

# UK tech demonstrates resilience as startups navigate virus crisis

*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.*

Temps de lecture : minute

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10 June 2020

As members of the UK tech sector meet virtually during #LTWConnects events, figures show that 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 35K businesses, the report demonstrates that UK tech is resilient with deep foundations able 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 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.

## UK's position of strength

The UK's tech sector entered the coronavirus crisis in February in a strong position. From January to the end of May, tech companies raised \$5.3B, compared to a total raised in the rest of Europe of \$4.1B. 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.

In the first 12 days of the scheme, 464 applications were received from companies. Small and medium-sized 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 \$1B - 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 2.93M 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 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 \$5B, almost as much as the \$5.4B 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.

#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.

## Opinions from Mayor of London and tech experts

*"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 stronger from this crisis and be a key factor in driving inclusive economic growth and recovery." - Cindy Rose, UK CEO, Microsoft*

*"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." - Nicola Mendelsohn, VP EMEA, Facebook*

*"Resilience and agility are 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." - Baroness Martha Lane Fox, founder of Doteveryone*

*"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." - Will Shu, CEO & co-founder of Deliveroo*

*"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.”  
- Reshma Sohoni, co-founder and managing partner, Seedcamp*

*“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.” - Julian David, CEO, techUK*

*“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.” - Tabitha Goldstaub, Chair AI Council and co-founder CogX*

*“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.” - Suzanne Ashman, Partner at LocalGlobe*

*"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.” - Rich Serunjogi, Founder & CEO Business Score*

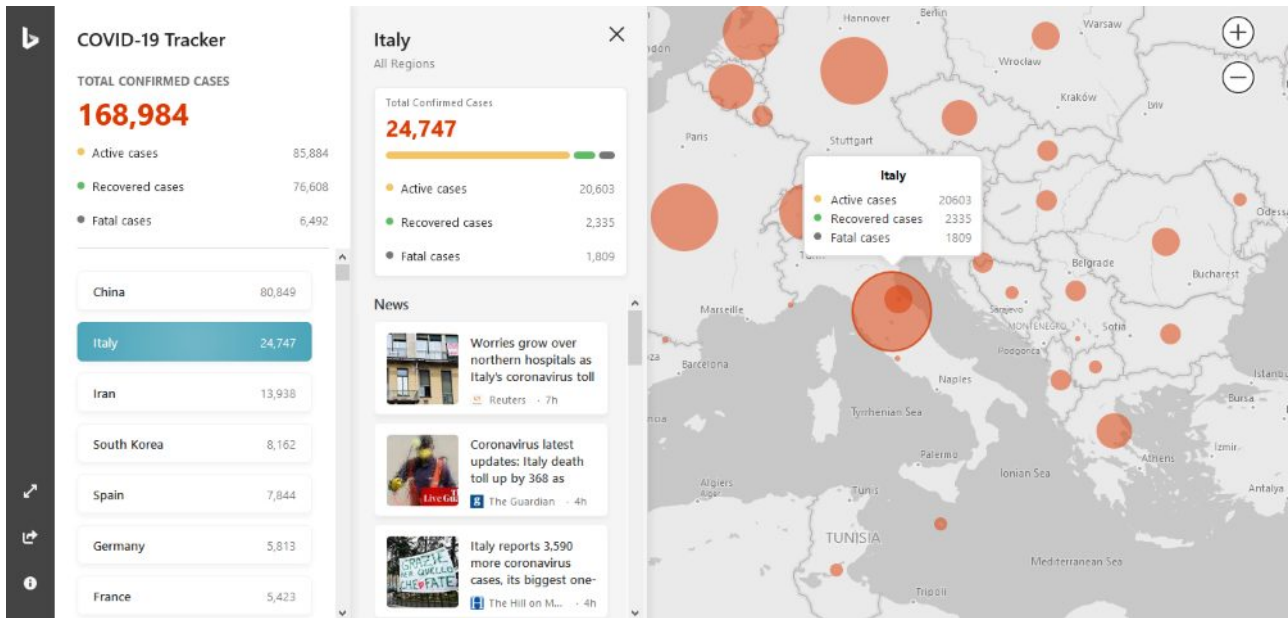
*"I've been lucky enough to witness first hand just how strong the UK tech*

*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." - Suranga Chandratillake, partner at Balderton Capital*

*"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." - Sharmadean Reid, co-founder and CEO, Beautystack*

*"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." - Russ Shaw, Founder, Tech London Advocates & Global Tech Advocates*





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