

Annual Tech Nation Report celebrates UK tech boom in 2020

You would be forgiven in thinking that the tech industry – like so many other sectors – may have suffered from the challenges that 2020 encapsulated. However, the annual Tech Nation Report suggests to the contrary, highlighting the triumphs for the tech industry in the UK during the year.

The report by scaleup accelerator Tech Nation looks at how the sector has changed, who the top performers were through the year, and the challenges and opportunities the UK faces as it navigates out of the pandemic and leaving the EU.

Scaleup superstars of 2020

In 2020, the UK tech scaleup ecosystem continued its strong growth. Valued at \$585B, startups and scaleups more than doubled (120%) their collective value since 2017. In comparison, the next most valuable European scaleup ecosystem, Germany, was valued at \$291bn.

Driving UK tech into new heights in 2020 were 10 superstar scaleups, which between them secured 20% of total UK tech VC investment, at \$3.5B.

Octopus Energy, Arrival, Cazoo, Gymshark, infobip, Gousto and Hopin were the seven unicorns to make it into the unicorn class of 2020, bringing the UK's total unicorn count in 2020 to 80.

An additional six unicorns have already been created so far in 2021 – Blockchain, Kymab, PPRO, Touchlight Genetics, Starling Bank and Zego. Hopin, the online events platform which raised \$150M in 2020, has gone on to raise a further \$400M Series C round from US VC, Andreessen Horowitz and General Catalyst, with a valuation of \$5.65B.

Fintech challenger Revolut and insurance platform Ki helped to cement the UK's position globally for fintech and insurtech. Revolut raised \$580M over the course of 2020, while Ki raised \$500M in its bid to redefine the commercial insurance market.

Arrival, the London-based electric vehicle startup, and green energy provider Octopus Energy, secured the biggest rounds for UK impact startups in 2020 – at \$400M and \$577M respectively – helping to drive the UK's contribution to the global Net Zero goals.

Tech IPOs gather pace in London

Despite uncertainty caused by the pandemic, UK Tech IPOs gained strong momentum in 2020, signalling the UK's attractiveness for tech companies and the continued health of the UK late-stage tech ecosystem. Eight of the UK's tech companies IPO'd on the LSE in 2020, raising a total of £3.1B.

When compared with 2018, 2020 had double the amount of capital raised through IPOs. A notable highlight in 2020 was Manchester-headquartered The Hut Group's IPO (THG), Europe's largest-ever eCommerce IPO, which raised £1.9B at a market capitalisation of £5.4B.

Tech and consumer internet firms are increasing their share of capital raised through IPOs on the LSE, accounting for 40% on the London Stock Exchange in 2020.

In 2020, tech and consumer internet firms raised £7B in follow-on capital, enabling them to acquire and invest at scale and speed. Despite the pandemic, technology companies have been able to use their public listing to raise capital on tight timetables. This shows how listed tech companies are able to draw on investor support to drive their businesses forward, financing ambitious growth strategies with long-term, repeat capital raisings.

UK leading Europe in tech investment

There was also a record level of VC investment in 2020 into UK tech companies, despite the backdrop of the global pandemic. Investment reached \$15B, \$200M higher than 2019's record breaking year. Investment gained momentum throughout 2020, reaching a peak in December 2020 at \$1.9B. The UK hubs driving investment were London, Oxford, Bristol, Cambridge and Edinburgh.

This places the UK third highest globally, behind the US (\$144.3B) and China (\$44.6B). The UK has made further strides in closing the gap behind China, which faced a drop in investment in both 2019 (-50%) and 2020 (-3%). The UK is leading Europe for VC investment in tech, with Germany and France ranking fifth and sixth for total VC investment globally.

In 2020, the UK was more open to global investment than ever before, which offers positive news following the UK's official exit from the EU in January 2020. Two thirds (63%) of investment (\$9.4B) in UK tech came from overseas, compared with 50% (\$3B) in 2016, with overseas financing representing 84% of total investment at the \$250M+ mark, up from 54% at Series A.

Investment continues to be driven by star UK companies in 2021, including Hopin (\$400M), Checkout.com (\$450M), Starling Bank (\$300M) and Rapyd (\$300M), who have raised megarounds of over \$250M.

Tech sectors to watch

Data reveals a surprising UK sector champion - transport tech - which had a 160% boom in VC investment in 2020, taking it from \$650M to \$1.7B. This was driven by companies such as Arrival, which netted \$400M in Growth Equity, and investments into scaling companies made in the second half of 2020 such as Marshmallow, Cazoo, Freeflow Technologies, and Elmtronics, which signal the burgeoning demand for disruptive technologies to innovate in the transport sector. VC investment in transport tech is also on the rise globally - up by 13% in 2020 to \$44B.

In 2020, VC investment in deeptech increased by 17%, rising to just under \$4B. This represents the highest rate of growth globally, with the US, China, and Israel all seeing relative decreases in investment. This builds on the UK's rich history in R&D and strong deeptech ecosystem, with established companies such as ARM and Graphcore driving global success.

Last year transformed Net Zero into a subject of global interest. In this time, the UK ramped up investment into impact startups, with investment more than

doubling (160%) since 2018 to \$2.6B. This puts the UK third in the world for total impact tech investment – behind only the US (\$11.4B) and China (\$2.9B).

While the UK is still second in the world for VC investment into fintech, VC investment dropped by 23% to \$4.5B. This may be a result of some later stage fintechs broadening their investment base as the sector matures. Fintechs such as Molo, iwoca and MarketFinance shifted to debt financing, with all three raising sizable debt finance rounds in 2020.

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