

# Today's unicorns were yesterday's early stage companies. The tech ecosystem needs to support young startups

*We recently had the pleasure of compiling a rigorous new list of the UK's fastest-growing businesses across all sectors, by revenue growth over the past two years. It was rather more work than we'd expected - Companies House is our new best friend - but Growth Index 2022 has revealed some fascinating patterns, not least about the UK tech ecosystem.*

Temps de lecture : minute

---

8 September 2022

For example, exactly half of Britain's 100 fastest growing companies have received equity funding, which if anything is surprisingly low. More curiously still, we found that 65.9% of that cumulative funding (\$8.6B) had gone to just seven companies. The biggest round - Revolut's \$800M series E raise in 2021 - drew almost exactly the same as our lowest 19 companies had received since foundation.

While Growth Index doesn't just contain tech companies - they're about a third of the list - all seven of the best-funded companies are in tech or fintech, or have a very significant tech component. Indeed, of the 50 funded companies, no fewer than 20 had a connection with Tech Nation at some point in their growth journey, showing perhaps how integral networks are to well-functioning ecosystems.

There is a broader pattern within tech of investment being concentrated in a smaller and smaller number of bigger and bigger deals. In 2013, UK

tech companies raised \$2.8B. That this figure had increased to *\$40.8B* by 2021 is a testament to the ecosystem's vigour as well as a vital contributor to it.

Yet a quick analysis of *Tech Nation data* shows that while the total annual value of UK rounds between \$40M and \$250M increased by a factor of 21 over that period, total seed funding grew by a much more modest 274% (to \$1.67B). Pre-seed rose by only 85%, to \$326M.

At first glance this isn't a bad thing. For years, we've bemoaned the lack of scale-up capital in the UK, compared to the Silicon Valley gold standard. It's great to see mega-deals like the best-funded Growth Index business Revolut's \$800M series E extravaganza in 2021.

Yet it may now be time to ask whether the trend towards fewer, bigger bets - with the likes of SoftBank Vision fund having minimum \$100M investments - could end up starving early-stage companies of much-needed capital.

This would be a great shame. The UK has long had an extraordinarily vibrant startup scene, with young tech companies fertilising the wider ecosystem with the innovation, creativity and entrepreneurial zest that it needs to expand and compete internationally. Some of these startups clearly also grow to the point of becoming the very unicorns that are now receiving such ample and well-deserved funding.

We take this vibrancy for granted at our peril. Yes, funding has increased in absolute terms for early stage companies, but that doesn't mean our startups are getting enough capital, particularly as the cost of acquiring customers is rising in many sectors as competition intensifies.

In any case, neglecting their funding needs in favour of big ticket investments risks shutting off the pipeline of future scale-ups, as well as impoverishing the ecosystem as a whole, at least in comparison to rival

tech clusters abroad.

Investors, governments and other stakeholders would do well to remember that a truly thriving tech ecosystem requires strength at every level of maturity. As the performance of our fastest-growing companies shows, things are going well in the sector, but it's no time to take our eye off the ball.

Absolute size of tech funding at different levels calculated from *Tech Nation: A Decade of UK Tech report*. This listed total tech investment by year, and also the percentages by year according to pre-seed, seed, series A, series B, series, C, \$100M-\$250M and \$250M+ rounds. This allowed the absolute figures to be calculated:

## Total funding and percentage of funding by round

	Total funding (\$m)	pre-seed %	seed %	series A	series B	series C	\$110-250m	\$250m+
2013	2,800	0.063	0.16	0.287	0.225	0.122	0.143	0
2014	5,800	0.047	0.114	0.209	0.136	0.197	0.058	0.24
2015	7,400	0.041	0.118	0.166	0.181	0.175	0.113	0.206
2016	9,200	0.035	0.111	0.176	0.189	0.104	0.068	0.317
2017	11,100	0.029	0.111	0.187	0.2	0.139	0.134	0.202
2018	11,400	0.033	0.113	0.223	0.251	0.194	0.143	0.044
2019	17,900	0.019	0.075	0.167	0.173	0.152	0.109	0.305
2020	17,800	0.019	0.07	0.163	0.174	0.228	0.189	0.158
2021	40,800	0.008	0.041	0.092	0.118	0.179	0.214	0.349

## Total funding by round (\$)

	pre seed funding (\$M)	seed funding (\$M)	series a funding (\$M)	series b funding (\$M)	series c funding (\$M)	\$100-\$250M funding (\$M)	\$250M+ funding (\$M)
2013	176.4	448	803.6	630	341.6	400.4	0
2014	272.6	661.2	1212.2	788.8	1142.6	336.4	1392
2015	303.4	873.2	1228.4	1339.4	1295	836.2	1524.4
2016	322	1021.2	1619.2	1738.8	956.8	625.6	2916.4
2017	321.9	1232.1	2075.7	2220	1542.9	1487.4	2242.2
2018	376.2	1288.2	2542.2	2861.4	2211.6	1630.2	501.6
2019	340.1	1342.5	2989.3	3096.7	2720.8	1951.1	5459.5

2020	338.2	1246	2901.4	3097.2	4058.4	3364.2	2812.4
2021	326.4	1672.8	3753.6	4814.4	7303.2	8731.2	14239.2
% increase 2021 on 2014	1.850340136	3.733928571	4.670980587	7.641904762	21.3793911	21.80619381	n/a
					All \$100M+ deals (2021 vs 2014)	57.36863137	

Will King is an analyst at Oresa.

---

Article by Will King