

The UK will keep losing talent until we build a world-class tech IPO market in London

The UK is a great place for incubating tech startups. But despite the obvious entrepreneurial talent and market opportunity, we've still never managed to produce a Facebook, or a YouTube, or a Tesla. Why?

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There's one weak link. We lack a local IPO market in London that's suitable for growth tech companies.

Globally, only the US and China are getting it right. The NASDAQ and NYSE have access to deep pools of liquidity that are unparalleled elsewhere (China excepted), as well as an ecosystem of investors and analysts on both the buy and sell sides who understand tech businesses thoroughly. The recent phenomenon of the SPAC as a route to a public listing takes the US further ahead still. All of this means that when companies go public in the US, they've been well evaluated and deserve to - for the most part, at least.

In the UK, we don't have any of that. The simple fact is that European markets don't get tech companies. They're great for mature and well known consumer-oriented businesses that are already making money, like The Hut Group. But they struggle to effectively evaluate those on a growth track that aren't yet profitable. The result has been that time and time again, weaker businesses have gone public, failed, and put the whole market off the tech sector.

So it's not surprising that our most promising tech companies make themselves American when they're ready to go public, and that investors like Oxx actively help them do so. But it is a problem. The idea that the UK's tech companies are simply more inclined to sell out early is nonsense. They sell out because there's currently no viable alternative at home.

Scaling into the US market is challenging for even the smartest scale-up teams, but once they land and start to succeed there, the benefits are obvious. There's a symbiotic relationship between investment banks and the venture community in the States. Tech companies that are backed by VCs with good brands are well received on the public markets, and that means businesses can access them more reliably.

That's bad news for us in the UK. We need a big ecosystem underpinned by long-term independent companies to fuel future generations of tech startups. We won't get that if we keep driving our best talent to the US.

This isn't a new problem, but it is worsening. Throughout my career, the route to the US IPO market has been challenging, but more or less available to growth tech companies - until now. At the moment, the pandemic is making it nigh on impossible to become a transatlantic business, adding a physical barrier to entry on top of all the others. But that presents an opportunity for us in the investment community. Our best tech talent is, to all intents and purposes, being held captive - for now. We should be working on ways to keep it here once those restrictions lift.



The key to this (as ever) is collaboration. There are already baby steps being made in the right direction; Crowdcube's recently-launched Direct Community Offer being one. But to gain real momentum, trust and communication across the ecosystem is needed. This is where bodies like the BVCA and Tech Nation can step in. Despite their physical proximity, the City world and the tech world don't interact much; it's as if there's an invisible line drawn somewhere down Bishopsgate.

And unlike the symbiosis in the US, investment banks here tend to be sceptical of the venture capital community at large. The BVCA is in a good position to put lots of leaders together from different institutions - investment banks, portfolio managers, analysts, the LSE and beyond. This could create a critical mass of support, plug the knowledge gaps that are hampering progress, and start the flywheel turning towards a more sustainable IPO market.

The other piece of the puzzle is stimulating more

growth in the STEM-educated talent pool. If we're going to grow the next Facebook, we can't keep relying on imported tech talent.

For one thing, we're not the only ones playing that game - and thanks to Brexit and the pandemic, enticing tech talent to the UK is becoming an increasingly uphill battle.

As a community, we haven't been proactive enough on this point. There is no reason the Government couldn't direct funding more decisively to pay for degrees in strategically valuable sectors. Other countries already do it. If we're willing as a nation to invest more in physical infrastructure like high speed railways and roads, why not invest in human infrastructure like tech talent?

There's appetite for this at the moment. The pandemic has thrown the digitalisation of the global economy into perspective and removed any lingering doubt that tech is where we should be directing our energy. As investors, we need to focus on creating an ecosystem capable of producing the big public companies that are coming out of the US. It's within reach: we have plenty of capable entrepreneurs and we have a huge market opportunity. What's lacking is a propitious public market and a larger STEM-educated talent pool. Put some energy behind those missing pieces, and the prize is enormous.

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