

The opportunity to scale-up in London



LONDON™
& PARTNERS

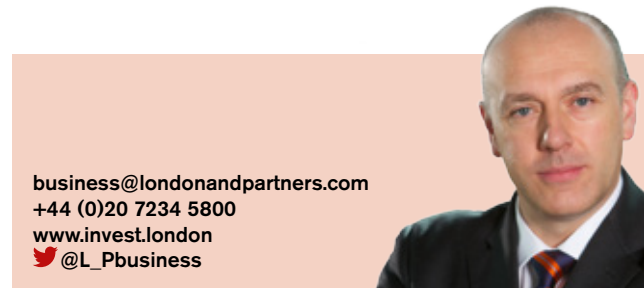
Scaling your business is challenging. But by choosing the best ecosystem to achieve this growth, where both the company and your employees can thrive, entrepreneurs can put themselves ahead of the competition.

As London's official promotional company, dedicated to helping companies like yours realise their global ambitions, we've created this report to help you look at the scale-up opportunity in London.

We would be delighted to talk to you about how we can help your business.

David Slater

Director of International Business Development
London & Partners



business@londonandpartners.com
+44 (0)20 7234 5800
www.invest.london
@L_Pbusiness



VCs love London tech firms

Five years since the Tech City initiative was launched by the UK Prime Minister to promote the tech cluster, London has become Europe's top destination for investors.

Since 2010, VC investment into London's tech sector has grown 20-fold. In 2014, more than \$1.4bn was raised by London tech firms – double the previous full-year record of \$719m raised during 2013.

Recent London tech funding rounds:

- 1 **Funding Circle – \$150m** (April 2015)
- 2 **Momondo Group – \$130m** (October 2014)
- 3 **Borro – \$112m** (March 2014)
- 4 **World Remit – \$100m** (February 2015)
- 5 **FarFetch – \$66m** (April 2014)
- 6 **Kobalt – \$60m** (February 2015)
- 7 **Transferwise – \$58m** (January 2015)
- 8 **Nutmeg – \$32m** (June 2014)
- 9 **Shazam – \$30m** (January 2015)
- 10 **Improbable – \$20m** (March 2015)

More and more investors are looking to capitalise on London's tech boom. Last year leading firms including Balderton Capital, Index Ventures, Google, Santander and others created new investment vehicles in the capital, worth more than \$1.5bn.

“Over the last few years the whole of the technology sector in Europe has lifted, and in London there's been a big boom in new technology companies floating or raising large amounts of money”

Mike Butcher, Editor-at-large, TechCrunch

“As big as anyone else gets – like the Berlin startup scene for instance – London just continues to get bigger. Its legal and regulatory environment, its funding environment and its exit environment for technology companies are all just improving in leaps and bounds” says Mike Butcher.

An environment for talent

The race to attract highly-skilled talent to the world's leading technology hubs is increasingly challenging, with cities around the globe competing against one another.

With 382,000 people working in computing, gaming, telecoms, film and media, London's technology and information sector is growing faster than in California.

Additionally, over the next decade, the number of digital technology companies in London is expected to rise to 45,000, which will add an estimated extra 46,000 new jobs to the industry. →



London's talent environment

382,000

people working in computing, gaming, telecoms, film and media

46,000

new jobs in the digital technology industry over the next decade

45,000

digital technology companies in London by 2025

23,000

students currently studying computer science and maths courses

233

languages spoken in a diverse workforce

6

of the world's top 100 universities located in the capital

This appetite for tech talent has led London's top universities to run specialist IT-based courses to address the need for young talent. Currently more than 23,000 students are studying computer science and maths courses in the capital, which is home to six of the world's top 100 universities, including Imperial College, Kings College, London School of Economics, University College London, London School of Hygiene and Tropical Medicine and The London Business School. Oxford and Cambridge are also just 50 miles away.



The workforce in London is fiercely international. According to Boston Consulting Group, the capital is the most desirable global city in the world to move to for work, ahead of New York and Paris. This environment benefits companies looking to grow internationally. 233 languages are spoken in the capital; this facilitates global business.

“Too many people still believe that tech innovation and investment is centred around the US”

Eileen Burbidge, Partner, Passion Capital

“In fact, entrepreneurs, companies and investors are all gravitating to London to set up shop and launch products” says Eileen Burbidge.

Ranked as the top city for fast growth

More than 50% of the Sunday Times 2014 Tech Track 100 list of fast-growing companies are located in London, drawn by the city's strong economic growth.

The London economy is expected to expand in real terms by 4.2% in 2015 and 3.4% in 2016, thanks to a “sharp and sustained increase” in both business and consumer confidence in the capital, according to the Centre for Economics and Business Research, an economic think-tank.

A key reason for this is the city's reputation for fast business growth and ease of doing business, which are key ingredients for scale-up businesses. UK corporation tax decreased again to 20% on 1 April 2015, meaning that companies in London benefit from the joint-lowest corporation tax in the G20.

It is no coincidence, then, that tech giants including Amazon, LinkedIn, Google and Facebook have all set up in London to enable them to grow their business in recent years.

PwC's Cities of Opportunity 6 report, published in 2014, also ranked London the top city for economic clout, recognising its role as a global hub of commerce, investment and production. →



Top 5 cities for economic clout¹

1	London
2	Beijing
3	New York
4	Paris
5	Shanghai

“Being based in London is central to our identity, sharing a spirit of diversity, energy and creativity. It also helps us attract the best talent from around the world, who are drawn to London’s cultural diversity and status as a truly global city”

Lee Schuneman, Studio Head, Lift London
(a studio set up by Microsoft)

London: Europe’s top tech hub

The scale of the European market makes it an obvious progression for North American and Asian companies looking to scale up in new markets. Investors, too, are flocking to the continent to make the most of the tech boom.

A number of European cities are attracting tech investment from across the globe. Paris is noted for its strong B2B tech scene, and Berlin is known for embracing start-up culture and its market access to eastern Europe. Both have limited access to funding, however: Berlin startups raise 80% less capital on average than Silicon Valley startups, and this rises to 95% less capital in Paris, according to Telefónica’s Startup Ecosystem Report.

This is where London comes into its own as Europe’s top tech hub: investors ploughed \$1.4bn into the city’s fast-growing companies in 2014, and it has already produced several billion-pound startups this year, including money transfer company Transferwise and music discovery app Shazam.

Another key differentiator for the capital is that it leads the market in several tech sub-sectors.

While London’s traditional strengths lie in finance, media and business services, more recently new areas, including adtech, medtech, edtech and fintech, have emerged as leading sub-sectors. Indeed, 69% of European investment in fintech in 2013 was in London businesses, and the sector employs 44,000 people.



1. Source: PwC



Leading European HQ

Of the top 250 Fortune global companies with international or regional headquarters in Europe, 40% are located in London.

This rises to 49 per cent of the top 250 US companies with a European HQ, and demonstrates how global firms are using London as a springboard into the rest of Europe, tapping into a market of more than 500 million consumers and businesses.

“Measured by the locations of business headquarters, London is by far the leading commercial centre and business capital of Europe”

Angus Knowles-Cutler, London Senior Partner, Deloitte

“London is more central to the economy of Europe than New York is to the economy of North America and continues to attract the largest proportion of high-skilled talent” says Angus Knowles-Cutler.



Logistically, this makes sense: the city has five major airports which connect passengers to more destinations than any other European city, and the UK's favourable time zone is ideal for doing business in the Far East and North America.

“From North America, we wanted to expand across Europe, using the UK as a bridgehead” explains James Parton, Director at cloud-based telephony firm Twilio. “We also wanted to take customers with us. A lot of existing US customers had approached us and asked when we were going to be in the UK. For a US company, London is typically the starting point in terms of language, culture and business practices.”

336 FDI HQ projects were recorded in London (from January 2003 – December 2014), representing a total capital investment of **£4.25 bn**, creating **20,003 jobs**²

Top 10 locations for HQs by inward FDI (number of projects)³

London	336
Dublin	140
Amsterdam	82
Paris	69
Copenhagen	57
Barcelona	50
Madrid	50
Berlin	49
Dusseldorf	45
Geneva	34

2. Source: fDi Markets by Financial Times (Jan 2003 - December 2014)

3. Source: fDi Markets by Financial Times, as of 16 December 2014



Key takeaways

- » Venture capital firms and investors see London as a top destination for tech firms to start and scale up. More than \$1.4bn was invested in London tech firms in 2014.
- » The tech industry is growing rapidly, with London becoming a digital powerhouse that will create 46,000 more jobs over the next decade.
- » For companies looking to scale quickly, London offers a gateway to more than 500 million customers.
- » Thanks to its geographical location, London is the best-placed city for international business and travel. The city has the best transport links of all the European capitals.

We can help

London & Partners is the official promotional company for London. We provide bespoke advice based around business drivers to help companies make better informed decisions more quickly.

Working with a network of partners, we provide investors with the information they need to take advantage of London's opportunities from day one.

For practical information on how to set up your business in London, visit our website or contact us.

business@londonandpartners.com

+44 (0)20 7234 5800

www.invest.london

[@L_Pbusiness](https://twitter.com/L_Pbusiness)



LONDON™
& PARTNERS

