

# UK Startup Outlook 2017

KEY INSIGHTS FROM THE SILICON VALLEY BANK  
STARTUP OUTLOOK SURVEY



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## Strength in the Innovation Sector

Silicon Valley Bank presents Startup Outlook 2017, the bank's annual report on the health of the innovation economy. This year, it comes at a time of significant transition around the world and opportunity in the innovation sector. In its eighth year, the Startup Outlook survey asks entrepreneurs to share what they are thinking about business conditions, access to capital and talent and the critical policy issues that help or hinder their success.

Nearly 950 technology and healthcare executives, primarily from the United States, UK and China, participated in the survey, which was conducted shortly after the November 2016 United States presidential election. Given this timing, we did recognize some uncertainty in the responses from what is historically an optimistic group. As the United States transitions to a new administration and the United Kingdom negotiates Brexit, startup sentiments and markets may shift when policies and priorities become clearer. In China, we're seeing similar themes as the country navigates a historic transition from an industrial to an innovation economy.

Against this backdrop, there is good news. The innovation sector is building strength after a healthy recalibration in 2016. Public markets have bounced back, jobs reports are more optimistic, investors are doing deals, valuations are corrected, more funding options are available and the exit market has improved. No matter where they are located, at least 85 percent of entrepreneurs are expecting M&A,

the ultimate exit for most startups, to increase or stay the same. In the United States, SVB is predicting the number of venture capital-backed IPOs to double or even triple over 2016.

Here's what else we see: There is more potential now for innovation to thrive than in the last 25 years. The breadth of opportunity created by old-world industries being transformed by technology continues to expand globally. Still, companies forming now will have to prove their value with a higher bar as investors continue to identify opportunities with the most promise. We have a long-term positive outlook for the innovation economy, but individual startups will face challenges. It's the nature of the business of building disruptive companies. So mindful of the unicorn lineup awaiting exits, we will not be surprised to see companies struggle and fail this year, potentially even more than in recent years. This is healthy innovation.

Thank you for your interest in Startup Outlook 2017. We hope the findings can be useful as you chart your own path or follow this sector. Looking globally, the opportunities for innovation are abundant.



**Greg Becker**

*President and CEO, Silicon Valley Bank*

# About the Startup Outlook 2017 survey

Our eighth annual survey of technology and healthcare executives offers insight into what's on the minds of innovation leaders today. For this year's survey, we received 941 responses covering such topics as how innovation companies are faring, hiring projections and how government policies are affecting business growth.

**Total respondents**  
**941**

### Industry sector

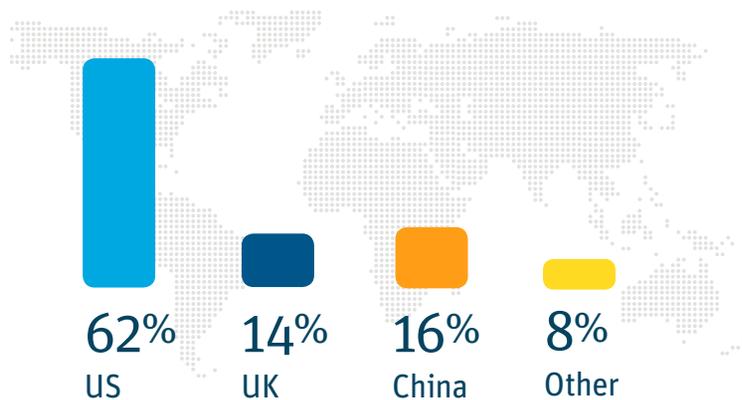


16%  
Other

### Profitable



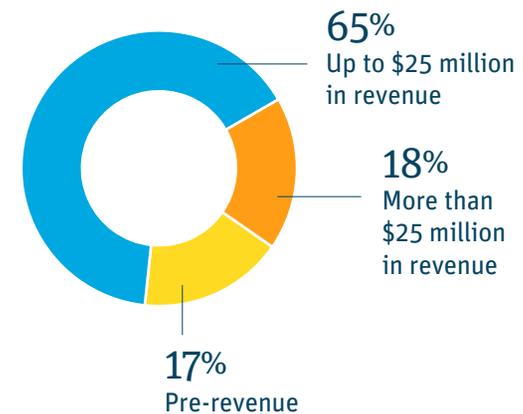
### Primary place of business



### Ownership



### Revenue stage



Peerless Insights Survey, a third-party firm, conducted the Startup Outlook 2017 survey online on Silicon Valley Bank's behalf from November 14, 2016, to January 3, 2017.

The ingredients that have led the UK to become a top global innovation center are firmly in place. Recent geopolitical events are creating uncertainty, but our view is that Brexit may well create opportunities to enhance the UK's competitiveness in the EU. We expect there will be new focus on the factors that drive business innovation and success, including easing contractual arrangements, creating new investment opportunities and making taxation more competitive.

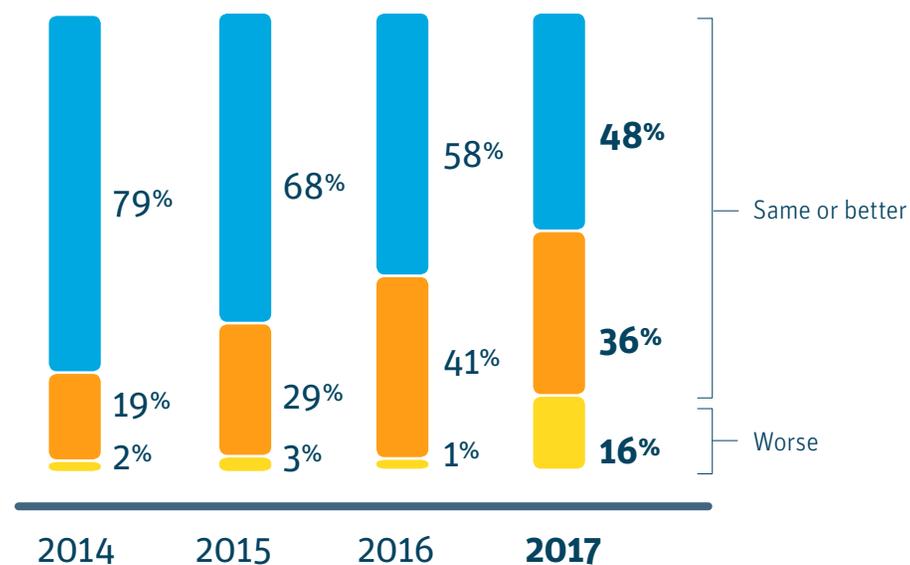
Not surprisingly, the UK survey respondents indicate there is less optimism about business conditions than a year ago, yet more startups expect to grow their workforces in 2017. This may be a year of transition, but innovation in Britain is strong.

## Optimism among UK startups takes a knock for 2017

Uncertainty appears to be tempering optimism about business conditions in 2017. About half say conditions will improve, down from 58% last year.

Describe your outlook on business conditions for your company this year compared to last:

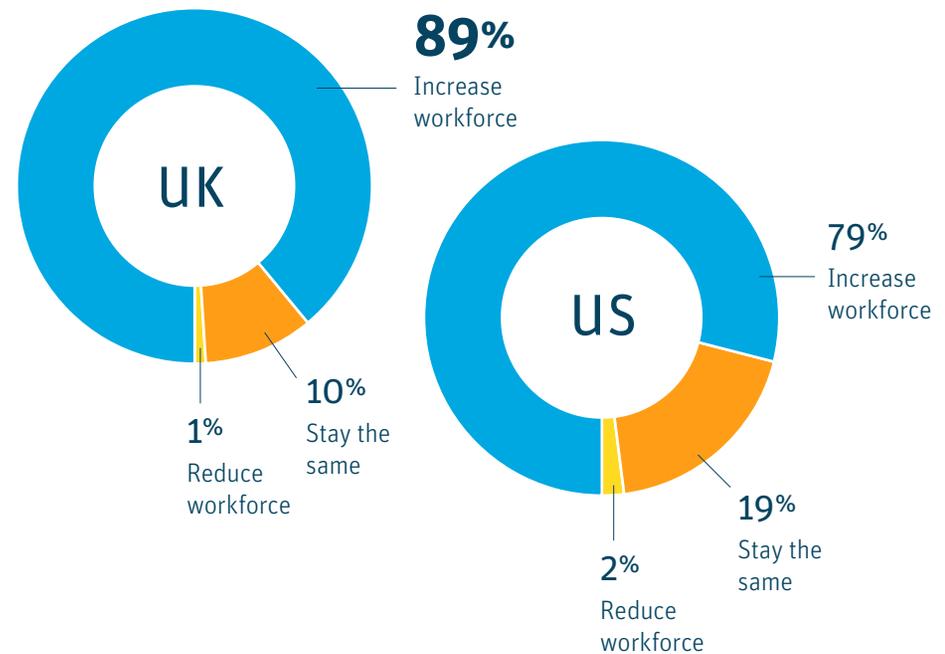
■ Will be better ■ Will stay the same ■ Will be worse



## Despite uncertainty, UK startups are hiring

89% of UK startups intend to grow their workforce in 2017. A large proportion of US startups also plan to grow their workforce this year.

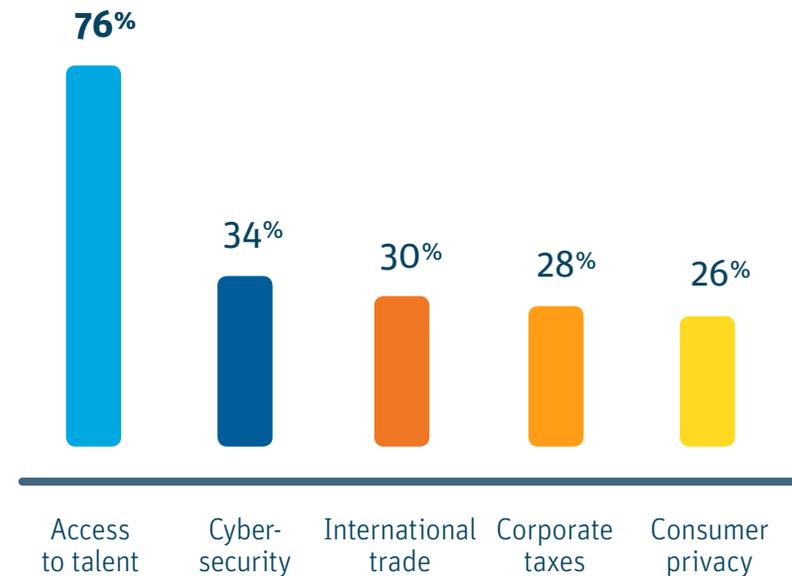
What are your projections for hiring new employees this year?



## Top five public policy issues facing UK tech businesses

Access to talent remains the number-one issue for technology businesses. Cybersecurity and consumer privacy have been a growing concern for survey respondents this year against a backdrop of hacking incidents and cyberattacks on governments and businesses.

What are the most important public policy issues affecting companies like yours?

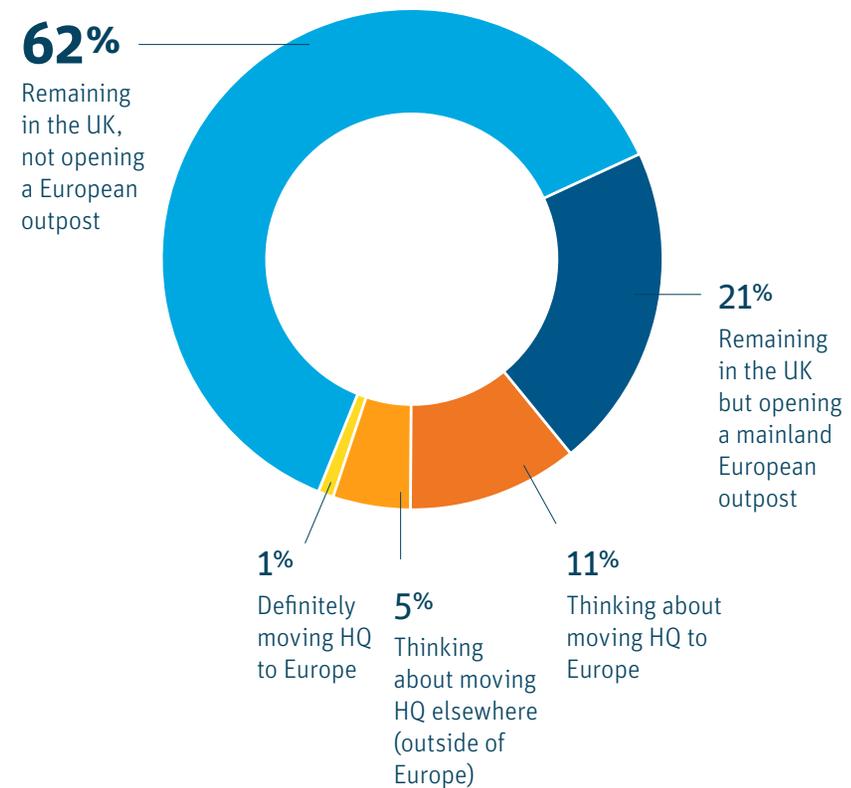


**Note:** Respondents were given the opportunity to select multiple responses.

## Startups weigh expansion plans in Europe

With Brexit on the horizon, startups are evaluating how to respond. While two in three don't plan to expand outside Britain, one in five is thinking of establishing European outposts. And 17% say they may move their headquarters out of the UK.

As a result of the Brexit vote:



## Top five Brexit-related issues facing UK startups

It's a time of uncertainty for non-British residents in the UK, and that is reflected in startups' top Brexit-related issue: how non-British employees view their future opportunities in the UK. Interestingly, however, just 12% of startups say attracting European talent is a top concern.

Following the 2016 Brexit vote, the top issue my business is facing is:

**32%** My non-British employees are worried about their long-term opportunities in the UK

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**21%** Attracting VC funding is harder

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**21%** Increasing cost of running a business

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**12%** Harder to attract European talent

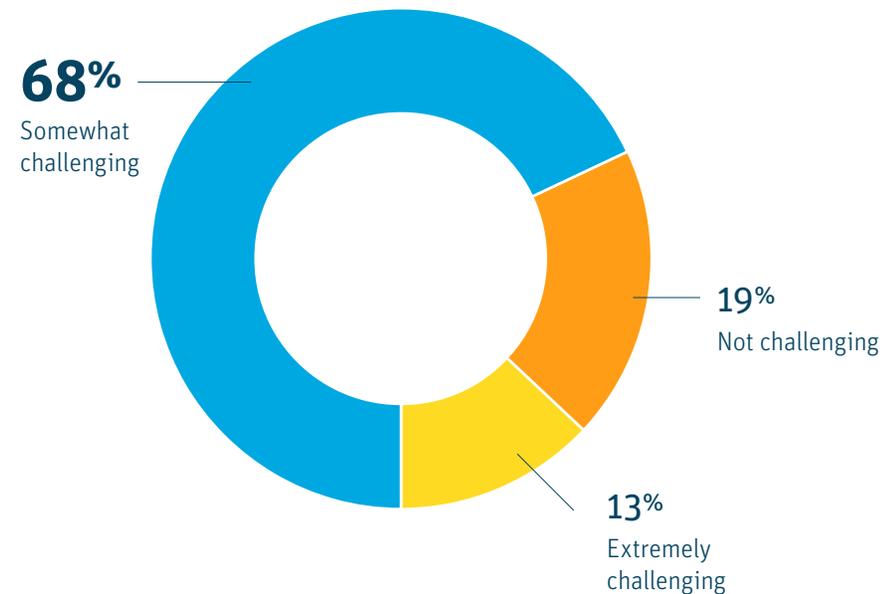
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**7%** Selling into Europe is harder

## Raising capital continues to challenge most UK startups

Similar to the situation for startups globally, raising capital is not easy. However, in the current environment, 19% of UK startups say it is not challenging.

What is your view of the current fundraising environment for businesses like yours?

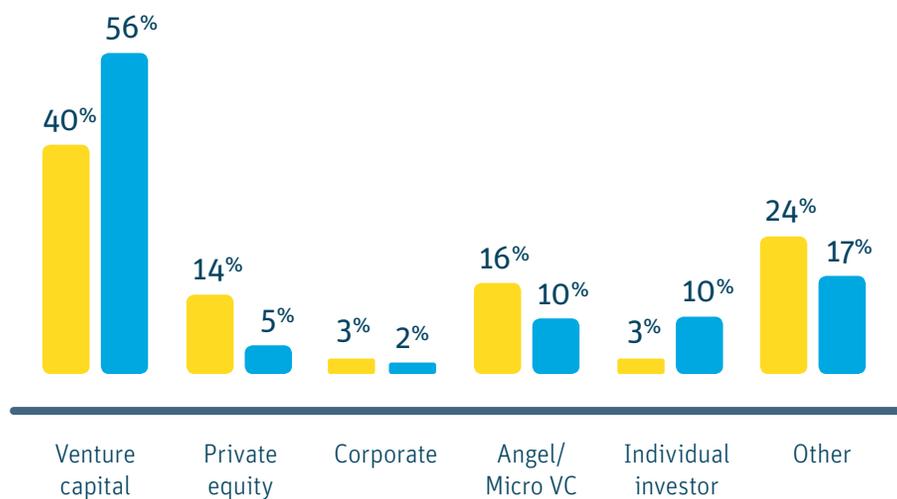


## Startups say reliance on venture capital is growing

Following recent years of significant VC fundraising, more startups expect to seek VC funding.

### What do you expect to be your company's next source of funding?

■ 2016 ■ 2017

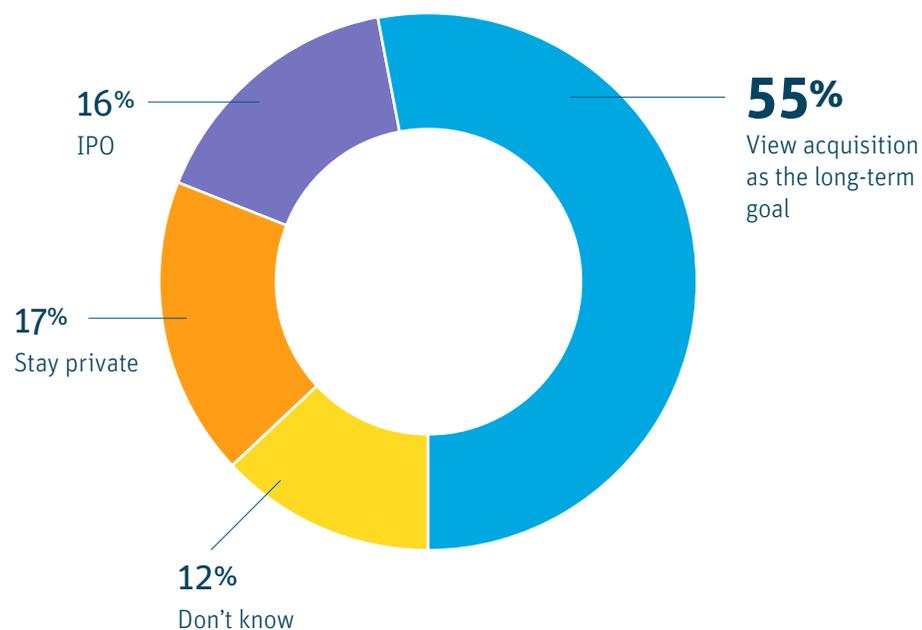


**Other includes:** organic growth, bank debt, IPO, grant, crowdfunding.

## Startups say M&A is their most likely exit path

85% of startups expect to see at least the same number of acquisitions in 2017 as last year. In the long term, the majority of startups plan to be acquired.

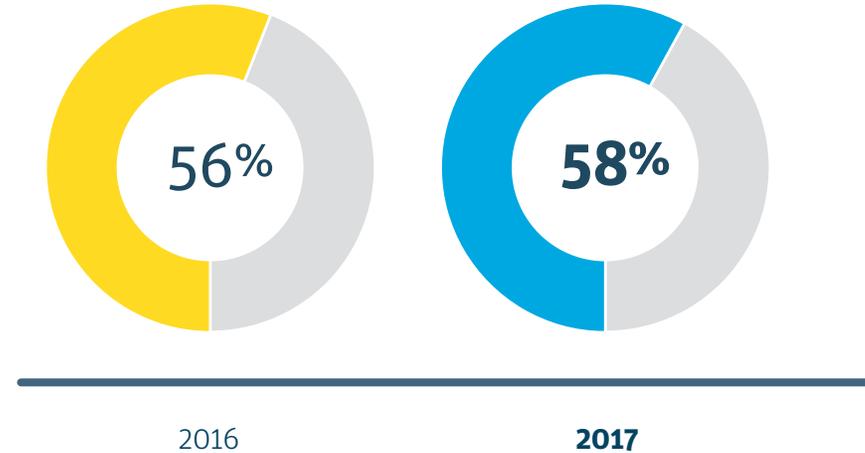
What is the realistic long-term goal for your company?



## The ratio isn't changing

Women are underrepresented in C-level positions: 58% of UK startups report they have no women in these positions, which is similar to the US.

Percentage of startups with no women in C-level positions:





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