID ON HOW UK TECH BOOMED IN 2020

- Report reveals who the UK's 10 superstar scaleups were, driving a fifth (\$3.5bn) of UK tech VC investment between them (Part 1)
- UK tech IPOs gathered pace in 2020, with double the capital raised compared to 2018 (2)
- UK pulling away from European tech hubs, Germany and France in terms of investment (3)
- VC investment in Net Zero tech boomed by 160%, with a surprise 160% growth also in transport tech VC investment, despite global lockdowns last year (4)
- Despite the positive picture, still major challenges ahead as we navigate out of Covid-19: UK is trailing on R&D, with some overseas private companies investing more in R&D than the whole of the UK (5)

16th March 2021: Tech Nation, the leading scaleup accelerator, has today announced the release of its annual [Tech Nation Report](#), the ultimate state-of-the-nation report on the UK tech sector.

In its 7th year, the report lifts the lid on tech in an extraordinary 2020, revealing how the sector has changed, who the top performers were through the year, and the challenges and opportunities the UK faces as it navigates out of the pandemic and leaving the EU.

Prime Minister, Boris Johnson said: "The UK is maintaining its lead as one of the world's premier centres for tech of all kinds. While the real credit lies, as ever, with the engineers and designers toiling away at laptops across the country, I'm immensely proud to lead a government that is so comprehensively committed to supporting the sector. We're continuing to invest in your success, and I hope that the winning combination of UK tech and this government will lead us to yet another record-breaking year in 2021."

Digital Secretary Oliver Dowden said: "With record levels of investment secured and UK listings gaining momentum, this report shows Britain's tech sector continues to go from strength to strength, solidifying our position as one of the world's top tech hubs."

"We want to bring about a golden age of UK tech through a raft of supportive measures and funding to help businesses thrive. This will help fuel a booming tech sector - creating jobs and improving services so that we can build back better from the pandemic."

Gerard Grech, founding chief executive, Tech Nation, comments: "This year has highlighted the UK tech sector's enormous resilience and world-beating innovative spirit. In the face of a major global crisis, it has not only survived; in many areas, it has boomed. From EdTech to HealthTech, tech scaleups are at the centre of rebuilding the British economy and setting new standards worldwide."

"Now the focus turns to the future, as the UK pivots to a wider global role. Developing Britain's AI-powered deep-tech is especially critical. Much of our future economy will be built on this new

technology that leverages machine learning for faster innovation. Bold investment is needed in R&D to boost Britain's new deep-tech companies and ensure our global competitiveness."

"These are truly exciting times for UK tech. The successes of the past decade have shown what the UK is capable of when policy foresight, investment and a diverse and ambitious pool of talent come together. By continuing to set our sights high, the next decade promises to be the most innovative yet."

Part 1: Scaleup superstars of 2020

In 2020, the UK tech scaleup ecosystem continued its strong growth. Valued at \$585bn, startups and scaleups more than doubled (120%) their collective value since 2017. In comparison, the next most valuable European scaleup ecosystem, Germany, was valued at \$291bn.

Driving UK tech into new heights in 2020 were 10 superstar scaleups, which between them secured 20% of total UK tech VC investment, at \$3.5bn.

Company	HQ city	2020 funding (\$m)	Sector
Revolut	London	580	Fintech
Octopus Energy	London	577	Energy
Ki	London	500	Insurtech
Arrival	London	400	Transportation
Karma Kitchen	London	333	Real estate; food
Cazoo	London	310	Transport tech
Gymshark	Solihull	264	Fashion; ecommerce
Graphcore	Bristol	222	Semiconductors
Infobip	London	200	Marketing; enterprise software
Zenobe Energy	London	198	Energy, transportation

Source: Tech Nation, Dealroom.co 2021

Octopus Energy, Arrival, Cazoo, Gymshark, infobip, Gousto and Hopin were the seven unicorns to make it into the unicorn class of 2020, bringing the UK's total unicorn count in 2020 to 80. An additional 6 unicorns have already been created so far in 2021, Blockchain, Kymab, PPRO, Touchlight Genetics,

Starling Bank and Zego. Hopin, the online events platform which raised \$150 million in 2020, has gone on to raise a further \$400 million Series C round from US VC, Andreessen Horowitz and General Catalyst with a valuation of \$5.65bn.

Fintech challenger, Revolut, and insurance platform, Ki, helped to cement the UK's position globally for fintech and insurtech. Revolut raised \$580 million over the course of 2020, while Ki raised \$500 million in its bid to redefine the commercial insurance market.

Arrival, the London-based electric vehicle startup, and green energy provider Octopus Energy, secured the biggest rounds for UK impact startups in 2020 – at \$400 million and \$577 million respectively - helping to drive the UK's contribution to the global Net Zero goals.

Part 2: Tech IPOs gather pace in London

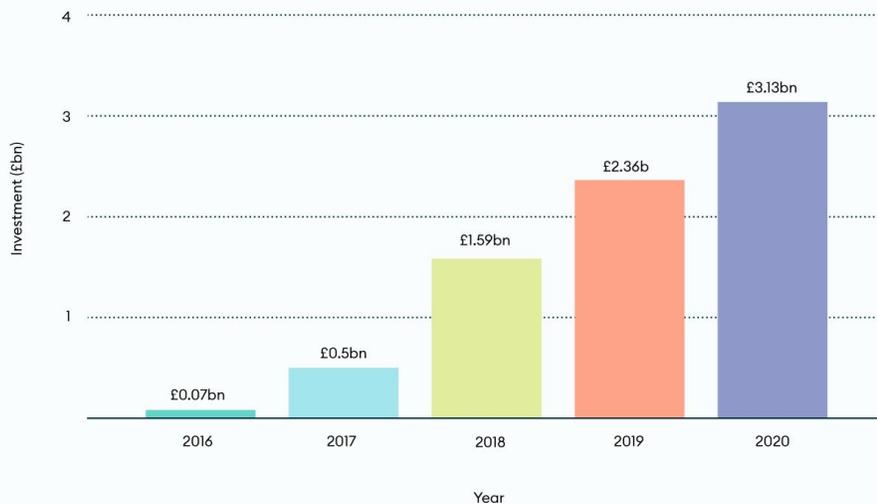
Despite uncertainty caused by the pandemic, UK Tech IPOs gained strong momentum in 2020, signalling the UK's attractiveness for tech companies and the continued health of the UK late-stage tech ecosystem. Eight of the UK's tech companies IPO'd on the LSE in 2020, raising a total of £3.1bn.

When compared with 2018, 2020 had double the amount of capital raised through IPOs. A notable highlight in 2020 was Manchester-HQ'd The Hut Group's IPO (THG), Europe's largest-ever eCommerce IPO, which raised £1.9bn at a market capitalisation of £5.4bn.

Tech and consumer internet firms are increasing their share of capital raised through IPOs on the LSE, accounting for 40% on the London Stock Exchange in 2020.



IPO proceeds accounted for by tech on the London Stock Exchange from 2016-2020 (£bn)



Source: Tech Nation, LSE, 2021

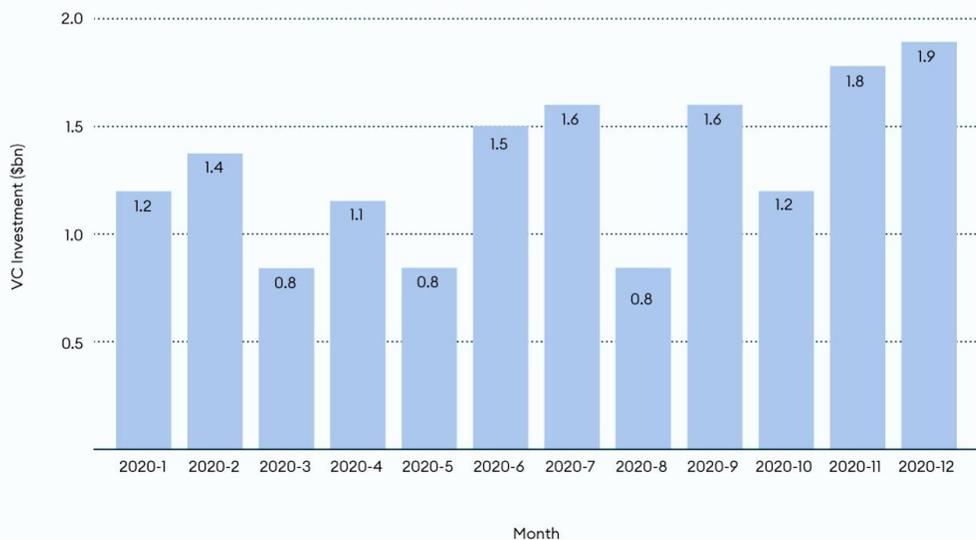
In 2020, tech and consumer internet firms raised £7bn in follow-on capital, enabling them to acquire and invest at scale and speed. Despite the pandemic, technology companies have been able to use their public listing to raise capital on tight timetables. This shows how listed tech companies are able to draw on investor support to drive their businesses forward, financing ambitious growth strategies with long-term, repeat capital raisings.

Part 3: Record-breaking tech investment in 2020 with the UK once again leading Europe:

There was also a record level of VC investment in 2020 into UK tech companies, despite the backdrop of the global pandemic. Investment reached \$15bn, \$200mn higher than 2019's record breaking year. Investment gained momentum throughout 2020, reaching a peak in December 2020 at \$1.9bn. The UK hubs driving investment were London, Oxford, Bristol, Cambridge and Edinburgh.



UK tech VC investment in 2020 by month (\$bn)



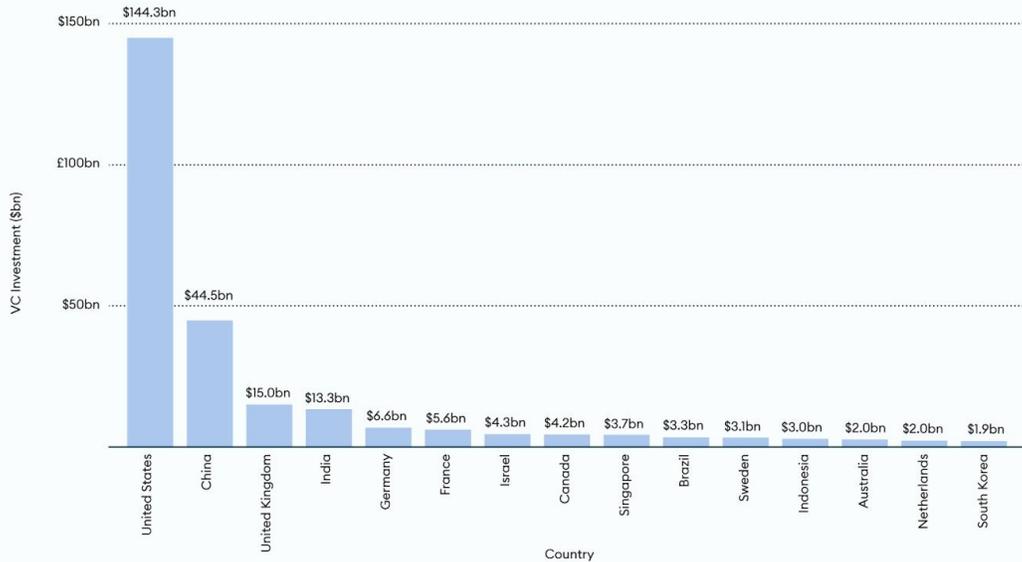
Source: Tech Nation, Dealroom, 2021

This places the UK third highest globally, behind the US (\$144.3bn) and China (\$44.6bn). The UK has made further strides in closing the gap behind China, which faced a drop in investment in both 2019 (-50%) and 2020 (-3%). The UK is also, once again, leading Europe for VC investment in tech, with Germany and France ranking fifth and sixth for total VC investment globally.

Data shows that Q1 2021 is already an all-time quarterly investment record for the UK, with VC tech investment reaching \$7.6bn. This is a 124% increase on Q1 2020 (\$3.4bn) and it topples Q4 of 2020 (\$4.8bn), which was the previous record holder. Q1 investment into UK tech is usually lower than Q2 and Q3 so it begs the question, what will happen next. Investment continues to be driven by star UK companies in 2021, including Hopin (\$400mn), Checkout.com (\$450mn), Starling Bank (\$300mn) and Rapyd (\$300mn) - who have raised megarounds of over \$250mn.



Top 15 countries for VC investment in tech in 2020 (\$bn)



Source: Tech Nation, Dealroom, 2021

In 2020, the UK was more open to global investment than ever before, which offers positive news following the UK's official exit from the EU in January 2020. Two thirds (63%) of investment (\$9.4bn) in UK tech came from overseas, compared with 50% (\$3bn) in 2016, with overseas financing representing 84% of total investment at the \$250m+ mark, up from 54% at Series A.

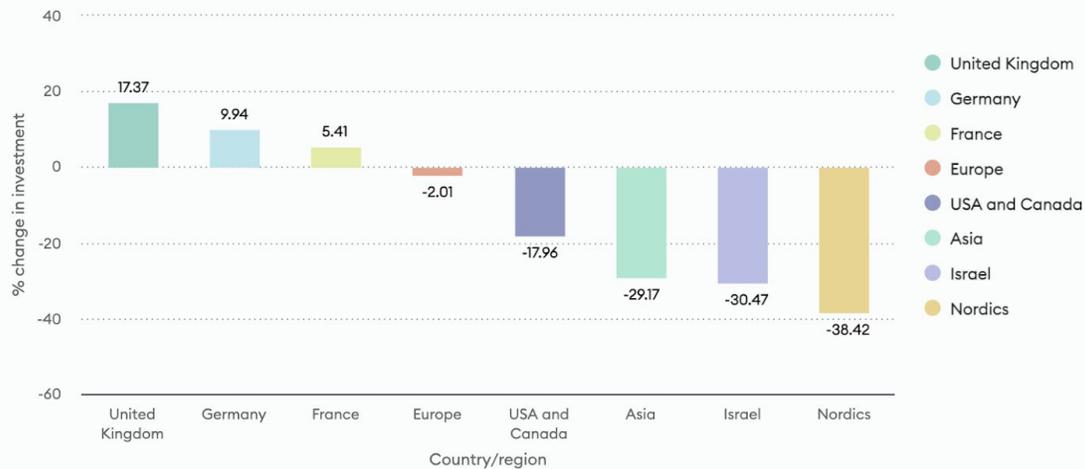
Part 4: Tech sectors to watch:

Data reveals a surprising UK sector champion - transport tech - which had a 160% boom in VC investment in 2020 taking it from \$650mn to \$1.7bn. This was driven by companies such as Arrival, which netted \$400m in Growth Equity, and investments into scaling companies made in the second half of 2020, such as Marshmallow, Cazoo, Freeflow Technologies, and Elmtronics, which signal the burgeoning demand for disruptive technologies to innovate in the transport sector. VC investment in transport tech is also on the rise globally - up by 13% in 2020 to \$44bn.

In 2020, VC investment in deeptech increased by 17%, rising to just under \$4bn. This represents the highest rate of growth globally, with the US, China, and Israel all seeing relative decreases in investment. This builds on the UK's rich history in R&D and strong deeptech ecosystem, with established companies such as ARM and Graphcore driving global success.



% change in deep tech investment by country/region (2019-2020)



Source: Tech Nation, Dealroom 2021

Last year transformed Net Zero into a subject of global interest. In this time, the UK ramped up investment into impact startups, with investment more than doubling (160%) since 2018 to \$2.6bn. This puts the UK third in the world for total impact tech investment – behind only the US (\$11.4bn) and China (\$2.9bn).

On the other hand, while the UK is still second in the world for VC investment into fintech - VC investment dropped by 23% to \$4.5bn. This may be a result of some later stage fintechs broadening their investment base as the sector matures. Fintechs such as Molo, iwoca, and MarketFinance shifted to debt financing, with all three raising sizable debt finance rounds in 2020.

Part 5: The next decade - challenges that lie ahead:

With UK tech going from strength to strength, it's becoming increasingly fundamental to UK economic growth. The rate of tech GVA contribution to the UK economy has grown on average by 7% per year since 2016. And, with the UK unemployment crisis high on the national agenda, data shows there are nearly three million jobs in the digital tech economy - more than either construction (1.9mn) or financial services (1.2mn).

But UK tech still faces significant challenges ahead in an increasingly competitive global landscape, with both challenges and opportunities presented by global capital flows, R&D shortfalls, and the levelling-up agenda.

Global capital flows:

In 2020, non-UK investment represented 63% of total VC funding of UK tech. For later stage investments, this is even more pronounced. Two thirds (65%) of funding rounds between \$100 and \$250mn, and three-quarters (76%) of rounds \$250mn+ included a non-European or UK investor in 2020. While this does reflect the strength and burgeoning international reputation for investment returns in UK tech, it also surfaces the potential for national security concerns, with UK tech firms to become increasingly majority-owned by non-UK actors in the future, while also signifying a shortfall of late stage domestic investors.

VC investment into UK regions:

VC investment continues to be gravitated towards London, with the gap growing over the past three years. The percentage of total UK VC investment made into London has increased from 73% to 88% between 2018 and 2021. The UK is a world-leading tech centre because of the collective strength of its regional tech clusters, so they must be supported in their growth journey by the development of more targeted regional investment funds with the firepower and risk attitude to level the funding playing field for companies outside London.

R&D shortfalls:

The UK is trailing on R&D, with some private overseas companies investing more in R&D than the UK does as a nation. Data from the [ONS](#) finds that UK R&D expenditure (public and private spending) was just under £30bn in 2018, whilst in the same year, the combined R&D expenditure of Amazon and Alphabet (on their own R&D activities) was £33bn. Comparing this on the global stage, total US R&D expenditure in 2018 reached \$551bn, while China's R&D expenditure reached \$463bn.

As the potential of technologies like AI, machine learning and quantum computing become fully realised and applied at scale, the UK will have to find ways to ramp up the R&D intensive capabilities it possesses and capitalise on a record year for deep tech VC investment, which increased by 17% to just under \$4bn in 2020.

Quotes

Johnny Boufarhat, CEO, Hopin, comments: "Hopin was born in 2019 because due to a prolonged illness I experienced the isolation that so many of us sadly became familiar with in 2020. Nobody saw COVID coming, but luckily at Hopin we were already building the best way to create connection and share experiences from afar. Being based in London also helped with that - we're a fully remote company which enables us to hire the best talent from across Europe and beyond, and also teaches us to build with empathy for all our global customers. It's harder to have that mindset if you're based in Silicon Valley."

Nik Storonsky, CEO and co-founder of Revolut said: “Tech Nation’s annual report highlights the richness of the UK tech landscape and the record investment in the sector. At Revolut, we’re honoured to be successful among such original and entrepreneurial businesses. But all of our successes owe much to the dynamism of the UK tech ecosystem that attracts exceptional talent and patient investment from the UK and around the world.

In this extraordinary year, every business has faced exceptional challenges as we and our customers dealt with the global pandemic. As our customers embraced digital spending and account management, we switched to truly virtual operations, learning as we went and ending the year as a faster and more productive business than we started. We launched Revolut in the US, in Australia and in Japan. We added new products that our 15 million customers use every day. And we accelerated along our path to build a financial superapp that makes our customers’ lives ten times easier as they use Revolut for all things money, from savings to spending, rewards and more.”

Greg Jackson, CEO and founder of Octopus Energy, comments: "We’ve already used technology to drive down costs of energy for customers, and transform service - but tech also holds the key to the biggest challenge.

Through technology we can make green energy cheap energy, globally. Renewables are lower cost than fossil fuels, but we need to digitise electricity systems in every nation to enable citizens to benefit.

It’s exciting that London, and the UK, are at the forefront of the entech revolution.

Just like with fintech, British companies are innovating through AI, big data and customer-focused design and creativity and we have the opportunity to make the UK the 'Silicon Valley of Energy'. We now need to make sure that our home market not only allows early stage innovation, but also provides a path to scale, if the UK is to capitalise on this early success."

Mark Allan, CEO of Ki and CFO of Brit: “The events of last year demonstrated the importance of technology, not only in overcoming adversity but also in enabling businesses to thrive during change and capitalise on new opportunities. We are living in a digital-led era and it is no surprise to see the pace of development accelerating, creating exciting opportunities for investors. Commercial insurance is an industry that is ripe for innovation and tech-enabled transformation to drive changes in decades-old processes. With Ki, we have embraced a digital and data-led business model to catalyse the adoption of technology in the commercial insurance market.

The response we’ve had to Ki, both from investors and trading partners, is a clear example of this. Our success in partnering with Google and UCL, and attracting investment from Blackstone & Fairfax, has given us the opportunity to launch and scale a truly innovative business. Throughout the process we have focused on the broker and client experience, seeking to transform how business is transacted in Lloyd’s using our digital platform to deliver our mantra of ‘Risk, Simplified’.

We are huge believers in the potential of technology in the UK and our market, Lloyd's of London, and we are excited that Ki is one of the businesses delivering a digital future in financial services. The UK has all of the right ingredients for innovation to happen, combining talent, access to capital and world-class regulatory frameworks."

Denis Sverdlov, Founder & CEO, Arrival comments: "In 2015, Arrival saw an opportunity to reimagine the automotive industry by developing a radical new method for the design and production of electric vehicles using Microfactories, enabled by our innovative proprietary technologies in materials, robotics and software. As we start a new chapter as a public company, the UK tech ecosystem will continue to play an important role for our London HQ, Banbury R&D facility and Bicester Microfactory."

Nigel Toon, Graphcore CEO comments: "The UK is continuing to punch well above its weight in terms of building and growing world-class technology companies, even in the midst of these unusual and uncertain times. We are, of course, delighted that Graphcore is identified as one of the standard bearers for this national success story. Deep tech represents the coming together of so many great British attributes – our reputation for innovation in science and engineering, the excellence of our academic institutions and, most recently, our status as a leading player in the development of artificial intelligence."

Louise O'Shea, CEO Confused.com & Chair of Fintech Wales & Chair of the Insurtech 2.0 board, comments: "The Tech Nation Report highlights the strength of UK tech, and the tech sector's resilience over the course of 2020. With Wales' position as a fintech hub within the UK, we're able to drive innovation, while creating jobs in the industry. This will only accelerate the opportunity for positive change and help position us as being world leaders in fintech."

Loral Quinn, CEO and Co-founder, Sustainably, comments: "With investment in impact startups doubling, the challenge now is how the UK can best leverage investment and R&D to be a world leader in disruptive tech, creating positive impact that is effortless, embedded and sustainable. The good news is we have a thriving tech ecosystem, record levels of investment from VCs in 2020 and tech and consumer internet companies increasing their share of capital raised through IPOs. So despite all the challenges, I'm excited about the huge opportunity this represents for global growth of tech for good."

Yoram Wijngaarde, Founder and CEO, Dealroom, comments: "As the most mature tech ecosystem in Europe, the UK is an incredibly important hub of talent, innovation and capital for the whole continent. For the next generation of tech, set to be defined by deep technologies such as AI, quantum, fusion and blockchain, the UK is well positioned to capitalise."

European and UK research universities are genuinely world-leading, and the UK has already produced game-changing university spinouts in Dundee (Exscientia, doing drug discovery with AI), Oxford (Vaccitech, who worked on the Oxford-Astrazeneca Covid vaccine), Cambridge (semiconductor giant ARM) and beyond. Ensuring the right conditions for both deep tech innovation and crucially commercialisation, will be vital for future-proofing jobs and economies. University IP-transfer terms,

employee options treatment, R&D investment, startup-corporate partnerships, institutional investment and cross-continental collaboration will all play their part in defining the winners and losers of the next 20 years. "

Murray Roos, Group Head of Capital Markets, LSEG: "We welcome Tech Nation's annual State of the Nation report, which underlines the strength and economic importance of the UK's tech businesses. The report also highlights the need to ensure that the funding ecosystem in the UK is able to support firms at all stages of development to allow them to continue to innovate, scale, create jobs and drive economic growth.

"As part of this ecosystem, London Stock Exchange is committed to supporting these dynamic companies, enabling access to deep pools of global capital through London's public markets. It's particularly pleasing to see tech and consumer internet businesses account for 40% of all London IPO proceeds in 2020."

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Notes to the Editor

About the Tech Nation Report 2021

The Tech Nation Report 2021 is supported by Oliver Wyman, who plays a leading role in helping businesses transform their operations. This report has benefitted from close collaboration with a number of knowledge partners, including London Stock Exchange, Edinburgh University, Findexable, and Creative Industries Council. In creating this report, the Tech Nation Insights team used data from Dealroom.co, TalentUp, Pitchbook, Crunchbase, Adzuna, Streetbees, SEMrush and the Office for National Statistics.

About Tech Nation

Tech Nation is the leading scaleup accelerator. Tech Nation fuels the growth of game-changing founders, leaders, and scaling companies so they can positively transform societies and economies. We provide them with the coaching, content, and community they need for their journey in designing the future. Tech Nation has years of experience facilitating and helping UK tech companies scale, both at home and abroad. Over 20 cohorts and 600 companies have successfully graduated from Tech Nation's growth programmes. Alumni include Skyscanner, Darktrace, and Monzo.