Atomico releases the State of European Tech Report 2020

We've all been waiting to see just how much of an impact COVID has had on the tech ecosystem. Maddyness goes into detail on the five shifts to look out for as Atomico releases its annual State of European Tech report.

Temps de lecture : minute

9 December 2020

VC firm Atomico this year published their established State of European Tech Report in collaboration with Slush, Orrick, and Silicon Valley Bank. From the results, it's clear that - despite COVID - European tech continues to flourish, with the UK front and centre (for now).

The hasty digitisation of pretty much everything has played to the tech world's advantage - with private funding set to hit a record $41B. Though funding for UK startups fell by 5%, its $12.5B still constituted over a quarter of capital invested in startups across Europe.

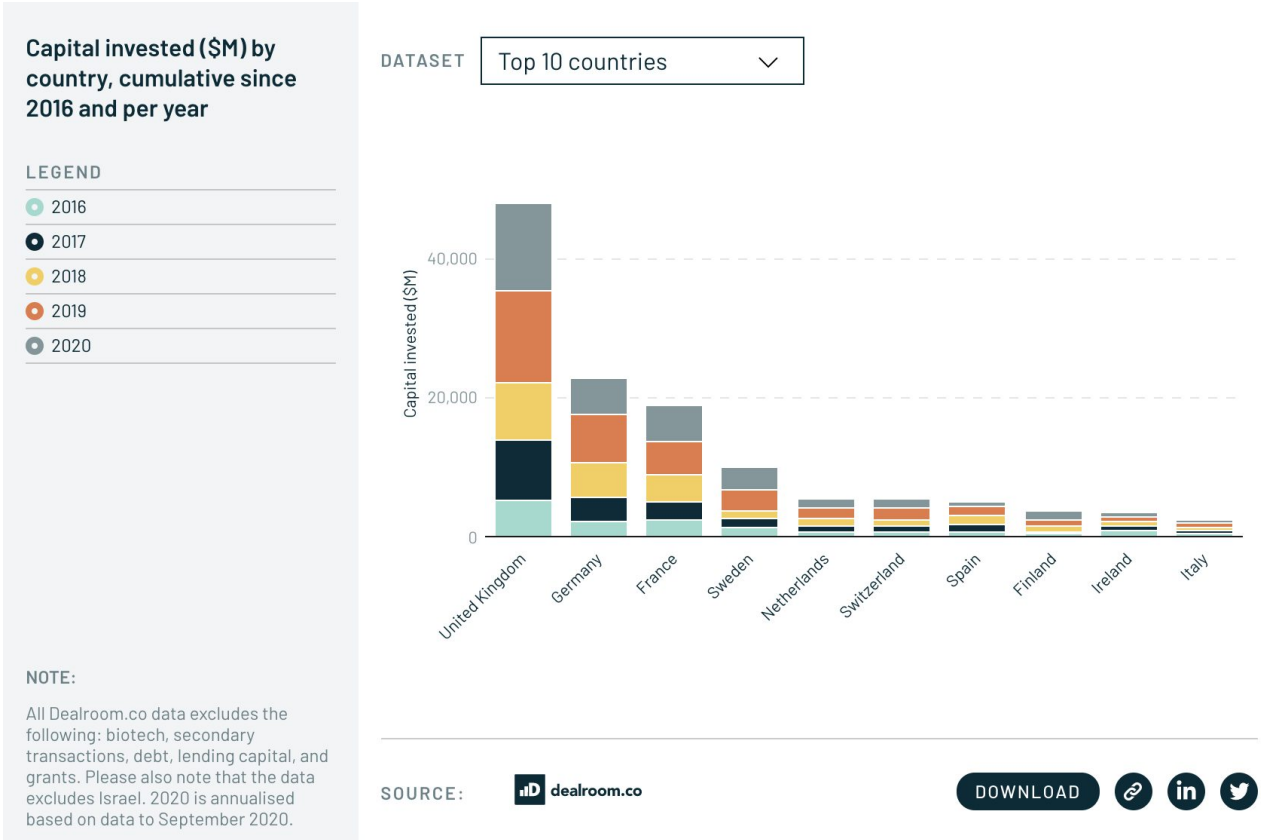
According to the report - which you can read in full here - there are five key trends to be aware of at the moment:

1. The UK stays on top - despite COVID and Brexit

The report touts London as the hub for European tech, with Paris, Stockholm and Berlin the other key contenders. The capital has attracted nearly $35B in capital investment since 2016.

In the report, Secretary of State for Digital, Culture, Media and Sport Oliver Dowden is quoted as saying:

> *"Our forthcoming Digital Strategy will unleash the full potential of tech innovators and entrepreneurs across the country, driving a new era of growth.*
>
> *The UK has long been one of the best places to start and grow a tech business and we intend to keep it that way by taking an unashamedly pro-tech approach."*



2. Low exit numbers to European public markets - but there are signs of change

2020 saw a drop from a high of 54 IPOs in 2018 - and the 36 IPOs Europe did see were somewhat overshadowed by successes in the United States.

The report stresses a need for more of Europe's leading tech companies to find paths to liquidity that benefit creators and investors, while simultaneously retaining talent.

There has been significant 'value leakage' in past exits of $1B+ VC-backed European companies, with US listings and M&A buyers accounting for 52% of total exit value.

However, the report notes that Europe's VC, PE and public markets are becoming more connected - therefore leading to more exit options and a strong pipeline of potential IPOs. Private equity-led buyouts, for example, have emerged as a viable path for VC-backed companies (e.g. Pipedrive; Idealista).

3. Diversity and inclusion is still nowhere near where it needs to be, as highlighted by the Black Lives Matter movement

The data is clearer than ever on diversity in tech - a situation that requires urgent resolution on both an ethical and business level.

Between 2009 and 2019, just 0.24% of capital went to Black founders in the UK. This year in particular saw all founders struggle to raise capital - but this was exacerbated by ethnicity. Compared to 55% of white founders, 61% of Black/African/Carribean founders, 67% of founders of mixed ethnicity, 69% of Hispanic/Latinx founders, 58% of Asian founders

and 56% of Middle Eastern/North African founders faced difficulties.

In terms of gender, progress has essentially come to a halt since 2018 - with 90.8% of all capital again going to men-only teams this year, compared to 90.3% in 2019.

4. Focus on climate action has further accelerated the need for purpose-driven tech

Tech with purpose is now clearly differentiated - with total capital invested set to exceed $6B this year. The report contains a section focusing on how capital and activity is aligning with the UN Sustainable Development Goals, via a methodology developed by Dealroom.

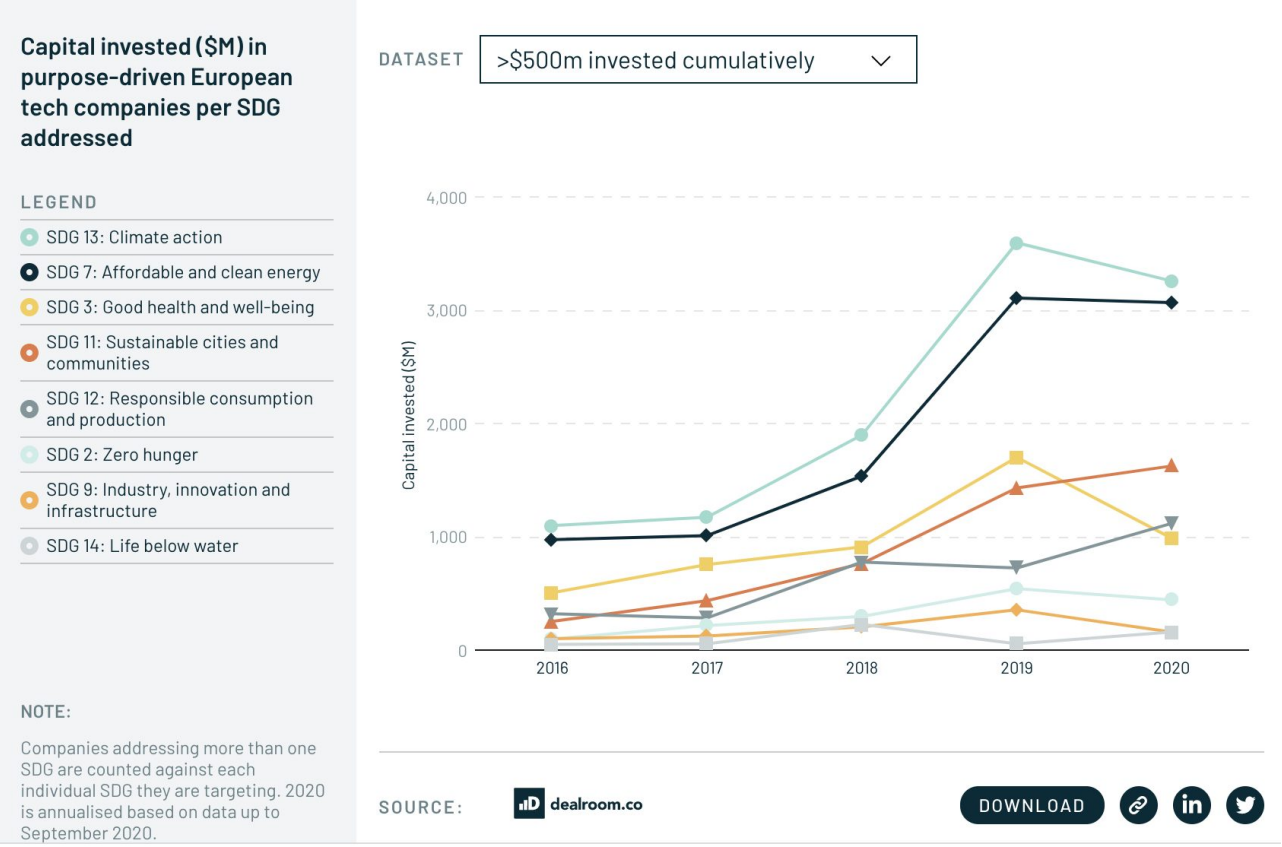
Looking at climate-focused businesses in particular, over $11B has been invested into European tech companies targeting climate action and $9.7B into companies addressing affordable and clean energy in the last five years.

Europe’s Green Deal has been a key focus for policymakers this year, and will have impacts for many more. According to Heidi Lindvall, General Partner at Pale Blue Dot:

> *“On climate specifically, we see a lot of forces at play in making this one of the most attractive investment opportunities in Europe, both in terms of profit and impact. Multiple European countries have committed to going carbon neutral before 2030, and there are notable changes in policies*

> *and regulations forcing businesses to shift gears and come up with new ways to operate in more sustainable ways.*"

"At the same time we see a raised awareness in consumers demanding change and more founders are moving to climate as being the most urgent problem for us to solve. All of these are contributing in giving Europe a competitive advantage in becoming the leader in climate tech."



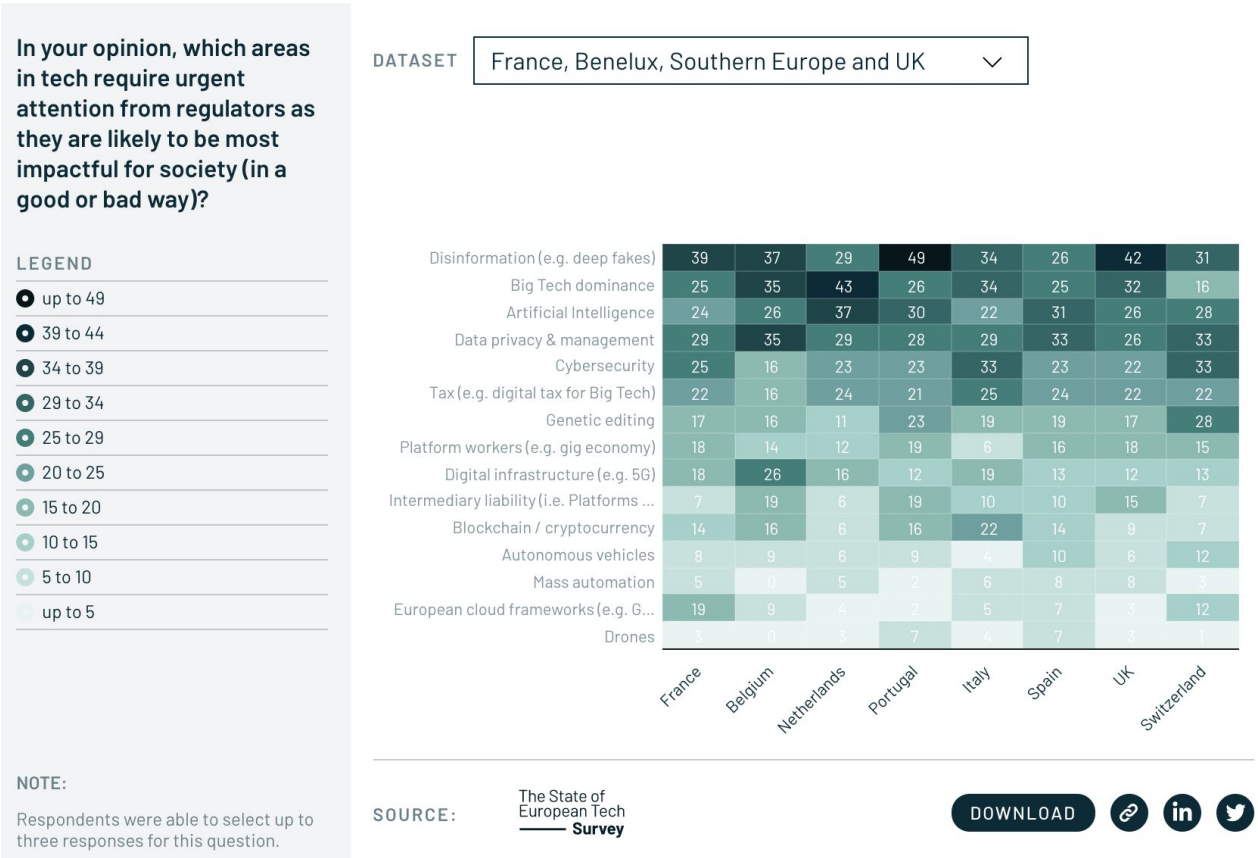
5. Governments supported startups throughout COVID-19, but issues with

regulation and governance remain according to many founders

Governments injected $11B in relief funds across Europe in response to the pandemic - and policy initiatives, including those related to visas and employee stock options, are emerging.

However, only 20% of founders feel their concerns are being heard by policymakers. Pretty much across the board, disinformation was voted the number one issue in need of urgent addressing. Artificial intelligence and Big Tech dominance also topped the ranks in certain countries.

This looks set to become a focus point for the European Commission, with the recent announcement of a review of the “Code of Practice” aimed at fighting the spread of disinformation online, first introduced in 2018.



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