

NEW REPORT: FUNDING FOR UK IMPACT TECH STARTUPS SOARS TO \$3.5BN IN TEN YEARS

- New analysis reveals a 43x increase in funding for purpose-driven start-ups since 2011
 - Tech Nation & Google for Startups share new guide for impact tech success
 - Google celebrates 10 years of Google for Startups in the UK

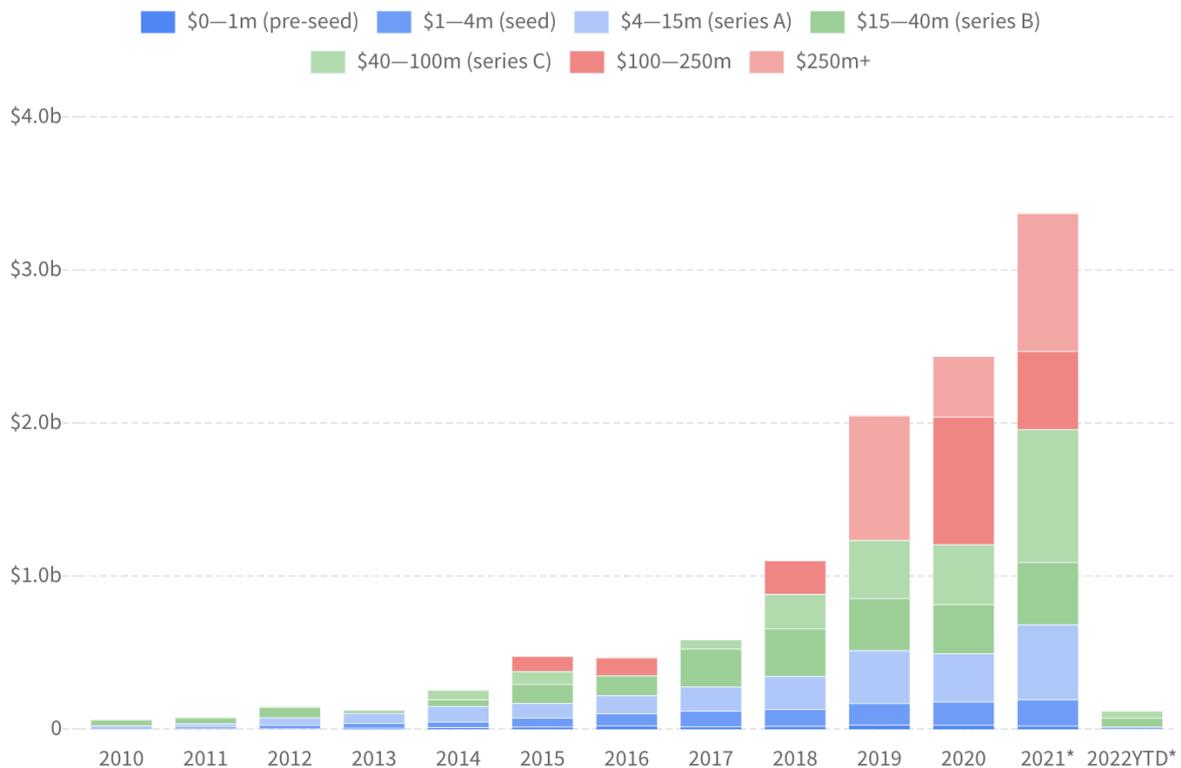
London, 26 May 2022: New research from Tech Nation and Google for Startups reveals funding for purpose-driven startups has soared to \$3.5bn (approx £2.8bn)* in the past decade.

The first-of-its-kind analysis shows that between 2011 and 2021, funding for impact tech** companies addressing [UN Sustainable Development Goals](#) rose from just \$74mn (or £59mn) to \$3.5bn (£2.8bn). And in 2021, despite the effects of the pandemic, funding increased by \$1.4bn (£1.1bn) compared to 2019 alone.

Funding for impact tech start-ups represented 9% of all venture capital funding in the sector in 2021, and the sector's average investment outweighs the average deal size reported for FinTech, the UK's biggest scaleup sector (at a median deal size of \$816k / £651k for impact tech versus \$680k / £543k for FinTech).

Over half (60%) of 2021's total impact tech investment contributed to the growth of Net Zero tech companies, founded to address global climate challenges. Other key investment areas include education, health, food, and sanitation - responding directly to acute global issues.

Graph 1: Investment into impact tech scaleups (2011-2021)



(Source: Tech Nation, Dealroom, 2022)

Insufficient early stage funding threatens future impact tech sector growth

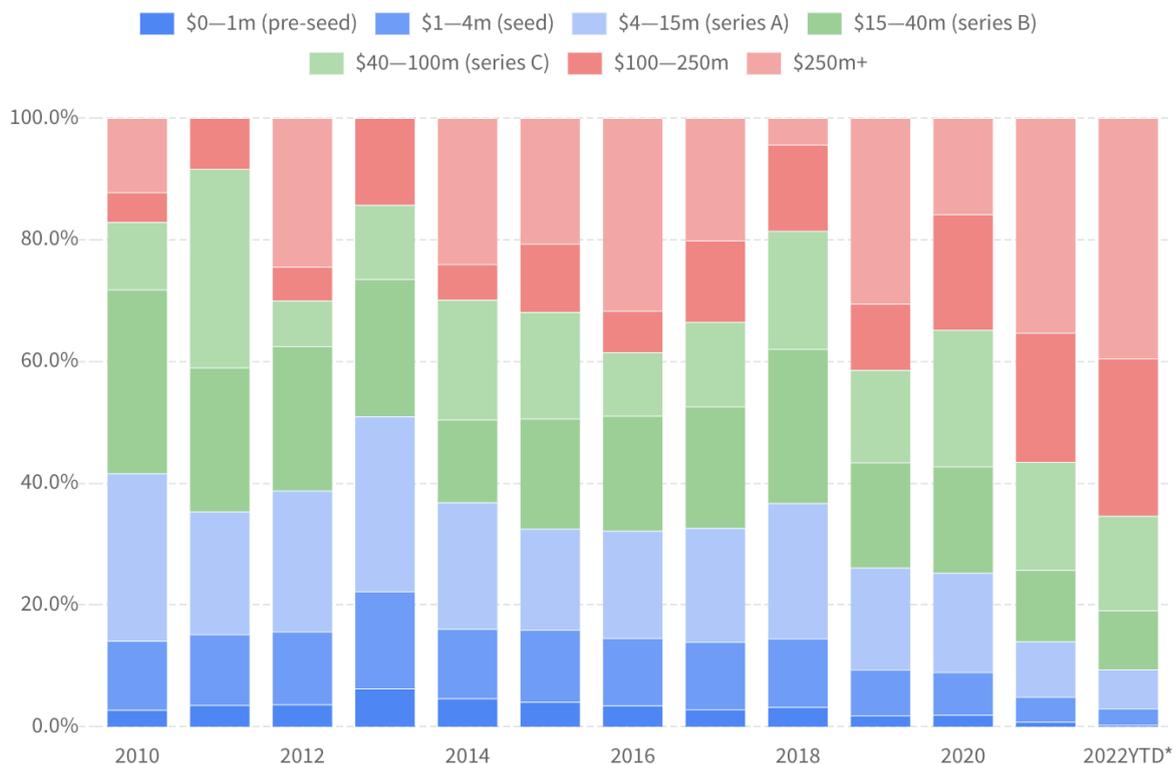
But the impact sector's future growth and success is being threatened by dwindling funding for early stage start-ups. This issue particularly affects UK tech businesses when compared to their US and European counterparts because of ecosystem maturity, valuation boosts from large scale US investment, and greater levels of retail investor certainty in later stage, venture capital backed firms.

The UK is fourth in the world for tech investment at \$40.8bn (£32.6bn), having achieved a record year in 2021.

However, while in 2011 seed and pre-seed VC investment made up over 15% of the total investment mix in UK tech, by 2021 that proportion had dropped to 4.8%. This downward trend has been seen over the last four years. In absolute terms, investment into seed and pre-seed companies has not decreased, but growth has been low. From 2020-2021 investment into UK tech increased by 130%, whilst investment into early stage companies increased by just over 14%.

If seed and pre-seed tech firms are to grow into the scaling engines of the UK economy, the supply of capital that sustains their early growth must be prioritised, or the UK runs the risk of stifling future stars of the global tech stage.

Graph 2: Funding for tech start-ups and scaleups by size of round (2010-2022)



(Source: Tech Nation, Dealroom, 2022)

Tom Wilson, Partner at early stage venture capital fund Seedcamp, says: "The funding landscape has really matured and blossomed into a vibrant ecosystem over the past 10 years. At Seedcamp, we've been privileged to have a front-row seat to this evolution by backing the likes of Wise, Hopin,

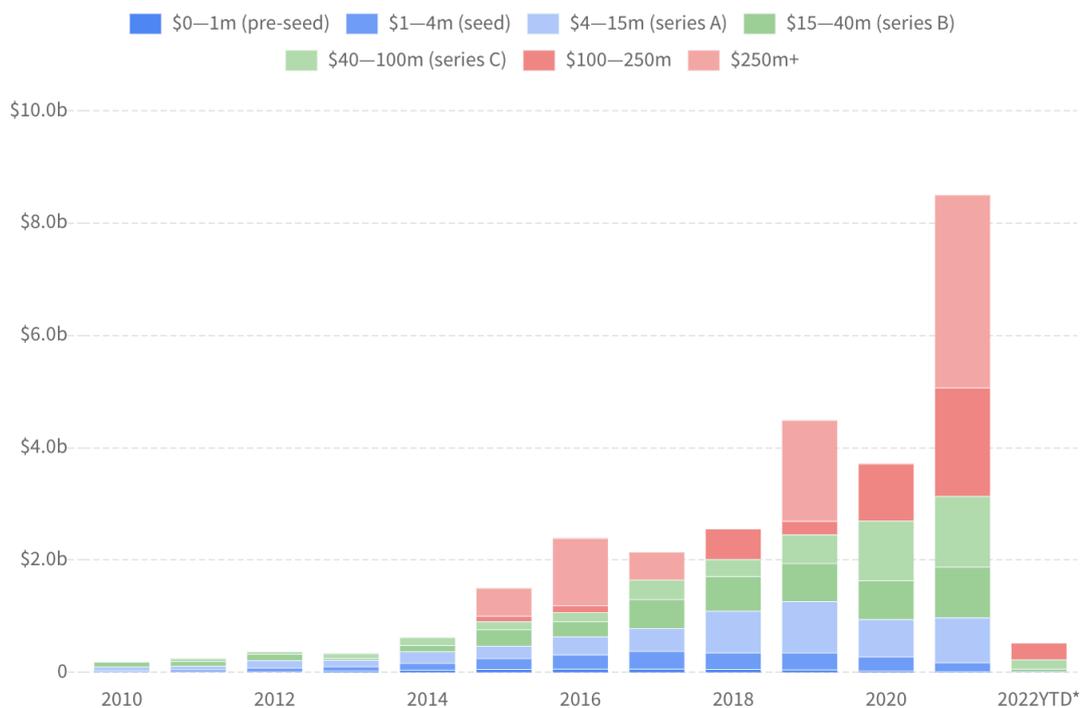
UI Path and Sorare. While there's been huge amounts of progress, we still want to see more investment and opportunity for companies building solutions that require more patient capital and deep tech to truly redefine the future of our health, consumption and the world we live in."

Deep tech funding must be prioritised to fuel impact sector growth

Across the entire startup ecosystem, renewed emphasis must be placed on access to early stage funding. But this need is especially true for deep tech startups - working on cutting edge technologies like AI and quantum computing, the rocket fuel of impact tech - which can require longer periods of intensive innovation at the outset of their scaling journey.

The report highlights that the UK is a global frontrunner in deep tech investment: funding in the sector has increased 33x since 2011, topping \$8.5bn (£6.8bn) in 2021 where megarounds of over \$250mn (£200mn) contributed heavily to the total. Even though investor appetite for deep tech is soaring, the sector's growth is in its infancy compared to its future potential.

Graph 3: Deep tech investment in the UK in \$bn (2010-2022)



(Source: Dealroom, Tech Nation, 2022)

The Google for Startups and Tech Nation Manifesto for accelerating the impact tech sector

1. Support for the UK's tech companies through **acceleration and incubation** to facilitate the growth of firms, and reduced failure rate.
2. To ensure **everyone has the opportunity** to engage in the thriving tech economy, and companies have the **right talent** needed to sustain growth, inclusion must be prioritised - tech is offering opportunities for all.
3. **Access to early stage capital** for ambitious, high growth tech companies must be reinvigorated in the UK, to ensure that the pipeline of well resourced companies

continues.

4. UK companies are increasingly taking a 'global by birth' mindset, but **support to land and expand to non-UK markets must be enhanced** to smooth the journey to global impact.
5. At home, impact tech companies are **positively contributing to the levelling up** of UK nations and regions - supporting local labour markets, economies and communities. This is why it's vital that startups in every corner of the UK have equal access to funding.

These five manifesto points are the result of trend analysis on data spanning the last decade of UK tech (including investment, employment, sectoral performance, diversity and inclusion, and support mechanisms), as well as interviews with founders, investors and support organisations on their priorities when considering the creation of conditions conducive to future growth in UK tech.

The *Decade of UK Tech* report launch marks Google for Startups's UK 10 year anniversary. Over the past decade, Google for Startups has worked with UK-based founders to help create over 24,000 jobs and raise over £350 million in funding.

Marta Krupinska, Head of Google for Startups, comments: "The UK's startups today have a more important role than ever before, helping to solve some of our biggest challenges and drive economic growth. A decade ago, we launched Google for Startups with a mission to support thriving, diverse, and inclusive startup communities. Today we're kicking off a conversation about how the startup community, investors, industry and Government should work together over the next 10 years to create the right conditions for entrepreneurs to use technology to help to drive meaningful change – and we're committed to playing our part."

Gerard Grech, Founding CEO of Tech Nation, comments: "Since Tech Nation's inception, the UK has become a global powerhouse for science, technology and innovation. As our report with Google for Startups makes clear, UK tech is working to solve some of the world's most pressing challenges, including helping the UK reach its goal of zero carbon emissions, and tackling social issues such as financial exclusion. At Tech Nation, we're privileged to have supported over 4,000 tech businesses to scale and succeed, including 37 of the UK's 116 tech 'unicorns' (companies with valuations of \$1bn+) and 5 of the UK's tech 13 'decacorns' (companies with valuations of \$10bn+). We are on a mission to enable the UK's most innovative companies not just to grow and become more profitable, but to change the world for the better."

Elizabeth Nyeko, Founder of Modularity Grid - A deep tech startup that provides AI software to help organisations, understand and manage the health and performance of renewable energy assets - added: "Over the past decade renewables have become significantly more cost-competitive. To build on this success and accelerate the global transition to renewables, fundamental structural challenges still need to be addressed. Most pertinently enduring market barriers and perceptions of high risk can slow private sector investment. But even such challenges create a multitude of new opportunities for tech startups. There is a tremendous opportunity for innovative startups to leverage the UK's position as a financial services powerhouse and help create a new generation of energy systems that allow for progress towards climate justice."

Minister for Tech and the Digital Economy, Chris Philp, said:

"Tech has the power to change the world and, as this report shows, the UK is one of the best places for tech firms to start, grow and create innovative solutions to the most pressing global challenges.

"We are working hard to make sure the success story of the UK's thriving tech sector continues well into the future - driving economic growth, creating jobs and improving lives."

To help support a diverse and representative startup ecosystem, Google for Startups has worked alongside Tech Nation to offer female founder office hours, which help to connect female founders to investors, increasing access to funding and collaboration. Google for Startups is also working to tackle racial inequality in VC funding by inviting black-led startups to apply for this year's \$4million [Black Founders Fund](#), created to help address the fact that 0.25% of VC funding goes to black-led startups.

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*Based on exchange rate of 1 USD = 0.8 GBP (correct as of 25.05.22)

**Defined by Tech2Impact as the use of technology to benefit people and the planet, ideally addressing a major social or environmental problem.

METHODOLOGY

This report draws from a variety of firm level, and jobs and skills based data sources, including, but not limited to Adzuna, LinkedIn, Dealroom and Crunchbase. For more information on these data sources, please visit ['A decade of UK tech' online report pages](#).

Notes: UK company refers to companies that are headquartered in the UK. Data on investment refers to venture capital investment, and figures are subject to change as new deals are captured. Data on jobs included here refers to people employed at the time of data collection in a given company, and may include people employed outside of the UK.

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About Tech Nation:

Tech Nation is the leading growth platform for UK tech scaleups. Tech Nation fuels the growth of game-changing founders, leaders, and scaling companies so they can positively transform societies and economies; providing 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 30 cohorts and 900 companies have successfully graduated from Tech Nation's growth programmes. Alumni include Skyscanner, Darktrace, and Monzo, as well as 3 of the UK's 'decacorns'; Revolut, Wise, and Farfetch.

About Google for Startups

[Google for Startups](#) is Google's initiative to help startups thrive across every corner of the world. We bring the best of Google's products, connections, and best practices to enable startups to build something better.