

The UK's first 100 startup unicorns: a retrospective

When AI startup Tractable reached a \$1B valuation in June, it became the UK's 100th startup unicorn. We look at the successes and failures, highs and lows, and what could come next for the UK's burgeoning startup unicorn nest.

In June, prominent UK investor James Anderson – whose own portfolio includes early gambits in Facebook, Amazon, and Tesla – bemoaned the deep 'sickness' in the UK economy that has stifled the success of home grown tech companies.

Yet just days before, AI startup Tractable, after a successful Series D funding round, reached a \$1B valuation, becoming *the hundredth UK-born tech startup* to do so, number 14 in 2021 alone. There are now more tech unicorns in the UK than the rest of Europe combined, behind only the US and China.

From fintech giants to *e-commerce outsiders*, the UK's startup sector is clearly a key source of growth for the economy, particularly during its recovery. So what have been some of the startup success stories, as well as notorious failures, and what does the future hold for the UK as a nest of startup unicorns?

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Given the growing reputation of the UK – and particularly London – as a hub of financial services, it's not surprising that over a third (34) of the 100 UK unicorns are fintech companies.

Funding Circle was one of the forerunners of the UK fintech scene, creating a peer-to-peer lending marketplace allowing anyone to invest in small-to-medium enterprises. It was launched in 2010 as a response to banks cutting back on lending as a result of the financial crisis, creating a need for alternative sources of capital. Funding Circle sauntered to its unicorn status in 2017, before going public in 2018.

In its wake emerged two of the biggest fintech names that the UK has produced: Monzo and Revolut. Both were flagship app-based challenger banks which have permanently disrupted personal banking.

Monzo is famed for pulling off the “fastest funding round in history”, raising £1M in 96 seconds through crowdfunding platform Crowdcube. After a mammoth £85M funding round in 2018, Monzo joined the fintech unicorn hall of fame. Revolut has seen a slower but more sustained rise to success. It was launched in 2014, and has since amassed 12M users and is approaching a \$10B valuation. One recent innovation has been to allow users to buy and sell cryptocurrencies through the platform.

One of the latest notable fintech successes has been payments platform Checkout.com. Following a \$450M funding round in January, Checkout.com is now dubbed Europe's most valuable tech unicorn with a whopping \$15B valuation. They're just one of the companies vying to fill the massive Wirecard-shaped hole following the company's collapse, and will look to compete with US-based Stripe, which was recently valued at \$95B.

The COVID-19 pandemic has also brought with it a wave of innovation that has propelled startups in certain sectors. Trends, like online shopping and virtual events, have been rapidly accelerated, creating a lucrative opportunity for UK startups.

Hopin's success during lockdown has made it one of the fastest UK startups to become a unicorn. Johnny Bourfarhat launched the web conferencing platform in 2019 when he was bed-bound by a viral infection. The vision – to bring people together virtually in an intimate and engaging way – couldn't have been better timed. At the start of 2020, Hopin employed six people: they now employ 650. Its latest funding round has given it a valuation of \$5.65B.

E-commerce has also thrived, as Gymshark founder Ben Francis will tell you. The sportswear business he founded in his parents' garage achieved unicorn status in September 2020, despite never having raised any investment up to that point.

Meal kit retailer Gousto's popularity also sky-rocketed during lockdown, as restaurants were closed and people were forced back into the kitchen. As the number of users soared, so did demand from investors, with a £25M round in November 2020 bringing their valuation over the billion dollar mark.

Which UK unicorns have failed?

Earning unicorn status is by no means a mark of complete success. Winds can change quickly, and what once was valued in the billions may now be worthless.

In an alternate universe, Powa Technologies might have been a household name in ecommerce and mobile commerce. In 2013, Powa received the largest Series A funding round for a technology startup at the time, raising \$76M, reaching what they believed was an estimated value of \$2.6B. They occupied several floors in London's sleek Heron Tower at the heart of the City, perfectly projecting the image of startup unicorn success.

But what soon transpired was that there was a huge shortfall between the estimated value of the company and its actual valuation. In reality, the company was struggling to pay its staff, had sold off some of its most valuable assets, and was postponing its planned IPO on the London Stock Exchange. By 2016, the company was in administration and had laid off the entirety of its staff. A series of investigations found that, far from its \$2.6B valuation, the company at the time was probably worth closer to \$100M.

Founder Dan Wagner described Powa's collapse as completely random. "It's the business equivalent of walking across the street and being hit by a car," he said.

Deliveroo is a UK unicorn whose fate hangs in the balance. Deliveroo currently dominates the home delivery market, but behind the scenes things may not be so rosy. Like so many recent tech success stories, vast investment rounds cover up the fact that the company is not yet profitable. Deliveroo has raised \$1.7B since 2013, but continues to make nine-figure losses annually.

Things went from bad to worse for Deliveroo when the company went public in March 2021, now dubbed by many in the City as "the worst IPO in history". On its opening day, the company lost nearly a third of its value, equivalent to around £2B. Its share price is now back on track to reach its IPO level, but with

a strong competition in the market, and mounting pressure from investors looking for returns, Deliveroo faces turbulent years ahead.

Where next for the UK unicorn market?

As the shape of the UK economy changes, so will the types of companies that can reach \$1B valuations.

Fintech innovations will continue to play a strong role in the UK ecosystem. Atom Bank takes the challenger bank sector to the next level as the first 'neo-bank', built entirely for smartphones without any physical branches. Zopa and Zilch are two to watch in the fintech space as upcoming unicorns.

Deeptech is sure to be a strong focus area for UK startups in the coming years. VC funds like Amadeus Capital and Bloc Ventures are driving investment in areas such as AI, blockchain, and machine learning that will be at the forefront of innovation in the UK.

There's already been a number of deeptech successes in the UK market. There's Oxford Nanopore Technologies, a deeptech company which emerged from Oxford University. Graphcore creates semiconductors for machine learning, while UK unicorn number 100 Tractable is an AI visualisation tool for the insurance industry.

Sustainable technology is also set to see a huge influx of investment in the coming years as the green transition gets well underway. Electric vehicle manufacturer Arrival joined the unicorn club in 2021 with a \$13B valuation. After announcing the opening of two new factories in the UK and the US, and a contract to start building cars for Uber drivers, Arrival's value is bound to increase. Renewable energy provider Bulb may be one of the UK's next sustainable unicorns. They've already raised over \$80M, and have a growing market share in the UK.

With 14 unicorns and counting in 2021, the UK has surely cemented itself as a strong candidate for unicorn-hungry investors.