



TECH LONDON ADVOCATES

LONDON'S TECH INVESTMENT LANDSCAPE 2019





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INTRODUCTION

RUSS SHAW, FOUNDER
TECH LONDON ADVOCATES & GLOBAL TECH ADVOCATES

“London has gained an international reputation for its ability to take companies from seed to scale and from regional to multinational.”

Two years ago, Tech London Advocates published the first Tech Investment Showcase report, in the aftermath of Britain triggering Article 50. For the technology sector this was uncharted waters, the first real challenge to five years of unrivalled growth and success and a threat to the city's position as an international tech hub.

Whilst the subsequent years haven't been the disaster some predicted, neither have they been easy. 2018 closed with tech investment down on the previous year – leaving many asking the question: is this a blip in an otherwise stable market or the first sign of falling confidence in a tech ecosystem experiencing severe political turbulence.

With no great clarity on the table regarding Britain's future relationship with the European Union, investors and entrepreneurs are yet to receive the assurances needed to steady the ship and prevent the stalling of investment plans put on pause in anticipation of a Brexit agreement.

Yet, one thing has become clear throughout the Brexit process, despite political uncertainty the strength and resilience of UK tech has never come into question. The spirit, ambition and sheer excellence of tech entrepreneurs has proved unrelenting and refused to falter.

Latest investment figures point to the diversification of the sector and growth throughout the Fintech, Deeptech and Healthtech verticals. Britain has become home to globally significant tech businesses throughout these sectors, witnessing funding rounds and IPO's that were once reserved to Silicon Valley and is pioneering advancements in Artificial Intelligence and Machine Learning that are shaping today and tomorrow.

London retains a competitive advantage in talent, infrastructure and capital. If Brexit is an investment variable, then so too are the world-leading universities, the centers of excellence, incubators and accelerators, along with the vast funds that are already looking to UK tech to produce Europe's unicorns.

London has proved its ability to take companies from seed to scale and from local to multinational markets. London is the only truly global tech hub in the world with connections that stretch to every corner of the earth and offer opportunity for Britain's tech leaders to think global from the get-go. There are unique propositions for tech companies based in Britain from accessing the titan consumer and capital markets in China, to following in the footsteps of Fintechs now disrupting Wall Street and driving the Agri-tech revolution that offers to elevate some of the world's poorest regions.

This is not to deny the immediate challenges that both investors and entrepreneurs will need to navigate. UK tech investment is unfortunately beset by a lack of diversity that many have been working to address for far too long – the levels of progress seen to date are simply not good enough. The digital industries will increasingly dictate the performance of the wider British economy and so we require a robust and concerted commitment to investing in the entrepreneurs that will be at the forefront of advancements. With astonishingly low representation amongst investors we threaten to adversely impact pioneering companies with diverse leadership that need funding for the future. We cannot allow this to happen.

Equally, UK immigration and visa policy is yet to quell the concerns being tabled by the tech community, as demand for skilled talent continues to dramatically outstrip supply. The new Start-up and Innovator Visas are a welcomed and diligent move as dedicated routes into areas of shortage. But, critically, at present the third-party endorsement bodies that applicants require approval from are yet to be fully operational - whilst the Entrepreneur Visa route has already been closed. At a time when Britain should be publicising its openness globally, the immigration system is effectively closed to the world's brightest and best in business.

These are problems and challenges that can impact investor decisions and prompt some to look elsewhere in Europe to back businesses. We cannot afford to be complacent - now is a poignant moment to take pause and recognise the exceptional progress to date, acknowledge what is at risk and shine a light on the important, ever growing role that tech plays in Britain – generating wealth, innovation and employment for the betterment of society.

As an independent voice for the tech community, Tech London Advocates continues to campaign to address the major challenges ahead and ensure that the UK is the most attractive digital economy to secure investment, to generate growth and to remain at the forefront of global advancements.

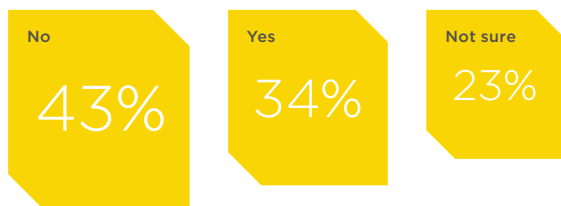
This report shares the views of the investors at the forefront of tech innovation. This is a vote of confidence in London tech, and a rallying cry for the private sector to address the challenges we face.



ADVOCATES SURVEY

Q1

Tech investment into London fell by 29% in 2018. Do you think this is the start of a decline in London's status as the tech capital of Europe?



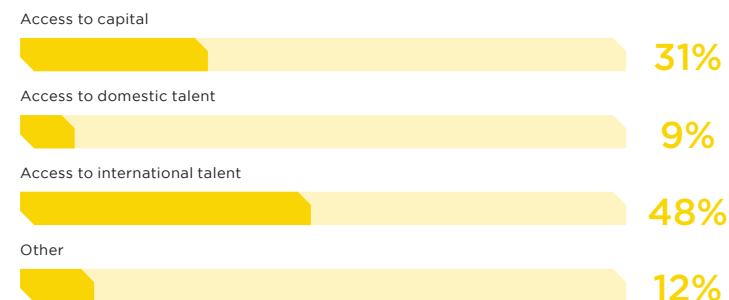
Q2

Has Brexit caused you or your business to experience any of the following?



Q3

Have any of the following challenges for tech companies increased as a direct result of Brexit?



Q4

What impact do you think Brexit will have on access to capital in the UK for tech companies in the next 12 months?





Q5 Will London remain the leading destination to start a tech company or will other hubs now see greater demand in light of Brexit?

London will remain the leading destination to start a tech company



Other tech hubs will see greater demand, but won't overtake London



Other tech hubs will overtake London as the leading destination



Not sure



Q6 What outcome are you most hoping for in the ongoing Brexit negotiations?

A quick decision, regardless of outcome



Theresa May's deal to be passed



A second referendum



No Brexit



No-deal Brexit



Other



Q7 Do you think Brexit has damaged London's international reputation?

Yes

88%

No

9%

Not sure

3%





CHAPTER 01

LONDON'S TECH INVESTMENT LANDSCAPE

“Digital businesses now offer the opportunity to unlock growth across the economy.”

In recent years Britain has secured its position in the global league tables and is closing the gap on the US and China. For investors and entrepreneurs, international capital and markets now offer the opportunity to realise potential and achieve the scale that many once denied possible for Britain's tech ecosystem. From its nascent, London has been mired by a sentiment that it was risk adverse and would sacrifice top line growth in pursuit of profit. On the ground, the tech community has relished the challenge and secured more billion-dollar valuations than any other European country. Digital businesses now offer the opportunity to unlock growth across the economy – the government, regulators and business leaders are primed to elevate the tech sector and ensure the capital for growth is available.

This chapter shares insights from those financing the future across the investment landscape – from early-stage ventures with the capital to seed, to institutional funders with the capital to achieve serious scale.



KAREN
MCCORMICK

BERINGEA

London has been a vital part of a global transformation of the venture capital industry in the past decade. In 2009 – in the midst of the financial crisis – venture capital firms worldwide sat on \$155bn of uninvested dry powder. Today, that figure sits at \$400bn, as funds have scaled rapidly to support a thriving global technology industry that London plays a pivotal role in.

And yet, the growth and strength of this industry is not guaranteed to last. The accelerating pace and scale of investment threatens to lead investors to lose sight of the fundamentals of building lasting success stories. With such a wealth of funding available to entrepreneurs, we have witnessed a rapid increase in valuations that is likely to be unsustainable and there may well be casualties.

In this market, founders must also remain focused on building businesses that last. I would always advise entrepreneurs to build a company they want to own in ten years' time, which means raising money at a pace and price that makes sense for your growth and vision – do not get carried away.

There is no reason why London cannot accelerate its rise as one of the world's leading hubs for venture capital and technology. We have the expertise, ambition and global connections to build international success stories and overcome any political or economic storms that may lay in wait – we simply need to remember the fundamentals of backing great companies.

STEPHEN
WELTON

BGF

The UK's tech entrepreneurs and founders are experiencing an increasingly turbulent climate that's being driven by Westminster politics, falling growth predictions and tumbling City optimism. Undoubtedly, these are challenging times for a burgeoning industry and one vital for our Nation's long term success.

The coming year will be critical for scaling tech businesses as we confront the very real possibility that funds may reduce liquidity either to preserve capital or to avoid making decisions in an uncertain environment, creating conditions in which investment begins to dry up. This may, force firms to down tools on their growth ambitions, a situation we simply cannot allow to happen.

The international prowess of UK tech is underpinned by its depth of size and meaningful scale – Britain is home to world-leading multinationals and unicorns but as importantly, a great many innovative start-ups and scale-ups – who have sensibly ignored the political mood music and are continuing to forge ahead. New research from BGF, has found that over the last three years, small-to-mid

sized businesses in Britain have defied the Brexit chaos to generate revenue growth of over £44bn.

The tech sector is going to play an ever more significant role in dictating the performance of the UK's economy – long term success will pivot on the investment decisions that we make now in future facing industries, as we move ever closer to a knowledge based economy. This will define the ways that we live and work in the decades ahead.

How you confront change is a choice. What the tech sector needs now is a promise from investors to be there with the capital to back growth – uncertainty also creates opportunities for those with the ambition and funding to realise potential and pioneer future progress.

BGF is the UK and Ireland's most active investor and in April we launched a new campaign to fully get behind Britain's entrepreneurs – Ready for Business will see BGF confidently advocate for continued growth, making a commitment to invest in the age of uncertainty and stand alongside the creators of wealth and employment in our economy.



SUZANNE ASHMAN BLAIR

LOCALGLOBE

London has always been a landing point for ideas, talent and capital – a trio that underpins commerce in the capital and on which the foundations of the tech sector are built.

London has two of the world's top 10 universities and is a gateway to Asia to the East, and the US to the West. From this city, you can be in most European capitals in just hours and in Paris and Amsterdam in three.

The City is the second biggest financial services centre in the world, supporting a huge professional services sector, and the capital's creative industries are world class and underpin the entrepreneurialism and creativity that we see every day in technology companies.

London's dynamism in tech has been backed by big money. Of the total £6.3bn in venture capital invested in the UK in 2018, £4bn went to companies in the capital. London is producing 1 in 5 of

Europe's unicorns, the fast-growing tech companies that have the most potential. The London ecosystem has grown some world-leading technology businesses like TransferWise, Monzo and Farfetch. But what excites me most about London's technology sector is that many of the businesses have the potential to change our lives for the better.

Investors are keen to put money into companies that want to tackle the world's big social problems - whether that is how we get around urban areas or find enough food for growing populations. Increasingly, investors also want scaling companies to reflect the diversity that makes our city such a brilliant place to build a business in the first place. Only this way can we build tech companies that have a positive lasting impact.



MANISH MADHVANI

GP BULLHOUND

Do not let the headlines fool you – London remains top of the food chain when it comes to tech investment in Europe. There may be pessimistic tones circulating boardrooms throughout the business community, but no other sector has more reason to be optimistic than tech.

2018 can be marked as another year of record exit values, IPO's and inbound capital – Britain produced more unicorn businesses than any other European city. In fact, since 2010 London has given rise to 17 companies that now surpass the \$1 billion valuation mark, that's more than double any other tech hub on the continent.

With continued trade negotiations and heightened regulatory scrutiny in the US – Europe, with London as a centre point – is quickly becoming the chosen destination for Asian investors. Our research shows that if you look beyond

SoftBank's outlier performance, in Q1 of 2019, deals with targets in North America decreased by 47% whilst the value of deals with European targets increased by 57%.

There was a time when popular wisdom would have denied the current European reality, a consensus that the real money would never stray far from Silicon Valley and it certainly wouldn't be sighted this side of the Atlantic.

Today's investment landscape tells a very different tale, one that yes, has a chapter on Brexit, but as a whole presents a more upbeat story about the potential of a densely populated collective of start-ups and scale-ups that call the UK home. These businesses can reach new heights in the coming years with the help of ambitious investors that have increasingly deeper pockets in search of big returns from tech.



FRANCESCA WARNER

DIVERSITY.VC

Venture capital funds the future – that is why it is imperative that investment in growth touches every corner of entrepreneurial Britain and its availability reflects the diversity that we find in society.

In the early part of 2019, the UK VC & Female Founders report, commissioned by the Treasury revealed a damning reality – a mere less than 1pc of venture capital funds go to women-led start-ups. It is clear that the UK economy is failing to benefit from the potential that a diverse funding landscape could offer.

The tech sector has long been plagued by a sobering lack of representation and whilst we see great grassroots initiatives trying to turn the tide and sponsor change, it is incumbent on the sector in its entirety to move the needle on this and create demonstrable progress.

The dangers of continuing down a path that dramatically favours the growth of a disproportionate number of businesses from a singular group of entrepreneurs are all too real. The rapid proliferation of tech that is more connected, more advanced and more integral to the way we live and work must be free from bias.

The opportunity for UK tech to act as a force for good and lead as an exemplar industry that addressed the challenges and worked to fix its diversity problem in venture capital is there for the taking and would unquestionably unlock enormous economic and social potential.



JAMES KLEIN

SHOOSMITHS

I have spent considerable time over the last 6 or 7 years on the ground in the US working with many different types of investors predominantly based in Silicon Valley but also on the East Coast supporting their typical investments into, and the expansion of UK tech businesses into the US. What I have seen on every transaction is the ever-increasing value that US investors bring to such businesses.

It is no surprise that since the EU referendum, technology investment heading to the capital from overseas has continued to rise. It is a curiously British trait to perhaps downplay or even partly dismiss the characteristics, skillsets and specialisms that are highly regarded around the world, but we should be confident and be more vocal about the continued interest of international investors in our technology companies, and together recognise our leading start-ups and scale-ups as one of our most prized exports.

Whether it is the likes of enterprise software, Artificial Intelligence, Fintech, Medtech or Machine Learning, the UK produces world-class technologies and world-class business leaders.

The tech community should be concentrating on two key components. Firstly, ensuring that the tech ecosystem in the UK is the best possible environment for all that work within it to encourage further growth; and secondly connecting London and other key tech clusters around the UK with tech hubs around the world, to continue the flow of investment and talent to and from Britain.

Organisations such as Tech London Advocates and Global Tech Advocates work tirelessly to campaign for both of these objectives, and it is incumbent on everyone within the private sector to keep London and the rest of the UK “open” and continue to consolidate relationships with the global tech community.



AMALI DE ALWIS MBE

CODE FIRST: GIRLS

The fantastic amounts of investment that UK tech has attracted in recent years has helped us to create bigger businesses. But has it yet helped us to create better businesses? Is that investment being used effectively to set up those businesses for future success, and to build resilience - especially around talent - for what looks to potentially be tumultuous times for the UK economy in the years ahead?

There has been some progress, but one of the most significant areas that we as investment houses and tech companies alike have yet to drive enough change in is when it comes to female participation. And by not doing so we are leaving money on the table, underutilising talented people, and stifling the growth of our own companies.

The commercial case for having a greater number of women in tech is clear. And it is fundamental that we address diversity and inclusion across firms of all sizes. But especially for scale-ups where growth is

at the top of the agenda, a shortage of the right talent is often what puts a brake on that growth. This means scale-ups should have an even stronger incentive to consider the most effective ways to plug that talent gap. But as we have seen time and time again - in the pursuit of this growth - educating, training, and putting the right practices in place to bring in more women has sadly not materialised at scale.

As business Britain we now have an opportunity to set the example in response to this challenge. A vital part of achieving progress in diversity is showcasing and highlighting the businesses that are already making a difference - whether in Fintech, e-commerce, Cyber Security or other tech growth sectors. Whilst hot on the heels of the traditional incumbents, scale-ups can be the catalyst and set the pace for change. And if they are able to do so successfully, we'll all win by them doing so.

“What makes London an attractive destination for capital goes beyond market fluctuations, both the private and public sectors must recognise the importance our openness, international connectedness, world-leading universities and approach to talent has as a barometer for global investors backing UK entrepreneurs”

RUSS SHAW

FOUNDER, TECH LONDON ADVOCATES
& GLOBAL TECH ADVOCATES



CHAPTER 02

LONDON'S EMERGING TECH SPECIALISMS

“There are tech companies in London standing at the forefront of industry in every tech vertical.”

The measure of a strong tech sector is found in its diversification and ability to create start-ups, attract growth capital and scale businesses in a number of verticals. The depth of talent within London's tech sector, a progressive regulatory framework that is future facing and a commitment to digital infrastructure - have sponsored world-leading verticals, from Blockchain to Fintech, Deeptech to CreativeTech and RetailTech, along with many more.

There are tech companies in London standing at the forefront of industry in every tech vertical, reinforcing the ability of tech entrepreneurs to access growth capital and make the case for the city's long-term position as a globally competitive tech hub despite the impact of Brexit.

This chapter will explore why these verticals are performing so strongly, what they show about the trajectory of the UK's digital economy and what the near future holds as these companies transition from start-up to scale-up and we witness yet more UK tech businesses achieving unicorn status.



SUREN SIVA

CREDIT SUISSE

London fintech arrived with real anticipation and is delivering on a great deal of the disruption that it promised – and there is plenty more to come. These are exciting times for a sector that in relative terms is only just embarking on its growth journey.

We have been fortunate to witness and play a pivotal part of this rapid ascent as ambitious entrepreneurs experiment, test and create innovative financial products here in London. Positive engagement with the fintech ecosystem has provided people with food for thought on what the immediate future holds and how we address the challenges.

Leaders in this space now need to actively drive the creation of a more sustainable and scalable fintech sector in the capital and the critical ingredient for pioneering future innovation is collaboration. The future of fintech, building a robust and healthy community of challengers, will rest on its ability

to foster industry wide collaboration, bringing together the entrepreneurs, the investors, the traditional banking incumbents, market infrastructure players and the regulators. London is uniquely placed to forge partnerships and cooperate – going forward this will prove invaluable and will inevitably solidify even further, London's position as a leading fintech destination.

Fintech's require individuals with a particular set of skills that are in very high demand in Britain – key players inevitably are feeling the weight of a digital skills shortage that prevails throughout the tech sector. We need to take a more progressive and dynamic approach to digital skills training, instilling an entrepreneurial spirit as early as possible and ensuring that the education system supports the skill demand of Britain's growth industries.

EUGENE FISHER

TLA RETAIL TECH

Amazon entered physical commerce last year with its 4-star stores and Amazon Go supermarkets, with Chinese giant Alibaba making the same move with its own supermarket, Hema. On the face of it, this seems a backwards step. Barely a day passes by without newspaper column inches dedicated to the failing retail sector.

Debenhams, HMV, House of Fraser and Toys R Us are amongst the fallen giants of the high street, so why are the same tech titans whose business model these traditional retailers failed to keep up with, turning their hand to physical commerce?

Well, despite the doom and gloom, physical retail sales worldwide are worth over \$20tn more than e-commerce sales, making up 88% of global retail purchases; consumers still overwhelmingly enjoy the interactive experience of physical shopping. It isn't e-commerce that led to the decline of the high street, but the high street's lack of innovation in response.

But we are now seeing disruptive tech solutions brought to that same declining sector, and suddenly you have the best of both worlds; innovation combined with interactivity. Take the idea of an AR/VR shop assistant that could be used to interact with customers in-store, with built-in AI designed to self-learn the best possible solutions and provide better customer service than any human.

The reason for the retail sector's woes has been its persistent failure to integrate technology compared to the likes of finance, real estate and marketing. It is an underdog, but one that looks finally ready to challenge for the title of tech champion.



RICHARD CORBETT

BIRD

Major European cities have been confronted by the same two challenges – increasing congestion and decreasing air quality. These problems are the product of population growth and an urban infrastructure that has failed to keep pace.

The problem is especially evident in London. The average speed of a car in the city centre is now just over six miles per hour and the congestion caused means the city has some of the highest levels of urban pollution in Europe. Technology needs to play an ever-greater part in the city's future of mobility as it strives to be a truly smart city that gets people where they need to go without creating congestion or pollution.

Innovation in this space can better the air that we breathe and shrink the environmental impact that London contributes to the planet – the potential to reduce car usage, traffic and carbon emissions by embracing smart solutions is there to be embraced, encouraged and accelerated.

The spirit of the city and its history as a progressive, high growth digital hub points to London as an early adopter and investor in the future of eco-friendly mobility technology that will reap benefits for its residents, workers and visitors.

Technology can unlock legitimate solutions to reduce car usage, complement public transport and take steps forward towards realising sustainable infrastructure that underpins the continued economic and social growth of London on the global stage.



SUKI FULLER

MIRIBURE

London has cemented its position as one of the preeminent global centres for those operating and investing in the field of Artificial Intelligence (AI). Why? There is an unrivalled plethora of exceptional talent which has populated in number substantially in the last five years, especially after the 2014 landmark acquisition of DeepMind by Google which fired the starting pistol. AI is driving EdTech, InsureTech, MedTech, AgriTech, MarTech, FinTech, FemTech, the list goes on because AI touches all verticals and is a driver for many of these platforms.

Swathes of companies throughout the economy are now looking at AI to empower their businesses - making operational processes more efficient and "human without the human" – highlighting the growing importance of the tech sector for the wider economy. Not only does Britain have a significant number of highly trained data scientists but also a rich network of engineers, educators, ethnographic researchers, designers, artists and multifaceted individuals.

These are all essential participants to support continued market growth and increase profitability, and critically ensure that the integration and development of AI is morally sound, without diminishing innovation.

Morally sound and ethically positive; the interest of Ethics in AI has seen an increase recently as an interdisciplinary field of study and entrepreneurship for those developing products – positively becoming a decisive variable for investors looking to back the upsurge with capital.

The future of AI is viewed as a collaborative technology, not just a function and extension of human instruction. Technical and non-technical; quantitative and qualitative; creative and non-creative fields all play a role. Where London has phenomenal merit and its niche for attracting the attention of global investors, is in bringing together talent from all spaces – its strength is found in the combination of expertise and skills creating an ethically positive and inclusive AI model.





RESHMA SOHONI

SEEDCAMP

London is at the forefront of Europe's emerging tech verticals - from Fintech to PropTech and Healthtech to DeepTech – and has built a solid infrastructure with support for startups across everything from regulation and access to financing that ensures it's a great place to start-up.

Across these verticals, we see great businesses focused on getting their core competencies right, innovating and disrupting the market status-quo, attracting yet larger sums of investment, enticing bigger acquisitions and securing impressive exits. These firms are making noise on the global stage and attracting attention from the international tech community.

These successes have been driven by start-ups that are building solutions to real world, social and commercial problems and are able to innovate at a much faster pace than larger corporates and sector incumbents. We remain committed to supporting pre-seed and seed-stage start-ups at Seedcamp and encourage the wider investor community to continue to do the same.

Brexit will clearly present a unique set of challenges for early-stage companies, who will need to find their footing within a testing climate. It is imperative that support and advice compliments the capital liquidity for accelerating early-stage growth - that will without question sponsor the next generation of start-ups and scale-ups to elevate UK tech.



DEBU PURKAYASTHA

3RD EYE

Two years ago, as Britain announced its exit from the European Union, UK tech was being asked a number of major questions. How would cross border data flows be affected? Could Britain continue to attract the world's best minds to settle here? How would a deal with the EU impact trade in digital services?

These questions dominated the attention of many, whilst for scaling tech businesses looking to expand and grow internationally, realise global opportunities, achieve billion-dollar valuations and secure record exits – the focus has been on the prospects at hand and the potential of Britain's start-ups and scale-ups to go for growth.

What we have seen is the emergence of three specific verticals, rooted in London and the UK, that can now be said to be leading international technology trend – and not following

them – Artificial Intelligence, Fintech and Genomics. Entrepreneurs here have proved apt at creating durable, long-term and importantly, scalable solutions to the regulatory, societal and political challenges that many feared could have engulfed the sector.

As Britain's future relationship with the EU remains unclear, we have to remain diligent to the issues that could come to derail progress and threaten the growth trajectory for UK tech. I would like to see investors working more closely and engaging alongside their portfolio companies to supply an arsenal of expertise and resources to bolster Britain's digital start-ups and scale-ups as clarity on the situation slowly emerges.

My dream of witnessing the first £50 Billion valuation tech startup emerge in Britain within the next 5 years remains intact!



CHAPTER 03

PREDICTIONS FOR THE FUTURE OF LONDON TECH

“As a digital hub we see promising signs from both the public and private-sectors investing in frontier technologies including 5G, AI and quantum.”

Outward facing, dependent on access to international talent and a sector built on global connections – post-Brexit Britain will be a telling time for tech. The next 12 to 24 months are critical for the future prosperity of the sector and the continued growth of Britain's defining economic performer.

The future success of the country will increasingly depend on the tech community, a role that the sector is poised to thrive in. The tech sector has shown an appetite for creating opportunity from adversity, and often through the early adoption of technology. As a digital hub we see promising signs from both the public and private sectors investing in frontier technologies including 5G, AI and quantum. The job of guaranteeing that London tech maintains its dominant position as a major destination for investment is underway and will in part help to stabilise confidence amongst the international business community – UK tech has longevity.

This chapter will share insight from those looking to ensure Britain's digital economy continues to thrive and that the city remains a prominent destination for inbound capital moving forwards.



JACQUELINE DE ROJAS CBE

TECHUK

As President of techUK, I get to champion the innovators, entrepreneurs and creative brains who have made UK tech a force to be reckoned with. We are fortunate to have people in this country and this sector, with the intelligence, passion and purpose to do great things.

From robots being used in micro surgery to drones being used to tackle plastic pollution in our oceans. Smart ideas, delivered brilliantly, that demonstrate just how much tech matters. We are a digital nation of innovators.

London is blessed with an ecosystem that enables expertise to spill over from one sector to another, from one part of the economy to the other. In almost every sector – finance, retail, automotive, advertising, film and television – I can point to a world leader at the cutting edge of digital transformation almost everywhere. Where it works, UK tech works really well.

The UK's tech sector is growing at more than two and half times the rate of the rest of the economy. If this continues, we are going to need tens of thousands more working the industry. We must close the resounding digital skills gap – education, visas and increased diversity will enable us to reduce the current £63 billion cost that we as a nation are losing out on in additional GDP every year. This is our opportunity to leverage London and the other large tech hubs to ensure that, as we become a digital nation of significance, we leave nobody behind.



GAVIN POOLE

HERE EAST

The future of London tech lies in cross-sector collaboration. Over the past decade, progress in areas such as data, cloud technology, AI, and deep learning have been moving at an incredible speed; now is the time to ensure we are utilising these technologies adequately across all sectors and industries in order to innovate, improve and tackle key social issues.

London has a diverse and eclectic business community which lends itself perfectly to an ecosystem of experimentation and innovation through collaboration. This is what makes London a magnet for investment and those who hold ambition and creativity are drawn here from all over the world. We see this reflected in our tenants at Here East: from Sports Interactive, developers of the world-famous Football Manager and the V&A's Collection and Research Centre who will be on site by 2023, to internationally-renowned UCL The

Bartlett School of Architecture, the diversity across London's businesses and institutions creates a uniquely vibrant investment landscape.

Tech progression is moving swiftly and constantly changing, and one sector that will come to dominate over the next few years is mobility. Witnessing the technological advancements being created by Scope gives us an insight into the transformative potential of tech on the lives of millions of disabled people globally. Equally, mobility solutions in the realm of electric energy is something that we are only scratching the surface of. On our campus, we have Bird e-scooters and Ford Smart Mobility who are both pioneers within the sector and tackling the future's pressing mobility issues. The investment potential in this area is hugely exciting and I hope that London continues to place itself at the forefront of this international market.



SIMON BURCKHARDT

VONAGE UK

Communications technology is one of the great unsung success stories of London's tech sector. The UK has decades of experience creating world-class telecommunications businesses and the industry is now at the forefront of emerging technologies that are transforming the way individuals and businesses communicate.

The result is that an industry which was seen as in decline – falling voice calls, falling texts, falling landline usage – now has a very exciting future ahead. In fact, London is now being seen as a world leader in communications technology. Vonage, a billion-dollar global business, has acquired two technology companies in London – Nexmo and NewVoiceMedia. Both businesses are taking traditional practices – text notifications and call centres – and using machine learning and AI to create completely new models and use cases. That talent and innovation is here in London and it is attracting the attention of the world's biggest businesses.

Another great advantage the UK holds is the speed of adoption. We work with home businesses, SMEs, mid-sized firms and large corporates and all types of companies in the UK are now recognising the positive impact new technologies can have upon their productivity and business practices. We're seeing relatively traditional companies onboarding complex machine learning communications products and embracing the new era of AI.

The UK is a relatively small market, but we are consistently punching above our weight in terms of innovation and deploying future facing practices.



BINDI KARIA

BINDI VENTURES

Political and economic uncertainty has taken hold of the UK for the past three years, but looking at the astonishing growth of the UK fintech sector in that same period, you would not know it.

The UK is home to 1,600 fintech companies, which saw record levels of venture capital last year with £16bn (\$20.7bn) invested in 2018. In the first six months of the year, investment into the UK exceeded that of US fintech by almost \$2bn.

There is every reason to remain positive about UK fintech in 2019 with the mainstream emergence of open banking, fintech's increased use on the high streets, and increasingly sophisticated AI and big data strategies, however, we also need to ensure the uncertainty that has gripped the rest of the nation does not impact one of our fastest-growing technology industries.



Fintech investors may not currently be put off by Brexit uncertainty, but talent may well be, and we could see a shortage of skills recruited from abroad. As such, greater focus needs to be placed on home-grown talent, most importantly in diversity.

For example, a recent survey by Diversity. VC and The British Business Bank highlighted that less than one per cent of UK venture capital goes to solely female-founded businesses. As we approach the 21st century's third decade, we need to start saying that this is unacceptable and we must work hard to change our approach to how we nurture and bring talent into the sector.

The under-representation of women and other minority groups in the digital technology sector is a trap which could, if we let it, undermine fintech's potential to boost our economy. Those within the industry, especially our leaders, must take responsibility and make a systematic change that allows all talent to thrive.



JOHN ZAI

CENTI

London remains one of the world's most exciting tech hubs, with a wide range of tech talent, successful tech companies and sector specialisms. Working closely with entrepreneurs and investors in both London and China, it is clear that there is a huge opportunity for greater collaboration between both ecosystems.

The level of investment across China into technology businesses, digital skills and infrastructure for fast-growth businesses dwarfs anything being attempted in Europe or the US. However, whilst the Greater bay Area will become one of the world's most important tech hubs, its success depends on its collaboration with tech entrepreneurs and businesses in international markets.

This is why London is such an important partner for China. We have the ability to scale businesses across a huge consumer market and the capital to accelerate growth, but British entrepreneurs have creativity, skills and expertise that China can benefit from working with. As China's tech sector grows, London will benefit.

As China starts to compete with Silicon Valley, I believe we are just at the start of a great period of collaboration between China and the UK. I created Tech Shanghai Advocates, and more recently launched Tech Shenzhen Advocates, to ensure London and China were as closely linked as possible. Chinese investment into British businesses will continue, and London will become the key entry point for Chinese companies headed for Europe.

ELLA GOLDNER

ZINC.VC

Zinc was born with a purpose – to build and grow the future scale-up businesses that will provide real solutions to the biggest societal issues. The UK, and London in particular, provides access to top entrepreneurial talent with a background in business, Academia, Government, charities, and creative industries. It's a place that thrives on diversity, innovation. It attracts global investment and connects global minds.

New technologies are setting the pace for what the future looks like at an unprecedented speed – at times converging the future with the present. London's access to talent, research, and capital, domestic and foreign, has been a magnet attracting entrepreneurs to a city that will help them bring their visions to life. In each of its programmes, Zinc attracted entrepreneurs from more than 20 nationalities, and 20% of the founders in the programmes relocated to the UK in order to start and grow a new socially-driven business.

The combination of social science research, with technologies that increasingly permeating our everyday behaviour, entrepreneurs are now able to innovate and bring to life ideas that help solve some of the most pressing social issues. Zinc's mission is to build new, scalable, mission-led businesses that tackle social problems which affect at least 100m people.

London's success lies on continuing to advance its already progressive regulatory landscape, generating more immigration as well as risk capital incentives and ensuring that London is open to business as usual.

It is of utmost importance for London to stay attractive and sophisticated – where investors and entrepreneurs can elevate and unlock the next scale-up business.



JENNY TOOTH OBE

UKBAA

London has established an investment community that has the depth, resilience and maturity to withstand the challenges we will face in the coming years. One of the most dramatic changes over the past ten years has been the explosion of different investors across the value chain, increasing the potential to address every stage of a tech company's growth trajectory.

Whether it is angel investors, VC firms or the support of Government-backed organisations such as the British Business Bank, we might say that there has never been a better time to seek growth capital in the UK.

My concerns for the future of our industry are less focused on Brexit, and instead relate to talent and diversity. It is heartening to see global financial institutions starting to implement policies focusing on investing in companies with diverse management teams, but we cannot be complacent. There is still much more for us all to do to increase the pipeline of diverse founders, diverse management teams and young talent and ensure that they have access to the finance they need to build and scale great businesses across the UK.

We must also ensure that the investor community is part of the solution, not the problem. We recognise that with a more diverse investment base, many more diverse founders will come forward to demand and successfully attract risk capital. We have far too few women engaged in investment across all parts of the market and we need to work together to significantly increase the number of female angel investors and women in investor roles within VC firms. At the same time, we need to attract more investors from different socio-economic backgrounds and ethnicities who can recognise and nurture talent.

So much time and energy has been spent building London's tech sector and creating a sense of community that spans entrepreneurs, investors and government. As we start to face real challenges, now is the time for the community to come together, share ideas, collaborate and introduce new ways of thinking to ensure the continued growth and success of the ecosystem.

ANDREW ROUGHAN

PLEXAL

Tech investment will play a crucial part in tackling the key issues facing the UK and London over the coming years. From the NHS and healthcare, to sustainability and pollution, to data breaches and cyber security, the UK government has turned to tech companies for continual support and expertise and London's tech sector has not disappointed.

Responding with innovation and urgency, the sector has made phenomenal contributions to recent major issues. At Plexal, we run the London Office for Rapid Cyber Security Advancement (LORCA) the government-backed cyber security centre for later stage scaling companies. This gives us insight into the role technology is playing in national security issues and global affairs, and how it's re-shaping the world we're living it. It's also shown us the need for new companies who are creating transformative products and services to receive the support and investment they need in order to push the boundaries of their sectors.

Over the past decade, London has truly established itself as the tech capital of Europe. As a centre of finance, politics, academia, creative industries and the arts, it holds a unique and dynamic ecosystem that cannot be replicated elsewhere. Political uncertainty will not dismantle this, but it is important to stay diligent. Confidence and trust are the pillars of a healthy investment environment and it is essential for the tech sector to stay bold, innovative, and to open itself up to collaboration. Encouraging cross sector conversations and international co-operation will undoubtedly play an important part in boosting investment and in ensuring London remains a global leader.



NEETA PATEL

NEW ENTREPRENEURS FOUNDATION



Technology is a wonder. AI, VR and Machine Learning are going to do amazing things, from the way we shop, deal with our health and wealth to the way that we vote, and London is well positioned to play a positive and central role – you need only glance at the evolution of global Fintech that spawned from this city and has emerged as a national triumph.

Yet the single most important consideration when looking at emerging technologies is people and the human skills that will be at the heart of future innovation. Whilst there remains some disagreement in the space, a great majority of the literature has converged on an alarming consensus – AI is going to displace swathes of the population from their current jobs across every level; the lowest skilled to C-suite executives.

Yes, there will be new jobs created with the continued adoption of AI but will everybody needing to search for alternative forms of employment be able to acquire the necessary skills, or will they even want to? Let's not forget, these are frontier, advancing technologies, even those with currently basic digital capabilities face falling behind.

These challenges require thought and investment from government to provide the right skills retraining and provide a safety net for people whose careers simply won't translate into tomorrow's economy. This needs to happen now and needs to bring together not-for-profits, universities and companies to create a version of employment that safeguards humans.

It is already happening. At the supermarket the cashiers are dwindling in numbers, at the airports, security guards are now scanners, there are large-scale examples across travel, retail, transport and so on. Not enough people are looking at the implications – the societal, the social, the human – of emerging technologies that are set to fundamentally transform what it means to have a job.

BEN BRABYN

LEVEL39



Britain has created a unique position for itself in the global economy and has profited tremendously from a post-industrial transition that embraced technology. More recently, we have found particular success in both Fintech and Cyber where Britain has an unrivalled competitive advantage – the likes of Revolut and Digital Shadows are now globally renowned innovators that grew out of the community of start-ups at Level39 and have since achieved remarkable scale.

The immediate task for securing future prosperity throughout the tech ecosystem is to support the conditions for growth that have made the UK an attractive place for entrepreneurs and investors to date. The capital has uniquely benefitted as a home for some of the world's smartest people, for ambitious funds and for progressive regulators. There is no other city that boasts the critical components for building a vibrant tech sector in the quantities found within the proximity of London.

It is critical that the capital remains a place for like-minded entrepreneurs to find opportunities to collaborate and compete. One of the greatest strengths of UK tech is found in its capacity as a forum in which competitors become each other's most credible referees.

At Level39, we have directly seen the benefits of tech companies, considered market rivals, working alongside each other to generate the most desired commodity in tech – trust. By recognising ones strengths and weaknesses and where other companies offer a more efficient proposition, competitors have helped each other to grow through endorsements that effectively foster the requisite trust to thrive.



ANDREW FRAY

INTERXION

A significant amount of the world's data flows through London. Often hidden in plain sight, London has some of the world's most significant data centres, which together, enable the digital economy, digital transformation, communication and trade.

Interxion has been operating in the heart of central London for 20 years, supporting financial services, digital media, cloud computing and a wide range of IT companies which need a neutral location to house their equipment, to operate their businesses securely and to connect to one another. Underlying support for these 'communities of interest' in London is why Interxion is working with TLA to ensure that all manner of tech businesses, from start-ups and scale-ups to traditional corporations, can run their businesses efficiently.



UK tech companies rely heavily on being able to manage an exponential growth in data and to be able to crunch such data, present it and transmit it locally and internationally. Financial transactions take nanoseconds, e-sports and sports broadcasters accept no time delay and operating services such as Microsoft Office or Salesforce in the cloud require higher and higher levels of resilience.

With data security, data integrity and data protection vital aspects of trusted business and consumer services, reliance of London's data centre operators is rightly increasing. The pace of change is dramatic and Interxion understands that companies needs are many and wide-ranging. So Interxion welcomes companies with established businesses in London, as well as those investing in infrastructure in London, especially from the USA, Canada, EU, Japan and China. We are thrilled to be a trusted partner to enable digital business here.

EMEM RITA USANGA

TLA AFRICA

The opportunities for investors and entrepreneurs based in Britain to work with fast growth digital hubs across the African continent is expanding exponentially and is now a market of great significance for the tech community, with all signs pointing to outstanding prospects moving forwards.

According to the latest World Bank report, Africa's economy is projected to grow 3.5 per cent in 2019. Nigeria and Kenya are playing a leading role in driving this growth and the tech sector is right at its heart - within their domestic economies the tech community is currently responsible for 10 per cent and 11 per cent of output respectively.

Tech entrepreneurs are now starting to think global and are looking beyond borders to scale and take the vibrant

start-up ecosystem to the next stage. This is where London has a particular competitive advantage and where we will find the greatest benefits in collaboration between digital hubs in Africa and the UK's tech community.

London is the perfect landing zone for tech leaders with international ambitions, its home to the funding capital, the talent and expertise, and critically the global connections to forge new alliances and support these motivated firms in not only setting up shop in London but planting roots into further markets around the world.

In post-Brexit Britain, the investment community would be wise to take note – unlocking the capital and in turn the potential of emerging tech that can realise huge scale-up growth.





CONCLUSION

The tech investment landscape in Britain has enjoyed an extended period of fruitful growth and reigned unchallenged as the home of technology and innovation in Europe. The ecosystem has evolved and is embarking on a distinct transition; the Silicon Roundabout start-ups taking flight as global unicorns, the market incumbents dethroned by the challengers and the diversification of the tech specialisms, has placed London at the forefront of international advance in frontier technologies.

However, Brexit has underwritten a prevailing uncertainty in the UK market, the deadlock in Westminster has had very real ramifications and is being reflected in the stalled investment decisions of entrepreneurs, funders, institutional backers and boards across the digital economy. With both Berlin and Paris closing the gap on the capital as increasingly attractive destinations to invest, the tech community continues to demand clarity on the political environment it will need to adapt to.

UK tech has put itself in a commanding position from which to navigate the economic challenges and potential consequences of Brexit that lay ahead. London is a global technology hub that has tangible connections into national ecosystems across the world and benefits distinctly from the opportunities inbound investment can create, along with the potential to scale firms with ambitions beyond Britain's borders.

The proposition for UK tech companies remains favourable — entrepreneurs find themselves in a challenging climate but one that is persistently producing high-growth firms, that are scaling faster and larger than ever and threatening to take on some of the world's biggest businesses in the not so distant future.

The investors, leaders and entrepreneurs featured within this report have highlighted a select number of challenges and opportunities that will dictate the course of the tech ecosystem over the next 12 to 24 months that lay ahead. The sentiments are unequivocal — confidence within the tech community remains high and there is a great commitment to ensure that the capital for growth is there to scale London's world-leading tech companies and bolster the sectors position as an increasingly dominant segment of Britain's economy.

“This report is being launched at the Investor Showcase 2.0. This is an event to bring together the very best investors, VC's and financial experts to discuss the state of play in UK tech, assess the availability of capital for Britain's entrepreneurs and collectively debate the road ahead as Britain exits the European Union”

RUSS SHAW
FOUNDER, TECH LONDON ADVOCATES
& GLOBAL TECH ADVOCATES

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ABOUT TECH LONDON ADVOCATES

Tech London Advocates is a private sector led coalition of over 7,000 expert individuals from the tech sector and broader community who have committed to championing London's potential as a world-class hub for tech and digital businesses.

It strives to support London's tech startups and high-growth businesses in finding new investment, new talent and continued success.

Tech London Advocates is an independent organization, that is supported by: Here East, Beringea, Shoosmiths, Penningtons Manches, CENTI, HP, Russell Reynolds, Vonage, Breakthrough Funding, Credit Suisse, Interxion, Silicon Valley Bank and Beauhurst.

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